“INTRODUCTION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated June 2017 is archived.

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<td>Information Requirements Page I-4</td>
<td>Added clarifying language for requests to deviate from or exceptions to the Department of Defense Financial Management Regulation.</td>
<td>Revision</td>
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INTRODUCTION

The Department of Defense (DoD) 7000.14-R, DoD Financial Management Regulation (FMR) is issued under the authority of DoD Instruction 7000.14, “DoD Financial Management Policy and Procedures.” The DoD FMR directs statutory and regulatory financial management requirements, systems, and functions for all appropriated and nonappropriated, working capital, revolving, and trust fund activities.

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APPLICABILITY

The DoD FMR applies to the Office of the Secretary of Defense, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the DoD Office of the Inspector General, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (hereinafter referred to collectively as “DoD Components”).
PARAGRAPHS NUMBERING SYSTEM

The paragraph numbering system is consistent across the Regulation. The 6-digit paragraph number (e.g., 010101) and its subparagraph designators are formulated as follows:

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*INFORMATION REQUIREMENTS

DoD Components should forward recommended changes to this Regulation through appropriate channels to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Office of the Deputy Chief Financial Officer (ODCFO). Requests for deviations from or exceptions to this Regulation must be submitted via formal memorandum through your organization’s appropriate coordination and approval process to the OUSD(C), ODCFO. The memorandum must provide justification and supporting documentation as applicable. Mailing address:

OUSD(C), ODCFO
Financial Management Policy and Reporting
1100 Defense Pentagon
Washington, DC 20301-1100

The DoD FMR is available online at: [http://comptroller.defense.gov/FMR.aspx](http://comptroller.defense.gov/FMR.aspx).
DEPARTMENT OF DEFENSE
FINANCIAL MANAGEMENT REGULATION

VOLUME 1: “GENERAL FINANCIAL MANAGEMENT INFORMATION, SYSTEMS AND REQUIREMENTS”

UNDER SECRETARY OF DEFENSE (COMPTROLLER)
VOLUME 1, CHAPTER 1: “CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE”

SUMMARY OF MAJOR CHANGES

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<td>All</td>
<td>Reformatted chapter and updated hyperlinks to comply with current administrative instruction.</td>
<td>Revision</td>
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<tr>
<td>010302.C.1</td>
<td>Added guidance requiring all budgetary and proprietary transactions be in compliance with the Standard Financial Information Structure, and are readily available for audit purposes.</td>
<td>Addition</td>
</tr>
<tr>
<td>010304</td>
<td>Added guidance related to the roles and responsibilities of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO) pertaining to budget execution in accordance with DoD Directive 5118.03.</td>
<td>Addition</td>
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<tr>
<td>0104</td>
<td>Added guidance from Title 10, United States Code, section 2222 to inform readers of the responsibilities shared by the CFO and the Chief Management Officer surrounding Financial Management Defense business systems.</td>
<td>Addition</td>
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<tr>
<td>0107</td>
<td>Added information pertaining to a new Directorate within the Deputy Comptroller (Program/Budget).</td>
<td>Addition</td>
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<td></td>
<td>Deleted the information pertaining to the Business Processes and Systems Modernization Directorate, and added the Focus Leadership Execution Team information.</td>
<td>Revision</td>
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<td></td>
<td>Added the role of the Director, Defense Contract Audit Agency along with agencies responsibilities and functions.</td>
<td>Addition</td>
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<tr>
<td>Figure 1-1</td>
<td>Updated the Under Secretary of Defense (Comptroller)/CFO Structure.</td>
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CHAPTER 1

CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

0101 GENERAL

010101. Purpose

This chapter describes the establishment, roles, responsibilities, and authority of the Department of Defense (DoD) Chief Financial Officer (CFO) as established by the CFO Act of 1990. The DoD CFO is also the Under Secretary of Defense (Comptroller) (USD(C). The USD(C)/CFO is charged with the responsibility of developing and implementing DoD-wide financial management systems and overseeing financial management activities relating to the CFO programs and operations of the DoD.

010102. Authoritative Guidance

The CFO establishment, roles, responsibilities, and authority prescribed in this chapter are in accordance with the applicable provisions of the following sources:


H. Doc5118.03, “Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense (USD(C)/CFO)”; and

I. DoDD 5118.05, "Defense Finance and Accounting Service (DFAS)".

0102 CHIEF FINANCIAL OFFICER APPOINTMENT

The CFO Act designates DoD as an agency whose CFO is either appointed by the President, by and with the advice and consent of the U.S. Senate; or designated by the President, in consultation
with the head of the agency, from among officials of the agency who are required by law to be so appointed. The USD(C), who is appointed by the President and confirmed by the U.S. Senate, is also the DoD CFO. The USD(C)/CFO must be appointed or designated, as applicable, from among individuals who possess demonstrated ability in general management of, and knowledge of and extensive practical experience in financial management practices in large governmental or business entities.

0103 ROLES AND RESPONSIBILITIES

The USD(C)/CFO is the Principal Staff Assistant and advisor to the Secretary of Defense for budgetary and fiscal matters including financial management, accounting policy and systems, managers’ internal control systems, budget formulation and execution, contract audit administration and organization, and general management improvement programs. See Figure 1-1 for the DoD Chief Financial Officer Structure. Consistent with the CFO Act, the following roles and responsibilities are assigned USD(C)/CFO:

010301. Financial Management

Direct, manage and provide policy guidance and oversight of DoD financial management activities, personnel, and operations, including:

A. Establish financial management policies for the DoD including its component parts. Ensure compliance throughout the DoD with applicable accounting policy and standards.

B. Establish, review and enforce internal control policies, standards and compliance guidelines involving financial management.

C. Provide oversight of financial management activities and operations including: (a) preparation and annual revision of the Financial Improvement and Audit Remediation plan and (b) development of financial management budgets.

D. The preparation and annual revision of a DoD plan to implement the 5-year financial management plan prepared by the Director of the Office of Management and Budget (OMB) and to comply with the audited financial statements provisions of the CFO Act.

E. The recruitment, selection and training of personnel to carry out DoD financial management functions.

010302. Financial Management Systems

Develop and maintain an integrated agency accounting and financial management system, including but not limited to financial reporting, internal controls, cash management, credit management, debt collection, property management, and inventory management. In coordination with the Chief Management Officer (CMO), provide for the design, development, and installment of financial systems (as defined in the Glossary) and for management improvement programs throughout the DoD, especially those related to financial management. Ensure system:
A. Compliance with applicable accounting principles, standards and requirements, and internal control standards.

B. Compliance with such policies and requirements as may be prescribed by the Director of OMB.

C. Provides for:

* 1. Complete, reliable, consistent and timely budgetary and proprietary transaction-level information in accordance with the Standard Financial Information Structure (SFIS); and recorded in general ledgers of the accounting systems of record to produce auditable budgetary, proprietary, and managerial cost accounting reports for use by external and internal stakeholders, and which is responsive to the financial information needs of DoD management. All such financial management systems are required to establish a data sharing agreement with Advana.

2. The development and reporting of cost information.

3. The integration of accounting and budgeting information.

4. Financial and/or program performance data used in budget development and financial statements preparation.

5. The adequate controls over real property, equipment and inventories.

6. The systematic measurement of performance.

010303. Agency Financial Report

As required by OMB Circular A-136, DoD must prepare and transmit an Agency Financial Report (AFR) to the Secretary of Defense, OMB, U.S. Department of the Treasury (Treasury), the Government Accountability Office, and the Congress. The Department’s financial reporting requirements and related information on the preparation of the AFR are identified in Volume 6B, Chapter 3.

*010304. Budget Execution

A. Monitor the financial execution of the DoD budget in relation to actual expenditures, and prepare and submit to the Secretary of Defense timely performance reports.

B. Administer and provide analysis and recommendations for the budgeting and execution phases of the Planning, Programming, Budgeting, and Execution (PPBE) process of the DoD, utilizing advice from the Director, Cost Assessment and Program Evaluation and the CMO.
C. Direct the formulation and presentation of DoD budgets, the interactions with
the OMB and Congress on budgetary and fiscal matters, and the execution and control of approved
budgets. Maintain effective control and accountability over the use of all financial resources of the
DoD. In coordination with the CMO, conduct analyses aimed at increasing the efficiency of defense
spending.

010305. Biennial Review

Review, on a biennial basis, the fees, royalties, rents, and other charges imposed by the
Department for services and things of value it provides, and make recommendations on revising
those charges to reflect costs incurred in providing those services and things of value.

*0104 CHIEF FINANCIAL OFFICER AUTHORITY

010401. Title 10 United States Code

In accordance with 10 U.S.C. § 2222, the USD(C) in conjunction with the CMO must, in
consultation with the Defense Business Council, document and maintain any common enterprise
data for their respective areas of authority. Under this authority, they may also:

A. Participate in any related data governance process,

B. Extract data from defense business systems as needed to support priority
activities and analyses,

C. When appropriate, ensure the source data is the same as that used to produce
the financial statements subject to annual audit,

D. In consultation with the Defense Business Council, provide access, except
as otherwise provided by law or regulation, to such data to the Office of the Secretary of Defense,
the Joint Staff, the military departments, the combatant commands, the Defense Agencies, the
Department of Defense Field Activities, and all other offices, agencies, activities, and commands
of the Department of Defense; and

E. Ensure consistency of the common enterprise data maintained by their
respective organizations.

010402. Title 31 United States Code

To enable the USD(C)/CFO, for carrying out the duties and responsibilities, the
USD(C)/CFO, has authority to:

A. Access all records, reports, audits, reviews, documents, papers,
recommendations, or other material which are the property of the DoD or which are available to
the DoD, and which relate to programs and operations with respect to which DoD CFO has
responsibilities.
B. Request such information or assistance as may be necessary for carrying out the duties and responsibilities of the DoD CFO from any Federal, State, or local governmental entity.

C. To the extent and in such amounts as may be provided in advance by appropriations Acts, the CFO may enter into contracts and other arrangements with public agencies and with private persons for the preparation of financial statements, studies, analyses, and other services; and make such payments as may be necessary.

0105 CHIEF FINANCIAL OFFICERS COUNCIL

The DoD CFO is a member of the Chief Financial Officers Council (CFOC) consisting of the Deputy Director for Management of OMB, the Controller of the Office of Federal Financial Management of OMB, the Fiscal Assistant Secretary of the Treasury and agency CFOs. The CFOC meets periodically to advise and coordinate the activities of its agency members on such matters as consolidation and modernization of financial systems, improved quality of financial information, financial data and information standards, internal controls, legislation affecting financial operations and organizations, and other financial management matters.

0106 ESTABLISHMENT OF THE DEPUTY CHIEF FINANCIAL OFFICER

The CFO Act requires the establishment of DoD Deputy Chief Financial Officer (DCFO), who must report directly to the DoD CFO on financial management matters. The position of DCFO must be a career-reserved position in the Senior Executive Service. Consistent with qualification standards developed by, and in consultation with, the DoD CFO and the Director of OMB, the Secretary of Defense must appoint as DoD DCFO an individual with demonstrated ability and experience in accounting, budget execution, financial and management analysis, systems development, and not less than 6 years practical experience in financial management at large governmental entities.

0107 DEPARTMENT OF DEFENSE STAFF ORGANIZATIONS

010701. Deputy Comptroller (Program/Budget)

The Deputy Comptroller (Program/Budget) is responsible for overseeing and implementing budgetary functions within the DoD on a day-to-day basis. The Office of the Deputy Comptroller (Program/Budget) is organized into five directorates:

A. The Directorate for Investment is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to: Procurement; Research, Development, Test, and Evaluation; the National Intelligence Program; and for the Defense Acquisition Board program.

B. The Directorate for Military Personnel and Construction is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to operating and maintaining the U.S. military force structure to include active, reserve, and retired military; Defense
Health Program; military construction; family housing; homeowners assistance; North Atlantic Treaty Organization infrastructure; Base Realignment and Closure; and Real Property Maintenance.

C. The Directorate for Operations is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to operating and maintaining the U.S. military force structure to include active and reserve military personnel and civilian personnel. This directorate is also responsible for advising on all matters pertaining to Defense-wide Working Capital Funds, Contingency and International programs, the Pentagon Reservation Maintenance Revolving Fund, the Building Maintenance Fund, the Conventional Ammunition Working Capital Fund, the National Defense Stockpile Transaction Fund, and the Military Services' Management and Trust Funds.

D. The Directorate for Program and Financial Control is responsible for budget review tracking, the submission of the automated defense budget for the President’s budget, maintenance of the budget databases, apportionment of funds, reprogramming and transfer of funds, obligation and outlay forecasting and tracking, budget concepts and scorekeeping, and information system support.

E. The Directorate for Integration is responsible for developing and managing President’s Budget rollout material to include the Defense Overview Book, Weapons Book, Black Book, and Budget Rollout Slides. Responsibilities also include analyzing raw technical data and using special data analytics techniques to assist Program/Budget staff in linking information throughout the PPBE cycle; performing ad hoc tasks and special analysis; and functioning as a knowledge repository and fact-checking clearinghouse. The Directorate is also responsible for integrating Program/Budget products and directing traffic to achieve continuity and consistency in messaging with a focus on streamlining and improving processes to inform senior leaders faster with minimal errors.

010702. Deputy Chief Financial Officer

The DCFO is responsible for overseeing and implementing accounting policy, improvements in financial management, as well as other financial management functions for the DoD on a day-to-day basis. The Office of the DCFO is organized into three directorates, and one additional team responsible for ad hoc tasks assigned by leadership:

A. The Directorate for Chief Financial Officer Data Transformation Office (CDTO) is responsible for advancing National Defense Strategy by making common enterprise business data widely accessible, understandable and usable across the Defense enterprise; helping the DoD translate common enterprise data into actionable insights, decisions, and action; and advancing analytics to support complex National Defense challenges. CDTO is specifically responsible for Advana (derived from the term “Advancing Analytics”), the common enterprise data repository for the DoD, as required by the National Defense Authorization Act (NDAA) for Fiscal Year 2018. Advana, as described in Chapter 10, is a centralized data and analytics platform that provides DoD users with common business data, decision support analytics, and data tools. CDTO is responsible for DoD enterprise data housed in Advana; developing, implementing, and sustaining the financial management data strategy; and managing the Universe of Transactions for
the 4th Estate, Army, and Navy. CDTO is also responsible for sustaining cost management for financial management, human resources, information technology, real property, medical, acquisition, supply chain and maintenance; reconciling Fund Balance with Treasury for the 4th Estate; managing the performance measures for financial management; developing, implementing, and sustaining the Dormant Account Review Quarterly Process for the 4th Estate, Army, and Navy; and maintaining the Notice of Findings and Recommendations / Corrective Action Plans database.

B. The Directorate for Financial Improvement and Audit Remediation (FIAR) is responsible for oversight, management, performing liaison functions and helping DoD Components be audit ready; remediating findings, achieving post-audit sustainment, and developing and issuing a detailed Financial Improvement and Audit Remediation Plan that identifies financial process, system, and statement deficiencies and provides detailed corrective actions to address those deficiencies. Additional FIAR responsibilities include managing the Defense-wide Statement of Assurance process by monitoring and reporting the status of auditor and manager identified material weaknesses and corrective action plans; implementing the Federal Manager’s Financial Integrity Act program for DoD to include *OMB Circular A-123, Appendix A*, “Management of Reporting and Data Integrity Risk;” managing the Improving Financial Performance Initiative of the President’s Management Agenda; advocating for the USD(C)/CFO on various interagency forums and internal DoD councils, boards, committees, and external organizations as required, pertaining to audit readiness.

C. The Directorate for Financial Management Policy and Reporting (FMPR) is responsible for developing, promulgating, implementing, and interpreting DoD-wide accounting and finance policies; providing direct support to the USD(C)/CFO and DCFO on various interagency forums; advocating for the USD(C)/CFO on various interagency organizations, and representing the USD(C)/CFO on various internal DoD councils, boards and committees pertaining to financial management policy. In addition, FMPR is responsible for providing oversight of, and performing liaison functions with, the DoD Components with respect to financial management operations, systems, responses to audit reports, policy clarifications, and other matters related to financial management; and administering this Regulation. The FMPR Directorate is also responsible for developing and issuing the DoD AFR (see paragraph 010303), oversight of the DoD-wide consolidated financial statements and notes, management of the DoD Payment Integrity Program, and other external financial management reporting.

D. The Focus Leadership Execution Team (FLEX) is responsible for supporting the CFO and DCFO’s strategic vision for a strong internal control environment, and leads DoD implementation efforts for large-scale financial end-to-end business process and/or system adoption within the Department. In addition, FLEX is responsible for acting as the liaison for CMO reform efforts, and leading the development and implementation of DoD CFO’s Financial Management Functional Strategy to drive alignment to meet the 21st century mission requirements and re-investment of savings to the core mission of the DoD, aligned to the National Defense Strategy. The team is also responsible for collaborating with and removing barriers from DoD, other federal, and industry stakeholders to develop more efficient interoperable systems, business processes, data standards, Government-wide Accounting best practices; and advocating for the USD(C)/CFO role for initiatives amongst relevant boards and committees.
010703. Director, Defense Finance and Accounting Service

The Director of Defense Finance and Accounting Service (DFAS) is the principal DoD executive for finance and accounting requirements, systems, and functions under the authority and direction of the USD(C). In accordance with DoDD 5118.03 and DoDD 5118.05, DFAS must:

A. Direct and oversee finance and accounting requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities, including security assistance.

B. Establish and enforce requirements, principles, standards, systems, procedures, processes, and practices necessary to comply with finance and accounting statutory and regulatory requirements applicable to the DoD.

C. Provide professional finance and accounting services for DoD Components and other Federal agencies, as designated by the USD(C)/CFO.

D. Direct the consolidation, standardization, and integration of finance and accounting requirements, functions, procedures, operations, and systems and ensure their proper relationship with other DoD functional areas (e.g., budget, personnel, logistics, acquisition, and civil engineering).

E. Execute statutory and regulatory financial reporting requirements and provide financial statements, pursuant to 31 U.S.C. § 3515, to include supporting customers’ audit assertions and audit execution.

F. Provide advice and recommendations to the USD(C)/CFO on finance and accounting matters and provide documentation that discloses the internal controls within DFAS-assigned systems that may impact customers’ control environment in supporting auditability.

G. Coordinate on the establishment of all DoD finance and accounting activities independent of the DFAS and support the development and implementation of a compliant business solution with common business processes and data standards for horizontal end-to-end processes in the Business Enterprise Architecture.

010704. Director, Defense Contract Audit Agency

The Director of Defense Contract Audit Agency (DCAA) is under the authority, direction, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense (USD(C)/CFO), pursuant to 10 U.S.C. § 192, DoDD 5118.03, and DoDD 5105.36. The Director, DCAA, exercises authority, direction, and control over DCAA and all assigned resources. The mission of DCAA is to perform all necessary contract audits for the DoD, and to provide accounting and financial advisory services regarding contracts and subcontracts. DCAA achieves their mission by executing the following duties:
A. Assist in achieving the objective of prudent contracting, by providing DoD officials responsible for procurement and contract administration with financial information and advice on proposed or existing contracts and contractors, as appropriate.

B. In accordance with Government Auditing Standards, the Federal Acquisition Regulation, the Defense Federal Acquisition Regulation Supplement, and other applicable laws and regulations to the extent and in whatever manner is considered necessary to permit proper performance of the other functions, DCAA audits, examines, and reviews:

1. Contractors’ and subcontractors’ accounts records, documents, and other evidence;
2. Systems of internal control;
3. Compliance with regulations; and
4. Accounting, costing and general business practices and procedures.

C. Audits compliance with Defense Federal Acquisition Regulation Supplement Contractor Business Systems Clauses for contractors' accounting, material management and accounting, and estimating systems.

D. Direct audit reports to the Government management level having authority and responsibility to act on the audit findings and recommendations.

E. In an advisory capacity, attend and participate, as appropriate, in contract negotiation and other meetings where contract cost matters, audit reports, or related financial matters are under consideration.

0108 DEPARTMENT OF DEFENSE COMPONENTS

The Heads of the DoD Components must direct and manage financial management activities within their respective Components, consistent with the policies, requirements, principles, standards, procedures, and practices prescribed by the USD(C)/CFO and DFAS, and other policies as prescribed by the Heads of the other DoD Components.
Figure 1-1: UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL OFFICER STRUCTURE
**VOLUME 1, CHAPTER 2: “FEDERAL ACCOUNTING STANDARDS HIERARCHY”**

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<td>020103.E</td>
<td>Updated the authoritative guidance paragraph.</td>
<td>Revision</td>
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<td>020301</td>
<td>Replaced Financial Improvement and Audit Remediation (FIAR) with Financial Management Policy and Reporting (FMPR) as the responsible directorate for guidance and clarification regarding federal accounting standards.</td>
<td>Revision</td>
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<tr>
<td>020302.A</td>
<td>Replaced FIAR with FMPR as the responsible directorate for correspondence with the Federal Accounting Standards Advisory Board (FASAB) and the Accounting and Auditing Policy Committee (AAPC).</td>
<td>Revision</td>
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<tr>
<td>020303.B</td>
<td>Added FMPR directorate as a recipient of notification by Task Force participants of membership in FASAB and AAPC Task Forces.</td>
<td>Addition</td>
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CHAPTER 2

FEDERAL ACCOUNTING STANDARDS HIERARCHY

0201 GENERAL

020101. Overview

The Federal Accounting Standards Advisory Board (FASAB) is the body designated by the American Institute of Certified Public Accountants (AICPA) as the source of generally accepted accounting principles (GAAP) for federal reporting entities. As such, the FASAB is responsible for identifying the sources of accounting principles and providing federal entities with a framework for selecting the principles used in the preparation of general purpose financial reports that are presented in conformity with GAAP. FASAB promulgates accounting standards for U.S. government agencies after considering financial and budgetary information needs of Congress, executive agencies, and other users of federal financial information. FASAB considers comments from the public on its proposed Statements, which are widely distributed as “exposure drafts.” FASAB publishes adopted statements as Statement of Federal Financial Accounting Standards (SFFAS) that become GAAP for federal government entities. FASAB Standards and other FASAB authoritative publications, including FASAB Interpretations, Technical Bulletins, and Technical Releases are published on the FASAB website. Documents recently issued and not yet codified are also presented at this location.

020102. Purpose

A. This chapter includes the FASAB hierarchy of accounting principles and standards. These standards are used to promulgate accounting and financial reporting policy within the Department of Defense (DoD) Financial Management Regulation (FMR). The purpose of these principles and standards is to improve the usefulness of federal financial reports.

B. The provisions of this chapter apply to all DoD Components, including the Defense Working Capital Fund activities. However, this chapter does not apply to Nonappropriated Fund (NAF) accounting. NAF accounting policies are in Volume 13.

C. Interim policies and guidance issued by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) through various memoranda can be found on the OUSD(C) DoD FMR website. Such interim guidance will be incorporated into the DoD FMR once it is finalized.

020103. Authoritative Guidance

B. FASAB develops accounting standards and principles for the United States Government.

C. The *AICPA Code of Professional Conduct*, Part 1.320.020 recognized FASAB as the board that promulgates GAAP for federal entities.

D. *SFFAS 34*, “The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board” identifies the GAAP hierarchy for federal reporting entities.

E. The *Government Management Reform Act of 1994 (GMRA)* mandates executive agencies prepare their financial statement in accordance with GAAP.

---

0202 HIERARCHY

020201. Hierarchy of Accounting Standards

A. The SFFASs are GAAP applicable to the federal government and must be followed by all federal agencies in reporting under the GMRA. DoD Components must adhere to the GAAP hierarchy prescribed in SFFAS 34. The sources of accounting principles that are generally accepted are categorized in descending order of authority as follows:

1. FASAB SFFAS and Interpretations;

2. FASAB Technical Bulletins and, if specifically made applicable to federal reporting entities by the AICPA and cleared by FASAB, AICPA Industry Audit and Accounting Guides. Such pronouncements specifically made applicable to federal reporting entities are presumed to have been cleared by FASAB, unless the pronouncement indicates otherwise;

3. Technical Releases of the Accounting and Auditing Policy Committee (AAPC) of the FASAB; and

4. Implementation guides published by FASAB staff, as well as practices that are widely recognized and prevalent in the federal government.

B. If the accounting treatment for a transaction or event is not specified by a pronouncement or established in practice as described in subparagraph 020201.A, a federal reporting entity should first consider accounting principles for similar transactions or events within categories in subparagraphs 020201.A before considering Other Accounting Literature discussed in paragraph 020202.
C. A federal reporting entity should not follow the accounting treatment specified in accounting principles for similar transactions or events in cases in which those accounting principles either, (a) specifically prohibit the application of the accounting treatment to the particular transaction or event or (b) indicate that the accounting treatment should not be applied to other transactions or events by analogy.

020202. Other Pronouncements and Practices

A. Other Accounting Literature includes

1. FASAB Concepts Statements;

2. AICPA Industry Audit and Accounting Guides that have not specifically been made applicable to federal reporting entities by FASAB;

3. Pronouncements of other accounting and financial reporting standards-setting bodies, such as Financial Accounting Standards Board, Governmental Accounting Standards Board, the International Accounting Standards Board, and the International Public Sector Accounting Standards Board;

4. Publications of professional associations or regulatory agencies; and

5. Accounting textbooks, handbooks, and articles.

B. The appropriateness of other accounting literature depends on its relevance to particular circumstances, the specificity of the guidance, and the general recognition of the issuer or author as an authority. FASAB Concepts Statements would normally be more influential than other sources in this category.

0203 COMMUNICATION AND COORDINATION

*020301. Guidance and Clarification

To ensure the consistent application of SFFAS throughout DoD, the OUSD(C), Office of the Deputy Chief Financial Officer (ODCFO), Financial Management Policy and Reporting (FMPR) Directorate must be contacted when clarification, technical guidance, implementation guidance or other information regarding federal accounting standards is needed.

020302. Correspondence

* A. Formal and informal requests addressed to FASAB or the AAPC for an interpretation, clarification, technical guidance, implementation guidance or other information regarding SFFAS must be submitted through the OUSD(C), ODCFO, FMPR Directorate.
B. All correspondence presenting a DoD position on FASAB Exposure Drafts and on any other matters before FASAB or the AAPC will be signed by either the DoD CFO, DCFO or ADCFO.

C. Individuals submitting responses to exposure drafts will clearly indicate in the correspondence that the opinions expressed are those of the individual and do not represent the official position of DoD.

D. The Office of the Director of National Intelligence (ODNI) is not a component of DoD and, accordingly, may communicate with accounting standards-setting bodies in the same manner as other federal agencies. DoD components, including the Defense Intelligence Agency, the National Geospatial-Intelligence Agency, and the National Security Agency, provide input into ODNI correspondence with accounting standards-setting bodies. DoD Components should ensure that ODNI communications are not presented as official DoD positions. Further, to ensure the completeness of DoD communications, any DoD component input into ODNI correspondence with accounting standards-setting bodies should be coordinated with the ODCFO.

020303. Task Force Participation

A. Full participation by DoD in Task Forces sponsored by FASAB and the AAPC is critical to ensuring that DoD’s views are considered as accounting standards and guidance are formulated. This participation includes Task Force membership, meeting attendance, participation in group discussions, preparing draft documents, and commenting on draft Task Force documents.

* B. To ensure complete coverage by DoD, Task Force participants should notify the OUSD(C), ODCFO, Financial Improvement and Audit Remediation, and FMPR Directorates of membership in FASAB and AAPC Task Forces. Task Force participants should also remain alert to the fact that many issues will impact multiple DoD Components. Coordination with the FMPR Directorate and other DoD components will ensure that DoD is properly represented as government-wide accounting standards are formulated.
VOLUME 1, CHAPTER 3: “FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT COMPLIANCE”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2019 is archived.

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<th>PURPOSE</th>
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<td>0301</td>
<td>Added overview paragraph of the Federal Financial Management Improvement Act of 1996 (FFMIA) and enhanced the definitions of financial and mixed systems.</td>
<td>Revision/Addition</td>
</tr>
<tr>
<td>0303</td>
<td>Revised to reflect Office of Management and Budget (OMB) Implementation Guidance and Circular A-123, Appendix D.</td>
<td>Revision</td>
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<tr>
<td>0304</td>
<td>Revised to consolidate FFMIA compliance responsibilities in one section and include the Chief Financial Officer Data Transformation Office.</td>
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CHAPTER 3

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT COMPLIANCE

*0301 GENERAL

030101. Overview

The Federal Financial Management Improvement Act of 1996 (FFMIA) is intended to advance Federal financial management and ensure Federal systems provide reliable, consistent and uniformed disclosure of financial data using professionally-accepted accounting standards. FFMIA requires the Department of Defense (DoD or Department) to implement and maintain systems that comply substantially with Federal financial management system requirements, applicable Federal accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level. FFMIA requires DoD auditors to report on the Department’s compliance as part of financial statement audit reports; and determine, based on the audit report and other information, whether the Department’s financial management systems comply with FFMIA and, if not, to develop remediation plans as applicable.

030102. Purpose

This chapter prescribes the Department’s policy for achieving compliance with FFMIA. It provides the basis for the implementation of FFMIA in order for the Department to generate timely, accurate, and useful information with which the Department leadership can make informed decisions and to ensure accountability on an ongoing basis.

030103. Authoritative Guidance

The requirements prescribed by this chapter are in accordance with the applicable provisions of:

A. Title 10, United States Code, section 2223(a)(5) (10 U.S.C. § 2223(a)(5)) “Information technology: additional responsibilities of Chief Information Officers”


H. *OMB Circular A-123, Appendix D,* ”Compliance with the Federal Financial Management Improvement Act of 1996.”


J. Statement on Standards for Attestation Engagements No. 18, *(SSAE 18, AT-C Section 320)* “Reporting on an Examination of Controls at a Service Organization Relevant to User Entities’ Internal Control Over Financial Reporting.”


M. *DoD Instruction (DoDI) 8510.01,* ”Risk Management Framework (RMF) for DoD Information Technology (IT)”

0302 DEFINITIONS

030201. Financial System

A financial system is an information system or set of applications that comprise the accounting portion of the financial management system that maintains all summary or detailed transactions resulting from budgetary and proprietary financial activity. The financial system encompasses processes and records that:

A. Collect, process, maintain, transmit, and report financial events for all valid budgetary and proprietary transactions;

B. Provide sufficient, timely detail to permit proper classification of all budgetary and proprietary transactions to support the Department’s financial planning and budgeting activities;

C. Accumulate and measure the value of budgetary and proprietary transactions in a manner that permits consistent disclosure and reporting of financial information; and

D. Determine the period in which transactions occurred to permit the recording of transactions in the proper accounting period to support the preparation of financial statements.
030202. Mixed System

A mixed system is an information system that supports both the financial and non-financial functions of the Department.

*0303 ACCOUNTING STANDARDS

030301. System Transactions

A. The Department’s financial management systems must maintain accounting data at the transaction level. Financial management systems include both financial and mixed systems. All DoD financial events (budgetary and proprietary) must be recorded applying the requirements of the USSGL guidance in the TFM, and DoD USSGL transaction library (See Chapters 4 and 7 for additional guidance).

B. Application of the USSGL at the transaction level means that each time an approved transaction is recorded in DoD’s financial management system; it will generate appropriate general ledger accounts for posting the transaction according to the rules defined in the DoD USSGL transaction library guidance.

030302. FFMIA Compliance

In determining whether the Department’s financial management systems substantially comply with FFMIA, management and auditors must consider whether a system’s performance prevents the Department from meeting the specific requirements of FFMIA as listed in paragraph 030101. Identified deficiencies that do not prevent the Department from meeting the requirements listed in paragraph 030101 generally should not be considered as part of a FFMIA compliance determination. Auditors then need to use judgment in assessing whether the adverse impacts caused by identified deficiencies are instances of substantial noncompliance with FFMIA.

A. The DoD strategy for FFMIA compliance is integrated with related efforts to achieve auditability and maintain effective Internal Control over Reporting (ICOR) including Internal Control over Financial Reporting (ICOFR). Documentation that supports these related requirements also support FFMIA compliance and may be used to avoid duplication of efforts.

B. The DoD ICOFR Guide serves as a standard reference for users involved in financial reporting internal control activities within the DoD. This includes the annual requirements prescribed in the OMB Circular A-123, the FFMIA, and other applicable laws, regulations, and guidance. Its companion, the DoD Financial Statement Audit Guide is a reference for the Department’s personnel to use while supporting internal controls based financial statement audits.

C. The DoD ICOFR Guide identifies the specific Federal Information System Controls Audit Manual (FISCAM) control activities and techniques needed to address the key ICOR risk areas most likely to impact financial reporting based on the DoD’s experience. The remaining FISCAM control activities (identified as “Other Control Techniques for Consideration
in a Financial Statement Audit”) should be considered by Components when evaluating federal financial systems’ compliance with laws and regulations, such as FFMIA and the Federal Information Security Management Act of 2002 (FISMA).

D. In addition, the system assessment and authorization requirements set forth in DoDI 8510.01, for DoD Information Technology” were developed to meet FISMA requirements but did not meet system audit requirements as defined in the DoD ICOFR Guide. To maximize testing efficiency, the Office of the Under Secretary of Defense (Comptroller) (OUSD(C))/CFO developed the Financial Management Overlay that maps select FISCAM controls to their RMF counterparts as defined in NIST Special Publication 800-53, Version 4, to allow entities to test controls once and meet multiple compliance requirements. Any applicable FISCAM controls not covered by the Financial Management Overlay must be included in separate internal controls testing under the Manager’s Internal Control Program.

030303. Compliance Determination Framework

As an agency covered by the CFO Agency Act of 1990, the Department must determine whether financial management systems comply with Section 803(a) of the FFMIA. DoD Components and OUSD(C)/CFO must utilize OMB’s “FFMIA Compliance Determination Framework” (see Table 3-1) to assist the OUSD(C)/CFO in determining whether the Department is compliant with FFMIA. The FFMIA Compliance Determination Framework includes performance results based on annual financial statements, the "Federal Financial Management System Requirements" contained in 1 TFM 6-9500, and other information considered relevant and appropriate. The FFMIA Compliance Determination Framework goals and compliance indicators must to be used during the ongoing operation of the Department’s financial management systems. (See OMB Circular A-123, Appendix D, Attachment 1 for additional guidance).

030304. Maintaining Compliance

To maintain compliance with FFMIA, DoD Components must acquire, implement, and maintain financial management systems following the policies prescribed in Circular A-130, as well as associated financial management system guidance (see paragraph 030103). The DoD ICOFR Guide defines mandatory practices for maintaining auditability subsequent to assertion and validation. These same practices must be applied to maintain compliance with FFMIA requirements.

*0304 RESPONSIBILITIES

The responsibilities identified in this section are limited to those specific to FFMIA compliance and are not meant to be an exhaustive list of all of the responsibilities of these entities. This includes the authorities and framework that the Department employs to monitor, analyze, validate, integrate, and control FFMIA compliance requirements.
030401. OUSD(C)/CFO

A. OUSD(C)/CFO is supported by the CFO Data Transformation Office (CDTO) Directorate, the Financial Improvement and Audit Remediation (FIAR) Directorate, and the Financial Management Policy and Reporting (FMPR) Directorate. OUSD(C) is responsible for providing a Department-wide assessment of compliance with the requirements of FFMIA.

1. If the Component financial management systems do not substantially comply with the requirements, Section 803(c)(3) of the FFMIA requires that a remediation plan be developed, in consultation with OMB, that describes the resources, remedies, and milestones for achieving substantial compliance.

2. OUSD(C)/CFO must provide OMB progress towards resolving identified deficiencies and such progress must be discussed in the Components remediation plan, capital planning and investment control plans, and other planning documents, when applicable. When discussing resolution of deficiencies in such reports, the findings or analysis of noncompliance must be included with a discussion of ongoing remediation activities. Progress towards resolving the deficiencies must not be construed as compliance with FFMIA.

3. Remediation plans are expected to bring the Department’s financial management systems into substantial compliance no later than three years after the date a determination is made by OUSD(C)/CFO. However, if OUSD(C)/CFO, in concurrence with OMB, determines that the Department’s financial management systems cannot be brought into substantial compliance within 3 years, the Component (in concurrence with OUSD(C)/CFO) may specify a longer period. In this case, the Component must designate a Component official responsible for bringing the Components financial management systems into substantial compliance by the date specified.

B. The CDTO Directorate:

1. Governs the DoD Advancing Analytics (Advana) repository of common enterprise data. See Chapter 10 for additional information.

2. Maintains alignment of Advana capabilities and products with the functional requirements.

3. Acquires, incorporates, and standardizes data to support the business domain areas that align with the organizational structure of the Department.

4. Provides reasonable assurance to data consumers that data controls are clearly defined and executed in accordance FFMIA.

C. The FIAR Directorate:

1. Develops, publishes, and issues detailed financial improvement audit strategies, methodologies, and implementation guidance.

3. Monitors reporting entity FFMIA assertions made and provides internal control training to reporting entities on improving compliance with FFMIA.

4. Supports and monitors the progress of reporting entity testing and remediation plans; and develops metrics for monitoring and reporting progress.

5. Defines practices for maintaining auditability subsequent to FFMIA compliance assertion and validation.

6. Prepares and distributes to DoD Components instructions for the preparation of the Annual Statement of Assurance (SOA), including reporting the results of the most recent FFMIA assessments.

D. The FMPR Directorate:

1. Interprets applicable accounting principles, standards and requirements to issue updates to FFMIA compliance policy.

2. Develops and issues the DoD Agency Financial Report and other financial information and external financial management reports.

3. Maintains and publishes the DoD Financial Management Regulation (DoD 7000.14-R) to ensure it remains consistent with laws and other applicable guidance.

030402. Office of the Chief Management Officer

The Office of the Chief Management Officer (CMO) is the principal management office for the Secretary of Defense responsible for optimizing the business environment across the DoD enterprise. The Office of the CMO:

A. Oversees development, modernization, and sustainment of the Department’s portfolio of business systems through the Defense Business Council.

B. Develops and issues the Integrated Business Framework, the Business Enterprise Architecture requirements, and investment review process compliance guidance.

030403. DoD Components

A. Components must establish and maintain financial management systems that substantially comply with FFMIA Section 803(a) requirements. Component systems must be
developed to generate reliable, timely and consistent information necessary for the Department to comply with FFMIA requirements. DoD systems must have the ability to:

1. Prepare financial statements and other required financial and budget reports using information generated by the financial management system(s);
2. Provide reliable and timely financial information for managing current operations;
3. Reliably account for assets to properly protect from loss, misappropriation, or destruction; and

B. Components must maintain records of systems and transactional data to comply with FFMIA, financial statement audits, ICOFR, and Internal Control over Financial Systems in:

1. DoD Information Technology Portfolio Repository (DITPR). Components must ensure their system portfolio is consistent with the systems reported in DITPR. DoD financial systems and mixed systems must be identified in DITPR as part of the annual review process for Defense business systems in accordance with 10 U.S.C. § 2223(a)(5).
2. FIAR Systems Database (FSD). Components must utilize FSD to identify, capture, and report on the universe of financially-relevant systems for audits, executive leadership, and Congressional reporting requirements. Owners of each system must maintain the current status of FFMIA compliance in FSD to support annual FFMIA compliance and Department’s Annual SOA reporting. This information includes the System Name, Date Validated, Validating Organization, a Material Weakness Indicator (as a result of the FFMIA assessment), and rationale for excluding a system from FFMIA compliance requirements.
3. Advana Database. Components must provide CDTO with periodic (minimum quarterly) budgetary and proprietary transactional data for uploading to the Advana database. See Chapter 10 for additional information.

C. Components must use 1 TFM 6-9500 in the pre-acquisition, acquisition, and implementation of new financial management solutions (manual or automated). These federal financial management system requirements establish uniform financial systems, standards, and reporting that support the achievement of the DoD financial reporting objectives. In addition, Components must use the Federal Financial Management System Requirements in accordance with OMB Circular A-123.

1. Develop a plan in accordance with OMB Circular A-130, Appendix I.
2. Ensure the system portfolio and remediation plans are consistent with modernization priorities identified in 44 U.S.C. §3601.

D. Assess internal controls over business processes as well as Information Technology General Controls (ITGC) and IT Application Controls.

E. Address FFMIA compliance status and remediation plan in the Annual SOA.


G. Maintains risk assessments and ensures testing of internal controls are performed, and SOA supporting documentation (e.g., control evaluation matrix, detailed Corrective Action Plans (CAP), risk assessment) including evidence of management’s evaluation of existing internal controls and conclusions of material weaknesses reported in support of DoD-wide SOA reporting.

H. Maintains an itemization and characterization of the system of internal controls, Significant Deficiencies (Internal Control over Operations only), and Material Weaknesses and includes them in their SOA.

I. Ensures CAPs are established, internal control deficiencies remediated, and status reported to DoD leadership as specified in the DoD Guide.

030404. Defense Finance and Accounting Service

The Defense Finance and Accounting Service (DFAS) must develop and maintain a DFAS system FFMIA compliance remediation plan in coordination with DoD Components. For each financial system and mixed system managed by DFAS, this includes:

A. Establishment of a Memorandum of Agreement (MOA) with each DoD reporting entity supported by each DFAS system.

B. Conducting compliance testing, as required per the MOA.

C. Supporting reporting entity end-to-end business process testing (in accordance with the MOA).

D. Provide Components with a Report on Controls at a Service Organization Relevant to User Entities’ Internal Control over Financial Reporting and also known as a System and Organizational Controls 1 (SOC 1). The SOC 1 is an important tool for Component management and auditors as they evaluate the effect of the controls at the service organization on the user entities' controls for financial reporting.
030405. DoD Inspector General

The Office of the Inspector General is responsible for:

A. Performing system audits (e.g., general and application control and FFMIA) based on the DoD Internal Control Guide and DoD Audit Guide.

B. Performing FFMIA compliance evaluations as part of financial statement audits and/or oversees evaluations performed by independent public accounting firms during financial statement audits. This includes identifying in writing the nature and extent of non-compliance when appropriate.

C. Report to Congress instances and reasons when the Department has not met the intermediate target dates established in the remediation plan required under FFMIA Section 803(c). Specifically, the report must include:

1. The Component responsible for the non-compliance;

2. The facts pertaining to the failure to comply with the requirements of subsection (a), including the nature and extent of the non-compliance, the primary reason or cause for the failure to comply, and any extenuating circumstances; and

3. A statement of the remedial actions is needed to comply.

030406. Defense Information Systems Agency

The Defense Information Systems Agency (DISA) provides application hosting services for the DoDs service providers. As a result, DISA is responsible for most of the ITGC over the computing environment in which many financial, personnel, and logistics applications reside. In order for service providers and components to rely on automated controls and documentation within these applications, controls must be appropriately and effectively designed.
Table 3-1. FFMIA Compliance Determination Framework

<table>
<thead>
<tr>
<th>Goal</th>
<th>Compliance Indicator</th>
<th>Risk (or Performance) Level</th>
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</thead>
<tbody>
<tr>
<td><strong>1. Federal Financial Information Management and Reporting</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1. Consistently, completely, and accurately record and account for Federal funds, assets, liabilities, revenues, expenditures, and costs.</td>
<td>1.1.a. Current / prior year’s agency-reported material weaknesses, reportable conditions, or non-conformances, or auditor-reported material weaknesses, or significant deficiencies related to accounting for and recording Federal funds, assets, liabilities, revenues, expenditures, and costs.</td>
<td>Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant.</td>
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<td></td>
<td></td>
<td>OR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agency-reported material weaknesses.</td>
</tr>
<tr>
<td>1.2. Provide timely and reliable Federal financial management information of appropriate form and content to agency program managers for managing current Government programs and activities.</td>
<td>1.2.a. Current / prior year’s agency-reported material weaknesses, reportable conditions, or non-conformances related to internal reporting of financial management information used for managing current Government programs and activities.</td>
<td>Agency-reported control deficiencies that individually or collectively are not considered significant.</td>
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<td></td>
<td></td>
<td>OR</td>
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<td></td>
<td></td>
<td>Agency-reported material weaknesses.</td>
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Table 3-1. FFMIA Compliance Determination Framework (Continued)

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<th>Goal</th>
<th>Compliance Indicator</th>
<th>Risk (or Performance) Level</th>
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<tbody>
<tr>
<td>1. Federal Financial Information Management and Reporting</td>
<td>Low Risk</td>
<td>Medium Risk</td>
</tr>
<tr>
<td>1.3. Provide timely and reliable Federal financial management information of appropriate form and content for continuing use by stakeholders external to the agency, including the President, Congress, and the public.</td>
<td>1.3.a. Audit opinion on agency financial statements.</td>
<td>Unmodified (Unqualified).</td>
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<tr>
<td></td>
<td>1.3.b. Unaudited interim agency financial statements submitted to OMB within 21 calendar days after the end of the first three quarters of the fiscal year.</td>
<td>On time.</td>
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<tr>
<td></td>
<td>1.3.c. Agency financial reports submitted to OMB, GAO, and Congress by November 15th.</td>
<td>On time.</td>
</tr>
<tr>
<td>1.4. Provide timely and reliable Federal financial management information of appropriate form and content that can be linked to strategic goals and performance information.</td>
<td>1.4.a. Agency costs, as presented in the Statement of Net Cost, in accordance with OMB Circular A-136, are clearly linked to agency strategic goals and are free from agency-reported material weaknesses, reportable conditions, or non-conformances, or auditor-reported material weaknesses or significant deficiencies.</td>
<td>Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant.</td>
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<td></td>
<td>1.4.b. Financial and performance information, as presented in the performance section of the Agency Financial Report or Performance &amp; Accountability report, is free from agency-reported material weaknesses, reportable conditions, or non-conformances.</td>
<td>Agency-reported control deficiencies that individually or collectively are not considered significant.</td>
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</table>
Table 3-1. FFMIA Compliance Determination Framework (Continued)

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<tr>
<td>1. Federal Financial Information Management and Reporting</td>
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</tr>
<tr>
<td>1.5. Provide timely and reliable Federal financial management</td>
<td>Agency costs, as presented in the Statement of Net Cost, in accordance with OMB Circular A-136, are clearly linked to agency strategic goals and are</td>
<td></td>
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<tr>
<td>information of appropriate form and content that can be linked to</td>
<td>free from agency-reported material weaknesses, reportable conditions, or non-conformances, or auditor-reported material weaknesses or significant</td>
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<td>strategic goals and performance information.</td>
<td>deficiencies.</td>
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<tr>
<td>1.4.c.</td>
<td>Agency-reported control deficiencies that individually or collectively are not considered significant.</td>
<td>Agency-reported reportable conditions or non-conformances. OR Auditor-reported significant</td>
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<td>1.4.d.</td>
<td>Agency-reported control deficiencies that individually or collectively are not considered significant.</td>
<td>deficiencies.</td>
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Table 3-1. FFMIA Compliance Determination Framework (Continued)

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<td>2. Financial Management and Internal Controls</td>
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</tr>
<tr>
<td>2.1. Provide internal control to restrict Federal obligations and outlays to those authorized by law and within the amount available.</td>
<td>2.1.a. Current / prior year’s agency-reported material weaknesses, reportable conditions, or non-conformances, or auditor-reported material weaknesses or significant deficiencies related to restricting agency obligations and outlays to those authorized by law and within the amount available.</td>
<td>Low Risk: Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant. Medium Risk: Agency-reported reportable conditions or non-conformances. High Risk: Agency- or auditor-reported material weaknesses.</td>
</tr>
<tr>
<td></td>
<td>2.1.b. Antideficiency Act violation report required to be submitted.</td>
<td>None required within the last 2 fiscal years preceding the current fiscal year. Required within the last 2 fiscal years preceding the current fiscal year. Required for the current fiscal year.</td>
</tr>
<tr>
<td>2.2. Perform Federal financial management operations effectively within resources available.</td>
<td>2.2.a. Current / prior year's instances of non-compliance with laws and regulations related to prompt payments or debts owed to the Federal Government.</td>
<td>No reported instances. Instances reported in current year. Instances reported in current and prior year(s).</td>
</tr>
</tbody>
</table>
**Goal** | **Compliance Indicator** | **Risk (or Performance) Level** |
---|---|---|
**2. Financial Management and Internal Controls** | | |
2.3. Minimize waste, loss, unauthorized use, or misappropriation of Federal funds, property and other assets within resources available. | 2.3.a. Current / prior year's agency-reported material weaknesses, reportable conditions, or non-conformances, or auditor-reported material weaknesses or significant deficiencies related to minimizing waste, loss, unauthorized use, or misappropriation of Federal funds, property and other assets. | Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant. | Agency-reported reportable conditions or non-conformances. OR Auditor-reported significant deficiencies. |
2.4. Minimize Federal financial management system security risks to an acceptable level. | 2.4.a. FISMA or other (for example, National Institute of Standards and Technology-related) significant deficiencies impacting financial management systems in the agency Security Certification and Accreditation of Federal Information Systems. | Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant. | Agency-reported reportable conditions or non-conformances. OR Auditor-reported significant deficiencies. |

---

1 OMB Memorandum 12-20 defines a significant deficiency as "a weakness in an agency's overall information systems security program or management control structure, or within one or more information systems that significantly restricts the capability of the agency to carry out its mission or compromises the security of its information, information systems, personnel, or other resources, operations, or assets. In this context, the risk is great enough that the agency head and other agencies must be notified and immediate or near-immediate corrective action must be taken."
VOLUME 1, CHAPTER 4: “STANDARD FINANCIAL INFORMATION STRUCTURE”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated March 2019 is archived.

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<tr>
<td>All</td>
<td>Updated missing and incorrect hyperlinks.</td>
<td>Revision</td>
</tr>
<tr>
<td>040103</td>
<td>Revised the Authoritative Guidance paragraph to include titles of the United States Code (U.S.C.) being referenced.</td>
<td>Revision</td>
</tr>
<tr>
<td>040201</td>
<td>Referenced U.S.C. to enhance the definition of the Business Enterprise Architecture.</td>
<td>Revision</td>
</tr>
<tr>
<td>040206</td>
<td>Updated the paragraph title to be consistent with the Office of the Deputy Chief Financial Officer Standard Financial Information Structure website.</td>
<td>Revision</td>
</tr>
<tr>
<td>040403</td>
<td>Updated the Department of Defense Component responsibilities.</td>
<td>Revision</td>
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CHAPTER 4

STANDARD FINANCIAL INFORMATION STRUCTURE

0401 GENERAL

040101. Overview

The Standard Financial Information Structure (SFIS) is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, interoperability, and external reporting needs across the Department of Defense (DoD) enterprise. It is a common business language that enables budgeting, performance-based management, and the generation of financial statements. SFIS standardizes financial reporting across DoD and allows revenues and expenses to be reported by programs that align with major goals, rather than basing reporting primarily on appropriation categories. It also enables decision-makers to efficiently compare programs and their associated activities and costs across DoD and provides a basis for common valuation of DoD programs, assets, and liabilities. The SFIS matrix that defines each data element is available on the SFIS resources web page.

040102. Purpose

This chapter prescribes the requirements for SFIS and Standard Line of Accounting (SLOA)/Accounting Classification compliance for DoD business systems. SFIS and SLOA/Accounting Classification compliance provides a means for DoD business systems to meet statutory requirements and additional requirements implemented by the Office of Management and Budget (OMB), and the United States Department of the Treasury (Treasury).

040103. Authoritative Guidance

A. Title 10, United States Code (U.S.C.), section 2222(e)(3) (10 U.S.C. § 2222(e)(3)), Defense business systems: business process reengineering; enterprise architecture; management, requires that the DoD Business Enterprise Architecture (BEA) include an information infrastructure that, at a minimum, enables DoD to:

1. Comply with all applicable law, including Federal accounting, financial management, and reporting requirements;
2. Routinely produce verifiable, timely, accurate, and reliable business and financial information for management purposes;
3. Integrate budget, accounting, and program information and systems; and
4. Identify whether each existing business system is a part of the business system environment outlined by the Defense BEA, will become a part of that environment with appropriate modification, or is not a part of that environment.
B. 10 U.S.C. § 2222(e)(3)(A) requires establishment of policies, procedures, business data standards, business performance measures, and business system interface requirements that are applied uniformly throughout DoD.

C. 31 U.S.C. § 902(a)(3), Authority and functions of agency Chief Financial Officer, requires agencies to develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls that:

1. Complies with applicable accounting principles standards and requirements, and internal control standards;

2. Complies with such policies and requirements as may be prescribed by the Director of OMB;

3. Complies with any other requirements applicable to such systems; and

4. Provides for:

   a. Complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management;

   b. The development and reporting of cost information;

   c. The integration of accounting and budgeting information; and

   d. The systematic measurement of performance.

D. The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to incorporate accounting standards and reporting objectives established for the Federal Government into their financial management systems so that all the assets and liabilities, revenues, expenditures or expenses, and the full costs of programs and activities of the Federal Government can be consistently and accurately recorded, monitored, and uniformly reported throughout the Federal Government.


F. The OMB Circular A-123, Appendix D, provides FFMIA compliance guidance including the requirement for agencies’ financial management systems to reflect an agency-wide financial information classification structure that is consistent with the United States Standard General Ledger (USSGL). Application of the USSGL at the transaction level means that each time an approved transaction is recorded in a financial management system, it must generate
the appropriate general ledger accounts for posting the transaction according to the rules defined in the USSGL guidance. OMB Circular 123, Appendix D was incorporated into Chapter 3.

G. The OMB, Office of Federal Financial Management requires, within each department or agency, accounting classification elements and definitions to be standardized to ensure uniform and efficient accounting treatment, classification, and reporting.


0402 DEFINITIONS

*040201. Business Enterprise Architecture

The BEA is the enterprise architecture for the DoD business mission area that guides and constrains implementation of interoperable Defense business system solutions as required by 10 U.S.C. § 2222. The BEA defines the DoD business transformation priorities, the business capabilities required to support those priorities, and the combinations of enterprise systems and initiatives that enable those capabilities. It is used to determine compliance for systems reviewed by the Defense Business Council (DBC) and includes the SFIS requirements. The BEA structure/framework was developed using a set of integrated DoD Architecture Framework products to include the All View, Operational View, Systems and Services View, and Technical Standards View. It includes activities, processes, data, information exchanges, business rules, system functions, system data exchanges, terms, and linkages to laws, regulations, and policies.

040202. Financial Management System Types

This paragraph defines DoD financial management system types in the current environment for purposes of SFIS and SLOA/Accounting Classification compliance. See the Glossary for a complete definition of a financial management system and Chapter 3 for definitions of a financial system and a mixed system.

A. Target Accounting System. A target accounting system is configured to post transactions to an internal USSGL compliant subsidiary or general ledger and does not have a system retirement plan and date.

B. Target Financial Business Feeder System. A target financial business feeder system does not qualify as a target accounting system and does not have a retirement plan
and date. The system creates or processes transactions with financial impacts and exchanges accounting data with another business feeder system(s) and/or accounting system(s).

C. Legacy Accounting System. A legacy accounting system is configured to post transactions to an internal subsidiary or general ledger and has a retirement plan and date.

D. Legacy Financial Business Feeder System. A legacy financial business feeder system does not qualify as an accounting system and has a retirement plan and date. The system creates or processes transactions with financial impacts and exchanges accounting data with another business feeder system(s) and/or accounting system(s).

040203. Investment Review Process

DoD implemented a business systems investment review process through the DBC. The Chief Management Officer (CMO) established the DBC as the principal subsidiary governance body to the Deputy's Management Action Group (DMAG) for defense business operations. The DBC also assumes the role of the Department's Investment Review Board (IRB) for Defense Business Systems investments. A primary goal of the IRB process is to facilitate development and implementation of integrated business systems across DoD business functions and capabilities; thereby providing a framework for effective investment decision-making and enabling the Department’s senior leadership to guide investments to maximize the impact to the warfighter. SFIS/SLOA is a critical part of this process.

040204. SFIS Business Rules

The SFIS business rules specify how SFIS data elements must be implemented and are the primary mechanism that drives SFIS compliance. The SFIS business rules dictate compliance requirements such as syntax, storage, derivation and usage.

040205. SFIS Compliance Checklist

The SFIS Compliance Checklist is based on the SFIS business rules and is used to document compliance with the SFIS business rules. The Checklist provides the Office of the Secretary of Defense leadership, DoD Component program managers, and other financial and operations managers with a means for determining whether their accounting and financial business feeder systems comply with SFIS requirements. DoD Components use the Checklist as a tool to assess and gauge the level of a financial system’s compliance with SFIS requirements.

*040206. SFIS Values Library Service

The SFIS Values Library Service houses allowable SFIS values for specific SFIS data elements. Systems must be compliant with the value lists as outlined in the data elements authoritative source. The SFIS Values Library Service can be located on the OUSD(C)/Chief Financial Officer SFIS webpage.
4-7

040207. Standard Data

Standard data relates to information that is transmitted, processed, maintained, and/or accessed in a standard format. It is a structured communication medium that is exchanged within and between entities and other groups for business transactions. The standards describe structures that emulate documents; e.g., purchase orders to automate purchasing. The standard data is also used to refer to the implementation and operation of systems and processes for creating, transmitting, and receiving information. It simplifies the aggregation of data, limiting crosswalks and mapping procedures.

040208. SLOA/Accounting Classification

The DoD SLOA/Accounting Classification is a subset of the SFIS data standard elements. The SLOA/Accounting Classification is comprised of the minimum SFIS data elements that must be exchanged for business events that have an accounting impact at any point from the initial commitment to the final posting in the appropriate general ledger. This includes commitments, obligations, expenditures, and disbursements. The SLOA accommodates Treasury reporting requirements for daily cash reporting.

0403 COMPLIANCE REQUIREMENTS

040301. SFIS

A. SFIS compliance is required for all target accounting systems and target financial business feeder systems that comprise the target environment, as identified in the Component’s Functional Strategy and Organization Execution Plan that support financial transactions. SFIS is also considered for legacy accounting systems and legacy financial business feeder systems on a case-by-case basis. SFIS provides an enterprise-wide standard for categorizing financial information along several dimensions to support financial management and financial reporting functions; enable decision-makers to efficiently compare similar programs and activities across DoD; and provide a level of detail required for information retrieval and auditability. SFIS is aligned to federal-wide standards, at summary levels, for federal-level financial statements.

B. Systems must meet all applicable SFIS Business Rules. SFIS data element transactions are required to be posted to the financial accounting system using the required USSGL accounts and accounting standards. DoD Component program managers are required to use the SFIS checklist to determine SFIS compliance and to guide implementation and configuration efforts.

040302. SLOA/Accounting Classification

A. The DoD SLOA/Accounting Classification is a subset of SFIS data elements that is used to ensure accurate accounting transactions and interoperability between systems. The SLOA/Accounting Classification requirement is applicable for all systems that process business events with accounting impacts between the time of commitment through
disbursement. This includes, but is not limited to, accounting, contract writing, logistics, civilian pay, military pay, travel, medical, and transportation. Target systems must send, receive, capture, store, and maintain the SLOA/Accounting Classification data constructed as discrete data. Further, systems must meet all applicable SFIS Business Rules.

B. For legacy accounting systems and legacy financial business feeder systems that have a retirement plan and date, the implementation of SFIS and SLOA/Accounting Classification is considered on a case-by-case basis depending upon its impact on audit readiness.

040303. Interoperability of Data between Systems

Systems that support the financial management purchasing process such as contracts, intergovernmental orders, and payroll for audit readiness purposes must be interoperable with SLOA/Accounting Classification data elements. Supporting transactions are required to be posted to the target accounting system using proper USSGL accounts and accounting standards. A transaction broker and translation service may be used for legacy systems with a retirement plan and date to translate non-SFIS data elements to SFIS data elements. A transaction broker may be used to reduce the number of interfaces, thereby reducing the cost to maintain the interfaces and minimizing the number of interfaces subject to changes in interface controls to support auditability.

040304. Defense Departmental Reporting System SFIS Trial Balance

Target accounting systems must interface with the Defense Departmental Reporting System using an SFIS Compliant Trial Balance. The SFIS Compliant Trial Balance must meet all necessary USSGL and DoD financial reporting requirements.

0404 ROLES AND RESPONSIBILITIES

040401. Office of the Under Secretary of Defense (Comptroller)

The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)):

A. Serves in a leadership role and establishes policy for the development of DoD enterprise business and financial systems to include SFIS implementation across DoD.

B. Is responsible for providing stewardship for SFIS financial data elements, and serves as a primary representative on the DMAG and DBC (reference paragraph 040203).

C. Provides business and financial system insight on all issues presented at committee/board meetings and serves as the primary office of responsibility for actions stemming from the DMAG and the IRB.

D. Is responsible for publishing and maintaining the SFIS resources repository.

E. Works with DoD Components and Enterprise Resource Planning (ERP) integration teams to properly implement SFIS.
040402. Office of the Chief Management Officer

The Office of the Chief Management Officer (OCMO) established the new role of the DoD Chief Data Officer within the Office of the Chief Information Officer to lead the extraction and analysis of data to support business reform as well as lead the operation of a DoD-wide data governance body to oversee the preparation, extraction, and provision of common, transparent enterprise data throughout the business enterprise, including coordination on all data standards, to include SFIS, cost management, and overall data management.

*040403. DoD Components

DoD Components are responsible for:

A. Implementing SFIS for all applicable systems and ensuring interoperability between systems that have a financial impact. This includes asserting compliance with SFIS by using the Compliance Checklist for SFIS and maintaining their systems consistent with SFIS requirements.

B. Ensuring that all financial management systems (as defined in the Glossary) provide complete, reliable, consistent and timely budgetary and proprietary transaction-level information in accordance with SFIS; and are recorded in general ledgers of the accounting systems of record to produce auditable budgetary, proprietary, and managerial cost accounting reports for use by external and internal stakeholders.

040404. Defense Finance and Accounting Service

The Defense Finance and Accounting Service is responsible for maintaining the SFIS values library and ensuring all service provider applications and enterprise systems are compliant with SFIS.

0405 SFIS RESOURCES

The SFIS web page contains several resources that define the SFIS requirements and provides tools to assist with compliance including the following:

A. SFIS Matrix (SFIS data elements, definitions, examples, business rules, syntaxes, primary stewards, authoritative sources, required reports, and Extensible Markup Language Schemas).

B. SFIS Compliance Checklist.

C. SFIS/Standard Line of Account/Accounting Classification.

D. SFIS Values Library Service.

F. DoD USSGL Transaction Library.

G. DoD Standard Chart of Accounts Implementation Guidance.

H. DoD Chart of Accounts Tie-Points Standard.

I. Defense Departmental Reporting System Chart of Account Guidance and Account Attribute Alignment Guidance

J. Archived DoD Chart of Account Guidance.

K. Authoritative Guidance Pertaining to SFIS (External Links).

Table 4-1. SFIS Compliance Summary

<table>
<thead>
<tr>
<th>Financial Management System Type</th>
<th>SFIS Compliance Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target Accounting System</strong></td>
<td>SFIS</td>
</tr>
<tr>
<td></td>
<td>DoD SLOA/Accounting Classification</td>
</tr>
<tr>
<td></td>
<td>DoD USSGL Transaction Library</td>
</tr>
<tr>
<td></td>
<td>DoD Standard Chart of Accounts</td>
</tr>
<tr>
<td><strong>Target Financial Business Feeder System</strong> (processes business events with accounting impacts between the time of commitment through disbursement)</td>
<td>SFIS</td>
</tr>
<tr>
<td></td>
<td>DoD SLOA/Accounting Classification</td>
</tr>
<tr>
<td><strong>Legacy Accounting System</strong></td>
<td>SFIS and DoD SLOA/Accounting Classification are considered on a case-by-case basis</td>
</tr>
<tr>
<td><strong>Legacy Financial Business Feeder System</strong> (creates or processes transactions with financial impacts and exchanges accounting data with other business feeder systems or accounting systems)</td>
<td>SFIS and DoD SLOA/Accounting Classification are considered on a case-by-case basis</td>
</tr>
</tbody>
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VOLUME 1, CHAPTER 6: “UNDER SECRETARY OF DEFENSE (COMPTROLLER) FINANCIAL MANAGEMENT AWARDS PROGRAM”

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<tr>
<td>060203</td>
<td>Added Award Level Matrix examples.</td>
<td>Addition</td>
</tr>
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CHAPTER 6

UNDER SECRETARY OF DEFENSE (COMPTROLLER) FINANCIAL MANAGEMENT AWARDS PROGRAM

0601 GENERAL

060101. Overview

It is DoD policy that:

A. Military and civilian members who make outstanding contributions to the improvement of Department of Defense (DoD) financial management should be recognized.

B. Recognition for their significant contribution(s) during the preceding calendar year, in the form of an engraved plaque, shall be presented to, and retained by, the individual and team within each of the five award categories. Fifteen awards are conferred in the following areas:

1. Contributions in budget formulation or execution:
   a. Individual at Headquarters and Major Command Level
   b. Individual below Headquarters and Major Command Level
   c. Team at Headquarters and Major Command Level
   d. Team below Headquarters and Major Command Level

2. Contributions in financial management (excluding budget):
   a. Individual at Headquarters and Major Command Level
   b. Individual below Headquarters and Major Command Level
   c. Team at Headquarters and Major Command Level
   d. Team below Headquarters and Major Command Level

3. Contributions in financial management in a Contingency Operation:
   a. Individual at any level
   b. Team at any level
4. Contributions to DoD Audit and Remediation:
   a. Individual at Headquarters and Major Command Level
   b. Individual below Headquarters and Major Command Level
   c. Team at Headquarters and Major Command Level
   d. Team below Headquarters and Major Command Level

5. Under Secretary of Defense Comptroller (USD(C)) Salute to Savings.
   
   C. The Program applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities, and all other organizational entities within the DoD (hereafter referred to collectively as “the DoD Components”). The individual or team’s accomplishment must have occurred within the preceding calendar year.

   D. Any military member or DoD civilian employee (to include Reserve Components) is eligible for nomination. General/Flag Officers, Senior Executive Service, and contractors cannot be nominated for individual awards, but can be named and recognized as members of team awards.

060102. Purpose

The purpose of the Under Secretary of Defense Comptroller (USD(C)) Financial Management Awards Program is to recognize significant contributions of individuals or teams to financial management improvement.

060103. Authoritative Guidance

The Government Employees Incentive Awards Act at 5 USC § 4503 authorizes agency heads to award an honorary recognition to an employee who contributes to the efficiency, economy, or other improvement of government operations or achieves a significant reduction in paperwork, or performs a special act or service in the public interest in connection with or related to his official employment. 10 USC § 1125 authorizes the Secretary of Defense to award medals, trophies, badges, and similar devices to members, units, or agencies of an armed force under his jurisdiction for excellence in accomplishments.

0602. AWARD CATEGORIES, TYPES, AND LEVELS

060201. Award Categories

The award categories in the USD(C) Financial Management Awards Program are:
A. Contributions in Budget Formulation or Execution. This category recognizes one individual and one team, at each of the two award levels, who have made significant contributions in successfully building, defending, or executing DoD budgets. Improved budget building and successfully defending the budget serve to ensure the Department is adequately funded to complete its mission. Improved execution of budgets serves to minimize Anti-Deficiency Act violations and ensures protection of Departmental assets. Examples of appropriate efforts include:

1. Identifying and correcting deficiencies in administrative control of funds.
2. Enhancing the methodology and processes resulting in more accurate budget formulation estimates.
3. Information Technology System improvements that support reliable cost projections for building budgets.
4. Successfully defending crucial budget submissions or reprogramming requests.

B. Contributions to Financial Management (excluding Budget). This category recognizes one individual and one team, at each of the two award levels, who have made significant contributions to modernize and improve financial management in areas other than budget. Improvements may be in areas such as finance, auditing, accounting, cost analysis, payroll, workforce development, or other fields outside of budgeting. Nominating Officials should consider performance, attestation, and operational audits for this category. Examples of appropriate efforts include:

1. Changing or improving an accounting process to eliminate or reduce improper payments.
2. Developing a validated and verified cost or life cycle to model use in economic, cost benefit, or cost effective analysis.
3. Establishing a training program to improve workforce proficiency in a key area of deficiency.

C. Contributions in Financial Management in a Contingency Operation. This category recognizes one individual and one team who have made significant contributions to modernize and improve financial management while in support of a contingency operation. Improvements can be in auditing, accounting, budget, cost analysis, workforce development, and other Financial Management fields. Examples of appropriate efforts include:

1. Implementing controls that improve auditability of funds managed in a contingency operation.
2. Changing and/or reengineering a process or steps of a process to make the process better, faster, and/or less expensive by using technology as an enabler in a contingency operation.

3. Identifying, proposing, and implementing an improvement to a problem, project, or effort using analysis to better utilize resources and improve mission effectiveness in a contingency operation.

D. Contributions to DoD Audit and Remediation. This category recognizes one individual and one team, at each of the two award levels, who have made significant achievements to improve Audit efforts. Audit efforts help the Department achieve its goal of unmodified financial statement audits by (1) improving the Department’s financial management operations, (2) providing our service members with the resources essential for mission success, (3) and improving taxpayer trust in our stewardship of resources. Examples of appropriate efforts include:

1. Implementing end-to-end business process reengineering efforts leading to improved auditability.

2. Executing action plans to correct internal controls deficiencies at a local or command level that are consistent with laws, regulations, and administrative policy.

3. Implementing effective improvements to controls over financial reporting in financial systems at the service or enterprise level.

E. USD(C) Salute to Savings Award. This category recognizes either an individual or team whose actions have resulted in a significant savings to the taxpayer. The USD(C) will select the winner of this award from among the nominations submitted in the categories in paragraphs 060201.A through D.

060202. Award Types

The two award types in the USD(C) Financial Management Awards Program are:

A. Individual awards may be given to one person at the Headquarters and Major Command level and Below Major Command level in the four award categories.

B. One team award may be given to teams at the Headquarters and Major Command level and the Below Major Command level in each of the four award categories. Teams are made up of two to twenty individuals brought together to perform a specific task within a specific time frame. Teams of greater than twenty individuals are not eligible for these awards. The team lead must be one of the twenty members of the team. Contractors cannot comprise more than 20 percent of the team. Contractors cannot use these awards as support for performance clauses in contracts.
*060203. Award Levels

The two award levels in the USD(C) Financial Management Awards Program are:

A. Headquarters level and Major Command level.

   1. Headquarters level is defined as the headquarters of a Military Service Department, Defense Agency, or Field Activity.

   2. Major Command Level is defined as the highest level of command below headquarters level within the Military Department. For the Defense Agencies and Field Activities, Major Command level is based on the organization’s structure, not the nature of the work covered by the award. Major Command level refers to the next level of subordinate organizations to the Headquarters location.

B. Below Major Command level includes any organization not meeting the requirements to be considered Headquarters and Major Command level. For Defense Agencies and Field Activities, this includes regional offices or other organizations subordinate to the Headquarters or Major Command level.

<table>
<thead>
<tr>
<th>Organizational Level Performing the Work</th>
<th>Award Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters</td>
<td>Headquarters and Major Command</td>
</tr>
<tr>
<td>Military Department Major Command</td>
<td>Headquarters and Major Command</td>
</tr>
<tr>
<td>Combatant Command Headquarters</td>
<td>Headquarters and Major Command</td>
</tr>
<tr>
<td>Brigade/Afloat Command/Group</td>
<td>Below Major Command</td>
</tr>
<tr>
<td>Regional Office</td>
<td>Below Major Command</td>
</tr>
</tbody>
</table>

**Examples**

- DFAS Headquarters: Headquarters and Major Command
- DFAS Major Center (Cleveland, Columbus, Indianapolis): Headquarters and Major Command
- DFAS Other (Rome, Limestone, Japan, Europe, Non-Appropriated Funds, to include Support Offices): Below Major Command
- DCAA (HQ, Regional and Corporate Offices): Headquarters and Major Command
- DCAA (Field Offices and Sub Offices): Below Major Command
- DLA (Headquarters): Headquarters and Major Command
- DLA (Major Subordinate Command and Below): Below Major Command
0603 RESPONSIBILITIES

060301. The USD(C)
   A. Will select awards recipients for each award category, type, and level.
   B. May select one or more recipients for the USD(C) Salute to Savings Award from among the pool of nominations submitted in the other four categories.
   C. Will present awards to each recipient.
   D. Will release an annual memorandum announcing any changes to this regulation, call for the submission of nominations for this awards program, and delineate the nomination and review timeline.

060302. The OUSD(C) Human Capital Resource Management Director
   A. Will annually convene a Financial Management Awards Program Board to review nominations from the DoD Components.
   B. Will make award recommendations to the USD(C).
   C. Will appoint a representative from among the Defense Agencies and DoD Field Activities (other than the Defense Finance and Accounting Service (DFAS)) to the FM Awards Program Board.

060303. Heads of the Military Departments and DFAS
   A. Will each select a representative to the Financial Management Awards Program Board and notify the Director, Human Capital Resource Management (HCRM) in accordance with the annual USD(C) memorandum, of the representative selected from their Component.

060304. DoD Component Heads
   A. Will encourage the nomination of individuals and teams for the Financial Management Awards in accordance with the procedures and criteria in section 0604.
   B. Will appoint a Final Reviewer for all nominations submitted by members of their component in accordance with the memorandum.

060305. The Financial Management Awards Program Board
   A. Is chaired by the OUSD(C) HCRM Director, or designee.
B. Is comprised of one voting representative from each of the Military Departments, DFAS, and one from the Defense-wide community, which encompasses all other Defense Agencies and DoD Field Activities. Members may not delegate attendance of the Board Member meeting, and may not serve more than two consecutive terms.

C. Is comprised of members of the Senior Executive Service, general/flag officers, and/or E-9s.

D. Members must not be the Nominating Officials for any of the award nominations submitted.

E. Is convened annually to evaluate nominations and make recommendations for winners in each award category based on the criteria in paragraph 060401.

060306. Final Reviewers

A. Are responsible for vetting the nominations prior to submission to the Board. Nominations should be examined for duplications, incomplete submissions, and noncompliance with instructions.

B. May not be Nominating Officials.

C. Are responsible for approving or denying each nomination submitted for their particular component, before all nominations are due to OUSD(C). Only approved nominations will go before the Board.

060307. Nominating Official

A. Will review each one of their nominations ensuring nominee names and contact information are correct and accurate.

B. Will sign to certify compliance with nomination submission instructions in section 0605.

060308. Supervisor

A. Will consider members of their workforce whose achievements merit recognition in the USD(C) FM Awards Program.

B. Will serve as the Nominating Official for appropriate nominations.

060309. Submitter

A. Will input all data into the nomination template for the appropriate nomination in accordance with the procedures and criteria in section 0605 as directed by the Nominating Official.
B. May be the same person as the Nominating Official.

0604 AWARD CRITERIA AND NOMINATION INFORMATION

The criteria and nomination information for the DoD Financial Management Awards are:

060401. Award Criteria

Nominations for DoD Financial Management Awards shall be based on individual or team achievements during the preceding calendar year. Board Members will evaluate nominations, assigning a numeric score, after considering the following criteria:

A. Scope and Significance, examples include:
   1. Cost and/or manpower savings
   2. Cost avoidances
   3. Magnitude of Impact

B. Improving and standardizing policies, procedures, and systems

060402. Nomination Information

Refer to section 0605 for specifics on procedures for submitting nominations. Figures 1-1 and 2-1 are examples of individual and team nominations, respectively. Information included in the nominations is used for plaque development. All information must be accurate to ensure plaques properly display nominee information. All acronyms must be spelled out the first time.

A. The first section includes the calendar year of the accomplishment, award category, nominee(s) data, and Nominating Official data.

B. The second section includes the nominee or team name, a brief description of the problem, project, or effort, a summary of the actions performed, and results achieved by the individual or team to warrant consideration for a Financial Management Award.

C. Nominations should be written to a broad and diverse audience. Limit the use of acronyms and excessive superlatives.

D. Nominations should be written in a clear and concise manner.

E. DoD Components may not submit more than one nomination for the same achievements. For example:

1. A DoD Component may not submit a team nomination and an individual nomination for the same achievements.
2. A DoD Component may not submit a nomination, either team or individual, with the same achievements, for different award categories, types, or levels.

F. For Team awards, DoD Components may identify additional personnel from other DoD Components who participated in the actions leading to the recognized achievements. The addition of other DoD Components to an award does not affect the nomination restrictions set in 060403.D.

060403. Submission of Nominations

A. Heads of DoD Components must submit nominations to the OUSD(C) HCRM Director via the OUSD(C) awards nomination site at https://fmonline.ousdc.osd.mil/Professional/Awards-Program/Awards.aspx. Specific details are contained in section 0605.

B. OUSD(C) must receive nominations by the date designated in the memorandum sent to the Components. OUSD(C) will not accept nominations after the end of the nomination period.

C. Final Reviewers must review nominations by the date designated in the memorandum sent to the Components. OUSD(C) will not accept nominations edits after the end of the review period.

D. Heads of DoD Components are restricted in the number of nominations they can submit for consideration in each Category, Type, and Level:

1. DoD Components with an FM workforce of at least 1,000 personnel can submit up to two nominations per Category, Type, and Level; allowing a maximum of 28 nominations.

2. DoD Components with an FM workforce of fewer than 1,000 personnel can submit up to one nomination per Category, Type, and Level; allowing a maximum of 14 nominations.

3. Combatant Command Support Agents may submit up to one additional nomination per Category, Type, and Level for personnel serving in the Headquarters of a Unified Combatant Command. These nominations will compete as Combatant Command nominations.

E. Components will not submit nominations for the USD(C) Salute to Savings award category. The USD(C) will select winners for this category from among the pool of nominations submitted in the other four award categories.

060404. Nomination Responsibilities

A. Responsibility for individual award nominations is vested with the DoD Component owning the position of the person being nominated.
B. Responsibility for team award nominations is vested with the DoD Component owning the position of the team lead.

060405. Individual and Team Awards

Each individual award recipient shall receive an engraved plaque. Each team shall receive a single engraved plaque while team members shall each receive a certificate.

0605 FM AWARDS WEBSITE INSTRUCTIONS

Utilize the OUSD(C) awards nomination site for all nominating, reviewing, or scoring.

060501. Nominating an Individual

A. To nominate an individual, click the Nominate Individual tab on the right side of the home page. Acknowledge you have read and will comply with this regulation to continue. Select the Award Category that best fits the actions of the individual being nominated by clicking on the radio button next to the appropriate category:

1. Contributions in budget formulation or execution.
2. Contributions in financial management (excluding budget).
3. Contributions in financial management in a contingency operation.
4. Contributions to DoD Audit and Remediation.

B. Select the Award Level that corresponds to the level of the organization the nominee worked at by clicking on the radio button next to the appropriate level, either Headquarters and Major Command or Below Major Command:

1. Enter the Organization and Component of the Nominee. The Organization should reflect the entity subordinate to the DoD Component to which the nominee was assigned while the nominee completed the actions for which the nominee is being nominated.
2. Acronyms must be spelled out.
3. If the individual was assigned to the Headquarters of a Combatant Command, select “yes,” next to the Combatant Command question, and identify the Combatant Command from the drop-down menu. If the individual was not assigned to the Headquarters of a Combatant Command, select “no.”

C. Fill out the Individual Nominee Data and the Nominating Official Data:

1. Write the nomination in a way best portraying the individual and their contributions in the specific effort.
2. Nominations should not be written like personnel evaluations.

D. Input the name of the problem, project, or effort the individual participated in, concisely providing details about the:

1. Problem the Nominee solved.
2. Actions the Nominee took to solve the problem.
3. Results of the Nominee’s actions to solve the problem.

E. To complete the nomination:

1. Acknowledge the nomination has been submitted in compliance with this regulation.
2. Click the save button at the bottom of the form.
3. After clicking the save button, the application will save your nomination. You must next click the submit button to send the nomination to the Nominating Official for review. Failure to click the submit button will halt progress on the nomination.
4. Click the close form button at the bottom of the screen.

060502. Nominating a Team

A. To nominate a Team, click the Nominate Team tab on the right-side of the home page. Acknowledge you have read and will comply with this regulation to continue. Select the Award Category that best fits the actions of the team being nominated by clicking on the radio button next to the appropriate category:

1. Contributions in budget formulation or execution.
2. Contributions in financial management (excluding budget).
3. Contributions in financial management in a contingency operation.
4. Contributions to DoD Audit and Remediation.

B. Select the Award Level that corresponds to the level of the organization the nominated team worked at by clicking on the radio button next to the appropriate level: Headquarters and Major Command, or Below Major Command.

1. Enter the Team Name, Organization, and Component of the Nominee. The Organization should reflect the entity subordinate to the DoD Component to which the team lead was assigned while the team completed the actions for which the team is being nominated.
a. Acronyms must be spelled out.

b. If the team lead was assigned to the Headquarters of a Combatant Command, select “yes,” next to the Combatant Command question, and identify the Combatant Command from the drop-down menu. If the team lead was not assigned to the Headquarters of a Combatant Command, select “no.”

c. If any members of the team were assigned to a DoD Component other than the DoD Component the team lead was assigned to, the Nominating Official may recognize the other DoD Components by selecting “yes” to the additional DoD Component question and identify up to three additional DoD Components from the drop-down menus.

2. Input the Team’s Nominee Data. There can be from 2 to 20 individuals per team, including the team lead.

   a. No more than 20 percent of the team can be composed of contractors.

   b. Fill in the information of team leader in the Individual Nominee Data Portion.

   c. Contractors are not eligible for the team lead position.

C. Fill out the Team Nominee Data and the Nominating Official Data:

   1. Write the nomination in a way best portraying the team and its contributions in the specific effort.

   2. Nominations should not be written like personnel evaluations.

D. Input the name of the problem, project, or effort the individual participated in, concisely providing details about the:

   1. Problem the Team solved.

   2. Actions the Team took to solve the problem.

   3. Results of the Team’s actions to solve the problem.

E. To complete the nomination:

   1. Acknowledge the nomination has been submitted in compliance with this regulation.

   2. Click the save button at the bottom of the form.
3. After clicking the save button, the application will save your nomination. You must next click the submit button to send the nomination to the Nominating Official for review. Failure to click the submit button will halt progress on the nomination.

4. Click the close form button at the bottom of the screen.

060503. Final Reviewers

A. Click the Final Reviewer Tab to see each individual and team nomination for your DoD Component.

B. Individual nominations will be listed at the top of the page and Team nominations will be listed at the bottom of the page.

C. Final Reviewers must approve or decline nominations before they go to the Board. Refer to the annual USD(C) memorandum for the timeline:

   1. Click on the document button in between the name of the Individual or the Team and the Organization of the specific nomination to view the nomination.

   2. Ensure the nomination has been submitted in accordance with this regulation.

   3. Ensure Nominating Official digital signature belongs to listed nominating official.

   4. To approve or decline a nomination, click the approve or decline button.

D. To view a report of all nominations within a certain category, click on the category you are trying to view.

E. To view nominations previously approved or declined:

   1. Click the view approved/declined nominations button (in blue) at the top of the screen.

   2. Click on the document button in between the name of the Individual or the Team and the Organization of the specific nomination.

   3. To change the status of a nomination, click the approve or decline button.

F. Return to nominations that have not been approved or declined yet by clicking the view undecided documents button on the top of the screen.
G. Final Reviewers will be restricted in the number of nominations they can approve to go to the Board as set in 060403.D.

060504. Board Members

Board Members will independently score individual and team nominations based on the established criteria and collectively evaluate and recommend winners in each award category in accordance with this regulation.

A. Click the Board Tab to enter the Board Member Section. The three buttons that Board Members will use throughout the scoring process are:

1. Nominations: produces a printable report with all nominations submitted to the board.

2. Board Detail Report: produces a printable report showing detailed scores for each nomination by criteria.

3. Board Summary Report: produces a printable reporting showing the total score for each nomination.

B. To score nominations:

1. Click the nominations button found on the Board Members site.

2. The nomination list contains four sections, one for each nomination category, each of which has four tabs. Each of these tabs represents the four different types and levels of nominations.

3. Click on the tab to open it. Each row will show the same information (from left to right): Name of Individual or Team, Organization, and Component. Next to each line, Board Members will be able to score nominations and input remarks.

4. Board Members will be able to see the nomination by clicking on the individual or team name for the nomination.

5. After considering the strength of the write-up and how it meets the scoring criteria, indicate a score of 1 to 5 points based on the scoring criteria with 5 being the highest.

6. Click the save button at the top of each tab to save scores for that tab. While working through nominations, save frequently to prevent loss of scoring.

7. There will be a green checkmark next to the row of any scored nomination.
8. Click on the scores report button on the top right-side of the screen to view a compiled report of all scoring you have completed.

C. To view a Board Detail Report, return to the Board Welcome page, click the board detail report button at the bottom of the Board Member welcome screen.

D. To view a Board Summary Report, return to the Board Welcome page:

1. Click the board summary report button at the bottom of the Board Member welcome screen.

2. This report includes sections by Award Category, Type, and Level and provides the summary total of each Board Member’s scoring of the established criteria for each nominee.
Figure 1-1: Nomination Form for Individual Awards

| UNDER SECRETARY OF DEFENSE (COMPTROLLER) |
| FINANCIAL MANAGEMENT AWARDS PROGRAM |
| Nomination Form for INDIVIDUAL Awards |

### Award Category:
- Contributions in Budget Formulation or Execution
- Contributions in Financial Management (excluding Budget)
- Contributions in Financial Management in a Contingency Operation
- Contributions to DoD Audit and Remediation

### Award Level:
- Headquarters and Major Command
- Below Major Command

### Organization:

### Component: [DROP DOWN]

### Was the Individual in this award assigned to a COCOM?  
- Yes [ ]  
- No [ ]

### If so, which COCOM?  
[DROP DOWN]

### Individual Nominee Data (contractors are not eligible for individual awards):
- Rank/Grade:
- Name:
- Duty Title:
- E-Mail:
- Office Mailing Address:
- Commercial Phone:

### Nominating Official Data:
- Rank/Grade:
- Name:
- Duty Title:
- E-Mail:
- Office Mailing Address:
- Commercial Phone:
Figure 1-1: Nomination Form for Individual Awards (cont’d)

| UNDER SECRETARY OF DEFENSE (COMPTROLLER) |
| FINANCIAL MANAGEMENT AWARDS PROGRAM |
| Nomination Form for INDIVIDUAL Awards |

* There is a maximum of 700 characters with spaces allowed in the PROBLEM/PROJECT/EFFORT box and 3,300 characters with spaces allowed in the ACTIONS and RESULTS box.

Your nomination will be scored against the following criteria:

A. Scope and Significance, examples include:
   1. Cost and/or manpower savings
   2. Cost avoidances
   3. Magnitude of Impact

B. Improving and standardizing policies, procedures, and systems.

The criteria can be found in the FMR on page 6-9, section 060401.

**Describe the PROBLEM/PROJECT/EFFORT** (summarize the project in 2-3 sentences):

| Summarize the ACTIONS and RESULTS of the individual’s activities that warrant an award |
| (What did the individual do to earn this award? What analytics were involved? What benefits or results were realized? Why or how did these benefits significantly improve financial management? Please be specific in terms of cost or time savings and please provide concrete examples): |

---

I have submitted this nomination in accordance with the DoD FMR Volume 1, Chapter 6, "Under Secretary of Defense (Comptroller) Financial Management Awards Program."
Figure 2-1: Nomination Form for Team Awards

UNDER SECRETARY OF DEFENSE (COMPTROLLER)
FINANCIAL MANAGEMENT AWARDS PROGRAM
Nomination Form for TEAM Awards

Award Category:
- [ ] Contributions in Budget Formulation or Execution
- [ ] Contributions in Financial Management (excluding Budget)
- [ ] Contributions in Financial Management in a Contingency Operation
- [ ] Contributions to DoD Audit and Remediation

Award Level:
- [ ] Headquarters and Major Command
- [ ] Below Major Command

Team Name:

Organization:

Component: [DROP DOWN]

Were the personnel in this award assigned to a COCOM? Yes [ ] No [ ]
If so, which COCOM? [DROP DOWN]

Were the personnel in this award from additional Components? Yes [ ] No [ ]
If so, with which Components? [DROP DOWN] [DROP DOWN] [DROP DOWN]

Team Nominee Data (2 to 20 individuals, with no more than 20% contractors):

<table>
<thead>
<tr>
<th>Grade/Rank</th>
<th>Name</th>
<th>Title</th>
<th>E-mail</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>[DROP DOWN]</td>
<td>[DROP DOWN]</td>
<td>[DROP DOWN]</td>
<td>[DROP DOWN]</td>
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<td>[DROP DOWN]</td>
<td>[DROP DOWN]</td>
<td>[DROP DOWN]</td>
<td>[DROP DOWN]</td>
</tr>
</tbody>
</table>

Individual Nominee Data (contractors are not eligible for individual awards):

Rank/Grade:
Name:
Duty Title:
E-Mail:
Office Mailing Address:
Commercial Phone:

Nominating Official Data:
Rank/Grade:
Name:
Duty Title:
E-Mail:
Office Mailing Address:
Commercial Phone:
Figure 2-1: Nomination Form for Team Awards (cont’d)

| UNDER SECRETARY OF DEFENSE (COMPTROLLER) |
| FINANCIAL MANAGEMENT AWARDS PROGRAM |
| Nomination Form for TEAM Awards |

* There is a maximum of 700 characters with spaces allowed in the PROBLEM/PROJECT/EFFORT box and 3,300 characters with spaces allowed in the ACTIONS and RESULTS box.

Your nomination will be scored against the following criteria:

A. Scope and Significance, examples include:
   1. Cost and/or manpower savings
   2. Cost avoidances
   3. Magnitude of Impact

B. Improving and standardizing policies, procedures, and systems.

The criteria can be found in the FMR on page 6-9, section 060401.

**Describe the PROBLEM/PROJECT/EFFORT** (summarize the project in 2-3 sentences):

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

**Summarize the ACTIONS and RESULTS of the team's activities that warrant an award** (What did the team do to earn this award? What analytics were involved? What benefits or results were realized? Why or how did these benefits significantly improve financial management? Please be specific in terms of cost or time savings and please provide concrete examples):

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

I have submitted this nomination in accordance with the DoD FMR Volume 1, Chapter 6, "Under Secretary of Defense (Comptroller) Financial Management Awards Program."
VOLUME 1, CHAPTER 7: “DEPARTMENT OF DEFENSE STANDARD CHART OF ACCOUNTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated March 2018 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>070102</td>
<td>Added information for clarity.</td>
<td>Revision</td>
</tr>
<tr>
<td>0702</td>
<td>Added information to the existing definitions that impact proper posting of budgetary and proprietary transactions to the DoD Standard General Ledgers.</td>
<td>Revision</td>
</tr>
<tr>
<td>070304.C</td>
<td>Added a new subparagraph to emphasize Components’ responsibility for recording budgetary and proprietary transactions.</td>
<td>Addition</td>
</tr>
</tbody>
</table>
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CHAPTER 7

DEPARTMENT OF DEFENSE STANDARD CHART OF ACCOUNTS

0701 GENERAL

070101. Purpose

This chapter prescribes the requirements of the Department of Defense (DoD) Standard Chart of Accounts (SCOA) that is based on the general requirements of the United States Standard General Ledger (USSGL). The DoD SCOA prescribes the mandatory general ledger accounts that must be implemented in all DoD accounting systems for all budgetary and proprietary transactions.

*070102. Authoritative Guidance

A. The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that comply with the USSGL at the transaction-level. See Chapter 3 for FFMIA compliance information.

B. The United States Department of the Treasury (Treasury) Financial Manual (TFM) prescribes the USSGL requirements. The USSGL is a TFM Supplement that prescribes the structure for budgetary and proprietary accounts at the 6-digit USSGL account level. Because central agency reporting requires a lower level of detail, the USSGL Board developed attributes containing domain values that, when added to a basic 6-digit USSGL account, provide the appropriate level of detail needed for central agency reporting. Treasury issues bulletins at least annually notifying agencies of changes to the USSGL Supplements that are effective immediately and later codified in the TFM. As part of the overall Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) reporting requirements, the USSGL guidance contains seven major sections:

I. Chart of Accounts,
II. Accounts and Definitions,
III. Account Transactions,
IV. Account Attributes for USSGL Proprietary Account and Budgetary Account Reporting,
V. Crosswalks to Standard External Reports for FY 20XX GTAS Reporting,
VI. Crosswalks to Reclassified Statements for FY 20XX Reporting, and
VII. GTAS Validations and Edits for FY 20XX Reporting.

C. Office of Management and Budget (OMB) Circular A-123 Appendix D, “Compliance with the Federal Financial Management Improvement Act,” requires that agencies record financial events in the core accounting systems, applying the requirements of the USSGL.

1 “XX” represents the applicable fiscal year.
*0702 DEFINITIONS

070201. Standard Financial Information Structure

   A. The *Standard Financial Information Structure* (SFIS) is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs. The DoD SCOA is a key element in the SFIS data structure. The DoD SCOA and other SFIS products are published on the DoD Chief Management Officer’s SFIS web page. For detailed SFIS information, see Chapter 4.

070202. DoD Chart of Accounts SFIS Attribute Alignment File

   The DoD Chart of Accounts (COA) SFIS Attribute Alignment File (“FY20XX DoD COA Account Attribute Alignment File”) is a file that identifies standard interface file format requirements for the Defense Departmental Reporting System. It provides DoD with a means to determine which SFIS data element and value combinations are necessary for consistent financial reporting. For each DoD Standard General Ledger (SGL) account, the DoD Account Attribute Alignment File identifies additional SFIS data elements that are required for financial reporting. This file identifies which value combinations are permissible for SFIS attributes. The DoD Account Attribute Alignment File and corresponding instructions are available on the SFIS web page.

070203. Tie-Point Reconciliations

   Tie-Point Reconciliations, also referred to as “Tie-Points,” are a series of standard USSGL accounting relationships, i.e., financial management equations that facilitates the validation of trial balance data. The DoD Chart of Accounts Tie-Point standards are revised annually and published on the SFIS web page. Tie-points indicate whether certain account balances within a general ledger trial balance are consistent with other account balances. DoD Components and accounting service providers must combine budgetary and proprietary general ledgers to a self-balancing trial balance and conduct edits and tie-point validations prior to reporting data in the Defense Departmental Reporting System (DDRS). Tie-Points that do not reconcile must be resolved to support the DoD submission of accurate and reliable agency-wide trial balances to Treasury via GTAS for consolidation into the Governmentwide financial statements.

070204. Financial Accounting System

   OMB Circular A-123, Appendix D, defines a financial system as an information system or set of applications that comprise the accounting portion of the financial management system that maintains all summary and detailed transactions resulting from budgetary and proprietary financial activity. In order to comply with section 803(a) of the FFMIA, financial management systems must record financial events at the transaction-level to the appropriate general ledger accounts according to USSGL guidance in the TFM, see Chapter 3.
0703 ACCOUNT DESIGN

070301. DoD SCOA

The DoD SCOA consolidates the Component level posting and reporting requirements of Treasury and OMB at the DoD enterprise level. The DoD SCOA is comprised of budgetary and proprietary USSGL accounts and related DoD standard account extensions required to facilitate consistent implementation of the USSGL, consolidate Component trial balances, and comply with the budgetary and financial reporting requirements established by the OMB and Treasury. The Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (OUSD(C)/CFO) issues guidance on implementation of the enterprise-wide DoD SCOA to:

A. Reduce customization of accounting systems,

B. Eliminate translation and crosswalks of account values in the departmental reporting system,

C. Improve comparability of data across accounting systems, and

D. Improve consolidation of data across accounting systems for DoD-wide reporting.

070302. Account Structure

The basic structure of the DoD SCOA consists of a 6-digit USSGL account number followed by a 4-digit DoD account extension. DoD SGL accounts with an extension of “.9000” (e.g., 101000.9000, 211000.9000) are identified as Treasury level USSGL accounts. DoD SGL accounts with extensions other than .9000 are DoD specified accounts. The basic structure of the DoD SCOA follows that of the USSGL. The basic 6-digit structure of the USSGL consists of:

100000  Assets
200000  Liabilities
300000  Net Position
400000  Budgetary
500000  Revenue and Other Financing Sources
600000  Expenses
700000  Gains/Losses/Miscellaneous Items
800000  Memorandum

070303. DoD USSGL Transaction Library

A. The DoD USSGL Transaction Library establishes the enterprise-wide requirement for the implementation of the USSGL and DoD SCOA. It provides a framework for updating existing financial systems and deploying new DoD accounting systems using detailed general ledger transactions and posting business rules for accounting standardization that supports the preparation of financial statements and external reports required by Treasury and OMB.
B. The DoD USSGL Transaction Library is a decomposition of the accounting transactions from the TFM, Part 1, Section III USSGL Supplement that provides both budgetary and proprietary accounting entries for events occurring throughout the federal government. The DoD USSGL Transaction Library organizes generalized Treasury USSGL business event transactions into appropriate pairings of budgetary, proprietary, and memorandum accounts uniquely identified by DoD Transaction Codes (DTCs).

C. Financial systems are required to process transactions using the DoD SCOA and attributes according to the defined uses and posting logic in the DoD USSGL Transaction Library. Every effort must be made to not group multiple DTCs into one transactional posting, so that the individual transactions needed to support the business process are not bypassed and each business event posts separately. While Component financial systems are not required to store and maintain the exact DTC reference used in the Library for each posted transaction, Component or agency financial systems must maintain a chart of accounts and utilize general ledger posting logic that produces the same results as the DoD USSGL Transaction Library for each business event.

D. The DoD SCOA, DoD USSGL Transaction Library, DoD Account Attribute Alignment File, and DoD Tie-Points are updated as applicable following each corresponding Treasury update to ensure that DoD policy guidance aligns with the most current USSGL Supplement.

070304. Reporting

A. DoD SGL accounts consist of a six (dot) four account numbering structure. All DoD accounting systems must report financial transactions to DDRS using the account structure of the DoD SCOA. Detailed attribute alignment at the DoD SGL account level is updated concurrently with the DoD SCOA and published on the SFIS web page.

B. The DoD SCOA must be implemented by DoD Components to satisfy both internal and external reporting requirements. For external financial reporting, all budgetary and proprietary financial reporting data are summarized in DDRS into the six-digit USSGL accounts and GTAS standard attributes required by the Treasury Bureau of the Fiscal Service.

C. DoD components must ensure their financial management systems provide complete, reliable, consistent and timely budgetary and proprietary transaction-level information in accordance with (SFIS) and are recorded in general ledgers of the accounting systems of record to produce auditable budgetary, proprietary, and managerial cost accounting reports for use by internal and external stakeholders.

0704 ACCOUNT RELATIONSHIPS

070401. Budgetary and Proprietary Accounts

A. The DoD SGL account structure provides a self-balancing set of budgetary accounts to record the appropriation, apportionment, allotment, allocation, commitment, obligation, and expenditure process. The DoD SCOA, driven by debit and credit normal balance
B. The DoD SGL account structure provides a self-balancing set of proprietary accounts to report the results of operations and net position. Proprietary asset and liability accounts cover the collection and disbursement of funds, the proper classification of assets (e.g., Fund Balance with Treasury, receivables, advances and prepayments, inventory and fixed assets), and the recognition and proper classification of liabilities. Revenue and expense accounts measure the realization of revenues from the sale of goods and services, and the recognition of costs, including gains and losses through the use and consumption of assets. Total asset accounts should always equal total liability accounts plus net position.

C. Accurate posting of budgetary and proprietary transactions to the DoD SGL enable budgetary, proprietary, and managerial cost accounting that are essential for good stewardship and proper financial control over resources and financial reporting.

070402. Accounts Applicable to Fund Type

A. The DoD SCOA identifies DoD SGL accounts applicable to General Fund, Working Capital Fund, and Special and Trust Funds. The DoD SCOA also identifies those USSGL accounts that are not applicable to the DoD.

B. Component accounting systems must incorporate, at a minimum, those DoD SGL accounts and posting logic for applicable business processes and transactions. For example, Components must ensure that general fund accounting systems include, at a minimum, accounts designated as applicable to general funds, and not those restricted to working capital or special/trust fund systems. Similarly, working capital fund accounting systems must include accounts designated as applicable to working capital funds, but not those accounts restricted to general or special/trust fund systems. Combined systems handling both general and working capital funds must include both general and working capital general ledger accounts, but not those accounts restricted to special/trust fund systems. DoD Components are not required to add accounts designated as not applicable for DoD.

070403. Account Attributes

A. The account attributes required for Treasury reporting of both budgetary and proprietary account information are defined in the TFM USSGL Supplement, Section IV, USSGL Account Attributes.

B. The data structure for each DoD SGL account attribute is defined in the SFIS Matrix, to include syntax and allowable values. The SFIS Matrix and the SFIS Values Library are located on the SFIS web page. SFIS is discussed further in Chapter 4.

C. When including specific general ledger accounts in an accounting system, all attributes assigned to the specific general ledger accounts must also be included and correctly aligned to those accounts.
D. Allowable values for each DoD SGL account attribute are identified and defined at the DoD SGL account level in the DoD SCOA Attribute Alignment File published on the SFIS web page.

070404. Request for Account Exemption

A. The scope of business processes and transactions associated with a Component’s specific mission area may allow for exemptions to certain DoD SGL accounts. Components must request an exemption from alignment to certain DoD accounts within a Component’s accounting system, based on business processes within a specific fund type.

B. Systems owners should review existing accounts and submit any changes or revisions to the OUSD(C)/CFO) within 30 days of the annual update of the DoD SCOA. System owners are encouraged to submit exemption requests early.

C. With each update and release of the DoD SCOA, Component system owners must review their existing accounts and submit any changes or revisions to the OUSD(C)/CFO) within 30 days of the update. Components must utilize the current DoD SGL Account Exemption Request Form for all exemption requests. An updated exemption request form will be available on the SFIS web page.

070405. DoD Assigned USSGL Accounts

The DoD SCOA includes five DoD specific accounts for recording internal fund distributions within direct program authority (see Figure 7-1). Refer to Volume 3, Chapters 13, 14, and 15 for implementation guidance on the use and application of these accounts at the Department and execution levels. Funds distribution guidance for the Military Services and Office of the Secretary of Defense Treasury Index-97 organizations is located on the SFIS web page under the “DoD Accounting Scenarios” section.
Figure 7-1. DoD Assigned Accounts for Internal Fund Distributions

Account Number: 454000.9000
Account Title: Internal Fund Distributions Issued
Normal Balance: Credit

Definition: The amount of direct budgetary authority allotted from department, headquarters, or Office of the Secretary of Defense (OSD) level to intermediate or execution level, as determined by organizational funding structure.

Account Number: 455000.9000
Account Title: Internal Fund Distributions Received
Normal Balance: Debit

Definition: The amount of direct budgetary authority received from department, headquarters, or OSD level by an intermediate level component.

Account Number: 456000.9000
Account Title: Funds Available for Allotment
Normal Balance: Credit

Definition: The amount of direct budgetary authority available at an intermediate level component for allotment to execution level component(s) or for suballotment to other intermediate level component(s).

Account Number: 457000.9000
Account Title: Allotments Issued
Normal Balance: Credit

Definition: The amount of direct budgetary authority either allotted by an intermediate level component to an execution level component(s), or suballotted between two or more intermediate or execution level components.

Account Number: 458000.9000
Account Title: Allotments Received
Normal Balance: Debit

Definition: The amount of direct budgetary authority received by an execution level component through either allotment or suballotment of authority.
VOLUME 1, CHAPTER 9: “FINANCIAL RECORDS RETENTION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated August 2011 is archived.

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<td>Revised general purpose to specify the accuracy of financial information and supporting audit functions.</td>
<td>Revision</td>
</tr>
<tr>
<td>090102</td>
<td>Added an Authoritative Guidance.</td>
<td>Addition</td>
</tr>
<tr>
<td>090201</td>
<td>Revised paragraph to include policy on the revised National Archives and Record Administration standards.</td>
<td>Addition</td>
</tr>
<tr>
<td>090201.A</td>
<td>Revised definition of records to agree with updated United States Code.</td>
<td>Revision</td>
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<td>090202</td>
<td>Defined what information the documentation must contain.</td>
<td>Addition</td>
</tr>
<tr>
<td>090203</td>
<td>Deleted paragraph as scope is covered in 090201.</td>
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<tr>
<td>090204</td>
<td>Deleted paragraph as scope is covered in 090201.</td>
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</tr>
<tr>
<td>Figure 9-1</td>
<td>Added “Minimum Retention Periods” Figure for assessable units for financial statement audit.</td>
<td>Addition</td>
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CHAPTER 9

*FINANCIAL RECORDS RETENTION*

0901 GENERAL

*090101. Purpose*

This chapter provides guidance on the proper retention period for financial records. This policy applies only to the records necessary to support financial transactions and financial statement balances or necessary to document evidence of effective internal controls over financial reporting (e.g., reviews and approvals). This policy does not apply to related management records, such as maintenance logs, and other documents important for proper management of Department of Defense (DoD) operations but incidental to the support of financial transactions and balances, unless they are being used as secondary evidence to support financial transactions and balances.

*090102. Authoritative Guidance*

A. Within the federal government, the National Archives and Records Administration (NARA) is responsible for promulgating procedures for the disposal of all United States (U.S.) Government records. The NARA Records Management Program provides guidance and assistance for the management and disposition of federal records.

1. NARA general policies for the management and disposal of records are located at Title 36 of the Code of Federal Regulations (CFR), Parts 1220-1238 (36 CFR 1220-1238).

2. NARA’s disposal authorization guidance for administrative records is located in the General Records Schedules (GRS).

B. Federal Acquisition Regulations, Part 4.805 provides procedures and schedules for storage, handling, and disposal of contract files.

C. The DoD records management policy and responsibilities are outlined in DoD Directive (DoDD) 5015.02, entitled “DoD Records Management Program.”

1. Within DoD, there are 24 Records Management Programs, each with an appointed Federal Agency Records Officer, Records Management Manual, Instruction, or Regulation; and Records Disposition Schedules (RDS). NARA approves all records identified in DoD’s RDS, which can contain additional financial records used in DoD business operations that are not listed in the NARA GRS.
2. The DoDD 3201.06, entitled “Defense Grant and Agreement Regulatory System,” provides for the collection, retention, and dissemination of management and fiscal data related to grants activities. In addition, NARA GRS 1.2 provides disposal authorization guidance for grant and cooperative agreement records.

3. The DoD Guidebook for Miscellaneous Payments provides guidance on supporting financial documentation for miscellaneous transactions.

0902 RETENTION REQUIREMENTS

*090201. Record Retention Requirements

A. According to Title 44 United States Code Section 3301, records include all recorded information, regardless of form or characteristics, made or received by a Federal agency under Federal law or in connection with the transaction of public business and preserved or appropriate for preservation by that agency or its legitimate successor as evidence of the organization, functions, policies, decisions, procedures, operations, or other activities of the U.S. Government or because of the informational value of data in them; and does not include library and museum material made or acquired and preserved solely for reference or exhibition purposes; or duplicate copies of records preserved only for convenience. Financial records are a subset of records necessary to support a financial transaction.

B. NARA GRS 1.1, “Financial Management and Reporting Records,” provides disposition authority for records created and received in the course of carrying out an agency’s financial management and reporting responsibilities. Each record noted within GRS 1.1 includes disposition instructions describing the point at which an item can be destroyed. NARA GRS 1.1 includes a qualification, noting that longer retention is authorized if required for “business use.” Supporting a financial statement audit is an example of business use. DoD requires documentation to be retained for longer than the NARA requirement if the documentation will be used to support an audit.

C. Figure 9-1 lists the specific minimum retention periods by assessable unit. Note that Figure 9-1 is specific only to records needed in support of the DoD-wide financial statement audit. For any records supporting financial statement audits which are also held for purposes other than a financial statement audit and require a longer retention period, continue to follow appropriate document retention guidance.

D. Consult your DoD appointed Federal Records Officer for additional guidance regarding record retention.

*090202. Documentation Requirements

Documentation of financial transactions must be prepared, maintained, and, at a minimum, support the following aspects of a transaction:
1. **Authority.** Components must retain evidence that the transaction was approved and/or certified in accordance with established requirements.

2. **Amount.** Components must retain evidence of the dollar value of the transaction.

3. **Date.** Components must retain evidence of the date of the transaction, to ensure that the transaction is recorded in the proper accounting period.
*FIGURE 9-1. MINIMUM RETENTION PERIODS

<table>
<thead>
<tr>
<th>Assessable Unit(s)</th>
<th>Type of Documentation</th>
<th>Minimum retention period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract / Vendor Pay / Interfund / Intragovernmental</td>
<td>Financial transaction records related to procuring goods and services, paying bills, collecting debts, and accounting</td>
<td>Ten years after the final invoice or Intra-Government Payment and Collection or other similar documentation.</td>
</tr>
<tr>
<td></td>
<td>Retain key supporting documents (KSDs) for the following financial statement line items (FSLIs):</td>
<td>Note: This is an increase over the NARA six year minimum retention standards for these record types. To support the beginning balances in the Department’s Fiscal Year 2018 financial audit, documentation from greater than six years prior will be required. Thus, documentation must be retained for 10 years, the life of our longest lived (non no-year) funding.</td>
</tr>
<tr>
<td></td>
<td>• Accounts Payable</td>
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</tr>
<tr>
<td></td>
<td>• Accounts Receivable</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Uncollected payments, federal sources, brought forward</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Unpaid obligations, brought forward</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Unobligated balance, brought forward</td>
<td></td>
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<tr>
<td></td>
<td>• Other liabilities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Revenue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Gross Cost</td>
<td></td>
</tr>
<tr>
<td>Financial Reporting / Accounting</td>
<td>Records supporting compilation of agency financial statements and related audit, and all records of all other reports.</td>
<td>Two years after completion of financial statement audit for which the records were initially prepared.</td>
</tr>
<tr>
<td></td>
<td>Retain KSDs for the following FSLIs:</td>
<td>Note: The remaining categories are consistent with the NARA minimums. As these documents will not be required to support more than the year under, and subsequent year audit(s), no more than a two-year retention period is necessary.</td>
</tr>
<tr>
<td></td>
<td>• Financial Reporting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Other Adjustments</td>
<td></td>
</tr>
<tr>
<td>Assessable Unit(s)</td>
<td>Type of Documentation</td>
<td>Minimum retention period</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Property, Plant and Equipment / Inventory / Operating Materials and Supplies</td>
<td>Records supporting the book value, ownership, and any modifications to assets.</td>
<td>Two years after asset is disposed of and/or removed from agency’s financial statements.</td>
</tr>
<tr>
<td></td>
<td>Retain KSDs for the following FSLIs and/or Notes to the Financial Statements:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• General Equipment</td>
<td></td>
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<tr>
<td></td>
<td>• Real Property</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Internal Use Software</td>
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<tr>
<td></td>
<td>• Inventory and Related Property</td>
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<tr>
<td></td>
<td>• Other Assets</td>
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<tr>
<td>Civilian Pay / Military Pay</td>
<td>Records documenting payroll and benefit disbursements and liabilities.</td>
<td>Two years after pay period.</td>
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<td>Retain KSDs for the following FSLIs and/or Notes to the Financial Statements:</td>
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<td>• Other Liabilities</td>
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<td></td>
<td>• Gross Costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Military Retirement and Other Federal Employment Benefits</td>
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<tr>
<td>Fund Balance with Treasury (FBWT)</td>
<td>Documentation supporting the reporting and reconciliation of FBWT.</td>
<td>Two years after the month of the Reconciliation or Report is prepared.</td>
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<td>Retain KSDs for Fund Balance with Treasury.</td>
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VOLUME 1, CHAPTER 10: “ADVANA – COMMON ENTERPRISE DATA REPOSITORY FOR THE DEPARTMENT OF DEFENSE”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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This is the initial publication.

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<td>The publication of this chapter establishes Advana as a common enterprise data repository for the Department of Defense.</td>
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**CHAPTER 10**

ADVANA – COMMON ENTERPRISE DATA REPOSITORY FOR THE DEPARTMENT OF DEFENSE

1001 GENERAL

100101. Overview

Advana (derived from the term “Advancing Analytics”) is a common enterprise data repository for the Department of Defense (DoD), required by the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2018. Advana is a centralized data and analytics platform that provides DoD users with common business data, decision support analytics, and data tools. It was developed and is maintained by the Office of the Under Secretary of Defense (Comptroller), Chief Financial Officer (OUSD(C)/CFO) through the Directorate for Chief Financial Officer Data Transformation Office (CDTO). The Advana platform and program supports the National Defense Strategy by amassing data that is accessible, understandable, and usable across the Defense enterprise, and by advancing analytic capabilities to address the complex challenges of the Department.

100102. Purpose

This chapter establishes Advana as an official DoD repository of common enterprise data and the roles and responsibilities of OUSD(C)/CFO and DoD Components in the development, maintenance, and use of Advana within the supported business domain areas. The use of Advana will ensure that any performance measure or data product that relies on DoD data originates from an authoritative source of transaction-level detail.

100103. Authoritative Guidance

The policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

A. Title 10, United States Code, sections 135 and 2222 as amended by the NDAA for FY 2018 (sections 911 – 913).


E. DoD National Defense Strategy, issued by the Secretary of Defense.

F. DoD Annual Performance Plan, issued by the Office of the Chief Management Officer.

G. OUSD(C), CDTO, “Advana Strategy and Roadmap.”
1002 ROLES AND RESPONSIBILITIES

100201. OUSD(C) Responsibilities

The Department’s vision of the “Financial Management (FM) of the Future” outlines the expectations of tomorrow’s financial management professionals, leveraging the foundation of auditable data to drive more meaningful, data-informed decisions of the future. Using Advana as an enabler and accelerator for the FM of the Future concept, OUSD(C) will:

A. Leverage data as a strategic asset, connecting it with advancing technology to continuously advance analytic capabilities across the Department. Any data contained in a Defense business system related to business operations and management is an asset of the Department, and a strategy must be developed for making the data discoverable in Advana.

B. Maintain alignment of Advana capabilities and products with the functional requirements of its customers by communicating and validating regularly with the user community as continuous development occurs, partnering with the appropriate officials to establish enterprise standards.

C. Acquire, incorporate, and standardize data to support the business domain areas that align with the organizational structure of the Department and the responsibilities of DoD Components.

D. Manage data sharing agreements with system owners to ensure data is timely and accurate. Extract data from the relevant systems to facilitate DoD-wide analysis and management of business operations, and execute controls over data management.

E. Provide reasonable assurance to data consumers that data controls are clearly defined and executed in accordance with control objectives.

F. Maintain regulated security over the system and its data and ensure compliance with user access security requirements and DoD continuity of operations policy and planning.

G. Ensure sensitive activity data is secure and comply with DoD security classification guidance.

100202. DoD Component Responsibilities

DoD Components (i.e., the Office of the Secretary of Defense, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Defense Agencies and DoD Field Activities, and all other organizational entities within DoD with the exception of the DoD Office of Inspector General) must:

A. Provide authoritative source-level transactional data to Advana from all DoD business systems daily, using the most cost effective and secure methods available. The
authoritative source-level transactional data must be obtained and imported by Advana from the business system in which the data originated (i.e., not a separate data warehouse or data lake but the system that originated the transaction). Where a strategy does not exist to provide such data, one must be developed in partnership with OUSD(C) CDTO.

**B.** Sign agreements that govern accurate and timely transmission of data. DoD Components are responsible for defining business rules that map source data elements to the Advana common data model. The Advana common data model includes but is not limited to the Standard Financial Information Structure, Procurement Data Standard, and subsequent domain-specific data models under development.

**C.** Use Advana for delivery of their Universe of Transactions to any entity that issues an audit request, data call request, or other bona fide requirement for reconciled transaction details.

**D.** Use the Advana Dormant Account Review – Quarterly tool to conduct all DoD dormant account reviews by FY 2022 unless otherwise approved by OUSD(C) CDTO.

**E.** Provide functional assistance to the Advana program, when necessary, to reconcile DoD Components’ general ledger data to outputs from the Defense Departmental Reporting System and other required data reconciliations.

### 1003 BUSINESS DOMAIN AREAS

A business domain represents a line of business for DoD and its corresponding business events. Advana will acquire, incorporate, and standardize data to support the various business domain areas across the Department including, but not limited to:

- **A.** Acquisition Analytics
- **B.** Budget Analytics
- **C.** Cost Management Analytics
- **D.** Executive Analytics
- **E.** Financial Management, Reporting, and Accounting Analytics
- **F.** Health Analytics
- **G.** Information Technology Analytics
- **H.** Logistics and Supply Chain Analytics
- **I.** People Analytics
J.  Policy Analytics
K.  Procurement Analytics
L.  Readiness Analytics
M.  Real Property Analytics
VOLUME 1, APPENDIX A: “OBJECT CLASSIFICATION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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APPENDIX A

OBJECT CLASSIFICATION

A001 GENERAL

A00101. Purpose

The purpose of this appendix is to provide necessary information on the object classes that are used as a uniform classification for identifying the transactions of the Federal Government by the nature of the goods or services purchased. Every obligation recorded by the Department of Defense (DoD) must be coded with an object class. Every purchase requisition and commitment recorded by the DoD must be coded with an object class code and product service code.

A00102. Basic Concepts

A. Obligations incurred are the amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same or a future period. Such amounts include payments for which obligations have not been previously recorded, along with adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations. The installation-level budgetary account structure requires that the amount of obligations incurred be segregated into undelivered orders and accrued expenditures - unpaid or paid.

B. Obligations are classified by the initial purpose for which they are incurred, rather than for the end product or service provided. For example, if payments are made directly for personal services or supplies used in the construction of a building, the amounts should be classified as obligations for personnel compensation or supplies rather than for land and structures. Conversely, if contracts are awarded for the construction of a building, the amounts should be classified in the object class for lands and structures rather than in the object class used to report individual types of materials and services required to construct the building.

C. Object class information is incorporated into DoD accounting systems, or derived from applicable expense and asset accounts, to allow for reporting by object class. Object Class Code is a required data element in the DoD Standard Financial Information Structure (SFIS), as defined in Volume 1, Chapter 4. Based on the Office of Management and Budget (OMB) Circular A-11, the specific values for Object Class Code and all other SFIS data elements are documented in the SFIS Values Library Service on the SFIS web page.

A002 MAJOR OBJECT CLASSIFICATION

All Federal Government object classifications are defined in the OMB Circular No. A-11, Part 2, III, Section 83, Schedule O. The major object classes are:

a. 10 Personnel compensation and benefits
b. 20 Contractual services and supplies
c. 30 Acquisition of assets
d. 40 Grants and fixed charges

e. 90 Other
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Volume 2 has been divided into two books for the convenience of the user because of the Volume size. Volume 2A and 2B are both necessary for the formulation and preparation of the budget. Chapter detailed Table of Contents provided at the beginning of each chapter. Chapter page numbers are preceded by the number of the chapter (e.g., 9-2 and 19-5).
VOLUME 2A, CHAPTER 1: “GENERAL INFORMATION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated August 2007 is archived.

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CHAPTER 1

GENERAL INFORMATION

0101 GENERAL POLICIES

010101. Purpose

A. Volume 2 of the Financial Management Regulation (FMR) provides general guidance on the formulation and submission of the budget requests to the Office of the Secretary of Defense for the program and budget review submission and the presentation and justification of the budget requests to the Congress. This volume is established under the authority of DoD Instruction 7000.14.

B. Volume 2 is intended as a comprehensive reference book on budget matters of the Department of Defense. Budget policy memoranda issued throughout the year will provide any necessary changes or revisions to this standing document, as well as special instructions and nonrecurring requirements unique to that year’s budget cycle.

C. The provisions of Volume 2 apply to all military and specified civil functions of the Department of Defense.

D. An introduction to the total Financial Management Regulation, DoD 7000.14-R can be found in Volume 1.

010102. Organization

Volume 2B is organized into 19 chapters that provide specific guidance, required budget exhibits and formats along with instructions for their preparation, and automated submission requirements.

010103. Changes to Volume 2

A. Changes to Volume 2 will be issued biennially, prior to the program and budget review of the initial biennial budget cycle. Pen and ink changes will not be issued.

B. Generally, significant changes on a page will be indicated by * preceding the paragraph or section containing a change and the changed material will be printed in blue ink.

010104. Reports Control Symbol

Data requirements established by this volume are exempt from the requirement for assignment of a Report Control Symbol.

010105. Requests for Exceptions to OMB Circular A-11

A. Each year the Office of Management and Budget (OMB) issues Circular No. A-11, which addresses the preparation and submission of budget estimates for all Federal agencies.
B. Federal agencies are allowed to request exceptions to the requirements of Circular A-11 by submitting in writing to OMB all required exceptions by August 1. Exceptions approved by OMB are valid only for 1 year.

C. Each year the USD(Comptroller) requests certain exceptions to OMB Circular A-11. Generally, these exceptions concern special situations that are unique to the Department of Defense.

1. Subsequent to the issuance of Circular A-11 by OMB each year, any DoD Component requiring an exception to the requirements of Circular A-11 should submit in writing the specific section for which an exception is required and provide adequate rationale to justify the exception. The memorandum addressing the requested exceptions should be submitted directly to the Office of the USD(Comptroller), Program/Budget, Program and Financial Control Directorate (Room 3C689, telephone (703) 697-0021) no later than July 15 of each year.

2. If the requested exception is acceptable to the USD(Comptroller), these proposals will be consolidated and forwarded to OMB for approval. Components will be advised of any exceptions approved by OMB.

3. All DoD Components are required to comply with any requested exceptions not approved and to properly reflect the information in the budget submissions.

010106. Proposed Changes in Budget Structure and Appropriation Language

A. Under the provisions of OMB Circular A-11, the following types of changes must be cleared with OMB:

1. Changes in the appropriation pattern, including proposed new accounts and changes in the titles and sequence of existing accounts.

2. Changes in the methods of funding a program.

3. Changes in program or budget activity classifications for the program and financing schedules for all appropriation accounts and funds.

B. Any proposed changes on the items listed above must be submitted by memorandum to the Office of the USD(Comptroller) that explains the proposal and the rationale for the changes. If acceptable to the USD(Comptroller), these proposals will be forwarded to OMB for approval.

C. Proposed changes in the wording of appropriation language should be submitted to the Office of the Deputy General Counsel (Fiscal) (Room 3B688, telephone (703) 697-7228) as soon as possible after the passage of the current year’s appropriations acts. ODGC(Fiscal) will coordinate changes with OMB.
010107. Budget Terminology/Definitions

A. Standard Government-wide definitions of budget terminology are provided in the Office of Management and Budget’s issuances, most notably Circular A-11 (Section 20).

B. For the Department of Defense, some of the more common budget concepts applicable to budget formulation follow:

1. **Accrual Basis of Accounting.** A method of accounting in which revenues are recognized in the period earned and costs are recognized in the period incurred, regardless of when payment is received or made. There have been many initiatives over the years to convert the Federal Budget to an accrual accounting basis. Although the budget is on a cash basis, DoD accounting is on the accrual basis.

2. **Advance Procurement.** Authority provided in an appropriations act to obligate and disburse during a fiscal year before that in which the related end item is procured. The funds are added to the budget authority for the fiscal year and deducted from the budget authority of the succeeding fiscal year. Used in major acquisition programs for advance procurement of components whose long-lead-times require purchase early in order to reduce the overall procurement lead-time of the major end item. Advance procurement of long lead components is an exception to the DoD “full funding” policy and must be part of the President’s budget request.

3. **Appeal.** A request for reconsideration of an action taken to adjust, reduce, or delete funding for an item during the congressional review of the Defense budget (authorization and appropriation). This process is discussed in Section 010406.

4. **Appropriation.** A distribution by the Office of Management and Budget of amounts available for obligation in appropriation or fund accounts of the Executive Branch. The distribution makes amounts available on the basis of specified time periods, programs, activities, projects, or combinations thereof. The apportionment system is intended to achieve an effective and orderly use of funds. The amounts so apportioned limit the obligations that may be incurred.

5. **Appropriations.** A provision of legal authority by an act of the Congress that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation usually follows enactment of authorizing legislation. An appropriation act is the most common means of providing budget authority (see Budget Authority). Appropriations do not represent cash actually set aside in the Treasury for purposes specified in the appropriation act; they represent limitations of amounts which agencies may obligate during the time period specified in the respective appropriation acts.

6. **Authorization (Authorizing Legislation).** Basic substantive legislation enacted by the Congress which sets up or continues the legal operation of a Federal program or agency either indefinitely or for a specific period of time or sanctions a particular
type of obligation or expenditure within a program. Such legislation is normally a prerequisite for subsequent appropriations or other kinds of budget authority to be contained in appropriation acts. It may limit the amount of budget authority to be provided subsequently or may authorize the appropriation of “such sums as may be necessary.”


8. Budget Activity. Categories within each appropriation and fund account which identify the purposes, projects, or types of activities financed by the appropriation or fund.

9. Budget Amendment. A formal request submitted to the Congress by the President, after his formal budget transmittal but prior to completion of appropriation action by the Congress, that revises previous requests, such as the amount of budget authority.

10. Budget Authority. The authority becoming available during the year to enter into obligations that result in immediate or future outlays of Government funds.

11. Budget Deficit. The amount by which the Government’s budget outlays exceed its budget receipts for any given period. Deficits are financed primarily by Treasury borrowing from the public.

12. Budget Receipts. Amounts received by the Federal Government from the public that arise from the exercise of governmental or sovereign power (primarily tax revenues, but also receipts from premiums of compulsory social insurance programs, court fines, license fees, etc.); premiums from voluntary participants in Federal social insurance programs; and gifts and contributions. Excluded from budget receipts are collections resulting from business-type transactions and payments between government accounts as a result of intragovernmental transactions.

13. Change Proposal. Components use this mechanism to revise programs and approved budgets in the second year of the 2-year program and budget cycle, in lieu of submitting a Program Objective Memorandum and a Budget Estimate Submission with complete documentation. A format will be provided with the annual program and budget guidance. See “Two-year Program and Budget Cycle.”

14. Closed (Canceled) Appropriations. An appropriation that is no longer available for the adjustment or payment of obligations. Appropriation accounts are closed (canceled) after being in the expired status for five years. A Comptroller General opinion has
provided the DoD with authority to make disbursement adjustments to closed appropriations to correct errors only. (See Expired Appropriation.)

15. Concurrent Resolution. A resolution passed by both Houses of Congress, but not requiring the signature of the President, setting forth, reaffirming, or revising the congressional budget for the United States Government for a fiscal year. A concurrent resolution on the budget, due by April 15, must be adopted before legislation providing new budget authority, new spending authority, new credit authority or changes in revenues or the public debt limit is considered. Other concurrent resolutions for a fiscal year may be adopted at any time following the first required concurrent resolution for that fiscal year.

16. Constant Dollars. A dollar value adjusted for changes in prices. Constant dollar series are derived by dividing current dollar estimates by appropriate price indices, a process generally known as deflating. The result is a time series as it would presumably exist if prices were the same throughout as in the base year - in other words, as if the dollar had constant purchasing power. Any changes in such a series would reflect only changes in the real (physical) volume of output. Constant dollar figures are commonly used for gross national product and its components.

17. Continuing Resolution. Legislation enacted by the Congress to provide budget authority for specific ongoing activities in cases where the regular fiscal year appropriation for such activities has not been enacted by the beginning of the fiscal year. The continuing resolution usually provides formulas which the agency uses to compute amounts available for continuing programs at minimum levels. Formulas typically include obligation rates of the prior year, the President’s budget request, or an appropriation bill passed by either or both Houses of the Congress.

18. Current Services Estimates. Estimated budget authority and outlays for the upcoming fiscal year based on continuation of existing levels of service, i.e., assuming that all programs and activities will be carried on at the same level as in the fiscal year in progress and without policy changes in such programs and activities. These estimates of budget authority and outlays, accompanied by the underlying economic and programmatic assumptions upon which they are based (such as the rate of inflation, the rate of real economic growth, pay increases, etc.), are required to be transmitted by the President to the Congress.

19. Deferral of Budget Authority. Any action or inaction by any officer or employee of the United States that withholds, delays, or effectively precludes the obligation or expenditure of budgetary resources, including the establishment of reserves under the Antideficiency Act, as amended by the Impoundment and Control Act. Section 1013 of the Impoundment Control Act of 1974 requires a special message from the President to the Congress reporting a proposed deferral of budget authority. Deferrals may not extend beyond the end of the fiscal year in which the message reporting the deferral is transmitted and may be overturned by the passage of an impoundment resolution by either House of Congress.

20. Disbursements. In budgetary usage, gross disbursements represent the amount of checks issued, cash, or other payments made, less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriation or fund account, such as amounts received for goods and services provided.
21. **Discretionary Authority.** Budgetary resources (except those provided to fund mandatory spending) provided in appropriations acts.

22. **Emergency Appropriations.** Appropriations that have been designated by the Congress and the President as an emergency requirement under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

23. **End Strength.** In general, strength at the end of a fiscal year. Single point strengths for other points in time must be specified, such as end first-quarter strength.

24. **Expenditures/Disbursements.** A term generally used interchangeably with outlays (See outlays).

25. **Expired Appropriation.** An appropriation whose period of availability for incurring new obligations has expired but the appropriation is not closed (canceled). During this period, the appropriation is available for adjustment to, or payment of, existing obligations. Appropriations remain in an expired status for 5-years as shown in the table below. At the end of the five-year expiration period, the appropriation is closed (canceled) and is no longer available for the payment of unliquidated obligations. (See Closed (Canceled) Appropriations.)

Normal Life Cycle of Appropriations:

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* Extended to 15-years under certain circumstances.

26. **Federal Debt.** Federal debt consists of public debt and agency debt. Public debt is that portion of the Federal debt incurred when the Treasury Department or Federal Financing Bank (FFB) borrows funds directly from the public or another fund or account. Agency debt is that portion of the Federal debt incurred when a Federal agency authorized by law, other than Treasury or the Federal Financing Bank, borrows funds directly from the public or another fund or account.

27. **Fiscal Year.** Any yearly accounting period without regard to its relationship to a calendar year. The fiscal year for the Federal Government begins on October 1
and ends on September 30. The fiscal year is designated by the calendar year in which it ends. Fiscal years are further designated as follows:

Past Year-1: Also referred to as Prior Year-1, the fiscal year immediately preceding the past year

Past Year (PY): Also referred to as Prior Year, the fiscal year immediately preceding the current year; the last completed fiscal year.

Current Year (CY): The fiscal year in progress. Immediately precedes the budget year.

Budget Year (BY): The next fiscal year for which estimates are submitted if not a biennial budget.

Budget Year 1 (BY1): In a biennial budget submission (Department of Defense), the first fiscal year of a 2-year period for which the budget is being considered.

Budget Year 2 (BY2): In a biennial budget submission (Department of Defense), the second fiscal year of a 2-year period for which the budget is being considered.

Budget Year(s)+1 (BY(s)+1): The fiscal year immediately following the budget year(s). This format continues through Budget Year +5 (BY+5), the fifth fiscal year following the budget year(s).

*28. Full Funding Policy. The practice of funding the total cost of major procurement and construction projects in the fiscal year in which they will be initiated. The full funding policy requires the total estimated cost of a complete, military useable end item or construction project funded in the year in which the item is procured. If a future year’s appropriation is required for delivery of an end item, the end item is not fully funded. It prevents funding programs incrementally and provides a disciplined approach for program managers to execute their programs within cost. See Section 010202 for further information.

29. Full-time Equivalent (FTE). Reflects the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year. Annual leave, sick leave and compensatory time off and other approved leave categories are considered to be “hours worked” for purposes of defining full-time equivalent employment.

30. Future Years Defense Program (FYDP). The Future Years Defense Program is the program and financial plan for the Department of Defense as approved by the Secretary of Defense. The FYDP arrays cost data, manpower and force structure over a 6-year period (force structure for an additional 3 years), portraying this data by major force program for DoD internal review for the program and budget review submission. It is also provided to the Congress in conjunction with the President’s budget.
31. Impoundment. Any action or inaction by an officer or employee of the United States that precludes the obligation or expenditure of budget authority provided by the Congress.

32. Impoundment Resolution. A resolution of the House of Representatives or the Senate disapproving a deferral of budget authority set forth in a special message ordinarily transmitted by the President under section 1013 of the Impoundment Control Act of 1974. Passage of an impoundment resolution by either House of Congress has the effect of overturning the deferral and requires that such budget authority be made available for obligation.

33. Incremental Funding. The phasing of total funding of programs or projects over two or more fiscal years based upon levels and timing of obligational requirements for the funds. Differs from full funding concept where total funds for an end item, program or project are provided in the fiscal year of program or project initiation, regardless of the obligational requirement for the funds.

34. Mandatory Authority. (Also known as Entitlement Authority) Authority controlled by laws other than appropriations.

35. Management Initiative Decision (MID). A decision document similar to a Program Budget Decision, but designed to institutionalize management reform decisions. A MID may be issued at any time during the year. The Comptroller will incorporate any funding adjustments into the next President’s Budget.

36. Multiyear Procurement. Procurement of a particular end item or system under a multiyear contract approved by specific provision of law. For the Department of Defense, multiyear procurement contracting of military hardware or systems must generally be specifically, and individually, approved by the Congress (see 10 U.S.C. 2306b(1).

37. Object Classification. A uniform classification identifying the transactions of the Federal Government by the nature of the goods or services purchased without regard to the agency involved or the purpose of the programs for which they are used.

38. Obligations. Binding agreement that will result in outlays immediately or in the future.

39. Offsetting Collections. Payments to the Government that are credited directly to the expenditure account and deducted from gross budget authority and outlays of the expenditure account. They result from business-type or market oriented activities with the public and intragovernmental transactions with other government accounts (commonly called reimbursable transactions).

40. Outlays. The amount of checks issued or other payments made (including advances to others), net of refunds and reimbursements collected. Outlays are net of amounts that are adjustments to obligational authority. The terms “expenditure” and “net
disbursement” are frequently used interchangeably with the term “outlay.” Gross outlays are disbursements and net outlays are disbursements (net of refunds) minus reimbursements collected.

41. President’s Budget. The budget for a particular fiscal year transmitted to the Congress by the President in accordance with the Budget and Accounting Act of 1921, as amended. Some elements of the budget, such as the estimates for the legislative branch and the judiciary, are required to be included without review by the Office of Management and Budget or approval by the President.

42. Program Budget Decision (PBD). A budget decision document issued during the joint review of Service budget submissions by analysts of the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB). PBDs reflect the decisions of the Secretary of Defense as to appropriate program and funding to be included in the annual Defense budget request which, in turn, is included in the President’s Budget.

43. Program Decision Memorandum (PDM). A document containing the decisions by the Secretary of Defense reflecting broad strategic trades related to the program and resource levels identified in the Program Objectives Memorandum.

44. Program Objectives Memorandum (POM). The final product of the programming process within the Department of Defense, the Components Program Objectives Memorandum (POM) displays the resource allocation decisions of the Military Departments in response to and in accordance with Strategic Planning Guidance (SPG) and Joint Programming Guidance (JPG).

45. Program Year. The fiscal year in which authorization was provided and in which funds were appropriated for a particular program, regardless of the fiscal year in which funds for that program might be obligated.

46. Reapportionment. A revision by the Office of Management and Budget of a previous apportionment of budgetary resources for an appropriation or fund account. A revision would ordinarily cover the same period, project, or activity covered in the original apportionment.

47. Reappropriation. Congressional action to restore the obligational availability, whether for the same or different purposes, of all or part of the unobligated portion of budget authority that has expired or would otherwise expire in an annual or multi-year account. Obligational authority in a current appropriation may also be extended by a subsequent appropriation act.

48. Reconciliation Process. A process used by the Congress to reconcile amounts determined by tax, spending, and debt legislation for a given fiscal year with the ceilings enacted in the second and required concurrent resolution on the budget for that year. Section 310 of the Congressional Budget and Impoundment Control Act of 1974 provides that the second required concurrent resolution on the budget, which sets binding totals for the budget,
may direct committees to determine and recommend changes to laws, bills, and resolutions, as required to conform with the binding totals for budget authority, revenues, and the public debt.

49. **Recovery of Prior Year Obligations.** Amounts made available for obligation in no-year and unexpired multi-year accounts through downward adjustment of prior year obligations.

50. **Reimbursable Obligation.** Obligation financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account. See Offsetting Collection.

51. **Reprogramming.** Utilization of funds in an appropriation account for purposes other than those contemplated at the time of appropriation. Reprogramming is generally accomplished pursuant to consultation with and approval by appropriate congressional committees. Instructions are contained in Volume 3.

52. **Rescission.** The consequence of enacted legislation which cancels budgetary resources previously provided by the Congress prior to the time when the authority would otherwise lapse. Section 1012 of the Impoundment Control Act of 1974 requires a special message from the President to the Congress reporting any proposed rescission of budgetary resources. These proposals may be accepted in whole or in part through the passage of a rescission bill by both Houses of the Congress.

53. **Rescission Bill.** A bill or joint resolution that provides for cancellation, in whole or in part, of budgetary resources previously granted by the Congress. Under Section 1012 of the Impoundment Control Act of 1974, unless Congress approves a rescission bill within 45 days of continuous session after receipt of the proposal, the budgetary resources must be made available for obligation.

54. **Revolving Fund.** A fund established to finance a cycle of operations through amounts received by the fund. Within the Department of Defense, such funds include the Defense Working Capital Fund, as well as other working capital funds.

55. **Sequestration.** The reduction or cancellation of new budget authority; unobligated balances, new loan guarantee commitments or limitations; new direct loan obligations, commitments, or limitations; spending authority; and obligation limitations. OMB Circular A-11, section 20 provides additional information on sequestration rules of the Budget Enforcement Act of 1990 (BEA).

56. **Supplemental Appropriation.** An act appropriating funds in addition to those in an annual appropriation act. Supplemental appropriations provide additional budget authority beyond original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) for which the need for funds is too urgent to be postponed until enactment of the next regular appropriation act.
57. **Total Obligational Authority (TOA) Availability.** The sum of (1) all budget authority granted (or requested) from the Congress in a given year, (2) amounts authorized to be credited to a specific fund, (3) budget authority transferred from another appropriation, and (4) unobligated balances of budget authority from previous years which remain available for obligation. In practice, this term is used primarily in discussing the Department of Defense budget, and most often refers to TOA as “direct program” which equates to only (1) and (2) above.

58. **Transfer Authorities.** Annual authorities provided by the Congress via annual appropriations and authorization acts to transfer budget authority from one appropriation or fund account to another.

59. **Two-year Program and Budget Cycle.** For the budget review, this cycle coincides with the biennial budget process required by law. It is part of the Department’s internal 2-year Planning, Programming, Budgeting, and Execution (PPBE) process. The first year of the cycle includes a full review of the budget for the following two years. Full budget documentation is required. The end result is a budget baseline for the next two years. The second year of the cycle limits changes to the baseline program. It focuses on fact-of-life changes to include congressional action and program execution. Components will request adjustments to the baseline through Change Proposals (CP). However, while the second year of the process will require only limited budget documentation for the internal review, full budget documentation is still required for the President’s budget submission.

60. **User Fee.** A fee, charge, or assessment levied on those directly benefiting from, or subject to regulation by, a Federal government program or activity, to be utilized solely to support the program or activity. Collections from other Federal accounts are not user fees. (See OMB Circular A-11, section 20.7)

010108. **Security Classifications**

A. **General**

1. Instructions concerning premature disclosure of budget information prior to presentation to the Congress are contained in OMB Circular A-11.

2. Instructions concerning security classification of the program and budget review submissions to OSD are contained in Section 010305.

3. Paper copies of the P-1 and R-1 exhibits must be submitted by DoD Components with a certification signed by the Security Office confirming that all line items are classified properly.

4. Instructions concerning security classification of congressional justification material are contained in Section 010401.
B. Classification of Military Personnel M-1 line items, Operation and Maintenance O-1 line items, Procurement Exhibit P-1 line items, RDT&E Exhibit R-1 line items, and the Construction Programs (C-1):

1. The Military Personnel Programs (M-1) is designed to be an unclassified document. See Section 010501 for instructions.

2. The Operation and Maintenance Exhibit O-1 line items will be unclassified to the maximum extent possible. Classify only those line items for which the program’s Security Classification Guide so dictates or when conditions in paragraph C. (below) apply.

3. Procurement Exhibit P-1 line items: P-1 line items will be unclassified to the maximum extent possible. Classify only those line items for which the program’s Security Classification Guide so dictates or when conditions in paragraph C. (below) apply.

4. RDT&E Exhibit R-1 line items: R-1 line items will be unclassified to the maximum extent possible. Classify only those line items for which the program’s Security Classification Guide so dictates or when conditions in paragraph C. (below) apply.

5. The Construction Programs (C-1) is designed to be an unclassified document. See Section 010505 for instructions.

C. Security classification instructions for Intelligence Programs/Activities Resource Information are contained in Chapter 16.

010109. Budget and Performance Integration

A. The President’s Management Agenda (PMA) targets the most apparent deficiencies in the government where the opportunity to improve performance is the greatest. The Office of Management and Budget (OMB) developed standards for success in the government-wide Budget and Performance Integration Initiative of the PMA. As a result, the OMB requires federal agencies to use performance measures in managing and justifying program resources.

B. Components shall use performance measures to justify 100 percent of the resources requested in the Budget Year. The Components shall comply with the performance measure requirements that are included in other chapters. Additionally, OMB has directed the use of the Program Assessment Rating Tool (PART) for some programs. The PART is a diagnostic tool that formalizes performance evaluation. The Components shall comply with PART taskings and suspense dates. For those programs that have been assessed using the PART, the Components shall include OMB’s PART Summary (published in February each year) in congressional budget justification materials, press releases, testimony, and briefings to congressional committee staffs. OMB Circular A-11, section 26 – Summary of Performance Information Requirements, and the OMB PART Web site (www.whitehouse.gov/omb/part), provide additional information about the PART and the PART process. Absent a PART or
performance measures prescribed in other chapters, the Components may use existing, or create new, performance measures.

010110. Combatant Command Business Rules (Joint Task Assignment Process (JTAP))

A. The following business rules will be followed to govern the financial management arrangements between Combatant Command Support Agents (CCSAs) and Combatant Commands (COCOM). The CCSA assignments are as follows:

1. Initial funding for new COCOM missions will be established by OSD. Funding for new missions assigned by the Secretary or Deputy Secretary will be established and provided for by OSD as part of the JTAP process and in conjunction with the Planning, Programming, Budgeting and Execution (PPBE) processes.

2. It is the responsibility of the Combatant Command Support Agent (CCSA) to maintain funding for the directed COCOM missions.

   a. CCSAs will adjust COCOM accounts across the FYDP consistent with the OSD/OMB approved inflation indices.

   b. COCOMs will be subjected to a proportionate share (on a percentage basis) of total CCSA reductions from undistributed congressional and/or OSD general reductions.

3. All Service business and efficiency reductions require prior COCOM or OSD approval to ensure they do not impede the conduct of directed missions.

   CCSAs will pre-coordinate any Service-initiated reductions to COCOM resources with the COCOMs during each phase of the PPBE process for all years in the FYDP, and Service-initiated reductions will not be applied to any COCOM funds without the prior approval of the COCOM or the OSD staff.

4. OUSD(C), PA&E, Joint Staff, Combatant Commands and Combatant Command Support Agents will meet annually to validate, and adjudicate as necessary, all adjustments to COCOM resources.

   OUSD(C) will review and coordinate CCSA budget exhibits that specifically pertain to COCOM resources with COCOMS prior to approval and publication to ensure that CCSA’s have fully complied with Program Budget Decision or Program Decision Memorandum direction.

B. Combatant Command Support Agents must ensure adequate visibility of COCOM directed missions and other costs for each O&M funded COCOM. A minimum of two Sub Activity Groups (SAG)sl within each Military Department’s active components’ Operation and Maintenance Appropriation will be established as follows:
1. Mission Funding (one or more SAGs);

2. Headquarters (HQ) and Headquarters Support Funding: (single SAG)

C. Budget and execution structure for USTRANSCOM will continue to follow the normal Working Capital Fund business area structure.

D. USSOCOM budget structure is not governed by this guidance as USSOCOM resources are already visible in Major Force Program-11 (MPF-11).

0102 FUNDING POLICIES

010201. Criteria for Determining Expense and Investment Costs

A. Appropriation accounts form the structure for the President’s budget request and are the basis for congressional action. The appropriations are further organized into budget activities of appropriations with programs, projects or activities of similar purposes. To support management of the Department of Defense’s programs, projects or activities, resource requirements should be organized and categorized consistently within the appropriation and budget activity structure. The following sections provide guidance for categorizing resource requirements into the various appropriations.

B. Basic Distinctions Between Expense and Investment Costs. The criteria for cost definitions consider the intrinsic or innate qualities of the item such as durability in the case of an investment cost or consumability in the case of an operating cost and the conditional circumstances under which an item is used or the way it is managed. In all cases where the definitions appear to conflict, the conditional circumstances will prevail. The following guidance is provided to determine whether a cost is either an expense or an investment. All costs are classified as either an expense or an investment.

1. Expenses are the costs incurred to operate and maintain the organization, such as personal services, supplies, and utilities.

2. Investments are the costs that result in the acquisition of, or an addition to, end items. These costs benefit future periods and generally are of a long-term character such as real property and personal property.

C. Policy for Expense and Investment Costs

1. DoD policy requires cost definition criteria that can be used in determining the content of the programs and activities that comprise the Defense budget. The primary reasons for these distinctions are to allow for more informed resource allocation decisions and to establish criteria for determining which costs are appropriate to the various defense appropriations.
2. The cost definition criteria contained in this policy are only applicable to the determination of the appropriation to be used for budgeting and execution. Cost definitions for accounting purposes are contained in Volume 1.

3. Costs budgeted in the Operation and Maintenance (O&M) and Military Personnel appropriations are considered expenses. Costs budgeted in the Procurement and Military Construction appropriations are considered investments. Costs budgeted in the Research, Development, Test and Evaluation (RDT&E), Base Realignment and Closure (BRAC), and Family Housing appropriations include both expenses and investments. Definitions for costs within the Defense Working Capital Funds are provided in Chapter 9 and in Section 010214.

4. Items procured from the Defense Working Capital Funds will be treated as expenses in all cases except when intended for use in weapon system outfitting, government furnished material (GFM) on new procurement contracts, or for installation as part of a weapon system modification, major reactivation, or major service life extension.

D. Procedures for Determining Expenses Versus Investments. The following criteria will be used to distinguish those types of costs to be classified as expenses from those to be classified as investments for budgeting purposes:

1. Expenses. Expenses are costs of resources consumed in operating and maintaining the Department of Defense. When costs generally considered as expenses are included in the production or construction of an investment item, they shall be classified as investment costs. Military personnel costs are an exception to this rule. The following guidelines shall be used to determine expense costs:
   a. Labor of civilian, military, or contractor personnel.
   b. Rental charges for equipment and facilities.
   c. Food, clothing, and fuel.
   e. Maintenance, repair, overhaul, rework of equipment.
   f. Assemblies, spares and repair parts, and other items of equipment that are not designated for centralized item management and asset control and which have a system unit cost less than the currently approved dollar threshold of $250,000 for expense and investment determinations. This criterion is applied on the basis of the unit cost of a complete system rather than on individual items of equipment or components that, when aggregated, become a system. The concept of a system must be considered in evaluating the procurement of an individual end item. A system is comprised of a number of components that are part of and function within the context of a whole to satisfy a documented requirement. In
this case, system unit cost applies to the aggregate cost of all components being acquired as a new system.

g. Cost of incidental material and items that are not known until the end item is being modified are conditional requirements and are considered expenses because the material is needed to sustain or repair the end item.

h. Engineering efforts to determine what a modification will ultimately be or to determine how to satisfy a deficiency are expenses.

i. Facilities sustainment, O&M-funded restoration and modernization projects. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. 2805 for minor construction projects; however, design costs are not excluded from capitalization.

2. Investments. Investments are costs to acquire capital assets such as real property and equipment. The following criteria shall be used to determine those costs to be classified as investments:

a. All items of equipment, including assemblies, ammunition and explosives, modification kits (the components of which are known at the outset of the modification), spares and repair parts not managed by the Defense Working Capital Funds, that are subject to centralized item management and asset control.

b. All equipment items that are not subject to centralized item management and asset control and have a system unit cost equal to or greater than the currently approved expense and investment dollar threshold of $250,000 (for working capital funds investment criteria see Volume 2B Chapter 9 section 090103C). The validated requirement may not be fragmented or acquired in a piecemeal fashion in order to circumvent the expense and investment criteria policy.

c. Construction, including the cost of land and rights therein (other than leasehold). Construction includes real property equipment installed and made an integral part of such facilities, related site preparation, and other land improvements. (See paragraph F below for special guidance concerning real property facilities.)

d. The costs of modification kits, assemblies, equipment, and material for modernization programs, ship conversions, major reactivations, major remanufacture programs, major service life extension programs, and the labor associated with incorporating these efforts into or as part of the end item are considered investments. All items included in the modification kit are considered investment even though some of the individual items may otherwise be considered as an expense. Components that were not part of the modification content at the outset and which are subsequently needed for repair are expenses. The cost of labor for the installation of modification kits and assemblies is an investment.
e. Supply management items of the Defense Working Capital Funds designated for weapon system outfitting, government-furnished material on new procurement contracts, or for installation as part of a weapon system modification or modernization, major reactivation or major service life extension.

f. Also considered as investments are support elements such as data, factory training, support equipment and interim contractor support (ICS), which are required to support the procurement of a new weapon system or modification.

3. Conditional Cases. The following are conditional cases that take precedence over the criteria contained in paragraphs 1 and 2 above:

a. A major service-life extension program, financed in procurement, extends the life of a weapon system beyond its designed service life through large-scale redesign or other alteration of the weapon system.

b. Depot and field level maintenance is the routine, recurring effort conducted to sustain the operational availability of an end item. Depot and field level maintenance includes refurbishment and overhaul of end items, removal and replacement of secondary items and components, as well as repair and remanufacturing of reparable components. The maintenance effort may be performed by a depot maintenance activity in the Defense Working Capital Fund, by a direct funded DoD activity, by another government agency, or by a contractor.

c. Maintenance, repair, overhaul, and rework of equipment are funded in the operation and maintenance appropriations. However, maintenance of equipment used exclusively for research, development, test, and evaluation efforts will be funded by the RDT&E appropriations. Continuous technology refreshment is the intentional, incremental insertion of newer technology to improve reliability, improve maintainability, reduce cost, and/or add minor performance enhancement, typically in conjunction with depot or field level maintenance. The insertion of such technology into end items as part of maintenance is funded by the operation and maintenance appropriations. However, technology refreshment that significantly changes the performance envelope of the end item is considered a modification and, therefore, an investment (See section on “Product Improvement” 010212 C. 7.). This definition applies equally to technology insertion by commercial firms as part of contractor logistics support, prime vendor, and similar arrangements and to technology insertion that is performed internally by the Department.

e. Initial outfitting of an end item of investment equipment, such as a ship or aircraft, with the furnishings, fixtures, and equipment necessary to make it complete and ready to operate is a part of the initial investment cost. Material procured through the Defense Working Capital Funds for initial outfitting will be financed by procurement appropriations when drawn from the supply system. This concept includes changes to the allowance lists of ships, vehicles, and other equipment. Changes to allowance lists will be budgeted as investment costs. Procurement appropriations are not required to satisfy initial
outfitting requirements if assets are available for issue through reuse/redistribution programs, such as the Navy's Consumable Asset Reutilization Program.

f. Initial outfitting of a facility construction project financed by a Military Construction appropriation is financed as either expense or investment based on the general criteria. Collateral equipment and furnishings are not considered construction costs since these items are movable and are not installed as an integral part of the facility.

g. When family housing is initially outfitted with kitchen equipment to include refrigerator, shades, carpeting, etc., these items are considered part of the construction costs.

h. Construction program costs, associated with construction management in general, as distinguished from supervision of specific construction projects, are expenses. Costs incident to the acquisition (i.e., design, direct engineering, technical specifications) and construction of a specific project are investments. The cost of administering the facilities sustainment program is an expense at all levels.

i. Costs of facilities restoration and modernization projects, not financed by Military Construction appropriations, meeting the current criterion for funding from appropriations available for operation and maintenance are considered expenses. However, this definition does not abrogate the prohibition against the planned acquisition of, or improvements to, a real property facility through a series of minor construction projects (i.e., incremental construction).

j. The cost of civilian personnel compensation and other direct costs (i.e., travel, office equipment leasing, maintenance, printing and reproduction) incurred in support of procurement and/or production programs by departmental headquarters staff, contracting offices, contract audit offices, system project offices, and acquisition managers are expenses. Procurement and/or production direct support costs such as production testing, quality assurance, production engineering, and equipment assembly, whether performed under contract or by in-house personnel funded on a reimbursable basis are investments.

k. When investment equipment is to be installed in a real property facility, the costs of both the equipment and its installation are considered investments.

E. Special Guidance Concerning Real Property Facilities

1. Construction includes real property equipment (often called installed equipment) which is affixed and built into a facility as an integral part of a facility. The cost of this equipment and its installation is part of the construction cost.

2. Items of equipment that are movable in nature and not affixed as an integral part of a facility are not normally considered construction costs, except for initial outfitting of family housing, as detailed in paragraph D3 above. This equipment includes all types of production, processing, technical, information systems, communications, training,
servicing and RDT&E equipment. The cost of this equipment is an expense or an investment according to the policy criteria above. In addition, modifications to an existing facility required to support the installation of movable equipment, such as the installation of false floors or platforms, prefabricated clean rooms, or utilities, will be considered an integral part of the equipment costs. As such, the costs are either expense or investment, as long as the modifications do not include structural changes to the building. If the modifications include structural changes, they will be considered investment costs and budgeted as construction.

F. Expense/Investment Cost Determination

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<tr>
<th>Is the item a Centraly Managed/Asset Controlled Item?</th>
<th>If</th>
<th>Then</th>
<th>Is the item purchased from DWCF?</th>
<th>If</th>
<th>Then</th>
<th>Is the item part of a full funding effort? *</th>
<th>If</th>
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<tr>
<td>Yes</td>
<td>Yes</td>
<td>Is the item purchased from DWCF?</td>
<td>Yes</td>
<td>Is the item part of a full funding effort? *</td>
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<td>Classify as Investment</td>
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<tr>
<td>No</td>
<td>No</td>
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* When intended for use in weapon system outfitting, government furnished material on new procurement contracts or for installation as part of a weapon as part of a weapon system modification, major reactivation or major service life extension.

*010202. Full Funding of Procurement Programs

A. General. A budgeting rule that requires the total estimated cost of a, military useable end item, be funded in the fiscal year in which the item is procured. Under the full funding policy, the entire procurement cost of a weapon or piece of military equipment is to be funded in the year in which the item is budgeted. An end item budgeted in a fiscal year cannot depend upon a future years funding to complete the procurement. Regulations governing the full funding policy are found in Office of Management and Budget (OMB) Circular A-11 and DoD Directive 7000.14-R

1. The full funding policy is intended to prevent the use of incremental funding, under which the cost of a weapon system is divided into two or more annual portions or increments. Thus, full funding provides disciplined approach for program managers to execute their programs within cost and available funding.

2. There are two general exceptions to the full funding policy: one permits the use of Advance Procurement (AP) funding for components or parts of an item that have long production lead times; the other permits advance procurement funding for economic order quantity (EOQ) procurement, which normally occurs in programs that have been approved for multiyear procurements (MYP). Advance Procurement funding is used routinely and
extensively in the procurement of components for major end items due to manufacturing and production lead times. The use of MYP has to be approved by the Congress on a program-by-program basis. Congressional approval permits DoD to use a single contract to procure multiple copies of a given item that are scheduled to be procured across a series of years. MYP arrangements are governed by 10 USC 2306(b). EOQ procurement involves procuring multiple copies of a key component of a weapon covered by an MYP at the start of the MYP period in order to achieve significantly reduced costs on that component.

B. Policy for Full Funding. The total estimated cost of a complete, military useable end item or construction project must be fully funded in the year it is procured. There are 2 basic policies concerning full funding.

1. To provide funds in the budget for the total estimated cost of a complete, military useable end item to document the dimensions and cost of a program.

2. Exceptions to this policy are advance procurement for long lead-time items and advance economic order quantity (EOQ) procurement. EOQ may be used only in connection with multiyear procurements. Both efforts must be identified in an Exhibit P-10, Advance Procurement, for the Budget Estimate Submission and the President’s Budget request.

C. Procedures for Full Funding

1. Cost Estimates. Full funding applies to an initial estimate and can exist only at a point in time because estimates change. However, the Future Years Defense Program (FYDP) shall be a consistently reliable foundation for stating the total cost of acquiring defense systems. Thus, the FYDP shall reflect a DoD Component’s best estimate at completion of the program. The estimate should reflect the most likely cost of a procurement. Program estimates shall be kept current and fully financed through the Planning, Programming, Budgeting and Execution (PPBE) System process and established reprogramming procedures.

2. Time-Phased Procurement. Within defense system acquisition programs, nonrecurring costs and costs of certain production items related to, but not integral to, the end item of equipment are considered part of the overall acquisition cost. DoD Components shall plan and budget in a manner to ensure completion of the nonrecurring effort or delivery of such production items consistent with the planned delivery of the associated end items. That is, the programming and budgeting shall be on a time-phased "lead-time away" or "need to commit" basis. The Funded Delivery Period is part of the process to determine the quantities required to be budgeted in a particular fiscal year. DoD Components may not budget funds for obligation for items such as support, trainers, or data before the design or specifications of such items are essentially complete. These items shall be budgeted on an "ability to contract" basis as well as on a "lead-time away" basis.

3. Advance Procurement (Long Lead-time Items). Advance procurement requests for long lead-time items shall be limited to the end items in major procurement appropriations. Long lead-time procurements shall be for components, parts, and material whose lead-times are greater than the life of the appropriation (3-5 years). In some
circumstances, Advance Procurement is also warranted when items have significantly longer lead-times than other components, parts, and material of the same end item or when efforts must be funded in an advance procurement timeframe in order to maintain a planned production schedule. For new development programs, the planned production schedule should be based on a full funding basis without the use of long lead material. Planning the program content this way provides additional flexibility should development delays arise. When advance procurement is part of the program, however, the cost of components, material, parts, and effort budgeted for advance procurement shall be relatively low compared to the remaining portion of the cost of the end item. Each budget request for advance procurement shall represent, at a minimum, the termination liability associated with the total cost of the long lead-time components, material, parts, and effort for which the advance procurement request is being made. The termination liability should not cover the cost of the end item budgeted in the following fiscal year(s). The full cost of components, material, parts, and effort included in the advance procurement request should be budgeted in the FYDP consistent with full funding procedures. The budget requests will properly debit and credit advance procurement budget requests as defined in Exhibits P-1, P-5, P-10 and P-40 instructions.

4. Economic Order Quantity (EOQ) Procurement. EOQ may be used only in connection with multiyear procurement. It is the general policy of the Department of Defense not to create unfunded contract liabilities for EOQ procurements. Rather, funding for EOQ procurements shall be included in advance procurement budget requests unless an exception to the general policy is granted by the USD(Comptroller). The EOQ procurement may satisfy procurement requirements for no more than the number of program years covered by the multiyear procurement contract. Unless it would be more effective to fully fund the EOQ, or the USD(Comptroller) has granted an exception to the general policy to allow inclusion of EOQ costs in a cancellation clause, the advance procurement funding for an EOQ procurement shall cover, at a minimum, the estimated termination liability of the EOQ procurement.

5. Relationship of Budgeting and Contracting. An end item is fully funded only when funds are budgeted, programmed and available to cover the total estimated cost of the item at the time the procurement action is begun. Contracting, on the other hand, is a part of the execution phase or acquisition process within the framework of a program. The number of contracts required to procure a defense system, the type of contract awarded, and the timing of the award have no bearing upon whether or not an item is fully funded. In executing a program, no procurement of material or equipment, or work or services, therefore, shall be directed or implemented unless the full program amount is available, except for authorized economical order quantity (EOQ) and advance procurement. Similarly, the value of existing contracts for the procurement of material or equipment shall not be increased (through contract modifications) unless the funds are available to fully fund the new contract price. Limitations of funds clauses shall not be used as a mean of avoiding the requirement to fully fund procurement programs. (Note that this guidance does not affect the proper use of limitations of funds clauses in incrementally funded development contracts.) For multiyear contracts, the test of full funding does not include the cancellation ceiling associated with items in the FYDP to be procured in fiscal years not yet funded (that is, beyond the budget year). Multiyear contracts may not be awarded unless the contract and the multiyear program are fully funded within the approved FYDP funding.
010203. Multiyear Procurement

A. Multiyear procurement (MYP). This is a generic term describing the process, planning, and contract under which the government may contract for the purchase of supplies or services for more than one, but not more than five, program years. Such a contract may provide that performance during the second and subsequent years of the contract is contingent upon the appropriation of funds, and may provide for a cancellation payment to be made to the contractor if such appropriations are not made. Multiyear procurements are budgeted and funded annually.

B. Statutory Requirements. Section 2306b of title 10 of the United States Code and section 8008 of the annual DoD Appropriations Act, require that approval, initiation, and execution of a multiyear contract follow certain guidelines.

1. MYP approval is predicated on:

   a. Substantial Savings. The use of a multiyear contract will result in substantial savings of the total anticipated costs of carrying out the program through annual contracts.

   b. Stability of Requirement. The minimum need for the property to be purchased is expected to remain substantially unchanged during the contemplated contract period in terms of production rate, procurement rate, and total quantities.

   c. Stability of Funding. There is a reasonable expectation that throughout the contemplated contract period, the head of the agency will request funding for the contract at the level required to avoid contract cancellation.

   d. Stable Design. There is a stable design for the property to be acquired and the technical risks associated with such property are not excessive.

   e. Realistic Cost Estimates. The estimates of the cost of the contract and the anticipated cost avoidance through the use of a multiyear contract are realistic.


2. In addition to the approval criteria, Congress requires that:

   a. MYP contracts cannot be initiated for any system or component thereof if the value of the MYP contract would exceed $500.0 million unless specifically provided for in an Appropriations Act and an Act other than an Appropriations Act.

   b. Proposed legislation and funding must accompany the MYP request in the President's budget submission; or the MYP request must be formally submitted as a budget amendment.
c. Funds appropriated for the purchase of an end item under a multiyear contract may only be used for a complete and usable end item.

d. Funds appropriated for advanced procurement under a multiyear contract may only be used to fund the long lead items necessary for a complete and usable end item planned and budgeted for a subsequent fiscal year. Advanced procurement funds may also be used for economic order quantity procurements in connection with a multiyear contract when authorized by law.

e. Congressional defense committees must be notified at least 30 days in advance of a proposed contract award that: employs economic order quantity procurements in excess of $20.0 million in any one year of the contract; employs advance procurement leading to a multiyear procurement contract that employs economic order quantity procurement in excess of $20.0 million in any one year; or includes an unfunded contingent liability in excess of $20.0 million.

f. A multiyear procurement contract cannot be initiated for which the economic order quantity advance procurement is not funded at least to the limits of the government’s liability.

g. A multiyear procurement contract must provide for production at not less than the minimum economic rate given the existing tooling and facilities.

h. A present value analysis must be used to determine the present value, or real worth, of the multiyear savings. Comparing the multiyear contracting approach to a conventional annual-buy approach derives the savings (see section 8008 for additional (new) requirements).

i. The Secretary of Defense must certify to the Congress that the support costs associated with the multiyear procurement with a value greater than $500 million are fully funded within the Future Years Defense Program (FYDP). The Secretary of Defense in a March 23, 1998 memorandum delegated this certification to the USD Comptroller. Components must submit the certification letter to the USD Comptroller at least 30 days prior to the anticipated contract award for approval, signature, and transmittal to the congressional defense committees.

j. Multiyear procurement contracts may provide for cancellation provisions to the extent that such provisions are necessary and in the best interests of the United States. The cancellation provisions may include consideration of both recurring and nonrecurring costs of the contractor associated with the production of the items to be delivered under the contract, but may not include recurring costs associated with unfunded units. The Agency Head and the USD(C) must approve the inclusion of recurring costs in a cancellation ceiling (see paragraph C below).

k. Before any multiyear procurement contract that contains a clause setting forth a cancellation ceiling in excess of $100.0 million may be awarded, the head of the agency concerned shall give written notification of the proposed contract and of the proposed cancellation ceiling for that contract to the congressional defense committees. The
contract may not be awarded until the end of a 30-day waiting period beginning on the date of such notification.

1. MYP contracts cannot be terminated without a 10-day prior notification to the congressional defense committees.

C. DoD Requirements.

1. The item should be technically mature, normally having completed RDT&E (including development testing, or equivalent) and Initial Operational, Test and Evaluation (IOT&E), with relatively few changes in item design anticipated. Deliveries of production items will indicate that the underlying technology is stable. This does not mean that changes will not occur but that the estimated cost of such changes is not anticipated to drive total costs beyond the proposed funding profile.

2. Estimates should be based on prior cost history for the same or similar items or proven cost estimating techniques. Normally, production assets should have been delivered in order to obtain actual costs for the comparisons (exceptions include satellites and ships).

3. With the exception of funding for economic order quantity (EOQ) procurement and advance procurement for long lead-time items as defined in section 010202, multiyear procurement contracts will comply with full funding. The full funding policy shall apply to each individual year of the multiyear contract. Multiyear contracts shall not be used as a vehicle for incrementally funding the items across the fiscal years covered by the contract. The production lots on the contract shall be the same as those described in the budget and advance procurement shall not be used to achieve a higher production rate for the end item. Funds shall not be “borrowed” from the amounts budgeted for items in the early fiscal years of a multiyear contract to begin work on items not budgeted until later fiscal years of the contract.

4. The inclusion of recurring costs in cancellation ceilings is an exception to normal contract financing arrangements and requires approval by the Agency Head (FAR 17.106-3(e)) and the USD Comptroller.

5. An exception, to be approved by the USD Comptroller, is needed to structure a contract with an unfunded cancellation ceiling. Justification explaining why an unfunded cancellation ceiling is the chosen acquisition strategy should be provided. This justification should specify what costs comprise the unfunded cancellation ceiling and why these costs are not funded under the full funding policy.

6. In keeping with the DoD policy of not relying upon industry to finance the cost of Defense programs, even on a temporary basis, the use of unfunded cancellation ceilings on multiyear contracts shall be rare and shall not be unreasonably large relative to the total budget for any individual fiscal year.
7. Funds obligated for multiyear contracts must be sufficient to cover any potential termination costs. The costs of cancellation or termination may be paid from (1) appropriations originally available for the performance of the contract concerned; (2) appropriations currently available for procurement of the type of property concerned, and not otherwise obligated; or (3) funds appropriated for those payments.

010204. Buy-to-Budget for Acquisition of End Items

A. In accordance with United States Code Title 10, Section 2308, the head of an agency making the acquisition may acquire a higher quantity of the end item than the quantity specified in applicable Appropriations Acts if the following conditions are met:

1. The agency has an established requirement for the end item that is expected to remain substantially unchanged throughout the period of the acquisition.

2. It is possible to acquire the higher quantity of the end item without additional funding because of production efficiencies or other cost reductions.

3. The amount of the funds used for the acquisition of the higher quantity of the end item will not exceed the amount provided under that law for the acquisition of the end item.

4. The amount provided is sufficient to ensure that each unit of the end item acquired within the higher quantity is fully funded as a complete end item.

B. For noncompetitive acquisitions, the acquisition of additional quantities is limited to not more than 10 percent of the quantity approved in the justification and approval prepared in accordance with United States Code Title 10, Section 2304, and Federal Acquisition Regulation Part 6.

C. The agency head must notify the congressional defense committees of a decision to buy more items than specified in an Appropriations Act not later than 30 days after the date of the decision.

010205. Transportation

A. First Destination Transportation (FDT) is that transportation required to deliver new, an upgraded model, or recapitalized production items from the manufacturer’s plant or source of procurement to the first point of delivery where the Military Service or Defense Agency takes possession and/or ownership of that item. The procurement source, as used herein, is any supplier outside the DoD supply system or any DoD industrial activity that fabricates new materiel. The procurement source or the first point of delivery may be in the Continental United States (CONUS) or overseas. FDT is not applicable to components or items reworked by an industrial activity. In the case where the Government accepts the production item at the manufacturer’s plant or source of production and legally owns the item, FDT extends to the first point of delivery for either use or storage by the Military Service or Defense Agency. For
shipments destined to overseas locations that will enter the Defense Transportation System, FDT terminates at the port of embarkation (CONUS or overseas).

B. Second Destination Transportation (SDT) is any transportation other than FDT.

C. Budgeting Responsibilities for Transportation

1. Transportation of Supply Management Materiel of the Defense Working Capital Funds. Transportation among the 50 states is financed by the supply management business area responsible for the shipment. Transportation of supply management standard items overseas is financed by the appropriation or fund ordering the materiel if within the definition of FDT, otherwise it is financed as SDT. Transportation of DWCF nonstandard items overseas is financed in the same manner as transportation of standard items overseas except for items that are shipped on a free-on-board (FOB) destination basis. In this case, the overseas shipment transportation cost is included in the cost of the nonstandard item and no additional transportation charges should be incurred for the overseas shipment.

2. Transportation of Items Procured by Other Than Procurement and O&M Appropriations, or Defense Working Capital Funds. In general, FDT is financed by the appropriation, which financed acquisition of the item, i.e., RDT&E appropriations for RDT&E materiel and Military Construction appropriations for items that are shipped to support such construction projects. All over-ocean shipment of subsistence items financed by the Military Personnel appropriations is considered as an exception and is financed as SDT.

3. Transportation of Items Procured by Procurement Appropriations. FDT is normally financed by the Procurement appropriation that financed acquisition of the item. SDT is normally financed by the Operation & Maintenance (O&M) appropriations. The following additional guidance applies:

   a. Transportation costs integral to production contract price such as FOB destination charges are considered part of the end item unit price and are financed by the procurement appropriation that financed acquisition of the item.

   b. All transportation of government furnished equipment (GFE) and government furnished materiel (GFM) prior to installation into an end item is considered FDT and is financed by the procurement appropriation that financed acquisition of the item.

   c. The transportation of items that are not owned by DoD - such as nuclear materials and warheads that DOE provides to DoD but DOE retains ownership - is considered FDT and is financed by the procurement appropriation that financed the acquisition of the end item into which the item will be incorporated.

4. Transportation of Items Procured by O&M Appropriations. Transportation is financed by the O&M appropriation according to the FDT and SDT definitions.
010206. Engineering Change Orders

Engineering change orders should be funded commensurate with the level of risk in the program.

010207. Factory Training

Factory training course costs for initial cadre training are considered investment costs and should be budgeted and funded in the investment appropriation and the specific program used to procure the development, acquisition, or modification of the related end item. Temporary Duty (TDY) travel costs of military or civilian personnel attending factory training courses are funded in the Operation and Maintenance appropriations. Factory training courses acquired for end items no longer in production are to be funded in the Operation and Maintenance appropriations.

010208. Interim Contractor Support

Interim contractor support (ICS) is the maintenance and support of a new weapon system provided by a commercial vendor pending transition to organic support. Because ICS is a major component of the initial logistics support of a newly fielded system and integral to program acquisition, ICS funding requirements should be budgeted in the Procurement appropriations. However, ICS is intended to provide support for the brief period between initial item deployment and the permanent organic support. All acquisition strategies should attempt to minimize ICS requirements and duration. ICS will only be funded in Procurement appropriations until the organic support date specified in the acquisition program baseline is achieved. Continued funding of ICS after the baseline support transition date will be approved on an exception basis.

010209. Commercial Off-the-Shelf (COTS) and Non-Developmental Item (NDI) Procurement

Items purchased directly from a commercial source that can be utilized without alteration or modification are classified as COTS or NDI. All COTS and NDIs, including the first article and associated first article acceptance testing should be funded in the Procurement or O&M appropriations, as determined by the Expense and Investment criteria. If an end item requires design and development in order to accept the COTS or NDI, or if Operational Test & Evaluation (OT&E) is required to determine military suitability and effectiveness; or if Live Fire Test & Evaluation (LFT&E) is required to determine whether the COT/NDI possesses survivability and lethality characteristics needed by operational forces, then the entire effort is not COTS or NDI, and funding for that effort should be budgeted in RDT&E. If a COTS or NDI is required for RDT&E test purposes, the cost is funded in RDT&E.
010210. Spares and Repair Parts

A. This Section provides instructions applicable to funding requests for spares and repair parts procured with direct appropriations in the Procurement Title.

1. Initial Spares and Repair Parts. Initial spares and repair parts will include those repairable components, assemblies, and subassemblies required as initial stockage at all levels including the pipeline to permit fielding of new end items. Whole spare engines will be classified as initial spares through the life of system. Funding will be budgeted based on a first year obligation rate of 92 percent.

2. War Reserve Spares and Repair Parts. War reserve material (WRM) spares and repair parts for initial stockage will be budgeted in replenishment except for whole spare engines in accordance with the above definitions. See Section 010215, Defense Working Capital Funds - War Reserve Materiel, for additional budgeting WRM policies.

B. The Operation and Maintenance (O&M) accounts will finance the purchase of depot level reparables (DLRs) and consumable repair parts, primarily through the Defense Working Capital Fund (DWCF), for maintenance of all Class IX equipment (excluding medical peculiar repair parts).

C. Spares budgeting can be aggregated by weapon system except for Selected Acquisition Report (SAR) systems.

010211. Direct and Reimbursable Budget Plans

A. Direct Budget Plan. This plan includes those items of materiel to be purchased for delivery to service inventory and those procurement programs that support the acquisition of materiel for US forces. Financing for the direct budget plan is derived from: new budget authority provided by the Congress, the transfer of resources from other appropriations, and reimbursements. When dealing with reimbursements involving the sale of materiel, three situations can arise:

1. Replacement-in-Kind. In this situation an item of materiel is sold and will require replacement with an item of the identical type, model, and series or modified version of the same basic model (i.e., the sale of C-130E aircraft and purchase of C-130E aircraft). In this situation the reimbursement from the sale will be included in reimbursable financing and the buy-back of the item in the reimbursable program. There will be no reflection of this transaction in the Direct Budget Plan. For an ammunition item, the replacement-in-kind policy permits replacement of a round with any round that provides the same warfighting mission capability, providing the round to be purchased has been previously approved by the Congress for procurement, and the inventory objective presented to the Congress is not exceeded.

2. Replacement. In this situation an item of materiel is sold and will require replacement to compensate DoD inventories for the resultant loss of capability or readiness. Because of one or more circumstances, the replacement item will not be identical to the item sold. It must, however, be a later series or modified version of the same basic model (e.g., sale of a C-130A aircraft and purchase of a C-130E aircraft) or an acceptable substitute item used in the requirements computations (e.g. sale of an M-48 tank and purchase of an M-60 tank). In this situation the reimbursement from the sale will be included under reimbursable
financing but the buy-back of the replacement item must be shown under the Direct Budget Plan and must comply with reprogramming requirements.

a. Items sold from inventory with a unit cost less than $5,000 will be treated as a replacement-in-kind if an improved model of the same end item is being procured, it provides the same warfighting capability, and the inventory objective presented to Congress is not exceeded.

b. If an item is eligible for replacement or replacement-in-kind and is not replaced, the reimbursement should be treated as a "free asset."

3. Free Assets. In this situation an item of materiel is sold and will not require replacement. All free assets from FMS transactions are required to be deposited into the Miscellaneous Receipts of the US Treasury in accordance with 10 U.S.C. 114(c)(2).

B. Reimbursable Budget Plan. This plan includes those items of materiel to be purchased for delivery to and use by customers. Financing for the reimbursable budget plan is derived from:

1. Anticipated reimbursement based upon customer orders received for items (not stocked by or purchased for procuring service use) to be purchased for direct delivery to a customer. (Direct citation of customer funds for procurement against this type of order is encouraged where common components and/or common assembly with service production of similar items are not involved.)

2. Anticipated reimbursement based upon customer orders received or to be received for items common to the procuring service and customer, for direct delivery to the customer.

3. Where the materiel item is to be made available from on-order quantities under an existing contract of a Military Department, the sales transactions will be reflected as reimbursable transactions. The quantities and costs of the replacement procurement will be included in the reimbursable program.

4. Where the materiel item is to be made available directly from a contract awarded after the date of the sales agreement and the contract includes a particular quantity of the item to fulfill the sales agreement, the transaction will be reflected as a direct cite transaction.

5. In "Replacement-in-Kind" situations, the proceeds from the sale will be included under reimbursable financing and the buy-back program will be included in the Reimbursable Budget Plan.

6. In "Replacement" situations, the proceeds from the sale will be included under reimbursable financing but the buy-back program will be included under the Direct Budget Plan (not the Reimbursable Budget Plan).

7. Reimbursements from customer orders for secondary items, because of the nature of such commodities and the way they must be managed, will always be treated as a generic category requiring, by definition, "replacement-in-kind." Accordingly, the proceeds from such transactions will be included under reimbursable financing and the buy-back of an equivalent value of such commodities will be included in the Reimbursable Budget Plan.
010212. Budgeting for Information Technology and Automated Information Systems

A. Information Technology and Automated Information Systems that are not embedded in weapons systems and/or major end item procurements are budgeted according to the investment and expense criteria (see 010201) and the appropriation or fund’s purpose.

B. The correct appropriation for budgeting an IT effort is dependent on the activity and the underlying tasks that make up the IT effort. RDT&E activities and Working Capital Fund activities follow unique procedures as noted in the following paragraphs. All other activities budget for IT efforts based solely on the underlying purpose for the IT effort.

1. An IT effort may require funding for more than one appropriation. The underlying purpose for each discrete task within an IT effort determines the correct appropriation for budgeting of that task. An effort that is so broadly defined that it contains separate tasks appropriate to budgeting in different appropriations should be separated into discrete tasks, each of which is budgeted in the correct appropriation.

2. The following guidelines are provided to help determine which appropriation to use:

3. RDT&E appropriations: Development, test and evaluation requirements, including designing prototypes and processes, should be budgeted in the RDT&E appropriations. The RDT&E funds should be used to develop major upgrades increasing the performance envelope of existing systems, purchase test articles, and conduct developmental testing and/or initial operational test and evaluation prior to system acceptance. In general, all developmental activities involved in bringing a program to its objective system are to be budgeted in RDT&E.

   a. Reaching the objective system, as defined in the requirements documents, is a critical determinate. Some software programs, particularly those following a spiral or incremental development pattern, may be approved for initial fielding even though the early capability is below the objective system requirements. The follow-on development and test activities required to reach the objective system performance will be budgeted in RDT&E.

   b. Commercial-off-the-shelf (COTS) systems that require engineering design, integration, test, and evaluation to achieve the objective performance will be budgeted in RDT&E.

   c. The acquisition, operation and maintenance of IT systems that are used exclusively to support RDT&E activities will be budgeted and funded within an RDT&E appropriation.

4. Procurement appropriations: Acquiring and deploying a complete system with a cost of $250,000 or more is an investment and should be budgeted in a Procurement appropriation. Complete system cost is the aggregate cost of all components (e.g.,
equipment, integration, engineering support and software) that are part of, and function together, as a system to meet an approved documented requirement. For modification efforts, only the cost of the upgrade (e.g., new software, hardware, and technical assistance) is counted towards the investment threshold. The total cumulative cost of the system is not considered when deciding what appropriation to use to fund modernization.

a. Procurement of fully developed and tested modification kits and associated installation, including technical assistance is financed from Procurement appropriations. Equipment purchased after successful system testing and a favorable fielding decisions is funded with procurement dollars.

b. Proprietary software carries a copyright from the vendor that prohibits duplication or modification. Essentially, the purchaser is buying a license from the vendor to use the software on a particular system. Proprietary software is an investment, subject to the expense-investment criteria, unless it is financed on an "annual fee" basis. In the latter case, it is an expense item properly financed in RDT&E or O&M.

5. O&M appropriations: Expenses incurred in continuing operations and current services are budgeted in the O&M appropriations. Modernization costs under $250,000 are considered expenses, as are one-time projects such as developing planning documents and studies.

a. Software releases categorized as iterations on the basic release and not involving significant performance improvements or extensive testing are considered a maintenance effort. Minor improvements in software functionality which are accomplished during routine maintenance may also be O&M funded.

b. Items purchased from a commercial source that can be used without modification (e.g., COTS and nondevelopmental items) will be funded in either the Procurement or O&M appropriations, as determined by the expense and investment criterion.

6. The IT systems developed and acquired through the Defense Working Capital fund will be reflected in the Capital Budget if the system is $100,000 or more. Systems costing less than $100,000 are funded through the Operating Budget.

7. Capitalization of Software Cost. For accounting purposes, the total cost of software should be capitalized when the total cost of the system exceeds the Department’s capitalization threshold amount, which is currently $100,000. Capitalization of software is not dependent on the appropriation used to fund its purchase or development. Further information on capitalization may be found in the DoD FMR, Volume 4, Chapter 6, paragraph 060210.
010213. Research, Development, Test and Evaluation (RDT&E) - Definitions and Criteria

A. Definitions. The term "research and development (R&D)" is intended broadly to include the work performed by a government agency or by private individuals or organizations under a contractual or grant arrangement with the government. It includes R&D in all fields, including the physical sciences, engineering, etc.

1. Research is systematic study directed toward fuller scientific knowledge or understanding of the subject studied.

2. Development is systematic use of the knowledge and understanding gained from research, for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

B. General Criteria. When, after consideration of the following criteria, there is doubt as to the proper assignment of costs between appropriations, the issue should be resolved in favor of using RDT&E funding. In general, the types of costs to be financed by RDT&E and related appropriations are:

1. RDT&E Appropriations
   a. RDT&E will finance research, development, test and evaluation efforts performed by contractors and government installations, including procurement of end items, weapons, equipment, components, materials and services required for development of equipment, material, or computer application software; its Development Test and Evaluation (DT&E); and its Operational Test and Evaluation (OT&E) as provided for in paragraph C.5. (Test Articles and Test Support) below.
   b. The operation of R&D installations and activities engaged in the conduct of R&D programs, including direct and indirect efforts, expense and investment costs.
   c. The acquisition or construction of industrial facilities costing less than $750,000 at government owned, government operated (GOGO) facilities under the criteria of DoD Directive 4275.5 as provided for under 10 U.S.C. 2805 (unspecified minor construction). Use of RDT&E funds for acquisition and construction at contractor owned or contractor operated government facilities is authorized under 10 U.S.C. 2353, Contracts; Acquisition, Construction, or Furnishings of Test Facilities and Equipment.

2. Related Appropriations
   a. All construction at R&D installations and activities other than that covered above will be funded in the Military Construction appropriations.
b. Equipment and material approved for production and intended for operational use or inventory upon delivery will be funded in the Procurement appropriations. Product improvement within the current performance envelope on systems in production, will be funded in the Procurement appropriations as long as no development or operational tests by an independent operational test agency are required.

c. Family housing construction, operation and maintenance at R&D installations and activities will be funded in the Family Housing appropriations.

d. Expenses of Headquarters R&D management, organizational management analyses, test and evaluation for system sustainment personnel and command support, and product improvement within the current performance envelope for systems out of production will be funded in the Operation and Maintenance (O&M) appropriations.

C. Specific Determinations. Additional details on the determination of proper funding for specific items or efforts are provided in the following paragraphs.

1. Organizational Funding Criteria

a. The RDT&E appropriation will finance expenses and investments for the operation and maintenance of R&D organizations, equipment (including R&D aircraft, ships and ship-type vehicles), installations and activities (including those operated by contract).

b. Expenses for the support of tenant activities will be funded in accordance with the following:

(1) Expenses for the support of tenant activities at R&D installations and activities will be RDT&E funded by the host activity, pending the establishment of reimbursable arrangements. Subsequent to the establishment of reimbursable arrangements, expenses for the support of the tenant will be funded by the tenant or as mutually agreed with the host.

(2) Where reimbursable arrangements exist, expenses for the support of R&D activities or organizations that are tenant activities at installations having a primary function other than research, development, test and evaluation will be funded by RDT&E.

(3) Expenses for the support of R&D activities or organizations which are tenant activities at installations having a primary function other than R&D will be funded by the host, pending the establishment of reimbursable arrangements.

c. Expenses of R&D management and administrative organizations at major systems commands, headquarters organizations and administrative organizations at DoD component departmental headquarters levels (except for the Defense
Advanced Research Projects Agency and the Missile Defense Agency) will be financed in the Operation and Maintenance (O&M) appropriations.

d. Expenses and investments for the operation and maintenance of major range and test facilities, as defined under DoD Directive 3200.11, that conduct developmental and operational testing as a primary mission as determined by workload, will be financed by the RDT&E appropriation. Major range and test facilities that primarily support testing after system acceptance for operational use or training exercises will be financed in the O&M appropriations.

e. Costs of evaluating organizational structure and distribution of function, administrative operating policies, procedures, methods and systems (management studies) and applications of the management sciences to improve effectiveness in carrying out assigned functions are financed in the O&M appropriations.

f. Expenses of operational military forces having a primary mission other than R&D and not specifically assigned to R&D that may, from time to time, be engaged in or support R&D activities, will be funded in the O&M appropriations.

2. Facilities Construction and Modification. When it is determined that DoD financing of real property projects is required, the projects shall be programmed, budgeted, and financed as follows:

a. Government-Owned, Government-Operated (GOGO) Facility on Government Land. When GOGO property is to be constructed on government-owned land, such construction will normally be financed as a Military Construction project. Construction of facilities for RDT&E costing $750,000 or less may be funded with RDT&E appropriations. Such expenditures are authorized under 10 U.S.C. 2805 (unspecified minor construction). All minor construction must result in a complete and usable facility. In no event are two or more construction projects or minor and major construction projects to be contrived to be a usable facility. Construction projects at R&D installations and activities whose costs are greater than $750,000 will be financed by the Military Construction appropriation in accordance with Chapter 6.

b. Government-Owned, Contractor-Operated (GOCO) Facility

(1) When the GOCO facility is on a military installation (post, camp or station) the primary funding is the Military Construction appropriation. However, if the facilities are contractor-operated, and the contractor is solely responsible for the complete and total operation and maintenance of the facility complex, construction may be financed in Procurement or RDT&E in accordance with DoD Directive (DoDD) 4275.5 and 10 U.S.C. 2353 criteria. New construction or improvements having general utility are not authorized under 10 U.S.C. 2353.
(2) When GOCO facilities are constructed on government property other than a military installation, the Procurement or RDT&E appropriation will finance the construction in accordance with DoDD 4275.5 criteria.

c. Contractor-Owned, Contractor-Operated Facility. Under 10 U.S.C. 2353, a research or development contract may provide for the acquisition, construction, or furnishing of facilities and equipment that are necessary for the performance of the contract to the contractor. Improvements having general utility or new construction are not authorized under 10 U.S.C. 2353. Facilities that would not be readily removable or separable without unreasonable expense may not be installed or constructed on property not owned by the government, unless the contract contains:

(1) A provision to reimburse the government for the fair value of the facilities;

(2) An option for the government to acquire the underlying land; or

(3) An alternative provision that protects the interests of the United States in the facilities.

d. All proposed RDT&E real property facilities will be identified to Congress in accordance with Chapter 5, Section 050402.

e. The Family Housing appropriation will provide for Family Housing construction and Family Housing O&M at R&D installations and activities.

3. Equipment. RDT&E appropriations will finance the development, design, purchase, installation, and acceptance testing of equipment or instrumentation required to support RDT&E activities. Costs of specialized equipment and instrumentation required for the support of research, development, test and evaluation contractor effort at government-owned, contractor-operated (GOCO) activities will be financed in RDT&E. DoD Directive 4275.5 applies. Installation costs include directly related foundations, shielding, environmental control, weather protection, structural adjustments, utilities and assets. Installation costs are excluded from RDT&E financing if the effort is accomplished concurrently with a military construction project, and in these instances, the military construction appropriation finances the installation cost. To the extent that the equipment installation occurs at a government activity and the cost exceeds $500,000, no new facility or physical outer dimension expansion to an existing facility shall result from an RDT&E-funded equipment installation project.

4. Establishment of Pilot Line and Tooling Requirements

a. The costs associated with establishing an initial pilot line, which are necessary to acquire a limited number of representative items for test purposes, including the test items, will be financed by RDT&E. All items and costs associated with
maintaining the initial pilot line beyond the quantity sufficient to test for operational acceptability will be financed from other appropriations.

b. When an end item under development has also been approved for procurement, operational use, or included in the force structure, then hard tooling requirements common to both the development and procurement phases will be financed by Procurement appropriations. When an end item under development has not been approved for procurement, operational use, or included in the force structure, then tooling and other preliminary production facilities required to produce realistic development items for test and evaluation will be financed by RDT&E, even though such tooling and facilities might later be used for production.

5. Test Articles and Test Support

a. As a general rule, the procurement of test articles and test support, including "Special Support" costs and "Command Support" costs (see Glossary), for all RDT&E tests preceding and leading to acceptance for operational use will be RDT&E funded. Test articles and components or materials to be assembled into test articles shall be budgeted in accordance with the need for them in the development and test program. Purchases of fully configured or near fully configured test articles (e.g., off-the-shelf drones) should be budgeted in accordance with the need for full units to test.

(1) Development and preproduction prototypes (RDT&E financed) will be used for Developmental Test and Evaluation (DT&E), including scientific, technical and weapons effects tests. DT&E programs must provide complete and reliable data that can be used to estimate the military utility of new items as a basis for considering decisions to continue engineering development. To this end, it is essential to plan, program, budget and fund for an adequate number of R&D articles for development, test and evaluation that will be fabricated, manufactured or produced in a realistic preliminary production manner and thus provide such data.

(2) Development and preproduction prototypes (RDT&E financed) will be used for OT&E. When so used, they must be sufficiently representative of the expected production items’ to provide from OT&E a valid estimate of production items operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements).

(3) Low Rate Initial Production (LRIP) assets. LRIP, as defined in DoD 5000.2-R, is to provide production configured or representative articles for operational test (RDT&E funded, see paragraph (2)); establish an initial production base for the system (procurement funded); and permit an orderly increase in production rate for the system (procurement funded). If the asset will be used for developmental or operational testing by an independent operational test agency, then it should be procured with RDT&E funds. The LRIP quantity will be determined as part of the Production and Deployment approval (Milestone C). RDT&E funds will be budgeted to procure the items required for operational test to facilitate the testing of LRIP assets. LRIP test articles must be specifically identified in the budget.
documentation. Should LRIP items beyond the test quantity be required, they would need to be included in the Milestone C decision and a determination made at that time. Ships and space systems do not have LRIP periods like other systems. Special guidance relating to the transition of ships and space systems from RDT&E to Procurement is provided in paragraph 9 of this section.

b. Conduct of testing that is not associated with RDT&E, or testing conducted after fielding or acceptance for operational use, such as the examples noted below, will be financed in the Procurement or O&M appropriations, as appropriate.

(1) Acceptance, quality control and surveillance testing of articles obtained for other than RDT&E purposes.

(2) Routine testing in connection with logistic support.

(3) Testing related to the operation and maintenance of equipment and material acquired for use under appropriations other than RDT&E.

(4) Testing required to prove the capability of facilities to produce items which have been approved for production will be funded by procurement as part of the initial acquisition cost.

c. The acquisition of commercial or nondevelopmental items for testing and operational evaluation that do not require RDT&E engineering, design or integration effort will be financed by O&M or Procurement appropriations (as determined by the Expense and Investment criteria). O&M appropriations will finance personnel and command support costs for test and evaluation of commercial and nondevelopmental items by field units for doctrine, operational, or organizational purposes. If the commercially available item is modified and requires testing prior to approval for service use or inventory it is to be funded in RDT&E as are all developmental items.

d. Articles (including end items, weapons, equipment, major test vehicles such as ballistic missile boosters or upper stages, components and materials) of types regularly procured to meet established general requirements such as operational training, operational use, or inventory which are assigned or allocated on a priority basis for use in support of approved R&D programs and which are not consumed in testing, may be financed by Procurement or O&M appropriations using the expense and investment criteria. In addition, excess items that can be made available on a priority basis from existing inventory will be reassigned for use in R&D test and evaluation programs without reimbursement. However, all items, expected to be consumed in R&D test and evaluation will be financed by RDT&E appropriations.

e. Consumable rounds of ammunition or rounds of similar tactical missiles otherwise procured in quantity for inventory under existing procedures, may be issued on a priority basis for use in R&D testing without reimbursement.
f. The acquisition of test articles will be financed by O&M or Procurement appropriations (as determined by the Expense and Investment criteria), and personnel and command support costs will be financed by O&M appropriations for all test and evaluation (T&E) subsequent to acceptance for operational use and T&E to demonstrate the operational employment or develop operational tactics (i.e., subsequent to RDT&E efforts).

6. Modification and Refurbishment of Test Articles

a. Costs associated with modifying or reconfiguring an existing item for R&D test purposes will be funded in RDT&E. When an item that has been diverted from another use is not consumed in R&D testing, any costs necessary to return the item to serviceable condition or to its pre-existent configuration will be financed in RDT&E.

b. If an article initially acquired with RDT&E funds as part of an RDT&E test effort is still available at the completion of the test program, it may be reassigned for operational use or inventory. The cost to modify such an article for operational use would be borne by the Procurement and O&M appropriations, as appropriate.

7. Product Improvement

a. "Product improvement" of major end items and major components of major end items currently in production or in the operational inventory, is subject to the following:

   (1) Redesign of an item to increase the current performance envelope, including related development, test and evaluation effort, will be financed in RDT&E.

   (2) Engineering services or related manufacturing efforts applied to an item currently in production to extend its useful military life within the current performance envelope should be funded by Procurement appropriations as long as no developmental testing (DT) or operational test and evaluation (OT&E) by an independent operational test agency is required. If DT or OT&E by an independent operational test agency is required, RDT&E finances the improvement. The phrase "an item currently in production" implies that the item has end item procurement funding in the year the product improvement effort is to take place.

   (3) Engineering services or related manufacturing efforts applied to an out-of-production, but still operational item to extend its useful military life within the current performance envelope should be financed by O&M appropriations as long as no developmental testing (DT) or operational test and evaluation (OT&E) by an independent operational test agency is required. If DT or OT&E is required by an independent operational test agency, RDT&E finances the improvement.

   (4) In both cases (2) and (3) above, the determination that the improvement is “within the current performance envelope” and that “no development
testing (DT) or operational test and evaluation (OT&E) by an independent operational test and evaluation agency is required” should be determined after formal coordination with the Director, Operational Test and Evaluation.

b. While existing off-the-shelf equipment may be procured with Procurement funds, items that require engineering design, integration, test, or evaluation effort shall be procured with RDT&E funds in sufficient numbers to support such effort.

c. Costs of fully developed and tested modification kits and associated installation costs should be financed from Procurement appropriations. If DT or OT&E by an independent operational test agency is required, RDT&E finances the RDT&E effort and the kits required for RDT&E testing. Procurement funds would then be used to procure the follow-on kits.

d. Aircraft engine component improvement costs are budgeted in the RDT&E appropriations to provide for continuing improvements in the aircraft engines in the areas of reliability, maintainability, durability, correction of Service-revealed deficiencies, safety of flight, time-between-overhaul, etc. "Component Improvement" is established at the point in time when:

1. There has been a Government acceptance of the first procurement funded engine, and

2. The engine has successfully completed stringent qualification or verification testing to demonstrate initial production suitability subject to:

a. Compliance with contractual specifications, performance guarantees and military specifications, as applicable to individual Service requirements;

b. Completion of endurance testing representative of the anticipated Service use to include completion of specified post test inspections, certification, and penalty runs;

c. Demonstration of prescribed performance capability; and

d. Accomplishment of prescribed durability, reliability, and environmental testing.

8. Ships and Ship-type Vehicles

a. An experimental test bed type of ship or an experimental ship will be financed by RDT&E appropriations. This will include all such experimental ships required to support an approved R&D program or for the purpose of experimenting with new or radical ship concepts or to demonstrate the military usefulness of new ship designs,
configurations or fabrication techniques, when the ship-type test vehicle itself can be predicted to be consumed or expended in testing, or to have little or no operational usefulness in the force structure. Prototype ships, when designated by the Secretary of Defense, are included.

b. A ship of demonstrated, conventional concept and design having a high probability of military usefulness and inclusion in the force structure, even though first of a class, will be constructed using procurement funds. A ship of demonstrated conventional concept and design temporarily or permanently assigned from inventory to support R&D effort will be furnished without reimbursement, but the cost of providing all R&D types of equipment or instrumentation, the cost of "nonstandard" modifications of the ship required to make the ship suitable for R&D support, as well as the cost of any related restoration to conventional or operational ship conditions upon release from assignment to R&D, will be financed by RDT&E appropriations.

c. Preliminary or contract design for new ship construction will be financed by RDT&E appropriations, including contractor and "field activity" effort costs. Detail design for ships appropriate for procurement funding will be funded by procurement accounts.

d. Land-based or sea-based combat system test installations will be financed by RDT&E appropriations.

9. Space Systems. The following guidance describes the circumstances in which RDT&E funds may be used for the acquisition of operational space systems.

a. Expendable launch vehicles. The first rocket of a new design is normally used to launch an operational satellite into orbit. This rocket may be financed with either RDT&E or Procurement appropriations. The second and subsequent expendable launch vehicles shall in all cases be financed with Procurement appropriations. The full funding policy shall apply to all expendable launch vehicles budgeted in Procurement appropriations.

b. Satellites. The first satellite of a new design is normally placed into operational use. For programs in which satellites are launched individually, the first two satellites may be financed with either RDT&E or Procurement appropriations. The third and subsequent satellites shall in all cases be financed with Procurement appropriations. For programs in which multiple satellites are launched with a single rocket, the satellites comprising the first launch may be financed with either RDT&E or Procurement appropriations depending upon which budgetary approach is most consistent with the contract structure. Satellites for the second and subsequent launches shall in all cases be financed with Procurement appropriations. The full funding policy shall apply to all satellites budgeted in Procurement appropriations. It is expected that satellite programs will make frequent use of advance procurement, combined parts buys, and multiyear contracts to efficiently use funds within the context of the full funding policy. To achieve these efficiencies, advance procurement funding may be budgeted two years (and, in rare instances, three years) prior to the year of full funding. The total advance procurement funding for a satellite should not exceed 20 percent of the unit cost of the satellite.
c. **Ground Control and Ground Processing Systems.** The design and implementation of ground control and ground processing systems is an integral part of the development of new satellite systems. The entire cost of the primary ground system (including off-the-shelf workstations, power supplies, etc., but not including military construction) shall normally be financed with RDT&E appropriations. The cost of backup ground systems shall be financed with Procurement appropriations, and the full funding policy shall apply.

d. **User Terminals.** User terminals for space systems shall transition from RDT&E to Procurement in the same manner as non-space-related communications and electronics equipment.

10. **Training Devices.** A training device is composed of components and software that have been designed or modified to demonstrate or illustrate a concept or simulate an operational circumstance or environment. The initial or prototype training device and all its support costs through service acceptance for operational use will be funded in RDT&E. RDT&E will not fund beyond the initial system unless more than one full system is required to demonstrate the training device performance. The initial or prototype training device that employs new or off-the-shelf computers and system components, but has training system unique software and interface components, will be developed and procured with RDT&E funds. Typically, these training devices have small quantity requirements and the initial or prototype device is used for operational training. Modifications or updates to existing training devices will normally be funded in the applicable Procurement or O&M appropriation, subject to the expense and investment criteria. Any necessary development effort for these modifications or updates will be funded in RDT&E.

11. **Joint Test and Evaluation**

   a. The Joint Test and Evaluation (JT&E) program provides quantitative information used for analyses of joint military capabilities and to develop potential options for increasing military effectiveness. The program is complimentary to, rather than part of the acquisition process. A JT&E project brings two or more Military Services or other Components together to: assess Service system interoperability in joint operations; evaluate joint technical and operational concepts, and recommend improvements; increase joint mission capability, using quantitative data for analysis; validate testing methodologies that have joint applications; improve modeling and simulation validity with field exercise data; provide feedback to the acquisition and joint operations communities; and improve joint tactics, techniques, and procedures. JT&E projects focus on improving the warfighter’s capability to conduct joint military operations with existing equipment. DOT&E manages the JT&E program and coordinates with Combatant Commanders, the Joint Staff, and the Services to ensure warfighter involvement.

   b. The JT&E program is financed in the Operational Test and Evaluation (OT&E), Defense appropriation (program element 0605804D). DOT&E funds the costs incurred for the direction, supervision, and performance of activities that are unique to the needs of the JT&E projects. When directed as Executive Agent for a particular JT&E project,
the Component, Service or COCOM is responsible for ensuring that all resources necessary for the successful accomplishment of the JT&E project are available to the Joint Test Director (JTD). This includes administrative, management and facilities support for the JTD. The Executive Agent support costs (O&M, Procurement, and RDT&E) are to be programmed and budgeted in accordance with established procedures.

12. **Manufacturing Technology.** The Department of Defense Manufacturing Technology program, which demonstrates factory application of new or improved technology in producing defense items, will be financed in the RDT&E appropriations.

13. **Development Efforts Related to Future Leased Services.** When the provider of a leased service that will ultimately be financed in O&M requires initial funding in order to design or develop major changes or improvements to meet the government’s requirement for that service, then the costs of such development efforts will be financed in RDT&E.

14. **Subsystem Integration into Weapon Systems.** Research and development necessary for the integration of subsystems into weapon systems should be financed from the weapon system program. For example, the R&D cost of integrating an electronic warfare black box into an aircraft should be borne by the aircraft R&D program.

15. Engineering change orders should be funded commensurate with the level of risk in the program.

010214. **RDT&E - Incremental Programming and Budgeting Basis**

**A. Purpose**

This Chapter specifies the principles to be followed, and establishes the criteria and definitions to be used, in the preparation of the annual Research, Development, Test and Evaluation (RDT&E) budget estimates on an incrementally funded basis. The incremental budgeting policy provides that only those funds required for work in a given fiscal year shall be included in the RDT&E budget request for that fiscal year for most classes of effort.

**B. Policy**

The annual budget estimates for Research, Development, Test and Evaluation (RDT&E) projects and programs, including developmental and operational test and evaluation programs, are to be prepared on an incrementally programmed basis (as opposed to the fully funded program basis used in preparing procurement budget estimates.)

**C. Guidance**

1. The budget request for DoD projects and programs will be developed and presented in accordance with the following principles:
a. Annual estimates of initial financing needed for new major weapon systems and other development programs and projects requiring several years to complete, and which involve contracts spanning more than one year, should be formulated to cover costs expected to be incurred during each fiscal year. Generally this will represent a 9-month or lesser period for the initial, first year increment of a new start program due to the nature and timing of the congressional budget approval. The second and succeeding increments will be programmed and financed for the entire fiscal year. However, the Service or Defense Agency Comptroller must approve extensions of up to 3 months beyond the end of the fiscal year for which funds are requested. In this regard, DoD components should make every effort to align subsequent years’ funding requirements on an annual basis coincident with the fiscal year, although it is recognized that there may be circumstances where this will not be feasible. The estimate of the financing required in the budget year to continue development projects must always take into account any changes (such as slippage’s) that have occurred. RDT&E funding requirements should be based on forecasted obligations that consider costs and timelines for each milestone and other programmatic event.

b. There are requirements in which there is no logical way to divide the work; it is clearly unfeasible to limit the contract to a shorter period; or the planned technical effort is such that no responsible contractor can be found who will accept a contract for a less-than-completion increment. For these type efforts that take longer than 12 months but less than 18 months, the Service or Defense Agency Comptroller may approve financing the total requirement in one fiscal year.

c. While it is intended that the foregoing guidelines will be applicable to program execution as well as program formulation, there may be circumstances that could delay the start of an annual increment (such as legal, administrative, or technical problems). The 2-year availability of funds authorized for the Research, Development, Test and Evaluation appropriation provides the necessary flexibility for program execution in those circumstances.

d. Engineering change orders should be funded commensurate with the level of risk in the program.

2. Budgeting for Termination Liability on Incrementally Funded RDT&E Contracts. The legal requirements of the Anti-Deficiency Act and the long-standing policy of not committing a successor Congress to a course of action both make it necessary that the unliquidated obligation for an incrementally-funded, multiple-year contract be sufficient at all times to cover the cost of terminating that contract for the convenience of the Government. Budgeting to cover termination liability will not increase the total amount budgeted for the program. It will require that the distribution of funds by fiscal year be shifted more towards the earlier years of the contract than if funds had been budgeted only to cover the actual bill to be paid in each year. The distribution of funds by fiscal year shall be such that, if a contract is terminated at any point during the fiscal year, all termination costs can be financed from the unliquidated obligation on the contract without recourse to reprogramming of funds, supplemental appropriations, or awaiting the appropriation of funds for the succeeding fiscal
year’s funding increment. All programs shall adhere to this policy with the following two exceptions, both of which are to be used rarely.

a. Special Termination Cost Clause (STCC). DoD FAR Parts 249.50170 and 252.249-7000 permit the use of STCC in fixed-price incentive contracts and incrementally funded cost reimbursement contracts. If contracts containing an STCC are terminated before completion, the special termination charges are covered by the unobligated balance of the applicable appropriation, subject to any congressional approval required for reprogramming. The extent to which the STCC can be used is limited to the ability of the Service or Agency to cover expected termination costs from unobligated balances. A recordable obligation under the STCC arises when the contract is actually terminated. If a proposed STCC would require an above threshold reprogramming action when a program is terminated, the approval to use the STCC shall be obtained from the USD (Comptroller) before the contract or contract modification is awarded. All STCCs, regardless of dollar amount, require prior notification of the House and Senate Appropriations Committees.

b. Statutory Waivers. The Department is not required to budget for, or obligate funds sufficient to cover, termination liability in connection with an incrementally-funded RDT&E contract if Congress has expressed exempted the program or contract from that requirement. When this situation arises, however, the budget exhibits for the program shall clearly indicate the value of the unfunded termination liability by year for the current year, budget year, and the outyears covered by the FYDP.

010215. Defense Working Capital Funds - Operating Budget

The operating budget represents the annual operating costs of an Activity or Component, including depreciation and amortization expenses. Detailed requirements and guidance can be found in Chapter 9.


A. Separate funding is provided for those costs related to mobilization and wartime surge capacity that would not otherwise be incurred to meet peacetime requirements. The prices of services and products provided to peacetime customers exclude these costs to more appropriately reflect consistent pricing between competing activities. Similarly, better visibility of surge or readiness requirements is provided to decision makers at every level. These "mobilization" costs, although funded and justified as direct appropriations to Component budgets, are elements of business area costs and must be fully justified on the SM-3 and/or Fund-30 schedules. Detailed requirements and guidance can be found in Chapter 9, section 090103.

B. Unutilized capacity that is associated with the ability to satisfy a projected surge capability is considered a mobilization requirement that is to be funded by appropriated funds provided by the DoD Component having management responsibility for the Fund activity. Costs applicable to unutilized plant and equipment, such as depreciation, or maintenance, are not to be charged to the customers of the Fund activity.
C. The justification for costs related to mobilization and wartime surge capacity must identify the scenario assumptions or other basis for the requirement under which these costs were calculated. Additionally, a description of how these costs will be collected and accounted for in execution must be provided. The UPC Funding Exhibit Fund-30 will be used to support the request for UPC Funding.

D. Chapter 9 provides additional guidance and instructions associated with mobilization/surge requirements.


War reserves are procured and maintained to meet wartime requirements as determined by the Strategic Planning Guidance (SPG). These costs will be funded with direct Working Capital Fund appropriations in the Components’ budgets, not through customer rates. However, since the war reserve materiel will be under the management of supply management businesses, war reserve requirements will also be described and justified on SM-3. In addition, exhibit SM-6 War Reserve Material, will be prepared by the Components to justify WRM Requirements. Detailed requirements and guidance can be found in Chapter 9.


A. Military personnel costs have been included in revolving funds since FY 1991. This change was made to ensure that the total costs of the business were being captured. The cost of military personnel assigned to DWCF activities will be included in the total cost of operations of DWCF activities at civilian equivalent rates and reflected in the stabilized rates charged to customers. This policy is based on the concept of total costing, which is designed to ensure that the total cost of producing products and services is being identified to both DWCF activities and customers.

B. The amount expensed for military personnel by DWCF activities and the amount reimbursed to the appropriate military personnel will be the same as the amount budgeted. The budget amount will equal the average end strength multiplied by the civilian equivalency rate for each grade. The average end strength for the budget year(s) will be calculated using the average fill rate for the three prior years. The fill rate is calculated by dividing actual average strength by the authorized end strength for each grade. No adjustments will be made to the DWCF cost of operations to reflect the actual cost of military personnel employed by DWCF activities.

C. See Chapter 9; section 090103G, for budget formulation, execution, and reimbursement procedures.
A. General Guidelines

1. All business areas in the Fund are required to set their prices based upon full cost recovery, including all general and administrative support provided by others. Prices are established through the budget process. Except for Depot Maintenance Groups, and under special circumstances as specified in Volume 2B Chapter 9 090103H, prices remain fixed during the year of execution; actual costs are evaluated against revenue generated by workload at established prices; and the financial condition of the business assessed accordingly. Volume 2B, Chapter 9, paragraph 090105, specifies pricing guidance for sales by DoD depot maintenance activities to private sector entities as part of depot maintenance public-private partnership agreements. Subparagraph C. below summarizes that guidance. Profits or losses will be determined at the end of the year and will be employed as a basis for evaluating operating efficiency.

2. Prices for every Defense Component business activity are established for each fiscal year. Once established, these prices are held constant (stabilized) through program execution unless fund balances require an out-of-cycle rate change. This stabilized rate policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and better assures customers that they will not have to reduce programs to pay for potentially higher than anticipated prices. In turn, this policy allows activities to execute the budgeted program level and permits a more effective utilization of Fund resources.

3. Prices for the budget year(s) will be set to recover costs over the long run. This means that prices will be set to achieve an Accumulated Operating Result (AOR) of zero. During budget execution, business areas will have either a positive or negative Net Operating Result. Accordingly, prices in the budget year will be set to either make up actual/projected losses or to give back actual/projected gains in the budget year(s).

4. An activity group may request that AOR variances be recovered outside the budget year. This request must be included in the budget submission, and must demonstrate that the delay in the recovery of variances will not adversely affect the cash balance of the activity group. A phased recovery schedule must be provided with the budget. The Director for Revolving Funds will provide final approval for any extended AOR variances recovery plans.

5. In the supply management businesses, the price setting process will be consistent with the rate changes approved during the budget review.

B. Unplanned Gains/Losses

1. Under Special Circumstances the DWCF rules for pricing and operating loss recovery or gain distribution may be waived if one or more of the following conditions exist.
a. **Fund Liquidity.** Fund managers are expected to maintain a monthly total fund cash balance between 7-10 days of operations (plus 6 months outlay for capital purchases). However, several factors could cause the Funds to operate outside the target area. Therefore, in order to prevent the build up of excess cash balances, or ensure fund solvency the Director for Revolving Funds or Fund Managers, with the written permission of the Director for Revolving Funds, may direct out of cycle rate adjustments at any time during the fiscal year.

b. **Depot Maintenance Additional Requirements.** As long as Fund cash balances are within 10% of targeted levels depot maintenance activities will recoup losses and return gains in the budget year. However, if cash balances are outside the target areas the Director for Revolving Funds or Service Fund Managers, with the written permission of the Director for Revolving Funds, may direct out of cycle rate adjustments or surcharges at any time during the fiscal year to restore cash to the targeted levels. Also unplanned depot losses recouped in subsequent years may be financed with prior year funds provided all other criteria associated with prior year upward obligations are met.

c. **Contingency or Emergency Operations.** DWCF pricing and financing requirements may be waived by Fund managers in order to facilitate Department operations during times of war or other national emergencies. Notification of Fund Managers actions must be provided in writing to the Director for Revolving Funds within 30 days of the event.

C. **Public-Private Partnerships at Defense Working Capital Fund Depot Maintenance Activities**

1. Pricing guidance for sales of goods and services by DoD depot maintenance activities to private entities engaged in public-private partnerships is set forth in Volume 2B, Chapter 9, paragraph 090105. In general, such prices are subject to the requirements of Chapter 9, with the exception that the prices may be based upon the most recent actual and projected costs applicable to the workload, rather than upon approved stabilized billing rates. Rates and prices to private entity partners may also be tailored to include only those direct and indirect production overhead costs that contribute to the finished product or service. However, full General and Administrative (G&A) costs shall continue to be allocated on the same basis as for DoD customers.

2. Fixed pricing of sales to private party entity partners, including multiyear fixed price agreements, is authorized when production costs can be reasonably predicted and the risk of future operating losses is not significant. Such fixed prices may include provisions for adjustments to accommodate the effect of scope-of-work changes, annual inflation, and specified contingencies. When future production costs or risks cannot be reasonably predicted, cost reimbursable pricing is more appropriate.

D. Detailed requirements and guidance can be found in Chapter 9.
010220. Defense Working Capital Funds - Capital Budgeting

A. Budgetary resources for capital investments will be separately identified in an approved capital budget. Beginning in FY 2007, the Capital Budget will have two thresholds. For Real Property (Land, Buildings, and Minor Construction), capital assets with a useful life of two years or more, the capital threshold is $100,000 and above. For all other capital assets including depreciable plant, equipment, and software developed, manufactured, transferred or acquired during a fiscal year with a useful life of two years or more, the capital threshold is $250,000 or more. Once assets are capitalized by the DWCF activity, they will continue to be reported as a capital asset and depreciated until the book value of the asset reaches zero or its salvage value, as appropriate. Changes in the capitalization threshold will not impact assets already capitalized unless directed by higher authority. These limits are consistent with accounting guidance published in Volume 4, Chapter 6

B. Minor Construction

1. Minor Construction projects costing $100,000 but less than or equal to $750,000 will be funded through the capital budget and depreciated.

2. In the year of execution the Director of OUSD (Comptroller) Revolving Funds may approve a capital investment reprogram request for Minor Construction projects costing up to $1,500,000 if the project is required to correct a deficiency that is life-threatening, health threatening, or safety threatening.

3. Project planning and design costs are considered a capital investment cost that is capitalized by the DWCF activity and financed in the minor construction portion of the capital budget. Planning and design costs are not included as part of the statutory threshold for minor construction projects.

4. See Chapter 9, section 090103, for budget formulation and execution procedures.

C. Depreciation

All capital assets owned by activities in the Fund will be depreciated or amortized by the individual Component business area. Depreciation will be on a straight-line basis and based on the acquisition cost, less residual value when residual value is expected to be 10 percent or more of the acquisition cost, including installation and related costs. Depreciation schedules may be found in Volume 4, Chapter 6, paragraph 060206I.

010221. Defense Working Capital Funds - Base Support

A. Interservice and intragovernmental support, as identified in DoDI 4000.19, is reimbursable by the DWCF activity to the extent that the specified support for the DWCF activity increases the host activity’s direct costs (i.e., incremental direct cost). Costs associated with common use infrastructure are non-reimbursable, except for support provided solely for the
benefit of one or more tenants. Support costs that are charged to a tenant DWCF activity (i.e., reimbursable cost) must be measurable and directly attributable to the DWCF activity. Indirect costs will not be included in reimbursement charges, except those included in stabilized rates charged for DWCF mission products and services. Host activities (suppliers of base support) are permitted to waive reimbursement from tenants who use or benefit from available support without appreciably increasing the host activities’ costs (i.e., revenues would be less than the anticipated expense of billing and disbursing funds).

B. DWCF activities that use any of the common base support functions identified in DoDI 4000.19 (Interservice and Intragovernmental Support) are to reimburse host activities for this support. Reimbursement for DWCF mission products and services (e.g., depot supply, depot maintenance, public works center services, information processing, communications, and software development) shall be based on the approved stabilized rate. Other support incidental to the DWCF activity’s primary mission or purpose is to be budgeted and reimbursed based on direct costs measurable and directly attributable to the DWCF activity. Only the incremental change in cost attributable to the DWCF activity (incremental direct cost) shall be chargeable to the DWCF activity. Indirect costs are not to be included as a cost to the DWCF activity.

C. Chapter 9 provides budget formulation and execution procedures.

010222. Defense Working Capital Funds - Dual Funded Organizations

A. A dual funded organization is an organization that is funded (including reimbursable funding) by both the DWCF and other appropriations or accounts. In those instances where a function is funded with a combination of both DWCF and appropriated funds, the function initially will be funded in its entirety either by the DWCF or by appropriated funds. The determination of whether the particular function initially is to be funded by the DWCF or appropriated funds will be based on the predominance of definable units of measure for the function. Examples of definable units of measure include work load, productive hours, outputs, or ultimate use. The appropriation or account initially funding the function shall be reimbursed by the other account(s) at the same unit of measure as was used to determine the initial funding source. The amount of reimbursement shall be determined based on the relative portion of that unit of measure attributable to each part of the organization (or funding source) involved.

B. This policy does not change the policy for reimbursement for base support services provided by the DWCF to tenant activities. The DoDI 4000.19 and sections 0102021 and 090103K provide guidance for funding base support services.

010223. Defense Working Capital Funds - Customer Mandated Schedule

A. When a job order is canceled or reduced in scope, after a DWCF activity has commenced work or incurred costs on the order, the costs incurred plus the applied overhead (that is indirect and otherwise normally allocated overhead (G&A) costs)) plus costs associated with the cancellation or reduction shall be charged to the customer.
B. Examples of directly associated cancellation or reduction costs to be charged to customers are advance planning costs, non-creditable direct material, special test equipment, necessary preservation and/or shipment effort, and any additional effort necessitated by the cancellation and/or reduction (e.g., salvaging of material). In addition, costs charged to customers should include the costs of salaries payable to employees hired specifically to work on the canceled order until the employees are or could have been separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs. Costs which are indirectly associated with the cancellation or reduced customer orders, under-applied overhead costs that may result in a DWCF activity as a whole from a reduced work load base shall not be charged to the customer canceling or reducing their order but shall be recorded against the net operating results of the performing DWCF activity.

010224. Glossary of Terms – Procurement

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning/Funding Connotation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance Procurement (Long Lead Items)</td>
<td>A pre-approved exception to the full funding policy that allows procurement of long lead-time components, material, parts, and effort in a fiscal year before that in which the related end item is to be procured.</td>
</tr>
<tr>
<td>Cancellation</td>
<td>Cancellation means the cancellation (within a contractually specified time) of the total requirements of all remaining program years. Cancellation results when the contracting officer notifies the contractor of nonavailability of funds for contract performance for any subsequent program year or fails to notify the contractor that funds are available for performance of the succeeding program year requirement.</td>
</tr>
<tr>
<td>Cancellation Ceiling</td>
<td>The maximum cancellation charge that the contractor can receive in the event of cancellation (reference Federal Acquisition Regulation (FAR) 17.103).</td>
</tr>
<tr>
<td>Cancellation Charge</td>
<td>The amount of unrecovered costs that would have been recouped through amortization over the full term of the contract, including the term canceled.</td>
</tr>
<tr>
<td>Contingent Liability</td>
<td>As a budgetary term, contingent liability represents variables that cannot be recorded as valid obligations. Such variables include: (1) outstanding fixed price contracts containing escalation, price redetermination, potential liability under incentive clause; or (2) contracts authorizing variations on quantities to be delivered; or (3) contracts where allowable interest may become payable by the U.S. government on contractor claims supported by written appeals pursuant to the DISPUTES clause contained in the contract.</td>
</tr>
</tbody>
</table>
Centralized Item Management and Asset Control

The management in the central supply system or a DoD-wide or Service-wide acquisition and control system in which the manager has the authority for management and procurement of items of equipment. This includes such functions as requirement determination, distribution management, procurement direction, configuration control and disposal direction. Asset control includes the authority to monitor equipment availability and take such actions as necessary to restock to approved stockage levels.

Construction

The erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; the acquisition of a facility; or the relocation of a facility from one installation to another.

Detail Design Costs

The final design effort on ships normally performed in conjunction with lead ship construction, is called "detail design." This effort is procurement funded (SCN).

Economic Order Quantity (EOQ) Procurement

An exception to the full funding policy that allows the use of advance procurement to purchase more than one fiscal year’s program increment of components, materials, and parts in order to obtain the economical advantages, sustain a production line, etc.

Facility Modernization

The alteration or replacement of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years (such as the framework or foundation).

Facility Restoration

The restoration of real property to such a condition that it may be used for its designated purpose. Restoration includes repair or replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire accident, or other causes.

Facility Sustainment

The maintenance and repair activities necessary to keep an inventory of facilities in good working order. Examples include regular roof replacement, refinishing of wall surfaces, repair and replacement of heating and cooling systems, and replacement of tile and carpeting.

Full Funding

Requires the total estimated cost of a complete, military useable end item or construction project funded in the year in which the item is procured. If a future year’s appropriation is required for delivery of an end item, the end item is not fully funded. It prevents funding programs incrementally and provides a disciplined approach for program managers to execute their programs within cost.

Funded Delivery Period (FDP)

A funded delivery period encompasses a 12-month period that begins when the contractor delivers the first item of a fiscal year procurement. Confusion exists regarding this time period because, in many instances, accurate administrative and production lead-times (ALT/PLT) have not been included in the calculation. The calculation should begin with October 1. From this point in time, the ALT and PLT should be added.
This amount of time plus the next 12 months are included in the funded delivery period. When excessive lead-times are included in the calculation, additional quantities are procured that could have been funded in the following fiscal year with no change in the delivery schedule.

Lead-times

Administrative Lead-time (ALT). This is the amount of time required to complete the administrative actions leading to contract award. In most cases, ALT actions do not require funding and can therefore be accomplished prior to October 1, at which time the next fiscal year's funding is appropriated. The ALT is used to forecast contract awards. Longer lead-times require that a larger quantity be purchased to support yearly requirements. Lead-times should therefore reflect an accurate assessment of the time required to process the administrative actions.

Production Lead-time (PLT). This is the amount of time required by a contractor to produce the first item after contract award until deliveries begin. Procurement Lead-time. This is the total of ALT and PLT. When used to determine quantity requirements, calculations should begin when the first ALT action begins.

Modification

The alteration, conversion, or modernization of an end item of investment equipment which changes or improves the original purpose or operational capacity in relation to effectiveness, efficiency, reliability or safety of that item.

Maintenance

The routine, recurring effort conducted to maintain an end item of investment equipment at its intended capability or designed performance level.

Nonrecurring Costs

Nonrecurring costs are generally incurred on a one-time basis. Costs may include: plant or equipment relocation; plant rearrangement; special tooling and test equipment; preproduction engineering; initial spoilage and rework; pilot runs; allocable portions of the costs of facilities acquired or established to conduct the work; costs incurred for the assembly, training, and transportation of a specialized work force to and from the job site; and unrealized labor learning.

Production Rates

Minimum Sustaining Rate is the production rate for each budget year that is necessary to keep production lines open while maintaining a base of responsive vendors and suppliers; the quantity that will preclude start-up costs in the case of a production break; or the quantity that the contractor is willing to accept and produce at a reasonable cost. Economical Production Rate is the most efficient production rate for each budget year at which the item can be produced with existing or planned plant capacity and tooling, with one shift a day running for eight hours a day and five days a week (1-8-5). Maximum Production Rate is the maximum capacity rate that a contractor can produce with extant or prior year funded tooling.

Recurring Costs

Production costs that vary with the quantity being produced, such as labor and materials.

System

The combination of a number of components that are functioning with the context of a whole to satisfy a documented requirement.
Termination

The right of the government to terminate the performance of work in whole or part under a contract as specified by the contract's Termination for Convenience or Default provisions. Unlike cancellation, which is effected between fiscal years and must apply to all subsequent fiscal years' quantities of items, termination may be effected at any time during the life of a contract and may apply to the total quantity or to a partial quantity of items.

010225. Glossary of Terms – RDT&E

Term | Meaning/Funding Connotation
--- | ---
Accepted for Service Use | This is the major milestone in a development program that represents the formal acceptance of an item for operational use by the Service. In some instances items are approved for Service use with qualifying restrictions or provisions pending completion of specific development deficiencies. In such instances the appropriation to fund the correction and test must be determined on a case-by-case basis, according to the expense and investment criteria. Typically, all post-Service acceptance effort will be funded in Procurement appropriations.
Command Support Costs | This term also is used in the context of the T&E programs. It refers to the "people-related" costs of the command and operational units providing collateral support to the T&E effort. These are additional costs incurred because of this test support. Examples are per diem pay, travel allowances, overtime, etc.
Contract Design Costs | The contract design phase of shipbuilding programs follows the preliminary design phase and results in a design that carries the equipment specifications necessary to meet the Navy requirements. These costs are RDT&E-funded.
Developmental Test and Evaluation (DT&E) | DT&E is that test and evaluation conducted to assist the engineering design and development process and to verify attainment of technical performance specifications and objectives.
Government Acceptance of the First Procurement-Funded Engine | This term, which is one of the two minimum requirements for initiation of engine component improvement funding, refers to the date the Government formally accepts delivery (DD Form 250) of the first engine funded under procurement appropriations.
Initial Operational Test and Evaluation (IOT&E) | It is DoD policy that there shall be conducted, before commitment of a system to production, at least an initial phase of operational test and evaluation (OT&E) adequate to provide a valid estimate of expected system operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements). This early phase of the normally longer, overall OT&E program is known as IOT&E.
Operational Test and Evaluation (OT&E) | OT&E is that test and evaluation conducted to estimate a system's operational suitability, identify needed modifications, and provide information on tactics, doctrine, organization, and personnel requirements.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Envelop</td>
<td>The demonstrated capability of a system, system components, and special purpose software to perform its mission in relation to essential characteristics such as: speed, range, payload, altitude, rate of fire, etc.</td>
</tr>
<tr>
<td>Preliminary Design Costs</td>
<td>This term refers to those costs incurred in shipbuilding programs in the early stages of the cycle. They should result in a design that, on a performance or requirement basis, approaches the Navy’s goal. These costs are RDT&amp;E funded.</td>
</tr>
<tr>
<td>Product Improvement</td>
<td>This term embraces all efforts of a research, development, design, or engineering nature that have the objective of improving major end items or major components of major end items. The improvement may involve expanding the useful life of the end item or component, or it may increase the performance capability.</td>
</tr>
<tr>
<td>Prototype</td>
<td>This term connotes an item from an R&amp;D program and also connotes RDT&amp;E financing.</td>
</tr>
<tr>
<td>R&amp;D Installation or Activity</td>
<td>This term refers to those installations or activities whose support and operating costs are financed predominantly with RDT&amp;E funds.</td>
</tr>
<tr>
<td>Special Support Costs</td>
<td>This term, as used in the context of test and evaluation programs, refers to those acquisition or hardware costs, other than those associated with the item that is the subject of the test, which are incurred in direct support of the T&amp;E effort. A good example would be special range instrumentation costs.</td>
</tr>
<tr>
<td>Test Article</td>
<td>A system representative prototype designed to obtain, verify or provide data for the evaluation of research and development or evaluate progress in accomplishing development objectives.</td>
</tr>
<tr>
<td>Unique Joint Test and Evaluation (JT&amp;E) Costs</td>
<td>This refers to costs such as: feasibility determinations of proposed joint tests; the provision for test design and planning support for joint tests selected; the development, procurement, installation, and operation of special instrumentation; transportation, travel, and per diem costs for the Test Director’s staff; the modification of test articles as surrogates and to permit obtaining test data; transportation of equipment from permanent bases to the test site and return; and the provision for data collection/collectors, data reduction, analysis, and test reporting services. Transportation and per diem of participating personnel and maintenance and supply costs are not considered unique.</td>
</tr>
</tbody>
</table>

010226. Prohibition on Parking of Funds

Section 1053 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2007, to be codified in title 10, United States Code, specifically prohibits an officer or employee of the Department of Defense (DoD) from directing the designation of funds for a particular purpose in the President’s budget submission, or in the budget justification materials submitted in support of the budget, with the knowledge or intent that such funds will not be used for the designated purpose. Further, violation of this prohibition will be treated as a violation of the Anti-Deficiency Act (section 1341(a)(1)(A) of title 31, United States Code).
010227. Use of Operation and Maintenance Funds under Contingency Construction Authority (CCA)

The criteria and procedures for the use of O&M funds under CCA (also known as Section 2808 Authority) are listed in Volume 3, Chapter 17, Section 170102(L).

0103 PROGRAM AND BUDGET REVIEW SUBMISSION

010301. General

A. This section provides guidance for the development and submission of the biennial budget estimates to OSD as part of the program and budget review process. The internal 2-year Planning, Programming, Budgeting, and Execution (PPBE) process will guide the Department’s strategy development, identification of needs for military capabilities, program planning, resource estimation and allocation, acquisition, and other decision processes. The Quadrennial Defense Review (QDR) will continue to serve as the department’s major statement of defense strategy and business policy. It also will continue to be the single link throughout DoD that integrates and influences all internal decision processes.

1. The first year of the 2-year cycle will include the Strategic Planning Guidance (SPG), a Joint programming Guidance (JPG), a Program Objective Memorandum (POM), and a Budget Estimate Submission (BES). Program Decision Memoranda (PDMs) will implement POM decisions; Program Budget Decisions (PBDs) will implement BES decisions.

2. The second year of the internal Defense Department 2-year cycle, or the off-year, will include an SPG, if the Secretary of Defense decides an SPG is necessary. If an off-year SPG is issued, it will not introduce major changes to the defense program, except as specifically directed by the Secretary or Deputy Secretary of Defense. Rather than a POM during the off-year, the Components will submit Change Proposals to accommodate real world changes, and as part of the continuing need to align the defense program with the defense strategy. Instead of full budget documentation, the change proposals will accommodate fact-of-life changes (e.g., cost increases, schedule delays, management reform savings, workload changes, etc.) as well as changes resulting from congressional actions. The off-year also includes execution reviews that will provide the opportunity to make assessments concerning current and previous resource allocations and whether the Department achieved its planned performance goals. Performance metrics will be the analytical underpinning to ascertain whether an appropriate allocation of resources exists in current budgets.

B. The USD(Comptroller) guidance memorandum, transmitted in June of each year will provide specialized instructions such as program basis for the estimates, key assumptions to be used, and special supporting material requirements. In addition, "supplementary instructions" memoranda issued on an "as needed" basis (usually in July/August) will be limited to specific instructions which amplify guidance included in the OUSD
(Comptroller) memorandum and in this volume. The use of other memoranda to transmit program and budget guidance will be restricted to new or nonrecurring requirements.

C. Guidance for development of the National Intelligence Program and budget review submission will be issued by the Director of National Intelligence. Additional detail is found in Chapter 16.

D. The instructions for submitting certain summary schedules are provided in Section 010305. The instructions for back-up material tailored to each appropriation or fund category are provided in subsequent chapters. Materials required by OMB Circular A-11, which are not otherwise required by this manual, will be submitted in accordance with that Circular, unless specific exception is granted by the OMB. This is covered in Section 010105.

E. A budget work schedule will be forwarded by a separate memorandum at the beginning of each budget formulation cycle. This schedule will show the dates to be used for planning the various phases involved in the formulation process.

F. Common Program and Budget Review Exhibits – a number of exhibits will be identified subsequent chapters and in the annual call memorandum that will be common to both the program and budget review. In most cases this will involve Web based input through the Select and Native Programming (SNaP) data Input System. The process is addressed in section 0109.

G. Budget Material

1. As stated in section 010302, limited paper copies of unclassified budget documents will be provided to the primary OUSD (Comptroller) reviewing Directorate and to OMB. This section also provides detailed distribution guidance on classified material as well as certain summary material.

2. All budget material required in a paper format for the budget submission will be prepared in the formats prescribed in this section. Also, while the unclassified material is to be posted on the Internet, the format size/margins described below should be adhered to. Material submitted in accordance with OMB Circular A-11 will follow the format prescribed by that Circular. All material, with the exception of fold-in charts and tables which may be included, will be prepared on 8.5" x 11" paper. Material fulfilling Circular A-11 requirements will be bound on the left side. All exhibit books, except for Military Construction, Family Housing, Base Closure, and Information Technology, will be printed horizontally (landscape) on 11” x 8½” paper. Addressees will reduce all larger pages to the standard 11” x 8.5” size. All pages in each book are to be consistent in size. The following identifies specific requirements:

   a. Military Personnel - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. Use at least font size 10. All material will be
b. Operation and Maintenance (to include the Defense Health Program) - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. Use at least font size 10. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

c. Research, Development, Test and Evaluation - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Begin each program element on a facing page. Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

d. Procurement. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

e. Military Construction. The justification material for Military Construction will be provided on 8.5” x 11” paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1” margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

f. Family Housing. The justification material for Family Housing will be provided on 8.5” x 11” paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1” margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

g. Base Closure. The justification material for Base Closure will be provided on 8.5” x 11” paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1” margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.
h. Facility Sustainment, Restoration and Modernization (FSRM). Provide justification material in accordance with Chapter 8.

i. Revolving Funds. Material submitted for the budget estimate submission for **revolving funds** is to be submitted by business area on 8.5”x 11” paper, with 3 holes punched along the 11 inch side to fit standard three-hole binders. Capital Investment Program exhibits will be prepared in landscape format. Budget submitting offices should ensure that all narrative type is consistent. Revolving funds justification books prepared by the Components are to be unclassified. Classified exhibits will be submitted under separate cover.

j. Information Technology. Provide justification material in accordance with Chapter 18 Section 180202.

3. Whenever revisions or correction sheets are necessary, the revised pages showing the date of the change will be inserted in each budget book by a staff member of the DoD Component submitting the change. OUSD (Comptroller) Program/Budget staff will instruct the DoD Component’s staff member as to the location of the budget books. Corrections should be held to a minimum and are not necessary for minor typographical errors which make no material difference in the analysis and evaluation of the estimates.

H. Second Year of the Department’s Two-year Budget Review Cycle - Budget Material. Budget documentation will be limited in the second year of the 2-year cycle. The primary budget document is the Change Proposal. Other budget exhibit requirements will be determined as this review process evolves. The specific requirements will be identified in the annual Program and Budget Review call memorandum.

010302. Distribution

Limited paper copies of unclassified budget documents will be provided to the primary OUSD (Comptroller) reviewing Directorate and to OMB. Additionally, classified budget exhibits, the transmittal memorandum with attachments to the Secretary of Defense, and the budget overview booklets, will be provided in paper format. Submitting Components will also post all unclassified budget material to an access controlled Internet site unless provided for otherwise in the annual budget call memorandum. This will allow all OSD staff offices access to Component budgets while minimizing the need for hard copies of the submissions. Under current procedures, each submitting Component will individually post unclassified budget justification material on an OUSD (Comptroller) hosted NIPRNET site. Additional guidance on accessing this site and content guidance and restrictions will be provided annually. Paper copy distribution of classified/unclassified program and budget review submission material will be made in accordance with the charts on the following pages for the first year of the 2-year budget cycle. Guidance for distribution of paper copies of Component BCPs in the second year of the 2-year budget review cycle will be provided in the annual call memorandum. All required copies will be delivered directly by each Military Department/Defense Agency to the appropriate offices at the room numbers listed on the following page unless guidance elsewhere in this volume or in the annual call memorandum indicates otherwise. However, because of numerous
room changes during the Pentagon Renovation and building access changes at non-Pentagon locations, call the listed office prior to delivery of budget material:

* Distribution Delivery Points

SecDef (OSD Correspondence Control) 3A1066
USD(Comptroller)
  Budget & Appropriations Affairs (BAA) 3D755 (703) 697-1101
  Operations 3C710 (703) 697-2609
  Investment (INV) 3C749 (703) 695-2235
  Military Personnel & Construction (MPC) 3C654 (703) 697-9198
  Revolving Funds (REV FUNDS) 3D755 (703) 697-4210
  Program & Financial Control (P&FC) 3C689 (703) 697-0021
  Office of the Deputy Chief Financial Officer 3C653A (703) 695-7000
Director, PA&E 2D309 (703) 697-0395
USD(Acquisition, Technology & Logistics) Mail Room 3C136 (703) 695-4060
USD(Policy) 5E635 (703) 571-9248
ASD(NII)/DoD CIO Resource Program Budget Office 3D228 (703) 695-3937
USD(Intelligence) Requirements and Resources 2E258 (703) 692-5186
USD(Personnel & Readiness) 3D258 (703) 614-5133
ASD(Health Affairs) 3E1082 (703) 697-2111
ASD(Reserve Affairs) 2E195 (703) 693-7495
The Joint Staff (J-8) 1E963 (703) 695-7066

DOT&E
Attn: Resource Manager
4850 Mark Center Dr
Suite 1000
Alexandria, VA 22301 (703) 681-4012/13

OIG, DoD
Attn: Comptroller Room 470
400 Army Navy Drive
Arlington, VA 22202-2884 (703) 604-9761 /6.

DARPA
Comptroller (703) 696-2393
3701 North Fairfax Drive., 9th Floor
Arlington, VA 22203-1714
Executive Office of the President
Office of Management and Budget (OMB)  
National Security Division  
NEOB, Room 10001  
725 17th St  
Washington, D.C.  20503  

Office of the Director of National Intelligence  
Chief Financial Officer (CFO)  
Washington, D.C.  20511  

(202) 395-3777

(202) 201-1835

Because of numerous room changes during the Pentagon Renovation and building access changes at non-Pentagon locations, call the listed office prior to delivery of budget material.

Because of mail handling procedures, many offices require courier delivery/pickup in lieu of U.S. Postal Service delivery. Please call offices prior to mailing any material to the above organizations.
Table 1. Justification Material Supporting the OSD/OMB Budget Submission Summary

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION SUMMARY DATA REQUIREMENTS**

| USD(Comptroller) | C H A P T E R | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 6 | 22 |
|------------------|-------------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Transmittal Memorandum to SecDef with each of the following attachments: Fiscal Guidance Track- TOA in Millions of Dollars (PB-1A) Current Year Reprogrammings/Transfers (PB-3) Schedule of Military and Civilian Personnel (PB-4), Supplemental Appropriation Requirements (PB-8) | Overview Booklets | 1 | 5 | 5 | 1 | 1 | 1 | 1 | 1 | 1 | 5 | 4 | 1 | 1 | 1 | 5 | 1 | 1 | 1 | 1 | 1 | 36 |
| Additional Budget Submission (PB-10) | 1 | 1 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 18 |
| Automation Submission Requirements | 1 | ** | ** | ** | ** | ** | ** | ** | ** | ** | ** | ** | ** | ** | ** | ** | ** | ** | ** | ** | ** | ** |

** See Section 0105 for the Budget Automation Submission requirements.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Based on exhibit requirements, it is expected that all submissions will be unclassified, “For Official Use Only” with the exception of submissions by CIFA, NGA, NSA, and DIA
Table 2. Justification Material Supporting the OSD/OMB Budget Submission Operation and Maintenance, and Military Personnel Budget Material

<table>
<thead>
<tr>
<th>Appropriation</th>
<th>USD(Comptroller)</th>
<th>TOTAL</th>
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<tbody>
<tr>
<td></td>
<td>C H A P T E R</td>
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Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Classified exhibits should be submitted only when adequate information cannot be provided in an unclassified format to support budget estimates. Based on exhibit requirements, it is expected that all submissions will be unclassified, “For Official Use Only” with the exception of submissions for Drug Interdiction and Counterdrug Activities, Overseas Contingencies Operations Transfer Fund, and Defense Agency submissions by CIFA, NGA, NSA, and DIA.
Table 3. Justification Material Supporting the OSD/OMB Budget Submission Procurement Account Budget Material

### JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION PROCUREMENT ACCOUNT BUDGET MATERIAL

<table>
<thead>
<tr>
<th>Appropriation</th>
<th>USD(Comptroller)</th>
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<tbody>
<tr>
<td>Procurement Title Appropriations</td>
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<tr>
<td>Classified budget material</td>
<td>4</td>
</tr>
<tr>
<td>Unclassified budget material</td>
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</tbody>
</table>

Classified submissions should include all associated exhibits for an individual P-1 line item whether associated exhibit is classified or unclassified.

Defense Agencies classified material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.
Classified submissions should include all associated exhibits for an individual R-1 line item whether associated exhibit is classified or unclassified.

Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.
Table 5. Justification Material Supporting the OSD/OMB Budget Submission Revolving and Management Fund Budget Material

<table>
<thead>
<tr>
<th>Class</th>
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<th>USD(Comptroller)</th>
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<tr>
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<td>PA &amp; E</td>
<td>O MB</td>
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Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.
Table 6. Justification Material Supporting the OSD/OMB Budget Submission Military Construction & Family Housing Account Budget Material

<table>
<thead>
<tr>
<th>Revolving Fund Title</th>
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<td><strong>T O T A L</strong></td>
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<td>6</td>
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</table>

Classified submissions should include all associated exhibits for an individual C-1 line item/family Housing Projects whether associated exhibit is classified or unclassified.

Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.
Table 7. Justification Material Supporting the OSD/OMB Budget Submission Special Interest Requirements Budget Material

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>USD(Comptroller)</th>
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<td>Intelligence Programs (NIP &amp; MIP) (IP-1)</td>
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<td>Special Interest Exhibits</td>
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</table>

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.
010303. Preparation of the Biennial Budget Estimates

A. General Guidance

1. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) will send, in June or July, a budget guidance memorandum establishing submission requirements not included in this volume. Included in this guidance will be budget material due dates and instructions for preparing estimates for the prior year (PY), current year (CY), budget years BY1, and BY2 (in the biennial budget year), and the outyears.

2. Estimates for the biennial budget years and outyears will be based upon the force levels, program decisions, and the TOA levels contained in the Program Objective Memorandums (POMs). The current review schedule provides for concurrent program and budget reviews. If the program review ever precedes the budget review, the TOA levels should reflect the POM levels as modified by any Program Decision Memorandums (PDMs).

3. At various organizational levels throughout the Department of Defense, a systematic cost-benefit analysis of proposed expenditures can be of significant value in program formulation. Investments and expenditures in each appropriation category will normally be supported by an analysis which matches estimated costs with benefits (outputs), subject to the following criteria:

   a. Funding is, for the first time, shown as required in the period covered by the fiscal guidance, or

   b. Previously established funding requirements in these years are significantly altered by changed program or project plans.

   c. The criteria in DoDI 7041.3, "Economic Analysis for Decisionmaking," will apply. Budget submissions will, as a minimum, be accompanied by a statement that (1) the submission is supported by an economic analysis, or (2) an economic analysis is not required, citing the reason. Submission of detailed backup information to OSD will be on "as requested" basis.

4. Transfers of functions between DoD Components will not be reflected in the program and budget review submissions unless they have been approved by the Component Head and the dollar amounts and personnel spaces to be transferred in the current year are fully decided upon by all DoD Components concerned when the estimates are prepared. Under these circumstances, both the gaining and losing Components will reflect the decisions in their estimates with equal and offsetting manpower and dollar amounts. The gaining DoD Component is responsible to confirm that this is the case. If this cannot be confirmed, then neither Component will reflect the transfer in their budget estimates. The exhibit PB-14, Functional Transfers, found in Chapter 19 will identify all functional transfers included in the budget. Each Component will also notify OUSD (Comptroller) Program/Budget of the planned functional transfers not reflected in the budget.
5. Adjustments necessary to properly reflect functional transfers agreed upon by the parties, but not included in the Program and budget review submission, may be accomplished in the budget review process. Functional transfers not submitted in the program and budget review submission or incorporated during the budget review process will be financed by transfer in the current year and the budget year. Necessary exceptions to this general rule will be authorized on a case-by-case basis. Functional transfers during the budget review process should be kept to a minimum.

6. Material should be “Unclassified” and “For Official Use Only” unless contents otherwise require a higher classification. All Program and budget review submission material is subject to DoD 5400.7-R, DoD Freedom of Information Act Program, Chapter II, Exemptions and in particular exemption number 5. Hard copy revised Procurement (P-1 exhibit) and RDT&E Program (R-1 exhibit) must be submitted by the DoD Components with a certification, signed by the Security Officer, confirming that all line items are classified properly.

B. Pricing in the Biennial Budget Estimates

1. It is DoD policy to reflect the most likely or expected full costs (including military and civilian personnel pay) for the current year, the biennial budget years, and outyear estimates for all appropriations.

2. Estimated price level changes will be based on data provided by OUSD (Comptroller). These indices, which will be updated as economic conditions warrant, will be used to (1) determine the amount of price escalation for a procurement line item, major RDT&E system, or construction item over a given time period, and (2) project inflation in other noncompensation areas of all other appropriations.

3. Military and civilian personnel compensation will be fully funded in the biennial budget estimates using the rates provided by the OUSD (Comptroller).

4. Biennial budget estimates for goods and services will in all cases reflect the following considerations:

   a. Cost-quantity relationships as they affect unit prices -- e.g., the unit price forecast in the biennial budget estimates will be higher or lower than the unit price current when the estimates are prepared, if differences in the quantities involved are price-significant.

   b. The state of development or production and the learning curve.

   c. Specific price changes, to take effect at a future date -- e.g., a specific and authoritative rate or tariff schedule to take effect on a definite future date, which may involve higher or lower prices than those in effect at the time estimates are prepared.
d. Predictable cost increases due to risk.

C. Preparation of Biennial Budget Estimates - Multiple Appropriations

1. Section 0110 contains formats for those exhibits applicable to more than one appropriation.

2. In addition to those exhibits identified in Section 0110, there are exhibits required by other chapters which require identification of budget estimates/requirements for more than one appropriation. This is particularly true of requirements discussed in Chapter 19 and personnel exhibits required in Chapter 3. Offices responsible for budget submissions must ensure that all such exhibits reflect total requirements for all appropriations.

D. Preparation of Biennial Budget Estimates - Operations

1. Separate identification and justification (including cost- benefit studies) is required for management actions such as data automation and systems engineering. The development, implementation and expansion of automated data systems will be based on an economic analysis which should show that the proposed management action will produce an early and demonstrably high return on investment or result in substantial increases in mission performance and effectiveness. Savings from previously approved investments and management actions will be separately identified.

2. The Dependents’ Education Program in the budget years would be based on the best estimate of student load and planned at the current year program level in accordance with the criteria for the regular school program established by USD(P&R).

E. Preparation of Biennial Budget Estimates - Procurement

1. In development of requirements for procurement of modern equipment to offset consumption or attrition of older items, all assets of the older items, as well as acceptable substitutes, will be applied against gross requirements in determining net procurement requirements.

2. Administrative lead-time requirements in the budget years for any principal item should not exceed the lead-time used in the development of the current year budget program.

3. Production lead-times utilized in preparation of estimates for the budget years should be based on the latest contract experience and current conditions, and generally should not be greater than those used for the same item in the development of the current year budget program. Any increases should be clearly identified and accompanied by an explanation of the reason along with an identification of the pricing components/manufacturers used causing the increase.

4. Use of long lead-time component procurement will be consistent with the full funding policy expressed in OMB Circular A-11. In this regard, long lead-time
component procurement will be limited to those few critical components whose lead-times exceed the obligation availability of the appropriation or are significantly longer than other components of the same end item.

5. Budget estimates will reflect economic production rates, unless there is strong justification (other than funding constraints) for the use of other rates.

F. Preparation of Biennial Budget Estimates - Research, Development, Test and Evaluation

1. In the development and review of RDT&E programs, special attention will be devoted to the numbers of civilian and military personnel required for support of those programs.

2. Increased emphasis will be placed on application of standards and austere limitations to housekeeping and support activities including facilities sustainment, facilities operations, equipment replacement and maintenance, and supply inventory levels.

G. Preparation of Biennial Budget Estimates - Revolving Funds

1. Revolving fund programs and biennial budget estimates will be consistent with, and justified by, related support requirements; that is, program and budget estimates will be based on anticipated customer needs for associated supplies, equipment, and services, loan purchase requirements for production guarantee accounts, scope of operations to be financed through management funds, etc. Biennial budget estimates will be consistent with the anticipated customer needs that can be financed by the related program included in the customers’ budget estimates. Increased emphasis should be directed toward assuring that customers are getting maximum value for their appropriated funds.

2. Appropriations funded requirements for the Defense Working Capital Fund will be computed under the same guidance as outlined above for the specific appropriations.

010304. Second Year of the Department’s Two-year Budget Review Cycle - Budget Material.

Budget documentation will be limited in the second year of the 2-year cycle. The specific requirements will be identified in the annual Program and Budget Review call memorandum.

010305. Budget Estimates Summaries and Transmittal

A. Budget Estimates Transmittal

1. The budget estimates will be transmitted by memorandum to the Secretary of Defense from the Secretary of each Military Department, the Director of each
Defense Agency, the Under Secretary, Assistant Secretary or Deputy Assistant Secretary of Defense submitting a Defense-wide budget estimate, and the Director, The Joint Staff. While it is mandatory that the exhibits below be submitted in the precise formats specified, any explanations or highlight information that the submitting official considers appropriate may accompany the transmittal. Exhibits PB-1A, PB-3, PB-4, and PB-8 include budget estimates summary data and will be “Unclassified” “For Official Use Only” unless the contents otherwise require a higher classification.

PB-1A. Fiscal Guidance Track – TOA in Millions of Dollars. (FY 20BY1 thru 20BY2+4) [Section 0110]

PB-3. Current Year Reprogramming/Transfers Between Appropriations – TOA in Thousands of Dollars. [Section 0110]

PB-4. FY 20BY1and 20BY2 Budget Estimates – Schedule of Civilian and Military Personnel (FY 20PY through 20BY2+4) [Section 110]

PB-8. FY 20CY Supplemental Appropriation Requirements (Described in Section 010306). [Section 0110]

2. The specified exhibits, transmittal memorandum to the Secretary of Defense, and other explanatory or highlight information will be submitted as follows:

a. Secretary of Defense transmittal memorandum, with exhibits PB-1A, PB-3, PB-4, and PB-8 attached. Deliver six copies to OSD Correspondence Control, Room 3A948. Other copy requirements are identified in Section 010302.

b. Overview booklets, such as the Air Force "Highlights," Navy "Blue Book," etc. Copy requirements are identified in Section 010302.

3. Budget estimates for the Defense portion of the National Intelligence Program will be submitted as prescribed by the Director of National Intelligence (DNI). In addition to budget exhibits specified by the DCI, the Office of the Secretary of Defense requires certain other materials as outlined in Chapter 16.

4. Electronic data will be submitted to support Exhibit PB-4 (see Section 010505). Extreme care must be exercised to assure that the submission and the exhibits are identical in data content. As described in Section 010506, the electronic data submissions are the basis for the OSD budget review.

B. Program and Financing (P&F) Schedules

1. The P&F schedule consists of a budget plan, obligations by object class, and an expenditure tail. For multi-year accounts, the P&F schedule will also include an obligation plan. See Section 010505, CIS Automation Requirements for the Biennial Budget Submission, for guidance on submitting a P&F schedule.
2. Program data will be presented in the Program and Financing schedule on an obligation basis consistent with the presentation in the President’s Budget of previous years, unless other directions are transmitted by separate memorandum.

3. Components will not submit prior year data in the program and budget review submission. Components will submit an actual prior year object class and manpower data update when available in accordance with specific update instructions issued separately.

4. Special Program Categories will be shown on Program and Financing schedules in all cases as they appear in the CIS Budget Structure Listing referenced in Section 010506.

5. Special care should be taken to assure that data presented in the object classification schedule (Section 010506) is consistent with information required on special exhibits. For example, object class data provided for advisory and assistance services (CIS Object Class Direct/Reimb. 25110) is the basis for Exhibit PB-15 (Chapter 19).

*010306. Supplemental Appropriations Submissions

A. Budget Estimates Transmittal

1. Supplemental appropriations are normally allowed to meet unforeseen contingencies or national emergencies of a magnitude that cannot be absorbed or accommodated through reprogrammings and transfers. Specific guidance on this will be provided on a case-by-case basis.

2. OMB Circular A-11 provides additional policy guidance on supplemental estimates.

B. Supplemental appropriation requirements will be submitted on a schedule in the format of Exhibit PB-8, provided in Section 0110 or as prescribed in specific or separate guidance. This exhibit will be transmitted in the same manner as the budget estimate summaries (see Section 010305).

C. Material Included for Informational Purposes

1. Under the 41 U.S. Code authorizations (formerly Section 3732 of the revised statute), the law provides that the President may exempt appropriations, funds, and contract authorizations which are available for military functions under the Department of Defense from the antideficiency provisions of 31 U.S. Code 1517 (formerly Section 3679 of the revised statute) whenever he deems such action necessary in the interests of national defense. Upon determination by the President, that such action is necessary, the Secretary of Defense is authorized to provide for the cost as an accepted expense. For example, if the President determines that it is necessary to increase the number of military personnel on active duty beyond the number for which funds are provided in the annual appropriation act, the Secretary of
Defense is authorized to provide for the cost of such increased military personnel as an accepted expense. Obligations are then authorized to be incurred in excess of amounts appropriated. After substantially all obligations have been liquidated, an appropriation is requested to liquidate any unfinanced balances.

2. The law provides essentially that, notwithstanding the balances available, revolving funds may incur obligations to provide for making issues through the production lead-time period (10 U.S.C. 2210(b)). As a technical matter, this constitutes a form of contract authority, and is so displayed in the President’s Budget.

D. Disaster Situations and Management of Disaster/Contingency Supplemental Funds

1. In the event of a disaster or emergency situation, Components will notify OUSD(C), as soon as possible, of needs resulting from the event. Components must be able to quantify the need for disaster relief by providing the OUSD(C) with adequate information for determining that funds are needed to protect people, restore facilities, and/or save lives. If required, OUSD(C) will issue specific guidance and instruction for collecting requirements information. OUSD(C) will review cost and requirements data submitted by the Components to determine if the Department requires additional funding and/or if the appropriate spending authorities are available to support the emergency situation.

2. Supplemental appropriations provided to the Department for war-related costs, and/or costs associated with international or domestic disasters will often have unusual periods of availability for a particular appropriation (for example, Operation and Maintenance appropriations may have a period of availability of more than one year). The emergency funds may be provided in a transfer account that would have an extended period of availability (for example, a three year transfer account). Funds control issuing agents and appropriation managers should ensure that the period of availability of the funds is optimized, to include obligating the amounts in a timely manner, and returning unused or unneeded funds to a transfer account immediately upon becoming available. For example, funds transferred from a three year transfer account to an Operation and Maintenance appropriation will take on the period of availability of the account where transferred, which is one year for Operation and Maintenance. If the funds are not used before the end of the period of availability and if statutory transfer authority is available, the Component’s funds control agent should initiate a reprogramming action to transfer those funds back to the transfer account where they, once again, take on the remainder of three-year period of availability. This practice ensures the funds provided by the Congress are optimized and are available to support the disaster or emergency event in subsequent years in accordance with Congressional intent.

010307. Additional Budget Submissions (ABS)

A. General Guidance. Following the initial program and budget review submission (initial submit), Additional Budget Submissions may be made, where warranted by specific changes in circumstances, within approved TOA control totals established by the USD(Comptroller) and under the following restrictions:
1. Additional Budget Submissions must be submitted as adjustments to, not substitutes for, the initial submit.

2. Unless otherwise directed by the USD(Comptroller), Additional Budget Submissions must be offset with equal or greater cost tradeoffs, and must clearly indicate the areas of increase and decrease consistent with the justifications submitted as part of the initial submit.

3. Proposed decreases may not consist of reductions already effected or imminently planned to be effected as part of the budget review.

4. Additional Budget Submissions may not be used to compensate for incomplete or inadequate initial submits.

5. Additional Budget Submissions may not be used to appeal budget decisions.

6. If an additional budget submission results in an impact on revolving funds, those related requirements must be incorporated in the additional budget submission.

B. Submission Requirements. In order to be considered during the budget review, all additional budget submissions must be received no later than the date specified in the annual guidance. Additional budget estimates for the biennial years 1 and 2 will be accompanied by Exhibit PB-10, provided in Section 011002, plus the necessary justification material. This should take the form of a complete narrative justification and may be included on the transmittal memorandum or as an attachment to Exhibit PB-10. The applicable out-year impact of the Additional Budget Submission will also be shown on Exhibit PB-10. The additional estimates will be transmitted in two copies (plus two additional copies for each appropriation affected) by memorandum to the USD(Comptroller) and signed by the same official who submitted the initial budget estimates or his appointed deputy. All Additional Budget Submissions will be hand carried to the Office of the USD(Comptroller), Directorate for Program and Financial Control, Room 3C689, for OSD processing. The Additional Budget Submission will be addressed in subsequent budget decision document(s).

010308. Major Budget Issues (MBIs)

Near the end of the budget review process, the Secretary of Defense and the Deputy Secretary of Defense may provide for the review of Component major policy or budget issues that have not yet been resolved. Resolution of these issues may displace other programs within the fixed DoD topline. Copy requirements of Component issues will be provided if an MBI review is scheduled. A general format is provided in Section 011002.
010309. Budget Review Procedures

A. Comptroller Information System (CIS). The automated CIS is the official OSD record of the budget estimates as submitted by the DoD Components and adjusted by Secretary of Defense decisions known as Program Decision Memorandums (PDMs) and Program Budget Decisions (PBDs). The data contained in the CIS is the base for data required for the OMB MAX Budget System, as required by OMB Circular No. A-11. CIS data is electronically transmitted to OMB for preparation of the President’s Budget. In addition, CIS is used to prepare a comprehensive set of management information summaries to support the budget press release, statements to the Congress and other information requirements. Financial data, military end strength, and civilian full time equivalent (FTE) data are provided. Program and Budget Review Submissions are entered into the system through electronic submissions from the DoD Components or through on-line interaction with the system. During the joint OMB/OSD Program and Budget Review, program and budget decision documents are recorded into CIS and the current status of the program and budget review is readily available soon after the data are processed.

B. Development of Out-year Data During the Program and Budget Review

1. Throughout the Program and Budget Review a continuing update of the out-year TOA and manpower is performed to reflect the extension of CY, BY1, and BY2 decisions made during the budget review.

2. TOA, military end strength and civilian FTE data for the initial out-year database are provided by each of the DoD Components. During the program and budget review, as program and budget decision documents are approved and recorded into CIS, the TOA and manpower out-year impact of each decision is addressed on the decision document and is also entered into CIS. The program and budget decision document will contain one of the following descriptors of out-year impact:

a. The estimated out-year impact for each year in thousands of dollars and full-time equivalents/end strength.

b. Substantive program direction for the out-years as a basis for DoD Component determination of dollar amounts and manpower involved (to be used if out-years are not specifically addressed in a budget decision document).

c. No known out-year impact

3. As with the CY, BY1, and BY2 decisions, the out-year adjustments approved in the Secretary of Defense decisions are entered into the CIS. TOA adjustments are recorded at the appropriation account level, Budget Activity/Special Program Category, and by Program Budget Decision number. Manpower data is recorded at the appropriation account level, by Program Budget Decision number and special program code with active military manpower detailed by officer, enlisted and cadets; selected reserve manpower detailed by officer and enlisted personnel category; and civilian FTE detailed by U.S. direct hire.
(direct and reimbursable), foreign national direct hire (direct and reimbursable), and foreign national indirect hire (direct and reimbursable).

4. The CIS produces Out-year Impact Status Reports on a recurring basis throughout the program and budget review. These reports, which are available to the applicable DoD Components, show TOA & manpower data by appropriation, special program code and personnel category for the budget submission base and all adjustments to the base resulting from decisions made during the budget review. The final reports at the conclusion of the budget review reflect the out-year numbers (TOA and manpower) which are the control numbers for the President’s Budget update of the Future Years Defense Program (FYDP). It is essential that the Out-year Impact Status Reports be reviewed by the DoD Components on a recurring basis during the budget review so the out-year numbers are under continuous scrutiny and the President’s Budget update for the FYDP may proceed in a timely manner.

C. Printing Schedule for Budget Material

1. OMB Circular No. A-11 prescribes the requirements for materials to be included in the President’s Budget document. Annually, the ODC(P/B), OUSD (Comptroller) publishes instructions on the procedures to be followed during the budget review. These instructions detail the sequence of events necessary to finalize the budget review and complete the printing phase of the budget. All actions concerning printing of budget material will be accomplished in accordance with these references and the following paragraphs.

2. Electronic galleys

   a. The OMB will provide OUSD (Comptroller) and Office of the Deputy General Counsel (Fiscal) within the OSD, General Counsel with an electronic copy of the galleys based on the previous year’s President’s Budget document. The OMB electronic galley version is divided into two parts, Appropriation Language and Narrative Language. The OSD, General Counsel is responsible for all Appropriation Language galleys (except for the dollar amounts); the OUSD (Comptroller) is responsible for all Narrative Language galleys. The Narrative Language galleys include any “text tables” such as Active/Reserve End Strength Forces tables and Defense Health Program Eligible Beneficiary Category tables.

   b. The dollar amounts contained in the Appropriation Language galleys such as the amount to be appropriated are the responsibility of the OUSD (Comptroller), Program and Financial Control Directorate. In most cases, these dollar amounts are generated electronically from the Comptroller Information System (CIS) and loaded directly into OMB budget system. However, amounts for Emergencies and Extraordinary Expenses need to be posted to the electronic galleys. The Program and Financial Control Directorate (P&FC) will identify these items, coordinate with other OUSD (Comptroller) Directorates, and ensure that accurate dollar amounts are reflected in the OSD, General Counsel version submitted to OMB.

   c. Both Appropriation Language and Narrative Language galleys are updated and submitted electronically to OMB. The Appropriation Language galleys
will be electronically updated by the OSD, General Counsel and coordinated with the OUSD (Comptroller) around mid-December. The Narrative Language galleys are updated within OUSD (Comptroller) in the same timeframe. New accounts, accounts with supplementals requiring separate schedules, rescission proposals and other material to be presented in the President’s Budget document will also be accomplished electronically. The submission of electronic galleys is intended to fill technical budget preparation needs (i.e., determine that all lines, account titles, text, and appropriation language are correct and that all required schedules are in print). The OMB will post the electronic submission along with OMB-initiated changes for OSD, General Counsel, and OUSD (Comptroller) review until the Department has made the final submission to OMB’s MAX system in early January.

0104 CONGRESSIONAL JUSTIFICATION/PRESENTATION

010401. General

A. Purpose

1. This section provides instructions for the preparation of justification material for presentation to congressional committees. Justification material should be developed using the guidelines established herein as the minimum requirements to be included in the Justification Books. Any exception to these minimum requirements must be cleared with OUSD (Comptroller) Program/Budget.

2. Justification of proposed supplemental appropriations and budget amendments are covered in OMB Circular A-11 and Section 010402; however, separate instructions will be issued by OUSD (Comptroller) Program/Budget as the need arises.

3. General preparation and submission instructions pertaining to individual appropriations, Intelligence Programs and Communications, Command and Control (C3) Programs are contained in Chapters 2 thru 7, 9, 10, 12, 13, 16 and 19.

4. All congressional budget/presentation material is subject to DoD 5400.7-R, DoD Freedom of Information Act (FOIA) Program requirements. Chapter 3, Exemptions, should be reviewed carefully before denial of any FOIA request. Exemptions will generally fall into exemption 5. Use of For Official Use Only (FOUO) must meet the requirements of DoD 5400.7-R, Chapter 4.

B. Preparation of Material

1. Separate Justification Books will be furnished for each appropriation relating to each Military Department. Material prepared by individual Defense Agencies and Office of the Secretary of Defense organizations will be consolidated by OUSD (Comptroller) Program/Budget into a single Justification Book for each appropriation. Material for the Operation and Maintenance, Defense-wide; U.S. Court of Appeals for the Armed Forces, Defense; Environmental Restoration, Defense; Office of the Inspector General; Overseas Humanitarian Disaster and Civic Aid; and other operation and maintenance type appropriations
will be consolidated into a single Justification Book. The OUSD (Comptroller) Program/Budget will also develop an O&M Overview book as well as a consolidated overview of Multiyear Procurement programs based on submissions of the Military Departments and Defense-wide components. Additionally, information technology budget material prepared by the Military Departments and other DoD Components will be consolidated by the Office of the ASD(NII)/DoD CIO Resource Management Directorate into a single Justification Book. Combating Terrorism budget material prepared by DoD Components will be consolidated into a single justification book by the assistant secretary of Defense for Special Operations and Low Intensity Conflict (SO/LIC). The Department of the Army will prepare a justification book for Chemical Demilitarization programs and will consolidate material for the Army Family Housing and Homeowners’ Assistance Fund, Defense appropriations into a single Justification Book. Each Department will prepare a Justification Book for each Base Closure Account. In addition, separate Justification Books will be prepared for Intelligence-Related Activities and the Defense portion of the National Intelligence Program, the latter as prescribed by the Director of National Intelligence. All other Justification Books will be annotated as appropriate to indicate items and resources supported in Intelligence Program Justification Books. Also, separate Justification Books will be prepared for NIP/MIP program aggregations as prescribed in Chapter 16.

2. Classified and unclassified data will be included in the single volume or set of volumes for each appropriation with the classified pages bearing the appropriate security classification, except that all materials contained in the Military Personnel and Operation and Maintenance justification books will be unclassified. Classified exhibits will be submitted separately and explanation provided for their being classified. Fiscal data pertaining to explicitly identified portions of the National Intelligence Program shall be classified in accordance with instructions in Chapter 16.

3. The highest security classification of data included in Justification Books will be SECRET. Information requiring a higher classification will be discussed with OUSD (Comptroller) Program/Budget on an individual situation basis. All classified data will be bracketed by pencil [ ] to permit the congressional committees to publish an unclassified version. Data not bracketed will be assumed to be unclassified. In bracketing classified columnar data, each column will be individually bracketed. Care must be taken to assure that unclassified data are not bracketed. Security classification markings should be centered at the top and bottom of applicable pages to assure clarity. The appropriate automatic downgrading notation will be used in accordance with DoD 5200.1-R, Information Security Regulation. The appropriate classification cover sheet must be utilized.

4. Military Departments and Defense Agencies will be responsible for clearing the justification material with the Washington Headquarters Services, Directorate for Freedom of Information and Security Review, prior to transmittal to OMB and the congressional committees.

5. The Program and Financing, Object Classification and Personnel Summary schedules will reflect current year program supplemental appropriation requirements as directed by OMB.
6. Reports of the Program and Financing and Object Classification Schedules will be available from OUSD (Comptroller) Comptroller Information System (CIS) and will be used in the Justification and Backup Books as specified for each appropriation title in the following chapters.

7. Printing of Congressional Budget Material:

   a. General. Tabs will be used only where specified by OSD; McCall (edge) indexing will be used as appropriate. Justification material should be printed on both sides of the page wherever feasible. Headings for an appropriation or budget activity will appear on the initial page of the subdivision and will not be repeated on subsequent pages, except RDT&E Program Element Listings. The Components will work with Defense Automation and Production Service (DAPS) to determine the most appropriate and quickest method of printing and fastening each of the books subject to the guidance by appropriation title below.

   b. Military Personnel. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Font size must be at least size 10.

   c. Operation and Maintenance. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Font size must be at least size 10.

   d. Research, Development, Test and Evaluation. Material is to be printed horizontally (landscape) on both sides of the page on 11" x 8.5" paper using a 1” margin on the side to be bound and 1/2” for other edges. Components will request DAPS to reduce all larger pages to the standard 11" x 8.5" size so that all of the pages in each book are consistent in size. The material will be printed head to toe with 3 holes punched across the top margin. The following is the fastening preference: staples, screw posts, ACCO fasteners, etc.. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Books are to be a maximum range of about 600-650 pages where possible (300-325 sheets of paper printed both sides).

1. Since the justification material is printed double sided, then each PE package must begin on the front side of a new page. When the last page of a PE package does not end on the backside of the paper, then a blank page must be inserted with the wording “This page intentionally left blank” in bold letters, centered on the page. The reason for this is so
that the justification material can be easily broken apart and sorted by PE with all of the pertinent exhibits.

2. For those Components that have a large number of PEs and printing the material all in one volume is impractical, it is preferred that the justification material be submitted by budget activity with the Science and Technology budget activities (BA 1 through BA 3) printed in one volume and the remaining budget activities printed in a separate volume or in individual volumes. Each separate book should include an R-1 listing and a table of content indicating which volume and page the applicable program element can be found.

e. **Procurement.** Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

f. **Military Construction.** The justification material for Military Construction will be provided on 8.5” x 11” paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1” margins. All exhibits will be printed utilizing white paper. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

g. **Family Housing.** The justification material for Family Housing will be provided on 8.5” x 11” paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1” margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

h. **Base Closure.** The justification material for Base Closure will be provided on 8.5” x 11” paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1” margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

i. **Revolving Funds.** Justification books for revolving funds are to be submitted in one volume with 3 sections: Component Overview; Operating Budget and Capital Budget. Component Overview and Operating Budget sections are to be printed in portrait format (vertically) on 8.5” x 11” paper head to head on 2 sides. Capital budget exhibits are to be printed in landscape format (horizontally) on 11” x 8.5” paper head to toe on 2 sides. Budget submitting offices should ensure that all narrative type is consistent. All justification material will be punched to fit standard three-hole binders. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.
j. **Intelligence Programs.** Instructions for these books are contained in Chapter 16.

k. **Information Technology.** Provide material in accordance with guidance contained in Chapter 18.

7. Justification book cover inserts will be 220 index stock using the following colors: Army - green; Navy - buff; Air Force - blue; Defense-wide justification material (Agencies, Office of the Secretary of Defense, Defense Health Program, and Commander In Chiefs to include the U.S. Special Operations Command) - white. Covers will bear the appropriate security markings, title of the volume as specified herein, the phrase "Submitted to Congress February 20...," and the appropriations included.

8. The use of acronyms and abbreviations in the justification material should be held to a minimum. However, where acronyms and abbreviations are used, they must be identified on the page on which they appear.

9. The exhibit numbers used in this section are for reference purposes only and should not be used in the Justification Books.

C. **Submission of Justification Books for Review**

1. Before the justification material can be released to the Congress, it must be reviewed by the appropriate OUSD (Comptroller) or OASD(NII) /DoD CIO to ensure that policies and decisions made by the President and Secretary of Defense are fully reflected. Accordingly, three advance sets of Justification Books will be forwarded to the appropriate OUSD (Comptroller) Directorate for review or for Information Technology exhibits as directed by OASD(NII)/DoD CIO. The following is a list of the directorates:

<table>
<thead>
<tr>
<th>Directorate for Operations</th>
<th>Directorate for Military Personnel and Construction</th>
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<tr>
<td>3C710, 697-2609</td>
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<td>Office of the ASD(NII)/DoD CIO Resource Management Directorate, 3D228, 695-3937 (For IT Justification)</td>
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| Directorate for Revolving Funds, 3D755, 697-4210 | Office of the ASD(NII)/DoD CIO Resource Management Directorate, 3D228, 695-3937 (For IT Justification) |

a. In addition, one set of the Military Personnel and Operation and Maintenance Justification Books for the Reserve Components will be delivered to OASD(RA), Room 2E195.

b. The Military Departments should also send two copies of advance sets of justification books to Washington Headquarters Services, Directorate for Freedom of Information and Security Review ((703) 696-4538) for clearance. Clearing material through this Directorate should be accomplished piecemeal to expedite the final review.
Clearance by OUSD (Comptroller) P/B will be evidenced by an approval from the applicable Program/Budget Directorate designated official, initialed on one of the advance copies of each Justification Book and returned to the applicable service. The OUSD (Comptroller) Directorate having cognizance over the budget material will obtain any necessary clearance from the Office of Management and Budget (OMB). Upon advice from OUSD (Comptroller) P/B and Washington Headquarters Services, Directorate for Freedom of Information and Security Review that the advance sets of justification books are acceptable, the DoD Components will complete preparation and assembly of Justification Books.

c. Under no circumstances will justification material be released to congressional committees or the public prior to receipt of these clearances.

2. Except as specified herein, submission dates will be provided in separate correspondence from OUSD (Comptroller) Program/Budget.

010402. Supplemental and Amended Appropriations Requests

A. Organization of Supplemental Appropriations Requests Justification Books

1. Justification Books in support of supplemental appropriations requests will be prepared by OUSD (Comptroller) P/B, based on material furnished by the DoD Components. Justification materials will be addressed in separate correspondence from OUSD (Comptroller) P/B.

2. The Justification Book will generally be arranged as follows:

   a. Table of Contents and Summaries. These items will be prepared by OUSD (Comptroller), P/B.

   b. Section 1 – Narrative Justification. This section will contain narrative justifications, and any special exhibits in support of program supplemental requests. Supplemental appropriation requests related to all program supplementals will be supported by a narrative justification.

   c. Section 2 – Appropriation Act language. This section will contain required appropriation act language. The appropriation language will be extracted by OUSD (Comptroller) P/B from the Budget Appendix.

B. Organization of Amended Appropriations Requests Justification Books

1. A separate abbreviated Justification Book will be prepared by OUSD (Comptroller) and/or each Military Department for each affected appropriation title; e.g., Operation and Maintenance; Procurement; RDT&E; etc. (Additional justification materials required of Defense Agencies and for Defense-wide accounts will be identified in separate correspondence from OUSD (Comptroller). Related Justification Books will be prepared by
OUSD (Comptroller) P/B.)  Justification books will be organized by supplemental category (e.g., contingencies, natural disasters, etc.)  Each Book should be stapled but must contain holes punched to fit existing Justification Book binders.  (NOTE:  Depending on the magnitude of a particular budget amendment; i.e., number of DoD components and appropriation accounts affected, single Justification Books may be prescribed for each DoD Component, or a single Justification Book may be prepared by OUSD (Comptroller) P/B with input from the affected DoD Components.)

2. Each Justification Book will contain the following, as a minimum:

a. A single Table of Contents

b. By individual appropriation account:

(1) Revised appropriation language (retyped from Budget Appendix to reflect revised request).

(2) Budget Amendment Summary, in the format of Exhibit PB-37R (see Sec 0110), highlighting changes to the pending request.

(3) Program and Financing Schedule (abbreviated) in the format of Exhibit PB-37S (see Section 0110). Both the Budget Plan and Obligation Plan will be shown for multi-year accounts.

(4) Narrative Justification by Budget Activity in the format of Exhibit PB-37T (see Section 0110). Narrative will discuss dollar, quantity, personnel changes, etc., at least at the level of changes indicated on the Budget Amendment Summary (Exhibit PB-37R).

(5) Existing P-1 and R-1 Exhibits will be marked up to indicate changes resulting from the proposed amendment.

(6) Procurement and RDT&E Justification material will be retyped, where applicable, to encompass changes resulting from the proposed amendment.

3. When prepared by a Military department, three advance sets of materials will be forwarded to the Directorate for Budget and Appropriations Affairs, OUSD (Comptroller), Room 3D755.  Two copies should also be submitted at that time to Washington Headquarters Services, Directorate for Freedom of Information and Security Review, (703) 696-4538, for security clearance.  Other appropriate provisions of Section 010401 pertain. Military Departments will make the same distribution of above Books as for regular congressional justification materials.

C. References.  Additional instructions are contained in OMB Circular A-11.
010403. Distribution/Internet Posting of Budget Material

A. Copies of OSD-generated justification materials for congressional distribution will be delivered to OUSD (Comptroller), Budget & Appropriations Affairs, Room 3D755 for delivery to the congressional committees.

B. Each Military Department will deliver copies of its justification material to congressional committees, GAO, Library of Congress, CBO, and OMB, etc. The OUSD (Comptroller) (P/B) will distribute copies of the consolidated Defense-wide justification material unless assigned to a Military Department. The Office of the ASD(NII)/DoD CIO Resource Management Directorate will distribute copies of the consolidated Information Technology Justification.

C. Copies of classified material and other backup documentation for OSD will be delivered directly by each Military Department to the offices listed. Total distribution including the number of copies is also provided on the following tables. Advance books (40) are required to be produced by the due dates so that immediate distribution may be made to the congressional committees. The remaining quantities will be delivered/distributed 3 to 5 days thereafter.

D. Internet Posting of Unclassified Budget Justification Material

1. Justification material for the President’s budget will have limited paper copy distribution as shown on the distribution charts. No internal DoD distribution will be made of unclassified justification material that is provided to the Congress, OMB and other non-DoD organizations. This justification material will be available solely through posting to Component Internet sites.

2. However, classified budget justification and budget backup material as identified in the distribution tables will be provided in paper copy to the organizations listed. Appropriate OUSD (Comptroller) directors should be consulted prior to distribution of material not listed.

3. Internet posting on Component Web Sites.

(a) Web pages presenting Defense budget documents must be designed to facilitate user discovery of the information. These pages will be used extensively by Congressional staffs, the media, and the public, and the presentation of material reflects upon the organization sponsoring the site. Budget documentation should be logically grouped, and link names should be clear and concise, to allow the user to rapidly navigate to the document of interest. Graphical content should be limited, to allow reasonable download times when accessed via modem. The Military Departments must ensure that established web pages meet these criteria.

(b) Defense Agencies and managers of Defense-wide accounts will be provided separate guidance for the submission of budget justification in an electronic.
format. OUSD (Comptroller) will consolidate Defense-wide justification and distribute/post to the Comptroller Internet site.

(c) Posting of justification material on Component web pages should occur no later than 5 working days after delivery of the paper copies to the Congress, but not prior to delivery to the Congress.

(d) As a reminder, for Freedom of Information requests received prior to posting the unclassified budget material on the Internet, it is the responsibility of the DoD component to comply with the request in accordance with DoD 5400.7-R.

E. CD-ROM Production. Upon completion of the posting of budget justification material to the Component Internet site, a CD-ROM containing all of this material will be produced and distributed in accordance with the distribution tables that follow. This CD-ROM should be distributed not later than 45 days after the Budget of the United States Government is presented to the Congress. This process will make budget material available for those that lack Internet access and for historical purposes.

* Distribution Delivery Points

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DOT&E
Attn: Resource Manager
4850 Mark Center Dr
Suite 1000
Alexandria, VA 22301
(703) 681-4012/13

OIG, DoD
Attn: Comptroller Room 470
400 Army Navy Drive
Arlington, VA 22202-2884

DARPA
Comptroller
3701 North Fairfax Drive, 9th Floor
Arlington, VA 22203-1714

Executive Office of the President
Office of Management and Budget (OMB)
National Security Division
NEOB, Room 10001
725 17th St
Washington, D.C. 20503

GAO
U.S. Government Accountability Office

NSIAD/TIC
Attn: Nadine Furr (DCM, Room 4035) (Unclassified Material) (202) 512-4361
Backup: Sharon Pickup (DCM Director, Room 4033) (202) 512-9619
US GAO
441 G Street, NW
Washington, DC 20548

NSIAD Document Control Office
Attn: Wanda Beasley (Classified Material) (202) 512-5810
441 G Street, NW --Room 4035
Washington, DC 20548

Congressional Budget Office (CBO)
Ford House Office Building
Rm. 428 (Attn: Sarah Jennings) (202) 226-2840
2nd and D Streets, S.W.
(202) 225-3185
(FAX)
Washington D.C. 20515

Library of Congress
Rm. LM-208 (stop 7500) (202) 707-8845
Attn: Bruce Krafte
James Madison Library Bldg.
101 Independence Ave., S.E.
Washington, D.C. 20540
Because of numerous room changes during the Pentagon Renovation, call the listed office prior to delivery of budget material.

Because of mail handling procedures, many offices require courier delivery/pickup in lieu of U.S. Postal Service delivery. Please call offices prior to mailing any material to the above organizations.
Table 8. Justification Material Supporting The President’s Budget Request Military Personnel Accounts

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<th>CHAPTER</th>
<th>Appropriation</th>
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<td>In-house Backup Exhibits (MP/MPR)</td>
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JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT’S BUDGET REQUEST MILITARY PERSONNEL ACCOUNTS
### JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST

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Table 9. Justification Material Supporting the President’s Budget Request Operation and Maintenance Accounts

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** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.
# JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
## OPERATION AND MAINTENANCE ACCOUNTS

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1-98
### Justification Material Supporting the President’s Budget Request

#### Operation and Maintenance Accounts (Continued)

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**Notes:**
- **C H A P T E R**: OMB and GA O
- **H A C**: DE F L C O L M C C N N
- **S A C**: DE F N M N S M M I B N
- **S A P**: DE F N M N S M M I B N
- **T O T A L**: OMB C H A P T E R

**Operation & Maintenance Overview**

**Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.**
Table 10. Justification Material Supporting the President’s Budget Request All Military Department Procurement Accounts

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### Table 11. Justification Material Supporting the President’s Budget Request Procurement Accounts - Army

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### JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST 
PROCUREMENT ACCOUNTS - NAVY

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Table 14. Justification Material Supporting the President’s Budget Request Procurement Accounts - Air Force

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*October 2008*
### JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT’S BUDGET REQUEST
### PROCUREMENT ACCOUNTS - AIR FORCE

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Table 15. Justification Material Supporting The President’s Budget Request Procurement Accounts - Other

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** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.
Table 16. Justification Material Supporting the President’s Budget Request Procurement Accounts - Defense-Wide

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** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.
Table 17. Justification Material Supporting the President’s Budget Request Research, Development Test & Evaluation Accounts

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** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.
### Table 18. Justification Material Supporting the President’s Budget Request Research, Development Test & Evaluation Accounts

#### JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS

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** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.
Table 19. Justification Material Supporting the President’s Budget Request All Military Department Working Capital Fund Accounts

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Table 20. Justification Material Supporting the President’s Request Revolving and Management Funds

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Table 21. Justification Material Supporting the President’s Budget Request All Military Department Military Construction, Family Housing and BRAC Accounts

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Table 22. Justification Material Supporting the President’s Request Military Construction & Family Housing Accounts

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<td>Military Const, Air National Guard Justification Book</td>
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<tr>
<td>Chemical Demilitarization Construction, Defense Justification Book</td>
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<td>2</td>
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<td>1</td>
<td>1</td>
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<td>2</td>
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<td>NATO Security Investment Program Justification Book</td>
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1-113
**Required distribution will be made by USD(Comptroller). Components should provide required exhibits to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.**

<table>
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<tr>
<th>Appropriation</th>
<th>OMB</th>
<th>GAO</th>
<th>HAC</th>
<th>SAC</th>
<th>HASC</th>
<th>SASC</th>
<th>HPS</th>
<th>SSC</th>
<th>HBC</th>
<th>SBC</th>
<th>CBO</th>
<th>LIN</th>
<th>BGR</th>
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<th>RYS</th>
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**C-1, Construction Program**

1-114
Table 23.  Justification Material Supporting the President’s Request Base Realignments And Closures (BRAC)

<table>
<thead>
<tr>
<th>Appropriation</th>
<th>OMB</th>
<th>CHAPTER</th>
<th>HAC</th>
<th>SAC</th>
<th>HASC</th>
<th>HPS</th>
<th>HBC</th>
<th>CBO</th>
<th>TOTAL</th>
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<tr>
<td>BRAC - Navy</td>
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<td></td>
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</tr>
<tr>
<td>BRAC - Air Force</td>
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### Table 24. Justification Material Supporting The President’s Request Other Account Requirements

#### JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT’S REQUEST OTHER ACCOUNT REQUIREMENTS

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<tr>
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<tbody>
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<tr>
<td>Drug Interdict. &amp; Counter-drug Actv</td>
<td>14</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td>CD-ROM All unclassified budget material that has been posted to Internet site</td>
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<td>1</td>
<td>1</td>
<td>1</td>
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Intelligence Programs (NIP/MIP)

Drug Interdict. & Counter-drug Actv

CD-ROM All unclassified budget material that has been posted to Internet site
Table 25. Justification Material Supporting the President’s Request Special Interest Requirements

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>HAC</th>
<th>SAC</th>
</tr>
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<tbody>
<tr>
<td>Information Technology</td>
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<tr>
<td>Distribution made by NI/DOD CIO</td>
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<td>Defense Health Programs</td>
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<td>Justification Book</td>
<td>12</td>
<td>1</td>
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<tr>
<td>Drug Interdiction &amp; Counter-drug Actv's</td>
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<td>1</td>
</tr>
<tr>
<td>Justification Book</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Overseas Cost Report (OP-53) Report**</td>
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<tr>
<td>Overseas Contingency Operations</td>
<td>17</td>
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</tr>
<tr>
<td>Advisory and Assistance Services (PB-15)</td>
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<tr>
<td>Exhibit (incl. in O&amp;M Data Book, Vol. II)</td>
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<td>Military Department Overview Booklets</td>
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<td>Army, Navy, and Air Force</td>
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<td>Combating terrorism</td>
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<td>Justification Book</td>
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</tr>
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<td>that has been posted to Internet site</td>
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</tbody>
</table>

** Required distribution will be made by USD(Comptroller). Components should provide required exhibits to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.
Table 26. Justification Material Support

**JUSTIFICATION MATERIAL SUPPORT JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT’S REQUEST SPECIAL INTEREST REQUIREMENTS**

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>USD(Comptroller)</th>
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<tbody>
<tr>
<td></td>
<td>CHAP T E R</td>
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<tr>
<td>Function Transfers (PB-14)</td>
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<tr>
<td>Advisory and Assistance Services (PB-15)</td>
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<tr>
<td>Legislative Proposals (PB-16)</td>
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<tr>
<td>Employee Relocation Expenses (PB-17)</td>
<td>19</td>
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<tr>
<td>Foreign Currency Exch. Data (PB-18)</td>
<td>19</td>
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<tr>
<td>Major DoD HQ Activities (PB-22)</td>
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<tr>
<td>AT&amp;L Workforce Transformation Prg. (PB-23)</td>
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<tr>
<td>Professional Military Education (PB-24)</td>
<td>19</td>
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<tr>
<td>Host Nation Support Costs (PB-25)</td>
<td>19</td>
</tr>
<tr>
<td>Environmental Quality/Security/Mgt (PB-28/28A/28B)</td>
<td>19</td>
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<tr>
<td>Competition and Privatization (PB-42)</td>
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</table>

Legend:
- **B**: Budget
- **C**: Comptroller
- **H**: Appropriations
- **A**: Policy
- **P**: E
- **T**: R
- **E**: F
- **M**: N
- **P**: I
- **C**: V
- **F**: R
- **A**: USD
- **T**: LA
- **J**: O
- **S**: I
- **E**: T
- **N**: A
- **S**: L

Date: October 2008

Page: 1-118
<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>USD(Comptroller)</th>
<th>DET F O E T N A S L E</th>
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<tr>
<td>Administrative Motor Vehicle Operations (PB-41)</td>
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<td>In-house Backup Exhibit</td>
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<td>11 1 1 9</td>
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<tr>
<td>Child Dev., School Age Care, Family Centers, and Family Advocacy Programs (PB-50)</td>
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<tr>
<td>In-house Backup Exhibit</td>
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<td>1 2 1 9</td>
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<td>Aeronautical &amp; Space Programs (PB-52A-B)</td>
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<td>1 1 1 1</td>
</tr>
<tr>
<td>Budgeted Mil &amp; Civilian Pay Raise (PB-53)</td>
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<tr>
<td>In-house Backup Exhibit</td>
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<td>International Military Headquarters (PB-55)</td>
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010404. Witness Statements

A. Purpose. This section provides instructions for preparation of witness statements for testimony at hearings before congressional committees.

B. Preparation

1. Each witness statement should contain a cover page that includes the name, grade/rank, and position title of the witness; the full title of the congressional committee or subcommittee before which the witness is to appear; the date the witness is to testify; the subject of the hearing; and an embargo statement “Not for Publication Until Released by the Committee” (or Subcommittee, if applicable).

2. The various congressional committees publish instructions for preparation of witness statements for their committee. These instructions, unique to each committee, are available from the following offices:

   a. House and Senate Defense, House Military Quality of Life and Veterans Affairs and Related Agencies, and Senate Military Construction Appropriations Subcommittees – Budget and Appropriations Affairs Directorate, USD(Comptroller) and Service Budget Liaison offices.

   b. House and Senate Armed Services Committees and House and Senate Budget Committees – Office of the Assistant Secretary of Defense (Legislative Affairs) and Service Legislative Affairs offices.

   c. Other congressional committees - Instructions are normally included in the letter requesting the hearing. First time before the committee.

C. Security Review

1. DoD Directive 5400.4 calls for DoD witnesses to submit their prepared statements to Washington Headquarters Services, Office of Security Review, (703) 696-4538, for clearance.

2. This should be done as far in advance of the required date of transmittal to a congressional committee as possible, usually 5 or more working days prior to the date clearance is desired.

D. Number of Copies

1. Upon completion of the security review process, the originating office should ensure that 75 copies of unclassified statements are delivered to the Directorate for Defense Information, Office of the Assistant to the Secretary of Defense (Public Affairs), Room 2E565, Pentagon. This should be done at least 24 hours in advance of the scheduled appearance
of the witness before the congressional committee. Be prepared to provide additional copies on short notice.

2. These procedures will allow the Office of the Assistant Secretary of Defense (Public Affairs) to meet news media requirements as soon as statements are released by the congressional committee or subcommittee.

3. A chart identifying the various oversight committees’ copy requirements for witness statements and the date that the statements are due to the committee is republished periodically by the Budget and Appropriations Affairs Directorate, USD(Comptroller), as committee requirements change. Be careful to use the most recent chart.

4. Special care should be exercised to ensure that specified due dates are met. The committees use the witness statement in preparing for the hearing and so suspense dates are important. Committees will routinely predicate cooperation in discussing or releasing possible hearing questions or topics on the timely delivery of these statements.

5. Offices responsible for arranging the attendance of principal and supporting witnesses at a hearing normally prepare a listing of witnesses known as the Witness List. These offices will contact all involved parties to obtain the names and positions of the witnesses for the Witness List.

010405. Transcript Processing

A. Purpose. This section provides instructions for processing transcripts of witness testimony at hearings before congressional committees.

B. Initial Receipt

1. The House and Senate Appropriations Subcommittees on Defense, the House Subcommittee on Military Quality of Life and Veterans Affairs and Related Agencies, and the Senate Military Construction Appropriations Subcommittee provide hearing transcripts directly to Budget Liaison offices of the Services and to the Director for Budget and Appropriations Affairs, Under Secretary of Defense (Comptroller). All other hearing transcripts are provided directly to the Legislative Affairs office of the Services and to the Office of the Assistant Secretary of Defense (Legislative Affairs).

2. The original copy of the transcript is then provided to the office of the principal witness utilizing DD Form 1587, Record of Congressional Transcript Review, as the transmittal document. To meet committee requirements and allow time for final review by Washington Headquarters Services, Security Review, each element in the review process must give cooperative consideration to the time requirements of all elements in meeting due out dates. DoD Directive 5400.4 provides guidance in utilizing DD Form 1587. Instructions are also printed on DD Form 1587.
3. The various committees publish instructions for processing transcripts for their committee hearings. These instructions, unique to each committee, are available from the following offices:

   a. House and Senate Defense, House Military Quality of Life and Veterans Affairs and Related Agencies, and Senate Military Construction Appropriations Subcommittees - Directorate for Budget and Appropriations Affairs, USD(Comptroller) and Service Budget Liaison offices.

   b. House and Senate Armed Services Committees and House and Senate Budget Committees - Office of the Assistant Secretary of Defense (Legislative Affairs) and Service Legislative Affairs offices.

   c. Other congressional committees - Instructions are normally included in the letter requesting the hearing.

C. Processing Procedures

1. Upon receipt of the transcript in the office of the primary witness, that office will review and edit the transcript and prepare the necessary inserts including questions for the record. At the same time, those staff offices required to provide input to the transcript should be tasked, in writing, for their specific portion. Page and line number/question number should be referenced when tasking inserts for the record.

2. Offices providing input to transcripts should clear their internal security review office prior to providing their input to the principal witness' office. After consolidation of the edit/review of the transcript and inclusion of necessary inserts, the office of the principal witness will then need to obtain the proper security clearance for the transcript and inserts from Washington Headquarters Services, Directorate for Freedom of Information and Security Review. A DD 1790, Prepared Testimony Review must be used. DoD Directive 5400.4 provides instructions to be followed in processing the transcript through the security review process.

3. Plain bond (8.5” x 11.0” with left and right margins of 1.5”) Insert for the Record, will be utilized for all inserts to congressional testimony and questions/answers for the record. Formats for completing these for the four oversight committees are provided in Section 0110.

4. After completing the security review process and required coordination’s, the completed transcript should be returned to the office from which the transcript was received (Transcript Action Monitor) for final review and delivery to the congressional committee.

5. Special care should be exercised to ensure that transcript processing suspense dates are met. The committees emphasize that the deadline dates imposed by them must be met. As the committees approach mark-up, the importance of meeting deadlines becomes even more critical. Transcripts should not be unduly delayed while gathering
information for the record. If a delay is encountered, a note that the data will be furnished at some specified date should accompany the transcript and processing should proceed.

D. Congressional Hearings and Reporting Requirements Tracking System (CHARRTS). CHARRTS is an OUSD (Comptroller) web based application for tasking Hearing transcripts, inserts for the record, and questions for the record. Components will be notified by email for each tasking for which they are responsible to complete. CHARRTS is a controlled site accessed through http://charrts.ousdc.osd.mil and requires an access password for each user. Components will input all responses to both inserts and questions for the record directly into CHARRTS. Formats have been established within CHARRTS for each Committee for these responses and must be used. Input that does not follow the established standards will be rejected by the system. Contact the OUSD (Comptroller), Budget and Appropriations Affairs Directorate at (703) 697-1101 for all questions related to CHARRTS.

E. Page Proofs/Galleys. Often committees allow DoD to review page proof/galleys of congressional testimony to ensure that changes have been incorporated and that if classified data has been included that it be deleted from the version that will be made public. Extreme care must be exercised to ensure that all classified data have been excised.

010406. Appeal Process on Congressional Actions

A. Purpose. Each year the actions taken by congressional committees during consideration of the DoD authorization and appropriation bills are reviewed by DoD components. This Section provides policy guidance and procedures for appealing such congressional actions.

B. Scope of Material

1. DoD appeals to congressional committees may be in the form of a letter to the appropriate committee chairman (or chairmen in the case of appeals to joint conferees), which sets forth the Department’s position on the most significant programs/items impacted by congressional actions. This letter is prepared for the signature of the Secretary of Defense. Only the Secretary will provide the Department’s position on appeal items.

2. DoD appeals also may be in the form of an appeal package consisting of one page for each action being appealed. This package is submitted to the appropriate committee by the USD(Comptroller). It is not submitted as an enclosure to an appeal letter, but may be referred to in the letter.

3. The submission of appeal material can vary each year and is primarily dependent upon the timing of each committee’s actions on the budget request. The preparation of appeal items begins when the actions of the committees become known, usually with release of the committee’s report. Normally, appeal material will be modified to reflect final floor action since amendments adopted on the floor can significantly change positions reported out by the committees. In most cases, the process is as follows:
a. To Authorization Conferees. This appeal is based on the actions of both the House and Senate Armed Services Committees, as modified by House and Senate floor action.

b. To Appropriations Conferees. This appeal is based on the actions of both the House and Senate Appropriations Committees, as modified by House and Senate floor actions.

C. Preparation of Appeals

1. Once the actions of an oversight committee become known, DoD components normally will be requested to provide input on high priority items for incorporation into the Secretary’s appeal letter or appeal package. Appeal input will be submitted in the general format of Exhibit PB-39A-1 and PB-39A-2 (provided in Section 0110) in both hard copy and by e-mail in Microsoft Word format (with no graphics). Components may be asked to assign a priority to the actions they want appealed.

2. All appeal materials must be unclassified. Verification that materials are entirely unclassified must be obtained by the DoD component from the component’s security review prior to submission to OSD. USD(Comptroller) will obtain clearance of the consolidated appeal package from the Washington Headquarters Services, Directorate for Freedom of Information and Security Review, (703) 696-4538.

D. Policy Guidance, Preparation and Coordination of Budget Appeals

1. By memorandum of May 27, 1983, Subject: "Congressional Justification of the President’s Annual Defense Budget," the Secretary of Defense charged the Comptroller with the responsibility to coordinate all justification actions for his consideration that may be interpreted as reprogramming, supplementals, amendments, or appeals to the Defense budget. Therefore, in order to ensure that the Department speaks to the Congress in this area with one voice and remains consistent with the Secretary’s policy direction, all appeals to congressional committees will be prepared by the USD(Comptroller).

2. The Directorate for Budget and Appropriations Affairs, within the Office of the USD(Comptroller) (Program/Budget), will issue instructions for submission of appeal input. Along with other Comptroller directorates, Budget and Appropriations Affairs will review the input and prepare a draft appeal letter and appeal package. Normally, these drafts will be sent for comments to the appropriate DoD offices. Clearance on all appeal materials will be requested from the Office of Management and Budget.

3. While responsibility for consolidation and coordination of appeal materials resides with the USD(Comptroller), all offices are responsible for ensuring that the materials they submit remain up to date. Submitting components, e.g. The Joint Staff, should provide only one position on each issue submitted.
E. Classified Appeals. Actions of congressional committees documented in classified annexes (such as by the Intelligence Committees) to reports or classified letters may be addressed in classified appeals prepared by the OUSD(I). Further guidance is contained in Chapter 16.

0105 BUDGET AUTOMATION REQUIREMENTS

010501. Automated Military Personnel Programs Database

A. Purpose and Objectives. The purpose of the Military Personnel Programs database is to provide supporting budgetary documentation to the Congress, OMB and the public with each year’s President’s Budget. Data submission is through the Program Resources Collection Process (PRCP) System. The Military Personnel Programs database supports, and must be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the Military Personnel Programs as an automated database that is the primary structure for budget activity and budget subactivity level of detail. The Military Personnel Programs (M-1) (unclassified) is produced from the Military Personnel Programs database.

B. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD) and the Military Departments.

C. Reporting Requirements. The automated database was established for the FY 2005 President’s budget. Subsequent updates will be required coincident with the (1) Program and Budget Review and (2) the President’s Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

D. General Instructions - Preparing the Detailed Military Personnel Programs (M-1). The Military Personnel Programs provide resources in a budget activity and budget subactivity line item level of detail with appropriation identification consistent with other budgetary data in the CIS database. A detailed description of line item entries is listed in Volume 2A, Chapter 2. The minimum information required in the Military Personnel Programs is as follows:

1. A summary by appropriation account with subtotals for DOD Components.

2. A summary of each appropriation account by budget activity/budget subactivity with budget activity subtotals and an appropriation total.

3. Entries for the individual line items should be on the same basis as that used for program and budget submissions.

4. Costs of prior year programs will be adjusted annually to reflect actual obligations, including deobligations, recoveries of prior year obligations, upward
obligation adjustments, transfers, and rescissions, as appropriate, and must match prior year values in the Comptroller Information System.

5. The OUSD(C) P/B Military Personnel and Construction Directorate will obtain the Security classification review certification.

E. **General Instructions - Preparing the Military Personnel Programs (M-1).**

The M-1 document is derived from and consistent with other budgetary data in the CIS database. The M-1 is provided annually to the DoD oversight committees of the Congress coincident with the transmittal of the President’s Budget. The minimum information required in the M-1 is as follows:

1. Identification codes and a detailed description of line item entries are explained in paragraph F below.

2. The line item data provided is PY, CY, BY1 (and BY2 if biennial submission).

3. The security classification will be in accordance with the criteria set forth in Section 010108.

F. **Military Personnel Data Elements and Record Formats**

1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).

2. Other Military Personnel Data Elements and Record Formats. Components must follow the guidance and use the data elements and record layouts for submission of updates to the Military Personnel Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

010502. **Automated Operation and Maintenance Programs Databases**

A. **Purpose and Objectives.** The purpose of the Operation and Maintenance Programs databases are to provide supporting budgetary documentation to the Congress, OMB and the public with each year’s President’s Budget. Data submission is through the Program Resources Collection Process (PRCP) System. The Operation and Maintenance Programs databases support, and must be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the Operation and Maintenance Programs as an automated database that is the primary structure for budget activity and activity group cost at the Program Element and expense aggregate level of detail. The O-1 reports are produced from the Operation and Maintenance Programs database. Operation and Maintenance Programs data extracts are provided to the Office of the Director, Program Analysis and Evaluation (hereafter referred to as “OD,PA&E”) to update the Future Years Defense Program database. In addition, the Civilian Personnel Costs and O&M Summary of Price and
Program Changes automated exhibits are processed through this system. The Civilian Personnel Costs exhibit is required for each appropriation/fund, not limited to O&M appropriations, in which civilian personnel are funded. Updates and documents produced include:

1. Operation and Maintenance Programs (O-1) (classified)
2. Operation and Maintenance Programs (O-1) (unclassified)
3. Future Years Defense Program Update Data for OD, PA&E
4. Civilian Personnel Costs (OP-8) (classified)
5. Civilian Personnel Costs (OP-8) (unclassified)
7. Summary of Price and Program Changes (OP-32) (unclassified)

B. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Defense Agencies, and any other DoD Component that contribute data to the Operation and Maintenance Programs.

C. Reporting Requirements. The initial Operation and Maintenance Programs automated database was established for the FY 2005 President’s budget. Subsequent updates will be required coincident with the (1) Program and Budget Review and (2) the President’s Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

D. General Instructions - Preparing the Detailed Operation and Maintenance Programs. The Operation and Maintenance Programs provide resources in a budget activity and activity group line item level of detail with appropriation identification consistent with other budgetary data in the CIS database. A detailed description of line item entries is listed in Volume 2B, Chapter 3, Section 030402. The minimum information required in the Operation and Maintenance Programs is as follows:

1. A summary by appropriation account with subtotals for DOD Components.
2. A summary of each appropriation account by budget activity/activity group/sub-activity group with budget activity/activity group subtotals and an appropriation total.
3. A detailed sub-activity group by program element and expense aggregate listing in budget activity/activity group sequence.
4. Entries for the individual line items should be on the same basis as that used for program and budget submissions.

5. Costs of prior year programs will be adjusted annually to reflect actual obligations, including deobligations, recoveries of prior year obligations, upward obligation adjustments, transfers, and rescissions, as appropriate, and must match prior year values in the Comptroller Information System.

6. Security classification of line items is determined by the submitting Component subject to OSD Security review. DoD Components must provide a security classification review certification to OUSD(C) P/B P&FC. Except for information published in the unclassified version of the O-1 Report, data contained in the Operation and Maintenance Programs may not be released outside the DoD without the expressed written consent of the Under Secretary of Defense (Comptroller).

E. General Instructions - Preparing the Operation and Maintenance Programs (O-1). The O-1 document is derived from and consistent with other budgetary data in the CIS database. The O-1 is provided annually to the DoD oversight committees of the Congress coincident with the transmittal of the President’s Budget. An unclassified version is provided to OASD(PA) for use by non-DoD activities. The minimum information required in the O-1 is as follows:

1. Identification codes and a detailed description of line item entries are explained in paragraph F below.

2. The line item data provided is PY, CY, BY1 (and BY2 if biennial submission) for the O-1 production, and outyears for the FYDP update.

3. The security classification will be in accordance with the criteria set forth in Section 010108.

F. Operation and Maintenance Data Elements and Record Formats

1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).

2. Program element codes and titles are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook. This publication is available at http://www.dtic.mil/whs/directives under “Publications,” and in approved decision documents posted to the FYDP Resource Structure Management (RSM) web site (see Section 010702) but not yet reflected in DoD 7045.7-H. A listing of expense aggregate codes is available at the SIPRNET home pages of the OUSD (Comptroller) and OD, PA&E.

3. Other Operation and Maintenance Program Data Elements and Record Formats. Components must follow the guidance and use the data elements and record
layouts for submission of updates to the Operation and Maintenance Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

G. Instructions on OP-32 and OP-8 are at Section 030201.G. Automated Submission and 0304 Operation and Maintenance Appropriation Submission Formats. Detailed guidance on the automated submission is provided on the OUSD (Comptroller) home page of the SIPRNET at http://cisweb.ousdc.osd.smil.mil.

010503. Automated Procurement Programs Database

A. Purpose and Objectives. The purpose of the Procurement Programs database is to provide supporting budgetary documentation to the Congress, OMB and the public with each year’s President’s Budget. Data submission is through the Program Resources Collection Process (PRCP) System. The Procurement Programs database supports, and must be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the Procurement Programs as an automated database that is the primary structure for quantity and program cost at the line item and Program Element level of detail for a number of related Procurement Program documents. The following are produced from the Procurement Programs database:

1. Detailed Procurement Programs (classified)
2. Procurement Programs (P-1) (classified)
3. Procurement Programs (P-1/P-1R) (unclassified)
4. Program Acquisition Costs by Weapon System (unclassified)
5. P-1/P-1R database for the Senate Appropriations Committee, the House Appropriations Committee, the Senate Armed Services Committee, and the House Armed Services Committee
6. Future Years Defense Program Update Data for OD,PA&E
7. Data for USD(AT&L), USD(I), ASD(NII)/DoD CIO, Director, PA&E, The Joint Staff, OMB, and GAO.

B. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Defense Agencies, and any other DoD Component that contribute data to the Procurement Programs.

C. Reporting Requirements. The initial automated database was established consistent with the procurement data submitted to the Congress in support of the FY 1974 Budget. Since that time subsequent updates have been required coincident with submission of the (1) Program and Budget Review and (2) the President’s Budget. Specific guidance relative
to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

D. **General Instructions - Preparing the Detailed Procurement Programs.** The Procurement Programs provide resources in a line item level of detail with appropriation identification consistent with other budgetary data in the CIS database. A detailed description of line item entries is listed in Volume 2B, Chapter 4, Section 0402. The minimum information required in the Procurement Programs is as follows:

1. A summary by appropriation account with subtotals for DOD Components.

2. A summary of each appropriation account by budget activity with an appropriation total.

3. A detailed line item listing in budget activity/budget subactivity sequence.

4. Entries for the individual line items should be on the same basis as that used for budget submissions. Multiyear procurements (MYP) are identified for P-1 line items with MYP as defined in Section 010203. Advance procurement entries should be used as specified in Volume 2B, Section 040502. Initial spares listed with the procurement item (post delivery and outfitting costs for Shipbuilding and Conversion, Navy) should be shown immediately following the line as a memorandum entry--non-add to the budget activity total.

5. Costs of prior year programs will be adjusted annually to reflect actual obligations, including deobligations, recoveries of prior year obligations, upward obligation adjustments, transfers, and rescissions, as appropriate.

6. The cost to complete column provides the data necessary to obtain the total procurement cost for acquisition of weapon items. It is necessary to estimate the cost of completing the approved program for major weapon systems included in the Selected Acquisition Report (SAR) reporting system and for multiyear contracts utilizing economic order quantity advance procurement. Such costs will be entered in the “cost to complete” column of the Procurement Programs. Entries in the “cost to complete” column are not required for other procurement line entries. The “cost to complete” estimate will include: (1) the portion of the “approved quantity” to be procured beyond the FYDP, and (2) costs to complete acquisition of units procured in prior years such as outfitting and post delivery requirements for ships which will not deliver during the FYDP.

7. Security classification of line items is determined by the submitting Component subject to OSD Security review. DoD Components must provide a security classification review certification to OUSD(C) P/B P&FC. Except for information published in the unclassified version of the P-1 Report, data contained in the Procurement Programs may not be released outside the DoD without the expressed written consent of the Under Secretary of Defense (Comptroller).
E. General Instructions - Preparing the Procurement Programs (P-1). The P-1 document is derived from and consistent with other budgetary data in the CIS database. The P-1 is provided annually to the DoD oversight committees of the Congress coincident with the transmittal of the President’s Budget. An unclassified version is provided to OASD(PA) for use by non-DoD activities. The minimum information required in the P-1 is as follows:

1. Identification codes and a detailed description of line item entries are explained in paragraph F below.

2. The line item data provided is PY, CY, BY1 (and BY2 if biennial submission).

3. The security classification will be in accordance with the criteria set forth in Section 010108.

F. Procurement Data Elements and Record Formats

1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).

2. Program element codes and titles are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook. This publication is available at http://www.dtic.mil/whs/directives under “Publications,” and in approved decision documents posted to the FYDP Resource Structure Management (RSM) web site (see Section 010702) but not yet reflected in DoD 7045.7-H.

3. Other Procurement Program Data Elements and Record Formats. Components must follow the guidance and use the data elements and record layouts for submission of updates to the Procurement Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

010504. Automated RDT&E Programs Database

A. Purpose and Objectives. The purpose of the RDT&E Programs database is to provide supporting budgetary documentation to the Congress, OMB and the public with each year’s President’s Budget. Data submission is through the Program Resources Collection Process (PRCP) System. The RDT&E Programs database supports, and must be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the RDT&E Programs as an automated database that will be the primary structure for program element and project level detail for a number of related RDT&E Program documents. The following are produced from the RDT&E Programs database:
1. Detailed RDT&E Programs (classified)

2. RDT&E Programs (R-1) (classified)

3. RDT&E Programs (R-1) (unclassified)

4. R-1 database for the Senate Appropriations Committee, the House Appropriations Committee, the Senate Armed Services Committee, and the House Armed Services Committee

5. Future Years Defense Program Update Data for OD,PA&E

6. Data for USD (AT&L), USD(I), ASD (NII)/DoD CIO, Director, PA&E, The Joint Staff, OMB, and GAO.

B. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Defense Agencies, and any other DoD Component that contribute data to the Procurement Programs.

C. Reporting Requirements. The initial automated database was established consistent with the RDT&E data submitted to the Congress in support of the FY 1976/1977 Budget. Since that time subsequent updates have been required coincident with submission of the (1) Program and Budget Review, and (2) President’s Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

D. General Instructions - Preparing the Detailed RDT&E Programs. The RDT&E Programs is consistent with the program element identification of resources contained in the Future Years Defense Program Summary and Program Element Detail. Data in the RDT&E Programs is summarized by appropriation account with recaps by budget activity and FYDP programs. Security classification of line items is determined by the submitting Component subject to OSD Security review. DoD Components must provide a security classification review certification to OUSD(C) P/B P&FC.

E. General Instructions - Preparing the R-1 Document. The R-1 document is derived from, and consistent with, other budgetary data in the CIS database. The R-1 is provided annually to the DoD Oversight Committees of the Congress coincident with the transmittal of the President’s Budget. An unclassified version is provided to OASD(PA) for use by non-DoD activities. The unclassified R-1 is the only document from the RDT&E Programs database available for public distribution. The minimum information required in the R-1 is as follows:

1. The program element line item data provided is PY, CY, BY1 (and BY2 if biennial submission).

2. The security classification shall be in accordance with the criteria set forth in Section 010108.
3. A detailed program element listing in budget activity sequence.

F. RDT&E Data Elements and Record Formats

1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).

2. Other RDT&E Program Data Elements and Record Formats. Components must follow the guidance and use the data elements and record layouts for submission of updates to the RDT&E Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

010505. Automated Construction Program Database

A. Purpose and Objectives. This section provides guidelines for the Automated Construction Program Database to supplement the Defense Components’ military construction justification materials. Data submission is through the Program Resources Collection Process (PRCP) System. The Construction Program also will be used to track Program Budget Decisions at the project level, track congressional action on the President’s Budget submission, and provide the baseline data required for special analysis such as the facilities recapitalization metric.

B. Applicability. The provisions of this section apply to all requirements financed by the Military Construction, NATO Security Investment Program, Base Realignment and Closure, Family Housing, DoD Family Housing Improvement Fund and Homeowners Assistance appropriations of the DoD Components as applicable.

C. Responsibilities. The DoD Components will submit Construction Program data for their Active, Guard and Reserve Forces construction projects, their portions of the Family Housing, DoD Family Housing Improvement Fund and Homeowners Assistance programs. DoD Components will also submit Construction Programs data for multi-service or national level projects for which they are the executive agent as described in Volume 2B, Chapter 6, Section 060301.

D. Reporting Requirements. Update submissions will coincide with the Program and Budget Review submissions and the January budget presentation. Detailed requirements not contained herein will be specified by memorandum for all update submissions. Data will be consistent with budgetary data in the CIS database.

E. Construction Data Elements and Record Formats

1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).
2. Program element codes and titles are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook. This publication is available at http://www.dtic.mil/whs/directives under “Publications,” and in approved decision documents posted to the FYDP Resource Structure Management (RSM) web site (see Section 010702) but not yet reflected in DoD 7045.7-H.

3. Other Construction Program Data Elements and Record Formats. Components must follow the guidance and use the data elements and record layouts for submission of updates to the Construction Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

F. Level of Detail

1. Data will be reported at the level specified for the justification material [(DD Form 1391) in Volume 2B, Chapters 6 and 7]. A summary of the levels required follows:

2. Military Construction 1/
   a. Major Construction - project detail
   b. Minor Construction - lump-sum for exigent minor construction
   c. Planning and Design - lump-sum
   d. Supporting Activities - project detail
   e. Program Element

3. NATO Security Investment Program - lump-sum 1/

4. Base Realignment and Closure - lump-sum 1/

5. Family Housing Construction 1/
   a. Construction of new housing - project detail. A separate data element will be used to identify the number of units being constructed for each project.
   b. Construction Improvements - lump-sum.
   c. Planning and Design - lump-sum.
6. Family Housing, Operation & Maintenance 1/ Lump-sum for each budget activity except the Operating Expenses budget activity will be reported by subaccount. The Family Housing Operation and Maintenance entries are shown below:
   a. Management Account
   b. Services Account
   c. Furnishings Account
   d. Miscellaneous Account
   e. Utilities Account
   f. Leasing
   g. Maintenance of Real Property
   h. Interest Payments
   i. Mortgage Insurance Premiums
   j. Housing Privatization Support

7. Homeowners Assistance Fund 1/
   a. Payment to Homeowners
   b. Other Operating Costs
   c. Acquisition of Real Property
   d. Mortgages Assumed

8. DoD Family Housing Improvement Fund - lump sum 1/

1/ Nomenclature records for all lump-sum values will be generated by the automated Construction Programs database system; DoD Components should not submit nomenclature records for lump-sum values.

G. Security Classification. A project may be classified due to the nature of the project, the location of the project, or both. Since the Construction Programs (C-1) is an unclassified document generated from an unclassified database, use the conventions provided in the instructions for submission of updates to the Construction Programs database on the SIPRNet home page of the OUSD (Comptroller).
CIS Automation Requirements for the Biennial Program and Budget Review Submission

A. Purpose. Electronic data are the basis for the OSD budget review. Components’ program and budget review submission form the baseline from which all Program Budget Decision dollar and manpower deltas are made. The program and budget review submission is entered into Comptroller Information System (CIS) by the Military Departments and Defense Agencies. This chapter outlines the requirements for submission of the data.

B. Requirement for the CIS Budget Structure. DoD must comply with the budget submission requirements in OMB Circular A-11, “Preparation, Submission, and Execution of the Budget,” which applies to all Executive Branch agencies. OMB’s MAX budget system provides the structure for the data that must be submitted to OMB for each appropriation and receipt account. The data is published annually in the Budget of the United States Government, commonly referred to as the President’s Budget. OMB publishes detailed account data for each Federal agency in a separate “Appendix” of the Budget. The OUSD (Comptroller)’s CIS database is designed to satisfy the annual submission of Defense Budget data to OMB’s automated MAX budget system. The CIS budget structure for an account is the Program and Financing (P&F) Schedule. The P&F Schedule consists of a budget plan, object class, and expenditure tail for all accounts, except for multi-year accounts that also have a separate obligation plan in addition to the budget plan.

C. Submission Requirements:

1. Submission of Budget Estimates for Budget Years (BY1) and BY2:

   a. Budget Submission (Dollars). Military Departments and Defense Agencies, as applicable, will submit budget plan, and object class data entries for all applicable appropriation and receipt accounts which are consistent with and reconcilable to hard copy submission of budget estimates exhibits required by other sections of the Financial Management Regulation. Budget plan data must be submitted for all years by period of obligational availability. Object class entries will be at the summary level (not by period of obligational availability) and exclude the outyears. Detailed data entries only will be submitted since subtotals and summary totals are CIS computer generated. All TOA values by Component by fiscal year will agree with budget submission TOA dollars on Exhibit PB-1A

   b. Budget Submission (Personnel Data). Budget submission of on-board year end personnel data entries for military end strength and civilian full-time equivalents (FTEs) will be in exact agreement with the PB-4 exhibit.

   c. Budget Submission for Prior Year (PY). The Directorate for Program and Financial Control, OUSD (Comptroller)(P/B) will replicate PY from the CY column of the previous year’s budget. Components may make limited changes as part of the program and budget review submission. The PY will be updated once accounting and manpower actuals are available.
d. Obligation Plan Data for Multi-Year Accounts. Obligation plans for the program and budget review submissions will be computer generated in CIS once PY accounting actuals are input and as budget adjustments are recorded in CIS. Components will be asked to review obligations by budget activity after the updated rates have been implemented in CIS.

e. Expenditure Tail Data. Components are not required to submit expenditure tail data. Expenditure tail data for the program and budget review submissions will be computer generated in CIS. Outlay rates used in the previous year’s Defense Budget will generate outlays as part of the baseline submission. The Directorate for Program and Financial Control will adjust outlay rates later in the budget review process once PY accounting actuals are available.

2. Submission of Outyear Estimates:

a. Budget Submission (Dollars). The submission of TOA (Direct Program) for appropriation accounts (general fund and revolving fund) and concept obligations for trust revolving fund, trust fund, special fund, and receipt accounts for BY2+1 through BY2+4 will be made at the same time as the budget submission. Input to the database for the outyears will be formatted in accordance with the CIS Budget Structure, by appropriation account at the budget activity/special program category level. Budget plan outyear entries for TOA for applicable appropriation accounts and concept obligations for trust revolving fund, trust fund, special fund, and receipt accounts are the only dollar data to be submitted by Components for the outyears. TOA dollars must agree with Exhibit PB-1A.

b. Budget Submission (Personnel Data). Budget estimates for BY2+1 through BY2+4 military end strength and civilian full-time equivalents (FTEs) will be made coincident with the budget submission. Input to the database for the outyears will be formatted in accordance with the CIS Budget Structure Listing and will be in exact agreement with the PB-4 exhibit.

3. Account Data Elements and Account Structure. Program and budget review submissions will be in thousands of dollars for all data elements for each account’s budget plan, obligation plan, and object classification schedules and must be submitted in accordance with the CIS Budget Structure Listing. (Expenditure tail for CY through the outyears will be computer generated in CIS.) Personnel data for applicable accounts will be submitted for all years in accordance with the detail prescribed by the CIS Budget Structure Listing. The Budget Structure Listing may be generated by running the BATF1 through BATF6 reports from the CIS Report Processor subsystem. Questions and changes to the CIS Budget Structure Listing should be directed to the Directorate for Program and Financial Control, OUSD (Comptroller)(P/B), phone 703-697-7564.

4. Data Submission. Guidance is provided on the SIPRNET home page of the OUSD (Comptroller) on “Coding CIS Transactions for FY BY1/BY2 Budget.” Components must use the record layouts and file formats prescribed in this guidance.
A. **Purpose.** The BSL reflects the official Department of Defense budget account structure for Component submission of the budget estimates in machine readable form. The BSL contains the following sections:

1. **Appropriation Account Names/Codes.** This section lists all the valid and active codes in the CIS database. Appropriation accounts have four-digit to six-digit numeric plus one-digit Treasury agency alpha account code. Receipt accounts have six-digit numeric plus one-digit Treasury agency alpha account code. Account coding in CIS agrees with codes used in OMB’s MAX automated budget system for compatibility in the Department’s electronic submission of the Defense Budget to OMB.

2. **Budget Plan and Obligation Plan Name Codes.** This section provides the detailed budget structure for data elements in the budget plan and obligation plan of all appropriation and receipt accounts in CIS. In this section of the BSL, the presence of a “P” and/or “$” in the “PER/$$ Inputs” column indicates those budget activities/special program codes against which resources ($ or personnel) may be entered in the CIS database. Requests to add “P” or a “$” to an existing line may be made to the Directorate for Program and Financial Control, OUSD (Comptroller)(P/B), through the respective Program/Budget Directorate responsible for that appropriation.

3. **Financing, Budget Authority, and Expenditure Tail Name/Codes.** This section lists the financing (FIN), budget authority breakout (BAB), and expenditure tail (EXP) codes used in the Program and Financing Schedule for each appropriation and receipt account.

4. **Object Classification Codes.** OMB Circular A-11 requires agencies to report account obligations by object class for PY, CY, BY1 and BY2. This section aligns Program and Financing Schedule obligations with the object class codes in OMB Circular A-11.

B. **Input Requirements**

1. Input coding for all budget estimates will be entered in accordance with guidance provided on the SIPRNET OUSD (Comptroller) home page. Features that should be considered in the preparation of data are:

   a. **Military Personnel Accounts:**

      (1) The Military Departments will prepare and submit the military personnel account data (see Budget Structure Listing on the SIPRNET home page of the OUSD (Comptroller)). Input for military personnel dollars **should not** be submitted by Defense Agencies.

      (2) The Military Departments will prepare and submit end strength data on a Component basis; i.e., Army submits data on personnel assigned to Army
as well as Army personnel assigned to each Defense Agency (see Budget Structure Listing on the SIPRNet home page of the OUSD (Comptroller)). The Defense Agencies must coordinate their end strength requirements with the Military Departments prior to the Military Departments’ data submissions.

b. Input coding for Working Capital Fund must include the appropriate three-position special program code assigned to each business area for operating and capital expenses, civilian full-time equivalents (FTEs), and military end strengths.

C. **Object Classification Schedules**

1. Object class definitions are provided in OMB Circular A-11, Section 83. The major object class categories are:
   a. 10 Personnel compensation and benefits
   b. 20 Contractual services and supplies
   c. 30 Acquisition of assets
   d. 40 Grants and fixed charges
   e. 90 Other

2. DoD-unique object class major/minor codes include:
   a. 12.210 Military – accrued retirement benefits
   b. 12.220 Military – other personnel benefits
   c. 12.230 Military – accrued health care Military benefit categorization guidance for the three above is provided in Chapter 2, Section 020202.
   d. 25.320 Payments to foreign national indirect hire
   e. 25.330 Purchases from revolving funds. Obligations for purchases from Defense Working Capital Funds and other DoD revolving and management accounts. Differentiate from object class 25.310 purchases of goods and services from other government agencies (examples include non-revolving fund support agreement obligations)

3. The object classification codes specified in OMB Circular A-11 are augmented in CIS by type that identifies Direct Obligations (type = “1”), Reimbursable Obligations (type = “2”), Allocation Accounts (type = “3”), and Receipt Obligations (type = “4”).
4. All revolving and management accounts will be coded in the reimbursable (type = “2”) object class series followed by the appropriate object class number.

5. Object class data will be submitted for all accounts (including concept obligations) in the Program and Financing schedules in the PY, CY, BY1 or BY2.

6. Object Class Default Major/Minor Codes. When an obligation adjustment occurs in CIS and an object class is not specified for the obligation change, CIS will automatically make an adjustment in the amount of the obligation to the default object class for the account. For example, if a TOA delta is made to an annual account in a Program Budget Decision (PBD) and if an object class obligation delta is not coded and included as part of the PBD transaction, CIS will automatically generate an object class delta in the default object class code for the account. Components must redistribute obligations by object class for each of their accounts after PY actuals are available, and before the budget review process has been completed, to provide consistent and explainable object class amounts from PY through BY2. A chart displaying CIS object class default Major/Minor code for each account is available on the SIPRNet home page of the OUSD (Comptroller).

D. CIS P&F Schedule Diagnostics Rules and Report. CIS Report 22 has been developed to provide diagnostic and balancing checks for appropriation and receipt accounts. Report 22 provides a listing of balance diagnostic errors and warnings for each appropriation account and supplemental account as well as for each defense agency within a defense-wide account where appropriate. An example of a balancing requirement checked in this report is: Total Direct Program (Total Obligational Authority (TOA)) in the P&F section must equal total Direct Obligations in the Object Classification section for each year within a defense agency or appropriation account (for annual accounts).

E. Update of the PY Column

1. OMB Circular A-11 requires agencies to submit PY data to OMB’s MAX budget system which is based on Treasury certified accounting actuals. The update of PY dollars in CIS is accomplished using data from the SF Form 133 and the DD Comp 1002 plus AR 1307 for Revolving Funds. PY amounts must reconcile to Treasury’s yearend annual report called the Treasury Alignment Statement.

2. Components will be requested to validate budget activity data and update object class obligations and manpower actuals once accounting data has been certified by Treasury for each Defense account. All PY actuals updates for budget plans, obligations plans and expenditure tail data will be done electronically by the Directorate for Program and Financial Control. Business rules used by CIS for updating PY actuals for an account’s budget plan, obligation plan and expenditure tail are available on the SIPRNet home page of the OUSD (Comptroller).
0106 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATIONS

010601. General

A. This Section establishes the functional title classifications and subdivisions by which appropriation and fund accounts of the Department of Defense are required to be arranged, grouped, or classified in budgetary and fiscal presentations. These classifications are designed to permit consolidation of budget and fiscal data for the several Components of the Department of Defense into over-all Departmental summaries.

B. These instructions cover all appropriation and receipt accounts for military functions of the Department of Defense. Detailed DoD budget account structure used in the Comptroller Information System is displayed in the Budget Structure Listing available on the SIPRNet home page of the OUSD (Comptroller).

010602. Functional Titles – Military Functions

The following functional titles are to be used in appropriate budgetary and fiscal presentations:

A. Military Personnel
B. Operation and Maintenance
C. Procurement
D. Research, Development, Test, and Evaluation
E. Military Construction
F. Family Housing
G. Revolving and Management Funds
H. Defense-Wide Contingencies
I. Offsetting Receipts
J. Trust and Trust Revolving Funds
K. Interfund Transactions

010603. Definitions of Functional Titles and Subdivisions - Military

This Section lists currently active appropriations within each functional title. Budget activities for Procurement and RDT&E titles are also listed. Budget activities for other
appropriations are displayed in the Budget Structure Listing available on the SIPRNet home page of the OUSD (Comptroller).

A. Functional Title-Military Personnel

1. The functional title "Military Personnel" for military functions is defined as comprising the accounts listed below.

   a. Active Forces

      21_2010 Military Personnel, Army
      21_1004 Medicare-Eligible Retiree Health Fund Contribution, Army
      17_1453 Military Personnel, Navy
      17_1000 Medicare-Eligible Retiree Health Fund Contribution, Navy
      17_1105 Military Personnel, Marine Corps
      17_1001 Medicare-Eligible Retiree Health Fund Contribution, Marine Corps

      57_3500 Military Personnel, Air Force
      57_1007 Medicare-Eligible Retiree Health Fund Contribution, Air Force

   b. Reserve and Guard Forces

      21_2070 Reserve Personnel, Army
      21_1005 Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Army
      17_1405 Reserve Personnel, Navy
      17_1002 Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Navy
      17_1108 Reserve Personnel, Marine Corps
      17_1003 Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Marine Corps

      57_3700 Reserve Personnel, Air Force
      57_1008 Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Air Force

      21_2060 National Guard Personnel, Army
      21_1006 Medicare-Eligible Retiree Health Fund Contribution, National Guard Personnel, Army

      57_3850 National Guard Personnel, Air Force
      57_1009 Medicare-Eligible Retiree Health Fund Contribution, National Guard Personnel, Air Force

      97 0041 Concurrent Receipt Accrual Payments to the Military Retirement Fund

2. Lower level subdivisions susceptible to consolidation are available under the uniform budget and accounting structure prescribed for these appropriations in Chapter 2 of Volume 2A.
B. FUNCTIONAL TITLE - OPERATION AND MAINTENANCE

The functional title "Operation and Maintenance" for military functions is defined as comprising the accounts listed below:

21_2020  Operation and Maintenance, Army
17_1804  Operation and Maintenance, Navy
17_1106  Operation and Maintenance, Marine Corps
57_3400  Operation and Maintenance, Air Force
97_0100  Operation and Maintenance, Defense-Wide
21_2080  Operation and Maintenance, Army Reserve
17_1806  Operation and Maintenance, Navy Reserve
17_1107  Operation and Maintenance, Marine Corps Reserve
57_3740  Operation and Maintenance, Air Force Reserve
21_2065  Operation and Maintenance, Army National Guard
57_3840  Operation and Maintenance, Air National Guard
97_0104  United States Court of Appeals for the Armed Forces
97_0105  Drug Interdiction and Counter-Drug Activities, Defense
97_/0107  Office of the Inspector General
97X0118  Overseas Contingency Operations Transfer Fund
97_/0130  Defense Health Program
97_/0134  Former Soviet Union Threat Reduction
97_0141  Iraq Freedom Fund
97_/0143  Strategic Reserve Readiness Fund
97X0801  Foreign Currency Fluctuations, Defense
21X0810  Environmental Restoration, Army
17X0810  Environmental Restoration, Navy
57X0810  Environmental Restoration, Air Force
97X0810  Environmental Restoration, Defense
97X0811  Environmental Restoration, Formerly Used Defense Sites
97_/0819  Overseas Humanitarian, Disaster and Civil Aid
97X0833  Emergency Response Fund
97X0838  Support for International Sporting Competitions
97_/0839  Quality of Life Enhancements
97X0840  OPPLAN 34A - 35 P.O.W. Payments
97X0842  Defense Vessels Transfer Program Account
17X1236  Payment to Kaho‘olawe Island Conveyance, Remediation, and
Environmental Restoration Fund
21_/2091  Afghanistan Security Forces Fund
21_/2092  Iraq Security Forces Fund
97X4965  Emergency Response Fund
21X5098  Restoration of the Rocky Mountain Arsenal
17X5185  Kaho‘olawe Island Conveyance Remediation, and
Environmental Restoration Fund
97X5187  Defense Cooperation Account
97X5188  Disposal of Department of Defense Real Property
D. FUNCTIONAL TITLE – PROCUREMENT

The functional title "Procurement" for military functions is defined as comprising the following appropriations and budget activities:

21_/_2031 Aircraft Procurement, Army
  -Aircraft
  -Modification of Aircraft
  -Spares and Repair Parts
  -Support Equipment and Facilities

21_/_2032 Missile Procurement, Army
  -Other Missiles
  -Modification of Missiles
  -Spares and Repair Parts
  -Support Equipment and Facilities

21_/_2033 Procurement of Weapons and Tracked Combat Vehicles, Army
  -Tracked Combat Vehicles
  -Weapons and Other Combat Vehicles
  -Spares and Repair Parts

21_/_2034 Procurement of Ammunition, Army
  -Ammunition
  -Ammunition Production Base Support

21_/_2035 Other Procurement, Army
  -Tactical and Support Vehicles
  -Communications and Electronics Equipment
  -Other Support Equipment
  -Spares and Repair Parts

21_/_2093 Joint Improvised Explosive Device Defeat Fund

17_/_1506 Aircraft Procurement, Navy
- Combat Aircraft
- Airlift Aircraft
- Trainer Aircraft
- Other Aircraft
- Modification of Aircraft
- Aircraft Spares and Repair Parts
- Aircraft Support Equipment and Facilities

17_/_1507 Weapons Procurement, Navy
- Ballistic Missiles
- Other Missiles
- Torpedoes and Related Equipment
- Other Weapons
- Other Ordnance
- Spares and Repair Parts

17_/_1508 Procurement of Ammunition, Navy and Marine Corps
- Procurement of Ammunition, Navy
- Procurement of Ammunition, Marine Corps

E. FUNCTIONAL TITLE – PROCUREMENT (CONTINUED)

17_/_1611 Shipbuilding and Conversion, Navy
- Fleet Ballistic Missile Ships
- Other Warships
- Amphibious Ships
- Mine Warfare and Patrol Ships
- Auxiliaries, Craft and Prior-Year Program Costs

17_/_1810 Other Procurement, Navy
- Ships Support Equipment
- Communications and Electronics Equipment
- Aviation Support Equipment
- Ordnance Support Equipment
- Civil Engineering Support Equipment
- Supply Support Equipment
- Personnel and Command Support Equipment
- Spares and Repair Parts

17_/_0380 Coastal Defense Augmentation
- Coast Guard Support

17_/_1109 Procurement, Marine Corps
- Weapons and Combat Vehicles
- Guided Missiles and Equipment
- Communications and Electronics Equipment
<table>
<thead>
<tr>
<th>Procurement Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>57_/_3010 Aircraft Procurement, Air Force</td>
<td>Aircraft Procurement, Air Force (Combat Aircraft, Airlift Aircraft, Trainer Aircraft, Other Aircraft, Modification of In-Service Aircraft, Aircraft Spares and Repair Parts, Aircraft Support Equipment and Facilities)</td>
</tr>
<tr>
<td>57_/_3011 Procurement of Ammunition, Air Force</td>
<td>Procurement of Ammunition, Air Force (Weapons)</td>
</tr>
<tr>
<td>57_/_3020 Missile Procurement, Air Force</td>
<td>Missile Procurement, Air Force (Ballistic Missiles, Other Missiles, Modification of In-Service Missiles, Spares and Repair Parts, Other Support, Munitions and Related Equipment)</td>
</tr>
<tr>
<td>57_/_3080 Other Procurement, Air Force</td>
<td>Other Procurement, Air Force (Munitions and Associated Equipment, Vehicular Equipment, Electronics and Telecommunications Equipment, Other Base Maintenance and Support Equipment, Spares and Repair Parts)</td>
</tr>
<tr>
<td>97_/_0300 Procurement, Defense-Wide</td>
<td>Procurement, Defense-Wide (Major Equipment, Special Operations Command, Chemical/Biological Defense)</td>
</tr>
<tr>
<td>97_/_0303 Rapid Acquisition Fund</td>
<td>Rapid Acquisition Fund</td>
</tr>
<tr>
<td>97_/_0350 National Guard and Reserve Equipment</td>
<td>National Guard and Reserve Equipment (Reserve Equipment, National Guard Equipment)</td>
</tr>
<tr>
<td>97_/_0360 Defense Production Act Purchases</td>
<td>Defense Production Act Purchases</td>
</tr>
<tr>
<td>97_/_0390 Chemical Agents and Munitions Destruction, Defense</td>
<td>Chemical Agents and Munitions Destruction, Defense</td>
</tr>
</tbody>
</table>
-Operation and Maintenance
-Research, Development, Test, and Evaluation
-Procurement

F. FUNCTIONAL TITLE - RESEARCH, DEVELOPMENT, TEST AND EVALUATION

The functional title "Research, Development, Test and Evaluation" for military functions is defined as comprising the following accounts and budget activities:

21_/2040 Research, Development, Test, and Evaluation, Army
17_/1319 Research, Development, Test, and Evaluation, Navy
57_/3600 Research, Development, Test, and Evaluation, Air Force
97_/0400 Research, Development, Test, and Evaluation, Defense-Wide
97_/0460 Operational Test and Evaluation, Defense
57_/3024 Tanker Replacement Transfer Fund, Air Force

Budget Activities for RDT&E Accounts

01 - Basic Research
02 - Applied Research
03 - Advanced Technology Development
04 - Advanced Component Development and Prototypes
05 - System Development and Demonstration
06 - RDT&E Management Support
07 - Operational System Development

G. FUNCTIONAL TITLE - MILITARY CONSTRUCTION

1. The functional title "Military Construction" for military functions is defined as comprising the following accounts listed below.

21_/2050 Military Construction, Army
17_/1205 Military Construction, Navy
57_/3300 Military Construction, Air Force
97_/0500 Military Construction, Defense-Wide
97X0510 Base Realignment and Closure Account, Part II, Defense
051001 Base Realignment and Closure Account, Army
051002 Base Realignment and Closure Account, Navy
051003 Base Realignment and Closure Account, Air Force
051004 Base Realignment and Closure Account, Defense
97X0512 Base Realignment and Closure Account, 2005
051201 Base Realignment and Closure Account, 2005, Army
051202 Base Realignment and Closure Account, 2005, Navy
051203 Base Realignment and Closure Account, 2005, Air Force
051204 Base Realignment and Closure Account, 2005, Defense
2. Lower level subdivisions susceptible to consolidation are available under the uniform accounting classifications prescribed for these appropriations in Chapter 6, Section 0602, and Chapter 7, Section 0702.

**FUNCTIONAL TITLE - FAMILY HOUSING**

The functional title "Family Housing" for military functions is defined as comprising the accounts listed below:

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>97X0834</td>
<td>Department of Defense Family Housing Improvement Fund</td>
</tr>
<tr>
<td>97X0836</td>
<td>Department of Defense Military Unaccompanied Housing Improvement Fund</td>
</tr>
<tr>
<td>21_/0720</td>
<td>Family Housing, Construction, Army</td>
</tr>
<tr>
<td>21_0725</td>
<td>Family Housing, Operation and Maintenance, Army</td>
</tr>
<tr>
<td>17_/0730</td>
<td>Family Housing, Construction, Navy and Marine Corps</td>
</tr>
<tr>
<td>17_0735</td>
<td>Family Housing, Operation and Maintenance, Navy and Marine Corps</td>
</tr>
<tr>
<td>57_/0740</td>
<td>Family Housing, Construction, Air Force</td>
</tr>
<tr>
<td>57_0745</td>
<td>Family Housing, Operation and Maintenance, Air Force</td>
</tr>
<tr>
<td>97_/0760</td>
<td>Family Housing, Construction, Defense-Wide</td>
</tr>
<tr>
<td>97_0765</td>
<td>Family Housing, Operation and Maintenance, Defense-Wide</td>
</tr>
<tr>
<td>97X4090</td>
<td>Homeowners’ Assistance Fund, Defense</td>
</tr>
<tr>
<td>97X4166</td>
<td>Family Housing Improvement Fund, Direct Loan, Financing Account</td>
</tr>
<tr>
<td>97X4167</td>
<td>Family Housing Improvement Fund, Guaranteed Loan, Financing Account</td>
</tr>
</tbody>
</table>

**FUNCTIONAL TITLE - REVOLVING AND MANAGEMENT FUNDS**

The functional title "Revolving and Management Funds" for military functions is defined as comprising the accounts listed below. Since each account, in its entirety, is classified within a single first level subdivision of the functional title, the accounts are grouped by the subdivisions.

**Public Enterprise Funds**

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>97X4555</td>
<td>National Defense Stockpile Transaction Fund</td>
</tr>
<tr>
<td>97X4950</td>
<td>Pentagon Reservation Maintenance Revolving Fund</td>
</tr>
<tr>
<td>17X4557</td>
<td>National Defense Sealift Fund</td>
</tr>
</tbody>
</table>
FUNCTIONAL TITLE - DEFENSE-WIDE CONTINGENCIES

The functional title "Defense-Wide Contingencies" for military functions is defined as comprising the accounts listed below:

97 9912 Other Legislation (including Management Improvements)
97 9918 General Transfer Authority Outlay Allowance

FUNCTIONAL TITLE - OFFSETTING RECEIPTS

The functional title "Offsetting Receipts" for military functions is defined as comprising the accounts listed below:

General Fund Proprietary Offsetting Receipts

184000A Offsetting Receipts, Rent of Equipment and Other Personal Property, Army
184000N Offsetting Receipts, Rent of Equipment and Other Personal Property, Navy
184000F Offsetting Receipts, Rent of Equipment and Other Personal Property, Air Force
184000D Offsetting Receipts, Rent of Equipment and Other Personal Property, Defense
246200A Offsetting Receipts, Deposits for Survivors Annuity Benefits, Army
246200N Offsetting Receipts, Deposits for Survivors Annuity Benefits, Navy
246200F Offsetting Receipts, Deposits for Survivors Annuity Benefits, Air Force
<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>246200D</td>
<td>Offsetting Receipts, Deposits for Survivors Annuity Benefits, Defense</td>
</tr>
<tr>
<td>223600D</td>
<td>Sales of Certain Material in National Defense Stockpile</td>
</tr>
<tr>
<td>264400D</td>
<td>Defense Vessels Transfer Receipt Account</td>
</tr>
<tr>
<td>265100D</td>
<td>Sale of Scrap and Salvaged Materials, Defense</td>
</tr>
<tr>
<td>262100D</td>
<td>Sale of Lands, Etc., Mil Post Construction Fund</td>
</tr>
<tr>
<td>301900A</td>
<td>Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Army</td>
</tr>
<tr>
<td>301900N</td>
<td>Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Navy</td>
</tr>
<tr>
<td>301900F</td>
<td>Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Air Force</td>
</tr>
<tr>
<td>301900D</td>
<td>Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Defense</td>
</tr>
<tr>
<td>304100A</td>
<td>Offsetting Receipts, Recoveries Under FMS Program, Army</td>
</tr>
<tr>
<td>304100N</td>
<td>Offsetting Receipts, Recoveries Under FMS Program, Navy</td>
</tr>
<tr>
<td>304100F</td>
<td>Offsetting Receipts, Recoveries Under FMS Program, Air Force</td>
</tr>
<tr>
<td>321000A</td>
<td>Offsetting Receipts, General Fund Proprietary Receipts, Army</td>
</tr>
<tr>
<td>321000N</td>
<td>Offsetting Receipts, General Fund Proprietary Receipts, Navy</td>
</tr>
<tr>
<td>321000F</td>
<td>Offsetting Receipts, General Fund Proprietary Receipts, Air Force</td>
</tr>
<tr>
<td>321000D</td>
<td>Offsetting Receipts, General Fund Proprietary Receipts, Defense</td>
</tr>
<tr>
<td>509810A</td>
<td>Rocky Mountain Arsenal Offsetting Receipts</td>
</tr>
<tr>
<td>518510N</td>
<td>Offsetting Receipts, Kaho’ Olawe Island Fund</td>
</tr>
<tr>
<td>518710D</td>
<td>Defense Cooperation Receipts</td>
</tr>
<tr>
<td>518720D</td>
<td>Earnings on Investments, Defense Cooperation Account (Non-051)</td>
</tr>
<tr>
<td>518821D</td>
<td>Offsetting Receipts, Disposal of DoD Real Property, Army</td>
</tr>
<tr>
<td>518817D</td>
<td>Offsetting Receipts, Disposal of DoD Real Property, Navy</td>
</tr>
<tr>
<td>518857D</td>
<td>Offsetting Receipts, Disposal of DoD Real Property, Air Force</td>
</tr>
<tr>
<td>518897D</td>
<td>Offsetting Receipts, Disposal of DoD Real Property, Defense</td>
</tr>
<tr>
<td>518921D</td>
<td>Offsetting Receipts, Lease of DoD Real Property, Army</td>
</tr>
<tr>
<td>518917D</td>
<td>Offsetting Receipts, Lease of DoD Real Property, Navy</td>
</tr>
<tr>
<td>518957D</td>
<td>Offsetting Receipts, Lease of DoD Real Property, Air Force</td>
</tr>
<tr>
<td>518997D</td>
<td>Offsetting Receipts, Lease of DoD Real Property, Defense</td>
</tr>
<tr>
<td>519321D</td>
<td>Deposits, DoD Overseas Military Facility Investment Recovery</td>
</tr>
<tr>
<td>519317D</td>
<td>Deposits, DoD Overseas Military Facility Investment Recovery</td>
</tr>
<tr>
<td>519357D</td>
<td>Deposits, DoD Overseas Military Facility Investment Recovery</td>
</tr>
</tbody>
</table>

**Special Fund Proprietary Offsetting Receipts**

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>518921D</td>
<td>Offsetting Receipts, Lease of DoD Real Property, Army</td>
</tr>
<tr>
<td>518917D</td>
<td>Offsetting Receipts, Lease of DoD Real Property, Navy</td>
</tr>
<tr>
<td>518957D</td>
<td>Offsetting Receipts, Lease of DoD Real Property, Air Force</td>
</tr>
<tr>
<td>518997D</td>
<td>Offsetting Receipts, Lease of DoD Real Property, Defense</td>
</tr>
<tr>
<td>519321D</td>
<td>Deposits, DoD Overseas Military Facility Investment Recovery</td>
</tr>
</tbody>
</table>

1-150
<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>519397D</td>
<td>Deposits, DoD Overseas Military Facility Investment Recovery Account</td>
</tr>
<tr>
<td>519410A</td>
<td>Royalties for Use of DoD Military Insignia and Trademarks</td>
</tr>
<tr>
<td>519510D</td>
<td>Proceeds from the Transfer or Disposition of Commissary</td>
</tr>
<tr>
<td>528610A</td>
<td>Fees Collected for the Use of the National Science Center</td>
</tr>
<tr>
<td>539421A</td>
<td>Cash Equalization Proceeds from Acquisition of Facilities, Army</td>
</tr>
<tr>
<td>539417N</td>
<td>Cash Equalization Proceeds from Acquisition of Facilities, Navy</td>
</tr>
<tr>
<td>539457F</td>
<td>Cash Equalization Proceeds from Acquisition of Facilities, Air Force</td>
</tr>
<tr>
<td>539497D</td>
<td>Cash Equalization Proceeds from Acquisition of Facilities, Defense</td>
</tr>
<tr>
<td>544110D</td>
<td>Burdensharing Contribution, Defense, Kuwait</td>
</tr>
<tr>
<td>544130D</td>
<td>Burdensharing Contribution, Defense, Japan</td>
</tr>
<tr>
<td>544140D</td>
<td>Burdensharing Contribution, Defense, South Korea</td>
</tr>
<tr>
<td>544150D</td>
<td>Burdensharing Contribution, Defense, Qatar</td>
</tr>
<tr>
<td>544210D</td>
<td>Proceeds DoD Korean War Commemoration Account</td>
</tr>
<tr>
<td>556210N</td>
<td>Ford Island Improvement Account, Net Sale of Assets</td>
</tr>
</tbody>
</table>

**Trust Fund Receipts (Non-Function 051)**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>806310A</td>
<td>Bequest of Major General Fred C. Ainsworth, Library, Walter Reed General Hospital Trust Fund</td>
</tr>
<tr>
<td>806320A</td>
<td>Earnings on Investments, Ainsworth Library Trust Fund</td>
</tr>
<tr>
<td>817410A</td>
<td>Collections for the National Science Center Gift Fund</td>
</tr>
<tr>
<td>892710A</td>
<td>Deposits, Dept. of the Army General Gift Fund</td>
</tr>
<tr>
<td>892720A</td>
<td>Earnings on Investments, Dept. of the Army General Gift Fund</td>
</tr>
<tr>
<td>873310N</td>
<td>Contributions to U.S. Naval Academy Gift and Museum Fund</td>
</tr>
<tr>
<td>873320N</td>
<td>Earnings on Investments, U.S. Naval Academy Gift and Museum</td>
</tr>
<tr>
<td>871610N</td>
<td>Deposits, Dept. of the Navy General Gift Fund</td>
</tr>
<tr>
<td>871620N</td>
<td>Earnings on Investments, Dept. of the Navy General Gift Fund</td>
</tr>
<tr>
<td>892810F</td>
<td>Deposits, Dept. of Air Force General Gift Fund</td>
</tr>
<tr>
<td>892820F</td>
<td>Earnings on Investments, Dept. of Air Force General Gift Fund</td>
</tr>
<tr>
<td>833710D</td>
<td>Contributions from Kuwait, Host Nation Support for U.S. Relocation Activities</td>
</tr>
<tr>
<td>833720D</td>
<td>Earnings on Investments, Host Nation Support for U.S. Relocation Activities</td>
</tr>
<tr>
<td>833730D</td>
<td>Contributions from Japan, Host Nation Support for U.S. Relocation Activities</td>
</tr>
<tr>
<td>833740D</td>
<td>Contributions from S. Korea, Host Nation Support for U.S. Relocation Activities</td>
</tr>
<tr>
<td>833750D</td>
<td>Contributions from Qatar, Host Nation Support for U.S. Relocation Activities</td>
</tr>
<tr>
<td>816310D</td>
<td>Contributions to the DoD General Gift Fund</td>
</tr>
</tbody>
</table>
FUNCTIONAL TITLE - TRUST AND TRUST REVOLVING FUNDS

The functional title "Trust Funds" for military functions is defined as comprising the accounts listed below:

21X8063  Ainsworth Library (Trust)
97X8335  Voluntary Separation Incentive Fund
21X8927  Army General Gift Fund
17X8733  USN Academy Gift and Museum Fund
17X8716  Navy General Gift Fund
17X8723  Ships Stores Profit, Navy
57X8928  Air Force General Gift Fund
17X8423  Midshipmen’s Store, USN Academy (Trust Revolving)
57X8418  Air Force Cadet Fund (Trust Revolving)
97X8164  Surcharge Collections, Sales of Commissary Stores, Defense (Trust Revolving)
97X8165  Foreign National Employees Separation Pay, Defense
97X8168  National Security Education Trust Fund, Defense
21X8174  National Science Center Gift Fund, Army
97X8337  Host Nation Support for U.S. Relocation Activities, Defense
97X8163  Department of Defense General Gift Fund
97X8358  Support for U.S. Relocation to Guam Activities

FUNCTIONAL TITLE - INTERFUND TRANSACTIONS

The functional title "Interfund Transactions" for military functions is defined as comprising the accounts listed below:

872310N  Interfund Transactions, Profits from Sales of Ship Stores, Navy
816810D  Interfund Transactions, Payment from General Fund, National Security Education Trust Fund, Defense
816820D  Interfund Transactions, Earnings on Investments, National Security Education Trust Fund, Defense (Non-051)
816830D  Interfund Transactions, Recoveries, National Security Education Trust Fund, Defense
816510D  Interfund Transactions, Employing Agency Contributions, Foreign National
833510D  Interfund Transactions, Employing Agency Contributions, Voluntary Separation Pay, Defense

Employee Separation Pay, Defense
Interfund Transactions, Employing Agency Contributions, Incentive, Defense
FUNCTIONAL TITLE – OTHER DEFENSE CIVIL PROGRAMS

The function title “Other Defense Civil Programs” is defined as comprising the accounts listed below:

- 97X8097 Military Retirement Fund
- 97 0040 Payments to Military Retirement Fund, Defense
- 97 0041 Concurrent Receipt Accrual Payments to the Military Retirement Fund
- 97X8098 Education Benefits Fund
- 97X5472 Uniformed Services Retiree Health Care Fund
- 97 0850 Payment to DoD Medicare Eligible
- 21X5095 Wildlife Conservation, etc., Military Reservation, Army
- 17X5095 Wildlife Conservation, etc., Military Reservation, Navy
- 57X5095 Wildlife Conservation, etc., Military Reservation, Air Force
- 21X5285 Department of Defense, Forest Products Program, Army

Trust Fund Receipts and Special Fund Offsetting Receipts include:

- 809710D Employing Agency Contributions, DoD Military Retirement Fund
- 809720D Earnings on Investments, DoD Military Retirement Fund
- 809730D Federal Contribution, DoD Military Retirement Fund
- 809740D Offsetting Receipts, Payment to Military Retirement Fund
- 809810D Employing Agency Contribution, DoD Education Benefits Fund
- 809820D Earnings on Investments, DoD Education Benefits Fund
- 547210D Employing Agency Contributions, DoD Retiree Health Care Fund
- 547220D Earnings on Investment, DoD Retiree Health Care Fund
- 547230D Federal Contribution, DoD Retiree Health Care Fund
- 509510A Sale of Hunting and Fishing Permits, Military Reservations, Army
- 509510N Sale of Hunting and Fishing Permits, Military Reservations, Navy
- 509510F Sale of Hunting and Fishing Permits, Military Reservations, Air Force
- 528510A Reserve Account, Department of Defense, Forest Products Program, Army

0107 AUTOMATED FUTURE YEARS DEFENSE PROGRAM (FYDP) DATABASES

010701. Standard Data Collection System (SDCS)

A. Purpose and Objectives
1. This Section provides for the maintenance of the FYDP. The FYDP is a series of reports that record and display resource decisions made during the biennial Planning, Programming, Budgeting and Execution (PPBE) cycle. The FYDP contains defense resources—people, forces (equipment and organizations), and dollars—categorized by programs and related to the budget’s appropriation structure. The FYDP provides a record of past decisions that assists senior leaders in deciding on future issues such as operations tempo, force structure size and composition, and investment strategies.

2. Data are entered into the FYDP through the SDCS system. SDCS allows all DoD organizations to submit FYDP data electronically, receiving real-time feedback on their inputs. SDCS is a web-based application hosted on the Secret Internet Protocol Router Network (SIPRNet). It allows users to update, correct, and view their organization’s portion of the FYDP.

3. The OUSD (Comptroller) maintains databases consisting of Operation and Maintenance TOA data, Procurement TOA data, RDT&E TOA data and Military Construction TOA data at a more detailed level than used in the FYDP. All DoD organizations reporting FYDP data will submit these appropriations through the OUSD (Comptroller) automated programs databases as outlined in sections 010502, 010503, 010504, and 010505. The SDCS will rollup these appropriations to the proper level for inclusion in the FYDP report. Formats for Operation and Maintenance TOA, Procurement TOA data, RDT&E TOA data and Military Construction TOA data are the same as required for the automated programs databases, covered in sections 010502, 010503, 010504, and 010505.

4. Amounts entered for TOA, military endstrength, and civilian Full-Time Equivalents (FTE’s) by Program Element must agree with the amounts submitted for the budget. POM submissions for TOA must adhere to controls established by Fiscal Guidance or other controls as announced in subsequent guidance.

B. Applicability and Scope

The provisions of this Section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Combatant Commands and the Defense Agencies/Field Activities (hereafter referred to as “DoD Components”) that contribute data to the FYDP. The Office of the Director, Program Analysis and Evaluation (hereafter referred to as “OD, PA&E”) administers updating and general management of the FYDP. OD, PA&E controls access to SDCS, for the purpose of providing data.

C. Reporting Requirements

Updates to the FYDP are required coincident with the (1) Program and Budget Review and (2) the President’s Budget (PB), and (3) for major restructures of the FYDP itself when directed by the OD, PA&E. Specific guidance relative to approved changes, due dates, and special requirements is provided in a memorandum from OD, PA&E announcing each update. In the Program and Budget Review FYDP submissions, acceptable update years are normally limited to the budget years and programming years (generally six years for TOA and
D. Publication of FYDP Related-Information

1. Section 221 of Title 10 of the United States Code (U.S.C.) requires that:

2. “The Secretary of Defense shall submit to Congress each year, at or about the time that the President’s budget is submitted to Congress that year under section 1105(a) of title 31, a future-years defense program (including associated annexes [now called "programs"])) reflecting the estimated expenditures and proposed appropriations included in that budget.”

3. In accordance with the U.S.C., OD, PA&E will prepare the President's Budget FYDP Summary and Program Element Detail for transmission to the Congress. In addition, OD, PA&E will provide FYDP-related information at all other updates for within DoD. Historical updates, if collected at the time of the President's Budget FYDP update, will be issued with the subsequent PPBE cycle.

E. Other Databases Related to the FYDP. Consistent with the FYDP are separate but related databases and documents constituting, the Operation and Maintenance Program, the Procurement Program, the RDT&E Program and the Military Construction Program. These databases produce the Operation and Maintenance programs Report (O-1), the Procurement Programs Report (P-1), the RDT&E Programs Report (R-1) and the Military Construction Programs report (C-1). Detailed information regarding these databases is provided in section 0105. The FYDP Resource Structure Management (RSM) database maintains information about the program elements and other related attributes critical to the production of the FYDP. Detailed information regarding this database is provided in Section 010702.

F. Instructions for Updating the FYDP

1. General
a. FYDP Forces, Manpower, Military Pay Rates, and remaining appropriations data not elsewhere submitted shall be submitted by DoD Components to the Programming and Fiscal Economics Division, OD, PA&E, over the SIPRNet, as directed.

   (1) Operation and Maintenance, Procurement, RDT&E, and Military Construction appropriations data included in the FYDP will be submitted to OUSD (Comptroller) and forwarded to OD, PA&E for inclusion in the FYDP. Reference section 0105 for further instructions.

   (2) All FYDP data provided directly to OD, PA&E will be input into the SDCS system on the SIPRNet. The following file formats may be used to submit data to SDCS. Specific information and examples of these formats may be found on the SDCS web page located on the SIPRNet at https://dpd.pae.osd.smil.mil.

      (a) Standard ASCII text file, fixed record length, with either single year per row or multiple years per row

      (b) Excel spreadsheet file with either single year per row or multiple years per row

b. All resource changes to the data file shall be on a net change basis; that is, data currently in the file shall be revised (plus or minus) by an incremental amount to reflect the new approved position.

c. Program element codes and titles, resource identification codes, and DoD Component identifier codes are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook). This publication is available at http://www.dtic.mil/whs/directives under “Publications,” and in approved decision documents posted to the FYDP Resource Structure Management (RSM) web site (see Section 010702) but not yet reflected in DoD 7045.7-H.

2. Submission of Changes. Changes submitted for net change/add record resource data (Data Format as prescribed in Section 010701F1) must provide specific identification of quantitative resource information by program element, resource identification code, and fiscal year.

3. Military Pay Rates. Submission of each FYDP update should include average annual military pay rates which shall include permanent change of station (PCS) data, rounded to the nearest dollar for each fiscal year for each military personnel end-strength category identified in the FYDP. Pay rates are used in updating the FYDP, and are also a FYDP data end-product in their own right. It is the intent of OD, PA&E to reflect the most accurate pay rates available in each update to the FYDP.

010702. FYDP Resource Structure Management (RSM) System

A. Purpose and Objectives. This section provides for the maintenance of the automated database of the FYDP’s structure, and describes the procedures used for requesting
changes to the FYDP’s structure, such as establishing new program element codes and definitions or changing program element titles and definitions. The primary information resource in the DoD for FYDP structure is the FYDP Resource Structure Management (RSM) web site https://rsm.pae.osd.smil.mil/RSM located on the SIPRNet.

B. Applicability and Scope. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Combatant Commands and the Defense Agencies/Field Activities (hereafter referred to as “DoD Components”) that contribute data to the FYDP. Updating and general management of the FYDP structure is administered by OD, PA&E.

C. Reporting Requirements. New program elements must be created when PPBE decisions shift resources among DoD Components or fund new programs. It is the responsibility of the DoD Components and the OUSD (Comptroller), Program/Budget to recommend changes to the FYDP structure via the RSM web site as the need arises. In addition, OUSD (Comptroller), Program/Budget will work with OD, PA&E in the establishment of new TOA Resource Identification Codes (RICs) to coincide with new Treasury Codes created by the Office of Management and Budget, or as otherwise required by PPBE decisions.

D. Update and Publication of FYDP Structure Management Handbook, DoD 7045.7-H. DoD 7045.7-H will be revised periodically (typically two times a year or with each update of the FYDP), as specified in DoDI 7045.7, Implementation of the Planning, Programming, and Budgeting System (PPBS), May 23, 1984. The RSM and DefenseLink web site will contain the most recent version to 7045.7-H, updated to reflect the Program and Budget Review, and President’s Budget phases of the PPBE. FYDP Structure Coordination Documents (which are approved and placed on the RSM web site) should be used to supplement the most recent version of DoD 7045.7-H; they reflect the latest approved changes to the FYDP’s structure.

E. Other Databases Related to RSM. The FYDP report, which is managed by OD, PA&E and updated by the components via the SDCS system, is referenced in Section 010701. The Operation and Maintenance Program, the Procurement Program, the RDT&E Program and the Military Construction Program are referenced in Section 0105.

F. Instructions for Making Changes to the FYDP Structure on RSM. Requests for changes to the FYDP's program structure, such as establishing new program element codes and definitions or clarifying program element titles and definitions, shall be submitted to OD, PA&E for coordination with the DoD Components. The primary instrument for submitting change requests is the RSM web site. The RSM web site provides instructions for formatting and submitting change requests. Each DoD Component has a designated representative authorized to submit change requests. Coordination cycles run continually throughout the year. Approved changes are reported periodically in the FYDP Structure Coordination Documents. These documents are posted on the RSM web site, and the approved structure changes are incorporated in the RSM database.
0108 AUTOMATED BUDGET, INTELLIGENCE, AND RELATED DATABASE (BIRD)

The Budget, Intelligence, and Related database (BIRD) maintained by OUSD(I) is the most complete, automated source of resource data for Intelligence and related activities for use by the Office of the Secretary of Defense and the Joint Staff. The BIRD database is essential to the preparation of the Military Intelligence Program (MIP) justification books. It facilitates functional analyses for OSD and the Joint Staff, and is compatible with the NIP resources database used by the Director of National Intelligence. It is also fully consistent with data contained in the FYDP, R&D and Procurement Annexes, and budget databases, and is electronically matched to relevant data in these databases prior to use. OUSD(I) collects MIP narrative data to support Program Budget Review and publication of the MIP Congressional Justification Book (CJB). Specific instructions for the update of the BIRD database are contained in Chapter 16, Volume 2B.

0109 SELECT AND NATIVE PROGRAMMING (SNaP) DATA INPUT SYSTEM

Basic guidance for input through SNaP of programming detail data and selected budget exhibits for joint use of the program and budget review

010901. Select and Native Programming (SNaP) Data Collection System

A. Purpose. This section provides the instructions for electronic submission of all programming detail data; and certain budget data requirements that have been combined with the corollary programming requirement. The combined program/budget requirements are identified in the FMR issued by the OUSD (Comptroller), and the Programming and Budgeting Data Requirements (PBDR) instruction issued by the Office of the Director, Program Analysis and Evaluation, (OD, PA&E). SNaP is a web based data collection and review system designed to collect and validate designated data for the combined Program and Budget review, and in some cases it is used to update the program and budget detail for the President’s Budget. SNaP is available on the SIPRNet at https://SNaP.pae.osd.smil.mil; and the unclassified NIPRNet at https://SNaP.pae.osd.osd.mil.

B. Applicability and Scope. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Combatant Commands, and the Defense Agencies/Field Activities (hereafter referred to as “DoD Components”) that provide either a POM or a Budget to OSD. Updating and general management of the data collected through SNaP is administered by the OD, PA&E. OD, PA&E, Program Resources and Information Systems Management (PRISM) Division controls access to SNaP, for the purpose of submitting data.

C. Reporting Requirements. Updates to SNaP are required coincident with the Program and Budget Review, and for some requirements the President’s Budget (PB). Specific guidance relative to approved changes, due dates, and special requirements is provided in a memorandum announcing each update. In all submissions, acceptable update years may include the two most recent prior years of the budget cycle to the end of the programming cycle (generally nine years for TOA and manpower, and 12 years for forces).
D. Instructions for submitting designated programming and budgeting data in SNaP

1. System and Software Requirements. To interface with SNaP, users must have access to the NIPRNet and the SIPRNet (if the DoD Components’ submission is classified). Windows 95 or higher, and either the Microsoft Internet Explorer 4.x or Netscape Communicator 4.x or higher browser. All narrative files must be in Microsoft Word format. Any supporting files such as the cover letter or executive summary must be in Microsoft Word, Excel, or PowerPoint.

2. Submission. SNaP will be available through password and user id to all those designated by the Primary Point of Contact (POC) from your organization. You may submit, edit, and share your data with other members of your organization for a set period of time prior to the Program/Budget due date. Once your data requirements are complete, (or by the due date) the Primary POC for your organization is responsible for making the submission official. This action is completed on-line.

3. Your work-in-progress. Your work-in-progress is only available to your organization. Programming and Budgeting Data requiring edits after the official due date will occur through permission granted by the system administrator.

4. Preparing Data Structure and Format. SNaP provides pre-formatted Microsoft Excel data files and on-line standard formats to assist you in building your data submission. Wherever possible you are given a standard option menu to describe the data you are providing. Each SNaP data requirement outlined in the PBDR and FMR identifies the data elements, and provides data definitions, instructions and business rules that will assist you in filling out the data tables accurately. All required narrative is submitted as Microsoft Word documents, unless an alternative is specified in the specific data requirement.

5. Each of the data requirements collected. SNaP has specific formats that will be used throughout this information management process. Use of the pre-formatted data tables and on-line upload minimizes error. Data ownership is created as soon as you log in and upload a file or submit data on-line.

6. Review & Edit. SNaP validates and verifies the information and rejects incorrect records. A transaction summary is available for each batch upload submitted and an instant message is provided for each on-line transaction. Once data is submitted it is instantly available for review in the format in which it will be displayed. This may include any necessary data calculations or regroupings. Users can go back and edit any part of their submission prior to official submission, and other members of the organization can also review it.

7. Final Displays. Official Program/Budget submissions through SNaP are available for the Program and Budget Review in the password protected Defense Programming Database Warehouse (DPD DW).
0110  GENERAL GUIDANCE SUBMISSION FORMATS

011001.  Purpose

The formats provided on the following pages reflect guidance presented in previous sections. Unless modified in a submission budget call, these formats should be adhered to.

011002.  Exhibits in Support of Section 0103 – Program and Budget Review Submission

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011003.  Exhibits in Support of Section 0104 – Congressional Justification/Presentation

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011004.  Exhibits in Support of Section 0105

Budget Automation Requirements (See Section 0105)

011005.  Exhibits in Support of Section 0107

Automated FYDP Databases Requirements (See Section 0107)
Exhibit PB-1A. Fiscal Guidance Track

### Fiscal Guidance Track
(See Note 4)

<table>
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(ToA in millions of dollars)

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### POM Fiscal Guidance

**FUNCTIONAL TRANSFERS**
(See Note 1)

**OTHER**
(See Note 2)

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### TOTAL PROGRAM AND BUDGET REVIEW

**SUBMISSION**
(See Note 3)

**APPROPRIATION TITLE**
- Mil Pers
- Operation and Maintenance
- Procurement
- RDT&E
- Military Construction
- Family Housing
- Revolving Funds
- Total by Appropriation

**Notes:**
1. Must be identified by appropriation and totals must agree with PB-14.
2. Use of this entry must be fully explained. Use “Other” to identify Military Personnel Appropriations
3. Totals must agree with TOA in PB-1 Exhibit. Totals should be separately displayed by Appropriation.
4. This exhibit not required for President’s Budget submission.
Exhibit PB-3. Reprogramming/Transfers Between Appropriations

<table>
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<th>FY CY REPROGRAMMING/TRANSFERS BETWEEN APPROPRIATIONS</th>
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<td>FY BY Program and Budget Review Submission</td>
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<td>Component: ________________</td>
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**PROPOSED REPROGRAMMING INCREASES**:  

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<th>Justification for Increase:</th>
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TOTAL PROPOSED REPROGRAMMING INCREASES

* Use financing code 42000 for proposed budget authority transfer to an appropriation (increase)
Exhibit PB-3. Reprogramming/Transfers Between Appropriations (Continued)

FY CY REPROGRAMMING/TRANSFERS BETWEEN APPROPRIATIONS
FY BY Program and Budget Review Submission

Component: __________________________

PROPOSED REPROGRAMMING DECREASES**:

Appropriation

Program (Identify each program by P-1, R-1, O-1, M-1, C-1 line item. For Procurement programs identify the applicable quantities; for the RDT&E programs identify the applicable project; for personnel programs include military and civilian end strength, military average strength, and civilian full-time equivalents; for O&M programs include applicable force data, flying hours, etc.)

Justification for Decrease: Provide a detailed explanation as to why the reduction is possible.

Program

Justification for Increase:

Total for Appropriation

Appropriation

Program

Justification for Decrease:

Program

Justification for Decrease:

Total for Appropriation

TOTAL PROPOSED REPROGRAMMING DECREASES

For these proposed reprogrammings/transfers, Components must also update the OUSD (Comptroller) automated budget system database with the necessary adjustments to include financing adjustments.

** Use financing code 41000 for proposed budget authority transfers from an appropriation (decrease)
Exhibit PB-4. Schedule of Civilian and Military Personnel

(DoD Component - Army is Illustrated)
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

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<tr>
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<th>FY CY</th>
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<th>FY BY2</th>
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<th>FY BY2+3</th>
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I. CIVILIAN PERSONNEL (Full-time Equivalents (FTEs))
Operation and Maintenance, Army
Direct Funded
U.S. Direct Hire
Foreign National Direct Hire
  Total Direct Hire
Foreign National Indirect Hire
  Total, Direct O&M Army

Reimbursable
U.S. Direct Hire
Foreign National Direct Hire
  Total Direct Hire
Foreign National Indirect Hire
  Total, Reimbursable O&M Army

O&M Total
U.S. Direct Hire
Foreign National Direct Hire
  Total Direct Hire
Foreign National Indirect Hire
  Total, O&M Army

RDT&E, Army
Direct Funded
U.S. Direct Hire
Foreign National Direct Hire
  Total Direct Hire

(page 1 of 4)
Exhibit PB-4.  Schedule of Civilian and Military Personnel (Continued)

(DoD Component - Army is Illustrated
FY BY Budget Estimates

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<tr>
<td>Total, RDT&amp;E Army</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

List appropriations/accounts in the normal budget order on the basis of where personnel are budgeted.

ARMY TOTAL CIVILIAN PERSONNEL FTEs
U.S. Direct Hire
Foreign National Direct Hire
Total Direct Hire
Foreign National Indirect Hire
Total Army

II. ACTIVE MILITARY PERSONNEL (End Strength)
Military Personnel, Army
Officers
Enlisted
Cadets
Total Military Personnel
Exhibit PB-4. Schedule of Civilian and Military Personnel (Continued)

(DoD Component - Army is Illustrated)

FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY1</th>
<th>FY BY2</th>
<th>FY BY2+4</th>
</tr>
</thead>
</table>

III. SELECTED RESERVE PERSONNEL (End Strength)

Reserve Personnel, Army

<table>
<thead>
<tr>
<th>Trained in Units</th>
<th>Officers</th>
<th>Enlisted</th>
<th>Total Trained in Units</th>
</tr>
</thead>
</table>

Individual Mobilized Augmentees

<table>
<thead>
<tr>
<th>Officers</th>
<th>Enlisted</th>
<th>Total Individual Mobilized Augmentees</th>
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</thead>
</table>

Training Pipeline

<table>
<thead>
<tr>
<th>Officers</th>
<th>Enlisted</th>
<th>Total Training Pipeline</th>
</tr>
</thead>
</table>

Full-time Active Duty

<table>
<thead>
<tr>
<th>Officers</th>
<th>Enlisted</th>
<th>Total Full-time Active Duty</th>
</tr>
</thead>
</table>

TOTAL ARMY RESERVE PERSONNEL

<table>
<thead>
<tr>
<th>Officers</th>
<th>Enlisted</th>
<th>Total Reserve Personnel, Army</th>
</tr>
</thead>
</table>
Exhibit PB-4. Schedule of Civilian and Military Personnel (Continued)

(DoD Component - Army is Illustrated)
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

<table>
<thead>
<tr>
<th></th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY1</th>
<th>FY BY2</th>
<th>FY BY2+1</th>
<th>FY BY2+4</th>
</tr>
</thead>
</table>

III. SELECTED RESERVE PERSONNEL (Cont’d)

National Guard Personnel, Army
Trained in Units
   Officers
   Enlisted
   Total Trained in Units

Training Pipeline
   Officers
   Enlisted
   Total Training Pipeline

Full-time Active Duty
   Officers
   Enlisted
   Total Full-time Active Duty

TOTAL ARMY NATIONAL GUARD PERSONNEL
   Officers
   Enlisted
   Total National Guard Personnel, Army

ARMY TOTAL SELECTED RESERVE
   Officers
   Enlisted
   Total
Exhibit PB-8. FY 20CY. Supplemental Appropriation Requirements

<table>
<thead>
<tr>
<th>Appropriation Account Title</th>
<th>Military</th>
<th>Civilian</th>
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<td></td>
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<tr>
<td>Total</td>
<td>(1)</td>
<td>(2)</td>
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</table>

**INSTRUCTIONS**

Column (1): Stub lines will be the same as those on Exhibit PB-1 on a budget basis. Three lines of data (BA, outlays and military/civilian personnel impacts) are required for each account included in the supplemental proposal.

Column (2): The dollar amounts in this column for BA and outlays must agree with FY 20CY amounts submitted in the automated Comptroller Information System (CIS) database for the Program and budget review submission. Likewise, civilian FTE and Military E/S data must agree with amounts reported in the Component’s automated CIS for the Program and budget review submission.
Exhibit PB-8. FY 20CY Supplemental Appropriation Requirements (Continued)

Columns (3), (4) and (5): Show supplemental requirements (BA, military E/S, and civilian FTE) by program.

Column (6): Represents the sum of Columns (3), (4) and (5). The BA, outlay, military E/S and civilian FTE amounts in these columns represent the total supplemental request impacting FY 20CY.

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<td>Outlays ($)</td>
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<tr>
<td>Mil E/S</td>
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<tr>
<td>Civ FTE</td>
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## Exhibit PB-10. Additional FY 20BY Budget Estimates

(Name of Component)

### ADDITIONAL FY 20BY BUDGET ESTIMATES

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<th>20BY1</th>
<th>20BY2</th>
<th>20CY Change</th>
<th>20BY1 Change</th>
<th>20BY2 Change</th>
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<td>(3)</td>
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<td>(5)</td>
<td>(6)</td>
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<td>(10)</td>
<td>(11)</td>
<td>(12)</td>
<td>(13)</td>
<td>(14)</td>
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<td><strong>INCREASES</strong></td>
<td>Military Personnel, Army</td>
<td>777</td>
<td>XX</td>
<td>XX</td>
<td></td>
<td>XX</td>
<td>-</td>
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<tr>
<td></td>
<td>540 Retired Pay Accrual ($)</td>
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<td>XX</td>
<td></td>
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<td>XX</td>
<td>XX</td>
<td>XX</td>
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<tr>
<td></td>
<td>Operation and Maintenance, Army</td>
<td>350</td>
<td>Info Security ($ and FTE)</td>
<td>777 Budgeted Amounts ($ and FTE)</td>
<td>Total Increases</td>
<td></td>
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<tr>
<td><strong>DECREASES</strong></td>
<td>Other Procurement, Army</td>
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<tr>
<td></td>
<td>Maintenance Kit, MK-673</td>
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<td></td>
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<td>XX</td>
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<tr>
<td><strong>Outyear Impact</strong></td>
<td>Military Personnel, Army</td>
<td>777 Budgeted Amounts (ES)</td>
<td></td>
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<td></td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td></td>
<td>540 Retired Pay Accrual ($)</td>
<td></td>
<td>XX</td>
<td></td>
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<td>XX</td>
<td>XX</td>
<td>XX</td>
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<td>Operation &amp; Maintenance, Army</td>
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<td>Info Security ($ and FTE)</td>
<td>777 Budgeted Amounts ($ and FTE)</td>
<td>Total Increases</td>
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<tr>
<td><strong>DECREASES</strong></td>
<td>Other Procurement, Army</td>
<td>777 Budgeted Amounts ($)</td>
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<td></td>
<td></td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
</tr>
</tbody>
</table>

**Notes:**
- ES = Military end-strengths
- FTE = Civilian full time equivalents
- $ = Dollars in thousands

*(page 1 of 2)*
INSTRUCTIONS FOR PREPARATION
OF EXHIBIT PB-10

The following instructions apply to all appropriations and funds:

Indicate in the heading the name of the submitting component, subject, date, and component submission control number. Leave "USD (Comptroller) Serial No." blank.

Column (1): List the appropriation or fund and the Budget Subactivity Number. For the procurement appropriations, P-1 line items will be shown. For the RDT&E appropriations, program elements will be shown.

Columns (2), (3) and (4): List the TOA changes. If there are also changes in financing adjustments, show these separately and then show the change in budget authority. The military personnel amount to be used here will be the sum of the products of the workyears/$ rates shown to the right, using the standard rate.

Column (5): List the military or civilian personnel categories affected by the change. Military personnel change will be in end-strength (E/S) and civilian personnel change in full time equivalent (FTE). Use the categories illustrated in Exhibit PB-4.

Columns (6), (7), (9), (10), (12) and (13): List the military end strength and workyear changes, by activity. Likewise, list civilian FTE changes by activity.

Columns (8), (11) and (14): Show the average salary at which these changes were priced.

If there are no personnel changes, Columns (5) through (14) will be left blank.

Show a total for increases and decreases.

The outyear impact of the additional budget submission will be included at the end of Exhibit PB-10. This will show the net change by appropriation budget subactivity number for each of the applicable outyears.

Narrative justification must also accompany Exhibit PB-10.
Major Budget Issue Format

**DEPARTMENT/AGENCY** ____________________

**MAJOR BUDGET ISSUE**

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<tr>
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<td>(BA, $ in Millions)</td>
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<table>
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<th>FY BY2+1</th>
<th>FY BY2+2</th>
<th>FY BY2+3</th>
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</table>

**Brief Description of Issue:**

(Limit entire issue to one page.)

**Component Recommendation:**
Exhibit PB-37A. Justification of Supplemental Requirements

**Department of the Military Personnel,___________**

(Dollars in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY CY Presently Available</th>
<th>FY CY Revised Estimate</th>
<th>FY CY Proposed Supplemental</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY CY Presently Available</td>
<td>$x.xx to $x.xx in CONUS, and from $x.xx to $x.xx Overseas.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Budget Activity: **Subsistence of Enlisted Personnel**

**Justification of Supplemental Requirements.**

For increased feeding costs resulting from rising food prices. Ration rates increased from $x.xx to $x.xx in CONUS, and from $x.xx to $x.xx Overseas.
Exhibit PB-37R. Budget Amendment Summary

DEPARTMENT OF THE AIR FORCE

WEAPONS PROCUREMENT, AIR FORCE
BUDGET AMENDMENT SUMMARY
(Dollars in Thousands)

<table>
<thead>
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<th>FY BY Pending Request</th>
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<tbody>
<tr>
<td>SRAM</td>
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<tr>
<td>ALCM</td>
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<table>
<thead>
<tr>
<th>FY BY Revision</th>
<th></th>
</tr>
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</table>

<table>
<thead>
<tr>
<th>FY BY Revised Request</th>
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</thead>
</table>
Exhibit PB-37S. Program and Financing Schedule (Abbreviated)

**DEPARTMENT OF THE AIR FORCE**

**WEAPONS PROCUREMENT, AIR FORCE**

**PROGRAM AND FINANCING SCHEDULE (abbreviated)**

(Dollars in thousands)

<table>
<thead>
<tr>
<th>Program by Activities</th>
<th>BUDGET PLAN</th>
<th>OBLIGATION PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY BY</td>
<td>FY BY</td>
</tr>
<tr>
<td></td>
<td>Pending</td>
<td>Proposed</td>
</tr>
<tr>
<td>Direct:</td>
<td>Request</td>
<td>Amendment</td>
</tr>
<tr>
<td>1. Ballistic Missiles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Other Missiles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Modification of In-Service Missiles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Spares and Repair Parts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Other Support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Ammunition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL DIRECT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimbursable (Total)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
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<tr>
<td>Financing (Net)</td>
<td></td>
<td></td>
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</tbody>
</table>

**BUDGET AUTHORITY**

**OUTLAYS**

| Object Class 31.0: Equipment |   |

1-175
Exhibit PB-37T. Narrative Justification

DEPARTMENT OF AIR FORCE
WEAPONS PROCUREMENT, AIR FORCE
NARRATIVE JUSTIFICATION

(Dollars in Thousands)

FY BY Pending Request
FY BY Proposed Amendment
FY BY Revised Request

Budget Activity: Other Missiles

Justification of proposed amendment.

AGM-69B SRAM. Deletes the $xx,xxx,xxx FY BY requirement. Due to the recent evolution of the Air Launch Cruise Missile (ALCM) as an effect weapon system and the continued ability to use the B-52 bomber well into the 1980’s, the President directed the B-1 production be halted. With the decision to not deploy the B-1, the Air Force requirement for the SRAM-B which was to be used on the B-1 is no longer valid.

Air Launched Cruise Missile. The Air Launched Cruise Missile (ALCM) is an aerodynamic air-to-ground strategic missile propelled by a turbo-fan engine. It has a high degree of accuracy through the combination of inertial guidance and terrain correlation update. The missile is designed to be carried internally and/or externally on the B-52. The ALCM is to be employed from a stand-off position against a wide variety of pre-selected lightly or undefended ground hard targets. This budget amendment requests an additional $xx,xxx,xxx to accelerate the ALCM Initial Operating Capability (IOC).
Exhibit PB-39A-1. Format - Appeal Input (Program Adjustments)

**Department of Defense Appeal**
**FY ____ Defense (Authorization or Appropriation) Bill**
**Appeal**

**Subject:**

**Appropriation(s):**

**Summary:**
Briefly describe the congressional action and the apparent reasons behind it.

<table>
<thead>
<tr>
<th>Item</th>
<th>Request</th>
<th>House</th>
<th>Senate</th>
<th>Appeal</th>
</tr>
</thead>
</table>

**DoD Position:**
The Department urges…

Concise description of our rationale for restoration. Continuations and supplements are not necessary and will not be used.

**Comptroller Internal Control Notes**
Submitter:
Page/Section References:
Reviewing Directorate/Analyst:
Director’s Recommendation:
Exhibit PB-39A-2. Format - Appeal Input (Language Items)

Department of Defense Appeal
FY ____ Defense (Authorization or Appropriation) Bill

Subject:

Language/Provision:

Briefly describe language or general provision and its apparent intent.

DoD Position:

The Department opposes…
The Department urges the exclusion of this provision.

Concise description of our rationale for revision or removal of language/general provision item as proposed.

Comptroller Internal Control Notes
Submitter:
Page/Section References:
Reviewing Directorate/Analyst:
Director’s Recommendation:
Exhibit DD 1587. Record of Congressional Transcript Review

<table>
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<tr>
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<tr>
<td>Tot: (In turn)</td>
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<td>1.</td>
</tr>
<tr>
<td>2.</td>
</tr>
<tr>
<td>3. DIRECTOR, FREEDOM OF INFORMATION AND SECURITY REVIEW</td>
</tr>
<tr>
<td>DESCRIPTION OF DOCUMENT COMMITTEE/SUBCOMMITTEE</td>
</tr>
</tbody>
</table>

The attached transcript of testimony is forwarded for editorial and security review in accordance with DoD Directive 5400.4. To meet committee requirements and allow time for final review by the Directorate for Freedom of Information and Security Review, OASD(PA), your action must be completed as indicated. Each element in the review process must give cooperative consideration to the time requirements of all elements in meeting due out dates. An advance copy of this DD Form has been sent to DFOISR, OASD(PA).

**GUIDELINES**

I. SECURITY

A. GENERAL. Review must be accomplished by officials competent to judge the security aspects of the subjects involved and to provide a consistent and defensible security position.

B. MARKING

1. Use black lead pencil.
2. Enclose with brackets [ ] information to be deleted.
3. Make deletions as limited as possible, considering whether the total context may contain clues to the information deleted.

II. EDITORIAL

A. GENERAL. Edit to correct inaccuracies.

B. MARKING

1. Use black lead pencil.
2. Line through all words or figures for which substitute language or figures are entered. Do not use brackets.
3. Print or write all entries legibly.
4. Use standard proofreaders markings.
5. Do not change statements by committee members. Note inaccuracies in the margin.

REMARKS

FORWARDING

TO: Director, Freedom of Information and Security Review Date: 

Portions of the attached transcript which require deletion in the interests of national security before publication have been bracketed. This action represents the considered judgement of this department/agency that the information so marked warrants the protection of security classification.

SIGNATURE OFFICE

DD Form 1587, MAR 78 REPLACES DD FORM 1587, 1 APR 74, WHICH IS OBSOLETE.

DD 1587 Record of Congressional Transcript Review

1-179
Exhibit DD 1790.  Prepared Testimony Review

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**DESCRIPTION OF DOCUMENT**

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**COMMITTEE/SUBCOMMITTEE**

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**UPON COMPLETION NOTIFY**

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**REQUEST CLEARANCE NLT**

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The attached material has department/agency approval for the purpose specified. Any portions requiring security protection have been appropriately marked.

**ATTACHMENT**

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HAC QFR

Committee: HAC Defense Subcommittee
Hearing Date:
Hearing:
Member:
Witness:
Question #:
Subtitle

Question:

Answer:

All input is via CHARRTS
HASC QFR

Committee:  House Armed Services
Hearing Date:
Subject:
Member:
Witness
Question #:

Question:

Answer:

All input is via CHARRTS
when tasked by OUSD (Comptroller)
SAC QFR

Committee: SAC, Defense Subcommittee
Hearing Date:
  Hearing:
  Member:
  Witness:
  Question #

[Subject]

Question.
Answer.

All input is via CHARRTS
SASC QFR

Committee: Senate Armed Services
Hearing Date:
Subject:
Question #:

Senator:
Witness:

All input is via CHARRTS
when tasked by OUSD (Comptroller)
INSERT - ALL COMMITTEES

Insert - All Committees

Committee:
Hearing Date:
Hearing:
Member:
Witness:
Insert (Page#, Line#):

The information follows:

All input is via CHARRTS
VOLUME 2A, CHAPTER 2: “MILITARY PERSONNEL APPROPRIATIONS”

SUMMARY OF MAJOR CHANGES TO

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated September 2014 is archived.

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<th>PURPOSE</th>
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<td>The following back-up exhibits are eliminated or replaced: MP-2, Part 1 Dependents, Housing and BAH Estimates; MP-7, Aviation Retention Bonus; MP-14, Selected Officer Occupation Specialties; MPR-1, IADT Program and Prior Service Enlistments; and MPR-9, Selected Officer Occupation Specialties</td>
<td>Delete</td>
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<tr>
<td>020202 thru 020603</td>
<td>Narrative and exhibit updates due to Blended Retirement System</td>
<td>Update</td>
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CHAPTER 2

MILITARY PERSONNEL APPROPRIATIONS

0201 GENERAL

020101. Purpose

A. This Chapter prescribes the justification materials required for the Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations for both the Active and the Reserve Forces to support the program and budget review submission and the presentation of the President’s budget submission to the Congress.

B. The following appropriations and accounts are covered:


3. In Section 0204: Military Personnel Retirement Requirements.


C. Fund requirements for the Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations will be presented using the budget and fiscal accounting classifications as set forth below in sections 0202 and 0203. Program and Budget estimates will be based upon approved military personnel/strength programs as contained in the exhibits required in this Chapter, and in accordance with such special instructions as may be issued by the Office of the Under Secretary of Defense (P&R) as part of the call for the services’ military strength programs.

D. Budgeting for Inflation. Anticipated inflation will be included in the Program and Budget Review Submission for clothing, subsistence-in-kind, basic allowances for housing and subsistence, the commercial portions of permanent change of station travel, and temporary lodging allowances overseas. The inflation rates to be used will be based upon approved price escalation indices provided as an enclosure to the annual FY 20CY revised and FY 20BY Program and Budget Review Guidance memorandum.
0202 ACTIVE MILITARY PERSONNEL AND MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION APPROPRIATIONS

020201. General

A. The purpose of this section is to provide general information applicable to the Active Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations including funding policies, classifications, and definitions unique to these accounts. Generic policies and requirements are addressed in Volume 2A, Chapter 1. The Military Components should consult all of the other chapters for exhibit requirements that are not specifically addressed in this chapter including the Other Special Analysis chapter (See Volume 2A, Chapter 1 and Volume 2B, Chapter 19).

B. This section provides the budget and fiscal accounting classifications for the military personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of Title 10, United States Code (U.S.C.), section 115. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification, which shall be used on a uniform basis for the military personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds for the Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations.

*020202. Uniform Budget and Fiscal Accounting Classification

A. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in paragraph 020101, above. Variations in the activity and subactivity classification and titles shall not be made, except that additional accounts consistent with this budget and accounting classification may be established in order to meet administration requirements of the various elements of the Military Departments. The scope of each account is described below.

B. Symbol numbers shall be assigned to each of the budget activities and subactivities listed below in the same manner and the same sequence and will be consistent with the fiscal codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

C. Chart of Accounts - The chart of accounts that follows represents a summary of the accounting and reporting structure under the Active Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations. However, for purposes of presentation of budget estimates, as distinguished from monthly reporting, additional statistical breakdown will be required as shown in paragraph 020203, below.
CHART OF ACCOUNTS DEFINITIONS/DESCRIPTIONS

Budget Activity (BA) and Budget Subactivity (BSA) ²

BA/BSA – Active Military Personnel Appropriations

1 Pay and Allowances of Officers
   1-A Basic Pay
   1-B Retired Pay Accrual
   1-C TSP Matching Contributions
   1-D Incentive Pay for Hazardous Duty
   1-E Special Pay
   1-F Basic Allowance for Housing
   1-G Basic Allowance for Subsistence
   1-H Station Allowances, Overseas
   1-I CONUS COLA
   1-J Clothing Allowances
   1-K Family Separation Allowances
   1-L Separation Payments
   1-M Special Compensation for Assistance with Activities of Daily Living - Officer
   1-N Social Security Tax - Employer’s Contribution

2 Pay and Allowances of Enlisted Personnel
   2-A Basic Pay
   2-B Retired Pay Accrual
   2-C TSP Matching Contributions
   2-D Incentive Pay for Hazardous Duty
   2-E Special Pay
   2-F Special Duty Assignment Pay
   2-G Reenlistment Bonus
   2-H Enlistment Bonus
   2-I Education Benefits (College Fund)
   2-J Loan Repayment Program
   2-K Basic Allowance for Housing
   2-L Station Allowances, Overseas
   2-M CONUS COLA
   2-N Clothing Allowances
   2-O Family Separation Allowances
   2-P Separation Payments
   2-Q Special Compensation for Assistance with Activities of Daily Living - Enlisted
   2-R Social Security Tax - Employer’s Contribution

3 Pay and Allowances of Cadets and Midshipmen
   3-A Academy Cadets and Midshipmen

4 Subsistence of Enlisted Personnel
   4-A Basic Allowance for Subsistence
   4-B Subsistence in Kind
   4-C Family Subsistence Supplemental Allowance (FSSA)

5 Permanent Change of Station Travel
   5-A Accession Travel
   5-B Training Travel
   5-C Operational Travel Between Duty Stations (within CONUS and within Overseas)
   5-D Rotational Travel to and from Overseas
   5-E Separation Travel
5-F Travel of Organized Units

6 Other Military Personnel Costs
6-A Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners
6-B Interest on Uniformed Services Savings Deposits
6-C Death Gratuities
6-D Unemployment Benefits
6-E Education Benefits
6-F Adoption Expenses
6-G Mass Transportation Benefit
6-H Partial Dislocation Allowance
6-I Reserve Income Replacement
6-J Servicemembers’ Group Life Insurance (SGLI)
6-K Reserve Officers Training Corps (ROTC)
6-L Junior Reserve Officers Training Corps (JROTC)

BA/BSA – Medicare-Eligible Retiree Health Fund Contribution Appropriations

1 Officers
2 Enlisted

a/ Proper coding will be assigned to each Military Department in accordance with fiscal codes for all appropriation activities.

D. Chart of Accounts Budget Activities and Subactivities Definitions/Descriptions are provided on the following pages.

E. Object Classification - The object classifications that follow the Chart of Accounts Budget Activities and Subactivities Definitions/Descriptions shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts.

BA/BSA – Active Military Personnel Appropriations

1. Pay and Allowances of Officers - For the pay and allowances authorized by law to be paid to officers, including commissioned and warrant of the Regular Forces and officers of the Reserve Components on extended active duty. In accordance with the provisions of 31 U.S.C. 371(b), officers may not receive a bonus or incentive pay under both subchapter I and subchapter II of Chapter 5 of title 37, USC (37 U.S.C. §§301-330 and 31 U.S.C. §§331-355, respectively) for the same activity, skill, or period of service.

1-A. Basic Pay: For basic compensation of officers, including length of service increments, under provisions of Title 37, United States Code (U.S.C.), sections 201, 203 and 205.

1-B. Retired Pay Accrual: For the Department of Defense’s Contribution to its Military Retirement Fund under provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay. Retired pay accrual does not apply to academy cadets or midshipmen.

1-C. Thrift Savings Plan (TSP) Matching Contributions: For the Department of Defense’s contribution to the Thrift Savings Fund for the benefit of the member under provisions of
5 U.S.C. 8432. For those member’s participating in the blended retirement plan, the amount contributed shall not be more than 5 percent of the member’s basic pay for such pay period.

1-D-1. Incentive Pay for Hazardous Duty: For pay of officers for performance of hazardous duty required by competent authority under provisions of 37 U.S.C. 301 or 37 U.S.C. 351. Includes:

a. Duty as a crew member as determined by the Secretary concerned, involving frequent and regular participation in aerial flight.

b. Duty involving frequent and regular participation in aerial flights not as a crew member pursuant to paragraph a, above.

c. Duty involving parachute jumping as an essential part of military duty.

d. Duty involving the demolition of explosives as a primary duty, including training for such duty.

e. Duty inside a high or low pressure chamber.

f. Duty as a human acceleration or deceleration experimental subject.

g. Duty as human test subject in thermal stress experiments.

h. Duty involving frequent and regular participation in flight operations on the flight deck of an aircraft carrier or of a ship other than an aircraft carrier from which aircraft are launched.

i. Duty involving service as an air weapons controller.

j. Duty involving use of toxic fuel or waste.

k. Duty involving highly toxic pesticides or live, hazardous organisms.

l. Duty involving visit, board, search and seizure.

1-D-2. Incentive and Special Pay for Aviation Career Duty: For pay of officers for performance of aviation duty required by competent authority under provisions of 37 USC 301a, 301b, and 334. Includes:

a. For the frequent and regular performance of operational or proficiency flying duty required by orders.

b. For the written agreement to remain on active duty in aviation service for at least 1 year in an aviation specialty designated as critical.

1-D-3. Incentive Pay for Submarine Duty: For pay of officers for performance of duty required by competent authority under provision of 37 USC 301c. while attached under competent orders to a submarine, while serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle), while undergoing training preliminary to assignment to a nuclear-powered submarine, while undergoing rehabilitation after assignment to a nuclear-powered submarine, or, in the case of a member qualified in submarines, while
attached as a member of a submarine operational command staff whose duties require serving on a submarine during underway operations.

1-E. Special Pay: For special and incentive pay to officers on active duty as physicians, dentists, optometrists, pharmacists, veterinarians, nurses and psychologists under the provisions of 37 U.S.C. 301d, 301e, 302, 302a, 302b, 302c, 302c-1, 302d, 302e, 302h, 302i, 302j, 302k, 302l, 303, and 335; certain designated officers in positions of unusual responsibility which are of a critical nature to the Service concerned under provisions of 37 U.S.C. 306; officers on duty subject to hostile fire or imminent danger under provisions of 37 U.S.C. 310 or 37 U.S.C. 351; personal money allowance to certain Generals and Admirals under provisions of 37 U.S.C. 414; for diving duty pay under the provisions of 37 U.S.C. 304; for hardship duty pay while assigned to locations or duties designated by the Secretary of Defense under the provisions of 37 U.S.C. 305; for career sea pay under the provisions of 37 U.S.C. 305a; for nuclear officer incentive pay under the provisions of 37 U.S.C. 312, 312b, 312c, or 333; for members extending duty at designated overseas locations under the provisions of 37 U.S.C. 314; for engineering and scientific duty performed by officers under the provisions of 37 U.S.C. 315; for foreign language proficiency under the provisions of 37 U.S.C. 316 or 353; for special warfare officers extending period of active duty under the provisions of 37 U.S.C. 318; for surface warfare continuation pay under the provisions of 37 U.S.C. 319; for judge advocate continuation pay under the provisions of 37 U.S.C. 321; for assignment incentive pay under the provisions of 37 U.S.C. 307a or 352; for skill incentive pay or skill proficiency bonus under the provisions of 37 U.S.C. 353; for retention incentives for members qualified in critical military skills under the provisions of 37 U.S.C. 332 or 355; for accession bonus for new officers in critical skills under the provisions of 37 U.S.C. 324, 330, 332, or 336; for incentive bonuses to transfer between armed forces under the provisions of 37 U.S.C. 327 or 332; for continuation of pays during hospitalization and rehabilitation under the provisions of 37 U.S.C. 372; and for continuation pay authorized under the provisions of 37 U.S.C. 356.

1-F. Basic Allowance for Housing: For housing allowances payable to officers under the provisions of 37 U.S.C. 403. BAH is comprised of BAH-Domestic and BAH-Overseas.

1-G. Basic Allowance for Subsistence: For subsistence allowances payable to officers under the provisions of 37 U.S.C. 402.

1-H. Station Allowances, Overseas: For per diem allowances payable to officers stationed outside the Continental United States or in Hawaii or Alaska based on cost of living for members stationed outside the United States as prescribed by Joint Federal Travel Regulations and authorized under the provisions of 37 U.S.C. 475.

1-I. CONUS Cost of Living Allowance: For payments to eligible officers assigned to high cost areas under the provisions of 37 U.S.C. 403b.

1-J. Clothing Allowances: For payments to officers for purchase of required uniform under the provisions of 37 U.S.C. 415 - 419

1-K. Family Separation Allowances: For family separation allowances payable to officers under the provision of 37 U.S.C. 427.

1-L. Separation Payments:

   a. For payments to officers for accumulated annual leave under the provisions of 37 U.S.C. 501.
b. For severance pay to officers, including elimination severance pay to officers not eligible for retirement under any provision of law on the date of elimination by promotion list passover, under the provisions of 10 U.S.C. 1174; elimination severance pay for cause under the provisions of 10 U.S.C. 1181; disability severance pay under the provisions of 10 U.S.C. 1212.

c. For lump sum readjustment payments to Reserve officers under the provisions of 10 U.S.C. 12312.

d. Voluntary Separation Incentive (VSI) - For payment of an annuity to officers voluntarily separating from active duty during the drawdown under the provisions of 10 U.S.C. 1175.

e. Voluntary Separation Pay (VSP) – For a lump sum payment to officers who have served on active duty or full-time National Guard duty for more than 6 years but not more than 12 years and voluntarily separate under the provisions of 10 U.S.C. 1175a.

f. Special Separation Benefit (SSB) - For a lump sum payment to officers separating from active duty during the drawdown under the provisions of 10 U.S.C. 1174a.

g. Temporary Early Retirement Authority (TERA) - For payment of retired pay to selected active duty officers who retire with between 15 and 20 years of service under the provisions of 10 U.S.C. 1293, 3911, 3914, 6323, 6330, 8911 and 8914. Section 504(b) of the FY 2012 National Defense Authorization Act (NDAA), P.L. 112-81, reinstates temporary retirement authorities in section 4403 of the FY 1993 NDAA (P.L. 102-484) from fiscal year 2012 to December 31, 2018.

h. $30,000 Lump Sum Bonus – For payment to service members who entered the uniformed service on or after August 1, 1986, who opt to retire under the Redux retirement plan (40 percent retirement benefit at 20 years of service with partial COLA) under the provisions of 37 U.S.C. 354.

1-M. Special Compensation for Assistance with Activities of Daily Living – Officer: For payment of monthly compensation to an officer with catastrophic injuries or illnesses requiring assistance in everyday living under the terms and conditions specified by 37 U.S.C. 439.

1-N. Social Security Tax Employer’s Contribution: For payment of tax of employer to Social Security Administration as provided by Federal Insurance Contributions Act (FICA).

2. Pay and Allowances of Enlisted Personnel - For the pay and allowances authorized by law to be paid to enlisted personnel of the Regular forces and enlisted members of the Reserve Components on extended active duty. In accordance with the provisions of 31 U.S.C. 371(b), enlisted members may not receive a bonus or incentive pay under both subchapter I and subchapter II of Chapter 5 of title 37, USC (37 U.S.C. §§301-330 and 31 U.S.C. §§331-355, respectively) for the same activity, skill, or period of service.

2-A. Basic Pay: For basic compensation of enlisted personnel, including length of service increments, under the provisions of 37 U.S.C. 201, 203 and 205.

2-B. Retired Pay Accrual: For the Department of Defense’s Contribution to its Military Retirement Fund, under provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.
2-C. Thrift Savings Plan (TSP) Matching Contributions: For the Department of Defense’s contribution to the Thrift Savings Fund for the benefit of the member under provisions of 5 U.S.C. 8432. For those member’s participating in the blended retirement plan, the amount contributed shall not be more than 5 percent of the member’s basic pay for such pay period.

2-D-1. Incentive Pay for Hazardous Duty: For pay of enlisted personnel for performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301 and 37 U.S.C. 351. Includes:

a. Duty as a crew member as determined by the Secretary concerned, involving frequent and regular participation in aerial flight.

b. Duty involving frequent and regular participation in aerial flights not as a crew member pursuant to paragraph a, above.

c. Duty involving parachute jumping as an essential part of military duty.

d. Duty involving the demolition of explosives as a primary duty, including training for such duty.

e. Duty inside a high or low pressure chamber.

f. Duty as a human acceleration or deceleration experimental subject.

g. Duty as human test subject in thermal stress experiments.

h. Duty involving frequent and regular participation in flight operations on the flight deck of an aircraft carrier or of a ship other than an aircraft carrier from which aircraft are launched.

i. Duty involving service as an air weapons controller.

j. Duty involving use of toxic fuel or waste.

k. Duty involving highly toxic pesticides or live, hazardous organisms.

l. Duty involving Visit, Board, Search and Seizure.

2-D-2. Career Enlisted Flyer Incentive Pay: For career enlisted flyer pay under the provisions of 37 U.S.C. 320. To be paid to an enlisted member of the armed forces who holds an enlisted military occupational specialty or enlisted military rating designated as career enlisted flyer specialty or rating by the Secretary concerned, performs duty as a dropsonde system operator, or is in training leading to qualification and designation of such a specialty or rating or the performance of such duty and meets the other requirements as designated in 37 U.S.C. 320 or 353 outlined in DoD Instruction 7730.67.

2-D-3. Incentive Pay for Submarine Duty: For enlisted submarine pay under provision of 37 USC 301c. for performance of duty while attached under competent orders to a submarine, while serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle), while undergoing training preliminary to assignment to a nuclear-powered submarine, while undergoing rehabilitation after assignment to a nuclear-powered submarine, or, in the case of a member qualified in submarines, while attached as a member of a submarine operational command staff whose duties require serving on a submarine during underway operations.

2-12
2-E. Special Pay: For hardship duty pay while assigned to locations or duties designated by the Secretary of Defense under the provisions of 37 U.S.C. 305; for career sea pay under the provisions of 37 U.S.C. 305a; for diving duty pay under the provisions of 37 U.S.C. 304; for assignment incentive pay under the provisions of 37 U.S.C. 307a; for duty subject to hostile fire or imminent danger under the provisions of 37 U.S.C. 310 or 37 U.S.C. 351; for nuclear-trained and qualified, and for nuclear career accession and annual incentive bonuses under the provisions of 37 U.S.C. 312b; for qualified enlisted members extending duty at designated locations overseas under the provisions of 37 U.S.C. 314; for foreign language proficiency under the provisions of 37 U.S.C. 316 or 353; for retention incentives for members qualified in a critical military skill under the provisions of 37 U.S.C. 355; for conversion to military occupational specialty to ease personnel shortage under the provisions of 37 U.S.C. 326; for transfer between armed forces under the provisions of 37 U.S.C. 327; for continuation of pays during hospitalization and rehabilitation under the provisions of 37 U.S.C. 372; and for continuation pay authorized under the provisions of 37 U.S.C. 356.

2-F. Special Duty Assignment Pay: For pay to enlisted personnel for possessing special proficiency in a military skill, under the provisions of 37 U.S.C. 307 or 352.

2-G. Reenlistment Bonus: For payment to enlisted personnel of a bonus for reenlistment, under the provisions of 37 U.S.C. 308 or 331.

2-H. Enlistment Bonus: For payment to enlisted personnel of a bonus for enlistment (or extension) in a skill designated as critical, in accordance with the provisions of 37 U.S.C. 309 or 331.

2-I. Education Benefits: For payment to the Department of Defense Education Benefits Fund, a trust fund, in accordance with 38 U.S.C. Chapter 30. This program funds the additional and supplemental benefit payments above a basic benefit (the Montgomery GI Bill) to be budgeted by the Department of Veteran Affairs (DVA). The program is budgeted on an accrual basis by the Department of Defense.

2-J. Loan Repayment Program: For payment to enlisted personnel to repay education loans, in accordance with the provisions of 10 U.S.C. 2171.

2-K. Basic Allowance for Housing: For housing allowances payable to enlisted personnel under the provisions of 37 U.S.C. 403. BAH is comprised of BAH-Domestic and BAH-Overseas.

2-L. Station Allowances, Overseas: For per diem allowances payable to enlisted personnel stationed outside the United States or in Hawaii or Alaska based on cost of living for members stationed outside the Continental United States as prescribed by Joint Federal Travel Regulations and authorized under the provisions of 37 U.S.C. 475.

2-M. CONUS Cost of Living Allowance: For payments to eligible members assigned to high cost areas under the provisions of 37 U.S.C. section 403b.

2-N. Clothing Allowances: For payment to enlisted personnel of cash allowance for purchase of prescribed clothing, for cost of clothing issued in kind, and for cash payment of maintenance allowances for clothing under the provisions of 37 U.S.C. 418. (Excludes replacement of clothing lost, damaged, or destroyed.)

2-P. Separation Payments:

   a. For payments to enlisted personnel for accumulated unused annual leave under the provisions of 37 U.S.C. 501.

   b. For severance pay to enlisted personnel who are denied retention or continuation for non-disability reasons under the provisions of 10 U.S.C. 1174; for disability severance pay under the provisions of 10 U.S.C. 1212.

   c. For authorized donations for discharge under certain conditions under the provisions of 10 U.S.C. 1048.

   d. Voluntary Separation Incentive (VSI) - For payment of an annuity to enlisted members voluntarily separating from active duty under the provisions of 10 U.S.C. 1175.

   e. Special Separation Benefit (SSB) - For a lump sum payment to enlisted members separating from active duty under the provisions of 10 U.S.C. 1174a.

   f. Temporary Early Retirement Authority (TERA) - For payment of retired pay to selected active duty enlisted members who retire with between 15 and 20 years of service under the provisions of 10 U.S.C. 1293, 3911, 3914, 6323, 6330, 8911 and 8914. Section 504(b) of the FY 2012 National Defense Authorization Act (NDAA), P.L. 112-81, reinstates temporary retirement authorities in section 4403 of the FY 1993 NDAA (P.L. 102-484) from fiscal year 2012 to December 31, 2018.

   g. $30,000 Lump Sum Bonus – For payment to service members who entered the uniformed service on or after August 1, 1986 who opt to retire under the Redux retirement plan (40 percent retirement benefit at 20 years of service with partial COLA) under the provisions of 37 U.S.C. 354.

2-Q. Special Compensation for Assistance with Activities of Daily Living – Enlisted: For payment of monthly compensation to an enlisted service member with catastrophic injuries or illnesses requiring assistance in everyday living under the terms and conditions specified by 37 U.S.C. 439.

2-R. Social Security Tax - Employer’s Contribution: For payment of tax on employer to Social Security Administration as provided by Federal Insurance Contributions Act (FICA).

3. Pay and Allowances of Cadets and Midshipmen - For the pay and allowances of cadets and midshipmen at the United States Military Academy, United States Naval Academy, and the United States Air Force Academy.

3-A. Academy Cadets and Midshipmen: For basic pay, commuted ration allowance, and employer’s share of FICA tax for cadets and midshipmen appointed to the United States Military Academy, United States Naval Academy, and United States Air Force Academy, under the provisions of 37 U.S.C. 203 and 422.

   a. For payment of nuclear accession bonus under the provisions of 37 U.S.C. 312b.

   b. For the difference between the value of the commuted ration allowance and the cost of operational rations.

4. Subsistence of Enlisted Personnel - For the payment of authorized basic allowances for
subsistence to enlisted personnel and for the cost of procuring food and beverage supplies for issue as rations to enlisted personnel on extended active duty, including emergency and operational rations; also includes the payment of meals furnished under contract (when approved by competent authority) at commercial facilities where the payment of commuted rations would create an individual hardship and/or the costs for establishment of a Government mess facility are prohibitive or the contract feeding of enlisted personnel is determined to be more economical or advantageous.

4-A. Basic Allowance for Subsistence: For subsistence allowances payable to enlisted personnel under the provisions of 37 U.S.C. 402.

4-B. Subsistence in Kind: For cost of subsistence issued as rations to enlisted personnel, including emergency and operational rations, and for payment of meals furnished under contract by commercial facilities under the provisions of 10 U.S.C. 4561, 6081 and 9561.

4-C. Family Subsistence Supplemental Allowance (FSSA): For members eligible for food stamps, a supplemental allowance is provided not to exceed $500 per month under the provisions of 37 U.S.C. 402a.

5. Permanent Change of Station (PCS) Travel - For expenses incident to permanent change of station travel of military personnel, individually or as part of organized units. The PCS travel costs include mileage; monetary allowance in lieu of transportation; transportation by common carrier (rail, bus, air, or water, including Air Mobility Command and Military Sealift Command); per diem allowances, actual and necessary expenses and cost of subsistence while in a PCS travel status; issue of meal tickets in lieu of subsistence; temporary lodging expense; travel of dependents and transportation of baggage and household goods, port handling charges for personnel, their household goods, baggage and privately owned automobiles passing through CONUS MTMC terminals; payments of dislocation allowances; authorized transportation of dependents and personal and household effects of deceased military personnel; costs of contract packing, crating, handling and temporary storage of household goods; cost of non-temporary storage of household goods; cost of trailer allowances; travel incident to organizational movements on permanent change of station whether for training or non-training purposes; expenses incident to PCS movement of any military group traveling under one order from the same point of origin to the same destination; minor supplies and services incident to troop or organizational PCS movements; expenses and allowances incident to separation travel, discharge or release. Also included are all authorized Temporary Duty Travel directly related to and an integral part of PCS movement of individuals or organizational units. Excludes Temporary Duty Travel other than that directly related to and an integral part of PCS movements. All authorized PCS travel expenses provided for under this budget program account shall be charged to the same subprogram account cited in PCS travel order of the military member. The term "CONUS" (Continental United States) referred to herein applies to the United States Territory, "including the adjacent territorial waters located within the North American Continent between Canada and Mexico."

5-A. Accession Travel:

a. Officers. Covers PCS movements of (1) officers appointed to a commissioned grade from civil life, military academies or ROTC/NROTC, Reserve and National Guard officers called or recalled to extended active duty from home or a point where orders were received to first permanent duty station or training school of 20 weeks or more duration and (2) officers or warrant officers appointed or recalled from enlisted status to new permanent duty station or training school of 20 weeks or more duration. (Includes officers appointed from enlisted status upon graduation from Officer Candidate School (OCS), Officer Training School (OTS), or basic flying training.) (Marine Corps basic military training for officers will be a part of an accession move; this is the only exception to the 20-week
b. **Enlisted.** Covers PCS movements of (1) enlistees, reenlistees, and prior service personnel from recruiting station or place of enlistment to first permanent duty station or training school of 20 weeks or more duration and (2) recalled enlisted reservists from home to first permanent duty station or training school of 20 weeks or more.

c. **Cadets and Midshipmen.** Covers PCS movements of (1) individuals selected as academy cadets or midshipmen upon entry into the academies and (2) individuals who travel to the academies but fail to pass the entrance physical examinations and are required to return home.

5-B. **Training Travel:**

a. **Officers.** Covers PCS movements of (1) officers and warrant officers from previous CONUS permanent duty station to formal service or civilian schools, including technical schools, flying training schools, factory training, and other approved courses of instruction of 20 weeks duration or more; and (2) officer and warrant officer school graduates and eliminates from school to their next permanent CONUS duty station. (Excludes academy graduates, OCS or OTC graduates, flying training graduates, ROTC graduates and others chargeable to Accession Travel.)

b. **Enlisted.** Covers PCS movements of (1) enlisted personnel from previous CONUS permanent duty station to formal service or civilian schools, including technical schools, flying training schools, factory training, and other approved courses of instruction, of 20 weeks duration or more; (2) enlisted school graduates and eliminates from school to their next CONUS permanent duty station; and (3) enlisted personnel ordered to training leading to a commission if such training period is of 20 weeks duration or more.

5-C. **Operational Travel: Between Duty Stations (within CONUS and within Overseas):**

a. **Officers.** Covers PCS movements of (1) officers, and warrant officers to and from permanent duty stations located within the United States; (2) officers and warrant officers to and from permanent duty stations located within an overseas area when no transoceanic travel is involved; and (3) dependents, household goods, personal effects and privately owned vehicles of officers and warrant officers who are interned, missing, or captured when no transoceanic travel is involved.

b. **Enlisted.** Covers PCS movements of (1) enlisted personnel to and from permanent duty stations located within the United States; (2) enlisted personnel to and from permanent duty stations located within an overseas area when no transoceanic travel is involved; and (3) dependents, household goods, personal effects and privately owned vehicles of enlisted personnel who are interned, missing, or captured when no transoceanic travel is involved.

5-D. **Rotational Travel to and from Overseas:**

a. **Officers.** Covers PCS movements of (1) officers and warrant officers from permanent duty stations in CONUS, or training of 20 weeks or more duration, to permanent duty stations overseas; (2) officers and warrant officers from permanent duty stations overseas to permanent duty stations in CONUS, or training of 20 weeks or more duration; (3) officers and warrant officers from permanent duty stations in one overseas area to permanent duty stations in another overseas area when transoceanic travel is involved; and (4) dependents, household goods, personal effects and privately owned vehicles of officers and warrant officers who are interned, missing or captured when transoceanic travel is involved.
b. Enlisted. Covers PCS movements of (1) enlisted personnel from permanent duty stations in CONUS, or training of 20 weeks or more duration, to permanent duty stations overseas; (2) enlisted personnel from permanent duty stations overseas to permanent duty stations in CONUS, or training of 20 weeks or more duration; (3) enlisted personnel from permanent duty stations in one overseas area to permanent duty stations in another overseas area when transoceanic travel is involved; and (4) dependents, household goods, personal effects, and privately owned vehicles of enlisted personnel who are interned, missing, or captured when transoceanic travel is involved.

5-E. Separation Travel:

a. Officers. Covers PCS movements of (1) officers and warrant officers upon release or separation from the Service from last permanent duty station to home of record or point of entry into service, or to home of selection when authorized by law; and (2) dependents, household goods, trailer allowances, and personal effects of officers and warrant officers who are deceased.

b. Enlisted. Covers PCS movements of (1) enlisted personnel upon release or separation from the Service from last permanent duty station to home of record or point of entry into service or to home of selection when authorized by law; and (2) dependents, household goods, trailer allowances, and personal effects of enlisted personnel who are deceased.

c. Cadets and Midshipmen. Covers PCS movements of eliminated academy cadets/midshipmen to home of record or point of entry into service.

5-F. Travel of Organized Units:

a. Officers. Covers PCS movements of (1) officers and warrant officers directed to move as members of an organized unit movement; and (2) officer and warrant officer fillers and replacements directed to move as part of the unit move.

b. Enlisted. Covers PCS movements of (1) enlisted personnel directed to move as members of an organized unit movement; and (2) enlisted fillers and replacements directed to move as part of the unit move.

6. Other Military Personnel Costs - For costs incident to the apprehension of military deserters, absentees, and escaped prisoners; interest on uniformed services savings deposits; death gratuities; unemployment benefits; education benefits; adoption expenses; mass transportation benefits; partial dislocation allowance payments; servicemembers’ group life insurance; reserve officer training corps; and junior reserve officer training corps.

6-A. Apprehension of Military DeserterR, Absentees, and Escaped Military Prisoners: For the expenses of apprehension and delivery of military deserters, absentees, and escaped military prisoners, including the payment for travel of guards; payment of rewards or reimbursement of reasonable and actual expenses to persons or agencies apprehending and detaining or delivering absentees or deserters to military control.

6-B. Interest on Uniformed Services Savings Deposits: For the payment of interest at a rate not to exceed 10 percent per annum on any sum of not less than $5 deposited by members of the uniformed services under the provisions of 10 U.S.C. 1035.

6-C. Death Gratuities: For the payment of death gratuities to beneficiaries of military
personnel under the provisions of 10 U.S.C. 1475-80.

6-D. Unemployment Benefits: For the payment of unemployment benefits to ex-service members who are discharged or released under honorable conditions under the provisions of Title 5, United States Code (U.S.C.), section 8521.

6-E. Education Benefits: For amortization payments to the DoD Education Benefits Fund, a trust fund, as prescribed by 10, U.S.C., 2006. This program is governed by 38 U.S.C. Chapter 30 and is budgeted on an accrual basis by the Department of Defense.

6-F. Adoption Expenses: To provide reimbursement for qualifying adoption expenses under the provisions of 10 U.S.C. 1052.

6-G. Mass Transportation Benefit: For payment of mass transportation benefits as required by Executive Order 13150 on federal workforce transportation, dated April 21, 2000.

6-H. Partial Dislocation Allowance: To provide payment for either vacating or moving into quarters for renovation purposes under the provision of the FY 2002 National Defense Authorization Act, Section 636.

6-I. Reserve Income Replacement: For the payment of monthly active-duty income differential of a Reserve Component member when the total monthly military compensation of the member is less than the average monthly civilian income of the member under the provisions of 37 U.S.C 910.


6-K. ROTC: All the military personnel-type costs associated with the Senior Reserve Officers’ Training Corps (except the scholarship program) of an armed force, provided for in 10 U.S.C. 2101-2111. All the military personnel costs associated with the financial assistance program for specially selected members of the Senior R.O.T.C. program. This program is intended to offer regular commissions to cadets and midshipmen successfully completing the academic and military requirements of the 4-year program. Authority for the program is contained in 10 U.S.C. 2107. Retired pay accrual does not apply to R.O.T.C. personnel. Costs include the subsistence allowance per month authorized by 37 U.S.C. 209, costs of uniform clothing authorized by 10 U.S.C. 2109-2110, pay and allowances authorized by 37 U.S.C. 209, incentive pay for members of precommissioning programs pursuing foreign language proficiency under the provisions of 37 U.S.C. 316a, and the cost of subsistence issued as rations to enlisted personnel including emergency and operational rations authorized by 10 U.S.C. 2109-2110.

6-L. JROTC: All the military personnel costs associated with the Junior R.O.T.C. units at public and private secondary educational institutions provided for in 10 U.S.C. 2031. Retired pay accrual does not apply to J.R.O.T.C. personnel.

BA/BSA – Medicare-Eligible Retiree Health Fund Contribution Appropriations

1. Officers - For the Department of Defense’s contribution to the Medicare-Eligible Retiree Health Care Fund for the future Medicare-Eligible health care costs for current military officers in accordance with 10 U.S.C. Chapter 56. Defense Health Care Accrual amounts are to be paid into the fund based upon approved actuarial rate multiplied by the expected average force strength.
for each fiscal year. The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (P.L. 108-375) provided permanent, indefinite appropriations to finance the cost of accruing TRICARE benefits for uniformed service member. These costs are included in the DoD discretionary total.

2. **Enlisted** - For the Department of Defense’s contribution to the Medicare-Eligible Retiree Health Care Fund for the future Medicare-Eligible health care costs for current military enlisted personnel in accordance with 10 U.S.C. Chapter 56. Defense Health Care Accrual amounts are to be paid into the fund based upon approved actuarial rate multiplied by the expected average force strength for each fiscal year. The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (P.L. 108-375) provided permanent, indefinite appropriations to finance the cost of accruing TRICARE benefits for uniformed service member. These costs are included in the DoD discretionary total.
### OBJECT CLASSIFICATION

**ACTIVE MILITARY PERSONNEL APPROPRIATIONS**

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OBJECT CLASSIFICATION
ACTIVE MILITARY PERSONNEL APPROPRIATIONS

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<td>$30,000 Lump Sum Bonus</td>
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*A020203. Budget Presentation Structure Requirements

A. For purposes of preparing certain material for presentation and justification of program and budget estimates, the following budget activities will be used for the Active Military Personnel Appropriations:

1. Pay and Allowances of Officers
2. Pay and Allowances of Enlisted
3. Pay and Allowances of Cadets and Midshipmen
4. Subsistence of Enlisted Personnel
5. Permanent Change of Station Travel
6. Other Military Personnel Costs

B. The following additional breakdown of each budget activity is required to be shown in the applicable justification exhibits:

BA/BSA

1. Pay and Allowances of Officers:
   a. Basic Pay
   b. Retired Pay Accrual
   c. Thrift Savings Plan – Matching Contributions
   d. Incentive Pay for Hazardous Duty
      (1) Flying Duty
         (a) Crew
         (b) Noncrew
         (c) Aviation Continuation Pay
         (d) Crew (Nonrated)
      (2) Submarine Duty
      (3) Parachute Jumping
         (a) Parachute Jumping (regular)
         (b) Parachute Jumping (High Altitude/Low Opening)
         (c) Other Incentive Pay
      (4) Duty inside a high or low pressure chamber inside
observer, human acceleration or deceleration, experimental subject and test subject in thermal stress experiments

(5) Demolition Duty
(6) Flight Deck Duty
(7) Air Weapons Controller Duty
(8) Duty Involving Toxic Fuel/Waste
(9) Duty Involving Live/Hazardous Biological Organisms

(10) Visit, Board, Search and Seizure

e. Special Pay
(1) Medical Pay
   (a) Variable Special Pay
   (b) Additional Special Pay
   (c) Board Certified Pay
   (d) Medical Incentive Pay
   (e) Multi-Year Retention Bonus
   (f) Critically Short Wartime Specialties

Accession Bonus

(2) Dental Pay
   (a) Variable Special Pay
   (b) Additional Special Pay
   (c) Board Certified Pay
   (d) Accession Bonus
   (e) Multi-Year Retention Bonus
   (f) Dental Critical Skills Retention Bonus

(3) Nurse Pay
   (a) Accession Bonus
   (b) Anesthetist Pay

(4) Special Pay for Optometrists

(5) Special Pay for Pharmacists
   (a) Accession Bonus
   (b) Special Pay

(6) Special Pay for Veterinarians
(7) Board Certified Pay for Non-Physician Health Care Providers

(8) Personal Money Allowances - General/Flag Officers
(9) Responsibility Pay
(10) Diving Duty
(11) Special Pay - Nuclear Officer Incentive Pay
(12) Scientific/Engineering Bonus
(13) Sea Duty Pay
   (a) Career Sea Pay
   (b) Premium Sea Pay

(14) Overseas Extension Pay
(15) Foreign Language Proficiency Pay
(16a) Hostile Fire Pay
(16b) Imminent Danger Pay
(17) Hardship Duty Pay
(18) Judge Advocate Continuation Pay
(19) Special Warfare Officer Pay (extend period of active duty)

(20) Surface Warfare Officer Continuation Pay
(21) Critical Skills Retention Bonus
(22) New Officers in Critical Skills Accession Bonus
(23) Transfer between Armed Forces Incentive Bonus
(24) Hospitalization and Rehabilitation Pay
(25) Assignment Incentive Pay
(26) Continuation Pay

f. Basic Allowance for Housing
   (1) With Dependents – Domestic
   (2) Without Dependents – Domestic
   (3) Partial Allowance – Bachelor – Domestic
   (4) Substandard Housing - Domestic
   (5) With Dependents – Overseas
   (6) Without Dependents – Overseas

g. Basic Allowance for Subsistence

h. Station Allowances, Overseas
   (1) Cost of Living
   (2) Temporary Lodging

i. CONUS Cost of Living Allowances

j. Clothing Allowances
   (1) Initial Military Allowance
   (2) Additional Military Allowance
   (3) Civilian Clothing Allowance

k. Family Separation Allowances
   (1) On permanent change of station with dependents not authorized, Government quarters not available.
   (2) On permanent change of station with dependents not authorized.
   (3) On board ship for more than 30 days.
   (4) On temporary duty for more than 30 days with dependents not residing near temporary duty station.

l. Separation Payments
   (1) Lump sum terminal leave payments.
   (2) Lump sum readjustment payments.
   (3) Lump sum payments to reservists
   (4) Severance pay, failure of promotion.
   (5) Severance pay, disability.
   (6) Severance pay, non-disability
   (7) Voluntary Separation Incentive (VSI)
   (8) Voluntary Separation Pay (VSP)
   (9) Special Separation Benefit (SSB)
   (10) 15 Year Temporary Early Retirement Authority
   (11) $30,000 Lump Sum Bonus

m. Special Compensation for Assistance with Activities of Daily Living

n. Social Security Tax - Employer’s Contribution

2. Pay and Allowances of Enlisted Personnel:
   a. Basic Pay
   b. Retired Pay Accrual
   c. Thrift Savings Plan – Matching Contribution
   d-1. Incentive Pay for Hazardous Duty
      (1) Flying Duty
         (a) Crew
         (b) Noncrew
      (2) Submarine Duty
      (3) Parachute Jumping
(a) Parachute Jumping (regular)  
(b) Parachute Jumping (High Altitude/Low Opening)  
(c) Other Incentive Pay  
(4) Duty inside a high or low pressure chamber inside observer, human acceleration or deceleration, experimental subject and test subject in thermal stress experiments  
(5) Demolition Duty  
(6) Flight Deck Duty  
(7) Air Weapons Controller Duty  
(8) Duty Involving Toxic Fuel/Waste  
(9) Duty Involving Live/Hazardous Biological Organisms  
(10) Visit, Board, Search, and Seizure  

d-2. Career Enlisted Flyer Pay  
e. Special Pay  
(1) Diving Duty  
(2) Sea Duty Pay  
(a) Career Sea Pay  
(b) Premium Sea Pay  
(3) Overseas Extension Pay  
(4) Nuclear Accession Bonus  
(5) Foreign Language Proficiency Pay  
(6a) Hostile Fire Pay  
(6b) Imminent Danger Pay  
(7) Hardship Duty Pay  
(8) Critical Skill Retention Bonus  
(9) Conversion to Military Occupational Specialty to ease personnel shortage  
(10) Transfer Between Armed Forces Incentive Bonus  
(11) Hospitalization and Rehabilitation Pay  
(12) Assignment Incentive Pay  
(13) Continuation Pay  
f. Special Duty Assignment Pay  
g. Reenlistment Bonus  
h. Enlistment Bonus  
(1) New Payments  
(2) Residual New  
(3) Anniversary  
i. Education Benefits (College Fund)  
j. Loan Repayment Program  
k. Basic Allowance for Housing  
(1) With Dependents – Domestic  
(2) Without Dependents – Domestic  
(3) Partial Allowance – Bachelor – Domestic  
(4) Substandard Housing – Domestic  
(5) With Dependents – Overseas  
(6) Without Dependents - Overseas  
l. Station Allowances, Overseas  
(1) Cost of Living  
(2) Temporary Lodging  
m. CONUS Cost of Living Allowances  
n. Clothing Allowances
(1) Initial
   (a) Military
   (b) Civilian
(2) Maintenance Allowances
   (a) Basic Allowance
   (b) Standard Allowance
   (c) Special Allowance
(3) Supplementary Allowances
(4) Other Allowances

O. Family Separation Allowances
   (1) FSA-R - On permanent change of station with dependents not authorized.
   (2) FSA-S - On board ship for more than 30 days.
   (3) FSA-T - On temporary duty for more than 30 days with dependents not residing near temporary duty station.

P. Separation Payments
   (1) Lump sum terminal leave payments.
   (2) Severance pay, disability
   (3) Severance pay, non-disability
   (4) Authorized donations
   (5) Voluntary Separation Incentive (VSI)
   (6) Special Separation Benefit (SSB)
   (7) 15 Year Temporary Early Retirement Authority
   (8) $30,000 Lump Sum Bonus

Q. Special Compensation for Assistance with Activities of Daily Living

R. Social Security Tax - Employer’s Contribution

3. Pay and Allowances of Cadets and Midshipmen: Academy Cadets and Midshipmen
   a. Basic Pay
   b. Subsistence - Commuted Ration
   c. Operational rations
   d. Social Security Tax - Employer’s Contribution
   e. Nuclear Accession Bonus

4. Subsistence of Enlisted Personnel:
   a. Basic Allowance for Subsistence
      (1) When Authorized to Mess Separately
      (2) When Rations in Kind Not Available
      (3) Augmentation of Commuted Ration Allowance for Meals Taken Separately
      (4) Less Collections
   b. Subsistence in Kind
      (1) Subsistence in Messes
         (a) Trainee/NP Status
         (b) Members Taking Meals in Mess
         (c) Reimbursable
      (2) Operational Rations
         (a) MREs
         (b) Unitized Rations
         (c) Other Package of Rations
         (d) Reimbursable
(3) Augmentation Rations/Other Programs
   (a) Augmented Rations
   (b) Other - Region
   (c) Other – Messing

c. Family Subsistence Supplemental Allowance

5. Permanent Change of Station Travel:
   a. Summary of Move Requirements. For each type of move reflected in c through h below, show the number of moves and the dollar amount for the PY, CY, and BY at the aggregate level (combine officers, enlisted and officer candidates).
   b. Summary of Requirements by Types of Costs. Show the number and amount of the following entries for the PY, CY, and BY, regardless of the type of move.

   (1) Travel of Military Members (include cadets and midshipmen)
      Mileage and Per Diem 1/
      AMC 2/
      Commercial Air 3/
   (2) Travel of Dependents (family)
      Mileage 4/
      AMC 5/
      Commercial Air 6/
   (3) Transportation of Household Goods
      M Tons - MSC
      S Tons - AMC
      Other Shipments
   (4) Dislocation Allowance
   (5) Trailer Allowance
   (6) Transportation of POVs
   (7) Port Handling Charges
   (8) Non-temporary storage
   (9) Temporary Lodging Expense
   (10) Pet Quarantine Fees
   (11) Total Obligations
   (12) Less Reimbursements
   (13) Total Direct Obligations

c. Accession Travel 7/
   (1) Officers
   (2) Enlisted
   (3) Officer Candidates

d. Training Travel 7/
   (1) Officers
   (2) Enlisted

e. Operational Travel Between Duty Station 7/
   (1) Officers
   (2) Enlisted

f. Rotational Travel to and from Overseas 7/
   (1) Officers
   (2) Enlisted

g. Separation Travel 7/
   (1) Officers
   (2) Enlisted
   (3) Officer Candidates

h. Travel of Organized Units 7/
(1) Officers
(2) Enlisted

1. Mileage and Per Diem - The costs of travel relating to use of privately owned vehicle or commercial modes other than air or sea. Includes per diem paid to the individual member. It excludes movement of mobile trailers even if the trailer is moved by the member. The unit of measurement is number of member moves.

2. Air Mobility Command (AMC) - The costs of travel for movement of an individual member reimbursed to AMC. The unit of measurement is number of member moves.

3. Commercial Air - The costs for movement of an individual member paid directly to a commercial company. (Excludes any costs paid to AMC.) The unit of measurement is number of member moves.

4. Mileage - The costs of travel relating to the use of privately owned vehicles or commercial modes other than air or sea for the dependents of an individual member. Includes per diem paid to dependents. The unit of measurement is number of family moves.

5. Air Mobility Command (AMC) - The costs of travel for movement of dependents reimbursed to AMC. The unit of measurement is number of dependents.

6. Commercial Air - The costs for movement of dependents paid directly to a commercial company (excludes any costs paid to AMC). The unit of measurement is number of dependents.

7. For each permanent change of station travel account, the following data will be shown, as applicable, for officers, enlisted and cadets/midshipmen:

   (1) Member Travel - Costs related to the movement of each member of a military service making a permanent change of station move.

   (2) Dependent Travel - Costs related to the movement of dependents when authorized as part of a permanent change of station of a member of a military service. The number of dependent moves should reflect the number of families moved as a unit of measure.

   (3) Transportation of Household Goods - Costs related to movement of household goods as authorized by Joint Federal Travel Regulations including shipment of unaccompanied baggage.

      (a) Land Shipments, CONUS and Overseas - The costs of shipment of goods for the portion in CONUS and overseas of shipments other than International Through Government Bill of Lading (ITGBL). The unit of measurement is member move.

      (b) ITGBL - The costs of shipment from point of origin to destination on ITGBL. Includes both land and overwater portion of the movement. The unit of measurement is member move.

      (c) Overseas - The costs of shipments, including unaccompanied and excess baggage, either reimbursed to the Military Sealift Command (MSC), Air Mobility Command (AMC), or paid directly to a commercial company.
(4) Dislocation Allowance - The costs of dislocation allowance as authorized in the JTR. The unit of measurement is number of members paid.

(5) Trailer Allowance - The costs of movement of mobile trailers whether moved by commercial contract or moved by the individual member. The unit of measurement is number of trailer moves.

(6) Privately Owned Vehicles (POV) - The costs to the Government of transporting or storing a POV to or from overseas.

(a) Military Sealift Command (MSC) - The cost of shipping POVs reimbursed to MSC. The unit of measurement is number of POVs shipped. If number of POVs shipped is not available, use 11.2 measurement tons per vehicle to convert measurement tons to vehicles.

(b) Military Traffic Management Command (MTMC) – The cost of storing POVs reimbursed to MTMC. The unit of measurement is number of POVs stored.

(c) Port Handling (Military Traffic Management Command) - The cost of port processing of vehicles reimbursed to MTMC. The unit of measurement is number of POVs processed. If number of POVs processed is not available, use 11.2 measurement tons per vehicle to convert measurement tons to vehicles.

(7) Port Handling Costs (HHGs) - The port handling costs for household goods and unaccompanied baggage reimbursed to MTMC. The unit of measure is measurement tons.

(8) Non-temporary Storage - The costs to the government of placing goods in storage or moving them to another specified destination under the provisions of 37 U.S.C. 476 when a member entitled to a PCS move is ordered to a duty station to which the shipment of household goods is not authorized. No unit of measure will be shown for non-temporary storage, only costs.

(9) Temporary Lodging Expense (TLE) - The cost of reimbursing the member for expenses incurred as a result of a PCS move, not to exceed $290 per day for up to 10 days under the provisions of 37 U.S.C. 474a. TLE requirements should reflect members paid as the unit of measure.

(10) Pet Quarantine Fees – The cost of reimbursing the member for mandatory pet quarantine fees incident to a Permanent Change of Station under the provisions of 37 U.S.C. 476(a)(1).

6. Other Military Personnel Costs:

   a. Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners

   b. Interest on Uniformed Services Savings Deposits

   c. Death Gratuities

      (1) Officers
(2) Enlisted
(3) Cadets and Midshipmen
d. Unemployment Benefits
e. Education Benefits (Amortization Payments)
f. Adoption Expenses
g. Mass Transportation Benefit
h. Partial Dislocation Allowance
i. Reserve Income Replacement
j. SGLI/T-SGLI
  (1) SGLI Extra Hazard Payments
  (2) Traumatic Injury Protection Coverage (T-SGLI)
  (3) SGLI/T-SGLI Insurance Premium Allowance
k. ROTC
l. JROTC

*020204. Program and Budget Review Submission

A. This section prescribes the justification materials required for the Active Military Personnel appropriations to support budget estimates. Fund requirements for these appropriations will be presented using those budget and accounting classifications set forth in paragraphs 020202 and 020203, above.

B. Exhibits in Support of Program and Budget Estimates - The following justification exhibits will be prepared and submitted in support of the program and budget review for the OSD/OMB program and budget review submission. These exhibits will be organized by Service military personnel account. Examples of the required exhibits are provided in paragraph 020602. The required justification material will be organized in a single unclassified volume with the unclassified data displayed in the sequence shown below:

Table of Contents

Section 1 - Summary of Requirements by Budget Program (PB-30A)

The Summary of Requirements will include a Medicare-Eligible Retiree Health Fund Contribution Appropriation line displaying the total amounts budgeted as shown in section 020602 of this chapter. These amounts will be supported by detailed calculations provided in the MP-13 Exhibit included in the separate backup justification book.

Section 2 – Introduction, Summary of Economic Assumptions, and Performance Measures
1. The Introduction will include an Introductory Statement that should provide the highlights of the budget submission and a general discussion of the relationship of the resources requested to the proposed military strength program. This should include a discussion of the military strength characteristics in terms of gains and losses and promotion and assignments policies. It also should address strength changes in programmatic terms such as force structure gains and losses and other matters of an overall nature as considered appropriate by the Service. For those Services ordering Selected Reserve members to active duty for preplanned missions in support of Combatant Commands (12304b authority), active Military Personnel budget justification material must include a description of the mission for which such units are anticipated to be ordered to active duty and the anticipated length of time of the order of such units to active duty on an involuntary basis. Finally, the Introduction will include the following statement:

“The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (P.L. 108-375) provided permanent, indefinite appropriations to finance the cost of TRICARE benefits accrued by uniformed service members. Since these costs are actually borne in support of the Department of Defense, they will be shown as part of the DoD discretionary total. The appropriations requested for the military personnel accounts exclude retiree health accrual funding. Total obligations on behalf of military personnel include both the amounts requested for appropriation and amounts paid from the permanent, indefinite authority.”

2. Economic Assumptions will summarize funding projections, end strength, average strength, retired pay accrual (full-time and part-time), military pay raise, and inflation rates assumed for Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS), and non-pay funding items. This summary can be formatted to summarize by fiscal year or by element of expense as preferred by the Service.

3. The Dwell Time Assessment directed by the FY 2013 NDAA should include a statement on the estimated dwell time for both the active and reserve components in the prior year (PY), current year (CY), and budget year (BY). The assessment should identify military occupational specialties and types of units that did not achieve the Service’s dwell time goals. In addition, the assessment should include a statement of whether requested reductions in active duty end-strength are reversible within 1 year. This section of the Introductory Statement is required through the FY 2017 President’s Budget.

4. Performance Measures and Evaluation Summary (PB-30Y) (example provided in paragraph 020602).

Section 3 - Summary Tables (examples provided in paragraph 020602, below)

1. Personnel Summaries (PB-30B through PB-30F)
2. Summary of Entitlements by Subactivity (PB-30J)
3. Analysis of Appropriation Changes and Supplemental Requirements (PB-30K)
4. Schedule of Increases and Decreases Summary (PB-30Q)

Section 4 - Detail of Military Personnel Entitlements

Justification materials will be provided for each entitlement as prescribed in paragraphs 020202 and 020203, above for each of the following six budget activities for military personnel:
1. Pay and Allowances of Officers
2. Pay and Allowances of Enlisted Personnel
3. Pay and Allowances of Cadets/Midshipmen
4. Subsistence of Enlisted Personnel
5. Permanent Change of Station Travel
6. Other Military Personnel Costs

Each of the military personnel budget activities above will be introduced by a schedule of increases and decreases (PB-30P). The Incentive/Bonus Payment Stream exhibit (PB-30V) will be included in Section 4, Detail of Military Personnel Entitlements (See paragraph 020602, below for format).

Section 5 - Special Analyses (examples provided in paragraph 020602, below)

1. Schedule of Military Assigned Outside DoD (PB-30Q)
2. Reimbursable Programs (PB-30R)
3. Reserve Officer Training Corps Enrollment (PB-30S)
4. Reserve Officer Training Corps Program (PB-30T)
5. Monthly End Strength by Pay Grade (PB-30Z)

A. Justification material for each subactivity will contain a purpose and scope as well as a justification of funds requested. The requirements for each entitlement under each military personnel category will be justified on a gross basis to include total obligations for both direct and reimbursable personnel. For each subactivity/entitlement, include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory, program enhancements, solving deficiencies, etc.). Also provide a general explanation for each type of entitlement. The computation for each entitlement will display data for the prior year (PY), current year (CY), and budget year (BY). An example of the exhibit to meet this requirement is Exhibit PB-30X in section 020602.

B. The following exhibits will be provided in a separate backup justification book in support of the budget estimate. Examples of these exhibits are provided in paragraph 020602, below:

MP-2 Basic Allowance for Housing Costs Summary
MP-3 Summary of Outyear Data
MP-4 Military Personnel by Region and Country
MP-6 Education Benefits - Additional Basic Benefits (38, U.S.C. Chapter 30)
MP-9 Summary of Basic Pay and Retired Pay Accrual Costs
MP-11 Gains Phased by Month
MP-12 Pay Raise Data
MP-13 Medicare-Eligible Retiree Health Fund Contributions

For the Department of Defense’s contribution to the Medicare-Eligible Retiree Health Care Fund for the future Medicare-Eligible health care costs for current military personnel in accordance with 10 U.S.C. Chapter 56. Defense Health Care Accrual amounts are to be paid into the fund based upon approved actuarial rates.

MP-15 Monthly Obligation Phasing Plan
MP-16 Summary of Recruiting and Retention Data
MP-17 Reimbursable Program (Reimbursing Customers)
PB-16 Legislative Proposals (See Volume 2B, Chapter 19, paragraph 191205 for format)
PB-18 Foreign Currency Exchange Data (See Volume 2B, Chapter 19, paragraph 191205 for format)

A submission is required for all components approved to participate in the foreign currency account. These components must submit a PB-18 for all appropriations to include an estimate of military spendable income, COLA and OHA estimates, and troop strength. It is submitted in conjunction with and in support of the OSD Program and Budget Review Submission and the President’s Budget submission for the four active military personnel appropriations.

020205. Congressional Justification/Presentation

A. Justification books will be organized by Service military personnel account.

B. Justification Book, other exhibit requirements, and electronic data submissions in support of the congressional submission are identical to what is shown in paragraph 020204, Program and Budget Review Submission. Exhibits provided to OUSD(C), consistent with subparagraph 020204.D, above will not be provided to Congress but will be provided under separate cover to OUSD(C) at the time of the President’s budget submission.

C. M-1 Exhibit. Since FY 1998, appropriations language has required the submission of an M-1 exhibit in support of the President’s budget. The Military Departments are required to submit M-1 data through the Program Resources Collection Process (PRCP) system consistent with paragraph 010501 of Chapter 1.

0203 RESERVE MILITARY PERSONNEL AND MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION APPROPRIATIONS

020301. General

A. The purpose of this chapter is to provide general information applicable to the Reserve Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations including funding policies, classifications, and definitions unique to these accounts. Generic policies and requirements are addressed in Chapter 1. The Military

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Components should consult all of the other chapters for exhibit requirements that are not specifically addressed in this chapter including the Other Special Analysis chapter (See Volume 2B, Chapter 19).

B. This section provides the budget and fiscal accounting classifications for the Reserve and National Guard Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of 10 U.S.C. 115. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification, which shall be used on a uniform basis for the Reserve Component personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds for the Reserve and National Guard Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations.

*020302. Uniform Budget and Fiscal Accounting Classification

A. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in this section. Variations in the budget program, activity, and subactivity classification and titles shall not be made, except that additional accounts consistent with this budget and accounting classification may be established in order to meet administration requirements of the various elements of the Military Departments. The scope of each account is described below.

B. Symbol numbers shall be assigned to each of the budget activities and subactivities listed below in the same manner and in the same sequence and will be consistent with the fiscal codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

C. Chart of Accounts - The chart of accounts represents a summary of the accounting and reporting structure under the Reserve Components’ Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations. Obligations and disbursements for individual clothing and uniform allowances, and for subsistence of enlisted personnel may be allocated by activity on a statistical basis if not reported by the different types of training. Subactivities may be combined in reporting on the status of funds, provided the subactivity is maintained for program and budget review and presentation purposes:

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTIONS

Budget Activity (BA) and Budget Subactivity (BSA)

BA/BSA – Reserve and National Guard Personnel Appropriations

The joint explanatory statement accompanying the DoD Appropriations Act, 2009 (P.L. 110-329, Division C) requested that the DoD make permanent the consolidated budget structure for Reserve and Guard personnel appropriations; therefore, the budget justification material shall reflect only one budget activity.
1. Reserve Component Training and Support

1-A  Training - Pay Group A

1-A-1  Basic pay, active duty for training, officers
1-A-2  Other pay and allowances, active duty for training, officers
1-A-3  Basic pay, active duty for training, enlisted
1-A-4  Other pay and allowances, active duty for training, enlisted
1-A-5  Basic pay, inactive duty training, officers
1-A-6  Basic pay, inactive duty training, enlisted
1-A-7  Individual clothing and uniform allowances, officers
1-A-8  Individual clothing and uniform allowances, enlisted
1-A-9  Subsistence of enlisted personnel
1-A-10 Travel, active duty for training, officers
1-A-11 Travel, active duty for training, enlisted
1-A-12 Retired pay accrual, officers
1-A-13 Retired pay accrual, enlisted

1-B  Training - Pay Group B

1-B-1  Basic pay, active duty for training, officers
1-B-2  Other pay and allowances, active duty for training, officers
1-B-3  Basic pay, active duty for training, enlisted
1-B-4  Other pay and allowances, active duty for training, enlisted
1-B-5  Basic pay, inactive duty training, officers
1-B-6  Basic pay, inactive duty training, enlisted
1-B-7  Individual clothing and uniform allowances, officers
1-B-8  Individual clothing and uniform allowances, enlisted
1-B-9  Subsistence of enlisted personnel
1-B-10 Travel, active duty for training, officers
1-B-11 Travel, active duty for training, enlisted
1-B-12 Retired pay accrual, officers
1-B-13 Retired pay accrual, enlisted

1-C  Training - Pay Group F

1-C-1  Basic pay, active duty for training, enlisted
1-C-2  Other pay and allowances, active duty for training, enlisted
1-C-3  Individual clothing and uniform allowances, enlisted
1-C-4  Subsistence of enlisted personnel
1-C-5  Travel, active duty for training, enlisted
1-C-6  Retired pay accrual, enlisted

1-D  Training - Pay Group P

1-D-1  Basic pay, inactive duty training, enlisted
1-D-2  Individual clothing and uniform allowances, enlisted
1-D-3  Subsistence of enlisted personnel
1-D-4  Retired pay accrual, enlisted

1-E  Mobilization Training

1-E-1  Basic pay, active duty for training, officers
1-E-2 Other pay and allowances, active duty for training, officers
1-E-3 Basic pay, active duty for training, enlisted
1-E-4 Other pay and allowances, active duty for training, enlisted
1-E-5 Individual clothing and uniform allowances, officers
1-E-6 Individual clothing and uniform allowances, enlisted
1-E-7 Subsistence of enlisted personnel
1-E-8 Travel, active duty for training, officers
1-E-9 Travel, active duty for training, enlisted
1-E-10 Retired pay accrual, officers
1-E-11 Retired pay accrual, enlisted
1-E-12 Muster pay stipend, officers
1-E-13 Muster pay stipend, enlisted

1-F School Training

1-F-1 Basic pay, active duty for training, officers
1-F-2 Other pay and allowances, active duty for training, officers
1-F-3 Basic pay, active duty for training, enlisted
1-F-4 Other pay and allowances, active duty for training, enlisted
1-F-5 Individual clothing and uniform allowances, officers
1-F-6 Individual clothing and uniform allowances, enlisted
1-F-7 Subsistence of enlisted personnel
1-F-8 Travel, active duty for training, officers
1-F-9 Travel, active duty for training, enlisted
1-F-10 Retired pay accrual, officers
1-F-11 Retired pay accrual, enlisted

1-G Special Training

1-G-1 Basic pay, active duty for training, officers
1-G-2 Other pay and allowances, active duty for training, officers
1-G-3 Basic pay, active duty for training, enlisted
1-G-4 Other pay and allowances, active duty for training, enlisted
1-G-5 Individual clothing and uniform allowances, officers
1-G-6 Individual clothing and uniform allowances, enlisted
1-G-7 Subsistence of enlisted personnel
1-G-8 Travel, active duty for training, officers
1-G-9 Travel, active duty for training, enlisted
1-G-10 Retired pay accrual, officers
1-G-11 Retired pay accrual, enlisted

1-H Administration and Support

1-H-1 Basic pay of officers
1-H-2 Other pay and allowances of officers
1-H-3 Basic pay of enlisted
1-H-4 Other pay and allowances of enlisted
1-H-5 Subsistence of enlisted personnel
1-H-6 Permanent change of station travel
1-H-7 Death gratuities, officers
1-H-8 Death gratuities, enlisted
1-H-9 Disability and hospitalization benefits, officers
1-H-10 Disability and hospitalization benefits, enlisted
1-H-11 Reenlistment Bonus
1-H-12 Enlistment Bonus
1-H-13 Educational Assistance (Other than Montgomery G.I. Bill)
1-H-14 Loan Repayment
1-H-15 NROTC Nuclear Bonus
1-H-16 Affiliation Bonus
1-H-17 Individual Ready Reserve Enlistment/Reenlistment Bonus (PS)
1-H-18 Individual Ready Reserve Enlistment Program Bonus (NPS)
1-H-19 Critical Skills Retention Bonus (CSRB)
1-H-20 Health Professionals Stipend (SELRES)
1-H-21 Health Professionals Stipend (IRR)
1-H-22 Health Professionals Loan Repayment
1-H-23 Specialized Training Assistance Program (STRAP)
1-H-24 Health Professionals Medical Officer Recruiting Program (HPMORP)
1-H-25 Retired pay accrual, officers
1-H-26 Retired pay accrual, enlisted
1-H-27 Adoption Expenses
1-H-28 $30,000 Lump Sum Bonus, officers
1-H-29 $30,000 Lump Sum Bonus, enlisted
1-H-30 CONUS Cost of Living Allowances (COLA)
1-H-31 Mass Transportation Benefit, Officer
1-H-32 Mass Transportation Benefit, Enlisted
1-H-33 Continuation Pay, Officer
1-H-34 Continuation Pay, Enlisted

1-I   Education Benefits

1-I-1  MGIB-SR (Chap 1606), Per Capita Normal Cost
1-I-2  MGIB-SR (Chap 1606), Critical Skill or Critical Unit Benefit
1-I-3  MGIB-SR (Chap 1606), Amortization
1-I-4  Reserve Educational Assistance Program (REAP) (Chap 1607), Per Capita Normal
1-I-5  REAP (Chap 1607), Amortization

1-J   Platoon Leaders Class or Reserve Officer Candidates

1-J-1  Uniforms -- issue in kind
1-J-2  Basic pay (Summer training camp)
1-J-3  Other pay and allowances (Summer training camp)
1-J-4  Subsistence of reserve officer candidates
1-J-5  Travel of reserve officer candidates
1-J-6  Retired pay accrual

1-K   Branch Officer Basic Course

1-K-1  Basic pay, active duty for training
1-K-2  Other pay and allowances, active duty for training
1-K-3  Uniform allowances
1-K-4  Travel and per diem
1-K-5  Retired pay accrual

1-L   Armed Forces Health Professions Scholarship/Financial Assistance Program
1-L-1 Stipend
1-L-2 Individual clothing and uniform allowances, officers
1-L-3 Basic pay, active duty for training, officers
1-L-4 Other pay and allowances, active duty for training, officers
1-L-5 Travel, active duty for training, officers
1-L-6 Retired pay accrual, officers
1-L-7 Financial Assistance Grant
1-L-8 Nurse Candidate Bonus
1-L-9 Accession Bonus

1-M Chaplain Candidate Program
1-M-1 Basic pay, active duty for training
1-M-2 Other pay and allowances, active duty for training
1-M-3 Uniform allowances
1-M-4 Travel
1-M-5 Retired pay accrual

1-N Thrift Savings Plan (TSP) Matching Contributions
1-N-1 TSP Matching Contributions, Officer
1-N-2 TSP Matching Contributions, Enlisted

BA/BSA – Medicare-Eligible Retiree Health Fund Contribution Appropriations

1. Reserve Component Training and Support

   A. Chart of Accounts, Budget Activities, and Subactivities Definitions/Descriptions are provided on the following pages.

   B. Object Classification - The object classifications that follow the Chart of Accounts, Budget Activities, and Subactivities Definitions/Descriptions shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts.

   CHART OF ACCOUNTS DEFINITIONS/DESCRIPTIONS

   A. Budget Program

       There will be a separate budget program for each Reserve Component of the Department of Defense and for each military service having those programs listed in paragraph 020302, as appropriate.

   B. Budget Activities

       The budget activities are established to present all of the military type costs associated with a particular type of training within the unit and individual training or other training and support programs. The following descriptions are for the chart of accounts listed in paragraph 020302.

BA/BSA – Reserve and National Guard Personnel Appropriations

   The joint explanatory statement accompanying the DoD Appropriations Act, 2009 (P.L. 110-329, Division C) requested that the DoD make permanent the consolidated budget structure for Reserve and Guard personnel appropriations; therefore, the budget justification material shall reflect only one budget activity.
1. Reserve Component Training and Support
   
   a. Training, Pay Groups A, B, F and P

   The Pay Group activities contained in paragraph 020302 are for costs, including retired pay accrual associated with the uniform training/pay categories within the National Guard and Reserve Personnel programs as defined in DoD Instruction 1215.06, “Uniform Reserve, Training and Retirement Categories.”

   b. Mobilization Training

   Costs, including retired pay accrual, associated with the readiness training and mission support training of the Individual Ready Reserve (IRR) and Merchant Marine Training. Also included are costs associated with the allowance for annual muster duty as provided by 37 U.S.C. 433.

   c. School Training

   Include tours of paid active duty for training as students at regular, refresher and technical courses of service schools, area schools, unit schools, officer candidate schools, and other schools that provide training. Retired pay accrual costs are included.

   d. Special Training

   Include all authorized paid active duty for training, other than those covered by pay groups, mobilization, and school training. These include the staff and faculty for schools; special field, fleet and joint exercises; indoctrination training; promoting or policy boards; administrative support of training programs; and tours of not more than 45 days for failure to perform reserve training duty satisfactorily. Retired pay accrual costs are included.

   e. Administration and Support

   Include the costs, including retired pay accrual, of active duty military personnel authorized to be funded in the Reserve Component personnel appropriations, death and disability gratuities for officer and enlisted Reserve Component personnel injured or killed while in a Reserve or Guard training status, continuation pays, and reserve incentive and bonus programs.

   f. Platoon Leaders Class (PLC)

   All military personnel costs, including retired pay accrual, associated with the Marine Corps Reserve PLC.

   g. Branch Officer Basic Course

   Costs associated with ROTC graduates designated for Reserve Forces Duty, including retired pay accrual, to attend full-length resident Branch Officer Basic Courses of the active components.

   h. Armed Forces Health Profession Scholarship and Financial Assistance Program

   All the military personnel costs, including retired pay accrual, associated with the financial assistance program to obtain adequate numbers of officers for the active forces who are qualified in various health professions. Qualifications are that the candidate be a citizen.
of the United States, be accepted for or be enrolled in an accredited institution in a course of study designated for a health profession, and meet moral and physical qualifications for an officer. Such recipients are commissioned as a Second Lieutenant and remain in that grade for the duration of the scholarship program. Authority for the program is contained in 10 U.S.C. 2120-2128. In addition to the stipend, also provides for the annual grant authorized under 10 U.S.C. 2121 and financial assistance to nurse officer candidates under 10 U.S.C. 2130a.

i. Chaplain Candidate Program

All military personnel costs, including retired pay accrual, for the Chaplain Officer Basic Course and Chaplain Active Duty for Training Practicum to qualify officers commissioned as Chaplain Candidates for future service as chaplains in either the Active or Reserve Component.

j. Education Benefits (New G.I. Bill)

Includes funds for payment to the DoD Education Benefits Fund, a trust fund, as prescribed by 10 U.S.C. 2006. The program is governed by 10 U.S.C. Chapter 1606 and 1607 and is budgeted on an accrual basis. Also includes payments for vocational/technical training under the Reserve Compensation G.I. Bill as provided by 10 U.S.C. 2131.

k. Thrift Savings Plan (TSP) Matching Contributions

Includes costs associated with the blended retirement system, to include an automatic 1 percent of basic pay government contribution to a member’s TSP account beginning 60 days following entry, and Department of Defense’s matching contributions up to 4 percent from the 3rd through the 26th year of service. Authority for the program is contained in 5 U.S.C. 8432. For those member’s participating in the blended retirement plan, the amount contributed shall not be more than 5 percent of the member’s basic pay for such pay period.

C. Budget Subactivities

The budget subactivities are grouped to present all of the military personnel-type costs for the particular activity. Rather than repeat the same definitions for each activity, the descriptions of the subactivities are shown below by their various titles:

1. Pay and Allowances, Active Duty for Training, Officers

   For the pay and allowances of commissioned and warrant officers of the Reserve Components on active duty for training. These include:

   a. Basic Pay

      For basic compensation, including length of service increments, under the provision of 37 U.S.C. 201 and 203-205.

   b. Retired Pay Accrual

      For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

   c. Incentive Pay for Hazardous Duty
Refer to the descriptions of the subactivities in paragraph 020202, 1-C, as applicable, as well as involving use of ski-equipped aircraft on the ground in Antarctica or the Arctic ice-pack. Also includes incentive pay for hazardous duty for members of a Weapons of Mass Destruction Civil Support Team under the provisions of 37 U.S.C. 305b.

d. Special Pay

Refer to the descriptions of the subactivities in paragraph 020202, 1-D as applicable. Includes selected reserve officers receiving an affiliation bonus under the provisions of 37 U.S.C. 308j and 332; also includes selected reserve health care professionals in critically short wartime specialties under provisions of 37 U.S.C. 302g.

e. Basic Allowance for Housing

For housing allowances payable to officers under the provisions of 37 U.S.C. 403.

f. Family Separation Allowances

For family separation allowances payable to officers under the provisions of 37 U.S.C. 427.

g. Basic Allowance for Subsistence

For subsistence allowances payable to officers under the provisions of 37 U.S.C. 402.

h. Separation Payments

Payments for accumulated annual leave under the provisions of 37 U.S.C. 501.

i. Social Security (FICA Tax) -- Employers’ Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

2. Pay and Allowances, Active Duty for Training, Enlisted

For the pay and allowances of enlisted personnel of the Reserve Components on active duty for training. These include:

a. Basic Pay

For basic compensation, including length of service increments, under the provision of 37 U.S.C. 203-205.

b. Retired Pay Accrual

For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.
c. Incentive Pay for Hazardous Duty

Refer to the descriptions of the subactivities in paragraph 020202, 2-C-1 and 2-C-2 as applicable as well as involving use of ski-equipped aircraft on the ground in Antarctica or the Arctic ice-pack. Also includes incentive pay for hazardous duty for members of a Weapons of Mass Destruction Civil Support Team under the provisions of 37 U.S.C. 305b.

d. Special Pay

Refer to the descriptions of the subactivities in paragraph 020202, 2-D and 2-E, as applicable. Includes affiliation, enlistment, and reenlistment bonuses for selected reserve enlisted members under the provisions of 37 U.S.C. 308b, 308c, 308d, 308g, 308h, 308i, and 331.

e. Basic Allowance for Housing

For housing allowances payable to enlisted personnel under the provisions of 37 U.S.C. 403.

f. Family Separation Allowances

For family separation allowances payable to enlisted personnel under the provisions of 37 U.S.C. 427.

g. Separation Payments

For accumulated unused annual leave under the provisions of 37 U.S.C. 501.

3. Pay, Inactive Duty Training, Officers

a. Basic Pay

For basic compensation, including length of service increments, under the provisions of 37 U.S.C. 201-203, 205, and 206.

b. Retired Pay Accrual

For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

c. Incentive Pay for Hazardous Duty

For performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301 or 37 U.S.C. 351. Also includes incentive pay for hazardous duty for members of a Weapons of Mass Destruction Civil Support Team under the provisions of 37 U.S.C. 305b.

d. Social Security (FICA Tax) -- Employers’ Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.
4. Pay, Inactive Duty Training, Enlisted
   a. Basic Pay
      For basic compensation, including length of service increments, under the provisions of 37 U.S.C. 203 and 206.
   b. Retired Pay Accrual
      For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.
   c. Incentive Pay for Hazardous Duty
      For performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301 or 37 U.S.C. 351. Also includes incentive pay for hazardous duty for members of a Weapons of Mass Destruction Civil Support Team under the provisions of 37 U.S.C. 305b.
   d. Social Security (FICA Tax) -- Employers’ Share
      For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

5. Individual Clothing and Uniform Allowances, Officers
   Payments of allowances to officers for the purchase of required uniforms under the provisions of 37 U.S.C 415-417.

6. Individual Clothing and Uniform Allowances, Enlisted
   For the costs of uniform clothing authorized to be issued in kind to enlisted personnel under the provisions of 37 U.S.C. 418.

7. Subsistence of Enlisted Personnel
   For the cost of subsistence issued as rations to enlisted personnel including emergency and operational rations under the provisions of 37 U.S.C. 402.

8. Travel, Active Duty Training, Officers, and Travel, Active Duty for Training, Enlisted
   For expenses incident to training travel of Reserve Component officer or enlisted member, individually or as an organized unit. Travel costs include mileage; per diem; transportation by common carrier (rail, bus, air, water including Air Mobility Command and Military Sealift Command); actual and necessary expenses and costs of subsistence while in a travel status; issue of meal tickets; transportation of baggage; port handling charges; and expenses incident to movement of any military group traveling under one order from the same point of origin to the same destination.

9. Pay and Allowances of Officers, Enlisted and Permanent Change of Station Travel
for Active Guard and Reserve (AGR)

These subactivities are to provide for the AGR military personnel expenses financed from the Reserve Components personnel appropriations. The descriptions of these subactivities are identical to those shown for the activities with the same titles in paragraph 020202, above.

10. **Death Gratuities, Officers, and Death Gratuities, Enlisted**

For the payment of death gratuities to beneficiaries of Reserve Component personnel under the provisions of 10 U.S.C. 1475-1480.

11. **Disability and Hospitalization Benefits, Officers, and Disability and Hospitalization Benefits, Enlisted**

For payment of disability and hospitalization benefits for Reserve Component personnel, except for costs covered by orders to active duty for training or inactive duty training under the provisions of 37 U.S.C. 204 and 206.

12. **Reserve Incentives**

For Reenlistment Bonus for Selected Reserves under the provisions of 37 U.S.C. 308b; Affiliation or Enlistment in the Selected Reserves under the provisions of 37 U.S.C. 308c; Non-Prior Service Enlistment Bonus for the Individual Ready Reserve under the provisions of 37 U.S.C. 308g; Individual Ready Reserve Enlistment, Reenlistment or Extension Bonus under the provisions of 37 U.S.C 308h; Prior Service Enlistment Bonus under the provisions of 37 U.S.C 308i; Accession or Affiliation Bonus for New Reserve Component Officers under the provisions of 37 U.S.C 308j; Continuation Pay for Reserve Component personnel under the provisions of 37 U.S.C. 356; and any other bonus incentive listed in section 020202, as applicable.

13. **Other**

Items that are not accounted for in numbers 1 through 12.

14. **Health Professions Scholarship Program**

a. **Stipend**

For the allowances of commissioned officers while attending school under the Armed Forces Health Professions Scholarship Program under the provisions of 10 U.S.C. 2120-2122. This includes a monthly allowance (stipend) as authorized by 10 U.S.C. 2121 and payment of FICA tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

b. **Financial Assistance Grant**

For an annual grant for persons participating in specialized training under the provisions of 10 U.S.C. 2127.
c. **Accession Bonus**

Bonus to persons entering into an agreement under 10 U.S.C. 2122(a)(2).

d. **Nurse Candidate Bonus Program**

For an accession bonus paid in periodic installments and a monthly stipend for nurse officer candidates under the provisions of 10 U.S.C. 2130a.

e. **Individual Clothing and Uniform Allowances, Officers**

Payments of allowances for the purchase of required uniforms under the provisions of 37 U.S.C. 415-417.

f. **Pay and Allowances, Active Duty for Training, Officers**

For the pay and allowances of commissioned officers of the Reserve Components on active duty for training.

g. **Travel, Active Duty Training, Officers**

For expenses incident to travel of Reserve Component officers.

**BA/BSA – Medicare-Eligible Retiree Health Fund Contribution Appropriations**

1. **Reserve Component Training and Support** - For the Department of Defense’s contribution to the Medicare-Eligible Retiree Health Care Fund for the future Medicare-Eligible health care costs for current military personnel in accordance with 10 U.S.C. Chapter 56. Defense Health Care Accrual amounts are to be paid into the fund based upon approved actuarial rate multiplied by the expected average force strength for each fiscal year. The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (P.L. 108-375) provided permanent, indefinite appropriations to finance the cost of accruing TRICARE benefits for uniformed service member. These costs are included in the DoD discretionary total.
OBJECT CLASSIFICATION
RESERVE PERSONNEL APPROPRIATIONS

In addition to the object classifications prescribed in paragraph 020202, above, the object classifications prescribed herein shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts:

Object Class

Disability and Hospitalization Benefits
(See the various components of this pay, i.e., basic pay, BAH, BAS, etc.) -

Education Benefits (MGIB-SR and Reserve Education Assistance Program (REAP)) 12.220

Financial Assistance Grant 41.010

Inactive Duty Pay (Exclusive of Incentive and Special Pays) 11.710

Reserve Incentives (Reenlistment, Enlistment, Continuation Pays and Educational Bonuses) 12.220

Stipend (Health Professions Scholarship Program) 11.710

Subsistence Allowance (Platoon Leaders Course (PLC), etc.) 11.710

TSP Matching Contributions 12.220

Uniform, Commutations 26.010

*020303. Program and Budget Review Submission

A. This section prescribes the justification materials required for the Reserve Components’ Military Personnel appropriations to support budget estimates. Fund requirements for these appropriations will be presented using those budget and accounting classifications set forth in paragraph 020302, above.

B. Exhibits in Support of Budget Estimates - The following justification exhibits will be prepared and submitted in support of program and budget review submission for the OSD/OMB program and budget review. These exhibits will be organized by Service military personnel account. Examples of the required exhibits are provided in paragraph 020602 and 020603, below. The required justification material will be organized in a single unclassified volume with the unclassified data displayed in the sequence shown below:

Table of Contents

Section 1 - Summary of Requirements by Budget Program (PB-30A)

The Summary of Requirements will include a Medicare-Eligible Retiree Health Fund Contribution Appropriation line displaying the total amounts budgeted as shown in section 020602 of this chapter. These amounts will be supported by detailed calculations provided in
the MPR-8 Exhibit included in the separate backup justification book.

Section 2 - Introduction and Performance Measures.

1. The statement should provide the highlights of the budget submission and a general discussion of the relationship of the resources requested to the proposed military strength program. This should include a discussion of the military strength characteristics in terms of gains and losses and promotion and assignment policies. It also should address strength changes in programmatic terms such as force structure and other matters of an overall nature as considered appropriate by the Service.

2. Performance Measures and Evaluation Summary (PB-30Y) (example provided in paragraph 020603)

Section 3 - Summary Tables (examples provided paragraph 020602/3, below)


2. Summary of Entitlements by Subactivity (PB-30J)

3. Analysis of Appropriation Changes and Supplemental Requirements (PB-30K)

4. Summary of Basic Pay and Retired Pay Accrual Costs (Reserve Components Only) (PB-30L)

5. Summary of Basic Allowance for Housing (BAH) Costs (Reserve Components Only) (PB-30M)

6. Summary of Travel Costs (Reserve Components Only) (PB-30N)

7. Schedule of Increases and Decreases (PB-30Q)

Section 4 - Detail of Reserve Personnel Entitlements

Justification materials will be provided in support of entitlements for each of the following applicable Reserve Component activities:

1. Training - Pay Group A
2. Training - Pay Group B
3. Training - Pay Group F
4. Training - Pay Group P
5. Mobilization Training
6. School Training
7. Special Training
8. Administration and Support
9. AGR Personnel
10. Death and Disability Gratuities
11. Reserve Incentives and Bonuses
12. Education Benefits
13. Platoon Leaders Class
14. Reserve Officer Candidates
15. Branch Officers Basic Course
16. Health Professions Scholarship
17. Chaplain Candidate Program
18. TSP Matching Contributions

Justification material for each activity will contain a purpose and scope section, a schedule of increases and decreases (PB-30P), as well as data in support of the funds requested. Generally, this data will include appropriate narrative comments relative to program/pricing as well as supporting computational data. For each subactivity/entitlement, include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory change, program enhancements, solving deficiencies, etc.) and should also explain decreases programmatically. Also provide a general explanation for each type of entitlement. Data should be shown for the prior year (PY), current year (CY), and budget year (BY). School, Special, and Mobilization Training data will be grouped by similar types of training and will be fully explained and justified. At the end of each section for School, Special, and Mobilization Training provide a total that summarizes the training categories. Within the Administration and Support subactivity, subtotals are required for AGR personnel and for total incentives and bonuses. See paragraph 020603, below for format.

Section 5 - Special Analyses (examples provided in paragraph 020602 and 020603, below)

1. Reimbursable Programs (PB-30R)

2. Selective Reenlistment Bonuses (PB-30V) Use this form for other applicable bonus programs.

3. Full-Time Support Personnel (PB-30W)

C. Justification material for each subactivity will contain a purpose and scope section as well as a justification of funds requested. The requirements for each entitlement under each military personnel category will be justified on a gross basis to include total obligations for both direct and reimbursable personnel. For each subactivity/entitlement, include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for, i.e., statutory, program enhancements, solving deficiencies, etc. and should also explain decreases programmatically. Also provide a general explanation for each type of entitlement. The computation for each entitlement will display data for the prior year (PY), current year (CY), and budget year (BY). An example of the exhibit to meet this requirement is Exhibit PB-30X in section 020603.

D. The following exhibits will be provided in a separate backup justification book in support of the budget estimate. Examples of these exhibits are provided in paragraph 020603, below:

- MPR-2 Basic Allowance for Housing Costs
- MPR-3 Summary of Outyear Data
- MPR-4 Education Benefits (Title 10 USC, Chapter 1606 and 1607)
- MPR-5 Retired Pay Accrual Costs
- MPR-6 Active Guard and Reserve (AGR) Costs
MPR-7  Pay Raise Data
MPR-8  Medicare-Eligible Retiree Health Fund Contributions
MPR-10  Monthly Obligation Phasing Plan
MPR-11  Summary of Recruiting and Retention Data
MPR-12  Reimbursable Program (Reimbursing Customers)
PB-16  Legislative Proposals (See Volume 2B, Chapter 19, paragraph 191205 for format)

020304. Congressional Justification/Presentation

A. Justification books will be organized by Service military personnel account.

B. Justification Book and other exhibit requirements in support of the congressional submission are identical to those shown above in paragraph 020302 and 020303, Program and Budget Review Submission. Exhibits provided to OUSD(C), consistent with paragraph 020303 D, will **not** be provided to Congress but will be provided under separate cover to OUSD(C) at the time of the President’s budget submission.

C. M-1 Exhibit. Since FY 1998, appropriations language has required the submission of an M-1 exhibit in support of the President’s budget. The Military Departments are required to submit M-1 data through the Program Resources Collection Process (PRCP) system consistent with paragraph 010501, above.

0204  DoD MILITARY PERSONNEL RETIREMENT REQUIREMENTS

020401. Uniform Budget and Fiscal Accounting Classifications

A. This Section prescribes the budget and fiscal accounting classifications for the Military Retirement Fund for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of 10 U.S.C. 1461-1467.

B. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification which shall be used on a uniform basis for military retired pay throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds under this Trust Fund as required by Volume 4, of this Regulation.

C. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in paragraph E below. Variations in the activity and subactivity classification and titles shall not be made except that additional accounts consistent with this budget and accounting classification may be established in order to meet administrative requirements of the various elements of the Military Departments. The scope of each account is described in later in this section.

D. Symbol numbers shall be assigned to each of the budget activities and
subactivities listed below in the same manner and in the same sequence as will be consistent with the fiscal codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

E. The chart of accounts represents a summary of the accounting and reporting structure under the Military Retirement Fund arranged in the order and in the detail for which reporting in accordance with DoD 7000.14R, Financial Management Regulation, is required.

**Budget Activity and Subactivity**

1. **Nondisability**
   1-A - Regular Officers  
   1-B - Regular Enlisted  
   1-C - Nonregular Officers  
   1-D - Nonregular Enlisted

2. **Temporary Disability**
   2-A - Regular Officers  
   2-B - Regular Enlisted  
   2-C - Nonregular Officers  
   2-D - Nonregular Enlisted

3. **Permanent Disability**
   3-A - Regular Officers  
   3-B - Regular Enlisted  
   3-C - Nonregular Officers  
   3-D - Nonregular Enlisted

4. **Fleet Reserve**
   4-A - Regular Enlisted  
   4-B - Nonregular Enlisted

5. **Survivors’ Benefits**
   5-A - Old Plan, Retired Servicemen’s Family Protection Plan (RSFPP)  
   5-B - New Plan, Survivor Benefits Plan (SBP)  
   5-C - Guaranteed Minimum Income  
   5-D – Dependence and Indemnity Compensation (DIC) Supplemental Payments

**BA/BSA**

A. **Budget Activities.** The budget activities are established to present the retirement benefits associated with a particular type of retirement. The following descriptions are for the chart of accounts as listed above.

1. **Nondisability** retirements, under applicable statutes, are given on the following basis:
2. **Permanent Disability** retirements, under Title IV of the Career Compensation Act of 1949 (10, U.S.C., 1201-1221), are given when:

a. There is no doubt as to the degree or permanence of the disability at the time of initial retirement.

b. By periodic examination of temporary disability and Fleet Reserve rolls, it is determined that permanent disability exists.

4. **Fleet Reserve** status, under Title II of the Naval Reserve Act of 1938, as amended (10 U.S.C., 6330, 6331), is given when: Enlisted personnel of the Navy and Marine Corps having 20 but less than 30 years’ service may be transferred to the inactive Fleet Reserve with retainer pay at rates prescribed by law. They remain in the Fleet Reserve until their status is changed by reason of:

a. Completion of 30 years’ service.

b. Recall to active duty.

c. Physical unfitness for further military service.

d. Death.

5. **Survivors’ Benefits** payments, under the old Retired Serviceman’s Family Protection Plan, and the new Survivor Benefit Plan (SBP), are provided on the following basis:

a. Two of the benefits are contributory: the old Serviceman’s Family Protection Plan and the new Survivor Benefit Plan (SBP). Under both of the contributory benefits, a member of the uniformed services may elect to receive a reduced amount of any retired pay that may be awarded him/her in order to provide one or more annuities to his/her survivors, as specified by law. The basic options include the choice of annuities to provide for (1) surviving spouse, (2) surviving children, (3) surviving family, including both spouse and children, or (4)
other persons with insurable interest (under the new plan only).

b. The other two benefits are noncontributory, both the Guaranteed Minimum Income and the Dependency and Indemnity Compensation (DIC) Supplemental Payments. The Guaranteed Minimum Income has a special provision benefiting women who are now widows of deceased members of the Uniformed Services who were receiving, or were entitled to receive, retired pay. The provision that guarantees these widows annual incomes will not fall below a certain amount. The DIC Supplemental Payments provide supplemental payments to widows of retirement-eligible members who die on active duty if DIC payments (by VA) are less than the maximum payments that the widow would have received if the member had been retired. The SBP payments covering the difference between the two will be paid.

B. Budget Subactivities. The budget subactivities are established to show the retirement benefits associated with a particular personnel classification. Subactivities for Regular Officers, Regular Enlisted, Nonregular Officers, and Nonregular Enlisted are used for Budget Activities 1, 2 and 3; Budget Activity 4 has only the two enlisted classifications; and Budget Activity 5 now has four subactivities showing survivors covered under (1) the Old Plan (RSFPP), (2) the New Plan (SBP), (3) Guaranteed Minimum Income (to current widows), and (4) DIC Supplemental Payments (to future widows).

0205  DoD MILITARY PERSONNEL - CIVIL FUNCTIONS

020501. Purpose

This Section prescribes the justification material required for the Military Personnel civil function trust fund accounts.

020502. Military Retirement Fund/Education Benefits Fund/Retiree Health Care Fund

A. Appropriate exhibits and schedules will be prepared by OUSD(C) P/B, Military Personnel and Construction Directorate unless specified otherwise in the annual OUSD(C) guidance memorandum.

B. Unless otherwise specified, exhibit requirements will only include the Program and Financing Schedule and a Status of Fund for the Military Retirement Fund, the Education Benefits Fund, and the Uniformed Services Retiree Health Care Fund.

0206  BASELINE MILITARY PERSONNEL APPROPRIATION SUBMISSION FORMATS

020601. Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.
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020603. Exhibits in Support of Section 0203 – Reserve Military Personnel
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Exhibit PB-30A Summary of Requirements by Budget Program (Active)

**MILITARY PERSONNEL, __________________**

**SUMMARY OF REQUIREMENTS BY BUDGET PROGRAM**

($) in Thousands

<table>
<thead>
<tr>
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<th>FY 20PY Actual</th>
<th>FY 20CY Estimate</th>
<th>FY 20BY Estimate</th>
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<td>Subsistence of Enlisted Personnel</td>
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<td><strong>REIMBURSABLE BASELINE PROGRAM FUNDING</strong></td>
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<td>Other Military Personnel Costs</td>
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<td>Total Baseline Program Funding</td>
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### MILITARY PERSONNEL

**SUMMARY OF REQUIREMENTS BY BUDGET PROGRAM**

($ in Thousands)

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<th>FY 20PY</th>
<th>FY 20CY</th>
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<tr>
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<td>Pay and Allowances of Officers</td>
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<td>Pay and Allowances of Cadets and Midshipmen</td>
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<td>Other Military Personnel Costs</td>
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<tr>
<td>Total Program Funding</td>
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**LEGISLATIVE PROPOSALS:**
The following legislative proposals are included in the above estimate and submitted for FY BY consideration.
(List proposals and funding requested.)

---

Exhibit PB-30A Summary of Requirements by Budget Program (Active) Continued

(Page 2 of 2)
Exhibit PB-30B Summary of Military Personnel Strength (Active)

**MILITARY PERSONNEL SUMMARY OF MILITARY PERSONNEL STRENGTH**

<table>
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<td>Average End Strength 30 Sep 20CY</td>
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<td>Enlisted</td>
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<tr>
<td>Academy (Cadets/Midshipmen)</td>
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<td>Total Direct Program</td>
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<td><strong>TOTAL BASELINE PROGRAM</strong></td>
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<td>Academy (Cadets/Midshipmen)</td>
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<td>Total Program</td>
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<td><strong>OCO PROGRAM</strong> /1 /2</td>
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<td>Officers</td>
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<td>Enlisted</td>
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<tr>
<td>Academy (Cadets/Midshipmen)</td>
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<td>Revised Total Program</td>
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</tbody>
</table>

/1 FY PY average strength includes # officer and # enlisted mobilized Reserve Component personnel in support of OEF or OND
/2 FY CY (if applicable) average strength includes # officer and # enlisted mobilized Reserve Component personnel in support of OEF or OND

* End strength on this exhibit and in supporting budget exhibits must match the end strength in the Comptroller Information System (CIS) by category of personnel.*
**MILITARY PERSONNEL**

**SUMMARY OF MILITARY PERSONNEL STRENGTH**

*The [Service name] is required to document the number of Reserve and National Guard members who have performed operational support duty for the [Service name] for 1) a period greater than 1,095 consecutive days, or 2) cumulatively for 1,095 days out of the previous 1,460 days (and thereby exceed the threshold).

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<tr>
<th>FY 20 PY Actuals</th>
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<th>FY 20 BY Projected</th>
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<tr>
<td>XXXX Guard</td>
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These totals are/are not part of the end strength figures that are displayed throughout the justification material.
Exhibit PB-30C Military Personnel End Strength by Grade (Active)

**MILITARY PERSONNEL, ______________**  
**END STRENGTH BY GRADE 1/**  
**TOTAL PROGRAM**

<table>
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<tr>
<th></th>
<th>FY 20PY</th>
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<th>FY 20CY</th>
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<td>Incl²</td>
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</tr>
<tr>
<td>Commissioned Officers</td>
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<td>0-9 &quot; &quot;</td>
<td>0-8 &quot; &quot;</td>
<td>0-7 &quot; &quot;</td>
<td>0-6 &quot; &quot;</td>
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<tr>
<td>Warrant Officers</td>
<td>W-4 (enter rank)</td>
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<td>E-7 &quot; &quot;</td>
<td>E-6 &quot; &quot;</td>
<td>E-5 &quot; &quot;</td>
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<td>Cadets/Midshipmen</td>
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</table>

**Total End Strength**

1/ Excludes active duty personnel paid from Civil Functions, Reserve, and Guard appropriations.

2/ Show the total number of reimbursable end strength included in the total end strength.
Exhibit PB-30D Military Personnel Average Strength by Grade (Active)

**MILITARY PERSONNEL, __________________**

**AVERAGE STRENGTH BY GRADE 1/**

**TOTAL PROGRAM**

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<tr>
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<th>FY 20PY</th>
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<th>FY 20CY</th>
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<th>FY 20BY</th>
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<td><strong>Cadets/Midshipmen</strong></td>
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</tbody>
</table>

1/ Excludes active duty personnel paid from Civil Functions, Reserve, and Guard appropriations.

2/ Separately display the total number of average strength included in the total average strength.
Exhibit PB-30E Active Duty Strengths by Month (Active)

### MILITARY PERSONNEL

**ACTIVE DUTY STRENGTHS BY MONTHS 1/**

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<th>FY 20PY 2/</th>
<th>FY 20BY 2/3/</th>
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<td>Total</td>
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<tr>
<td>September</td>
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</tbody>
</table>

**Average End Strength**

**Calculation:** \( \frac{(PY \text{ SEP} + (CY \text{ OCT through CY AUG})*2 + CY \text{ SEP})}{24} \)

**Active Duty for Operational Support (ADOS)**

*formerly known as Active Duty for Special Work (ADSW),
Temporary Tour of Active Duty (TTAD), or Manday Program*

**Dollars in Millions**

**Total Average Strength**

*Average End Strength plus ADOS Average Strength*

**Selected Reserve 12304b Authority (if applicable)** – Introduction section must include a description of the mission for which such units are anticipated to be ordered to active duty and the anticipated length of time of order.

**Average Strength**

**Dollars in Millions**

**Total Average Strength**

*Average End Strength plus ADOS Average Strength plus 12304b Average Strength*

**End Strength**

**Average Strength**

1/ Includes reimbursable active duty military pay strengths, but excludes active duty personnel paid from Civil Functions, Reserve, and National Guard Appropriations.

2/ Table must be footnoted to indicate the month through which actual data is contained.

3/ Table should include OCO funded active duty strength.

Note: Do not round strength figures.
Exhibit PB-30F Gains and Losses by Source and Type (Active)

**MILITARY PERSONNEL, ______________**

**GAINS AND LOSSES BY SOURCE AND TYPE**

**OFFICERS**

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<tr>
<th></th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
</tr>
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**BEGINNING STRENGTH**

**GAINS**

- Service Academies
- Reserve Officers Training Corps
  - Senior ROTC
  - Scholarship
- Health Professions Scholarships
- Platoon Leaders Class
- Reserve Officer Candidates
- Other Enlisted Commissioning Programs
- Voluntary Active Duty
- Direct Appointments
- Warrant Officer Programs
- Other
- Gain Adjustments

**TOTAL GAINS**

**LOSSES**

- Expiration of Contract/Obligation
- Normal Early Release
  - Disability
  - Nondisability
- Voluntary Separations - VSI
- Voluntary Separations - SSB
- Involuntary Separation - Reserve Officers
- Involuntary Separation - Regular Officers
- 15-Year Temporary Early Retirement
- Reduction-in-Force
- Attrition
- Other
- Loss Adjustments

**TOTAL LOSSES**

**END STRENGTH**
### MILITARY PERSONNEL,
GAINS AND LOSSES BY SOURCE AND TYPE

#### ENLISTED

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<th>FY 20BY</th>
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<td>Returned from Dropped from Rolls</td>
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| **LOSSES**         |         |         |         |
| Expiration of Term of Service (ETS) |         |         |         |
| Normal Early Release |         |         |         |
| Programmed Early Release |         |         |         |
| Separations – VSI   |         |         |         |
| Separations - VSP   |         |         |         |
| Separations - SSB   |         |         |         |
| To Commissioned Officer |         |         |         |
| To Warrant Officer  |         |         |         |
| Reenlistment        |         |         |         |
| Retirement          |         |         |         |
| 15-Year Temporary Early Retirement |         |         |         |
| Dropped from Rolls (Deserters) |         |         |         |
| Attrition (Adverse Causes) |         |         |         |
| Attrition (Other)   |         |         |         |
| Reserve Components  |         |         |         |
| Other               |         |         |         |
| Loss Adjustments    |         |         |         |
| **TOTAL LOSSES**   |         |         |         |

#### END STRENGTH

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| END STRENGTH |

Exhibit PB-30F Gains and Losses by Source and Type (Active) Continued (Page 2 of 2)
*Exhibit PB-30J Summary of Entitlements by Subactivity (Active)

MILITARY PERSONNEL, __________________

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($ in Thousands)

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1. Basic Pay
2. Retired Pay Accrual
3. TSP Matching Contributions
4. Basic Allowance for Housing
   a. With Dependents – Domestic
   b. Without Dependents - Domestic
   c. Substandard Family Housing - Domestic
   d. Partial – Domestic
   e. With Dependents – Overseas
   f. Without Dependents – Overseas
5. Subsistence
   a. Basic Allowance for Subsistence
      1. Authorized to Mess Separately
      2. Leave Rations
      3. BAS II
      4. Augmentation for Separate Meals
   b. Subsistence-In-Kind
      1. Subsistence in Messes
      2. Special Rations
      3. Operational Rations
      4. Augmentation Rations
      5. Other Programs
      6. Less Cash Collections
   c. Family Subsistence Supplemental Allowance

NOTE: Line items to include both direct and reimbursable costs.
### MILITARY PERSONNEL, __________________

#### SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)

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Exhibit PB-30J Summary of Entitlements by Subactivity (Active) Continued (Page 2 of 5)
MILITARY PERSONNEL,
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)
($ in Thousands)

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7. Allowances
   a. Uniform or Clothing Allowances
      1. Initial Issue
         1. Military
         2. Civilian
      2. Additional
      3. Basic Maintenance
      4. Standard Maintenance
      5. Supplementary
      6. Civilian Clothing Maintenance
   b. Station Allowance Overseas
      1. Cost-of-Living
      2. Temporary Lodging

Exhibit PB-30J Summary of Entitlements by Subactivity (Active) Continued
(Page 3 of 5)
### MILITARY PERSONNEL,  
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)  
(S in Thousands)

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- **c. Family Separation Allowance**
  1. On PCS, Dependents Not Authorized (FSA-R)
  2. Afloat (FSA-S)
  3. On TDY (FSA-T)
- **d. Special Comp for Assist with Act of Daily Living (SCAADL)**
- **e. Personal Money Allowance, General & Flag Officers**
- **f. CONUS COLA**

8. **Separation Payments**
   - a. Terminal Leave Pay
   - b. Lump-Sum Readjustment Pay
   - c. Donations
   - d. Severance Pay, Disability
   - e. Severance Pay, Nonpromotion
   - f. Severance Pay, Invol Half (5%)
   - g. Severance Pay, Invol Full (10%)
   - h. Severance Pay, VSI
   - i. Severance Pay, VSP
   - j. Severance Pay, SSB
   - k. 15-Year Temporary Early Retirement
   - l. $30,000 Lump Sum Bonus

9. **Social Security Tax Payment**

10. **Permanent Change of Station Travel**

11. **Other Military Personnel Costs**
   - a. Apprehension of Deserters
   - b. Interest on Uniformed Services
     Savings Deposits (MIA)
   - c. Death Gratuities
   - d. Unemployment Compensation
   - e. Education Benefits
   - f. Adoption Expenses

Exhibit PB-30J Summary of Entitlements by Subactivity (Active) Continued  
(Page 4 of 5)
### MILITARY PERSONNEL, __________________

**SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)**

(S in Thousands)

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12. Cadets/Midshipmen

**Military Personnel Appropriation Total**

13. Less Reimbursables:  Retired Pay Accrual  
                            Other

**Military Personnel Appropriation Total, Direct**
**MILITARY PERSONNEL**

**ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS**

**FY 20CY**  
($ in Thousands)

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<td>Social Security Tax-Employer’s Contribution</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimbursables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Obligations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Reimbursements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Direct Obligations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PAY AND ALLOWANCES OF ENLISTED PERSONNEL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Pay</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retired Pay Accrual</td>
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<tr>
<td>TSP Matching Contributions</td>
<td></td>
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<tr>
<td>Incentive Pay</td>
<td></td>
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<tr>
<td>Special Pay</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Duty Assignment Pay</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Reenlistment Bonus</td>
<td></td>
<td></td>
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<tr>
<td>Enlistment Bonus</td>
<td></td>
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<tr>
<td>Education Benefits (College Fund)</td>
<td></td>
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<tr>
<td>Loan Repayment Program</td>
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</tr>
<tr>
<td>Basic Allowance for Housing</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: Budget Subactivity values reflect *direct* dollars only.*

*Reimbursable funding should be reflected as shown on this exhibit as a separate line for each budget activity.*
MILITARY PERSONNEL
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS (Continued)
FY 20CY
($ in Thousands)

<table>
<thead>
<tr>
<th>FY 20CY PRESIDENT’S BUDGET</th>
<th>CONGRESSIONAL ACTION</th>
<th>INTERNAL APPROPRIATION</th>
<th>REALIGNMENT/ REPROGRAMMING</th>
<th>PROPOSED DD 1415</th>
<th>FY 20CY COLUMN FY 20BY PRES.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Station Allowances Overseas</td>
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<tr>
<td>CONUS Cost of Living Allowances</td>
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<tr>
<td>Clothing Allowances</td>
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<td></td>
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<tr>
<td>Family Separation Allowances</td>
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<td></td>
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</tr>
<tr>
<td>SCAADL - Enlisted</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Separation Payments</td>
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<tr>
<td>Social Security Tax-Employer’s Contribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimbursables</td>
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<td>Total Obligations</td>
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<tr>
<td>Less Reimbursements</td>
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</tr>
<tr>
<td>Total Direct Obligations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PAY AND ALLOWANCES OF CADETS/MIDSHIPMEN
Academy Cadets/Midshipmen

SUBSISTENCE OF ENLISTED PERSONNEL
Basic Allowance for Subsistence
Subsistence-In-Kind
Family Subsistence Supplemental Allowance
Reimbursables

Total Obligations
Less Reimbursements
Total Direct Obligations

PERMANENT CHANGE OF STATION TRAVEL
Accession Travel
Training Travel
Operating Travel
Rotational Travel
Separation Travel

Note: Budget Subactivity values reflect direct dollars only.
*Reimbursable funding should be reflected as shown on this exhibit as a separate line for each budget activity.
MILITARY PERSONNEL
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS (Continued)
FY 20CY
($ in Thousands)

<table>
<thead>
<tr>
<th>FY 20CY BUDGET</th>
<th>CONGRESSIONAL ACTION</th>
<th>INTERNAL REALIGNMENT/ REPROGRAMMING</th>
<th>PROPOSED DD 1415 ACTIONS</th>
<th>FY 20CY COLUMN BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel of Organized Units</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Non-temporary Storage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary Lodging Expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimbursables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total Obligations</th>
<th>Less Reimbursements</th>
<th>Total Direct Obligation</th>
</tr>
</thead>
</table>

OTHER MILITARY PERSONNEL COSTS

Apprehension of Military Deserters,
Absentees and Escaped Military Prisoners
Interest on Uniform Svc's Savings (MIA)
Death Gratuities
Unemployment Compensation
Education Benefits
Adoption Expenses
Mass Transportation Benefit
Partial Dislocation Allowance
SGLI/T-SGLI
ROTC
JROTC
Reimbursables
Total Obligations
Less Reimbursements
Total Direct Obligations
Total Direct Obligations
Amounts Available to Finance
Increased Costs
Supplemental Request(s)/Transfers

Note: Budget Subactivity values reflect direct dollars only.
*Reimbursable funding should be reflected as shown on this exhibit as a separate line for each budget activity.
INSTRUCTIONS FOR COMPLETION OF EXHIBIT
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS

FY 20CY President’s Budget - Show costs as included in the original FY 20CY President’s Budget request. The total of all such costs should equal the FY 20CY appropriation request.

Congressional Action - Show the delta(s) associated with final congressional action on the FY 20CY appropriations request.

Appropriation – Show the final funding level appropriated by Congress for the FYCY. This value should tie explicitly by budget activity and total to the values reported on the DD 1414 Base for Reprogramming.

Internal Realignment/Reprogramming - Include those adjustments, which are necessary to align the amounts shown in the appropriation column of this exhibit with the FY 20CY column of the FY 20BY President’s Budget exclusive of other price/program changes described below.

Subtotal – Should include the appropriated amount plus or minus internal realignments/reprogrammings.

Proposed DD 1415 Actions - Amounts shown in this column would include approved reprogrammings/transfers.

FY 20CY Column of FY 20BY President’s Budget - Show amounts as included in the FY 20BY President’s Budget request. These amounts should be equal to the sum of the amounts shown in the preceding two columns.

NOTE: An explanation should be provided for each adjustment in excess of $1 million included in the column showing realignments and reprogramming. Such explanation should not be included as part of this exhibit, but rather should be submitted separately to the OUSD(C) (P/B) Military Personnel and Construction Directorate, Room 3C654, Pentagon.
Exhibit PB-30O Schedule of Increases and Decreases Summary (Active & Reserve)

MILITARY PERSONNEL, ____________________
SCHEDULE OF INCREASES AND DECREASES - SUMMARY
($ in Thousands)

<table>
<thead>
<tr>
<th>FY 20CY Direct Program 1/</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increases:</td>
<td></td>
</tr>
<tr>
<td>Pricing Increases (List separately):</td>
<td></td>
</tr>
<tr>
<td>Annualization of CY Pay Raise (Identify rate and effective date)</td>
<td></td>
</tr>
<tr>
<td>BY Pay Raise (Identify rate and effective date)</td>
<td></td>
</tr>
<tr>
<td>Inflation Rate (Identify rate)</td>
<td></td>
</tr>
<tr>
<td>BAH Rates (Identify rate)</td>
<td></td>
</tr>
<tr>
<td>FICA Rates (Identify ceiling and rate changes)</td>
<td></td>
</tr>
<tr>
<td>Other Pricing Increases (List separately)</td>
<td></td>
</tr>
<tr>
<td>Total Pricing Increases</td>
<td></td>
</tr>
<tr>
<td>Program Increases (List separately):</td>
<td></td>
</tr>
<tr>
<td>Strength Related</td>
<td></td>
</tr>
<tr>
<td>New or Projected Increases to Programs/Compensation</td>
<td></td>
</tr>
<tr>
<td>Other (List separately, include grade structure and longevity, if significant)</td>
<td></td>
</tr>
<tr>
<td>Total Program Increases</td>
<td></td>
</tr>
<tr>
<td>Total Increases</td>
<td></td>
</tr>
<tr>
<td>Decreases:</td>
<td></td>
</tr>
<tr>
<td>Pricing Decreases (List separately):</td>
<td></td>
</tr>
<tr>
<td>Retired Pay Accrual (Percentage change)</td>
<td></td>
</tr>
<tr>
<td>Other Pricing Decreases (List separately)</td>
<td></td>
</tr>
<tr>
<td>Total Pricing Decreases</td>
<td></td>
</tr>
<tr>
<td>Program Decreases (List separately):</td>
<td></td>
</tr>
<tr>
<td>Strength Related</td>
<td></td>
</tr>
<tr>
<td>Other (List separately)</td>
<td></td>
</tr>
<tr>
<td>Total Program Decreases</td>
<td></td>
</tr>
<tr>
<td>Total Decreases</td>
<td></td>
</tr>
<tr>
<td>FY 20BY Direct Program</td>
<td></td>
</tr>
</tbody>
</table>

NOTE: This schedule will address principal pricing and program changes as well as other actions resulting in increases or decreases between the current year and budget year funds in the applicable categories shown above. Show increases and decreases at the Total Direct Program (appropriation) level. Each increase and decrease should be followed by a narrative statement explaining the change.

1/ The funding shown for the FY 20CY Direct Program is the amount included in the FY 20CY column of the FY 20BY President’s budget submission.
Exhibit PB-30P Schedule of Increases and Decreases (Active & Reserve)

MILITARY PERSONNEL, ____________

SCHEDULE OF INCREASES AND DECREASES – (Budget Activity or Pay Group Summary)
($ in Thousands)

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 20CY Direct Program 1/</td>
</tr>
</tbody>
</table>

Increases:

- Pricing Increases (List separately):
  - Annualization of CY Pay Raise (Identify rate and effective date)
  - BY Pay Raise (Identify rate and effective date)
  - Inflation Rate (Identify rate)
  - BAH Rates (Identify rate)
  - FICA Rates (Identify ceiling and rate changes)
  - Other Pricing Increases (List separately)

  Total Pricing Increases

- Program Increases (List separately):
  - Strength Related
  - New or Projected Increases to Programs/Compensation
  - Other (List separately, include grade structure and longevity, if significant)

  Total Program Increases

Total Increases

Decreases:

- Pricing Decreases (List separately):
  - Retired Pay Accrual (Percentage change)
  - Other Pricing Decreases (List separately)

  Total Pricing Decreases

- Program Decreases (List separately):
  - Strength Related
  - Other (List separately)

  Total Program Decreases

Total Decreases

FY 20BY Direct Program

NOTE: This schedule will address principal pricing and program changes as well as other actions resulting in increases or decreases between the current year and budget year funds in the applicable categories shown above. Show increases and decreases at the Total Direct Program (appropriation) level. Each increase and decrease should be followed by a narrative statement explaining the change.

1/ The funding shown for the FY 20CY Direct Program is the amount included in the FY 20CY column of the FY 20BY President’s Budget submission.
Exhibit PB-30Q Military Personnel Assigned Outside DoD (End Strength) (Active)

<table>
<thead>
<tr>
<th>MILITARY PERSONNEL,</th>
<th>MILITARY PERSONNEL ASSIGNED OUTSIDE DoD</th>
<th>(End Strength)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 20PY</td>
<td>FY 20CY</td>
</tr>
</tbody>
</table>

### Assigned Outside DoD

#### Non-reimbursable Personnel
- Executive Office of the President
- Vice President’s Office
- State Department
- State Department (U.N. Truce Supervision)
- Transportation Department
- Commerce Department (NOAA)
- Justice Department
- Interior Department
- Labor Department
- Environmental Protection Agency
- Energy Department
- Federal Emergency Management Agency
- National Aeronautics & Space Administration
- National Oceanic & Atmospheric Administration
- National Intelligence Board
- National Science Council
- National Narcotics Border Interdiction
- Radio Technical Committee on Aeronautics
- Classified Activities

**Subtotal - Non-reimbursable Program**

#### Reimbursable Personnel
- Executive Office of the President (OMB)
- Agency for International Development
- State Department
- U.S. Arms Control & Disarmament Agency
- Transportation Department
- Commerce Department
- Interior Department
- Energy Department
- Federal Emergency Management Agency
- Justice Department
- National Aeronautics & Space Administration
- Canal Zone Government
- Selective Service System
- American Battle Monuments Commission
- U.S. Soldiers’ & Airmen’s Home
- Environmental Protection Agency
- Office of the Attending Physician to Congress
- Classified Activities

**Subtotal - Reimbursable Personnel**

**Total Outside DoD**
**MILITARY PERSONNEL, __________________**

**MILITARY PERSONNEL ASSIGNED OUTSIDE DOD (Continued)**

(End Strength)

<table>
<thead>
<tr>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
</tr>
</thead>
</table>

**Assigned Outside DoD Activities in Support of**

Non-DoD Functions

Non-reimbursable Personnel

- State Department
  - (Embassy Security Guards)

**Subtotal Non-reimbursable Non-DoD Functions**

Reimbursable Personnel

- State Department
  - (Construction Battalions)
- Justice Department (LEAA)
- National Science Foundation
  - (Antarctic Program)
- Memorial Affairs
  - (Cemeterial Expense, Army)
- General Services Administration (FEDSIM)
- Foreign Military Sales
- Military Assistance Program

**Subtotal Reimbursable Non-DoD Functions**

**Total Assigned Outside DoD Activities in Support of Non-DoD Functions**

**Assigned to DoD Activities in Support of Non-DoD Functions (Reimbursable)**

- NASA
- Foreign Military Sales

**SubtotalAssigned to DoD Activities in Support of Non-DoD Functions**

**Assigned to Working Capital Fund Organizational Elements of DoD Activities in Support of DoD Functions (Reimbursable)**

- Working Capital Funds (WCF)
- Information Services Activity Group (ISAG)
- HQ US Transportation Command (TRANSCOM)
- Military Traffic Management Command (MTMC)
- Defense Courier Service (DCS)
- Defense Commissary Agency (DeCA)
- Defense Finance & Accounting Service (DFAS)
- Defense Information Systems Agency (DISA)
- Defense Logistics Agency (DLA)
- Depot Maintenance Activity Group (DMAG)
- Joint Logistics Systems Center (JLSC)
- Supply Management Activity Group (SMAG)

**Subtotal Assigned to DoD Activities in Support of DoD Functions**

**Grand Total Reimbursable**

**Grand Total Non-reimbursable**

**Grand Total**

Exhibit PB-30Q Military Personnel Assigned Outside DoD (End Strength) (Active)

(Page 2 of 2)
Exhibit PB-30R Reimbursable Program (Active & Reserve)

**MILITARY PERSONNEL, __________________**  
**REIMBURSABLE PROGRAM**  
($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
</tr>
</thead>
</table>

**SUBSISTENCE**  
(Specify source-Reserves, individual, etc.)

**MEDICAL**

**FOREIGN MILITARY SALES**

**OTHER NON-STRENGTH**  
*(Specify source-surcharge, clothing, etc.)*

**STRENGTH RELATED**

- **Officer**
  - Basic Pay
  - Other Pays and Allowances
- **Enlisted**
  - Basic Pay
  - Other Pays and Allowances
- Retired Pay Accrual (Officer and Enlisted)
- PCS Travel

**SUBTOTAL**

**TOTAL PROGRAM**  
* Include reimbursements from administrative surcharge, training cases, etc.  Exclude Technical Assistance Field Teams (TAFTS) or other programs for which end strength is specifically programmed. These should be included in the strength-related entry.*
Exhibit PB-30S Reserve Officer Candidates (ROTC) Enrollment (Active)

MILITARY PERSONNEL, _______________
RESERVE OFFICER CANDIDATES (ROTC) ENROLLMENT

<table>
<thead>
<tr>
<th>FY 20PY Actual</th>
<th>FY 20CY Estimate</th>
<th>FY 20BY Estimate</th>
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</thead>
<tbody>
<tr>
<td>Begin</td>
<td>Average</td>
<td>End</td>
</tr>
<tr>
<td>Begin</td>
<td>Average</td>
<td>End</td>
</tr>
<tr>
<td>Begin</td>
<td>Average</td>
<td>End</td>
</tr>
</tbody>
</table>

Senior ROTC (Excluding Scholarship Program)
- First Year
- Second Year
- Total Basic ROTC
- Third Year
- Fourth Year
- Total Advanced ROTC
- Total Senior ROTC Enrollment

Scholarship Program
- First Year
- Second Year
- Total Basic ROTC
- Third Year
- Fourth Year
- Total Advanced ROTC
- Total Scholarship Enrollment

Total Enrollment
- First Year
- Second Year
- Total Basic ROTC
- Third Year
- Fourth Year
- Total Advanced ROTC
- Total ROTC Enrollment

Completed ROTC and Commissioned:

Completed ROTC Commission Deferred:
Exhibit PB-30T Reserve Officer Candidates (ROTC) Program (Active)

**MILITARY PERSONNEL, RESERVE OFFICER CANDIDATES (ROTC) PROGRAM**

Number of schools and the civilian and military personnel associated with the ROTC program follow:

<table>
<thead>
<tr>
<th></th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Schools</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Civilian Personnel (End Strength)</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Military Personnel (End Strength)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Civilian personnel are funded by Active O&M and military personnel are funded by Active Military Personnel appropriations.
Exhibit PB-30V Incentive/Bonus Payment Stream (Active & Reserve)

### MILITARY PERSONNEL, ________________

#### SELECTED REENLISTMENT BONUS (SRB)

($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
<th>FY 20BY+1</th>
<th>FY 20BY+2 thru 4*</th>
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</thead>
<tbody>
<tr>
<td><strong>Number</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Amount</strong></td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td><strong>Prior Obligations</strong></td>
<td>xxx 300.0</td>
<td>xxx 300.0</td>
<td>xxx 250.0</td>
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<tr>
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<td>-</td>
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<tr>
<td><strong>Prior Year</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Initial Payments</td>
<td>xxx 40.0</td>
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<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Anniversary Payments</td>
<td>-</td>
<td>xxx 10.0</td>
<td>xxx 10.0</td>
<td>xxx 10.0</td>
<td>xxx 10.0</td>
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<tr>
<td><strong>Current Year</strong></td>
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<td></td>
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<tr>
<td>Initial Payments</td>
<td>-</td>
<td>-</td>
<td>xxx 40.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Anniversary Payment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>xxx 10.0</td>
<td>xxx 10.0</td>
</tr>
<tr>
<td><strong>Budget Year</strong></td>
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<td></td>
</tr>
<tr>
<td>Initial Payments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>xxx 60.0</td>
</tr>
<tr>
<td>Anniversary Payments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>xxx 20.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial Payments</td>
<td>xxx 40.0</td>
<td>xxx 40.0</td>
<td>xxx 60.0</td>
<td>xxx -0</td>
<td>-</td>
</tr>
<tr>
<td>Anniversary Payments</td>
<td>xxx 305.0</td>
<td>xxx 315.0</td>
<td>xxx 275.0</td>
<td>xxx 290.0</td>
<td>xxx 40.0</td>
</tr>
<tr>
<td><strong>Total SRB</strong></td>
<td>345.0</td>
<td>355.0</td>
<td>335.0</td>
<td>290.0</td>
<td>40.0</td>
</tr>
</tbody>
</table>

* A separate similar exhibit must be prepared for enlistment bonuses and other incentive/bonuses not covered by other formats (i.e., Active bonuses exceeding $5,000 and Reserve component incentives and bonuses addressed in the Administration and Support subactivity).

**Examples:** Enlistment Bonus (EB), Critical Skills Retention Bonus (CSRB), Assignment Incentive Pay (AIP), Loan Repayment Program (LRP)

* This exhibit should be incorporated into the detailed justification material within the appropriate subactivity detail (i.e., Active within BA 2, Pay and Allowances of Enlisted, and Reserve Component within BA 2, Administration and Support subactivity).

* Additional columns must show thru FY 20BY+4 so that the outyear payment stream of bonus contracts granted in FY 20PY thru FY 20BY is shown.
MILITARY PERSONNEL, ________________
SELECTED REENLISTMENT BONUS (SRB)
($ in Thousands)

NOTE: 1. Prior obligations are only anniversary payments associated with contracts entered into during preceding years.
2. Number of bonus recipients (initial or anniversary payments) must be entered in any year funds are entered.
3. Add additional BY columns as required for the total bonus contract period.
4. Initial payments are not to be shown in the outyears.
5. Accelerated payments are the remainder of entitlements due to enlisted personnel when separating early (not due to voluntary
reasons or misconduct) and for advance payments related to financial hardship.
Exhibit PB-30X  Subactivity Detailed Justification (Active)

Program: * (e.g., Basic Pay) ($ in Thousands)

<table>
<thead>
<tr>
<th>FY 20BY Est</th>
<th>FY 20CY Est</th>
<th>FY 20PY Est</th>
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</thead>
<tbody>
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<td>$xxx,xxx</td>
<td>$xxx,xxx</td>
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</tbody>
</table>

*A separate exhibit must be prepared for each M-1 line item reflecting subactivity detail. See sections 020204 C. and 020303 C. for more guidance.

Part I – Purpose and Scope

Include a description of what the funds requested are for to include any references to legislative authorities.

Part II – Justification of Funds Required

Include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory, program enhancements, solving deficiencies, etc.).

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<thead>
<tr>
<th>FY 20PY</th>
<th>FY 20CY Est</th>
<th>FY 20BY Est</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Rate</td>
<td>Amount</td>
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</tbody>
</table>

Program (e.g., Basic Pay)

Total

Note: Average number may represent the number of workyears or average number of personnel budgeted to receive a particular type of pay.

For the Retired Pay Accrual (RPA) exhibit, each active military personnel account must include a breakout of the RPA costs by Active Duty Component (Full-Time) soldiers and Reserve Component (Part-time) soldiers who are mobilized or on active duty for operational support.
Exhibit PB-30Y Performance Measures and Evaluation Summary

MILITARY PERSONNEL,
Performance Measures and Evaluation Summary

Activity: Active Military Personnel

Activity Goal: Maintain the correct Active Military Personnel to execute the National Strategy.

Description of Activity: The Active Military Personnel appropriations provide resources necessary to compensate military personnel required to man approved force structure and support infrastructure, which include pay, allowances, individual clothing, subsistence, and permanent change of station.

PERFORMANCE MEASURES:

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>PY Actual</th>
<th>CY Planned</th>
<th>BY Planned</th>
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<tbody>
<tr>
<td>Average Strength</td>
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<td>End Strength</td>
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<td>Authorized End Strength</td>
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Include a narrative section after each measure to provide any important information concerning the data reflected, explanations for variances from targets, and a subjective assessment of the program’s performance and outlook. The narrative should also explain any differences in how the Services define these items. Include a statement referencing that this display provides the information to meet the Office of Management and Budget requirement for PART - Program Assessment Rating Tool.

Recruiting

1. Numeric goals
   Actual
   - Total recruiting mission is compared to actual accessions for the fiscal year. The percent of goal accomplished is the measurement.

2. Quality goals
   a. HSDG percent
      Actual
   b. Test Score Category I-IIIA percent
      Actual

a. The percent Tier 1 High School Degree Graduate (HSDG) is the measure, which is a measure of educational achievement - Total number of Tier 1 HSDG non-prior service accessions + Delayed Entry Program (DEP) is compared to total number of non-prior service accessions + DEP for the fiscal year. (DoD target is 90%)

b. The percent CAT I-IIIA is the measure - Total number of non-prior service accessions + DEP who scored at or above 50th percentile (CAT I-IIIA) is compared to total number of non-prior service accessions + DEP for the fiscal year. (DoD target is 60%. CAT I-IIIA - scores at or above 50
on the Armed Forces Qualification Test (measure of aptitude). CAT IV - percentages are not shown as the Services historically have no difficulty meeting the 4% limitation.)

The narrative for recruiting should explain that the numeric goals will change between budget and fiscal year completion and why Services resource to quality levels while the DoD benchmarks are lower.
Exhibit PB-30Z Monthly End Strengths by Pay Grade (Active)

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\[1/ A separate exhibit should be prepared for each fiscal year presented in the Justification Book.\]
Exhibit MP-2, Basic Allowance for Housing Costs Summary

<table>
<thead>
<tr>
<th>MILITARY PERSONNEL, __________________</th>
<th>BASIC ALLOWANCE FOR HOUSING COSTS SUMMARY</th>
<th>($ in Thousands)</th>
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<tbody>
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(Please provide the table with actual data values)
## MILITARY PERSONNEL, __________________

### BASIC ALLOWANCE FOR HOUSING ESTIMATES

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Exhibit MP-2, Basic Allowance for Housing Costs Summary (Continued)

(Page 2 of 3)
MILITARY PERSONNEL, __________________

BASIC ALLOWANCE FOR HOUSING ESTIMATES

($ in Thousands)

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Exhibit MP-2, Basic Allowance for Housing Costs Summary (Continued)

(Page 3 of 3)
Exhibit MP-3 Summary of Outyear Data

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Note: “Do not round strength numbers”. Strength numbers should agree with request in the applicable budget submission.

Note: Gains and Losses on this exhibit should agree with the Gains and Losses on PB-30F.
Exhibit MP-4 Military Personnel by Region and Country (End Strength)

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Exhibit MP-4 Military Personnel by Region and Country (End Strength) Continued (Page 2 of 6)
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Exhibit MP-4 Military Personnel by Region and Country (End Strength) Continued

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Exhibit MP-4 Military Personnel by Region and Country (End Strength) Continued

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<td>Total</td>
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</table>

**Total End Strength** (to include reimbursable end strength)
- Total End Strength should match PB-30B Exhibit
Exhibit MP-6 Education Benefits

MILITARY PERSONNEL, __________________

EDUCATION BENEFITS

(Title 38 USC, Chapter 30)

($ in Thousands)

<table>
<thead>
<tr>
<th>COLLEGE FUND</th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
<th>FY 20BY+1</th>
<th>FY 20BY+2</th>
<th>FY 20BY+3</th>
<th>FY 20BY+4</th>
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<td>(Army Specific “X” – Insert “2”, “3”, “4”, “5,” or “6” Year Enlistment)</td>
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<tr>
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<td># of Participants</td>
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<td>“X” Year Enlistment</td>
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<tr>
<td>(Title 38 USC, Chapter 30)</td>
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<td>($ in Thousands)</td>
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</tr>
</tbody>
</table>

| “X” Year Enlistment                  |
| # of Participants                   |
| $850 per month                      |
| Amount                              |

| “X” Year Enlistment                  |
| # of Participants                   |
| $950 per month                      |
| Amount                              |

| TOTAL COLLEGE FUND                    |
| # of Participants                   |
| Amount                              |

| Amortization Payment – Unfunded Liability |
| Amortization Payment – Involuntary Separatees |

| NATIONAL CALL TO SERVICE               |
| # of Participants                   |
| Rate                                |
| Amount                              |

| TOTAL EDUCATION BENEFITS              |
| (Total of College Fund, Amortization and National Call to Service) |

| NOTE: Per capita cost rates will be provided annually subsequent to approval of the DoD Education Benefits Board of Actuaries. Total program cost must match data provided in PB Exhibits including justification for Budget Activity 2 and Budget Activity 6, Education Benefits. Format may be altered to account for categories not listed. |

<table>
<thead>
<tr>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
<th>FY 20BY+1</th>
<th>FY 20BY+2</th>
<th>FY 20BY+3</th>
<th>FY 20BY+4</th>
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<tbody>
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<td>“X” Year Enlistment</td>
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<tr>
<td># of Participants</td>
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<td>Amount</td>
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<td>Amortization Payment – Unfunded Liability</td>
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<tr>
<td>Amortization Payment – Involuntary Separatees</td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

| NATIONAL CALL TO SERVICE               |
| # of Participants                   |
| Rate                                |
| Amount                              |

| TOTAL EDUCATION BENEFITS              |
| (Total of College Fund, Amortization and National Call to Service) |

Exhibit MP-6 Education Benefits (Continued)
* Exhibit MP-9 Summary of Basic Pay and Retired Pay Accrual Costs

**MILITARY PERSONNEL**

**SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS**

($ in Thousands)

<table>
<thead>
<tr>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
<th>FY 20BY+1</th>
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<tbody>
<tr>
<td>Basic Pay</td>
<td>Retired Pay</td>
<td>Basic Pay</td>
<td>Retired Pay</td>
</tr>
</tbody>
</table>

Total Direct Program
- Officer
- Enlisted

Total ADOS Program
- Officer
- Enlisted

Total Reimbursable Program
- Officer
- Enlisted

Total Program
- Officer
- Enlisted

**Blended Retirement Plan**
- Continuation Pay

**TSP Matching**
- Contributions

<table>
<thead>
<tr>
<th>FY 20BY+2</th>
<th>FY 20BY+3</th>
<th>FY 20BY+4</th>
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</thead>
<tbody>
<tr>
<td>Basic Pay</td>
<td>Retired Pay</td>
<td>Basic Pay</td>
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Total Direct Program
- Officer
- Enlisted

Total ADOS Program
- Officer
- Enlisted
<table>
<thead>
<tr>
<th></th>
<th>FY 20BY+2</th>
<th>FY 20BY+3</th>
<th>FY 20BY+4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Reimbursable Program</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Officer</td>
<td>Basic Pay</td>
<td>Basic Pay</td>
<td>Basic Pay</td>
</tr>
<tr>
<td>Enlisted</td>
<td>Retired Pay</td>
<td>Retired Pay</td>
<td>Retired Pay</td>
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<td><strong>Total Program</strong></td>
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<tr>
<td>Enlisted</td>
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</table>

**Blended Retirement Plan**

Continuation Pay

TSP Matching

Contributions

Note: Retired pay accrual amounts, as a percentage of basic pay, should agree with the Normal Cost Percentages (NCPs) provided in the budget guidance. Beginning in FY 2018, the continuation pays and TSP costs should agree with the anticipated costs resulting from the blended retirement system authorized in the FY 2016 NDAA, P.L. 114-92.
Exhibit MP-11 Gains Phased by Month

**MILITARY PERSONNEL, ________________**

**GAINS PHASED BY MONTH**

(End Strength)

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<th>FY 20CY</th>
<th>FY 20BY</th>
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</tr>
<tr>
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<td>Total</td>
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**ENLISTED NON-PRIOR SERVICE (NPS) ACCESSIONS PHASED BY MONTH**

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<tr>
<th>Month</th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
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<tbody>
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<td>Total</td>
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MILITARY PERSONNEL, __________________
PAY RAISE DATA
($ in Thousands)

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<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
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<tbody>
<tr>
<td>DIRECT AND REIMBURSABLE</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Basic Pay (including Cadets/Midshipmen)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retired Pay Accrual</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TSP Matching</td>
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<tr>
<td>FICA</td>
<td></td>
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<tr>
<td>Separation Pay Minus VSI &amp; $30K Bonuses</td>
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</tr>
<tr>
<td>SRB – New Payments Only</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Station Allowances –COLA only</td>
<td></td>
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<tr>
<td>PCS – Dislocation Allowance</td>
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<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>DIRECT</td>
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<tr>
<td>Basic Pay (including Cadets/Midshipmen)</td>
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<tr>
<td>Retired Pay Accrual</td>
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<td>FICA</td>
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<tr>
<td>Separation Pay Minus VSI &amp; $30K Bonuses</td>
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<td>PCS – Dislocation Allowance</td>
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<td>TOTAL</td>
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</tbody>
</table>

NOTE: This exhibit should reflect only the amounts budgeted that are affected by the pay raise.
The numbers in this exhibit will be used to develop pay raise estimates. The total should not add to
the total appropriation amount.
Exhibit MP-13 - Medicare-Eligible Retiree Health Fund Contributions

Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, …)___________
(In Thousands of Dollars)

<table>
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<td>CIS Control</td>
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<table>
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<td>Total</td>
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<tr>
<td>CIS Control</td>
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<td>Delta from CIS</td>
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</table>

NOTE: NUMBER SHOULD REFLECT TOTAL AVERAGE STRENGTH MINUS AVERAGE STRENGTH FOR THE MANDAY/ADOS PROGRAM.
Exhibit MP-15 Monthly Obligation Phasing Plan

MONTHLY OBLIGATION PHASING PLAN (FY CY)
Appropriation: ________________

(Dollars in Thousands)

| Budget Activity | Description               | Budget Subactivity  (Example) | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP |
|-----------------|---------------------------|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|                 |                           | Retired Pay Accrual Total    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
|                 | Total Direct Program |                              |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
|                 | Total Reimbursable Program |                              |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
|                 | Total Gross Program |                              |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |

Directions:
For each military personnel appropriation, provide estimated monthly direct obligations for the current year by each budget subactivity.

Include lines for both incremental monthly obligations and cumulative (Cum.) obligations year-to-date for each budget subactivity.

Include a monthly phasing of reimbursable obligations and a total gross program at the bottom of the phasing.

Budget activity totals must match the current year (CY) amounts reflected in the Comptroller Information System (CIS).
Exhibit MP-16 – Recruiting and Retention Data

**MILITARY PERSONNEL, ___________________

SUMMARY OF RECRUITING AND RETENTION DATA**

**Recruiting and Retention Goals:**

<table>
<thead>
<tr>
<th></th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY20BY</th>
<th>FY20BY+1</th>
<th>FY20BY+2</th>
<th>FY20BY+3</th>
<th>FY20BY+4</th>
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<tbody>
<tr>
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<td><strong>Number of Accessions</strong></td>
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<tr>
<td>Enlisted</td>
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<td>Non-Prior Service</td>
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<tr>
<td>Prior Service</td>
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<tr>
<td><strong>Number of Reenlistments</strong></td>
<td></td>
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</tr>
<tr>
<td>Mid-Career</td>
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<td>Career</td>
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</tr>
</tbody>
</table>

**Recruiting and Retention Funding:**

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Main Category</th>
<th>Appropriation</th>
<th>Officer/Enlisted</th>
<th>Entitlement</th>
<th>Entitlement Sub-Category</th>
<th>New, Anniversary or Lump Sum Payment</th>
<th>FY 20PY through FY20BY+4</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
</tr>
</tbody>
</table>

(Page 1 of 2)
Main Category: This should list either Recruiting or Retention.

Appropriation: MPA, MPN, MPMC or MPAF

Officer/Enlisted: This should list the applicable personnel receiving the recruiting/retention funding – Officer, Enlisted or Cadets/Midshipmen

Entitlement: The following is a list of recruiting and retention programs previously reported to OUSD(C) Military Personnel and Construction Directorate (MPC). Please use this list and include any additional programs not identified that should be captured under recruiting and retention. These additional items should be highlighted to the OSD analyst for future inclusion.

<table>
<thead>
<tr>
<th>Critical Skills Accession Bonus</th>
<th>Critical Skills Retention Bonus</th>
<th>HP Accession Bonus</th>
<th>HP Retention Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dentist</td>
<td>Medical CSRB</td>
<td>Dentist Accession Bonus</td>
<td>Dental Multi-Year Retention Bonus</td>
</tr>
<tr>
<td>Nuclear Accession Bonus</td>
<td>Dental CSRB</td>
<td>Nurse Accession Bonus</td>
<td>Optometrist Multi-Year Retention Bonus</td>
</tr>
<tr>
<td>SPECWAR</td>
<td>Psych Diplomate &amp; Non-Physician</td>
<td>Pharmacy Accession Bonus</td>
<td>Optometry Retention</td>
</tr>
<tr>
<td>Warrant Officers, CID</td>
<td>Company Grade/Captain CSRB</td>
<td>Physician Accession Bonus</td>
<td>Physician Multi-Year Special Pay</td>
</tr>
<tr>
<td>Warrant Officers, Military Intel</td>
<td>Enlisted Supervisor Retention Pay</td>
<td>Physician – Critical War Skills Accession Bonus</td>
<td></td>
</tr>
<tr>
<td>Warrant Officers, Special Forces</td>
<td>EOD/Seal/Master Diver Intel NSW</td>
<td>Psychologist Accession Bonus</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Public Health Officer Accession Bonus</td>
<td></td>
</tr>
</tbody>
</table>

Loan Repayment Program
Matching Thrift Saving Plan
Montgomery GI Bill (MGIB)
National Call to Service
Recruitment Referral Bonus
Selective Reenlistment Bonus

Entitlement Sub-Categories: The following is a list of examples of further breakout of specific entitlements previously reported to OUSD(C) Military Personnel and Construction Directorate (MPC). Please use this list and include any additional breakouts not identified that should be captured under each entitlement.

Additional Instructions: This exhibit is to be included in the backup justification book. Additionally, OSD(C) will provide each Component with their specific MP-16 spreadsheet and each Component must submit it electronically to OUSD(C) Military Personnel and Construction Directorate.
Exhibit MP-17 – Reimbursable Program (Reimbursing Customers)

**MILITARY PERSONNEL**

Reimbursable Program (Reimbursing Customers)
($ in Thousands)

<table>
<thead>
<tr>
<th>Category</th>
<th>Customer Description</th>
<th>Mission Description</th>
<th>Reimbursing Account</th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
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<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Number</td>
<td>Rate</td>
<td>Amt</td>
</tr>
</tbody>
</table>

**Examples**

- **Pay and Allowances**
  - Army Working Capital Fund
    - Supply Management
    - WCF, Army

- **Pay and Allowances**
  - DIA
    - Intelligence Related
    - O&M, Defense-Wide

- **Subsistence-in-Kind**
  - Dept of State
    - MREs for Humanitarian Mission (specify)
    - Dept of State

**Total**

---

1/ Mission Description must be unclassified. For intelligence related activities, the mission description should simply state “Intelligence Related”.

2/ Only specify account if within DoD (e.g., Army Working Capital Fund), otherwise specify reimbursing organization.

3/ Total must match CIS controls and Justification Book amounts for reimbursable authority.

---

**Guidance on Military Personnel Reimbursables.**

A direct appropriation is provided for paying military personnel; therefore, the cost of military labor shall not be charged to another DoD entity except for:

- Military personnel assigned to the Defense Working Capital Fund activities;
- If provided in the annual DoD Appropriations Act, National Guard and Reserve members who provide intelligence or counterintelligence support to Combatant Commands, Defense Agencies and Joint Intelligence Activities, including the activities and programs included within the National Intelligence Program and the Military Intelligence Program; and
- National Guard and Reserve personnel conducting military-to-military contacts as authorized in 10 U.S.C. 168 and utilizing funds specifically appropriated for that purpose.

Military labor shall be charged to non-DoD organizations on the basis of the actual hours worked or assigned.
Exhibit PB-30A Summary of Requirements by Budget Program (Reserves)

<table>
<thead>
<tr>
<th>RESERVE PERSONNEL</th>
<th>SUMMARY OF REQUIREMENTS BY BUDGET PROGRAM</th>
<th>($ in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 20PY Actual</td>
<td>FY 20CY Estimate</td>
<td>FY 20BY Estimate</td>
</tr>
</tbody>
</table>

Reserve Component Training and Support

Direct Program
Reimbursable Program
OCO Funding
Subtotal Reserve Personnel, xxxx

Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, etc.)

TOTAL PROGRAM COST

LEGISLATIVE PROPOSALS:
The following legislative proposals are included in the above estimate and submitted for FY BY consideration:
(List proposals and funding requested for each fiscal year.)
The following information is submitted in accordance with the FY 2008 Appropriation Conference Report 110-434 and the FY 2008 House appropriation Committee Report 110-279.

<table>
<thead>
<tr>
<th>FY 20PY Actual</th>
<th>FY 20CY Estimate</th>
<th>FY 20BY Estimate</th>
</tr>
</thead>
</table>

**RESERVE PERSONNEL, XXX (RPX)**

**DIRECT PROGRAM**

**REIMBURSABLE PROGRAM**

**OCO AND OTHER SUPPLEMENTAL FUNDING 1/**

**TOTAL RESERVE PERSONNEL, XXX (RPX)**

**MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION (MERHFC)**

**TOTAL RESERVE PERSONNEL, XXX PROGRAM COST**

**MILITARY PERSONNEL, XXX (MPX)**

**OCO PAY AND ALLOWANCES, MOBILIZATION**

**ACTIVE DUTY FOR OPERATIONAL SUPPORT (ADOS) PAY AND ALLOWANCES**

**TOTAL FUNDING FROM ACTIVE MILITARY PERSONNEL, XXX**

**TOTAL RESERVE PAY AND BENEFITS FUNDED FROM MILITARY PAY ACCOUNTS**

1/ FY 20CY and FY 20BY reflects amounts requested in the FY 20CY OCO request and the FY 20BY OCO request.
Exhibit PB-30F Schedule of Gains and Losses to Selected Reserve Strength

RESERVE PERSONNEL, _______________
SCHEDULE OF GAINS AND LOSSES TO SELECTED RESERVE STRENGTH

OFFICERS

<table>
<thead>
<tr>
<th></th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
</tr>
</thead>
<tbody>
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<tr>
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<td></td>
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<tr>
<td>Female</td>
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<tr>
<td>Prior Service Personnel</td>
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<tr>
<td>Civilian Life</td>
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<tr>
<td>Active Component</td>
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<tr>
<td>Enlisted Commissioning Programs</td>
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<td>Pay Group B (IMA)</td>
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<td></td>
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<tr>
<td>Other Reserve Status/Component</td>
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<td>All Other</td>
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<tr>
<td>Full-Time Active Duty</td>
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<tr>
<td>TOTAL GAINS</td>
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<tr>
<td>LOSSES</td>
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<td>Civilian Life</td>
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<td>Retired Reserves</td>
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<td>Pay Group B (IMA)</td>
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<tr>
<td>Other Reserve Status/Component</td>
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<tr>
<td>Full-Time Active Duty</td>
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<tr>
<td>TOTAL LOSSES</td>
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<tr>
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</tr>
</tbody>
</table>

NOTE: This exhibit should include both part-time and full-time personnel.
Exhibit PB-30F Schedule of Gains and Losses to Selected Reserve Strength

**RESERVE PERSONNEL, **

**SCHEDULE OF GAINS AND LOSSES TO SELECTED RESERVE STRENGTHS**

**ENLISTED**

**BEGINNING STRENGTH**

<table>
<thead>
<tr>
<th></th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
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</thead>
<tbody>
<tr>
<td><strong>GAINS</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Non-prior Service Personnel</td>
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<td></td>
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<tr>
<td>Male</td>
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<td></td>
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<tr>
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<tr>
<td>Prior Service Personnel</td>
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<tr>
<td>Civilian Life</td>
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<tr>
<td>Active Component</td>
<td></td>
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<tr>
<td>Reenlistments/Extensions</td>
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<td></td>
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<tr>
<td>Pay Group B (IMA)</td>
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<td></td>
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<tr>
<td>Other Reserve Status/Component</td>
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<td>All Other</td>
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<tr>
<td>Full-Time Active Duty</td>
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<td><strong>TOTAL GAINS</strong></td>
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</table>

**LOSSES**

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<td>Retired Reserves</td>
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<td>All Other</td>
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</tr>
<tr>
<td>Full-Time Active Duty</td>
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</tr>
<tr>
<td><strong>TOTAL LOSSES</strong></td>
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</table>

Accounting Adjustment

**END STRENGTH**

**NOTE:** This exhibit should include both part-time and full-time personnel.
### Exhibit PB-30G Summary of Personnel (Reserves)

<table>
<thead>
<tr>
<th>RESERVE PERSONNEL, __________________</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUMMARY OF PERSONNEL</td>
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<table>
<thead>
<tr>
<th></th>
<th>No. of Drills</th>
<th>No. of A/D Days</th>
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<th>FY 20CY</th>
<th>FY 20BY</th>
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<td><strong>Paid Drill/Individual Training</strong></td>
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<tr>
<td>Pay Group A - Officers</td>
<td>48</td>
<td>1/</td>
<td>FY 20PY</td>
<td>FY 20CY</td>
<td>FY 20BY</td>
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<td>48</td>
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<tr>
<td>Pay Group B - Officers</td>
<td>2/</td>
<td>1/</td>
<td></td>
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</tr>
<tr>
<td>Pay Group B - Enlisted</td>
<td>2/</td>
<td>1/</td>
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<td>Pay Group F - Enlisted</td>
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<td>Pay Group P - Enlisted- Non Paid</td>
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<td>Subtotal Pay Group F/P</td>
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<tr>
<td>Subtotal Paid Drill/Indiv Tng</td>
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</tbody>
</table>

| **Full-time Active Duty** | | |
|--------------------------||
| Officers                 |   |
| Enlisted                 |   |
| Subtotal Full-time       |   |

| **Total Selected Reserve** | |
|---------------------------||
| Officers                  |   |
| Enlisted                  |   |
| Total                     |   |

| **Individual Ready Reserve/Inactive National Guard** | |
|-----------------------------------------------------|
| Officers                                             |
| Enlisted                                             |
| Total                                               |

**GRAND TOTAL**

1/ Show average length of training in days for the budget year (BY).

2/ Combine all IMAs into training category B. Components should reflect weighted average of drills performed by all IMAs under “No. of Drills” that support the funds requested.

3/ Show average number of drills for the budget year (BY).

**NOTE:** Data should reflect total direct and reimbursable funded end strength.

---

End strength data must agree by category of personnel with the end strength data reflected in the Comptroller Information System (CIS).

Averages are computed as follows: \((PY \text{ SEP} + (CY \text{ OCT through CY AUG}) \times 2 + CY \text{ SEP})/24\)
Exhibit PB-30H Reserve On Active Duty - Strength by Grade (Reserves)

### RESERVE PERSONNEL
RESERVE COMPONENT PERSONNEL ON TOURS OF FULL-TIME ACTIVE DUTY
STRENGTH BY GRADE

<table>
<thead>
<tr>
<th></th>
<th>FY 20PY Average</th>
<th>FY 20PY End</th>
<th>FY 20CY Average</th>
<th>FY 20CY End</th>
<th>FY 20BY Average</th>
<th>FY 20BY End</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commissioned Officers</strong></td>
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<tr>
<td>0-8 (enter rank)</td>
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<tr>
<td>0-7</td>
<td>&quot; &quot;</td>
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<tr>
<td>0-6</td>
<td>&quot; &quot;</td>
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<tr>
<td>0-5</td>
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<td>0-4</td>
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<tr>
<td>0-3</td>
<td>&quot; &quot;</td>
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| **Warrant Officers**   |                 |             |                 |             |                 |             |
| W-4 (enter rank)       |                 |             |                 |             |                 |             |
| W-3                   | " "             |             |                 |             |                 |             |
| W-2                   | " "             |             |                 |             |                 |             |
| W-1                   | " "             |             |                 |             |                 |             |
| Total                 |                 |             |                 |             |                 |             |

| **Total Officers**     |                 |             |                 |             |                 |             |

| **Enlisted Personnel** |                 |             |                 |             |                 |             |
| E-9 (enter rank)       |                 |             |                 |             |                 |             |
| E-8                   | " "             |             |                 |             |                 |             |
| E-7                   | " "             |             |                 |             |                 |             |
| E-6                   | " "             |             |                 |             |                 |             |
| E-5                   | " "             |             |                 |             |                 |             |
| E-4                   | " "             |             |                 |             |                 |             |
| E-3                   | " "             |             |                 |             |                 |             |
| E-2                   | " "             |             |                 |             |                 |             |
| E-1                   | " "             |             |                 |             |                 |             |
| Total Enlisted        |                 |             |                 |             |                 |             |

Total Personnel on Active Duty
### RESERVE PERSONNEL, _______________

**FY 20___ STRENGTH**

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<td>Full-Time</td>
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<td>Selected</td>
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<tr>
<th>Pay Group A</th>
<th>Pay Group B (IMA)</th>
<th>Pay Group P</th>
<th>Total</th>
<th>Full-Time</th>
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<td>August</td>
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<td>September 30, 20__</td>
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**Average**

**Note:** A separate Exhibit will be prepared for the prior year, current year, and budget year. The Exhibit displaying current data will be footnoted to indicate the month through which actual date is reflected.

### RESERVE COMPONENT MEMBERS PERFORMING OPERATIONAL SUPPORT DUTY AND EXCEEDING 1,095 DAY THRESHOLD

(Actual, FY 20XX)

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<th>AC FUNDED</th>
<th>RC FUNDED</th>
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<th>Primary Missions Being Performed</th>
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<td>Count Against Reserve Component (AGR) End Strength</td>
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Congressional Reporting Requirement
*Exhibit PB-30J Summary of Entitlements by Subactivity (Reserves)

## Reserve Personnel, 
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($) in Thousands

<table>
<thead>
<tr>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officers</td>
<td>Enlisted</td>
<td>Total</td>
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</tbody>
</table>
| RESERVE COMPONENT TRAINING AND SUPPORT

### PAY GROUP A
Active Duty Training
Inactive Duty Training
Unit Training Assemblies
Flight Training
Training Preparation
Military Funeral Honors
Civil Disturbance
Jump Proficiency
Clothing
Subsistence of Enlisted Personnel
Travel
TOTAL DIRECT OBLIGATIONS

### PAY GROUP B
Active Duty Training
Inactive Duty Training
Clothing
Subsistence of Enlisted Personnel
Travel
TOTAL DIRECT OBLIGATIONS

### PAY GROUP F
Active Duty Training
Clothing
Subsistence of Enlisted Personnel
Travel
TOTAL DIRECT OBLIGATIONS

### PAY GROUP P
Inactive Duty Training
Clothing
Subsistence of Enlisted Personnel
TOTAL DIRECT OBLIGATIONS

The PB-30J data, **to include outyear** data, will be submitted via the Select and Native Programming Data Input System (SNaP) located at [https://snap.pae.osd.mil](https://snap.pae.osd.mil). The most current version of this exhibit will be found at this site.
## RESERVE PERSONNEL, _______________

### SUMMARY OF ENTITLEMENTS BY SUBACTIVITY

**($ in Thousands)**

<table>
<thead>
<tr>
<th></th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officers</td>
<td>Enlisted</td>
<td>Total</td>
<td>Officers</td>
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</tbody>
</table>

#### MOBILIZATION TRAINING
- IRR Muster/Screening
- IRR Mission Support
- IRR Readiness Training
- Merchant Marine Training

**TOTAL DIRECT OBLIGATIONS**

#### SCHOOL TRAINING
- Career Development Training
- Initial Skill Acquisition Training
- Officer Candidate/Training School
- Refresher and Proficiency Training
- Undergraduate Pilot/Navigator Training
- Unit Conversion Training

**TOTAL DIRECT OBLIGATIONS**

#### SPECIAL TRAINING
- Competitive Events
- Command/Staff Supervision
- Drug Interdiction Activity
- Exercises
- Management Support
- Operational Training
- Recruiting/Retention
- Service Mission/Mission Support
- Unit Conversion Training
- Active Duty for Operational Support (ADOS)
- Active Duty Special Training (ADST)

**TOTAL DIRECT OBLIGATIONS**

---

*Exhibit PB-30J Summary of Entitlements by Subactivity (Reserves) Continued (Page 2 of 5)*
RESERVE PERSONNEL, _______________
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($ in Thousands)

<table>
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<td>Full Time Pay and Allowances</td>
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<td><strong>TOTAL DIRECT OBLIGATIONS</strong></td>
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EDUCATION BENEFITS
Basic Benefit
Kicker Program
Amortization Payment
**TOTAL DIRECT OBLIGATIONS**
**RESERVE PERSONNEL, _______________**

**SUMMARY OF ENTITLEMENTS BY SUBACTIVITY**

($ in Thousands)

<table>
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<th>FY 20CY</th>
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<td>Subsistence-in-Kind</td>
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<tr>
<td>Travel</td>
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<td>Tuition Assistance Program</td>
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<td><strong>TOTAL DIRECT OBLIGATIONS</strong></td>
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</tbody>
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|                      |         |         |         |         |         |         |         |         |
| **BRANCH OFFICER BASIC COURSE -RESERVE COMPONENTS** |         |         |         |         |         |         |         |         |
| Active Duty Training |         |         |         |         |         |         |         |         |
| Uniform Allowance    |         |         |         |         |         |         |         |         |
| Travel               |         |         |         |         |         |         |         |         |
|                      |         |         |         |         |         |         |         |         |
| **TOTAL DIRECT OBLIGATIONS** |         |         |         |         |         |         |         |         |

|                      |         |         |         |         |         |         |         |         |
| **HEALTH PROFESSIONS SCHOLARSHIP PROGRAM** |         |         |         |         |         |         |         |         |
| Stipend              |         |         |         |         |         |         |         |         |
| Uniform Allowance    |         |         |         |         |         |         |         |         |
| Active Duty Training |         |         |         |         |         |         |         |         |
| Travel               |         |         |         |         |         |         |         |         |
|                      |         |         |         |         |         |         |         |         |
| **TOTAL DIRECT OBLIGATIONS** |         |         |         |         |         |         |         |         |

|                      |         |         |         |         |         |         |         |         |
| **MEDICAL FINANCIAL ASSISTANCE PROGRAM (FAP)** |         |         |         |         |         |         |         |         |
| Stipend              |         |         |         |         |         |         |         |         |
| Financial Assistance Grant |     |         |         |         |         |         |         |         |
| Uniform Allowance    |         |         |         |         |         |         |         |         |
| Active Duty Training |         |         |         |         |         |         |         |         |
| Travel               |         |         |         |         |         |         |         |         |
|                      |         |         |         |         |         |         |         |         |
| **TOTAL DIRECT OBLIGATIONS** |         |         |         |         |         |         |         |         |

Exhibit PB-30J Summary of Entitlements by Subactivity (Reserves) Continued

(Page 4 of 5)
### Reserve Personnel, _______________

#### Summary of Entitlements by Subactivity

($ in Thousands)

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<th>FY 20BY</th>
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<td>Officers</td>
<td>Enlisted</td>
<td>Total</td>
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**Nurs Candidate Bonus Program**
- Nurse Candidate Bonus
- Accession Bonus

**Total Direct Obligations**

**Chaplain Candidate Program**
- Active Duty Training
- Uniform Allowance
- Travel

**Total Direct Obligations**

**TSP Matching Contributions**

**Total Direct Obligations**

**Total Direct Program**
*Exhibit PB-30K Analysis of Appropriation Changes (Reserves)

### RESERVE PERSONNEL

**ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS**

**FY 20CY ($ in Thousands)**

<table>
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<tr>
<th>FY 20CY CONGRESIONAL APPROPRIATION</th>
<th>INTERNAL REALIGNMENT/REPROGRAMMING</th>
<th>SUB DD 1415 TOTAL ACTIONS</th>
<th>FY 20CY COL. BUDGET</th>
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<tbody>
<tr>
<td>FY 20CY PRESIDENT’S BUDGET</td>
<td></td>
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</tr>
<tr>
<td>PAY GROUP A</td>
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<tr>
<td>Active Duty Training</td>
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<td>Jump Proficiency</td>
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<td>Clothing</td>
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<tr>
<td>Subsistence of Enlisted Personnel</td>
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<td>Travel</td>
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<td><strong>TOTAL DIRECT OBLIGATIONS</strong></td>
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<td>Clothing</td>
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<td>Subsistence of Enlisted Personnel</td>
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<td>Clothing</td>
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<td>Subsistence of Enlisted Personnel</td>
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<td><strong>TOTAL DIRECT OBLIGATIONS</strong></td>
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</table>

(Page 1 of 5)
## Reserve Personnel
### Analysis of Appropriation Changes and SupPLEMENTAL Requirements
#### FY 20CY ($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 20CY CONGRESIONAL APPROPRIATION</th>
<th>INTERNAL REALIGNMENT/REPROGRAMMING</th>
<th>SUB DD 1415 TOTAL ACTIONS</th>
<th>FY 20BY PRES. BUDGET</th>
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<tr>
<td>FY 20CY PRESIDENT’S BUDGET</td>
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<td>Merchant Marine Training</td>
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Exhibit PB-30K Analysis of Appropriation Changes (Reserves) Continued

(Page 2 of 5)
## Reserve Personnel:
### Analysis of Appropriation Changes and Supplemental Requirements
#### FY 20CY ($ in Thousands)

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<th>FY 20CY Congressionals</th>
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<th>FY 20BY President’s Budget</th>
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</thead>
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<tr>
<td>President’s Budget</td>
<td>Appropriation</td>
<td>Total Actions</td>
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</table>

### Administration and Support
- Full Time Pay and Allowances
- Clothing
- Subsistence
- Travel/PCS
- Disability and Hospitalization Benefits
- Reserve Incentive Programs
- Transition Benefits
- Adoption Expenses
- $30,000 Lump Sum Bonus
- Continuation Pays

**Total Direct Obligations**

### Education Benefits
- Basic Benefit
- Kicker Program
- Amortization Payment

**Total Direct Obligations**

### Platoon Leaders’ Class or Reserve Officer Candidates
- Subsistence Allowance (Stipend)
- Uniforms
- Commutation
- Issue-In-Kind
- Summer Camp Training
- Subsistence-in-Kind
- Travel
- Tuition Assistance Program

**Total Direct Obligations**

### Branch Officer Basic Course - Reserve Components
- Active Duty Training
- Uniform Allowance
- Travel

**Total Direct Obligations**

---

Exhibit PB-30K Analysis of Appropriation Changes (Reserves) Continued

(Page 3 of 5)
## Reserve Personnel,
### Analysis of Appropriation Changes and Supplemental Requirements
#### FY 20CY ($ in Thousands)

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TOTAL DIRECT PROGRAM

Exhibit PB-30K Analysis of Appropriation Changes (Reserves) Continued (Page 4 of 5)
INSTRUCTIONS FOR COMPLETION OF EXHIBIT
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS

FY 20CY President’s Budget - Show costs as included in the original FY 20CY President’s Budget request. The total of all such costs should equal the FY 20CY appropriation request for each line item.

Congressional Action - Show the delta(s) associated with final congressional action on the FY 20CY appropriations request.

Appropriation – Show the final funding level appropriated by Congress for the FY CY. This value should tie explicitly by budget activity and total to the values reported on the DD 1414 Base for Reprogramming.

Internal Realignment/Reprogramming - Include those adjustments, which are necessary to align the amounts shown in the appropriation column of this exhibit with the FY 20CY column of the FY 20BY President’s Budget exclusive of other price/program changes described below.

Subtotal – Should include the appropriated amount plus or minus internal realignments/reprogrammings.

Proposed DD 1415 Actions - Amounts shown in this column would include approved reprogrammings/transfers.

FY 20CY Column of FY 20BY President’s Budget - Show amounts as included in the FY 20BY President’s Budget request. These amounts should be equal to the sum of the amounts shown in the preceding two columns.

NOTE: An explanation should be provided for each adjustment in excess of $1 million included in the column showing realignments and reprogramming. Such explanation should not be included as part of this exhibit, but rather should be submitted separately to the OUSD(C) (P/B) Military Personnel and Construction Directorate, Room 3C654, Pentagon.
Exhibit PB-30L Summary of Basic Pay and Retired Pay Accrual Costs (Reserves)

### RESERVE PERSONNEL, SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS

**($ in Thousands)**

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<tr>
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<th>FY 20CY</th>
<th>FY 20BY</th>
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</table>

**Pay Group A**
- Officers
- Enlisted
- Subtotal

**Pay Group B**
- Officers
- Enlisted
- Subtotal

**Pay Group F**
- Officers
- Enlisted
- Subtotal

**Pay Group P**
- Enlisted

**Mobilization Training**
- Officers
- Enlisted
- Subtotal

**School Training**
- Officers
- Enlisted
- Subtotal

**Special Training**
- Officers
- Enlisted
- Subtotal

**Administration and Support**
- Officers
- Enlisted
- Subtotal

---

**NOTE:** Retired pay accrual amounts, as a percentage of basic pay, should agree with the Normal Cost Percentages (NCPs) provided in the budget guidance. Retired and Basic Pay should match the amounts on the MPR-5.
## RESERVE PERSONNEL,
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS (Continued)
($ in Thousands)

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<tbody>
<tr>
<td>Basic Pay</td>
<td>Retired Pay</td>
<td>Basic Pay</td>
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### Full-time Support (Non-Add)
- (Officer)
- (Enlisted)
- Subtotal

### Other
- Platoon Leaders Class (Enlisted)
- Branch Officers Basic Course (Officer)
- Health Professions Scholarship (Officer)
- Financial Assistance Program (Officer)
- Chaplain Candidate Program (Officer)
- Subtotal

### Total Direct Program
- Officers
- Enlisted
- Total

### Total Reimbursable Program
- Officers
- Enlisted
- Total

### Total Program
- Officers
- Enlisted
- Total

**NOTE:** Accrual costs as a percent of basic pay to be used for each year will be provided separately.
Exhibit PB-30M Summary of BAH Costs (Reserves)

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## RESERVE PERSONNEL,
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($ in Thousands)

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Exhibit PB-30M Summary of BAH Costs (Reserves) Continued  
(Page 2 of 2)
Exhibit PB-30N Summary of Travel Costs (Reserves)

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Exhibit PB-30N Summary of Travel Costs (Reserves) Continued
(Page 2 of 2)
Exhibit PB-30U Summary of BAS AND SIK Costs (Reserves)

**RESERVE PERSONNEL, SUMMARY OF BASIC ALLOWANCE FOR SUBSISTENCE (BAS) AND SUBSISTENCE-IN-KIND (SIK)**
($ in Thousands)

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(Page 1 of 2)
REVERSE PERSONNEL,
SUMMARY OF BASIC ALLOWANCE FOR SUBSISTENCE (BAS) AND SUBSISTENCE-IN-KIND (SIK)
($ in Thousands)

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Exhibit PB-30U Summary of BAS AND SIK Costs (Reserves) Continued
(Page 2 of 2)
Exhibit PB-30W Full-Time Support Personnel (Reserves)

### RESERVE PERSONNEL, FULL-TIME SUPPORT PERSONNEL (End Strength)

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*Excludes military technicians assigned to USSOCOM who are associated with the Special Operations Forces.

Notes: Exhibit should be provided for each Reserve Component justification book. Data must be provided for prior year (PY), current year (CY), and budget year (BY). Civilian end strength should exclude military technicians.
Exhibit PB-30X  Subactivity Detailed Justification (Reserve)

Program: * (e.g., Special Training)

<table>
<thead>
<tr>
<th>Program (e.g., Exercises)</th>
<th>FY 20BY Est</th>
<th>$xxx,xxx</th>
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<td>FY 20CY Est</td>
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<tr>
<td>Program (e.g., Competitive Events)</td>
<td>FY 20PY Est</td>
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</table>

*A separate exhibit must be prepared for each M-1 line item reflecting subactivity detail. See section 020303 C. for more guidance.

**Part I – Purpose and Scope**

Include a description of what the funds requested are for to include any references to legislative authorities.

**Part II – Justification of Funds Required**

Include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory, program enhancements, solving deficiencies, etc.).

<table>
<thead>
<tr>
<th>Program (e.g., Exercises)</th>
<th>FY 20PY Number</th>
<th>Rate</th>
<th>Amount</th>
<th>FY 20CY Est Number</th>
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Note: Average number may represent the number of workyears or average number of personnel budgeted to receive a particular type of pay.
Exhibit PB-30Y Performance Measures and Evaluation Summary (Reserves)

RESERVE PERSONNEL
Performance Measures and Evaluation Summary

Activity: Active Reserve/Guard Military Personnel

Activity Goal: Maintain the correct Reserve/Guard Active Military Personnel to execute the National Strategy.

Description of Activity: The Reserve/Guard Active Military Personnel appropriations provide resources necessary to compensate military personnel required to provide trained units and qualified personnel in the Armed Forces in time of war, or national emergency, and at such other times as the national security requires. The Reserve/Guard also fills the needs of the Armed Forces whenever more units and persons are needed than are in the Active component to achieve the planned mobilization.

PERFORMANCE MEASURES:

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Include a narrative section after each measure to provide any important information concerning the data reflected, explanations for variances from targets, and a subjective assessment of the program’s performance and outlook. The narrative should also explain any differences in how the Services define these items. Include a statement referencing that this display provides the information to meet the Office of Management and Budget requirement for PART - Program Assessment Rating Tool.
Exhibit MPR-2 Basic Allowance for Housing Costs Summary

RESERVE OR NATIONAL GUARD PERSONNEL, __________________

BASIC ALLOWANCE FOR HOUSING COSTS SUMMARY

($ in Thousands)

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Exhibit MPR-3 Summary of Outyear Data

RESERVE PERSONNEL, __________________

SUMMARY OF OUTYEAR DATA

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<td><strong>Individual Ready Reserve/Inactive National Guard</strong></td>
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Note: “Do not round strength numbers”. Strength numbers should agree with request in the applicable budget submission.
RESERVE PERSONNEL,
SUMMARY OF OUTYEAR DATA

<table>
<thead>
<tr>
<th>PY</th>
<th>CY</th>
<th>BY</th>
<th>BY+1</th>
<th>BY+2</th>
<th>BY+3</th>
<th>BY+4</th>
</tr>
</thead>
</table>

**Average Strength**
- Pay Group A Officers
- Pay Group A Enlisted
  - Subtotal Pay Group A
- Pay Group B Officers
- Pay Group B Enlisted
  - Subtotal Pay Group B
- Pay Group F Enlisted
- Pay Group P Enlisted – Paid
- Pay Group P Enlisted – Non Paid
  - Subtotal Pay Group F/P
- Subtotal Drill/Individual Training

**Full Time Active Duty**
- Officers
- Enlisted
  - Subtotal Full-Time

**Total Selected Reserve**
- Officers
- Enlisted
  - Total

**Individual Ready Reserve/Inactive National Guard**
- Officers
- Enlisted
  - Total

**GRAND TOTAL**

**Obligations ($ in Thousands)**
- Direct
- Reimbursable
  - Total

Note: “Do not round strength numbers”. Strength numbers should agree with request in the applicable budget submission.
Exhibit MPR-4 Education Benefits (Title 10 USC, Chapter 1606 & 1607)

**RESERVE PERSONNEL, _______________
EDUCATION BENEFITS**
*(Title 10 USC, Chapter 1606 and 1607)*
*($ in Thousands)*

<table>
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<tr>
<th>PY</th>
<th>CY</th>
<th>BY</th>
<th>BY+1</th>
<th>BY+2</th>
<th>BY+3</th>
<th>BY+4</th>
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</thead>
</table>

**MGIB-SR (CHAPTER 1606)**

**PER CAPITA NORMAL COST**
- Enlistments (6-Year Contracts)
- Reenlistments (6-Year Contracts)
- Extensions (6-Year Contracts)
  - Total Six Year Commitments
- Per Capita Rate ($)
- Total Per Capita Amount ($000)

**CRITICAL SKILL OR CRITICAL UNIT BENEFIT**
- Participants ($100 Kicker)
  - Per Capita Rate
  - Amount ($000)
- Participants ($200 Kicker)
  - Per Capita Rate
  - Amount ($000)
- Participants ($350 Kicker)
  - Per Capita Rate
  - Amount ($000)
- Participants (Total)
  - Amount (Total)

**Chapter 1606 Amortization**
- Amount ($000)

*(Page 1 of 2)*
## Reserve Personnel, Education Benefits

**Title 10 USC, Chapter 1606 and 1607**

($ in Thousands)

<table>
<thead>
<tr>
<th>PY</th>
<th>CY</th>
<th>BY</th>
<th>BY+1</th>
<th>BY+2</th>
<th>BY+3</th>
<th>BY+4</th>
</tr>
</thead>
</table>

### Reserve Educational Assistance Program (REAP) (Chapter 1607)

Eligibles (Mobilized 90 days)
- Per Capita Rate
- Amount ($000)

Eligibles (Mobilized 1 Year)
- Per Capita Rate
- Amount ($000)

Eligibles (Mobilized 2 Years)
- Per Capita Rate
- Amount ($000)

**Chapter 1607 Amortization**
- Amount ($000)

---

**NOTE:** Per capita cost rates for the Basic Benefit and Critical Skill/Critical Unit Benefit and the amortization payment amount will be provided annually subsequent to approval of the DoD Education Benefits Board of Actuaries. Total program cost must match data provided in PB Exhibits. Additionally, even if the normal cost per capita rate for a program is zero dollars, Components must still assess and report counts of new eligibles.
*Exhibit MPR-5 Summary of Basic Pay and Retired Pay Accrual Costs

RESERVE PERSONNEL,
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS
($ in Thousands)

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<thead>
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<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
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<td>Enl</td>
<td>Total</td>
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<tr>
<td></td>
<td>FY 20PY</td>
<td>FY 20CY</td>
<td>FY 20BY</td>
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<td>Total</td>
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<tr>
<td><strong>Total Reimbursable Program</strong></td>
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<tr>
<td>Full-time</td>
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<td>Total</td>
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<tr>
<td><strong>Blended Retirement Plan</strong></td>
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<tr>
<td>Continuation Pay</td>
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<tr>
<td><strong>TSP Matching</strong></td>
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<tr>
<td>Contributions</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>FY 20BY+2</th>
<th>FY 20BY+3</th>
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<tbody>
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<tr>
<td><strong>Total Reimbursable Program</strong></td>
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<tr>
<td>Full-time</td>
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<td>Part-time</td>
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</table>
Total pay accruals by pay phase and retirement plan:

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<th>FY 20BY+4</th>
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<td></td>
<td>Off Enl Total</td>
<td>Off Enl Total</td>
<td>Off Enl Total</td>
</tr>
</tbody>
</table>

### Blended Retirement Plan
- Continuation Pay
- TSP Matching
- Contributions

Note: Retired pay accrual amounts, as a percentage of basic pay, should agree with the Normal Cost Percentages (NCPs) provided in the budget guidance. Beginning in FY 2018, the continuation pay and TSP costs should agree with the anticipated costs resulting from the blended retirement system authorized in the FY 2016 NDAA, P.L. 114-92.
Exhibit MPR-6 Active Reserve/Guard (AGR) Personnel Cost

<table>
<thead>
<tr>
<th>RESERVE PERSONNEL, ACTIVE RESERVE/GUARD (AGR) PERSONNEL COSTS ($ in Thousands)</th>
<th>OFFICERS</th>
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<tbody>
<tr>
<td>PY Actual</td>
<td>CY Estimate</td>
<td>BY Estimate</td>
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<tr>
<td>Average Strength Rate Amount</td>
<td>Average Strength Rate Amount</td>
<td>Strength Rate Amount</td>
</tr>
</tbody>
</table>

### Basic Pay By Grade

- 0-8
- 0-7
- 0-6
- etc.

*Subtotal*

### Retired Pay

#### Special/Incentive Pay

- Clothing Allowances
- BAS
- BAH
- FICA
- Other (Specify by listing separately)

*Subtotal*

**TOTAL DIRECT**

**REIMBURSABLE**

**TOTAL PROGRAM**

---

**ENLISTED** (Same format as for Officers)

---

1/ Required for Reserve and Guard personnel appropriations.

2/ Composite total. By grade data not required except for basic pay.

3/ Total must be consistent with total Pay and Allowances included in Administration and Support section of justification book.
*Exhibit MPR-7 Pay Raise Data

**RESERVE PERSONNEL, ________________**

**PAY RAISE DATA**

($) in Thousands

<table>
<thead>
<tr>
<th>FY 20PY</th>
<th>FY 20CY</th>
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</table>

**DIRECT AND REIMBURSABLE**

- Basic Pay
- Retired Pay Accrual
- TSP Matching
- FICA
- Separation Pay
- SRB – New Payments
- Station Allowances –COLA
- PCS – Dislocation Allowance
- Health Profession Scholarship Program (HPSP) Stipend and Financial Assistance Program (FAP) Grant

**TOTAL**

**DIRECT**

- Basic Pay
- Retired Pay Accrual
- TSP Matching
- FICA
- Separation Pay
- SRB – New Payments
- Station Allowances –COLA
- PCS – Dislocation Allowance
- Health Profession Scholarship Program (HPSP) Stipend and Financial Assistance Program (FAP) Grant and Stipend

**TOTAL**

**REIMBURSABLE**

- Basic Pay
- Retired Pay Accrual
- FICA
- Separation Pay
- SRB – New Payments
- Station Allowances –COLA
- PCS – Dislocation Allowance
- Health Profession Scholarship Program (HPSP) Stipend and Financial Assistance Program (FAP) Grant and Stipend

**TOTAL**

**REIMBURSABLE COUNTERDRUG (MEMO ENTRY ONLY)**

- Basic Pay
- Retired Pay Accrual
- FICA
- Separation Pay
- Station Allowances –COLA
- PCS – Dislocation Allowance

**TOTAL**

**NOTE:** This exhibit should reflect only the amounts budgeted that are affected by the pay raise. The numbers in this exhibit will be used to develop pay raise estimates. The total should not add to the total appropriation amount.
Exhibit MPR-8 Medicare-Eligible Retiree Health Fund Contributions

**Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, ...)**

*In Thousands of Dollars*

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<td>F</td>
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Exhibit MPR-8 Medicare-Eligible Retiree Health Fund Contributions (Continued)

(Page 2 of 3)
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Exhibit MPR-8 Medicare-Eligible Retiree Health Fund Contributions (Continued)

(Page 3 of 3)
Exhibit MPR-10- Monthly Obligation Phasing Plan

MONTHLY OBLIGATION PHASING PLAN (FY CY)

Appropriation: ______________________

(Dollars in Thousands)

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<th>Description</th>
<th>Budget Subactivity (Example)</th>
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<th>NOV</th>
<th>DEC</th>
<th>JAN</th>
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<th>MAR</th>
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<td>Admin and Support</td>
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</tbody>
</table>

Directions:

For each military personnel appropriation, provide estimated monthly direct obligations for the current year by each budget subactivity.

Include lines for both incremental monthly obligations and cumulative (Cum.) obligations year-to-date for each budget subactivity.

Include a monthly phasing of reimbursable obligations and a total gross program at the bottom of the phasing.

Budget activity totals must match the current year (CY) amounts reflected in the Comptroller Information System (CIS).
Exhibit MPR-11 – Recruiting and Retention Data

### RESERVE PERSONNEL,
SUMMARY OF RECRUITING AND RETENTION DATA

#### Recruiting and Retention Goals:

<table>
<thead>
<tr>
<th></th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY20BY</th>
<th>FY20BY+1</th>
<th>FY20BY+2</th>
<th>FY20BY+3</th>
<th>FY20BY+4</th>
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</thead>
<tbody>
<tr>
<td>Number of Recruiters</td>
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<td>Number of Accessions</td>
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<tr>
<td>Non-Prior Service</td>
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<td>Prior Service</td>
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<td>Enlisted</td>
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<tr>
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<tr>
<td>Prior Service</td>
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</tr>
<tr>
<td>Number of Reenlistments</td>
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<td>Attrition Rate</td>
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</tr>
</tbody>
</table>

#### Recruiting and Retention Funding:
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Main Category</th>
<th>Appropriation</th>
<th>Officer/Enlisted</th>
<th>Entitlement</th>
<th>Entitlement Sub-Category</th>
<th>New, Anniversary or Lump Sum Payment</th>
<th>FY 20PY through FY20BY+4 Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
<td>(8)</td>
</tr>
</tbody>
</table>
(1) Main Category: This should list either Recruiting or Retention.
(2) Appropriation: RPA, RPN, RPMC, RPAF, NGPA, or NGPAF
(3) Officer/Enlisted: This should list the applicable personnel receiving the recruiting/retention funding – Officer or Enlisted
(4) Entitlement: The following is a list of recruiting and retention programs previously reported to OUSD(C) Military Personnel and Construction Directorate (MPC). Please use this list and include any additional programs not identified that should be captured under recruiting and retention. These additional items should be highlighted to the OSD analyst for future inclusion.

<table>
<thead>
<tr>
<th>Entitlement</th>
<th>Additional Breakout</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accession Bonus</td>
<td>Loan Repayment Program</td>
</tr>
<tr>
<td>Affiliation Bonus</td>
<td>Medical Recruiting Bonus</td>
</tr>
<tr>
<td>AFHPSP Critical Skills Accession Bonus (CSAB)</td>
<td>Medical Stipend/Recruiting Bonus Test</td>
</tr>
<tr>
<td>College First</td>
<td>Montgomery GI Bill Selected Reserve (MGIB-SR) (Chapter 1606)</td>
</tr>
<tr>
<td>College Fund</td>
<td>MOS Conversion Bonus</td>
</tr>
<tr>
<td>Critical Skill Retention Bonus (CSRB)</td>
<td>Nurse Candidate Program (Bonus &amp; Stipend)</td>
</tr>
<tr>
<td>Critically Short Wartime Health Specialist</td>
<td>Nurse Candidate Program Accession Bonus</td>
</tr>
<tr>
<td>Reserve Educational Assistance Program (REAP) (Chapter 1607)</td>
<td>Officer Deferment Bonus</td>
</tr>
<tr>
<td>Enlistment Bonus (EB)</td>
<td>Prior Service Bonus (new payments)</td>
</tr>
<tr>
<td>Health Professional (HP) Cash Bonus</td>
<td>Prior Service Bonus (anniversary payments)</td>
</tr>
<tr>
<td>Health Professional (HP) Loan Repayment Program</td>
<td>Recruitment Referral Bonus</td>
</tr>
<tr>
<td>Health Professional Medical Officer Recruiting Program (HPMORP)</td>
<td>Specialized Training Assistance Program</td>
</tr>
<tr>
<td>Health Professional (HP) Stipend Bonus</td>
<td>Selective Reenlistment Bonus (SRB)</td>
</tr>
<tr>
<td>IRR Bonus</td>
<td>Tuition Assistance</td>
</tr>
</tbody>
</table>

(5) Entitlement Sub-Categories: The following is a list of examples of further breakout of specific entitlements previously reported to OUSD(C) Military Personnel and Construction Directorate (MPC). Please use this list and include any additional breakouts not identified that should be captured under each entitlement.

<table>
<thead>
<tr>
<th>Critical Skills Accession Bonus</th>
<th>Enlistment Bonus</th>
<th>Selective Reenlistment Bonus (SRB)</th>
<th>Chapter 1606/1607</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGR</td>
<td>Non-Prior Service</td>
<td>3 yr and 6 yr</td>
<td>Basic Benefit</td>
</tr>
<tr>
<td>Physicians</td>
<td>Non-Prior Service</td>
<td>AGR</td>
<td>Kickers</td>
</tr>
<tr>
<td>FTS NSW</td>
<td>Non-Prior Service (FTS)</td>
<td>FTS</td>
<td>Amortization</td>
</tr>
<tr>
<td>FTS SWO – Junior</td>
<td>Non-Prior Service (SELRES)</td>
<td>SELRES</td>
<td></td>
</tr>
<tr>
<td>FTS SWO – LCDR</td>
<td>Prior Service</td>
<td>SELRES – Prior Service</td>
<td></td>
</tr>
<tr>
<td>Nurses</td>
<td></td>
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</tr>
</tbody>
</table>

Additional Instructions: This exhibit is to be included in the backup justification book. Additionally, OSD(C) will provide each Component with their specific MPR-11 spreadsheet and each Component must submit it electronically to OUSD(C) Military Personnel and Construction Directorate.
Exhibit MPR-12 – Reimbursable Program (Reimbursing Customers)

**Category** | **Customer** | **Mission Description 1/** | **Reimbursing Account 2/** | **FY 20PY** | **FY 20CY** | **FY 20BY**
--- | --- | --- | --- | --- | --- | ---
Examples | | | | | | |
Special Training | FEMA | Disaster Support | FEMA | | | |
Special Training | DIA | Intelligence Related | O&M, Defense-Wide | | | |
Total 3/ | | | | | | |

1/** Mission Description must be unclassified. For intelligence related activities, the mission description should simply state “Intelligence Related”.
2/** Only specify account if within DoD, otherwise specify reimbursing organization.
3/** Total must match CIS controls and Justification Book amounts for reimbursable authority.

---

**Guidance on Military Personnel Reimbursables.**

A direct appropriation is provided for paying military personnel; therefore, the cost of military labor shall not be charged to another DoD entity except for:

- Military personnel assigned to the Defense Working Capital Fund activities;
- If provided in the annual DoD Appropriations Act, National Guard and Reserve members who provide intelligence or counterintelligence support to Combatant Commands, Defense Agencies and Joint Intelligence Activities, including the activities and programs included within the National Intelligence Program and the Military Intelligence Program; and
- National Guard and Reserve personnel conducting military-to-military contacts as authorized in 10 U.S.C. 168 and utilizing funds specifically appropriated for that purpose.

Military labor shall be charged to non-DoD organizations on the basis of the actual hours worked or assigned.
020701. Purpose

A. The formats provided on the following pages reflect required exhibits for the Overseas Contingency Operations (OCO) justification book. Unless modified in a submission budget call, these formats should be adhered to. Justification material for the OCO Request is to be submitted under separate cover.

B. In addition to deployed strength, estimates should include required levels of Reserve Component personnel who are called to active duty in support of approved contingency operations, but not deployed OCONUS. This includes not only those preparing for deployment (e.g., training) but personnel in a leave status upon return.

C. Operational changes driving force level changes from the current year budgeted OCO level to the budget year OCO estimate must be fully explained and consistent with the approved troop strength planning assumptions (provided in separate guidance).

D. Each Service is required to provide a single justification book, with sections for the Active, Reserve, and National Guard appropriations. The M-1 exhibits and overview explanations must include all Components (i.e., Active, Reserve, and National Guard).

E. Microsoft Excel tables reflecting all of the tables in the submission must be provided for OSD analysts review. The justification books must include the following:

1. Table of Contents
2. Overview
3. M-1 Detail
4. Detailed exhibits by the following major categories in the order of the M-1 line items.

   a. Reserve and Guard Mobilization
   b. Active Deployment Costs
   c. Overstrength Costs
   d. Subsistence-in-Kind
   e. Permanent Change of Station (PCS)
   f. Casualty and Disability Benefits
   g. Additional Mobilization/Deployment Costs
   h. Pre and Post Mobilization Training
5. The justification material for the OCO estimate must be presented at the M-1 line item level and further broken down by major category such as mobilization, active deployment, and overstrength. Generally, the exhibits will mirror the regular justification book submission for the Active Components. One exception is that by-grade-level detail will not be required.

6. Costs for mobilization, Active deployment, and overstrength must be separately identified on each exhibit as applicable (e.g., basic pay, retired pay accrual, basic allowance for housing, etc.). All Active special pays will be categorized as active deployment costs in the summary tables.

7. For the Reserve Components, the level of detail is also at the M-1 level. For all budget line items, Part II, Justification of Funds Required, must describe specific details of the OCO requirements and should not be general in nature.

8. Each OCO exhibit will reflect prior year, current year, and budget year. The prior year amount should match projected obligations that will be reported on the Cost of War report for the Program/Budget submission (BES) and actual obligations on the Cost of War report for the President’s Budget submission. The current year column will reflect total projected obligations in support of approved contingency operations. The budget year column will reflect the total requested amount for approved contingency operations. The budget year request must display total requirements for approved contingency operations consistent with the Program Resources Collection Process (PRCP) system.

020702. Exhibits in support of Military Personnel OCO Request.

The following exhibit formats are provided for the combined Active Military Personnel and Reserve Component Personnel Appropriations justification book.

Exhibit OCO-1 – OCO Military Personnel Overview ............................................................. 154
Exhibit OCO-2 – OCO M-1 Exhibit ........................................................................................ 158
Exhibit OCO-3 – OCO Subactivity Detailed Justification....................................................... 161
Exhibit OCO-1 – OCO Military Personnel Overview

MILITARY PERSONNEL OVERVIEW

Introduction

Provide explanation of why this request is necessary.

The FY 20BY request includes $x,xxx million for the (Service) military personnel costs as shown in the following table:

<table>
<thead>
<tr>
<th>Summary by Appropriation ($ in Thousands)</th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military Personnel, xxxx</td>
<td></td>
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<tr>
<td>Reserve Personnel, xxxx</td>
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<tr>
<td>National Guard Personnel, xxxx</td>
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<tr>
<td><strong>Total</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Average Strength</th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
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</thead>
<tbody>
<tr>
<td>Active Deployment by IDP Payment</td>
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<tr>
<td>Reserve Component Deployment by IDP Payment</td>
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<tr>
<td><strong>Total Imminent Danger Pay</strong></td>
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<tr>
<td>Reserve Mobilization</td>
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<tr>
<td>National Guard Mobilization</td>
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<tr>
<td><strong>Total Reserve Component Mobilization</strong></td>
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</table>

Active Overstrength

(Page 1 of 4)
### FY 20PY Summary by Appropriation by Category ($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>Active</th>
<th>Reserve</th>
<th>Guard</th>
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</thead>
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<td><strong>FY 20PY Actuals</strong></td>
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<tr>
<td>Reserve &amp; Guard Mobilization</td>
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<tr>
<td>AC Deployment Costs</td>
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<tr>
<td>Additional Mobilization/Deployment Costs *</td>
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<tr>
<td>Active Component Overstrength</td>
<td></td>
<td></td>
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<tr>
<td>Subsistence-in-Kind (SIK)</td>
<td></td>
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<tr>
<td>Permanent Change of Station</td>
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<tr>
<td>Casualty and Disability</td>
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<tr>
<td>Pre and Post Mobilization Training</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td></td>
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<tr>
<td>Stop Loss Special Pay (Note: this is a 2009/XXXX year account)</td>
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<tr>
<td><strong>Total Military Personnel</strong></td>
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</tbody>
</table>

* Includes Unemployment Compensation, Reserve Income Replacement Program (RIRP) and Interest on Uniformed Services Savings Deposits.

### FY 20CY Summary by Appropriation by Category ($ in Thousands)

<table>
<thead>
<tr>
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<td><strong>FY 20CY Estimate</strong></td>
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<tr>
<td>AC Deployment Costs</td>
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<tr>
<td>Additional Mobilization/Deployment Costs *</td>
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<tr>
<td>Active Component Overstrength</td>
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<tr>
<td>Subsistence-in-Kind (SIK)</td>
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<tr>
<td>Permanent Change of Station</td>
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<tr>
<td>Casualty and Disability</td>
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<tr>
<td>Pre and Post Mobilization Training</td>
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<tr>
<td><strong>Subtotal</strong></td>
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<tr>
<td>Stop Loss Special Pay (Note: this is a 2009/XXXX year account)</td>
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<tr>
<td><strong>Total Military Personnel</strong></td>
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</tbody>
</table>

* Includes Unemployment Compensation, Reserve Income Replacement Program (RIRP) and Interest on Uniformed Services Savings Deposits.
**FY 20BY Summary by Appropriation by Category ($ in Thousands)**

<table>
<thead>
<tr>
<th>FY 20BY Request</th>
<th>Active</th>
<th>Reserve</th>
<th>Guard</th>
<th>Total</th>
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<td>Reserve &amp; Guard Mobilization</td>
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</tr>
<tr>
<td>AC Deployment Costs</td>
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<tr>
<td>Additional Mobilization/Deployment Costs *</td>
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<tr>
<td>Active Component Overstrength</td>
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<tr>
<td>Subsistence-in-Kind (SIK)</td>
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<tr>
<td>Permanent Change of Station</td>
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<tr>
<td>Casualty and Disability</td>
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<tr>
<td>Pre and Post Mobilization Training</td>
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<tr>
<td><strong>Subtotal</strong></td>
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<tr>
<td>Stop Loss Special Pay (Note: this is a 2009/XXXX year account)</td>
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</tr>
<tr>
<td><strong>Total Military Personnel</strong></td>
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</tr>
</tbody>
</table>

* Includes Unemployment Compensation, Reserve Income Replacement Program (RIRP) and Interest on Uniformed Services Savings Deposits.

Exhibit OCO-1
(Page 3 of 4)
FY 20BY Request Summary
The FY BY military personnel request of $x,xxx million is comprised of the following major costs:

**Reserve & Guard Mobilization ($x,xxx million)**
Provide explanation of why this request is necessary.

**AC Deployment Costs ($x,xxx million)**
Provide explanation of why this request is necessary.

**Other Mobilization and Deployment Costs ($x,xxx million)**
Provide explanation of why this request is necessary.

**Active Component Overstrength ($x,xxx million)**
Provide explanation of why this request is necessary.

**Subsistence-in-Kind (SIK) ($x,xxx million)**
Provide explanation of why this request is necessary.

**Permanent Change of Station ($x,xxx million)**
Provide explanation of why this request is necessary.

**Casualty and Disability($x,xxx million)**
Provide explanation of why this request is necessary.

**Pre and Post Mobilization Training($x,xxx million)**
Provide explanation of why this request is necessary.
Exhibit OCO-2 – OCO M-1 Exhibit

M-1 Exhibit

<table>
<thead>
<tr>
<th>MILITARY PERSONNEL, XXXX</th>
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<tr>
<td><strong>BUDGET ACTIVITY 1: PAY AND ALLOWANCES OF OFFICERS</strong></td>
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<tr>
<td>BASIC PAY</td>
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<td>RETIRED PAY ACCRUAL</td>
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<td>SPECIAL PAYS</td>
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<td>ALLOWANCES</td>
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<tr>
<td>SEPARATION PAY</td>
</tr>
<tr>
<td>SOCIAL SECURITY TAX</td>
</tr>
</tbody>
</table>

**TOTAL BUDGET ACTIVITY 1**

| **BUDGET ACTIVITY 2: PAY AND ALLOWANCES OF ENLISTED** |
| BASIC PAY |
| RETIRED PAY ACCRUAL |
| BASIC ALLOWANCE FOR HOUSING |
| BASIC ALLOWANCE FOR SUBSISTENCE |
| INCENTIVE PAYS |
| SPECIAL PAYS |
| ALLOWANCES |
| SEPARATION PAY |
| SOCIAL SECURITY TAX |

**TOTAL BUDGET ACTIVITY 2**

| **BUDGET ACTIVITY 4: SUBSISTENCE OF ENLISTED PERSONNEL** |
| BASIC ALLOWANCE FOR SUBSISTENCE |
| SUBSISTENCE-IN-KIND |

**TOTAL BUDGET ACTIVITY 4**

| **BUDGET ACTIVITY 5: PERMANENT CHANGE OF STATION TRAVEL** |
| ACCESSION TRAVEL |
| OPERATIONAL TRAVEL |
| SEPARATION TRAVEL |

**TOTAL BUDGET ACTIVITY 5**
BUDGET ACTIVITY 6: OTHER MILITARY PERSONNEL COSTS
RESERVE INCOME REPLACEMENT PROGRAM
UNEMPLOYMENT COMPENSATION
DEATH GRATUITIES
SGLI EXTRA HAZARD PAYMENTS
TRAUMATIC SGLI
STOP-LOSS RETROACTIVE PAY
TOTAL BUDGET ACTIVITY 6

TOTAL MILITARY PERSONNEL, XXXX

RESERVE PERSONNEL, XXXX

BUDGET ACTIVITY 1: RESERVE COMPONENT TRAINING AND SUPPORT
PAY GROUP A TRAINING
SCHOOL TRAINING
SPECIAL TRAINING

TOTAL BUDGET ACTIVITY 1

TOTAL RESERVE PERSONNEL, XXXX

NATIONAL GUARD PERSONNEL, XXXX

BUDGET ACTIVITY 1: RESERVE COMPONENT TRAINING AND SUPPORT
PAY GROUP A TRAINING
SCHOOL TRAINING
SPECIAL TRAINING

TOTAL BUDGET ACTIVITY 1

TOTAL NATIONAL GUARD PERSONNEL, XXXX

GRAND TOTAL XXXX MILITARY PERSONNEL
Exhibit OCO-3 – OCO Subactivity Detailed Justification

Appropriation:
Budget Activity x: Title (e.g. Budget Activity 1: Pay and Allowance of Officers)  
Budget Line Item: * (e.g., Basic Pay)  

FY 20BY  
($ in Thousands)  
$xxx,xxx

*A separate exhibit must be prepared for each M-1 line item.  See M-1 exhibit  (Exhibit OCO-2)

Part I – Purpose and Scope

Include a description of what the funds requested are for to include any references to legislative authorities.

Part II – Justification of Funds Required

Include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory, program enhancements, solving deficiencies, etc.).

<table>
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<tr>
<td>Number</td>
<td>Rate</td>
<td>Amount</td>
</tr>
</tbody>
</table>

M-1 line (e.g., Basic Pay)  
Guard/Reserve Mobilization  
Active Component Overstrength  
Total

Note: Average number may represent the number of workyears or average number of personnel budgeted to receive a particular type of pay.
VOLUME 2A, CHAPTER 3: “OPERATION AND MAINTENANCE APPROPRIATIONS

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2007 is archived.

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<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>Overall</td>
<td>Formatting and room location changes.</td>
<td>Refresh</td>
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<tr>
<td>*030303</td>
<td>Added Volume III to the Justification Books for the Overseas Contingency Operations request for O-1, OP-5, and OP-32</td>
<td>Update</td>
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<tr>
<td>*030303</td>
<td>Removed PB-22 from the Volume II – Data Book</td>
<td>Update</td>
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<tr>
<td>*030303</td>
<td>Added PBA-27 Psychological Operations</td>
<td>Update</td>
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<td>*030303</td>
<td>Added PBA 28 Body Armor and Other Protective Gear</td>
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<tr>
<td>030403</td>
<td>Updated OP-32 Exhibit Instructions and added Crosswalk of OP-32 Line Items to CIS Object Classes</td>
<td>Update</td>
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CHAPTER 3

OPERATION AND MAINTENANCE APPROPRIATIONS

0301 GENERAL

030101. Purpose

A. This Chapter covers the budget formulation and congressional justification requirements for operation and maintenance appropriations for the baseline and overseas contingency operations (OCO) requirements. Volume 12 chapter 23 section 2309 provides the guidelines for determining war/overseas contingency operations costs

B. The following appropriations and accounts are covered:

Paragraph

030201. Operation and Maintenance, Army
Operation and Maintenance, Army Reserve
Operation and Maintenance, Army National Guard
Operation and Maintenance, Navy
Operation and Maintenance, Navy Reserve
Operation and Maintenance, Marine Corps
Operation and Maintenance, Marine Corps Reserve
Operation and Maintenance, Air Force
Operation and Maintenance, Air Force Reserve
Operation and Maintenance, Air National Guard
Operation and Maintenance, Defense-Wide
Office of the Inspector General
Defense Health Program
Former Soviet Union Threat Reduction
Overseas Contingency Operations Transfer Fund
Overseas Humanitarian, Disaster Assistance, and Civic Aid
Support of International Sporting Competition, Defense

030202. United States Court of Military Appeals for the Armed Forces

030102. Submission Requirements

A. General guidance with regard to submission requirements is presented in Chapter 1. Chapter 3 covers specific back-up material requirements for the above accounts. The Components should also consult all of the other chapters for exhibit requirements for the above appropriations/accounts that are not specifically addressed in this chapter including Chapter 19 - Other Special Analyses. (See Volume 2A, Chapter 1, and Volume 2B, Chapter 19)
B. For designated exhibits, the Department will collect both POM and budget data through the SNaP (Select & Native Programming Data Input System) process. In addition, the Military Departments and applicable Defense Agencies shall develop and submit to the Comptroller separate narrative justification material (including any program increases and decreases) for their respective programs as part of their Program and Budget Review Submission.

030103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapters 8 (Facilities Sustainment and Restoration/Modernization), 12 (Defense Health Program), and 19 provide additional specific guidance with regard to the back-up material required in this section of the manual. (See Volume 2A, Chapter 1 and Volume 2B, Chapters 8, 12 and 19)

030104. References

Paragraph 010212 provides policies and definitions concerning costs that are to be financed by the O&M appropriations as opposed to other appropriations in the Research, Development, Test and Evaluation (RDT&E) area. Paragraph 010201 provides policies and definitions regarding the application of expense and investment criteria for budgetary purposes.

0302 PROGRAM AND BUDGET REVIEW SUBMISSION

030201. Operations Accounts

A. Purpose. This Section prescribes justification materials required to support the budget estimates for the following operations accounts:

Operation and Maintenance, Army; Army Reserve; and Army National Guard
Operation and Maintenance, Navy and Navy Reserve
Operation and Maintenance, Marine Corps and Marine Corps Reserve
Operation and Maintenance, Air Force; Air Force Reserve; and Air National Guard
Operation and Maintenance, Defense-Wide
Office of the Inspector General
Defense Health Program
Former Soviet Union Threat Reduction
Support for International Sporting Competitions, Defense
U.S. Court of Appeals for the Armed Forces
Overseas Contingency Operations Transfer Fund
Overseas Humanitarian, Disaster Assistance, and Civic Aid

B. Submission Requirements. All Operation and Maintenance appropriations are required to submit the back-up exhibits listed in the following table, if appropriate. An exception is that the OP 50 and OP 78 exhibits will be submitted on an as needed basis. Examples of these exhibits, along with instructions for their preparation, are provided in Section 0304. The Components should also consult all of the other chapters for exhibit requirements which are not specifically addressed in this chapter including Chapter 19 - Other Special Analyses. (See section 0304, below and Chapter 19)
<table>
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<th>Exhibit Number</th>
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<td>O&amp;M Funding by Budget Activity/Activity Group/Subactivity Group</td>
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<td>Attachment 12 Overseas Contingency Operations</td>
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<td>Facilities Sustainment and Restoration/Modernization and Demolition Programs</td>
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In instances where a specific component is designated as required to submit, this includes the Reserve Components of that Service. (e.g. The OP-80 should be submitted by Active Air Force, Air Force Reserve and Air National Guard.)

** Also required to be submitted by applicable RDT&E, Military Construction, Family Housing, Defense Working Capital Fund, etc., accounts.

*** Refer to Volume 2B, Chapter 15.

****COCOM should only submit if unable to provide OP-5.

Note: Additional budget exhibit requirements can be found in other chapters to include Chapters 8 and 19. (See Volume 2B, Chapters 8 and 19)

C. Preparation of Material. The following instructions pertain to the back-up material required by this Section.

1. The information will cover the prior year (PY), current year (CY), and budget year (BY), unless otherwise indicated.

2. Operation and Maintenance data will be submitted in terms of obligations.

3. Additional data may be provided by expanding the prescribed formats and exhibits, or by cross-referencing to additional exhibits, where prescribed material is considered inadequate to justify requested programs or estimates. No prescribed material may be omitted unless inapplicable or unless the omission is specifically approved by the OUSD (Comptroller) P/B. The inapplicable stubs and column headings may be omitted but will not be redesignated when completing standard exhibits.

4. The purpose of the back-up exhibits is to describe the program and justify the estimates. If the data collection systems or management systems utilized provide for cost accounts or program units or workload indicators different from those specified in this section, Components should request OUSD (Comptroller) P/B to change the provisions of this regulation.

5. The use of annex exhibits to reduce bulk is encouraged providing the required material is fully covered and presented in a logical manner. Machine printouts of required data will be accepted but should be designed to minimize bulk. Narrative data related to machine printouts should be assembled with the most appropriate page of the printout in a consistent manner.

D. OMB Circular No. A-11


E. Facilities Sustainment and Restoration/Modernization (FSRM) and Demolition

Each Component must ensure that the OP-5, Attachment 4 (Facilities Sustainment and Restoration/Modernization (SRM), and Demolition) and PBA-7 FSRM and
Demolition in section 030402 of this chapter are submitted to the Military Personnel and Construction Directorate (Room 3C654) on the same date as all other submissions required under this chapter. (See Volume 2B, Chapter 8) Each Defense Agency is required to complete these exhibits. Data used to develop estimates should be consistent with data identified in the automated OP-32 for the Facilities Sustainment, Restoration & Modernization subactivity and data contained in the Facilities Data Quality Assurance.

F. Copies of back-up material in support of budget estimates will be submitted as identified in Section 010302. Two additional copies of the OP-5 exhibits for Security Programs will be delivered to Director for Military Personnel and Construction, OUSD (COMPTROLLER) P/B, Room 3C654, Pentagon, on the same date as all other submissions required under this Chapter.

G. Automated Submissions

1. Automated submissions are required for the following exhibits for both the OSD/OMB Budget Estimate Submission and the President’s budget request:

   O-1 O&M Funding by Budget Activity/Activity Group/Subactivity Group (PRCP)
   OP-8 Civilian Personnel Costs (PRCP)
   OP-20 Flying Hours Program (SNaP)
   OP-30 Depot Maintenance Program (SNaP)
   OP-32 Price and Program Growth by Subactivity Group (PRCP)
   OP-41 Ship Operating Cost Data (SNaP)
   PB-20 Aircraft Inventory (Excel Spreadsheet)

   Additional guidance on the automated submission requirements is provided in Chapter 1, sections 010502 and 0109 and in this chapter, section 0304.

2. In addition to the appropriations and accounts listed in paragraph 030201, an OP-32, Price and Program Growth Exhibit for BOTH the OSD/OMB submission and the President’s budget request will be submitted for the following appropriations and accounts with the Program Managers annotated in parentheses:

   Environmental Restoration, Army (Department of Army)
   Environmental Restoration, Navy (Department of Navy)
   Environmental Restoration, Air Force (Department of Air Force)
   Environmental Restoration, Defense-Wide (ODASD(ES), OUSD(AT&L))
   Environmental Restoration, Formerly Used Defense Sites (Department of Army)
   Defense Against Weapons of Mass Destruction (OUSDC(PB/O&P))
   Emergency Response Fund, Defense (OUSDC(PB/O&P))
   OPPLAN 34 A-35 P.O.W. (OUSDC(PB/O&P))
   Special Olympics World Games (Department of Army)
   Quality-of-Life Enhancements, Defense (OUSDC(PB/MILCON))
   Drug Interdiction/Counterdrug Activities, Defense
3. The electronic submission will be the official submission of these exhibits. Hard copies of the exhibits should be generated from the PRCP or SNaP electronic database.

030202. U.S. Court of Military Appeals for the Armed Forces

A. Purpose. This Chapter prescribes budget justification backup requirements for the appropriation “United States Court of Appeals for the Armed Forces.”

B. Submission Requirements

1. See Chapter 1 for general guidance concerning submission requirements. Submit separate exhibits for each of the following: (See Vol. 2A, Chapter 1)

   Appropriation Language. Submit justification for proposed changes.

   Purpose and Scope. Describe the missions and functions of the Court of Military Appeals.

   Summary of Obligations by Object Classification.

   Summary of Personnel by Grades. Show the number of civilian positions in each grade, the number of statutory positions, total permanent positions, lapse, and workyears.

   Summary of Price and Program Changes.

   Explanation of Estimate. Explain changes in costs and provide a statement of case workload and opinions rendered.

   Also include applicable exhibits required by Section 030201 and any of the other chapters of this regulation including Chapter 19 – Other Special Analyses. (See Vol. 2B, Chapter 19)

2. Chapter 1 identifies copies of the above material required.

030203. Civil Functions-Operation and Maintenance

A. Purpose. This Chapter prescribes budget justification backup requirements for the civil functions appropriations.

B. Cemeterial Expenses (Department of the Army).
1. See Chapter 1 for general guidance concerning submission requirements. Submit separate exhibits for each of the following. All data will be provided for the past (PY), current (CY), and budget year (BY) fiscal years. (See Volume 2A, Chapter 1)

   a. **Appropriation Language.** Submit justification for proposed changes.
   
   b. **Multiyear Financial Plans.** Show budget authority and outlays by budget project and in total for the past (PY), current (CY), and budget year (BY) fiscal years and for 4 subsequent fiscal years. Also show planned end-of-year employment (permanent positions and other positions) by budget project and in total for the same years.
   
   c. **Analysis of Budget Authority (BA) and Outlays.** Show BA and outlays by budget project and in total. Also show the difference between the budget year (BY) and the current year (CY) and the outlays in the budget year (BY) resulting from BA in the budget year (BY).
   
   d. **Program and Performance.** Describe the major workload considerations and activity factors on which the estimates for each budget project have been based.
   
   e. **Summary of Obligations by Object Classification.**
   
   f. **Statement Relating Past Year (PY), Current Year (CY), Budget Year (BY) Programs.** List the increases and decreases necessary to reconcile the obligations incurred in each year with an analysis by budget project showing the obligations for each year and the related increases and decreases between each year.
   
   g. **Project 0861 - Operation and Maintenance.** Provide narrative justification and amounts for each project classification within the project. Separately identify yearend employment (end strength) and workyears for supervisory, interment and maintenance categories.
   
   h. **Project 0864 - Administration.** Provide narrative justification and amounts for each object classification within the project. Separately identify yearend employment (end strength) and workyears for National Cemetery activities, headstone activities, and administrative services and staff planning.
   
   i. **Project 0865 - Special Construction, Arlington National Cemetery.**
      
      (1) Provide amounts by each object classification within the project. Separately identify yearend employment (end strength) and workyears.
      
      (2) List and provide a narrative justification and amount for each planned construction or development project.
j. **Report of Motor Vehicle Data.** Provide the following summary:

1. Fleet as of October 1.
2. Acquisitions:
   a. New orders placed
   b. By forfeiture
   c. By transfer
3. Number disposed of (deduct):
   a. Disposals accomplished (carryover)
   b. Disposals accomplished (newly scheduled)
4. Vehicles replaced (newly scheduled).
5. Active fleet, September 30 \(a + b + c\).
6. Vehicles unused on a term basis (add).
7. Total vehicles available full-time \(e + f\).
8. Obligations for vehicles ordered.

**Personnel Justification.** Submit Exhibit OP-8 and OP-9 which are described in Section 030201 and an example of which is found in Section 0304 (See section 030201, above and section 0304, below)

2. Chapter 1 identifies copies required of the above material.

C. **Wildlife Conservation, Etc., Military Reservations; Forestry Program (Department of Army).**

1. In addition to the Program and Financing Schedule and Personnel Summary, submit an Exhibit OP-5 prescribed in Section 030201 and an example of which is provided in Section 0304. (See section 030201, above and section 0304, below)

2. Chapter 1 identifies copies required of the above material.
0303 CONGRESSIONAL JUSTIFICATION/PRESENTATION

030301. Purpose

This Section presents the justification book organization and the exhibit requirements for submission to Congress. Examples of budget exhibits can be found in Section 0304.

030302. Submission Requirements

For designated exhibits, the Military Departments and applicable Defense Agencies will update the SNaP immediately upon completion of the Program Budget Decisions and budget lock by the Department. In addition, the Military Departments and applicable Defense Agencies shall provide the USD(Comptroller) with a revised narrative justification for their respective programs reflecting any changes from the program and budget review. The SNaP system will reformat the data into congressional justification exhibits, which can be printed out by the respective Components and included in their justification materials.

All O&M overview exhibits are to be submitted via email to OPSMAIL@osd.mil in a MICROSOFT WORD format. Submit each Overview exhibit as a separate file. Embedded Excel Spreadsheets should be used for tables included in the Word document as required.

*030303. Organization of Justification Books

A. Justification Books will be organized into separate books for each appropriation. The only exceptions to organizing justification books into separate books for each appropriation are for the United States Court of Military Appeals for the Armed Forces and the Office of the Inspector General appropriations. These should be included in the same book as the Defense-Wide. The Defense Health Program (DHP) will be a separate justification book. The procurement and RDT&E DHP budget activities will follow the organization prescribed for the procurement and RDT&E appropriations in Chapters 4 and 5, respectively. (See Vol. 2B, Chapters 4 and 5)

B. Justification books for the Active Component of each Military Service should be organized into three volumes (in separate books) as follows:

1. Volume I - “Justification of Estimates”

2. Volume II - “Data Book”


4. Reserve and National Guard Components should combine the above volumes into one book for each Component.

C. The justification books for the Operation and Maintenance, Defense-Wide appropriation will include a Volume III classified volume in addition to the volumes for “Justification of Estimates” and “Data Book”.

3-14
D. Volume I - Justification of O&M Estimates. The Operation and Maintenance (O&M) Justification Books will be submitted on an operations basis to include active military force personnel strength, Reserve and National Guard personnel strength, and civilian personnel. (Related dollars financed from the active and Reserve military personnel appropriations, however, should not be included.) The content and arrangement of exhibits for the operations accounts are indicated at the end of this section. Applicable exhibits for the Reserve and Guard Component operations accounts will be consistent with the active operations accounts. Exhibit formats are provided in Section 0304. Separate volumes for active and reserve component operation appropriations will be submitted. Funds for the National Intelligence Program (NIP) or Military Intelligence Program (MIP) will be specifically identified. Justification classification will not exceed that required for other operations funds. (See section 0304, below)

E. Volume II - Data Book. The Data Book will include summary and special interest exhibits as well as the Facilities Sustainment and Restoration/Modernization (FSRM), and Demolition exhibits. The content and arrangement of exhibits for the operations accounts are included at the end of this section.

Two copies of the FSRM OP-5 and FSRM PBA-7 exhibits will be submitted to the Directorate for Military Personnel and Construction, OUSD (COMPTROLLER), P/B, Pentagon, Room 3C654 for review and approval.

F. Volume III – Overseas Contingency Operation (OCO). The OCO request will include the O-1 Line Item Summary, the OP-32 Price and Program Growth by Appropriation summary, the OCO OP-5, performance criteria, and the OP-32 Price and Program Growth by Subactivity Group for the operations defined in Volume 12 Chapter 23 Section 2309 or in the budget guidance.

G. Additional Accompanying Exhibits. Although not to be included in any of the Justification Books submitted to Congress, the exhibits at the end of this section are required to be submitted to the OUSD (Comptroller) P/B Directorate for Operations, Pentagon, Room 3C749, simultaneously with the submission of the other budget justification material. THESE EXHIBITS ARE NOT TO BE INCLUDED IN JUSTIFICATION BOOKS SUBMITTED TO THE CONGRESS. Examples are provided in Section 0304 (O&M), Chapter 13 (Defense Environmental Restoration Program), or Chapter 19 (Other Special Analyses). (See Vol. 2B, Chapters 13 and 19) (See section 0304, below)

H. O&M Overview. The Operation and Maintenance Overview exhibits (PBA-xx) are required for submission to the OUSD (Comptroller) P/B Directorate for Operations, Pentagon, Room 3C749, and the OUSD (Comptroller) P/B Military Personnel and Construction Directorate, Pentagon, Room 3C654. Specific suspense dates will be furnished in the annual budget justification call memorandum supporting the President’s budget request. The parent service is responsible for ensuring that ALL required data including Reserve Component appropriations are submitted.

1. Exhibit formats are provided in Section 0304. Each exhibit must provide narrative data to explain price and program changes between all fiscal years displayed. In addition, Components are responsible for cross checking data among the exhibits to ensure data provided is consistent among all PBA exhibits and all other exhibits supporting the President’s budget request, including the backup exhibits. (See section 0304, below)
2. Two copies of each exhibit are required and will identify the Component, exhibit number and title, date prepared, and name/telephone number of the responsible point of contact for the exhibit. The exhibits will be consolidated at the Operation & Maintenance title level for printing and submission to the Congress. The Defense Agencies should provide as a minimum the PBA-7, PBA-19 and the PBA-20 exhibits and address resource requirements in one or more of the major mission categories as appropriate.

**ORGANIZATION/EXHIBIT REQUIREMENTS**
*(Exhibits should be ordered as shown below)*

**VOLUME I - JUSTIFICATION OF O&M ESTIMATES**

Table of Contents

Introductory Statement (use the PBA 19 exhibit - Appropriation Highlights)

O-1* O&M Funding by Budget Activity/Activity Group/Subactivity Group

OP-32* Appropriation Summary of Price/Program Growth

PB-31R Personnel Summary

PB-31D Summary of Funding Increases and Decreases

OP-5 Operation and Maintenance Detail by Subactivity Group (Exhibit formats are provided in Section 0304)

PB-58 Combatant Command Direct Funding (Only submit if unable to provide OP-5).

**VOLUME II - DATA BOOK**

Table of Contents

PB-31Q** Manpower Changes in FTEs

PB-55 International Military Headquarters (CH. 19)

PB-24 Professional Military Education (CH. 19)

PB-15 Advisory and Assistance Services (CH. 19)

OP-34 Appropriated Fund Support for MWR Activities (SNaP Budget Years only)

OP-30* Depot Maintenance Program (SNaP Summary exhibit only)

Env-30A-C Defense Environmental Restoration Program (CH. 13)

PB-28/28A Summary of Budgeted Environmental Projects (CH. 19)

OP-31 Spares and Repair Parts

PB-34A Revenue from Leasing Out DoD Assets (CH. 8)

PB-34B Proceeds from Transfer or Disposal of DoD Real Property (CH. 8)

* Automated submission is also required.

** Input from Reserve and Guard organizations are to be consolidated by the parent Component (i.e., Army, Navy, Air Force) for submission to OSD. Guard and Reserve organizations should not include these exhibits in their submission.
Table of Contents

| O-1* | O&M Funding by Budget Activity/Activity Group/Subactivity Group |
| OP-32* | Price and Program Growth by Appropriation |
| OP-5 | O&M Detail by Overseas Operation, Subactivity Group and Cost Breakdown Structure |
| OP-32 | Price and Program Growth by Subactivity Group |
ADDITIONAL ACCOMPANYING EXHIBITS *
(Submission is required in both hard copy and electronic formats)

OP-8** Civilian Personnel Costs (All Appropriations/Funds)
OP-9 Analysis of Changes in FTE Costs (All Appropriations/Funds)
OP-14 Individual Training Data (Parts A – F, Attachments 1 & 2)
OP-15,A,B Department of Defense Overseas Dependents’ Schools
OP-16 Department of Defense Section 6 Schools
OP-20** Analysis of Flying Hour Program
OP-24 Emergency and Extraordinary Expense Limitation
OP-25 Ground Vehicle Operations
OP-26 POL Consumption and Costs (All Appropriations/Funds)
OP-30S** Ship Depot Maintenance Program
OP-34 Appropriated Fund Support for Morale, Welfare, and Recreation Activities
OP-40 Ship Fuel Data
OP-41** Ship Operating Data
OP-50 Operation and Maintenance, Air Force – Units by Program Element
OP-52, 53A Overseas Cost Report (CH. 15)
OP-58 Operation and Maintenance, Air Force – Units by Program Element
OP-73 Repair Parts – Army Reserve
OP-78 Force Structure Data
OP-80 Aircraft Repair/Modification & Engine Overhaul
OP-81 O&M Monthly Obligation Phasing Plan
PB-14 Functional Transfers (CH. 19)
PB-16 Legislative Proposals (CH. 19)
PB-18 Foreign Currency Exchange Data (CH. 19)
PB-20** Aircraft Inventory (CH. 19)
PB-23 Acquisition and Technology Work Force (CH. 19)
PB-25 Host Nation Support (CH. 19)
PB-28b Operational Range Sustainment and Environmental Management (CH. 19)
PB-50 Child Development, School-Age Care (SAC), Family Centers, and Family Advocacy Programs (CH. 19)
PB-53 Budgeted Military and Civilian Pay Raise (CH. 19)
PB-54 Civilian Personnel Hiring Plan (CH. 19)

* To be submitted separately to OUSD (COMPTROLLER) P/B, Operations Directorate (Pentagon, Room 3C749)
** Automated submission is also required.
O&M OVERVIEW

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<td>Facilities Sustainment and Restoration/Modernization (FSRM), and Demolition Programs (Chapter 8)</td>
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<td>*PBA-28</td>
<td>Body Armor and Other Protective Gear</td>
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</table>

* Every Component (Active, Guard, Reserve and Defense Agency) is required to submit.
** All O&M overview exhibits are to be submitted via email to OPSMAIL@osd.mil in a MICROSOFT WORD format. Embedded Excel Spreadsheets should be used for tables included in the Word document as required. Submit each Overview exhibit as a separate file.

0304 OPERATION AND MAINTENANCE APPROPRIATION SUBMISSION FORMATS

030401. Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in submission budget call memoranda, these formats should be utilized.

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030403 Additional Exhibits in Support of Section 0303 – Congressional Justification/Presentation

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<td>PB-58 COCOM Direct Funding</td>
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Exhibit O-1 O&M Funding by Budget Activity/Activity Group/Subactivity Group

### FY ___ Budget Estimates

**Operation and Maintenance, ______________**

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<tr>
<td><strong>Activity Group</strong></td>
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**Budget Activity 2, Mobility Operations**

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**Budget Activity 3, Training and Recruiting**

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**Budget Activity 4, Administration and Servicewide Support**

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**Total Operation and Maintenance, ______________**

All O&M Components including Defense Agencies must submit an automated O-1 for both the OSD/OMB and congressional submissions through the Program Resources Collection Process (PRCP). Components will submit data that shows the prior year (PY) through budget year +4 (BY+4). Automated submission requirements for the PCRP are provided in Chapter 1, section 010502.
INSTRUCTIONS FOR PREPARATION OF OP-5

1. Agencies/Activities are required to submit this exhibit at the lowest level of their budget structure. The purpose of the OP-5 is to provide a summary of and justification for changes in the level of resources required for each SAG.

2. The Combat Support Agent will submit an OP-5 for the new SAGs created by the Military Service, in accordance with the Joint Task Assignment Process business rules, for its Combatant Commands. Each Combat Support Agent will create two new SAGs, one SAG for Combatant Command Headquarters Functions and one for Combatant Command Missions. These SAGS will include only Combatant Command justification data and will include all Combatant Commands under the purview of the Combat Support Agent. Do not create separate SAGs for each Combatant Command. Price and Program changes will be reported separately by COCOM.

3. Each of the O&M appropriations listed below, will be supported by OP-5 Exhibits.

   - Operation & Maintenance, Army, Army Reserve, and Army National Guard
   - Operation & Maintenance, Navy and Navy Reserve
   - Operation & Maintenance, Marine Corps and Marine Corps Reserve
   - Operation & Maintenance, Air Force, Air Force Reserve, and Air National Guard
   - Operation & Maintenance, Defense-Wide
   - Defense Health Program
   - Former Soviet Union Threat Reduction
   - Office of the Inspector General
   - United States Court of Military Appeals for the Armed Forces
   - Wildlife Conservation, Etc., Military Reservations
   - Overseas Humanitarian, Disaster, and Civic Aid
   - Support of International Sporting Competition, Defense

4. The OP-5 provides essential information for justification of the OSD and President’s budget estimates. The “Reconciliation of Increases and Decreases” portions of Section III should identify what changes are occurring and provide programmatic reason for the changes and explain why they are necessary.

5. The FY PY estimate column of the OSD submit should reflect actual data through the first three quarters plus a realistic projection for the remaining quarter. For the PB submit, the FY PY column will reflect actuals and agree with the data reflected in the certified DD Comp 1002 report for September.

6. The “Reconciliation of Increases and Decreases” section will be included in the OP-5 for both the OSD budget submission and the President’s budget submission. Reconciliations will show all changes from fiscal year to fiscal year and, for the current year, a track from the estimate requested in the previous President's budget. Specifically display:
   - The FY BY estimate included in the previous President’s budget submission to the current FY CY estimate included in this submission,
   - The current FY CY estimate to FY BY estimate reflected in this submission.
INSTRUCTIONS FOR PREPARATION OF OP-5

6. Performance criteria must be provided for each OP-5 at the subactivity level and should support the dollar amounts being requested in the subactivity. Performance criteria for some subactivity groups are specified in the attachments to the OP-5 but additional criteria and metrics are encouraged. These data and metrics are critical to the successful defense of the budget request.

7. Personnel summaries are required for each subactivity group and for each Defense Agency.

8. With the exception of selected Defense Agencies, all Components will submit unclassified O&M justification materials.
Exhibit OP-5 Detail by Subactivity Group

COMPONENT NAME *
Operation and Maintenance, ________________
Budget Activity ___________________________
Activity Group ____________________________
Detail by Subactivity Group__________________

I. Description of Operations Financed: Provide a narrative explanation characterizing the mission and major functions funded in the subactivity group. Include a separate explanation for each subactivity shown in Section IIIA. below. These explanations should address significant program initiatives/actions included in the budget.

II. Force Structure Summary: Provide a narrative explanation and identification of force structure supported by funding in this subactivity group.

III. Financial Summary ($ in Thousand)

<table>
<thead>
<tr>
<th>FY CY Budget</th>
<th>Congressional Action</th>
<th>Current FY BY Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY PY Actuals</td>
<td>Request</td>
<td>Percent</td>
</tr>
<tr>
<td>A. Subactivity Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Subactivity (example, COCOM X)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Subactivity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Reconciliation Summary:</th>
<th>FY CY/FY CY Change</th>
<th>FY CY/FY BY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline Funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Congressional Adjustments (Distributed)</td>
<td>.........................</td>
<td>n/a</td>
</tr>
<tr>
<td>Congressional Adjustments (Undistributed)</td>
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</tr>
<tr>
<td>Adjustments to Meet Congressional Intent</td>
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</tr>
<tr>
<td>Congressional Adjustments (General Provisions)</td>
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<td></td>
</tr>
<tr>
<td>Subtotal Appropriated Amount</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Fact-of-Life Changes (CY to CY Only)</td>
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<td></td>
</tr>
<tr>
<td>Subtotal Baseline Funding</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Anticipated Overseas Contingency Operations</td>
<td>n/a</td>
<td></td>
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<tr>
<td>Reprogrammings</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Price Changes</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Functional Transfers</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Program Changes</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Current Estimate</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reconciliation Summary Instructions: For the changes in the Current Fiscal Year (FY CY), provide information from the President’s budget request for that fiscal year to the current estimate in this submission for that same fiscal year. For the changes from the FY CY to the FY BY, use the current estimate in this submission.

* The O&M budget is generally stratified into three levels: Level 1, Budget Activity (BA); Level 2, Budget Activity Group (BAG); and Level 3, Subactivity Group (SAG) (also referred to as O-1 line items). The O&M budget structure for some Defense Agencies/Activities stops at the BA or BAG level. The Defense Agencies/Activities are required to submit this exhibit at the lowest level of their budget structure.
C. Reconciliation of Increases And Decreases: Provide a trail of changes from the previous President’s budget request for the current fiscal year in this submission to the appropriated amount for the current FY CY in this submission to the current estimate for FY CY in this submission; and from the FY CY current estimate to the FY BY estimate. Provide a single entry in each year for price changes. Itemize and justify the major program changes in each year (provide the baseline in dollars to which the increase or decrease applies). Such justification should clearly explain programmatic changes in resource levels including why increases are required or decreases occur. Additionally, the narrative justification should relate cost to force structure changes, performance criteria, workload and manpower data, as well as identify the impact if requested changes are not funded. The DoD Components should report in thousands.

In the reconciliation of changes from the previous President’s budget request for the FY CY to the estimate for FY CY in the current submission, the DoD Components should include the following adjustments:

- **Distributed Congressional Adjustments:** Adjustments that Congress specifically makes to the President’s budget request. These adjustments must match the Appropriation Conference Report table and the FY CY Rebaseline Report (for Active Military Components only) at the subactivity group level.

- **Undistributed Congressional Adjustments:** Adjustments outlined on the tables contained in the statement of managers accompanying the appropriations conference report. The Components must use discretion as to how these adjustments are applied to minimize negative impacts on force readiness. These adjustments must match the Appropriation Conference Report table and the FY CY Rebaseline Report at the appropriation level and subactivity group level, respectively.

- **Adjustments to Meet Congressional Intent:** Adjustments that are required in order to align funding for a congressionally approved program into the proper budget activity and subactivity in order to carry out the intent of the Congress. These adjustments must match the FY CY Rebaseline Report at the subactivity group level.

- **General Provisions:** Adjustments directed by the Congress in appropriations law, the distribution of which is not explicitly stated. The OP-5 should separately display each General Provision adjustment. These adjustments must match the FY CY Rebaseline Report at the subactivity group level.

- **Fact-of-Life Changes:** The Operation and Maintenance (O&M) fact of life changes are programmatic, intra-appropriation adjustments made by DoD Components to address significant, unforeseen operational readiness issues within the following categories:
  1. Functional Transfers – Funding realignments to reflect a transfer of function, responsibility, or duty from one major command to another within each Military Department or Defense Agency. These adjustments do not change the purpose for which the funds were appropriated.
  2. Technical Adjustments – Accounting adjustments to properly align funding with the appropriate O&M subactivity group (SAG) where costs are actually accrued and executed. These adjustments do not change the purpose for which the funds were appropriated.
3. Emergent Requirements – Adjustments to funding requirements resulting from changes in policy, legal direction, or other unforeseen (e.g., operational readiness, health or safety, etc. related) events that occurred after the submission of the President’s Budget.

These adjustments must not change the congressional priorities and are subject to congressional review as reported in the Rebaseline Report. The Rebaseline Report, as amended by any congressional action, will be used to develop the DD 1414, Base for Reprogramming Actions. See Volume 3, Chapter 6 regarding the policies for the reprogramming of O&M funds subsequent to the establishment of the base for reprogramming actions.
C. Reconciliation of Increases and Decreases:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY CY President’s Budget Request (Amended, if applicable)</td>
<td></td>
</tr>
</tbody>
</table>
1. Congressional Adjustment (List Items) (Provide the baseline amount for each programmatic change.) (Separate amounts for Combatant Commands.)
   a) Distributed Adjustments (List Items)
   b) Undistributed Adjustments (List Items)
   c) Adjustments to Meet Congressional Intent (List Items)
   d) General Provisions (List Items)

Appropriated Amount (subtotal)
2. Fact-of-Life Changes (Note: Specify each item separately. For each adjustment, identify the sources (at the subactivity group level) from which funds were transferred into that activity, and identify the recipients (at the subactivity group level) of the funds transferred out of that activity. See previous instructions for a definition of the type of changes (emergent requirements, functional transfers, and technical adjustment) included in this section.)
   a) Functional Transfers
      i) Transfers In (List and explain the reason for each functional transfer.)
      ii) Transfers Out (List and explain the reason for each functional transfer.)
   b) Emergent Requirements
      i) One-Time Costs (List and provide complete and sufficiently detailed programmatic justification for each item.)
      ii) Program Growth (List and provide complete and sufficiently detailed programmatic justification for each item.)
      iii) Program Reductions (List and provide complete and sufficiently detailed programmatic justification for each item.)

Baseline Funding (subtotal) (Must agree with the “Revised Baseline” column of the FY CY Rebaseline Report.)
3. Reprogrammings/Overseas Contingency Operations
   a) Anticipated Overseas Contingency Operations
   b) Reprogrammings (Requiring 1415 Actions)
      i) Increases
      ii) Decreases

Revised FY CY Estimate (Must agree with the CY column of the FY BY President's budget.)
C. Reconciliation of Increases and Decreases:

4. Price Change

5. Transfers (Note: Must explain the reason for each transfer in and out.)
   a) Transfers In
      i)
      ii)
      iii) etc.
   b) Transfers Out
      i)
      ii)
      iii) etc.

6. Program Increases (Note: Each change must show the CY baseline and include complete and sufficiently detailed, programmatic explanation.)
   a) Annualization of New FY CY Program
      i)
      ii)
      iii) etc.
   b) One-Time FY BY Costs
      i)
      ii)
      iii) etc.
   c) Program Growth in FY BY
      i)
      ii)
      iii) etc.

7. Program Decreases (Note: Each change must show the CY baseline and include complete and sufficiently detailed, programmatic explanation.)
   a) One-Time FY CY Costs
      i)
      ii)
      iii) etc.
C. Reconciliation of Increases and Decreases:
   a)  Annualization of FY CY Program Decreases
       i)  
       ii) 
       iii) etc.
   b)  Program Decreases in FY BY
       i)  
       ii) 
       iii) etc.

FY BY Budget Request

NOTE: Substitute appropriate fiscal years to show current year (CY) and budget year (BY).
Performance Criteria and Evaluation Summary: The Performance Criteria and Evaluation Summary (OP-5, Part IV) must provide supporting detail sufficient to demonstrate how the budgeted resources for each subactivity group contribute to the Department’s mission. The Components must provide meaningful performance and workload data by SAG for each year FY PY, FY CY, and FY BY, where appropriate. Performance criteria must be displayed for each subactivity group. The goal is for the performance criteria to justify the budget request. If no performance criteria are provided, then a statement must be included explaining why there is no performance criteria.

The House of Representatives Report (Report 108-106, page 303) on the National Defense Authorization Act for Fiscal Year 2004 directed the Office of the Secretary of Defense (Comptroller) and the service’s assistant secretaries of financial management to improve the current performance criteria to reflect measurable metrics. In response, the Department modified the performance criteria for some SAGs supporting the O&M and DHP justification materials and reported the improvements in a report to the Congress in January 2004 and the FY 2005 President’s Budget submission in February 2004. The Components must continue to report these improved performance measures in the Performance Criteria section of the OP-5 justification book. The following subactivity groups have specific performance criteria required.

- Flying Hour Program (Attachment 1)
- Ship Operations (Attachment 2)
- Land Forces (Attachment 3)
- FSRM (Attachment 4)
- Depot Maintenance (Attachment 5)
- Defense Health Program (Attachment 6)

The following programs also have specific performance criteria required (See attachments 1-4 to the OP-5 in the FMR):

- JCS Exercise Program (Attachment 7)
- Base Operations Support (Attachment 8)
- Transportation (Attachment 9)
- Training (includes multiple subactivity groups) (Attachment 10)
<table>
<thead>
<tr>
<th>V. Personnel Summary:</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
<th>Change</th>
<th>FY CY/FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Military End Strength (E/S) (Total)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Officer</td>
<td></td>
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<tr>
<td>Enlisted</td>
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<tr>
<td>Reserve Drill Strength (E/S) (Total)</td>
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<tr>
<td>Officer</td>
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<tr>
<td>Enlisted</td>
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<td></td>
</tr>
<tr>
<td>Reservists on Full Time Active Duty (E/S) (Total)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Officer</td>
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<td></td>
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<tr>
<td>Enlisted</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Active Military Average Strength (A/S) (Total)</td>
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<td></td>
<td></td>
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<tr>
<td>Officer</td>
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<tr>
<td>Enlisted</td>
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</tr>
<tr>
<td>Reserve Drill Strength (A/S) (Total)</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Officer</td>
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</tr>
<tr>
<td>Enlisted</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Exhibit OP-5 Detail by Subactivity Group

(Page 8 of 9)
**COMPONENT NAME**: Operation and Maintenance, _____________

**Budget Activity**: ________________

**Activity Group**: ________________

**Detail by Subactivity Group**: ________________

### V. Personnel Summary (Cont’d):

<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
<th>FY CY/FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reservists on Full Time Active Duty (A/S) (Total)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Officer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enlisted</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Civilian FTEs (Total)**

<table>
<thead>
<tr>
<th>FY BY+1</th>
<th>FY BY+2</th>
<th>FY BY+3</th>
<th>FY BY+4</th>
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</thead>
<tbody>
<tr>
<td>U.S. Direct Hire</td>
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<td></td>
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<tr>
<td>Foreign National Direct Hire</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Direct Hire</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign National Indirect Hire</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Military Technician Included (Memo))</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Reimbursable Civilians Included Above (Memo))</td>
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</table>

*Contractor FTEs (Total)*

### VI. Outyear Summary:

<table>
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<tr>
<th>FY BY+1</th>
<th>FY BY+2</th>
<th>FY BY+3</th>
<th>FY BY+4</th>
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</thead>
<tbody>
<tr>
<td>O&amp;M ($ in Thousands)</td>
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<td></td>
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<tr>
<td>Military End Strength</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve Drill End Strength</td>
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<tr>
<td>Reservists on Full Time Active Duty (E/S)</td>
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<td></td>
<td></td>
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</tbody>
</table>

*Contractor FTEs*

(Include Part VI in the OSD/OMB submission only)

### VII. OP 32 Line Items as Applicable (Dollars in Thousands):

<table>
<thead>
<tr>
<th>Change from FY PY to FY CY</th>
<th>Change from FY CY to FY BY</th>
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<tbody>
<tr>
<td>FY PY</td>
<td>Currency</td>
</tr>
<tr>
<td>Foreign Actuals</td>
<td>Rate Diff</td>
</tr>
</tbody>
</table>

1. List each applicable OP-32 line item number and title.

2. Do not include the percentage of price growth.

To be submitted for both the OSD and President's budget submissions. For the President's budget submission, number the OP-32 section "VI" since the "Outyear Summary" is not provided.

Exhibit OP-5 Detail by Subactivity Group

(Page 9 of 9)
Exhibit OP-5 Flying Hours (Attachment 1)

**COMPONENT NAME** *
Operation and Maintenance, _____________
Budget Activity_________________________
Activity Group__________________________
Detail by Subactivity Group_______________

(FY PY, FY CY, FY and BY)

### IV. Performance Criteria and Evaluation (Flying Hours)

<table>
<thead>
<tr>
<th>Program Data (All Services)</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Budgeted*</td>
<td>Actual</td>
<td>Budgeted</td>
</tr>
</tbody>
</table>

* Information for the Prior Year (FY PY) Budgeted will reflect the amount requested in the President’s Budget for that fiscal year, not the updated column reflecting congressional adjustments.

**Total Aircraft Inventory (TAI) (End of FY)**

Total of all aircraft in the inventory including Primary Authorized Aircraft, Back-up Aircraft Inventory, and the Attrition Reserve.

**Primary Aircraft Authorized (PAA) (End of FY)**

Aircraft authorized for the performance of the unit’s mission. The PAA forms the basis for allocation of operating resources including manpower, support equipment, and flying hour funding.

**Backup Aircraft Inventory (BAI) (End of FY)**

Aircraft above the primary aircraft inventory that permits scheduled and unscheduled depot level maintenance, modifications, inspections and repairs, and other circumstances without reduction of aircraft available for the assigned mission.

**Attrition Reserve (AR) (End of FY)**

Aircraft required to replace anticipated losses of primary authorized aircraft due to peacetime accidents or wartime action. Also includes aircraft stored or on the ramp that are planned for return to the operating forces in the event of mobilization, replacement, or reconstitution.

1/Memo entry detail should show breakout by major platform.

Flying Hours

<table>
<thead>
<tr>
<th>Percent Executed</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Exhibit OP-5 Flying Hours (Attachment 1) (Page 1 of 3)
COMPONENT NAME  *
Operation and Maintenance, _____________
Budget Activity_________________________
Activity Group__________________________
Detail by Subactivity Group_______________

<table>
<thead>
<tr>
<th>Component</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budgeted*</td>
<td>Actual</td>
<td>Budgeted</td>
</tr>
</tbody>
</table>

Crew Ratio (Average)
Bombers
Fighters

OPTEMPO (Hrs/Crew/Month)
Bombers
Fighters

Navy Average T-Rating

ICBM Inventory
Minuteman I
Minuteman II
Peacekeeper

**Army Aviation Battalions**

*Memo entry detail should show breakout by major platform.*

**Army (Joint Air Ground Center)**

**Number of Deep Attack Rotations**
- Combat Maneuver Training Center (CMTC) (Victory Strike-Battalions)
- Western Army National Guard Aviation Training Site (WAATS) (Battalions)
- National Training Center (NTC) (Battalions)
- Joint National Training Capability (JNTC) (Battalions)

**Variance Reporting:** Describe all variances in quantities and dollars from the original President’s Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Exhibit OP-5 Flying Hours (Attachment 1)

(Page 2 of 3)
**COMPONENT NAME**  *
Operation and Maintenance, _____________
Budget Activity________________________
Activity Group________________________
Detail by Subactivity Group______________

**Explanation of Performance Variances**

Prior Year:

Current Year:

---

Exhibit OP-5 Flying Hours (Attachment 1)

(Page 3 of 3)
Exhibit OP-5 Ship Operations (Attachment 2)

COMPONENT NAME *
Operation and Maintenance, _____________
Budget Activity ________________________
Activity Group ________________________
Detail by Subactivity Group______________

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Ship Operations)

<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted*</td>
<td>Actual</td>
<td>Budgeted</td>
</tr>
</tbody>
</table>

Ship Years Supported

OPTEMPO (Days Underway per Quarter)
  Deployed
  Non-Deployed

Ship Operating Months Supported
  Deployed
  Non-Deployed

Ship Steaming Days Per Quarter
  Deployed
  Non-Deployed

Barrels of Fossil Fuel Required (000)

Nuclear Material Consumption ($000)

MSC Charter Inventory

Per Diem Days Chartered
  Full Operating Status
  Reduced Operating Status

Variance Reporting: Describe all variances in quantities and dollars from the original President’s Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Exhibit OP-5 Ship Operations (Attachment 2)
COMPONENT NAME *
Operation and Maintenance, _____________
Budget Activity________________________
Activity Group________________________
Detail by Subactivity Group______________

Explanation of Performance Variances

Prior Year:

Current Year:

Exhibit OP-5 Ship Operations (Attachment 2)
IV. Performance Criteria and Evaluation (Army Ground OPTEMPO)

<table>
<thead>
<tr>
<th>Tactical Unit MTOE Systems</th>
<th>FY PY Qty</th>
<th>$000</th>
<th>FY CY Qty</th>
<th>$000</th>
<th>FY BY Qty</th>
<th>$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Tracked Combat Vehicles</td>
<td>* Information for the Prior Year (FY PY) Budgeted will reflect the amount requested in the President’s Budget for that fiscal year, not the updated column reflecting congressional adjustments.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>b. Combat Support Pacing Teams</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Maneuver Battalions/Squadrons</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>d. Combat Support Battalions</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground OPTEMPO Measures</td>
<td></td>
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</tr>
<tr>
<td>Average Tank Miles Budgeted</td>
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<tr>
<td>Average Tank Miles Executed</td>
<td></td>
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<tr>
<td>Percent of Tank Miles Executed</td>
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<tr>
<td>Ground OPTEMPO Funds Budgeted ($000)</td>
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<tr>
<td>Ground OPTEMPO Funds Executed ($000)</td>
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<tr>
<td>Percent of Ground OPTEMPO Funds Executed</td>
<td></td>
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</tbody>
</table>
COMPONENT NAME *
Operation and Maintenance, _____________
Budget Activity________________________
Activity Group________________________
Detail by Subactivity Group_______________

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Army Air OPTEMPO)

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>FY PY Qty</th>
<th>$000</th>
<th>FY CY Qty</th>
<th>$000</th>
<th>FY BY Qty</th>
<th>$000</th>
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<tbody>
<tr>
<td>(Memo Entry 1/)</td>
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<table>
<thead>
<tr>
<th>Aviation Battalions</th>
<th>FY PY Qty</th>
<th>$000</th>
<th>FY CY Qty</th>
<th>$000</th>
<th>FY BY Qty</th>
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<td>(Memo Entry 2/)</td>
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</table>

Air OPTEMPO Measures
- Flying Hours Budgeted (000)
- Flying Hours Executed (000)
- Percent of Budgeted Hours Executed
- Air OPTEMPO Funds Budgeted ($000)
- Air OPTEMPO Funds Executed ($000)
- Percent of Air OPTEMPO Funds Executed

1/ Memo entry detail should show the systems under each category.
IV. Performance Criteria and Evaluation (Army Combat Training Center Training)

<table>
<thead>
<tr>
<th>Combat Training Centers (CTCs)</th>
<th>FY PY Qty</th>
<th>$000</th>
<th>FY CY Qty</th>
<th>$000</th>
<th>FY BY Qty</th>
<th>$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Throughput (Inventory Numbers)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• BCTP (Divisions/Corps)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• CMTC (Battalions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• JRTC (Battalions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• NTC (Battalions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• JNTC (Battalions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Rotations (Number of Rotations)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>• BCTP (Divisions/Corps)</td>
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</tr>
<tr>
<td>• CMTC (Battalions)</td>
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</tr>
<tr>
<td>• JRTC (Battalions)</td>
<td></td>
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</tr>
<tr>
<td>• NTC (Battalions)</td>
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</tr>
<tr>
<td>• JNTC (Battalions)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Notes: BCTP – Battle Command Training Program, CMTC – Combat Maneuver Training Center, JRTC – Joint Readiness Training Center, NTC – National Training Center, JNTC – Joint National Training Capability

**Variance Reporting:** Describe all variances in quantities and dollars from the original President’s Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

**Explanation of Performance Variances**

Prior Year:

Current Year:

Exhibit OP-5 Land Forces – Army Ground & Air OPTEMPO (Attachment 3)
IV. Performance Criteria and Evaluation (Marine Corps Land Forces)

<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted*</td>
<td>Actual</td>
<td>Budgeted</td>
</tr>
</tbody>
</table>

Funds Allocated to Training & Equipment Maintenance

**Combat Ready Days (Equipment and Training) CRED-ET**

* Information for the Prior Year (FY PY) Budgeted will reflect the amount requested in the President’s Budget for that fiscal year, not the updated column reflecting congressional adjustments.

**Cost per CRED-ET**

Total Possible Combat Ready Days
Percent Achieved

**Variance Reporting:** Describe all variances in quantities and dollars from the original President’s Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

**Explanation of Performance Variances**

Prior Year:

Current Year:
Exhibit OP-5 Facilities Sustainment and Restoration/Modernization (Attachment 4)

**COMPONENT NAME** *

**Operation and Maintenance, __________***

**Budget Activity**

**Activity Group**

**Detail by Subactivity Group**

(FY PY, FY CY, and FY BY)

**IV. Performance Criteria and Evaluation (Facilities Sustainment and Restoration/Modernization)**

<table>
<thead>
<tr>
<th></th>
<th>FY PY</th>
<th></th>
<th>FY CY</th>
<th></th>
<th>FY BY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Funding</td>
<td>OCO</td>
<td>Estimate</td>
<td>OCO</td>
<td>Estimate</td>
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<tr>
<td>Actual^1</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
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</tr>
<tr>
<td>OCO Funding^2</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
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</tr>
<tr>
<td>Estimate^1</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
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<tr>
<td>OCO Funding^2</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
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</tr>
<tr>
<td>Estimate</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

1/ Should exclude Overseas Contingency Operations (OCO) funding and Title IX funds.
2/ Memo entry which reflects any OCO funding received or requested. Metric data does not need to be provided for this entry, only provide funding levels.
3/ Must be consistent with information contained within the Facilities Data Quality Assurance application.
4/ Total funding for Facilities Sustainment and Restoration/Modernization must be consistent with estimates identified for the Facilities Sustainment and Restoration/Modernization subactivity group in the automated OP-32 submit.

**NOTE:** Information on this exhibit must be consistent with information on the PBA-7 Exhibits, Facilities Sustainment and Restoration/Modernization, and Demolition Programs, as well as information contained within the Facilities Data Quality Assurance website.

Exhibit OP-5 Facilities Sustainment and Restoration/Modernization (Attachment 4)
Exhibit OP-5 Depot Maintenance (Attachment 5)

**COMPONENT NAME** *
Operation and Maintenance, ____________
Budget Activity ____________________________
Activity Group ____________________________
Detail by Subactivity Group_______________

(FY PY, FY CY, and FY BY)

### IV. Performance Criteria and Evaluation (Depot Maintenance)

<table>
<thead>
<tr>
<th>Type of Maintenance</th>
<th>Prior Year (FY PY)</th>
<th>Current Year (FY CY)</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity (Aircraft, Combat Vehicles, etc)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Qty</td>
<td>($ in M)</td>
<td>Qty</td>
<td>($ in M)</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(Memo Entry&lt;sup&gt;2&lt;/sup&gt;)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Commodity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qty</td>
<td>($ in M)</td>
<td>Qty</td>
<td>($ in M)</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(Memo Entry&lt;sup&gt;2&lt;/sup&gt;)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Commodity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qty</td>
<td>($ in M)</td>
<td>Qty</td>
<td>($ in M)</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(Memo Entry&lt;sup&gt;2&lt;/sup&gt;)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>DEPOT MAINTENANCE TOTAL&lt;sup&gt;3&lt;/sup&gt;</td>
<td></td>
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</tr>
<tr>
<td>Qty</td>
<td>($ in M)</td>
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<tr>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<sup>1</sup>Commodity totals should match the commodity totals on the service OP-30 exhibit.

<sup>2</sup>Memo entry detail should show the substantial, major systems being repaired under each commodity category, not necessarily EVERY system.
COMPONENT NAME * 
Operation and Maintenance, _____________
Budget Activity_________________________
Activity Group__________________________
Detail by Subactivity Group_______________
(FY PY, FY CY, and FY BY)

Variance Reporting: Describe all variances in quantities and dollars from the original President’s Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Explanation of Performance Variances

Prior Year:

Current Year:

Instructions and Definitions

Exhibit Scope:
Report detailed information only on major end items of equipment. Use the other category for minor items. Fill in only the area for funding for the other category.

Definitions:
Budget Qty (Columns B, H, M and O): The quantities contained in the President's budget submission for the fiscal year indicated. Info for the Prior Year will reflect the amount requested in the President’s Budget for that fiscal year, not the updated column reflecting congressional adjustments.
Budget $ (Columns C, I, N and P): The funding requested in the President's Budget submission for the fiscal year indicated. Info for the Prior Year will reflect the amount requested in the President’s Budget for that fiscal year, not the updated column reflecting congressional adjustments.
Actual Inductions Qty (Column D): The number of units actually funded for induction during the Prior Year.
Actual Inductions $ (Column E): The cost of the items contained in Column D.
Completions Prior Year (Column F): Items completed during the Prior Year that were funded in a previous fiscal year.
Completions Current Year (Column G): Items in Column D that were completed during the Prior Year.
Estimated Inductions Qty (Column J): Revised Current Year quantity estimate.
Estimated Inductions $ (Column K): The cost of the items contained in Column J.
Carry-In QTY (Column L): The number of items funded in prior years that have not been delivered.

Exhibit OP-5 Depot Maintenance (Attachment 5)
(Please see Exhibit OP-5 Depot Maintenance for details on the exhibit.)
Exhibit OP-5 Defense Health Program (Attachment 6)

COMPONENT NAME *
Operation and Maintenance, _____________
Budget Activity_________________________
Activity Group__________________________
Detail by Subactivity Group_______________

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Defense Health Program)

<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted*</td>
<td>Actual</td>
<td>Budgeted</td>
</tr>
</tbody>
</table>

Beneficiary Satisfaction with Health Plan
Inpatient Production Targets (Relative Weighted Products) *
Outpatient Production Targets (Relative Value Units)
Primary Care Productivity
Medical Per Member Per Year - Annual Cost Growth*

* As compared with private sector health care plan increases

Variance Reporting: Describe all variances in quantities and dollars from the original President’s Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Explanation of Performance Variances

Prior Year:

Current Year:
These performance metrics will be used to focus on the overall performance of the health benefit plan offered to DoD beneficiaries. Measuring performance to goals allows the DHP to track internal effectiveness as well as effectiveness relative to other health plan benefits in the private sector. Results of these performance metrics will be reported annually in Defense Health Program O&M Overview Exhibit.

<table>
<thead>
<tr>
<th>Questions</th>
<th>Ans.</th>
<th>Explanation</th>
<th>Evidence/Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the satisfaction with the TRICARE Health Plan increasing, decreasing, or staying the same?</td>
<td>Increasing = 10, Steady = 5, Decreasing = 0</td>
<td>An increase in the satisfaction with the TRICARE Health Plan indicates that actions being taken are improving the overall functioning of the plan from the beneficiaries perspective. Goal is to improve overall satisfaction level to that of civilian plans using a standardized survey instrument.</td>
<td>Satisfaction with the TRICARE Health Plan is related to two primary functional areas: timeliness of claims adjudication and access to medical services for beneficiaries. Improvements in either of these functions generally improves the measures, where as problems will cause a decline.</td>
</tr>
<tr>
<td>Did the DHP achieve its inpatient production targets (number of Relative Weighted Products (RWPs))?</td>
<td>At or above target = 10, = or &gt; 95% target = 5, Below 95% target = 0</td>
<td>Achieving the production targets ensures that the initial plans for allocation of personnel and resources are used appropriately in the production of inpatient workload</td>
<td>Failing to achieve production target suggests that facilities may not be appropriately using their resources and may signal need to align assets to other areas within the facility or other facilities that are not at capacity. Surpassing the target signifies opportunities to achieve saving through recapture of purchased care workload.</td>
</tr>
<tr>
<td>Did the DHP achieve its outpatient production targets (number of Relative Value Units (RVU's))?</td>
<td>At or above target = 10, = or &gt; 95% target = 5, Below 95% target = 0</td>
<td>Achieving the production targets ensures that the initial plans for allocation of personnel and resources are used appropriately in the production of outpatient workload</td>
<td>Failing to achieve production target suggests that facilities may not be appropriately using their resources and may signal need to align assets to other areas within the facility or other facilities that are not at capacity. Surpassing the target signifies opportunities to achieve saving through recapture of purchased care workload.</td>
</tr>
</tbody>
</table>
| **Is the productivity of the Primary Care Providers increasing, decreasing, or staying the same?** | **Increasing = 10,**  
**Steady = 5,**  
**Decreasing = 0** | **In order to run a premier Health Maintenance Organization (HMO), the critical focus area is primary care. The primary care provider frequently represents the first medical interaction between the beneficiary and the HMO. In this role the primary care provider is responsible for the majority of the preventive care to keep beneficiaries healthy and away from more costly specialty care.** | **This metric looks at the complexity of care and the number of patients seen by the primary care providers each day, with a goal of increasing the complexity and/or number of patients seen each day by the provider. As more care is provided by the direct care facilities, there is better utilization of the assets, and the average cost per encounter will decrease. Goal is to increase productivity to levels comparable to the civilian sector while still maintaining readiness.** |
|---|---|---|---|
| **Is the Medical Per Member Per Year (PMPY) cost growth rate at or below private sector health care plan rate increases?** | **At or below Nat'l Rate = 10,**  
**Up to 105% of Nat'l Rate = 5,**  
**Above 105% of Nat'l Rate = 0** | **The medical cost per member per year looks at the overall cost of the Prime enrollees for the DHP. This tracks all costs related to care delivered to enrollees. The objective is to keep the rate of cost growth for the treatment of TRICARE enrollees to a level at or below the civilian health care plan rate increases at the national level.** | **The cost has multiple components that all must be operating properly to effectively deliver the appropriate health care services to the enrollee. This measure incorporates the cost of producing the care in the direct care facilities, as well as issues of utilization for both direct care and purchased care. If the cost to produce the individual units of care in the direct care system is high, then the cost per enrollee will increase. Similarly, if the enrollees receive high numbers of encounters, then the cost will also increase. The objective is to properly manage both the production of care in the direct care facilities, and the utilization of health care services for the enrollees to effectively keep the enrollee healthy.** |
Exhibit OP-5 CE2T2 Program (Attachment 7)

<table>
<thead>
<tr>
<th>COMPONENT NAME</th>
<th>*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation and Maintenance,</td>
<td></td>
</tr>
<tr>
<td>Budget Activity</td>
<td></td>
</tr>
<tr>
<td>Activity Group</td>
<td></td>
</tr>
<tr>
<td>Detail by Subactivity Group</td>
<td></td>
</tr>
<tr>
<td>(FY PY, FY CY, and FY BY)</td>
<td></td>
</tr>
</tbody>
</table>

IV. Performance Criteria and Evaluation (Combatant Commander’s Exercise Engagement and Training Transformation (CE2T2) Program)

<table>
<thead>
<tr>
<th>Exercise Name &amp; Location 1/</th>
<th>Time Period of Exercise</th>
<th>Work Load Measure 2/</th>
<th>Cost ($ in Thousands)</th>
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<tbody>
<tr>
<td>Directed Exercises</td>
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</tr>
<tr>
<td>(List by exercise)</td>
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<td></td>
</tr>
<tr>
<td>Total</td>
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<tr>
<td>1/</td>
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</tr>
<tr>
<td>2/</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coordinated Exercises</td>
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</tr>
<tr>
<td>(List by exercise)</td>
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<td></td>
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<tr>
<td>Total</td>
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<td>Port Operations:</td>
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<tr>
<td>CONUS:</td>
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<tr>
<td>Overseas:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Directed and Coordinated Exercises</td>
<td>3/</td>
<td>For FY PY and FY CY: Show by footnote both the amount appropriated for FY PY and the amount requested for the FY CY in the FY CY President’s budget. For FY CY, explain the difference between the amount requested in the President's budget and the current estimate.</td>
<td></td>
</tr>
<tr>
<td>For FY BY:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Briefly describe changes in the program from that of the previous year. To the extent that specific exercises have not been approved at the time of the budget submission, estimate total program levels. Estimated amounts should be distributed between transportation and other costs, as applicable, and should be related to estimated work load. Explanations of changes in both costs and work load are required between the FY CY and FY BY. This information should be provided in sufficient detail to justify the budget estimate.</td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>

Exhibit OP-5 CE2T2 Program (Attachment 7)

(Page 1 of 1)
Exhibit OP-5 Base Support Program (Attachment 8)

<table>
<thead>
<tr>
<th>COMPONENT NAME</th>
<th>*</th>
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<tbody>
<tr>
<td>Operation and Maintenance, ___________</td>
<td></td>
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<tr>
<td>Budget Activity_____________________</td>
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</tr>
<tr>
<td>Activity Group_______________________</td>
<td></td>
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<tr>
<td>Detail by Subactivity Group___________</td>
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IV. Performance Criteria and Evaluation: (Base Operations)

<table>
<thead>
<tr>
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<th>FY</th>
<th>FY</th>
<th>FY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PY</td>
<td>CY</td>
<td>BY</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A. Administration ($000)
   - Military Personnel Average Strength
   - Civilian Personnel FTEs
   - Number of Bases, Total
     (CONUS)
     (Overseas)
   - Population Served, Total
     (Military, Average Strength)
     (Civilian, FTEs)

B. Retail Supply Operations ($000)
   - Military Personnel Average Strength
   - Civilian Personnel FTEs

C. Bachelor Housing Ops/Furn. ($000)
   - Military Personnel Average Strength
   - Civilian FTEs
   - No. of Officer Quarters
   - No. of Enlisted Quarters

D. Other Morale, Welfare and Recreation ($000)
   - Military Personnel Average Strength
   - Civilian FTEs
   - Population Served, Total
     (Military, Average Strength)
     (Civilian/Dependents, FTEs)
### COMPONENT NAME
Operation and Maintenance, _________________

**Budget Activity** __________________________
**Activity Group** __________________________
**Detail by Subactivity Group** ________________

<table>
<thead>
<tr>
<th>IV. Performance Criteria and Evaluation:</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. Maintenance of Installation Equipment ($000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military Personnel Average Strength</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civilian Personnel FTEs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. Other Base Services ($000)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Military Personnel Average Strength</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civilian Personnel FTEs</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Number of Motor Vehicles, Total</td>
<td></td>
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</tr>
<tr>
<td>(Owned)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Leased)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G. Other Personnel Support ($000)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Military Personnel Average Strength</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Civilian Personnel FTEs</td>
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<td>Population Served, Total</td>
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<tr>
<td>(Military, Average Strength)</td>
<td></td>
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<tr>
<td>(Civilian, FTEs)</td>
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</tr>
<tr>
<td>H. Payments to Defense Finance and Accounting Service ($000)</td>
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<tr>
<td>I. Payments to GSA ($000)</td>
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</tr>
<tr>
<td>Leased Space (000 sq. ft)</td>
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<td></td>
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</tr>
<tr>
<td>Recurring Reimbursements ($000)</td>
<td></td>
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</tr>
<tr>
<td>One-time Reimbursements ($000)</td>
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</tr>
<tr>
<td>J. Non-GSA Lease Payments for Space</td>
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<tr>
<td>Leased Space (000 sq. ft)</td>
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<tr>
<td>Recurring Reimbursements ($000)</td>
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<tr>
<td>One-time Reimbursements ($000)</td>
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<tr>
<td>K. Other Engineering Support ($000)</td>
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</tr>
<tr>
<td>Military Personnel Average Strength</td>
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<tr>
<td>Civilian Personnel FTEs</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Exhibit OP-5 Base Support Program (Attachment 8)

(Page 2 of 3)
### Performance Criteria and Evaluation

#### L. Operation of Utilities ($000)
- Military Personnel Average Strength
- Civilian Personnel FTEs
- Electricity (MWH)
- Heating (MBTU)
- Water, Plants & Systems (000 gals)
- Sewage & Waste Systems (000 gals)
- Air Conditioning and Refrigeration (Ton)

#### M. Environmental Services ($000)

#### N. Child and Youth Development Programs
- Number of Child Development Centers
- Number of Family Child Care (FCC) Homes
- Total Number of Children Receiving Care
- Percent of Eligible Children Receiving Care
- Number of Children on Waiting List
- Total Military Child Population (Infant to 12 years)
- Number of Youth Facilities
- Youth Population Serviced (Grades 1 to 12)

**Total Base Support** (The sum of A –N amounts must match the Base Support total in O-1, O&M Funding by Budget Activity/Activity Group/Subactivity Group Exhibit.)

### ADDITIONAL INSTRUCTIONS

This schedule should **exclude** those funds supporting maintenance and repair of real property and minor construction (which should be reported on Attachment 4).

- Additional performance criteria and work load indicators may be included for any of the above functional categories as applicable. Additional criteria/indicators are especially encouraged for “Other Base Services” and “Other Personnel Support” categories as they relate to more important or unique support functions.
- Include direct Operation and Maintenance funds only. (Exclude amounts funded from Military Personnel appropriations.)
- This format should be followed in preparing an OP-5 Exhibits for Base Support.

**NOTE:** Information on this exhibit must be consistent with information on Exhibit PBA-10, Base Support.

---

Exhibit OP-5 Base Support Program (Attachment 8)

(Page 3 of 3)
Exhibit OP-5 Transportation Program (Attachment 9)

<table>
<thead>
<tr>
<th>COMPONENT NAME</th>
<th>*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation and Maintenance, _____________</td>
<td></td>
</tr>
<tr>
<td>Budget Activity_______________</td>
<td></td>
</tr>
<tr>
<td>Activity Group____________________</td>
<td></td>
</tr>
<tr>
<td>Detail by Subactivity Group__________</td>
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</tr>
</tbody>
</table>

**IV. Performance Criteria and Evaluation (Transportation)**

<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units ($ in 000)</td>
<td>Units ($ in 000)</td>
<td>Units ($ in 000)</td>
</tr>
</tbody>
</table>

First Destination Transportation (FDT) (by Mode of Shipment):
This should include only FDT supporting O&M purchases.

Military Traffic Management Command:
- Port Handling (MT)
  - Short Tons= ST
  - Measurement Tons = MT

Military Sealift Command:
- Regular Routes (MT)
  - Missions = MSN
- Per Diem (SD)
  - Ship Days = SD

Air Mobility Command:
- Regular Channel (ST)
- SAAM (MSN)

Commercial:
- Air (ST)
  - Provide subtotals for all modes of shipment (MTMC, MSC, AMC & Commercial)
- Surface (ST)
  - Amounts should be consistent with amounts shown in applicable OP-5 Exhibits in each Service’s/Components budget justification books and agree with amounts provided in PBA-13, Transportation.

<table>
<thead>
<tr>
<th>TOTAL FDT</th>
<th></th>
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</thead>
</table>

Exhibit OP-5 Transportation Program (Attachment 9)

(Page 1 of 2)
**COMPONENT NAME** * 
Operation and Maintenance, _____________
Budget Activity_________________________
Activity Group__________________________
Detail by Subactivity Group_______________

IV. Performance Criteria and Evaluation FY PY FY CY FY BY 

(continued) Units ($ in 000) Units ($ in 000) Units ($ in 000)

<table>
<thead>
<tr>
<th>Second Destination Transportation (SDT) (by Mode of Shipment):</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military Traffic Management Command: Port Handling (MT)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military Sealift Command: Regular Routes (MT) Per Diem (SD)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Mobility Command: Regular Channel (ST) SAAM (MSN)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Commercial: Air (ST) Surface (ST)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL SDT</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Second Destination Transportation by Selected Commodities):</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cargo (Military Supplies and Equipment)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Exchanges</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsistence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas Mail</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL FDT AND SDT</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Provide subtotals for all modes of shipment (MTMC, MSC, AMC & Commercial)

For each commodity, show amounts separately by Short Tons (ST), Measurement Tons (MT), Missions (MSN), or Ship Days of Per Diem (SD), as applicable.

Exhibit OP-5 Transportation Program (Attachment 9)

(Please refer to the document for the complete details.)
Exhibit OP-5 Training (Attachment 10)

COMPONENT NAME *  
Operation and Maintenance, _____________  
Budget Activity ________________  
Activity Group ________________  
Detail by Subactivity Group ________________

IV. Performance Criteria and Evaluation (Training)

<table>
<thead>
<tr>
<th>Recruit Training:</th>
<th>FY PY</th>
<th>Input</th>
<th>Output</th>
<th>Work Load</th>
<th>FY CY</th>
<th>Input</th>
<th>Output</th>
<th>Work Load</th>
<th>FY BY</th>
<th>Input</th>
<th>Output</th>
<th>Work Load</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Guard</td>
<td></td>
<td></td>
<td></td>
<td>Reserve</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td>Other</td>
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<td></td>
<td></td>
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<td>Subtotal</td>
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</table>

One Station Unit Training:

<table>
<thead>
<tr>
<th>Active</th>
<th>Guard</th>
<th>Reserve</th>
<th>Other</th>
<th>Subtotal</th>
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</thead>
</table>

Specialized Skill Training:

<table>
<thead>
<tr>
<th>Initial Skill</th>
<th>Active</th>
<th>Guard</th>
<th>Reserve</th>
<th>Other</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Skill Progression</th>
<th>Active</th>
<th>Guard</th>
<th>Reserve</th>
<th>Other</th>
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</thead>
<tbody>
<tr>
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<td>Subtotal</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Functional</th>
<th>Active</th>
<th>Guard</th>
<th>Reserve</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For each training category, an explanation of how work load is calculated should be included and an example or explanation should be provided to demonstrate the relevance of the relationship between workload and funding.
### COMPONENT NAME *
Operation and Maintenance, _____________  
Budget Activity_________________________  
Activity Group__________________________  
Detail by Subactivity Group_______________

IV. Performance Criteria and Evaluation (continued):

<table>
<thead>
<tr>
<th>Specialized Skill Training (continued):</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>Input</td>
<td>Output</td>
<td>Work Load</td>
</tr>
<tr>
<td>Active</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guard</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Officer Acquisition:**

**Officer Candidate School/ Officer Training School**

**Academy Preparatory School**

**BOOST (Navy)**

**Flight Screening (AF)**

**Other College Commissioning Programs**

**Senior ROTC:**

- Scholarship
- College

**Service Academy:**

- Beginning End Strength (1 October)
- Attrition
- Graduates
- Entries
- End Strength (30 September)
- Average Onboard

Exhibit OP-5 Training (Attachment 10)
### IV. Performance Criteria and Evaluation (continued):

<table>
<thead>
<tr>
<th>Specialized Skill Training (continued):</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Input</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Output</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Work Load</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Professional Military Education:</strong> (Identify schools separately)</td>
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<tr>
<td>Active</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Guard</td>
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<tr>
<td>Reserve</td>
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<tr>
<td>Other</td>
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</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
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</tbody>
</table>

#### Flight Training:

**Undergraduate Pilot Training - Active**
- STRIKE/Jet
- Helicopter
- Maritime
- Subtotal

**Undergraduate Pilot Training - Guard**
- STRIKE/Jet
- Helicopter
- Maritime
- Subtotal

**Undergraduate Pilot Training - Reserve**
- STRIKE/Jet
- Helicopter
- Maritime
- Subtotal

**Undergraduate NFO/Navigator Training (by type):**

---

*Exhibit OP-5 Training (Attachment 10)*

(Page 3 of 4)
IV. Performance Criteria and Evaluation (continued):

<table>
<thead>
<tr>
<th></th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
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</thead>
<tbody>
<tr>
<td>Input</td>
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<tr>
<td>Work Load</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Specialized Skill Training (continued):

Flight Training (cont):

Advanced Flight Training
- Active
- Guard
- Reserve
- Other
- Subtotal

Other Flight Training
- Active
- Guard
- Reserve
- Other
- Subtotal

Flying Hours
- Undergraduate Pilot Tng
  - STRIKE/jet
  - Helicopter
  - Maritime

- Undergraduate NFO/Navigator Tng
  - (by type)

- Other Flying Hours

NOTE: Information on this exhibit must be consistent with information on Exhibit PBA-8, Training and Education.
Exhibit OP-5 Navy Shipyards (Attachment 11)

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Description
Activity Group Function: Provide a narrative explanation of mission and major functions being performed.

Activity Group Composition: Provide a list of activities and location.
Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Activity

Provide the location of Activity and its function.

1. Funding Summary

SOURCE OF FUNDING ($000)

<table>
<thead>
<tr>
<th>Department of the Navy</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operation &amp; Maintenance, Navy (Fleet)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Reimbursable</td>
<td></td>
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</tr>
<tr>
<td>Operation &amp; Maintenance, Navy (NAVSEA)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Shipbuilding &amp; Conversion, Navy</td>
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<td></td>
</tr>
<tr>
<td>Other Procurement, Navy</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Other Department of Navy</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Department of Defense | |
|-----------------------||

| Other Orders          | |
|-----------------------||
| Other Federal Agencies | |
| Foreign Military Sales | |
| Other                 | |

Exhibit OP-5 Navy Shipyards (Attachment 11)
(Page 2 of 10)
Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Performance Metrics (See glossary for definitions)

<table>
<thead>
<tr>
<th>METRICS</th>
<th>Item</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Work</td>
<td>Unit Cost ($ per manday)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Administrative efficiency</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CNO Availabilities Complete</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CNO Availabilities in process at end of FY</td>
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<td></td>
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</tr>
<tr>
<td>Homeported Aircraft Carriers Supported (non-depot)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homeported Submarines Supported (non-depot)</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Homeported Surface Ships Supported (non-depot)</td>
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<tr>
<td>Capacity Utilization Rate</td>
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3. Performance Information (See glossary for definitions)

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<th>Estimates ($ 000)</th>
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<th>FY BY</th>
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</thead>
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<td>Direct Civilian Labor</td>
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<tr>
<td>Direct Military Labor</td>
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<tr>
<td>Direct Material</td>
<td></td>
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<tr>
<td>Direct Contracts</td>
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<tr>
<td>Other Direct Costs</td>
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<tr>
<td>Overhead Civilian Labor</td>
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<td>Overhead Military Labor</td>
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<td></td>
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</tr>
<tr>
<td>Overhead Non-Labor</td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Note: Direct Contracts and Other Direct Costs included in Direct Material.

Exhibit OP-5 Navy Shipyards (Attachment 11)
### 4. Workload
Provide a narrative explanation of increases and decreases from fiscal year to fiscal year.

#### Mandays

<table>
<thead>
<tr>
<th>Total Direct Mandays</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipbuilding and Conversion, Navy (ERO, RCOH, etc…)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surface Ship</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Submarines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inactivation Work</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-CNO availability Depot Work (RA/TA, CM, Emergent Repair, etc…)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Maintenance Center (Non-Depot)</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Indirect Mandays</th>
<th>FY PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production and General Overhead</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Mandays</th>
<th>FY PY</th>
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<tbody>
<tr>
<td>Straight Time Mandays</td>
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</tr>
<tr>
<td>Overtime Mandays</td>
<td></td>
</tr>
<tr>
<td>FY</td>
<td>Hull</td>
</tr>
<tr>
<td>-----</td>
<td>------</td>
</tr>
<tr>
<td>FY</td>
<td></td>
</tr>
<tr>
<td>FY PY</td>
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<td>FY CY</td>
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<td>FYBY1</td>
<td></td>
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<tr>
<td>FYBY2</td>
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</tr>
</tbody>
</table>

Maximum Percent Late    
Average Percent Late    
Maximum Percent Over Manday Budget    
Average Percent Over Manday Budget    

Exhibit OP-5 Navy Shipyards (Attachment 11)  
(Page 5 of 10)
Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

5. Workforce
Provide a narrative explanation and identification of workforce.

WORKFORCE

<table>
<thead>
<tr>
<th>Item</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian End Strength</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military End Strength</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Workforce</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Apprentice Program
Provide a narrative explanation.

<table>
<thead>
<tr>
<th>Item</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>First year apprentices</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second year apprentices</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Third year apprentices</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Fourth year apprentices</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Workforce</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Apprentice program costs include apprentice salaries while in a training status, tuition, books, and other instructional costs:

<table>
<thead>
<tr>
<th>Item</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Apprentice Program Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

6. Infrastructure Accounts (See glossary for definitions)

<table>
<thead>
<tr>
<th>INFRASTRUCTURE SUPPORT ACCOUNT SUMMARY ($K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimates ($000)</td>
</tr>
<tr>
<td>Base Operating Support (OMN)</td>
</tr>
<tr>
<td>Capital Equipment (OPN)</td>
</tr>
<tr>
<td>Facilities Sustainment, Restoration, &amp; Modernization (OMN)</td>
</tr>
<tr>
<td>Military Construction (MILCON)</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Provide the following information for each Capital Equipment and MILCON project by fiscal year (FY 2006 – 2009):

<table>
<thead>
<tr>
<th>CAPITAL EQUIPMENT PROJECT SUMMARY ($K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Title</td>
</tr>
<tr>
<td>FY</td>
</tr>
<tr>
<td>COST</td>
</tr>
</tbody>
</table>

FY TOTAL

Exhibit OP-5 Navy Shipyards (Attachment 11) (Page 7 of 10)
Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

<table>
<thead>
<tr>
<th>Project Title</th>
<th>FY</th>
<th>COST</th>
</tr>
</thead>
</table>

FY TOTAL
Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Glossary

**Performance Metrics:**

**Schedule Adherence:** Two metrics, Average Percentage Late and Maximum Percentage Late. The percentage late is calculated by dividing the availability actual duration by the scheduled duration (as stated in the last Presidential Budget).

**Manday Budget Performance:** Two metrics, Average Percentage Over Manday Budget and Maximum Percentage Over Manday Budget. The percentage over manday budget is calculated by dividing the availability actual mandays by the budgeted mandays (as stated in the last Presidential Budget).

**Quality of Work:** This metric reports the number of post delivery discrepancies per 1,000 mandays of actual expenditures.

**Unit Cost:** This metric reports the total cost less direct material, direct contract, other direct, and MILCON per direct labor manday delivered. CY and BY reflect the budgeted values.

**Administrative Efficiency:** This metric reports the total cost less direct material and direct labor divided by total cost less direct material. CY and BY reflect the budgeted values.

**CNO Availabilities Complete:** This metric reports the total number of CNO availabilities completed during the PY.

**CNO Availabilities in Progress at end of FY:** The metric reports the number of CNO availabilities in progress at the end of the PY.

**Homeported Aircraft Carriers Supported:** Number of homeported aircraft carriers supported by activity. Determines activities non-depot workload.

**Homeported Submarines Supported:** Number of homeported submarines supported by activity. Determines activities non-depot workload.

**Homeported Surface Ships Supported:** Number of homeported surface ships supported by activity. Determines activities non-depot workload.

**Shipyard Capacity Utilization:** This metric reports the total workload compared to the modified dry-dock capacity index. CY and BY reflect the budgeted values.
Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

**Performance Information:**

**Direct Civilian Labor:** Includes actual direct civilian labor cost (accelerated by benefits) plus direct overtime cost.

**Direct Military Labor:** Total military salary cost times percentage of military mandays spent on direct work.

**Direct Material:** Actual material (piece-part) costs.

**Direct Contracts:** Includes all contract labor costs.

**Other Direct Costs:** Includes direct costs not included in direct material and direct contracts. Examples include travel costs and equipment rental costs.

**Overhead Civilian Labor:** Includes actual overhead civilian labor cost (accelerated by benefits), overhead overtime, differential costs, bonuses, lump sum leave costs, and transportation incentive program costs.

**Overhead Military Labor:** Total military salary cost less that reported as direct military labor.

**Overhead Non-Labor:** Includes such non-labor costs as overhead travel, telecommunications, office, shop, and furniture purchases less than OPN $250,000 threshold, crane maintenance, and Janitorial services.

**Infrastructure Accounts:** These accounts provide the funding for infrastructure operation, maintenance, and replacement as follows:

**Base Operating Support (OMN):** Base Operating Support finances utilities, maintenance, security, transportation, and port operations costs required to support industrial operations.

**Capital Expenditures (OPN):** The Capital Budget Authority reflects the financing of essential fleet support equipment and other capital improvements critical to sustaining shipyard operations, improving productivity, meeting health, safety and environmental requirements and lowering production costs.

**Facilities Sustainment, Restoration, & Modernization (OMN):** The Sustainment, Restoration, and Modernization Budget Authority reflect the financing of essential infrastructure maintenance and modernization.

**Military Construction (MILCON):** Budget Authority reflects the financing of essential infrastructure replacement critical to sustaining shipyard operations, improving productivity, meeting health, safety and environmental requirements and lowering production costs.
Exhibit OP-5 Overseas Contingency Operations (Attachment 12)

**COMPONENT NAME**

Summary Information

Overseas Contingency Operation(s): **Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)**

Operation and Maintenance, 

---

I. **Description of Operations Financed:** Provide a narrative explanation for each contingency operation (Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)), characterizing the mission and major functions funded in this appropriation.

II. **Force Structure Summary:** Provide a narrative explanation and identification of force structure (e.g., quantity number of operational and support units, numbers of Active, Reserve and Guard personnel deployed, or in-training for rotation into theater-of-operation, and other types of assistance) supported by funding in this appropriation.

III. **O-1 Line Item Summary:** Provide a tabular O-1 line item summary.

IV. **OP-32 Summary:** Provide a summary OP-32 for the appropriation.
COMPONENT NAME
Overseas Contingency Operation(s): Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)
Operation and Maintenance, ________________
Budget Activity_________________________
Activity Group__________________________
Detail by Subactivity Group________________

I. Description of Operations Financed by Subactivity Group: Provide a narrative explanation for each contingency operation (Operation Enduring Freedom (OEF), Operation Iraqi Freedom/Operation New Dawn (OIF/OND)), characterizing the mission and major functions funded in this subactivity group.

II. Financial Summary ($ in Thousand) by Cost Breakdown Structure (CBS)

<table>
<thead>
<tr>
<th>CBS No.</th>
<th>CBS Title</th>
<th>FY PY Actual</th>
<th>FY CY Total</th>
<th>Delta</th>
<th>FY BY Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OEF</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1.XX</td>
<td>Personnel</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>2.XX</td>
<td>Personnel Support</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
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<tr>
<td>3.XX</td>
<td>Operating Support</td>
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<td>4.XX</td>
<td>Transportation</td>
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<td>Total</td>
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<td>OIF/OND (FY 2010 will be OIF/OND)</td>
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<tr>
<td>1.XX</td>
<td>Personnel</td>
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<td>2.XX</td>
<td>Personnel Support</td>
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<td>3.XX</td>
<td>Operating Support</td>
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<td>4.XX0</td>
<td>Transportation</td>
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<td>Total</td>
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<td>SAG Total</td>
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</tbody>
</table>
**COMPONENT NAME**
Overseas Contingency Operation(s): Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)

**III. Description of Operations Financed by Operation and CBS:** Provide a separate narrative explanation by Operation and CBS for each CBS category as shown in Section II. Additionally, these explanations should address significant program initiatives/actions included in the budget.

<table>
<thead>
<tr>
<th>FY PY Actual</th>
<th>FY CY Total</th>
<th>Delta</th>
<th>FY BY Total</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

**OEF**
1. Cost Breakdown Structure (CBS) Category/Subcategory 1.XX Personnel

**a. Narrative Justification:** Explanation of what is purchased. Provide narrative justification in the CBS format detailing what specific activities are supported by funding in this subactivity group, itemizing and justifying major category and subcategory changes within each subactivity group. Provide sufficient narrative justification and other details (comparable to the baseline budget) to fully explain the underlying program dynamics and cost drivers. The narrative justification should relate cost to force structure changes, performance criteria, and workload and manpower data. These force structure changes, performance criteria, workload and manpower data can be extracts from the baseline budget OP-5 exhibit attachments, but tailored to this contingency operation.

**b. Explanation of Change Between FY CY and FY BY:** Explain year to year changes, itemizing and justifying major financial changes within each operation, subactivity group, and CBS.

**OND (FY2010 will be OIF/OND)**
2. Cost Breakdown Structure (CBS) Category/Subcategory 1.0 Personnel

**a. Narrative Justification:** Explanation of what is purchased. Provide narrative justification in the CBS format detailing what specific activities are supported by funding in this subactivity group, itemizing and justifying major category and subcategory changes within each subactivity group. Provide sufficient narrative justification and other details (comparable to the baseline budget) to fully explain the underlying program dynamics and cost drivers. The narrative justification should relate cost to force structure changes, performance criteria, and workload and manpower data. These force structure changes, performance criteria, workload and manpower data can be extracts from the baseline budget OP-5 exhibit attachments, but tailored to this contingency operation.

**b. Explanation of Change Between FY CY and FY BY:** Explain year to year changes, itemizing and justifying major financial changes within each operation, subactivity group, and CBS.
### Performance Criteria:

#### IV. Overseas Contingency Operations:

<table>
<thead>
<tr>
<th>Platform</th>
<th># of Flying Hours</th>
<th>Flying Hour Program (000,000)</th>
<th>DPEM, CLS, SE &amp; TO (000,000)</th>
<th>Total Base Costs (000,000)</th>
<th># of Flying Hours</th>
<th>Flying Hour Costs (000,000)</th>
<th>Reconstitution (DPEMs, CLS) (000,000)</th>
<th>Total OCO Costs (000,000)</th>
<th>Total Force Costs (000,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BA1 A-10</td>
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<td>BA2 C-5</td>
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<td>Other ISR</td>
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<td>Missiles</td>
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<td>Others</td>
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<td>TOTALS</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Platform</th>
<th># of Ship Steaming Days Deployed</th>
<th># of Ship Steaming Days Non-Deployed</th>
<th>Steaming Days Program (000,000)</th>
<th>Inventory</th>
<th>DPEM, CLS, SE &amp; TO (000,000)</th>
<th>Total Base Costs (000,000)</th>
<th># of Ship Steaming Days Deployed</th>
<th># of Ship Steaming Days Non-Deployed</th>
<th>Steaming Days Costs (000,000)</th>
<th>Reconstitution (PDEMs, CLS) (000,000)</th>
<th>Total OCO Costs (000,000)</th>
<th>Total Force Costs (000,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BA1 Aircraft Carrier</td>
<td></td>
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<td>TOTALS</td>
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</tr>
</tbody>
</table>

Exhibit OP-5 Overseas Contingency Operations (Attachment 12) (Page 4 of 5)
COMPONENT NAME
Overseas Contingency Operation(s): Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)
Operation and Maintenance, _____________
Budget Activity _________________
Activity Group _________________
Detail by Subactivity Group _________________

V. **Price and Program Changes, OP-32:** Provide an OP-32 by subactivity group.

Exhibit OP-5 Overseas Contingency Operations (Attachment 12)

(Page 5 of 5)
## Exhibit OP-8 Part 1, Civilian Personnel Costs

### Appropriation Title

**DEPARTMENT of ___ AGENCY**  

**CIVILIAN PERSONNEL COSTS**  

FY BY1/FY BY2 Budget Summary/President's Budget  

(FY PS, FY FY, FY FY as appropriate)

<table>
<thead>
<tr>
<th>Appropriation Title</th>
<th>DEPARTMENT of ___ AGENCY</th>
<th>CIVILIAN PERSONNEL COSTS</th>
<th>FY BY1/FY BY2 Budget Summary/President's Budget</th>
<th>(FY PS, FY FY, FY FY as appropriate)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

### Rates

- **Dec. 2010**

### Strength

- **Begin**
- **End**
- **Basic**
- **Overtime**
- **Holiday**
- **Other**
- **Total**
- **Comp**
- **Benefits**
- **Comp**
- **% BC**
- **% BC**
- **Variables**

### Summary

- **Basic**
- **Comp**
- **% BC**
- **Variables**

### Budgets

- **Basic**
- **Comp**
- **% BC**
- **Variables**

### Funding and Costs

- **Beginning Funded Available**
- **Ending Funded Available**
- **Overtime**
- **Holiday**
- **Other**
- **Total**
- **Comp**
- **Benefits**
- **Comp**
- **% BC**
- **% BC**

### Variables

- **Basic**
- **Comp**
- **% BC**
- **Variables**

### Totals

- **Beginning Funded Available**
- **Ending Funded Available**
- **Overtime**
- **Holiday**
- **Other**
- **Total**
- **Comp**
- **Benefits**
- **Comp**
- **% BC**
- **% BC**

### Funding Sources

- **Beginning Funded Available**
- **Ending Funded Available**
- **Overtime**
- **Holiday**
- **Other**
- **Total**
- **Comp**
- **Benefits**
- **Comp**
- **% BC**
- **% BC**

### Financial Management Regulation Volume 2A, Chapter 3

- **Exhibit OP-8 Part 1, Civilian Personnel Costs**
- **DoD 7000.14-R**
- **Financial Management Regulation Volume 2A, Chapter 3**

---

### Civilian Personnel Costs

- **3-71**
CIVILIAN PERSONNEL COSTS
OP-8 Instructions

All Components, to include the classified components, must submit an automated OP 8 Civilian Personnel Costs exhibit for all appropriations that fund civilian personnel (e.g., RDT&E appropriations, DWCF). For this year's budget submission, funding requirements related to personnel under the National Security Personnel System (NSPS) must be identified. Therefore, separate OP-8 data must be submitted for the NSPS and non-NSPS personnel and the PRCP system will create the Component appropriation total OP-8.

Separate OP-8 exhibits must be prepared for PY, CY, BY for each Military Department in total and for each appropriation/fund in which civilian personnel are funded. Each Defense Agency, including those Defense Agencies that have only RDT&E funded civilian personnel must also provide a separate exhibit. If a Defense Agency has civilian personnel financed in more than one appropriation/fund then a total for the Defense Agency must be provided.

The same level of detail will be reflected for direct funded and reimbursable funded civilian personnel. For each fiscal year covered by the budget submission, a “direct funded” section, a “reimbursable funded” section, and a “total (direct + reimbursable)” funded section will be included.

OP-8 Automated Exhibit. The Program Resources Collection Process (PRCP) System is used as the central collection point for the OP-8. Submission of the OP-8 will be through the PRCP System.

To calculate the required rate data, use the formulas displayed on the OP-8 exhibit. Show the average rates for Basic Compensation, Total Compensation, and Compensation and Benefits. Also show rates reflecting total variables and benefits as a percentage of basic compensation.

End strength onboard as of September 30 vice end strength authorizations will be displayed for all beginning and ending end strengths. The beginning end strength must agree with previous FY’s September 30 end strength. For the PY supporting the FY BY President’s budget request, the end strength data must agree with the SF-113A, Monthly Report of Federal Civilian Employment, provided to OPM to report military functions employment levels as of September 30.

In accordance with OMB Circular A-11, full-time equivalent (FTE) employment is the total number of hours (worked or to be worked) divided by the number of compensable hours applicable to each fiscal year. FTE is synonymous with workyear.

Total full-time equivalents must agree with the amounts reflected in the Comptroller Information System (CIS).


Exhibit OP-8 Part 1, Civilian Personnel Costs
(Please note: The rest of the document continues on the next page.)
In accordance with the Federal Employees Part-time Career Employment Act of 1978 (Public Law 95-437), part-time permanent employees are counted on a full time equivalent basis, i.e., an individual working 30 hours a week becomes .75 of an FTE. There is no adjustment for other part-time or intermittent employees - these employees would be counted on an individual basis not on a fractional basis.

All Benefits for Former Employees must be reported under the Object Class 13 sections (D5. for direct funded and R5. for reimbursable funded). Voluntary separation incentives must be reported in Benefits for Former Employees (Object Class 13).

Do not include overtime workyears in FTE totals. The FTEs on the OP-8 are for straight time workyears only.

FTEs (direct and reimbursable) in the OP-8 exhibits must agree with the FTEs reported in the OMB galleys used for the printed budget. (OMB Circular A-11.)

Direct hire end strength data on the OP-8 must agree with data provided on the September 30th supplement to the SF-113A report. This supplement is entitled, Report of Part-Time Permanent Employees on a Fractional Basis. Indirect hire end strength data must agree with the Indirect Hire supplement to the September 30th SF-113A report.

The OP-8, Part 2, Reimbursable Civilian Personnel Costs will provide reimbursable sources by appropriation, and by Component/Agency.

Department of Defense Education Activity (DoDEA) will submit separate OP-8 exhibits for: Department of Defense Dependents Schools (DoDDS) and DoD Domestic Dependent Elementary and secondary Schools (DDESS), in addition to providing a consolidated OP-8 exhibit for the total Department of Defense Dependents Education (DoDDE) program. For the required automated submission, DoDEA is only required to submit the consolidated DoDDE OP-8 exhibit, not individual exhibits for DoDDS and DDESS.
Reimbursable Civilian Personnel Costs, Part 2

Fiscal Year: FY _____ (PY, CY, BY)
Appropriation Account ____________________________

### A. SUMMARY OF CIVILIAN PAY: ($ in Thousands)
1. Total Civilian Pay
2. Reimbursable Civilian Pay

### B. REIMBURSABLE CIVILIAN PAY DISTRIBUTION BY SOURCE:
3. INTRA ACCOUNT
4. INTRA SERVICE
   4a.
   4b.
   4c.
5. INTER SERVICE
   5a.
   5b.
   5c.
6. ALL OTHER
   6a.
   6b.

### C. CIVILIAN PAY REIMBURSED TO OTHER SERVICES/DEFENSE-WIDE AGENCIES:
7. Civilian Pay REIMBURSED from __________ to __________
   7a.
   7b.
   7c.

---

Exhibit OP-8 Part 1, Civilian Personnel Costs
(Page 4 of 6)
Reimbursable Civilian Personnel Costs, Part 2

Instructions for Preparation of the OP-8 Part 2 Reimbursable Pay

This is mandatory for the Military Departments and the Defense Agencies. If a Service shows that civilian pay is to be reimbursed from a Defense Agency that does not submit this form, then the agency coordination must be shown on this form. This is required only for the Program and Budget Review Submission (BES).

Each appropriation account in the prior year (PY), current year (CY), and budget year (BY) for which civilian pay is reimbursed must identify the following in thousands of dollars:

On line 1, total civilian pay *.
On line 2, total reimbursable pay *.

On line 3, the amount of line 2 that is reimbursed within the account.

On line 4, the amount by account of line 2 that is reimbursed from accounts within the Service or Defense Agency. The sum of all accounts must equal the total intra service.

On line 5, the amount by account of line 2 that is reimbursed from other Services or Defense Agency accounts. The sum of all accounts must equal the total inter service.

On line 6, the amount of line 2 that is reimbursed from all other sources. The sum from all accounts must equal the total all other.

On line 7, the total civilian pay that is reimbursed to other Services or Defense Agencies **.

Notes:

* Lines 1 and 2 MUST agree with the totals reported by the Service or Defense Agency on the OP-8 and the sum of lines 3 through 6 of this must equal line 2.

** Any amounts identified on line 5 MUST appear on line 7 of the reimbursing Service or Defense Agency submission of this exhibit.
### Reimbursable Civilian Personnel Costs, Part 2

#### SAMPLE

**Fiscal Year:** FY 20XX

**Appropriation Account:** Operation & Maintenance, Army

### A. SUMMARY OF CIVILIAN PAY:

1. Total Civilian Pay 7,599,374
2. Reimbursable Civilian Pay 2,086,470

### B. REIMBURSABLE CIVILIAN PAY DISTRIBUTION BY SOURCE:

3. INTRA ACCOUNT 1,500,000
4. INTRA SERVICE 286,470
   - 4a. O&M, Army Reserve 136,470
   - 4b. O&M, Army Guard 50,000
   - 4c. RDT&E, Army 50,000
   - 4d. Mil Con, Army 50,000
5. INTER SERVICE 200,000
   - 5a. Defense Health Program (DHP) 50,000
   - 5b. RDT&E, Navy 50,000
   - 5c. Mil Con, Air Force 50,000
   - 5d. USSOCOM 50,000
6. ALL OTHER 100,000
   - 6a. GSA 50,000
   - 6b. OPM 50,000

### C. CIVILIAN PAY REIMBURSED TO OTHER SERVICES/DEFENSE AGENCIES:

7. Civilian Pay REIMBURSED from O&M Army to 650,000
   - 7a. O&M, Navy Reserve 200,000
   - 7b. O&M, Air Force Guard 250,000
   - 7c. RDT&E, Defense Mapping Agency 150,000
   - 7d. OMB 50,000
Exhibit OP-9 Analysis of Changes in FTE Costs

<table>
<thead>
<tr>
<th>Appropriation</th>
<th>DEPARTMENT OF _______</th>
<th>Date: __________________</th>
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**ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COSTS**

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<th>FY PY (No. Compensable Days)</th>
<th>SES/GS Amount</th>
<th>SES/GS Rate</th>
<th>WS Amount</th>
<th>WS Rate</th>
<th>FNDH Amount</th>
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<td>3. Basic Compensation ($ in Thousands)</td>
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<td>8. Average FTE Cost (OC-11 &amp; OC-12)</td>
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<tr>
<td>9. Separately identify factors that account for changes in average basic salary, other OC-11 variables, benefits, and workyear cost between the budgeted rates and the actual rates.</td>
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### Analysis of Changes in Full-Time Equivalent (FTE) Cost

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<tr>
<th>Adjustment to PY Average Salary</th>
<th>SES/GS Amount</th>
<th>SES/GS Rate</th>
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<th>WS Rate</th>
<th>FNDH Amount</th>
<th>FNDH Rate</th>
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<tr>
<td>10. + Annualization of PY Pay Raise(s)</td>
<td>XX</td>
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<tr>
<td>11. +/- Extra Day</td>
<td>XX</td>
<td>XX 3/</td>
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<tr>
<td>12. Total Other Adjustments (if applicable)</td>
<td>XX</td>
<td>XX 3/</td>
<td></td>
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<tr>
<td>12a. Within Grade Adjustments</td>
<td>(XX)</td>
<td></td>
<td></td>
<td></td>
<td>(XX)</td>
<td></td>
</tr>
<tr>
<td>12b. High Grade Reduction</td>
<td>(XX)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>12c. Separately identify other factors that account for changes in the basic average salary from the PY to the CY.</td>
<td>(XX)</td>
<td></td>
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<tr>
<td>13. Subtotal Adj. to PY Basic Average Salary</td>
<td>XX</td>
<td></td>
<td>(Total of lines 10, 11, and 12)</td>
<td></td>
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<tr>
<td>14. Adjusted Basic Average Salary for CY</td>
<td>XX</td>
<td></td>
<td>(Total of lines 4B and 13)</td>
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### Other Adjustments to Derive FY CY FTE Cost

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<th>SES/GS Amount</th>
<th>SES/GS Rate</th>
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<th>FNDH Amount</th>
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<td>15. CY Pay Raise (Basic Comp)</td>
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<td>XX 2/</td>
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<td>16. Other OC-11 Variables Adjustments 4/</td>
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<td>XX 1/</td>
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<td>17. Benefits 4/</td>
<td>XX</td>
<td>XX 1/</td>
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<td>17a. Health Insurance Increase</td>
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<td></td>
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<td>(XX)</td>
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<tr>
<td>17b. FERS</td>
<td>(XX)</td>
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<tr>
<td>17c. Separately identify other factors that account for major changes in benefits from the PY to the CY.</td>
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<tr>
<td>18. Change in Foreign Currency Budget Rates</td>
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<td></td>
<td>(Total of lines 15, 16, 17, and 18)</td>
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<td>19. Total CY Adjustments to FTE Cost</td>
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<td>(Total of lines 8, 13, and 19)</td>
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<td>20. Average FTE Cost in CY</td>
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<td>21. Total FTE Cost in CY (in Thousands) (line 23 x line 20)</td>
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### FY CY (No. Compensable Days)

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<th>SES/GS Amount</th>
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<th>FNDH Amount</th>
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<td>22. End Strength</td>
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<td>23. FTEs</td>
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<tr>
<td>24. Average Basic Annual Salary (Basic Comp)</td>
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<td>(Total of lines 14 and 15)</td>
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<tr>
<td>25. Overall Average Annual Salary (OC-11)</td>
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<td>(Total of lines 6, 13, 15 and 16)</td>
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<td>26. Average FTE Cost (OC-11 &amp; OC-12)</td>
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<td>(Same as line 20)</td>
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Exhibit OP-9 Analysis of Changes in FTE Costs

(Page 2 of 5)
### Adjustment to CY Average Salary

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<td>Amount</td>
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<td>27</td>
<td>+ Annualization of CY Pay Raise(s)</td>
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<td>XX 2/</td>
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<tr>
<td>28</td>
<td>+/- Extra Day</td>
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<td>XX 3/</td>
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<td>29</td>
<td>Total Other Adjustments (if applicable)</td>
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<td>XX 3/</td>
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<tr>
<td>29a</td>
<td>Within Grade Adjustments</td>
<td>(XX)</td>
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<td>29b</td>
<td>High Grade Reduction</td>
<td>(XX)</td>
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<td>29c</td>
<td>Separately identify other factors that account for changes in the basic average salary from the CY to the BY.</td>
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### Other Adjustments to Derive FY BY FTE Cost

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<td>Health Insurance Increase</td>
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<td>FERS</td>
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<td>Separately identify other factors that account for major changes in benefits from the CY to the BY.</td>
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### FY BY (No. Compensable Days)

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<td>Average Basic Annual Salary (Basic Comp)</td>
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<td>Overall Average Annual Salary (OC-11)</td>
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**Exhibit OP-9 Analysis of Changes in FTE Costs**

(Please note the page number does not seem to be correctly mentioned in the body of the text provided.)
### DEPARTMENT OF 
### ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COST

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#### Adjustment to BY Average Salary

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<td>Total Other Adjustments (if applicable)</td>
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<tr>
<td>46a</td>
<td>Within Grade Adjustments</td>
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<td>46b</td>
<td>High Grade Reduction</td>
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<td>Subtotal Adj. to BY Basic Average Salary</td>
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<td>(Total of lines 44, 45, and 46)</td>
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</table>

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Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 4 of 5)
ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COST

INSTRUCTIONS

1. The intent of the OP-9 is to identify the factors that have an impact on changes in average salary and average FTE cost from fiscal year to fiscal year.
2. Prepare separately for each appropriation and Fund account for U.S. direct hire, classified and wage system, and Foreign National Direct Hire (FNDH). Complete amounts and rates for WS, etc., as in SES/GS column.
3. All end strength will be displayed as actual or planned to be onboard as of September 30. Do not use end strength authorizations.
4. Cost, FTEs, and end strength should be consistent with those shown on OP-8, Analysis of Civilian Personnel Costs.
5. Show each classified pay raise in separate stub.
6. Data is to be reflected at appropriation or account.
7. The “Average Basic Annual Salary” for a FY is computed by dividing the “Basic Compensation” total by the number of straight time workyears.
8. The “Overall Average Annual Salary” for a FY is computed by dividing the “Total Compensation” (Object Class 11) by the number of straight time workyears.
9. The “Average FTE Cost” for a FY is computed by dividing “Total Compensation and Benefits” (Object Class 11 and 12) by the number of straight time FTEs.
10. The OP-9 will be prepared for both the Budget Submission and the President’s budget. However, for the latter, the OP-9 will be submitted separately to OSD and will not be included in the congressional justification material.

Footnotes

1/ Reflect as % rate of basic compensation.
2/ Express as decimal to five places. Develop effective pay raise as ratio of No. of applicable days to total compensable days in year times pay raise percentage. Identify computation in footnote.
3/ Show computation - derivation of rate.
4/ Provide an explanation if the rate is different from the previous fiscal year rate, e.g. changes in overtime rate, changes in health benefits, FERS, etc.

Exhibit OP-9 Analysis of Changes in FTE Costs

(Page 5 of 5)
Exhibit OP-14 Part A: Service Academy Attrition by Class

### INDIVIDUAL TRAINING DATA FOR FY ___ BUDGET (SERVICE PART A: SERVICE ACADEMY ATTRITION BY CLASS)

<table>
<thead>
<tr>
<th>ACADEMY NEW ENTRANTS</th>
<th>PY Actual</th>
<th>CY Estimate</th>
<th>BY Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Entrs</td>
<td>Grads</td>
<td>Loads</td>
</tr>
<tr>
<td>New Entrants Lost Before Autumn Term</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth Class Loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth Class Carryover</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third Class Loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third Class Carryover</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Class Loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Class Carryover</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Class Loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graduates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graduates Commissioned</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cadet/Midshipman End Strength</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graduation Load</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autumn Load</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**PREP SCHOOL**

<table>
<thead>
<tr>
<th></th>
<th>PY Actual</th>
<th>CY Estimate</th>
<th>BY Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Entrs</td>
<td>Grads</td>
<td>Loads</td>
</tr>
<tr>
<td>Entrants To Prep School</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grads Entered Academy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prep School Load</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prep School Grads Attrit As Fourth Classmen</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** Carryover is to be calculated as of graduation (unless another time is specified uniformly for an academy).

"Graduation Load" is the sum of carryover for each class plus graduates.

"Autumn Load" is the sum of carryover for each class plus net new entrants at the beginning of the autumn term.

Reconcile and explain in footnotes differences between Autumn Load and "Cadet/Midshipman End Strength" reflected here and in the FYDP update.

"Prep School Load" is to be a forecast of average onboard students on a "best estimate" basis (specify formula).

If this table is presented on an academic year basis, so state.
Exhibit OP-14 Part B: Training Manpower

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET
(Service) Page ___________

PART B: TRAINING MANPOWER

Program Element: _______

<table>
<thead>
<tr>
<th>Actual (PY)</th>
<th>Estimated (CY)</th>
<th>Estimated (BY)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FTEs/AS*

- Instructors
- Trng And Ed Supp
- Total FTEs

NOTE: A basic Part B format will be submitted for each of the other Program Elements listed at Attachment 1 in Mission Program Elements (Load-Related) and for institutions in Attachment 2.

* Report full-time equivalents (FTEs) for civilians and average strength (AS) for military personnel.
Exhibit OP-14 Part C: Undergraduate Flight Training Requirements

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)
PART C-I: UNDERGRADUATE FLIGHT TRAINING REQUIREMENTS (End Strength)

<table>
<thead>
<tr>
<th>ACTUAL (PY)</th>
<th>ESTIMATE (CY)</th>
<th>ESTIMATE (BY)</th>
</tr>
</thead>
</table>

*Pilot, Navigators/Naval Flight Office (NFO) (Specify)*

Authorized Rated Wartime Requirements (0-5 and below; yearend)

- **Force**
  - Seat factor flying billets 1/
  - Other flying billets 2/
  - Training 3/
  - Supervision/staff 4/

- **Individuals**
  - Students 5/
  - Others

  **Total Requirement**

*Inventories (0-5 and below; end strength basis)*

- Active force
- Reserve
- National Guard

  **Total Inventory**

*Undergraduate Pilot Training (UPT)/Undergraduate Navigator Training (UNT) Graduates of Year Included in Inventory*

1/ Based upon aircraft x pilots per crew x crew ratio.
2/ Other operational flying includes overhead operational flying, miscellaneous support logistics, and research and development (R&D).
3/ Includes instructor and staff positions in undergraduate and advanced flight training.
4/ Includes non-flying billets requiring aviation expertise in administration, command/control and operational supervision/staff above the squadron level.
5/ Include advance flight students only.
### INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

#### PART C-2: FLIGHT TRAINING

<table>
<thead>
<tr>
<th>Syllabus</th>
<th>Number of Flight Instructors</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Course Length (In calendar days)</td>
<td>Mil</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### A. Undergraduate Training
- **Jet**
- **Propeller (including turbo prop)**
- **Rotary Wing**

TOTAL

### B. Advanced Training
- **First Seat** (i.e., post-UFT training prior to first operational unit assignment)
- **Transition** (i.e., conversion from one aircraft type to another or upgrading of skills in the same aircraft type)
- **Instructor Training Course**
- **Other (Specify)**

TOTAL

**Notes:**
1. Display pilot and navigator/NFO training separately.
2. Submit data for PY, CY, BY.
3. If instructors for any course are other than U.S. active duty military, so indicate.
4. Separately indicate output of another Service’s personnel or foreign military. For the Navy and Marine Corps, this should be on consolidated undergraduate flight training displays. "Instructor" means instructor pilots and navigator/NFO instructors only.
5. For advanced training, show a weighted average syllabus course length for each subcategory (first seat, transition, etc.)
## Individual Training Data for FY __ Budget (Service)

### Part C-3: Undergraduate Pilot Training Phase Factors

**Line:** Specify Jet, Prop, Helo  
**Year:** Provide data for PY, CY, BY

<table>
<thead>
<tr>
<th></th>
<th>Preflight</th>
<th>Primary</th>
<th>Basic</th>
<th>Primary</th>
<th>Advanced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Calendar Days to Complete</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Flight Hours to Complete</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Aircraft (Specify Model)</td>
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<td></td>
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<tr>
<td>Simulator (Specify Model)</td>
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</tr>
<tr>
<td>Student Input *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Output *</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Percent Phase Attrition</td>
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<td></td>
</tr>
<tr>
<td>Average Load *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instructor Pilots *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Officers *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enlisted *</td>
<td></td>
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</tr>
<tr>
<td>Aircraft Hours*</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>O&amp;M Cost/ Hour</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Instructor Hours Per Student</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

NOTE: Omit phases not applicable.

* Factors per graduate (final completion)
INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART C-4: FLIGHT TRAINING RESOURCE DATA
(LINE)

<table>
<thead>
<tr>
<th>Actual (PY)</th>
<th>Estimate (CY)</th>
<th>Estimate (BY)</th>
</tr>
</thead>
</table>

AIRCRAFT AND FLYING HOURS BY TYPE/MODEL/SERIES

Authorized
Assigned
Flying Hours

Total Flying Hours
### INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

**PART D: ROTC PROGRAM DATA (PE 847230)**

**ROTC** (Note: Parenthetical numbers refer to paragraphs in instructions following this portion of Exhibit.)

<table>
<thead>
<tr>
<th>(2)</th>
<th>FY PY Avg. No. ($000)</th>
<th>FY CY Avg. No. ($000)</th>
<th>FY BY Avg. No. ($000)</th>
</tr>
</thead>
</table>

**A. ROTC Unit Staff**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Officers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enlisted Personnel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civilians</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg. Staff/Cost per Unit &amp;</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**B. ROTC Command Level Staff**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<td>Enlisted Personnel</td>
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</tr>
<tr>
<td>Civilians</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Avg. Staff/Cost per Unit &amp;</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

**C. Units**

**D. ROTC Program Costs**

1. **O&M**
   - Scholarships
   - Administrative Expense
2. **Reserve Personnel**
   - Scholarships
   - Summer Training
3. **Other**

**TOTAL**

---

Exhibit OP-14 Part D: ROTC Program Data

(Page 7 of 16)
INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230)

ROTC (Note: Parenthetical numbers refer to paragraphs in instructions following this portion of Exhibit.)

<table>
<thead>
<tr>
<th>(1) ROTC</th>
<th>FY PY Avg. No. ($000)</th>
<th>FY CY Avg. No. ($000)</th>
<th>FY BY Avg. No. ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. Flight Instruction Program</td>
<td>(16)</td>
<td>(16)</td>
<td></td>
</tr>
<tr>
<td>F. Aviation Indoctrination Program</td>
<td>(16)</td>
<td>(16)</td>
<td></td>
</tr>
<tr>
<td>G. Average Enrollment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Scholarship</td>
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</tr>
<tr>
<td>MS I</td>
<td>(17)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>(17)</td>
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<td></td>
</tr>
<tr>
<td>III</td>
<td>(17)</td>
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<tr>
<td>IV</td>
<td>(17)</td>
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</tr>
<tr>
<td>Subtotal</td>
<td>(17)</td>
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<td></td>
</tr>
<tr>
<td>II. Non-Scholarship</td>
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<tr>
<td>MS I</td>
<td>(17)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>(17)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>III</td>
<td>(17)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV</td>
<td>(17)</td>
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<tr>
<td>Subtotal</td>
<td>(17)</td>
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## INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

### PART D: ROTC PROGRAM DATA (PE 847230)
(Continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>FY PY ($000)</th>
<th>Avg. No. ($000)</th>
<th>FY CY</th>
<th>FY BY</th>
<th>Avg. No. ($000) Avg. No.</th>
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</thead>
<tbody>
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<td>H. Total Costs</td>
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<td></td>
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<td>(18)</td>
</tr>
<tr>
<td>I. Cost Per Graduate</td>
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<td>Scholarship</td>
<td></td>
<td></td>
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<td>(19)</td>
</tr>
<tr>
<td>Non-Scholarship</td>
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<td></td>
<td></td>
<td></td>
<td>(19)</td>
</tr>
<tr>
<td>Combined</td>
<td></td>
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<td></td>
<td>(19)</td>
</tr>
<tr>
<td>J. Cost Per Grad Commissioned</td>
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</tr>
<tr>
<td>Scholarship</td>
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<td></td>
<td>(19)</td>
</tr>
<tr>
<td>Non-Scholarship</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(19)</td>
</tr>
<tr>
<td>Combined</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(19)</td>
</tr>
</tbody>
</table>

### Instructions for Completion of Preceding

1. Enter Army, Navy, or Air Force, as applicable.
2. Enter the appropriate fiscal year (data should be shown for the Prior, Current, and Budget fiscal years).
3. Enter the average number (average strength) of officers, enlisted personnel, civilians (Full-Time Equivalents), and combined total, respectively, assigned to ROTC units and ROTC command level staffs, respectively. The ROTC command level staff should include all personnel up to the departmental level who are associated with the ROTC program but are not assigned to a ROTC unit.
4. Enter the total costs of pay and allowances/salary of military and civilian personnel, as applicable, plus any related O&M support costs. Pay and allowances/salaries will be determined through the use of standard rates for military and civilian personnel, respectively.
5. Enter the average staff and the average cost of the staff per unit. Average staff will be determined by dividing the applicable total staff (unit or command level) by the number of units shown in item C (see paragraph 6, below). The average cost of staff per unit will be arrived at by dividing the applicable total costs for the unit and command level staffs, respectively, by the number of units shown in item C.
6. Enter the applicable number of operating units.
7. Enter the total ROTC costs, other than those shown in A or B, included in the Service’s O&M appropriation(s). (This should be equal to the sum of D.1.a and b discussed below in paragraphs 8 and 9.)
8. Show in parenthesis ( ) the total applicable costs of ROTC scholarships (include only tuition, fees, books, and other related student expenses).
9. Show in parenthesis ( ) the applicable O&M administrative costs, by categories shown, related to the ROTC program.

Exhibit OP-14 Part D: ROTC Program Data
(Page 9 of 16)
INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230)
(Continued)

10. Enter the total ROTC costs included in the Service’s applicable Reserve Component appropriations. This should be equal to the sum of D.2.a, b, and c, as discussed in paragraphs 11, 12, and 13 below.

11. Enter in parenthesis ( ) the total costs relative to the monthly subsistence allowance paid to college freshmen and sophomores who are recipients of ROTC scholarships.

12. Enter in parenthesis ( ) the aggregate sum included in the Service’s applicable Reserve Component appropriations for ROTC Pay and Allowance (Summer Training), Subsistence of Reserve Officer Candidates (Summer Training), and Travel of Reserve Officer Candidates (Summer Training).

13. Enter in parenthesis ( ) all costs of the ROTC program, other than those discussed in paragraphs 11 and 12, above, included in the Service’s Reserve Component appropriations.

14. Enter and detail by appropriation, and explain by footnote, any costs attributable to the ROTC program which have not been included in either A, B, or D (1 and 2).

15. Enter the total cost data shown in D.1, 2, and 3.

16. Enter in parenthesis ( ) the number of candidates participating in and total costs of Flight Instruction Program and the Aviation Indoctrination Program, respectively, included in the above data.

17. Enter by the scholarship and non-scholarship programs, respectively, the average number of candidates participating in MS I, II, III, IV, and applicable totals, respectively. Leave dollar columns blank.

18. Enter the total costs of the ROTC program. Total costs should be equal to the aggregate sum of A, B, and D, above.

Exhibit OP-14 Part D: ROTC Program Data
(Page 10 of 16)
Exhibit OP-14 Part E: Junior ROTC Data

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART E: JUNIOR ROTC PROGRAM DATA (PE 897210)

(1) JUNIOR ROTC (HIGH SCHOOL) PROGRAM

<table>
<thead>
<tr>
<th></th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Average Enrollment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freshman</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sophomore</td>
<td></td>
<td></td>
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<td>Junior</td>
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<tr>
<td>Senior</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Instructions for Completion of Preceding

1. Enter Army, Navy, Marine Corps, or Air Force, as applicable.
2. Enter the appropriate fiscal year (data should be shown for the Prior-1, Prior, Current, and Budget years).
3. Enter the average enrollment during the year by year (of high school) and in total.
4. Enter the number of JROTC units.
5. Enter by appropriation, and in the total, the costs to DoD of the JROTC program.
6. Enter the average costs per JROTC unit. (Total costs in 5 divided by units in 4.)
Exhibit OP-14 Part F: Off Duty and Voluntary Education

<table>
<thead>
<tr>
<th></th>
<th>PY/CY/ BY *</th>
<th>Number</th>
<th>Funding ($000)</th>
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<tbody>
<tr>
<td><strong>Post-Secondary Programs</strong></td>
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</tr>
<tr>
<td>Tuition Assistance</td>
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</tr>
<tr>
<td>Graduate Level Course Enrollments</td>
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<td></td>
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</tr>
<tr>
<td>Undergraduate Level Course Enrollments</td>
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Exhibit OP-14 Part F: Off Duty and Voluntary Education

(Page 12 of 16)
INDIVIDUAL TRAINING DATA FOR FY ___ (SERVICE)
PART F: OFF DUTY AND VOLUNTARY EDUCATION
PROGRAM DATA (PE 897320)

(Continued)

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<th>PY/CY/By*</th>
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High School Programs (Continued)

Basic Skills Development
Free/Nominal Course Enrollments
Group Study Course Enrollments
Other (Specify) Course Enrollments

Total
Total High School Program Funding

New Educational Levels Reported Achieved During Past Year (FY ___) Through Voluntary Programs

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2-Year College
Baccalaureate Degree
Masters Degree
Doctorate Degree
Professional Degree (e.g., JD)
Other (Specify)

* Provide the required data for each fiscal year.

Exhibit OP-14 Part F: Off Duty and Voluntary Education
(Page 13 of 16)
Exhibit OP-14 Attachment 1: Individual Training Program Elements

PROGRAM 8 INDIVIDUAL TRAINING ELEMENTS
Mission Program Elements (Load Related)

08047110  Recruit Training Units
08047210  Service Academies
08047220  Officer Candidate/Training Schools (OCS/OTS)
08047230  Reserve Officers Training Corps (ROTC)
08047240  Other College Commissioning Programs
08047310  General Skill Training
08047330  General Intelligence Skill Training
08047340  Crypto/SIGINT-Related Skill Training
08047350  Undergraduate Space Training
08047410  Undergraduate Pilot Training (UPT)
08047420  Undergraduate Navigator/NFO Training (UNT)
08047430  Other Flight Training
08047440  Euro-NATO Jet Joint Pilot Training
08047450  Undergraduate Pilot Training (UPT) Strike
08047460  Undergraduate Pilot Training (UPT) Maritime
08047470  Undergraduate Pilot Training (UPT) Rotary
08047480  Flight Screening
08047510  Professional Military Education
08047520  Other Professional Education
08047530  Acquisition Training
08047610  Integrated Recruit and Skill Training Units

Submitting Components should refer to the FYDP Structure Management (FSM) System as described in section 010702 of Chapter 1 of this volume to ensure that training program elements listed above are current.
Exhibit OP-14 Attachment 2: DoD Institutions

DOD PROFESSIONAL DEVELOPMENT EDUCATION INSTITUTIONS

Service Institutions

Army
- Sergeants Major Academy, Ft Bliss, TX
- Command and General Staff College, Ft Leavenworth, KA
- War College, Carlisle, PA
- Army Management Staff College, Ft Belvoir, VA

Navy
- College of Naval Command and Staff, Newport, RI
- College of Naval Warfare, Newport, RI
- Naval Postgraduate School, Monterey, CA*
- Senior Enlisted Academy, Newport, RI

Marine Corps
- Staff NCO Academy, Quantico, VA
- Command and Staff College, Quantico, VA

Air Force
- Senior NCO Academy, Gunter AFS, AL
- Air Command and Staff College, Maxwell AFB, AL
- Air War College, Maxwell AFB, AL
- Air Force Institute of Technology, Dayton, OH*

Other Defense Institutions (Component Providing Budgetary Support)
- Africa Center for Security Studies, Arlington, VA
- Armed Forces Staff College, Norfolk, VA
- Asia-Pacific Center for Security Studies, Honolulu, HI
- Center for Civil-Military Relations, Monterey, CA
- Center for Hemispheric Defense Studies, Ft McNair, DC
- Defense Acquisition University, Alexandria, VA
- Defense Contract Audit Institute, Memphis, TN
- Defense Equal Opportunity Employment Institute, Patrick AFB, FL
- Defense Information School, Ft Meade, MD
- Defense Institute of International Legal Studies, Newport RI
- Defense Institute of Security Assistance Management, Dayton, OH
- Defense Language Institute - English Language Center, Lackland AFB, TX

* December 2010
DOD PROFESSIONAL DEVELOPMENT EDUCATION INSTITUTIONS

Other Defense Institutions (Component Providing Budgetary Support) (continued)

- Defense Language Institute - Foreign Language Center, Monterey, CA
- Defense Polygraph Institute, Ft Jackson, SC
- Defense Resources Management Institute, Monterey, CA
- Defense Security Service Academy, Linthicum, MD
- George C. Marshall European Center for Security Studies, Germany
- Industrial College of the Armed Forces, Ft McNair, DC
- Information Resources Management College, Ft. McNair, DC
- Institute for National Strategic Studies, Ft. McNair, DC
- Interagency Training Center, Ft Washington, MD
- Joint Military Intelligence College, Washington DC
- Joint Military Intelligence Training Center, Washington DC
- Joint Military Packaging Training Center, Aberdeen, MD
- National Cryptologic School, Ft Meade, MD
- National Geospatial-Intelligence College, Ft Belvoir, VA
- National War College, Ft McNair, DC
- Near East-South Asia Center for Security Studies, Falls Church, VA
- Uniformed Services University of the Health Services, Bethesda, MD

*Prepare separate exhibits for resident and civilian institution programs.
Exhibit OP-15 DoD Dependents Education Cost Summary

### DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION COST SUMMARY
($ in Thousands)

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<th>Administrative Costs</th>
<th>FY PY</th>
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<th>FY BY</th>
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### DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION COST SUMMARY

($ in Thousands)

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### DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION COST SUMMARY

($ in Thousands)

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Exhibit OP-15 DoD Dependents Education Cost Summary

(Page 3 of 11)
# DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION COST SUMMARY

($ in Thousands)

<table>
<thead>
<tr>
<th>Administrative Costs</th>
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Exhibit OP-15 DoD Dependents Education Cost Summary

(Page 4 of 11)
## DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION COST SUMMARY

($ in Thousands)

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Exhibit OP-15 DoD Dependents Education Cost Summary
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($ in Thousands)

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Exhibit OP-15 DoD Dependents Education Cost Summary

(Page 6 of 11)
## DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
### COST SUMMARY

($ in Thousands)

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Exhibit OP-15 DoD Dependents Education Cost Summary
Page 7 of 11

3-104
Exhibit OP-15A DoD Dependents Education: Schools and Enrollment Data

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<td>124 349 499 749 999 1,299 1,599 1,899 2,199</td>
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**Elementary Schools (K-8)**
- No. of Schools: FY PY
  - FY CY
  - FY BY
- Total Enrollment: FY PY
  - FY CY
  - FY BY

**Middle Schools (4-8)**
- No. of Schools: FY CY
  - FY BY
- Total Enrollment: FY CY
  - FY BY

**Junior High Schools**
- (7-10, must have 9th grade)
- No. of Schools: FY PY
- Total Enrollment: FY PY

*Excludes Tuition-Fee Schools and Section Six Schools*
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<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Enrollment</td>
<td>FY PY</td>
<td>FY CY</td>
<td>FY BY</td>
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</table>

#### High Schools (9 or 10-12)

<table>
<thead>
<tr>
<th>No. of Schools</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
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</thead>
<tbody>
<tr>
<td>Total Enrollment</td>
<td>FY PY</td>
<td>FY CY</td>
<td>FY BY</td>
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</table>

#### Combined Schools (K-9, K-10 or K-12)

<table>
<thead>
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<th>No. of Schools</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Enrollment</td>
<td>FY PY</td>
<td>FY CY</td>
<td>FY BY</td>
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</tbody>
</table>

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*Exhibit OP-15A DoD Dependents Education: Schools and Enrollment Data*  
(Page 9 of 11)
**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION**  
**NUMBER OF SCHOOLS AND ENROLLMENT DATA***

<table>
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<tr>
<th></th>
<th>0</th>
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<th>350</th>
<th>500</th>
<th>750</th>
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<tr>
<td>Junior College (Non-Add)</td>
<td>124</td>
<td>349</td>
<td>499</td>
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<td>1,299</td>
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<td>Kindergarten (Memo Entry)</td>
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<td>No. of Locations</td>
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<tr>
<td>Total Enrollment</td>
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<td>Summary</td>
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<td>No. of Locations</td>
<td>FY PY</td>
<td>FY CY</td>
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<tr>
<td>Total Enrollment</td>
<td>FY PY</td>
<td>FY CY</td>
<td>FY BY</td>
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</tbody>
</table>

* Provide data in terms of Full-Time Equivalents
Exhibit OP-15B DoD Dependents Education: Pupil/Teacher Ratio

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION**

**PUPIL ENROLLMENT TO TEACHER RATIOS**

(Full-Time Equivalents (FTEs))

<table>
<thead>
<tr>
<th>Change</th>
<th>PY</th>
<th>CY</th>
<th>BY</th>
<th>CY/BY</th>
</tr>
</thead>
</table>

**I. Summary**

- Elementary School (K-8)
- Middle School (4-8)
- Jr. High (7-10, must have 9th grade)
- Secondary Schools (7-12)
- High Schools (9 or 10-12)
- Combined (K-9, K-10 or K-12)
- Special Education Program (Self-Contained)
- Junior College
- TOTAL

**II. Detail of Special Education Classes**

- Self Contained Environment
  - Physically Handicapped
  - Hearing Impaired
  - Mentally Handicapped (Educ./Trainable)
  - Emotionally Handicapped
  - Multi-handicapped (at least two categories)
  - Pre-School Handicapped
    - TOTAL
- Non-Self Contained Environment
  - Physically Handicapped
  - Hearing Impaired
  - Visually Handicapped
  - Learning Disabled
  - Mildly Handicapped
  - Mentally Handicapped (Educ./Trainable)
  - Emotionally Handicapped
  - Multi-handicapped
    - TOTAL

**III. Certain Special Programs Teachers**

- Speech Therapist
- ESL
- Compensatory Education
- Talented & Gifted
  - TOTAL

---

Exhibit OP-15B DoD Dependents Education: Pupil/Teacher Ratio

(Page 11 of 11)
Exhibit OP-16 DoD Defense Agencies Section 6 Schools

| DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION |
| SECTION 6 SCHOOLS COST SUMMARY | ($ in Thousands) |
| Change |
| PY | CY | BY | CY/BY |

1. **ADMINISTRATION COST**
   a. Salaries for Administration
      (1) Superintendent
      (2) Associate Superintendent
      (3) Other Administrators
      (4) Secretaries and Clerks
   b. Other Expenses for Administration
      (1) TDY Travel
      (2) Supplies

2. **INSTRUCTION COSTS**
   a. Salaries of Principals
      (1) Supervising Principals
         (a) Elementary
         (b) Secondary
      (2) Assistant Principals
   b. Salaries of Teachers
      (1) Elementary
         (a) Kindergarten
         (b) Specialists (Special Subject matter Areas)
         (c) Classroom Teachers
      (2) Secondary
      (3) Special Education Teachers
      (4) Summer School
   c. Salaries of Other Instructional Staff
      (1) Librarian Salaries
         (a) Librarians
         (b) Assistant Librarians
      (2) Counselors

Exhibit OP-16 DoD Defense Agencies Section 6 Schools

(Page 1 of 5)
## DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
### SECTION 6 SCHOOLS COST SUMMARY

($) in Thousands

<table>
<thead>
<tr>
<th>Change</th>
<th>PY</th>
<th>CY</th>
<th>BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY/BY</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. INSTRUCTION COSTS (continued)

d. Salaries of Secretarial and Clerical Staff
   (1) Principal’s Office Secretarial and Clerical Staff
   (2) Library Clerks

e. Other Salaries for Instruction
   (1) Teacher Aides
   (2) Substitute Teachers

f. Student Fees
   (1) Special Education (EMR) and Special Education (LD)
   (2) Reading & Motor Perception Program

g. School Library & Audio Visual Materials
   (1) Library Books
      (a) Replacement
      (b) Rebinding
   (2) Periodicals and Newspapers
   (3) Audio Visual Materials
   (4) Library Supplies

h. Teaching Supplies
   (1) Kindergarten
   (2) Elementary School
   (3) Secondary School
   (4) Special Education Supplies
DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY
($ in Thousands)

<table>
<thead>
<tr>
<th>PY</th>
<th>CY</th>
<th>BY</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>CY/BY</td>
</tr>
</tbody>
</table>

2. INSTRUCTION COSTS (continued)
   i. Other Expenses for Instruction
      (1) Professional Library
      (2) Supplies (Office Supplies Related to Instruction)
      (3) Workshop
      (4) Outdoor Education Program Supplies
      (5) TDY for Instruction

3. AUXILIARY
   a. Health Services
      (1) Salaries
      (2) Supplies and expenses
   b. School Lunch Service Salaries
      (Cafeteria Manager)

4. PUPIL TRANSPORTATION SERVICES
   a. Salaries for Pupil Transportation
   b. Contracted Services for Pupil Transportation

5. OPERATION OF PLANT
   a. Salaries for Operation of Plant
      (1) Salary of Head Custodian
      (2) Salaries of Assistant Custodians
   b. Contracted Services for Operation of Plant

Exhibit OP-16 DoD Defense Agencies Section 6 Schools (Page 3 of 5)
## DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
### SECTION 6 SCHOOLS COST SUMMARY

($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>PY</th>
<th>CY</th>
<th>BY</th>
<th>Change CY/BY</th>
</tr>
</thead>
</table>

### 5. OPERATION OF PLANT (continued)

#### c. Utilities

1. Heat
2. Water
3. Electricity
4. Gas
5. Sewage and/or Trash Removal Service
6. Phone

#### d. Supplies for Operation of Plant

### 6. MAINTENANCE OF PLANT

#### a. Salaries for Maintenance of School Plant

#### b. Contracted Services for Maintenance

1. Pest Control
2. Rug, Mop, and Linen
3. Fire Control

#### c. Replacement of Equipment

1. Administrative Equipment
2. Instructional Equipment
3. Non-Instructional Equipment
4. Audio Visual Equipment

#### d. Supplies for Maintenance of Plant

1. Supplies for Building Maintenance
2. Supplies for Equipment Maintenance

### 7. FIXED CHARGES

#### a. Government Contribution to Retirement

1. Civil Service Retirement (CSRS and FERS)
2. FICA

---

Exhibit OP-16 DoD Defense Agencies Section 6 Schools

(Page 4 of 5)
### DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION

**SECTION 6 SCHOOLS COST SUMMARY**

($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>PY</th>
<th>CY</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>7. FIXED CHARGES (continued)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Government Contribution to Insurance</td>
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<tr>
<td>(1) FEGLI</td>
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<td>(2) FEHB</td>
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</tr>
<tr>
<td>(3) Fidelity Bond Premiums</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Workmen’s Compensation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Rental of Land and Buildings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Rent for Instructional Purposes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Rent for Non-Instructional Purposes</td>
<td></td>
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</tr>
<tr>
<td><strong>SUBTOTAL (costs for Section 6 Schools)</strong></td>
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</tr>
<tr>
<td>Less reimbursements for non-Section 6 School pupils</td>
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<tr>
<td>(This Pertains to Puerto Rico Schools Only)</td>
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<tr>
<td><strong>NET Section 6 Schools Costs</strong></td>
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</tr>
<tr>
<td>(Estimated number of pupils in Section 6 Schools)</td>
<td></td>
<td></td>
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<tr>
<td>(Costs per pupil)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**8. COSTS UNIQUE TO SECTION 6 SCHOOLS**

(Puerto Rico Schools Only)

a. Overseas Allowances
   (cost of living, quarters, and post
differential)

b. Permanent Change of Station (PCS) Costs

**TOTAL SECTION 6 SCHOOLS COSTS**

Estimated Number of Pupils (including Tuition Paying Pupils)

Per Pupil Cost

**INSTRUCTIONS:** Exhibit OP-16 in its entirety will be submitted for both the OSD and the President’s budget submissions. This exhibit will be incorporated into the OP-5 Exhibit for the Section 6 Schools.
Exhibit OP-20 Flying Hours Program

<table>
<thead>
<tr>
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<th>PY-1</th>
<th>PY</th>
<th>CY</th>
<th>BY</th>
<th>BY+1</th>
<th>BY+2</th>
<th>BY+3</th>
<th>BY+4</th>
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</thead>
<tbody>
<tr>
<td>Component, derived from Treasury Code, Bold</td>
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<td></td>
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<tr>
<td>F-16 Weapon System, Underline</td>
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<tr>
<td>Quantity Weapon System Detail</td>
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<tr>
<td>Flying Hours Required Weapon System Detail</td>
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</tr>
<tr>
<td>Flying Hours Funded Weapon System Detail</td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Flying Hour Difference</strong></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flying Hours Funded/Crew/Month Weapon System Detail</td>
<td>sum of all reported by SAG and PE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Crews Weapon System Detail</td>
<td>sum of all reported by SAG and PE</td>
<td></td>
<td></td>
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<tr>
<td>Crew Ratio Weapon System Detail</td>
<td>sum of all reported by SAG and PE</td>
<td></td>
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</tr>
<tr>
<td>Fuel Funded Weapon System Detail</td>
<td>sum of all fuel funded by SAG and PE</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Reparables Funded Weapon System Detail</td>
<td>sum of all reparables funded by SAG and PE</td>
<td></td>
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<tr>
<td>Consumables Funded Weapon System Detail</td>
<td>sum of all consumables funded by SAG and PE</td>
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<tr>
<td>Contract Funded Weapon System Detail</td>
<td>sum of all contracts funded by SAG and PE</td>
<td></td>
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<tr>
<td>Maintenance Funded Weapon System Detail</td>
<td>sum of all maintenance funded by SAG and PE</td>
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<tr>
<td>Other Funded Weapon System Detail</td>
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<tr>
<td><strong>Total Direct Funded</strong></td>
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<tr>
<td>Indirect Funded Weapon System Detail</td>
<td>sum of all indirect funded by SAG and PE</td>
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<td><strong>Total Funded</strong></td>
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<td><strong>Total TOA Required</strong></td>
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</tbody>
</table>

Instructions for creating the display
The OP-20 data will be submitted via the Select and Native Programming Data Input System (SNaP) located at [https://snap.pae.osd.mil](https://snap.pae.osd.mil). The most current version of this exhibit will be found at this site. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-20 should be referred to (703) 697-3248. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-0223.

1) Display the Organization and Component under the report title
2) For each Weapon System display the weapon system detail as organized above
3) Sum all weapon detail reported by SAG and PE at weapon system level

**Data Center:** Operations and Support, Program/Budget

**Display Variations for Warehouse:** In addition to Organization breaks create one Department wide Display including all organizations, no grand totals.

**Database Requirement:** One XLS of all data for all organizations as provided-- no calculations

Exhibit OP-20 Flying Hours Program
### OP-20 Flying Hours Summary

**Appropriation** | **SAG** | **Program Element** | **Weapon System Type** | **Weapon System Detail** | **PY-1** | **PY** | **CY** | **BY** | **BY+1** | **BY+2** | **BY+3** | **BY+4**
---|---|---|---|---|---|---|---|---|---|---|---|---|---|
Treasury Code List Provided | List Provided | Type/Model/.Series | Quantity | # | # | # | # | # | # | # |
Add Capability | List Provided with add capability | Flying Hours Required | # | # | # | # | # | # | # |
Flying Hours Funded | # | # | # | # | # | # | # |
Flying Hours Funded/Crew/Month | # | # | # | # | # | # | # |
Number of Crews | # | # | # | # | # | # | # |
Crew Ratio | # | # | # | # | # | # | # |
Utilization Rate | # | # | # | # | # | # | # |
Fuel Funded (Direct) | $ | $ | $ | $ | $ | $ | $ |
DLRs Funded (Direct) | $ | $ | $ | $ | $ | $ | $ |
Consumables Funded (Direct) | $ | $ | $ | $ | $ | $ | $ |
Contract Funded (Indirect) | $ | $ | $ | $ | $ | $ | $ |
Maintenance Funded (Indirect) | $ | $ | $ | $ | $ | $ | $ |
Other Funded (Indirect) | $ | $ | $ | $ | $ | $ | $ |
Total TOA Required | $ | $ | $ | $ | $ | $ | $ |

**Instructions for Completing the Weapon Systems Readiness-Flying Hour Summary**

1) For Army, Navy and Air Force, provide the funding level--by Active, Reserve, and Guard--for the Flying Hour Program (FHP) by SAG, PE, Treasury Code and weapon system type. The funding levels reported here should be the same as those reported in Budget Exhibit OP-20.

2) Provide Narrative in a Word Document that discusses reasons for cost growth from the PB 03 position for any major weapons systems whose cost per flying hour increased more than 10 percent. Discuss any accounting changes in the flying hour program made since the PB 03 position.

3) For Navy, provide a list of Program Elements included in each of the following: TACAIR/ASW, Fleet Training, and Fleet Air Support.

**Definitions:**

- **Organization:** The Military Departments, All components
- **Appropriation:** Treasury Code, Defined set of four-digit numeric codes from the Comptroller that identifies resources by type, organization and component.

Exhibit OP-20 Flying Hours Program

(Page 2 of 3)
OP-20 Flying Hours Summary (Continued)

SAG: Sub-Activity Group, budget term denoting groupings of resources
   Navy SAGs: 1A1A, 1A2A, and 1C1C
   Air Force SAGs: By appropriate SAGs.

Program Element: Identify the PE containing the weapon system described by the detail.

Weapon System Type: Provide Type/Model/Series detail for the weapon system described by the detail.

Weapon System Detail:
   Quantity: Identify the number of weapon system type used to determine flying hour program funding
   Flying Hours: - flying hour per Aircraft per Month, required and funded
   Utilization Rate:
   Crew Ratio: - number of crews funded per weapon system

Funded: Identify direct funding level for Fuel, DLRs, Consumables, and Indirect funding for Contract, Maintenance and Other OPTEMPO.
   Army -- See definition of Indirect OPTEMPO in Notes section below.
   Navy--Special Interest Codes
   Air Force--Consumables (General Support (GS) + System Support (SS))

Total TOA Required: Provide total TOA required to meet the flying hour requirement

Notes:
1) Indirect OPTEMPO is the portion of the Army’s total OPTEMPO that is structure based, or those costs that are based on the number of personnel supported rather than the costs that vary directly with training activities/events (called Direct OPTEMPO). Some examples of Indirect OPTEMPO costs include organizational clothing and equipment, civilian pay, and contract logistic support. If it is not possible to report Indirect OPTEMPO costs by PE and weapon system, report total Indirect OPTEMPO costs for the Army flying hour program and include a narrative in a word document explaining how this number is achieved and what steps will be taken to provide more detailed data in the next POM submission
2) For each PE/Treasury Code/SAG combination, the sum of DLRs and Consumables will be compared with the O&M FYDP Expense Aggregate, Repair Parts, for the same combination.
3) For each PE/Treasury Code/SAG combination, the Fuel entered will be compared with the O&M FYDP Expense Aggregate, Fuel, for the same combination.

Technical Issues: If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the email link at the web site.
INSTRUCTIONS FOR OP-24

Exhibit OP-24 Emergency and Extraordinary Expense Limitation

Emergency and Extraordinary Expense Limitation

A. Purpose

1. This section provides guidance for the submission of Exhibit OP-24 (Emergency and Extraordinary Expense Limitation) and the quarterly emergency and extraordinary expenses expenditure report required by section 127 of Title 10, United States Code.

2. This section supersedes OASD(C) memorandum, 14 August 1975, subject: Quarterly Reporting of Emergency and Extraordinary Expenses, and OASD(C) memorandum, 6 August 1976, subject: Quarterly Reporting of Emergency and Extraordinary Expenses.

B. Submission Requirements

1. General. In the annual DoD appropriations acts, Congress provides the Secretary of Defense, secretaries of the military departments, DoD Inspector General, and the US Court of Appeals for the Armed Forces, the authority to make obligations and expenditures for emergency and extraordinary expenses. These authorities are provided in terms of dollar limitations and are available for the fiscal year in which they are provided in the DoD appropriations act. Defense agencies, the office of the Secretary of Defense, the office of the Joint Chiefs of Staff, and Combatant Commands are allocated (usually via a Deputy Secretary of Defense memorandum) a portion of the Secretary of Defense’s annual emergency and extraordinary expenses authority.

The use of emergency and extraordinary expenses authority is limited to those expenditures which cannot be anticipated or classified, or are not specifically appropriated for such purposes, and includes expenditures for emergent confidential military requirements and official representation activities.

In order to strengthen the management of, and budgeting for, emergency and extraordinary expense authority, and continue to comply with 10 USC 127 for the submission of required reports to Congress, it is necessary to improve the emergency and extraordinary expense data collection process. Therefore, the following guidance is provided:

2. OP-24

a. This exhibit will be submitted by each military department and Defense activity that require emergency and extraordinary expense authority, or authority to expend funds for official representation activities, for both the OSD budget review and the President’s budget submit. In addition to the budgetary data, the OP-24 must include a full and complete narrative justification to support the request.

b. If more space is required, the justification material may be continued on a second page, or additional information may be attached to OP-24, as appropriate.

Exhibit OP-24 Emergency and Extraordinary Expense Limitation

(Page 1 of 4)
c. The Defense components that submit an OP-24 with only the budgetary data, but inadequate or no narrative justification risk not receiving any, or significantly reduced, emergency and extraordinary expense authority.

d. For the President’s budget submission, the OP-24 should be submitted concurrently but separately to OUSD (Comptroller) Operations Directorate (Pentagon, Room 3C749).

3. Quarterly Reports

a. 10 USC 127 requires the Secretary of Defense to submit an annual report of expenditures made under the authority of this statute. (Although Congress requires an annual submission, quarterly inputs are required for management purposes.)

b. The categories of expenditure for reporting the quarterly emergency and extraordinary expenses were defined in the 14 August 1975 ASD(Comptroller) memorandum, and are shown below (Mapping and Charting Activity has been changed to Geospatial Intelligence):

| Emergency and Extraordinary Expenses | Expenditures through
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>Obligation</td>
</tr>
<tr>
<td>1. Cryptologic Intelligence</td>
<td>x</td>
</tr>
<tr>
<td>2. HUMINT</td>
<td>x</td>
</tr>
<tr>
<td>3. Counterintelligence and Investigative Activities</td>
<td>x</td>
</tr>
<tr>
<td>4. Scientific and Technical</td>
<td>x</td>
</tr>
<tr>
<td>5. Intelligence and Management Support</td>
<td>x</td>
</tr>
<tr>
<td>6. Geospatial Intelligence</td>
<td>x</td>
</tr>
<tr>
<td>7. Attaché Activities</td>
<td>x</td>
</tr>
<tr>
<td>8. Tactical Intelligence</td>
<td>x</td>
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<tr>
<td>9. Other Intelligence *</td>
<td>x</td>
</tr>
<tr>
<td>10. Representation Allowance</td>
<td>x</td>
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<tr>
<td>11. Criminal Investigations</td>
<td>x</td>
</tr>
<tr>
<td>12. Other Non-Intelligence Activities *</td>
<td>x</td>
</tr>
<tr>
<td>Total</td>
<td>xx</td>
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</table>

* “Other” categories should be specifically identified with their related expenditures in separate lines below lines 9 and/or 12.

c. The quarterly expenditure amounts reported are expenditures made against recorded obligations for the fiscal year being reported. If current fiscal year expenditures being reported are expenditures made against prior year obligations, provide a separate expenditure listing for each fiscal year for which expenditures in the current fiscal year are being reported. The quarterly expenditure amounts will be on a cumulative basis for the fiscal year for which the expenditures are being reported.
d. In addition, the Defense components shall also report to the Office of the Under Secretary of Defense (Comptroller) the obligation amounts made against the emergency and extraordinary expense authority for the fiscal year being reported.

e. The military departments, DoD Inspector General, and the US Court of Appeals for the Armed Forces shall submit quarterly reports of all emergency and extraordinary expense obligation and expenditures to the Office of the Under Secretary of Defense (Comptroller) no later than 31 days following the close of the quarter being reported.

f. Defense agencies and other DoD activities that receive their emergency and extraordinary expense authority from the Secretary of Defense (usually via a Deputy Secretary of Defense memorandum) shall continue to submit their quarterly expenditure data for official representation activities to the Director of Administration and Management no later than 25 days following the close of the quarter, in accordance with DoD Directive 7250.13 (Official Representation Funds). Defense agencies and DoD activities must also include their obligation data for official representation activities, in addition to the expenditure data, in their quarterly submissions to the Director of Administration and Management.

g. Relative to the emergency and extraordinary expense expenditures for confidential military purposes, Defense agencies and other DoD activities, including the Washington Headquarters Services, that receive their emergency and extraordinary expense authority from the Secretary of Defense, shall submit their quarterly obligation and expenditure report for confidential military purposes directly to the Office of the Under Secretary of Defense (Comptroller) no later than 31 days following the close of the quarter being reported.
Operation and Maintenance, _____________________

**EMERGENCY AND EXTRAORDINARY EXPENSE LIMITATION**

Scope: Covers all expenses subject to the congressional limitation on "Emergency and Extraordinary Expenses"

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<th>FY CY</th>
<th>FY BY</th>
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<tr>
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<td>2.</td>
<td>HUMINT</td>
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<td>3.</td>
<td>Counterintelligence and Investigative Activities</td>
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<td>Scientific and Technical</td>
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<td>5.</td>
<td>Intelligence and Management Support</td>
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<td>7.</td>
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<td>9.</td>
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<td>10.</td>
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<td>11.</td>
<td>Criminal Investigations</td>
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<td>*</td>
<td>12. Other Non-Intelligence Activities</td>
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</table>

* “Other” categories should be specifically identified with their related purpose as a footnote. The DoD Components are invited to provide additional appropriate standard categories in lieu of using “Other” category.

**NARRATIVE EXPLANATION OF CHANGE.** Provide written explanation/justification for changes from one FY to the next.
Exhibit OP-25 Ground Vehicle Operations

NEW Exhibit OP-25
Ground Vehicle Operations
Operation and Maintenance, Component

<table>
<thead>
<tr>
<th>Component, derived from Treasury Code, Bold</th>
<th>PY-1</th>
<th>PY</th>
<th>CY</th>
<th>BY</th>
<th>BY+1</th>
<th>BY+2</th>
<th>BY+3</th>
<th>BY+4</th>
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<td>Consumables Funded Weapon System Detail</td>
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<td>Total Funded</td>
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</tbody>
</table>

Instructions for creating the display
The OP-25 data will be submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.pae.osd.mil. The most current version of this exhibit will be found at this site. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-20 should be referred to the Operations Directorate at OPSDirectorate@osd.mil. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-7825. Technical questions regarding SNaP should be referred to the Information Management and Analysis Group (703) 604-6349.

1) Display the Organization and Component under the report title
2) For each Weapon System display the weapon system detail as organized above
3) Sum all weapon detail reported by SAG and PE at weapon system level

Crystal Reports Sort Order: Organization, Component then Weapon System

Data Center: Operations and Support, Program/Budget

Data Source: SNaP

Display Variations for Warehouse: In addition to Organization breaks create one Department wide Display including all organizations, no grand totals.

Database Requirement: One XLS of all data for all organizations as provided-- no calculations

Exhibit OP-25 Ground Vehicle Operations
Page 1 of 3)
### Instructions for Completing the Weapon Systems Ground Vehicle Operations Summary

1. For Army, Marine Corps and SOCOM, provide the funding level—by Active, Reserve, and Guard—for Ground Vehicle Operations. Provide as much of the PE, Treasury Code, SAG and Weapon System Type information as possible.

2. Provide a list of Weapon Systems and the type of OPTEMPO miles (Tank, Battalion, etc.). Include a definition for each type of OPTEMPO mile with the derivation/calculations used. Can be in either Word or Excel.

### Definitions:
- **Organization**: The POM reporting entities directed to submit this data requirement. For a complete list of organizations by data requirement see Appendix A of the PDR.
- **Appropriation**: Treasury Code, Defined set of four-digit numeric codes from the Comptroller that identifies resources by type, organization and component.
- **SAG**: Sub-Activity Group, budget term denoting groupings of resources
- **Program Element**: Identify the PE containing the weapon system described by the detail.

<table>
<thead>
<tr>
<th>Appropriation</th>
<th>SAG List Provided</th>
<th>Program Element</th>
<th>Weapon System Type</th>
<th>Weapon System Detail</th>
<th>PY-1</th>
<th>PY</th>
<th>CY</th>
<th>BY</th>
<th>BY+1</th>
<th>BY+2</th>
<th>BY+3</th>
<th>BY+4</th>
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</tbody>
</table>

### Exhibit OP-25 Ground Vehicle Operations

(Page 2 of 3)
**Weapon System Type:** Provide Major Fighting Vehicles by type for the weapon system described by the detail. For each type of major combat vehicle in an Excel document, provide the average number of annual tank miles budgeted and executed, and cost per average tank mile for Fuel, DLRs and Consumables by the warfighting units in the following training/operational categories:

- Combatants (exclude CCTT, CTCs & Contingency Operations)
- Close Combat Tactical Training (CCTT)
- National Training Center (NTC)
- Other Combat Training Centers (CTCs)
- Contingency Operations (i.e., Bosnia)
- Other (Please specify)
- Total Ground OPTEMPO (should be consistent with Weapon System Readiness total)

Include direct Operation and Maintenance funds only. (*Exclude* amounts funded from other appropriations or other source of funding (e.g. reimbursement from foreign government)).

**Weapon System Detail:**

- **Quantity:** Identify the number of major fighting vehicle weapon systems by type used to determine the tank miles program funding
- **OPTEMPO Miles:** -Annual number of OPTEMPO Miles driven for Major Fighting Vehicles, required and funded
- **Funded:** Identify funding level for Fuel, DLRs, Consumables, and Contract Funding and Indirect OPTEMPO costs (Army only).
- **Total TOA Required:** Provide total TOA required to meet the ground vehicle operations requirement

**Business Rules:**

For Ground Vehicles only, for each PE/Treasury Code/SAG combination, include vehicles not on the starter list or considered major combat vehicles in Weapon System Type = Other Vehicles.

**Notes:**

1) Indirect OPTEMPO is the portion of the total OPTEMPO that is structure based, or those costs that are based on the number of personnel supported rather than the costs that vary directly with training activities/events (called Direct OPTEMPO). Some examples of Indirect OPTEMPO costs include organizational clothing and equipment, civilian pay, and contract logistic support. If it is not possible to report Indirect OPTEMPO costs by PE and weapon system, report Indirect OPTEMPO costs for the Army ground operations program by cost category and include a narrative in a word document explaining how this number is achieved and what steps will be taken to provide more detailed data in the next POM submission

2) For each PE/Treasury Code/SAG combination, the sum of DLRs and Consumables will be compared with the O&M FYDP Expense Aggregate, Repair Parts, for the same combination.

3) For each PE/Treasury Code/SAG combination, the Fuel entered will be compared with the O&M FYDP Expense Aggregate, Fuel, for the same combination.

**Technical Issues:** If you are having difficulty with the data collection system – SNAP, contact the SNAP administrators via the email link at the web site.

---

**Exhibit OP-25 Ground Vehicle Operations**

(Page 3 of 3)
Exhibit OP-26A POL Consumption and Costs (Flying Hours)

<table>
<thead>
<tr>
<th>Appropriation/Fund</th>
<th>FY PY Actual</th>
<th>FY CY Estimate</th>
<th>FY BY Estimate</th>
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<td>F/H</td>
<td>BBLs</td>
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<td>Aircraft Operations</td>
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<tr>
<td>Ship Operations</td>
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<tr>
<td>Vehicle Operations</td>
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<td>Other (Identify each activity separately)</td>
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<tr>
<td>Total</td>
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</tbody>
</table>

Instructions: This exhibit will be submitted by each Military Department and Defense Agency. Complete for each appropriation and fund, including the Defense Working Capital Fund, family housing, and RDT&E accounts. Customer accounts should include direct consumption only and should not include Working Capital Fund (WCF) consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provides a total for the Component.

1. Subtotals
   a. Operation and Maintenance Appropriations
   b. Research, Development, Test and Evaluation Appropriations
   c. Family Housing Appropriations
   d. Defense Working Capital Fund (Provide a breakout for each Working Capital Fund activity group and a total for the Working Capital Fund.)
      (1) Depot Maintenance
      (2) MSC
      (3) Other Working Capital Fund Activities (Separately identify each Defense Working Capital Fund activity group.)

2. Total Military Service or Defense Agency

The OP-26A exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26A exhibit will not be included in justification material forwarded to the Congress.
Exhibit OP-26B POL Consumption and Costs (Unit Cost)

Department of __________

<table>
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<tr>
<th>Appropriation/Fund</th>
<th>FY PY Actual</th>
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<th>FY BY Estimate</th>
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<td>Vehicle Operations</td>
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</table>

Separately identify each petroleum product

Instructions: This exhibit will be submitted by each Military Department and Defense Agency. Complete for each appropriation and fund, including Defense Working Capital Fund, family housing and RDT&E accounts. Customer accounts should include direct consumption only and should not include Defense Working Capital Fund consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclalm, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provides a total for the Component.

1. Subtotals
   a. Operation and Maintenance Appropriations
   b. Research, Development, Test and Evaluation Appropriations
   c. Family Housing Appropriations
      (1) Depot Maintenance
      (2) MSC
      (3) Other Defense Working Capital Fund Activities (Separately identify each Defense Working Capital Fund activity group.)

2. Total Military Service or Defense Agency

The OP-26B exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26B exhibit will not be included in justification material forwarded to the Congress.
### Exhibit OP-26C Sources of Purchases for POL Consumption

**Department of**  
**FY BY OSD Submit/President’s Budget**  
**Source of Purchases for POL Consumption**  
**(Barrels in Thousands)**

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<th>FY CY Estimate</th>
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<td>Vehicle Operations</td>
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<td>Total</td>
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- Separately identify each petroleum product
- Complete for each appropriation and fund, including working capital funds, family housing and RDT&E accounts. Customer accounts should include direct consumption only and should not include industrial fund consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclalm, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provides a total for the Component. The total purchases will agree with the barrels consumed or planned for consumption reflected on the OP-26 exhibit.

1. Subtotals
   a. Operation and Maintenance Appropriations
   b. Research, Development, Test and Evaluation Appropriations
   c. Family Housing Appropriations
      1. Depot Maintenance
      2. MSC
      3. Other Defense Working Capital Fund Activities (Separately identify each Defense Working Capital Fund activity group)

2. Total Military Service or Defense Agency

The OP-26C exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26C exhibit will not be included in justification material forwarded to the Congress. Include a copy of the Fund 15, Fuel Data, exhibit.

Exhibit OP-26C Sources of Purchases for POL Consumption
Exhibit OP-30 Depot Maintenance Program

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</table>

Instructions for creating the display

The OP-30 data will be submitted via the Select and Native Programming Data Input System (SNaP) located at [https://snap.pae.osd.mil](https://snap.pae.osd.mil). The most current version of this exhibit will be found at this site. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-30 should be referred to (703) 697-3248. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-0223.

1) Display the Organization and Component under the report title
2) For each Maintenance Activity report Resource Type and Maintenance Types by Weapon System
3) Display Units as reported
4) Display TOA as follows—Programmed then Required, and a delta line (Programmed less Required)

Data Center: Operations and Support, Program/Budget
Data Source: SNaP
Display Variations for Warehouse: In addition to Organization breaks create one Department wide Display, do not break on Organization, no grand totals
Database Requirement: One XLS of all data for all organizations as provided-- no calculations
Component | Maintenance Activity | Weapon System | Maintenance Type | Resource Type | PY-1 | PY | CY | BY | BY+1 | BY+2 | BY+3 | BY+4
--- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | ---
Active | Closed List Provided | List Provided with Add Capability | Closed List Provided | Required | $K$ | $K$ | $K$ | $K$ | $K$ | $K$ | $K$ | $K$
Reserve |  |  |  | Funded | $K$ | $K$ | $K$ | $K$ | $K$ | $K$ | $K$ | $K$
Guard |  |  |  | Units | # | # | # | # | # | # | # | #

Instructions for Completing the Depot Level Maintenance Database

1) For each component provide resource type for each maintenance type within each maintenance activity.

Definitions

Organization: The POM reporting entities directed to submit this data requirement. For a complete list of organizations by data requirement see Appendix A of the PDR.

Component: Identify Active, Guard or Reserve

Resource Level

Required: The portion of the total requirement that could be executed if funds were available. Do not include work that cannot be performed due to operational commitments, capacity constraints, or any other constraints except funding.

Funded: This reflects funding, by appropriation, for work that is programmed to be available. Includes both contract orders and organic maintenance activities.

Units: Number of systems being overhauled

Business Rules:

Where Maintenance Activity = Aircraft, Maintenance Type = Airframe, Engine, Software and Other
Where Maintenance Activity = Combat Vehicles, Maintenance Type = Vehicle, Software and Other
Where Maintenance Activity = Ships, Maintenance Type = Overhauls, Selected Restricted Availability, Phased Maintenance Availability, Software and Other
Where Maintenance Activity = Missiles, Maintenance Type = Strategic Missiles, Tactical Missiles, Software and Other
Where Maintenance Activity = Ordnance, Maintenance Type = Ordnance, Engine, Software and Other
Where Maintenance Activity = Other, Maintenance Type = Other End-item, Software, Other, Missiles, Non-DWCF Exchangeables

Exhibit OP-30 Depot Maintenance Program

(Page 2 of 3)
## Maintenance Activity and Type Relationship Matrix

<table>
<thead>
<tr>
<th>Maintenance Activity</th>
<th>Maintenance Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft</td>
<td>Airframe, Engine, Software, Other</td>
</tr>
<tr>
<td>Combat Vehicles</td>
<td>Vehicle, Software, Other</td>
</tr>
<tr>
<td>Ships</td>
<td>Overhauls Selected, Restricted Availability, Phased Maintenance Availability, Software, Other</td>
</tr>
<tr>
<td>Missiles</td>
<td>Strategic Missile, Tactical Missile, Software, Other</td>
</tr>
<tr>
<td>Ordnance</td>
<td>Ordnance, Engine, Software, Other</td>
</tr>
<tr>
<td>Other</td>
<td>Other End-Item, Other Missiles, Non-DWCF Exchangeables, Software, Other</td>
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</tbody>
</table>
Exhibit OP-30S Ship Depot Maintenance Program

**New Exhibit OP-30S**

**Navy Ship Depot Maintenance Operation and Maintenance,**

**Ship Depot Maintenance Detail**

<table>
<thead>
<tr>
<th>Weapon System</th>
<th>Appropriation</th>
<th>SAG</th>
<th>PE</th>
<th>Funding Level</th>
<th>Resource Type</th>
<th>PY</th>
<th>CY</th>
<th>BY</th>
<th>BY+1</th>
<th>BY+2</th>
<th>BY+3</th>
<th>BY+4</th>
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<tbody>
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<td>Ship Class</td>
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<td>List Provided</td>
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<td>Man Days</td>
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<td>SK</td>
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<td>Other Material</td>
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<td>Advanced Planning</td>
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<td>Induction Year Requirement</td>
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**Ship Detail**

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<tr>
<th>Ship Type</th>
<th>Hull Number</th>
<th>Name</th>
<th>Avail Type</th>
<th>Start Date</th>
<th>End Date</th>
<th>Prev Avail End date</th>
<th>Prev Type</th>
<th>Avail Yard</th>
<th>Repair Act’y</th>
</tr>
</thead>
</table>

**Instructions for creating the display**

The OP-30S data will be submitted via the Select and Native Programming Data Input System (SNaP) located at [https://snap.pae.osd.mil](https://snap.pae.osd.mil). The most current version of this exhibit will be found at this site. Once loaded, the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-30S should be referred to (703) 697-3248. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-0223.

**Exhibit OP-30S Ship Depot Maintenance Program**

(Page 1 of 2)
1) Display the Organization and Component under the report title
2) For each Weapon System display the weapon system detail as organized above
3) Sum all weapon detail reported by SAG and PE at weapon system level

**Data Center:** Operations and Support, Program/Budget

**Data Source:** SNaP

**Display Variations for Warehouse:** In addition to Organization breaks create one Department wide Display including all organizations, no grand totals.

**Database Requirement:** One XLS of all data for all organizations as provided-- no calculations

### Definitions

**Organization:** The POM reporting entities directed to submit this data requirement. For a complete list of organizations by data requirement see Appendix A of the PDR.

**Component:** Identify Active, Guard or Reserve

**Resource Level Definitions (All funding in $ thousands except Manday Rate in dollars, Manyears in thousands)**

- **APPN:** OMN or OMNR
- **FY:** Fiscal Year of ship induction
- **Ship Type:** Ship class
- **Hull:** Ship hull number
- **Availability Type:** SRA, PMA, PIA, Overhaul, Other (Describe)
- **Start Date:** Induction date
- **End Date:** Completion date
- **Previous Availability End date:**
  - **Previous Availability Type:** SRA, PMA, PIA, Overhaul, Other (Describe)
- **Yard:** Public/Private Shipyard where availability is accomplished (Abbreviation)
- **Repair Activity:** As appropriate
- **Total Mandays:** Total number of required mandays (in thousands) to accomplish availability
- **Unfunded Mandays:** Total number of mandays (in thousands) not funded in current request
- **Funded Mandays:** Total Mandays minus Unfunded Mandays
- **Manday Rate:** Budgeted manday rate
- **Labor Costs:** Total Mandays times Manday Rate
- **Material Costs:**
- **Other Costs:**
- **Advanced Planning:** Design and other costs associated with preparations for availability
- **Total Requirement:** Labor Costs + Material Costs + Other Costs + Advanced Planning
- **PY Funding:** Sum of prior year funds expended in support of availability (Including advanced planning)
- **Induction Year Requirement:** Total funding required in induction FY (equals budget request amount)
- **Unfunded:** Total unfunded requirement in induction FY

---

**Exhibit OP-30S Ship Depot Maintenance Program**

(Page 2 of 2)
Exhibit OP-31 Spares and Repair Parts

<table>
<thead>
<tr>
<th>DEPARTMENT OF ______</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATION AND MAINTENANCE, _____________</td>
</tr>
<tr>
<td>SPARES AND REPAIR PARTS</td>
</tr>
<tr>
<td>(Dollars in Millions)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
<th>CHANGE</th>
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</thead>
<tbody>
<tr>
<td>Qty ($ in M)</td>
<td>Qty ($ in M)</td>
<td>Qty ($ in M)</td>
<td>Qty ($ in M)</td>
</tr>
</tbody>
</table>

**DEPOT LEVEL REPARABLES (DLRs)**

**COMMODITY:** (As appropriate for each Component)

- SHIPS
- AIRFRAMES
- AIRCRAFT ENGINES
- COMBAT VEHICLES
- OTHER
  - MISSILES
  - COMMUNICATIONS EQUIPMENT
  - OTHER MISC.

**TOTAL**

**CONSUMABLES**

**COMMODITY:** (As appropriate for each Component)

- SHIPS
- AIRFRAMES
- AIRCRAFT ENGINES
- COMBAT VEHICLES
- OTHER
  - MISSILES
  - COMMUNICATIONS EQUIPMENT
  - OTHER MISC.

**TOTAL**

The FY PB estimate column of the OSD submit should reflect actual data through the first three quarters plus a realistic projection for the remaining quarter. For the PB submit, the FY PY column will reflect actuals as of September 30th. Include an explanation of changes in quantity and funding between years and deviations between actual and program data.

Provide the quantity and funding for each commodity group within each O&M appropriation used to purchase depot level reparables and consumable supplies from the Defense Working Capital Fund.

Exhibit OP-31 Spares and Repair Parts
Exhibit OP-32 Summary of Price and Program Change

<table>
<thead>
<tr>
<th>CIVILIAN PERSONNEL COMPENSATION</th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>101 Executive, General and Special Schedules</td>
<td>(11)</td>
<td></td>
<td></td>
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<tr>
<td>103 Wage Board</td>
<td>(11)</td>
<td></td>
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<tr>
<td>104 Foreign National Direct Hire (FNDH)</td>
<td>(11)</td>
<td></td>
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</tr>
<tr>
<td>106 Benefits to Former Employees</td>
<td>(11)</td>
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</tr>
<tr>
<td>107 Voluntary Separation Incentive Pay</td>
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<tr>
<td>110 Unemployment Compensation</td>
<td>(11)</td>
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<tr>
<td>111 Disability Compensation</td>
<td>(11)</td>
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<tr>
<td>121 Permanent Change of Station (PCS)</td>
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<tr>
<td>199 Total Civilian Personnel Compensation</td>
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<table>
<thead>
<tr>
<th>TRAVEL</th>
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<tbody>
<tr>
<td>308 Travel of Persons</td>
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<td>399 Total Travel</td>
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<table>
<thead>
<tr>
<th>DEFENSE WORKING CAPITAL FUND SUPPLIES &amp; MATERIALS PURCHASES</th>
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<tbody>
<tr>
<td>401 DLA Energy (Fuel Products)</td>
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<td>402 Service Fund Fuel</td>
<td>(15)</td>
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<tr>
<td>411 Army Managed Supplies &amp; Materials</td>
<td>(16)</td>
<td></td>
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</tr>
<tr>
<td>412 Navy Managed Supplies &amp; Materials</td>
<td>(16)</td>
<td></td>
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<tr>
<td>413 Marine Corps Supply</td>
<td>(16)</td>
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<tr>
<td>414 Air Force Consolidated Sustainment Activity Group (Supply)</td>
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<tr>
<td>415 DLA Managed Supplies &amp; Materials</td>
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<tr>
<td>416 GSA Managed Supplies &amp; Materials</td>
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<tr>
<td>417 Local Purchase Managed Supplies &amp; Materials</td>
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<tr>
<td>418 Air Force Retail Supply</td>
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<tr>
<td>499 Total Fund Supplies &amp; Materials Purchases</td>
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</table>

All O&M Components including Defense Agencies must submit an automated OP-32 for both the OSD/OMB and congressional submissions through the Program Resources Collection.
OPERATION AND MAINTENANCE __________________ (1)
SUMMARY OF PRICE AND PROGRAM CHANGES
FY ___(2)
($ in Thousands)

<table>
<thead>
<tr>
<th>FY (3)</th>
<th>Foreign Currency Rate Difference</th>
<th>Price Growth Percent</th>
<th>Program Growth Amount</th>
<th>FY (3) Program</th>
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<tbody>
<tr>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
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DEFENSE WORKING CAPITAL FUND EQUIPMENT PURCHASES

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<th>Program</th>
<th>Description</th>
<th>Rate Difference</th>
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<tr>
<td>502</td>
<td>Army Fund Equipment</td>
<td>(18)</td>
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<td>503</td>
<td>Navy Fund Equipment</td>
<td>(18)</td>
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<tr>
<td>505</td>
<td>Air Force Fund Equipment</td>
<td>(18)</td>
</tr>
<tr>
<td>506</td>
<td>DLA Fund Equipment</td>
<td>(18)</td>
</tr>
<tr>
<td>507</td>
<td>GSA Managed Equipment</td>
<td>(19)</td>
</tr>
<tr>
<td>599</td>
<td>Total Fund Equipment Purchases</td>
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OTHER FUND PURCHASES (EXCLUDE TRANSPORTATION) (23), (13)

<table>
<thead>
<tr>
<th>Fund</th>
<th>Description</th>
<th>Rate Difference</th>
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<tr>
<td>601-699</td>
<td>As applicable/see schedule for Element of Expense for Purchases from DWCF</td>
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<td>Total Purchases</td>
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TRANSPORTATION

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<tr>
<td>701</td>
<td>AMC Cargo (Fund)</td>
<td>(13)</td>
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<tr>
<td>702</td>
<td>AMC SAAM (Fund) (Now 703)</td>
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<td>703</td>
<td>JCS Exercises</td>
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<td>705</td>
<td>AMC Channel Cargo</td>
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<td>706</td>
<td>AMC Channel Passenger</td>
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<tr>
<td>707</td>
<td>AMC Training</td>
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<tr>
<td>708</td>
<td>MSC Chartered Cargo</td>
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### Summary of Price and Program Changes

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<th>Foreign Program</th>
<th>Percentage</th>
<th>Amount</th>
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<td>MSC Cargo (Fund)</td>
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<tr>
<td>MSC POL Tankership</td>
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<td>MSC APF (Army, DLA &amp; Air Force Preposition)</td>
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<td>MSC Surge Sealift (FSS &amp; LMSR)</td>
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<td>SDDC Global POV</td>
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<td>SDDC Liner Ocean Transportation</td>
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<tr>
<td>SDDC Cargo Operations (Port Handling)</td>
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<td>DSC Pounds Delivered</td>
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<tr>
<td>SDDC (Port Handling-Fund)</td>
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<td>SDDC (Liner Ocean Transportation)</td>
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<td>Commercial Transportation</td>
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<td>Total Transportation</td>
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### Other Purchases

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<td>Separation Liability (FNIH)</td>
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<td>Rental Payments to GSA (SLUC)</td>
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<td>Purchased Utilities (non-Fund)</td>
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<td>Purchased Communications (Non-Fund)</td>
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<td>Rents (Non-GSA)</td>
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<td>Supplies &amp; Materials (Non-Fund)</td>
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<tr>
<td>Printing &amp; Reproduction</td>
<td>(37)</td>
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<tr>
<td>Equipment Maintenance by Contract</td>
<td>(38)</td>
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<tr>
<td>Facility Sustainment, Restoration, and Modernization by Contract</td>
<td>(39)</td>
<td></td>
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<tr>
<td>Pharmaceutical Drugs</td>
<td>(52)</td>
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<tr>
<td>Equipment Purchases (Non-Fund)</td>
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</tr>
</tbody>
</table>

Exhibit OP-32 Summary of Price and Program Change

(Page 3 of 13)
## OPERATION AND MAINTENANCE ____________ (1)
### SUMMARY OF PRICE AND PROGRAM CHANGES
#### FY ___(2)

<table>
<thead>
<tr>
<th>National Program</th>
<th>Foreign Currency Rate Difference (5)</th>
<th>Price Growth Percent (6)</th>
<th>Program Growth Amount (7)</th>
<th>FY ___(3) Program Growth (8)</th>
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<td>926</td>
<td>Other Overseas Purchases</td>
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<tr>
<td>927</td>
<td>Air Defense Contracts &amp; Space Support (AF)</td>
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<tr>
<td>928</td>
<td>Ship Maintenance by Contract</td>
<td>(43)</td>
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<tr>
<td>929</td>
<td>Aircraft Reworks by Contract</td>
<td>(44)</td>
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<td>930</td>
<td>Other Depot Maintenance (Non-Fund)</td>
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<td>932</td>
<td>Management &amp; Professional Support Services</td>
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<td></td>
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<tr>
<td>933</td>
<td>Studies, Analysis, &amp; Evaluations</td>
<td>(46)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>934</td>
<td>Engineering &amp; Technical Services</td>
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<td>Other Costs (Medical Care)</td>
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<td>957</td>
<td>Lands and Structures</td>
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<td>959</td>
<td>Insurance Claims and Indemnities</td>
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<td>960</td>
<td>Interest and Dividends</td>
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<td>Subsistence and Support of Persons</td>
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<td>Foreign Currency Variance</td>
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<td>998</td>
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<td>9999</td>
<td>TOTAL</td>
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**Note:** Include support for value engineering in applicable line item elements of expense.

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Exhibit OP-32 Summary of Price and Program Change

Page 4 of 13)
Elements of Expense for Purchases from
Defense Working Capital Fund (Fund)*

<table>
<thead>
<tr>
<th>Element of Expense</th>
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<tbody>
<tr>
<td>DEPOT MAINTENANCE</td>
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<tr>
<td>Army Industrial Operations (Armament)</td>
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<td>Army Industrial Operations (Depot Maintenance)</td>
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<td>DLA Distribution</td>
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<td>Naval Fleet Readiness Centers (Aviation)</td>
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<td>Marine Corps Depot Maintenance</td>
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<td>Air Force Consolidated Sustainment Activity Group (Maint)</td>
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<tr>
<td>BASE SUPPORT</td>
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<td>Navy Base Support (NAVFEC:Utilities &amp; Sanitation)</td>
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<td>Navy Base Support (NAVFEC: Other Support Services)</td>
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<td>RESEARCH AND DEVELOPMENT ACTIVITIES</td>
<td>610</td>
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<tr>
<td>Naval Air Warfare Center</td>
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<td>Naval Surface Warfare Center</td>
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<td>Naval Undersea Warfare Center</td>
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<td>Space &amp; Naval Warfare Center</td>
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<td>Naval Research Laboratory</td>
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<td>Navy Base Support (NFESC)</td>
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<td>INFORMATION SERVICES</td>
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<td>DISA Telecommunications/Enterprise Acquisition Services</td>
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<td>Communication Services (DISA) Tier 2</td>
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Exhibit OP-32 Summary of Price and Program Change
(Page 5 of 13)
### Elements of Expense for Purchases from Defense Working Capital Fund (Fund)*

<table>
<thead>
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<tbody>
<tr>
<td><strong>TRANSPORTATION</strong></td>
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<tr>
<td>Military Sealift Command (MSC):</td>
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<tr>
<td>Fleet Auxiliary Force (Navy Transportation)</td>
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<tr>
<td>Afloat Prepositioning Ships (Navy Transportation)</td>
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<tr>
<td>Special Mission Support (Navy Transportation)</td>
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<tr>
<td><strong>PRINTING AND PUBLICATION SERVICES</strong></td>
</tr>
<tr>
<td>DLA Document Services</td>
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<tr>
<td><strong>FINANCIAL OPERATIONS</strong></td>
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<td>Financial Operations (DFAS)</td>
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<tr>
<td><strong>OTHER</strong></td>
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<tr>
<td>Purchases from Pentagon Reservation Maintenance Revolving Fund</td>
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<tr>
<td>DLA Disposition Services</td>
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<tr>
<td>Defense Commissary Operations</td>
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<td>Industrial Mobilization Capacity</td>
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<tr>
<td>Cost Reimbursable Purchases</td>
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<tr>
<td>Purchases from the Buildings Maintenance Fund</td>
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<tr>
<td>Other Activity Groups (List)</td>
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</tbody>
</table>

* These lines should include only Defense Working Capital Fund purchases made at stabilized rates. Cost reimbursable purchases should be included in line 679.
INSTRUCTIONS FOR COMPLETION OF OP-32

(1) Enter the applicable component, i.e., Army, Navy, Marine Corps Reserve, Air National Guard, etc.

(2) Enter the fiscal year for which this exhibit is being prepared.

**NOTE:** A separate exhibit should be submitted for each O&M appropriation at the total appropriation level for the President’s Budget

(3) Enter the prior year (PY), current year (CY), and budget year (BY), as applicable.

(4) For the CY exhibit, amounts entered in this column should agree with the prior year actual costs as shown in the prior year column of the applicable budget submission. For the BY exhibit, these amounts should agree with the far right hand column of the CY exhibit.

(5) This column should show the rate (percent) of price growth for various items. The price escalation indices prescribed by OSD (and rates provided by OMB) should be used for all lines, particularly fuel and civilian pay. Other price growth rates may be used for other items when actual experience supports a rate of increase different from that prescribed by the OSD/OMB submit. Those in those instances, supporting documentation for the rate used should be provided. If the rate is approved during the budget review, the revised rate may be used in the President’s budget. To the extent that a separate rate of increase is used for any portion of a line item, for example, Equipment Maintenance by Contract, the applicable item should be subdivided into appropriate subcategories for each separate rate of increase used. The rate of price change for lines 401, 402, 411-415, 502-506, 601-693, and 701-721 should agree with applicable rates approved by OSD. Applicable rates of price growth, as prescribed by OSD, or as estimated and justified, as appropriate, should be shown for all items where there is a price change. The rate of price growth included in the President’s budget will in all instances reflect the rate of increase approved during the OSD budget review.

(6) The amount shown for each appropriate line (exclusive of line 991), the Foreign Currency Rate Difference column will reflect the difference in the budgeted foreign currency exchange rates between the two years. For the prior and current years, the budgeted foreign currency exchange rates are the exchange rates that have been approved for recording obligations during execution. If the current year execution rates have not yet been established by the Congress in time for the budget submission, the foreign currency exchange rates reflected in that fiscal year’s President’s budget request will be used – unless changed by subsequent guidance from the OUSD (COMPTROLLER). For the biennial budget years, the budgeted foreign currency exchange rates are the exchange rates reflected in the OUSD (C) budget call memorandum for the budget submission or in the PBD issued during the budget review in the formulation of the President’s budget request. (Note: Variances from the budgeted rates will be reflected on line 991. These variances do not enter into the calculation on any of the other lines.) The column total, including line 991, will reflect (1) for the PY to the CY: the difference between prior year actuals and the current year budgeted rates, and (2) for the CY to the BY: the difference between budgeted rates in each year. If transfers are approved for the current year, the column total will reflect (1) for the PY to the CY: the difference between PY actuals and CY anticipated expenditures and (2) for the CY to the BY: the difference between the CY anticipated expenditures and the BY budgeted rates. No foreign currency rate difference will be shown for Defense Working Capital Fund Purchases and Travel or Transportation for AMC, MSC or MTMC. Only in unusual circumstances should an amount for foreign currency rate difference shown for other travel and/or transportation costs. (See end notes for further discussion of foreign currency entries.)
(7) The price growth column should show the amount of price growth for various items. Where a percent increase by line item is shown in column 6, the amount included in column 7 will be the sum/difference of the previous fiscal year’s program amount (column 4) and the foreign currency rate difference amount (column 5) times the percent shown in column 6. The amount of the price growth will be consistent with the rate of change prescribed by OSD. The price increase for all items should be the additional/reduced funds, as a result of price changes, that would be required to accomplish the previous year’s program at applicable fiscal year rates.

(8) Enter the amount of program growth for each item. Program growth is to be priced in current year dollars for the current year exhibit, biennial budget year 1 dollars for the biennial budget year 1 exhibit, and biennial budget year 2 dollars for the biennial budget year 2 exhibit.

(9) Enter the sum of (4), (5), (7) and (8) for each item.

(10) Subtotals should be included in (4), (5), (7), (8) and (9) for Civilian Personnel, Travel, Defense Working Capital Fund Supplies and Materials Purchases, Defense Working Capital Fund Equipment Purchases, Other Defense Working Capital Fund Purchases, Transportation, and Other Purchases, as applicable.

(11) Program amounts for Civilian Personnel compensation should be consistent with amounts shown in both the object class distribution reflected in the Program and Financing Schedules for Object Classes 11, 12 and 13 (Direct Obligations only) and in the OP-8 Exhibit, Civilian Personnel Costs (Direct Funded), Chapter 3 of the Financial Management Regulation for the applicable fiscal year. Payments made to the Department of Labor for expenses associated with employee’s disability compensation are included in Object Class 12. Change in the number of compensable days per fiscal year will be reflected as program growth, not price growth. The annualization of the prior year’s pricing changes (i.e., the previous fiscal year’s pay raise), merit pay, bonuses, FERS participation, etc. will be reflected as changes in price growth. (See Vol. 2A, Chapter 3)

(12) Program amounts for travel should be consistent with amounts shown in Object Class 21 (including subclasses), for the applicable fiscal year.

(13) AMC, MSC, and MTMC costs displayed for items; 701, 702, 703, 705, 706, 707, 708, 711, 714, 715, 716, 717, 718, 719, 720, 721, 725, and 771 should include all purchases from these transportation funds. These amounts should exclude all non-Defense Working Capital Fund purchases such as reimbursement to MTMC of non-Defense Working Capital Fund (overseas) port operations.

(14) Line 703 JCS Exercises includes only those services in support of JCS exercises and paid only by The Joint Staff (TJS).

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

(16) Include Object Class 26 supplies and materials purchased from each Defense Working Capital Fund, including DLA.

(17) Include Object Class 26 supplies and materials purchased from GSA.

(18) Include all equipment (including furniture) purchased from Defense Working Capital Fund, including DLA.

(19) Include all equipment (including furniture) purchased from GSA.

(20) Include amounts to be paid for motor vehicles leased from both commercial services and the General Services Administration (GSA) Interagency Fleet Management System (IFMS).

(21) Includes centrally managed items procured by the Defense Working Capital Fund from sources other than Defense Working Capital Fund or non-Defense Stock Funds.

(22) Include purchases of MTMC services for non-Fund services such as overseas port terminal operations.

(23) Program amounts should be consistent with Fund purchases included in Object Class 25.3.

(24) Budget year (BY) program amounts should reflect stabilized rates as requested by the Service (OSD submission) or as approved by OSD (President’s Budget), as applicable, to include the impact of biennial budget years’ pay raises. Cost reimbursable purchases should be included on line 679. Separate elements of expense for each Defense Working Capital Fund activity group are shown on page 3. Include only those elements of expense for Defense Working Capital Fund activity groups from which purchases were made or are planned, as applicable.

(25) Includes the Aerospace Maintenance & Regeneration Center (AMARC).

(26) Line 653, Airlift Services, Other AMC Purchases, includes Medical Evacuation Operations, Training, Search and Rescue, and other AMC costs not provided for in lines 701, or 702.

(27) Includes all Defense Working Capital Fund purchases made on a cost reimbursable (rather than stabilized rate) basis.

Exhibit OP-32 Summary of Price and Program Change

(Page 9 of 13)
INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

(28) Includes contractual charges for transportation of things via commercial air, sea, or surface mode and payments for commercial port operations and other transportation services exclusive of payments to the Defense Working Capital Fund.

(29) Program amounts should be consistent with direct obligation amounts shown in the OP-8 Exhibit, Civilian Personnel Costs, Chapter 3. (See Vol. 2A, Chapter 3)

(30) Charges for rental of space and related services assessed by GSA as Standard Level User Charge (SLUC) charges. Program amounts will be consistent with the amount shown in Object Class 23.1.

(31) Program amounts included for items 913-915 and 917 will be consistent with the amounts shown in Object Class 23.

(32) Purchases from non-Defense Working Capital Fund sources heat, light, power, water, gas, electricity and other utility services, exclusive of transportation and communication services.

(33) Purchases of communication services from non-Defense Working Capital Fund sources.

(34) Payments for possession and use of land, structures, and equipment (other than transportation equipment) owned by another, except for SLUC charges assessed by GSA.

(35) Purchases from the U.S. Postal Service including postage (other than Parcel Post), rental of post office boxes, postage meter machines and mailing machines. Also includes payments made to the U.S. Postal Service for handling of officially franked mail (i.e., Indicia Mail).

(36) Includes supplies and materials purchased from other than Defense and non-Defense Working Capital Fund.

(37) Program amounts should be consistent with the amounts shown in Object Class 24.

(38) Covers contractual equipment maintenance other than depot level (e.g., ADP/office equipment, etc.) not otherwise covered under IT Contract Support Services.

(39) Includes costs for sustainment and restoration/modernization of buildings, facilities, pavement, airfields and like items when done by contracts with the private sector.

(40) Equipment purchased from the private sector, including equipment included in Federal Supply Group 71, Furniture. Program amounts should be consistent with amounts reported under Object Class 31.01.

Exhibit OP-32 Summary of Price and Program Change

(Page 10 of 13)
INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

(41) Covers overseas contractor operated installation costs when covered in a single contractual agreement or when service is provided by a single contractor (excludes separate contracts for specific, limited services such as contract ADP services).

(42) Covers contracted service cost of Air Force Air Defense Systems (e.g., BMEWS, DEW Line, Spacetrack, Thule AFB base maintenance contracts, DSP) and Space Support programs.

(43) Includes the cost of ship related repair and the performance of regularly scheduled ship overhauls at commercial shipyards.

(44) Includes the cost to Depot Maintenance to purchase aircraft maintenance from commercial sources.

(45) Includes payments for all other non-Defense Working Capital Fund depot maintenance costs whether performed in-house or by contracts which have not been reported under lines 928 or 929.

(46) Program amounts should be consistent with Exhibit PB-15, (Advisory and Assistance Services), Chapter 19 of the Financial Management Regulation. The amounts reflected should agree with Object Class 25.1.

(47) Program amounts should be consistent with the amounts shown in Object Class 41.

(48) Charges for contractual services not otherwise reported elsewhere and consistent with amounts shown in Object Class 25.2.

(49) Amounts on line 991 will reflect variances from budgeted rates, as prescribed by OUSD (COMPTROLLER) guidance, which have actually occurred in the prior year or which have been approved (by DD-1415 or PBD) for the current year. There will be no amounts reflected on line 991 in the price and program growth columns. For the President’s budget, the amount in the prior year column will be the realized variance on the 30 Sep DD Comp(M) 1506 report. Under no circumstances will there be an entry on line 991 in the biennial budget year. (For a further discussion, see Foreign Currency notes at the end of these instructions).

(50) Total program amounts, in (4) and (9), will be equal to the total direct program for prior year (PY), current year (CY), and budget year (BY), as applicable.

(51) Includes fuel purchased from sources other than the Defense Working Capital Fund.

(52) Includes funds for the purchase of pharmaceutical drugs budgeted in the Defense Health Program.

(53) Usage of long distance communications comparable to commercial services.

(54) Exhibit OP-32 Summary of Price and Program Change
INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

(55) Include costs of long distance communications mandated by military readiness, security and interoperability.

(56) Funding supports critical Army production capabilities and maintains essential infrastructure to meet mobilization surge requirements for ammunitions processing, ordnance, and depot maintenance activities during national emergencies.

(57) Other Intra-government purchase includes purchases between other Components not already included in another OP-32 line item.

(58) Program amounts should be consistent with the amounts shown in Object Class 25.6

(59) Program amounts should be consistent with Section 803 of Public Law 111-84 (FY 2010 National Defense Authorization Act).

(60) Program amounts should reflect reimbursements to the Defense Security Service for personal security investigations.

(61) Includes amounts reported, respectively, under Object Classes: 25.6, 25.8; 32.0; 42.0; 43.0; and 91.0.

(62) For use by SOCOM only to record MFP-11 civilian pay reimbursements.

Note: In order to be consistent with the OMB A-11, all Components are required to comply with the Crosswalk of OP-32 Line Items to CIS Object Classes.
INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

Foreign Currency Notes

A. The Total for Foreign Currency Rate Difference (Column 2) must reflect the difference between:

1. PY to CY: Prior year actuals and current year budgeted rates or anticipated expenditures in the current year if transfers have also been approved for the Current Year. (For the latter, individual line items in column 2 (except for line 991) will reflect the difference in budgeted rates and line 991 in column 2 will reflect the transfer amount.)

2. CY to BY: Current year budgeted rates or anticipated expenditures in the current year if transfers have also been approved for the current year, and biennial budget year 1 budgeted rates.

B. Individual line items in Column 2 (except for line 991) must reflect the difference in program costs that are caused only by a difference in budgeted foreign currency exchange rates between fiscal years.

C. Line 991 - Foreign Currency Variance

1. Prior Year (PY) to Current Year (CY)
   a. PY column equal Realized variance (DD Comp (M) 1506 Report 30 Sep). Column 2 equal Reverse the realized variance amount in the PY column. CY column equal zero
   b. If transfers have been approved in the CY, PY column equal Realized variance (DD Comp (M) 1506 Report 30 Sep). Column 2 equal Reverse the realized variance amount in the PY column and add the transfer amount approved for the CY to determine the total. CY column equal the transfer amount approved for the CY.

2. Current Year (CY) to Budget Year (BY)
   a. If the budgeted rates change between the CY and the BY and transfers from the Foreign Currency Fluctuations, Defense (FCF, D) appropriation are not reflected in the budget, then the CY column, Column 2, and the BY column for line 991 are all zero.
   b. If budgeted rates change between the CY and the BY and the FCF,D transfers have been reflected in the budget for the CY, then the CY column for line 991 will reflect the value of the transfers and Column 2 for line 991 will reflect the reversal of the transfers. The BY column for line 991 will be zero.

Exhibit OP-32 Summary of Price and Program Change
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CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS

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<thead>
<tr>
<th>OP32 - Lines</th>
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<td>101</td>
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<td>11.51 Other personnel compensation</td>
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<tr>
<td>101</td>
<td>11.81 Special personal services payments</td>
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<td>101</td>
<td>12.11 Civilian Personnel Benefits</td>
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<tr>
<td>103</td>
<td>11.11 Full-time permanent</td>
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<tr>
<td>103</td>
<td>11.31 Other than full-time permanent</td>
</tr>
<tr>
<td>103</td>
<td>11.51 Other personnel compensation</td>
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<td>103</td>
<td>12.11 Civilian Personnel Benefits</td>
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<td>104</td>
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<td>11.31 Other than full-time permanent</td>
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<td>104</td>
<td>11.51 Other personnel compensation</td>
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<td>104</td>
<td>12.11 Civilian Personnel Benefits</td>
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<td>106</td>
<td>13.01 Benefits for Former Personnel</td>
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<td>21.01 Travel and transportation of persons</td>
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<td>Total Travel</td>
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TRAVEL
CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS (Continued)

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<td>411 Army Managed Supplies &amp; Materials</td>
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<td>412 Navy Managed Supplies &amp; Materials</td>
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<td>418 Air Force Retail Supply</td>
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<td>602 Army Industrial Operations (Depot Maintenance)</td>
<td>25.33 Purchases from revolving funds (WCF)</td>
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CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS *(Continued)*

<table>
<thead>
<tr>
<th>OP32 - Lines</th>
<th>CIS Lines Relationship</th>
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</thead>
<tbody>
<tr>
<td>603 DLA Distribution</td>
<td>25.33 Purchases from revolving funds (WCF)</td>
</tr>
<tr>
<td>613 Naval Fleet Readiness Centers (Aviation)</td>
<td>25.33 Purchases from revolving funds (WCF)</td>
</tr>
<tr>
<td>640 Marine Corps Depot Maintenance</td>
<td>25.33 Purchases from revolving funds (WCF)</td>
</tr>
<tr>
<td>661 Air Force Consolidated Sustainment Activity Group (Maint)</td>
<td>25.33 Purchases from revolving funds (WCF)</td>
</tr>
<tr>
<td>662 Air Force Contract Depot Maintenance</td>
<td>25.33 Purchases from revolving funds (WCF)</td>
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<tr>
<td><strong>BASE SUPPORT</strong></td>
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<tr>
<td>634 Navy Base Support (NAVFEC:Utilities &amp; Sanitation)</td>
<td>25.33 Purchases from revolving funds (WCF)</td>
</tr>
<tr>
<td>635 Navy Base Support (NAVFEC:Other Services)</td>
<td>25.33 Purchases from revolving funds (WCF)</td>
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<tr>
<td><strong>RESEARCH AND DEVELOPMENT ACTIVITIES</strong></td>
<td></td>
</tr>
<tr>
<td>610 Naval Air Warfare Center</td>
<td>25.33 Purchases from revolving funds (WCF)</td>
</tr>
<tr>
<td>611 Naval Surface Warfare Center</td>
<td>25.33 Purchases from revolving funds (WCF)</td>
</tr>
<tr>
<td>612 Naval Undersea Warfare Center</td>
<td>25.33 Purchases from revolving funds (WCF)</td>
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<tr>
<td>614 Space &amp; Naval Warfare Center</td>
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<td>630 Naval Research Laboratory</td>
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<td>631 Navy Base Support (NFESC)</td>
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<td><strong>INFORMATION SERVICES</strong></td>
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<td>671 DISA Telecommunications/Enterprise Acquisition Services</td>
<td>25.33 Purchases from revolving funds (WCF)</td>
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<td>677 Communication Services (DISA) Tier 1</td>
<td>23.31 Communications, Utilities and Misc Charges</td>
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<td>647 DISA Enterprise Computing Centers</td>
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<td><strong>TRANSPORTATION</strong></td>
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<td>Military Sealift Command (MSC):</td>
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<td>620 Navy Transportation (Fleet Auxiliary Force)</td>
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<tr>
<td>621 Navy Transportation (Afloat Prepositioning Ships)</td>
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CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS (Continued)

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<td>DLA Document Services</td>
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<td>Defense Finance &amp; Accounting Svc</td>
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<td>Pentagon Reservation Maintenance Revolving Fund</td>
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<td>DLA Disposition Services</td>
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<td>Industrial Mobilization Capacity</td>
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<td>Purchases from Building Maintenance Fund</td>
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<td>701</td>
<td>AMC Cargo (Fund)</td>
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<td>AMC SAAM (Fund)</td>
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<td>AMC Channel Cargo</td>
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<td>MSC Chartered Cargo</td>
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CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS *(Continued)*

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<td>717</td>
<td>SDDC Global POV</td>
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<td>719</td>
<td>SDDC Cargo Operations (Port Handling)</td>
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<td>DSC Pounds Delivered</td>
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<td>SDDC (Port Handling-Fund)</td>
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OTHER PURCHASES

| 901          | Foreign National Indirect Hire | 25.32 | Payments to Foreign National IH Personnel |
| 902          | Separation Liability FNIH     | 25.32 | Payments to Foreign National IH Personnel |
| 912          | Rent Payments to GSA (SLUC)   | 23.11 | Rental Payments to GSA |
| 913          | Purchased Utilities (Non-Fund) | 23.31 | Communications, Utilities and Misc Charges |
| 914          | Purchased Communications (Non-Fund) | 23.31 | Communications, Utilities and Misc Charges |
| 915          | Rents (Non-GSA)               | 23.21 | Rental payments to others (for space, land and structures) |
| 917          | Postal Services (U.S.P.S.)    | 23.31 | Communications, Utilities and Misc Charges |
| 920          | Supplies & Materials (Non-Fund) | 26.01 | Supplies and Materials |
| 921          | Printing & Reproduction      | 24.01 | Printing and reproduction |
| 922          | Equipment Maintenance - Contract | 25.71 | Operation and maintenance of equipment |
| 923          | Facility Maintenance - Contract | 25.41 | Operation and maintenance of facilities |
| 924          | Pharmaceutical Drugs         | 26.01 | Supplies and Materials |

(Page 5 of 6)
CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS (Continued)

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<td>Other Overseas Purchases</td>
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<td>927</td>
<td>Air Defense Contracts &amp; Space Support (AF)</td>
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<td>929</td>
<td>Aircraft Reworks by Contract</td>
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<td>Other Depot Maintenance (Non-Fund)</td>
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<td>932</td>
<td>Management &amp; Professional Spt Svc</td>
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<td>933</td>
<td>Studies, Analysis &amp; Eval</td>
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<td>Engineering &amp; Technical Services</td>
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<td>Lands and Structures</td>
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<td>Insurance Claims and Indemnities</td>
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<td>964</td>
<td>Subsistence and Support of Persons</td>
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<td>984</td>
<td>Equipment Contracts</td>
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<td>Medical Care</td>
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<td>Other Intra-government Purchases</td>
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<td>988</td>
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<td>Total Other Purchases</td>
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Exhibit OP-34 Fund Support for Selected Quality of Life Activities

Fund Support for Selected Quality of Life Activities

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<tr>
<th>Program</th>
<th>Category</th>
<th>Fund Source</th>
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<th>BY+2</th>
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<td>Civilian Foreign Direct FTE</td>
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Definitions

Component: All DoD Military Departments, active and reserve components, including the Defense Activities and Agencies that have Selected Quality of Life resources, are to submit the OP-34 Exhibit each year.

Programs:

Military MWR Program -- as defined in DoDI 1015.10, “Programs for Military Morale, Welfare, and Recreation (MWR)”
Civilian MWR Program -- as defined in DoDD 1015.8, “DoD Civilian Employee Morale, Welfare, and Recreation (MWR) Activities and Supporting Non-Appropriated Fund Instrumentalities (NAFIs)”
Lodging Program -- as defined in DoDI 1015.12, “Lodging Program Resource Management”
Overseas Contingency Operations Mission NAFI -- as defined in DoDD 1015.1, "Establishment, Management and Control of NAFIs"
Armed Services Exchange -- as defined in DoDD 1015.1, "Establishment, Management and Control of NAFIs" and DoDD 1330.9, “Armed Services Exchanges”
Family Support -- as defined in DoDI 1342.22, “Family Centers”
Off Duty and Voluntary Education -- as defined in DoDI 1322.25, “Voluntary Education Programs” includes tuition assistance and other voluntary education programs.

Exhibit OP-34 Fund Support for Selected Quality of Life Activities

(Page 1 of 6)
Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

**Category:**
- Military MWR Category A -- Mission Sustaining Programs
- Military MWR Category B -- Basic Community Support Programs
- Military MWR Category C -- Revenue-Generating Programs
- TDY Lodging -- Temporary Duty (TDY) Lodging is official travel quarters for TDY personnel
- PCS Lodging -- Permanent Change of Station (PCS) Lodging is official travel quarters for PCS personnel and their families and normally provides some type of kitchen facilities.
- Tuition Assistance -- Funds provided solely for direct, enrollment-related military tuition assistance
- Other Voluntary Education -- Other costs not identified or captured under the tuition assistance category above; voluntary education-related personnel, equipment, supplies, travel and conference attendance should be included here. PACE, DANTES, VEAP, eArmyU and any other similar programs not paid for directly from tuition assistance funding should be included here.

**Fund Source:**
- Direct Support is direct program operation and direct overhead as defined below.
  - Direct Program Operation: All appropriated fund costs (in-house and contract) provided to directly operate an individual MWR program, such as physical fitness, libraries, or recreation (as defined in enclosure 4 of DoDI 1015.10 for military MWR programs). Costs include military and civilian personnel including benefits; travel; training; supplies; equipment (includes rental and maintenance); contracted services; and Family Child Care subsidy. For Overseas Contingency Operations Mission NAFIs include only the appropriated funds related directly to the operation of the NAFI. Do not include appropriated fund costs of the mission program.
  - Direct Overhead: At installation and headquarters, overhead is appropriated fund direct costs that are attributable to more than one MWR program and are associated with the general management or administrative support of MWR programs. Overhead costs include military and civilian personnel including benefits; travel; training; supplies; equipment (includes rental and maintenance); contracted services; and other support related to all levels of managerial staff functions and positions located above the direct program managerial and operational level of individual MWR programs. These resources support planning, organizing, directing, coordinating, and controlling the overall operations of MWR programs. It consists of program, fiscal, logistical, and other managerial functions that are required to ensure oversight.
  - Indirect Support: All appropriated fund Base Operations support costs to MWR programs and activities. Base Operation costs are budgeted and executed by a non-MWR activity that supports installation-wide services. Costs include military personnel support; civilian personnel services; facility and infrastructure support (including fire, health, safety); equipment operation; financial and accounting services; installation procurement and common warehousing; communication; installation information systems; legal services; transportation services; second destination transportation; utilities and real property rents; refuse collection; custodial and janitorial services.

**Activity:** Individual MWR programs within Military MWR Categories listed above.
**Appropriation:** Treasury Code, defined set of four-digit numeric codes from the Comptroller that identifies funding resources by type, organization and components.
**Resource Type:** Identify Funding by Appropriation (i.e., O&M and dollars in thousands) or Appropriation and Manpower type (i.e., O&M and Civilian FTE and number)
Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

Instructions for Completing the Quality of Life Resources Database

1) For PY-1 through BY provide direct funding for Fund Source=Direct Program Operation by QOL Category, Activity, Appropriation and Resource Type. Provide funding for all other Fund Sources where specified in the matrix below by QOL Category, Appropriation, and Resource Type. Provide Manpower using Fund Source= Direct Program Operation by QOL Category, Appropriation and Resource Type. Do not enter any cost more than once.

2) For BY+1 through BY+4 provide direct funding for Fund Source =Direct Program Operation by Appropriation and Resource Type rolled up at the QOL Category level except for the following Activities in the matrix below—A.3, and B.1.1 through B.1.5. Provide funding for all other Fund Sources where specified in the matrix below by QOL Category, Appropriation, and Resource Type. Provide Manpower using Fund Source= Direct Program Operation, by QOL Category, Appropriation and Resource Type. Do not enter any cost more than once.

3) Choose an appropriation with each resource type reported on -- for example O&M and funding for dollars or O&M and Civilian FTEs, and Military Personnel and Officer and Military Personnel and TOA for funding.

4) Provide Indirect Support at the MWR Category level for PY-1 to BY.

5) Provide URD Practice and USA Practice (considered memo entries) dollars at the MWR Category level for PY-1 to BY.


7) MWR only: Provide in Microsoft Word document a short narrative description of resource changes between CY, and BY, identified separately by MWR category, if 10 percent above or below inflation.

The OP-34 Budget Exhibit must be included in the Budget Estimates Submission and the Congressional justification book each year. The OP-34 data will be submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.pae.osd.mil. The most current version of this exhibit will be found at this site. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-20 should be referred to (703) 697-3101. The SNaP system will generate this display from the data provided for MWR programs (military, civilian, lodging, Overseas Contingency Operations mission NAFIs, and armed services exchanges) that includes a title page with the following description of the exhibit: “The Exhibit OP-34 displays total appropriated fund support for the Department of ______ managed Morale, Welfare, and Recreation (MWR) programs.” The title page will also include the following definition of MWR programs (from DoDI 1015.10): “The MWR programs are vital to mission accomplishment and form an integral part of the non-pay compensation system. These programs provide a sense of community among patrons and provide support services commonly furnished by other employers, or other State and local governments to their employees and citizens. The MWR programs encourage positive individual values, and aid in recruitment and retention of personnel. They provide the physical, cultural, and social needs, and general well-being of Service members and their families, providing community support systems that make DoD bases temporary hometowns for a mobile military population.”

Business Rules
Refer to the table below to identify Program, Category, Fund Source, and Activity Relationships
Indirect Support, URD Practice (memo), and USA Practice (memo) are reported at the MWR Category level only

Subject Matter Experts: Questions regarding this data requirement should be directed to Ms. Carol Potter 703-602-4997 and Major Greg Wise 703-692-8046.

Technical Issues: If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the email link at the Web site: https://snap.pae.osd.mil
Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

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<td>A.1. Armed Forces Professional Entertainment Overseas</td>
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<td>Programs</td>
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<td>A.2. Free Admission Motion Pictures</td>
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<td>A.3. Physical Fitness and Aquatic Training</td>
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<td>A.4. Library Programs &amp; Information Services (Recreation)</td>
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<td>A.5. On-Installation Parks and Picnic Areas</td>
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<td>A.6. Basic Social Recreation (Center) Programs</td>
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<td>A.8. Sports and Athletics</td>
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<td>B.2.1 Cable</td>
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## Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

### Program, Category, Fund Source and Activity Relationship Matrix

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Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

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**Program, Category, Fund Source and Activity Relationship Matrix**

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Exhibit OP-34 Fund Support for Selected Quality of Life Activities
(Page 6 of 6)
Exhibit OP-34(MWR) Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)  
($ in Thousands)

INSTRUCTIONS:

1. The OP-34 must contain a title page that includes the following description of the exhibit: “The Exhibit OP-34 displays total appropriated fund support (APF) for Dept. of the _____ managed Morale, Welfare, and Recreation (MWR) programs and joint services managed programs.”

The title page must also include the following definition of MWR programs (from DoDI 1015.10): “The MWR programs are vital to mission accomplishment and form an integral part of the non-pay compensation system. These programs provide a sense of community among patrons and provide support services commonly furnished by other employers, or other State and local governments to their employees and citizens. The MWR programs encourage positive individual values, and aid in recruitment and retention of personnel. They provide for the physical, cultural, and social needs, and general well-being of Service members and their families, providing community support systems that make DoD bases temporary hometowns for a mobile military population.”

The title page must also include a short narrative description of all major program changes, identified separately by MWR category.

2. In preparing the OP-34 Exhibit, the Services/Defense Agencies must use the program definitions contained in the DoD Directive 1015.10, subject: Programs for Military Morale, Welfare, and Recreation (MWR), DoDI 1015.12, subject: Lodging Program Resource Management; and DoDD 1015.8, subject: DoD Civilian Employee Morale, Welfare, and Recreation (MWR) and Supporting Nonappropriated Fund Instrumentalities (NAFIs).

3. APF support should include both direct and indirect APF support provided to MWR activities and should include the cost categories reported on the Appropriated and Nonappropriated Fund Expense Summary required by DoDI 7000.12. Direct costs include those costs that can be directly attributable to the activity and include civilian and military pay and benefits, travel, training, supplies and equipment, contracts, and Family Child Care subsidy. Indirect costs include costs that are attributed to more than one activity and include rents, utilities, communications, minor construction, repair and maintenance, contracts, engineering support, etc.

4. APF Common Support - That appropriated fund support, identified as APF support used in the management, administration and operation of more than one MWR program, however, that support or cost is not easily nor readily identifiable to a specific MWR program.

Some examples of APF common support would include: managerial operational functions and positions at an installation, major command or Service, executive and upper management supervision that is functionally located above the operating program manager level and having responsibility for several MWR programs; an installation’s civilian personnel functions; and central accounting office functions.

5. The OP-34 Exhibits must be submitted for the OSD/OMB budget submission each year. The OP-34 exhibit should also be included in the congressional justification books (Volume II - Data Book) each year.

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities  
(Page 1 of 7)
### Appropriated Fund Support for Morale, Welfare and Recreation Activities (MWR)

($ in Thousands)

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**Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities**

(Page 2 of 7)
Exhibit OP-34(MWR) Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities (Continued)

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### APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

**($ in Thousands)**

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**MISSION SUSTAINING PROGRAMS**

A.1 Armed Forces Prof.
   Entertainment O/S
   $______ | $______ | $______ | $______ | $______ | $______ | $______ |

A.2 Physical Fitness
   $______ | $______ | $______ | $______ | $______ | $______ | $______ |

A.3 Free Admission Motion Picture
   $______ | $______ | $______ | $______ | $______ | $______ | $______ |

A.4 Libraries (REC)
   $______ | $______ | $______ | $______ | $______ | $______ | $______ |

A.5 Rec Centers Prog.
   $______ | $______ | $______ | $______ | $______ | $______ | $______ |

A.6 Parks/Picnic areas
   $______ | $______ | $______ | $______ | $______ | $______ | $______ |

A.7 Shipboard/Company/
   Unit level prog./activities
   $______ | $______ | $______ | $______ | $______ | $______ | $______ |

A.8 Sports/Athletics-self
directed, unit level
   and intramural
   $______ | $______ | $______ | $______ | $______ | $______ | $______ |

Common Support
   $______ | $______ | $______ | $______ | $______ | $______ | $______ |

TOTAL APF SUPPORT
   $______ | $______ | $______ | $______ | $______ | $______ | $______ |

Direct
   $______ | $______ | $______ | $______ | $______ | $______ | $______ |

Indirect
   $______ | $______ | $______ | $______ | $______ | $______ | $______ |

**Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities**

*Page 4 of 7*
## Appropriated Fund Support for Morale, Welfare and Recreation Activities (MWR)

### Provide for PY, CY, & BY

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### Basic Community Support Programs

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<td>Supp Program/Resource &amp; Referral/Other</td>
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<table>
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<tr>
<th>B.2 Youth Activities</th>
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<td>B.3 Community Programs</td>
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<tr>
<td>Cable/Community TV</td>
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<td>Rec/tickets/tour</td>
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<tr>
<td>Rec Swimming</td>
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<td>B 4 Outdoor Recreation</td>
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<td>Outdoor Recreation</td>
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<td>Outdoor Rec Equip Checkout</td>
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<td>Boating w/o Resale</td>
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<td>Camping (Primitive)</td>
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<td>Riding Stables (Gov't owned/ or Leased)</td>
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<table>
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<th>B.5 Individual Skill Recreation</th>
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<td>Amateur Radio</td>
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<td>Performing Arts</td>
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<td>Arts and Crafts</td>
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<td>Automotive Crafts</td>
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<td>Bowling &lt;12 lanes</td>
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<th>B.6 Sports Programs</th>
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<td>(Above Intramural)</td>
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<td>TOTAL APF SUPPORT</td>
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<tr>
<td>Direct</td>
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<tr>
<td>Indirect</td>
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Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities Page 5 of 7)
## Appropriated Fund Support for Morale, Welfare and Recreation Activities (MWR)

($ in Thousands)

<table>
<thead>
<tr>
<th>MWR Category</th>
<th>Appropriations</th>
<th>Total APF Oper.</th>
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<th>Total APF Spt</th>
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<td><strong>Revenue-Generating Programs</strong></td>
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<td>C.1 Food, Beverage, &amp; Entertainment</td>
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<td>Joint Service/Armed Forces/Serv Rec Ctrs</td>
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Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities (Page 6 of 7)
**APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)**

($ in Thousands)

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<th>Provide for PY, CY, &amp; BY</th>
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<th>Total APF Oper.</th>
<th>Mil Constr.</th>
<th>Total APF Spt</th>
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Exhibit OP-40 Ship Fuel and Operating Tempo Data

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<th>Department of the Navy</th>
<th>OPERATION AND MAINTENANCE, NAVY/NAVY RESERVE</th>
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<td>SHIP FUEL AND OPERATING TEMPO DATA</td>
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<th>Deployed Fleet</th>
<th>Non-Deployed Fleet</th>
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<td>FY PY</td>
<td>FY CY</td>
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<td><strong>Operating Tempo</strong></td>
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<tr>
<td>(Hours/Quarter)</td>
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**Conventional**
- Total Steaming Hours
- Cost of Fuel Consumed ($000)

**Nuclear**
- Total Steaming Hours
- Cost of Fuel Expended ($000)

At the end of the OP-40 exhibit, provide a memo entry reflecting the amounts provided or programmed in support of the drug interdiction program for conventional and nuclear ships.
Exhibit OP-41 Ship Operations Program

### Exhibit OP-41

**Ship Operations**

**Operation and Maintenance**, Component

<table>
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<tr>
<th>SBN Weapon System, Underline</th>
<th>PY-1</th>
<th>PY</th>
<th>CY</th>
<th>BY</th>
<th>BY+1</th>
<th>BY+2</th>
<th>BY+3</th>
<th>BY+4</th>
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<td>sum of all reported by SAG and PE</td>
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<td>Ship Op Months Funded Weapon System Detail</td>
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<td>Repair Parts1 (SR) Weapon System Detail</td>
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<td>Consumables (SO) Weapon System Detail</td>
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<td>sum of all reported by SAG and PE</td>
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<td>Nuclear Fuel (SN) Weapon System Detail</td>
<td>sum of all reported by SAG and PE</td>
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<td>Charter (SC) Weapon System Detail</td>
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<tr>
<td>Other (NSI) Weapon System Detail</td>
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</table>

**Total Funded**

Sum all funded types above, **Bold**

**Total Requirement**

sum of all reported by SAG and PE, **Bold**

Instructions for creating the display

The OP-41 data will be **submitted via the Select and Native Programming Data Input System (SNaP) located at** [https://snap.pae.osd.mil](https://snap.pae.osd.mil). **The most current version of this exhibit will be found at this site.** Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-20 should be referred to (703) 697-2609. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-30S should be referred to the Operations Directorate at OPSDirectorate@osd.mil. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-7825. Technical questions regarding SNaP should be referred to the Information Management and Analysis Group (703) 604-6349.

1) Display the Organization and Component under the report title
2) For each Weapon System display the weapon system detail as organized above
3) Sum all weapon detail reported by SAG and PE at weapon system level

**Crystal Reports Sort Order:** Organization, Component then Weapon System

**Data Center:** Operations and Support, Program/Budget

**Data Source:** SNaP

**Database Requirement:** One XLS of all data for all organizations as provided-- no calculations

Exhibit OP-41 Ship Operations

(Page 1 of 3)
OP-41 Ship Operations Program

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<th>SAG</th>
<th>Program Element</th>
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<th>CY</th>
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<td>Starter List Provided in SNaP to be updated by owning org</td>
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</table>

Instructions for Completing the Weapon Systems Readiness Database--Ship Operations

1) For Navy only, provide the funding level--by Active and Reserve--for Ship Operations as defined by the Budget Exhibit OP-41 (described in the DoD Financial Management Regulation). Identify the relevant Navy SAG for Ship Operations.
2) If OPTEMPO Types are constant for all ships across the program, provide narrative in a word document explaining why.

Definitions:

Organization: The POM reporting entities directed to submit this data requirement. For a complete list of organizations see by data requirement see Appendix A of the PDR.
Component: Active, Guard, and Reserve
SAG: Sub-Activity Group, budget term denoting groupings of resources e.g., Navy SAG: 1B1B.
Program Element: Identify the PE containing the weapon system described by the detail.
Weapon System Type: Provide Ship Type detail for the weapon system described by the detail.
OP-41 Ship Operations Program (Continued)

**Weapon System Detail:**
- Quantity: Identify the number of ships per Ship Type used to determine the steaming days program funding.
- Steaming Days: This OPTEMPO Type is the number of steaming days per Ship per Quarter for Deployed and Non-Deployed for both required and funded. For inventory, PEs will be pulled from the Forces FYDP and compared to the Inventory values provided by the Navy.
- Ship Operational (Op) Months: This OPTEMPO Type is the number of months a ship is “operational” (i.e., not in a major repair period).
- Funded: Identify funding level for Repair Parts (including reparable parts), Fuel, Consumables, Utilities, Nuclear Fuel, Charter and Other using the OP-41 guidelines, generally defined by Navy Special Interest Codes.
- Total TOA Required: Provide total TOA required to meet the funded steaming days.

**Technical Issues:** If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the email link at the web site.
Exhibit OP-50 Units by Program Element

Program Element: _______________________

<table>
<thead>
<tr>
<th></th>
<th>PY-1 Actuals</th>
<th>PY Actuals</th>
<th>CY Estimate</th>
<th>BY Estimate</th>
<th>BY+1 Estimate</th>
<th>BY+2 Estimate</th>
<th>BY+3 Estimate</th>
<th>BY+4 Estimate</th>
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</thead>
</table>

**Program Units**
- Forces Wings
- Forces Squadrons
- Unit Equipment
- Flying Hour Total
- Manpower (End Strength)
  - Officers
  - Enlisted
  - Academy Cadets
  - Total Military Personnel
  - U.S. Direct Hire
  - FN Direct Hire
  - FN Indirect Hire
  - Total Civilian Personnel

**Manpower (Average Strength/FTE)**
- Officers
- Enlisted
- Academy Cadets
- Total Military Personnel
- U.S. Direct Hire
- FN Direct Hire
- FN Indirect Hire
- Total Civilian Personnel

**Cost Data**
- Operation and Maintenance
  - Provide by DoD Element of Expense
  - Total Operation and Maintenance

Total Military Personnel

Total O&M and Military Personnel

This Exhibit should be provided for:
1. Total Operations Air Force
2. Major Force Program
3. Program Element

Exhibit OP-50 Units by Program Element
Exhibit OP-58 Analysis of Aircraft POL

### Operation and Maintenance, Air Force
### ANALYSIS OF AIRCRAFT POL
### ($ in Thousands)

#### Analysis of Aircraft Petroleum, Oil and Lubricants (POL)

<table>
<thead>
<tr>
<th>A. Flying Hour Program Requirements:</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
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<td>1. Number of Flying Hours</td>
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<td>3. Funding for Flying Hour Program</td>
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<td>a. Active Forces (excl. FGO and SOF)</td>
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<tr>
<td>b. Foreign Gov’t Owned</td>
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</table>

| B. Non-Fly                          |       |       |       |

| C. Special Fuels                    |       |       |       |

<p>| D. Grand Total-Aircraft POL         |       |       |       |
| 1. Direct                           |       |       |       |
| 2. Reimbursements                   |       |       |       |</p>
<table>
<thead>
<tr>
<th>Major Force Program:</th>
<th>FY PY QTY(bbls)</th>
<th>Cost</th>
<th>FY CY QTY(bbls)</th>
<th>Cost</th>
<th>FY BY QTY(bbls)</th>
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<td>10. Support of Other Nations</td>
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</table>

Exhibit OP-58 Analysis of Aircraft POL

(Page 2 of 2)
### Operation and Maintenance
#### Repair Parts, Army Reserve Components 1/
\[ \text{($ in Millions)} \]

<table>
<thead>
<tr>
<th>ITEM</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
<th>FY BY+1</th>
<th>FY BY+2</th>
<th>FY BY+3</th>
<th>FY BY+4</th>
</tr>
</thead>
</table>
1. Backlog carried forward from prior years: 
   Less: 
   2. Backlog of obsolete parts: 
   Add: 
   3. Inflation: 
   4. Adjusted prior year backlog: 
   Add: 
   5. Recurring requirements: 
      a. Annual consumption: 
      b. Change in equipment inventories: 
      c. Change in stockage levels: 
   6. Nonrecurring requirements: 
      a. Force modernization initiatives: 
      b. Introduction of other new equipment: 
   7. Total funding required: 
   Less: 
   8. Funds budgeted for repair parts: 
   9. Backlog, end of year: 

---

Exhibit OP-73 Repair Parts, Army Reserve Components

(Page 1 of 2)
INSTRUCTIONS FOR COMPLETION OF OP-73

1. **Backlog carried forward from prior years** - unfunded requirements at the end of the previous fiscal year.

2. **Backlog of obsolete parts** - backlog of repair parts associated with equipment that is being retired from the Reserve Forces.

3. **Inflation** - backlog carried over from prior years less backlog associated with equipment being retired from the Reserve Forces times the OSD rate for “general purchases inflation--O&M” or the Defense Working Capital Fund, whichever is applicable.

4. **Adjusted prior year backlog** - backlog carried over from prior years less backlog associated with equipment being retired from the Reserve Forces plus inflation (1-2+3)

5. **Recurring requirements** - annual repair parts requirements to support equipment fielded in previous years.
   
   a. **Annual consumption** - those parts consumed annually to support weapons systems fielded in previous years.
   
   b. **Change in equipment inventories** - increases or decreases in annual consumption requirements necessary to reflect changes in equipment inventory levels (e.g., retirement of equipment).
   
   c. **Change in stockage levels** - increases or decreases in requirements due to changes in the level of repair parts support required annually for a particular equipment.

6. **Nonrecurring requirements** - one time requirements associated with introduction of new equipment to the Reserve Force.
   
   a. **Force modernization initiatives** - initial inventory of repair parts associated with fielding of force modernization systems.
   
   b. **Introduction of other new equipment** - introduction of other equipment not previously provided to the Reserve Force.

7. **Total funding required** - adjusted prior year backlog plus recurring requirements and nonrecurring requirements.

8. **Funds budgeted for repair parts** - amount budgeted for repair parts each year.

9. **Backlog, end of year** - “total funding required” less “funds budgeted for repair parts”.

---

**Exhibit OP-73 Repair Parts, Army Reserve Components**

(Page 2 of 2)
Exhibit OP-78 Force Structure Data

**OPERATION AND MAINTENANCE**  
**FORCE STRUCTURE DATA**

<table>
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<tr>
<td>BY+4</td>
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</table>

**INSTRUCTIONS**

Report force structure for each model/design/series (MDS) aircraft within each program element. Also identify the command to which the equipment is assigned and the purpose code for the equipment. The force structure should be reported at end of year for the prior year and the outyears and at the end of each quarter for the current year and the budget year (BY). Totals should be provided for MDS and each PE.

Separate exhibits are required for Active Air Force, Air Force Reserve, and Air National Guard.

Exhibit OP-78 Force Structure Data
Exhibit OP-80 Aircraft Repair/Modification and Engine Overhaul

### AIRCRAFT REPAIR/MODIFICATION AND ENGINE OVERHAUL
### OPERATION AND MAINTENANCE, _________________

Aircraft Type/Summary _________________

<table>
<thead>
<tr>
<th>Number Of Aircraft</th>
<th>Depot Hours</th>
<th>Cost ($ in Thousands)</th>
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</thead>
<tbody>
<tr>
<td>PY</td>
<td>CY</td>
<td>BY</td>
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</table>

ACI Tasks
PDM Tasks
Strip/Paint
Other

Total

Depot Rates Per Hour

Provide a brief explanation of changes between the CY and BY. Summary totals should agree with the OP-30.
AIRCRAFT REPAIR/MODIFICATION AND ENGINE OVERHAUL
OPERATION AND MAINTENANCE, ____________
Engine Overhauls/Other Depot Maintenance

<table>
<thead>
<tr>
<th>Engine Type</th>
<th>Number Of Engines</th>
<th>Depot Hours</th>
<th>Cost ($ in Thousands)</th>
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<td>BY</td>
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<td>Total</td>
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Depot Rates Per Hour

Provide an explanation of changes between the CY and the BY. Totals should agree with the OP-30.
Exhibit OP-81 O&M Monthly Obligation Phasing Plan

**Monthly Obligation PHASING Plan**

**Current year (CY)**

Appropriation: _______________________
Component: _________________________

Total Obligation Authority
(Dollars in Thousands)

<table>
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<tr>
<th>Budget Activity</th>
<th>Subactivity Description</th>
<th>Group</th>
<th>Description</th>
<th>OCT</th>
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<th>DEC</th>
<th>JAN</th>
<th>FEB</th>
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Directions: For each appropriation in the Operation and Maintenance Title, submit a monthly phased obligation plan by Subactivity Group.
Definitions:

Appropriation: Submit a separate exhibit for each appropriation in the O&M Title. Enter the name of the appropriation in this line.

Component: DoD Component that is the holder of the appropriation.

Total Obligation Authority (TOA): Provide the phased obligation plan for anticipated current year (CY) obligation authority using the TOA as shown in the Comptroller Information System (CIS).

Budget Activity: The phased monthly obligation plan by Budget Activity matching the Budget Activity TOA shown in CIS.

Subactivity Group: Provide all phased monthly obligation plans by relevant Subactivity Group. Totals for Subactivity Groups should reconcile to the phased monthly obligation plan by Budget Activity matching the Budget Activity TOA shown in CIS.

Month: Enter the estimated monthly obligations.

Cum.: Enter the cumulative obligations (current month’s obligations plus the sum of previous month’s obligations).
Exhibit PBA-2 Air Operations

<table>
<thead>
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<th>AIR OPERATIONS COMPONENT TITLE</th>
<th>FY PY Actual</th>
<th>Price Change</th>
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(Report on this exhibit all flying hours costs direct funded in the O&M appropriations including those funded in the Air Operations Activity Groups as well as those funded in the flying hour programs of the Army, USSOCOM, and the Defense Health Program. Include all other direct funded flying hour-related costs (fuel, supplies/DLRs, consumables). Do not include indirect support costs such as Base Operations, Facilities Sustainment Repair and Modernization etc. Price and Program changes should agree with those on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5.)

**Description of Operations Financed:** (Provide an explanation of the air operations financed by each Component. Break out each component by Budget Activity, Activity Group, and Subactivity Group. List each subactivity group for Air Operations Activity Groups and include separate lines for Mobility Operations, Training Operations, and Other to identify all the flying hour-related costs (fuel, supplies/DLRs, depot maintenance) included in all other Activity Groups that are direct funded in the O&M appropriation. See example below.)

Budget Activity 1
- Activity Group: Air Operations
  - Mission/Flight Operations
  - Intermediate Maintenance

Budget Activity 3
- Activity Group: Basic Skills and Advance Training
  - Flight Training
  - Training Support
  - Total

Exhibit PBA-2 Air Operations (Page 1 of 3)
<table>
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<tr>
<th>COMPONENT TITLE</th>
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<th>FY PY Change</th>
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<th>FY CY Change</th>
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Exhibit PBA-2 Air Operations
(Page 2 of 3)
### AIR OPERATIONS

**COMPONENT TITLE**

*(Cont’d)*

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</tbody>
</table>

**Narrative Explanation of Changes:** *(Explain/describe/narrate by subactivity, the major program changes reflected in the budget (for $ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Explain changes in price and program from the current estimate (CY) to the BY, as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). Identify on the bottom of the exhibit the preparation date and a point of contact (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit. Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5), Analysis of Flying Hour Program (OP-20), Funding for Depot Level Reparables (OP-31), and Special Operations Forces (OP 52).)*

**DATE PREPARED:**

**POC:**

**TELEPHONE:**

---

Exhibit PBA-2 Air Operations

*(Page 3 of 3)*

3-181
Exhibit PBA-3 Ship Operations

<table>
<thead>
<tr>
<th>SHIP OPERATIONS COMPONENT TITLE</th>
<th>($) in Millions</th>
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<td>Price Change</td>
<td>Program Change</td>
</tr>
<tr>
<td>FY BY Estimate</td>
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</table>

**Appropriation Summary**

**Active Forces**

(List by subactivity group Operation and Maintenance, Navy funding for Activity Group Ship Operations. Total O&M,N funding (including price and program changes) must match the O-1 total for Ship Operations.)

**Reserve Forces**

(List by subactivity group Operation and Maintenance, Navy Reserve funding for Activity Group Ship Operations. Total O&M,NR funding (including price and program changes) must match the O-1 total for Ship Operations.)

**Grand Total**

**Description of Operations Financed:** (Provide narrative explanation of activities included and succinctly describe significant price and program changes from the current year (CY) to budget year (BY) for each subactivity group.)

**PROGRAM DATA**

(Provide applicable program data and explain program changes.)

**Ship Inventory (End of Year)**

Navy Active
MSC Charter/Support
Battle Force Ships (Active)

Reserve Battle Force
Reserve Non Battle Force

Battle Force Ships (Active plus Reserve Battle Force)
### Battle Force Ships Inventory Adjustments by Category

Between FY CY and FY BY

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<tr>
<th>Category</th>
<th>FY CY Inventory</th>
<th>Gains</th>
<th>Losses</th>
<th>FY BY Inventory</th>
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<tr>
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Exhibit PBA-3 Ship Operations
(Page 2 of 4)
**SHIP OPERATIONS COMPONENT TITLE**  
(Con’t)

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<th>FY CY Estimate</th>
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Note: Deployed Operating Months (%) captures the ratio of deployed months to the total number of operating months. This illustrates trends in the employment of the fleet and is normalized to account for fluctuations in repair schedule or force structure changes.
Instructions

Reflect program data under “Description of Operations Financed” and “Program Data” sections.

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the Current Year (CY) and Budget Year 1 (BY) by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. Explanation of price and program changes should be provided separately for the Active Fleet as well as the Reserve Fleet. Include all other direct ship operations related costs (fuel, supplies/DLRs, consumables). Do not include indirect support costs such as Base Operations, Facilities Sustainment Repair and Modernization etc.

Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the OP-5 (performance criteria), Ship Fuel Data and OPTEMPO Data (OP-40), Ship Operating Cost Data (OP-4), Funding for Depot Level Reparables (OP-31), and Special Operations Forces (OP-52).

Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-3 Ship Operations
(Page 4 of 4)
Exhibit PBA-4 Land Forces

**LAND FORCES**
**COMPONENT TITLE**
($ in Millions)

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<th>Program Change</th>
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**Appropriation Summary**
List by Budget Activity, Activity Group, and Subactivity Group.

**Description of Operations Financed:** Provide a narrative explanation of the land operations financed by each Component. List each subactivity group and include separate descriptions for each functional program within the subactivity group. Identify land forces operating costs by major category of costs (repair parts, fuel, contractor logistics support, etc.) and explain changes for specific program increases/decreases (for $ provide in nearest tenth of a million).

**PROGRAM DATA**

**ARMY Ground Operating Tempo (OPTEMPO) MILES**

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<th>FY-BY T-1/T-2</th>
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<tbody>
<tr>
<td>Reqmnt Actual</td>
<td>Reqmnt Budgeted</td>
<td>Reqmnt Budgeted</td>
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**Live Training (Home Station & National Training Center)**
OPTEMO Miles
Current Funding Estimate

**Virtual Training (Close Combat Tactical & Unit Conduct of Fire Trainers)**
OPTEMO Miles
Current Funding Estimate

**Other Training (be specific)**
OPTEMO Miles
Current Funding Estimate

**Total Ground OPTEMPO (Must equal the sum of Live, Virtual, and Other categories above.)**
OPTEMO Miles
Current Funding Estimate (Must total the President’s Budget estimates.)

Exhibit PBA-4 Land Forces

(Page 1 of 3)
## LAND FORCES

### COMPONENT TITLE (Con’t)

### MARINE CORPS COMBAT READY DAYS

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<td>Budgeted</td>
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</table>

Funds Allocated to Training & Equipment ($M)
Combat Ready Days-Equipment & Training (CRED-ET)
Cost per CRED-ET ($000)
Total Possible CRED-ETs
% Achieved

### PERSONNEL DATA

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<thead>
<tr>
<th>FY-PY</th>
<th>FY-CY</th>
<th>FY-BY</th>
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</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Change</td>
<td>Estimate</td>
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**Active Force Personnel**
- Officer
- Enlisted
- Total

**Selected Reserve and Guard Personnel**
- Officer
- Enlisted
- Total

**Civilian Personnel**
- U.S. Direct Hires
- Foreign National Direct Hire
- Total Direct Hire
- Foreign National Indirect Hire
- Total

Exhibit PBA-4 Land Forces
(Page 2 of 3)
**Narrative Explanation of Changes:**
Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. For program and personnel data, explain the changes in terms of programs affected and identify changes in functional requirements. Include all other direct funded land forces-related costs (fuel, supplies/DLRs, consumables). Do not include indirect support costs such as Base Operations, Facilities Sustainment Repair and Modernization etc.

Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Subactivity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits). Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits as appropriate. In addition, the data contained in the O&M Overview should be consistent with the data reported in the performance criteria of the Detail by Subactivity Group (OP-5).

Identify on the bottom of the exhibit preparation date and a point-of-contact who is knowledgeable about the content of the data reflected on the exhibit, as well as a telephone number for the individual.
Exhibit PBA-5 Depot Maintenance

**DEPOT MAINTENANCE PROGRAM**  
COMPONENT TITLE  
($ in Millions)

<table>
<thead>
<tr>
<th>Executable Rqmt*</th>
<th>Executable Rqmt*</th>
<th>Funded Rqmt</th>
<th>Executable Rqmt*</th>
<th>Executable Rqmt*</th>
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<td>Rqmt</td>
<td>Funded</td>
<td>Executable</td>
<td>Deferred</td>
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</table>

*Requirements

**Description of Operations Financed:** (Provide a narrative explanation of activities included.)

**Operation & Maintenance** (2)

- Aircraft
- Combat Vehicles
- Ships (3)
- Other (Specify)
  - Missiles, Software, Ordnance, Other end-item maintenance, other

**Total**

1. Follow the general guidelines that apply to the OP-30 Exhibit, Chapter 3 of the DoD Financial Management Regulation.
2. Indicate appropriation (Army, Army Reserve, etc.). Show amounts for each appropriation separately.
3. Navy and Navy Reserve only. Ship maintenance for all other Components should be included in "Other".

% of Requirement Funded

$ in Millions
DEPOT MAINTENANCE PROGRAM
COMPONENT TITLE
($ in Millions)

**Narrative Explanation of Changes:** Show changes in the funded requirement by price and program using the following format:

<table>
<thead>
<tr>
<th>Category</th>
<th>FY PY Actual</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY CY Price Estimate</th>
<th>Program Change</th>
<th>FY BY Estimate</th>
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</tbody>
</table>

Succinctly explain any program change of plus or minus $5 million in any category (for $ provided in nearest tenth of a million) between the current year (CY) and the budget year (BY). Relate the change to the number of units if applicable. For example, “Aircraft depot maintenance increase of $11.2 million funds an additional ten airframes required because of the increasing average age of the aircraft inventory.” Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19 exhibit). In addition, data contained in the O&M Overview should match the data reported in other budget justification material such as the OP-5 and the OP-30 exhibits. Identify on the bottom of the exhibit preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.
Exhibit PBA-7 Facilities Sustainment and Restoration/Modernization and Demolition Programs

<table>
<thead>
<tr>
<th>COMPONENT TITLE</th>
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<tr>
<td>Actual¹/</td>
<td>OCO Funding²/</td>
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<td>FY PY</td>
<td>FY CY</td>
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**Appropriation Summary**

- Military Personnel³/  
- Operation and Maintenance⁴/  
- Defense Health Program  
- RDT&E  
- Revolving Funds  
- Military Construction  
- Host Nation Support⁵/  
- Non-Federal Domestic Funding⁶/  

**TOTAL**

**Description of Operations Financed:**

**Sustainment** – Component should provide a detailed description of resources supporting sustainment. Include relevant data such as number of facilities or installations.

**Restoration/modernization** – Component should provide a detailed description of resources supporting sustainment.

**Demolition.** Component should provide a detailed description of resources supporting sustainment.
**PROGRAM DATA**

($ in Thousands)

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Facilities Sustainment $ 

**Appropriation Summary**

- Military Personnel
- Operation and Maintenance
- Defense Health Program
- RDT&E
- Revolving Funds
- Military Construction
- Host Nation Support
- Non-Federal Domestic Funding

**TOTAL**

**Category Summary**

- Life Safety/Emergency repairs $ 
- Critical infrastructure maintenance $ 
- Admin facilities/Headquarters maint $ 
- Other preventive maintenance $ 

Facilities Sustainment Model Requirement $ 

Component Sustainment Metric % 

Department Sustainment Goal % 

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Exhibit PBA-7 Facilities Sustainment and Restoration/Modernization and Demolition Program (Page 2 of 5)
<table>
<thead>
<tr>
<th>Category Summary</th>
<th>FY PY Actual</th>
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| Plant Replacement Value of               |              |             |              |             |                |
| Inventory Recapitalized                  |              |             |              |             |                |

| Demolition Costs                         |              |             |              |             |                |
| Total<sup>8/</sup>                       |              |             |              |             |                |

Exhibit PBA-7 Facilities Sustainment and Restoration/Modernization and Demolition Program (Page 3 of 5)
**Narrative Explanation of Changes:** Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

### PERSONNEL DATA

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</table>

**DATE PREPARED:**

**POC:**

**TELEPHONE:**

---

Exhibit PBA-7 Facilities Sustainment and Restoration/Modernization and Demolition Program

(Page 4 of 5)
1/ Should include Overseas Contingency Operations (OCO) funding and Title IX funds.

2/ Memo entry which reflects any Overseas Contingency Operations funding received or requested. Metric data does not need to be provided for this entry, only provide funding levels.

3/ Use 49% of any military pay appropriations programmed in the facilities sustainment FYDP program elements.

4/ Total funding for Facilities Sustainment and Restoration/Modernization must be consistent with estimates identified for the Facilities Sustainment and Restoration/Modernization subactivity group in the automated OP-32 submit.

5/ Include any sustainment funding received or expected from foreign governments or international organizations.

6/ Include any sustainment funding received or expected from state governments or other domestic entity.

7/ Should reflect requirement generated from the Facility Sustainment Model.

8/ Displayed as percent of requirement funded. Component must provide explanation for variances greater or less than 5% from the Department goals for sustainment and recapitalization. Definitions for sustainment and recapitalization metrics can be found in Chapter 8, Facilities Sustainment and Restoration/Modernization.

9/ Should match appropriation summary. Must also be consistent with information contained within the Facilities Data Quality Assurance application.
Exhibit PBA-8 Training and Education

<table>
<thead>
<tr>
<th>COMPONENT TITLE</th>
<th>($ in Millions)</th>
<th>FY PY Actual</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY CY Estimate</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY BY Estimate</th>
</tr>
</thead>
</table>

**Appropriation Summary:**
Operation and Maintenance, **SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.**

**Description of Operations Financed:** (List each subactivity group and include separate descriptions for each functional program within the subactivity group.)

**Individual Training by Category by Service**

<table>
<thead>
<tr>
<th>($ in Millions)</th>
<th>FY PY Actual</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY CY Estimate</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY BY Estimate</th>
</tr>
</thead>
</table>

**Recruit Training**
- Army (1)
- Navy
- Marine Corps
- Air Force
- Total

**Specialized Skill Training**
- Army
- Navy
- Marine Corps
- Air Force
- Defense Health Program
- SOCOM
- Total

**Professional Development**
- Army
- Navy
- Marine Corps
- Air Force
- Defense Health Program
- SOCOM
- Defense-Wide (i.e. AFIS, DAU, DFAS, DHRA, DTRA, and DSS)
- Total
### TRAINING AND EDUCATION COMPONENT TITLE

($ in Millions)

<table>
<thead>
<tr>
<th></th>
<th>FY PY Actual</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY CY Estimate</th>
<th>Price Change</th>
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<tr>
<td>Marine Corps</td>
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<td>Air Force</td>
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<td>SOCOM</td>
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</tr>
</tbody>
</table>

(1) Includes Army One Station Unit Training (OSUT).
(2) Includes Uniformed Services University of Health Sciences (USUHS).
(3) Includes Base Operations and Real Property Maintenance in support of training.

Exhibit PBA-8 Training and Education

(Page 2 of 4)
### TRAINING AND EDUCATION

**COMPONENT TITLE**

(Hours in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY PY Actual</th>
<th>Change</th>
<th>FY CY Estimate</th>
<th>Change</th>
<th>FY BY Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flying Hours (Include hours flown in Flight Training.)</td>
<td></td>
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<tr>
<td>Army</td>
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<tr>
<td>Navy</td>
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<td>Air Force</td>
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</tbody>
</table>

### (Student/Trainee Workyears)


<table>
<thead>
<tr>
<th></th>
<th>FY PY Actual</th>
<th>Change</th>
<th>FY CY Estimate</th>
<th>Change</th>
<th>FY BY Estimate</th>
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</thead>
<tbody>
<tr>
<td>Recruit Training</td>
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<tr>
<td>One Station Unit Training</td>
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<td></td>
</tr>
<tr>
<td>Specialized Skill 2/</td>
<td></td>
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<tr>
<td>Officer Acquisition 3/</td>
<td></td>
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<tr>
<td>Flight Training</td>
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</tr>
<tr>
<td>Professional Development</td>
<td></td>
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</tr>
</tbody>
</table>

Exhibit PBA-8 Training and Education

(Page 3 of 4)
TRAINING AND EDUCATION
COMPONENT TITLE

1/ Training workload should agree with the Military Manpower Training Report (MMTR) and reflect direct and reimbursable workload associated with the dollars reported under training and education.

2/ Specialized skill includes initial skill, skill progression, and functional training for both officer and enlisted.

3/ Officer Acquisition includes Service academies, Platoon Leaders Course, Officer Candidate/Training Schools, and other enlisted commissioning programs. Also includes USUHS and the Health Professional Scholarship Program.

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19). Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-8 Training and Education
(Page 4 of 4)
Exhibit PBA-9 Defense Health Program

**DEFENSE HEALTH PROGRAM COMPONENT TITLE**

<table>
<thead>
<tr>
<th>FY PY</th>
<th>Price</th>
<th>Program</th>
<th>FY CY</th>
<th>Price</th>
<th>Program</th>
<th>FY BY</th>
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<td>Actual</td>
<td>Change</td>
<td>Change</td>
<td>Estimate</td>
<td>Change</td>
<td>Change</td>
<td>Estimate</td>
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Operation and Maintenance Procurement
RDT&E
Total Defense Health Program

**Description of Operations Financed:** (Provide narrative explanation of activities)

**WORKLOAD AND PERFORMANCE INDICATORS**

<table>
<thead>
<tr>
<th>FY PY</th>
<th>Change</th>
<th>FY CY</th>
<th>Change</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td></td>
<td>Estimate</td>
<td></td>
<td>Estimate</td>
</tr>
</tbody>
</table>

**Direct Care System**
- Hospitals/Medical Centers
- Operating Beds
- Medical Clinics

**Inpatient Admissions (000)**
- Occupied Bed Days (000)
- Inpatient Relative Weighted Product (WPGs)
- Ambulatory Visits (000)
- Average Length of Stay (Days)
- Outpatient Relative Value Units (RVUs)
- Outpatient Ambulatory Patient Groups (APGs)

**Private Sector Workload**

**Managed Care Support Contracts (TRICARE Prime)**
- Inpatient Admissions (000)
- Inpatient Relative Weighted Product (RWP)
- Outpatient Visits (000)
## Defense Health Program

### Component Title

#### Workload and Performance Indicators

<table>
<thead>
<tr>
<th>FY</th>
<th>PY</th>
<th>Actual</th>
<th>Change</th>
<th>FY</th>
<th>CY</th>
<th>Estimate</th>
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<th>BY</th>
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<td>Estimate</td>
<td>Change</td>
<td>FY</td>
<td>BY</td>
<td>Estimate</td>
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</table>

**TRICARE Extra/Standard**
- Inpatient Admissions (000)
- Inpatient Relative Weighted Product (RWPs)
- Outpatient Visits (000)

**Overseas CHAMPUS**
- Inpatient Admissions (000)
- Inpatient Relative Weighted Product (RWPs)
- Outpatient Visits (000)

**Training Workloads**
- USUHS
- Other Education and Training
- Health Professionals Scholarship Program/
  Financial Assistance Program

**Managed Care Support (MCS) Contracts (000)**
- Total CHAMPUS Eligibles
- Total CHAMPUS Users

---

Exhibit PBA-9 Defense Health Program

(Page 2 of 4)
<table>
<thead>
<tr>
<th>Component Title</th>
<th>FY PY Actual</th>
<th>Change</th>
<th>FY CY Estimate</th>
<th>Change</th>
<th>FY BY Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Active Force Personnel</strong></td>
<td>End Strength</td>
<td>Officer</td>
<td>Enlisted</td>
<td>Cadets</td>
<td>Total</td>
</tr>
<tr>
<td><strong>Selected Reserve and Guard Personnel</strong></td>
<td>End Strength</td>
<td>Officer</td>
<td>Enlisted</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td><strong>Civilian Personnel</strong></td>
<td>Full-Time Equivalents</td>
<td>U.S. Direct Hires</td>
<td>Foreign National Direct Hire</td>
<td>Total Direct Hire</td>
<td>Foreign National Indirect Hire</td>
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</table>
### Defense Health Program

#### Component Title

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<thead>
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<th>Eligible Beneficiary Population (000)</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
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<td>Estimate</td>
<td>Change</td>
</tr>
<tr>
<td>Active Duty Personnel</td>
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<tr>
<td>Dependents of Active Duty Personnel</td>
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<tr>
<td>Dependents of Retirees Under 65</td>
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<td>Retirees Under 65</td>
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<td>Beneficiaries Over 65</td>
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<tr>
<td>Total</td>
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</table>

<table>
<thead>
<tr>
<th>User Population (000)</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Change</td>
<td>Estimate</td>
<td>Change</td>
</tr>
<tr>
<td>Active Duty Personnel</td>
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<tr>
<td>Dependents of Active Duty Personnel</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Dependents of Retirees Under 65</td>
<td></td>
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</tr>
<tr>
<td>Retirees Under 65</td>
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<td>Beneficiaries Over 65</td>
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<tr>
<td>Total</td>
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</tbody>
</table>

#### Program Narrative Explanation of Changes

For all DHP, O&M programs, provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2 by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and OP-5 exhibits and with data included in other justification material. Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

**NOTE:** Procurement, RDT&E and Major OT&E justification material should be presented in accordance with the requirements in the applicable chapters of the Financial Management Regulation.

**NOTE:** Information on this exhibit must be consistent with information on PB 11, PB 11A, and PB 11B (Defense Health Program Summary Data).

---

Exhibit PBA-9 Defense Health Program

(Date and page information)
Exhibit PBA-10 Base Operations Support

<table>
<thead>
<tr>
<th>BASE SUPPORT COMPONENT TITLE</th>
<th>($ in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY PY Actual</td>
<td>Price Change</td>
</tr>
</tbody>
</table>

**Appropriation** (Submit a separate exhibit for each O&M appropriation.)

Operation and Maintenance, ______________ (Breakout by Base Support subactivity group (SAG).)

- SAG ______
- SAG ______
- Etc.

Total Base Support (The total funding must match the sum of all Base Support SAGs identified in the O-1 exhibit.)

**Description of Operations Financed** - Discuss by BOS functional categories. Note that Facilities Sustainment and Restoration/Modernization (FSRM) functions are excluded from this exhibit. The FSRM functions are reflected in Exhibit PBA-7. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Subactivity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19 exhibit).

**PROGRAM DATA**

<table>
<thead>
<tr>
<th>Number of Installations</th>
<th>FY PY CONUS</th>
<th>Overseas</th>
<th>FY CY CONUS</th>
<th>Overseas</th>
<th>FY BY CONUS</th>
<th>Overseas</th>
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</thead>
<tbody>
<tr>
<td>Active Forces</td>
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<tr>
<td>Reserve Forces</td>
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</table>

**Narrative Explanation of Changes:** Provide succinct narrative explanation of the changes in the number of installations between fiscal years. Be specific.
### BASE OPERATIONS SUPPORT (BOS)

**COMPONENT TITLE**

**PERSONNEL DATA**

<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Change</td>
<td>Estimate Change</td>
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</tbody>
</table>

#### Active Force Personnel

<table>
<thead>
<tr>
<th></th>
<th>End Strength</th>
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<tbody>
<tr>
<td>Officer</td>
<td></td>
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<tr>
<td>Enlisted</td>
<td></td>
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<tr>
<td>Cadets</td>
<td></td>
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<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

#### Selected Reserve and Guard Personnel

<table>
<thead>
<tr>
<th></th>
<th>End Strength</th>
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</thead>
<tbody>
<tr>
<td>Officer</td>
<td></td>
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<tr>
<td>Enlisted</td>
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<tr>
<td>Total</td>
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#### Civilian Personnel

<table>
<thead>
<tr>
<th></th>
<th>Full-Time Equivalents</th>
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<tr>
<td>U.S. Direct Hires</td>
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<tr>
<td>Foreign National Direct Hire</td>
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<tr>
<td>Total Direct Hire</td>
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<tr>
<td>Foreign National Indirect Hire</td>
<td></td>
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<tr>
<td>Total</td>
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</tbody>
</table>

**Narrative Explanation of Changes:** Provide succinct narrative explanation of the changes in the number of personnel between fiscal years.
BASE OPERATION SUPPORT (BOS)

Narrative Explanation of Changes: Explain/describe/narrate by functional category of Base Support and provide succinct narrative explanation of total resource changes reflected in the budget (for $ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups and provide programmatic reason for each transfer. Specifically identify by base, name and location, any change in the number of installations. Explain changes in price and program from the current estimate (CY) to the budget year (BY) as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the OP-5 exhibit. Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in the performance criteria of the Detail by Subactivity Group (OP-5). The total price and program changes must match the sum of Base Support subactivity groups (O-1 line items). Identify on the bottom of the exhibit the preparation date and a point of contact (POC) (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.

1/ This category includes those Operation and Maintenance program elements normally ending as follows: “95”, Base Communications; “96”, Base Operating Support; “19”, Child Development Centers; “20”, Family Centers; “90”, Visual Information Activities; “53”, Environmental Conservation; and “54” Pollution Prevention. This includes those costs associated with utility operations and Other Engineering Support. This category specifically excludes those activities associated with FSRM, as reported in the PBA-7, FSRM exhibit.
Exhibit PBA-11 Reserve Forces

<table>
<thead>
<tr>
<th>RESERVE FORCES COMPONENT TITLE</th>
<th>FY PY Price Program</th>
<th>FY CY Program</th>
<th>FY BY Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Change</td>
<td>Estimate</td>
<td>Change</td>
</tr>
</tbody>
</table>

**Appropriation Summary**

A SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

**Description of Operations Financed:** (Provide narrative explanation of activities.)

**PROGRAM DATA**

(Provide applicable program data)

- Primary Aircraft Authorized (PAA) (End FY)
- Total Aircraft Inventory (TAI) (End FY)
- Flying Hours
- Air Wings
- Air Squadrons
- Flying Units
- Operating Tempo (List separately applicable ground, flying, steaming)
- Ship Inventory (End FY)
- Steaming Hours (000)
- Divisions
- Brigades
- Student Training Loads
- Major Installations
- Reserve Centers
- Training Centers
- Other Operating Locations
- Depot Maintenance Repair Backlog ($)
- Backlog of Maintenance and Repair ($)
- Backlog of Repair Parts
- Backlog of Organizational Clothing and Equipment
<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Change</td>
<td>Estimate</td>
</tr>
</tbody>
</table>

**Military Selected Reserve and National Guard Personnel**
- Drill Strength (Pay Groups A, F and P)
- Individual Mobilization Augmentees
- Full Time Duty
- Total

**Selected Reserve**
- Full-time Included (Memo)

**Civilian Personnel**
- U.S. Direct Hires
- Foreign National Direct Hire
- Total Direct Hire
- Foreign National Indirect Hire
- Total
- (Military Technicians Included (Memo))

**Military Technicians Assigned to USSOCOM (FTEs)**

**Civilian Personnel**
- U.S. Direct Hires
- Foreign National Direct Hire
- Total Direct Hire
- Foreign National Indirect Hire
- Total
- (Military Technicians Included (Memo))

**Military Technicians Assigned to USSOCOM (E/S)**
**RESERVE FORCES**  
**COMPONENT TITLE**

### Summary of Increases/Decreases

<table>
<thead>
<tr>
<th>CY-BY</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

**Total Changes**

**Instructions:** Identify specific increases/decreases to the Component’s military end strength levels by major program. The total for each column will be the difference between fiscal years. **Stub entries such as "OSD/OMB reduction" are not acceptable.**

**Narrative Explanation of Changes:** (Provide a succinct narrative explanation of total resource changes reflected in the budget (for $ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Explain changes in price and program from the current estimate (CY) to the budget year (BY) as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). Data entered on this exhibit must match the corresponding data entered on the Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5), Civilian Personnel Costs (OP-8); Analysis of Flying Hour Program (OP-20), Funding for Depot Level Reparables (OP-31), and Special Operations Forces (OP-52). Identify on the bottom of the exhibit the preparation date and a point of contact (POC) (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.

**DATE PREPARED:**  
**POC:**  
**TELEPHONE:**
Exhibit PBA-12 Command, Control, and Communications

### COMMAND, CONTROL, AND COMMUNICATIONS (C3)

<table>
<thead>
<tr>
<th>COMPONENT TITLE</th>
<th>($) in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual FY</td>
<td>Price Change</td>
</tr>
</tbody>
</table>

#### Appropriation Summary

Operation and Maintenance, ___________

**Description of Operations Financed:** A separate format is required for each appropriation which has C³ identifiable costs. Provide narrative explanation of activities by category as listed below. Explain each category and associated funding and identify by Budget Activity, Activity Group, and Subactivity Group. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Data should be consistent with the guidance provided in Chapter 19, Section 1910.

### PROGRAM DATA

<table>
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<tr>
<th>FY PY Actual</th>
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<th>FY CY Estimate</th>
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<th>FY BY Estimate</th>
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<td>-- Long Haul Communications</td>
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<tr>
<td>-- Deployable and Mobile Communications</td>
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<td>-- National</td>
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<td>-- Operational</td>
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<td>-- Tactical</td>
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<td>Total</td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

Exhibit PBA-12 Command, Control, and Communications (Page 1 of 2)
**Narrative Explanation of Changes:** Provide a succinct narrative explanation of total resource changes reflected in the budget (for $ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Explain changes in price and program from the current estimate (CY) to the budget year (BY). The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5) and the data provided to support preparation of the C³ Congressional Justification Book. Identify on the bottom of the exhibit the preparation date and a point of contact (POC) (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.
Exhibit PBA-13 Transportation

<table>
<thead>
<tr>
<th>TRANSPORTATION COMPONENT TITLE</th>
<th>($ in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY PY Actual</td>
<td>Price Change</td>
</tr>
</tbody>
</table>

Appropriation Summary
Operation and Maintenance, __________ (Separately identify each appropriation)

Description of Operations Financed. Provide a separate exhibit for each O&M appropriation (including Guard, Reserve, and Defense-wide). For purposes of this exhibit, transportation amounts for the active components include only those funded from the Servicewide Transportation Subactivity Group (SAG) in Budget Activity 4 of the operation and maintenance appropriations.

FIRST DESTINATION TRANSPORTATION (FDT) Only FDT supporting O&M purchases should be included.

Major Commodity (Commodity Transported)
Military Supplies and Equipment

Mode of Shipment
Military Commands
   Military Traffic
      Surface
      Sealift
      Airlift
Commercial
   Surface
   Sea
   Air
Total Mode of Shipment FDT

Exhibit PBA-13 Transportation
(Page 1 of 2)
**TRANSPORTATION**

**COMPONENT TITLE**

($ in Millions)

<table>
<thead>
<tr>
<th>FY PY</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY CY</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY BY</th>
<th>Price Change</th>
</tr>
</thead>
</table>

**SECOND DESTINATION TRANSPORTATION (SDT)**

JCS exercises are included in Second Destination Transportation.

**Major Commodity (Commodity Transported)**
- Military Supplies & Equipment
- Mail Overseas
- Subsistence
- Base Exchanges
  - Total Major Commodity SDT

**Mode of Shipment**
- Military Commands
- Military Traffic
- Surface
- Sealift
- Airlift
- Commercial
  - Surface
  - Sea
  - Air
  - Total Mode of Shipment SDT

**Narrative Explanation of Changes:** Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the Current Year (CY) and Budget Year (BY) by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Identify on the bottom of the exhibit the preparation date and a point of contact (POC) who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

**DATE PREPARED:**

**POC:**

**TELEPHONE:**

Exhibit PBA-13 Transportation

(Page 2 of 2)
Exhibit PBA-17 Recruiting, Advertising, and Examining

RECRUITING, ADVERTISING, AND EXAMINING
COMPONENT TITLE
($ in Millions)

<table>
<thead>
<tr>
<th>FY PY</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY CY</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY BY</th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Appropriation Summary**
Operation and Maintenance
A SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

**Description of Operations Financed:** Provide narrative description of Recruiting, Advertising, and Examining activities. In addition, provide brief description of the principal functions performed under each category.

**PROGRAM DATA**

<table>
<thead>
<tr>
<th>FY PY</th>
<th>Change</th>
<th>FY CY</th>
<th>Change</th>
<th>FY BY</th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

The following program data shows workload indicators for Recruiting, Advertising and Examining.

A. **Recruiting:**
Show enlisted accession plan, by appropriation, included in the O&M congressional justification books. Include non-prior and prior service in the same detail as for the O&M Congressional Justification books.

B. **Advertising:** Provide total advertising dollars.

C. **Examining:** Provide Production Testing Workload and Medical Testing Workload (# in 000) for each Service

Exhibit PBA-17 Recruiting, Advertising, and Examining
(Page 1 of 2)
Narrative Explanation of Changes: Provide narrative explanation of total resource change (tenths of $ millions) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, average strength, etc.) for the period. Also identify any applicable major pricing changes between years. The discussion of program growth should address recruiting, advertising and examining separately. Financial data excludes Command, Control, Communications; Real Property Maintenance; and Base Operations costs that are reflected separately in the overview. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Identify on the bottom of the exhibit the preparation date and a point of contact (POC) who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.
Exhibit PBA-19 Appropriation Highlights

### Appropriation Highlights

<table>
<thead>
<tr>
<th>COMPONENT TITLE</th>
<th>($ in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY PY Actual</td>
</tr>
</tbody>
</table>

**Appropriation Summary**

Operation and Maintenance, _______________

A separate exhibit must be provided for each appropriation included in the O&M Title.

**Description of Operations Financed:** Provide a narrative description of the type of functions financed by the Appropriation, explain the major reasons for price growth, and separately identify significant inter-appropriation transfers-in and transfers-out of program growth.

<table>
<thead>
<tr>
<th>Budget Activity 1: Operating Forces</th>
<th>($ in Millions)</th>
<th>FY PY Actual</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY CY Estimate</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY BY Estimate</th>
</tr>
</thead>
</table>

| Budget Activity 2: Mobilization |

| Budget Activity 3: Training and Recruiting |

| Budget Activity 4: Administration and Servicewide Activities |

**Narrative Explanation of Changes:** For each budget activity, provide a succinct narrative explanation of total resource change (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, average strength/FTEs, etc.) for the period. Also, identify any applicable major pricing changes between years. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32), O&M Funding by Budget Activity/Activity Group/Subactivity Group (O-1), and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits.

Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

**NOTE:** Every Component is required to submit the PBA-19 Exhibit.
Exhibit PBA-20A Civilian Manpower Tables

**MANPOWER TABLES**  
**DEPARTMENT OF _____________________**  

**Civilian Personnel**

**Instructions:** Civilian Personnel data is to be displayed by U.S. Direct Hire, Foreign Direct Hire, Foreign National, and Indirect Hire, and by type of appropriation. All civilian personnel are to be shown as full-time equivalents.

<table>
<thead>
<tr>
<th>By Appropriation and Type of Hire</th>
<th>FY PY Actual</th>
<th>FY PY Change</th>
<th>FY CY Estimate</th>
<th>FY CY Change</th>
<th>FY BY Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operation and Maintenance, Active</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Direct Hire</td>
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<tr>
<td>Foreign National Direct Hire</td>
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<tr>
<td>Total Direct Hire</td>
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<tr>
<td>Foreign National Indirect Hire</td>
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<td>Total</td>
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<td><strong>Operation and Maintenance, Reserve</strong></td>
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</tr>
<tr>
<td>U.S. Direct Hire</td>
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<tr>
<td>Foreign National Direct Hire</td>
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<tr>
<td>Total Direct Hire</td>
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<tr>
<td>Foreign National Indirect Hire</td>
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<tr>
<td>Total</td>
<td></td>
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</tr>
<tr>
<td><strong>Operation and Maintenance, National Guard</strong></td>
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</tr>
<tr>
<td>U.S. Direct Hire</td>
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<tr>
<td>Foreign National Direct Hire</td>
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<td>Total Direct Hire</td>
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<tr>
<td>Foreign National Indirect Hire</td>
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<td>Total</td>
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</table>

Exhibit PBA-20A Civilian Manpower Tables  
(Page 1 of 3)
MANPOWER TABLES
DEPARTMENT OF _____________________

<table>
<thead>
<tr>
<th>Component Total</th>
<th>FY PY Actual</th>
<th>FY CY Change</th>
<th>FY BY Estimate</th>
<th>Change</th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defense Working Capital Fund</td>
<td>U.S. Direct Hire</td>
<td>Foreign National Direct Hire</td>
<td>Total Direct Hire</td>
<td>Foreign National Indirect Hire</td>
<td>Total</td>
</tr>
<tr>
<td>Research, Development, Test and Evaluation</td>
<td>U.S. Direct Hire</td>
<td>Foreign National Direct Hire</td>
<td>Total Direct Hire</td>
<td>Foreign National Indirect Hire</td>
<td>Total</td>
</tr>
<tr>
<td>Etc. (Identify all appropriations/funds that finance civilian personnel.)</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Exhibit PBA-20A Civilian Manpower Tables
(Page 2 of 3)
### MANPOWER TABLES

**DEPARTMENT OF __________________**

#### Civilian Personnel

<table>
<thead>
<tr>
<th>Summary of Increases/Decreases</th>
<th>CY-BY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Changes</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Instructions:** Identify specific increases/decreases to the Component’s civilian full-time equivalent strength levels by major program (e.g. B-1B, TRIDENT, MICOM, etc.). **Do not** provide changes by Defense Planning and Programming Category (DPPC). Changes are to address all appropriations/funds that finance civilian personnel as well as direct and indirect hires employees. The total for each column will be the difference between fiscal years. All numbers shown will be full-time equivalent strength. **Stub entries such as "OSD/OMB reduction" are not acceptable.** Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

---

**DATE PREPARED:**

**POC:**

**TELEPHONE:**

---

**Exhibit PBA-20A Civilian Manpower Tables**

(Page 3 of 3)
Exhibit PBA-22 Mobilization

<table>
<thead>
<tr>
<th>MOBILIZATION COMPONENT TITLE</th>
<th>Operation and Maintenance, (Service) ($ in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY PY Actual</td>
</tr>
</tbody>
</table>

This exhibit includes all of Budget Activity 2, Mobilization plus the Marine Corps Prepositioning activity group included in Budget Activity 1. Dollar amounts for Army, Navy, and Air Force shown in this table should match the total of Budget Activity 2.

Army
Navy
Marine Corps
Air Force
Defense-Wide
Total

**Narrative Description:** Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. For personnel data, explain the changes in terms of programs affected and identify changes in functional requirements.

Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Subactivity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits). Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits as appropriate. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the OP-5 performance criteria.

### AIRLIFT AND SEALIFT PROGRAMS

**Airlift Forces:**
AIR FORCE:
Show the amount of the direct payment (subsidy) made for airlift to the U.S. Transportation Command.

**Sealift Forces:**
ARMY:
Afloat Prepositioned Fleet (#/$) 1/
Training Exercises (#/$) 2/
Other
Total

Exhibit PBA-22 Mobilization (Page 1 of 5)
### MOBILIZATION

#### COMPONENT TITLE

Operation and Maintenance, (Service)

<table>
<thead>
<tr>
<th></th>
<th>FY PY Actual</th>
<th>FY PY Change</th>
<th>FY CY Estimate</th>
<th>FY CY Change</th>
<th>FY BY Estimate</th>
</tr>
</thead>
<tbody>
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<td><strong>NAVY:</strong></td>
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<td></td>
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<tr>
<td>Fast Sealift Ships (#/$)</td>
<td>1/</td>
<td></td>
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<td></td>
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<tr>
<td>Hospital Ships (#/$)</td>
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<tr>
<td>Aviation Logistics Support (#/$)</td>
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</tr>
<tr>
<td>Prepositioned Fleet Hospital (#/$)</td>
<td>1/</td>
<td></td>
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<td></td>
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<tr>
<td>Training Exercises (#/$)</td>
<td>2/</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other</td>
<td></td>
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<tr>
<td><strong>AIR FORCE:</strong></td>
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<tr>
<td>Afloat Prepositioned Fleet (#/$)</td>
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<tr>
<td>Training Exercises (#/$)</td>
<td>2/</td>
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<tr>
<td>Other</td>
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<td><strong>DEFENSE-WIDE:</strong></td>
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<tr>
<td>Afloat Prepositioned Fleet (#/$)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training Exercises (#/$)</td>
<td>2/</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>3/</td>
<td></td>
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</tr>
</tbody>
</table>

Total (There is no corresponding subactivity group within the Air Force O-1 structure.)

Total (There is no corresponding subactivity group within the Defense-Wide O-1 structure.)
### MOBILIZATION

**COMPONENT TITLE**

Operation and Maintenance, (Service)

<table>
<thead>
<tr>
<th>FY PY Actual</th>
<th>Change</th>
<th>FY CY Estimate</th>
<th>Change</th>
<th>FY BY Estimate</th>
</tr>
</thead>
</table>

### OTHER MOBILIZATION PROGRAMS - Budget Activity 2

(Do not include dollars in this section that are shown in the Airlift or Sealift Forces above.)

- Activations/Inactivations
- War Reserve Activities
- Industrial Preparedness
- Fleet Hospital Program
- Industrial Readiness
- Coast Guard Support
- Airlift Operations
- Airlift Operations C3I
- Airlift Operations Training
- Mobilization Preparedness
- Base Support

### Memo Entries - Not Funded in Mobilization Budget Activity

Show as a memo entry funding in other than Budget Activity 2 for the maintenance or replacement of equipment and supplies on board prepositioned ships or POMCUS. Also show funding (outside of BA 2) for exercises of the fast sealift ships, the hospital ships, the aviation logistics support ships, or any of the prepositioning ships.

- USMC Prepositioning
- Joint Exercise Program
- Other (e.g., preposition exercises)

---

Exhibit PBA-22 Mobilization

(Page 3 of 5)
<table>
<thead>
<tr>
<th></th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Change</td>
<td>Estimate</td>
</tr>
<tr>
<td><strong>PERSONNEL DATA</strong></td>
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</tr>
<tr>
<td><strong>Active Force Personnel</strong></td>
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<td></td>
</tr>
<tr>
<td>Officer</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Enlisted</td>
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<td>Cadets</td>
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<tr>
<td>Total</td>
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</tr>
<tr>
<td><strong>Selected Reserve and Guard Personnel</strong></td>
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<tr>
<td>Officer</td>
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<td>Total</td>
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<td></td>
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<tr>
<td><strong>Civilian Personnel</strong></td>
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<td></td>
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<tr>
<td>U.S. Direct Hires</td>
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<td>Foreign National Direct Hire</td>
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<tr>
<td>Total Direct Hire</td>
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</tr>
<tr>
<td>Foreign National Indirect Hire</td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Exhibit PBA-22 Mobilization

(Page 4 of 5)
MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

Footnotes/Additional Guidance:

1/ Show the total number of ships (at the end of the fiscal year) for this category and the total amount of per diem payments made to the National Defense Sealift Fund (NDSF) or the U.S. Transportation Command. The Defense Logistics Agency (DLA) should report the cost of afloat prepositioned tankers used by the Defense Fuel Supply Center.

2/ Show the number of planned exercises and the total amount budgeted. Do not include JCS funded exercises in the Service submissions. JCS exercises and funding will be reported as Defense-Wide.

3/ Show Service-funded costs not included as part of the per diem payment to the NDSF but which are directly related to the sealift program. This would include enhancements and modifications to on-board systems.

Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.
Exhibit PBA-26 Special Operations Forces

### SPECIAL OPERATIONS FORCES

<table>
<thead>
<tr>
<th>FY PY</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY CY Price Estimate</th>
<th>Program Change</th>
<th>FY BY Estimate</th>
</tr>
</thead>
</table>

**Description of Operations Financed:**

(Provide narrative explanation of activities included.)

### PROGRAM FUNDING DATA

<table>
<thead>
<tr>
<th>FY PY Actual</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY CY Price Estimate</th>
<th>Program Change</th>
<th>FY BY Estimate</th>
</tr>
</thead>
</table>

Instruction: Operation and Maintenance funding by Budget Activity and Budget Activity Group

**Budget Activity 1 – Operating Forces**

**Special Operations Operational Forces**
- Flight Operations
- Ship/Boat Operations
- Combat Development Activities
- Other Operations

Exhibit PBA-26 Special Operations Forces

(Page 1 of 3)
### SPECIAL OPERATIONS FORCES

($ in Millions)

<table>
<thead>
<tr>
<th>FY PY</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY CY Estimate</th>
<th>Price Change</th>
<th>Program Change</th>
<th>FY BY Estimate</th>
</tr>
</thead>
</table>

**Special Operations Operational Support**

- Force Related Training
- Operational Support
- Intelligence & Communication
- Management/Operational Headquarters
- Depot Maintenance
- Base Support

**Budget Activity 3 – Training and Recruiting**

- Skill and Advanced Training
- Specialized Skill Training
- Professional Development Education
- Base Support

**Budget Activity 4 – Administrative and Servicewide Activities**

- Logistics Operations
- Acquisition/Program Management

**Total Special Operations Command**

**Narrative Explanation of Changes:**

Instruction: Provide a succinct narrative explanation of resource changes ($ in tenths of millions) between current year (CY) and budget year (BY). Explanations are to be provided in terms of price and program. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Subactivity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. This explanation is to be provided by Budget Activity and by Budget Activity Group as appropriate. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5).

Exhibit PBA-26 Special Operations Forces (Page 2 of 3)
SPECIAL OPERATIONS FORCES

USSOCOM FLYING OPERATIONS

Instruction: Provide a succinct narrative explanation of total SOF dedicated aviation assets.

<table>
<thead>
<tr>
<th>Aircraft Inventory (End FY)</th>
<th>FY PY Actual</th>
<th>Change</th>
<th>FY CY Estimate</th>
<th>Change</th>
<th>FY BY Estimate</th>
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</thead>
<tbody>
<tr>
<td><strong>Air Force Special Operations Command (AFSOC)</strong></td>
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<td>Tactical/Mobility</td>
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<td><strong>United States Army Special Operations Command (USASOC)</strong></td>
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<td>Aircraft (PAA End FY)</td>
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</table>
Exhibit PBA-27 Psychological Operations

Instructions

Exhibit PBA-27 Psychological Operations (Information Operations)

1. **Purpose.** This exhibit identifies funding for Psychological Operations (Information Operations) programs. The data is used to prepare the overall Psychological Operations (Information Operations) budget exhibit for the O&M Overview Book.

2. **Submission.**
   a. Exhibit PBA-27 should identify all Psychological Operations (Information Operations) funding by Combatant Command for all PSYOP activities. PSYOPS are planned operations to convey selected information and indicators to foreign audiences to influence their emotions, motives, objective reasoning, and ultimately the behavior of foreign governments, organizations, groups, and individuals. The execution of the PSYOP includes conducting research on various foreign audiences; developing, producing, and disseminating products to influence these audiences; and conducting evaluations to determine the effectiveness of the PSYOPS activities.
   
   b. Data are to be provided in millions of dollars, using 3 decimal points and will include both Baseline and Overseas Contingency Operation funding for all appropriations.
   
   c. Submission of the required exhibit will be made in hard paper copy and in an Excel format.
   
   d. The submission of the completed exhibit is required for both the Program Budget Review and with the President’s Budget submissions. Both submissions must be provided and emailed to the OUSD(Comptroller), Operations Directorate, at OPSMAIL@OSD.MIL. The President’s Budget Submit must be submitted no later than January 15 in order to be included in the “Operations and Maintenance Overview” Justification Book.

3. **Entries.**

Exhibit PB-27 Psychological Operations (Information Operations)

   a. **Header: Classification of the Document:** Unclassified, if at all possible keep the information unclassified if not indicate what portions of the document is classified.

   b. **Description of Operations Financed.** Brief description of items funded, i.e., COCOM Voice Programs, MIST, Media/Video Print Production, Web initiatives, surveys, audience/media analysis, radio broadcasting.

   c. **Appropriation/COCOM.** List the COCOM that has oversight of the funding and the appropriation. Also indicate if the funds are budgeted in OCO or Baseline programs.
d. **Sub Activity Group (SAG)**: List the SAG where the funding is budgeted.

e. **Comments**: Provide detail explanations of the changes from FY CY to FY BY1 and FY BY1 to FY2 for each COCOM.
I. Description of Operations Financed:

<table>
<thead>
<tr>
<th>Appropriation/COCOM</th>
<th>SAG</th>
<th>FY FY</th>
<th>Program Change+/-</th>
<th>FY CY</th>
<th>Program Change+/-</th>
<th>FY BY</th>
<th>FY BY+1</th>
<th>FY BY+2</th>
<th>FY BY+3</th>
<th>FY BY+4</th>
<th>FY BY+5</th>
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<td>O&amp;M Army</td>
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<td>O&amp;M, Navy OCO</td>
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</table>

Totals

Exhibit PBA-27 Psychological Operations (Page 3 of 4)
Exhibit PBA-27 Psychological Operations (Continued)

II. Comments: Provide detail explanation of the changes from FY CY to FY BY1 and FY BY1 to FY BY2 for each COCOM.
Exhibit PBA-28 Body Armor and Other Personal Protective Gear

I. **Description of Operations Financed:** Body Armor and Other Personal Protective Gear

<table>
<thead>
<tr>
<th>$ Thousands</th>
<th>Appropriation</th>
<th>PY Base</th>
<th>PY OCO</th>
<th>PY Supplemental</th>
<th>CY Base</th>
<th>CY OCO</th>
<th>BY Base</th>
<th>BY OCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Body Armor ($)</td>
<td>O&amp;M</td>
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<tr>
<td>Body Armor ($)</td>
<td>Other Procurement</td>
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</tbody>
</table>

Note 1. **Body Armor Set (Quantities)**

Note 2. **Body Armor Set Requirements**

| Other Personal Protective Gear | O&M | | | | | | |
| Other Personal Protective Gear | Other Procurement | | | | | | |

Total $ 0 0 0 0 0 0 0 0 0

Note 1: Include Quantities: Body armor is purchased in both individual sets and replacement parts/components. The specific composition of individual sets also varies according to operational specialty.

Note 2: Include Total Body Armor Requirements (Quantities)

**Comments:** Provide comments that describe the changes to the program. New type of body armor? Congressional Interest?
Exhibit PB-20 Aircraft Inventory

<table>
<thead>
<tr>
<th>Type Aircraft/TMS*</th>
<th>Category</th>
<th>Prior Year (PY)</th>
<th>Current Year (CY)</th>
<th>Budget Year 1 (BY)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Active Reserve Guard</td>
<td>Active Reserve Guard</td>
<td>Active Reserve Guard</td>
</tr>
</tbody>
</table>

Automated submission required in Excel format.

* TMS = Type Model Series
### Aircraft Inventory

<table>
<thead>
<tr>
<th>Component</th>
<th>Type</th>
<th>Prior Year (PY)</th>
<th>Current Year (CY)</th>
<th>Budget Year 1 (BY)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Active Navy</td>
<td>Marine MC</td>
<td>Active Navy Marine MC</td>
</tr>
<tr>
<td>Aircraft/TMS* Category</td>
<td></td>
<td>Navy Reserve</td>
<td>Corps Reserve</td>
<td>NavyReserveCorpsReserve</td>
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</table>

Automated submission required in Excel format.

* TMS = Type Model Series
Exhibit PB-31D Summary Increases/Decreases

<table>
<thead>
<tr>
<th>Operation and Maintenance</th>
<th>Summary of Increases and Decreases</th>
<th>($ in Thousands)</th>
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<tr>
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<td>BA 1</td>
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</table>

**FY CY President’s Budget Request**

1. Congressional Adjustment (List items)
   a) Distributed
   b) Undistributed
   c) Adjustments to Meet Congressional Intent
   d) General Provisions

**FY CY Appropriated Amount**

2. Program Changes (CY to CY only)

**FY CY Baseline Funding**

3. Reprogrammings/Overseas Contingency Operations (OCO)
   a) Anticipated OCO (Show Pay Separately)
   b) Reprogrammings

**Revised FY CY Estimate**

4. Price Change

5. Transfers
   a) Transfers In
   b) Transfers Out

6. Program Increases
   a) Annualization of New FY CY Program
   b) One-Time FY BY Costs
   c) Program Growth in FY BY

7. Program Decreases:
   a) One-Time FY CY Costs
   b) Annualization of FY CY Program Decreases
   c) Program Decreases in FY BY

**FY BY Budget Request**

**NOTE:** Substitute appropriate fiscal years to show current year and budget year.
Operation and Maintenance,
SUMMARY OF INCREASES AND DECREASES

INSTRUCTIONS:

1. Report by Budget Activity and total for the appropriation ($ in Thousands).

2. Line 7 will reflect the FY CY column of the FY BY President’s budget including Overseas Contingency Operations requests.

3. Detailed explanations of specific increases and decreases are not required on this exhibit. The document is submitted in hardcopy and electronically in Microsoft Excel format.
Exhibit PB-31Q Manpower Changes in Full-Time Equivalent

**DEPARTMENT OF**
**FY BY PRESIDENT'S BUDGET**
**MANPOWER CHANGES IN FULL-TIME EQUIVALENT**
**FY PY through FY BY**

<table>
<thead>
<tr>
<th></th>
<th>US Direct Hire</th>
<th>Direct Hire</th>
<th>Indirect Hire</th>
<th>Total</th>
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<tr>
<td><strong>Foreign National</strong></td>
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<tr>
<td>1. FY PY FTEs</td>
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<tr>
<td>a/Civilian personnel data includes both direct and indirect full time equivalent (FTE) end strength for all appropriations.</td>
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<td>2. FY CY FTEs</td>
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<td>b/FTEs reported under Direct Hire will include full-time equivalent end strength financed on a direct and reimbursable basis.</td>
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<td>3. FY BY FTE</td>
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<tr>
<td>Changes must be in sufficient detail to give the Congress an idea as to what specific programs are being impacted (e.g. TRIDENT, B-1B, MICOM Support, etc.). Do not provide data by Defense Planning, Programming Category (DPPC) or in broad generic categories (e.g., Force Modernization). Identify military-to-civilian conversions, insourcing actions, and transfers separately. Stub entries such as “OSD/OMB Directed Reduction” are unacceptable. A narrative explanation is required for all changes in Direct and Indirect hires.</td>
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</table>

4. SUMMARY (Summarize FTEs by Fiscal Year, by Appropriation/Fund, and Total.)
   FY PY
   O&M Total
   Direct Funded
   Reimbursable Funded
   Other appropriations (Reserve, Guard, RDT&E, Defense Working Capital Fund, etc.. Identify each appropriation/fund separately.)
   Direct Funded
   Reimbursement Funded
   Total Component
   Direct Funded
   Reimbursable Funded
   (Repeat for FY CY, and FY BY)

NOTE: The Full-Time Equivalent (FTE) on this exhibit will agree with the FTE data provided on the OP-8, Civilian Personnel Costs.
Exhibit PB-31R Personnel Summary

OPERATION AND MAINTENANCE, PERSONNEL SUMMARY

<table>
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<tr>
<th></th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
<th>Change</th>
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<td><strong>Active Military End Strength (E/S) (Total)</strong></td>
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<td>Officer</td>
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<td><strong>Reserve Drill Strength (E/S) (Total)</strong></td>
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<td><strong>Civilian End Strength (Total)</strong></td>
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<td>Foreign National Direct Hire</td>
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<td>Total Direct Hire</td>
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<td>Foreign National Indirect Hire</td>
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<td>(Reimbursable Civilians Included Above (Memo))</td>
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<td><strong>Additional Military Technicians Assigned to USSOCOM</strong></td>
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<td><strong>Active Military Average Strength (A/S) (Total)</strong></td>
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<td>(Military Technician Included (Memo))</td>
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<td>(Reimbursable Civilians Included Above (Memo))</td>
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<tr>
<td>*Contractor FTEs (Total)</td>
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</table>

Civilian end strength and Full-Time Equivalent (FTE) data will agree with the direct and reimbursable funded data reflected on lines 1 through 5 of the OP-8 entitled, "Civilian Personnel Costs." The reimbursable civilian end strength and FTE data will agree with the data reflected on line 6 of the OP-8 exhibit.

Additional Military Technicians Assigned to USSOCOM military technicians are included in the civilian end strength and average strength to USSOCOM.

Provide an explanation of changes between the years for military and civilian personnel for the BES submission only.
**OPERATION AND MAINTENANCE, PERSONNEL SUMMARY**

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<th>Outyear Summary:</th>
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<th>FY BY+2</th>
<th>FY BY+3</th>
<th>FY BY+4</th>
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*Contractor FTEs

(Include Outyear Summary in the OSD/OMB submission only)
Exhibit PB-58 COCOM Direct Funding

Combatant Command Direct Funding

**Instructions for completing the PB-58 Exhibit**

The PB-58 will not be required for either the Budget Estimate Submission or the President’s Budget if the Joint Task Assignment Process Business Rules have been incorporated to include the Military Service’s creation of a SAG for the Combatant Commands headquarters functions and a SAG for the mission set.

Component/Agencies are required to submit this exhibit for programs funded in Operation and Maintenance appropriations and obligated by the Commanders of the Combatant Command (COCOMs). The purpose of the PB-58 is to provide program and budget justification and visibility for changes in the level of resources required for each COCOM.

The PB-58 provides essential information for justification of the OSD/OMB Program and Budget Review Submission and the President’s budget. Section III; The "Reconciliation of Increases and Decreases" should identify changes that are occurring. Each change must be explained with programmatic reasons and an explanation as to why the change is necessary.

The PY column of the OSD/OMB Program and Budget Review submission should reflect actual data through the first three quarters plus a realistic projection for the remaining quarter. For the PB submission, the PY column will reflect actuals and agree with the data reflected in the certified annual yearend DD Comp 1002 report.

The “Reconciliation of Increases and Decreases” section will be included in the PB-58 for both the OSD/OMB Program and Budget Review Submission and the President’s budget submission. Reconciliations will show all changes from fiscal year to fiscal year and, for the current year, a track from the estimate requested in the previous President's budget. Specifically display:

- The BY estimate included in the previous President’s budget submission to the current CY estimate included in this submission,
- The current FY CY estimate to BY estimate reflected in this submission.

Personnel summaries are required for each subactivity group and for each Defense Agency.

Copy requirements are identified in Chapter 1. In addition, one electronic copy (each) of the PB-58 Exhibit is to be provided to the OUSD(C) P/B Operations directorate, (OPSMAIL@osd.mil).

This exhibit includes five sections:

I. Financial Summary: (O&M and Other Appropriations)

II. Individual COCOM Financial/Program Data

*Exhibit PB-58 COCOM Direct Funding*
III. Reconciliation of Increases and Decreases:
   A. COCOM level of detail
IV. Personnel Summary
   A. COCOM level of detail
   B. Financial Summary: Non-O&M (COCOM Appropriation, Budget Activity (BA) and sub-BA level of detail)
**COCOM Direct Funding**

**COMPONENT/AGENCY NAME ______________________**

I. **Total O&M Sub Activity (SAG) Financial Summary ($ in Thousand)**

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<th>Category/CoCom Detail</th>
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<th>PY FY</th>
<th>CY FY</th>
<th>BY FY</th>
<th>BY+1 FY</th>
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</table>

**Description:**

(Use continuation pages, as necessary)

---

*Exhibit PB-58 COCOM Direct Funding*

(Page 3 of 10)
COCOM Direct Funding

COMPONENT/AGENCY NAME ______________________

II. Individual CoCom Financial Summary ($ in Thousand)

<table>
<thead>
<tr>
<th>CoCom: __________</th>
<th>Budget (BES, Congressional, Mid Year) and Date (MM/YR)</th>
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</thead>
<tbody>
<tr>
<td>Appropriation:</td>
<td>Budget Activity</td>
</tr>
<tr>
<td>O-1 SAG Number:</td>
<td>(For O&amp;M portions, if more than one, state all involved)</td>
</tr>
<tr>
<td>O-1 SAG Title:</td>
<td>(“”)</td>
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<td>Program Elements</td>
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<td>Approp</td>
<td>FY</td>
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<td>Total Cost COCOM A</td>
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<tr>
<td>Total HQ Support</td>
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<tr>
<td>Total Mission Programs Spt</td>
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<tr>
<td>COCOM A Mission One</td>
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<tr>
<td>COCOM A Mission Two</td>
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</tr>
<tr>
<td>COCOM A Mission Three</td>
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</tr>
</tbody>
</table>

Description: Provide a description of each mission for each COCOM being supported.

COCOM A Mission One:
COCOM A Mission Two:

Notes:
1. Provide P-58 Section II detail for each COCOM separately.
2. Use continuation pages, as necessary for mission descriptions.
3. The CY/BY amounts include all funds appropriated/budgeted in this appropriation for execution by this COCOM.

Exhibit PB-58 COCOM Direct Funding
(Page 4 of 10)
COCOM O&M Direct Funding

COMPONENT/AGENCY NAME ______________________
Operation and Maintenance, _____________

III. Reconciliation of Increases And Decreases (O&M only): (Provide Section IIIA as a total summary of all COCOMs supported, and a separate one for each COCOM)

Provide a trail of changes from the previous President’s budget request for the current fiscal year in this submission to the appropriated amount for the CY in this submission to the CY in this submission; and from the CY current estimate to the FY BY estimate. Provide a single entry in each year for price changes. Itemize and justify the major program changes in each year (provide the baseline in dollars to which the increase or decrease applies). Such justification should clearly explain programmatic changes in resource levels including why increases are required or decreases occur. The DoD Components should report in thousands.

In the reconciliation of changes from the previous President’s budget request for the CY to the estimate for CY in the current submission, the DoD Components should include the following adjustments:

- Distributed Congressional Adjustments: Adjustments that Congress specifically makes to the President’s budget request.
- Undistributed Congressional Adjustments: Adjustments outlined on the tables contained in the statement of managers accompanying the appropriations conference report. The Components must use discretion as to how these adjustments are applied to minimize negative impacts on force readiness.
- Adjustments to Meet Congressional Intent: Adjustments that are required in order to align funding for a congressionally approved program into the proper budget activity and subactivity to carry out the intent of the Congress.
- General Provisions: Adjustments directed by the Congress in appropriations law, the distribution of which is not explicitly stated. The PB-58 should separately display each General Provision adjustment.
- Program Increases and Decreases: The Operation and Maintenance (O&M) fact of life changes (functional transfers and emergent requirements) are programmatic, intra-appropriation adjustments made by DoD Components to address significant, unforeseen operational readiness issues.

This section needs to be provided by Military Department for each COCOM supported.
COCOM O&M Direct Funding

COMPONENT/AGENCY NAME ______________________
Operation and Maintenance, _____________

<table>
<thead>
<tr>
<th>Amount</th>
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<td>FY CY President's Budget Request (Amended, if applicable)</td>
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<td>Congressional Adjustment (List Items) (Provide the baseline amount for each programmatic change.)</td>
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<td>Distributed Adjustments (List Items)</td>
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<td>Undistributed Adjustments (List Items)</td>
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<tr>
<td>Adjustments to Meet Congressional Intent (List Items)</td>
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<tr>
<td>General Provisions (List Items)</td>
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</table>

Appropriated Amount (subtotal)

Program Increases and Decreases (Specify each item separately.)

Transfers

Transfers In (List Items)

Transfers Out (List Items)

Program Increases

One-Time Costs (List Items)

Program Growth (List Items)

Program Decreases

One-Time Costs (List Items)

Program Reductions (List Items)

Baseline Funding (subtotal)

Reprogrammings/Overseas Contingency Operations

Anticipated Overseas Contingency Operations

Reprogrammings (Requiring 1415 Actions)

Increases

Decreases

Revised CY Estimate (Must agree with the CY column of the BY President's budget.)

Exhibit PB-58 COCOM Direct Funding

(Page 6 of 10)
COCOM O&M Direct Funding

COMPONENT/AGENCY NAME ______________________
Operation and Maintenance, _____________

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Program Increases (Note: Each programmatic change must show the CY baseline.)

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<th>Annualization of New FY CY Program</th>
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<tr>
<td>One-Time BY Costs</td>
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<td>etc.</td>
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<tr>
<td>Program Growth in BY</td>
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<tr>
<td>etc.</td>
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</tbody>
</table>

Program Decreases: (Note: Each programmatic change must show the CY baseline.)

| One-Time CY Costs                 |       |
| etc.                              |       |

Exhibit PB-58 COCOM Direct Funding

(Page 7 of 10)
COCOM O&M Direct Funding

COMPONENT/AGENCY NAME ______________________
Operation and Maintenance, _____________

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<thead>
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III. Reconciliation of Increases and Decreases (O&M Only):

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<th>Annualization of CY Program Decreases</th>
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<td>Program Decreases in BY</td>
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BY Budget Request

NOTE: Substitute appropriate fiscal years to show current year (CY) and budget year (BY).
### IV. Personnel Summary:

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<th>CY FY</th>
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This section needs to be provided by Military Department as a summary and one for each COCOM supported.
COCOM Non-O&M Direct Funding

COMPONENT/AGENCY NAME ______________________

V. Non-O&M Funding Summary:

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<th>COCOM: ____________</th>
<th>Budget (BES), Congressional), Mid Year and Date (MM/YR)</th>
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<td>Appropriation:</td>
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<td>Budget Activity</td>
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</tbody>
</table>

This section needs to be provided by Military Department for each COCOM supported. A roll up of all CoCom related data must also be provided.

* Exhibit PB-58 COCOM Direct Funding

(Page 10 of 10)
### VOLUME 2B, CHAPTER 4: “PROCUREMENT APPROPRIATIONS”

#### SUMMARY OF MAJOR CHANGES

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue and underlined font*.

The previous version dated December 2016 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tbody>
<tr>
<td>040202</td>
<td>Restores the threshold for submitting procurement budget exhibits to $5.0 million in the Budget Year (BY).</td>
<td>Revision</td>
</tr>
<tr>
<td>040402</td>
<td>Revises guidance for the P-3a budget exhibit, restoring the requirement to submit outyear cost element detail.</td>
<td>Revision</td>
</tr>
</tbody>
</table>
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CHAPTER 4

PROCUREMENT APPROPRIATIONS

0401 GENERAL

040101. Purpose

This chapter provides instructions applicable to budget formulation and congressional justification for procurement and production activities. Unless otherwise specified, these instructions apply to all procurement appropriations and to all budgets.

040102. References

Volume 2A, Chapter 1, Section 0102, provides policies and definitions concerning costs that are to be financed by the procurement appropriations.

040103. Submission Requirements

A. General guidance with regard to submission requirements is presented in Volume 2A, Chapter 1. This chapter provides guidance for the preparation of procurement appropriation backup material required to support the Budget Estimates Submission (BES) and the President’s budget request. The procurement accounts should also submit applicable exhibits required by other chapters in the Financial Management Regulation. The Components will also submit any exhibits required by the Office of Management and Budget (OMB) Circular A-11, Preparation and Submission of Budget Estimates.

B. Military Departments and Defense Agencies are responsible for clearing the justification material with the Washington Headquarters Services, Directorate for Freedom of Information and Security Review, prior to transmittal to OMB and the congressional committees.

040104. Classification

The budget justification material should be unclassified. All classified material shall be submitted separately. Components must include a P-40 Budget Justification exhibit for special access programs (SAPs) that are not labeled as secret. The P-40 exhibits for SAPs must only include funding streams and cite the following justification: “This program is reported in accordance with Title 10, United States Code, Section 119(a)(1) in the Special Access Program Annual Report to Congress.” All other (non-intel and non-SAP) classified funding requests must be identified (submit a one page P-40 exhibit) within unclassified justification budget materials.
0402 PROCUREMENT EXHIBIT REQUIREMENTS

040201. Purpose

This section prescribes instructions for the preparation and submission of procurement appropriations budget material to support the BES and the President’s budget request. See Volume 2A, Chapter 1, Section 0104, for specific printing requirements.

SUMMARY OF EXHIBIT REQUIREMENTS

<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>P-1</td>
<td>All</td>
</tr>
<tr>
<td>P-1M</td>
<td>Aircraft/Missiles</td>
</tr>
<tr>
<td>P-1R</td>
<td>All, except SCN</td>
</tr>
<tr>
<td>P-3a</td>
<td>All, except SCN</td>
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<tr>
<td>P-5</td>
<td>All</td>
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<tr>
<td>P-5a</td>
<td>All, except SCN</td>
</tr>
<tr>
<td>P-8a</td>
<td>SCN</td>
</tr>
<tr>
<td>P-10</td>
<td>All, as applicable</td>
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<tr>
<td>P-18</td>
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<tr>
<td>P-20</td>
<td>All, as applicable</td>
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<tr>
<td>P-21</td>
<td>All</td>
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<tr>
<td>P-27</td>
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<tr>
<td>MYP-3</td>
<td>All, as applicable</td>
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<tr>
<td>MYP-4</td>
<td>All, as applicable</td>
</tr>
</tbody>
</table>

040202. Submission Requirements

A. Extensible Markup Language (XML) Exhibits. All Components must submit required budget exhibits as PDFs with the source XML file embedded. These PDFs will be generated by one of the following two processes:

1. Submit an XML file to the XML Tools section of the Comptroller XML Exhibits web site, [https://exhibits.dtic.mil/r2/app](https://exhibits.dtic.mil/r2/app) (for Components capable of building an XML file from an internal system). The XML files submitted through the XML Tools section must be compliant with the latest Procurement XML schema, located within the same section of the web site; or,

3. The result of either process will be a PDF file with an XML file embedded. All Procurement exhibit PDFs/XMLs must be assembled into a Justification Book(s) within the same website using one of the Justification Book tools and posted to the SIPRNET website [https://cisweb.ousdc.osd.smil.mil/](https://cisweb.ousdc.osd.smil.mil/).

4. Formats and examples of the exhibits are contained in Section 0403.

B. Each backup book will include an Exhibit P-1, Procurement Program, an index of procurement lines (including P-1 line number, line item title, line item number, and backup book page number), and specific exhibits for those items covered by the backup book.

C. All applicable budget exhibits will be prepared for those programs with a budget year (BY) funding value of $5 million or greater. For non-Major Defense Acquisition Programs (MDAPs)/Major Automated Information Systems (MAIS) programs with a BY funding value less than $5 million, only the P-40 exhibit is required. No other subordinate exhibits will be submitted for those programs with a total BY funding value less than $5 million. MDAP/MAIS programs must submit all required budget exhibits regardless of BY funding value.

D. Periodically, changes to standard budget exhibit formats may be directed through separate guidance (for example, through the Budget Estimates Submission guidance). This guidance may precede formal adoption of exhibit changes into the Financial Management Regulation, or direct temporary exhibit changes, such as including funding for Overseas Contingency Operations (OCO). These changes will be incorporated into the applicable XML exhibit templates.

E. The exhibits will be aggregated in the following order for each P-1 line item, as applicable to that line item and submitted in P-1 line item order.

**Arrangement of Exhibits – General** (except as noted below)

<table>
<thead>
<tr>
<th>P-1</th>
<th>Procurement Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>P-40</td>
<td>Budget Item Justification</td>
</tr>
<tr>
<td>P-40a</td>
<td>Budget Item Just for Aggregated Items</td>
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<tr>
<td>MYP 1-4</td>
<td>Multiyear Procurement</td>
</tr>
<tr>
<td>P-10</td>
<td>Advance Procurement Requirements Analysis</td>
</tr>
<tr>
<td>P-5</td>
<td>Cost Analysis</td>
</tr>
<tr>
<td>P-5a</td>
<td>Procurement History and Planning</td>
</tr>
<tr>
<td>P-21</td>
<td>Production Schedule</td>
</tr>
<tr>
<td>P-25</td>
<td>Production Support and Industrial Facilities Cost Analysis</td>
</tr>
<tr>
<td>P-18</td>
<td>Initial and Replenishment Spares Requirements</td>
</tr>
<tr>
<td>P-20</td>
<td>Requirements Study (BES only, as applicable)</td>
</tr>
</tbody>
</table>

**Arrangement of Exhibits for Modifications**

<table>
<thead>
<tr>
<th>P-1</th>
<th>Procurement Program</th>
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<tr>
<td>P-1M</td>
<td>Modification Summary</td>
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<td>P-40</td>
<td>Budget Item Justification</td>
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<tr>
<td>MYP 1-4</td>
<td>Multiyear Procurement</td>
</tr>
<tr>
<td>P-3a</td>
<td>Individual Modification Program</td>
</tr>
<tr>
<td>P-40a</td>
<td>Budget Item Just for Aggregated Items</td>
</tr>
</tbody>
</table>
Arrangement for Ship Procurement Accounts
P-1 Procurement Program
P-40 Budget Item Justification
MYP 1-4 Multiyear Procurement
P-10 Advance Procurement Requirements Analysis
P-5 Cost Analysis
P-27 Ship Production Schedule
P-8a Analysis of Ship Cost Estimates - Major Equipment
P-29 Outfitting Costs
P-30 Post Delivery Estimates
P-35 Major Ship Component Fact Sheet

Arrangement for Ammunition Accounts
P-1 Procurement Program
P-40 Budget Item Justification
P-40a Budget Item Just for Aggregated Items
P-5 Cost Analysis
P-5a Procurement History and Planning
P-21 Production Schedule
MYP 1-4 Multiyear Procurement
P-18 Initial and Replenishment Spares Requirements
P-20 Requirements Study (BES only, as applicable)

Chemical Agents and Munitions Destruction

The Chemical Agents and Munitions Destruction, Defense appropriation contains multiple types of funds (Operation and Maintenance (O&M), Research, Development, Test and Evaluation (RDT&E), and Procurement) in separate budget activities. While the RDT&E and O&M efforts may be incrementally funded, the Procurement program must comply with the full funding policy. The Army is required to provide the justification book in the following order:

Table of Contents
Appropriation Language
Appropriation Justification
Part I Purpose and Scope
Part II Justification of Funds Required
Part III Milestones

Budget Activity 1: Operation and Maintenance
Part I Purpose and Scope
Part II Justification of Funds Required
Part III Financial Summary

Budget Activity 2: Research, Development, Test and Evaluation
Part I Purpose and Scope
Part II Justification of Funds Required
Part III Financial Summary
RDT&E RDT&E Exhibits (See Chapter 5)
Budget Activity 3: Procurement

Part I Purpose and Scope
Part II Justification of Funds Required
Part III Financial Summary
P-40 Budget Item Justification
P-5 Cost Analysis
P-5a Procurement History & Planning

OP-5 (Pt 1) Budget Activity Summary (See Volume 2A, Chapter 3)
OP-5 (Pt 2) Activity Group Detail, Including a Reconciliation of Increases and Decreases (See Volume 2A, Chapter 3)
OP-32 Summary of Price and Program Changes (See Volume 2A, Chapter 3)

F. P-Series Major Platform Quantities

Congress requires that all Major Platform end items, including Service Life Extension Programs, Major Defense Acquisition Programs (MDAPs), and Major Automated Information Systems (MAIS), reflect quantities on all P-series (i.e., P-1, P-40, P-5, etc.) budget exhibits. For those Major Platform end items where there are different variants being procured (e.g., Family of Medium Tactical Vehicles), total quantities should not be entered on the P-1 exhibit or in the Program Resources Collection Process (PRCP) database, but specific quantities by variant must be provided on all other P-series documents. Major Platform end items are defined as the new procurement of:

• Aircraft
• Unmanned Air Vehicles
• Ships
• Missiles
• Tanks
• Combat and Tactical Vehicles
• Satellites

For programs that are not considered Major Platforms, quantities are to be included in all P-series exhibits (e.g., P-40, P-5, P-5a, etc.) with the exception of the P-1 exhibit.

G. Major Defense Acquisition Programs (MDAPs)/Major Automated Information Systems (MAIS)

1. Joint budget guidance from the Under Secretaries of Defense for Acquisition, Technology & Logistics (AT&L) and Comptroller directs that all MDAPs or MAIS will be budgeted in separate, dedicated Procurement (P-1) line items, and associate all of the funding for a given MDAP/MAIS with a PRCP Program Number (PNO).

2. For all MDAP/MAIS programs, the P-40 Budget Item Justification exhibit must include the PNO. Components must also ensure that all applicable years of the PRCP and FYDP annex data bases are updated to reflect the program budget estimates for all MDAP/MAIS programs, including all prior years and cost-to-complete columns. Each MDAP/MAIS subprogram is a component that will be identified by appropriation, budget line item, and budget activity under the End Item P-1 Line Item header.
H. Multiyear Procurements (MYP)

1. Volume 2A, Chapter 1, section 010203, provides guidance for MYP programs. The MYP exhibits are required for new candidate systems seeking MYP funding in the budget year (BY); multiyear contracts approved in prior years that have been significantly restructured; and MYP candidates that are requesting BY advance procurement funding in support of a later year MYP contract. Any changes to the MYP budget justification and backup materials, as approved by OUSD(C), must be re-submitted via SNaP. The approved MYP exhibits must be included in the Justification book along with the other procurement exhibits for that program.

2. Annual Congressional Multiyear Reporting Requirement. Section 2306b(l) of Title 10, United States Code (Multiyear Contracts) directs the Secretary of Defense to submit an annual report to the congressional defense committees regarding multiyear contracts. The OUSD(C) is responsible for coordinating the consolidated report.

I. Subsystem Budget Estimates

Any platform that includes funding for subsystems that are designated as Defense Acquisition Executive Summary or Selected Acquisition Reporting programs must identify the specific subsystem funding by fiscal year and by subsystem on the P-5 exhibits (or P-35 exhibit for SCN). The program must be labeled “MDAP/MAIS Subprogram: Program Name” and include the associated PNO. For example, “MDAP/MAIS Subprogram: Air Missile Defense Radar (AMDR), PNO: 384.”

J. Congressionally authorized and requested Advance Procurement funds for major end items must be clearly identified on all P-series exhibits for each end item by fiscal year for the program. Programs authorized to execute advance construction labor within their advance procurement must cite in the P-10 Exhibits description that “advance procurement items, including advance construction labor, is limited to components whose long-lead times require purchase early in order to reduce the overall procurement leadtime of the major end item.”

K. If an amended budget is submitted, applicable revised budget exhibits are required.

L. Guard and Reserve Procurement

1. Exhibit P-1R, Procurement Program - Reserve Components, shows all investment funding allocated for National Guard and Reserve Component equipment, to include quantities and costs of procurement items. The Military Departments are required to identify the applicable memo entries by P-1 Budget Line Item those lines that include quantity and funding for the National Guard and Reserve Components for each fiscal year (PY, CY, BY, BY+1 through BY+4, To Complete). The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) generates the P-1R based on the FYDP data in PRCP.

2. All supporting procurement justification documentation must clearly annotate equipment allocated to the National Guard and Reserves. Specifically, the P-40 Budget Item Justification exhibit and the P-21 Production Schedule exhibit must contain a non-add memo entry indicating the funding and delivery schedule for all of the items being procured for allocation.
to the National Guard and Reserve Components. This data must balance to the data in the PRCP database.

M. Dual-Use Equipment

All Components must include the following statement on their P-40 exhibit for all Army, Navy, Marine Corps, and Air Force Active and Reserve dual-use equipment items: “In accordance with section 1815 of the FY 2008 National Defense Authorization Act (P.L. 110-181), this item is necessary for use by the active and reserve components of the Armed Forces for homeland defense missions, domestic emergency responses, and providing military support to civil authorities.”

0403 CONGRESSIONAL JUSTIFICATION/PRESENTATION

This Section presents the backup book organization and the exhibit requirements for submission to Congress. See Volume 2A, Chapter 1, Section 0104 for specific printing requirements. Justification material will be organized into a Committee Staff Procurement Backup Book. Volume 2A, Chapter 1, Section 010403 provides a detailed distribution schedule for the procurement backup books. A separate congressional committee backup book will be prepared for the President’s budget request for each procurement appropriation.

Department of Defense
FY 20BY President’s Budget Submission
Justification Book Volume X of X
Appropriation

Section 1 - Summary Material
Table of Contents
P-1 listing (P-1 Exhibits will be prepared using the OUSD(C) automated system with input from the Services and Defense Agencies)

Section 2 - Budget Appendix Extract Language

Section 3 - P-1 Line Item Detail. Procurement budget exhibits will be organized as discussed in paragraph 040203.D.

0404 PROCUREMENT APPROPRIATION BUDGET EXHIBIT FORMATS

040401. Standardized budget exhibit formats.

Section 040402 describes the use of XML budget exhibits for procurement appropriations. In addition to the key attribute of making budget exhibit data electronically searchable, the XML exhibits standardize the various budget displays, enabling more effective and efficient budget formulation, review, analysis, and submission.
A. The exhibit formats provided on the following pages reflect guidance presented in previous sections.

B. The use of XML exhibits is mandatory for BES and President’s budget request backup justification material.

C. XML exhibits will automatically standardize formatting, to include:

1. Exhibits displayed on 8 1/2 inch by 11 inch paper in landscape format.

2. Actual fiscal years (e.g., FY 2016, FY 2017, etc.) rather than the template entries (i.e., Prior Years (PYs), Prior Year (PY), Current Year (CY), Budget Year (BY), BY+1, BY+2, BY+3, and BY+4 and “to complete” where applicable).

3. Annotating the applicable P-1 line item number (using the number shown on the OSD-generated P-1 exhibit from PRCP) and page number within the line item (e.g., Item 1-1 of 5, 2-1 of 1, 3-1 of 20, etc.) at the bottom center of each exhibit page.

4. Properly paginate the backup book.

* 040402. Procurement exhibit formats

There are 22 procurement exhibits that support the formulation and submission of the BES and the President’s budget request. The exhibits provide data and information that justifies budgetary requirements for the various procurement appropriations. The exhibit formats follow. Volume 2B, Chapter 19, Other Special Analyses, also identifies budget exhibits that may be required.
Exhibit P-1

Exhibit P-1, Procurement Program

Department of the _____________

Appropriation: ___________________________ Date: ________________

Budget Activity: ___________________________

<table>
<thead>
<tr>
<th>P-1 Line Item No</th>
<th>Item Nomenclature</th>
<th>Ident Code</th>
<th>Prior Year Qty</th>
<th>Prior Year Cost</th>
<th>Current Year Qty</th>
<th>Current Year Cost</th>
<th>Budget Year Qty</th>
<th>Budget Year Cost</th>
<th>Budget Year OCO Qty</th>
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<th>Budget Year Total Qty</th>
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**Exhibit P-1M, Procurement Programs - Modification Summary**

*(TOA, $ in Millions)*

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<tr>
<th>System/ Modification</th>
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<th>PY</th>
<th>CY</th>
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Exhibit P-1R

Exhibit P-1R Procurement Program - Reserve Components

Department of the ____________

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<th>Date: ________________</th>
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<td>Budget Activity: ___________________________</td>
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Examples:
- F-16 Modifications
- National Guard Reserve

Exhibit P-1R, Procurement Program- Reserve Components

(Exhibit P-1, page 3 of 6)
Instructions
Exhibit P-1, Procurement Program
Exhibit P-1M, Procurement Program - Modification Summary
Exhibit P-1R, Procurement Program - Reserve Components

General.

A. A summary by budget project/activity will be prepared for each appropriation, showing the amount for each project/activity and the total program for each appropriation. The detail of the consolidated line items in this entry should be available upon request. There should be no consolidation into a "Less than $5.0 million" line item for any line item requiring specific quantity authorization and for any Code B item (i.e., items not approved for Service use).

B. Unless otherwise prescribed for a specific commodity area, only procurement line items with funding of $5.0 million or more in the Prior Year (PY), Current Year (CY) or Budget Year (BY) will be listed individually. Items less than $5.0 million should be consolidated into a single line item entry, "Items less than $5.0 million," under each budget activity.

Exhibit P-1, Procurement Program Instructions. Provide funding and applicable quantities by budget activity and line item. Data must match submission to the PRCP data base.

Advance Procurement. Advance procurement should be debited and credited according to the lead-times of the advance procurement. For instance, if FY 2015 and FY 2016 Advance Procurement funds are required for a FY 2017 procurement, the FY 2015 Advance Procurement funds would be debited in FY 2015, the FY 2016 Advance Procurement funds would be debited in FY 2016, and the total of the FY 2015 and FY 2016 Advance Procurement funds would be credited in FY 2017.

Advance Procurement

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<td>FY 2017 for FY 2018 (memo)</td>
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<td>x</td>
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</table>

(Exhibit P-1, page 4 of 6)
Exhibit P-1 Instructions (Continued)

List each aircraft and missile type and model separately, for both new procurement and modifications. Each ship type, Outfitting, Post Delivery, Cost Growth, Escalation, Service Craft, and Landing Craft will be listed as separate line items.

Include initial and replenishment spares financed in procurement appropriations in a single line item. Indicate the amounts included for initial and replenishment spares separately as subentries. For this purpose, all spare aircraft engines shall be considered initial spares.

All line items will be double spaced.

Costs will be expressed in millions of dollars using one decimal place, i.e.:

($ in Millions)
15.6

List the following Support Equipment and Facilities as separate line items:

Common Ground Equipment
Industrial Facilities
War Consumables
Other Production Charges
Classified Projects
Production Base Support
Space Programs (list separately)
Astronautics

Specific instructions.

Appropriation. Include the title and number of the appropriation, i.e., 2034A, Procurement of Ammunition, Army.

Budget Activity. Include the number and title of the budget activity, i.e., Budget Activity 04, Spare and Repair Parts.

Column 1: Include the P-1 line item number (generated from the OSD PRCP database).

Column 2: Item Nomenclature. Identify the name of the program. This must match what is shown in PRCP.

Column 3: Identification Code. The letter "A" or "B" will be entered in this column. Line items will be appropriately coded according to the status of the item at the time the exhibit is prepared as follows:

   Code "A". Line items of material that have been approved for Service use. The term "approved for service use" means that:
Exhibit P-1 Instructions (Continued)

Army. The item has been type-classified as Standard (STD) and excludes Limited Procurement (LP) type-classification that is included in the development category.

Navy. The item has been approved for full rate production.

Air Force. The item has been approved for full rate production.

USSOCOM. The system is effective, suitable, safe, and logistically supportable. Release for Special Operations Forces is in conjunction with full rate production decision.

Code "B". Line items or material that has not been approved for Service use.

Columns 4-11: Self-explanatory.

Exhibit P-1M, Procurement Program - Modification Summary Instructions

This exhibit will be prepared for all years reflected on the sample P-1M exhibit and will represent a summary by weapon system of all individual modifications that are requested for that weapon system.

Show the total procurement cost in millions using at least one decimal place for each individual modification and total cost for that weapon system or family of models of that weapon system. For example, all models of the F-4 aircraft would be included in the F-4 line (e.g., RF-4B, F-4B, F-4E, F-4G, etc.), and all models of the AIM-7 missile would be included in the AIM-7 line (e.g. AIM-7E, AIM-7F, AIM-7M, etc.). Total modification cost will include only those costs budgeted in the individual P-1 line item, including installation costs.

Exhibit P-1R, Procurement Program - Reserve Components Instructions

In addition to the instructions for the P-1, Procurement Program, the P-1R line item entries will be exactly the same line item entries as the P-1. The Exhibit P-1R line items will include 2 sub-line items. One is for the National Guard and one is for the Reserve. Subtotal of the two lines is not required, but the total for the Reserve Components cannot exceed the amount of funding included in the P-1 line item. All procurement line items having funding for National Guard and Reserve requirements, including advance procurement, ammunition, and spares and repair parts, will be included in the P-1R exhibit and be provided for all years (i.e., for PY, BY, BY+1 – BY+4). Each Military Department is required to update the PRCP database for this information supporting the National Guard and Reserve for both the BES and the President’s Budget submissions.
Exhibit P-3a

Exhibit P-3a, Individual Modification

MODELS OF SYSTEMS AFFECTED: ___________ TYPE MODIFICATION: _________ MODIFICATION TITLE: _____________

DESCRIPTION/JUSTIFICATION:

DEVELOPMENT STATUS/MAJOR DEVELOPMENT MILESTONES:

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<th>PY-1 Qty</th>
<th>PY Qty</th>
<th>CY Qty</th>
<th>BY Qty</th>
<th>BY+1 Qty</th>
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<th>BY+3 Qty</th>
<th>BY+4 Qty</th>
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<td>10 .10</td>
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FINANCIAL PLAN: (TOA, $ in Millions)

P-1 Line- Item No X

(Exhibit P-3a, page 1 of 5)
Exhibit P-3a, Individual Modification (Continued)

MODELS OF SYSTEMS AFFECTED: ___________________ MODIFICATION TITLE: ____________________________

INSTALLATION INFORMATION:

METHOD OF IMPLEMENTATION: ____________________________

ADMINISTRATIVE LEADTIME: _____ Months PRODUCTION LEADTIME: _____ Months

CONTRACT DATES: Prior Year: ______ Current Year: ______ Budget Year 1: ______ Budget Year 2: ______

DELIVERY DATES: Prior Year: ______ Current Year: ______ Budget Year 1: ______ Budget Year 2: ______

($ in Millions)

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<td>(FY(BY+1) - 25 kits)</td>
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Installation Schedule

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<td>1</td>
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<td>3</td>
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In
Out

P-1 Line Item No X

(Page X of X)

Exhibit P-3a, Individual Modification
(Exhibit P-3a, page 2 of 5)
Instructions - Exhibit P-3a, Individual Modification

* This exhibit will be submitted for all individual modifications whose costs are greater than $5.0 million in the budget year. Except as noted, individual modifications whose costs are less than $5.0 million in the budget year will not submit this exhibit.

For Other Procurement appropriations, when only a simple modification kit is being procured and installation is being performed at the organizational level, there is no need to submit an Exhibit P-3a as long as the P-5 and P-21 include the necessary information.

The sample exhibit displays additional line items for equipment and Group A installation kits. Tailor line item entries to the modification content. Use additional lines when quantities for these components differ from the quantity of end items being procured or when a unit cost comparison between years cannot be performed.

Model. Enter the model and series designation (e.g., A-10, AGM-86, F/A-18, etc.).

Classification. Enter the modification classification or type (e.g., safety, reliability, added capability, etc.), as applicable.

Modification No. And Title: Identify the modification number and title.

Description/Justification: Provide a description of what additional capability is added to the system by this modification, and why the modification is necessary (i.e., to increase reliability, maintainability, or mission capability). If the modification is related to reliability and maintainability, indicate the current Mean-Time Between Failure (MTBF) rate of the system, what MTBF will be specified in the development/production contract, and the estimated annual savings. Identify all engineering change proposals included in the modification and provide a brief description of each and how they relate to the particular overall effort. Identify the operational requirement document (ORD) that validates the modification. Identify the quantity of aircraft in the inventory and the quantity that will receive the modification, as identified in the ORD. For example, the total objective for a radar modification might be 75 units at an estimated unit cost of $300,000 each or total cost of $23.5 million. Twenty units have been procured in prior years, 10 units are included in the budget year leaving 45 units to be procured in subsequent years. Identify when a different number of Group A and Group B kits are being procured (the ORD should also include this information). Identify the applicable quantity of National Guard and Reserve end items ensuring quantities and costs match the P-1R. Do not use abbreviations or acronyms of a highly technical nature. Spell the acronyms the first time and abbreviate thereafter.

Development Status/Major Development Milestones: Provide status of engineering effort testing and data package availability as of the budget submission date. Provide significant accomplished and planned milestone dates such as Preliminary Design Review (PDR), Critical Design Review...
Exhibit P-3a Instructions (Continued)

(CDR), completion of Contractor Test and Evaluation (CTE), completion of Development Test and Evaluation (DTE), completion of Initial Operational Test and Evaluation (IOT&E), etc.

Financial Plan:

Note: Prior year column includes all funding from beginning of program through the Prior Year-2 (PY-2). Quantities and costs should be provided for all applicable line items. PY-1, PY, and CY are the fiscal years currently available for obligation.

RDT&E: Enter programmed RDT&E resources by fiscal year. These resources should be consistent with the Program Element Summary Data Sheets for RDT&E programs.

* Procurement: Categories of cost shall be tailored to the individual system consistent with the program’s approved work breakdown structure (WBS) elements or modification content. Use as many line items as necessary to show this data. Enter the recurring and nonrecurring cost of the installation kits. Installation kits (Group A kits) are the provisions (e.g., cables, brackets, interface devices) necessary to prepare the system to accept the new equipment. Enter the recurring and nonrecurring cost of the equipment (Group B kits) to be installed (e.g., radar, ECM, engine etc.). If different quantities of kits are being procured for various engineering change proposals within a modification (or operational system improvement program), list the ECP A kit and ECP B kit as separate line item entries (i.e., a line item for the A kit and a line item for the B kit). Do not use an asterisk to indicate that the quantity cannot be shown because a mix of end items with different procurement quantities is being procured. This precludes the need for an addendum and presents all cost information together. Exhibits should reflect all costs and quantities from prior years (PYs) through To Complete (TC).

Installation. The installation costs should be portrayed in the year of actual installation so that the total cost of the installation is portrayed for each year’s procurement of end items. Procurement quantities and installation quantities reflected in the procurement detail should equal the quantity displayed in the installation schedule.

Method of Implementation: Indicate how installation will be accomplished (e.g., Contractor, Depot field team, Depot modification line, etc.).

Contract Date: Enter the actual/estimated contract date (month/year, not quarter) for the item with the longest lead time.

Production Delivery Date: Enter the actual/estimated production delivery dates (month/year, not quarter) for the initial item of installed equipment for the current year and budget year.

(Exhibit P-3a, page 4 of 5)

Exhibit P-3a Instructions (Continued)
Installation Schedule: For modifications procured through the Budget Year (BY), show system inductions and modification completions by quarter. An installation schedule is required for all programs requiring installation funds. However, if the modification is being installed organically (i.e., by service managed and operated depots or field activities) and no installation funds are required, then no schedule is required. The schedule will include completed inductions for total Prior Years, Prior Year, and planned inductions for all uninstalled equipment for CY, BY, BY+1, BY+2, BY+3, and BY+4, and To Complete, as necessary, to account for installation of all modifications procured through the BY. Input and output must equal each other, as well as equal the total quantity of kits procured. Input and output refer to the start and end date of the modification into the aircraft (or end item). This information is required to determine when kits need to be procured. The input and output date is used as a barometer to determine the feasibility of the schedule (and thus, the procurement profile). For ongoing programs, identify the separate program using alpha or alpha-numeric suffixes to the current modification number. Include separate installation schedules for those items that have more than one method of implementation.
Exhibit P-5, Cost Analysis

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<th>Prior Years Total Cost</th>
<th>PY Unit Cost</th>
<th>PY Total Cost</th>
<th>CY Unit Cost</th>
<th>CY Total Cost</th>
<th>BY Unit Cost</th>
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<tr>
<td>Airframes/CFE</td>
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<tr>
<td>Engine/Accessories</td>
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P-1 Line Item No X

Exhibit P-5, Cost Analysis

Exhibit P-5, Cost Analysis
(Exhibit P-5, page 1 of 8)
Instructions - Exhibit P-5, Cost Analysis

Purpose. The purpose of this exhibit is to provide detailed cost information in support of Exhibit P-1 line items consistent with the appropriate work breakdown structure (WBS) elements for the program. It is essential that this exhibit be complete and accurate, as it is the most important exhibit in the backup book. Requirement exhibits and production schedules are related to the entries on this exhibit, and it is used as the framework for line item review. The program and budget review submission will include P-5 exhibits containing detailed cost element data for fiscal years (FYs) from prior years (PYs) through the Budget Year (BY). Out-year cost element data is no longer required and will not be submitted.

General. This exhibit will be prepared for all procurement programs for which funds are requested in the P-1 exhibit. If two or more Services procure the same system, the P-5 exhibit cost elements should be as identical as possible except for Service unique requirements. A P-5 exhibit is not required for those programs that use a P-40a exhibit to display items included in an aggregated line item or if an Exhibit P-3a Modification Summary, has been prepared for a line item.

Entries:

Heading. Insert Appropriation, Budget Activity, and identification code (as identified on the Exhibit P-1 generated from the OSD PRCP database) in the appropriate block. Insert the Exhibit P-1 line item title and add after the title the subhead number for the line item in parenthesis.

Elements of Cost. Categories of cost shall be tailored to the individual system consistent with the program’s approved work breakdown structure (WBS) elements. Standard categories are to be used for similar type systems (i.e. aircraft, ships, missiles, tanks, satellites, ammunition, etc.).

Production Support Services. Use generic entries such as Production Engineering, Engineering Services, Quality Assurance, Acceptance Testing, Product Improvement, etc. Include the name of the performing activity (for example, Production Support - NOP Indian Head, or Material Handling - Iowa AAP) only when needed to further clarify the generic categories.

Quantity/Total Cost entries. The quantity related to any cost element will be stated in units (not thousands). Only those entries where quantitative measurement is applicable should have entries in the quantity column. For example, the term "1 set" should not be used for publications, entries, documentation, etc. If the item is not subject to quantitative measurement, leave the column blank. The total cost for a cost element entry will be shown in millions, using 3 decimal places, i.e., 1.225. All cost columns will be totaled.

Advance Procurement Funding. Add (debit) the advance procurement funding in each fiscal year and subtract the advance procurement funding (credit) from the fiscal year the advance procurement supports. Ensure the credit is against the correct fiscal year (check leadtimes). Generally, Advance Procurement debits and credits will net to zero in the “total costs” column. If they do not net to zero, Components must provide rational why they do not.

Initial Spares. Separately identify initial spares funding and include in the total for the net weapon system/end item cost.

(Exhibit P-5, page 2 of 8)
Exhibit P-5 Instructions (Continued)

Unit Cost. The unit cost should be displayed for each flyaway cost element on the P-5 exhibit. This should be a manual entry, not computed. Otherwise, there could be lost budget authority if a reviewer (OSD, GAO, or congressional staff) asks to see the unit cost for a particular item from the contract. The last entry line, or overall weapon system unit cost, for each FY is the procurement unit cost.

Aircraft Cost Element Categories.

Airframes/Contractor Furnished Equipment (CFE): Enter estimate for recurring airframe cost, airframe contractor furnished equipment, and engineering changes.

Engine/Accessories: Enter total engine cost including accessories. As part of stub entry, enter quantity of engines per aircraft and indicate model designation including all “dash” designators (example: Engines (4) 53-L-13). Engine unit cost column will reflect the cost of one engine.

Avionics: Separately identify CFE and Government Furnished Equipment (GFE) avionics equipment.

Armament: Enter costs for all armament.

Software: Software costs are to be separately identified.

Other GFE: Enter costs for all Other GFE.

Engineering Change Orders (ECOs) - Flyaway: Include cost of anticipated, but unknown ECOs and value engineering changes for all installed aircraft components (CFE or GFE). Engineering Change Orders should be funded commensurate with the level of risk in the program.

Nonrecurring Costs: Enter total nonrecurring costs associated with production of the flyaway article. Identify and separately display funds budgeted for production tooling in the nonrecurring cost category.

Other Costs: Use as many line items as necessary to identify elements and associated costs.

Airframe Peculiar Ground Support Equipment (PGSE): Enter cost of peculiar airframe ground support equipment.

Engine PGSE: Enter cost of peculiar engine ground support equipment.

Peculiar Training Equipment: Enter cost of all peculiar training equipment.

Publications/Technical Data: Enter cost of all CFE/GFE publications and technical data.

ECOs - All Support Items. Enter cost of ECOs anticipated but unknown for all support and training equipment.

Other: Use as many line items as necessary (example: aerial cameras, or jammer transmitter sets, receiver sets or sensor sets for special mission aircraft). These items are not necessarily procured on a one-for-one basis with aircraft.

(Exhibit P-5, page 3 of 8)
Exhibit P-5 Instructions (Continued) Missile Cost Analysis

A missile P-5 exhibit will be submitted by all Services for each missile/drone type and model. If more than one model or configuration is procured in the same P-1 line item, then individual P-5 exhibits will be prepared for each model or configuration and a summary P-5 exhibit will also be prepared for the P-1 line item. Weapon systems that are composed of fire units or launchers that are procured in the same P-1 line item as the missile will provide separate cost identification for each vehicle of the fire unit or launching system (launcher, launch control center, radar set, vehicle, etc.). The cost categories on the P-5 exhibit represent a number of elements and the list should be tailored as appropriate to adequately depict the missile system cost. The flexibility exists to revise the elements to depict unique system characteristics, but a comparable cost detail to that shown in the P-5 exhibit format should be maintained.

**Missile P-5 Cost Element Categories**

**Missile Hardware - Recurring**
- Airframe
- Propulsion (By stage, where applicable)
- Target Detection Device
- Guidance & Control
- Warhead
- Fuze
- Safe & Arm
- Engineering Change Orders
- (Value Engineering)
- Government Costs
  - Integration & Assembly (Labs, etc.)
  - Acceptance Test Program
- Other (Specify)
- Subtotal Missile Hardware

**Nonrecurring and Ancillary Equipment**
- Tooling and Test Equipment
- Missile Ancillary Hardware
  - (Containers, etc.)
- Total Missile Flyaway

**Command and Launch Hardware**
- Launcher
- Launch Control Center
- Radar Set
- Platform/Track Vehicle
- Engineering Change Orders
- Other (Specify)
- Subtotal Command and Launch Equipment

(Exhibit P-5, page 4 of 8)
Exhibit P-5 Instructions (Continued)

Support Costs
- Peculiar Support Equipment (Specify, e.g., test, handling, etc.)
- Special Handling Equipment
- Training Equipment
- Publications/Technical Data
- Engineering Change Orders
- Other (Specify)

Subtotal Support
- Gross P-1 End Cost
- Less: Prior Year Adv. Procurement (Breakout by Prior FY of funding)
- Net P-1 Full Funding Cost (Must equal FY amount displayed on the P-40 exhibit)
- Plus Current Year Advance Procurement.
- Other Non-P-1 Weapon System Costs
- Initial Spares

Ship Cost Element Categories
Include the following format for every year from construction inception for which there are undelivered ships through the end of the FYDP:

- Plan Costs
- Basic Construction/Conversion
- Change Orders
- Electronics
- Propulsion Equipment
- HM&E
- Other Cost
- Ordnance
- Escalation
- Project Manager’s Growth
- Total Ship Estimate
- Less: Advance Procurement FY (specify by individual fiscal year)
- Net P-1 Line Item
- Ship/Unit Cost

Space System Cost Analysis.
A P-5 exhibit is required for each space weapon system employing a launch vehicle or satellite.

(Exhibit P-5, page 5 of 8)
Exhibit P-5 Instructions (Continued)

Satellite Cost Element Categories

Launch Vehicle:
- Airframe/Integ & Assembly
- Stage I
- Stage II
- Stage III
- Stage IV
- Guidance and Control
- Other (specify)
- Nonrecurring (specify)

Stage Vehicle:
- Airframe/Integ & Assembly
- Propulsion
- Guidance and Control
- Other (specify)
- Nonrecurring (specify)

Space Vehicle:
- Integration & Assembly
- Spacecraft
- Payload
- Reentry Vehicle
- Other (specify)
- Nonrecurring (specify)
- Engineering Change Orders (ECO)
- In-House Production Support
- Total Flyaway Cost

Checkout and Launch:
- Storage, Reactivation, and Transport
- Integration and Checkout
- Propellants
- Orbital Incentives
- Other (specify)
- Total Checkout and Launch

Support:
- Technical Support
- On-Orbit Support
- Flight Support
- Other Support (specify)
- Total Support

Total Systems Cost
Less Advance Procurement, Prior Year
Net P-1 Line Item Cost

(Exhibit P-5, page 6 of 8)
Exhibit P-5 Instructions (Continued)

Other Procurement Cost Analysis.

A. Unique entries will vary depending on the nature of the procurement item. Most line items require more than one procurement action to complete the program. If only one contract is involved, the line item is composed of several separate cost elements such as the end item itself, publications, engineering services, production support, etc. Each of these elements (called "building blocks" for simplicity) carries its own dollar value. The sum of the building block values equals the line item value. In general, entries on this form should be structured in the same way that procurement has been accomplished (or is planned) and/or the way that the cost estimate for the line item was derived. For new programs, it is not always possible to predict exactly how procurement will be accomplished but the cost estimate for the line item is built up through price out of separate cost elements that are known to be required.

B. Care should be taken to ensure that the building block title accurately describes the effort. Frequently, attempts are made to use the same building block entry for more than one year when the program effort in the following year is not exactly the same. For example, Model A of particular equipment is procured in one year and an improved Model B version planned for the following year. Separate stub entries should be used to avoid comparisons of unlike items.

Ammunition Procurement Cost Analysis.

A. For items to be procured through the Single Manager for Conventional Ammunition (SMCA), the P-5 will be used to display the program cost breakdown. The Service is responsible for justifying and defending its budget request for ammunition even if the item has transitioned to the SMCA for procurement. The production support section should depict the cost of production support materials and services that are included in the P-1 line item. When the developing Service retains configuration management responsibility for a SMCA-procured item, the developing Service will formulate the production engineering cost estimate, but all other estimates will be formulated by the SMCA.

B. Actual ammunition quantities will be displayed, unless the quantities being procured are in the millions (the quantities will then be displayed in thousands). Dollars will be displayed in millions, using 3 decimal places, i.e., 1.225. Normal rounding methodology will be utilized.

C. The hardware section should include the full cost of hardware incorporated into the round or item that is included in the P-1 item line. The hardware section entries should be tailored to match the major components of the ammunition item and should reflect the acquisition strategy. If two or more Services procure the same ammunition/ordnance round, the P-5 Exhibit should be as identical as possible except for Service-unique requirements. If the round is to be procured using a component breakout strategy, the entries should include, as applicable, the following: load-assemble-pack, major metal parts, fuzes, explosives, propellants.
Exhibit P-5 Instructions (Continued)

and shipping containers. Any small-dollar value components that are non-significant/non-problem can be rolled up into an Other, Miscellaneous line (the dollar amount of this line will not exceed 20 percent of the program value). Where an all-up round is to be delivered under a systems contract, the cost of the all-up round may be displayed as a single entry.

D. The production support section should depict the cost of production support materials and services that are included in the P-1 line item. The following standard entries should be used as applicable: production engineering, quality assurance, proof and acceptance testing, interim transportation and industrial stock support. Any other categories should be added as required and identified accordingly (e.g., special testing). When configuration management responsibility is retained by the Navy or Air Force as developing Service, the production engineering cost estimate will be formulated by the developing Service, but all other estimates will be formulated by the SMCA.

E. The nonrecurring cost section should depict the cost of such items as first article testing, product improvement, value engineering, tooling and test equipment, procurement technical data package updates, start-up/layaway costs and/or other special requirements identified accordingly. In the event that applying government-furnished material or components can reduce the cost of the round, the negative entry will be shown in this section.

F. Each section’s subtotal should be displayed at the end of the subentries listing.

G. The total P-1 line item is equal to the sum of subtotal cost of hardware, procurement support and nonrecurring less the Government Furnished Material (GFM) applications. This entry must agree with the P-1 value for the ammunition item.
Exhibit P-5a, Procurement History and Planning

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P-1 Line Item No X

Exhibit P-5a, Procurement History and Planning
(Exhibit P-5a, page 1 of 5)
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<tr>
<td>CFE Avionics</td>
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<tr>
<td>GFE Avionics</td>
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<td>Tooling</td>
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<td>Airframe PGSE</td>
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<td>Engine PGSE</td>
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<tr>
<td>Avionics PGSE</td>
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<td></td>
</tr>
<tr>
<td>Peculiar Training Equipment</td>
<td></td>
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</tr>
</tbody>
</table>

P-1 Line Item No X
Instructions - Exhibit P-5a, Procurement History & Planning

1. **Purpose.** This exhibit provides detailed information on the P-5 entries regarding all prior years having contracts with undelivered assets, current year (CY) and budget year (BY). Contract information is used to compare cost estimates between fiscal years by comparing unit costs on previous contracts. For example, if an item was awarded in FY 2015 using FY 2014 funding, is the FY 2017 cost based on an FY 2014 cost inflated 3 years, or to an FY 2016 cost inflated one year? The contract information is used to determine if there has been a problem awarding the contract early or late in the fiscal year and if it occurred as planned. The contract information also is used to identify potential current year assets and to answer congressional inquiries.

2. **Submission.** Exhibit P-5a will be submitted for all P-5 elements of cost (building block) entries involving quantities in the current or budget year. Information for PY, CY, and BY will be updated for each succeeding submission.

3. **Entries.**

   **Cost Elements (Building Blocks)/Fiscal Year.** The cost element/building block title is to be taken from the Exhibit P-5 Cost Analysis for items meeting the criteria of paragraph 2. For each cost element, provide information for the PY, CY, and BY. The first fiscal year line will provide information on the last buy prior to the current year (if the item was procured in a fiscal year that is no longer available for obligation, identify the fiscal year for which the item was last procured. Update CY and PY entries to show actual contractor and contract award dates. For the BY, use best estimates.

   If Advance Procurement funding is part of the program, then provide contract data for each subsequent year to support the leadtime of the advance procurement. For example, if advance procurement is required 2 years in advance of BY, then provide contract data through BY+2.

   **Quantity and Unit Cost.** Insert PY actual quantity procured and actual unit cost. For the CY and BY lines, insert actual or estimated unit costs. The quantities and unit costs should agree with entries on the Exhibit P-5 Cost Analysis exhibit, except for the ammunition items that are fixed standard priced. For these ammunition items, the entries should be the actual unit costs that were negotiated and/or estimated. This update is necessary for the initial starting point for computing future fixed standard prices. Provide an explanation in the remarks block for all items for which the actual unit costs vary significantly with the forecasted unit costs.

   **Procurement Contracting Office (PCO) Location.** Identify the organization that will award the contract. Also identify the organization preparing the purchase request, if different.

   **Contractor.** For each fiscal year, insert actual contractor name, and facility or plant location (city and state). For the current year, insert contractor name if item is to be sole source or if procurement has been accomplished; otherwise insert "Unknown". For budget year, insert contractor name if sole source; otherwise use "Unknown". Identify the city/state location of the contractor plant.
Instructions - Exhibit P-5a, Procurement History & Planning (Continued)

**Contract Method/Type.** The following codes will be used to identify the "Contract Method/Type":

<table>
<thead>
<tr>
<th>Contract Method</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SS</td>
<td>Sole Source</td>
</tr>
<tr>
<td>C</td>
<td>Competitive</td>
</tr>
<tr>
<td>MIPR</td>
<td>Military Interdepartmental Purchase Request (use only if MIPR obligates funding)</td>
</tr>
<tr>
<td>PO</td>
<td>Project Order</td>
</tr>
<tr>
<td>WR</td>
<td>Work Request</td>
</tr>
<tr>
<td>Allot</td>
<td>Allotment</td>
</tr>
<tr>
<td>Reqn</td>
<td>Requisition</td>
</tr>
<tr>
<td>Other</td>
<td>Explain by footnote</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>FP</td>
<td>Fixed Price</td>
</tr>
<tr>
<td>CPIF</td>
<td>Cost Plus Incentive Fee</td>
</tr>
<tr>
<td>CPAF</td>
<td>Cost Plus Award Fee</td>
</tr>
<tr>
<td>FPI</td>
<td>Fixed Price Incentive</td>
</tr>
<tr>
<td>Option</td>
<td>Option to prior year contract</td>
</tr>
<tr>
<td>Other</td>
<td>Explain by footnote</td>
</tr>
</tbody>
</table>

Additionally, indicate those contracts that are multiyear procurements by placing the code “MYP” and a corresponding number to indicate the year of the MYP after the Contract Method/Contract Type as in the following 5-year MYP example:

- SS/FPIF/MYP-1 (indicates this is the first year of the MYP)
- SS/FPIF/MYP-2
- SS/FPIF/MYP-3
- SS/FPIF/MYP-4
- SS/FPIF/MYP-5

Follow the pattern of the "Contractor" block in displaying actual and estimated contract method and type. "Option" refers to an existing contract that contains an option clause for future procurement. Identify whether the option is priced (already negotiated) or unpriced.

**Award Date.** For the last actual buy, provide the date that the contract was awarded. For the current year, provide the actual or estimated date. Provide estimated contract award dates for the BY. If the contract is a multiyear contract or a contract with options, identify the date that the option will be exercised.

**Date of First Delivery.** Same basis as Award Date.

**Technical Data Package Available Now.** Answer "yes" or "no" for the current year and budget year. No entry is required for prior year. The answer is to be provided as of the time the exhibit is prepared. The term “specifications” refers to full competitive specifications (or their equivalent in the case of a sole source contract).
**Date Revisions Available.** No entry is required for the prior year line if the contract has been awarded. If revisions are required, provide in last column the date or estimated date when they will be available.

Use Footnotes to provide reasons for Sole Source procurement; to provide reasons for use of letter contracts; to provide reasons why a multiyear contact cannot be used; to explain significant variations in unit cost from year to year, etc.
Shipbuilding and Conversion, Navy (Continued)

Exhibit P-8a, Analysis of Ship Cost Estimate - Major Equipment

Ship Type: ________________

<table>
<thead>
<tr>
<th></th>
<th>FY 20PY Qty</th>
<th>FY 20PY Amt</th>
<th>FY 20CY Qty</th>
<th>FY 20CY Amt</th>
<th>FY 20BY Qty</th>
<th>FY 20BY Amt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronics Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordnance Equipment</td>
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<tr>
<td>Propulsion Equipment</td>
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<tr>
<td>HME Equipment</td>
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</tbody>
</table>

Instructions: List the major equipment for each of these cost codes shown on the P-35 exhibit and include the next 10 high dollar value items. All other items can be summarized in one line item. System engineering, spares, documentation, and other equipment costs should be included in the equipment estimate. Value engineering changes should be included in the change order cost category.
Exhibit P-10, Advance Procurement Requirements Analysis

<table>
<thead>
<tr>
<th>Weapon System</th>
<th>First System (BY1) Award and Completion Date</th>
<th>Interval between Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PLT When Rqd</td>
<td>Prior Years</td>
</tr>
</tbody>
</table>

End Item Qty

<table>
<thead>
<tr>
<th></th>
<th>End Item Qty</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFE</td>
<td></td>
</tr>
<tr>
<td>Engines</td>
<td></td>
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<td>GFE</td>
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<tr>
<td>GFE</td>
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<tr>
<td>GFE</td>
<td></td>
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<tr>
<td>EOQ</td>
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<tr>
<td>Design</td>
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<tr>
<td>Term Liab</td>
<td></td>
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<tr>
<td>Other*</td>
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<tr>
<td>Total AP</td>
<td></td>
</tr>
</tbody>
</table>

P-1 Line Item No X
### Exhibit P-10, Advance Procurement Funding (Continued)

#### Exhibit P-10, Advance Procurement Funding

<table>
<thead>
<tr>
<th>Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number</th>
<th>Weapon System</th>
<th>P-I Line Item Nomenclature</th>
</tr>
</thead>
<tbody>
<tr>
<td>(TOA, $ in Millions)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>End Item</th>
<th>PLT</th>
<th>QPA</th>
<th>Unit Cost</th>
<th>BY QTY*</th>
<th>BY Contract Forecast Date</th>
<th>BY Total Cost Request</th>
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</thead>
<tbody>
<tr>
<td>End Item</td>
<td>N/A</td>
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<tr>
<td>CFE</td>
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<tr>
<td>GFE</td>
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<td>GFE</td>
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<td>GFE</td>
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<tr>
<td>EOQ</td>
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<tr>
<td>Termination Liability</td>
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<td>Other</td>
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<td>Other</td>
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<td>Other</td>
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</tbody>
</table>

**Total Advance Proc**

**Description:**

*When the advance procurement funding supports more than one subsequent program year end item, then the funding for each line item entry must be separately identified for each applicable end item fiscal year (i.e., when lead-times are greater than one year).

(Use continuation pages, as necessary)
Instructions - Exhibit P-10, Advance Procurement Requirements Analysis

**Page 1 - Budget Justification entries.**

This format will include funding for all Prior Years through the Budget Year (BY). Out-year data is not required and will not be submitted.

**Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number.** This entry should match the procurement annex.

**P-1 Line Item Nomenclature:** Self explanatory.

**Weapon System Type:** End item for which advance procurement is required.

**First System Award and Completion Date:** Enter the month/year (do not use quarters) of the projected contract award for the end item for which the funds in the budget year supports. For example: FY 2017 advance procurement funds are required in support of an FY 2018 procurement. The FY 2017 AP supporting the FY 2018 end item procurement will be awarded in March 2017 and the FY 2018 procurement will be awarded in January 2018. Enter March 2017. If the manufacturing processes require 24 months, then the item will be delivered in March 2019. Enter March 2019.

**Interval Between Systems:** Enter the time between end item deliveries.

**Column 1.** The first entry should be the procurement quantity budgeted for each year (specify the actual fiscal year rather than showing the template years) for the end item for which the advance procurement is requested. In addition, list the items that are required to be purchased ahead of the end item. Be specific as possible. Some examples are:

- **Contractor Furnished Equipment (CFE):** This entry includes all advance procurement funding associated with effort accomplished by the prime weapon system contractor (e.g. airframe contractor for aircraft; guidance and control contractor for missiles, satellites; chassis contractor for tanks, engines, nuclear propulsion equipment for ships).

- **Government Furnished Equipment (GFE):** This entry should include a separate entry for each major subcomponent furnished by the government (e.g. engines and radars for ships and aircraft; warhead, fuzes, and rocket motors for missiles; engines and major electronic subsystems for tanks, satellites).

- **Economic Order Quantity (EOQ):** This entry includes items for which an economic order is justified. List each item separately. The entry will require additional justification showing the analysis that supports an EOQ procurement in an advance procurement line.
Instructions-Exhibit P-10, Advance Procurement Requirements Analysis (Continued)

Other Advance Funding. This would normally include non-EOQ funding that is requested in advance of authorization of the end item and is not based on leadtime considerations but based on price/cost considerations only.

Column 2. Production Leadtime (PLT). Enter the number of months required to manufacture the end item.

Column 3. Enter the number of months after the manufacturing process begins that the item is required for incorporation into the end item.

Columns 4-15. Enter the approved funding for all years of the program.

Page 2 Entries:

Column 1. List the items that need to be purchased ahead of the end item. This column should match the entries in column 1 on page 1.

Column 2. Production Leadtime (PLT): Enter the production leadtime of this particular item.

Column 3. Quantity Per Assembly (QPA): Indicate the quantity of the item required for each end item.

Column 4. Unit Cost: Enter the unit cost in tenths of millions.

Column 5. BY Qty: Enter the total quantity being procured in the BY. For the end item enter the quantity (qty) of end items being procured in subsequent years and identify by qty and year for which the advance procurement in the BY supports.

Column 6. BY Contract Forecast Date: Enter the date of the planned contract award for each of the items listed in column 1. For the end item enter the date of planned contract award of the end items being procured in subsequent years for which the advance procurement in the BY supports.

Column 7. Cost: Enter the cost in millions with one decimal place.

Description. Describe the technique used to estimate the termination liability request. If advance procurement funding is to be applied to years beyond the immediately succeeding year, the amounts and quantities by year should be specified and explained.
### Exhibit P-18 Initial and Replenishment Spare and Repair Parts Justification

<table>
<thead>
<tr>
<th>End Item P-1 Line Item</th>
<th>Prior Years</th>
<th>Weapon System</th>
<th>P-1 Line Item Nomenclature</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INITIAL</strong></td>
<td></td>
<td></td>
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<tr>
<td>B-1</td>
<td></td>
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<tr>
<td>B-2</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>F/A-18</td>
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<td></td>
<td></td>
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<tr>
<td>P-3</td>
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<td></td>
<td></td>
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<tr>
<td>UH-60</td>
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<tr>
<td>Etc.</td>
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<td></td>
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<tr>
<td>TOTAL INITIAL</td>
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<td></td>
<td></td>
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<tr>
<td><strong>REPLENISHMENT</strong></td>
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<tr>
<td>B-1</td>
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<td></td>
<td></td>
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<tr>
<td>F-15</td>
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<tr>
<td>Etc.</td>
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<tr>
<td>TOTAL REPLEN</td>
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<td></td>
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</tbody>
</table>

Remarks

(Use continuation pages, as necessary)
Instructions - Exhibit P-18, Initial/Replenishment Spares Requirements

The purpose of this exhibit is to provide the funding requirements for the procurement of initial and replenishment spares and repair parts in support of end items of equipment and in support of modifications to existing end items of equipment where end items of equipment are being supported by procurement appropriations. A copy of this exhibit will be included in the budget justification book for the end item for the Budget Estimates Submission only.

Entries:

Column 1. Enter the budget Exhibit P 1 line item and end items of equipment for which the initial spares and repair parts are required.

Columns 3 through 13. Enter the total cost of the initial or replenishment spares and repair parts for each fiscal year displayed in support of the end items procured. Funding must be consistent with the P-1 and P-40 exhibits.

If some of the initial spares and repair parts are to be financed by the DWCF or for buy-out by a procurement appropriation, provide a memorandum entry to indicate the DWCF-financed portion or footnote accordingly.

Include the following information in the remarks block.

Procurement Requirement:

- Funded Initial Spares.
- Funded Replenishment Spares.
- Funded Mobilization (War Reserve) Spares.
- Total Funded.
- Repair Turnaround time.

(Exhibit P-18, page 2 of 2)
### Exhibit P-20, Requirements Study

<table>
<thead>
<tr>
<th>P-1 Line Item Nomenclature (Include DODIC for Ammunition Items)</th>
<th>Admin Leadtime (after Oct 1): xx months</th>
<th>Prod Leadtime: xx months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation (Treasury) Code/CC/BA/BSA/Item Control No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Inventory Objective

<table>
<thead>
<tr>
<th>Actual Training Expenditures</th>
<th>Other than Training Usage</th>
<th>Disposals (Vehicles/Other)</th>
<th>Vehicles Eligible for BY Replacement: 50</th>
<th>Aircraft: TOAI</th>
</tr>
</thead>
<tbody>
<tr>
<td>PY FY</td>
<td>CY FY</td>
<td>BY FY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity Budgeted</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Unit Cost</td>
<td>.1</td>
<td>.1</td>
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<td></td>
</tr>
<tr>
<td>Total Cost</td>
<td>.5</td>
<td>.5</td>
<td>.5</td>
<td></td>
</tr>
</tbody>
</table>

#### Asset Dynamics

| Beginning Asset Position    | 500                       | 545                         | 545                                      |                |
| Deliveries from all prior year funding | 150                       | 500                         |                                          |                |
| Deliveries from CY funding  | 500                       |                              |                                          |                |
| Deliveries from BY funding  | 500                       |                              |                                          |                |
| Deliveries from subsequent years’ funding |                      |                              |                                          |                |
| Other Gains                 | 50                        | 10                          | 20                                       |                |
| Combat Losses/Usage         | 0                         |                              | 0                                        |                |
| Training Losses/Usage       | -150                      | -500                        | -600                                     |                |
| Test Losses/Usage           | -5                        | -10                         | -5                                       |                |
| Other Losses/Usage          | 0                         | 0                           | 0                                        |                |
| Disposals/Retirements/Attritions/etc. |                      |                              |                                          |                |

#### End of Year Asset Position

<table>
<thead>
<tr>
<th>Inventory Objective or Current Authorized Allowance</th>
<th>545</th>
<th>545</th>
<th>460</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets Rqd for Combat Loads: 500</td>
<td>545</td>
<td>545</td>
<td>545</td>
</tr>
<tr>
<td>WRM Rqmt: 500</td>
<td>PY thr thru: 350</td>
<td>PY thru: 5</td>
<td>PY thru: 50</td>
</tr>
<tr>
<td>Pipeline: 45</td>
<td>PY-1: 450</td>
<td>PY-1: 4</td>
<td>PY-1: 40</td>
</tr>
<tr>
<td>Other:</td>
<td>PY-2: 650</td>
<td>PY-2: 6</td>
<td>PY-2: 60</td>
</tr>
<tr>
<td>TOTAL: 545</td>
<td>PY-3: 200</td>
<td>PY-3: 2</td>
<td>PY-3: 20</td>
</tr>
<tr>
<td>REMARKS: For ammunition items, list all substitute items for the round.</td>
<td>PAA: TAI</td>
<td>Vehicle Augment: 50</td>
<td>Storage:</td>
</tr>
</tbody>
</table>

---

P-1 Line Item No X

(Page X of X)
Instructions - Exhibit P-20, Requirements Study

1. **Purpose.** The purpose of this form is to provide detailed information with regard to the determination of asset availability and requirements.

2. **Submission.** The P-20 exhibit is required only for the Budget Estimates Submission (BES) for ammunition and weapons procurement accounts, but can be used for other procurement accounts as determined by the Services and Defense Agencies. The P-20 exhibit is required for only those items costing $20.0 million or more in the budget year (BY).

3. **Entries.**

   **Leadtimes:** Administrative leadtime is the amount of time after October 1 that is required to award a contract. Procurement leadtime is the amount of time from contract award until delivery of the first unit.

   **Quantity Budgeted.** Show the quantities, unit cost, and funding approved for this program.

   **Asset Dynamics.** This section will reflect the changing asset position starting with the assets on hand and adjusting for gains and losses. Tailor the entries to the program being represented.

   **Beginning Asset Position.** Use the inventory position as of the end of the prior fiscal year, or specify other date. As a memo entry in the remarks section, identify assets that are not in a serviceable condition.

   **Deliveries from all prior year funding and deliveries from CY and BY funding.** Enter the quantity funded during all prior years that are not yet delivered. Show the deliveries or other gains in the fiscal year in which they will be received. The analyst can then compare these entries to the P-21 Production Schedule (deliveries and leadtimes).

   **Deliveries from subsequent years’ funding.** Enter the quantity in the appropriate fiscal year. The due-ins should match the P-21 Production Schedule and be reflective of the procurement leadtimes and planned delivery schedules to be included on the contract.

   **Other Gains.** Quantity due in for loans to other Services, other receipts, etc.

   **Usage.** Identify projected annual usage, disposals, retirements, etc. that are projected for each fiscal year. There should be some correlation of the projected usage to actual expenditures. For aircraft, usage equates to attrition, retirement, FMS sales, etc. For vehicles, usage equates to disposals (quantity of vehicles scheduled for disposal through sale, salvage or transfer to another agency).

   **End of Year Asset Position.** Add the gains and subtract the losses from the beginning of the year asset position.

   (Exhibit P-20, page 2 of 4)
Inventory Objective (IO). Identify the elements of the IO and the Approved Acquisition Objective, as applicable and approved through the Program Objective Memorandum process. For missiles, munitions, and munitions-related items, use the capabilities based munitions requirements process. Annotate in the Remarks block if the IO is different for any of the FYDP years. Cite the document and the date of the document that established the IO.

Actual Expenditures (for ammunition items). Identify actual expenditures for training and other than training for at least 3 years. For example, for the FY 2018 submission, FY 2017 will be the current year but no usage will have occurred. FY 2016 would be the Prior Year but data will probably not be available for the entire fiscal year prior to the submission. Therefore, show actual usage for FY 2016 through June 30, 2016 and the usage for 3 fiscal years (FY 2015 (Prior Year minus one, PY-1), FY 2014 (Prior Year minus two, PY-2), and FY 2013 (Prior Year minus three, PY-3)).

Authorized Allowances. Enter the authorized Vehicle allowances for units, installations, and activities supported by the appropriations of the service preparing the form. Replacement requirements will be excluded.

Vehicles Eligible for Replacement: Enter the quantity of vehicles eligible for replacement during the budget year funded leadtime based upon the age, repair limits and mileage criteria of DoD 4500.36-R, Acquisition, Management, and Use of DoD Non-Tactical Vehicles.

Vehicle Augmentation. Enter the quantity that represents an augmentation to the inventory. On a separate sheet, list the organizational units and quantities for each unit involved in the augmentation and include a full justification for the augmentation.

Aircraft. Include memo entries for each configuration of aircraft. Identify the acquisition objective determined by The Joint Staff (TJS) inventory category (see Chairman of the Joint Chiefs of Staff Instruction (CJCSI) 4410.01G, Standardized Terminology for Aircraft Inventory Management) for each FY. Explain the basis for the approved acquisition objective and identify the applicable requirements document and approval authority (e.g., TJS/Service) that provides the basis for the approved acquisition objective number.

Also each Service should submit documentation, by aircraft type, that provides the average age and average hours projected for the aircraft and the current age and hours. This documentation is required for all aircraft being procured and modified, as well as for the aircraft that are being replaced. Identify Active, National Guard and Reserve aircraft. Each Service may submit this documentation in formats currently used by each Service, as long as the above information is incorporated.

Entries should include: (1) total overall aircraft inventory; (2) active aircraft inventory, including primary aircraft inventory (with appropriate subcategories for mission aircraft, training aircraft, dedicated test aircraft, etc.), backup aircraft inventory, and attrition/reconstitution reserve; (3) inactive aircraft inventory, including bailment’s, drones, foreign military sales or other transfers, leases, loans, maintenance training, reclamation, and storage; and (4) the Joint Staff approved inventory requirements.
Exhibit P-20, Requirements Study (Continued)

Not Installed Nonconsumables. Tailor the asset position to elements that pertain to this category. Include a brief explanation in the remarks block to explain why the entire quantity to meet the IO is not being procured. Include memo entries for those items that total to the entire program inventory objective. Where applicable, the IO will be supported by showing the number of units or activities, by type and quantity required per unit or activity. Example:

<table>
<thead>
<tr>
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<tr>
<td>20 Units</td>
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REMARKS: Identify any items that can be substituted and explain why substitutes cannot be used to satisfy the IO, why expenditures do not represent an accurate portrayal of usage, and any other anomalies.
## Exhibit P-21, Production Schedule

### PRODUCTION RATE

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<tr>
<th>Item</th>
<th>Manufacturer’s Name and Location</th>
<th>MSR</th>
<th>ECON</th>
<th>MAX</th>
<th>ALT Prior to Oct 1</th>
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### Fiscal Year

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### Fiscal Year

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**REMARKS:** Use continuation pages as necessary to complete all procurements. If only one component or item is being delivered, show deliveries on one page.

P-1 Line Item No X

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**Exhibit P-21, Production Schedule**

(Exhibit P-21, page 1 of 3)
Instructions - Exhibit P-21, Production Schedule

1. **Purpose.** The purpose of this exhibit is to provide detailed information with regard to the monthly production of all applicable items.

   *2. **Submission.** Exhibit P-21 will be submitted to show the planned contractual production deliveries for Exhibit P-5 cost elements that have a value of $5.0 million or more in the budget year (BY). Exhibit P-5 cost elements that have a value of less than $5.0 million in the BY will not submit Exhibit P-21. Each Service, whether a leader or follower, is to provide the delivery schedule for the entire program. This ensures that each Service has the opportunity to adjust procurement quantities in terms of contractor capability to deliver all assets during the funded delivery period.

3. **Entries.**
   
   a. Entries will be displayed in the same order as they appear on the Exhibit P-5 Cost Analysis.
   
   b. Use "E" for "each," "M" for "millions" and "K" for "thousands" for unit of measure.
   
   c. Production rates should be yearly rates. The following definitions apply.

      **Minimum Sustaining Rate.** This is the production rate that is necessary to keep production lines open while maintaining a base of responsive vendors and suppliers; the quantity that will preclude start-up costs in the case of a production break; or the quantity that the contractor is willing to accept and produce at a reasonable cost.

      **Economical Production Rate.** This is the most efficient production rate for each budget year at which the item can be produced with existing or planned plant capacity and tooling, with 1 shift a day running for 8 hours a day and 5 days a week (1-8-5).

      **Maximum Production Rate.** This is the maximum capacity rate that a contractor can produce with extant or PY planned tooling. Indicate the number of shifts.

   d. The following leadtime definitions apply.

      **Administrative Leadtime (ALT).** This is the amount of time required to complete the administrative actions leading to contract award. Since these actions do not require funding, the ALT can be separately identified into prior to October 1 and after October 1. The ALT is used to forecast contract awards. Longer leadtimes require that a larger quantity be purchased to support yearly requirements. Leadtimes should therefore reflect an accurate assessment of the time required to process the administrative actions.

      **Production Leadtime (PLT).** This is the amount of time required by a contractor to produce an item once a contract is awarded. Leadtimes should be based on a realistic projection of a contractor’s capability.

(Exhibit P-21, page 2 of 3)
Procurement Leadtime. This is the total of ALT (post October 1) and PLT.

e. Where procurements are being made for customers such as the FMS program or another Service, a separate line will be used to reflect each customer’s planned buy and phased deliveries with a total provided by item by manufacturer. Use A for Army, N for Navy, AF for Air Force, F for FMS, and O for Other (and explain in the remarks section).

f. Enter respective schedules for all prior fiscal years with undelivered assets, for CY, and BY. Show detail of production by month so that analysis can be accurately performed.

g. Missile Delivery Schedule. A separate P-21 exhibit will be prepared for each missile system reflecting the latest actual deliveries and scheduled outyear requirements. When the missile system includes the procurement of fire units or launching systems within the P-1 line item, the missiles and the major components of the fire unit or launching system (launcher, launch control center, radar set, track vehicle) will be depicted on the P-21 exhibit.

h. Ammunition. The total production plan for hardware items should be displayed to include time-phased schedules for LAP and the major limiting or pacing component as applicable. For Improved Conventional Munitions, display schedules for all major components. Provide separate information in those cases where procurement leadtimes for LAP and major components differ.
Exhibit P-25, Production Support and Industrial Facilities Cost Analysis

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<th>Project Title/Type</th>
<th>Project Number</th>
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<th>Project Number</th>
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**Narrative Explanation**

P-1 Shopping List - Item No 20-1 of 20-20

*Exhibit P-25, Production Support and Industrial Facilities Cost Analysis*

(Exhibit P-25, page 1 of 2)
Instructions Exhibit P-25,
Production Support and Industrial Facilities Cost Analysis

The P-25 exhibit will be used to display costs for each funded production facilities project at all government owned, government operated (GOGO) and government owned, contractor operated (GOCO) facilities. In addition the exhibit will display the costs associated with a facilities project for those government owned lines that are located at contractor owned, contractor operated (COCO) facilities. The cost categories on the P-25 exhibit represent a number of elements and the list should be tailored to adequately depict the production facility project cost. This exhibit is to be submitted only when funding for production support and facilities is part of the current year budget or requested for the budget year. The sections on the P-25 exhibit are to be completed as follows.

Entries:

**Construction Cost.** The Construction Cost depicts the cost for construction that is funded in this line. If construction funds are required that are programmed in another appropriation, these funds and the associated amount should be identified in the Other Costs section.

**Equipment Cost.** The Equipment Cost identifies the cost for individual equipment (list separately) costing more than $0.5 million and a cumulative cost line for all equipment costing less than $0.5 million.

**Equipment Installation Cost.** The Equipment Installation Cost identifies the cost to install all the equipment listed.

**Contractor Support Cost.** The Contractor Support Cost identifies any cost for contractor support included in the production facility project.

**Corps of Engineers Support Cost.** The Corps of Engineers Support Cost identifies any cost for the Corps of Engineers support included in the production facility project.

**Other In-house Support Cost.** Should identify any cost for other in-house support (excluding the Corps of Engineers support costs) included in the production facility project.

**Other Cost.** The Other Cost reflects other costs associated with the project such as facility prove-out cost, military construction appropriation costs, etc.

**Facility.** The Facility specifies the name, location, and type of facility.

**Related Projects.** The Related Projects include prior year and outyear funding required to complete the project.

Industrial Facilities - Provide specific line item identification for each project. Group projects under each appropriate subclassification, such as facility expansion, machine tool replacement, etc.

A DD Form 1391, Military Construction Project Data, is required for each project for proposed construction, alteration, expansion, or modernization of government owned facilities.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-25, page 2 of 2)
### Exhibit P-27, SCN - Ship Production Schedule

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<th>Fiscal Year</th>
<th>Contract Award</th>
<th>Start of Construction</th>
<th>Delivery Date</th>
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</table>

**Description**

P-1 Line Item No X
(Page X of X)

Exhibit P-27, SCN - Ship Production Schedule
(Exhibit P-27, page 1 of 2)
### Instructions - Exhibit P-27, SCN – Ship Production Schedule

**Purpose.** The purpose of this exhibit is to provide information concerning production of ships authorized for construction, but not yet delivered, and for each ship programmed for construction in the Future Years Defense Program (FYDP).

**General.** This exhibit will be prepared for all Ship Construction, Navy (SCN) programs for which ship construction funds are requested in the P-1 exhibit. Ships will be listed in chronological order by the year authorized, then date of contract award, and then by start of construction.

**Entries:**

- **Heading.** Insert Appropriation, Budget Activity, and identification code (as identified on the Exhibit P-1 generated from the OSD PRCP database) in the appropriate block. Insert the Exhibit P-1 line item title and add after the title the subhead number for the line item in parenthesis.

- **Ship.** Identify each individual ship by Ship Class and hull number (e.g., SSN 792, CVN 79) that has previously been authorized for construction, but has not yet delivered, and each ship that is programmed for construction in the FYDP.

- **Shipbuilder.** Identify the shipbuilder(s) for each ship.

- **Fiscal Year.** List the year funds were appropriated or are programmed for each ship.

- **Contract Award.** Enter the month and year of the shipbuilding contract award (actual or planned) using “MMM YYYY” format (e.g., Dec 2017).

- **Start of Construction.** Enter the month and year that construction began/is scheduled to begin using “MMM YYYY” format.

- **Delivery Date.** Enter the month and year each ship is planned to deliver using “MMM YYYY” format.
Exhibit P-29, SCN Outfitting Costs

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<thead>
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<th>Hull No</th>
<th>Prog Year</th>
<th>Contract Award</th>
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<th>Delivery Date</th>
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Comments

P-1 Line Item No X

Exhibit P-29, SCN Outfitting Costs
(Exhibit P-29, page 1 of 3)
Instructions - Exhibit P-29, SCN – Outfitting Costs

Purpose. The purpose of this exhibit is to provide detailed information concerning Outfitting funds for ships authorized for construction, but not yet delivered, and for each ship programmed for construction in the Future Years Defense Program (FYDP).

General. This exhibit will be prepared for all Ship Construction, Navy (SCN) programs for which ship Outfitting funds are requested. Outfitting funds are used to acquire on board repair parts, other secondary items, equipage, recreation items, pre-commissioning crew support and general use consumables furnished to the shipbuilder or the fitting-out activity to fill the ship's initial allowances as defined by the baseline coordinated shipboard allowance list (COSAL). Outfitting funds are also budgeted for contractor-furnished spares, at lead-time away from delivery. The SCN funding for the initial fill of allowance list items are limited to those items on the COSAL and authorized requirements through the Obligation Work Limiting Date (OWLD). While most outfitting funds are executed prior to ships' completion of fitting out dates, some outfitting funding may be required in the fiscal year following the scheduled Delivery Date.

Ships will be listed by Ship Class, then in chronological order by the year authorized, then date of contract award, and then by start of construction.

Entries:

Heading. Insert Appropriation, Budget Activity, and identification code (as identified on the Exhibit P-1 generated from the OSD PRCP database) in the appropriate block. Insert the Exhibit P-1 line item title and add after the title the subhead number for the line item in parenthesis.

Ship Class and Hull Number. Identify each individual ship by Ship Class and hull number (e.g., SSN 792, CVN 79) that has previously been authorized for construction, but has not yet delivered, and each ship that is programmed for construction in the FYDP.

Program Year. List the year ship construction funds were appropriated or are programmed for each ship.

Contract Award. Enter the month and year of the shipbuilding contract award (actual or planned) using “MMM YYYY” format (e.g., Dec 2017).

Start of Construction. Enter the month and year that construction began/is scheduled to begin using “MMM YYYY” format.

Delivery Date. Enter the month and year each ship is planned to deliver using “MMM YYYY” format.

Completion of Fitting Out (CFO). Enter the month and year each ship is planned to complete fitting out using “MMM YYYY” format.

Post-Shakedown Availability (PSA) Start. Enter the month and year each ship is planned to begin PSA using “MMM YYYY” format.

PSA Finish. Enter the month and year each ship is planned to finish PSA using “MMM YYYY” format.
Obligation Work Limiting (OWL) Date. Enter the OWLD for each ship using “MMM YYYYY” format.

Funding. Enter Outfitting funding for each ship. Annual funding will be provided in the Prior Year (PY), Current Year (CY) and Budget Year (BY) columns only. Total Outfitting funding received in all fiscal years before the Prior Year (PY) will be entered in the Prior Years column. All Outfitting funds programmed in the FYDP years (i.e., BY+1 through BY+4) will be entered in the To Complete column. The total Outfitting cost for each ship will be entered in the Total column.
Exhibit P-30, SCC Post Delivery Costs

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Comments

P-1 Line Item No X

Exhibit P-30, SCC Post Delivery Costs
(Exhibit P-30, page 1 of 3)
Instructions - Exhibit P-30, SCN – Post Delivery Costs

Purpose. The purpose of this exhibit is to provide detailed information concerning Post Delivery funds for ships authorized for construction, but not yet delivered, and for each ship programmed for construction in the Future Years Defense Program (FYDP).

General. This exhibit will be prepared for all Ship Construction, Navy (SCN) programs for which ship Post Delivery funds are requested. Post Delivery funding covers the fixing of government-responsible items which were believed to have been complete to standard and/or operable at delivery, as well as funding to conduct tests and trials after delivery. The Post Shakedown Availability (PSA) is a shipyard availability assigned to commence after delivery and to be completed prior to the expiration of the SCN Obligation Work Limiting Date (OWLD). Funding is used for corrections authorized by the ship's Program Manager as a result of builders' trials (pre-delivery), acceptance or underway trials, final contract trials, trial board items, and correction of production-related defects or deficiencies which develop during the post delivery period. Although the majority of post delivery funding occurs after ships' delivery dates, some funding is required prior to the delivery date in preparation for post delivery events.

Ships will be listed by Ship Class, then in chronological order by the year authorized, then date of contract award, and then by start of construction.

Entries:

Heading. Insert Appropriation, Budget Activity, and identification code (as identified on the Exhibit P-1 generated from the OSD PRCP database) in the appropriate block. Insert the Exhibit P-1 line item title and add after the title the subhead number for the line item in parenthesis.

Ship Class and Hull Number. Identify each individual ship by Ship Class and hull number (e.g., SSN 792, CVN 79) that has previously been authorized for construction, but has not yet delivered, and each ship that is programmed for construction in the FYDP.

Program Year. List the year ship construction funds were appropriated or are programmed for each ship.

Contract Award. Enter the month and year of the shipbuilding contract award (actual or planned) using “MMM YYYY” format (e.g., Dec 2017).

Start of Construction. Enter the month and year that construction began/is scheduled to begin using “MMM YYYY” format.

Delivery Date. Enter the month and year each ship is planned to deliver using “MMM YYYY” format.

Completion of Fitting Out (CFO). Enter the month and year each ship is planned to complete fitting out using “MMM YYYY” format.

Post-Shakedown Availability (PSA) Start. Enter the month and year each ship is planned to begin PSA using “MMM YYYY” format.

PSA Finish. Enter the month and year each ship is planned to finish PSA using “MMM YYYY” format.

Obligation Work Limiting (OWL) Date. Enter the OWLD for each ship using “MMM YYYY” format.

(Exhibit P-30, page 2 of 3)
Funding. Enter Post Delivery funding for each ship. Annual funding will be provided in the Prior Year (PY), Current Year (CY) and Budget Year (BY) columns only. Total Post Delivery funding received in all fiscal years before the Prior Year (PY) will be entered in the Prior Years column. All Post Delivery funds programmed in the FYDP years (i.e., BY+1 through BY+4) will be entered in the To Complete column. The total Post Delivery cost for each ship will be entered in the Total column.
Exhibit P-35, Major Ship Component Fact Sheet

Exhibit P-35, Major Ship Component Fact Sheet
(TOA, $ in Millions)

Ship Type - (SSN-21)  Equipment Item - (AN/BSY-2 Combat System)  PARM Code - (NAVSEA PMS XXX)

Description/Characteristics/Purpose:

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<thead>
<tr>
<th>Current Funding</th>
<th>FY 20PY</th>
<th>FY 20CY</th>
<th>FY 20BY</th>
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<td>Hull</td>
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<tr>
<td>Warranty</td>
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<tr>
<td>Battle Spare/Trainer</td>
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<td>GFE</td>
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<tr>
<td>Ancillary Equipment</td>
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<tr>
<td>Test Equipment</td>
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<td>Shipping and Installation Fix</td>
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<td>Technical Data and Documentation</td>
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<tr>
<td>Spares</td>
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<tr>
<td>Installation &amp; Checkout</td>
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<td>Installation &amp; Sup Spt</td>
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<td>Other Costs (List separately)</td>
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<td>Other Costs</td>
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Contract Data (major hardware)

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<thead>
<tr>
<th>Contract Data (major hardware)</th>
<th>Prime Contractor</th>
<th>Contract Award Date (indicate if estimated)</th>
<th>Contract Type</th>
<th>New/Option</th>
<th>Contract Qty</th>
<th>Contract Hardware Unit Cost</th>
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</thead>
<tbody>
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</table>

Delivery Data

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<tr>
<th>Delivery Data</th>
<th>Earliest Ship Delivery Date</th>
<th>Months Required before Delivery</th>
<th>Production Leadtime</th>
<th>Required Award Date</th>
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<tbody>
<tr>
<td>PY</td>
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<tr>
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<tr>
<td>BY</td>
<td></td>
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</tbody>
</table>

V. Competition/Second-Source Initiatives:

P-1 Line Item No X

Exhibit P-35, Major Ship Component Fact Sheet
(Exhibit P-35, page 1 of 2)
Instructions Exhibit P-35, Major Ship Component Fact Sheet

Item: A separate sheet is to be submitted for each component having a unit cost of $3.0 million or more.

Description/Characteristics/Purpose. Self-explanatory.

Current Funding. The cost details will be provided for each ship type for which equipment is being procured on a hull basis for the prior year (PY), current year (CY), and budget year (BY).

Identify estimates on an end item cost basis. If equipment was procured in a prior year with advance procurement funds, it should be reflected on the exhibit next to the end cost estimates in parenthesis. The equipment costs in this section of the exhibit will include the building block elements listed below:

- Major Hardware
- Ancillary Equipment
- Technical Data and Documentation
- Spares
- System Engineering
- Technical Engineering Services
- Other Costs

Major hardware costs in excess of $20 million must be broken down into sub-element hardware components that comprise the equipment cost estimate included on the P-5a cost analysis.

Contract Data. This section will be prepared for major hardware procurement. The exhibit will include the contract plans for the BY, the planned or actual contract information for the current year (CY) and the actual information for the last buy prior to the current year. The last buy should be included even though it is two or more years prior to the current year. The following codes should be used for indicating contract types: Fixed Price Incentive (FPI); Cost Plus Incentive Fee (CPIF); Fixed Price (FP); Sole Source (SS); and Competitive (C). Indicate whether it is a new contract or an option to an existing contract. Also indicate estimated or actual award dates and item delivery dates. List quantities for each fiscal year and the production leadtime associated for each type of equipment.

Delivery Data. This section should indicate delivery plans for BY, CY and Prior Year (PY) programs contained in Section II of this exhibit. The required award date entry is determined by subtracting the months required before delivery and production leadtime from the earliest ship delivery date.

Competition/Second Source Initiatives. Describe any competition or second source initiatives associated with major hardware items.
Exhibit P-40, Budget Item Justification

<table>
<thead>
<tr>
<th>Program Element for Code B Items:</th>
<th>Other Related Program Elements</th>
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</thead>
<tbody>
<tr>
<td>Proc Qty</td>
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<tr>
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<td>Less PY Adv Proc</td>
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<tr>
<td>Plus CY Adv Proc</td>
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<td>Net Proc (=P-1)</td>
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<tr>
<td>Initial Spares</td>
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<td>Flyaway U/C</td>
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<td>Wpn Sys Proc U/C</td>
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<td>Description</td>
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</table>

(Use continuation pages, as necessary)
Instructions Exhibit P-40, Budget Item Justification

1. **Purpose.** The purpose of this exhibit is to provide overall narrative justification and total procurement costs for each P-1 line item. Include all advance procurement, initial spares and repair parts for acquisition category 1 programs.

* 2. **Submission.** A separate P-40 exhibit will be submitted to support each P-1 line item with funding of $5.0 million or more in the budget year (BY) or $5.0 million or more in either the Prior Year (PY) or Current Year (CY). Funding will be provided for all years displayed on the P-40 exhibit for all programs for both the program and budget review submission and the President's budget submission. If the prior years and to complete data are not relevant (i.e., items have a continuing requirement such as vehicles or ammunition), then leave those fields blank. In order to ensure compliance with the Department's policy to fully fund procurement programs, exhibits must reflect all costs and quantities from prior years through to complete for those programs buying a finite quantity. Note: for non-Major Defense Acquisition Programs (MDAPs)/Major Automated Information Systems (MAIS) programs with a funding value less than $5.0 million, only the P-40 exhibit is required. No other budget exhibits will be submitted for programs with a funding level less than $5.0 million in the BY. MDAP/MAIS programs must submit all required budget exhibits if a P-40 exhibit is required.

3. **Entries.**
   
a. Enter the applicable information that identifies the appropriation number and title, budget activity, procurement line item number, and serial number (the combination of these codes should match the procurement annex). Include the P-1 line item title (must be identical to what is shown in PRCP for that line item) and identify nicknames in parenthesis. Identify the program element for all Code B items shown on the P-5. Also list all other Program Elements associated with this procurement.

   b. Funding will be presented for all Prior Years before the current prior year (i.e., PY-1, PY-2, PY-3, etc.), the Prior Year, the Current Year, the Budget Year, the FYDP years, to complete, and total on all line items having a finite quantity requirement. It is not relevant to show funding or quantities for items that are continuing requirements such as ammunition or non-tactical vehicles. It is relevant to show funding for all fiscal years for items being procured to specified quantity, such as aircraft, missiles, tactical vehicles, or modifications. The funding should agree with the funding approved in the FYDP Procurement Annex. Omit line items that do not apply (for example, ammunition items would not include an initial spares line).

   c. Procurement programs that include funding for National Guard and Reserve Components will list Secondary Distribution to Active, National Guard, and Reserve Components, as applicable. Secondary Distribution will include quantity and funding for each component for the Prior Year, the Current Year, the Budget Year, and the FYDP years. This data must match submission to the PRCP data base.

   d. A complete narrative description of the line item will be provided. The description will include, but not be limited to, the nature, purpose and intended use of the item with sufficient depth of information to serve as a justification for funding.

   e. If the item is a Code B item, provide the month and calendar year, actual or projected, for each applicable Developmental Test & Evaluation (DTE), Initial Operational Test & Evaluation (IOT&E), Operational Test & Evaluation (OTE), and technical data package (TDP) or performance specification milestone date. The TDP is assumed to be the date when all data necessary to initiate the procurement is available. Also provide the planned date for type classification as Standard or Alternate Standard (Army and Air Force) or approved by the Chief of Naval Operations (CNO) or other responsible official (Navy). Provide the nomenclature and model number of each item (as applicable) that will be replaced, as well as

(Exhibit P-40, page 2 of 4)
the comparative information in definitive terms with units of measure such as range, speed, cycle rate, meantime before failure, useful life, etc. Enter a brief but specific discussion of pertinent test results and development effort to date (i.e., successful firings, slippages, test failures, cost overruns, etc.).

f. For those programs that include advance procurement funds that support more than just the next or one subsequent FY program, specific FY detail needs to be provided to identify which FY programs are supported by prior year advance procurement. Advance procurement should be debited and credited according to the leadtimes of the advance procurement. For instance, if FY 2015 and FY 2016 Advance Procurement funds are required for a FY 2017 procurement, the FY 2015 Advance Procurement funds would be debited in FY 2015, the FY 2016 Advance Procurement funds would be debited in FY 2016, and the total of the FY 2015 and FY 2016 Advance Procurement funds would be credited in FY 2017.

Advance Procurement

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<td>FY 2016 for FY 2018 (memo)</td>
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<td>FY 2019 for FY 2021 (memo)</td>
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4. **Specific Guidance by Program Type.**

   a. **Shipbuilding and Conversion, Navy Programs.** Include the following information:

   - Mission
   - Characteristics (hull length overall, beam, displacement, draft)
   - Armament
   - Major Electronics
   - Production status, by hull
     - Contract Award Planned (Month/Year)
     - Months to Complete
       - a) Award to Delivery
       - b) Construction
     - Start to Delivery
     - Delivery Date
     - Completion of Fitting Out
     - Obligation Work Limiting Date (OWLD)

The P-40 exhibit must list all Service and Other Small Craft Items by types and provide funding for all years still being executed.

(Exhibit P-40, page 3 of 4)
b. **Modification Programs.** For procurement modification programs the P-40 exhibit shall include the following information; a complete narrative description of the weapon system, its overall mission, number of aircraft in the inventory (include a breakout by Active, National Guard and Reserve), the designed service life, and the average service life remaining. The exhibit will, just below the narrative, include the specific modifications budgeted and programmed displayed in the format provided below:

**Instructions Exhibit P-40, Budget Item Justification (Continued)**

<table>
<thead>
<tr>
<th>Mod/OSIP No</th>
<th>Title</th>
<th>PYs</th>
<th>PY</th>
<th>CY</th>
<th>BY</th>
</tr>
</thead>
</table>

**Mod/OSIP No.** Enter the modification number as applicable. List each modification on the aircraft P-40 exhibit. All P-3a exhibits must be included in the budget backup book in this numerical order.
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<th>Item Number/Title [DODIC]</th>
<th>ID Code</th>
<th>Prior Years</th>
<th>Past Year</th>
<th>Current Year</th>
<th>Budget Year</th>
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<th>Budget Year Total</th>
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</tbody>
</table>

P-1 Line Item No X
(Page X of X)

Exhibit P-40a, Budget Item Justification for Aggregated Items
(Exhibit P-40a, page 1 of 2)
Instructions - Exhibit P-40a, Budget Item Justification for Aggregated Items

1. **Purpose.** The purpose of this exhibit is to provide the quantities and funding covering the procurement programs included in aggregated P-1 line items such as "Items Less Than $5.0 million." A P-5 exhibit is not required for items included on a P-40a exhibit.

2. **Entries.**

   a. Enter the applicable information that identifies the appropriation, budget activity, and title. There should be no Code B (not approved for service use) items on the P-40a exhibit. If an item is a Code B item, however, the item must be listed as separate line items in the P-1, P-5 and P-40 exhibits.

   b. Unit Cost, Quantity and Total Cost will be presented for all Prior Years, Prior Year (PY), Current Year (CY), Budget Year (BY). The funding should agree with the funding approved in the FYDP Procurement Annex.
Exhibit MYP-1, Multiyear Procurement Criteria Content

Date: ________________

Program ____________________________

1. Multiyear Procurement Description.

2. Benefit to the Government.
   a. Substantial Savings
   b. Stability of Requirement
   c. Stability of Funding
   d. Stable Configuration
   e. Realistic Cost Estimates
   f. National Security

3. Source of Savings
   - Inflation
   - Vendor Procurement
   - Manufacturing
   - Design/Engineering
   - Tool Design
   - Support Equipment
   - Other
   - Total

   $ in Millions

   P-1 Line Item No X
   (Page X of X)

Exhibit MYP-1, Multiyear Procurement Criteria

MYP, page 1 of 8
Exhibit MYP-1, Multiyear Procurement Criteria Content

Exhibit MYP-1, Multiyear Procurement Criteria Content (Continued)

Program ________________________________

4. Advantages of the MYP

5. Impact on Defense Industrial Base

6. Multiyear Procurement Summary
   
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<thead>
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<th>Quantity</th>
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<td>$ Cost Avoidance Over Annual</td>
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<tr>
<td>% Cost Avoidance Over Annual</td>
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P-1 Line Item No X

MYP, page 2 of 8
Exhibit MYP-2, Total Program Funding Plan

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P-1 Line Item No X

Exhibit MYP-2, Total Program Funding Plan

MYP, page 3 of 8
Exhibit MYP-3, Contract Funding Plan

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Remarks. Explain assumptions (outlay rate, contractor termination liability, other - explain what's behind the numbers).
Exhibit MYP-4, Present Value Analysis

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Remarks

Explain assumptions (outlay rate, contractor termination liability, other - explain what's behind the numbers).
Instructions – Exhibit Multiyear Procurement

1. Provide a narrative justification (MYP-1 Multiyear Procurement Criteria) for all proposed multiyear procurements candidates regardless of costs. Exhibits MYP-1, MYP-2 Total Program Funding, MYP-3 Total Contract Funding and MYP-4 Present Value Analysis will be included for all MYP candidate systems in the Program Budget Review submission. The President’s Budget request will include a P-5a MYP-annotated entry for those multiyear programs not requiring congressional authorization and appropriation language and exhibits. Exhibits MYP-1 through MYP-4 are required for all multiyear candidate systems for which any of the following is true:

   a. The anticipated multiyear procurement contract is $500 million or greater.
   
   b. There are economic order quantity (EOQ) procurements in excess of $20 million in any one year.
   
   c. There are EOQ procurements in advance of an MYP contract in excess of $20 million in any one year.
   
   d. There will be an unfunded contingent liability in excess of $20 million in any one year.
   
   e. The procurement quantities of a previously approved MYP have been adjusted.

2. Detailed instructions for filling out MYP exhibits are published in SNaP on the home page of the SNaP-Multiyear Procurement (MYP) application.

3. If a system proposed for a multiyear contract includes more than one P-1 line item, prepare combined MYP-1 and MYP-2 exhibits. Prepare separate exhibits for the remaining MYP exhibit formats. All the exhibits associated with the system will be combined in one package, and submitted in numerical order MYP-1, MYP-2, MYP-3\textsuperscript{1}, MYP-3\textsuperscript{2}, etc.

4. If multiple MYPs are proposed for components of the same P-1 line item, prepare a separate set of exhibits for each component. Note that the MYP-3 will be the same in each package.

5. If a joint Service program is proposed for multiyear procurement, the executive Service is responsible for submission of all multiyear exhibits and the congressional authorization language.

6. Provide the narrative description in sufficient detail to define the multiyear procurement, i.e., this multiyear procurement will procure “x” number of units over “x” number of fiscal years by using one (or more) multiyear contract.
7. Describe in detail the benefit to the government of the MYP. The process of deciding to use or not to use a multiyear procurement (MYP) for production programs as well as how best to tailor and structure the MYP requires management judgment. A MYP should yield substantial cost avoidance or other benefits when compared to conventional annual contracting methods. Any MYP alternatives with greater risk to the government should demonstrate increased cost avoidance or other benefits over those with lower risk. Savings can be defined as significant either in terms of dollars or percentage of total costs. Detailed descriptions of benefits justifying the MYP should cover the following: Substantial Savings, Stability of Requirements, Stability of Funding, Stable Design, Realistic Cost Estimates, and National Security.

8. Identify the Substantial Savings detailing the sources of savings to include, as appropriate, inflation, vendor procurement, manufacturing, design/engineering, tool design, and support equipment. Each identified source of savings must include a narrative description of the specific savings, an estimate for that specific source and how the estimate was derived. The sum of the detailed sources should equal the total savings.

9. The narrative justification for Stability of Requirement must contain the statement that “the minimum need for the property to be purchased is expected to remain substantially unchanged during the contemplated contract period in terms of production rate, procurement rate, and total quantities.” The item should be technically mature, have completed RDT&E (including development testing, or equivalent) and Initial Operational, Test and Evaluation (IOT&E), with relatively few changes in item design anticipated. Deliveries of production items will indicate that the underlying technology is stable. This does not mean that changes will not occur but that the estimated cost of such changes is not anticipated to drive total costs beyond the proposed funding profile.

10. Identify the advantages the MYP will achieve and how they will achieve them. These advantages include: production of items in economic order quantities, thereby resulting in lower costs; enhancement of standardization; reduction of administrative burden in the placement and administration of contracts; substantial continuity of production or performance, thus avoiding annual startup costs, pre-production testing costs, make-ready expenses, and phase-out costs; stabilization of contractor and subcontractor work forces; avoiding the need to establish quality control techniques and procedures for a new contractor each year; broadening the competitive base with opportunity for participation by firms not otherwise willing or able to compete for lesser quantities, particularly in cases involving high startup costs; providing incentives to contractors to improve productivity through investment in capital facilities, equipment, and advanced technology; enhancing partnering efforts between contractors/government and prime contractor/subcontractor; providing stable environment; and enhancing best commercial practices.
11. Exhibit MYP-2, Total Program Funding Plan, will compare the funding for the annual proposal and the multiyear proposal and Exhibit MYP-3, Total Contract Funding Plan, will compare the funding for the annual proposal and the multiyear proposal for the multiyear contract.

12. All multiyear procurements (MYP), regardless of cost, require the use of a present value analysis to determine lowest cost compared to an annual procurement. This analysis will be completed by the SNaP based on funding plans provided and results displayed as Exhibit MYP-4, Present Value Analysis. Present value analysis will be calculated in accordance with DoD Instruction 7041.3, Economic Analysis for Decision Making, and OMB Circular A-94.
### Summary of Major Changes

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated December 2016 is archived.

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<th>Paragraph</th>
<th>Explanation of Change/Revision</th>
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<td>050202</td>
<td>Eliminates the minimum threshold for submitting most RDT&amp;E Project budget exhibits.</td>
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<tr>
<td>050402</td>
<td>Revises guidance for various RDT&amp;E budget exhibits, primarily related to the new thresholds for submission.</td>
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<tr>
<td>050402</td>
<td>Revises the R-2a budget exhibit format to include an Increase/Decrease Statement and delete the Prior Year Accomplishments narrative statement.</td>
<td>Revision</td>
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CHAPTER 5

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION APPROPRIATIONS

0501  GENERAL

050101.  Purpose

This chapter provides instructions applicable to budget formulation and congressional justification for Research, Development, Test, and Evaluation (RDT&E) appropriations. Unless otherwise specified, these instructions apply to all RDT&E appropriations and to all budgets.

050102.  References

Volume 2A, Chapter 1, Section 010210 provides policies and definitions concerning costs that are to be financed in RDT&E appropriations.

050103.  Submission Requirements

A.  General guidance on submission requirements is in Volume 2A, Chapter 1. This chapter provides guidance for the preparation of RDT&E appropriation backup material required to support the Budget Estimates Submission (BES) and the President’s budget request. Other chapters in the Financial Management Regulation require additional exhibits. The Components will also submit any exhibits required by the Office of Management and Budget (OMB) Circular A-11, Preparation and Submission of Budget Estimates.

B.  Military Departments and Defense Agencies will be responsible for clearing the justification material with the Washington Headquarters Services, Directorate for Office of Security Review, prior to transmittal to the OMB, the Office of the Secretary of Defense (OSD), and the congressional committees.

050104.  Classification

The budget justification material should be unclassified. All classified material shall be submitted separately. Components must include a R-2 RDT&E Budget Justification exhibit for special access programs (SAPs) that are not labeled as secret. The R-2 exhibits for SAPs must only include funding streams and cite the following justification: “This program is reported in accordance with Title 10, United States Code, Section 119(a)(1) in the Special Access Program Annual Report to Congress.” All other (non-intel and non-SAP) classified funding requests must be identified (i.e., submit a one page R-2 exhibit) within unclassified justification budget materials.

050105.  RDT&E Budget Activities

The RDT&E budget activities are broad categories reflecting different types of RDT&E efforts. The definitions are provided in paragraphs A through G. The acquisition milestones identified in the definitions are established by Department of Defense Instruction 5000.02,
“Operation of the Defense Acquisition System.” Acquisition program developmental criteria and administrative requirements for each milestone are set forth in this instruction.

A. **Budget Activity 1, Basic Research.** Basic research is systematic study directed toward greater knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind. It includes all scientific study and experimentation directed toward increasing fundamental knowledge and understanding in those fields of the physical, engineering, environmental, and life sciences related to long-term national security needs. It is farsighted high payoff research that provides the basis for technological progress. Basic research may lead to: (a) subsequent applied research and advanced technology developments in Defense-related technologies, and (b) new and improved military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility, guidance and control, navigation, energy conversion, materials and structures, and personnel support. Program elements in this category involve pre-Milestone A efforts.

B. **Budget Activity 2, Applied Research.** Applied research is systematic study to understand the means to meet a recognized and specific need. It is a systematic expansion and application of knowledge to develop useful materials, devices, and systems or methods. It may be oriented, ultimately, toward the design, development, and improvement of prototypes and new processes to meet general mission area requirements. Applied research may translate promising basic research into solutions for broadly defined military needs, short of system development. This type of effort may vary from systematic mission-directed research beyond that in Budget Activity 1 to sophisticated breadboard hardware, study, programming and planning efforts that establish the initial feasibility and practicality of proposed solutions to technological challenges. It includes studies, investigations, and non-system specific technology efforts. The dominant characteristic is that applied research is directed toward general military needs with a view toward developing and evaluating the feasibility and practicality of proposed solutions and determining their parameters. Applied Research precedes system specific technology investigations or development. Program control of the Applied Research program element is normally exercised by general level of effort. Program elements in this category involve pre-Milestone B efforts, also known as Concept and Technology Development phase tasks, such as concept exploration efforts and paper studies of alternative concepts for meeting a mission need.

C. **Budget Activity 3, Advanced Technology Development (ATD).** This budget activity includes development of subsystems and components and efforts to integrate subsystems and components into system prototypes for field experiments and/or tests in a simulated environment. Budget Activity 3 includes concept and technology demonstrations of components and subsystems or system models. The models may be form, fit, and function prototypes or scaled models that serve the same demonstration purpose. The results of this type of effort are proof of technological feasibility and assessment of subsystem and component operability and producibility rather than the development of hardware for service use. Projects in this category have a direct relevance to identified military needs. Advanced Technology Development demonstrates the general military utility or cost reduction potential of technology when applied to different types of military equipment or techniques. Program elements in this category involve pre-Milestone B efforts, such as system concept demonstration, joint and
Service-specific experiments or Technology Demonstrations and generally have Technology Readiness Levels of 4, 5, or 6. (For further discussion on Technology Readiness Levels, see the Assistant Secretary of Defense for Research and Engineering’s Technology Readiness Assessment (TRA) Guidance.) Projects in this category do not necessarily lead to subsequent development or procurement phases, but should have the goal of moving out of Science and Technology (S&T) and into the acquisition process within the Future Years Defense Program (FYDP). Upon successful completion of projects that have military utility, the technology should be available for transition.

D. **Budget Activity 4, Advanced Component Development and Prototypes (ACD&P).** Efforts necessary to evaluate integrated technologies, representative modes, or prototype systems in a high fidelity and realistic operating environment are funded in this budget activity. The ACD&P phase includes system specific efforts that help expedite technology transition from the laboratory to operational use. Emphasis is on proving component and subsystem maturity prior to integration in major and complex systems and may involve risk reduction initiatives. Program elements in this category involve efforts prior to Milestone B and are referred to as advanced component development activities and include technology demonstrations. Completion of Technology Readiness Levels 6 and 7 should be achieved for major programs. Program control is exercised at the program and project level. A logical progression of program phases and development and/or production funding must be evident in the FYDP.

E. **Budget Activity 5, System Development and Demonstration (SDD).** System Development and Demonstration (SDD) programs have passed Milestone B approval and are conducting engineering and manufacturing development tasks aimed at meeting validated requirements prior to full-rate production. This budget activity is characterized by major line item projects, and program control is exercised by review of individual programs and projects. Prototype performance is near or at planned operational system levels. Characteristics of this budget activity involve mature system development, integration, demonstration to support Milestone C decisions, conducting live fire test and evaluation, and initial operational test and evaluation of production representative articles. A logical progression of program phases and development and production funding must be evident in the FYDP consistent with the Department’s full funding policy.

F. **Budget Activity 6, RDT&E Management Support.** This budget activity includes management support for research, development, test, and evaluation efforts and funds to sustain and/or modernize the installations or operations required for general research, development, test, and evaluation. Test ranges, military construction, maintenance support of laboratories, operation and maintenance of test aircraft and ships, and studies and analyses in support of the RDT&E program are funded in this budget activity. Costs of laboratory personnel, either in-house or contractor operated, would be assigned to appropriate projects or as a line item in the Basic Research, Applied Research, or ATD program areas, as appropriate. Military construction costs directly related to major development programs are included in this budget activity.

G. **Budget Activity 7, Operational System Development.** This budget activity includes development efforts to upgrade systems that have been fielded or have received approval
for full rate production and anticipate production funding in the current or subsequent fiscal year. All items are major line item projects that appear as RDT&E Costs of Weapon System Elements in other programs. Program control is exercised by review of individual projects. Programs in this category involve systems that have received approval for Low Rate Initial Production (LRIP). A logical progression of program phases and development and production funding must be evident in the FYDP, consistent with the Department’s full funding policy.

050106. Establishing RDT&E Program Elements

A. The program element is the primary data element in the FYDP and is the major aggregation, at which RDT&E efforts are organized, budgeted, and reviewed. All funding associated with a major system new start must be identified in a unique program element. Requests to establish program elements should be forwarded to Office of the Secretary of Defense (OSD) Cost Assessment and Program Evaluation (CAPE) for coordination and approval.

B. In general, the coding symbology identifies the RDT&E budget activity for the program element. Program elements in RDT&E budget activities 1 through 6 will have “06” in the first two positions; “06” indicates it is part of Major Force Program 6, Research and Development. The third and fourth position will identify the specific budget activity (e.g., 0602 is an RDT&E budget activity 2 program element). Program elements in RDT&E budget activity 7 reflect the Major Program of the fielded system in the first two positions (e.g., “01” indicates a strategic system).

*0502 RDT&E EXHIBIT REQUIREMENTS

050201. Purpose

This section prescribes instructions for the preparation and submission of RDT&E appropriations budget material to support the BES and the President’s budget request. See Volume 2A, Chapter 1, Section 0104, for specific printing requirements.

SUMMARY OF EXHIBIT REQUIREMENTS

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<td>R-4 RDT&amp;E Program Schedule Profile</td>
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<tr>
<td>R-4a RDT&amp;E Program Schedule Detail</td>
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050202. Submission Requirements

A. Extensible Markup Language (XML) Exhibits. All Components must submit required budget exhibits as PDFs with the source XML file embedded. These PDFs will be generated by one of the following two processes:

1. Submit an XML file to the XML Tools section of the Comptroller XML Exhibits web site, https://exhibits.dtic.mil/r2/app (for Components capable of building an XML file from an internal system). The XML files submitted through the XML Tools section must be compliant with the latest RDT&E XML schema, located within the same section of the website; or


3. The result of either process will be a PDF file with an XML file embedded. All RDT&E exhibit PDFs/XMLs must be assembled into a Justification Book(s) within the same website using one of the Justification Book tools and posted to the SIPRNET website https://cisweb.ousdc.osd.smil.mil/

4. Formats and examples of the exhibits are contained in Section 0503.

B. Each backup book will include an Exhibit R-1, RDT&E Program, two indices of program elements (including R-1 line number, program element title, program element number, and backup book page number), one alphabetically by program element title and on by budget activity and R-1 line number, and specific exhibits for those items covered by the backup book.

C. The exhibits will be aggregated in the following order for each R-1 line item, as applicable to that line item and submitted in R-1 line item order.

Arrangement of Exhibits – General

R-1 RDT&E Programs
R-2 RDT&E Budget Item Justification
R-2a RDT&E Project Justification
R-3 RDT&E Project Cost Analysis
R-4 RDT&E Program Schedule Profile
R-4a RDT&E Program Schedule Detail

Note: the R-3/R-4/R-4a supporting each R-2a Project Justification will be arranged immediately following the R-2a.

D. Major Defense Acquisition Programs (MDAPs)/Major Automated Information Systems (MAIS)

1. Joint budget guidance from the Under Secretaries of Defense for Acquisition, Technology & Logistics (AT&L) and Comptroller directs that all MDAPs or MAIS
will be budgeted in separate, dedicated Program Elements (R-1 line items), and associate all of the funding for a given MDAP/MAIS with a PRCP Program Number (PNO).

2. For all MDAP/MAIS programs, the R-2 RDT&E Budget Item Justification exhibit must include the PNO. Components must also ensure that all applicable fiscal years of the PRCP and FYDP annex data bases are updated to reflect the program budget estimates for all MDAP/MAIS programs, including all prior years and cost-to-complete columns. Each MDAP/MAIS subprogram is a component that will be identified by appropriation, budget line item, and budget activity under the End Item R-1 Line Item header.

E. If an amended budget is submitted, identify the revised budget exhibits accordingly.

F. Facilities Exhibit. For improvements to and construction of government-owned facilities funded in the RDT&E appropriation, a DD Form 1391, Military Construction Project Data, must be provided separately for each Budget Year (BY) project and any Prior Year (PY) or Current Year (CY) projects not previously reported. These exhibits will be included with the program element justification. In addition, a copy of all DD Forms 1391 should be packaged together and a copy provided to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Program/Budget (P/B) Investment Directorate and to the Military Personnel and Construction Directorate. A copy of the form and the instructions are in Volume 2B, Chapter 6.

0503 CONGRESSIONAL JUSTIFICATION/PRESENTATION

This Section presents the backup book organization and the exhibit requirements for submission to Congress. See Volume 2A, Chapter 1, Section 0104 for specific printing requirements. Justification material will be organized into a Committee Staff Procurement Backup Book. Volume 2A, Chapter 1, Section 010403 provides a detailed distribution schedule for the procurement backup books. A separate congressional committee backup book will be prepared for the President’s budget request for each RDT&E appropriation.

Cover
Department of Defense
FY 20BY President’s Budget Submission
Justification Book Volume X of X
Appropriation Title

Section 1 - Summary Material
Table of Contents
R-1 listing (R-1 Exhibits will be prepared using the OUSD(C) automated system with input from the Services and Defense Agencies)

Section 2 - Budget Appendix Extract Appropriation Language

Section 3 - R-1 Line Item Detail. RDT&E budget exhibits will be organized as discussed in paragraph 050202.C.
050401. Standardized budget exhibit formats.

Section 050202 describes the use of XML budget exhibits for RDT&E appropriations. In addition to the key attribute of making budget exhibit data electronically searchable, the XML exhibits standardize the various budget displays, enabling more effective and efficient budget formulation, review, analysis, and submission.

A. The exhibit formats provided on the following pages reflect guidance presented in previous sections.

B. The use of XML exhibits is mandatory for BES and President’s budget request backup justification material.

C. XML exhibits will automatically standardize formatting, to include:

   1. Exhibits displayed on 8 1/2 inch by 11 inch paper in landscape format.

   2. Actual fiscal years (e.g., FY 2016, FY 2017, etc.) rather than the template entries (i.e., Prior Years (PYs), Prior Year (PY), Current Year (CY), Budget Year (BY), BY+1, BY+2, BY+3, and BY+4).

   3. Annotating the applicable R-1 line item number and page number within the line item (e.g., Item 1-1 of 5, 2-1 of 1, 3-1 of 20, etc.) at the bottom center of each exhibit page.

   4. Properly paginate the backup book.

050402. RDT&E exhibit formats

There are six RDT&E exhibits that support the formulation and submission of the BES and the President’s budget request. The exhibits provide data and information that justifies budgetary requirements for the various RDT&E appropriations. The exhibit formats follow. Volume 2B, Chapter 19, Other Special Analyses, also identifies budget exhibits that may be required.
### Exhibit R-1, RDT&E Programs

<table>
<thead>
<tr>
<th>R-1 Line</th>
<th>Program</th>
<th>Element</th>
<th>Item No</th>
<th>Number</th>
<th>Item</th>
<th>Activity</th>
<th>Cost</th>
<th>Cost</th>
<th>Cost</th>
<th>Cost</th>
<th>Cost</th>
<th>Cost</th>
<th>Budget Year</th>
<th>OCO Year</th>
<th>Total Budget Year</th>
</tr>
</thead>
</table>

**Exhibit R-1, RDT&E Programs**

(Exhibit R-1, page 1 of 2)
**Exhibit R-1: RDT&E Programs**

A. General Instructions:

Unless otherwise specified, this format will be used to present the Research, Development, Test and Evaluation (RDT&E) program to:

1. The Office of the Under Secretary of Defense (Comptroller) in support of the OSD/OMB budget review and,
2. The Congress in support of the President’s budget request.

B. RDT&E Line Item Content:

The basic document for presenting RDT&E requirements is the Exhibit R-1, RDT&E Programs. The R-1 line items are program elements, which define a development effort with specific design, cost, schedule and capability parameters. All costs of basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, and lease/operation of facilities and equipment will be included in appropriate R-1 line items. The R-1 exhibit will contain the following information:

1. Program element title and number. Appropriate security classification coding should be included as part of each program element title listed. All classified material should be bracketed.

2. Line items will be arranged in ascending program element order within each budget activity.

3. Approved funding for the Prior Year (PY), the Current Year (CY), and Budget Year (BY).

4. Subtotals by Budget Activity and total funding for the appropriation for the Prior Year (PY), the Current Year (CY), and Budget Year (BY).
### Exhibit R-2: RDT&E Budget Item Justification

#### A. Mission Description and Budget Item Justification

The R-2 shall include a general description and justification of the efforts included in the program element. Every Project shall include an R-2A exhibit, including where a Project is an aggregate of Congressional Adds.

For ACAT 1D programs, identify Cost to Complete and Total Cost for the program and all projects; otherwise, the appropriate value shall be "Continuing".

#### B. Program Change Summary ($ in Millions)

<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY</th>
<th>Base</th>
<th>OCO</th>
<th>Total</th>
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**Congressional Add Details ($ in Millions, and includes General Reductions)**

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<tr>
<th>Project Number, Project Title</th>
<th>FY PY</th>
<th>FY CY</th>
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**Change Summary Explanation**

R-2 Schema 3.4 Template as of 5-19-2010

(Exhibit R-2, page 1 of 6)
### Exhibit R-2a: RDT&E Budget Item Justification (Project)

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<td>Quantity of RDT&amp;E Articles</td>
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<td>MDAP/MAIS Code: (if applicable)</td>
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</table>

**A. Mission Description and Budget Item Justification**

Provide a Project overview. For BAs 1, 2, and 3, specify the technology area as defined in annual budget guidance. Provide a description and justification. Identify the military requirement(s) that this Project will meet.

Identify New Start efforts for the Budget Year (BY). New Start details shall be displayed on the R-2a rather than the R-2.

**B. Accomplishments/Planned Programs ($ in Millions, Article Quantities in Each)**

<table>
<thead>
<tr>
<th>Title: Accomplishments/Planned Program Title 1</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY Base</th>
<th>FY BY OCO</th>
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<td>FY BY Base Justification:</td>
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<td>FY CY to FY BY Increase/Decrease Statement:</td>
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<td>FY BY OCO Plans:</td>
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<thead>
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<th>FY PY</th>
<th>FY CY</th>
<th>FY BY Base</th>
<th>FY BY OCO</th>
<th>FY BY Total</th>
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<td>FY CY Justification:</td>
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<tr>
<td>FY BY Base Justification:</td>
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<td>FY CY to FY BY Increase/Decrease Statement:</td>
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<td>FY BY OCO Plans:</td>
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(Exhibit R-2, page 2 of 6)
Exhibit R-2a: RDT&E Budget Item Justification (Project)

<table>
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<tr>
<th>Cost Category Item</th>
<th>Contract Method</th>
<th>Performing Activity &amp; Location</th>
<th>Prior Years</th>
<th>FY PY Cost</th>
<th>Award Date</th>
<th>FY CY Cost</th>
<th>Award Date</th>
<th>FY BY Base Cost</th>
<th>Award Date</th>
<th>FY BY OCO Cost</th>
<th>Award Date</th>
<th>FY BY Total Cost</th>
<th>Award Date</th>
<th>Cost To Complete</th>
<th>Target Value of</th>
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Remarks:
Discuss Acquisition Strategy and items of interest. Acquisition Strategy is NOT required for BA 1, 2, 3, or 6.
A. General Instructions:

   * 1. An Exhibit R-2 shall be prepared for each program element. An Exhibit R-2a shall be prepared for each RDT&E project, even if there is only one project and even if a project is funded only in a Prior Year (PY) and/or a Current Year (CY), regardless of funding amount. To provide full-funding visibility, every program, project, and activity specifically added by Congress to the President’s Budget Request (a.k.a. Congressional Adds) shall be identified within an Exhibit R-2a. The programs, projects, and activities may be treated as individual projects, grouped, but separately identified, in one or more “Congressional Adds” projects, and/or included within “core” projects. Classified material will be submitted separately.

   2. All funding within any R-exhibit will be expressed in millions, with three decimal places, unless specifically noted otherwise.

   3. Care should be taken to see that exhibits are clear and concise. Abbreviations shall be identified on the page on which they occur.

B. Exhibit Instructions:

   1. Date. Include the month and year of submission of the exhibit. If an Amended Budget is submitted, identify the date of the revised submission.

   2. Exhibit R-2 RDT&E Budget Item Justification. Identify the Budget Cycle/Budget Year/Service Agency Name. Identify BES (Budget Estimates Submission) or PB (President’s Budget) for Budget Cycle, the Budget Year, and the Service Agency Name. Information must match the Program Resources Collection Process (PRCP) (R-1) data base lock position.

   3. Appropriation/Budget Activity. Identify Appropriation Code (Treasury Account Symbol) and Name/Budget Activity Number and Title. Identify the appropriation and budget activity. Information must match the RDT&E PRCP (R-1) data base lock position.

   4. R-1 Item Nomenclature/Title (Program Element Name). Identify the name of the R-1 line item. Information must match the RDT&E PRCP (R-1) data base lock position.

   5. Program Element Number. Identify the program element. Information must match the RDT&E PRCP (R-1) data base lock position.

   6. Project Number and Nomenclature. Identify the project number and nomenclature.

   7. Resource Summary. The Exhibit R-2 shall include a fiscal resource summary total for the total program element and, if there is more than one project in that program element, a fiscal resource summary for each project in that program element. Ensure the total funding for the program element matches the RDT&E PRCP (R-1) data base lock position by budget line item.
and that total costs for Acquisition Category 1 (ACAT) programs are consistent with Selected Acquisition Reports.

8. For ACAT 1 programs, identify Cost-to-Complete and Total Cost for the program and all projects; otherwise, the appropriate value shall be “Continuing”. The XML process will automatically insert “Continuing” if no data is submitted.

9. RDT&E Articles (R-2a only). Identify the test articles (engineering development models, test articles, low rate initial production test article, government furnished equipment articles) that are being procured and why. Test Articles can be identified for a project and/or for activities identified in Accomplishments/Planned Programs.

10. Program Element and Project Notes. Identify when a program element or project is: (1) a new start, (2) was terminated/completed, (3) was previously funded, or (4) will be funded in a different program element, or Title changes.

11. For program element or project transfers, include the current and previous program element number and names, and projected number and name if applicable.

12. Mission Description and Budget Item Justification. The R-2 will include a description and justification of the efforts included in the program element. The R-2a will include a description and justification of the efforts included in the specific project.

13. Program Change Summary. If there have been changes to the total funding, schedule, or technical parameters since the previous President’s budget submission, the Exhibit R-2 shall include a concise narrative summary explaining the changes in the total program element for the PY, CY, and BY. Further adjustments will be broken out into the following categories:

Congressional General Reductions  
Congressional Directed Reductions  
Congressional Rescissions  
Congressional Adds  
Congressional Directed Transfers  
Reprogrammings  
SBIR/STTR* Transfers  
Total Other Adjustments – (unique titles may be added to describe the change)  
Small Business Innovation Research (SBIR)/Small Business Technology Transfer (STTR)

14. Congressional Add Details (Exhibit R-2). Each “Congressional Add” will be identified separately by project and may be included as: (1) an individual project, (2) as groups in one or more “Congressional Add” projects, and/or (3) within “core” projects. The title (provided by Congress) and the funding for PY and CY will be listed in a bullet format. Congressional Adds should include only the funding provided by Congress.

(Exhibit R-2, page 5 of 6)
15. Change Summary Explanation. Provide a separate, concise narrative summary explaining the changes in the total program element in the Prior Year, the Current Year, and the Budget Year, as applicable.

*16. Accomplishments/Planned Programs (Exhibit R-2a). Provide a concise narrative summary and associated funding for each project for CY, and BY in a bullet format. The PY narrative summary is deleted. The total funding reflected should match the total project funding. Briefly discuss why project funding changed from the CY to the BY in the Increase/Decrease Statement. The explanation must be sufficient to justify the BY request, but should not be a restatement of Planned Program in the BY. (For example: “Funding increases $30 million due to procurement of 2 System Development Test Articles (STDA).”) MINOR changes in funding from CY to BY need not be addressed.

17. Other Program Funding Summary (Exhibit R-2a). Development projects often lead to subsequent development phases, production, and military construction. Also, some projects may depend on concurrent development in other projects. These related efforts and the funding profiles for other appropriation efforts shall be identified by appropriation, budget activity, R-1 line item and program element, and P-1 line item title and number. If there are funding dependencies among related research, development, test, and evaluation programs, then the funding profiles for these related programs shall be included.

18. Acquisition Strategy (Exhibit R-2a). An explanation of acquisition, management, and contracting strategies shall be provided for each project in the Remarks section. This section is not required for the program element budget line items in Budget Activities 1 (Basic Research), 2 (Applied Research), 3 (Advanced Technology Development) and 6 (RDT&E Management Support).

(Exhibit R-2, page 6 of 6)
### Exhibit R-3: RDT&E Project Cost Analysis

#### Appropriation/Budget Activity

<table>
<thead>
<tr>
<th>Appropriation Code/BA Number</th>
<th>Project Name and Number</th>
<th>Project Number: Project Title</th>
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#### Exhibit R-3, RDT&E Project Cost Analysis: BES/PB 20xx Service/Agency

<table>
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<th>DATE: Month/Year</th>
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<table>
<thead>
<tr>
<th>Appropriation Code/BA Number</th>
<th>Program Element Number: Program Element Name</th>
<th>DATE: Month/Year</th>
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#### R-1 Item Nomenclature

<table>
<thead>
<tr>
<th>Contract Method &amp; Type</th>
<th>Performing Activity &amp; Location</th>
<th>Total Prior Years Cost</th>
<th>FY CY</th>
<th>FY BY Base</th>
<th>FY BY OCO</th>
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<th>Contract Method &amp; Type</th>
<th>Performing Activity &amp; Location</th>
<th>Total Prior Years Cost</th>
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**Remarks:** Typical Cost Categories are: Primary Hardware Development, Ancillary Hardware Development, Systems Engineering, Licenses, Tooling, GFE, and Award Fees.

#### Support ($in Millions)

<table>
<thead>
<tr>
<th>Contract Method &amp; Type</th>
<th>Performing Activity &amp; Location</th>
<th>Total Prior Years Cost</th>
<th>FY CY</th>
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**Remarks:** Typical Cost Categories are: Development Support, Software Development, Training Development, Integrated Logistics Support, Configuration Management, Technical Data, and GFE.

#### Test & Evaluation ($in Millions)

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<tr>
<th>Contract Method &amp; Type</th>
<th>Performing Activity &amp; Location</th>
<th>Total Prior Years Cost</th>
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**Remarks:** Typical Cost Categories are: Developmental Test & Evaluation, Operational Test & Evaluation, Tooling, and GFE.

#### Management ($in Millions)

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**Remarks:** Typical Cost Categories are: Contractor Engineering Support, Government Engineering Support, Program Management Support, Program Management Personnel, Travel, Labor (Research Personnel), and Overhead.

#### Project Total Cost

<table>
<thead>
<tr>
<th>CY Cost</th>
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<th>Cost</th>
<th>Total Cost</th>
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</table>

**Remarks:**

- An R-3 Exhibit shall be provided for Budget Activity Number 4, 5, or 7 PEs.
- The Project Total Cost shall equal the Project Cost on the R-2A.
- Contract Method may be any one of: C, SS, TBD, or Various.
- Contract Type may be any one of: CPAF, DPFF, DPFF, FP, FFP, FPI, TBD, or Various.
- Funding Vehicle may be any one of: Allot, BPA, FFRDC, MIPR, PO, Raqn, RO, TM, or Various.
Exhibit R-3: RDT&E Project Cost Analysis

A. General Instructions:

1. The R-3 exhibit is required for programs funded in budget activities 4 (Advanced Component Development and Prototypes), 5 (System Development and Demonstration), and 7 (Operational System Development) only. A separate R-3 exhibit shall be prepared for each project in an applicable R-1 line item.

2. These exhibits shall be printed on 8 1/2 by 11 inch paper in landscape format. Classified material shall be submitted separately.

3. All funding within any R-exhibit will be expressed in millions, with three decimal places.

B. Exhibit Instructions:

1. Identify the month and year of submission of the exhibit. If an Amended Budget is submitted, identify the date of the revised submission.

2. Appropriation Code (Treasury Account Symbol)/ and Name/Budget Activity Number and Title. Identify the appropriation and budget activity. This information must match the PRCP (R-1) lock position.

3. R-1 Item Nomenclature/Title (Program Element Name): Identify the name of the R-1 line item as identified in PRCP (R-1) lock position. This information must match the PRCP (R-1) lock position.

4. Program Element Number: The Program Element must be unique. An R-2 Exhibit with a Budget Activity Number that is different from the previous years should include PY and CY information within the current R-2 Exhibit.

5. Project Number and Nomenclature: Identify the project number and nomenclature as identified in PRCP (R-1) lock position.

6. Project Cost Categories. Cost information shall be provided for each project regardless of funding amount, with project costs broken down into cost categories. Total of all project costs shall equal the project funding for any funding years. Sample cost categories shown are typical of various types of defense research and development efforts. Costs shall be distributed among categories in accordance with the project work breakdown structure (WBS) or other categories used by the project office in project execution. The illustrated sample cost categories may be used if these correspond to the project's structure; however, there is no requirement to use cost categories other than those used by the project office in project execution. Sample cost categories not used in project execution need not be included in the exhibit for that project.

(Exhibit R-3, page 2 of 4)
7. If the program office tracks efforts by major contract, then display the information accordingly. The cost categories shall be separated into 4 information categories as follows:

   a. Product Development. Efforts associated with the delivery of a fully integrated system that are in direct support of the system and essential to the development, training, operation, and maintenance of the system. Include all efforts directly supporting system development and delivery to include primary contracts, major component contracts, contracted services, in-house support, and government furnished property. Contracts or government efforts greater than $1 million in any displayed budget year shall be reported individually.

   b. Support Costs. Efforts not directly associated with the delivery of the primary product, including technical engineering services, research studies, and technical support not related directly to product development or to testing and evaluation. Contracts or government efforts greater than $1 million in any displayed budget year shall be reported individually.

   c. Test and Evaluation. Efforts (other than those included within contracts or government efforts) associated with engineering or support activities to determine the acceptability of a system, subsystem, or component. Contracts or government efforts greater than $1 million in any displayed budget year shall be reported individually.

   d. Management Services. Efforts associated with services provided in support of program office management and administration processes such as: program oversight, resource justification, budget and programming, milestone and schedule tracking. Federally Funded Research and Development Centers (FFRDCs) are in this category. Contracts or government efforts greater than $1 million in any displayed budget year shall be reported individually.

8. Government Furnished Property. Property, such as hardware, software, or information, which the government is contractually obligated to furnish a contractor or government performing activity shall be identified. Provide a brief identification of the item to be provided, and the contractor or government activity providing the item. Provide the estimated date that the government furnished property will be provided to the requiring contractor or activity. Provide the name of the requiring contractor or activity.

9. Award Fees. Identify amounts budgeted for award fees and indicate contractor performance and percentage of award fees actually awarded in past award fee periods.

10. Contract Method/Type or Funding Vehicle. The following codes shall be used to identify the contract method, contract type, and funding vehicle:

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>Contract Method</th>
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<tbody>
<tr>
<td>CPIF</td>
<td>Cost Plus Incentive</td>
</tr>
<tr>
<td>SS</td>
<td>Sole Source</td>
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<tr>
<td>TBD</td>
<td>To Be Determined</td>
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<tr>
<td>VAR</td>
<td>Various</td>
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(Exhibit R-3, page 3 of 4)
<table>
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<th>Contract Type</th>
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Funding Vehicle (when a government agency is the performing activity)
- MIPR - Military Interdepartmental Purchase Request
- PO - Project Order
- WR - Work Request
- Allot - Allotment
- Reqn - Requisition
- BPA - Blanket Purchase Agreement
- FFDC - Federally Funded Research and Development Center
- VAR - Various

11. Performing Organizations. Identify each contractor and government or performing activity and the location for each effort greater than $1 million in any of the displayed years.

12. Total Prior Year (PY) Cost. Provide actual amounts for the total of all years before the Current Year (CY).

13. CY - BY. Provide actual or budget amounts for each year for the Current Year (CY) and the Budget Year (BY).

14. Award or Obligation Date. Provide actual or estimated date of contract award or the estimated date that funds will be obligated to government performing activities.

15. To Complete. Provide the amount required to complete this effort beyond.

16. Total Cost. Provide the cumulative total of all budgeted funds for the program (including funds obligated/budgeted for PY, CY, BY and to complete). Provide a comment in the Remarks section when the Project Office Estimate at Completion (EAC) differs from the total cost. Also provide a comment when the Performing Activity EAC differs from the Project Office EAC.

17. Target Value of Contract. Identify the target value of the contract and explain those cases where total cost differs significantly. For example, if the budget is at ceiling value of the contract vice target value or if budget is "program manager's best estimate" vice target value, then explain.

(Exhibit R-3, page 4 of 4)
Exhibit R-4: RDT&E Schedule Profile

Sample Format – Agency Unique
Exhibit R-4a: RDT&E Schedule Detail

<table>
<thead>
<tr>
<th>Appropriation Code/BA Number</th>
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<th>Project Number: Project Title</th>
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### Schedule Details

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Within a Schedule Detail, the Start and End elements must be chronologically correct (value of Start <= value of End).

Within a Schedule Detail, the Start and End elements cannot refer to years before the PriorYear and after the last budget year (BudgetYear 5).

(Exhibit R-4/R-4a, page 2 of 3)
Exhibit R-4: RDT&E Schedule Profile
Exhibit R-4a: RDT&E Schedule Detail

A. General Instructions:

1. The R-4 and R-4a exhibits are required for programs or projects funded in budget activities 4 (Advanced Component Development and Prototypes), 5 (System Development and Demonstration), and 7 (Operational System Development) only. Separate R-4 and R-4a exhibits shall be prepared for each project in an applicable R-1 line item.

2. These exhibits shall be printed on 8 1/2 by 11 inch paper in landscape format. If a program element is not divided into projects, then the program element itself is defined as a project for purposes of submitting R-4 and R-4a exhibits, and the exhibits and instructions apply to the entire program element. Classified material shall be submitted separately.

B. Detail Instructions:

1. Date: Identify the month and year of submission of the exhibit. If an Amended Budget is submitted, identify the date of the revised submission.

2. Appropriation Code (Treasury Account Symbol) and Name/Budget Activity Number and Title. Identify the appropriation and budget activity. The budget activity title must match the RDT&E annex and the Program Resources Collection Process (PRCP) (R-1) locked position.

3. R-1 Item Nomenclature: Identify the name of the R-1 line item as identified in PRCP (R-1) locked position.

4. Program Element Number and Name: Identify the number and nomenclature of the program element as identified in PRCP (R-1) locked position.

5. Project Number and Nomenclature: Identify the project number and nomenclature on each page as identified in PRCP (R-1) locked position.

6. For the R-4, Schedule Profile, provide a schematic display (in image file format: tif, jpeg, gif, bmp, or png) of major program milestones that reflect engineering milestones, acquisition approvals, test and evaluation events, and other key milestones for the program events. Cover the program years, not just the budget year. Stub entries should be tailored to the events and activities of the reported program. Congressional “staffer day” briefing schematics are desired to minimize potential schedule display inconsistencies. However, the option to build the Schedule Profile using XML software is still available.

7. For the R-4a, Schedule Detail, provide a tabular display of the major program milestones identified on the R-4 as well as any additional programmatic events that contribute to and support the schedule profile identified on the R-4.
VOLUME 2B, CHAPTER 6: “MILITARY CONSTRUCTION/FAMILY HOUSING APPROPRIATIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated December 2010 is archived.

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<td>060105.C1</td>
<td>Updates responsibilities for OSD I&amp;E</td>
<td>Update</td>
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<tr>
<td>060106.B1</td>
<td>Includes additional guidance related to the Family Housing Improvement Fund (FHIF).</td>
<td>Update</td>
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<td>Changes Family Housing Post Acquisition Construction to Construction Improvements.</td>
<td>Update</td>
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<tr>
<td>060301.B1n</td>
<td>Add submit Guard and Reserve Joint Military Construction Project Exhibit, MC-2</td>
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<tr>
<td>060302.B6</td>
<td>Changes Family Housing Post Acquisition to Construction to Construction Improvements</td>
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<tr>
<td>060302.B20c</td>
<td>Revised the FH-5 GFOQ Anticipated Expenditures to include leasing and utilities costs</td>
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<tr>
<td>060302.B20d</td>
<td>Includes guidance and format for new FH-6-BES Housing Privatization Comparison and FH-13 Details of Awarded Privatization Projects.</td>
<td>New</td>
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<tr>
<td>060306.B1</td>
<td>Includes new FH-14 FHIF Admin Requirements guidance and format</td>
<td>New</td>
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<td>Changed this section from Unaccompanied Housing to MHPI Investments and Credit Financing to include guidance for Reestimates, Federal Credit Budget (OMB MAX Schedules), and Credit Supplemental Reporting, and new FH-15 Reestimate Cash Flow Status.</td>
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<tr>
<td>060404.A6</td>
<td>Added the FH-6-BES to be excluded from the Congressional justification material</td>
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<td>060503</td>
<td>Updated the list of Family Housing exhibits</td>
<td>Update</td>
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CHAPTER 6

MILITARY CONSTRUCTION/FAMILY HOUSING APPROPRIATIONS

0601 GENERAL

060101. Purpose

A. This chapter provides instructions applicable to budget formulation and congressional justification for Military Construction, Family Housing, Homeowners Assistance and North Atlantic Treaty Organization (NATO) Security Investment Program appropriations.

B. The following appropriations and accounts are covered:

Paragraph 060201: Military Construction
Military Construction, Army
Military Construction, Navy and Marine Corps
Military Construction, Air Force
Military Construction, Defense-Wide
Military Construction, Army National Guard
Military Construction, Air National Guard
Military Construction, Army Reserve
Military Construction, Navy Reserve
Military Construction, Air Force Reserve
Chemical Demilitarization Construction, Defense

060202: Family Housing
Family Housing, Army
Family Housing, Navy and Marine Corps
Family Housing, Air Force
Family Housing, Defense-Wide

060203: Homeowners’ Assistance
Homeowners’ Assistance Fund, Defense

060304: NATO Security Investment Program

060305: NATO Security Investment Program
NATO Enlargement

060306: Family Housing Improvement Fund

060102. Submission Requirements

General guidance with regard to submission requirements is presented in Volume 2A, Chapter 1. This chapter covers specific back-up material requirements for the above
accounts. The above appropriations/accounts should also submit any applicable exhibits required in Volume 2B, Chapter 19 – Other Special Analyses.

060103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Volume 2A, Chapter 1. This chapter provides additional specific guidance with regard to the back-up material required for Military Construction, Family Housing Homeowners Assistance and NATO Security Investment Program appropriations.

060104. References

Volume 2A, Chapter 1, section 010212 provides policies and definitions concerning costs that are to be financed by the Military Construction appropriations as opposed to other appropriations for Research and Development facilities.

060105. Family Housing Program Policies and Guidelines

A. Purpose

1. This section outlines the service aspects of the Family Housing Program; establishes policies and guidelines for program financial management, budgeting, accounting, and reporting; and assigns responsibilities for executing the program. Specific procedures for the administration and management of program funds are set forth in section 060106, below.

2. The Family Housing Program encompasses Military Family Housing as defined and authorized by the provisions of Title 10, United States Code (U.S.C.), Chapter 169, and includes all Department of Defense (DoD) Component family housing in the Defense Family Housing Property Account, leases of real property utilized by DoD Components for family housing, and associated family housing support services programs.

B. Policy

1. It is DoD Policy: 1) to provide Military Family Housing for military families and for eligible civilian families only when suitable housing in the community does not exist; 2) to provide for the housing and support services, as authorized by law, that are necessary to meet the requirements of the DoD; 3) that the program shall be financed and managed in the most cost effective and efficient manner possible in order to support these requirements and to maximize the use of available program resources; 4) that the program shall include the provision of assistance to all military personnel and certain eligible civilians in locating and utilizing privately owned housing including leasing; 5) that the program shall include, within available resources, the provision of Government-owned or leased family housing and furnishings (referred to as Defense Family Housing Property); and 6) that the program shall include the efficient and effective financial and program management of Defense Family Housing Property, including acquisition, privatization, operation, improvement, maintenance, debt financing, leasing, and family housing support programs.
C. Responsibilities

1. The Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L)) is responsible for program management as set forth in DoD Instruction 4165.63, “DoD Housing,” dated July 21, 2008, and DoD 4165.63-M, “DoD Housing Management,” manual dated October 28, 2010, which also addresses Unaccompanied Housing. Effective June 6, 2011, Family Housing oversight responsibilities were realigned, with the Facilities Energy and Privatization Directorate (FE&P) within the Office of the Deputy Under Secretary of Defense (ODUSD) (Installations and Environment) (I&E) retaining oversight of privatization initiatives, including family and unaccompanied housing privatization; and Facilities Investment & Management Directorate (FIM) within I&E assuming oversight responsibilities of government-owned family and unaccompanied housing, including housing leasing authorities and Homeowner’s Assistance Program (HAP). The Under Secretary of Defense (Comptroller) (USD(Comptroller)) is responsible for financial management, program budget policies, program accounting policies, and financial reporting. As prescribed by the USD (Comptroller), the Director, Defense Finance and Accounting Service, is responsible for central accounting and financial reporting for the program. The Secretaries of the Military Departments and the Directors of the Defense Agencies, as prescribed by DoD Directive 4165.63, are responsible for execution of the program for personnel under their respective jurisdictions, including program and financial management, accounting and reporting.

2. In the financial management and execution of the program, DoD Components shall conduct program budget formulation, presentation, and execution in accordance with the guidance and provisions contained in this chapter and adhere to the program accounting and financial reporting guidance and provisions contained in Volume 4.

D. Objectives and Procedures

1. This section outlines the objectives and procedures of the Family Housing Program and is divided into the following subsections: assistance in locating and utilizing privately owned family housing; Defense Family Housing Property; and, management of Defense Family Housing Property.

   a. Assistance in Locating and Utilizing Privately Owned Family Housing. Assistance provided to DoD personnel to obtain privately owned family housing under the program includes privatized housing referral service including administration of private rental housing for DoD personnel overseas; DoD leasing of private housing; rental guarantee payments pursuant to Public Law 88-174, section 507, Military Construction Authorization Act, 1964 as amended and; service members’ mortgage insurance payments on their privately owned housing made pursuant to Title 12, United States Code (U.S.C.), Chapter 13, section 1701, the National Housing Act, as amended.

   b. Defense Family Housing Property. All DoD-owned or DoD-controlled physical property described below will be managed and controlled under the Family Housing Program. The properties will be recorded in a property account entitled the Defense Family Housing Property Account, which should be fully consistent with the DoD Real Property Inventory and Select & Native Programming (SNaP) databases. Guidance for the maintenance of property accounting records is contained in Volume 4. A continuing permanent
accounting record will be maintained of the real property included in each installation’s Family Housing Property Account. Appropriate classifications will be entered on the records to distinguish between real and personal property. Property will be removed from the Defense Family Housing Property account when the property is disposed of as (DoD property), when it is transferred to DoD non-family housing use. The Report Control Symbol assigned to the special record keeping requirements is DD-COMP (AR)1501.

(1) The Defense Family Housing Property Account includes the following properties, under the jurisdiction of the DoD, to which the Government has a right, title, or interest, with exceptions noted in paragraph 060105D.1.b.(2) below.

(a) All types of family dwelling units and mobile home park facilities, without regard to the military status of the occupant and including housing that is: located on or off station, owned or leased, occupied or unoccupied; situated in dispersed locations or in community-type areas; located at an active, inactive, standby, or reserve facility; or, operated or maintained by the Government, directly or by contract.

(b) Non-dwelling buildings directly associated with family dwelling units or a family housing area, including structures outside the housing area required solely for family housing support.

(c) Roads, driveways, walks, and utility systems which primarily serve family housing units or areas.

(d) The grounds area of a group of family housing units and the yards of dispersed family housing units or areas.

(e) Community facilities which are integral to a family housing area and are available for use only by family housing area residents and their house guests.

(f) Fixtures and other appliances or equipment in a housing unit that are either integral components or movable items, such as: refrigerators, kitchen ranges and, when authorized, food freezers, room air-conditioners, washing machines, clothes dryers, dishwashing machines, garbage disposals, exhaust fans, roof or attic television antennas; and those appliances provided for family housing rented privately by DoD personnel in areas outside the conterminous United States, pursuant to DoD 4165.63-M.

(g) Furniture, furnishings, and other personal property that are directly associated with providing and supporting family housing units, including personal property provided for use outside the conterminous United States, pursuant to DoD 4165.63-M.

(2) The Defense Family Housing Property Account excludes the following properties, irrespective of the Government’s right, title, or interest therein:
*(a) Aerial roads, public walks, utility lines, and utility mains that may pass through or in front of family housing locations but serve those locations as an incidental or secondary purpose to other station requirements.

(b) Facilities similar to hotels or motels, which are provided for temporary family occupancy.

(c) Community facilities which are not integral to a family housing area or are available for use by other than family housing area residents and their house guests.

(d) Educational facilities.

(e) Telephone and other communication facilities for official use, and telephone facilities for unofficial use, installed in a family housing unit.

(f) Community Antenna Television distribution service by other Government agency, commercial cooperative, or private enterprise.

(g) Properties financed by and supporting the Defense Security Assistance Program.

(h) Food service facilities.

(i) Facilities used primarily for religious services or religious activities.

c. Management of Defense Family Housing Property. Management undertakings, which arise in connection with the DoD responsibility for and jurisdiction over Defense Family Housing Property, include:

(1) The acquisition, privatization, construction, and replacement of family housing facilities and the preliminary planning and design studies on prospective projects, including housing requirement surveys.

(2) The conversion of other real property facilities to family housing quarters.

(3) The upgrading to “adequate public quarters” of those family dwelling units designated as rental, substandard, or inadequate.

(4) The alteration of, or addition, expansion, or extension to, family housing facilities.
(5) The outfitting of family housing facilities, as defined in paragraph 060105D.1.b above, with fixtures and other equipment that are either integral components or movable items of major equipment of a housing unit, including major appliances; and furniture, furnishings, and other personal property. This function includes maintenance and repair.

(6) The maintenance and repair of family housing facilities.

(7) The furnishing of the following services to family housing facilities: utilities services, except telephone service and cable television; refuse collection and disposal; insect and rodent control; snow removal; handling and moving Government-owned furnishings; police and fire protection; and, administrative, supervisory and clerical services related to the performance of services rendered the family housing facilities.

(8) The maintenance and security of family housing property declared excess to DoD needs, which rests with the DoD Component until the Department of Defense is relieved of this responsibility. The following rules and principles apply:

(a) If the property is being disposed of by the General Services Administration (GSA), the transfer of financial responsibility to GSA will be in accordance with Federal Property Management Regulations, Part 101-47, 402.

(b) When the Department of Defense recommends to GSA that disposal of excess property be delayed because of economic considerations and a contract has been made with a local agency to rent the property and to protect and maintain it, the residual financial responsibility for maintenance and security rests with the Department of Defense.

(c) It has been agreed with the GSA that, in interpreting property disposal regulations, the Department of Defense will be deemed to have declared the property excess to GSA on the date that the protection and maintenance contact is discontinued.

060106. Family Housing Procedures for Administration and Management of Program Funds

A. Purpose

This section outlines the procedures for the administration and management of funds appropriated or otherwise made available to the DoD for the Family Housing Program including: authorized reimbursements; application of proceeds from sales or handling of excess family housing for debt service; administration of separate “fixed year” and “annual” accounts; and clarification and amplification of certain financial administration procedures.
For Family Housing Construction, funds are appropriated to remain available for five years. For Family Housing Operation and Maintenance (O&M), funds are appropriated with annual account limitations. For the Department of Defense Family Housing Improvement Fund (FHIF), funds are appropriated to support Military Housing Privatization Initiative (MHPI) administrative program expenses, including accounting and financial reporting services, and remain available until expended. These and other funds made available for family housing are administered under the Treasury accounts outlined in Volume 2A, Chapter 1, section 010603 of this Regulation.

C. Funding the Family Housing Program

1. The Family Housing Program will be financed from:

   a. Those funds primarily appropriated for family housing purposes.

   b. Authorized reimbursements and collections from housing rentals and services furnished as set forth below:

      (1) Charges will be made for rentals and services furnished certain occupants or users of family housing facilities. The amount of rent charged shall be determined in accordance with the provisions of DoD 4165.63-M. Disposition of the proceeds of handling or disposal of excess family housing property is treated in subparagraph 060106.C.1.c, below.

      (2) Those collections for rents and services which will be utilized to finance family housing expenses in accordance with applicable statutes are listed below. Such reimbursements will be utilized within the financial authority issued by the Office of the Under Secretary of Defense (Comptroller) OUSD (Comptroller) but limited to the amount of reimbursements earned.

      (3) Collections received for rental of Defense housing shall be utilized within the applicable DoD Component family housing account to defray O&M expenses. If the housing is rented with Government furniture provided, the combined total charge for shelter rent and furniture rent shall be treated as indicated above.

      (4) Collections from the sale of utilities and services will be utilized within the appropriation currently available for the supply of that utility or service in accordance with the authority set forth in Title 10, United States Code (U.S.C.), section 2686.

      (5) Collections from other agencies related to O&M charges pursuant to Title 31 United States Code, section 686 will be effected.

      (6) When nonexcess family housing property is leased, pursuant to Title 10 United States Code (U.S.C.), section 2667, rental moneys received will be deposited in a special account in the U.S. Treasury established for DoD Components for
allocation as prescribed in Title 10 United States Code (U.S.C), section 2667. Moneys received for utilities or services will be deposited to the applicable DoD Component family housing account.

(7) For accounting purposes, those reimbursements described above to be used for O&M purposes will be identified as financing the operations portion of the O&M expenses.

(8) All collections for family housing rents or services, other than those described above and in subparagraph 060106.C.1.c, below will be deposited to Treasury Miscellaneous Receipt Account 1830, “Rent of Real Property not Otherwise Classified,” under a citation which includes the appropriate DoD Component two-digit prefix symbol. Such collections include those to cover costs of repairing damages to family housing facilities (including replacement of items) caused by family housing occupants.

c. Other funds which are available from disposal of excess family housing property as set forth below:

(1) In the case of family housing in the United States disposed of pursuant to Public Law (P.L.) 101-526, Title II, the Defense Authorization Amendments and Base Closure and Realignment Act or Public Law 101-510, Defense Base Closure and Realignment Act of 1990, the proceeds should be deposited in the Department of Defense Base Closure Account 1990.

(2) In the case of family housing disposed of under authorities contained in Title 10 Untied States Code (U.S.C.), section 2871-2885, as added by section 2801 of the National Defense Authorization Act for FY 1996, for purposes of using the proceeds to carry out activities authorized under those provisions, the proceeds should be deposited in the DoD Family Housing Improvement Fund (FHIF). Section 2883(d) limits the funds that can be expended from the account to such amounts as provided in the appropriations act. Therefore, non-appropriated proceeds deposited into the FHIF account cannot be used to fund privatization projects, without it being appropriated, first.

(3) In the case of family housing overseas disposed of under circumstances which fall within the provisions of Public Law 101-510, section 2921 as amended, the proceeds should be deposited in the Defense Overseas Military Facility Investment Account.

(4) In the case of family housing disposed of under other circumstances, the proceeds should be deposited in the appropriate military family housing account.

2. Family Housing Program costs will be programmed, budgeted and accounted for by the DoD Component having responsibility for the Defense installation or housing area, regardless of the DoD Component of the housing occupant. Reimbursement for such costs will not be made between DoD Components.
3. **Funding** will be on a program-year basis. The detailed program-year criteria for the major functional categories and for the immediate subordinate accounts is set forth below:

   a. The program year for the undertakings (projects for new construction, acquisition of housing, construction improvements, and minor construction) shall be the same as the year of the applicable annual Military Construction Authorization Act.

   b. After the program year for a specific project is established as provided above, the related appropriation for that project will be administered under the designated program year, irrespective of when the work is undertaken. In the event there are savings due to lower bids, change in scope, etc., these savings may be reprogrammed for projects authorized in different program years in accordance with guidance provided in Volume 3, Chapter 5, “Reprogramming of Military Construction and Family Housing Appropriated Funds”.

   c. For planning and design, which is a “level of effort” type activity, the following program year concept applies:

      (1) Budget estimates for the budget year and each future year will include the planning and design work programmed to be placed on contract or intragovernmental order during the program year and the planning and design work expected to be performed with in-house capabilities during the program year. The dollar value of a planned program will be determined on the basis of estimated obligations to be incurred during the program year for the program scope embraced by subparagraphs 060106.C.3.a and b, above.

      (2) Obligation authorities will be requested and issued by program year on the basis of obligations estimated to be incurred as a result of the issuance during the program year of contracts or other orders which constitute valid obligations pursuant to Volume 4 for planning and design work, irrespective of when the work is to be performed and the accomplishment during the program year of planning and design work with in-house capability. Obligations will be charged by program year on these same bases.

      (3) Adjustments to obligations charged against a prior program year will be made only to the extent of an adjustment in the amount of an obligation recorded for specific work ordered in that prior program year and deobligations to reflect cancellation of work ordered in that prior year. New obligations for planning and design work for a particular project which are in addition to that ordered in prior program years for that project are charges against the program year in which those new obligations are incurred.

   d. For rental guarantee payments, the program year shall be the fiscal year in which the rental guarantee payments are obligated. No new obligations may be incurred under a program year obligation authority after the close of that program fiscal year. Adjustments to obligations for rental guarantee payments may be made as necessary to reflect actual obligations incurred during the fiscal program year in accordance with existing procedures covering adjustment to annual accounts.

   e. The major functional categories of O&M and debt payment are considered “level of effort” type activities. Program planning and budget estimates for these
categories will be developed in accordance with that concept. Obligational authority for O&M and debt payment will be requested and issued by program year and will not be available for new obligations after the close of the fiscal year for which such authority is issued. Adjustments to obligations for O&M and debt payment may be made as necessary to reflect actual obligations incurred during the fiscal program year in accordance with existing procedures covering adjustment to annual accounts.

4. Economic analysis will be applied to all program investment proposals in accordance with this manual which sets forth budget submission requirements.

5. Apportionment of funds and issuance of financial authorities will be obtained as follows: each DoD Component (except Defense Agencies) shall submit to the OUSD (Comptroller) an apportionment request, as prescribed in DoD FMR Volume 3, Chapter 2, “Apportionments and Reapportionments,” then the OUSD (Comptroller) will issue specific financial authority to the DoD Components concerned in such amounts and at such levels as appropriate for efficient and economical administration of the Family Housing Program.

6. For the Construction category, Office of the Secretary of Defense (OSD) program approval and obligating authority will be provided by fiscal year, generally at the construction element level (immediate subordinate account level) or at project level where circumstances warrant. Volume 3 defines the scope of realignment authority delegated to the DoD Components. All program/fund realignments will be reported in accordance with Volumes 2 and 4 of this Regulation.

7. Obligations, incurred costs, accrued expenditures, accrued revenues, disbursements and receipts will be recorded and reported in accordance with Volume 4. When another appropriation, e.g., O&M, initially incurs a funded cost, the applicable DoD Component family housing account will be billed at least monthly. Obligations, incurred costs, accrued expenditures and disbursements will be charged to the applicable accounts.

8. The balance due on indebtedness previously assumed should be in a “Borrowing Account” in conformance with Federal budget concepts.

   The acquisition of property will be recorded in accordance with Volume 4 of this Regulation. The amount of the mortgage assumed will be recorded as an increase in the “Borrowing Account” and will be reported to the Treasury under Code (97).

060107. Use of O&M Funds under Contingency Construction Authority

   The criteria and procedures for the use of O&M funds under Contingency Construction Authority (also known as Section 2808 Authority) are listed in Volume 3, Chapter 17, Section 170102(L).
0602 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATION

060201. Military Construction Appropriations

Programming, budgeting, financing and accounting for the Military Construction Program will be accomplished under an account structure uniformly used for these purposes by all DoD Components. The uniform account structure and scope of each account prescribed for the administration of the Military Construction Program are as follows:

A. Major Functional Category: Construction

1. Immediate Subordinate Account: Major Construction. Includes construction projects authorized under Title 10 United States Code (U.S.C.), section 2802 for the purposes of erection, installation, or assembly of a new facility; the addition, expansion, alteration, conversion, or replacement of an existing facility; or the relocation of a facility from one installation to another. Includes equipment installed and made a part of such facilities, and related site preparation, demolition, excavation, filling and landscaping, or other land improvements.

2. Immediate Subordinate Account: Minor Construction. Includes any urgently required construction project not otherwise authorized by law having a cost equal to or less than $2,000,000. However, if the military construction project is intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening, a minor military construction project may have an approved cost equal to or less than $3,000,000. Minor construction projects costing more than $750,000 may not be carried out unless Title 10 United States Code (U.S.C.), section 2805 requirements are met. This includes advance approval by the Secretary concerned and notification to the Congress. An unspecified military construction project costing not more than $750,000 may be funded from appropriations available for O&M. However, if the project is intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening, up to $1,500,000 may be funded from O&M accounts.

3. Immediate Subordinate Account: Planning and Design. Includes architectural and engineering services, construction design, planning, study, working drawings, specifications and estimates for construction projects. Title 10 United States Code (U.S.C.), section 2807 pertains to architectural and engineering services and construction design.

   a. Design Status. Projects with parametric cost estimates and supporting documentation, e.g. site plan, economic analysis, and National Environment Policy Act (NEPA) documentation, will be considered at the 15 percent design level. Projects using the traditional method of design, being designed in-house, using a standardized design, or site adapting a previous design should use the milestone chart below to gauge their design status.

<table>
<thead>
<tr>
<th>Design Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% Design Complete</td>
<td>Design instructions issued to major command.</td>
</tr>
<tr>
<td>2% Design Complete</td>
<td>Major command design instructions issued to design agent.</td>
</tr>
<tr>
<td>3% Design Complete</td>
<td>Notice to proceed issued to architect/engineering firm (A&amp;E) by the design agent.</td>
</tr>
<tr>
<td>30% Design Complete</td>
<td>Concept plan, early preliminary working drawings,</td>
</tr>
</tbody>
</table>

6-16
design analyses, and outline specifications issued by the designer.

5% Design Complete  Concept or early preliminary review comments forwarded to the design agent.

60% Design Complete  Regular preliminary working drawings, design analyses, and updated cost estimate and outline specifications issued by the designer.

65% Design Complete  Regular preliminary review comments forwarded to the design agent.

90% Design Complete:  Final design (working drawings, design analyses, cost estimates, and specifications) completed by the designer.

95% Design Complete  Final design review comments forwarded to the design agent.

100% Design Complete  Corrected final design accepted by the DoD Component.


B. Major Functional Category: North Atlantic Treaty Organization (NATO) Security Investment Program

Includes contributions for the United States share of the cost of multilateral programs for the acquisition and construction of military facilities and installations (including international military headquarters) and for the related expenses for the collective defense of the North Atlantic Treaty Area.  Title 10 United States Code (U.S.C.), section 2806 pertains to contributions for (NATO) Security Investment Program.

060202. Family Housing

DoD Components will use the uniform account structure established for programming, budgeting, financing and accounting for the family housing program. The account structure will be administered so as to provide program and financial control of the family housing program consistent with applicable statutes. The uniform account structure and scope of each account for the family housing program are as follows:

A. Major Functional Category: Construction

1. Immediate Subordinate Account: New Construction (by Installation and Project). Includes the erection, installation, assembly, relocation or replacement of single or multifamily dwelling units; related land acquisition, site preparation, excavation, filling and landscaping, or other land improvements. Also included are the initial outfitting during construction of a dwelling unit with fixtures and other requirements which are either integral components or movable items of major equipment thereof, including major appliances; and architectural and engineering supervision and inspection of construction. Includes design costs of contractor to perform a turnkey contract. New construction also includes the construction of items included in subparagraphs 060105.D.1.b.(1) (a), (b), (c), and (e), above.
2. **Immediate Subordinate Account: Construction Improvements (formerly Post Acquisition Construction).** Includes major construction projects (projects beyond those authorized under the minor construction program) for the following (by installation and project): upgrading inadequate public quarters, rental housing and acquired units to produce adequate public quarters; conversion of existing facilities to public quarters; alterations, additions-expansions-extensions; construction of family housing real property, other than dwelling units required subsequent to and because of previously acquired dwelling units; and the payments made to military personnel for telephone reconnection charges shall be included in project costs under this subaccount when a construction project involves relocation, alteration, improvement, or other work necessitating Government directed, non-Permanent Change of Station moves between Government quarters. However, in cases where concurrent maintenance/repair work is involved, telephone reconnection costs shall be charged to the maintenance account.

3. **Immediate Subordinate Account: Planning and Design.** Includes the design, working drawings, specifications and estimates for construction projects approved by the Secretary of Defense for inclusion in the President’s Budget. Also includes consolidated DoD guide drawings, specifications, and planning and design efforts on projects which are not subsequently constructed.

**B. Major Functional Category: O&M**

1. **Immediate Subordinate Account: Operation.** This account includes the costs associated with Management, Services, Furnishing, and Miscellaneous subaccount categories identified below:

   (a) **Management.** This account includes costs for management, administrative, and support-type services at the installation level, such as, inspection of construction and administration of rental guarantee projects, housing referral administration, housing office base support costs, surveys, engineering studies, and other identifiable management costs.

   (b) **Services.** This account includes cost associated with refuse collection and disposal, fire protection, police protection, entomological services, custodial services, snow removal, street cleaning, and other municipal-type services.

   (c) **Furnishings.** This account includes initial acquisition, maintenance, repair and replacement of furniture, furnishings and other personal property (see subparagraph 060105D.1.b.(1)(g) above); the furnishing of services included in subparagraph 060105D.1.c.(7).

   (d) **Miscellaneous.** This account includes other family housing program operational costs that do not fall into the other Operation categories.

2. **Immediate Subordinate Account: Housing Privatization Support.** Includes the costs that the government incurs in direct support of the family housing privatization program under the authorities of *Title 10 United States Code (U.S.C.), Chapter 169, Subchapter IV* (Alternative Authority for Acquisition and Improvement of Military Housing) with the exception of those costs that will be included as part of the privatization project. These costs
include all administrative, planning, development, solicitation, award, transition, construction oversight, and portfolio management activities associated with military housing privatization and specifically for:

(a) **Site Assessment Costs.** Includes all costs in direct support of the family housing privatization program for environmental baseline assessments, environmental assessments, environmental impact statements, and any efforts required to be accomplished by the government prior to privatization for, environmental mitigation, site surveys, or real estate costs.

(b) **Project Costs.** Includes all costs in direct support of the family housing privatization program for project feasibility studies, concept development, consultant fees, solicitation, procurement, contracting, execution, transition, construction management (supervision, inspection and overhead), post award management/monitoring, and portfolio management.

(c) **Administrative Costs.** Includes all costs in direct support of the family housing privatization program for civilian pay, travel, training, supplies, equipment, and for any services provided by a Component in support of the privatization program.

3. **Immediate Subordinate Account: Maintenance of Real Property Facilities.** This account includes maintenance and repair of buildings, roads, driveways, walks, exterior and interior utility systems and grounds care; and maintenance, repair and replacement of fixtures and other equipment which are integral components of a housing unit. This account also finances the costs of reimbursements made to military personnel for telephone reconnection charges when maintenance or repair work necessitates Government-directed, non-PCS moves. This includes such charges resulting from improvement/repair projects funded in part from the family housing construction account.

4. **Immediate Subordinate Account: Leasing:** This account includes leasing of family housing facilities by the Government as outlined in subparagraph 060105D.1.a.

5. **Immediate Subordinate Account: Utilities:** This account includes costs for utilities consumed in government-owned family housing, including electricity, water, sewage, natural gas, fuel oil, or other heating fuels. It excludes the costs associated with the maintenance and repair of utility systems covered under the Maintenance of Real Property Facilities Account.

6. **Immediate Subordinate Account: Mortgage Insurance Premiums (also known as Servicemen’s Mortgage Insurance Premiums).** This account includes payments of servicemen’s mortgage insurance premiums pursuant to Title 12 United States Code (U.S.C.), Chapter 13, section 1701, the National Housing Act as amended.

C. **Major Functional Category: DoD Family Housing Improvement Fund:** Includes activities required in connection with the Military Housing Privatization Initiative (MHPI) program planning, execution, accounting and financial reporting, and administration of contracts entered into under the authorities of Title 10 United States Code (U.S.C.), Chapter 169, Subchapter IV (Alternative Authority for Acquisition and Improvement of Military Housing).
060203. Homeowners’ Assistance Fund, Defense

The program/budget account classification structure for the Homeowners’ Assistance program is prescribed in Exhibits HA-1 through HA-4, found in Section 060504.

0603 PROGRAM AND BUDGET REVIEW SUBMISSION

060301. Military Construction

A. Purpose

1. This Section prescribes instructions for the preparation and submission of program and budget estimates for the Military Construction appropriations.

2. Unless otherwise specified, these instructions apply to all Military Construction appropriations and to all program and budget estimates. Data submitted must be consistent with the program and budget estimate being supported.

B. Submission Requirements

1. General Guidance. Supporting data for each of the military construction appropriation requests will be submitted concurrently with all other Department of Defense appropriation requests. To facilitate the review and decision making process, it is essential that the packaging of justification materials conform to the uniform facility category structure established by DoD Instruction 4165.3, “DoD Facility Classes and Construction Categories.”

   a. Construction requirements will be determined in consonance with Program Decision Memorandum (PDM) guidance and with applicable Executive Orders, Office of Management and Budget (OMB) Circulars, and DoD 4270.1-M, “Policy Guidelines for Installation Planning, Design, Construction and Upkeep.”

   b. Each proposed construction project will be supported by DD Form 1391/1391C, Military Construction Project Data. These will be prepared in accordance with guidance contained in Section 060502, below. Projects associated with intelligence or intelligence-related operations will be so identified. Block 5, Program Element, DD Form 1391, will include the annotation National Intelligence Program (NIP) or Military Intelligence Program (MIP) as appropriate. DD Form 1390, Military Construction Program, will be prepared for each installation at which major construction is planned, utilizing the format prescribed in Section 060502. DD Form 1390S, Guard and Reserve Forces Military Construction, will be utilized by the Guard and Reserve Components.

   c. Each Component will also submit a Major Initiatives exhibit which must include a general description of each of its major initiatives for the budget year and what the Component plans to accomplish in the budget year to support that initiative. Be specific, including the impact on force structure. This exhibit will be prepared in accordance with the format contained in Section 060502, below.
d. Lump sum requests for a number of construction projects at a single location or for related projects at several locations will not be considered.

e. OMB is strictly enforcing the full funding policy contained in OMB Circular A-11. The Components are required to ensure that all projects are fully funded in compliance with OMB Circular A-11. For large projects that formally would have been considered for incremental funding over multiple years (an increment is not a complete and usable facility), the Components may break projects down into complete and usable phases, with phases in multiple years. OMB’s intent is that incremental funding for construction will be for rare and exceptional cases only.

f. In the rare case that OMB grants a waiver to allow for budgeting for the incremental funding of a project, the Components have the flexibility to move funding between increment/years to allow for flexibility but only if there is no increase in the total cost of the project or number of increments. Additional increments or an increase in the total cost of the project requires another waiver request to and approval from OMB. When projects fully funded in a given year’s President’s Budget request are incrementally funded by Congress, the Components should not infer that OMB has agreed to continued incremental funding of the remainder of the project. The Components’ subsequent budget submission should request funding for the full cost of completing the project. Budget justification materials (1391/1391C) should include a chart depicting all outyear liabilities resulting from incremental funding decisions.

g. In order to ensure prudent and economic investments a lifecycle, net present value economic cost analysis is required to support all new construction or renovation projects estimated to cost in excess of $2 million dollars. Copies of these studies are to be retained by the DoD Components and must be available, when requested, during the OSD-OMB program and budget review. In accordance with Chapter 1, section 010303, components are required to indicate on the justification page for each individual construction project whether or not an economic analysis is applicable or pertinent. If not applicable, a statement is required indicating why.

h. In accordance with guidance provided under Section VI.D. of DoD Directive 2010.5, “DoD Participation in the NATO Infrastructure Program,” components are required to indicate on the justification page for each individual construction project for U.S. forces committed to NATO a statement whether or not the project is planned for prefinancing, with appropriate explanation as to: (a) why U.S. unilateral financing is being proposed; and (b) as appropriate, follow-on actions planned to seek reimbursement through NATO channels. A similar statement is required for any other overseas construction, describing why the project is not eligible for host nation funding. More specific guidance is provided in DoD Directive 2010.5.

i. Justification materials DD Forms 1390/1391/1391C will be submitted in book form, with appropriate cover, bound on the left margin. Classified materials are to be submitted in separate volumes, with appropriate security classification markings on covers.
j. The following sections outline the specific materials to be provided including special guidance as to formats to be followed. The numbers of copies required are identified in Volume 2A, Chapter 1. Other special materials required for intelligence activities are outlined in Volume 2B, Chapter 16.

k. It is recognized that it may be necessary to revise construction project costs subsequent to the budget submission which have changed significantly because of Congressional action, design changes, etc. Such changes will be considered as an additional budget submission and all ground rules, including cut-off dates, will apply.

l. All budget submissions for military construction and family housing programs should include outyear project level detail in the format specified in Section 060502, below.

m. If a military construction project is associated with global defense posture initiatives, it should be identified at the end of the Requirements section under Item 11 of the DD Form 1391.

n. For any joint funded Guard or Reserve military construction project, the lead component is required to submit a DD Form 1391 for the complete joint facility and a signed Memorandum of Agreement (MOA). Additionally, the lead component will submit the Guard and Reserve Joint Military Construction Project Exhibit, MC-2, in accordance with the format contained in Section 060502, below.

2. Construction Programs for the Active Forces and Defense Agencies. The books containing the DD Forms 1391/1391C will be arranged by facility category, following the guidelines established by *DoD Instruction 4165.3*. For each project, the DD Form 1390 will immediately precede the DD Form 1391/1391C. In each DD Form 1391/1391C provided for the OSD submission, the following design status is required: (1) date of design or parametric cost estimate initiation; (2) percentage of design complete on the OSD submission date; (3) date on which 35 percent design or a parametric cost estimate (15 percent design level) will be or has been completed (including review and approval of 35 percent drawings); (4) projected or actual date of design completion; (5) percentage of design utilizing standard design, (6) if the project cost is based on parametric estimates, include the annotation “Parametric estimates have been used to develop project costs“; and (7) type of design contract, i.e. design-build, design-bid-build, or other, if other, provide a brief explanation of the design contract. Projects proposed for alternative construction methods such as turnkey, or private financing alternatives, for which percent design is not appropriate, should be noted in place of the design status required for normal projects. Prior to the submission of the President’ Budget to Congress, the OUSD(Comptroller) Military Personnel and Construction Directorate shall be notified of any projects in the request where the cost estimate is not based on either 35 percent design or a parametric cost estimate (15 percent design level).

a. Major Construction. For purposes of the OSD and OMB review:
(1) No project will be identified or listed under more than one facility category.

(2) The "Operation and Training Facilities" category is to be packaged in the justification books as two separate categories, i.e., "Operation Facilities" followed by "Training Facilities."

(3) Books containing the DD Forms 1391/1391C are to include omnibus packages for the energy conservation investment, and air and water pollution abatement programs. The total requested for each of these programs will be identified separately on single DD Form 1391’s with the detail of program (installation, location, cost, and project description) provided on continuation pages DD Form 1391C. None of the projects included in these categories are to be listed under any other facility category.

(4) Each DD Form 1391 for a major construction project must show the construction contract award date (indicate month and year the contract is planned to be awarded to the construction firm), the construction start date (indicate month and year construction is planned to start), and construction completion date (indicate month and year construction is planned to be completed). The information should be displayed on the DD Form 1391, section 12, Supplemental Data.

(5) All DD Forms 1391 must include a name and phone number of the civil engineer at the installation responsible for the requested project. This information should be displayed in the bottom left hand corner on the last page of the DD Form 1391.

b. Minor Construction. The total minor construction program request should be submitted as an omnibus package on a single Form DD Form 1391, specifying the lump-sum amount proposed for unspecified (unforeseen) minor construction projects costing up to $2.0 million per project.

c. Supporting Activities. The funding request for Supporting Activities will continue to be reflected as a lump sum amount on DD Form 1391. Supporting detail (location/cost) will be shown parenthetically following the lump sum estimate. While this item will be addressed for decision making purposes in the document covering Utilities and Real Estate, it should be listed separately and not included in the indexes for either Utilities or Real Estate, which fall under different facility category codes.

d. Restrictions on Omnibus Construction Packages. Apart from the specific exceptions noted for the pollution abatement, energy conservation, and minor construction programs, which are discrete decisions, there are to be no other omnibus packages or breakouts in the DD Form 1391 justification books. All other projects are to be listed under the appropriate facility category. In this respect, the Marine Corps facilities program is to be integrated with the Navy facilities program so that all Navy and Marine facilities are included in a single Department of Navy facility category listing covering the entire "Military Construction, Navy and Marine Corps" appropriation request. However, a separate "non-add" listing or index of all Marine Corps unique facilities, similar to those provided in the past, is both useful and desired.
e. **Budget Summary and Indexing.** Each Component will provide a one page Budget Summary at the front of the justification book that provides a summary of the total construction program request. The summary will show, by column, the Total Obligation Authority (TOA), Budget Authority (BA), and authorization requested with subtotals by budget activity. Additionally, the books containing the DD Forms 1391/1391C should provide, immediately preceding each category section, an index showing facility category code numbers, installation and location, project number and title, cost, and DD Forms 1391 page number. The index should also identify each project as either new mission or current mission.

f. **Multi-service and National Level Support Programs.** Projects providing multi-service or national level support are to be programmed/budgeted under the appropriation, "Military Construction, Defense-Wide", or, in the case of NATO Security Investment Program, under the appropriation "NATO Investment Program." These are to be determined on a case-by-case basis, and should be identified as early as possible in the program planning phase. Such items will be identified in the Program Objective Memorandum (POM) and PDM process with appropriate programmatic adjustment or treatment during that phase of the review.

g. Should, on rare occasions, other candidates surface outside of the POM/PDM process, they will require review in the budget review process. The following guidelines apply:

(1) The individual military departments will serve in an executive agency capacity for support of those construction items. The military department assigned executive agency responsibility will continue to provide all necessary and appropriate management support for such projects, including preparation of budget justification materials, and will continue to fully manage and execute the program including the preparation of all budget justification materials and defense of estimates submitted to Congress.

(2) For those projects which have been identified and programmed as multi-service or national level support programs during the POM and PDM process, the executive agent will provide, at the time of its own budget submission, a separate submission consisting of all justification materials (DD Forms 1391/1391C) necessary for OSD and OMB review. Such projects are not to be reflected (duplicated) in the submission covering the department’s own program (i.e., financial program, facility category listings, etc.).

(3) For those projects which may surface outside the POM and PDM process as possible additional candidates, the sponsoring military departments will include these in their own construction program submissions as outlined earlier in this chapter, within their own fiscal levels, and separately highlight such items, providing a narrative explaining the basis for change.

3. **Construction Programs for the Guard and Reserve Forces.** Justification materials for the Guard and Reserve construction programs will be submitted on DD Forms 1391/1391C (Project Data). A separate justification book is required for each of the five Guard and Reserve appropriations.
a. The DD Forms 1391/1391C will be in a single volume covering total requirements for each appropriation. The materials will be sequenced in alphabetical order, by state and by installation within state. The justification pages covering the lump-sum amount requested for minor construction will appear last. The DD Form 1390S will be in a separate section following the DD Forms 1391/1391C. Each book is to include an index in the front, showing the installation and location, project title, project cost, DD Form 1391 page number, and arranged in alphabetical order by state.

b. Each Guard and Reserve program submission is to include separate listings identifying amounts requested in the budget year for: (a) air and water pollution abatement; and (b) energy conservation investment programs. Each listing is to show the installation and location, project title, project cost, and DD Form 1391 page number. "Negative response" listings are required to assure complete coverage.

4. Construction Planning and Design. The annual estimates for planning and design are to be identified and justified on DD Form 1391. In preparing the annual estimates, full consideration should be given to the lead-time required to meet the objective of having each construction project at the 35 percent design stage at the time the Budget is submitted to OSD. Guard and Reserve component construction projects will meet the design criteria established in DoDI 1225.8, “Programs and Procedures for Reserve Component Facilities and Unit Stationing,” at the time the budget request is submitted to OSD.

a. The Military Departments will develop and submit planning estimates in support of the construction programs for the individual Active Forces, Guard and Reserve programs.

b. OSD will prepare a DD Form 1391, consolidating estimates to be submitted by the Defense Components having justified requirements for Defense Agencies planning and design funds.

(1) Each Defense Agency having a requirement for planning funds during the current and budget years is to submit its estimates on a DD Form 1391.

(2) The individual Military Departments may have a justified requirement for use of Defense-Wide planning funds under circumstances where the Military Departments serve as executive agents for certain multi-service or national-level support projects if funding is required to design a project which will be constructed using Military Construction, Defense-Wide funds. Under such circumstances, the Military Department should submit its estimates on a separate DD Form 1391.

5. Automated Data Requirement. All Military Construction estimates for the Active Forces, Defense Agencies, Guard and Reserve Components shall be addressed in the Exhibit C-1 Construction Annex input prescribed in Volume 2A, Chapter 1.

6. Long-Term Facilities Contracts. DD Forms 1390 and 1391 must be submitted for each project proposed under the authorities of Title 10 U. S. C., Chapter 169. All additional supporting justification should be included in the DD Form 1390 and DD Form 1391 Justifications. These include Section 2809 ("Long-term facilities contracts for certain activities
and services”), Section 2812 (“Lease-Purchase of Facilities”), Section 2835 (Long-term leasing of military family housing to be constructed”), Section 2836 (“Military housing rental guarantee program”), and other third party financed construction authorities. Private financing initiatives will be closely reviewed to ensure their programmatic and budgetary viability. So that an informed decision regarding inclusion of the project in the budget may be made during the program and budget review, proposed projects must be supported by an economic analysis. In addition, to establish a reasonable expectation that the long-term facility project meets Congressional guidance that all third party financed projects, including proposed child care facilities, be at least five percent less expensive than regular military construction appropriation, a lease-versus-buy analysis conducted in accordance with the provisions of OMB Circular A-94 must also be submitted as backup documentation for the DD Form 1391.

a. In development of cost estimates, military construction alternatives should not exceed the published DoD pricing guidance. Private sector construction estimates should be fully supported by documentation and include all pertinent cost factors.

b. Guidance for development of the basic economic analysis required to support these long-term facility contracts is contained in DoDI 7041.3, “Economic Analysis for Decision Making.” The separate lease-versus-buy analysis must conform with OMB Circular A-104, and include full life-cycle costs and net present value discounting of each alternative.

c. Proposed child care facilities should also include in their justification the results of a market survey of child care services available in the local community, and the results of a need assessment and installation interest survey that documents and supports the need for the proposed project.

d. Authorization and appropriation procedures for long-term lease and lease-purchase contracts are special cases and may not be treated as regular military construction in some respects. General guidance for the treatment of budget authority, outlays, and scorekeeping guidelines for lease-purchase and capital lease contracts is contained in OMB Circular A-11.

(1) Under the provisions of public law these contracts may, depending on the authority used, be for periods of up to thirty-two years exclusive of the period of construction. However, for projects proposed under the authority of Title 10 United States Code (U.S.C.), Sections 2809, 2835, and 2836 the obligation of the United States to make payments under the contract in any fiscal year is subject to appropriations being provided specifically for that fiscal year and specifically for that project.

(2) Annual lease or annual lease-purchase payments commence at the time of beneficial occupancy, usually after the budget year in which the project is proposed for authorization.

(3) Components will request authorization for the full asset value of the contract (the estimated construction or acquisition cost, the differential cost of financing, and any contract termination liability costs). Components will request budget authority for each project in the amount equal to the full extent of the Government’s first year liability
under the contract (the sum of all cost and contract termination liability costs), in the budget year
the project is submitted for approval.

e. Components shall submit proposals for long-term facilities contracts in a separate section in the OSD/OMB Justification books. The section shall be entitled “Long-Term Facilities Contracts“. The section will include all DD Form 1390 and DD Form 1391’s for newly proposed projects, and be preceded with an index showing facility category code numbers, installation and location, project number and title, estimated military construction cost and DD Form 1391 page number. Long-term leases and lease-purchases will be separately summarized in the index. In order to assess the long term financial impact of these proposals the section should also include a financial table that provides project data and cumulative totals for; total estimated project authorization, estimated annual lease payment, and year of planned beneficial occupancy.

f. Congressional budget presentation Justification Book guidance is provided in section 0604, below.

g. Following approval of projects for inclusion in the President’s Budget, Components may then proceed with project development.

h. In accordance with Title 10 United States Code (U. S. C.) these projects must be submitted to Congress for final review or approval 21 days in advance of contract award. Unless denied by Congress, Components may make contract award following the 21 day notification period.

(1) Components will submit these projects for approval to the Under Secretary of Defense for Acquisition, Technology, and Logistics, and the OUSD (Comptroller), prior to congressional notification, and again prior to the final submission to Congress.

(2) In order to ensure that only economical investments are approved, and that budget requests are sufficient to cover the full financing of the contract, only those projects demonstrated to be more cost effective than regular Military Construction will be approved for submission to Congress.

7. Construction Programs for Working Capital Funds

The Working Capital Funds related capital construction projects costing over $750,000 will be included in the component military construction appropriation (including budget authority) program and budget estimates submission for review.

a. Military construction projects supporting the Working Capital Funds must be clearly labeled as Working Capital Fund projects. The C-1 Annex will include the Working Capital Fund projects (annotated as such) with their associated budget authority.
b. A separate copy of military construction projects supporting the Working Capital Funds will be provided to the Directorate for Revolving Funds, OUSD (Comptroller) (Pentagon, room 3D755).

c. Copies of associated economic analysis studies supporting the construction requirements for Fund projects will be separately provided to the Directorate for Military Personnel and Construction, OUSD(Comptroller) (Pentagon, room 3C654).

8. Facilities Programming and Financing at DoD Installations Utilized by Two or More DoD Components. This section establishes the policy for programming and financing facilities at DoD installations where utilization by more than one DoD Component is involved, including host-tenant relationships.

a. Responsibilities

(1) To ensure joint use construction is considered when assessing the Department’s facilities needs, each DD Form 1391 must include a certification by the Secretary or Defense Agency Director concerned that the proposed project has been considered for joint use potential; a recommendation for either joint use or unilateral construction; and the reason(s) for that recommendation if joint use is not recommended. The certification may be delegated not lower than the Assistant Secretary responsible for the project. This certification is not required for family housing construction and improvement projects.

(2) Single-Use Facilities. The DoD Component requiring a facility for its own use shall program and budget for the construction project involved.

(3) Joint-Use Facilities. The DoD Component which has jurisdiction over the host command shall program and budget for a facility which is planned for the joint use or joint occupancy of two or more DoD Components.

(4) Common-Purpose Facilities. On a case-by-case basis, the individual DoD Components shall function as executive agents for programs whose output directly and uniquely operates to the benefit of two or more DoD Components. The executive agent shall be responsible for planning and programming all facilities.

(5) Required Facilities. Generally, the host Military Department will program and budget an extension, expansion, and/or increase the capacity of the main utilities and communications or transportation systems, consistent with the master plan of the installation, to support any required facilities, including those required by a tenant. However, programming and budgeting for such connecting utilities and communications or transportation systems as an integral part of any single-use facility are the responsibilities of the DoD Components requiring the facility.

(6) Siting Facilities. Siting of any facility for a tenant will conform to the master plan of the installation or will be in accordance with an agreed-upon location by the DoD Components concerned.
(7) Design. Standards of design and construction will conform to those of the host Military Department, consistent with the master plan of the installation; however, exceptions will be made in those instances where tactical or other operational considerations requiring limited duration of occupancy economically would not justify construction of facilities to higher standards.

b. Utilization

(1) The tenant DoD Component will have exclusive use of any facility constructed for the duration of the tenant’s requirement. Upon termination of tenancy or use by the tenant, the facility will revert to the host Military Department for utilization without fee.

(2) Should the tenant DoD Component, at a later date have a requirement for use of the same facility, the host Military Department will make the facility, or an acceptable existing facility, available within a reasonable time period to the tenant. The host Military Department will not reconstruct or acquire a new facility for the tenant instead of returning the original facility or an acceptable existing substitute. If the host Military Department is not able to make a facility available to the tenant without creating unacceptable conditions for the host, the tenant will be responsible for obtaining a new facility.

c. Maintenance and Service Support. Determination as to the levels of maintenance and service support and reimbursement therefore will be made by the DoD Components concerned consistent with DoD policies for host-tenant agreements.

9. Energy Conservation Investment Program (ECIP). DD Forms 1390’s and 1391’s should be submitted for each ECIP project requested in the budget. These forms should include the location, the nature or category of the project, the cost and the expected payback using the most current technological and economic information available, and the name and telephone number of a point of contact. The Components should submit these forms to the OUSD (Acquisition, Technology, and Logistics) ECIP Program Manager 7 days prior to the OUSD (Comptroller) budget due date to allow sufficient time for the ECIP Program Manager to review them prior to transmittal to OUSD (Comptroller).

060302. Family Housing

A. Purpose

1. This Section prescribes instructions for the preparation and submission of budget estimates for the Services’ and Defense-Wide Family Housing, appropriations.

2. Budget estimates will be submitted by the Services and Defense Agencies, which have requirements for financing the Family Housing Program as defined in Section 060106.
B. Submission Requirements

1. Budget Estimates. Each DoD Component is to submit data to support the budget requirement for Family Housing on the basis of the accounts and account structure set forth in the detail prescribed in Section 060302 B.3, below (Preparation of Material). In addition, each DoD Component will address Family Housing estimates in the Exhibit C-1 Construction Annex input prescribed in Volume 2A, Chapter 1, section 010504.

2. General

   a. All data (including the OP-5 exhibit) will be provided on 8-1/2 inch by 11 inch size paper, typed across the short dimension of the paper, except for the formal exhibits contained in Section 0605. All pages will be bound on the 11 inch side.

   b. The family housing budget data will be bound in separate books for the Army, Navy (including Marine Corps, with O&M Cost and Debt Payment for Marine Corps shown separately), Air Force, and Defense Agencies.

   c. The number of required copies of the above material is specified in Volume 2A, Chapter 1, section 010302.

3. Preparation of Material. Submit data using forms and formats as indicated below. Separate tabbed sections will be submitted for each of the categories below (a, b, and 4-18).

   a. Index. Provide a detailed index to the submission.

   b. Summary

      (1) Provide a narrative summary describing the most significant features of the request. This summary need not cover every facet of the request and is intended to highlight those items of special significance.

      (2) Provide a one-page financial summary of the entire request. This should include, as a minimum, the amounts requested for authorization and appropriation for the major programs and their immediate subordinate accounts (Construction: New Construction, Post Acquisition Construction, Planning and Design; O&M: Operating Expenses, Utilities, Maintenance, Leasing, Housing Privatization Support, Debt Payment, Servicemen’s Mortgage Insurance Premium and Reimbursable Program).

      (3) Provide the summary metric tables, Exhibit FH-11, Inventory and Condition of Government-owned Family Housing Units, (which replaced the Summary of Inadequate Unit Elimination, FH-7 Exhibit) and Exhibit FH-8, Annual Inadequate Family Housing Elimination.
(a) These exhibits support the measures and targets developed in the DoD Performance Budget, which are based on the condition of the facilities (Q-Ratings) and maintaining a minimum specified percentage level of adequate housing units.

(b) All government-owned Family Housing inventory should be reflected in these exhibits, including transitional units. Inventory should be consistent with number of units and Q-Ratings contained in the Real Property Inventory database. Additional information on Q-Ratings is available in OSD (AT&L) Facility Quality Rating Memorandum of September 5, 2007 and the GSA Guidance for Real Property Inventory Reporting.

4. Legislative Language. Provide the required authorization and appropriation language for the budget year. The current year language should serve as the base, with changes and omissions bracketed.

5. New Construction

a. Summary. Provide a brief summary of the New Construction program. The summary should include, as a minimum: a short narrative highlighting the most significant features of the request, a comparison of the prior year program with the request, and a listing of each project requested showing new construction or replacement, location, number of units and the estimated cost. The listing should also identify each project as either new mission or current mission requirement, as well as provide the major initiative category.

b. Project Justification. For each New Construction project, including the construction of mobile home spaces, the following forms and exhibits are required. Additionally, in accordance with Title 10 United States Code (U.S.C.), Sections 2823 and 2824 provide documentation of consultations with the Department of Housing and Urban Development on the availability of suitable alternative housing at each construction location.

(1) Military Construction Project Data –DD Form 1391. Form will be prepared in accordance with the instructions contained in Section 0605, below. It is important to avoid the use of “boiler-plate” justification. Cost estimates for new construction projects will include the maximum level of detail practicable, including construction contract award date (indicate month and year the contract is planned to be awarded to the construction firm), the construction start date (include month and year construction is planned to start), and construction completion date (indicate month and year construction is planned to be completed). Any unusual features impacting on the cost of the project must be identified and fully justified. In order to ensure prudent and economic investments, a life-cycle net present value economic cost analysis is required to support all new construction projects estimated to cost in excess of $2 million. Copies of these analyses are to be provided with the Family Housing budget estimates. Each DD Form 1391 will (1) state if an economic analysis has been prepared and provide a summary of the results of that analysis, including the calculated savings-to-investment ratio, or (2) provide the specific reasons why an economic analysis is not required. Assemble the DD Form 1391’s in the same sequence as the listing of projects on the summary page.
(2) **DD Form 1523, Military Family Housing Justification.** Form will be prepared in accordance with DoD 4165.63-M, “DoD Housing Management” manual. Data supplied should be in agreement with the latest formal housing survey for the location, and with the information provided on the DD Form 1390. The date of the survey should be specified. The form must include a statement indicating whether a private sector housing market analysis has been conducted and the date the market analysis was completed. When a market analysis has been conducted and is used as justification for new construction, a copy of the analysis must be available for review upon request. Since this form deals with housing deficit calculations, the DD Form 1523 is needed only for new requirements.

(3) **Tri-Service Family Housing Cost Model.** Provide, for each housing project, the calculations on which the budget estimate is based, using Exhibit FH-1, the “Tri-Service Family Housing Cost Model”. The appropriate DoD cost factors must be used in the calculations. In addition, Tri-Service Family Housing Cost Models should be prepared using metric units of measure.

6. **Construction Improvements**

   a. **Summary.** Provide a general summary of the Construction Improvements program being requested. The summary should include, as a minimum, a short narrative highlighting the most significant features of the request, and a comparison of the prior year program with the request. For consistency, the program should be referred to as “Construction Improvements” rather than “Post Acquisition Construction” or any other title.

   b. **Project Justification.** Provide a DD Form 1391 covering the entire Construction Improvements program and DD Form 1391C listing each project requested. Project description should be specific with regard to the work which is to be done (specify the number of units to be improved by intended occupant grade -- senior officer, junior officer, or enlisted), and show any planned concurrent, non-routine, maintenance costs, including construction contract award date (indicate month and year the contract is planned to be awarded to the construction firm), the construction start date (include month and year construction is planned to start), and construction completion date (indicate month and year construction is planned to be completed). Projects should be arranged alphabetically by state and country. Federal Energy Management Program funding, if any, must be separately totaled. Projects, or portions of projects, for General and Flag Officer Quarters (GFOQ) must be identified separately. For improvement projects, where the unit improvement cost exceed seventy percent of the replacement cost, the project must be supported by a life-cycle economic analysis which demonstrates that renovation is more cost effective than replacement construction or other available alternatives, such as demolition and reliance on housing allowances.

   c. **Projects in Excess of $50,000 Per Unit.** A separate DD Form 1391 is required for each project for which the per unit cost exceeds $50,000, taking into consideration the applicable area cost factor. If the improvement is required to make the unit suitable for habitation by a handicapped person, the threshold is $60,000 multiplied by the applicable area cost factor. The cost estimate should also include concurrent repair to be funded.
under O&M. The justification for the project must detail the findings of an economic analysis and the resulting savings-to-investment ratio. Any unusual features impacting on the cost of the project must be clearly cited. Additionally, note the total Construction Improvements and non-routine maintenance for the unit or set of units over the past five years.

d. **Restriction on the Amount Invested in Improving Foreign Source Housing Units.** The three-year limitation on overseas units is $35,000. If the Services intend to program improvements to specific units which exceed $35,000 over a period of three years, total funding should be requested in one year. The justification for each unit should identify all improvements and major maintenance work done in the past three years, and all improvements and major maintenance planned in the following three years.

7. **Rental Guarantee Housing.** For each rental guarantee housing project, both foreign and domestic, provide a listing showing: (1) location, (2) number of units (by intended occupants (senior officer, junior officer, enlisted), (3) term of contract, (4) FY and month of contract renewal, and (5) maximum termination costs.

8. **Advance Planning and Design.** All requirements for Advance Planning and Design should be submitted in the format prescribed for military construction in Volume 2B, Chapter 6, section 060301.

9. **O&M Summary**
   
a. **Narrative Summary.** Provide a general summary of the entire O&M program being requested, excluding leasing, housing privatization support, debt, and servicemen’s mortgage insurance premium, which are to be addressed elsewhere in the budget submission. The summary should include, as a minimum, a succinct narrative highlighting the significant features of the request and a comparison of the prior year program with the budget request, particularly the reasons for any significant upward or downward shifts in funding levels.

   b. **Inventory and Funding Summary**

      (1) Provide the data called for in Exhibit FH-2, Family Housing O&M Summary. Include for each fiscal year, as a subset of "Average Inventory for Year," the total number of units that are classified as historic (units that DoD must manage in accordance with the National Historic Preservation Act of 1966). Display the historic figures in parenthesis immediately below the Average Inventory line.

      (2) Provide the total civilian personnel compensation for all U.S. Direct Hires, Foreign National Direct Hires and Foreign National Indirect Hires. This information should be provided for the prior year, current year and budget years in the format of Exhibit OP-8, Civilian Personnel Costs, shown in Volume 2A, Chapter 3, section 030402. This exhibit is only required for inclusion in the OMB and OSD review, but should be provided separately for the President’s Budget submission.

10. **Operations.** The sub-accounts of Operations are Management, Services, Furnishings and Miscellaneous. For each of these provide:
a. **Summary.** Provide a short narrative describing what the funds will be used for, how the budget was developed, major assumptions made, and highlighting the most significant features of the request. The summary should also explain the effect that the housing privatization program has on the budget estimates for each of the O&M accounts and subaccounts. For the Furnishings program only, provide additional information in the format of Exhibit FH-3, “Furnishings Summary”.

b. **Reconciliation of Increases and Decreases.** A reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President’s Budget for the current year and budget years. The format of this reconciliation is to be identical to the Exhibit OP-5 shown in section 0605, below. For each program increase or decrease, quantitative and qualitative information relative to the proposed change must be provided. Increases and decreases should be supported by specific reasons why these adjustments in the program are necessary, particularly changes in the number of family housing units being supported, changes in the FH-2 and FH-3 exhibits, etc.

11. **Utilities.** For the Utilities program, separate from Operations, provide the following:

a. Provide a short narrative describing what the funds will be used for, how the budget was developed, major assumptions made, and highlighting the most significant features of the request. The summary should also explain the effect that the housing privatization program has on the budget estimates for the account. This section must address energy consumption reductions accomplished and progress made towards meeting Congressional and Defense energy conservation goals.

b. Include a table that breaks out, for each FY reflected in the budget submission, kilowatt hour of electricity, tons of coal, cubic feet of gas, barrels of oil, and other forms of energy that support the utilities budget request.

c. **Reconciliation of Increases and Decreases.** A reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President’s Budget for the current year and budget years. The format of this reconciliation is to be identical to the Exhibit OP-5 shown in Section 0605, below. For each program increase or decrease, quantitative and qualitative information relative to the proposed change must be provided. Increases and decreases should be supported by specific reasons why these adjustments in the program are necessary, particularly changes in the number of family housing units being supported, changes in the FH-2 exhibit, etc.

12. **Maintenance**

a. Provide a short narrative describing what the funds will be used for, how the budget was developed, major assumptions made, and highlighting the most significant features of the request. The summary should also explain the effect that the housing privatization program has on the budget estimates for the account.
b. **Reconciliation of Increases and Decreases.** A reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President’s Budget for the current year and budget years. The format of this reconciliation is to be identical to the Exhibit OP-5 shown in Section 0605 of this manual. For each program increase or decrease, quantitative and qualitative information relative to the proposed change must be provided. Increases and decreases should be supported by specific reasons why these adjustments in the program are necessary, particularly changes in the number of family housing units being supported, changes in the FH-2 exhibit, etc.

c. **Provide a summary on the backlog of deferred maintenance.** Describe the plans for reducing the backlog to a manageable level. Provide an analysis of types of projects, type and accuracy of reporting and special efforts to reduce the backlog. Provide a table covering the Future Years Defense Program (FYDP) including: (1) backlog at beginning of year, (2) recurring maintenance arising during the year, (3) maintenance funds approved or planned, (4) backlog at end of year, and (5) backlog reduction (-) or growth (+) during the FY.

13. **Maintenance and Repair Cost Over $20,000 Per Unit**

   a. Using DD Forms 1391 and 1391C, provide data on maintenance and repair projects for which the per-unit cost exceeds $20,000. As a minimum, the 1391C should provide, for each project: (1) location, (2) number of units, (3) age of units, (4) per unit cost, (5) total square footage of unit and square footage of project, (6) total cost, and (7) short narrative description and justification of the work, including results of economic analysis and savings-to-investment ratio. Projects should be listed alphabetically by state and country, as displayed for the Post Acquisition Construction projects.

   b. Projects which appear as concurrent maintenance and repair on the 1391’s for Post-Acquisition Construction (see Section 060302 B.7 above) will be shown here if they exceed the $20,000 per unit threshold, with a notation stating that the project is also shown in the post acquisition construction section.

* 14. **GFOQ Maintenance and Repair Cost Over $35,000 Per Unit**

   a. Provide a narrative summary, detailing efforts to control and reduce expenditures for the “high-cost” GFOQ units.

   b. Provide a listing of all GFOQ for which total maintenance and repair cost per unit exceeds $35,000 for the Budget Year. Listing should include, for each unit: (1) state/country/location, (2) quarters identification, (3) size of unit, (4) age of unit, (5) total operations cost, (6) total utilities cost, (7) total maintenance and repair cost, (8) total O&M cost, and (9) a short narrative description and justification of the work, including results of economic analysis and savings-to-investment ratio. In addition, identify any Construction Improvements project and funding requested for any GFOQ in the listing.

   c. This listing will include all GFOQ projects for which total maintenance and repair cost exceeds $35,000, including those listed in other sections of the submission.
d. Provide a similar listing for the Prior Year and Current Year units with M&R over $35,000 and which were not included in the previous budget request.

e. To satisfy Congressional reporting requirements, provide:

(1) A report identifying each family housing unit used, or intended for use, as a quarters for a general officer or flag officer for which the total operations, utilities, leasing, maintenance, and repair costs are anticipated to exceed $35,000 in the next fiscal year. For each family housing unit so identified specify the total of such anticipated operation, utilities, leasing, maintenance, and repair costs for the unit. This shall be reported in the format of Exhibit FH-5 General and Flag Officers Quarters (Anticipated expenditures for O&M exceeding $35,000).

(2) A report specifying for each family housing unit used as quarters for a general officer or flag officer at any time during the most recently completed fiscal year, the total expenditures for O&M, utilities, leasing, maintenance, and repair costs of the unit during that fiscal year. This shall be reported in the format of Exhibit FH-9 GFOQ (O&M Expenditures for FY 2XXX). This report should also be provided to the Military Personnel and Construction Directorate in electronic excel format, no later than December 1.

(3) A report identifying each family housing unit used or intended for use, as a quarters for a general officer or flag officer which is in excess of 6,000 square feet (SF). For each unit over 6,000SF specify any alternative and more efficient use to which the unit could be converted (including cost of conversion) and an explanation as to why the unit is not being converted to the alternative use. For each unit identified whose annual O&M costs are greater than $35,000 or if new construction costs are anticipated to exceed $100,000 in the next FY, specify any alternative use (including cost of conversion) and an estimate of the costs to demolish and rebuild the unit to private sector standards. This shall be reported in the format of Exhibit FH-10, GFOQ 6,000NSF Units for FY 2XXX.

(4) As amended by section 2805 of the FY 2009 National Defense Authorization Act (NDAA), 10 USC 2884 requires annual reporting of privatized GFOQ units and the total operation, maintenance, and repair costs incurred by private sector developer/partners that exceed $50,000 per housing unit. Therefore, the Components are required to complete the Exhibit FH-12, Privatized GFOQ Operation, Maintenance and Repair Costs Incurred by Private Sector Developer/Partner/Owner Exceeding $50K per Housing Unit, annually.

15. **Reimbursable Program.** Provide a detailed justification for the Reimbursable Authority requested. Include information on what precisely is funded through the reimbursable program and details on the sources of receipts for the prior year, current year and budget year.

16. **Leasing**

   a. Provide a short narrative describing what the funds will be used for, how the budget was developed, major assumptions made, and highlighting the most significant features of the request. The summary should also explain the effect that the housing
privatization program has on the budget estimates for the account. The summary shall include a table reflecting the authorized number of leases, average number of leases supported and costs for each of the PY, CY and BY, for Domestic Leasing, Section 801 and Section 802 leases, and foreign leasing.

b. For both domestic and foreign leases, provide a summary justification statement. Also provide data on the leasing program in the format of Exhibit FH-4, "Analysis of Leased Units." Information should be provided at the installation or community level, whichever is most applicable. For each new project requested, include a full justification and description, in the same format as for a New Construction project (see Section 060302 B.6 above).

c. Reconciliation of Increases and Decreases. A reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President's Budget for the current year and budget years. The format of this reconciliation is to be identical to the Exhibit OP-5 shown in Section 0605, below. For each program increase or decrease, quantitative and qualitative information relative to the proposed change should be provided. Increases and decreases should be supported by specific reasons why these adjustments in the program are necessary, particularly changes in the number of family housing units being supported.

d. For each new Public Law 98-115, section 801 lease project requested, include a full justification and description, in the same format as for a New Construction project (see Section 060302 B.6 above), including the results of the economic analysis.

e. Under Section Title 10 United States Code (U.S.C.), section 2828, the Components are allowed not more than 10,000 domestic (United States, Puerto Rico, or Guam) leased family housing units. The cost of domestic leases may not exceed $12,000 (including the cost of utilities, maintenance, and operation) per unit per year.

(1) Section 2828 permits an exception for 500 of these domestic leased units that may exceed $12,000 per unit per year but can not exceed $14,000 per unit per year as adjusted from time to time. At the beginning of each fiscal year, the Secretary concerned shall adjust the maximum lease amount for domestic leases for the previous fiscal year by the percentage (if any) by which the national average monthly cost of housing (as calculated for purposes of determining rates of Basic Allowance for Housing under section 403 of title 37) for the preceding fiscal year exceeds the national average monthly cost of housing (as so calculated) for the fiscal year before such preceding fiscal year.

(2) The Army has authority to lease eight units in Miami, Florida for key and essential personnel, as designated by the Secretary, for the United States Southern Command. Total lease cost for all eight units may not exceed $280,000 per year as adjusted from time to time. The terms of any lease under this paragraph may not exceed 5 years. At the beginning of each FY the Secretary of the Army shall adjust the maximum aggregate amount for these leases for the previous FY by the percentage (if any) by which the annual average cost of housing for the Miami Military Housing Area (as calculated for purposes of determining Basic Allowance for Housing under Section 403 of Title 37) for the preceding FY
exceeds the annual average cost of housing for the Miami Military Housing Area (as so calculated) for the FY before such preceding FY. Additionally, not more than 600 domestic housing units may be leased by the Secretary of the Army for which the expenditure for the rental of such units does not exceed $35,000 per unit per year, as adjusted from time to time.

f. Also under Title 10 United States Code (U.S.C.), section 2828, the Components are allowed not more than 55,775 foreign leased units. Foreign leases may not exceed $20,000 per unit per year (including the cost of utilities, maintenance, and operation). Section 2828 permits exceptions for 450 leased units that may exceed $20,000 but that can not exceed $25,000 per unit per year and for 350 leases that may exceed $25,000 per unit per year.

(1) In addition to the 450 units:

(a) The Secretaries of the military departments may lease not more than 3,300 units of family housing in Italy that may not exceed $25,000 per unit per year.

(b) The Army may lease not more than 1,175 units in Korea that may exceed $25,000. Also, the Army may lease not more than 2,800 units of family housing in Korea subject to a maximum lease amount of $35,000.

(2) The maximum lease amounts for the previous FY will be adjusted at the beginning of each FY, by the percentage (if any) by which the Consumer Price Index (CPI) for all Urban Consumers, published by the Bureau of Labor Statistics, during the preceding FY exceeds such CPI for the FY before such preceding FY and for foreign currency fluctuations from October 1, 1987. To determine the impact of foreign currency fluctuation on the rental rate, these high cost “cap” rental rates must be computed for each foreign country, each year to adjust for the impact of foreign currency fluctuation. After the caps of $20,000, $25,000 and $35,000 U.S. dollars are adjusted by country, the adjusted rates becomes the new cap for determining whether a lease must be counted against the exception limits for a given budget year. Then, if a rental exceeds the adjusted maximum costs, it counts against the high cost ceiling limitations of 450 and 350, units, respectively, DoD-wide. For each country the formula that is to be applied is: $20,000 adjusted for CPI changes or $25,000 adjusted for CPI changes or $35,000 adjusted for CPI changes * [FY 1988 exchange rate / current budget exchange rate] = new cap limit.

(a) Where the “FY 1988 exchange rate“ is the exchange rate that was published by the USD (Comptroller) for use in preparing the FY 1988 budget estimates, stated in units of foreign currency for one (1) U.S. dollar:

<table>
<thead>
<tr>
<th>Country</th>
<th>Monetary Unit</th>
<th>FY 1988 Exchange Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>Franc</td>
<td>42.77</td>
</tr>
<tr>
<td>Canada</td>
<td>Dollar</td>
<td>1.39</td>
</tr>
<tr>
<td>Denmark</td>
<td>Krone</td>
<td>7.75</td>
</tr>
<tr>
<td>Germany</td>
<td>Mark</td>
<td>2.06</td>
</tr>
<tr>
<td>France</td>
<td>Franc</td>
<td>6.72</td>
</tr>
<tr>
<td>Greece</td>
<td>Drachma</td>
<td>139.90</td>
</tr>
<tr>
<td>Italy</td>
<td>Lira</td>
<td>1,423.00</td>
</tr>
<tr>
<td>Japan</td>
<td>Yen</td>
<td>163.10</td>
</tr>
</tbody>
</table>
Netherlands  Guilder  2.33  
Norway  Krone  7.52  
Portugal  Escudo  150.50  
Spain  Peseta  137.60  
Turkey  Lira  743.50  
UK  Pound  0.70  

For countries not listed, use the October 1, 1987 exchange rate.

(b) Where the “current budget exchange rate“ is the rate published by the USD (Comptroller) for use in preparing the fiscal year budget estimates for which the lease funds are being requested, stated in units of foreign currency for one (1) U.S. dollar.

(c) The new cap limit is the maximum amount in dollars that a lease may cost per unit per annum for each nation, before that unit must count against the worldwide 350 and 450 unit limits on exceptions for high cost leases for the fiscal year for which the budget resources are being requested.

(d) Provide a summary table showing application of the above formula for each nation where high cost leases exist or are proposed, and the total number of such leases.


a. Provide a brief justification statement describing the requested program.

b. Provide a table identifying separately the total of the principal payments, and interest charges, and the totals for the Servicemen’s Mortgage Insurance Premium program for the prior, current, and budget years.

c. For the Servicemen’s Mortgage Insurance Premium program provide a listing for each fiscal year, showing: the number of terminations, the number of mortgages on which payments are to be made, the average payment per mortgage, and the estimated payments for the year. This table should start with the prior year, and end with BY+1.

18. Foreign Currency Exchange Data. All Family Housing O&M appropriations that participate in the Foreign Currency Fluctuations, Construction, Defense appropriation are required to prepare and submit a PB-18 Exhibit using the approved foreign currency exchange rates. The format for the PB-18 Exhibit is in Volume 2B, Chapter 19, section 191204.

19. Each Component will also submit a Major Initiatives exhibit which must include a general description of each of its major initiatives for the budget year and what the Component plans to accomplish in the budget year to support that initiative. Be specific,
including the impact on force structure. This exhibit will be prepared in accordance with the format contained in Section 060502.

20. **Housing Privatization Support.** The Components shall add a separate tab and section called “Housing Privatization Support” (after the Leasing section) in the family housing justification book, and include, as a minimum, the following information in the new section:

   a. A narrative summary of the Component's overall family housing privatization efforts and accomplishments/progress to date.

   b. A summary list of privatization projects and associated funding requested in the Construction portion of the program and budget submission. (DD Form 1391 for New Construction and Construction Improvement projects should indicate which projects are intended as a source of funding for privatization initiatives.)

   c. **Detailed of Awarded Privatization Projects (FH-13).** This new exhibit formalizes previously provided information in the President’s Budget and shall be prepared to include a list of all awarded projects, including: award date; types of financing (direct loan, loan guarantee, investment, differential lease payments, etc); scored amounts for each type of financing used in the deal; term of the deal in years; status of IDP; and total number of end-state units in the privatized project (breakout total units conveyed, renovated, replaced, and/or new/added units).

   d. **Family Housing Privatization (FH-6).** This exhibit shall be prepared for the President’s Budget to include the all privatization projects (past, current and future); type of investment or financing; funding sources for financing and investments by appropriation, fiscal year and project (include project number); number of units conveyed; number of end-state number of units, etc. For grouped projects, the first line should be the grouped project name with lines below for each installation and state in the grouped project. This exhibit shall reflect the actual or current project scoring information.

   e. **Housing Privatization Comparison (FH-6-BES).** This new exhibit shall be prepared for the Budget Review, and shall not will be included as part of the President’s Budget. For the President’s Budget, use the FH-6 Exhibit (mentioned above). This exhibit compares the OSD/OMB approved project scoring with the actual/current project scoring. Information provided should be consistent or similar with data to be submitted for the Military Housing Privatization Initiative (MHPI) Program Evaluation Plan Executive Report to Congress for September, which also incorporates a similar comparison.

   f. **Reconciliation of Increases and Decreases (OP-5).** This exhibit shall be prepared for the Housing Privatization Support (as defined previously in 060202.B.1) budget and must include detailed explanation/justification for the request, and explanation for all increases and decreases from prior budget request. See section 060306 below.
060303. Homeowners’ Assistance Fund, Defense

A. Purpose

1. This Section provides guidance for the preparation and submission of Homeowners’ Assistance Fund, Defense budget estimates under the Department of the Army allocation account.

2. Budget estimates will be submitted only by the Department of the Army, which has been assigned the overall responsibility for the administration and management of the Department of Defense Homeowners’ Assistance program by DoD Directive 4165.50 “Homeowners Assistance Program (HAP).”

3. Each Component is responsible for including sufficient resources in its budget to fund HAP costs related to the Component’s actions associated with base closures, realignments, and force reductions. The level of resources required to fund HAP costs shall be developed in consultation with the Army, as the HAP executive agent. Budget estimates for HAP costs shall be separately identified and submitted in the Component' Base Realignment and Closure (BRAC) submissions for HAP costs associated with realignments and closures and in the O&M submission for non-BRAC related HAP costs.

B. Submission Requirements

1. The following exhibits, provided in Section 0605, below will be submitted:

   - HA-1 Workload and Obligation Data
   - HA-2 Status of Accounts
   - HA-3 Work Unit Data
   - HA-4 Program and Financing

In addition, the Army will input Homeowners’ Assistance Fund estimates for the C-1 Construction Annex input prescribed in Volume 2A, Chapter 1, section 010504.

2. Required copies of the above material are identified in Volume 2A, Chapter 1, section 010302 of this Regulation.

3. For the biennial budget, separate sections or volumes will be provided for BY1 and BY2. For the BY2 section, BY1 will be considered as the prior year and BY2 as the budget year.

C. Preparation of Material. All material will be provided on 8-1/2 inch by 11 inch size paper, and bound on the long side. All narrative data will be typed across the short dimension of the paper, while Exhibits HA-1, 2, 3 and 4 will be typed across the long dimension.
060304. NATO Security Investment Program

A. Purpose

1. This section provides guidance for preparation and submission of the NATO Security Investment Program budget estimates.

2. Budget estimates will be submitted by the OUSD (AT&L) since that office has been assigned the overall responsibility for the oversight and management of the NATO Security Investment Program by DoDD 2010.5, “DoD Participation in the NATO Infrastructure Program.”

B. Submission Requirements. Submit a detailed exhibit, NATO Security Investment Program-1 (NSIP-1), listing requirements at the project level for both construction and procurement requirements. The listing should be sufficiently detailed to identify discrete projects and initiatives. Aggregations at the capability package level i.e., Defense of the Mediterranean, are not sufficiently detailed and should be broken down further to show the individual projects/initiatives comprising the capability packages. A narrative explanation and description of each of the requirements for the current and budget years should be provided. The NSIP-1 exhibit is provided in section 060505, below for the NATO Security Investment Program to identify the following information: Location, Installation, Project Title, Description of Project, Budget Scheme (how many NATO Nations participating in the funding of the project), Project Cost, U.S. Cost Share, Other Nations Cost Share. This will be provided for both the current year and budget year.

Submit a detailed exhibit, NSIP-2, listing each NSIP major construction project that are eligible for recoupment (reimbursement by other member countries for eligible costs). The NSIP-2 exhibit is provided in section 060505, below for the NATO Security Investment Program to identify the following information: Component, Appropriation, FY, Location, Installation, Project Title, Slice/Serial (if known), Recoupment Budget Estimate, and Rate of Conversion.

C. Preparation of Material. All material will be provided on 8-1/2 inch by 11 inch size paper, and bound on the long side. All narrative data will be typed across the short dimension of the paper.

060305. NATO Security Investment Program Expansion Costs

Expansion Costs. Submit a list of all requirements, construction and procurement, associated with NATO expansion. The listing should be sufficiently detailed to identify discrete projects and initiatives. Aggregations at the capability package level i.e., Defense of the Southern Region, are not sufficiently detailed and should be broken down further to show the individual projects/initiatives comprising the capability packages. The NSIP-1 exhibit is provided in section 060505, below for the NATO Security Investment Program to identify the following information of projects associated with NATO Expansion: Location, Installation, Project Title, Description of Project, Budget Scheme (how many NATO Nations participating in the funding of the project), Total Project Cost, U.S. Cost Share, Other Nations Cost Share. This will be provided for both the current year and budget year. A narrative explanation and description of each of the requirements
for the budget years should be provided. The budget estimate for NATO Expansion Costs should be identified in BA 02 as presented in Volume 2A, Chapter 1.

060306. Family Housing Improvement Fund (FHIF) Program

A. Purpose

This section prescribes instructions for the preparation and submission of budget estimates for the DoD Family Housing Improvement Fund (FHIF) and related requirements, to include Military Housing Privatization Initiative (MHPI) administrative program expenses for accounting and financial reporting services.

B. Submission Requirements

* 060307. MHPI Investments and Credit Financing

A. The Federal Credit Reform Act of 1990 and OMB Circular A-11 require credit financing and investment information for privatization projects to be reflected in the President’s budget. Credit financing information required for the President’s budget is explained in OMB Circular A-11, Part 5, Section 85 (Federal Credit). On an annual basis, OMB sends out Budget Data Requests (BDR) for Credit Reestimates, MAX Schedule updates, and Credit Supplemental Reporting information for the President’s Budget (for Prior Year (PY), Current Year (CY), and Budget Year (BY)).

B. OUSD (Comptroller) MPC directorate is leading a business process improvement effort focusing on current MHPI and credit related processes, which could result in future changes to the DoDFMR.

C. Credit Reestimates. Reestimates are performed throughout the life of each cohort of direct loans or loan guarantees to account for differences between the original assumptions of cash flow and the actual cash flow or revised assumptions about future cash flow. There are two types of Reestimates, Interest Rate Reestimates and Technical Reestimates.

1. Interest Rate Reestimates (IRR) adjust for the effect on the subsidy of differences between the actual interest rate and the discount rates assumed when the estimates were made for budget formulation and obligation. IRR are performed once, in the fiscal year
following the fiscal year in which the direct or guaranteed loan was “originally” estimated to be at least 90 percent disbursed.

2. Technical Reestimates adjust for revised assumptions about loan performance, such as differences between assumed and actual default rates or new projections of repayments; and are performed annually for outstanding direct and guaranteed loans.

3. Reestimates are used for yearend financial reporting and for the President’s Budget.

4. In July, OUSD(C) MPC Directorate will send out the Reestimate Data Call and forward the associated direct loan and loan guarantee cash flow files and reestimate timeline to the Services for review and completion by mid-August, and coordination with DFAS. The FH-15 Reestimate Cash Flow Status questionnaire format has been incorporated into the DoDFMR. All files and completed questionnaire should be forwarded, electronically, to Evelyn Roll, OUSD (Comptroller) MPC Family Housing Budget Analyst by the August deadline.

   a. The Services are required to prepare cash flow files for new direct loans and loan guarantees, as needed; review all risk factors; substitute reamortization schedules in the files for existing loans after coordination with DFAS, as needed; and complete the Reestimate Questionnaire on the status of the cash flows.

   b. DFAS is required to enter transactions with Treasury into the new and existing cash flow files and coordinate any reamortization schedules with the Services, before substitution into the cash flow files.

D. Federal Credit Budget (OMB MAX Schedules). For all privatization projects that have been awarded and those planned for award in the President’s Budget, the Components shall provide the relevant investment and credit financing data required for the preparation of credit financing schedules.

   In October, OUSD (Comptroller) MPC Directorate will forward the annual Federal Credit Budget Data Call and template to the Services for review and completion by early November. This data will be used to update the MAX schedules for the FHIF Program, FHIF Financing for Direct Loan, and FHIF Financing for Loan Guarantee accounts.

   a. A separate list by Component and FY will include, the installation name, state, type of financing, total number of end-state units in the privatized project (breakout total units conveyed, renovated, replaced, and/or new/added units, total scored amount for each type of financing, and source of funds. The source of funds will be broken out by FY of funds, account (new construction or construction improvements, etc.), project name and amount.

   b. Cash flows for future new direct or guaranteed loans will also be required. The completed template and cash flows should be provided, electronically, to OUSD(C) MPC Family Housing by the November deadline.
E. Credit Supplemental Reporting (CSR). In October, OUSD (Comptroller) MPC Directorate will forward the annual Credit Supplemental Reporting Data Call and template to the Services for completion by early November.

1. Additional project information, such as, subsidy percentage, financing, defaults, average contractual loan maturity (in years), average contractual loan interest rate, maximum grace period (in years) and other data is required to update the CSR for the President’s Budget.

2. The completed template shall be provided, electronically, to OUSD (Comptroller) MPC Family Housing by the November deadline.

060308. Unaccompanied Housing

A. Purpose

1. This section prescribes instructions for the preparation and submission of budget exhibits related to Unaccompanied Housing (UH). These exhibits are to be included in the unaccompanied housing section of the Military Construction Budget Estimates for OSD and OMB. They are not required to be included in the President’s Budget justification books for Congress, but will still need to be updated and provided to OUSD (Comptroller), Directorate for Military Personnel and Construction, separately.

2. Similar to Family Housing, the ultimate goal is to have UH at 90% Q1/Q2 adequacy for U.S. and Foreign. As such, UH exhibits have been developed to support the two UH performance goal and targets, one for U.S. and the other for Foreign.

B. Submission Requirements

1. The UH-1a/1b Exhibits – “Inventory and Condition of Government-owned Unaccompanied Housing (UH).” These budget exhibits are based on facility condition (Q-Ratings). Additional information on Q-Ratings is available in OSD AT&L memorandum of September 5, 2007, “Facility Quality Rating Guidance”; and the GSA Guidance for Real Property Inventory Reporting. All Government-owned UH inventory should be reflected in this exhibit, including transitional UH.

   a. UH-1a Exhibit - “Inventory and Condition of Permanent Party, Government-owned Unaccompanied Housing (UH) ”. The two DoD Performance Goals are to have 90% of Government-owned, Permanent Party UH bedrooms: 1) in the United States (CONUS plus Hawaii and Alaska) at Q1-Q2 adequate levels by FY 2017, and 2) for the foreign locations (includes U.S. Territories) at Q1-Q2 adequate levels by the end of FY 2017. Inventory counts and Q-Ratings should be consistent with the SNaP and Real Property Inventory databases. This includes Facilities Analysis Categories, 7210 – Enlisted UH, and 7240 – Officer UH.

   b. UH-1b Exhibit – “Inventory and Condition of Training/Mobilization, Government-owned Unaccompanied Housing (UH).” At this time, there are no DoD Performance Goals associated with Training and Mobilization UH. This includes
Facilities Analysis Categories, 7213 – Student UH, 7214 – Annual Training/Mobilization UH, and 7218 – Recruit/Trainee UH.

2. UH-2 Exhibit – “Configuration and Privacy of Permanent Party Unaccompanied Housing (UH).” This budget exhibit was created to capture the Services’ configuration standard design, their range of various configurations in use, the privacy of assigned members (number of personnel who are sharing a bedroom or living on ship), and the Services’ plans for improvement in these areas. At this time, there are no DoD Performance Goals associated with configuration and privacy. However, the Services are requested to provide their own specific configuration and privacy standards and goals, and implementation plans, including timelines.

3. UH-3 Exhibit – “Summary of Military Construction Unaccompanied Housing Projects”. This UH project list should match information already provided in Program/Budget submissions and related DD Form 1391s (Military Construction Project Detail).

0604 CONGRESSIONAL JUSTIFICATION/PRESENTATION

060401. Purpose

This Section presents the justification book organization and the exhibit requirement for submission to Congress. Examples of budget exhibits can be found in Section 0605, below.

060402. Organization of Justification Book

A. Justification material will be entitled:

Supporting Data for Fiscal Year 20BY Budget Estimates
Descriptive Summaries

B. The budget justification book will be divided into sections, organized as shown on the following pages.

1. Organization:

2. Table of Contents and Summary Data

3. The summary data will include a state list of all major, minor and family housing construction projects.

Section 1 Special Program Considerations

This section will include the following topics with a short narrative or summary table, and other special interest items as applicable.
Facilities Funded Through Other Than Military Construction
Pollution Abatement Program
Energy Conservation Program
Drug Interdiction Program

Section 2  Budget Appendix Extract
          Legislative Language

Section 3  Installation and Project Justification Data
          DD Forms 1390 and 1391

Section 4  Architectural and Engineering Services and Construction Design

Section 5  Unspecified Minor Construction

Section 6  Defense Access Roads

Section 7  Family Housing

Section 8  Homeowners’ Assistance (Army Only)

Section 9  Long-Term Facilities Contracts

Section 10 Working Capital Fund Capital Construction

C. The volume will be organized by state/country and location. Projects should be shown in precisely the same order as they appear in the State List portion of the Construction Annex (C-1).

D. All construction line items included in the funding program in support of the total obligational authority for the Military Construction appropriations in the President’s Budget will be summarized on Installation and Project Justification Data, DD Forms 1390 and 1391/1391C. In addition to data provided on DD Forms 1390 and 1391, justification books submitted to the House and Senate Appropriations, the House Armed Services Committee, and the Senate Armed Services Committees in support of Military Construction Program requests will contain supplemental data prepared in the formats prescribed below on the reverse of DD Form 1391. The Guard and Reserve Forces will use a DD Form 1390S continuation page in lieu of DD Form 1390. All forms required for a project will be grouped and combined in the same book arranged in category code order within state and station.

E. Section 5 will include an exhibit entitled “Long-Term Facilities Contracts“, separately listing projects proposed under Title 10 United States (U. S. C.), Sections 2809 and 2812 authorities, arranged in the same order as they would appear in the State list portion of the Construction Annex (C-1). This exhibit will be followed by the DD Forms 1390 and 1391 for each new project proposed. The section will also include a special financing table reflecting both prior approved long-term facility contracts and new requests, as specified in Section 060301 B.7, above.
F. Section 060502 contains detailed instructions for preparation of DD Forms 1390 and 1391/1391C. Detailed instructions for preparation of the supplementary justification material are given in Section 060405, below. The following additional instructions apply:

1. In addition to other data requirements, components are required to indicate on the DD Form 1391C for each individual project a statement indicating whether or not an economic analysis has been utilized in evaluating the project. In those instances where an economic analysis has not been prepared, a statement is required indicating why such analysis is not applicable or pertinent.

2. Lump-sum requests for a number of construction projects at a single location or for related projects at several locations will not be considered.

3. Projects associated with intelligence or intelligence-related operations will be so identified. Block 5, Program Element, DD Form 1391, will include the annotation NIP or MIP as appropriate.

4. All DD Forms 1391 should include a name and phone number of the civil engineer at the installation responsible for the requested project. This information should be displayed in the bottom left hand corner on the last page of the 1391.

5. The budget submission should include the Restoration and Modernization (R&M) unfunded requirement at all installations for which there is a requested construction project. This information is to be provided as subsection c. in block 9 of the DD Form 1390 (Block 10 for the Guard and Reserve 1390s) under the heading, “R&M Unfunded Requirement.” In addition, for all unaccompanied housing project requests, the DD Form 1391 is to show all unaccompanied housing R&M conducted in the past 2 years (BY-2 and BY-1) and all future R&M requirements (defined as R&M funding for unaccompanied housing included in the FY DP years) for unaccompanied housing at that installation. This information should appear as the last data in the DD Form 1391 under the heading “BY-2 Unaccompanied Housing R&M Conducted,” "BY-1 Unaccompanied Housing R&M Conducted,” and "Future Unaccompanied Housing R&M Requirements.”

G. Justification Book Covers and Binding of Data

1. Justification materials will be provided on 8-1/2” x 11” white paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with Acco fasteners. Material is to be printed on both sides of the page using 1” margins. The DD Form 1390 should be printed on white paper, not on yellow paper as previously required.

2. Separate justification books will be prepared for those projects which require classified information on the DD Forms 1390 and 1391/1391C.

3. The individual Defense Agencies will submit either originals of DD Forms 1390 and 1391/1391C, or copies of a quality suitable for printing. These are to be used for preparation of consolidated justification books for submission to congress. These submissions are
not to be punched or bound. Pages are not to be numbered. Covers are not required. One complete set of each is to be delivered to the OUSD (Comptroller), Directorate for Military Personnel and Construction; and the ODUSD/Installations and Environment.

4. Each justification book (and each submission of the Defense Agencies described in paragraph 3, above) is to include an index of installations and projects by state and country, arranged alphabetically, in precisely the same order as the projects appear in the State List portion of the Construction Annex (C-1).

060403. Submission of Military Construction Justification Books

A. Review by OSD. Before the justification material can be released by the Military Departments to the Congress, it must be reviewed by USD (Comptroller) to assure that policies and decisions made by the President and Secretary of Defense are fully reflected. Justification material prepared by the individual Defense Agencies will be submitted to USD(Comptroller) as requested for preparation of consolidated justification books for submission to the Committees on Appropriations.

B. Security Clearances. Each Military Department will be responsible for the clearance of its justification books through OSD Security Review. OUSD(Comptroller) will be responsible for the clearance of the Defense Agencies justification books through OSD Security Review.

C. Number of Copies. Three advance sets of justification books will be forwarded for review to the Directorate for Military Personnel and Construction, OUSD(Comptroller), Room 3C654, Pentagon. See Volume 2A, Chapter I for the detailed instructions on number of copies and distribution of printed material.

D. Instructions for Preparation of Supplemental Justification Data in Support of Annual Military Construction Programs. Each data requirement shall be filled in as appropriate including negative responses to indicate that the item has been addressed.

1. Instructions for Preparation of Summary Lists. Each Military Service and Defense Agency shall prepare a State List and an Installation List. These lists shall include every project for which funds have been requested.

2. Instructions for Preparation of DD Form 1390 Supplemental Installation Data. The following data shall be provided in an appropriate place on DD Form 1390:

a. Outstanding Pollution and Safety (OSHA) Deficiencies

   (1) Air Pollution. Enter cost of all air pollution abatement projects for the out years. Do not include cost of budget year projects.

   (2) Water Pollution. Follow instructions for Air Pollution, a.1., above.
(3) Safety and Occupational Health Deficiencies. Follow instructions for a.1 above and use definitions cited in Section 060403 above for this data.

3. Instructions for Preparation of DD Form 1391 Supplemental (Facility) Data. The following data shall be provided for each facility in the program using the back of standard DD Form 1391.

   a. Design Data (Estimates)

      (1) Status

         (a) Enter date design was started (i.e., date when all appropriate design contracting procedures have been completed and the designer directed to proceed with design).

         (b) Enter the percent of design completed as of January 1, of the year in which the budget is submitted to the Congress (e.g., January 2, 2000, for FY 2001 projects).

         (c) Enter date design expected to be 35% completed.

         (d) Enter date design will be completed (i.e., date when all reviews will be completed and construction contract ready for advertising).

         (e) Include the annotation “parametric estimates have been used to develop project cost” if the cost estimate is based on parametric estimates in lieu of the traditional 35% design.

         (f) Enter the type of design contract (design-bid, design-bid-build, or other, if other, provide a brief description of the design contract).

         (g) Indicate whether an energy study and a life-cycle analysis was performed in support of the design of the proposed facility.

      (2) Basis

         (a) Indicate whether or not design is based on a standard or definitive design.

         (b) If answer to (a) is affirmative, indicate where design was previously used.

      (3) Total Design Cost. Indicate total federal cost (all costs to be charged to planning and design accounts) as follows:

         (a) Cost of the production of plans and specifications (those costs included within the 6 percent statutory cost limitations).
(b) All other costs of design.

(c) Total Cost (a + b or d + e).

(d) Amount of cost estimated to be spent on contracts.

(e) Amount of cost to be spent in-house (total cost if design is all within house; overhead and administration costs if design is contracted out, or other breakout).

(4) Construction Contract Award Date. Indicate month and year the contract is planned to be awarded to the construction firm.

(5) Construction Start Date. Indicate month and year construction is planned to start.

(6) Construction Completion Date. Indicate month and year construction is planned to be completed.

b. **Equipment Associated with This Project Which Will be Provided From Other Appropriations**

List only those items which support the cost shown in Block 9 of the DD Form 1391, for Equipment Provided from Other Appropriations. Enter the equipment nomenclature, procuring appropriation, fiscal year in which the equipment was appropriated or is to be requested and the cost in thousands of dollars.

c. **Working Capital Fund Projects.** DD Form 1391’s submitted in support of Working Capital Fund Capital Budget requirements will be labeled as such in Block 4, above the project title.

E. **FYDP Project Listing.** Military Construction/Family Housing Outyear Project Data will be submitted via the Automated Construction Program (C-1 Annex) at the time program and budget submissions are due to OSD for review. Additional guidance on the Automated Construction Program is provided in Volume 2A, Chapter 1, section 010504. Construction data elements and record formats for the Automated Construction Database are prescribed on the Secret Internet Protocol Router Network (SIPRNET) home page of the OUSD (Comptroller). The out year project data exhibits for the Active Forces will not be included in the justification books provided to Congress. However, the justification book for each component of the National Guard and Reserve, as well as the Defense Agencies will contain a listing of all projects that are funded in the FYDP.

060404. Submission of Family Housing Justification Books

A. **Family Housing Justification, Military Departments.** The format for the Congressional justification books for Family Housing will be identical to that detailed in Section 060302, above for the budget estimates, with the following exceptions:
1. **Submission Requirements.** Family Housing Congressional justification material will be submitted with the Military Construction justification books for each military department. The Family Housing material should follow that provided for Military Construction. (See Section 060302B.2.b, above)

2. **DD Form 1390, Military Construction Program.** Form will be prepared in accordance with section 060502, below. One form is required for each location. Personnel data should be based on latest approved totals for the installation or area. Inventory data should include only Family Housing assets. The form should be printed on white paper, and should precede the DD Form 1391.

3. **Tri-Service Family Housing Cost Model.** This form is not required. (See subparagraph 060302B.5.b.(3), above).

4. **Civilian Personnel Costs -- Exhibit OP-8.** This form is not required. (See subparagraph 060302B.9.b.(2), above).

5. **Furnishings Summary -- Exhibit FH-3.** This form is not required. (See subparagraph 060302B.10.a, above)

6. **Family Housing Privatization Comparison – Exhibit FH-6-BES.** This exhibit shall not be included in the President’s Budget. Instead, include the FH-6 Family Housing Privatization exhibit.

7. **Submission by Department of the Army Only.** Since the Department of the Army has been designated as the executive agent to execute the Homeowners’ Assistance Program for the DoD, only the Department of the Army will submit justification material as described in Section 060303, above.

**B. Family Housing Justification, Defense Agencies**

1. **Component Responsibilities.** Separate justification material, in the format described in Section 060302, above and similar to that specified above for the Military Departments, will be provided by the individual Defense Agencies. The submissions will provide separate Construction, O&M, and Leasing exhibits, as appropriate, for Defense Intelligence Agency, Defense Logistics Agency, and National Security Agency.

2. **Consolidation and Review by OSD.** Original pages of justification material prepared by the individual Defense Agencies will be submitted to the Directorate for Military Personnel and Construction, OUSD (Comptroller) Program/Budget, Room 3C654, as requested by the call letter for the preparation of consolidated justification books for submission to the Congress. One copy of the justification material should be submitted concurrently to the ODUSD (Installations and Environment).
3. **Justification Material Format.** Justification material submitted by the Defense Agencies will be unbound. Covers are not required. Pages will not be numbered. All data will be provided on 8-1/2 inch by 11 inch paper, typed across the short dimension of the paper with 1 inch margins, except for the FH-2, and FH-4 exhibits, which will be typed across the long dimension.

4. **Classification.** All justification material will be unclassified.

060405. Submission of Justification Books for the Homeowners’ Assistance Fund, Defense Appropriation

A. **Organization of Justification Books.** Justification data will include items detailed in Section 060303, above for the budget estimates. Material will be incorporated as the final section of the Army’s military construction/family housing justification book.

B. **Submission by Department of the Army Only.** Since the Department of the Army has been designated as the executive agent to execute the Homeowners’ Assistance Program for the Department of Defense, only the Department of the Army will submit justification data.

C. **Review by OSD.** Before the justification material can be released to the Congress, it must be reviewed by the USD(Comptroller) to assure that policies and decisions made by the President and Secretary of Defense are fully reflected.

D. **Security Clearances.** The Department of the Army will be responsible for obtaining clearance of the justification book through OSD Security Review.

E. **Number of Copies.** See Volume 2A, Chapter 1, section 010401 for instructions on the number of copies required and the distribution.

0605 MILITARY CONSTRUCTION/FAMILY HOUSING APPROPRIATION SUBMISSION FORMATS

060501. **Purpose**

The formats provided on the following pages reflect guidance presented in previous sections of the chapter. Unless modified in a submission budget call, these formats should be adhered to.

060502. **Exhibits in Support of Section 060301 - Budget Estimates Submission/Military Construction**

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DD1390S/1 Guard and Reserve Military Construction .................................60
DD 1391/1391C Military Construction Project Data............................................64
MC-1 Implementation of Major Initiatives.......................................................73
MC-2 Guard and Reserve Joint Military Construction Project

*060503. Exhibits in Support of Section 060302 - Budget Estimates Submission / Family Housing

- DD 1390 Military Construction Program
- DD1390S/1 Guard and Reserve Military Construction
- DD 1391/1391C Military Construction Project Data
- MC-1 Implementation of Major Initiatives
- Exhibit FH-1 Tri-Service Family Housing Cost Model
- Exhibit FH-2 Family Housing O&M
- Exhibit FH-3 Furnishings Summary
- Exhibit FH-4 Analysis of Leased Units
- Exhibit FH-5 General and Flag Officer Anticipated Expenditures
- Exhibit FH-6 Family Housing Privatization
- Exhibit FH-6 BES Family Housing Privatization Comparison
- Exhibit FH-8 Inadequate Family Housing Elimination
- Exhibit FH-9 General and Flag Officers Expenditures
- Exhibit FH-10 GFOQ 6,000 NSF Units for FY 2XXX
- FH 11 Inventory and Condition Gov’t-Owned, Family Housing
- FH-12 Privatized GFOQ O&M Cost Incurred Exceeding $50K
- FH-13 Detail of Awarded Family Housing Privation Projects
- FH-14 FHIF Admin Requirements
- FH-15 Reestimate Cash Flow

060504. Exhibits in Support of Section 060303 - Budget Estimates Submission / Homeowners Assistance

- Exhibit HA-1 Homeowners Assistance - Workload and Obligation Data
- Exhibit HA-2 Homeowners Assistance Status of Accounts
- Exhibit HA-3 Homeowners Assistance Work Unit Data
- Exhibit HA-4 Homeowners Assistance Program and Financing
060505. Exhibits in Support of Section 060304 - Budget Estimates Submission/ NATO Security Investment Program

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NSIP-2 Recoupment Estimates ..........................................................103

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Government-owned, UH .................................................................104
UH-1b Inventory and Condition of Training/Mobilization .......................107
UH-2 Configuration and Privacy of Permanent Party (UPH) .....................110
UH-3 Summary (UH) Projects ............................................................111
DD 1390 Military Construction Program

1. COMPONENT
   FY 19 MILITARY CONSTRUCTION PROGRAM

2. DATE
   22 Apr 96

3. INSTALLATION AND LOCATION

4. COMMAND

5. AREA CONSTRUCTION COST INDEX

6. PERSONNEL
   | PERMANENT | STUDENTS | SUPPORTED | TOTAL |
   | OFFICER | ENLISTED | CIVILIAN | OFFICER | ENLISTED | CIVILIAN | OFFICER | ENLISTED | CIVILIAN |
   a. AS OF
   b. END FY 19

7. INVENTORY DATA ($000)
   a. TOTAL ACREAGE
   b. INVENTORY TOTAL AS OF
   c. AUTHORIZATION NOT YET IN INVENTORY
   d. AUTHORIZATION REQUESTED IN THIS PROGRAM
   e. AUTHORIZATION INCLUDED IN THE FOLLOWING PROGRAM
   f. PLANNED IN NEXT THREE PROGRAM YEARS
   g. REMAINING DEFICIENCY
   h. GRAND TOTAL

8. PROJECTS REQUESTED IN THIS PROGRAM:
   | CATEGORY | CODE | PROJECT TITLE | SCOPE | COST ($000) | DESIGN STATUS |
   | COMMAND | START | COMPLETE |

9. FUTURE PROJECTS:

10. MISSION OR MAJOR FUNCTIONS:

11. OUTSTANDING POLLUTION AND SAFETY DEFICIENCIES:
INSTRUCTIONS FOR PREPARATION OF DD FORM 1390, “FY_MILITARY CONSTRUCTION PROGRAM”

The DD Form 1390 will be used by the active services to list the projects proposed for inclusion in the Military Construction Program, including requests for (1) new authorization; (2) funding of new authorization; and (3) funding of prior years’ authorization. The Guard and Reserve Forces will use a DD Form 1390s instead of the DD Form 1390.

Instructions for preparation of DD Form 1390 follow:

Items 1 and 2 - Component and Date: Self explanatory. Date prepared or the date the budget justification material is due to OSD.

Item 3 - Installation and Location: Enter the official name of the installation. Enter the name of the state if within the United States or the name of the country or island chain if outside the United States. In the case of Guard and Reserve facilities, enter the city and state if the facility is not to be constructed on a military installation. Use “classified location” only when necessary to meet security classification guidelines.

Item 4 - Command: Enter the name of the host major command responsible for management control of the installation.

Item 5 - Area Construction Cost Index: Enter the construction cost index used in estimating the cost of the project(s). Consult the latest guidance published by DUSD(I).

Item 6 - Personnel Strength: Enter personnel strengths for permanent, student, and support activities. Include transient personnel where applicable.

a. As of: Enter September 30 of the year of submittal to OSD.

b. End FY 20: Enter end of the budget year, plus 5 years.

Item 7 - Inventory Data ($000):

a. Total Acreage: Enter the number of acres owned and/or leased by the Government, under accountability of the Military Department concerned, as shown in the latest Inventory of Military Real Property.

b. Inventory Total As Of September 30 ___: Enter the date and the current real property inventory total (except land rent). These totals should include inventory amounts for family housing.

c. Authorization Not Yet In Inventory: Enter the amount of funded and unfunded authorization for the construction of facilities or acquisition of land which have not been included in the September 30 Inventory of Real Property. This amount will include only such authorization as is related to either the Military Construction Program or the Family Housing Program as the case may be.
INSTRUCTIONS FOR PREPARATION OF DD FORM 1390 (Continued)

d. Authorization Requested In This Program: Enter the total cost for construction and land acquisition being requested for authorization in the budget year.

e. Authorization Included in Following Program: Enter the total estimated cost of construction and land acquisition required for authorization for the program year following the budget year.

f. Planned in Next Three Program Years: Enter the total estimated cost of construction and land acquisition required for the three years beyond the budget year and following year programs (i.e., second, third, and fourth years beyond the budget year). This amount should agree with the data used in the preparation of the military construction or family housing estimates contained in the Future Years Defense Program.

g. Remaining Deficiency: Enter the total estimated cost of construction and land acquisition required for existing facilities deficiencies remaining beyond the three program years covered in 7.f., above.

h. Grand Total: Enter the total of items 7.b. through 7.g.

Item 8 - Projects Requested In This Program: Installation or activity projects for the budget year shall be listed individually with attendant information provided in the appropriate column. Both major and minor construction projects are to be included as shown on the sample form.

a. Column 1 - Category Code: Enter the applicable category code consistent with the category code shown in Item 6 of the DD Form 1391 for the project.

b. Column 2 - Projects Title: Enter the project title consistent with the title shown in Item 4 of the DD Form 1391.

c. Column 3 - Scope: Enter the same quantity shown in Item 9 of the DD Form 1391, “Cost Estimates,” and include the unit of measure (e.g., SM, SY, LF, PR, EA, CY, etc.). Immediately following or directly beneath the metric quantity and unit of measure, parenthetically include the English quantity and measurement. In those instances where a specific quantity cannot be satisfactorily identified, enter LS for lump sum.

d. Column 4 - Cost ($000): Enter the project cost consistent with the cost shown in Item 8 of the DD Form 1391. If two or more projects are listed, enter the total in this column, and use this figure in Item 7.d., above.

e. Column 5 - Design Status: Enter the most accurate possible dates for the start and completion of design using numerals (e.g., 6/94, 11/95).

Item 9 - Future Projects:

a. Included in Following Program (FY__): List all installation projects regardless of the number and include columnar data comparable to that provided in Item 8, but leave design status blank.
INSTRUCTIONS FOR PREPARATION OF DD FORM 1390 (Continued)

b. Planned Next Three Years: List projects planned for next three years in 9.b. and include columnar data comparable to that provided in Item 8, but leave design status blank. The total costs of the projects listed under Items 9.a. and 9.b. should be identical to the entries under Items 7.e. and 7.f., respectively. If additional space is required to list all projects under Items 9.a. and 9.b., a separate sheet of paper should be utilized.

c. Also include the R&M unfunded requirement in this block under the heading “R&M Unfunded Requirement.”

Item 10 - Mission or Major Functions: Enter the principal types of peacetime units and/or functions assigned or scheduled for assignment to the installation that require facilities or substantially contribute to the base population. Also enter the current mission stating precisely what the activity will do and list the major functions performed. All entries should address the time period shown in Items 6.a. and 6.b.

Item 11 - Outstanding Pollution and Safety Deficiencies ($000): List all projects included in the budget request and planned for the next three years that are programmed for outstanding pollution and safety deficiencies. Use the format in Item 8.

Notes:

1. Space requirements for Items 8, 9, 10, and 11 may vary. Therefore, remaining space on the DD Form 1390 may be utilized as necessary for the specific entries and continued on a separate sheet of paper. A solid black line should be used to set Items 8, 9, 10, and 11 apart and individual item titles and subheadings should be added.

2. Projects that were authorized (but not appropriated) in prior years will be listed in the same manner as projects for which new authorization is requested. The fiscal year in which the project was authorized will be shown after the project title in Item 8.
DD1390S/1 Guard and Reserve Military Construction

<table>
<thead>
<tr>
<th>Component</th>
<th>FY 20__ Guard and Reserve Military Construction</th>
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<table>
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<tr>
<th>Installation and Location</th>
<th>Area Constr Cost Index</th>
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<th>Frequency and Type of Utilization</th>
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<th>Other Active/Guard/Reserve Installations Within 15 Miles Radius</th>
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<th>Projects Requested in This Program:</th>
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<tr>
<th>Category Code</th>
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<th>Scope</th>
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<th>State Reserve Forces Facilities Board Recommendation</th>
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<th>Land Acquisition Required:</th>
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<tr>
<th>Projects Planned in Next Four Years</th>
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</table>

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<tr>
<th>Category Code</th>
<th>Project Title</th>
<th>Scope</th>
<th>Cost $(000)</th>
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</table>
DD 1390S/2 Guard and Reserve Military Construction (Continued)

1. FY 20__ GUARD AND RESERVE MILITARY CONSTRUCTION

2. DATE

3. INSTALLATION AND LOCATION

11. PERSONNEL STRENGTH AS OF

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<th>PERMANENT</th>
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<tr>
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12. RESERVE UNIT DATA

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</table>

13. MAJOR EQUIPMENT AND AIRCRAFT

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<tr>
<th>TYPE</th>
<th>AUTHORIZED</th>
<th>ACTUAL</th>
</tr>
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</table>

14. OUTSTANDING POLLUTION AND SAFETY DEFICIENCIES

($000)
INSTRUCTIONS FOR PREPARATION OF DD FORM 1390s, “FY__ GUARD AND RESERVE FORCES MILITARY CONSTRUCTION“

The DD Form 1390 will be used by the Guard and Reserve Forces to supplement the data entered in the DD Form 1391, FY 19 Military Construction Program.

Instructions for preparation of DD Form 1390s follow:

Item 1 - Component: Enter the specific Guard or Reserve Forces component of the active services. Recognized abbreviations such as ARNG (Army National Guard); ANG (Air National Guard); etc., are acceptable.

Item 2 - Date: Date prepared or the date to OSD.

Item 3 - Installation and Location: For facilities not located at DoD installations or commercial airfields, enter the name of the city and State in which the projects are located. For other facilities, enter the name of the DoD installation and its geographical location to the extent that it is not included in the installation name.

Item 4 - Area Construction Cost Index: Enter the construction cost index used in estimating the cost of the project(s). Consult the latest guidance published by DUSD(IA&I).

Item 5 - Frequency And Type Of Utilization: Enter the type of utilization (e.g., weekend drill, weeknight drill, unit training activities, annual active duty for training, etc.) and indicate number of days the installation is used per month/year, as appropriate.

Item 6 - Other Active/Guard/Reserve Installations Within 15 Mile Radius: List the nearest six existing Active and existing or programmed (within the next five years) Reserve component facilities and their distances, within a fifteen mile radius of the proposed construction site. If no facilities exist within the fifteen mile radius, identify the three closest installations. Indicate the year the facilities were constructed and the size of the facility.

Item 7 - Projects Requested In This Program: Installation or activity projects for the budget year shall be listed individually with attendant information provided in the appropriate column. Both major and minor construction projects are to be included.

a. Column 1 - Category Code: Enter the applicable category code consistent with the category code shown in Item 6 of the DD Form 1391.

b. Column 2 - Project Title: Enter the project title consistent with the title shown in Item 4 of the DD Form 1391.

c. Column 3 - Scope: Enter the same quantity shown in Item 9 of the DD Form 1391, Cost Estimates, and include the unit of measure (e.g., SM, SY, LF, PR, EA, CY, etc.). Immediately following or directly beneath the metric quantity and unit of measure, parenthetically include the English quantity and measurement. In those instances where a specific quantity cannot be satisfactorily identified, enter LS for lump sum.

(Page 3 of 4)
INSTRUCTIONS FOR PREPARATION OF DD FORM 1390s,
“FY GUARD AND RESERVE FORCES MILITARY CONSTRUCTION” (Continued)

d. Column 4 - Cost ($000): Enter the project cost consistent with the cost shown in Item 8 of the DD Form 1391. If two or more projects are listed, enter the total in this column. In the case of Army National Guard projects where part of the financing is from other than Federal sources, enter only the Federal share.

e. Column 5 - Design Status: Enter the most accurate possible dates for the start and completion of design using numerals (e.g., 6/94, 11/95).

Item 8 - State Guard/Reserve Forces Facilities Board Recommendations (Date): Enter the following statement “facilities identified in Item 6 have been examined by the State Reserve Forces Facilities Board for possible joint use/expansion. The Board recommendations are .” (Note: Project folders will contain justification data to support the recommendation.)

Item 9 - Land Acquisition Required (Number of Acres): Enter the acreage required for the project and the method of acquisition (e.g., fee, title, donation, lease, etc.). For all projects involving land acquisition, a site survey must be conducted in accordance with DoD Directive 1225.5 and the following statement must be entered, either in Item 9 or Item 10: “Site survey has been completed and site is suitable for constructing the proposed project at the estimated cost indicated.“

Item 10 - Projects Planned In Next Four Years: Enter the Project Title and Estimated Cost for projects planned at the installation identified in Item 3 for the next four years beyond this program year. A maximum of five projects should be identified. For armory-type projects, list those facilities which are programmed for replacement within the next four years within a fifteen mile radius of the proposed project as well as the year the facilities were constructed. If none are planned, so indicate. Items shall contain columnar data comparable to that provided in Item 7 with the exception of design status which should be left blank. Also include the restoration and modernization (R&M) unfunded requirement in this block under the heading “R&M Unfunded Requirement.”

Item 11 - Personnel Strength As Of _____: In the appropriate columns, enter the number of authorized and actual personnel at this facility as of six months prior to project submission.

Item 12 - Reserve Unit Data: List the designated units assigned and/or scheduled to be trained in the requested facilities. Enter the corresponding authorized and actual strengths of each unit, indicating actual strength as of the date listed in Item 11.

Item 13 - Major Equipment and Aircraft: List the vehicular and/or other large equipment and aircraft which are to be accommodated at the installation and which have a bearing on the type and/or scope of the facility requirement. When vehicle maintenance shops are being requested, the Weighted Equipment Density (WED) for the vehicles to be maintained will be included in this item.
DD 1391/1391C Military Construction Project Data

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<thead>
<tr>
<th>COMPONENT</th>
<th>FY 20__ MILITARY CONSTRUCTION</th>
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<tr>
<td>PROJECT DATA</td>
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<tr>
<th>INSTALLATION AND LOCATION</th>
<th>4. PROJECT TITLE</th>
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<th>PROJECT NUMBER</th>
<th>PROJECT COST ($000)</th>
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<th>9. COST ESTIMATES</th>
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<th>10. DESCRIPTION OF PROPOSED CONSTRUCTION</th>
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## DD 1391/1391C Military Construction Project Data (Continued)

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<th>3. INSTALLATION AND LOCATION</th>
<th>4. PROJECT TITLE</th>
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<th>5. PROGRAM ELEMENT</th>
<th>6. CATEGORY CODE</th>
<th>7. PROJECT NUMBER</th>
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6-65
INSTRUCTIONS FOR PREPARATION OF DD FORM 1391/1391C "FY ___ MILITARY CONSTRUCTION PROJECT DATA"

1. The DD Form 1391 will be used, as applicable, by the Active, Guard, and Reserve Forces to support each project proposed for inclusion in the Military Construction Program. This includes both new authorization projects in the program as well as urgent unforeseen projects using emergency or contingency authorization. This form will also be used to transmit supporting data for the following types of projects:

   
   b. O&M type projects required to be submitted to OSD in accordance with the provisions of DoD Directives 4270.36, 1225.7 and 4165.6.
   
   c. Nonappropriated fund construction projects requiring OSD concurrence or approval.
   
   d. Family housing projects.

2. The continuation sheet (DD Form 1391c) will be used as required for explanation of the requirement for the project (item 11.) and other mandatory statements concerning flood plains and wetlands environmental impact, accessibility to the handicapped, fallout shelters, etc. However, when submitting an annual Military Construction Program, these mandatory statements may be included in the front of the program book.

3. Instructions for preparation of DD Form 1391 are outlined below:

   a. ITEMS 1 and 2 - COMPONENT AND DATE: Self-evident.
   
   b. ITEM 3 - INSTALLATION AND LOCATION: Enter the official name of the installation. Use code name or designations only when necessary to preclude security classification or when an official name is not available. Enter the name of the State if within the United States or the name of the country or island chain if outside the United States. In the case of Guard and Reserve Forces facilities, enter the city and State if the facility is not to be constructed on a military installation.
   
   c. ITEM 4 - PROJECT TITLE: Enter the title used in item 8, column 2 of the DD Form 1390, assuring that it corresponds to the category code in item 6.

      (1) Except for new construction, the type of work, such as “addition,” “conversion,” “alteration,” or “modernization” shall be used in the title.

      (2) Where a single structure is to serve more than one purpose, the title should reflect the predominate use.

      (3) The scope of a project or number of buildings involved will not be shown in the title (i.e., and “Enlisted Quarters” project will not be shown as “Two 250 Man Enlisted Quarters.”)

      (4) Avoid the inclusion of acronyms.
INSTRUCTIONS FOR PREPARATION OF DD FORM 1391/1391C (Continued)

(5) If a project requires land acquisition estimated to cost in excess of $50,000, the project title will be suffixed with “With Land Acquisition”. Land to be acquired for the construction of several projects or for other purposes shall be programmed as a separate project and identified on a separate DD Form 1391.

d. ITEM 5 - PROGRAM ELEMENT: Enter the appropriate number as it relates to the “Future Years Defense Program,” except when inclusion of this number would require classification of an otherwise unclassified form.

e. ITEM 6 - CATEGORY CODE: Enter the applicable category code using no less than three or more than six digits consistent with item 8, column 1 on DD Form 1390.

f. ITEM 7 - PROJECT NUMBER: Enter the number of the project assigned by the Component concerned. If no number has been assigned, indicate N/A (not applicable).

g. ITEM 8 - PROJECT COST: Enter the estimated cost in thousands of dollars (excluding design except for family housing) for which funding is being requested. The amount indicated should be identical to that shown in item 8, column 4, of the DD Form 1390 and should include the costs of the primary facilities, supporting facilities, contingencies, supervision, inspection, and overhead. Figure will be the Total Request entered in item 9 and will not include the figure entered for “Equipment Provided From Other Appropriations.”

h. ITEM 9 - COST ESTIMATES: This portion of the DD Form 1391 is comprised of several elements which collectively comprise the Total Request. Each element will be identified, quantified, and costed in a series of five column entries as follows:

(1) Item: Identity of the Primary or Supporting Facility, etc. After each “Item” entry where the metric measurement (square meters) is used in the Unit of Measure column, include in parenthesis the size of the facility in the English measurement (Square Feet).

(2) U/M (unit of Measure): Each entry in the “item” column will be followed in the “U/M” column by the accepted two-character abbreviation for the unit of measure associated with the quantity of the item concerned (e.g., SM, SY, LF, KV, etc.). Where it is not feasible to show a specific unit of measure, use LS (Lump Sum).

(3) Quantity: Enter the required number of units of measure comprising the “item” entry. Where “LS” is the unit of measure, enter a dash (-).

(4) Unit Cost: Enter the appropriate unit cost for each “item” entry where a unit of measure is indicated. Where the unit of measure is “LS” enter a dash in the unit cost column.

(5) COST ($000):

(a) Enter the cost, in thousands of dollars, represented by the product of the “Quantity” and “Unit Cost” entries.
INSTRUCTIONS FOR PREPARATION OF DD FORM 1391/1391C (Continued)

(b) When a single primary facility is listed enter the cost of the facility without parentheses. If unusual features or functional areas of the primary facility are listed, the cost of each shall be enclosed with parentheses. The sum total cost of these features shall equal the figure entered for the primary facility.

(c) When more than one primary facility is listed, the cost of each facility will be entered in the cost column without parentheses.

(d) The cost entry for the item “Supporting Facilities” shall be entered without parentheses and shall be the total of the various supporting facilities listed. However, each of the individual supporting facility costs shall be enclosed by parentheses.

(e) The cost entered for items such as “Subtotal,” “Contingency,” “Contract Cost,” “SIOH,” and “Total Request” shall be entered without parentheses. However, the cost for Equipment Provided From Other Appropriations” shall be entered as a nonadd item.

(f) Projects in category Code 500 will have separately identified the equipment purchased for the Surgeons General as “Category Equipment” showing the total cost of such equipment added to the ”Total Request”. Labor cost for installation of ”Category E” equipment should be included in the unit cost for the primary facility because it is part of the ”Total Contract Cost.”

(6) PRIMARY FACILITY: Enter the identity and required columnar data for the primary facility. When the primary facility consists of two or more components the cost of the primary facility will be the sum of the costs of the individual components. In addition, subordinate components will be entered under the primary facility after indenting two spaces.

(a) Normally, the cost of fixed equipment provided as part of the construction contract (e.g., cooling, heating, and electrical systems, etc.) will be included in the cost of the primary facility. However, when the primary facility includes unusual features of significant cost, such as hyperbaric vessels and standby cooling, such features should be identified under the primary facility.

(b) Land acquisition required specifically for the project and estimated to cost $50,000 or more shall be listed in the same manner as an unusual feature. Conversely, land acquisitions estimated to cost less than $50,000 are to be accomplished under 10 U.S.C. 2672 and should not be listed.

(c) For family housing new construction, the entry under primary facility will show the total number of units in the project. As subordinate components to the primary facility “Units to 5’ line,” “GFE,” and “Land Acquisition” will be shown in parentheses in the cost column to add up to the cost of the primary facility shown. “Item 10 will be used to show the numbers and cost computations for the various types of living units which comprise the primary facility.

(d) “Lump-sum” funding requests are prohibited. The only instance for which separate construction projects can be combined under a single DD Form1391 is when each
INSTRUCTIONS FOR PREPARATION OF DD FORM 1391/1391C (Continued)

of the projects is in the same general facility category (i.e., supply facilities, maintenance and production facilities, unaccompanied housing, etc.). Programs such as “facility upgrades,” “ATB Beddown Facilities,” and others combining a number of disparate construction efforts must be justified as separate projects. If it is planned, in execution, to construct several of these projects at a single location under one contract, a statement to that effect should be included in the “Additional” section of Item 10.

(e) Antiterrorism Force Protection/physical security measures: the entry under primary facility will show physical security improvements (e.g. special structural improvements, ballistic glass, etc.). Where land acquisition serves a specific purpose such as stand-off distance for force protection, the acquisition shall be listed as an antiterrorism force protection subordinate component to the primary facility.

(7) SUPPORTING FACILITIES: List those items of construction directly related to and required for the support of the primary facility. Such items should include (a) special construction features (piles, spread footings, seismic, fill, etc.); (b) utilities (gas, oil, steam, electric, and water supply lines as well as sanitary and storm sewers); (c) site preparation; (d) roads, sidewalks, and parking; (e) site improvements (seeding, sodding, landscaping, etc.); (f) antiterrorism force protection/physical security measures such as physical security site improvements (e.g. fencing, perimeter/area lighting, blast mitigation barriers, berms and landscaping, etc); and (g) demolition. All supporting facility items should be listed in terms of accepted units of measure and quantity whenever practicable. For family housing, design cost will be identified under “Supporting Facilities.”

(8) SUBTOTAL: Enter the sum of the costs shown for all primary and supporting facilities.

(9) CONTINGENCY: Enter the appropriate contingency rate, in parentheses, immediately following the item designation in column 1, and enter the cost equivalent in the proper column.

(10) TOTAL CONTRACT COST: Enter the sum of the “Subtotal” and the “Contingency” costs. In the case of Army National Guard, armory projects which are funded, in part, from other than Federal funds, enter the Federal costs on the first line and the State or other cost on the next line below.

(11) SUPERVISION, INSPECTION, AND OVERHEAD (SIOH): Enter the appropriate SIOH rate in column 1 after the item designation and reflect the cost equivalent in the proper column.

(12) DESIGN/BUILD: For major construction projects where the Design/Build contracting method is planned to be used, the design cost associated with the contract should be included in the Cost Estimates (Block 9) section of the DD Form 1391. The entry “Design/Build – Design Cost” will be used and should appear after the “SIOH” entry and before the “Total Request” entry with the associated cost in the proper column.

(13) TOTAL REQUEST: Enter the sum of the “Total Contract Cost” and the “SIOH”. This figure should be identical to the entry in item 8, “Project Cost ($1000)”. Total request should be rounded-off to provide a more realistic approach to the presentation.
INSTRUCTIONS FOR PREPARATION OF DD FORM 1391/1391C (Continued)

of MILCON programs. The following guidance is provided for “rounding-off” a projects’ total request:

<table>
<thead>
<tr>
<th>Project (P) Estimate ($000)</th>
<th>Rounding Guidance ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1,000</td>
<td>Nearest $ 10K</td>
</tr>
<tr>
<td>1,000 to 5,000</td>
<td>Nearest $ 50K</td>
</tr>
<tr>
<td>5,000 to 10,000</td>
<td>Nearest $ 100K</td>
</tr>
<tr>
<td>10,000 to 15,000</td>
<td>Nearest $ 200K</td>
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<tr>
<td>15,000 to 20,000</td>
<td>Nearest $ 500K</td>
</tr>
<tr>
<td>&gt; 20,000</td>
<td>Nearest $ 1,000K</td>
</tr>
</tbody>
</table>

(14) EQUIPMENT PROVIDED FROM OTHER APPROPRIATIONS: Enter the total cost of equipment which is procured with other than MILCON funds and which is essential to the mission of the facility. DD Form 1391 should reflect only the cost of equipment identified in the Associated Equipment Report. If no such major equipment is associated with the project, enter a “zero” in the appropriate space. Note that this figure is not included in the “Total Request” above. This excludes minor items procured with O&M funds, and in the case of Army National Guard, excludes equipment provided from other then Federal appropriations.

i. ITEM 10 - DESCRIPTION OF PROPOSED CONSTRUCTION:

(1) In a clear and concise manner, provide a complete outline of all principal features of the work and its correlation with the various data entered in item 9.

(2) State whether or not the proposed construction is in compliance with applicable antiterrorism force protection measures and antiterrorism force protection standards.

(3) Begin with an accurate description of the primary facility. For buildings, indicate the materials planned to be used for the frame, walls, roof, and foundations, and identify the major functions for which space is being provided. For structures other than buildings, describe each major element required to produce a complete and usable facility. Avoid the use of generalities such as “most economical means” or “modern methods and materials.”

(4) Provide only such additional descriptive details as are necessary for clarity.

(5) Identify and list the buildings or structures to be demolished in connection with the proposed construction, if applicable.

(6) For single person quarters projects, indicate the grade mix of personnel, officer or enlisted, who will occupy the facilities.

(7) For projects involving additions, alterations, or conversions, describe the changes to be made.
INSTRUCTIONS FOR PREPARATION OF DD FORM 1391/1391C (Continued)

(8) At the last entry in item 10, indicate the amount of air conditioning required (e.g., air conditioning - 15 tons).

j. ITEM 11 - REQUIREMENT: This portion of the DD Form 1391 is comprised of seven elements which are to be set forth in the following format:

(1) Immediately after the item title “Requirement” indicate, in appropriate units of measure, the total facility requirement (e.g., 5,500 SM), followed by two additional entries giving the status of the existing facility (e.g., adequate: 66,134 SF; substandard: -0-).

(2) PROJECT: Provide a one-sentence statement indicating what this project provides.

(3) REQUIREMENT: Provide detailed, informative statements as to precisely why the project is needed. Use positive statements to support the requirement and avoid the use of such words as “inadequate,” “uneconomical,” and “necessary” unless they are fully explained. Similarly, when identifying contributing factors, assure that the presentation leaves no pertinent questions unanswered (e.g., vulnerability to terrorist threats (reference threat/vulnerability assessment); excessive maintenance (show cost comparison); self-liquidation (show amortization); or advanced deterioration (describe effects)). The requirements must establish maximum utilization of existing facilities and identify alternatives considered, along with reasons for their rejection. If the project is a result of the Integrated Global Posture and Basing study, include the phrase, “This project is associated with the global Defense posture changes”.

(4) CURRENT SITUATION. Describe how and under what conditions the requirement is presently being met. Comments should support the stated requirement and include the identity and description of current assets as well as the reason they are considered unsuitable for continued use. For Guard and Reserve Forces projects which are to replace existing facilities, identify and describe the disposition to be made of them. Similarly, for Guard and Reserve Forces facilities to be constructed and/or utilized jointly with other Guard/Reserve components, include pertinent information and status of coordination or negotiations.

(5) IMPACT IF NOT PROVIDED. Describe the manner and extent to which mission accomplishment would be affected if the project were not approved.

(6) ADDITIONAL. If the project is justified on an economic basis (primary economic analysis), so state and indicate the projected payback period. As a minimum, all renovation, upgrade, and replacement projects must be supported by an economic analysis. For all other projects, state precisely why a primary economic analysis cannot be applied to the project. When providing supporting documentation for the OSD budget submission, enter appropriate statements on commercial/industrial operations in accordance with the DD OMB Circular A-76 and as required by applicable DoD Instruction. Entry of this information on the DD 1391 or on a separate DD 1391c is optional. For all overseas projects, state whether or not the project is eligible for NATO Infrastructure or other host nation funding.

(7) JOINT USE CERTIFICATION. Include the following certification: “The (enter the title of the certifying official) certifies that this project has been considered for
(8) For all unaccompanied housing project requests, the DD Form 1391 is to show all unaccompanied housing restoration and modernization conducted in the past 2 years (BY-2 and BY-1) and all future R&M requirements (defined as R&M funding for unaccompanied housing included in the FYPD years) for unaccompanied housing at that installation. This information should appear as the last data in the DD Form 1391 under the heading "BY-2 Unaccompanied Housing R&M Conducted," "BY-1 Unaccompanied Housing R&M Conducted," and "Future Unaccompanied Housing R&M Requirements."

NOTE: Space requirements for items 10 and 11 will vary. Therefore, remaining space on the DD Form 1391 may be used as necessary for the specific entries and continued on a DD Form 1391c as appropriate. A solid, black line should be used to set items 10 and 11 apart, and individual item titles and subheadings should be added.
MC-1 Implementation of Major Initiatives

Implementation of Major Initiatives

Appropriation: ________________

Major Initiative #: ___________(choose from the list below)
Major Initiative Title: ________(should correspond to the number chosen above)

General Description of Major Initiative: (Explain the overall strategic goal.)

Total Budget Year Funding Obligation Plan ($000): ________________

Budget Year Implementation Plan: Explain what will be accomplished in the budget year to support the initiative. Be specific, including the impact on force structure.

- 001 - Modularity
- 002 – Global Defense Posture (Discontinued)
- 003 – New Mission
- 004 – BRAC - Global Defense Posture (Discontinued)
- 005 – BRAC – Army Modularity (Discontinued)
- 006 – BRAC
- 007 – Family Housing - Global Defense Posture
- 008 – Family Housing – Army Modularity
- 009 – Family Housing - Privatization
- 010 – Family Housing - Other
- 011 – Improve Quality of Life (e.g. Child Care Centers but excluding ousing/barracks)
- 012 – Barracks Initiative
- 013 – Replace Aging Facilities
- 014 – Growing the Force – Military Construction
- 015 – Growing the Force – Family Housing
- 016 – Other
- 017 – Planning and Design
- 018 – Minor Construction
- 019 – Nuclear Security
- 020 – Training Barracks Initiative
- 021 – Global Posture – BCTs in Europe
- 022 – Global Posture – AFRICOM Headquarters
- 023 – Global Posture – Missile Defense
- 024 – Global Posture – Other Europe
- 025 – Global Posture – Relocation of Marines from Okinawa to Guam
- 026 – Global Posture – USFK housing to Support YRP/LPP/Phase I Tour normalization
- 027 – Global Posture – Phase II & III Tour Normalization
- 028 – Global Posture – Other Asia Pacific
- 029 – Global Posture – CENTCOM AOR
- 030 – Global Posture – AFRICOM AOR
- 031 – Global Posture – Mayport
- 032 – Global Posture – Consequence Management (Western Hemisphere)
- 033 – Global Posture – Other (be specific)
- 034 – Energy Savings Initiative
- 035 – Homeport Ashore Barracks Initiative
- 036 – Dorms for Airmen

MC-1 Implementation of Major Initiatives
Joint Military Construction Project Exhibit

[Lead Component]

FY ____ - FY ____ Program/Budget Review
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Location:</th>
<th>Project Title:</th>
<th>Lead Component:</th>
</tr>
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<tbody>
<tr>
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<td></td>
<td></td>
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</tbody>
</table>

Funding Requirement

<table>
<thead>
<tr>
<th>By</th>
<th>By+1</th>
<th>By+2</th>
<th>By+3</th>
<th>By+4</th>
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<tbody>
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<td>Army National Guard</td>
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<tr>
<td>Navy/MC Reserve</td>
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<td></td>
</tr>
<tr>
<td>Air Force Reserve</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air National Guard</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Requirement</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Budgeted Amount

<table>
<thead>
<tr>
<th>By</th>
<th>By+1</th>
<th>By+2</th>
<th>By+3</th>
<th>By+4</th>
</tr>
</thead>
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<tr>
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<tr>
<td>Army National Guard</td>
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<tr>
<td>Navy/MC Reserve</td>
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<tr>
<td>Air Force Reserve</td>
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<tr>
<td>Total Requirement</td>
<td>0</td>
<td>0</td>
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<td>0</td>
</tr>
</tbody>
</table>

Instructions:

1. For each joint project, fill in the information above (each project should be identified separately).
2. In the "Funding Requirement" section, enter the amounts that each Component is expected to contribute to the joint project.
3. In the "Budgeted Amount" section, enter the amount that has been included in the FY ____ - FY ____ budget submission.
4. All dollars should be in thousands.
Exhibit FH-1 Tri-Service Family Housing Cost Model

TRI-SERVICE FAMILY HOUSING COST MODEL

Service Activity and Location Project Number Fiscal Year

Harsh climate location? Overseas? Replacement? ACF
(Y/N) (Y/N) (Y/N) __

Cumulative DWELLING COSTS: Dwelling Project Cost
Paygrade Bedrooms Size of House $/GSM # of units Project Factor = Cumulative
Cost (000) (000)

DWELLING TOTAL: $_____ $_____

PROJECT FACTORS:

( ) ( ) =
(ACF) (Proj Size Factor) = Project Factor

ADJUSTMENT TO DWELLING COSTS:

<table>
<thead>
<tr>
<th>Unit Cost</th>
<th>No. Units</th>
<th>Project Factor</th>
<th>Adjustment (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional Fire Protection/Unit</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>Renewable Energy Source Cost/Unit</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
</tr>
<tr>
<td>Other Special Construction/Unit</td>
<td>( )</td>
<td>( )</td>
<td>( )</td>
</tr>
</tbody>
</table>

TOTAL ADJUSTMENTS: $________ $________

Avg. Unit Costs: $_____

SUPPORT COSTS:

Lot Costs $_____
Site Improvements $_____
Utility Mains $_____
Streets $_____
Lanscaping $_____
Recreation $_____
Environmental $_____
Demolition $_____
Special Construction Features $_____
Other (Specify) $_____

TOTAL SUPPORT COSTS: $_____

SUMMARY:

( Dwelling Cost ) + ( Adjustment ) + ( Support Cost ) = $________ $_____

( Subtotal ) + ( Contingency ) + ( SIOH ) + ( Design ) = $________

PROJECT SIZE:

Adj. Dwelling Cost per Project Size: $_____
Project Cost per Project Size: $_____

The Unit Cost Per Gross Square Meter, Project Size Factors, and Area Cost Factors (ACF) will be provided in Unified Facilities Criteria (UFC) 3-701-03 each year

Exhibit FH-1 Tri-Service Family Housing Cost Model
Exhibit FH-2 Family Housing O&M

| Family Housing, __________ |
| Operation and Maintenance Summary |
| (Excludes Leased Units and Costs) |

<table>
<thead>
<tr>
<th>FY(PY)</th>
<th>FY(CY)</th>
<th>FY(BY)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A. Inventory Data
Units in Beginning of Year
Units at End of Year
Average Inventory for Year
a. Historic Units 1/

Units Requiring O&M Funding:
- Conterminous U.S.
- U.S. Overseas
- Foreign
- Worldwide

<table>
<thead>
<tr>
<th>Unit</th>
<th>Cost 2/</th>
<th>Total</th>
<th>Unit</th>
<th>Cost 2/</th>
<th>Total</th>
<th>Unit</th>
<th>Cost 2/</th>
<th>Total</th>
</tr>
</thead>
</table>

B. Funding Requirement
1. Operations
   a. Management
   b. Services
   c. Furnishings
   d. Miscellaneous
   Subtotal-- Direct Obligations
   Anticipated Reimbursements
   Gross Obligations--Operations

2. Utilities - Direct Obligations
   Anticipated Reimbursements
   Gross Obligations--Utilities

3. Maintenance
   a. M&R, Dwellings
   b. M&R, Exterior Utilities
   c. M&R, Other Real Property
   d. Alterations & Additions
   Subtotal--Direct Obligations
   Anticipated Reimbursements
   Gross Obligations--Maintenance

Grand Total, O&M - Direct Obligations
Grand Total, Anticipated Reimbursements
Grand Total, O&M - Gross Obligations

1/ Show, as a subset of “Average Inventory for Year,” the total number of units classified as historic (units that DoD must manage in accordance with the National Historic Act of 1966).
2/ Based on number of units requiring O&M funding

Exhibit FH-2 Family Housing O&M
## Exhibit FH-3 Furnishings Summary

**Family Housing, ______________**

- **Furnishings Summary**
- (Dollars in Thousands)
- **FY ____**

<table>
<thead>
<tr>
<th>Movg/ Hdlg</th>
<th>Repair</th>
<th>Issue</th>
<th>Total</th>
<th>Movg/ Hdlg</th>
<th>Repair</th>
<th>Issue</th>
<th>Total</th>
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<tbody>
<tr>
<td><strong>CONUS</strong></td>
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<tr>
<td><strong>US O/S</strong></td>
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<tr>
<td><strong>Foreign</strong></td>
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<tr>
<td><strong>Public</strong></td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

- **(PY)**
- **(CY)**
- **(BY)**

Exhibit FH-3 Furnishings Summary (Page 1 of 2)
INSTRUCTIONS FOR PREPARATION OF FAMILY HOUSING FURNISHINGS
SUMMARY EXHIBIT FH-3

General. Furnishings to be included in Exhibit FH-3 are defined in Enclosure 6 to DoD Instruction 4165.43. For Unaccompanied Personnel Housing furnishings, see Exhibit OP-21, Chapter 232, this Manual.

Prior Year Data. For the prior year, enter estimated end year obligations.

Current and Budget Year Data. Estimates should be based on requirements determined to be in accordance with Section XI of DoD Instruction 4165.43 and applicable experience data. Provide an explanation for differences of more than $1 million or 10%, whichever is less, between the total amount shown for furnishings in the current year and the budget year.

Moving and Handling. All identifiable transportation, handling and storage costs should be included here.

Initial Issue. Certain initial issue movable equipment, such as stoves and refrigerators, is usually procured as part of a construction project with construction funds, instead of operation funds. Likewise, in some circumstances leasing funds are utilized for furnishings in leased quarters. The FH-3 should reflect all family housing resources applied to furnishings, with memo entries to indicate the amounts funded from accounts other than the Furnishings portion of Operations and Maintenance.
Exhibit FH-4 Analysis of Leased Units

### Family Housing, _________________________

**Analysis of Leased Units**

FY_____

<table>
<thead>
<tr>
<th>Location</th>
<th>FY(PY)</th>
<th>FY(CY)</th>
<th>FY(BY)</th>
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<tbody>
<tr>
<td></td>
<td>Unit Auth</td>
<td>Lease Months</td>
<td>Cost ($000)</td>
</tr>
<tr>
<td>Domestic Leases</td>
<td>(list each location and month in which the annual award is exercised)</td>
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</tr>
<tr>
<td>Total Domestic Leases</td>
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<tr>
<td>Foreign Leases</td>
<td>(list each location and month in which the annual award is exercised)</td>
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<tr>
<td>Total Foreign Leases</td>
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<tr>
<td>Grand Total</td>
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</table>

Exhibit FH-4 Analysis of Leased Units
Exhibit FH-5 General and Flag Officers’ Anticipated Expenditures

Department of the 1
General and Flag Officers' Quarters (GFOQ)
Operations and Maintenance Expenditures Anticipated to Exceed $35,000 per Unit for Fiscal Year FYXX2
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>State/Country 3</th>
<th>Installation 4</th>
<th>Quarters Address 5</th>
<th>Year Built 6</th>
<th>Size NSF 7</th>
<th>Opns Cost 8</th>
<th>Utilities Cost 9</th>
<th>Maint Cost 10</th>
<th>Leasing Cost 11</th>
<th>Total Costs 12</th>
</tr>
</thead>
</table>

Total GFOQ Costs

Total GFOQ # Units

Footnotes 13:

Instruction Notes:

1 Service name.
2 Budget year.
3 State name or foreign country.
4 Installation name.
5 Specific quarters address or unit identification.
6 Calendar year in which the dwelling unit or building (in case of multiple units) was built. Identify with an asterisk (*) next to the year built those units that are on the national, state and/or local historic registry.
7 Total net square footage of the dwelling unit.
8 Total operations (BA6) anticipated for the fiscal year.
9 Total utilities (BA5) anticipated for the fiscal year.
10 Total maintenance (BA10) expenditure anticipated for the fiscal year.
11 Total Leasing (BA7) expenditure for the fiscal year, if applicable.
12 Total Family Housing Operations and Maintenance expenditures anticipated for the GFOQ unit for the fiscal year.
13 Include any non-Family Housing O&M expenditures anticipated and a short description of these expenditures in a footnote.

* Show these cost figures in thousands of dollars, carried out to no more than one decimal place.

FH-5 Exhibit General and Flag Officers’ Anticipated Expenditures
Exhibit FH-6 Family Housing Privatization

<table>
<thead>
<tr>
<th>Privatization Date (1)</th>
<th>Installation/State (2)</th>
<th>Units Conveyed (3)</th>
<th>End State Units (4)</th>
<th>Amount ($M) (5)</th>
<th>Budget Year(s) (6)</th>
<th>Type (7)</th>
<th>Project (8)</th>
<th>Authority (9)</th>
</tr>
</thead>
</table>

**Total (10)**

Instructions:

1. Provide the award date of the project (annotate with "(E)" if not awarded).

2. Installation name and state.

3. Number of units conveyed to the developer.

4. Number of end state units.

5. Identify the amount of funds to be used for the Government's cost of the project.

6. Identify the fiscal year(s) of funding source to be used for the Government's cost of the project.

7. Identify the type of funds (e.g., new construction, post-acquisition construction, etc.) to be used for the Government's cost of the project.

8. Identify the project(s) that are used to source the Government's cost of the privatized project.

9. Indicate which authorities provided in subchapter IV of Chapter 169 in title 10 U.S.C. will be used for each project (e.g., Sec 2873, Sec 2875, etc.).

10. Total unit conveyed, end state units, and amounts.

   Note: Use this format for the President’s Budget.
### DEPARTMENT OF _____________

Exhibit FH-6-BES Family Housing Privatization Comparison

**Fiscal Year 20XX**
(BES Use Only)

<table>
<thead>
<tr>
<th>Privatization Date</th>
<th>Project Name and/or Installation/State</th>
<th>Approved by OSD &amp; OMB</th>
<th>Actual/Current</th>
<th>Author-(\text{ties})</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Units(^5) Conveyed</td>
<td>Units(^5)</td>
<td>Funding Source(^6)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>End State</td>
<td>Amount ($M)</td>
<td>Budget Year(s)</td>
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<tr>
<td></td>
<td></td>
<td>Conveyed</td>
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</table>

**Grand Totals**

<table>
<thead>
<tr>
<th>Units(^5) Conveyed</th>
<th>Units(^5)</th>
<th>Funding Source(^6)</th>
<th>Units(^5) Conveyed</th>
<th>Units(^5)</th>
<th>Funding Source(^6)</th>
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</tbody>
</table>

**NOTES:**

1. The date real property is transferred (land and housing units) to private ownership/developer, and when service members become entitled to receive a basic allowance for housing.
2. For grouped projects, the first line should be the grouped project name with lines below for each installation and state in the grouped project.
3. The latest scope and funding amount approved by OSD and OMB in a scoring package, which should be consistent with the latest Transfer of Funds into the FHIF Notifications to Congress.
4. The actual/current scope and funding, as of 30 Sep 2011, corresponding to the end state that the owner is obligated to provide, subsequent to OSD/OMB approval, based on changes due to local market conditions and operational transformations. These definitions are consistent with those in the semi-annual MHPI Program Evaluation Plan Report.
5. Show the total conveyed and end-state units for a grouped project, and for each installation within a grouped project.
6. Provide all funding sources.
7. **AUTHORITIES:**
   1. 10 USC 2873 "Direct Loans and Loan Guarantees"
   2. 10 USC 2875 "Investments in Nongovernmental Entities"
   3. 10 USC 2877 "Differential Lease Payments"
   4. 10 USC 2878 "Conveyance or Lease of Existing Property and Facilities"
### Exhibit FH-8 Inadequate Family Housing Elimination

<table>
<thead>
<tr>
<th>Family Housing</th>
<th>Annual Inadequate Family Housing Elimination</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Units at beginning of FY 200x</td>
</tr>
<tr>
<td>FY 200x total traditional military construction (Milcon) projects to eliminate inadequate units</td>
<td>3/</td>
</tr>
<tr>
<td>project 1/installation</td>
<td>3/</td>
</tr>
<tr>
<td>project 2/installation</td>
<td>3/</td>
</tr>
<tr>
<td>etc.</td>
<td>3/</td>
</tr>
<tr>
<td>FY 200x total units privatized (no longer require FH O&amp;M) to eliminate inadequate housing</td>
<td>3/</td>
</tr>
<tr>
<td>project 1/installation</td>
<td>3/</td>
</tr>
<tr>
<td>project 2/installation</td>
<td>3/</td>
</tr>
<tr>
<td>etc.</td>
<td>3/</td>
</tr>
<tr>
<td>FY 200x total units demolished/divested/ or otherwise permanently removed from family housing inventory</td>
<td>3/</td>
</tr>
<tr>
<td>project 1/installation</td>
<td>3/</td>
</tr>
<tr>
<td>project 2/installation</td>
<td>3/</td>
</tr>
<tr>
<td>etc.</td>
<td>3/</td>
</tr>
<tr>
<td>Total Units at end of FY 200x</td>
<td>1/</td>
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</tbody>
</table>

**Note:** The beginning total inventory and total inadequate inventory figures represent the sum total for all installations world-wide. The data listed for the individual projects/installations is a subset.

1/ These total figures for the beginning and end of the fiscal year must cross-reference to the similar figures in Exhibit FH-2 and the FH-11 summary tables in the budget justification book.

2/ These total figures for the beginning and end of the fiscal year must cross-reference to the similar figures in Exhibit FH-11 summary table in the budget justification book.

3/ The Total Inventory data, Total Inadequate Inventory data, and Total Inadequate Addressed data should be included for each location in which the Service has a funded traditional Milcon project, will award a privatization project, or expects to demolish, divest, or otherwise permanently remove units from the family housing inventory.

---

**Exhibit FH-8 Inadequate Family Housing Elimination**
Exhibit FH-9 General and Flag Officers’ Expenditures

Department of the 1_____ General and Flag Officers' Quarters (GFOQ)
Operations and Maintenance Expenditures for Fiscal Year XXXX2 (Dollars in Thousands*)

<table>
<thead>
<tr>
<th>State/ Country3</th>
<th>Installation4 Address5</th>
<th>Year Built6</th>
<th>Size NSF7</th>
<th>Ops Cost8</th>
<th>Utilities Cost9</th>
<th>Maint Cost10</th>
<th>Leasing Cost11</th>
<th>Total Costs12</th>
</tr>
</thead>
</table>

Total GFOQ Costs

- Total GFOQ # Units
  - #Owned Units
  - # Leased Units
  - # Privatized Units

Footnotes14:

Instruction Notes:

1. Service name.
2. Budget year.
3. Name of state or foreign country.
4. Installation name.
5. Specific quarters address or unit identification.
6. Calendar year in which the GFOQ unit was built. Identify with an asterisk (*) next to the year built those units that are on the national, state and/or local historic registry.
7. Total net square footage of the dwelling unit.
8. Total operations (BA6) anticipated for the fiscal year.
9. Total Utilities (BA5) anticipated for the fiscal year.
10. Total Maintenance (BA8) expenditure anticipated for the fiscal year.
11. Total Leasing (BA7) expenditure for the fiscal year, if applicable.
12. Total Family Housing Operations and Maintenance expenditures anticipated for the GFOQ unit for the fiscal year.
13. Annotate privatized units on the list with an asterisk after the installation location.
14. Include any non-Family Housing O&M expenditures anticipated and a short description of these expenditures in a footnote.

* Show these cost figures in thousands of dollars, carried out to no more than one decimal place.
### Exhibit FH-10 GFOQ 6,000 NSF Units for FY 2XXX

[Department Name]

**General and Flag Officers' Quarters (GFOQ)**

6,000 NSF Units for Fiscal Year 2XXX

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>State/Country</th>
<th>Installation</th>
<th>Quarters ID</th>
<th>Year Built</th>
<th>Size NSF</th>
<th>Total FH O&amp;M Cost</th>
<th>Alternative Use</th>
<th>Cost to Convert Unit</th>
<th>If O&amp;M&gt;$35K Demolish &amp; Rebuild Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>China Lake</td>
<td>Unit #1</td>
<td>1994</td>
<td>6,500</td>
<td>$100</td>
<td>This house could be converted to a childcare center.</td>
<td>$5,000</td>
<td>$500</td>
</tr>
</tbody>
</table>

Total

$100

$5,000

$500

Exhibit FH-10 GFOQ 6,000 NSF Units for FY 2XXX
## FH 11 Inventory and Condition Government-Owned, Family Housing Units United States

### DEPARTMENT OF
**FH-11 Inventory and Condition of Government-Owned, Family Housing Units**
**UNITED STATES (CONUS plus Hawaii and Alaska)**
(Number of Dwelling Units in Inventory)
Fiscal Year 20XX

<table>
<thead>
<tr>
<th></th>
<th>Number of Units - U.S.</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>PY</td>
</tr>
<tr>
<td>Beginning of FY Adequate Inventory Total</td>
<td></td>
</tr>
<tr>
<td>Q1 - 90% to 100%</td>
<td></td>
</tr>
<tr>
<td>Q2 - 80% to 89%</td>
<td></td>
</tr>
<tr>
<td>Beginning of FY Inadequate Inventory Total</td>
<td></td>
</tr>
<tr>
<td>Q3 - 60% to 79%</td>
<td></td>
</tr>
<tr>
<td>Q4 - 59% and below</td>
<td></td>
</tr>
<tr>
<td>Beginning of FY Total Inventory</td>
<td></td>
</tr>
</tbody>
</table>

| Percent Adequate - Beginning of FY Inventory | %     | %     | %     | %     | %     | %     | %     |
| Inadequate Inventory Reduced Through:      |      |      |      |      |      |      |      |
| Construction (MilCon)                      |      |      |      |      |      |      |      |
| Maintenance & Repair (O&M)                 |      |      |      |      |      |      |      |
| Privatization                              |      |      |      |      |      |      |      |
| Demolition/Divestiture/Diversion/Conversion|      |      |      |      |      |      |      |
| Funded by Host Nation                      |      |      |      |      |      |      |      |

| Adequate Inventory Changes:               |      |      |      |      |      |      |      |
| Privatization                             |      |      |      |      |      |      |      |
| Demolition/Divestiture/Diversion/Conversion|      |      |      |      |      |      |      |

| End of FY Adequate Inventory Total         |      |      |      |      |      |      |      |
| Q1 - 90% to 100%                          |      |      |      |      |      |      |      |
| Q2 - 80% to 89%                           |      |      |      |      |      |      |      |

| End of FY Inadequate Inventory Total       |      |      |      |      |      |      |      |
| Q3 - 60% to 79%                           |      |      |      |      |      |      |      |
| Q4 - 59% and below                         |      |      |      |      |      |      |      |

| End of FY Total Inventory                  |      |      |      |      |      |      |      |

| Percent Adequate - End of FY Inventory     | %     | %     | %     | %     | %     | %     | %     |

**NOTE:**
1 - Condition Index (CI) is a general measure at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of Plant Replacement Value (PRV) minus the estimated cost of maintenance and repair requirements, divided by PRV. This provides a CI, or Q-rating (Q1 to Q4), from 0% to 100%, with 100% representing excellent condition.
<table>
<thead>
<tr>
<th>Number of Units - Foreign</th>
<th>PY</th>
<th>CY</th>
<th>BY</th>
<th>BY+1</th>
<th>BY+2</th>
<th>BY+3</th>
<th>BY+4</th>
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<tbody>
<tr>
<td><strong>Beginning of FY Adequate Inventory Total</strong></td>
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<td>Q1 - 90% to 100%</td>
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<td>Q2 - 80% to 89%</td>
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<td>Q3 - 60% to 79%</td>
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<td>Q4 - 59% and below</td>
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<td>Inadequate Inventory Reduced Through:</td>
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<td>Construction (MiCon)</td>
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<td>Maintenance &amp; Repair (O&amp;M)</td>
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<td>Demolition/Divestiture/Conversion</td>
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<td>Funded by Host Nation</td>
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<td><strong>End of FY Adequate Inventory Total</strong></td>
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<td>Q1 - 90% to 100%</td>
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<td>Q2 - 80% to 89%</td>
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<td><strong>End of FY Inadequate Inventory Total</strong></td>
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<td>Q3 - 60% to 79%</td>
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<td>Q4 - 59% and below</td>
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<td><strong>End of FY Total Inventory</strong></td>
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**NOTE:**
1. Condition Index (CI) is a general measure at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of Plant Replacement Value (PRV) minus the estimated cost of maintenance and repair requirements, divided by PRV. This provides a CI, or Q-rating (Q1 to Q4), from 0% to 100%, with 100% representing excellent condition.
<table>
<thead>
<tr>
<th></th>
<th>Number of Units - Worldwide</th>
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<th>CY</th>
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<th>BY+1</th>
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<td>Q1 - 90% to 100%</td>
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<td>Q2 - 80% to 89%</td>
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<td>Q2 - 80% to 89%</td>
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<td><strong>End of FY Inadequate Inventory Total</strong></td>
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<td><strong>Percent Adequate - End of FY Inventory</strong></td>
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<td>DoD Performance Goal - At least 90% Q1/Q2 beginning in FY 2012</td>
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**NOTE:**

1 - Condition Index (CI) is a general measure at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of Plant Replacement Value (PRV) minus the estimated cost of maintenance and repair requirements, divided by PRV. This provides a CI, or Q-rating (Q1 to Q4), from 0% to 100%, with 100% representing excellent condition.

Include narrative describing the Service’s funding and improvement strategy for maintaining at least 90% of the worldwide, government-owned Family Housing inventory at good or fair (Q1/Q2) condition, beginning in FY 2012, except for Navy with a goal of FY 2017. If the Service will not meet the DoD Performance Goal beginning in FY 2012 or for Navy by FY 2017, please provide the reasons behind the delay, the funding plan to accomplish this goal, and the fiscal year when the DoD goal will be met.
Exhibit FH-12 Privatized GFOQ Private Sector Cost Exceeding $50K

<table>
<thead>
<tr>
<th>State/Country</th>
<th>Installation</th>
<th>Quarters ID</th>
<th>Year Built</th>
<th>Size NSF</th>
<th>Operations Cost</th>
<th>Maint &amp; Repair Cost</th>
<th>Total FH O&amp;M Cost</th>
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</tbody>
</table>

Notes:
1. Place an asterisks (*) by the GFOQ units, where Utility Costs are included as part of Operation Costs.
2. This annual report complies with the FY 2009 National Defense Authorization Act (NDAA), amended section 2805 requirement.
DEPARTMENT OF _____________

Exhibit FH-13 Detail of Awarded Family Housing Privatization Projects

Fiscal Year 20XX

<table>
<thead>
<tr>
<th>Project Name and/or Installation/State</th>
<th>Award Date</th>
<th>Privatization Date</th>
<th>Financial Closing Date</th>
<th>Type of Financing</th>
<th>Amount of Govt Financing ($000)</th>
<th>Term of Deal (Yrs)</th>
<th>Actual/Current Scope</th>
<th>Conveyed</th>
<th>Demolished</th>
<th>As Is</th>
<th>Renovated</th>
<th>New</th>
<th>End State</th>
<th>Status of IDP</th>
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NOTES:
1 - For grouped projects, the first line should be the grouped project name with lines below for each installation and state in the grouped project.
2 - Award date for the Air Force and Dept of Navy is the effective date of the ground lease and operating agreement, and usually coincides with Privatization date (transfer of operations). For the Army, Award date is when a contract is awarded to the winning offeror to produce a Community Development Plan.
3 - Privatization date is when real property is transferred (land and housing units) to private ownership/developer, and when service members become entitled to receive a basic allowance for housing. Same as "Operationally Closed".
4 - Financial Closing date is when financial documents are signed, loans are obtained, and the government provides an investment (equity, direct loan or loan guarantee), as required/agreed.
5 - Types of Financing: Direct Loan (DL), Loan Guarantee (LG), Equity Investment (EQ) or Differential Lease Payments (DLP).
6 - The actual/current scope and funding, as of 30 Sep 2011, corresponding to the end state that the owner is obligated to provide, subsequent to OSD/OMB approval, based on changes due to local market conditions and operational transformations. These definitions are consistent with those in the semi-annual MHPI Program Evaluation Plan Report.
7 - Show the total conveyed and end state units for a grouped project, and for each installation within a grouped project.
Exhibit FH-14: FhIF Admin Requirements

Family Housing Improvement Funds (FHIF) Admin Requirements (FH-14)
Military Housing Privatization Initiative (MHPI) Program Support
Consolidated OSD and DFAS Requirements
FY 20XX
(Dollars in thousands)

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<thead>
<tr>
<th>CIS</th>
<th>OCC</th>
<th>CIVILIAN LABOR</th>
<th>FY 20XX (PY)</th>
<th>FY 20XX (CY)</th>
<th>FY 20XX (BY)</th>
<th>Comments</th>
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<td>Number of FTE^2: Direct</td>
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<td></td>
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<td>Number of FTE^2: Reimbursable</td>
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<td>11110</td>
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<td>Full-Time Permanent Positions - Basic Compensation</td>
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<td>11310</td>
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<td>Other Than Full-Time Permanent - Basic Compensation</td>
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<td>11510</td>
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<td>Other Personnel Pay (overtime/comptime, awards, etc.)</td>
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<td>12110</td>
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<td>Civilian Personnel Fringe Benefits</td>
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<td>Rent, Communications &amp; Utilities</td>
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<td><strong>Other Contractual Services (Please list contracts and amounts):</strong></td>
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<td>Advisory and Assistance Services:</td>
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<td><strong>Other Services from non-Federal Sources:</strong></td>
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<td><strong>Other Goods and Services from Federal Sources:</strong></td>
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|      |     | **Total Non-Labor** | -            | -            | -            |           |
|      |     | **Total FHIF Admin Request for OSD FE&P** | -            | -            | -            |           |

Notes:
1 - CIS Object Class Codes (OCC), which can also be found in OMB Circular A-11.
2 - Provide number of Full-Time Equivalent (FTE) and type of support being provided by FTE in the comment column.
Family Housing Improvement Funds (FHIF) Admin
Military Housing Privatization Initiative (MHPI) Program Support
For OSD Facilities Energy & Privatization (FE&P)
FY 20XX
(Dollars in thousands)

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<tr>
<th>OCC</th>
<th>CIVILIAN LABOR</th>
<th>FY 20XX (PY)</th>
<th>FY 20XX (CY)</th>
<th>FY 20XX (BY)</th>
<th>Comments</th>
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<td>Number of FTE&lt;sup&gt;2&lt;/sup&gt; - Reimbursable</td>
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FH-14 FHIF Admin Requirements

Notes:
1 - CIS Object Class Codes (OCC), which can also be found in OMB Circular A-11.
2 - Provide number of Full-Time Equivalent (FTE) and type of support being provided by FTE in the comment column.
Family Housing Improvement Funds (FHIF) Admin
Military Housing Privatization Initiative (MHPI) Program Support
For Defense Finance and Accounting Services (DFAS) Indianapolis (IN)
FY 20XX
(Dollars in thousands)

CIS

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FH-14 FHIF Admin Requirements

Notes:
1 - CIS Object Class Codes (OCC), which can also be found in OMB Circular A-11.
2 - Provide number of Full-Time Equivalent (FTE) and type of support being provided by FTE in the comment column.
Exhibit FH-15  Reestimate Cash Flow Status Exhibit

PBXX Reestimate CASH FLOW STATUS (FH-15)
DEPARTMENT OF THE _________________________
FOR FY 20XX¹

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<th>Cash Flows</th>
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<th>Cash Flows Requiring Further Revision</th>
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Point of Contact for Additional Information:
Name:
Telephone number:
Email address:

FH-15  Reestimate Cash Flow Status Exhibit

Note:
1 – Current Year (CY) of President’s Budget
Exhibit OP-5 (Part 2) Attachment 1: Reconciliation of Increases and Decreases

Reconciliation of Increases and Decreases  
(Dollars in Thousands)

1. FY 19CY President’s Budget Request

2. Congressional Adjustments:
   a. 
   b. 
   c. 
   etc.

3. FY 19CY Appropriated Amount

4. Supplemental Appropriation (if applicable):
   a. Civilian Pay Raise
      1) General Schedule
      2) Wage Board
   b. Program Supplemental
      1) 
      2) 
      etc.

5. Price Growth:
   (Categorize and explain significant price growth.)

6. Functional Program Transfers:
   a) Transfers in
      1) 
      2) 
      etc.
   b) Transfers Out
      1) 
      2) 
      etc.
Exhibit OP-5 (Part 2) Attachment 1: Reconciliation of Increases and Decreases (Continued)

(This category should be used only when a program function is transferred between activity groups or Services. This category should not be used to show the transfer of funds between activity groups in instances where the transfer of funds is not accompanied by a functional transfer of the program for which the funds were initially requested. Also see end “NOTE” on next page)
Exhibit OP-5 (Part 2) Attachment 1: Reconciliation of Increases and Decreases (Continued)

Reconciliation of Increases and Decreases (Continued)

(Dollars in Thousands)

7. Program Increases: (For each program increase or decrease, provide
   a. quantitative and qualitative information relative
   b. to these changes, as well as the baseline
   c. (in dollars) to which the increase or decrease
   etc. applies. Increases and decreases should address
   specific adjustments in program, particularly
   changes in inventory, management initiatives, transfers,

8. Program Decreases: statutory requirements, etc.)

   a.
   b.
   c.
   etc.

9. FY 19CY Current Estimate
10. Price Growth (See 5 above)
11. Functional Program Transfers (See 6 above)
12. Program Increases (See 7 above)
13. Program Decreases (See 8 above)
14. FY 19BY1 Budget Request
15. Price Growth (See 5 above)
16. Functional Program Transfers (See 6 above)
17. Program Increases (See 7 above)
18. Program Decreases (See 8 above)
19. FY 19 BY2 Budget Request

NOTE: If a particular category of increase or decrease does not apply, leave it off the Exhibit OP-5 (rather than include it on the Exhibit OP-5 with a value of zero). Reprogramming actions included in the budget submission for the Current Year other than 1415-IR functional transfers should be shown separately. Except for this, categories of increases and/or decreases other than those shown above should not be used.
Exhibit HA-1 Homeowners Assistance - Workload and Obligation Data

<table>
<thead>
<tr>
<th>HOMEOWNERS' ASSISTANCE FUND, DEFENSE WORKLOAD AND OBLIGATION DATA</th>
<th>FY____</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual FY (PY)</td>
</tr>
<tr>
<td></td>
<td>Dollars (000)</td>
</tr>
<tr>
<td>1. Investment</td>
<td></td>
</tr>
<tr>
<td>a. Equity Payments</td>
<td></td>
</tr>
<tr>
<td>b. Liquidation of Second Mortgages</td>
<td></td>
</tr>
<tr>
<td>c. Total Payments</td>
<td></td>
</tr>
<tr>
<td>d. Mortgages Assumed</td>
<td></td>
</tr>
<tr>
<td>e. Total Investment</td>
<td></td>
</tr>
<tr>
<td>2. Expense - Corps of Engineers</td>
<td></td>
</tr>
<tr>
<td>a. Payments - Private Sales</td>
<td></td>
</tr>
<tr>
<td>b. Payments - Foreclosures</td>
<td></td>
</tr>
<tr>
<td>c. Subtotal - Reimbursements to Homeowners</td>
<td></td>
</tr>
<tr>
<td>d. Appraisals</td>
<td></td>
</tr>
<tr>
<td>e. Administrative Expense</td>
<td></td>
</tr>
<tr>
<td>f. Total Expense - CoE</td>
<td></td>
</tr>
<tr>
<td>3. Expense - FHA</td>
<td></td>
</tr>
<tr>
<td>a. Management &amp; Maintenance of Homes</td>
<td></td>
</tr>
<tr>
<td>b. Sales Expense</td>
<td></td>
</tr>
<tr>
<td>c. Administrative Expense</td>
<td></td>
</tr>
<tr>
<td>d. Total Expense - FHA</td>
<td></td>
</tr>
<tr>
<td>4. Total Expense</td>
<td></td>
</tr>
<tr>
<td>5. Total Program - Investment and Expense</td>
<td></td>
</tr>
</tbody>
</table>

Exhibit HA-1 Homeowners Assistance – Workload and Obligation Data
### Exhibit HA-2 Homeowners Assistance Status of Accounts

#### HOMEOWNERS’ ASSISTANCE FUND, DEFENSE STATUS OF ACCOUNTS

<table>
<thead>
<tr>
<th>ITEM</th>
<th>Authority to Spend Agency Debt Receipts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash ($000)</td>
<td>Debt Receipts ($000)</td>
</tr>
</tbody>
</table>

1. **EXPENDITURE ACCOUNT - RESOURCES AND APPLICATIONS (OBLIGATION BASIS)**
   a. Resources
      (1) Unobligated balance, start of year
      (2) Appropriations
      (3) New authorization to spend Agency debt receipts
      (4) Revenue
         (a) Sales (Cash)
         (b) Other Revenue
      (5) Principal payments on mortgages (retirement of debt)
      (6) Total
   b. Applications
      (1) Payments on acquisition of properties
      (2) Value of mortgages payable assumed
      (3) Expenses
      (4) Transfer to miscellaneous receipts
      (5) Total
   c. Unobligated balance, end of period (line 1a(6) minus 1b(5))

2. **PROPERTY ACCOUNT**
   a. On hand, start of year
   b. Payments for equity and second mortgages on acquisition of properties
   c. Value of mortgages payable assumed
   d. Less acquisition price of properties sold or disposed of otherwise (line 5b(1) below)
   e. On hand; end of period

3. **BORROWING ACCOUNT (MORTGAGES PAYABLE)**
   a. Balance payable, start of year
   b. Value of mortgages payable assumed
   c. Less payments on principal
   d. Less value of mortgages liquidated
   e. Subtotal - Principal payments (retirement of debt)
   f. Balance payable, end of period

4. **NET EQUITY IN PROPERTY** (line 2e minus line 3f)

5. **RECAPITULATION FOR PROPERTIES SOLD**
   a. Sales price
   b. Less:
      (1) Acquisition Price
      (2) FHA or ACE Administrative Expenses
   c. Net gain or (loss)

* Excludes Corps of Engineers Expense and FHA Expense
Exhibit HA-3 Homeowners Assistance Work Unit Data

**HOMEOWNERS’ ASSISTANCE FUND, DEFENSE**
**WORK UNIT DATA**
**FY_____**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>MILITARY</th>
<th>CIVILIAN</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. APPLICATIONS FOR ASSISTANCE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. On hand - start of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Received</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Less Actions Completed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Homes Acquired - For Outstanding Mortgage Balances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Homes Acquired - At 75%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Homes Acquired - No Mortgage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Reimbursements for Losses on Private Sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5) Payments in Foreclosure Cases</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6) Settlements - No Payment Due</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(7) Other (Not Eligible)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. On hand - end of period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. ACQUIRED HOMES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. On hand - start of year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Acquired</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Disposed of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. On hand - end of period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. MORTGAGES PAYABLE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. On hand - start of year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Assumed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Less Liquidations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. On hand - end of period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. OTHER DATA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Second Mortgages Liquidated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Appraisals Made</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>c. Appeals processed</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>(Approved)</td>
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<td></td>
<td></td>
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<tr>
<td>(Disapproved)</td>
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</tbody>
</table>

Exhibit HA-3 Homeowners Assistance Work Unit Data
Exhibit HA-4 Homeowners Assistance Program and Financing

<table>
<thead>
<tr>
<th></th>
<th>FY PY Actual</th>
<th>FY CY Estimate</th>
<th>FY BY Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Units</td>
<td>Obligations ($000)</td>
<td>Units</td>
</tr>
</tbody>
</table>

Payments to homeowners 1/
Other operating costs 2/
Acquisition of properties 3/
Mortgages assumed 4/

Total program

Available from prior year
Estimated revenue 5/
Available for other years
Budget Authority
Authorization to spend agency debt receipts
Appropriation

NOTES: 1/ Reimbursements to homeowners for losses; private sales or foreclosures. Work unit, "number of payments."
2/ DoD and FHA expenses. Work unit, "total number of applications processed, including rejections."
3/ Payments to homeowners for equity in properties acquired by the Government. Work unit, "number of properties."
4/ Value of mortgage balances assumed by the Government on properties acquired. Work unit "number of mortgages assumed."
5/ Recovery of Government’s investment by the sale of properties. Work unit, "number of properties sold."
Exhibit NSIP -1 NSIP Project Data

NATO Security Investment Program (NSIP) Project Data

<table>
<thead>
<tr>
<th>Location</th>
<th>Installation</th>
<th>Project Title</th>
<th>Project Description</th>
<th>Budget Scheme</th>
<th>Project Cost</th>
<th>U. S. Cost Share</th>
<th>Other Nation Cost Share</th>
</tr>
</thead>
</table>

Instructions:

1. This exhibit will identify the NSIP requirements, both military construction and procurement, at the project level detail. The exhibit should be completed for both the normal NSIP requirements and NATO Expansion requirements. The listing should be sufficiently detailed to identify discrete projects and initiative; aggregation at the capability package level i.e., Defense of the Mediterranean, is NOT sufficiently detailed.

2. Data should be submitted in hard copy and on a disk in a Microsoft Access format or in Microsoft Excel format.

3. Location: State or country where the project will be executed, i.e. Alaska, Turkey, or Italy.

4. Installation: Base where the project will be executed, i.e. Aviano AB.

5. Project Title.

6. Project Description: Explanation and description of each project.

7. Budgeted Scheme: Identify the number of NATO nations sharing in the cost of the project.

8. Project Cost: The total cost for the NSIP project. The projects cost should be displayed in thousands.

9. U.S. Cost Share: Identify the estimated U.S. share of the project cost. The U.S. share should be displayed in thousands.

10. Other NATO Cost Share: Identify the estimated share of the other NATO nations. The cost should be displayed in thousands.

11. This exhibit should be completed for the current year and budget year, i.e., current year FY 2001; budget Year FY 2002.

12. The hard copy and electronic submission should include a total that reflects the cost of normal NSIP requirements and NSIP Expansion requirements by fiscal year.

Exhibit NSIP-1 NSIP Project Data
Exhibit NSIP-2 NSIP Recoupment Estimates

<table>
<thead>
<tr>
<th>Component</th>
<th>Appropriation</th>
<th>Fiscal Year</th>
<th>Location</th>
<th>Installation</th>
<th>Project Title</th>
<th>Slice/Serial (if known)</th>
<th>Recoupment Budget Estimate</th>
<th>Rate of Conversion</th>
</tr>
</thead>
</table>

Instructions:

1. This exhibit will be executed at the project level for each NSIP major construction project that is eligible for recoupment (reimbursement by other member countries for eligible costs). No project level detail is required for minor construction, planning and design, family housing improvement or BRAC.

2. Data should be submitted in hard copy and on a disk in a Microsoft Excel format.

3. Component should be the specific Service Active, Guard or Reserve Force component or Defense Agency. Recognized abbreviations such as ARNG (Army National Guard), etc. are acceptable.

4. Appropriation should be a four digit number (treasury code).

5. Fiscal year should be a four-digit number.

6. Location is the two digit state or country code.

7. Installation is the military base where the project is being built.

8. Slice/Serial, if known, or pre-financing notification reference number.

9. Recoupment budget estimate amount is in thousands.

10. The estimated budget recoupment should reflect the rate of conversion at the time of estimate.

11. For the hard copy, the data should be sorted by fiscal year, location and then by installation. The hard copy and should also include a total for each fiscal year.

Date

Point of Contact: Name, Organization, and Phone number

Exhibit NSIP-2 NSIP Recoupment Estimates
**UH-1a Inventory and Condition of Permanent Party, Government Owned, Unaccompanied Housing (UH) United States (CONUS plus Hawaii and Alaska)**

<table>
<thead>
<tr>
<th>Facility Analysis Categories (FAC): 7210 &amp; 7240</th>
<th>Number of Bedrooms - U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of FY Adequate Inventory Total</td>
<td>PY</td>
</tr>
<tr>
<td>Q1 - 90% to 100% *</td>
<td>-</td>
</tr>
<tr>
<td>Q2 - 80% to 89% *</td>
<td>-</td>
</tr>
<tr>
<td>Beginning of FY Inadequate Inventory Total</td>
<td>-</td>
</tr>
<tr>
<td>Q3 - 60% to 79% *</td>
<td>-</td>
</tr>
<tr>
<td>Q4 - 59% and below *</td>
<td>-</td>
</tr>
<tr>
<td>Beginning of FY Total Inventory</td>
<td>-</td>
</tr>
</tbody>
</table>

| Percent Adequate - Beginning of FY Inventory | %  | %  | %  | %  | %  | %  | %  |

**Funding that Impacts Inventory:**
- MILCON - New Footprint ($M)
- MILCON - Replacement/Renovation ($M)
- Overall Sustainment vs FSRM Requirement (%)

| End of FY Adequate Inventory Total          | PY | CY | BY | BY + 1 | BY + 2 | BY + 3 | BY + 4 | BY + 5 |
| Q1 - 90% to 100% *                         | -  | -  | -  | -      | -      | -      | -      | -      |
| Q2 - 80% to 89% *                           | -  | -  | -  | -      | -      | -      | -      | -      |
| End of FY Inadequate Inventory Total        | -  | -  | -  | -      | -      | -      | -      | -      |
| Q3 - 60% to 79% *                           | -  | -  | -  | -      | -      | -      | -      | -      |
| Q4 - 59% and below *                        | -  | -  | -  | -      | -      | -      | -      | -      |
| End of FY Total Inventory                   | -  | -  | -  | -      | -      | -      | -      | -      |

| Percent Adequate - End of FY Inventory      | %  | %  | %  | %  | %  | %  | %  |

**FY 2012 Performance Goal - % of Adequate Units**
- 30%
- 40%
- 50%
- 60%
- 70%
- 80%
- 90%

*Condition Index (CI) is a general measure of the constructed asset’s condition at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of the estimated cost of maintenance and repair requirements to Plant Replacement Value (PRV).*

FAC 7210 - Enlisted Unaccompanied Personnel Housing
FAC 7240 - Officer Unaccompanied Personnel Housing

Include narrative describing the Military Department/Service’s strategy to meet the 90% Q1/Q2 adequacy goal by the end of FY 2017.
### UH-1a Inventory and Condition of Permanent Party, Government-Owned, UH Foreign

#### Facility Analysis Categories (FAC): 7210 & 7240

<table>
<thead>
<tr>
<th>Number of Bedrooms - Foreign</th>
<th>PY</th>
<th>CY</th>
<th>BY</th>
<th>BY + 1</th>
<th>BY + 2</th>
<th>BY + 3</th>
<th>BY + 4</th>
<th>BY + 5</th>
</tr>
</thead>
</table>

#### Percent Adequate - Beginning of FY Inventory

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
</table>

#### Funding that Impacts Inventory:

- MILCON - New Footprint ($M)
- MILCON - Replacement/Renovation ($M)
- Overall Sustainment vs FSRM Requirement (%)

#### Percent Adequate - End of FY Inventory

<table>
<thead>
<tr>
<th>FY 2012 Performance Goal - % of Adequate Units</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
<th>90%</th>
</tr>
</thead>
</table>

*Condition Index (CI) is a general measure of the constructed asset's condition at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of the estimated cost of maintenance and repair requirements to Plant Replacement Value (PRV).

FAC 7210 - Enlisted Unaccompanied Personnel Housing
FAC 7240 - Officer Unaccompanied Personnel Housing

Include narrative describing the Military Department/Service's strategy to meet the 90% Q1/Q2 adequacy goal by the end of FY 2017.
UH-1a Inventory and Condition of Permanent Party, Government-Owned, UH Wordwide

<table>
<thead>
<tr>
<th>Facility Analysis Categories (FAC): 7210 &amp; 7240</th>
<th>Number of Bedrooms - Worldwide</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PY</td>
</tr>
<tr>
<td>Beginning of FY Adequate Inventory Total</td>
<td></td>
</tr>
<tr>
<td>Q1 - 90% to 100% *</td>
<td></td>
</tr>
<tr>
<td>Q2 - 80% to 89% *</td>
<td></td>
</tr>
<tr>
<td>Beginning of FY Inadequate Inventory Total</td>
<td></td>
</tr>
<tr>
<td>Q3 - 60% to 79% *</td>
<td></td>
</tr>
<tr>
<td>Q4 - 59% and below *</td>
<td></td>
</tr>
<tr>
<td>Beginning of FY Total Inventory</td>
<td></td>
</tr>
<tr>
<td>Percent Adequate - Beginning of FY Inventory</td>
<td>%</td>
</tr>
</tbody>
</table>

| Funding that Impacts Inventory:             |      |      |      |       |       |       |       |       |
| MILCON - New Footprint ($M)                 |      |      |      |       |       |       |       |       |
| MILCON - Replacement/Renovation ($M)        |      |      |      |       |       |       |       |       |
| Overall Sustainment vs FSRM Requirement (%) |      |      |      |       |       |       |       |       |
| End of FY Adequate Inventory Total         |      |      |      |       |       |       |       |       |
| Q1 - 90% to 100% *                         |      |      |      |       |       |       |       |       |
| Q2 - 80% to 89% *                           |      |      |      |       |       |       |       |       |
| End of FY Inadequate Inventory Total       |      |      |      |       |       |       |       |       |
| Q3 - 60% to 79% *                           |      |      |      |       |       |       |       |       |
| Q4 - 59% and below *                        |      |      |      |       |       |       |       |       |
| End of FY Total Inventory                  |      |      |      |       |       |       |       |       |
| Percent Adequate - End of FY Inventory      | %    | %    | %    | %     | %     | %     | %     | %     |

| FY 2012 Performance Goal - % of Adequate Units | 30% | 40% | 50% | 60% | 70% | 80% | 90% |

*Condition Index (CI) is a general measure of the constructed asset's condition at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of the estimated cost of maintenance and repair requirements to Plant Replacement Value (PRV).

FAC 7210 - Enlisted Unaccompanied Personnel Housing
FAC 7240 - Officer Unaccompanied Personnel Housing
UH-1b Inventory and Condition of Training/Mobilization, Government-Owned, UH CONUS plus Hawaii and Alaska

| Department of ____________________________ |
| UH-1b Inventory and Condition of Training/Mobilization, Government-Owned, Unaccompanied Housing (UH) |
| UNITED STATES (CONUS plus Hawaii and Alaska) |
| (Number of beds/spaces in inventory based on normal occupancy) |

| Facility Analysis Categories (FAC): 7213, 7214, and 7218 | Number of Beds/Spaces - U.S. |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | PY | CY | BY | BY + 1 | BY + 2 | BY + 3 | BY + 4 | BY + 5 |
| Beginning of FY Adequate Inventory Total | - | - | - | - | - | - | - | - |
| 01 - 90% to 100% * | - | - | - | - | - | - | - | - |
| 02 - 80% to 89% * | - | - | - | - | - | - | - | - |
| Beginning of FY Inadequate Inventory Total | - | - | - | - | - | - | - | - |
| 03 - 60% to 79% * | - | - | - | - | - | - | - | - |
| 04 - 59% and below * | - | - | - | - | - | - | - | - |
| Beginning of FY Total Inventory | - | - | - | - | - | - | - | - |
| Percent Adequate - Beginning of FY Inventory | % | % | % | % | % | % | % | % |

Funding that Impacts Inventory:
- MILCON - New Footprint ($M)
- MILCON - Replacement/Renovation ($M)
- Overall Sustainment vs FSM Requirement (%)

| End of FY Adequate Inventory Total | - | - | - | - | - | - | - | - |
| 01 - 90% to 100% * | - | - | - | - | - | - | - | - |
| 02 - 80% to 89% * | - | - | - | - | - | - | - | - |
| End of FY Inadequate Inventory Total | - | - | - | - | - | - | - | - |
| 03 - 60% to 79% * | - | - | - | - | - | - | - | - |
| 04 - 59% and below * | - | - | - | - | - | - | - | - |
| End of FY Total Inventory | - | - | - | - | - | - | - | - |
| Percent Adequate - End of FY Inventory | % | % | % | % | % | % | % | % |

*Condition Index (CI) is a general measure of the constructed asset’s condition at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of the estimated cost of maintenance and repair requirements to Plant Replacement Value (PRV).

FAC 7213 - Student Unaccompanied Housing
FAC 7214 - Annual Training/Mobilization Unaccompanied Housing
FAC 7218 - Recruit/Trainee Unaccompanied Housing

Include narrative describing the Military Department/Service’s strategy to improve Training/Mobilization UH, and to meet space requirements.
UH-1b Inventory and Condition of Training/Mobilization, Government-Owned, UH Foreign

<table>
<thead>
<tr>
<th>Department of __________________</th>
</tr>
</thead>
<tbody>
<tr>
<td>UH-1b Inventory and Condition of Training/Mobilization, Government-Owned, Unaccompanied Housing (UH) FOREIGN (includes U.S. Territories)</td>
</tr>
<tr>
<td>(Number of beds/spaces in inventory based on normal occupancy)</td>
</tr>
</tbody>
</table>

**Facility Analysis Categories (FAC): 7213, 7214, and 7218**

<table>
<thead>
<tr>
<th>Facility Analysis Categories (FAC): 7213, 7214, and 7218</th>
<th>Number of Beds/Spaces - Foreign</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PY</td>
</tr>
<tr>
<td><strong>Beginning of FY Adequate Inventory Total</strong></td>
<td></td>
</tr>
<tr>
<td>Q1 - 90% to 100% *</td>
<td></td>
</tr>
<tr>
<td>Q2 - 80% to 89% *</td>
<td></td>
</tr>
<tr>
<td><strong>Beginning of FY Inadequate Inventory Total</strong></td>
<td></td>
</tr>
<tr>
<td>Q3 - 60% to 79% *</td>
<td></td>
</tr>
<tr>
<td>Q4 - 59% and below *</td>
<td></td>
</tr>
<tr>
<td><strong>Beginning of FY Total Inventory</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Percent Adequate - Beginning of FY Inventory</strong></td>
<td>%</td>
</tr>
<tr>
<td><strong>Funding that Impacts Inventory:</strong></td>
<td></td>
</tr>
<tr>
<td>MILCON - New Footprint ($M)</td>
<td></td>
</tr>
<tr>
<td>MILCON - Replacement/Renovation ($M)</td>
<td></td>
</tr>
<tr>
<td>Overall Sustainment vs FSM Requirement (%)</td>
<td></td>
</tr>
<tr>
<td><strong>End of FY Adequate Inventory Total</strong></td>
<td></td>
</tr>
<tr>
<td>Q1 - 90% to 100% *</td>
<td></td>
</tr>
<tr>
<td>Q2 - 80% to 89% *</td>
<td></td>
</tr>
<tr>
<td><strong>End of FY Inadequate Inventory Total</strong></td>
<td></td>
</tr>
<tr>
<td>Q3 - 60% to 79% *</td>
<td></td>
</tr>
<tr>
<td>Q4 - 59% and below *</td>
<td></td>
</tr>
<tr>
<td><strong>End of FY Total Inventory</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Percent Adequate - End of FY Inventory</strong></td>
<td>%</td>
</tr>
</tbody>
</table>

*Condition Index (CI) is a general measure of the constructed asset's condition at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of the estimated cost of maintenance and repair requirements to Plant Replacement Value (PRV).

FAC 7213 - Student Unaccompanied Housing
FAC 7214 - Annual Training/Mobilization Unaccompanied Housing
FAC 7218 - Recruit/Trainee Unaccompanied Housing

Include narrative describing the Military Department/Service’s strategy to improve Training/Mobilization UH, and to meet space requirements.
### UH-1b Inventory and Condition of Training/Mobilization, Government-Owned, UH Worldwide

#### Department of ____________________

**UH-1b Inventory and Condition of Training/Mobilization, Government-Owned, Unaccompanied Housing (UH) WORLDWIDE**

(Number of beds/spaces in inventory based on normal occupancy)

<table>
<thead>
<tr>
<th>Facility Analysis Categories (FAC): 7213, 7214, and 7218</th>
<th>Number of Beds/Spaces - Worldwide</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PY</td>
</tr>
<tr>
<td><strong>Beginning of FY Adequate Inventory Total</strong></td>
<td>-</td>
</tr>
<tr>
<td>**Q1 - 90% to 100% ***</td>
<td>-</td>
</tr>
<tr>
<td>**Q2 - 80% to 89% ***</td>
<td>-</td>
</tr>
<tr>
<td><strong>Beginning of FY Inadequate Inventory Total</strong></td>
<td>-</td>
</tr>
<tr>
<td>**Q3 - 60% to 79% ***</td>
<td>-</td>
</tr>
<tr>
<td>**Q4 - 59% and below ***</td>
<td>-</td>
</tr>
<tr>
<td><strong>Beginning of FY Total Inventory</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

| Percent Adequate - Beginning of FY Inventory            | %  | %  | %  | %      | %      | %      | %      | %      |

<table>
<thead>
<tr>
<th>Funding that Impacts Inventory:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MILCON - New Footprint ($M)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MILCON - Replacement/Renovation ($M)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Overall Sustainment vs FSM Requirement (%)</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

| **End of FY Adequate Inventory Total**                  | -  | -  | -  | -      | -      | -      | -      | -      |
| **Q1 - 90% to 100% ***                                  | -  | -  | -  | -      | -      | -      | -      | -      |
| **Q2 - 80% to 89% ***                                   | -  | -  | -  | -      | -      | -      | -      | -      |
| **End of FY Inadequate Inventory Total**                | -  | -  | -  | -      | -      | -      | -      | -      |
| **Q3 - 60% to 79% ***                                   | -  | -  | -  | -      | -      | -      | -      | -      |
| **Q4 - 59% and below ***                               | -  | -  | -  | -      | -      | -      | -      | -      |
| **End of FY Total Inventory**                           | -  | -  | -  | -      | -      | -      | -      | -      |

| Percent Adequate - End of FY Inventory                  | %  | %  | %  | %      | %      | %      | %      | %      |

* *Condition Index (CI) is a general measure of the constructed asset's condition at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of the estimated cost of maintenance and repair requirements to Plant Replacement Value (PRV).*

**FAC 7213 - Student Unaccompanied Housing**

**FAC 7214 - Annual Training/Mobilization Unaccompanied Housing**

**FAC 7218 - Recruit/Trainee Unaccompanied Housing**
UH-2 Configuration and Privacy of Permanent Party UH

<table>
<thead>
<tr>
<th>Unit Configuration (Bedrooms)</th>
<th>U.S. (CONUS, HI and AK)</th>
<th>Foreign (Includes U.S. Territories)</th>
<th>Worldwide Totals</th>
<th>U.S. (CONUS, HI and AK)</th>
<th>Foreign (Includes U.S. Territories)</th>
<th>Worldwide Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Owned Total</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market-style 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Two bedrooms (each &lt;180 SF), one bath 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Two bedrooms (each ≥180 SF), one bath 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One bedroom, one bath 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Latrine</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Releasable &amp; Temporary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Junior Enlisted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Enlisted/Officers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Privateized Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New one-bedroom apartments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New two-bedroom apartments</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conveyed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leased Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relocatables</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Host Nation Owned Total</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Configuration Goal: Narrative description of the Services' specific configuration standards and goals, and implementation plan (including timelines).

Privacy Goal: Narrative description of the Services' specific privacy standards and goals, and implementation plan (including timelines).

Notes:
1. Module with 2 to 4 bedrooms, 2 to 4 baths, full kitchen, living room, laundry
2. Each module counts as 2 bedrooms even if one bedroom used as a living room (e.g., 1+1)
3. Each module counts as 2 bedrooms even if occupied by 4 service members (e.g., 2+2)
4. Each module counts as 1 bedroom even if occupied by 2 service members (e.g., 2+0)
UH-3 Summary of Military Construction UH Projects

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>State/Country</th>
<th>Project Location</th>
<th>Project Title</th>
<th>Project Number</th>
<th>Total Project Amount ($000)</th>
<th>Project Amount for Just UH ($000)</th>
<th>Perm Party UH Number of Bedrooms</th>
<th>Train or Mob UH Number of Beds/Spaces</th>
<th>Total Intended Number of Occupants</th>
<th>Strategic Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>FY 2011</td>
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<td></td>
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<td></td>
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<tr>
<td>FY 2010</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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</tr>
</tbody>
</table>

NOTE:
* Should match information on the DD Form 1391 - Military Construction Project Detail
** For projects added by Congress, provide DD Form 1391 to OSD Comptroller (hard copy and pdf)
VOLUME 2B, CHAPTER 7: “BASE REALIGNMENT AND CLOSURE APPROPRIATIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated December 2010 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
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<tbody>
<tr>
<td>070201</td>
<td>Added information on the new BRAC account 0516. Deleted reference to implementation periods to BRAC IV &amp; V.</td>
<td>Addition</td>
</tr>
<tr>
<td>070302</td>
<td>Updated section to reflect only one BRAC justification book is required.</td>
<td>Revision</td>
</tr>
<tr>
<td>070303</td>
<td>Deleted section – referenced BRAC 2005 only. BRAC 2005 submission requirements consolidated with other BRAC rounds under 070302.</td>
<td>Deletion</td>
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<tr>
<td>070403</td>
<td>Deleted section – referenced BRAC 2005 only. BRAC 2005 submission organization consolidated with other BRAC rounds under 070402.</td>
<td>Deletion</td>
</tr>
<tr>
<td>0706</td>
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<td>Deletion</td>
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<td>3</td>
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<tr>
<td>070101</td>
<td>Purpose</td>
<td>3</td>
</tr>
<tr>
<td>070102</td>
<td>Submission Requirements</td>
<td>3</td>
</tr>
<tr>
<td>070103</td>
<td>Preparation of Material</td>
<td>3</td>
</tr>
<tr>
<td>070104</td>
<td>References</td>
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</tr>
<tr>
<td>0702</td>
<td>UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATION</td>
<td>4</td>
</tr>
<tr>
<td>070201</td>
<td>Base Closure Account, Defense Appropriations</td>
<td>4</td>
</tr>
<tr>
<td>0703</td>
<td>PROGRAM AND BUDGET REVIEW SUBMISSION</td>
<td>6</td>
</tr>
<tr>
<td>070301</td>
<td>Purpose</td>
<td>6</td>
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<tr>
<td>070302</td>
<td>Submission Requirements</td>
<td>6</td>
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<tr>
<td>0704</td>
<td>CONGRESSIONAL JUSTIFICATION/PRESENTATION FOR BRAC</td>
<td>7</td>
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<td>070401</td>
<td>Purpose</td>
<td>7</td>
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<tr>
<td>070402</td>
<td>Organization of Justification Books for BRAC (Incorporating Prior Rounds of BRAC, Parts I, II, III, IV, V)</td>
<td>7</td>
</tr>
<tr>
<td>0705</td>
<td>BASE REALIGNMENT AND CLOSURE APPROPRIATION SUBMISSION FORMATS for the BRAC Account</td>
<td>8</td>
</tr>
<tr>
<td>070501</td>
<td>Purpose</td>
<td>8</td>
</tr>
<tr>
<td>070502</td>
<td>Exhibits in Support of BRAC</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Exhibit BC-01 BRAC Service Overview</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Exhibit BC-02 BRAC Implementation Costs</td>
<td>10</td>
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<td></td>
<td>Exhibit BC-03 BRAC Package Description</td>
<td>11</td>
</tr>
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<td></td>
<td>Exhibit BC-04 Continuing BRAC Environmental Restoration and Caretaker Costs</td>
<td>14</td>
</tr>
</tbody>
</table>
CHAPTER 7

BASE REALIGNMENT AND CLOSURE APPROPRIATIONS

0701 GENERAL

070101. Purpose

A. This chapter provides instructions applicable to budget formulation and congressional justification for Base Realignment and Closure (BRAC) appropriations.

B. The following appropriations and accounts are covered:

Section

070201.
- DoD Base Closure Account
  (1988 Commission)

- DoD Base Closure Account 1990

- DoD Base Closure Account 2005
  (2005 Commission)

- DoD Base Closure Account
  (Consolidated)

070102. Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 7 covers specific back-up material requirements for the above accounts. Components should also submit any applicable exhibits required in Volume 2, Chapter 19 for the above appropriations/accounts, as applicable.

070103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 7 provides additional specific guidance with regard to the back-up material required for the Base Realignment and Closure appropriations.

070104. References

Chapter 3 provides guidance related to Operation and Maintenance costs and Chapter 6 provides guidance and formats related to Military Construction and Family Housing costs.
0702 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATION

070201. Base Closure Account, Defense Appropriations

A. Overview

Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100-526, established the Defense Base Closure Account (Part I) as a mechanism to provide the required funding to implement the approved recommendations of the Base Closure and Realignment Commissions. Public Law 101-510, Title XXIX, Defense Base Closure and Realignment Act of 1990, established Base Closure Account 1990 (Part II), the FY 2002 National Defense Authorization Act established the DoD Base Closure Account 2005 (BRAC 2005), and Section 2711 of the FY 2013 National Defense Authorization Act established the DoD Base Closure Account, which directed the transfer of remaining balances from all three previous BRAC accounts. Funding approved by Congress in these Accounts is appropriated and authorized in a lump sum amount and may be spent for construction, planning and design, civilian severance pay, civilian permanent change in station, transportation of things, and other costs related to the realignment or closure of the subject bases. The management structure of the program is described below.

B. Guidance

1. The Assistant Secretary of Defense (Sustainment) is responsible for issuing policy for management of the BRAC program and overseeing the DoD Components’ execution of the program.

2. To properly account for and manage appropriated fund resources, the DoD Base Closure Accounts were established on the books of the Treasury to aid the DoD Components in the closure and realignment of certain military installations. Treasury has assigned account symbol 097-0103 to identify the DoD Base Closure Account - Part I, 097X0510 to identify DoD Base Closure Account 1990 - Part II, Part III, and Part IV, 097X0512 to identify DoD Base Closure Account 2005, and 097X0516 to identify DoD Base Closure Account (consolidated).

3. Funds made available to the DoD Components are subdivided and distributed to the activities responsible for base closure actions. Separate allocations are made for each of the accounts by program year. Each DoD Component distributes the base closure funds in accordance with its normal fund distribution procedures. The applicable reporting requirements include:

   - Military Construction
   - Construction
   - Planning and Design
   - Family Housing
   - Construction
   - Operations
   - Environmental
   - Operation and Maintenance
Homeowners Assistance  
Civilian Severance Pay  
Civilian Permanent Change of Station (PCS) costs  
Transportation of things  
Facilities Maintenance  
Program Management (civilian work years, TDY travel, and related support dedicated to implementation efforts)  
Military Personnel (limited to PCS expenses dedicated to implementation efforts)  
Other (including procurement-type items)  

4. The Under Secretary of Defense (Comptroller) makes funds available to the DoD Components based on their official financial plans. Financial plans are prepared by the DoD Components in cooperation with and at the direction of the program manager, the Assistant Secretary of Defense (Sustainment). The DoD Components’ financial plans and the subsequent allocation of funds are supported by detailed, line-item military and family housing construction justification. Separate narrative explanations for other planned expenditures are also submitted to the Under Secretary of Defense (Comptroller) in sufficient detail to support the DoD Component’s financial plan. Each DoD Component is allocated funds based upon its official budget justification and financial plan.

5. All closures and realignments must be completed no later than the end of the six year implementation period beginning on the date on which the President transmitted to Congress the report containing the recommendations of such closures or realignments.

6. Section 2711 of the National Defense Authorization Act (NDAA) for FY 2013 established a new appropriation (097X0516) as DoD Base Closure Account. Funds in this account shall be available only to incur new obligations for environmental restoration, property management and disposal, and other caretaker costs at closed or realigned installations and for the purpose of recording, adjusting and liquidating obligations properly chargeable to the account under Title 31, United States Code, section 1553. With the enactment of the FY 2014 NDAA (Public Law 113-66, dated December 26, 2013), the previous DoD BRAC accounts (097X0510 and 097X0512) remain as no-year accounts, and must be accounted for similarly to an expired appropriation. Unobligated balances from the 0510 and 0512 accounts were transferred to the new BRAC account (0516) in January 2014.

C. Fiscal Accounting Classification

The account classification structure for the Base Closure Account, Defense is prescribed in Volume 12, Chapter 13. Treasury Code 097X0516 has been established as a single account on the books of the Treasury to execute actions for environmental restoration, property management and disposal, and other caretaker costs for all BRAC installations.
0703 PROGRAM AND BUDGET REVIEW SUBMISSION

070301. Purpose

A. This Section prescribes instructions for the preparation and submission of budget estimates for the Base Realignment and Closure appropriation.

B. Data submitted must be consistent with the budget estimate being supported.

C. Examples of budget exhibits can be found in Section 0705.

070302. Submission Requirements

A. General Guidance. Each Service will prepare a Base Closure justification book. The justification book will include a summary BC-02 exhibit showing cost and savings data for each prior round (BRAC Parts I, II, III, IV, V) covering the six-year implementation period for that respective closure round. The Services will also prepare a continuing environmental restoration and caretaker cost exhibit (BC-04) for funds requested in the budget year. The justification book will include BC-01, BC-02, BC-03 and BC-04 exhibits organized alphabetically by state only for those recommendations requesting budget year funding. Environmental Exhibits, BRAC ENV-30 will be submitted separately and not included in the bound justification book. These exhibits will be included in the Component’s Environmental Summary justification material as mentioned in Chapter 13. For Base Closure Account-Part I, the summary BC-02 will include cost and savings data for FY 1990 through FY 1995. For Base Closure Account-Part II, the summary BC-02 will include cost and savings data for FY 1992 through FY 1997. For Base Closure Account-Part III, the summary BC-02 will include cost and savings data for FY 1994 through FY 1999. For Base Closure Account-Part IV, the summary BC-02 will include cost and savings data for FY 1996 through FY 2001. For Base Closure Account-Part V, the summary BC-02 will include cost and savings data for FY 2006 through FY 2011. Section 0705 contains sample exhibits BC 01 through BC 04 and ENV-30 for use in preparing justification material. Included in the sample exhibits are instructions pertaining to the substance and format of the information to be displayed.

B. Base Realignment and Closure Service Overview Exhibit (BC-01). Each Service will prepare an overview exhibit (BC-01), as described in section 070502, for the Base Closure-Account summarizing by fiscal year, the names and locations of the affected bases, and how much funding in the DoD Base Closure Account will be requested in that fiscal year. The BC-01 should separately identify the amount of funds expended for environmental restoration and caretaker functions at installation closed under prior rounds of base closure. The overview will also address mission impact and environmental considerations affecting closures and realignments.

C. Base Realignment and Closure Cost and Saving Exhibit (BC-02). Each Service will prepare a summary BC-02 Exhibit, as described in section 070502, showing costs and savings data for each round of closure. Continuing environmental restoration and caretaker costs after the implementation period for all BRAC rounds will be separately displayed on the BC-04 exhibit as described below. BRAC saving estimates reported in Exhibit BC-02 must be based on
the best projection of what savings will actually accrue from approved realignments and closures. Prior year estimated savings must be updated to reflect actual savings when available.

D. Base Realignment and Closure Package Description Exhibit (BC-03). Each Service will prepare a short narrative exhibit (BC-03), as described in section 070502, for each recommendation, for which funding is requested, describing the actions necessary to complete the realignment or closure at that location.

E. Continuing BRAC Environmental Restoration and Caretaker Cost Exhibit (BC-04). Each Service will prepare a summary continuing environmental and caretaker cost exhibit for all BRAC funding as well as a recommendation specific exhibit (for recommendations requiring funding in the budget year), as described in Section 0705.

F. Base Realignment and Closure Environmental Exhibits. Each service will prepare environmental progress and funding by priority exhibits BRAC ENV-30 as provided in section 070502 below. These BRAC environmental exhibits include requirements by relative risk category and each phase of environmental restoration, as well as requirements for environmental compliance and planning. These exhibits will be prepared for the President’s Budget and included in the Component’s justification material for Environmental Restoration as provided in Chapter 13. The totals for these exhibits will match the Environmental totals submitted in the BC-01.

G. Budget Submission. Coincident with the hard copy submission of the Base Closure budget estimates, Military Departments and Defense Agencies, as applicable, will submit budgetary data via the Automated Construction Program Database as described in Volume 2, Chapter 1, paragraph 010504.

0704 CONGRESSIONAL JUSTIFICATION/PRESENTATION FOR BRAC

070401. Purpose

This Section presents the justification book organization and the exhibit requirements for submission to Congress for the BRAC account. Examples of budget exhibits can be found in Section 0705, below and reflect those addressed in Section 0703, above.

070402. Organization of Justification Books for BRAC (Incorporating Prior Rounds of BRAC, Parts I, II, III, IV, V)

A. Justification material consolidated into a single volume entitled:

Department of Defense Base Closure Account

B. The justification book will be organized as shown below.
ORGANIZATION/EXHIBIT REQUIREMENTS FOR PRIOR ROUND BRACS

Organization

I. Table of Contents
II. Base Realignment and Closure Overview Exhibit BC-01
III. Financial Summary Continuing BRAC Environmental Restoration and Caretaker Costs Exhibit BC-04

IV. Financial Summary BRAC I Exhibit BC-02
V. Financial Summary BRAC II Exhibit BC-02
VI. Financial Summary BRAC III Exhibit BC-02
VII. Financial Summary BRAC IV Exhibit BC-02
VIII. Financial Summary BRAC V Exhibit BC-02
IX. Base Realignment and Closure Cost and Savings Data Exhibit BC-02 by Recommendation
X. Base Realignment and Closure Continuing BRAC Environmental Restoration and Caretaker Costs Exhibit BC-04 by Recommendation
XI. Base Realignment and Closure Package Description Exhibit BC-03 by Recommendation

0705 BASE REALIGNMENT AND CLOSURE APPROPRIATION SUBMISSION FORMATS for the BRAC Account

070501. Purpose

The formats provided on pages 7-13 through 7-22 reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to for the BRAC Account budget submissions.

070502. Exhibits in Support of BRAC

BC-01 BRAC Service Overview ................................................................. 7-14
BC-02 BRAC Implementation Costs ....................................................... 7-15
BC-03 BRAC Package Description .......................................................... 7-17
BC-04 Continuing BRAC Environmental Restoration and Caretaker Costs ............. 7-19
BRAC ENV-30 ......................................................................................... 7-20
INSTRUCTIONS FOR PREPARATION OF EXHIBIT BC-01
"FY ____ BASE REALIGNMENT AND CLOSURE DATA"
19__ COMMISSION

Service Overview

Plan: Summarize by fiscal year, the names and locations of the affected bases, and how much of the DoD Base Closure Account will be expended in the fiscal year. Discuss possible problems in meeting the schedule.

Mission Impact: Describe possible mission impact in completing the realignment/closure.

Environmental Considerations: Describe potential problems in closing an installation due to the complexity in cleaning up environmental wastes and hazards.

Address any other items/issues appropriate for the overview section.
BASE REALIGNMENT AND CLOSURE ACCOUNT - 19__ COMMISSION 1/

(dollars in 3/)

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EXHIBIT BC-02 BRAC Implementation Costs
(Page 1 of 2)
**BASE REALIGNMENT AND CLOSURE ACCOUNT - 19__ Commission 1/**

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2/ Identification, e.g., DoD Financial Summary, Army Summary or Pease AFB Package, etc.
3/ Dollars in thousands.

EXHIBIT BC-02 BRAC Implementation Costs

(Page 2 of 2)
BASE REALIGNMENT AND CLOSURE
19__COMMISSION
PACKAGE DESCRIPTION

Service/Location/Package: Cross-reference to standard terminology employed in the Commission’s report.

Closure/Realignment Package: Brief description of the actions necessary to complete the realignment or closure at this location. A package is defined as all actions, costs and savings associated with the closing or realignment of a base or installation as recommended by the Commissions. Include how the physical plant will be affected and the missions that must be terminated or transferred to other locations. Reflect planning and design and management overhead costs in a separate package covering, overall one-time implementation cost. All military construction savings should also be addressed in this same package.

Costs:

Military Construction: New facilities that must be constructed to accommodate a realignment or closure action. List the construction projects associated with the package as follows:

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<th>Location/Project Title</th>
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Subtotal for Each Fiscal Year

Family Housing Construction: Specify the number of units and location. As with military construction, list each family housing construction project.

Family Housing Operations: The one-time family housing operations costs associated with package implementation.

Operation and Maintenance: Includes PCS of civilian personnel, civilian severance costs, transportation of things, RPM and other one-time implementation costs as a result of closure or realignment. Program management costs should also be addressed, but only in the separate package covering overall one-time implementation costs.

EXHIBIT BC-03 BRAC Package Description
(Page 1 of 2)
Procurement Items: Items normally funded from procurement appropriations.

Revenues From Land Sales: Provide statistics and narrative to adequately describe the land being proposed for sale. Describe the method and date of appraisal.

Environmental: Indicate the environmental restoration actions that will occur at both the losing and gaining locations, the funding requirements and status of all such restoration actions.

Savings: Demonstrated savings that will accrue from the partial or complete closure of the base.

Military Construction: To be addressed in the single package addressing overall/program management costs.

Family Housing Construction: Self-explanatory.

Family Housing Operations: Savings (offset by increased recurring costs).

Operation and Maintenance: One-time and recurring savings (offset by increased recurring costs) in civilian personnel, base operations, and other costs as a result of closure or realignment. Be specific as to the category,

Military Personnel: One-time and recurring savings (offset by increased recurring costs) in military personnel as a result of closure or realignment. Be specific as to the category.

Other: Self-explanatory.
### BASE REALIGNMENT AND CLOSURE ACCOUNT
Continuing Environmental restoration and Caretaker Cost

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**CONTINUING ENVIRONMENTAL AND CARETAKER COSTS:**
- Environmental
- Operation and Maintenance
- Homeowners Assistant Program

**TOTAL COSTS**
- Revenues From Land Sales(-)
- Budget Authority Request

---

1/ Identification, e.g., DoD Financial Summary, Army Summary or Pease AFB Package, etc.
2/ Dollars in thousands
3/ Reflect Prior Year (PY), Current Year (CY), Budget Year (BY) and FDYP for Program/Budget submission. Reflect PY & BY for President’s Budget Submission
4/ Total = PY through BY+4

---

Exhibit BC-04 Continuing BRAC Environmental Restoration and Caretaker Costs
Instructions

1) The new ENV 30 exhibit replaces the former ENV 30 Part 1 DERA and BRAC Funds Budgeted for Environmental Clean-Up Program Management and Support and the former ENV 30 Part 2 DERA and BRAC Funds for Environmental Clean-Up Project Management. The new ENV 30 captures funding for DERP-eligible activities at IRP sites, MRSs, and BD/DR sites, including site-specific requirements and program management; funding for BRAC Planning and Compliance activities; funds generated from the sale of real property; obligations of prior year BRAC funds; and the number sites funded or to be funded with the total obligatory authority (TOA) for the activity in the applicable fiscal year.

2) Provide by DoD Component (Active, Defense Agency/Defense Wide, and BRAC), the total costs (TOA) and total number of sites funded or to be funded with TOA by Fund Source, Activity Category and Activity for fiscal years 20XX (budget year) through 20XX (end of FYDP) and the balance to completion (i.e., beyond the FYDP).

3) Report TOA in $K (thousands) and the total number of sites in actual numbers. DO NOT report sites in thousands.

4) Only the Army will report Formerly Used Defense Sites (FUDS) data.

5) For Fund Sources "BRAC Planning" and "BRAC Compliance", provide the number of installations in lieu of the number of sites. For Fund Sources "Environmental Restoration-Management", "BRAC-Management", "BRAC-Land Sale Revenue", and "BRAC-Prior Year Funds", the reporting of the total number of sites is not required.

6) BRAC funding sources include both Legacy BRAC (BRAC Rounds I through IV) and BRAC 2005. For the POM/budget estimate and President’s Budget submissions, provide separate breakouts of the funding for Legacy BRAC and BRAC 2005 in a Word document accompanying the ENV 30 exhibit (see #11 in the Instructions section for more information about the Word document).

7) Include land sale revenue and prior year BRAC funds applied to each applicable activity in the TOA. Report the total amount of land sale revenue and prior year BRAC funds applied to all activities against the “Land Sale Revenue” and “Prior Year Funds” Fund Sources; SNaP will deduct these amounts from the BRAC totals to calculate the BRAC appropriated funding.

8) Program adequate resources in each year of the FYDP to achieve program goals.

9) Provide to the DUSD(I&E) (in accordance with DUSD(I&E) data call schedules) updated DERP data for each site regarding status, schedule, and CTC, as required by DoDI 4715.07.

10) Ensure the Program/budget estimate and President’s Budget submissions contain sufficient funding to annually update the inventory of defense sites that are known or suspected to contain UXO, DMM, or MC, as required by section 2710(a) of title 10 U.S.C. and as specified in DoDM 4715.20.

11) Provide a narrative in a Word document that includes the following information:
   a) A list of installations at which the Agency for Toxic Substances and Disease Registry (ATSDR) performed/will perform health assessments or health studies for fiscal years fiscal years 20XX (budget year) through 20XX (end of FYDP) and the balance to completion. Include the number of health
assessments and health studies planned each year.

b) The number of installations by state that received/will receive funding for the Defense State Memorandum of Agreement (DSMOA) program for fiscal years 20XX (budget year) through 20XX (FYDP) and the balance to completion. Include the amount of funding planned for each year.

c) An explanation of any significant fluctuations (i.e., 25% or more) in the funding for current year and budget year as compared to the funding for budget year in the previous year’s Program/budget estimate and Presidents Budget submissions.

d) An explanation of any significant program increases or decreases (i.e., 25% or more) from current year to budget year.

e) An itemized list of “Other” program management requirements and funding amounts by fiscal year.

f) A list of sites where the CTC estimate is truncated at 30 years.

g) An explanation of program increases and decreases; reprogramming actions; cost recovery; and the use of prior year funds for cleanup work at BRAC installations.

12) See Appendix A on the SNaP Web site for reporting requirements for your organization.

Definitions

Class: System Field: Classification
C: CONFIDENTIAL
C/NF: CONFIDENTIAL//NOFORN
F: FOR OFFICIAL USE ONLY
S: SECRET
S/NF: SECRET//NOFORN
U: UNCLASSIFIED

FUDS: Closed List. Used by Army to identify FUDS data.
No:
Yes:

DoDComponent: Closed List. Identifies the Military Department or Defense Agency whose data are presented on the exhibit. For the Military Departments, report by Active (including Guard and Reserve) and BRAC. The Defense Agencies should select “Defense Agency/Defense Wide.” The Army will report FUDS.

Active: Used by the Military Departments and includes Active Guard and Reserve Components
BRAC: Used by Military Departments to report BRAC

FundSource:

BRAC-Compliance: Funded by the Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. See DoDI 4715.6.
BRAC-IRP: Funded by the Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Identifies funding associated with sites that require response actions to address releases of hazardous substances and pollutants or contaminants; POLs (subject to the exception in subparagraph 2.a.(2)(b) of DoDM 4715.20); hazardous wastes or hazardous waste constituents; and explosive compounds released to soil, surface water, sediment, or groundwater as a result of ammunition or explosives production or manufacturing at ammunition plants; as well as response activities to address UXO, DMM, or MC posing an explosive, human health, or environmental hazard that are incidental to an existing IRP site.

BRAC-Land Sale Revenue: Identifies funds recovered from the sale of real property and used to offset cleanup funding requirements.

BRAC-Management: Funded by the Base Realignment and Closure environmental sub-accounts within the
MILCON appropriation. Identifies administrative and overhead funding associated with the DERP that cannot be attributed to individual sites (e.g., manpower).

**BRAC-MMRP:** Funded by the Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Identifies funding associated with sites (referred to as MRSs) that are known or suspected to contain UXO, DMM, or MC. This sub-element does not include funding for operational ranges, operating storage and manufacturing facilities, and munitions resulting from combat.

**BRAC-Planning:** Funded by the Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. See DoDI 4715.9.

**BRAC-Prior Year Funds:** Identifies funds obligated/to be obligated from prior year BRAC appropriations.

**Environmental Restoration-IRP:** Funded by Environmental Restoration appropriations. Identifies funding associated with sites that require response actions to address releases of hazardous substances and pollutants or contaminants; POLs (subject to the exception in subparagraph 2.a.(2)(b) of DoDM 4715.20); hazardous wastes or hazardous waste constituents; and explosive compounds released to soil, surface water, sediment, or groundwater as a result of ammunition or explosives production or manufacturing at ammunition plants; as well as response activities to address UXO, DMM, or MC posing an explosive, human health, or environmental hazard that are incidental to an existing IRP site. Also identifies funding associated with the demolition and removal of unsafe buildings and structures and the removal of unsafe debris in accordance with the DERP general eligibility requirements in subparagraph 2.a.(2)(f) of DoDM 4715.20.

**Environmental Restoration-Management:** Funded by Environmental Restoration appropriations. Identifies administrative and overhead funding associated with the DERP that cannot be attributed to individual sites (e.g., manpower).

**Environmental Restoration-MMRP:** Funded by Environmental Restoration appropriations. Identifies funding associated with sites (referred to as MRSs) that are known or suspected to contain UXO, DMM, or MC. This sub-element does not include funding for operational ranges, operating storage and manufacturing facilities, and munitions resulting from combat.

**Activity/Category:** Closed List. The environmental activity category supporting the fund source.

**Compliance:**
**Investigation:**
**Land Sale Revenue:**
**Management:**
**Planning:**
**Post RA:**
**Prior Year Funds:**
**Remedial Action (RA):**

**Activity:** Closed List. The environmental activity associated to the activity category.

**ATSDR:** Captures funding requirements for ATSDR.

**Building Demolition/Debris Removal:** Refers to the demolition and removal of unsafe buildings and structures and the removal of unsafe debris in accordance with the DERP general eligibility requirements in subparagraph 2.a.(2)(f) of DoDM 4715.20.

**Compliance:** Refers to activities associated with closure-related procedures necessary to achieve compliance with applicable Executive Orders and Federal, State, inter-state, regional, and local statutory and regulatory environmental requirements at BRAC installations.

**DSMOA:** Captures funding requirements for the DSMOA program.

**EPA Funding:** Captures requirements for payments to the U.S. Environmental Protection Agency (EPA) for support at Legacy BRAC installations per the memorandum of understanding with EPA.

**Interim Remedial Actions:** Refers to the interim remedial action (IRA) phase of cleanup. The IRA is a remedial action undertaken prior to the selection of the final remedy as a part of a larger remedy.
**Land Sale Revenue:** Identifies funds recovered from the sale of real property and used to offset cleanup funding requirements.

**Long-Term Management:** Refers to the long-term management (LTM) phase of cleanup. LTM involves environmental monitoring, review of site conditions, and maintenance of a remedial action to ensure continued protection as designed once a site achieves RC. LTM includes the operations and maintenance measures required to maintain the effectiveness of response actions. LTM should be used until no further environmental restoration response actions are appropriate or anticipated.

**Manpower:** Captures funding requirements for all recurring government (civilian and military manpower costs) and contractor costs applicable to the management of the environmental cleanup program but not directly attributable to sites.

**Other:** Captures all other administrative and overhead funding associated with the DERP that cannot be attributed to individual sites.

**Planning:** Refers to activities associated with the process of identifying and considering environmental factors that impact on, or are impacted by, planned DoD activities or operations at BRAC installations.

**Potentially Responsible Parties:** Refers to a site where DoD pursues a potentially responsible party when associated with the Investigation activity category. Refers to activities at a site where DoD may bear potential liability for hazards or hazardous substance releases along with other parties when associated with the RA activity category.

**Preliminary Assessment/Site Inspection:** Refers to the preliminary assessment (PA) and site inspection (SI) phases of cleanup. The PA is a review of existing information about a release such as information on pathways of exposure, exposure targets, and source and nature of release. The SI builds upon the PA and involves, as appropriate, on- and off-site field investigatory efforts including sampling.

**Prior Year Funds:** Identifies funds obligated/to be obligated from prior year BRAC appropriations.

**Project Closeout:** Refers to project closeout (PCO). PCO involves the shutting down/dismantling of remedial actions, seeking regulator concurrence, and closeout reports.

**RABs/Community Relations:** Captures funding requirements for support to restoration advisory boards and other community relations activities.

**Remedial Action Construction:** Refers to the remedial action construction (RA-C) phase of cleanup. The RA-C represents the period of time during which a response action is being implemented, but is not yet operating as designed. At the end of this phase of work, a remedy is in place.

**Remedial Action Operations:** Refers to the remedial action operation (RA-O) phase of cleanup. The RA-O represents the period of time that a selected remedy must operate before achieving remedial action objectives. At the end of this phase of work, the response is complete.

**Remedial Design (including Records of Decision/Decision Documents):** Refers to the remedial design (RD) phase of cleanup. The RD involves the development of the actual design of the selected remedy.

**Remedial Investigation/Feasibility Study:** Refers to the remedial investigation (RI) and feasibility study (FS) phases of cleanup. The RI involves collecting data to characterize site conditions, determine the nature of the waste, assess risk to human health and the environment, and conduct treatability testing to evaluate the potential performance and cost of the treatment technologies that are being considered. The FS is the mechanism for the development, screening, and detailed evaluation of alternative remedial actions.

**ResourceType:** Closed List. The type or resources (TOA or Number of Sites/Installations) associated to the Fund Source.

**Sites:** Total number of sites funded or to be funded for the activity with the TOA.

**TOA:** Total funding required to complete the activity.

**Business Rules**

1) For Fund Sources "Environmental Restoration-Management", "BRAC-Management", "BRAC-Land Sale Revenue", and "BRAC-Prior Year Funds", the reporting of the total number of sites is not required.
2) Only Army will provide "FUDS" data.

3) For DoDComponent "Active" the activity "EPA Funding" is not required when Funding Source Environmental Restoration-Management and Activity Category "Management" are selected.

Data Matrix: DoDComponent, FundSource, ResourceType Relationship
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**Subject Matter Experts:** For questions regarding this exhibit, please submit a SIRS Functional issue in SNaP, or contact the Subject Matter Expert. A list of SMEs is available in SNaP by clicking the SME link on the Instructions/Data Requirements page.

**Technical Issues:** To report technical issues with the SNaP web site, please submit a SIRS Technical issue in SNaP, or contact the Technical Staff. A list of the SNaP Technical personnel is available on the SNaP Home page.
VOLUME 2B, CHAPTER 8 “FACILITIES SUSTAINMENT AND RESTORATION/MODERNIZATION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2013 is archived.

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CHAPTER 8

FACILITIES SUSTAINMENT AND RESTORATION/MODERNIZATION

0801  GENERAL

080101.  Purpose

A.  This chapter provides instructions applicable to budget formulation and congressional justification for Facilities Sustainment and Restoration/Modernization (FSRM).

B.  The following appropriations and accounts are covered:

Section 0802

- Operation and Maintenance Appropriations
- Research, Development, Test, and Evaluation Appropriations
- Defense Working Capital Funds
- Military Construction
- Other Funds

Section 0804

- Transfer or Disposal of DoD Real Property
- Lease of DoD Real Property

Section 0805

- DoD Overseas Military Facility Investment Recovery Account

080102.  Submission Requirements

Volume 2, Chapter 1 provides general guidance on the formulation and submission of the budget requests to the Office of the Secretary of Defense for the program and budget review submission and the presentation and justification of the budget requests to Congress. Chapter 8 provides specific additional back-up material requirements for the above Facilities Sustainment and Restoration/Modernization accounts.
080103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 8 provides additional specific guidance with regard to the back-up material required for Facilities Sustainment, Restoration and Modernization.

080104. References


080105. Definition of Sustainment and Restoration/Modernization

A. Sustainment means the maintenance and repair activities necessary to keep an inventory of facilities in good working order. It includes regularly scheduled adjustments and inspections, preventive maintenance tasks, and emergency response and service calls for minor repairs. It also includes major repairs or replacement of facility components (usually accomplished by contract) that are expected to occur periodically throughout the life cycle of facilities. This work includes regular roof replacement, refinishing of wall surfaces, repairing and replacement of heating and cooling systems, replacing tile and carpeting, and similar types of work. It does not include environmental compliance costs, facility leases, or other tasks associated with facilities operations (such as custodial services, grounds services, waste disposal, and the provision of central utilities).

The DoD facilities sustainment model (FSM) is used as the standardized model for forecasting facilities sustainment resource requirements. The FSM uses the following formula to develop the sustainment requirement:

1. \[ \text{Annual sustainment requirement} = \text{facility quantity} \times \text{sustainment unit cost} \times \text{location factor} \times \text{inflation} \]

2. \( \text{Facility quantity} \) - the facility size expressed in the Facility Analysis Category (FAC) unit of measure (such as square feet).

3. \( \text{Sustainment unit cost} \) – the average annual unit cost (in current year dollars) for sustaining the average size facility in the given FAC.

4. \( \text{Location factor} \) – a location adjustment based upon the local costs for labor, equipment, materials, and currency exchange rates (overseas) compared with an overall base-city average.

5. \( \text{Inflation} \) – factor to adjust current year prices to the target future year.
The Department uses a sustainment metric which is the comparison of sustainment funding to the requirement for a given year, expressed as a rate.

6. \textit{Sustainment rate (\%)} = \frac{\text{sustainment funding}}{\text{FSM requirement}}:

B. Restoration means the restoration of real property to such a condition that it may be used for its designated purpose. Restoration includes repair or replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes.

C. Modernization means the alteration or replacement of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years (such as the framework or foundation).

D. Recapitalization means the major renovation or reconstruction activities (including facility replacements) needed to keep existing facilities modern and relevant in an environment of changing standards and missions. Recapitalization extends the service life of facilities or restores lost service life. It includes restoration and modernization of existing facilities, as well as replacement of existing facilities with new.

Plant replacement value (PRV) is used as a common measure of facility and inventory size, as well as the basis for generating facility condition index (FCI) values and estimating recapitalization requirements. The DoD standardized formula for calculating PRV is:

\begin{align*}
\text{Plant Replacement Value} &= \text{facility quantity} \times \text{replacement unit cost} \times \text{location factor} \times \text{planning & design (P&D) factor} \times \text{historical factor} \times \text{contingency factor} \times \text{SIOH} \times \text{inflation} \\
\text{2. Facility quantity} & \quad \text{the facility size expressed in the FAC unit of measure (such as square feet)} \\
\text{3. Replacement unit cost} & \quad \text{the average annual unit cost (in current year dollars) for constructing the average size facility to current standards in the given FAC} \\
\text{4. Location factor} & \quad \text{a location adjustment based upon the local costs for labor, equipment, materials, and currency exchange rates (overseas) compared with an overall base-city average} \\
\text{5. P&D factor} & \quad \text{an adjustment to account for typical project planning and design costs} \\
\text{6. Historical factor} & \quad \text{an adjustment for historical architecture and materials (when applicable)}
\end{align*}
7. **Contingency factor** – an adjustment for typical contingency costs during construction

8. **Supervision, Inspection, and Overhead (SIOH)** – an adjustment for supervision, inspection, and overhead costs associated with construction management

9. **Inflation** – factor to adjust current year prices to the target future year

080106. Facilities Data Quality Assurance (FDQA)

A. The Facilities Data Quality Assurance website was implemented to improve the quality of facilities data used by the Department in its PPBE process, and it displays the data sources of record for all facilities data reporting. This application integrates and displays facilities data submitted by the Components to OSD via Program Resources Collection Process (PRCP), the Standard Data Collection System (SDCS), and Select and Native Programming (SNaP) systems. The data within the FDQAW subsequently produce facilities sustainment metric displays which are displayed in the performance criteria of the OP-5, Detail by Subactivity Group.

B. Components must ensure O&M exhibits are consistent with the PRCP and SDCS data submissions. Verification of the accuracy of the data contained within the FDQA application must be completed PRIOR to the final lock of these databases for preparation of the Program/Budget Review and President’s Budget materials.

C. Standard operating procedures for the FDQA can be found at https://dpd.pae.osd.smil.mil.

080107. Data Displays

Facility Sustainment, Restoration and Modernization exhibits must be consistent. The following list should be used as a reference for validating data:

- OP-5 Detail by Subactivity Group (Facility Sustainment, Restoration and Modernization)
- OP-32 Automated submission
- O-1 O&M funding by Budget Activity/Activity Group/Subactivity Group
- Facilities Data Quality Assurance application

To the extent a Component submits different estimates in any of the preceding displays; the automated OP-32 will serve as the prevailing display for O&M resources. For Defense Agencies, the object sub-class 923 will serve as the prevailing estimate.
0802 PROGRAM AND BUDGET REVIEW SUBMISSION

080201. Purpose

A. This Section prescribes instructions for the preparation and submission of budget estimates for Facilities Sustainment, Restoration and Modernization requirements.

B. Guidance covers all Facilities Sustainment and Restoration/Modernization (FSRM) costs. Facilities Sustainment and Restoration/Modernization include all recurring maintenance and repair projects costs, real property renovation project costs, and planning and design costs associated with projects; providing funding support to maintain, repair, and modernize buildings, structures, roadways, aprons, railway trackage, utility plants, distribution systems, and other real property.

C. Program funding submitted in Component justification materials must correspond to funding levels identified in the Facilities Sustainment and Restoration/Modernization Program Elements.

D. When budgeting for facilities sustainment and restoration/modernization, Components will consider the anticipated levels of military personnel monies that fund part of the labor for facilities sustainment and restoration/modernization. As appropriate, components will adjust the levels of either operations and maintenance or military construction funding for either facilities sustainment or facilities restoration/modernization to recognize the contribution of military personnel funds that help maintain the Department’s facilities. When determining the military personnel contribution Components must use the method documented on page 12 of the Facilities Recapitalization Metric Front-End Assessment Report, dated August 2002. Additionally components must, for considering the affect of military personnel funds on operation and maintenance and military construction accounts, use the same personnel allocation information and cost rates they provide for the FYDP.

E. When budgeting for facilities sustainment, Components will consider the anticipated levels of Host Nation Support monies and Non-Federal Domestic Facilities Contributions that will be available to reduce the need for appropriated facilities sustainment funding. Components must identify in the FYDP the anticipated levels of both Host Nation Support monies and Non-Federal Domestic Facilities Contributions that are expected to fund facilities sustainment. Specifically, these funds must be booked in the appropriate FYDP facilities sustainment program elements using Resource Identification Code 0800.

F. When budgeting for facilities sustainment and restoration/modernization, Components will consider the anticipated levels of Defense Working Capital Fund (DWCF) monies that fund facilities sustainment and restoration and modernization. Components must identify DWCF facilities sustainment and facilities restoration/modernization funds in the appropriate FYDP facilities sustainment and facilities restoration/modernization program elements. Additionally, as appropriate, Components will adjust the levels of appropriated funding for either facilities sustainment or facilities restoration/modernization to recognize the contributions of DWCF monies that help maintain the Department’s facilities.
When budgeting for facilities sustainment and restoration/modernization, Components will consider the anticipated levels of RDT&E monies that fund facilities sustainment and restoration/modernization. Components must identify RDT&E facilities sustainment and facilities restoration/modernization funds in the appropriate FYDP facilities sustainment and facilities restoration/modernization program elements. Additionally, as appropriate, components will adjust the levels of either operations and maintenance or military construction funding for either facilities sustainment or facilities restoration/modernization to recognize the contribution of RDT&E funds that help maintain the Department’s facilities.

Submission Requirements

A. General Guidance: All Components (i.e., active forces, defense agencies, National Guard and reserve forces) shall submit the OP-5 Attachment 4: Facilities Sustainment, Restoration and Modernization (FSRM), and Demolition justification data to support budget estimates for Facilities Sustainment, Restoration and Modernization, in a separate bound attachment (see Chapter 3, Section 030201). Two copies of this attachment will be delivered to: Military Personnel & Construction Directorate, Program/Budget, OUSD(Comptroller) Room 3C654, Pentagon, on the same date as all other submissions required for O&M Appropriations. The OP-5 subtotal levels for a) sustainment, b) restoration and modernization, and c) demolition must correspond to funding levels identified in the Facilities Data Quality Assurance website.

NOTE: As demolition can be identified separately by program element, it should be broken out as such whenever the other two elements are separated, and it should be noted that it’s included when it’s part of the total.

B. Military and civilian personnel costs will include only those personnel assigned in support of FSRM accounts. It will include those personnel performing planning and design functions for both projects and installation FSRM surveys and FSRM master planning, but will exclude those involved in other base operating services or support services.

C. The format for the OP-5 exhibit is in Volume 2A, Chapter 3, section 0304 of this regulation.

Preparation of Material

All material will be provided on 8-1/2 inch by 11 inch size paper, and bound on the long side. All narrative data will be typed across the short dimension of the paper, while exhibits will be typed across the long dimension.

CONGRESSIONAL JUSTIFICATION/PRESENTATION

General

Components are required to conform to the PBD approved funding levels when submitting final budget exhibits to Congress.
080302. Organization of Justification Books

See chapters covering specific appropriation (Operation and Maintenance - Chapter 3, RDT&E Chapter 5).

0804 REVENUE FROM TRANSFER OR DISPOSAL OF DoD REAL PROPERTY AND REVENUE FROM LEASING OUT OF DOD ASSETS

080401. General

Section 572 of 40 U.S.C. and Section 2667 of 10 U.S.C. provide for the receipt of proceeds from the disposal or lease of DoD real property and prescribe the use of these funds.

080402. Revenue From Transfer or Disposal of DoD Real Property (40 U.S.C. 572)

When revenue from the transfer or disposal of DoD Real property is received, there is a statutory requirement to identify each transfer and disposal made during the fiscal year, including a detailed explanation of each such transfer and disposal and of the use of the proceeds received. An estimate for the current and budget year transfers or disposals should also be included.

080403. Revenue From Leasing Out of DoD Assets (10 U.S.C. 2667)

The identification of each lease entered into during the fiscal year, including a detailed explanation of each lease and amendments, and of the use of the lease proceeds that were expended is no longer required by 10 U.S.C. 2667. However, the Military Departments will still provide the total actual receipts for the prior year, and an estimate of total receipts for the current year and budget year.

080404. Deposit and Accounting Procedures

Cash receipts obtained from the transfer or disposal of real property will be deposited into the Disposal of DoD Real Property Account, 97X5188. Cash receipts obtained from leasing out of DoD assets will be deposited into the Lease of DoD Real Property, 97X5189. Accounting instructions are included in Volume 12, Chapter 14.
080405. **Funds Release Procedures**

Funds deposited into the Disposal of DoD Real Property Account, 97X5188, are available only for purposes of maintenance and repair and environmental restoration at U.S. facilities as specified in 40 U.S.C. 572. Funds deposited into the Lease of DoD Real Property Account, 97X5189, are available for: A) maintenance, protection, alteration, repair, improvement or restoration (including environmental restoration) of facilities; B) construction or acquisition of new facilities; C) lease of facilities; and/or D) facilities operation Support. The Components may request release of funding, based on verifiable deposits, by memorandum to the USD Comptroller, Director for Military Personnel & Construction.

080406. **Budget Exhibits for Congressional Submission**

The Military Departments will be complete a PB-34A Exhibit (Revenue from Leasing of DoD Real Property) and a PB-34B Exhibit (Proceeds from Disposal of DoD Real Property). Both the PB-34A and PB-34B will be included in the O&M Justification Book (Volume II) as described in Chapter 3 of Volume 2A of this regulation.

0805 **DOD OVERSEAS MILITARY FACILITY INVESTMENT RECOVERY ACCOUNT**

080501. **General**

Section 2921 of P.L. 101-510, FY 1991 National Defense Authorizations Act, established the Department of Defense Overseas Military Facilities Investment Recovery account. The purpose of the account is to collect payments from host nations for the value of new construction and improvements made by the United States at overseas military installations being returned.

080502. **Deposit and Accounting Procedures**

Cash receipts obtained from return of overseas real property and improvements to host nations will be deposited into the DoD Overseas Military Facility Investment Recovery Account, 97X5193. For accounting instructions see Volume 12, Chapter 13.

080503. **Funds Release Procedures**

Funds deposited into the DoD Overseas Military Facility Investment Recovery Account are available only for purposes of maintenance and repair and environmental restoration at U.S. facilities and maintenance and repair and environmental compliance at military facilities outside the U.S. that are anticipated to be occupied by U.S. Forces for an extended period of time. The Components may request release of funding, based on verifiable deposits, by memorandum to the USD (Comptroller), Director for Military Personnel & Construction.

080504. **Budget Estimate Submission Exhibit**

Components returning overseas military facilities to host nations that have resulted in collections to this account must complete an OP-29 exhibit. This exhibit provides information
on the cost and improvements, depreciation, residual value, and amount collected from the host nation that is necessary in accomplishing an annual report to the Congress. It also documents proposed sustainment, restoration and modernization or environmental restoration/compliance projects at military installations to be financed from the proceeds deposited into this account.

080505. Budget Execution Oversight

In accordance with paragraph 080401 of Volume 3, Chapter 8, the Military Departments and designated fund holders are required to periodically review DoD Overseas Military Facility Investment Recovery Account (DOMFIRA) commitments and obligations, whether current or dormant. Appropriate action should be taken to resolve any DOMFIRA unliquidated commitments and obligations, and minimize DOMFIRA unobligated balances resulting from prior year carryover funds.

0806 FACILITIES SUSTAINMENT and RESTORATION/MODERNIZATION FORMATS

080601. Purpose

The special formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

080602. Exhibits in Support of Section 0802 - Program and Budget Review Submission

The format for the FSRM OP-5 exhibit is in Volume 2A, Chapter 3, Section 0304.

080603. Exhibit in Support of Section 0804 - Revenue From Transfer or Disposal of DoD Real Property and Revenue from Leasing out DoD Assets: Congressional Justification/Presentation

PB-34A Revenue from Leasing Out of Department of Defense Assets
PB-34B Proceeds from Disposal of Department of Defense Real Property

080604. Exhibit in Support of Section 0805 - DoD Overseas Military Facility Investment Recovery Account: Program and Budget Review Submission

OP-29 Overseas Military Facility Investment Recovery Account
## Exhibit PB-34A: REVENUE FROM LEASING OUT OF DEPARTMENT OF DEFENSE REAL PROPERTY

**FY XXXX PRESIDENT’S BUDGET**

<table>
<thead>
<tr>
<th></th>
<th>FY PY (^1)</th>
<th>FY CY (^2)</th>
<th>FY BY (^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue from Lease of DoD Real Property</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
</tr>
</tbody>
</table>

\(^1\) Actual revenue received under 10 USC 2667, Leases: non-excess property

\(^2\) Estimated revenue under 10 USC 2667, Leases: non-excess property.
### DEPARTMENT OF

**Exhibit PB-34B: PROCEEDS FROM DISPOSAL OF DEPARTMENT OF DEFENSE REAL PROPERTY**  
**FY XXXX PRESIDENT’S BUDGET**

<table>
<thead>
<tr>
<th>(Proceeds in $ Thousands)</th>
<th>FY PY (^1)</th>
<th>FY CY (^2)</th>
<th>FY BY (^2)</th>
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<td>1. Disposal Action</td>
<td>$XX,XXX</td>
<td>XX,XXX</td>
<td>$XX,XXX</td>
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<tr>
<td>(a) <strong>Explanation of Disposal Action</strong></td>
<td></td>
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<tr>
<td>(b) <strong>Actual or Planned Use of Proceeds Generated from Disposal</strong></td>
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<tr>
<td>2. Disposal Action</td>
<td>$XX,XXX</td>
<td>XX,XXX</td>
<td>$XX,XXX</td>
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<tr>
<td>(a) <strong>Explanation of Disposal Action</strong></td>
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<td></td>
</tr>
<tr>
<td>(b) <strong>Actual or Planned Use of Proceeds Generated from Disposal</strong></td>
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</tbody>
</table>

**Total Department of____________________**

$XX,XXX       $XX,XXX        $XX,XXX       

**Instructions:** Each disposal action should be listed above with the actual or estimated proceeds in each fiscal year in thousands of dollars. For **Explanation of Disposal Action**, include the name of the location, state, and a brief description/purpose of the disposal. For **Actual or Planned Use of Proceeds Generated from Disposal**, a description of anticipated uses of proceeds as authorized in 40 USC Sec. 485 is required.

\(^1\) Actual proceeds received under 40 USC Sec. 572  
\(^2\) Estimated proceeds under 40 USC Sec. 572.
### PART A: REAL PROPERTY ASSETS DISPOSED

**Host nation providing consideration/payment**

1. **Description of facility, location, and amount received:** $XX,XXX
   
   (a) **Total amount of the investment (cost plus improvements) in the facility:** $XX,XXX
   
   (b) **Depreciated value of facility (facility cost (a) adjusted for inflation and depreciation):** $XX,XXX
   
   (c) **Explanation of any difference between amount received from host nation and the depreciated value:**

   Total payments by host nation: $XX,XXX $XX,XXX
   
   Total payments by all host nations: $XX,XXX $XX,XXX

### PART B: PROPOSED FACILITIES SUSTAINMENT, RESTORATION AND MODERNIZATION (SRM) OR ENVIRONMENTAL RESTORATION/COMPLIANCE PROJECTS AT MILITARY INSTALLATIONS PROPOSED TO BE FUNDED FROM PROCEEDS:

<table>
<thead>
<tr>
<th>State</th>
<th>Installation</th>
<th>Project Title</th>
<th>Cost (Dollars in Thousands)</th>
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<td>FY CY FY BY</td>
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<td>$XX,XXX $XX,XXX</td>
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</table>

*(Description/Justification)*

Exhibit OP-29 Overseas Military Facility Investment Recovery Account
VOLUME 2B, CHAPTER 9: “DEFENSE WORKING CAPITAL FUND BUDGET JUSTIFICATION ANALYSIS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2010 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>All</td>
<td>Complete review and revision of previous updates.</td>
<td>Update</td>
</tr>
<tr>
<td>0901</td>
<td>Section breaks added for each specific topic.</td>
<td>Update</td>
</tr>
<tr>
<td>090101</td>
<td>Identified other applicable Revolving Funds.</td>
<td>Update</td>
</tr>
<tr>
<td>090102</td>
<td>Clarified terminology and phrasing. Updated for technical correctness.</td>
<td>Update</td>
</tr>
<tr>
<td>090103</td>
<td>Section renamed and updates incorporated from the DWCF cash study.</td>
<td>Update</td>
</tr>
<tr>
<td>090104</td>
<td>Section renamed and updates incorporated for the DWCF Capital Investment Program (CIP). New restriction on Minor Construction (P.L. 112-81) and revised threshold to $250K.</td>
<td>Update</td>
</tr>
<tr>
<td>090105</td>
<td>Section renamed and clarification.</td>
<td>Update</td>
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<tr>
<td>090107</td>
<td>Section renamed, clarifications and formatting.</td>
<td>Update</td>
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<tr>
<td>090108</td>
<td>Section renamed, Standardized Rate redefined, clarifications.</td>
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<tr>
<td>090109</td>
<td>Section inserted.</td>
<td>Update</td>
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<tr>
<td>090110</td>
<td>Section inserted.</td>
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<td>090111</td>
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<tr>
<td>090112</td>
<td>Section inserted.</td>
<td>Update</td>
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<tr>
<td>0902</td>
<td>Section combined with 0903 and 0904 is eliminated.</td>
<td>Revision</td>
</tr>
<tr>
<td>090201</td>
<td>Inserted “budget justification material”.</td>
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<td>090202</td>
<td>Section 090205 combined with 090202 and eliminated.</td>
<td>Revision</td>
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<td>090203</td>
<td>Supply definitions revised, expanded and examples provided.</td>
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<tr>
<td>090204</td>
<td>Non-supply definitions expanded and revised. Some definitions moved to more applicable sections.</td>
<td>Revision</td>
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<tr>
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<td>Exhibit updates and revisions.</td>
<td>Revision</td>
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<td>Modifications allowed to exhibit formats for clarification.</td>
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CHAPTER 9

DEFENSE WORKING CAPITAL FUND BUDGET JUSTIFICATION ANALYSIS

*0901 GENERAL

090101. Purpose

This chapter highlights the policies and justification procedures underlying budget formulation for Defense Working Capital Funds (DWCF), including the Defense Commissary Agency Working Capital Fund and Building Maintenance Fund. In addition, this chapter provides guidance for the National Defense Stockpile Fund and Pentagon Renovation Maintenance Revolving Fund, where applicable. The DWCF is also referred to as the “Fund” in this chapter.

090102. Background

A. The DWCF was established to satisfy recurring Department of Defense (DoD) requirements using a buyer-and-seller approach. The customers of the DWCF are the generators of requirements and justify the need for appropriated funds to the Congress. These organizations in many instances are not the entity that executes the requirement. In some instances, the “customers” or “buyers” contract with DoD “provider” or “seller” organizations that have expertise in the service or product required, and operate under business management principles. Unlike profit-oriented commercial businesses, the DWCF goal is to break even over the long term. The DWCF establishes selling prices in the budget that are normally stabilized or fixed during execution to mitigate the impact of unforeseen fluctuations that would impact on customers’ ability to execute the programs approved by the Congress. Exceptions to stabilized prices are listed in section 090107 of this document.

B. The basic principle of the DWCF structure is to create a customer-provider relationship between military operating units and support organizations. This relationship is designed to make managers of support organizations funded through DWCF and decision-makers at all levels more cost conscious. Requiring the operating forces to pay for support they receive provides increased assurance that services supplied and paid for are actually needed.

C. Prior to the establishment of an activity under DWCF, the Secretary or Assistant Secretary of the Military Department or the Director for a Defense Agency, as applicable, shall prepare, sign, and submit a charter that sets forth the scope of the activity to the Under Secretary of Defense (Comptroller) for approval. Four criteria are used in evaluating potential activities for inclusion into the Fund. The four criteria are: 1) identification of outputs that relate to products or services provided by the business to customers; 2) establishment of a cost accounting system to collect costs of producing outputs; 3) identification of customers so that resources can be aligned with the requirements; and 4) evaluation of buyer-seller advantages and disadvantages to include assessment of the customers’ ability to influence cost by changing demand.

E. The DWCF evolved from two distinct types of activities. The first type, the Stock Funds that procured material from commercial sources and held an inventory, are now known as Supply activities. These activities sell the material to authorized customers who need the material to achieve weapon systems readiness or provide required personnel support items. The second type, known then and now as Industrial Funds, provide industrial and commercial goods and services such as depot maintenance, transportation, and research and development. Although both types of revolving funds are financed primarily by reimbursements from customers’ appropriated accounts, Supply activities use Contract Authority (CA) and Industrial Funds use Reimbursable Authority.

F. The Department of Defense expanded the use of business-like financial management practices through the establishment of the Defense Business Operations Fund (DBOF) on October 1, 1991. Building on Stock and Industrial Fund principles, cost and performance are linked and the Fund’s managers are expected to operate within cost goals established in operating and capital budgets.

G. The DBOF combined existing operations that were previously managed as individual funds into a single Treasury account. On December 11, 1996, the Under Secretary of Defense (Comptroller) reorganized the DBOF, retaining the numerous benefits and improvements resulting from the implementation of DBOF while clearly establishing each DoD Component’s responsibility for managing the functional and financial aspects of their respective DWCF activities, by creating four DoD Component Working Capital Funds: Army, Navy, Air Force, and Defense-Wide. On December 16, 1997, a separate DoD Component Working Capital Fund was established to consolidate the separate Military Departments’ commissaries into the Defense Commissary Agency effective in FY 1999.

H. Prior to FY 1992, industrially-funded activities did not receive Annual Operating Budget (AOB) funding documents. All funding authority was provided through customer orders. With the implementation of the DBOF, the Office of the Under Secretary of Defense (Comptroller) began to issue AOBs that provide official and administrative management cost goals and Contract Authority for the Capital Investment Program (CIP) for each DWCF Activity within a DoD Component. The Department has retained this process for the DWCFs.

090103. Cash Management Policy

These policy statements are for preparing the program and budget review submission.

A. Cash Management

1. In peacetime, DoD’s policy is that the Components will maintain the minimum cash balance necessary to meet both operational requirements and disbursement
requirements in support of the capital program. Cash generated from operations is the primary means of maintaining adequate cash levels. The ability to generate cash is dependent on setting rates to recover full operating costs to include prior year losses; projecting workload accurately; and meeting established operational goals.

2. Cash management is an integral part of operational and cost management. Managers at each DoD Component Working Capital Fund are responsible for cash management. The Department strongly encourages the Component Working Capital Funds’ management to require each subordinate activity to maintain a cash balance sufficient for its requirements as part of the managers’ responsibility for control of and accountability for their operations.

3. Any transfers of cash between DWCF activities, whether directed internally by the Components or as the result of audit, Departmental guidance, or congressional direction, will be included in all the affected DWCF Activities’ budgets (Fund-13, “Cash Management Plan”). Transfers between DoD Component Working Capital Funds (e.g., Army to Air Force) or between the DWCF and appropriation-funded activities are 1) subject to transfer notice requirements in the annual DoD Appropriations Act general provisions and section 2208(r) of Title 10, and 2) require congressional approval by the Defense oversight committees.

4. The major points included in the policy are:

   a. Effective cash management is directly dependent on the availability of accurate and timely data on cash levels and operational results.

   b. Activities should budget to achieve an operating cash level sufficient to maintain a positive cash balance throughout the budget year. Each DoD Component shall establish an operating cash target measured in days of operating cash. Calculate days of available cash as follows: Divide the total operating budget disbursements for 2 fiscal years (current year plus 1) by available workdays in those fiscal years as documented in OMB Circular A-11. Multiply the result by the number of days of cash desired. Add the projected disbursements for 6 months of Capital Investment Program Outlays, calculated by dividing the total projected capital disbursements for the fiscal year in half. The Services/Agencies may add the following adjustments to the cash level calculated above if approved by the Director, Revolving Funds.

      (1) Accumulated Operating Results (AOR) Retention – The AOR Retention represents the amount planned for return to customer accounts via downward rate adjustments. The AOR line of the Exhibit Fund-14, “Revenue and Costs,” in the approved budget submission constitutes the basis for the adjustment. Services/Agencies can plan for the return of AOR in a single year or over 2 years. Single year AOR return will add the full amount of the return to ensure availability of cash; 2-year AOR returns will add one-half of the AOR amount shown on the Fund-14 exhibit.

      (2) Unliquidated Direct Appropriation (UDA) – The UDA represents funds appropriated directly to a Service/Agency Working Capital Fund that are
obligated in the year received but may not fully liquidate until future years. The UDA adjustment will reflect the amount of direct appropriations that remains unliquidated. Components will phase the expected disbursements of the UDA in accordance with the approved Department of Defense Outlay Rates (as a percent of budget authority) as displayed in the prior year’s Financial Summary Tables of the Department of Defense Budget submission. Components will use the Other Procurement outlay rate applicable to their organization. The UDA phase plans will accompany the submission of a Component’s Exhibit Fund-13, “Cash Management Plan.”

(3) Commodity/Market Adjustment (CMA) – The CMA is the marginal cash that will be required to re-purchase goods or services from the commodity/business market at a higher price than was budgeted in the current year’s President’s Budget. The CMA will reflect the cash impact of the specified market fluctuation.

(4) Other Adjustments – Other adjustments to the budgeted operating cash level may be submitted in the Budget Estimate Submission, subject to approval on a case-by-case basis in the decision document process.

c. Components will develop cash plans, incorporating collections, disbursements, direct appropriations, and other cash transactions based on Component estimates, to facilitate the cash management process. This annual plan will be initially developed during the budget process and will be an integral part of the budget document (Exhibit Fund-13, “Cash Management Plan”).

d. In addition, Components will monitor execution using a monthly phasing analysis of collections and disbursements. This monthly execution review will lead to increased management attention in reducing costs, emphasizing timely billing, collecting revenue, and disbursing cash.

e. Components must be able to reconcile and explain variances between cash balances and AOR. In addition to explaining variances based on operations, Components must also explain non-operational events (e.g., transfers or Capital outlays in excess of depreciation expense) that affect cash and reflect them in the Revenue and Cost Statement (Exhibit Fund-14, “Revenue and Costs”).

5. Managers will use Advance Billing of Customers only to avoid Anti-Deficiency Act Violations. Prior to issuing an advance billing, Components must obtain approval from the Under Secretary of Defense (Comptroller) and comply with section 2208 of Title 10 U.S.C., which, in paragraph (l), stipulates that advance billings for the Defense Working Capital Funds may not exceed $1.0 billion in any year and requires that the Secretary of the Military Department notify Congress within 30 days after issuing an advance billing. Components must provide a copy of the congressional notification letter to the Director, Revolving Funds.

6. Cash management is an integral part of DWCF activity management. The DoD Components maintain operational control of actions taken by each
DWCF activity that result in cash disbursements and collections. Decentralizing cash management to the respective activities will provide the DoD Components additional control of and responsibility for their operations and require each management level to participate in the execution of the policy to improve the management of DWCF cash.

B. **Operating Budget.** The operating budget contains the annual operating costs of an activity or Component, including depreciation and amortization expenses. To minimize costs within DWCF activities, all goods and services should be purchased from the source that provides them at the least cost unless there are other considerations such as mobilization or readiness. Direct, indirect production, and overhead costs are to be included in the evaluation when comparing costs of organic or commercial sources.

090104. **Capital Investment Program (CIP) Policy**

These policy statements address preparation of the program and budget review submission.

A. The Capital Investment Program (CIP) justifies the purchase of assets that equal or exceed capitalization thresholds and have a useful life of 2 or more years. Section 1403 of the National Defense Authorization Act for FY 2011 (Public Law 111-383) amended section 2208(k) of Title 10 U.S.C., increasing the capital asset threshold to amounts equal to or greater than $250,000 for: 1) an unspecified minor military construction project (under Title 10 U.S.C., section 2805(c)); 2) automatic data processing equipment or software; 3) any other equipment; and 4) any other capital improvement.

B. With the exception of major construction and items listed in paragraphs 090104.E and 090104.H below, acquisition of all capital assets for use by activities within the Fund will be financed through the Fund using Contract Authority (Title 10 U.S.C., section 2208, paragraphs (k)-(1) and (2)). Components shall not use the CIP to establish a new or expand an existing organic capability except as specifically justified in the President’s Budget Request (Exhibit Fund-9b, “Capital Investment Justification”).

C. The legal requirements for the DWCF Capital Budget are found in Title 10 U.S.C., section 2208, paragraphs (k)-(1) and (2), (m), and (o)-(1) (b). Specific direction on minor construction limitations is found in Title 10 U.S.C., section 2805.

D. The CIP consists of the following four major categories of assets: 1) Automated Data Processing Equipment (ADPE); 2) Non-ADPE Equipment; 3) Software Development, whether internally or externally developed; and 4) Minor Construction.

E. The DWCF Capital Budget specifically excludes the following items, which must be financed by appropriated funds:

1. Major Range and Test Facility Base (MRTFB) Activities Items (equipment and minor construction) that meet the DoD Investment capitalization criteria for use by MRTFB operating within the DWCF
2. Military and tenant support functions

3. Major weapons systems (such as aircraft, ships, tanks, barges, etc.), and general-purpose passenger type vehicles

4. Equipment and minor construction projects for mobilization requirements, but not used during peacetime operations

5. Equipment initially procured and usually furnished as part of a weapons system and/or support system including modifications (includes initial common support equipment for depot maintenance support of new weapons systems)

6. Materiel normally funded by appropriated funds and provided to contractors as Government-Furnished Materiel (GFM). The GFM is incorporated into, used in conjunction with, or consumed in the production of an end product. The customer shall use appropriated funds to purchase the GFM and provide it at no cost to the DWCF

7. Minor construction projects for non-DWCF activity or military support functions

8. Construction and facility investment projects that exceed the amount specified in Title 10 U.S.C., section 2805 for funding under Operation and Maintenance appropriations

9. Environmental projects financed or submitted for funding by the applicable Environmental Restoration Transfer appropriation

10. Capital Investments for morale, welfare, and recreation activities

11. Such other exclusions as may be approved by the USD(C).

F. The approved CIP budget permits a DWCF activity to use Contract Authority to purchase capital assets prior to recognizing budget authority based on funded customer orders and/or the accumulating cash balances. However, collections from customer orders are used to liquidate obligated Contract Authority (SF-133 line 1826). This amount is not to exceed the budgeted depreciation plus capital surcharge, if any, incorporated into the rates (not the actual depreciation expense recorded in the year of execution).

G. As an administrative control of resources subject to the rules of Title 10 U.S.C., section 1517, the Anti-Deficiency Act, the DWCF AOBs provide a specific amount of CIP contract authority. Therefore, obligations may not exceed the amount provided.

H. The DWCF customers may procure capital assets through direct appropriations for use by a DWCF activity. However, these assets remain the property of the customer and will not be recorded as Property, Plant and Equipment assets on revolving fund financial statements unless the asset is transferred to DWCF ownership.
1. At the time of transfer, the DWCF activity will record the asset at its net book value and depreciate it over the remaining useful life for accounting purposes. Depreciation does not have to be incorporated into the DWCF rate structure if the DWCF will not be expected to replace the asset at the end of its useful life and acquisition of the asset requires neither Contract Authority nor an unreimbursed cash outlay.

2. The appropriate procurement account will continue to fund the purchase and installation costs for the initial procurement of depot maintenance capital equipment unique to newly introduced platforms or weapon systems (this includes modifications). The capital equipment becomes the property of the depot when it is transferred to or otherwise capitalized by the depot. The depot will treat the equipment as a capital asset and depreciate it for accounting purposes. Funding of subsequent replacement and maintenance of the equipment in the DWCF should be included in the DWCF capital and operating budgets.

I. The DWCF activities shall derive resources needed to finance DWCF capital assets primarily from budgeted depreciation of existing Fund assets by including the estimated depreciation in stabilized rates and prices billed to Fund customers. Volume 4 Accounting Policies, Chapter 6 Plant, Property, and Equipment, of the Department of Defense Financial Management Regulation (DoD FMR) contains guidance on accounting for capital assets that are depreciated for accounting purposes according to depreciation schedules found in subparagraph 060205J, Table 6-7.

J. Budgeted depreciation is the amount factored into the standardized rate to recoup cash outlays associated with the CIP.

1. Activities will calculate and accumulate budgeted depreciation using the straight-line method, which is calculated by dividing the amount to be recouped by the useful life of the asset based on established depreciation schedules. The amount to be depreciated will not be decreased by its residual value. Depreciation will be applied equally among accounting periods during the asset’s useful life.

2. For items in the 5-year category, a recovery period of less than 5 years is permitted if the acquiring DoD Component is certain that the useful life of the asset is at least 2 but less than 5 years.

3. Software may be depreciated over a period of 5 or 10 years depending on its nature. The Component may also request a waiver and propose an alternative depreciation period exceeding 10 years. The determining factor should be the actual estimated useful life of the software consistent with that used for planning the software’s acquisition.

4. In addition to budgeted depreciation, a capital surcharge may be used to collect cash for the capital outlay if minimum balances are not sufficient to provide adequate budgetary resources to offset budgetary claims (See Volume 3 Budget Execution – Availability and Use of Budgetary Resources, Chapter 19 Working Capital Funds of the DoD FMR).
K. The following budget exhibits are required to document an activity’s capital budget request.

1. Exhibit Fund-9a, “Capital Investment Summary,” represents the summary data of the four asset categories (ADPE, Non-ADPE, Software, and Minor Construction) at the approved DoD Component project level. The exhibit displays data on annual capital cash outlays and budgeted depreciation. The prior-year column on the Exhibit Fund-9a will show all amounts approved in the most recent President’s Budget, adjusted for actual execution year obligations and reprogramming (as depicted on the Exhibit Fund-9c, “Capital Budget Execution”).

2. Exhibit Fund-9b, “Capital Investment Justification,” provides detailed cost data and narrative justification for each approved DoD Component project level. Components will provide a corresponding Exhibit Fund-9b for each project line item on the Fund-9a exhibit. The exhibit displays the Benefit to Investment Ratio, Savings to Investment Ratio and/or the Payback period. Exhibits Fund-9a and Fund-9b data should agree with, and also should be used for cross-referencing, Exhibit 53 of the Information Technology budget.

3. Exhibit Fund-9c, “Capital Budget Execution” compares and explains the differences between the most recent President’s Budget and the current submission by the DWCF Activity for the four asset categories (ADPE, Non-ADPE, Software, and Minor Construction).

L. Each proposed CIP project shall be reviewed to ensure that it satisfies the following criteria for justification and backup:

1. The acquisition of a capital asset meets the Department’s long-range planning and programming objectives and satisfies a documented need for capability to perform valid operations, functions, or services that cannot be performed as effectively or economically by the use of existing equipment and facilities or by contract.

2. The acquisition of a capital asset complies with policies and regulations governing the acquisition and management of facilities, special tooling, and special test equipment as established by DoD Directive 4275.5, “Acquisition and Management of Industrial Resources,” as well as other applicable policies and regulations governing the lease and acquisition of equipment and facilities.

3. The workload projections used to justify capital purchases take into account the results of inter-service decisions, workload posture planning decisions, readily available commercial alternatives, and other reasonable options available for accomplishing applicable workload.

4. The acquisition of a capital asset efficiently and effectively accomplishes the objective for which it is justified. The criteria are: improved efficiency (savings) or effectiveness of operations; replacement of unsafe (locally determined by an
authorized safety representative), beyond economical repair, or inoperative and unusable assets; and environmental, hazardous waste reduction, or regulatory agency (state, local, or Federal) mandated requirements.

M. A formal pre-investment analysis or a cost comparison is required to justify investment projects for Capital Budget submissions in the four Capital budget investment categories (ADPE, Non-ADPE, Software, and Minor Construction).

1. Either an economic analysis or cost comparison shall be used to support a project substitution or accomplish a reprogramming request. An economic analysis shall be used for all projects with a cost of $1,000,000 or more. A cost analysis will be used for projects under $1,000,000.

2. Activities must complete this pre-investment analysis prior to including the capital asset in the capital budget submission, a reprogramming action, or a project substitution. The originating office of the DoD Component shall maintain these analyses as project documentation support for the capital budget submission and program execution.

3. A cost comparison for investment projects under $1,000,000 initially shall be prepared in constant base year dollars and shall present a differential cost display by year for up to a 6-year evaluation period, beginning with the budget year for which investment funds are requested.

   a. Documentation for a cost comparison shall describe the functional process performed; define the need/requirement/objective; identify workload projections; address feasible alternatives; present total costs attributed to each alternative and the differential costs/monetary benefits expected in constant and current dollars over the 6-year evaluation period; and provide significant assumptions, constraints, estimating methods, rationale, data sources.

   b. The payback period shall be the primary economic indicator used for cost comparisons to rank order within the investment categories of each activity.

4. A pre-investment economic analysis shall be prepared to justify capital investment projects of $1,000,000 or more. The economic analysis shall be prepared on a net present value (NPV) basis and shall comply with applicable DoD or Component guidance and functional program guidance. The economic analysis initially shall be prepared in constant base year dollars and shall present a differential cost display by year over the project’s expected economic life, beginning with the budget year of the investment fund request.

   a. Documentation shall describe the functional process performed; define the need/requirement/objective; present and explain workload projections; identify feasible alternatives; present total costs and the differential costs/monetary benefits in constant, discounted, and current dollars over the expected economic life of the project; present estimating methods/relationships, and data sources; identify significant constraints, assumptions,
and variables; treat sensitivity and uncertainty of key parameters; and address all other quantifiable benefits as well as any intangible benefits influencing the recommended course of action.

b. Quantifiable benefits are all outputs/results achieved in return for investment dollars associated with an alternative.

c. Benefit-to-Investment Ratio (BIR) shall be the primary indicator used to rank order projects of $1,000,000 or more within the investment categories of each activity. Also consider the payback period in the ranking process.

d. Automated economic analysis programs and reports may be used if the programs provide comparable information to that of standard economic analysis reports.

5. Compute the payback period to compare the period of time, in years, necessary for an alternative to repay its investment cost based on the monetary benefits expected. Present this metric in tenths of years (for example, 7.2 years.)

6. Use the BIR to compare project alternatives in terms of all expected monetary benefits, inclusive of whole and partial manpower productivity savings resulting from increased efficiency and other cost avoidance achieved over the total project life under evaluation. Calculate the BIR using discounted constant dollars, as an index value and rounded to two decimal places. A BIR of greater than one indicates the project is cost-beneficial; the larger the ratio, the greater the advantage of the project.

7. Calculate the Savings-to-Investment Ratio (SIR) between actual savings in terms of funds no longer required and the investment cost for Automated Information Systems, using discounted dollars.

8. Exemptions to the pre-investment analysis include environmental, hazardous waste reduction, or regulatory agency (state, local, or Federal) mandated requirements. This includes action directed by a higher DoD or Component authority that precludes a choice among alternatives, and DoD instruction or other directive that waives the requirement (e.g., equipment age or condition replacement criteria).

N. The term “Software” includes both operating software and application software. As defined in OMB Circular A-11, software includes systems programs, application programs, commercial-off-the-shelf (COTS) software, independent subroutines, databases, and software documentation.

1. Software that is integrated into hardware and is necessary to operate the hardware, rather than to perform an application, should be budgeted with and capitalized as part of the hardware. Systems application software, however, should be budgeted separately as either an expense or a capital investment, depending on whether it meets the criteria for a capital asset. Systems application software may be acquired through the purchase of a Commercial-Off-the-Shelf system; the development of new applications through either internal
development or contractual effort; or the modernization of existing software that significantly expands and/or enhances its existing capabilities.

2. Budget for software development and modernization by project. The full scope of a software development project may consist of costs incurred in: 1) Preliminary Design, 2) Software Development, and 3) Post Implementation. While all of these costs are part of the project, only the software development phase is capitalized.

   a. The preliminary design phase consists of conceptual formulation of alternatives, evaluation and testing of alternatives, determining the existence of needed technology, and final selection of an alternative. This phase consists of all functional actions, including source selection for COTS and all actions prior to Systems Requirements Specification for internally developed software. Expense these costs as part of the DWCF operating budget and identify them on the Exhibit Fund-1a, “Details of Price and Program Changes - Costs.”

   b. The software development phase consists of design of a chosen alternative including software configuration and interfaces, coding, installation of software and related hardware, and testing, which may include parallel processing development of user manuals and training.

   c. Expense the post implementation/operational phase costs of data conversion and application maintenance, including functional training and documentation, operational testing, and evaluations conducted after technical acceptance of the software.

   d. These rules are in effect for any system or severable module of a system budgeted for FY 2003 and beyond. These rules are consistent with Federal Accounting Standards Advisory Board Statement of Federal Financial Accounting Standards Number 10 issued October 9, 1998.

3. Exclude from the capital budget all costs incurred prior to Milestone 0, Concept Exploration and Definition. Expense costs such as basic research, study, exploratory development establishing feasibility and practicality of proposed solutions, rough order of magnitude estimates, etc. Also expense costs for technical software support and maintenance software support occurring after system installation.

4. Include those software development or acquisition efforts for the benefit of the activity in the DWCF capital budget submissions. Software developed or acquired for a specific customer order should be charged to and reimbursed by the requesting customer. Types of cost to be included in a software development project include total labor and non-labor costs such as: 1) all direct costs for civilian and military personnel; 2) contractor labor; 3) supplies; 4) travel; 5) processing support for testing; 6) indirect production costs; and 7) general and administrative costs (e.g., base operations support, higher headquarters, and depreciation for central design activity-owned assets).
5. Software projects may be accomplished in modules. A module is an application that may be operated or used independent of other modules within a system. Where an entire system consists of more than one severable module, request funding for each severable module in the year that the module is started. Funding requests shall be sufficient to complete the module. If several modules make up a complete ADP system, show the cost of all modules related to the system.

6. Separately identify ADP equipment and ADP software in the capital budget.

7. Software development and modernization costs incurred by DWCF activities for projects installed and operational after October 1 of a specific fiscal year will be depreciated beginning in the month the project is installed and operational (even though it may not be used in operations that month). Depreciate incremental deliveries of these projects if the cost of the delivery is equal to or exceeds $250,000.

8. In accordance with section 2222(c) of Title 10, U.S.C. and Department of Defense policy, modernization and enhancement to a business system that costs more than $1 million over the Future Years Defense Program (FYDP) must be approved by the Investment Review Board and the Defense Business Systems Management Committee prior to obligating funds.

O. Minor construction projects costing more than $750,000 shall be funded within the DoD Component’s Military Construction appropriation. Exceptions to this limitation are noted below in 090104.O.1.

1. Authority provided by section 2805(c) by Title 10, U.S.C. to use funds available for operation and maintenance for unspecified minor construction projects costing not more than $750,000 is available for DWCF-funded unspecified minor construction. However, projects that have an estimated cost that is greater than or equal to $250,000 that have not been documented in a corresponding budget exhibit (Exhibit Fund-9b, “Activity Capital Investment Summary”) must be approved in writing by the Director, Revolving Funds, and separately identified in the Component’s Annual Operating Budget and displayed as an adjustment on the Exhibit Fund-9c, “Capital Budget Execution.”

2. In Title 10 U.S.C., section 2805(d), Congress authorized a DoD Laboratory Revitalization Program that increases to $4,000,000 the upper ceiling for certain minor construction projects at DoD laboratories. The authority is not permanent, but is subject to periodic congressional extension. Laboratory Revitalization Program projects must be for the revitalization and recapitalization of Defense laboratories owned by the United States and under the jurisdiction of the Secretary of Defense or a Military Department. Fund activities designated to participate in the DoD Laboratory Revitalization Program must obtain prior OUSD (Comptroller) approval for all projects estimated to cost over $250,000 so that those projects can be specifically identified in the capital program within the AOB prior to project execution.
3. Capital investment costs financed in the minor construction portion of the capital budget include project planning and design costs associated with minor construction projects. Planning and design costs are not included as part of the statutory threshold for minor construction projects and must be identified separately from individual projects in the Program/Budget Submission (Exhibit Fund-9c, “Capital Budget Execution”).

P. DoD Components may reprogram capital funds between DWCF activities, or categories or projects within a DWCF activity. There is no minimum or maximum limit on this type of reprogramming. Except as noted below, capital reprogramming requires the written approval of the Director, Revolving Funds, in the form of a signed AOB. The following approval levels and dollar threshold apply to changes to projects approved in the capital budget including reprogramming, substitutions, cancellations, and additions:

1. All current year adjustments for business systems for which the total projected costs exceed $999,999 over the FYDP must be endorsed by the Defense Business Systems Management Committee (DBSMC) and approved by the Director, Revolving Funds, in the form of a signed AOB. Obtain certification from the approval authority as directed in the guidance and instructions displayed in the “system compliance” section of the DBSMC website (http://www.dtic.mil/whs/directives/corres/pdf/500002_interim.pdf) before submitting changes or adjustments for these projects to the Director, Revolving Funds. All other transfers between information technology capital projects (ADP Equipment and Software) that are greater than $999,999 must be approved by the Director, Revolving Funds, in the form of a signed AOB.

2. Fund managers may approve transfers between the Non-ADP Equipment and Minor Construction categories or among their individual projects if the change is less than $3,000,000. Components are required to notify the Director, Revolving Funds, promptly so that these changes may be documented in the activity’s AOB. All CIP transfers between DWCF activities within a DoD Component (e.g., supply to non-supply) must be approved by the Director, Revolving Funds, in the form of a signed AOB, before the transfer is executed.

3. Components must charge capital obligation adjustments to the program year cited in the President’s Budget for the original project. The prior year capital investment program limitation is equal to actual obligations on September 30 of that fiscal year plus adjustments approved by the Director, Revolving Funds, to the prior year program. Fund managers may request approval to carry over authority for any unobligated capital projects before the end of the fiscal year.

4. Capital obligation authority may be adjusted for prior year within-scope increases provided that there is Contract Authority available to finance the increase. Before making such increases, the Component must propose equal offsetting reductions (deobligations) or current year capital authority to finance the prior year increase and obtain approval from the Director, Revolving Funds in the form of a signed AOB.
090105. Mobilization/Surge Costs and War Reserve Material

A. Mobilization capability costs include the costs to maintain a surge capacity; procure and maintain approved war reserve material levels; and/or maintain other assets, functions, or capabilities required to meet an operational contingency as documented in Defense planning guidance or operational plans.

B. The DWCF activities should identify all costs related to maintaining a capacity to meet mobilization requirements. These costs are not considered normal operating costs and may be reimbursed by direct appropriations so that customer rates are not burdened by contingency requirements.

1. War Reserve Material. Obligations for the procurement of war reserve material will be funded by a direct appropriation to the Fund or after notification to Congress. Such appropriated amounts for secondary items shall be reflected as a separate goal within the applicable Supply Management or Commissary Resale activity AOB. Use the SM-6 “War Reserve Material” exhibit to justify War Reserve Material Requirements.

2. Unutilized and Underutilized Plant Capacity.
   a. Unutilized Plant Capacity (UPC) represents costs associated with maintaining facilities to meet surge capacity needed for mobilization or war. The UPC is a mobilization requirement budgeted in and funded by Operation and Maintenance appropriation funds of the DoD Component responsible for the activity’s management. Do not include UPC costs in the DWCF rate structure. As a general rule, UPC funding includes the prorata facilities support costs for any month in which 1) mobilization facilities are not used or 2) facilities are used 20 percent or less of available work days.
   
   b. Mobilization expenses related to UPC may include both maintenance and labor costs related to mobilization.
   
   c. Each non-supply DWCF activity should prepare a UPC Budget Exhibit (Fund-30). This exhibit documents total capacity, Unutilized Capacity Index, justification, and cost used in developing the request for UPC. All non-supply DWCF activities should complete the three capacity-index metrics found in Part I of the exhibit. Any non-supply activity requesting UPC funding will also complete the funded UPC line in Part I and the UPC justification in Part II of the exhibit.

3. Industrial Mobilization Costs. The Army established a category of costs that includes both UPC and underutilized facilities cost called “Industrial Mobilization Cost.” The Army will use the Exhibit Fund-30, “Under Utilized Plant Capacity” to justify their IMC costs.

4. Airlift Readiness Account (ARA). The United States Transportation Command (USTRANSCOM) must maintain sufficient airlift capability to respond to transportation requirements for a wide variety of mobilization conditions. This
requirement exists in both peacetime and contingency environments. To the extent customer revenue is insufficient to support the costs of maintaining this capability; the Air Force shall provide appropriated funds. The USTRANSCOM will record this funding as an order and revenue in its financial reports. The USTRANSCOM must submit the Fund-8, “Air Mobility Command Common User Services” exhibit to justify the ARA requirement.

5. Reserve Industrial Capacity (RIC). The Military Surface Deployment and Distribution Command (SDDC) shall plan for and maintain a Reserve Industrial Capacity (RIC) to transport personnel resources, material, and other elements required to satisfy a mobilization requirement. The SDDC will also plan and program with the Army for 100 percent of the operating cost at the Military Ocean Terminal, Concord (MOTCO). The Military Ocean Terminal, Sunny Point (MOTSU) RIC and the operating costs at MOTCO are a mobilization requirement funded by appropriated funds from the DoD Component having management responsibility for this activity. This requirement may exist in both peacetime and contingency environments. The USTRANSCOM will record the receipt of this funding as an order and revenue in its financial reports. The SDDC will provide a detailed break out of these costs in its budget submission to Office of the Under Secretary of Defense (Comptroller) (OUSD (C)).

090106. Military Personnel

A. Components will use the civilian-equivalent rates provided by the OUSD C to price military labor at DWCF activities. The full cost of military personnel should not be included in the DWCF cost of operations or customer rates because the majority of military personnel at DWCF activities are there for reasons other than DWCF business requirements (e.g., mobilization, rotational training, and command opportunities). The difference between the civilian-equivalent costs, included in the DWCF budget, and the actual military personnel cost will be budgeted directly in the appropriate military personnel appropriation. The number of military included in the budget will be the average strength of military assigned to the DWCF business. The average strength for the budget year(s) will be calculated using the average fill rate for the 3 prior fiscal years. The fill rate is calculated by dividing actual average strength by the authorized strength for each grade. The budget amount will equal the average strength for each grade multiplied by the applicable civilian-equivalency rate. No adjustments will be made to the DWCF cost of operations to reflect the actual cost of military personnel employed by DWCF activities.

B. The amount expensed for military personnel by DWCF activities and the amount reimbursed to the appropriate military personnel appropriation will equal the amount budgeted. No adjustments will be made to the DWCF cost of operations to reflect the actual cost of military personnel employed by DWCF activities. Military Departments having military personnel assigned to other Components will provide to each Component the number of work years that should be included in the DWCF budget submission. The DWCF activities that augment their manpower requirements with National Guard or Reserve personnel, to include those participating in the Personnel Force Innovation (PFI) program, will reimburse the appropriate military personnel appropriation at the DWCF civilian-equivalency rates.
C. The civilian-equivalent costs are provided by the OUSD (Comptroller) and are calculated as follows: First, find the current General Schedule (Rest of U.S.) civilian pay rates, step 5 or Executive Service pay rates of the equivalent grade. Next, multiply the amount in the first step by the average civilian personnel fringe benefits factor applicable to the Military Services and Defense Agencies, excluding the amount for unfunded civilian retirement in the fringe benefits percentage factor. Civilian personnel fringe benefit rates and military composite rates are provided by the OUSD C. Finally, multiply the amount calculated in the previous step by any proposed civilian pay raises effective in future periods to arrive at total civilian costs.

D. See Volume 2A Budget Formulation and Presentation, Chapter 1 General Information, paragraph 010218 of the DoD FMR for active duty military personnel pricing policy.

090107. Full Recovery of Costs and the Setting of Prices

A. Managers of DWCF activities within each Component will set their prices based on full cost recovery, including all general and administrative support provided by others. Prices are established through the budget process and remain fixed during the year of execution (exceptions are listed in the DoD FMR, Volume 11b Reimbursable Operations Policy – Working Capital Funds, Chapter 15 Supply Management Activities, paragraph 150305 Authorized Changes of Standard Prices). This stabilized price policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and better assures customers that they will not have to reduce programs to pay for potentially higher-than-anticipated prices. In turn, this policy allows activities to execute the budgeted program level and permits a more effective use of DWCF resources.

B. Except in unusual circumstances, prices for the budget year will be set to break even over the long run at the activity level. This means that prices will be set to achieve an AOR of zero in the budget year, provided that cash resources are available to support AOR returns. In budget execution, activities will incur either a positive or negative operating result. Accordingly, activities will increase their budget year prices to make up actual or projected losses of budgetary resources or reduce their budget year prices to return actual excess resources or projected budgetary gains to customers.

C. An activity may request recovery of AOR outside the budget year. This request must be included in the budget submission, and must demonstrate that the alternative recovery period will not adversely affect the cash balance of the activity. A phased recovery schedule must be provided with the budget. The Director, Revolving Funds, will provide final approval for any alternative AOR recovery plans in the form of a signed RMD.

D. Special Circumstances: DWCF rules for pricing and operating loss recovery or gain distribution may be waived if one or more of the following conditions exist.

1. Fund Liquidity: Component managers are encouraged to maintain the lowest positive cash balance sufficient for operational needs and capital investment. However, several factors could cause the activities to operate significantly above the target
requirement. To prevent the buildup of excess cash balances, or ensure fund solvency, the Director, Revolving Funds, or Component managers with the written permission of the Director, Revolving Funds, may direct out-of-cycle rate adjustments at any time during the fiscal year.

2. Depot Maintenance Additional Requirements: Unplanned depot losses recouped in subsequent years may be financed with prior year funds, provided all other criteria associated with prior year upward obligations are met.

3. Contingency or Emergency Operations: Fund managers may waive DWCF pricing and financing requirements to facilitate Department operations during times of war or other national emergencies. The DWCF activity must notify the Director, Revolving Funds, in writing within 30 days of this action.

4. Impact of Foreign Currency Exchange Rates: A DWCF activity operating overseas may experience significant operating losses or gains due to changes in foreign currency exchange rates.

   a. While these operating losses and gains are normally recovered or returned through stabilized rate adjustments in budget years, fund managers may propose out-of-cycle rate adjustments to the Director, Revolving Funds, to address such losses and gains in execution. In calculating any gain or loss from foreign currency fluctuations, the DWCF must use the foreign currency exchange rates published as part of the Department’s budget justification materials submitted to Congress in support of the President’s budget request and follow applicable procedures in the DoD FMR, Volume 6A, Chapter 7.

   b. The DWCF activities are not eligible to participate directly in the Foreign Currency Fluctuations, Defense (FCF,D) (97-X-0803) and the Foreign Currency Fluctuations – Construction, Defense (FCF-C,D) (97-X-0801) accounts.

E. In addition to spreading contract costs when developing rates for all customers, the DWCF activities may incur and recover costs for contracts awarded specifically to fill the requirements of one customer by charging that customer an amount equivalent to the DWCF activity’s expense in funding, awarding, and administering the contract.

F. Unbillable costs and operational losses that cannot be billed to an identifiable customer or that were generated from unforeseen cost overruns are to be treated as costs in the fiscal year in which the costs were incurred. The resulting operating losses shall be included in calculating net and accumulated operating results.

G. Unless approved in writing by the Director, Revolving Funds, the prices set for all activity products, goods, or services will match the rate changes approved during the budget review and documented in a memorandum signed by the USD (Comptroller), or designated representative.

H. Reimbursement procedures for contingency operations and humanitarian efforts are as follows:
1. Users shall pay for the goods and services provided by all DWCF activities, including deployment or other emergency response for military or humanitarian assistance.

2. Customers of the DWCF shall reimburse DWCF activities in a timely manner (usually within 30 days). Except in contingency operations or national emergencies, DWCF activities should not provide goods or services without a properly executed funding document (see Volume 2B, Chapter 11 Offsetting Receipts of the DoD FMR). The Military Department Headquarters is responsible for determining which level within the Military Department will pay (that is, the unit, major command, or Military Department level). This process also applies when a Unified Combatant Command tasks a Service-funded unit to perform a mission, such as transportation of military personnel or equipment by USTRANSCOM. The Military Department that controls the equipment or personnel is responsible for payment of costs incurred to accomplish the mission.

3. Consistent with this policy, third party collections for transportation provided in response to a Request-for-Assistance (RFA) from another government agency are prohibited. The Military Department that controls the equipment or personnel is responsible for reimbursing USTRANSCOM. It is then the responsibility of the Military Department that accepted the RFA to collect any required reimbursements due that Military Department by the requesting government agency.

4. The sole exception to this policy occurs when the USTRANSCOM receives an order from the Joint Chiefs of Staff requiring transportation of non-U.S. owned equipment and/or non-U.S. personnel such as non-reimbursed efforts in support of the United Nations. In those instances, the Army will pay Surface Deployment and Distribution Command (SDDC) costs, the Navy will pay Military Sealift Command (MSC) costs, and the Air Force will pay Air Mobility Command (AMC) costs. Bills may be centralized for more convenient processing if appropriate; however, billings shall be forwarded to the appropriate Military Department within 30 days from the commencement of service or humanitarian effort. The Military Departments must pay these bills, including transportation bills, in a timely manner.

5. This guidance does not address any contingency operation designated by the Secretary of Defense as a “National Contingency Operation” under the provision of the Title 10 U.S.C., section 127. Special rules apply for such an operation and those rules should be promulgated separately in conjunction with any designation by the Secretary under the provisions of that section.

I. Base Realignment and Closure (BRAC) cost reimbursement policies are as follows:

1. BRAC-Related Costs. Costs incurred in implementing the recommendations of the BRAC Commissions will be funded by the appropriate BRAC account and are not to be included in the rates and costs of businesses within the Fund. The DWCF activities may incur BRAC expenses prior to receiving an allocation of BRAC funding; however, all costs properly charged against the BRAC account must be reimbursed with BRAC funds.
The DWCF activities may not expend funds prior to complying with the notification requirements imposed by law with respect to the obligation of BRAC funds. The BRAC account must reimburse all costs incurred by DWCF activities to carry out BRAC prior to the end of the fiscal year in which costs were incurred. Prior year, current year, or budget year operating losses in DWCF are not to be budgeted in the base closure accounts. Costs attributable to base closure actions at DWCF activities to be budgeted in BRAC may include:

a. BRAC directed reductions-in-force, separation incentives, plant closures, plant layaway or custody costs, or other BRAC-related expenses, such as all costs not associated with a valid work order during the year of closure

b. Environmental restoration and mitigation, to include reducing, removing, and recycling hazardous waste, and removing unsafe building debris

c. Planning, to include conducting such advance planning and design as may be required to transfer from an activity being closed to another military installation

d. Outplacement assistance in relocating, training, or providing other necessary assistance to civilian employees employed by the Department at installations being closed

e. Community programs, to include economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions will be transferred as a result of closure of a military installation

2. **BRAC and DWCF Rates.** Overhead, not specific to BRAC and not in support of producing goods or services for customers, will be financed in the year the costs are incurred with the Components’ Operation and Maintenance (O&M) appropriations. The DWCF losses occurring in years prior to closure will be recovered through the rate structure to the extent that there are new customer orders. When there are no new customer orders in the budget year, the Component responsible for the activity incurring the loss will finance, as a pass through from O&M appropriations to the DWCF, all overhead not included in rates supported by ongoing work or prior year losses to be recovered in the budget year. All costs at a closing activity in the year of closure that are not associated with a valid work order or are not valid BRAC costs are O&M costs and must be budgeted in the fiscal year when they will be incurred.

3. **BRAC-Related Permanent Change of Station (PCS) Moves for DWCF Activities.** Costs incurred to recruit and hire civilian personnel (including associated PCS costs) to fill vacant positions at an activity that is being transferred from a closing or realigning installation to another military installation in accordance with a BRAC recommendation may properly be considered BRAC costs under the Base Closure and Realignment Act of 1990. As a matter of Department policy, however, BRAC funds will not be used for such costs except in the case of DWCF activities, which may temporarily charge such
costs against the DWCF, provided the DWCF is reimbursed with BRAC or O&M funds by the end of the fiscal year in which the costs are incurred.

J. Funding of Civilian Voluntary Separation Incentive Program will be financed and included in stabilized rates for civilian separation incentive requirements of assigned employees unless they must be offered as a result of directed BRAC action, in which case the appropriate BRAC account will fund the civilian separation incentive.

K. Any DWCF activities that use any of the services as listed in Exhibit Fund-22, “Summary of Base Support” must reimburse host activities in accordance with DoDI 4000.19 (Inter-service and Intra-governmental Support) to the extent that the specified support for the DWCF activity increases the host activity’s direct costs. Costs for DWCF mission products and services (e.g., depot supply, depot maintenance, facility engineering services, information processing, communications, and software development) shall be based on the approved stabilized rate. Other support incidental to the DWCF activity’s primary mission or purpose shall be budgeted based on direct costs measurable and directly attributable to the DWCF activity (e.g., incremental direct cost). Only the incremental direct cost attributable to the DWCF activity shall be chargeable to the DWCF activity. Overhead costs are not to be included as a cost to the DWCF activity. The cost of operations budgeted for these services either as a host or tenant activity should be noted on Exhibit Fund-22, “Summary of Base Support” in the fall budget submission.

L. First line supervision is that level immediately over non-supervisory workers. For all DWCF activities, first line supervisors and above are official supervisory positions and, when acting in a supervisory capacity, their labor costs shall always be budgeted and charged as an indirect production cost of the cost center supervised. Crew chiefs, snappers, team leaders, and other subordinate job leaders are not considered first line supervisors. The DoD FMR, Volume 11B, Chapter 13 Cost Accounting Requirements for Depot Maintenance, paragraph K contains additional information related to charging labor costs.

M. Management Headquarters Costs for DWCF activities may be allocated using the following guidance:

1. A management headquarters is a discrete organization or part of an organization that has authority over the management of the DWCF activity. The OSD and Service Departmental activities normally do not have this direct responsibility. All the major systems/logistics organizations in the Services include headquarters elements directly supporting DWCF activities that should be funded or reimbursed by the DWCF activities.

2. Costs for discrete DWCF management headquarters organizations and parts of organizations that perform direct DWCF management headquarters functions can be financed directly in the DWCF or reimbursed by the DWCF activity (whichever is more practical). Only costs that exceed $1 million or 1 percent of the total activity costs should be reimbursed. In addition, Components may allocate significant costs for common support functions, such as counsel or personnel services, at DWCF management headquarters to other users based on workload percentages in those functions.
N. Dual-Funded Organizations are organizations that are funded (including reimbursable funding) by both the DWCF and other appropriations or accounts.

1. Functions. In those instances where a non-management headquarters function is funded with a combination of DWCF and appropriated funds, the function initially will be funded in its entirety by either the DWCF or appropriated funds, based on the preponderance of definable units of measure for the function (e.g., workload, productive hours, outputs, or ultimate use).

   a. The part of the organization (or funding source provided) initially funding the function shall be reimbursed for appropriate amounts by other parts of the organization (or financing sources or customers) involved, based on the unit of measure that was used to determine which organization or funding source would provide initial funding; and the amount of reimbursement shall be based on the relative portion of that unit of measure attributable to each part of the organization or funding source involved. If the part of an organization that is within the DWCF accounts for more than 50 percent (e.g., 60 percent) of the unit of measure for a function shared with the part of the organization funded through appropriated funds, then the DWCF portion of the organization initially would fund all of the costs of performing that function. However, the applicable part of the organization funded through appropriated funds would reimburse the DWCF for, and be allocated, the remainder of the costs (e.g., 40 percent).

   b. Notwithstanding this policy, the amount of reimbursement for base support services provided by the DWCF to tenant activities shall be determined in accordance with the policies in paragraph 090103.K and DoDI 4000.19, Interservice and Intragovernmental Support.

2. Capital Investments. When a capital asset purchased by a DWCF activity is also used by the part of the organization financed by appropriated funds, the Fund activity will capitalize the capital asset and bill the appropriated fund customer for the use of the capital asset. Such billings will use a stabilized rate that recoups both depreciation and operating costs. When a capital asset purchased by any part of the organization financed by appropriated funds is also used by the DWCF part of the organization, the appropriated fund side will capitalize the asset and bill the DWCF for operating costs only. Appropriated fund activities do not bill DoD activities for depreciation of capital assets.

O. Revenue Recognition Procedures for DWCF activities.

1. The DWCF activities must recognize revenue and associated costs in the same accounting period. There are two types of customer orders: (1) end-product (end-item) type orders which, at the completion of the customer order, produce a usable end-product (i.e., overhaul, repair, manufacture, construction, modification, supply transactions, etc.); and (2) service type orders that provide a service over a specified period of time. Revenue must be recognized in the same manner (that is, a standard policy for recognizing and reporting revenue must apply) for all activities within a DWCF activity. The policy varies based on the type of customer order, the length of time necessary to complete the order, and the value of the order;
however, non-supply DWCF activities must use the “Percentage of Completion Method” for revenue recognition. The amount of revenue recognized cannot exceed the amount specified in the order.

2. Revenue recognition procedures must include gain and loss recognition in the same period in order for the activity managers to evaluate the performance of an organization. The revenue recognition policy does not encompass or establish policies for billings to customers or payments from customers.

3. The DoD FMR, Volume 11B, Chapter 11 Reimbursements and Revenue Recognition, provides specific revenue recognition guidance by DWCF activity.

P. Customer Workload Changes.

1. When a work order or project is canceled or reduced in scope after a DWCF activity has commenced work or incurred costs, the DWCF activity shall charge the customer for the direct and indirect production costs incurred, plus the applied overhead plus costs associated with the cancellation or reduction.

2. The DoD FMR, Volume 11B, Chapter 11 Reimbursements and Revenue Recognition, paragraph 110102, provides specific guidance for the types of directly associated cancellation or reduction costs that can be charged to customers.

Q. Write-offs of extraordinary losses, that do not involve cash losses or recovery of outlays and chargeable against Accumulated Operating Results in accordance with accounting policies, shall not be recovered through increases in customer rates (e.g., losses resulting from the disposal or divestiture of capital budget items that have not been fully depreciated at the time they are taken out of service due to BRAC action; or losses associated with systematic inventory reductions by disposal of assets associated with force drawdowns). Only extraordinary write-offs that require a cash resource will be separately identified in the Component’s budget submission using the Fund-14, “Revenue and Expenses” exhibit. Write-offs of this nature are limited to valuation discrepancies based on the accounting value of assets. For example, if a machine breaks in year 3 of a 5-year expected life, the book value may be zero. However, cash recovery is still required for 2 more years and a new cash outlay is required to replace the asset. Components must receive written approval from the Director, Revolving Funds, before requesting the accounting adjustment from DFAS on the Accounting Report (AR) 1307.

R. Activities may use below-the-line adjustments to the Net Operating Result to adjust for cash transfers that are not directly related to operational performance. This adjustment will be used when the cash position does not support returning or collecting AOR. Components must receive written approval from the Director, Revolving Funds, before requesting the accounting adjustment from DFAS for minimum cash requirement-related issues.

S. Funding policies reflecting relationships with, and requirements of, other appropriations are provided in Volume 11B, Chapter 1 Defense Working Capital Funds General
Policies and Procedures, Section 0101 of the DoD FMR. Policies regarding costs billed for legacy system requirements are provided in the DoD FMR, Volume 11B, Chapter 1 Defense Working Capital Funds General Policies and Procedures, section 010403.

090108. Rate Setting for DWCF Activities

A. In accordance with paragraph 090107 of this Volume, stabilized rates reflecting full cost will be set during the budget process for all individual DWCF activities. The DWCF uses three methods for rate setting purposes based on the nature of an activity.

   1. Percentage Markup on Cost. A cost recovery percentage is applied to the purchase or repair cost of secondary supply items to recover overhead costs and other pricing adjustments. This method is typically used for supply management DWCF activities.

   2. Direct Labor Hour (DLH). A specific dollar value, including all direct costs, overhead, and other pricing adjustments, is charged per DLH associated with the completion of a customer order. This method is typically used for industrial DWCF activities (i.e., depot maintenance, ordnance, and research and development).

   3. Specific Unit of Output. The DWCF activities that provide services via numerous outputs that do not have a common measure for calculation will establish separate rates for each output. When multiplied by projected customer workload for each output, the rates will produce revenue that approximates, to the extent possible, recovery of the full cost, including approved adjustments, of providing the specific outputs (e.g., transportation, finance and accounting, information systems, and base support). This includes direct systems reimbursement.

B. Definitions and Procedures

   1. Stabilized Price. Under the stabilized price standardized cost recovery method, customers are charged for products and services provided by a DWCF activity. Activities establish stabilized prices for the budget year that are adjusted and approved during the budget review process. The stabilized rate is determined by adjusting anticipated workload and projected overhead costs for the budget year for both inter-Fund transactions (i.e., adjustments to reflect changes in the costs of purchases between activities within the Fund) and the impact of prior year gains or losses as reflected by the AOR. DWCF activities will charge this annual stabilized rate for all new customer orders received and accepted during that specific fiscal year, regardless of when the work is actually executed and billed.

   2. Stabilized Price Exceptions. See paragraph 090109 for guidance applicable to the sale of goods and services to public-private partnerships by DoD depot maintenance activities. In the Supply activities, customers are charged the price in effect when the item is dropped from inventory.

   3. OP-32 Rate Change. The annually published rate change for DWCF activities, as provided in a memorandum signed by the USD (Comptroller), is the
percentage change of prices between fiscal years. As an example, the budget year rate for depot maintenance is determined by dividing the approved DLH rate proposed for the budget year by the stabilized DLH rate in effect for the current execution year. That value, expressed as a percentage (i.e., plus or minus from a base of 100 percent) is the composite price change rate customers will use in their appropriated funds submissions.

C. **Budgeted Rates.** The OUSD (Comptroller) will review and approve all final rates and prices developed for the President’s budget submission during the Program/Budget Review. The DoD Components will develop the prices charged to customers to recoup all costs associated with the **specific DWCF activity** operating and capital budgets including all labor and non-labor, direct, indirect production costs and general and administrative overhead costs. Components will add a positive or negative cash factor, if needed, to maintain cash solvency or return cash balances. During budget formulation, Components may propose, on budget exhibits, more detailed rates that break out overall composite rates by activity or product line within a DWCF activity. If approved, the Components will use these rates in final price development and execution. Further, the Components may devise rate allocations for internal use that must reconcile to the approved activity composite rate. Components will make corresponding adjustments in appropriated customer account budget requests to ensure the customer and DWCF budgets are in balance.

D. **Alternative Rate Development.** Components may propose methods other than the standardized rates for recovering the cost of operations so long as they are mathematically equivalent to the standardized rate. Any alternative pricing methods must be fully documented and justified in the DoD Components’ Program/Budget Review. Any method (such as percentage of sales instead of markup on cost) must demonstrate recovery of all operating costs, provide a comparison of the current method to the method proposed, show the impact to customer funding requirements, and provide a timeline for implementation. Any change in the presentation of standardized rates for budget purposes must be approved in advance by the Director, Revolving Funds, and documented in the appropriate decision document.

E. **Budget Formulation Rates and Prices.** All DWCF activities will establish rates using the following multiple step process:

1. Each DoD Component must carefully review all projected costs for its projected operations for the fiscal year, and propose the most cost-efficient operation possible.

2. Customer requirements must be projected to include all anticipated workload programmed for accomplishment during the budget year based on identified outputs such as direct labor hours by product, tons shipped, line items received, and all other approved output measures for each activity. Prior year execution shall also be factored into the projection of anticipated customer orders and overhead costs and significant deviations from prior year workload must be fully explained in both the activity’s and the customer’s budget justification materials.
3. Components will include adjustments required to comply with OSD and OMB guidance on the impact of inflation, projected pay changes, and other programmatic and policy changes in developing proposed rates.

4. Components will propose costs, program levels, and rate changes by DWCF activity in their Program/Budget estimate submissions. Components may propose exclusion of customer unique, non-labor direct costs from the stabilized rates, and charge these costs on an actual cost reimbursable basis. Components must show the impact the change in rates structure would have on overall stabilized rates. In other words, all costs must be accounted for and reconciled on the corresponding budget exhibit. Final rate and price adjustments will be documented in a memorandum signed by the USD (Comptroller), or designated representative, at the completion of the budget review.

5. Final approved costs, program levels, and rate changes will be established by decision documents, after adjustments required to balance changes to customer funding with anticipated Fund costs, inter-Fund sales and transactions, and adjustments for NOR to bring the AOR to zero for the budget year for each DWCF activity.

F. Financing of Extraordinary Depreciation. Alternatives exist for financing sunk costs when activities terminate capital investments before a project is completed. These costs may be funded through one-time capital surcharges to operating costs or through the normal budgeted depreciation rates previously established. If charged to operating costs through a capital surcharge and depending on the size of the charge, the loss may be recovered through rates over a 2-year period. If a usable product is produced, even though it is less than the planned product, costs may be reasonably assigned to that product and those costs may be appropriately recovered through depreciation.

090109. Public-Private Partnerships at Depot Maintenance Activities

A. Public-private partnerships are agreements between organic depot maintenance activities and private industry or other entities to perform work and/or to utilize facilities and equipment. Partnerships improve utilization of DoD facilities, equipment, and personnel and enhance support to the warfighter. To advance the goal of increased partnering between DoD and private industry, this section provides guidance for the pricing of DWCF depot maintenance goods and services to private sector entities in partnering arrangements. Conditions for the sale of goods and services to non-DoD entities must be based on specific statutory authority.

B. In accordance with the authority granted to the Secretary of Defense by Title 10 U.S.C., section §2208(h) to prescribe regulations governing the operation of DWCF activities and the use of inventories, this guidance is intended to clarify existing legal authority applicable in certain specific circumstances. The guidance set forth in this section:

1. May not be used to compete for non-defense related work.

2. Does not apply when otherwise precluded by public law.
3. Does not apply to products or services produced under work-share arrangements in which a DoD sponsor assigns work and separately funds the DoD depot maintenance activity and the private sector entity.

4. May be used for sales to private sector entities only when the transaction is part of an arrangement that is officially recognized as a depot maintenance public-private partnership.

C. Sales Prices

1. In order to minimize potential DoD operating losses or gains, sales prices to private sector entities in depot maintenance public-private partnership relationships may be tailored to the most recent actual and projected costs, rather than the approved stabilized billing rates charged to DoD customers (10 U.S.C. § 2474).

2. Tailored rates or prices charged for sales to private sector partners, if used, shall ensure full cost recovery for the work involved in producing the specific products and services. Such tailored rates and prices shall include: (a) all direct costs, (b) production or shop overhead costs that contribute to the final product and (c) a full allocation of General and Administrative (G&A) overhead costs, distributed on the same basis as for DoD customers. (Since G&A overhead costs cannot be attributed to specific products or services, there is no basis to include or exclude specific items of cost from prices charged to customers.)

3. Exceptions to Working Capital Fund pricing policy for sales to private sector parties in depot maintenance partnership arrangements, as addressed in subparagraphs 1 and 2 above, do not change the requirement that sales prices include unfunded costs, as prescribed in Volume 11B, Chapter 1 Defense Working Capital Funds General Policies and Procedures, section 110109, paragraph B of the DoD FMR.

D. Fixed Pricing

1. Sales of DoD goods and services to private sector entities on a fixed price basis are authorized when the work is well defined and there is a reasonable basis upon which to predict costs. This mirrors private sector practice, improves the ability of private sector partners to predict production costs, and serves to constrain unit cost by more fully utilizing the production capacity of DoD maintenance depots. Cost reimbursable pricing is appropriate when future production costs cannot be reasonably predicted.

2. Multiyear fixed price agreements are authorized when future production costs can be reasonably predicted and the potential for future operating losses and gains are minimal. Prices may be fixed at a predetermined level taking into account future year escalation factors like pay rate changes, general inflation, and the number of units produced. Multiyear fixed price agreements may also incorporate other pricing techniques such as establishment of a base price with provisions for economic price adjustments to accommodate inflation.
E. Advance Payment. When appropriate to the scope of, and risks associated with, a prospective contract, the DoD partner may elect to accept incremental advance payments.

090110. Military Clothing Items and Individual Equipment

A. The Defense Logistics Agency (DLA) Supply Management Activity procures military clothing requirements and bills users at standard prices. This includes uniforms, combat equipment, tents, tool sets and kits, hand tools, and cleaning equipment and supplies. The Military Services shall include the costs of new clothing bag items in the Military Personnel appropriation budget request and new organizational items in the Operation and Maintenance appropriation budget request. A replacement item shall be deemed a new item for the purposes of this policy if the cost of a replacement item exceeds the cost of the prior item by more than 10 percent in constant dollars.

B. The Military Personnel appropriation budget and the Operation and Maintenance appropriation budget should be sufficient to fund the quantity of the initial buy of an item of clothing including the establishment of wholesale inventory levels. New clothing items required prior to receipt of appropriated funds shall be funded in these same accounts by reprogramming action.

*0902 BUDGET JUSTIFICATION PRESENTATION

090201. Purpose

This section provides guidance for preparation and submission of budget justification material and execution review estimates for the DWCF activities.

090202. Preparation of Materials

General guidance with regard to format and preparation of material is presented in Volume 2A, Chapter 1 General Information of the DoD FMR. Volume 2B, Chapter 9 Defense Working Capital Fund Budget Justification Analysis of the DoD FMR provides additional specific guidance with regard to the back-up material required for the DWCF and other unit cost budget areas.

090203. References

A. Each DoD Component will submit operating and CIP budget justification material to the OUSD (Comptroller), Revolving Funds Directorate, in preparation for submitting the President’s budget request to the Congress following a review and approval by the OUSD (Comptroller) and the Office of Management and Budget. Each Defense Agency will prepare and submit their portion of the Defense-wide volume material to OUSD (Comptroller), Revolving Funds Directorate, for review and approval prior to submission to DLA for incorporation into the Defense-wide justification book. The DLA may require support from the submitting organizations to assemble the final justification book containing the Defense-wide DWCF activities. The DLA will supervise printing and distribution of the Defense-wide justification book for the President’s budget.

1. The DWCF Program Budget/Review focuses on an integrated set of budgetary schedules for evaluating progress towards meeting cost and productivity targets. Unit cost goals and customer prices are set for each DWCF Activity for the budget year to ensure resources are available to finance all costs.

2. The Budget Call letter may request updates for selected schedules that have not yet been documented in this regulation.

3. The documentation supporting the President’s budget should be consistent with approved costs, work load and productivity assumptions.

4. The DWCF justification books submitted to Congress will be unclassified, in one volume organized into three sections: Component Overview, Operating Budget, and Capital Budget. All congressional budget material will be submitted electronically and posted on the respective Service’s unclassified web site.

B. The following table lists all required budget justification exhibits.

1. The “Exhibit Requirements” column lists the universe of budget exhibits for DWCF activities.

2. The “WCF Activity” column identifies, for each exhibit, which activities are required to submit the exhibit. Activities must provide the exhibits as follows: “All” indicates all DWCF activities; “S” indicates Supply activities; “NS” indicates non-Supply activities; “I” indicates industrial activities; and “Depots” indicates depot maintenance activities.

3. The remaining three columns are marked “Y” or “N” to indicate that submission of the exhibit is required (“Y”) or not required (“N”), respectively, to support the Program/Budget Review (“Budget Review”), for the Revolving Funds Directorate’s internal use (the exhibit will not be published) to support the President’s budget (“Backup to PB”) request, and for publication as part of the congressional justification materials for the President’s budget request (“President’s Budget”). The single exception is the Fund-28 Execution Performance Analysis, which must be submitted for budget execution reviews only.
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1 OUSD(C) RF electronic format required
2 USTRANSCOM must submit separate Fund-15 exhibits for its Commercial and Military airlift augmentation efforts
3 Formats and Instructions are in Volume 2A Chapter 3 for the OP-8 exhibits and Volume 2B Chapter 19 for the PB-15, PB-22 and PB-54 exhibits. To be included with the DoD Component’s appropriated budget justification materials.
C. **Component Narrative.** A component narrative is required for the President’s budget submission to the Congress. Each DoD Component will provide a Summary by Component in table form consisting of cash and net outlays; revenue, expenses, and operating results; civilian full-time equivalents and military end strength; unit costs, rates, and other key indicators. In addition, each Component will provide a summary table for each of its DWCF activities. Discuss any planned changes in DWCF Activity make up, location, or product lines. Provide short explanatory bullets where significant changes occur.

D. **WCF Activity Narrative.** For each DWCF Activity, the DoD Component will submit a narrative analysis that, as a minimum, addresses the following areas:

1. A general description of the DWCF activity to include names and locations of subordinate commands, its outputs and customers, and performance and quality metrics. Discuss any planned changes in the DWCF activity make up, location, or product lines. Display cash and net outlays, revenue and expenses, operating results, civilian full-time equivalents and military end strength, unit costs and rates and other key indicators in tabular form. Provide short explanatory bullets where significant changes occur.

2. The analysis should focus on the changes from year to year and how these changes are related to work load and productivity trends; an analysis of any special business-type schedules requested in the Budget Call letter; and a discussion of work load and manpower trends, productivity initiatives/cost reductions, unit costs, and customer prices incorporated in the DWCF Activity budget.

E. **Copies.** Numbers of copies of the required materials to be submitted with the annual budget estimates are identified in Volume 2A, Chapter 1 Budget Formulation and Presentation of the DoD FMR. In addition, for the Budget Review, an electronic copy of the justification material for each DWCF Activity will be provided to the respective Revolving Fund analyst and an electronic copy will be made available to the OUSD (C) Program and Financial Control Directorate on the SIPRNET. The OUSD (C) will notify Fund Managers if additional copies are required. The Budget Call Letter will provide any additional submission instructions, such as posting of the electronic copy to the internet.

F. **Classification.** The DWCF justification books prepared by the Components are to be unclassified. Submit any classified exhibits under separate cover.

G. **Formats.** Paper copies of justification material will be submitted on 8-1/2 x 11-inch paper. Variations in format to facilitate printing are permissible. Additionally, modifications may be made to exhibit formats with the approval of the respective Revolving Fund analyst to eliminate redundant information or provide further clarification.

H. **Database Requirements.** Consistent with the guidance contained in Volume 2A, Chapter 1 General Information paragraph 010506 of the DoD FMR, the DWCF budget estimates for financing and civilians will be entered into the Comptroller Information System (CIS). The CIS is typically loaded in August before the review of the justification material. The CIS entries are in obligations, as opposed to expenses.
1. The DWCF Operating Budgets will be entered into the CIS as new obligations. However, certain budget exhibits may reflect expense rates where applicable.

2. The DWCF Capital Budgets will be entered into the CIS as the amount of contract authority requested in that fiscal year. This amount should be equal to the program totals displayed on the Fund-9c “Capital Budget Execution” exhibit. The CIP prior year carryover request amounts are not entered into CIS for the current year (CY).

3. Enter estimates of civilian full-time equivalents (FTEs) for civilian personnel data and military end strength for military personnel data.

4. Changes to CIS data submitted by the DoD Components will be recorded in a decision document or technical adjustment. Technical adjustments may be used when a DoD Component requests minor changes due to new information or correction of errors during the Program/Budget review. The changes to the Program/Budget reflected in the final decision document will be expressed as obligations, FTEs for civilian personnel, and end strength for military personnel, and adjusting entries will be generated. Final rate and price adjustments will be documented in a memorandum signed by the Under Secretary of Defense (Comptroller), or designated representative, at the completion of the Program/Budget review.

I. Special Schedules - For the Supply Management activities, the narrative must include a section on workload and economic assumptions. These assumptions must include the following data for the prior, current, and budget fiscal years: items managed (#), requisitions received (#), receipts (#), issues (#), contracts executed (#), and supply material availability (%).

090205. DWCF Application of Commonly Used Financial Management Terms

A. Commitment. A firm administrative reservation of funds, based on firm procurement directives, orders, requisitions, authorizations to issue travel orders, or requests which authorize the recipient to create obligations without further recourse to the official responsible for certifying the availability of funds. The recording of a commitment reserves funds for future obligations. The DWCF activities are not limited to the amount of commitments that can be incurred in the course of operations (unlike other DoD appropriations). Annual Operating Budgets (AOBs) provide legal and administrative restrictions only on the amount of contract authority that may be obligated in a given fiscal year.

B. Direct Appropriations. Amounts appropriated by the Congress to the DWCF for war reserve material, Defense Commissary Agency, or other purposes.

C. End of Period (EOP). The last day of a specified fiscal year, normally September 30, used to determine the closing status of resources.

D. Outlays. Disbursements issued from the U.S. Treasury for goods and services received. Gross outlays are equal to the cumulative amount of disbursements made for the fiscal period to date. Net outlays are equal to gross outlays less the cumulative amount of collections received for the fiscal period to date.
090206. **Supply Management DWCF Activity Definitions**

A. This section provides standard definitions to Supply Management terminology associated with the development of budget justification material.

B. **Definition of Terms Used in Supply Management DWCF Activities**

1. **Acquisition Leadtime.** The interval in months between the initiation of procurement action and the receipt into the supply system of the production model (excludes prototypes) purchased as the result of such actions. Acquisition Leadtime is composed of two elements, production leadtime and administrative leadtime.

2. **Administrative Leadtime.** That portion of the Acquisition Leadtime that begins with the identification of the need to buy and the contract award. The time between the initiation of paperwork to a signed contract.

3. **Allocation.** Under the appropriations act, direct funds may be appropriated to the DWCF; therefore, obligations may be made against DWCF to procure war reserve material inventory and should be reported separately.

4. **Beginning of Period (BOP, BP).** The start of a specified fiscal year normally on October 1 used to determine the opening “snapshot” status of resources. Typically, the EOP from the previous fiscal year becomes the BOP of the current FY adjusted for price changes.

5. **Capitalized Inventory.** On-hand and on-order inventories of supplies funded by other appropriations and funds are considered as contributed capital as of the date when management responsibility for the items is undertaken (see Provisioning).

6. **Capitalization.** The process whereby the Fund assumes management responsibility and ownership of inventories without reimbursing other DoD appropriations or funds.

7. **Contingency Retention Stock.** That portion of the quantity of an item excess to the Approved Acquisition Objective and for which there is no predictable demand or quantifiable requirement and which normally would be allocated as potential reutilization stock, except for a determination that the quantity will be retained for possible contingencies. This is a budget stratification category and is not the same as “War Reserve Materiel,” which is held for immediate use of military deployments.

8. **Cost of Goods (Materiel) Sold (COGS).** The COGS is the expensed value of the items sold at the standard or exchange price, respectively. The COGS cannot be recorded until a sale occurs even though the purchase and cash outlay occurred in a previous fiscal year. The COGS is a method of inventory valuation that may not be directly related to actual cash required to purchase inventory for the continuity of operations. A Materiel Cost Adjustment (MCA) is allowed as a cost recovery element (which may or may not be related
to normal inflation) to ensure that budgetary resources are available to cover the difference in historic costs (COGS) and current costs.

9. **Cost Recovery Elements/Surcharges.** Factors added to the acquisition cost or repair cost price of an item to arrive at the customer’s standard or exchange price. Cost Recovery Elements/Surcharges include: (1) transportation deliveries from production site to points of use or storage (Second Destination Transportation (SDT)); (2) inventory obsolescence and loss, for the costs of pilferage, damage, deterioration, physical inventory shortages and excess; (3) inventory maintenance; (4) supply operations support costs; (5) inventory augmentation; (6) depreciation; (7) cash factor; and (8) Depot Level Reparable (DLR) carcass attrition costs, if applicable.

10. **Decapitalization.** The transfer of DWCF inventories to other appropriations or funds without reimbursement. Transfers of inventory between DWCF DoD Components are not considered de-capitalizations. Gains and losses of cash, relative to continuing operations at the DWCF activity level, should be taken into consideration to establish an acceptable reimbursement process based on validated undelivered orders (dues in).

11. **Demand (Customer Order).** Demand is an indication of a requirement (i.e., requisition, request, issue, repairable generation, etc.) for issue of serviceable material. Demands are categorized as either recurring or nonrecurring and are also referred to as orders. Demands for repairable items should indicate whether or not a carcass will be returned.

12. **Economic Retention Stock.** That portion of the quantity of an item greater than the Approved Acquisition Objective determined to be more economical to retain for future peacetime issue than to dispose and satisfy projected future requirements through procurement or repair. To warrant economic retention, items must have a reasonably predictable demand rate. The replenishment and growth of economic retention stock may not be financially sound (even though a lower cost may be achieved) when the additional resources could be used to reduce potential inventory shortages in other commodities that have higher reoccurring demands.

13. **Exchange Price (EP).** In a system that supports exchange pricing, this is the price charged to customers exchanging a Depot Level Reparable part that needs repair for a serviceable one (new or repaired). Equates to the latest repair price plus wash out costs (condemnations) per item plus pricing elements necessary to recover other operating costs. (Note: If no carcass is returned, the customer is charged the full standard price.)

14. **Expendable Supplies and Material.** Supplies, sometimes referred to as consumable supplies and material, that are consumed (e.g., paint, fuel, cleaning, preserving materials, surgical dressings, drugs, and medicines) or lose their identity in use.

15. **Initial Spare and Repair Parts.** Those spares and repair parts introduced through the provisioning process to establish inventory levels prior to reoccurring demands for that item. These inventory levels are typically funded by other DoD appropriations.
In some cases, as approved by the Director, Revolving Funds, a cost recovery element may be added to the pricing structure to cover these requirements.

16. **Insurance Item.** A non-demand-based stocked essential item for which no failure is predicted through normal usage. However, if a failure were to be experienced or a loss occur through accident, abnormal equipment or system failure, or other unexpected occurrence, lack of replacement would seriously hamper the operational capability of a weapon system.

17. **Inventory (Supply).** An aggregation of materiel (supplies, equipment or end items) that are maintained for the primary purpose of issue to replace a failed, lost, or consumed item, or to provide initial stockage or stock replenishment, to supported or supporting units or activities.

   a. **Consumer Level of Inventory:** An inventory, usually of limited range and depth, held only by the final element in an established supply distribution system for the sole purpose of internal consumption. Inventory at the consumer level is normally no longer considered Fund inventory.

   b. **Intermediate Level of Inventory (Local):** An inventory between the wholesale and consumer levels, regardless of funding source.

   c. **Wholesale Level of Inventory (National):** Inventory, regardless of funding sources, over which the inventory manager at the inventory control point level has asset knowledge and exercises unrestricted asset control to meet worldwide inventory management responsibilities.

   d. **Inventory Augmentation.** A growth in inventory beyond initial stockage levels that is not demand based. Costs may be recouped through a cost recovery element or by direct appropriations.

   e. **Retail Inventory.** Supplies/material held at a second point of sale below the wholesale level (e.g., management of DLA inventory purchases within a specific Military Department).

18. **Inventory Cost Categories**

   a. **Operating Costs.** All costs not associated with the purchase or repair of materiel that must be incurred in order for the DoD Components to manage a supply DWCF Activity. All materiel-related costs should be the basis for cost of goods sold.

   b. **War Reserves.** Direct appropriation funding is required to procure items for war reserve stocks. These materials are required to support approved force mobilization objectives. The approved force mobilization objective is the quantity required, in addition to peacetime assets normally available on any given date, to equip and support the approved force structure in accordance with current Defense Guidance.
c. **Historic Cost.** The price paid for an item at the time it was purchased from a supplier.

d. **Moving Average Cost:** A historical cost method of valuing inventory. Each time a new quantity is purchased, the average value of all items on hand is recalculated. This value is the basis for accounting purposes and the COGS value on the Fund-14 “Revenue and Costs.” For budget purposes, inflation and a Materiel Cost Adjustment (MCA) may have to be applied as a cost recovery element to ensure receipt of sufficient budgetary resources to support the cash outlays required for inventory purchases.

e. **Replenishment Cost.** The current price of an item from a vendor that will result in a cash outlay resulting from an obligation in the current fiscal year.

f. **Numeric Stockage Objective (NSO) Item.** A non-demand-based, stocked, essential item for which, although failure may be predicted, the probability of demand is so low that it does not meet the stockage criteria at a given activity and, as a demand-based item, would not be stocked. Since the lack of a replacement item would seriously hamper the operational capability of a weapon or weapon systems, the item is therefore stocked; using direct appropriations, as non-demand-based. Also included in this category are:

   1. Items needed to support particular programs of a nonrecurring or sporadic nature (e.g., set assembly, non-repetitive overhaul programs) where reprocurement is not required once the particular program has been completed.

   2. Items that are procured on a life-of-type basis or which are “bought out” at the termination of a production program.

   3. Items that are not fully consumed during a one-time or non-repetitive program but which should be retained for possible future need on a similar program.

19. **Inventory on Order.** The quantities of material required to sustain operations in the interval between requisitions and the arrival of successive shipments; the amount of inventory required to satisfy current demands when leadtimes are taken into account. These quantities should be based on the established replenishment period (i.e., monthly, quarterly, etc.). This is also referred to as the “Pipeline,” “Undelivered Orders,” or “Due ins from Procurement and Repair.”

20. **Other War Reserve Material Requirements.** The total war reserve material requirement less the sum of the pre-positioned war reserve requirements. These are also known as non-prepositioned requirements.

21. **Pre-positioned War Reserve Material Requirement (PWRMR).** That portion of the war reserve stocks required to be on hand on M-Day which approved Defense Guidance dictates be reserved and/or positioned at or near the point of planned use or issued to
the user prior to hostilities, to reduce reaction time and to assure timely support of a specific force/project until replenishment can be effected.

22. **Price Stabilization.** The policy through which the standard price of each cataloged supply item shall remain constant throughout each fiscal year except for correction of errors.

23. **Materiel Cost Adjustment (MCA).** The amount of price growth realized from suppliers above the moving average cost (MAC), used on the SM-5b “OP-32 Price Change.” MAC + Inflation + MCA = Replenishment Costs, This amount is typically above the standard rate of inflation. Standard inflation should be accounted for in the “Materiel Inflation Adjustment” recovery element and not double counted in the MCA. In some cases, normal inflation may be the only recovery element required. For example, if a new part has been upgraded by the manufacturer, the price may increase by 10 percent. In this case, 2 percent may be “normal inflation” and 8 percent can be attributable to the MCA.

24. **Production Lead Time.** The time interval between the letting of a contract or the placing of an order and the first significant receipt into the supply system of material purchased as a result of such action.

25. **Provisioning Item.** Spares and repair parts required as both demand and non-demand-based levels in the supply system to support new fielding of end items. Typically, these are new inventory requirements that require other DoD appropriations to establish the supply chain. In some cases, upon approval by the Director, Revolving Funds, customers may be charged for the establishment of new inventory as a recovery element.

26. **Provisioning Item (Outfitting).** That portion of Provisioning consisting of items for which a sale is anticipated to an appropriated outfitting (buy-out) account. Direct appropriations are required to establish inventory levels for these items until requirements can be forecast based on actual demands for their replenishment using obligation authority.

27. **Reclassification.** The logistics term referring to the transfer of assets between inventory strata (e.g., from Economic Retention to Contingency), used on the SM-4 “Inventory Status.”

28. **Repair Cycle Level.** The quantity of repairable items required to sustain operations during the repair cycle that commences when a maintenance replacement takes place and ends when the unserviceable asset is returned to stock in a serviceable condition. This includes such stages as removed, awaiting shipment, in transit, in pre-repair screening, in process of repair, and being returned to serviceable stock. Any extraordinary awaiting-parts delays and any intentional extended-transit, storage, or repair-process delays should be excluded from the repair cycle.

29. **Reparable Item.** An item of supply subject to economical repair and for which the repair (at either depot or field level) is considered in satisfying computed requirements at any inventory level.
30. **Replenishment Spare and Repair Parts.** Demand-based spare and repair parts required for re-supplying current inventory levels. Inventory levels may increase above initial stockage when there is a concurrent increase in demands (ramp-up). Fewer inventories will be required when there is a decrease in demand levels (ramp-down). These include both reparable and consumable parts in support of fielded items.

31. **Requisitioning Objective** (also known as the “Authorized Acquisition Objective”). The maximum quantities of material to be maintained on hand and on order to sustain current operations and core war reserve. It will consist of the sum of stocks represented by the operating level, safety level, and the order and shipping time or procurement time, as appropriate.

32. **Safety Level of Supply.** The quantity of material required to be on hand to permit continuous operations in the event of minor interruption of normal replenishment or unpredictable fluctuations in demand.

33. **Standard Price.** The price that customers are charged for DoD Inventory Control Point (ICP)-managed items (excluding subsistence). The standard price remains constant (stabilized price) throughout a fiscal year except for the correction of significant errors. The standard price is computed based on various factors, including the replenishment cost of the item plus surcharges to recover costs for transportation; inventory loss, obsolescence and maintenance; depreciation; and supply operations. (Note: See Exchange Price for prices of Depot Level Reparables in systems that support exchange prices.)

34. **Stockage Objective.** The maximum authorized quantity of material on hand to sustain current operations. It consists of the sum of stock represented by the operating level, the safety level, the repair cycle level, and authorized additive levels.

35. **Stratification Process.** A uniform portrayal of requirements and asset application that is a computer-generated simulation of actions causing changes in the supply position, e.g., procurement, repair, receipt, issue, terminations, and disposal of material.

36. **Unfunded Requirement for Spares.** The difference between the spare and/or repair parts requirement computed in accordance with DoD Policy (e.g., DoDI 4140.01 DoD Supply Chain Materiel Management Policy) and the amount of that requirement that is funded.

37. **Unobligated Commitments.** Amount of commitments incurred this fiscal year to date that have not resulted in obligation at the end of the report period. Unobligated commitments do not reduce Obligation Authority issued on AOBs.

42. **Variability Target.** The projected amount of additional cost authority reflected on the SM-1 “Supply Management Summary” exhibit to allow supply activities to respond to variances in costs and/or changes in customer demands during the execution year.
43. **War Reserves.** Stocks of material amassed in peacetime to meet the increase in military requirements forecasts contingent on an outbreak of war. War reserves are intended to provide the interim support essential to sustain operations until re-supply can be effected.

090207. **Non-Supply Definitions**

A. **Definitions Used in Non-Supply Activities**

1. **Maintenance Depot.** Industrial DWCF facilities whose primary missions are to overhaul, manufacture, and re-manufacture weapon systems, ordnance, or other forms of equipment. These activities include Army and Marine Corps Maintenance Depots, Ordnance Depots, Arsenals, Navy Fleet Readiness Centers, and Air Force Aviation Depots.

2. **Direct Labor Hour Rate.** The stabilized rate method that assigns revenue per direct labor hour. The direct labor hour rate is computed by dividing the sum of all direct and indirect production labor, non-labor, and material, and general and administrative expenses, adjusted for direct reimbursements, NOR, and Capital Investment Program (CIP) or Cash surcharges, by the total number of direct labor hours (or other outputs) anticipated to be accomplished during the fiscal year.

3. **Direct Labor Hour (DLH).** The DLHs, sometimes referred to as Direct Product Standard Hours, are the hours required to perform the direct work on a product, or to perform a billable service for customers. The DLHs generally include the hands-on maintenance, repair, overhaul, test, and related direct production effort that follows the established sequence and content of work necessary to accomplish the billable job. The DLHs do not include the support work or man-hours identified as either indirect production (such as supervisory) or general and administrative in nature. The DLHs are estimated for budget purposes by product or service, based on industrial or management engineering standards developed using time, method, and motion studies, historical usage averages, or professional estimating and evaluation (E&E) techniques.

4. **Fixed Price Catalogs.** Depot Maintenance activities may maintain a catalog of products and services (major end items, componentry, depot level repairable, modification kits, etc.) with their associated rework, repair, overhaul, installation, etc., based on the Standard Depot Level Maintenance (SDLM) or Planned Depot Maintenance (PDM) work package DLHs. The DLHs associated with the product or service multiplied by the stabilized composite rate for a fiscal year constitutes the firm fixed price for the catalog item. Catalogs may be maintained in hard copy or in electronic databases accessible to customers.

5. **Total Cost of Goods Sold.** The total expenses incurred in the operating budget of the activity associated with the revenue planned to be recognized for the budgeted fiscal year.

6. **Carryover.** The dollar value of work that has been ordered and funded (obligated) by customers, typically using other DoD appropriations, but not yet completed by DWCF activities (i.e., Depot Maintenance, Industrial Operations, and Research &
Development activities) at the end of the fiscal year. Carryover consists of the unfinished portion of work accepted but not yet completed.

B. Clarification of Rate Estimation. During the budget review process, each non-supply DWCF activity will use proposed new customer orders for each budget year to establish rates that will remain stabilized through the execution year. Accurate customer order projections are essential in determining the annual increase or decrease in rates.

1. Industrial activities will identify total DLHs required to accomplish the budget year’s work program. The work program is the total number of DLHs planned to be executed in support of known and projected customer requirements during execution of the budget. All DLHs should be identified in the budget, even though some workload may be direct reimbursable rather than rate based.

2. Total costs estimated to be incurred in execution of this workload will be projected. This process should include application of general inflation, pay raise, and other inflation or OUSD (Comptroller)-directed price adjustments, as specified in the OUSD (Comptroller) budget formulation Budget Call. The sum of all these costs (including supplies, materials, pay, depreciation, and other charges, etc.) is the estimate of the total cost of goods sold.

3. Customer requirements must be projected and separately identified to include: current (on hand) unfilled customers orders expected to be executed during the budget year (carry-in or backlog), and work in process that will be completed; new orders anticipated to be accepted and executed during the budget year; and orders anticipated to be accepted but not executed during the year (anticipated carry-over).

4. Workload mix (outputs), availabilities, and production schedules must be assessed, along with any other factors that may impact program outputs such as policy changes, productivity initiatives, planned workload competitions, plant capacity, and other factors. Based on these factors, the work counts associated with each major workload category (output or product) will be identified and reported.

5. Total costs required to execute the planned program to produce the outputs in the approved execution program will be identified and reported in budget exhibits, with significant changes from the prior year highlighted in the Exhibit Fund-2, “Changes in the Costs of Operations.”

*0903 DWCF ACTIVITY EXHIBIT FORMATS

090301. Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Adhere to these formats unless they are modified in a submission budget call. Modifications may be made to exhibit formats with the approval of the respective Revolving Fund analyst to eliminate redundant information or provide further clarification.
090302. Defense Working Capital Fund Exhibits

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*Formats and Instructions for these exhibits are in the DoD FMR, Volume 2A Chapter 3 for the OP-8 exhibits and Volume 2B Chapter 19 for the PB-15, PB-22 and PB-54 exhibits. These exhibits should be included as part of the DoD Component’s Appropriated Budget Justification.
### Exhibit SM-1 Supply Management Summary

<table>
<thead>
<tr>
<th>FY</th>
<th>BUDGET</th>
<th>SUPPLY MANAGEMENT BY ACTIVITY DIVISION</th>
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<td>(DoD Component)</td>
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<td>(Dollars in Millions)</td>
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<th>Obligation Targets</th>
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<tr>
<td>Business Division</td>
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<tr>
<td>Net Customer Orders</td>
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<tr>
<td>Net Sales</td>
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<td>Operating</td>
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<td>Mobilization</td>
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<td>Direct Appn</td>
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<tr>
<td>Total Operating Obligations</td>
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<tr>
<td>Total Capital Obligations</td>
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<tr>
<td>Variability Target</td>
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<tr>
<td>Target Total</td>
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</tbody>
</table>

Exhibit SM-1 Supply Management Summary
INSTRUCTIONS FOR PREPARATION OF SUPPLY MANAGEMENT SUMMARY (EXHIBIT SM-1)

The purpose of the SM-1, Supply Management Summary by Activity Division exhibit, is to provide summary obligation justification for the DoD Component DWCF activity. Instructions for preparation of SM-1 exhibit follow:

1. Prepare the SM-1 exhibit for each year being reviewed (i.e., prior year, current year, and budget year).

2. Present dollars in millions to the third decimal place.

3. The current year request should represent current identified requirements and may not be equal to previous amounts approved in prior year budget submissions. The minimum information required for each activity division is as follows:

   - Net Customer Orders
   - Net Sales
   - Operating Obligations
   - Mobilization Obligations
   - Direct Appropriations
   - Total Operating Obligations- This amount is entered into the program line in the Comptroller Information System (CIS).
   - Total Capital Obligations- This amount is entered into the capital line in CIS.
   - Variability Target- This amount is not entered into CIS but is documented on the budget exhibit for inclusion in the apportionment from OMB.
   - Target Total

Exhibit SM-1 Supply Management Summary (Continued)
### Exhibit SM-3a Requirements to Budget

<table>
<thead>
<tr>
<th>FY ____ (DoD Component)</th>
<th>BUDGET SUPPLY MANAGEMENT Requirements to Budget</th>
<th>DIVISION</th>
<th>DATE</th>
<th>SUPPLY MANAGEMENT (Dollars in Millions)</th>
</tr>
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<td>BY____</td>
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</tbody>
</table>

#### A. CUSTOMER DEMANDS
1. Total New Demands (Sales/Exchanges in FY)
2. Stock Due Out (Backorders) (BOP)
3. New Items (excluding provisioning)
4. Provision (SM-5a element)
5. Other Demands (Specify) (Non-reoccurring)

**Total Customer Demands**

#### B. ASSETS AVAILABLE TO SATISFY CUSTOMER DEMANDS
1. Serviceable On Hand (BOP)
2. Projected Deliveries
3. Projected Funded Repairs
4. Other Serviceable Asset Deliveries

**Total Serviceable Assets Available**

#### C. FUNDING REQUIREMENT
1. Unfunded Demands (A-B)
2. Transportation (FDT)
3. Repair Costs
4. Other Costs (Specify) (Reconcile to SM-1)

**Total Funding Requirement**

**Deferred Funding Adjustments**
1. Requirement deferred/eliminated (-)
2. Deferred requirement added (+)

**Funding Requirement with Adjustments**

#### D. Non-WCF Initial Spares from other DoD Appropriations (memo entry)
INSTRUCTIONS FOR PREPARATION OF REQUIREMENTS TO BUDGET (EXHIBIT SM-3a)

The purpose of the SM-3a Requirements to Budget exhibit provides backup information to support obligations based on inventory requirements determined by customer demand. That is, the SM-3a Requirements to Budget exhibit identifies resources required to replenish sales of inventory for each fiscal year (i.e., prior year, current year, budget year).

1. Prepare an SM-3a exhibit for each DWCF Supply activity (not each division). Non-inventory costs, as reflected on the Fund-1/1a Summary/Details of Price, Program and Other Changes exhibits, are considered “Overhead and Other Management Costs”. Total obligations reported on this exhibit represent obligations for inventory procurement/repair. Obligations on this exhibit, when added to the Fund-1 Summary of Price, Program and Other Changes must reconcile with the Total Operating Obligations column on the SM-1 Supply Management Summary by Division exhibit. Present dollars in millions to the third decimal place.

2. Use the latest inventory cycle available since the exhibit is due in September. Instead of using the standard price, it is recommended that the moving average cost (MAC) value be used and the Materiel Cost Adjustment (MCA) applied as a growth factor to the MAC for each fiscal year. This will represent the projected price change over time. If a standard price is used, the overhead costs (surcharge) must be removed as part of this exhibit to get to a more representative cost of inventory and the MCA will not be added.

3. The exhibit will no longer reconcile to the total inventory; rather, it will focus on the time-phased customer demands (sales or exchanges) including any backorders. Inventory available (i.e., on hand and projected serviceable deliveries from buy or repair), that will satisfy those demands will be applied against the customer requirements. Finally, the portion of the customer demands that will not be satisfied with the current projected funded deliveries will be calculated so they can be satisfied through funding for new purchases or repairs. Documented unfunded requirements will also include the other projected funding needs (e.g., first destination transportation and projected repair cost increases). This exhibit will only reflect mobilization requirements to reconcile to the SM-1 exhibit; it will not include unfunded WRM demands.

4. The exhibit will include new requirements (e.g., initial provision and establishing a new stock number to replace an existing one) paid through the DWCF. It will also require all DoD Components to show (as a memo entry) other requirements (sponsor-owned stock, BP 28, etc.) not in the DWCF. Note: the memo entry on this exhibit provides reconciliation for other inventory purchased outside of the DWCF that may later migrate into DWCF.

5. Section A of the exhibit will reflect the Customer Demands (historical & projected for the first fiscal year and projected for the following 2 fiscal years). Section B of the exhibit will reflect the inventory (serviceable on hand and projected deliveries from buy or repair) for each of the 3 fiscal years. Section C of the exhibit will reflect the funding requirements (part of the
budget) and any other unfunded (deferred) requirements. Section D of the exhibit will reflect the initial provision (memo entry) that is not funded through the DWCF. It is the total initial provisioning dollar value not under DWCF that is on hand or projected to be delivered by the beginning of the period (BOP).

Exhibit SM-3a Requirements to Budget (Continued)
Exhibit SM-3b By Weapon System Requirements

<table>
<thead>
<tr>
<th>Weapon System</th>
<th>Special Purchases</th>
<th>Basic Purchases</th>
<th>Basic Rework/Repair</th>
<th>Initial Spares</th>
<th>Total Program</th>
<th>Non-MCRS Percent</th>
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Exhibit SM-3b By Weapon System Requirements
INSTRUCTIONS FOR PREPARATION OF WEAPON SYSTEM REQUIREMENTS (EXHIBIT SM-3B)

The SM-3B Weapon System Requirements exhibit provides a breakout of the operating obligation request by type of supply system action (procurement versus repair) and by weapon system or category.

1. For the OSD/OMB budget review, prepare the SM-3B for each DWCF Supply activity (wholesale division) that provides military spare parts (excludes fuel, medical/dental, subsistence, etc.). For each division, prepare one Exhibit SM-3B for each fiscal year (CY, BY).

2. Definitions.

   a. Special Purchases column includes outfitting, special programs and any initial spares financed through a cost recovery element on the SM-5a Markup on Material Cost exhibit.

   b. Basic Purchases column consists of replacement spares based on demands.

   c. Basic Rework column is repair obligations for sales replacement.

   d. Initial Spares column includes any new inventory levels financed through other DoD appropriations in this column. In theory, this column should reconcile with the P-18 exhibits provided with the Initial Spares Budget Activity of the DoD Component’s procurement appropriations.

   e. Total Program column shows the total operating obligation request for each weapon system.

   f. Non-MCRS Percent (Non-Mission Capable Rate Supply) column shows the percentage, by weapon system, that is not mission capable due to the lack of spare parts. Report this rate target for each budgeted fiscal year.

3. Present dollars in millions to the third decimal place. Weapon systems, as defined by the applicable Service, may be aggregated into categories when individual systems are less than $25 million. The Director, Revolving Funds will approve appropriate levels of aggregation. Common parts may be grouped by category such as radios or may be allocated to specific systems such as F-16 aircraft. Obligation authority requests for non-weapon system-related requirements, such as reverse engineering and forging & casting, must be separately identified.

4. Estimated data may be used and noted as such until accurate systems can be developed to provide accurate data.

5. This form will be prepared at replenishment cost or repair cost as appropriate.

Exhibit SM-3b Weapon System Requirements (Continued)
Exhibit SM-4 Inventory Status

<table>
<thead>
<tr>
<th>FY</th>
<th>SUPPLY MANAGEMENT (Dollars in Millions)</th>
<th>DIVISION</th>
<th>DATE</th>
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<tbody>
<tr>
<td></td>
<td>(DoD Component)</td>
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<tr>
<td></td>
<td>INVENTORY STATUS</td>
<td>TOTAL</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>DEMAND BASED</td>
<td>MOBILIZATION</td>
</tr>
<tr>
<td>1.</td>
<td>Inventory BOP</td>
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<tr>
<td>2.</td>
<td>BOP Inventory Adjustments</td>
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<tr>
<td></td>
<td>A. Reclassification Change (Memo)</td>
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<tr>
<td></td>
<td>B. Price Change Amount (Memo)</td>
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<tr>
<td></td>
<td>C. Inventory Reclassified and Repriced</td>
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</tr>
<tr>
<td>3.</td>
<td>Purchases</td>
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<td>4.</td>
<td>Gross Sales at MAC Value</td>
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<tr>
<td>5.</td>
<td>Inventory Adjustments</td>
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<tr>
<td></td>
<td>A. Capitalizations (Net) + or (-)</td>
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<td></td>
<td>B. Returns From Customers For Credit +</td>
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<tr>
<td></td>
<td>C. Returns From Customers Without Credit</td>
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<td></td>
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<tr>
<td></td>
<td>D. Returns To Suppliers (-)</td>
<td></td>
<td></td>
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<td></td>
<td>E. Transfers To Property Disposal (-)</td>
<td></td>
<td></td>
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<td></td>
<td>F. Issues/Receipts Without Reimbursement + or (-)</td>
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<td></td>
<td>G. Other (List/Explain)</td>
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<td>H. Total Adjustments</td>
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<td>6.</td>
<td>Inventory EOP</td>
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<td>7.</td>
<td>Inventory EOP, Revalued (MAC, Discounted)</td>
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<tr>
<td></td>
<td>A. Economic Retention (Memo)</td>
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<td>B. Contingency Retention (Memo)</td>
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<td>C. Potential DoD Reutilization (Memo)</td>
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<td>8.</td>
<td>Inventory On Order EOP (Memo)</td>
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<tr>
<td>9.</td>
<td>NARRATIVE (Explanation of unusual changes)</td>
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</tr>
</tbody>
</table>

Exhibit SM-4 Inventory Status
INVENTORY STATUS (EXHIBIT SM-4)

The SM-4 Inventory Status exhibit shows estimated inventory levels that will result from the proposed budgets and operating levels. Prepare the SM-4 at the moving average cost (MAC) value for the prior fiscal year, current year, and budget year for each supply management DWCF activity for each Program/Budget and President’s Budget submission. A consolidated summary for the total Supply activity will be prepared for the OSD/OMB Review. The TOTAL column in the prior fiscal year exhibit shall reflect the amount from supply management general ledgers used in preparation of fiscal and accounting reports. Amounts in the DEMAND BASED, MOBILIZATION, and NON-DEMAND BASED columns may be statistically derived from related inventory reports. Instructions for preparation of SM-4 Inventory Status are as follows:

1. **Inventory, BOP.** (Beginning of Period) Amounts of inventory on hand and in transit reported must equal amounts reported as of the end of the prior year. If not, explain any difference in a footnote. The DoD Component must have title to all inventory listed here.

2. **BOP Inventory Adjustments.** Enter any adjustments required to the beginning position.

3. **Purchases.** Add the amount of inventory value on which title has passed or will pass to the reporting supply management division during the period of the report.

4. **Gross Sales at MAC value.** Material sold to customer during the period of the report. Should match the Cost of Goods Sold base value.

5. **Inventory Adjustments.**
   a. **Capitalizations (Net).** Report the inventory value of material capitalized or de-capitalized during the period of the report. Show a net de-capitalization with (-) preceding value.
   b. **Returns from Customers for Credit.** Show the cumulative amount of material returned from customers on which title has passed to the reporting supply management division during the period of the report for which credit has been given. For fuel returns, show the cumulative amount of fuel returned based on market price valuation of current inventory.
   c. **Returns from Customers without Credit.** Show the cumulative amount of material returned from customers on which title has passed to the reporting supply management division during the period of the report for which credit was not given.
   d. **Returns to Suppliers.** Show as a negative number the cumulative amount of material returned to supplier during the period of the report.
   e. **Transfers to Property Disposal.** Show the net amount of material transferred to/from the DLA Disposition Service on which title has been passed to DLA.

Exhibit SM-4 Inventory Status (Continued)
f. Issues/Receipts without Reimbursement. Show the net cumulative amount of material issued or received without reimbursement during the period of the report. This item could include transfers from other divisions or material categories, etc., as required. Show net issued with (-) preceding value.

g. Other. Identify and report the amounts of other adjustments to inventory. Include all other adjustments to inventory such as adjustments for physical inventory count and extraordinary losses (fire, weather). Explain with footnotes if necessary. Show (+) or (-) as appropriate.

h. Total Adjustments. Add 5a through 5g.

6. Inventory EOP. (End of Period) Report the amount of inventory available at the end of the reporting period, including all on hand, in transit, work-in-process, and other stocks to which the reporting stock fund division holds title.

7. Inventory EOP, Revalued (MAC, Discounted). Enter any adjustments required to the ending position.

8. Inventory on Order, EOP (memo). Report the amount of demand based and mobilization undelivered orders (excluding in transit) for material outstanding at the end of the period.

9. Narrative. Provide additional information and description as needed.
## Exhibit SM-5a Markup on Materiel Cost

### Supply Management Activities – Standardized Rate

#### Markup on Materiel Cost (Wholesale) Cost Recovery Calculation

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>(SM) CY Approved</th>
<th>(SM) CY Requested</th>
<th>(SM) BY</th>
</tr>
</thead>
</table>

#### Materiel Costs Section
- a. Materiel Costs without Inflation (MAC)
- b. Materiel Inflation (normal inflation)
- c. Materiel Cost Adjustment (includes obsolescence, losses and washouts)

1. **Total Materiel Costs**

#### Overhead Costs (Fund-1/1a) Section
- a. Personnel Costs (Military and Civilian)
- b. Operating Equipment and Supplies (Lines 400 & 500)
- c. Transportation (Lines 300 & 700)
- d. Other Purchased Services (Line 900)
- e. DLA Distribution
- f. DLA Disposition (DRMS)
- g. DLA Other
- h. DFAS
- i. DISA (All)
- j. Other DWCF Purchases (Remainder of Line 600)

2. **Total Overhead Costs**

#### Price Adjustments Section
- a. Depreciation
- b. Capital Outlay Recovery (Surcharge)
- c. AOR Recovery
- d. Cash Adjustment

3. **Total Pricing Adjustments**

#### Markup on Materiel Cost Section
- a. Line 2 + Line 3 (Overhead Costs + Pricing Adjustments)
- b. Line 1 (Total Materiel Costs)
- c. Total Wholesale Revenue (a + b)

4. **Total Markup on Materiel Cost (Standardized Rate) (a / b)**
INSTRUCTIONS FOR PREPARATION OF EXHIBIT SM-5a
MARKUP ON MATERIEL COST

The SM-5a Markup on Materiel Cost exhibit shows how to calculate the Standardized Rate for Supply DWCF Activities. Each Service/Agency will provide a consolidated exhibit for the sum of all wholesale divisions managed by that Service/Agency. The current year (CY) requested on this exhibit will match all CY data represented on all other reconciling budget exhibits (Fund-14, Fund-1). The CY approved represents what was submitted in previous budgets; in theory, all adjustments from previous budgets will be reflected in the AOR adjustment line of the budget year (BY).

Materiel Costs Section. There are three factors that make up materiel costs. Total Materiel Costs is the denominator in the Markup on Materiel Cost calculation.

a. Materiel Costs without Inflation (MAC). This is a representation of the historic value of inventory (and repair costs). The official valuation methodology for the DWCF is Moving Average Cost (MAC), based on proprietary accounting. However, valuing inventory solely at the MAC value for budget purposes will not generate sufficient resources for cash outlays to maintain current inventory levels.

b. Materiel Inflation (normal inflation). This line represents the amount of “normal inflation” as approved by OMB and OUSD(C) in published memoranda. The line may be used by the DoD Component to break out this type of inflation separately from any other materiel cost growth for reconciliation purposes; it is not a mandatory line and these costs may be included in line C as part of the “Materiel Cost Adjustment”. Do not double count “normal inflation” on both lines.

c. Materiel Cost Adjustments (includes obsolescence, losses and washouts). All other adjustments involving the actual purchase or repair of inventory above that of the previous year. This line should include normal inflation if line b is not used (it should not include normal inflation if line b is used). Materiel costs associated with losses, obsolescence and wash out (condemnation) of reparables are also included in this line.

Overhead Costs (Fund-1/1a) Section. Total overhead costs should reconcile to the Fund-1 Summary of Price, Program and Other Changes exhibit less the amount displayed (if any) on the Fund-14 Revenue and Costs exhibit for direct reimbursable revenue. In theory, direct reimbursable revenue should not include a cost recovery rate and should cover all costs involved for the work performed. Depreciation is shown as a price adjustment instead of an overhead cost because it is a cash recovery element for capital obligations. Overhead categories directly relate to the corresponding line on the Fund-1/1a Summary/Detail of Price, Program and Other Changes exhibit.

Pricing Adjustments Section. Pricing adjustments increase or decrease budgetary resources but are not related to Materiel or Overhead costs. There are four types of price adjustments.
a. Depreciation. Represents the yearly cash recovery of CIP obligations and outlays based on the useful life of the asset purchased. This is a mandatory line.

b. Capital Outlay Recovery (Surcharge). An adjustment to the depreciation amount either to accelerate cash recovery if outlays are significantly exceeding depreciation or to reduce the amount of depreciation to the amount of obligations for the CIP when cash resources are sufficient. This is not a mandatory line.

c. AOR Recovery. This amount should be equal to the NOR for the respective year on the Fund-14. This is a mandatory line.

d. Cash Adjustment. May be used to adjust the cash resources available to that specific DWCF Activity (not as an adjustment to the cash available at the DoD Component level). All cash adjustments at the DWCF Activity level should reconcile to the Fund-13, Cash Management Plan (e.g. a DWCF Activity should not show a cash increase on the Fund-13 with a negative cash adjustment on the SM-5). This is not a mandatory line.

**Markup on Materiel Cost Section.** Line 4. Total Markup on Materiel Cost (Standardized Rate (a/b) equals (Line 2. Total Overhead Costs + Line 3. Total Pricing Adjustments) divided by Line 1. Total Materiel Costs, displayed as a percentage. Adding Materiel Costs, Total Overhead Costs, and Total Pricing Adjustment equals total wholesale revenue as displayed on the SM-16 Unit Cost Summary exhibit. Total wholesale revenue, retail revenue and direct reimbursables equals total Gross Sales as displayed on the Fund-14 Revenue and Costs and SM-16 Unit Cost Summary exhibits.
Exhibit SM-5b OP-32 Price Change to Customers

<table>
<thead>
<tr>
<th>OP-32 Price Change to Customers</th>
<th>CY (Approved)</th>
<th>BY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Total Materiel Costs without Inflation (Line 1a)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price Growth for OP-32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materiel Inflation (if used) plus Materiel Cost Adjustment (Line 1b + Line 1c)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Overhead Costs plus Total Pricing Adjustments (Line 2 + Line 3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B. Total Additional Price to Customer</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C. Additional Price Percentage (B/A)</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

C. Additional Price Percentage (B/A)  
OP-32 Price Change (Percent Change in Additional Price Percentage from CY (Approved) to BY)

INSTRUCTIONS FOR PREPARATION OF EXHIBIT SM-5b  
OP-32 PRICE CHANGE TO CUSTOMERS

The OP-32 Price Change to Customers exhibit may be presented on the same page as the SM-5a Markup on Material Cost exhibit. For the President’s Budget Justification Book, the published OP-32 Price Change to Customers exhibit for the PY, CY, and BY will be presented in the narrative section with a brief explanation of the change from the previous year. The SM-5b OP-32 Price Change to Customers exhibit will be required as a backup exhibit to the President’s Budget. All figures for the OP-32 Price Change are depicted in the SM-5a Markup on Material Cost exhibit.

A. Total Materiel Costs without Inflation (Line 1a). These are the amounts displayed on the SM-5a Markup on Material Cost exhibit that represent changes in purchases without inflation or pricing factors.

B. Total Additional Price to Customer.

Materiel Inflation plus Materiel Cost Adjustment. The amount of “normal inflation” (SM-5a Line 1b) plus other Materiel Costs not accounted for by “normal inflation” (SM-5a Line 1c).

Overhead Costs plus Pricing Adjustments. This should be equal to the SM-5a Markup on Material Cost exhibit Line 4a.

OP-32 Price Change. The formula for the percentage change to customers is:

\[ \frac{(1+\text{BY Line C})}{(1+\text{CY (Approved) Line C})} - 1. \]

This change represents the change in price at the item level that were affected by both price and program changes in the customer budget.

Exhibit SM-5b OP-32 Price Change to Customers
Exhibit SM-6 War Reserve Material

WAR RESERVE MATERIAL (WRM)
STOCKPILE ($ in Millions)

<table>
<thead>
<tr>
<th>STOCKPILE STATUS FOR FY_____</th>
<th>Total</th>
<th>WRM Protected</th>
<th>WRM Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Inventory BOP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Price Change</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Reclassification</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Inventory Changes
  a. Receipts
     (1). Purchases
     (2). Returns from customers

Issues
  (1). Sales
  (2). Returns to suppliers
  (3). Disposals

c. Adjustments
   (1). Capitalizations
   (2). Gains and losses
   (3). Other

Inventory EOP

STOCKPILE COSTS

1. Storage
2. Management
3. Maintenance/Other
Total Cost

WRM BUDGET REQUEST

1. Obligations @ cost
   a. Additional WRM Investment
   b. Replenishment/Repair WRM – Reinvestment
   c. Stock Rotation/Obsolescence
   d. Assemble/Disassemble
   e. Other
Total Request

Exhibit SM-6 War Reserve Material (Continued)
WAR RESERVE MATERIAL (WRM)
EXHIBIT SM-6

The purpose of the WRM exhibit is to notify Congress of the Department’s intentions regarding the management of secondary item war reserves. Stockpile status and costs sections show the current and budgeted amounts for the inventory and the costs associated with maintaining these levels. The budget request section notifies Congress of the amounts of obligations to be used to acquire or maintain war reserve items and quantities. “Protected status” applies to items that may not be sold. “Other” applies to WRM that must be sold and replenished due to stock rotation or shelf-life issues. Exhibit instructions are as follows:

1. **Stockpile Status** (Same instructions as the SM-4 Inventory Status exhibit). Components should use the “reclassification” line to transfer inventory into the “protected” WRM category from “WRM Other,” if desired.

2. **Stockpile Costs.** The WRM stockpile costs are those incurred in the working capital fund (WCF) to store WRM material, to manage WRM stocks to include a portion of total Inventory Control Point costs (normally based on surcharges for purchased/repaired items funded with the obligations identified below), and any other DWCF costs to maintain the WRM inventory.

3. **WRM Budget Request.** This area addresses the amounts of obligation authority to be used specifically for WRM items or WRM quantities, whether from an appropriation, from cash balances, or from future sales.

   a. **Additional WRM Investment.** (Normally reimbursed or funded by an appropriation.) The amount of obligations to purchase or repair new or additional items that will increase the value of the total WRM inventory.

   b. **Replenishment/Repair WRM Reinvestment.** The amount of obligation authority to be used to replenish or repair WRM inventory that is sold, and the amount to be used to reinvest in new inventory with the funds from the sale of old inventory. Should normally be a one for one or dollar for dollar (excluding surcharges) replacement.

   c. **Stock Rotation/Obsolescence.** (Separate from the stock replenishment from sales above). This is to replace stocks that are not sold but must be rotated or replaced periodically because of shelf life or obsolescence (can be related to an appropriation, if required, but normally maintains, and not increases, the value of the WRM inventory).

   d. **Assemble/Disassemble.** The amount of obligations to be used to change the configuration of WRM inventory items.

   e. **Other.** As appropriate.
Exhibit SM-16 Total Cost Per Unit Summary

Supply Management
Total Cost per Output Summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit Cost</th>
<th>(SM)</th>
<th>Obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Sales@Cost</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Retail Sales@Cost</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Wholesale Overhead</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Reimbursable Overhead (Direct Reimbursables)</td>
<td></td>
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<tr>
<td>Direct Appropriation</td>
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<tr>
<td>Less Credit</td>
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<td></td>
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<tr>
<td>Less Depreciation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PY Total Operating Obligation Authority (SM-1)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale Sales@Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Sales@Cost</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Wholesale Overhead</td>
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<td></td>
<td></td>
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<tr>
<td>Other Reimbursable Overhead (Direct Reimbursables)</td>
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<tr>
<td>Direct Appropriation</td>
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<tr>
<td>Less Credit</td>
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<tr>
<td>Less Depreciation</td>
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<td></td>
<td></td>
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<tr>
<td><strong>CY Total Operating Obligation Authority (SM-1)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale Sales@Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Sales@Cost</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Wholesale Overhead</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Reimbursable Overhead (Direct Reimbursables)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Direct Appropriation</td>
<td></td>
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<tr>
<td>Less Credit</td>
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<td></td>
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<tr>
<td>Less Depreciation</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>BY Total Operating Obligation Authority (SM-1)</strong></td>
<td></td>
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</tr>
</tbody>
</table>

Instructions: This exhibit is a backup that reconciles the Budget Authority request to the SM-1 Supply Management Summary by fiscal year. Unit cost is calculated by dividing total obligations by sales associated with the obligations incurred. All amounts displayed must correspond to the applicable budget exhibit for reconciliation purposes.
**Exhibit Fund-1 Summary of Price and Program Changes – Costs**

**Summary of Price, Program, and other Changes (Operating Budget) - Costs**

<table>
<thead>
<tr>
<th>Component:</th>
<th>Activity:</th>
<th>Date:</th>
<th>($ in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cost of</td>
<td>Cost of</td>
<td>Program</td>
</tr>
<tr>
<td></td>
<td>Ops FY</td>
<td>Ops FY</td>
<td>&amp; Other</td>
</tr>
<tr>
<td></td>
<td>PY FY CY</td>
<td>CY</td>
<td>Changes</td>
</tr>
<tr>
<td>Military Personnel Compensation (Fund-1a lines 010-050)</td>
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<td></td>
</tr>
<tr>
<td>Civilian Personnel Compensation and Benefits (including FNIH personnel) (Fund-1a lines 101-121)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Travel and Transportation of Personnel (Fund-1a lines 301-307)</td>
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<td></td>
</tr>
<tr>
<td>Material &amp; Supplies (For Internal Operations) (Fund-1a lines 401-422)</td>
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<td></td>
</tr>
<tr>
<td>Equipment (Fund-1a lines 502-550)</td>
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<tr>
<td>Other Purchases from Revolving Funds (Fund-1a lines 601-699, except 633, 634, and 671)</td>
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<td></td>
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</tr>
<tr>
<td>Transportation of Things (Fund-1a lines 701-761)</td>
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<tr>
<td>Depreciation (Fund-1a lines 802-805)</td>
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<tr>
<td>Printing and Reproduction (Fund-1a lines 633 and 921)</td>
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<tr>
<td>Advisory and Assistance Services (Fund-1a line 931)</td>
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<td></td>
</tr>
<tr>
<td>Rent, Communications, Utilities, and Miscellaneous Charges (Fund-1a lines 634, 671, 912, 913, 914, and 915)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Purchased Services (All other Fund-1a lines)</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Total Operating Budget** includes Direct Reimbursables; this total less Direct Reimbursables equals overhead costs on the SM-5

Less Depreciation (Non-supply Only)

CIS Obligation Amount (Non-supply Only)

Inventory Procurement Expenses (Supply Management Only; COGS on the Fund-14)

**Total Costs (Supply Management Only; reconciles to Total Costs on the Fund-14)**

**Exhibit Fund-1 Summary of Price and Program Changes – Costs**
Instructions for Preparation of Exhibit Fund-I
Summary of Price, Program, and Other Changes

This exhibit reflects the total operating costs (including direct reimbursements from non-rate based work) to accomplish the DWCF activity mission. The Fund-1 is the Summary Exhibit that consolidates the information from the Fund-1A Details of Price, Program and Other Changes exhibit. The Components are required to address changes in cost between fiscal years as either price or program. Price changes are restricted by the inflation index published in OUSD(C) guidance with the exception of price increase resulting from another DWCF activity’s rate changes. In addition, Components must reflect the depreciation expense for all capital benefiting the activity (reconciles to the Fund-14 Revenue and Costs, Fund-9a Capital Investment Summary, SM-5a Markup on Material Cost, SM-16 Unit Cost Summary exhibits). Both the Summary Exhibit (Fund-1) and the Detail Exhibit (Fund-1a), which reflects the costs incurred to support sales activity, are required for all DWCF activities.
Exhibit Fund-1a Details of Price and Program Changes – Costs

### Details of Price, Program, and Other Changes (Operating Budget) - Costs

($ in Millions)

<table>
<thead>
<tr>
<th>Cost of Operations FY --</th>
<th>Annualization of Pay Raises</th>
<th>Price Growth Percent Amount</th>
<th>Program &amp; Other Changes</th>
<th>Cost of Operations FY --</th>
</tr>
</thead>
</table>

#### MILITARY PERSONNEL COMPENSATION

- 010 Officer Composite – Civilian Equivalent Rates
- 050 Enlisted Composite – Civilian Equivalent Rates

**Total Military Personnel Compensation**

#### CIVILIAN PERSONNEL COMPENSATION

- 101 Executive, General, and Special Schedule
- 103 Wage Board
- 104 Foreign National Direct Hire (FNDH)
- 105 Separation Liability (FNDH)
- 106 Benefits to Former Employees
- 107 Voluntary Separation Incentive Program
- 110 Unemployment Compensation
- 111 Disability Compensation
- 112 Retirement Fund Offset (15% of Employee’s final basic pay)
- 121 Permanent Change of Station (PCS)

**Total Civilian Personnel Compensation**

- 200 Cost of Inventory Sold

Note: This category applies to Supply Management DWCF Activities and represents Inventory Procurement/Repair Expenses and not obligations to acquire inventory.

#### TRAVEL

- 308 Travel of Persons

---

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)
### MATERIAL & SUPPLIES (FOR INTERNAL OPERATIONS)

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>401</td>
<td>DLA Energy Fuel Products (DESC)</td>
</tr>
<tr>
<td>402</td>
<td>Service Fuel (Other than DLA Energy)</td>
</tr>
<tr>
<td>411</td>
<td>Army Managed Supplies and Materials</td>
</tr>
<tr>
<td>412</td>
<td>Navy Managed Supplies and Materials</td>
</tr>
<tr>
<td>413</td>
<td>Marine Corps Supply</td>
</tr>
<tr>
<td>414</td>
<td>Air Force Consolidated Sustainment (Supply)</td>
</tr>
<tr>
<td>416</td>
<td>GSA Managed Supplies and Materials</td>
</tr>
</tbody>
</table>

### MATERIAL & SUPPLIES (FOR INTERNAL OPERATIONS) continued

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>417</td>
<td>Locally Purchased Supplies &amp; Materials (Other than from Supply Management)</td>
</tr>
<tr>
<td>418</td>
<td>Air Force Retail Supply (General Support Division)</td>
</tr>
<tr>
<td>419</td>
<td>Air Force Retail Supply (Medical-Dental Division)</td>
</tr>
<tr>
<td>420</td>
<td>Air Force Retail Supply (AF Academy Division)</td>
</tr>
<tr>
<td>421</td>
<td>DLA Materiel Supply Chain (Clothing and Textiles)</td>
</tr>
<tr>
<td>422</td>
<td>DLA Materiel Supply Chain (Medical)</td>
</tr>
<tr>
<td>423</td>
<td>DLA Materiel Supply Chain (Subsistence)</td>
</tr>
<tr>
<td>424</td>
<td>DLA Materiel Supply Chain (Weapon Systems)</td>
</tr>
</tbody>
</table>

**Total Material, Equipment & Supplies**
### Details of Price, Program, and Other Changes (Operating Budget) - Cost

<table>
<thead>
<tr>
<th>Cost of Operations FY --</th>
<th>Annualization of Pay Raises</th>
<th>Price Growth Percent</th>
<th>Amount</th>
<th>Program &amp; Other Changes</th>
<th>Cost of Operations FY --</th>
</tr>
</thead>
</table>

#### EQUIPMENT PURCHASES (Non-CIP)

502 Army (Fund) Equipment  
503 Navy (Fund) Equipment  
505 Air Force (Fund) Equipment  
506 DLA Materiel Supply Chain (Fund) Equipment  
507 GSA Managed Equipment

**Total Equipment Purchased from the Fund**

#### OTHER REVOLVING FUND PURCHASES

601-699 (As follows:)

601 Army Industrial Operations  
603 DLA Distribution Depot (Army Specific Services)  
610 Naval Air Warfare Center  
611 Naval Surface Warfare Center  
612 Naval Undersea Warfare Center  
613 Naval Fleet Readiness Centers (Aviation Depots)  
614 Space and Naval Warfare Center

**Transportation:**

620 Navy Transportation (Combat Logistics Force)  
621 Navy Transportation (Afloat Prepositioning Force, Navy)
Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

<table>
<thead>
<tr>
<th>Cost of Operations FY --</th>
<th>Annualization of Pay Raises</th>
<th>Price Growth Percent</th>
<th>Program &amp; Other Changes</th>
<th>Cost of Operations FY --</th>
</tr>
</thead>
<tbody>
<tr>
<td>623 Navy Transportation (Special Mission Ships)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>624 Navy Transportation (Joint High Speed Vessels)</td>
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</tr>
<tr>
<td>625 Navy Transportation (Service Support)</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>653 Transportation (Airlift Services (Training))</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>630 Naval Research Laboratory</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Navy Base Support Services:**

| 631 Navy Base Support (NFESC) | | | | |
| 634 Navy Base Support (NAVFEC: Utilities & Sanitation) | | | | |
| 635 Navy Base Support (NAVFEC: Other Support Services) | | | | |
| 639 Facility Engineering (Composite Rate) | | | | |
| 640 Marine Corps Depot Maintenance | | | | |
| 661 Air Force Consolidated Sustainment (Maintenance) | | | | |

**DLA**

| 633 DLA Document Services (DAPS) | | | | |
| 670 DLA Transaction Services (DAAS) | | | | |
| 674 DLA Distribution Depots | | | | |
| 675 DLA Disposition Services (DRMS) | | | | |

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)
Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

### Details of Price, Program, and Other Changes (Operating Budget) - Cost

<table>
<thead>
<tr>
<th></th>
<th>Cost of Operations FY --</th>
<th>Annualization of Pay Raises</th>
<th>Price Growth Percent</th>
<th>Amount Changes</th>
<th>Program &amp; Other Changes</th>
<th>Cost of Operations FY --</th>
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<tbody>
<tr>
<td><strong>DISA</strong></td>
<td></td>
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<tr>
<td>647 DISA Computing Services</td>
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<tr>
<td>671 DISA DISN Subscription Services (DSS)</td>
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<td>677 DISA Telecomm Services – Other</td>
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<td>678 DISA IT Contracting Services</td>
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<td>672 Purchases From Pentagon Reservation Maintenance Revolving Fund (PRMRF)</td>
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<td>679 Cost Reimbursable Purchases</td>
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<tr>
<td><strong>OTHER</strong></td>
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<td>680 Purchases from the Buildings Maintenance Fund</td>
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<td>682 Industrial Mobilization Capacity</td>
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<td><strong>DFAS</strong></td>
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<td>673 DFAS Financial and Accounting Service</td>
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<td>691 DFAS Financial Operations – Army</td>
<td></td>
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<td>692 DFAS Financial Operations – Navy</td>
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<tr>
<td>693 DFAS Financial Operations – Air Force</td>
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<tr>
<td>694 DFAS Financial Operations – Marine Corps</td>
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<tr>
<td>695 DFAS Financial Operations – DLA</td>
<td></td>
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<tr>
<td>696 DFAS Financial Operations – Other Defense Agencies</td>
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</table>

**Total Other Fund Purchases**

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)
### Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

**Details of Price, Program, and Other Changes (Operating Budget) - Cost**

<table>
<thead>
<tr>
<th>Cost of Operations</th>
<th>Annualization of Pay Raises</th>
<th>Price Growth Percent</th>
<th>Program &amp; Other Changes</th>
<th>Cost of Operations FY --</th>
</tr>
</thead>
</table>

**TRANSPORTATION**

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<thead>
<tr>
<th>Code</th>
<th>Description</th>
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<tbody>
<tr>
<td>701</td>
<td>AMC Cargo</td>
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<tr>
<td>702</td>
<td>AMC SAAM</td>
</tr>
<tr>
<td>703</td>
<td>AMC JCS Exercises</td>
</tr>
<tr>
<td>704</td>
<td>Defense Courier Service</td>
</tr>
<tr>
<td>705</td>
<td>AMC Channel Cargo</td>
</tr>
<tr>
<td>706</td>
<td>AMC Channel Passenger</td>
</tr>
<tr>
<td>707</td>
<td>AMC Training</td>
</tr>
<tr>
<td>708</td>
<td>MSC Chartered Cargo</td>
</tr>
<tr>
<td>709</td>
<td>MSC Surge Sealift (Reduced Operation Status)</td>
</tr>
<tr>
<td>710</td>
<td>MSC Surge Sealift (Full Operating Status)</td>
</tr>
<tr>
<td>714</td>
<td>MSC POL Tanker ships</td>
</tr>
<tr>
<td>716</td>
<td>MSC Surge Sealift</td>
</tr>
<tr>
<td>717</td>
<td>SDDC Global POV</td>
</tr>
<tr>
<td>718</td>
<td>SDDC Liner Ocean Transportation</td>
</tr>
<tr>
<td>719</td>
<td>SDDC Cargo Operations (Port Handling)</td>
</tr>
<tr>
<td>720</td>
<td>DCS Pounds Delivered</td>
</tr>
<tr>
<td>722</td>
<td>MSC Afloat Prepositioning (Army)</td>
</tr>
<tr>
<td>723</td>
<td>MSC Afloat Prepositioning (Air Force)</td>
</tr>
<tr>
<td>724</td>
<td>MSC Afloat Prepositioning (DLA)</td>
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<tr>
<td>727</td>
<td>SDDC Other</td>
</tr>
<tr>
<td>771</td>
<td>Commercial Transportation</td>
</tr>
</tbody>
</table>

**Total Transportation**

- OCONUS Transportation-Supply Mgt only (Memo)

---

**Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)**

9-70
## Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

<table>
<thead>
<tr>
<th>Details of Price, Program, and Other Changes (Operating Budget) - Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Operations FY --</td>
</tr>
<tr>
<td>----------------------------</td>
</tr>
<tr>
<td><strong>CIP DEPRECIATION</strong></td>
</tr>
<tr>
<td>802 Equipment, except ADPE and Telecommunications Equipment (depreciation)</td>
</tr>
<tr>
<td>803 ADPE and Telecom Resources (depreciation)</td>
</tr>
<tr>
<td>804 Software Development (depreciation)</td>
</tr>
<tr>
<td>805 Minor Construction (depreciation)</td>
</tr>
<tr>
<td><strong>Total CIP Depreciation</strong></td>
</tr>
</tbody>
</table>

| **OTHER PURCHASED SERVICES**       |                             |                     |        |                         |                         |
| 901 Foreign National Indirect Hire (FNIH)                    |                             |                     |        |                         |                         |
| 902 Separation Liability (FNIH)                               |                             |                     |        |                         |                         |
| 912 Rental Payments to GSA (SLUC)                             |                             |                     |        |                         |                         |
| 913 Purchased Utilities (non-Fund)                           |                             |                     |        |                         |                         |
| 914 Purchased Communications (non-Fund)                       |                             |                     |        |                         |                         |
| 915 Rents & Leases (non-GSA)                                 |                             |                     |        |                         |                         |
| 917 Postal Services (U.S.P.S.)                               |                             |                     |        |                         |                         |
| 920 Supply & Materials (non-Fund)                            |                             |                     |        |                         |                         |
| 921 Printing & Reproduction                                  |                             |                     |        |                         |                         |
| 922 Equipment Maintenance by Contract                        |                             |                     |        |                         |                         |
| 923 Facility Sustainment, Restoration, and Modernization by Contract |                             |                     |        |                         |                         |
| 925 Equipment Purchases (Non-Fund)                           |                             |                     |        |                         |                         |
| 927 Air Defense Contracts and Space Support (AF)             |                             |                     |        |                         |                         |
| 928 Ship Maintenance by Contract                             |                             |                     |        |                         |                         |
| 929 Aircraft Rework by Contract                              |                             |                     |        |                         |                         |

---

**Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)**

9-71
### Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

#### Details of Price, Program, and Other Changes (Operating Budget) - Cost ($ in Millions)

<table>
<thead>
<tr>
<th>Cost of Operations FY --</th>
<th>Annualization of Pay Raises</th>
<th>Price Growth Percent</th>
<th>Program &amp; Other Changes Amount</th>
<th>Cost of Operations FY --</th>
</tr>
</thead>
<tbody>
<tr>
<td>930 Other Depot Maintenance (non-Fund)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>932 Management and Professional Support Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>933 Studies, Analysis, and Evaluation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>934 Engineering and Technical Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>941 Technical Drawings (Supply Operations only)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>942 Forgings &amp; Castings (Supply Operations only)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>969 Other Engineering Services &amp; Support</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>984 Equipment Contracts</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>985 R&amp;D Contracts</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>989 Other Contracted Services</td>
<td></td>
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<tr>
<td>998 SOCOM USE ONLY</td>
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</tr>
</tbody>
</table>

**Total Other Purchases**

**TOTAL COST OF OPERATIONS** (Includes Direct Reimbursements)
Definitions of Fund-1a Categories - Cost
Details of Price, Program, and Other Changes (Operating Budget)

**General.** The Fund-1a exhibit reflects the total costs of supporting the applicable activity for each fiscal year PY, CY, and BY. Components must address changes in cost between years as price- or program-driven for each line item. All DWCF activities will report the budgeted depreciation of the activity for CIP purchases that will result in a DWCF outlay. All entries are obligations except for depreciation and the Inventory Procurement Expense (Supply Management DWCF Activities). Round data to at least the nearest tenth of a million (e.g., show $10.4 million, not $10 million).


**Civilian Personnel Compensation** - The cost elements include VERA and RIF as well as the costs to offset the short-term costs of buyouts. Line 112 Retirement Fund Offset (15 percent of Employee’s final basic pay) applies to employees who take a buyout and voluntary early retirement under the Civil Service Retirement System (CSRS).

Line 200 Cost of Inventory Sold applies to Supply Management activities only and represents the cost of Inventory Procurement/Repair Expenses (not obligations).

**Material & Supplies** - These elements support internal material, equipment, and supply costs associated with operations. Distinguish between costs associated with material purchased from Fund businesses and that purchased from non-Fund businesses.

Use Lines 601-696 Other Revolving Fund Purchases for purchases from other DWCF activities (to include the Pentagon Reservation Maintenance Revolving Fund and the Building Maintenance Fund) to support the internal operations of the activity. Include purchases by supply activities from depot maintenance activities in the respective 600 Other Revolving Fund Purchases category. Report purchases from the DWCF supply activities to support internal General and Administrative operations (not consumed as part of direct or indirect business operations) in category 400. Lines 601-675 should include purchases made at stabilized rates.

**Other Purchases**

Line 941 Technical Drawings (Supply Operations only) - The amount entered for Technical Drawings will agree with the amount for this element in supporting budget justification materials.

Line 942 Forgings & Castings (Supply Operations only)- The amount entered for Forgings and Castings will agree with the amount for this element in supporting budget justification materials.

Purchases of engineering services, other than those shown on lines 932-934, should be included on line 969, Other Engineering Services and Support.

**Delete lines** for which there are no costs from the submitted exhibit (rather than including them with an amount of zero).

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)
Exhibit Fund-2 Changes in Costs of Operations

Changes in the Costs of Operation

Component/Activity:
Date:
(Dollars in Millions)

<table>
<thead>
<tr>
<th>FY PY Estimated Actual</th>
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</thead>
<tbody>
<tr>
<td>FY CY Estimate in President's Budget:</td>
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<tr>
<td>Estimated Impact in FY CY of Actual</td>
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<tr>
<td>FY PY Experience:</td>
</tr>
<tr>
<td>List</td>
</tr>
<tr>
<td>Pricing Adjustments:</td>
</tr>
<tr>
<td>Civilian Personnel</td>
</tr>
<tr>
<td>Fuel Price</td>
</tr>
<tr>
<td>Program Changes:</td>
</tr>
<tr>
<td>List</td>
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<tr>
<td>FY CY Current Estimate:</td>
</tr>
<tr>
<td>Pricing Adjustments:</td>
</tr>
<tr>
<td>Annualization of Prior Year Pay Raises</td>
</tr>
<tr>
<td>FY BY Pay Raise</td>
</tr>
<tr>
<td>Civilian Personnel</td>
</tr>
<tr>
<td>Military Personnel</td>
</tr>
<tr>
<td>Fund Price Changes</td>
</tr>
<tr>
<td>General Purchase Inflation</td>
</tr>
<tr>
<td>Other Price Changes (list)</td>
</tr>
<tr>
<td>Productivity Initiatives and Other Efficiencies:</td>
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<tr>
<td>Productivity Initiative 1</td>
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<tr>
<td>Fund Productivity</td>
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<tr>
<td>Etc.</td>
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<tr>
<td>Program Changes:</td>
</tr>
<tr>
<td>Change 1</td>
</tr>
<tr>
<td>Etc.</td>
</tr>
<tr>
<td>Other Changes:</td>
</tr>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td>Other (list)</td>
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<tr>
<td>FY BY Estimate:</td>
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</table>

Exhibit Fund-2 Changes in Costs of Operations
Exhibit Fund-2 Changes in Costs of Operations (Continued)

Instruction for the Preparation of the Fund-2 Exhibit
Changes in the Cost of Operations

The Fund-2 exhibit will explain the changes in the operating budget (costs) from one fiscal year to the next (i.e., FY to CY to BY) at a meaningful level of detail, relating program changes to changes in the level of work load (Unit Cost outputs) to the maximum extent possible. A Fund-2 exhibit for each non-supply DWCF activity is required. Strategies and plans to improve activity productivity and quality are of particular interest. Accordingly, the cost impacts of productivity initiatives should be separately identified on this schedule. Each DWCF activity should include a paragraph outlining major productivity improvement plans and associated resources including but not limited to capital investment, education and training initiatives, process improvements, consolidation and streamlining, work force motivations, and incentives.

Provide a narrative explanation for changes. Round data to at least the nearest tenth of a million (e.g., show $10.4 million, not $10 million).

For changes in cost due to productivity initiatives, list the detailed initiatives and amounts for each. Distinguish the cost reductions associated by individual productivity initiatives.
Exhibit Fund-3 Labor and Manpower Breakdown

Labor and Manpower Breakdown
Component: ___________________
Activity: ____________________
Date: ________________

($ in Millions)

<table>
<thead>
<tr>
<th></th>
<th>PY</th>
<th>CY</th>
<th>BY</th>
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<tbody>
<tr>
<td>Direct Labor</td>
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</tr>
<tr>
<td>Direct Non-Labor</td>
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<tr>
<td>Direct Materials</td>
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<td>Direct Contracts</td>
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<td>Direct Depreciation</td>
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<td>Direct Other</td>
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<td>Total Direct</td>
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<tr>
<td>Indirect Labor</td>
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<tr>
<td>Indirect Non-Labor</td>
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<td>Indirect Materials</td>
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<tr>
<td>G&amp;A Labor</td>
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<tr>
<td>G&amp;A Materials</td>
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<tr>
<td>G&amp;A Depreciation</td>
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<tr>
<td>G&amp;A Other (Installation Management Costs)</td>
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<tr>
<td>Total G&amp;A</td>
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</tr>
<tr>
<td>Total Cost of Operations (reconciles to Fund-1/1a)</td>
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<td>Manpower</td>
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<td>Indirect Civilian FTEs</td>
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<tr>
<td>G&amp;A Civilian FTEs</td>
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<tr>
<td>Total Civilian FTEs</td>
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<td>Direct Military E/S</td>
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<td>Indirect Military E/S</td>
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<tr>
<td>G&amp;A Military E/S</td>
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<tr>
<td>Total Military E/S</td>
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</tr>
</tbody>
</table>

Exhibit Fund-3 Labor and Manpower Breakdown

9-76
Exhibit Fund-3 Labor and **Manpower** Breakdown (Continued)

Instruction for the Preparation of Exhibit Fund-3 Labor and Manpower Breakout

The Fund-3 exhibit stratifies, by fiscal year (i.e., PY, CY, BY), the total DWCF activity costs in the operating budget by Direct, **Indirect Production**, and General and Administrative (G&A) categories. For the G&A category, only the military and civilian personnel carried in and paid for by the DWCF activity should be reflected in the personnel FTE and end strength numbers. This includes personnel paid from the activity payroll such as assigned security guards and personnel working in the office of the DWCF activity director. However, this does not include the personnel assigned to a general & administrative activity that provides base operations support to the activity unless they are carried in the end strength of the DWCF activity.

For installations owned and operated by a DWCF activity whose primary mission is other than installation management, costs associated specifically with installation management should be identified as G&A Other. These costs will be considered separate and distinct from mission G&A costs.

Compute FTEs by dividing the applicable total number of hours by the number of hours in a work year (e.g., 2080; see OMB Circular A-11 for the correct hours for each year).
Exhibit Fund-5 Total Cost Per Output Summary

<table>
<thead>
<tr>
<th></th>
<th>Workload</th>
<th>Unit Cost</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PY CY BY</td>
<td>PY CY BY</td>
<td>PY CY BY</td>
</tr>
<tr>
<td><strong>Output</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Estimated workload for measured outputs.</td>
<td>Estimated unit cost for measured outputs.</td>
<td>Estimated total cost for measured and unmeasured outputs. O&amp;M functions must include reimbursable outputs.</td>
</tr>
<tr>
<td></td>
<td>No Data Entry</td>
<td>No Data Entry</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sum the total estimated cost for all outputs. O&amp;M-funded activities must include reimbursable outputs.</td>
</tr>
<tr>
<td>Capital Budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No Data Entry</td>
<td>No Data Entry</td>
<td>List the estimated total capital budget.</td>
</tr>
</tbody>
</table>

*Exhibit Fund-5 Total Cost Per Output Summary*
Instruction for the Preparation of Exhibit Fund-5
Total Cost Per Output Summary

The Fund-5 is required for all activities except supply activities. Only a single line is required for industrial activities summarizing the cost rate (not the standardized rate for revenue collection) per direct labor hour (DLH) for the PY, CY and BY. Activities that have multiple outputs and use a standardized rate based on a revenue per specific unit of output (Transportation, Base Support, DFAS, DISA) should report the cost per specific unit of output (not revenue rate) as depicted on the DWCF activity’s respective annual operating budget (AOB).
Exhibit Fund-6: Depot Maintenance-6 Percent Capital Investment Plan

COMPONENT: _______________________________

DEPOT MAINTENANCE 6 PERCENT CAPITAL INVESTMENT PLAN

(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>REVENUE (Maintenance, Repair, Overhaul)</th>
<th>BUDGETED CAPITAL (Modernization, Efficiency)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Prior Year</td>
<td>Current Year</td>
</tr>
<tr>
<td>PY(-1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CY(-1)</td>
<td></td>
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<tr>
<td>BY(-1)</td>
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<td>PY(-2)</td>
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<td>CY(-2)</td>
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<tr>
<td>BY(-2)</td>
<td></td>
<td></td>
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<tr>
<td>PY(-3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CY(-3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BY(-3)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Revenue (Avg) * * *
Working Capital Fund * * *
Appropriations (if applicable) * * *

WCF Depot Maintenance Capital Investment

Facilities/ Work Environment * * *
Equipment * * *
Processes * * *

Appropriated Funding - List by Appropriation * * *
MILCON
Procurement
Operation & Maintenance

Component Total * * *
Minimum 6% Investment * * *
Investment Over/Under Requirement * * *

Narrative:

Exhibit Fund-6: Depot Maintenance-6 Percent Capital Investment Plan (Continued)
The National Defense Authorization Act (NDAA) for FY 2012 (P.L. 112-81) significantly modified the requirements for identifying the amount of funding allocated for capital investments at depots. Specifically, note that sustainment costs included in the operations portion of the budget do not count towards the 6 percent minimum capital investment requirement.

SEC. 325. MODIFICATION OF REQUIREMENTS RELATING TO MINIMUM CAPITAL INVESTMENT FOR CERTAIN DEPOTS.

Section 2476 of title 10, United States Code, is amended—
(1) in subsection (a), by inserting “maintenance, repair, and overhaul” after “combined”;

(2) in subsection (b)—(A) by striking “includes investment funds spent on depot infrastructure, equipment, and process improvement in direct support” and inserting “includes investment funds spent to modernize or improve the efficiency of depot facilities, equipment, work environment, or processes in direct support”; and (B) by inserting before the period at the end the following: “, but does not include funds spent for sustainment of existing facilities, infrastructure, or equipment”.

(3) in subsection (d), by adding at the end the following new subparagraph: “(E) A table showing the funded workload performed by each covered depot for the preceding 3 fiscal years and actual investment funds allocated to each depot for the period covered by the report.”; and (4) in subsection (e)(1), by adding at the end the following new subparagraph: “(I) Tooele Army Depot, Utah.”

These changes have been incorporated into the Fund-6 template. In addition to the requirement of a summary exhibit, a separate Fund-6 must now be included for each depot specified in Section 2476 of title 10, United States Code to comply with amendment (3) as stated above.

Instructions for preparation of Exhibit Fund-6 are as follows:

1. Prepare a Summary Exhibit Fund-6 that provides the total for the activity and a separate Fund-6 for each maintenance depot to include Army Depots, Navy Aviation Depots, Navy Shipyards, Marine Corps Depots, and Air Force Depots.
2. Dollars in millions and tenths of a million.

3. The following will be defined:
   
a. Revenue (Avg): Only revenue for Maintenance, Repair and Overall will be included in accordance with amendment (1).

b. Revenue (3 Year Average): The preceding 3 years of actual or estimated revenue divided by three for Prior Year, Current Year, and Budget Year columns.

c. Categories of applicable capital investment:
   
   1. Modernization. Typically refers to upgrades associated with the available current technology.

   2. Efficiency. Typically refers to efforts to improve workflow and increase throughput while maintaining or reducing current costs. Also may refer to improved quality of work performed.

   3. If a modernization leads to an efficiency, then the investment is still considered a modernization. An efficiency not dependent on a modernization is classified an efficiency. If an investment has elements of both, the DoD Component should record the best representation that can be determined.

4. A narrative should be included with the Exhibit Fund-6 to address the following:
   
a. A specification of any statutory, regulatory, or operational impediments to achieving the minimum percentage requirement.

b. A description of the benchmarks for capital investment established for each covered depot and military department and the relationship of the benchmarks to applicable performance measurement methods used in the private sector.

c. If the minimum percentage requirement is not met for a military department for the fiscal year covered by the report, a statement of the reasons why the requirement was not met and a plan of actions for meeting the requirement for the fiscal year beginning in the year in which the report is submitted.

5. The legislation provides waiver authority for the Secretary of Defense if the Secretary determines that the waiver is necessary for reasons of national security and notifies congressional defense committees.

Exhibit Fund-6 Depot Maintenance-Six Percent Capital Investment Plan
## Exhibit Fund-7 Customer Rate Computations

**CUSTOMER RATE COMPUTATIONS**  
Department of (Component Name)  
Activity: __________

### Part I: Stabilized Revenue Rate:

<table>
<thead>
<tr>
<th>Description</th>
<th>CY Stabilized Rate</th>
<th>DLHs</th>
<th>($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (Fund-14)</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Less Direct Reimbursables (Non-Rate Based)</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>Revenue from Rates</strong></td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Revenue from CY Orders</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Revenue from BY Orders</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>BY Stabilized Revenue Rate</strong></td>
<td>XXX</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Part II: Stabilized Cost Rate:

<table>
<thead>
<tr>
<th>Description</th>
<th>($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from Rate Based Orders</td>
<td>XXX</td>
</tr>
<tr>
<td>Less NOR Adjustment</td>
<td>XXX</td>
</tr>
<tr>
<td>Other Adjustments (List and Explain)</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>Total Rate Based Costs</strong></td>
<td>XXX</td>
</tr>
<tr>
<td><strong>BY Cost Rate (Fund-5)</strong></td>
<td>XXX</td>
</tr>
</tbody>
</table>

### Part III: Fund-1 Reconciliation

<table>
<thead>
<tr>
<th>Description</th>
<th>($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Rate Based Costs</td>
<td>XXX</td>
</tr>
<tr>
<td>Direct Reimbursables</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>Total Fund-1 Summary of Price, Program, and Other Changes</strong></td>
<td>XXX</td>
</tr>
<tr>
<td>Percentage rate Change from CY (BY Stabilized Revenue Rate / PY Stabilized Revenue Rate) -1</td>
<td>XXX</td>
</tr>
</tbody>
</table>

Exhibit Fund-7 Customer Rate Computations
Instructions for the Preparation of Exhibit Fund-7,
Customer Rate Computations

The purpose of this exhibit is to establish a standardized rate to customers that reconciles Revenue, Total Costs, and Net Operating Results for industrial DWCF activities using Direct Labor Hours (DLHs).

For industrial activities, program financing (revenue) is a function of the estimated of the total cost of goods sold (total expenses) adjusted for NOR, Capital Requirements and other surcharges, divided by the programmed output (total Direct Labor Hours), to identify an initial revenue rate per direct labor hour.

The number of military and civilian DLHs associated with carry-in workload (unfilled customer orders on hand at the start of the current year) times the prior year stabilized rate (rate in effect when the carry-in orders were accepted) will be identified as revenue earned in the current fiscal year. The DLHs and associated dollars will be subtracted from the BY total DLHs and revenue as identified above.

Part I: All revenue associated with direct reimbursable costs (non-rate based workload) and orders received in the current year must be removed with the associated DLHs in order to forecast a BY Revenue Rate for new orders. Total revenue must cover all projected costs and NOR adjustments as depicted on the Fund-14. The BY revenue rate is the revenue expected from new orders divided by the DLHs associated with that workload.

Part II: The NOR adjustment must be subtracted from the total rate based revenue (not just the new order revenue) because total expenses in the BY will be a combination of CY and BY workload. Subtracting a negative NOR will add to the costs reflecting costs greater than revenue as depicted on the Fund-14. The BY cost rate is total rate based costs divided by total rate based DLHs (not just new order revenue DLHs). The BY cost rate, total rate based costs, and total rate based DLHs should reconcile to the Fund-5.

Part III: Total Fund-1 Summary of Price, Program, and Other Changes costs should reconcile with total rate based costs and direct reimbursables.

Exhibit Fund-7 Customer Rate Computations (Continued)
**Exhibit Fund-8 Air Mobility Command Common User Services**

**COMMON USER TRANSPORTATION SERVICES**  
**TRANSPORTATION WORKING CAPITAL FUND**  
($ in Millions)  

<table>
<thead>
<tr>
<th>1. Beginning Accumulated Operating Results</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Cost of Operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Channel Passenger</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Channel Cargo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Joint Chiefs/Special Airlift</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. A. Rate and Reimbursable Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Channel Passenger</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Channel Cargo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Joint Chiefs/Special Airlift</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3A. Total Rate and Reimbursable Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Airlift Readiness Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Channel Passenger</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Channel Cargo</td>
<td></td>
<td></td>
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<tr>
<td>c. Joint Chiefs/Special Airlift</td>
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</tr>
<tr>
<td>d. Training</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>3B. Total Airlift Readiness Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>4. Net Operating Results</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>5. Ending Accumulated Operating Results</td>
<td></td>
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</tr>
</tbody>
</table>

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**Exhibit Fund-8 Air Mobility Command Common User Services**
Instruction for the Preparation of Exhibit Fund-8
Common User Transportation Services

This exhibit displays the costs, revenues, NOR, and AOR of USTRANSCOM’s operations, with emphasis on the explanation of item 3B, Total Airlift Readiness Revenue. The USTRANSCOM must include a narrative outlining reasons for variances greater than 20 percent for each line of Airlift Readiness Revenue from one year to the next.

For changes in Airlift Readiness Revenue, distinguish the factor(s) that cause the change (e.g., utilization factors, airlift rates set to compete with private sector rates, commercial transportation prices, aircraft maintenance prices).

Round data to the nearest tenth of a million.

Exhibit Fund-8 Air Mobility Command Common User Services (Continued)
Exhibit Fund-9a, Activity Capital Investment Summary

<table>
<thead>
<tr>
<th>Line Number</th>
<th>Item Description</th>
<th>PY Quantity</th>
<th>Total Cost</th>
<th>CY Quantity</th>
<th>Total Cost</th>
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<td>- Vehicles</td>
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<td>- Materiel Handling</td>
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<td></td>
<td>- Installation Security</td>
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<td>- Quality Control/Testing</td>
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<td>- Medical Equipment</td>
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</tr>
<tr>
<td></td>
<td>- Machinery</td>
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<td></td>
<td>ADPE &amp; Telecom Equip</td>
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<tr>
<td></td>
<td>Computer Hardware (Production)</td>
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<tr>
<td></td>
<td>Computer Software (Operating System)</td>
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<td></td>
<td>Telecommunications</td>
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<td></td>
<td>Other Support Equipment</td>
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<td>- New Construction</td>
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<td>Total Capital Outlays</td>
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<td>Total Depreciation Expense</td>
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</tbody>
</table>

*Fund 9a Summary exhibit must reconcile to the Fund 9b project justification.

Exhibit Fund 9a Activity Capital Investment Summary
Instructions for the Fund-9a Exhibit
Capital Investment Summary

General - The project/line items listed for each major category are the minimum submission requirements. Projects may be added or modified to meet the specific requirements of the DWCF Activity as long as there is a corresponding Fund-9b that describes what is being purchased and the reason for the requirement. The summary item description and the project amounts on the Fund-9a must correspond to the individual Fund-9b. All Prior Year projects will be shown by line item detail cross-referenced to the corresponding Fund-9b. In addition, the ADPE and Telecommunications equipment and software development Fund-9b Exhibit line number assigned should also be used for cross-referencing within the Information Technology Exhibits as outlined in Chapter 18 of this regulation. Use the approved DWCF Activity name.

The four major categories for Capital Investment Programs are as follows:

1. Non-ADPE & Telecommunication Equipment > $250K: Equipment, other than ADPE and Telecommunications Resources. A separate Fund-9b will be provided for each project. Each project will include cost estimates for at least the subcategories shown above (unless no equipment of that kind is purchased). Other project categories may be added.

2. ADPE & Telecommunications > $250K: ADPE and Telecommunications Equipment Component will provide a Fund-9b for each of the projects listed above (unless no equipment of that kind is being purchased). Other project categories may be added. One Fund-9b narrative may address all projects under $1,000,000 by category (e.g. “Other ADPE Support Equipment under $1,000,000”). Items that exceed $1,000,000 will be addressed separately in the narrative.

3. Software Development > $250K
   a. Software Development shall be shown on a separate Fund-9b by item detail for projects equal to or greater than $1 million. All software projections must comply with DoD CIO requirements/approvals.
   b. One Fund-9b may be submitted for software development under $1 million that does not need DoD CIO approval. This Fund-9b may be submitted with a general statement of the enhancements that will be provided. In addition, the Fund-9bs must include a system delivery date/s. If it is a spiral development, all delivery dates and amounts to be capitalized will be included in the Fund-9bs.

4. Minor Construction > 250K and equal to or less than $750K
   a. Minor Construction may be combined into one Fund-9b as long as each project listed is below the $750,000 threshold. The Fund-9b must contain a statement that no Minor Construction project exceeds the current MILCON threshold.

Exhibit Fund 9a Activity Capital Investment Summary (Continued)
b. All special categories of minor construction will be listed and justified separately (such as Navy R&D). The NDAA for FY 2012 (P.L. 112-81) rescinded the provision that minor construction may be increased to $1,500,000 to correct a deficiency that is life-threatening, health threatening, or safety threatening.

1. Section 090103, Policy, provides specific guidelines for inclusion or exclusion of an item in the capital budget, and the necessary pre- and post-investment analysis required to substantiate a capital budget request.

2. Definitions for these capital budget categories are provided below:

A. Equipment, other than ADPE and Telecommunications Resources, costing $250,000 or more will be capitalized and depreciated. Equipment should be aggregated into projects by like-types. There is no limit on the number of projects that may be used.

B. ADPE and Telecommunications Equipment having a system unit or life cycle cost of $250,000 or more will be capitalized and depreciated.

   (1) ADPE and telecommunications resources consist of computer hardware, operating system software (including utility and communications software) and telecommunications equipment as defined in OMB Circular A-11.

   (2) ADPE costs will be displayed in five parts: (1) Computer Hardware (Production), (2) Computer Hardware (Network) (3) Computer Software (Operating System), (4) Telecommunications, and (4) Other Support Equipment. The last category includes investments such as uninterrupted power sources and air conditioning that must be purchased to support computer and telecommunications resources.

C. Software Development/Modernization with a system unit or lifecycle cost of $250,000 or more will be capitalized and depreciated. Internally developed software and externally developed Software will be listed separately.

   (1) Software development includes the actual development and acquisition of the information system as defined in OMB circular A-11. This category does not include software developed for a customer for use in a weapon system.

   (2) Software development/modernization will be budgeted by project. A project is defined as any change, modernization, or improvement to a system, subsystem or severable module of a system that by itself will provide an economic benefit or improvement in a business process. This must include all changes or improvements needed to interface or integrate with other ancillary systems. A project has a start and stop date, a specific amount of funds, and results in a usable end product.

Exhibit Fund 9a Activity Capital Investment Summary (Continued)
(3) Software development/modernization projects will exclude CIP ADPE investments. These will be identified separately in the ADPE and telecommunications section of the Fund-9a and Fund-9b.

D. Minor Construction projects financed by the activity and costing from $250,000 up to (but not including) $750,000 ($2,000,000 for approved DoD Laboratory Revitalization Program projects) will be capitalized and depreciated.

E. Column Entries

(1) Item Description. Enter the projects/item descriptive title of Software projects to be procured.

(2) Quantity. As applicable, enter the quantity of items procured/estimated to be procured during, as FY PY, FY CY, and FY BY.

(3) Amount should reflect all costs associated with program changes through the date of preparation of the exhibit regardless of whether such changes have been previously reported. Costs will be expressed in millions of dollars to at least the nearest tenth (i.e., $2.6 million).

F. Capital Outlays – For each fiscal year, indicate the estimated total cash outlays for all capital budgeted items (above and below threshold) expended in that fiscal year regardless of the year in which the project was originally obligated.

G. Depreciation – For each fiscal year, show the estimated budget depreciation that will be included in customer rates for all capital assets in that year. This amount will agree with the depreciation reported on the Revenue and Expense Statement (Fund-14) and in the Depreciation Section of the Fund-1a.
### Exhibit Fund-9b Activity Capital Purchase Justification

<table>
<thead>
<tr>
<th>Element of Cost</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Unit Cost</td>
<td>Total Cost</td>
</tr>
<tr>
<td>Non-ADPE &amp; Telecom</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADPE and Telecommunications</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software Development (line item -- by project)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minor Construction</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Narrative Justification:**

This exhibit will provide detailed justification by line item in support of summary capital investment purchases shown on the Fund-9a Exhibit.

- Describe the enhancement afforded by the existing equipment/ADPE and telecommunications resources/software development/facility and the shortcomings inherent in the current situation.
- **Describe the benefits to be realized from the proposed capital investment.**
- **Indicate whether an economic analysis or cost analysis has been performed and, if not, why not. Summarize the net present value advantages of the proposed investment over alternatives considered and discarded. Be prepared to provide a copy of supporting economic analysis upon request.**
- For MILCON projects, provide a copy of the supporting Form 1391 for new projects not previously submitted or identified.
- **Describe the impact of not making the proposed capital investment.**
- For computer software, separately identify license fees.
Instructions for the Preparation of Exhibit Fund-9b
Capital Investment Justification

I. General

A. The purpose of this exhibit is to provide narrative justification in support of each project/line item detailed on the Fund-9a. A separate Fund-9b justification is required for each applicable software investments. For ADPE Telecommunication Equipment items that are equal to or greater than $1,000,000.00, a separate Fund-9b is not required and may be summarized into the categories displayed in the Fund-9a. Software projects over $1,000,000.00 and/or that need DoD CIO approval must be line itemed with individual Fund-9bs. It is important that the Fund-9b be completed and accurate as it is the primary justification for activity’s capital purchases.

B. Separate Fund-9b exhibits will be submitted for each project/line item on the Fund-9a where there is an entry in either the current year or budget year(s) columns. Prior year capital investments do not require Fund-9bs for projects with only a PY entry.

II. Headings

A. For the Program/Budget Review, insert “FY XX OSD/OMB submission” (XX is used for illustration purposes only. Insert the applicable fiscal year in lieu of XX).

B. Identify the applicable DoD Component/DWCF activity for the proposed capital investment. Use the approved DWCF activity name. Identify the activity that will benefit from the capital item, if possible.

C. For each project/line item (e.g., forklifts), indicate the item description contained in Exhibit Fund-9a.

D. Project/Item Description. Enter a line item identification number to cross-reference the corresponding entry on the Fund-9a along with a description of the investment.

III. Column Entries

A. Element of Cost. For items purchased under the Project/Line Item, provide applicable subcategories (i.e., vehicles may be broken down into cars, trucks, buses, etc.). For Software provide the item, and if applicable, break into module delivery subcategories.

B. Quantity. Provide the approximate number of items to be purchased under the subcategory or as applicable for software.

C. Per Unit Cost. Enter the actual or estimated unit cost, when appropriate, for each element listed. Express unit costs in thousands of dollars, to the nearest tenth (i.e., $20.1 thousand). Unit costs should be expressed in terms of “the year” costs.

Exhibit Fund-9b Activity Capital Purchase Justification (Continued)
D.  **Total Costs.** Enter the total cost of Element of Cost and where applicable, taking into consideration the quantity to be estimated to be procured and the unit costs.

IV.  **Narrative Justification**

   A.  Provide complete narrative description for each applicable project/line item. This narrative justification should include sufficient information to serve as the sole justification for funding the project/line item. Include a brief description for special interest items such as ADPE Equipment equal to or greater than $1,000,000.00. The narrative description should include, but not be limited to:

1.  The nature, purpose, and intended use of the project or item(s).

2.  Indicate whether a pre-investment economic analysis was performed (all items within a project require the appropriate pre-investment analysis).

3.  Indicate the dollar value of estimated savings/cost avoidance after the equipment is installed or the project is complete and the fiscal year when the savings/cost avoidance should begin. If no savings/cost avoidance should result from the purchase, an explanation must be provided to indicate why.

Exhibit Fund-9b Activity Capital Purchase Justification (Continued)
## Exhibit Fund-9c Capital Budget Execution

**Department of (Component Name)**

**Activity:** ___________________

**FY 20__**

**FY 20__ ___________ Program/Budget Submission**

<table>
<thead>
<tr>
<th>Major Category</th>
<th>Initial Request</th>
<th>Current Proj Cost</th>
<th>Approved Change</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-ADPE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADPE and Telcom</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minor Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total FY __**

**Instructions:**

- Complete for each fiscal year required in the Program/Budget Submission (i.e., PY, CY, and FY preferably all on one page), summarized by major category. The “Current Projected Column” is the program approved in the current President’s Budget submission.

- **Initial Request.** For the PY, this will be the CY column of the previous year’s President’s Budget. For the CY, this will be the BY column of the previous year’s President’s Budget. For the BY, only the “Initial Request Column” will be filled in (the BY will be displayed for comparison purposes).

- **Current Projected Costs.** For the PY, this is the amount approved at the end of the fiscal year. For the CY, this is the amount in the current President’s budget. The delta between the Initial Request and Current Projected Costs will be displayed in the “Approved Change” column. The BY is only used for display purposes.

- **Explanation.** Provide a brief and concise explanation why the changes needed to occur.
Exhibit Fund-11 Source of New Orders & Revenue

### ACTIVITY ANALYSIS

**COMPONENT/ACTIVITY:**

**SOURCE OF NEW ORDERS AND REVENUE**

(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. New Orders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Orders from DoD Components:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own Component</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appn 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continue List by Appropriation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Services (List by Appropriation)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Orders from other Fund Activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(List by Activity)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Total DoD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Other Orders:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Federal Agencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non Federal Agencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Military Sales</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total for New Orders

2. Carry-In Orders

3. Total Gross Orders

*Industrial Funds Activities use the following: to complete the Fund – 11*

4. Revenue (-)

5. End of Year Work-in-Process (-) (a)

6. Foreign Military Sales, Base Realignment and Closure, Other Federal, and Non-Federal orders (-) (b)

7. Funded Carry-over

   (a) The application of the percentage-of-completion method of revenue recognition should result in the elimination of most work-in-process. Please give a detailed explanation why Work In Process would not have been billed by September 30th.

   (b) See exhibit 11a for a complete list of orders to be excluded.

*Supply Activities use the following: to complete the Fund - 11*

4. Carry-Out Orders (-)

5. Gross Sales (-)

6. Credit (-)

7. Net Sales

Exhibit Fund-11 Source of New Orders & Revenue
Instructions for the Preparation of Exhibit Fund-11
Source of Revenue

This Exhibit will identify the customers of each DWCF activity by DoD Component and the appropriation level. Be specific as to the source of funding by listing the appropriation name. Entries such as OSD or Army are not acceptable on this Exhibit. Lack of specificity will indicate that the funding source is unknown and may not be considered as a legitimate source of funding. The identification will be on the basis of funded orders so that DWCF activity may be linked to the appropriations for goods and services.

For line 1.a (Orders from DoD Components), show the amounts by appropriation (i.e., Operation and Maintenance, Army National Guard; RDT&E, Army; etc.) for orders accepted within the submitting Service/Component. For orders accepted from other DoD Components, show the appropriation detail for significant customers.

For line 1.b (Orders from Other Fund Activities), show the orders accepted from other Defense Working Capital Fund Activities. Be specific as to the activity.

The Total for New Orders on Line 1 must match data provided on other reconciling exhibits.

For line 2, Carry-In Orders, display the carry-in orders from prior fiscal years. For the Supply Management Activities, carry-in orders represent back orders. These are called “Unfilled Customer Orders” on the SF-133.

For line 3, Total Gross Orders, add the sum of lines 1, Total for New Orders, and line 2, Carry-In Orders.

Line 4, Revenue, will equal total gross sales shown on the Revenue and Expense Statement.

Line 5, End of Year Work-in-Process, should equal orders from line 3, Total Gross Orders that will not be sold in the current year. For Supply Management Activities, this line should equal backorders.

Components will submit summary Fund-11 exhibits for activities (such as Navy Research and Development) that have subdivisions and will submit a summary Fund 11 at the Component level.

Exhibit Fund-11 Source of New Orders & Revenue

9-96
**Carryover calculation.** Since the FY 2004 budget submission, the approved amount of workload carrying over to subsequent fiscal years is linked to the outlay rate of the source appropriation as published in the most recent Department of Defense Financial Summary Tables. Carryover metrics exclude non-federal, non-DoD, Foreign Military Sales, and Base Realignment and Closure related work from the carryover calculation. All DoD Components should pay close attention to their carryover amounts as reported on the SF-133 as “unfilled customer orders”. Although the carryover ceiling is used as a determination of acceptable workload for budget purposes, the actual total amount of unfinished workload is reported outside the DoD and may be evaluated by other methodologies than the approved carryover ceiling.

New Orders, less excluded workload, is the basis for the carryover ceiling calculation. The appropriate outlay rates for the customer source appropriation are applied to the applicable New Orders (Fund-11a and Fund-11b). Unless approved in writing by the Director, Revolving Funds, the outlay rates used for this calculation must come from the DoD Financial Summary Tables. The weighted outlay rate is then applied to the total new orders received to determine what portion of the workload should have been expensed in that fiscal year. The balance of the New Orders equals the allowable carryover. As an example, if the weighted outlay rate is identified at 59 percent and the total of new orders received is $100 million, then it is reasonable to expect that $59 million should have expensed in the current year and the remaining $41 million, or 41 percent of the total new orders received, would be identified as the maximum allowable carryover.

The methodology applies first year outlay rates to year end levels of applicable New Orders. The metric is tailored to the workload of each business area and provides visibility into the elements of carryover. Additionally, the metric allows for an analytically based approach that holds working capital fund activities to the same standard as general fund execution and allows for more meaningful budget execution analysis.

The only two approved exceptions to the carryover calculation method that do not require a written request for exemption are the following:

1. For Navy R&D activities that host a Major Range & Test Facility Base (MRTFB), those institutional costs associated with the MRTFB support are also excluded from the carryover calculation.
2. For Army Ordnance activities, in addition to a.1 above, the carryover calculation also includes the use of the 2nd year procurement outlay rate applicable to the source of funding. The addition of the applicable 2nd year procurement outlay rate now aligns production completion rates with the source appropriation as published in the Department of Defense Financial Summary Tables. This recognizes that multi-year appropriations often fund manufacturing or recapitalization of equipment requiring longer lead times and higher standards of repair. For the applicable 2nd year procurement outlay rate, a weighted outlay rate, which includes the sum of the 1st and 2nd year rates, is applied to the new orders from the previous year to determine what portion of the workload should have been expensed in that fiscal year and what percentage is allowable carryover. The example in paragraph b. still applies with the exception that two different weighted outlay rates will now be used to calculate the allowable carryover (one for prior year Ordnance procurement workload and one for all other appropriations).

Requests for exceptions to permit depot maintenance activities to carryover amounts greater than the current methodology must be accompanied by concurrence from the OUSD (AT&L) and submitted to Director, Revolving Funds, separately from the budget documents. The requestor must demonstrate the exceptions can be accomplished without production delays and present the planned monthly execution of the carryover workload. Disapproved carryover requests will be referred to the Operations or Investment Directorates for possible budgetary adjustments.

The reporting of carryover will be accomplished on the Fund 11-a exhibit, Carryover Reconciliation. The Fund-11b exhibit, Carryover Outlay Calculation, displays and reconciles the detail of the Fund-11a exhibit by providing revenue and customer orders by fiscal year, appropriation, outlay rate and the calculation for the weighted average outlay rate for that particular fiscal year. Activities whose actual carryover balance exceeds the computed allowable carryover in any year are required to provide written justification as part of the budget submission.
Exhibit Fund-11a Carryover Reconciliation

ACTIVITY ANALYSIS
COMPONENT/ACTIVITY:
CARRYOVER RECONCILIATION
(Dollars in Millions)

<table>
<thead>
<tr>
<th>FY</th>
<th>FY</th>
<th>FY</th>
<th>FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>PY</td>
<td>CY</td>
<td>BY</td>
<td></td>
</tr>
</tbody>
</table>

Part I.
1. Net Carry-In
2. Revenue
3. New Orders
4. Exclusions:
   FMS
   BRAC
   Other Federal Departments & Agencies
   Non-Federal and Others
   Institutional MRTFB (Navy R&D only)
   Other Specifically Approved Exclusions
5. Orders for Carryover Calculation
6. Weighted Average Outlay Rate *
7. Carryover Rate
8. Allowable Carryover

Part II.
9. Balance of Customer Orders at Yearend
10. Work-in-Progress (provide justification)
11. Exclusions:
    FMS
    BRAC
    Other Federal Departments & Agencies
    Non-Federal and Others
    Institutional MRTFB (Navy R&D only)
    Other Specifically Approved Exclusions
12. Calculated Actual Carryover
Instructions for the Preparation of Exhibit Fund-11a  
Carryover Reconciliation

This exhibit compares the funded carryover reported for each activity to allowable carryover levels as determined by applying customer appropriation outlay rates to carryover workload. Detailed explanations for excess carryover must be attached to this exhibit.

**Line 1** (Net Carry-In) displays carry-in orders from prior years. (Carry-in orders must agree with Year End Financial statements)

**Line 2** (Revenue) must match data provided in the Fund 14, Revenue and Costs.

**Line 3** (New Orders) must match data in the Fund 11, Source of Revenue, and OP-32, Operation & Maintenance, exhibits (net of reductions or cancellations made during the FY).

**Line 4** (Exclusions) displays carry-in and new orders associated with the excluded appropriations (Foreign Military Sales (FMS); Base Realignment and Closure (BRAC); Other Federal Departments & Agencies; Non-Federal and Others; and Institutional Major Range & Test Facilities Base (MRTFB)). This also includes any and all exemptions approved in writing by the Director, Revolving Funds.

**Line 5** (Orders for Carryover Calculation) equals line 3 less line 4. Supporting schedules for this calculation must also be provided in your Budget submission.

**Line 6** (Weighted Average Outlay Rate) is calculated by applying appropriation unique outlay rates to identified carryover workload. Supporting documentation is provided on the Fund-11b.

**Line 7** (Carryover Rate) as stated on the Fund-11b, Carryover Outlay Calculation.

**Line 8** (Allowable Carryover) equals line 5 (Orders for Carryover Calculation) multiplied by line 7 (Carryover Rate). This is the maximum allowable carryover for the activity. This number should match the Fund-11b.

**Line 9** (Balance of Customer Orders at Yearend) equals the balance of customer orders at year end before exclusions (calculation = line 1 (net carry-in) plus line 3 (new orders) minus line 2 (revenue)).

**Line 10** (Work-in-Progress) equals the amount of customer work which has been performed, but not yet billed.

**Line 11** (Exclusions) displays carry-in and new orders associated with the excluded appropriations (FMS, BRAC, Other Federal, Non-Federal and Others, and Institutional MRTFB). This also includes any and all exemptions approved in writing by the Director, Revolving Funds.

**Line 12** (Calculated Actual Carryover) equals line 9 minus lines 10 and 11. This data becomes the net carry-in value used in the following year calculation and should match the Fund-11b.

The exhibit is required at the DWCF activity level (Navy Research and Development activities submit an aggregate for the President’s Budget). The Navy R&D submission is required at the field activity level. The Army must report its Industrial Operations Activity by Depot and Ordnance components.

Exhibit Fund 11a Carryover Reconciliation (Continued)
Exhibit Fund-11b Carryover Ceiling Calculation

FOR DEPOT MAINTENANCE BUSINESS AREAS ONLY

Activity: _____________

FY __ (Provide for CY and BY)

<table>
<thead>
<tr>
<th>Carry-in Orders ($M)</th>
<th>Proposed New Orders ($M)</th>
<th>Gross Orders Accepted ($M)</th>
<th>Revenue ($M)</th>
<th>Proposed Carry-out ($M)</th>
<th>Approved Outlay Rate</th>
<th>Carryover Ceiling Difference</th>
</tr>
</thead>
</table>

Funding Source

Military Service  (List customers by appropriation, fund, or other sources.)

Other DoD Services (List by Service. Show by appropriations, fund, or other source.)

Other DoD Agencies (List by agency.)

Other DoD Funds (List by Fund, i.e., Navy Supply Management, Air Force Depot Maintenance, etc.)

Non DoD Agencies, Individuals & Others

Total

Carryover Ceiling Percentage

Weighted Average Outlay Rate

Exhibit Fund-11b Carryover Ceiling Calculation
Instructions for Completing the Fund-11b, Carryover Ceiling Calculation

This exhibit provides backup for the Fund-11a, Allowable Carryover Calculation, published in the President’s Budget. Separate fiscal year exhibits are required for the current year and budget year.

A breakdown is provided by DoD Component and appropriation of the Fund-11, Source of Revenue, and line items for Carry-in orders, New Orders, Gross Orders, Revenue and Carry-out orders and should reconcile to the corresponding totals on the Fund-11 and Fund-11a exhibits. Orders exempt from the weighted average outlay method for Carryout are not displayed on this exhibit since they are provided on the Fund-11a. This includes any and all exemptions approved in writing by the Director, Revolving Funds.

The approved appropriation outlay rates can be found in the Department of Defense Financial Summary Tables.

Army Ordnance activities are allowed a second year outyear rate for determining the carryover ceiling. This calculation should be displayed on a separate line attributable only to Carry-in orders.

Carryover Ceiling. (1- Outlay Rate) x New Orders.


Carryover Ceiling Percentage. Total Carryover Ceiling divided by New Orders.

Weighted Average Outlay Rate. 1 – Carryover Ceiling Rate.
Exhibit Fund-13 Cash Management Plan

CASH MANAGEMENT PLAN
Component:
Activity:
(Dollars in Millions)

<table>
<thead>
<tr>
<th>Incremental</th>
<th>Fiscal Year: ___</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative</td>
<td>Operations</td>
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<tr>
<td></td>
<td>Financing</td>
</tr>
<tr>
<td></td>
<td>Disbursements</td>
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<tr>
<td></td>
<td>Collections</td>
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<tr>
<td></td>
<td>Net Outlays</td>
</tr>
<tr>
<td></td>
<td>Transfers Out</td>
</tr>
<tr>
<td></td>
<td>Transfers In</td>
</tr>
<tr>
<td></td>
<td>Appropriation</td>
</tr>
<tr>
<td>Balances:</td>
<td>Total Net</td>
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<tr>
<td>October</td>
<td>Outlays</td>
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<tr>
<td>November</td>
<td>Cash Balance</td>
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<tr>
<td>December</td>
<td></td>
</tr>
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<td>January</td>
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<tr>
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<td>July</td>
<td></td>
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<tr>
<td>August</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td></td>
</tr>
</tbody>
</table>

Provide a monthly and cumulative phasing of disbursements, collections, transfers in or out, appropriations, net outlays, beginning and ending cash balances for the prior, current, and budget year(s). Put each year on a separate page.

Cash balance at the Beginning of the FY (+/-) Total Net Outlays = Cash Balance End of the FY.

Submit Excel workbook (by activity including total fund roll up) to the OUSD(C) Revolving Fund Directorate’s Cash Manager.
### Exhibit Fund-14 Revenue and Expenses

**DEFENSE WORKING CAPITAL FUND**

**COMPONENT/ACTIVITY**

**REVENUE AND COSTS**

<table>
<thead>
<tr>
<th>Revenue</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
<th>Note</th>
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<tbody>
<tr>
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<td>Operations</td>
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<tr>
<td>Capital Surcharge</td>
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<tr>
<td>Depreciation</td>
<td>10.0</td>
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<tr>
<td>Other Income</td>
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<tr>
<td>Refunds/Discounts (-)</td>
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<tr>
<td><strong>Total Income</strong></td>
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<table>
<thead>
<tr>
<th>Costs</th>
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<tbody>
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<td>Cost of Material Sold from Inventory</td>
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<td>Salaries &amp; Wages</td>
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<td>Travel &amp; Transportation of Personnel</td>
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</tr>
<tr>
<td>Materials &amp; Supplies for internal operations</td>
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<tr>
<td>Equipment</td>
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<td>Other Purchases from Revolving Funds</td>
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<td>Transportation of Things</td>
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<td>Depreciation - Capital</td>
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<td></td>
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<td>Printing &amp; Reproduction</td>
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<td>Advisory &amp; Assistance Services</td>
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<td>Rent, Communication, Utilities &amp; Misc Charges</td>
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<tr>
<td>Other Purchased Services</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>103.0</strong></td>
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<td></td>
</tr>
</tbody>
</table>

**Operating Result**

- Adjustments affecting NOR (specify)
  - Capital Surcharge: -5.0

**Net Operating Result**

- PY AOR: -2.0

**Total AOR**

- Non-Recoverable Adjustments impacting AOR: -1.0
- AOR for budget purposes: -1.0

---

*Exhibit Fund-14 Revenue and Expenses*
Note: Information on this exhibit should reconcile to other exhibits that display Revenue and Costs (Fund-7, Customer Rate Computations; SM-5a, OP-32 Price Change; Fund-11, Source of Revenue; Fund-1/1a, Summary/Details of Price, Program, and Other Changes).

A. For supply management activities, the line should reflect Gross sales. Credit returns should be displayed in the Refunds/Discounts line.

B. Capital Surcharge represents the increase in prices (and projected revenue) due to surcharging the capital budget requirement to provide sufficient cash to support the capital budget. This line is blank if a capital surcharge is not included in price (also see note F).

C. Other income is to include pass-through revenue such as direct reimbursables.

D. Cost of material sold from inventory includes the moving average cost value of material sold from inventory and the cost of repair. Both wholesale and retail costs should be included.

E. Depreciation reflects the estimated depreciation of all assets defined by the capital program in terms of recoupment of outlays.

F. This represents the “gross” result from operations, prior to adjustments.

G. Includes all “Other Adjustments” to NOR; multiple lines may be used. For example, Capital Surcharge reservation here should offset capital surcharge in revenue. Include any appropriations realized to offset current period costs (e.g., pass-through appropriations to cover underutilized plant capacity). Appropriations for war reserve material do not offset current period expenses, do not affect NOR, and should be subtracted if reported as part of revenue or be reported as an adjustment below NOR. This includes:

   (1) Transfers to correct for prior period over- or under-pricing;
   (2) Other approved transfers for collections from customers for which an expense has not been recorded;
   (3) Other collections (that are not transferred out, but placed in some sort of reserve) from customers for which an expense has not been recorded; or,
   (4) Unfunded expenses resulting from a policy change, which must be deleted prior to determining NOR.
   (5) Changes in Work-in-Process or Inventory for Activity Retention.
H. The Net Operating Result (NOR) is the fiscal year gain or loss from operations. The NOR will be carried into Accumulated Operating Results (inception to date) in the equity portion of the balance sheet. NOR and AOR are key performance indicators.

The Cost of Goods Sold for Supply Activities and Depreciation for all DWCF activities do not represent required budgetary resources for inventory and the CIP. At the discretion of the Supply Activity, the COGS on the Fund-14 may represent Total Materiel Costs on the SM-5a, Mark-up on Material Cost, or Materiel Costs without inflation. Materiel Inflation and the Materiel Cost Adjustment may be shown as an operating adjustment (if preferred) labeled Inventory Retention. In either case, the final NOR should be the same.
Exhibit Fund-15 Fuel Data

<table>
<thead>
<tr>
<th>FY BUDGET FUEL DATA</th>
<th>PROCURED FROM DLA ENERGY</th>
<th>PROCURED BY SERVICE</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRODUCT</td>
<td>BARRELS (millions)</td>
<td>COST PER BARREL ($)</td>
<td>EXTENDED PRICE (SM)</td>
</tr>
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</tbody>
</table>

TOTAL
Instructions for the Preparation of Exhibit Fund-15 Fuel Data

The purpose of Fund-15, Fuel Data, exhibit is to provide reconciliation between the supply management, the Defense Logistics Agency, and the customer budgets. Prepare the Fund-15 exhibit for the prior year actual, current year, and budget year(s). The Defense Logistics Agency will prepare the exhibits for both petroleum and aerospace fuel products. Prepare the exhibit for each division that procures petroleum fuel products and a consolidated exhibit. Instructions for preparation of Fund-15, Fuel Data:

1. **Barrels.** Use 42 gallons per barrel. Show barrels in nearest tenth of million barrels.
2. **Cost per Barrel.** Use cost in dollars and cents per barrel.
3. **Extended Price.** Multiply number of barrels by cost per barrel. Use dollars in millions and display results in tenths of a million.
4. **Product.** List by product.
5. **Stabilized Price.** Show current approved stabilized price.

The USTRANSCOM must submit separate Fund 15 exhibits for its Organic, Commercial and Military airlift missions.

Exhibit Fund-15 Fuel Data

9-108
Exhibit Fund-16 Material Inventory Data

DEFENSE WORKING CAPITAL FUND
COMPONENT/DWCF ACTIVITY:

MATERIAL INVENTORY DATA  
(Dollars in Millions)
FISCAL YEAR

<table>
<thead>
<tr>
<th>Material Inventory Beginning of Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases</td>
</tr>
<tr>
<td>A. Purchases to Support Customer Orders (+)</td>
</tr>
<tr>
<td>B. Purchase of long lead items in advance of customer orders (+)</td>
</tr>
<tr>
<td>C. Other Purchases (list) (+)</td>
</tr>
<tr>
<td>D. Total Purchases</td>
</tr>
</tbody>
</table>

| Material Inventory Adjustments         |
| A. Material Used in Maintenance (and billed/charged to customer orders) (-) |
| B. Disposals, theft, losses due to damages (-) * |
| C. Other reductions (list) (-)         |
| D. Total inventory adjustments        |

<table>
<thead>
<tr>
<th>Material Inventory End of Period</th>
</tr>
</thead>
</table>

Material inventory for the purposes of this exhibit is inventory that will be consumed in production to complete a finished product (i.e., bolts, screws, clamps, metal plates, etc.). It does not include operating materials such as pens, pencils, paper, staples and toner cartridges.

Complete one exhibit for each fiscal year (i.e., PY, CY, and BY) for the non-supply activities (i.e., depot maintenance, etc.). Inventory pricing will be based on current policy on inventory valuation.

*This would also include reductions due to obsolescence. All other reasons for inventory reductions would be listed in item C.
Exhibit Fund-19 Military Personnel Strength

Military Personnel
By Average Strength

Service or Agency: ____________________
Activity: ____________________

Personnel Summary:

<table>
<thead>
<tr>
<th>FY</th>
<th>PY</th>
<th>FY CY</th>
<th>FY BY</th>
<th>Change CY/BY</th>
</tr>
</thead>
</table>

Active Military Average Strength

Army
- Officer
- Enlisted

Navy
- Officer
- Enlisted

Marine Corps
- Officer
- Enlisted

Air Force
- Officer
- Enlisted

Total Active Military Average Strength

Instructions: For each fiscal year, show the average strength of active military personnel, including those participating in the Personnel Force Innovation program, performing work for the Working Capital Fund. Display the increase or decrease in average strength from the current year to the budget year in the “Change CY/BY” column.
### Exhibit Fund-22 Summary of Base Support

**DEPARTMENT OF (COMPONENT NAME)**

**Activity:**

**Summary of Base Support**

($ in Millions)

<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
</table>

- Chapel & Chaplain Services
- Command Element
- Common Use Facility Operations,
  Maintenance, Repair, & Construction
- Disaster Preparedness
- Environmental Compliance
- Fire Protection
- Libraries
- Morale & Fitness Support
- Police Services
- Safety
- Shuttle Services
- Admin Services
- Audio/Visual Services
- ADP/Automation Services
- Civilian Personnel Services
- Clubs
- Communication Services
- Community Support Services
- Confinement & Detention Centers
- Custodial Services
- Education Services
- Engineering Support
- Equipment, Operation, Maintenance, & Repair
- Explosive Ordnance
- Facilities & Real Property Support
- Facility Maintenance & Repair
- Finance & Accounting
- Food Services
- Health Services
- Housing & Lodging Services
- Information Services
- Installation Retail Supply & Storage Operation
- Laundry & Dry Cleaning
- Legal Services
- Military Personnel Support
- Mobilization Support
- Mortuary Services
- Printing & Reproduction
- Purchasing & Contracting Services
- Refuse Collection & Disposal
- Resource Management
- Training Services
- Transportation Services
- Utilities
- Weather Services
- Other Support

TOTAL

Provide narrative explanations of changes in levels of support that, as a tenant, is a reimbursable cost of operation paid to a host activity or, as the host activity, is financed as a direct cost of operation.
## Exhibit Fund-24 Summary of Personnel Data

**DEPARTMENT OF (COMPONENT NAME)**

**ACTIVITY: ______________**

### Summary of Civilian Personnel Data - Part I

<table>
<thead>
<tr>
<th></th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Labor:</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Regular Hours</td>
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<td>Paid Leave Hours</td>
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<td>Overtime Hours</td>
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<td>Total Hours</td>
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<tr>
<td>FTEs</td>
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</tbody>
</table>

**Indirect Production:**

<table>
<thead>
<tr>
<th></th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Hours</td>
<td></td>
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<td>Paid Leave Hours</td>
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<td>Total Hours</td>
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<tr>
<td>FTEs</td>
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</table>

**General & Administrative (G&A):**

<table>
<thead>
<tr>
<th></th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Hours</td>
<td></td>
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<tr>
<td>Paid Leave Hours</td>
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<tr>
<td>Total Hours</td>
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</table>

*Full-time Equivalencies (FTEs)*

**Total:**

<table>
<thead>
<tr>
<th></th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
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</thead>
<tbody>
<tr>
<td>Regular Hours</td>
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<tr>
<td>Paid Leave Hours</td>
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<td>Overtime Hours</td>
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<td>Total Hours</td>
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</table>

**Total FTEs:**

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<thead>
<tr>
<th></th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
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</thead>
<tbody>
<tr>
<td>Percent Direct Labor</td>
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<tr>
<td>Percent Production Overhead</td>
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<tr>
<td>Percent G&amp;A Labor</td>
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<tr>
<td>Percent Production Overhead</td>
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<tr>
<td>and General and Administrative</td>
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</tbody>
</table>

**Number of Hours per FTE**

Show civilian personnel data in hours, compute FTEs by dividing the applicable total number of hours by the number of hours in a work year.

Show the percent of total FTEs which are direct labor, production overhead, general & administrative, and the sum of production overhead plus general and administrative FTEs.

Show the number of hours per FTE used to convert hours to FTEs for each fiscal year.
Exhibit Fund-26 Revenue and Expense Phasing Plan

Revenue and Expense Phasing Plan
Component: ___________________
Activity: ___________________

FY ____
(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>Expenses</th>
<th>Adjustments to NOR (1)</th>
<th>NOR to AOR (1)</th>
<th>AOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Plan</td>
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<td>September</td>
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</tbody>
</table>

Instructions: Provide a monthly and cumulative phasing of revenue, costs, and operating results (NOR and AOR) for all years. The September NOR and AOR must reconcile to the Fund-14, Revenue and Cost exhibit.

Cumulative Plan by Month

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>Expenses</th>
<th>Adjustments to NOR (1)</th>
<th>NOR to AOR (1)</th>
<th>AOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>October</td>
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<tr>
<td>September</td>
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</tbody>
</table>

Submit Excel workbook (by activity including total fund roll up) to OUSD (C) Revolving Fund Directorate. Provide Specify type and amount of each proposed adjustment.

Exhibit Fund-26 Revenue and Expense Phasing Plan
Exhibit Fund-28 Execution Performance Analysis

EXECUTION PERFORMANCE
ANALYSIS

Quarter: _________
Page X of Y

(Component and Activity Name)

First
PERFORMANCE
MEASURES
Quarter
Actual
Annual
Projected
End of Year
Projected
Variance

UNIT COST ($)

TOTAL NEW ORDERS RECEIVED: Actual through quarter and end-of-fiscal year projection only.

ACCUMULATED OPERATING RESULTS: Actual through quarter and end-of-year projection. For all activities, including Supply, provide the reconciliation between December’s AOR reported on the 1307 report and the amount you use for budget purposes.

NOR ($M)

Revenue ($M)
Costs ($M)

OUTLAYS

Collections
Disbursements

CASH BALANCE WITH TREASURY: Actual through quarter and estimated end-of-year projection.

Accounts Receivable
Total Unliquidated Advance Billings
(Liability)

ANALYSIS and RECOMMENDED ACTIONS
YEAR END PROJECTIONS AND ASSUMPTIONS

Exhibit Fund-28 Execution Performance Analysis
Exhibit Fund-28 Execution Performance Analysis (Continued)

EXECUTION PERFORMANCE ANALYSIS

Quarter: __________
Page X of Y

(Component and Activity Name)

<table>
<thead>
<tr>
<th>MILITARY AND CIVILIAN PERSONNEL DATA</th>
<th>END STRENGTH</th>
<th>WORK YEARS (FTE’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PLAN</td>
<td>ACTUAL</td>
</tr>
<tr>
<td></td>
<td>PLAN</td>
<td>ACTUAL</td>
</tr>
</tbody>
</table>

As of 9/30/PY
As of 12/31/CY
Projected 9/30/CY

RIF’s (E/S and date)
(Cost $ in millions)

VSIP/VERA (E/S and date)
(Cost $M)

ATTRITION RATE (Plan vs. Actual)

Total Direct Labor Hours Worked: Not required for Supply, DeCA, DISA, or USTRANSCOM Business Areas.

Regular Direct Labor Hours
Overtime Direct Labor Hours

CAPITAL INVESTMENT PROGRAM OBLIGATIONS and OUTLAYS: FY to date and end-of-year projection only.
ANALYSIS and RECOMMENDED CORRECTIVE ACTIONS:

Exhibit Fund-28 Execution Performance Analysis (Continued)
Instructions for the Preparation of Exhibit Fund-28  
Execution Performance Analysis

The OUSD(C) P/B Revolving Fund Directorate conducts first, second, and third quarter Budget Execution Reviews (BERs) each fiscal year for the Defense Working Capital Funds (DWCF) and the Pentagon Reservation Maintenance Revolving Fund/Buildings Maintenance Fund (PRMRF/BMF). Each Component is required to complete the Fund-28, Execution Performance Analysis, for each of their business areas and is expected to be prepared to discuss, by separate business areas, the BER Discussion Topics. An official BER announcement memorandum is sent out each of the three quarters with instructions, suspense dates, and any changes to the list.

Each business area within the Component will report on its implementation of financial, contractor and manpower targets as directed by the Secretary, to include execution to the report date and yearend projections. Components should also identify areas of concern and newly identified opportunities to reduce costs and or enhance operations without increasing costs.

BER DISCUSSION TOPICS

1. The FY CY phasing plans for cash and net operating results found in the FY BY President’s Budget.
2. Impact of the Overseas Contingency Operations on current workload, cash, carryover, and operating results.
3. Variances to Revenues, Expenses, Collections, and Disbursements, if the actual amount reported for December/March/June FY CY is outside the applicable range: (20 to 30 percent for first quarter; 45 to 55 percent for second quarter; 70 to 80 percent for third quarter) of the annual total.
4. In addition to the AR 1307 information, include a status of obligations incurred against accepted customer orders in accordance with the SF-133 for each activity.
5. Prior Year Adjustments and/or current year Deferred Operating Results of $1 million or more reported on the AR 1307 Report as of the applicable date: December 31 for first quarter; March 31 for second quarter; June 30 for third quarter.
6. Plans to control cash outlays for FY CY.
7. Actions taken to date to obtain Investment Review Board approval for financial and mixed financial systems requested in FY PY and FY CY along with current obligations. Discuss the status of certifications for IT systems.
8. Impact of the FY 2005 BRAC decisions on operations.
9. Material changes in personnel levels and salary estimates.
10. An update on progress of the FY BY+1 budget build, workload, rates, and verification of customer workload with customers.
11. The respective Revolving Funds analyst will provide additional topics, if any.

For Supply Business Areas, provide the following additional information:

12. First/second/third quarter actual and end of year estimates for material obligated, outlays for material purchases, material repair costs, material returns for credit and non-credit, and material sent to disposal.

Exhibit Fund-28 Execution Performance Analysis
13. Anticipated changes to backorders by yearend.
14. Updated plan for converting inventory values to moving average cost.
15. Updated Readiness Indicators (MC rate, TNMCS, Quality Deficiencies, etc.).
16. Reconciliation of the differences between NOR and AOR reported on the quarterly AR-1307 report and internal budget execution reports.
17. Projected inventory levels and plans to hold inventory growth.

For Depot Maintenance and Ordnance Activities, provide the following additional information:

18. For each major product line (Aircraft, Engines, Tanks, Humvees, etc.), provide the number of units in-process on October 1, FY CY, the number of units inducted, the number of units completed, and the number of units scrapped for the period from the beginning of the fiscal year to the end of the reporting quarter.
19. For comparison purposes, provide the total number of units completed for all of FY PY.
20. For the units completed first/second/third quarter, provide the total cost incurred to complete the units. This will include prior year costs in many cases.
21. Of the units completed, identify how many were done on a fixed price and how many on a cost reimbursable basis.
22. Estimate of whether the units were completed at a profit or a loss. Provide an estimated total profit or loss for all units completed.
23. Provide the amount of carryover attributable to parts shortages and what actions are being taken to reduce this carryover.

Exhibit Fund-28 Execution Performance Analysis (Continued)
### Exhibit Fund 30 – Underutilized Plant Capacity

#### Unutilized and Underutilized Plant Capacity (UPC)

**Industrial Mobilization Capacity (IMC)**

Component: 

<table>
<thead>
<tr>
<th>ACTIVITY:_________</th>
<th>DATE:____________</th>
<th>($ in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY PY</td>
<td>FY CY</td>
<td>FY BY</td>
</tr>
</tbody>
</table>

1 **Ammunition Storage**

   A. Required Maximum Containers
   B. Number of Funded Containers
   C. Non-Utilization Rate (1-B/A)
   D. Applicable Overhead
   E. Funding Requirement (C*D)
   F. Funded

2 **Ammunition Production**

   A. Total Number of Production Lines
   B. Total Square Footage of all Production Lines
   C. Unutilized Production Lines (20% or less)
   D. Total Square Footage of Unutilized Production Lines
   E. Percent of Unutilized Square Footage (D/B)
   F. Applicable Overhead Costs
   G. Allowable Overhead Costs (E*F)
   H. Percent of Unutilized Production Lines (C/A)
   I. Funding Requirement (G*H)
   J. Funded

3 **Maintenance Facilities**

   A. Total Number of Work Stations
   B. Unutilized Work Stations (20% or less)
   C. Non-Utilization Rate (B/A)
   D. Applicable Overhead
   E. Funding Requirement (C*D)
   F. Funded

4 **Manufacturing Facilities**

   A. Total Number of Work Stations
   B. Unutilized Work Stations (20% or less)
   C. Non-Utilization Rate (B/A)
   D. Applicable Overhead
   E. Funding Requirement (C*D)
   F. Funded

5 **Real Property Maintenance**

6 **Equipment Maintenance**

7 **Utilities**

8 **Other (specify)**

**TOTAL**

Exhibit Fund 30 – Underutilized Plant Capacity
Instructions for the Preparation of Exhibit Fund-30
Unutilized and Underutilized Plant Capacity (UPC)

PART I.

The purpose of this exhibit is to determine capacity indices and mobilization funding requirements for DWCF industrial activities. Unutilized (Reserve), Underutilized Plant Capacity and Industrial Mobilization Capacity costs should be excluded from the DWCF rate structure. Overburdening the customer for costs associated with idle expansion capability is not a fair reflection of operating costs associated with workload. In many cases, these costs must be incurred by a federal facility where the private sector can choose to downsize its operations.

Appropriated funding supports equipment that is utilized 20 percent or less of capacity (hereafter referred to as “unutilized”) and has a requirement to support surge and/or replenishment. It is not excess capacity; it is necessary to support core industrial maintenance requirements.

This exhibit may apply to all industrial activities (mostly Depots and Ordnance activities) whether or not the respective Service is identifying UPC funding as part of the topline submission in the Operation and Maintenance (O&M) budget submission. Thus, at a minimum, the capacity-related indices for items numbered one through three should be completed for each industrial activity.

There are four types of facilities that may qualify:

1. Ammunition Storage
2. Ammunition Production
3. Maintenance
4. Manufacturing

Each qualifying facility must be identified and listed separately.

PART II.

For each activity with an amount in the Funded UPC (i.e., 1.F., 2.J., 3.F., 4.F.) category identified in the exhibit Fund 30 format, the following is required:

A. Narrative describing the nature of these UPC costs being incurred at the activity. Provide justification as to what is being accomplished with these funds.

B. Breakdown of costs by element.

Exhibit Fund 30 – Underutilized Plant Capacity (Continued)
## VOLUME 2B, CHAPTER 10: “PUBLIC ENTERPRISE, MANAGEMENT, AND TRUST FUNDS”

### SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated June 2010 is archived.

<table>
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<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>100101</td>
<td>Removed reference to the closed Conventional Ammunition Working Capital Fund.</td>
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<tr>
<td>100102</td>
<td>Replaced reference to tenants with customers.</td>
<td>Revision</td>
</tr>
<tr>
<td>100104</td>
<td>Updated references.</td>
<td></td>
</tr>
<tr>
<td>100105</td>
<td></td>
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<tr>
<td>100106</td>
<td>Updated list of budget exhibits required for the Pentagon Reservation Maintenance Fund and the Buildings Maintenance Fund.</td>
<td>Update</td>
</tr>
<tr>
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<tr>
<td>100402</td>
<td>Replaced the word Costs with Expenses on the PR-2 exhibit to clarify the requirement. Revised the SP-1 exhibit to include prior year figures and update the format.</td>
<td>Revision</td>
</tr>
</tbody>
</table>
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CHAPTER 10

PUBLIC ENTERPRISE, MANAGEMENT, AND TRUST FUNDS

1001 GENERAL

100101. Purpose


B. The following accounts are covered:

Public Enterprise Funds
- National Defense Stockpile Transaction Fund
- Pentagon Reservation Maintenance Revolving Fund
- National Defense Sealift Fund
- Buildings Maintenance Fund

Management Funds
- None

Trust Funds
- National Security Education Trust Fund
- Surcharge Collections, Sales of Commissary Stores, Defense
  (see Section 010603 for listing of all current trust fund accounts)

100102. Background

A. Public Enterprise Funds are expenditure accounts authorized by Congress to be credited with collections, primarily from the public, that are generated by, and earmarked to finance, a continuing cycle of business-type operations.

B. The Pentagon Reservation Maintenance Revolving Fund and Buildings Maintenance Funds are Enterprise Funds that operate in accordance with the provisions of Volume 11B of the DoD FMR “Reimbursable Operations Policy – Working Capital Funds (WCF)” and of Volume 2B, Chapter 9, “Defense Working Capital Funds Activity Group Analysis”. These Funds satisfy recurring Department of Defense requirements by using a businesslike buyer-and-seller approach. Unlike profit-oriented commercial businesses, these activities budget to break even over the long term. Selling prices established in the budget are stabilized or fixed during execution to protect customers from unforeseen rate and price fluctuations that would impact customer ability to execute the programs approved by the Congress.
C. A basic principle of the enterprise fund structure is to create a customer-provider relationship designed to make activity managers and decision-makers at all levels more concerned with the costs of goods and services. Requiring customers to pay for support they receive provides increased assurance that services supplied and paid for are actually needed.

D. Trust Funds. The following definitions apply to trust fund accounts.

1. Trust fund receipt account. Trust fund receipt accounts are credited with receipts generated by the terms of a trust agreement or statute. At the point of collection, these receipts are available for transfer to a trust fund expenditure account or are not available for transfer depending upon the terms of the trust agreement or statutory authority.

2. Trust fund expenditure account. Trust fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes or programs in accordance with the terms of the trust agreement or statute. Funds transferred or appropriated to a trust fund expenditure account are normally available for obligation and expenditure within the limits imposed by the trust agreement or authorizing statute.

3. Trust revolving fund account. A trust revolving fund is a single account that is authorized to be credited with receipts and incur obligations and expenditures in support of a continuing cycle of business-type operations in accordance with the provisions of the trust agreement or statute. Trust revolving fund receipts are available for obligation and expenditure without further action by Congress.

4. Unavailable collections are either (1) unappropriated receipts or receipts that are precluded from obligation because of a provision of law, such as a benefit formula or limitation on obligations in PY, CY, or BY, or (2) collections unavailable for obligation because of limitations on obligations in PY, CY, or BY. Section 36.6 of OMB Circular A-11 provides instructions on MAX Schedule N on unavailable collections for trust funds and O&M special funds which Federal agencies must include in their annual budget submission to OMB.

100103. General

A. In general, DoD trust funds authorized to incur obligations and expend receipts have been exempted from apportionment by OMB. However, the Surcharge Collections, Sales of Commissary Stores, Defense trust revolving fund, and the National Security Education Trust Fund are subject to apportionment by OMB. Each trust fund must be viewed as a unique fund in light of any special provisions in the trust agreement or the enabling legislation.
B. Trust funds have been assigned account symbols between 8000 and 8999. Within this range trust revolving funds have been assigned symbols between 8400 and 8499. Some trust funds used by DoD are:

Surcharge Collections, Sales of Commissary Stores, Defense National Security Education Trust Fund

100104. Submission Requirements

General guidance with regard to submission requirements is presented in the DoD Financial Management Regulation (DOD 7000.14-R), Volume 2A, Chapter 1. Volume 2B, Chapters 9 and 19 cover specific back-up material requirements for the above areas.

100105. Preparation of Material

General guidance with regard to format and preparation of material is presented in the DoD Financial Management Regulation (DOD 7000.14-R), Volume 2A, Chapter 1. Volume 2B, Chapters 9 and 19 provide additional specific guidance with regard to the back-up material required for Public Enterprise, Management Fund and Trust Fund accounts.

100106. References

The DoD Financial Management Regulation (DOD 7000.14-R), Volume 2A, Chapter 1 provides funding policies, including those that impact other appropriations/accounts. Volume 2B, Chapter 9 provides guidance related to Defense Working Capital Fund accounts. Certain exhibits required by this chapter are found in Volume 2B, Chapters 9 and 19.

1002 PROGRAM AND BUDGET REVIEW SUBMISSION

100201. Purpose

This section highlights the policies and justification procedures underlying budget formulation for Public Enterprise, Management Fund, and Trust Fund accounts.

100202. Submission Requirements

A. Public Enterprise Funds


National Defense Stockpile Transaction Fund
Exhibits Fund-1, 1a, 2, 4, 11, 14, 17, 21, & 23.
Pentagon Reservation Maintenance Revolving Fund
Exhibits Fund-1, 1a, 2, 3, 9a, 9b, 9c, 11, 13, 13b, 13c, 14, and 26.
OP-8 and PB-22.

Building Maintenance Fund
Exhibits Fund-1, 1a, 2, 3, 9a, 9b, 9c, 11, 13, 13b, 13c, 14, and 26.
OP-8 and PB-22.

National Defense Sealift Fund (NDSF)
Exhibits Fund-1a, 2, 11, & 12.

2. The instructions and formats for the preparation of the NDSF required procurement and RDT&E exhibits are included in the DoD Financial Management Regulation (DoD 7000.14-R), Chapters 4 and 5, respectively.

Procurement/Ship Acquisition:

Budget Item Justification Sheet (P-40)
Weapon System Cost Analysis (P-5)
Analysis of Ship Cost Estimates (P-8a/8b)
Advance Procurement Analysis (P-10/10a)
Ship Production Schedule (P-27)
Ship Outfitting Costs (P-29)
Ship Post Delivery Estimates (P-30)

National Defense Features (NDF):

Budget Item Justification Sheet (P-40)

RDT&E:

Budget Item Justification Sheet (R-2)
Program Element/Project Cost Breakdown (R-3)
Program Schedule Profile (R-4)
Program Schedule Detail (R-4a)

3. Additional data required by OMB Circular A-11 will be submitted in accordance with annual USD (Comptroller) budget guidance.

B. Management and Trust Funds - For Trust Funds, Trust Revolving Funds and other Management Funds, program and financing, and object classification schedules will be submitted for each account. The budget authority for each trust fund account must agree with the amounts reported against the applicable receipt accounts as required by DoD accounting guidance related to offsetting receipts. The receipt accounts are published in Treasury’s Federal Account Symbols and Titles. For the Defense Commissary Agency, a footnote to the program and financing schedule will show the value of the obligations for renovation/construction of commissaries included in total obligations of the trust revolving fund.
C. **Special Budget Exhibits** - Unique data pertaining to a particular fund are required as follows:

- **National Defense Stockpile**
  - Stockpile Financial Status Report (SP-1)

- **Pentagon Reservation Maintenance Revolving Fund**
  - Cost of Services (PR-1)
  - Summary Statement (PR-2)

- **Buildings Maintenance Fund**
  - Cost of Services (PR-1)
  - Summary Statement (PR-2)

- **Surcharge Collections, Sales of Commissary Stores, Defense**
  - Summary (CT-1)
  - Facility Programs Justification (CT-2)

- **National Defense Sealift Fund (NDSF)**
  - Ready Reserve Force (RRF):
    - Budget Item Justification Sheet (RRF-1)
    - Ship Composition Funding Requirements (RRF-2)
    - Ship Readiness Operational Status (ROS) Composition (RRF-3)

D. Budget exhibits will be submitted in accordance with the schedule published annually in DoD Comptroller budget guidance. Formats and instructions for preparation of the Special Exhibits are provided Section 1004.

E. All NDSF related budget justification materials should be submitted directly to the Director for Investment, room 3C749. In addition to the DWCF schedules, procurement, and RDT&E exhibits referenced in paragraph 100202 above, the special exhibits identified above must be included in the NDSF justification budget backup book for both the OSD and Congressional submissions. The backup book should include a table of contents, a computer generated FYDP funding report identifying each business area, and each business area/section should be tabbed.
1003 CONGRESSIONAL JUSTIFICATION/PRESENTATION

100301. Purpose

This chapter provides the policies and procedures to guide the development of budget justification and supporting narrative to be submitted by Components to the OUSD (Comptroller) in development of congressional justification material.

100302. Submission Requirements

A. Guidance is applicable to the following DoD Public Enterprise, Management Funds, and Trust Funds:

**Public Enterprise Funds**

(1) National Defense Stockpile Transaction Fund
(2) Buildings Maintenance Fund
(3) Pentagon Reservation Maintenance Revolving Fund
(4) National Defense Sealift Fund

**Management Funds**

**Trust Funds**

(5) National Security Education Trust Fund
(6) Surcharge Collections, Sales of Commissary Stores, Defense

B. The following table presents the exhibit requirements to be submitted as part of the President’s budget for the funds identified in paragraph A, above. Additional budget justification material to accompany the President’s budget may be prescribed by separate USD (Comptroller) budget guidance.
EXHIBIT/SCHEDULE REQUIREMENTS

<table>
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<tbody>
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<td>(1)</td>
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<td>(6)</td>
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</tbody>
</table>

1004 PUBLIC ENTERPRISE, MANAGEMENT AND TRUST FUND FORMATS

100401. Purpose

The special formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

100402. Exhibits in Support of Section 1002 – Program and Budget Review Submission

CT-1 Surcharge Collections, Sales of Commissary Stores Summary .................................10
CT-2 Facility Programs Justification ..................................................................................11
PR-1 Pentagon Reservation Maintenance Revolving Fund Cost of Services .......................12
PR-2 Pentagon Reservation Maintenance Revolving Fund Summary Statement ...............13
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Exhibit CT-1  Surcharge Collections, Sales of Commissary Stores Summary

**Surcharge Collections, Sales of Commissary Stores, Defense**

**Summary**

($ in Millions)

<table>
<thead>
<tr>
<th>FY PY col. of CY PB</th>
<th>FY PY</th>
<th>FY CY col. of CY PB</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
</table>

**OBLIGATIONS**

Operating Expenses  
Equipment  
Construction  
Total Obligations (a)  

Provide operations, equipment, and construction obligations for the PY column of the CY President’s budget, the PY, the CY column of the CY President’s budget, the CY, and the BY.

**DISBURSEMENTS**

Disbursement of  
Prior Year Obligations  
Current Year Disbursements  
Total Disbursements (b)  

Provide disbursements of prior year obligations and current year disbursements for the PY column of the CY President’s budget, the PY, the CY column of the CY President’s budget, the CY, and the BY.

**COLLECTIONS**

Revenue (c)  

Provide revenue for the five years above.

**NET OUTLAYS (d) (b-c=d)**

CASH:  
Begin Year (e)  
Net Outlays (f)  
End Year (g)  

Provide cash estimates for the five years above.

Unliquidated Obligations  

Provide year-end unliquidated obligations for the five years above.

Unobligated Balance Beginning of Year (h)  

Provide unfunded contract authority for the five years above.

Unobligated Balance End of Year (i)  

Unfunded Contract Authority Requested (j) (a-c-h+I=j)  

Exhibit CT-1  Surcharge Collections, Sales of Commissary Stores Summary

(Page 1 of 1)
Exhibit CT-2  Facility Programs Justification

**Surcharge Collections, Sales of Commissary Stores, Defense**

**Facility Programs Justification**

($ in Millions)

<table>
<thead>
<tr>
<th>LOCATION</th>
<th>DESCRIPTION</th>
<th>TOTAL COST</th>
<th>REMARKS</th>
</tr>
</thead>
</table>

Provide a DD Form 1391 for each FY BY proposed project.

List the **location** of each proposed construction project for FY CY and FY BY.

**Description** should include whether each project is a new store, add/alter, minor construction, energy conservation, etc.

**Total cost** is self-explanatory.

**Remarks** should provide narrative justification for and a description of each project.
Exhibit PR-1  Pentagon Reservation Maintenance Revolving Fund Cost of Services

<table>
<thead>
<tr>
<th>Pentagon Reservation Maintenance Revolving Fund</th>
<th>Cost of Basic Services</th>
<th>($ in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY PY</td>
<td>FY CY</td>
<td>FY BY</td>
</tr>
</tbody>
</table>

1. Operated Space (Average Square Feet) *
2. Unit Cost of Operations ($) **
   - Cleaning
   - Maintenance
   - Utilities & Fuel
   - Protection
   - Other Building Services
   - Administration
   - Total Unit Cost for Basic Services
     (Multiply by) Billable Space (Sq. Ft.)
     (Equals) Total Cost of Basic Services

* Excludes reimbursable “above standard” services.

** Cleaning, maintenance, utilities and fuel, protection, other building services, and administration estimates should equal the cost of each function divided by the billable space square feet for the relevant fiscal year.
Exhibit PR-2  Pentagon Reservation Maintenance Revolving Fund Summary Statement

Pentagon Reservation Maintenance Revolving Fund Summary Statement ($ in Millions) (Disbursements by Fiscal Year)

<table>
<thead>
<tr>
<th>Obs.</th>
<th>Orders</th>
<th>Rev.</th>
<th>Exp.</th>
<th>FYPY</th>
<th>FYCY</th>
<th>FYBY</th>
<th>FYBY+1</th>
<th>FYBY+2</th>
<th>FYBY+3</th>
<th>FYBY+4</th>
<th>FYBY+5</th>
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<tbody>
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</tbody>
</table>

**Pentagon Renovation**
- FY PY
- FY CY
- FY BY

**Other Capital Purchases (specify each)**
- FY PY
- FY CY
- FY BY

**Operating Budget**
- FY PY
- FY CY
- FY BY

Obligations, new customer orders, revenue, and expenses for the Pentagon Renovation, Other Capital Purchases, and Operating Budget (reimbursable services and basic services noted in Exhibit PR-1) should be provided.

**Total**
Beginning of year (BOY) cash, collections, disbursements, and end of year (EOY) cash should also be provided.

<table>
<thead>
<tr>
<th>Cash</th>
<th>BOY</th>
<th>Collections</th>
<th>Disbursements</th>
<th>EOY</th>
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<tbody>
<tr>
<td>FY PY</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>FY CY</td>
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<tr>
<td>FY BY</td>
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Exhibit PR-2  Summary Statement (Page 1 of 1)
Exhibit SP-1  Stockpile Financial Status Report

NATIONAL DEFENSE STOCKPILE TRANSACTION FUND

Stockpile Financial Status Report
YEAR (CY, BY)
(Dollars in Millions)

<table>
<thead>
<tr>
<th>PY</th>
<th>CY</th>
<th>BY</th>
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Treasury Cash Balance, **Beginning of Year**

<table>
<thead>
<tr>
<th>Plus</th>
<th>Collections</th>
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<tbody>
<tr>
<td>Minus</td>
<td>Disbursements</td>
</tr>
<tr>
<td></td>
<td>Labor</td>
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<td>Non-labor</td>
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<td>Other Program Costs</td>
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</table>

Plus/Minus:
- Transfer 1 (label)
- Transfer 2 (label)

Sub-Total Transfers

Equals: Cash Balance, **End of Year**

**Selected Liabilities**

- Accounts Payable
- Undelivered Orders

**Estimated Available Cash Balance**

1. **Purpose.** The purpose of this report is to provide information on the financial status of the National Defense Stockpile.

2. **Submission.** This exhibit will reflect information starting from the Prior Year (PY), the Current Year (CY), and the budget year (BY) in support of the OSD/OMB and President’s budget submissions. End of year should be the actual amount reflected on approved accounting reports.
Exhibit RRF-1  Budget Item Justification

**Ready Reserve Force (RRF) Budget Item Justification**

<table>
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<tr>
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<th>FY PY-1</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
<th>FY BY+1</th>
<th>FY BY+2</th>
<th>FY BY+3</th>
<th>FY BY+4</th>
<th>FY BY+5</th>
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</table>

**Total RRF**

Purpose: Justification for the FYs BY-BY+5 budget request: Provide a narrative justification and sufficient justification for the funding requested.

Provide annual funding requirements for the RRF.
Provide annual funding requirements for each ship type by ROS category.
Specify funding by O&M, acquisition and other (specify Other categories consistent with the RRF-1 exhibit).

Exhibit RRF-2  Ship Composition Funding Requirements
Exhibit RRF-3  Ship Readiness Operational Status (ROS) Composition

<table>
<thead>
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<th>RRF</th>
<th>FY PY-1</th>
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<th>FY CY</th>
<th>FY BY</th>
<th>FY BY+1</th>
<th>FY BY+2</th>
<th>FY BY+3</th>
<th>FY BY+4</th>
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Provide the composition of the RRF by FY for each ship type, i.e.; Breakbulk, Ro/Ros, Tankers etc.
Specify ships consistent with the RRF-2 exhibit.
VOLUME 2B, CHAPTER 11: “OFFSETTING RECEIPTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated June 2010 is archived.

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CHAPTER 11

OFFSETTING RECEIPTS

1101 GENERAL

110101. Purpose

This chapter prescribes budget justification requirements for offsetting receipts consistent with the provisions of the Office of Management and Budget (OMB) Circular No. A-11.

1102 PROGRAM AND BUDGET REVIEW SUBMISSION

110201. General Instructions

A. Each Military Department will include offsetting receipts in their annual program and budget submission. See Volume 2A, Chapter 1, for general guidance on submission requirements. Receipt accounts are listed in Volume 2A, Chapter 1, Section 0106 Uniform Budget and Fiscal Accounting Classifications. Department of Defense (DoD) receipt account structures are reported in the Budget Structure Listing of the Comptroller Information System which is available on the Secret Internet Protocol Router Network (SIPRNET) home page of the Office of the Under Secretary of Defense (Comptroller) (OUSD (C)).

B. Each Military Department will also submit estimated receipts in thousands of dollars for the current year, budget year, and the outyears. These estimates will include the impact of all proposed legislation. Upon OUSD(C)’s completion of the prior year update within the Comptroller Information System (CIS), each Military Department will update their CIS current year, budget year and outyear Budget Authority (BA) and outlay estimates for receipt and any receipt-related (special and trust fund) expenditure accounts. The Military Departments will upload the required transactions in CIS. The due date will be established by OUSD(C) based on certification to the Treasury of actual execution data for the prior fiscal year.

C. Amounts reported should include all collections credited to the component’s receipt accounts, including “F” (clearing) accounts if applicable. Prior year clearing (“F”) accounts except the undistributed intragovernmental payment account (3885) will be merged with the Military Department’s General Fund Proprietary Receipts (3210). Exclude collections credited to receipt accounts of other DoD components. Receipts will be reported on the basis of collections credited to receipt accounts during the year, plus or minus any adjustments during the year. Amounts for the prior year will agree with receipts reported to Treasury on the Treasury Combined Statement. Only zero (0) estimates are permitted in the current year, budget year, and the outyears for "F" accounts. For indefinite appropriations of receipts (Wildlife Conservation, Military Reservations; special fund accounts; and trust fund accounts), the amount of estimated collections will be equal to the related estimates of appropriations BA.
D. Receipts data are required for DoD-Military as well as DoD-Civil accounts.

NOTE: Components should refer to the Treasury Federal Accounts Symbols and Titles (FAST) book for any changes to the account listing.
VOLUME 2B, CHAPTER 12: “DEFENSE HEALTH PROGRAM”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

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CHAPTER 12

DEFENSE HEALTH PROGRAM

1201 GENERAL

120101. Purpose

A. This chapter provides instructions applicable to budget formulation and congressional justification for the Defense Health Program (DHP).

B. The following appropriations are covered as subsections of the DHP appropriation:

1. Operation and Maintenance (O&M)
2. Procurement
3. Research, Development, Test and Evaluation (RDT&E)

120102. Submission Requirements

General guidance with regard to submission requirements is presented in Volume 2A, Chapter 1. This chapter covers specific backup material requirements for the above accounts. The Assistant Secretary of Defense (Health Affairs) (ASD(HA)) should also consult all of the other chapters of this Regulation for exhibit requirements that are not specifically addressed in this chapter including Volume 2B, Chapter 19 – Other Special Analyses. The ASD(HA) is also responsible for providing data to update the Comptroller Information System (CIS) and the Future Years Defense Program (FYDP) automated systems for the DHP appropriation. The Military Components must reconcile all DHP personnel data with, and submit all proposed military and civilian medical personnel changes to the CIS and FYDP through the Defense Health Agency Program Budget and Execution Directorate before these changes are accepted in these automated systems. (See Volume 2A, Chapter 1 and Volume 2B, Chapter 19, of this Regulation.)

120103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Volume 2A, Chapter 1. Volume 2B, Chapter 12 provides additional specific guidance with regard to the back-up material required for the DHP. (See Volume 2A, Chapter 1, of this Regulation.)

120104. References

Volume 2A, Chapter 3 provides guidance related to O&M costs, Volume 2B, Chapter 4 provides guidance and formats related to Procurement appropriations, and Volume 2B, Chapter 5 provides guidance and formats related to RDT&E appropriations. (See Volume 2A, Chapter 3
and Volume 2B, Chapter 4, of this Regulation.)

1202 PROGRAM AND BUDGET REVIEW SUBMISSION

120201. Purpose

This Section provides guidance for preparation and submission of budget estimates for the DHP. The budget estimates consist of all O&M, procurement, and RDT&E resources that support the medical activities that were consolidated into the DHP.

120202. Submission Requirements

A. The ASD (HA) is responsible for submitting all exhibits required for the O&M, procurement, and RDT&E appropriations as specified in Volume 2A, Chapter 3, Volume 2B, Chapters 4, and 5 respectively. The ASD (HA) is also responsible for submitting exhibit requirements specified in the other chapters of this Regulation including Volume 2B, Chapter 19 – Other Special Analyses. (See Volume 2A, Chapter 3 and Volume 2B, Chapter 4, 5, and 19, of this Regulation).

B. In addition, the Cost of Medical Activities Exhibit (PB-11, PB-11A, PB-11B) will be prepared and submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) concurrent with the program and budget review submission. Formats for these exhibits are provided at the end of this chapter. Two printed copies and one electronic copy of each exhibit should be provided to the OUSD(C) Program/Budget (P/B) Military Personnel & Construction Directorate, Room 3C654, Washington, DC 20301-1100.

C. For all updates of the OUSD(C) automated budget system databases, DoD Components must reconcile all DHP personnel data with, and submit all proposed military and civilian medical personnel changes through the Defense Health Agency Program Budget and Execution Directorate.

1203 CONGRESSIONAL JUSTIFICATION/PRESENTATION

120301. Purpose

This section presents the exhibit requirements for submission to Congress. Examples of budget exhibits can be found in Section 1204.

120302. Submission Requirements

A. The ASD (HA) is responsible for submitting all exhibits required for the O&M, procurement, and RDT&E appropriation as specified in Volume 2A, Chapter 3, Volume 2B, Chapters 4, and 5 respectively. The ASD (HA) is also responsible for submitting exhibit requirements specified in the other chapters of this regulation including Volume 2B, Chapter 19 – Other Special Analyses. (See Volume 2A, Chapter 3 and Volume 2B, Chapter 4, 5, and 19)
B. In addition, the cost of Medical Activities Exhibit (PB-11, PB-11A, PB-11B) will be prepared and submitted to the OUSD (C) for the DHP. Formats for these exhibits are provided at the end of this chapter. Two printed copies and one electronic copy of each exhibit should be provided to the OUSD (C), P/B, Military Personnel Construction Directorate, Room 3C654, the Pentagon.

C. Two printed copies and one electronic copy of the PBA-9 (Medical Programs Exhibit for the O&M Overview) will be due to the OUSD(C), P/B, Military Personnel & Construction Directorate, Room 3C654, the Pentagon at the time that the President’s budget exhibits are due. The required format for the PBA-9 is provided at Volume 2A, Chapter 3, Section 0304 (See Volume 2A, Chapter 3, section 0304 of this Regulation).

D. The OP-5 exhibit and other supporting exhibits will be prepared for each of the following activities. Meaningful performance criteria should be displayed for each activity.

- In-House Care
- Private Sector Care
- Consolidated Health Support
- Information Management
- Management Activities
- Education and Training
- Base Operations/Communications

E. The ASD(HA) will prepare the DHP Volume 1 (Justification of Estimates), Volume 2 (Data Book), and Volume 3 (Additional Accompanying Exhibits). Forty printed copies and five electronic storage media copies of Volumes 1 and 2 and ten printed copies and three electronic storage medical copies of all three volumes and other required exhibits should be provided to the OUSD (C), P/B, Military Personnel & Construction Directorate, Room 3C654, the Pentagon.

1204 DEFENSE HEALTH PROGRAM SUBMISSION FORMATS

120401. Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, the formats should be followed.
120402. Unique Exhibits in Support of the Defense Health Program

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Exhibit PB-11 Defense Health Program Funding Summary (Continued) (Page 2 of 6)
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#### DEPARTMENT OF DEFENSE

#### COST OF MEDICAL ACTIVITIES

#### DEFENSE HEALTH PROGRAM

**Exhibit PB-11 Defense Health Program Funding Summary (Continued)**

<table>
<thead>
<tr>
<th>Subtotal Management Activities</th>
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<tbody>
<tr>
<td>0807709HP TRICARE Management Activity (through FY 2013)</td>
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<td>0901200HP BMMP Domain Management &amp; System Integration</td>
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**Subtotal Education and Training**

<table>
<thead>
<tr>
<th>Subtotal Education and Training</th>
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<tbody>
<tr>
<td>0806722HP Armed Forces Health Professions Scholarship Program</td>
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<tr>
<td>0806721HP Uniformed Services University of the Health Sciences</td>
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<tr>
<td>0806761HP Other Education and Training</td>
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**BASE OPERATIONS/COMMUNICATIONS**

<table>
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<tr>
<th>Subactivity Group</th>
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<tbody>
<tr>
<td>0806276HP Facilities Restoration and Modernization – CONUS</td>
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<tr>
<td>0886376HP Facilities Restoration and Modernization – OCONUS</td>
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<tr>
<td>0806278HP Facilities Sustainment – CONUS</td>
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<td>0806378HP Facilities Sustainment – OCONUS</td>
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<td>0807779HP Facilities Operations – Health Care – CONUS</td>
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<td>0807979HP Facilities Operations – Health Care – OCONUS</td>
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<td>0807795HP Base Communications – CONUS</td>
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<td>0807995HP Base Communications – OCONUS</td>
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<td>0807796HP Base Operations – CONUS</td>
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<td>0807996HP Base Operations – OCONUS</td>
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<tr>
<td>0807753HP Environmental Conservation</td>
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<td>0807754HP Pollution Prevention</td>
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Exhibit PB-11 Defense Health Program Funding Summary

(Page 3 of 6)
Exhibit PB-11 Defense Health Program Funding Summary (Continued)

**DEPARTMENT OF DEFENSE**
**COST OF MEDICAL ACTIVITIES**
**DEFENSE HEALTH PROGRAM**

Defense Health Program Funding by Subactivity Group

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
<th>PY-CY Change</th>
<th>CY-BY Change</th>
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<tr>
<td>Actual</td>
<td>Estimate</td>
<td>Estimate</td>
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080756HP  Environmental Compliance  
080790HP  Visual Information Systems  
080803HP  Demolition/Disposal of Excess Facilities  

Subtotal Base Ops/Comm  
Subtotal DHP Operation and Maintenance
## Exhibit PB-11 Defense Health Program Funding Summary (Continued)

### Defense Health Program Funding by Subactivity Group

<table>
<thead>
<tr>
<th>Subactivity</th>
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<tr>
<td>Dental Equipment</td>
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<tr>
<td>Food Service, Preventive Medicine, Pharmacy Equipment</td>
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<tr>
<td>Medical Information System Equipment</td>
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<td>Medical Patient Care Administrative Equipment</td>
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<tr>
<td>Medical/Surgical Equipment</td>
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<td>Other Equipment</td>
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<td>Pathology/Lab Equipment</td>
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<td>Radiographic Equipment</td>
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<td>0807784HP Integrated Electronic Health Record (iEHR)</td>
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<td><strong>Research, Development, Test and Evaluation</strong></td>
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<td>0601101HP In-House Laboratory Independent Research (ILIR)</td>
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<td>0602115HP Applied Biomedical Technology</td>
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<td>0602787HP Medical Technology (AFRRI)</td>
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<td>0603002HP Medical Advanced Technology (AFRRI)</td>
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<td>0604110HP Medical Products Support and Advanced Concept Development</td>
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<td>0605013HP Information Technology Development</td>
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<td>0605023HP Integrated Electronic Health Record (iEHR)</td>
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<td>0605025HP Theater Medical Information Program – Joint (TMIP-J)</td>
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<td>0605502HP Small Business Innovative Research (SBIR) Program</td>
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<td>0606105HP Medical Program-Wide Activities</td>
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<tr>
<td>0607100HP Medical Products and Capabilities Enhancement Activities</td>
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Exhibit PB-11 Defense Health Program Funding Summary

(Page 5 of 6)
Show more text...
### DEPARTMENT OF DEFENSE
### DEFENSE HEALTH PROGRAM

**Personnel Summary**

<table>
<thead>
<tr>
<th>FY PY Actual</th>
<th>FY CY Estimate</th>
<th>FY-BY Estimate</th>
<th>CY-BY Change</th>
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<tbody>
<tr>
<td>End Strength</td>
<td>End Strength</td>
<td>End Strength</td>
<td>End Strength</td>
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<tr>
<td>Avg Strength</td>
<td>Avg Strength</td>
<td>Avg Strength</td>
<td>Avg Strength</td>
</tr>
</tbody>
</table>

#### Active Military – Assigned to DHP

**Army Total**
- Officers
- Enlisted

**Navy Total**
- Officers
- Enlisted

**Air Force Total**
- Officers
- Enlisted

**Total Active Duty**
- Officers
- Enlisted

#### Active Military - Non DHP Medical

**Army Total**
- Officers
- Enlisted

**Navy Total**
- Officers
- Enlisted

**Air Force Total**
- Officers
- Enlisted

**Total Active Duty**
- Officers
- Enlisted
### DEPARTMENT OF DEFENSE
### DEFENSE HEALTH PROGRAM

#### Personnel Summary

<table>
<thead>
<tr>
<th>FY PY Actual</th>
<th>FY CY Estimate</th>
<th>FY- BY Estimate</th>
<th>CY-BY Change</th>
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</thead>
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<td>End</td>
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<tr>
<td>Strength</td>
<td>FTEs</td>
<td>Strength</td>
<td>FTEs</td>
</tr>
</tbody>
</table>

### I. Civilian Personnel - US Direct Hire
- Army
- Navy
- Air Force
- Defense Health Agency

### II. Civilian Personnel - Foreign National Direct Hire
- Army
- Navy
- Air Force
- Defense Health Agency

### III. Civilian Personnel - Foreign National Indirect Hire
- Army
- Navy
- Air Force
- Defense Health Agency

### IV. Total Civilian Personnel
- Army
- Navy
- Air Force
- Defense Health Agency

### V. Summary Civilian Personnel
- U.S. Direct Hire
- Foreign National Direct Hire
- Foreign National Indirect Hire

<table>
<thead>
<tr>
<th>Total, Civilians</th>
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1/ Includes reimbursable civilians - memo

---

*Exhibit PB-11A Defense Health Program Personnel Summary (Page 2 of 3)*
### DEPARTMENT OF DEFENSE

### DEFENSE HEALTH PROGRAM

#### Personnel Summary

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<th>FY PY Actual</th>
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<th>FY- BY Estimate</th>
<th>CY-BY Change</th>
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<td>FTEs</td>
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<tr>
<td>Civilian FTE’s</td>
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</table>

#### Defense Health Agency (PE 0807704)

|                      |              |                |                 |              |
| Military FTE’s       |              |                |                 |              |
| Civilian FTE’s       |              |                |                 |              |

#### Army Management Headquarters (PE 0807798)

|                      |              |                |                 |              |
| Military FTE’s       |              |                |                 |              |
| Civilian FTE’s       |              |                |                 |              |

#### Navy Management Headquarters (PE 0807798)

|                      |              |                |                 |              |
| Military FTE’s       |              |                |                 |              |
| Civilian FTE’s       |              |                |                 |              |

#### Air Force Management Headquarters (PE 0807798)

|                      |              |                |                 |              |
| Military FTE’s       |              |                |                 |              |
| Civilian FTE’s       |              |                |                 |              |
## Population - Average Eligible Beneficiaries CONUS

<table>
<thead>
<tr>
<th></th>
<th>FY PY Actual</th>
<th>FY CY Estimate</th>
<th>FY BY Estimate</th>
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<tr>
<td>Active Duty Dependents</td>
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<td>CHAMPUS Eligible Retirees</td>
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<td>CHAMPUS Eligible Dependents of Retirees</td>
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<tr>
<td>Subtotal CHAMPUS Eligibles</td>
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<tr>
<td>Medicare Eligible Beneficiaries</td>
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<td>Total Average Eligible Beneficiaries</td>
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## Population - Average Eligible Beneficiaries OCONUS

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<th>FY BY Estimate</th>
<th>CY-BY Change</th>
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<tbody>
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<tr>
<td>Active Duty Dependents</td>
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<tr>
<td>CHAMPUS Eligible Retirees</td>
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<td>CHAMPUS Eligible Dependents of Retirees</td>
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<tr>
<td>Subtotal CHAMPUS Eligibles</td>
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<td>Medicare Eligible Beneficiaries</td>
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<tr>
<td>Total Average Eligible Beneficiaries</td>
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</table>

## Population - Average Eligible Beneficiaries Worldwide

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<th>FY CY Estimate</th>
<th>FY BY Estimate</th>
<th>CY-BY Change</th>
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<td>Active Duty Dependents</td>
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<td>CHAMPUS Eligible Retirees</td>
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<td>CHAMPUS Eligible Dependents of Retirees</td>
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<tr>
<td>Subtotal CHAMPUS Eligibles</td>
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<td>Medicare Eligible Beneficiaries</td>
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<td>Active Duty Family Members</td>
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Exhibit PB-11B Medical Workload and Productivity Data

(Page 1 of 5)
DEFENSE HEALTH PROGRAM
Medical Workload and Productivity Data

<table>
<thead>
<tr>
<th>Enrollees - Direct Care</th>
<th>FY PY Actual</th>
<th>FY CY Estimate</th>
<th>FY BY Estimate</th>
<th>CY-BY Change</th>
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<td>TRICARE Region – South</td>
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<td>TRICARE Region – West</td>
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<td>TRICARE Region – Europe</td>
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<td>Total Direct Care Enrollees</td>
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</table>

<table>
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<th>FY CY Estimate</th>
<th>FY BY Estimate</th>
<th>CY-BY Change</th>
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<tbody>
<tr>
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<td>Dental Clinics</td>
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<tr>
<td>Veterinary Clinics</td>
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</table>

\(^1\) Alaska in the West Contract is non-underwritten therefore not included in the total.
## Exhibit PB-11B Medical Workload and Productivity Data

**DEFENSE HEALTH PROGRAM**

Medical Workload and Productivity Data

<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY Actual</th>
<th>FY CY Estimate</th>
<th>FY BY Estimate</th>
<th>CY-BY Change</th>
</tr>
</thead>
</table>

**Direct Care System Workload (from MEPRS)**

- Inpatient Admissions
- Occupied Bed Days
- Inpatient Relative Weighted Product (RWPs)
- Average Length of Stays (Bed Days/Disposition)
- Total Ambulatory Visits
- Outpatient Relative Value Units (RVUs)
- Pharmacy – Military Treatment Facilities Worldwide
  - Number of Scripts
  - Number of Users

**Dental Workload** (Dental Weighted Values (DWVs))

- **CONUS**
  - Total DWVs

- **OCONUS**
  - Total CONUS

- **CONUS**
  - Active Duty
  - Non-Active Duty

- **OCONUS**
  - Active Duty
  - Non-Active Duty

Exhibit PB-11B Medical Workload and Productivity Data

(Page 3 of 5)
### Private Sector Workload

**Managed Care Support Contracts (TRICARE Prime)**
- Inpatient Admissions
- Inpatient Relative Weighted Product (RWPs)
- Outpatient Visits
- Outpatient Relative Value Units (RVUs)

**TRICARE Extra/Standard**
- Inpatient Admissions
- Inpatient Relative Weighted Product (RWPs)
- Outpatient Visits
- Outpatient Relative Value Units (RVUs)

**Overseas CHAMPUS**
- Inpatient Admissions
- Inpatient Relative Weighted Product (RWPs)
- Outpatient Visits
- Outpatient Relative Value Units (RVUs)

**Pharmacy – Purchased Care**
- Retail:
  - Number of Scripts
  - Number of Users
- Mail Order:
  - Number of Scripts
  - Number of Users

---

**DEFENSE HEALTH PROGRAM**

**Medical Workload and Productivity Data**

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Exhibit PB-11B Medical Workload and Productivity Data

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### DEFENSE HEALTH PROGRAM
**Medical Workload and Productivity Data**

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**NOTE:** TRICARE Dental Program reporting methodology changed for FY 2010 and is not comparable to previous submissions

**Uniformed Services Family Health Plan**
- Enrollees (Non-Medicare eligible DoD only)
- Enrollees (Medicare eligible DoD Only)
VOLUME 2B, CHAPTER 13: “DEFENSE ENVIRONMENTAL RESTORATION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated June 2007 is archived.

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1301 GENERAL

130101. Purpose

A. This chapter provides instructions applicable to programming and budget formulation for the Department’s combined Program and Budget Review and congressional justification for the Defense Environmental Restoration Program appropriations (including munitions related responses at Formerly Used Defense Sites and closed sites at active installations). Volume 2B, Chapter 7, cleanup activities funded by Base Realignment and Closing (BRAC) appropriations. The Department’s Environmental Restoration programs must comply with all the requirements levied by the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the Superfund Amendments and Reauthorization Act (SARA), and the Resource Conservation and Recovery Act (RCRA) legislation. This chapter provides the programming, budgeting, and performance data necessary to respond to congressional concerns and OMB guidance to link the Department’s budget for the Environmental Restoration accounts to the Department’s cleanup performance goals as follows:

1. Reduce relative risk at 100% of high relative risk sites by end of FY 2007 for active installations and Formerly Used Defense Sites (FUDS).

2. Reduce relative risk at 100% of medium relative risk sites by end of FY 2011 for active installations and FUDS.

3. Reduce relative risk at 100% of low relative risk sites by end of FY 2014 for active installations (FY 2020 for FUDS).

4. Complete preliminary assessments or equivalent for 100% of all munitions response sites by end of 2007.

5. Complete site inspections or equivalent for 100% of all munitions response sites by the end of 2010.

B. The appropriations that finance the Defense Environmental Restoration Program include the following subsections:

Operation and Maintenance
Procurement
Military Construction

130102. Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 13 covers specific backup material requirements for the Defense
Environmental Restoration Program. The Deputy Under Secretary of Defense, Installations and Environment (DUSD(I&E)) of the USD (AT&L) is responsible for all submission requirements for this program (See Volume 2A, Chapter 1 of this regulation).

130103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 13 provides additional specific guidance with regard to the back-up material required for the Defense Environmental Restoration Program (See Volume 2A, Chapter 1 of this regulation).

130104. References

Chapter 1 provides general funding policies, Chapter 3 provides specific policies related to Operation and Maintenance costs, Chapter 4 provides specific policies related to Procurement appropriations, Chapter 5 provides specific policies related to RDT&E funding, and Chapter 6 provides specific policies related to Military Construction appropriations (See Volume 2A, Chapters 1,3 and Volume 2B, Chapters 4–6).

130105. Definitions

A. Program Management and Support. This sub-element identifies administrative and overhead expenses associated with the Defense Environmental Restoration Program, including civilian salaries.

B. Installation Restoration Program (IRP). This sub-element is a comprehensive program to identify, investigate, and cleanup contamination from hazardous substances and wastes resulting from past DoD activities on active installations and formerly-used DoD lands. This includes requirements incident to remedial action, both on-installation and off-installation (e.g., provision of permanent alternate potable water supplies to communities affected by groundwater contamination that resulted from DoD activity). Actions under this element may include:

1. Investigations to identify, confirm and quantify contamination; feasibility studies; remedial action plans and designs; and remedial or removal actions.

2. Research, development and technology demonstrations necessary to conduct cleanups.

3. Expenses associated with cooperative multi-party cleanup plans and activities.

4. Remedial actions to protect or restore natural resources damaged by contamination from past hazardous waste disposal activities.
5. Cleanup of low-level radioactive waste sites which meet the criteria of the CERCLA, as amended.

6. Remedial action construction costs.

7. Remedial action operations costs.


9. Immediate actions necessary to address health and safety concerns such as providing alternate water supplies or treatment of contaminated drinking water, when the hazard results from a release from DoD property.

10. CERCLA assessments necessary prior to accessing real property assets.

11. Proportion of RCRA permit preparation associated with solid waste management units which would meet the definition of a past disposal site under CERCLA, as amended.

C. Building Demolition and Debris Removal Program (BD/DR). This sub-element applies to both active installations and formerly-used DoD lands. The purpose of this sub-element is to plan and execute a comprehensive program to demolish and remove unsafe buildings and structures. Expenses incident to complete restoration, such as restoration of natural resources are included if such expenses are clearly and directly related to the demolition and debris removal. Demolition that is required as part of a new construction project is excluded. Actions under this element may include:

1. The demolition of buildings or the removal of debris that constitute a safety hazard on active installations.

2. The demolition of buildings or the removal of debris which constitute a safety hazard on lands formerly-used by the Department of Defense, provided such lands were transferred to state or local governments or native corporations.

D. Munitions Response: This sub-element captures DoD clearance and cleanup requirements to investigate and address the explosives safety, human health, or environmental risks presented by munitions and munitions constituents at formerly used defense sites and closed sites at active installations as well as BRAC installations. All DoD Components participating in the Environmental Restoration Program, including FUDS, shall program and budget for munitions response requirements. This sub-element does not include cleanup of active and inactive ranges at active installations. Munitions response at BRAC installations are in the BRAC account and funding will transfer to the appropriate Environmental Restoration account upon expiration of the BRAC account.
1302 PROGRAM AND BUDGET REVIEW SUBMISSION

130201. Purpose

This Section provides guidance for preparation and submission of program and budget estimates for the Defense Environmental Restoration Program. The budget estimate component consists of all operation and maintenance, procurement, and Military Construction resources that support the Defense Environmental Restoration Program. The Components should consult all of the other chapters for exhibit requirements that are not specifically addressed in this chapter including Chapter 19, Other Special Analyses.

130202. Submission Requirements

A. The Department will collect both POM and budget data through the Select & Native Programming Data Input System (SNaP) process. For Environmental Restoration appropriations, the PDR (Programming Data Requirements) will be collected in PDR exhibits ENV 30 Parts 1-3. In addition, the Military Departments and applicable Defense Agencies shall develop and submit to the Comptroller separate narrative justification material (including any program increases and decreases) for their respective programs as part of their Program and Budget Review Submission. The DUSD(I&E) is responsible for review, approval, and consolidation of the narrative justification material and ENV 30 Parts 1-3 for the Defense Agency submissions and the Army’s submission (as the DoD Executive Agent) for the Formerly-Used Defense Sites. The diskette of installation level detail required by the DUSD(I&E) should be forwarded together with the Components’ justification material to the OUSD (Comptroller) P/B Operations and Personnel Directorate, Room 3C710, Pentagon.

B. Two weeks prior to the above submissions, the Components must provide appropriate updates to the DUSD (I&E) data required by DoD Instruction 4715.7 for each site regarding status, schedule, and cost to complete. Data is required for incorporation into the DUSD(I&E) Project Management database.

C. The Components and DUSD(I&E) are also responsible for providing data to update the Comptroller Information System (CIS)) and the Future Year Defense Plan (FYDP) automated systems for the various Environmental Restoration appropriations as identified in Chapter 1 and for updating the OP-32 exhibit (Summary of Price and Program Change) identified in Chapter 3 (See Volume 2A, Chapters 1 and 3 of this regulation).

D. In addition to submitting the above items, the DUSD(I&E) is responsible for establishing policy for the Defense Environmental Restoration Program.

E. Examples of data collection exhibits, ENV 30 Parts 1-3, can be found in Section 1304 (See section 1304, below).
1303 CONGRESSIONAL JUSTIFICATION/PRESENTATION

130301. Purpose

This section presents the exhibit requirement for submission to the Congress.

130302. Submission Requirements

A. The Military Departments and applicable Defense Agencies will update the SNaP immediately upon completion of the Program Budget Decisions and budget lock by the Department. In addition, the Military Departments and applicable Defense Agencies shall provide the USD(Comptroller) with a revised narrative justification for their respective programs reflecting any changes from the program and budget review. The SNaP system will reformat the data into congressional justification exhibits, which can be printed out by the respective Components and included in their justification materials. The DUSD (I&E) is responsible for review, final approval, and consolidation of the congressional justification material and ENV 30 Budget Exhibits for the Defense Agencies submission and the Army’s submission (as the DoD Executive Agent) for FUDS.

B. The Components must provide updates reflecting any changes from the program/budget review to the Deputy Under Secretary of Defense (I&E) data required by DoD Instruction 4715.7 for each site regarding status, schedule, and cost to complete. Data is required for incorporation into the DUSD(I&E) Project Management database.

C. The diskette of installation level detail required by the DUSD(I&E) should be forwarded together with the Components’ justification material to the OUSD (Comptroller) P/B Operations and Personnel Directorate, Room 3C710, Pentagon. Copy requirements are identified in Chapter 1 (See Volume 2A, Chapter 1 of this regulation).

D. The Components and DUSD(I&E) are also responsible for providing data to update the Future Year Defense Plan (FYDP) automated systems for the various Environmental Restoration appropriations as identified in Chapter 1 and for updating the OP-32 exhibit (Summary of Price and Program Change) identified in Chapter 3 (See Volume 2A, Chapters 1 and 3 of this regulation).

E. Examples of SNaP date entry sheets and all ENV 30 program and budget exhibits produced by SNaP are displayed below in paragraph 130402, Exhibits in Support of Defense Environmental Restoration.
1304  DEFENSE ENVIRONMENTAL RESTORATION PROGRAM SUBMISSION AND
JUSTIFICATION FORMATS

130401.  Purpose

The data entry sheets required for the SNaP system for all Environmental Restoration
appropriations are included on the following pages. Additionally, examples of the ENV 30
exhibits produced by SNaP for congressional justification are provided.

130402.  Data Entry Sheets and Exhibits in Support of Defense Environmental
Restoration

Env 30 Part 1 DERA and BRAC Funds Budgeted for Environmental Clean-Up Program
Management and Support.................................................................9

Env 30 Part 2 DERA and BRAC Funds Budgeted for Environmental Clean-Up Project
Management ..................................................................................12

Env 30 Part 3 Performance Metrics ..................................................26
Env 30 Part 1 DERA and BRAC Funds Budgeted for Environmental Clean-Up

Env 30 Part 1 DERA and BRAC Funds Budgeted for Environmental Clean-Up Program Management and Support

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**Instructions**

1. The new ENV 30 replaces the former ENV 30 DERA and ENV 1A/1B BRAC exhibits. Part 1 captures Program Management and Support activity funding.
2. For all Fund Source Programs provide baseline Total Obligated Authority (TOA) for all years identified and Balance to Complete by Program Management Activity.
3. Report baseline TOA in $Thousands by year for all funding lines.
4. Legacy BRAC includes rounds I through IV BRAC.
5. BRAC 2005 includes and separately identifies Environmental Costs associated with BRAC 2005.
6. Components shall program adequate resources in each year of the FYDP to achieve the program goals for all restoration activities.
7. Components shall provide to the DUSD (I&E) (no later than two weeks before their POM and budget submissions) the updated relative risk site evaluations.
8. The Military Departments must ensure their POM and budget submission contains sufficient funding to update the annual Range Inventory requirements established in Section 311 2710(a) of the FY 2002 National Defense Authorization Act and as specified in the DUSD(I&E) DERP Management Guidance issued in September of 2001.
9. If needed, be prepared to provide a narrative in a Word document that describes for the ATSDR funding the number of health assessments and health studies planned each year; and for the DSMOA funding the number of installations and total DERA or BRAC dollars by state planned for each year.
10. Fund Source Programs of BRAC-IRP and BRAC-Munitions Response apply to all listed Program Management activities.
11. Fund Source Programs of Environmental Restoration-IRP and Environmental Restoration-Munitions Response apply to all listed Program Management activities except EPA.
12. The reporting entities (Services/Agencies) directed to submit this data requirement. Refers to Military Departments, DLA and DTRA .

**Definitions**

**Class**: System Field: Classification
- **C**: CONFIDENTIAL
- **C/NF**: CONFIDENTIAL//NOFORN
- **F**: FOR OFFICIAL USE ONLY
- **S**: SECRET
- **S/NF**: SECRET//NOFORN
- **U**: UNCLASSIFIED

(Page 1 of 2)
Env 30 Part 1 DERA and BRAC Funds Budgeted for Environmental Clean-Up (Continued)

**Component**: For the Military Departments report by Active, Guard and Reserve. Defense Agencies choose Defense Agency.

**Active**:
- **DADW**: Defense Area Defense Wide. Used by non-service defense agencies.

**Guard**:

**Reserve**:

**FUDS**: Army will use this field to identify the Formerly Used Defense Sites (FUDS) data by selecting a 'Yes' or 'No' value. All other Services/Agencies will enter 'No' as the FUDS data value.

- **No**:
- **Yes**:

**FundSource**:
- **BRAC-IRP**: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Covers the Hazardous and Petroleum Waste project management. Separate entries are required for Legacy BRAC and BRAC 2005.
- **BRAC-Munitions Response**: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Clean up activities (i.e., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (i.e., UXO) or the chemical residues of munitions at BRAC installations. Separate entries are required for Legacy BRAC and BRAC 2005.
- **Environmental Restoration-IRP**: Funded by Environmental Restoration appropriations. Covers the Hazardous and Petroleum Waste project management.
- **Environmental Restoration-Munitions Response**: Funded by Environmental Restoration appropriations. Clean up activities (i.e., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (i.e., UXO) or the chemical residues of munitions at FUDS properties, or on closed munitions response sites at active installations.

**Program Management Activity**:
- **ATSDR**: $TOA captures funding requirements for the Agency for Toxic Substance and Disease Registry
- **DSMOA**: $TOA captures funding requirements for Defense and State Memorandum of Agreement
- **EPA Funding**: $TOA captures BRAC requirements for payments to the Environmental Protection Agency (EPA) for support per memorandum of understanding with EPA.
- **Fines**: $TOA captures known or planned fines through the budget year. Components must fully fund programs to ensure no fines are routinely planned in the outyears
- **Management**: $TOA overhead expenses (except workyears) associated with Program Management and Support as identified in the DUSD(I&E) DERP Management Guidance issued in September of 2001.
- **Work Years**: $TOA government salaries/benefits associated with Program Management and Support in accordance with the President’s Fast Track Initiative.

**Balance To Complete**: Total Funding beyond the FYDP required to complete the activity.

**Business Rules**
1) Provide data entry rules in accordance with relationship matrices.
### Data Matrix: Fund Source, Program Management Activity Relationship

<table>
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**Subject Matter Experts:** Questions regarding this data requirement should be directed to Shah Choudhury 703-571-9067 and Bob Furlong 703-571-9073.

**Technical Issues:** If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 ext #107 or #108.
Env 30 Part 2 DERA and BRAC Funds Budgeted for Environmental Clean-Up

Env 30 Part 2 DERA and BRAC Funds Budgeted for Environmental Clean-Up Project Management

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Instructions
1) The new ENV 30 replaces the former ENV 30 DERA and ENV 1A/1B BRAC exhibits. Part 2 captures Project Management activity breakouts for IRP, Munitions Response, BD/DR, BRAC Compliance, and BRAC Planning. Legacy BRAC includes BRAC rounds I-IV, and there is a separate format required for BRAC 2005.
2) For all Fund Sources, all Clean-Up Programs provide number of sites and funding by Clean-Up and Analysis in all years identified and Balance to Complete. See Relationship Matrix below. For BRAC Planning and BRAC Compliance, provide number of facilities in lieu of sites.
3) Only the Army reports FUDS.
4) For Clean-up Action—for Assessments, Analysis/Investigation, Interim Actions, Remedial Designs, and Remedial Action Construction provide the funding detail by Relative-Risk or MRSPP Level and Type.
5) If there is no analysis associated with an action, report funding only.
6) Components shall program adequate resources in each year of the FYDP to achieve the programs goals for all restoration activities.
7) Military Departments and applicable Defense Agencies shall develop and submit to the Comptroller separate narrative justification material (including any program increases and decreases) for their respective programs as part of their Program and Budget Review submission.
8) Components shall provide to the DUSD (I&E) no later than two weeks before their POM and budget submissions are due to OSD, the updated relative risk site evaluations, site status updates and cost to complete estimates for every site as required by DoD Instruction 4715.7.
9) The reporting entities directed to submit this data requirement refers to Military Departments (Active, Guard, Reserve)/Defense Agencies.

Definitions
Class: System Field: Classification
C: CONFIDENTIAL
C/NF: CONFIDENTIAL//NOFORN
F: FOR OFFICIAL USE ONLY
S: SECRET
S/NF: SECRET//NOFORN
U: UNCLASSIFIED

Component: For the Military Departments report by Active, Guard and Reserve. Defense Agencies choose Defense Agency. Army also reports for FUDS.

Active:

Guard:

Reserve:
**FUDS**: Army will use this field to identify the Formerly Used Defense Sites (FUDS) data by selecting a “Yes” or “No” value. All other Services/Agencies will enter “No” as the FUDS data value

**FundSource:**

- **BRAC-Building Demolition/Debris Removal**: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. The demolition and removal of unsafe buildings and structures in accordance with DERP Management Guidance at facilities or sites that are or were owned by, leased to, or otherwise possessed by the United States under the jurisdiction of the Secretary of Defense. Separate entries are required for Legacy BRAC and BRAC 2005.
- **BRAC-COMPLIANCE**: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. See DoD Instruction 4715.6. Separate entries are required for Legacy BRAC and BRAC 2005.
- **BRAC-IRP**: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Covers the Hazardous and Petroleum Waste project management. Separate entries are required for Legacy BRAC and BRAC 2005.
- **BRAC-Munitions Response**: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Clean up activities (i.e., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (i.e., UXO) or the chemical residues of munitions at BRAC installations. Separate entries are required for Legacy BRAC and BRAC 2005.
- **BRAC-PLANNING**: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. See DoD Instruction 4715.9. Separate entries are required for Legacy BRAC and BRAC 2005.
- **Environmental Restoration-Building Demolition/Debris Removal**: Funded by Environmental Restoration appropriations. The demolition and removal of unsafe buildings and structures in accordance with DERP Management Guidance at facilities or sites that are or were owned by, leased to, or otherwise possessed by the United States under the jurisdiction of the Secretary of Defense.
- **Environmental Restoration-IRP**: Funded by Environmental Restoration appropriations. Covers the Hazardous and Petroleum Waste project management.
- **Environmental Restoration-Munitions Response**: Funded by Environmental Restoration appropriations. Clean up activities (i.e., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (i.e., UXO) or the chemical residues of munitions at FUDS properties, or on closed munitions response sites at active installations.
- **Land Sale Revenue**: A one line entry for Legacy BRAC and BRAC 2005 to indicate how much land sale revenue will be applied to Environmental Requirements.
CleanUpAction:

Analysis/Investigation: Analysis used to characterize the nature, extent, and risk of releases of hazardous substances into the environment and to develop and select a cleanup remedy.

Assessments: A limited scope investigation designed to distinguish sites that pose little or no threat to human health and the environment from sites that require further investigation. The assessment typically is based on installation records searches, visual site inspections, and interviews with personnel.

Interim Actions: An interim measure that can be implemented at any time in the restoration process and that is designed to abate contamination until the final remedial action can be implemented.

Land Sale Revenue: Term used to identify funds recovered from the sale of real property used to offset restoration funding requirements.

Long Term Management: Term used for environmental monitoring, review of site conditions, and/or maintenance of a remedial action to ensure continued protection as designed once a site achieves response complete.

N/A: Not applicable; leave blank.

No Further Action: No further action planned or funded.

Potentially Responsible Party: (PRP)-As defined in the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) Recovery-Pursuant to 10USC Section 2703(d)(1) and (2) Components are authorized to credit their environmental restoration account with amounts recovered pursuant to CERCLA for response costs at DERP sites.

Recovery: Pursuant to 10USC Section 2703(d)(1) and (2) Components are authorized to credit their environmental restoration account with amounts recovered pursuant to CERCLA for response costs at DERP sites.

Remedial Action Construction: The restoration phases during which the final remedy is being put in place. The end date signifies that the construction is complete, all testing has been accomplished, and that the remedy will function properly.

Remedial Action Operations: Remedial Action Operations (RAO) - The period when a remedy is being operated but cleanup objectives have not yet been achieved.

Remedial Designs: Restoration phases during which construction parameters and equipment specifications for a selected cleanup technology are defined.

RiskMSRPPLevel: Risk Level as defined to the DoD Relative Risk Site Evaluation Primer or Munitions Response Site Prioritization Protocol (MRSPP) priority level.

High Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

Low Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

Medium Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

MRSPP 1: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192

MRSPP 2: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192

MRSPP 3: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSP 4: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSP 5: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSP 6: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSP 7: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSP 8: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSP Evaluation Pending: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSP No Known or Suspected Hazard: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSP No Longer Required: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
N/A: N/A
N/A: Not applicable; leave blank.
Not Evaluated Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

RiskMSRPType:
N/A: Not applicable; leave blank.
With Agreements:
With Reuse: Action is necessary to support a future land use identified in an approved Reuse Plan.
Without Agreements:
Without Reuse: Future land reuse either has not been identified or the action is not necessary to support a future land use identified in an approved Reuse Plan.

SiteFundingRequirements:
Analysis: $TOA (and includes PA/SI and RI/FS activities)
Clean-up: $TOA (includes IRA, RD, and RA-C activities)
Sites: # of sites (projects for FUDS) at the beginning of the FY.
BalanceToComplete: Balance to Complete: Total Funding beyond required to complete the projected.

Business Rules
### Data Matrix: FundSource, CleanUpAction, RiskMSRPPL, RiskMSRPPT Type Relationship

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### FundSource | CleanUpAction | RiskMSRPPLevel | RiskMSRPPType
--- | --- | --- | ---
 |  |  | Low Relative Risk |  
 |  |  | Not Evaluated Relative Risk |  
 | BRAC 2005-Building Demolition/Debris Removal | N/A | N/A | N/A 
 | BRAC 2005-PLANNING |  |  |  
 | BRAC 2005-COMPLIANCE |  |  |  

**Subject Matter Experts:** Questions regarding this data requirement should be directed to Shah Choudhury 703-571-9067 and Bob Furlong 703-571-9073.

**Technical Issues:** If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 ext #107 or #108.
Env 30 Part 3 Performance Metrics

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**Instructions**

1) Provide total number of Legacy BRAC, BRAC 2005, and DERA IRP sites and the number of sites that will be cleaned up.
2) Provide the total number of Legacy BRAC installations and total number of Legacy BRAC installations that will be cleaned up. Separately entries are required for Legacy BRAC and BRAC 2005.
3) Provide the total number of BRAC V installations and total number of BRAC V installations that will be cleaned up.
4) Report DERA IRP sites by relative risk level--high, medium and low.
5) Provide narrative in a word document in SNaP explaining why the percent of sites cleaned up reported above misses established goal.
6) Provide the total number of DERA munitions response (MR) sites completing a preliminary assessment.
7) Provide the total number of DERA MR sites completing a site inspection.
8) Provide the total number of DERA MR sites.
9) Provide the total number of DERA MR sites cleaned up.
10) Provide the total number of Legacy BRAC MR sites cleaned up.
11) Provide the total number of Legacy BRAC MR sites.
12) Provide the total number of BRAC 2005 MR sites cleaned up.
13) Provide the total number of BRAC 2005 MR sites.
14) DERA IRP Goal: 50% of High Sites by the end of FY 2002; 100% of High Sites by the end of FY 2007; 100% of Medium Sites by the end of FY 2011; 100% of Low Sites by the end of FY 2014.
15) Legacy BRAC IRP Goal: 100% Sites RIP/RC by end of FY2015.
17) DERA MMRP Goal: 100% Sites completed PA or equivalent by end of FY 2007; 100% Sites completed SI or equivalent by end of FY 20010; 100% Sites at RIP/RC by end of FY TBD.
18) Legacy BRAC MMRP Goal: 100% Sites RIP/RC by end of FY 2009.
20) The reporting entities directed to submit this data requirement. Refers to Military Departments (Active, Guard, Reserve)/Defense Agencies

**Definitions**

**Class**: System Field: Classification
- **C**: CONFIDENTIAL
- **C/NF**: CONFIDENTIAL//NOFORN
- **F**: FOR OFFICIAL USE ONLY
- **S**: SECRET
- **S/NF**: SECRET//NOFORN
- **U**: UNCLASSIFIED

**Component**: Identifies the duty status for military service units and defense agencies.
- **Active**:
  - **DADW**: Defense Area Defense Wide. Used by non-service defense agencies.
- **Guard**:
- **Reserve**:

**FUDS**: Army will use the this field to identify the Formerly Used Defense Sites (FUDS) data by selecting a 'Yes' or 'No' value. All other Services/Agencies will enter 'No' as the FUDS data value.
- **No**:
- **Yes**:

**FundSource**:
- **Legacy BRAC**: Funded by Base Realignment and Closure environmental sub-accounts I-IV within the MILCON appropriation.
- **BRAC 2005**: Funded by Base Realignment and Closure environmental sub-accounts for BRAC 2005 within the MILCON appropriation
- **DERA**: Funded by Environmental Restoration appropriations.
SitesInstallations:
  Number of DERA IRP Sites Cleaned Up: Provide the number of sites by risk level planned to be cleaned up in year specified.
  Number of DERA MR Sites with Phase Completion: Provide the number of sites having their associated phase completed in year specified.
  Total Number of Legacy BRAC Installations: Provide the total number of Legacy BRAC installations in the year specified.
  Total Number of BRAC 2005 Installations: Provide the total number of BRAC 2005 installations in the year specified.
  Total Number of BRAC Installations Cleaned Up: Provide the total number of BRAC installations in the year specified.
  Total Number of Legacy BRAC IRP Sites: Provide the total number of Legacy BRAC IRP sites in the year specified.
  Total Number of BRAC 2005 IRP Sites: Provide the total number of BRAC 2005 IRP sites in the year specified.
  Total Number of Legacy BRAC IRP Sites Cleaned Up: Provide the number of Legacy BRAC IRP sites planned to be cleaned up in year specified.
  Total Number of BRAC 2005 IRP Sites Cleaned Up: Provide the number of BRAC 2005 IRP sites planned to be cleaned up in year specified.
  Total Number of Legacy BRAC MR Sites: Provide the total number of Legacy BRAC MR sites in the year specified.
  Total Number of BRAC 2005 MR Sites: Provide the total number of BRAC 2005 MR sites in the year specified.
  Total Number of Legacy BRAC MR Sites Cleaned Up: Provide the number of Legacy BRAC MR sites to be cleaned up in year specified.
  Total Number of BRAC 2005 MR Sites Cleaned Up: Provide the number of BRAC 2005 MR sites to be cleaned up in year specified.
  Total Number of DERA IRP Sites: Provide the total number of sites by risk level in year specified.
  Total Number of DERA MR Sites: Provide the total number of sites in the year specified.
  Total Number of DERA MR Sites Cleaned Up: Provide the number of DERA MR sites to be cleaned up in the year specified.

RelativeRiskLevelIRPPhaseMR: Identify relative risk associated with IRP sites/installations and identify phase completions for MR sites completing a CERCLA preliminary assessment (PA) or equivalent and/or phase completions for MR sites completing a CERCLA site inspection (SI) or equivalent.
  High Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.
  Low Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.
Medium Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.
N/A: Not applicable; leave blank.

Preliminary Assessment: A review of existing information to determine if a release may require additional investigation or action.

Site Inspection: An on-site investigation to determine whether there is a release or potential release.

SitesPriorTo2006: Provide the cumulative total of all sites prior to 2006 by appropriate metric category (e.g., relative-risk lever, phase completion, sites cleaned up).

Business Rules
1) All input values will have a default value of 0.
2) Total Number of IRP Sites, Total Number of DERA MR Sites, Total Number of BRAC IRP Sites, and Total Number of BRAC IRP Installations will only allow input value of 0 in all years past the Current Year to denote that the Installation and Site inventory growth are not projected in SNaP
### Data Matrix: Fund Source, Sites Installations, Relative Risk Level IRP Phase MR Relationship

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VOLUME 2B, CHAPTER 14: “DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated June 2007 is archived.

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<td>Refresh</td>
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CHAPTER 14

DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

1401 GENERAL

140101. Purpose

A. This chapter provides instructions applicable to budget formulation and congressional justification for Drug Interdiction and Counter-drug Activities.

B. The following accounts are covered as subsections of the Drug Interdiction and Counter-drug Activities, Defense appropriation:

- Military Personnel
- Operation and Maintenance
- Procurement
- Research, Development, Test, and Evaluation (RDT&E)

140102. Submission Requirements.

General guidance with regard to submission requirements is presented in Chapter 1 (See Volume 2A, Chapter 1). Chapter 14 covers specific backup material requirements for the Drug Interdiction and Counter-drug Activities program. The Office of the Deputy Assistant Secretary of Defense (Counternarcotics, Counterproliferation, and Global Threats) (ODASD(CN,CP&GT)) is responsible for all submission requirements for this program. The Components are responsible for providing all needed input to ODASD(CN,CP&GT) consistent with the submission requirements and due dates established by ODASD(CN,CP&GT).

140103. Preparation of Material.

General guidance with regard to format and preparation of material is presented in Chapter 1 (See Volume 2A, Chapter 1). Chapter 14 provides additional specific guidance with regard to the back-up materials required for the Drug Interdiction and Counter-drug Activities program.

140104. References.

Chapter 1 provides general funding policies. Chapter 2 provides specific policies and formats for the Military Personnel appropriations. Chapter 3 provides specific policies and formats related to Operation and Maintenance costs. Chapter 4 provides specific policies and formats related to Procurement appropriations. Chapter 5 provides specific policies and formats related to RDT&E funding. Chapter 16 provides specific instructions applicable to budget
formulation, implementation, and congressional justification for intelligence program aggregations, and is applicable to the Defense Intelligence Counternarcotics Program (DICP) of the Military Intelligence Program (MIP) aggregation. (See Volume 2A, Chapters 1-3 and Volume 2B Chapters 4-6 and 16).

1402 PROGRAM AND BUDGET REVIEW SUBMISSION

140201. Purpose

This section provides guidance for preparation and submission of program and budget estimates for the Drug Interdiction and Counter-drug Activities program. The program and budget review submission consists of all Reserve/National Guard military personnel, operation and maintenance, procurement, and RDT&E resources that support the Drug Interdiction and Counter-drug Activities Program.

140202. Submission Requirements

A. The Office of the Deputy Assistant Secretary of Defense (Counternarcotics, Counterproliferation, and Global Threats) (ODASD(CN,CP&GT)) is responsible for submitting all exhibits required to support military personnel, operation and maintenance, procurement, and RDT&E requirements as specified in this Chapter to the OUSD (Comptroller) Operations Directorate, Room 3C749 for the OSD program and budget review submission. This includes the various exhibits for the Drug Interdiction and Counter-drug Activities program found below in Section 1404 of this chapter, as well as other exhibits identified below but contained in Chapters 2 through 6 and the Program and Financing (P&F) Schedule requirements identified in Chapter 1. The ODASD(CN,CP&GT) is also responsible for providing data to update the Comptroller Information System (CIS) and the Future Years Defense Plan (FYDP) automated systems for the Drug Interdiction and Counter-drug Activities appropriation, as identified in Chapter 1. The ODASD(CN,CP&GT) should check all of the chapters of this regulation for exhibit requirements, especially Chapter 19 – Special Analyses. (See Volume 2A for Chapters 1-3 and Volume 2B for Chapters 4-6 and 19).

B. The DoD counternarcotics program will be financed in a central transfer account (CTA). However, the OSD program and budget review submission will reflect the actual or planned distribution of counternarcotics funds by appropriation. The following exhibits are required for the OSD program and budget review submission.

**Drug Interdiction and Counter-drug Activities Unique Exhibits**

- **PB-57** Summary of Drug Interdiction and Counter-drug Activities (Chapter 14)
- **PB-44** Drug Interdiction and Counter-drug Appropriation Summary (Chapter 14)
- **PB-45** Drug Interdiction and Counter-drug Summary by Project Listing by Fiscal Year (Chapter 14)
- **PB-47** Drug Interdiction and Counter-drug Detailed Project Description (Chapter 14)
Operation and Maintenance Exhibits

OP-8       Civilian Personnel Costs (Chapter 3) (automated submission also required)
OP-32       Summary of Price and Program Changes (Chapter 3) (automated submission also required)
PB-15       Advisory and Assistance Services (Chapter 19)

Procurement Exhibits

P-1         Procurement Programs (Chapter 4)

Research, Development, Test & Evaluation Exhibits

R-1         RDT&E Programs (Chapter 5)

1403 CONGRESSIONAL JUSTIFICATION/PRESENTATION

140301. Purpose.

This section presents the exhibit requirements for submission to Congress.

140302. Submission Requirements

The Office of the Deputy Assistant Secretary of Defense (Counternarcotics, Counterproliferation, and Global Threats) is required to include the following exhibits in the justification book(s) to Congress. Copy requirements are identified in Chapter 1 (See Volume 2A, Chapter 1). Examples of budget exhibits can be found in Section 1404 or as identified below:

PB-57       Summary of Drug Interdiction and Counter-drug Activities (Chapter 14)
PB-44       Drug Interdiction and Counter-drug Appropriation Summary (Chapter 14)
PB-45       Drug Interdiction and Counter-drug Summary by Project Listing by Fiscal Year (Chapter 14)
PB-47       Drug Interdiction and Counter-drug Detailed Project Description (Chapter 14)
OP-8        Civilian Personnel Costs (Chapter 3) (automated submission also required)
OP-32       Summary of Price and Program Changes (Chapter 3) (automated submission also required)
PB-15       Advisory and Assistance Services (Chapter 19)
1404 DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES SUBMISSION FORMATS

140401. Purpose.

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, adhere to these formats.

140402. Unique Exhibits in Support of Drug Interdiction and Counter-Drug Activities

<table>
<thead>
<tr>
<th>PB 57</th>
<th>Summary</th>
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<tr>
<td>PB 44</td>
<td>Appropriation Summary</td>
<td>8</td>
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<tr>
<td>PB 45</td>
<td>Project Listing by Fiscal Year</td>
<td>10</td>
</tr>
<tr>
<td>PB 47</td>
<td>Detailed Project Description</td>
<td>11</td>
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</tbody>
</table>
CLASSIFICATION
FY (BY) Program and Budget Review Submission/President’s Budget
DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

I. Appropriation Act Language

II. Narrative Description (Statement of Requirements and Mission):

III. Description of Operations Financed/Rationale for the Budget Request:

IV. Financial Summary ($ in Thousands):
   A. ONDCP Drug Control Function
   B. DoD Counternarcotics Mission Area

PB-57 Summary by Function
(Page 1 of 1)
CLASSIFICATION
FY (BY) Program and Budget Review Submission/President’s Budget
DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

I. Description of Operations Financed:

Instructions: Provide a summary of total counternarcotics activities and a paragraph for each DoD Counternarcotics Mission area. Mission areas may be changed if necessary to meet the requirements set forth by the Office of National Drug Control Policy (ONDCP). No change should be made, however, without prior approval of the Office of the USD(Comptroller).

II. Performance Criteria and Evaluation:

Instructions: Performance criteria should be established, and approval obtained from OUSD (Comptroller) prior to the program and budget review submission. If possible, performance criteria should relate measures of effectiveness established for the counter drug program.

III. Financial Summary ($ in Thousands):

A. Subactivity FY PY FY CY Estimate FY BY Estimate FY CY/ FY BY Change

Total

Instructions: Display funding in total. For FY PY, show the amounts actually obligated and/or the amounts still available for obligation.

B. Reconciliation of Increases and Decreases:

Instructions. Prepare this section in accordance with the instructions for OP-5 Attachment 1 (See Volume 2A, Chapter 3 of the Financial Management Regulation). Provide a narrative description of the increases and decreases to justify the program fully.
IV. Personnel Summary:

<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY Estimate</th>
<th>FY BY Estimate</th>
<th>FY CY/ FY BY Change</th>
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<tbody>
<tr>
<td>Civilian FTE</td>
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</table>

V. Summary of Funding By Appropriation:

<table>
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<th>FY BY</th>
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<th>FY BY+2</th>
<th>FY BY+3</th>
<th>FY BY+4</th>
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<tr>
<td>RDT&amp;E</td>
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<td></td>
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<tr>
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### Fiscal Year XXXX

**($ in Thousands)**

<table>
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<th>MIP</th>
<th>Service/Agency</th>
<th>Project Title</th>
<th>MILPERS</th>
<th>O&amp;M</th>
<th>PROCUREMENT</th>
<th>RDT&amp;E</th>
<th>TOTAL</th>
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</thead>
<tbody>
<tr>
<td>Project XXXX</td>
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<td></td>
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<td></td>
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</tr>
</tbody>
</table>

**Total**

**Instructions:** Complete exhibit for each fiscal year (Prior Year, Current Year, and Budget Year). Separately list all counterdrug projects.
CLASSIFICATION
FY (BY) Program and Budget Review Submission/President’s Budget
DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

PROJECT CODE: (Central Transfer Account code number)  MIP: (Yes/No)

PROJECT TITLE:

FUNCTION: (ONDCP Function Category/number & title)

COMPONENT/AGENCY:
A. (U) REQUIREMENT.
B. (U) PROGRAM DESCRIPTION.
C. (U) MANAGEMENT.
D. (U) MILESTONES.
E. (U) PRIOR ACCOMPLISHMENTS.
F. (U) PLANNED ACTIVITIES.
G. (U) RESOURCE SUMMARY. ($ in Thousands)

<table>
<thead>
<tr>
<th>Appropriation</th>
<th>FY PY</th>
<th>FY CY Estimate</th>
<th>FY BY Estimate</th>
</tr>
</thead>
</table>

(List each appropriation separately and provide a total for all appropriations.)

PB-47 Detailed Project Description
(Page 1 of 1)
VOLUME 2B, CHAPTER 15: “OVERSEAS COST REPORT”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated June 2007 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>Formatting, deleted biennial budget requirements, and room location changes</td>
<td>Update</td>
</tr>
<tr>
<td>150302D</td>
<td>Added submission footnote requirement for “Other” category in OP-53, Overseas Cost Report</td>
<td>Addition</td>
</tr>
<tr>
<td>*150402</td>
<td>Added Overseas Funding Country and Appropriation Summary</td>
<td>Addition</td>
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</table>
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  150102. Submission Requirements ............................................................................... 3
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CHAPTER 15

OVERSEAS COST REPORT

1501  GENERAL

150101.  Purpose

A.  This chapter provides instructions applicable to congressional justification material for the Overseas Cost Report which consists of the OP-53 Exhibit (Overseas Funding).

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

1.  Military Personnel appropriations (including Reserves and National Guard)

2.  Operation and Maintenance appropriations

3.  Family Housing Construction and Family Housing Operations appropriations

4.  Military Construction appropriations

150102.  Submission Requirements

Chapter 1 provides the general guidance about submission requirements for justification material. Chapter 15 covers specific material requirements for the Overseas Cost Report (See Volume 2A, Chapter 1 of this regulation).

150103.  Preparation of Material

Chapter 1 stipulates the general guidance concerning format and preparation of material. Chapter 15 provides additional specific guidance with regard to the material required for the Overseas Cost Report (See Volume 2A, Chapter 1 of this regulation).

150104.  References

Chapter 1 provides general funding policies, Chapter 2 provides specific policies related to Military Personnel appropriations, Chapter 3 provides specific policies related to Operation and Maintenance costs, and Chapter 6 provides specific policies and formats related to Military Construction and Family Housing appropriations. (See Volume 2A, Chapter 1 – 3 and Volume 2B, Chapter 6)
1502 PROGRAM AND BUDGET REVIEW SUBMISSION

150201. General

General guidance with regard to submission requirements is presented in Chapter 1. Service components and Defense Agencies will submit the OP-53, Overseas Cost Report for the OSD Program/Budget Estimates Submission.

1503 CONGRESSIONAL JUSTIFICATION/PRESENTATION

150301. Purpose

This Section presents the exhibit requirement for submission to Congress and formats for the Overseas Cost report. Section 8125 of the FY 1989 DoD Appropriations Act (P.L. 100-463) as codified in Title 10 United States Code (U.S.C.), section 113, requires that the Department of Defense separately identify the amounts necessary for payment of all personnel, operations, maintenance, facilities, and support costs for all DoD overseas military units and the costs of supporting all dependents who accompany DoD personnel outside the United States.

150302. Submission Requirements

A. The Overseas Cost Report consists of the OP-53 exhibit (Overseas Funding). Chapter 1 contains general guidance on congressional justification material.

B. The OP-53 addresses all funding and personnel resources related to overseas activities as defined below.

C. Provide these exhibits to OUSD (Comptroller) P/B, Operations Directorate, Room 3C749, the Pentagon.

D. The Military Departments will report all military personnel permanently assigned overseas and associated costs to include those assigned to Defense Agencies. Therefore, the Defense Agencies should not report data citing military personnel appropriations or line items. Input must be identified to countries that have a total cost in excess of $5.0 million per year; all other countries will be grouped in “Other”. Identify countries included in the “Other” category in a footnote to the OP-53.

150303. Definitions

The following definitions pertain to the costs to be included in Military Department and Defense Agency input:

A. Overseas costs will include amounts only from the following appropriations: military personnel; operation and maintenance; family housing operation and maintenance; family housing construction; and military construction.
B. Overseas amounts include the appropriated support of all DoD activities located outside the United States that are being performed on a permanent basis at U.S. military bases and other locations (U.S. Embassy, U.S. Consulates, U.S. Mission, etc).

C. Overseas amounts also include the cost of transporting personnel, material, and equipment to and from permanent overseas locations. The overseas amounts do not include incremental costs associated with contingency operations.

D. The United States includes all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States (e.g., Guam, U.S. Virgin Islands, Puerto Rico, and Northern Mariana Islands).

E. Military and civilian personnel amounts will be based on the number of personnel assigned to permanent duty ashore outside the United States. Accordingly, personnel on temporary duty outside the United States are not included in the overseas amounts. Because personnel assigned to the deployed fleet are excluded from overseas troop strengths, amounts for deployed steaming days are not included.

F. Generally, funding for DoD activities in the United States in support of overseas activities is excluded. For example, overseas amounts exclude the funding of depot maintenance performed in the United States on components/aircraft used by an overseas unit. Similarly, flight/specialized training that is conducted in the United States would be excluded.

1504 OVERSEAS COST REPORT SUBMISSION FORMATS

150401. Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

*150402. Exhibits in Support of Overseas Cost Report

OP-53 Overseas Funding
## Overseas Funding

### Summary

<table>
<thead>
<tr>
<th>Appropriation</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
</tr>
</thead>
<tbody>
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<td>xxx.x</td>
<td>xxx.x</td>
</tr>
<tr>
<td>Operation &amp; Maintenance (By Appn)</td>
<td>xxx.x</td>
<td>xxx.x</td>
<td>xxx.x</td>
</tr>
<tr>
<td>Family Housing, Operations</td>
<td>xxx.x</td>
<td>xxx.x</td>
<td>xxx.x</td>
</tr>
<tr>
<td>Family Housing, Construction</td>
<td>xxx.x</td>
<td>xxx.x</td>
<td>xxx.x</td>
</tr>
<tr>
<td>Military Construction</td>
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<tr>
<td>Total</td>
<td>xxx.x</td>
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</tbody>
</table>

**Description of Operations Financed:** For each appropriation, provide an explanation of the operations/activities financed with the funding identified and include an identification of major organizations and installations.

**Narrative Explanation of Changes:** For each appropriation identify significant changes in programs to include functional transfers and force level changes between the current year estimate (CY) and the budget year (BY).

**Summarize Requirements For Each Country and in Total:**
(List countries with costs in excess of $5.0 million in any FY. Summarize countries with total costs less than $5.0 million in “Other”.)

<table>
<thead>
<tr>
<th>Country</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
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<tbody>
<tr>
<td>xxxxxx</td>
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<tr>
<td>Total</td>
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*Exhibit OP-53 Overseas Funding*

*Page 1 of 10*
**Department of the __________**

**Overseas Funding**

**Summary (Cont’d)**

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<th>END STRENGTH SUMMARY:</th>
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<td>Enlisted</td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
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</tr>
</tbody>
</table>

1/ Funding data must be rounded to nearest tenth of a million. Because data from the “by country section” of this exhibit is consolidated, the totals included on the summary exhibit must equal the total of individual country exhibits when added together in tenth of millions.

2/ All OP-53 appropriation exhibits should be grouped together in the submission.
**Department of the ________**

**Overseas Funding - Country by Category (Continued)**

**Military Personnel Overseas Funding**

**Appropriation:** ____________________________

<table>
<thead>
<tr>
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<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
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<td>Pay and Allowances, Enlisted</td>
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**End Strength:**

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<tr>
<td><strong>Total</strong></td>
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</table>

**Description of Operations Financed:** For each appropriation, provide an explanation of the operations/activities financed with the funding identified. The description should include an identification of major organizations and installations.

**Narrative Explanation of Changes:** For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY.

1/ For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

2/ Provide funding and strength data **by country by categories shown**. For the Active components, funding categories equate to budget activities. For the Guard and Reserve Components, the above funding break should also be used to categorize military personnel costs. List countries with costs in excess of $5.0 million in any FY. Summarize countries with total costs less than $5.0 million in “Other”. Excludes funding and end strength for personnel in country in a temporary duty or field duty status.
**Department of the __________**

**Overseas Funding (Continued)**

**Country and Appropriation Summary**

<table>
<thead>
<tr>
<th>FY XXXX</th>
<th>Military Personnel ($ in Millions)</th>
<th>Operation &amp; Maintenance</th>
<th>Family Housing, Operations</th>
<th>Family Housing, Construction</th>
<th>Military Construction</th>
<th>Country Total</th>
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<td>xxx.x</td>
<td>xxx.x</td>
<td>xxx.x</td>
</tr>
</tbody>
</table>

Prepare a Country and Appropriation Summary for each fiscal year (prior, current, and budget).

For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.
### Department of the ______________

**Overseas Funding - Country by Category (Continued)**

**Operation and Maintenance Overseas Funding**

<table>
<thead>
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<th>Appropriation: ______________________________________</th>
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<table>
<thead>
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<th>CFY</th>
<th>BFY</th>
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<th>Civilian Full-Time Equivalents:</th>
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<tr>
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</tbody>
</table>

**Description of Operations Financed:** For each appropriation, provide an explanation of the operations/activities financed with the funding identified. The description should include an identification of major organizations and installations.

**Narrative Explanation of Changes:** For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY.

1/ For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

2/ Provide funding and strength data by country by categories shown above. Funding categories equate to stationing location. List countries with costs in excess of $5.0 million in any FY. Summarize countries with total costs less than $5.0 million in “Other”.

---

Exhibit OP-53 Overseas Funding (Page 5 of 10)
<table>
<thead>
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<th>Appropriation: ___________________________</th>
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<td>FY PY</td>
<td>FY CY</td>
</tr>
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</tr>
<tr>
<td>1. American Salaries</td>
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<td>-</td>
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<tr>
<td>2. Benefits</td>
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<td>3. Overtime/Availability Pay</td>
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<tr>
<td>4. Danger Pay</td>
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<td>-</td>
</tr>
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<td>5. Language Incentive Pay</td>
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</tr>
<tr>
<td>6. Post (Cost of Living) Allowance</td>
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<td>7. Difficult to Staff Incentive Differential</td>
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<td>8. Post (Hardship) Differential</td>
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<td>9. Separate Maintenance Allowance (SMA)</td>
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<td>10. Special Differential</td>
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<td>Military Personnel Costs</td>
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<td>11. Pay and Allowance</td>
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<td>Other Personnel Costs</td>
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<tr>
<td>12. Housing</td>
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<tr>
<td>13. Residential Furnishings/Equipment (DPC only)</td>
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<td>18. Home Leave Travel</td>
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<td>-</td>
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<tr>
<td>Support Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Office Furnishings/Equipment (including classified networks)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>20. Office Leases</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>21. Misc. Office Expenses (utilities, maintenance)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>22. ICASS Charges</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>23. Field Travel</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>24. Representation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>25. Security (e.g. local guards, alarms, etc.)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>26. Other (list what is included)</td>
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<td>Subtotal, Support Costs</td>
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<tr>
<td>TOTAL, Overseas US Personnel Costs</td>
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<td>-</td>
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</table>

Exhibit OP-53 Overseas Funding
(Page 6 of 10)
Exhibit OP-53 Overseas Funding Civilian and Military Personnel Overseas Staffing and Costs at U.S. Embassy/ U.S. Consulates / U.S. Missions (only) (Continued)

Department of the __________

Overseas Funding - Country by Category (Continued)

Civilian and Military Personnel Overseas Staffing and Costs at U.S. Embassy/ U.S. Consulates / U.S. Missions (only)

Appropriation: ________________________________

<table>
<thead>
<tr>
<th>Country: ____________</th>
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<th>FY CY</th>
<th>FY BY</th>
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<td>U.S. Contracted Personal Services Contractors (PSCs)</td>
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<tr>
<td>Locally Engaged Staff (Staffing #’s)</td>
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<tr>
<td>Foreign Service National (FSN)</td>
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<tr>
<td>Local PSCs or Personal Service Agreements (PSAs)</td>
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<tr>
<td>Third Country Nationals (TCNs)</td>
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<tr>
<td>Locally Hired Americans, including eligible family members</td>
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<tr>
<td>TDY – long-term / rolling TDY employees</td>
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<tr>
<td>TOTAL Staffing Overseas</td>
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</tr>
</tbody>
</table>

1/ For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.
2/ Provide funding and strength data for all countries by categories shown above.
3/ See “Definitions: Overseas Personnel and Related Costs Categories” at end of chapter.
Department of the __________

Overseas Funding - Country by Category (Continued)

Family Housing, Operation and Maintenance

Appropriation: ______________________________________

<table>
<thead>
<tr>
<th>Funding Category</th>
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<th>FY</th>
<th>CY</th>
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</tbody>
</table>

Civilian Full-Time Equivalents:

- USDH
- FNDH
- FNIH
- Total

Narrative Explanation of Changes:

For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY.

1/ For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

2/ Provide funding and strength data as shown above. The Navy and Marine Corps resources for Family Housing operations should be treated as one appropriation. List countries with costs in excess of $5.0 million in any FY. Summarize countries with total costs less than $5.0 million in “Other”).
Department of the ______________

Overseas Funding - Country by Category (Continued)

Family Housing, Construction

Appropriation: __________________________

($ in Millions) 1/

<table>
<thead>
<tr>
<th>Funding Category: 2/</th>
<th>FY</th>
<th>PY</th>
<th>FY</th>
<th>CY</th>
<th>FY</th>
<th>BY</th>
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<tr>
<td>Other</td>
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<td>Total</td>
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</table>

Civilian Full-Time Equivalents:

- USDH
- FNDH
- FNIH
- Total

Narrative Explanation of Changes: For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY.

1/ For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

2/ Provide funding and strength data as shown above. The Navy and Marine Corps resources for Family Housing operations should be treated as one appropriation. List countries with costs in excess of $5.0 million in any FY. Summarize countries with total costs less than $5.0 million in “Other”. Data on this exhibit must match the Family Housing, Construction data on the Military Construction budget exhibit (C-1) submitted in support of the President’s budget.
Department of the _________________

Overseas Funding - Country by Category (Continued)

Military Construction

Appropriation: _________________

<table>
<thead>
<tr>
<th>Funding Category: 2/</th>
<th>$ in Millions</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
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<td>Summarize Requirements For Each Country:</td>
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<tr>
<td>Other</td>
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<tr>
<td>Total</td>
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<td>xxx.x</td>
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Civilian Full-Time Equivalents:

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<th></th>
<th>USDH</th>
<th>FNDH</th>
<th>FNIH</th>
<th>Total</th>
</tr>
</thead>
</table>

Narrative Explanation of Changes: For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY.

1/ For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

2/ Provide funding and strength data by country by categories shown above. List countries with costs in excess of $5.0 million in any FY. Summarize countries with total costs less than $5.0 million in “Other”. Data on this exhibit must match the Family Housing, Construction data on the Military Construction budget exhibit (C-1) submitted in support of the President’s budget.
Definitions: Overseas Personnel and Related Costs Categories

<table>
<thead>
<tr>
<th>Categories</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. American Salaries</td>
<td>Includes salary costs for full-time U.S. direct hires overseas.</td>
</tr>
<tr>
<td>2. Benefits</td>
<td>Includes standard benefits costs for full-time U.S. direct hires overseas,</td>
</tr>
<tr>
<td></td>
<td>such as retirement contributions, health insurance, life insurance, and FICA payments.</td>
</tr>
<tr>
<td>3. Overtime/Availability Pay</td>
<td>Includes costs for overtime pay and Law Enforcement availability pay for U.S. direct hires overseas.</td>
</tr>
<tr>
<td>4. Danger Pay</td>
<td>Includes costs for Danger Pay Allowance, calculated as a percentage of basic compensation (15, 20 or 25%) paid for imminently dangerous conditions when the official U.S. community is the target of political violence.</td>
</tr>
<tr>
<td>5. Language Incentive Pay</td>
<td>Includes costs of language incentive pay to U.S. direct hires overseas.</td>
</tr>
<tr>
<td>6. Post (Cost of Living) Allowance</td>
<td>Includes costs for Cost of Living Adjustments (COLA) for U.S. direct hires overseas.</td>
</tr>
<tr>
<td>7. Difficult to Staff Incentive Differential (DTSID)</td>
<td>Includes costs for the DTSID allowance, which is calculated as a percentage of basic compensation (15%) for serving at a determined difficult to staff post which has a 15%, 20% or 25% Post (“Hardship”) Differential.</td>
</tr>
<tr>
<td>8. Post (“Hardship”) Differential</td>
<td>Includes costs for post differential allowance, which is calculated as a percentage of basic compensation (5, 10, 15, 20 and 25%) for environmental conditions significantly worse than the U.S. In addition to being paid to permanently assigned personnel.</td>
</tr>
<tr>
<td>9. Separate Maintenance Allowance (SMA)</td>
<td>Includes cost for involuntary and voluntary SMA, which is paid when family members are prohibited from residing at a foreign post or when family members may go to a foreign post but opt not to for personal reasons.</td>
</tr>
<tr>
<td>10. Special Differential</td>
<td>Special differentials are available to Foreign Service officers who are required because of the nature of their assignments to perform additional work on a regular basis in substantial excess of normal requirements (22 USC Sec.3972).</td>
</tr>
<tr>
<td>12. Housing</td>
<td>Includes costs for overseas housing for U.S. direct hires, including rents, leases, housing pool costs, and/or allowances provided for private leased quarters in lieu of Government provided housing.</td>
</tr>
<tr>
<td>13. Residential furnishings/Equipment (DPC only)</td>
<td>Includes costs of residential furnishings, equipment, and appliances.</td>
</tr>
<tr>
<td>14. Education Allowance (DPC only)</td>
<td>Includes costs for the education expenses for U.S. direct hire dependents (K-12) overseas.</td>
</tr>
<tr>
<td>15. Educational Travel (DPC only)</td>
<td>Includes costs for one round trip annually between school attended in the U.S. and the foreign post of assignment.</td>
</tr>
<tr>
<td>16. PCS Travel</td>
<td>Includes costs associated with permanent change of station travel of employees and eligible family members, shipment of household effects and privately-owned vehicles, and placement of household effects into storage.</td>
</tr>
<tr>
<td>17. Rest and Recuperation (R&amp;R) Travel</td>
<td>Includes the costs of R&amp;R travel provided for U.S. direct hires overseas.</td>
</tr>
<tr>
<td>18. Home Leave Travel</td>
<td>Includes costs of travel for U.S. Direct Hires overseas to provide overseas employees the opportunity to spend significant periods of time in the United States while pursuing careers overseas.</td>
</tr>
<tr>
<td>19. Office Furnishings/Equipment/Information Management</td>
<td>Includes agency costs for the purchase and maintenance of office furnishings and equipment, such as computers, phones, computer networks, copiers, and communications equipment, including classified networks.</td>
</tr>
<tr>
<td>20. Office Leases</td>
<td>Includes the costs of all leased office space (off embassy/consulate compound) overseas.</td>
</tr>
<tr>
<td>21. Miscellaneous Office Expenses</td>
<td>Includes non-programmatic miscellaneous office expenses, such as utilities and supplies.</td>
</tr>
<tr>
<td>22. ICASS Charges</td>
<td>Includes costs of participation in International Cooperative Administrative Support Services (ICASS).</td>
</tr>
</tbody>
</table>
23. Field Travel: Includes costs of all field travel conducted by U.S. direct hires overseas.
24. Representation: Includes costs for representation overseas in furthering the interests of the United States.
25. Security: Includes the costs of guards, alarms, cameras, etc. NOT covered under ICASS.
26. Other: Includes costs not captured above, such as language and other training, vehicles, agency specific benefits or allowances not included above, medical costs (physicals), etc. Please identify the items calculated as part of this category.

<table>
<thead>
<tr>
<th>Staffing</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Full-time Permanent U.S. Direct Hires</strong>:</td>
<td>Full-time, permanent U.S. direct hire personnel</td>
</tr>
<tr>
<td><strong>US Military Personnel</strong>:</td>
<td>U.S. military personnel (services members)</td>
</tr>
<tr>
<td><strong>US-contracted PSCs</strong>:</td>
<td>Personal services contractors (PSCs) hired from the United States and stationed overseas, eligible for similar support benefits (i.e., travel, housing, etc.) as U.S. direct hires.</td>
</tr>
<tr>
<td><strong>Foreign Service National (FSN)</strong></td>
<td>An FSN employee is a non-U.S. citizen directly hired by a U.S. mission</td>
</tr>
<tr>
<td><strong>Local Personal Services Contractors (PSCs) or Personal Services Agreement (PSAs)</strong></td>
<td>Individuals contracted locally to perform an identifiable task under the supervision and control usual to government employees rather than to furnish an end item of supply (U.S. citizen hired locally as a PSC should be accounted for under category no. 31).</td>
</tr>
<tr>
<td><strong>Third Country Nationals (TCNs)</strong></td>
<td>Individuals who are neither citizens of the United States nor of the country in which employed, who are employed on a limited appointment or personal services contact, and who are eligible for return travel at U.S. Government expenses to their home country or country from which recruited.</td>
</tr>
<tr>
<td><strong>Locally Hired Americans, including Eligible Family Members</strong>:</td>
<td>U.S. citizens (AMCITs) hired locally as temporary employees or PSC personnel.</td>
</tr>
<tr>
<td><strong>Long-term / rolling TDY positions</strong>:</td>
<td>(A TDY position is defined as any position requiring workspace (desk or non-desk) for more than six months in a year or positions routinely filled by TDY personnel on a rotating basis, even though no individual ever stays for more than six months).</td>
</tr>
</tbody>
</table>
VOLUME 2B, CHAPTER 16: “INTELLIGENCE PROGRAMS/ACTIVITIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2010 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tbody>
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<td>All</td>
<td>This chapter is certified as current.</td>
<td>Current</td>
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</table>
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CHAPTER 16
INTELLIGENCE PROGRAMS/ACTIVITIES

1601 GENERAL

160101. Purpose

A. This chapter provides instructions applicable to budget formulation, implementation, and congressional justification for Intelligence Program Aggregation.

B. The following Program Aggregations are covered in this chapter:

1. - National Intelligence Program (NIP) – Defense elements

2. - Military Intelligence Program (MIP)

160102. Definitions and Classification

General guidance with regard to classification of budget material is presented in Volume 2A, Chapter 1. Volume 2B, Chapter 16 provides additional specific guidance with regard to the material required for the Intelligence Program Aggregation.

A. National Intelligence Program (NIP)

The NIP provides integrated intelligence that covers broad aspects of national policy and national security. The portion of the NIP contained in the Department of Defense (DoD) Budget contributes substantially to meeting Defense intelligence requirements, but also contains programs/activities in support of elements of the United State Government outside the DoD.

B. NIP Classification

1. Classification of US Intelligence budget information is determined by the Director of National Intelligence (DNI) pursuant to Executive Order 12958, Section 1.5(c), Executive Order 12333, Section 1.5(g), and the DNI’s authorities under the National Security Act of 1947.

2. NIP Budget Resource Information in all DoD databases shall be classified as shown below unless other specific NIP program guidance in effect requires higher classification.

   a. Information which, standing alone or in aggregate, reveals any Program Element total of the funding or manpower requirements of any program in the NIP will be classified SECRET.
b. Information that permits the disclosure of any Program Element total or the funding or manpower requirements of any program in the NIP, for example, through a subtractive process, will be classified SECRET.

c. Information which, standing alone or in aggregate, reveals overall DoD Component funding or manpower levels of the NIP or its programs will be classified SECRET.

d. However, as an exception to this guidance, NIP budget information for military construction and family housing for defense agencies shall be maintained and presented as unclassified.

e. Whenever NIP funding and manpower resource detail is combined with other unclassified programs in such a way as to effectively mask the NIP resource Program Element total, such combined resource Program Element total may be treated as unclassified.

f. Requests for clarification of the foregoing classification guidance should be forwarded to OUSD (I). Questions of application will be coordinated with the Office of the Director of National Intelligence and responses will be disseminated to all interested DoD components.

C. Military Intelligence Program (MIP)

The term “Military Intelligence Program” refers to programs, projects, or activities that support the Secretary of Defense’s intelligence and counterintelligence, and related responsibilities as outlined in DoD Directive 5205.12. The term excludes capabilities, programs, projects, and activities in the NIP.

D. MIP Classification

1. Military Intelligence Program Information

a. Total DoD funding for MIP is SECRET.

b. Individual Program Elements and line items may be classified or unclassified according to content, unless disclosure of such a total would allow derivation of classified totals.

c. Although many MIP projects are unclassified, totals for DoD MIP are classified SECRET. Since intelligence project resource data will be sorted and used in a number of different ways, it is essential that OUSD (I) has current and specific security classification guidance in order to avoid inadvertent, unauthorized disclosure of classified information. Services and Agencies reporting MIP resource data are directed to provide the security classification guidance for each project along with a citation of the source of classification. In addition, include any other security classification guidance unique to the
organization that may be pertinent. Some examples might include the classification of information revealing the name of the organization with the resource, or classification of the information revealing the location with the name of the organization, etc. Normally, the project or program security classification guidance is included in a formal security classification guide approved by an original classification authority in accordance with DoD Regulation 5200.1, Information Security Program. (If you are uncertain about where to obtain the security classification guidance for your project, see your servicing security office for assistance).

1602 SUBMISSION

160201. NIP Submission Requirements

A. NIP (Special Program Codes (SPC) 329, 330, 331, 333, 334, 335, and 336) Congressional Budget Justification Books (CBJB) justification books will be prepared and provided in accordance with separate guidance provided by the Office of the Director of National Intelligence (ODNI). Any Decision Documents affecting elements of the NIP must be coordinated with the ODNI, OUSD(C) and OUSD (I). The OUSD (C)'s Investment Directorate will ensure that the DNI Chief Financial Officer has an opportunity to review and provide comments on such documents.

B. The Components will follow the National Intelligence (NIP) Military Personnel Resources Programming and Budgeting Policies and Procedures when developing NIP military personnel cost estimates for the budget submission.

C. One hardcopy and CD disk of NIP program and budget materials prescribed by the DNI will be delivered by the ODNI to Under Secretary of Defense (Comptroller) (Program/Budget), Investment Directorate, Room 3C749, Pentagon, at the same time they are delivered to the Office of Management and Budget (OMB).

160202. MIP Submission Requirements

A. In accordance with DoD FMR Vol 2A and 2B, Chapters 3, 4 and 5 each Military Department and Defense Agency with MIP (SPC 365) resources will prepare all DoD justification materials (i.e., R-2, P-40, O-5, etc.) for each appropriation, to include DIA, NGA, and NSA. OSD classified exhibits (SECRET) will be combined as a classified Defense-wide volume. Classified justification materials (R-2, P-40, O-5, etc.) materials will contain sufficient detail needed to fully justify the classified portion of the request, without the use of supplemental justification materials. All other Army, Navy, Marine Corps, Air Force, National Reconnaissance Office (NRO), and Defense-Wide classified exhibits will be reviewed by OUSD (C) prior to releasing to OMB.

B. Submit three hardcopies of your classified R-2 or P-40 directly to OUSD(C), Investment Directorate, Pentagon, Room 3C749, at the same time as the unclassified details.
C. Complementary MIP Congressional Justification Books (CJB) guidance will be provided by the Office of the Under Secretary of Defense (Intelligence) (OUSD (I)). The CJB is a functional aggregation of the MIP portion of the DoD request, containing program justification and resource highlights that must be consistent with and directly auditable to all DoD justification materials (i.e., R-2, P-40, O-5, etc.) and any other DoD justification books that address the same resources.

D. OUSD(I) will deliver three final MIP copies of all volumes and one compact disk (CD) directly to OUSD (C), Investment Directorate, Pentagon, Room 3C749.

160203. Crosswalk Requirements

The MIP and NIP justification books will continue to incorporate an IC project to program element (Research, Development, Test, and Evaluation (RDT&E)), line item (Procurement (PROC)), or Subactivity Group (SAG) (Operation and Maintenance (O&M)) crosswalk exhibit at the R-1, P-1, and O-1 respectively. This is necessary to help satisfy continuous congressional budget reconciliation and visibility requirements.

1603 BUDGET RECONCILIATION DATA

Congressional Oversight Committees have requested the Under Secretary of Defense (Comptroller) and Director, Cost Assessment and Program Evaluation Office (CAPE), in consultation with the Under Secretary of Defense for Intelligence, to create and maintain whole, distinct program elements [RDT&E PEs, PROC line items, O&M SAGs] within each component of the Intelligence Community (IC) to address IC resources and manpower. Services and Agencies must continue to show steady, measurable progress toward achieving these fully-captured MIP data elements for all appropriations.

160301. NIP

The NIP lines will maintain whole [pure] NIP budget line resources identified by SPCs 329, 330, 331, 333, 334, 335, and 336.

160302. MIP

The MIP lines will maintain whole [pure] MIP budget line resources identified by SPC 365.

1604 APPEAL PROCESS ON CONGRESSIONAL ACTIONS

160401. Purpose

This Section provides specific guidance for preparation of classified appeals to congressional committees on intelligence programs.
160402. **Classified Appeals.**

A. **Oversight.** The House Permanent Select Committee on Intelligence (HPSCI), the Senate Select Committee on Intelligence (SSCI), the House Appropriations Committee (HAC), and the Senate Appropriations Committee (SAC) have oversight jurisdiction over the NIP. The NIP appeals will be delivered to the HPSCI, SSCI, HAC, and the SAC. Appeals affecting the MIP will be delivered to the House Armed Services Committee (HASC), Senate Armed Services Committee (SASC), HAC, and SAC.

B. **Classified appeals may supplement actions included in the overall Defense Appeal where security considerations have dictated a less than complete justification.** Classified appeals will be prepared at the appropriate level of classification necessary to fully explain and justify the action.

1. The DNI will prepare and submit, in consultation with the OUSD(C) and OUSD(I), separate classified appeals for the NIP to the congressional committees with intelligence oversight. The appeals format and content will be determined by the DNI.

2. The OUSD(I), in consultation with the OUSD(C) and the DNI/Chief Financial Officer, will prepare classified appeals for the MIP to the congressional committees with intelligence oversight. Unclassified MIP appeals will follow normal procedures per additional guidance.

C. **Classified Appeals will be completely consistent with the Secretary of Defense’s policy direction as articulated by the USD(Comptroller) and, in the case of appeals to legislative provisions, also as articulated by the Office or the General Counsel and the Deputy Secretary of Defense. All such appeals will be coordinated with the Comptroller and OMB prior to release.**
VOLUME 2B, CHAPTER 17: “CONTINGENCY OPERATIONS (BASE BUDGET)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated August 2008 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
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<td>Updated Purpose</td>
<td>Revision</td>
</tr>
<tr>
<td>170102</td>
<td>Updated Submission Requirements</td>
<td>Revision</td>
</tr>
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<td>170301</td>
<td>Updated Contingency Operations Submission Formats</td>
<td>Revision</td>
</tr>
<tr>
<td>170302</td>
<td>Updated Overseas Contingency Operations</td>
<td>Revision</td>
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CHAPTER 17

CONTINGENCY OPERATIONS (BASE BUDGET)

1701 GENERAL

170101. Purpose

This chapter provides instructions applicable to budget formulation and congressional justification for contingency operations funded from the base budget. The information provided for contingency operations, as reflected in this chapter, is consistent with section 8074 of division A of Public Law 115-245, the Department of Defense Appropriations Act, 2019; which, requests the Department to include the same type of budget justification material for contingency operations as is provided for other DoD activities.

170102. Submission Requirements

A. This chapter addresses the requirement to budget for new and ongoing contingency operations costs. This information will be used to justify resource requirements for directed contingency operations – specifically the justification of the incremental costs for supporting a designated operation. These incremental costs will become the basis for any funding requests forwarded to the Congress through the normal appropriations process or through emergency supplemental appropriation requests during the year of execution, if warranted. Incremental costs are additional costs to the DoD Component appropriations that would not have been incurred had the contingency operation not been supported. A more detailed discussion of contingency operations, as well as the methodology to be used to determine related incremental costs, is provided in Volume 12, Chapter 23, Contingency Operations.

B. In order to ensure that the requested funding is defensible and realistic, and the submitted data and justification material complies with congressional requirements, each Component is required to submit the contingency operations budget exhibits included in section 1703. These exhibits provide detailed cost estimates and must be completed for each contingency operation. Each Component must submit an OP-5 Contingency Operations (Base Budget) Exhibit, a Contingency Operations Summary Exhibit for each contingency (e.g., Bosnia, Kosovo, Operation Juniper Shield), a Contingency Operations by Appropriations Exhibit that consolidates the Component’s incremental costs for each contingency operation, and a CONOPS-1 Exhibit that displays incremental cost into cost categories. Each Component will include in its submission the incremental costs for contingency operations for all Military Intelligence Program (MIP) except for the incremental costs for National Foreign Intelligence Programs (NFIP). The Community Management Staff (CMS) will prepare and submit the required exhibits to report the incremental costs for contingency operations for all NFIP-related activities.

C. The Components will use the Select Native & Programming (SNaP) website at https://snap.cape.osd.mil to submit data and create exhibits.
170103. References

Volume 2A, Chapter 1 contains general guidance with regarding submission requirements. Volume 2B, Chapter 17 specifies backup material required for contingency operations. Volume 12, Chapter 23 promulgates financial policy and procedures for contingency operations. The Components should also consult all of the other volumes and chapters for exhibit requirements that are not specifically addressed in this chapter, including Volume 2B, Chapter 19, Other Special Analyses.

1702 PROGRAM AND BUDGET REVIEW SUBMISSION AND CONGRESSIONAL JUSTIFICATION AND PRESENTATION

170201. Purpose

This Section provides guidance for preparation and submission of budget estimates for contingency operations. The budget estimates will separately identify the incremental costs for operation and maintenance, military personnel, and other applicable (e.g., procurement) resources required to support specified contingency operations. For the President’s Budget request submitted to the Congress, all approved contingency operations incremental cost requirements will be reflected in the Overseas Contingency Operations Transfer Fund (OCOTF) justification book, and the level of detail provided must address the congressional concerns for adequate visibility and justification of requirements.

170202. Submission Requirements

A. For the Budget Estimate Submission (BES), the Components will submit exhibit details on-line using the Select & Native Programming (SNaP) data input system located at [https://snap.pae.osd.mil/Home.aspx](https://snap.pae.osd.mil/Home.aspx). The SNaP provided Program Data Requirements (PDR) for this exhibit will supersede the instructions identified in this chapter unless modified by the OUSD(C) budget guidance. The Components will update the force structure, budget (anticipated obligations, current and anticipated requests), and operational data.

B. For the President’s Budget (PB), the Components will update the SNaP data input system on-line with any changes to the force structure, budget data (prior year obligations, current estimate, and request), and operational data. The base-funded contingency operations OP-5 exhibit is to be developed through the SNaP database. The Components will notify the OUSD(C) Operations Directorate via email (osd.pentagon.ousd-c.list.operations-directorate@mail.mil) upon completion of the OP-5 and SNaP OCOTF submissions.

C. In all instances, these exhibits will be prepared and submitted to OUSD(C) in accordance with the schedule defined in the annual budget guidance memorandum published by the OUSD(C) for the fall program and budget estimate submission (BES) and for the President’s Budget submission. Each exhibit will be prepared separately for the BES and the congressional justification/presentation process.
1703. CONTINGENCY OPERATIONS SUBMISSION FORMATS

170301. Purpose

The formats provided on the following pages are in accordance with the guidance presented in sections 1701 and 1702. Unless modified by the OUSD(C) in a budget guidance memorandum, the formats must be followed.

170302. Unique Exhibit in Support of Contingency Operations

Contingency Operations Summary
Contingency Operations by Appropriations
OP-5 Overseas Contingency Operations
CONOPS -1
Exhibit Contingency Operations Summary

**COMPONENT NAME**

**CONTINGENCY OPERATIONS SUMMARY**

FY ____ Program and Budget Review Submission or FY ____ President’s Budget (as applicable)

<table>
<thead>
<tr>
<th>OPERATION</th>
<th>(Dollars in Thousands)</th>
<th>FY</th>
<th>CY</th>
<th>BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas Contingency Operations Transfer Fund (OCOTF)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Bosnia Operations</td>
<td></td>
<td></td>
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<tr>
<td>Kosovo Operations</td>
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<tr>
<td>Joint Task Force - Bravo (Honduras)</td>
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<tr>
<td>Operation Juniper Shield (OJS)</td>
<td></td>
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</tr>
<tr>
<td>Operation ENDURING FREEDOM - Horn of Africa (OEF-HOA)</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Operation NOBLE EAGLE (ONE)</td>
<td></td>
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<tr>
<td>Operation SPARTAN SHIELD (OSS)</td>
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<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**INSTRUCTIONS:** Provide a summary page of applicable incremental costs for contingency operations that were funded with any portion of base funds plus any overseas contingency operation (OCO) funds used to supplement the operation. In the SNaP data input system, identify the planned obligations, enacted, or budgeted amounts by base or OCO.
Exhibit Contingency Operation by Appropriation Summary

**COMPONENT NAME**

**CONTINGENCY OPERATIONS**

FY ____ Program and Budget Review Submission or FY ____ President’s Budget (as applicable)

<table>
<thead>
<tr>
<th>(Dollars in Thousands)</th>
<th>O&amp;M</th>
<th>MilPers</th>
<th>Procurement</th>
<th>Other</th>
<th>Total</th>
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</tr>
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<td></td>
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<tr>
<td>Operation 2</td>
<td></td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>CY</strong></td>
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</tr>
<tr>
<td>Operation 1</td>
<td></td>
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<td>Operation 3</td>
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<td>0</td>
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<tr>
<td><strong>BY</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Operation 1</td>
<td></td>
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<td>Operation 2</td>
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<td>Operation 3</td>
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<td></td>
</tr>
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<td><strong>TOTAL</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**INSTRUCTIONS:** Provide a summary page of applicable incremental costs for contingency operations that were funded with any portion of base funds plus any overseas contingency operation (OCO) funds used to supplement the operation. In the SNaP data input system, identify the planned obligations, enacted, or budgeted amounts by base or OCO.
Exhibit OP-5 Overseas Contingency Operations

**COMPONENT NAME**

**OVERSEAS CONTINGENCY OPERATIONS**

FY ____ Program and Budget Review Submission or FY ____ President’s Budget (as applicable)

Name of Contingency Operation:

**General Guidance:** A separate exhibit should be prepared for (1) each contingency operation, (2) a summary exhibit for each region, and (3) a total exhibit for each Component. Each Component will include in its submission the incremental costs for contingency operations for all intelligence-related activities except for the incremental costs for National Foreign Intelligence Programs (NFIP). The Community Management Staff will be responsible for preparing and submitting the required exhibits to report the incremental costs for contingency operations for all NFIP-related activities.

I. **Description of Operations Financed:** Provide a narrative explanation characterizing the mission of this particular contingency operation and address the major cost drivers such as the number of base camps, the number of troop rotations, and the related troop strength supporting the contingency.

II. **Force Structure Summary:** Identify in tabular form by operation, the average annual troop strength for active duty, Guard and Reserve Components deployed for this contingency operation for prior year (PY), current year (CY), and budget year(s) (BY).

III. **Financial Summary ($ in Thousands):** Report incremental costs only. **Note:** Include only non-NFIP intelligence costs. The CMS is responsible for reporting incremental NFIP costs.

A. **Contingency Operation Total**

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>FY PY Actuals 1/</th>
<th>Budget Request</th>
<th>Program Changes</th>
<th>Current Estimate 2/</th>
<th>FY BY Estimate</th>
<th>FY BY1 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Personnel</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>a. Military</td>
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<tr>
<td>b. Civilians</td>
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<td>2. Personnel Support</td>
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<tr>
<td>3. Operating Support</td>
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<td>4. Transportation</td>
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<td>Total</td>
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<td>Military Personnel</td>
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<tr>
<td>Operation and Maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other – Specify by appropriation (i.e., Procurement, RDT&amp;E, etc.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This exhibit must be submitted as an electronic copy via SNaP.

Exhibit OP-5 Overseas Contingency Operations
Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME

OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President’s Budget (as applicable)
Name of Contingency Operation:

1/ Should be consistent with amounts reported in the cost report. (For BES, include anticipated amounts through the end of the fiscal year.)
2/ Include all incremental costs, regardless of appropriation. For example, if military personnel costs are appropriated directly to the military personnel accounts rather than to the OCOTF include the amount expected to be required for contingency operations.

<table>
<thead>
<tr>
<th>B. PY Reconciliation Summary:</th>
<th>FY PY to FY PY Changes</th>
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</thead>
<tbody>
<tr>
<td>Military Personnel</td>
<td>Operation &amp; Maintenance</td>
</tr>
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<td>1. Direct Appropriation to Component</td>
<td>(Specify as Appropriate)</td>
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<tr>
<td>2. Amount Transferred from OCOTF</td>
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</tr>
<tr>
<td>3. Change</td>
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</tr>
<tr>
<td>4. Actual Cost</td>
<td></td>
</tr>
</tbody>
</table>

Exhibit OP-5 Overseas Contingency Operations
(Page 2 of 8)
C. Reconciliation of Increases and Decreases: ($ in Thousands)

1. FY CY President's Budget
   - X,XXX

2. Program Increases in FY CY
   a) Describe each increase
   - +xxx
   b) Describe each increase
   - +xxx
   (List and narrate each change by relating changes in troop strength, Active/Reserve Component (AC/RC) mix, density of weapon systems, operating tempo, use of contractor support, number of base camps, etc.)

3. Program Decreases in FY CY
   a) Describe each decrease
   - -xxx
   b) Describe each decrease
   - -xxx
   (List and narrate each change by relating changes in troop strength, AC/RC mix, density of weapon systems, operating tempo, use of contractor support, number of base camps, etc.)

4. Revised FY CY Estimate of Requirements
   - X,XXX

5. Price Growth (Use factors included in the budget guidance unless deviation is warranted.)
   - +x,xxx
Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME
OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President’s Budget (as applicable)
Name of Contingency Operation:

6. Program Increases  
   a) Describe each increase  
   b) Describe each increase  
   (List and narrate each change by relating changes in troop strength, AC/RC mix, density of 
   weapon systems, operating tempo, use of contractor support, number of base camps, etc.)

7. Program Decreases  
   a) Describe each decrease  
   b) Describe each decrease  
   (List and narrate each change by relating changes in troop strength, AC/RC mix, density of 
   weapon systems, operating tempo, use of contractor support, number of base camps, etc.)

Note: Sections five through seven will repeat for any required subsequent budget years, as determined in the annual program and 
budget guidance.

Exhibit OP-5 Overseas Contingency Operations
(Page 4 of 8)
Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME
OVERSEAS CONTINGENCY OPERATIONS
FY ____Program and Budget Review Submission or FY ____President’s Budget (as applicable)
Name of Contingency Operation:

IV. Performance Criteria and Evaluation Summary:

<table>
<thead>
<tr>
<th>Troop Strength</th>
<th>Average Troop Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned FY PY</td>
<td>Total</td>
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<tr>
<td>Change Plan vs. Actual for FY PY</td>
<td>Active Duty</td>
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<tr>
<td>Actual FY PY</td>
<td>National Guard</td>
</tr>
<tr>
<td></td>
<td>Reserve</td>
</tr>
<tr>
<td>Planned FY CY</td>
<td></td>
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<td>Change Plan vs. Revised Estimate for</td>
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<tr>
<td>FY CY</td>
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<tr>
<td>Revised FY CY Estimate</td>
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</tr>
<tr>
<td>Change Revised FY CY Estimate to</td>
<td></td>
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<tr>
<td>FY BY1</td>
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<tr>
<td>Change FY BY1 to FY BY2</td>
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</tr>
<tr>
<td>FY BY2 Budget Request</td>
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</tr>
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</table>

Exhibit OP-5 Overseas Contingency Operations
(Page 5 of 8)
Exhibit OP-5 Overseas Contingency Operation (Continued)

**COMPONENT NAME**
OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President’s Budget (as applicable)
Name of Contingency Operation:

<table>
<thead>
<tr>
<th>Base Camps:</th>
<th>Number Constructed</th>
<th>Number Maintained</th>
<th>Average Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned FY PY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual FY PY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planned FY CY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planned FY BY1</td>
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<td></td>
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</tr>
<tr>
<td>Planned FY BY2</td>
<td></td>
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</table>

**MAJOR WEAPONS SYSTEMS DEPLOYED**

<table>
<thead>
<tr>
<th>Tracked Vehicles: (list by type/model)</th>
<th>Average Number Deployed/Month</th>
<th>Total Days in Theater</th>
<th>Operational Usage *</th>
</tr>
</thead>
<tbody>
<tr>
<td>System 1 (e.g. M1)</td>
<td>Planned FY PY</td>
<td>Actual FY PY</td>
<td>(Track Miles)</td>
</tr>
<tr>
<td></td>
<td>Planned FY CY</td>
<td>Planned FY BY1</td>
<td></td>
</tr>
<tr>
<td>System 2 (e.g. M2)</td>
<td>Planned FY PY</td>
<td>Actual FY PY</td>
<td>(Flying Hours)</td>
</tr>
<tr>
<td></td>
<td>Planned FY CY</td>
<td>Planned FY BY1</td>
<td></td>
</tr>
<tr>
<td>System 3 (e.g. M113)</td>
<td>Planned FY PY</td>
<td>Actual FY CY</td>
<td></td>
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<tr>
<td></td>
<td>Planned FY BY1</td>
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</tbody>
</table>

| Helicopters: (list by type/model)      |                               |                       |
| System 1 (e.g. OH-58D)                 | Planned FY PY                 | Actual FY CY          |                     |
|                                        | Planned FY BY1                |                        |                     |

Exhibit OP-5 Overseas Contingency Operations
(Page 6 of 8)
Exhibit OP-5 Overseas Contingency Operation (Continued)

<table>
<thead>
<tr>
<th>COMPONENT NAME</th>
<th>OVERSEAS CONTINGENCY OPERATIONS</th>
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<tr>
<td>FY ____ Program and Budget Review Submission or FY ____ President’s Budget (as applicable)</td>
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<tr>
<td>Name of Contingency Operation</td>
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</tr>
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**MAJOR WEAPONS SYSTEMS DEPLOYED**

<table>
<thead>
<tr>
<th>Aircraft: (list by type/model)</th>
<th>Average Number Deployed/Month</th>
<th>Total Days in Theater</th>
<th>Operational Usage *</th>
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<tbody>
<tr>
<td>System 1 (e.g. F-117)</td>
<td>Planned FY PY</td>
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<td>(Flying Hours)</td>
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<tr>
<td></td>
<td>Actual FY PY</td>
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</tr>
<tr>
<td></td>
<td>Planned FY BY2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>System 2 (e.g. KC-135)</td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td>Actual FY PY</td>
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<td>Planned FY CY</td>
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<td>Planned FY BY1</td>
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**Naval Vessels:**

| System 1 (e.g. Combatants)   | Planned FY PY                 |                       |                     |
|                               | Actual FY PY                  |                       |                     |
|                               | Planned FY CY                 |                       |                     |
|                               | Planned FY BY1                |                       |                     |
|                               | Planned FY CY2                |                       |                     |
| System 2 (e.g. Auxiliaries/Support Ships) | Planned FY PY |                       |                     |
|                               | Actual FY PY                  |                       |                     |
|                               | Planned FY CY                 |                       |                     |
|                               | Planned FY BY1                |                       |                     |
|                               | Planned FY CY2                |                       |                     |

* Select appropriate operational metrics currently in use. These are representative examples only.
Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME

OVERSEAS CONTINGENCY OPERATION

FY ____ Program and Budget Review Submission or FY ____ President’s Budget (as applicable)
Name of Contingency Operation:

V. OP 32 Line Items as Applicable (Dollars in Thousands):

<table>
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<th>Change from FY BY to FY BY1</th>
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<td>($)</td>
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</table>

1. List each applicable OP-32 line item number and title. **To be submitted for both the OSD and President’s budget submissions.**
2. Include the percentage of price growth.
Exhibit CONOPS-1

**COMPONENT NAME**

**OVERSEAS CONTINGENCY OPERATIONS**

FY ____ Program and Budget Review Submission or FY ____ President’s Budget (as applicable)

Name of Contingency Operation:

(Dollars in Thousands)

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<th>Change</th>
<th>FY BY</th>
<th>Change</th>
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The CONOPS-1 exhibit is to be submitted through SNaP.

Do not include NFIP program requirements. The Community Management Staff is responsible for submitting the required exhibits for all NFIP activities.

Exhibit CONOPS-1

(Page 1 of 3)
Exhibit CONOPS-1 (Continued)

**COMPONENT NAME**

**OVERSEAS CONTINGENCY OPERATIONS**

FY ____ Program and Budget Review Submission or FY ____ President’s Budget (as applicable)

Name of Contingency Operation:

(Dollars in Thousands)

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**PERSONNEL SUPPORT (Continued)**
- Temporary Duty/Temporary Additional Duty
- Clothing & Other Personnel Equip & Supplies
- Medical Support/Health Services
- Reserve Component Activation/Deactivation
- Other Personnel Support

**Subtotal**

**OPERATING SUPPORT**
- Training
- Operations OPTEMPO (Fuel, Other POL, Parts)
- Other Supplies & Equipment

Exhibit CONOPS-1

(Page 2 of 3)
**COMPONENT NAME**

**OVERSEAS CONTINGENCY OPERATIONS**

FY ____ Program and Budget Review Submission or FY ____ President’s Budget (as applicable)

Name of Contingency Operation:

(Dollars in Thousands)

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**OPERATING SUPPORT (Continued)**

- Facilities/Base Support
- Reconstitution
- C4I
- Other Services/Miscellaneous Contracts
  - Subtotal

**TRANSPORTATION**

- Airlift
- Ready Reserve Force/Fast Sealift Ship
- Port Handling/Inland Transportation
- Other Transportation
  - Subtotal

**GRAND TOTAL**

- Military Personnel
- Operation and Maintenance
- Other (specify by appropriation type (i.e., Procurement, RDT&E, etc.)

**NOTE:** This information must be provided for each operation and in total.
VOLUME 2B, CHAPTER 18: “INFORMATION TECHNOLOGY (INCLUDING CYBERSPACE OPERATIONS)"

SUMMARY OF MAJOR CHANGES TO

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated November 2012 is archived.

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CHAPTER 18

INFORMATION TECHNOLOGY (Including Cyberspace Operations)

1801 GENERAL

180101. Purpose

A. This chapter provides instructions applicable to supporting budgetary material and congressional justification for Information Technology (IT) and Cyberspace Operations investments, as well as discussing requirements for contributions to approved Electronic Government (E-Gov) investments. The Deputy Chief Information Officer for Resources and Analysis (DCIO (R&A)) will issue annual supplemental guidance to these instructions that address detailed and amplifying submission requirements, adjustments since publication of these instructions, and submission due dates.

B. These instructions apply to the Office of the Secretary of Defense (OSD), the Military Departments (including their National Guard and Reserve Components), the Joint Staff, Unified Commands, the Inspector General DoD, the Defense Agencies, the DoD Field Activities, the Joint Service Schools, the Defense Health Program, and the Court of Military Appeals, hereafter referred to as the DoD Components.

C. When contextually appropriate, the terms ‘investment’ and ‘initiative’ are interchangeable within this chapter.

180102. Submission Requirements

A. General guidance for submission requirements is presented in Volume 2A, Chapter 1 of the DoD Financial Management Regulation (FMR) and in the OSD Program/Budget guidance memos. This chapter covers specific submission and distribution instructions for the IT Budget and Cyberspace Operations Budget submission. All applicable automated database updates/formats will be submitted for both the OSD Program/Budget Estimates Submission and the Congressional Justification submission referred to in the DOD as the President’s Budget (PB) request. The office of the DoD Chief Information Officer (DoD CIO) will distribute information, as appropriate, to Congressional committees, Government Accountability Office (GAO) and Inspector General activities in accordance with Office of Management and Budget (OMB) Circular A-11, section 22 only after the OMB database is updated and OMB has approved the information for release.

B. All DoD Components that program, budget, or execute (obligate) resources to/which support IT and Cyberspace Operations in any fiscal year of the Future Years Defense Program (FYDP) will report IT and Cyberspace Operations data in preparation for the DoD Component’s inputs to the OMB Circular A-11 (Section 25.5 and Section 51.18), E-Government reviews, governance documents as required by the OMB Circular A-130, “Management of Federal Information Resources,” budget analyses, special data calls, and Congressional displays. The term “Exhibit 300” is also known as the “Capital Investment Report” (CIR) or “IT Business Case” and the terms are used interchangeably throughout this
document. However, the product previously called the “Exhibit 300A” is now called the “Major IT Business Case” and the “Exhibit 300B” is now called the “Major IT Business Case Detail”. All DOD appropriation accounts and funds including Defense Working Capital Fund (DWCF), Other Funding, and IT & Cyberspace Operations portions of the Military Intelligence Program (MIP) are encompassed unless outlined in paragraph D below. All MIP IT resource submissions shall be coordinated with the OUSD(I)/DUSD(PP&R)/MIP Office.


D. The following resources are exempted from IT reporting:

1. U.S. Army Corps of Engineers Civil Works appropriations.

2. IT acquired by a Federal Contractor incidental to performance of a Federal Contract.

3. Programs, projects, and activities embedded in non-C2/Communications programs or weapon systems or embedded in Service force structure and, therefore, not readily identifiable in the budget. DoD CIO will have final determination on what systems, programs, projects, and activities will be reported.

4. Highly sensitive and special access programs whose resources are specifically exempted from budget reporting by the DoD CIO and other OSD authorities. In general, these resources are reviewed through separate budget processes.

5. National Intelligence Program (NIP) resources. The Office of the Director of National Intelligence staff submits NIP via separate mechanisms.

E. All DoD Components and Enterprise Portfolio Mission Areas must prepare separate executive overviews for the President’s Budget and the Congressional Justification Submission. DoD CIO will provide guidance with specific areas of interest that must be addressed within the executive overview.

F. DoD CIO will designate investments required to submit a Major IT Business Case (formerly known as the “Exhibit 300A” (aka EX300A)) and a Major IT Business Case Detail (formerly known as the “Exhibit 300B” (aka EX300B)) to meet OMB Circular A-11, Sections 25.5 and 51.18 requirements. The Capital Asset Plan, Business Case, and the congressional Selected Capital Investment Report (SCIR) are not limited to acquisition or
development and modernization programs. A-11, Section 51.18 will direct specific discussions on the broad requirements for reporting Electronic Government, Financial, legacy and sustainment investments.

G. Statement of Compliance Requirement: The IT and Cyber Operations submissions are transmitted electronically, however, both the Component CIO and Comptroller/Chief Financial Officer (CFO) must sign a joint or coordinated transmittal memo, on component letterhead, that states their submissions are

   1. Complete;

   2. Accurately aligned with their primary budget, the DoD Information Technology Portfolio Registry (DITPR), program and/or acquisition materials; and

   3. Consistent with:

      a. Subtitle III, title 40 (formerly called the Clinger-Cohen Act), as amended, 10 U.S.C. §2222 (Defense business systems only);

      b. OMB Circular A-11 and documented exceptions to the Circular;

      c. 10 U.S.C. §11319(b)(1)(B)(ii) provides that the CIO of each covered agency certifies that information technology investments are adequately implementing incremental development, as defined in capital planning guidance issued by OMB;

      d. DoD CIO budget guidance memoranda;

      e. The Paperwork Reduction Act;

      f. Paragraph 180102.D of this chapter;

      g. Section 508 of the Rehabilitation Act of 1973, Pub. Law 93-112, as amended (29 U.S.C. § 794d; and

      h. Other applicable Acts and requirements.

The statement may be based on the Program Manager’s statement of compliance. The statement should also include explanations for investments that do not conform to DoD CIO budget guidance memorandum. DoD Components for which all Information Technology resources are exempt from reporting based on Section 180102.D above must submit a Statement of Compliance addressing the specific reasons for their exemption. This memorandum must be submitted annually to the DoD CIO, Deputy Chief Information Officer (DCIO) (Resources and Analysis) on the Submit/Certify date for the President’s Budget request as identified on the Information Technology Budget Schedule.
H. If OMB requires additional governance information to accompany the IT Budget and Cyberspace Operations Budget, DoD CIO will determine how these requirements will be met, and provide direction to the Components. DoD CIO will also provide the Components documented guidance as well as training on any applicable changes to the Department of Defense Information Technology Information Portal (DITIP) and/or Select and Native Programming – Information Technology (SNaP-IT) systems which will be used to gather information requested by OMB.

I. Appointment of qualified project managers for investments listed in the IT Budget and Cyberspace Operations Budget is a matter of high-level interest to the OMB. Components are charged to provide complete Program Manager identification and qualification documentation to comply with Project Manager reporting requirements for Major IT Business Case/Major IT Business Case Detail only.

J. 10 U.S.C §2222 (h) requires that the materials submitted by the Secretary of Defense to the Congress in support of the President’s budget include information for each business system program for which funding is requested in the budget. For each defense business system program for which funding is requested in the budget, section 2222(h) states that this information is to:

1. Identify the program;

2. Identify all funds proposed for the program, by appropriation, including funds for current services to operate and maintain the program and funds for business systems modernization, identified by specific appropriation;

3. Identify the pre-certification authority and the senior official designated under the provisions of subsection (f) of section 2222 for the program; and,

4. Describe the approval made by the Defense Business Systems Management Committee under the provisions of 10 U.S.C. § 186 for the program.

K. Information Technology investments, reporting for the first time, with funding greater than or equal to $1M (all appropriations) within the DoD FYDP are required to submit a memorandum from the component CIO (with component DCMO for DBS), on Component letterhead, to the DoD CIO, DCIO (Resources and Analysis). This memorandum must minimally indicate:

1. The investment’s Unique Investment Identifier (UII)

2. Title,

3. Acronym,

4. Description,
5. If the investment is a DBS,

6. By justification or funding approach,

7. Current acquisition milestones,

8. Dates for planned entry to future milestones,

9. Current Life Cycle Cost Estimate (LCCE) or FYDP estimate if a LCCE is not yet available,

10. Listing of other DoD participating Components,

11. All associated DITPR Identification (ID) numbers,

12. Responsible Mission Area or equivalent portfolio manager,

13. DoD Segment, and

14. Whether the investment is a financial management or financial feeder system.

New investments will be addressed in a CIR or SCIR, as applicable. “New” investments are “new starts” for purposes of this regulation. “New” investments do not arise from the breaking up of a larger investment into separately managed investments, nor is an investment “new” because of discovery that it had not been reported previously. If a component projects that a new information technology investment will exceed a Major Automated Information System (MAIS) statutory threshold (per 10 U.S.C. Chapter 144A), the component will ensure that the initiative is budgeted in a unique Program Element and not shared by other activities.

L. 10 U.S.C §2445b requires that the Secretary of Defense submit, to the Congress, annual reports on all MAIS acquisition programs, and any major information technology investment products or services that are expected to exceed a MAIS threshold but are not considered to be a MAIS program because a formal acquisition decision has not yet been made with respect to such investment (a.k.a Unbaselined MAIS) or designated a pre-MAIS. This annual report, known as the MAIS Annual Report (MAR), is also a budget exhibit. MARs are to be consistent with the latest President’s Budget Submission.

1. All MAIS, Unbaselined MAIS, MDAP IT Programs, and Pre-MDAP IT Programs will be reported in SNaP-IT as single investments aligned to the Official MAIS and MDAP Lists maintained in the Defense Acquisition Management Information Retrieval (DAMIR) Portal.

2. Components shall ensure that the MAR information is consistent with the most recently submitted President’s Budget. Components must use the same program description in the MAR, IT-1, and Major IT Business Case and Major IT Business Case Detail.
The program description should be precisely worded to consider the Congressional staff audience. In addition, Components shall notify the Under Secretary of Defense (Acquisition, Technology, and Logistics) (USD(AT&L)) as soon as the Component anticipates that the program is within 10 percent of an ACAT I or IA program dollar threshold, as required by DoDI 5000.02.

M. Components with investments deemed “Major” (180105.BH) are required to provide updates to the Major IT Business Case Detail, via SNaP-IT, that will be made available to the Federal Information Technology Dashboard (ITDB). Updates include changes to Major IT Business Case Detail baselines, planned start/end dates, actual start/end dates, and planned/actual costs. Additional guidance for this process is promulgated in the DoD CIO’s annual guidance (see 180103.A).

N. Components MUST provide Data Center Budget information for all Data Centers reported in the DoD Federal Data Center Consolidation Initiative (FDCCI) inventory currently maintained in the Data Center Inventory Management (DCIM) (which replaced the Characterization and Dependency Analysis Tool (CADAT)). Data Center budgets will be provided by Development, Modernization, and Enhancement (DME) and Operation and Maintenance (O&M) costs and are maintained in the DITIP Data Center Budget model under “Data Center”.

O. Components must identify which investments are resourced through a DWCF’s capital program, as well as whether such investment either is an IT product or IT service (vice an investment in a non-IT product or service). The SNaP-IT DWCF IT budget module for IT Working Capital Fund requirements located on the Nonsecure Internet Protocol (IP) Router Network (NIPRNet or “NIPR”) will forecast all planned revenue for the Investment to include any classified investment amounts residing in the Secret Internet Protocol Router Network (SIPRNet or “SIPR”). With regard to Working Capital Fund, the data entry requirements and responsibilities are dependent on the role of the organization entering the data. The two roles are “owner” (WCF Owner) or “resource user” (WCF Participant). Refer to OSD guidance for greater details.

180103. Preparation of Material

A. This section covers material reporting requirements for IT resources submitted to the DoD CIO. The DoD CIO will provide an augmenting guidance letter annually by early August of the reporting year. The guidance will include changes in submission requirements to meet A-11 (Section 25.5 and 51.18), E-Government, and Congressional requirements (SCIRs), FY2003 DoD Authorization Act Section 351 requirements, Component Overviews, and Section 332 reporting; special areas of emphasis; and a listing of the investments that require a Major IT Business Case/Major IT Business Case Detail.

B. All IT resources must be managed in accordance with appropriation guidance and applicable expense and investment criteria.

C. All IT resources will be reported within investments. With the exception of Defense business systems (see 180103.G.2), MAIS (see 180102.L.1), Approved Shared
Services (see 180103.I), and programs, projects, and activities exempted by section 180102.D.4, investments can be systems, programs, projects, organizations, activities or grouping of systems with related functionality. All references to “Approved Shared Services” should now state “Approved Defense Enterprise IT Services (DEITS). Each Component will manage its classified and unclassified investments through the respective DITIP. Investments are registered with key categories of data required to meet internal and external reporting requirements. To register a new investment or amend/update existing investment data, DoD Components access DITIP’s online investment registration capability. A Unique Investment Identifier (UII) is associated with each investment. The current and archived lists of investments are maintained on the DITIP web site. Additional guidance for the registration process, is promulgated in the DoD CIO’s annual guidance (see 180103.A).

The Department of Defense Information Technology Investment Portal (DITIP) provides a centralized location for IT investment portfolio data, is the authoritative data source for DoD IT Header information, and aligns IT systems information in the Defense IT Portfolio Registry (DITPR) with budget information in the SNaP-IT. DITIP provides for the entry and maintenance of common DITPR and SNaP-IT data elements, provides a mechanism to identify Data Center budget resource estimates and supports the DCMO defense business system (DBS) certification. DITIP is the system of record for the four National Defense Authorization Act (NDAA) Defense Business System data elements (i.e., Business Enterprise Architecture (BEA) Code, BEA Version, Business Process Re-engineering (BPR) Code and Category Critical Capability (CATBC Code).

Components are responsible for verifying investment data entered in DITIP is consistent with that data entered into DITPR. At a minimum each DITPR line item must be aligned against an active SNaP-IT UII.

D. All investments requiring a Major IT Business Case/Major IT Business Case Detail will be identified within the annual IT Budget and Cyberspace Operations Budget guidance (see 180103.A). Regardless of actual investment amount, all funding for MAIS and pre-MAIS programs as defined in 10 U.S.C §2245a will be reported in the IT exhibit as major (exceptions to this rule will be annotated in the IT Budget and Cyberspace Operations Budget Guidance). Components that serve as the executive or principal funding agent (aka “Owner”) for investments must report all sections of the Major IT Business Case and Major IT Business Case Detail.

E. Investments with multiple participating DoD Components are joint investments. All information submitted for a joint investment is the responsibility of the investment owner registered in DITIP/SNaP-IT. The owner shall coordinate investment data with each participating DOD Component of that joint investment.

F. Group of Systems. With the exception of Defense business systems (see 180103.G), MAIS (see 180102.L.1), and DEITS (see 180103.I), investments can be groupings of systems with related functionality if all the systems are within the same Mission Area, segment, managed under the same construct, and financed under the same resource construct (program/project/organization). All systems grouped into an IT Budget Investment must report that investment’s UII in the appropriate DITPR system record.
G. Defense Business Systems (DBS)

1. In order to satisfy requirements of 10 U.S.C. §2222, for certification and approval of investments involving “defense business systems” as “covered defense business system programs,” as well as for budget information in the materials that the Secretary of Defense submits to the Congress under 10 U.S.C. §2222(h), investments in defense business systems must be reported individually within the Information Technology (IT) Budget.

2. All defense business systems must be included within the IT Budget at the system level, not as system of systems, group of systems, or bundle of systems (i.e., Defense Business System = Investment).

3. The definition of a DBS is provided in section 180105.Z. All systems reported in the DITPR as a DBS, or with the primary mission areas designation of “Business”, MUST be maintained as their own SNaP-IT Investment.

H. Cyberspace Operations

1. DOD categorizes Cyberspace Operations as a major reportable category of the DoD Information Network (DoDIN) (formerly known as the Global Information Grid (GIG) IT/ Defense Information Infrastructure (DII)). Strictly for OMB taxonomy and SNaP-IT purposes, there are three components to Cyberspace Operations: Cybersecurity (also known as Information Assurance), Cyberspace Operations, and Research and Development. Cybersecurity is more defensive in nature, whereas Cyberspace Operations is more offensive. Definitions are provided in Joint Publication 3-12. Research and Development efforts that support DoD Cyberspace Operations focuses on the incorporation and fusion of advanced technology with capabilities for defensive and offensive tactics, techniques, practices, and procedures in the cyberspace domain.

2. Components with Cyberspace Operations investments will report its resources through the SNaP-IT System. All Cyberspace Operations resources will be reported within cyberspace operations investments as prescribed by DoD CIO. Justification narratives to support the preparation of the DoD Cyberspace Operations Congressional Justification Book (CJB) will be input directly into SNaP-IT.

3. DoD CIO DCIO Resources & Analysis (DCIO R&A), in coordination with DCIO Cybersecurity and the offices of CAPE, USD(C), USD(I) and USD(AT&L) and components as identified in 180102.(B) will prepare a single DoD Cyberspace Operations CJB containing materials supporting DoD’s overall Cyberspace Operations efforts. This information is collected simultaneously with the IT Budget utilizing SNaP-IT. Components must complete the SNaP-IT submission for all investments identified either in the “GIG Group” as Information Assurance Activities (IAA) or in the Segment using “610-000”.

4. The Cyber Mission Forces were established in March 2013 and activated in January 2014. The Cyber Mission Forces have three main aspects: 1) Cyber National Mission Teams to help defend the nation against a strategic cyber attack on US interests
including our critical infrastructure and key resources (CIKR); 2) Cyber Combat Mission Teams aligned with regional and functional Combatant Commanders to support their objectives; and 3) Cyber Protection Teams to help defend DoD information environment and the military cyber terrain. These cyber mission teams are the U.S. military’s first joint tactical command dedicated to cyberspace operations. They primarily support the Combatant Commands. In order to efficiently account for planned, programmed, and budgeted financial requirements, organizations are required to use the unique taxonomies and Program Elements that SNaP-IT established for the Cyber National Mission Forces. OSD classified guidance and training will provide further details on managing UIIs with appropriate Program Elements and the OMB taxonomies.

I. Defense Enterprise IT Services (DEITS) (Formerly known as Approved Shared Services)

The DoD CIO Executive Board may occasionally authorize a DoD Approved Shared Service. In those cases, an Authorized Shared Service must be reported in a single SNaP-IT investment. The DCIO (Resources and Analysis) will maintain a listing of Authorized Shared Service and provide that listing within the DoD CIO’s annual IT Budget and Cyberspace Operations Budget guidance (see 180103.A).

J. Industrial Control Systems (ICS)/ Platform Information Technology (PIT)/Supervisory Control and Data Acquisition (SCADA)

As stated in NIST Special Publication 800-82, “ICS are typically used in industries such as electric, water and wastewater, oil and natural gas, transportation, chemical, pharmaceutical, pulp and paper, food and beverage, and discrete manufacturing (e.g., automotive, aerospace, and durable goods.) SCADA systems are generally used to control dispersed assets using centralized data acquisition and supervisory control....These control systems are vital to the operation of the U.S. critical infrastructures that are often highly interconnected and mutually dependent systems.” These systems, while not generally considered a typical Information System, are just as vulnerable to interception, modification, interruption and fabrication that threaten typical Information Technology Systems. Likewise, the defensive measures taken to protect ICS/PIT/SCADA systems are similar to the cybersecurity measures currently taken to protect IT systems: Firewalls, Intrusion Detection Systems, strong passwords, and encryption to name a few. Therefore, the documented planning, programming and budgeting of the costs of researching, procuring, operating and maintaining these defensive mechanisms used to protect ICS/PIT/SCADA from these vulnerability exploitations should begin in the FY17 President’s Budget using SNaP-IT. PIT CS purchased as part of a weapons systems or some other turn-key non-IT solution (i.e., as part of an HVAC system) would not be reported in the IT/Cyber Budget. In summary, if the turn-key solution is IT then the ICS/PIT/SCADA systems would be reported within the turn-key investments IT/Cyber budget. If the PIT CS is being purchased on its own or upgraded to address cyber security shortfalls, it would be reported in the IT/cyber budget. Lastly there is no need register PIT CS as a separate IT investment -- it can be a part of a larger investment.
180104. References

A. DoD FMR, Volume 2A, Chapter 1 provides general funding and appropriation policies, including expense and investment criteria (Section 010201) and Budgeting for Information Technology and Automated Information Systems guidance (Section 010212), as well as general preparation instructions and distribution requirements. The table below highlights FMR references to the applicable appropriation.

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<th>Reference</th>
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<td>Volume 2A, Chapter 3</td>
<td>Operation and Maintenance</td>
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<td>Procurement</td>
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<td>Volume 2B Chapter 6</td>
<td>Military Construction</td>
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<td>Volume 2B Chapter 9</td>
<td>Defense Working Capital Fund (DWCF)</td>
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Volume 2B, Chapter 16 discusses requirements for NIP and MIP justification materials. Additional Cyberspace Operations justification guidance is provided above in (180103.H) and via an annual guidance letter.


C. Office of Management and Budget (OMB) Circular No. A-11, “Preparation and Submission of Budget Estimates,” Section 51.18, "Budgeting for the acquisition of capital assets,” and Section 25.5, “What do I include in the budget request?” provide the general Federal reporting requirements for IT resources.


H. DoD Directive 5205.12, “Military Intelligence Program (MIP),” Establishes policy and assigns responsibilities for the MIP in accordance with the authority in DoD Directive (DoDD) 5143.01 (Reference (a)) to provide visibility into Defense Intelligence resource data and capabilities and to create a means for effectively assessing Defense Intelligence capabilities.


K. National Institute of Standards and Technology Special Publication 800-82, June 2011.


M. DoD Instruction 8500.01, Cybersecurity, dated March 14, 2014.

180105. Definitions

A. Acquisition Management Segment (510-000). IT supporting the activities necessary to provide (non-commodity) goods/services for DoD operations.

B. Battlespace Awareness-Environment Segment (710-000). IT supporting the ability to collect, analyze, predict and exploit meteorological, oceanographic and space environmental data.

C. Battlespace Awareness-ISR Segment (700-000). IT supporting the ability to conduct activities to meet the intelligence needs of national and military decision-makers.

D. Battlespace Networks Segment (720-000). IT that extends DoD’s “commercial like” IT Infrastructure to meet the unique connectivity and interoperability needs of deployed and mobile warfighting capabilities. Focuses on information transport, computing, enterprise services capabilities that supports the Combined Joint Task Force. NOTE: All investments included in the Battlespace Networks segment should be identified as NSS. If it is not an NSS system then it probably should be aligned with the Information Technology Infrastructure (ITI) segment.

E. Budget Identification Number (BIN). See Unique Investment Identifier.

F. Building Partnerships Segment (790-000). This segment covers the IT supporting the capability for setting conditions for interaction with partner, competitor or adversary leaders, military forces, or relevant populations by developing and presenting information and conducting activities to affect their perceptions, will, behavior, and capabilities.

G. Business Mission Area (BMA). The BMA ensures that the right capabilities, resources, and materiel are reliably delivered to our warfighters: what they need,
where they need it, when they need it, anywhere in the world. In order to cost-effectively meet these requirements, the DoD current business and financial management infrastructure - processes, systems, and data standards - are being transformed to ensure better support to the warfighter and improve accountability to the taxpayer. Integration of business transformation for the DoD business enterprise is led by the Deputy Secretary of Defense in his role as the Chief Management Officer (CMO) of the Department, and supported by the Deputy Chief Management Officer (DCMO).

H. **Business Services Segment–TBD (599-000).** This is a placeholder for those “few” business service related IT investments that do not currently fit into the existing business segments.

I. **Business Services Segment Group.** This segment includes investments for foundational mechanisms and back-office services used to support the mission of the agency. Segments included in this group are: Financial Management, Acquisition, Human Resources Management, Logistics/Supply Chain Management, and Installation Support.

J. **Communications and Computing Infrastructure (C&CI).** The C&CI reporting category includes the information processing (computing), transport (communications) and infrastructure management services used in DoD such as voice, data transfer (including electronic commerce and business interfaces), video teleconferencing, and messaging. The C&CI category is subdivided into operational areas and special interest programs.

K. **Communications.** Communications elements include fixed plant, sustaining base infrastructure in the US and selected overseas locations; long haul transmissions via Defense-owned or leased terrestrial facilities; transmissions via satellite or other radio systems; and mobile, tactical transmission systems.

L. **Command and Control (C2).** Includes the facilities, systems, and manpower essential to a commander for planning, directing, coordinating and controlling operations of assigned forces. C2 capabilities cover the joint/tactical operations echelon and down to front line tactical elements.

M. **Command and Control Segment (730-000).** This segment provides the IT that facilitates the exercise of authority and direction over DoD-mission related activities supporting the joint warfighter.

N. **Computing Infrastructure.** Automated information processing operations reported in the C&CI section generally perform one or more of the following functions: processing associated with agency-approved automated information systems; timesharing services; centralized office automation; records management services; or network management support. Staff associated with these operations includes computer operators, computer system programmers, telecommunications specialists, helpdesk personnel and administrative support personnel.
O. Core Financial System. Is an information system, or system of system, that may perform all financial functions including general ledger management, funds management, payment management, receivable management, and cost management. The core financial system is the system of record that maintains all transactions resulting from financial events (see definition below). It may be integrated through a common database or interfaced electronically to meet defined data and processing requirements. The core financial system is specifically used for collecting, processing, maintaining, transmitting, and reporting data regarding financial events. Other uses include supporting financial planning, budgeting activities, and preparing financial statements. Any data transfers to the core financial system must be: traceable to the transaction source; posted to the core financial system in accordance with applicable guidance from the Federal Accounting Standards Advisory Board (FASAB); and in the data format of the core financial system.

P. Core Mission Services Segment (799-000). Placeholder for those “few” core mission service related IT investments that do not currently fit into the existing core service segments.

Q. Core Mission Services Segment Group. This segment group contains investments that directly support the Department’s core missions. Segments included in this group are; Battlespace Awareness – Environment, Battlespace Awareness – Intelligence, Surveillance, and Reconnaissance (ISR), Battlespace Networks, Command and Control, Force Application, Protection, Building Partnerships, Force Management, Force Training, and Health.

R. Cost. A monetary measure of the amount of resources applied to a cost objective. Within the DoD, "costs" are identified following the GAO accounting principles and standards as implemented in this Regulation. The fact that collections for some cost elements are deposited into Miscellaneous Receipts of the Treasury does not make those costs "extraneous." It simply means the Congress has not authorized such amounts to be retained by appropriation accounts. After costs have been identified, following the Comptroller General cost accounting rules, a DoD Component may proceed to eliminate cost elements, or process waivers, in accordance with legal authorities.

S. Current Services (CS). At the Federal level, this is referred to as Steady State (SS) and is synonymous with operations and maintenance. Current Services represents the cost of operations at the current capability and performance level of the application, infrastructure program and/or investment when the budget is submitted. That is, the cost with no changes to the baseline other than fact-of-life reductions, termination or replacement. Current Services include: (1) personnel whose duties relate to the general management and operations of information technology, including certain overhead costs associated with Program Management (PM) offices; (2) maintenance of an existing application, infrastructure program or investment; (3) corrective software maintenance, including all efforts to diagnose and correct actual errors (e.g., processing or performance errors) in a system; (4) maintenance of existing voice and data communications capabilities; (5) replacement of broken IT equipment needed to continue operations at the current service level; (6) Technical Refresh; and (7) all other related costs not identified as Development/Modernization.
T. **Cybersecurity.** As referenced in DoDI 8500.01 “Prevention of damage to, protection of, and restoration of computers, electronic communications systems, electronic communications services, wire communication, and electronic communication, including information contained therein, to ensure its availability, integrity, authentication, confidentiality, and nonrepudiation.”

U. **Cyberspace.** A global domain consisting of the interdependent network of information technology infrastructures, including the Internet, telecommunications networks, computer systems, and embedded processors and controllers.

V. **Cyberspace Operations.** Employment of cyberspace capabilities for the primary purpose of achieving objectives in or through cyberspace. For the purposes of budget reporting within the OMB taxonomy and SNaP-IT, there are three major components of Cyberspace Operations: Cybersecurity (also known as Information Assurance), Cyberspace Operations, and Research & Development. Refer to paragraphs T and AU for more information. The DoD DCIO (R&A) office will provide further guidance on Cyberspace Operations via classified channels.

W. **Cyber Mission Forces.** The U.S. military’s first joint tactical command with a dedicated mission focused on cyberspace operations and primarily support the Combatant Commands and USCYBERCOM.

X. **Data Administration.** Program Area of Related Technical Activities. Activities reported in this area include: Data sharing and data standardization. Component data administration programs are defined in the Data Administration Strategic Plans.

Y. **Data Center Budget.** All Data Centers reported in the DoD FDCCI inventory currently maintained in the DCIM (which replaced the CADAT) must maintain an appropriate budget estimate in DITIP at all times. Each Data Center budget line will include the following information:

1. Resourcing Component,
2. DCIM Unique ID,
3. SNaP-IT Investment UII,
4. Resource Type (DM/CS)
   a. DME - Development, Modernization, and Enhancement, or
   b. CS - Operations and Maintenance (Steady State)
5. Prior Year (PY) through Budget Year plus 4 (BY+4) Resources
Z. **Defense Business System (DBS).** The term “defense business system” as defined at 10 U.S.C §2222(j)(1) means an information system, other than a national security system, operated by, for, or on behalf of the Department of Defense, including financial systems, mixed systems, financial data feeder systems, and information technology and information assurance infrastructure, used to support business activities, such as acquisition, financial management, logistics, strategic planning and budgeting, installations and environment, and human resource management. The term “covered defense business system” as defined at 10 USC §2222(j)(2) means any defense business system program that is expected to have a total cost in excess of $1,000,000 over the current future-years defense program submitted to the Congress under 10 U.S.C §221.

AA. **Defensive Cyberspace Operations (DCO).** Passive and active operations to preserve the ability to utilize friendly cyberspace capabilities and protect the DoD networks and net-centric capabilities.

AB. **Defensive Cybersecurity.** The protection of information against unauthorized disclosure, transfer, modification, or destruction, whether accidental or intentional.

AC. **Department of Defense Information Network.** The DoD Information Network (DoDIN) (formerly called the Global Information Grid (GIG), as defined in DoD Directive 8000.01 as well as JP 3-13), is the globally interconnected, end-to-end set of information capabilities for collecting, processing, storing, disseminating, and managing information on demand to warfighters, policy makers, and support personnel. The DODIN includes owned and leased communications and computing systems and services, software (including applications), data, security services, other associated services, and National Security Systems. The DODIN consists of information capabilities that enable the access to, exchange, and use of information and services throughout the Department and with non-DoD mission partners. The principal function of the DODIN is to support and enable DoD missions, functions, and operations. The overarching objective of the DODIN vision is to provide the National Command Authority (NCA), warfighters, DoD personnel, Intelligence Community, business, policy-makers, and non-DoD users with information superiority, decision superiority, and full-spectrum dominance.

AD. **Department of Defense Information Technology Investment Portal (DITIP).** DITIP provides a centralized location for IT investment portfolio data and aligns IT systems information in the Defense IT Portfolio Registry (DITPR) with budget information in the Select and Native Programming Data Input System for IT (SNaP-IT). DITIP provides for the entry and maintenance of common DITPR and SNaP-IT data elements and supports the DCMO defense business system (DBS) certification.

AE. **Development/Modernization (Dev/Mod).** Also referred to as development/modernization/enhancement. Development, Modernization and Enhancement refers to projects and activities leading to new IT assets/systems, as well as projects and activities that change or modify existing IT assets to substantively improve capability or performance, implement legislative or regulatory requirements, or meet an agency leadership request. DME activity may occur at any time during a program’s life cycle. As part of DME, capital costs can
include hardware, software development and acquisition costs, commercial off-the-shelf acquisition costs, government labor costs, and contracted labor costs for planning, development, acquisition, system integration, and direct project management and overhead support. Technical Refresh is NOT included in Dev/Mod, but rather in Current Service as discussed previously.

AF. **DoD portion of Intelligence Mission Area (DIMA).** The DIMA includes IT investments within the Military Intelligence Program and DoD component programs of the National Intelligence Program. The USD(I) has delegated responsibility for managing the DIMA portfolio to the Director, Defense Intelligence Agency, but USD(I) retains final signature authority. The DIMA management will require coordination of issues among portfolios that extend beyond the Department of Defense to the overall Intelligence Community.

AG. **Enterprise Information Environment Mission Area (EIEMA).** The EIEMA represents the common, integrated information computing and communications environment of the GIG. The Enterprise Information Environment (EIE) is composed of GIG assets that operate as, provide transport for, and/or assure local area networks, campus area networks, tactical operational and strategic networks, metropolitan area networks, and wide area networks. The EIE includes computing infrastructure for the automatic acquisition, storage, manipulation, management, control, and display of data or information, with a primary emphasis on the DoD enterprise hardware, software operating systems, and hardware/software support that enable the GIG enterprise. The EIE also includes a common set of enterprise services, called Core Enterprise Services, which provide awareness of, access to, and delivery of information on the GIG.

AH. **Enterprise Services Segment (TBD (699-000)).** This is a placeholder for those “few” enterprise service related IT investments that do not currently fit into the existing IT Infrastructure; Identity and Information Assurance; or IT Management segments.

AI. **Enterprise Services Segment Group.** This segment group includes investments for IT services and infrastructure that support core mission and business services. Segments included in this group are; Identity and Information Assurance (IIA), IT Infrastructure, and IT Management.

AJ. **Financial Event.** Is any activity having financial consequences to the Federal government related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, or other potential liabilities; distribution of grants; or other reportable financial activities.

AK. **Financial Management Segment (500-000).** The IT supporting the facilitation and implementation of financial management solutions providing timely and accurate decision support data, stronger internal controls, establishing standards for acquiring and implementing FM systems through shared business processes, IT services, and data elements.

AL. **Financial Management Systems.** Financial Management systems perform the functions necessary to process or support financial management activities. These systems
collect, process, maintain, transmit, and/or report data about financial events or supporting financial planning or budgeting activities. These systems may also accumulate or report cost information, support preparation of financial transactions or financial statements or track financial events and provide information significant to the DoD Components financial management.

AM. Force Application Segment (740-000). IT supporting the capability to integrate the use of maneuver and engagement in all environments, to creating the necessary effects for achieving DoD mission objectives.

AN. Force Management Segment (770-000). IT supporting the ability to integrate new and existing human and technical assets from across the Joint Force and its mission partners to make the right capabilities available at the right time/place to support National Security.

AO. Force Training Segment (780-000). IT supporting the ability to enhance the capacity to perform specific functions and tasks in order to improve the individual or collective performance of personnel, units, forces, and staffs.

AP. Global/Functional Area Applications (G/FAA). Also referred to as Global Applications, Global, or Functional Area Applications are associated with all DoD mission areas—C2, Intelligence and combat support, combat service support areas, and the DoD business areas. Selected investments will be categorized as NSS. Global applications rely upon the network, computing and communication management services including information processing, common services, and transport capabilities of the Communications and Computing Infrastructure. Related technical activities provide the architectures, standards, interoperability, and information assurance that these applications require to operate effectively as part of the Defense Information Infrastructure. Although an application/system may serve more than one function, it is generally classified according to the predominate function across the department. Each Functional Application category is subdivided into Functional Areas that equate to principal staff functions and activities.

AQ. Global Information Grid (GIG). This term is now referred to as the DoD Information Network (DODIN) which is described in paragraph AB above. Until the term “GIG” is removed, replaced or updated in all applicable documentation, this definition will remain in this document for reference purposes. The GIG supports all DoD missions with information technology for National Security Systems, joint operations, Joint Task Forces, Combined Task Force commands, and DoD business operations that offer the most effective and efficient information handling capabilities available, consistent with National Military Strategy, operational requirements and best value enterprise level business practices. The GIG is based on a common, or enterprise level, communications and computing architecture to provide a full range of information services at all major security classifications.

AR. Health (760-000). The Health segment facilitates the implementation of IT systems and services that enable the Department’s capabilities to maintain the health of
military personnel, which includes the delivery of healthcare required during wartime.

**AS. Human Resource Management Segment (520-000).** IT supporting DoD human resource management, personnel and readiness ensuring human resources are recruited, trained, capable, motivated, and ready to support the Department.

**AT. Identification Number (IN).** Investment numbers are more commonly referred to as the Budget Identification Numbers (BIN). A four or five digit identification number that is assigned to each investment, program and system reported in the IT budget and Cyberspace Operations Budget.

**AU. Identity and Information Assurance (IIA) Segment (610-000).** IT supporting the DoD’s ability to maintain an appropriate level of confidentiality, integrity, authentication, non-repudiation and availability of data and information at rest and in transit. IIA’s purpose is to maintain the information and information assets; document threats and vulnerabilities; ensure the trustworthiness of users and interconnecting systems; determine the impact of impairment or destruction to the DoD information system(s) and cyberspace; and manage cost effectiveness.

**AV. Information Assurance (IA).** With regard to OMB taxonomy and SNaP-IT purposes, when referencing Paragraph T, DOD considers “Information Assurance” synonymously with “Cybersecurity”, which is one of three components of Cyberspace Operations, and is a major reportable category of the DoDIN/IT/JIE. The term “Information Assurance” and “Cybersecurity” are used interchangeably throughout this chapter. However, DoDI 8500.01 primarily uses “Cybersecurity” as the most current terminology concerning Information Assurance and as such, future publications will remove “Information Assurance” references. For a historical perspective, IA included all efforts that protect and defend information and information systems by ensuring their availability, integrity, authentication, confidentiality, and non-repudiation. Also included were all provisions for restoration of information systems by incorporating protection, detection, and reaction capabilities. As such, IA was broader in scope than information systems security and reflected the realities of assuring timely availability of accurate information and reliable operation of DoD information systems in increasingly inter-networked information environments.

**AW. Information System (IS).** (Reference section 3502 of title 44 U.S.C.) An information system is a discrete set of information resources organized for the collection, processing, maintenance, use, sharing, dissemination, or disposition of information. This includes automated information systems (AIS), enclaves, outsourced IT-based processes and platform IT interconnections. To operate information systems, Components must support related software applications, supporting communications and computing infrastructure and necessary architectures and information security activities.

**AX. Information Technology (IT).** (Reference section 11101 of title 40 U.S.C. and PL 113-291, Subtitle D –Federal Information Technology Acquisition Reform Act) The term “information technology” is defined as:
1. Services or equipment, or interconnected system(s) or subsystem(s) of equipment, that are used in the automatic acquisition, storage, analysis, evaluation, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the agency; and

2. Services or equipment that are used by an agency if used by the agency directly or if used by a contractor under a contract with the agency that requires either use of the services or equipment or requires use of the services or equipment to a significant extent in the performance of a service or the furnishing of a product.

3. The term “information technology” includes computers, ancillary equipment (including imaging peripherals, input, output, and storage devices necessary for security and surveillance), peripheral equipment designed to be controlled by the central processing unit of a computer, software, firmware and similar procedures, services (including provisioned services such as cloud computing and support services that support any point of the lifecycle of the equipment or service), and related resources.

4. The term “information technology” does not include any equipment that is acquired by a contractor incidental to a contract that does not require use of the equipment.

AY. Information Technology (IT) Investment. This term refers to the expenditure of IT resources to address mission delivery and management support. An IT investment may include a project or projects for the development, modernization, enhancement, or maintenance of a single IT asset or group of IT assets with related functionality, and the subsequent operation of those assets in a production environment. All IT investments should have a defined life cycle with start and end dates, with the end date representing the end of the currently estimated useful life of the investment, consistent with the investment’s most current alternatives analysis if applicable. When the asset(s) is essentially replaced by a new system or technology, the replacement should be reported as a new, distinct investment, with its own defined life cycle information.

AZ. Information Technology Resources. The term “information technology resources” is defined as:

1. Agency budgetary resources, personnel, equipment, facilities, or services that are primarily used in the management, operation, acquisition, disposition, and transformation, or other activity related to the lifecycle of information technology;

2. Acquisitions or interagency agreements that include information technology and the services or equipment provided by such acquisitions or interagency agreements; but

3. Does not include grants to third parties which establish or support information technology not operated directly by the Federal Government
BA.  **Information Technology (IT) Portfolio.** The DoD IT portfolio consists of investments representing a common collection of capabilities and services. The portfolios are an integral part of the Department’s decision making process and are managed with the goal of ensuring efficient and effective delivery of capabilities while maximizing the return on Enterprise investments.

BB.  **Installation Support Segment (540-000).** IT supporting the ability to provide installation assets and services necessary to support the US military forces.

BC.  **IT Infrastructure Segment (600-000).** Commercial-like, common user, information transport, computing and (infrastructure) enterprise services supporting DoD’s fixed base users in accomplishing their missions.

BD.  **IT Management Segment (800-000).** Facilitates planning, selection, implementation and assessment of IT investments and programs supporting the broader enterprise. This includes: IT strategic planning, promulgation of policy and direction governing the provisioning of services; establishing and maintaining enterprise architectures and transition strategies; cost analysis, performance measurement and assessment in order to best mitigate risks.

BE.  **Joint Information Environment.** The Joint Information Environment (JIE) is a fundamental shift in the way the Department of Defense (DoD) will consolidate and manage Information Technology (IT) infrastructure, services, and assets in order to realign, restructure, and modernize how the Department’s IT networks and systems are constructed, operated, and defended. JIE will consolidate and standardize the design and architecture of the Department’s networks. The JIE represents the DoD migration from military service-centric IT infrastructures and capabilities, with their mixture of disparate networks and applications, to enterprise capabilities based on common infrastructure and shared services to support Joint needs. These needs include networks, security services, cyber defenses, data centers, and operation management centers. Consolidation and standardization will result in a single, reliable, resilient, and agile information enterprise for use by the joint forces and mission partners. The vision of JIE is to ensure that DoD military commanders, civilian leadership, warfighters, coalition partners, and other non-DoD mission partners have access to information and data provided in a secure, reliable, and agile DoD-wide information environment. The ultimate beneficiary of JIE is the commander in the field, allowing for innovative integration of information technologies, operations, and cybersecurity at a tempo more appropriate to today’s fast-paced operational conditions. The objective is for authorized users to access required information and resources from anywhere, at any time, using any approved device across the JIE, enabling warfighter information sharing and mission operations. Since JIE is not a Program of Record, it should be noted that the Department will utilize existing DoD Component programs, initiatives, technical refresh plans, acquisition processes, and funding to deploy and migrate the existing infrastructure to the JIE standards. OSD guidance and training will provide more details concerning the alignment of UIIs to achieving JIE goals and standards.

BF.  **Life-Cycle Cost (LCC).** LCC represents the total cost to the Government for an IS, weapon system, program and/or investment over its full life. It includes all
developmental costs, procurement costs, MILCON costs, operations and support costs, and disposal costs. LCC encompasses direct and indirect initial costs plus any periodic or continuing sustainment costs, and all contract and in-house costs, in all cost categories and all related appropriations/funds. LCC may be broken down to describe the cost of delivering a certain capability or useful segment of an IT investment. LCC normally includes 10 years of sustainment funding following Full Operational Capability (FOC) or Full Deployment for Automated Information Systems. For investments with no known end date and that are beyond FOC, LCC estimate should include 10 years of sustainment.

BG. Logistics/Supply Chain Management Segment (530-000). IT supporting the ability to project and sustain a logistically ready joint force to meet mission objectives.

BH. Major. A system or investment requiring special management attention because of its importance to an agency mission; its high development, operating, or maintenance costs; or its significant role in the administration of agency programs, finances, property or other resources. Systems or investments that have been categorized as “Major” can include resources that are associated with the planning, acquisition and /or sustainment life cycle phases. Large infrastructure investments (e.g. major purchases of personal computers or local area network improvements) should be considered major investments. Includes programs identified as MAIS (also called ACAT IA) in DoD 5000 series documents.

BI. Military Intelligence Program (MIP). The MIP consists of programs, projects, or activities that support the Secretary of Defense’s intelligence, counterintelligence, and related intelligence responsibilities. This includes those intelligence and counterintelligence programs, projects, or activities that provide capabilities to meet warfighters’ operational and tactical requirements more effectively. The term excludes capabilities associated with a weapons system whose primary mission is not intelligence.

BJ. National Leadership Command Capabilities (NLCC). A capability encompassing the entirety of the DoD command, control, communications, computer, intelligence, surveillance, and reconnaissance systems and services that provides national leadership, regardless of location and environment, with diverse and assured access to integrated, accurate, and timely data, information, intelligence, communications, services, situational awareness, and warnings and indications from which planning and decision-making activities can be initiated, executed, and monitored. OSD guidance and training will provide more details concerning the alignment of UIIs to the NLCC.

BK. National Security Systems (NSS). (Reference section 3542 of title 44 U.S.C.) NSS includes any telecommunications or information system operated by the United States Government, the function, operation, or use of which involves intelligence activities, cryptologic activities related to national security, or command and control of military forces. NSS also includes equipment that is an integral part of a weapon or weapons system, or is critical to the direct fulfillment of military or intelligence missions. NSS DOES NOT include a system that is to be used for routine administrative and business applications (including payroll, finance, logistics, and personnel management applications).
BL. **Obligation.** The amount representing orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same, or a future, period. Obligations include payments for which obligations previously have not been recorded and adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations. The amount of obligations incurred is segregated into undelivered orders and accrued expenditures - paid or unpaid. For purposes of matching a disbursement to its proper obligation, the term obligation refers to each separate obligation amount identified by a separate line of accounting.

BM. **Offensive Cyberspace Operations.** JP 3-12 defines Offensive Cyberspace Operations as “Cyberspace operations intended to project power by the application of force in or through cyberspace. However, for SNaP-IT and OMB taxonomy purpose, Offensive Cyberspace Operations are activities that actively gather information, manipulate, disrupt, deny, degrade, or destroy adversary computer information systems, information, or networks through cyberspace.

BN. **Office Automation** (also referred to as “Desktop Processing”). Facilities that support file servers or desktop computers used for administrative processing (e.g. word processing, spreadsheets, etc.) rather than application processing, should be reported as Office Automation (listed as a separate function).

BO. **Operational Preparation of the Environment.** Non-intelligence enabling activities conducted to plan and prepare for potential follow-on military operations. OPE in cyberspace includes identifying data, software, systems, networks, and facilities to determine vulnerabilities and activities to assure future access or control during anticipated hostilities.

BP. **“Other” Category** (also referred to as “All Other”). For those “Development/Modernization” and/or “Current Services” costs/obligations as well as investments not designated in the major categories. “Other” category investments are aligned with the applicable GIG/IT/DII Reporting Structure functional/mission area (see Section 180106).

BQ. **Program Cost** (also referred to as investment cost and total acquisition cost). The total of all expenditures, in all appropriations and funds, directly related to the IS, program, or investment’s definition, design, development, and deployment; incurred from the beginning of the “Concept Exploration” phase through deployment at each separate site. For incremental and evolutionary program strategies, program cost includes all funded increments. Program cost is further discussed in DoD 5000 series documents.

BR. **Protection Segment (750-000).** IT supporting the capability to prevent and/or mitigate adverse effects of attacks on personnel (combatant or non-combatant) and physical assets of the United States, its allies and friends.

BS. **Related Technical Activities (RTAs).** RTAs service global/functional applications, C&CI and IA. While RTAs do not provide directly functional applications, data processing, or connectivity, they are required to ensure that the infrastructure functions as an integrated whole and meets DoD mission requirements. RTAs include such things as spectrum
management, development of architectures, facilitation of interoperability, and technical integration activities. RTAs are considered necessary “overhead” for the DODIN. See Section 180106 for the DODIN Structure Table. The RTA category is subdivided into limited Program Areas.

BT. Segments. A portfolio management concept required by OMB Circular A-11. Segments serve as the basis for organizing IT investments for both budget management and performance management purposes. Three groups of segments have emerged to characterize the way in which their segments enable functional capabilities of the enterprise – and to differentiate the way in which investments are governed; Business Services Segment Group, Core Mission Services Segment Group, and Enterprise Services Segment Group.

BU. Select & Native Programming-Information Technology (SNaP-IT). The electronic system used by the DoD CIO to collect IT Budget and Cyberspace Operations Budget data and generates reports mandated by the OMB and the Congress. SNaP-IT is a database application used to plan, coordinate, edit, publish, and disseminate Information Technology (IT) budget justification books required by the Congress. SNaP-IT generates all forms, summaries, and pages used to complete the publishing of the IT Congressional Justification materials (the IT-1, overviews, Selected Capital Investment Reports required by Section 351) and the OMB submissions, such as the IT Investment Portfolio Summary, the IT Business Case, and monthly updates to the OMB Information Technology Dashboard. SNaP-IT provides users the ability to gain access to critical information needed to monitor and analyze the IT Budget and Cyberspace Operations Budget submitted by the DoD Components.

BV. Special Interest Communications Programs. Special interest communications programs are reported under IT/DII C&CI division. Electronic Commerce/Electronic Data Interchange and Distance Learning Systems are special interest programs that should be reported in this area. The resource category "Other" may not be used with Special Interest Communications.


BX. Technical Activities. This refers to activities that deal with testing, engineering, architectures and inter-operability.

BY. Threat Detection and Analysis. This refers to activities that identify, characterize, examine, and track previously undefined types and sources of cyber threats against data, system, or network vulnerabilities to determine the risks to particular data, systems, networks, or operations.

BZ. Unique Investment Identifier. Previously called a “BIN”, the UII is a database index field automatically generated with the DITPR/SNaP-IT interface when registering or creating a new investment.

CA. Warfighting Mission Area (WMA). The WMA provides life cycle oversight to applicable DoD Component and Combatant Commander IT investments (programs,
systems, and investments). WMA IT investments support and enhance the Chairman of the Joint Chiefs of Staff’s joint warfighting priorities while supporting actions to create a net-centric distributed force, capable of full spectrum dominance through decision and information superiority. WMA IT investments ensure Combatant Commands can meet the Chairman of the Joint Chiefs of Staff’s strategic challenges to win the war on terrorism, accelerate transformation, and strengthen joint warfighting through organizational agility, action and decision speed, collaboration, outreach, and professional development.

CB. Working Capital Fund Investment. The DWCF authority at 10 U.S.C. § 2208 allows the DoD to finance inventories of supplies and provide working capital for industrial and commercial-type activities. DWCF activities are dependent on revenue, as are commercial businesses. DWCFs provide a mechanism for the DoD Components to finance those supply and commercial and industrial activities that have been chartered under Volume 11B, Chapter 2, or this Regulation. It enables such DoD Components to absorb risk in planning investment programs for maintenance and supply. The intent was to allow chartered commercial, industrial and supply management activities to make capital investments when needed and recoup the costs through future year pricing structure.

180106. Reporting Structure

IT investments shall be managed by enterprise portfolios divided into Mission Area portfolios which are defined as Warfighting, Business, DoD portion of Intelligence, and Enterprise Information Environment. In addition, all information technology resources will be associated with a single DoD Segment (see section 180105 for definitions), the Federal Enterprise Architecture (FEA) Business Reference Model (BRM), and the OMB approved Segment. Investments are also reported by appropriation details (Appropriation, Budget Activity (BA), Program Element (PE), Budget Line Item (BLI), Investment Stage and Source (Base/Overseas Contingency Operations (OCO)) and by “major” and “other” categories. SNaP-IT records these business rules. Investments that cross more than one functional area, such as C&CI, RTA, or IAA (Cyberspace Operations), may need to be broken down by area and registered in the Master BIN List maintained in SNaP-IT by the DoD CIO. The reporting area will normally be based upon the preponderance of the mission/capability concept.
Segment Architecture and Information Technology/Defense Information Infrastructure

(DODIN) Reporting Structure

<table>
<thead>
<tr>
<th>Segment Category</th>
<th>Segment Code</th>
<th>Segment Title</th>
<th>Sub-segment Title</th>
<th>GIG Group</th>
<th>Mission Area</th>
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BS = Business Systems  
ES = Enterprise Services  
CMAS = Core Mission Area Services
1802 PROGRAM AND BUDGET ESTIMATES SUBMISSION

180201. Purpose

This section provides guidance for preparation and submission of the Information Technology Budget Estimate Submission (BES) to the DoD CIO, and for preliminary updates to OMB resource exhibits in September in preparation for the OMB “draft guidance” and IT Budget and Cyberspace Operations Budget hearings. Resources reported in the IT submission must be consistent with other primary appropriation justification and FYDP submissions. DOD CIO (R&A) will annually issue supplemental guidance for other data requirements directed by the DoD CIO, Congress or OMB. Timelines for updates will be provided as information becomes available and will be designated in the program and budget call memorandum. Technical requirements and templates are provided in SNaP-IT.

180202. Submission Requirements

A. The following information is required. Unless modified in a subsequent budget call, Components shall use the formats in DITIP and on the SNaP-IT Web page (https://snap.pae.osd.mil/snapit/Home.aspx or https://snap.cape.osd.smil.mil/snapit/) and provide an automated submission.

1. Investment Registration. Add, update, delete, and modify investment data to accurately represent the current environment for the IT investment and the Component using the DITIP/SNaP-IT investment registration. This includes Titles, Descriptions, Type of IT, IT/NSS Classification, DoD Segment and FEA information, and DoD Component participation requirements.

2. IT Investment Resources. Collection of resources by Component; Security Classification; Appropriation/Fund (Treasury Code); Investment Stage; BA/Line Item; OSD PE Code; Funding Source (Base/OCO); PY, CY, BY, BY+1, +2, +3, and +4 for submitting the IT Investment Portfolio Summary (Exhibit 53) as required by the OMB A-11, Section 51.18 and 25.5.

3. IT Business Case (formerly known as the Exhibit 300). Capital Asset Plan and Business Case (IT) for major investments. The IT Business Case (or CIR), is discussed in the OMB's A-11 Section 51.18 and 25.5. DoD Components are required to complete an IT Business Case for those investments identified by the DoD CIO. In addition to the IT investment resources information reported in the IT Investment Portfolio Summary (Section 180202.A.2), IT Business Case programs will report associated Full Time Equivalent (FTE) personnel and the complete Life Cycle Cost (LCC) of the investment.

B. Distribution of the OSD budget estimates material will be available electronically through the SNaP-IT site.

C. Additional reporting requirements will be identified in the call memorandum, as necessary. Additional management and supporting data may be designated by
the DoD CIO to support detailed justification requirements. All supporting program documentation not submitted with the budget submission must be made available to the DoD CIO within two business days of its request.

180203. Arrangement of Backup Exhibits

The SNaP-IT will provide an option to assemble information in the sequence shown in Section 180202, as applicable. Components will be able to generate IT Investment Portfolio Summary (Exhibit 53) level data outputs for internal review only.

1803 CONGRESSIONAL JUSTIFICATION/PRESENTATION

180301. Purpose

This section provides guidance on organizing the IT resource justification materials submitted in support of the President’s Budget. The Department will submit draft and final consolidated outputs to the OMB in the January timeframe and for the Congress by the date set by the Comptroller, usually in the first week of March.

180302. Justification Book Preparation

Justification information will be taken from the SNaP-IT system, reflecting the OMB requirements for IT Investment Portfolio Summary (Exhibit 53) and IT Business Case (known previously as the Exhibit 300). Special outputs will be designed for select investments and summaries based on Congressional requirements. DoD Component requirements and review of these outputs will be discussed in the final budget call memorandum. Congressional justification materials will be extracted or derived from materials developed for the OMB updates.

180303. Submission Requirements

Submission requirements are as specified in Section 180202, except as noted below:

A. IT Overview. Information Technology Investment Portfolio Assessment Overview is an Executive summary of a DoD Component’s and the Enterprise Portfolio Mission Area’s IT Investments providing high-level justification of the portfolio selections and priorities. Information provided must be consistent with the Component’s overall budget justification materials. A Cyberspace Operations section is required and must be consistent with information reported in cyberspace operations justification materials and financial reporting. Format will be provided via the SNaP-IT web page or the DoD CIO budget guidance.

B. SCIR. Add/Update/Modify SCIR data within SNaP-IT for all investments designated by the DoD CIO as major and therefore submitting an IT Business Case.

180304. Input for Summary Information Technology Justification Books
A. General. All exhibit data shall be submitted in automated form and be consolidated in  SNaP-IT (https://snap.pae.osd.mil/snapit/Home.aspx or https://snap.pae.osd.smil.mil/snapit). The DoD CIO is responsible for providing the DoD Information Technology summary tables per Congressional direction. SNaP-IT will generate the OMB and Congressional President’s Budget reporting packages after the DoD Component IT Overview and IT Business Case documents have been submitted to the DoD CIO, DCIO (Resources & Analysis) and/or posted to the SNaP-IT web page. SNaP-IT will generate correct identification information, a cover page, a table of contents, an overview and appendices; the IT Index, report, annex and appendix and the IT Business Case or Congressional extract reports. These will generate a single, integrated submission in Adobe Acrobat Portable Document Format (pdf) that can be used for internal coordination. To accomplish this requirement, the DoD Components will populate the SNaP-IT to generate their submission. The DoD CIO will maintain (and make available to the DoD Components and OSD staff) the digital IT Budget and Cyberspace Operations Budget database. Other specific guidance for IT Budget and Cyberspace Operations budget materials will be provided as required.

B. Distribution of the final appropriately released justification material will be made electronically and by Compact Disk Read-Only Memory (CD ROM) to the Congress and the OMB. Releasable information will be available through public web site(s). CD ROMs will be provided to the Government Accounting Office (GAO) and the DoD Inspector General.

1. The DoD CIO will provide data to OMB for review.

2. The DoD Components will send their draft submissions through final Security Review in accordance with Comptroller instructions and provide copies of the appropriate release form to the DoD CIO, DCIO (Resources & Analysis), Office of Information Technology Investment, and as an attachment to the President’s Budget Request transmittal form, due within 5 working days of final submission.

3. The DoD CIO will consolidate electronic submissions from the DoD Components and the Enterprise Portfolio Mission Areas and prepare integrated and individual portfolio overviews, summary information and graphics. The justification books will be forwarded to the OMB for review and release approval.

4. Once security and the OMB have released the justification books, summary and detail data will be transmitted to the Congress (House Defense Appropriations Subcommittee, Senate Defense Appropriations Subcommittee, House Armed Services Committee, and Senate Armed Services Committee). Any data made available to the Congress will be available on the public web page(s) and via CD ROM distribution made in accordance with the format, table and media guidance (Justification Material Supporting the President’s Budget Request) in Volume 2A, Chapter 1.
1804 INFORMATION TECHNOLOGY PROGRAM SUBMISSION FORMATS

180401. Format Location

The required input formats are located on the SNaP-IT Web page https://snap.pae.osd.mil/snapit/Home.aspx or https://snap.cape.osd.smil.mil/snapit/
VOLUME 2B, CHAPTER 19: “OTHER SPECIAL ANALYSES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2007 is archived.

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CHAPTER 19

OTHER SPECIAL ANALYSES

1901 GENERAL

190101. Purpose

A. This chapter provides instructions applicable to budget formulation and congressional back-up justification for various special interest areas not covered in preceding chapters.

B. The exhibit requirements cover resources crossing DoD appropriations and are generally functional in nature.

C. Areas covered in this chapter are as follows:

Section

1902 Combating Terrorism
1903 Major Range and Test Facility Base
1904 Test and Evaluation Funding
1905 Financial Management Activities
1906 Government Performance and Results Act (GPRA)
1908 Federal Credit Programs
1909 Other Special Analyses
1910 Classifications and Definitions Special Programs Major Force Program 3

190102. Submission Requirements

Unless indicated in individual sections of this chapter and submission distribution in Chapter 1, exhibits are required for both the program and Budget Review Submission and for the Congressional Justification/Presentation submission. General guidance with regard to submission requirements is presented in Chapter 1.

190103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 19 provides additional specific guidance with regard to the material required for these special exhibits.

190104. References

Chapter 1 provides general funding policies, Chapter 3 provides specific policies related to Operation and Maintenance costs, Chapter 4 provides specific policies related to Procurement appropriations, Chapter 5 provides specific policies related to RDT&E, Chapter 6 provides specific
policies related to Military Construction appropriations, and Chapter 9 provides specific policies related to the Defense Working Capital Funds. Certain requirements are also addressed in OMB Circular No. A-11.

1902 COMBATING TERRORISM

190201. Purpose

A. This chapter provides instructions applicable to budget formulation for the DoD Combating Terrorism (CbT) funding requirements included in the DoD Components’ budget requests. These instructions apply to all Components and all DoD appropriations and revolving funds.

B. The data collected through this reporting process will be used to comply with congressional and OMB reporting requirements. Data will also be used by the Department to evaluate Components’ combating terrorism efforts during program and execution reviews.

190202. Submission Requirements

A. Submission of exhibits is required for the Program and Budget Review Submission and an update (using an abbreviated exhibit format) is required for the President’s budget submission. Each Component will complete the CbT-1 Exhibit, Combating Terrorism Detail, and the CbT-2 Exhibit, Combating Terrorism Narrative, for the Program and Budget Review Submission and for the President’s budget submission. The CbT-3 Exhibit, Vulnerability Assessments, will be completed only during the Program and Budget Review Submission and is NOT required for the President’s budget submission. The President’s budget submission exhibits will be presented in a consolidated congressional justification book which will be prepared by OASD(SO/LIC). Specific instructions for completing these exhibits are included in Section 191202.

B. The USD(I) Security Directorate will validate tactical counterintelligence resources identified by the Components and advise the OUSD (Comptroller) P/B Operations Directorate that reported resources are accurate.

C. Copy requirements are identified in Chapter 1. Components shall submit their exhibits through the Select and Native Programming (SNaP) Data Input System located on the NIPRNet at https://snap.pae.osd.mil. The most current version of this exhibit will be found at this site.

190203. Special Instructions

A. The OASD (SO/LIC) will actively participate in the review of all budget submissions for combating terrorism activities and will offer recommendations to ensure approved CbT policies are reflected in the budget. The OASD(SO/LIC) will consolidate and provide to the Congress a single budget justification book detailing the Department’s CbT efforts and associated funding requests.
B. The OASD (SO/LIC), Joint Staff Deputy Directorate for Antiterrorism/Homeland Defense, (J-34), Antiterrorism/Force Protection Division, and USD(I) will participate with representatives of the OUSD (Comptroller), OSD PA&E, and OMB in the review of all budget submissions for combating terrorism to ensure that DoD combating terrorism activities are funded adequately.

C. The CbT-1 and CbT-2 exhibits in Section 191202 are used to identify the Department’s combating terrorism resources, dollars and personnel. They consist of tabular and narrative data as outlined below. These exhibits will report only those resources (including civilian and military pay) associated with DoD’s Combating Terrorism Program. Combating terrorism within DoD includes 1) antiterrorism (defensive measures taken to reduce vulnerability to terrorist acts), 2) counterterrorism (offensive measures taken to prevent, deter, and respond to terrorism), 3) terrorism consequence management (preparation for and response to the consequences of a terrorist incident/event), and 4) intelligence related support (collection and dissemination of terrorism-related information) taken to oppose terrorism throughout the entire threat spectrum, to include terrorist use of WMD and/or high explosives. The four functional categories are described below:

1. Antiterrorism
   a. Physical Security Equipment - Any item, device, or system that is used primarily for the protection of assets, personnel, information, or facilities to include alarms, sensors, protective lighting and their control systems, military working dogs, and the assessment of the reliability, accuracy, timeliness and effectiveness of those systems, such as (but not limited to): exterior surveillance and/or intrusion detection systems; lighting systems; access controls and alarms systems; residential security equipment; improvised explosive device defeat systems; commercially procured armored vehicles (both heavy and light); equipment for executive protection, to include added doors, increased ballistic protection at offices/residences, personal body armor, individual protective equipment, and armored vehicles; and detection devices.
   b. Physical Security Site Improvements - Any facility improvements (using O&M or MILCON funding) or new construction whose purpose is to protect DoD assets, personnel, or information to include walls, fencing, perimeter/area lighting, doors, windows, ceilings, barricades, or other fabricated or natural impediments to restrict, limit, delay or deny entry into a Defense installation or facility, such as (but not limited to): acquisition of land for stand-off distance, installation perimeter barriers, vehicle barriers, mylar/fragment retention film, and interior barriers; safe havens; evacuation facilities; and surveillance platforms.
   c. Physical Security Management and Planning - Personnel who manage physical security programs, resources, and assets such as, but not limited to, headquarters staff.
   d. Security Forces/Technicians - All personnel and operating costs associated with protective forces whose primary or supporting mission is to safeguard assets, personnel or information. Included, but not limited to, are costs for: salaries, overtime, benefits, materials, supplies, travel, support equipment, facilities, vehicles, training, communications equipment, and management, for the personnel engaged in the following activities such as (but not
limited to): dedicated response forces and security forces; locksmiths; perimeter, installation or facility access control; inspection and maintenance of barriers and security system components; antiterrorism training for security forces; and antiterrorism awareness programs and training.

e. Law Enforcement - All personnel and operating costs associated with law enforcement to include, but are not limited to, salaries, overtime, benefits, material and supplies, equipment and facilities, vehicles, helicopters, training, communications equipment, and management, such as (but not limited to): protective service details, including advance work; response forces; and military police.

f. Security and Investigative Matters Category - Includes Defense criminal investigative resources, conduct of vulnerability assessments (periodic high level reviews and physical security assessments), security and intelligence activities, and any cross-discipline security functions which do not easily fit into other security categories such as (but not limited to): terrorism investigations; executive antiterrorism training; surveillance and countersurveillance teams; protective service details including advance work; route surveys; and antiterrorism awareness programs and training.

g. RDT&E - Includes any RDT&E resources expended in the area of antiterrorism. Activities include (but are not limited to) are Defense Threat Reduction Agency, Counterterrorism Technical Support Program (CTTS), the Physical Security Equipment Action Group (PSEAG), the Technical Support Working Group (TSWG), Defense Advanced Research Projects Agency (DARPA) and Chemical Biological Defense Program (CBDP).

2. Counterterrorism

Offensive measures taken to prevent, deter, and respond to terrorism. The sensitive and compartmental programs of counterterrorism (CT) will be reported separately in the appropriate classified program submissions.

a. Special Operations Command Activities

b. Research Development Test and Evaluation (example, CTTS or TSWG)

c. DoD Rewards Program

3. Terrorism Consequence Management

DoD defines Consequence Management (CM) as those measures taken to protect public health and safety, restore essential government services, and provide emergency relief to governments, businesses, and individuals affected by the consequences of a chemical, biological, radiological, nuclear, and/or high-yield explosive (CBRNE) situation. The Department has a wide variety of unique warfighting support capabilities, both technical and operational, which could be used to provide assistance to state and local authorities in the event of a terrorist attack. The Department’s role is to provide assistance emphasizing the unique resources and capabilities that are not found in other federal agencies, such as the ability to mass mobilize and to provide extensive
logistical support. The Department supports the lead federal agency within existing required resources while not adversely affecting overall military preparedness. This also includes the activities of installation first responders. For clarity, descriptions of subcategories are as follows:

a. **Consequence Management Response** – Includes war fighting units and installation first responders within the Department that possess specialized equipment, knowledge, skills, and training that could be brought to bear after a WMD incident. Units would include, but are not limited to, the Defense Nuclear Advisory Team, 52nd Ordnance Group, Edgewood Chemical and Biological Forensic Analytical Center Modular On-site Laboratory, Medical Chemical Biological Advisory Team, US Army Medical Research Institute of Infectious Diseases, Radiological Control Teams, Radiological Advisory Medical Team, Response Task Force, 20th Support Command – Chemical Biological Radiological Nuclear and High Yield Explosives (CBRNE), and Chemical/Biological Incident Response Force. Also includes funding for Installation Emergency Responders such as fire departments, security forces, law enforcement, medical responders, civil engineers, medical surveillance, and explosive ordinance disposal. Funding includes training, exercises, and evaluation for base and headquarters personnel, support for formal and supplemental training courses, developing and evaluating response plans, and other associated activities. Funding in this category also includes procurement efforts for the Chemical Biological Installation Protection program and operations and maintenance for the Chemical, Biological, Radiological, and Nuclear Defense program. Funding also includes a pilot program to expand emergency responder capabilities to handle CBRNE emergencies through the procurement of specialized equipment, additional training, and exercises.

b. **Weapons of Mass Destruction Civil Support Teams** - Include the Joint Task Force Civil Support and the 55 congressionally mandated WMD Civil Support Teams (CSTs). Joint Task Force Civil Support is responsible for the planning and execution of military assistance to civil authorities for consequence management of WMD incidents within the United States, its territories and possessions. CST funds are used for unique individual and collective unit training. Funds also support operational deployments, equipment upgrades, and communications links.

c. **Research Development Test and Evaluation** - RDT&E support to the terrorism consequence management efforts. Includes, but is not limited to, the activities of OSD, and the portion of DARPA’s Biological Warfare Defense Program that is dedicated to domestic terrorism consequence management.

4. **Intelligence Related Support to Combating Terrorism**- Collection, analysis, and dissemination of all-source intelligence on terrorist groups and activities intended to protect, deter, preempt, or counter the terrorist threat to US personnel, forces, critical infrastructures, and interests. THIS PORTION OF THE SNAP SUBMISSION IS NOT INCLUDED IN THE COMBATING TERRORISM JUSTIFICATION BOOK AND WILL ONLY BE COLLECTED DURING THE PROGRAM AND BUDGET REVIEW DATA COLLECTION CYCLE – IT WILL NOT BE COLLECTED DURING THE PRESIDENT’S BUDGET DATA COLLECTION CYCLE.

a. **Counterintelligence (CI)** - Includes personnel and funding associated with Military Intelligence Program (MIP). These activities include terrorism
investigations, surveillance and counter surveillance teams, terrorism analysis and production, force protection source operations, threat assessments, terrorism collection, route surveys, and intelligence staff support to deployed forces. Only those counterintelligence resources directly supporting force protection/combating terrorism activities are to be reported in this resource summary. Army and Marine Corps tactical CI resources and Army Security and Intelligence Activities CI resources will be reported by the Army and Marine Corps. The Counterintelligence Field Activity (CIFA) will report CIFA resources that directly support force protection/combating terrorism activities.

b. Research Development Test and Evaluation - For example, Counter Terrorism Technical Support Program.

D. Entries for CbT-1 Exhibit

1. General: DoD Components should prepare a separate summary for each applicable appropriation and revolving fund. Each summary will report resources (funding and personnel) by the combating terrorism functional categories described above.

2. Appropriation Summary: For each appropriation (O&M, Military Personnel and Military Construction) report budget authority by appropriation, budget activity, and applicable subactivity group level/program line item/project. Procurement, and RDT&E appropriations, report the total combating terrorism budget authority funds by budget activity and by program element. For Revolving Funds, report obligation authority at the Working Capital Fund business area.

3. Financial Summary Section:


b. Operation and Maintenance. Report resources by CbT functional category, CbT activity group, budget activity, and subactivity group level (O-1 line).

c. Procurement. Report resources by CbT functional category, CbT activity group, and Program Element (PE) (P1 line item).

d. RDT&E. Report resources by CbT functional category and CbT activity group, and PE (PE/R-1 line item).


f. Revolving Funds. Report resources by CbT category and activity group by business area level.
4. **Personnel Summary Section:**

   a. For each applicable appropriation, report civilian and contractor personnel full-time equivalents (FTEs) and military (active and reserve component) end strength by CbT functional category and CbT activity group.

   b. The following generic Military Occupational Series (MOS) and civilian job series should be reported as full-time Combating Terrorism assets -- even if these persons spend only a portion of their time on combating terrorism activities. Additionally, personnel not in these MOS’s and/or job series who are assigned permanently or detailed to force protection offices and who spend at least 51% of their time directly supporting combating terrorism activities should be reported on this exhibit:

   1. **Military Career Fields/Occupational Series:** Military Police, Law Enforcement Specialist and Security, Master at Arms, Security Forces, Criminal Investigator, Interrogator, Interpreter/Translator, Counterintelligence Officer, and Office of Special Investigations. Appropriate subspecialities/subfunctions/skills are to be captured in these career fields/occupational series, in support of combating terrorism, with the exception of military working dogs in counterdrug missions.

   2. The following civilian Job Series are to be reported if responsibilities relate to CbT efforts: Physical Security Manager (GS-0080), Civilian Police (GS-0083), Security Guard (GS-0085), and those personnel in the Security Clerical and Assistance (GS-0086) series, and all associated wage grade positions that are in direct support of the previously aforementioned series.

   3. Personnel data associated with classified combating terrorism programs will be reported as follows: Army and Marine Corps tactical counterintelligence resources and all Army security and intelligence activities and CIFA’s counterintelligence resources will be reported in the CbT exhibits by the applicable components.

**1903 MAJOR RANGE AND TEST FACILITY BASE**

190301. **Purpose**

A. This Chapter provides instructions applicable to budget formulation for the DoD Major Range and Test Facility Base (MRTFB) funding requirements included in the DoD Components’ budget requests. The exhibit formats submitted in support of the Program and Budget Review Submission (August timeframe) will be the same as those submitted to the Director, DoD Test Resource Management Center (TRMC) in support of the President’s Budget (March timeframe) except that the President’s Budget submission will not include updates to any of the Direct (User) funding or MILCON information on any Exhibit to include Exhibit 2D, Source of Direct Funds, in whole.
B. These instructions apply to the activities included in the MRTFB as defined in DoDD 3200.11 and listed below.

**Army:**
- Aberdeen Test Center (ATC), Aberdeen Proving Ground, MD
- Dugway Proving Ground, (DPG), Dugway Proving Grounds, UT
- Electronic Proving Ground (EPG), Ft. Huachuca, AZ
- High Energy Laser Systems Test Facility (HELSTF), White Sands Missile Range, NM
- Ronald Reagan BMD Test Site (RTS), Kwajalein Atoll, Marshall Islands
- White Sands Missile Range (WSMR), White Sands Missile Range, NM
- Yuma Proving Ground (YPG), Yuma Proving Ground, AZ

**Navy:**
- Atlantic Undersea T&E Center (AUTEC), Andros Island, Bahamas
- Naval Air Warfare Center-Aircraft Division (NAWCAD), Patuxent River, MD
- Naval Air Warfare Center-Weapons Division (NAWCWD), China Lake and Point Mugu, CA
- Pacific Northwest Range Complex, (Nanoose and Dabob Ranges), Keyport, WA
- Pacific Missile Range Facility (PMRF), Barking Sands, Kauai, HI

**Air Force:**
- 30th Space Wing (30SW), Vandenberg AFB, CA
- 45th Space Wing (45SW), Patrick AFB, FL
- Arnold Engineering Development Center (AEDC), Arnold AFB, TN
- Air Armament Center (AAC), 46 Test Wing (46TW), Eglin AFB, FL and 46th Test Group, (46TG), Holloman AFB, NM
- Air Force Flight Test Center (AFFTC), Edwards AFB, CA
- Nevada Test and Training Range (NTTR), Nellis AFB, NV
- Utah Test and Training Range (UTTR), Hill AFB, UT

**Defense Information System Agency:**
- Joint Interoperability Test Command (JTIC), Ft. Huachuca, AZ, Slidell, LA, and Arlington, VA

C. The TRMC is charged with administering OSD responsibilities for the MRTFB in accordance with DoDD 3200.11. Modifications to these instructions, requests for deviations from their provisions, or requirements for their clarification or applicability should be directed to and coordinated with the TRMC and OUSD (Comptroller) Program/Budget.

D. Budget estimates will be developed in accordance with guidance contained in Chapter 1 and the various chapters for appropriations and accounts.

190302. Submission Requirements

Copies of the following exhibits will be submitted twice annually in support of the President’s Budget (March timeframe) and the Program and Budget Review (August timeframe) for each major range and test facility. The same format and guidance are used for both submissions.
However, the Program and Budget Review submission shall include all the full budget exhibits, addressing both institutional and direct funding, whereas the President's Budget submission shall be an abbreviated version that needs only address updates to the institutional funding elements on each exhibit. Copy requirements are identified in Chapter 1. Exhibit formats are provided in Section 1912.

A. MRTFB-1 Exhibit, (Activity Title) Financial Summary.
B. MRTFB-2 Exhibit Set, (Activity Title) Financial Details.
C. MRTFB-3 Exhibit Set, (Activity Title) Improvement and Modernization Analysis.

190303. Preparation of Material

Budget estimate data submitted by each DoD Component for the MRTFB will be assembled separately and identified by a cover sheet specifically entitled "Major Range and Test Facility Base (Army/Navy/Air Force/DISA) Program Budget Estimate."

190304. Special Instructions

Representatives of the OUSD (Comptroller), DOT&E, TRMC and OMB will participate in the review of all budget submissions for the major ranges and test facilities to ensure that:

A. Funding is adequate to maintain and sustain the DoD MRTFB test capability.
B. Excess capability is not being unnecessarily maintained in the MRTFB.
C. Unnecessary duplication does not exist within the MRTFB activities.
D. Test facility capability needed in the future is being planned and supported.
E. All new major test facilities are thoroughly coordinated prior to their approval to reflect the needs of all elements of DoD.

1904 TEST AND EVALUATION FUNDING

190401. Purpose

A. This Chapter provides instructions applicable to budget formulation for the Test and Evaluation Exhibit (T&E-1) needed for review and analysis of Test and Evaluation (T&E) funding requirements included in the DoD Components' requests. The instructions specify the requirements for the program and budget submission.

B. The Director, Operational Test and Evaluation (DOT&E), is charged with oversight of the DoD T&E resources and funding of T&E by each major DoD program. Modifications to these instructions, requests for deviations from their provisions, or requests for their
clarification or applicability should be directed to and coordinated with DOT&E and OUSD (Comptroller) Program/Budget.

190402. Submission Requirements

Each DoD Component will, for the Program and Budget Review only, complete an Exhibit T&E-1, Test and Evaluation for each of the Major Defense Acquisition Programs (MDAP) as listed on the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) website at: http://friends.acq.osd.mil/ara/dab_oipt/schedule/mdaplist.html. This process is accomplished on-line using the Select & Native Programming Data Input System (SNaP) located at: http://snap.pae.osd.smil.mil. Note: The SNaP system operating instructions specified in the Programming and Budgeting Data Requirements on the SNaP system will supersede the instructions identified in this document if the instructions are different.

190403. Special Instructions

The DOT&E will participate with representatives of OUSD (Comptroller), USD(AT&L), and OMB in the review of all budget submissions for T&E funding to ensure that:

A. Resources required for the test and evaluation of the MDAP and Special Interest Programs, as identified in the Test and Evaluation Master Plan (TEMP), are adequately funded.

B. Unwarranted test capability is not being maintained at private industry facilities.

C. Unwarranted duplication does not exist among DoD Component assets and private industry.

D. Test facilities and capabilities required are adequately funded and supported.

E. All new major test facilities are approved by the Defense Test and Evaluation Steering Group to ensure they are warranted and meet the needs of all DoD components.

1905   FINANCIAL MANAGEMENT ACTIVITIES

190501. Financial Management Activities

A. This Section provides guidance for presenting budget estimates related to Financial Management Activities. It is designed to fulfill the requirements of Section 52, Information on Financial Management, of OMB Circular A-11.

B. Information on funding levels for financial management activities is required for oversight and review of component resources devoted to these activities and to ensure that their use is in accordance with the government-wide 5-year financial management plan prepared by OMB as required by the Chief Financial Officers Act of 1990.
C. Submission of Exhibit 52—Information on Financial Management, as shown in OMB Circular A-11, is required for the Program and Budget Review and an update is required for the President’s budget submission (Congressional Justification/Presentation). The exhibit should meet the definitions/descriptions contained in Section 52. Guidance for the automation of the data submission will be provided as part of the budget call for the Program and Budget Review.

D. Copies are to be provided directly to the OUSD (Comptroller), at the following address: Director, Accounting and Finance Policy and Analysis Directorate, Room 3E987, 1100 Defense Pentagon, Washington DC, 20301 (Commercial (703) 697-8283; DSN 277-8283).

190502. Financial Improvement Initiative (formerly Financial Improvement Initiative, FII 52

A. This section provides guidance for presenting program and budget estimates related to the Financial Improvement Initiative (FII). It supplements the information provided on the Exhibit 52 in the preceding section and also, supplements the PB-15, "Advisory and Assistance Services" exhibit.

B. Information on funding levels including budget and program years is required for oversight and review of component resources devoted to financial improvement and to respond to congressional questions about the amounts budgeted and programmed for financial improvement. The funding levels related to financial improvement include the amounts for the Financial Improvement and Audit Readiness report submitted to Congress and the amounts to achieve all of the milestones in the Financial Improvement Plan.

C. A Schedule 52, will be submitted for the Program and Budget Review and the update for the President’s Budget submission. The schedule shows the resources that are programmed and budgeted for the Department to produce reliable, accurate, and timely information and to finance the costs of annual financial statements audits. (Click on the link for the format and guidance for Schedule 52.)

D. Copies are to be provided directly to the OUSD (Comptroller), Financial Improvement and Audit Readiness Directorate, 1550 Crystal Drive, Suite 212, Arlington, VA 22202, (703-607-0300), extension 138; DSN 327-0300, extension 122).

190503. Preparation and Audit of Financial Statements

A. Sections 1008 (b) and (d) of the Fiscal Year 2002 Authorization Act, require the Under Secretary of Defense (Comptroller) to submit, with the annual budget justification, the following information:

1. An estimate of the resources that the Department of Defense is saving, or expects to save, as a result of actions taken or to be taken, with respect to the preparation and audit of financial statements (FS), and
2. A discussion of how resources saved in (1) above have been redirected or are redirected to improvement of systems, financial policies, procedures, and internal controls underlying financial management within the department. The Components should submit these costs for the preceding fiscal year, the current year, and the following fiscal year. Click on the link for the format and guidance for the Section 1008 report.

B. Copies are to be provided directly to the OUSD (Comptroller), Financial Improvement and Audit Readiness Directorate, 1550 Crystal Drive, Suite 212, Arlington, VA 22202 (703-607-0300), extension 138; DSN 327-0300, extension 122).

1906 GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)

190601. Purpose

The purpose of this section is to establish basic guidance for aligning GPRA reporting requirements with the Department’s budget development process and OMB Circular A-11’s requirement to submit an annual performance budget.

190602. Submission Requirements

A. The 1993 Government Performance and Results Act (GPRA) require the Department of Defense to submit a strategic plan (updated at least once every 4 years), an annual performance plan, and an annual performance report.

B. The Quadrennial Defense Review, issued every four years, serves as the Department’s strategic plan; the QDR establishes strategic outcome goals for the Department.

C. The Secretary’s Annual Defense Report (ADR) to the President and the Congress, in combination with the statutory reports of the Military Departments and budget justification materials serve as the Department’s performance plan. The Military Departments’ statutory reports describe how service-level strategies and associated performance goals support the Department’s overall performance framework. The congressional budget justification materials, which list program-level goals and performance measures that support both Component-level and Departmental performance goals, serve as a performance budget. OMB Circular A-11, Section 220, provides additional details.

D. The Performance and Accountability Report (PAR), Section II, documents actual results against the Defense-wide performance goals established in the ADR, and thus serve as the Department’s performance report.

E. The QDR, ADR, performance budget, and PAR satisfy the standards set forth by the 1993 Government Performance and Results Act. Together they serve as the Secretary’s primary public record of how well the Department is managing to results.
1907  INFORMATION ON OVERSEAS STAFFING (POSITIONS FILLED)

190701.  Purpose

The purpose of this section is to establish basic guidance for the annual reporting of the number of overseas employees assigned to the Chief of Mission staff as required by OMB Circular A-11 and the Department of State, Capital Security Cost Sharing (CSC) Program.

*190702.  Submission Requirements

A.  OMB Circular A-11, Section 25 requires the Department of Defense to submit an exhibit on Information on Staffing Overseas on an annual basis. Submission is required on overseas staffing if your agency assigns employees to overseas positions under a Chief of Mission, as defined below.

B.  This information is required to analyze the number of overseas employees assigned to a Chief of Mission staff and the cost of new positions being assigned. Overseas employee means an American citizen employed outside the United States and its territories. Chief of Mission means the ranking officer in an embassy, permanent mission, legation, consulate general or consulate.

C.  Information reported will be compared for accuracy against the Department of State reports. Discrepancies will be validated by the Component or Defense Agency.

D.  The following types of positions are to be reported:

1.  U.S. Hires
2.  Full-time permanent (FTP) U.S. direct-hire positions (USDH)
4.  U.S. military positions
5.  Locally Engaged Staff
6.  Foreign Service National (FSN)
7.  PSCs or Personnel Services Agreements (PSA)
8.  Third Country Nationals (TCNs)
9.  Locally Hired Americans, including eligible family members
10.  TDY – long term/rolling TDY employees

E.  Additional information and guidance can be found in OMB Circular A-11, Section 25 and the Department of State, Capital Cost Sharing Program (http://www.state.gov/obo/c11275.htm). The PB-59, DoD Overseas Staffing exhibit must be submitted in an EXCEL spreadsheet to OUSD (Comptroller) P/B, Operations Directorate, Room 3C710, the Pentagon.
1908  FEDERAL CREDIT PROGRAMS

190801.  Purpose

This Section provides guidance for presentation of annual budget estimates for Federal credit programs. Credit programs in the Department of Defense consist of direct loans and guaranteed loans.

190802.  Submission Requirements

A.  Military Departments and Defense Agencies, as appropriate, will submit to OSD in support of Federal credit programs all materials required by, and in the format specified in, OMB Circular No. A-11, Section 85. Copies of appropriate exhibits will be submitted in support of the Program and Budget Review Submission only.

B.  Definitions:  The following definitions apply to the credit account structure. Agencies should refer to OMB Circular A-34 and A-11 for a more detailed explanation of terminology and budget instructions.

1.  A direct loan is a disbursement of funds by the Government to a non-Federal borrower under a contract that requires repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by a non-Federal lender. It also includes the sale of a Government asset on credit terms of more than 90 days duration.

2.  A direct loan obligation is a legal or binding agreement by a Federal agency to make a direct loan when specified conditions are fulfilled by the borrower.

3.  A loan guarantee is any guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender, but does not include the insurance of deposits, shares, or other withdrawal accounts in financial institutions.

4.  A loan guarantee commitment is a legally binding agreement by a Federal agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.

5.  Financing Account is the non-budget account or accounts associated with each credit program account for post-1991 direct loans or loan guarantees. It holds balances, receives the subsidy cost payment from the credit program account, and includes all other cash flows to and from the Government. Separate financing accounts are required for direct loans and loan guarantees.

6.  Modifications are any Government action that alters the estimated subsidy cost, compared to the estimate contained in the most recent budget submitted to Congress, of an outstanding direct loan (or direct loan obligation) or an outstanding loan guarantee (or loan guarantee commitment). Actions permitted within the terms of an existing contract are the only
exception. Modifications to pre-1992 direct loans and loan guarantees are included in this definition, as well as modifications to post-1991 direct loans and loan guarantees. For pre-1992 direct loans and loan guarantees, the loan asset or guarantee liability will be transferred from the liquidating account to the appropriate financing account. A one-time adjusting payment will be made between the liquidating and financing accounts. The subsequent cash flows will be recorded in the financing account.

7. **Program Account** is the budget account into which an appropriation to cover the subsidy cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to the financing account. Usually, a separate amount for administrative expenses is also appropriated to the program account. Each program account is associated with one or two financing accounts, depending on whether the program account makes both direct loans and loan guarantees. The program account pays subsidies to the financing account for post-1991 direct loans and loan guarantees, for modifications, and for re-estimates. These subsidy payments are counted in calculating budget outlays and the deficit.

8. **Subsidy** is the estimated long-term cost to the Government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs. In net present value terms, it is the portion of the direct loan disbursement that the Government does not expect to recover, or the portion of expected payments for loan guarantees that will not be offset by collections. The subsidy may be for post-1991 direct loan obligations or loan guarantee commitments, for re-estimates of post-1991 loans or guarantees, or for modifications of any direct loans or loan guarantees.

9. **Re-estimates** are the recalculation of the subsidy cost of each risk category within the cohort of direct loans or guaranteed loans. Re-estimates must be made at the beginning of each fiscal year following the year in which the initial disbursement was made and as long as the loans are outstanding, unless a different plan is approved by OMB.

10. **Cohort** - Direct loans obligated or loan guarantees committed by a program in the same year, even if disbursements occur in subsequent years or the loans are modified. Modified pre-1992 direct loans will constitute a single cohort; modified pre-1992 loan guarantees will constitute a single cohort. For loans subsidized by no-year or multi-year appropriations, the cohort may be defined by the year of appropriation or the year of obligation. The Program and Financial Control Directorate of OUSD (Comptroller) P/B will contact OMB for proper determination.

C. Materials required by this Section will be provided for credit programs for the DoD Family Housing Improvement program, the Army ARMS Initiative Program, the Defense Export Loan Guarantee Program, and for any additional programs involved in direct loans or guaranteed loans.

D. Copies of these materials are required as part of the program and budget review submission in the quantities identified in Chapter 1.
1909 OTHER SPECIAL INTEREST AREAS

190901. Purpose

This Chapter prescribes instructions for the preparation and submission of budget justification backup data for special areas in which the Congress or OMB has expressed interest. Most of these requirements affect more than a single appropriation.

190902. Submission Requirements

A. Data in the exhibit formats provided in Section 1912 are required for the following program areas:

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PB-15 Advisory and Assistance Services ................................................67
PB-16 Legislative Proposals .................................................................71
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PB-22 Major Department of Defense Headquarters Activities ............73
PB-23 Acquisition and Technology Workforce Transformation Program ...75
PB-24 Professional Military Education ...............................................77
PB-25 Host Nation Support ...............................................................80
PB-28 Funds Budgeted for Environmental Quality (Non-ER, Navy, AF or Defense wide ) .................................................................95
PB-28A Funds Budgeted for Environmental Security Technology ........98
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PB-52A DoD Aeronautics Budget .........................................................110
PB-52B DoD Space Budget .................................................................112
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PB-54, Civilian Personnel Hiring Plan ................................................114
PB-55 International Military Headquarters ..........................................115
PB-58 Combatant Command Direct Funding ......................................116
PB-59, DoD Overseas Staffing Report ...............................................117
PB-60 Life Cycle Sustainment ............................................................117

B. Definitions are to be identical to those most recently used in furnishing data to the Congress.

C. All exhibits are required for the Program and Budget Review Submission and the congressional justification/presentation submission. Copies of exhibits are required with the submissions in the quantities identified in Chapter 1.
1910 CLASSIFICATIONS AND DEFINITIONS – COMMAND, CONTROL, COMMUNICATIONS, AND INTELLIGENCE PROGRAMS

191001. Purpose

The Office of the Director for Program Analysis and Evaluation maintains a listing of program elements (PEs) in the Future Years Defense Program (FYDP) making up these programs. For details, please contact the POC for the FYDP Resource Structure Management (RSM) system. The RSM system and its Web site are described in FMR Volume 2A, Section 010702.

1911 NOT USED

1912 OTHER SPECIAL ANALYSES SUBMISSION FORMATS

191201. Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

191202. Exhibits in Support of Section 1902 – Combating Terrorism

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191203. Exhibits in Support of Section 1903 - Major Range and Test Facility

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MRTFB-2c Workyears ........................................................................................................... 49
Instructions for Major Range and Test Facility Base (MRTFB) Budget Exhibits ............... 56

191204. Exhibits in Support of Section 1904 - Test

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191205. Exhibits in Support of Section 1909 - Other Special Interest Areas

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Exhibit PB-52B DoD Space Budget .................................................................................. 112
Exhibit PB-53 Budgeted Military and Civilian Pay Raise Amounts ..................................... 113
Exhibit PB-54 Civilian Personnel Hiring Plan ................................................................... 114
Exhibit PB-55 International Military Headquarters ............................................................. 115
Exhibit PB-59 Overseas Staffing Report ............................................................................ 116
HCbT 1 Combating Terrorism Activities Detail - SNaP Format

<table>
<thead>
<tr>
<th>Class</th>
<th>Component</th>
<th>CBTCategory</th>
<th>CBTAActivity Group</th>
<th>Program Title</th>
<th>Funding Source</th>
<th>Treasury Code</th>
<th>BACode</th>
<th>Budget Item</th>
<th>Line Item</th>
<th>ResourceType</th>
<th>Reason Code</th>
<th>Reason For Change</th>
<th>PBD_PDM_Num</th>
<th>PBD_PDM_Date</th>
</tr>
</thead>
</table>

**Instructions**

1) For all fields listed above, please report the funded and levels of Manpower, Total Obligation Authority (TOA), and Quantity Procured for all combating terrorism activities. Reporting is required by Program Title, within CbT Activity Group, CbT Category, Component and Org. Please refer to the attached relationship table to properly identify CbT Categories and their associated CbT Activity Groups.

2) Under the field name ResourceType, select “Funding” to report appropriations not explicitly listed: e.g., MilCon, Procurement, RDT&E, and Revolving Funds.

3) Report $ in Thousands; Civilians and Contractors in FTEs; Military Personnel in Authorized End-Strength; and Quantity Procured in Units.

For Manpower:

1. For each applicable appropriation, report civilian and contractor personnel full-time equivalents (FTEs) and military (active, guard, and reserve component) end strength by CbT Category, CbT Activity Group, and Program Title.

2. The following generic Military Occupational Series (MOS) and civilian job series should be reported as full-time Combating Terrorism assets -- even if these persons spend only a portion of their time on combating terrorism activities. Additionally, personnel not in these MOSs and/or job series who are assigned permanently or detailed to force protection offices and who spend at least 51% of their time directly supporting combating terrorism activities should be reported on this exhibit:

   A. Military Career Fields/Occupational Series: Military Police, Law Enforcement Specialist, Security, Master at Arms, Security Forces, Criminal Investigator, Interrogator, Interpreter/Translator, Counterintelligence Officer, and Office of Special Investigations. Appropriate subspecialties/subfunctions/skills are to be captured in these career fields/occupational series, in support of combating terrorism, with the exception of military working dogs in counterdrug missions.

   B. The following civilian Job Series are to be reported: Physical Security Manager (GS-0080), Civilian Police (GS-0083), Security Guard (GS-0085), and those personnel in the Security Clerical and Assistance (GS-0086) series, and all associated wage grade positions that are in direct support of the previously aforementioned series.

   C. Personnel data associated with classified combating terrorism programs will be reported as follows: Army and Marine Corps tactical counterintelligence resources and all Army Security and Intelligence Activities counterintelligence resources will be reported in the CbT exhibits by the applicable Components.
D. The services shall report all CbT military manpower ($ and End-strength) and annotate (using the OccupationService field) the Combatant Command, Defense Agency, or Field Activity that any personnel are detailed to.
E. The Combatant Command, Defense Agencies, and Field Activities shall report the military End Strength detailed to their organization and annotate (using the Occupation Service field) the service providing the manpower.

CbT 1 Definitions

Class: System Field: Classification. All information for this exhibit must be submitted at the unclassified level on the unclassified network.

U: UNCLASSIFIED

Component: Identifies the duty status for military service units and defense agencies.
- Active:
- Guard:
- Reserve:
- JIEDDO: Joint IED Defeat Organization

CBTCategory: Antiterrorism (defensive measures), Counterterrorism (offensive measures), Terrorism Consequence Management (preparedness and response for mitigating the consequences of a WMD incident), and Intelligence Related Support.

CBTActivityGroup: A specified grouping of activities and functions that describe the type of CbT effort within a CbT Category. Refer to the CbTCategory & CbTActivityGroup Relationship Matrix.

Program Title: Descriptive name of your program: associated with the PE’s and the resources for the CbTActivityGroup. This is a required field and must be entered through the data management segment of SNaP prior to entering Program Details.
- Open List. Add entries to pick list.

Funding Source: Annotate if the original source of the funding was the Defense Emergency Response Fund (DERF ’03), Supplemental Funding for FY 2007, FY 2008, or N/A for all other funding.
- DERF ’03:
  - Supplemental ‘06
  - Supplemental ‘07
  - Supplemental ‘08
- N/A:

Treasury Code: Identifies resources by type, organization and component. Select from the defined set of four to six-digit codes provided from the Comptroller.
See Data Matrix

Budget Line Item: (Closed List) Provide the Activity Group (AG) and Sub-Activity Group (SAG) if the appropriation is O&M; the Project Number as used in the R2 report for RDT&E; Line Item if Procurement; Project Number if MilCon; and Activity Group (AG) N/A if Revolving funds. The list of Budget Line Item/Budget Line Item Name values is located on the PDR Info page of the SNaP website (https://SNaP.PAE.OSD.MIL).

Resource Type:

Civilian Pay - Direct Hire Civilian: Civilian Pay part of TOA in the identified PE that provides resources for the Direct Hire Civilians within the CbT Activity Group and Program Title.

Civilian Pay - Foreign Direct Civilian: Civilian Pay part of TOA in the identified PE that provides resources for the Foreign Direct Civilians within the CbT Activity Group and Program Title.

Civilian Pay - Foreign Indirect Civilian: Civilian Pay part of TOA in the identified PE that provides resources for the Foreign Indirect Civilians within the CbT Activity Group and Program Title.

Contractor: Number of Contractors designated as CbT in that CbT Activity Group, Program Title, and Program Element.

Contractor Pay: TOA portion of the identified PE that provides resources for contractor pay with the CbT Activity Group and Program Title.

Direct Hire Civilian: Number of Direct US civilians designated as CbT in that CbT Activity Group, Program Title, and Program Element.

Enlisted: Report Enlisted end-strength carrying occupation codes designated as AT, CT, TCM, or INT at the individual occupational specialty code level for each CbT Activity Group, Program Title, and Program Element.

Foreign Direct Civilian: Number of Foreign Direct Civilians designated as CbT in that CbT Activity Group, Program Title, and Program Element.

Foreign Indirect Civilian: Number of Foreign Indirect Civilians designated as CbT in that CbT Activity Group, Program Title, and Program Element.

Funding: Identify funding for MILCON, Procurement, RDT&E, DWCF, and Revolving Funds.

MilPay - Enlisted: Report funding for all Enlisted personnel carrying occupation codes designated as AT, CT, TCM, or INT for each CbT Activity Group, Program Title, and Program Element.

MilPay - Officers: Report funding for all Officers carrying occupation codes designated as AT, CT, TCM, or INT for each CbT Activity Group, Program Title, and Program Element.

Officers: Report Officer end-strength carrying occupation codes designated as AT, CT, TCM, or INT at the individual occupational specialty code level for each CbT Activity Group, Program Title, and Program Element.

Other O&M: Operations and Maintenance TOA portion of the identified PE that provides resources for the described program within the AT/FP activity (excludes Civilian Pay which will be reported separately).

Quantity Procured: Number in units of each piece of physical security equipment or Installation First Responder reported.

Occupation Service: Closed List. For defense agencies and field activities, identify the Service providing the manpower for Officer or Enlisted resource types. For the services, identify the service, defense agency or field activity the manpower is detailed to for Officer and Enlisted resource types. Select Civil Service for Direct Hire Civilian resource type. Select N/A for all other Resource Types.

Air Force:
Army:
Civil Service:
Navy:
Marine Corps:
DHP
Occupation Code: Provide the occupational specialty code/civilian job series and title for all manpower (Officer, Enlisted, Direct Hire Civilian, Indirect Hire Civilian, Foreign Indirect Hire Civilian). For example: Civ 4804 Locksmith, Off 31A Military Police, or Enl 5822 Polygraph Examiner. Occupation Codes are taken from the Defense Manpower Data Center (DMDC) DoD Occupation Database (ODB). The complete list of valid codes is available on the PDR info page of the SNaP website (https://SNaP.PAE.OSD.MIL).

CONUS_OCONUS:

CONUS: Select CONUS for CONUS assets (Equipment, funding, personnel)
OCONUS: Select OCONUS for OCONUS assets.

CONUS_OCONUS Rationale: Explain the methodology used to assign or derive the CONUS/OCONUS breakout.

ReasonCode: Select the reason necessitating the change to the data: PBD, PDM, Congressional Action or Other.

Congressional Action:
Other:
PBD:
PDM:

Reason For Change: If ‘Other’ was selected under ReasonCode, provide text explaining the reason for the change.

PBD_PDM_Num: Enter the PBD or PDM number that necessitated the change if applicable, else select N/A.

PBD_PDM_Date: Enter the date (Month and Year) of the PBD or PDM that necessitated the change if applicable, else select N/A.
### CbT 2 Combating Terrorism Narrative – SNaP Format (PB Only)

<table>
<thead>
<tr>
<th>Class</th>
<th>Organization</th>
<th>CbTActivityRollupName</th>
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<table>
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<tr>
<th>Planned Activities</th>
<th>Reconciliation of Activities’ Increases and Decreases (explanation for resource level changes)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Instructions**

Provide the name, division of organization, phone number, and email address of the individual responsible for the information contained in the planned activities and reconciliation for each CbTActivityRollupName.

**CbT 2 Definitions**

**Class**: System Field: Classification. *All information for this exhibit must be submitted at the unclassified level on the unclassified network.*

*U*: UNCLASSIFIED

**Organization**: The POM reporting entities directed to submit this data requirement. For a complete list of organizations see by data requirement see Appendix A of the PDR.

**CbTActivityRollupName**: The name that all data will be aggregated to for the President’s Budget Justification Book. Rollup supporting CbTActivityGroups to the CbTActivityRollupName as outlined in the Data Matrix below.

**Planned Activities**: Describe all activities planned for the budget year at the CbTActivityRollupName level of detail.

**Reconciliation of Activities’ Increases and Decreases**: Explain any fiscal year to fiscal year changes in total program funding at the CbTActivityRollupName and appropriation level of detail.
CbT 2 Combating Terrorism Narrative – SNaP Format (Program/Budget Review Only)

<table>
<thead>
<tr>
<th>Class</th>
<th>Component</th>
<th>CbTActivityGroup</th>
<th>ProgramTitle</th>
<th>Description</th>
</tr>
</thead>
</table>

Instructions
1) Provide the Name, Division of Organization, Phone Number and email address of the Individual responsible for the information contained in the Program Title and Description. For each CbTActivityGroup and Program Title combination, provide a description of your program.

★CbT 2 (Program Budget) Definitions

**Class:** System Field: Classification. All information for this exhibit must be submitted at the unclassified level on the unclassified network.

**Component:** Identifies the duty status for military service units and defense agencies.

- **Active:**
  - **DADW:** Defense Area Defense Wide. Used by non-service defense agencies.

- **Guard:**

- **Reserve:**

**CbTActivityGroup:** A specified grouping of activities and functions that describe the type of CbT effort within a CbT Category. Refer to the CbTCategory, CbTActivityRollupName, & CbTActivityGroup Relationship Matrix below.

**ProgramTitle:** Descriptive name of your program: associated with the PE’s and the resources for the CbTActivityGroup.

**Description:** Description of the Program described by the PE’s and the resources for the CbTActivityGroup.

**POCFirstName:** First Name of Program POC.

**POCLastName:** Last Name of Program POC.

**POCDivision:** Division within the Organization responsible for the Program.

**POCPhone:** Phone Number for Program POC

**POCEmail:** Email address for Program POC
### CbT 1&2: Data Matrix: CbTCategory, CbTActivityRollupName, CbTActivityGroup Relationship

<table>
<thead>
<tr>
<th>CbTCategory</th>
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<td>Antiterrorism</td>
<td>Physical Security Equipment</td>
<td>Physical Security Equipment (PSE) Blast Mitigation</td>
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<td>(PSE) Communication</td>
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<td>(PSE) Explosive Detection</td>
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<td>Security and Investigative Matters</td>
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<td>AT R&amp;D, COTS Product/Technology Integration</td>
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19-30
Combating Terrorism Supporting Detail Definitions

1) Antiterrorism: those defensive measures taken to reduce vulnerability to terrorist attacks.

Physical Security

Physical Security Equipment (PSE): Any item, device, or system that is used primarily for the protection of assets, personnel, information for facilities, to include alarms, sensors, protective lighting and their control systems and the assessment of the reliability, accuracy, timeliness and effectiveness of those systems, such as (but not limited to): Exterior surveillance and/or intrusion detection systems; lighting systems; access controls and alarms systems; residential security equipment; equipment for executive protection, to include added doors, increased ballistic protection at offices and residences, personal body armor, armored vehicles, and detection devices.

Blast Mitigation Consists of (but not limited to):
1) Fragmentation reduction film, blast walls, etc
2) Explosive containers

Communication Consists of (but not limited to):
1) Personnel Alerting Systems
2) Pagers & Radios
3) Databases and assessment tools

Explosive Detection Consists of (but not limited to):
1) Portable & non portable detectors
2) Under Vehicle Surveillance Systems
3) Canine systems

Barriers Consists of (but not limited to):
1) Passive (cable reinforced fences, planters, jersey barriers, shrubs, trees, berms ditches, and inflatable booms)
2) Active (bollards, drums & sliding gate, cable beam)

Intrusion Detection Consists of (but not limited to):
1) Wide Area Security and Surveillance Systems
2) Detection devices (thermal, spectral, mechanical, etc)
3) Special lighting
4) Biometrics
5) Sensors

Personal Protection Consists of (but not limited to):
1) Body Armor
2) Personnel protective equipment
3) Unarmored Vehicles/Sedans

Patrol Boats
Up-Armored HMMWV
Commercial Heavy Armored Vehicles
Commercial Light Armored Vehicles
Improvised Explosive Device (IED) Defeat
Combating Terrorism Supporting Detail Definitions (Continued)

**Other Special Equipment: Specify Equipment Type.** This is a required field and must be entered through the data management segment of SNaP prior to entering program details. Add equipment types to the CBTActivityGroup pick list. With format of (PSE) Other Special Equipment: <Equipment Type>.

**Physical Security Site Improvements:** Any facility improvements (or increment of improvements) (using O&M or MILCON funding) or new construction (or increment of new construction) that is for the purpose of the physical protection of assets, personnel or information. These include walls, fences, barricades or other fabricated or natural impediments to restrict, limit, delay or deny entry into a Defense installation or facility, such as (but not limited to):

1) Primary facility modification/features such as special structural improvements to walls, doors, windows, ceilings, etc; interior barriers; or include any land acquisition for standoff distances
2) Supporting facility modification features such as site improvements in fencing, perimeter/area lighting, blast mitigation barriers, vehicle barriers, special landscaping
3) Safe havens
4) Evacuation facilities
5) Surveillance platforms

**Physical Security Management and Planning:** Personnel who manage physical security programs, resources, and assets such as but not limited to headquarters staff. CINC headquarters staff elements performing such functions should also be reported here.

**Security Forces and Technicians:** All personnel and operating costs associated with protective forces used to safeguard assets, personnel or information, to include (but not limited to) salaries, overtime, benefits, materials and supplies, equipment and facilities, vehicles, helicopters, training, communications equipment, and management, such as (but not limited to):

1) Dedicated response forces and security forces
2) Locksmiths
3) Perimeter, installation or facility access control
4) Inspection and maintenance of barriers and security system components
5) Antiterrorism training for security forces
6) Antiterrorism awareness programs and training

**Law Enforcement:** All personnel and operating costs associated with law enforcement, to include but not limited to salaries, overtime, benefits, material and supplies, equipment and facilities, vehicles, helicopters, training, communications equipment, and management, such as (but not limited to):

1) Response forces
2) Military police
3) Protective service details, including advance work

**Security and Investigative Matters:** Includes Defense criminal investigative resources, security and intelligence activities, and any cross-discipline security functions which do not easily fit into other security categories, such as (but not limited to):

1) Terrorism Investigations
2) Executive antiterrorism training
3) Surveillance and counter-surveillance teams
4) Protective service details, including advance work

19-32
Combating Terrorism Supporting Detail Definitions (Continued)

5) Route surveys
6) Antiterrorism awareness programs and training

Antiterrorism R&D: Includes any RDT&E resources expended in the area of antiterrorism, showing the program and purpose.

Antiterrorism (AT) Technical Support R&D

Physical Security and Other R&D

AT COTS Product/Technology Integration

2) Counterterrorism: Offensive measures taken to prevent, deter and respond to terrorism

Individual CT programs

Counterterrorism R&D- Includes any RDT&E resources expended in the area of counterterrorism showing the program and purpose.

Counterterrorism (CT) Technical Support R&D

CT COTS Product/Technology Integration

Other CT R&D

3) Terrorism Consequence Management: Preparation for and response to the consequences of a terrorist incident/event

Chemical and Biological Installation Protection (CBIP): Include all costs and personnel ($ and End Strength/FTE’s) associated with these activities including procurement of equipment.

CBRN Defense: Include all costs and personnel ($ and End Strength/FTEs) associated with these activities. Also include the quantity of equipment procured of all CBRN assets.

Assistance to State and Local Authorities: The employment of DoD assets and expertise to assess suspected nuclear, biological, chemical, or radiological event in support at the local or state authority. DoD assets to be reported include:

- Weapons of Mass Destruction Civil Support Teams
- Decontamination Elements
- Reconnaissance Elements
- Medical Elements

Special Response Units US Army

- US Marine Corps Chem/Bio Incident Response Force (CBIRF)
- Special Medical Augmentation Response Team (SMART)

Installation First Response Preparedness: As a new initiative for FY 2001, the Services were directed to develop requirements, train personnel, and procure equipment for first response preparedness at DoD installations and facilities. These initiatives will be reported here, above the baseline. Include and itemize all equipment procurement for: fire trucks, thermal imagers, sensors, detectors, and haz mat suits. Also include ALL personnel ($ and end strength/FTE’s) associated with these activities.

Consequence Management R&D: Includes any RDT&E resources expended in the area of CbT Terrorism Consequence Management showing the program and purpose.

Consequence Management (CM) Technical Support R&D

CM COTS Product/Technology Integration
Other CM R&D

**DARPA Biological Warfare Defense Program:** That portion dedicated to domestic terrorism consequence management. Applied research program to develop and demonstrate technologies to thwart the use of biological warfare agents (including bacterial, viral, and bioengineered organisms and toxins) by both military and terrorist opponents (against US assets at home and abroad). That portion dedicated to domestic terrorism consequence management is reported here. DARPA’s primary strategy for accomplishing this goal is to create technologies applicable to broad classes of pathogens and toxins. Projects include:
1. real-time environmental sensing
2. external protection (including novel methods of protection, air and water purification, and decontamination)
3. consequence management tools
4. advanced medical diagnostics for the most virulent pathogens and their molecular mechanisms
5. pre- and post-exposure medical countermeasures
6. pathogen genome sequencing

4) Intelligence Related Support: Collection and dissemination of terrorism-related information taken to oppose terrorism throughout the entire threat spectrum to include terrorist use of WMD and/or high explosives. This category will only be reported in the combating terrorism formats during the Program/Budget Review data collection cycle – not during the President’s Budget data collection.

**Counter-Intelligence:** All Army and Marine Corps tactical counterintelligence resources and all Army Security and Intelligence Activities CI resources will be reported in this tab. The Counterintelligence Field Activity will report CIFA resources that directly support force protection/combating terrorism activities. Counterintelligence is considered to include (but is not limited to) activities such as:
1) Terrorism Investigations
2) Surveillance and counter-surveillance teams
3) CI Terrorism analysis and production
4) Force protection source operations
5) Threat assessments
6) CI Terrorism collection
7) Route surveys
8) Intelligence staff support to deployed task forces

**Intelligence Related R&D:** Includes any DoD MIP RDT&E resources expended in the area of CbT Intelligence Related Support (counter-intelligence), showing the program and purpose.

**Intelligence Related (IR) Technical Support R&D/IR COTS Product/Technology Integration**

**Intelligence Related (IR) Technical Support R&D/Other IR R&D**

**CATEGORIES NOT TO BE REPORTED IN COMBATING TERRORISM DETAIL:**
Intelligence - Not reported in this TAB: NIP or MIP funding and personnel, such as (but not limited to):
- Terrorism collection (generally HUMINT, possibly SIGINT)
- Terrorism analysis and production (excluding CI)
- Terrorism watch centers
Combating Terrorism Supporting Detail Definitions (Continued)

- Terrorism indications and warning
- Intelligence staff support to deployed task forces

The Director, National Intelligence will report related intelligence support in accordance with the PPI, Section one, Part V, “Data Formatting and Economic Instructions,” “Intelligence Programs” as part of the NIP instructions.

Information Assurance - Not reported in this Section: Includes assuring readiness, reliability, and continuity of information assets, systems, networks, and their functions, protecting information systems against penetration/exploitation, providing the means to re-establish vital information system capabilities effectively and efficiently. Examples include Computer Emergency Response Teams (CERTs), and computer network security “firewalls.”

Counterproliferation - Not reported in this format: Chem/Bio Defense Program and WMD.
HCbT 3 Vulnerability Assessments (Program/Budget Review Only)

### HCbT 3 Vulnerability Assessments (Program/Budget Review Only)

<table>
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(4) **Instructions**

1. Report only those assessments addressing DoD standard 26, E3.1.1.26.4-.7 higher headquarters vulnerability assessments. Note that the standard requires an assessment of all installations at least once every three-(3) years.
2. Provide by country code and component the total number of installations.
3. DoDEA will report this information for all schools located off post.
4. Provide by country code and component the number of installations that contain family housing, VIP Housing, and or DoDES facilities. These will not add up to total installations.
5. Provide by country code and component the cost and number of assessments planned for future years and conducted in the prior and current years.
6. Provide total military, civilian and contractor manpower required to conduct assessments.
7. TOA is entered in dollars thousands ($000).
8. Military personnel are entered as End strength and Civilians and Contractors as FTEs.
9. See Appendix A for reporting requirements for your organization.

### CbT 3 Definitions

**Class**: System Field: Classification. **All information for this exhibit must be submitted at the unclassified level on the unclassified network.**

**U**: UNCLASSIFIED

**CountryCode**: (Closed List)

- AF: Afghanistan
- AL: Albania
- AG: Algeria
- AN: Andorra
- AO: Angola
- AC: Antigua and Barbuda
- AR: Argentina
- AM: Armenia
- AS: Australia
- AU: Austria
- AJ: Azerbaijan
BF  Bahamas, The
BA  Bahrain
BG  Bangladesh
BB  Barbados
BO  Belarus
BE  Belgium
BH  Belize
BN  Benin
BT  Bhutan
BL  Bolivia
BK  Bosnia and Herzegovina
BC  Botswana
BR  Brazil
BX  Brunei
BU  Bulgaria
UV  Burkina Faso
BM  Burma
BY  Burundi
CB  Cambodia
CM  Cameroon
CA  Canada
CV  Cape Verde
CT  Central African Republic
CD  Chad
CI  Chile
CH  China
CO  Colombia
CN  Comoros
CF  Congo (Brazzaville)
CG  Congo (Kinshasa)
CS  Costa Rica
IV  Côte d'Ivoire
HR  Croatia
CU  Cuba
CY  Cyprus
EZ  Czech Republic

HCbT 3 Vulnerability Assessments (Program/Budget Review Only) (Continued)

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ZI: Zimbabwe

State: (Closed List)

NA: Not Applicable
OK: OKLAHOMA
OR: OREGON
PA: PENNSYLVANIA
RI: RHODE ISLAND
SC: SOUTH CAROLINA
SD: SOUTH DAKOTA
TN: TENNESSEE
TX: TEXAS
UT: UTAH
VA: VIRGINIA
VT: VERMONT
WA: WASHINGTON
WI: WISCONSIN
WV: WEST VIRGINIA
WY: WYOMING

**Component:** Identifies the duty status for military service units and defense agencies.

- **Active:**

- **Guard:**

- **Reserve:**

**AssessmentDetail:** (Closed List)

- **Assessment Capability:** Number of Installations that can be assessed with the current teams.
- **Assessments Conducted:** Number of assessments conducted by country for 200–5-2006.
- **Assessments Planned:** Number of assessments planned by country for 2007-2013.
- **Civilian FTEs:** Number of civilian personnel conducting assessments.
- **Contractor FTEs:** Number of contractor personnel conducting assessments.
- **Installations with DoDES Facilities:**
- **Installations with Family Housing:**
- **Installations with VIP Housing:**
- **Military End-Strength:** Number of military personnel conducting assessments.
- **TOA:** Total funding programmed to conduct vulnerability assessments by country code.
- **Total Installations:** Total number of installations by component by country should be obtainable from the Installation Summary.
## DoD Component
*(MRTFB Activity Title) Financial Summary*

($ Thousands)

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MRTFB 1 Installation Financial Summary (Continued)

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Total MRTFB Activity

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Exhibit 1-Financial Summary

19-45
MRTFB 2a Institutional Funding Element of Expense Listing

**DOD Component**

(MRTFB Activity Title) Institutional Funding Element of Expense Listing

($ Thousands)

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<td>Communications</td>
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| Total Institutional Funding                      |         |       |       |       |         |
MRTFB 2a Direct Funding Element of Expense Listing (Continued)

**DOD Component**
(MRTFB Activity Title) Direct Funding Element of Expense Listing

($ Thousands)

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**Total Direct Funding**

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Exhibit 2a-Element of Expense
DOD Component

(MRTFB Activity Title) Schedule of Increases and Decreases
($ Thousands)

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<tr>
<td>b.</td>
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<tr>
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MRTFB 2c Workyears

### DOD Component

**Exhibit 2c-Workyears**

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### Narrative Section:

Exhibit 2c-Workyears

19-49
### DOD Component

(MRTFB Activity Title) Source of Direct Funds

($ Thousands)

<table>
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<th>FY PY-1</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY</th>
<th>FY BY+1</th>
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**A. DIRECT FUNDING - CUSTOMER**

1. **PARENT SERVICE**

   **Appn**
   - RDT&E

   **BAC**
   - PE
   - Title
   (List customers)

   **BAC Total**

   **RDT&E Total**

   **Operation & Maintenance**
   (List customers)

   **BAC Total**

   **Operation & Maintenance Total**

   **Procurement Appropriations**
   (List customers with subtotal by appropriation)

   **Procurement Appropriation Total**

   **Other Appropriations**
   (List customers with subtotal by appropriation)

   **Other Appropriation Total**

   **TOTAL PARENT SERVICE**

(MRTFB Activity Title) Source of Direct Funds (Continued)
2. OTHER DOD (Identify Service or OSD)

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<th>Appropriation Total</th>
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TOTAL OTHER DOD

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TOTAL OTHER U.S. GOVERNMENT

4. FOREIGN MILITARY SALES

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TOTAL FOREIGN MILITARY SALES

5. FOREIGN GOVERNMENT

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TOTAL FOREIGN GOVERNMENT
6. COMMERCIAL
   (List company or program)

   TOTAL COMMERCIAL

   TOTAL CUSTOMER DIRECT FUNDING

B. DIRECT FUNDING - NON-CUSTOMER
   (List types)

   TOTAL NON-CUSTOMER DIRECT FUNDING

(MRTFB Activity Title) Source of Direct Funds (Continued)

(Page 3 of 3)
MRTFB Improvement and Modernization (I&M) Projects Summary

**DOD Component**

(MRTFB Activity Title) I&M Summary

**Improvement and Modernization Projects**

(Sthousands)

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<th>Project Title (List Projects)</th>
<th>Total Est. Cost</th>
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**SUBTOTAL**

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|      |    |                                 |                 |             |         |       |       |       |        |                  |
|      |    |                                 |                 |             |         |       |       |       |        |                  |
|      |    |                                 |                 |             |         |       |       |       |        |                  |

**TOTAL I&M**


* Asterisk indicates the project meets threshold required for submission of a Quad chart

Exhibit 3a-I&M Summary
## DOD Component

(MRTFB Activity Title) I&M Listings

Military Construction and Base Realignment and Closure Projects
($ Thousands)

<table>
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<tr>
<th>Appn</th>
<th>PE</th>
<th>Title</th>
<th>Programmed FY</th>
<th>Est Cost at Complete</th>
<th>Programmed Funds</th>
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<td></td>
<td><strong>Total Planned MILCON Projects</strong></td>
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</table>

Exhibit 3a-I&M Listing
(Page 1 of 2)
### BRAC PROJECTS

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<thead>
<tr>
<th>Appn</th>
<th>PE</th>
<th>Title</th>
<th>Programmed FY</th>
<th>Est Cost at Complete</th>
<th>Programmed Funds</th>
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(List projects)

Total Funded BRAC Projects

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Exhibit 3b-MILCON & BRAC
INSTRUCTIONS FOR MAJOR RANGE AND TEST FACILITY BASE (MRTFB) BUDGET EXHIBITS

MRTFB-1 FINANCIAL SUMMARY

The MRTFB-1 is the basic, central exhibit for the Major Range Test Facility Base program and budget review submission. All other exhibits are related to this exhibit. The MRTFB-1 reflects total funds from all sources to be expended at each MRTFB activity. The instructions for preparation and definitions are in the following paragraphs. For each line entry, a fully comparable figure will be entered in each of the five columns.

The amounts reflected in the institutional entries are to be directly related to those amounts included in the appropriation submission of budget estimates to OSD/OMB.

Definitions and Instructions:

Total Institutional Funding - This line is for header purposes only and denotes the section dealing with the institutional funds that support the MRTFB activity’s mission.

Institutional (P.E. _____) - Denotes the funding which each Component provides directly to the activity for ongoing effort which cannot be ascribed to users of the activity. The financing program element number is to be entered in the parenthesis.

In-House Effort - The amount of the activity’s T&E Institutional funding which is devoted to supporting efforts conducted by government personnel at the activity.

Contractor Effort - The amount of Institutional funding expended by any contractor in support of the activity’s mission, either on-site or elsewhere.

Military personnel – Denotes the cost of the Military Personnel who are primarily assigned to the MRTFB activity for institutional and direct user support activities. This line does not include costs for Military Personnel assigned to non-T&E mission work.

Total Institutional and Military Personnel Funding – This line is the total of institutional funding, both-in-house and contractor, plus the cost of the Military Personnel which are assigned to the MRTFB activity for institutional and direct user support activities.

Direct (User Funding) - This line is for header purposes only, to denote the section dealing with funds received from customers for MRTFB activity mission efforts.

Parent Service - Funds that come to the activity from users who are from within the same service but distinguished from the institutional funds.

Other DoD - Funds from customers within DoD but not from the same service as the activity.

Other U.S. Government - Funds from other U.S. Government customers outside the DoD
Foreign Military Sales (FMS) - Funds received from FMS cases.

Foreign Government - Funds from foreign governments for other than FMS cases.

Commercial - Funds received from commercial customers, including DoD contractors that do not have a DoD program sponsor.

Support to Training (Non-add) – Customer funds from any source received by the activity to support any DoD training mission. These funds are reflected in the Total Customer Direct Funding line and are reflected here separately as a non-add line item only.

Other Non-T&E Support (Non-add) – Any other customer funds besides support to training that do not result in T&E work. The specific category of support should be reported if the funding level exceeds $1 million dollars in any given fiscal year. These funds are reflected in the Total Customer Direct Funding line and are reflected here separately as a non-add line item only.

Total Institutional, Military Personnel and Direct - The sum of the amounts in the Total Institutional, Military Personnel and Total Direct lines.

Other Funds-T&E Mission – This line is for header purposes only and denotes the section dealing with funding that directly supports the T&E mission but which is not included in the institutional, direct and military personnel items elsewhere on the exhibit. Additional lines may be added as required to identify all funds that directly support the T&E mission. The intent is to accurately reflect funds received from all sources to support the MRTFB’s overall T&E mission and to facilitate comparability across the Services. If additional categories are required to reflect the total “institutional” funding that is required for the activity, such as Environmental Compliance, additional lines should be added.

T&E Base Operating Support (BOS) – Funds for T&E base operating support costs. Do not include costs already identified in the MRTFB institutional funding line above. Provide the program element number for each entry.

T&E Mission SRM (Sustainment) – Funds for T&E sustainment costs. Do not include costs already identified in the MRTFB institutional funding line above. Provide the program element number for each entry.

T&E Mission SRM (Restoration and Modernization) – Funds for T&E restoration and modernization costs. Do not include costs already identified in the MRTFB institutional funding line above. Provide the program element number for each entry. Do not include restoration and modernization costs paid from the Improvement and Modernization funding lines.

Military Construction (MILCON) – Total of MRTFB MILCON projects from Exhibit 3-b.

Minor Construction – Total of minor construction projects. Minor construction is defined as projects totaling $750K or less.

Base Re-alignment and Closure (BRAC) – Total of MRTFB BRAC projects from Exhibit 3-b.

Improvement and Modernization (I&M) – Total funding provided to the MRTFB activity for improvement and modernization efforts. Do not include costs already identified in the MRTFB institutional funding line above.
Other Funds Applicable to the T&E Mission – Any other funding received by the MRTFB for costs associated with the MRTFB T&E mission.

Other Funds – Non-T&E Mission – This line is for header purposes only and denotes the section dealing with any other funding received by the MRTFB for efforts not identified in previous categories. Report individual activities by PE, purpose, and amount.

Total MRTFB Activity – The sum of the amounts in the Total Institutional, Military Personnel and Direct line, Other Funds – T&E Mission line, and Other Funds – Non-T&E Mission line.

MRTFB-2a, ELEMENT OF EXPENSE LISTING

For the Total Institutional and Direct funds entered on MRTFB-1 Exhibit, Financial Summary, provide a breakout by element of expense. The cost of Military Personnel should reflect the Full Time Equivalent (FTE's) military personnel cost associated with the T&E mission. The sum of the institutional and direct military personnel costs should equal the total on the MRTFB-1, Military Personnel line.

MRTFB-2b, SCHEDULE OF INCREASES AND DECREASES

Provide a several sentence description/justification of each increase and/or decrease, covering year-to-year changes in the total institutional funding entry on the MRTFB-1 Exhibit. Changes should address any financial increase or decrease that exceeds $500 thousand. There may be more than one increase or decrease to any or all entries on the MRTFB-1. Separately identify inflation and civilian pay increases. Identify any changes in T&E capability regardless of the amount of funding, to include elimination of any facilities, moth balling, etc.

MRTFB-2c, WORKYEARS

Submit a numerical summary of military, civilian, and contractor Full Time Equivalent (FTE) workyears. Civilian and contractor workyears should be divided into those that are institutionally funded and those that are reimbursed by direct user funding. Military workyears should also be reported in the category of work that is supported whether the workyears are reimbursed or not from direct users, i.e. military workyears used to perform T&E customer work should be shown as direct workyears.

The workyears reported in the Institutional category should reflect only those workyears funded from the institutional program element of the MRTFB. Workyears funded by “Other Funds – T&E Mission”, such as BOS and SRM, should be reported as “Other” workyears. Workyears funded by sources identified on the MRTFB-1 as "Non-T&E Support Direct" should not be reported in this exhibit.

Changes in workyears between fiscal years that exceed 10 percent in any category should be addressed in the narrative section of this exhibit.

MRTFB-2d, SOURCE OF DIRECT FUNDS
Identify by major program, the source of the Direct Funds contained in MRTFB-1, Direct User Funding.

For Direct Funding – Customer, provide the following breakout: For the parent service RDT&E and O&M funds, the Program Element, title, Budget Activity Code (BAC), and appropriation descriptors must be provided. For Parent Service procurement appropriations, provide a list of customers greater than $1M for any FY and group smaller customers at the appropriation level. For Other DoD, provide a list of customers by appropriation and Service. For Other U.S. Government, provide a list of customers by Agency. For FMS and Foreign Government, provide a list of customers by country/program and for Commercial, provide a list of customers by company or program. This section should reflect both test and non-test customer funds.

For Direct Funding – Non-Customer, provide a one-line summary by type of funding. Include Direct funding that is not customer related such as inter-organizational miscellaneous reimbursements as well as pass-through and transfers sent off the MRTFB. This section is not reflected on MRTFB-1.

For unidentified workload, enter estimates of Unidentified Workload in the appropriation (for RDT&E include data by budget activity) that best reflect historical workload. It is acceptable to group small efforts into one multiple line item, but groupings funded by Parent Service appropriations should not exceed ten percent of any category.

MRTFB-3a, IMPROVEMENT & MODERNIZATION SUMMARY

Provide a project level listing covering fiscal years from PY-1 through the BY+1. For projects that extend beyond the BY+1, include the cost to complete. Ensure that the exhibit includes all improvement and modernization (I&M) anticipated for the activity, whether the funding source is institutional, the parent Service T&E program element(s), customer funding or CTEIP funding.

Report all I&M projects, regardless of funding source, which exceed $200 thousand in any single fiscal year or $1 million cumulatively. List each project by appropriation and program element.

For any project exceeding $1 million in any year or cumulative funding of $5 million, including the projects not funded, provide summary data that includes potential benefits, cost savings and capability improvements in the form of a quad chart. Use an asterisk to indicate the projects meeting this threshold on the total project-level listing. Quad charts should include the following detail:

Project Title:
   (1) Description - Concise description of what is to be acquired, where it will be located, its relationship to other upgrades at this facility or other DoD facilities. Identify whether the effort is required to provide an enhanced capability or whether it modernizes an existing capability.
   (2) Requirements/Payoffs - Specify the operational requirement being addressed by the project. If it is required to provide an enhanced capability, list the programs that will benefit and provide the required operating date. If required as an improvement to an existing capability, provide a payback date and the schedule for retirement of existing equipment that will become obsolete as a result of the upgrade. Discuss what other alternatives and what cross-service opportunities were considered in the review of this requirement.
   (3) Tests to be Supported - List the programs and tests to be supported by the I&M project. Indicate the acquisition category for each program that will be using the upgraded equipment or facility.
   (4) Schedule - Provide the critical milestones for the project. Include the approval date of the operational requirements document, the date of TERIB and TRMC review, the contract award dates, IOC and FOC.
(4) Funding Profile - Provide total funding plan, including all funding sources, for development through FOC and the follow-on sustainment costs. Funding should be consistent with that identified in the MRTFB-3a, Summary of I&M Projects, and with that included in the other R&D program and budget review submission exhibits.

Quad charts prepared for TRMC reviews can be used for the program and budget review submission as long as all of the requested information is included. Indicate the projects not funded in the Requirements section along with a statement indicating why it was not funded.

**MRTFB-3b, MILITARY CONSTRUCTION AND BASE REALIGNMENT AND CLOSURE PROJECTS**

Provide summary data for all Military Construction (MILCON) and Base Realignment and Closure (BRAC) projects that are programmed to support the MRTFB mission at the activity and are funded in either PY-1, PY, CY, BY and BY +1 of the Program Budget Submission.

For funded MILCON and BRAC projects, identify by fiscal year the individual funded projects with the same title as the approved DD Form 1391.

For Planned MILCON projects, identify by fiscal year the projects that are planned for the MRTFB through the FYDP period.

The total funded projects listed on this exhibit should match the MRTFB Exhibit-1 Military Construction and BRAC funding line.
### Test and Evaluation Funding

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Exhibit T&E-1, Test and Evaluation Funding
Instructions for Exhibit T&E-1, Test and Evaluation

1. Purpose.

A. The Exhibit T&E-1 is the Test and Evaluation (T&E) funding exhibit for the Program and Budget review. It consists of tabular and narrative data describing the funding for T&E of the Major Defense Acquisition Programs (MDAP) as specified in DoD 5000.1 and Special Interest Programs identified in the Program Objective Memorandum (POM) Instructions, Table C-1. This reporting process is accomplished on-line using the Select & Native Programming Data Input System (SNaP) located at: http://snap.pae.osd.smil.mil. Note: The SNaP system operating instructions as specified in the Programming and Budgeting Data Requirements on the SNaP system will supersede the instructions identified in this document if they are different.

B. This exhibit reflects total funds included in the above-specified systems/programs for T&E regardless of what organization performs the T&E. It does not include funds in T&E programs, such as Major Range and Test Facilities Base (MRTFB) direct funding, used to provide services on a nonreimbursable basis to weapon systems.

2. Entries.

A. Instructions for Completing the Test & Evaluation Database

   (1) Provide Test and Evaluation Detail by Funding Type for Major Defense Acquisition Programs by Treasury Code, Budget Activity, Budget Line Item (BLI) and Program Element (PE), and Facility Type.

   (2) Provide narrative for all detail provided in a Word Document organized by the following:

      (a) Program Description: For each Program Element/Project provide a brief description of the major program and major changes from the most recent President’s budget request and the reason for the changes.

      (b) T&E Program/Project Description: For each major T&E Program/Project, exceeding $1 million in a single year or $5 million over the life of the program describe the program/project, provide major changes from the most recent budget baseline and the reasons for the changes. Divide the discussions into Development Test and Evaluation (DT&E), Operational Test and Evaluation (OT&E), and Live Fire Test and Evaluation (LFT&E). Within each T&E type, distinguish between contractor and government activities and include data on articles funding and the number of articles. For facilities provide a narrative to justify as required in the T&E Facilities entries in the Tabular Data Worksheet (above).

      (c) T&E Milestones/Schedules: Identify by date, the major milestones and scheduled T&E events (PT 3A, OT2, etc.) for each T&E program, noting deviations and reasons from what is stated in the approved Test and Evaluation Master Plan (TEMP).
Instructions for Exhibit T&E-1, Test and Evaluation (Continued)

(d) Approved TEMP Funding: Provide the difference (delta) in funding from the funding included in the most recently approved TEMP and provide a brief discussion of the reason for the difference.

(e) Funding: Briefly describe the use of the funds.

(f) Facilities Justification: Describe the reason for use of government or contractor facility. If capability is duplicated provide reasoning.

B. Definitions

(1) Organization: The POM reporting entities are directed to submit this data requirement. For a complete list of organizations required to submit a T&E-1 Exhibit, see Appendix A of the Programming and Budgeting Data Requirements (PBDR).

(2) Program Control Numbers (PNO) Code: Three-digit numeric code that identifies MDAP programs. If program is not an MDAP program leave blank. PNO codes are listed on the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) website at: http://friends.acq.osd.mil/ara/dab_oip/schedule/mdaplist.html.

(3) T&E Type:

(a) **DT&E**: Developmental Test and Evaluation (DT&E) is any engineering-type test used to verify status of technical progress, verify that design risks are minimized, substantiate achievement of contract technical performance, and certify readiness for initial operational testing. Development tests generally require instrumentation and measurements and are accomplished by engineers, technicians, or soldier operator-maintainer test personnel in a controlled environment to facilitate failure analysis.

(b) **OT&E**: Operational Test and Evaluation is the field test, under realistic combat conditions, of any item of (or key component of) weapons, equipment, or munitions for the purpose of determining the effectiveness and suitability of the weapons, equipment, or munitions for use in combat by typical military users.

(c) **LFT&E**: Live Fire Test and Evaluation is full-up, system-level survivability or lethality testing of a covered system, major munitions program, missile program, or product improvement to a covered system, major munitions program, or missile program before it can proceed beyond low-rate initial production.

(4) Treasury Code: The Treasury Code is a defined set of four-digit numeric codes provided by the Comptroller that identifies resource types.

(5) BA Code: The Budget Activity Code as defined by OUSD (Comptroller), in the Financial Management Regulation
Instructions for Exhibit T&E-1, Test and Evaluation (Continued)

(6) **Budget Line Item Number:** Provide the Activity Group and Sub-Activity Group (SAG) if the appropriation is O&M; the Project Number as used in the R2 report for RDT&E; Line Item if Procurement; Project Number if MilCon; and Activity Group and Customer if Revolving funds.

(7) **Program Element (PE):** The PE applies to RDT&E, Procurement and O&M appropriations. The PE is up to ten-digits in length, a seven-digit numeric identifier followed by up to three-digits alphanumeric code for Future Years Defense Program (FYDP) organization.

(8) **Funding Source:**

(a) **Government:** Resources, facilities, and capabilities that are owned by the U.S. Government.

(b) **Contractor:** Resources, facilities, and capabilities that are owned by a private company or firm.

(c) **Article:** An individual system or subsystem to be subjected to the test process

(9) **Funding Type:**

(a) **Facilities:** Includes all funding for provision of T&E capability through investment in plant and equipment (non-instrumentation) at facilities by funding source. For Government facilities these costs include all funding included as reimbursable orders (customer funding) to the Major Range and Test Facility Base and other installations.

(b) **Instrumentation:** Includes all funding for provision of T&E instrumentation (non-portable) by funding source.

(c) **Targets and Threat Simulators:** Includes all funding identified for targets and threat simulators by funding source.

(d) **Other Costs:** Include any additional funding not captured in the other Funding Types for performing T&E at facilities by funding source

(e) **Articles Funding:** Includes the funding for test articles to support the T&E planned for the system

(f) **# Articles:** Provide the number of test articles to support the T&E planned for the system by year of delivery of the article.

C. Business Rules
Instructions for Exhibit T&E-1, Test and Evaluation (Continued)

(1) Project or Line Item Number and Title relationship—A project or line item number can only have one title. When users add new numbers they will be prompted to add the corresponding title. The new title will only be valid with the new number.

(2) O&M --Requires funding entries for fiscal years only.

(3) Funding Source = Article, report a Funding Type = Articles funding and # of Articles.

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Funding Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>Facilities</td>
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<tr>
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<td>Instrumentation</td>
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<tr>
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<td>Targets/Threat Simulators</td>
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<td>Other T&amp;E Funding</td>
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<tr>
<td>Contractor</td>
<td>Facilities</td>
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<td>Targets/Threat Simulators</td>
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<td></td>
<td>Other T&amp;E Funding</td>
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<tr>
<td>Articles</td>
<td># of Articles</td>
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<td></td>
<td>Articles Funding</td>
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</tbody>
</table>
## Part I

Adjustment as result of Functional Transfers:

(Show the total adjustment to Component topline as a result of inter-Component functional transfers included in the program and budget submission but not included in the Program Review. In addition, show the adjustment to each appropriation separately.)

## Part II

(Show the following adjustments for each inter-Component functional transfer impacting all accounts included in Part I.)

### Functional Transfer Title

**Description:** Provide succinct narrative explanation for each functional transfer.

**Gaining Appropriation(s)/Budget Activity(s)/Subactivity Group(s)/line item/program**
- Civilian Full-Time Equivalent (FTE)
- Military End Strength
- Funding ($ 000)

**Losing Appropriation(s)/Budget Activity(s)/Subactivity Group(s)/line item/program**
- Civilian Full-Time Equivalent (FTE)
- Military End Strength
- Funding ($ 000)
## ADVISORY AND ASSISTANCE SERVICES

### DEPARTMENT/AGENCY

<table>
<thead>
<tr>
<th>Appropriation/Fund</th>
<th>FY PY Actuals</th>
<th>FY CY Estimate</th>
<th>FY BY1 Estimate</th>
<th>FY BY2 Estimate</th>
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<td><strong>Management &amp; Professional Support Services</strong></td>
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<tr>
<td>FFRDC Work*</td>
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<td>Non-FFRDC Work*</td>
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<td><strong>Studies, Analysis &amp; Evaluations</strong></td>
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<tr>
<td>FFRDC Work*</td>
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### Explanation of Funding Changes

* Provide a narrative explanation (in program terms) for any increase/decrease that is in excess of the estimated rate of inflation. This explanation of increase/decrease is required for changes between the PY and the CY, between the CY and the BY1, and between the BY1 and the BY2.

### Notes:

1. All totals displayed must equal amounts reported in object class 25.1.
2. FFRDC - Federally Funded Research & Development Centers.
3. A separate PB-15 must be prepared for each appropriation/fund.
4. A summary PB-15 must be prepared when consulting services are funded from more than one appropriation/fund.
ADVISORY AND ASSISTANCE SERVICES

BACKGROUND: The purpose of the exhibit is to provide Congress with actual estimates on the amount spent by DoD on advisory and assistance services which are utilized to enhance, assist, or improve the ability of government employees to make decisions on governmental processes, program, and systems. Congressional concern stems from both the cost and nature of advisory and assistance services. When contractors provide advice or assistance that may affect decision-making, influence policy development, or provide support to project or program management, it is essential to ensure that the contractor's performance is free of potential conflicts of interest and does not impinge upon the performance of inherently governmental functions by government employees. As such, advisory and assistance services require an appropriate degree of enhanced management and oversight. When using contractor provided products, final decisions, or actions must reflect the independent conclusions of DoD officials. Advisory and Assistance Services (object class 25.1) include services acquired by contract from non-governmental sources that provide management and professional support services; studies, analyses, and evaluations; and engineering and technical services, as defined below.

The definitions indicated below have been substantially revised to incorporate the changes indicated in section 911 of the National Defense Authorization Act for FY 1999 (codified in section 2212(b) of title 10 U.S.C.).

ADVISORY AND ASSISTANCE SERVICES DEFINITION (Object Class 25.1): Obligations for advisory and assistance services acquired by contract from non-governmental sources (including Federally Funded Research and Development Centers (FFRDCs) and non-FFRDCs) to support or improve organization policy development, decision making, management, and administration; support program and/or project management and administration; provide management and support services for Research and Development (R&D) activities; provide engineering and technical support services; or improve the effectiveness of management processes or procedures. The products of advisory and assistance services may take the form of information, advice, opinions, alternatives, analyses, evaluations, recommendations, training, and technical support. Object class 25.1 consists of the following three categories:

Management and Professional Support Service: This category includes funding for contractual services that provide engineering or technical support, assistance, advice, or training for the efficient and effective management and operation of organizations, activities (including management and support services for R&D activities), or systems. These efforts are closely related to the basic responsibilities and mission of the using organization and contribute to improved organization of program management, logistics management, project monitoring and reporting, data collection, budgeting, accounting, performance auditing, and administrative/technical support for conferences and training programs.

Studies, Analyses, and Evaluations: This category includes funding for contractual services to provide organized, analytic assessments to understand or evaluate complex issues to improve policy development, decision making, management, or administration and that result in documents containing data or leading to conclusions or recommendations. Those services may include databases, models, methodologies, and related software created in support of a study, analysis, or evaluation.

Engineering and Technical Services: This category includes funding for contractual services that take the form of advice, assistance, training, or hands-on training necessary to maintain and operate fielded weapon systems, equipment, and components (including software when applicable) at design or required levels of effectiveness.

 Instructions for Exhibit PB-15 Advisory and Assistance Services (Continued)

(June 1999). The following exemptions from DoD 4205.2 describe various contracted services that are not advisory and assistance services. Revisions to DoD 4205.2 may change these exemptions. Any such changes will be highlighted in supplemental guidance prior to the program and budget review submission.

- Activities that are reviewed and/or acquired in accordance with the OMB Circular A-76 program.

Architectural and engineering services for construction and construction management services procured in accordance with the Federal Acquisition Regulation (FAR), Part 36. Work not related to construction as defined by Part 36, and that meets the A&AS definition under existing architectural and engineering contracts, shall come under the purview of this Guidance.

Day-to-day operation of facilities (for example, the Arnold Engineering Development Center and related facilities) and housekeeping services and functions (for example, building and grounds maintenance, and physical security).

Routine maintenance of systems, equipment, and software; routine administrative services; printing services; and direct advertising (media) services.

Initial training services acquired as an integral part of the procurement of weapon systems, automated data processing systems, equipment or components, and training obtained for individual professional development.

Basic operation and management contracts for Government-owned, contractor-operated facilities (GOCOs); for example, the Holston Army Ammunition Plant in Kingsport, TN. Any contract action meeting the A&AS definition and procured under the GOCO basic contract shall come under the purview of this Guidance.

Clinical and medical services for direct healthcare.

The ADP and/or telecommunication functions and related services controlled in accordance with Title 41, Federal Information Resources Management Regulation (FIRMR), Code of Federal Regulations, Part 201.

The ADP and/or telecommunications functions and related services exempted from FIRMR control pursuant to Title 10, United States Code (U.S.C.), section 2315 and reported in Budget Exhibit 43a, “Report on Information Technology Systems,” of DoD 7110.1-M.

Services supporting the policy development, management, and administration of the Foreign Military Sales Program that are not paid for with funds appropriated by the U.S. Congress. (Includes A&AS funded with appropriated funds and reimbursed by the foreign customer).

Services (for example, systems engineering and technical services) acquired by or for a program office to increase the design performance capabilities of existing or new systems or where they are integral to the logistics support and maintenance of a system or major component and/or end item of equipment essential to the operation of the system before final Government acceptance of a complete hardware system. Care must be exercised to avoid exempting services acquired to advise and assist the program office and/or manager for program and/or contractor oversight and administration processes, resource management, planning and programming, milestone and schedule tracking, or other professional or administrative services necessary in performing its mission.

Research on theoretical mathematics and basic medical, biological, physical, social, psychological, or other phenomena.

Auctioneers, realty-brokers, appraisers, and surveyors.

Services procured with funds from the Defense Environmental Restoration Account.
Instructions for Exhibit PB-15 Advisory and Assistance Services (Continued)

**COVERAGE:** This reporting requirement covers all DoD appropriations and funds. Consulting services acquired from contracts managed by other Government Agencies and paid for with DoD appropriations must be reported.

**PREPARATION REQUIREMENTS FOR EXHIBIT PB-15:** Each DoD Component must submit the PB-15 exhibit even if they are not procuring advisory and assistance services; negative replies are required. A separate exhibit is required for each appropriation and fund. For annual and multiyear appropriations, planned obligations should be shown in the year of the appropriation rather than the year the obligation is planned. Prior year columns should reflect actual obligations incurred plus additional obligations planned over the remaining life of that fiscal year appropriations. Current and budget year columns should reflect all obligations planned over the life of those appropriations. The Defense Working Capital Fund (DWCF) business areas should identify budgeted obligations for the year those obligations are planned for contracts in support of DWCF activity functions but not those in support of customer workload. The identification of advisory and assistance services in support of appropriations managed by one Component but executed by another Component, fund (e.g., DWCF), or through federally funded research and development centers is the responsibility of the appropriation fund manager. In determining whether a contract is for advisory and assistance services, the contracting or executing organization is not relevant. For example, advisory and assistance services in support of one of the Environmental Restoration transfer appropriations but executed by the Military Departments must be identified in appropriation exhibits submitted for that Environmental appropriation. Each Component will provide overall summary displays for their Component appropriations/funds totals.

**SUBMISSION REQUIREMENTS:** For the OSD/OMB program and budget review submission, the PB-15 exhibit will be submitted as a separate exhibit. For the President's budget submission to the Congress, the PB-15 exhibit will be included as an exhibit in Volume II - Data Book. Each Military Department and Defense Agency will provide an exhibit for each appropriation/fund. In addition, each Military Department and Defense Agency will provide a consolidated exhibit for all appropriations/funds under their control.

** The PB-15 exhibit should reflect the same resource amounts as identified in Object Class 25.1. Any discrepancies between the PB-15 and Object Class 25.1 must be fully explained. Each PB-15 exhibit is required to contain each appropriation manager's name and telephone number.**
### LEGISLATIVE PROPOSALS

*Dollars in Thousands*

<table>
<thead>
<tr>
<th>Proposal Number</th>
<th>Proposal Title</th>
<th>APPN(s)</th>
<th>BY1</th>
<th>BY2</th>
<th>BY2+1</th>
<th>BY2+2</th>
<th>BY2+3</th>
<th>BY2+4</th>
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</thead>
</table>

- Proposal number should reflect the number assigned via the Office of Legislative Council (OLC) and Unified Legislation and Budgeting (ULB) processes (e.g., MPP-01-B41A, OLC-100).
- Amounts should reflect cost or savings (-) included in the budget submission for proposals to be approved by the Congress.
- Provide a total for each proposal, a total for each appropriation/fund, and a grand total.
- The Component’s Budget Review Submission should include all approved proposals submitted through the ULB process.
- The Component’s Congressional Justification/Presentation submission should include all proposed legislation submitted through the OLC process, which have not been disapproved.
- The proposals must be fully funded for the budget year(s) and throughout FYDP.
- If the proposal impacts manpower, provide the end strength and workyear adjustments (average strength for military and FTE for civilians) by type of employment status.
### Exhibit PB-18 Foreign Currency Exchange Data

**FOREIGN CURRENCY EXCHANGE DATA**  
FY BY1/FY BY2 Budget Submit/President’s Budget  
Identify Appropriation  
($ in Thousands)

<table>
<thead>
<tr>
<th>Country</th>
<th>FY PY U.S. $ Budgeted</th>
<th>Execution Conversion Rates</th>
<th>FY CY U.S. $ Budgeted</th>
<th>Execution Conversion Rates</th>
<th>FY BY1 U.S. $ Budgeted</th>
<th>Execution Conversion Rates</th>
<th>FY BY2 U.S. $ Budgeted</th>
<th>Execution Conversion Rates</th>
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</thead>
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<td>Denmark</td>
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</table>

TOTAL

1/ U.S. dollar value of program purchased with foreign currency at prescribed exchange rate. For the FY PY actual numbers, the value of the overseas program will agree with the obligations incurred at the budget rate reflected on the DD-Comp(M) 1506 report, and the Foreign Currency Fluctuations, Defense Report (MilPers) as of 30 September (See DoDFMR Volume 6A, Chapter 7).

2/ The amounts requiring conversion for military personnel Cost of Living Allowance (COLA) will be the Component’s (by country at prescribed rates) amount of COLA payments. Prepare separate exhibits for O&M, COLA and Basic Allowance for Housing (BAH) Overseas estimates. Also include a summary exhibit for the COLA and BAH appropriations.

3/ As prescribed in OSD guidance issued by OUSD (Comptroller) P/B. Express the foreign currency exchange rates in terms of units of foreign currency that can be purchased with one (1) U.S. dollar (e.g., 125.4900 Japanese yen per one U.S. dollar).
<table>
<thead>
<tr>
<th>FY PY Actual</th>
<th>FY CY Estimate</th>
<th>FY BY1 Estimate</th>
<th>FY BY2 Estimate</th>
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<tr>
<td>Military</td>
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<td>Strength</td>
<td>FTEs Mpwr ($000)</td>
<td>Strength FTEs Mpwr ($000)</td>
<td>Strength FTEs Mpwr ($000)</td>
</tr>
</tbody>
</table>

**INSTRUCTIONS**

**Category/Organization/Appropriation/Fund:** This exhibit provides manpower, payroll, and non-labor cost data directly related to the Major Headquarters mission. Data will be displayed by appropriation/fund (including Military Personnel) for all organizations listed in the DoD 5100.73, “DoD Directives Major Department of Defense Headquarters Activities.” Deviations from the DoDD 5100.73 must be approved by OSD. Additionally, this exhibit will separately identify the manpower and cost data by Combatant and Non-Combatant Headquarters Activities. The Secretaries of the Military Departments shall provide personnel strength and operating costs in Major DoD Headquarters Activities under their management control. In addition, they shall provide strength and operating costs of Service-provided personnel and funding in the U.S. Combatant Command Headquarters Activities in accordance with Commander-in-Chief programmed and Joint Staff approved levels. Service personnel and funding for the U.S. Special Operations Command shall be coordinated with the Commander-in-Chief, Special Operations Command (CINCSOC). Resources for International Military Headquarters are not to be reported in this exhibit; these costs are to be reported on the PB-55, International Military Headquarters below. A narrative explanation is required for all increases and decreases. Non-labor costs that are not directly related to the Major Headquarters mission such as Pentagon Renovation should not be reported in this exhibit. Components should footnote the items that are excluded. Organizations will be displayed according to the following categorization of Major Headquarters Activities. Manpower and TOA will be identified by appropriation or fund for each major headquarters category.

I. **Combatant Major Headquarters Activities**
   1. Combatant Commands*
   2. Service Combatant Commands*

II. **Non-Combatant Major Headquarters Activities**
   Defense-Wide Activities
   a. Departmental Activities
   b. Departmental Support Activities
   c. Functional Activities (Defense Agencies, Other)
   
   Military Department Activities*
   a. Departmental Activities
   b. Departmental Support Activities
   Functional Activities

Total Summary by Category (i.e., Combatant/non-Combatant Commands) and by appropriation.
IV. Reconciliation of Increases and Decreases
* To include direct reporting units, as appropriate.
Under “Total Obligations” TOA should be limited to costs directly in support of major headquarters and should not include operational elements of expense for programs centrally funded or managed at the headquarters but executed elsewhere in the Department. Classified data will be reported.
Under each appropriation/fund, manpower strengths and funds will be identified as direct or reimbursable.
Totals will be provided by categories listed above, e.g., Combatant Commands, Service Combatant Commands, etc.
Revolving funds that support headquarters activities will be reflected in the same fashion as appropriated funds.
A total summary by appropriation/fund and category (Combatant/Non-Combatant) must be provided.
National Guard and Reserve officers serving on active duty and performing duties described in 10 U.S.C. 10211 will be excluded from this exhibit.
Numbers reported in this exhibit must be consistent with the numbers reported in the Components’ budgets and accompanying the FYDP, as identified by program elements designated as major headquarters activities.

THIS EXHIBIT IS REQUIRED WITH THE PROGRAM AND BUDGET REVIEW SUBMISSION AND WITH THE PRESIDENT’S BUDGET SUBMISSIONS. HOWEVER, FOR THE PRESIDENT’S BUDGET SUBMISSION, THIS EXHIBIT MUST BE PROVIDED TO THE OPERATIONS DIRECTORATE NO LATER THAN JANUARY 22 IN ORDER TO BE INCLUDED IN THE “OPERATION AND MAINTENANCE OVERVIEW” JUSTIFICATION BOOK.

POC: Phone No.
Exhibit PB-23 Acquisition, Technology and Logistics Workforce Transformation Program

Component
Acquisition and Technology Work Force Manpower
(Active-duty Military End Strength and Civilian Full-Time Equivalents (FTEs))

<table>
<thead>
<tr>
<th>Category</th>
<th>PY-1 Mil</th>
<th>CY Mil</th>
<th>BY1 Mil</th>
<th>BY2 Mil</th>
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</table>

Military Personnel and Civilian Pay (TOA, Dollars in Thousands):

Military Personnel

Civilian Personnel

TOTAL

Targeted Workforce Improvement Initiatives (TOA, Dollars in Thousands)

1. Recruiting
2. Hiring
3. Career Development
4. Workforce Information
5. Retention

TOTAL

Explanation of Changes Between Fiscal Years: (Provide an explanation of increases and decreases between fiscal years.)
Exhibit PB-23 Acquisition, Technology and Logistics Workforce Transformation Program (Continued)

**Acquisition, Technology and Logistics Workforce Transformation Program Exhibit Instructions**

**Background:** Section 912(b) of the National Defense Authorization Act for FY 1998 required the DoD to adopt and implement a new definition of the Defense acquisition workforce. This new definition is based on specified organizational and occupational criteria that are described in the Jefferson Solutions technical report “Identification of the DoD Key Acquisition and Technology Workforce, DASW01-98-C-0010, May 1999.” This report is available from the DoD Acquisition Education, Training, and Career Development office at (703) 681-3464.

The final report of the Defense Acquisition 2005 Task Force, entitled “Shaping the Civilian Acquisition Workforce of the Future,” set forth many recommendations aimed at improving the workforce. The report included 31 initiatives, the first of which was to develop and implement human capital strategic plans. The Components have begun to develop strategic plans. Other important initiatives related to recruiting, hiring, career development, workforce information, and retention. In March 2002, the Department reported to the Congress on the status of these recommendations, and indicated that many are now being implemented.

**Display:** In order to provide the required congressional reports, the acquisition, technology and logistics workforce must be identified. Therefore, each Component is required to submit the exhibit PB-23. This exhibit must be submitted for both the Program and Budget Review Submission and the President’s Budget. This exhibit displays manpower categories (active-duty military end-strength (E/S) and civilian full-time equivalents (FTEs)) by career field for each fiscal year. In addition to meeting congressional reporting requirements, this information will provide insights about how the Components plan to transform their workforces consistent with the Department’s overall transformation program. The exhibit also displays funding for a selected group of the Task Force’s initiatives currently in implementation. This exhibit is submitted on-line using the Select & Native Programming Data Input System (SNaP) located at: http://snap.pae.osd.smil.mil. **Note:** The SNaP system operating instructions as specified in the Programming and Budgeting Data Requirements on the SNaP system will supersede the instructions identified in this document if they are different.

Each Component must provide manpower for the designated career fields for each fiscal year, along with the TOA associated with the workforce. In addition, the Components are encouraged, but not required, to provide funding information for the specified initiatives. However, a total funding level for the entire package of specified initiatives is required. Recruiting initiatives focus on marketing and the Student Educational Employment Program, along with administrative requirements to support the program. Hiring initiatives will address bonus programs, payments for permanent change of station, student loan repayment, and supporting administrative costs. Career development includes training, continuous learning, assignment and rotation programs, industry exchanges and related administrative costs. Workforce information initiatives relate to tracking and reporting systems and programs to promote workforce communications. Retention initiatives include bonuses, annual awards, telecommuting programs, programs to fund licenses, and supporting administrative programs.

**Negative replies are required.**
Exhibit PB-24 Professional Military Education Schools

**PROFESSIONAL MILITARY EDUCATION SCHOOLS**

SERVICE__________________  
SCHOOL__________________

(Provide a separate exhibit for each school)

I. **Narrative Description (Statement of Requirements and Mission):**

II. **Description of Operations Financed:** Provide a description of what is funded below. Include the course length and frequency. Indicate whether or not short courses, correspondence courses, and non-resident courses are included. Indicate other activities funded by the school such as wargaming facilities and other support activities.

III. **Financial Summary ($ Thousands):**

<table>
<thead>
<tr>
<th>FY CY</th>
<th>FY PY</th>
<th>Budget Request</th>
<th>Current Appn</th>
<th>FY BY1 Estimate</th>
<th>FY BY2 Estimate</th>
<th>FY CY/FY BY1 Change</th>
<th>FY CY/FY BY2 Change</th>
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</thead>
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</tbody>
</table>

**Mission (O&M)**
- Base Operations
- **Military Personnel**
- **O&M**
- **Military Personnel**
- **School Personnel**

Total Direct Program

Total Reimbursable Program

Total Direct and Reimbursable

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</table>

1/ Use standard rates (i.e. average cost per officer and average cost per enlisted) to calculate military personnel assigned.

2/ As a minimum, include costs of courses that are being reimbursed from acquisition training funds and reimbursement from Foreign Military Sales (FMS). Identify reimbursements from acquisition training separately.

Provide a description of changes between the current year (CY) appropriation and current estimate as well as between the current year (CY) and the budget year 1 (BY1) and between the BY1 and budget year 2 (BY2).
### IV. Performance Criteria and Evaluation:

<table>
<thead>
<tr>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY1</th>
<th>FY BY2</th>
<th>FY CY/FY BY1</th>
<th>FY CY/FY BY2</th>
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</thead>
<tbody>
<tr>
<td>Estimate</td>
<td>Estimate</td>
<td>Estimate</td>
<td>Change</td>
<td>Change</td>
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</tbody>
</table>

#### Direct Funded:
- **Student Input**
- **Student Load**
- **Graduates**

#### Reimbursable Funded:
- **Student Input**
- **Student Load**
- **Graduates**

Average Cost per Student Load (Total Direct and Reimbursable from Part III divided by the total direct and reimbursable student load.)

Include student input, load, and graduates for resident course only.

### III. Personnel Summary: (Exclude students)

<table>
<thead>
<tr>
<th>FY CY</th>
<th>FY PY</th>
<th>Budget Request</th>
<th>Current Appn</th>
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<tbody>
<tr>
<td>FY BY1</td>
<td>FY BY2</td>
<td>FY CY/FY BY1</td>
<td>FY CY/FY BY2</td>
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<tr>
<td>Estimate</td>
<td>Estimate</td>
<td>Change</td>
<td>Change</td>
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</tbody>
</table>

#### Military End Strength (Total)
- Officers
- Enlisted

#### Military Average Strength (Total)
- Officers
- Enlisted

#### Civilian End Strength (Total)
- USDH

#### Civilian FTEs (Total)
- USDH

Exhibit PB-24 Professional Military Education Schools (Page 2 of 3)
Instructions for Professional Military Education (PB-24) (Continued)

A Separate Exhibit is to be submitted for each of the following schools:

Industrial College of the Armed Forces
National War College
Army Sergeants Major Academy
Army Command and General Staff College
Army War College
Army Management Staff College
College of Naval Command and Staff
College of Naval Warfare
Naval Postgraduate School
Navy Senior Enlisted Academy
Marine Corps Staff NCO Academy
Marine Corps Command and Staff College
Air Force Senior NCO Academy
Air Command and Staff College
Air War College
Air Force Institute of Technology

In addition, the Army will provide a consolidated exhibit for the National Defense University.

This exhibit is required for the Program and Budget Review Submission and the President’s budget submission.
HOST NATION SUPPORT (HNS) COST EXHIBIT 1/
FY BY1/FY BY2 PRESIDENT'S BIENNIAL BUDGET

<table>
<thead>
<tr>
<th>COUNTRY (And SUMMARY)</th>
<th>DOD COMPONENT</th>
<th>($ in Millions)</th>
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</thead>
</table>

I. GENERAL INFORMATION

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<thead>
<tr>
<th></th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY1</th>
<th>FY BY2</th>
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<tr>
<td>A. Exchange Rate Used</td>
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<tr>
<td>B. Inflation Rates Used</td>
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<td>1. Labor</td>
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<tr>
<td>2. Non-Labor</td>
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II. DIRECT SUPPORT

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<td>A. Rent</td>
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<td>B. Labor</td>
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<tr>
<td>1. Foreign National Labor Cost Sharing</td>
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<tr>
<td>2. Percent of Labor Covered</td>
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<td>3. Katusa Labor (Korea Only)</td>
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<tr>
<td>C. Utilities</td>
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<td>1. Dollar Value of Hns</td>
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<tr>
<td>2. Percent of Utilities Covered</td>
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<td>D. Facilities</td>
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<tr>
<td>1. Sustainment, Restoration and Modernization (SRM)</td>
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<td>2. Facilities Improvement Program</td>
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<td>3. Relocation Construction</td>
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<td>4. Other (List)</td>
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<tr>
<td>E. Miscellaneous (List)</td>
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Total

Memo - Identify Amount Of Cash Contribution Included Above.
HOST NATION SUPPORT (HNS) COST EXHIBIT 1/
FY BY1/FY BY2 PRESIDENT’S BIENNIAL BUDGET

COUNTRY (And SUMMARY) _______________ DOD COMPONENT ________________

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<td>III. END STRENGTH (E/S)</td>
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<tr>
<td>A. Foreign National Direct Hires</td>
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<td>1. E/S Funded Solely By U.S.</td>
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<td>2. E/S Funded By Host Nation Cash Payments To U.S.</td>
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<td>3. E/S Funded By Host Nation Assistance-In-Kind</td>
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<tr>
<td>B. Foreign National Indirect Hires</td>
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<td>2. E/S Funded By Host Nation Cash Payments To U.S.</td>
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<td>3. E/S Funded By Host Nation Assistance-In-Kind</td>
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<td>C. U.S. Direct Hires</td>
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<td>2. E/S Funded By Host Nation Cash Payments To U.S.</td>
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<tr>
<td>3. E/S Funded By Host Nation Assistance-In-Kind</td>
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<tr>
<td>D. Total Hires</td>
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<td>1. E/S Funded Solely By U.S.</td>
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<td>2. E/S Funded By Host Nation Cash Payments To U.S.</td>
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<td>3. E/S Funded By Host Nation Assistance-In-Kind</td>
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</table>
HOST NATION SUPPORT (HNS) COST EXHIBIT 1/
FY BY1/FY BY2 PRESIDENT’S BIENNIAL BUDGET

COUNTRY (And SUMMARY) ________________ DOD COMPONENT ________________

IV. FULL-TIME EQUIVALENTS (FTEs)

A. Foreign National Direct Hires
   1. FTEs Funded Solely By U.S. 2/
   2. FTEs Funded By Host Nation Cash Payments To U.S.
   3. FTEs Funded By Host Nation Assistance-In-Kind

B. Foreign National Indirect Hires
   1. FTEs Funded Solely By U.S. 2/
   2. FTEs Funded By Host Nation Cash Payments To U.S.
   3. FTEs Funded By Host Nation Assistance-In-Kind

C. U.S. Direct Hires
   1. FTEs Funded Solely By U.S. 2/
   2. FTEs Funded By Host Nation Cash Payments To U.S.
   3. FTEs Funded By Host Nation Assistance-In-Kind

D. Total Hires
   1. FTEs Funded Solely By U.S. 2/
   2. FTEs Funded By Host Nation Cash Payments To U.S.
   3. FTEs Funded By Host Nation Assistance-In-Kind
HOST NATION SUPPORT (HNS) COST EXHIBIT 1/
FY BY1/FY BY2 PRESIDENT’S BIENNIAL BUDGET

<table>
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<tr>
<th>COUNTRY (And SUMMARY)</th>
<th>DOD COMPONENT</th>
<th>($ in Millions)</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY1</th>
<th>FY BY2</th>
</tr>
</thead>
</table>

V. TOTAL COMPENSATION 3/

A. Foreign National Direct Hires
   1. FTEs funded solely by U.S. 2/
   2. FTEs funded by host nation cash payments to U.S.
   3. FTEs funded by host nation assistance-in-kind

B. Foreign National Indirect Hires
   1. FTEs funded solely by U.S. 2/
   2. FTEs funded by host nation cash payments to U.S.
   3. FTEs funded by host nation assistance-in-kind

C. U.S. Direct Hires
   1. FTEs funded solely by U.S. 2/
   2. FTEs funded by host nation cash payments to U.S.
   3. FTEs funded by host nation assistance-in-kind

D. Total Hires
   1. FTEs funded solely by U.S. 2/
   2. FTEs funded by host nation cash payments to U.S.
   3. FTEs funded by host nation assistance-in-kind

1/ The HNS is defined as those amounts paid in cash to the U.S. or provided as assistance-in-kind by a Host Nation to defray the costs of U.S. forces permanently assigned in that country during peacetime. Assistance-in-kind (AIK) includes any support provided without charge by the Host Nation (i.e., Japanese local national labor cost sharing). This exhibit is to be completed by country. Part II of the Exhibit is to be completed by country by appropriation. Additionally, complete the exhibit summarizing data for all countries. Similarly, provide a summary of Part II by appropriation. Cost and civilian end strength estimates are to reflect host nation support contributions only for activities supported by appropriated funds.

2/ Excludes non-appropriated funded activities.

3/ Personnel costs are to be consistent with OP-8 budget exhibits.
DEFINITIONS

Exchange Rate Used – Rates should be based on approved budgeted rates.

Inflation Rates Used - Indicate the inflation factor used in all calculations provided in the HNS exhibit. If there is a different rate used within non-labor categories, list the items separately. Be sure all amounts shown are adjusted for inflation.

DIRECT SUPPORT
Rents - The amount of lease/rental payments by the Host Nation Government for the use of private property by U.S. forces.

Labor - The amount of payments by the Host Nation for U.S. Direct Hires, Foreign National Direct Hires, and Foreign National Indirect Hires.

Percent of Labor Covered Under Agreement - Indicate the percentage of U.S. forces labor costs paid by HNS.

KATUSA Labor - This category is for Korea only and is the amount of payments made by Korea for Korean Augmentees to the U.S. Army.

Utilities - The amount of payments by the Host Nation for U.S. forces use of on-base and off-base electricity, heating fuels, water, and sewer. Indicate the percentage of U.S. forces utility costs paid by HNS.

Facilities - The amount of Host Nation payments for the planning, design, construction (PDC) and sustainment and repair of facilities used by U.S. forces. Host nation payment for residual value of property turned over to host nations due to base closures is not to be included as HNS.

Maintenance and Repair - The amount of Host Nation payments for the maintenance and repair of U.S. forces’ facilities.

Facilities Improvement Program - The amount of Host Nation payments for facilities for the PDC of projects such as family and bachelor housing, community support and recreation facilities, and utilities upgrade. It also includes operational support facilities such as hangars and hardened aircraft shelters.

Relocation Construction - The amount of payments by the Host Nation for facilities for the PDC of projects associated with the relocation of U.S. forces primarily for the convenience of the Host Nation.
Instructions for completing the PB 28 Exhibits

1. Purpose.

The Department will collect both program and budget data through the SNaP (Select & Native Programming Data Input System) process. The Military Departments and applicable Defense Agencies will update the SNaP immediately upon completion of the program/budget decisions and budget lock by the Department. The SNaP system will reformat the data into congressional justification exhibits, which can be printed out by the respective Components and included in their justification materials. For Environmental Quality, Environmental Technology and Operational Range Sustainment and Environmental Management the Programming and Budgeting Data Requirements (PBDR) will be collected in PBDR exhibits PB 28, PB 28A and PB 28B. Components shall submit their exhibits through the Select and Native Data (SNaP) Input System located on the NIPRNet at https://snap.pae.osd.mil and on the SIPRNet at https://snap.pae.osd.smil.mil. The most current version of this exhibit will be found at these sites.

2. Coverage.

For the PB 28, each Component will be asked to enter data for each appropriation/fund inside the United States and territories as well as for each appropriation/fund for foreign (i.e. outside the United States and Territories) for cleanup activities overseas. (That is, those activities that would be funded in the Environmental Restoration Accounts if they occurred inside the United States).

3. Submission Requirements.

The PBDR data is to be submitted for the joint program/budget review and the President’s Budget Submission. The DoD Components shall prepare and submit separate narrative justification material for their respective programs. The narrative material shall describe significant and unique items contained in the material including at a minimum the following:

- justification supporting changes between fiscal years.
- amount of funds allocated for compliance actions related to operational, test and training ranges (e.g. Clean Water Act funds allocated to respond to compliance action at a training range)

For Environmental Technology funding, the SNaP system will obtain funding information from the FYDP database by program element and project number.

The data entry sheets required for the SNaP system for Environmental Quality are included on the following pages. Following the SNaP data entry sheets are examples of the PB-28, PB 28A and PB 28B exhibits produced by SNaP for congressional justification.
PB-28 Funds Budgeted for Environmental Quality

<table>
<thead>
<tr>
<th>Class</th>
<th>Component</th>
<th>Location</th>
<th>EnvironmentalActivityCostType</th>
<th>EnvironmentalCosts</th>
<th>ProgramElement</th>
<th>TreasuryCode</th>
<th>FY2006</th>
<th>FY2007</th>
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<tbody>
<tr>
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</table>

**Instructions**

1. Provide domestic and foreign environmental quality costs for compliance, pollution prevention, and conservation by program element and resource type by Environmental Cost and Program categories described below.
2. Provide narrative in word document explaining program changes between fiscal years by compliance, pollution prevention, and conservation.
3. See Appendix A for reporting requirements for your organization

**Definitions**

**Class**: System Field: Classification
- C: CONFIDENTIAL
- C/NF: CONFIDENTIAL//NOFORN
- F: FOR OFFICIAL USE ONLY
- S: SECRET
- S/NF: SECRET//NOFORN
- U: UNCLASSIFIED

**Component**: Identifies the duty status for military service units and defense agencies.
- Active:
- Guard:
- Reserve:

**Location**:
- Domestic: Inside the United States, District Of Columbia and U.S. Territories.
- Foreign: All areas outside Domestic

**EnvironmentalActivityCostType**:
- Compliance Non-Recurring: Compliance is as defined in DODI 4715.6, of April 24, 1996 Environmental Compliance. Include one-time costs associated with meeting federal, state, or locally directed requirements.
- Compliance Recurring: Compliance is as defined in DODI 4715.6, of April 24, 1996 Environmental Compliance. Includes ongoing costs for items such as manpower; education and training; permits and fees; sampling analysis and monitoring; supplies; data management, and recurring reporting, etc.
- Conservation Non-Recurring: Conservation is as defined in DODI 4715.3, of May 3, 1996 Environmental Conservation Program. Include one-time costs associated with meeting federal, state, or locally directed requirements.
- Conservation Recurring: Conservation is as defined in DODI 4715.3, of May 3, 1996 Environmental Conservation Program. Include ongoing costs for manpower, education and training; permits and fees, supplies, travel, data management, recurring reporting, and recurring updates for plans.
- Pollution Prevention Non-Recurring: Pollution Prevention is as defined in DODI 4715.4, of June 18, 1996 Pollution Prevention. Include one-time costs associated with meeting federal, state, or locally directed requirements.
Pollution Prevention Recurring: Pollution Prevention is as defined in DODI 4715.4, of June 18, 1996 Pollution Prevention. Include ongoing costs for manpower; education and training; supplies, travel, data management, recurring reporting, recurring updates for plans, and operating recycling facilities, etc.

Environmental Costs:
- Clean Air Act: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-Recurring Pollution Prevention, as appropriate.
- Clean Water Act: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-Recurring Pollution Prevention, as appropriate.
- Conservation Recurring: Include ongoing costs for manpower education and training at the aggregate level and at the program area. Include ongoing costs for permits and fees, supplies, travel, data management, and recurring reporting.
- Education & Training: Costs associated with education and training of personnel in environmental programs (including compliance, pollution prevention and conservation).
- Environmental Management Systems (EMS): Costs required to implement and maintain an EMS in accordance with DoD requirements. Includes cost for EMS audits, conformance declaration, and registration if applicable.
- Hazardous Material Reduction: Efforts to reduce the use of pollutant-producing products and hazardous materials.
- Historical & Cultural Resources: Baseline inventories of historic buildings, structures, and historical and archeological sites/environmental analyses to assess and mitigate potential cultural resource adverse actions. Mitigation to meet existing permit conditions or written agreements. Initial archeological materials curation. Development of integrated Cultural Resources Management Plans; and consultations with Native American Groups.
- Manpower: All recurring government (civilian and Military manpower costs) and contractor costs applicable to management of the environmental quality program (including Compliance, Pollution Prevention, and Conservation).
- Other Compliance Non-Recurring: Costs for Radon/Asbestos investigations and mitigation including facility demolition (if greater than 50% of the cost is required to meet Environmental Compliance standards). Also include Spill Response Plans, (other than Cleanup requirements, e.g. initial preparation of spill response plans); action to prevent pollution from ships; Toxic Substance Control Act compliance; and Federal Insecticide, Fungicide, Rodenticide Act Compliance (upgrade of pesticide storage facilities to meet regulator standards).
- Other Compliance Recurring: Those costs for supplies (Spill team equipment, labels, drums, updating recurring plans such as Spill Response Plans, manifests, etc.). It also includes travel, National Pollution Discharge Elimination System permit records/reporting; biannual Hazardous Waste reporting (Resource Conservation Recovery Act Subtitle C); Clean Air Act inventories (routine/recurring reporting); Federal Insecticide, Fungicide, Rodenticide Act reporting; and Environmental Self-Assessments, etc.
- Other Natural Resources Non-Recurring: Management plans; develop other biological resource management plans; biodiversity conservation requirements; ecosystem management requirements; habitat restoration; public awareness/outreach related to specific legal requirements.
- Other Pollution Prevention Non-Recurring: This includes efforts to prepare and implement an acquisition strategy for Alternative Fueled Vehicles, (excludes AFV purchases or lease); conversion of regular vehicles to alternative fuels; source protection plans for safe drinking water; and other P2 efforts that do not fit in other categories.
- Overseas Clean-Up: One-time costs associated with meeting clean-up requirements directed in the Overseas Environmental Baseline Guidance Document and/or Final Governing Standards. (These costs would be paid for with Environmental Restoration Account funds if inside the United States. Additionally, they are a non-add memo entry only and are a subset of the foreign costs reported in the Non-Recurring Compliance headings.)
- Permits & Fees: Costs of environmental permits, licenses and fees to operate the Environmental Compliance program.
- Planning: Nonrecurring costs to meet federally directed requirements in the National Environmental Policy Act.
- Pollution Prevention Recurring: Ongoing costs for supplies, travel, data management, and recurring reporting.
- RCRA C-Hazardous Waste: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-recurring Pollution Prevention, as appropriate.
**RCRA D-Solid Waste:** Costs associated with this title are to be captured in Non-Recurring Compliance or Non-recurring Pollution Prevention, as appropriate.

**RCRA I-Underground Storage Tanks:** Costs associated with this title are to be captured in Non-Recurring Compliance or Non-recurring Pollution Prevention, as appropriate. Compliance may be upgrading drinking water systems to meet environmental standards, e.g., backflow preventers. Pollution Prevention efforts may be well head protection efforts to prevent pollution of drinking water sources.

**Safe Drinking Water Act:** Costs associated with this title are to be captured in Non-Recurring Compliance or Non-recurring Pollution Prevention, as appropriate. Compliance may be upgrading drinking water systems to meet environmental standards, e.g., backflow preventers. Pollution Prevention efforts may be well head protection efforts to prevent pollution of drinking water sources.

**Sampling, Analysis & Monitoring:** The recurring cost that satisfy such requirements in environmental permits.

**Threatened & Endangered Species:** Threatened and Endangered Species and habitat inventories; biological assessments, surveys, or habitat protection for a specific listed species; mitigation to meet existing biological opinions/written agreements, including INRMPs; developing Endangered Species Management Plans.

**Waste Disposal:** The disposal of Federal and State regulated hazardous waste and disposal of excess depleting substances in the DLA stockpile. Include only those costs associated with packaging for transportation, treatment/disposal of hazardous waste and other special services that are paid for through a Hazardous Waste Disposal Vehicle (either through a Defense Reutilization and Marketing Service or directly). Do not include in-house costs such as manpower, supplies, or equipment purchase/maintenance.

**Wetlands:** Inventory and delineation of wetlands; wetlands mitigation to meet permit conditions/written agreements; as well as enhancements to meet Executive Order 11990 provision for "no net loss".

**Treasury Code:** Treasury Code is a defined set of four-to-six digit numeric codes from the Comptroller that identifies resource types. The list of Treasury Code values is located on the PDR Info page of the SNaP website (https://SNaP.PAE.OSD.MIL).

**Program Element:** The Program Element is a primary data element in the Future Years Defense Program (FYDP) and generally represents aggregations of organizational entities and related resources. The PE is up to ten-digits in length, a sever-digit numeric identifier followed by up to three-digits alphanumeric code for FYDP organizations.

### Data Matrix: EnvironmentalActivityCostType, EnvironmentalCosts Relationship

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<thead>
<tr>
<th>EnvironmentalActivityCostType</th>
<th>EnvironmentalCosts</th>
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<tr>
<td>Compliance Recurring</td>
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<td>Education &amp; Training</td>
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<td>Environmental Management Systems</td>
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<td>Permits &amp; Fees</td>
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<td>Sampling, Analysis &amp; Monitoring</td>
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<td>Waste Disposal</td>
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<td>RCRA D-Solid Waste</td>
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<td>Planning</td>
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<td>Safe Drinking Water Act</td>
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<td>Manpower</td>
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<td>Education and Training</td>
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<td>Conservation Non-Recurring</td>
<td>Threatened &amp; Endangered Species</td>
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<td>Wetlands</td>
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<td>Other Natural Resources Non-Recurring</td>
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<td></td>
<td>Historical &amp; Cultural Resources</td>
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</tbody>
</table>

**Subject Matter Experts**: Questions regarding this data requirement should be directed to Trish Huheey 703-604-1846 and Mr. Shah Choudhury, 703-571-9067.

**Technical Issues**: If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 EXT #107 OR #108.
PB28 A Environmental Technology

|-------|--------------|--------|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|

Instructions
1) Provide total costs by appropriation and Environmental Program (i.e., Cleanup, Pollution Prevention, Compliance, Conservation, and Unexploded Ordnance) associated with the Environmental Technology Program.
2) Separately identify appropriation amounts by the budget activity code (BA1, BA2, etc) for each Environmental Program.
3) Provide explanatory narrative in word document explaining program changes between fiscal years by environmental program.
4) OSD will separately identify SERDP and ESTCP amounts and the Military Departments are not to include these amounts in their program.
5) See Appendix A for reporting requirements for your organization.

Definitions
Class: System Field: Classification
- 
  C: CONFIDENTIAL
  C/NF: CONFIDENTIAL//NOFORN
  F: FOR OFFICIAL USE ONLY
  S: SECRET
  S/NF: SECRET//NOFORN
  U: UNCLASSIFIED

TreasuryCode: Treasury Code is a defined set of four-to-six digit numeric codes from the Comptroller that identifies resource types. The list of Treasury Code values can be found on the SNaP web site website by clicking the "Instructions" tab, then selecting the "Documents". (https://SNaP.PAE.OSD.MIL).
- 3400:
- 1319:
- 3020:
- 3010:
- 0400:
- 2040:
- 3600:

BACode: Budget Activity is a two-digit identifier for the categories within each appropriation and fund account to identify the purposes, projects, or types of activities financed by the appropriation fund. The list of BA Code values can be found on the SNaP web site website by clicking the "Instructions" tab, then selecting the "Documents" item. (https://SNaP.PAE.OSD.MIL).
- 05:
- 04:
- 03:
- 02:
- 20:
- 01:
- 07:
- 06:
Environmental Program: Environmental Technology Programs

Cleanup: Cleanup is as defined in DODI 4715.7 of April 22, 1996. Include funding for innovative environmental technologies that improve the restoration process.

Compliance: Compliance is as defined in DODI 4715.6, of April 24, 1996, Environmental Compliance. Include funding for innovative environmental technologies that improve Compliance.

Conservation: Conservation is as defined in DODI 4715.4, of May 3, 1996, Environmental Conservation Program. Include funding for innovative environmental technologies that enhance the protection of natural and cultural resources, thereby sustaining mission readiness.

Pollution Prevention: Pollution Prevention is as defined in DODI 4715.4, of June 18, 1996, Pollution Prevention. Include funding for innovative environmental technologies that reduce or eliminate pollution.

Unexploded Ordnance: Unexploded ordnance (UXO) is as defined in 10U.S.C. 101(e)(5). Include funding for innovative environmental technologies that improve the UXO screening, detection, discrimination and recovery process.

Business Rules

Subject Matter Experts: Questions regarding this data requirement should be directed to Ms. Trish Huheey, 703-604-1846 and Mr. Shah Choudhury, 703-571-9067.

Technical Issues: If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 ext #107 or #108.
PB 28B Munitions Response at Operational Ranges

<table>
<thead>
<tr>
<th>Class</th>
<th>Component</th>
<th>RangeLocation</th>
<th>RangePrograms</th>
<th>RangeManagementActivities</th>
<th>RangeResourceDetail</th>
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<th>FY2007</th>
<th>FY2008</th>
<th>FY2009</th>
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</table>

**Instructions**

1) Report Range and Resource Detail for all operational test and training ranges to include active and inactive ranges as defined in Title 10USC, Section 101(e) (as revised by FY04 NDAA, Sec 1042).

2) For the Range Program -- Range inventory, report the following range detail—Number (#) of Ranges, Number (#) of Acres (Land Ranges), Number (#) of Square Miles (Water Ranges). Number (#) of Ranges with Environmental Range Assessments and Number (#) of Acres with Environmental Range Assessments (Land ranges), and Number (#) of Square Miles with Environmental Range Assessments (Water ranges).

3) The total number of Ranges Assessed cannot exceed the total number of Ranges. The total number of Acres Assessed cannot exceed the total number of Acres.

4) Enter the cumulative number of Ranges and Acres that either have been assessed or will be assessed by the end of each fiscal year shown.

5) Military Departments by Component and appropriate Defense Agencies report ranges in Acres and funds in $Thousands

6) Provide narrative in a Microsoft Word document that describes program changes and unfunded requirements.

7) This document is non-additive to the amounts displayed in Exhibit PB-28 Funds Budgeted for Environmental Quality. It displays the environmental funds dedicated to sustaining ranges, but does not remove them from reporting under PB28.

8) The intent of this exhibit is to capture and display the identifiable environmental investments in Operational ranges, as part of the Training Range Sustainment Plan called for in Section 366 of the FY 2003 National Defense Authorization Act, 7)

**Definitions**

**Class**: System Field: Classification
- C: CONFIDENTIAL
- C/NF: CONFIDENTIAL//NOFORN
- P: FOR OFFICIAL USE ONLY
- S: SECRET
- S/NF: SECRET//NOFORN
- U: UNCLASSIFIED

**Component**: Military Departments report by Active, Guard and Reserve. Defense Agencies choose Defense Agency.
- Active:
- Guard:
- Reserve:

- Foreign: All areas outside Domestic.

**RangePrograms**: 
- **Range Assessments**: Any assessment to determine the extent of environmental effects due to operational range activities.
- **Range Inventory**: Number and size of ranges total and those surveyed.
Range Response Actions: Actions to remediate munitions constituents or other contaminants that will have a deleterious effects on human health or the environment.

Range Sustainment Actions: Environmental Sustainment actions taken to preserve ranges over their perpetual life.

Range Management Activities:

All Environmental Range Response Actions: Any and all one-time actions to address the removal of munitions constituents or other environmental contamination on ranges, or to prevent release off of an operational range, including the design and implementation of response action. (Do not include cleanup actions covered under the Environmental Restoration Accounts – report these on Exhibit ENV 30).

Environmental Range Assessments: Any environmental assessment to determine the extent of environmental effects due to training and testing range activities, including any sampling, monitoring or analysis involved in the effort.

Integrated Natural Resource Management Plans: (including Sikes Act requirements) Identify any natural resource planning costs (including Integrated Natural Resource Management Plan (INRMP) costs) required to address Sustainment of operational ranges, including projects called for in signed INRMPs.

Land Ranges:

Other Range Assessment Costs: Any other assessment costs necessary to determine and document the extent of environmental effects of operational range activities.

Other Sustainment Actions: Any other assessment costs necessary to determine and document the extent of environmental effects of operational range activities.

Water Ranges:

Range Resource Detail:

# Acres with Environmental Range Assessments: The total number of acres on ranges where environmental range assessments have occurred or will occur in the future by fiscal year.

# of Acres: The total number of acres on the operational ranges, as defined in 10USC, Section 101(e).

# of Ranges: The total number of operational ranges under the jurisdiction, custody or control of the Component. Includes all designated land and water areas set aside, managed and used for range activities.

# of Square Miles:

# Ranges with Environmental Range Assessments: The total number of operational ranges where Environmental Range Assessments have or will occur, by fiscal year.

DWCF:

MilCon:

MilPers:

O&M:

Proc:

RDT&E:

Business Rules

1) MilCon is not an accepted resource type for the Range Program–Range Management.

2) Number of Ranges and Acres are reported with an Activity of Physical Detail and Range Program of Range Inventory only.
Data Matrix: RANGE PROGRAMS, RANGE MANAGEMENT ACTIVITIES, RANGE RESOURCE DETAIL Relationship

<table>
<thead>
<tr>
<th>RANGE PROGRAMS</th>
<th>RANGE MANAGEMENT ACTIVITIES</th>
<th>RANGE RESOURCE DETAIL</th>
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</thead>
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<tr>
<td>Range Inventory</td>
<td>Land Ranges</td>
<td># of Ranges</td>
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<td># of Acres</td>
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<td></td>
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<td># Ranges with Environmental Range Assessments</td>
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<td># Acres with Environmental Range Assessments</td>
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<tr>
<td>Water Ranges</td>
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<td># of Ranges</td>
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### PB 28 Exhibit Display

**DEPARTMENT OF**

**SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS**

**FY ____ BUDGET ESTIMATE**

($) in Thousands

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<th></th>
<th>PY Actual</th>
<th>CY Estimate</th>
<th>BY1 Estimate</th>
<th>BY2 Estimate</th>
<th>CY/BY1 Change</th>
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<td>b. Education &amp; Training</td>
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<tr>
<td>5. Environmental Compliance - Nonrecurring (Class I/II)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>a. RCRA Subtitle C - Hazardous Waste</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>b. RCRA Subtitle D - Solid Waste</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>c. RCRA Subtitle I - Underground Storage Tanks</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>d. Clean Air Act</td>
<td></td>
<td></td>
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</tbody>
</table>

**Total Recurring Costs**

(Enter Total of 1+2+3+4)

Exhibit PB-28 Funds Budgeted for Environmental Quality (Continued)
DEPARTMENT OF _______________________
SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS
FY ____ BUDGET ESTIMATE
($ in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>PY Actual</th>
<th>CY Estimate</th>
<th>BY1 Estimate</th>
<th>BY2 Estimate</th>
<th>Change CY/BY1</th>
<th>Change BY1/BY2</th>
</tr>
</thead>
<tbody>
<tr>
<td>e. Clean Water Act</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>f. Safe Drinking Water Act</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>g. Planning</td>
<td></td>
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<tr>
<td>h. Other</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Nonrecurring (Class I/II)</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

6. Pollution Prevention - Nonrecurring (Class I/II)
   a. RCRA Subtitle C - Hazardous Waste
   b. RCRA Subtitle D - Solid Waste
   c. Clean Air Act
   d. Clean Water Act
   e. Hazardous Material Reduction
   f. Other

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Nonrecurring (Class I/II)</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

7. Environmental Conservation - Nonrecurring Costs - (Class I/II)
   a. T&E Species
   b. Wetlands
   c. Other Natural Resources
   d. Historical & Cultural Resources

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Total Nonrecurring (Class I/II)</strong></td>
<td></td>
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</tr>
</tbody>
</table>

GRAND TOTAL ENVIRONMENTAL QUALITY
Environmental Cleanup Program Outside the United States

(Memo entry for overseas cleanup amounts included above) (The amounts entered in this item shall not include any of the 50 states, District of Columbia, Guam, Puerto Rico, or other territories and possessions of the U. S.)

All Funds Budgeted for Environmental Security Technology are to be reported on PB 28A.
**DEPARTMENT OF __________________**  
**SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS**  
**FY ____ BUDGET ESTIMATE**

<table>
<thead>
<tr>
<th>Environmental Security Technology</th>
<th>PY Actual</th>
<th>CY Estimate</th>
<th>BY1 Estimate</th>
<th>BY2 Estimate</th>
<th>Change CY/BY1</th>
<th>Change BY1/BY2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cleanup</td>
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<tr>
<td>2. Compliance</td>
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<tr>
<td>3. Pollution Prevention</td>
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<tr>
<td>4. Conservation</td>
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<tr>
<td>TOTAL</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

1. Provide a summary sheet of all appropriations/funds.  
2. Provide narrative justification for changes from year to year  
3. For each appropriation, include applicable breakout categories. For example, for activities funded by RDT&E appropriations, separately identify the amounts for each budget activity (BA): BA1 - Basic Research, BA2 – Advanced Research, BA3 - Advanced Technology Development, BA4 - Demonstration/Validation, BA5 – Engineering and Manufacturing Development, BA6 - RDT&E Management Support, and BA7 - Operational Systems Development.
### Display Example:

**DEPARTMENT OF**

**SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS**

**FY ___ BUDGET ESTIMATE**

<table>
<thead>
<tr>
<th>- Operational Range Sustainment and Environmental Management</th>
<th>PY Actual</th>
<th>CY Estimate</th>
<th>BY1 Estimate</th>
<th>BY2 Estimate</th>
<th>Change CY/BY1</th>
<th>Change BY1/BY2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Range Inventory</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Land Ranges</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Ranges</td>
<td>#</td>
<td>#</td>
<td>#</td>
<td>#</td>
<td>#</td>
<td>#</td>
</tr>
<tr>
<td>Number of Acres</td>
<td>#</td>
<td>#</td>
<td>#</td>
<td>#</td>
<td>#</td>
<td>#</td>
</tr>
<tr>
<td>Number of Ranges with Environmental Range Assessments</td>
<td>#</td>
<td>#</td>
<td>#</td>
<td>#</td>
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<td>#</td>
</tr>
<tr>
<td>Number of Acres with Environmental Range Assessments</td>
<td>#</td>
<td>#</td>
<td>#</td>
<td>#</td>
<td>#</td>
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</tr>
<tr>
<td><strong>Water Ranges</strong></td>
<td></td>
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<td>#</td>
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<td>#</td>
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<td>#</td>
</tr>
<tr>
<td>Number of Square Miles</td>
<td>#</td>
<td>#</td>
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<td>#</td>
<td>#</td>
<td>#</td>
</tr>
<tr>
<td><strong>Range Assessments</strong></td>
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<td>Environmental Range Assessments</td>
<td>$</td>
<td>$</td>
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</tr>
<tr>
<td>Other Range Assessment Costs</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
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<tr>
<td><strong>Total Range Assessments</strong></td>
<td>$</td>
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<td>$</td>
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<tr>
<td><strong>Range Response Actions</strong></td>
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<tr>
<td>All Environmental Range Response Actions</td>
<td>$</td>
<td>$</td>
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</tr>
<tr>
<td><strong>Total Range Response Actions</strong></td>
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</tr>
<tr>
<td><strong>Range Sustainment Actions</strong></td>
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</tr>
<tr>
<td>Integrated Natural Resource Management Plans</td>
<td>$</td>
<td>$</td>
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<tr>
<td>Other Sustainment Actions</td>
<td>$</td>
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</tr>
<tr>
<td><strong>Total Range Sustainment</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
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<td>$</td>
</tr>
<tr>
<td><strong>Grand TOTAL</strong></td>
<td>$</td>
<td>$</td>
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</table>

Operational Range Sustainment and Environmental Management (Page 1 of 1)
### ADMINISTRATIVE MOTOR VEHICLE OPERATIONS (PB-41)

(Name of Component)

(Dollar in Thousands)

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY1</th>
<th>FY BY2</th>
<th>CY-BY1</th>
<th>BY1-BY2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Operating Costs for Non-Tactical Fleets</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2. Accident Damage (Net loss to Government)</td>
<td></td>
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</tr>
<tr>
<td>3. Vehicle Procurement Costs</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>4. Commercial Leases</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>5. Interagency Fleet Management System (IFMS) Leases</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>6. Disposal Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Capital Expenditures for Facilities and Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Privately Operated Vehicles (used for official business)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
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</tr>
</tbody>
</table>

### Distribution by Appropriation/Fund

(Identify the amounts included above by appropriation and fund.)

| Total |       |       |        |        |        |         |

**BACKGROUND:** Public Law 99-272, “Consolidated Omnibus Budget Reconciliation Act” of 1985, Subtitle C - Federal Motor Vehicle Expenditure Control of requires that each Federal Agency establish and operate a central monitoring system for motor vehicle costs and establish a data collection system and to report such data in support of the President’s budget. Guidance as to the definition and coverage of this requirement is provided by the General Services Administration in Federal Property Regulations. The vehicles used for military training, combat or tactical purposes are specifically excluded.

**PREPARATION REQUIREMENTS:** Every Component of the Department is required to complete a PB-41 Motor Vehicle Operations Exhibit. Negative replies are required. These will be used by the Office of the Under Secretary of Defense (Comptroller), Operations Directorate, 3C710 Pentagon, to prepare a consolidated exhibit, which will be provided to the Office of Management and Budget as required by OMB Circular A-11 (Section 100 – Additional Information Required After Passback). In order to meet the OMB schedule and include this information in the printed President’s budget request, the PB-41 exhibit for the Congressional Justification/Presentation must be submitted by January 5th. Include in the lower right hand corner, the date of preparation, and the name and telephone number of an individual responsible for answering questions concerning the submission.
Exhibit PB-42 Competitive Sourcing and Alternatives

DoD Component
FY BY1/BY2 OSD Submit/President’s Budget
Competitive Sourcing and Alternatives

Instructions: Each Service and Defense Agency/Activity is to submit this exhibit in Select & Native Programming Data Input System (SNaP) located at https://snap.pae.osd.mil. The most current version of this exhibit will be available at this site. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 697-0223.

The exhibit is composed of three parts. Part I displays costs and savings associated with A-76 studies. Part II displays the same information for Approved Alternatives. Part III summarizes Parts I and II, presenting the total Competitive Sourcing and Alternatives savings generated by both A-76 and non A-76 initiatives. Part III will be calculated automatically from SNaP, so there is no need to enter summary data. Dollars and manpower are presented by appropriation throughout. Dollars are reported in thousands with all numbers as positive numbers (costs and savings). Manpower savings are reported as end strength (ES) for military and reserve personnel and Full Time Equivalents (FTEs) for civilian personnel.

PART I
STUDIES: Report baseline manpower and dollars for all studies started (in the one PY reflected on the budget exhibit) and scheduled (CY, BY1, etc.) for competitive sourcing. Each activity should be reported in the year that the study is scheduled to be initiated. The annual cost of positions studied (total estimated compensation) should be reported even if you plan to outsource during the fiscal year. Report positions studied and cost by appropriation (e.g., O&M, Revolving Funds).

COST TO CONDUCT STUDIES: The cost to conduct studies is the cost associated with conducting the competitive sourcing study. The costs should reflect actual costs in the PY and the amounts budgeted in the other years to conduct the studies. In the narrative description section, discuss the methodology used to develop study costs and provide justification for significant deviations from the nominal average of $5,000 per FTE. Costs should be reported by appropriation.

TRANSITION COSTS: Report costs of transition to Most Efficient Organization (MEO) or contract. Such costs include severance pay, Voluntary Separation Incentive Pay (VSIP), etc. In the narrative section, discuss the assumptions used to determine transition costs including the categories of cost included.

MANPOWER SAVINGS: For military and civilian manpower reflect net savings for that year (not cumulative).

GROSS DOLLAR SAVINGS: Gross dollar savings should reflect total compensation associated with billets saved in that fiscal year (not cumulative). Gross savings should not be offset by the cost of studies or transition costs. In the narrative description, include a discussion of the methodology used to develop both manpower and dollar savings.
Exhibit PB-42 Competitive Sourcing and Alternatives (Continued)

**NET DOLLAR SAVINGS:** Net savings are equal to gross savings, offset by the Cost to Conduct Studies and Transition Costs. [Note: Net Dollar Savings will be calculated automatically by SNaP, so there is no need to enter data for this section.]

**PART II**
Same as above for all categories except Studies should reflect the information by **Alternative**. Each Alternative must be approved by OSD(AT&L) Housing and Competitive Sourcing.

**PART III**
Summarizes all categories. [Note: The summary will be calculated automatically by SNaP, so there is no need to enter data for this section.]
Exhibit PB-42 Competitive Sourcing and Alternatives (Continued)

<table>
<thead>
<tr>
<th>PART I</th>
<th>A-76 STUDIES</th>
<th>(Part I – A-76 Studies, Part II – Non A-76 Studies, Part III – Total)</th>
<th>(Direct Dollars in Thousands, Military End Strength, Civilian Full-Time Equivalents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY PY</td>
<td>FY CY</td>
<td>FY BY1</td>
<td>FY BY2</td>
</tr>
</tbody>
</table>

**PART I**

**A-76 STUDIES**

Total Positions Studied/To Be Studied

<table>
<thead>
<tr>
<th>Military</th>
<th>Appropriation 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Appropriation 2, etc.</td>
</tr>
<tr>
<td>Subtotal</td>
<td>Military</td>
</tr>
<tr>
<td></td>
<td>Civilian</td>
</tr>
<tr>
<td></td>
<td>Appropriation 3</td>
</tr>
<tr>
<td></td>
<td>Appropriation 4, etc.</td>
</tr>
<tr>
<td>Subtotal</td>
<td>Civilian</td>
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<tr>
<td></td>
<td>Total Civilians and Military</td>
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</table>

Cost of Positions studied

<table>
<thead>
<tr>
<th>Appropriation 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation 2, etc.</td>
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<tr>
<td><strong>Total Cost</strong></td>
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</table>

**COST TO CONDUCT STUDIES**

<table>
<thead>
<tr>
<th>Appropriation 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation 2, etc.</td>
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<tr>
<td><strong>Total Study Costs</strong></td>
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</table>

**TRANSITION COSTS**

<table>
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<tr>
<th>Appropriation 1</th>
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<tbody>
<tr>
<td>Appropriation 2, etc.</td>
</tr>
<tr>
<td><strong>Total Transition Costs</strong></td>
</tr>
</tbody>
</table>

**MANPOWER Savings**

<table>
<thead>
<tr>
<th>Military End Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation 1</td>
</tr>
<tr>
<td>Appropriation 2, etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subtotal Military</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian Full-Time Equivalents</td>
</tr>
<tr>
<td>Appropriation 1</td>
</tr>
<tr>
<td>Appropriation 2, etc.</td>
</tr>
<tr>
<td><strong>Subtotal Civilians</strong></td>
</tr>
</tbody>
</table>
**Part __ of III**

*Part I – A-76 Studies, Part II – Non A-76 Studies, Part III – Total Studies*

*Direct Dollars in Thousands, Military End Strength, Civilian Full-Time Equivalents*

---

**GROSS DOLLAR SAVINGS**

- Appropriation 1
- Appropriation 2, etc.

  *Total Gross Dollar Savings*

---

**NET DOLLAR SAVINGS**

- Appropriation 1
- Appropriation 2, etc.

  *Total Net Dollar Savings*

---

**NARRATIVE:**

---

Exhibit PB-42 Competitive Sourcing and Alternatives

(Page 3 of 3)
<table>
<thead>
<tr>
<th>Identify Component</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY1</th>
<th>FY BY2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. CHILD CARE PROGRAMS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Child Development Program (CDP) &amp; School Age Care (SAC) Programs for children 0-12)</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>A. CHILD DEVELOPMENT CENTERS</td>
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</tr>
<tr>
<td><strong>Appropriation</strong> (Identify costs by appropriation (i.e., O&amp;M, Mil Con, etc.) and total)</td>
<td></td>
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<tr>
<td>Total Direct Costs</td>
<td>( ^{1/} )</td>
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<tr>
<td>Total Indirect Costs</td>
<td>( ^{2/} )</td>
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<tr>
<td>Total (should include the expense elements in DoDI 7000.12)</td>
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<tr>
<td>Child Care Parent Fee Revenue</td>
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<tr>
<td>Non-Appropriated Fund Subsidy</td>
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<tr>
<td><strong>Workload</strong></td>
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</tr>
<tr>
<td>No. of Child Care Spaces (operational capacity)</td>
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</tr>
<tr>
<td><strong>Personnel</strong></td>
<td></td>
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<tr>
<td>Civilian FTEs (Appropriated Fund Employees)</td>
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</tr>
<tr>
<td>Nonappropriated Fund (NAF) FTEs funded thru uniform resources programs with Appropriated Funds (APF)</td>
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<tr>
<td>Total</td>
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<tr>
<td>B. FAMILY CHILD CARE</td>
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<tr>
<td><strong>Appropriation</strong> (Identify costs by appropriation and total)</td>
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<tr>
<td><strong>Personnel</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Civilian FTEs (Appropriated Fund Employees Only)</td>
<td></td>
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<tr>
<td>Nonappropriated Fund (NAF) FTEs funded thru uniform resources programs with Appropriated Funds (APF)</td>
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<td>Total</td>
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<tr>
<td><strong>Workload</strong></td>
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<tr>
<td>No. of Child Care Spaces (operational capacity)</td>
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<tr>
<td>C. SUPPLEMENTAL PROGRAM SERVICES/RESOURCE &amp; REFERRAL/OTHER</td>
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<tr>
<td><strong>Appropriation</strong> (Identify costs by appropriation and total)</td>
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<tr>
<td><strong>Personnel</strong></td>
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<tr>
<td>Civilian FTEs (Appropriated Fund Employees Only)</td>
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<tr>
<td>Nonappropriated Fund (NAF) FTEs funded thru uniform resources programs with Appropriated Funds (APF)</td>
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<td>Total</td>
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<td><strong>Workload</strong></td>
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<tr>
<td>No. of Child Care Spaces (operational capacity)</td>
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<tr>
<td>Identify Component</td>
<td>FY PY</td>
<td>FY CY</td>
<td>FY BY1</td>
<td>FY BY2</td>
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<tr>
<td><strong>SCHOOL-AGE CARE (SAC)</strong></td>
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<tr>
<td>Appropriation (Identify costs by appropriation (i.e., O&amp;M, Mil Con, etc.) and total)</td>
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<tr>
<td>Total Direct Costs 1/</td>
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<tr>
<td>Total Indirect Costs 2/</td>
<td></td>
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<tr>
<td>Total (should include the expense elements in DoDI 7000.12)</td>
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<tr>
<td><strong>SAC Parent Fee Revenue</strong></td>
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<tr>
<td><strong>Non-Appropriated Fund Subsidy</strong></td>
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<td><strong>Personnel</strong></td>
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<td>Civilian FTEs (Appropriated Fund Employees)</td>
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<tr>
<td>Nonappropriated Fund (NAF) FTEs reimbursed with Appropriated Funds (APF)</td>
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<td>Total</td>
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<td><strong>Workload</strong></td>
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<tr>
<td>No. of SAC Spaces (operational capacity)</td>
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<tr>
<td>No. of SAC Care Spaces Required (100%)</td>
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<tr>
<td>% of Spaces to Required Spaces</td>
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<tr>
<td><strong>TOTAL CHILD CARE PROGRAM</strong></td>
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<tr>
<td>Appropriation</td>
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<td>Total Direct Costs 1/</td>
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<td>Total Indirect Costs 2/</td>
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<td>Total (should include the expense elements in DoDI 7000.12)</td>
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<tr>
<td>Total Parent Fee Revenue</td>
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<tr>
<td><strong>NAF Subsidy</strong></td>
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<td><strong>Personnel</strong></td>
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<td>Civilian FTEs (Appropriated Fund Employees Only)</td>
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<td>No. of Child Care Spaces (operational capacity)</td>
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<tr>
<td>No. of Child Care Spaces Required (100%)</td>
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<tr>
<td>% of actual Spaces to Required Spaces</td>
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<tr>
<td><strong>Explanation of Changes</strong>: For each category, provide an explanation of the changes between current year (CY) and biennial budget year 1 (BY1) and between BY1 and biennial budget year 2 (BY2); identify price &amp; program growth between each year.</td>
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</tr>
</tbody>
</table>

1/ Direct costs include those costs that can be directly attributed to the activity and include civilian pay and benefits, travel, training, supplies and equipment, contracts, FCC subsidy, etc.

2/ Indirect cost includes costs that are attributed to more than one activity and include rents, utilities, communications, minor construction, repair and maintenance, contracts, and engineering support.
### Exhibit PB-50 Child Development, School Age Care (SAC), Family Centers, and Family Advocacy Programs (Continued)

#### CHILD DEVELOPMENT, SCHOOL-AGE CARE, (SAC) FAMILY CENTERS, AND FAMILY ADVOCACY PROGRAMS

**Identify Component**

<table>
<thead>
<tr>
<th>FY</th>
<th>PY</th>
<th>FY CY</th>
<th>FY BY1</th>
<th>FY BY2</th>
</tr>
</thead>
<tbody>
<tr>
<td>(TOA, $ in Millions)</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

#### II. YOUTH PROGRAMS

**Appropriation** (Identify costs by appropriation (i.e. O&M, Mil Con, etc.) and total)

- Total Direct Costs ¹
- Total Indirect Costs ²
- Total (should include the expense elements in DoDI 7000.12)

**Estimated Youth Fee Revenue**

**Non-Appropriated Fund Subsidy**

**Personnel**

- Civilian FTEs (Appropriated Fund Employees)
- Nonappropriated Fund (NAF) FTEs reimbursed with Appropriated Funds (APF)
- Total

**Narrative:** Explain changes between the CY and BY1 and between BY1 and BY 2. Identify price and program growth between each year.

#### III. FAMILY CENTERS

**Appropriation** (Identify costs by appropriation and total)

**Personnel**

- Military (E/S)
- Civilian FTEs

**Workload** (Excludes workload supported by OSD funds (i.e. Relocation, Transition, Family Advocacy). These are documented separately.

- A. The number of single transactions which take approximately 10-15 minutes or less.
- B. Cases (assessment/case management/counseling) which take longer than 10-15 minutes (each session is counted as one).
- C. Number of people involved in command consultation (briefings, meetings, unit visits).
- D1. Number of classes
- D2. Number of participants in classes.

**Narrative:** Explain changes between the CY and BY1 and between BY1 and BY 2. Identify price and program growth between each year.

#### IV. FAMILY ADVOCACY PROGRAM

(To be completed by the DoD Dependent Schools) (Services should not fill in unless they have funds separate from DoD Dependent Schools funding.)

**CORE FAMILY ADVOCACY PROGRAM** (Prevention, Direct Services, Training, Evaluation and Administration)
## CHILD DEVELOPMENT, SCHOOL-AGE CARE, (SAC) FAMILY CENTERS, AND FAMILY ADVOCACY PROGRAMS

### Identify Component

<table>
<thead>
<tr>
<th>TOA, $ in Millions</th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY1</th>
<th>FY BY2</th>
</tr>
</thead>
</table>

#### A.1. Prevention Services

**Appropriation** (Identify costs by appropriation and total)

- **Personnel**
  - Military (E/S)
  - Civilian FTEs
  - Contract Employees FTEs

**Workload**

- Number Served (Actual population contacts)
- Workload per Prevention Services Provider (Number Served divided by the Number (FTE) of Prevention Services Providers)

#### A.2 Direct Services

**Appropriation** (Identify costs by appropriation and total)

- **Personnel**
  - Military (E/S)
  - Civilian FTEs
  - Contract Employees FTEs

**Workload**

- Number Served (Actual population contacts)
- Workload per Direct Services Staff

#### A.3. Training, Evaluation, and Administration

**Appropriation** (Identify costs by appropriation and total)

- **Personnel**
  - Military (E/S)
  - Civilian FTEs
  - Contract Employees FTEs

#### B. NEW PARENT SUPPORT

**Appropriation** (Identify costs by appropriation and total)

- **Personnel**
  - Military E/S
  - Civilian FTEs
  - Contract Employees FTEs

**Workload**

- Number Served

Exhibit PB-50 Child Development, School Age Care (SAC), Family Centers, and Family Advocacy Programs (Page 4 of 5)
### C. YOUTH AT RISK

**Appropriation**  (Identify costs by appropriation and total)

<table>
<thead>
<tr>
<th></th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY1</th>
<th>FY BY2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel</strong></td>
<td></td>
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<tr>
<td>Military E/S</td>
<td></td>
<td></td>
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<tr>
<td>Civilian FTEs</td>
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<tr>
<td>Contract Employees FTEs</td>
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<tr>
<td><strong>Workload</strong></td>
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<tr>
<td>Youth Served</td>
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</tbody>
</table>

**TOTAL FAMILY ADVOCACY PROGRAM**

**Appropriation**  (by appropriation and total)

<table>
<thead>
<tr>
<th></th>
<th>FY PY</th>
<th>FY CY</th>
<th>FY BY1</th>
<th>FY BY2</th>
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</thead>
<tbody>
<tr>
<td><strong>Personnel</strong></td>
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<tr>
<td>Military E/S</td>
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<tr>
<td>Civilian FTEs</td>
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<tr>
<td>Contract Employees FTEs</td>
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</tbody>
</table>

**Narrative:**  Explain changes between the CY and BY1 and between BY1 and BY2 at the total program level. Identify price and program growth between each year.
Exhibit PB-52A DoD Aeronautics Budget

DoD Aeronautics Budget
(Name of DoD Component)
($ Millions)

<table>
<thead>
<tr>
<th>Appropriation Summary:</th>
<th>FY 20PY-2 Actual</th>
<th>FY 20PY-1 Actual</th>
<th>FY 20PY Actual</th>
<th>FY 20CY Estimate</th>
<th>FY 20BY1 Estimate</th>
<th>FY 20BY2 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research, Development, Test, &amp; Evaluation</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Program Data</th>
<th>Program Title</th>
<th>Program Element</th>
<th>FY 20PY-2 Actual</th>
<th>FY 20PY-1 Actual</th>
<th>FY 20PY Actual</th>
<th>FY 20CY Estimate</th>
<th>FY 20BY1 Estimate</th>
<th>FY 20BY2 Estimate</th>
</tr>
</thead>
</table>

Exhibit PB-52A DoD Aeronautics Budget
(Page 1 of 2)
Exhibit PB-52A DoD Aeronautics Budget (Continued)

Instructions
Exhibit PB-52A DoD Aeronautics Budget

1. **Purpose.** This exhibit identifies research and development funding for Aeronautics programs. The data are used to prepare the overall DoD input into the annual President's Aeronautics and Space Report which is prepared by the Office of Management and Budget (OMB). A copy of the final report is available for information in the OUSD (Comptroller) Investment Directorate.

2. **Submission.**
   
a. Exhibit PB-52A should separately identify all RDT&E program elements providing funds in support of the development of systems, subsystems and components used in rotary and fixed wing aircraft.

   b. Data are to be provided in millions of dollars, using 3 decimal points.

   c. Submission of the required exhibit will be made in hard paper copy and in a DOS/Excel format.

   d. The submission of the completed exhibits to the OUSD (Comptroller) is due no later than 15 working days after transmission of the President's budget to the Congress.

3. **Entries.**

   **Exhibit PB-52A (Aeronautics Programs)**

   a. **Program Title.** Insert the official program title as reflected in the R-1 budget exhibit.

   b. **Program Element Number.** Insert the official 7-digit plus organization program element designator as reflected in the R-1 budget exhibit.

   c. **Budget Estimate.** The completed exhibits are to reflect the estimated cost, as funded in the Future Years Defense Program (FYDP), by fiscal year for the period FY 20PY-2 through FY 20BY2 (the three prior years, the current year and the budget years). All amounts should be in then years (TY)
Exhibit PB-52B DoD Space Budget

DoD Space Budget
(Name of DoD Component)

Purpose. This exhibit identifies all funding for Space programs. The data from the DoD exhibit is used to support a myriad of Space Budget Justification requirements including Congressional Space Budget Justification and the DoD input into the President's Aeronautics and Space Report which is prepared by the Office of Management and Budget (OMB). The data are also used to support congressional hearings on space programs and to fulfill other various information requests regarding space-related funding.

The PB-52B Space Budget will be compiled by the OUSD (Comptroller), Investment Directorate using Service/Agency input into the OD, PA&E-maintained FYDP database.
### DEPARTMENT OF DEFENSE PRESIDENT'S BUDGET

**FY 20BY1/FY 20BY2 BUDGETED MILITARY AND CIVILIAN PAY RAISE AMOUNTS ($ IN THOUSANDS)**

<table>
<thead>
<tr>
<th>MILITARY PERSONNEL</th>
<th>FY 20CY</th>
<th>FY 20BY1</th>
<th>FY 20BY2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military Personnel, Army, Navy, MC, Air Force</td>
<td>(Specify date and percentage of pay raise)</td>
<td>(Specify date and percentage of pay raise)</td>
<td>(Specify date and percentage of pay raise)</td>
</tr>
<tr>
<td>Reserve Personnel, Army, Navy, MC, Air Force</td>
<td>(Specify date and percentage of pay raise)</td>
<td>(Specify date and percentage of pay raise)</td>
<td>(Specify date and percentage of pay raise)</td>
</tr>
<tr>
<td>National Guard Personnel, Army, Air Force</td>
<td>(Specify date and percentage of pay raise)</td>
<td>(Specify date and percentage of pay raise)</td>
<td>(Specify date and percentage of pay raise)</td>
</tr>
</tbody>
</table>

**CIVILIAN PERSONNEL**

<table>
<thead>
<tr>
<th>Operation and Maintenance, Army, Navy, MC, Air Force, Defense Agencies</th>
<th>FY 20CY</th>
<th>FY 20BY1</th>
<th>FY 20BY2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classified</td>
<td>(Specify date and percentage of pay raise)</td>
<td>(Specify date and percentage of pay raise)</td>
<td>(Specify date and percentage of pay raise)</td>
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<tr>
<td>Wage Board</td>
<td>(Specify date and percentage of pay raise)</td>
<td>(Specify date and percentage of pay raise)</td>
<td>(Specify date and percentage of pay raise)</td>
</tr>
<tr>
<td>Foreign National</td>
<td>(Specify date and percentage of pay raise)</td>
<td>(Specify date and percentage of pay raise)</td>
<td>(Specify date and percentage of pay raise)</td>
</tr>
</tbody>
</table>

Total Operation and Maintenance

Research, Development, Test, and Evaluation (RDT&E), Defense Working Capital Fund, Family Housing, etc.

TOTAL CIVILIAN PERSONNEL

---

Exhibit PB-53 Budgeted Military and Civilian Pay Raise Amounts
CIVILIAN PERSONNEL HIRING PLAN

COMPONENT _____________

FY ___________

APPROPRIATION: ______________

<table>
<thead>
<tr>
<th>Month</th>
<th>E/S Beginning</th>
<th>Gains</th>
<th>Separations</th>
<th>Net Change</th>
<th>E/S Revised</th>
<th>FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a</td>
<td>b</td>
<td>c</td>
<td>d</td>
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<tr>
<td>Total</td>
<td>h</td>
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</tr>
</tbody>
</table>

Definitions

Column Title: Definition

- Month: Month of the fiscal year
- E/S Beginning: Civilian end strength at the beginning of the month
- Gains: Civilian end strength hires during the month
- Attrition: Civilian end strength monthly losses not covered in columns e and f
- Retire: Number of civilian employees who retired during the month
- RIF: Number of civilian employees who separated due to reductions in force during the month.
- Total: Sum of columns d-e; total number of civilian separations during month
- Net Change: Net change of gains and separations (column c less column g)
- E/S Revised: End Strength at the end of the month (column b plus column h)
- FTE: Full time equivalents. Enter full time equivalent for month.

The October, E/S Beginning (column b) is the same as the September E/S Revised (column i) of the previous fiscal year.
The September E/S Revised (column i) must match the end strength reported on other budget exhibits (OP-5, OP-8).
The Total annual FTE (total of column j) must match FTE reported on other budget exhibits (OP-5, OP-8).

This exhibit must be provided for the current year (FY CY) and the budget years (FY BY1 and FY BY2) for both the OSD/OMB Program and Budget Review Submission and for the President’s budget submission.
### Exhibit PB-55 INTERNATIONAL MILITARY HEADQUARTERS

**INSTRUCTIONS**

**Category/Organization/Appropriation:** This exhibit will provide manpower, payroll, and non-labor cost data directly related to DoD personnel serving in the International Military Headquarters mission. Data will be displayed by appropriation/fund (including Military Personnel). A narrative explanation is required for all increases and decreases.

Manpower and TOA will be identified by appropriation or fund as displayed in the following example:

<table>
<thead>
<tr>
<th>International Military Headquarters</th>
<th>Military A/S</th>
<th>Civilian FTEs</th>
<th>Total Mpwr</th>
<th>Total Obl. ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MPMC</td>
<td>1,225</td>
<td>256</td>
<td>1,481</td>
<td>89,517</td>
</tr>
<tr>
<td>MPN</td>
<td>255</td>
<td></td>
<td>255</td>
<td>15,600</td>
</tr>
<tr>
<td>OMN</td>
<td>970</td>
<td></td>
<td>970</td>
<td>59,031</td>
</tr>
<tr>
<td>(DIR)</td>
<td>(250)</td>
<td>(6)</td>
<td>(250)</td>
<td>(14,461)</td>
</tr>
<tr>
<td>(REIMB)</td>
<td>(6)</td>
<td></td>
<td>(6)</td>
<td>(425)</td>
</tr>
</tbody>
</table>

- Under “Total Obligations” TOA should be limited to costs directly in support of International Military headquarters and should not include operational elements of expense for programs centrally funded or managed at the headquarters but executed elsewhere in the Department.
- Under appropriation, manpower strengths and funds will be identified as direct or reimbursable.
- Revolving funds that support headquarters activities will be reflected in the same fashion as appropriated funds.
- A total summary by appropriation, as well as a grand total, will be provided.
- Classified data will be reported.
- National Guard and Reserve officers serving on active duty and performing duties described in 10 U.S.C. 10211 will be excluded from this exhibit.
- Attached an addendum to provide a listing of organizational acronyms and their meanings used in this exhibit.

POC: ___________________________________ Phone No. ________________________

Exhibit PB-55 International Military Headquarters (Page 1 of 1)
**DoD Overseas Staffing Report**

*(Name of DoD Component, COCOM or Defense Agency)*

<table>
<thead>
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<td>U.S. Military Position</td>
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<td>U.S. Military Position</td>
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<td>Locally Engaged Staff</td>
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<td><strong>Non-Office 4/</strong></td>
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<tr>
<td>U.S. Military Position</td>
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<tr>
<td>Locally Engaged Staff</td>
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<tr>
<td><strong>Never Colocate 5/</strong></td>
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<tr>
<td>U.S. Direct Hire</td>
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<td>U.S. Military Position</td>
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<tr>
<td>Locally Engaged Staff</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>

1/ Identify Post (U.S. Embassy, U.S. Consulate or U.S. Mission)
2/ Controlled Access Area: Authorized office positions to work within an area authorized to handle classified information
3/ Non-Controlled Access Area: Authorized office positions that work outside the CAA area
4/ Non-Office: Authorized positions not assigned a desk, office or workstation (includes custodians, laborers, warehouse staff, drivers, etc.)
5/ Never-Collocate: Authorized positions that work in non-USG owned or leased facility or other non-mission facilities

Instructions for Completing:
1. Report personnel assigned overseas under the Chief of Mission as of January 1st for the year reporting.
2. All COCOMs, Components and Defense Agencies that have personnel assigned overseas under the Chief of Mission must complete this exhibit.
3. Defense Agencies will report military personnel assigned to their agency.
4. Components (Army, Navy, Marine Corps and Air Force) will consolidate input reported by field units.
5. Marine Corps must identify Guard and Non-Guard totals.

DATE PREPARED: 
POC: 
TELEPHONE: 

EXHIBIT PB-59 DoD Overseas Staffing Report
INSTRUCTIONS FOR PREPARATION OF PB-60

1. Services are required to submit this exhibit at the end item level for the selected pilot programs.

2. The PB-60 provides essential materiel readiness and sustainability information for justification of the OSD and President’s budget estimates. The PB-60 metrics will incorporate all appropriations (i.e. Research and Development, Procurement, Operations and Maintenance) related to the specified end item.

3. “Materiel Availability” (MA) is a measure of the percentage of the total inventory of a system operationally capable of performing an assigned mission at a given time based on materiel condition. This can be expressed mathematically as the number of operational end items divided by the total population. Determining the optimum value for Materiel Availability requires a comprehensive analysis of the system and its planned use, including the planned operating environment, operating tempo, reliability alternatives, maintenance approaches, and supply chain solutions. Materiel Availability is primarily determined by system downtime, both planned and unplanned, requiring the early examination and determination of critical factors such as the total number of end items to be fielded and the major categories and drivers of system downtime. The Materiel Availability KPP (Key Performance Parameter) must include the total population of usable end items we have that is either functional or can be brought to functionality through maintenance/repair. The total life cycle timeframe, from placement into operational service through the planned end of service life, must be included. The service will express Materiel Availability on the exhibit as a number between 0 and 100. This metric should represent the average for the year that the entire population of systems is materially capable for operational use during the specified period (current year, budget year, budget year +1).

\[
\text{Materiel Availability} = \frac{\text{Number of End Items Operational}}{\text{Total Population of End Items}}
\]

4. “Materiel Reliability” is a measure of the probability that the system will perform without failure over a specific interval. Reliability must be sufficient to support the warfighting capability needed. Materiel Reliability is generally expressed in terms of a mean time between failure(s) (MTBF), and once operational, can be measured by dividing actual operating hours by the number of failures experienced during a specific interval. Reliability may initially be expressed as a desired failure-free interval that can be converted to MTBF for use as a KSA (Key System Attribute) (e.g. 95% probability of completing a 12 hour mission, free from mission-degrading failure; 90% probability of completing 5 sorties without failure, etc.). NOTE: Operating hours is operational hours and failure is not ready for issue. Single-shot systems and systems for which other units of measure are appropriate must provide supporting analysis and rationale. MTBF will be expressed on the exhibit as a numeric value representing time (hours) between failure during the specified period (current year, budget year, budget year +1, etc).

\[
\text{Materiel Reliability} = \frac{\text{Mean Time Between Failure}}{\text{Total Number of Failures}} = \frac{\text{Total Operating Hours}}{\text{Total Number of Failures}}
\]

5. “Ownership Cost” provides balance to the sustainment solution by ensuring that the Operations and Support (O&S) costs associated with materiel readiness are considered in making decisions. Use of the Cost Analysis Improvement Group's O&S Cost Estimating Structure will ensure consistency and proper capitalization of existing efforts in support of this KSA. Only the following cost elements are required for this assessment:

EXHIBIT PB-60 Life Cycle Sustainment
INSTRUCTIONS FOR PREPARATION OF PB-60 (Continued)

2.0 Unit Operations (2.1.1 (only) Energy (fuel, petroleum, oil, lubricants, electricity)); 3.0 Maintenance (All); 4.0 Sustaining Support (All except 4.1, System Specific Training); and 5.0 Continuing System Improvements (All). Base fuel cost on the full burdened cost of fuel. Costs are to be included regardless of funding source. The KSA value should cover the planned lifecycle timeframe, consistent with the timeframe used in the Materiel Availability KPP. Sources of reference data, cost models, parametric cost estimating relationships and other estimating techniques or tools must be identified in supporting analysis. Programs must plan for maintaining the traceability of costs incurred to estimates. The planned approach to monitoring, collecting, and validating operating and support cost data to supporting the KSA must be provided. For the purpose of this exhibit, Ownership Cost needs to be divided into annual ownership cost (dollars) for the specified period (current year, budget year, budget year +1).

Ownership Cost = O&S costs*

* Using the CAIG O&S Cost Estimating Structure Selected cost elements:
  2.0 Unit Operations (2.1.1 (only) Energy (Fuel. POL, Electricity))
  3.0 Maintenance (All)
  4.0 Sustaining Support (All except 4.1, System Specific Training)
  5.0 Continuing System Improvements (All)

6. “Mean Downtime” (MDT) is the average Total Downtime required to restore an asset to its full operational capabilities. MDT includes the time from reporting an asset down to the asset being available to unit to operate. MDT includes administrative time of reporting, logistics and materials procurement, and lock-out/tag-out of equipment for repair or preventative maintenance events. Criteria for failure must be consistent with criteria used for Materiel Reliability. MDT will be expressed on the exhibit as a numeric value representing the average number of hours between failures during the specified period (current year, budget year, budget year +1).

Mean Down Time (MDT) = \frac{\text{Total Down Time for All Failures}}{\text{Total Number of Failures}}

7. The metric sections of the exhibit must be populated with the sustainment goal for the associated metric in each fiscal year represented, the actual/projected metric based on the current budget submission in each fiscal year represented, and the associated data from which the metric is derived for each fiscal year represented (BSO must maintain traceability data for the Ownership Costs). The “Explanation” sections will provide, as necessary, what issues preclude reaching the sustainment goal including funding shortfalls by required year(s), appropriation, and line item/PE/SAG. The “Explanation” section should also be used to explain changes to metrics between submissions caused by external events, such as increased OPTEMPO, unplanned environment, etc.
INSTRUCTIONS FOR PREPARATION OF PB-60 (Continued)

**CLASSIFICATION:**

<table>
<thead>
<tr>
<th>PB-60, Life Cycle Sustainment Exhibit</th>
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<tr>
<td>APPROPRIATION/BUDGET ACTIVITY</td>
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<tr>
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<td>Total Population of End Items</td>
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<tr>
<td>Sustainment Goal</td>
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<td>*Actual/Projected</td>
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<tr>
<td>Sustainment Goal</td>
<td></td>
<td></td>
<td></td>
<td>*Actual/Projected</td>
</tr>
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</table>

Explanation (required if metric is less than goal): What precludes reaching the goal? (i.e. contractor availability, out of production parts, funding, etc) If funding is the issue, provide the amount required, by years/appropriation/line item?

<table>
<thead>
<tr>
<th>Materiel Reliability</th>
<th>Prior FY</th>
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<tbody>
<tr>
<td>Total Operating Hours</td>
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<td>Total Number of Failures</td>
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<tr>
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<td>*Actual/Projected</td>
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Explanation (required if metric is less than goal): What precludes reaching the goal? (i.e. contractor availability, out of production parts, funding, etc) If funding is the issue, provide the amount required, by years/appropriation/line item?

<table>
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<th>Ownership Cost</th>
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<td>*Actual/Projected</td>
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</table>

Explanation (required if metric is less than goal): What precludes reaching the goal? (i.e. contractor availability, out of production parts, funding, etc) If funding is the issue, provide the amount required, by years/appropriation/line item?

<table>
<thead>
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<th>Mean Down Time (MDT)</th>
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<th>Current FY</th>
<th>Budget Year</th>
<th>Budget Year +1</th>
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<tr>
<td>Total Down Time for All Failures</td>
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<tr>
<td>Total Number of Failures</td>
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<td>Sustainment Goal</td>
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<td>*Actual/Projected</td>
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<td>Sustainment Goal</td>
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<td>*Actual/Projected</td>
</tr>
</tbody>
</table>

Explanation (required if metric is less than goal): What precludes reaching the goal? (i.e. contractor availability, out of production parts, funding, etc) If funding is the issue, provide the amount required, by years/appropriation/line item?

* Based on current budget submission.
DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

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

UNDER SECRETARY OF DEFENSE (COMPTROLLER)
VOLUME 3, CHAPTER 2: “APPORTIONMENT/ REAPPORTIONMENT AND FUNDS DISTRIBUTION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated May 2015 is archived.

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<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<td>020202</td>
<td>Clarified exempt from apportionment transfer-only accounts.</td>
<td>Revision</td>
</tr>
<tr>
<td>020203</td>
<td>Added reference to proceeds from donations, contributions and sales of assets for replacement; and reference to reimbursable authority.</td>
<td>Addition</td>
</tr>
<tr>
<td>020204</td>
<td>Added a schedule for quarterly apportionment updates.</td>
<td>Addition</td>
</tr>
<tr>
<td>020204</td>
<td>Added explanation of potential timing differences between the SF 132 and the SF 133.</td>
<td>Addition</td>
</tr>
<tr>
<td>020301</td>
<td>Update preparation of apportionment and reapportionment roles and responsibilities.</td>
<td>Revision</td>
</tr>
<tr>
<td>020301</td>
<td>Updated the footnote requirements to match OMB updated language.</td>
<td>Revision</td>
</tr>
<tr>
<td>020301</td>
<td>Added requirement for line split for amounts automatically apportioned.</td>
<td>Addition</td>
</tr>
<tr>
<td>020303</td>
<td>Updated file naming convention.</td>
<td>Revision</td>
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**VOLUME 3, CHAPTER 2: “APPORTIONMENT/ REAPPORTIONMENT AND FUNDS DISTRIBUTION”**

*January 2020*

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CHAPTER 2

APPORTIONMENT/ REAPPORTIONMENT AND FUNDS DISTRIBUTION

0201  GENERAL

020101. General

This Chapter provides information on the apportionment process, and the first level of funds distribution from the Office of the Under Secretary of Defense (Comptroller), Program/Budget (OUSD(C)/PB) to the Military Services and Defense Agencies. It includes guidance for the preparation and submission of the Apportionment and Reapportionment Schedule (Standard Form (SF) 132) required by Office of Management and Budget (OMB) Circular No. A-11. Refer to OMB Circular No. A-11 (Part 4, sections 120, 123, and Appendix F).

020102. Legal Requirement

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

020103. Apportionment Level

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

020104. Funds Allocation

Following approval of apportionment/reapportionment requests by OMB, OUSD(C)/PB allocates funds to the Military Services and Defense Agencies. Funds distributed by OUSD(C)/PB may be further subdivided through sub-allocation and sub-allotment to lower levels within the organizations or across organizations for execution.
0202 REQUIREMENTS

020201. Accounts Requiring Apportionment

All appropriations require apportionment, except appropriations and funds that are identified in the OMB Circular A-11 as exempt, or those expressly exempted by OMB pursuant to their authority under 31 U.S.C. 1516 (Exemptions). Contact OUSD(C), Program and Financial Control (P&FC) for a full list of accounts currently exempt from apportionment. Refer to OMB Circular No. A-11 (Part 4, sections 120.4 through 120.8).

020202. Accounts Requiring Reapportionment

All accounts which must be apportioned must also be reapportioned for any upward adjustment of budgetary resources greater than $400,000 or 2 percent (whichever is lower) before the increased resources may be obligated. The unobligated balances brought forward in unexpired accounts must also be reapportioned annually. Refer to OMB Circular No. A-11 (Part 4, sections 120.48 through 120.51). Expired accounts are not apportioned. Transfer-only accounts are generally exempt from apportionment. OMB may require a written request to exempt these accounts from apportionment. These exemptions are processed through the OUSD(C), P&FC office. All accounts being reapportioned must be compared to the most current Report on Budget Execution and Budgetary Resources (SF 133), applying at a minimum, the standards in paragraph 020204 below.

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

Initial distribution to the Military Services and Defense Agencies is the responsibility of OUSD(C)/PB for all funds appropriated by Congress; funds made available through above-threshold reprogrammings and transfers from other TAFS; legally authorized proceeds from donations, contributions, and sales of assets for replacement under the authority of section 21 of the Arms Export Control Act; reimbursable authority in accounts where it is not automatically apportioned; borrowing authority, contract authority, and for direct, non-reimbursable, collections. The assigned OUSD(C)/PB analyst for each appropriation account will allocate funds to the Military Services and Defense Agencies by means of funds authorization documents (FADs). Distribution will be made after funds are realized and apportioned as necessary. Distribution below the level of initial transfer to the Military Services and Defense Agencies will be the responsibility of the Services and Agencies. Transfer-only accounts are not available for obligation or outlay, and budgetary resources in such accounts will not be distributed directly from the transfer accounts; such funds are distributed using reprogramming procedures governed by chapter 6 of this Volume (Reprogramming of DoD Appropriated Funds) to the FAD for the recipient appropriation.

020204. Periodic Review

Analysts responsible for monitoring the appropriation accounts will review apportioned amounts a minimum of four times per year and make any necessary adjustments. The review will occur using the SF 133s from the following months:

* January 2020
Quarter 1: December
Quarter 2: March
Quarter 3: June
Quarter 4: July  The update will be included on the initial apportionment for the next fiscal year which includes the estimated, unobligated balance brought forward.

Necessary adjustments will be submitted to OMB to allow at least 10 business days processing time for any necessary reapportionments. Most accounts will not require quarterly updates if the required OMB footnotes are present on the apportionment. Refer to section 02030. Reference paragraph 020202 for the thresholds that apply to these quarterly review apportionments. At a minimum, the review will include the following:

A. Confirm unobligated balances forward, appropriations received, and permanent reductions to amounts reported on the SF 133. Coordinate with DFAS to resolve discrepancies.

B. Reasonable check of transfers to amounts reported on the most recent SF 133. Reconcile as necessary (possible timing differences). These timing differences could be due to lag time in reporting on the SF 133. Refer to OMB Circular No. A-11 (Appendix F) for proper reporting of expired and unexpired balances transferred.

C. Update recoveries (both paid and unpaid) and spending authority from offsetting collections to actual amounts reported on the most recent SF 133.

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

0203 PROCEDURES

*020301. Preparation of Apportionment and Reapportionment Requests

All requests will be created electronically using the OMB’s web based apportionment module. Refer to OMB Circular No. A-11, Appendix A, for an example SF 132. Apportionment requests will be submitted by the Military Services to OUSDC, P&FC, and will be validated in OMB’s MAX system prior to submission. OUSDC,P&FC will prepare the defense-wide apportionments and provide them to the responsible OUSDC analysts for approval prior to submission to OMB. All apportionments must be submitted in accordance with the following:

A. Timing and minimum requirements:

1. For new appropriations, Components must submit requests within five calendar days after enactment of appropriations acts appropriating funds to the DoD. At the direction of the OUSDC, the SF 132 apportionment requests may be required to execute fund transfers mandated or authorized in an appropriations act. Refer to paragraph 020504 for
information about budgetary resources available to agencies pending OMB approval of an initial apportionment following newly enacted appropriations, and paragraph 020505 for information about apportionment requirements under continuing resolutions.

2. For all multi-year accounts that will be available for obligation in the following year, Components must submit an estimate of unobligated balances. Estimates will be based on unobligated balances on the July SF 133. Include anticipated reimbursements in this request as applicable.

3. Components will submit reapportionment requests at various times throughout the year as needed to reflect changes in resources. A reapportionment request is also necessary if amounts require redistribution among apportionment categories (refer to section B below). Refer to paragraph 020204 for minimum review requirements to be performed with every reapportionment. Components must update collections and recoveries to actual amounts reflected on the SF 133 with each reapportionment.

B. Apportionment Categories:

Apportionments are identified by four categories (A, by time; B, by program, project, or activity (PPA); AB, a combination of PPA and time period and C future years (for multiyear/no year accounts) designated in OMB Circular No. A-11, Part 4, Section 120.13. The DoD uses, at a minimum, the following categories:

1. Category A, Quarterly apportionments as follows:
   - Line 6001: First Quarter
   - Line 6002: Second Quarter
   - Line 6003: Third Quarter
   - Line 6004: Fourth Quarter

2. Category B, PPA level apportionments will be reported on lines 6011 – 6110 for multiyear accounts. Accounts may be apportioned lump sum, by business area, or by PPA.

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

C. Footnotes are an essential mechanism for administrative control of funds used in apportionments. They provide supporting explanation and clarity. Incorporating explanatory footnotes sufficient to support the changes on the SF 132 will facilitate faster processing at OMB. Refer to OMB Circular No. A-11, (Part 4, sections 120.34 – 120.38) for additional information.

1. The following footnotes will be included at a minimum on all DoD apportionments:
DoD 7000.14-R  Financial Management Regulation  Volume 3, Chapter 2

* January 2020

2-7

a. “Pursuant to Title 31 U.S.C. Subsection 1553(b), not to exceed 1 percent of the total appropriations for this account is apportioned for the purpose of paying legitimate obligations related to canceled appropriations.” (Exception is the 3-year RDT&E royalty apportionments and no-year accounts)

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

2. The following standard footnotes must be included if applicable to the apportionment:

a. “To the extent authorized by law, the amounts apportioned may be increased for actual recoveries of prior year obligations without further action from OMB.” Also include a “Y” in the Line Split column of the SF 132 for recoveries on lines 1021 and 1033, as applicable.

b. “Apportioned anticipated budgetary resources, once realized, do not need to be reapportioned unless the amount realized exceeds the conditions on the total amount apportioned (A-11 section 120.49). Also include a “Y” in the Line Split column of the SF 132 for spending authority on lines 1700, 1701 and 1740 (or 1800, 1801 and 1840), as applicable. (Please note this is a section “B” footnote.)

c. “To the extent authorized by law, the amounts apportioned may be increased or decreased up to five percent of the amount on lines 1000 for actual unobligated balances without further action from OMB.”

d. “Temporary FYXX sequestered amounts restored in FYXX.”

e. “Temporary funding sequestered at X.X% in the amount of $XXX,XXX. Funds are sequestered from X.”

3. For the first apportionment of the year include the following footnote in the previously approved footnote tab and as A1 in the previously approved column:

a. “Not shown on this apportionment are the funds that were automatically apportioned via OMB Circular A-11 section 120.41”

4. While under a continuing resolution, the following additional footnotes will be included, should a separate written apportionment be required:
a. “For any subsequent extensions of the Continuing Appropriations Act, (20XX), in addition to the amounts previously apportioned, this account will receive the amounts automatically apportioned via (insert OMB Bulletin number) using the daily rate, provided that the total amount apportioned during the CR period does not exceed the total annualized level of the CR.”

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

D. Allocation Transfers to Other Agencies (Parent/Child transfers). Allocation transfers to other agencies for execution of funds on behalf of the DoD will be reflected on all apportionment/reapportionment requests. Refer to the example at OMB Circular No. A-11, Part 4, Section 120, Exhibits 120O and 120P.

020302. Supporting Information

Each apportionment request will be accompanied by a written explanation of the requested apportionment action (footnotes will suffice for most requests) and a pdf copy of the most recent SF 133 to validate the updated amounts on lines 1021, 1700, 1701, 1800 and 1801.

020303. File naming conventions

Components will save MAX-validated SF 132 Apportionment Requests using a consistent file naming convention. File names will begin with the two-position fiscal year (FY), followed by the account abbreviation, the two-position Treasury Index, the 4 or 8-position period of availability (POA), the four-position account number, and a sequence number in parenthesis (filenames and sequence numbers may be changed by OUSD(C), P&FC when necessary). Examples of acceptable file names:

A. 19 OMA (21 2019 2020) (2).xlsx would represent Operation and Maintenance, Army’s second FY 19 submission.

B. 19 BRAC (97 X 0516) (2).xlsx would represent the Base Realignment and Closure account’s second FY 19 submission.

C. 19 APAF (57 2019 2021 3010) (2).xlsx would represent Aircraft Procurement, Air Force’s second FY 19 submission of the 2019/2021 POA.

0204 COMPONENT NOTICE OF THE DOD COMPTROLLER AND OFFICE OF MANAGEMENT AND BUDGET ACTIONS

020401. OUSD(C) Action

The OUSD(C) will notify the Component of amounts recommended by the OUSD(C) if such amounts differ significantly from those requested by the DoD Component.
020402. OMB Action

The OMB will indicate to the OUSD(C) the action taken in regard to the initial request for apportionment within the time prescribed by law. In regard to reapportionment, OMB will generally respond within 10 business days after receipt of the request. This is accomplished via email notification.

020403. Notice to the DoD Component of OMB Action

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

0205 SPECIAL INSTRUCTIONS

020501. North Atlantic Treaty Organization (NATO) Security Investment Program (NSIP)

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

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

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

020503. Letter Apportionments

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

020504. Interim Apportionment Authority for Initial Appropriations Act

In cases where OMB is reviewing the first apportionment request for newly enacted appropriations, OMB automatically apportions up to a 30-day level of resources. Refer to OMB Circular No. A-11 (Part 4, section 120.41.) to calculate the amount automatically apportioned. Once the written apportionment is approved by OMB, the automatic apportionment ceases to remain in effect. This authority may be further limited or modified by OUSD(C) and OMB.
020505. Apportionment Requirements under Continuing Resolution (CR)

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

A. OUSD(C), P&FC will calculate annualized appropriations and automatic apportionment while under CR based on the CR language and guidance in the OMB bulletin issued with the first CR. The OUSD(C), P&FC will provide appropriations and adjustments for reporting in the AR1002 and SF 133, and available funds under CR to all Components, along with guidance to be followed while under CR. All OUSD(C), P&FC calculations and fund balances/availability will be at the account level. Updates will be provided with each subsequent CR until an appropriations bill is passed. Appropriations and apportionments while under CR will be recorded in the SF 133 in accordance with OMB Circular No. A-11 (Appendix F).

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

C. Should Components require more funds than are automatically available to them under the CR, an exception apportionment will be required. Guidance for submission of an exception request will be included in the CR guidance.

0206 RESCISSIONS AND DEFERRALS

020601. Rescissions and Deferrals – General.

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

B. Reapportionment will generally be required when funds are proposed for rescission or deferral. For procedures and special reporting requirements, refer to OMB Circular No. A-11 (Part 4, section 112.3).
C. As the fourth quarter approaches, Components should review all deferrals (particularly of funds expiring at the end of the year) to ensure that amounts deferred for only part of the year will be released in time to be used prudently before the year ends. If a determination is made that such amounts should not be used, a rescission will be proposed prior to the beginning of the fourth fiscal quarter. Only in exceptional cases will rescissions be proposed during the fourth quarter. All proposed rescissions must be approved by the OMB.

D. Refer to *OMB Circular No. A-11* (Part 4, sections 112-14 – 112-16) for guidance to apportionment actions to be taken when rescission proposals and deferrals are enacted, released, or disapproved.
VOLUME 3, CHAPTER 3: “APPROPRIATION TRANSFER AUTHORITIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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CHAPTER 3

APPROPRIATION TRANSFER AUTHORITIES

0301 GENERAL

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

0302 TYPES OF TRANSFER AUTHORITIES

*030201. Authority for Transfer

Transfer authorities may be included in permanent, one-time or recurring provisions of law. Most of the transfers within the Department, however, are made pursuant to authority granted in the annual Appropriations Act. Some of the transfer authorities are provided solely for administrative convenience and some allow no discretionary action. Once authorized/approved, basic responsibility for executing Treasury transfers will be assigned to the Department of Defense (DoD) Components from which the funds are transferred; refer to paragraph 030405 below.

*030202. Authority for Transfers Affecting Budget Availability

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

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

C. Transfers Between Working Capital Funds. Generally, the DoD Appropriations Act provides authority, during the current fiscal year, to transfer cash balances between working capital funds and the Foreign Currency Fluctuations, Defense and Operations and Maintenance appropriation accounts. Transfers may be made between such funds in such amounts as may be determined by the Secretary of Defense, with the approval of the OMB,
except that transfers may not be made unless the Secretary of Defense has notified the Congress of the proposed transfer. Except in amounts equal to the amounts appropriated to working capital funds in the Act, no obligations may be made against a working capital fund to procure war reserve material inventory, unless the Secretary of Defense has notified the Congress prior to any such obligation.

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

E. **Transfer Accounts.** Various Appropriation and Authorization Acts have included language making funds available or transfer authority available for accounts such as Environmental Restoration, Defense; Drug Interdiction and Counter-Drug Activities, Defense; Foreign Currency Fluctuations, and Defense; Foreign Currency Fluctuations, Construction, Defense. Accounts which are available only for transfer are exempted from the requirement to apportion, as per OMB Circular A-11, section 120.5.

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

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

H. **Transfer of Funds to Other Departments and Agencies: Limitation.** Title 10, United States Code section 2215 provides that funds available for military functions of the Department of Defense may not be made available to any other department or agency of the Federal Government pursuant to a provision of law enacted after November 29, 1989, unless, not less than 30 days before such funds are made available to such other department or agency, the Secretary of Defense submits to the House Armed Services and Senate Armed Services Committees and the Committees on Appropriations of the Senate and House of Representatives a certification that making those funds available to such other department or agency is in the national security interest of the United States.
0303 STATUS REPORT ON TRANSFER ACTIONS

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

0304 ACTIONS RELATED TO EXERCISE OF TRANSFER AUTHORITY

030401. Proposals to Exercise Transfer Authority

The DoD Components will submit proposals for transfer formally to the OUSD(C) for processing. The submission must state the statutory authority for the proposed transfer.

030402. Secretary of Defense Determination

In most cases, the Secretary of Defense will provide the authority and amounts for transfer upon determination by the Secretary of Defense that certain conditions exist. The Secretary of Defense determination, when required, either will be obtained or signed by the OUSD(C) under delegation of authority from the Secretary of Defense as provided in DoD Directive 5118.03, section 6.m. In processing SF 1151 transfer documents to the Treasury Department, the statutory authority for the transfer must be cited, with references to documents constituting determinations and copies of the associated OMB or Presidential approvals when required.

030403. OMB/Presidential Approval

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

030404. Reprogramming Actions

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

*030405. Processing of Treasury Non-Expenditure Transfers (NETs)

Treasury NET is the means by which funds are moved between accounts at the Treasury pursuant to an authorized/approved transfer. Treasury NETs will be requested in the Treasury’s Government-wide Accounting System (GWA), and must be requested by the entity transferring funds out.
A. Except as stated below, Treasury NETs transferring funds between DoD appropriation and fund accounts should not be processed prior to the receipt of an OUSD(C) memorandum directing that such action be taken. The following types of transfers may be made without prior approval of the OUSD(C):

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

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

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

1. Identity of the transferring office.

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

3. Amount of the transfer in dollars.

4. Statutory references for the transfer authority.

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

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

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

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

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

10. Statement as to the applicable lines on the Report on Budget Execution and Budgetary Resources (SF 133) on which the transfer amounts must be reflected, when the transfer is made.
11. Statement as to the official responsible for issuance of the applicable fund authorization documents (e.g., EOB, DD 440, approval/deferral memos).

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

030406. Notification to the Congress

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

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

*030407. Apportionment and Reapportionment Schedules

A. Pursuant to provisions of OMB Circular A-11 and Chapter 2, as applicable transfers will be reflected on Apportionment and Reapportionment Schedules (SF 132). Where prior approval is required, SF132s will be prepared after the necessary approvals are obtained. For certain transfers specified in Chapter 2 (e.g., Foreign Currency Fluctuations, Defense or Environmental Restoration), the gaining and losing accounts, except accounts available only for transfer, automatically are apportioned and transfers will be reflected on subsequent schedules that are generated for other purposes during the year. Accounts available only for transfer are exempt from apportionment in accordance with OMB A-11, section 120.5.

B. Each Apportionment and Reapportionment Schedule submitted must show all transfers processed to date. The SF 132 is processed concurrently for both the gaining and losing appropriations, as applicable.
030408.  Guidance on SF 133 Treatment

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

030409.  Fund Authorization Documents

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

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CHAPTER 4

FUNCTIONAL TRANSFERS

0401 STATUTORY AUTHORITY

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

0402 TYPES OF TRANSFER AUTHORITIES

040201. Fund Adjustments:

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

040202. Transfer of Funds

When transfers of funds are necessary as a result of transfer of functions under Title 10, United States Code, section 125, it will be the responsibility of the receiving DoD Component to request that the USD(C) obtain the necessary determination and approval for the transfer of funds. The request shall be prepared in accordance with Title 10, United States Code, section 126 and the provisions in Chapter 3 of this Volume contain a statement that the DoD Components concerned have agreed to the amounts proposed for transfer. A copy of the Secretary of Defense approval of the transfer of functions (under 10 U.S.C. 125) should accompany the request.
VOLUME 3, CHAPTER 5: “SPECIAL MILITARY CONSTRUCTION/FAMILY HOUSING FUND RELEASE PROCEDURES”

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CHAPTER 5

SPECIAL MILITARY CONSTRUCTION/FAMILY HOUSING FUND
RELEASE PROCEDURES

0501 GENERAL

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

0502 OVERVIEW

050201. Fund Approval

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

050202. Family Housing

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

050203. OUSD(C) Review

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

050204. Document Approval

The approval document limits the Component’s authority to incur obligations. Further, obligations will not be incurred prior to the receipt of the fund approval document or in excess of the amounts shown therein.
0503 SUBMISSION REQUIREMENTS

A fund release will be required to request the initial fund authorization document; to request the release of funds for projects previously placed on hold by OUSD(C); to support an approved apportionment/reapportionment schedule (SF 132); and to support an approved formal reprogramming action.
A. Requirement. A format 460 is required for all Military and Family Housing Construction accounts. It will be executed in project detail for the major construction and new construction budget activities and executed as a lump sum for all other budget activities. The format is intended to provide a complete listing of all the disposition of the funds provided by the applicable appropriation act and includes all reprogramming actions.

B. Entries. Columnar entries shall be as follows:

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

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

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

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

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

6. **Below Threshold Reprogramming.** This column is similar to the previous column; however, it is used when the project never appeared in a formal reprogramming request, i.e., resources have been realigned below the threshold requiring prior approval.
7. **Previously Approved.** This column represents the amount Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) currently apportioned against the project—the amount appearing on the latest format 460 formally submitted to OUSD(C). Split funded projects will show only the resources from the fiscal year covered by the apportionment and will be footnoted to indicate where the balance of resources resides. The DD 460 is to be updated to reflect the foreign currency fluctuation CMA, which is automatically apportioned.

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

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

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

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

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

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

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

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

16. **Footnotes.** Include footnotes related to Congressional adds and rescissions, formal reprogramming, split funding, and when the authorized amount differs from the appropriated amount to create an audit trail that ties back to legislation or specific justification documents.
### MILITARY CONSTRUCTION or FAMILY HOUSING PROGRAM/FUND APPROVAL

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<th>PROJECT NO.</th>
<th>APPROP INT</th>
<th>APPROP AMOUNT</th>
<th>FORMAL REPROGRAM</th>
<th>BELOW THRESHOLD REPROGRAM</th>
<th>PREVIOUSLY APPROVED</th>
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<th>DELTA FROM PREVIOUS SUBMISSION</th>
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**Footnotes:**

(16) 460 Format
APPENDIX B

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

MILITARY CONSTRUCTION or FAMILY HOUSING CONSTRUCTION, (Enter Component)

OBLIGATION LIMITATION

PROGRAM YEAR #### OBLIGATION AUTHORITY

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<tr>
<th>BUDGET ACTIVITY</th>
<th>PREVIOUSLY APPROVED</th>
<th>THIS ADJUSTMENT</th>
<th>REVISED APPROVED*</th>
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<tr>
<td>PLANNING AND DESIGN</td>
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<tr>
<td>TOTAL</td>
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</table>

* The amounts shown in the revised approved column represent limitations subject to the provision of Title 31, United States Code, Section 1517, the Antideficiency Act. Obligations are not to be incurred beyond the revised amounts shown for each budget activity without the specific prior approval of the Office of the Under Secretary of Defense (Comptroller).
VOLUME 3, CHAPTER 6: “REPROGRAMMING OF DOD APPROPRIATED FUNDS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated March 2011 is archived.

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<thead>
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<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>060401.E</td>
<td>Updates to sub-activity reprogramming requirements</td>
<td>Update</td>
</tr>
<tr>
<td>060407</td>
<td>Added requirement that Components use the Enterprise Funds Distribution (EFD) system to submit reprogramming actions</td>
<td>Update</td>
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<tr>
<td>060502</td>
<td>Added requirement that Components use the Enterprise Funds Distribution (EFD) system to update DD Form 1416, Report of Programs</td>
<td>Update</td>
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CHAPTER 6

REPROGRAMMING OF DOD APPROPRIATED FUNDS

0601 PURPOSE

060101. Department for the Reprogramming

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

060102. Reprogramming Procedures

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

060103. Reprogramming Policy


0602 REPROGRAMMING DOCUMENTS IN GENERAL

060201. DD 1414, Base for Reprogramming Actions

The DD 1414 establishes the base for reprogramming actions and transfers. The report shall include a table for each appropriation enacted in the annual Department of Defense Appropriations Act, with separate columns to display the Program Base Presented to Congress, Approved Changes Prior to Congressional Action (e.g., budget amendments or other changes to the budget formally submitted an appropriations committee), Changes Reflecting Congressional Action (e.g., project level adjustments or undistributed rescissions as indicted in Conference Reports), and the Program Base Reflecting Congressional/Presidential Action. Tables for each appropriation shall delineate each budget activity and program, project, and activity established in administration budget justification materials or in the Conference Report accompanying enacted funding bills. Each budget activity and program, project, and activity shall be footnoted to identify those items known to be of special interest to one or more of the congressional committees and those items specifically denied by the Congress. The items should include, as a minimum, those items for which additional funds have been provided or items for which funding
is specifically reduced as shown in the project level table or in paragraphs using the phrases “only for” or “only to” or are congressional special interest items for the purpose of the Base for Reprogramming (DD Form 1414).

060202. DD 1415, Reprogramming Action

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

060203. DD 1416, Report of Programs

The DD 1416 report reflects the congressionally approved programs as enacted, reprogramming actions which have been approved, congressionally directed undistributed amounts and transfers, and reprogramming of funds that have been implemented by a DoD Component using below-threshold reprogramming flexibility. This report is generated in the Enterprise Funds Distribution (EFD) system, quarterly and submitted 30-days after the end of each quarter, electronically to the congressional defense committees by the Under Secretary of Defense (Comptroller) (OUSD(C)), Program and Financial Control Directorate (P&FC), for Title III, Procurement, and Title IV, Research, Development, Test, and Evaluation and annually for Title I, Military Personnel, and Title II, Operation and Maintenance appropriations.

0603 DETAILED PROCEDURES FOR BASE FOR REPROGRAMMING ACTIONS

060301. General

The DD Form 1414, Base for Reprogramming Actions, establishes the base from which reprogramming actions may be taken. It identifies line items within each appropriation covered in the DoD Appropriations Acts.

060302. Due Date

Within 30 days following enactment of the Department of Defense (DoD) Appropriations Act, the Components will submit their DD 1414, Base for Reprogramming Actions to OUSD(C) P&FC to ensure the Department can submit the Base for Reprogramming Actions to the congressional committees within 60 days of enactment as required by recurring general provisions in DoD Appropriations Acts (e.g., section 8007 of division C of Public Law 113-235, the Department of Defense Appropriations Act, 2015). The DoD Components will submit their DD 1414 through the Enterprise Funds Distribution (EFD) system, for review prior to submission to the congressional committees.

060303. Transmittal

Upon determination by the OUSD(C) P&FC that the Base for Reprogramming Action is acceptable, OUSD(C) P&FC will submit to OMB, pursuant to OMB Circular A-11, section 22.3.
After clearance by OMB, the OUSD(C) P&FC will prepare for printing and transmittal to the congressional committees. Final printed copies will be distributed to the DoD Components as well as posted on the Comptroller public website.

060304. Security Classification

In order facilitate use by the staffs of the congressional defense oversight committees, the Department will submit an unclassified report. Therefore, each Service shall submit an unclassified DD 1414 and OUSD(C) P&FC will be responsible for proper security review prior to publication. All classified programs should be consolidated into a single line item titled Classified Programs and should be displayed at the end of the Direct Program section.

060305. Detailed Instructions for Preparation of the DD 1414

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

0604 REPURPOSING ACTIONS

060401. Reprogramming Actions Requiring Written Congressional Approval

Two types of reprogramming actions will be used to request the prior approval of the congressional defense committees. Both requests are submitted using DD 1415-1, Prior Approval. The first type is for specific requirements, which usually are combined and submitted monthly. The second type is the annual Omnibus reprogramming action submitted prior to June 30 of each year, which was established in Fiscal Year (FY) 1991 to streamline the reprogramming process for the congressional committees and the Department. With the exception of reprogrammings of National Intelligence Program resources (paragraph 060604), the USD(C) submits all reprogramming actions to the congressional defense committees. The Department is expressly prohibited from preparing or forwarding to the Congress a prior approval reprogramming action except “for higher priority items, based on unforeseen military requirements, than those for which originally appropriated and in no case where the item for which reprogramming is requested has been denied by the Congress.” It is the Department’s policy that reprogramming actions, which require prior approval of the congressional committees (DD 1415-1), are those which involve the application of funds that:

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

B. Affect an item that is known to be or has been designated as a matter of special interest to one or more of the congressional committees. In rare instances, when funds from special interest items are to be reprogrammed from an existing program, subprogram,
project, or subproject to another program, subprogram, project, or subproject within the same procurement line item or program element, letter notification to the congressional committees may be made. Letters shall be submitted to the congressional committees by the DoD Component involved only after advance coordination with the applicable OUSD(C) P/B Directorate.

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

D. Exceed thresholds agreed upon between the committees. Effective for FY 2015, the basic reprogramming thresholds agreed upon between the committees and the Department are: $10 million for military personnel; $15 million for operation and maintenance; $20 million for procurement; and $10 million for research, development, test, and evaluation. These thresholds are cumulative from the base for reprogramming value as modified by any congressional action, to include the initial appropriation, rescissions, supplemental appropriations, and approved DD 1415 reprogramming actions. The BTR limitation is the net value of transfers into or out at the specified level. For example, transfers using Below Threshold Reprogramming (BTR) authority of $5.0 million out of an RDT&E PE line item and transfer of $4.0 million into the same RDT&E PE line item would result in a total amount transferred of $1.0 million, with the consequence that the $1.0 million of BTR authority was used. The thresholds agreed upon between the committees and the Department are as follows:

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

2. **Operation and Maintenance.** A cumulative increase or decrease of $15 million or more to a budget activity or to a Defense Agency for Operation and Maintenance, Defense-Wide appropriation. When the congressional committees impose reprogramming thresholds on specific sub-activity group categories, these threshold amounts are separately identified on the DD 1414, Base for Reprogramming Actions, and reprogramming restrictions apply. For example for FY 2015, congressional committees imposed reprogramming thresholds on specific sub-activity group categories.
a. The committees required the Department to follow Prior Approval procedures for transfers in excess of $15.0 million out of the following budget sub-activities:

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

   (2) **Navy**: Aircraft depot maintenance; ship depot maintenance; and facilities sustainment, restoration, and modernization.

   (3) **Marine Corps**: Depot maintenance and facilities sustainment, restoration, and modernization.

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

   (5) **Air Force Reserve**: Depot maintenance.

   (6) **Air National Guard**: Depot maintenance.

b. The committees required the Department to follow Prior Approval procedures for transfers in excess of $15.0 million into the following budget sub-activity:

   (1) **Army National Guard**: Other personnel support/recruiting and advertising.

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

d. For FY 2015, the committees further require the Services, with Comptroller coordination, to provide written notification not later than 15-days prior to implementing transfers in excess of $15.0 million out of the following budget sub-activities:

   (1) **Navy**: Mission and other flight operations and mission and other ship operations.

   (2) **Air Force**: Operating forces depot maintenance; mobilization depot maintenance; training and recruiting depot maintenance; and administration and service-wide depot maintenance.

e. Defense Health Program: For FY 2015, any transfer of funds from the In-House Care budget sub-activity to any other sub-activity shall be
subject to a PA reprogramming action. In addition, any cumulative transfer of funds in excess of $10,000,000 from the Private Sector Care sub-activity requires written notification to the congressional defense committees not later than fifteen days after such a transfer occurs.

f. The above requirements were set forth in reprogramming guidelines in the explanatory statement accompanying the DoD Appropriations Act, 2015 and are subject to change in conference reports accompanying future appropriations acts.

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

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

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

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

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

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

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

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

F. Terminates Appropriated Programs:

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

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

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

G. Use Proceeds for Replacement of Certain Items Sold from Inventory. Prior congressional approval obtained using a DD 1415-1 is required when proceeds from items sold from inventory are used to acquire an asset that is not a “like replacement” item (e.g., that is not of identical type, model, and series designation). Such requests may be included either as a separate part within the monthly reprogramming, or submitted as a separate, stand-alone DD 1415-1 action. See section 0609 for additional information and guidance.

060402. Internal Reprogramming Actions

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

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

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

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

060403. **Letter Notifications to Congress**

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

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

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

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

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

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

F. Identification of specific line items to satisfy specific transfer notification requirements established by Congress.

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

060404. Failure to Provide Proper Notification

Recurring general provisions in DoD Appropriations Acts (e.g., section 8077 of division C of Public Law 113-235, the Department of Defense (DoD) Appropriations Act, 2015) prohibit use of funds made available through a reprogramming that creates or initiates a new program, project, or activity unless such program, project, or activity must be undertaken immediately in the interest of national security and only after written prior notification to the congressional defense committees.

060405. Transfer Authority

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

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


C. General Transfer Authority (GTA). The use of GTA is required for transfers between appropriations and legal subdivisions, when other specific authority is not provided. It is included in a general provision in the annual DoD Appropriations Act and is authorized in the annual National Defense Authorization Act, most recently section 8005 of division C of Public Law 113-235, the DoD Appropriation Act, 2015, and section 1001 of the annual National Defense Authorization Act for FY 2015, Public Law 113-291. When GTA is used, the Secretary of Defense must make a determination that such action is necessary in the national interest. The OMB must also approve the use of GTAs. For prior approval reprogramming actions that use GTA, OMB must approve transmittal of the action before the Department forwards to the congressional defense committees. The OMB apportions funds that use GTA after congressional approval is received for prior approval actions or the internal reprogramming action has been approved and signed by USD(C). Beginning with the DoD Appropriations Act, 2009, recurring general provisions have incorporated into law the funding levels specified in certain tabular entries in appropriations act explanatory statements or
conference reports (e.g., section 8006 of the DoD Appropriation Act, 2015). Such recurring general provisions provide that where funding levels specified in Project Level Adjustment Tables for a particular program, project, or activity exceed the amount requested, that program, project, or activity must be carried out at the prescribed level. Amounts specified in such project level adjustment tables are not subdivisions of appropriations for purposes of GTA, and may be transferred or reprogrammed after appropriate congressional notification. Any transfers among military personnel appropriations shall not be taken into account for purposes of the limitation on the amount of funds that may be transferred under GTA.

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

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

060406. **Detailed Instructions and Formats for Preparation of DD 1415**

Detailed instructions for DD 1415-1 (Prior Approval) and DD 1415-3 (Internal Reprogramming) are provided in the appendices to this chapter. Templates are available by contacting the OUSD(C) P&FC reprogramming point of contact at 703-697-0022 (DSN 227-0022).

060407. **Submittal by Components**

Military Departments must submit proposed DD 1415 actions formally by a signed memorandum addressed to the USD(C) from the Assistant Secretary (Financial Management and Comptroller) of the Military Department. Requests from a Defense Agency must be signed by its Comptroller (or equivalent official). Such requests must be submitted electronically, and all requests are due the 5th work day of the month for inclusion in the monthly reprogramming submission. When a prior approval reprogramming for investment programs is required to initiate a new start (paragraph 060401E) or to terminate a program (060401F), a copy should also be provided to the Office of Under Secretary of Defense for Acquisition, Technology and Logistics; Director, Acquisition Resources & Analysis. **For all reprogramming actions, the DD 1415 must be submitted to OUSD(C) P&FC, through the EFD system.** The classified details must be provided at the same time in an electronic submission to OUSD(C) via the SIPRNET. The OUSD(C) will ensure that proposed reprogramming actions affecting the NIP resources are provided to the Office of the Director for National Intelligence (ODNI). The OUSD(C) will ensure will ensure that proposed reprogramming actions affecting MIP resources are provided to the Undersecretary of Defense (Intelligence), and consistent with section 102A(d)(1)(B) of the National Security Act of 1947 (50 U.S.C.§ 3024(d)(1)(B)) shall consult with the ODNI Office of Chief Financial Officer before transferring or reprogramming funds made available by Congress specifically for the MIP. The DoD Component memorandum shall include the following:
A. Reprogramming actions outside the Omnibus reprogramming to the congressional committees, will only be made for those actions involving critical requirements or unforeseen circumstances that cannot wait for implementation of the Omnibus due to contract award dates or other time sensitive reasons. In these cases, individual reprogramming actions will be entertained, and the transmittal memorandum must clearly define the urgency of the requirement. Ordinarily, such urgent requirements shall be combined for inclusion in a monthly reprogramming submission to the congressional committees.

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

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

D. Identification of any new starts being requested, and whether the new starts were approved by a Secretary’s decision document during the Program/Budget review or other action.

060408. Signed DD 1415s

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

060409. OMB Approval

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

060410. Distribution of the DD 1415-1

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

060411. Congressional Committee Approval of DD 1415 Requests

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

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

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

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

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

060412. Implementation Memorandums for Reprogramming Actions.

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

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

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

060413. Alternate Letters or Revised Actions for New Sources

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

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

C. The committees have request that the original reprogramming request be furnished when identifying a new source of funds.

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

060415. Withdrawal of Reprogramming Actions

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

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

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

0605 DD 1416, REPORT OF PROGRAMS

060501. General

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

060502. Due Date

The DD 1416, Report of Programs is submitted quarterly 30-days after the end of each quarter for Title III, Procurement, and Title IV, Research, Development, Test, and Evaluation, and will include all implemented reprogramming actions through that date, together with below-threshold reprogrammings made by the DoD Components through that date. The due dates for these reports shall be approximately 30-days after the end of each quarter. The DoD Component will certify their submission through the EFD system of the quarterly DD 1416, Report of Programs, to OUSD(C), P&FC. The DD 1416 for Title I, Military Personnel, and Title II, Operation and Maintenance, appropriations will be submitted annually, 30-days after the end of the fiscal year.

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

“For programs that are included in an “Items Less Than $5 Million” line item, the program or cost growth will be accommodated within the below-threshold authority for the total line item value. The amount of growth to an individual program or to the aggregate line item total cannot exceed the dollar threshold of $20.0 million or 20 percent, whichever is less.
060504. Program Base Columns Reflecting Congressional Action

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

060505. Detailed Instructions for Preparation

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

0606 REPROGRAMMING OF INTELLIGENCE RESOURCES

060601. Intelligence Reprogramming Guidance

A. National Intelligence Program (NIP): Section 102A of the National Security Act of 1947 (50 U.S.C. 3024) authorizes the Director of National Intelligence (DNI) to transfer or reprogram funds appropriated for a program within the National Intelligence Program (NIP) to another NIP effort. No NIP funds may be transferred or reprogrammed without the prior approval of the DNI, except in accordance with procedures prescribed by the DNI. For initiating and processing reprogrammings involving the NIP, use applicable guidance issued by the Office of the Director of National Intelligence (ODNI) Chief Financial Officer.

B. Military Intelligence Program (MIP): Reprogramming requirements set forth in section 0604 apply to reprogramming MIP intelligence resources. Further policies specific to MIP below-threshold reprogrammings are set forth in DoD Directive 5205.12, Military Intelligence Program (MIP), enclosure 2, paragraph 1.i. Additionally, as provided for in paragraph 060407, OUSD(C) will consult with the Office of the DNI Chief Financial Officer before transferring or reprogramming funds made available by Congress specifically for the MIP as required by section 102A(d)(1)(B) of the National Security Act of 1947 (50 U.S.C.§ 3024).

060602. Oversight

The House Permanent Select Committee on Intelligence (HPSCI) and the Senate Select Committee on Intelligence (SSCI) have oversight jurisdiction over the NIP. All NIP reprogrammings require prior approval from the HPSCI, SSCI, House Appropriations Committee (HAC), and Senate Appropriations Committee (SAC). Reprogrammings affecting the MIP require prior approval from the HPSCI, House Armed Services Committee (HASC), Senate Armed Services Committee (SASC), HAC, and SAC. Notwithstanding that per agreements among the various congressional committees the SSCI has jurisdiction over the NIP...
only, the Department does provide the SSCI an information copy of reprogramming of
non-intelligence funds into the MIP in satisfaction of section 504 of the National Security Act of
1947 (50 U.S.C.§ 3094). Additionally, the Department provides the SSCI an information copy
of reprogramming actions within the MIP.

060603. Submission Procedures

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

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

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

060604. Procedures

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

060605. Below-Threshold Reprogrammings

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

0607 REPROGRAMMING OF SPECIAL ACCESS PROGRAMS

060701. Provision in Law

The annual DoD Appropriations Act states: “Funds appropriated by this Act may not be
used to initiate a special access program without prior notification 30 calendar days in session in
advance to the congressional defense committees.”
060702. General

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

0608 BELOW-THRESHOLD REPROMGRAMMING ACTIONS

060801. Purpose

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

060802. Guidelines

A. Below-threshold reprogramming actions are minor actions not otherwise requiring congressional approval that may be accomplished within the DoD Components and are measured cumulatively over the entire obligation availability of the appropriation. Reprogramming thresholds apply to increases and decreases made to line items in the Procurement and RDT&E accounts. Below-threshold amounts for the Military Personnel are measured by increases as well as Operation and Maintenance accounts are measured by increases and decreases. When the congressional committees impose reprogramming thresholds on specific sub-activity group categories, these threshold amounts are separately identified on the DD 1414, Base for Reprogramming Actions, and reprogramming restrictions apply. Any action, when combined with other below-threshold reprogramming actions for the same budget activity, line item or program element, must not exceed the established threshold in total, except when thresholds are exceeded due to the provisions of 31 U.S.C. 1551 et seq.

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

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

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

E. Below-threshold reprogramming authority may be used to finance increases on reprogramming actions that were approved by the congressional committees, but were not able to be accommodated within the implementation process, as long as the below-threshold reprogramming actions otherwise do not exceed below-threshold reprogramming limitations on realigning funds into or out of a program line; affect an item of special congressional interest item; or have not been specifically denied by a congressional committee as a reprogramming source. This policy has evolved out of recognition of there being congressionally-approved increases within monthly and Omnibus reprogramming actions that were unable to be funded in the USD(C) implementation memorandum, due to a lack of congressionally-approved sources. However, in recent years, Components have been required to provide advance written notification to the congressional defense committees prior to the USD(C) undertaking a below-threshold reprogramming to implement approved sources.

F. The below-threshold authority computation starts with the quantity of end items and amount of funds appropriated to a specific line item by the Congress. These baseline amounts are reflected in columns h and i on the DD Form 1414, Base for Reprogramming Actions; in the BTR column on the DD Form 1416, Report of Programs. The baseline is changed by supplemental appropriations, rescissions, directed general provisions reductions, and approved DD 1415 reprogramming actions, which are reflected in the appropriate columns of the DD 1416. The net amounts of the appropriated amounts and the supplemental appropriations, rescissions, directed general provisions reductions, and approved DD 1415 reprogramming actions are reflected in columns b, c, d, and e on all versions of the DD 1415. The first DD 1415 for a particular line item will reflect the same baseline amounts in columns b/c and d/e. Subsequent DD 1415s for a particular line item will retain the same baseline amount in columns b/c and d/e (unless a supplemental or rescission or an approved DD 1415 has been implemented in the interim. Exceptions to this occur when more than one DD 1415 is processed simultaneously, or when the previous DD 1415 was implemented at a different level than was originally approved (Monthly or Omnibus, for example).

0609 REPLACEMENT OF ITEMS SOLD FROM INVENTORY

060901. Policy

The current budget policy requires that offsetting collections from asset sales generally cannot be used to replace end items sold from inventory if the replacement end item is not a “like replacement” item of identical type, model, and series designation) unless congressional approval is obtained. Although technically not involving the reprogramming of appropriated budgetary resources, DoD obtains the requisite approval by submitting a prior approval reprogramming action to the congressional defense committees.
060902. Guidelines

A. The requirement for a prior approval reprogramming action for small dollar value end items where replacements vary only to a minor extent from the item sold has resulted in unnecessary paperwork and serves no substantive purpose. Replacement of items sold from inventory with a unit cost of less than $5,000 that are not of identical type, model, and series designation will be treated as a “like replacement,” if an improved model of the same end item is being procured, performs the same warfighting capability, and the inventory objective presented to the Congress is not exceeded. Items satisfying all of these criteria will be financed with the proceeds of the sale of the end items issued from inventory without processing a DD 1415-1, prior approval reprogramming request. The amount applied toward the like replacement item may not be increased beyond the proceeds of that sale.

B. The requirement for a prior approval reprogramming action exists when an item of materiel is sold which will require replacement to compensate DoD inventories for the resultant loss of capability or readiness and the replacement item will not qualify as like replacement item because it is not identical to the item sold. Replacement items submitted for congressional approval must, however, be a later series or modified version of the same basic model of the item being sold (e.g., sale of a C-130A aircraft and purchase of a C-130E), or be an acceptable substitute item used against the same inventory objective or authorized acquisition objective in requirements computations (e.g., sale of an M-48 tank and purchase of an M-60 tank). If congressional approval is provided, offsetting collections from the asset sale may be used to procure the item as a like replacement item. See paragraph 070302.C.2 of Chapter 7 of Volume 15 for more information concerning replacement of items following sales of Defense articles from stocks. In accordance with OMB Circular A-11, section 83.5, the buyback of the like replacement items must be classified as a direct obligation because it is financed using an offsetting collection from an asset sale to a non-Federal source.

C. For DD 1415-1 reprogramming actions seeking approval for use of proceeds to acquire items that are not “like replacement” items, Components must either submit a separate, stand-alone prior approval reprogramming request, or make the request as a separate, stand-alone part within the regular monthly reprogramming submission. Components shall not incorporate or combine such actions with other types of reprogramming requirements.

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

061001. Definitions of Contract Changes for Reprogramming Purposes

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

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

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

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

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

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

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

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

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

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

B. Normal reprogramming procedures (DD 1415) and thresholds will not apply when currently available appropriations are used to fund obligations or adjustments to obligations, which would otherwise have been funded from a canceled appropriation account before it was canceled.
C. Charges to currently available appropriations for obligations or adjustments to obligations that would otherwise have been charged to canceled appropriation accounts shall be reflected in a line item on the Report of Programs (DD 1416) entitled “Canceled Appropriation Account Adjustments.”

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

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

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

061004. Use of Expired Appropriations to Fund Contract Changes

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

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

C. For purposes of the Shipbuilding and Conversion, Navy, (SCN) appropriation, appropriation language normally provides for additional obligations to be incurred after the 5 years of obligation availability, for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction. The period of availability of the SCN appropriation is adjusted prior to being canceled based on the schedule of work being performed. (e.g. section 8075 of division C of Public Law 113-235, the DoD Appropriations Act, 2015).
0611 NATIONAL GUARD AND RESERVE EQUIPMENT APPROPRIATION NOTIFICATION PROCEDURES

061101. General

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

061102. Procedures for Revisions to the Summary NGREA Acquisition Report

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

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

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

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

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

*0612 OPERATION AND MAINTENANCE QUARTERLY EXECUTION REPORT

*061201. Purpose

This chapter provides instructions applicable to preparation and submission of the Operation and Maintenance (O&M) Quarterly Execution Report. Congress requires the Department to provide the congressional defense committees with quarterly budget execution data for each of the active, guard, reserve, and defense-wide O&M accounts. Title 10, U.S. Code, section 228, requires quarterly reports on the allocation of funds within operation and maintenance budget sub-activities. The Operation and Maintenance Quarterly Execution Report satisfies both reporting requirements.
061202. Submission Requirements

The Military Departments submit their reports to the Office of the Under Secretary of Defense, Comptroller (OUSD(C)), Operations Directorate 20 days after the end of each quarter. The Defense Wide Operation and Maintenance Report is prepared by OUSD(C), Operations Directorate. The template provided in an appendix B to this chapter displays the format for the Report.

061203. Preparation of Material

The O&M Execution Report must:

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

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

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

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

061204. References

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

061205. Operation and Maintenance Quarterly Execution Report Exhibit

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

1. Appropriation: Use this column to identify the Component’s O&M account and display as follows:

   a. Army O&M (Active/Reserve/National Guard)
   
   b. Navy O&M (Active/Reserve)
   
   c. Marine Corps O&M (Active/Reserve)
   
   d. Air Force O&M (Active/Reserve/National Guard)
   
   e. Defense-Wide (D-W) O&M
2. **Budget Activity (BA):** Use this column to identify the applicable Budget Activities such as:
   
a. Operating Forces (BA 1)
b. Mobilization (BA 2)
c. Training and Recruiting (BA 3)
d. Administrative and Servicewide Activities (BA 4)
e. Defense Agency and Budget Activity (Defense-Wide)

3. **Activity Group (AG)/Budget Sub-Activity (BSA):** Use this column to display the activity groups.

4. **Sub-Activity Group (SAG)/Budget Line Item (BLI):** Use this column to display the sub-activity group (SAG)/Budget Line Item (BLI) title.

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

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

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

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

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

10. **Below Threshold Reprogrammings (BTRs):** This column should include any reprogramming actions that the component has made between SAG/BLI s that do not require OSD or congressional approval, also known as Below Threshold Reprogrammings (BTRs). The BTRs must not exceed $15.0 million into/out of each Budget Activity (BA) or Defense Agency. Additionally, the Explanatory Statement, Division C Department of Defense
Appropriations Act Fiscal Year 2015 cites specific SAG/BLI s that require prior approval reprogramming and Defense Agencies and Components restricted to BTRs of the lessor of $15 million.

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

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

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

B. Footnotes:

1. Careful attention must be paid to report footnotes.

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

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

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

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

C. Expectation for Funds Awareness

1. Funds should be controlled at the SAG/BLI level to prevent reflecting obligations in excess of program in the O&M DD 1002 Report; and
2. Funds must be controlled to avoid exceeding SAG/BLI thresholds for prior approval reprogrammings as set by Congress.
### BASE FOR REPROGRAMMING ACTIONS

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Program Base Presented to Congress in Printed Justification</th>
<th>Approved Changes Prior to Final Congressional Action</th>
<th>Changes Reflecting Congressional Action/Intent</th>
<th>Program Base Reflecting Congressional/Presidential Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Qty b Amount c</td>
<td>Qty d Amount e</td>
<td>Qty f Amount g</td>
<td>Qty h Amount i</td>
</tr>
</tbody>
</table>

The DD Form 1414, Base for Reprogramming Actions, establishes the base from which reprogramming actions may be taken. It identifies line items for each appropriation covered in the DoD Appropriations Acts.

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

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

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

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

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

Unless otherwise directed by OUSD(C), undistributed congressional reductions and adds must be distributed on the DD 1414.
<table>
<thead>
<tr>
<th>Line Item</th>
<th>Program Base Presented to Congress in Printed Justification</th>
<th>Approved Changes Prior to Final Congressional Action</th>
<th>Changes Reflecting Congressional Action/Intent</th>
<th>Program Base Reflecting Congressional/Presidential Action</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Qty b</td>
<td>Amount c</td>
<td>Qty d</td>
<td>Amount e</td>
</tr>
</tbody>
</table>

**Program**

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

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

"Changes Reflecting Congressional Action/Intent" (columns "f" and "g"). Enter the amount of increase (+) or decrease (-) for each line item reflecting congressional action as indicated in the Conference Report accompanying the DoD Appropriations Act or any other information as may be available to determine congressional action or intent regarding line item detail. Non-specific congressional adjustments included in appropriated amounts for an Active Service O&M account shall be allocated to the budget activity level.

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

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

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Appropriation Account Title: Enter the appropriation account title and program year.</th>
<th>Fiscal Year Program: Enter the fiscal year.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Program Base Presented to Congress in Printed Justification</td>
<td>Approved Changes Prior to Final Congressional Action</td>
</tr>
<tr>
<td></td>
<td>Qty</td>
<td>Amount</td>
</tr>
<tr>
<td>PROGRAM</td>
<td>a</td>
<td>b</td>
</tr>
</tbody>
</table>

Stub Entries for this Financing Section may include some or all of the following types of transactions:

- **Budget Authority:**
  - Appropriation, P.L. 113-xxx
  - PL 113-xxx, Sec. 8106
  - PL 113-xxx, Sec. 8060
  - Total Financing, FY 20sec Program

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

- Column “c” for the appropriation and reimbursable orders lines shall be the same as the amounts in the President’s Budget Program and Financing Schedules.
- Column “e” is rarely used, and when appropriate, instructions for this column will be provided.
- Column “g” shall be the delta changes made by Congress or DoD for applicable appropriation or general provision changes.
- Column “h” shall be the sum of the columns across and shall be column “g,” “Program Base Reflecting Basic Congressional Action,” on subsequent DD 1416s.

"Transfers" shown on the DD 1414 will only apply for those transfers included as part of the President’s Budget request or certain congressional action transfers. For example, these may include transfers in the budget from the National Defense Stockpile Fund or general provision transfers provided by the Congress in law that usually involve transfers to Shipbuilding and Conversion.

**Footnote Items**:
- Extreme care should be used in footnoting items. Footnote 1, should be used when one of the congressional reports specifically provided funds for this item using the phrases “only for” or “only to,” or the item appears in one of the project level tables. Congressional prior approval is required before decreasing funds on this program. Footnote 2, should be used when this effort was specifically reduced by one or more of the congressional committees. Below Threshold Reprogramming (BTR) authority cannot be used to restore specific congressional reductions. Footnotes should be consolidated onto the last page of each account. This avoids repetition of the same footnote that may appear on several pages of an appropriation.
REPROGRAMMING ACTION - PRIOR APPROVAL

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Program Previously Approved in Sec Def</th>
<th>Program Bases Reflecting Congressional Action</th>
<th>Reprogramming Action</th>
<th>Revised Program</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Amount</td>
<td>Quantity</td>
<td>Amount</td>
</tr>
<tr>
<td>a</td>
<td>b</td>
<td>c</td>
<td>d</td>
<td>e</td>
</tr>
</tbody>
</table>

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

An introductory paragraph should include the following:

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

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

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

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

   D. Involves the use of general transfer authority and shall state which Acts are involved, for example, pursuant to section 8005 of division C of Public Law 113-235, the Department of Defense (DoD) Appropriations Act, 2015, and section 1001 of Public Law 113-291, the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year (FY) 2015.

   E. Involves the use of special transfer authority and shall state which Acts are involved, for example, pursuant to section 9052 of Title IX: Overseas Contingency Operations (OCO) of Public Law 113-235, the Department of Defense (DoD) Appropriations Act, 2015, and section 1522 of Public Law 113-291, the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year (FY) 2015.

   F. Increases the procurement quantity of a major end item, such as an individual aircraft, missile, naval vessel, tracked combat vehicle, and other weapon or torpedo and related support equipment for which funds are authorized. (Exceptions may apply when congressional language allows for procurement of as many missiles as funds will procure, which requires the submission of, and approval of an internal reprogramming action.)
DoD Financial Management Regulation Volume 3, Chapter 6 Appendix A

REPROGRAMMING ACTION - PRIOR APPROVAL

Subject: Appropriation titles with year designation.

Component Serial Number: (Amounts in Thousands of Dollars)

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Program Base Reflecting Congressional Action</th>
<th>Program Previously Approved by Sec Def</th>
<th>Reprogramming Action</th>
<th>Revised Program</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Amount</td>
<td>Quantity</td>
<td>Amount</td>
</tr>
<tr>
<td>a</td>
<td>b</td>
<td>c</td>
<td>d</td>
<td>e</td>
</tr>
</tbody>
</table>

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

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

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

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

REPROGRAMMING INCREASES:

Appropriation and year designation

Budget Activity Number and Title

<table>
<thead>
<tr>
<th>a</th>
<th>b</th>
<th>c</th>
<th>d</th>
<th>e</th>
<th>f</th>
</tr>
</thead>
</table>

Explanation:

Details for each separate increase are as follows:

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

b. Entries for “Program Base Reflecting Congressional Action” (columns “b” and “c”). For each line item, enter the procurement quantity (if applicable) and amount shown on the DD 1414. The baseline is changed by any congressional action to include rescissions, supplemental, and approved DD 1415 action.

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

DD 1415-1

6-25
**DoD Financial Management Regulation**

**Volume 3, Chapter 6 Appendix A**

March 2015

**Unclassified**

**REPROGRAMMING ACTION - PRIOR APPROVAL**

<table>
<thead>
<tr>
<th>Component Serial Number:</th>
</tr>
</thead>
<tbody>
<tr>
<td>DoD Serial Number:</td>
</tr>
<tr>
<td>FY XX-XX PA</td>
</tr>
</tbody>
</table>

**Appropriation Title:** Appropriation titles with year designation.

<table>
<thead>
<tr>
<th>Includes Transfer?</th>
<th>Yes or no</th>
</tr>
</thead>
</table>

**Program Base Reflecting Congruent Action**

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Program Previously Approved by Sec Def</th>
<th>Reprogramming Action</th>
<th>Revised Program</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Amount</td>
<td>Quantity</td>
</tr>
<tr>
<td>a</td>
<td>b</td>
<td>c</td>
<td>d</td>
</tr>
</tbody>
</table>

**Notes:**
- d. Entries for “Reprogramming Action” (columns “f” and “g”). Enter the increase (+) or decrease (-) in quantity (if applicable) and amount of the proposed reprogramming action. The total increases and decreases must net to zero. Columns “f” and “g” are not allowed to contain classified quantities or amounts. Other material, if required, should be classified in order to allow columns “f” and “g” to remain unclassified.
- e. Entries for “Revised Program” (columns “h” and “i”). Enter the adjusted quantity (if applicable) and the amount resulting from the proposed increase or decrease to the previously approved program.
- f. The “Explanation” on the DD 1415 should include sufficient data to justify the proposed increase. The statements should be informative, clearly stated, and straightforward. The purpose of the written documentation should be to inform the reader; therefore, care must be taken to avoid confusing narratives. For each increase within the reprogramming, include explanations and justifications that are intended to serve the same basic purpose as “original budget justification.” Accordingly, concise, accurate, and clearly stated information should be provided for reviewing officials and the congressional committees as to the nature, extent, and necessity of the requirements, the costs, and the proposed application of resources to meet such costs. All program increases should be described in such a way as to distinguish between price changes and program scope changes. Statements should be prepared and reviewed on the basis that classified data will not be included. If classified information is essential to justification of the reprogramming change, it will be submitted under separate cover.

**FY 2015 REPROGRAMMING INCREASE:**

<table>
<thead>
<tr>
<th>Research, Development, Test, and Evaluation, Air Force, 15/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Activity 04: Advanced Component Development and Prototypes</td>
</tr>
<tr>
<td>PE 0603851F ICBM - DEM/VAL</td>
</tr>
</tbody>
</table>

**Explanation:** Funds are required to support the Rocket Systems Launch Program (RSLP) which converts surplus ICBMs into test launch vehicles for suborbital and sounding rocket launches. Funds are required to move 166 Minuteman II motors from Pueblo Depot, CO to Camp Navajo Depot, AZ because the Pueblo Depot is closing. As a result, proper storage and maintenance of environmental igloos for motor storage is no longer being maintained or guaranteed. Since the Camp Navajo Depot has been modified and is ready to accept motors, the motors must be moved to ensure proper storage and maintenance and to avoid unauthorized location of hazardous Air Force material. **This is a base budget requirement.**
**DoD Financial Management Regulation**  
Volume 3, Chapter 6 Appendix A  
March 2015

**REPROGRAMMING ACTION - PRIOR APPROVAL**

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Program Base Reflecting Congressional Action</th>
<th>Program Previously Approved by Sec Def</th>
<th>Reprogramming Action</th>
<th>Revised Program</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount (in Thousands of Dollars)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a</td>
<td>b</td>
<td>c</td>
<td>d</td>
<td>e</td>
</tr>
</tbody>
</table>

**FY 2015 REPROGRAMMING DECREASE:**

-10,000

**Missile Procurement, Air Force, 15/17**  
Budget Activity 03, Modification of Inservice Missiles

| MM III Modifications | 29,344 | 29,344 | -10,000 | 19,344 |

**Explanation:** These funds are excess to requirements as a result of the restructuring of the Minuteman III Guidance Replacement Program (GRP). As a result of the restructuring, procurement of long lead parts to support low rate initial production is not required until the second quarter of 2015. The MM III GRP program is adequately and appropriately funded to support a GRP production start in FY 2015. Accordingly, FY 2015 funds provided to procure long lead parts are available to finance higher priority requirements. This is base budget funding.

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

Extreme care should be used in identification of sources to ensure that approved increases will be fully funded. For purposes of the Omnibus reprogramming action, except in the most unusual circumstances, the USD(C) will neither request reconsideration of denied increases, nor submit alternate sources for any denied sources.
This reprogramming action is submitted for prior approval because it uses general transfer authority pursuant to section 8065 of division C of Public Law 113-235, the Department of Defense (DoD) Appropriations Act, 2015; and section 1001 of Public Law 113-291, the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year (FY) 2015. This action transfers $xxxx million from Shipbuilding and Conversion, Navy, 15/19, appropriation to the Research, Development, Test, and Evaluation, Navy, 15/16, appropriation to finance the construction of Littoral Combat Ship (LCS) 1 and LCS 2 through calendar year 2015. This action reprograms funding in support of higher priority items, based on unforeseen military requirements, than those for which originally appropriated; and is determined to be necessary in the national interest. It meets all administrative and legal requirements and none of the items has been previously denied by the Congress.

**FY 2015 REPROGRAMMING INCREASE:**

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Program Base Reflecting Congressional Action</th>
<th>Program Previously Approved by Sec Def</th>
<th>Reprogramming Action</th>
<th>Revised Program</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Amount</td>
<td>Quantity</td>
<td>Amount</td>
</tr>
<tr>
<td>a</td>
<td>b</td>
<td>c</td>
<td>d</td>
<td>e</td>
</tr>
</tbody>
</table>

**Explanation:** Funds are required....
This is a base budget requirement or This is an OCO budget requirement.

**FY 2015 REPROGRAMMING DECREASE:**

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Program Base Reflecting Congressional Action</th>
<th>Program Previously Approved by Sec Def</th>
<th>Reprogramming Action</th>
<th>Revised Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>P-1 Line Item</td>
<td>xxxx</td>
<td>xxxx</td>
<td>-xxxx</td>
<td>xxxx</td>
</tr>
</tbody>
</table>

**Explanation:** Funds are available because ..... This is base budget funding or This is Title IX OCO budget funding.
## Appendix A Part 4 – Report of Programs

**DD 1416**  
**UNCLASSIFIED**  

**Report of Programs**  
*(In Dollars)*

<table>
<thead>
<tr>
<th>Account:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget Activity:</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period of Availability</th>
<th>BLI#</th>
<th>BLI</th>
<th>BLI TITLE</th>
<th>President’s Budget Request</th>
<th>Enacted Appropriation (Includes Distribution of Congressional Adjustments /1)</th>
<th>Adjustments Required by Statute /2</th>
<th>Supplements/Rescissions/Sequestration /3</th>
<th>Other: Cancelled, Claims, Judgments /4</th>
<th>Above Threshold Reprog</th>
<th>Below Threshold Reprog</th>
<th>Net</th>
</tr>
</thead>
<tbody>
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### FOOTNOTES:
- **Period of Availability**: The period of time budgetary resources are available for incurring obligations.
- **Budget Line Item Number (BLI#)**
- **Budget Line Item (BLI)**
- **Budget Line Item (BLI) Title**
- **President’s Budget Request**
- **Enacted Appropriation (Includes Distribution of Congressional Adjustments /1)**: Reflects general reductions and congressional directed adjustments in the appropriation.
- **Adjustments Required by Statute /2**: Such as the Small Business Innovation Research Program.
- **Supplemental, Rescission, Sequestration /3**: Specific reductions to the appropriations as directed in the appropriations act.
- **Other: Cancelled, Claims, Judgments /4**
- **Above Threshold Reprogramming (ATR)**: Prior approval reprogramming request that requires congressional approval.
- **Below Threshold Reprogramming (BTR)**: Finance adjustments to line items that do not require congressional approval, limited by dollar and percentage thresholds.
- **Net**: Total program amount.
# Appendix B – Operation and Maintenance Budget Execution Data

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**Notes:**

1/ The "Distribution of Unallocated Congressional Adjustments" column reflects the undistributed adjustments from Conference Report XXX-XXX.

2/ The "Adjustments Required By Statute" column reflects amounts for General Provisions (P.L. XXX-XXX) and Supplemental Appropriation (P.L. XXX-XXX).

3/ The "Below Threshold Programmings" column includes intra-Budget Activity fund reprogramming and realignments to meet congressional intent.

4/ The "Other Reprogrammings" column includes Internal Reprogramming for Counternarcotics, Environmental Restoration, Foreign Currency Fluctuation and others as directed.

5/ The "Current Program" column reflects column D of the Operation & Maintenance Appropriation Status by Fiscal Year Program and Subaccounts Report (DD 1002 report) as of (Day) (Month) (Year).

6/ The "Actual Obligations" column reflects column E of the Operation & Maintenance Appropriation Status By Fiscal Year Program and Subaccounts Report (DD 1002 report) as of Day Month Year.
VOLUME 3, CHAPTER 7: “REPROGRAMMING OF MILITARY CONSTRUCTION AND FAMILY HOUSING APPROPRIATED FUNDS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated February 2009 is archived.

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<td>Updates guidance for administrative processing instructions associated with reprogramming actions.</td>
<td>Update</td>
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<tr>
<td>0704</td>
<td>Updates Reprogramming Request Format</td>
<td>Update</td>
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CHAPTER 7

REPROGRAMMING OF MILITARY CONSTRUCTION AND FAMILY HOUSING APPROPRIATED FUNDS

0701 GENERAL

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

0702 SUBMISSION REQUIREMENTS

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

0703 PROCEDURES

070301. DoD Approvals

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

The following definitions, procedures, and criteria shall apply.

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

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

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

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

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

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

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

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


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

9. For any project authorized to be accomplished from savings, unless specifically exempted from such requirement by the Committees on Appropriations.
10. For any Reserve Component major construction project, regardless of amount, that was not among those justified to and approved by the Congress, or for an increase to an approved project that exceeds 25 percent of the Reprogramming base, or $2.0 million, whichever is less.

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

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

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

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

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

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

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

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

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

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

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

070303. When Reprogrammings Shall Not Be Submitted

Requests for Reprogrammings shall not be submitted by DoD Components when any of the following conditions exist.
A. For any project or effort that has not been authorized, with the following exceptions:

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

2. Reserve Component projects that receive “lump-sum” authorization.

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

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

070304. Split-Year Funding Authority

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

070305. Appeals to Congressional Committees

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

070306. Explanatory Statements

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

*070307. Administrative Processing Instructions

A. Reprogrammings normally shall be forwarded monthly to the Appropriation Committees. If exceptions to this monthly processing schedule are required, such as year-end Reprogrammings, the DoD Components shall be notified separately. DoD Component Reprogramming points of contact are responsible for ensuring that all required documentation has been provided to the OUSD(C), Program and Financial Control (Room
3C689) and the Military Personnel and Construction Directorate (Room 3C654), Pentagon, Washington, DC 20301-1100, by the 5th day of the month. If the 5th day falls on a weekend or holiday, the due date automatically is the next workday. Any actions received after the 5th day will be held for the next month’s processing.

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

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

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

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

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

3. The top page(s) should be the Reprogramming request (installation, project, authorization, et al.) (see paragraph 0704, below). Supplementary narrative information, if required, should be attached next. A DD Form 1391, FY 19XX “Military Construction Project Data,” is required if committees are seeing this project for the first time. Generally, this shall be restricted to situations in which the Military Service Secretary is exercising the emergency provisions of 10 U.S.C. 2803; the DoD Component is citing section 2854 to replace a damaged or destroyed facility; a project is being funded from savings; or a project has been added by the Congress without the benefit of official records reflecting the scope of the project involved (i.e., without a DD Form 1391).
4. Submissions that do not adequately justify the requirement or are missing documentation will be returned. When Components fail to correct a deficiency within two business days, the action may be returned and the Component will be required to resubmit their reprogramming request.
**0704 REPROGRAMMING REQUEST FORMAT**

**Bid Expiration Date:**

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

**Reprogramming Request**

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

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

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

**Estimated Cost ($000):**

1. Previously Appropriated
2. Previously Reprogrammed
3. Requested Reprogramming
4. Total Estimated Costs

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

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

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

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<tr>
<th>Location &amp; Project*</th>
<th>Fiscal Year</th>
<th>Amount Appropriated ($000)**</th>
<th>Current Working Estimate ($000)</th>
<th>Proposed Reprogramming ($000)</th>
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Use Tabs to ensure that all words and numbers are properly aligned.

*Project title and location as stated in the NDAA.

**Amount as reflected in the Appropriation Act.
VOLUME 3, CHAPTER 8: “STANDARDS FOR RECORDING AND REVIEWING COMMITMENTS AND OBLIGATIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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<td>Policy Memo</td>
<td>The Deputy Chief Financial Officer’s policy memorandum, “Dormant Account review Quarterly (DAR-Q) (FPM 18-02),” dated August 28, 2019 was incorporated into the chapter and cancelled.</td>
<td>Cancellation</td>
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<tr>
<td>All</td>
<td>Revised format to be consistent with the Department of Defense (DoD) Financial Management Regulation Revision Standard Operating Procedures (SOP).</td>
<td>Revision</td>
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<td>0801</td>
<td>Revised the purpose paragraph to remove references of the Triannual Review (TAR) of Commitments, Obligations, Accounts Payable, Unfilled Customer Orders and Accounts Receivable and replaced with DAR-Q of Obligations and Unfilled Customer Orders.</td>
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<td>0802</td>
<td>Added the definition of a Commitment, G-Invoicing basic explanation, expounded on the three criteria for recognizing a contingent liability, and information to support the Procure-to-Pay SOP for Pre-Award Funds Validation (“Handshake” 2.)</td>
<td>Addition</td>
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<td>0803</td>
<td>Changed business to calendar days. Explained Bona Fide Need in relation to fiscal year and added supplementary information for due diligence to demonstrate Time, Purpose, Amount and Bona Fide Need.</td>
<td>Addition/Revision</td>
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<tr>
<td>081404</td>
<td>Expounded on Due Diligence for Financial Management Community in relation to Expired Funds.</td>
<td>Addition</td>
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<tr>
<td>0816</td>
<td>Replaced the obsolete TAR with the DAR-Q information and explained the quarterly review standards, roles and responsibilities coupled with additional requirements and reporting structure.</td>
<td>Revision</td>
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CHAPTER 8

STANDARDS FOR RECORDING AND REVIEWING COMMITMENTS AND OBLIGATIONS

*0801 GENERAL

080101. Purpose

This chapter prescribes the requirements for determining the amount and accounting period in which commitments and obligations must be recorded under various circumstances. Departmental standards for recording transactions in the execution level budgetary accounts are in Chapter 15. This chapter also provides guidelines for the Dormant Account Review Quarterly (DAR-Q) of Undelivered Orders (UDO), Delivered Orders, Unpaid (DOU), Undelivered Orders, Paid (UDOP) and Unfilled Customer Orders (UFCO). Priorities for researching and correcting disbursement transactions are in Chapter 11.

080102. Authoritative Guidance

The primary statutory sources include Titles 10 and 31 of the United States Code. The primary regulatory source is the Office of Management and Budget (OMB) Circular A-11, “Preparation Submission and Execution of the Budget,” and the Federal Acquisition Regulation (FAR).

*0802 COMMITMENTS

080201. Definition

The term “commitment” is defined as an administrative reservation of allotted funds, or of other funds, in anticipation of their obligation. Since an obligation equal to or less than the commitment can be incurred without further recourse to an authorizing official, commitments are required for some appropriations and are permissible for others. For additional information see Chapter 15 Paragraph 150303. A commitment, when recorded in the accounting records, reduces the allotment’s available fund balance. A commitment document must be signed by a person authorized to reserve funds; i.e., the official responsible for administrative control of funds for the affected subdivision of the appropriation. This helps ensure that the subsequent entry of an obligation will not exceed available funds. The amount to be recorded as a commitment is the estimated procurement cost set forth in the commitment document. The date the commitment document is signed by an authorized official determines the accounting period in which the commitment is to be recorded in the general ledger. Officials can commit funds only to acquire goods, supplies, and services that meet the bona fide needs of the period for which Congress appropriated funds, or to replace stock used during that period. See subparagraph 080304.A for further bona fide need concepts that apply to commitments.
080202. Recording of Commitments

All business events and financial events resulting in a commitment must cite a Standard Line of Accounting (SLOA) in accordance with Volume 1, Chapter 4, and must be recorded in the general ledger in accordance with the United States Standard General Ledger (USSGL) Standard Financial Information Structure (SFIS) Transaction Library in Volume 1, Chapter 7.

080203. Special Provisions for Determining the Amounts of Commitments

A. Criteria for Recognition of a Contingent Liability. A contingent liability should be recognized when all of the following three conditions are met in accordance with Statement of Federal Financial Accounting Standards (SFFAS) 5, “Accounting for Liabilities of the Federal Government,” paragraph 38.

1. A past event or exchange transaction has occurred (for example a federal entity has breached a contract with a nonfederal entity).

2. A future outflow or other sacrifice of resources is probable (for example, the nonfederal entity has filed a legal claim against a federal entity for breach of contract and the federal entity’s management believes the claim is more likely than not to be settled in favor of the claimant); and

3. The future outflow of resources is measurable (for example, the federal entity’s management determines an estimated settlement amount).

B. Contingent Liabilities Remaining under Outstanding Contracts. There are contingent liabilities for price or quantity increases or other variables that cannot be recorded as valid obligations in the cases of:

1. Outstanding fixed price contracts containing escalation, price redetermination, or incentive clauses;

2. Contracts authorizing variations in quantities to be delivered; and

3. Contracts where allowable interest may become payable by the U.S. Government on contractor claims supported by written appeals pursuant to the “Disputes” clause contained in the contract see subparagraph 080402.D.

C. Recording Contingent Liabilities Remaining under Outstanding Contracts. Amounts to cover these contingent liabilities must be carried as outstanding commitments pending determination of actual obligations. The amounts of such contingent liabilities, however, need not be recorded at the maximum or ceiling prices under the contracts. Rather, amounts should be committed that are estimated conservatively to be sufficient to cover the additional obligations that probably will materialize, based upon judgment and experience. In determining the amount to be committed, allowances may be made for the possibility of downward price revisions and quantity
under runs. Each contingent liability, as referenced in SFFAS 5, paragraphs 38 and 39, must be supported by sufficient detail to support an audit.

D. Letter Contracts and Letters of Intent. When accepted, a letter contract or letter of intent must be recorded as an obligation, but only in the amount of the maximum liability stated. The maximum liability amount may be required by other regulations to be limited to the costs that the contractor may incur pending execution of a definitive contract. In that case, the estimated amount of the definitive contract, over and above the obligation recorded under the letter contract or letter of intent, must be carried as an outstanding commitment, pending execution of the definitive contract. If the letter stipulates that awarding of the definitive contract is dependent upon a congressional appropriation, then no funds are available to commit and no commitment may be recorded.

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

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

G. Intragovernmental Requisitions and Orders. Intragovernmental requisitions and orders (such as the Fiscal Service (FS) 7600B, Department of Defense (DD) Form 448, Military Interdepartmental Purchase Request (MIPR) must be considered as commitments until validly obligated with a DD Form 448-2, Acceptance of MIPR or other digital equivalent Federal Intragovernmental Data Standard forms as appropriate. See the guidelines in section 080801.
H. **G-Invoicing.** The Treasury’s **G-Invoicing** system will be used to negotiate, broker, and electronically store the General Terms and Conditions (GT&C) between buyers and sellers for all inter- and intra-governmental reimbursable transactions. G-Invoicing will become the new standard once the appropriate system capabilities become available online for both of the entities. The standard Interagency Agreement (IAA) form is comprised of two sections, the General Terms and Conditions (GT&C) Section (Form 7600A) and the Order Requirements and Funding Information (Order) Section (Form 7600B.) Once trading partners begin entering orders in the G-Invoicing system, data in the common repository will be leveraged to support improved accuracy in accounting and reporting.

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

J. **Commercial Purchase Cards.** Commitments must be established in advance in amounts no less than the periodic purchase limits authorized for commercial purchase cards. Commitments are used by an activity to ensure positive funds control and limit expenditures to funds available for the purchase card program. Separate commitments must be established when the line of accounting is different. Advance reservations of funds are used in conjunction with purchases made using purchase cards. Advance reservations of funds are established by the resource manager (or equivalent), in conjunction with the assigned Purchase Card Program agency program coordinator and must be considered when setting office and cardholder purchase limits. The use of advance reservations of funds will ensure positive funds control precluding expenditures from exceeding obligations. Refer to *OMB Circular A-123, Appendix B* and the *DoD Government Charge Card-Guidebook* for additional guidance on purchase cards.

K. **Imprest Funds.** Imprest funds must be recorded as a commitment before funds are advanced to the imprest fund cashier.

080204. **Validating Commitments**

When drafting contracts, procurement officials may modify the description of deliverable goods and services or contract line item structure used on a funded purchase request. However, if these changes are substantial, there is a risk that the goods and services procured under the contract no longer align with the purpose for which funds were committed and certified by the Authorizing Official as available and suitable for the purpose set forth in the purchase request’s information. To mitigate this risk, Authorizing Officials must conduct an automated pre-award validation with the contract issuing organization. This check will validate that committed funds remain available and suitable for the draft award’s intended purpose. This check must also ensure that the data in the accounting and procurement systems are sufficiently aligned so as to facilitate line item traceability between commitments and obligations, to facilitate payment. The structure must support posting obligations and line items with different accounting treatments that must be segregated. This transaction may be performed via the Global Exchange system using system agnostic data standards.
*0803 OBLIGATIONS

080301. Definition

An obligation is a legally binding agreement or action that will result in outlays, immediately or in the future. When authorized agency personnel place an order, sign a contract, award a grant, purchase a service, or take other actions that require the Government to make payments to the public or from one Government account to another, the agency incurs an obligation. It is a violation of the Antideficiency Act, Title 31, United States Code, section 1341(a) (31 U.S.C. § 1341(a)) to involve the Federal Government in a contract or obligation for payment of money before an appropriation is made, unless authorized by law. Funds that are not legally obligated before their period of availability expires are no longer available for new obligations. The period of availability applies to the obligation of funds, not the liquidation of the obligation by disbursement of payment (expenditure). Chapter 10 prescribes policy related to adjustments to obligations or expenditures chargeable to expired and cancelled accounts. Provisions of Chapter 15 and Volume 14, Chapter 1 require that funds be allotted to DoD Component activities before the activities incur obligations. Also, obligations may not be made in excess of apportionments or formal subdivisions of funds. The recording of obligations related to unmatched disbursements and negative unliquidated obligations is specified in Chapter 11. Unless otherwise specified, primary responsibility for recording obligations remains with the DoD Components. It is imperative that only authorized personnel within the organization have the appropriate authorization for Generally Accepted Accounting Principles (GAAP) compliance. Such authorizations are explicitly delegated primarily through the issuance of a Delegation of Authority Memorandum or an Appointment/Termination Record-Authorized Signature DD Form 577. As a result, authority is vested to such individuals in order to either make legal adjustment or take corrective action to properly align the commitments and obligations. The guidance for recording obligations by the accounting office, when it does not have the primary responsibility for such recording, is contained section 081403.

080302. Obligation Responsibilities

31 U.S.C. § 1501 “Documentary Evidence Requirement for Government Obligations,” directs that amounts must be recorded as obligations only when supported by documented evidence. The office that incurs an obligation must provide, within 5 calendar days of the date the obligation is incurred, a copy of the obligating document(s), via electronic mail, fax, or other documented means, to the office responsible for recording the obligation. The office that is responsible for recording the obligation must record the obligation in the official accounting records within 5 calendar days of receipt of such documentation, information, or data. Timely and accurate recording of obligations facilitates the disbursing officer’s (DO) ability to verify fund availability before authorizing a payment (a process called pre-validation) and, consequently, promptly pay the associated invoice.
080303. Recording Obligations

A. All business events and financial events resulting in an obligation must cite a SLOA in accordance with Volume 1, Chapter 4, and must be recorded in the general ledger in accordance with the SFIS Transaction Library in accordance with Volume 1, Chapter 7.

B. When recording obligations under this section, utilize the following principles:

1. Documented Evidence. An amount must be recorded as an obligation only when supported by documentary evidence of the transaction. A verbal order or agreement must be reduced to writing before the obligation may be recorded. When the amount is not known or cannot be ascertained feasibly at the time that it is to be recorded, the best estimate must be used. The best estimate should be documented to include the relevant inputs, assumptions and calculations. Evidence of the analysis must be retained to support the transaction in accordance with Volume 1, Chapter 9.

2. Ten Day Rule. Obligations must be recorded in the official accounting records at the time a legal obligation is incurred, i.e., contract is let. In all instances obligations must be recorded within 10 calendar days following the day that an obligation is incurred (to include obligations incurred when invoices are overpaid or duplicate payments are made). Notwithstanding the ten day rule, all obligations (per fund citation or accounting line on the obligation document) must be recorded and included in the official accounting records in the same month in which the obligation is incurred. If an obligation is not recorded within the specified timeframe, the guidance in section 0814 must be followed.

080304. Recording Contract Obligations

The office that generates an obligating document, in the form of a contract award, order, or modification, must provide official evidence of the obligating documents, and other supporting documents, via electronic format as defined in the Defense Federal Acquisition Regulation Supplement (DFARS); and Procedures, Guidance, and Information (PGI) 204.201 and in accordance with the SFIS data elements required in Volume 1, Chapter 4, to the office responsible for recording the obligation. The office that is responsible for recording the obligation must receive the data electronically, in the same formats identified in DFARS, PGI 204.201, and in accordance with the SFIS data elements required in Volume 1, Chapter 4 and the posting logic requirements in Volume 1, Chapter 7. If this transaction fails to take place automatically, the accounting records must be updated manually, based on the official obligating document in the Electronic Document Access System, within 5 calendar days from the signature date on the contract or contract modification. If the contract contains errors, omissions or deficiencies that prevent posting, a Contract Deficiency Report must be created to document the deficiency and request corrective action in accordance with PGI 204.270-2.
A. Contracts or Orders for Goods, Supplies, or Services to Meet Bona Fide Need. DoD Components must determine that the goods, supplies, or services required under contracts entered into, or orders placed obligating an annual or multiple year appropriation, are intended to meet a bona fide need of the period for which funds were appropriated. The issuing activity’s project order must serve a bona fide need that exists in the fiscal year in which the project order is issued; otherwise, a valid obligation is not accomplished. It is not intended that the bona fide need of the fiscal year rule be construed to preclude procurement lead-time. Bona fide need generally is a determination of the requesting activity and not that of the performing activity. A performing activity must refuse to accept a project order if it is obvious that the project order does not serve a need existing in the fiscal year in which issued. Such determinations must consider estimated current consumption; the requirements that may be foreseen for future years based upon the procurement lead time; authorized stock levels; and authorized mobilization reserves. If, a provision of law makes such appropriations available for payments under contracts for specified services for periods beyond the period for which the appropriation otherwise is available, the contract for such services extending into the ensuing period (fiscal year) may be charged to the appropriation current at the time that the contract is signed. Obligate funds for each option period after funds become available. Obligations must be consistent with all normal limitations on the obligation of appropriated funds, such as the bona fide needs rule, period of availability, and type of funds. See Volume 11A, Chapter 2.

1. Execution Requirements Under Contracts or Orders. Contracts entered into or orders placed for goods, supplies, or services must be executed only with bona fide intent that the contractor (or other performing activity) must commence work and perform the contract without unnecessary delay.

2. Execution of Standard Commercial Items. For standard commercial items readily available from other sources, the bona fide needs rule cannot be satisfied based on the delivery, production or manufacturing lead time exception to the bona fide needs rule if the materials were obtainable by another source before funds expired. See Volume 11A, Chapter 2 and Volume 11A, Chapter 18.

3. Delivery Withhold. If the contractor is directed to withhold delivery until after the lead time, then there is not a bona fide need for the item in the current fiscal year and funds for the next fiscal year must be used.

B. Service Contracts. Service contracts may be either severable or non-severable. Services are generally chargeable to the appropriation current at the time the services are rendered. The contract is thereby, established in a manner that defines the contractors level of responsibility to provide a specified level of effort for a stated period. The determination to charge the appropriation current on the date the contract is let, or to charge the funds current at the time services are rendered, depends upon whether the services are “severable” or “entire.” A contract that is considered entire or non-severable is charged to the fiscal year current when it was let even though performance may extend into the next fiscal year. Service contracts that are considered severable must be charged to the fiscal year in which the services are rendered and may not cross fiscal years, absent statutory authority. There is no precise formula or rule that determines whether a contract is severable or entire. Each case must be determined by the terms
and circumstances involved. Non-severable services may occur at a contract line item level as defined in DFARS 204.7101.

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

2. **Non-Severable Services.** A service contract is non-severable if performance of the service results in a single or unified outcome, product, or report that cannot be subdivided. The performance period of a fixed price non-severable services contract may cross fiscal years, but must be fully funded in the initial fiscal year unless contract funding requirements exist set forth in DFARS 232.703-1(1)(ii). Unless the period of performance is entirely within a single fiscal year or within the charged account’s period of availability if funded using a multi-year appropriation, non-severable services contracts may not be funded on an incremental basis unless Congress has authorized incremental funding. These type contracts must be funded entirely with appropriations available for new obligations at the time the contract is awarded or options exercised.

3. **Training Contracts**

   a. **Single Training Courses Not Covered by Statute.** Unless covered by statute, training contracts for single training courses are considered a single undertaking (entire). Record the obligation at the time the contract is executed for the full amount of the contract. In general, the training represents a single undertaking where benefit of the training is received when the employee has completed the training in full. Training contracts must be obligated in full within the fiscal year that funding is current at the time the contract is executed even though the course extends into the next fiscal year. Training courses that begin on or after October 1 may constitute a bona fide need of the prior year if the need for training is an immediate need in the prior year and if the commencement of the course in the next fiscal year is beyond the agency’s control. The time between award of the contract for the training and performance of the training should not be excessive.

   b. **Bona Fide Needs Rule Exception for Special Training Courses Covered by Statute.** In accordance with Regional Defense Combating Terrorism and Irregular Warfare Fellowship Program (CTFP), 10 U.S.C. § 345, DoD appropriated funds may be used to pay costs associated with the education and training of foreign military officers, ministry
of defense officials, or security officials at military or civilian educational institutions, regional centers, conferences, seminars, or other training programs. Appropriated funds available for training under the CTFP may be obligated for education and training programs that begin in one fiscal year but end in the next fiscal year. Provided that obligations are incurred before an annual appropriation expires, individual severable elements of a specific program may commence in the next fiscal year. Thus, for a particular program that already is underway, expiring funds may be obligated for tuition in September for a course that will not complete until the next fiscal year.

080305. Recording Maintenance and Repair Projects Obligations

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

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

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

C. Contractor Default. In the event of contractor default and termination for default of the contract, the appropriation charged for the original contract remains available for obligation for a “replacement” contract if certain conditions exist.

1. The contract must satisfy the following general criteria to be considered a replacement contract, as opposed to a new contract:

   a. The replacement contract must be made without undue delay after termination of the original contract.

   b. Its purpose must be to fulfill a bona fide need that has continued from the original contract.

   c. The replacement contract must be awarded on the same basis and be substantially similar to the original contract in its scope and size.
2. Re-procurement or completion costs, liquidated damages, and performance bond money recovered from the contractor as refunds must be retained and applied to the replacement contract’s specific appropriation. Amounts recovered that exceed the actual costs of the replacement contract must be deposited as miscellaneous receipts. See Chapter 10 for policy guidance concerning obligation of expired funds for replacement contracts and obligation adjustments for contract changes.

080306. Determining Scope of Work Changes

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

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

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

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

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

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

E. Claims. Claims arising out of an original undertaking, or resulting from a within scope change, would be funded from the appropriation available at the time of the original undertaking. Claims arising out of a change in scope to the original contract would be funded from the appropriation available and charged for the change in scope.

080307. Due Diligence

Funds holders are responsible for ensuring that funds appropriated or allotted to them are used consistently with the intent, time, purpose, amount, and bona fide need for which the funds were provided. Fundamental to being a Funds Holder is practicing sound fiscal management that complies with OMB and the requirements of this Regulation. Funds Holders responsibilities should include management and oversight of acceptance of customer orders resulting in credits to contract authority and the liquidating authority necessary for DWCFs that utilize Contract Authority to make payments or incur obligations. Funds holders should exercise due diligence and timeliness of execution of appropriated funds in committing, obligating, de-committing, and de-obligating funds appropriated by Congress for the DoD mission. Attaining due diligence is contingent on the effective integration and synchronization of the mission stakeholders including Funds Holders, accounting, program management, contract officers/representatives and acquisition/logistics into a collaborative effort. Due diligence consists of implementing prescribed business practices and oversight of the documents for which they are responsible. Due diligence is the development and maintenance of documentation that includes contract, invoice, disbursement, task monitor notes, correspondence, and all supporting information that is readily available.
available to determine compliance with the provisions. The following is a checklist to follow for due diligence compliance:

A. Internal control systems are adequate.

B. Information is reliable and valid.

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

D. Resources are safeguarded and managed economically and efficiently.

E. Desired program results are achieved.

F. Operations are effective and efficient.

G. **Funds holders**, contracting officers and program managers should collaborate in reviewing commitments and obligations to determine if they are still valid, if goods and services are outstanding and if the funding level is sufficient to support the bona fide need. Refer to section 0816.

0804 RECORDING JUDGMENT FUND OBLIGATIONS

080401. Legal Authority

The Judgment Fund is available for court judgments and Justice Department compromise settlements of actual or imminent litigation against the government. Judgment Fund awards and settlement must be funded on a non-reimbursable basis for various types of litigation identified in **31 U.S.C. § 1304**, “Judgments, Awards, and Compromise Settlements.” Section 1304 and the Contract Disputes Act of 1978, **41 U.S.C. § 7108**, “Payment of Claims,” provide that awards and settlements involving appropriated fund contracts are payable from the Judgment Fund, subject to reimbursement from agency appropriations. The Fund also is available for awards and settlements involving discriminatory conduct by an Agency (such as a DoD Component) under statutes identified in the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002, ” commonly known as the No FEAR Act.

080402. Reimbursement of Contract Dispute Act Judgments

In accordance with 31 U.S.C. § 1304, and 41 U.S.C. § 7108, litigation and settlements subject to the Contract Dispute Act (CDA) of 1978 are paid promptly by the U.S. Department of the Treasury (Treasury) from the permanent appropriation, “Judgment Fund.” After such payment, the DoD Component is required to reimburse the Judgment Fund.

A. The affected DoD Components first must determine what appropriation(s) originally funded the portion of the contract that led to the claim and subsequent judgment.
B. The Judgment Fund must be reimbursed with funds available for the same purpose that was current at the time of the judgment provided by 41 U.S.C. § 7108. Expired appropriations that were current at the time of the judgment should be used to reimburse the Judgment Fund. If insufficient unobligated balances exist in the expired appropriation or the account has closed, use authority of 31 U.S.C. § 1553 to charge the current appropriation available for the same purpose or obtain a special supplemental appropriation from Congress. If more than one appropriation is involved in the monetary judgment, then the reimbursement is prorated against those appropriations. Any proration between or among appropriations must be based on the nature of the claim and the basis of the monetary judgment in the particular case. Record obligations against current funds at the time the awards are made by the deciding official or by the court. See Chapter 10 for requirements, restrictions, and limitations related to recording amounts against expired and closed accounts.

C. Within 15 business days after paid claim confirmation, the Treasury Judgment Fund Branch sends a letter to the responsible DoD Components point of contact requesting reimbursement. Within 30 days of receipt of notice for reimbursement, the responsible DoD Component must repay Treasury’s Bureau of the Fiscal Service (BFS) or contact BFS to make payment arrangements. If the impacted DoD Component fails to respond within 60 business days of the first and second demand letters, BFS will send a letter to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (OUSD(C)/CFO). The letter is sent quarterly to the OUSD(C)/CFO along with a statement summarizing the outstanding CDA amounts due to the Treasury. Component quarterly balances are posted on the Treasury Direct website under the reports section at Treasury Managed Accounts Reports.

D. Reimbursement to the Treasury is not an antecedent liability of the original contract. Therefore, reimbursements must not be charged back to the original fiscal year appropriation that funded the contract, unless the original appropriation was still current at the time of the judgment. Further, the existence of the legal requirement to reimburse the Judgment Fund does not give rise to a violation of the Antideficiency Act. See Volume 14, Chapter 2 for detailed policy on violations of the Antideficiency Act.

E. In all official accounting and reporting systems, a separate and unique Budget Line Item (BLI) designator is assigned for the recording and reporting of such reimbursements. This BLI designator is identified as a separate line on the Appropriation Status by Fiscal Year Program and Subaccounts (DD Comp (M) 1002). This new line of accounting is to be called “Judgment Fund Reimbursement.” Funds must be reprogrammed into this new line from existing allotted funds within the appropriation. These reprogrammed funds are not subject to normal reprogramming rules with respect to the increase, but must conform to reprogramming guidance governing delegated authority for program reductions.
F. Upon identification of funds to be charged and completion of any reprogramming actions, the documented package must be forwarded to the Defense Finance and Accounting Service (DFAS) site that has accounting responsibility for the designated fund accounts to process the payment. Ordinarily, a miscellaneous obligation document must be used to obligate the designated fund accounts. However, if programming actions have reserved funds, the DFAS may be authorized to process the payment as an obligate-expend transaction. DFAS may process the transfer of funds for the payment to Treasury’s Judgment Fund using the Intragovernmental Payment and Collection (IPAC) system.

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

080403. Reimbursement of No FEAR Act Judgments

As provided for in 5 CFR 724, Subpart A, DoD Components must reimburse the Judgment Fund for all judgments resulting from discrimination and No FEAR Act claims covered under authority of 5 U.S.C. § 2301, note. Reimbursements under the No FEAR Act include reimbursements for payments of judgments, awards, or settlements with respect to discrimination and whistleblower protection cases.

A. In processing No FEAR Act judgments, within 15 business days after the Treasury makes a payment from the Judgment Fund, it will issue a written notification (electronically or by other means) concurrently to the USD(C), CFO and/or Deputy CFO, the responsible DoD Component’s reimbursement point of contact, and the DoD Component’s Chief Counsel, with copy of the demand notice provided to DFAS.

B. Upon receiving a Judgment Fund notice from BFS, the responsible DoD Component must reimburse the Judgment Fund within 45 business days using the appropriation, fund, or other account available for operating expenses of the DoD Component to which the No Fear Act judgment or discriminatory matter stemmed. If payment cannot be made within 45 business days, the DoD Component must contact the BFS directly to make arrangements for payment for the Judgment Fund.

C. If a DoD Component fails to reimburse the Judgment Fund within the required 45 day period or establish a payment plan with BFS, a posting will be made annually by BFS to its public website denoting the DoD Components that are delinquent.

080404. Administrative Oversight Roles and Responsibilities for Judgment Fund

A. The Office of the Under Secretary of Defense Comptroller, Program and Budget (PB) must:
1. Coordinate and resolve any issues that arise regarding DoD Components' ability to identify funding sources to reimburse Judgment Fund. This may require, but is not limited to, assisting DoD Components in identifying available appropriations and/or unobligated balances available to reimburse the Judgment Fund when necessary, advising on availability of current or expired funds for such reimbursements, or coordinating actions to facilitate initiation of reprogramming requests.

2. Coordinate judgment fund actions (as needed) with the DoD Office of General Counsel (Fiscal) to obtain legal advice concerning matters related to the Judgment Fund.

B. DFAS must:

1. Provide DoD-wide oversight and guidance on the accounting and reporting processes related to the Judgment Fund to include reporting and responding to accounts payable issues related to outstanding Judgment Fund liabilities payable, as needed.

2. Prepare accounts payable reports or other schedules denoting outstanding Judgment Fund balances and/or delinquencies and convey these balances to DoD Components (customers).

3. Reconcile, consolidate, and accurately report financial statement data on Judgment Fund liabilities in the DoD/Agency-wide financial statements and respond to general inquiries relative to Judgment Fund liabilities reported.

4. Write consolidated notes supporting financial statements to include documenting and/or reporting of Judgment Fund liabilities for inclusion in the DoD Agency Financial Report (DoD AFR). After DFAS provides the financial statement notes to OUSD(C), OUSD(C) has final responsibility for the presentation within the DoD AFR.

0805 RECORDING GOVERNMENT-WIDE COMMERCIAL PURCHASE CARD OBLIGATIONS

Record obligations for Government-Wide Commercial Purchase Cards in the amounts placed for orders for goods or services. For additional information on purchase cards, see Government Purchase Card Responsibilities.

0806 RECORDING OBLIGATIONS FOR PROCUREMENT CONTRACTS AND ORDERS

080601. Firm Fixed Price Contract

When the contract is executed, an obligation must be recorded for the total amount stated in the contract.
080602. Fixed Price Contract with an Escalation, Price Redetermination, or an Incentive Provision

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

080603. Cost Reimbursement and Time and Material Contracts

Cost reimbursement and Time and Material (T&M) contracts include: cost, cost sharing, cost plus fixed fee, cost plus incentive fee, cost plus award fee, time and material, and labor hour contracts. When the contract is executed, an obligation must be recorded. The amount of the obligation is the total estimated payment provided by the contract’s funded ceiling, including the fixed fee in the case of a cost plus fixed fee contract, the target fee in the case of a cost plus incentive fee contract, or the base fee in the case of a cost plus award fee contract. The amount recorded must be increased or decreased by amounts provided by contract modification, or a unilateral revision of an award fee estimate made by the contracting office. Any fee awarded in excess of the target fee in a cost plus incentive fee contract must be recorded as an obligation at the time the determination to award the larger fee is provided to the contractor. The amount of the obligation established for a cost plus award fee contract must be adjusted at the time the actual or final fee award amount is determined (see DFARS 216.405-2). If the contract is incrementally funded, the amount obligated must always be the funded increments.

080604. Indefinite Delivery Type Contracts

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

080605. Contract Authorizing Variations in Quantities to be Delivered

When the contract is executed, an obligation must be recorded for the price of the quantity specified for delivery, exclusive of the permitted variation. The amount recorded may be increased or decreased to reflect the quantity actually delivered and accepted.
080606. Multi-year Procurement Contract

An obligation for a multi-year procurement contract must be recorded in the amount of the price of the quantities specified for delivery under the requirement for the first program year, and the amount must be identified with that program year. Unless the contract is funded fully at inception, each time the contractor is notified that funds are available to cover another program year requirement; an obligation must be identified with that program year and recorded in the amount of the price of the quantities specified for delivery. If the contract is canceled, an obligation must normally be charged to the program year current at the time of cancellation to cover the government’s liability under the terms of the contract.

080607. Letter Contract or a Letter of Intent

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

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

C. Commitments cannot be carried past fiscal year-end.

080608. Interest on Contractor Claims

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

080609. Interest Payable under the Prompt Payment Act

Interest penalties are payable in accordance with Volume 10, Chapter 7 and are recorded as obligations against amounts available to carry out the program for which the penalty is incurred in the fiscal year or years in which the interest accrues. Penalties are charged to appropriations of the agency that funded the contract.
080610. Purchase Orders

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

B. A purchase order requiring acceptance by the vendor in order to form a binding contractual agreement must be recorded as an obligation in the amount specified in the order at the time of acceptance. Evidence of this acceptance must be retained in the files. If written acceptance is not required or provided, then commencement of performance constitutes acceptance by the vendor, and the amount of the order must be recorded as an obligation in accordance with Volume 1, Chapters 4 and 7. Formation of the binding contractual agreement should occur during the period of availability of the appropriation cited on the purchase order. If contract formation occurs after expiration of the period of availability of funds cited on the purchase order, the obligation must be recorded against current funds, and the purchase order contract modified accordingly.

080611. Amendment of a Contract

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

A. For a contract modified pursuant to a clause authorizing equitable adjustment to contract terms (including price) within the general scope of the contract, the amount of the recorded obligation must be increased or decreased by the amount specified by any and all amendments or modifications when executed. For a fixed price contract, the same source of funds that originally was obligated on the contract must be charged or credited.

B. Pursuant to the provisions of 50 U.S.C. §§ 1431, 1432, 1433, and 1435, the amount of a recorded obligation must be adjusted to reflect an increase or decrease resulting from a determination made that results in the correction of a mistake or the formalization of an informal agreement. These adjustments must be recorded against the same source of funds that originally was obligated when the amendments or modifications do not change the scope of the contract and, thus, do not result in a new procurement. When the scope of the contract is increased, the adjustment is chargeable properly to the appropriation or fund available at the time that the amendment is executed.

C. A contingent obligation, such as one existing under an indemnification clause or a clause involving an equitable adjustment, must be recorded as an obligation only in the amount of the contractual liability incurred when the amendment fixing the obligation is executed. If no amendment is required, the adjustment is recorded as an obligation when the event occurs that fixes the amount of the liability under the contingent obligation. The obligation must be recorded against the same obligation or fund that originally was cited on the contract.
D. When an increase occurs in the price of one or more items in a fixed price contract that contains an escalation clause, a price redetermination clause or an incentive provision, or in the fee in a cost plus incentive fee contract, an obligation must be recorded in the amount of the increase at the time the changed price or fee is determined in accordance with the terms of the contract. The obligation must be recorded against the same appropriation or fund that originally was obligated for the contract.

E. In some instances, it is appropriate to reduce a recorded obligation for firm fixed price contracts with escalation, price redetermination, or incentive provisions. This occurs when a determination is made by the contracting officer (and approved by the Fund Holder or a designee) that the anticipated amount of liability under the contract could be reduced and the amount of the recorded obligation must be decreased by the amount determined and approved. Such action is taken after taking all circumstances into consideration, including available costs and production data or tentative offers from contractors. See paragraph 081611 for additional guidance on the de-obligation of funds.

F. Contract modifications that increase funding on cost reimbursement contracts above the original contract ceiling, and which are not based on an antecedent liability enforceable by the contractor, are at the Government’s discretion and are chargeable to funds available when the increase is granted – rather than funds from the fiscal year cited on the original contract.

080612. Termination of Contracts and Agreements

When a contract or agreement is terminated in whole or in part for the convenience of the government by giving a “Notice of Termination” to the other party to the contract or agreement, the obligation recorded for the contract or agreement must be decreased to an amount that is sufficient to meet the settlement costs under the termination; similarly, the commitment must also be decremented to align to the forecasted obligation amount. The obligation cannot be decreased below the amount estimated by the contracting officer, based on the best evidence then available, as the amount due as a direct result of the termination.

080613. Foreign Currency Exchange Fluctuations

Changes in obligations and contractual liabilities caused by foreign currency exchange fluctuations are determined and recorded when payment is made. For foreign currencies not specified in a special foreign currencies fluctuations appropriation account, adjustments also are made at fiscal year-end, and would be made at any other time a significant change occurs in order to help avoid over obligation of an allotment. If a contract is priced in foreign currency, the agency must ensure that adequate funds are available to cover currency fluctuations to avoid a violation of the Antideficiency Act. See Volume 6A, Chapter 7 for guidance on foreign currency fluctuations.
0807 RENTAL AGREEMENTS AND LEASES OF REAL AND PERSONAL PROPERTY

080701. Amount Recorded as an Obligation on Rental and Lease Agreements

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

080702. Rental Agreement Terminated by the U.S. Government

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

080703. Rental Agreement Terminated Without Costs, with Notification

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

080704. Rental Agreements with Specified Dollar Payment

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

080705. Domestic or Foreign Rental Agreement Not Exceeding 12 Months

For a domestic or foreign rental agreement not exceeding 12 months that is financed under an annual appropriation, an obligation must be recorded at the time of its execution in the total amount of rent specified in the agreement even though the period of the lease extends into the subsequent fiscal year as addressed in 10 U.S.C. § 2410a. Leases of structures and real property, other than military family housing, in foreign countries may be entered into for periods of up to 10 years under authority of 10 U.S.C. § 2675, and the rent for each yearly period is paid from funds appropriated for that year. Leases of family housing in foreign countries may be for periods of up to 10 years (15 years in Korea) and rent may be paid on an annual basis from funds appropriated for that year. If the laws, regulations or customs of a foreign country require advance payment for rent, the advance payment may be made in accordance with 10 U.S.C. § 2396. The legal, regulatory, or customary term of a foreign lease, and an obligation may be recorded against the
current appropriation in the same amount at the time the lease is consummated. Refer to Volume 4, Chapter 5 for guidance on accounting for advances and prepayments.

080706. Domestic Lease Agreements for Periods Greater Than One Year

Domestic lease agreements entered into for periods greater than one year under authority delegated by the General Services Administration (GSA) in accordance with 40 U.S.C. §§ 581 and 121 need not include a provision to the effect that lease funding in future fiscal periods is subject to fund availability in those future fiscal periods. Annual rental payments may be made from funds appropriated for that fiscal year as authorized under 40 U.S.C. § 585. Leases must be fully funded at inception unless the lease includes a cancellation clause. Should a cancellation clause apply, the maximum liability is the amount of the lease payments over the minimum lease period plus any required cancellation payment.

080707. Obligations for GSA Standard level User Charges

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

0808 INTRA-GOVERNMENTAL REQUISITIONS AND ORDERS PLACED WITH DOD COMPONENTS OR OTHER U.S. GOVERNMENT AGENCIES

080801. Reimbursable Procurement

A. The term “reimbursable procurement” refers to an order for supplies, material, services or equipment placed by a requiring DoD Component for:

1. Procurement by another DoD Component (or a major organization unit within the component) or Federal Agency on a contract funded by the procuring DoD Component or Federal Agency.

2. Delivery to and reimbursement by the requiring DoD Component.

B. When recording an obligation for a reimbursable procurement, the date and amount recorded as an obligation for a reimbursable order by the requiring DoD Component is the date and amount of acceptance by the procuring activity.

C. An FS Form 7600B, DD Form 448 MIPR, or other document as appropriate, may be used for processing reimbursable procurements. Obligation occurs when the authorizing and/or responsible government official signs the DD Form 448-2, Acceptance of MIPR, or other document, as appropriate. Obligations are not complete until the acceptance document is signed and returned to the office responsible for posting the obligation. Additional guidance on MIPR processing can be found in the DFARS, PGI, subpart 253.208.
080802. Direct Citation Procurements

The term “direct citation procurement” refers to procurement accomplished by combining the requirements of one or more other DoD Components with those of the procuring DoD Component. The procuring DoD Component may issue one contract with separate schedules showing the quantities, prices, dollar amounts, and citation of funds of each requiring DoD Component. The direct citation order is recorded as an obligation by the requiring DoD Component when it is notified in writing that the procuring DoD Component’s contract or project order has been executed, or when a copy of the contract or project order is received. MIPRs used for these orders are not complete until the MIPR Acceptance is signed and received by the office responsible for posting the obligation.

080803. Reimbursable Orders with Other DoD Activities

Reimbursable orders with other DoD activities for specific supplies, material, equipment, work, or services, may be placed under the Project Order statute (41 U.S.C. § 6307), the Economy Act (31 U.S.C. § 1535), or other applicable authority. Reimbursable orders with Non-DoD activities may be placed under the Economy Act or other applicable statutory authority. The obligation for reimbursable orders must be recorded against the appropriation of the ordering DoD entity as follows.

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

B. Unless more specific statutory authority is applicable, the Economy Act, (31 U.S.C. § 1535), provides authority that allows DoD Components to order goods and services from other federal agencies (including other DoD Components) and from major organizational units within the same DoD Component. Economy Act orders citing an annual or multi-year appropriation must serve a bona fide need arising or existing in the fiscal year (or years) for which the appropriation is available for obligation. The requesting DoD activity must obligate funds when the performing activity accepts the order in writing. The work to be performed under Economy Act orders must be expected to begin within a reasonable time after its acceptance by the servicing DoD Component or organizational unit. Based on authority of 31 USC § 535(d), orders placed or agreements made under Economy Act orders, obligates an appropriation of the ordering agency or unit. MIPRs are Economy Act orders subject to downward adjustment when the obligated appropriation is no longer available for obligation to the extent that the procuring component has not executed its agreed-upon contract or project order actions. Funds must be de-obligated by both the requesting and servicing agency to the extent that the servicing agency or unit filling the order has not incurred obligations before the end of the period of availability of the appropriation, in (1) providing goods or services; or (2) making an authorized contract with another person to provide the requested goods or services. As specified in paragraph 081602, all unliquidated obligations must be reviewed and any unsubstantiated obligations or excess funds
de-obligated. Refer to Volume 11A, Chapter 3 for additional policy covering de-obligations related to Economy Act Orders.

C. By DoD policy and agreement with civilian agencies, Non-Economy Act reimbursable orders placed by DoD Components for supplies, material, services or equipment are placed with conditions that, in practical effect, make them subject to obligational standards used for Economy Act reimbursable orders.

1. Non-Economy Act orders obligating annual or multi-year appropriation must satisfy a bona fide need of the appropriation’s period of availability. The requesting DoD activity must obligate funds when the performing activity accepts the order in writing.

2. By policy and agreement with civilian agencies that have Non-Economy Act authorities to perform reimbursable orders, the DoD has further limited the fiscal principle that a performing agency with Non-Economy Act authority has a reasonable period of time to use transferred funds, depending on the nature of the order. Thus, Volume 11A, Chapter 18 and agreements civilian agencies provide that funds must be de-obligated by both the requesting and performing agency to the extent that the performing agency has not, before the end of the period of availability of the DoD requesting agency appropriation, (1) provided the goods or services, or (2) entered into contract obligations with another entity (contractor) to provide the requested goods or services in a manner consistent with the bona fide needs rule.

3. It is the responsibility of each DoD Component or its subordinate entity, establishing obligations to develop and implement procedures, for ensuring timely monitoring and de-obligation of funds. Please refer to paragraph 080301 for additional guidance.

080804. Modifying Reimbursable Orders

Requiring activities must also use caution in modifying reimbursable orders applying the following guidelines.

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

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

C. Under no circumstances should an order result in a performing agency’s issuance of a contract for severable services crossing fiscal years that extends beyond one year from the date of contract award, as addressed in 10 U.S.C. § 2410a. Any such contract’s performance period must begin during the period of availability of the requiring activity’s appropriation. For guidance on rental agreements with specified dollar payments see paragraph 080704.
0809 ORDERS PLACED WITH (OR THROUGH) DEFENSE WORKING CAPITAL FUND ACTIVITIES

080901. General

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

080902. Recording DWCF Stock Funds

A. Recording DWCF Capital Stock Fund Purchases. Unlike Economy Act orders, and unlike Non-Economy Act orders placed with civilian agencies pursuant to policies set forth in Volume 11A, Chapter 18, purchases made by DWCF stock fund activities using contract authority to fill customer orders are not legally required to be obligated before expiration of the customer’s financing appropriations. However, an order placed for an Integrated Material Management (IMM) item must be a bona fide need of the requesting activity’s financing appropriation. Thus, consistent with bona fide need requirements, the DWCF activity using contract authority to acquire an IMM must be able to satisfy the requirement within a reasonable period of time. Unreasonable delay in DWCF execution (or delivery in a subsequent fiscal year not based on delivery, production or manufacturing lead time exceptions) may reflect that the order placed with the DWCF was not a bona fide need of the requiring activity. There is no hard and fast rule in this regard, but a reasonableness standard does apply.

B. Recording Obligations for Stock Number and Nonstock-Number Items. An order for an item for which a stock number has been assigned must be recorded as an obligation at the time the order is placed. Record an obligation for a Non-stock Numbered Item (stock number not assigned at the time of placement of the order) when the DWCF activity accepts the order for an IMM item that it will fill using its cost authority. Orders without stock number require order and acceptance because the provider may not be able to fulfill the order. DWCF activities that utilize contract authority are issued both contract authority and anticipated customer order amounts that tie to one another, and the accepted customer orders are recorded against the contract Authority and not separately against reimbursable authority. DWCF accepted customer orders for managed stock items procured with contract authority are recorded as an offset to contract authority and not against reimbursable authority levels.
C. Integrated Material Management Items: For purposes of this chapter, stock funded items are IMM items for which supply management and acquisition responsibility has been assigned to a single DWCF funded activity and that activity uses contract authority to acquire the item. See DFARS subpart 208.7 for definition of integrated material management.

080903 Change Notices

The following policies apply to change notices.

A. Cancellation. An obligation for an undelivered order placed with the stock fund activity must be adjusted when a change notice affecting price, quantity, or an acceptable substitution of a like item is received from the stock fund. An undelivered order placed with the stock fund must be canceled when the customer receives a notice of:

1. Substitution that is unacceptable,
2. Transfer of a stock funded item to funding by a centrally managed procurement appropriation within a DoD Component, or
3. Advice that the stock fund is unable to perform under the terms of the order.

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

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

1. Cancellation or modification of the quantity on order, or
2. Refusal or return to the stock fund of the material.

080904. Economy Act and Project Orders Placed with DWCF Activities

DoD organizations record obligations for reimbursable procurement orders, direct citation orders, and project orders placed with DWCF activities in accordance with section 0808.
0810 PERSONAL SERVICES AND BENEFITS OBLIGATIONS

081001. Obligations Recorded for Payments to Military and Civilian Employees

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

081002. Obligations Recorded for Subsistence In Kind

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

081003. Obligations Recorded for Annual and Sick Leave of DoD Employees

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

081004. Obligations Recorded for Severance Pay to U.S. Government Civilians and Foreign National Employees

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

081005. Obligations Recorded for Severance Pay Under Specified Conditions

A. Obligations for severance pay are incurred and reported after an employee has been separated and specified conditions (such as those set forth in the German Tariff Agreement) have been met. The organization that terminates the employment of such individuals is responsible for recording and reporting the severance pay obligation. If the liability for any form of severance pay is significant, reasonable estimates must be made and an unfunded liability recorded and reported in accordance with the Governmentwide Treasury Account Symbol Adjusted Trial Balance System.
B. In accordance with other foreign country contracts and agreements, certain foreign national employees earn a separation allowance, also sometimes called “severance pay” in some contracts and agreements, from inception of or during their employment. In such cases, a liability accrues from such date and obligations must be recorded as follows:

1. In general, obligations for separation allowances for foreign national employees must be recorded against applicable current allotments in the full amount of the liability that accrues during the accounting period even though the amount may not currently be payable. However, when a foreign country is committed to fund part of the separation allowance for its nationals, DoD funds must be obligated only for the Department’s portion of that cost. The amount chargeable to the applicable current allotment is the separation allowance liability incurred during the current accounting period and adjustments to outstanding liabilities for separation as a result of changes in pay. Adjustments for fluctuations in foreign currency exchange rates must be made at the time of the disbursement. See paragraph 081311 for guidance on those currencies not covered by the foreign currency fluctuations appropriation.

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

3. Appropriated funds may not be obligated for separation allowances earned by foreign national employees during any period of employment by DoD non-appropriated fund instrumentalities. The accrued separation allowance must be paid, if the employee is otherwise entitled to payment of such allowance upon such event pursuant to host nation law or agreement, when a foreign national employee transfers from an appropriated fund organization to a non-appropriated fund instrumentality.
0811 PERMANENT CHANGE OF STATION OBLIGATIONS RECORDED

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

0812 TEMPORARY DUTY TRAVEL OBLIGATIONS RECORDED

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

0813 OTHER OBLIGATIONS

081301. Loan Agreements

As required by 2 U.S.C. § 661, new direct loan obligations may be incurred only to the extent that budget authority to cover costs is provided in advance. When a direct loan obligation is incurred, its cost (i.e., the estimated long term cost of the loan to the government) is obligated against the “program account” established for the loan program. Actual funding of the direct loan is made through a revolving, non-budget “financing account.” Refer to Treasury’s BFS, USSGL Credit Reform Accounting guidance for detailed guidance covering obligation and disbursement of funds for direct and guaranteed loans.

081302. Grants and Subsidies Obligations Recorded

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

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

C. Annually, DoD Components must:

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

2. Determine why these funds were undisbursed, and

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

081303. Bid Protests or Other Challenges

A. Pursuant to the provisions of 31 U.S.C. 1558, funds available at the time of protest or other action filed in connection with a solicitation for, proposed award of, or award of such contract, remain available for obligation for 100 calendar days after the date on which the final ruling is made on the protest or other action.

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

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

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

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

1. A request for reconsideration of a GAO protest must be made within 10 days after the basis for reconsideration is known or should have been known, whichever is earlier.
2. The appeal of a protest decision of a district court or the Court of Federal Claims must be filed with the Court of Appeals for the Federal Circuit within 60 days after the judgment or order appealed from is entered.

D. Where contract award is determined to be invalid as a result of a bid protest and the contract is terminated for convenience, appropriations charged for the original contract may be obligated for a replacement contract if it is awarded without undue delay after termination of the original contract. Any award within 100 days of termination necessarily is award without undue delay because 31 U.S.C. 1558 statutorily extends the availability of appropriations for such period following the final ruling on a bid protest.

081304. Liquidated Damages Recorded

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

081305. Litigation Obligations Recorded

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

081306. Bills of Lading

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

081307. Public Utility Services Obligations Recorded

An obligation for recurring charges for utility services (such as gas, electricity, water, and steam) and communications will be recorded each month or as required based on a written administrative determination of the estimated cost of the service that will be furnished during the month. Charges for utility services and communications for a time period beginning in one fiscal year and ending in another fiscal year must be charged against the appropriation current at the end of the time period covered by the service.
081308. Claims

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

081309. Legal Determinations

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

081310. Simultaneous Disbursement and Obligation

If a disbursement has been made (or is about to be made) without the related obligation previously having been recorded, an obligation must be recorded immediately in the amount of the disbursement. Refer to Chapter 11 for further guidance on disbursements made without the related obligation.

081311. Foreign Currency Fluctuations

A. The Foreign Currency Fluctuations Appropriation was established to eliminate losses or gains to programs caused by fluctuation of specified foreign currency exchange rates from those used in the budget (DWCF foreign currency fluctuations are absorbed by the incurring DWCF business area, not the foreign currency account.) Contractual obligations or other obligations payable in the specified foreign currencies may not be adjusted until disbursements are made from the appropriation account involved. See Volume 6A, Chapter 7 for guidance on foreign currency fluctuations.

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

081312. Security Guard and Firefighting Services

A. 10 U.S.C. § 2465 prohibits the obligation or expenditure of appropriated funds for the purpose of entering into a contract for the performance of firefighting or security guard functions at any military installation or facility in the U.S., including Alaska and Hawaii. This prohibition does not apply to:

1. A contract that is to be performed in the commonwealths, territories, or possessions of the U.S., or other locations outside the U.S., when members of the Armed Forces otherwise would have to be used for the performance of firefighting or security guard services at the expense of unit readiness;
2. A contract to be carried out on a government owned, contractor operated installation;

3. A contract (or renewal of a contract) for the performance of a function that was under contract on September 24, 1983; or

4. A contract for the performance of firefighting functions if the contract is for a period of one year or less and covers only the performance of firefighting functions that, in the absence of a contract, would have to be performed by members of the Armed Forces who are not readily available to perform such functions by reason of deployment.

B. \textbf{10 U.S.C. § 2687}, the Defense Base Closure and Realignment Act of 1990, as amended, authorizes special procedures for providing security guard (or firefighting) services 180 days before an installation closes under the Base Realignment and Closure initiative.

081313. Postage Obligations Recorded

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

0814 UNRECORDED OBLIGATIONS

081401. Dollar Threshold for Obligations Identified as Not Recorded

The following guidance must be applied when the accounting office identifies that an obligation has been incurred but not recorded in the official accounting records and the accounting office is in possession of a valid obligating document (as specified in paragraph 081402).

081402. Document Verification

A. The accounting office must verify that the document was not previously recorded in the official accounting records under the applicable obligation reference number indicated. Documents exchanged between electronic systems, such as entitlement systems, must also be validated to ensure that the electronic transaction was properly transmitted or recorded under the applicable obligation reference number and to, at a minimum, ensure that no errors resulted during the electronic transmission. The verification process must also include an appropriate review (for example, review by amount, appropriation, project-level accounting data and vendor name) to determine whether the obligation is recorded under another reference number, to include unrecorded modifications that are controlled in other obligating documents. For those accounting systems that contain commitments, the review also must involve looking for a commitment within the accounting system.

B. The accounting office must verify whether the obligation was recorded in the official accounting records at an amount that was less than the face value of the obligating
document or Electronic Data Interchange (EDI) representation. If so, the amount of the obligation to be recorded must be limited to differences between the amounts authorized on the obligating document or EDI representation and the amount previously recorded in the official accounting records. If one of conditions described in subparagraphs 081402.A or 081402.B is met, the supporting accounting office immediately must record an obligation if the dollar amount is $2,500 or less. If the amount of the obligation is over $2,500, the accounting office must follow the procedures in subparagraph 081403.B.

081403. Recording

A. DFAS must immediately record an obligation if the dollar amount is $2,500 or less.

B. If the dollar amount is greater than $2,500, the accounting office must provide the appropriate DoD Component Financial Manager with a copy of the obligating document(s), via e-mail, fax, electronic upload, or other documented means (retaining proof of transmission and receipt of the notification), to the official document repository and allow 10 calendar days for the Financial Manager to record the obligation or demonstrate that the obligation was previously recorded. The accounting office must record the obligation on behalf of the Financial Manager if, within 10 calendar days, the Financial Manager does not demonstrate that:

1. It is not accountable for the obligation,
2. The obligation is inaccurate,
3. The applicable obligation was previously recorded, or
4. It has recorded the obligation in the accounting records.

C. Whenever the accounting office records an obligation for any amount, the appropriate Funds Holder must be notified immediately but not later than 10 calendar days of the obligation being recorded. This notification must be via e-mail, fax, electronic upload, or other documented means used for document repository. Additionally, whenever the accounting office records an obligation, the recording must be uniquely identified, formally approved by the individual designated to provide approval authority, and cross-referenced to the obligating document. The processed obligating document must be similarly annotated. It is acceptable for an automated system to identify the source of a DFAS recorded obligation.

D. DoD Components must promptly record all obligations consistent with standards set forth in section 0803. The over-recording and under-recording of obligated amounts is equally improper, as either makes it impossible to determine the actual status of an appropriation and may lead to violations of the Antideficiency Act. Over-recording and under-recording will also call into question the accuracy of agency financial statements and the propriety certifications on reports of obligations provided to Congress pursuant to 31 U.S.C. §§ 1108(c) and 1501(b).
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*081404. Expired Funds

If the agency has incurred a valid obligation in the prior year which was unrecorded, prior year funds must be used. Current appropriations are not available to fund this obligation. If insufficient funds remain in the prior years’ appropriation, the agency must seek a supplemental or deficiency appropriation and must further consider the possibility the Antideficiency Act (31 U.S.C. § 1341) has been violated. Agencies should incorporate the due diligence guidance outlined in paragraph 080307 to mitigate circumstances requiring use of current appropriations to cover previous year requirements.

0815 INTERNAL CONTROLS

081501. Departmental Responsibilities

In accordance with its responsibility for implementing effective internal controls, the Assistant Secretaries and Comptrollers should establish standard procedures for Departmental/Agency level monitoring and review of all obligations and commitments. These reviews should be formally documented in Standard Operating Procedures.

081502. Funds Holder Responsibilities

A. The Funds Holder must review and validate commitments and obligations as financial transactions occur. The requirement for review of commitments and obligations applies to all appropriations and funds of all DoD Components. This requirement applies not only to direct appropriations, but also to all reimbursable transactions, as well as the Department’s Revolving and Trust Funds. The Funds Holders sign and approve DD Form 448, DD Form 488-2 and FS Form 7600Bs have certification responsibility and initiates actions that result in obligations and UFCO’s. See paragraph 080301 for information on required documentation to perform the Funds Holders Responsibilities. Funds Holders are responsible for managing customer orders accepted/unfilled customer orders. Funds Management responsibilities include the acceptance, maintenance, and execution of customer orders by the servicing agency.

B. Quarterly, the Funds Holder must reconcile all obligations incurred during the period. They must reconcile amounts recorded in the general ledger to contracting system records and/or obligating documents such as contracts and modifications.

1. The Funds Holder must document and investigate all differences.

2. The Funds Holder must alert the Financial Managers of any variances. The Financial Manager must review the Funds Holder’s documentation and assess whether an adjustment to the general ledger is required.

C. The use of “bulk” (estimated) obligations requires periodic monitoring and reconciliation of estimated obligations to the related disbursement transactions and the recording of appropriate adjustments to the estimated obligations based on the disbursement amounts.
Consider limiting the use of bulk obligations as Antideficiency Act violations may occur in the absence of adequate procedures for monitoring and reconciling disbursements to bulk obligations.

1. Bulk obligations must not be used for materiel requisitioned by Defense Logistics Management Standards (DLMS) or Military Standard Logistics Systems (MILS) transaction processing. Establishing an obligation for the proper amount for each line item under a unique requisition document number is essential for the timely and automated processing of interfund and non-interfund bills at the detail, line item level. Failure to do so may delay processing and increase workload for both DFAS and submitting Component personnel.

2. DoD Components that establish business processes for requisitioning outside their customer’s Component sponsored supply system, via internet ordering applications, must provide automated processes for their customers to record line item obligations for each requisition. DoD Components that authorize their personnel to initiate orders outside of their Component sponsored supply system must incorporate source of supply automated processes for establishing line item obligations for each requisition.

081503. Supporting Documentation

Prior to recording an obligation, the Financial Manager responsible for the official accounting records of the Funds Holder must have one of the following:

A. A copy of the obligating document(s) via e-mail, fax, electronic upload to the official document repository, or other documented means (contract, contract modification, letter contract, purchase order, reimbursable order, lease agreement, travel order) that will support an obligation, or

B. An EDI transaction set that represents an obligating document or supports an obligation (an EDI 850 transaction set representing a contract or an EDI 860 transaction set representing a contract modification or equivalent electronic data).

081504. Segregation of Duties

To ensure proper internal controls within the office responsible for financial management, the duty of recording obligations must be separate from other payment function duties. For example, technicians responsible for recording an obligation, must not also post receiving reports, or certify payments for the same transaction in which the technician recorded the related obligation.

081505. Antideficiency Act Violations

When the Financial Manager records an obligation in accordance with this policy and it results in an apparent Antideficiency Act violation, that office immediately must initiate research to include consulting with the Funds Holder. The following additional assessments apply:
A. If it is determined that the Financial Manager action resulted in a duplicate of an obligation that previously was recorded in the official accounting records, the Financial Manager action must be reversed immediately after the error is identified and no Antideficiency Act violation will be considered to have occurred.

B. If the Financial Manager determines that:

1. The Financial Manager action has not resulted in a duplicate of an obligation that was previously recorded in the official accounting records and

2. The obligation exceeded the Funds Holder’s authorized budget authority, then

3. A preliminary review of the potential violation must be initiated in accordance with Volume 14, Chapter 3.

C. If a valid obligation was incurred in excess of available funds, the actual incurrence of the obligation, rather than the recording of the obligation, would be considered to have caused the apparent violation. In such cases, follow the appropriate DoD guidance for Antideficiency Act investigations contained in Volume 14.

*0816 QUARTERLY REVIEW OF DORMANT ACCOUNTS

081601. Dormant Account Review Quarterly Justification

The DAR-Q replaces the former Triannual Review and is effective for all DoD Components beginning Quarter 1, Fiscal Year 2020. This change exemplifies the Department’s commitment to effective stewardship of taxpayer dollars through improved execution of budgetary resources. It also reflects the Department's continuous improvement efforts and maturation of internal controls while enabling senior leadership to provide oversight and defend budgets. DAR-Q serves as a quality control mechanism of entity-level internal control activities. In addition to providing the OUSD(C) oversight, the DAR-Q improves the Department’s ability to execute all available appropriations before expiration and ensures remaining open obligations are valid and support accurate financial and budgetary reporting. The purpose of implementing the quarterly review is the inherent ability to track the dormancy and or validity of the DoD Components obligations and UFCO ensuring proper actions are being taken to correct and or expedite the timely execution and full utilization of appropriated funds. DAR-Q is an integral component of exercising sound internal controls, the Department’s objective in performing the DAR-Q is to increase each Component’s ability to use available appropriations before they expire and ensure remaining open obligations are valid and liquidated before the cancellation of the appropriation which will enable increased mission readiness for the Department. The personnel performing the DAR-Q should be particularly rigorous when reviewing obligations and UFCO’s to ensure full utilization of appropriations prior to their expiration. In order to fully attain the DAR-Q goals, it is imperative that there is a synchronization of efforts from each of the stakeholders responsible to include but not limited to the following Funds Holder (Resource Manager), Accountants, Budget Analysts, Program Managers,
Contracting Officers, and Acquisition/Logistics representatives during each DAR-Q. The responsibility for successfully completing DAR-Q is a collaborative effort and it begins with the organizational leadership responsible for their appropriated funds. The integration of all the stakeholders in the review process will allow for an effective and overall useful review that can assist with overall mission requirements. From a financial audit perspective, one outcome of a well-executed and documented DAR-Q is to provide evidence of the reasonableness of open balances in direct support of auditable financial statements.

081602. DAR-Q Populations

DAR-Q populations while respecting tie-points between proprietary and budgetary accounts, reflect the budgetary general ledgers impacting budget execution included on Table 8-1.

Table 8-1: DAR-Q Population and Associated USSGL Account Code

<table>
<thead>
<tr>
<th>DAR-Q Population</th>
<th>USSGL Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undelivered Orders (UDO)</td>
<td>480100, 488100, 487100, 483100</td>
</tr>
<tr>
<td>Delivered Orders Unpaid (DOU)</td>
<td>490100, 498100, 497100, 493100</td>
</tr>
<tr>
<td>Undelivered Orders Paid (UDOP)</td>
<td>480200, 488200, 487200</td>
</tr>
<tr>
<td>Unfilled Customer Orders (UFCO)</td>
<td>422100, 422200, 423000, 425300</td>
</tr>
</tbody>
</table>

A. The DAR-Q process is an internal control practice. The Funds Holder, with assistance from supporting Financial Managers, must review UDO, DOU, UDOP and UFCO for validity, accuracy, and completeness quarterly as directed by the Funds Holder's BSO.

Table 8-2: DAR-Q Review Period

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Dormancy Period</th>
<th>DAR-Q Review Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>October 1 through December 31</td>
<td>January through March</td>
</tr>
<tr>
<td>2</td>
<td>January 1 through March 31</td>
<td>April through June</td>
</tr>
<tr>
<td>3</td>
<td>April 1 through June 30</td>
<td>July through September</td>
</tr>
<tr>
<td>4</td>
<td>July 1 through September 30</td>
<td>October through December</td>
</tr>
</tbody>
</table>

B. Funds provided from a granting to performing organization (reimbursable) are subject to the same scrutiny as all other appropriations. Both the granting and performing organizations must review the status of the reimbursable funds utilizing the same level of criteria and oversight as all appropriated funds. Granting organizations are only responsible for reviewing their side of the transaction, while performing organizations are responsible for reviewing their side of the transaction. DoD Components should also review Reimbursable Orders for compliance with the Economy Act or other applicable statutory authority for the Reimbursable order. Non-Economy Act orders should be reviewed to ensure that the interagency agreements (Memorandums of Agreement/Service Level Agreements) are consistent with DoD policy.

C. Sub-allotted funds are subject to the same scrutiny as direct funds. Granting agencies must include sub-allotted funds in their DAR-Q population. Because granting organizations may not have visibility into execution data, performing organizations are responsible
for assisting the granting organization in completing the review. This support includes providing source documents, contract or payable status, and financial analysis, as requested by the granting organization. Granting and performing organizations should develop formal memorandums of understanding to document the specific support requirements for sub-allotted funding. For the purposes of DAR-Q, organizations executing sub-allotted funds must support the granting organization.

081603. DAR-Q Advana Tool

A. The DAR-Q Advana Tool provides automation that DoD Components may leverage for performing the DAR-Q. The DAR-Q Advana Tool leverages the Departments’ universe of transactions to provide automated populations, reconciliations, record sampling, and a standard reporting platform. Performance of DAR-Q within the DAR-Q Advana Tool allows DoD Components to effortlessly adhere to policy requirements. The DAR-Q Advana Tool use is not mandatory; however, it was designed as an alternative solution for DoD Components to meet the quarterly reporting requirements effectively and efficiently.

B. DAR-Q sampling methodology focuses on high-risk, high-value balances. High-risk comprises dormant balances in expiring and canceling appropriations for General Funds and balances remaining after the period of performance has ended for Working Capital Funds and Foreign Military Sales. Populations are grouped by dollar value with higher sampling applied to high-value balances.

C. DoD Components must perform DAR-Q on all balances regardless of the system in which they are executed. When the automated DAR-Q Advana Tool does not incorporate transactions from legacy general ledger systems, DoD Components must request population, sampling and submission requirements from OUSD(C) FIAR Directorate to perform DAR-Q manually on balances outside of Advana.

081604. DAR-Q Roles

A. Coordinator. DoD Components are required to appoint at least one coordinator to serve as the OUSD(C) point of contact, disseminate records to appropriate personnel for review, and facilitate the DAR-Q process. Coordinators are not required to be financial managers, as their role is to facilitate the DAR-Q process by providing logistics, routing, and administrative support.

B. Funds Holder. Funds Holders review dormant records to evaluate the status and commence corrective action as necessary. Funds Holders are required to initiate corrective action within 10 calendar days, as well following up monthly until corrective action has been completed and general ledger posting has occurred, the monthly corrective action follow ups must be documented. Once the review is complete, records are routed to their BSO for review.

C. Budget Submitting Officer (BSO). BSOs use professional judgement to evaluate the appropriateness of the validation and sufficiency of the supporting documentation to provide reasonable assurance the Funds Holder completed their review in compliance with this
Regulation and the Component's SOP requirements. BSOs must ensure Funds Holders have the capabilities and resources to perform DAR-Q. A certification statement must be signed by the BSO prior to submission to the Assistant Secretaries of the Military Departments for Financial Management and Comptroller (FM&C) or Defense Agency Comptrollers.

D. The Assistant Secretaries of the Military Departments (FM&C) and Defense Agency Comptrollers. The Assistant Secretaries of the Military Departments (FM&C) and Defense Agency Comptrollers must establish entity-level implementation of the DAR-Q, through utilization of the automated DAR-Q Advana Tool and/or manually through OUSD(C) FIAR annual guidance, to ensure accuracy and completeness of the DAR-Q. Once the coordinator has consolidated all records, a certification statement must be signed by the comptroller prior to submission to OUSD(C) FIAR Directorate.

E. Military Departments and Defense Agencies: are required to update SOP/desk guides to document entity-level DAR-Q procedures for implementation of the DAR-Q framework. For DoD Components executing within the automated DAR-Q Advana Tool, SOPs should include internal timeframes to meet submission due dates and workflow descriptions which utilize the expanded process flow functionality. DoD Components executing the DAR-Q outside the automated DAR-Q Advana Tool are required to strictly adhere to the OUSD(C) FIAR guidance. The OUSD(C) FIAR DAR-Q submission template must be complete in order to be accepted; and format modifications will be rejected. The annual guidance directed by OUSD(C) FIAR will include updates to the sampling logic; however, it is the responsibility of the Assistant Secretaries of the Military Departments (FM&C) and Defense Agency Comptrollers to create the standard queries and/or standard reports to ensure the completeness of the data extracted based on OUSD(C) FIAR sub-population sampling logic and requirements. The DAR-Q SOP/desk guide should be written at the appropriate level of detail to allow an unfamiliar party to perform the appropriate steps without additional instruction.

081605. Dormant Balances

A. DAR-Q requires review of sampled dormant balances. For purposes of the DAR-Q, current is defined as having a change in the status for obligations or UFCOs during the last 90-day period which generated general ledger activity. Balances are defined as dormant if they have not been liquidated and no obligations, adjustments, contract modifications with general ledger impact, disbursements, or withdrawals occur within the 90-day period.

B. Contracts should be considered justifiably dormant while undergoing review by the Defense Contract Management Agency (DCMA) or Defense Contract Audit Agency (DCAA). Accurate and confirmed audit review and or contract close out review by DCMA/DCAA is required in order to exclude dormant obligations. For example the Component would need to provide confirmation from a DCAA auditor that the particular contract in question is in fact under audit. DoD Components are not allowed to exclude contract obligations without confirmation of the current contract close out status as provided by DCMA personnel within 10 calendar days when requested by the DoD Components.
081606. Funds Holder Responsibilities

The Funds Holder is responsible for conducting reviews of obligations and UFCO’s, regardless of whether the Funds Holder or the Financial Manager actually records the obligations in the official accounting records. This responsibility is placed on the Funds Holder because the Funds Holder initiates those actions that result in obligations and UFCO’s; therefore, they are in the best position to determine the accuracy and the status of such transactions.

A. If the Funds Holder is not utilizing the DAR-Q Advana Tool, they must obtain a population (refer to subparagraph 081604.B) for sampled obligations (undelivered, paid and undelivered unpaid), and UFCO. For all dormant balances, assess the validity of the open balance by determining (as applicable) whether the requirement is still valid and accurate, future work will be conducted on the contract or UFCO, future disbursements will be required to liquidate the dormant balance, and there is sufficient and readily available Key Supporting Documentation (KSD) to justify the remaining balance.

B. Document the results of these investigations and maintain all supporting documentation. Supporting documentation may include correspondence from vendor/buyer, Budget Office, Contracting Officer, Contracting Officer’s Representative, or DFAS representatives. Additional documentation might include progress reports, contract modifications, invoices, IPAC system screen prints or system reports that support the validity of the open balance or indicates it is no longer valid. In the event that documentation must be obtained from the vendor, the Funds Holder should work through the Contracting Officer to contact the vendor. See Table 8-3 “Required DAR-Q Documentation” for a list of examples of supporting documentation by assessable unit. Documentation should be printed or screen prints maintained electronically, unless the source system has reliable IT controls and data will be maintained in an archive.

C. DAR-Q Validation Codes

1. Valid. An obligation where there is a bona fide need and a reasonable likelihood that future activity will occur. Examples of activity include, but are not limited to, receipt of goods and services, payment of invoices, collecting payment for goods delivered or services rendered, or performing work on a reimbursable basis.

2. DAR-Q Adjusted. A valid obligation that requires all or a portion of the balance to be adjusted in either the source General Ledger (GL) system or initiated with the responsible party (DFAS, Contracting Office, Performer, Source of Supply). An appropriate adjustment is any action required to adjust, the open balance to accurately reflect business events.
3. **DCAA/DCMA Review.** A dormant balance that is currently under DCAA Audit or DCMA contract closeout procedures may be considered justifiably dormant. In order to use DCAA/DCMA Review validation code confirmation of current contract status, appropriate documentation from DCAA Auditors or DCMA personnel is required. Under DCAA/DCMA Review, the Funds Holder no longer actively manages the open balance but is responsible for the contingent liability. Funds Holders must retain evidence that the open balance is currently under DCAA audit or DCMA has initiated contract closeout.

D. The automated DAR-Q Advana Tool allows users to select reason codes and provide additional granular data through explanation and comment fields. The collection of quantifiable data allows for analysis to ultimately drive decision making across the Department.

E. Prepare a confirmation statement to the BSO. The statement must confirm and attest to the following:

1. Validation criteria was performed on the Component’s DAR-Q sample records of open Undelivered Orders Unpaid (UDOU), Delivery Orders-Unpaid (DOU), Undelivered Orders-Paid (UDOP), and Unfilled Customer Orders (UFCO) balances within those populations. DAR-Q record validations are accurate based on research completed and information known at the time of completion, and can be reconciled to readily available source documents.

2. Effective internal controls are in place to ensure accounting adjustments and corrective actions identified as a result of the DAR-Q were initiated in the appropriate accounting system. The dormant balance and reason for dormancy was verified for each record. Corrective actions were taken to initiate the adjustment of balances within the appropriate systems as necessary. Corrective actions and monthly follow-ups must be documented until complete.

3. Key supporting documentation for all validated UDOU’s, DOU’s, UDOP’s, and UFCO’s records are readily available and will be provided within 10 calendar days upon request by the BSO for reasonable quality control review.

4. DAR-Q sample records are selected for validation as a BSO quality-control activity to improve funding execution. DAR-Q is not intended to replace Component internal control activities for open balance review, validation, or adjustment. The signee acknowledges it remains the responsibility of the Funds Holder to perform continuous control activities on all open balances.

5. Certify the DAR-Q submission was performed in compliance with this chapter and internal SOP implementation guidance.

6. Submit the Certification Statement and all supporting documentation to the BSO.
081607. Budget Submitting Officer Responsibilities

The BSO is responsible for conducting reviews of the work performed, and documentation prepared by the Funds Holder and supporting Financial Managers. The BSO’s review should ensure that the DAR-Q has been performed over a complete population and that the Funds Holder performed all the required procedures accurately and retained supporting documentation. The BSO must complete the DAR-Q as directed by their Assistant Secretaries of the Military Departments (FM&C) and Defense Agency Comptrollers within their specified time frame.

A. Prepare a confirmation statement to the Assistant Secretaries of the Military Departments (FM&C) and Defense Agency Comptrollers. The statement must confirm and attest to the following:

1. Validation criteria was performed on the Agency's DAR-Q sample records of open Undelivered Orders Unpaid (UDOU), Delivery Orders-Unpaid (DOU), Undelivered Orders-Paid (UDOP), and Unfilled Customer Orders (UFCO) balances within those populations. DAR-Q record validations are accurate based on research completed and information known at the time of completion, and can be reconciled to readily available source documents.

2. Effective internal controls are in place to ensure accounting adjustments and corrective actions identified as a result of the DAR-Q were initiated in the appropriate accounting system. The dormant balance and reason for dormancy was verified for each record. Corrective actions were taken to initiate the adjustment of balances within the appropriate systems as necessary. Corrective actions and monthly follow-ups will be documented until complete.

3. Key supporting documentation for all validated UDOU's, DOU’s, UDOP's, and UFCO's records are readily available and will be provided within 10 calendar days upon request by the Assistant Secretaries of the Military Departments (FM&C) and Defense Agency Comptrollers for reasonable quality control review.

4. DAR-Q sample records are selected for validation as an Assistant Secretaries of the Military Departments (FM&C) and Defense Agency Comptrollers quality-control activity to improve funding execution. DAR-Q is not intended to replace component internal control activities for open balance review, validation, or adjustment. Signee acknowledges it remains the responsibility of the BSO to perform continuous control activities on all open balances.

5. Certify that the DAR-Q submission was performed in compliance with this chapter and internal SOP implementation guidance.

6. Review documentation of any Funds Holder that was unable to complete the required review or confirm the accuracy and validity of dormant balances, including a full explanation of, and any corrective action taken.
7. Confirm that the Funds Holder used the DAR-Q OUSD(C) FIAR queries to ensure the completeness of data extracted if the Funds Holder is not utilizing the DAR-Q Advana Tool.

8. Submit the Certification Statement and all supporting documentation to Assistant Secretaries of the Military Departments (FM&C) and Defense Agency Comptrollers.

081608. Assistant Secretaries of the Military Departments (FM&C) and Defense Agency Comptrollers Responsibilities

A. After receiving the BSO’s package, the Assistant Secretaries of the Military Departments (Financial Management and Comptroller) and the Comptrollers of the Defense Agencies must review the packages and provide evidence of those reviews, along with all supporting documentation, to the OUSD(C), FIAR Directorate prior to the end of the DAR-Q review period completion dates during March, June, September and December of each fiscal year the quarterly completion submission dates will be provided by OUSD(C) FIAR to the Component Coordinators. Assistant Secretaries must perform the following, at a minimum:

1. A review of the BSO’s submissions to confirm that they were prepared by the Funds Holder and reviewed by the BSO.

2. The review of documentation of any Funds Holder that was unable to complete the required review or confirm the accuracy and validity of dormant balances, including a full explanation of, any corrective action taken. Assess whether corrective action taken was appropriate.

3. Document these reviews by the BSO overall results to highlight both compliance and non-compliance of the BSO within a Component Level package and submit to OUSD(C) FIAR.

4. Problems noted as a result of the BSO review have been identified

5. Adjustments or corrections to remedy noted problems have been initiated within 10 calendar days of identification and will continued to be tracked until completion.

6. Actions or corrections remaining to be taken, and when such actions/corrections are expected to be completed, have been summarized, by type.

7. Actions taken to preclude identified problems from recurring in the future have been identified.

B. Prepare a confirmation statement to the OUSD(C) FIAR. The statement must confirm and attest to the following:
1. Validation criteria was performed on the Agency's DAR-Q sample records of open Undelivered Orders Unpaid (UDOU), Delivery Orders-Unpaid (DOU), Undelivered Orders-Paid (UDOP), and Unfilled Customer Orders (UFCO) balances within those populations. DAR-Q record validations are accurate based on research completed and information known at the time of completion, and can be reconciled to readily available source documents.

2. Effective internal controls are in place to ensure accounting adjustments and corrective actions identified as a result of the DAR-Q were initiated in the appropriate accounting system. The dormant balance and reason for dormancy was verified for each record. Corrective actions were taken to initiate the adjustment of balances within the appropriate systems as necessary. Corrective actions and monthly follow-ups must be documented until complete.

3. Key supporting documentation for all validated UDOU’s, DOU’s, UDOP’s, and UFCO’s records are readily available and will be provided within 10 calendar days upon request by the OUSD(C) FIAR for reasonable quality control review.

4. DAR-Q sample records are selected for validation as an OUSD(C) FIAR quality-control activity to improve funding execution. DAR-Q is not intended to replace component internal control activities for open balance review, validation, or adjustment. The signee acknowledges it remains the responsibility of the DoD Component to perform continuous control activities on all open balances.

5. Certify that the DAR-Q submission was performed in compliance with this chapter and internal SOP implementation guidance.

6. Review documentation of any BSO and Funds Holder that was unable to complete the required review or confirm the accuracy and validity of dormant balances, including a full explanation of, and any corrective action taken.

7. Submit the Certification Statement and all supporting documentation to OUSD(C) FIAR.

081609. Responsibilities of the OUSD(C) FIAR Directorate

Within 30 calendar days of receiving the Component Level Packages, the FIAR Directorate must perform the following:

A. Select a sample of DAR-Q records for review each quarter for assigned DoD Components.

B. For each sampled package, review documentation which evidences that all required DAR-Q requirements have been conducted. Documentation should include a listing of DAR-Q Adjusted variances.
C. Perform data analytics and analysis methods to clearly evaluate the trends pertaining to each of the validation criteria on total dormant balances by component.

D. Confirm the sample methods used by the Assistant Secretaries of the Military Departments (FM&C) and Defense Agency Comptrollers if the DAR-Q Advana Tool was not utilized.

E. Review documentation of any Funds Holder and BSOs that were unable to complete the required review or confirm the accuracy and validity of dormant balances, including a full explanation of, and any corrective action taken. Assess whether corrective action was taken.

F. Provide feedback on the results of the review to each sampled Component.

081610. Key Supporting Documentation

A. OUSD(C) requires key supporting documentation (KSD) be provided for a sub-sample of DAR-Q records to support the balance, validation selected, and any corrective actions initiated. For dormant balances determined to be valid, documentation should support the remaining balance, while balances which require adjustment would include documentation to support the adjustment amount. KSD’s may be reviewed for quality control by OUSD(C)’s FIAR Directorate with feedback provided as necessary. The DAR-Q KSD requirement focuses on quality over quantity and supports future documentation requests as the Department continues the consolidated audit. When requested, KSD’s must be provided within 10 calendar days of the request. For audit compliance and quality financial management principles in order for a KSD to be considered valid and provide the correct line item support the KSD is required to be signed by an authorized individual responsible for that transaction. Please refer to Table 8-3, “Required DAR-Q Documentation” for examples of various KSDs depending on the transaction.
Table 8-3: DAR-Q Documentation Examples

This is not an exhaustive list and there may be unique KSD’s for DoD Components.

<table>
<thead>
<tr>
<th>Assessable Unit</th>
<th>Supporting Documentation</th>
<th>Correspondence From</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractor Pay</td>
<td>Originating Documents</td>
<td>-Contractor</td>
</tr>
<tr>
<td></td>
<td>Contracts, contract modifications</td>
<td>-Contracting Officer</td>
</tr>
<tr>
<td></td>
<td>Liquidating Documents</td>
<td>-Contracting Officer’s Representative</td>
</tr>
<tr>
<td></td>
<td>Contract modifications, payment vouchers (including invoices and receiving reports)</td>
<td>-Financial Manager</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vendor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Contracting Officer</td>
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<td></td>
<td>-Contracting Officer’s Representative</td>
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<tr>
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<td>-Financial Manager</td>
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<tr>
<td>Vendor Pay</td>
<td>Originating Documents</td>
<td>-Vendor</td>
</tr>
<tr>
<td></td>
<td>Contracts, contract Modifications</td>
<td>-Contracting Officer</td>
</tr>
<tr>
<td></td>
<td>Liquidating Documents</td>
<td>-Contracting Officer’s Representative</td>
</tr>
<tr>
<td></td>
<td>Contract modifications, payment vouchers (including invoices and receiving reports)</td>
<td>-Financial Manager</td>
</tr>
<tr>
<td>Civilian Pay</td>
<td>Originating Documents</td>
<td>-Program office</td>
</tr>
<tr>
<td></td>
<td>Written administrative determinations of the amounts of the liabilities incurred for personal services based on payroll or personnel records</td>
<td>-Resource manager</td>
</tr>
<tr>
<td></td>
<td>Liquidating Documents</td>
<td>-Financial Manager</td>
</tr>
<tr>
<td></td>
<td>Payroll file summaries</td>
<td></td>
</tr>
<tr>
<td>Military Pay</td>
<td>Originating Documents</td>
<td>-Program office</td>
</tr>
<tr>
<td></td>
<td>Written administrative determinations of the amounts of the liabilities incurred for personal services based on payroll or personnel records</td>
<td>-Resource manager</td>
</tr>
<tr>
<td></td>
<td>Liquidating Documents</td>
<td>-Financial Manager</td>
</tr>
<tr>
<td></td>
<td>Payroll file summaries</td>
<td></td>
</tr>
<tr>
<td>Intragovernmental</td>
<td>Originating Documents</td>
<td>-Program Manager</td>
</tr>
<tr>
<td></td>
<td>MIPR (DD Form 448), Acceptance of MIPR (DD Form 448-2), intragovernmental or interdepartmental agreement, memorandum of agreement, other reimbursable work order</td>
<td>-Funds Holder</td>
</tr>
<tr>
<td></td>
<td>GT&amp;C FS Form’s 7600 A/B</td>
<td>-Financial Manager</td>
</tr>
<tr>
<td></td>
<td>Liquidating Documents</td>
<td></td>
</tr>
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<td></td>
<td>IPACs</td>
<td></td>
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<tr>
<td></td>
<td>SF-1080s (Voucher for Transfers Between Appropriations and/or Funds)</td>
<td></td>
</tr>
</tbody>
</table>
081611. Documentation

DoD Components are required to maintain documentation that is sufficient to permit independent organizations such as the DoD Office of the Inspector General, or the DoD Component Audit Agency/Service, to verify that the reviews were accomplished as required in accordance with the retention standards of Volume 1, Chapter 9.

081612. De-obligation of Dormant Obligations

A. Within 10 calendar days of their identification by the Funds Holders, all required de-commitments, de-obligations, adjustments or corrections identified must be initiated and substantiated by evidence of ongoing corrective actions. Contract de-obligations result from a contract modification, determination of final contract closure, documented adjustments or corrections, cancellation of an order, or when funds are determined to be excess of contract requirements as a result of a periodic review by the Contracting Officer. Funds holders are DoD officials that receive a documented administrative subdivision of funds including apportionments, allotments, sub-allotment, allocations, and sub-allocations through their funding chain of command or from other government departments, agencies, and activities holding an administrative subdivision of funds. All obligations that cannot be substantiated or validated after a thorough review by the Funds Holder (and/or the Financial Manager) must be de-obligated. Within 10 calendar days of the receipt of documentation from the Funds Holder, the Financial Manager must record the de-obligation, de-commitment, or adjustment(s) in the general ledger. No action, however, must be taken to modify, cancel, or amend a contract or travel order below any amount that is identified as due and owing a contractor, vendor, or traveler. It is the Funds Holder’s responsibility to identify such amounts upon notification by the Financial Manager that action will be taken. Additional research and verification are required to ensure the payments recorded are actually posted with clearing document numbers as an example prior to de-obligating funds.

B. The contracting officer and other stakeholders are responsible for exercising due diligence in ensuring that appropriate procedures are followed during the contract closeout and de-obligation process. Specifically, the contracting officer is responsible for ensuring compliance with appropriate contract close out policy and procedures set forth in FAR 4.804-4 and DFARS 204.804.

1. It is the responsibility of the contracting officer to send notification to the Financial Manager, Program Office, and Funds Holder denoting that a contract is complete and no further valid transactions will be forthcoming through the use of a DD Form 1594, Contract Completion Statement (DD 1594), or electronic equivalent as described in DFARS, PGI 204.804. The Funds Holder must reconcile the contract expenses and disbursements prior to the modification and/or the closeout DD 1594.
2. **Once the** contracts have been physically completed the contracting officer administering the contract must review the contract funds status and notify the Funds Holder of any funds excess to the needs of the contract that can be de-obligated prior to contract closeout. De-obligation will be done through the use of a contract modification. The Funds Holder must also collaborate with the contracting officer throughout the DAR-Q review periods for any dormant accounts identified through the DAR-Q process in a direct effort to mitigate and correct the dormancy through the use of a modification or to adequately attain reasonable assurance of future movement in Commitments Obligations Expenses Disbursement (COED). The contracting officer collaboration may include both the Administrative Contracting Officer (ACO) and the Procuring Contracting Officer (PCO). The ACO must notify the PCO of excess funds to get authorization to create a de-obligation modification for the remaining unutilized dormant funding.

3. For contracts that are canceled in full or in part, such as unilateral orders where the contractor does not accept the order or through agreement of the parties, the contracting officer will notify the Funds Holder and Financial Manager that remaining funds should be de-obligated.

4. In some instances, it is appropriate to reduce a recorded obligation for Firm Fixed Price contracts with escalation, price redetermination, or incentive provisions. This occurs when a determination is made by the contracting officer (and approved by the Fund Holder or a designee) that the anticipated amount of liability under the contract can be reduced and the amount of the recorded obligation should be decreased by the amount so determined and approved. Such action is employed after ensuring all circumstances have been taken into consideration, including available costs and production data or tentative offers from contractors and be accomplished through a modification to the contract.

5. When a contract or agreement is terminated in whole or in part for the convenience of the government by the giving of a “Notice of Termination” to the other party to the contract or agreement, the obligation recorded for the contract or agreement must be decreased to an amount that is sufficient to meet the settlement costs under the termination through a modification to the contract. The obligation must not be decreased below the amount estimated by the contracting officer, based on the best evidence available, as the amount due as a result of the termination. Communication between the contracting officer and the accounting office or resource manager is critical to avoid de-obligating below the actual value.

6. Where there is not a contract completion statement and the Financial Manager has identified dormant funds and that a final payment has been made they must provide the respective contracting officers with the contract number, notice of final payment and the remaining balance for each dormant contract with remaining funds of any amount. Such information must be provided in a manner that will allow the contracting officer to consent for de-obligation simply by annotating and returning the information to the Financial Manager for further processing without a contract modification. The Financial Manager must maintain a copy of the Funds Holder’s consent for audit purposes and in a manner consistent with applicable record keeping requirements.
C. For dormant travel obligations, for which travel did not occur, or the full obligated amount was not expended, the Financial Manager will de-obligate the funds based after documented efforts to contact the traveler is retained prior to the Authorizing Official (AO) or Funds Holder provides a written consent to de-obligate the remaining obligated balance. It is the responsibility of the AO to send notification to the Financial Manager, program office, and Funds Holder denoting no further valid transactions will be forthcoming. The AO should obtain and review the applicable travel vouchers, receipts, and correspondence between the traveler and the AO.

D. For dormant payroll (salaries, wages, and benefits) obligations, for which funds were not expended, or the full obligated amount was not expended, the Financial Manager will de-obligate the funds based on a written consent from the Funds Holder. It is the responsibility of the Funds Holder to send notification to the Financial Manager, program office, and Funds Holder denoting no further valid transactions will be forthcoming. The Funds Holder should obtain and review the applicable pay period calendar, Leave and Earnings Statements, payroll disbursements, support for journal vouchers, and correspondence between the program office, employees, and the Financial Manager.

E. For intragovernmental or interdepartmental obligations, including Military Standard Requisitioning and Issue Procedures requisitions through mandatory sources, for which funds were not expensed, or the full obligated amount was not expended, the Financial Manager will de-obligate the funds after receiving a new FS 7600B, DD 448-2 or a key source document must be obtained prior to an adjustment being made in the accounting system. Source documents must align to the business process, account for the adjustments being made and in cases of an intragovernmental/intergovernmental documents it must be signed by an authorized individual.
VOLUME 3, CHAPTER 9: “STATUS OF PRIOR YEAR MILITARY CONSTRUCTION ACCOUNTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated August 2008 is archived.

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CHAPTER 9

STATUS OF PRIOR YEAR CONSTRUCTION ACCOUNTS

0901  FUNDING REVIEW OF PRIOR YEAR PROGRAM EXECUTION

090101.  Purpose

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

090102.  Reporting Requirements

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

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

**MILITARY CONSTRUCTION FUNDING REVIEW**

**BUDGET ACTIVITY (SPECIFY) FISCAL YEAR**

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

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

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

3/ Enter the amount of authority required to complete the project. If the total of this column for a fiscal year program is negative those funds will be withdrawn unless a justification is provided why they should not be withdrawn. If the total of this column for a fiscal year is positive, an explanation should be provided why the additional funds are required.
Exhibit MC-4 Instructions

APPENDIX A

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

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

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

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

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

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

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

   f. Remarks (6) - In addition to impacts, etc., as described above, this column should include the status of the project stated as a percent of fiscal completion.
VOLUME 3, CHAPTER 10: “ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated March 2015 is archived.

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<td>Revision</td>
</tr>
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<td>Updated a definition to include more context; and removed duplicated definitions that are defined in the Glossary.</td>
<td>Revision</td>
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<tr>
<td>100303.A</td>
<td>Updated paragraph to provide more context in accordance with Title 31, United States Code, section 1552(a).</td>
<td>Revision</td>
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<td>100304.D.2</td>
<td>Deleted information that is not relevant to the purpose of this chapter.</td>
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<td>100314.B.3.a</td>
<td>Replaced the Financial Management Service Form 2108 reference with the Government-wide Treasury Account Symbol Adjusted Trial Balance System.</td>
<td>Revision</td>
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CHAPTER 10

ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS

1001 GENERAL

100101. Purpose

This chapter prescribes the accounting requirements, restrictions, and limitations for expired accounts and closed (cancelled) accounts. It addresses the fiscal year (FY) identity, periods of availability, obligation adjustments, and exceptions applicable to these accounts.

*100102. Authoritative Guidance

The following laws and regulations within this chapter contain the current requirements for the efficient and effective use of expired and closed accounts which includes the responsibilities and authority in applying these accounting requirements for the Department of Defense (DoD):

A. Title 10, United Stated Code, section 8683 (10 U.S.C. § 8683), “Ship overhaul work: availability of appropriations for unusual cost overruns and for changes in scope of work.”

B. 31 U.S.C. § 1108, “Preparation and submission of appropriations requests to the President.”


**1002 DEFINITION**

The definition provided in this section describes terminology associated with expired and closed/cancelled accounts.

*No-Year Accounts.* No-year authority usually remains in the unexpired phase until fully obligated and disbursed. When the purposes for which the authority was made available have been achieved, the account may be closed and the authority cancelled.

**1003 STANDARDS**

**100301. Accounts**

General ledger accounts and transactions required to record cancellations, account closure, and expired transactions are defined in the DoD Standard Chart of Accounts and in the DoD USSGL Transaction Library. These documents can be accessed on the Standard Financial Information Structure (SFIS) web page.

**100302. Expired Accounts**

A. Expired funds retain their FY identity for five years after the time an appropriation expires (see Chapter 13, subparagraph 130308.B). Expired funds are not available for new obligations. Both the obligated and unobligated balances of expired appropriations must be available for recording, adjusting, and liquidating obligations properly chargeable to that account.

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

100303. Closed/Cancelled Accounts

* A. On September 30 of the fifth FY after the period of availability for obligation of a fixed appropriation account ends, the account must be closed and any remaining balance (whether obligated or unobligated) in the account must be cancelled and thereafter is not available for obligation or expenditure for any purpose, unless exempt by a provision of an appropriation law. Collections authorized or required to be credited to an appropriation account, but not received before closing of the account must be deposited in the Treasury as miscellaneous receipts in accordance with 31 U.S.C. § 1552(a).

B. Certain appropriations are available for an indefinite period. Obligated and unobligated balances in such appropriations must be closed/cancelled when no disbursements have been made from the indefinite appropriation for two consecutive FYs and the President, the Secretary of Defense, or the Secretary’s designee determines the purposes for which the appropriation was made have been carried out in accordance with 31 U.S.C. § 1555.

C. In some instances, following closure/cancellation of an appropriation, it becomes necessary to adjust an obligation that otherwise would have been properly chargeable (both as to purpose and amount) to an appropriation before closure/cancellation. Should such an adjustment become necessary, the obligation must be charged to an appropriation currently available for the same purpose, subject to certain limitations discussed in subparagraph 100303.D. If an adjustment to an obligation otherwise properly chargeable to a closed/cancelled appropriation pursuant to 31 U.S.C. §§ 1551 – 1557 is required, and the related program or function has migrated from one DoD activity to another, the adjustment is chargeable to the current DoD activity to which the program has transferred. The current DoD activity is responsible for providing current year funds from an appropriation account available for the same purpose to satisfy the obligation.

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

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

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

3. One percent of the total original amount appropriated to the current appropriation being charged.
a. For annual accounts, the one percent limitation applies to the annual appropriation for the applicable account; not total budgetary resources (e.g., reimbursable authority).

b. For multi-year accounts, the one percent limitation applies to the total amount of the appropriation. For example, if a multi-year account enacted for FY 2019 through FY 2020 was $100 million, the one percent limitation in FY 2019 would be $1 million. At the end of FY 2019, if $650,000 had been used for payment of obligations of closed/cancelled accounts, the amount available to be used for such payments in FY 2020 would be $350,000 ($1 million minus $650,000).

c. For contract changes (as specified in paragraph 100304), charges made to currently available appropriations has no impact on the one percent limitation rule, i.e., the one percent (of the currently available appropriation) amount is not decreased by the charges made to current appropriations for contract changes.

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

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

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

3. Identify for closed/cancelled accounts all obligations and payments that were charged to currently available appropriations that otherwise would have been properly chargeable (both as to purpose and amount) to a closed/cancelled appropriation (as specified in subparagraph 100303.D).

4. Identify and maintain the amount that it is permissible to charge current appropriations for obligations and payments which otherwise would have been properly chargeable (both as to purpose and amount) to a closed/cancelled appropriation. This amount is determined by subtracting all subsequent obligations and payments made from the unexpended balance of the appropriation at the time it was closed/cancelled as indicated in subparagraph 100303.E.3.

F. Official accounting activities must maintain proper general ledger controls for valid unpaid obligations and receivables pertaining to closed/cancelled accounts. General ledger controls must be perpetuated until all obligations are paid and accounts receivable collected. (This will ensure that valid liabilities continue to be tracked until satisfied, even though the accounts are closed/cancelled.) In addition, official accounting activities must:

1. Ensure that the beginning, unpaid obligation balance of each closed/cancelled appropriation accurately reflects the official Treasury balance of the appropriation on the date of closure/cancellation.
2. Perform a one-time review of each closed/cancelled appropriation to ensure that the beginning accounts payable (obligations unpaid) balance of each closed/cancelled appropriation accurately reflects the balances on the Standard Form (SF) 133, “Report on Budget Execution and Budgetary Resources,” as of the date of closure/cancellation.

3. Ensure that an adequate audit trail is maintained for all corrections affecting closed/cancelled appropriations, including any offsetting corrections to current or expired appropriations. Records must be maintained in accordance with Volume 1, Chapter 9 that prescribes DoD policy on records retention in accordance with the National Archives and Records Administration (NARA) General Records Schedules.


A. A contract change is defined in 31 U.S.C. § 1553(c)(3) as a change to a contract under which a contractor is required to perform additional work. Such term does not include adjustments to pay claims or increases under an escalation clause. Paragraphs 100306 and 100307 contain procedures for requesting approval of obligation adjustments for contract changes in excess of $4 million.

B. Obligation adjustments, such as incentive or award fees and price inflation (escalation or economic price adjustments), are not considered contract changes for purposes of subparagraph 100304.A. To the extent otherwise appropriate, such amounts may be charged to applicable accounts that otherwise have expired for incurring new obligation but have not yet been closed/cancelled. Such charges or adjustments must be supported by comprehensive written documentation containing a statement that the charges do not require, involve, or result in additional work or changes in scope. This statement must explain the circumstances, contingencies, or management practices that necessitated the adjustment.

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

D. 10 U.S.C. § 8683 permits expired appropriations available to DoD to be used for new obligations of appropriations for certain ship overhaul, maintenance, and repair efforts. Those purposes are obligation of expired funds for unusual cost overruns incident to overhaul, maintenance and repair of vessels under commercial contract or by industrial-fund activity. There is a statutory congressional notification requirement for funding of unusual cost overrun obligational adjustments. Requests must be submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Deputy Comptroller (Program/Budget) (P/B). While expired appropriations may be used in certain instances for new obligations; those appropriations are not available for new obligation beyond the end of the fifth FY following their expiration.
100305. Shipbuilding and Conversion, Navy

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

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

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

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

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

100306. Obligation Adjustment for a Contract Change Greater Than $4 Million

An obligation adjustment for a contract change to an expired appropriation under which a contractor is required to perform additional work may be incurred only if that obligation adjustment has been approved by the Under Secretary of Defense (Comptroller) (USD(C)), as designee of the Secretary of Defense. The DoD Component must request approval for an obligation amount that would cause the total amount of charges in any FY for a single program, project, or activity to exceed $4 million and the account being used to fund the obligation is no longer available for new obligation.
A. If necessary, the applicable Component must submit requests for approval to OUSD(C), P/B.

B. The request for approval must include the following documentation:

1. The amount to be obligated.
2. The purpose for which the funds are to be obligated.
3. An explanation of the obligation adjustment including the reason for the adjustment and the contingencies or management practices that necessitated the adjustment.

C. Components must retain supporting documentation in accordance with Volume 1, Chapter 9 that prescribes DoD policy on records retention.

100307. Obligation Adjustment for a Contract Change Equal to or Greater than $25 Million

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

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

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

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

100308. Replacement Contracts

Expired funds also may be used to fund a replacement action (a replacement contract) under certain conditions. When a procurement action will result in a replacement contract, it may be funded from expired funds if all of the conditions in subparagraphs 100308.A-D are met. If all of these conditions cannot be met, current year funds must be used to fund the requested action.
A. The DoD Component has a continuing bona fide need for the goods or services involved.

B. The original contract was made in good faith.

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

1. Court order;

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

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

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

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

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

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

F. If a replacement action will result in an obligation equal to $25 million or greater, a notice of intention (as discussed in paragraph 100307) must be submitted to the appropriate congressional oversight committee at least 30 days in advance. After 30 days have elapsed following submission of the notice, the proposed obligation may be recorded unless one of the congressional oversight committees notifies the USD(C) of its disapproval.

100309. Obligation Adjustments or Payments from Current Appropriations for Closed/Cancelled Accounts

A. When making payments from a current appropriation account for obligations of a closed/cancelled account, DoD Components must submit a written request for a “subclass” account from Treasury through the Defense Finance and Accounting Service (DFAS), and include the purpose for the payment. Use these subclass accounts to record applicable payments with Treasury. These payments are reported monthly on each Component’s SF 224, “Statement of Transactions” (see Volume 6A, Chapter 3).
B. Record amounts for obligations that otherwise would have been properly chargeable to a closed/cancelled account (but are required to be charged to current accounts) only in the current account when payment is imminent during the current FY. Unless payment was made, do not report amounts for such obligations. If, at year-end, such amounts for obligations are known to be payable in the coming FY, that information must be footnoted on the year-end SF 224.

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

100310. Current Appropriations Used for Expired Appropriations with Insufficient Obligation Authority

If the appropriation’s period of availability has expired and the account has a negative unliquidated balance (insufficient funds), an obligation or adjustment of an obligation may be charged to a current appropriation that is authorized for the same purpose. However, if a subsequent review or investigation discloses that sufficient funds were available in the expired account, any charge made against the current account must be reversed. Charges against a current appropriation are prohibited if a sufficient balance exists in the expired account.

A. Charges to current year funds when sufficient obligation authority does not exist in expired appropriations may be made if all of the following conditions are met:

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

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

3. The obligation is not otherwise properly chargeable to any DoD current appropriation under the transitional provisions as noted in 31 U.S.C. § 1553(b)(1).

B. The amount charged to a current appropriation may not exceed an amount equal to one percent of the total appropriation for that account (see subparagraph 100303.D that applies to charges that can be made to a current account when the account that should have been charged has been closed/cancelled.)
100311. Collection Credits After an Account is Closed/Cancelled

A. It is inappropriate to write-off valid accounts receivables as a result of closure/cancellation of appropriations with negative unliquidated obligations. Maintain proprietary accounts until settled by the debtor or until the debt is closed in accordance with guidance in Volume 4, Chapter 3.

B. When collections that are authorized or required to be credited to an account are received after the closure/cancellation of an account, deposit those collections in Treasury as miscellaneous receipts (31 U.S.C. § 1552). Accounting entries are specified in the DoD USSGL Transaction Library that can be accessed on the SFIS web page. See Volume 4, Chapter 3 for receivable accounting policy.

100312. Exceptions to an Account’s Period of Availability for Adjusting and Liquidating Obligations

A. Requirements applicable to the closure/cancellation of appropriations apply to all appropriation accounts unless specifically exempted by statute. A provision of an appropriations act may exempt an appropriation from the provisions of the new requirements for the closing/cancelling of accounts and may fix the period the appropriation remains available for expenditure (31 U.S.C. § 1557). Additionally, an appropriations act applies only to the appropriation for a specific FY. In order for an appropriation to preclude application of the limitations on expenditure specified in new provisions of Title 31, the statute must:

1. Identify the appropriation account for which the availability for expenditure is to be extended;

2. Provide that the appropriation account must be available for recording, adjusting, and liquidating obligations properly chargeable to the account; and

3. Extend the availability for expenditure of the obligated balances.

B. The availability for expenditure of specific accounts may be changed only through specific legislation. Request this authority only when payment of old balances from unexpired funds (based on historical outlay data) regularly would exceed the one percent limitation or would severely impact the current program.

1. When the nature of a DoD Component’s program requires disbursements beyond the five-year period, the Component must submit proposed changes in appropriation language to OUSD(C), P/B. OUSD(C), P/B will submit the proposed changes to OMB for approval.

2. Absent specific authority, DoD Components may request re-appropriations of closed/cancelled balances through OUSD(C), P/B and defer payment until the appropriation is available. Treat the receipt of a re-appropriation as adding new budget authority.
100313. Antideficiency Act Violations

The DoD Components are required to investigate and report potential Antideficiency Act (ADA) violations when certain limitations are exceeded. An ADA violation can occur when an obligation is charged against a current account when the obligation otherwise would be properly chargeable (except as to amount) to an expired account, and insufficient resources exist to fund the obligation in the applicable expired account. ADA investigation and reporting policy is specified in Volume 14.

100314. Control, Reporting, and Certification Requirements

31 U.S.C. §§ 1554 and 1556, as amended, contain permanent audit, control, and reporting requirements pertaining to the liquidation of obligations.

A. Control Requirements

1. 31 U.S.C. § 1554(a) stipulates that any audit requirement, limitation on obligations, or reporting requirement applicable to an appropriation must continue to apply to that appropriation following expiration of the period of availability for new obligation of that appropriation. If an appropriation act contains a limitation on the obligation of funds for a program, project or activity, or other purpose; that limitation continues during the five-year period after the period of availability for new obligations expires. Additionally, the limitation continues after the appropriation has been closed/cancelled.

2. DoD Components must establish and test internal controls to ensure that an adequate review of obligated balances is performed to support the certification in accordance with OMB Circular A-123, Appendix A. Components are also responsible for retaining documents in accordance with Volume 1, Chapter 9.

3. Proper general ledger controls must be maintained for closed/cancelled valid unpaid obligations and accounts receivable in closed/cancelled accounts. Balances in unexpired accounts may be used to fund closed/cancelled obligations. Closed/cancelled obligations can be posted to unexpired accounts only when a disbursement will be paid during the current year.

B. Reporting and Certification Requirements

Under the provisions of 31 U.S.C. § 1554, the Secretary of Defense, or his designee, is required to submit a report to the President and the Secretary of the Treasury concerning the unliquidated obligations, unobligated balances, closed/cancelled balances, and adjustments made to appropriation accounts during the completed FY.

1. Due Date. This report is due not later than 15 days after the President submits his budget to Congress.
2. Distribution Requirements. A copy of the report must be submitted to the Speaker of the House of Representatives, the Committee on Appropriations, the Committee on Governmental Affairs, and other appropriate oversight and authorizing committees of the Senate (such as the Armed Services Committee).

3. Contents. 31 U.S.C. § 1554(b) requires that these reports contain:
   * a. An itemization of related appropriation accounts, identified by FY and the balances identified in each account. This itemization is reported through the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and the Central Accounting Reporting System year-end module.
   
   b. A descriptive list of each current and expired appropriation.

   c. Identification of payments made from each applicable appropriation account with respect to those amounts that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed/cancelled (31 U.S.C. § 1553). These payments are reported on the DoD Component’s SF 224.

   d. Separate identification of obligation adjustments made to each currently applicable appropriation account that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed. These balances are reported in GTAS.

   e. Identification of all balances closed/cancelled on September 30th of the fifth year following the expiration of an appropriation account’s availability for incurring new obligations (31 U.S.C. § 1552(a)). These balances are reported in GTAS.

   f. Identification of those appropriation accounts available for an indefinite period that have been closed because: No disbursements have been made from the account for a period of two consecutive years; and the President or the Secretary of Defense has determined that the purposes for which the appropriation was made have been carried out (31 U.S.C. § 1555).

   g. A certification by the DoD Components that the obligated balances in each DoD appropriation account reflect properly existing obligations; and that expenditures made from each account since the time of submission of the prior report were supported by a proper obligation of funds and otherwise were proper.

100315. Other Requirements

The following paragraphs specify detailed information about other review, accounting, and correction requirements regarding current, expired, and closed/cancelled accounts.
A. Apportionment Procedures. The SF 132, “Apportionment and Reapportionment Schedule,” must reflect the following footnote: “Up to one percent of the original amount of the appropriation ($xxx.xx), or the unobligated balance, whichever is less, may be used for the purpose of obligation adjustments and payments, which otherwise would have been properly chargeable (both to purpose and amount) to a closed/cancelled appropriation.” To the extent that supplemental appropriations are enacted, reapportionment of the initial “one percent” amount may be requested.

B. Unliquidated Obligations. DoD Components must review remaining unliquidated balances in expired accounts and de-obligate all amounts not supported by documentary evidence prior to closure/cancellation. Financial and program managers:

1. At each of the various levels of contract and program management retain the responsibility to ensure that all transactions are appropriately concluded. If services and materials remain undelivered at the time of expiration, they must be subsequently delivered or, where such deliveries cannot be made, action is taken to terminate contractual obligations and revert the funds to maintain integrity of the funds until such time as all outstanding obligations are liquidated or claims are cancelled or liquidated.

2. At all activities must actively review uncompleted contracts, uncollected accounts receivable, and uncollected travel or pay advances held at their level to ensure validity of such items.

C. Payments After Closure/Cancellation of Appropriations. Payment is prohibited for amounts that cite closed/cancelled appropriations until the disbursing office has obtained a currently available appropriation fund cite from the funding activity.

D. Unmatched Disbursements for Closed/Cancelled Accounts. When a disbursement is made properly before the closure/cancellation of the appropriation but is not identified and matched with the proper obligation until after the closure/cancellation of the appropriation, charge that disbursement to the closed/cancelled appropriation. Make appropriate corrections to accounting records and reports as necessary; and submit those reports to Treasury within six months of account closure. If an error is discovered in a closed/cancelled account for a disbursement made prior to the closure/cancellation of that account, see subparagraph 100315.J for correction of reporting errors.

E. Negative Unliquidated Obligations. Negative unliquidated obligation (NULO) balances generally occur in an account when valid disbursements are incorrectly matched with obligations and the disbursements exceed the obligations. Negative balances represent error conditions that must be researched and corrected as quickly as possible. See Chapter 11 for policy on NULOs.
F. **Line Item Detail.** The level of detail required to be maintained for expired accounts is the same as that required to be maintained for current accounts. The level of detail facilitates cost determinations and program assessment and evaluation. The detail provides visibility over expired accounts, an appropriate audit trail, and meets the objectives of the closing accounts legislation.

G. **Uncollectible Accounts Receivable.** A write-off of an uncollectible reimbursement receivable does not change total obligations within budgetary accounts. Such write-offs result in a reclassification to a direct program obligation of an obligation previously incurred. See the *DoD USSGL Transaction Library* for entries to account for uncollectible accounts receivable in closed/cancelled accounts.

H. **Closing/Cancelling an Account with a Negative Balance.** The existence of a negative balance does not preclude an account from being closed/cancelled. DoD Components must clear the negative balance and establish a receivable for the amount of the negative balance before the account can be closed.

1. Submit informational accounting reports (i.e., SF 133) for the applicable account until the negative balance is resolved. These informational reports must indicate that the account is closed/cancelled, show the amount of the negative balance at the time the account was closed/cancelled, and identify the current amount of the applicable receivable.

2. Liquidate a negative balance by receiving offsetting collections. Deposit collections of overpayments to Treasury as miscellaneous receipts. An account with a negative balance may indicate that an ADA violation has occurred. If an ADA violation is suspected, see Volume 14 for ADA investigation and reporting requirements.

I. **Accounting for Uncollectible Accounts Receivable in Closed/Cancelled Accounts.** Budgetary accounts corresponding to accounts receivable must be closed/cancelled when an account is closed/cancelled. Total obligations within budgetary accounts do not change when the budgetary accounts are closed/cancelled. The write-off of an uncollectible reimbursement receivable results in a reclassification of an obligation previously incurred under the reimbursable program to a direct program obligation.

1. For expected refunds, the status of obligation authority must be tracked is necessary to assure that cumulative payments do not exceed the original appropriation of the closed/cancelled account even though paid from a current account.

2. Reclassify proprietary accounts established for accounts receivable applicable to closed/cancelled accounts. Deposit the subsequent collections of such amounts for this account to Treasury as miscellaneous receipts.
3. If, after compliance with established collection procedures, it is determined that an account is uncollectible, write-off the account by charging a bad debt account. The write-off of an uncollectible account applicable to the reimbursable program results in a reclassification of obligations previously incurred under the reimbursable program to a direct program obligation.

J. Correction of Reporting Errors in Closed/Cancelled Accounts

1. Corrections may be requested for two categories of errors: (a) clerical errors such as misplaced decimals, transposed digits, or transcribing errors resulting in inadvertent cancellations of budget authority; and (b) errors made in classifying a payment made prior to the closing/cancellation of an account, but not discovered until after the account was closed/cancelled.

   a. For clerical errors, the request must include the appropriation account number, the reason for the restoration, and convincing evidence of the clerical error to justify the restoration required to make the correction. At a minimum, this includes the original accounting record from which the incorrect posting was made and a record showing the incorrect amount.

   b. For classification errors, Treasury accepts reporting to correctly classify payments previously reported to suspense/clearing accounts or to correct classification errors between current and closed/cancelled accounts.

2. Requests for corrections must be submitted by April 1 of the year after the account in question was closed/cancelled. The TFM Volume 1, Part 2, Chapter 2000 and the TFM Volume 1 Bulletins issued for FY-end processing identifies the address for submission and other contact information.

3. If a request for the correction of errors affects another DoD Component, coordinate the request with the affected Component and submit to: the DFAS Deputy Director for Accounting Operations, 8899 East 56th Street, Indianapolis, IN 46249. DFAS must submit requests to Treasury after completion of its review.

4. See Chapter 11 for policy on the research and correction of unmatched disbursements and NULO transactions, and the resulting adjustments to Treasury.
VOLUME 3, CHAPTER 11: “UNMATCHED DISBURSEMENTS, NEGATIVE UNLIQUIDATED OBLIGATIONS, AND IN-TRANSIT DISBURSEMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated November 2010 is archived.

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<td>110102</td>
<td>Added a new Authoritative Guidance paragraph.</td>
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<td>1102</td>
<td>Added an explanatory paragraph to this section and reformatted the definitions to the subparagraph level.</td>
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<td>110701</td>
<td>Modified the paragraph to improve clarity.</td>
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<td>All</td>
<td>Verified all references and updated where appropriate.</td>
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<td>All</td>
<td>Corrected acronym usage, hyperlinks, and format.</td>
<td>Revision</td>
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CHAPTER 11

UNMATCHED DISBURSEMENTS, NEGATIVE UNLIQUIDATED OBLIGATIONS, AND IN-TRANSIT DISBURSEMENTS

1101 GENERAL

110101. Purpose

This chapter prescribes the accounting standards and related management requirements necessary to establish and maintain financial control over disbursement, collection, and adjustment transactions affecting the fund balances with the United States Department of the Treasury (Treasury) and cash resources that are not part of the fund balance with Treasury. This chapter also prescribes the requirements for researching and correcting unmatched disbursements (UMDs), negative unliquidated obligations (NULOs), and in-transit disbursements.

*110102. Authoritative Guidance


1102 DEFINITIONS

* The definitions provided in this section describe terminology associated with UMDs, NULOs, and in-transit disbursements. Some of these definitions are expanded to provide information specifically for purposes of this chapter.

A. Chargeable Account. The appropriation (Department Regular Code, Period of Availability, and Appropriation Main Account) contained in the line of accounting cited on the obligation document that is the basis for a particular payment.

B. Closed/Canceled Account. An appropriation that has been closed in accordance with Title 31, United States Code, sections 1551 through 1557. (31 U.S.C. §§ 1551 – 1557). This term also includes an appropriation that otherwise would have been closed by §§ 1551 – 1557, but has not been closed by Treasury because the appropriation has a negative balance. When balances are canceled, the amounts are not available for obligation or expenditure for any purpose.

C. Currently Available Appropriation. An appropriation or fund against which new obligations may be incurred and recorded (as contrasted with an expired or closed appropriation against which new obligations may not be incurred).
D. **Disbursement.** The term “disbursement” is defined in the Glossary and disbursement policy is prescribed in Volume 5. For purposes of matching a disbursement to its proper obligation, the term disbursement as used in this chapter refers to the amount charged to a separate line of accounting. While a single payment may be charged to multiple lines of accounting, each amount charged to a separate line of accounting is treated as a separate disbursement and must be matched to its corresponding obligation. **Requirements** in this chapter are intended to ensure that a disbursement is matched to its applicable corresponding obligation in a timely manner.

E. **Disbursement Not Sent.** A disbursement transaction that has been reported to Treasury by a disbursing office, but has not yet been transmitted to the accounting office.

F. **Expired Account or Appropriation.** An appropriation or fund account in which the balance is no longer available for incurring new obligations, but is still available for recording, adjusting, and liquidating valid obligations. The account remains available for such purposes for five years after expiration.

G. **Fund Holder.** An individual holding an administrative subdivision of funds or an operating target, who is responsible for incurring obligations against the administrative subdivision or target and for managing the use of such funds.

H. **Funding Account.** The appropriation (Department Regular Code, Period of Availability, and Appropriation Main Account) contained in the line of accounting cited on the obligation document provided to fund a disbursement that otherwise would have been chargeable to a closed/canceled appropriation.

I. **In-transit Disbursement.** Disbursements that have been reported by a disbursing office, through a paying center, to Treasury and charged against the Department’s fund balances, but have not yet been received or processed by the applicable accounting office for recordation against the applicable corresponding obligation. This includes interservice, intraservice, and interfund disbursement transactions. This definition includes disbursements originating outside the Department.

J. **Negative in-transit Disbursements.** The exact opposite of in-transit disbursements. The accounting office has processed disbursements for recordation against the applicable corresponding obligation but the disbursing office has not reported the disbursements, through a paying center, to Treasury and charged against the Department’s fund balances.

K. **Negative Unobligated Balance.** An appropriation or fund in which the amount of obligations exceeds the amount of obligational authority. (In closed/canceled appropriations, the available obligational authority is equal to the unobligated balance.)

L. **Negative Unliquidated Obligation (NULO).** A disbursement transaction that has been matched to the cited detail obligation, but the total disbursement(s) exceeds the amount of that obligation.
M. Obligation. For purposes of matching a disbursement to its proper obligation, the term obligation refers to each separate obligation amount identified by a separate line of accounting. While a single order may be funded by multiple lines of accounting, each line of accounting represents a separate obligation amount to which the resulting disbursement must be matched. Obligations are defined as amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same or a future period. Such amounts include payments for which obligations previously have not been recorded, and adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations. The amount of obligations incurred is segregated into undelivered orders – paid, undelivered orders – unpaid, and delivered orders – unpaid. DoD requirements for incurring and recording obligations are prescribed in Chapter 8.

N. Overaged Disbursement (Unmatched, Negative Unliquidated, or In-Transit). A disbursement that is not matched to a corresponding obligation within the timeframes specified in section 1105 or 1114.

O. Prevalidation. A procedure that requires a proposed payment to be identified and matched to its applicable proper supporting obligation that has been recorded in the official accounting system and that the line(s) of accounting cited on the payment match the data recorded in the accounting system. Prevalidation is a control procedure used to prevent overpayments.

P. Undistributed Disbursement. The difference between the amount of disbursements reported by the Treasury finance network and the amount of disbursements recorded by the Department's disbursement and collection activities.

Q. Unexpended Balance. The sum of the unobligated balance and the unliquidated obligation balance of an appropriation.

R. Unliquidated Obligation Balance. The amount of obligations that have not been liquidated by payments (disbursements).

S. Unmatched Disbursement (UMD). A disbursement transaction that has been received and accepted by an accounting office, but has not been matched to the correct detail obligation. This includes transactions that have been rejected back to the paying office or central disbursement clearing organization by an accounting office.

T. Unobligated Balance. The difference between the total appropriation availability and the total obligations.
1103 MATCHING DISBURSEMENTS TO OBLIGATIONS

A disbursement must be matched to its corresponding, detail-level obligation and be recorded as promptly as current systems and business practices permit. The vast majority of obligations and disbursements are matched automatically via the Department’s various system interfaces. However, some obligations and disbursements are required to be manually matched, mainly due to non-automated processes or the rejection of transactions by automated systems. When a disbursement is recorded in the accounting system but not matched to an obligation, the disbursement must be recorded as a UMD. When a disbursement is recorded in the accounting system and is matched to an obligation, but the amount of the disbursement exceeds the amount on the recorded obligation, the amount of the disbursement in excess of the applicable obligation must be recorded as a NULO. After performing due research in accordance with section 1105, obligations must be established and recorded for all UMDs and NULOs no later than September 30 of the year that the cited appropriation is scheduled to be closed regardless of the date that the disbursement was made.

A. UMD and NULO Research Requirement. Research and correction actions must begin as soon as it is apparent that a disbursement transaction has resulted in a UMD or a NULO. The accounting office involved must immediately determine whether the disbursement is a valid charge to the fund holder, and whether a matching obligation transaction is recorded under a different or incorrect document number. If the disbursement is not a valid charge to the fund holder, the accounting office must reject the disbursement in accordance with paragraphs 111404.C.3 or 111405.D.3. If a matching obligation is recorded under an incorrect document number, the fund holder must immediately correct the document number, thus allowing for the proper matching of the disbursement to its corresponding, detail-level obligation. If an accounting adjustment affects a contract payment, contract reconciliation will be performed in accordance with Volume 10, Chapter 20. Other research requirements are specified in section 1107.

1. All UMDs and NULOs result from the following two basic processes:

   a. Collocated Disbursement. A “collocated” disbursement is created when the accounting office responsible for recording the disbursement in the accounting system and the disbursing/entitlement office responsible for certifying the disbursement are collocated.

   b. Noncollocated Disbursement. A noncollocated disbursement is created when the accounting office responsible for recording the disbursement in the accounting system and the disbursing/entitlement office making the disbursement are not collocated.

2. Timeframes are different for resolving collocated disbursements and noncollocated disbursements (see paragraph 110501). Research procedures for resolving UMDs and NULOs are delineated in section 1107.
B. Record an Obligation for Unresolved UMDs and NULOs. An appropriation manager and/or fund holder must be immediately notified of applicable UMDs or NULOs. In the event that research efforts fail to result in the correction and elimination of the condition, the appropriation manager or fund holder must be advised of the requirement to establish a matching obligation within the timeframes delineated in paragraph 110501. If the appropriation manager or fund holder fails to record an obligation, the accounting office must record an obligation for unresolved UMDs and NULOs in accordance with paragraphs 110501.A.3 or 110501B.4 as applicable.

C. Establish Obligations for UMDs and NULOs at the Transaction Level. Disbursements must be matched to their corresponding obligation at the detail transaction level. After performing due research in accordance with section 1105, obligations recorded for UMDs and NULOs must be recorded at the detail transaction level as follows:

1. An obligation in the amount of the disbursement must be recorded at the transaction level for UMDs.

2. An obligation adjustment in the amount of the disbursement in excess of the applicable obligation must be recorded at the transaction level for NULOs.

1104 OVERAGED UMDs/NULOs

110401. Current and Expired Accounts

A. Unobligated overaged NULOs and UMDs have the first claim to the unobligated balances in any of the current and expired accounts. New obligations, or new upward obligation adjustments, may be executed only when and to the extent that there is an unobligated balance remaining in an account after all overaged NULOs and UMDs have been obligated. Thus, no new obligations or obligation adjustments may be incurred in the account to the extent that unobligated balances in such accounts are zero, or overaged NULOs and UMDs (if they are obligated) when added to obligated balances, would exceed the availability in such accounts.

B. DoD Components may continue to research overaged NULOs and UMDs without the need to initiate an investigation of a potential Antideficiency Act (ADA) violation, except as provided for in subparagraphs 110401.C – E.

C. Should an account be obligated fully (but not overobligated) and have unresolved overaged NULOs and UMDs that, if obligated, would exceed the availability in an account, payments to vendors and others may continue, provided that the account is not in danger of being overdisbursed. However, in no case may disbursements exceed the unexpended balance of an account. Should the account become overdisbursed, payments from the account must stop immediately, and the DoD Component involved must report a potential ADA violation. The DoD Component also must initiate an investigation of the potential violation in accordance with Volume 14.
D. Should a new obligation or obligation adjustment be incurred in an account that has been obligated fully as a result of unresolved, overaged UMDs or NULOs, such an obligation must be recorded even though it will result in recorded obligations in excess of available resources. Additionally, the DoD Component involved must report a potential ADA violation and initiate an investigation of a potential violation in accordance with Volume 14.

E. This chapter must not be construed as authorizing a delay in (1) the recording of an executed obligation that would result in an overobligation or (2) the requirement to conduct an investigation of a potential ADA violation that results from any action other than the sole requirement to obligate amounts for UMDs and NULOs.

110402. Accounts Closed/Scheduled to Close at Fiscal Year-End

A. Obligations must be established by September 30 for all UMDs, NULOs and in-transit transactions in appropriations scheduled to close at the end of the current fiscal year.

B. If such obligations result in obligations in excess of available funds, the DoD Components are permitted six months from the scheduled date of closure of the account to resolve the negative balance.

C. If the account is not returned to a positive balance within six months of the scheduled date of closure of the appropriation, the DoD Component involved must report a potential ADA violation and initiate an investigation in accordance with Volume 14.

D. Each administrative subdivision of an appropriation carries with it the responsibility for any potential or actual ADA violation that might be incurred. A DoD Component has the right to modify the number or level of administrative subdivisions within an appropriation before the closure of an appropriation. However, once an appropriation closes, no further modification or change may be made in the number or level of administrative subdivisions. Further, the modification of number or level of subdivision does not override the requirements in Volume 6A, Chapter 4, sections 0405 and 0406 regarding the level of reporting on the Appropriation Status by Fiscal Year Program and Subaccounts (Accounting Report Monthly 1002) or control requirements in Chapter 10, subparagraph 100314.A.1.

E. A new cash disbursement, which would be chargeable (both as to purpose and amount) to an appropriation except that the appropriation is closed, must be paid from an appropriation that currently is available for the same purpose. However, a proposed payment may not exceed the:

1. Unexpended balance of the closed appropriation.

2. Unobligated balance of the currently available appropriation charged.

3. One percent limitation, discussed in subparagraph 110402.F.
F. The cumulative amount of payments charged to a currently available appropriation, because the original appropriation(s) that otherwise would have been charged has been closed, may not exceed one percent of the total amount appropriated to the currently available appropriation being charged. If it exceeds the one percent limit, the office funding the proposed payment (contract) must contact the Military Department Assistant Secretary for Financial Management and Comptroller (FM&C) or Defense Agency Comptroller for referral to the Under Secretary of Defense (Comptroller) (USD(C)) for appropriate disposition.

G. Corrections of payments involving closed appropriations must be processed as inter- and intra-appropriation adjustments. Such corrections generally do not require the obligation of currently available funds or deposits to the miscellaneous receipts account if the payment occurred before the closure of the applicable appropriation, or appropriations available for new obligation already have been charged properly.

H. Inter- and intra-appropriation adjustments to correct accounting records must not be accomplished by using a cash disbursement or cash collection.

I. A potential ADA violation must be reported and a preliminary investigation initiated if posting an adjustment to a current, expired or closed appropriation would result in either (1) a negative unobligated balance or (2) disbursements that are in excess of the amount appropriated, at either the appropriation level or a portion thereof that has been subdivided. See Volume 14 for ADA investigations and reporting requirements.

J. Perpetual balances of unobligated amounts and unliquidated amounts must be maintained for each closed appropriation. If the unobligated balance or unexpended balance in a closed appropriation is negative, a potential ADA violation has occurred and must be reported and investigated.

K. All disbursements and collections, or adjustments to disbursements and collections, involving current, expired, or closed appropriations, must be reported to Treasury. However, a correction in which both the debit and credit entry cite a closed appropriation is not reported to Treasury.

110403. Expenditure Controls

The DoD Components must work with accounting and disbursing offices to implement effective controls to prevent overexpenditures in accounts that may be in an over obrigated position or that have UMD or NULO balances that exceed the unobligated balance in the account. This action is necessary because normal controls for determining expenditure availability are based on the unexpended balance of the obligations.
1105 RESPONSIBILITIES FOR FUNDING OVERAGED UMDs AND NULOds

110501. Accounting Offices

A. When an accounting office has an obligation document that corresponds to a disbursement that has resulted in a UMD or NULO, but the obligation document has not been recorded, or not recorded for, or adjusted to, the proper amount, the accounting office must perform the following actions within the specified timeframes:

1. If the dollar amount is $2,500 or less, immediately record the obligation and notify the fund holder of the action taken.

2. If the dollar amount exceeds $2,500, immediately provide the fund holder with a copy of the obligating document or disbursing document (in the case of a duplicate or overpayment) and request that the fund holder record an obligation or obligation adjustment, within 10 calendar days of notice.

3. If the fund holder does not record the requested obligation, or obligation adjustment, within 10 calendar days of notice, record the obligation, or obligation adjustment, within the subsequent 10 calendar days. The accounting office must notify the fund holder of any action taken.

B. When an accounting office does not have an obligation document that corresponds to a collocated or noncollocated disbursement that has resulted in a UMD or NULO, the accounting office must:

1. Immediately inform the fund holder of the UMD or NULO and also research the cause of the UMD or NULO. The required supporting documentation should be readily available for collocated disbursements, since the entitlement and accounting functions are collocated. The required supporting documentation may not be readily available for noncollocated disbursements, since the entitlement and accounting functions are not collocated.

2. Conduct research as required in section 1107 and provide the results of the research to the fund holder within 30 days for collocated offices and within 60 days for noncollocated offices. The Director or designee must advise the fund holder of the type, extent, and results of the research performed. Supporting documentation accumulated in the performance of the research must be retained and made available to the fund holder upon request.

3. If supporting documentation shows that a valid obligation was incurred but not recorded, request that the fund holder record an obligation within 60 calendar days of notice. This request must be documented and include the documentation that supports the obligation. The 60 calendar days should provide the fund holder sufficient time to research commitment and obligation files, evaluate the research documents provided by the accounting
office, and/or request additional funding as required. Upon completion of the fund holder’s research, the fund holder must either initiate the obligation input into the accounting system or provide the obligating document to the accounting office for recordation. Therefore, collocated offices have a total of 90 days and noncollocated offices have a total of 120 days to research and resolve a UMD or NULO.

4. If the fund holder does not record the requested obligation or obligation adjustment within 60 calendar days of notice, or does not provide documentation to the accounting office to support the recording of an obligation or obligation adjustment by the accounting office, the accounting office must record an obligation or obligation adjustment within the subsequent 10 calendar days using the disbursement document as supporting documentation. The supporting documentation required at the time of disbursement is sufficient to support the recording of a matching obligation. See Volume 10, Chapter 8 for supporting documentation requirements, and Volume 5, Chapter 9 for payment certification requirements.

C. Within five work days of recording an obligation or obligation adjustment in accordance with the provisions of subparagraphs 110501.A – B, the accounting office must provide the fund holder with a record of all obligations or obligation adjustments recorded by the accounting office on its behalf; this record must be documented (systemically or manually) and must identify the input date, amount of the obligation, and the identification of the individual recording the obligation.

D. Obligation and obligation adjustment transactions must be recorded at the detail document/transaction level to ensure the proper matching of obligation and disbursement transactions and to properly affect unobligated balances.

E. If the accounting office or fund holder research determines that a charge to the fund holder is not valid, within five business days the accounting office must (1) reverse the charge made against the fund holder’s account and (2) if necessary, transfer accountability for the charge in accordance with contract reconciliation procedures delineated in Volume 10, Chapter 20.

F. When the accounting office records a valid obligation or obligation adjustment that was not previously recorded and that action indicates a potential ADA violation, the DoD Component must be notified immediately and the DoD Component must conduct a preliminary investigation of the potential ADA violation in accordance with Volume 14, Chapter 3.

G. When there is an indication of a potential duplicate payment or overpayment, the accounting office must promptly review all applicable payment files. If there is a duplicate payment or overpayment, the accounting office must record a refund receivable and initiate a recovery of funds action. Additionally, the accounting office must record a NULO, as applicable; and advise the fund holder that the NULO requires obligation within the timeframes specified in subparagraph 110501.A.
H. In accordance with Chapter 8, paragraph 081210, disbursement documents that support obligations that have not been recorded previously must be recorded at the obligation-paid stage of accounting with a corresponding decrease in the uncommitted/unobligated balance of the affected allotment.

I. In accounting for closed appropriations, accounting offices must:

1. Maintain the official accounting records for all corrections to the balances of closed appropriations and funds.

2. Establish appropriate controls over closed appropriations by initiating the following actions (minimum requirements):
   a. Submit all corrections to closed appropriations to the applicable centralized accounting center. All corrections to closed appropriations must be transmitted to the applicable accounting center for posting to the accounting center’s accounting records and/or approval to post to the accounting office’s accounting records. The accounting center’s accounting records must support the accounting records of the accounting office responsible for the administrative control of the closed appropriation.
   b. Develop and implement procedures to ensure that all transactions affecting closed appropriation unobligated and unliquidated balances are provided to the appropriate accounting center responsible for maintaining the unobligated and unliquidated obligation balances.

3. Adjust detailed records to reflect accounting corrections when detailed records are still being maintained for contract payment or other purposes. If an accounting adjustment affects a contract payment, contract reconciliation will be performed if required by and in accordance with Volume 10, Chapter 20.

4. Record corrections for UMDs, NULOs, and in-transit disbursement transactions for which research actions have been completed and correcting accounting transactions have been identified and submitted by a DoD Component:
   a. Record corrections received from DoD Components within five work days of receipt (except as provided for in subparagraph 110501.I.4.b). The recording of such corrections must not be delayed pending the completion of contract reconciliation or other related actions.
   b. Reject a proposed correction if the proposed correction is in error. (A proposed correction may not be rejected solely because a contract has not been reconciled fully or other actions have not been completed.)

J. In accounting for closed appropriations, accounting centers must:
1. Maintain the official Treasury records for all corrections to the balances of closed appropriations and funds. See section 1116 and Volume 1, Chapter 9 for DoD policy on record retention.

2. Ensure that the beginning, expended unpaid balance of each closed appropriation accurately reflects the official Treasury balance of the appropriation on the date of closure.

3. Perform a one-time review of each closed appropriation to ensure that the beginning accounts payable (obligations, unpaid) balance of each closed appropriation accurately reflects the balances on the Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources, as of the date of closure.

4. Ensure that an adequate audit trail is maintained for all corrections affecting closed appropriations, including any offsetting associated corrections to current or expired appropriations.

110502. Disbursing Offices

A. A disbursing officer (DO) must ensure supporting documentation is provided to the accounting office or fund holder upon request. Such supporting documentation must be provided no later than 30 calendar days after request. Supporting documentation may include a copy of the contract, payment voucher, receiving report, and vendor invoice. Such supporting information also may be obtained or provided via electronic data access. All disbursements must remain classified in the accounting system to the line of accounting in which originally reported until resolved. All invalid transactions recorded in suspense accounts F3875 and F3885 must be reclassified in the accounting system to the correct line of accounting or resolved and cleared from the suspense account. See section 1116 and Volume 1, Chapter 9 for DoD policy on record retention.

1. Transfer positive balances to Treasury miscellaneous receipt account in accordance with Volume 5, Chapter 8.

2. For negative balances, initiate action for a discontinued research approval as specified in section 1108 or a potential ADA violation in accordance with Volume 14 as appropriate.

B. A DO is responsible for recouping an overpayment in accordance with internal recovery procedures for refunds due from the public. Since the overpayment or a duplicate payment may have caused a UMD or NULO, the DO must assist, as required, in the research of UMDs and NULOs.

110503. Office of the Under Secretary of Defense (Comptroller)

The Office of the Under Secretary of Defense (Comptroller), Deputy Comptroller, Program/Budget (OUSD(C), P/B) must ensure the following actions are taken when (a) funds in
a particular Defense-wide account are allocated to a number of fund holders (limits) and (b) disbursements exceed obligations at the appropriation level, but not at a fund holder’s level:

A. The applicable DoD Component(s) reserves, commits, or obligates appropriate amounts against the fund holders’ accounts.

B. A report of a potential ADA violation is submitted to the USD(C), when applicable.

C. An investigation of a potential ADA violation is initiated, when warranted, in accordance with Volume 14.

D. Corrective actions are taken by the fund holder and the applicable accounting office, as appropriate. Corrections must be adequately supported and must identify the cause of the error.

110504. Fund Holders

OUSD(C), P/B, the Military Department Assistant Secretaries (FM&C), Comptrollers of the Defense Agencies and DoD Field Activities, and other DoD fund holders must:

A. Designate an appropriation manager to receive, process, and take action on notifications from accounting offices; and to take other appropriate action(s) regarding the stoppage of payments, the obligation of disbursement transactions within the prescribed timeframes, and other actions provided for in this chapter.

B. Obligate funds within the timeframes specified in paragraph 110501 after the receipt of an initial notification from the cognizant accounting office that a disbursement is unmatched or exceeds an obligation at the allotment/fund holder level. If sufficient unobligated balances are not available, an investigation of a potential ADA violation must be initiated, when warranted, in accordance with Volume 14.

C. Upon notification from the cognizant accounting office that a disbursement exceeds an obligation at the obligation level and the condition has not been corrected, provide the accounting office, as appropriate, either an obligation document, or a funding document together with an obligation document, to cover the amount of the unmatched disbursement or the disbursement that exceeds the obligation within the timeframes specified in paragraph 110501.

D. When sufficient availability does not exist in the appropriation (or other administrative subdivision of funds), request a realignment of funds within an account or between accounts, a reprogramming of funds, a deficiency supplemental, or other acceptable funding solution. Also, forward supplemental funding documents to the cognizant accounting office to cover any funding shortfalls.
E. Initiate a review, immediately, of the circumstances to determine whether an investigation of a potential ADA violation is warranted in accordance with Volume 14 and, as appropriate, notify the USD(C) of the following conditions:

1. A fund holder may not have sufficient unobligated balances available that equal, or exceed, the amount by which disbursements exceed obligations incurred;

2. A potential ADA violation may have occurred;

3. A report of violation is warranted in accordance with Volume 14 if the investigation reveals that an ADA violation has occurred; and

4. The cognizant accounting office corrected any error(s) determined to be the cause of the condition upon review or investigation.

F. Develop and implement standard procedures for determining the timeframes and procedures for record retention applicable to detail accounting transaction records for closed appropriations. These procedures must ensure that required balances of each appropriation are accurately maintained while minimizing the cost associated with maintaining large databases or record files of completed transactions for records which no longer are required.

G. In addition to the responsibilities addressed in paragraph 110504, the DoD fund holders must resolve UMDs and NULOs, upon notice, within the timeframes specified in paragraph 110501. The fund holder must:

1. Research each UMD and NULO to determine whether the disbursement cites a fund citation for which the fund holder is responsible, and if an obligation is, or is not, recorded.

   a. If the fund holder determines that the disbursement should be charged to another fund holder, the fund holder must inform the accounting office immediately.

   b. If the disbursement is erroneous or contains an incorrect fund citation, the fund holder must inform the accounting office immediately.

   c. If an obligation is recorded in the accounting system, but against an incorrect document number, the fund holder must correct the document number within five workdays and immediately advise the accounting office (thus allowing the accounting office to match the obligation transaction and the disbursement transaction).

   d. If an obligation has not been recorded in the accounting system, the fund holder must take the following steps:
(1). Use such material as may be provided by the accounting office (in accordance with section 1107) or obtained by the fund holder to facilitate the research.

(2). Obtain the required obligating document and record the obligation at the detail document level, thus allowing the accounting office to match the obligation transaction and the disbursement transaction.

(3). Provide a copy of the obligating document to the accounting office if required by the accounting office for supporting documentation.

2. Deobligate any invalid and/or unsupported obligations. Footnote the reasons for such deobligations on the applicable journal voucher or open document listing supporting the deobligation action in accordance with Chapter 8, section 0804.

3. Assist with the reconciliation of commitment and obligation information between the pay/contract/vendor system and the accounting system.

1106 PRIORITIES FOR RESEARCHING AND CORRECTING UMDs

The following three priority groups are established for researching and correcting all disbursement transactions that have not been properly matched to the correct obligation:

110601. First Priority

The first priority is appropriations or funds specifically requested by OUSD(C).

110602. Second Priority

The second priority is appropriations or funds in an overexpended or overobligated status, regardless of whether the appropriation is in a current, expired, or closed status. Also included in this category are other appropriations, funds or transactions that have caused or are anticipated to cause stop payment orders or create a negative balance condition within the next 60 days.

110603. Third Priority

The third priority is all other appropriations and funds, whether in a current, expired, or closed status.

110604. Secondary-Level Priorities

Within each of the three priority groups, appropriations or funds with the highest negative balance/amount of UMDs generally must be researched ahead of appropriations or funds with lower balances/amounts. Within each appropriation or fund, prioritize transactions and documents beginning with the highest dollar value and continue to work the transactions and documents within that appropriation.
A. Continue this priority until all applicable transactions in the appropriation or fund are researched and corrected and the account is restored to a positive balance, NULO balances are eliminated and/or UMDs are matched, as applicable.

B. Not all transactions in an account must be matched or resolved before beginning research efforts in another account.

1107 RESEARCH REQUIREMENTS FOR OVERAGED NULOs/UMDs

*110701. General Requirements

This section identifies the minimum research requirements for all overaged NULO and UMD transactions. It covers contracts, reimbursable orders, Military Interdepartmental Purchase Requests (MIPRs), travel orders, and Military Standard Requisitioning and Issue Procedures (MILSTRIP).

110702. Contracts

A. Accounting Office Actions

1. Select contract(s) for review based either on a large individual UMD transaction or NULO condition and/or large aggregate total UMD transactions or NULO conditions.

2. Obtain the accounting system transaction history maintained in the accounting office and the payment transaction history from the disbursing office, or the output of obligation and payment differences from an accounting system/payment system comparison program if there are numerous unmatched disbursements showing incompatibility with the funds or amounts on the contract.

3. Review the output of a comparison program of the accounting and payment systems, when available. This can substitute for transaction histories from either system, and will reveal obligation modifications recorded in one system but not the other, as well as potentially omitted modifications.

4. Review obligation transactions recorded in the accounting system to determine that all contract modifications have been recorded.

5. Follow up with the contracting office and contract administration office to verify that all modifications have been recorded, and request that any contract modification errors and omissions be corrected or recorded when a missing contract modification is suspected.

6. Determine the error condition of each UMD (e.g., wrong appropriation or insufficient funds) to guide further research.
7. For a UMD, make a system inquiry, or request the accounting system closed contract history if there is no contract on the active accounting system records. If the contract is in the closed history file, take action to reopen the contract and record the transaction.

8. Review unmatched transactions for indications of specific error conditions. Such conditions include omitted progress payment recoupments for a contract having progress payments, inappropriate appropriation data configurations, or duplicate submission of payment data.

9. Report corrections made to transactions for accounting system recording, (e.g., changes to the appropriation data configuration) to the disbursing office for correction of its records.

10. Reject those transactions that cannot be corrected back to the disbursing office for correction or recovery (e.g., the wrong accounting office or suspected overpayments). Perform the related required central reporting system actions.

11. Request selected voucher copies and supporting information when a centrally-administered contract is still open on the accounting activity’s payment records and reconciliation cannot be accomplished between the accounting system transaction history and payment system transaction history.

B. Disbursing Office Actions

1. When a request for information on payment transactions is made by an accounting office, search the files for payment vouchers and, if available, provide a copy to the requesting office. If the payment records and files cannot be found due to age or apparent loss, respond as promptly as possible regarding these facts.

2. Review contract payment files promptly and verify whether the reported reject reason is correct when a disbursement transaction is rejected back from an accounting office with evidence that it was misrouted or is a duplicate or overpayment. If the rejection is valid, initiate a correction or recovery of funds for the duplicate or overpayment and respond as to the action taken.

110703. Reimbursable Order/Military Interdepartmental Purchase Request

For reimbursable orders and MIPRs, the accounting office must:

A. Check the UMD for error reason codes, such as insufficient funds or unmatched document number.

B. Refer the transaction to the ordering office or ordering command fund manager for review, as indicated by the obligation document number.
C. Record the transaction when the ordering office or command validates the transaction and authorizes the obligation action.

D. When the ordering office gives intent to do further research to resolve costs billed, allow the ordering office from the date of disbursement up to the timeframes specified in paragraphs 110301 and 110501 to resolve and/or fund (obligate) the order/MIPR.

E. Refer the transaction to the disbursing office for additional information or correction when the ordering office cannot validate the transaction.

110704. Travel Orders

For travel orders, the accounting office (unless otherwise indicated) must:

A. Determine if a travel payment that results in a UMD transaction, identifies the traveler or is traceable to a separate travel system record.

B. Determine if the original obligation has been recorded in the accounting records when travel system records indicate closure of the travel order record with proper deduction of advances.

C. Record the amount of obligation (the initiating travel office) and record any UMDs (accounting office) when evidence shows that an obligation has not been recorded in the accounting system.

D. Request a copy of the travel settlement voucher from the disbursing office to support the transaction if travel system records do not indicate how a payment was used to liquidate a travel order record.

110705. Military Standard Requisitioning and Issue Procedures Requisitions

For MILSTRIP transactions, the accounting office must:

A. Review MILSTRIP transactions for discrepancy report and billing adjustment status. Submit billing adjustment requests, when required, in accordance with the Defense Logistics Management (DLM) 4000.25, Defense Logistics Management System (DLMS) Volume 4. Any billing adjustment request must be submitted within one year of the billing date (two years for Foreign Military Sales).

B. Submit a follow-up request if a billing adjustment request previously has been made.

C. Accept the Military Standard Billing System transaction if a billing adjustment has not been requested and the time period has expired in accordance with the DLM 4000.25, DLMS Volume 4, Chapters 3 and 4.
110706. Unidentified Document Numbers

For unidentified document numbers, the accounting office must:

A. Review the unmatched transaction for a disbursing office number and other data to ascertain the source of the obligation, e.g., the voucher number and code.

B. Refer the transaction to the disbursing office for verification and the furnishing of supporting documentation if there is a valid disbursing station number.

C. Refer the transaction to the applicable office or command if there is an indication of the source of the obligation, even though the transaction has no disbursing station number or the disbursing office cannot identify the transaction.

D. Record the transaction when the disbursing office or obligating office can identify a properly recorded obligation document.

E. Record an obligation transaction when the obligating office can identify the obligation document, but there is no current open obligation.

110707. Other Transactions

A. Accounting Office Actions

1. Review transactions to determine their purpose and nature; for example, supplemental payroll payment, express or other transportation services or hearing officer examination reporting services.

2. Request the disbursing office furnish missing documentation or any other material that would indicate the source of an obligation or basis for the payment when payment voucher support is missing or is incomplete.

3. Forward transactions to the funding office that have no matching accounting records but have an indication of an obligation, such as an order number. Include an explanation of the apparent nature and purpose of the expenditure; request research of the circumstances of the unrecorded obligation; and obtain support to show that the payment was not improper.

4. If there is no indication of an obligation, review the supporting documentation for any indication that the disbursement may have been incorrectly coded or other errors may have been made.

B. Funding Office Actions

1. Record a transaction when it can be matched to a prior unliquidated obligation.
2. If a transaction does not match, continue research efforts, including trying to identify erroneous document numbers.

**REQUEST TO DISCONTINUE UMD/NULO RESEARCH**

110801. *Research Decision*

UMDs and NULOs may continue to be researched (notwithstanding the obligation of funds in accordance with section 1105). For transactions of $2,500 or less, the decision to continue (or discontinue) research is at the discretion of the fund holder. For transactions over $2,500, the Military Department Assistant Secretaries (FM&C) or Defense Agency Comptroller, may require the fund holder to continue research action. If continued research is required of the fund holder, written approval to discontinue research must be obtained from the Military Department Assistant Secretaries (FM&C) or Defense Agency Comptroller for transactions over $2,500. However, once the required obligation or obligation adjustment has been recorded for a UMD or NULO, the Defense Finance and Accounting Service (DFAS) must discontinue reporting the UMD or NULO regardless of whether research efforts continue.

110802. *Minimum Criteria for Discontinuance*

The following conditions describe the minimum criteria required to request an approval to discontinue research:

A. There is no indication that an overpayment or a duplicate payment has been made and not fully collected.

B. For contracts closed by DFAS:

1. A preclosing payment review has been completed.

2. The UMD or NULO conditions that cannot be resolved will not exceed the contract total if recorded.

C. An erroneous document number that neither the disbursing office nor the indicated obligating office can furnish information or support the disbursement.

D. A travel order where an unmatched transaction contains insufficient information for research and cannot be traced due to age.

E. Requests to discontinue further research efforts may be forwarded when the research steps listed in section 1107 cannot be completed because of missing or insufficient documentation, and steps to request or obtain the missing documentation or clarification of the insufficient documentation were taken as specified but have not produced results, and further efforts do not appear to be cost-effective.
The following information must be submitted with each request to discontinue research:

1. A separate report listing the individual transactions for each appropriation by responsible accounting office.

2. A summary of research efforts and other steps taken to obtain missing documents or additional support for insufficient documentation. At a minimum, the summary report must include statements advising that the following actions were taken:
   a. When applicable, transaction histories of the respective accounting and payment systems were obtained, reviewed, and compared for omitted transactions and other differences.
   b. For omitted documents or noted differences, a request to obtain the documents or other clarifying evidence was made to the appropriate funding or contracting office for obligation documents and payment office for payment supporting documents.
   c. Information regarding the research accomplished, as reported by the office, that the request for documentation and supporting information could not be provided due to invalid document number references, lost or misfiled documents, or inadequate data for searching files.
   d. Sufficient actions were taken during the research efforts to provide reasonable assurance that no duplicate payments or other overpayments remain outstanding and no fraud has occurred involving the disbursement transactions for which research efforts are requested to be discontinued.

110803. Reporting Continued Research Efforts

After the research required by section 1107 is accomplished by the accounting office and the fund holder, and the researched UMDs and NULOs are properly resolved, and/or required obligations or obligation adjustments are recorded, further research or reporting of such UMDs or NULOs is not required. If a fund manager and/or the accounting office later identify the need for an additional adjustment or correction and provide the appropriate adjusting/correcting document, the appropriate adjustment/correction must be recorded.
1109 CORRECTION/POSTING DISBURSEMENTS – APPROPRIATED FUNDS

110901. General Requirements

This section provides general requirements for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise erroneously posted. The requirements are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements. The requirements in this section apply to disbursement transactions that have been or should have been charged to direct appropriations.

110902. Correction of Disbursement – Current/Expired Appropriation

This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is an appropriation that is in a current or expired status.

A. To properly record a disbursement in an appropriation that should have been charged, adjust the records of the current or expired appropriation by taking one of the following two actions as appropriate:

1. If a disbursement exceeds a prior obligation (e.g., created a NULO), an adjustment to the prior obligation is required. Therefore, increase the amount of obligation previously recorded to eliminate the NULO.

2. If a disbursement was made for which an obligation was not previously recorded, or otherwise has not been identified, an obligation is required. Therefore, record an obligation and match the disbursement to the obligation.

B. To correct the improper charge to a current or expired appropriation that was charged previously in error, adjust the records of the appropriation by taking one of the following two actions:

1. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remains unmatched, record a recoupment reversing the prior disbursement.

2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with paragraph 110905, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.
110903. Correction of Disbursement – Closed Appropriation (Before Closure)

This paragraph describes the corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is a closed appropriation and the disbursement occurred before closure of the correct chargeable appropriation.

A. To reflect the charge properly to the closed appropriation that should have been charged initially (before it was closed), process a memorandum charge to the closed appropriation.

1. Adjust the records of the closed appropriation to reflect the previous disbursement by taking one of the following two actions, as appropriate:

   a. If the correct detail obligation was recorded in the closed appropriation (prior to the closure of the appropriation), match the prior charge (disbursement) to the appropriate prior obligation in the closed appropriation and reduce the unliquidated balance of the closed appropriation. (There should be no change in the unobligated balance of the closed appropriation.)

   b. If the correct detail obligation was not recorded in the closed appropriation (prior to the closure of the appropriation) or otherwise has not been identified, make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation. (There should be no change in the unliquidated obligation balance of the closed appropriation.)

2. If the adjustment (required by subparagraphs 110903.A.1.a or b) would exceed the unexpended balance or unobligated balance of the closed appropriation, or any administrative subdivision thereof; or if upon reducing the unobligated balance in accordance with subparagraph 110903A.1.b, the unobligated balance is exceeded at the ADA level of responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

B. To reverse the erroneous charge: If the disbursement was erroneously charged to an appropriation that is now current or expired, perform the actions addressed in subparagraph 110903.B.1. If the disbursement was erroneously charged to an appropriation that is now closed, perform the actions addressed in subparagraph 110903.B.2.

1. To correct an improper charge to a current or expired appropriation that previously was charged in error, adjust the records of the current or expired appropriation by taking one of the following two actions, as appropriate:

   a. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.
b. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with paragraph 110905, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

2. To correct an improper charge to a closed appropriation that previously was charged in error, process a memorandum recoupment reversing the erroneous charge to the closed appropriation. Adjust the records of the closed appropriation to reflect the recoupment by taking one of the following two actions as appropriate:

a. If the recoupment applies to a disbursement that either was matched erroneously to the wrong obligation or remained unmatched (prior to the closure of the appropriation), record a memorandum recoupment to offset the disbursement and record an upward adjustment to increase the unliquidated obligation balance of the closed appropriation.

b. If the recoupment applies to a UMD, NULO, or in-transit disbursement for which the unobligated balance of the closed appropriation was reduced in accordance with paragraph 110905, record the memorandum recoupment as an offset to the previous decrease in the unobligated balance and record an upward adjustment to increase the unobligated balance of the closed appropriation.

110904. Correction of Disbursement – Closed Appropriation (After Closure)

This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is a closed appropriation and the disbursement occurred after closure of the correct chargeable appropriation.

A. Availability of Funds at Time of Original Disbursement. Disbursements occurring after the closure of an appropriation must be funded from a current appropriation available for the same purpose as the appropriation that is closed. This current appropriation is referred to in this chapter as the funding appropriation. The funding appropriation must be, or must have been available for incurring new obligations at the time of the disbursement.

1. When corrections involve disbursements that occurred after the closure of the correct appropriation, ensure that a correction is made to the funding appropriation in addition to the closed appropriation.

2. For example: To correct a disbursement that was charged erroneously to an appropriation that was expired at the time of the disbursement and should have been charged to an appropriation that was closed at the time of the disbursement, reduce the balance of the correct closed appropriation, and charge the funding appropriation that was current at the time of the disbursement.
B. **Charge the Correct Funding Account.** To correct the funding appropriation that was current at the time of the original disbursement and available for the same purpose as the closed appropriation (that otherwise would have been charged except that it was closed), adjust the records of the funding appropriation by taking the following action:

1. Establish an obligation in the funding appropriation and record the disbursement against the obligation.

2. If the adjustment exceeds either the unexpended balance or the unobligated balance of the funding appropriation, or any administrative subdivision thereof, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

C. **Memorandum Charge to the Closed Account.** To reflect the charge properly to the closed appropriation that should have been charged initially except that it was closed, process a memorandum charge to the closed appropriation.

1. Adjust the records of the closed appropriation by taking one of the following two actions, as appropriate:

   a. If the correct detail obligation was recorded in the closed appropriation (prior to the closure of the appropriation), match the prior charge (disbursement) to the appropriate prior obligation in the closed appropriation and reduce the unliquidated balance of the closed appropriation. (There should be no change in the unobligated balance of the closed appropriation.)

   b. If the correct detail obligation was not recorded in the closed appropriation (before the closure of the appropriation), or otherwise has not been identified, make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation. (There should be no change in the unliquidated obligation balance of the closed appropriation.)

2. If the adjustment would exceed the unexpended balance or the unobligated balance of the closed appropriation, or any administrative subdivision thereof, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

D. **Reverse the Erroneous Charge.** If the disbursement was erroneously charged to an appropriation that is now current or expired, take the actions addressed in subparagraph 110904.D.1 to reverse the erroneous charge. If the disbursement was erroneously charged to an appropriation that is now closed, take the actions addressed in subparagraph 110904.D.2 to reverse the erroneous charge.

   1. To correct an improper charge to the current or expired appropriation that previously was charged in error, adjust the records of the current or expired appropriation by taking one of the following two actions:
a. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

b. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with paragraph 110905, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

2. To correct the improper charge to a closed appropriation that was previously charged in error, process a recoupment reversing the erroneous charge to the closed appropriation. Adjust the records of the closed appropriation by taking one of the following two actions, as appropriate:

a. If the recoupment applies to a disbursement that either was matched erroneously to the wrong obligation or remained unmatched in the accounting records (prior to the closure of the appropriation), record a memorandum recoupment offsetting the disbursement and increase the unliquidated obligation balance of the closed appropriation.

b. If the recoupment applies to a UMD, NULO, or in-transit disbursement for which the unobligated balance of the closed appropriation was reduced in accordance with paragraph 110905, record the memorandum recoupment as an offset to the previous decrease in the unobligated balance and increase the unobligated balance of the closed appropriation.

110905. Posting Requirements – Unidentified Obligation

This paragraph describes the posting requirements when the correct obligation has not been identified within the specified timeframes (paragraphs 110301, 110501, 111401.B, 111404, and 111405). As stated in section 1104, obligations are to be established/adjusted, and/or unobligated balances reduced, as appropriate, for disbursements that have not been matched to the correct obligation.

A. Transactions in Closed Accounts

1. Unmatched Disbursements

a. Charge the closed appropriation in which the UMD resides by reducing the unobligated balance. Unobligated balances may be reduced either at the detail (individual) transaction or summary level.

(1) If the summary method is used, the summary memorandum unobligated balance adjustments must be substantiated by detail transaction listings of each UMD making up the summary amount.
(2) If posted at the detail-level, record a memorandum unobligated balance adjustment in the accounting records for each UMD being cleared.

b. Increase the unliquidated obligation balance of the closed appropriation by memorandum entry.

c. If, upon reducing the unobligated balance, the unobligated balance is exceeded at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

2. Negative Unliquidated Obligations

a. Charge the closed appropriation in which the NULO resides by reducing the unobligated balance. Unobligated balances may be reduced either at the detail (individual) transaction or summary level.

(1) If the summary method is used, the summary memorandum unobligated balance adjustments must be substantiated by detail transaction listings of each NULO making up the summary amount.

(2) If posted at the detail-level, record a memorandum unobligated balance adjustment in the accounting records for each NULO being cleared.

b. Increase the unliquidated obligation balance of the closed appropriation by memorandum entry.

c. If, upon reducing the unobligated balance, the unobligated balance is exceeded at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

3. In-Transit Disbursements

a. The unobligated balance of the cited closed appropriation must be reduced for overaged in-transit disbursements. Overaged in-transit disbursements must be charged in the same manner as unmatched disbursements as provided for in subparagraph 110905A.1.

b. If a disbursement transaction identifies a specific fund holder, that fund holder must provide the supporting accounting office with a memorandum obligation document. If the funds holder did not hold funds for the fiscal year charged, or a fund holder was not identified in the transaction record, the appropriation manager must designate a specific fund holder to take those actions required in subparagraph 110905A.1.
B. Transactions in Current and Expired Accounts

1. Unmatched Disbursements

   a. Charge the current or expired appropriation in which the UMD(s) resides by establishing a formal obligation for the UMD(s) in the appropriation. The impact should be a reduction of the unobligated balance. Obligations may be posted either at the detail (individual) transaction or summary level.

      (1) If the summary obligation method is used, such summary obligation amounts must be substantiated by detail transaction listings of each UMD making up the summary amount.

      (2) If posted at the document level, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

   b. Increase the unliquidated obligation balance of the current or expired appropriation.

   c. If, upon recording the obligation, the obligated balance exceeds the funds available, at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

2. Negative Unliquidated Obligations

   a. Charge the current or expired appropriation in which the NULO resides by establishing a formal obligation adjustment for the NULO in the appropriation. The impact should be a reduction of the unobligated balance. Obligations may be posted either at the detail (individual) transaction or summary level.

      (1) If the summary obligation method is used, such summary obligation amounts must be substantiated by detail transaction listings of each NULO making up the summary amount.

      (2) If posted at the document level, increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.

   b. Increase the unliquidated obligation balance of the current or expired appropriation.

   c. If, upon recording the obligation adjustment, the obligated balance exceeds the funds available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.
3. In-Transit Disbursements

   a. Obligations must be established by September 30 for all in-transit disbursement transactions in appropriations scheduled to close at the end of the current fiscal year. Obligations for unresolved in-transit disbursement transactions must be recorded in the same manner as UMDs as provided for in subparagraph 110905A.1.

   b. If a disbursement transaction identifies a specific funds holder, that fund holder must provide the supporting accounting office with an obligation document. If the fund holder did not hold funds for the fiscal year charged, or if a fund holder was not identified in the transaction record, the appropriation manager must designate a specific fund holder to take those actions required in subparagraph 110905A.1 and 2.

C. Continue Research Efforts. The requirement to establish obligations for unresolved overaged UMDs, NULOs, and in-transit disbursements may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is required of the fund holder, research efforts must be continued until approval to discontinue research is obtained in accordance with section 1108.

110906. Posting Requirements – Discontinued Research Approved

   This paragraph describes posting requirements when required research is unsuccessful and discontinuance of further research is approved. The requirements addressed in paragraphs 110906.A – B must be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved in accordance with section 1108.

   A. Approval Before the Expiration of the Specified Timeframes. If approval to discontinue further research occurs before the expiration of the timeframes specified in paragraphs 110301, 110501, 111401.B, 111404, and 111405; and amounts have not been obligated in accordance with the provisions of those paragraphs; obligations must be established in accordance with the provisions of those paragraphs for valid obligations incurred during the period of availability.

   B. Approval After the Expiration of the Specified Timeframes. If approval to discontinue further research occurs after the expiration of the timeframes specified in paragraphs 110301, 110501, 111401.B, 111404, and 111405; and amounts have been obligated in accordance with the provisions of those paragraphs, no further obligation action is required.
1110  CORRECTION/POSTING DISBURSEMENTS – WORKING CAPITAL FUNDS

111001. General Requirements

Corrections and postings of disbursements in the Working Capital Funds (WCF) may require adjustments to both disbursements and expenses. This section cites general procedures for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise erroneously posted. The procedures are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements.

111002. Posting Requirements – Identified Obligation

This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified.

A. To record a disbursement properly against an activity that should have been charged, adjust the records of the applicable activity by making one of the budgetary account adjustments as well as one of the propriety account adjustments. These adjustments are addressed in paragraphs 111002.A.1 and 2:

1. Budgetary Account Adjustments
   a. If a disbursement exceeds a prior obligation (i.e., created a NULO), an adjustment to the prior obligation is required. Therefore, increase the obligation previously recorded.
   b. If a disbursement was made for which an obligation was not recorded previously, or otherwise has not been identified, an obligation is required. Therefore, record an obligation and match the disbursement to the obligation.

2. Proprietary Account Adjustments
   a. If it has been demonstrated that the correct proprietary account was charged previously in the correct amount, no further proprietary account adjustment is required.
   b. If the disbursement occurred in the current fiscal year, and the correct proprietary account and adjustment(s) amount is known, make the required proprietary account adjustment(s).
   c. If the disbursement occurred in a prior fiscal year, and a real property or depreciable property proprietary asset account should be adjusted to charge the correct proprietary account properly in the correct amount, make the required proprietary account adjustment(s).
d. If the provisions of subparagraphs 111002.A.2.a – c are not applicable, charge the “extraordinary loss” proprietary account in an amount that is equal to the amount of the obligation or obligation adjustment provided for in subparagraphs 111002.A.1.a or b, as applicable. This extraordinary loss should be recorded in the fiscal year that is current at the time that the obligation or obligation adjustment addressed in subparagraphs 111002.A.1.a or b is made, irrespective of when the disbursement occurred.

B. To correct the improper charge that was charged previously in error, adjust the records of the applicable activity by making one of the budgetary account adjustments addressed in subparagraph 111002.B.1 and one of the proprietary account adjustments addressed in subparagraph 111002.B.2:

1. Budget Account Adjustments

   a. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

   b. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with paragraph 111003, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

2. Proprietary Account Adjustments

   a. If it has been demonstrated that the correct proprietary account was charged previously in the correct amount, no further proprietary account adjustment(s) is required.

   b. If the disbursement occurred in the current fiscal year, and the correct proprietary account and adjustment amount is known, make the required proprietary account adjustment(s).

   c. If the disbursement occurred in a prior fiscal year, and a real property or depreciable property proprietary asset account was charged (but should not have been charged and now should be adjusted to relieve the incorrect charge), make the required proprietary account adjustment(s).

   d. If the provisions of subparagraphs 111002.B.2.a – c are not applicable, record an “extraordinary gain” in the proprietary account in an amount that is equal to the amount of the obligation/obligation adjustment provided for in subparagraphs 111002.B.1.a or b, as applicable. This extraordinary gain should be recorded in the fiscal year that is current at the time that the obligation/obligation adjustment is made as addressed in subparagraphs 111002.B.1.a or b, irrespective of when the disbursement occurred.
111003. Posting Requirements – Unidentified Obligation

This paragraph describes posting requirements when the correct obligation has not been identified within the timeframes specified in paragraphs 110301, 110501, 111401.B, 111404, and 111405. Obligations or adjustments to obligations, as well as expenses, are to be established for disbursements that have not been matched to the correct obligation. These obligations or obligation adjustments and expenses are to be processed and recorded consistent with the requirements provided for in subparagraphs 111003.A.1 – 3.

A. Budget Account Adjustment

1. Unmatched Disbursements

   a. UMDs must be obligated and expensed against the WCF activity where the UMD resides. (If a UMD has not been identified to a specific activity, it must be so assigned.)

   b. Charge the activity in which the UMD resides by establishing a formal obligation. Obligations may be posted either at the detail (individual) transaction or summary level.

   (1) If the summary obligation method is used, the summary obligation amounts must be substantiated by detail transaction listings of each UMD making up the summary amount.

   (2) If posted at the document level, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

   c. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

   d. Record an extraordinary loss in the proprietary accounts in an amount equal to the amount of the UMD. This extraordinary loss should be recorded in the fiscal year that is current at the time that the obligation is made as addressed in subparagraph 111003.A.1, irrespective of when the disbursement occurred.

2. Negative Unliquidated Obligations

   a. NULOs must be obligated and expensed against the WCF activity where the NULOs reside.

   b. Charge the activity in which the NULO resides by establishing a formal obligation adjustment. Obligations may be posted either at the detail (individual) transaction or summary level.
(1) If the summary obligation method is used, the summary obligation amounts must be fully substantiated by detail transaction listings of each NULO making up the summary amount.

(2) If posted at the document level, increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.

c. If, upon recording the obligation adjustment, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

d. Record an extraordinary loss in the proprietary accounts in an amount equal to the amount of the NULO. This extraordinary loss should be recorded in the fiscal year that is current at the time that the adjustment is made as addressed in subparagraph 111003.A.2.b, irrespective of when the disbursement occurred.

3. In-Transit Disbursements

a. In-transit disbursements must be obligated and expensed against the WCF activity in which the transaction resides. If an activity is not identified in the transaction record, the DoD Component involved must designate a specific activity.

b. In-transit disbursements must be charged in the same manner as UMDs. Charge the activity in which the in-transit disbursements resides by establishing a formal obligation.

c. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

d. Record an extraordinary loss in the proprietary accounts in an amount equal to the amount of the in-transit disbursement. This extraordinary loss should be recorded in the fiscal year that is current at the time that the obligation is made as addressed in subparagraph 111003.A.3.b, irrespective of when the disbursement occurred.

B. Proprietary Account Adjustments. Record an extraordinary gain in the proprietary account in an amount that is equal to the amount of the obligation or obligation adjustment provided for in subparagraphs 111003.A.1 – 3, as applicable. This extraordinary gain should be recorded in the fiscal year that is current at the time that the obligation or obligation adjustment is made as addressed in subparagraphs 111003.A.1 – 3, irrespective of when the disbursement occurred.
C. **Continue Research Efforts.** The requirement to obligate and expense UMD, NULOs, and in-transit disbursements that remain unmatched at the end of the timeframes specified in paragraphs 110301, 110501, 111401.B, 111404 and 111405 may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is required of the fund holder, then research efforts must be continued until approval to discontinue research is obtained in accordance with the requirements in section 1108.

111004. **Posting Requirements – Discontinued Research Approved**

This paragraph describes posting requirements when required research is unsuccessful and discontinuance of further research is approved. The requirements addressed in paragraphs 111004.A and B must be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved in accordance with section 1108.

A. **Approval Before the Expiration of the Specified Timeframes.** If approval to discontinue further research occurs before the expiration of the timeframes specified in paragraphs 110301, 110501, 111401.B, 111404, and 111405 and amounts have not been obligated and expensed in accordance with the provisions of those paragraphs, obligations and expenses must be established in accordance with the provisions of those paragraphs.

B. **Approval After the Expiration of the Specified Timeframes.** If approval to discontinue further research occurs after the expiration of the timeframes specified in paragraphs 110301, 110501, 111401.B, 111404, and 111405, and amounts have been obligated and expensed in accordance with the provisions of those paragraphs, no further obligation or expense action is required.

1111 **CORRECTION/POSTING DISBURSEMENTS – FOREIGN MILITARY SALES TRUST FUND**

111101. **General Requirements**

Corrections and postings of disbursements in the Foreign Military Sales (FMS) Trust Fund may require adjustments both to disbursements and charges to FMS cases or FMS surcharge accounts. This section cites general procedures for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise posted erroneously. The requirements are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements.
111102. Special Notification Requirements

A. If the accounting office has not been able to resolve the transactions within the timeframes specified in paragraphs 110301 and 110501 after discovery of the UMD or NULO condition, the transactions must be forwarded to the fund holder for resolution. For FMS, both the Defense Security Cooperation Agency (DSCA) and the fund holder must be involved in the resolution. Notify the fund holder that he or she must fund the transaction if the transaction is not properly matched within the specified timeframes. If required, prepare a draft case modification for DSCA countersignature.

B. Due to FMS case management requirements, disbursements and disbursement adjustments involving FMS funds must be coordinated with DFAS. DFAS will establish notification and approval procedures.

111103. Posting Requirements – Identified Obligation

This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified.

A. To record a disbursement properly that previously was charged erroneously, adjust the records of the FMS case or FMS surcharge account that should have been charged by taking one of the following two actions:

1. If a disbursement exceeds a prior obligation (i.e., created a NULO), an adjustment to the prior obligation is required. Therefore, increase the obligation previously recorded and match the disbursement to the adjusted obligation.

2. If a disbursement was made for which an obligation was not recorded previously, correction action must be taken in order to record the obligation or obligation adjustment to match the disbursement.

3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

B. To correct an improper charge that was previously erroneously charged, adjust the records of the applicable FMS case or FMS surcharge account charged in error by taking one of the following two actions:

1. If a recoupment applies to a disbursement that was matched erroneously to an obligation, record a recoupment reversing the prior disbursement.

2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with paragraph 111104, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.
111104. Posting Requirements – Unidentified Obligation

This paragraph describes posting requirements when the correct obligation has not been identified within the timeframes specified in paragraphs 110301, 110501, 111401.B, 111404, and 111405. Obligations or obligation adjustments must be established for disbursements that have not been matched to the correct obligation and processed and recorded consistent with the procedures provided for in subparagraphs 111104.A – D.

A. Unmatched Disbursements

1. UMDs must be obligated against the FMS case or FMS surcharge account where the UMD resides. (If a UMD has not been identified to a specific FMS case or FMS surcharge account, it must be assigned to the FMS administrative surcharge account.)

2. Charge the FMS case or FMS surcharge account in which the unmatched disbursement resides by establishing a formal obligation. Obligations may be posted either at the detail (individual) transaction or summary level.

   a. If the summary obligation method is used, the summary obligation amounts must be substantiated by detail transaction listings of each UMD making up the summary amount.

   b. If posted at the document level, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

B. Negative Unliquidated Obligations

1. NULOs must be obligated against the FMS case or FMS surcharge account where the NULOs reside.

2. Charge the FMS case or FMS surcharge account in which the NULO resides by establishing a formal obligation adjustment. Obligations may be posted either at the detail (individual) transaction or summary level.

   a. If the summary obligation method is used, the summary obligation amounts must be substantiated by detail transaction listings of each NULO making up the summary amount.

   b. If posted at the document level, increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.
3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

C. In-Transit Disbursements

1. In-transit disbursements must be obligated against the FMS case or FMS surcharge account in which the transaction resides. If an FMS case or FMS surcharge account is not identified in the transaction record, it must be assigned to the FMS administrative surcharge account.

2. In-transit disbursements must be charged in the same manner as UMDs. Charge the FMS case or FMS surcharge account in which the in-transit disbursements resides by establishing a formal obligation.

3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

D. Continue Research Efforts. The requirement to obligate and expense UMD, NULOs, and disbursements in-transit that remain unmatched at the end of the specified timeframes specified may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is required of the fund holder, research efforts must be continued until approval to discontinue research is obtained in accordance with the procedures in section 1108.

111105. Posting Requirements – Discontinued Research Approved

This paragraph describes posting requirements when required research is unsuccessful and discontinuance of further research is approved. The requirements addressed in paragraphs 111105.A and B must be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved in accordance with section 1108.

A. Approval Before the Expiration of the Specified Timeframes. If approval to discontinue further research occurs before the expiration of the timeframes discussed in paragraph 111104 and amounts have not been obligated and expensed in accordance with the provisions of that paragraph, obligations must be established in accordance with these provisions.

B. Approval After the Expiration of the Specified Timeframes. If approval to discontinue further research occurs after the expiration of the timeframes discussed in paragraph 111104 and amounts have been obligated and expensed in accordance with the provisions of that paragraph, no further obligation or expense action is required.
1112 CORRECTIONS OF DISBURSEMENTS – MULTIPLE FUND TYPES

When correcting disbursement transactions that were erroneously charged to one fund type (e.g., appropriated fund) that should have been charged to another fund type (e.g., WCF or trust fund), apply the requirements for each fund type involved. For example, for a disbursement that was charged erroneously to an appropriated fund that should have been charged to a WCF, the recoupment to the appropriated fund should be processed in accordance with the applicable recoupment paragraph in section 1109, while the charge to the WCF should be processed in accordance with the applicable paragraph in section 1110.

1113 CORRECTIONS REQUIRING NEW DISBURSEMENTS OR COLLECTIONS

111301. General Requirements

When the correction requires a new disbursement or collection, process the corrective action in accordance with sections, 1109, 1110, 1111, or 1112, as applicable. Additionally, process the new disbursement or collection in accordance with the provisions of paragraph 111302, if the disbursement or collection does not involve a closed appropriation. Process the transaction in accordance paragraph 111303, if the disbursement or collection involves a closed appropriation.

111302. Current/Expired Appropriation or Working Capital/Trust Fund

For disbursements or collections that are chargeable to a current or expired appropriation, WCF, or trust fund:

A. Disbursement. When a new cash disbursement involves a current or expired appropriation, WCF, or trust fund and a closed appropriation is not involved, process and record the disbursement in accordance with existing requirements for new disbursements for such accounts.

B. Collection. When a new cash collection involves a current or expired appropriation, WCF, or trust fund and a closed account is not involved, process and record the collection in accordance with existing requirements for collections for such accounts.

111303. Closed Appropriation

For disbursements or collections that are properly chargeable to a closed appropriation (except that the appropriation is closed):

A. Disbursement. When a new disbursement involves an amount that otherwise is properly chargeable to a closed appropriation except that the appropriation is closed, comply with the provisions of the closing accounts legislation (summarized in subparagraphs 110402.E – F).
1. Record and report the charge as a new obligation and a disbursement in a currently available appropriation that is available for the same purpose as the closed appropriation. If the obligation causes the cumulative one percent limit (identified in subparagraph 110402.F) to be exceeded, no disbursement can be made. The office funding the proposed payment (contract) must contact the cognizant Military Department Assistant Secretary (FM&C) or the Defense Agency Comptroller for referral to OUSD(C) for appropriate disposition.

2. Adjust the records of the closed appropriation to reflect the new disbursement by taking one of the following two actions, as appropriate:

   a. Reduce the unliquidated balance of the closed appropriation if the correct detail obligation was recorded in the closed appropriation prior to the closure of the appropriation. (There should be no change in the unobligated balance of the closed appropriation.) Match the current charge (disbursement) to the appropriate prior obligation in the closed appropriation.

   b. Make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation if the correct detail obligation was not recorded in the closed appropriation prior to the closure of the appropriation. (There should be no change in the unliquidated obligation balance of the closed appropriation.)

3. The disbursement must not be issued if the adjustment required by subparagraphs 111303.A.2.a or b, would exceed the unexpended balance of the closed appropriation, or if reducing the unobligated balance in accordance with the provisions of subparagraph 111303.A.2.b, would result in a negative unobligated balance at the appropriation level.

4. If the disbursement is made, a potential ADA violation must be reported and a preliminary investigation initiated if the adjustments required by subparagraphs 111303.A.2.a or b (a) would not exceed the unexpended balance or the unobligated balance at the appropriation level, but (b) would exceed the unexpended balance or the unobligated balance of an administrative subdivision of the appropriation that has ADA violation responsibility.

B. Collection. When a new cash refund or other collection involves an amount that otherwise would be refunded or collected to a closed appropriation except that the appropriation is closed, comply with the provisions of the closing accounts legislation.

   1. Deposit the collection to the Treasury miscellaneous receipt account.

   2. Increase the unobligated or unliquidated balance of the closed appropriation, as appropriate, to reflect each refund or collection deposited into the Treasury account. Adjust the records of the closed appropriation to reflect the new refund or collection by taking one of the following two actions, as appropriate:
a. If the collection applies to an accounts receivable that had been established prior to the closure of the appropriation, record a memorandum collection offsetting the receivable and increase the unobligated balance of the closed appropriation.

b. If the collection applies to a disbursement that was not established as an account receivable prior to the closure of the appropriation, record a memorandum collection as an offset to the previous disbursement and increase the unliquidated obligation balance of the appropriation.

### 1114 PROCESSING IN-TRANSIT DISBURSEMENTS

#### 111401. General Requirements

This paragraph addresses all in-transit disbursement transactions including interfund transactions and disbursements originating outside the Department.

A. All disbursements must be recorded and matched to their corresponding obligation records as promptly as current systems and business practices permit. Nevertheless, at any given time, a percentage of the Department’s disbursements may be in-transit from the disbursing office or entitlement activity to the applicable accounting office. Disbursements are considered in-transit disbursements when they have been reported by the disbursing office, through a paying center to Treasury and charged against the Department’s fund balances but:

1. Have not yet been received by the applicable accounting office;

2. Have been received by the applicable accounting office but not yet entered into the accounting office’s database; or

3. It has been determined that there is insufficient information to process.

B. The following timeframes are applicable for processing and obligating in-transit disbursement transactions:

1. In-transit disbursements must be processed and resolved in accordance with paragraphs 111404 – 111406.

2. Obligations must be established and recorded for all unresolved in-transit disbursement transactions no later than September 30 of the year that the cited appropriation is scheduled to be closed, regardless of the age of the transaction.

3. In-transit disbursement transactions that cite closed accounts must be processed in accordance with paragraphs 111404 – 111406. However, obligations for all such in-transit disbursements must be established and recorded no later than September 30 each year (notwithstanding the applicability of the requirements in subparagraph 111401.B.1).
C. In-transit disbursements must be properly certified. A thorough certification process helps to reduce disbursements with invalid accounting lines and, thus, should result in fewer unresolved in-transit disbursements. Additionally, certification requirements should help to prevent erroneous payments. Responsibilities for obligating and reporting erroneous payments are delineated in Volume 5, Chapter 6.

D. Reject procedures described in paragraphs 111404 and 111405 apply to all transactions except the following:

1. Transactions originating outside the DoD.

2. Transactions amounting to $2,500 or less. However, all transactions related to travel advances and settlements, pay entitlements, and FMS must be rejected in accordance with paragraphs 111404 and 111405.

3. Suspected fraudulent transactions must be reported immediately to the Defense Criminal Investigative Service.

111402. Reasons In-Transits Occur

A. In-transit disbursements generally occur when a disbursing office or entitlement activity and the applicable accounting office are not geographically collocated and do not share the same accounting record database. As a result, the disbursing office or entitlement activity must transmit disbursement transactions and supporting information to the appropriate accounting office. Supporting information may be electronic or hardcopy.

B. An unresolved in-transit disbursement occurs when a disbursement is not matched to the correct obligation because either: (1) it cannot be or has not been routed to the correct accounting office, or (2) the accounting office does not have sufficient information to allow it to attempt to process the in-transit disbursement.

C. Once the applicable accounting office has received, and has sufficient information to allow it to attempt to match the disbursement with an existing obligation in its database, the disbursement is no longer considered to be an in-transit disbursement. Rather, the disbursement is treated as a matched disbursement, a UMD (when an obligation record is not found), or a NULO (when an obligation record exists but the disbursement amount exceeds the amount of the recorded obligation). When UMDs and NULOs result, manual intervention must be taken to research, obligate, and record the disbursement in accordance with sections 1104 through 1107.

D. An unresolved in-transit disbursement falls within one of two basic categories: (1) within-center disbursement, or (2) cross-disbursement.
1. **Within-center Disbursement.** A within-center in-transit disbursement is created when a disbursing office makes a payment for an accounting office that reports to the same DFAS Center as the disbursing office, but the accounting office and the disbursing office do not share the same database.

2. **Cross-Disbursement.** A cross-disbursement is created when a disbursing office makes a payment for an accounting office that reports to a DFAS center other than the center to which the disbursing office reports. A cross-disbursement also is created when a non-DoD federal agency (such as the Department of State) makes a payment charged to a DoD account.

E. Depending on the type of in-transit disbursement (within-center disbursement or cross-disbursement), one or more of the following may be involved in processing an in-transit disbursement transaction: An entitlement activity, a disbursing office, a paying center, an accounting center, and an accounting office. The primary responsibilities of these activities for in-transit disbursements are:

1. **Entitlement Activity.** An entitlement activity is responsible for certifying the validity of payments on behalf of one or more DoD Components; and consequently, is responsible for obtaining, maintaining, and providing sufficient supporting documentation for such payments. In the case of centralized disbursing, supporting documentation remains with the entitlement activity rather than the disbursing office.

2. **Disbursing Office.** A disbursing officer (DO) is responsible for disbursing and collecting funds on behalf of one or more DoD Components as well as obtaining, maintaining, and providing sufficient supporting documentation for such transactions. In the case of centralized disbursing, documentation functions may take place at an entitlement activity rather than at a disbursing office. Disbursing offices also are responsible for reporting disbursements and collections to a paying center using a unique four-digit disbursing station symbol number (DSSN) assigned by Treasury.

3. **Paying Center.** A paying center is responsible for consolidating disbursements and collections transmitted by DOs that report to the center, and for reporting the DOs’ returns by assigned DSSNs to Treasury. For within-center disbursements, the paying center also is the accounting center and maintains the status of funds for the appropriations cited on the disbursement transactions.

4. **Accounting Center.** An accounting center is responsible for receiving and processing status of funds reports from accounting offices that support DoD Component fund holders. For cross-disbursements, an accounting center may distribute in-transit disbursements received from paying centers to accounting offices and monitor the status of disbursement recordation. For within-center disbursements, the accounting center also acts as a paying center.
5. **Accounting Office.** An accounting office is responsible for maintaining accounting records of assigned fund holders. All accounting offices are assigned a six-digit **Agency Accounting Identifier Code** (fiscal station number, authorization accounting activity, or accounting and disbursing station number). All disbursement transactions eventually must be distributed to an accounting office, recorded against a valid obligation, and reported on status of funds reports. All accounting offices within the Department report through the DFAS Centers at Cleveland, Columbus or Indianapolis.

F. Accounting and disbursing activities are responsible for monitoring in-transit disbursement activity and ensuring compliance with established in-transit policies. Specifically, accounting and disbursing activities must monitor and provide oversight to ensure that in-transit disbursements are processed and obligated in a timely manner consistent with approved policies.

111403. **Required Documentation**

A. The applicable disbursing office or entitlement activity must use either electronic or hard copy-based processes to provide detailed supporting documentation (supplemental information) to the applicable paying center, accounting center, or accounting office. If adequate detailed accounting data is transmitted electronically, **it is not necessary to forward** paper copies unless specifically requested for a particular transaction.

B. The applicable disbursing office or entitlement activity must ensure that each in-transit disbursement transaction is supported by documentation that identifies the disbursing office and/or entitlement activity, cycle number, voucher number, appropriation/fiscal year, limitation or subhead, amount, accounting office code, obligation document number, and other information that identifies the obligation, as applicable.

1. An in-transit disbursement must be rejected to the disbursing office (or applicable center) **immediately** if the documentation/information in support of the in-transit disbursement:

   a. Identifies a departmental code or basic symbol of a Component not serviced by the applicable center.

   b. Identifies funds (e.g., an allotment serial number) not serviced by the accounting office.

   c. Reveals that an in-transit disbursement is fraudulent. (Additionally, the Defense Criminal Investigative Service must be notified immediately.)

2. Requests for additional documentation/information must be made when one or more of the following conditions exist:

   a. Detailed data (electronic or otherwise) is illegible or garbled, out-of-balance, or lacks sufficient detail to process.
b. Hard copy or electronically transmitted detailed data contains an invalid accounting citation.

c. The transaction amount on the automated cross-disbursement register does not agree with the amount on the voucher and/or supporting documentation.

d. The amount of summary charges reported to Treasury does not equal the detail reported by the paying offices.

3. Generally, requests for additional supporting documentation must be made to enable the proper matching of obligations and disbursements and must be limited to the requirements delineated in subparagraph 111403.B.

4. Requests for supporting documentation/information must be dated and made in writing (or other documented form of communication).

5. Disbursing offices or entitlement activities and accounting offices must communicate with and transmit supporting documentation directly to each other to minimize in-transit disbursement resolution and processing time.

111404. Processing and Obligating Within-Center

Generally, a within-center in-transit disbursement transaction involves: (1) a disbursing office or entitlement activity, (2) an accounting center, and (3) an accounting office. Accounting centers monitor disbursement activity transmitted by disbursing offices and recorded by applicable accounting offices. Disbursing offices or entitlement activities and accounting offices may communicate with and transmit data and supporting documentation (or supplemental information for electronic transmittals) directly to each other to minimize in-transit disbursement processing time. When other research means have been exhausted and additional documentation is requested by an accounting center or accounting office, the disbursing office or entitlement activity must transmit the requested documentation directly to the requesting activity to shorten resolution and processing time.

A. Disbursing Office or Entitlement Activity. In the performance of its duties as it pertains to processing within-center in-transit disbursements, a disbursing office or entitlement activity may: (1) suspend transactions submitted for payment, (2) transmit disbursements to its accounting center (also acting as a paying center), (3) process requests for supporting documentation received from an accounting center (or accounting office), or (4) research and resolve rejected disbursements.
1. **Suspend Disbursements.** A disbursing office or entitlement activity must suspend processing a transaction submitted for payment pending receipt of sufficient supporting documentation, to include evidence of a preexisting obligation against the designated funds, and an authorized acceptance of the material or services received. The disbursing office or entitlement activity must follow requirements for prevalidation of the proposed disbursement to verify that an existing obligation is recorded for the designated funds.

2. **Transmit Disbursements.** A disbursing office or entitlement activity must process and transmit disbursement transactions on a weekly basis and on a daily basis where feasible. Transmission must include sufficient supporting documentation (hardcopy or electronic) to its accounting center (or accounting office). When the disbursing office or entitlement activity transmits the disbursement to its accounting center (or accounting office), the disbursement is in an in-transit status.

3. **Process Requests.** Within 30 days of a request from an accounting center or accounting office for additional supporting documentation, a disbursing office or entitlement activity must provide the requested documentation to the requesting activity. Generally, requests for additional supporting documentation are intended to enable the proper matching of obligations and disbursements and should be limited to the requirements delineated in subparagraph 111403.B. Disbursing offices or entitlement activities and accounting offices must communicate directly with and transmit data and supporting documentation directly to each other to minimize in-transit processing time.

4. **Research and Resolve Rejects.** A reject occurs when a transaction is returned to a disbursing office or entitlement activity for additional information.

B. **Accounting Center.** In the performance of its duties as it pertains to processing within-center in-transit disbursements, an accounting center may: (1) transmit disbursements to an accounting office, (2) request documentation from a disbursing office or entitlement activity, or (3) process rejects.

1. **Transmit Disbursements.** If the process for within-center disbursement involves the accounting center in distributing disbursement transactions, an accounting center must transmit the disbursement transaction to the applicable accounting office within 30 days of disbursement.

2. **Request Documentation.** Within 30 days of the date of disbursement of an in-transit transaction by a disbursing office or entitlement activity, an accounting center must ensure that supporting documentation (electronic or otherwise) has been transmitted by the disbursing office or entitlement activity to either the accounting center or directly to the accounting office, whichever is applicable. If the accounting center determines that supporting documentation has not been transmitted, the accounting center immediately must request that the disbursing office or entitlement activity submit the supporting documentation within 30 days.
3. **Reject Transactions.** If sufficient supporting documentation is not obtained within 30 days of request or a total of 60 days after disbursement, or the accounting office submits a valid reject, the accounting center immediately must reject the disbursement to the DO, as applicable.

C. **Accounting Office.** In the performance of its duties as it pertains to processing and obligating within-center in-transit disbursements, an accounting office may: (1) process disbursement transactions, (2) request documentation from a disbursing office or entitlement activity, or (3) reject disbursement transactions.

   1. **Process Transactions.** Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement, the applicable accounting office must review the transaction to ensure that there is sufficient information to determine its accountability for the transaction and take action in accordance with subparagraphs 111404.C.1.a – c.

      a. If an accounting office cannot establish its accountability for the disbursement, the disbursement must be rejected back to the accounting center in accordance with subparagraph 111404.C.3.

      b. If an accounting office determines that there is sufficient information to properly record a disbursement, the accounting office must match the disbursement with its corresponding obligation and record the disbursement. However, the following conditions may occur:

         (1) If the applicable obligation is not in the accounting database, the disbursement must be recorded as a UMD. The UMD must be resolved in accordance with sections 1104 through 1107.

         (2) If the applicable obligation is in the accounting database, but the amount of the disbursement exceeds the amount of the recorded obligation, the disbursement must be recorded as a NULO. The NULO must be resolved in accordance with sections 1104 through 1107.

      c. If the accounting office determines that there is not sufficient supporting documentation to allow the disbursement to be matched to an obligation, the accounting office must request supporting documentation in accordance with subparagraph 111404.C.2.
2. **Request Documentation.** Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction from the accounting center (or the DO or entitlement activity), an accounting office must review the transaction to ensure that there is sufficient information for the applicable accounting office to determine its accountability for the disbursement transaction. If the accounting office determines that it is accountable for the transaction but that there is not sufficient information to properly record that transaction, the accounting office must immediately request that the disbursing office or entitlement activity research the disbursement transaction and provide the requested documentation to the accounting office within 30 days of the request.

   a. Immediately upon receipt (electronic or otherwise) of supporting documentation from a disbursing office or entitlement activity, the applicable accounting office must attempt to match the disbursement with its corresponding obligation and record the disbursement.

   b. If supporting documentation is not received within 30 days of request, the accounting office must reject the in-transit disbursement in accordance with subparagraph 111404.C.3. However, transactions $2,500 or less must be recorded as a UMD (as required by paragraph 111401.D) and researched in accordance with paragraph 110501.

3. **Reject Disbursement Transactions.** Upon making a determination that accountability for a disbursement transaction belongs to another accounting office, or that supporting documentation will not be received, an accounting office must immediately reject the disbursement transaction to its accounting center or the responsible DO, whichever is applicable.

111405. **Processing Cross-Disbursed In-transit Disbursements**

   Generally, a cross-disbursed in-transit disbursement transaction involves: (1) a disbursing office or entitlement activity, (2) a paying center, (3) an accounting center, and (4) an accounting office. Although paying and accounting centers monitor disbursement activity transmitted by entitlement activities and recorded by applicable accounting offices, disbursing offices or entitlement activities and accounting offices must communicate with and transmit supporting documentation (or supplemental information for electronic transmittals) directly to each other to minimize in-transit disbursement processing time.

   A. **Disbursing Office or Entitlement Activity.** In the performance of its duties as it pertains to processing cross-disbursed in-transit disbursements, a disbursing office or entitlement activity may: (1) suspend disbursements submitted for payment, (2) transmit disbursements to its paying center, or (3) process requests for supporting documentation.

   1. **Suspend Disbursements.** A disbursing office or entitlement activity may suspend processing a transaction submitted for payment pending receipt of sufficient supporting documentation, to include evidence of a preexisting obligation against the designated funds, and an authorized acceptance of the material or services received. The disbursing office or entitlement activity must follow requirements for prevalidation of the proposed disbursement to verify that an existing obligation is recorded for the designated funds.
2. Transmit Disbursements. A disbursing office or entitlement activity must process and transmit disbursement transactions on a weekly basis and on a daily basis where feasible. The transmission must include sufficient supporting documentation (hardcopy or electronic), to its paying center. When the disbursing office or entitlement activity transmits the disbursement to its paying center, the disbursement transaction is in an in-transit status.

3. Process Requests. Within 30 days of a request from an accounting center or accounting office for additional supporting documentation, a disbursing office or entitlement activity must provide the requested documentation to the requesting activity. Generally, requests for additional supporting documentation are intended to enable the proper matching of obligations and disbursements and should be limited to the requirements delineated in subparagraph 111403.B. Disbursing offices or entitlement activities and accounting offices must communicate directly with and transmit data and supporting documentation directly to each other to minimize in-transit processing time.

B. Paying Center. In the performance of its duties as it pertains to processing cross-disbursed in-transit disbursements, a paying center may transmit disbursements to an accounting center or request documentation from a disbursing office or entitlement activity.

1. Transmit Disbursements. Within 30 days of disbursement, and daily where feasible, a paying center must transmit disbursement transactions, with sufficient supporting documentation (electronic or otherwise), to the applicable accounting center.

2. Request Documentation. Within 30 days of disbursement, a paying center must ensure that supporting documentation has been transmitted by the disbursing office or entitlement activity to either the paying center or directly to the accounting office, as applicable. If the paying center determines that there is not sufficient documentation, the paying center immediately must request that the disbursing office or entitlement activity submit the supporting documentation within 30 days.

C. Accounting Center. In the performance of its duties as it pertains to processing cross-disbursed in-transit disbursements, an accounting center may transmit disbursements to an accounting office or request documentation from a disbursing office or entitlement activity.

1. Transmit Disbursements. Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction from a paying center, an accounting center must review the transaction to ensure that there is sufficient information to identify the accounting office. If the accounting center determines that there is sufficient information, the accounting center must immediately transmit the disbursement transaction to the applicable accounting office.
2. **Request Documentation.** Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction from a paying center, an accounting center must review the transaction to ensure that there is sufficient information to identify the accounting office. If the accounting center determines that there is not sufficient information, the accounting center must immediately request that the applicable disbursing office or entitlement activity research the disbursement transaction and provide the requested documentation to the accounting center or accounting office within 30 days of the request.

D. **Accounting Office.** In the performance of its duties as it pertains to processing cross-disbursed in-transit disbursements, an accounting office may: (1) process disbursement transactions, (2) request documentation from an accounting center or disbursing office or entitlement activity, or (3) reject disbursement transactions.

1. **Process Transactions.** Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction, an accounting office must review the transaction to ensure that there is sufficient information for the applicable accounting office to determine its accountability for the disbursement transaction and take action in accordance with subparagraphs 111405.D.1.a – c.

   a. If an accounting office cannot establish its accountability for the disbursement, the in-transit disbursement must immediately be rejected back to the accounting center in accordance with subparagraph 111405.D.3.

   b. If an accounting office determines that there is sufficient information to properly record a disbursement, the accounting office must match the disbursement with its corresponding obligation and record the disbursement. However, the following conditions may occur:

      (1) If the applicable obligation is not in the accounting database, the disbursement must be recorded as a UMD. The UMD must be resolved in accordance with sections 1104 through 1107.

      (2) If the applicable obligation is in the accounting database, but the amount of the disbursement exceeds the amount of the recorded obligation, the disbursement must be recorded as a NULO. The NULO must be resolved in accordance with sections 1104 through 1107.

   c. If the accounting office determines that there is not sufficient supporting documentation to allow the disbursement to be matched to an obligation, the accounting office must request supporting documentation in accordance with subparagraph 111405.D.2.
2. **Request Documentation.** Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction, the accounting office must review the transaction to ensure that there is sufficient information for it to determine its accountability for the disbursement transaction. If the accounting office determines that it is accountable for the transaction but that there is not sufficient information to properly record the transaction, it must immediately request that the disbursing office or entitlement activity research the disbursement transaction and provide the required documentation to the accounting office within 30 days of the request.

   a. Immediately upon receipt (electronic or otherwise) of sufficient documentation from the disbursing office or entitlement activity, the applicable accounting office must attempt to match the disbursement with its corresponding obligation and record the disbursement.

   b. If supporting documentation is not received within 30 days of request, the accounting office must reject the in-transit disbursement in accordance with subparagraph 111405.D.3. However, transactions $2,500 or less must be recorded as a UMD (as required by subparagraph 111401.D) and researched in accordance with paragraph 110501.

3. **Reject Disbursement Transactions.** Upon making a determination that accountability for a disbursement transaction belongs to another accounting office or that supporting documentation will not be provided, an accounting office must reject the disbursement transaction to its accounting center.

   111406. **Additional Responsibilities for Resolving In-transit Disbursements**

   A. Ultimately, in-transit disbursements must be matched to an obligation by an accounting office or declared an erroneous payment by a disbursing office. In accordance with paragraphs 111404 and 111405, an in-transit disbursement transaction with supporting documentation must be transmitted to an accounting office as efficiently as feasible for recordation.

   B. The following responsibilities apply for all in-transit disbursements:

   1. Once an accounting office has sufficient supporting documentation (hard copy or electronic) to allow it to match an in-transit disbursement with an obligation, it must process the in-transit disbursement and treat it as a matched disbursement, UMD, or NULO depending on whether the disbursement was matched to an obligation. All UMDs and NULOs must be researched and obligated in accordance with sections 1103 through 1107.
2. If a disbursement is matched to a specific obligation, appropriation, funds holder or DoD Component; the accounting office, paying center, accounting center, disbursing office, or entitlement activity involved must work with the applicable office, center, funds holder and/or DoD Component to transfer the charge to the appropriate funds holder, appropriation manager or DoD Component (notwithstanding the actions required by subparagraph 111406.B.1). Any resulting UMD or NULO must be researched and obligated in accordance with sections 1103 through 1107.

C. DFAS Headquarters must monitor and maintain reports on all unprocessed in-transit disbursements, undistributed in-transit disbursements, or any other in-transit disbursements. Such reports must identify the applicable disbursing office, paying center, accounting center and accounting office, the amount, as well as appropriate corrective actions being taken. DFAS Headquarters also must ensure that in-transit disbursements are processed, resolved, obligated, or reported as erroneous payments in accordance with applicable provisions and within the applicable timeframes specified in this chapter.

1115 REPORTING REQUIREMENTS

111501. Data Collection Requirements

DFAS is responsible for collecting and consolidating data and reporting on the amounts and the status of UMDs, NULOs, and in-transit disbursements.

111502. Monthly Reporting Requirements

The DoD Component accounting offices must transmit a status report identifying all disbursement transactions that have not been matched to an obligation to DFAS Headquarters on a monthly basis. DFAS will specify the format and detail reporting requirements.

1116 RECORD RETENTION

DoD Components, and supporting accounting offices, must maintain an audit trail with adequate records to substantiate all transactions, amounts and actions taken with respect to the research and clearing of UMDs, NULOs, and in-transit disbursements. This includes, but is not limited to determinations that selected transactions meet the criteria for discontinuing further research, and detail and summary records of adjustments made in accordance with this chapter. Components must maintain these records to ensure an adequate audit trail and to respond to inquiries from organizations internal and external to the Department. See Volume 1, Chapter 9 for DoD policy on record retention.

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated July 2010 is archived.

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CHAPTER 12


1201. OVERVIEW

120101. Purpose

This chapter establishes departmental policy and basic procedures to be followed with respect to the use of the authority of Section 3732, Revised Statutes (41 U.S.C. 11). That statute authorizes the Military Departments to incur obligations for specific purposes in excess of appropriations available.

120102. General

A. Title 41, United States Code, section 11, authorizes the Military Departments to incur obligations in excess of available appropriations in procuring or furnishing clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies not to exceed the necessities of the current fiscal year.

B. Title 10, United States Code, section 2204, requires the Secretary of Defense to approve scheduled rates of obligations of funds appropriated to the Department for the purpose of restricting obligations and expenditures as may be necessary to prevent overdrafts and deficiencies in any fiscal year for which appropriations are made. Section 2204 does not prohibit the Department from incurring a deficiency as separately authorized by law.

C. Volume 14 (which implements 31 U.S.C. 1517(a)) establishes the basic system of controls and other fundamental requirements for the administration of appropriations and funds. The system of administrative controls was designed to (1) restrict obligations and expenditures against appropriations and funds to the amounts available therein or to the amounts apportioned, and (2) enable officials to fix responsibility in the officers and employees of the Department who may violate any provision of the law or regulation.

1202. POLICY AND PROCEDURES

120201. Urgent Circumstance

The Department shall limit its use of the authority in 41 U.S.C. 11 to emergency circumstances. The exigencies of those circumstances must be such that immediate action is imperative and action cannot be delayed long enough to obtain sufficient funds to cover the procurement or furnishing of those items in paragraph 120102.A needed for the current fiscal year. In determining the urgency of the circumstances, due consideration shall be given in each specific case to the feasibility of obtaining funds by use of telephones, facsimile machines, or other electronic means. The authority of 41 U.S.C. 11 shall not be used to circumvent the provisions of 31 U.S.C. 1517(a).
120202. Condition and Circumstance

It is not considered practicable to define specifically the conditions and circumstances which conceivably could constitute an emergency. Each instance in which the authority of 41 U.S.C. 11 is to be used must be determined on a case-by-case basis in accordance with the policy guidelines in this chapter.

120203. Administering Funds

Funds shall be administered in accordance with the system of administrative controls established by Volume 14 of this Regulation in such a manner that officials, responsible for administering each appropriation, allocation, allotment, and other fund subdivisions, may take timely action to prevent over-obligation of any fund subdivision, notwithstanding 41 U.S.C. 11.

120204. Over-obligation

Over-obligation of any appropriation or fund subject to apportionment, or any subdivision thereof for procurement or furnishing of those items in paragraph 120102.A. shall be deemed to be a violation of the Anti-deficiency Act. There are two exceptions: (a) If the over-obligation was made in emergency circumstances in accordance with the spirit and intent of provisions set forth above, and (b) if such procurements are not in excess of the necessities to relieve the period of emergency. However, for the second exception, the necessities for such period cannot exceed the necessities of the current fiscal year.

120205. Valid Requirements

Proposed or anticipated use of 41 U.S.C. 11 authority to incur obligations shall be reported, in advance when feasible, through financial management channels. When it is necessary to create or authorize an over-obligation for the purposes set forth in 41 U.S.C. 11, the individual responsible shall determine, and so certify in writing, that all three of the following circumstances existed:

A. An emergency existed within the spirit and intent of this section (1202).

B. The purpose for which the over-obligation was created or authorized was to meet other necessities of the period involved.

C. It was not feasible to obtain in advance sufficient funds to cover such necessities.

120206. Certification of Over-obligation

Such certification shall indicate the amount of the over-obligation and shall be filed with the supporting records of the appropriation, allocation, or allotment involved. The over-obligation shall be disclosed fully in the fiscal reports to the next higher level of command, indicating that the over-obligation was incurred under authority of 41 U.S.C. 11.
120207. Authorization

Having exercised the authority of 41 U.S.C. 11 pursuant to this chapter, the individual responsible shall advise the next higher level of command immediately and take appropriate steps to obtain additional funds.

120208. Reporting Procedures

All obligations incurred under authority of 41 U.S.C. 11 shall be reported through command channels to the applicable Military Department Comptrollers who shall provide a draft 41 U.S.C. 11(b) congressional report to the Office of USD (Comptroller).
VOLUME 3, CHAPTER 13: “RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – DEPARTMENTAL-LEVEL”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated November 2015 is archived.

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<td>Revised to include updated guidance from the Office of Management and Budget (OMB) Circular A-11.</td>
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<td>130304</td>
<td>Changed paragraph title and added subparagraph 130304.A further defining budget authority. Revised and reorganized information in subparagraph 130304.B based on updated guidance and language; and also to eliminate redundancy in the chapter.</td>
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<td>Revised paragraph to align with the Deputy Chief Financial Officer (DCFO) memorandum, “Accounting for Internal Funds Distributions; Interpretation Guidance for General Fund Appropriations,” dated August 3, 2016.</td>
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CHAPTER 13

RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES

DEPARTMENTAL-LEVEL

1301 GENERAL

130101. Purpose

This chapter prescribes the standards for recording the receipt and subsequent distribution of budgetary resources in the departmental-level (department, headquarters, or the Office of the Secretary of Defense (OSD)) budgetary accounts. Departmental-level accounting covers appropriation by Congress, apportionment and reapportionment by the Office of Management and Budget (OMB), and allotment to the intermediate or execution-level. In addition, budgetary accounts used at the departmental-level ensure that transfers between appropriation and fund accounts, and restorations and withdrawals of budgetary resources are properly recorded. Accounting at the departmental-level also facilitates monitoring of lower levels and consolidating reports for higher levels. See Chapter 14 for intermediate-level requirements, and Chapter 15 for execution-level requirements.

130102. Authoritative Guidance

A. Congress enacts appropriations acts annually that provide budget authority. OMB apportions budgetary resources to the executive branch agencies, thereby making funds available for obligation in accordance with the United States Government Accountability Office (GAO), Principles of Federal Appropriations Law, Chapter 2, and Title 31, United States Code, sections 1511–1516 (31 U.S.C §§ 1511 – 1516). Each agency then makes allotments pursuant to the OMB apportionments or other statutory authority, as defined in OMB Circular A-11, Sections 120 and 150. Executive agency management has the responsibility of establishing and maintaining appropriate accounting and internal controls, in accordance with the terms defined in 31 U.S.C. § 3512. The Federal Managers’ Financial Integrity Act of 1982 increased government wide emphasis on internal accounting and administrative controls. The requirements for central accounting and reporting can be found in Treasury Financial Manual (TFM) Volume 1, Part 2.

B. The Accounting for Internal Funds Distribution 1 memorandum provides an overview of the appropriate general ledger accounts and transaction codes that must be used to record the flow of funds from the department level to the execution level. Military Departments and DoD agencies must ensure they are following the procedures outlined in this memorandum regarding the internal funds distribution accounts to ensure proper alignment of these accounts within the Defense departmental reporting process. The internal funds distribution guidance explains how these entries must be recorded (budgetary and proprietary), the impact on internal and external financial reporting, and identifies the accounts that must be used from issuance and receipt of funds through the year-end closing process.

1302 DEFINITIONS

130201. Departmental Level
Involves recording receipt and distribution of budgetary resources at the department level, headquarters, or OSD level as discussed in this chapter.

130202. Intermediate Level
Involves recording receipt and distribution of budgetary resources using the intermediate-level accounts as discussed in Chapter 14. An example of the intermediate level would be a Command within a Military Department that has received the initial funding.

130203. Execution Level
Involves recording receipt and distribution of budgetary resources using the execution-level budgetary accounts discussed in Chapter 15.

1303 STANDARDS

130301. Accounts
The accounts established for use by departmental-level accounting entities implement the DoD United States Standard General Ledger (USSGL) and the DoD Standard Chart of Accounts (SCOA) prescribed in Volume 1, Chapter 7. Both the budgetary and the proprietary accounting entries for DoD USSGL accounts are specified in the DoD USSGL Transaction Library that can be accessed on the Standard Financial Information Structure (SFIS) resources web page. Budgetary accounts have been established for recording appropriations and other budget authority realized, apportionments, allotments, transfers, and contract authority transactions. Amounts of budgetary resources received are debited to specifically titled accounts for each of these resources and credited to accounts that recognize the availability status of the resources. The departmental-level accounting entity also issues fund allotments to subordinate commands. In addition, the special actions of restorations and withdrawals of budgetary resources are accomplished at departmental-level.

130302. Appropriations

A. Appropriations represent legal authority granted by Congress to incur obligations (see subparagraph 130302.A.5 for an exception), and to make payments from the Treasury for specified purposes. An appropriations act is the most common form of budget authority; and the making of an appropriation must be stated expressly and may not be inferred or made by implication. Appropriations are available for obligation based on varying characteristics specific to periods of availability, phases of availability, and amounts.

1. Period of Availability. The period of time in which budget authority is available to incure new obligations. Congress establishes the period of availability.
a. **One-Year (Annual) Authority.** Budget authority that is available for obligation only during a specified fiscal year and expires at the end of that period. For example, most Operations and Maintenance (O&M) and personnel appropriations.

b. **Multiple Year (Multi-Year) Authority.** Budget authority that is available for obligation for a specified period of time in excess of one fiscal year. Usually, the period covers two or more whole fiscal years, but it may cover a period that includes part of the second fiscal year. For example, Research, Development, Test, and Evaluation appropriations (2 years); Procurement appropriations (3 years); Shipbuilding and Conversion, Navy appropriation (5 years); Military construction appropriations (5 years).

c. **No-Year Authority.** Budget Authority that remains available for obligation indefinitely. See paragraph 130309.

d. **Earmark.** An earmark occurs when Congress designates a portion of an appropriation for a particular purpose by way of legislative language within the appropriation.

2. **Phases of Availability.** Annual and multi-year appropriations pass through three phases of availability.

a. **Current or Unexpired Phase.** The current or unexpired phase is the time period when the budget authority is available for incurring new obligations, making new grants, signing new contracts, and making disbursements to liquidate the obligations. The current or unexpired phase continues for the set period of availability. No-year authority remains current until fully obligated and disbursed, or returned to the general fund of the Treasury.

b. **Expired Phase.** The expired phase is the period of time when the appropriations are no longer available to incur new obligations, but are still available to adjust and liquidate existing and valid obligations. The appropriation remains in the expired phase for 5 years, although the expired period can be lengthened by legislation. See Chapter 10 for accounting requirements for expired accounts.

c. **Cancelled Phase.** The cancelled phase follows the expired phase. Payments cannot be made from a cancelled appropriation. On September 30 of the fifth fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account must be closed and any remaining balance (whether obligated or un obligated) in the account must be cancelled and thereafter must not be available for obligation or expenditure for any purpose. After an appropriation is cancelled, any obligation or adjustments to obligations that properly would have been chargeable to that appropriation may be paid from an unexpired appropriation that is available for the same purpose as the cancelled account if:

   (1) The obligation or obligation adjustment is not already chargeable to another unexpired account.
(2) The payment of obligations against the cancelled appropriation from the unexpired appropriation does not exceed an amount equal to one percent of the total appropriation per **31 U.S.C. § 1553**. See Chapter 10 for accounting requirements for closed/cancelled accounts.

3. **Determination of Amount.** Budget authority may be granted for varying amounts, based on the legislative language, which defines the budget authority purpose.

   a. **Definite Authority.** Authority that is stated as a specific sum at the time it is granted. This includes authority stated as not to exceed a specified amount. Most DoD appropriations are for definite amounts of authority.

   b. **Indefinite Authority.** Authority for which a specific sum is not stated, and instead specifies a variable factor that determines the amount, or a floor, for example, not less than a specified amount. An indefinite appropriation may appropriate all or part of the receipts from certain sources, the specific amount of which is determinable only at some future date, or it may appropriate such sums as may be necessary for a given purpose. See paragraph 130309.

4. **Reappropriations.** Reappropriations are statutory authorities that extend the availability, whether for the same or different purposes, of all or part of the unobligated portion of budget authority that has expired or would otherwise expire. See paragraph 130306.

5. **Exceptions.** Appropriations to liquidate contract authority are exceptions to the general rule that appropriations provide budget authority to incur additional obligations. Contract authority itself is not an appropriation; it grants authority to enter into binding contracts but not the funds to make payments under them. Contract authority is a type of budget authority that permits obligations in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations. In addition, the subsequent liquidating appropriation does not grant authority to incur obligations and, therefore, is not budget authority. (See subparagraph 130304.B for additional information).

6. **Continuing Resolution (CR).** CRs are joint resolutions that provide continuing appropriations for a fiscal year. CRs are enacted when the Congress has not yet passed new appropriations bills and a program's appropriations are about to or have expired, or when the President has vetoed congressionally passed appropriations bills. CRs do not appropriate specific sums of money. A CR makes amounts available subject to the same terms and conditions specified in the enacted appropriations acts from the prior fiscal year. The CR may also establish additional terms and conditions. CRs make amounts available for obligation only until a time specified by the CR or until the enactment of regular fiscal year appropriations, whichever is sooner. See OMB Circular A-11, Section 123 for detail information on requirements, definitions, and formulas for calculating amounts available.

7. **Funding Lapse or Gap.** A lapse in an agency’s appropriations occurs when Congress fails to enact regular appropriations, a CR, or needed supplemental appropriations.
8. **Appropriation Warrants.** The evidence of Congressional action to fund programs. An appropriation warrant is the official document issued pursuant to law by the Secretary of the Treasury upon enactment of an appropriation, that establishes the amount and period of availability of monies the agency is authorized to withdraw from the General Fund of the U.S. Government.

a. Warrants are processed using the Agency Transaction Module (ATM) within the Central Accounting Reporting System (CARS). The ATM provides access for Treasury to prepare and process warrant transactions. The Treasury processes warrants by submitting the FS Form 6200, “Department of the Treasury Appropriation Warrant,” through the ATM within CARS. The agency must provide additional information when the legislative language does not allocate amounts to specific accounts.

b. Under a CR, warrants are not issued until Congress enacts the regular appropriation bill, unless agencies are under a long term, or full year CR. Warrants may also be issued under a CR if the CR covers specific mandatory federal payments, or when the CR covers the entire year (see TFM Volume 1, Part 2, Chapter 2000). The Military Departments and the Washington Headquarters Services (for OSD/Defense Agencies) must request a warrant from Treasury for the annualized level of an amount appropriated by a CR. If a subsequent CR changes the annualized level, agencies must submit a new warrant request. When Congress enacts the regular appropriation bill, Treasury will make any necessary adjustments to those amounts.

B. **Classification of Appropriations.** Departmental-level appropriations and all other budgetary resources must be classified by appropriation account, fiscal year program, and obligation/expenditure limitation at the level required by OSD for appropriation and fund status reporting (see Volume 6A, Chapter 4). Needed classification requirements must be obtained from the legal requirements and program/budget documents such as the DD 1414, “Base for Reprogramming Action.” Appropriations are classified in different ways for different purposes, generally based on time period limitations, spending limitations, authorized programs, activities, or objects, and the availability to incur obligations. Departmental-level appropriations, and all other budgetary resources, are represented by an appropriation account symbol. Detailed information on reading and identifying account symbols is contained in the TFM, Volume 1, Part 2, Chapter 1500. Specific accounts for each agency are listed in Treasury’s “Federal Account Symbols and Titles,” issued quarterly as a supplement to the TFM.

C. **Recording an Appropriation.** Appropriations, until apportioned, are not available as a financing source or budgetary resource. They should be recognized in capital as "unexpended appropriations" (and among assets as "funds with Treasury") when made available for apportionment, even if a Treasury Warrant has not yet been received, or the amount has not been fully apportioned. Unexpended appropriations should be reduced for appropriations used and adjusted for other changes in budgetary resources, such as rescissions and transfers. The net increase or decrease in unexpended appropriations for the period should be recognized as a change in net position. See the Federal Accounting Standards Advisory Board Handbook, Statement of Federal Financial Accounting Standards 7, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting.”
*130303. Apportionments and Reapportionments

A. An apportionment is an OMB-approved plan to use budgetary resources, in accordance with the terms defined by the statutory authority of 31 U.S.C. § 1513(b); Executive Order 11541, which limits the obligations for specified time periods, programs, activities, projects, objects, or any combination thereof. An apportionment is legally binding, and obligations and expenditures (disbursements) that exceed an apportionment are a violation of, and are subject to reporting under, the Antideficiency Act (31 U.S.C. § 1517(a)(1), (b)). Reapportionments are made to make changes to the previously approved apportionment for the current year. For example, a reapportionment should be requested when approved apportionments are no longer appropriate or applicable because the amounts available for obligation have increased or unforeseen events have occurred. The distribution of apportionments and reapportionments is part of an overall financial plan for the year that is based on a forecast of obligations to be incurred within an appropriation. The apportioned amount is in response to a departmental request made on the OMB Standard Form (SF) 132, “Apportionment and Reapportionment Schedule,” in accordance with OMB Circular A-11, Appendix F.

B. The SF 132 contains two general sections to record apportionments and reapportionments: Budgetary Resources and Application of Budgetary Resources. Under Budgetary Resources, the actual and anticipated resources, as well as actual and anticipated reductions to those resources are recorded. Under the Application of Budgetary Resources, the intent for use of those resources, whether by fiscal quarter, activity, project, object, or a combination thereof, are recorded. In some cases, letter apportionments are used. Letter apportionments are most often used during the period of a CR, or for special circumstances such as transfers that occur near the end of a fiscal year.

C. Budgetary authority received and available for allotment, and anticipated reimbursements are also recorded on the SF 132. Apportioned, anticipated amounts should not be allotted unless there is a reasonable assurance that such items will be collected and deposited to the credit of the appropriation or fund account that incurred the obligation.

D. Apportionments should not be obligated until the amounts have been allotted in accordance with the OMB-approved funds control regulations; and programs must be apportioned and executed in accordance with all applicable laws. The authorization and appropriation act language describes the purpose of the programs, and includes guidance to execute the programs. The apportionment dictates how to execute the programs, and must be obligated or expended against the fiscal year in which they were incurred so that they can be reconciled to the legal period of availability. In some cases, apportionments may set aside all or a portion of the amounts available for obligation, through the process of being deferred, or if they are withheld pending rescission.

E. If SFs 132 on hand are not yet processed with regard to the latest appropriations enacted, amounts necessary to cover valid commitments and obligations must be recorded at the end of the accounting period as apportioned and allocated. An enacted supplemental appropriation must be recorded as fully apportioned even if it is not included on the year-end SF 132.
F. In the absence of an appropriation, the Congress may pass a resolution providing authority for agencies to continue current operations. CRs are subject to OMB apportionment in the same manner as appropriations. Within periods of CR authority, the President’s budget estimates of the unobligated balances are brought forward on October 1, and the reimbursable program for each appropriation account must be recorded as apportioned and allotted to the extent that they remain within any amount specifically designated by the authority. If the estimates for each amount have been reduced from the President’s budget, apportionments and allotments must be recorded at the reduced amount. Increases are to be considered available for subsequent apportionment and must not be allotted until an approved SF 132 containing the increase is received. Normally, OMB will automatically apportion funds made available by a CR without requiring an SF 132.

G. If amounts actually becoming available are less than anticipated for indefinite budget authority, transfers, reimbursements, or recoveries; the difference will be deducted from amounts apportioned and not from amounts deferred or otherwise unapportioned unless specific provision is made for a different treatment on the approved apportionment form or reapportionment action is taken. In accordance with OMB circular No. A-11 (Section 120), downward adjustments of any amount to budgetary resources (including anticipated amounts) do not need to be reapportioned, unless specifically required by OMB or, at the agency’s discretion. A reapportionment must be requested when approved apportionments are no longer appropriate or applicable because the amounts available for obligation have increased or unforeseen events have occurred.

H. Not all appropriations are apportioned. In such cases, the non-apportioned budgetary resources are reported as either withheld pending rescission, deferred, as an unapportioned balance of a revolving fund, or exempt from apportionment.

*130304. Contract Authority – Other Budgetary Authorizations

A. Congress finances federal programs and activities by providing budgetary authority, which allows agencies to enter into financial obligations that will result in immediate or future outlays of government funds. As defined by the Congressional Budget Act, budget authority includes other authorizations aside from appropriations, which are contract authority, borrowing authority, and spending authority from offsetting collections.

B. Contract authority permits an agency to incur obligations in advance of an appropriation. Congress provides contract authority in an authorizing statute to allow agencies to incur obligations in anticipation of the collection of receipts or offsetting collections that will be used to liquidate the obligations. However, within DoD, the realization of revenue, rather than an appropriation, normally is used to liquidate unfunded contract authority. Contract authority may be current or permanent, with or without fiscal year limitation, and definite or indefinite in amount. In accordance with 41 U.S.C. § 6301, an agency may not make expenditures to liquidate obligations incurred by its contract authority until funds are specifically appropriated or otherwise become available for payment of the obligations. Contract authority has a period of availability corresponding to that of an appropriation. Unless otherwise specified, if it appears in an appropriation act in connection with a particular appropriation, its period of availability will be the
same as that for the appropriation. If it appears in an appropriation act without reference to a particular appropriation, its period of availability, unless otherwise specified, will be the fiscal year covered by the appropriation act.

1. **Definite.** Definite contract authority represents the amount of new authority prescribed by law and effective during the reporting fiscal year. Authority is considered definite when the language provides a ceiling, that it is not to exceed a specified amount.

2. **Indefinite.** Indefinite contract authority represents the amount of new obligations incurred in the reporting fiscal year covered by contract authority. Indefinite contract authority is contract authority in which a specific amount of contract authority is not predetermined but is available as needed to cover the obligations incurred. Although indefinite contract authority is normally accounted for through a no-year appropriation account, contract authority must be apportioned each fiscal year.

3. **Current.** Current authority requires congressional appropriations action on the request for new budget authority for the year involved.

4. **Permanent.** Permanent authority becomes available pursuant to standing provisions of law without further appropriations action by the Congress after transmittal of the budget for the year involved. Permanent indefinite authority is open ended as to both period of availability and amount. Examples include 31 U.S.C. § 1304, Payment of Certain Judgments Against the United States, and 31 U.S.C. § 1322(b)(2), Refunding Amounts Erroneously Collected and Deposited in the Treasury. Guidance on emergency military procurement can be found in 41 U.S.C. § 6301 and the Federal Acquisition Regulation (also see Volume 10 for contract policy). Working Capital Fund contract authority and guidance can be found in Chapter 19, and foreign military sales contract authority can be found in Volume 15.

*130305. Transfer of Funds

When authorized by law, budgetary authority may be withdrawn from one appropriation account and credited to another, or to a working fund. Depending on the circumstances, the transfer may be recorded as an expenditure transfer, which means a transfer that involves an outlay, or as a nonexpenditure transfer, which means a transfer that doesn't involve an outlay. Transfers may be the result of plan reorganizations, the need for funding authorizations by Congress in lieu of appropriations, a situation where the purpose of the funding has changed, or when unobligated balances are the result of legislations that changed the purpose for which the balances are available. Transfers between appropriations must be authorized by law and represent a redistribution of unobligated balances of budget authority between appropriation accounts for the benefit of the gaining appropriation account.

A. **Anticipated Transfers.** Appropriation transfers can be anticipated and recorded as such or they can occur without being previously recorded as anticipated. An anticipated appropriation transfer does not provide any obligation authority. These transfers often are anticipated during apportionment development. Approved anticipated transfers are treated as authority available for apportionment, and prior year authority and current year authority are kept
separate. An agreement between the transferring and receiving appropriation accounts must be maintained. Accordingly, anticipated and accomplished transfers must be recorded and reported in the transferring and receiving appropriation accounts in the same accounting period. Obligation authority is available only after the transfer is accomplished and OMB apportions the transferred funds. Once the transfer is accomplished, the appropriation making the transfer no longer has budgetary and proprietary control of the funds. Budgetary and proprietary responsibility now lies with the appropriation receiving the transfer.

B. **Expenditure Transfers.** Expenditure transfers are typically made when the transfer benefits the transferring account. An expenditure transfer is recorded as an obligation and an outlay in the transferring account, and as an offsetting collection or offsetting receipt in the receiving account. Payments are made via an FMS 224, “Statement of Transactions” (FMS 224) or an electronic funds transfer. Additional guidance on the FMS 224 can be found in the TFM, Volume 1, Part 2, Chapter 3300. An example of this type of transfer is a rental payment to General Services Administration’s Federal Buildings Fund. Since expenditure transfers are treated as payments and collections, they are not applicable to departmental-level accounting entities. These transactions include the following:

1. Withdrawals and credits between accounts not specifically defined as nonexpenditure transactions.

2. All transfers between Treasury budgetary and nonbudgetary accounts such as general fund accounts and deposit accounts.

3. Adjustments to correct errors in expenditure transactions. (Obligations must be transferred, when appropriate.)

C. **Nonexpenditure Transfers.** A nonexpenditure transfer is recorded as a decrease in budget authority or unobligated balances in the transferring account, and as an increase either in budgetary authority or unobligated balances in the gaining account. The transferring account for a nonexpenditure transfer reports a transfer out of budget authority. The receiving account reports a transfer in. Nonexpenditure transfers are processed using the ATM within CARS. Additional guidance on the CARS ATM application can be found in the TFM, Volume 1, Part 2, Chapter 2000. The **SF 1151**, Nonexpenditure Transfer Authorization, is used to document transfers. See Chapter 3 for more detailed information about appropriation transfer authorities.

1. **Estimates.** A transfer of estimates is a proposal to stop funding an activity through one budget account, and begin funding it through another account. It does not involve a transfer of budgetary resources between the accounts. This type of transfer typically relates to the transfer of funding of an activity from one account to another, the consolidation of funding for related activities from two or more accounts into one single account, or the separation of funding for an activity from one account between two or more accounts. When a transfer for the budget year results in a significant increase to or decrease from the amount of budgetary authority for the past or current year, footnotes must be included to explain the transfer after the program and financing schedule.
2. **Allocation.** An allocation is a delegation, authorized by law, by one agency to another, of its authority to obligate budget authority and outlay funds. Allocation accounts involve both an appropriation, and a recipient of budgetary resources, through an allocation nonexpenditure transfer.

D. **Reprogramming.** Reprogramming involves the shifting of funds within an appropriation for purposes other than those contemplated at the time of appropriation. Agencies generally are free to reprogram, even if doing so is inconsistent with the budget estimates presented to the Congress, as long as the resulting obligations and expenditures are consistent with the purpose restrictions applicable to the appropriation. A transfer is distinguished from a reprogramming in that a reprogramming involves the shifting of budgetary resources within a Treasury account whereas a transfer involves the shifting of budgetary resource between two Treasury accounts. However, the shifting of budgetary resources within a single Treasury account should be considered a transfer if the action moves budgetary resources between separate statutory appropriations.

*130306. Reappropriations*

A. **Reappropriation Action.** A reappropriation is a congressional action to continue the availability, whether for the same or different purposes, of all or part of the unobligated portion of current budget authority that has expired or would otherwise expire.

B. **Recording Reappropriations.** Reappropriations of expired balances that are newly available for obligation in the current or budget year are recorded as new budget authority in the year they are newly available, in the full amount of the potential extension. Likewise, reappropriations of amounts that would expire before the legislation takes effect are treated as new budget authority. If the available balance in a losing appropriation is not sufficient to cover the transfer, the reappropriation may be delayed, effected in part or, not made at all. Decisions to delay or not make a reappropriation transfer require written notification to the Under Secretary of Defense (Comptroller) (USD(C)), within five working days of the determination. The notification must set forth the circumstances requiring the delay or nonperformance of the reappropriation transfer.

C. **Reappropriation Warrants.** Reappropriations that provide funds to a fiscal year for which they were not previously available constitute new budget authority in the receiving account, and therefore require a Treasury Warrant. The warrant request letter must state the amount to be warranted and the statutory authority for the reappropriation. The TFM Volume 1, Part 2, Chapter 2000 identifies the address for submission and other contact information. Warrants are processed using the ATM within CARS. Additional information on the ATM can be found on the Treasury, [CARS Frequently Asked Questions](#) site.

D. **Reappropriation Balance Transfers.** Reappropriations of unexpired balances or reappropriations of expired balances that cannot take effect until a fiscal year beyond the budget year are reported as balance transfers in the year they are newly available for obligation. Reappropriation transfers are processed using the ATM within CARS.
E. Unobligated Balances. Normally, unobligated balances in the losing accounts will be withdrawn from operating activities. However, formal withdrawal is not necessary when the operating activity has both the gaining and losing accounts, and the intent of the reappropriation is to extend the availability of funds for the same purposes as the losing account. In this case, local entries may be made to ensure that transactions, records, and reports cite the gaining account rather than the losing account.

130307. Internal Fund Distributions

A. Apportionments are subdivided and formally distributed by allotment, suballotment, allocation, and suballocation. See Volume 14, Chapter 1 for detailed information on the subdivision levels and requirements in accordance with OMB Circular A-11, Appendix H. The departmental-level accounting entity distributes funds to an operating agency or other intermediate-level accounting entity.

B. Any formal subdivision of funds must contain at least the same statutory and other limitations applicable to the original apportionment.

C. Accounting Entries

1. Record the direct budgetary authority issued from departmental-level to the intermediate-level as follows:

   **Budgetary Entry**
   Dr 451000 Apportionments
   Cr 454000 Internal Fund Distributions Issued

   **Proprietary Entry**
   Dr 310100 Unexpended Appropriations – Appropriations Received
   Cr 101000 Fund Balance With Treasury

   NOTE: The intermediate-level budgetary accounts are used to record the receipt of suballotments, allocations, or suballocations from higher authority, and the subsequent issuance to execution-level activities. Definitions and use for accounts 454000 through 458000 are prescribed in the DoD SCOA located on the SFIS resources web page.

2. Record the amount of reimbursable authority allotted from departmental-level to intermediate-level or execution-level, as determined by the organizational funding structure:

   Dr 459000 Apportionments – Anticipated Resources – Programs Subject to Apportionment
   Cr 421000 Anticipated Reimbursements and Other Income

   **Proprietary Entry**
   None
D. The formal distribution of funds must be in writing. See Volume 14, Chapter 1, paragraph 010206 for the required information; and expedited communication methods used in emergencies. The format is determined by the departmental-level accounting entity issuing the funds.

E. Interagency suballocations/allocations/suballocations are distributions of one agency’s budgetary resources to another. They are separately identified in the accounts to ensure that the recipient agency is responsive to the issuing agency. Such distributions can be nonexpenditure transfers, which establish transfer appropriation accounts, or subdivisions of one DoD Component’s funds to another DoD Component to cite directly. From a consolidated standpoint, it is important that the issuing and receiving agencies record the distribution in the same accounting period. Interagency distributions normally occur between different levels of command within a major command/claimant.

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<thead>
<tr>
<th>Budgetary Entry</th>
<th>Proprietary Entry</th>
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<tbody>
<tr>
<td>Dr 454000 Internal Fund Distributions Issued</td>
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</tr>
<tr>
<td>Cr 451000 Apportionments</td>
<td>Cr 310100 Unexpended Appropriations – Appropriations Received</td>
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130308. Withdrawals and Expired Balances

A. Withdrawals represent unobligated amounts that are withdrawn by administrative action (rather than by law) from obligation availability. A previously withdrawn unobligated amount that is again made available for obligation and outlay is considered a restoration. A withdrawal excludes amounts of expired accounts and amounts rescinded by the Congress. Title 31 U.S.C § 1555 authorizes the withdrawal of funds, only upon the closing of an account, and not the withdrawal of budget authority from open accounts.

B. Expired balances retain their fiscal year identity for the following five fiscal years. During this five year period, the unobligated balance of an expired fund is available only for adjustments to obligations initially incurred during the fiscal year (or years) for which the appropriation account was available. The unobligated balance of an expired fund may not be used to create new obligations. Normally, at the end of the five year period, any remaining unobligated balance and unliquidated obligations must be transferred to account 4350, Cancelled Authority. Cancelled amounts may not be restored.

C. The balance in account 465000, Allotments – Expired Authority, is not a fund balance (i.e., cash) account available in the Treasury. Transfers into the account (withdrawals) and transfers out (restorations) do not, in and of themselves, affect the cash position of the Treasury. Expired authority is an available budgetary resource for the specific purpose of ensuring that valid obligations of expired and lapsed appropriation accounts can be met without recourse to individual appropriation action by the Congress. Note: Other account transactions that are related to 465000 have corresponding proprietary transactions that impact 101000, Fund Balance With Treasury.
130309. Indefinite Appropriations

A. Indefinite appropriations are appropriations of a current or permanent nature in which a definite amount is not stated but is to be determined on the basis of stipulated subsequent events. One type of indefinite appropriation for the Department is available receipts. For example, the receipts under the Federal Account Symbol and Title **5095.001, Sale of Hunting and Fishing Permits, Military Reservations, are, by permanent appropriation, available for expenditure for the Army under appropriation account 21X5095, Wildlife Conservation, Military Reservations, Army. The amount authorized may be all or a portion of the receipts under a receipt account, but they may not be available until a warrant is issued by Treasury or the amount authorized may be specified as the amount actually obligated for a specified purpose.

B. Anticipated amounts of indefinite appropriations derived from available receipts must be reported as anticipated budgetary resources until the amounts are realized. The budget authority generated will increase the uncommitted or unobligated balance reported on the SF 133, Report on Budget Execution (OMB Circular A-11, Appendix F). However, such balances should not be recorded in the accounts as currently available for obligation until receipts are realized.

1304 OTHER ACCOUNT ADJUSTMENTS AND CLOSING

130401. Account Adjustments

* A. At the end of the period of availability, all budget authority that remains undistributed to the execution-level and all allotments received within the execution-level that remain unobligated, must be returned to the departmental-level for financial statement reporting. Specifically, the recipient of an allotment, suballotment, allocation or suballocation must pre-close all unobligated funds utilizing the accounting transactions, that are detailed in Chapter 15, to return the funds to the previous and original fund holder. Similarly, allotments issued at the departmental-level that remain undistributed and unobligated must close the fund distribution accounts within the departmental-level prior to performing post-closing accounting entries.

B. Cancel appropriation transfers anticipated to be made to or from other accounts. Anticipated appropriation transfers must be cancelled as of the end of the fiscal year in which anticipated.

C. Eliminate unrealized anticipated indefinite appropriations.

D. Cancel anticipated reimbursements in no-year, expiring annual, and multi-year accounts as of the end of the fiscal year.

E. Record the cancellation of expired authority and withdraw funds.

F. Reduce appropriations realized by the amount of budgetary resources withheld pursuant to public law.
G. Recognize at the departmental-level (headquarters) an adjustment to undistributed allotments of realized transfers remaining at the intermediate-level and unobligated balances of realized transfers remaining at the execution-level. This transaction reverses the accounts in the original issuance of budgetary authority (as noted in subparagraph 130307. C):

Do

**Budgetary Entry**
Dr 454000 Internal Fund Distributions Issued
Cr 451000 Apportionments

**Proprietary Entry**
Dr 101000 Fund Balance With Treasury
Cr 310100 Unexpended Appropriation – Appropriations Received

NOTE: The intermediate and execution-levels must notify the departmental-level accounting entity of undistributed and unobligated funds as described in paragraph 130403. Definitions and use for accounts 454000 through 458000 are prescribed in the DoD SCOA located on the SFIS resources web page.

130402. Budget Execution Report Preparation

After completion of the account adjustments identified in paragraph 130401, budget execution reports must be prepared as specified in Volume 6A, Chapter 4.

130403. Notification from Lower Levels

The departmental-level accounting entity must be informed by the intermediate and execution-levels of the following adjustments and account balances as specified in Volume 6A, Chapter 2. Undistributed allotments of direct program authority (account 456000) and direct unobligated balances remaining in expiring allotted funds (account 461000) must be reversed at the intermediate and execution-levels (Chapters 14 and 15, respectively) and reported to the departmental-level for financial reporting.

*130404. Account Closing

Following the end of year reporting, Treasury requires post-closing entries to be made to certain accounts. Closing transactions are used to establish beginning balances for accounts that do not have posting activity during the fiscal year and to zero out account balances used to record current year activity. These entries are described in detail in the DoD USSGL Transaction Library, based on the overarching guidance of USSGL Supplement to the TFM. Allotments issued at the Headquarters/OSD Level that remain undistributed and unobligated must close the fund distribution accounts within the Headquarters/OSD Level prior to performing post-closing accounting entries. Internal Fund Distribution accounts are closed into either account 420100.9000, Total Actual Resources – Collected. Additional detail on departmental-level transactions can be found in the Accounting for Internal Funds Distribution; Interpretation Guidance for General Fund Appropriations.
A. Direct Funds. Record unobligated budget authority for unexpired annual or multi-year appropriations; close unobligated balances to expired authority; reduce appropriations realized by the amount of rescinded appropriations; close transfers accomplished to other appropriations or funds; and close appropriation transfers realized from other appropriations or funds. To close internal fund distributions issued at the departmental-level upon expiration of the period of availability:

**Budgetary Entry**

Dr 454000 Internal Fund Distributions Issued
Cr 420100 Total Actual Resources-Collected

B. Reimbursable Program. No closing entries must be made for the reimbursable program at the departmental-level. The adjusting entry, specified in paragraph 130401.C., eliminates any departmental-level reimbursable program account balance.
VOLUME 3, CHAPTER 14: “RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – INTERMEDIATE LEVEL”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2018 is archived.

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<tr>
<td>1401</td>
<td>Added Overview paragraph to General section.</td>
<td>Addition</td>
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<tr>
<td></td>
<td>Revised Purpose paragraph to clarify that this chapter is applicable to direct budget authority received in the General Fund by intermediate level organizations with a funding structure that includes three or more component levels. Clarified what is not addressed in this chapter, including reimbursable budget authority.</td>
<td>Revision</td>
</tr>
<tr>
<td></td>
<td>Added Title 31, United States Code, Section 1514 (31 U.S.C. § 1514), “Administrative division of apportionments” to the list of authoritative sources.</td>
<td>Addition</td>
</tr>
<tr>
<td>1402</td>
<td>Removed Definitions paragraph from General section in accordance with the Financial Management Regulation Standard Operating Procedure and created separate section for Definitions consistent with Chapters 13 and 15.</td>
<td>Revision</td>
</tr>
<tr>
<td>1403</td>
<td>Revised paragraph title and clarified that Intermediate Level accounting resources, including the DoD Standard General Ledger, Transaction Library and Internal Fund Distribution-Military Department General Fund accounting scenarios are located on the Standard Financial Information Structure resources website maintained by the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer.</td>
<td>Revision</td>
</tr>
<tr>
<td></td>
<td>Revised paragraph to clarify that internal fund distribution controls are statutorily required in 31 U.S.C. § 1514, and implemented in Office of Management and Budget Circular A-11.</td>
<td>Revision</td>
</tr>
<tr>
<td></td>
<td>Created a separate Accounting Entries paragraph and deleted reimbursable accounting entries not within the scope of this chapter.</td>
<td>Revision</td>
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CHAPTER 14

RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES
INTERMEDIATE LEVEL

*1401 GENERAL

140101. Overview

A. Some Department of Defense (DoD) Components, such as the Military Departments, are structured into three or more levels, or echelons. Direct appropriation budget authority in the General Fund is initially recorded at the Departmental level (e.g., Headquarters) and subsequently issued to intermediate level organizations (e.g., major commands), which, in turn, distributes the budget authority to execution level (field level) organizations for program execution.

B. Military Departments and DoD agencies composed of three or more levels must follow the procedures outlined throughout the chapter to ensure internal fund distribution accounts roll up in the Defense Departmental Reporting System to the appropriate United States Standard General Ledger (USSGL) accounts, and accurately report the total and status of budgetary resources. Paragraph 140301.C references accounting scenarios that provide an overview of the appropriate general ledger accounts, and transaction codes that must be used to show the flow of funds from the department level to the execution level. This guidance provides accounting personnel with an understanding of how these budgetary and proprietary entries must be recorded from the time funds are issued until the funds have been closed.

140102. Purpose

A. This chapter prescribes the standards for recording the receipt and subsequent distribution of direct budgetary resources (appropriations received in the General Fund) using the intermediate level budgetary accounts, which are applicable to intermediate level organizations in those DoD components with a funding structure that includes three or more component levels. The budgetary general ledger accounts in this chapter record the receipt of fund distributions (e.g., allotments or suballotments) issued within the same Treasury Account Symbol from Department level to intermediate level organizations, and the subsequent issuance down to execution level activities.

B. This chapter does not apply to Defense-wide appropriations issued directly from the Office of the Under Secretary of Defense (Comptroller), Program/Budget to Other Defense Organizations (a two tiered structure), without an intermediate level component. See Chapter 13 for departmental level and Chapter 15 for execution level internal fund distribution requirements. This chapter does not apply to reimbursable budget authority addressed in Volumes 11A and 11B.
140103. Authoritative Guidance

The financial management policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of the following authoritative sources:


B. The Office of Management and Budget (OMB) Circular A-11, “Preparation, Submission, and Execution of the Budget”; and


*1402 DEFINITIONS

140201. Departmental Level

Involves recording receipt and distribution of budgetary resources at the department level, headquarters, or Office of the Secretary of Defense level as discussed in Chapter 13.

140202. Intermediate Level

Involves recording receipt and distribution of budgetary resources using the intermediate level accounts defined in sections 1403 and 1404. An example of the intermediate level would be a Command within a Military Department that has received the initial funding.

140203. Execution Level

Involves recording receipt and distribution of budgetary resources using the execution level budgetary accounts discussed in Chapter 15.

*1403 STANDARDS

140301. Standard General Ledger Accounts and Transaction Entries

The Office of the Under Secretary of Defense (Comptroller)/Office of the Chief Financial Officer maintains the Standard Financial Information Structure resources web page that contains the:

A. DoD Standard Chart of Accounts (see Volume 1, Chapter 7), which includes the DoD Standard General Ledger accounts established for use at the intermediate level;

B. DoD USSGL Transaction Library, which includes the budgetary and proprietary accounting entries established for use at the intermediate level; and
C. DoD Accounting Scenarios include two Internal Fund Distribution scenarios, “TI-097 General Funds” and “Military Department General Funds,” that identify the posting logic and appropriate accounts for recording the issuance and closure of budgetary resources at all three levels (Departmental, Intermediate and Execution).

140302. Internal Fund Distribution

A. A system of fund control is required by 31 U.S.C. § 1514(a), and OMB Circular A-11 defines the terms apportionment, allotments, suballotments, allowances, and allocations, while Section 150 and Appendix H implement fund control. Volume 14, Chapter 1 prescribes the requirements for the administrative control of funds within the DoD. Intermediate level budgetary accounts are used to record the receipt of funds issued from higher authority, and the subsequent issuance to execution level activities.

B. Any formal subdivision of funds must contain the same statutory and other limitations applicable to the original apportionment.

140303. Accounting Entries

A. To record direct budgetary authority received from the departmental level by an intermediate level Component(s), or activity thereof, and available for allotment to execution level Component(s), or activities thereof, or suballotment to other intermediate level Component(s), or activities thereof:

   Budgetary Entry
   Dr 455000  Internal Fund Distributions Received
   Cr 456000  Funds Available for Allotment

   Proprietary Entry
   Dr 101000  Fund Balance With Treasury
   Cr 310100  Unexpended Appropriations – Appropriations Received

B. To record direct budgetary authority either allotted by an intermediate level Component(s) or activity thereof to an execution level Component(s) or activity thereof, or suballotted between two or more intermediate level Component(s), or activities thereof:

   Budgetary Entry
   Dr 456000  Funds Available for Allotment
   Cr 457000  Allotments Issued

   Proprietary Entry
   Dr 310100  Unexpended Appropriations – Appropriations Received
   Cr 101000  Fund Balance With Treasury
1404 NOTIFICATION AND ACCOUNT CLOSING

140401. Notification to Departmental Level

The intermediate level accounting activity must notify the departmental level accounting entity of direct program authority that is not distributed to the execution level (account 456000, Funds Available for Allotment).

140402. Account Closing

After preparation of the prescribed budget execution reports, the following entries must be made, at the expiration of the period of availability for obligation, to close expended amounts to the authorizing account for the expenditures and to withdraw any remaining program authority.

A. To close budgetary authority within the intermediate level upon expiration of the period of availability where distributions were issued to the execution level:

   Budgetary Entry
   Dr 457000 Allotments Issued
   Cr 456000 Funds Available for Allotment

   Proprietary Entry
   Dr 101000 Fund Balance With Treasury
   Cr 310100 Unexpended Appropriation – Appropriations Received

B. To close internal fund distributions received in the intermediate level that remains undistributed (withheld) upon expiration of the period of availability:

   Budgetary Entry
   Dr 456000 Funds Available for Allotment
   Cr 455000 Internal Fund Distributions Received

   Proprietary Entry
   Dr 310100 Unexpended Appropriation – Appropriations Received
   Cr 101000 Fund Balance With Treasury

C. To close direct budget authority issued through allotment or suballotment upon expiration of the period of availability:

   Budgetary Entry
   Dr 457000 Allotments Issued
   Cr 420100 Total Actual Resources – Collected

   Proprietary Entry
   None
D. To close internal fund distributions received at the intermediate level upon expiration of the period of availability:

Budgetary Entry
Dr 420100  Total Actual Resources – Collected
Cr 455000  Internal Funds Distribution Received

Proprietary Entry
None
VOLUME 3, CHAPTER 15: “RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – EXECUTION LEVEL”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated August 2015 is archived.

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<tr>
<td>150102</td>
<td>Added a new paragraph and hyperlink to the Deputy Chief Financial Officer (DCFO) memorandum “Accounting for Internal Funds Distributions; Interpretation Guidance for General Fund Appropriations,” dated August 3, 2016 describing general ledger accounts, and transaction codes that must be used to show the flow of funds from the department level to the execution level.</td>
<td>Addition</td>
</tr>
<tr>
<td>1502</td>
<td>Added a new section, Definitions.</td>
<td>Addition</td>
</tr>
<tr>
<td>150303.F</td>
<td>Updated general ledger accounts used to record the closing of unobligated balances to expiring authority, for commitments – programs subject to apportionment.</td>
<td>Revision</td>
</tr>
<tr>
<td>150307.B</td>
<td>Updated the location where readers can access policy, guidance, and information on foreign military indebtedness.</td>
<td>Revision</td>
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CHAPTER 15

RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – EXECUTION LEVEL

1501 GENERAL

150101. Purpose

This chapter prescribes the standards for recording the receipt and subsequent distribution of budgetary resources in execution-level activities. The execution-level budgetary and proprietary accounts are used to record the receipt of an allotment issued from a higher authority, e.g., the Assistant Secretary of the Air Force (Financial Management and Comptroller), and the further distribution of funds, i.e., subdivision of the allotment (suballotment, allocation, or suballocation) to another execution-level activity. See Chapter 13 for departmental-level and Chapter 14 for intermediate-level requirements.

*150102. Authoritative Guidance

A. The Office of Management and Budget (OMB) Circular A-11 provides an overview of the budget process and specific requirements for preparation and submission of the budget. The United States Department of the Treasury (Treasury) is responsible for Government-wide reporting and issues requirements in the Treasury Financial Manual. Volume 14, Chapter 1 prescribes the Department of Defense (DoD) requirements for the administrative control of funds in accordance with OMB Circular A-11, Appendix H, and identifies additional authorities in paragraph 010103.

B. The Accounting for Internal Funds Distribution memorandum provides an overview of the appropriate general ledger accounts and transaction codes that must be used to record the flow of funds from the department level to the execution level. Military Departments and DoD agencies must ensure they are following the procedures outlined in this memorandum regarding the internal funds distribution accounts to ensure proper alignment of these accounts within the Defense departmental reporting process. The internal funds distribution guidance explains how these entries must be recorded (budgetary and proprietary), the impact on internal and external financial reporting, and identifies the accounts that must be used from issuance and receipt of funds through the year-end closing process.

*1502 DEFINITIONS

150201. Departmental Level

Involves recording receipt and distribution of budgetary resources at the department level, headquarters, or Office of the Secretary of Defense (OSD) level as discussed in Chapter 13.

150202. Intermediate Level

Involves recording receipt and distribution of budgetary resources using the intermediate-level accounts. Refer to Chapter 14 for restrictions on the use and application of the intermediate level accounts.

150203. Execution Level

Involves recording receipt and distribution of budgetary resources using the execution-level budgetary accounts as discussed in this chapter.

1503 STANDARDS

150301. Accounts

A. This chapter discusses the accounting standards for receipt and execution of allotments, commitments, obligations, reimbursements, and borrowing authority. The accounting transactions covered in this chapter frequently require a compound entry; i.e., entries that must be made in both the budgetary and proprietary accounts.

B. The accounts established at the execution-level accounting entities implement the DoD Standard Chart of Accounts prescribed in Volume 1, Chapter 7. Both the budgetary and proprietary accounting entries for the DoD general ledger accounts are specified in the DoD USSGL Transaction Library that can be accessed on the Standard Financial Information Structure (SFIS) resources web page.

150302. Allotments Received

A. Requirements

1. Budgetary authority is formally distributed by allotment, suballotment, allocation, and suballocation. The OMB Circular A-11, Appendix H, defines these terms and a specific subdivision hierarchy (see Volume 14, Chapter 1). These subdivisions distribute budget authority to execution-level accounting activities and authorize the incurrence of obligations within a specified amount. Only the term allotment will be used in this chapter.

2. Any formal subdivision of funds must contain at least the same statutory and other limitations applicable to the original apportionment.

3. Although an allotment document format is not prescribed, it must disclose specific classifications and limitations that must be tracked in the accounting records. For instance, an appropriation committee may state that a specific amount has been added to an appropriation for a certain purpose. To ensure that the congressional intent is accomplished, the accounting entity receiving an allotted share of such budget authority must account for the share amount, and the obligations and expenditures.
4. An allotment received at the execution level must retain the same SFIS Budget Line Item Identifier as that of the allotment issued to the execution level. Similarly, the SFIS Sub-Allocation Holder Identifier (SAHI, formerly “Limit”) and Budget Allotment Line Item Identifier must be retained throughout the funds distribution life cycle, as applicable.

B. Accounting Entries

1. To record the direct budgetary authority received by an execution-level component through either allotment or suballotment of authority:

   **Budgetary Entry**
   Dr 458000 Allotments Received
   Cr 461000 Allotments – Realized Resources

   **Proprietary Entry**
   Dr 101000 Fund Balance With Treasury
   Cr 310100 Unexpended Appropriations–Appropriations Received

2. To record the suballotment of direct budgetary authority at the execution level:

   **Budgetary Entry**
   Dr 461000 Allotments-Realized Resources
   Cr 457000 Allotments Issued

   **Proprietary Entry**
   Dr 310100 Unexpended Appropriations – Appropriations Received
   Cr 101000 Fund Balance With Treasury

3. Record direct budgetary authority received by an execution-level activity through suballotment of authority using the transaction in subparagraph 150302.B.2.

   Note: The status of suballotments is tracked and reported by the SFIS Budget Line Item Identifier of the allotter of the funds.

4. To close allotments and suballotments of budget authority within the execution level that remains unobligated upon expiration of the period of availability:

   **Budgetary Entry**
   Dr 461000 Allotments-Realized Resources
   Cr 458000 Allotments Received

   **Proprietary Entry**
   Dr 310100 Unexpended Appropriations-Appropriations Received
   Cr 101000 Fund Balance With Treasury
5. To close suballocations within the execution level that remains unobligated upon expiration of the period of availability:

**Budgetary Entry**
Dr 457000 Allotments Issued  
Cr 461000 Allotments-Realized Resources

**Proprietary Entry**
Dr 101000 Fund Balance With Treasury  
Cr 310100 Unexpended Appropriations Appropriations Received

150303. Commitments

A. A commitment is an administrative reservation of allotted funds, or of other funds, in anticipation of their obligation. Since an obligation equal to or less than the commitment may be incurred without further recourse to an authorizing official, commitments are required for some appropriations (see subparagraph 150303.C) and are permissible for others. A commitment, when recorded in the accounting records, reduces the allotment’s available fund balance. A commitment document must be signed by a person authorized to reserve funds; i.e., the official responsible for administrative control of funds for the affected subdivision of the appropriation. This helps ensure that the subsequent entry of an obligation will not exceed available funds.

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

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

D. A commitment generally is not recordable from an action document approving a procurement program because execution of the program requires specific actions to reserve all or part of the subdivision of funds made available to the program. The program approval may be recorded as an initiation (see subparagraph 150303.E). Also, a commitment usually is not recordable from an order to commence procurement since such orders generally are not firm reservations permitting the recording of an obligation without recourse to the person authorized to reserve funds. These orders may be recorded as initiations.

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

* F. Outstanding commitments must be closed/canceled as of the end of the period that the appropriation is available for obligation. Commitments cannot exist in expired appropriation accounts. To record the closing of unobligated balances to expiring authority, for commitments – programs subject to apportionment:

**Budgetary Entry**
Dr 470000 Commitments-Programs Subject to Apportionment  
Cr 465000 Allotments – Expired Authority

**Proprietary Entry**
None

150304. Obligations

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

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

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

D. Accounts 490100, Delivered Orders – Obligations, Unpaid and 490200, Delivered Orders – Obligations, Paid are used for the credits entered into the budgetary accounts to recognize liabilities incurred and payments made for (a) services performed by employees, contractors, other government accounting entities, vendors, carriers, grantees, and lessors; (b) goods and other tangible property received; and (c) programs for which no current service performance is required such as annuities, insurance claims, benefit payments, and loans.

E. Reductions or cancellations of prior year obligations in no-year and unexpired multiple year (multi-year) accounts must be reported specifically in budget execution reports (see Volume 6A, Chapter 4).
F. Chapter 8 contains the detailed requirements for determining and recording the amounts of obligations.

150305. Reimbursements and Refunds

A. Definition

1. Reimbursements are collections earned for selling goods or services. Reimbursable obligations are obligations financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account. The collection must be authorized by law to credit the specific appropriation or fund account. Within DoD, the Under Secretary of Defense (Comptroller) must authorize reimbursable authority through budget formulation and statutory authorization of the budget. Except for refunds and reimbursements, collections are deposited in Treasury as miscellaneous receipts.

2. Refunds are repayments of excess payments and are to be credited to the appropriation or fund account charged with the original obligation in accordance with OMB Circular A-11, section 20.9 (see Table 15-1). The amounts must be directly related to previously recorded obligations incurred and expenditures made against the appropriation; and are reductions to those expenditures. Refunds to appropriations represent amounts collected from outside sources for payments made in error, overpayment, or adjustments for previous amounts disbursed. Amounts in excess of the refund, i.e., interest and penalty charges collected that are related to refunds must be deposited in Treasury as miscellaneous receipts. Any items returned to Defense Working Capital Fund (DWCF) supply activities from DWCF customers are to be considered as a recovery (and not classified as a refund). See Volume 4, Chapter 3, Annex 1 for accounting policy on the disposition of interest, penalties, and administrative charges. Also, see Volumes 11A, 11B, and 15 for additional policy requirements for reimbursements.

3. For returned cash advances, other offsetting collection, or special or trust fund receipts received in a prior fiscal year, an obligation and an outlay in the current fiscal year must be recorded in accordance with OMB Circular A-11, section 20.10.

4. In general, collections in the absence of an authorized reimbursable program for DoD goods and services do not create budgetary resources. Except for refunds, such collections must be deposited in Treasury as miscellaneous receipts unless the deposit to an appropriation or fund is authorized by law. Refunds attributable to the use of the Government purchase and travel cards and Government travel arranged by Government Contracted Travel Management Centers may be credited to Operation and Maintenance; and Research, Development, Test, and Evaluation accounts that are current when the refunds are received. Volume 11A, Chapter 3 and Volume 11B, Chapter 3 contain the general statement of policy regarding work performed or material provided between DoD and other Federal agencies.

B. Anticipated Reimbursements

1. Anticipated reimbursements are, in the case of transactions with the public, the estimate of reimbursements expected to be earned during the current fiscal year, subject
to OMB apportionment, other authorized reimbursements, and/or other income for which current fiscal year obligatory authority is automatically established based on customer orders received. In transactions between United States (U.S.) Government accounting entities, anticipated reimbursements consist of orders expected to be received but have not been accepted. Anticipated reimbursements may not be used as a source of obligatory authority until a customer order is accepted unless such use specifically is authorized in statute. The primary example of the use of anticipated reimbursements to create obligatory authority is a revolving fund in which anticipated reimbursements underlie apportionments of reimbursable authority.

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

3. At the beginning of each fiscal year an entry must be made to record an allotment of anticipated reimbursable program authority. For an automatically apportioned reimbursable program, the predominant type within DoD, an estimate of the expected reimbursable program must be entered. For a specifically apportioned reimbursable program, the exact amount specified in the allotment instrument must be entered. An estimate of automatically apportioned reimbursable authority may be revised, upward or downward, by the performing activity at any time during a fiscal year to reflect the current estimate. The specifically apportioned reimbursable program authority may not be revised unless a revised allotment instrument is requested and received. An allotment of anticipated reimbursable program authority does not provide obligation authority. An allotment of anticipated reimbursable program authority provides only authority to accept reimbursable orders. The accepted reimbursable order provides the obligation authority. See subparagraph 150305.C.2 for information on specific types of customer orders.

4. The accounting entry to record the receipt of reimbursable authority by the performing entity is as follows:

**Budgetary Entry**

Dr 421000  Anticipated Reimbursements and Other Income  
Cr 459000  Apportionments – Anticipated Resources – Programs Subject to Apportionment

**Proprietary Entry**

None

C. **Customer Orders**

1. Accepted customer orders establish obligatory authority in a performing allotment. Unfilled customer orders are the amounts of orders accepted from other accounting entities within the U.S. Government for goods and services to be furnished on a
reimbursable basis; or, in the case of transactions with the public, are amounts collected in advance for which the accounting entity has not yet performed as requested. On an exception basis, there may be orders from the public received and accepted without payment in advance, but only when specifically permitted by statute. Acceptance of a customer order requires that the performing accounting entity agree in writing to perform the work for the requesting (customer) accounting entity. Volume 11B, Chapter 3 discusses the written requirements that are used to document these requests and acceptances. Account 422100, Unfilled Customer Orders Without Advance, and account 422200, Unfilled Customer Orders With Advance, are the execution-level budgetary accounts that are used, as applicable, to record obligational authority for the reimbursable program. Corresponding amounts are recorded in account 421000, Anticipated Reimbursements and Other Income. An allotment of reimbursable program authority, whether specific or automatic, authorizes the reimbursable program. It does not establish obligational authority.

2. For reimbursable customer orders between Federal Government entities where both the performing and ordering agencies are using multi-year appropriation accounts, the agency accepting the order from a multi-year appropriation account must record the obligational authority resulting from the order against its multi-year appropriation account with a like period of availability. If the performing and ordering agency accounts have different periods of availability, such as when a performing agency uses its one-year Operations and Maintenance appropriation to fill an order funded by a customer’s multi-year appropriation account, such reimbursable customer orders and their related transactions must be applied in accordance with OMB Circular A-11, section 130.9. In such instances, the performing agency must obtain authorization each fiscal year in order to execute the unobligated balance in the subsequent fiscal year. For guidance on Economy Act orders, see Volume 11A, Chapter 3.

3. For additional guidance on project orders, i.e., between DoD entities, see Volume 11A, Chapter 2.

4. For general guidance on non-Economy Act orders, see Volume 11A, Chapter 18.

5. For additional guidance on orders placed with or through Defense Working Capital Fund activities, see Chapter 8, sections 0808 and 0809.

D. Unearned Revenue. Unearned revenue is the amount recognized as received by a performing organization in the form of advance payments for the future delivery of goods, services, or other assets. A compound entry is required to record reimbursable orders received and accepted with payment in advance, Debit Account 422200, Unfilled Customer Orders With Advance, and Credit account 422100 – Anticipated Reimbursements and Other Income. A compound entry is also required to credit account 231000, Liability for Advances and Prepayments, and debit account 101000, Fund Balance with Treasury. Compound entries must be made to recognize advance payments in both the budgetary accounts and proprietary accounts.
E. Earned Reimbursements

1. An earned reimbursement is the amount recognized when a performing organization renders actual or constructive performance on a reimbursable order. Generally, it is at the point of recognition of a paid or unpaid delivered order that compound entries must be made to record the performance and earnings in both the budgetary accounts and in the proprietary accounts.

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

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

4. Earned reimbursements must be recorded and billed promptly in the accounting period earned. See Volume 11A, Chapter 1 for information on reimbursement procedures and supporting documentation.

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

F. Proceeds from Assets Sold. In accordance with OMB Circular A-11, section 83.5, proceeds from assets sold for replacement provide direct resources. Therefore, when proceeds from assets sold are used to replace assets sold, the obligation must be classified as direct. For Foreign Military Sales (FMS) and non-FMS asset sales, a determination first must be made whether the item requires replacement or that it will not be replaced (free assets). Proceeds from FMS sales of free assets must be deposited in Treasury as miscellaneous receipts or in the Special Defense Acquisition Fund (SDAF). For SDAF information, see the Defense Security Cooperation Agency’s Security Assistance Management Manual, Chapter 11, (section C.11.9). Proceeds from all other assets sold for replacement must be credited to the account funding the replacement in the period of availability with the latest expiration date at the time of collection. Collections must be made before obligations can be incurred for replacement.

150306. Borrowing Authority

A. Borrowing authority is statutory authority to incur obligations and to make payments for specified purposes out of borrowed money. It must be established as needed by the acquisition of property subject to a mortgage, and withdrawn upon payment of the mortgage principal. When the mortgage is assumed by a buyer, the borrowing authority is disestablished.
B. The accrued expenditures for the acquisition of homes subject to mortgages payable that are assumed by the U.S. Government must include the amount of the mortgage balance payable. The accrued revenues for the sale of homes subject to mortgages payable that are assumed by the buyer must include the amount of the mortgage balance payable. Homes may be sold subject to another loan of all or part of the cash purchase price to the new buyer. In this case, the U.S. Government would have a second mortgage on the home. The revenue for the sale includes this mortgage receivable.

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

D. The total acquisition cost of the property and the mortgage assumed must be in accordance with Volume 6A, Chapter 3.

150307. Additional Guidance

A. For policy guidance and information on the Homeowners Assistance Program, see DoD Directive 4165.50E and Title 42, United States Code, section 3374.

B. For policy guidance and information on foreign military indebtedness, see Volume 16, Chapter 6.

C. For policy guidance and information on the military housing privatization program, see Volume 2B, Chapter 6 and Volume 6A, Chapter 9.

1504 ACCOUNT ADJUSTMENTS

150401. Fiscal Year-End Adjustments to Appropriation Accounts

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

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

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

D. Review estimated obligations for possible overstatement or understatement.

E. Review obligations for goods and services ordered. Cancel orders or contracts for goods or services that are no longer needed or that are not likely to be delivered, and deobligate the appropriate amounts. A contract modification, or similar authorized contracting officer action, is required to deobligate these amounts.

F. The internal fund distribution account closing transactions are as follows:

   1. To close direct budgetary authority allotments or suballotments received at the execution level upon expiration of the period of availability:

      **Budgetary Entry**
      Dr 420100 Total Actual Resources-Collected  
      Cr 458000 Allotments Received

      **Proprietary Entry**
      None

   2. To close direct budgetary authority issued through allotment or suballotment upon expiration of the period of availability:

      **Budgetary Entry**
      Dr 457000 Allotments Issued  
      Cr 420100 Total Actual Resources-Collected

      **Proprietary Entry**
      None

150402. Adjustments to Expiring Accounts

   A. Cancel outstanding commitments in expiring accounts. Outstanding commitments must be canceled as of the end of the period that an appropriation is available for obligation. Commitments are not allowed in expired accounts. See subparagraph 150303.F for recording the transaction for commitments that remain unobligated upon expiration of the period of availability.

   B. Review completed customer orders to restore reimbursable program obligational authority made available that was in excess of performance cost. Earned amounts that remain uncollected must be eliminated from the expiring appropriation account and established against the miscellaneous receipt account to which the future collection is to be deposited.
C. Reduce the balance in accounts 422100, Unfilled Customer Orders Without Advance and 422200, Unfilled Customer Orders With Advance to the amount of valid remaining incomplete customer orders only. Cash advances accepted for non-Federal customer orders that remain unused (i.e., no performance) by the end of the fiscal year must be returned.

D. Eliminate any balance remaining in account 421000, Anticipated Reimbursements and Other Income.

150403. Adjustments to Canceled Appropriation Accounts

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

150404. Report Preparation and Closing

After completion of the adjustments, budget execution reports must be prepared as specified in Volume 6A, Chapter 4. After completion of the reports, close obligational and reimbursable authority.

150405. Expired and Canceled Accounts

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

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

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

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

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

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

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

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

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

E. See Chapter 10 for additional policy on expired and canceled accounts.

150406. Expired Authority

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

B. **Elimination of Unobligated Balances**

1. **Direct Program.** Unobligated budget authority of an expired appropriation, at the time of its expiration, must be closed to account 465000, *Allotments - Expired Authority*.

2. **Reimbursable Program.** Closing entries eliminate reimbursable program authority that has been expended. In addition to the elimination of expended reimbursable program authority, a change is necessary to eliminate unobligated reimbursable program authority existing at the time of expiration of the receiving appropriation. Unobligated reimbursable program authority must be returned to the financing appropriation. The obligation authority necessary to finance any subsequent upward obligation adjustments must be requested from that financing appropriation. See subparagraphs 150305.C.2 and 150402.C for additional information on multi-year reimbursable authority and cash advances from non-Federal sources, respectively.
C. Adjustments. During the 5 years following the appropriation’s period of availability for obligation, obligations may be adjusted upward and downward and disbursements may be made from these expired appropriations. Account 465000, Allotments – Expired Authority, is a credit balance account that, prior to appropriation cancellation, is equal to the balance of unobligated expired program budget authority. Expired authority, prior to appropriation cancellation, provides the ability to a DoD Component to adjust obligations upward that were previously under recorded or to record obligations that should have been recorded (but were not) against an expired appropriation before its expiration.

150407. Canceled Authority

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

A. Accounting for Canceled Obligated and Unobligated Balances. Upon cancellation of an appropriation, the balance in account 465000, Allotments – Expired Authority, must be reclassified as canceled authority and recorded to account 435000, Canceled Authority. Expenditures from a current appropriation that are applicable to obligations incurred in a canceled appropriation will reduce the balance in account 435000.

B. Accounting for Collections Applicable to Closed Accounts. Any collections received after cancellation of an account must be deposited in Treasury as miscellaneous receipts.

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

1. To determine if sufficient direct program unobligated authority exists in the closed account, deduct all amounts charged to current appropriations that otherwise would have been chargeable to the closed account, both as to purpose and in amount, except that the account was canceled, from the unobligated balance at the time of the cancellation.

2. The total of payments from a current appropriation for obligations and payables of a canceled appropriation cannot exceed the lesser of (1) the unexpended balance of the canceled appropriation; (2) the unexpired unobligated balance of the currently available appropriation; or (3) one percent of the current appropriation being charged. Payables applicable
to canceled appropriations must be paid from funds of subsequent appropriations that are available for the same general purpose as the one from which the payables were canceled. Liabilities may not be recorded on the books of a subsequent appropriation until (1) valid bills are received for payment; and (2) it is certain the payment will be made from that subsequent appropriation. If such payments exceed the one percent limitation, additional authority must be sought from Congress (see Chapter 10). It is important to note that the liability of a current account to pay an obligation of a canceled account is recorded only in the proprietary accounts of the current account pursuant to the criteria described in this paragraph. The obligation of a current account to pay, however, including upward obligation adjustments, must be recorded in the budgetary accounts at the time it is first known against the obligational authority of the canceled account that would have been available except for its cancellation.
Table 15-1. Recording Refunds Received

<table>
<thead>
<tr>
<th>If you receive a refund of funds that were…</th>
<th>And the appropriation against which the obligation was incurred…</th>
<th>You…</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Obligated and outlayed in that year</td>
<td>Remains available (usually the case)</td>
<td>Reduce the total amount of obligations and outlays recorded for the year in the budget schedules.</td>
</tr>
<tr>
<td>(2) Obligated and outlayed in a previous year and credited to the same appropriation or fund account</td>
<td>Remains available for new obligations</td>
<td>Record the refund as offsetting collections (cash) credited to unexpired accounts (i.e., as offsetting collections on lines 4030-4034 or 4120-4124) and as recoveries of prior year paid obligations, unexpired accounts on line 4053 or 4143; increasing unobligated balances. These offsetting collections are not reported as new budget authority; they are offset against gross outlays but not against gross budget authority.</td>
</tr>
<tr>
<td>(3) Obligated and outlayed in a previous year and credited to a different appropriation or fund account</td>
<td>Remains available for new obligations</td>
<td>Record the refund as offsetting collections (cash) credited to unexpired accounts (i.e., as offsetting collections on lines 4030-4034 or 4120-4124); increasing spending authority from offsetting collections.</td>
</tr>
<tr>
<td>(4) Obligated and outlayed in a previous year</td>
<td>Has expired but is not yet canceled</td>
<td>Record the refund as offsetting collections (cash) credited to expired accounts (i.e., as offsetting collections on lines 4030-4034 or 4120-4124; as offsetting collections credited to expired accounts on line 4052 or 4142 of the schedule P); and recoveries of prior year paid obligations on line 4054 or 4144 of the Standard Form 133). These offsetting collections are not reported as new budget authority; they are offset against gross outlays but not against gross budget authority.</td>
</tr>
<tr>
<td>(5) Obligated in a previous year</td>
<td>Has been canceled</td>
<td>Deposit the refund in miscellaneous receipts of the Treasury.</td>
</tr>
</tbody>
</table>
VOLUME 3, CHAPTER 17: “ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated February 2016 is archived.

<table>
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<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>170302.C</td>
<td>Cited United States Code (U.S.C.) and removed listing specific requirements found in the U.S.C.</td>
<td>Revision</td>
</tr>
<tr>
<td>All</td>
<td>Updated narrative in accordance with authoritative guidance.</td>
<td>Revision</td>
</tr>
<tr>
<td>Appendix A</td>
<td>Updated Table 1 with Fiscal Year 2019.</td>
<td>Revision</td>
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</table>
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CHAPTER 17

ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS

1701 GENERAL

170101. Purpose

This chapter identifies accounting requirements and legal authorities applicable to the construction of real property, including:

A. Costs to be charged to appropriations available for military construction (these costs are referred to as funded costs);

B. Costs that, although financed by appropriations or funds other than those available for a specific construction project, are to be capitalized as part of the real property investment (these are referred to as unfunded costs);

C. Preparation of accounting source documents required to support entries to real property accounts;

D. Obligation and expenditure restrictions and limitations for military construction projects; and

E. Various other related functions.

F. For policy relating to the construction of real property involving arrangements with host nations see the discussion of facilities and equipment outside the zone of the Interior (United States and Possessions) in Volume 4, Chapters 24-28.

170102. Authoritative Guidance

A. Title 10, United States Code, section 2802 (10 U.S.C. § 2802) authorizes the Department of Defense (DoD) and Military Departments to carry out military construction projects, land acquisitions, and defense access road projects. Typically, annual national defense authorization acts include military construction authorization acts. Congress has provided the Department permanent authority to carry out certain types of military construction projects. These standing authorities primarily are located within 10 U.S.C. Chapter 169, “Military Construction and Military Family Housing.” Chapter 169 includes:

1. Subchapter I, Sections 2801 to 2815, “Military Construction;”

2. Subchapter II, Sections 2821 to 2838, “Military Family Housing;”

3. Subchapter III, Sections 2851 to 2869, “Administration of Military Construction and Military Family Housing;” and
4. **Subchapter IV**, Sections 2871 to 2886, “Alternative Authority for Acquisition and Improvement of Military Housing.”


   C. Additional U.S.C. requirements prescribed in this chapter.


D. Additionally, the accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions and are identified.


4. DoDD 4270.5, “Military Construction;”

5. DoD Instruction DoDI 4165.56, “Relocatable Buildings;” and

6. United Facilities Criteria (UFC) 1-300-08, “Criteria for Transfer and Acceptance of DoD Real Property.”

1702. MILITARY CONSTRUCTION PROCESS

170201. Definition

Military construction is any construction, development, conversion, or extension of any kind carried out with respect to a military installation, whether to satisfy temporary or permanent requirements, or any acquisition of land or construction of a defense access road. A military construction project includes all military construction work necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility (or to produce such portion of a complete and usable facility or improvement as is specifically authorized by law). The authority to carry out military construction includes authority for (1) surveys and site preparation; (2) acquisition, conversion, rehabilitation, and installation of facilities; (3) acquisition and installation of equipment and appurtenances integral to the project; (4) acquisition and installation of supporting facilities (including utilities) and appurtenances incident to the project; and (5) planning, supervision, administration, and overhead incident to the project.

170202. Authorization Requests

A. Each year an annual or biennial request for major construction projects and programs is submitted to the Congress. Requests presented are reviewed, adjusted, and approved through established command and staff channels, including the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB) before submission to the Congress for authorization. The Assistant Secretary of Defense for Energy, Installations and Environment (ASD(Sustainment)) in conjunction with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) provides guidance for submitting military construction projects for authorization.
B. Requests for authorization are confined to projects that reasonably can be expected to be executed within the fiscal year requested.

C. Authorization requests for major construction projects must be supported by data on proposed physical capacity or other physical measurements, as well as data on estimated costs. Generally, the data for such projects must be arranged by state and/or installation. These data must be accompanied with comparative data on the existing real property inventory and projects expected to be subject to future authorization requests. Related data with respect to approved missions and proposed forces should also be provided. In addition, programs also should be evaluated with respect to that portion of a project subject to request for immediate authorization and that portion deferred for future authorization requests.

170203. Authorization Guidance and Restrictions

A. Each Act of Congress that provides authorization for work performed under major construction programs generally contains a limitation on total costs for work undertaken for each installation as a whole, for emergency construction work on a Department-wide basis and, in some cases for a type or category of construction. In certain circumstances, overruns, within stated percentages, may be authorized with respect to individual cost limitations, provided the total amount authorized for any appropriation is not exceeded.

B. Specific authorization in a military construction authorization act is required for work performed under major construction programs unless the project is carried out under one of the authorities provided by: 10 U.S.C. §§ 2667-2668, 2803-2805, 2808, 2854, 18233 and other authorities to carry out a project not otherwise specifically authorized.

C. A Military Department may not carry out a minor military construction project expected to exceed the statutory limits provided in 10 U.S.C. § 2805 without specific Congressional authorization and approval. See subparagraph 170302.C.

D. 10 U.S.C. § 2802 provides authority to carry out a military construction project (See paragraph 170201).

170204. Appropriation Requests

A. Military Construction Projects. Appropriation requests in support of all new military construction projects are submitted to the Congress annually or biennially, as required. Military construction appropriations generally are available for obligation for five fiscal years. Such appropriation requests are consistent with existing authorizations, authorization requests, or other requests for funds, as applicable, and include specific budget estimates for those projects for which legislative authorization has been, or is being, requested.
B. Military Family Housing. Individual projects must be authorized and appropriated in accordance with 10 U.S.C. Chapter 169, Subchapter II.

C. Reprogramming. Adjustments may be made as necessary to finance to completion the cost of:

1. Projects previously approved and started,
2. Projects expected to be started during the current fiscal year, and
3. Other project costs that represent valid unfinanced requirements for the budget year.

D. Reprogramming Amounts. All reprogramming amounts requested must be consistent with amounts appropriated for specified military construction projects and the reprogramming criteria provided in Chapter 7, “Reprogramming of Military Construction and Family Housing Appropriated Funds.”

1. The amount of reprogramming must be within total amounts appropriated in each annual appropriation act.

2. Amounts previously appropriated in excess of the cost of performance may be reprogrammed to support the completion of other projects.

3. Individual projects cited as a source of funds for reprogramming are limited to the new total cost included in the estimate given to the Congress.

170205. Obligation and Expenditure Restrictions

A. Appropriated funds authorized for obligation are subject to the regulations regarding administrative control of funds and Antideficiency Act provisions addressed in Volume 14. An adequate system of funds control must be established in accordance with Volume 14. These controls must be designed to ensure that individual projects are being carried out consistently with authorized purposes and within authorized and available funds.

B. Absent a specific provision of law, the cost estimate for each project approved by the Congress is not a separate statutory cost limitation. Major physical or financial changes in individual projects previously approved must be reported in advance to the House and Senate Appropriations Committees and the House National Security and Senate Armed Services Committees for their approval after proper clearance within the Department and OMB.

C. Limitations will be at the project level for major construction and budget activity for minor construction and planning and design.

D. DoD Components have limited authority to realign resources between projects consistent with Volume 2B, Chapter 6.
E. Requests for apportionment of appropriated funds must be based on estimates contained in applicable approved operating budgets.

F. Within each Military Department, funding authorizations to incur obligations must be made by means of subdivisions of appropriated funds to operating agencies and operating units responsible for construction. Such funding authorizations must be less than or equal to total obligation requirements for the respective approved operating budgets.

G. There can be only one allotment of funds from the construction appropriation to any operating agency and only one suballotment of funds from any such allotment to each operating unit. These allotments and suballocations represent funds distribution only and are not made for reimbursable activity. Each allotment or suballotment should carry with it only such additional obligation limitations as may be established by OMB or the Secretary of Defense, or as otherwise required by the Congress or the President. Separate limitations imposed on total costs by congressional authorizations and by administrative action must be observed at every level in connection with budgetary and funding actions as well as in program execution.

H. Intergovernmental Construction Work or Services

1. Military Departments performing construction work or services for another DoD Component or another Federal agency are required to use reimbursable agreements delineated under the Economy Act when practicable, i.e., reimbursable Military Interdepartmental Purchase Requests (MIPRs). MIPRs must include a requirement for periodic billings for construction along with sufficient documentation of the costs billed in accordance with G-Invoicing (formerly known as Invoice Processing Platform).

2. DoD Construction Agents (U.S. Army Corps of Engineers (USACE) and the Naval Facilities Engineering Command (NAVFEC)) must use MIPRs when performing work for the DoD Intelligence Agencies listed in Volume 6B, Chapter 1.

3. DoD Construction Agents wishing to use suballocations rather than MIPRs must deliver a detailed action plan to the Deputy Chief Financial Officer (DCFO). If the detailed action plan is approved by the DCFO, the Construction Agents are required to:

   a. Use independently validated Federal Information System Controls Audit Manual (FISCAM) and Federal Financial Management Improvement Act (FFMIA) compliant financial management systems:

      (1) FISCAM compliant systems must meet all relevant FISCAM control objectives to the financial statements (i.e. both Information Technology General Controls and application controls related control objectives).

      (2) FFMIA compliant systems must meet: Federal financial management system requirements (e.g., OMB Circulars A-127 and A-130), applicable Federal accounting standards (e.g., Statement of Federal Financial Accounting Standards (SFFAS), OMB Bulletin 15-02), and the USSGL at the transaction level.)

17-9
b. Provide USSGL/SFIS compliant trial balances inclusive of budgetary and propriety accounts to each customer and Defense Finance and Accounting Service (DFAS) monthly. They must also provide reconciliations of the trial balances to:

   (1) Suballotment universe of transactions;
   (2) End-to-end feeder systems, including contract writing systems, entitlement systems, and Accountable Property Systems of Record;
   (3) Defense Departmental Reporting System (DDRS) unadjusted and adjusted trial balances; and
   (4) Program Budget Accounting System funding authorizations.

c. Provide end-to-end business process and underlying system walkthroughs, process flows, and narratives, for the execution of Military Construction projects - both major and minor. The end-to-end business process includes the receipt of funding through the transfer of asset(s) and close-out of related contracts. The process should demonstrate how all costs (direct and indirect) associated with bringing an asset into service is accumulated in a construction-in-progress account in accordance with SFFAS 6.

   (1) Within five days of receipt from customer, provide requested transaction supporting documentation. Documentation may include: contracts, invoices, receiving documents, rate settlement calculations, Department of Defense (DD) Form 1354s, and support for DDRS or accounting system Journal Vouchers.
   (2) Work with customer auditors to identify and correct any audit findings, including system findings.

4. Provide a reconciliation of progress billings to actual construction in progress and provide sufficient supporting documentation for the reconciliation at least monthly.

5. DoD Construction Agents may perform work or services for the Federal Emergency Management Agency or other DoD Agency or non-DoD Federal Agencies when construction or services work is a response to an emergency, under suballotments.

6. Funding for construction work by the transfer of appropriation accounts or by advances of funds is prohibited. Direct citation of funds (i.e., direct charge by the performing unit and/or activity to the funds of the ordering unit and/or activity) is also prohibited.

   I. The performance or all work or services on a reimbursable basis under a construction appropriation must conform to the policies prescribed in this subparagraph:
1. Reimbursements earned are an additional source of obligational authority under the appropriate budget program account. Recording reimbursements for orders received is permitted for establishing obligational authority. Cost limitations for the performance of work must be observed pursuant to the terms of the orders received. Operating budgets must include estimates of reimbursable orders received or anticipated.

2. Reimbursements are to be budgeted and their use controlled at the Military Department level where management and control of a program is retained. In these cases, allotments of funds must be expressed in terms of total obligational authority in operating budgets of the respective operating agencies and operating units responsible for carrying out the program.

J. Authority to procure architectural and engineering services for public works and utilities projects is provided by 10 U.S.C. § 7540, 8612 and 9540. These sections, which apply to the Department of the Army, the Department of the Navy, and Department of the Air Force, respectively, limit the amount of obligations that can be incurred for architectural and engineering services for any public works or utilities project. Specifically, these sections limit the amount of such services provided by sources outside the respective Departments to not more than six percent of the estimated cost of the project. The six percent threshold does not include costs associated with activities such as design reviews, advertisements, preparation of invitations for bids, requests for proposals, land survey, soils and/or other investigations and model studies, determination of program or project requirements, design development criteria, environmental impact statements and supporting data, or travel and per diem.

170206. Planning and Design

A. 10 U.S.C. § 2807 authorizes the Secretary to perform planning and design efforts for military construction or land acquisition projects.

1. Such efforts, to the extent accomplished within amounts otherwise appropriated for such purposes, may be accomplished without specific congressional authorization for the project involved, provided the activities are accomplished within amounts otherwise appropriated and the estimated design costs do not exceed the amount established in 10 U.S.C. § 2807, as amended. The established limit is $1 million.

2. 10 U.S.C. § 2807 prescribes an obligatory notice and wait period for architectural and engineering services and construction design services for which the estimated costs exceeds $1 million. Before obtaining such services, the Secretary concerned will notify the appropriate committees of the Congress before the initial obligation of funds for such services. The Office of the ASD(Sustainment), Facility Investment and Management Directorate will receive copies of the Congressional notification. The Secretary concerned can only obligate the funds after the end of a 21-day period following the notification to Congressional committees. If an electronic copy of the notification is provided to the Congressional committees, then the waiting period is reduced to 14 days pursuant to 10 U.S.C. § 480. This provision applies to both the active and reserve components of the Military Services.
B. See subparagraph 170205.J. for limitations on the amount of costs Military Departments may incur for architectural or engineering services obtained from sources outside of the respective Department.

C. Planning and design functions include:

1. Architectural and engineering services and construction design required for site investigation, survey, mapping, or sketches;

2. Preparation of cost estimates for construction and land acquisition projects;

3. Preparation of plans, specifications, special studies, including value engineering, and construction contract documents;

4. Construction management of projects funded by foreign governments for which elements of the Armed Forces of the United States are the primary users;

5. Development and updating of design criteria and manuals;

6. Preparation of standard designs and definitive drawings used on military construction projects;

7. Management of military construction program design and contract administrative services for design;

8. Certification of project cost;

9. Administration of architectural and engineering service contracts for the design of construction and land acquisition projects; and

10. Printing and reproduction of bid documents, preparing pre-bid government estimates and liaison with prospective bidders prior to award of a construction contract.

170207. Scope of a Military Construction Project

A. Military construction projects include all acquisitions of land, regardless of cost. All requests for purchase, withdrawal from public domain, lease, or permit from individuals or government entities, or any other type of use agreement involving more than 1,000 acres, or land whose estimated purchase price or annual lease price exceeds $1 million will be submitted to the Deputy Secretary of Defense through ASD(Sustainment).
B. A military construction project includes all construction efforts, or any contribution authorized by law, necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility or improvement as specifically authorized by law.

C. Military construction project funding includes equipment installed in and made a part of real property structures or improvements. Construction project funding excludes all production and movable equipment. The source and cost of all production and movable equipment directly associated with construction projects must be disclosed as additional information in presenting construction programs and budgets.

D. Construction applicable to one real property facility:

1. All construction proposed for a real property facility in which the same functional purpose or related functional purposes involved will be treated as one project.

2. All concurrent construction proposed for contiguous areas of a multi-use facility must be treated as a single project even though the construction pertains to unrelated functional purposes. For this purpose, contiguous means “in actual contact” or “touching.”

3. All construction proposed for a multi-use facility that is common to the facility as a whole, or common to areas in which the same or related functional purposes are performed, must be treated as a single project.

4. Construction proposed for a multi-use facility may be divided into separate projects if each project can be clearly defined and the result is a complete and usable facility.

E. When construction is accomplished concurrent with repair and/or maintenance work as an integrated undertaking, the construction may be treated as a separate project. Because the construction is treated as a separate project, cost limitations, notification, and other requirements associated with applicable construction projects apply. For this purpose, engineering estimates may be used to determine costs applicable to the construction portion.

F. A decision as to whether one project or several projects are to be established for related efforts must be submitted for approval to the Secretary of the appropriate Military Department.
170208. Certifications of Costs

A. Certifications of costs incurred must be prepared in accordance with the format shown in UFC 1-300-08. These certifications must include statements of total cost incurred on the project; the total cost broken out for each building, linear structure, and structure constructed as part of the project; and the total cost broken into the categories of planning and design, construction contract supervision and administration, construction costs, and project funded real property installed equipment (RPIE) costs. In connection with the statement of total costs, the types of funds obligated or the lines of accounting for the funds must be identified as well as the organization(s) responsible for funding the acquisition.

B. The certification must be completed upon completion of the contract and furnished to the accountable Service when final costs of construction are accrued. The certification must be signed by an individual within the construction agent organization responsible for and authorized to transfer accountability and by the individual within the acquiring entity responsible for and authorized to accept accountability of the relevant properties (in most cases, the Real Property Accountable Officer).

C. A copy of the certification must be retained in a project file at each level that maintains project files.

170209. Project Files

Project files must be maintained for each construction project. These project files must represent a complete historical record of the project from inception to completion. Correspondence and other documentation pertinent to the project should be incorporated into project files at all appropriate levels. These files may include memorandums for record pertaining to decisions resulting from discussions, meetings, and telephone conversations. Construction agents are responsible for holding the historical project files and must provide copies of the files to the acquiring entity. Any agreements or contracts with constructions agents must specify the requirement for the construction agent to provide copies of such files to the acquiring entity in accordance with this paragraph on a monthly basis.

1703 CATEGORIES OF MILITARY CONSTRUCTION PROJECTS

170301. Specified Military Construction Projects

A. Specified military construction projects, or “major military construction” projects, include all acquisition and/or construction, additions, expansions, extensions, conversions, alterations, or replacements of:

1. Facilities with costs in excess of the amount specified by law as the maximum amount for a minor construction project, or

2. Any project, regardless of cost, approved as a specific line item in the Military Construction budget request.
B. Elements of a major construction project should include:

1. Surveys, demolition and site preparation;
2. Acquisition, conversion, rehabilitation, and installation of facilities;
3. Acquisition and installation of equipment and appurtenances integral to the project;
4. Acquisition and installation of supporting facilities (including utilities) and appurtenances incident to the project;
5. Supervision, administration, and overhead incident to the project; and
6. Design and support of design for construction projects after project approval (includes change orders, value engineering proposals, and as-built drawings).

C. Specifically excluded from major construction are those activities identified as minor construction, planning and design, or supporting activities.

170302. Unspecified Minor Military Construction

A. Projects that involve the acquisition of new construction, addition, expansion, extension, alteration, conversion, replacement, or installation of permanent or temporary facilities (except family quarters) are minor construction projects when:

1. The cost of the project does not exceed such amount as may be specified by 10 U.S.C. § 2805 for the Active Components and 10 U.S.C. § 18233a for the Reserve Components, and
2. The project has not been included in the budget request as a specific line item.

B. For other than family housing facilities, when the cost of a project is less than the amount specified in 10 U.S.C. § 2805, the project must be financed from unspecified minor construction appropriations; operations and maintenance (O&M) appropriations; research, development, test and evaluation (RDT&E) appropriations; working capital fund resources; or other resources, as appropriate. The funding source does not influence the financial statement capitalization requirements described in subparagraph 170602.A.
C. Project guidelines include:

1. Notwithstanding any other provisions for approval of minor construction projects, no project may be proposed to be accomplished under minor construction authority that previously has been deleted by the Congress from proposed military construction authorization legislation or otherwise disapproved of by the Congress.

2. Each project accomplished under the minor construction authority must result in a complete real property facility or improvement.

3. Each project must, to the maximum extent possible, be consistent with the appropriate installation master plan. Requests for project approval must fully disclose the relation of the project to the master plan and must detail further planned construction to the same or closely related facilities.

4. The planned acquisition of, or improvement to, a real property facility through a series of minor construction projects; that is, incremental type construction is prohibited.

D. Notification requirements include:

1. When a minor construction project costing more than amounts established in 10 U.S.C. § 18233a is undertaken, appropriate congressional committees must be notified prior to the start of the project. The project then may be carried out only after the end of the 21-day period beginning on the day the notification is received by the committees, or if earlier, the end of the 14-day period beginning on the date on which an electronic copy of the notification is provided in an electronic medium pursuant to 10 U.S.C. § 480. Funds cannot be obligated for construction until the committee approves the minor construction.

2. 10 U.S.C. § 2805 requires the Secretary concerned to notify, in writing, the appropriate committees of Congress of a decision to undertake an unspecified minor construction project costing more than $2 million. Notification must include the justification and estimated cost of the project. The project may be carried out only after the end of the 14-day period beginning on the date notification is received by the committees in an electronic medium pursuant to 10 U.S.C. § 480.

E. Additional minor construction provisions include:

1. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C § 2805 for minor construction projects.

2. DoD Components are precluded from using materials, supplies, or items of installed capital equipment on their own minor construction projects on a non-reimbursable basis.
3. Prerequisites for establishing a minor construction project include identification of the required end result of the project and its correlation with the appropriate installation master plan.

4. It is not feasible to prescribe absolute criteria for determining what scope of work would, under all possible circumstances, properly constitutes a separate minor construction project. However, minor construction projects undertaken under the authority of 10 U.S.C. § 2805 must be consistent with the intent of the statute as to what constitutes a separate project.

170303. Emergency and Contingency Construction

Congress provides several separate authorities for major construction during times of war and national emergency and other special situations. These authorities are:

A. Construction in the Event of a Declaration of War or National Emergency

1. 10 U.S.C. § 2808 contains authority that authorizes the Secretary of Defense to undertake military construction projects, without regard to any other provision of law, in the event of a declaration of war or the declaration by the President of a national emergency. This adheres to the National Emergencies Act, 50 U.S.C. Chapter 34, which requires use of the Armed Forces of the United States.

2. Such projects must be necessary to support such use of the Armed Forces and may be undertaken only within the total amount of funds that have been appropriated for military construction, including funds appropriated for family housing, that have not been obligated. Additional guidance is contained in DoDD 3025.18 and DoDD 4270.5.

3. When a Secretary of a Military Department decides, in conjunction with the supported Combatant Commander, to request use of this authority, the Secretary of the Military Department will submit a request to ASD(Sustainment). This request must include:

   a. **DD 1391**, Military Construction Project Data, providing justification for the project and a current cost estimate. Justification must include alternatives considered to using this authority and reasons for their non-selection.

   b. An explanation of when the requirement was identified and how it was planned or programmed for execution prior to the current request.

   c. A complete description of the source of funds to be used for the project, including the specific reasons as to why the funding is available and associated notifications under 10 U.S.C. § 2853, “Authorized Cost and Scope of Work Variations,” as necessary.
d. An expected timeline and acquisition method for the project (including design milestones, construction contract award, and completion dates) assuming project approval within 30 days of submission of the request to ASD(Sustainment).

e. Rationale as to why the project should not be deferred to a future budget request.

4. In conjunction with a Military Department request for 10 U.S.C. § 2808 authority, the Chairman of the Joint Chiefs of Staff must certify to the ASD(Sustainment) that the request satisfies Combatant Commander priorities and is consistent with theater basing plans and/or operational requirements.

5. Once the Secretary of the Defense has notified the Congress, the OUSD(C) will issue funds pursuant to Chapter 5. Further, increases to the estimated costs provided in the notification require OUSD(C) coordination and reissuance of the funds.

6. This authority will terminate at the end of the war or national emergency.

B. Emergency Construction

1. The Secretaries of the Military Departments and Directors of Defense Agencies may carry out a major construction project under the authority of 10 U.S.C. § 2803, after appropriate congressional notification. Additional guidance is contained in DoDD 4270.5, “Military Construction.” Emergency construction is limited to those projects where it is determined that:

   a. The project is vital to national security, protection of health and safety, or quality of the environment; and

   b. The requirement for the project is so urgent that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security, protection of health and safety, or quality of the environment.

2. When a decision is made to request approval for an emergency construction project, the DoD Component concerned must submit a notification and request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. § 2803 and Chapter 7. Each reprogramming request must include:

   a. Justification for the cost of the project,

   b. The current estimate of the cost of the project,

   c. Justification for carrying out the project as an emergency construction project, and
d. A statement as to the source of funds to be used for the project.

3. Emergency construction projects must be financed within amounts appropriated for military construction that have not been obligated for other purposes. The maximum amount that may be obligated by each Military Department in any fiscal year is established in 10 U.S.C. § 2803.

4. The project may be carried out only after the end of the five-day period beginning on the date the notification is received by the Congressional committees in an electronic medium pursuant to 10 U.S.C. § 480.

5. Except as otherwise specifically provided for, emergency construction projects will be subject to the same restrictions and limitations as major construction projects. Additionally, the identification and treatment of costs for emergency construction projects must be consistent with that for major construction projects.

6. There is no provision for emergency construction for the Reserve Components.

C. Contingency Construction

1. 10 U.S.C. § 2804, “Contingency Construction” and the annual Military Construction Appropriation Acts contain authority that authorized projects of an urgent nature are to be funded from the Contingency Construction Account. Such efforts, to the extent accomplished within amounts appropriated for such purposes, may be accomplished without specific congressional authorization for the project involved. Additional requirements on the use of operation and maintenance funds under contingency construction authority for construction projects inside the United States Central Command Area of Responsibility (AOR) or certain countries in the United States Africa Command AOR are prescribed by OUSD(C) in a memorandum located on the DoD Financial Management Regulation (FMR) website on the Policy Memoranda page (under the “Volume 3” heading) and is updated more frequently than FMR chapters. The purpose of the policy memorandum is to extend authority for a specific period, authorizing funds for military construction.

2. A project financed under this authority requires a determination that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security or national interest. Additional guidance is contained in DoDD 4270.5.

3. Use of this authority requires approval by the Secretary of Defense and written notification to the appropriate committees of Congress.
4. When a decision is made to request approval for a contingency construction project, the DoD Component concerned must submit a notification and request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. § 2804 and Chapter 7. Each reprogramming request must include:

   a. Justification for the cost of the project,

   b. The current estimate of the cost of the project,

   c. Justification for carrying out the project as a contingency construction project, and

5. Actual construction may not commence prior to the receipt of appropriate DoD and congressional approval. The project may be carried out only after the end of the seven-day period and beginning on the date the notification is received by the appropriate in an electronic medium pursuant to 10 U.S.C. § 480.

170304. Environmental Response Actions

A. Authority for environmental response actions is provided under 10 U.S.C. subtitle A, Part IV, Chapter 160, “Environmental Restoration.” Under the provisions of 10 U.S.C § 2707, “Environmental Restoration Projects for Environmental Responses,” the Secretary of Defense or the Secretary of a Military Department may carry out an environmental restoration project if that Secretary determines that the project is necessary to carry out a response under Chapter 160 or the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), 42 U.S.C. Chapter 103.

B. Any construction, development, conversion, or extension of a structure, and any installation of equipment, that is included in an environmental restoration project may not be considered military construction

C. The United States Department of the Treasury (Treasury) Fund Symbol ***X0810, “Environmental Restoration” has been established by 10 U.S.C § 2703, “Environmental Restoration Accounts” for the conduct of environmental restoration projects. (Replace *** with appropriate DoD or Military Department identifier.) This account will be credited with:

   1. Amounts appropriated to this account by Congressional action,

   2. Amounts recovered under CERCLA for response actions, and

   3. Any other amounts recovered from a contractor, insurer, surety, or other person to reimburse the DoD or a Military Department for any expenditure for environmental response activities.
D. Use of Funds

1. The Environmental Restoration Account described in this paragraph is the only source of funds to conduct environmental restoration projects at a site under the jurisdiction of the DoD or at a formerly used defense site, except for certain Base Realignment and Closure sites.

2. In the case of property disposed of pursuant to a base closure law and subject to certain CERCLA provisions, the sole source of funds for environmental restoration is the applicable DoD base closure account. See 10 U.S.C. § 2703 for additional provisions.

3. No funds appropriated to the Environmental Restoration Account, or to any environmental restoration account of a Military Department may be used for the payment of a fine or penalty (including any supplemental environmental project carried out as part of such penalty) imposed against the DoD or a Military Department, except as provided in 10 U.S.C. § 2703, paragraph f.

E. See Volume 4, Chapter 13 for the accounting policy for measuring, recognizing, and disclosing environmental liabilities.

170305. Restoration or Replacement of Damaged or Destroyed Facilities

A. The Secretaries of the Military Departments and the Secretary of Defense may repair, restore or replace a facility that has been damaged or destroyed and for which legislative authorization and appropriation has not been provided.

B. 10 U.S.C. § 2854, “Restoration or Replacement of Damaged or Destroyed Facilities,” requires that Congress be notified in writing when the cost of a project is greater than the amount specified in 10 U.S.C. § 2805 for minor construction. See Chapter 7.

C. When a decision is made to request approval for restoration or replacement of damaged or destroyed facilities, the applicable DoD Component concerned must submit a request in accordance with the provisions of 10 U.S.C. § 2854 and Chapter 7. Each reprogramming request must include:

1. Justification for, and the current estimate of, the cost of the project; and

2. A statement as to the source of funds to be used for the project.

D. Restoration or replacement projects must be financed within amounts appropriated that have not been obligated for other purposes.

E. A replacement project under this section may be carried out only after the end of the seven-day period beginning on the date on which a copy of the notification in an electronic medium pursuant to 10 U.S.C. §480.
170306. Defense Access Roads

A. 23 CFR Part 660, Subpart E, states the defense access roads program provides a means by which the Federal government may pay its fair share of the cost of:

1. Highway improvements needed for adequate highway service to defense and defense related installations;

2. New highways to replace those, which must be closed to permit establishment or expansion of defense installations;

3. Repair of damage to highways caused by major military maneuvers;

4. Repair of damages due to the activities of contractors engaged in the construction of missile sites; and

5. Missile routes to ensure their continued ability to support the missile transporter-erector vehicle.

6. Funds appropriated for the purposes of this section must be available to pay the cost of repairing damage caused to, and for any infrastructure to mitigate the risks posed to, highways by recurrent flooding and sea level fluctuation, if the Secretary of Defense must determine that continued access to a military installation has been impacted by past flooding and mean sea level fluctuation.

B. Authorization for the funding of the construction and maintenance of defense access roads is provided by 23 U.S.C. § 210, “Defense Access Roads.” Defense access roads, including bridges and tunnels, provide access to military reservations, to defense industries and defense industry sites, and to the sources of raw materials when such roads are certified as important to the national defense by the Secretary of Defense or such other official as the President may designate. In addition, DoD may replace existing highways and highway connections that are shut off from the general public use by necessary closures or restrictions at military reservations and defense industry sites.

C. Highways located within the boundaries of a military reservation are not eligible for financing from these funds. Such highways must be funded from major construction, emergency construction, or minor construction programs, as applicable. Additionally, projects in the regular Federal Air Primary Systems normally are not considered eligible for financing with these funds.

D. Funds available for Defense access roads can be provided to the Department of Transportation (DoT) via a Standard Form (SF) 1151, Nonexpenditure Transfer Authorization, or the effort may be carried out by DoT on a reimbursable basis.
170307. Relocatable Buildings

A. A relocatable building is a habitable prefabricated structure designed and constructed to be readily moved, erected, disassembled, stored, and reused. Also included in the definition are tension fabric structures assembled from modular components and air-supported domes, both of which can be easily disassembled, moved, and reused. This definition excludes mobile military equipment such as communications vans, emergency management and command post trailers. Also excluded are tents, modular sheds less than 500 square feet, temporary contractor trailers, and temporary government construction administration trailers that are located on, or in the vicinity of, a construction site.

B. DoDI 4165.56, “Relocatable Buildings,” provides DoD guidance for the acquisition and use of relocatable buildings. This instruction provides that relocatable buildings may be acquired, stored, and used within DoD when these facilities constitute the most feasible and economical means of satisfying short-term interim facility requirements pending the availability of permanent space in existing facilities or through the construction of a permanent conventional facility. An interim facility requirement is a short-term requirement (normally 5 years or less) for facilities due to transitory peak military missions, deployments, military contingency operations, or disaster relief requirements, or other urgent requirements. Relocatable buildings also may be used instead of conventional, permanent construction when the duration of the requirement is uncertain such as in a contingency operation pursuant, or instead of conventional, permanent construction when the space is known to have a recurring mobile requirement, such as the need to move a field office to different sites on a training range.

C. Buildings, which meet the definition of relocatable buildings, may be classified as personal property when purchased as an equipment item, and if so, must be acquired with funds available for O&M, RDT&E or Procurement funds, as appropriate.

D. The acquisition of buildings, to include modular facilities, which do not qualify as relocatable buildings under applicable policy, must be acquired as military construction. The rules for Specified Military Construction Projects (see paragraph 170301), Unspecified Minor Military Construction (see paragraph 170302), Emergency and Contingency Construction (see paragraph 170303) or other applicable authority must be applied. Site preparation to erect or install relocatable buildings that results in real property improvements is classified as construction and is funded with O&M or military construction in accordance with 10 U.S.C. §§ 2801 and 2805.

E. Costs for set up, disassembly, maintenance, refurbishment, packaging, and transporting relocatable buildings that are classified as equipment are expenses and must be appropriately charged to appropriations available to fund such costs.

F. Relocatable buildings may be authorized and acquired as real property. Relocatable buildings acquired as real property are funded with either O&M or Military Construction funds depending on the total acquisition cost in accordance with the cost thresholds for construction pursuant to 10 U.S.C. §§ 2801 and 2805. In determining the threshold, the cost of the relocatable building will be based on the total cost of the completely assembled building and not on the separate components, and includes all site work.
1704. EFFORTS FINANCED BY MILITARY CONSTRUCTION APPROPRIATIONS

170401. Funded Costs

Except as prescribed in section 1705, major costs incurred during the design and construction phases are funded from applicable military construction appropriations. These costs include, but are not necessarily limited to:

A. All materials, supplies, and services applicable to the project,

B. RPIE, unless such equipment was obtained on a non-reimbursable basis from another DoD Component or federal agency,

C. Transportation costs applicable to materials, supplies, and government owned equipment,

D. Labor costs, including construction units composed of foreign nationals but excluding U.S. military labor,

E. That portion of installation overhead or support costs that can be identified as representing additional costs that would not have been incurred were it not for the project,

F. Supervision, inspection and overhead costs charged by the USACE and the NAVFEC when serving as the design and/or construction agent,

G. Travel and per diem related to applicable military or civilian labor;

H. That portion of costs applicable to the O&M of Government owned equipment, computed on an hourly rate in accordance with Volume 11A, Chapter 1, Table 1-1;

I. For specified major construction projects, planning and design costs described in paragraph 170206; and

J. Cost of remediating unknown environmental contamination within the footprint of a military construction project

170402. Overhead Expenses

All overhead expenses for the military construction program, including work for others, initially are financed from the performing military construction appropriation. These expenses are distributed to projects, including work for others. Military construction overhead includes:

A. Personal services (and support costs) at field and headquarters activities related to the military construction program;

B. Contract administration;
C. Military construction program and project management (including post construction evaluation);

D. Technical direction and coordination of projects;

E. Land planning studies or reports, appraisal, and title search after congressional authorization of a land acquisition or exchange; and

F. Project management and administration not otherwise identified in this paragraph.

170403. Reimbursable Project Costs

The appropriation or fund financing a construction project must reimburse other appropriations or funds, as applicable, for costs initially financed by another appropriation or fund. Reimbursement between appropriations must be made by use of a SF 1080, Voucher for Transfers Between Appropriations and/or Funds, on a “no check” basis.

1705. RELATED COSTS FINANCED BY OTHER THAN MILITARY CONSTRUCTION APPROPRIATIONS

170501. Unfunded Costs

A. Some efforts in support of military construction are identified as unfunded costs. However, such costs must be capitalized as part of the value of the property. Unfunded costs are those that:

1. Contribute to a military construction project,

2. Are financed from appropriations other than military construction, and

3. Are not reimbursed by appropriations available for military construction

B. Unfunded costs include:

1. Costs financed from military personnel appropriations;

2. Costs applicable to the depreciation of government owned equipment computed on an hourly rate in accordance with Volume 11A, Chapter 1, Table 1-1;


4. Gifts from private parties;
5. In-kind considerations; and

6. Materials, supplies, and items of RPIE that have been obtained specifically for a project on a non-reimbursable basis, either as excess distributions from another DoD Component or as excess distributions from other federal agencies. (A DoD Component is precluded from using materials, supplies, or items of RPIE on its own minor construction projects on a non-reimbursable basis).

C. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. § 2805 for minor construction projects.

170502. Advance Planning

A. Advance planning activities generally are performed prior to funding authorization and approval of a construction project by the military component. Advance planning and design activities include, but are not limited to:

1. Developing the requirements for a military construction project (project formulation),

2. Developing a master plan for an installation,

3. Initial explorations of project alternatives and rough drawings,

4. Facilities related management studies,

5. Conceptual analyses,

6. Making alternative site studies,

7. Developing and validating military construction project documentation prior to commencing project design,

8. Preparing engineering analyses and studies to develop technical design parameters prior to commencing project design, and

9. Preparing environmental impact assessments and statements.

B. Advance planning costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. § 2805 for minor construction projects. See subparagraphs 170301.B and 170302.F. Advance planning is not encompassed by, and should not be performed under, the authority for military construction project planning and design efforts, such as 10 U.S.C. § 2807 or 18233(f).
C. Advance planning costs are financed from applicable O&M appropriations, RDT&E appropriations, procurement appropriations, or working capital fund resources, as appropriate.

D. Advance planning costs are expensed in the period incurred.

170503. Minor Construction

For other than family housing projects, when the cost of a minor construction project is less than the amount established in 10 U.S.C. § 2805, the project must be financed from unspecified minor construction appropriations, O&M appropriations, RDT&E appropriations, working capital funds resources, or other resources, as appropriate. See paragraph 170302.

170504. Family Housing

All family housing construction projects must be funded from applicable family housing appropriations. Policy concerning funding of family housing efforts is addressed in Volume 2B, Chapter 6.

170505. Equipment and Relocatable Items

A. Items of equipment that are movable in nature and not affixed as an integral part of a facility must be financed from applicable O&M appropriations, RDT&E appropriations, procurement appropriations, or working capital fund resources, as appropriate. This equipment includes all types of production, processing, technical, training, servicing, RDT&E, and pre-wired work stations.

B. Any operational equipment for which installation mountings and connections are provided in the building design, and that are detachable without damage to the building or equipment, must be financed from applicable O&M appropriations, RDT&E appropriations, procurement appropriations, or working capital fund resources, as appropriate.

C. The costs of alterations to install movable equipment that is not affixed as an integral part of a facility must be financed from applicable O&M appropriations, RDT&E appropriations, procurement appropriations, or working capital fund resources, as appropriate.

D. These examples of installation or relocation items should be financed from applicable O&M appropriations, RDT&E appropriations, procurement appropriations, or working capital fund resources, as appropriate:

1. Prefabricated screens, partitions, false floors, platforms, and shielding for electromagnetic radiating services;

2. Temporary removal and reinstallation or portions of existing walls, roofs, utility systems, and appurtenances to permit installation of equipment; and
3. Secondary utility work necessary to connect equipment to existing utilities services within a facility between the primary entry and source of utilities into the structure and the equipment to be served.

170506. Recycling Programs

Projects for pollution abatement, energy conservation, and occupational safety and health activities may be funded from other than the military construction appropriation when the cost of a project:

A. Is funded from the proceeds of sales of recyclable material in accordance with Volume 11A, Chapter 5 and 10 U.S.C. § 2577, “Disposal of recyclable materials,” and

B. Does not exceed 50 percent of the amount established by law as a maximum amount for minor construction projects in accordance with 10 U.S.C. § 2577.

1706. RECOGNITION AND REPORTING REQUIREMENTS

170601. Acceptance of Real Property

The acceptance of real property by an accountable Military Department or the Washington Headquarters Service, as well as the transfer between DoD Components, or to or from other federal agencies, must be documented. UFC 1-300-08 provides comprehensive guidance on the documentation of real property acceptance throughout the DoD by identifying the use of a draft, interim, and final version of the DD 1354, Transfer and Acceptance of DoD Real Property. It also describes how the DD 1354 is used as part of a real property business process and defines the roles and responsibilities in the DD 1354 process. Though the DD 1354 is the basic source document, it typically does not stand-alone. UFC 1-300-08 lists examples of additional documents that should be provided with and attached to the DD 1354 such as, but not limited to, an approved work order, an authorization memorandum, information from contracts and contract modifications, and invoices. Additional information is in Volume 4, Chapters 24–28.

170602. Accounting Recognition

A. Capitalization of Assets

1. Capitalization is the process of recognizing the total costs of an asset, including property, plant, and equipment, in the financial records. Volume 4, Chapters 24–28 define capitalized general property, plant, and equipment as assets that meet four criteria:

   a. Have an estimated useful life of two years or more,

   b. Are not intended for sale in the ordinary course of operations,
c. Are acquired or constructed with the intention of being used or being available for use by the entity, and
d. Have a recorded cost that equals or exceeds the appropriate DoD capitalization threshold. See Volume 4, Chapters 24 - 28 for DoD capitalization threshold amounts.

2. All significant costs related to the construction or acquisition of an asset, including unfunded costs identified in paragraph 170501, must be recognized in capitalizing the costs of a project. The source of funding has no bearing on the capitalization of assets. Assets constructed from military construction appropriations, O&M, working capital funds, RDT&E, and any other fund type may be capitalized if the capitalization criteria are met. See Volume 4, Chapters 24 - 28 for additional information regarding costs that should be recognized and capitalized.

3. All costs following the project approval and funding authorization by the DoD Component must be capitalized, including efforts associated with design contracting, design, construction contracting, construction, and any design after award of the construction contract.

4. Direct costs incurred in the design and construction phases of a project must be charged to a specific project. Other costs (listed in paragraph 170402) that are financed by military construction and subject to capitalization must be identified to the appropriate indirect cost groups for subsequent allocation to supervision, inspection and overhead cost pools.

B. Amounts to be Expensed

1. Costs incurred in the advance planning must be expensed in the period incurred. See paragraph 170502. These costs are not capitalized as part of the asset.

2. When a project is abandoned, the total cost incurred must be expensed consistent with Volume 4, Chapters 24 - 28 and Volume 4, Chapter 17

170603. Financial Reporting

A. United States Standard General Ledger

1. The USSGL must be used in all DoD accounting systems for all appropriations and funds for the purpose of summarizing costs and obligations in budgets, accounting for costs and reporting these costs. (See the USSGL Treasury Financial Manual and Volume 1, Chapter 7.) The USSGL accounts and transactions applicable within DoD are documented in the SFIS Transaction Library and DoD Standard Chart of Accounts. Use of these accounts is required in order to classify costs for the joint purposes of planning, programming, budgeting, and accounting for construction projects.
2. The management of an activity performing a construction project is responsible for ensuring that all significant costs (that is, both funded and unfunded costs) are recorded for the project and that all costs subject to capitalization are included in the real property asset accounts, property records, and reports submitted to the OSD and the Congress.

3. Cost accounting modules for accumulating and controlling construction projects must be integrated with an activity’s overall accounting system. Cost accounting systems represent a subsidiary ledger of the general accounting system. Therefore, cost accounts, as appropriate, must be established for each project. Policy for managerial cost accounting is prescribed in Volume 4, Chapter 19.

4. Charges to an account must be categorized in one of the four construction phases addressed in Appendix A. The four phases addressed in Appendix A identify those costs that will be expensed and those costs that will be capitalized.

B. Specific Entries

Construction In Progress accounts in the general ledger account 172000 series will be used to accumulate and control costs as prescribed in Volume 4, Chapters 24 - 28. Construction in Progress accounts may be subdivided as necessary to accumulate and control costs. The applicable general ledger accounts and standard accounting entries are defined in the USSGL, the SFIS Transaction Library and DoD Standard Chart of Accounts. See also Volume 1, Chapter 7.

C. Financial Reports

1. Accounting records at every level must be designed to permit summarization of financial transactions that produce accurate and timely information from one system of accounts. Data produced must be in formats required for preparation of prescribed budget and financial reports and for such other day-to-day management data as may be required in executing financial oversight. In addition, records and costs must be designed and maintained to facilitate audits of project amounts.

2. Each military construction appropriation account must be reported monthly in the “Report of Appropriation Status by Fiscal Year Program and Subaccounts,” Accounting Report Monthly 1002. The report must be prepared as prescribed in Volume 6A, Chapter 4.

D. OMB and Treasury have mandated use of a standard general ledger chart of accounts. The DoD Standard Chart of Accounts is identified in Volume 1, Chapter 7. Use of these DoD accounts is required in order to classify costs for the joint purposes of planning, programming, budgeting, and accounting for construction projects. All organizational levels incurring any significant level of costs must use the DoD Standard Chart of Accounts to accumulate the cost of performance of construction projects and programs. See also the SFIS Transaction Library.
*APPENDIX A. PHASES OF MILITARY CONSTRUCTION*

Congressional authorization of major construction projects typically represents the culmination of planning, programming, and budgeting efforts. A project evolves from a determination that a facility deficit exists. The need is defined, given a priority ranking, and placed in competition with other projects for available resources. The project definition effort begins at the installation level and moves through the chain of command until the project ultimately is included in the budget submittal. Table 1 to this appendix, “Evolution of a Fiscal Year 2019 Military Construction Project,” depicts the life cycle of a military construction project and shows that the process could take three to seven years from conception to completion. The actual design phase could take one to two and a half years, while the construction phase could take one to three years. The remaining time is for planning, programming, budgeting and procurement activities. The scope and cost of each project must be finalized before the annual budget submission to the Congress. The total construction process consists of four phases:

1. ADVANCED PLANNING AND PROGRAMMING

   a. Planning. During planning, an installation’s facility requirements are derived from the installation’s mission. The need to acquire additional facilities, or to modernize or replace existing facilities, is determined by an assessment of how existing facilities meet the installation’s facility requirements.

   b. Programming. During programming, requirements are matched with anticipated resources and included in a long-range acquisition and recapitalization plan. Installation plans are combined into a Component wide basis to ensure compatibility with the nation’s military strategy, Component priorities and guidance, and in consideration of the Department of Defense (DoD) facilities investment goal.

   c. Investment Goal. The Department and the Congress recognize that there is a minimum level of facilities investment that should be reached each year to protect the investment in existing facilities, ensure that facilities will continue to satisfy their designated purposes, and renew our installations. The physical plant must be capable of supporting operational requirements and readiness, both today and in the future. The investment goal is to recapitalize facilities at an appropriate rate given their estimated service life.

   d. Master Planning. Facility requirements are reflected in an installation master plan. This document is the installation’s long-range strategy for development. It prescribes overall facility quality standards and architectural themes and addresses such areas as land use, utility systems, roads and parking.

   e. The cost of the efforts described in subparagraphs 1.a through 1.d are normally expensed and not capitalized.
f. Project Advanced Planning and Programming. After it is determined that a construction project is needed, a general description of the project requirement, its scope and a cost estimate are developed and, along with supporting documentation, submitted as part of the installation’s military construction budget request.

2. **BUDGETING**

a. DoD Components determine which facility projects should be included in their Military construction budgets. Some facility projects may qualify for inclusion in other budgets, such as Procurement, Research, Development, Test and Evaluation, Operations and Maintenance or for accomplishment with nonappropriated funds.

b. The budget requests are forwarded to Office of the Secretary of Defense (OSD), where all DoD Component programs are reviewed for compliance with DoD objectives and policy and refined and modified as necessary to ensure consistency and conformity. Once the request has been jointly reviewed and approved by OSD and the Office of Management and Budget (OMB), it is submitted to Congress as part of the President’s Budget.

c. After receipt of the President’s Budget, it is reviewed by oversight subcommittees of the House and Senate Appropriations Committees and the House National Security and Senate Armed Services Committees. Often, witnesses from respective DoD Components, and sometimes from the private sector, appear before the subcommittees to furnish further information on specific programs and projects.

d. Upon completion of its review, each subcommittee marks up the budget request and forwards its recommendations for approval to the full committee and then to the full chamber. Differences between the projects approved by the House and Senate are resolved in joint conferences. The Congress passes separate authorization and appropriation bills that, when signed by the President, become the approved Military Construction program.

e. The cost of these efforts is normally expensed and not capitalized.

3. **DESIGN**

a. Once a Military Department has validated the requirement and priority of a military construction project and inserted it in a specific fiscal year program, a design instruction is issued to the design agent who initiates the design process.

b. Design may be accomplished by contracting with an architect-engineer firm, a design build firm, or an in-house professional staff. If the design is to be contracted, Title 10, United States Code, section 2855 will be followed.

c. Design is accomplished in predetermined phases to assure that user requirements are addressed properly in the design and that established standards and criteria are met. The number of phases and detail required for each phase varies with each project, depending on complexity, special interest, high visibility, time constraints and funding level.
d. Normally, the critical point is at the preliminary design stage (referred to as the 35 percent stage) since this stage provides sufficient detail to define scope, criteria, and cost estimates for consideration in the budgeting process. The content of the 35 percent design submittal is defined in the contract scope of work and will vary depending on the contract delivery strategy to be used to acquire the facility. The most typical strategy is a design based on a unique one-of-a-kind effort. However, design could also be a strategy such as site adapt, a performance specification using commercially available building systems, or a design build, but each of these contracting processes determines the content of the 35 percent design submittal.

e. Design includes such actions as the development of design manuals, software programs, guide specifications and standards, standard drawings, extensive site investigation, analysis of alternative solutions, development of building systems layout, outline specifications, cost estimates, and special studies including value engineering.

f. The final design phase is initiated after thorough review by the using activities to ensure that requirements and criteria are addressed properly in the preliminary design documents and that the project has been revalidated and still is in the budget. Upon completion of the working drawings, contract specifications, and bidding documents, the project is ready to be advertised for construction. Projects require both congressional authorization and appropriation before a construction contract can be awarded.

g. The cost of these efforts, including administrative and overhead support costs, must be capitalized.

4. CONSTRUCTION

a. Normally, military construction projects are awarded through a competitive bid process that consists of advertising in the “Federal Business Opportunities,” using sealed bid procedures and awarding a firm fixed price contract to the responsible contractor submitting the lowest acceptable bid. However, as discussed previously for the design phase, alternative contracting delivery strategies may be followed in accordance with the Federal Acquisition Regulation and congressional direction. Regardless of the method used, all requirements for construction contacts over $25,000 must be advertised in the “Federal Business Opportunities” to include details of the bidding procedures to be used.

b. Advertisement, award and administration of a construction contract require both in-house and contract efforts that include reproduction of bid documents, preparation and response to the advertisement, supervision, and administration and inspection throughout the life of the construction project, in addition to the total cost of the construction contract.

c. The cost of these efforts must be capitalized.
**TABLE 1. EVOLUTION OF A FISCAL YEAR 2019 MILITARY CONSTRUCTION PROJECT**

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<tr>
<td>PLANNING, PROGRAMMING AND BUDGETING</td>
<td>User Identifies and Develops Project</td>
<td>Service Inserts Project in FYDP*</td>
<td>Service Completes Planning</td>
<td>Service Finalizes Program and Prepares Budget</td>
<td>OSD Submits Budget to the Congress</td>
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<td>LEGISLATION</td>
<td>Congressional Committees Hold Hearings &amp; Enact Legislation</td>
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<tr>
<td>DESIGN</td>
<td>Service Selects A&amp;E** Performs 0-35% Design. Service Reviews and Approves</td>
<td>A&amp;E** Performs 35-100% Design. Service Reviews and Approves</td>
<td></td>
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<tr>
<td>CONSTRUCTION</td>
<td>Service Solicits Bids and Awards Contract 1/ Construction</td>
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<td></td>
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<td>User Occupies Facility</td>
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</tbody>
</table>

* Future Years Defense Program
** Architect and/or Engineer

1/ Contracts may not be awarded without congressional authorization and appropriations
VOLUME 3, CHAPTER 18: “PUBLIC ENTERPRISE AND TRUST FUNDS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

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<td>Overall</td>
<td>Administrative: editorial changes for clarity and consistency with other chapters</td>
<td>Refresh</td>
</tr>
<tr>
<td>180302</td>
<td>Administrative: removed reference and sample format for the Resource Authority Funding Document, which has been replaced with either the Funds Authorization Document presented in Chapter 2 or the Annual Operating Budget presented in Chapter 19</td>
<td>Revision</td>
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CHAPTER 18

PUBLIC ENTERPRISE AND TRUST FUNDS

1801 GENERAL

This chapter identifies the policies and procedures to guide budget execution for public enterprise and trust funds.

1802 BACKGROUND

180201. Applicable Funds

This guidance is applicable to the following Funds:

Public Enterprise Funds
- National Defense Stockpile Transaction Fund
- Pentagon Reservation Maintenance Revolving Fund (PRMRF)
- National Defense Sealift Fund
- Buildings Maintenance Fund (BMF)

Trust Funds
- National Security Education Trust Fund
- Department of the Navy Trust Revolving Funds *
- Department of the Air Force Trust Revolving Funds *
- Surcharge Collections, Sales of Commissary Stores, Defense

*Exempt from apportionment

180202. The Corpus

The term “corpus” commonly refers to the resources available as capital in a fund. Capital resources are provided to commence or increase the size of a fund. The initial corpus is usually provided by a direct appropriation. It forms the nucleus of resources used to acquire items needed to perform the mission of the fund. Existing resources, transferred as capitalized assets, may also serve the same purpose as an appropriation to start, increase the size, or replace significant losses of a public enterprise or trust fund.

180203. Revenues

Department of Defense (DoD) public enterprise or trust funds generate revenues from the sale of goods or services to customers. Customer reimbursements replenish the corpus for resources obligated and expended to fulfill the customers’ orders.

180204. Apportionment.
In public enterprise or trust funds that are apportioned by the Office of Management and Budget (OMB), the ability to incur obligations is limited to the amount apportioned on the Standard Form (SF) 132, Apportionment and Reapportionment Schedule. Budgetary resources and authority available for apportionment include:

A. New budget authority (appropriations)
B. Unobligated balances available from the prior fiscal year
C. Spending authority from offsetting collections (reimbursements and other income)
D. Recoveries of prior year obligations
E. Restorations
F. Contract authority

180205. Apportionment of Anticipated Reimbursements

The apportionment of spending authority (commonly referred to as “reimbursable authority”) reflects anticipated reimbursements; it does not authorize a public enterprise or trust fund to obligate its apportioned reimbursable program in excess of the funded orders received from within the Federal Government and advances received for orders outside the Federal Government.

180206. Assets

Physical assets such as inventories or buildings and equipment are not budgetary resources because they do not provide a direct monetary source for outlays that liquidate budgetary transactions (obligations). Such assets, therefore, do not increase the amount of obligation authority available when calculating unobligated balances.

180207. Contract Authority

Contract authority provides legal authority to enter into contracts and incur obligations before budgetary resources are available. Obligations incurred using contract authority may not be liquidated until funded by offsetting collections or other budgetary resources. The apportionment limits the amount of contract authority available for obligation.

180208. Anti-Deficiency Act

Incurring or authorizing obligations in excess of apportioned budgetary resources is a potential violation of the Anti-Deficiency Act that must be reported in accordance with DoD Directive 7200.1. This reporting requirement applies whether or not a public enterprise or trust
fund has unapportioned budgetary resources or other assets greater than the amount of the deficiency.

1803 EXECUTION REQUIREMENTS

180301. Apportionment and Reapportionment

The appropriate OUSD(C) (P/B) Directorate (e.g., Revolving Funds, Investment, etc.) submits requests for public enterprise and trust fund apportionments and reapportionments to the OUSD(C) (P/B) Directorate for Program and Financial Control (P&FC), in accordance with Chapter 2.

180302. Annual Operating Budget

The appropriate OUSD(C) (P/B) Directorate issues an initial Funds Authorization Document (FAD) in accordance with Chapter 2 or an initial Annual Operating Budget (AOB) in accordance with Chapter 19 for each public enterprise or trust fund prior to the beginning of the fiscal year. To avoid potential violations of the Anti-Deficiency Act, each Component using a fund to finance activities is responsible for taking actions to maintain a positive cash balance and restrict obligations to the amount authorized in the AOB or FAD.

180303. Adjusting Component Resources

Components periodically request that OUSD(C) (P/B) adjust their obligation limits based on execution. The appropriate OUSD(C) (P/B) Directorate will evaluate the Component’s request based on the merit of the justification provided, unless Congress has provided a specific limitation or other direction that would preclude making the adjustment. If approved, the OUSD(C) (P/B) will request reapportionment from OMB and, upon reapportionment, provide a revised FAD or AOB to the Component.

180304. Execution Review

The appropriate OUSD(C) (P/B) Directorate reviews the monthly SF 133, Report on Budget Execution, for each account to compare actual results with plans provided by the Components. Reviewed elements include obligations, disbursements, collections, revenue, expense, net operating results, civilian full-time equivalents (FTEs), and military strength, if applicable. When execution deviates significantly from plan, the OUSD(C) (P/B) analyst and the Component will mutually determine the management actions that may be required to bring execution back into line with the plan, or revise the plan to be more consistent with current realistic expectations.
VOLUME 3, CHAPTER 19: “DEFENSE WORKING CAPITAL FUND”

SUMMARY OF MAJOR CHANGES

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<td>190201</td>
<td>Identified that this policy is applicable to other revolving funds.</td>
<td>Update</td>
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<tr>
<td>190202</td>
<td>Identification of sub-accounts and DWCF activities.</td>
<td>Update</td>
</tr>
<tr>
<td>190203</td>
<td>Clarified language used in previous version.</td>
<td>Update</td>
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<tr>
<td>190204</td>
<td>Clarified the terms “Customer Orders” and “DWCF Reimbursable Authority”.</td>
<td>Update</td>
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<tr>
<td>190205</td>
<td>Clarified and provided explanation of the terms “Obligation Authority” and “Budgetary Resource”. Clarified de-obligation of contract authority.</td>
<td>Update</td>
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<tr>
<td>190206</td>
<td>Further clarification of antideficiency limitations.</td>
<td>Update</td>
</tr>
<tr>
<td>190207</td>
<td>Further clarification of the difference between Assets and Budgetary Resources.</td>
<td>Revised</td>
</tr>
<tr>
<td>190301</td>
<td>Updated and provided form names and examples.</td>
<td>Update</td>
</tr>
<tr>
<td>190302</td>
<td>Further clarification of Contract Authority.</td>
<td>Update</td>
</tr>
<tr>
<td>190303</td>
<td>Incorporated language from Volume 11b Chapter 1.</td>
<td>Update</td>
</tr>
<tr>
<td>190304</td>
<td>Clarification of the use of budgetary resources.</td>
<td>Update</td>
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<tr>
<td>190305</td>
<td>Clarified the use of the SF-133.</td>
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<tr>
<td>190306</td>
<td>Additional clarification provided on depreciation.</td>
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CHAPTER 19

DEFENSE WORKING CAPITAL FUND

1901 GENERAL PROVISIONS

This chapter provides the policies and procedures to guide budget execution for the Defense Working Capital Fund and other revolving funds where applicable.

1902 BACKGROUND

190201. Policy

This guidance is applicable to the Defense Working Capital Fund (DWCF), which includes the five DoD Component Working Capital Funds (WCF) (DWCF sub-account) and all individual DWCF activities within these accounts. In addition, this chapter provides guidance for the Commissary Trust Fund, National Defense Stockpile Fund, Pentagon Renovation Maintenance Revolving Fund, and Building Maintenance Fund where applicable.

190202. Defense Working Capital Fund

A. Organization. The DWCF is established under the authority of Title 10, United States Code (U.S.C.), Section 2208. The Treasury Account Symbol for the DWCF is 97X4930. The Military Departments and Defense Agencies sub-numbered account identifiers are shown in the below table.

<table>
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<tr>
<th>Treasury Assigned</th>
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<td>Defense Agencies</td>
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B. DWCF Activities. The DWCF consists of individual DWCF Activities that are managed by DoD Components for providing goods and services to other DoD activities and to non-DoD activities when authorized. As of the publication date, the DWCF activities in each sub-account are:

| Army | Supply; Industrial Operations. |
| Navy | Navy Supply; United States Marine Corp (USMC) Supply; Fleet Readiness Centers (Aviation Depots); USMC Depot Maintenance; Base Operations; Transportation; Research and Development. |
| DeCA | Resale Stocks; Operations. |
C. **Authorized Customers.** Customers of the DWCF activity may be:

1. Any DoD command, organization, office, or other element.
2. Non-DoD federal government agencies.
3. Private parties and concerns when authorized by law, including foreign governments, and state and local governments.
4. Those United States manufacturers, assemblers, or developers authorized by Title 10, U.S.C., Section 2208(h) and in accordance with Title 10, U.S.C., Section 2563 and Section 4543.

D. **Direct Appropriations.** Direct appropriations (e.g. Procurement, Operation & Maintenance) may be used to start or fund readiness costs not related to the specific DWCF activity operating mission. Direct appropriations may also be used to increase the size of or replace significant losses in a DWCF activity. Existing resources in other accounts may be transferred to a working capital fund as capitalized assets to serve these same purposes in lieu of an appropriation.

1. Resources used to establish or increase the size of a working capital fund are commonly referred to as “the corpus (total investment) of DWCF.” (This is not the same as the “cash corpus” financial metric. See Volume 2B, Chapter 9, Section 090103 for DWCF cash policy.) The corpus (or total investment) is the sum of all resources used to acquire the items needed to perform the working capital fund’s mission. Financial resources to replenish the initial working capital and permit continuing operations are generated by the acceptance of customer orders.

2. Direct appropriations may be provided to DWCF activities for specific purposes such as war reserve materiel, overseas contingency operations, and expanded inventory requirements, or other purposes as approved by the Director, Revolving Funds. The receipt of the appropriation provides an immediate infusion of cash to the Fund Balance with Treasury (FBWT) and the appropriation amount used must be accounted for and reflected on accounting records ((AR) 1307) and budgetary reports (SF-133). The amount of the appropriation does not impact the cumulative results of operations. However, it does increase budgetary resources and the sub-account FBWT and is factored into unobligated budgetary resources brought forward from previous fiscal years. In other words, direct appropriations may be available for obligation in subsequent fiscal years.

*190203. Revenues*

The DWCF generates revenues predominantly from appropriations used by federal agencies to purchase goods or services. The DWCF uses the revenue collected from these “customers” to pay for the resources required to produce the specific goods or service documented on the customer order. That is, the DWCF uses resources from funded customer orders to replenish its corpus for resources expended to fulfill those customer orders.
*190204. Customer Orders

Customer orders (funded requests for goods or services) provide budgetary resources necessary to finance operations for non-supply management activities, and to liquidate contract authority. Budgetary resources are recognized from customer orders that obligate budgetary resources of another federal government activity, and from cash advances from non-federal customers, to include orders from non-appropriated fund instrumentalities.

A. Customers must comply with statutory limitations and restrictions imposed on the appropriated funds charged when placing an order with the DWCF. A DWCF customer cannot use appropriated funds to do indirectly (i.e., through placement of an order with a DWCF activity) that which it is not permitted to do directly. Thus, the availability of an appropriation funding an order cannot be expanded or changed by placement with an activity financed by the DWCF.

B. Appropriated funds cited on reimbursable orders are available only for the purposes permissible under the source appropriation and remain subject to the same restrictions. The ordering activity retains primary responsibility for determining the applicability of the appropriated funds cited on the order. However, if instances arise when it is apparent that the ordering appropriation is not appropriate for the purpose provided, then the DWCF activity should return the order with a request for an applicable appropriation cite.

C. The Office of Management and Budget (OMB) circular A-11 does not restrict collections from federal sources in advance of the performance of customer orders. However, Title 10, U.S.C. Section 2208 restricts cash advances to the DWCF from federal government activities to $1 billion and only when operating resources significantly fall below outlay requirements. See Volume 2b, Chapter 9, paragraph 090103.

*190205. Obligation authority

Obligation authority is the authority to incur costs, on behalf of the federal government, that will result in a disbursement from the FBWT.

A. The OMB apportions authority to obligate to the OUSD(C) on an SF-132 “Apportionment and Reapportionment Schedule.” The authority to incur obligations is limited to the amount of authority approved for obligation during the budget review as amended by events during the year of execution. The OUSD(C) Revolving Funds Directorate prepares and submits the SF-132 to the OMB for approval of annual obligation authority required for operating a revolving fund. The approved apportionment restricts the authority to occur obligations and is the source document for the Annual Operating Budget (AOB) issued by OUSD(C) Revolving Funds. Budgetary resources available for apportionment include:

1. New budget authority (direct appropriations).

2. Unobligated balances brought forward (i.e., unfilled customer orders).
3. Spending authority from offsetting collections (i.e., Reimbursements for goods and services provided and/or other income).

4. Recoveries of prior year obligations.

5. Restorations.


B. When an activity receives budgetary resources from more than one source (spending authority from offsetting collections, direct appropriation, contract authority), the receiving activity must maintain records that will enable it to control and report separately the transactions relating to each type of source (per OMB Circular A-11). Budgetary resources may be received at any level of an organization from the individual activity up to the Departmental level.

C. Federal customer orders and cash advances generate spending authority from offsetting collections (Reimbursable Authority). These budgetary resources are apportioned from the OMB to DWCF non-supply management activities for operating costs. The acceptance of a customer order requires that the performing entity agree in writing to perform the work for the customer entity.

1. The apportionment of reimbursable authority applies to DWCF (97X4930) non-supply activities and all other DoD Revolving Funds.

2. The apportionment of reimbursable authority is considered “anticipated” and a DWCF non-supply management activity may not obligate more than the total amount of orders received from Federal entities plus advances received for orders from authorized entities external to the Federal government (i.e. state, local, and foreign governments). Specific authorization to obligate above orders received and cash advances may be approved by a signed annual operating budget (AOB) if other resources are available at the DWCF sub-account level. A DWCF activity should not obligate above all resources available to that specific entity without prior approval of the Director, Revolving Funds, to ensure that budgetary resources are available at the sub-account level.

3. The anticipated reimbursable program authority does not provide obligation authority; therefore, a non-supply activity should not obligate more than what has been accepted in customer orders and other financing resources available. Recording anticipated reimbursable program authority only documents that reimbursable orders will be accepted. The accepted reimbursable order provides obligation authority. The total amount of anticipated reimbursable authority is recorded on the AOB for reconciling purposes.

4. The AOB does not restrict the amount of reimbursable orders that can be accepted. Reimbursable orders may exceed the anticipated amount without recording a negative anticipated order on the SF-133. Activities should request a new AOB when customer orders in the year of execution are expected to exceed the anticipated amount or obligations are expected to exceed the current authorization.
D. Contract authority is the legal authority to enter into contracts and incur obligations before budgetary resources are available. With respect to DWCF budget execution, contract authority is only used in supply management operations and capital investment programs. Contract authority must be apportioned. For supply management operations, if reimbursements from offsetting collections exceed apportioned contract authority, the difference cannot be obligated unless additional contract authority is issued by OMB because such operations are not provided automatically apportioned reimbursable authority. This may be characterized as either an unapportioned balance of a revolving fund or a restrictive withholding. The unapportioned balance preserves a portion of the fund’s capital so it may continue to revolve or represents those resources not scheduled for obligation within a fiscal year. Prior year de-obligations of contract authority are automatically re-apportioned to the DWCF in the current year. Prior year de-obligation of contract authority used for a capital investment program (CIP) may only be used to cover additional costs in programs for that specific fiscal year and may not be used to cover additional current year costs unless approved in writing by the Director, Revolving Funds.

*190206. Antideficiency Act

The incurring of obligations (or authorizing the incurrence of obligations) in excess of apportioned budgetary resources and other financing resources must be reported as a potential violation of the Antideficiency Act, as required by Volume 14. This requirement applies whether or not a revolving fund activity has unapportioned budgetary resources or nonbudgetary assets (e.g. inventory) greater than the amount of the deficiency.

A. Commitments for goods or services to be obligated in the following year may be incurred in excess of apportioned budgetary resources only if obligations are not incurred in excess of apportioned budgetary resources. There is no restriction on commitment amounts for DoD revolving fund activities.

B. The AOB also includes administrative restrictions on the use of obligation authority specific to that activity’s operation.

*190207. Assets

Physical assets such as inventories or buildings and equipment are not considered budgetary resources because they do not provide a direct monetary source for outlays that liquidate budgetary transactions (obligations). Such assets, therefore, do not increase the amount of obligation authority available when calculating unobligated balances.

A. Changes in inventory valuation and unexpected gains in inventory (such as items being found on an installation) do not generate budgetary resources but are currently accounted for in the Net Operating Result (NOR) on the (AR) 1307 report. The NOR for budget purposes must reconcile budgetary resources and claims against those resources (obligations).

B. Unobligated balances are the net of total budgetary resources (Customer Orders and apportioned Contract Authority) less claims against budgetary resources (Accounts
Payable and Undelivered Orders). This is not the same as the “Net Position” or “Equity” calculation in financial accounting (total assets less total liabilities). In other words, the available budgetary resources for obligation are equal to the difference between budgetary resources and any claims against these budgetary resources, plus any financing resources (such as unencumbered cash balances). Obligations for the procurement of inventories and the CIP must be recognized, recorded, and reported even if they may be expensed in a subsequent fiscal year.

1903 EXECUTION REQUIREMENTS

*190301. SF-132 Apportionment

The SF-132 provides the legal authority to incur obligations against the receipt of customer orders or contract authority in anticipation of receipt of customer orders. The OUSD(C) Revolving Funds is responsible for five apportionment documents: DWCF (97X4930), the National Defense Stockpile Transaction Fund (97X4555), the Pentagon Renovation Maintenance Revolving Fund (97X4950), the Building Maintenance Fund (97X4931) and the Surcharge Collections, Sales of Commissary Stores, Defense Trust Fund (97X8164). Details and explanations on preparing the SF-132 can be found in OMB Circular A-11 Preparation, Submission and Execution of the Budget, Section 121.

A. The DWCF is apportioned new budget authority in the form of direct appropriations, unobligated balances brought forward, spending authority from offsetting collections and contract authority. The FBWT is not apportioned because the financing resources have already been encumbered by obligations and the unencumbered balance is factored into unobligated balances brought forward.

B. The other four revolving funds (listed in section 190101 of this chapter) are apportioned spending authority from offsetting collections and unobligated balances brought forward.

*190302. Contract Authority

The initial apportionment of contract authority for a fiscal year is typically the operating budget for supply management activities, and for both supply and non-supply management activities is the CIP reflected in the budget year column of last year’s President’s budget. In other words, the October 1 AOB will reflect the BY column submitted the previous February.

A. Supply management activities receive contract authority for a variability target, which represents an amount of contract authority to be held in reserve by the OUSD(C) to ensure continuity of operations for fluctuations in materiel costs and/or increased customer orders. The OUSD(C) provides requested adjustments from the September initial apportionment to OMB in February/March, reflecting revised estimates displayed in the current year column of the President’s budget submission most recently provided to Congress. The OUSD(C) may also request other adjustments that reflect significant changes experienced in budget execution.
B. Contract authority is available for obligation within the fiscal year for which it is provided. By definition, contract authority is unfunded and, therefore, obligations incurred through use of contract authority may not be liquidated (i.e., paid) until funded by offsetting collections or other resources credited to the DWCF. Contract authority does not authorize outlays; it is reported on the SF-133 to ensure obligations do not exceed apportioned amounts from OMB. Budgetary resources should be sufficient at the DWCF activity level to ensure disbursements are funded.

*190303. Annual Operating Budget

The Revolving Funds Directorate issues initial AOBs for each Component’s DWCF activities prior to the beginning of the fiscal year. A sample is shown later in this chapter. The AOB identifies an operating budget, operating results, unit cost(s) targets and capital investment limitations (subject to 31 U.S.C. 1517) for each DWCF activity.

A. Cash is centrally managed by the Army, Navy, Air Force, Defense Commissary Agency, and the Defense Logistics Agency. Each is responsible for taking actions to remain solvent and allow operations (disbursements) continue. It is a potential violation of the Antideficiency Act (31 U.S.C. 1517) if the FBWT is below zero at the sub-account level.

B. Non-supply management activities shall maintain a positive budgetary resource balance (i.e. obligations shall not exceed budgetary resources). Obligations exceeding total budgetary resources available to non-supply management activities, and obligations exceeding issued contract authority on the AOB, are potential violations of the Antideficiency Act (31 U.S.C. 1517).

C. Cash balances may be used when negative operating results are authorized on the AOB or by action of the OUSD (C) Revolving Funds Directorate. However, the AOB of a DWCF activity does not authorize it to use cash balances associated with another DWCF activity financed within the same DWCF sub-account. It is the responsibility of the DoD Component to ensure that adequate financing or budgetary resources have been allocated to a specific DWCF activity, and to obtain timely authorization for negative operating results for non-supply management activities.

D. Administrative Restrictions and Limitations. In addition to statutory restrictions, budget authority may be apportioned or otherwise further restricted through administrative action.

1. An administrative limitation cannot be used to change or eliminate a statutory restriction. An administrative action can only further restrict the purpose, amount, or time for which budgetary resources may be used. DoD Components must adhere to an administrative division of budgetary resources and/or a subdivision of budgetary resources provided to a DWCF activity.
2. If an administrative limitation is imposed, obligations incurred must remain below the limitation even though the limitation may be lower than the total budgetary resources that otherwise would be available. Administrative limitations may be provided in various formats but must be clearly stated in writing and signed.

E. In the event that budgetary resources available to a DoD Component for financing a specific DWCF activity are not sufficient, a DWCF manager shall not assume that sufficient budgetary resources exist elsewhere within the DWCF sub-account to fund obligations in excess of resources available. Rather, the manager for the DWCF activity shall request, in writing, from the Director, Revolving Funds an increase in authority to incur obligations and shall defer additional obligations until resources are sufficient to fund them.

F. Segregation of Budgetary Resources. When an activity receives budgetary resources from more than one source, the receiving activity must maintain records which will enable it to control separately the transactions relating to each source. For example, the SF-133 should break out total obligations between Operating and CIP for depot maintenance activities. All obligations should not be reported under a single line as “reimbursable.”

G. Claims Against Budgetary Resources. A DWCF entity should have two primary types of financial accounting records--proprietary and budgetary. The balance of budgetary resources available for obligation can be determined only from budgetary accounts. Proprietary accounting records, by themselves, are not sufficient to determine budgetary resources.

1. Non-budgetary assets, such as inventories of stock for sale, are not a budgetary resource. Additionally, a positive FBWT does not necessarily denote availability because the balance may be entirely encumbered by obligations.

   a. A fund balance, although present, may have claims against it (accounts payable for example) and is, therefore, not available for additional obligation.

   b. Additionally, claims against budgetary resources, such as undelivered orders and unpaid accrued expenditures must factor into the determination of unobligated balances and, therefore, budgetary resources available for obligation.

   c. Similarly, budgetary accounts may not represent a budgetary resource available for obligation. For example, anticipated customer orders are not budgetary resources available for obligation.

2. Administrative restrictions or other withheld amounts limit the balance of budgetary resources available for obligation. Budgetary resources available for obligation can be determined from data required to be reported on the SF-133.
The reconciliation of budgetary resources is reported to DWCF activities monthly on the SF-133 Report on Budget Execution and Budgetary Resources. Details on the preparation and explanation of the SF-133 can be found in Appendix F of OMB Circular A-11 Preparation, Submission and Execution of the Budget.

A. Earned Reimbursements. Earned reimbursements are the amount of customer orders that have been filled. In the case of orders from the public, including state and local governments, the amount is limited to the amount of the cash advance received. Earned reimbursements should not exceed the amount of individual customer orders as well as letters of intent, commanders’ orders, congressionally mandated actions, and other emergency situations.

B. Obligations should not be authorized or incurred in a DWCF activity unless available resources (apportioned contract authority, direct appropriations, or accepted customer orders) exceed the proposed obligation. Obligations that exceed apportioned or accepted amounts may result in a violation of the Antideficiency Act. Such violations are reportable to the President and the Congress, and can involve criminal prosecution for the responsible person or people.

C. A non-expenditure transfer moves budgetary resources from one budget account, appropriation, or fund to another. Non-expenditure transfers of funds may be received from another appropriation or fund or may be made to another appropriation or fund when appropriate and authorized. A non-expenditure transfer of funds received from another appropriation or fund increases the amount of available budgetary resources. A non-expenditure transfer of funds made to another appropriation or fund decreases the amount of available budgetary resources.

SF-133 Report of Budgetary Execution and Budgetary Resources

A. Mandatory and Discretionary Spending. The DWCF uses both mandatory and discretionary spending accounts. Mandatory spending is associated with apportioned contract authority and discretionary spending is associated with reimbursable authority. The format for the SF-133, outlined in OMB Circular A-11, breaks out these types of funding into the respective categories. Although obligated contract authority is considered mandatory, collections that liquidate contract authority are considered discretionary. Likewise, since the source of the FBWT is from discretionary funding, the fund balance itself is also considered discretionary.

1. Line 1000. Unobligated balance brought forward - For non-supply activities, this line represent the amount of work still required to be performed against outstanding customer orders and unencumbered cash balances. Unobligated contract authority will be cancelled at the end of the fiscal year. Contract authority brought forward is always zero for both Supply operations and the CIP. Unobligated balances are apportioned for non-supply DWCF activities and unobligated direct appropriations. Obligated contract authority remains in USSGL 4139 until a collection is posted against the balance, which allows for the disbursement.
2. **Line 1021. Recoveries of prior year obligations actual** - The actual amounts of prior year obligations should be reported on this line and not included in Line 2104, Obligations Incurred. If current year recoveries cannot be separated from prior year recoveries, the total amount of recoveries should be reported on Line 1021 and not included in Line 2104.

   a. Recoveries of prior year obligations are automatically re-apportioned for DWCF activities.

   b. Prior year contract authority that is deobligated and not re-obligated by September 30 automatically expires.

3. **Line 1750. Spending Authority from Offsetting Collections** - Reimbursable authority is the sum of planned customer new orders plus the change in uncollected customer orders for industrial and service activities.

4. **Line 1910. Total Budgetary Resources** - Defined as the sum of spending authority (1750), contract authority (1640), direct appropriations (1160), PY deobligations (1021), and PY unobligated balance (1000), less collections to liquidate contract authority (depreciation) (1826) received by that activity. For supply activities, it represents the sum of contract authority apportioned (1640), the amount of PY deobligations earned (1021), and any direct appropriations received (1160).

5. **Line 1640. Contract Authority** - Displays apportioned contract authority. This includes contract authority for prior year capital programs that is separately displayed on the AOB. These amounts are segregated on the AOB for administrative purposes.

B. **Availability Restrictions.** As noted in the preceding paragraphs, budget authority is available for obligation only in accordance with purpose, amount, and time restrictions imposed by statute, by apportionments imposed by the OMB, and by administrative limitations imposed by authorized officials within the OUSD(C) and the DWCF Components. Other events reported on the SF-133, “Report on Budget Execution and Budgetary Resources,” further restrict the availability of budgetary resources. The OMB Circular A-11, “Instruction on Budget Execution,” includes an explanation of those events and identification of the SF-133 lines on which they are reported.

C. **Definitions of Budgetary Indicators**

1. **Line 3200. Obligated balance, net, end of period** - Represents an unrealized budgetary position of a specific DWCF activity based on pending transactions and unexecuted orders.

   a. This line normally will have a negative balance for industrial and service type activities. A negative balance indicates there are sufficient resources available to cover future pending transactions. For industrial and service type activities, Line 3200 indicates the amount of work needed to be performed to complete accepted customer orders.
b. Supply activities should typically have a positive Line 3200 balance because contract authority allows for the obligation of resources in advance of available funding. For supply activities, Line 3200 indicates the amount of future customer orders and/or appropriated funding required for liquidating future potential transactions.

2. Line 3090. **Uncollected Federal Order** - Represents accounts receivable and unfilled customer orders (Carryover/Backorders). These represent uncollected customer payments from Federal Sources and are future collections to a DWCF activity.

3. Line 3050. **Unpaid Obligations** - Represents budgetary claims in the form of accounts payable and undelivered orders because they represent future disbursements.

D. Appendix F of OMB Circular A-11 displays a detailed example of the SF-133 format. In addition, appendix F covers the format for the SF-132. [http://www.whitehouse.gov/omb/circulars_a11_current_year_a11_toc](http://www.whitehouse.gov/omb/circulars_a11_current_year_a11_toc)

*190306. DFAS Reporting*

The DFAS Accounting Report (AR) 1307 is the official internal document for financial accounting and is the source document for the annual financial statements. The following are clarifications on how the (AR) 1307 relates to the reconciliation of budgetary authority.

A. **Statement of Financial Position and Statement of Cash Flows.** All amounts shown on these statements should reconcile to their corollaries on the SF-133. The accompanying footnotes must explain any amounts that do not reconcile.

B. **Statement of Operations.** Clarifications on proprietary accounting terminology and budget formulation terminology are provided here.

1. **Expense.** Expenses are the cost of goods and services used in the process of earning revenue. This is not synonymous with the budgetary term “obligation.” Obligations occur before an expense and require a budgetary resource at the time of obligation. Thus, obligations typically exceed expenses. Capital purchases are “expensed” via depreciation and inventory is expensed when it is sold.

2. **Cost.** The term “cost” may refer to either an obligation or expense depending on the circumstances. To clarify, an “obligation” is an unrealized cost that requires a budgetary resource before an outlay of cash occurs, whereas an “expense” is a realized cost (an actual bill has been received or inventory sold). The reconciliation of budgetary resources relies upon recognizing obligations as “costs” to ensure that budgetary resources are in place to cover any purchases that will not be expensed until subsequent fiscal years. The (AR) 1307 does not display budgetary resources or obligations. Conversely, the SF-133 does not display expenses. The reconciliation of these reports is key to ensure efficient and effective management across the DWCF.
C. **Cost of Goods Sold (COGS).** The (AR) 1307 COGS represents the historical cost of goods to produce revenue. Further, historical cost does not include inflation. Therefore, the amount of budgetary resources required to purchase inventory and produce goods and services may have a separate and distinctly higher value than the accounting COGS.

D. **Depreciation.** The accounting purpose for depreciation is to realize costs incurred as an asset is consumed over its useful life. It is based upon the purchase price of the asset and the length of the item’s useful life as described in Volume 4 Chapter 6 of the DoD FMR.

1. Depreciation is the recognition of an expense in the current period for portion of a capital outlay (that required a budgetary resource) that occurred in a previous period. Thus, depreciation for budgetary purposes (through inclusion in stabilized rates) results in the recoupment of cash that was used to acquire assets to replace those wearing out. Recovery of depreciation is a financing source for the DWCF Capital Investment Program (See also Volume 2B, Chapter 9, Section 090104).

2. Depreciation recovery may not, by itself, be sufficient to finance the CIP. In those instances, an additional element identified as a “Capital Surcharge” may be added to the stabilized rates/prices to finance the incremental difference. The capital surcharge is not an expense and is not displayed on the Statement of Operations. A capital surcharge is one of many elements that may be used in computation of the stabilized billing rate/price. The stabilized billing rate/price, when billed, is recorded as revenue. Since there is no counteracting expense for a capital surcharge, it may result in a positive Net Operating Result (NOR) on the (AR) 1307. However, for budgetary purposes, an adjustment will be made below the NOR calculation in order to ensure budgetary resources are available for the cash outlays required.

3. For budgetary purposes, depreciable assets are purchased with contract authority in advance of appropriated funding. Depreciation, for budgetary purposes, is used to describe collection of budgetary resources to offset the contract authority used to purchase the item. This recovery period may be shorter than the useful life of the item depending on the budgetary resources required by an activity.

E. **Net Operating Result (NOR)/Accumulated Operating Results (AOR).** The NOR/AOR for budgetary purposes may be different than the (AR) 1307 NOR/AOR. The fund manager must develop a methodology that is representative of the budgetary NOR/AOR. This methodology is typically reviewed during quarterly execution reviews with OUSD(C) Revolving Funds and the Integrated Program/Budget Review.

F. **Part VII Inventory Management Report.** For supply activities, the Part VII of the (AR) 1307 provides budgetary, accounting and inventory data that can be used for the development of internal benchmarks and metrics that indicate the operational effectiveness and efficiency of the activity. Fund managers should coordinate with OUSD(C) Revolving Funds for clarification on what should be displayed on quarterly execution briefings. All amounts depicted on the Part VII that are also displayed elsewhere on the (AR) 1307 or SF-133 should reconcile.
190307. Execution Review

The Revolving Funds Directorate receives a quarterly execution briefing and a Fund-28 Execution Performance Quarterly Analysis (see Volume 2B, Chapter 9, Section 0903) from each DWCF activity. Each activity’s results of operations (through the latest available quarter) are formally reviewed by OUSD(C) leadership to determine the actual results of operation in comparison with plans for disbursements, collections, revenue, expense, net operating results, and unit costs. These briefings typically occur in February, May, and August. The purpose of the review is to determine if financial operations are proceeding according to plan and if there are significant deviations from the plan to actual execution. Management actions may be required to either bring execution back into line with the plan or to revise the plan to be consistent with current and more realistic financial expectations.

190308. Adjusting Component Resources

Based on budget execution, Components periodically request the Revolving Funds Directorate to adjust their targets and/or capital budget limitation. Unless the Congress has provided a capital purchase limitation or other direction that would preclude making a requested adjustment, a Component’s request will be evaluated and approved (reflected in a revised AOB) or disapproved based on the merit of the justification provided.
### Example of an Annual Operating Budget (AOB)

**NAVY WORKING CAPITAL FUND**

**NAVY DEPOT MAINTENANCE - FLEET READINESS CENTERS (FRC)**

**FISCAL YEAR 2013 COST AUTHORITY**

<table>
<thead>
<tr>
<th>OPERATING BUDGET</th>
<th>ACTIVITY</th>
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<tbody>
<tr>
<td>Budgetary Resources</td>
<td>OPERATING BUDGET</td>
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<td></td>
<td>Unit Cost ($)</td>
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<tr>
<td><strong>OPERATING BUDGET</strong></td>
<td></td>
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<tr>
<td>PY Unobligated Balance (SF-133 Line 1000)</td>
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</tr>
<tr>
<td>Total Spending Authority from offsetting collections (Includes Depreciation) (SF-133 Line 1750)</td>
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</tr>
<tr>
<td>Collections applied to liquidate Contract Authority (Depreciation) (SF-133 Line 1826)</td>
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<tr>
<td><strong>Total Operating Reimbursable Authority (Lines 1000+1750+1826)</strong></td>
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<tr>
<td>Capital Obligation Authority (SF-133 Line 1640)</td>
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<tr>
<td>FY 2007</td>
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<td>FY 2009</td>
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<td>FY 2013</td>
<td>$</td>
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<tr>
<td><strong>TOTAL</strong></td>
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<td><strong>NET OPERATING RESULT: (NOR GOAL)</strong></td>
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<tr>
<td><strong>ACCUMULATED OPERATING RESULT: (AOR GOAL)</strong></td>
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</tr>
</tbody>
</table>

Authorization Number: FRC-13-09

Date: 

Approved:

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*August 2015*
LIMITATIONS AND GUIDANCE:

1. TOTAL OPERATING REIMBURSABLE AUTHORITY: The estimate of reimbursements expected to be earned during the current fiscal year, subject to Office of Management and Budget apportionment, other authorized reimbursements, and/or other income for which current fiscal year obligational authority is automatically established based on customer orders received. Negative anticipated reimbursements will not be recorded on the SF-133. Advances are required from non-federal orders. Specific prior approval of this office is required for additional budgetary resources beyond the amount authorized. Direct Reimbursable Outputs are limited to the actual cost incurred up to the limit of obligation authority received on funded customer orders.

2. The amount listed for Capital Obligation Authority is the limitation subject to the provision of Section 1517 of 31 U.S.C., the Anti-Deficiency Act. Obligations will not be incurred beyond the total approved amount shown for each year for the Capital Budget (as modified by reprogramming per authority provided in DoD 7000.14R, DoD Financial Management Regulation, Volume 2B, Chapter 9) without the specific prior approval of this office.

3. TOTAL BUDGETARY RESOURCES (SF-133 Line 1910): The amount authorized to be reported on line 1910 of the SF-133 is the sum of Reimbursable Authority, Contract Authority, and Recoveries of prior year unpaid obligations (SF-133 line 1021).

4. AOR & NOR: The Accumulated Operating Result (AOR) represents the cumulative impact of gains and losses on total operations of the activity group since the inception of the fund. The stated financial goal of the Working Capital Fund is to achieve a zero AOR over time. The AOR, along with the Net Operating Result (NOR), provide primary financial management targets and will be used in conjunction with other performance metrics to assess the overall operational effectiveness of the activity group. For each Activity Group, the Component is responsible for preparing a monthly Revenue and Cost Plan. Formal First Quarter and Mid-Year Joint Execution Reviews of this plan will be conducted by this office in February and May 2013.

5. CASH MANAGEMENT: Cash management remains the responsibility of the Navy. This cash management responsibility entails taking action to maintain a positive cash balance for Navy Activity Groups, in total, at all times. Failure to maintain a positive balance will result in a statutory violation of Section 1517, of 31 U.S.C., the Anti-Deficiency Act, by the Navy. The Component may require DFAS to vary its billing cycle or advance bill, when it is deemed necessary to do so, in order to maintain cash solvency. The magnitude, duration, and reason for advance billing by business area must be reported by the initiating Component to the Director, Revolving Funds within 15 calendar days of the end of the month in which the advance billing took place. In exercising the authority to advance bill orders, the Department of the Navy must ensure that, in total, for all Activity Groups, advance billing for services provided or work performed by the Department of Navy's Working Capital Fund does not exceed $200 million. Advance billing in excess of $200 million, cumulative, is prohibited during the fiscal year. The Component remains responsible for compliance with monthly execution of collections and disbursements in accordance with the monthly approved plan.

6. UNIT COST: The total cost for those outputs identified by a unit cost is predicated on a projected level of workload. Components may request increases in Operating Obligation Authority based on an increase in the number or value of orders accepted. Conversely, if actual workload declines below levels anticipated, appropriate reductions will be made to the total costs shown in this document.

7. PERFORMANCE GOALS: Performance effectiveness measures identified in the FY 2014 President’s Budget Submission, FY 2013 column include:

<table>
<thead>
<tr>
<th>Measure</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedule Conformance:</td>
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<tr>
<td>Aircraft &gt;90%</td>
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</tr>
<tr>
<td>Components &gt;95%</td>
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</tr>
<tr>
<td>Engines &gt;90%</td>
<td></td>
</tr>
<tr>
<td>Inventory turnover ratio</td>
<td>&gt;2.4</td>
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<tr>
<td>New Orders</td>
<td>$2,130.1 million</td>
</tr>
</tbody>
</table>
Operating Results:

NOR
- $6.4 million

AOR
$7.2 million

8. OTHER:

a. Base Realignment and Closure Program expenses may be incurred prior to receiving an allocation of BRAC funding. However, all costs properly charged against the BRAC account must be reimbursed with BRAC funds. DWCF funds may not be expended prior to complying with the notification requirements imposed by law with respect to the obligation of BRAC funds. All costs incurred by DWCF activities to carry out BRAC must be reimbursed from the BRAC account prior to the end of the fiscal year in which costs were incurred.

b. This document requires that collections for $41.852 million in budgeted depreciation are applied to unliquidated contract authority (account 4139) and are not used as additional operating authority.

c. Costs of civilian separation incentives, not related to BRAC, are to be financed by the Navy Working Capital Fund.

9. CONTRACT AUTHORITY FOR CAPITAL INVESTMENTS: This document provides $54.512 million in contract authority to the Fleet Readiness Centers (NADEPS) activity during this fiscal year for Capital Investment Program (CIP) requirements. Of this amount, there is $10.975 million reapportioned for CIP requirements from prior fiscal years. In addition, recoveries of prior year capital obligations increase FY 2013 authority in the amount of recoveries. However, the Director for Revolving Funds must approve use of any recovered capital authority.

Instructions for reporting contract authority withdrawn on the SF 133 Report on Budget Execution are provided below:

a. The capital program collections are anticipated to be 1.96 percent of customer orders during the year, up to a fiscal year maximum of $41.852 million. The collection percentage is based on budgeted depreciation costs and capital cash surcharges included in prices/rates. The maximum amount financed above will recover the total capital cash requirements projected for the fiscal year.

b. The collected amount for the capital program will be moved from operating collections into capital collections and will liquidate previously realized (obligated) capital contract authority. Unused (unobligated) contract authority is removed at the end of the fiscal year; and is only available for within scope adjustments as provided below. Realized/obligated contract authority will remain accounted for and carried forward until it is liquidated by capital collections or de-obligated. Thus, cumulative unliquidated capital contract authority outstanding for the capital program equals the total cumulative capital obligations for all years less the cumulative capital collections for all the years since the inception of the capital program.

c. At fiscal year end, the amount collected will be compared to the amount obligated. If the amount collected requires to be adjusted upward to a maximum of 100 percent of obligations to maintain cash corpus requirements, an adjustment will be made in the rate development. If cumulative collections exceed cumulative outlays and cumulative obligations because of deobligations, a negative capital surcharge may be used to return the excess collections so long as cash corpus requirements are maintained.

10. CONGRESSIONAL DIRECTION: Funding released in this and subsequent documents is to be executed only in accordance with all applicable provisions of any Continuing Resolution(s), the National Defense Authorization Act for Fiscal Year 2013 (P.L. 112-239), the Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-006), and any supplemental appropriations, when enacted.

11. DEFENSE BUSINESS SYSTEM MODERNIZATION: In accordance with the Ronald W. Reagan National Defense Authorization Act for FY 2005, and Department of Defense policy, modernization and enhancement to a system that costs more than $1 million, across the FYDP, must be approved by the Investment Review Board and Defense Systems Business Management Committee prior to obligating funds. This does not include obligations to maintain current services.
CAPITAL BUDGET PROGRAM

The capital budget is to be executed based on the approved annual programs contained in the President’s Budget as modified by approved budget decisions. Proposed deviations from the President’s Budget, that are consistent with reprogramming criteria, must be identified to the Director for Revolving Funds during the schedules execution reviews.

The capital budget will be executed in accordance with the Financial Management Regulation. Effective April 4, 2007, the Defense Working Capital Funds Capital Investment Program (CIP) Budget expense/investment threshold (FMR Volume 2B Chapter 9) increased from $100,000 to $250,000 for all categories except Minor Construction. The National Defense Authorization Act for Fiscal Year 2011 (P.L. 111-383), dated January 7, 2011, Section 1403 increased the CIP Minor Construction threshold from $100,000 to $250,000. The capital budget authority shown in Section 9 of this document reflects this change. Minor Construction projects between $100,000 and $250,000 that were obligated prior to January 7, 2011 will be executed under the previous threshold. All new Minor Construction obligations must comply with the $250,000 CIP threshold. Note that, although the capitalization threshold increased, assets between $100,000 and $250,000 will still be recorded in Department's financial reports as fixed assets and depreciated in accordance with the FMR Volume 11B.

CAPITAL PROJECT WITHIN SCOPE OBLIGATION ADJUSTMENTS: Capital obligation adjustments must be charged to the program year cited for the original project. Capital obligation authority can be provided for any program year for within scope increases if the following conditions are met: (1) the original program year must have sufficient un-obligated budget authority (original program plus program adjustments less actual obligations) to accommodate the adjustment, and (2) the total obligations, including both new obligations and all adjustments, cannot exceed the total obligation authority for all program years issued on the AOB. If these conditions are met, this AOB automatically provides the authority to obligate prior year program funds for within scope capital adjustments of less than $100,000. Since the adjustments must cite the original program year, the obligation authority for a currently issued program year must be reduced to offset the adjustments if sufficient funding for the original program year is not available on the AOB. The offset must be sufficient to limit total capital obligations during the fiscal year to the total obligation authority issued on the AOB. Subsequent AOBs may restore this authority by issuing the prior year program funds if appropriate. In addition, this document provides for a revised reprogramming threshold. Components may, without prior approval of this office, reprogram funds up to $3 million between approved capital budget projects for minor construction and non-ADP equipment and reprogram up to $1 million between ADP and software projects in a fiscal year program. Deviations from the President’s Budget that are consistent with the reprogramming criteria noted above, must be identified to the Director for Revolving Funds within 30 days of occurrence or during the scheduled execution reviews, whichever occurs first. The approved project list for capital budget obligations follows:

($ Millions)

FY 2010 Program

MINOR CONSTRUCTION
  Replacement Capability 0.066
Non-ADPE & TELECOM EQUIPMENT 0.800
  Replacement Capability 0.800

FY 2010 Program Year Total 0.866

FY 2011 Program

ADPE & TELECOM EQUIPMENT 0.092
  Computer Software 0.067
<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2011 Program Year Total</th>
<th>FY 2012 Program Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Telecommunications</strong></td>
<td>0.025</td>
<td></td>
</tr>
<tr>
<td>Non-ADPE &amp; TELECOM EQUIPMENT</td>
<td>0.897</td>
<td></td>
</tr>
<tr>
<td>Replacement Capability</td>
<td>0.897</td>
<td></td>
</tr>
<tr>
<td>MINOR CONSTRUCTION</td>
<td>0.781</td>
<td></td>
</tr>
<tr>
<td>Replacement Capability</td>
<td>0.178</td>
<td></td>
</tr>
<tr>
<td>Production Capability</td>
<td>0.603</td>
<td></td>
</tr>
<tr>
<td><strong>FY 2011 Program Year Total</strong></td>
<td>1.770</td>
<td></td>
</tr>
</tbody>
</table>

**FY 2012 Program**

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2012 Program Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-ADPE &amp; TELECOM EQUIPMENT</td>
<td>5.515</td>
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<tr>
<td>Replacement Capability</td>
<td>1.642</td>
</tr>
<tr>
<td>Production Capability</td>
<td>3.873</td>
</tr>
<tr>
<td>ADPE &amp; TELECOM EQUIPMENT</td>
<td>1.362</td>
</tr>
<tr>
<td>Computer Software</td>
<td>0.307</td>
</tr>
<tr>
<td>Other Computer and Telecom Support Equipment</td>
<td>1.055</td>
</tr>
<tr>
<td>MINOR CONSTRUCTION</td>
<td>1.282</td>
</tr>
<tr>
<td>Replacement Capability</td>
<td>0.840</td>
</tr>
<tr>
<td>Productivity Capability</td>
<td>0.442</td>
</tr>
<tr>
<td><strong>FY 2012 Program Year Total</strong></td>
<td>8.159</td>
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</table>

**FY 2013 Program**

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2013 Program Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-ADPE &amp; TELECOM EQUIPMENT</td>
<td>39.057</td>
</tr>
<tr>
<td>Replacement Capability</td>
<td>31.964</td>
</tr>
<tr>
<td>Productivity Capability</td>
<td>7.093</td>
</tr>
<tr>
<td>ADPE &amp; TELECOM EQUIPMENT</td>
<td>1.000</td>
</tr>
<tr>
<td>Computer Software</td>
<td>1.000</td>
</tr>
<tr>
<td>MINOR CONSTRUCTION</td>
<td>3.480</td>
</tr>
<tr>
<td>Replacement Capability</td>
<td>3.480</td>
</tr>
<tr>
<td><strong>FY 2013 Program Year Total</strong></td>
<td>43.537</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>$54.512</td>
</tr>
</tbody>
</table>
Example of the (*AR*) 1307

Statement of Operations

<table>
<thead>
<tr>
<th>PART I</th>
<th>TOTAL</th>
<th>Industrial Operations</th>
<th>Supply Management</th>
<th>Component Level Adj.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STATEMENT OF OPERATIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>REVENUES AND FINANCING SOURCES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Appropriated Capital Used</td>
<td>$627,790</td>
<td>0</td>
<td>627,790</td>
<td>0</td>
</tr>
<tr>
<td>2. Revenue from Sales of Goods and Services</td>
<td>$17,390,570</td>
<td>5,278,338</td>
<td>12,112,233</td>
<td>0</td>
</tr>
<tr>
<td>a. Gross Revenue from Sales</td>
<td>$17,725,235</td>
<td>5,278,249</td>
<td>12,446,986</td>
<td>0</td>
</tr>
<tr>
<td>b. Minus: Credits Allowed on Sales</td>
<td>($334,664)</td>
<td>89</td>
<td>($334,753)</td>
<td>0</td>
</tr>
<tr>
<td>3. Other Revenue and Financing Sources</td>
<td>$7,821</td>
<td>53,935</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4. Total Revenue and Financing Sources</td>
<td>$18,080,116</td>
<td>5,286,159</td>
<td>12,793,957</td>
<td>0</td>
</tr>
<tr>
<td><strong>EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Program or Operating Expenses (Supply and Service Activities)</td>
<td>$3,282,995</td>
<td>0</td>
<td>3,282,995</td>
<td>0</td>
</tr>
<tr>
<td>6. Cost of Goods and Services Sold</td>
<td>$9,781,365</td>
<td>5,391,045</td>
<td>4,390,320</td>
<td>0</td>
</tr>
<tr>
<td>7. Other Losses</td>
<td>$1,758,676</td>
<td>12,808</td>
<td>1,745,868</td>
<td>0</td>
</tr>
<tr>
<td>8. Total Expenses</td>
<td>$14,823,036</td>
<td>5,403,854</td>
<td>9,419,182</td>
<td>0</td>
</tr>
<tr>
<td><strong>NET OPERATING RESULTS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Revenue Less Cost Incurred Before Extraordinary Items</td>
<td>$3,257,080</td>
<td>(117,695)</td>
<td>3,374,775</td>
<td>0</td>
</tr>
<tr>
<td>10. Plus (Minus) Extraordinary Items</td>
<td>$0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>11. Net Operating Results (NOR)</td>
<td>$3,257,080</td>
<td>(117,695)</td>
<td>3,374,775</td>
<td>0</td>
</tr>
<tr>
<td><strong>NET OPERATING RESULTS FOR RATE PURPOSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Plus (Minus) Deferred Operating Results and Depreciation(From Part V)</td>
<td>$0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>13. Recoverable Net Operating Results</td>
<td>$3,257,080</td>
<td>(117,695)</td>
<td>3,374,775</td>
<td>0</td>
</tr>
</tbody>
</table>
Example of the (AR) 1307 Part VII

PART VII
INVENTORY MANAGEMENT REPORT

<table>
<thead>
<tr>
<th>Description</th>
<th>Current Year To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Customer Orders Accepted - Cumulative</td>
<td>12,585,738</td>
</tr>
<tr>
<td>B. Gross Reimbursable Sales of Property, Inventory, &amp; Services - Cumulative</td>
<td>12,428,285</td>
</tr>
<tr>
<td>C. Unfilled Customer Orders</td>
<td>1,543,045</td>
</tr>
<tr>
<td>D. Customer Returns - Credits Granted - Cumulative</td>
<td>2,314,635</td>
</tr>
<tr>
<td>E. Net Reimbursable Sales of Property - Cumulative</td>
<td>10,143,261</td>
</tr>
<tr>
<td>F. Purchases at Cost (LAC) - Cumulative</td>
<td>4,612,884</td>
</tr>
<tr>
<td>G. Obligations - Cumulative</td>
<td>9,570,803</td>
</tr>
<tr>
<td>H. Obligations - Reimbursable</td>
<td>9,554,987</td>
</tr>
<tr>
<td>I. Obligations - Augmentation - Cumulative</td>
<td>8,428</td>
</tr>
<tr>
<td>J. Obligations - Mobilization - Cumulative</td>
<td>6,979</td>
</tr>
<tr>
<td>K. Outstanding Commitments</td>
<td>0</td>
</tr>
<tr>
<td>L. Inventories - Stock on Hand</td>
<td>32,107,933</td>
</tr>
<tr>
<td>M. Other Inventories</td>
<td>368,157</td>
</tr>
<tr>
<td>N. Inventories in Transit</td>
<td>464,280</td>
</tr>
<tr>
<td>P. Total Inventories</td>
<td>32,940,369</td>
</tr>
<tr>
<td>Q. Customer Returns Without Credit - Cumulative</td>
<td>10,340,292</td>
</tr>
<tr>
<td>R. Transfers to Reutilization and Market - Cumulative</td>
<td>2,830,896</td>
</tr>
<tr>
<td>S. Material Returns to Suppliers - Cumulative</td>
<td>-138,935</td>
</tr>
<tr>
<td>T. Undelivered Orders</td>
<td>7,652,382</td>
</tr>
<tr>
<td>U. Fund Balance with Treasury</td>
<td>0</td>
</tr>
<tr>
<td>V. Funds Collected - Cumulative</td>
<td>10,107,103</td>
</tr>
<tr>
<td>W. Funds Disbursed - Cumulative</td>
<td>8,928,875</td>
</tr>
<tr>
<td>X. Accounts Receivable - Intragovernmental</td>
<td>155,013</td>
</tr>
<tr>
<td>Y. Accounts Receivable - Non-Federal</td>
<td>0</td>
</tr>
<tr>
<td>Z. Accounts Payable</td>
<td>913,503</td>
</tr>
</tbody>
</table>
VOLUME 4, CHAPTER 1: “FINANCIAL CONTROL OF ASSETS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font.**

The previous version dated September 2008 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tbody>
<tr>
<td>010101 and 010202</td>
<td>Updated definition of Assets. Delineated that fiduciary assets meeting the definition in the Statement of Federal Financial Accounting Standards 41 are not reported on the Federal Entity’s Balance Sheet.</td>
<td>Revision</td>
</tr>
<tr>
<td>010103</td>
<td>Added an Authoritative Guidance paragraph.</td>
<td>Addition</td>
</tr>
<tr>
<td>010204</td>
<td>Updated Entity versus Nonentity Assets description and reporting requirements.</td>
<td>Revision</td>
</tr>
<tr>
<td>010304</td>
<td>Updated Accounting Requirements for Cash.</td>
<td>Revision</td>
</tr>
<tr>
<td>010601</td>
<td>Updated examples of Advances.</td>
<td>Revision</td>
</tr>
<tr>
<td>010602</td>
<td>Updated definition of Prepayments.</td>
<td>Revision</td>
</tr>
<tr>
<td>010701</td>
<td>Updated definition of Property, Plant, and Equipment.</td>
<td>Revision</td>
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<td>010801.</td>
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<td>010802.</td>
<td>Financial Control</td>
<td>11</td>
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CHAPTER 1

FINANCIAL CONTROL OF ASSETS

0101 GENERAL

*010101. Overview

Assets are items owned by the federal government which have probable (more likely than not) economic benefits that can be obtained or controlled by a Federal Government entity. A Department of Defense (DoD) asset is any item of economic value owned by a DoD Component or held in a fiduciary capacity under the control of a DoD Component. However, fiduciary assets matching the definition outlined in the Statement of Federal Financial Accounting Standard (SFFAS) 31, “Accounting for Fiduciary Activities” must not be recognized on the Balance Sheet of the Federal entity. These assets are defined as “the collection or receipt, and the subsequent management, protection, accounting, investment and disposition of cash or other assets in which non-Federal individuals or entities (“non-Federal parties”) have an ownership interest that the Federal Government must uphold. The fiduciary relationship must be based on statutory or other legal authority and the fiduciary activity must be in furtherance of that relationship.”

010102. Purpose

This chapter sets forth overall standards for the DoD Components to follow in accounting for assets. One of the objectives of DoD accounting is establishing financial control, from time of acquisition to time of disposal, over all assets provided to, or acquired by, the DoD. Such control ensures proper and authorized use as well as adequate care and preservation, since no asset can be acquired, put into use, transferred, written down, written off, or disposed of, without the proper authorization necessary to document and record the transaction. Account for all tangible assets provided to the DoD including assets in transit and assets in the hands of contractors, private parties, and other government agencies.

*010103. Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

A. Financial Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Concepts (SFFAC) 6, “Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information;”

B. FASAB SFFAS 1, “Accounting for Selected Assets and Liabilities;”

C. FASAB SFFAS 3, “Accounting for Inventory and Related Property;”

D. FASAB SFFAS 6, “Accounting for Property, Plant, and Equipment;”

E. FASAB SFFAS 8, “Supplementary Stewardship Reporting;”
F. FASAB SFFAS 31, “Accounting for Fiduciary Activities;”


I. TFM Volume 1, Part 2, Chapter 3400, “Accounting for and Reporting on Cash and Investments Held Outside of the United States (U.S.) Treasury;”

J. TFM Volume 1, Part 2, Chapter 5100, “Reconciling Fund Balance with Treasury Accounts;” and

K. Department of Defense Instruction (DoDI) 5000.64, “Accountability and Management of DoD Equipment and Other Accountable Property.”

*0102 ACCOUNTING REQUIREMENTS

010201. Accounting Requirements Overview

Sections 0103 through 0108 provide policy on specific accounting requirements for various categories of assets. The general requirements prescribed in this section apply to all assets.

*010202. Definition of Asset

An asset is a resource that embodies economic benefits or services that DoD controls. An asset has two essential characteristics:

A. It embodies economic benefits or services that can be used in the future; and

B. The DoD controls access to the economic benefits or services and, therefore, can obtain them or deny or regulate the access of other entities.

010203. Noncash Assets

Noncash assets will be valued promptly, once acquired by or taken into possession by the DoD, and subjected to financial accounting control. For purposes of this paragraph, promptly means no later than the entity’s fiscal year-end.
*010204. Entity Versus Nonentity Assets

DoD Components report entity assets separately from nonentity assets in Note 2 of the entity’s financial statements. The entity’s Balance Sheet combines entity assets and nonentity assets.

A. Entity assets are assets that the reporting DoD Component has authority to use in its operations, that is to say, the DoD Component has the authority to decide how the asset is used, or is legally obligated to use the asset to meet statutory obligations.

B. Nonentity assets are assets held by a DoD Component but are not available for the Component to use in its operations. In some circumstances, a DoD Component may maintain cash or other nonentity assets in a fiduciary capacity for the Treasury, other government agencies or non-federal entities. DoD Components must report both entity assets and nonentity assets under an entity’s custody or management in the entity’s financial statements. However, DoD Components must not recognize on the Balance Sheet nonentity assets meeting the definition of fiduciary assets, but should disclose them in accordance with the provisions of FASAB SFFAS 31. Disclose in Note 2 of the entity’s financial statements nonentity assets reported on an entity’s Balance Sheet in accordance with OMB Circular A-136, Section II 4.3.3 Assets; see also Volume 6B, Chapter 10. Recognize an amount equal to nonentity assets as a liability (due to Treasury or other entities) on the Balance Sheet.

010205. Intragovernmental Versus Public Transactions

A. Intragovernmental assets arise from transactions among Federal Agencies and represent claims of a Military Department or Defense Agency against other DoD Components and other Federal Agencies.

B. Public assets arise from transactions between DoD Components and non-federal entities, which include domestic and foreign persons and organizations outside the U.S. Government. The term “public” can also be used to represent non-federal entities.

010206. Accounting Events

The accounting events discussed in Chapters 2 through 7 frequently will require compound accounting entries; that is, accounting entries must be made simultaneously in both the proprietary accounts and the budgetary accounts. Additional information on budgetary accounts, not covered in this chapter, is included in Volume 3.

0103 FUND BALANCE WITH TREASURY AND CASH

010301. Fund Balance with Treasury (FBWT) Policy

FBWT is an asset account that reflects the available funds in the entity’s accounts with Treasury that authorizes the entity to make expenditures and pay liabilities. Collections and disbursements by the Department increase or decrease the balance of the account. Treasury
requires all federal agencies to reconcile their FBWT accounts on a regular and recurring basis to assure the integrity and accuracy of their internal and Government wide financial data. Any differences identified during the reconciliation process must be researched and resolved. Reconciliation documentation (including support for any adjustments required) must be prepared and retained. Evidence of review and approval for the reconciliation and any adjustments must be contained in the documentation. Unresolved differences compromise the reliability of FBWT balances and Treasury’s published financial statements. This, in turn, compromises the overall integrity and status of the Department’s and Government wide financial position. Chapter 2 provides more detailed information on accounting for cash and FBWT.

010302. Cash Held Outside of Treasury

In limited circumstances, in addition to “FBWT,” DoD reporting entities may be authorized to hold cash outside of Treasury to provide check-cashing services in accordance with Volume 5. Cash includes all monetary resources on hand or on deposit with banks and other financial institutions, including coins, currency, and readily negotiable instruments (such as checks and money orders).

010303. Restricted Cash

Restrictions are usually imposed on cash deposits by law, regulation, or agreement. Nonentity cash is always restricted cash. Entity cash may be restricted for specific purposes. Such cash may be in escrow or other special accounts. Financial reports should disclose the reasons and nature of restrictions.

*010304. Accounting Requirements for FBWT and Cash

The requirements prescribed by this paragraph apply to accounting for FBWT and cash.

A. FBWT and Cash accounting will:

1. Be complete, accurate and timely.
2. Cover cash receipts, cash disbursements, and cash balances.
3. Comply with applicable laws and regulations.
4. Disclose errors, losses, and gains. DoD Components must identify, resolve and correct errors on a timely basis as detailed in Chapter 2.

B. Record cash receipts immediately upon collection, kept under control, and deposited intact as soon as practicable. Disbursing Officers (DOs) and their cash agents may hold cash collections for operating requirements within their cash-holding authority.
C. Make cash disbursements only after receiving an approved voucher package containing evidence of performance (i.e., receipt of goods and/or services via DD Form 250, Material Inspection and Receiving Report), a valid purchase order, and a valid invoice. Cash disbursements can also be made after receiving an authorized advance payment request. Cash disbursements and collections will be recorded promptly in the applicable DoD accounting system and reported in the Statement of Transactions.

D. Cash receipts and disbursements are to be reconciled with appropriate documents and accounting records, as applicable within each accounting period. The reconciliation should document and serve to verify that all amounts reflected in the supporting documentation agree with the postings to the U.S. Standard General Ledger account 101000, Fund Balance with Treasury and 109000, Fund Balance with Treasury Under a Continuing Resolution. Any differences identified during the reconciliation process must be researched and resolved. Reconciliation documentation (including support for any adjustments required) must be prepared and retained. Evidence of review and approval for the reconciliation and any adjustments must be contained in the documentation.

E. Account for foreign currencies in subsidiary accounts separate from U.S. currency. Report foreign currencies at the U.S. dollar equivalent using the exchange rates prescribed by the Secretary of the Treasury. Disclose the fact that a foreign currency is not freely exchangeable in the notes to the financial statements. Accounting entities may prepare financial statements for their own use, which may or may not be in U.S. dollars. These entity level statements will be translated into U.S. dollars when used to prepare departmental financial statements. See Volume 6A, Chapter 7 for additional information related to foreign currencies.

F. Guidance relating to cash management procedures prescribed by the Treasury is in Chapter 2.

0104 RECEIVABLES

010401. Receivables Overview

Amounts due the DoD will be recorded accurately in the appropriate receivable account in the accounting period during which the transaction or event giving rise to the receivable occurs. Receivables arise from claims to cash or other assets and include accounts receivable, interest receivable, and loans receivable. Guidance relating to receivables is contained in Chapter 3.

010402. Recognition of Receivable

FASAB SFFAS 1 requires that a receivable be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date (e.g., payment not received by the due date on the invoice), or goods or services provided. If the exact amount is unknown, then a reasonable estimate should be made.
0105 INVENTORY AND RELATED PROPERTY

010501. Definition of Inventory and Related Property

Inventory is tangible personal property that is (1) held for sale, (2) in the process of production for sale, or (3) to be consumed in the production of goods for sale or in the provision of services for a fee. Inventory includes items for sale or transfer to entities outside the Federal Government or to other Federal Entities.

A. Inventory will be recognized as an asset when title passes to the purchasing entity or when the goods are delivered to the purchasing entity. Delivery or constructive delivery will be based on the terms of the contract regarding shipping and/or delivery.

B. Inventory will be valued at historical cost, using the moving average cost assumption unless an exception is specifically authorized.

C. Guidance relating to inventories is contained in Chapter 4.

010502. Operating Materials and Supplies and Stockpile Materials

Related property for purposes of this volume includes operating materials and supplies and stockpile materials.

0106 ADVANCES AND PREPAYMENTS

*010601. Advances

Advances are cash outlays made by a federal entity to its employees, contractors, grantees, or others to cover a part or all of the recipients’ anticipated expenses or as advance payments for the cost of goods and services the entity acquires. Common examples include, travel advances disbursed to employees prior to business trips, and cash or other assets disbursed under a contract, grant, or cooperative agreement before services or goods are provided by the contractor or grantee. Advances are reduced when related goods or services are received, contract terms are met, or progress is made under a contract, or anticipated expenses are realized. Advances are assets of the paying entity. Guidance relating to advances is contained in Chapter 5.

*010602. Prepayments

Prepayments are payments made by a Federal Entity to cover certain periodic expenses before those expenses are incurred. Typical prepaid expenses are rents paid to a lessor at the beginning of a rental period. Reduce prepayments when goods or services are received by the DoD Component or prepaid expenses expire. Prepayments are assets of the paying entity. Guidance relating to prepayments is contained in Chapter 5.
010603. Reporting Intragovernmental Transactions

Advances and prepayments made from one Federal Entity to another Federal Entity are intragovernmental transactions and should be accounted for and reported separately from those made to non-federal entities.

0107 PROPERTY, PLANT, AND EQUIPMENT (PP&E)

*010701. Definition of PP&E

PP&E is composed of General PP&E, Heritage Assets, and Stewardship Land. FASAB SFFAS 6 defines PP&E as tangible assets, including land, that have estimated useful lives of two years or more, are not intended for sale in the ordinary course of operations, and have been acquired or constructed with the intention of being used or being available for use by the entity. PP&E also includes assets acquired through capital leases, including leasehold improvements, property owned by the reporting entity in the hands of others (e.g. state and local governments, colleges and universities, or Federal contractors), and land rights. Heritage Assets are PP&E of historical, natural, cultural, educational, or artistic significance (e.g., aesthetic); or with significant architectural characteristics. Stewardship Land is land and land rights other than that acquired for or in connection with General PP&E, land acquired via the public domain, or land acquired at no cost. Accounting for PP&E in which the government has an ownership interest is important because public funds are invested. Account and control property in the accountable property systems of record. The DoD has an obligation to safeguard its property from theft, abuse, waste, and unauthorized use and otherwise manage the property efficiently and effectively. Consistent with the DoDI 5000.64, DoD is accountable for all property acquired, leased, or otherwise obtained throughout an asset's lifecycle: from initial acquisition and receipt; through accountability and custody; until formally relieved of accountability by authorized means, including disposition; or through a completed evaluation and investigation for lost, damaged, destroyed, or stolen property. See additional guidance relating to PP&E in Chapter 6 and Volume 12, Chapter 14.

010702. Recording General PP&E Assets

Record all General PP&E assets in accounting records at cost. Such costs will include all costs incurred to bring the PP&E to a form and location suitable for its intended use in operations. The cost of Stewardship PP&E (except for Multi-Use Heritage Assets) will be expensed in the accounting period in which incurred.

0108 OTHER ASSETS

010801. Other Assets Classified

Other assets include investments, and other miscellaneous assets not otherwise classified, that cannot be classified in a specific category identified in sections 0102 through 0107.
010802. Financial Control

Guidance relating to these other assets is included in Chapter 7. The basic purpose is to ensure financial control over these assets and the recording of expenses or dispositions in the appropriate accounting periods.
**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated January 2016 is archived.

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<td>Deleted account numbers and directed users to the Department of Defense U.S. Standard General Ledger Transaction Library.</td>
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<td>020604</td>
<td>Updated Fund Balance with Treasury (FBWT) reconciliation requirements to align with the Treasury Financial Manual (TFM).</td>
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<td>020703</td>
<td>Modified language regarding refunds to align with the Office of Management and Budget Circular A-11.</td>
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<td>020802</td>
<td>Updated reconciliation roles and responsibilities for DoD Components.</td>
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<tr>
<td>020803</td>
<td>Updated suspense accounts requirement for balances to be moved to the appropriate Line of Accounting within 60 business days from the date of transaction to align with the TFM.</td>
<td>Revision</td>
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<tr>
<td>020805</td>
<td>Updated FBWT reconciliation requirements to align with the TFM.</td>
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<tr>
<td>020806</td>
<td>Added a deadline to transition to daily submission of FBWT disbursement and collections to Treasury’s Central Accounting Reporting System.</td>
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<td>020810</td>
<td>Deleted the “Documentation Requirements to Support Auditability” paragraph.</td>
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<td>Added Table 2-3 to summarize availability dates for data files used to perform monthly FBWT reconciliations.</td>
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CHAPTER 2

ACCOUNTING FOR CASH AND FUND BALANCES WITH TREASURY

0201 GENERAL

020101. Purpose

This chapter prescribes Department of Defense (DoD) accounting policy and related management requirements necessary to establish financial control over fund balances with the U.S. Department of the Treasury (Treasury) and cash resources that are not part of the Fund Balance with Treasury (FBWT). Unless otherwise stated, this chapter is applicable to the Military Departments and Defense Agencies, hereinafter referred to as DoD Components including the Defense Working Capital Fund (DWCF) activities.

020102. Authoritative Guidance


0202 DEFINITIONS

020201. Cash

Cash, including imprest funds, must be recognized as an asset in accordance with SFFAS 1, Paragraph 27: “Cash consists of: (a) coins, paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in-transit for deposit; (b) amounts on demand deposit with banks or other financial institutions; and (c) foreign currencies, which, for accounting purposes, must be translated into U.S. dollars at the exchange rate on the financial statement date.”

020202. Cash Held Outside of Treasury

ITFM 2-3400, Section 3420 defines “Cash Held Outside of Treasury” as funds under the custodial responsibility of Federal Government agencies and/or their employees, officers, or agents that are deposited in non-Treasury general accounts or held in an imprest fund. “Cash Held Outside of Treasury” includes “Disbursing Officer’s (DO’s) Cash” which are Treasury funds (cash) held by the DO in local accounts, but which are not directly associated with any DoD appropriation and are not part of DoD FBWT. See also section 0204 and Chapter 1.
020203. Entity Cash

SFFAS 1, Paragraph 28 defines entity cash as the amount of cash that the reporting entity holds and is authorized by law to spend. Imprest Funds are cash advances against a specific Line of Accounting (LOA) from the DO to an appointed cashier. As advances, these funds are a form of “Cash Held Outside of Treasury” but because an entity LOA is cited as the basis of the Imprest Fund, the advance is considered “entity cash.” The advance encumbers FBWT for the LOA but it is separate from the DO's physical cash in U.S. Standard General Ledger (USSGL) account 113500 “Funds Held Outside of Treasury.” In this instance, the physical cash (account 113500) is still under the DO's pecuniary liability and is non-entity cash, while the "accounting cash" is entity cash.

020204. Non-entity Cash

Non-entity cash is cash that a federal entity collects and holds on behalf of the U.S. Government or other entities. This is a liability account. In some circumstances, the entity deposits cash in its accounts in a custodial capacity for the Treasury or other federal entities, or in a fiduciary capacity for non-federal parties. In accordance with SFFAS 1, Paragraph 29, Components must recognize non-entity cash that does not meet the definition of a fiduciary asset on the Balance Sheet, reported separately from entity cash. Fiduciary cash that meets the definition of a fiduciary asset must be disclosed in accordance with the provisions of SFFAS 31, “Accounting for Fiduciary Activities.” DO’s cash is non-entity cash, which is a subset of Treasury cash. The DO’s Cash is reported in dollars as described in Volume 5, Chapters 13 and 15.

020205. Restricted Cash

Restrictions imposed on cash deposits are usually from laws, regulations, or agreements. Non-entity cash is always restricted cash. Entity cash may be restricted for specific purposes. Such cash may be in escrow or other special accounts. For instance, restricted cash may be non-entity seized cash from foreign governments, deposit funds for humanitarian relief and reconstruction, or currency held by DOs to carry out their paying, collecting, and foreign currency accommodation exchange missions. In accordance with SFFAS 1, Paragraph 30, Components must disclose the reasons and nature of restrictions in the notes to the financial statements.

020206. FBWT

SFFAS 1 provides the following definition for FBWT:

A. A federal entity’s FBWT is the aggregate amount of funds in the entity’s accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities.

B. According to SFFAS 1, paragraph 32, a federal entity's FBWT includes budget clearing account balances (also known as suspense accounts) and the dollar equivalent of foreign currency account balances (e.g., foreign burden sharing payments). Components must translate foreign currency account balances into U.S. dollars at exchange rates determined by the Treasury and effective at the financial reporting date in accordance with the
Treasury Reporting Rates of Exchange, unless the exceptions stated in ITFM 2-3200 apply. A federal entity’s FBWT also includes balances for direct loan and loan guarantee activities held in the credit reform program and financing accounts.

C. ITFM 2-5100 describes FBWT as an asset account that represents the future economic benefits of monies that agencies can spend for future authorized transactions. Transactions such as appropriation warrants, non-expenditure transfers, collections, disbursements, and related adjustments reported to Treasury’s Bureau of the Fiscal Service (BFS); and classified to a Treasury Account Symbol (TAS) increase or decrease to the FBWT account balance. See Table 2-1 for examples of financial events that impact a Component’s FBWT on the Balance Sheet and on the Statement of Budgetary Resources (SBR).

020207. FBWT Reconciliation

A. Reconciliation is a process that compares two sets of records (usually the balances of two accounts), identifies, and explains the differences between the records or account balances. The timing of transactions, an invalid LOA, or insufficient detail may cause differences, or reconciling items. Reconciliation is not complete until all differences are identified, aged, accountability is assigned, and differences are explained. Once reconciliations are complete, appropriate actions must be documented and any necessary adjustments must be recorded. The corrective action must address the root cause of the difference in order to prevent recurrence.

B. A FBWT reconciliation is a specific reconciliation of the actual accounting transactions (including funding, disbursements, collections, and transfers) back to the detailed amounts posted to both entity general ledgers and entity Treasury accounts, USSGL accounts 101000 (FBWT) and 109000 (FBWT While Awaiting a Warrant). Reconciliation involves identifying and comparing accounting events or transactions to determine whether transactions are recorded properly and can be cleared, have not yet been recorded (in-transit), or were recorded improperly and require correction either in the general ledger or at Treasury.

C. Reconciling FBWT is a reconciliation of available funds as recorded on the Central Accounting Reporting System (CARS) Account Statement. FBWT reconciliation includes DO’s cash reconciliation (cash and monetary assets and the Statement of Accountability), the focus of which is reconciling the account activity to the cash activity (checks issued, deposits, electronic funds transfer). Refer to Volume 5 for information and requirements of the DO’s cash reconciliation.

020208. FBWT Universe of Transactions

The FBWT universe of transactions includes all valid funding, disbursements, collections, or transfers of funds (including warrants) to or from an entity over a given time period. These transactions affect the amounts and balances in appropriation accounts reported to or by Treasury, recorded in an entity’s general ledger, or presented in an entity’s financial reports. When these transactions are reconciled from the entity disbursing systems, general ledgers, and financial statements to Treasury’s records, voucher level detail must support all identified differences. Note that there are two universes of transactions for FBWT: Treasury detail and accounting detail. For
purposes of FBWT reconciliations, transaction-level detail begins with the LOA and must have the following data elements (at a minimum): TAS, Sub-Allocation Holder Identifier (SAHI) (formerly limit) for Treasury Index (TI)-097, reimbursable flag indicator, accounting station identifier code, agency disbursing identifier code, and the voucher number and amount.

020209. Undistributed Amounts

A. Undistributed amounts are amounts that have been reported to Treasury but have not been posted to the appropriate obligation in a Component’s general ledger in the source accounting system or vice versa. Undistributed amounts can be a result of timing, invalid LOA, or invalid TAS information, among other reasons. Unsupported undistributed amounts are amounts that are not yet researched/reconciled to supporting documentation.

B. A “forced balance entry” represents any amount posted, usually at a summary-level in a suspense account, to eliminate differences between the Component’s general ledger balance (USSGL accounts 101000 and 109000) and the Treasury’s control total. Typically, these adjustments appear as “undistributed” amounts when in fact, they are differences. Although Treasury requires the Components to match the Treasury’s balance, a forced balance entry is not an adequate reconciliation of the USSGL accounts 101000 and 109000. When reconciling FBWT USSGL accounts 101000 or 109000, Components must research the causes of the differences at the detail voucher level, identify undistributed amounts, and clear the aged undistributed amounts in accordance with I TFM 2-5100, Section 5130. All differences must be cleared within 60 business days from the date of the transaction (see Table 2-4 and the TFM Volume 1, Bulletin 2020-05).

C. In accordance with the Government Accountability Office (GAO) and the Council of the Inspectors General on Integrity and Efficiency (CIGIE), Financial Audit Manual, Volume 2, (GAO-08-625G), section 921, Paragraph 12, entities must avoid arbitrarily adjusting accounts to the amounts reported by Treasury and/or recorded differences in suspense accounts without adequately researching the causes of the differences\(^1\). Unreconciled differences recorded in suspense accounts may represent transactions that have not been properly recorded by the entity to the appropriate accounts. For more detailed instructions on the various reconciliation tools, refer to I TFM 2-5100.

*0203 STANDARD GENERAL LEDGER ACCOUNTS

Components must use the appropriate accounts to record transactions for FBWT or foreign currency transactions. The general ledger accounts and accounting entries for these accounts are specified in the USSGL TFM Supplement and the DoD USSGL Transaction Library.

\(^1\) Office of Management Budget (OMB) Circular A-136 states: “An entity’s FBWT must tie to the sum of the balances reflected on the CARS Account Statement for the entity’s TAS. An adjustment will need to be made for available receipts appropriated/credited to the related expenditure accounts, since the balances will appear in both the receipt ledger and the account statements for the expenditure account.”
ACCOUNTING FOR CASH HELD OUTSIDE OF TREASURY

Cash and Investments Held Outside of Treasury

I TFM 2-3400 provides guidance on Cash and Investments Held Outside of Treasury and the requirements for accountable officers who have responsibilities for funds received, certified, disbursed, and held in their custody (e.g., DOs).

Recording Cash Held Outside of Treasury

The amount of “Cash Held Outside of Treasury” must be recorded using one of these USSGL accounts: 112000 (Imprest Funds), 113000 (Funds Held Outside of Treasury-Budgetary), 113500 (Funds Held Outside of Treasury-Non-Budgetary), and 120000 (Foreign Currency) for cash held by DOs at personal risk. There are no budgetary accounts impacted from recording this type of non-entity cash. The SF 1219, Statement of Accountability, is used to determine the accountability of DOs for funds held outside of Treasury (cash on hand). The balance in this account is not an asset of a DoD Component for external statement purposes because it represents Treasury cash held by DOs under various authorities, including:

A. Title 10, United States Code, section 2206 (10 U.S.C. § 2206) (Disbursement of funds of a Military Department to cover an obligation of another DoD agency);

B. 31 U.S.C. § 3324 (Advances); and

C. Title 31, Code of Federal Regulations, § 240.12(a) (drawing disbursing cash). DO’s cash is non-entity, restricted cash. A liability account for the total amount advanced by the Treasury (USSGL account 298500) must be maintained in accordance with I TFM 2-3400, Section 3435.10 “Financial Accounting and Reporting Requirements.”

Reconciling Cash Held Outside of Treasury

The information reported on the SF 1219 must be posted consistent with Volume 6B, Chapter 4 and the quarterly guidance found on the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) web page, OUSD(C) Policies and Guidance (DoD Common Access Card required). Components must reconcile all transactions involving cash on a periodic basis, but no less frequently than monthly for DO’s cash and quarterly for Imprest funds, to ensure cash reported on the Statement of Accountability reconciles with the CARS Account Statement for the DO’s Cash TAS, the agency’s accounting records and related financial statements in accordance with I TFM 2-3400, Section 3440. Treasury’s BFS reports to the Office of the Fiscal Assistant Secretary of Treasury all discrepancies disclosed from periodic review and analysis of agencies’ reported cash and investment outside of Treasury.
0205  CASH AUDITS AND REVIEWS

020501.  Responsibility for Accounting and Internal Controls

Managers who supervise personnel holding cash are responsible for maintaining appropriate accounting and internal controls. This responsibility includes ensuring the legality, propriety, and correctness of disbursements and collections of public funds. See Volume 5, Chapter 3; and Volume 5, Appendix A for more information on requirements for securing cash and other assets.

020502.  Announced and Unannounced Audits

Audits, both announced and unannounced of each fund, must determine whether:

A.  All funds are properly accounted for and reported;

B.  The amount of funds not in excess of requirements; and

C.  Procedures are established and followed to protect the funds from loss or misuse. In accordance with DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” management must determine the frequency of audits based on vulnerability assessments.

020503.  Requirements for Investigation

Any unauthorized use, irregularity, or improper accounting for a cash fund must be investigated and reported to the approving authority and to the DO involved. A report must state whether prescribed procedures were followed and recommend any actions considered necessary or desirable to prevent recurrence.

0206  DEFENSE WORKING CAPITAL FUND

020601.  DWCF Accounts

The DWCF FBWT, account symbol 097X4930, is subdivided at the Treasury into five sub-accounts. Each reporting entity of the five sub-accounts reports a FBWT amount on its Balance Sheet. A DWCF activity below the Treasury sub-account reports a FBWT amount on the agency’s Accounting Report (Monthly) (AR (M)) 1307, Statement of Operations, as well. However, this amount represents a clearing account for recording collection and disbursement activity that reflects a net of collections and disbursements. Volume 6A, Chapter 15 describes how to prepare the AR (M) 1307, as well as other FBWT reporting requirements. Each individual activity must also report the balance of FBWT transactions on the Balance Sheet.
020602. DWCF Sub-Account

DoD Components DWCF sub-account identifiers assigned by the Treasury are shown in Table 2-2 and in the Treasury Federal Account Symbols and Titles (FAST) Book, I TFM 2, Supplement 1. One of the sub-accounts is the Defense-wide Treasury account (097X4930.005). Other DWCF accounts include, but may not be limited to 097X4931, Building Maintenance Fund, and 097X4932, Defense Counterintelligence and Security Agency. The Defense-wide account includes a number of Defense Agencies operating under the DWCF. The Defense Agencies within the Defense-wide account provide and use funds from the centralized FBWT account under the Defense-wide Treasury account. An entity provides or uses funds depending on whether it needs to provide a collection or make a disbursement. If an entity’s collections exceed its disbursements, it is providing funds to the centralized pool for other entities’ use. If an entity’s disbursements exceed collections, the entity is using funds from the centralized pool to make disbursements. See Volume 2B, Chapter 9 for additional information about cash management policy.

020603. DWCF Transfers

Program managers for each Treasury sub-account have the authority to realign (delegate) balances to the activity or installation-level at their discretion. If the program managers realign balances between Treasury Appropriation Fund Symbols (TAFS), they must document all such approved transfers on an SF 1151, Nonexpenditure Transfer Authorization. TAFS are a combination of a TAS and availability code (for example, annual, multi-year, or no-year). TAFS refer only to the appropriation and fund accounts and exclude the receipt accounts. Distributions between SAHIs, within the same TAFS, are not accounted for as transfers. In this instance, the preparation of the SF 1151 is not required. See the Office of Management and Budget (OMB) Circular A-11, subsection 20.4(j) for additional information on transfers. Program managers must ensure that they do not make a transfer that is in excess of the balance available at the DWCF SAHI making the transfer. See Volume 11B, Chapter 3 for additional information on nonexpenditure fund transfers.

*020604. Recordation/Reconciliation of FBWT Transactions

A. Components must record all FBWT transactions in the individual activity accounts and must reconcile them to total monthly FBWT transactions reported by the Defense Finance and Accounting Service (DFAS). Components must adhere to the 2-month (60 calendar days) reconciliation requirement in accordance with the TFM and move toward a 1-month (30 calendar days) reconciliation requirement following the end of the month being reconciled effective fiscal year 2021. As mentioned in subparagraph 020207.A, reconciliation is not complete until all differences are identified and aged, accountability is assigned, and differences are explained. The timing of transactions, an invalid LOA, or insufficient detail may cause differences, or unmatched items. If Components identify any policy or procedural problems during reconciliation that require adjudication between a Component(s) or between the Department and Treasury, they must bring it to the attention of DFAS, as their service provider, and if necessary, the Office of the Deputy Chief Financial Officer.
B. The Component must reconcile the Department’s FBWT general ledger account at the DWCF sub-account level to Treasury in accordance with 10 U.S.C. § 2208 (n) and (q)(1). For the Defense-wide sub-account (097X4930.005), DFAS will reconcile the general ledger accounts to Treasury at the Component level.

020605. DWCF Treasury Cash Balance


020606. Current Balance of Funds with Treasury

The current balance of funds with Treasury is equal to the amount as of the beginning of the fiscal year plus the cumulative fiscal-year-to-date amounts of collections, appropriations, and transfers-in of FBWT received minus the cumulative fiscal-year-to-date amounts of withdrawals, transfers-out, and disbursements.

020607. Undistributed Collections and Undistributed Disbursements

Refer to Volume 3, Chapter 11 for additional information relating to financial control over disbursements, collections and adjustment transactions affecting the FBWT. Components must record and report undistributed collections and undistributed disbursements at the lowest organizational level.

A. DFAS must identify undistributed FBWT transactions at the sub-account Treasury account-level, SAHI level (i.e., formerly limit), and Component-level.

1. **Sub-account TAFS Level Adjustments.** Treasury Sub-accounts are shown in Table 2-2. The DWCF undistributed collections and undistributed disbursements that are identifiable to a DWCF sub-account but do not contain sufficient information to identify them to a lower organizational (business area/Component) level are recorded in 097X4930.005. Any transactions posted at this level must be researched and cleared, if necessary, within 60 business days from the date of the transaction to ensure proper reporting by DoD Components. At year end, there must not be any remaining unidentified/un-researched balances in the sub-account.

2. **Business Area Adjustments.** These are DWCF business area undistributed collections and undistributed disbursements that are identifiable to the TAFS level but do not contain sufficient information to identify them to a business area. Examples of business areas include Supply Maintenance, Depot Maintenance, and Research and Development. Undistributed collections and undistributed disbursements are the differences between the Treasury reporting systems and the collections and disbursements reported through the general ledgers.
3. **Component-Level Adjustments.** These adjustments are DWCF component-level undistributed (unmatched) collections and undistributed (unmatched) disbursements that are identifiable through the Treasury reporting systems to the Component-level but have not yet been matched at the Component-level to a specific obligation or receivable subsidiary ledgers. In addition, these adjustments must be supported by detailed transactions from the disbursing officers’ records to include at a minimum the voucher number or other unique identifiers of the transactions. Limit Component-level adjustments at year-end and complete the required reconciliations (necessary research must be conducted and transactions must be posted to the proper LOA).

B. DFAS must identify collections or disbursements at the lowest identifiable level described in subparagraph 020607.A. That level must record the undistributed collection or undistributed disbursement and provide documentation necessary to research the account for proper disposition.

C. Undistributed collections and undistributed disbursements are necessary to reflect proper FBWT as contained in finance network reports. Components must research such collections and disbursements recorded in account 101000 for proper disposition by the lowest organizational level to which they can be identified. DFAS must correct erroneous collections by making a payment to a vendor and erroneous disbursements by establishing a receivable pending a receipt of the refund. In addition, supporting documentation must include detailed transactions from the disbursing officers’ records to include at a minimum the voucher number or other unique identifier of the transactions.

**0207 FBWT TRANSACTIONS**

**020701. Collection or Disbursement**

Record a collection or disbursement only when documentary evidence, such as a Treasury Financial Management Service (FMS) 6652, Statement of Differences (SOD) or a voucher, supports an increase or decrease to the Treasury account. For the DWCF activities, Components must segregate cash collections and cash disbursements between those for the DWCF operating program (i.e., noncapital outlays) and the DWCF capital program (i.e., acquisition of capital assets) to comply with 10 U.S.C. § 2208(m). See Volume 2B, Chapter 9 for a description of Capital Investment Program. Additionally, Components must record and report undistributed cash collections and undistributed cash disbursements at the lowest organizational level.

**020702. Advances Received**

Components must record a customer advance or prepayment received as a liability in accordance with SFFAS 1, Paragraph 60. OMB Circular A-11, section 20.11 provides guidance on the treatment of advances received and deposit requirements, which vary depending on whether the advance is with or without orders.
020703. Refunds and Prepayments

OMB Circular A-11, section 20.9 states, “Refunds are the repayments of excess payments.” Refund amounts directly relate to previous obligations incurred and outlays made. Refunds received are deposited to the credit of the appropriation or fund account charged with the original obligations in accordance with OMB Circular A-11, section 20.9. Any items returned to DWCF supply activities from DWCF customers are to be considered as a recovery (and not classified as a refund). Offsetting collections credited to expenditure accounts automatically offset outlays and budget authority at the expenditure account-level. See Volume 3, Chapter 15 for more information about refunds, and Volume 4, Chapter 5 for more information about prepayments. Refer to the DoD USSGL Transaction Library for posting entry guidance.

0208 FBWT RECONCILIATIONS

020801. FBWT Reconciliation Overview

A. Reconciling FBWT is a key internal control in maintaining the accuracy and reliability of the entity FBWT records. Therefore, Components must perform timely reconciliations (see Table 2-4) and implement effective and efficient reconciliation processes. Effective reconciliations serve as a detection control for identifying unauthorized and unrecorded transactions at the entities and at Treasury. Effective reconciliations are also important in preventing entity disbursements from exceeding appropriated amounts and providing an accurate measurement of the status of available resources.

B. Reconciliation also allows Components to resolve differences in a timely manner. When resolving differences, Components must maintain detailed reconciliation documentation (reviewed and approved by appropriate official) that is readily available for review by management, auditors and Treasury if requested. Components must reconcile any differences caused by time lag and correct differences caused by error. Components must explain any discrepancies between FBWT in the general ledger accounts and the balance in the Treasury’s accounts and disclose them in the notes to the financial statements. Agencies must also provide information on unused funds in expired appropriations that are returned to Treasury at the end of a fiscal year in accordance with SFFAS 1, Paragraph 39.

C. Components must ensure that all adjustments are researched and traceable to supporting documents as instructed in ITFM 2-5100, Section 5120. Supporting documentation, including reconciliations, transaction-level detail, journal vouchers and adjustments, Standard Operating Procedures (SOPs), and Customer Service Provider agreements (i.e., Memorandums of Agreement (MOA)/Memorandums of Understanding (MOU)/Service Level Agreements (SLAs)), are necessary to provide an audit trail. Components must ensure the supporting documentation is readily accessible to management for oversight and auditors to support auditability.

D. An effective FBWT reconciliation in which all reconciling differences are resolved ensures that the FBWT universe of transactions (see definition at paragraph 020208) is complete and transactions included in the FBWT accounts are valid. Effective FBWT reconciliation also supports reporting accurate, valid, and timely FBWT account balances.
Unrecorded or improperly recorded transactions, usually referred to as “reconciling items,” are expected and are the result of timing differences or errors. I TFM 2-5100, Section 5130 states that agencies must reconcile the FBWT USSGL account 101000 balances for each fund symbol with BFS’ records (i.e., CARS Account Statement; Expenditure Transaction Report; SODs, and Available, Unavailable, and Unappropriated Receipt Account Reports) on a monthly basis.

*020802. Reconciliation Roles and Responsibilities

DFAS, in their role as a service provider, and their Component customers are jointly responsible for performing FBWT reconciliations.

A. DFAS is responsible for:

1. Reporting transactions affecting FBWT accounts to Treasury (e.g., disbursements and collections) that are disbursed under DFAS Disbursing Station Symbol Numbers (DSSNs) and non-DFAS DSSNs (e.g., Army DSSNs).

2. Ensuring that information submitted to Treasury on the SF 224, Statement of Transactions, or SF 1219, for those Agency Location Codes (ALCs) where DFAS is the Designated Agent, matches the information reported to Treasury.

3. Researching and resolving differences identified on the Treasury’s FMS 6652, i.e., SOD for DFAS DSSNs (DFAS is responsible for reporting and assisting with the resolution of differences for non-DFAS DSSNs). BFS provides FMS 6652 to federal agencies for both disbursements and deposits. An FMS 6652 is generated for each ALC by accounting month (month the report is generated) and accomplished month (month the difference occurred) if there is a discrepancy. Differences resulting from deposits indicate there is a discrepancy between the monthly totals submitted through the banking system via the SF 215, Credit Voucher, or the SF 5515, Debit Voucher, and the totals provided by the agency on the SF 224 or SF 1219. The SOD for disbursement transactions reveal discrepancies between monthly totals reported in the agencies’ accounting systems and the transactions reported to Treasury by the Regional Finance Centers and/or through the Intra-Governmental Payments and Collections (IPAC) system on the SF 224 or SF 1219. FBWT reconciliation variances, to include unmatched, suspense, and SOD balances, must be cleared within 60 business days from the date of the transaction (see Table 2-4).

4. Reconciling FBWT appropriation accounts at the TI, main appropriation account-level, and at the ALC level, including ensuring the FBWT universe of transactions for each TAS recorded to USSGL accounts 101000 and 1090000 for all DoD funds is complete and fully reconciled to all of the individual appropriation account balances recorded at Treasury.

5. Reconciling the Components’ FBWT USSGL accounts 101000 and 109000 at the SAHI level. SAHI is a unique account identifier code specific to DoD that represents the structural level below the sub-account level. These codes are typically four digits, and used to identify, manage, and report the financial activity of Defense Agencies, Component, and other operational units reported by the Treasury as the combined activities of TI-097.
6. Aging, assigning, and tracking the status of reconciled differences.

7. Researching and resolving differences originating from operations under the control of DFAS, and clearing these transactions in the FBWT source system(s). Key supporting documentation must be maintained and provided upon request. This documentation includes evidence of reconciliation performed and confirmation that all differences were successfully reconciled.

B. DoD Components are responsible for:

1. Reporting transactions affecting FBWT accounts to Treasury (e.g., disbursements and collections) that utilize Treasury Disbursing.

2. Ensuring that information submitted to Treasury on the SF 224 or SF 1219, for those ALCs where the Component is the Designated Agent, matches what is reported to Treasury. Ensuring a valid and proper LOA is on the original obligating documents that will be used throughout the procure-to-pay process.

3. Researching, resolving, and reporting status of reconciled differences originating from operations under their control.

4. Monitoring and approving the reconciliations performed by DFAS on their behalf. Ensuring all reconciling differences are supported by detail-voucher level transactions. Key supporting documents must be kept and provided as requested; include evidence of reconciliation performed and confirmation that all differences were successfully reconciled.

C. Coordination between DFAS and their Component customers is necessary to properly identify, assign, age, track, research and resolve reconciled differences in a timely manner. DFAS’ roles and responsibilities in Disbursing and Treasury Reporting Operations are described throughout Volume 5 and in Volume 6A, Chapter 3.

D. DFAS and their Component customers must formally establish and document their understanding and agreement of roles and responsibilities in accordance with DoD Instruction 4000.19, “Support Agreements.” DFAS and their Component customers must have written MOAs, MOUs, or SLAs in place that define the roles and responsibilities between the Service Provider and the Customer(s).

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2 Volume 6A, Chapter 3 discusses SF 1220, “Statement of Transactions.”
*020803. Treasury Reconciliation Requirements

Treasury requires reconciling FBWT accounts to the Treasury reported amounts by Department, Period of Availability, and Main Account (i.e., TI, fiscal year, and fund symbol) monthly. During reconciliation, DFAS and their Component customers must:

A. Research and resolve the underlying causes of differences reported by the Treasury on the SOD (FMS 6652) each month and make corrections to monthly Treasury reports and agency accounting records.

B. Reconcile general ledger balances by Department, period of availability, and main account with the balances reported by Treasury.

C. Ensure that all adjustments are researched and traceable to supporting documents in accordance with I TFM 2-5100.

D. Document detailed reconciliations and make available to auditors and Treasury if requested, as instructed in I TFM 2-5100.

E. Ensure differences recorded in Treasury budget clearing accounts (suspense accounts) are reconciled monthly as instructed in I TFM 2-5100, and moved to the appropriate LOA within 60 business days from the date of transaction. In accordance with TFM Volume I, Bulletin 2020-05, the agency Chief Financial Officer (CFO) must annually certify that the ages of the balances in the suspense accounts are no more than 60 business days old with clear explanations of exceptions. See paragraph 020805.

*020804. Other Defense Organizations Reconciliation Requirement

Every DoD Component with FBWT accounts must perform detailed reconciliations of their FBWT accounts (USSGL accounts 101000 and 109000). DFAS and their Component customers must perform the reconciliations monthly to ensure the accuracy and reliability of the Component’s FBWT records and the integrity of their financial statements.

A. In addition to the Treasury Main Account requirement, DoD Components must ensure that FBWT accounts are reconciled to their sub-allocations as provided by OUSD C.

B. For Treasury reporting purposes, DoD must add the balances in the TI-097 accounts together and reconcile to the Treasury’s control total at the TAS level in CARS.

C. To support effective FBWT reconciliation, Components must ensure that reconciliations include and address amounts reported in:

1. Treasury’s CARS Account Statement;

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3 Treasury sets forth the requirements for reconciling FBWT in I TFM 2-5100 and the I TFM 2-5100 Supplement. Audit issue guidance is provided in the FAM Substantive Procedures Section 921-Auditing Fund Balance with Treasury, jointly published by the GAO and the CIGIE.
2. Trial balances (for both budgetary (outlays/collections) and proprietary (101000/109000 USSGL accounts) from the accounting system (including budgetary FBWT to proprietary FBWT Governmentwide Treasury Account Symbol Adjusted Trial Balance System edits and validations);

3. Financial statements (outlays and collections on the SBR; FBWT on the Balance Sheet);

4. FMS 6652 (for deposits and disbursement/IPAC transactions);

5. Check issue data processed in the Treasury Check Information System.

D. Additionally, Components must ensure that they perform monthly reconciliations at the individual voucher level detail and include:

1. All budget fiscal years,

2. All appropriations/Treasury accounts (including general funds, working funds, revolving funds, special funds, deposit funds, and trust funds),

3. All SAHIs of the TI-097, and

4. All activity, including suspense accounts4 (also see “Treasury Budget Clearing Accounts” in paragraph 020807),

E. DFAS and DoD Components must also demonstrate they have controls in place to ensure that amounts reported daily or monthly to Treasury reconcile to collections and disbursements processed through the disbursing systems and recorded accurately and timely in the accounting systems. Monthly Treasury reporting includes SF 224 or SF 1219 and SF 1220 by DFAS or other federal agencies (e.g., Department of State and General Services Administration). Components who are the ALC Designated Agents and submit information to Treasury on the SF 224, SF 1219, or SF 1220 must ensure that the information matches what is submitted to DFAS. Any differences between what was submitted to Treasury and what was submitted to DFAS must be corrected by the ALC Designated Agent (either DFAS or the Components) in 15 business days after identification by DFAS. See Volume 5, Chapter 15 for information on the requirements for the SF 1219.

*020805. Reconciliation of FBWT for Comparison of Transactions

A. Reconciling FBWT includes a comparison of transactions at a level of detail sufficient for specific identification of differences to establish that the entity’s FBWT general ledger accounts and the Treasury control totals are accurately stated. Detail sufficient for specific identification of differences are voucher numbers for cash disbursements and collections, summary

4 Sensitive activity may undergo an equivalent reconciliation process in a separate environment, if the balances can be matched with the summary reconciliation.
bill numbers for interfund transactions, and authorizing document numbers for nonexpenditure transfers and funding events.

B. Components must comply with certain operational requirements and deadlines when performing reconciliations to compare transactions. Components must:

1. Perform reconciliations and identify differences at the voucher level (or equivalent). Components must adhere to the 2-month (60 calendar days) reconciliation requirement in accordance with the TFM and move toward a 1-month (30 calendar days) reconciliation requirement following the end of the month being reconciled effective fiscal year 2021. See Table 2-3 for a list of data files used to perform reconciliations and data file monthly availability dates.

2. Ensure processes are in place to assign, track, age, research, and resolve differences between Treasury, disbursing system records and accounting system records, as prescribed by Treasury, at the voucher level detail on a monthly basis. (Note: Since Treasury reports information at the summary-level, Components must roll up voucher level detail disbursing system and accounting system records and compare to the summary-level Treasury reports.) These balances must be analyzed and reconciled monthly in the SF 224 to ensure all collected amounts are properly credited to the proper appropriation and applicable accounts receivable accounts. For any suspense account, items or transactions more than 60 business days old, investigate and document the reason why the transaction cannot be reclassified to the correct appropriation. All differences must be cleared within 60 business days from the date of the transaction. See Table 2-4 for a summary of the required deadlines.

3. Record journal vouchers in the system of record at the account-level and/or SAHI-level to resolve suspense account and SODs, if necessary, until the proper LOA can be identified. DFAS and their Component customers must maintain all journal vouchers and supporting documentation, including list of journal vouchers that comprise the differences.

4. Complete both Service Provider supervisory and Component reviews and approvals within 10 business days following the completion of researching and resolving all identified differences from the monthly reconciliation. Refer to Volume 6A, Chapter 2 for guidance on journal voucher adjustments and approvals.

C. Components must ensure they have addressed all of the critical areas and key control points in the FBWT end-to-end reconciliation, as shown in Figure 1. These key control points are:

1. When on daily reporting, reconciling the Component’s general ledger system(s) to the Disbursing Systems daily;

2. Reconciling the Cash Management Report (CMR) to the Component’s general ledger system(s) monthly (note: this key control point only applies to the TI-097 Components);
3. Researching and resolving unsupported differences identified on the CMR, as identified by the SAHI “9999,” monthly (note: this key control point only applies to the TI-097 Components);

4. Reconciling the Treasury CARS Account Statement to either the CMR (for TI-097 Components) or the Component’s general ledger system(s) (for the Military Departments’ General Funds) monthly. Refer to 020807 for additional information on the CARS reconciliations;

5. Researching and resolving activity identified in the budget clearing accounts (suspense accounts) on the CARS Account Statement monthly. Refer to paragraph 020807 for additional information on the budget clearing accounts; and

6. Researching and resolving all differences identified on the FMS 6652 for all DoD ALCs reported to Treasury by each of the DFAS Centers monthly.

D. Components must work to achieve a complete match rate of 99 percent each month over the transactions for each key control point.

*020806. FBWT – CARS Account Statement Reconciliation

A. The CARS Account Statement Module is an online, query driven component that provides a daily refreshed view of a Federal Program Agency’s (FPA’s) FBWT. This Governmentwide Accounting (GWA) Module replaced the reports formerly available through the Government-wide On-line Accounting Link System II. The primary goal of the Account Statement is to provide an up-to-date source of balance and transaction information to assist FPAs with their reconciliation process. All agencies must transition to daily submission of FBWT disbursement and collections to the Treasury’s CARS by the end of fiscal year 2020. More information about the Account Statement is available at the Treasury’s website.

B. Each DoD Component must reconcile its transactions to the beginning balance, net activity, and ending balance on the CARS Account Statements. The Account Statement consists of three sections: (1) Account Summary, (2) Expenditure Activity, and (3) the Transactions reports. Agency users can generate the Account Statement reports at either a TAS or ALC level. FMS 6652 arise from ALC-based SF 1219 and SF 1220 reporting submitted by each of the three DFAS centers. The Support Listings provide links to other FMS Accounting Systems that support the monthly SOD reconciliations.

C. Users can access CARS Account Statement information at the Department Level and can view both a daily Accounting View (Dynamic) and a monthly Published View (Static) of their account balances and supporting transactions. The SOD application receives a daily transmission from CARS. This daily transmission allows BFS to provide more up-to-date information.

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5 Currently, this requirement does not apply to Defense Agencies and Field Activities that are part of shared Treasury Account Symbols. These organizations, comprising TI-097, must reconcile their FBWT balances individually to internal TI-97 CMR with support from DFAS as their service provider. DFAS is responsible for reconciling the totals of all TI-97 to Treasury.
information to FPAs. Deposit data and agency statements of transactions are updated daily in CARS; for these items, the FPAs are receiving daily reconciliation information from the GWA Module. This enables the FPAs to identify and correct differences earlier, sometimes before closing the monthly processing. More information about the SOD and detail support listings is available at the Treasury’s website.

D. Agencies report changes in the FBWT accounts to Treasury’s BFS. All agencies must transition to daily submission of FBWT disbursement and collections to Treasury’s CARS by the end of fiscal year 2020. “CARS Daily Reporters” submit the TAS/Business Event Type Codes and/or Classification-keys into the Classification Transactions and Accountability module within CARS on a daily basis for each payment via the Payment Information Repository or the Secure Payment System, and a collection via the Collection Information Repository.

E. Until agencies are in compliance with being “CARS Daily Reporters,” they must continue to report disbursements and collections to an appropriation through monthly reporting on the Standard Form (SF) 224, Statements of Transactions; or in one of the following: SF 1219, Statement of Accountability; SF 1220, Statement of Transactions According to Appropriations, Funds, and Receipt Accounts, in accordance with I TFM 4A-4000, Section 4030. See Volume 6A, Chapter 3 for information on the requirements for the SF 1219 and SF 1220.

020807. Treasury Budget Clearing (Suspense) Accounts

A. According to I TFM 2-1500, Section 1520.25, BFS established clearing accounts to temporarily hold unidentifiable general, special, or trust fund collections that belong to the Federal Government until they are classified to the proper receipt or expenditure accounts by the Federal Entity.

B. Effective FBWT reconciliations include clearing transactions recorded in Treasury budget clearing accounts (suspense accounts) in a timely manner (see paragraph 020806). On behalf of the Components, DFAS must be able to provide:

1. A list of individual vouchers and dollar amounts that comprise/equal the difference between Treasury, disbursing system activity and accounting system trial balance amounts for monthly reconciliations;

2. Vouchers, records, reports, disposition and supporting documentation for all transactions posted to the suspense accounts for auditor-selected sample items for monthly reconciliations. Components with key supporting documents must provide it as requested.

3. A monthly list of journal vouchers and dollar amounts (by Component) that comprise/equal suspense account amounts at year-end; and

4. Journal vouchers and supporting voucher documentation that demonstrates the voucher was recorded to the appropriate Component. DoD Components must maintain records for transactions input into their general ledger.
020808. Requirement for Written Procedures

Components must ensure that they have current written SOPs and other forms of process documentation (e.g., narratives and process maps), in accordance with the Managers’ Internal Control Program, to direct and document the proper reconciliation processes. SOPs must also include evidence of dated supervisory review and approval certifying that it is current and accurate. In the written procedures, Components must require the practice of segregating the journal entry for unsupported undistributed amounts from the journal entry for the undistributed amounts that can be supported. This practice is essential for efficient cash reconciliation management and for audit support and measurement. For example, if the total undistributed amount is 95 percent supported and 5 percent not supported, then record two journal voucher entries to segregate the amounts. See Volume 6A, Chapter 2 for information on proper preparation and documentation of a journal voucher.

020809. Expenditure and Receipt Accounts Annual Review

DFAS must review and validate all expenditure and receipt accounts reported by Treasury annually to determine if the TAS are valid. DFAS must work with Treasury to remove invalid and unused TAS from Treasury reports/systems on an annual, or as needed basis.

020810. FBWT Reconciliation Quarterly Scorecard

A. Treasury’s BFS provides a Quarterly Scorecard to all CFOs of federal agencies (see I-TFM Bulletin 2020-05).

B. This scorecard focuses on FBWT reconciliation metrics from the disbursing operations perspective. This Quarterly Scorecard reflects agencies’ performance by ALCs in compliance with the BFS Cash Accounting Branch financial reporting standards. Accuracy of Reporting, SOD Reconciliation, Suspense/Default Account Reconciliation (F3502, F3875 and F3885), and Timeliness of Reporting are the reporting standards. The Treasury uses a traffic light grading system. For example, agencies score “green” if they successfully met all standards, “yellow” if they met some, but not all standards, and “red” if they have not met any of the standards based on the criteria outlined in the scorecard.

C. OUSD(C) requires each ALCs to explain the cause of each discrepancy no later than 30 calendar days after the Scorecard is issued, along with corrective action taken to address the discrepancy, when the discrepancy will be corrected, and what processes are in place to prevent similar discrepancies in the future.
Table 2-1: FBWT Relationship between the SBR and the Balance Sheet

<table>
<thead>
<tr>
<th>Example Financial Event</th>
<th>SBR Impact</th>
<th>Balance Sheet – FBWT Impact</th>
<th>Transaction-Level Detail Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation Received</td>
<td>Increase to Appropriation</td>
<td>Increase to FBWT</td>
<td>Funding document (e.g., Funding Authorization Document [FAD], warrant)</td>
</tr>
<tr>
<td>Rescissions</td>
<td>Increase to Permanently not Available</td>
<td>Decrease to FBWT</td>
<td>Funding document (e.g., FAD, warrant)</td>
</tr>
<tr>
<td>Unfilled Customer Orders Received with Advance</td>
<td>Increase to Unfilled Customer Orders Received with Advance</td>
<td>Increase to FBWT</td>
<td>Military Interdepartmental Purchase Request</td>
</tr>
<tr>
<td>Collection (IPAC collections)</td>
<td>Increase to Actual Offsetting Collections</td>
<td>Increase to FBWT</td>
<td>Voucher/ Summary Interfund Bill Number</td>
</tr>
<tr>
<td>Disbursement (IPAC disbursements)</td>
<td>Increase to Gross Outlays</td>
<td>Decrease to FBWT</td>
<td>Voucher/ Summary Interfund Bill Number</td>
</tr>
<tr>
<td>Clearing of Suspense Account Disbursement Transaction, undistributed and SODs (and posting to a valid appropriation account and obligation)</td>
<td>Increase to Gross Outlays</td>
<td>Decrease to FBWT</td>
<td>Voucher/ Summary Interfund Bill Number</td>
</tr>
<tr>
<td>Clearing of Suspense Account Collection Transaction, undistributed and SODs (and posting to a valid appropriation account and obligation)</td>
<td>Increase to Actual Offsetting Collections</td>
<td>Increase to FBWT</td>
<td>Voucher/ Summary Interfund Bill Number</td>
</tr>
<tr>
<td>Nonexpenditure Transfer-In</td>
<td>Increase</td>
<td>Increase to FBWT</td>
<td>Funding Document</td>
</tr>
<tr>
<td>Nonexpenditure Transfer-Out</td>
<td>Decrease</td>
<td>Decrease to FBWT</td>
<td>Funding Document</td>
</tr>
</tbody>
</table>
Table 2-2: DoD Component Treasury Assigned Account Number for DWCF

<table>
<thead>
<tr>
<th>DoD Component</th>
<th>Treasury Assigned Account Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army</td>
<td>097X4930.001</td>
</tr>
<tr>
<td>Navy</td>
<td>097X4930.002</td>
</tr>
<tr>
<td>Air Force</td>
<td>097X4930.003</td>
</tr>
<tr>
<td>Defense Commissary Agency</td>
<td>097X4930.004</td>
</tr>
<tr>
<td>Defense Agencies</td>
<td>097X4930.005</td>
</tr>
<tr>
<td>Building Maintenance Fund</td>
<td>097X4931</td>
</tr>
<tr>
<td>Defense Counterintelligence and Security Agency</td>
<td>097X4932</td>
</tr>
</tbody>
</table>

*Table 2-3: FBWT Reconciliation Data Files and Monthly Availability Dates

(See paragraph 020805 for FBWT reconciliation information.)

<table>
<thead>
<tr>
<th>Data File</th>
<th>Monthly Availability Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>DD Form 1329 – Statement of Transactions</td>
<td>3rd business day</td>
</tr>
<tr>
<td>DD Form 1400 – Statement of Interfund Transactions</td>
<td>3rd business day</td>
</tr>
<tr>
<td>Preliminary CMR</td>
<td>4th business day</td>
</tr>
<tr>
<td>Trial Balances</td>
<td>7th business day</td>
</tr>
<tr>
<td>Treasury CARS Account Statement</td>
<td>8th business day</td>
</tr>
<tr>
<td>FMS 6652 – Statement of Differences</td>
<td>10th business day</td>
</tr>
<tr>
<td>Defense Departmental Reporting System (DDRS) Budget Execution Reports</td>
<td>15th business day</td>
</tr>
</tbody>
</table>

*Table 2-4: FBWT Reconciliation Deadlines

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete FBWT reconciliation</td>
<td>1-month (30 calendar days) following the end of the month being reconciled effective Fiscal Year 2021 (e.g., a reconciliation of October FBWT must be completed by November 30).</td>
</tr>
<tr>
<td>Clear all FBWT reconciliation variances: undistributed, suspense, and SOD balances</td>
<td>60 business days from the date of the transaction.</td>
</tr>
<tr>
<td>Service Provider Supervisory review and Component review and approvals</td>
<td>Complete both reviews within 10 business days following the completion of the monthly reconciliation.</td>
</tr>
</tbody>
</table>
Figure 1. Critical Focus Areas to Address FBWT Risks

**Key Control Point**

<table>
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<tr>
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<td></td>
<td>2</td>
<td>Differences between Accounting Systems and CMR: Reconcile CMR to General Ledgers monthly (TI-097 only).</td>
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<td>3</td>
<td>CMR expenditure and collections: Research and resolve expenditures and collection activity differences identified on the CMR monthly</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. CMR to Treasury Differences: Reconcile CMR to Treasury CARS Account Statement monthly (TI-097 only).</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>b. Differences between Accounting Systems and Treasury: Reconcile Military Services GF General Ledgers to CARS Account Statement.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Suspension Accounts: Research and resolve activity identified in budget clearing accounts (suspending) on Treasury CARS Account Statement monthly.</td>
<td></td>
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<td>6</td>
<td>SODs: Research and resolve differences identified on the FMS 6652s.</td>
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</table>

**Legend**

- Document/Report
- System
- Reconciliation
- Data Flow
SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

This is the initial publication.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Added annex to describe approach to address Fund Balance with Treasury beginning balances.</td>
<td>Addition</td>
</tr>
</tbody>
</table>
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ANEX 1

SUPPORTING FUND BALANCE WITH TREASURY BALANCES BROUGHT FORWARD

A01 GENERAL

After complying with the Fund Balance with Treasury (FBWT) reconciliation requirements described in Chapter 2, including fully reconciling accounting systems to the Treasury monthly and implementing a process to identify, track, and resolve differences on a monthly basis, Components must follow this annex to reconcile and support FBWT balances brought forward (i.e., beginning balances). The approach described in this annex and the resulting permanent adjustment may be used only once. This annex identifies the Components as having the responsibility to follow the approach. However, the Defense Finance and Accounting Service (DFAS), as the Component’s accounting Service Provider, will perform the steps described on behalf of the Components (DFAS’ customers), unless the customer elects to perform the analysis.

A02 APPROACH TO SUPPORT FBWT BALANCES BROUGHT FORWARD

All Components must follow Steps 1 through 4 described in this section. Those Components that can reconcile FBWT at the voucher-level and maintain related supporting documentation to support 99 percent of its Treasury’s Government-wide Accounting (GWA) system account statement balances brought forward do not proceed past Step 4. Those Components who are unable to fully reconcile and/or support its FBWT transaction level detail to obtain 99 percent coverage must complete Steps 5 through 8.

A0201. Step 1

Perform aging analysis.

A. Per the Financial Improvement and Audit Readiness (FIAR) Directorate FIAR Guidance, Components must perform an aging analysis over the total value of its open appropriations (i.e., unexpired and expired appropriations) as of September 30, 2014, and each fiscal year end thereafter until they can demonstrate that they comply with FBWT reconciliation requirements described in Chapter 2 (see paragraph 010202). This will enable the Component to identify the number of prior fiscal years (FYs) it will need to perform monthly FBWT reconciliations at the voucher-level and provide supporting documentation for to support 99 percent of its FBWT balances brought forward.

B. Components must obtain the net detailed activity (authority, transfers, gross disbursements, and offsetting collections) of all open appropriations with balances in the FBWT account for the fiscal years of initial appropriation from the GWA system account statements and summarize the information into the following table. Note that no-year (or “X-year”) appropriations must be identified separately from the single- and multi-year appropriations for each FY.
### Table 1. FBWT Aging Analysis Template

<table>
<thead>
<tr>
<th>Initial Appropriation Fiscal Year</th>
<th>Balance @ 9/30/2014 of Open Appropriations</th>
<th>% of Total Appropriations Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No-Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

C. Components executing Treasury Index (TI) 097 funds will not be able to obtain the detailed activity information at the Organization Unique Identifier Code (OID, that is, limit) level from the GWA system account statements, since they are at the Treasury Account Symbol (TAS or appropriation) level. Instead, those Components, with support from DFAS, must obtain that detailed activity information from the Defense Departmental Reporting System-Budgetary to perform the aging analysis. DFAS will perform a DoD-wide consolidated aging analysis at the TAS level using the GWA system account statement for TI 097 funds.

D. Once Components have performed the aging analysis and summarized their open appropriations, they need to determine how many years of performing monthly FBWT reconciliations and providing supporting documentation are necessary to support at least 99 percent of their FBWT balances brought forward.

E. If no-year appropriations need to be included to reach the 99 percent coverage of the Component’s total open appropriations, then Components need to assume a requirement to provide five years of historical supporting documentation for that portion.

F. As a notional example, a completed aging analysis and summary of open appropriations is found in the following table.
Table 2. Notional Example of Completed Aging Analysis

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Balance @ 9/30/2014 of Open Appropriations</th>
<th>% of Total Appropriations Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$100,000,000,000</td>
<td>67%</td>
</tr>
<tr>
<td>2013</td>
<td>$30,500,000,000</td>
<td>20%</td>
</tr>
<tr>
<td>2012</td>
<td>$7,200,000,000</td>
<td>5%</td>
</tr>
<tr>
<td>2011</td>
<td>$2,600,000,000</td>
<td>2%</td>
</tr>
<tr>
<td>2010</td>
<td>$3,000,000,000</td>
<td>2%</td>
</tr>
<tr>
<td>2009</td>
<td>$2,050,000,000</td>
<td>1%</td>
</tr>
<tr>
<td>2008</td>
<td>$130,000,000</td>
<td>0%</td>
</tr>
<tr>
<td>2007</td>
<td>$16,000,000</td>
<td>0%</td>
</tr>
<tr>
<td>2006</td>
<td>$4,000,000</td>
<td>0%</td>
</tr>
<tr>
<td>2005</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>No-Year</td>
<td>$4,500,000,000</td>
<td>3%</td>
</tr>
<tr>
<td>Total</td>
<td>$150,000,000,000</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

G. To obtain coverage over at least 99 percent of its FBWT balances brought forward, the Component would need to perform monthly FBWT reconciliations and provide supporting documentation going back to FY 2010 for all activity, regardless of the initial appropriation year. The Component would also need to provide five years of historical supporting documentation for the no-year appropriations since that is necessary to obtain 99 percent coverage.

A0202. Step 2

Adhere to FBWT reconciliation requirements in Chapter 2.

A. Components and DFAS must comply with the FBWT reconciliation requirements defined in Chapter 2 before proceeding with the additional steps in this annex. This includes performing monthly FBWT reconciliations at the voucher-level; identifying, aging, and resolving any reconciling differences; and supporting the voucher-level detail with documentation.

B. Components and DFAS must ensure they have a process in place to address each of these critical areas to address FBWT risks, as shown in Figure 1.

A0203. Step 3

Identify initial audit period, and perform monthly FBWT reconciliations and test supporting documentation for prior fiscal years.

A. Components must identify the year they first plan to undergo a financial statement audit, and count back from that date using the number of years identified in the aging analysis in Step 1. This allows Components to determine their period start date to establish auditable beginning balances for FBWT.
B. Components and DFAS must perform monthly FBWT reconciliations at the voucher-level beginning with the date they have reached full compliance with Chapter 2, and work back progressively through each fiscal year needed to obtain 99 percent coverage of its FBWT balances brought forward.

C. See Chapter 2 for details on what must be included in the monthly reconciliations.

D. After completing monthly FBWT reconciliations at the transaction level, Components and DFAS must then perform discovery testing of appropriations, transfers, disbursements, collections and adjustments (including journal vouchers) to the FBWT accounts, working back progressively through each fiscal year needed to support the FBWT brought forward balance to verify their ability to provide supporting documentation.

E. Supporting documentation must include, at a high level, third party documentation, system reports, Treasury documentation, and reconciliations. Specific examples of supporting documentation that may be available to support FBWT balances brought forward are presented in the Fund Balance with Treasury and Balances Brought Forward sub-sections of Section 5 of the FIAR Guidance.

F. Supporting documentation must exist in support of all open FBWT account balances back to the year of initial appropriation. For audit readiness purposes, Components are only required to demonstrate 99 percent coverage of beginning balances.

G. For the notional example presented in Step 1, the Component and DFAS would be expected to perform monthly FBWT reconciliations at the transaction level and testing of transaction level detail for FYs 2014 through 2010.

A0204. Step 4

Assess ability to perform monthly FBWT reconciliations and provide supporting documentation to obtain 99 percent coverage of FBWT balances brought forward.

A. After Components and DFAS are able to perform monthly FBWT reconciliations at the transaction level and provide supporting documentation for all prior fiscal years to obtain 99 percent coverage of its FBWT balances brought forward, then they must continue to adhere to the FBWT requirements described in Chapter 2.

B. If Components and DFAS determine they have reached the point where they are unable to perform monthly FBWT reconciliations at the transaction level or provide supporting documentation, or it is not cost effective to do so, for all years and accounts required to obtain 99 percent coverage, they will need to proceed with the next steps in the approach.
A0205.  Step 5

Perform gap analysis.

Components and DFAS must perform a gap analysis to identify the portions of FBWT balances brought forward, by appropriation year, which they are unable to support. An example of how Components and DFAS may report on their gap analyses is depicted in the following table.

Table 3. Notional Example of Completed Gap Analysis

<table>
<thead>
<tr>
<th>Initial Appropriation Fiscal Year</th>
<th>Balance @ 9/30/2014 of Open Appropriations</th>
<th>Unsupportable Balance $</th>
<th>Unsupportable Balance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$100,000,000,000</td>
<td>$4,500,000,000</td>
<td>4.50%</td>
</tr>
<tr>
<td>2013</td>
<td>$30,500,000,000</td>
<td>$1,000,000,000</td>
<td>3.28%</td>
</tr>
<tr>
<td>2012</td>
<td>$7,200,000,000</td>
<td>$200,000,000</td>
<td>2.78%</td>
</tr>
<tr>
<td>2011</td>
<td>$2,600,000,000</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td>2010</td>
<td>$3,000,000,000</td>
<td>$1,000,000</td>
<td>0.03%</td>
</tr>
<tr>
<td>2009</td>
<td>$2,050,000,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2008</td>
<td>$130,000,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2007</td>
<td>$16,000,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2006</td>
<td>$4,000,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2005</td>
<td>$0</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>No-Year</td>
<td>$4,500,000,000</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total</td>
<td>$150,000,000,000</td>
<td>$5,701,000,000</td>
<td>3.80%</td>
</tr>
</tbody>
</table>

A0206.  Step 6

Prepare package to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) FIAR to seek approval and justify need for posting a permanent adjustment to balance to Treasury.

A. Once Components and DFAS have determined the total amount of their unsupportable FBWT balances brought forward, they will need to prepare a package to submit to OUSD(C) FIAR to seek approval and justify the need for posting a permanent adjustment in the Component’s accounting system(s) to correct the FBWT balances brought forward amount and balance to Treasury.

B. The package must include the following to demonstrate that Components and DFAS have followed the approach described in Steps 1 through 5, and have exhausted measures to support their FBWT balances brought forward:

1. Aging analysis of open appropriation balances by appropriation fiscal years from Step 1.
2. Determination of the appropriation fiscal years that Components intend to seek support for in order to gain coverage over 99% of their FBWT balances brought forward.

3. Results of monthly transaction level FBWT reconciliations performed in Step 3.

4. Results of transaction level detail testing performed in Step 3.

5. Balances identified as unsupportable and proposed adjusting journal vouchers from Step 5.

6. Description of process and controls in place that demonstrate compliance with Chapter 2.

A0207. Step 7

Post permanent adjustment in accounting system.

A. After obtaining OUSD(C) FIAR’s approval, the Components and DFAS must post a permanent adjustment in the Components’ accounting system(s) to adjust for unreconciled differences with the Treasury. This permanent adjustment must bring the unsupported balance to zero.

B. The Components and DFAS must ensure all negative unliquidated obligations and unmatched disbursements are resolved and in-transits are accounted for before posting the adjustment. See Volume 3, Chapter 11 for additional details.

C. The journal entry for this adjustment follows U.S. Government Standard General Ledger (USSGL) – A Treasury Financial Manual Supplement accounts transactions B102 (Budgetary only), D304, and D306 (Proprietary only). The example assumes that the balance in the accounting system is greater than what Treasury has reported. If the accounting system balance is less than what Treasury has reported, reverse the journal entry.

**Budgetary Entry**

DR 465000 Allotments – Expired Authority (or use 461000 if Unexpired Authority)
CR 490200 Delivered Orders – Obligations, Paid

**Proprietary Entry**

DR 310500 Unexpended Appropriations – Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year
DR 740500 Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year
CR 101000 Fund Balance with Treasury
CR 570500 Expended Appropriations - Prior Period Adjustments Due to Corrections of Errors - Years Preceding the Prior Year
D. No guidance in this chapter must be construed as authorizing a delay in (1) the recording of an executed obligation or (2) the requirement to conduct an investigation of a potential violation of the Antideficiency Act that results from any action other than the sole requirement to post this adjustment.

A0208. Step 8

Adhere to FBWT reconciliation requirements in Chapter 2.

A. The Components and DFAS must continue to adhere to the FBWT requirements described in Chapter 2.

B. If reconciling items are identified during the monthly FBWT reconciliations (subsequent to recording the adjustment in step 7) that relate to appropriations and fiscal years included in the adjustment made in Step 7, then the Components and DFAS must notify OUSD(C) FIAR and post a journal entry to offset the adjustment made in Step 7.

Budgetary Entry
DR 490200 Delivered Orders – Obligations, Paid
       CR 465000 Allotments – Expired Authority (or use 461000 if Unexpired Authority)

Proprietary Entry
DR 101000 Fund Balance with Treasury
DR 570500 Expended Appropriations - Prior Period Adjustments Due to Corrections of Errors - Years Preceding the Prior Year
       CR 310500 Unexpended Appropriations – Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year
CR 740500 Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year

C. Components and DFAS must ensure they have a process in plan to address each of these critical areas to address FBWT risks, as shown in Figure 1.
# Volume 4, Chapter 3: “Receivables”

## Summary of Major Changes

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated June 2014 is archived.

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<th>Paragraph</th>
<th>Explanation of Change/Revision</th>
<th>Purpose</th>
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<td>All</td>
<td>Revised debt thresholds to agree with the Deputy Chief Management Officer’s Delinquent Debt Management Guidance.</td>
<td>Revision</td>
</tr>
<tr>
<td>030102</td>
<td>Deleted clause in definition of accounts receivable that was not consistent with Federal Accounting Standards Advisory Board.</td>
<td>Deletion</td>
</tr>
<tr>
<td>030207</td>
<td>Added definition of out-of-service debt.</td>
<td>Addition</td>
</tr>
<tr>
<td>030212.A</td>
<td>Revised to proper Code of Federal Regulations citation.</td>
<td>Revision</td>
</tr>
<tr>
<td>030304</td>
<td>Added reference to Volume 1, Chapter 9 for information related to records retention.</td>
<td>Addition</td>
</tr>
<tr>
<td>030308</td>
<td>Changed priority of payment application per Treasury.</td>
<td>Revision</td>
</tr>
<tr>
<td>030309</td>
<td>Added requirement to use the Department of Defense Standard Chart of Accounts within the Department.</td>
<td>Addition</td>
</tr>
<tr>
<td>030310</td>
<td>Added detail on “proper” internal controls.</td>
<td>Addition</td>
</tr>
<tr>
<td>030311</td>
<td>Added discussion of errors detected that were originally recorded in a prior year.</td>
<td>Addition</td>
</tr>
<tr>
<td>030317</td>
<td>Removed entire paragraph due to inconsistency with Generally Accepted Accounting Principles.</td>
<td>Deletion</td>
</tr>
<tr>
<td>030318 (now 030317)</td>
<td>Removed requirement to transfer aged suspense account balances to a miscellaneous receipt account.</td>
<td>Deletion</td>
</tr>
<tr>
<td>030404.E</td>
<td>Addressed recording of refunds for budgetary report purposes per the Office of Management and Budget Circular A-11.</td>
<td>Addition</td>
</tr>
<tr>
<td>PARAGRAPH</td>
<td>EXPLANATION OF CHANGE/REVISION</td>
<td>PURPOSE</td>
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<tr>
<td>------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>030405.A</td>
<td>Added required contents of a demand letter to align with Treasury requirements.</td>
<td>Addition</td>
</tr>
<tr>
<td>030405.E</td>
<td>Added reference to the Digital Accountability and Transparency Act of 2014 which requires the referral of valid and legally enforceable delinquent public receivables over 120 days old to Treasury for further collection action.</td>
<td>Revision</td>
</tr>
<tr>
<td>030405.E.1</td>
<td>Removed the exception for collection on state and local government debt to align with Treasury.</td>
<td>Deletion</td>
</tr>
<tr>
<td>030407.A</td>
<td>Removed references to booking obligations for debt write-offs which was not consistent with proper posting logic.</td>
<td>Deletion</td>
</tr>
<tr>
<td>030503</td>
<td>Provided reference to Chapter 9 for description of title passing on contractual agreements.</td>
<td>Addition</td>
</tr>
<tr>
<td>030504.C</td>
<td>Added requirement to research reasons why obligations are not recorded timely.</td>
<td>Addition</td>
</tr>
<tr>
<td>030506.A.5</td>
<td>Revised to require the use of prior period adjustments for material receivables needing reversal in the current period.</td>
<td>Revision</td>
</tr>
<tr>
<td>030506.B.4</td>
<td>Revised intragovernmental balance dispute process to align with Treasury’s process.</td>
<td>Revision</td>
</tr>
<tr>
<td>030506.C.4</td>
<td>Added the stipulation that budgetary resources for Nonappropriated Fund Instrumentalities cannot be recognized until the account receivable is paid</td>
<td>Addition</td>
</tr>
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<td>030312.</td>
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<tr>
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CHAPTER 3

RECEIVABLES

0301 GENERAL

030101. Purpose

The purpose of this chapter is to issue policy for the recognition, recording, and reporting of public and federal (hereafter referred to as intragovernmental) accounts receivable. Additionally, this chapter addresses the recognition, recording, and, if not collected, eventual write-off and close-out of public receivables or the recording and adjusting/correcting of intragovernmental receivables. Annexes to this chapter address procedures for the interest, penalties, and administrative charges (Annex 1); and breakeven analysis (Annex 2).

030102. Authoritative Guidance

Receivables must be recognized when corresponding revenue is earned. The Statement of Federal Financial Accounting Standards (SFFAS) 1, “Accounting for Selected Assets and Liabilities,” requires that receivables be recognized when a federal entity establishes a claim to cash or other assets against other entities either based on legal provisions, such as a legislative requirement, a payment due date, or goods or services provided. Further, SFFAS 1 requires that receivables from intragovernmental agencies be reported separately from receivables from public entities. Intragovernmental and public receivables are treated differently because of the different legal and administrative requirements and concepts that apply to them.

0302 DEFINITIONS

030201. Accounts Receivable

Receivables arise from claims to cash or other assets against another entity. At the time revenue is recognized and payment has not been received in advance, a receivable must be established. Receivables include, but are not limited to, monies due for the sale of goods and services and monies due for indebtedness. Examples of indebtedness to the Department of Defense (DoD) include overdue travel advances, Federal Employee Health Benefits paid while employee is in a leave without pay status, dishonored checks, fines, penalties, interest, overpayments, fees, rent, claims, damages, and any other event resulting in a determination that a debt is owed to the DoD. An accounts receivable is categorized as either an entity or non-entity accounts receivable in accordance with following guidance:

A. Entity Accounts Receivable. As defined by the SFFAS 1, entity accounts receivable are amounts that a federal entity claims for payment from other federal or non-federal entities and that the federal entity is authorized by law to include in its obligation authority or to offset its expenditures and liabilities upon collection.
B. Non-Entity Accounts Receivables. As defined by the SFFAS 1, non-entity accounts receivable are amounts due to be collected by DoD on behalf of the United States (U.S.) Government or other entities, and the DoD is not authorized to use. Non-entity accounts receivable are reported separately from receivables available to the DoD (entity accounts receivables). Non-entity accounts receivable include governmental receipts and collections arising from the sovereign and regulatory powers unique to the Federal Government, (e.g., interest, penalties, income tax receipts, customs duties, court fines, and certain license fees). The DoD accounts receivable in canceled accounts are also non-entity receivables, because collections received after an appropriation cancels are deposited in the Department of the Treasury (Treasury) Account 3200, “Collections of Receivables from Canceled Accounts.” Non-entity receivables are recorded as a receivable and a custodial liability. In addition, as defined in SFFAS 31, federal entities should not recognize Fiduciary assets, liabilities, and flows in their financial statements, but only disclose them in a note disclosure.

030202. Accounts Receivable Office

The Accounts Receivable Office (ARO) is the office responsible for the recording and reporting of receivables and can also be the office responsible for debt collection. In most, but not all cases, the ARO is located at a Defense Finance and Accounting Service (DFAS) site.

030203. Current (Non-Delinquent) Receivables

Non-delinquent debts are categorized as current and non-current assets. The portion of a non-delinquent debt that is scheduled to be collected in the next 12 months is recorded as current; the portion of a non-delinquent debt scheduled for collection after 12 months is recorded as non-current. The importance is to inform the DoD and Treasury of the expected cash flow/liquidity of the asset (i.e., current versus non-current assets).

030204. Allowance for Loss on Accounts Receivable

This amount is the estimated amount of public accounts receivables that will more likely than not be collected. An accounts receivable is more likely than not to be collected when there is a 50 percent or greater chance of loss.

030205. Close-Out (Applies to Public Debt Only)

Close-out is one of two accounting classifications for writing-off debt that indicate whether or not an agency will continue debt collection efforts after write-off. The ARO, in conjunction with the DoD Component Fund Holder, closes out a debt when it is determined that further debt collection actions are prohibited (e.g., a debtor is released from liability in bankruptcy) or there are no plans to take any future active or passive actions to try to collect the debt. Close-out may occur concurrently with the write-off of an account receivable or at a later date, depending on the collection strategy and the ultimate determination that the debt has been discharged. At close-out, DoD may be required to report to the Internal Revenue Service (IRS) the amount of the debt as potential income to the debtor on IRS Form 1099C, Cancellation of
Debt. Within DoD, the DFAS Tax Office (TO) is responsible for consolidating and issuing IRS Forms 1099C. Definitions for these offices are in paragraphs 030207, 030209, and 030220.

030206. Currently Not Collectible

Currently Not Collectible (CNC) is one of two accounting classifications for writing-off debt that indicate whether or not an agency will continue debt collection efforts after write-off. CNC is a category of debt that has been written-off on the DoD Component’s financial statements, but cost effective debt collection efforts will continue to be taken by the cognizant Debt Collection Management Office (DCMO), Debt Collection Office (DCO), or Debt Management Office (DMO).

*030207. Debt Collection Management Office

The DCMO is the DFAS Office that services referred individual out-of-service debt. Out-of-service debt is uncollected debt from persons who left federal service prior to retirement. Debt for retirees must be referred to Office of Personnel Management. Refer to the Deputy Chief Management Officer’s Enterprise Delinquent Debt Management for policy related to DCMO’s collection efforts.

030208. Debt Collection Office

The DCO is the office responsible for initial debt collection actions and serving due process. The DCO refers to a general category of offices and includes, but is not limited to, the ARO, military and civilian payroll offices, and other organizational elements within the DoD Components that perform debt management/collection actions (e.g., personnel offices).

030209. Debt Management Office

The DMO is the DFAS office that refers vendor/contractor debt to Treasury for debts that are in litigation, bankruptcy, deferment, and/or have installment plans established.

030210. Delinquent Receivables

Delinquent accounts receivable are receivables that have not been paid by the date specified in the initial written demand for payment (i.e., invoice, demand letter, or other applicable agreement or instrument (including a post-delinquency repayment agreement)) unless other satisfactory payment arrangements have been made. Delinquency starts one day after the payment due date or other agreed upon date, depending on the agreement or instrument. If an installment agreement is provided and the payment is not made by the due date, then the entire balance of the receivable becomes delinquent from the original payment due date or other agreed upon date. If the payment is not made according to the agreed upon installment, then the full amount of the account and related interest and penalties, if any, are reported as delinquent. Delinquent debts are aged from the date of delinquency. A debt becomes delinquent when:

A. Payment has not been made by the payment due date, or by the end of the “grace period” as established in a loan or repayment agreement, as in the case of a debt being paid in installments. Date of delinquency is the payment due date.
B. Payment is not made by the due date specified in the initial billing notice, in the case of administrative debts such as fines, fees, penalties, and overpayments. The due date is usually 30 days after the notice is mailed. The date of delinquency is the date the billing notice or invoice is mailed or delivered.

030211. DoD Component

DoD Components include the Offices of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities in DoD.

030212. Due Process

Due process is the notice of indebtedness or opportunity provided the debtor to dispute the indebtedness. The Fifth Amendment of the U.S. Constitution provides that no person shall “be deprived of life, liberty or property without due process of law...” The minimum “due process” required is generally established by the statutes that authorize the use of a specified debt collection tool or by implementing regulations. In the context of federal debt collection, the constitutional right of “due ‘process’” requires the debtor be provided with notice of, and the opportunity to dispute, a debt or intended debt collection action.

* A. A notice of indebtedness constitutes a demand letter as defined by Title 31, Code of Federal Regulations (CFR) Section901.2. The Federal Claims Collection Standards require a demand letter to include the elements identified in Appendix I of the DoD Delinquent Debt Management Guidance.

B. Notice of indebtedness must include the amount and type of debt owed, and the actions to be taken by the DoD Component to collect the debt, such as adding interest and late charges, offset or garnishment, foreclosure of collateral property, and credit bureau reporting.

C. Opportunity to dispute the debt or the adverse collection action to be taken includes, at a minimum, an opportunity for the debtor to challenge (1) the existence of all or part of the debt, and/or (2) whether the statutory or regulatory prerequisites have been met for using the collection action mentioned in the notice.

030213. Foreign Government Debt Management Office

The Foreign Government Debt Management Office (FGDMO) is the DFAS office that services referred non-Foreign Military Sales (Non-FMS) foreign government debt.
030214. Intragovernmental Receivables

Intragovernmental receivables are claims of a federal entity against other federal entities. Intragovernmental receivables are either within DoD (e.g., a Service (Army)) or outside DoD (e.g., General Services Administration).

030215. Non-Current Non-Delinquent Receivables

Non-current non-delinquent receivables are non-delinquent accounts receivables that will not become due within 12 months after the receivable is established.

030216. Non-Delinquent Receivables

Non-delinquent receivables are accounts receivable that have not been billed or are not due under the contract or billing document pertaining to the receivable. This also includes rescheduled receivables and receivables under an installment agreement.

030217. Public/Non-Federal Receivables

Public/non-federal receivables are claims of a federal entity (e.g., DoD) against non-federal entities. The term “public/non-federal entities” encompasses domestic and foreign persons and organizations outside the U.S. Government, including Nonappropriated Fund Instrumentalities (NAFIs) for purposes of processing receivables. Examples are: salary/travel overpayments; overpayments to contractors/vendors due to duplicate and erroneous billings; incorrectly computed invoices; non-FMS foreign government fuel purchases; contract default; amounts due for items rejected or returned; and amounts due on payments for contractual services such as rent, insurance, and transportation purchased, where such contracts are canceled and adjustments are made for the unused portion.

030218. Reimbursements

Reimbursements are amounts earned and collected for materials sold or services furnished as a result of a reimbursable agreement.

030219. Rescheduled Receivables

Rescheduled receivables are receivables that have been subject to rescheduling, forbearance, re-amortization, or any other form of extending the future of the original payment(s) or payment due dates.

030220. Tax Office

The Tax Office is the office that prepares the IRS Form 1099C for reporting to IRS closed-out, uncollected, public vendor, contractor, and individual debt.
030221. Trading Partners

Trading Partners collectively refers to the requesting agency (buyer) and the providing agency (seller) involved in intragovernmental transactions.

030222. Treasury Report on Receivables

The *Treasury Report on Receivables (TROR)* is a quarterly report of public receivables prepared in compliance with the Treasury guidance. It provides a means for collecting data on the status and condition of the total receivable portfolio from public sources. See section 0306 for additional information.

030223. Write-off of Receivables

Write-off is an accounting action that results in removing a non-federal (public) receivable from the DoD Component’s financial accounting records/financial statements. In accordance with Office of Management and Budget *(OMB) Circular A-129*, “Policies for Federal Credit Programs and Non-Tax Receivables”, when a receivable is written-off, it must be classified as CNC or closed-out. Receivables that are classified as CNC must be maintained in an inactive administrative file and reported on the TROR until the receivable is closed-out. See paragraph 030407 for additional guidance on write-off of receivables.

0303 RECEIVABLES POLICY AND PROCEDURES

030301. General

A. A receivable must be established when payment is not received in advance or at the time revenue is recognized. Receivables must be recorded when earned from the sale of goods and services or when an event results in the determination that a debt is owed to DoD. Accounting records for receivables must be maintained so that all transactions affecting the receivables are included in the reporting period of occurrence. There must be immediate recording of events not previously recorded due to error or oversight. The requirements for recording and reporting errors are detailed in Chapter 15.

B. DoD Components may recognize accounts receivable and unfilled orders without an advance as valid budgetary resources when such receivables or unfilled orders are from federal entities. Absent statutory authority, components may not recognize accounts receivable and unfilled orders without an advance as valid budgetary resources when such receivables or unfilled orders are from public/non-federal entities.
030302. Advance Payments

A. In general, an advance payment is required for orders from the public, including state and local governments, except for fuel, as the sale of petroleum products to the public is covered by fuel purchasing agreements. The order must be accompanied by an advance equivalent to the actual or estimated cost of goods and services, except for: cross-servicing agreements with foreign governments (see also Volume 11A, Chapter 8, “International Acquisition and Cross-Servicing Agreements,”) as described in subparagraph 030302.C, emergency medical care at military treatment facilities, natural disasters (DoD Directive 3025.18, “Defense Support of Civil Authorities”), immediate wartime requirements Title 10, U.S. Code, Section 2201 (10 U.S.C. § 2201), and in certain instances, NAFIs. If amounts are sufficient, Military Departments may use their own appropriated fund budgetary resources to perform a reimbursable order for a NAFI without an advance. However, they may not recognize budgetary resources for the order until the account receivable is paid. An advance payment from foreign governments for Foreign Military Sales (FMS) is held and recorded in the FMS Trust Fund or investment accounts that can be drawn on to meet the foreign government’s FMS obligations.

B. The Department has statutory authority to record a budgetary resource for non-federal orders without an advance for work performed under the provisions of 22 U.S.C. § 2767, “Authority of President to Enter into Cooperative Projects with Friendly Foreign Countries.” Components must request approval from the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) in advance of accepting the order(s) and recording the budgetary resource. The OUSD(C) will coordinate with OMB to ensure the resulting budgetary entries will be accepted within federal-wide accounting and reporting systems.

C. Additional information regarding budgetary resources may be found in Volume 3, entitled “Budget Execution – Availability and Use of Budgetary Resources,” and in the Glossary. See Volume 11B, Chapter 11 and Volume 4, Chapter 5 for Defense Working Capital Funds’ policy on receipt of advances on orders from non-federal entities.

030303. Sales of Goods and Services

Intragovernmental materials sold or services furnished must be authorized and documented in a support agreement between the provider and the ordering entity. The cost of the materials or services is first initiated by the activity providing the materials or performing the services (performer.) The activity receiving the materials or services (ordering entity or customer) pays the performing activity. Uncollected amounts earned from reimbursable sales are recorded as accounts receivable.

*030304. Recording of Receivables

In accordance with paragraph 030301, receivables shall be recorded in the applicable accounting system during the month the receivable occurs. DCOs must ensure that the appropriate ARO is advised that a receivable is to be established in the applicable accounting system. DCOs will provide the ARO with signed copies of indebtedness notices and other appropriate documentation to support entries in the accounting system and will provide the status of the debt which includes: beginning debt balance, collections, adjustments, current ending balance and
notice of discontinuance of collection efforts. Supporting documentation will be maintained in the applicable accounting system. See Volume 1, Chapter 9 for records retention.

030305. Collection of Receivables

A. The collection of receivables must be aggressively pursued for amounts due from DoD Components, federal agencies, and the public. The due date for a receivable normally is 30 days from the date of invoice, demand letter, or notice of payment due; unless a specific due date is established by statute, contract provision, or notice of indebtedness. Collection actions must be initiated when payment becomes due.

B. Funds must be collected in the appropriation that earned the funds, or in the case of a refund, into the appropriation from which the excess payment was made, unless otherwise specified by law. Examples of applicable legal provisions include, but are not limited to:

1. In accordance with 42 U.S.C. § 2651, amounts recovered from a liable third-party or insurer due to a service member’s injury or disease will be credited to current operating funds as follows:
   a. Amounts recovered for hospital, medical, surgical, or dental care and treatment will be credited to the current operating funds of the facility or activity that provided the care and treatment.
   b. Amounts recovered for loss of the service member’s duty will be credited to current operating funds of the command, activity, or unit to which the service member was assigned at the time of the injury or illness.

2. In accordance with 10 U.S.C. § 1095, collection from third parties for medical services provided shall be recorded against the year in which the collection is received regardless of year service was provided.

C. Any collections including refunds received after an appropriation cancels must be deposited in Treasury Account 3200, "Collections of Receivables from Canceled Accounts. See paragraph 030312 for additional guidance on accounts receivable and canceled appropriations.

030306. Allowance Account and Aging

A. An allowance for uncollectible accounts receivable due from the public must be estimated and recorded per paragraph 030406.

B. No allowance for uncollectible accounts will be recorded for intragovernmental receivables, non-loan interest, penalties, and administrative charges.

C. The AROs (on behalf of the DoD Components) must age delinquent accounts receivable within the accounting system.
D. Aging of receivables (delinquency) starts one day after the due date for both public and intragovernmental (within and outside DoD) receivables. See Figure 3-1.

030307. Interest Receivable

Interest accrues from the first day of delinquency and is added to the outstanding principal receivable balance within the accounting system when an amount due is not received by the due date or other agreed upon date. An interest receivable must be recorded for the amount of interest income earned but not received for an accounting period. An interest receivable must be recorded as it is earned on investments in interest-bearing securities. Interest also must be recognized on outstanding accounts receivable against persons and entities in accordance with provisions in 31 U.S.C. § 3717. Until the interest payment requirement is officially waived by the government entity or the related debt is closed-out, interest will accrue. Note, however, that debts owed by any federal agency are exempt from interest, penalty, and administrative charges. Interest receivable is considered a non-entity receivable. See Annex 1 for procedures regarding interest, penalties, and administrative charges.

*030308. Payment Application

When a debt is paid in partial or installment payments, amounts received will be applied first to contingency fees, second to outstanding penalties, third to administrative charges, and fourth to interest per Federal Claims Collection Standards, 31 CFR § 901.9(f), and lastly to principal.

*030309. General Ledger Accounting

Information on receivables must be developed, maintained, and reported using the United States Standard General Ledger (USSGL) accounts depicted in Volume 1, Chapter 7. The first six digits of the accounts receivable general ledger account must conform to the USSGL chart of accounts. DoD requires the use of the DoD Standard Chart of Accounts (SCOA). The DoD SCOA and accounting transactions for collections and receivables are outlined in the DoD USSGL Transaction Library are located at the Standard Financial Information Structure (SFIS) site.

*030310. Internal Controls

The basic standards for internal controls prescribed in DoD Instruction (DODI) 5010.40, "Managers’ Internal Control (MIC) Program Procedures,” must be adhered to in establishing and collecting receivables.

A. Major categories of receivables must be maintained to facilitate clear and full disclosure of accounts receivable, e.g., disclose the debtor, the amount, the age, and the type of debt. Subsidiary records must be reconciled to the control accounts on at least a monthly basis.
B. Proper internal controls require the accurate and timely recording of transactions (refer to paragraph 030301), appropriate documentation and retention (refer to paragraphs 030223, 030407 and 030505), appropriate authorization (i.e. executed only by persons acting within the scope of their authority) and appropriate management.

C. Additionally, the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets must be separated so that no one individual controls all key aspects of a transaction or event (e.g., a technician responsible for creating cash or check due transactions cannot also be responsible for collecting cash or checks), must be maintained.

D. Each DoD Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data. Internal operating procedures must include a triannual review process for accounts receivable as described in Volume 3, Chapter 8. Relevant records supporting financial statements shall be maintained and made available during financial statement audits.

*030311. Erroneous, Invalid, and Unsubstantiated Accounts Receivables

During the triannual review, receivables must be reviewed for completeness, accuracy, and supportability. Abnormal or erroneous accounts receivable must be promptly researched and resolved. If at any time it is determined that a debt was never owed and should not have been classified as an accounts receivable, the accounting records must be adjusted. Return all funds collected to the debtor for unsubstantiated account receivable. For errors detected in the year the receivable was recorded, reverse the entry. For errors detected in subsequent fiscal years, record an entry in accordance with the requirements for recording and reporting errors in Chapter 15, paragraph 150601. If at any time a billing DoD Component does not have or cannot produce the evidence necessary to establish an accounts receivable and has not been able to obtain the voluntary repayment of the debt, the entries that established the accounts receivable will be reversed. Evidence necessary to establish an account receivable includes, but is not limited to, a duplicate payment voucher, contract reconciliation document, Department of Justice litigation report, an unpaid U.S. payment voucher, or demand letter. All erroneous, invalid, and unsubstantiated accounts receivable must be removed from the general ledger by reversing the existing entry if recorded in current year. See Chapter 14 if receivable was recorded in prior years. The reversing journal entry must be supported with all known evidence. The evidence obtained from research may identify internal control failures and/or process weaknesses with the recognition of accounts receivable. Any internal control failures and/or process weaknesses must be addressed and corrected.

030312. Canceled Appropriations

AROs must retain all outstanding receivables in the residual records even though an appropriation cancels. When the appropriation cancels, the collection of a receivable is recorded in Treasury miscellaneous receipt account 3200, “Collections of Receivables From Canceled Accounts.” Appropriation cancellation does not relieve the DoD of the responsibility to pursue collection or recovery.
030313. Nonappropriated Fund Instrumentalities Receivables

Receivables from NAFIs must be recorded as transactions from the public. They must be included in the quarterly TROR. With the exception of individual debt, NAFI delinquent debt will not be referred to the DMO or to Treasury for collection assistance. Refer to Volume 13, Chapter 3 for guidance on NAFI debts.

030314. Foreign Military Sales Receivables

Receivables from the FMS Trust Fund (appropriation 11X8242) must be recorded as federal transactions. Other Security Assistance receivables, e.g., the Foreign Military Financing Program, Grants, and Funds Appropriated to the President (11*1082), must be recorded and reported as intragovernmental receivables. The FMS delinquent accounts receivable will not be referred to the DMO or to Treasury for collection assistance. See Volume 15, Chapter 5 for guidance on FMS receivables.

030315. Non-FMS Foreign Government Receivables

The ARO or FGDMO will initiate initial billings for non-FMS foreign government accounts receivable. The ARO will refer delinquent non-FMS foreign government accounts receivable to the FGDMO for additional billing and collection action when local efforts do not result in payment. Proper documentation must be included in the referral. The accounts receivable is established and maintained at the field site. Once collection is received from the foreign entity, the field sites are reimbursed to satisfy their accounts receivable. Refer to Volume 6A, Chapter 12 for further information on non-FMS foreign government receivables.

030316. Retention of Documentation

AROs and DCOs will maintain documentation to support actions taken on each accounts receivable. This includes, but is not limited to, documents supporting:

A. Establishing the receivable.
B. Due process requirements.
C. Research and resolution of abnormal or erroneous balances.
D. Reversal of entries establishing the receivable.
E. Termination, write-off and close-out of receivable.
F. Bankruptcy.
G. Installment payment plan.
0304 PUBLIC RECEIVABLES

030401. General

Receivables due from the public are claims of the DoD, or an entity within the Federal Government, against non-federal entities, to include public entities, domestic and foreign persons and organizations outside the U.S. Government. Public receivables are also created from the sales of goods or services when an advance is not first received (advance payment exceptions are in paragraph 030302 or from refunds due to the DoD).

030402. Debt Collection Policies

The DoD policies for credit management and debt collection delineated in other volumes are:

A. Policies and procedures for collection of debt from individuals are in Volume 5, Chapter 28.

B. Policies and procedures for loss of funds cases are in Volume 5, Chapter 6. Accounts receivable that are the result of improper payments may require loss of funds investigations in accordance with Volume 5, Chapter 6 and have additional reporting requirements under the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). See Volume 4, Chapter 14 for additional guidance regarding IPERA and IPERIA reporting requirements.

C. Policies and procedures for salary offset to collect debts owed to the Federal Government by military members or civilian employees are in Volume 7A, Chapter 50, Volume 7B, Chapter 28, and Volume 8, Chapter 8. Volumes 7A, 7B, and 8 also address collection of child support, alimony, or commercial debts from the pay of military members or civilian employees through garnishment or involuntary offset.
D. Policies and procedures for collection of commercial or contractor debt are in Volume 10, Chapter 18. Additionally, the Federal Acquisition Regulation (FAR) Subpart 32.6, "Contract Debts," prescribes policies and procedures for ascertaining and collecting contract debts, charging interest on the debts, deferring collections, and compromising and terminating certain debts.

E. Policies for collection of debts from foreign countries are in Volume 6A, Chapter 12.

030403. Receivables from the Sale of Goods and Services to the Public

A. Upon receipt of a collection voucher, the ARO must record the collection in the accounting system and include it in the monthly reports (Standard Forms 1218, 1219, 1220 and 224) to Treasury. If an abnormal balance results from recording the collection, the ARO must research and resolve the abnormal balance.

B. The ARO must refer delinquent accounts receivable for further collection action as required by debt collection policy referenced in subparagraphs 030405.B and C.

030404. Refunds Receivable

Refunds to appropriations represent amounts collected from outside sources for payments made in error, overpayments, or adjustments for previous amounts disbursed. They must be directly related to previously recorded expenditures and are reductions to those expenditures. There is not a separate account for refunds receivable in the USSGL. Refunds receivable are treated as accounts receivable.

A. Examples of refunds receivable include, but are not limited to the following:

1. Salary overpayments.

2. Overpayments to commercial concerns due to erroneous billings, incorrectly computed invoices, or contract default.

3. Amounts due for items rejected or returned.

4. Amounts of recovery due on payments for contractual services, such as rent, insurance, and transportation purchased, where such contracts are canceled and adjustments made for the unused portion.

5. Amounts for advance payment of travel when the travel was canceled.

6. Amounts payable for “due U.S.” travel vouchers.

7. Amounts due from advance payments for contractual purposes.
8. Amounts due from employees on leave without pay for employee share of benefits (i.e., health insurance).

B. Non-DCO activities (e.g., contracting offices, Fund Holders) will notify the DCO that a debt exists. For contracting offices, guidance is contained in the FAR, Part 32, Contract Financing. DCOs must ensure the appropriate ARO is advised that a receivable is to be established in the applicable accounting system. Such notification must be made in the same accounting cycle that the debt is recognized.

C. Upon receipt of a collection voucher, the ARO must ensure that the collection is recorded in the accounting system and reported to Treasury. See sections 0306 and 0307 for additional guidance on reporting requirements. If an abnormal balance results from recording the collection, then the ARO will research and resolve the abnormal balance.

D. The ARO or DCO must refer delinquent accounts receivable for further collection action as required in subparagraphs 030405.B and C.

* E. OMB Circular A-11, “Preparation, Submission, and Execution of the Budget,” addresses the proper budgetary accounting for refunds in Section 20.10. Since refunds are the repayments of excess payments, the amounts are directly related to previous obligations incurred and outlays made against the appropriation. Refunds received are deposited to the credit of the appropriation or fund account charged with the original obligations.

030405. Collection Actions

Accounts receivable must be aged to allow for the management of collection actions.

* A. The due date for a receivable is normally 30 days from the date of invoice, demand letter, or notice of payment due unless a specific due date is established by statute, contract provision, or notice of indebtedness. The initial demand for payment, invoice, or demand letter must include a complete explanation of the debtor’s rights and responsibilities, the basis of the indebtedness, the agency’s intention to use various collection tools to collect the debt, additional charges (i.e., interest, penalties and administrative charges) that may be levied, and the name, work phone number, and address of an individual to contact within the agency to resolve the delinquency.

B. AROs or DCOs will refer valid and legally enforceable delinquent individual out-of-service debt of $25 to the DCMO for further collection action no later than 60 days after the payment due date.

C. AROs or DCOs will refer valid and legally enforceable delinquent vendor debt of $25 ($100 if vendor does not have a Taxpayer Identification Number) or more, comprised of principal, interest, administrative charges, and penalty, to the DMO for further collection action no later than 60 days after the payment due date. Multiple debts to the same vendor totaling $25 or $100 respectively, or more must be consolidated and referred to the DMO as one debt package.
D. Uncollected public vendor debt of less than $25 and individual out-of-service debt of less than $25 must be collected or written-off and closed-out within one year of delinquency in accordance with paragraph 030407. These debts shall not be referred to DMO or DCMO for further collection action unless mandated by public law.

* E. The DCMO or DMO will refer valid and legally enforceable delinquent public receivables over 120 days old to Treasury for further collection action in accordance with the Debt Collection Improvement Act of 1996 (DCIA) and the Digital Accountability and Transparency Act of 2014 (DATA Act). Refer to Volume 13, Chapter 3 for guidance on NAFI debts. Only those activities with specific authority will refer these aged debts to Treasury.

1. Exceptions to the requirement to refer debt to Treasury include debts or claims that: (a) are in litigation or foreclosure; (b) will be disposed of under an asset sales program within one year after becoming eligible for sale, or later than one year if consistent with an asset sales program (See OMB Circular A-129, section IV, paragraph 3 for additional information on the asset sales program); (c) have been referred to a private collection contractor for collection for a period of time approved by the Secretary of the Treasury; (d) will be collected under internal offset, if such offset is sufficient to collect the claim within three years after the date the debt or claim is first delinquent; (e) are foreign government debts; or (g) are NAFI debts.

2. The Treasury, after due process, returns uncollected public receivables to the sender (length of time varies based upon collection actions taken by Treasury).

3. Debts less than $100,000 that are referred to Treasury and later returned due to failure to collect may be terminated for further collection action by DCMO or DMO upon coordination with the appropriate Fund Holder. Debts of $100,000 to $500,000 that are referred to Treasury and later returned due to failure to collect may be terminated with Treasury’s approval. Debts of $500,000 or more must be referred to the Department of Justice for approval to terminate collection action. See Volume 5, Chapter 28 and Volume 10, Chapter 18, for additional guidance regarding termination of collection action.

4. DCMO or the DMO will advise the ARO when the Treasury has returned a debt as uncollectible. The ARO will take appropriate actions to terminate collection action, write-off the receivable, and close-out the receivable, as applicable.

030406. Establishment of Allowance for Loss on Accounts Receivable

The ARO must record an allowance for loss on public accounts receivable in the general ledger, which will provide for reducing gross receivables by the amount of the estimated loss to their net realizable value.

A. SFFAS 1 states that losses on receivables should be recognized when it is more likely than not that the receivables will not be totally collected; the phrase “more likely than not” means more than a 50 percent chance of loss. The allowance for loss on accounts receivable must be re-estimated annually and when information indicates that the latest estimate
is no longer correct. Losses due to uncollectible receivables should be measured through a systematic methodology. The systematic methodology should be based on analysis of both individual receivables and groups of receivables as a whole. The allowance amount calculated for individual receivables and groups of receivables will be added together and will be the total amount for allowance for loss on accounts receivable.

1. **Group of Receivables.** To determine the loss allowance for receivables less than $100,000, separate the receivables into groups having similar risk characteristics. Receivables may be grouped by each delinquent age category greater than 60 days old, by category of debtor, by reason that gave rise to the receivable, or by geographic regions. The methodology used to determine the percentages will be based on the history of bad debt expense from the last three years. The determined percentages will be applied to the total amount in each category. The OUSD(C) may approve exceptions when abnormal circumstance skews the three year average.

2. **Individual Receivables.** Each receivable equal to or greater than $100,000 must be analyzed to determine the loss allowance. Loss estimation for each receivable will be based on: (a) the debtor’s ability to pay, (b) the debtor’s payment record and willingness to pay, and (c) the probable recovery of amounts from secondary sources, including liens, garnishments, cross collections and other applicable collection tools. DoD Components with a low number of receivables or a large number of small dollar receivables may lower the threshold. However, consistent methodology must be used from year to year.

B. In those instances when one DoD Component sub-allots funds to another DoD Component, the office executing the funds will be responsible for establishing the allowance for loss on accounts receivable.

C. The write-off of receivables must be processed through the allowance for loss on accounts receivable account. If the allowance account has been depleted as a result of write-off activity, then it must be immediately re-estimated and re-established.

030407. **Write-off and Close-Out of Public Accounts Receivable**

General provisions for write-off and close-out of public accounts receivable are established in OMB Circular A-129. Write-off is mandatory for public delinquent debt that has not been collected within two years of delinquency unless documented and justified to OMB in consultation with Treasury. See subparagraph 030405.D for guidance on write-off and close-out of vendor debts and individual out-of-service debts under $25.

* A. **Write-off.** The DCO must provide the ARO with documentation to support write-off of the receivable (regardless of amount) and also provide the history of all research and debt collection efforts. When received, the ARO must immediately provide the documentation to the Fund Holder for concurrence for write-off and notify the DCO that the request for concurrence was sent. If the Fund Holder concurs, the ARO will write-off the debt. If the Fund Holder non-concurs or does not respond, then the following applies:
1. The Fund Holder must respond within 30 days of request for a write-off. If a response is not received within 30 days, the ARO will write-off the debt.

2. If non-concurring, the Fund Holder must provide the ARO with additional written evidence to enable the collection of the debt. The ARO will only make one additional attempt to collect (i.e., issue one additional demand letter).

3. If payment is not received after following outlined procedures, the ARO will write-off the debt. The ARO will notify the Fund Holder and the DCO that the debt was written-off.

B. Currently Not Collectible (CNC). Once the debt is written-off, it must either be classified as CNC or closed-out. Debts in CNC status are reported on the TROR and are still eligible for the Treasury's cross-servicing and offset programs.

1. Public debt will be classified as CNC only if the following criteria are met:
   a. The vendor debt or the individual out-of-service debt is $25 or more.
   b. All debt collection actions referenced in this chapter have been pursued.
   c. It is cost effective to continue collection efforts.

2. CNC debt must be continuously reviewed and, as required, reclassified and closed-out.

3. When Treasury is able to collect on a receivable categorized as CNC and remits funds to DoD, the ARO will reverse the write-off, reestablish the receivable, and record the collection against the receivable.

C. Close-Out of Indebtedness. Debt write-off and close-out may occur at the same time, or close-out may follow write-off by a substantial period of time. When it has been determined that the debt is not collectible (e.g., returned from Treasury uncollected or further collection action would not be economically feasible), the DCO must notify the ARO. The ARO must notify the Fund Holder and request concurrence to close-out the debt. If the Fund Holder non-concurs or does not reply, the following applies.

1. The Fund Holder must respond within 30 days of request for close-out. If a response is not received within 30 days, then the debt must be closed-out.

2. If non-concurring, the Fund Holder must provide the ARO with additional written evidence to enable the collection of the debt. The ARO will only make one additional attempt to collect (i.e., issue one additional demand letter).
3. If payment is not received after following procedures in subparagraphs 030407.C.1 and 2, then the debt must be closed-out and the Fund Holder notified.

4. Once a debt has been closed-out, it cannot be reactivated, and the Federal Government cannot take any further administrative or legal action to collect the debt. The Federal Government, however, can accept voluntary repayment of the debt at any time. Once the Fund Holder has decided to close-out the debt, the ARO has primary responsibility for close-out actions and 1099C IRS reporting. Close-out for foreign government debts will be accomplished in accordance with Volume 6A, Chapter 12.

D. **Tax Reporting.** All closed-out uncollected individual, public vendor, or contractor debt will be forwarded to the DFAS-Columbus, DFAS Tax Office, Enterprise Solutions and Standards, Finance Mission Area, Attn: DFAS-JJFD/CO, PO Box 182317, Columbus, Ohio 43218-2317 for tracking, consolidation, and reporting. Data elements required by the Tax Office for consolidating and reporting the closed debts include:

1. Tax Identification Number.
2. Contractor Name.
3. Contractor Address
5. Date Account Closed.
6. Principal.
7. Interest.
8. Administrative Charges and Penalties.
9. Debt Reason Description.
10 Bankruptcy.

0305 INTRAGOVERNMENTAL RECEIVABLES

030501. Receivables Due From Federal Entities

Receivables due from DoD Components or other federal entities are intragovernmental receivables and must be reported separately from receivables due from public entities.

A. Intragovernmental materials sold or services furnished must be authorized and documented in a support agreement between the provider and ordering entity. The cost of the materials or services is first initiated by the activity providing the materials or performing the services (seller). The activity receiving the materials or services (ordering entity or customer) pays the performing activity. Uncollected amounts earned from reimbursable sales are recorded as accounts receivable.

B. In contrast with orders from the public/non-federal entities without an advance, under the Economy Act DoD organizations with reimbursable authority may recognize a budgetary resource upon acceptance of funded reimbursable orders from DoD and other federal agencies, because customer agencies obligate their own budgetary resources (e.g., appropriations) at the time of order placement and acceptance. DoD organizations may incur obligations to fill such orders without requiring the customer to provide an advance payment and without burdening their own budgetary resources.

*030503. DoD Performing Entity Responsibilities

The performing entity must ensure that the cost and a liability (Delivered Orders-Unpaid) incurred for completed performance are promptly recorded as revenue and receivable (Reimbursements and Other Income Earned - Receivable) and must ensure the earned revenue amount is promptly charged and collected from the ordering entity. Refer to Chapter 9 for a description of how titles are passed on a contractual agreement, and when the revenue and receivable should be recorded. Ensure that transactions are recorded on a timely basis, in order for Treasury to perform intragovernmental eliminations. The performing entity will:

A. Receive a customer’s order, which will be verified against the agreement serving as the basis for the order, such as a Department of Defense Form 448, Military Interdepartmental Purchase Request (MIPR). The amount of the order must be recorded as an unfilled customer order.

B. Reverse the unfilled customer order and record a filled customer order (i.e., earnings) uncollected upon receiving documentation showing that goods or services were provided. Record the receivable and charge the customer. If an abnormal balance results from reversing the unfilled customer order, research the abnormal balance and promptly resolve the issue.

C. Reverse the filled customer order uncollected (i.e., earnings) and record a filled customer order collected upon receipt of a collection voucher. If an abnormal balance results from reversing the filled customer order uncollected, research the abnormal balance and promptly resolve the issue.

D. Ensure that collection vouchers are recorded in the accounting system and reported to the Treasury in the accounting month the collection was received.
E. Review unearned and earned orders and determine that recorded orders are supported with an order or contract.

F. Research any abnormal unfilled customer order balances; such balances indicate that an order may not be recorded. Research any abnormal filled customer order uncollected balances; such balances indicate that collections may have been incorrectly recorded. Promptly resolve these abnormal balances.

G. For orders not filled from inventory (e.g., supply issues from materiel systems); obtain the accounts payable transaction history. Review obligations and accrued expenditures recorded and determine whether the accruals are supported with a reimbursable agreement or a document evidencing that a payment is due. Unsupported obligations and accrued expenditures must be thoroughly researched, and the necessary corrective actions taken. Copies of all reimbursable orders must be available to ensure that all obligations and accrued expenditures are recorded correctly. Reconcile the receivables and collections (earnings) relating to the reimbursable program of the performing activity with the accrued expenditures paid and unpaid of the same performing activity.

H. Obtain the billing transaction history from the ARO. Billing transaction histories must be provided within 30 days. Ensure that billings are against the correct order and, consequently, billed against the correct obligation. Request copies of documents supporting that a payment is due; reconcile these documents with the related accounts receivable. Any discrepancies must be resolved by adjusting the accounts receivable to the appropriate amounts.

I. Upon receiving a request for supporting documentation, provide a copy of an agreement, contract, and/or proof of performance or delivery within 30 days of request.

J. If a charge is disputed or rejected, review supporting files promptly. The intragovernmental dispute process is outlined in subparagraphs 030505.A and 30305.B.

K. Research unmatched disbursements and negative unliquidated obligations as required by Volume 3, Chapter 11.

L. Unless authorized by law to perform non-reimbursable work, DoD performing activities will not perform reimbursable work for another federal agency that is 90 days or more in arrears in payment of previous reimbursable billings. This restriction can be waived by the Office of the Under Secretary of Defense if in the national interest to do so.

030504. DoD Ordering Activity Responsibilities

A. The ordering activity must review all charges from the performing activity to ensure that amounts due are in agreement with the reimbursable orders and are supported with a copy of the order or contract and evidence of performance.
B. Transportation charges that cannot be matched to an accounts payable transaction, or that cannot be charged back, must be researched and charged to the proper line of accounting upon completion of research.

C. If the bill is supported, but the order or obligation is not recorded in accounting, then record the order or obligation immediately. Determine why the order or obligation was not recorded. The evidence obtained from research may identify internal control failures and/or process weaknesses. Any internal control failures and/or process weaknesses must be addressed and corrected. Evidence from the research should be documented and maintained by the organization.

030505. Management of Collection Actions

Accounts receivable must be aged. Aging allows for the management of collection actions. Delinquency date starts one day after the due date.

A. Charges arising from transactions within the DoD and with other federal departments and agencies must be recorded as accounts receivable in the accounting month earned.

B. Bills arising from transactions which contain a National Stock Number within the DoD will be collected through the Military Standard Billing System interfund billing procedures when supported by the supply and accounting systems. The provider will not accept a MIPR if interfund can be used. Manual billing (i.e., the XP fund code) will not be used unless approved by the Deputy Chief Financial Officer. For intragovernmental interfund disputes, follow the dispute process outlined in DoD Manual 4000.25, Volume 1, Chapter 4.

C. For non-interfund intragovernmental (within DoD) receivables, reimbursement will be via Defense Cash Accountability System or Intra-Government Payment and Collection (IPAC). The buyer cannot chargeback or reject the charge (other than IPAC) unless authorized by the dispute process as outlined in subparagraph 030506.A. The buyer must perform an IPAC reject within 30 days. The only valid reasons for reject/adjustment are:

1. Billing for more than the agreed amount.
2. Duplicate/erroneous billing.
3. Lack of supporting documentation.
4. MIPR has expired and/or appropriation has expired.

D. For intragovernmental (outside DoD) receivables, IPAC is the preferred method of billing/collection.

1. Include the use of IPAC as the preferred method of billing/collection on the MIPR acceptance.
2. Follow the intragovernmental (outside DoD) dispute process as outlined in subparagraph 030506.B if the IPAC transaction is rejected.

E. Rejected charges must require the reestablishment of a receivable and adjustments to an appropriation’s Fund Balance with Treasury.

F. USSGL accounting transactions for reimbursable billings and collections, and accounts receivable corrections and adjustments are detailed in the SFIS library.

030506. Non-Interfund Dispute Process

A. Intragovernmental Debt Within the DoD. The performer’s ARO is responsible for managing intragovernmental debt.

1. Intragovernmental debt cannot be reduced, i.e., an allowance for losses is not allowed. Additionally, intragovernmental debt cannot be referred to a debt collection activity.

2. The full settlement of intragovernmental accounts receivable disputed charges must take no longer than 180 days from the date of the charge.

3. For receivables of $2,500 or less, the buyer may accept the charge without dispute. However, these charges may be disputed as long as the process can be justified as cost effective.

4. For disputed receivables greater than $2,500:

   a. The buyer will work with the seller during the first 60 days from the date of the charge to resolve the dispute. The buyer or seller may request assistance from the accounting service provider. If the dispute cannot be resolved, the buyer, along with assistance from DFAS, will assemble a dispute package and send it to the seller. At a minimum, the dispute package must include copies of: MIPR or equivalent, MIPR acceptance or equivalent, voucher payment, bill, correspondence, shipment or delivery evidence, and a narrative explaining the basis of the dispute.

   b. During 61-90 days from the date of the charge, the seller will review the buyer’s dispute package and will provide a written response of concurrence or non-concurrence.

      (1) If the seller concurs, the seller will reverse the charge.

      (2) If no response is received from the seller, the buyer may chargeback without recourse.
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(3) If the seller non-concurs, the buyer will elevate the dispute package to their Resource Manager/Comptroller.

c. During 91-120 days from the date of the charge, the buyer’s Resource Manager/Comptroller will contact the seller’s Resource Manager/Comptroller to resolve the dispute. If the dispute cannot be resolved, the buyer’s Resource Manager/Comptroller will elevate the dispute package to their Service Secretary, Combatant Command Commander, or Defense Agency Director.

d. During 121-150 days from the date of the charge, the buyer’s Service Secretary, Combatant Command Commander, or Defense Agency Director, will contact the seller’s Service Secretary, Combatant Command Commander, or Defense Agency Director, to resolve the dispute. The dispute must be resolved within 180 days.

5. If the resolution to the dispute is that the buyer does not have to pay the bill, then the seller must make an adjustment to revenue (earnings) to liquidate the debt if the revision reflects current fiscal year activity. The seller will decrease revenue and increase direct obligations and expenses. For material receivables established in a prior year, revenue must not be decreased, rather a prior period adjustment must be used to properly account for the adjustment. See Volume 6B, Chapter 6. For immaterial receivables established in the prior year, reduce current year revenues.

* B. Intragovernmental Debt Outside the DoD. Disputes between government agencies (e.g., between the DoD and the General Services Administration) will be resolved in accordance with Treasury Financial Manual (TFM) Volume 1, Part 2, Chapter 4700, Appendix 10.

1. Dispute resolution will involve the program offices, the accounting offices, the contracting officer, and the agency’s Chief Financial Officer (CFO), as appropriate. Disputes will be documented in writing with clear reasons for the dispute. A memorandum of agreement will be signed by the CFOs of each department and agency to acknowledge that department’s or agency’s active participation in the dispute resolution process.

2. Trading Partners will not chargeback or reject transactions that comply with TFM Volume 1, Part 2, Chapter 4700, Appendix 10. Further, new transactions will not be created to circumvent the guidance contained therein. Transactions that comply with TFM Volume 1, Part 2, Chapter 4700, Appendix 10, but are disputed must be resolved using the guidance in subparagraphs 030506.B.4 and 030506.B.5.

3. Disputes are of two types:

   a. Accounting treatment (e.g., advances and non-expenditure transfers).

   b. Contractual (e.g., payment, collection, and interagency agreement).
4. If intragovernmental differences result from differing accounting treatment, then the trading partners have 60 calendar days from the date that the difference is identified in Treasury Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) or the date that a charge is disputed, whichever comes first, to agree on the treatment of an accounting entry. If agreement cannot be reached within 60 calendar days, then both trading partners’ CFOs must request that a decision be rendered by the Treasury Bureau of Fiscal Service (BFS). After BFS has rendered a decision, the ARO must adjust their financial records as needed within five calendar days, but no later than the end of the quarter.

5. If intragovernmental differences result from contractual disputes, then the trading partners have 60 calendar days from the date that the difference is identified or the date that a charge is disputed, whichever comes first, to agree on the contractual terms. If agreement cannot be reached, then both trading partners’ CFOs must request that a binding decision be rendered by the CFOs Council’s Committee established for this purpose. The Committee must render a decision within 90 calendar days of request. The trading partners will then coordinate to ensure any necessary IPAC transaction needed to effect the decision is processed as applicable.

   a. Missing indicative data on an intragovernmental transaction is cause for a contractual dispute. Examples of indicative data include:

      (1) Order number.

      (2) Treasury Account Symbol (TAS) for both trading partners. If multiple TAS are included on one order, specify amounts for each TAS, as appropriate.

      (3) Business Event Type Code for both trading partners.

      (4) Amount to accrue, advance, or disburse.

      (5) Business Partner Network number for both trading partners.

   b. The buyer may establish a monetary threshold before asking for contractual decisions; the threshold must not exceed $100,000 per order. If an amount is under the buyer’s threshold, and the buyer elects not to pursue a dispute, then the buyer must pay the amount.

C. NAFI Billing, Collection and Dispute Processes. DODI 1015.15, “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources,” requires certain categories of NAFIs to reimburse appropriated funds (APF) for the provision of goods and services to the NAFI.
1. **Reimbursement Agreements.** The applicable APF office will prepare a reimbursement agreement with the NAFI. This could be in the form of a Memorandum of Understanding or Inter-Service Support Agreement. The agreement will be signed by the APF and NAFI authorized representative. At a minimum, this agreement must have:

   a. Fixed price for goods and services or methodology for determining price, e.g., utilities, or both. The agreement can be for a specific sale or for a specified period of time.

   b. Bill due date will be 30 days from date of the bill.

2. **Due Process.** If bill is not paid by due date, a demand letter will be sent to the NAFI. The NAFI has 30 days from the date of the demand letter to provide payment or provide reasons for non-payment. The validity of the dispute will be determined by the APF representative. If dispute is valid, the APF representative will immediately resolve. If dispute is determined not to be valid, or there is no response, the APF representative will elevate demand for payment as follows:

   a. Within 31-60 days after the due date, the Installation Comptroller will send the demand for payment with supporting documentation to the NAFI Headquarters Comptroller (NHC).

   b. Within 61-90 days after the due date, the NHC will make payment or dispute the bill. The validity of the dispute will be determined by the Installation APF Comptroller. If dispute is determined not to be valid, or there is no response, the Installation APF Comptroller will elevate the demand for payment with supporting documentation to the Installation Major Command.

   c. Within 91-120 days after the due date, the Installation Major Command will instruct that payment be made or dispute the bill. If the Installation Major Command cannot resolve the dispute, or there is no response, the Installation APF Comptroller will elevate the demand for payment with supporting documentation to the Service Comptroller.

   d. Within 121-150 days after the due date, the Service Comptroller will instruct payment or resolve the dispute.

* 3. **Budgetary Resources.** Military Departments may use their own appropriated fund budgetary resources to perform a reimbursable order for a NAFI without an advance. However, they may not recognize budgetary resources for the order until the account receivable is paid.
0306 REPORTING RECEIVABLES DUE FROM THE PUBLIC

The DoD Components are required to submit a quarterly TROR. The ARO, in conjunction with the DoD Component, must report public receivables in accordance with TROR instructions located on the Treasury website (see paragraph 030222).

0307 REPORTING RECEIVABLES IN THE DEPARTMENT OF DEFENSE FINANCIAL STATEMENTS

030701. Reported Accounts Receivable Quarterly

Accounts receivable are reported on the quarterly financial statements. Instructions for the reporting of receivables in the quarterly financial statements are contained in Volume 6B, Chapters 4 and 10. Receivable amounts are depicted in the Balance Sheet and are disclosed in the Notes to the Financial Statements. Public accounts receivable balances reported on the financial statements must be reconciled with the GTAS accounts receivable from the public balances (attribute non-Federal).

030702. Gross Accounts Receivable Balances

Gross accounts receivable balances due from the public reported on the quarterly financial statements also will be reconciled with receivables reported on TROR.

030703. Eliminating Intragaovernmental Consolidated Quarterly Financial Statements

The consolidated quarterly financial statements eliminate intragaovernmental accounts receivable balances in accordance with Volume 6B.

0308 CREDITING AND ACCOUNTING FOR DISPUTED COLLECTIONS UNDER THE CONTRACT DISPUTES ACT OF 1978

030801. Crediting Collections

A. When an amount, including interest and administrative fees, is collected from a contractor and the contractor disputes the debt or indicates that they will dispute the debt, the collected amount will not be accounted for as settlement of the debt. Interest, penalties, and fees will cease to accrue and the disputed amounts will be credited to Treasury deposit account pending disposition of the contractor's dispute.

B. Collections normally are received by the disbursing or payment certifying office making or authorizing payments for the contract in dispute, but may be received by others, including ARO, supporting accounting offices, DMO, contracting officers, contract administration officers, and legal offices. Upon making a collection in a disputed situation, the collection will be documented as a disputed contract collection.
1. If the contract was paid by DFAS-Columbus or if the contract was submitted to the DMO for debt collection assistance, then deposit the collection to Disbursing Station Symbol Number (DSSN) 6551. Offices, other than the DMO, making the collection and deposit of a disputed collection to DSSN 6551 must forward to the DMO all documentation related to the collection. If the office receiving the collection does not make deposits, then the office receiving the collection will promptly forward the contractor’s check and related documentation to DSSN 6551. The collection voucher prepared for a disputed collection will serve as the basis for crediting the amount to Treasury deposit account X6501, Small Escrow Amounts, in a special subhead or limit with departmental prefix 097. If the disputed collection is related to a contractual obligation in an appropriation that has closed in accordance with 31 U.S.C. § 1552(a) or 31 U.S.C. § 1555, then annotate the collection as a “closed appropriation collection” and credit the collection to deposit fund account X6501 in a different subhead or limit. DSSN 6551 must maintain control of collections credited to this account and will prepare all vouchers for disbursement or transfer from the deposit account.

2. If a disputed collection is received on a contract that was not paid by DSSN 6551 and the debt was not submitted to the DMO for debt collection assistance, then deposit the collected amount to the DSSN which made the payment on the contract. The collection must be credited to deposit account X6501 with departmental prefix 017, 021, 057, 096, or 097, as appropriate.

3. The DMO and the responsible disbursing officer will notify the contracting officer, the contract administration officer, if applicable, and the Service or agency contract finance officer, and/or other authority for contract debt matters of any actions affecting the disputed collections. Conversely, these officers or offices must inform the responsible disbursing officer and the DMO of any actions taken that affect the disputed collection.

030802. Accounting for Collections in Dispute

A. In accordance with 10 U.S.C. § 2410(m), disputed collections received and credited in accordance with subparagraph 030801 shall be separately accounted for and remain available, regardless of the closing of an appropriation or fund account, for payment of:

1. Any settlement of the claim by the parties.

2. Any judgment rendered in the contractor’s favor on an appeal of the decision on the claim to the Armed Services Board of Contract Appeals (ASBCA).

3. Any judgment rendered in the contractor’s favor in an action on that claim in a court of the U.S.

B. Availability of the disputed collection expires 90 days after the expiration of the period for bringing an action on that claim in the U.S. Court of Federal Claims under section 41 U.S.C. § 7104(a), if within that 90 day period, no appeal on the claim is commenced at the ASBCA and no action on the claim is commenced in a court of the U.S.
C. If not expiring under paragraph 030802.B, then availability of the disputed collected amounts expires:

1. In the case of a settlement of a claim, 90 days after the date of the settlement.

2. In the case of a judgment rendered on the claim in an appeal to the ASBCA or an action in a court of the U.S, 90 days after the date on which the judgment becomes final and rendered not appealable.

D. While an amount is being separately accounted for and available in accordance with paragraph 030801, the amount may be obligated or expended in whole or in part only for the purpose described in subparagraph 030802.A.

E. When all or part of a disputed collection is determined to be repayable to the contractor, whether by settlement agreement or judgment, including payment or adjustment of interest or fees, that amount must be promptly disbursed to the contractor. Timely reimbursement must also be made to the Treasury Judgment Fund, if applicable. The foregoing disbursed amounts must be charged to the deposit account X6501. Any interest accruing since the collection and ordered to be paid in accordance with the settlement or judgment must be charged to the applicable, currently available, appropriation account.

F. Upon expiration of the period of availability of all or part of an amount credited to the deposit account in accordance with paragraph 030801, amounts not obligated and expended, must be withdrawn and credited as follows:

1. If an amount was credited to the deposit account for an appropriation or fund account that closed for reasons other than those described under 31 U.S.C. § 1552(a) or 31 U.S.C. § 1555, then the principal amount collected must be properly credited to that appropriation or fund account and an adjustment made of the amounts of the contract(s) for which the disputed collection arose. Any amounts for interest and fees must be credited to the appropriate Treasury Miscellaneous Receipts accounts.

2. Amounts credited to the deposit account for an appropriation or fund account that was canceled, or subsequently canceled after the collection in accordance with 31 U.S.C. § 1552(a) or 31 U.S.C. § 1555, must be withdrawn and credited to the appropriate Treasury Miscellaneous Receipts accounts. The principal amount must be credited to “Collection of Receivables from Canceled Accounts”, Treasury General Fund Receipt Account 3200 (and the memorandum account adjusted, as appropriate). Interest and fees must be credited to the “Miscellaneous Receipts-Defense” account. In the records maintained for the closed appropriation account and unclosed contracts associated with the collection, the unobligated and obligated balances must be adjusted to reflect the results of settlement or judgment, including any amount retained and adjusted for the amounts of the contract or contracts for which the disputed collection arose.
Figure 3-1. Aged Delinquent Accounts Receivable Groups

<table>
<thead>
<tr>
<th>AGED DELINQUENT ACCOUNTS RECEIVABLE GROUPS</th>
<th>INTRAGOVERNMENTAL</th>
<th>NON-FEDERAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-delinquent</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noncurrent</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Delinquent</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 to 30 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 to 60 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>61 to 90 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>91 to 180 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>181 days to 1 year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater than 1 year and less than or equal to 2 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater than 2 years and less than or equal to 6 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater than 6 years and less than or equal to 10 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater than 10 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Supported Undistributed Collections</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Eliminations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The total of the columns must equal the gross amounts reported in the Accounts Receivable schedule in Note 5. This will require that the receivables due internally within each Component and supported undistributed collections be eliminated from this schedule. Infrequently, other items may need to be deducted from the subtotal. These items require disclosure in the note narrative.
VOLUME 4, CHAPTER 3, ANNEX 1: “INTEREST, PENALTIES, AND ADMINISTRATIVE CHARGES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated August 2014 is archived.

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<td>All</td>
<td>Updated United States Standard General Ledger (USSGL) account references to align with U.S. Department of the Treasury’s (Treasury) six-digit format.</td>
<td>Revision</td>
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<tr>
<td>A101</td>
<td>Updated formats to align with Department of Defense (DoD) Financial Management Regulation Revision Standard Operating Procedures dated June 2015.</td>
<td>Revision</td>
</tr>
<tr>
<td>A10201</td>
<td>Added an explanation of how the amount of interest, penalties, and administrative charges are determined.</td>
<td>Addition</td>
</tr>
<tr>
<td>A10202</td>
<td>Listed all Treasury debtor disclosure requirements.</td>
<td>Addition</td>
</tr>
<tr>
<td>A10303</td>
<td>Removed the timing restriction for administrative charges.</td>
<td>Deletion</td>
</tr>
<tr>
<td>A10303</td>
<td>Added a requirement to disclose in a note to the financial statements any immaterial custodial non-exchange revenue. Also added debts paid by installment must accrue interest on the unpaid balance.</td>
<td>Addition</td>
</tr>
<tr>
<td>A10303</td>
<td>Revised reference to the DoD Standard Chart of Accounts rather than to the USSGL.</td>
<td>Revision</td>
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ANNEX 1

INTEREST, PENALTIES, AND ADMINISTRATIVE CHARGES

*A101 GENERAL

A10101. Purpose

This annex provides policy for accounting and reporting of Interest, Penalties and Administrative (IPA) charges owed by the public to the Department of Defense (DoD).

A10102. Authoritative Guidance

*Title 31 United States Code (U.S.C.) Section 3717*, “Interest and Penalties on Claims,” requires the charging of interest on an outstanding debt on a U.S. Government claim owed by the public. Policies and procedures for identifying, collecting, and deferring collection of contract debts including IPA changes, if applicable, are found in Federal Acquisition Regulations subpart 32.6.

A102 OBJECTIVE

The intent of IPA charges is to stimulate prompt payment, to recover to the U.S. Department of the Treasury (Treasury) the cost of borrowing necessitated by a delinquent receivable, and to recover the cost of processing and handling delinquent receivables, including referral to credit bureaus or collection agencies. Depending on the debt type, certain requirements apply.


A. Accounting for receivables must include provisions for accruing IPA charges on all delinquent debts owed by the public in accordance with 31 U.S.C. § 3717 to include IPA charges resulting from DoD Working Capital/Revolving Funds transactions.

B. IPA charges continue to accrue until the debt/delinquent receivable is paid in full or otherwise resolved through compromise, termination, or waiver of the charges.

C. IPA charges must be equal to the average investment rate for Treasury tax and loan accounts for the 12-month period ending on September 30 of each year, rounded to the nearest whole percentage point. The Secretary of the Treasury must publish the rate before November 1 of that year. The rate is effective on the first day of the next calendar quarter.

D. Debts owed by any federal agency, including nonappropriated fund instrumentalities for purposes of this Annex, are exempt from IPA charges.
Volume 10, Chapter 18 provides policy for the collection of IPA charges arising from debts owed to the DoD by contractors, vendors, assignees, and business entities. For those debts owed to the Federal Government that are not covered by contracts or agreements, the initial notification of indebtedness must inform the debtor of:

A. The status of the debt as overdue;
B. The amount owed;
C. The basis of the indebtedness;
D. Policies on assessing IPA costs;
E. The agency’s intention to use various collection tools to collect the debt;
F. Opportunities for the debtor to review the debt records, contest the debt and provide evidence to support the contentions, and enter into a reasonable repayment agreement; and
G. The name, work phone number, and work address of an individual to contact within the agency to resolve the delinquency.

A103 APPLICATION OF CHARGES

Guidance on assessing IPA charges is contained in Title 31, Code of Federal Regulations 900-904, Federal Claims Collection Standards. IPA charges, unless prohibited by law, must be applied as follows:

A10301. Interest Charges

A. Interest charges must be assessed on all delinquent debt regardless if the debt is to be paid in a lump sum or in installments. Debt that is paid through installment plans is not considered delinquent as long as the payments are made on time; however, interest will continue to be assessed until the debt is paid in full.

B. The Current Value of Funds Rate (CVFR) is used to calculate interest on overdue Federal Government receivables. The Treasury annually publishes the CVFR in the Federal Register by October 31. The interest rate is subject to revision only if the published rate changes by two percentage points (e.g., from 6.0 percent to 4.0 percent) at the close of the prior calendar quarter. Changes in the CVFR are published in TFM Bulletins. Refer to the Treasury Current Value of Funds Rate for more information.
C. Interest rates must be established for each type of loan receivable and for overdue accounts receivable from the public. The factors that affect the variability of interest rates (e.g., legislation, type of contract, occurrence of an event, passage of time, debtor's income level, or Federal funds rate) must be identified. In the absence of specific authority embodied in statute, regulation required by statute, contract, or other public notice, the interest rate must be the CVFR on funds to the Treasury.

D. The interest rate used to determine charges on a delinquent receivable must remain fixed for the life of the debt, unless it is rescheduled or other events occur that justify an interest rate adjustment.

E. Unless other provisions have been included in a contract or prior agreement, interest charges must not be assessed until the debtor has been notified in writing that interest and penalty charges will accrue. Payment terms specified in the invoice, demand letter, or notice of indebtedness must be consistent with payment terms in the related contract or formal agreement.

F. Interest must not be charged if payment is made within 30 days after the date from which interest begins to accrue (30 days after date notification was mailed).

G. Interest Charges must be computed using the following formula:

\[ I = DNF \]

Where: 
\( I \) = Interest charge  
\( D \) = Amount of delinquent account receivable  
\( N \) = Number of days delinquent  
\( F \) = Interest rate per day

A10302. Penalty Charges

DoD Components must assess a penalty charge not to exceed six percent per annum on any portion of a receivable that is delinquent more than 90 days. A receivable becomes delinquent if not paid by the established due date; therefore, penalty charges must be applied to those accounts reported in the aging category 91-180 days delinquent and beyond. The Components may determine what percentage, up to the maximum six percent, will be applied to delinquent accounts.

*A10303. Administrative Charges

In addition to interest and penalty charges, administrative charges must be assessed to cover the added costs incurred in handling a delinquent receivable beyond the date on which payment was due. The Components must calculate administrative charges based upon actual costs incurred. If actual cost is not available, Components may base administrative charges upon other historical costs or cost analyses as long as the method used supports determination of the charge. The administrative charge must be applied to all delinquent debts with due regard given to
the length of time the debts are delinquent, such as the age categories identified in Chapter 3, Figure 3-1. If custodial non-exchange revenue is collected and it is immaterial and incidental to agency's primary mission, a custodial note should be disclosed on the financial statement.

A. Interest and penalty charges must continue to accrue after “date of death” when a claim is to be filed against an estate.

B. Accrued IPA charges must be recorded in appropriate general ledger accounts as defined in the DoD Standard Chart of Accounts, one of the resources available on the Standard Financial Information Structure web page. General ledger subaccounts may be established under existing accounts prescribed for IPA charges or fees, but must be cross-walked to the DoD Standard Chart of Accounts.

C. All IPA charges in the DoD are non-entity assets and a liability must be established upon identification of these amounts within the appropriate Treasury, General Fund Receipt Account (refer to the Federal Account Symbols and Titles (FAST) Books for descriptions). Also refer to the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) web site for additional information. These IPA charges are non-entity assets and may be either the receivable associated with the revenue or the subsequent collection of the IPA and should be recorded as follows:

1. Non-entity revenue resulting from interest charges is considered exchange and should be recorded in account number 531000 (Interest Revenue-Other).

2. Non-entity revenues resulting from penalty/fine charges are considered non-exchange and should be recorded in account number 532000 (Penalties and Fines).

3. Non-entity revenues resulting from administrative fee charges or collections are treated as exchange revenue and should be recorded in account number 532500 (Administrative Fees Revenue).

D. When a debt is paid in partial or installment payments, amounts received must be applied first to contingency fees, second to outstanding penalties, third to administrative charges, fourth to interest, and last to principal. Debts paid by installment must accrue interest on the unpaid balance. Documentation supporting the payment allocation must be retained.

A104 DISPOSITION OF CHARGES

A10401. Interest Deposits

Interest charges collected must be deposited directly into Treasury receipt account 3210, “General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified.”
A10402. Penalty Charges

Penalty charges must be deposited directly into Treasury receipt account 3210, “General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified,” or account 1099, “Miscellaneous Fines, Penalties, and Forfeitures,” (covers all other fines, penalties, and forfeitures, other than those arising out of contracting or similar business transactions). Refer to FAST Book I and FAST Book II for further guidance and expanded description.

A10403. Administrative Charges

Administrative charges required to pay for contractor collection fees or claims collection litigation reports must be paid directly to the General Services Administration-designated contractor. Any excess amounts must be deposited monthly to Treasury receipt account 3210, “General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified.” All administrative charges collected (to include charges collected through the DoD Working Capital Fund) to recover DoD costs of processing and handling the delinquent debt must be deposited directly into Treasury receipt account 3210, “General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified.”

A105 WAIVER OF ACCRUAL OF IPA CHARGES

The head of a DoD Component, or designee, may promulgate regulations identifying circumstances appropriate to waive collection of IPA charges in conformity with the Federal Claims Collection Standards. If a DoD Component publishes regulatory guidance, then the following general guidelines must be adhered to:

A10501. Interest Accrual Waiver

The accrual of IPA charges may be waived when a delinquent receivable is terminated, compromised, or when the additional charges would cause extreme hardship or would not be in the best interest of the government.

A10502. Waiver Decisions

Decisions to waive the accrual of IPA charges must be considered on a case-by-case basis (no blanket waivers will be granted). Decisions on such waivers must be documented, including an explanation as to the reasons for the waiver, and retained as a part of the official debt file.

A10503. Waiver Approval

Waiver of the accrual of IPA charges must be approved at the same organizational level or by the same designee authorized to approve requests for waiver or remission of indebtedness.
A10504. Accrued Interest

Accrued IPA charges must be collected, reported, compromised, or written-off in the same manner as the basic receivable.

A106 WRITE-OFF OF ACCRUED IPA

Accrued IPA charges must be collected, reported, compromised, or written-off in accordance with OMB Circular A-129.

A107 AUDIT READINESS/INTERNAL

Each DoD component and activity is required to develop and implement internal operational procedures and/or guidance to implement the overarching policy contained in this annex to ensure accurate, timely, and relevant reporting of financial data. All organizations involved in the collection and management of IPA will establish and maintain internal controls to ensure IPA charges owed to DoD are aggressively managed and collected in accordance with this chapter and other applicable regulatory and statutory requirements.
VOLUME 4, CHAPTER 3, ANNEX 2: “EXTENT OF COLLECTION EFFORTS DETERMINATION FOR DOMESTIC DEBTS BASED ON BREAK-EVEN ANALYSIS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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<td>A201</td>
<td>Updated format to align with the Department of Defense Financial Management Regulation Revision Standard Operating Procedure dated June 2015.</td>
<td>Revision</td>
</tr>
<tr>
<td>A203</td>
<td>Added requirement to consider all fees in the break-even analysis.</td>
<td>Revision</td>
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ANNEX 2

EXTENT OF COLLECTION EFFORTS DETERMINATION FOR DOMESTIC DEBTS
BASED ON BREAK-EVEN ANALYSIS

*A201 GENERAL

A20101. Overview

Except for debts from foreign countries, accounting and collection procedures must be designed to provide information to assist in determining realistic points of diminishing returns beyond which collection efforts are not justified, and the minimum amount of a debt when no collection action at all should be undertaken. Procedures must be designed to capture the total cost of the debt collection process (both direct and indirect costs) by dollar range of debt and the total number of cases processed. Until actual cost data are accumulated, cost analysis techniques must be developed and used to determine the unit cost of processing first debt notices, follow-up actions, and requests for waiver or remission. When estimated costs are used, the estimates must be updated periodically or when circumstances and conditions change significantly. The methodology utilized to estimate costs must be standardized, documented, and retained.

A20102. Purpose

The annex presents break-even methodology which is one methodology that could be used to determine the extent of collection efforts undertaken for debt collection.

A20203. Authoritative Guidance

This annex is not based on statutory or other authority, but presents a technique used in the financial community to determine the point where further collection efforts are not justified.

A202 BREAK-EVEN ANALYSIS

A break-even analysis is one method of determining realistic points at which further collection efforts are not justified. A break-even analysis format and instructions are provided in Table A2-1.

A203 COMPARISION REQUIREMENTS

As needed, the Debt and Claims Management Office and Debt Management Office must make at least an annual comparison of costs incurred against amounts collected in its debt collection process to assist in the establishment of reasonable points at which the cost of further collection efforts are likely to exceed recovery. This cost comparison, however, represents but one appraisal element to be considered in the analysis of when and where to terminate collection efforts. Other reviews concerning the type of debt, size, age, and statistical analysis also must be performed before a final point of termination of collection action is determined.
A204 DEFINITIONS

The following definitions should be considered when making cost comparisons, reviews, and analysis:

A20401. The Debt Collection Process

The debt collection process includes: (1) the preparation of the first debt notice; (2) all follow-up actions, such as answering rebuttals, processing requests for waiver or remission, holding hearings, negotiating compromises, handling installment contract and suspense, processing collections, and making referrals to credit reporting and collection agencies; and (3) the completion of the case, including maintaining the case file information until the appropriate statute of limitations expires.

A20402. Direct Cost

A direct cost includes any cost that can be identified specifically with handling cases or accounts during the debt collection process. These costs normally consist of personnel costs, computer equipment costs, supplies, postage, contract services, and administrative fees charged by the Department of Treasury.

A20403. Indirect Cost

An indirect cost includes any cost that is identified with the debt collection process, but which benefits that process and at least one other activity. These costs must be accumulated only when they are expected to exceed 20 percent of the direct costs.

A20404. Cases Processed

Cases processed are the number of cases completed or closed during the year, either by collection or write-off. Collection includes compromises and offsets from other Federal Government payments.
Table A2-1. Break-Even Analysis

<table>
<thead>
<tr>
<th>Dollar Range</th>
<th>(2) Number of Cases Processed</th>
<th>(3) Original Dollar Amount</th>
<th>(4) Historical Cost to Collect</th>
<th>(5) Total Dollars Collected</th>
<th>(6) Dollar Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26-50</td>
<td></td>
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<td>51-75</td>
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<td>76-100</td>
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<td>101-125</td>
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<td>126-575</td>
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<td>576-600</td>
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<td>SUBTOTAL</td>
<td></td>
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<td>OVER 600</td>
<td></td>
<td></td>
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<td>GRAND TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Column (1) - Dollar range should be meaningful to the debt collection process. Subtotal can be placed anywhere within dollar range to relate to a particular debt collection need.

Column (2) - Total number of cases processed within this particular dollar range.

Column (3) - Original dollar amount of debts for this particular range.

Column (4) - Historical cost for this particular range or subtotal times number of cases in column (2).

Column (5) - Accumulate collections per range or subtotal.

Column (6) - Column (5) minus column (4). Break-even point is where the collections (5) are equal to the cost to collect (4).

Grand total of collections (column (5)) divided by grand total of original dollar amount (column (3)) = percent collection range for period.
VOLUME 4, CHAPTER 4: “INVENTORY AND RELATED PROPERTY”

SUMMARY OF MAJOR CHANGES

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<td>The Deputy Chief Financial Officer (DCFO) policy memorandum “Inventory and Related Property Policy Requirements,” dated November 13, 2015, was incorporated into the chapter and cancelled.</td>
<td>Cancellation</td>
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<td>Policy Memo</td>
<td>The DCFO policy memorandum “Accounting Policy Update for Expense Recognition of Operating Materials and Supplies,” dated September 4, 2015, was incorporated into the chapter and cancelled.</td>
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<td>The DCFO policy memorandum, “Alternative Valuation Methodologies for Establishing Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials,” dated August 28, 2015, was incorporated into the chapter and cancelled.</td>
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<td>Policy Memo</td>
<td>The DCFO policy memorandum “Accounting Policy Update for Inventory and Related Property” dated March 1, 2013, was cancelled and was not incorporated into the chapter because it has been superseded by the revised policy in the chapter.</td>
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<td>040101</td>
<td>Added a paragraph relating to the applicability of this chapter to the General Fund, the Working Capital Fund (WCF), and the National Stockpile Fund.</td>
<td>Addition</td>
</tr>
<tr>
<td>040102</td>
<td>Added an “Authoritative Guidance” paragraph.</td>
<td>Addition</td>
</tr>
<tr>
<td>PARAGRAPH</td>
<td>EXPLANATION OF CHANGE/REVISION</td>
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<td></td>
</tr>
<tr>
<td>0402</td>
<td>Updated the definition section to include additional language/definitions.</td>
<td></td>
</tr>
<tr>
<td>040302</td>
<td>Added guidance for determining when the use of the purchases method recognition is appropriate for Operating Materials and Supply (OM&amp;S).</td>
<td></td>
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<tr>
<td>040303.C</td>
<td>Revised guidance to require Department of Defense (DoD) Components with excess, obsolete, and unserviceable (EOU) inventory and OM&amp;S to adjust the recorded value of EOU to its expected Net Realizable Value (NRV).</td>
<td></td>
</tr>
<tr>
<td>040304.A</td>
<td>Added additional General Ledger Accounts descriptions related to OM&amp;S.</td>
<td></td>
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<tr>
<td>040305</td>
<td>Added guidance for minor items not meeting the definition of OM&amp;S.</td>
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<tr>
<td>040306</td>
<td>Added guidance on accounting treatment for long-range ballistic missiles.</td>
<td></td>
</tr>
<tr>
<td>040403</td>
<td>Updated guidance for valuation of inventory.</td>
<td></td>
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<tr>
<td>040404.A</td>
<td>Revised guidance on the use of subaccounts, which must aggregate to one United States Standard General Ledger (USSGL) account in the DoD Standard Chart of Accounts.</td>
<td></td>
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<tr>
<td>040502.D</td>
<td>Added guidance for new or modified model of military clothing items and individual equipment.</td>
<td></td>
</tr>
<tr>
<td>040502.H</td>
<td>Added the policy for funding initial spares for newly fielded weapon systems.</td>
<td></td>
</tr>
<tr>
<td>040508.B</td>
<td>Added policy regarding supporting documentation and reconciliation regarding Depot Level Reparables.</td>
<td></td>
</tr>
<tr>
<td>040510</td>
<td>Added additional guidance for excess items disposition.</td>
<td></td>
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<tr>
<td>040701</td>
<td>Added requirement to record work-in-process for progress billings.</td>
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<tr>
<td>040702.B.3</td>
<td>Added the policy that progress billings from a supply management activity for manufacture of inventory must be recorded as inventory work-in-process.</td>
<td></td>
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<tr>
<td>040702.C.1</td>
<td>Deleted the policy that costs recorded in work-in-process accounts must be transferred to operating expenses/cost of goods sold upon completion or termination of a customer order. Established the policy that work-in-process costs of completed customer orders must be transferred to inventory-finished goods, and that work-in-process costs of terminated customer orders be transferred to operating expenses/program costs.</td>
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<tr>
<td>040702.C.2</td>
<td>Deleted the policy that “all losses should be recognized no later than 120 days after the customer order was completed or the end of the fiscal year in which the order was completed, whichever is sooner, unless an existing funded customer order supports these costs.” This subparagraph is revised to require that upon completion of a customer order, no costs associated with that customer order must remain in the work-in-process account.</td>
<td>Revision</td>
</tr>
<tr>
<td>040702.C.3</td>
<td>Added the policy that probable losses on customer orders must be recognized proportionately over the life of the contract.</td>
<td>Addition</td>
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<tr>
<td>040702.C.5</td>
<td>Added criteria for transfer of inventory work-in-process to inventory held for sale.</td>
<td>Addition</td>
</tr>
<tr>
<td>040703</td>
<td>Revised the requirement of WCF activities to capture costs at a more detailed level than the USSGL.</td>
<td>Revision</td>
</tr>
<tr>
<td>0408 (Previous Version)</td>
<td>Deleted the section related to the Defense Reutilization and Marketing Service's instructions and format for estimating the NRV of EOU. The Defense Logistic Agency (DLA) policies for estimating NRV are applicable only to DLA.</td>
<td>Deletion</td>
</tr>
<tr>
<td>Annex A1</td>
<td>Added an example template for cost benefit analysis for supporting the use of the purchases method of recognition for certain OM&amp;S items.</td>
<td>Addition</td>
</tr>
<tr>
<td>Annex A2</td>
<td>Established a Generally Accepted Accounting Principles compliant method for establishing opening balances of inventory, OM&amp;S, and stockpile materials.</td>
<td>Addition</td>
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CHAPTER 4

INVENTORY AND RELATED PROPERTY

0401 GENERAL

*040101. Purpose

A. This chapter prescribes the accounting policy and related requirements necessary to establish financial control over Department of Defense (DoD) inventory, operating materials and supplies (OM&S) and stockpile materials. The DoD Standard Chart of Accounts, which is located on the Deputy Chief Management Officer Standard Financial Information Structure (SFIS) website, provides detailed account descriptions of each of the general ledger accounts referenced in this chapter. The DoD Standard Chart of Accounts was developed from the United States Standard General Ledger (USSGL) published by the Department of Treasury. Posting guidance outlined in the DoD USSGL Transaction Library is also located on the SFIS website. For detailed requirements on financial statement disclosure for Inventory and Related Property (I&RP), refer to Volume 6B, Chapter 10.

B. With the exception of provisions related to the National Stockpile Fund (NSF), all of the provisions in this chapter apply to the Working Capital Fund (WCF). Some provisions in this chapter apply to the General Fund (GF) as illustrated in Table 4-1 or as otherwise separately referenced within the chapter.

Table 4-1. Applicability of Chapter Sections/Annexes

<table>
<thead>
<tr>
<th>Section/Annex</th>
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<th>GF</th>
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<td>War Reserve Material (WRM)</td>
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<td>0407</td>
<td>Work-In-Process</td>
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</table>

X = Section is Applicable
4-8

*040102. Authoritative Guidance

The references to GF, WCF or NSF applicability in the list of authoritative guidance is specific to this chapter only. The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:


D. FASAB *(SFFAS)* 21, “Reporting Correction of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources,” – Applicable for GF, WCF, and NSF.

E. FASAB *(SFFAS)* 48, “Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials,” – Applicable for GF, WCF, and NSF.


G. Title 10, United States Code (U.S.C), *section 127*, “Emergency and extraordinary expenses,” – Applicable for both GF and WCF.


M. *10 U.S.C. § 2556*, “Shelter for homeless; incidental services,” – Applicable for WCF only.


T. Federal Account Symbols and Titles (FAST) Book – Applicable for GF, WCF, and NSF.

U. Federal Acquisition Regulation (FAR) Part 45 “Government Property” – Applicable for GF, WCF, and NSF.

V. Defense Logistics Manual (DLM) 4000.25, Chapter 16, “Disposition Services” – Applicable for WCF only.


X. **DoDM 4140.01, Volume 6**, “DoD Supply Chain Materiel Management Procedures: Materiel Returns, Retention, and Disposition,” – Applicable for both GF and WCF.

Y. **DoDM 4140.26, Volume 6**, “DoD Integrated Material Management for Consumable Items: Supply Support Requests (SSRs),” – Applicable for both GF and WCF.

Z. DoD Directive (DoDD) 3025.18, “Defense Support of Civil Authorities (DSCA),” – Applicable for WCF only.

AA. **DoDD 5100.46**, “Foreign Disaster Relief (FDR),” – Applicable for WCF only.

AB. **DoDD 5105.65**, “Defense Security Cooperation Agency (DSCA),” – Applicable for both GF and WCF.

AC. DoD Instruction (DoDI) 1338.18, “Armed Forces Clothing Monetary Allowance Procedures,” – Applicable for WCF only.
AD.  **DoDI 3025.21**, “Defense Support of Civilian Law Enforcement Agencies,” – Applicable for WCF only.


AF.  **DoDI 4140.63**, “Management of DoD Clothing and Textiles (Class II),” – Applicable for WCF only.


*0402 DEFINITIONS - (Applicable to GF, WCF and NSF)*

040201.  Abnormal Costs

Abnormal costs include any costs that are in excess of the cost to purchase and place in service a new item with similar features and useful life (e.g. excessive handling, expedited delivery and rework costs). Abnormal costs should be charged to operations in the period incurred. Abnormal costs, as mentioned in this chapter, should not be confused with expenses with an abnormal balance (that is, a credit value).

040202.  Acquisition Cost

Acquisition cost is the amount, net of both trade and cash discounts, paid for the property, plus transportation costs and other ancillary costs to bring the items to their current condition and location.

040203.  Approved Acquisition Objective

A logistics term, the Approved Acquisition Objective (AAO) level is the quantity of an item authorized for peacetime and wartime requirements to equip and sustain U.S. and allied forces according to current DoD policies and plans.

040204.  Construction in Progress

Construction in Progress is the amount of direct labor, direct material, and overhead incurred in the construction of General Property, Plant, and Equipment (PP&E) for which the acquiring DoD agency will be accountable for financial reporting purposes. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item. Construction in Progress is not to be used for information technology software. The Internal Use Software in Development account is used for information technology software.
040205. Consumable Items

A logistics term, a consumable item is an item of supply or an individual item that is normally expended or used up beyond recovery in the use for which it is designed or intended.

040206. Consumption Method of Accounting

The consumption method of accounting requires that OM&S be recognized and reported as assets when they are produced or purchased. The cost of goods must be removed from the applicable OM&S asset account and reported as an operating expense in the period in which the items are issued to an end user for consumption in normal operations.

040207. Contingency Retention Stock

A logistics term, Contingency Retention Stock is stock above the AAO and Economic Retention Stock (ERS) levels that is held to support specific contingencies. The materiel manager must be able to provide documented rationale to warrant contingency retention.

040208. ERS

A logistics term, ERS is the level of stock above the AAO level that it is more economical to retain than to dispose and then potentially repurchase if subsequently needed.

040209. End User

An end user is any component of a reporting entity that obtains goods for direct use in that component’s normal operations. Any component of a reporting entity, including contractors, that maintain or stock OM&S for future issuance should not be considered an end user with respect to that OM&S.

040210. Excess Inventory

Excess inventory (serviceable and unserviceable) is the amount of inventory above the sum of the AAO and inventory retained for economic and/or contingency purposes. See DoDM 4140.01, Volume 6, which calls this potential reutilization stock.

040211. FASAB

FASAB is the Board that promulgates the accounting standards for use in the Federal Government. The Office of Management and Budget (OMB), the Department of the Treasury, and the Government Accountability Office (GAO) sponsor FASAB.
**040212. Government Furnished Material**

A sub-category of Government Furnished Material (GFM) consists of inventory or OM&S that is physically transferred to the possession or custody of a contractor as Government property. GFM may be consumed or expended during the performance of a contract.

**040213. Historical Cost**

Historical cost includes all appropriate purchase, transportation, and production costs incurred to bring items to their current condition and location. Historical cost excludes abnormal costs, which should be expensed in the period incurred rather than capitalized as inventory. See the definition of Abnormal Costs.

**040214. Inventory**

Inventory is defined as tangible personal property that is held for sale, in the process of production for sale, or to be consumed in the production of goods for sale or in the provisions of services for a fee.

**040215. Inventory in Transit**

Inventory in Transit is material in transit from commercial and Government suppliers to the financial reporting entity; material that has not been received and accepted at the final designated destination but for which title has passed; or material in transit between storage locations. (Note: Inventory in transit does not include material temporarily in use or on loan with contractors or schools.)

**040216. Latest Acquisition Cost**

Latest Acquisition Cost (LAC) is the last invoice price paid. Valuing inventory at LAC requires multiplying the last invoice price paid by the quantity of all like units held, including those units acquired through donation or nonmonetary exchange. When LAC valuation is used, the inventory is revalued periodically and an allowance account is established for the unrealized holding gains and losses associated with ending inventory. (Note: for the remanufactured items, the LAC value of an item will be the cost of a fully functional item with an allowance account equal to the estimated costs necessary to repair the item.) For financial accounting purposes, this method is only approved for use by the Defense Commissary Agency (DeCA) in valuing its inventory of grocery and household products.

**040217. Moving Average Cost**

The Moving Average Cost (MAC) is a cost flow assumption methodology used to value inventory. Under MAC, the inventory value is recalculated each time costs are incurred for a purchase, or a reparable item is repaired/remanufactured and placed back in inventory. The MAC calculation requires dividing the cost of total units available at the time (inventory plus current purchases placed into inventory or remanufacturing costs incurred for items in inventory by the
quantity of units available in inventory at that time. As illustrated in Table 4-2, increases in quantity typically CHANGE the MAC value while decreases in quantity typically USE the MAC value. MAC is the standard cost flow assumption used for DoD inventory and OM&S, with the exception of DeCA grocery and household products inventories (which are valued using LAC) and serially-managed items (which may be costed using the specific identification method).

Table 4-2. Calculating MAC

<table>
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<th>Quantity</th>
<th>Ending Value</th>
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<tr>
<td>Beginning Balance</td>
<td>10</td>
<td>$10,000/10=$1,000</td>
<td>10</td>
<td>$10,000</td>
</tr>
<tr>
<td>Sale of 2 units @ MAC =$1,000 per unit</td>
<td>(2)</td>
<td>($2,000)</td>
<td>8</td>
<td>$8,000</td>
</tr>
<tr>
<td>Purchase of 4 units at $1,600 per unit</td>
<td>4</td>
<td>$6,400</td>
<td>12</td>
<td>$14,400</td>
</tr>
<tr>
<td>Sale of 1 unit MAC =$1,200 per unit</td>
<td>(1)</td>
<td>($1,200)</td>
<td>11</td>
<td>$13,200</td>
</tr>
<tr>
<td>Repair of 4 units at $1,675</td>
<td>4</td>
<td>$6,000*</td>
<td>15</td>
<td>$19,200</td>
</tr>
</tbody>
</table>

*The repaired units would be brought into the MAC calculation at the lessor of their repaired value or the current purchase price for a new unit of inventory. If the repaired value is in excess of the current purchase price, the difference would be expensed. For example, assume that the current purchase price for the inventory item is $1,500 and the repaired value is $1,675. Since the current purchase price is less than the repaired value the difference of $175 per unit must be expensed and the $1,500 current purchase price will be used to value the repaired inventory items. The total to be expensed in this example is 4 * $175 = $700 and the amount to be brought into the MAC calculation would be 4 * $1,500 = $6,000.

| Sale of 1 unit at MAC $1,280 ($19,200/15 units = $1,280 per unit) | (1)      | ($1,280)          | 14       | $17,920      |
040218. NRV

The FASAB defines NRV as the estimated amount that can be recovered from selling or disposing of an item less the estimated costs of completion, holding and disposal.

040219. Normal Operations

Normal operations are operations of a major program or activity without significant changes that would inhibit meeting objectives.

040220. Obsolete Inventory and OM&S

Obsolete Inventory and OM&S is material that is no longer needed due to changes in technology, laws, customs, or operations.

040221. OM&S

OM&S consist of tangible personal property to be consumed in normal operations. Items excluded are: (a) goods that have been acquired for use in constructing real property or in assembling equipment to be used by the entity, (b) stockpile materials, and (c) inventory. (Note: the DoD does not possess/retain goods held under price stabilization programs, foreclosed property, or seized and forfeited property, which are listed as additional exclusions in SFFAS 3.) Additionally, items meeting the definition of PP&E should be excluded from OM&S. The following items should be classified and recognized as equipment and not OM&S:

A. Not intended for sale;
B. Not held in anticipation of physical consumption;
C. Durable and have a useful life of two years or more;
D. Expected to be returned or transferred after use with the intent of reuse for their useful life; and
E. Functionally complete and ready to use for their intended purpose.

040222. OM&S in Development

OM&S in Development are costs incurred in developing the OM&S or the value of tangible personal property that will be consumed in normal operations upon completion of development.

040223. OM&S in Transit

OM&S in transit includes material in transit from commercial and Government suppliers; material that has not been accepted in the receiving process at the final designated destination but
for which title has passed; material being moved between storage locations; or material temporarily in use or on loan with contractors or schools.

040224. Purchases Method of Accounting

The purchases method of accounting is an accounting method whereby OM&S are expensed when purchased. The purchases method may be applied to OM&S if:

A. OM&S are not significant amounts,

B. They are in the hands of the end user for normal operations, or

C. It is not cost beneficial to apply the consumption method of accounting.

040225. Reparables

A logistics term, reparables are inventory items that can be repaired economically and for which repair of the item (at either field or depot level) is considered in meeting computed inventory requirements. The Department authorizes supply management activities to finance repairable items, including their transportation, acquisition, overhaul, progressive maintenance, renovation, rework, repair, manufacture, reclamation, alteration, and/or software support. Reparables in an unserviceable condition, such as items returned from operating units or furnished to the contractor for repair, modification, or overhaul, are often referred to as “carcasses.”

040226. Significant Amount

Significant amounts are those that do not rise to the level of being material but are important enough to merit attention by those responsible for oversight of the Component’s financial reporting. Materiality is defined in the GAO Financial Audit Manual (FAM) as “the magnitude of an item’s omission or misstatement in a financial statement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the inclusion or correction of the item.”

040227. Standard Price

The standard price is the price customers are charged which reflect DoD’s stabilized price policy requiring item pricing that remains constant throughout a fiscal year for Inventory Control Point managed items. Exceptions to the requirement to maintain standard pricing throughout the fiscal year are outlined in Volume 11B, Chapter 15. The standard price is calculated based on factors that include the replenishment cost of the item plus surcharges to recover costs for transportation; inventory loss, obsolescence and maintenance; depreciation; and supply operations. See Volume 2B, Chapter 9 for additional guidance on pricing.
040228. Stockpile Materials

Stockpile materials are strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies. They are not held for sale in the ordinary course of business. Items specifically excluded from stockpile materials are items that are:

A. Held by an agency for sale or use in normal operations, and
B. Held for use in the event of an agency’s operating emergency or contingency.

040229. Supply Condition Code

A supply condition code is an alphabetic code designation used to classify material in terms of readiness for issue and use, or to identify action underway to change the status of material.

040230. Unserviceable Inventory

Unserviceable inventory is damaged inventory that is more economical to dispose of than to repair.

040231. WRM

WRM items are those materials that, in addition to peacetime assets normally available on any given date, are necessary to equip and support the increase in military requirements forecasts contingent on an outbreak of war. War reserves sustain operations until resupply can be affected.

040232. Work-In-Process

Work-in-process is the term used to describe products that are being manufactured or fabricated but are not yet complete. The book value of work-in-process consists of the costs of direct materials, direct labor, direct purchased services, and indirect costs, including general and administrative (G&A) costs, used in producing or repairing an end item (customized equipment or personal property), whether fabricated by the DoD or by a non-DoD organization under contract. G&A costs pertain to the costs of operations such as rent, utilities, and managerial salaries, in contrast to costs that are directly related to the production of goods and services. Work-in-process accounts segregate these costs from current accounting period expenses, thus supporting accurate financial reporting in compliance with generally accepted accounting principles.

0403 OM&S - (Applicable to GF and WCF)

040301. Recognition of OM&S

A. The consumption method of accounting for the recognition of expenses must be applied for OM&S unless the conditions set forth in subparagraph 040301.B apply. Under the consumption method, OM&S must be recognized and reported as assets when produced or
purchased. When they are issued to an end user for consumption in normal operations, the cost of the goods must be removed from the applicable OM&S asset account and reported as an operating expense (see subparagraph 040302.C for further explanation of an end user). “Purchased” is defined as when title passes to the purchasing entity. If the contract between the buyer and the seller is silent regarding passage of title, title is assumed to pass upon delivery of the goods. Delivery or constructive delivery must be based on the terms of the contract regarding shipping and/or delivery.)

B. Under the purchases method of accounting, OM&S will be expensed (and not recorded as an asset) when purchased. The purchases method may be applied to OM&S if:

1. OM&S are not significant amounts,
2. The OM&S is in the hands of the end user for use in normal operations, or
3. It is not cost-beneficial to apply the consumption method of accounting.

*040302. Determining Eligibility for Purchases Method Recognition

A. Purchases Method Evaluation. This paragraph provides guidance for evaluating the three criteria as identified in subparagraphs 040302.B through 040302.D that allow for the use of the purchases method of accounting or for determining the point in the supply chain at which OM&S should be removed from the applicable OM&S asset account and reported as an operating expense. While each criteria will be explained individually, the general rules applicable to all three criteria are:

1. This guidance does not replace or omit logistics, supply chain, or asset management requirements that already exist.
2. The OM&S under consideration must be viewed in aggregate for each DoD Component’s stand-alone financial statements. Although the value of an individual local or National Item Identification Number may not be significant when assessed individually, the aggregate value could be significant.
3. Analyses and conclusions performed by DoD Components to support a particular accounting position must be documented, and that documentation should be retained in such a manner as to be easily available to an auditor. Such analyses must be updated and kept current from one fiscal year to the next.

B. Criteria 1: Determination of Significant Amount. Significant amounts are those that do not rise to the level of being material but are important enough to merit attention by those responsible for oversight of the entity’s financial reporting. Materiality is defined in the GAO FAM as “the magnitude of an item’s omission or misstatement in a financial statement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable
person relying on the information would have been changed or influenced by the inclusion or correction of the item.” Each DoD reporting entity that is considering the use of the purchases method because the amounts are not significant must perform the provided test steps 1 to 5 at their entity’s consolidated statement level (e.g., the U.S. Department of the Navy would perform the test steps based on the Navy Financial Statements rather than on an individual Navy Command level). Note that the DoD Component must perform these steps in the sequence in which they are listed. For purposes of calculating the amounts in the test, the DoD Component must use the most recent fiscal year annual amounts from their general ledger and corresponding annual financial statements. If the DoD Component does not have access to the financial information necessary to perform the tests, it has no basis to support that the OM&S amounts are not significant, and thus can not use the purchases method to record OM&S amounts.

1. **Test Step 1.** Determine the aggregate value of the OM&S categories for which the purchases method is being considered. A combination of general ledger balances, acquisition data, and expense data may be used to determine the aggregate value of the OM&S under consideration.

2. **Test Step 2.** Compare the aggregate value of the OM&S under consideration to 1 percent of the Component’s Gross Cost.
   
   a. Multiply the “Gross Cost” amount from the Component’s Statement of Net Cost by 1 percent.

   b. If the aggregate value of the OM&S being considered is greater than or equal to 1 percent of Gross Cost, the amount is significant and the significant amount exception cannot be used to justify the use of the purchases method for the OM&S under consideration.

   c. If the aggregate value of the OM&S is less than 1 percent of Gross Cost, proceed to Test Step 3.

3. **Test Step 3.** Compare the aggregate value of the OM&S under consideration to 1 percent of Total Assets.
   
   a. Multiply the “Total Assets” amount from the Component’s Balance Sheet by 1 percent.

   b. If the aggregate value of the OM&S being considered is greater than or equal to 1 percent of Total Assets, the amount is significant; the significant amount exception cannot be used to justify the use of the purchases method for the set of OM&S being considered.

   c. If the aggregate value of the OM&S is less than 1 percent of Total Assets proceed to Test Step 4.
4. **Test Step 4.** Compare the aggregate value of the OM&S under consideration to 3 percent of the lesser of the financial statement line I&RP (Balance Sheet) or Operations, Readiness, and Support (OR&S) (Statement of Net Cost).

   a. Select a base for performing Test Step 4. The base is the lesser of the I&RP amount from the Balance Sheet or the OR&S amount from the Statement of Net Cost.

   b. Multiply the selected base by 3 percent.

   c. If the aggregate value of the OM&S under consideration is greater than or equal to 3 percent of the selected base, the amount is significant and the significant amount exception cannot be used to justify the use of the purchases method for the OM&S being considered.

   d. If the aggregate value of the OM&S is less than 3 percent of the selected base, the amount is not significant and the significant amount exception can be used to justify the usage of the purchases method of expense recognition for the OM&S under consideration.

5. **Re-Performance.** Components using the purchases method for a subset of OM&S under the significant amount exception (i.e., item classes that have cumulatively passed each of the provided tests) must re-perform and document the significant amount tests at least annually.

C. **Criteria 2: OM&S in the Hands of the End User for Use in Normal Operations.**

   1. Under the purchases method of accounting, OM&S will be expensed (and not recorded as an asset) when purchased, if the OM&S are purchased and delivered directly to the end user for use in normal operations. SFFAS 3, paragraph 41, defines an end user as “any component of a reporting entity that obtains goods for direct use in the component’s normal operations. Any component of a reporting entity, including contractors, that maintains or stocks OM&S for future issuance shall not be considered an end user.” For the purposes of identifying end users, DoD Components should map their supply point structures to those described in DoDM 4140.01, Volume 2, which are:

   a. **Wholesale.** These supply points are the highest level of organized DoD supply and conduct typical wholesale operations such as bulk receipt, repairs, and storage of OM&S. Wholesale locations maintain stocks to resupply retail supply points and to issue to the field. Depots, contractor-controlled depots, warehouses, and storage facilities are examples of wholesale sites. Wholesale locations are not considered end users, except for OM&S that is held and managed for consumption within the wholesale activity itself.

   b. **Retail.** These supply points stock inventory below the wholesale level, either at the consumer level (directly supporting customers) or at the intermediate
level (supporting a geographical area). Retail locations are not considered end users, except for OM&S that is held and managed for consumption within the retail activity itself.

c. **Field.** These locations are receiving organizations that are authorized to use supply items and only requisition quantities sufficient to satisfy their own immediate requirements. Receiving organizations do not reissue OM&S to other organizations; they use or consume OM&S within their normal operations. Examples of field supply points include but are not limited to ships (e.g. shipboard storage), submarines, aircraft wings, field units, and missile wings. OM&S at a field supply point can be considered to be in the hands of the end user. (Note: this does not include prepositioned stock, which can be stored in remote and field locations but is held for future issue).

2. In general, material furnished to contractors is not considered in the hands of an end user. If the material is stored in anticipation of being incorporated into an end item, it no longer meets the definition of OM&S and should be accounted for as construction-in-progress, work-in-process, or OM&S in development. If the material is held for further issuance, the contractor location is equivalent to a wholesale or retail location and cannot be considered an end user. Government furnished material as described in this subparagraph is different from Government furnished equipment which is a category of general equipment.

3. **Title 41, section 101-8.705 of the Code of Federal Regulations** defines a normal operation as the “operation of a program or activity without significant changes that would inhibit meeting objectives.” OM&S used in normal operations are goods necessary for DoD Components to meet their objectives. Examples of evidence that OM&S is used in normal operations can be, but are not limited to, recurring requirements, high inventory turnover rates, or significant purchases activity.

4. Other indications that OM&S is in the hands of the end user for use in normal operations include:

a. The user only requisitions quantities sufficient to satisfy its own immediate requirements (includes regular supply levels plus emergency/safety stock);

b. The user does not requisition large quantities of OM&S to issue to other organizations outside of its own;

c. The user is not a forwarding agent – the OM&S is requisitioned for the intent of use, not to resupply other supply points;

d. The user has the right to consume the OM&S; or

e. The user is permitted to carry only certain levels of OM&S.

D. **Criteria 3: Not Cost Beneficial to Apply the Consumption Method of Accounting.** Under the purchases method of accounting, OM&S is expensed (and not recorded as an asset) when purchased, if it is not cost-beneficial to apply the consumption method of
accounting. This is referred to as the cost benefit exception. Each DoD Component considering using the cost benefit exception should conduct an analysis comparing estimated costs and benefits for applying the consumption method. If the cost exceeds benefits, the purchases method may be used. The cost benefit analysis should be unbiased, fully documented (i.e. supporting documents for cost estimates), reviewed, and approved by the Component’s management. See Annex 1 for an example of how a cost benefit analysis may be structured. If the cost benefit analysis is used to support the purchases method of accounting, it must be updated and documented at least annually.

040303. Valuation of OM&S

A. OM&S accounted for under the consumption method of accounting must be valued at historical cost using the MAC flow assumption or the specific identification cost flow method (which may only be used for serially managed items). Historical cost must include all appropriate purchase and production costs incurred to bring the items to their current condition and location. Any abnormal costs, such as excessive handling or rework costs must be charged to operations of the period. Donated OM&S must be valued at their fair value at the time of donation.

B. OM&S that are maintained because they are not readily available in the market or because it is likely they will be needed in the future should be classified as OM&S Held in Reserve for Future Use. OM&S held in reserve for future use must be valued using the same basis as OM&S held for use in normal operations. The value of OM&S held for future use should be separately disclosed in the notes to the financial statements.

C. EOU OM&S must be valued at their estimated NRV. DoD Components are responsible for identifying inventory (including inventory held as OM&S) that is EOU. Upon identification of inventory as EOU, the DoD Component must adjust the value of the EOU inventory to its NRV as described in paragraph 040403.B.

D. SFFAS 3 does not address OM&S held for repair. Disclosures in Interpretation 7 “Items Held for Remanufacture” state that valuation methods prescribed for inventory held for repair may be reasonably applied to OM&S.

1. The Department's policy for accounting and reporting for Inventory Held for Repair is to use the allowance method as described in SFFAS 3 Paragraph 32. For purposes of inventory accountability and the type of inventory repairs generally made at the DoD, the Department has determined that use of the allowance method is the appropriate accounting treatment to be used among the alternatives presented in paragraphs 20 through 22, and paragraphs 32 and 33, in SFFAS 3 (and as further addressed in Paragraph 10 of FASAB Interpretation 7).

2. Under the allowance method, OM&S held for repair must be valued at the same value as a useable item, (i.e., at historical cost using the MAC flow assumption or specific identification). An allowance for repairs contra asset account (i.e. repair allowance) must be established. The annual (or other period) credit(s) required to bring the repair allowance to the current estimated cost of repairs must be recognized as current period operating expenses. As the repairs are made, the cost of repairs must be charged (debited) to the allowance for repairs account.
Supporting documentation must be retained for the estimated repair costs used in establishing the allowance. In addition, the Component should reconcile the allowance account to the physical quantities of items held for repair on at least an annual basis.

040304. Accounting for OM&S

A. General Ledger Accounts. The general ledger accounts discussed in this chapter must be reported in the financial statements required by the Treasury and for other reporting requirements mandated by Congress and OMB. Transactions/entries recorded to general ledger accounts must have adequate supporting source documentation. Source documents include contracts, invoices, receiving reports, payment vouchers, material return documents, transfer documents, inventory documents, issue and shipping documents, sales records, and documented gains and losses. Detailed posting transactions are outlined in the DoD USSGL Transaction Library. Examples of the USSGL accounts for OM&S are provided in this paragraph. Detailed account descriptions are found in the DoD Standard Chart of Accounts.

1. OM&S Held for Use (Account 151100). This account is used to record the value of materials and supplies held for use in normal operations. This account is also used to record the initial acceptance of materials and supplies in transit when title has passed but the items have not been received and accepted. Items in transit between DoD accounting entities must be kept under financial accounting control at all times. Activities may want to create subaccounts within the general ledger systems to record and track items in transit; however, the internal subaccounts must aggregate to one USSGL account in the DoD Standard Chart of Accounts. This account is intended to be used by any DoD Component that maintains OM&S.

2. OM&S Held in Reserve for Future Use (Account 151200). This account is used to record the value of stocks of materials and supplies maintained because they are not readily available in the market and there is more than a remote chance that they will eventually be needed, although not necessarily in the normal course of operations.

3. OM&S – Excess, Obsolete and Unsuitable (Account 151300). This account is used by DLA Disposition Services and other DoD Components to record the value of OM&S (serviceable or unserviceable) that exceed the amount expected to be used in normal operations and do not meet management’s criteria to be held in reserve for future use. Obsolete OM&S include stocks that are no longer needed due to changes in technology, laws, customs or operations. Unsuitable OM&S are items that are physically damaged and cannot be consumed in operations. DoD Components are responsible for identifying inventory (including inventory held as OM&S) that is EOU. Upon identification of inventory as EOU, the DoD Component must write down the value of EOU inventory to its NRV as described in subparagraph 040403.B.

4. OM&S Held for Repair (Account 151400). This account is used to record the value of materials and supplies that are not in usable condition, but can be economically repaired. The objective is to rebuild items as an alternative and rotating source of supply. Once rebuilt, the items will be returned to OM&S Held for Use. Components with immaterial amounts of OM&S held for repair may report these amounts in USSGL account 151100, “OM&S Held for Use.”
5. **O&MS in Development (Account 151600).** This account is used to record costs incurred or the value of tangible personal property, such as operating materials and supplies in development that will be consumed in normal operations upon completion of development. Upon completion, these costs will be transferred to USSGL account 151100, "Operating Materials and Supplies Held for Use," or USSGL account 151200, "Operating Materials and Supplies Held in Reserve for Future Use."

6. **OM&S – Allowance (Account 151900).** This account is used to record the amount of estimated repairs needed for damaged OM&S and the estimated gain or loss on the value of OM&S due to unrealized holding gains and losses.

7. **Other Actual Business Type Collections From Nonfederal Sources (Account 426600).** This account is used to report the amount collected during the fiscal year from nonfederal sources for which a specific USSGL account does not exist. These collections result from business type transactions such as the disposition of demilitarized or scrap EOU sold through a commercial venture resulting in a gain.

8. **Financing Sources Transferred In Without Reimbursement (Account 572000).** This account is used to record the amount of the increase of financing sources of a reporting federal entity that occurs as a result of an asset being transferred in.

9. **Financing Sources Transferred Out Without Reimbursement (Account 573000).** This account is used to record the amount of the decrease of financing sources of a reporting federal entity that occurs as a result of an asset being transferred out. The amount of the asset is recorded at book value as of the transfer date.

10. **Other Expenses Not Requiring Budgetary Resources (Account 679000).** This account is used to record other costs that do not require budgetary resources (such as accounting for the issue of operating materials and supplies when the consumption method is used).

11. **Gains on Disposition of Assets - Other (Account 711000).** This account is used to record the gain on the disposition (such as sale, exchange, disposal, or retirement) of assets not associated with investments or borrowings/loans.

12. **Other Gains (Account 719000).** This account is used to record the gain on assets resulting from events other than disposition.

13. **Losses on Disposition of Assets - Other (Account 721000).** This account is used to record the loss on the disposition (such as sale, exchange, disposal, or retirement) of assets not associated with investments or borrowings/loans.

14. **Other Losses (Account 729000).** This account is used to record the loss on assets resulting from events other than disposition.
B. Relationship of General Ledger OM&S Accounts to Logistic Supply Condition Codes. OM&S recorded in the financial records should be identifiable to OM&S recorded in logistic records and vice versa.

1. **Supply Condition Codes.** Supply condition codes classify material in terms of readiness for issue and identify action underway to change the status of the material. Supply condition codes currently in use within the DoD are defined in DLM 4000.25-2, “Military Standard Transaction Reporting and Accountability Procedures.”

2. **Relationship of Logistic Categories to Accounting Classifications for OM&S.** Table 4-3 shows the relationship of logistics supply categories to general ledger OM&S accounts.
Table 4-3. Relationship of Logistic Supply Categories

<table>
<thead>
<tr>
<th>U.S. Standard General Ledger Account</th>
<th>Supply Condition Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>151100 OM&amp;S Held for Use</td>
<td>A Serviceable Issuable Without Qualification</td>
</tr>
<tr>
<td></td>
<td>B Serviceable Issuable With Qualification</td>
</tr>
<tr>
<td></td>
<td>C Serviceable Priority Issue</td>
</tr>
<tr>
<td></td>
<td>D Serviceable Test/Modification</td>
</tr>
<tr>
<td></td>
<td>T Serviceable Ammunition Suitable for Training Use Only</td>
</tr>
<tr>
<td></td>
<td>Use this account to record amounts for OM&amp;S with condition codes A-D and T up to the AAO.</td>
</tr>
<tr>
<td></td>
<td>[Excludes Excess, Economic Retention and Contingency Retention OM&amp;S]</td>
</tr>
<tr>
<td>151200 OM&amp;S Held in Reserve for Future Use</td>
<td>E Unserviceable Reparable (Limited Cost to Restore)</td>
</tr>
<tr>
<td></td>
<td>J Suspended (In Stock)</td>
</tr>
<tr>
<td></td>
<td>K Suspended (Returns)</td>
</tr>
<tr>
<td></td>
<td>L Suspended (In Litigation)</td>
</tr>
<tr>
<td></td>
<td>N Suspended (Ammunition Suitable for Emergency Combat Use Only)</td>
</tr>
<tr>
<td></td>
<td>Q Suspended (Product Quality Deficiency)</td>
</tr>
<tr>
<td></td>
<td>Use this account to record amounts for OM&amp;S with condition codes A-D and T that is above the AAO and is retained for economic or contingency purposes. Include all inventory designated as E, J, K, L, N and Q in this account.</td>
</tr>
<tr>
<td></td>
<td>[Excludes Excess OM&amp;S]</td>
</tr>
<tr>
<td>151400 OM&amp;S Held for Repair (Remanufacturing)</td>
<td>F Unserviceable Reparable</td>
</tr>
<tr>
<td></td>
<td>G Unserviceable Incomplete</td>
</tr>
<tr>
<td></td>
<td>M Suspended (In Work)</td>
</tr>
<tr>
<td></td>
<td>R Suspended (Reclaimed Items, Awaiting Condition Determination)</td>
</tr>
<tr>
<td></td>
<td>Use this account to record amounts for all OM&amp;S with condition codes F, G, M, and R.</td>
</tr>
<tr>
<td></td>
<td>[Excludes Excess OM&amp;S]</td>
</tr>
<tr>
<td>151300 OM&amp;S – Excess, Obsolete, or Unserviceable</td>
<td>H Unserviceable (Condemned)</td>
</tr>
<tr>
<td></td>
<td>P Unserviceable (Reclamation)</td>
</tr>
<tr>
<td></td>
<td>S Unserviceable (Scrap)</td>
</tr>
<tr>
<td></td>
<td>V Unserviceable (Waste Military Munitions)</td>
</tr>
<tr>
<td></td>
<td>[Includes Serviceable and Unserviceable Excess OM&amp;S]</td>
</tr>
</tbody>
</table>
*040305. Classification of Minor Items Not Meeting the Definition of OM&S

A. Components have expressed difficulty in classifying stocked tangible personal property such as infantry helmets or hand tools that do not meet the definition of OM&S established in SFFAS 3. SFFAS 6 defines PP&E as tangible assets that:

1. Have an estimated useful life of two or more years;
2. Are not intended for sale in the ordinary course of operations; and
3. Are intended to be used or available for use by the reporting entity.

B. Tangible personal property such as infantry helmets and hand tools meet all of the criteria listed in 040305.A, and therefore will be classified as equipment. Equipment will be expensed in the period purchased unless its historical cost exceeds the Component’s capitalization threshold, in which case the equipment will be capitalized and depreciated over its useful life.

C. Components must analyze items in their stores to identify items that meet the criteria in 040305.A, and are encouraged to leverage system data and functions where appropriate to perform the analysis in a cost and time-efficient manner. The analysis must be documented and retained in accordance with Component audit needs and relevant document retention policies.

D. This guidance does not replace or omit existing logistics, supply chain, or asset management requirements regardless of the assets’ accounting classification.

*040306. Accounting Treatment for Long Range Ballistic Missiles

A. The DoD defines the mission of the nuclear arsenal solely as one of deterrence. Under this mission, the useful life of nuclear assets is expected to exceed two years. Therefore, nuclear long range ballistic missiles (including, but not necessarily limited to, Intercontinental Ballistic Missiles and Submarine Launched Ballistic Missiles) which are fully configured and armed in support of this mission should be classified/recorded as general equipment.

B. Long range ballistic missiles which are not a part of a fully configured nuclear armed long range ballistic missile should be classified/recorded as OM&S.
INVENTORY - (Applicable to WCF Only)

040401. General

This section sets forth the policies for recognition, valuation, and procedures for accounting for inventory and is applicable for WCF only.

040402. Recognition

Inventory must be recognized when title passes to the purchasing entity. Title passes to the purchasing entity based on the terms of the contract. For free on board (shipping point), title passes when the inventory is shipped. If the terms of sale are free on board (destination), title passes when the goods are delivered to the purchasing entity.

*040403. Valuation of Inventory

The Department’s policy is that inventory must be valued at historical cost using the MAC flow assumption. However, the Department has also approved the specific identification method for use with serially managed items, and the LAC flow assumption for the valuation of DeCA grocery and household product inventories. (Note: When LAC valuation is used, the inventory is revalued periodically and an allowance account is established for the unrealized holding gains and losses so that the LAC method approximates historical cost.) SFFAS 3 defines each of the methods as a means for arriving at historical cost. In addition, FASAB Interpretation 7, addresses the valuation of items held for repair that, once repaired/remanufactured/upgraded, are returned to Inventory Held for Sale. For inventory valuation of items held for repair where credit is given to the customer, the credit defines the value of the item to the WCF. Therefore, the inventory valuation is calculated as the cost to buy a new item minus the cost to repair, which would approximate the value of the credit given. When credit is not given, another valuation methodology must be employed. See Volume 2B, Chapter 9 for additional guidance. Supply management activities are not required to issue credit on any given transaction. The MAC cost flow assumption will be used as the remanufacture takes place to record appropriate production costs (normal costs to bring the item to a serviceable or upgraded condition).

A. Entities must use the MAC flow assumption to value inventory held for repair/remanufacture at historical cost. Components should value the receipt of a carcass at MAC and record a repair allowance in the allowance account. The repair allowance is calculated as the ratio of the latest representative repair cost adjusted for inflation to the latest representative acquisition cost. For example, if the latest representative repair cost adjusted for inflation is $100 and the latest representative acquisition cost is $500 and the MAC value is $490, the amount of the allowance would be $98 [(100/500) * 490]. If there is no repair history, entities will develop and document an engineering estimate of the cost to repair. The documentation should be retained for audit purposes. Upon completion of the repair, the item will be moved to Inventory Held for Sale at MAC. If the total of the carcass value plus the costs incurred to repair it exceeds MAC, the difference must be charged to the current period as an expense. The capitalized item is treated as if it was a purchase for calculating the historical cost of inventory using the MAC flow.
assumption as illustrated in Table 4-2. In addition, the entities should reconcile the allowance account to the physical quantities of items held for repair on at least an annual basis.

B. EOU inventory must be valued at its expected NRV. DoD Components are responsible for identifying inventory and OM&S that is excess, obsolete and unserviceable. Upon identification of inventory as EOU, the DoD Component must determine the NRV of its EOU and adjust the recorded value of the EOU to its estimated NRV by recording a gain or loss (as applicable) and a corresponding inventory allowance (for a WCF) or operating materials and supplies allowance (for a General Fund or WCF). EOU that will be transferred to DLA Disposition Services for disposition generally will not result in the DoD Component receiving any proceeds from the disposal, other than EOU that will be disposed of through a Qualified Recycling Program (QRP), and therefore, the NRV would be zero. For EOU to be disposed of through a QRP or by means other than a transfer to DLA Disposition Services, the DoD Component should estimate the NRV of the EOU based on prior disposal proceeds for comparable EOU, buyer quotes or other reasonable means. In all instances, documentation supporting the NRV calculation of the EOU must be prepared and retained by the DoD Component.

C. Supply Management activities must calculate and report the costs of all inventory sold, i.e., cost of goods sold at historical cost using the MAC flow assumption. Cost of goods sold is the balance of USSGL 650000, Cost of Goods Sold. USSGL 650000 may be verified by using this formula. Note that the inventory historical cost and increases in goods for sale include direct (e.g. labor or materials) costs and indirect costs (e.g. overhead).

\[
\text{Beginning Inventory at historical cost} \\
\text{Plus: Increases in Goods for Sale (Purchases, Remanufacturing Costs, Capitalized Inventory, Other Gains)} \\
\text{Less: Disposals or Other Decreases in Goods for Sale (Including Other Losses) at historical cost} \\
\text{Equals: Cost of Goods Available for Sale at historical cost} \\
\text{Less: Ending Inventory at historical cost} \\
\text{Equals: Cost of Goods Sold at historical cost}\]

* If variances between actual indirect expenses and applied indirect expenses are accounted for as cost of goods sold in accordance with paragraph 040702.A.2, this would need to be factored into the calculation.

040404. Accounting for Inventory

A. General Ledger Accounts. Detailed posting transactions are outlined in the DoD USSGL Transaction Library. Inventory accounts are authorized for use by activities that hold items for resale, use items in the process of production for sale, and consume items in the production of goods for sale or in the provision of services for a fee. Entities that hold supplies and materials for issue without reimbursement or for use without earning a fee own OM&S rather than inventory and should refer to section 0403. Refer to section 0407 for inventory accounts for work-in-process. This paragraph provides examples of the applicable inventory accounts. Additional USSGL accounts which may be relevant to inventory can be located in the DoD Standard Chart of Accounts and the USSGL.
1. **Inventory Purchased for Resale (Account 152100).** This account is used to record the value of inventory purchased for resale that is in a usable condition and is available for immediate resale. The DoD USSGL Transaction Library includes entries to record receipt of material purchases, sale of inventory items at cost, issue without reimbursement, reclassification of inventory, and gains or losses when inventory is revalued. Activities may want to create subaccounts within their inventory or general ledger systems to record and track inventory in transit; however, the internal subaccounts must aggregate to one USSGL account in the DoD Standard Chart of Accounts. See paragraph 19 of SFFAS 3.

2. **Inventory Held in Reserve for Future Sale (Account 152200).** This account is used to record the value of inventory held in reserve for future sale and includes items that have been suspended in the logistical system and are currently not available for sale. Typical entries for use of this account include entries to reclassify inventory items, record the delivery of goods and services, and record transfers in or out without reimbursement.

3. **Inventory Held for Repair (Remanufacturing) (Account 152300).** This account is used to record the inventory items currently not in a usable condition but which can be economically remanufactured. Remanufacturing is a process by which carcasses are overhauled, rebuilt, refurbished, repaired, or restored to a usable condition for sale to a customer. Under remanufacturing, repair expenses are capitalized to the cost of inventory and expensed as Cost of Goods Sold.

4. **Excess, Obsolete, and Unserviceable Inventory (Account 152400).** This account is used to record the value of inventory (serviceable and unserviceable) that exceeds the amount expected to be used in normal operations and does not meet management’s criteria to be held in reserve for future use, i.e., characterized as potential reutilization stock in DoDM 4140.01-V6. Obsolete inventory includes stocks that are no longer needed due to changes in technology, laws, customs or operations or items for which the shelf life cannot be extended. Unserviceable inventory are items that are physically damaged and cannot be consumed in operation. DoD Components are responsible for identifying inventory that is EOU. Upon identification of inventory as EOU, the DoD Component must adjust the value of its EOU inventory to its NRV as described in paragraph 040403.B.

5. **Inventory – Raw Materials (Account 152500).** This account is used to record the cost or value of raw materials purchased or donated for use as a component part of inventory.

6. **Inventory – Work-In-Process (Account 152600).** This account is used to record the accumulated cost or value of inventory used in the production process. Work-in-process inventory includes the cost of raw materials, direct labor, and overhead.

7. **Inventory – Finished Goods (Account 152700).** This account is used to record the accumulated cost or value of completed products.
8. **Inventory – Allowance (Account 152900).** This account is used to record:
   a. The estimated cost to repair damaged inventory;
   b. The estimated gain or loss on the value of inventory because of unrealized holding gains or losses; and
   c. The difference when restating the inventory from historical to standard cost (see Volume 11B, Chapter 15).

The account is either a **contra asset** account or an **adjunct** asset account depending on whether repair costs are increasing or decreasing for the subsequent fiscal year. This account is used to reflect the purchase cost variance for inventory transactions.

9. **Cost of Goods Sold (Account 650000).** This account is used to record the total cost of inventory sold including raw materials, direct labor, and overhead.

B. **Relationship of General Ledger Inventory Accounts to Logistic Supply Condition Codes.** Inventory recorded in financial records should be identifiable to inventory recorded in logistic records and vice versa. Table 4-4 displays the relationship of logistic supply categories to general ledger financial inventory accounts.

   1. **Supply Condition Codes.** Supply condition codes classify material in terms of readiness for issue and use or to identify action underway to change the status of material. Supply condition codes currently in use within the DoD are defined in DLM 4000.25-2, “Military Standard Transaction Reporting and Accountability Procedures.”

   2. **Relationship of Logistic Categories to Accounting Classifications for Inventory.** Table 4-4 shows the relationship of supply condition codes to general ledger inventory accounts.
### Table 4-4: General Ledger Inventory Accounts vs Supply Condition Codes

<table>
<thead>
<tr>
<th>U.S. Standard General Ledger Account</th>
<th>Supply Condition Codes</th>
</tr>
</thead>
</table>
| 152100  Inventory Purchased For Resale | A Serviceable Issuable Without Qualification  
B Serviceable Issuable With Qualification  
C Serviceable Priority Issue  
D Serviceable Test/Modification  
T Serviceable Ammunition Suitable for Training Use Only  |

Use this account to record amounts for inventory with condition codes A-D and T up to the AAO.  
[Excludes Excess, Economic Retention and Contingency Retention Inventory]

| 152200  Inventory Held in Reserve for Future Sale | E Unserviceable Reparable (Limited Cost to Restore)  
J Suspended (In Stock)  
K Suspended (Returns)  
L Suspended (In Litigation)  
N Suspended (Ammunition Suitable for Emergency Combat Use Only)  
Q Suspended (Product Quality Deficiency)  |

Use this account to record amounts for inventory with condition codes A-D and T that is above the AAO and is retained for economic or contingency purposes. Include all inventory designated as E, J, K, L, N, and Q in this account.  
[Excludes Excess Inventory]

| 152300  Inventory Held for Repair (Remanufacturing) | F Unserviceable Reparable  
G Unserviceable Incomplete  
M Suspended (In Work)  
R Suspended (Reclaimed Items, Awaiting Condition Determination)  |

Use this account to record amounts for all inventory with condition codes F, G, M, and R that is above the AAO and is retained for economic or contingency purposes.  
[Excludes Excess Inventory]

| 152400  Inventory – Excess, Obsolete, or Unserviceable | H Unserviceable (Condemned)  
P Unserviceable (Reclamation)  
S Unserviceable (Scrap)  
V Unserviceable (Waste Military Munitions)  |

[Includes Serviceable and Unserviceable Excess Inventory]
3. **Logistics Inventory Categories.** Table 4-5 illustrates the relationship between the logistics inventory stratification categories and the general ledger accounts.

Table 4-5. Logistics Inventory Stratification vs General Ledger Accounts

<table>
<thead>
<tr>
<th>Category</th>
<th>Serviceable</th>
<th>Unsuitable</th>
<th>Repair</th>
<th>Retain</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Excess</strong></td>
<td>USSGL 152400</td>
<td>USSGL 152400</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Contingency Retention</strong></td>
<td>USSGL 152200</td>
<td>USSGL 152300</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Economic Retention</strong></td>
<td>USSGL 152200</td>
<td>USSGL 152300</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Approved Acquisition Objective (AAO)</strong></td>
<td>USSGL 152100</td>
<td>USSGL 152300</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Requirement</strong></td>
<td>USSGL 152100</td>
<td>USSGL 152300</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

040405. **Reconciliations**

Activities must reconcile the inventory line item(s) in their general ledger with their detailed inventory accountability records at least quarterly. Activities may require reconciliations more frequently in order to improve accuracy of the general ledger line item(s) and to help reduce the risk of material misstatement. This reconciliation must include the multiple modules within Enterprise Resource Management systems, when they are being used (e.g. Warehouse Management module to Inventory Management module to Financial Management module). This reconciliation must be designed to identify errors between the quantities reported in the warehouse management system with the quantities reported in the financial management system. When errors are identified, they must be researched and resolved timely.

040406. **Adjustments for Physical Counts of Inventory**

Activities must take physical counts of inventories at least annually (generally as of the fiscal year end), in accordance with the procedures prescribed in DLM 4000.25-2, “Military
Standard Transaction Reporting and Accountability Procedures.” (Note: In accordance with the Financial Statement Audit Completion Checklist contained in Section 1003 of the U.S. GAO FAM Volume 2, auditors are likely to attend and observe physical counts of inventories that have been deemed as material.) Activities must adjust the general ledger for differences between the general ledger balances and the physical count. Adjustments must be supported by appropriate documentation.

040407. Inventory Gains and Losses

A. Disposal. Disposal of an inventory item must result in

1. A reduction in the associated inventory account equal to the valuation of the item; and

2. A loss amount equal to the historical cost of the item.

B. Incoming Shipment Gains and Losses. Invoices occasionally list fewer items than (inventory loss) or more items than (inventory gain) the actual count of inventory items received. If it is not economical to resolve the difference, record the difference as a gain/loss. In such instances, debit the incoming shipment losses to USSGL 729000; credit incoming shipment gains to USSGL 719000.

0405 SUPPLY MANAGEMENT OPERATIONS - (Applicable to WCF Only)

040501. Description

This section prescribes the policy and accounting requirements relating to inventory applicable to the supply management activities (i.e. Department of the Army, Department of the Navy, Department of the Air Force and the DLA) and to the DeCA for commissary resale. The policy for inventory valuation and classification is also applicable to the DLA Disposition Services, which holds items for redistribution or disposal including sales of excess materiel to the public and other federal customers. It is also applicable to the Depot Maintenance or Industrial Operations activities that hold and consume items in the production of goods for sale or in the provision of services for a fee, i.e. direct material expense.

040502. Items to be Included in Supply Management Activities

A. General. The supply management activities manage inventory held for sale to other DoD Components or activities within a Component and, when authorized by legislation, items procured for sale to members of the Armed Forces and other individuals or organizations. The Under Secretary of Defense (Comptroller) (USD(C)) and the Under Secretary of Defense (Acquisition, Technology and Logistics) (USD(AT&L)) may designate an item to be procured by the supply management activity and may reassign the management responsibility of any item from one DoD Component to another DoD Component.
B. **Subsistence Items.** The supply management activities and the DeCA must plan for, procure, manage, distribute, and insure wholesomeness of subsistence products throughout the supply chain. Subsistence items must be procured to provide healthy, wholesome, nutritious food items to members of the Armed Forces and other authorized persons. Subclasses of subsistence items include inflight rations, combat rations, refrigerated subsistence and non-refrigerated subsistence.

C. **Military Exchange Items.** DoDI 1338.18, “Armed Forces Clothing Monetary Allowance Procedures,” assigns management responsibility to the supply management activities for items procured primarily for sale to members of the Armed Forces and other individuals or organizations authorized by legislation. These items include clothing sold by a military clothing resale activity and items sold in a ship's store. They also include personal items for health, comfort, and recreation.

D. **Military Clothing Items and Individual Equipment.** The Department authorizes military exchange systems to act as agents of the supply management activity to sell military clothing items to members of the Armed Forces. The DLA must procure military clothing requirements for the DoD and bill customers at standard prices. This supply class also includes combat equipment, tентage, tool sets and kits, hand tools, and cleaning equipment and supplies. When a Military Service directs the implementation of a new or modified model of these items that makes the previous model obsolete, the Military Service must reprogram resources to DLA based on DLA’s estimate of the requirement to fund procurement of the item including required safety stock levels, before DLA incurs any obligations for the item. Further, the Military Service must purchase DLA’s remaining stock of the obsolete model. Alternatively, the Military Service may direct DLA to dispose of the obsolete stock and pay DLA for disposal costs. See DoDM 4140.01 and DoDI 4140.63 for related materiel management guidance.

E. **Fuel.** DoD Components must buy their fuel through DLA. The DLA must bill DoD customers at standard prices and other federal and nonfederal government customers at cost plus the approved DLA surcharge. In isolated locations, where DLA has authorized a DoD customer to procure fuel on the local market, payment may be made by DLA or the customer depending on local circumstances. If payment is made by the DoD customer, then DLA will reimburse the customer for the actual cost of the fuel and bill for the fuel based on standard prices. Other items in this supply class are preservatives, liquid and compressed gases, chemical products, coolants, deicing, and antifreeze components.

F. **Construction Materials.** The supply management activities must manage construction materials including installed equipment, fortification materials, and barrier materials. This includes such items as wood, wire, cement, barrier materials, and sandbags.

G. **Medical.** The supply management activities must manage medical materials supported in the medical supply chain. This materiel includes pharmaceutical, medical-surgical, dental, medical laboratory, radiological, and optometric supplies. It also includes preventive medicine items and medical equipment.
H. Initial Spares. Initial spares are consumable or reparable spare and repair parts that support newly fielded weapons systems during the initial period of operation until the supply system can support the demand generated by the systems. Replenishment spares are spare and repair parts resupplying initial stocks.

1. The Component activity that owns the weapon system is responsible for funding the initial spares. Therefore, acquisition of the initial spares and stock level increases required to support a weapon system are the responsibility of the program office. The program office must acquire initial and inventory augmentation spares based on the materiel support date. Program managers must use their appropriated funds and may use supply management activities’ contracting capabilities to acquire initial spares. Therefore, acquisition of initial spares required to support a weapon system are the responsibility of the program office, i.e. the office within the Component Activity that performs this acquisition function.

2. The Component activity may purchase the initial spares and transfer them to the supply management activity via a title transfer without reimbursement using DoD (DD) Form 1150, Request For Issue/Transfer/Turn in. The Component activity must record the associated entries (budgetary and proprietary) for the purchase of the initial spares as OM&S prior to their transfer to the supply management activity. The Component activity will initiate a title transfer without reimbursement to legally transfer ownership and will remove the initial spares from its accounting records. The supply management activity will add the initial spares to its WCF accounting records. The transfer of initial spares must be fully documented and the documentation must be retained.

I. Nonmilitary Programs. The supply management activities must manage material used to support nonmilitary or civic action programs and sell these materials at standard prices. These programs are intended for agricultural and economic development.

040503. Authorized Customers

A supply management activity is authorized to sell items to:

A. A federal government funded activity or an activity empowered to perform a federal government legislated function;

B. A DoD sponsored nonappropriated fund instrumentality;

C. A State Department sponsored employee commissary located outside the United States;

D. A foreign government when an authorized contractual relationship has been established;

E. A federal government contractor, when the contract specifically provides for the purchase of items by the contractor from the Government or when using the Replenishment Parts Purchase or Borrow Program;
F. Members of the Armed Forces and other individuals authorized by law to purchase commissary and clothing items;

G. The private sector, state or local governments when purchasing non-excess personal exchange/sale property as authorized by the Federal Property and Administrative Services Act of 1949 as amended in 40 U.S.C. Chapter 5, Section 503; and

H. Other entities, when authorized by duly appointed officials.

040504. Issues Without Reimbursement

A supply management activity item may not be issued or transferred without a funded customer order except as specifically authorized in this paragraph. Events for which an issue is authorized without receipt of a funded customer order must be accounted for in the same manner as a normal sale with the exception that an allowance for loss on accounts receivable may be established when necessary. See Chapter 3 for additional guidance on establishing allowances for loss on accounts receivable.

A. Domestic Civil Emergency. A supply management activity item may be issued without immediate reimbursement when action is being taken to provide civil emergency relief assistance in accordance with the policies and procedures provided in DoDD 3025.18. However, an accounts receivable must be established for such amounts. Subsequently, funding should be made available to cover the costs of the relief effort, and the supply management activity be reimbursed for any outstanding accounts receivable.

B. Civil Disturbances. A supply management activity item may be issued without immediate reimbursement when action is being taken to control a civil disturbance in accordance with the policies and procedures provided in DoDD 3025.18. A receivable account must be established for such amounts. Subsequently, the supply management activities must be reimbursed for any outstanding accounts receivable based upon the procedures provided in Volume 11B, Chapter 11. Volume 16 also provides guidance on the write-off of uncollectible receivables from the public.

C. Foreign Disaster. The State Department is responsible for initiating and financing foreign disaster relief efforts pursuant to the Foreign Assistance Act of 1961. Procedures for issues of supply management activities material to assist in the event of a foreign disaster and reimbursements must be in accordance with DoDD 5100.46.

D. North Atlantic Treaty Organization (NATO) Country. A supply management activity item may be issued to a NATO country without reimbursement under a replacement-in-kind arrangement. Nonreimbursable issues under this authority must be changed to a reimbursable issue within 12 months if not replaced by the NATO country.
E. **Military Emergency.** A supply management activity item may be issued without immediate reimbursement when a federal official or military officer has certified that an emergency exists under emergency provisions in the current DoD Appropriations Act or 10 U.S.C. § 127. A receivable account must be established for such amounts. When funding is made available to cover the costs of the emergency, the supply management activity must be reimbursed for any outstanding accounts receivable.

F. **Presidential Directed Drawdown.** A supply management activity item may be issued to a foreign country without reimbursement when the President has directed a drawdown of defense articles from stocks under authority of 22 U.S.C. § 2318. The standard price of such issues must be reported to the Director, Defense Security Cooperation Agency for inclusion in subsequent foreign assistance budget requests and to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Operations Directorate, in order to determine the cash impact of such issues. The cash impact must be added to the economic adjustment cost recovery element.

G. **War Reserve Assets (WRA).** A supply management activity item may be issued without reimbursement when an item is designated as a WRA and the issue has been approved to satisfy requirements of a mobilization of U.S. Armed Forces.

H. **Deficiencies in War Reserve Requirements.** A supply management activity item may be issued without reimbursement when an item is issued to satisfy deficiencies in war reserve requirements or between activities within the supply management activity. Items issued at any level, wholesale or retail, to satisfy customer requisitions must be reimbursable from war reserve reinvestment appropriations.

I. **Disposal of Excess Inventory or OM&S.** Disposals will be made in accordance with DoDM 4160.21, Volume 2 which includes disposals of excess inventory through the DLA for which no reimbursement will be received.

J. **Items Nearing End of Shelf Life.** A supply management activity item may be issued at any price or without reimbursement when the item is not a WRA, it has six months or less of remaining shelf life, and the item manager grants approval for the item to be issued on a less than cost basis.

K. **Logistical Management Transfers.** Logistical management transfers (also known as logistical reassignments) result from changes in the funding appropriation for an item. If the OUSD(C) and the Office of the Under Secretary of Defense (Acquisitions, Technology and Logistics (OUSD(AT&L))) designate a logistical management transfer of an item from a GF appropriation entity to the supply management activity group, an increase to inventory for a nonreimbursable transfer must be recorded at the value of the item being transferred. Normally, an item transferred as a result of a logistical management transfer is transferred without reimbursement. However, with prior approval from the OUSD(C), transfers-in of inventory may be with reimbursement to the transferring account under these conditions:

1. The inventory was on order but undelivered to the transferring account at the time of the transfer;
2. The transferring account is not financed by the WCF; and

3. The inventory was ordered by the transferring account as a result of a reimbursable order from a customer of that account.

L. Logistical Management Transfers between Supply Management Activities. Procedures for transferring item management responsibility between WCF activities are outlined in Volume 11B, Chapter 2. The transfer of supply inventory is handled as:

1. On hand inventory. Stock on hand is transferred between supply management activities without reimbursement. Reimbursement is authorized, based on DoD credit policies, between wholesale and retail supply activities when on-hand retail inventory is transferred back to the wholesale item manager’s inventory control points.

2. On order inventory. The gaining and losing wholesale item managers must validate the on order inventory requirements to ensure the supply pipeline is adequately filled. As the gaining activity receives pipeline deliveries, the gaining item manager is responsible for payment either directly to the vendors (delivery order modification), or to the losing activity that funded the delivery order, thus ensuring cash neutrality across the WCF.

040505. Loans and Leases

A. Authorized Activities. Supply management activities may only lend or lease items to activities specified in this paragraph for the stated purpose. The recipient must sign a receipt for the item. This receipt must include a statement of the intended purpose of the loan or lease. The accountable office, or the comptroller (or equivalent), of the accountable activity for the item must approve each loan or lease of an item. Accountability for inventory on loan remains with the activity lending the material. Inventory on loan must be valued in the same manner as is inventory on hand. Property may be lent to:

1. DoD Funded Customers. Supply management activities may lend an item to a DoD funded customer for a maximum of 120 days to support an approved training exercise, a military emergency, or a natural disaster.

2. U.S. Secret Service. Supply management activities may lend an item to the U.S. Secret Service for a maximum of 120 days for purposes prescribed under the policies and procedures in DoDD 3025.13.

3. Civilian Law Enforcement Officials. Supply management activities may lend an item to a civilian law enforcement activity for a maximum of 120 days for purposes prescribed under the policies and procedures in DoDI 3025.21.

4. State and Local Governments. Supply management activities may lend an item to a state or local government for a maximum of 120 days for a specific purpose, under the policies and procedures prescribed in DoDI 3025.21.
5. **National Veterans’ Organizations.** Under the authority of 10 U.S.C. § 2551, supply management activities may lend an item (e.g., cots, blankets, pillows, mattresses, bed sacks, and other supplies) to a recognized national veterans’ organization for a maximum of 120 days to support a national or state convention or a regional youth athletic or recreational tournament sponsored by the veterans’ organization. A bond equal to the current standard price of the item must be obtained before the item is loaned.

6. **American National Red Cross.** Under the authority of 10 U.S.C. § 2552, supply management activities may lend an item to an organization formed by the American National Red Cross for a maximum of 120 days for the purpose of instruction and practice needed to aid the Army, Navy, or Air Force in time of war. A bond equal to twice the value of the property is required for the care and safekeeping of the loaned property before the item is lent.

7. **Inaugural Committee.** Under the authority of 10 U.S.C. § 2553, supply management activities may lend an item to an Inaugural Committee to support an inauguration of the President of the United States for a period not to exceed nine days beyond the inauguration ceremony. A bond equal to the current standard price of the item must be obtained before the item is lent.

8. **Boy Scout Jamborees.** Under the authority of 10 U.S.C. § 2554, supply management activities may lend cots, blankets, commissary equipment, flags, refrigerators, and other equipment to the Boy Scouts of America for the use of Scouts, and officials who attend any national or world Boy Scout Jamboree. In addition, services and expendable medical supplies, as may be necessary or useful to the extent that items are in stock and items or services are available may be furnished without reimbursement. Items may be lent for a maximum of 120 days. A bond equal to the value of the loaned items must be obtained before the items are loaned.

9. **Shelter for the Homeless, Incidental Services.** Under the authority of 10 U.S.C. § 2556, the Secretary of a Military Department may provide without reimbursement bedding for support of shelters for the homeless that are operated by entities other than the DoD, but only to the extent that the Secretary determines that the provisions of such bedding will not interfere with military requirements. In addition, incidental services and other items (such as medical supplies) may be provided without reimbursement to the extent that the provision of incidental services or other items does not interfere with military preparedness or ongoing military functions. To satisfy these requirements, a supply management activity may issue to a shelter for the homeless only items that have been declared excess to the needs of the DoD.

10. **Humanitarian Relief.** Under the authority of 10 U.S.C. § 2557, supply management activities may make nonlethal excess supplies available for transfer to the Department of State for its distribution for humanitarian relief. The term “nonlethal excess supplies” means property, other than real property, of the DoD that is excess property as defined in regulations of the DoD; and that is not a weapon, ammunition, or other equipment or material that is designed to inflict serious bodily harm or death.
11. Foreign Countries or International Organizations. Supply management activities may lease or loan an item to an eligible foreign country or international organization under the authority of the Arms Export Control Act. Policy and procedures for the lease of material to foreign countries and international organizations is contained in DoDD 5105.65 and in Volume 15, Chapter 7. Refer to these references for approval channels and expense requirements.

12. Other Leases. Under the authority of 10 U.S.C. § 2667, supply management activities may lease or loan a nonexcess supply management activity item to an organization when the Secretary of Defense or the Secretary of a Military Department has determined that the item is not needed for DoD use during the proposed lease period and the lease will promote the national defense or otherwise be in the public interest.

B. Approvals. Each loan or lease of an item must be approved by the comptroller, or equivalent, of the activity responsible for accountability over the item. The approval must include a description of the item including the price, condition, anticipated return date; and a certification that the loan of the item will not jeopardize the capability to support national defense requirements.

C. Expenses. The recipient must pay for all transportation, packing, crating, and handling costs associated with the loan or lease of the item. At the time of return of the item, the recipient must be required to pay all costs necessary to restore the item to its original condition or to pay for any item the recipient does not return within the approved period of the loan or lease.

040506. GFM

GFM may be provided to a contractor or other government agency for consumption or repair.

A. Business Rules. When GFM is provided for consumption, the business rules prescribed by this subparagraph must be followed.

1. Record as an expense the value of items issued by the item manager to a contractor or to another DoD or other federal government activity for consumption or incorporation in the repair, alteration, or modification of another supply management activity item for the benefit of the supply management activity.

2. Record as work-in-process the value of items issued by the item manager to a contractor or to another DoD or other federal government activity for fabrication, assembly, or disassembly of another supply management activity item for the benefit of the supply management activity. The use of the work-in-process account is described at section 0407.

3. The return of GFM items by a contractor must be accounted for in the same manner as a customer return of material without credit (see subparagraph 040403.A).
4. The cost of forgings and castings used as GFM should be included as a part of the acquisition cost of the item that includes the forging and casting in its production.

B. Items Issued for Repair and Return. Issuing supply activities must account for reparables or other items of inventory issued by the direction of an item manager to either a DoD activity or a contractor for repair, alteration, or modification as USSGL 152300, “Inventory Held for Repair.” Such items will continue to be valued as inventory held for repair in accordance with the valuation criteria applicable to inventory held for repair that is held by the stockage point. Upon receipt of the repaired item, it must be accounted for in USSGL 152100, “Inventory Held for Sale.”

040507. Capitalized Inventory

A. Logistics Management Reassignment Transfers In Without Reimbursement. A supply management activity may capitalize, when it undertakes management responsibility for items, supply inventories that were financed by other appropriations and funds, as permitted by 10 U.S.C. § 2208 and consistent with guidance in the DoDM 4140.26. The activity that ordered the item must pay bills for inventories on order at the time of the transfer. As provided in 10 U.S.C. § 2208, a supply management activity may not make credits to an appropriation funded activity for capitalized inventories. However, stock withdrawal authorizations may be approved as provided in subparagraph 040507.C. Note, for transfers from other WCFs, the gaining supply management activity will reimburse the losing activity for any inventories on order as the deliveries are made.

B. Transfers of Reimbursable Procurements. The supply management activity may record a liability for an item transferred from a non-WCF account only if (1) the item is undelivered at the time of the transfer, and (2) the transferring organization’s obligation for the item resulted from a reimbursable order from a customer. The liability must be liquidated by a payment to the transferring appropriation or fund based upon a payment to the supply management activity by the customer.

C. Stock Withdrawal Authorizations. After transferring an item from an appropriation funded activity to a supply management activity, the transferring activity may not have sufficient funds to purchase the item when needed. The transferring activity must request, as part of the formal budget submission to the Congress, that the USD(C) approve an authorization for issues without reimbursement. The supply management activity must issue items, upon receipt of an approved stock withdrawal authorization, to the specified customer without reimbursement up to the authorized limit for a fiscal year. The authorized limit is calculated as the lesser of one quarter of the quantity transferred to the supply management activity or one year’s quantity based on the average amount consumed for the previous three years. When the fiscal year has passed, the supply management activity must issue items on a reimbursable basis. The supply management activity must not record a stock withdrawal authorization as a liability.
D. Logistical Management Transfers. Logistical management transfers result from changes in the funding appropriation for an item. When an approved logistical management transfer of item(s) is implemented, an increase or a decrease to inventory for a nonreimbursable transfer must be recorded at the value of the item being transferred.

040508. Depot Level Reparables

A. General. For material management purposes, “reparables” are items of supply subject to economical repair and for which the repaired items are considered in satisfying computed requirements at any inventory level. For financial management and accounting purposes, the Department’s depot level repair program for inventory replenishment and resale is considered to be a remanufacturing process. See Volume 11B for more information on Depot Level Reparables.

*B. Financial Reporting of Depot Level Reparables (DLR). Serviceable DLR will be reported on DoD financial statements at historical cost using the MAC flow assumption. DoD will use the allowance method when accounting for DLR. Under the allowance method, the reparable must be valued at the same value as a serviceable item. However, an allowance for repairs contra asset account must be established. The annual (or other period) credit(s) required to bring the repair allowance to the current estimated cost of repairs must be recognized as current period operating expense. As the repairs are made, the cost of repairs must be charged (debited) to the allowance for repairs accounting. Supporting documentation must be retained for audit purposes. In addition, the Component should reconcile the allowance account to the physical quantities of items held for repair on at least an annual basis.

C. Exchange Transaction. Many items held for remanufacturing are obtained as the result of an exchange transaction. An exchange transaction is the sale of a serviceable item at standard price in exchange for (1) cash and (2) an item that needs rebuilding or repair (carcass). The supply management activity may record two separate transactions to represent the complete event or may bill the customer at the exchange price, that is, the standard price less credit allowed if the requisitioning activity states a reparable will be returned. If the impaired item (carcass) has not been received at the time of the exchange, it must be recorded in USSGL 152300 “Inventory Held for Repair (Remanufacture Due In).”

D. Business Rules. Remanufacturing costs must be capitalized according to the business rules prescribed by this subparagraph:

1. Remanufacture of items currently available from new procurement. Capitalize all costs except costs that exceed the current replacement cost and abnormal costs such as excessive rework or costs of an unusual nature that occur infrequently. Abnormal costs should be expensed as period costs without regard to current replacement cost.

2. Remanufacture of items not available from new procurement. Capitalize all costs except abnormal costs such as excessive rework or costs of an unusual nature that occur infrequently. Abnormal costs should be expensed as period costs without regard to current replacement cost.
E. Time Limit for Receipt of Exchange Item. If a reparable is not received from a continental United States (CONUS) customer within 90 days of the exchange sale or 120 days for a customer outside the continental United States (OCONUS), the supply management activity must reverse the credit previously allowed and bill the customer for that amount. Additionally, at the discretion of the seller, the customer may be billed for costs that would not have been otherwise incurred except for non-receipt of the item.

1. Carcass Received Before an Exchange Sale. Occasionally, a carcass may be received before an exchange sale when a like issue item is not available at the time the requisition is received. When this occurs, the supply management activity must record the carcass into inventory and establish a liability. When a serviceable item becomes available for issue, the liability must be reversed and the exchange sale will proceed normally.

2. Carcass Sent to Contractor or to Repair Facility for Repair/Remanufacture. Supply management activities may place orders and obligate funds for repair/remanufacture work placed with contractor or at a government repair facility. While being repaired/remanufactured, the carcass will remain in the inventory of Supply Management activity. Activities may continue to account for carcasses as “Inventory Held for Repair (Remanufacturing).”

040509. Return of Items to the Supply Management Activity

A. Customers Who May Return Items. A customer within the federal government, including DoD contractors, may return an item to a supply management activity. Additionally, the Arms Export Control Act allows the return of defense articles from a foreign country or international organization under specified conditions. See 22 U.S.C. § 2761(m) for these conditions. In addition, 10 U.S.C. § 2208(g) states that the appraised value of supplies returned to working capital funds by a department, activity, or agency may be charged to that fund. The proceeds thereof shall be credited to current applicable appropriations and are available for expenditure for the same purposes that those appropriations are so available. Credits may not be made to appropriations under this subsection as a result of capitalization of inventories.

B. Customers Who May Not Return Items. A customer outside of the federal government that does not meet the conditions specified in subparagraph 040509.A may not return an item to a DoD supply management activity.

C. Credit Options. An item manager may grant credit for a returned item after receipt, inspection, and classification of the item. A return that stratifies to a war reserve requirement does not qualify for credit.

1. Return of a Fully Serviceable Consumable or Reparable Item When Not Part of an Exchange Transaction. If approved by an item manager, a credit may be granted to federal government customers and to nonfederal government customers who meet the requirements specified in subparagraph 040509.A. The amount of the credit for the return of an item that is within the AAO must not exceed the current standard price of the returned item less the current fiscal year’s approved cost recovery elements.
2. **Return of a Carcass When Not Part of an Exchange Transaction.** An item manager may approve credit for the return of a carcass from a federal government funded customer or a nonfederal government customer who meets the requirements specified in subparagraph 040509.A without an exchange when the returned item is within the AAO. The credit may be in the amount of the value of the reparable to the supply management activity but not more than the current exchange price.

3. **Billing.** The supply management activity must bill the customer for the credit previously allowed if it granted credit before taking ownership or receipt of the returned item and the item is not received within 90 days from a CONUS customer or 120 days for an OCONUS customer. The customer also may be billed, at the discretion of the stockage point, for costs incurred due to non-receipt of the item.

4. **Return of Defective Items.** The supply management activity may grant a credit to a customer at standard price for defective items issued by a supply management activity, including specification defects, when a customer's quality deficiency report has been validated.

5. **Credits Applied Toward Future Requirements.** Credits granted may be applied against future customer demands in the current fiscal year for items or directly credited to the current year available funds of the customer.

6. **Shipping Costs.** Shipping costs include packing, crating, handling, transportation, port loading, and unloading. The supply management activity must fund transportation and other shipping costs only for items approved by an item manager for return from customers. Shipping and transportation cost for items that have not been approved by an item manager for return from customers must not be paid by the supply management activity.

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*040510. **Excess Items Disposition**

A. **Identification and Transfer of EOU.** Once the DoD Components have identified inventory as EOU and adjusted the EOU to its NRV, if they are using DLA Disposition Services to execute the disposition of the EOU, they should expeditiously transfer the EOU inventory to DLA Disposition Services using a **DD Form 1348-1A** (or its successor form as applicable). As described in subparagraph 040403.B, with the exception of EOU disposals by DLA Disposition Services that fall under the QRP, Components will generally have adjusted the value of this EOU to zero. The transfer to DLA Disposition Services may be a physical transfer or a “transfer receipt in place” if the EOU inventory is too large or bulky to physically transfer. When a "transfer receipt in place" occurs, the Component should physically segregate and mark the item as having been transferred in place and the inventory records should also be adjusted accordingly.

B. **DLA Receipt of EOU.** In accordance with DLM 4000.25, Volume 2, Chapter 16, paragraph C16.7.1.1, the DLA Disposition Services Field Office will send a Turn in Receipt Acknowledgement to the Component. This action provides confirmation to the
Component that DLA Disposition Services processed the receipt transaction to record DLA Disposition Services materiel accountability and ownership for the material turned in.

C. **DLA Recording of EOU.** After DLA Disposition Services receives the DD Form 1348-1A, they will record an estimated NRV in their accounting system for each item of EOU inventory transferred. On a periodic basis (at least annually for the fiscal year end), DLA Disposition Services will recalculate the NRV factor and will adjust its EOU inventory by the new recalculated factor for accounting and financial statement reporting purposes.

D. **Processing EOU Classified as Explosives.** DLA Disposition Services does not hold, process or dispose of EOU that are explosives, which includes ammunitions, classified items, and hazardous waste. Components possessing EOU that are explosives must arrange for their disposal through the Joint Munitions Command (JMC) of the Department of the Army unless the disposal is part of a QRP. In the case of a QRP, the Component may elect to use a third party for the disposal. In the same manner as for non-explosives EOU, the Components and JMC must adjust the EOU explosives to their NRV based on prior disposal proceeds for comparable EOU, buyer quotes or other reasonable means.

E. **Issues of Excess Items to Reutilization and Marketing.** An Integrated Materiel Manager (IMM) may authorize transfer without reimbursement of excess supply management activity items to DLA Disposition Services. The DLA Disposition Services must issue an item without reimbursement to a supply management activity when the item is required to satisfy a supply management activity requirement.

F. **Transfer of Inventory Item.** Losses for inventory items are taken at the time an item is determined to be EOU beyond repair. Both the inventory item and its related allowance are removed from the accounting records of the supply management activity.

G. **Issues of Excess Items to Other DoD Activities.** When the IMM directs and controls the lateral redistribution of an item excess to the immediate needs of a retail activity, supply management activities will record the event without direct reimbursement to the issuing (sending) activity from the receiving activity. Further, the IMM must bill the receiving activity for the standard price of the material and reimburse the issuing activity for the standard price of the item and its standard packing, crating, handling, and transportation costs.

H. **Transfers of Excess Property from DLA Disposition Services.** When an IMM or Primary Inventory Control Activity (PICA) determines that needed material is available within the disposal system, the DLA Disposition Services must provide the material to the requiring IMM/PICA without reimbursement. The supply management activity must reimburse the DLA Disposition Services, however, for costs incurred for packing, crating, handling (PCH), and transportation, if applicable or when conditions warrant. Reimbursement for PCH will be at the rate of 3.5 percent of the acquisition price of consumable material and 1 percent of the acquisition price of reparable material. Reimbursement to the DLA Disposition Services for transportation of consumable or reparable items will be at the cost recovery rate in effect for transportation by the shipping the DLA Disposition Services location. Activities must account for transfers of material from the DLA Disposition Services. Refer to the DoD Standard Chart of

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Accounts and DoD USSGL Transaction Library for detailed account descriptions and posting guidance for each of the general ledger accounts referenced.

I. Accounting for Customer Returns. Customer returns may have a significant impact on current period revenue and inventory for the supply management activities. Customers may or may not receive credit for returned items. Return of an item, whether issuable or not issuable, reverses the sale’s effect on the Cost of Goods Sold because the sale with return brings the supply management activity back to the original level of inventory. Regardless of whether the customer does or does not receive credit, activities will record receipt of a returned item.

0406 WRM - (Applicable to WCF Only)

040601. Description

WRM is mission essential secondary items, principal end items, and munitions sufficient to attain and sustain operational objectives in scenarios authorized in the Secretary of Defense guidance and Joint Staff scenarios for committed forces. The WRM inventories must include peacetime operating stocks, training stocks, stocks available through industrial base partnerships, and WRM. (See DoDI 3110.06.) Stockpile materials are strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies. National Defense Stockpile materials, discussed in Section 0408, are accounted for within the National Defense Stockpile Transaction Fund.

040602. Funding for WRM

The WRM must be funded from appropriations made directly to the WCF. Such appropriated amounts must be reflected as a separate goal within the applicable supply management or Commissary Resale activity’s annual operating budget letter. Items such as ammunition and/or principal and major end items procured for war reserve must not be funded through a WCF, but must be funded through amounts available to Component/Defense Agency procurement appropriations.

040603. Accounting for WRM

Purchases of WCF war reserve items must be accounted for at the same level of detail as items procured for peacetime requirements. The value of war reserve items must be recorded in the standard inventory accounts.

040604. Acquisition of WRM

The WRM is indistinguishable from corresponding inventory items. The WRM and inventory are, or can be, purchased at the same time, purchased from the same vendor, received at the same time and in the same shipping container, and stored together in the same warehouse/bin. As a result, the accounting for the acquisition of WRM and inventory, at the time of acquisition, is the same.
040605. Disposition of WRM

The WRM is held in reserve to be available for transfer without reimbursement when the issuance of a WRA has been approved to satisfy requirements of a mobilization of U.S. Armed Forces. However, if authorized, war reserve and other stockpile materials may be sold.

0407 WORK-IN-PROCESS - (Applicable to WCF Only)

*040701. General

The WCF manufacturing activities, primarily those involved in depot maintenance or other industrial-type operations, who routinely perform tasks that take more than a month, must record operating costs within a work-in-process account. When the WCF manufacturing activity issues a progress invoice to the DoD purchasing component it will relieve its work-in-process for the amount invoiced. A work-in-process account must also be used by the DoD purchasing component to record any incremental amount billed to it by the DoD manufacturing activity for manufactured inventory. Additional information relating to revenue recognition, progress billings to customers, and disputed bills may be found at Chapter 16.

040702. Accounting for Work-In-Process

A. This section describes the applicable USSGL accounts for recording transactions that map to the Inventory – Work-in-process account. Detailed posting transactions are outlined in the DoD USSGL Transaction Library. The USSGL accounts for work-in-process are described in this subparagraph.

1. Inventory–Raw Materials (Account 152500). All supplies and material purchased by a WCF activity for the purpose of providing goods or services to a customer must be accounted for in this account. Supplies and materials issued to a specific job must be recorded as a direct cost. Supplies and materials issued for the general use of a cost center (production indirect) or for G&A of an activity must be recorded as an indirect cost.

2. Inventory–Work-In-Process (Account 152600). This account is used to capture all costs relating to products that are in the process of being manufactured, remanufactured, repaired, or fabricated but are not yet complete. Periodically, but not less than monthly, adjust the allocated indirect expense amount to the actual indirect expense amount to record the assignment (allocation) of indirect expenses to work-in-process. The application of indirect expenses to inventory – work-in-process may be based on a formula that, over time, provides a reasonably close approximation of actual indirect expenses. Periodically, but not less than annually, adjust the allocated indirect expense amount to the actual indirect expense amount and adjust the applied overhead account. Adjustments of over and under applied overhead must be accomplished prior to the final billing on a completed customer order. Variances between actual indirect expenses and applied indirect expenses are accounted for as cost of goods sold.
3. Inventory–Finished Goods (Account 152700). This account is used to record the liquidation of inventory work-in-process when related work is completed and will be accepted for delivery to a customer in response to its order.

4. Applied Overhead (Account 660000). This account is used to record the amount of overhead cost distributed to work-in-process, construction in process or OM&S in development.

5. Cost Capitalization Offset (Account 661000). This account is used to record the amount of any costs originally recorded into another expense account that are directly linked to a specific job or product. These costs are transferred to an “in progress” asset account such as inventory work-in-progress, O&M&S in Development, internal use software in development, and/or a completed asset account.

B. Work-in-process general ledger accounts may be used by any DoD Component or activity within those Components.

1. When a WCF activity incurs costs to produce a customer order, the related costs, regardless of the source of funding, should be accumulated by the use of a job order. Related costs attributed to an order may include:

   a. Costs of additions, alterations, improvements, rehabilitations, and replacements of DoD fixed assets exclusive of construction in progress. Accounting guidance on construction in progress can be found in Chapter 6;

   b. Costs of maintaining DoD equipment and inventory;

   c. Costs of manufacturing or fabricating an end item or product; and

   d. Costs of producing an output.

2. Actual cost of direct labor, direct materials, indirect labor, indirect materials and G&A expenses used in the production and completion of a job order/customer order must be recorded in inventory work-in-process.

3. Progress billings to a DoD purchasing component for manufacture of inventory must be recorded as inventory work-in-process by the DoD purchasing component. These costs occur when a DoD purchasing component uses an organic (i.e. DoD component manufacturer) or a private sector manufacturer (i.e. a manufacturer outside of DoD) to acquire inventory where progress billings reflect the incremental costs incurred being billed by the manufacturer. If a DoD component is the manufacturer, it will record an accounts receivable and reimbursable revenue for the amount of the progress billing.
C. Relief of Work-in-Process

1. **Cost Transfer.** Direct costs, indirect costs and G&A expenses recorded in inventory work-in-process accounts must be transferred upon completion or termination of the customer order to:

   a. An Inventory-Finished Goods account and will then be expensed as cost of goods sold upon delivery to the customer. Costs incurred in excess of funding provided by the customer order must be recognized as a loss in proportion to the total estimated cost as costs are incurred to fulfill the order, such that the loss is recognized in proportion to total cost over the life of the order;

   b. An applicable asset account, if the completed work is to be retained by the producing activity;

   c. An expense account, if the completed work retained for use by the producing activity does not meet the DoD capitalization criteria; or,

   d. Operating expenses/program costs upon termination of a customer order prior to completion.

2. **Order Completion.** Completion of a customer order occurs when all work requested on a customer order has been completed. Upon completion of a customer order, no costs associated with that customer order must remain in the work-in-process account.

3. **Recognizing Losses.** The costs incurred on a customer order may be more or less than the revenue earned depending upon whether costs incurred exceed or are less than the funded amount on the customer order. Therefore, a gain or loss may occur on the work performed on a customer order. **Probable (more likely than not) losses should be recognized in proportion to estimated total cost when goods and services are acquired to fulfill the contract. Thus, the loss should be recognized in proportion to total cost over the life of the contract/customer order.**

4. **Disposition of Completed Products.** Completed products in response to a customer order may not be retained as assets (i.e., finished goods) of WCF activities. Upon completion, goods and services resulting from customer orders must be billed promptly to customers. **Billing must not be delayed or deferred pending customer acceptance of finished work.** Parts and supplies manufactured for internal WCF use must be transferred, upon completion, to the OM&S account.

5. **Progress Billed Manufacture.** Costs that have been accumulated in inventory work-in-process because of progress or incremental billing to a supply management activity must be transferred to Inventory Held for Sale upon completion and receipt of the manufactured end items.
D. Review of Work-In-Process. Periodically, but at least annually, WCF activities must review work-in-process account balances so that appropriate actions may be taken, if necessary, to reduce significant balances in the work-in-process account. The review should focus on completed customer orders where costs incurred exceed the funding provided on the existing customer order and these costs have not been recognized as a loss. In these cases, the activity should transfer the amount of costs incurred that exceeds the funding provided on the customer order from the work-in-process account to a loss account in the period in which the costs were incurred. In addition, the review should evaluate the compliance with the accounts receivable policy and percentage of completion method for revenue recognition policy in Chapter 3 and Chapter 16.

*040703. Inventory Work-In-Process Accounts

Due to reporting requirements, many WCF activities are required to capture costs at a more detailed level than the USSGL or DoD Standard Chart of Accounts. The inventory work-in-process should identify the performing activity and the portion of government property furnished to contractors and subcontractors for the performance of DoD contracts for other than real property. Activities may want to create subaccounts within their inventory or general ledger systems to track work-in-process at the detail level; however, the internal subaccounts must aggregate to one USSGL/DoD account. The inventory work-in-process subaccounts suggested for use by the WCF are described in this paragraph:

A. Inventory Work-In-Process (In-House). Inventory work-in-process (in-house) is used to record the cost of work-in-process performed by DoD personnel. A subsidiary account must be maintained to accumulate the costs of each job/customer order and facilitate the transfer of costs to the applicable asset or expense account. Sources of entries to this account include billings under contracts for material, supplies, and equipment; documented assignments of costs accumulated in cost pools; issue and transfer documents; receiving and shipping reports; invoices; payment vouchers; payroll records; reports of completed work-in-process; and documented losses.

B. Inventory Work-In-Process (Contractor). Inventory work-in-process (contractor) is used to record the cost of work performed by a contractor. If the work is accepted and will be incorporated into in-house work, it should be recorded to work-in-process. It should be recorded to inventory available for sale upon acceptance if it will not be incorporated into in-house work.

C. Inventory Work-In-Process (Other Government Activities). Inventory work-in-process (other government activities) is used to record the cost of work-in-process performed by other federal government agencies. A subsidiary account must be maintained for each contract to track the value of work performed as represented by progress payments. Sources for entries to this account include interagency agreements, invoices, payment vouchers, and property acceptance documents.
D. Inventory Work-In-Process (GFM)

1. Inventory work-in-process (GFM) is used to record the value of that portion of government property furnished to contractors and subcontractors (including other federal agencies) for the performance of DoD contracts.

2. Details of government furnished material must be maintained for each contract where the contractor is provided material by DoD. This can be accomplished either using separate Accountable Property System of Record entries or using USSGL subsidiary accounts. For example, a subsidiary account could be maintained for each contractor that is furnished government material for use in performance of a contract(s) and that is to be returned upon completion of the contract. The subsidiary accounts should be subdivided by contract. In addition, any increases to this account must be supported by documentation evidencing issuances of government material to contractors, whether from inventory or from another contractor in accordance with DoDIIs. Decreases to this account only occur when the end item is accepted by the DoD and received into inventory, or the material is returned to inventory or otherwise disposed of at DoD's direction.

3. Periodically, but at least annually, this account must be reconciled with the property accountability records maintained by the contractor. This reconciliation involves coordination with the assigned property administrator for the contract. Property administrators must be provided financial data on the value of GFM for use in completing contract close out or termination. On contract completion or termination, the account must be adjusted to reflect the disposition of unused GFM provided to the contractor.

4. Sources for entries to this account include shipping and issue documents, property acceptance documents and property administrator reports, material-return documents, collection and deposit documents, settlement agreements, and documented losses.

0408 STOCKPILE MATERIALS - (Applicable to Revolving Fund Only)

040801. Description

The National Defense Stockpile operates under the authority of the Strategic and Critical Stock Piling Act (50 U.S.C. Subchapter III). The Stockpiling Act provides that strategic and critical materials are stockpiled in the interest of national defense to preclude a dangerous and costly dependence upon foreign sources of supply in times of a national emergency. The National Defense Authorization Acts provide authority to buy and sell specific materials, set quantity and revenue levels for selling material, and mandate programs to receive the revenue from the sales and collections. There is currently no authorization to buy (acquire) any material if over 99 percent of the inventory is authorized for sale. Only accounting requirements and procedures for stockpile material transactions particular to the National Defense Stockpile Transaction Fund (NDSTF) are included in this section.

A. Operations. The Defense National Stockpile Center (DNSC) administers the acquisition, storage, management, and disposal of inventory currently maintained in the
National Defense Stockpile. The NDSTF is a continuing fund that finances the operations of the National Defense Stockpile and DNSC. The NDSTF receives resources from diverse sources including direct appropriations, transfers from other appropriations, transfers of physical assets, and disposal proceeds, and thus is not strictly a revolving fund. The NDSTF’s Department of the Treasury Federal account symbol is 97X4555.

B. Responsibilities. The DNSC will initiate all transactions obligating funds and accounting for inventory of the NDSTF. The Defense Finance and Accounting Service (DFAS) will establish accounting requirements and procedures, perform financial and general ledger accounting, and prepare external accounting reports for the NDSTF. The DFAS will also provide accounting reports and additional supporting supplemental financial information to the DNSC for preparation of the DoD, “Strategic and Critical Materials Report to the President and Congress.”

040802. Recognition of Stockpile Materials

The consumption method of accounting must be applied for stockpile materials. The materials must be recognized as assets and reported when produced or purchased. The cost of stockpile materials must be removed from stockpile materials and reported as an operating expense when issued for use or sale.

040803. Valuation of Stockpile Materials

Stockpile materials must be valued based on historical cost. Historical cost must include all appropriate purchase, transportation, and production costs incurred to bring the items to their current condition and location. Abnormal costs must be charged to operations of the period. The DoD standard of using the MAC flow assumption must be applied in arriving at the historical cost of stockpile materials. The financial inventory balance of the National Defense Stockpile is maintained on a historical cost basis as supported by “laid-in cost.” In accounting terms, laid-in cost is used by wholesalers or suppliers and includes additional costs incurred to place the goods in inventory (e.g., a manufacturer's invoice price and freight).

040804. Accounting for Stockpile Materials

Because of some unique transactions used in accounting for National Defense Stockpile material (e.g., acquisitions and sales), additional breakout of information is required below the USSGL account level. When information is required for separate identification and inclusion in financial statements, combining with other accounts in the several financial statements, or preparation of notes to the financial statements, financial systems should allow for the information to be segregated in a form that would permit user analysis. The unique use of select general ledger accounts of the NDSTF is included in the discussion of each particular accounting area. Detailed posting transactions are outlined in the DoD USSGL Transaction Library. Also, see Chapter 16.

A. Stockpile Materials Held In Reserve (Account 157100). Stockpile Materials Held In Reserve are strategic and critical materials held due to statutory requirements
for use in national defense, conservation or national emergencies. They are not held with the intent of selling in the ordinary course of business.

B. **Stockpile Materials Held For Sale (Account 157200).** This account is the account used to maintain the stockpile materials that have been authorized for sale. The materials authorized for sale must be valued using the same basis used before they were authorized for sale. Any gain (or loss) upon sale must be recognized as a gain (or loss) at that time.

C. The two USSGL inventory accounts described in subparagraphs 040804.A and 040804.B are classified in several lower level subdivisions of this account, which are used for the National Defense Stockpile inventory as shown at Table 4-6.

Table 4-6. National Defense Stockpile Inventory

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<tbody>
<tr>
<td>A</td>
<td>157100</td>
<td>Stockpile Materials Held In Reserve – Goal Material (Strategic and Critical Materials)</td>
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<tr>
<td>B</td>
<td>157100</td>
<td>Stockpile Materials Held In Reserve – Inventory Custodial Transfer or Pending Survey</td>
</tr>
<tr>
<td>C</td>
<td>157100</td>
<td>Stockpile Materials Held In Reserve – Inventory In Process Government Facility</td>
</tr>
<tr>
<td>D</td>
<td>157100</td>
<td>Stockpile Materials Held In Reserve – Inventory In Process Contractor Facility</td>
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<tr>
<td>E</td>
<td>157200</td>
<td>Stockpile Materials Held For Sale</td>
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040805. **Reconciling Inventory Records**

The inventory accounting system maintained by the DNSC supports the value of inventory as shown in these accounts. The DNSC and DFAS are jointly responsible for reconciling the inventory records.

A. **Material Acquisition.** All acquisitions of material for the National Defense Stockpile are proposed in the Annual Materials Plan, which is subject to approval by Congress and the subsequent authorization of funding. Funding authorization may be in the form of new appropriations, an authorization to spend from the available balance of the Transaction Fund, or from sales proceeds from authorized disposals. Material purchase contracts are recorded as obligations against the current year acquisition program on the date of the contract. When material is received, it is recorded in the inventory accounting system and the general ledger inventory account, accounts payable, and a decrease in undelivered orders. Any other cost, such as initial testing, increases the cost of the material for inventory valuation. The inventory accounting system must be reconciled to the general ledger inventory account each month. In addition, a physical inventory should be conducted at least annually.
B. **Material Upgrade.** Also included in the Annual Material Plan is the program for upgrading existing National Defense Stockpile material. This work is accomplished by contracts for the value of the upgrading services. These amounts are obligated against the current year program. When material is delivered to the contractor for upgrading it is transferred on the records from the stockpile inventory to material in the hands of a contractor. When upgraded material is returned, a new unit cost is determined by adding the upgrading costs to the original inventory value. The amount of the upgrading cost and original cost of the material are transferred to the on hand stockpile inventory account from the material in the hands of a contractor account.

C. **Exchange Transactions.** Materials can be disposed of by offering like material as payment in kind or other material in exchange as settlement of amounts due for material upgraded or acquired. These are accounted for as exchange disposals and the original cost of the material is removed from inventory and recorded as cost of exchange disposals. Exchange settlements liquidate an obligation for material upgrade and acquisition, as would payment in cash, and is accounted for through the budgetary accounts to effect the liquidation of the original contractual obligation in the accounting records.

D. **Material Disposals.** Various materials in the National Defense Stockpile may become obsolete or excess to current defense stockpiling needs. The National Defense Stockpile Act authorizes the disposal of such material. These materials can be disposed of when included in the Annual Material Plan and authorized in the budget program for the NDSTF. Disposal sales of marketable commodities are offered on a bid auction or negotiated sales basis. Material disposals are accounted for as sales and the original cost of the material is removed from inventory and recorded as cost of sales.

E. **Billing and Collection.** All sales and disposals are billed shortly after the sales agreement is made or as of the scheduled time for delivery or pickup of the material. Bid deposits received are held as advances until returned or recorded to sales proceeds upon delivery of material to successful buyers. The purchaser of the material is allowed a specified number of days in which to pick up the material, after which time storage charges are assessed. Any such storage charges are additional billings to the purchaser. When material is disposed of by exchange settlements, credits earned for material received and accepted by DNSC are used as payment for material shipped. Additional billings for delayed pickup of material are also applicable to the exchange settlement disposals. Collections are received by the DNSC via electronic fund transfer or paper check (deposited to a local banking facility). Upon receipt of the funds, a DD Form 1131, Cash Collection Voucher and confirmed deposit are sent to the DFAS Accounting and Finance Office for recording in the accounting records and financial reporting.

F. **Inventory Adjustments.** Inventory adjustments are made whenever there is evidence that an adjustment is required. Such instances include periodic count or measurement of material, movement of material, and complete disposal of material from a storage location. All adjustments are documented and approved before recording in the inventory accounting system and general ledger inventory account. Depending on the nature and size of the adjustment, approval is granted by the Administrator of the DNSC, delegated inventory officials, or board of survey.
040806. Research Grants

The NDSTF receives appropriations for the award of grants to universities, colleges, and research institutions. The designated recipient of the grant is included in the appropriation act or requisite legislation. The Administrator, DNSC, is the grant administering official. See Volume 12, Chapter 5 for additional guidance on accounting for grant funds.
(Applicable to both General Fund and Working Capital Fund)

<table>
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<tr>
<th>Costs</th>
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<td><strong>System/Technology Costs</strong></td>
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<td>• Locations/instances that need to be purchased and installed</td>
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<td>• More comprehensive enterprise view of location, status of OM&amp;S</td>
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<td>• Near term sunset of current systems and implementation of new systems</td>
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<td>• Purchasing decisions</td>
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<td>• Additional bandwidth or connectivity requirements</td>
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<td>• Better financial stewardship and oversight of OM&amp;S balances</td>
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<td>• Additional training required at field locations</td>
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<td>• Fuller picture of true OM&amp;S and asset balances</td>
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<td>• Additional FTEs / Contractors</td>
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<td><strong>Process Costs</strong></td>
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<td>Process Benefits</td>
<td></td>
<td></td>
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<tr>
<td>• Contract modifications (for GFM)</td>
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<td>• Improved business processes and internal controls</td>
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<td>• Process reengineering, including internal controls and financial reporting</td>
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<td><strong>Total</strong></td>
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<td><strong>Total</strong></td>
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</table>

This annex is applicable for inventory, operating materials and supplies (OM&S), and stockpile materials of both the General Fund, Working Capital Fund, and Revolving Fund.

A20101. Alternative Valuation Methodologies for Opening Balances

This policy guidance sets out how Components should establish opening balances for inventory, OM&S, and stockpile materials using the methodology described in the Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standard (SFFAS) 48 “Opening Balances for Inventory, Operating Material & Supplies, and Stockpile Materials,” and Technical Release 18 "Implementation Guidance for Establishing Opening Balances". All Components must establish their opening balances for inventory, OM&S, and stockpile materials in alignment with established Financial Improvement and Audit Readiness milestones. The valuation methodologies outlined in this policy must be used only to establish and document opening balances. After establishing opening balances, the Components must account for and comply with the recognition, measurement, presentation, and disclosure requirements identified in this chapter and FASAB pronouncements, including SFFAS 3, “Accounting for Inventory and Related Property.”

A20102. Valuation of Opening Balances

A. When a Component cannot apply the initial amount measurement approach (historical cost) outlined in SFFAS 3, it is acceptable to use deemed cost as a substitute for initial amounts (historical cost) to establish the opening balances for inventory, OM&S, and stockpile materials. Deemed cost may be based on any one or a combination of the following allowable valuation methods:

1. Standard (Selling) Price or Fair Value
2. Latest Acquisition Cost
3. Replacement Cost
4. Estimated Historical Cost (initial amounts)
5. Actual Historical Cost (initial amounts)

B. All methods used by a Component must be identified and reported in its financial statement notes. In addition, Components must retain documentation to support deemed cost values (e.g., invoices or contracts to demonstrate latest acquisition cost; catalog price to determine fair value; basis of estimates). Further, Components should select the most cost effective method(s) to apply in arriving at a supportable balance based on deemed cost.

C. Any gains or losses in inventory, OM&S, and stockpile materials allowance accounts must be adjusted to zero when establishing an opening balance using deemed cost. Once
established, opening balances are to be considered consistent with SFFAS 3 requirements. Opening balances should be included in ongoing inventory balances and valuation calculations (e.g., the opening balance would be one component of a Moving Average Cost (MAC) calculation, along with any newly purchased inventory). No distinction of amounts arising from the opening balances is required.

D. Deemed cost can only be used once by a Component to establish a beginning balance. The alternative valuation methods permitted in this guidance may not be applied to transactions or events that increase the value or quantity of inventory, OM&S, and stockpile materials after opening balances are established. Components must be prepared to comply with the recognition, measurement, presentation, and disclosure requirements of SFFAS 3 and this chapter (e.g., MAC, Specific Identification) going forward.

E. Where deemed cost is used to value the opening balance for inventory, OM&S, or stockpile materials, the existing values in the DoD Component accounting systems will need to be adjusted by eliminating the gross inventory, OM&S, or stockpile materials value and any related allowance account value and recording the deemed cost value. The difference between the gross value, any related allowance account value and deemed cost will be recorded to prior period adjustments due to changes in accounting principles in accordance with the reporting requirements under paragraph 13 of FASAB SFFAS 21, “Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources.” Any adjustments must be properly documented and supported to assist ongoing audit efforts.

F. DoD Components who apply the deemed cost methodology to adjust their opening balances for inventory, OM&S, or stockpile materials, must disclose in their financial statements that a deemed cost methodology was applied in establishing their opening balances and describe the method used in the first reporting period in which the reporting entity makes an unreserved assertion that its financial statements, or one or more line items, are presented fairly in accordance with GAAP. An unreserved assertion is an unconditional statement. No disclosure of the distinction or breakout of the amount of deemed cost of inventory, OM&S, or stockpile materials included in the opening balances is required.

A20103. Relevant Guidance

A. SFFAS 3, “Accounting for Inventory and Related Property”;

B. SFFAS 21, "Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources”;

C. SFFAS 48, “Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials”;

E. Technical Release 18 "Implementation Guidance for Establishing Opening Balances".

A20104. Definitions

A. **Deemed Cost.** Deemed cost is an amount used as a substitute for initial amounts that otherwise would be required by SFFAS 3 to establish opening balances.

B. **Fair Value.** Fair value is the amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

C. **Opening Balances.** Opening balances are account balances that exist at the beginning of the reporting period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions and events of prior periods and accounting policies applied in the prior period. Opening balances also include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments.

D. **Replacement Cost.** A replacement cost is an amount required for an entity to replace the remaining service potential of an existing asset in a current transaction at the reporting date, including the amount that the entity would receive from disposing of the asset at the end of its useful life.

E. **Specific Identification.** Specific identification is an inventory costing methodology that directly links specifically identifiable items (e.g., serially managed items) with their associated costs.

F. **Standard (Selling) Price.** Standard price is the latest known representative acquisition cost plus authorized cost recovery rate for each item of inventory and related property. This price is established annually and is often referred to as selling price. Selling price and fair value may or may not be identical due to the intragovernmental nature of some sales.

G. **Additional Definitions.** See section 0402 for additional definitions.
VOLUME 4, CHAPTER 5: “ADVANCES AND PREPAYMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated June 2009 is archived.

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<td>050101</td>
<td>Revised to comply with October 2014 policy memorandum limiting recording of contract financing payments as advances to only those contract financing payments described in Federal Acquisition Regulation (FAR) 32.4.</td>
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<td>050201.C.2.</td>
<td>Revised four-digit general ledger account to Department of Defense (DoD) Standard Chart of Account (SCOA) six-digit account and added appropriate four digit point account.</td>
<td>Revision</td>
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<td>050302 and</td>
<td>Moved contract financing payment discussed to Paragraph 050404.</td>
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<td>050401.D.</td>
<td>Added appropriate DoD SCOA accounts and point accounts for recoveries of current year advances and prepayments.</td>
<td>Revision</td>
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<tr>
<td>050401.E.</td>
<td>Added appropriate accounting treatment for recoveries of prior year advances and prepayments, which are treated differently than recoveries of current year advances and prepayments in accordance with the Office of Management and Budget Circular A-11, Section 20.11. Subsequent paragraphs were renumbered.</td>
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<td>Revised four-digit general ledger account to DoD (SCOA) six-digit account and added appropriate four digit point account.</td>
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<td>050404</td>
<td>Incorporated policy memorandum and the content from 050202 and 050303 into a single contract financing payment paragraph. Only those contract financing payments described in FAR 32.4 are recorded as advances and prepayments. The remainder are recorded as inventory work in process, construction in process, internal use software in development or expensed.</td>
<td>Addition</td>
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</table>
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CHAPTER 5

ADVANCES AND PREPAYMENTS

0501 GENERAL

050101. Purpose

This chapter describes the principles and policy to be followed by Department of Defense (DoD) Components to account for advances and prepayments made to employees, other Federal Government agencies and non-Federal Government organizations. Advances do not include payments for which performance has occurred. Most contract financing payments are not advances and prepayments. Only contract financing payments delineated as advance payments for non-commercial items described in Federal Acquisition Regulation (FAR) 32.4 are advances and prepayments.

050102. Overview

Advances and prepayments are reported and accounted for in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 1, “Accounting for Selected Assets and Liabilities.”

A. The general prohibition against using advances is contained in 31 United States Code (U.S.C.) 3324:

1. Except as provided in this section, a payment under a contract to provide a service or deliver goods for the United States Government may not be more than the value of the service already provided or the goods delivered.

2. An advance of public money may be made only if it is authorized by:

   a. A specific appropriation or other law; or

   b. The President to be made to:

      (1) A disbursing official if the President decides the advance is necessary to carry out:

         (a) The duties of the official promptly and faithfully; and

         (b) An obligation of the Government; or

      (2) An individual serving in the armed forces at a distant station if the President decides the advance is necessary to disburse regularly pay and allowances.
B. Amounts recorded as advances and prepayments must be supported by documentation that clearly shows the basis for the amount recorded and the terms upon which an advance or prepayment is made. Documentation must be readily available for review by auditors.

0502 ADVANCES

Advances are cash outlays made by DoD Components to its employees, contractors, grantees, or others to cover a part or all of the recipients’ anticipated expenses for the cost of goods and services the DoD Component will acquire. Advances are made in contemplation of the later receipt of goods, services, other assets or the incurrence of expenditures. Advances are made only to payees to whom a Component has an obligation and not in excess of the amount of the obligation. Examples include travel advances disbursed to employees, and cash or other assets disbursed under a contract, grant, or cooperative agreement before goods or services are provided by the contractor or grantee.

A. Advances to contractors, and to grantees must be supported by the contracting officer's determination that all statutory requirements are met and that the provisions of FAR Part 32-Contract Financing, subpart 32-402 and DoD FAR Supplement Part 232-Contract Financing, subpart 232-4 are met. These provisions require, among other things, that the contractor give adequate security, advance payments may not exceed the unpaid contract price, the advance payment shall not exceed the contractor's interim cash needs, the advance is necessary to supplement funds available to the contractor, and, the Department of Defense shall benefit from performance prospects, or there are other practical advantages.

B. Advances to foreign countries are authorized by 10 U.S.C. 2396 which provides that:

1. An advance under an appropriation to the Department of Defense may be made to pay for:
   a. Compliance with laws and ministerial regulations of a foreign country;
   b. Rent in a foreign country for periods of time determined by local custom;
   c. Tuition; and
   d. Public service utilities.

2. Under regulations to be prescribed by the Secretary of Defense or by the Secretary of Homeland Security with respect to the Coast Guard when it is not operating as a service of the Navy, an officer of an armed force of the United States accountable for public money may advance amounts to a disbursing official of a friendly foreign country or members of an armed force of a friendly foreign country for:
a. Pay and allowances to members of the armed force of that country; and
b. Necessary supplies and services.

c. An advance may be made under this subsection only if the President has made an agreement with the foreign country:

   (1) Requiring reimbursement to the United States for amounts advanced;

   (2) Requiring the appropriate authority of the country to advance amounts reciprocally to members of the armed forces of the United States; and

   (3) Containing any other provision the President considers necessary to carry out this subsection and to safeguard the interests of the United States.

C. Advances to foreign governments shall be made as closely as possible to the time they actually disburse funds for costs incurred.

   1. Normally, advances shall not be outstanding for more than 90 days. Statements of actual costs incurred in sufficient detail to allow certification of performance by an authorized DoD official must be provided on a monthly basis. Advances to foreign countries may require consultation with the Treasury Department.

   2. Advances made pursuant to 10 U.S.C. 2396 must be recorded in account 141000.9000, “Advances and Prepayments”. Subsidiary accounts shall be established for each country and each organization or person to whom the advance is made.

D. Advances must be made only to meet requirements authorized by law. When the conditions under which an advance was made are satisfied, the unused portions of the advance must be collected immediately and returned to the fund from which originally made.

E. Except for DoD personnel receiving advances for travel purposes, all requesting organizations shall prove destitution; i.e., that they are financially unable to perform without DoD financial assistance. Failure to seek financial market assistance is not a valid basis for requesting an advance. Organizations or individuals (other than DoD employees requesting travel advances) requesting advances shall demonstrate that all external financing sources have been exhausted before an advance is authorized. Refer to Volume 1, Chapter 9 for documentation retention requirements.

F. Details concerning advances to military and civilian personnel for pay are included in Volumes 7A and 8.
0503 PREPAYMENTS

Prepayments are payments made by DoD Components to cover certain periodic expenditures before those expenses are incurred. Prepayments are amounts paid for goods and services to provide for future benefits over a specified time period. They apply when it is a generally accepted industry practice to pay for items such as rents, subscriptions, and maintenance agreements in advance of the service being provided and the prepayment is authorized by law. When expenses are prepaid, DoD Components must record the prepayment when it is made. At the end of the fiscal year, prepayments must be reviewed and the expired portion expensed. As a general rule, DoD operation and maintenance appropriations are annual in nature and thus limited to obligations for goods and services required to meet current operating requirements. Prepayments differ from advances in that prepayments relate to transactions that are recurrent in nature and do not provide financing as a precondition of performance.

0504 ACCOUNTING FOR ADVANCES AND PREPAYMENTS

*050401. Accounting Entries for Advances and Prepayments

The DoD USSGL Transaction Library illustrates the accounting entries and United States Standard General Ledger (USSGL) accounts to be used.

A. Advances and prepayments are reduced and an expense is recorded or capitalized as an asset when goods or services are received, contract terms are met, progress is made under a contract, or prepaid expenses expire. Advances and prepayments paid out are recorded as assets. Advances and prepayments received are recorded as liabilities. In the financial statements, advances and prepayments paid out should not be netted against advances and prepayments received.

B. DoD Components must account and report separately the amount of advances and prepayments associated with Non-federal entities and Federal entities.

C. DoD Components must ensure that management controls exist to monitor the use of advances and prepayments made. Unneeded and unused balances must be recovered as soon as information indicates they are excess to the purposes for which originally made.

D. Recoveries of unused advances and prepayments received the same year as the original obligation are recorded as recoupments; i.e., as a debit to account 101000.0120, Fund Balance with Treasury - Funds Disbursed and a credit to 141000.9000, Advances and Prepayments. Additionally, budgetary account 480200.9000, Undelivered Orders - Obligations, Prepaid/Advanced is debited, and budgetary account 461000.9000, Allotments, Realized Resources is credited. This permits the Funds Disbursed account to support the disbursements balances reported on the Standard Form (SF) 133, “Report on Budget Execution and Budgetary Resources.”

E. Recoveries of unused advances and prepayments related to prior year obligations are recorded as a debit to account 101000.0110, Fund Balance with Treasury - Funds Collected and a credit to 141000.9000, Advances and Prepayments. Budgetary account
487200.900, Downward Adjustments of Prior - Year Prepaid/Advanced Undelivered Orders - Obligations, Refunds Collected, is debited and either budgetary account 445000.9000, Unapportioned Authority, or 465000.9000, Allotments - Expired Authority, is credited. These recoveries are designated as collections rather than a reduction of disbursements.

F. Advances represent a current outlay of funds to meet a near or long-term need. As such, they are a negative factor minimizing the Treasury's borrowing requirements. Accordingly, amounts advanced shall be kept to the minimum amounts necessary for the shortest possible time period.

G. Advances must be reviewed periodically to determine whether the amounts advanced are in excess of the recipient's current needs. Amounts determined in excess must be collected from the recipient. The required review must be made at least semiannually. Refer to Volume 1, Chapter 9 for records retention requirements.

050402. Travel Advances

Travel advances represent the outstanding balance of advances made to DoD military personnel and qualifying dependents, civilian employees, and appointees for per diem, transportation, and related expenses incident to travel on authorized official business or change of official duty station. The sources for accounting entries include travel orders, travel vouchers, cash collection vouchers, disbursement vouchers, and journal vouchers.

A. Travel advances shall be minimal and allowed only when necessary. Generally, advances shall not exceed 80 percent of the estimated per diem. Unless otherwise exempted by regulations, use of the Federally mandated Government Travel Charge Card by DoD employees is required in lieu of travel advances.

B. Travel advances must be charged to the appropriations or funds from which reimbursements of travel expenses are to be made. An authorized travel order shall serve as the basis for issuing a travel advance.

C. When authorized travel carries over from one fiscal year to the next, the total balance of all travel advances shall be transferred from the expiring appropriation accounts to the next year's appropriation accounts. Such transfers are to be made at the beginning of the new fiscal year. The transfer documents shall be supported by detailed data on each outstanding advance included in the transfer.

D. Periodically, but at least semiannually, all outstanding advances must be reviewed to determine if the original justification for the advances is still valid. Advances determined to be in excess of the travelers' immediate needs shall be collected from the traveler.

E. Recovery of excess travel advances may occur in the following ways: submission of a travel voucher upon completion of official travel; repayment by the employee to whom the advance was made; or, when necessary, deductions from the employee's pay or other methods provided by law. If the traveler is in a continuous travel status and periodic travel
vouchers are submitted, the full amount of allowable travel expenses may be reimbursed to the traveler without deductions of advances until such time as the final vouchers are submitted.

F. If travel advances are not fully recoverable by deductions from travel vouchers or refunded by the travelers, prompt action shall be taken to recover the outstanding advances by deductions from any amounts due the traveler or by using any other legal means available. In such instances, the travel advance shall be reclassified and recorded as non-federal in USSGL account 131000.9000, “Accounts Receivable.”

G. Subsidiary travel advance accounts shall be established for each appropriation and for each employee. Information in the employee subsidiary account shall include sufficient information to establish an audit trail showing when the advance was made, the authority for the advance, and the date the advance was liquidated.

H. Employees shall be provided a reasonable period of time to repay their travel advances upon completion of travel. As a general rule, 15 calendar days shall be considered sufficient unless evidence is available to indicate a longer or shorter period is justifiable.

050403. Grant Awards

Advance payments to grant award recipients (including amounts drawn against letters of credit) shall be accounted for as advances of the assisting DoD Component until the recipient has performed under the grant agreement. Once the recipient has performed under the grant or agreement, the assisting agency shall record an expense in an amount equal to the cost of the services performed or costs incurred and reduce the advance account by a like amount. Periodically, the advances shall be reconciled with the detailed documentation. Such reconciliations shall be made no less frequently than semiannually. Each advance shall be reviewed periodically to determine whether amounts are in excess of the grantee's current needs. Amounts determined to be excess shall be collected from the recipient. The timing of the review should be coordinated with DoD grantors so that the review occurs as each grant milestone or reporting requirement is reached. Sources for entries include grant agreements, disbursement vouchers, collection vouchers and reports on grant performance.

*050404. Contract Financing Payments

A. According to FAR 32.001, contract financing payments are authorized disbursements of monies to a contractor prior to the acceptance of supplies or services. Contract financing payments include:

1. Advance payments;

2. Performance based payments;

3. Commercial advance and interim payments; and

4. Progress payments based on cost or percentage of completion.
B. Contract financing payments do not include:

1. Invoice payments;
2. Payments for partial deliveries; or
3. Lease or rental payments.

C. Contract financing payments defined in FAR 32.4 and containing clauses outlined in \textit{FAR 52.232-12} are recorded as advances and prepayments using USSGL 141000.0200, Advances and Prepayments, Outstanding Contract Financing Payments.

D. Contract financing payments described in FAR 32, Contract Financing, with the exception of advance payments for non-commercial items delineated in FAR 32.4, are not advances. The remaining contract financing payments are recorded as:

1. Account 152600.9000, Inventory Work in Process;
2. Account 172000.0200, Construction in Process;
3. Account 183200.9000, Internal Use Software in Development; or
4. Account 610000.9000, Operating Expenses/Program Costs.

E. Additional information is contained in Table 1.

F. Contract financing payments are more fully discussed in Volume 10, Contract Pay Policy.

050405. Advances to Contractors and Suppliers

Entries to record advances to contractors and suppliers \textit{are} recorded when advanced to non-federal organizations or individuals under contract for goods and services. Periodically, these advances shall be reconciled with the detailed documentation supporting the advances. Such reconciliations shall be made no less frequently than semiannually. Advances to non-federal organizations shall be made only when authorized by law. Documentation sources to support accounting entries include contracts, receiving and inspection reports accepting goods and services received, and collection vouchers. Refer to Volume 1, Chapter 9 for records retention requirements.

050406. Advances to Government Agencies and Funds

Advances to other Government agencies shall be made only pursuant to law or when such interests are in U.S. national defense. Generally, work performed for the DoD by other Federal Agencies is on a reimbursable or a direct cite arrangement, and funds are transferred to the
performing agency using non-check transfer mechanisms. Sources of entries include interagency agreements, disbursement vouchers, collection vouchers, and receiving and inspection reports.

050407. Advances Made to the General Public

Advances to the general public include pay advances to military personnel, and to foreign nations. Advances in this category shall be made only when authorized by law or regulations as discussed in paragraph 050102.A. Sources for entries for this type of advance include contract documents, inspection and receiving reports, disbursing vouchers, and collection vouchers.

050408. Defense Working Capital Fund (DWCF)

DWCF entities are required to record advances and prepayments in accordance with the policy in this chapter.
### Table 1 – Contract Financing Payments Matrix

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<tr>
<td>Fixed Price</td>
<td>Advance Payment</td>
<td>52.232-12, Advance Payments (Note 1)</td>
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<td>Yes</td>
<td>141000.0200</td>
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<td>Performance Based Payment</td>
<td>52.232-32, Performance-Based Payments</td>
<td>152600.9000,</td>
<td>Yes</td>
<td>610000.9000</td>
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<td></td>
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<td>183200.9000</td>
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<td>Commercial Advance Payment</td>
<td>52.232-29, Terms for Financing of Purchases of Commercial Items (Note 2)</td>
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<td>Commercial Interim Payment</td>
<td>52.232-29, Terms for Financing of Purchases of Commercial Items (Note 2)</td>
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<tr>
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<td>Progress payment based on cost</td>
<td>52.232-16, Progress Payments</td>
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<td>610000.9000</td>
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<td></td>
<td>Progress payment based on percentage or stage of completion</td>
<td>52.232-5, Payments Under Fixed-Price Construction Contracts</td>
<td>152600.9000,</td>
<td>Yes</td>
<td>610000.9000</td>
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<td></td>
<td></td>
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<td>183200.9000</td>
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<td></td>
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</tr>
<tr>
<td>Cost Reimbursement (excluding Labor Hour and Time &amp; Material)</td>
<td>Interim Payment</td>
<td>52.216-7, Allowable Cost and Payment</td>
<td>172000.0200</td>
<td>Yes</td>
<td>610000.9000</td>
<td>No (Note 4)</td>
<td></td>
</tr>
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<td>Time and Materials</td>
<td>Advance payment</td>
<td>52.232-12, Advance Payments, Alt II (Notes 1 and 5)</td>
<td>141000.0200</td>
<td>Yes</td>
<td>141000.0200</td>
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<td>Labor Hour</td>
<td>Interim Payment</td>
<td>52.232-7 -- Payments Under Time-and-Materials and Labor-Hour Contracts and 52.216-7 Allowable Cost and Payment</td>
<td>183200.9000 or</td>
<td>Yes</td>
<td>610000.9000</td>
<td>No (Note 4)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>610000.9000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 1: And Alternates as applicable, except for specific rules pertaining to Alt II, shown.

Note 2: Commercial advance payments and commercial interim payments are defined as contract financing in 32.202-1 and 32.202-2.

Note 3: Not listed among types of contract financing payments in 32.001, but referred to as such in 52.232-30 paragraph (a).

Note 4: The definition of contract financing payments at 32.001 excludes interim payments on a cost reimbursement contract for services.

Note 5: Cost type contracts with Advance Payments can have two types of financing, depending on whether the interim payments are financing (see Note 4), as the terms of the 52.216-7 clause still apply to the interim payments.
### Table 2 – General Ledger Accounts

<table>
<thead>
<tr>
<th>Account Title</th>
<th>Construction in Progress (CIP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Account Number</strong></td>
<td>172000.0200</td>
</tr>
<tr>
<td><strong>Definition</strong></td>
<td>The amount of direct labor, direct material, and overhead incurred in the construction of general property, plant and equipment (except for information technology software) for which the Federal agency will be accountable. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item. This account does not close at yearend.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account Title</th>
<th>C Internal Use Software in Development</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Account Number</strong></td>
<td>183200.9000</td>
</tr>
<tr>
<td><strong>Definition</strong></td>
<td>The full cost amount incurred during the software development stage of (1) contractor-developed software, and (2) internally developed software, (as defined in FASAB SFFAS No. 10, &quot;Accounting for Internal Use Software&quot;). Upon completion, these costs will be transferred to USSGL account 1830, &quot;Internal Use Software.&quot; This account does not close at yearend.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account Title</th>
<th>Inventory Work in Process</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Account Number</strong></td>
<td>152600.9000</td>
</tr>
<tr>
<td><strong>Definition</strong></td>
<td>The accumulated cost or value of inventory used in the production process. Work-in-process inventory includes the cost of raw materials, direct labor, and overhead. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item. This account does not close at yearend.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account Title</th>
<th>Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Account Number</strong></td>
<td>141000.0200</td>
</tr>
<tr>
<td><strong>Definition</strong></td>
<td>The advance or prepayment amount on outstanding contract financing payments made in contemplation of the future performance of services, receipt of goods, incurrence of expenditures, or receipt of other assets. Prepayments are expenditures that are generally recurrent in nature. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item. This account does not close at yearend.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account Title</th>
<th>Operating Expenses/Program Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Account Number</strong></td>
<td>610000.9000</td>
</tr>
<tr>
<td><strong>Definition</strong></td>
<td>Operating expenses and program costs not otherwise classified. This account closes at yearend.</td>
</tr>
</tbody>
</table>

5-12
VOLUME 4, CHAPTER 7: “INVESTMENTS AND OTHER ASSETS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated March 2013 is archived.

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<td>070201</td>
<td>Clarified requirements for recording investment related transactions.</td>
<td>Revision</td>
</tr>
<tr>
<td>070202</td>
<td>Added clarity over the types of Treasury investments in which the Department is authorized to invest.</td>
<td>Addition</td>
</tr>
<tr>
<td>070203</td>
<td>Added definition of par value.</td>
<td>Addition</td>
</tr>
<tr>
<td>070204</td>
<td>Revised requirement to use separate accounts to record separate accounting events.</td>
<td>Revision</td>
</tr>
<tr>
<td>070207</td>
<td>Paragraph is no longer valid with the change in the reporting of contract financing payments as construction in process rather than advances and prepayments.</td>
<td>Deletion</td>
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CHAPTER 7

INVESTMENTS AND OTHER ASSETS

*0701 GENERAL

070101. Purpose

This chapter prescribes the accounting requirements for recording transactions in those asset accounts not covered in Volume 4, Chapters 2 through 6. These requirements are consistent with and implement the general accounting policy for assets prescribed in Volume 4, Chapter 1. Other assets are those assets not used directly in performing the Department of Defense (DoD) mission. These assets consist of securities held in various trust funds, assets acquired through means other than appropriations, and assets awaiting disposal.

*070102. Authoritative Guidance


0702 ACCOUNTING POLICY FOR INVESTMENTS AND OTHER ASSETS

*070201. Account References

Accounting events shall be recorded according to the requirements set forth in the Treasury Financial Manual and Office of Management and Budget Circulars using the accounting entries specified in the DoD Standard Chart of Accounts and Standard Financial Information Structure Transaction Library, unless otherwise stated. Financial record retention requirements are in Volume 1, Chapter 9.

*070202. Investments

Investments represent the value of securities and other assets held for the production of revenues in the form of interest, dividends, rentals or lease payments, net of premiums and discounts. DoD has been authorized to invest in non-marketable, market-based, Treasury securities by the laws establishing MERHCF and MRF.

*070203. Investments in U.S. Treasury Securities

A. DoD Components holding such securities shall record the par value of U.S. Treasury securities for non-marketable market based Treasury securities. Par value is the amount
of principal a security pays at maturity. It is the amount printed on the face of a Treasury security. It is also referred to as the face value.

B. DoD Components holding such securities shall maintain an investment subsidiary ledger that provides the name, type, amount, acquisition date, acquisition cost, yield or interest rate, discount or premium, maturity date, and other applicable information for each investment.

C. DoD Components shall maintain a subsidiary account for each trust fund that invests in U.S. Treasury securities.

D. The disposition of a U.S. Treasury security may result in a gain or loss. A comparison of principal proceeds, the book value of a U.S. Treasury security, and any remaining unamortized premium or discount will determine whether there is a gain or loss.

E. Quarterly, the “Investments in U.S. Treasury Securities Issued by the Bureau of the Fiscal Service-Non-Marketable Market Based” account balance must be reconciled with the trust fund portfolios. Such reconciliations should occur whenever there is a change in trust fund managers or other employees having access to the securities, or when there is a substantial addition, disposition, or replacement in the composition of the portfolio.

F. Unless otherwise provided for by law, securities held by DoD trust funds are U.S. Treasury securities. The Treasury issues no certificates. Instead, Treasury notifies trust fund managers of portfolio increases or decreases using the “Transaction Confirmation.”

G. Source documents for entries to the account include U.S. Treasury securities, the “Transaction Confirmation,” collection and disbursement vouchers, amortization schedules, and journal vouchers.

*070204. Interest and Amortization


B. Use Accounts 161100.0400 and 161200.0400 to record the unamortized discount or premium on U.S. Treasury securities issued by the Bureau of the Fiscal Service. Use Accounts 161300.0500 and 161300.0600 to record the amortization of discount or premium on U.S. Treasury securities issued by the Bureau of the Fiscal Service. Use separate accounts to record the accounting events related to U.S. Treasury securities. For example, discounts on U.S.
Treasury securities should be recorded separately from premiums on U.S. Treasury securities. The amortization of the related securities shall be accounted for in distinct accounts.

**C.** A subsidiary account for unamortized premiums or discounts shall be maintained for each trust fund for determining the gain or loss on the disposition of securities held by each trust fund. This information also is needed for reporting on the financial status of each trust fund.

**D.** The income derived from U.S. Treasury securities other than Treasury bills shall be the interest stated on the face of the securities adjusted for the amortized premium or discount. For Treasury bills, the difference between the purchase price and the price received at the time of sale or maturity is income.

*E. Amortize premiums and discounts over the life of the securities using the interest method. Under the interest method of amortization, this is the amount equal to the carrying amount of the Treasury security at the start of the accounting period (cost plus or minus amortized discount or premium) of the investment times the effective interest rate. Thus calculated interest is the effective interest of the investment. The difference between the effective interest and the stated interest (par value times the stated interest rate) is the amount by which the discount or premium should be amortized for the accounting period. The effective interest rate (yield to maturity) may be calculated using a financial calculator or the RATE function in Excel.

**F.** Source documents for entries to this account include amortization schedules and journal vouchers.

070205. Other Investments


070206. Other Assets

Use “Other Assets” to record the value of assets not otherwise classifiable to a specific asset account. Establish applicable subsidiary accounts as necessary to meet management and reporting needs. Source documents for entries to this account include receiving reports and journal vouchers.
VOLUME 4, CHAPTER 8: “FINANCIAL CONTROL OF LIABILITIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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<td>All</td>
<td>Updated hyperlinks to comply with current standard operating procedures.</td>
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<tr>
<td>080103</td>
<td>Added additional authoritative guidance sources to better align the chapter with Federal Generally Accepted Accounting Principles, while also allowing easier source identification.</td>
<td>Addition</td>
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<td>080302</td>
<td>Revised the definition of “Covered Liabilities” to better align with the Office of Management and Budget Circular A-136.</td>
<td>Revision</td>
</tr>
<tr>
<td>080304</td>
<td>Revised the definition of “Exchange Transactions” to better align with Statement of Federal Financial Accounting Standards (SFFAS) 5.</td>
<td>Revision</td>
</tr>
<tr>
<td>080308</td>
<td>Revised the definition of “Government-Related Events” in accordance with SFFAS 5 to show when the liability should be recognized.</td>
<td>Revision</td>
</tr>
<tr>
<td>080311</td>
<td>Revised the definition of “Liability” to better align with the Office of Management and Budget Circular A-136, and to clarify when liabilities must be recognized.</td>
<td>Revision</td>
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</tbody>
</table>
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CHAPTER 8

FINANCIAL CONTROL OF LIABILITIES

0801 GENERAL

080101. Overview

A liability is an amount owed to a federal or nonfederal entity for items or services received and expenses incurred (including personnel related costs). Liabilities also result from assets to which title has been acquired (whether delivered or in transit), ongoing shipbuilding or percentage of completion based on construction (based on the entity’s engineering and management evaluation of actual performance progress and/or incurred costs), and cash received but as yet unearned. Included are amounts owed under grants, military and civilian pensions and certain post-retirement benefits, awards, and other indebtedness. In addition to liabilities arising from exchange (reciprocal) transactions, there are liability recognition points for nonexchange transactions and “other than transaction based” generated from both government-related and government-acknowledged events.

080102. Purpose

This chapter promulgates the general accounting policy and definitions to be followed in accounting for Department of Defense (DoD) liabilities covered in Volume 4, Chapters 9 through 13. This guidance does not apply to liabilities accounted for by Nonappropriated Fund activities, which is located in Volume 13, Chapter 3.

*080103. Authoritative Guidance

The financial management policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

A. DoD United States Standard General Ledger (USSGL) Transaction Library;


C. FASAB SFFAS 5, “Accounting for Liabilities of the Federal Government”; and

ACCOUNTING POLICY FOR LIABILITIES

Recognition Criteria

Pursuant to SFFAS 5, criteria for recognizing a liability, depicted in Figure 8-1, starts by identifying the event creating the liability as transaction based or other than transaction based.

A. Transaction Based Events. Both exchange and nonexchange are transaction based events because they require a transfer of something of value as a result of an entity event. Transaction based events are recognized in accordance with the following criteria:

1. A liability for an exchange transaction is recognized (recorded and reported) when the DoD receives goods and services in exchange for a promise to provide money or other resources in the future. Probable and measurable amounts that remain unpaid as of the financial statement report date should be recognized as liabilities.

2. A liability for a nonexchange transaction is recognized for any probable and measurable unpaid amounts due as of the financial statement report date.

3. The entity must estimate the liability for the financial statement reporting date if the actual amount is unknown.

B. Other Than Transaction Based Events. Both government-related events and government-acknowledged events are other than transaction based events. These events are recognized in accordance with the following criteria:

1. A liability for a government-related event is recognized at the time of occurrence, if the expected resource outflow is both probable and measurable, or soon thereafter as it becomes probable and measurable.

2. Before a government-acknowledged event is considered for recognition, Congress must appropriate or authorize the funds. Once Congress appropriates the funds, the liability must be taken care of by entering into an exchange or nonexchange transaction. The liability is then recognized by following the criteria in subparagraph 080201.A for exchange and nonexchange transactions.

C. With the exception of government-acknowledged events, the recognition of a liability is not dependent on the availability of funds. However, the status of funding does dictate the category of the recognized liabilities used for disclosure and reconciliation purposes as outlined in paragraph 080202. In accordance with OMB Circular A-136, liabilities are classified as liabilities covered by budgetary resources, liabilities not covered by budgetary resources, and liabilities not requiring budgetary resources.

D. Accounting and reporting provisions need not be applied to immaterial liabilities. However, all assertions of immateriality must be supportable and the materiality
determination must be fully documented. Both qualitative and quantitative factors need to be considered in determining materiality.

E. Contingent liabilities are recorded and reported as a liability or disclosed as a contingency in a footnote to the financial statements, depending on the probability of occurrence and the ability to estimate the expected outflow of resources. Contingent liabilities should be recorded in DoD financial systems and reported in financial statements in accordance with Chapter 12.

080202. Reporting and Disclosures

A. Pursuant to SFFAS 1, Intragovernmental liabilities must be reported separately from nonfederal entities, which include Government sponsored enterprises and the Federal Reserve. See Volume 6B, Chapter 4 for further discussion on reporting.

B. Disclosures must be made for liabilities that are not covered by budgetary resources. See Volume 6B, Chapter 10 for further discussion on disclosures.

0803 DEFINITIONS

080301. Contingency

Pursuant to SFFAS 5, a contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur.

*080302. Covered Liabilities

Liabilities Covered by Budgetary Resources are liabilities incurred which are covered by realized budgetary resources as of the Balance Sheet date. Liabilities are covered by Budgetary Resources if they are to be funded by permanent indefinite appropriations, provided that the resources may be apportioned by OMB with further action by Congress, and without a contingency having to be met first.

080303. Current Liability

A current liability is an amount owed by an entity for which the financial statements are prepared, and for which the entity expects to outlay the resources within one year of the reporting date.

*080304. Exchange Transactions

An exchange transaction arises when each party involved in the transaction sacrifices value and receives value in return. In an exchange transaction, a liability is recognized when one party receives goods or services in return for a promise to provide money or other resources in the future.
080305. Funded Liabilities

Funded liabilities are comprised of all liabilities for which budget authority has been received and obligated.

080306. Government-Acknowledged Events

A government-acknowledged event is an other than transaction based event that is of financial consequence to the Federal Government because the Federal Government has chosen formally to accept the associated financial responsibility. An example would be the assumption of responsibility for damage caused by a natural disaster (such as tornado damages to a United States town and the Congress appropriates funds in response to the disaster).

080307. Governmental Liability

A governmental liability is an amount owed by a federal entity to a nonfederal entity. These liabilities are also called nonfederal or public liabilities.

*080308. Government-Related Events

A government-related event is an other than transaction based event that involves interaction between the Federal Government and its environment. An example is an expense to be paid as the result of current government operations, such as the estimated cost of repairing accidental damages to private property. Government-related events resulting in a liability should be recognized in the period the event occurs if the future outflow or other sacrifice of resources is probable and the liability can be measured, or as soon thereafter as it becomes probable and measurable.

080309. Intragovernmental Liability

An intragovernmental liability is an amount owed by a federal entity to another federal entity. Intragovernmental liabilities include accounts and interest payable to federal entities and other current liabilities due to federal entities, such as receipt of federal advances and prepayments.

080310. Liabilities Not Covered By Budgetary Resources

Liabilities not covered by budgetary resources are those liabilities in which budget authority has not been received and congressional action is needed before budgetary resources can be provided.

*080311. Liability

A liability for federal accounting purposes is a probable future outflow or other sacrifice of resources as a result of past transactions or events. Liabilities must be recognized when they are incurred regardless of whether they are covered by available budgetary resources, including liabilities related to canceled appropriations.
080312. Materiality

Materiality is the magnitude of an item's omission or misstatement in a financial statement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the inclusion or correction of the item.

080313. Measurable

A liability is measurable if it has a relevant attribute that can be quantified in monetary units with sufficient reliability to be reasonably estimable.

080314. Noncurrent Liability

A noncurrent liability is an amount owed by an entity for which the financial statements are prepared, and for which the entity expects to outlay the resources beyond one year of the reporting date.

080315. Nonexchange Transactions

A nonexchange transaction is one in which the DoD promises to provide money or other resources in the future without a promise of receiving direct value in return. An example would be grant payments to state and local governments to carry out a public purpose, when authorized by a law of the United States.

080316. Probable

Probable refers to that which can reasonably be expected or is believed to be more likely than not to occur on the basis of available evidence or logic. In the context of assessing the outcome of matters of pending or threatened litigation and unasserted claims, and recognizing an associated liability, "probable" refers to that which is likely.

080317. Transaction and Event

A transaction is an event involving the transfer of something of value. An event is a happening that has financial consequences to an entity. An event may be an internal event that occurs within an entity, such as placing an item in service, or an external event that involves interaction between an entity and its environment, such as an act of nature, a theft, vandalism, an injury caused by negligence, or an accident.

080318. Transaction Recording

The accounting events discussed must be recorded in accordance with the DoD USSGL Transaction Library and reported in accordance with the regulations promulgated by the Department of the Treasury and the Office of Management and Budget.
Figure 8-1. RECOGNITION OF LIABILITIES

EXTERNAL EVENTS THAT HAVE OCCURRED AND ARE OF CONSEQUENCE TO THE DEPARTMENT

Transaction Based

- Exchange Transaction
- Nonexchange Transaction

Other Than Transaction Based

- Government Related Event
- Government Acknowledged Event

Government Assumes Financial Responsibility

- Exchange Transaction
- Nonexchange Transaction

FUTURE OUTFLOW OF RESOURCES OR OTHER SACRIFICE IS PROBABLE AND MEASURABLE

- Payment is Due and Payable

LIABILITY RECOGNITION
VOLUME 4, CHAPTER 9: “ACCOUNTS PAYABLE”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2016 is archived.

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<td>0901</td>
<td>Added overview paragraph to define accounts payable, clarified the purpose of this chapter, and revised the authoritative guidance paragraph to reflect all authoritative sources for this chapter in one place.</td>
<td>Addition/Revision</td>
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<tr>
<td>090202</td>
<td>Revised paragraph defining accounts payable recognition in accordance with the Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 1 and SFFAS 5. Added G-invoicing forms to the list of appropriate documentation to support the recording of accounts payable.</td>
<td>Revision/Addition</td>
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<td>090212</td>
<td>Updated required frequency of review to quarterly from triannual.</td>
<td>Revision</td>
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<td>Policy Memo</td>
<td>Incorporated applicable guidance from the Deputy Chief Financial Officer policy memorandum, “Policy Change for Recording Contract Holdbacks (FPM18-01-R),” dated September 16, 2019 into this chapter.</td>
<td>Notification</td>
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CHAPTER 9

ACCOUNTS PAYABLE

*0901 GENERAL

090101. Overview

A liability, for Federal accounting purposes, is a probable future outflow or other sacrifice of resources as a result of past transactions or events. Accounts Payable is one of several liabilities covered by Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 1, SFFAS 5, and Volume 11B, Chapter 9.

090102. Purpose

A. This chapter provides the financial management policy for recording accruals for both intragovernmental and non-federal accounts payable.

B. The accounts payable policy in this chapter does not address liabilities related to on-going continuous expenses such as contract holdbacks to be paid after one year of the balance sheet date or employees’ salaries and benefits, both of which are reported as other current liabilities and covered in Volume 4, Chapter 12.

090103. Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:


C. Title 5, Code of Federal Regulations, Section 1315.9 (5 CFR § 1315.9), “Required documentation”;

D. 48 C.F.R. § 46.501, “General”;


F. Office of Management and Budget (OMB) Circular A-123, Appendix C, “Requirements for Payment Integrity Improvements”;

H. FASAB *SFFAS 1*, “Accounting for Selected Assets and Liabilities”;
I. FASAB *SFFAS 5*, “Accounting for Liabilities of the Federal Government”;
K. TFM United States Standard General Ledger *(USSGL)*; and
L. Department of Defense (DoD) United States Standard General Ledger *(USSGL)* Transaction Library.

*0902 ACCOUNTING POLICY*

090201. Accounts Payable

Accounts payable are liabilities owed by the DoD for goods and services received from, progress in contract performance made by, and rents due to other entities.

090202. Accounts Payable Recognition – General

A. When DoD Components accept title to goods, whether the goods are delivered or in-transit, the Component must recognize a liability for the unpaid amount of the goods. If invoices for those goods are not available when financial statements are prepared, the amounts owed must be estimated.

B. When a contractor provides a DoD Component with goods that are also suitable for sale to others, the accounts payable generally arises when the contractor physically delivers the goods and the Component receives them and takes formal title.

C. When a contractor builds or manufactures facilities or equipment to a DoD Component’s specifications, formal acceptance of the products by that Component is not the determining factor for accounting recognition. For facilities or equipment constructed or manufactured by contractors or grantees according to agreements or contract specifications, amounts recorded as payable should be based on an estimate of work completed under the contract or the agreement. The estimate of such amounts must be based primarily on the Component’s engineering and management evaluation of actual performance progress and incurred costs.

D. Amounts recorded as accounts payable must be supportable with appropriate documentation. Documentation includes:

1. Documentation that relates to an obligation,

2. Agreement or transaction with another entity (e.g., a contract, DD Form 448, Military Interdepartmental Purchase Request [MIPR], project order, Reimbursable Work Order [RWO], or, Intra-agency Agreement Form (IAA) General Terms and Condition
(GT&C) Section Form 7600A and the Order Requirements and Funding Information (Order) Section Form 7600B), and

3. Documentation that relates to establishment of the amount recognized as payable (e.g., acceptance certificate on an inspection or receiving report form or commercial shipping document/packing list).

E. DoD Components must accurately record all accounts payable liabilities.

F. Responsibility for obtaining and maintaining documentation evidencing amounts payable resides with the DoD Component that is the buyer of goods or services, rather than the seller.

G. Audit evidence of “receipt” must document the item(s) or service(s) and related applicable quantities received, the date the item(s) or the service(s) were received, and contain the authorizing official’s name and authorizing signature or electronic equivalent. DoD Components must ensure the audit evidence includes the calculations used to determine the amount accrued, or the basis used to estimate the amount. The documentation may, for example, include monetary amounts shown on or calculated from a purchase order or contract, historical data, or documented using a contracting officer or technical representative provided value. If audit evidence includes Personally Identifiable Information or sensitive commercial or proprietary information (such as internal labor rates provided to support certain incurred cost vouchers), such information may be redacted or described in aggregate.

H. DoD Components must develop, implement, and validate internal controls are in place and effectively operating for all intragovernmental and interfund transactions, and for transactions with the public. Components must ensure receipt and acceptance is properly accomplished and documented by authorized personnel. Documentation must be made available within the timeframe prescribed by the auditor when requested during audits.

I. The timing of the recording of an accounts payable liability for goods is determined by 48 CFR §§ 52.247.29 - 52.247.49. When amounts are not available at the end of an accounting quarter, DoD Components must estimate the accounts payable as identified in paragraph 090203.

J. If a DoD Component is offered a discount by a vendor, whether stipulated in the contract or offered on an invoice, the Component may take the discount if economically justified at the time of recognizing the accounts payable. Refer to Volume 10, Chapter 2 for further discussion on discount offers and calculations.

090203. Accounts Payable Recognition – Estimating the Accrual

A. When definitive amounts or invoices are not available, but the requirements for recording an accounts payable liability as stated in paragraph 090202 exist, DoD Components must estimate and record an accrual when any of the following conditions identified in subparagraphs 090203.A.1 – 3 exist. This estimate must be later reversed, and a more definitive
amount recorded, when more complete data becomes available (e.g., upon receipt of an invoice or billing) in the normal course of business.

1. Services are performed but the corresponding invoices are not received at period end (e.g., professional service contract).

2. Equipment and facilities are being manufactured or built based on the Government's specifications but the corresponding invoices are not received at period end (e.g., aircraft, or building).

3. Goods received and accepted by the Government but the corresponding invoices are not received at period end (e.g. computers delivered and accepted by the Government but invoices are not yet received).

B. DoD Components must have effective controls in place to ensure that a payable is not recorded again (i.e., duplicated) when an invoice is subsequently received involving the same procured goods or services in the normal course of operations.

C. The supporting documents (or mechanized program(s) used for the accrual estimates) must clearly show the calculations and data used to compute the amounts. This documentation must also identify who prepared the estimate, the date prepared, and who received and reviewed/approved the estimate. DoD Components must ensure the documentation is of sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for the recorded amount.

D. Methods for calculating the accrual estimate must be periodically validated for reasonableness by comparing the estimate to actual data once available. At a minimum, the estimating methodology must be reviewed at fiscal year-end. The estimating methodology will also need to be reviewed if there is a material change to the business process that causes material differences between the method’s estimate and actual amounts or if the initial assumptions used in making the estimate materially change and the initial accrual estimate is materially affected. Performance of these reviews, as well as approval of the review, must be documented by the DoD Component. This documentation must be maintained for auditors to validate that the review was performed and that it was approved by management.

090204. Accounts Payable Recognition – Quarterly Accruals

A. To assist in developing more accurate financial statements, at least quarterly, DoD Components must ensure an accrual is recorded for all procurements in which DoD has received a measurable benefit from, or ownership title to, but have not been documented due to the lack of a receiving report or invoice. Components may need to make inquiries to cognizant contracting officers or the contracting officer’s technical representatives to identify material dollar value of undelivered orders not yet invoiced or captured in receiving reports to assist with establishing these quarterly accruals. In the event that the Component cannot obtain all necessary information from the contracting representatives within the 21 days allowed for the preparation of quarterly financial statements, the best available information should be used to estimate the
accrual. Adjusting entries must be made in subsequent periods, as information becomes available from contracting representatives.

B. DoD Components must also accrue temporary duty (TDY) travel taken, not yet disbursed or otherwise accounted for as a liability, as an accounts payable liability at least quarterly. Additionally, Components will need to record an accounts payable liability for TDY travel that crosses two or more accounting quarters on an estimated/proportional basis, if significant. The accrued liability must be recorded in the applicable accounting period and supported with appropriate documentation (or mechanized programs) that clearly shows the calculations and data used to compute the amount of the liability. This supporting documentation must also evidence who prepared and who received the estimate and the dates these activities were completed. If accruals are posted by mechanized programs, documentation of information such as who prepared the estimate, date prepared, who received the estimate, or who reviewed the estimate may not be available. In this case, all available information captured by the mechanized program should be captured in the accrual.

C. DoD Components must also accrue Permanent Change of Station (PCS) travel taken, not yet disbursed or otherwise accounted for as a liability, as an accounts payable liability at least quarterly. Additionally, Components will need to record an accounts payable liability for PCS travel that crosses two or more accounting quarters on an estimated/proportional basis, if significant. The accrued liability must be recorded in the applicable accounting period and supported with appropriate documentation (or mechanized programs) that clearly shows the calculations and data used to compute the amount of the liability. This supporting documentation must also provide evidence of who prepared and who received the estimate and the dates these activities were completed, in accordance with 090902.G. If accruals are posted by mechanized programs, documentation of information such as who prepared the estimate, date prepared, who received the estimate, or who reviewed the estimate may not be available. In this case, all available information captured by the mechanized program should be captured in the accrual.

D. When estimating these accruals, DoD Components must follow the policy stated in paragraph 090203.

E. Fixed-priced construction contracts containing payment provisions allowing for contractors to receive progress payments based upon the percentage or stage of completion require special consideration when recording the accounts payable liability. When accounts payable liability is expected to be paid within the year:

1. Components must record the payable in an amount that reflects the unpaid portion of the contractor’s progress payment request for which the estimate of actual progress has been concurred to or approved by the contracting officer. The accounts payable amount recorded must include any amounts being withheld from the contractor pending acceptance and completion, or for other contract administration reasons, as per the terms of the contract. The supporting documentation should include engineering estimates and management evaluation of actual performance progress to validate the percentage of completion used. The contracting officer or their designee must maintain the supporting documentation, and be prepared
to provide it to the Defense Finance and Accounting Service or other auditors to support the accounts payable amount.

2. The accounts payable for this type of contract is recognized because formal acceptance of the final product by the DoD Component is not the determining factor for accounting recognition. The DoD Component acquires an asset during each accounting period based on constructive or de facto receipt, and thus must recognize/record an accounts payable during each accounting period to reflect the accumulation of that asset.

090205. Accounts Payable Recognition – Availability of Funds

DoD Components must not delay the recognition of an accounts payable liability pending the availability of funds. The accounts payable not covered by budgetary resources must be disclosed in the notes to the financial statements (refer to Volume 6B, Chapters 4 and 10). A potential violation of the Antideficiency Act (ADA) may exist if the amount of a payable exceeds the total availability of funds. Refer to Volume 14 for the financial management policy regarding an ADA violation.

090206. Intragovernmental Purchases

A. Procuring a good or service from another DoD Component or Federal entity is considered an intragovernmental purchase under the TFM Chapter 4700. Payables due to DoD Components or other Federal entities are intragovernmental payables and must be reported separately from payables due to public entities. Note that OMB Circular A-11 uses the term “intergovernmental” for transactions between or among accounts of Federal entities, and that transactions with non-appropriated fund instrumentalities are reported as transactions with the public. The United States Department of the Treasury (Treasury) considers both interdepartmental and intradepartmental transactions to be subsets of intragovernmental transactions. The separation of intragovernmental and public transactions needs to be identified at the transaction level in accordance with Treasury regulations to allow for the proper summarization at the various reporting levels within the DoD, and ultimately the Federal Government as a whole. Identification at the transaction level will also support auditability down to the transaction level where the supporting documentation would normally exist. It also provides the capability to perform intragovernmental elimination entries at various organizational reporting levels, assuming the correct trading partner codes were utilized.
B. **DoD** Components must record accounts payable liability for intragovernmental purchases in the appropriate accounting period to recognize the receipt of goods or services ordered regardless of the document used in placing the order (e.g., MIPR, project order, or RWO). Components must ensure the liability is recorded during the accounting period that the benefit was received and not delayed pending receipt of a corresponding interagency billing or subsequent payment thereof. Documentation supporting the amount recorded must clearly show the basis (description of the good, quantity and amount; for services, description of the service, labor hours and amount) for the amount recorded as a payable (e.g., MIPR, project order, RWO, reciprocal agreement) and proof of receipt. The documentation must also be of sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for recorded amounts.

1. In accordance with the TFM Chapter 4700 section 9.1.3, as the seller performs the work necessary to deliver the agreed-upon goods/services, the seller should report detailed supported balances to the buyer according to Volume 6B, Chapter 13, at a minimum, on a quarterly basis.

2. It is incumbent upon the **DoD Component** (buyer) to identify and record all accounts payable accruals. The **Component** (buyer) is ultimately responsible for their own financial statements, and thus must engage with the seller to identify the appropriate amount to accrue.

C. **DoD** Components must ensure an accounts payable liability is also recorded when the goods are received or the buying **DoD Component** has gained title to an asset. Component buyers need to work with the intragovernmental seller to ensure this business event is identified and the corresponding accounts payable liability is recorded.

090207. **Late Payment Interest**

**DoD** Components must record in accounts payable an amount for prompt payment interest and other penalties incurred on late payments as required under terms of the non-federal contract. Refer to Volume 10, Chapter 7 for the policy on late payment interest and penalties. Components must also consider and record a quarterly accrual estimate for late payment interest and/or penalties to reflect any expected large dollar value late payments that will result in a significant interest and/or penalty liability in the reporting period. Defining what amounts are “significant” for these purposes is left to the discretion of the Component.

090208. **Refunds Due**

**DoD** Components must record an accounts payable liability to reflect the amount of refunds due but not paid at the end of the reporting period, when applicable. The amount to record should either be for the exact amount of the refund when known and positively established and clearly documented, or estimated under the provisions in paragraph 090203. See Chapter 5 for additional guidance on refunds due.
090209. Monetary Credits

A. DoD entities may be authorized by specific statutory authority to issue monetary credits as compensation for property or services received from non-federal entities. If the DoD entity exercises this authority, it must also record an accounts payable liability during the period the benefit from the property or services is received. These monetary credits give the seller credits in dollar amounts reflecting the agreed-upon value of the acquired property or received service. The holder of the credits may apply them later to reduce an amount later owed to the government (by the holder) in other, sometimes unrelated, transactions with the government. When monetary credits are used for exchange transactions, the DoD entity must record an accounts payable liability equal to the value of the monetary credit.

B. DoD Components must ensure the documentation supporting the accounts payable entry specifically identifies the property or services received, the date received, the name and signature of the DoD receiving official and include the bilateral agreement between the non-federal entity and designated DoD representative establishing the agreed-upon value. Components must also ensure the documentation is of sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for the recorded amount.

090210. Closed Appropriations

When an appropriation account is closed, any remaining balance in the account is required to be cancelled and unavailable for obligation or expenditure for any purpose. However, legitimately incurred obligations that have not been paid at the time an appropriation is canceled must be reinstated to canceled payables and paid out of a current unexpired appropriation that is available for obligation for the same purpose as the closed account. Refer to Volume 3, Chapter 10 for more specific requirements for expired and closed accounts and Volume 3, Chapter 13 for more specific policy addressing payables involving closed appropriations.

090211. Liquidating Accounts Payable

Accounts payable recorded in relation to receipt of a particular good or service must be liquidated when the liability created by the payable is settled. Generally, this occurs after a three-way match of a contract, receiving report, and proper invoice is performed, and a disbursement is made to satisfy the billed amount. In other than the three-way match scenario, the accounts payable liability will be liquidated when all required prepayment approvals have occurred, and other payment controls satisfied that result in generating a payment or recognizing an exchange-in-kind transaction business event.

090212. Reviewing Accounts Payable Balances

A. The accounting office must review and reconcile all accounts payable balances to the transaction detail level in supporting accounting systems each quarter. As part of the accounts payable quarterly reviews, the budgetary accounts associated with the accounts payable balances (e.g., delivered order unpaid, obligations unpaid) must be reconciled to proprietary accounts.
payable balances. The accounting office must research any differences, fully document the rationale for necessary adjustments, and obtain approval from the DoD Component’s Comptroller or their designated representative before making the adjustments. All adjustments made and associated documentation must be retained by the accounting office to support future financial statement related audits.

B. The accounts payable recorded to reflect the liability for acceptable final performance on a contract or order must remain on the account until liquidated through proper payment, or until receipt of contractual or legal documents that remove the remaining liability. DoD Components must assign financial management personnel to work through the cognizant contracting officer to request an invoice from the contractor for any accounts payable amount remaining unliquidated due to non-receipt of an invoice or billing within 180 days from the date of acceptable final contract performance. Component personnel must continue to pursue receipt of overdue invoices through the contract administration and funds holders as necessary to avoid canceled appropriations and to improve accounts payable reporting. Refer to Volume 3, Chapter 8 for policy associated with dormant commitments and unliquidated obligations eligible for closeout on physically complete contracts.

1. Continued non-receipt of an invoice on firm fixed-price contracts may extinguish the contractor’s right to payment and relieve DoD’s obligation to pay for the uninvoiced goods or services.

2. When a contractor has failed to invoice for the received and accepted goods or services after more than six years since the date of acceptance by DoD, the relevant accounts payable may be considered for write-off after coordination with the contracting activity and/or legal counsel, and if applicable, the Defense Contract Audit Agency and the Defense Contract Management Agency. Documentation in support of this write-off must clearly represent that the over-aged accounts payable no longer continues to represent a legal liability of DoD after giving due consideration to whether or not the Government has acted to toll or suspend the Contract Disputes Act’s six-year limitation period on assertion of claims codified at 41 U.S.C. § 7103. The documentation must also include the contracting officer’s determination that the legal liability to pay on the contract no longer exists. DoD Components must ensure the accounts payable amounts written-off contain sufficient documentation to allow an independent third party, such as an external auditor, to verify the basis, value, and rationale for the write-off.

C. The accounting office must investigate accounts payable debit balances over $100. These debit (abnormal) balances may result from any number of circumstances (e.g., duplicate payments and unrecorded accounts payable), and must be corrected after a thorough research of the underlying documentation associated with the business events and transactions impacting the particular accounts payable account.

1. DoD Components must ensure subsequent adjustments to correct the abnormal balance are fully documented. This documentation must include a description of the circumstances that caused the initial abnormal balance and support the valuation of the revised amount. It also must include the names and signatures (or electronic equivalent) of the management official(s) approving the adjustment and should also identify the correcting steps...
being taken to prevent reoccurrence. All of this documentation must be available for review by the independent auditors if necessary. The accounting office should also identify and report to management any recommendations for changes to internal controls or business processes to preclude incurring abnormal accounts payable balances in the future.

2. If the investigation of a debit balance discloses an overpayment or under-recouped funds related to a contract or vendor payment, the accounting office must coordinate with the responsible entitlement and disbursing offices to pursue collection or recoupment in accordance with the policies in Chapter 14 and Volume 10, Chapter 22.

D. The inability to match a performance report or invoice with a corresponding obligation may indicate a breakdown of fund control processes and a material weakness in internal controls. When posting a transaction to accounts payable does not disclose a corresponding obligation, this may be evidence that either a contract has not been awarded or a posting error has occurred. The accounting office must request the necessary documentation to support the required accounting entry and notify appropriate officials that receiving reports or invoices are being received without a corresponding recorded obligation. Refer to Volume 3, Chapter 11 for policy on recording an obligation for an unresolved negative unliquidated obligation.

E. There also may be instances in which disbursements have been reported by a disbursing office, through a paying center, to the Treasury and charged against the Department’s fund balances, but have not yet been received or processed by the applicable accounting office for recordation against the applicable corresponding obligation. These transactions are defined as disbursements in-transit, and based on the USSGL Crosswalk, map to the accounts payable line of the balance sheet. Refer to Volume 3, Chapter 11 for disbursements in-transit policy.

090213. Accounts Payable Document Retention

All documentation in support of accounts payable entries and adjustments must be readily available for review by auditors, management, and other DoD Component financial management personnel. Documentation retention policy is contained in Volume 1, Chapter 9.
VOLUME 4, CHAPTER 10: “ACCRUALS FOR PERSONNEL RELATED LIABILITIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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<td>Addition</td>
</tr>
<tr>
<td>100301.D</td>
<td>Revised paragraph to state material bonuses and awards should be accrued and that materiality is the responsibility of the Components.</td>
<td>Revision</td>
</tr>
<tr>
<td>100301.H</td>
<td>Added distinction between funded annual leave for Working Capital Funds and unfunded annual leave for all other fund types.</td>
<td>Addition</td>
</tr>
<tr>
<td>100301.I</td>
<td>Revised paragraph to indicate that sick leave is now used in the calculation of federal employees’ retirement.</td>
<td>Revision</td>
</tr>
<tr>
<td>100303</td>
<td>Added general requirements to account for Liability for Pensions, Other Retirement Benefits, and Other Postemployment Benefits.</td>
<td>Addition</td>
</tr>
<tr>
<td>100304</td>
<td>Added detailed requirements to account for pensions.</td>
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CHAPTER 10

ACCRUALS FOR PERSONNEL RELATED LIABILITIES

1001 GENERAL

100101. Purpose

This chapter provides accounting policy and related requirements for recording Department of Defense (DoD) liabilities for accrued payroll and benefits, actuarial liabilities, and civilian severance pay.

100102. Authoritative Guidance

This chapter prescribes the accounting policy and authoritative guidance necessary to establish financial control over the DoD accruals for personnel related liabilities. This chapter implements applicable provisions of Statement of Federal Financial Accounting Standards 1, “Accounting for Selected Assets and Liabilities.” The accounting events discussed in this chapter must be recorded in accordance with the United States Standard General Ledger Standard Financial Information Structure Transaction Library and reported in accordance with the regulations promulgated by the Department of the Treasury and the Office of Management and Budget.

1002 AUDIT READINESS/INTERNAL PROCEDURES

Each DoD Component must develop and implement internal operating procedures and/or guidance to execute this overarching policy in a manner that ensures complete, consistent, timely, accurate, valid, and relevant financial data.

1003 ACCOUNTING POLICY FOR ACCRUALS

100301. Standards

The accounting principles and policy applicable to the Financial Control of Liabilities are cited in Chapter 8. In addition to this guidance, and to ensure clarity, the standards, as listed in the following subparagraphs must be adhered to in accounting for accruals associated with personnel related liabilities.

A. The accounts must be updated based on appropriate source documents and reflect the latest pay adjustments, leave balances, levels of benefits, and changes in benefit rules.

B. Reasonable estimates (accruals) of the costs of services performed by DoD military and civilian employees, including overtime, must be made when a pay period does not coincide with the end of an accounting period. Such accruals must be recorded in the applicable accounting period based on journal vouchers with supporting documentation (or mechanized programs) that clearly shows the calculations and data used to compute the amount of the liability.
The journal vouchers must be signed by the appropriate authorized accounting official. These accruals must be removed from the accounts only when the related pay is disbursed.

C. Amounts due for annuities, adjudicated claims, and benefit payments as of the end of the period must be recorded in the applicable accounting period based on available information, provided that the payment is probable and the amount estimable. Such amounts must be recorded based on journal vouchers and supporting documentation clearly showing the basis for the amounts recorded. The journal vouchers must be signed by the appropriate authorized accounting official. Except for the DoD Component's share of fringe benefits computed as a part of the pay computation process, applicable accruals must be reversed at the start of the next accounting period and actual costs accumulated.

* D. Accrue merit bonuses and awards, if material in amount, in the accounting period earned. Components are responsible for assessing a material threshold.

E. A compensated absence is an employee absence (ordinarily for vacation or illness) for which the employee will be paid. When DoD employees accrue rights to take leave with pay, DoD Components incur an expense and liability measured by the salary cost at the time that the leave may be taken.

F. Accrue the cost of unused annual leave, including restored leave, compensatory time, and credit hours earned as well as the fringe benefit costs associated with the leave. Obtain accrued leave amounts from the Defense Civilian Payroll System.

* G. The expense and related liability for annual leave must be recorded at the regular hourly rate at which the leave is earned. Use of a fringe benefit rate is also acceptable for calculating accrued annual leave.

* H. The balance of the liabilities for annual leave and other leave (compensatory time and credit hours), including fringe benefit costs associated with the leave, must be assessed and, as needed, adjusted to reflect all pay increases and unused leave balances at least quarterly for financial statement purposes. For General funds, unused annual leave is typically unfunded until the leave is used. However, the accrual of unused annual leave in working capital fund should be funded.

* I. Sick leave is expensed as taken as absences due to illness or other contingencies. In addition, home leave and compensatory time for travel are not accrued, as balances not used are not reimbursed by DoD. However, sick leave is used in the calculation of federal employee’s retirement for both the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS).

J. Accrue benefits, including benefits to Social Security, retirement funds, the Thrift Savings Plan, and group health and life insurance programs in the same manner as gross compensation (see Volume 8, Chapter 3). Accrue other benefits, such as relocation-related real estate costs and personnel allowances, in the period earned.
K. Accrue payments to the Office of Personnel Management (OPM) for reemployed annuitants and severance pay for former employees in the same manner as gross compensation.

L. Accrue recruitment and relocation bonuses and retention allowances in the period earned.

M. The accrued amounts to be reflected in the general ledger accounts must not be limited to the amounts covered by available budgetary resources.

100302. Supporting Records

To the extent such liabilities are unfunded, DoD Components must maintain appropriate supporting records of the unfunded portions to provide appropriate footnote disclosure in the financial statements when necessary. Disclosures must be made for unfunded liabilities in accordance with Volume 6B, Chapter 10.

*100303. Liability for Pensions, Other Retirement Benefits, and Other Postemployment Benefits

The liability for Pensions, Other Retirement Benefits (ORB), and Other Postemployment Benefits (OPEB) should be recognized at the time the employee’s services are rendered and must be reported in the Components’ financial statements. If existing legislation requires that amounts paid to participants be recovered from others (e.g., employing agencies), then the estimated amount to be recovered must be reported as a receivable with the sources of expected repayments clearly indicated.

A. Pension benefits include all retirement, disability, and survivor benefits financed through a pension plan, including unfunded pension plans. DoD civilian and military employees are covered primarily under the following three defined benefit retirement plans: CSRS, FERS, and Military Retirement System (MRS).

B. ORB are provided outside the pension plan by an employer to a former employee or the employee’s beneficiary upon retirement. ORB include all retirement benefits other than pension plan benefits, such as retirement health care benefits.

C. OPEB are provided to former or inactive employees, their beneficiaries, and covered dependents outside pension or ORB plans. Inactive employees are those who are not currently rendering services to the employer but who have not been terminated, including those temporarily laid off or disabled. Postemployment benefits can include salary continuation, severance benefits, counseling and training, continuation of health care or other benefits, and unemployment, workers’ compensation, and veterans’ disability compensation benefits paid by the employer entity.

D. Defined contribution plans (e.g., the Thrift Savings Plan) do not result in pension liabilities.
*100304. Pensions

A. For DoD Civilian pension plans (CSRS & FERS), the Components should recognize a pension expense that equals the service cost for its employees for the applicable accounting period, less the amount contributed by the employees, if any. The cost factor to be applied by the Components must be provided by the administrative entity, Office of Personnel Management.

B. For MRS, actuarial estimates should be used to calculate the pension expense and liability.

1. The “aggregate entry age normal” actuarial cost method should be used to calculate the pension expense and liability for the MRS financial statements. The liability is the actuarial present value of all future benefits, based on projected salaries and total projected service, less the actuarial present value of future normal cost contributions that would be made for and by the employees under the plan.

2. Individual Component expense is based on the actuarial cost. The difference between Component expense and amount paid by the Component to OPM or MRS should be recognized as an intragovernmental liability. Refer to Volume 12 for more information.

C. Official communication between OPM and the Office of the Actuary must be maintained by the Components to support pension expense and any related liability.

*100305. Other Retirement Benefits

Components should account for and report the ORB expense, such as medical costs for retirees, in its financial report in a manner similar to that used for pensions. ORB expense should be recognized in an amount equal to the total service cost (as determined by the Office of the Actuary). Components must record and report their portion of the ORB liability.

*100306. Other Postemployment Benefits

Components should recognize an expense and a liability for OPEB when a future outflow or other sacrifice of resources is probable and measurable on the basis of events occurring on or before the reporting date. An example ‘OPEB’ is Federal Employees’ Compensation Act (FECA).

A. FECA provides federal employees injured in the performance of duty with workers' compensation benefits, which include wage-loss benefits for total or partial disability, monetary benefits for permanent loss of use of a schedule member (e.g., body part), medical benefits, and vocational rehabilitation. The FECA program is financed by direct reimbursements from agencies.
B. The FECA fund pays benefits on behalf of Federal entities as costs are incurred and bills the entity annually before August 15 for the costs incurred during the previous 12-month period ended June 30 (July 1 – June 30). Federal entities fund the FECA payments through appropriations reimbursed to the FECA fund. For those agencies that have funding through appropriation, each entity must include in its annual budget estimates for the fiscal year beginning in the next calendar year a request for an appropriation for the amount equal to the costs (approximately 15 months). Once the appropriation is received, the payments are due to the Department of Labor (DOL) within 30 days.

C. The DOL sends each agency the actuarial liability estimates for future worker’s compensation benefits amounts for both the current and prior years. The current figure represents the new balance in the Actuarial FECA Liability. The change in actuarial liability is determined by taking a difference of prior year actuarial liability sent from DOL with the current year actuarial liability sent from DOL.

D. The following support must be included with the Actuarial FECA Liability entry:

1. The DOL Memorandum for Chief Financial Officers of Executive Departments and Agencies, which contains the actuarial balances,

2. Agency-Wide Financial Statements Directorate allocation spreadsheet reflecting the percentage allocation to the entity level, and

3. A copy of the last three annual chargeback bills for the Department Level.
VOLUME 4, CHAPTER 11: “COMPONENT DEBT”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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<td>110102.B.2.a (Previous Version)</td>
<td>Deleted policy citing Title 42 United States Code, Section 3374(g) which was eliminated by the American Recovery and Reinvestment Act of 2009.</td>
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<td>1103 (Previous Version)</td>
<td>Removed United States Standard General Language account numbers that are already contained and maintained in the Department of Defense (DoD) Chart of Accounts located within the Standard Financial Information Structure already referenced in the section.</td>
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<tr>
<td>110305 (Previous Version)</td>
<td>Deleted guidance associated with Participation Certificates since DoD does not have the legislative authority to use them.</td>
<td>Deletion</td>
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CHAPTER 11

COMPONENT DEBT

1101 GENERAL

110101. Purpose

This chapter prescribes the accounting principles and policy to be followed by Department of Defense (DoD) Components to account for debt incurred in accordance with the referenced statutory and other authorities.

110102. Authoritative Guidance

The following identified authoritative guidance is explained in its appropriate context in the remainder of the chapter:

A. DoD Manual Number 4165.63, "DoD Housing Management";

B. Title 42 United States Code (U.S.C.), section 3374;

C. DoD Directive 4165.50E, "Homeowners Assistance Program" (HAP); and

D. Title 32, Code of Federal Regulations (CFR), Part 239 "Homeowners Assistance Program – Application Processing"

1102 DEBT

110201. Loans

A. The Department’s debt primarily consists of interest and principal payments due to the U.S. Treasury and the Federal Financing Bank. Debt incurred by DoD Components is generally associated with direct and guaranteed loans, and housing programs determined to be necessary to carry out the Department of Defense's mission, including mortgage agreements accepted pursuant to the Family Housing Program (FHP) and the Homeowners Assistance Fund (HAF).

B. The Department must pay the debt on direct loans if borrowers (e.g., foreign governments, county or city governments, ship owners, or housing builders) default. For loan guarantees, the Department must pay the amount of outstanding principal guaranteed. The majority of the debt represents direct and guaranteed loans to foreign governments. Before 1992, funds were borrowed from the Federal Financing Bank to either directly loan the funds to foreign governments or to reimburse defaulted guaranteed loans. Beginning in 1992, the Department began borrowing funds for the Foreign Military Financing Program from the U.S. Treasury, in accordance with the Federal Credit Reform Act of 1990, which governs all direct loan obligations and loan guarantee commitments made after Fiscal Year 1991. Guidance on direct loans and loan guarantees is contained in Volume 12, Chapter 4.
110202. Debt Associated with Housing Programs

A. Family Housing Program. The Defense FHP provides housing for military families and for civilian families where circumstances require the DoD to support this program by providing housing referral services, including administration of private rental housing for DoD personnel overseas; leasing private housing for DoD personnel; or by guaranteeing service members' rental, mortgage and mortgage insurance payments on privately owned housing. Guidance for financing the FHP is contained in Volume 2B, Chapter 6 and DoD Manual Number 4165.63, while guidance for accounting for funds made available for this program is contained in Volume 3, Chapter 5.

B. Homeowners Assistance Fund (HAF).

1. Under 42 U.S.C., section 3374, the Secretary of Defense is authorized to provide assistance to owners of one- or two-family dwellings located at or near military installations ordered to be closed in whole or in part. In certain instances, this assistance is rendered by acquiring negotiated title to the properties from such owners. Section (d) of the statute established the HAF.

2. DoD Directive 4165.50E, "Homeowners Assistance Program," (HAP) provides overall policy guidance and information on this program. The directive also specifies that detailed guidance regarding available benefits, both foreign and domestic, will be provided in the regulations published by the Secretary of the Army as the DoD Executive Agent for the HAP, and codified in 32 CFR Part 239. The Army uses the Headquarters, United States Army Corps of Engineers to implement the program.

3. Funding for this program is through annual appropriations made available by the Congress.

1103 ACCOUNTING POLICY FOR DEBT ASSOCIATED WITH HOUSING PROGRAMS

The accounting policy for properties acquired under both the FHP and HAP is the same as those for real property discussed in Volume 4, Chapter 6. The accounting policy for the liabilities incurred under both programs is discussed in the following paragraphs.

110301. Liability for Amounts Owed on Housing Acquired under FHP and HAP

The liability for amounts owed on housing acquired under the two programs will be equal to (1) borrowings from other Federal Agencies and the public to construct or acquire the properties, or (2) the mortgages assumed when title passes to the Department of Defense.
110302. Mortgage Balance Payable Reductions

The balance of the mortgages payable will be reduced by that portion of the periodic payments made which represent the mortgage principal.

110303. Liabilities for Borrowing from Other Organizations

Liabilities for borrowings from other Federal Agencies and non-federal organizations will be recorded at the amounts actually obtained. Amounts paid to financial organizations to obtain the borrowings must be treated as a current period operating expense.

1104 ACCOUNTING FOR COMPONENT DEBT

The accounts used to report DoD debt are described in the following paragraphs. The entries for these accounts are specified in the DoD United States Standard General Ledger Standard Financial Information Structure Transaction Library.

110401. Principal Payable to the Bureau of the Fiscal Service

"Principal Payable to the Bureau of the Fiscal Service" is used to record amounts borrowed from the Treasury. Accrued interest associated with these borrowings is recorded to “Accrued Interest Payable”.

110402. Principal Payable to the Federal Financing Bank

"Principal Payable to the Federal Financing Bank" is used to record amounts borrowed from the Federal Financing Bank. Accrued interest associated with these borrowings is recorded to “Accrued Interest Payable”.

110403. Securities under General and Special Financing Authority

"Securities Issued by Federal Agencies Under General and Special Financing Authority" is used to record the liability arising from issuing new borrowings authorized under special financing authorities.

110404. Other Debt

"Other Debt" is used to account for all other forms of DoD liabilities, secured and unsecured, not otherwise classified in this chapter.
VOLUME 4, CHAPTER 12: “OTHER LIABILITIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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<td>Title</td>
<td>Renamed the Chapter from “Unearned Revenue and Other Liabilities” to “Other Liabilities” since “Unearned Revenue” is an Other Liability.</td>
<td>Revision</td>
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<td>1201</td>
<td>Revised General section to comply with the Department of Defense (DoD) Financial Management Regulation Revision Standard Operating Procedures signed June 2015.</td>
<td>Revision</td>
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<tr>
<td>1202</td>
<td>Revised the Definition Section to include general ledger accounts currently reported as Other Liabilities on the DoD Balance Sheet.</td>
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<td>120404</td>
<td>Added accounting policy for the Liability for Nonfiduciary Deposit Funds and Undeposited Collections.</td>
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CHAPTER 12

*OTHER LIABILITIES

*1201 GENERAL

120101. Overview

This chapter describes the accounting principles and concepts that the Department of Defense (DoD) Components must follow to account for other liabilities. Other liabilities are those not recognized in specific categories on the Balance Sheet and primarily include immaterial liabilities that do not warrant separate reporting. Personnel related liabilities are reported as other liabilities on the DoD Balance Sheet, but are discussed in Chapter 10. Non-environmental disposal cost liabilities and estimated cleanup cost liabilities are reported as other liabilities, but are discussed in Chapter 13.

120102. Purpose

This chapter prescribes the accounting policy and related requirements necessary to establish financial control over the DoD liabilities not discussed in Chapters 9, 10, 11, or 13. General Fund and Defense Working Capital Fund (DWCF) entities are required to record other liabilities in accordance with the guidance in this chapter.

120103. Authoritative Guidance


*1202 DEFINITIONS

120201. Unearned Revenue

The Department of Treasury USSGL Board designed four accounts as Unearned Revenue:

A. Liability for Advances and Prepayments (USSGL account 231000). Liability for Advances and Prepayments consists of amounts received in advance for goods and services to be delivered at a future date and for which revenue has not been earned. Liability for Advances and Prepayments is also recorded if an agency requests advance or progress payments prior to the receipt of cash and records the amount.
B. Other Deferred Revenue (USSGL account 232000). Other Deferred Revenue is the amount of revenue or income received but not yet earned from non-federal sources not otherwise classified as advances or prepayments. For example, Deferred Revenue would be recorded for the pending sale of a forfeited asset.

C. Liability for Nonfiduciary Deposit Funds, and Undeposited Collections (USSGL account 240000). This account represents the amount of offsetting undeposited collections and collections deposited in nonfiduciary deposit funds awaiting disposition. Deposit funds account for monies that do not belong to the Federal Government. They include monies held temporarily until ownership is determined (such as earnest money paid by bidders) or held by the Federal Government for others (such as state and local taxes withheld from federal employees’ salaries and not yet paid to the state or local governments).

D. Liability for Clearing Accounts (USSGL account 241000). The Liability for Clearing Accounts represents the amount that offsets collections deposited in clearing accounts awaiting disposition or reclassification. Budget clearing accounts contain amounts known to belong to the Federal Government but held temporarily until additional information is collected to correctly identify the collections into appropriate receipt or expenditure accounts.

120202. Other Liability Accounts

A. Capital Lease Liability (USSGL account 294000). Capital Lease Liabilities represents the present value of liabilities for assets acquired under a lease agreement that meets the test for capitalizing the assets.

B. Contingent Liability (USSGL account 292000). Contingent Liabilities represents the amount that is recognized as a result of a past event where a future outflow or other sacrifice of resource is probable and measurable, with the exception of contingent liabilities related to environmental cleanup cost, which are recorded in USSGL account 299500, Estimated Cleanup Cost Liability.

C. Other Liabilities. Other Liabilities include measurable and probable expected outflows resulting from past transactions or events, and the estimated costs of conditions, situations, or circumstances that will be resolved in the future. Other Liabilities represent amounts not otherwise classified to specific liability accounts and include immaterial liabilities that do not warrant separate reporting. There are several USSGL accounts that can be used to record these amounts. Refer to the USSGL TFM, the SFIS Transaction Library, and the DoD SCOA.

1203 AUDIT READINESS/INTERNAL CONTROL OPERATING PROCEDURES

Each DoD Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, complete, and relevant financial data.
1204 ACCOUNTING POLICY

*120401. Liability for Advances and Prepayments

   A. When advance fees or payments are received, such as for large-scale, long-
term projects, revenue should not be recognized until costs are incurred from providing the goods
and services (regardless of whether the fee or payment is refundable). An increase in cash and an
increase in “unearned revenue,” should be recorded when the cash is received in accordance with
SFFAS 7, paragraph 37. “Unearned revenue” was subsequently renamed as Liability for
Advances and Prepayments by the Department of Treasury USSGL Board.

   B. Liability for Advances and Prepayments includes advances received that are
transfers of assets from the public and other federal entities to cover future expenses or the
acquisition of other assets. The DoD Components receiving an advance or prepayment must
record the amount received as a liability until payment is earned (goods or services have been
delivered or contract terms met). After the payment is earned (performance has occurred), the
DoD Components must record the appropriate amount as revenue and reduce the liability
accordingly. The two major activities for which DoD receives advances are as follows:

   1. Reimbursable Activities. DoD provides services to other federal
agencies and to the public on a reimbursable basis. When a non-federal customer enters into a
reimbursable agreement with DoD, the customer is required to pay for services in advance unless
exempted by law. Generally, non-DoD entities are required to pay in advance.

   2. DWCF Activities. The appropriation language for DoD’s DWCF
permits the fund to receive advances for supplies and services. Therefore, the DWCF business
entities may be advanced funds identified in the DWCF customer orders during the fiscal year, as
required, to enable the DWCF activity to pay for its costs of operation.

120402. Liability for Capital Leases

   DoD entities will record a liability for each capital lease at the present value of the
rental and other minimum lease payments. For capital leases, the lease term is the fixed non-
cancelable term of the lease plus all periods, if any, representing renewals or extensions of the
lease that can reasonably be expected to be taken. This amount will exclude that portion of the
payments representing execution cost (i.e., insurance, maintenance and taxes) to be paid by the
lessee. If the amount exceeds the fair market value of the leased property at the inception of the
lease, the DoD entity will record the liability at the fair market value of the property. If the portion
of the minimum lease payments representing execution cost is not determinable from the lease
provisions, the amount should be estimated. Specific guidance on capital leases is outlined in
Chapter 6.
120403. Contingent Liability

A. A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability should be recognized in the financial reports and statements when all of these three conditions are met:

1. A past event or exchange transaction has occurred (e.g., a DoD Component has breached a contract with a non-federal entity).

2. A future outflow or other sacrifice of resources is probable (e.g., the non-federal entity has filed a legal claim against a DoD Component for breach of contract and the Component entity's management believes the claim is likely to be settled in favor of the claimant).

3. The future outflow or sacrifice of resources is measurable (e.g., the DoD Component entity's management determines an estimated settlement amount). The estimated liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recognized. If no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized and the range and a description of the nature of the contingency should be disclosed.

B. If any of the three conditions identified in 120403.A are not met, the contingent liability need not be recognized in the DoD Components financial reports and statements but should, nevertheless, be disclosed in notes regarded as an integral part of those reports and statements when it is at least reasonably possible that a loss or additional loss may have been incurred. Disclosure should include the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made.

C. The probability classifications as follows:

1. **Probable.** The future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the future confirming event or events are likely to occur.

2. **Reasonably Possible.** The chance of the future confirming event or events occurring is more than remote but less than probable.

3. **Remote.** The chance of the future event or events occurring is slight.
D. Contingent Liability Arising From Progress Payments Based on Cost. As addressed in the Federal Acquisition Regulation clause 52.232-16, liabilities resulting from contracts utilizing progress payments based on cost will be recorded based on the difference between an estimated amount of contractor-incurred cost and authorized progress payments based on cost. The estimated contractor-incurred cost is calculated by dividing the cumulative unliquidated progress payment (based on cost) balance by the contract-authorized progress payment rate. The difference between the resulting estimated contractor-incurred cost and the balance of unliquidated progress payments based on cost will be recorded as a contingent liability.

*120404. Liability for Nonfiduciary Deposit Funds and Undeposited Collections

Deposit funds must be recorded as a liability because those assets do not belong to the Federal Government. The liability includes currency and coin on hand, cash on deposit at designated depositories (excluding Disbursing Officer held cash), negotiable instruments on hand, military payment certificates, and unsupported undistributed collections. Such funds are not available for paying salaries, grants, or other expenses of the Federal Government. Sources for entries to this account include requests for cash, cash collection vouchers, deposit tickets, and invoices for transferred funds.

A. The deposit fund account (liability) classification is proper for any account that meets one of the following criteria:

1. Monies withheld from payments for goods and services received. Record the monies in a deposit fund when charging a budget account and holding the funds pending payment (for example, payroll deductions for State income taxes).

2. Monies the Government is holding awaiting distribution based on a legal determination or investigation. This category includes monies in dispute where ownership is in doubt and there is no present basis for estimating ultimate distribution.

3. Deposits received from outside sources for which the Government is acting solely as a banker, fiscal agent, or custodian.

B. Deposit funds, such as those included in the following list, should be used when appropriate. A full list of DoD deposit accounts can be located in the Department of Treasury FAST Book:

1. X6500 - Advances without orders from non-federal sources: Use this account for advances without orders from non-federal sources. However, credit advances without orders from another federal agency should be recorded in F3885, “Undistributed intergovernmental payments.”

2. X6276 - Other federal payroll withhold allotments. Use this account only when federal payroll withholding amounts must be held to make monthly payments.
*120405. Liability for Clearing Accounts

A. Budget Clearing Accounts (BCAs) are used to temporarily account for transactions that belong to the Government that have not been matched to a specific receipt or expenditure account. For example, an Intragovernmental Payment and Collection System collection that cannot be immediately matched to a reimbursable agreement should be accounted for in a clearing account. Refer to Chapters 2 and 3 for a discussion of the requirements for reconciling, aging, and clearing Budget Clearing Accounts.

B. Treasury established clearing accounts to temporarily hold unidentifiable general, special, or trust funds collections that belong to the Federal Government. Departments should use the following accounts:

1. BCA F3875, to temporarily credit unclassified transactions from the public when there is a reasonable presumption that the amounts belong to their agencies.

2. Undistributed intergovernmental payments account, F3885, to temporarily credit unclassified transactions between federal agencies.
**VOLUME 4, CHAPTER 13: “ENVIRONMENTAL AND DISPOSAL LIABILITIES”**

**SUMMARY OF MAJOR CHANGES**

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<td>Policy Memo</td>
<td>The Office of the Secretary of Defense (OSD) policy memorandum “Strategy for Environmental and Disposal Liabilities Audit Readiness” dated September 30, 2015 was incorporated as applicable. The memorandum remains available on the Archived Policy Memoranda and on the Office of the Deputy Chief Financial Officer web pages.</td>
<td>Incorporated</td>
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<td>Chapter Title</td>
<td>Revised the chapter title to “Environmental and Disposal Liabilities.”</td>
<td>Revision</td>
</tr>
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<td>130102</td>
<td>Added an “Authoritative Guidance” section that includes additional guidance from the OSD energy, installations, and environment community.</td>
<td>Addition</td>
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<tr>
<td>130202</td>
<td>Added additional terms and definitions and enhanced other definitions.</td>
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<td>130203.A</td>
<td>Added guidance addressing cleanup costs in instances where there is no known technology to perform cleanup.</td>
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<td>130203.C</td>
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<td>Added guidance addressing Statement of Federal Financial Accounting Standards 6 requirements and the application of the roll forward methodology.</td>
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<td>Table 13-1</td>
<td>Added accounting treatment options for reporting environmental liabilities existing on or before September 30, 1997.</td>
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<td>Added accounting treatment options for recording liabilities associated with the cleanup of asbestos existing on or before September 30, 2012.</td>
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<tr>
<td>130203.E.1</td>
<td>Added the authoritative source for the Environmental Protection Agency exemption for military munitions on a military range from the definition of solid waste.</td>
<td>Addition</td>
</tr>
<tr>
<td>130203.E.2</td>
<td>Added guidance for determining the obsolescence of conventional munitions.</td>
<td>Addition</td>
</tr>
<tr>
<td>130203.E.3</td>
<td>Added clarifying sentence for the recognition of environmental liabilities for stockpile and non-stockpile chemical agents and munitions inventory, and buried chemical agents and munitions.</td>
<td>Addition</td>
</tr>
<tr>
<td>130203.E.7</td>
<td>Added guidance for estimates of both friable and non-friable asbestos.</td>
<td>Addition</td>
</tr>
<tr>
<td>130203.F</td>
<td>Added clarifying requirements for the financial reporting of environment liabilities by DoD Components.</td>
<td>Addition</td>
</tr>
<tr>
<td>130204</td>
<td>Added guidance addressing required environmental liability disclosures.</td>
<td>Addition</td>
</tr>
<tr>
<td>130205.A.6 and 130205.A.7</td>
<td>Added additional guidance involving accounting estimates for environmental liability.</td>
<td>Addition</td>
</tr>
<tr>
<td>130205.B.1</td>
<td>Added additional guidance for environmental liability estimates based upon a site-specific study.</td>
<td>Addition</td>
</tr>
<tr>
<td>130205.B.4</td>
<td>Added additional guidance for environmental liability estimates using cost models.</td>
<td>Addition</td>
</tr>
<tr>
<td>130205.C.12</td>
<td>Added guidance for program management costs.</td>
<td>Addition</td>
</tr>
<tr>
<td>130205.D</td>
<td>Added requirements involving use of roll forward procedures and supporting documentation for liability expenditures.</td>
<td>Addition</td>
</tr>
<tr>
<td>130205.F - H</td>
<td>Added guidance for completeness of recorded environmental liabilities including establishment and maintenance of a complete and current site universe.</td>
<td>Addition</td>
</tr>
<tr>
<td>130205.I</td>
<td>Added guidance for environmental liabilities associated with equipment.</td>
<td>Addition</td>
</tr>
<tr>
<td>Table 13-4</td>
<td>Revised the environmental cleanup cost accounting entries using the United States Standard General Ledger accounts.</td>
<td>Revision</td>
</tr>
<tr>
<td>Figure 1</td>
<td>Added a roll forward decision tree for event-driven liabilities.</td>
<td>Addition</td>
</tr>
<tr>
<td>Appendix A</td>
<td>Added a quantitative approach to determine significant amounts in the roll forward period.</td>
<td>Addition</td>
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CHAPTER 13

ENVIRONMENTAL AND DISPOSAL LIABILITIES

1301 GENERAL

130101. Purpose

A. This chapter prescribes the accounting policy for measuring, recognizing, and disclosing environmental and disposal liabilities and the guidance to record Department of Defense (DoD) environmental liabilities. General accounting principles and policy for liabilities are contained in Chapter 8. The policies and procedures prescribed in this chapter apply to all environmental liabilities regardless of the funding source or availability of funding.

*130102. Authoritative Guidance

A. This chapter implements applicable provisions of:

2. SFFAS 5, “Accounting for Liabilities of The Federal Government”;
3. SFFAS 6, “Accounting for Property, Plant, and Equipment”;
6. TR 10, “Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment”;
7. TR 11, “Implementation Guidance on Cleanup Costs Associated with Equipment”;
8. TR 14, “Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment”;
10. **Title 42 United States Code (U.S.C.) Section 11411**, “Use of Unutilized and Underutilized Public Buildings and Real Property to Assist the Homeless”;


13. **Treasury Financial Manual (TFM)** – United States Standard General Ledger (USSGL);


15. **DoD Instruction (DoDI) 5015.02**, “DoD Records Management Program”;

16. **DoDI 4165.14**, “Real Property Inventory (RPI) and Forecasting”;

17. **DoDI 4715.05**, “Environmental Compliance at Installations Outside the United States”;

18. **DoDI 4715.07**, “Defense Environmental Restoration Program (DERP)”;

19. **DoDI 4715.08**, “Remediation of Environmental Contamination Outside the United States”;

20. **DoDI 5000.61**, “DoD Modeling and simulation (M&S) Verification, Validation, and Accreditation (VV&A)”;

21. **DoDI 5000.64**, “Accountability and Management of DoD Equipment and Other Accountable Property”; and


13-5
B. This chapter does not address roles and responsibilities in the preparation of financial reports and budget formulation for environmental liabilities. In addition, it does not describe different types of property, plant and equipment (PP&E) or provide technical environmental guidance.

1. Refer to Volumes 2A and 2B for guidance on budget formulation.

2. Refer to Chapter 6 for descriptions of the different types of PP&E discussed in this chapter.

3. Refer to Volume 6A, Chapter 2 for guidance on roles and responsibilities in the preparation of financial reports.

4. Refer to the guidance issued by the Office of the Assistant Secretary of Defense (Energy, Installation and Environment) for technical guidance: DoDM 4715.20.

1302 ACCOUNTING POLICY FOR ENVIRONMENTAL LIABILITIES

130201. Audit Readiness/Internal Procedures

Each DoD Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data.

*130202. Definitions

A. Asset-Driven Liability. An asset driven liability is an environmental and disposal liability resulting from future disposal associated with DoD PP&E asset closure or disposal that involves the non-routine removal of hazardous waste at the point of disposal or closure and/or environmental response explicitly required (by permit or other policy or law). Examples of an asset-driven liability include equipment environmental disposal liabilities, asbestos, and environmental closure requirements.

B. Baseline. The baseline as used in this chapter refers to a study or survey used to establish the initial site universe of environmental and disposal liability sites. The baseline provides a starting point from which sites that contribute to financial statement reporting balances will be adjusted over time.

C. Cost Model. A cost model as used in this chapter refers to a framework upon which an estimating methodology is developed. The model may use mathematical equations to convert resource data into cost data and require users to enter a minimal amount of information to generate cleanup cost estimates.

D. Cost-to-Complete (CTC). As used in this chapter, CTC represents the total estimated future costs for site-level cleanup not currently funded at the end of a given fiscal year.
CTC estimates assume that approved funding in the year of execution will be received and obligated in full. CTC estimates also include program management costs.

E. **DoD Component.** As used in this chapter, a DoD Component refers to the Office of the Secretary of Defense, the Military Departments (including their Reserve components), the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the DoD, the Defense Agencies, the DoD Field Activities, and all other organizational entities in the DoD.

F. **Due Care.** As defined in TR 2, due care in the context of environmental and disposal liability refers to “a reasonable effort to identify the presence or likely presence of contamination. Due care is considered to be exercised if an agency has effective policies and procedures in place to routinely attempt to identify contamination and forward that information to the responsible agency official”.

G. **Environmental Cleanup, Closure, and/or Disposal Costs.** For financial statement reporting purposes, the term “environmental cleanup costs” include costs associated with restoration of environmental sites funded under DERP, corrective actions, and environmental costs associated with the future closure of operations, including closure and disposal of PP&E. Cleanup costs as defined in SFFAS 6, paragraph 85, include removing, containing, and/or disposing of hazardous waste from real property and/or personal property that consists of hazardous waste at the time of shutdown or disposal, and material and/or property that consists of hazardous waste at permanent or temporary closure or shutdown of associated PP&E. Consistent with SFFAS 6, cleanup costs may include, but are not limited to: decontamination, decommissioning, site restoration, site monitoring, closure, and post-closure costs related to DoD operations that result in hazardous waste. Cleanup costs do not include costs such as those resulting from accidents or where cleanup is an ongoing part of operations. Guidance in SFFAS 6 for environmental liabilities does not apply to these other types of cleanup since the cleanup effort is not deferred until operation of the associated PP&E ceases either permanently or temporarily.

H. **Environmental Liabilities.** For financial reporting purposes, a DoD environmental liability is an expected future outflow or expenditure of resources that exists as of the financial reporting date for environmental cleanup, closure, and/or disposal costs resulting from past transactions or events. A DoD environmental liability exists when: (1) contamination is present or more than likely to be present; (2) environmental cleanup, closure, and/or disposal is required by applicable federal, state, interstate, or local requirements or an authorized legal agreement such as a lease, contract, or international agreement; and (3) DoD activities created the liability and/or an authorized legal agreement establishes DoD as the responsible entity. An environmental liability may also exist if environmental contamination is not DoD related, but DoD enters into a binding agreement that formally accepts financial responsibility for cleanup, closure, and/or disposal.
I. **Environmental Liability Site Universe.** As used in this chapter, the environmental liability site universe refers to all sites identified after performing a due care approach to determine if “probable” and “reasonably estimable” criteria outlined in TR 2 have been met.

J. **Environmental Site.** An environmental site is a real property asset or combination of assets with a discrete location(s) for which there is an environmental issue that requires evaluation.

K. **Equipment.** Equipment is personal property that is functionally complete for its intended purpose, durable, and nonexpendable. Equipment generally has an estimated useful life of two years or more; is not intended for sale; does not ordinarily lose its identity or become a component part of another article when put into use; has been acquired or constructed with the intention of being used or being available for use by the entity.

L. **Event-Driven Liability.** An event-driven liability is an environmental and disposal liability resulting from either a government acknowledged event or a government related event that result in a release requiring cleanup action. Examples of an event-driven liability include: liabilities funded by DERP or Base Realignment and Closure (BRAC), and environmental corrective action.

M. **Friable Asbestos.** Friable asbestos is any material containing more than one percent asbestos that, when dry, can be crumbled, pulverized, or reduced to powder by hand pressure.

N. **Hazardous Waste.** According to SFFAS 6, Paragraph 86, hazardous waste is a solid, liquid, or confined gaseous waste, or combination thereof, which may cause or significantly contribute to an increase in mortality or in an increase in serious irreversible, or incapacitating irreversible, illness or pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed of, or otherwise managed. DoD Components should use the hazardous waste definition from the *Resource Conservation and Recovery Act* and any materials FASAB specifically identifies as hazardous waste such as the hazardous air pollutant asbestos. Hazardous substances as defined under the Comprehensive *Environmental Response, Compensation, and Liability Act* are generally also hazardous wastes.

O. **Non-Friable Asbestos.** Non-friable asbestos is any material containing more than one percent of asbestos that, when dry, cannot be crumbled, pulverized, or reduced to powder by hand pressure.

P. **Non-routine Environmental and Disposal Liability.** As used in this chapter, a non-routine environmental and disposal liability refers to a unique cleanup cost of hazardous waste associated with the closure (either temporarily or permanently), disposal, or decommissioning of equipment that meets the “probable” and “reasonably estimable” criteria outlined in TR 2. Additional guidance on non-routine environmental and disposal liabilities is included in TR 11.
Q. Permanent Removal from Service. Permanent removal from service requires two business events to occur: (1) the termination of the asset’s use; and (2) documented evidence of management’s decision to permanently remove the asset from service, by selling, scrapping, recycling, donating or demolishing the asset or where there has been destruction of the asset such as in an aircraft crash. If only one of these two business events occurs, a “permanent” removal of an asset from service has not occurred.

R. Probable. As used in this chapter, probable means that which can reasonably be expected or is believed to be more likely than not to occur on the basis of available evidence or logic. More likely than not is a greater than 50 percent chance that the DoD Component has a responsibility to address the contamination. The probability of a future outflow or other sacrifice of resources is assessed based on current facts and circumstances. These current facts and circumstances include the law that provides general authority for federal entity operations and specific budget authority to fund programs.

S. Real Property. Real property consists of buildings, structures, linear structures, and land and improvements to the land. Real property includes equipment affixed and built into the facility as an integral part of the facility (such as heating systems), but not movable equipment (e.g., plant equipment, industrial equipment, buoys).

T. Reasonably Estimable. Reasonably estimable is the ability to quantify reliably, in monetary terms, the outflow of resources that will be required. The process for determining if an environmental and disposal liability is “reasonably estimable” is applied after a transaction or event has occurred that meets the definition of “probable.” Additional guidance on determining "reasonably estimable" for environmental and disposal liabilities is provided in TR 2.

U. Removal from Service. Removal from service is defined as an event that terminates the use of a PP&E asset (e.g., shut down of a facility). Removal from service may occur because of a change in the manner or duration of use, change in technology or obsolescence, damage by natural disaster, or identification as excess to an entity or DoD Component’s mission needs. General removal of an asset from service is not the same as “permanent removal from service”. Removal from service must be considered other than permanent unless (1) the asset’s use is terminated and (2) there is documented evidence of the DoD Component’s decision to permanently remove the asset from service. If only one of the two business events has occurred, permanent removal from service has not occurred (i.e., the removal is considered other than permanent).

V. Roll Forward Procedures. Roll forward procedures is a documented process for bridging the timing gap between June 30 and September 30 to determine if any significant changes to environmental liabilities have occurred between June 30 and September 30. Any significant changes that have occurred between June 30 and September 30 must be reflected in the environmental and disposal liability balance through an adjustment to the environmental and disposal liability balance as of September 30.

W. Routine Hazardous Waste Disposal. When estimating future environmental cleanup costs associated with equipment disposals, routine hazardous waste disposal refers to waste
that is regulated and managed in the same manner as the disposal of hazardous waste from day to
day operations and which is performed on a regular basis (see TR 11). Routine hazardous waste
disposal is not recognized as an environmental liability (per SFFAS 6, Paragraph 93).

X. Transaction Level Detail Reports. As used in this chapter, transaction level
detail reports represent system automated reports that identify details supporting summary values
reported on DoD Component financial statements. For event-driven liabilities, transaction level
detail reports could include, but are not limited to: (1) environmental and disposal liability system
summary reports outlining individual site level and (2) program management level CTC transactions
and accounting system summary reports outlining unliquidated obligations as of September 30
across open contracts. For asset-driven liabilities, transaction level detail reports could include, but
are not limited to, cost model outputs at the asset level.

Y. Unliquidated Obligation (ULO) Balance. As used in this chapter, ULO
represents the total amount of obligated funding associated with environmental liability cleanup not
yet disbursed as of the end of a given fiscal year.

130203. Environmental Liability Recognition

This paragraph outlines the policy for recognizing, disclosing, and measuring environmental
liabilities in accordance with applicable accounting standards.

* A. Environmental liabilities must be recognized on the financial statements for
probable and reasonably estimable future outflows or expenditure of resources for environmental
cleanup, closure, and/or disposal actions, in accordance with TR 2. A probable environmental
liability exists when it is more likely than not that contamination from hazardous waste exists for
which DoD is either legally liable for the cleanup or has acknowledged responsibility for the cleanup.
A reasonably estimable environmental liability exists when a dollar value can be estimated for (1)
the cleanup costs; or (2) where there is no known technology to perform cleanup, the costs can be
estimated for a remedial investigation study/costs to contain the contamination (see subparagraph
130205.B).

B. DoD reports environmental litigation liabilities separately from other
environmental liabilities in the notes to the financial statements. DoD Components must report
estimates of certified third party damage claims that are probable or reasonably possible. See
Volume 6B, Chapters 4 and 10 for information regarding reporting of liabilities arising from
litigation claims.

* C. Cleanup costs associated with ongoing operations such as routine hazardous
waste disposal or accidents such as an oil spill are not considered environmental liabilities and must
be recognized as a current operating expense, assuming the DoD Component completes the cleanup,
closure and/or disposal action in the current reporting period. If the DoD Component does not
complete the cleanup, closure and/or disposal action within the current reporting period, and the
cleanup is related to routine ongoing operations, the DoD Component must record an accrued
liability for the cleanup, closure, and/or disposal costs incurred and not paid in accordance with
Chapter 9.
D. Environmental liabilities are generally recognized in accordance with SFFAS 6. The requirements of SFFAS 6 relating to environmental liabilities are supplemented by the following additional FASAB standards and pronouncements: SFFAS 1; SFFAS 5; TB 2006-1; TR 2; TR10; TF11 and TR 14.

1. SFFAS 6 had an effective implementation date for periods beginning after September 30, 1997 and TB 2006-1 as amended by TB 2011-2 had an effective date for periods beginning after September 30, 2012. For the initial implementation, DoD Components must record environmental liabilities as described in Table 13-1 (for non-asbestos related liabilities) or Table 13-2 (for asbestos related liabilities).

*Table 13-1. Cleanup Cost Liability Options for PP&E for Initial Implementation for Liabilities Existing on or Before September 30, 1997*

<table>
<thead>
<tr>
<th>Environment and Disposal Liability</th>
<th>Accounting Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Option 1</strong></td>
<td>Liability should be recognized for the portion of the estimated total cleanup cost that is attributable to that portion of the physical capacity used or that portion of the estimated useful life that has passed since the PP&amp;E was placed in service. In each subsequent year of the asset’s useful life, recognize a proportionate amount of the remaining costs.</td>
</tr>
<tr>
<td><strong>Option 2</strong></td>
<td>If costs are not intended to be recovered primarily through user charges, management may elect to recognize the estimated total (ultimate) cleanup cost as a liability upon implementation of the standard (SFFAS 6, Paragraph 104).</td>
</tr>
</tbody>
</table>

*Table 13-2. Cleanup Cost Liability Options for Asbestos for Initial Implementation for Liabilities Existing on or Before September 30, 2012*

<table>
<thead>
<tr>
<th>Asbestos</th>
<th>Accounting Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Option 1</strong></td>
<td>Record a liability for estimated cleanup costs equal to the portion of the estimated useful life of the asset that has passed since the PP&amp;E was placed in service. In each subsequent year of the asset’s useful life, recognize a proportionate amount of the remaining costs.</td>
</tr>
<tr>
<td><strong>Option 2</strong></td>
<td>If the asset has been in service for a substantial portion (greater than 50% of the useful life) of its estimated used life, management can elect to recognize the entire amount of the estimated cleanup cost. This option can only be used if costs are not intended to be recovered primarily through user charges.</td>
</tr>
</tbody>
</table>

2. Accounting for estimated environmental liabilities subsequent to initial implementation of SFFAS 6 or TB 2006-1 as amended by TB 2011-2 must be recorded as described in Table 13-3.

<table>
<thead>
<tr>
<th>Environmental and Disposal Liability</th>
<th>Effective Date</th>
<th>Assets Placed in Service After Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Asbestos</td>
<td>After September 30, 1997</td>
<td>Estimate the total cleanup costs related to the PP&amp;E and recognize annually a portion of the costs over the useful life of the asset. Recognition of the expense and accumulation of the liability shall begin on the date that the PP&amp;E is placed into service, continue in each period that operation continues, and be completed when the PP&amp;E ceases operation.</td>
</tr>
<tr>
<td>Asbestos</td>
<td>After September 30, 2012</td>
<td>Estimate the total cleanup costs related to the PP&amp;E and recognize annually a portion of the costs over the useful life of the asset. Recognition of the expense and accumulation of the liability shall begin on the date that the PP&amp;E is placed into service, continue in each period that operation continues, and be completed when the PP&amp;E ceases operation.</td>
</tr>
</tbody>
</table>

3. The estimated environmental liabilities associated with PP&E placed in service after September 30, 1997 (i.e., after the initial implementation of SFFAS 6, paragraph 104), that have future environmental cleanup, closure, and/or disposal requirements must be systematically recognized over the useful life or physical capacity usage of the asset. The accumulation of the liability and the recognition of the related expense should commence when the asset is placed in service, continue in each period that operation continues, and be completed when the PP&E cease operations. The accounting treatment for PP&E placed in service after September 30, 1997 is applicable irrespective of whether the costs are intended to be recovered through user charges or not. If the environmental liability is not associated with an asset having a useful life, for example an event-driven environmental liability, the total estimated cleanup cost should be recognized upon identification of the liability.

4. Estimates must be evaluated and revised periodically (at least annually) to account for material changes due to inflation or deflation and changes in regulations, plans, and/or technology (see subparagraph 130205.D).

5. Environmental liabilities reported in the financial statements must reflect the liability as of the current Balance Sheet date (i.e., September 30 for Federal agencies), not an earlier date. Thus, when the annual evaluation of the environmental liabilities is performed as of a date earlier than September 30, DoD Components must develop, document, and execute a process for performing roll forward procedures. These procedures are to determine if any changes that meet the “probable” and “reasonably estimable” criteria occurring during the roll forward period have a
significant impact (see Appendix A) on the estimates to be reported as of September 30. To limit the time period covered by the roll forward procedures, DoD Components need to complete a robust cost estimation process at least as recently as June 30 of each year. Subsequent significant changes that have occurred between June 30 and September 30 must be reflected in the environmental and disposal liability. To assist DoD Components with segmenting their site universe to identify subsets of environmental and disposal liability cleanup sites that may not require a reassessment during the roll forward period, a decision tree has been developed and included in Figure 1.

6. While performing the roll forward procedures, each DoD Component must identify and assess any potential qualifying events to determine their significance to reported financial statement balances. To roll forward the environmental liability for event-driven liabilities, the DoD Component must consider:

   a. Whether the process for developing supporting justification to determine the significance of a roll forward event may not be as robust as the process for developing supporting justification produced to support the initial estimates or annual evaluation. Sufficient evidence must be available to support the roll forward assessments.

   b. Establishing or adjusting liabilities for discoveries/changes occurring in the roll forward period based on prior experience with similar sites and/or conditions for the total cost of cleanup. If several similar sites and/or conditions are considered with no single scenario more likely than any other, the scenario with the minimum associated amount in the range should be used.

   c. Macroeconomic factors (e.g., raw materials, regulatory standards, technology) that changed during the roll forward period to determine if they will have a significant impact to the overall cost estimates.

   d. Establishing, documenting, and performing roll forward procedures that can sufficiently support the determination of whether any significant changes occurred or alternatively those changes are insignificant. Even if the result of those procedures determines that very few or no events are significant to the financial statements and/or Note 14 balances as of September 30, the documented process for arriving at that determination will need to be available for auditors’ review.

7. To update the environmental liability balance for asset-driven liabilities during the roll forward period of July, August and September, DoD Components must consider changes in asset inventories and/or significant occurrence impacting established cost factors developed to predict disposition of non-routine, environmentally hazardous waste at the point of PP&E asset disposal.

8. The estimated environmental liabilities associated with the total cleanup cost for Stewardship PP&E must be recognized in the period that the asset is placed into service.
9. For asbestos-related environmental liabilities (both friable and non-friable) associated with PP&E, the effective date for which systematic recognition of the liability is required is based on the effective date of the implementing requirement (i.e., TB 2006-1 amended by TB 2011-2). Asbestos-related environmental liabilities associated with PP&E placed in service after September 30, 2012, must be systematically recognized over the remaining useful life of the PP&E.

10. Asbestos-related environmental liabilities associated with PP&E placed in service prior to October 1, 2012 (the effective implementation date for TB 2006-1), must be recognized for the portion of the estimated total cleanup, closure and/or disposal cost of the estimated useful life that has passed from the date the PP&E was placed in service through September 30, 2012. The remaining cost must be recognized in a systematic and rational manner based on use of the physical capacity whenever possible or useful life of the associated PP&E. However, if the PP&E has been in service for a substantial portion (greater than 50%) of its estimated useful life, the estimated total cleanup, closure and/or disposal cost may be recognized in full in the initial year the liability is recorded, unless the costs are intended to be recovered through user charges.

E. Environmental liabilities that are unique in nature have different recognition criteria.

* 1. An environmental liability for military range cleanup, closure and/or disposal, including disposal of unexploded ordnance, does not exist until a formal decision is made to close the range, or hazardous waste is migrating off the range. If hazardous waste is migrating off the range, the DoD Component will recognize an environmental liability. This accounting guidance is based on the conditional exemption provided to DoD in Title 40 Code of Federal Regulations, Environmental Protection Agency § 266.202 (the EPA regulation). The EPA regulation effectively excludes military munitions on a military range from the definition of solid waste until a formal decision to close the range occurs or the munitions discharge migrates off the military range.

* 2. Environmental liabilities related to conventional munitions that are determined to be excess and/or obsolete as of the financial reporting date are recognized for the total disposal estimate (i.e. the environmental liability). Conventional munitions are typically an inventory item intended for consumption; therefore, an environmental liability would exist only when the munitions are considered excess or obsolete, because the unused portions require special actions to ensure proper disposal. Conventional munitions are considered to be obsolete when no longer needed due to changes in technology, laws, or operations. Excess quantities of conventional munitions and obsolescence of conventional munitions must be evidenced by documentation of management’s decision to permanently remove an asset from service and the asset’s use is terminated.
3. Environmental liabilities for stockpile and non-stockpile chemical agents and munitions inventory, and buried chemical agents and munitions, should be recognized for cleanup, closure, and/or disposal costs when the probable and reasonably estimable criteria have been met, in accordance with TR 2. Per 50 U.S.C. § 1521, DoD is required to dispose of chemical weapons and materiel contained in the stockpile, as well as the non-stockpile. The stockpile consists of the chemical weapons and materiel in the inventory. The non-stockpile items are binary chemical weapons, miscellaneous chemical warfare materiel, recovered chemical weapons, and former production facilities. Proper action is needed to mitigate risk to human health and the environment from buried chemical agents and munitions. The determination to dispose of chemical weapons and materials must be evidenced by documentation supporting management’s decision to permanently remove an asset from service and the asset’s use is terminated.

4. For assets permanently removed from service, the environmental cleanup costs liability associated with the disposal, closure, and/or shutdown of the PP&E must be recognized in full. If removal of service is considered other than permanent, the liability and associated cleanup cost expense must continue to accumulate. Permanent removal from service is defined under subparagraph 130202.Q. In compliance with TR 14, documentation must exist of management’s decision to permanently remove an asset from service. Recognition of the full liability for cleanup costs associated with PP&E will not be recorded if an asset’s useful life has not been terminated and there is no documented evidence validating management’s decision to permanently remove the asset from service.

5. Overseas environmental liabilities are environmental cleanup, closure, and/or disposal costs associated with the operation of installations overseas in accordance with DoDI 4715.08 and international agreements as defined by DoD Directive 5530.3. Environmental liabilities resulting from DoD operations are considered “Government-Related Events,” as defined by SFFAS 5, and will be recognized when the event creating the liability occurs. The requirements to be met will be based on the applicable SFFAS Standards, DoD Issuances (i.e., DoD Directive, DoD Instruction, DoD Manual), and international agreements, in accordance with DoDI 4715.05.

6. When estimating the disposal cost of assets containing hazardous waste, non-environmental costs that are considered immaterial to the total cost of removing or disposing of the asset(s) (e.g., disposal of nuclear ships) may be recognized as an environmental liability. Materiality depends on the degree to which an omission or misstatement would change or influence the judgment of a reasonable person relying on the information and requires the application of professional judgment. Each DoD Component is responsible for defending any materiality determinations.

7. Both friable and non-friable asbestos-related cleanup, closure, and/or disposal costs must be estimated in accordance with TB 2006-1, as amended by TB 2011-2. Cost estimates for asbestos must include both friable and non-friable, however itemization of the two types of asbestos is not required in the estimate. Asbestos-related cleanup, closure, and/or disposal costs are the costs of removing, containing, and/or disposing of:

a. Asbestos-containing materials from property, or
b. Material and/or property that consist of asbestos-containing material at permanent or temporary closure, or shutdown of associated PP&E (i.e., when cleanup cannot occur until the end of the useful life or at regular intervals during that life). Asbestos-related cleanup, closure, and/or disposal costs associated with PP&E must be recognized in accordance with subparagraphs 130203.D.9 and 130203.D.10. TR 10 provides a framework for identifying assets containing asbestos, assessing assets to collect information, and/or developing assumptions needed to estimate asbestos cleanup costs.

* F. The DoD Component having the responsibility (by law, statute, agreement, or DoD policy) for funding the environmental liability must report the associated expense and liability on its financial statements. The determination of the liability amount must be in accordance with applicable pronouncements (see paragraph 130205). The DoD Component recording the environmental liability must have sufficient supporting documentation to establish its responsibility for the liability. The DoD Component responsible for the physical cleanup and disposal must be the entity that estimates, tracks, revises, and monitors the liability. In most instances, this will be the same entity as the entity responsible for funding the environmental and disposal liability. If that is not the case, then the “non-funding” entity must provide the cost and liability information to the funding entity to record in the funding entity’s financial statements.

G. Environmental liabilities are generally based on accounting estimates that are discussed in paragraph 130205. Recognition of necessary adjustments to accounting estimates used in establishing environmental liabilities follows:

1. The cumulative effect of changes in cost estimates is recognized as an expense in the current accounting period and the corresponding liability is adjusted. These accounting transactions are provided in Table 13-4. Additionally, the related cleanup cost for the current period must be expensed and accrued as an environmental liability. Refer to subparagraph 130302 for the appropriate accounting transactions.

2. Material adjustments that are required to correct errors related to prior period operations must be recognized as a prior period adjustment that restates the prior period comparative financial statements. Adjustments to correct errors typically result from mistakes, or the oversight or misuse of facts that would materially misstate the entities’ financial statements. This includes errors in the calculation of estimated environmental liabilities. This type of adjustment is reflected in the Statement of Changes in Net Position and omits any expense recognition in the current period. The amounts involved must be disclosed, and to the extent possible, the amount associated with current and prior periods must be noted. Adjustments required for immaterial amounts are recognized as a current period event.

H. The risk of material misstatement of accounting estimates normally varies with the complexity and subjectivity associated with the process, the availability and reliability of relevant data, the number and significance of assumptions made, and the degree of uncertainty associated with those assumptions. The DERP and non-DERP requires cleanup cost estimates to be single point estimates using the best available data. If a range is estimated for environmental liabilities and an amount within the range is considered a better estimate than any other estimate, that amount must be recognized; however, if no amount within a range is considered a better
estimate, then the minimum amount in the range must be recognized. Refer to subparagraph 130204 for disclosure requirements of estimates that are based on uncertainty.

*130204. Environmental Liability Disclosures

A. Financial statement disclosures provide pertinent information in notes or narratives about the amounts reported on the face of the financial statements. (Refer to Volume 6B, Chapter 10 for guidance on completing the financial statement notes.) Disclosure requirements for liabilities, including environmental liabilities, differ depending on how the likelihood that a loss or an additional loss has been incurred by an entity is classified and also whether the loss is reasonably estimable. The classifications of likelihood are probable, reasonably possible and remote. Probable means that the future confirming event or events are more likely than not to occur; reasonably possible means that the chance of the future confirming event or events is more than remote but less than probable; and, remote means the chance of the future event or events occurring is slight.

B. Environmental liabilities meeting the criteria in TR 2 for “probable” and “reasonably estimable” must be recognized on the Balance Sheet. The recognition of environmental liabilities requires the following disclosures associated with the cleanup, closure, and/or disposal cost estimates that must be addressed each reporting period within the financial statement note for environmental liabilities:

1. The sources (list applicable laws and regulations) of cleanup, closure, and/or disposal requirements;

2. The method for assigning estimated total cleanup, closure, and/or disposal costs to current operating periods (i.e., based on consumed useful life or physical capacity of the assets);

3. The unrecognized amounts of environmental liabilities for assets that require the systematic recognition of the total estimated cleanup, closure, and/or disposal costs. The DoD Component must recognize the portion of the total cost that is attributed to the useful life of the asset that has expired since the asset was placed in service. The balance of the total estimated cleanup, closure and/or disposal cost is the unrecognized portion of the liability;

4. Material changes in the total estimated cleanup, closure and/or disposal costs due to changes in laws, technology, or plans, and the portion of the change in estimate that relates to prior period operations;

5. The nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, plans, or applicable laws and regulations; and

6. A description of the type of environmental liability identified.
C. Environmental liabilities that do not meet the criteria of “probable” and “reasonably estimable” but for which there is at least a reasonable possibility that a loss may have been incurred, financial statement disclosure is required. The financial statement disclosure should include the nature of the environmental liability and an estimate of the possible liability, an estimate of the range of dollar amounts for the possible liability, or a statement that such an estimate cannot be made.

D. Environmental liabilities that are classified as remote or with a slight chance of occurring do not require disclosure in the general purpose financial statements and accompanying notes, but the law may require disclosure in special purpose reports.

E. DoD Components must disclose Intragovernmental Liabilities Not Covered by Budgetary Resources separately from Liabilities Covered by Budgetary Resources in accordance with Volume 6B, Chapter 10.

1. Liabilities Covered by Budgetary Resources are liabilities incurred which are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include:

   a. New budget authority;

   b. Unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year;

   c. Spending authority from offsetting collections (credited to an appropriation or fund account); and

   d. Recoveries of unexpired budget authority through downward adjustments of prior year obligations.

2. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first.

3. Liabilities Not Covered by Budgetary Resources include liabilities incurred for which revenues or other sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations or current earnings of the reporting entity.

F. Documentation to support the environmental liability recognition and disclosures, including management reviews, must be retained for the life of the liability. Once the liability has been eliminated, the documentation must be retained according to applicable retention and disposal instructions in accordance with Volume 1, Chapter 9.
Environmental Liability Estimates

A. Environmental liabilities are generally developed based on accounting estimates, because the extent of the environmental cleanup, closure, and/or disposal costs cannot be determined until completing cleanup/disposal operations. The DoD Component’s responsible program management function and accounting function should work together to identify and support the environmental liability estimates and maintain audit records to support assumptions, methodologies, and internal controls used in developing the estimates. The responsible program management function is accountable for generating and approving the cost estimates; the accounting function is responsible for reviewing the cost estimates and ensuring the liability is recognized according to the guidance published in this chapter. Each estimate is based on subjective as well as objective factors. Accordingly, sound business judgment based on knowledge and experience about past and current events and assumptions is required. The accounting estimates are subject to audit standards of SAS Number 122/AU-C Section 540. Organizations that prepare accounting estimates must retain adequate documentation of quality review, estimator and reviewer qualifications, data sources, estimating methodologies, accreditation including the parametric models, and internal control procedures. The process of establishing accounting estimates would normally consist of:

1. Identifying situations for which accounting estimates are required;
2. Identifying the relevant factors that may affect the accounting estimate;
3. Accumulating relevant, sufficient, and reliable data on which to base the estimate;
4. Developing assumptions that represent management’s judgment of the most likely circumstances and events with respect to the relevant factors;
5. Determining the estimated amount based on the assumptions and other relevant factors;
6. Comparing prior accounting estimates to actual results and with new estimates to assess the reliability of the process used to develop estimates;
7. Determining that the accounting estimate is consistent with the operational plans of the entity; and
8. Determining that the accounting estimate is presented in conformity with applicable accounting principles and that disclosure is adequate.

B. The environmental cleanup, closure, and/or disposal costs that are probable and reasonably estimable must be estimated based on site-specific information using engineering estimates, comparison with similar sites, contaminants, equipment, or cost models validated in accordance with DoDI 5000.61. As cost estimates by definition are subjective and have an element of uncertainty, documentation to support cost estimates must be substantial and robust.
reliability of the cost estimate will depend on the amount of site-specific information available, the extent of experience and resemblance with similar site conditions or assets, availability of remediation technology, and cost models. Once the DoD Component generates a cost estimate, the liability must be recognized in accordance with paragraph 130203 and any uncertainty disclosed in the notes to the financial statements.

1. A cost estimate produced from a site-specific study is generally more reliable because it is based directly on environmental conditions at the site. Further, environmental personnel can evaluate the alternative cleanup, closure, and/or disposal actions identified through a site-specific study to develop engineering estimates and to identify the selected alternative. However, understanding that DoD Components often include multiple sites on an individual contract, supporting documentation required to justify individual ULO transaction level details does not need to be at the site level. In such circumstances, contracts and invoices supporting the ULO transaction level details for the combined multiple sites must be retained to support future audit requirements.

2. If a site-specific study has not been completed, then the DoD Component must determine whether the site is similar to other sites, where experience has been gained based on the completion of a comprehensive study or actual remediation. If there is no investigation and/or comparable site data available, costs are not considered reasonably estimable. In this case, the DoD Component should recognize the anticipated costs of conducting future studies as an environmental liability in accordance with paragraph 130203 until they complete the site-specific study.

3. If an acceptable cleanup technology is not available to address the site, then the DoD Component must recognize the estimate to contain the hazardous waste and other relevant costs, such as the costs for future studies, as an environmental liability in accordance with paragraph 130203. The DoD Component must also disclose the range of uncertainty in the notes to the financial statement.

4. When leveraging cost models to develop cost estimates, DoD Components should:
   a. Accumulate relevant, sufficient, and reliable data on which accounting estimates for a given environmental and disposal liability concern were based;
   b. Ensure estimates are prepared by qualified personnel and adequately reviewed and approved by the appropriate levels of authority before being finalized;
c. Sustain the use of a cost model methodology by compiling and/or collecting and maintaining documentation from appropriate service providers (as applicable) to support review of cost factors on a regular basis, and implementing a data collection process. For purposes of implementing this approach, DoD considers “performed on a regular basis” to mean at least annually. At a minimum, DoD Components shall ensure that appropriate reviews have been performed and subsequent supporting documentation is available to provide to an auditor. Decisions on when to update cost factors shall be driven by the impact that new information has on existing estimates;

d. Compile documentation and/or collect documentation from appropriate service providers (as applicable) supporting the reasonableness of cost factors used by cost estimation software (e.g., Remedial Action Cost Engineering Requirements (RACER));

e. Compile documentation and/or collect assurance from appropriate service providers (as applicable) that cost estimation software (e.g., RACER) has been validated or otherwise ensure that the functions performed by the software are executed as intended; and

f. Compare a representative sample of prior accounting estimates with subsequent results to assess the reliability of the process used to develop estimates and the reasonableness of estimates developed.

C. Environmental liability estimates must be developed to include all environmental liability sites in the site universe and must include all cleanup, closure, and/or disposal costs. Such cost estimates are calculated on a current cost basis and are based on a current plan, existing laws, and technology. Overhead management costs for environmental sites and equipment that cannot be attributed to specific sites and equipment should be added to the environmental liability at a summary level. Environmental liability estimates must include the following cost elements, as applicable:

1. Compensation and benefits of government personnel expected to devote significant time directly to a disposal effort;

2. Cost of employing contractors, engineers, and consultants;

3. Disposal costs (includes demilitarization, material handling, transportation, storage, and tipping fees);

4. Cost of dedicated facilities, machinery, and equipment, and the related operating and maintenance costs;

5. Research and development costs for alternative remediation technologies;

6. Payments to regulatory agencies to provide technical support (e.g., document review of planned studies);
7. Efforts to tear down, remove, and dispose of the item(s), to include transportation, demilitarization, and dismantlement;

8. Planning and design efforts, to include contract advertisement and document reproduction;

9. Landscaping costs to replace landscaping elements damaged or destroyed by remediation efforts;

10. Permits, licenses, and approval to include State Historic Preservation Officer concurrence and documentation. Also included are screening costs of suitable property for the homeless, as established by 42 U.S.C. § 11411;

11. Grants or payments to state, tribal, and local governments; and

12. Program management costs for DERP, a statutorily defined program with a limited universe of sites on active, BRAC and Formerly Used Defense Sites properties. Program management associated with DERP exists solely to support the remediation of sites specifically eligible for DERP. Since these program management costs will cease upon the conclusion of the DERP program, these costs must be reported as part of environmental and disposal liability. These costs are necessary to effectively manage and execute the site cleanup requirements for DERP sites; however, they cannot be directly attributed to an individual cleanup site. Per the DoDM 4715.20, the DoD Components must report these costs as rolled-up CTC estimates at the appropriate program level. Estimated program management costs must be included for the Future Years Defense Program (FYDP) and beyond. DoD Components must estimate program management costs beyond the FYDP by applying the average percentage of program management costs through the FYDP to the site-level requirements remaining past the FYDP. As with other environmental and disposal liability, these estimates must be supported with appropriate documentation.

D. Environmental liability estimates must be reviewed annually and revised when there is evidence that significant changes in the cost measurement have occurred, such as changes in scope, ownership, regulation, or technology. In the event a significant change has occurred between the environmental liability valuation date and September 30, roll forward procedures must be performed (see subparagraph 130203.D.5). At a minimum, long-term cost estimates should be adjusted upward or downward annually, through indexing, to maintain them on a current cost basis as if acquired in the current period. Once the cost estimates are reviewed and adjusted, the estimated liability must be reduced by the amounts that are paid. Expenditures should be managed to the transaction level to allow for comparison of prior estimates to subsequent results. Supporting documentation required to justify individual transaction level details does not need to be at the site-level. However, contracts and invoices supporting the transaction level details for combined multiple sites must be retained to support future audit requirements.
E. A systematic recognition of the cost estimate is preferable based on the use of physical capacity. If physical capacity is not applicable or estimable, the estimated useful life based on the number of years may serve as the basis for the systematic recognition of expense and accumulation of a liability. A more thorough explanation of the term “useful life” is provided in Chapter 6. The current period estimated expense is equal to:

1. The total final estimated costs of the disposal or closure effort;

2. Divided by the total capacity;

3. Multiplied by the physical capacity used;

4. Minus the amounts previously recognized as expense;

5. Equals the current period estimated expense.

F. DoD Components must follow at least one (or some combination) of the approaches outlined (as applicable for the environmental and disposal liability considered) to establish and maintain a complete and current site universe (i.e., baseline):

1. Reconcile PP&E asset records maintained in Accountable Property Systems of Record (APSRs) with environmental and disposal liability records in environmental databases of record;

2. Produce evidence of the performance of a historical fence-to-fence survey focused on identifying and recording environmental and disposal liabilities and recent efforts to maintain currency over initial survey findings; and

3. Reconcile environmental and disposal liability records with other appropriate source lists.

G. After an initial baseline has been established, DoD Components must maintain site universes by using the following techniques:

1. For asset-driven and event-driven liabilities, leverage PP&E asset acquisition and disposal processes/systems to update routinely the established baseline;

2. For event-driven liabilities, document and adhere to standard operating procedures for responding to typical site addition processes (e.g., spill programs, environmental surveys) and update the baseline accordingly; and

3. For event-driven liabilities, document and adhere to standard operating procedures for removing future cost estimates when remediation requirements have been met and no additional future liability exists, and update the baseline accordingly.
H. When implementing guidance outlined in subparagraphs 130205.F and 130205.G, DoD Components must establish and maintain environmental and disposal liability universe baselines for event-driven and asset-driven environmental liabilities:

1. Event-driven environmental liabilities. In these instances, it is important that DoD Components define the history, timeline, and activities employed in the surveys to demonstrate that a due care approach was taken, in accordance with TR 2, to establish an initial baseline and that there are sufficient procedures in place to maintain currency over the baseline. Documentation must be readily available to support the baseline, allowing auditors to verify the completeness of established cleanup site universes.

2. Asset-driven environmental liabilities. DoD Components could rely more heavily upon PP&E asset universes to identify relevant environmental and disposal liabilities. If only a subset of the PP&E asset universe is applicable to a given environmental and disposal liability subcategory, DoD Components could begin by considering the entire PP&E asset universe and demonstrate why individual subcategories are not applicable.

I. DoD Components must identify and account for environmental disposal liabilities that are non-routine at the time of equipment disposal, in accordance with TR 11. When using the methodology described in TR 11, DoD Components should:

1. Leverage APSRs to define and categorize equipment assets that should be assessed using TR 11 guidelines.

2. Focus on establishing documentation consistent with guidelines set forth in TR 11 to establish an audit trail for reported equipment environmental disposal liabilities. An audit trail must be produced even if the resulting value of equipment environmental disposal liabilities is deemed immaterial.

3. Review applicable contractual agreements to understand better the responsibilities and obligations during disposal of equipment assets being considered. In some instances, other contractual parties may assume all or part of a liability at the point of disposal, which could affect DoD financial reporting requirements.

4. Coordinate with the following communities (as applicable): Acquisition, Financial, Management, Program Management, and Environmental.

1303 ACCOUNTING PROCEDURES FOR RECORDING ENVIRONMENTAL LIABILITIES

This section illustrates the use of the applicable USSGL accounts for recording the proprietary and budgetary transactions for environmental liabilities. Refer to the Deputy Chief Management Office Standard Financial Information Structure website for the DoD Standard Chart of Accounts (including point accounts) and the Transaction Library.
130301. Estimated Cleanup Cost Liability (USSGL Account 299500)

A. This account represents the estimated amounts owed for projected future cleanup, closure, and/or disposal costs associated with:

1. Hazardous waste from property; or
2. Material and/or property consisting of hazardous waste at a permanent or temporary closure or shutdown of the associated PP&E.

B. Subsidiary ledgers should be established as necessary to meet external reporting requirements and to provide internal control over amounts owed.

130302. Environmental Liability Accounting Entries

The accounting entries depicted in Table 13-4 illustrate the entries that must be used to record transactions for environmental liabilities.
Table 13-4. Accounting Entries (Adapted from U.S. Standard General Ledger – Implementation Guidance – \textit{Environmental Cleanup Costs}) for Account USSGL 299500 – Estimated Cleanup Cost Liability

1. In year 1, assume a PP&E with a useful life of 3 years is acquired and it is known to produce hazardous waste. The estimated cleanup cost is $120,000. Assume cleanup will start when PP&E cease its operation. $120,000/3 years = $40,000 per year

Year 1:

\begin{align*}
\text{Dr} & \quad 680000 & \text{Future Funded Expenses} & \quad 40,000 \\
\text{Cr} & \quad 299500 & \text{Estimated Cleanup Cost Liability - NC} & \quad 40,000
\end{align*}

2. In year 2, a reestimate of the cleanup cost indicated that the cost will be more than what was originally estimated by $60,000. Total cleanup cost = $120,000 (original amount) + $60,000 (additional estimated costs) = $180,000.

$60,000/3 (3 years) = $20,000 \times 2 \text{ (year 1 and year 2 need to be recovered)} = $40,000

$40,000 \text{ (original estimate)} + $40,000 \text{ (calculated reestimate for year 1 and year 2 need to be recovered)} = $80,000

Year 2:

\begin{align*}
\text{Dr} & \quad 680000 & \text{Future Funded Expenses} & \quad 80,000 \\
\text{Cr} & \quad 299500 & \text{Estimated Cleanup Cost Liability - NC} & \quad 80,000
\end{align*}

3. In year 3, record annual estimated cleanup cost.

Year 3:

\begin{align*}
\text{Dr} & \quad 680000 & \text{Future Funded Expenses} & \quad 60,000 \\
\text{Cr} & \quad 299500 & \text{Estimated Cleanup Cost Liability - NC} & \quad 60,000
\end{align*}

\begin{align*}
($40,000 \text{ original annual cost estimate} + $20,000 \text{ additional cost estimate determined in year 2} = $60,000)
\end{align*}

4. Assume the agency receives funding for the cleanup cost in Year 4 in the amount of $50,000.

Year 4:

\begin{align*}
\text{Dr} & \quad 101000 & \text{Fund Balance With Treasury} & \quad 50,000 \\
\text{Cr} & \quad 310100 & \text{Unexpended Appropriations – Appropriations Received} & \quad 50,000
\end{align*}

\begin{align*}
\text{Dr} & \quad 299500 & \text{Estimated Cleanup Cost Liability – NC} & \quad 50,000 \\
\text{Cr} & \quad 299500 & \text{Estimated Cleanup Cost Liability – C} & \quad 50,000
\end{align*}
Dr 411900  Other Appropriations Realized  50,000
Cr 445000  Unapportioned Authority  50,000

Dr 445000  Unapportioned Authority  50,000
Cr 451000  Apportionments  50,000

Dr 451000  Apportionments  50,000
Cr 461000  Allotments – Realized Resources  50,000

5. In year 4, contractor A started and completed his portion of the cleanup and billed the agency for $20,000.

Year 4:
Dr 299500  Estimated Cleanup Cost Liability – C *20,000
Cr 211000  Accounts Payable  20,000

Dr 310700  Unexpended Appropriations - Used  20,000
Cr 570000  Expended Appropriations  20,000

Dr 461000  Allotments – Realized Resources  20,000
Cr 480100  Undelivered Orders – Obligations, Unpaid 20,000

Dr 480100  Undelivered Orders – Obligations, Unpaid  20,000
Cr 490100  Delivered Orders – Obligations, Unpaid  20,000

6. In year 4, the agency makes a partial payment of $10,000 to contractor A.

Year 4:
Dr 211000  Accounts Payable  10,000
Cr 101000  Fund Balance With Treasury  10,000

Dr 490100  Delivered Orders – Obligations, Unpaid  10,000
Cr 490200  Delivered Orders – Obligations, Paid  10,000

7. In year 4, contractor B was hired to perform additional cleanup for $5,000.
Year 4:

<table>
<thead>
<tr>
<th>Dr</th>
<th>461000</th>
<th>Allotments – Realized Resources</th>
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<tr>
<td>Cr</td>
<td>480100</td>
<td>Undelivered Orders – Obligations, Unpaid</td>
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* NC = Not Covered by Budgetary Resources
  C = Covered by Budgetary Resources
**Statements for Year 4**

*Proprietary Pre-Closing Trial Balance – Year 4*

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Account Title</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>101000</td>
<td>Fund Balance with Treasury</td>
<td>40,000</td>
</tr>
<tr>
<td>211000</td>
<td>Accounts Payable</td>
<td>10,000</td>
</tr>
<tr>
<td>299500</td>
<td>Estimated Cleanup Cost Liability - NC</td>
<td>130,000</td>
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<tr>
<td>299500</td>
<td>Estimated Cleanup Cost Liability - C</td>
<td>30,000</td>
</tr>
<tr>
<td>310100</td>
<td>Unexpended Appropriation – Appropriations Received</td>
<td>50,000</td>
</tr>
<tr>
<td>310700</td>
<td>Unexpended Appropriation - Used</td>
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<tr>
<td>570000</td>
<td>Expended Appropriations</td>
<td>20,000</td>
</tr>
<tr>
<td>331000</td>
<td>Cumulative Results of Operations</td>
<td>180,000</td>
</tr>
</tbody>
</table>

*Budgetary Pre-Closing Trial Balance – Year 4*

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<tr>
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<th>Account Title</th>
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<tbody>
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<td>411900</td>
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<td>461000</td>
<td>Allotments – Realized Resources</td>
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</tr>
<tr>
<td>480100</td>
<td>Undelivered Orders – Obligations, Unpaid</td>
<td>5,000</td>
</tr>
<tr>
<td>490100</td>
<td>Delivered Orders – Obligations, Unpaid</td>
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</tr>
<tr>
<td>490200</td>
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**Closing Entries – Year 4**

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<thead>
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<th>Account Number</th>
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<th>Balance</th>
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</thead>
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<td>570000</td>
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<td>331000</td>
<td>Cumulative Results of Operations</td>
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<tr>
<td>310100</td>
<td>Unexpended Appropriation – Appropriations Used</td>
<td>50,000</td>
</tr>
<tr>
<td>310700</td>
<td>Unexpended Appropriation – Used</td>
<td>20,000</td>
</tr>
<tr>
<td>310000</td>
<td>Unexpended Appropriations - Cumulative</td>
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<tr>
<td>420100</td>
<td>Total Actual Resources - Collected</td>
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</tr>
<tr>
<td>411900</td>
<td>Other Appropriations Realized</td>
<td>50,000</td>
</tr>
<tr>
<td>490200</td>
<td>Delivered Orders – Obligations, Paid</td>
<td>10,000</td>
</tr>
<tr>
<td>461000</td>
<td>Allotments – Realized Resources</td>
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</tr>
<tr>
<td>445000</td>
<td>Unapportioned Authority</td>
<td>25,000</td>
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</table>
### Balance Sheet – Year 4

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>101000</td>
<td>Fund Balance with Treasury</td>
<td>40,000</td>
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<tr>
<td>211000</td>
<td>Accounts Payable</td>
<td>10,000</td>
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<tr>
<td>299500</td>
<td>Estimated Cleanup Cost Liability</td>
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<tr>
<td>310000</td>
<td>Unexpended Appropriations-Cum</td>
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</tr>
<tr>
<td>331000</td>
<td>Cumulative Results of Operations</td>
<td>160,000</td>
</tr>
</tbody>
</table>
*Figure 1. Roll Forward Decision Tree for Event-Driven Environmental Liabilities

*New activities could include: change in project scope, change in standards or regulations, new technology, new obligation, change in DoD policy, new or additional contamination discovered.

**See Appendix A for determination of significant amounts in the roll forward period.
*Appendix A. Quantitative Determination of Significant Amounts in the Roll Forward Period

DoD Components should use this quantitative approach to determine what are considered significant amounts in the roll forward period. Significant amounts that have occurred between June 30 and September 30 must be reflected in environmental and disposal liability through an adjustment to the environmental and disposal liability as of September 30. To assist DoD Components with segmenting their cleanup site universe to identify subsets of environmental and disposal liability cleanup sites that may not require a reassessment during the roll forward period, a decision tree has been developed and included in Figure 1. DoD Components should leverage Figure 1 or a method consistent with Figure 1. The intent of Figure 1 is to assist DoD Components with segmenting their cleanup site universe to identify high risk subsets, subsequently reducing the overall effort required to implement roll forward procedures. Subsequently, DoD Components must assess qualifying events to determine significance to the reported financial statement balances.

Approach to calculate their Significant Amount Threshold:

Environmental & Disposal Liability Balance\(^1\) $XXXXX
Multiply by 1% \(x \times .01\)
Materiality\(^2\) $XXXXX
Multiply by no more than 3%\(^3\) \(x \times .03\)
Significant Amount Threshold $XXXXX

Note: DoD Components must use the calculated Significant Amount Threshold or $1 million, whichever is greater.

The Significant Amount Threshold calculation has been developed to compensate for the possible aggregation of misstatements in the recorded liability amount by a DoD Component (i.e., misstatements for multiple environmental and disposal liability sites) and among DoD Components at the consolidated DoD financial statement level. While individual misstatements may not be material to the financial statements, when aggregated with other misstatements they could result in a material misstatement.

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\(^1\) Total Environmental and Disposal Liabilities recorded balance on the DoD Component’s individual financial statements as of the most recently reported period.

\(^2\) This materiality amount is equivalent to Design Materiality as described in the GAO FAM §230.12.

\(^3\) The no more than 3% of Materiality is based on OUSD’s judgment to compensate for the potential aggregation of amounts at the DoD Component level.
VOLUME 4, CHAPTER 14: “PAYMENT INTEGRITY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2015 is archived.

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<td>Revised the previous chapter titled, “Improper Payments” to significantly streamline and highlight the key policy requirements of the Payment Integrity program to comply with the Payment Integrity Information Act of 2019.</td>
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1401 GENERAL

140101. Overview

This chapter establishes policy for the Department of Defense’s (DoD) Payment Integrity program. This program is comprised of eight separate programs that report improper payments related to pay and benefits, commercial goods and services, health care, military retirement, and travel, which collectively encompass the majority of payments made by DoD annually. Improper payments are tested, estimated, and reported in accordance with the Payment Integrity Information Act of 2019 (PIIA). Except for sections specifically noted in the PIIA, it repealed the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Improvement Act of 2012, and the Fraud Reduction and Data Analytics Act of 2015. The requirements for compliance with PIIA are described in the Office of Management and Budget (OMB) Circular A-123, Appendix C, “Requirements for Payment Integrity Improvement” and OMB Circular A-136, “Financial Reporting Requirements,” or their successor publications.

140102. Purpose

The purpose of this policy is to provide guidance to the DoD Components (i.e., Military Services, Defense Agencies, DoD Field Activities, Combatant Commands) to implement the requirements from the authorities in paragraph 140103. This policy applies to all DoD Components who make “payments” (as defined in the PIIA) related to pay and benefits, commercial goods and services, health care, military retirement, and travel.

140103. Authoritative Guidance

A. Title 31, United States Code (U.S.C.), Section 3351 et. seq., PIIA

B. OMB Circular No. A-123, Appendix C, “Requirements for Payment Integrity Improvement”


D. OMB Memorandum M-18-14, “Implementation of Internal Controls and Grant Expenditures for Disaster-Related Appropriations

1402 PAYMENT INTEGRITY PROGRAMS

140201. Programs

A. The DoD Payment Integrity program estimates and reports improper payments for the following eight programs:
1. Military Health Benefits: Payments disbursed by the Defense Health Agency (DHA) to private sector contractors for delivery of health care services to TRICARE-eligible beneficiaries.

2. Military Pay: Payments disbursed by the Defense Finance and Accounting Service (DFAS) to Active, Reserve, and National Guard Military Service members for salary, benefits, and other compensation entitlements.

3. Civilian Pay: Payments disbursed by DFAS to civilian employees and civil service Mariners for salary, benefits, and other compensation entitlements.

4. Military Retirement: Payments disbursed by DFAS to military retirees and their surviving spouses and other family members for pension and/or disability entitlements.

5. Travel Pay: Payments disbursed by DFAS, the Army, the Navy, the Air Force, and the Marine Corps to Active, Reserve, and National Guard Military Service members and civilian employees for temporary and permanent travel and transportation-related expenses.

6. Commercial Pay: Payments disbursed by DFAS, the Army, and the Navy to vendors and contractors for goods and services. It also includes Disaster Relief Funding payments made by the Military Services and DoD Components.

7. United States Army Corps of Engineers (USACE) Travel Pay: Payments disbursed by USACE to Active Duty Military Service members and civilian employees for temporary and permanent travel and transportation-related expenses. It also includes Disaster Relief Funding payments made by USACE.

8. USACE Commercial Pay: Payments disbursed by USACE to vendors and contractors for goods and services. It also includes Disaster Relief Funding payments made by USACE.

B. DoD Components will sample, conduct post payment reviews, estimate the amount of improper payments using statistically valid sampling methodologies, and report improper payments to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) for reporting in the consolidated DoD agency financial report (AFR), as follows:

1. DFAS reports for the Components on the Military Pay, Civilian Pay, and Military Retirement programs.

2. DFAS reports for the Components on the Travel and Commercial Pay programs. In addition, the Army, the Navy, the Air Force, and the Marine Corps also report on the Travel and Commercial Pay programs.

3. DHA reports on the Military Health Benefits program.
4. USACE reports on the USACE Travel and USACE Commercial Pay programs.

C. DoD Components are responsible for identifying, sampling, testing, and reporting improper payments to OUSD(C) for any payments that are outside of the DFAS sampling methodologies and post payment review processes.

D. Payments Not Subject to Improper Payment Testing or Public Reporting

1. The PIIA does not require agencies to test payments made by a Federal agency to another Federal agency. Therefore, DoD Components are not required to test intra-governmental transactions and these payments should be excluded from all testing populations.

2. DoD Intelligence Agencies must follow the Office of the Director of National Intelligence, National Intelligence Program, PIIA guidelines and reporting requirements. Classified payments are excluded from public reporting.

1403 DEFINITIONS

140301. Improper Payment

An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service (as defined in the PIIA), or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency’s review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.

140302. Payment

The term payment in this chapter means any transfer or commitment for future transfer of Federal funds such as cash, securities, loans, loan guarantees, and insurance subsidies, to any non-Federal person, non-Federal entity, or Federal employee, that is made by a Federal agency, a Federal contractor, a Federal grantee, or a governmental or other organization administering a Federal program or activity.

140303. Significant Improper Payments

Significant improper payments are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding: (1) both 1.5 percent of program outlays and $10 million of all reported program or activity payments made during the
fiscal year reported, or (2) $100 million (regardless of the improper payment percentage of total program outlays).

140304. Root Cause

Root causes may be due to anomalies, random events, or due to process vulnerabilities and other systemic factors (e.g., failure to obtain documentation or failure to update recipient eligibility). A root cause is the origin of a problem or condition that led to the failure in a program or activity that resulted in an improper payment. Root cause analysis must identify the internal control deficiency or underlying problems and events that directly contributed to the improper payment.

140305. High-Priority Programs

OMB identifies high-priority programs on an annual basis in accordance with the PIIA. High-priority are those programs with the highest dollar value or highest rate of improper payments, or for which there is a higher risk of improper payments. The current threshold for high-priority program determinations is $2 billion in estimated improper payments, regardless of the improper payment rate estimate.

140306. Do Not Pay Initiative

The Do Not Pay (DNP) Initiative provides resources (i.e., databases) for agencies to review payment or award eligibility for purposes of identifying and preventing improper payments. The DNP Initiative encompasses multiple resources that are designed to help Federal agencies review payment eligibility for purposes of identifying and preventing improper payments.

140307. High-Dollar Improper Overpayment

A high dollar overpayment is any overpayment made to an individual or to an entity that is in excess of 50 percent of the correct amount of the intended payment under the following circumstances: (1) where the total payment to an individual exceeds $25,000 as a single payment or in cumulative payments for the quarter; or (2) where the payment to an entity exceeds $100,000 as a single payment or in cumulative payments for the quarter.

1404 COMPLIANCE WITH PIIA REQUIREMENTS

140401. Six PIIA Statutory Requirements

A. To determine compliance under PIIA, the DoD Office of Inspector General (DoD IG), on an annual basis, will evaluate the DoD Components’ compliance with the following six requirements:

1. Publish a Payment Integrity section in the Other Information section of the consolidated DoD AFR for the most recent fiscal year and post the consolidated AFR and any accompanying materials required by OMB on the DoD website;
a. DoD Components are not required to include payment integrity information in their individual AFRs.

b. DoD Components must insert and include the following statement under the Payment Integrity section in their individual AFRs: “DoD reports payment integrity information (i.e., improper payments) at the agency-wide level in the consolidated DoD Agency Financial Report. For detailed reporting on DoD payment integrity, refer to the Other Information section of the consolidated DoD AFR.”

2. Conduct a program specific risk assessment for each DoD program or activity that conforms with the requirements under Section 3352(a) of Title 31 U.S.C. (if required);

3. Publish improper payment estimates for all DoD programs and activities identified under Section 3352(a) of Title 31 U.S.C. as susceptible to significant improper payments under its risk assessment;

4. Publish programmatic corrective action plans (CAPs) prepared under Section 3352(d) of Title 31 U.S.C. in the consolidated DoD AFR for all DoD programs and activities determined to be susceptible to significant improper payments;

5. Publish, and meet, annual reduction targets established under Section 3352(d) of Title 31 U.S.C. for each DoD program assessed to be at risk and reported estimated improper payments; and

6. Report an improper payment rate of less than 10 percent for each DoD program and activity for which an improper payment estimate was obtained and published under Section 3352(c) of Title 31 U.S.C. in the consolidated DoD AFR.

B. DoD Components must meet all six requirements to be in compliance with PIIA.

140402. OMB Circular No. A-123, Appendix C

DoD Components must implement the requirements in OMB Circular No. A-123, Appendix C, or its successor publication. The following paragraphs of this section provide a cursory overview of the key Appendix C requirements.

A. Programs or Activities NOT Susceptible to Significant Improper Payments. PIIA requires that all DoD programs or activities not currently reporting an annual improper payment estimate assess their risk for improper payments. If a DoD component determines that a program or activity is not susceptible to significant improper payments, the DoD component must re-assess that program’s improper payment risk at least once every three years.
B. Programs or Activities Susceptible to Significant Improper Payments. If a DoD component determines a program to be susceptible to significant improper payments, the DoD component must estimate and report improper payments for that program annually.

C. Annual Improper Payment Estimates. In accordance with PIIA, DoD programs that are determined to be susceptible to significant improper payments must produce a statistically valid estimate of the improper payments made.

D. Annual Reporting. Most improper payments reporting requirements are met through annual data requests from OMB and by reporting data in the consolidated DoD AFR. For more details on annual payment integrity reporting, see OMB Circular No. A-136.

E. High-Priority Programs. PIIA requires OMB to designate the programs with the most egregious cases of improper payments as high-priority; and requires those programs to submit semi-annual or quarterly actions to reduce improper payments, as a tool for tracking progress.

F. Preventing Improper Payments. If a DoD Component determines that a program or activity is susceptible to significant improper payments, the DoD component must identify the root causes of the improper payments and implement appropriate corrective actions to prevent and reduce improper payments.

G. Internal Control Over Payments. As DoD Components implement Appendix C, they should approach improper payments with an Enterprise Risk Management framework in mind and link agency efforts in establishing internal controls and preventing improper payments. For more information see OMB Circular No. A-123, Appendix A, “Management of Reporting and Data Integrity Risk.”

H. Payment Recapture Audits. One fundamental requirement that DoD Components must meet is to recover any Federal dollars that are a monetary loss to the Government unless legislation specifically prevents such recovery. Monetary loss to DoD represents overpayments such as duplicate payments or amounts that should not have been paid and can be recovered. PIIA requires any DoD program or activity that expends at least $1 million during the year to implement payment recapture audits, if cost effective to the agency, in order to recover improper payments. Volume 10, Chapter 22, provides additional detail on payment recapture audits. The requirement to conduct payment recapture audits is independent of whether a program is susceptible to significant improper payments.

I. Annual Inspector General Compliance Review. The PIIA contains an important component of accountability to the entire spectrum of improper payment efforts. Every year, the DoD IG reviews DoD Components’ improper payment reporting in the consolidated DoD AFR and any accompanying material such as that provided on PaymentAccuracy.gov to determine if the agency complies with PIIA and OMB guidance.

J. The DNP Initiative. The DNP Initiative supports DoD Components in identifying and preventing improper payments. The DNP Initiative encompasses multiple
resources that are designed to help DoD Components review payment eligibility for purposes of identifying and preventing improper payments.

1405 OUSD(C) ROLES/RESPONSIBILITIES

140501. Financial Management Policy and Reporting (FMPR) Directorate Role

The Deputy Chief Financial Officer designated the FMPR Directorate as the Executive Agent (EA) for the DoD Payment Integrity program. As the EA for the DoD Payment Integrity program, the FMPR Directorate provides oversight to the DoD Components to ensure compliance with the authoritative guidance listed in paragraph 140103.

140502. FMPR Directorate Responsibilities

A. Interpret and provide Payment Integrity related guidance to the DoD Components to ensure compliance with the authoritative guidance listed in paragraph 140103.

B. Review (not approve) the DoD Components’ statistical sampling plans and if required, submit them to OMB.

C. Compile and submit quarterly reports to OMB on DoD programs and activities reporting more than $100 million in improper payments that resulted in monetary losses and/or designated as “high-priority” by OMB.

D. Review, edit, and consolidate the DoD Components’ payment integrity data and report the consolidated results in the Payment Integrity section of the consolidated DoD AFR and to OMB.

E. Review the DoD Components’ CAPs to ensure they are complete and link planned actions and improper payments to their root causes.

F. Review the DoD Components’ CAP milestones to track and monitor progress.

G. Prepare and submit all DoD-wide reports regarding Payment Integrity.

H. Serve as the primary liaison for annual DoD IG performance audit and any Government Accountability Office (GAO) audits to ensure that all requested information is transmitted to the auditor in a timely manner, and that the auditor recommendations are implemented.

I. Provide administrative and technical support to the DoD Improper Payments Senior Accountable Officials (SAOs) Steering Committee. This committee is comprised of SAOs from the Military Services and several Defense Agencies responsible for proactive oversight of the DoD Payment Integrity program, implementing best practices, monitoring performance, and driving actions for achieving compliance with PIIA. This support
includes: scheduling meetings; preparing agendas; preparing background materials; preparing minutes of the meetings; tracking action items to completion; and communicating necessary information to Committee members and stakeholders.

J. Ensure that the policy contained within the DoD Financial Management Regulation regarding Payment Integrity is current.

K. Review and compile quarterly high dollar reports and post a consolidated report to the OUSD(C) website in accordance with Executive Order (EO) 13520, “Reducing Improper Payments.”

L. Retain documentation submitted by the DoD Components. Refer to Volume 1, Chapter 9, for additional information on financial records retention.

1406 DoD COMPONENT ROLES/RESPONSIBILITIES

140601. DoD Components’ Role

The DoD Components ensure that their payments are valid, accurate, and complete. Additionally, the DoD Components ensure that their payments are subjected to post-payment reviews for improper payments.

140602. DoD Components’ Responsibilities

A. Ensure all payments (with the exception of intragovernmental payments) are subject to improper payments testing either internally, or through the DFAS Enterprise Solutions and Standards, Enterprise Audit Support Office.

B. Conduct program specific risk assessments for each DoD program or activity, as applicable, to determine if the DoD program or activity is susceptible to significant improper payments.

C. Develop statistically valid sampling and estimation plans for all DoD programs determined to be susceptible to significant improper payments. In addition, implement the statistical valid sampling and estimation plans to produce statistically valid improper payment estimates for all DoD programs and activities determined to be susceptible to significant improper payments.

D. For programs or activities determined to be susceptible to significant improper payments or designated as high priority by OMB, identify the root causes of improper payments and develop cost-effective CAPs that eliminate the root causes of improper payments and prevent and reduce improper payments.

E. Measure the effectiveness and progress of each CAP by assessing the results of actions taken to eliminate the root causes of improper payments.
F. Implement a cost-effective payment recapture program to recover improper overpayments that resulted in monetary losses.

G. Report annual results of improper payments to OUSD(C), FMPR, for consolidation and reporting to OMB and in the Payment Integrity section of the consolidated DoD AFR.

H. Support the annual DoD IG performance audit and relevant GAO audits in a timely manner by furnishing all required provided-by-client documentation, providing responses to auditor’s inquiries, and implementing auditor recommendations.

I. Use the DNP Initiative resources to review payment or award eligibility for purposes of identifying and preventing improper payments.

J. Provide support for all ad hoc requests from external oversight bodies (i.e. OMB, GAO, and the Congress).

K. Identify high dollar overpayments to individuals and entities that exceed the thresholds described in paragraph 140307 and submit results on a quarterly basis to OUSD(C), FMPR, for consolidation and reporting in accordance with EO 13520.

L. Retain documentation submitted by the DoD Components. Refer to Volume 1, Chapter 9, for additional information on financial records retention.
VOLUME 4, CHAPTER 15: “NET POSITION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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<td>All</td>
<td>Updated hyperlinks to comply with current standard operating procedures.</td>
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<td>All</td>
<td>Updated general ledger account definitions to better align with the United States Standard General Ledger.</td>
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<tr>
<td>150103</td>
<td>Added additional authoritative guidance sources to better align the chapter with Federal Generally Accepted Accounting Principles, while also allowing easier source identification when reading the chapter.</td>
<td>Addition</td>
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<td>1504</td>
<td>Updated the recognition of Unexpended Appropriations and Cumulative Results of Operations in the financial statements to better align with the Office of Management and Budget Circular A-136.</td>
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CHAPTER 15

NET POSITION

1501  GENERAL

150101.  Overview

Net Position is the difference between the total assets and total liabilities recognized in the Federal Government’s or a component reporting entity’s Balance Sheet. Net Position may be positive (assets greater than liabilities) or negative (assets less than liabilities). Net Position accounts represent the net investment of the United States (U.S.) Government in the Department of Defense (DoD) or to the reporting entities of the DoD. As such, for the DoD agency-wide statements, it includes all operations of DoD activities, including General Funds, Working Capital Funds, and Special and Trust funds. The general policy to account for the Net Position of the U.S. Government in DoD is contained in this chapter. Posting entries for the Net Position accounts can be found at the DoD United States Standard General Ledger (USSGL) Transaction Library.

150102.  Purpose

This chapter provides descriptions of the USSGL accounts that comprise Net Position on the Balance Sheet and the Statement of Changes in Net Position (SCNP) financial statements. It also outlines the reporting of prior-period adjustments on the financial statements.

*150103.  Authoritative Guidance

The financial management policy and related requirements set forth in this chapter are in accordance with the applicable provisions of:

A. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 21, “Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources;”

B. FASAB SFFAS 27, “Identifying and Reporting Funds from Dedicated Collections;”


1502 STANDARD GENERAL LEDGER ACCOUNTS FOR NET POSITION

150201. Unexpended Appropriations – Cumulative, Account Number 310000

This account reports the amount of unexpended appropriations after fiscal year-end closing. The balance in this account remains the same during the fiscal year. Activity to increase or decrease unexpended appropriations is reflected in other USSGL accounts in the 310000 series. At year-end, the nominal USSGL accounts in the 310000 series are closed to this USSGL account, including Special and Trust funds that receive appropriations from the General Fund of the U.S. Government. See the DoD USSGL Transaction Library (Transactions F300.XXX – F499.XXX) for year-end closing entries. DoD Transaction Code F342.XXX must be used to record the closing of fiscal year activity to unexpended appropriations. During the fiscal year, the net of debit and credit balances in the 310000 series accounts reflects the total remaining balance of unused appropriations. Special and Trust funds that receive appropriations from the General Fund of the U.S. Government are to record this account. Account 310000 does not close at year-end.

150202. Unexpended Appropriations – Appropriations Received, Account Number 310100

This account reports the amount of new appropriations received during the fiscal year. Special and Trust funds do not use this USSGL account to record appropriations of dedicated collections. However, Special and Trust funds that receive appropriations from the General Fund of the U.S. Government are to use this account.

150203. Unexpended Appropriations – Transfers-In, Account Number 310200

This account reports the amount of unexpended appropriations, from current or prior years, transferred in during the fiscal year. Special and Trust funds that receive appropriations from the General Fund of the U.S. Government are to use this account for transfers of unexpended appropriations.

150204. Unexpended Appropriations – Transfers-Out, Account Number 310300

This account reports the amount of unexpended appropriations, from current or prior years, transferred out during the fiscal year. Special and Trust funds that receive appropriations from the General Fund of the U.S. Government are to use this account for transfers of unexpended appropriations.

150205. Unexpended Appropriations – Prior-Period Adjustments Due to Corrections of Errors - Years Preceding the Prior Year, Account Number 310500

This account reports the amount of net increase or decrease to unexpended appropriations due to errors in years preceding the prior year's financial statements that resulted from mathematical mistakes, mistake in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. This account is only to be
used when comparative financial statements are being presented. Although the normal balance for this account is debit, it is acceptable in certain instances for this account to have a credit balance.

150206. Unexpended Appropriations – Adjustments, Account Number 310600

This account reports the amount of adjustments during the fiscal year to unexpended appropriations from current or prior years. Examples of adjustments include rescissions, and cancellation of expired appropriations. Although the normal balance for this account is debit, it is acceptable in certain instances for this account to have a credit balance.

150207. Unexpended Appropriations – Used, Account Number 310700

This account reports the amount of reduction during the fiscal year to unexpended appropriations from current or prior years that is paired with USSGL account 570000, “Expended Appropriations,” when goods and services are received or benefits provided. Special and Trust funds that receive appropriations from the General Fund of the U.S. Government are to use this account.

150208. Unexpended Appropriations - Prior-Period Adjustments Due to Corrections of Errors, Account Number 310800

This account reports the amount of net increase or decrease to unexpended appropriations due to errors in prior-period financial statements that resulted from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. (See DoD Transaction Code D-304.001, in the DoD USSGL Transaction Library.) Use USSGL account 310500, Unexpended Appropriations – Prior – Period Adjustments Due to Corrections of Errors – Years Preceding the Prior-Year for the amount of net increase or decrease to unexpended appropriations due to errors occurring in years preceding the prior-year’s financial statements. Although the normal balance for this account is debit, it is acceptable in certain instances for this account to have a credit balance.

150209. Unexpended Appropriations - Prior-Period Adjustments Due to Changes in Accounting Principles, Account Number 310900

This account reports the amount of net increase or decrease to unexpended appropriations from a prior period due to a change from one generally accepted accounting principle to another one that can be justified as preferable or the adoption of a new FASAB standard. (See DoD Transaction Code D-302.001, in the DoD USSGL Transaction Library.) Although the normal balance for this account is debit, it is acceptable in certain instances for this account to have a credit balance.
150210. Cumulative Results of Operations, Account Number 331000

This account reports the net difference since the inception of the activity between (1) expenses and losses, and (2) financing sources including appropriations, revenues, and gains. Although the normal balance for this account is credit, it is acceptable in certain instances for this account to have a debit balance. Account 331000 does not close at year-end.

1503 ACCOUNTING POLICY FOR NET POSITION

150301. Activities Financed By Appropriations

Activities whose operations are financed by appropriations must show the results of their operations as reductions to the Unexpended Appropriations account on a transaction basis and as changes in the Cumulative Results of Operations account with respect to the equity effect of transactions. The Unexpended Appropriations account is increased for the receipt of appropriations or other appropriation like resources and reduced for amounts expended for assets or operating expenses, and any appropriation withdrawals.

150302. Activities Financed by Revenues

Activities whose operations are financed by revenues, generally defined as exchange revenue, must have their results of operations reflected as increases or decreases to the Cumulative Results of Operations account, which will include transfers of assets, which are recognized as financing sources. Appropriations received for a specific funding purpose will be accounted for in the Unexpended Appropriations account until used as a financing source.

*1504 RECOGNITION IN FINANCIAL STATEMENTS

The Component reporting entity’s Net Position accounts are Unexpended Appropriations and Cumulative Results of Operations and each must be shown in the consolidated Balance Sheet and SCNP. See Volume 6B, “Form and Content of the Department of Defense Audited Financial Statements.”

150401. Unexpended Appropriations

This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances. Unexpended appropriations on the Balance Sheet must equal unexpended appropriations on the SCNP. Unexpended appropriations attributable to Funds from Dedicated Collections, if material, must be shown separately on the face of the Balance Sheet and should equal unexpended appropriations in the notes to the financial statements as prescribed in OMB Circular A-136.

150402. Cumulative Results of Operations

This amount represents the net results of operations since inception plus the cumulative amount of prior-period adjustments. This includes the cumulative amount of donations and
transfers of assets in and out without reimbursement. Cumulative results of operations on the
Balance Sheet should equal cumulative results of operations on the SCNP. Cumulative results of
operations attributable to Funds from Dedicated Collections, if material, must be shown separately
on the face of the Balance Sheet and should equal the cumulative results of operations in the Funds
from Dedicated Collections Note, in accordance with SFFAS 27 as amended.

1505 ACCOUNTING FOR NET POSITION

Transactions affecting net position frequently require a compound entry; that is, entries
must be made in both the proprietary (asset, liability, revenue, expense, and equity) and the
budgetary accounts. Entries to the proprietary accounts normally require compound entries to
budgetary accounts in the 400000 series of accounts. See the DoD USSGL Transaction Library
for the listing of the transaction postings to the 300000 series accounts. Entries that affect direct
program Delivered Orders, Paid and Unpaid must also include postings to Appropriation Used and
Unexpended Appropriation.

1506 CORRECTION OF AN ERROR OR A CHANGE IN ACCOUNTING PRINCIPLE

150601. Errors in Financial Statements

Errors in financial statements result from mathematical mistakes, mistakes in the
application of accounting principles, or oversight or misuse of facts that existed at the time the
financial statements were prepared. When errors are discovered after the issuance of financial
statements, and if the financial statements would be materially misstated absent correction of the
errors, corrections should be made as follows:

A. If only the current period statements are presented, then the cumulative
effect of correcting the error should be reported as a prior-period adjustment. The adjustment
should be made to the beginning balance of cumulative results of operations, in the SCNP.

B. If comparative financial statements are presented, then the error should be
corrected in the earliest affected period presented by correcting any individual amounts on the
financial statements. If the earliest period Presented is not the period in which the error occurred
and the cumulative effect is attributable to prior periods, then the cumulative effect should be
reported as a prior-period adjustment. The adjustment should be made to the beginning balance
of cumulative results of operations, in the SCNP for the earliest period presented.

C. The nature of an error in previously issued financial statements and the
effect of its correction on relevant balances should be disclosed. Financial statements of
subsequent periods need not repeat the disclosures.

D. Prior-period financial statements should only be restated for corrections of
errors that would have caused any statements presented to be materially misstated. See SFFAS 21
for additional guidance.
A change in accounting principle is a change from one generally accepted accounting principle to another one that can be justified as preferable. Changes in accounting principles also include those occasioned by the adoption of new federal financial accounting standards. Unless otherwise specified in the transition instructions section of a new FASAB standard, for all changes in accounting principles that would have resulted in a change to prior-period financial statements:

A. The cumulative effect of the change on prior periods should be reported as a “change in accounting principle.” The adjustment should be made to the beginning balance of cumulative results of operations in the SCNP for the period that the change is made.

B. Prior-period financial statements presented for comparative purposes should be presented as previously reported; and

C. The nature of the changes in accounting principle and its effect on relevant balances should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosure. See SFFAS 21 for additional guidance.
VOLUME 4, CHAPTER 16: “REVENUE, OTHER FINANCING SOURCES, GAINS AND LOSSES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated March 2012 is archived.

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<td>Revised “General” section to comply with the Department of Defense (DoD) Financial Management Regulation Revision Standard Operating Procedures dated June 2015.</td>
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<td>160202.D</td>
<td>Added clarification that Nonappropriated Fund Activities are non-federal activities.</td>
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<tr>
<td>160203.C.6</td>
<td>Added clarification that Nonappropriated Fund Activities are non-federal activities.</td>
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<td>160302</td>
<td>Added “Fund Balance with Treasury Under a Continuing Resolution” as an account to be used before an apportionment is warranted.</td>
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<td>160305</td>
<td>Added recognition of multi-use heritage assets at fair market value.</td>
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<td>160306</td>
<td>Added the reclassification of excess, obsolete, or unserviceable inventory will usually result in a loss.</td>
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<td>160401</td>
<td>Updated revenue recognition policy to agree with DoD Manual 4140.01.</td>
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<td>Added caveat that customer orders from non-federal entities do not become budgetary resources until collected.</td>
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<td>16402.B &amp; D</td>
<td>Added caveat that general ledger accounts 510900 and 520900 are not to be used for credit losses.</td>
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<td>16043. F</td>
<td>Added Administrative Fee Revenue to nonexchange revenue accounts.</td>
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<td>Revised definition of Other Financing Sources to correspond with that in Statement of Federal Accounting Standards 7, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting.”</td>
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1601 GENERAL

160101. Purpose

This chapter describes the accounting principles and concepts that the Department of Defense (DoD) Components must follow to account for revenues, other financing sources, gains, and losses. Expenses are discussed in Chapter 17. Losses are discussed in both this chapter and Chapter 17 because the same type of transaction sometimes results in a gain and at other times a loss, e.g., disposition of real property at a price above or below the book value. The “Table of Transactions” in Appendix A assists in classifying exchange and nonexchange revenues, other financing sources, and gains and losses. Also see Volume 6B for information about how to report revenue on the financial statements.

160102. Authoritative Guidance


1602 REVENUE

160201. Sources of Revenue

Within the DoD, revenues are amounts earned as a result of normal operations while gains or losses relate to other transactions. Revenues result from the sale of, or reimbursement for, goods and services provided to DoD activities, other Federal Government agencies and the public. Revenue is an inflow of resources that results in an increase of assets, a decrease in liabilities (or a combination of both), and an increase in Net Position during a reporting period. Decreases in Liabilities for Advances and Prepayment after delivery of goods or services are examples of how decreases in liabilities impact revenue.

A. The distinction between revenues and gains or losses is whether the transaction is usual or recurring. Revenues are recorded at gross amount while gains are shown net of related costs.

B. Revenue comes from two sources: exchange transactions and nonexchange transactions.
C. **Exchange** revenues must be recognized when something of value is provided to another government entity or to the public.

D. Exchange revenue must be posted at the actual price that is received or receivable under the established pricing arrangement.

E. Nonexchange revenues are inflows of resources that the government demands or receives by donation.

F. Refunds received are recoveries of overpayments and, as such, are not revenue. Refunds can result from errors in paying invoices or items returned to vendor.

160202. Special Revenue Situations

A. When appropriated funds are used to furnish goods and services on a reimbursable basis, the appropriated fund must have specific legal authority to retain the collections. Otherwise, the funds collected must be transferred to a miscellaneous receipt account. The expenses incurred in providing the goods or service must be recorded in the appropriate expense accounts and must not be reduced, even though the collection is deposited to miscellaneous receipts. See Volume 11A, Chapter 1 for additional information about reimbursements.

B. Revenue must be recorded in the financial records, collected promptly, and deposited in the appropriate Treasury account. Amounts received in advance of performance, however, must be accounted for as Liability for Advances and Prepayments until performance is accomplished in accordance with Chapter 12.

C. When revenues are generated by providing goods and services, the cost of the goods and services provided must be recorded as a cost of goods sold. Use of the cost of goods sold account is discussed in Chapter 17.

* D. Revenues from Nonappropriated Funds Activities must be accounted for in accordance with Volume 13, Chapter 5. Nonappropriated Fund Activities are not included in federal financial statements and are considered as non-federal activities for budgetary and proprietary accounting purposes. They follow accounting standards promulgated by the Financial Accounting Standards Board rather than Federal Accounting Standards Advisory Board.

160203. Exchange Revenue

A. Exchange revenues are inflows of resources to a governmental entity that the entity has earned. They arise from transactions that occur when each party to the transaction sacrifices value and receives value in return. Exchange revenue includes most user charges other than taxes. Exchange transactions also include those intragovernmental transactions where the price serves as a full or partial reimbursement for the costs incurred.
B. Revenue from exchange transactions must be recognized at the time goods or services are provided to the public or another government entity for a price.

C. Revenue from specific types of exchange transactions must be recognized as follows:

1. When services are provided to the public or another government entity (except for specific services performed to order under a contract), revenue must be recognized when the services are performed.

2. When goods are made to order under a contract (either short or long term), or specific services are performed under a contract (either short or long term), revenue must be recognized monthly in proportion to estimated total cost when goods and services are acquired to fulfill the contract. The amount of revenue to recognize is based on the ratio of the costs incurred to date to the total estimated costs of completing the contract. If a loss is probable (more likely than not), revenue must continue to be recognized in proportion to the estimated total cost and costs must continue to be recognized when goods and services are acquired to fulfill the contract. Thus, the loss must be recognized in proportion to total cost over the life of the contract.

3. When goods are kept in inventory and are available for sale to customers when ordered, revenue must be recognized when the goods are issued to the customer.

4. When services are rendered continuously over time or the right to use an asset extends continuously over time, such as the use of borrowed money or the rental space in a building, the revenue must be recognized in proportion to the passage of time or the use of the asset.

5. When an asset other than inventory is sold, any gain (or loss) must be recognized when the asset is delivered to the purchaser.

6. Revenue received from Nonappropriated funds is accounted for as non-federal revenue from transactions with the public. Nonappropriated funds are not included in federal financial statements.

D. The source of balances for some trust funds and special funds may not be predominantly nonexchange revenue, and the source of balances for working capital funds and trust revolving funds may not be predominantly exchange revenue. For example, the main source of balances for two major trust funds, the Civil Service Retirement and Disability Fund and the DoD Military Retirement Trust Fund, consists of exchange revenue and other financing sources. In such exceptional cases, the interest must be classified in the same way as the predominant source of funds, as exchange revenue. See SFFAS 7, paragraphs 154-160 for more information.
160204. Nonexchange Revenue

A. Nonexchange revenues include income taxes, excise taxes, duties, fines, penalties, and other inflows of resources arising from the Government’s power to demand payments, as well as voluntary donations. Nonexchange revenue must be recognized when a reporting entity establishes a specifically identifiable, legally enforceable claim to cash or other assets. It is recognized to the extent that the collection is probable (i.e., more likely than not) and the amount is measurable (i.e., reasonably estimable).

B. Nonexchange revenue should be measured by the collecting entities, but should be recognized by the entities legally entitled to the revenue (the recipient entities). SFFAS 7, paragraphs 48 through 63 describe the application of this general standard.

1603 OTHER FINANCING SOURCES

160301. Other Financing Sources

The term “revenue” does not encompass all financing sources of government reporting entities, such as most of the appropriations they receive. These other financing sources do, however, provide resource inflows to government reporting entities, although not to the government as a whole. Other sources of financing include appropriations used, transfers of assets from other government entities, and imputed financing with respect to any cost subsidies.

*160302. Appropriations

Until used, appropriations are not a financing source. They must be recognized in capital as “unexpended appropriations” (and among assets as “Fund Balance with Treasury” or “Fund Balance with Treasury Under a Continuing Resolution”) when made available for apportionment, even if a Treasury Warrant has not yet been received, or the amount has not been fully apportioned. Unexpended appropriations must be reduced for appropriations used and adjusted for other changes in budgetary resources, such as certain types of rescissions and transfers. The net increase or decrease in unexpended appropriations for the period must be recognized as a change in net position of the entity. When used, appropriations must be recognized as a financing source in determining net results of operations. Appropriations are used in operations when goods and services are received or benefits and grants are provided. Goods and services (including amounts capitalized) are considered received when a liability is established. Benefits are considered to be provided when the related liability is established. Grants are considered to be provided when grantees meet the requirements that allow them to use the grant funds.

160303. Imputed Financing

Government entities often receive goods and services from other government entities without reimbursing the providing entity for all the related costs. In addition, government entities often incur costs such as pensions, which are paid in total or in part by other entities. These goods and services constitute subsidized costs to be recognized by the receiving entity to
the extent required by other accounting standards. An imputed financing source must be recognized equal to the imputed cost. This offsets any effect of imputed cost on net results of operations for the period. Within the DoD, imputed costs can include military personnel costs, pensions, other retirement benefits, other postemployment benefits, costs unreimbursed by tenants of real property, and environmental cleanup costs not reimbursed to the entity administering the fund when the administering fund is outside the DoD reporting entity.

160304. Transfers

An intragovernmental transfer of cash or of a capitalized asset without reimbursement changes the resources available to both the receiving entity and the transferring entity. The receiving entity must recognize a transfer-in as an additional financing source in its result of operations for the period. Similarly, the transferring entity must recognize the transfer-out as a decrease in its result of operations. The value recorded must be the transferring entity’s book value of the asset. If the receiving entity does not know the book value, the asset must be recorded at its estimated fair market value as of the date of transfer. See Appendix A for more information on property, plant, and equipment (PP&E) transfers.

*160305. Donations

Donations are contributions to the government, i.e., voluntary gifts of resources to a government entity by a non-federal entity. Donations may be financial resources, such as cash or securities, or non-financial resources such as land or buildings. Revenue arising from donations must be recognized for those inflows of resources that meet recognition criteria for assets and must be measured at the estimated fair market value of the contribution. In cases of the donation of assets classified as heritage assets or stewardship land, no amount is recognized because such PP&E would have been expensed when purchased. Multi-use heritage assets should be recognized at fair market value, similar to general PP&E. See Chapter 6 and Appendix A for additional information about real property donations and PP&E.

*160306. Gains or Losses

When a transaction occurs with the public or another government entity for a price which is unusual or nonrecurring, a gain or loss must be recognized rather than revenue or expense so as to differentiate such transactions. Gains or losses result from the sale, exchange, trade or disposition of government assets, with the exception of inventory held for sale. The reclassification of excess, obsolete, or unserviceable inventory will generally result in a loss when revalued because the value is now less than the acquisition or moving average cost of the item. The amount of revaluation is recognized as a loss or gain in determining the net cost of operations. As a rule, any difference between the sales proceeds at more or less than the book value of an asset is recognized as a gain or loss when the asset is sold. This general rule applies to the sale of PP&E, receivables, investments, and other assets where the selling entity is entitled to retain the proceeds of the sale. In addition, the distinction between revenues and gains or losses is a matter of classification in the general ledger accounts and their presentation in financial statements. Revenues are commonly reported at their gross amount while gains or losses are shown net of related book value.
1604 ACCOUNTING FOR REVENUES, OTHER FINANCING SOURCES, DONATIONS, TRANSFERS, AND GAINS AND LOSSES

160401. Transaction Library

The DoD SFIS Transaction Library is the transaction library for recording business events for revenue and other financing sources within the DoD. Also see Volume 1, Chapter 7. Additional information about how to classify transactions is available in SFFAS 7 and Appendix A. The following series of accounts are the primary USSGL accounts used to record revenue, other financing sources transaction, donations, transfers, and gains and losses. Specific account definitions for all USSGL accounts and subaccounts are included in the DoD Standard Chart of Accounts.

*160402. Exchange Revenue Accounts

A. Revenue From Goods Sold (510000). Use this account to record exchange revenue earned from the sale of purchased or finished goods processed for sale or use under a program of trading or manufacturing. When goods are kept in inventory so that they are available to customers when ordered, revenue must be recognized in the same accounting period that the goods are delivered to the customer, or in the case of Defense Working Capital Fund (DWCF) when the ordered goods are placed into an in-transit status, (consistent with Fee On Board Shipping Point revenue recognition). Performers (DoD activities providing goods and/or services at cost) include the DWCF activities, working capital funds within the Military Departments, working capital funds within the “Other Defense Organizations,” and construction agents, such as the United States (U.S.) Army Corps of Engineers. Customers include any DoD Component, organization, office or other element; non-DoD Federal Government agencies; others officially representing the Federal Government; and members of the public (as specified by law). Federal customer orders (funded requests for goods and services) provide budgetary resources to finance reimbursable operations; consequently, customer orders must be obligations of a Federal Government activity unless otherwise specified by law. Customer orders from non-federal entities do not become budgetary resources until collected. Customer orders from Nonappropriated Funds are accounted for as orders from non-federal entities.

B. Contra Revenue for Goods Sold (510900). Use this account to offset revenue for goods sold when collection of accrued revenue is not expected. Record amounts based on adjustments, returns, allowances, price redetermination, and refunds other than taxes where revenue is earned, but does not include credit losses.

C. Revenue From Services Provided (520000). This account is used to record exchange revenue earned from the sale of services provided, including sale of power and transportation. Most often associated with revenue earned by working capital funds, revenue posted to this account is generally recorded at the point of sale. When services are provided to the public or another government entity, revenue must be recognized in the same accounting period that the services are performed. Service providers include DWCF activities, working capital funds within the Military Department, working capital funds within the “Other Defense Organizations,” the U.S. Army Corps of Engineers, and appropriation funded activities.
Customers of the Department include any DoD Component, organization, office or other element; non-DoD Federal Government agencies and others officially representing the Federal Government; and members of the public (as specified by law). Federal customer orders (funded requests for goods and services) provide budgetary resources to finance reimbursable operations; consequently, customer orders must be obligations of a Federal Government activity unless otherwise specified by law. Customer orders from non-federal entities do not become budgetary resources until collected. Customer orders from Nonappropriated Funds are accounted for as orders from non-federal entities.

D. **Contra Revenue for Services Provided (520900).** Use this account to offset revenue for services provided when collection of accrued revenue is not expected. Record amounts based on adjustments, returns, allowances, price redetermination, and refunds other than taxes where revenue is earned, but does not include credit losses.

E. **Interest Revenue - Other (531000).** This account is used to record revenue earned from interest not associated with investments or borrowings/loans. Depending on the source of the funds, this revenue can be exchange or nonexchange revenue. For example, revenue resulting from interest charges on delinquent receivables is considered exchange revenue (refer to Chapter 3, Annex 1). For interest revenue transactions not related to investments, consult the SFIS Transaction Library.

F. **Interest Revenue - Investments (531100).** This account is used to record investment interest revenue. Depending on the source of the funds used to make an investment, the revenue can be exchange or nonexchange revenue. For example, invested balances for the Civil Service Retirement and Disability Fund and DoD Military Retirement Trust Fund are predominantly derived from exchange revenue and other financing sources and the interest earned on those balances must be classified as exchange revenue.

G. **Contra Revenue for Interest Revenue - Investments (531800).** Record a reduction in revenue for interest accrued on investments when realization is not expected.

H. **Contra Revenue for Interest Revenue - Other (531900).** Record a reduction in other revenue for interest accrued not associated with investments or borrowings/loans when realization is not expected. Amounts recorded are based on abatements, adjustments, returns, allowances, or price redeterminations.

I. **Administrative Fees Revenue (532500).** Record revenue from administrative fees to this account including revenue from administrative fees associated with collections on delinquent accounts (refer to Chapter 3, Annex 1).

J. **Contra Revenue for Administrative Fees (532900).** Record a reduction in revenue for administrative fees when realization is not expected as defined in SFFAS 7, paragraph 41.
K. **Benefit Program Revenue (540000).** Revenue received by agencies administering retirement plans, insurance plans, and other annuity programs are recorded to this account. Employees of the Federal Government provide service to their employer in exchange for compensation, of which some is received currently (the salary); and some is deferred (pensions, retirement health benefits, and other retirement benefits). The financing of these benefits includes contributions paid by the employer entity to the retirement fund and is an inflow of resources to the retirement fund as part of this exchange transaction. It is a payment by the employer in exchange for the future provision of a pension or other retirement benefit to its employees. Therefore, it is exchange revenue of the entity that administers the retirement plan and, thus, is an offset to that entity’s gross cost in calculating its net cost of operations.

L. **Contra Revenue for Benefit Program Revenue (540900).** Record a reduction in revenue for a benefit program based on adjustments as stipulated by law not including credit losses.

M. **Insurance and Guarantee Premium Revenue (550000).** Revenue earned from insurance and guaranteed premiums. The premiums are recorded as exchange revenue in this account and any interest earned on investments made with premium revenue is therefore exchange revenue recorded to Account 531100.

N. **Contra Revenue for Insurance and Guarantee Premium Revenue (550900).** Record a reduction in revenue for an insurance and guarantee premium based on adjustments stipulated by law not including credit losses.

O. **Other Revenue (590000).** Use this account to record the amount of revenue received but not otherwise classified. For example, funds received for administering international and other agreements when the U.S. Government is reimbursed represent Other Revenue. Other uses of this account include the sale of stockpile materials or the cancellation of a receivable for a reimbursable activity.

P. **Contra Revenue for Other Revenue (590900).** Record a reduction in revenue recorded in account 590000 when realization is not expected to this account. Amounts recorded are based on adjustments, returns, allowances, price redetermination, and refunds other than taxes. Credit losses on other nonexchange revenue also are recorded in this account.

A. **Nonexchange Revenue Accounts**

*160403. Nonexchange Revenue Accounts*

Nonexchange revenues that can be retained by the collecting entity in accordance with permanent provisions of law or through the authorization and/or appropriations process are not matched with costs because they are not earned in the operations process. Because they are inflows that finance operations, nonexchange revenues must be classified and recognized only in determining the overall financial results of operations for the period. See Volume 6B, Chapter 6, for information about how to report nonexchange revenue in the notes to the financial statements. Collections not authorized by law for retention and used as appropriation reimbursements may be considered exchange or nonexchange revenue and must be deposited to the **General Fund of the Treasury** as miscellaneous receipts.
B. Interest Revenue - Other (531000). This account is used to record revenue earned from interest not associated with investments or borrowings/loans. Depending on the source of the funds used to make the investment, the revenue can be exchange or nonexchange revenue. For example, interest revenue resulting from the Military Housing Privatization Program is considered nonexchange revenue. For interest revenue transactions not related to investments, consult the SFIS Transaction Library.

C. Interest Revenue - Investments (531100). This account is used to record investment interest revenue. Depending on the source of the funds used to make the investment, the revenue can be exchange or nonexchange revenue. Interest on securities held by trust and special funds (except trust revolving funds) is often nonexchange revenue because the investment is made with funds derived from the government’s sovereign authority. The key is the source of the funds used to make the investment, i.e., exchange or nonexchange. For example, invested balances for the U.S. Army Corps of Engineers’ Harbor Maintenance Trust Fund are predominantly derived from nonexchange revenue and the interest earned on those balances must be classified as nonexchange revenue.

D. Penalties and Fines Revenue (532000). Record revenue derived from penalties and fines to this account. Penalties and fines revenue should be reported as a non-entity custodial activity in accordance with SFFAS 7, paragraphs 260 and 262. The custodial activity will be presented at net value on the Balance Sheet along with a corresponding amount recorded as a custodial liability. Collection and disposition of custodial revenue to the General Fund Receipt Account will not impact the Net Position of the collecting entity. Refer to Volume 6B, for additional information on reporting of custodial revenue. Refer to Chapter 3, Annex 1, for more information about penalties and administrative charges.

E. Contra Revenue for Penalties and Fines (532400). Record an amount reflecting a reduction in revenue for penalties and fines when realization is not expected as defined in SFFAS 7, paragraph 41.

* F. Administrative Fee Revenue (532500). This account is used to record revenue associated with administrative fees assessed on delinquent receivables. Refer to Volume 4, Chapter 3, Annex 1, for more information about penalties and administrative charges.

G. Donated Revenue - Financial Resources (560000). Record the donation of financial resources to a Federal Government entity from a non-federal source, for example, cash or securities. Donations should be measured at the estimated market value of the contribution.

H. Contra Revenue for Donations - Financial Resources (560900). Record an amount reflecting a reduction in revenue for donated financial resources that are returned.

I. Donated Revenue - Nonfinancial Resources (561000). Record the donation of nonfinancial resources to a Federal Government entity from a non-federal source, for example, land or buildings. Nonfinancial donations are calculated on the estimated fair market value at the time of the donation.
I. Contra Donated Revenue - Nonfinancial Resources (561900). Record an amount reflecting a reduction in revenue for donated nonfinancial resources that are returned.

*160404. Other Financing Sources

Financing sources, other than exchange and nonexchange revenues, that provide inflows of resources that increase results of operations during the reporting period include expended appropriations, transfers of assets from other government entities, and financing imputed with respect to any cost subsidies. Financing outflows may result from transfers of an entity’s assets to other Government entities or from exchange revenues earned by the entity that must be transferred to the general fund or another government entity.

A. Expended Appropriations (570000). This account is used to record the amount of appropriations used during the fiscal year when goods and services are received or benefits are provided. Special and trust funds that receive appropriations from the General Fund of the Treasury must use this account.

B. Transfer Accounts (572000 and 573000). These accounts are used to record the transfers of capitalized assets between DoD Components without the receipt of a direct appropriation or transfer document from the Office of Management and Budget (OMB). These accounts are not to be used to transfer Fund Balance with Treasury.

1. Financing Sources Transferred In Without Reimbursement (572000). The amount determined to increase the financing source of a reporting entity that occurs as a result of an asset being transferred in. If the transfer is general PP&E, the amount of the asset is recorded at the book value of the transferring entity. However, if the asset is classified as stewardship PP&E in its entirety by both the transferring entity and the recipient entity, the transfer does not affect the net cost of operation or net position of either entity; therefore, it is not revenue, a gain or loss, or other financing source.

2. Financing Sources Transferred Out Without Reimbursement (573000). This account is used to record the amount determined to decrease the financing source of a reporting entity that occurs as a result of an asset being transferred out. The amount of the asset is recorded at book value as of the transfer date. If the asset is general PP&E for the transferring entity but stewardship for the recipient entity, it is recognized as a transfer-out (a negative other financing source) of capitalized assets by the transferring entity.

C. Other Transfer Accounts. Transfers reduce budgetary resources (budget authority and unobligated balances) in one account and increase them in another. Refer to the OMB Circular A-11, “Preparation and Submission of the Budget,” Section 20.4(j), for guidance on the budgetary impact of transfers.

1. Appropriated Dedicated Collections Transferred In (574000). Record the amount in the expenditure account of dedicated collections appropriated via warrant from an unavailable receipt account. Transactions using this account will have a budgetary impact.
2. Appropriated Dedicated Collections Transferred Out (574500). These accounts are used to record the amount in the unavailable receipt account of dedicated receipts appropriated, via warrant, to an expenditure account.

3. Expenditure Financing Sources - Transfers-In (575000). Record the amount of financing sources of a federal entity representing funds transferred in, or to be transferred in, occurring as a result of a nonexchange expenditure transfer-in from a trust or federal fund. Transactions using this account will have a budgetary impact.

4. Nonexpenditure Financing Sources - Transfers-In - Other (575500). This account is used to record the amount of financing sources of a reporting federal entity representing funds transferred in, or to be transferred in, occurring as a result of a nonexchange, nonexpenditure transfer-in between two trust funds or two federal funds where a credit to unexpended appropriations is not valid. This account excludes nonexpenditure transfers classified as capital transfers. Transactions using this account will have a budgetary impact.

5. Expenditure Financing Sources - Transfers-Out (576000). Record the amount of financing sources of a reporting federal entity representing funds transferred out, or to be transferred out, occurring as a result of a nonexchange expenditure transfer-out to a trust or federal fund. Transactions using this account will have a budgetary impact.

6. Nonexpenditure Financing Sources - Transfers-Out - Other (576500). This account is used to record the amount of financing sources of a reporting federal entity representing funds transferred out, or to be transferred out, occurring as a result of a nonexchange, nonexpenditure transfer-out between two trust funds or two federal funds where a debit to unexpended appropriations is not valid. This account excludes nonexpenditure transfers classified as capital transfers. Transactions using this account will have a budgetary impact.

D. Imputed Financing Sources (578000). Record the imputed financing amounts the federal entity received to cover imputed costs. The balance in this account must equal the balance in USSGL account 673000, “Imputed Costs.” Examples of costs that may be imputed include military personnel costs, pensions, other retirement benefits, other postemployment benefits, and unreimbursed tenant cost when occupying a facility that is not under the jurisdiction of the tenant. Another example is environmental cleanup costs not reimbursed to the entity administering the fund when the administering fund is outside the DoD reporting entity. See Interpretation of Federal Financial Accounting Standards 6: “Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS 4,” for additional information about imputed costs. Additionally, imputed financing sources and costs are incurred when one DoD reporting entity uses another federal agency’s (including other DoD reporting entities) asset without financial compensation.
1605    GAINS AND LOSSES

160501. Gain Accounts

Specific guidance on gains and losses is included in each subject area. For example, Base Realignment and Closure gains and losses are discussed in Volume 12, Chapter 13.

A. Gains on Disposition of Assets - Other (711000). Record the gain on the disposition (such as sale, exchange, disposal, or retirement) of assets not associated with investments or borrowings/loans.

B. Gains on Disposition of Investments (711100). Record the gain on the disposition (such as sale, exchange, disposal, or retirement) of investments.

C. Unrealized Gains (718000). Record unrealized gains that include, but are not limited to, unrealized holding gains on available for sale securities in accordance with Financial Accounting Standard (FAS) 115, deferred gains on qualified hedges under FAS 133, and qualified foreign currency translation adjustments under FAS 52.

D. Other Gains (719000). Record the gain on assets resulting from events other than a disposition. This excludes amounts related to the gain on the change in long term assumptions from experience and gain on the change in long term assumptions for federal employee pension, other retirement benefit and other postemployment benefit liabilities, including veteran’s compensation. This account includes amounts related to the Federal Employees Compensation Act (FECA) Program. Uses for this account include transactions for:

1. Miscellaneous gains such as a gain resulting from converting foreign currency holdings to U.S. dollars.

2. Used by activities to record miscellaneous gains, e.g., ammunition, resulting from inventory counts of operating materials and supplies.

160502. Loss Accounts

Specific guidance on gains and losses is included in each subject area. For example, Base Realignment and Closure gains and losses are discussed in Volume 12, Chapter 13.

A. Losses on Disposition of Assets - Other (721000). Record the loss on the disposition (such as sale, exchange, disposal, or retirement) of assets not associated with investments or borrowings/loans.

B. Losses on the Disposition of Investments (721100). Record the loss on the disposition (such as sale, exchange, disposal, or retirement) of investments.
C. **Unrealized Losses (728000).** To record unrealized losses that include, but are not limited to, unrealized holding losses on available for sale securities in accordance with FAS 115, deferred losses on qualified hedges under FAS 133, and qualified foreign currency translation adjustments under FAS 52.

D. **Other Losses (729000).** Record the loss, *damage, or obsolescence* on assets resulting from events other than disposition. This excludes amounts related to the losses on the change in long term assumptions from experience and gain on the change in long term assumptions for federal employee pension, other retirement benefit and other postemployment benefit liabilities, including veteran’s compensation. This account includes amounts related to the FECA Program. Uses for this account include transactions for:

1. Recording a contingent liability.
2. Recording the loss of inventory that is deemed material.
3. Foreign currency.
VOLUME 4, CHAPTER 16, APPENDIX A: “TABLE OF TRANSACTIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, Paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated October 2012 is archived.

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<td>Revised format to comply with the Department of Defense Financial Manual Regulation Revision Standard Operating Procedure dated June 2015.</td>
<td>Revision</td>
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<td>A0201</td>
<td>Added clarification that nonexchange revenues are inflows that finance operations, and must be recognized only in determining the overall financial results of operations for the period.</td>
<td>Addition</td>
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<tr>
<td>A03</td>
<td>Added references to the applicable paragraphs within Statement of Federal Financial Accounting Standards (SFFAS) 7, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting.”</td>
<td>Revision</td>
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<td>A0402.B</td>
<td>Added language to address transfer of multi-use heritage assets.</td>
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CHAPTER 16 APPENDIX A

TABLE OF TRANSACTIONS

*A01. GENERAL

A0101. Overview

The Government of the United States (U.S.) has many ways to finance its cost of operations. These include: exchange transactions; nonexchange transactions; other financing sources; revaluations; or transactions not recognized as revenues, gains, or other financing sources. Transactions may be between a government reporting entity and the public or between two reporting entities within the government (i.e., intragovernmental transactions).

A0102. Purpose

This appendix provides information concerning accounting standards that may be used for classifying transactions that finance the Department of Defense’s (DoD) cost of operations and a significant number of lesser transactions. The transactions in this appendix are divided into groups: nonexchange transactions; exchange transactions that produce revenue; other financing sources; gains and losses due to revaluation; and transactions that produce amounts not recognized as revenues, gains, or other financing sources.

A0103. Authoritative Guidance

Statement of Federal Financial Accounting Standards (SFFAS) 7, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting” established the standards for the classification of specific revenue transactions. Consult SFFAS 7, Appendix B when a transaction does not fall within any of the classifications included in this appendix. For the classifications included in this appendix, the SFFAS 7 paragraph number(s) is provided.

A02. NONEXCHANGE TRANSACTIONS

*A0201. Nonexchange Transactions

A nonexchange transaction arises when one party to a transaction receives value without directly giving or promising value in return. There is a one-way flow of resources or promises. Nonexchange revenue transactions do not require a Government entity to give value directly in exchange for the inflow of resources. The Government does not “earn” the nonexchange revenue. Because nonexchange revenues are inflows that finance operations, nonexchange revenues must be classified and recognized only in determining the overall financial results of operations for the period. Refer to SFFAS 7, Paragraph 240.
A0202. Nonexchange Transactions With the Public

The Harbor Maintenance Trust Fund is an example of a “user fee” tax while classified in the budget as a governmental receipt together with other taxes and duties. It is an ad valorem tax imposed on commercial cargo loaded and unloaded at specified U.S. ports open to public navigation. The receipt is a dedicated collection to the Harbor Maintenance Trust Fund administered by the U.S. Army Corps of Engineers (USACE). It is similar in nature to other excise taxes that result from the government’s power to compel payment and that are dedicated to a trust fund or special fund to be spent for a designated purpose (for example, the gasoline excise tax, which is dedicated to the Highway Trust Fund). It, therefore, must be recognized as nonexchange revenue for the Harbor Maintenance Trust Fund by the USACE. Refer to SFFAS 7, Paragraph 249.

A0203. Nonexchange Transactions - Intragovernmental

An example of this type of transaction is interest earned from Treasury securities held by trust funds and special funds. Paragraphs 306-310 of SFFAS 7, Appendix B deal with nonexchange revenue and Paragraphs 311-313 contain nonexchange gains and losses.

*A03. EXCHANGE TRANSACTIONS

A0301. Revenue from Exchange Transactions

Exchange revenues arise when a Government entity provides goods and services to the public or to another Government entity for a price. Revenue from exchange transactions is subtracted from gross cost in determining the net cost of operations and the change in net position. Refer to SFFAS 7, Paragraph 240.

A0302. Exchange Transactions with the Public - Sales of Goods and Services

The cost of production for goods and services, such as electricity, mail delivery, and maps, is defrayed in whole or in part by revenue from selling the goods or services provided. The sales may be made by a revolving fund (such as the Defense Working Capital Fund (DWCF)) or a general fund (such as a Military Departments appropriated fund). Customers of the Department may include private parties and businesses when authorized by law, including foreign governments, state and local governments, and others not officially representing the Federal Government. Customer orders (requests for goods and services) should be accompanied by a cash advance unless otherwise specified by law. Customer orders from nonfederal entities do not become budgetary resources until collected. Each party receives and sacrifices something of value. The sale is, therefore, an exchange transaction, and the revenue is exchange revenue for the entity making the sale. Refer to SFFAS 7, Paragraph 270. Additionally, interest and rents, such as those collected from DoD owned homes in the Homeowners Assistance Program represent exchange revenue.
A0303. Exchange Transactions with the Public - Sales of Property Plant and Equipment

When the Reporting Entity has legal authority to retain the proceeds from the sale of the asset, the transaction is an exchange transaction because each party receives and sacrifices something of value. If the sales price equals book value, then there is no gain or loss, because a cash inflow equal to book value is the exchange of one asset for another of equal recorded value and, therefore, not a net inflow of resources. If the sales price is more or less than book value, a gain or loss, respectively, is recognized to the extent of the difference. The amount of the difference ordinarily is a gain or loss rather than revenue or an expense, because sales of property, plant, and equipment (PP&E) ordinarily represent a nonrecurring inflow of resources. The entire sales price is a gain when the book value of the asset is zero. The book value is zero (a) when the asset is general PP&E that is fully depreciated or otherwise has been written-off or (b) when the asset is stewardship PP&E, for which the entire cost was expensed when the asset was purchased. Refer to SFFAS 7, Paragraphs 295-296.

A0304. Exchange Transactions - Intragovernmental Revenue

A. Intragovernmental Sales of Goods and Services by a Revolving Fund. The cost of providing goods or services by a revolving fund is defrayed in whole or in part by selling the goods or services provided. Performers (DoD activities providing goods and/or services at cost) include DWCF activities, revolving funds within the Military Department reporting entities, revolving funds within the “Other Defense Organizations” reporting entity, and USACE. Customers of the Department include any DoD Component, organization, office or other element; non-DoD Federal Government Agencies; and others officially representing the Federal Government. Each party receives and sacrifices something of value. The proceeds are exchange revenue. Refer to SFFAS 7, Paragraph 314.

B. Intragovernmental Sales of Goods and Services by an Appropriated Fund or Trust Fund Activity (Other Than a Revolving Fund). The cost of providing goods or services is defrayed in whole or in part by selling the goods or services provided. Performers (DoD activities providing goods and/or services at cost) include the Military Departments, Defense Agencies, and USACE. Customers of the Department include any DoD Component, organization, office or other element, non-DoD Federal Government Agencies, and others officially representing the Federal Government. Each party receives and sacrifices something of value. The proceeds are exchange revenue. Refer to SFFAS 7, Paragraph 315.

C. Employer Entity Contributions to Pension and Other Retirement Benefit Plans for Federal Employees. Employees of the Federal Government provide service to their employer in exchange for compensation, of which some is received currently (the salary); and some is deferred (pensions, retirement health benefits, and other retirement benefits). This is an exchange transaction, because each party sacrifices value and receives value in return. As part of this transaction, the government promises a pension and other retirement benefits to the employees after they retire. The financing of these benefits may include contributions paid by the employer entity to the retirement fund. In broad terms, the employer entity contribution is an inflow of resources to the retirement fund as part of this exchange transaction. More narrowly, it
is a payment by the employer entity in exchange for the future provision of a pension or other retirement benefit to its employees. Therefore, it is exchange revenue of the entity that administers the retirement plan and, thus, is an offset to that entity’s gross cost in calculating its net cost of operations. Within the DoD, the reporting of this category of revenue applies specifically to the DoD Military Retirement Trust Fund. Any other DoD Component contemplating the use of this category of exchange revenue must first obtain approval from the Office of the Deputy Chief Financial Officer, DoD. Refer to SFFAS 7, Paragraphs 316-317.

D. Interest on Treasury Securities Held by Trust Revolving Funds. A trust revolving fund is a revolving fund that also is classified by law as a trust fund. Like other revolving funds, it earns exchange revenue, which is an offset to its gross cost. Trust revolving funds need capital in their operations, just like other revolving funds, the source of which predominantly is the revenue they have earned. When some of their capital is invested in Treasury securities, the interest is related to their cost of operations in the same way as the revenue earned from selling services. Furthermore, the source of the invested balances is predominantly revenue earned from the sales of services, for which they incurred costs of operations when the revenue was earned. The interest they receive must, therefore, be classified in the same way as the interest received by other revolving funds, which is exchange revenue. The source of balances for some trust revolving funds may not be predominantly exchange revenue. For such exceptions, the interest must be classified in the same way as the predominant source of balances rather than according to the normal rule. Refer to SFFAS 7, Paragraph 324-325.

E. Interest on Treasury Securities Held by Trust Funds. A major source of revenue for many trust and special funds (such as the DoD Military Retirement Trust Fund, the DoD Education Benefits Fund, the National Security Education Trust Fund, and the Voluntary Separation Incentive Fund) consists of exchange and other financing sources. When some of their capital is invested in Treasury securities, the interest is related to their cost of operations in the same way as the revenue earned from selling services. Furthermore, the source of the invested balances is predominantly revenue earned from the sales of services, for which they incurred costs when the revenue was earned. Classify the interest received in the same way as the interest received by other revolving funds, which is exchange revenue. Refer to SFFAS 7, Paragraph 308.

F. Interest on Uninvested Funds Received by Direct Loan and Guaranteed Loan-Financing Accounts. A guaranteed loan financing account holds uninvested balances as reserves against its loan guarantee liabilities and earns interest on these balances that adds to its resources to pay these liabilities. A direct loan financing account may hold uninvested balances to bridge transactions that are integral to its operations, such as when it borrows from Treasury to disburse direct loans prior to the time of disbursement; it earns interest on these balances to reflect the time value of money and, thereby, finance the interest it pays on its debt to Treasury. Thus, in both cases, the interest received by the financing account is earned through exchange transactions with Treasury and is an offset to the financing accounts related costs of operations. The interest is, therefore, exchange revenue of the financing account. Within the DoD, the reporting of this category of revenue applies specifically to the Family Housing Improvement Fund, Direct Loan Financing Account (97X4166); Family Housing Improvement Fund,
Guaranteed Loan Financing Account (97X4167); Defense Export Loan Guarantee Financing Account (97X4168); and Arms Initiative Guarantee Loan Financing Account, Army (21X4275). Any other DoD Component contemplating the use of this category of exchange revenue must first obtain approval from the Office of the Deputy Chief Financial Officer, DoD. Refer to SFFAS 7, Paragraph 326.

A0305. Exchange Transactions - Intragovernmental-Gains and Losses

Treasury securities held by revolving funds, trust and trust revolving funds (e.g., Military Retirement Trust Fund) are primarily issued in the government account series, which can generally be redeemed on demand. Other Treasury securities held by these funds also may be callable or redeemable on demand. If these debt securities are retired before maturity, the difference, if any, between the reacquisition price and the net carrying value of the extinguished debt must be recognized as a gain or loss by the fund that owned the securities. The gain or loss must be accounted for as a nonexchange gain or loss if the interest on the associated debt securities is classified as nonexchange revenue, and it must be accounted for as an exchange gain or loss if the interest on the associated debt securities is classified as exchange revenue. Intragovernmental transactions that produce gains or losses must be classified as producing revenue or expense if they are usual and recurring for a particular reporting entity. Refer to SFFAS 7, Paragraph 329.

A04. OTHER FINANCING SOURCES - INTRAGOVERNMENTAL

A0401. Cost Subsidies: Difference Between Internal Sales Price and Full Cost

One entity may receive goods or services from another entity without paying the full cost of the goods or services or without paying any cost at all. In these cases, the difference between full cost and the internal sales price or reimbursement (sometimes called a “transfer price”) is an imputed cost to the receiving entity. In addition, the financing of the imputed cost also is imputed to the receiving entity. Imputed financing is necessary so that the imputed cost does not reduce the entity’s operating results. The imputed financing equals the imputed cost and is recognized as other financing source. It is not revenue, because the receiving entity does not earn the amount imputed or demand its payment. Within the DoD, examples include military personnel costs not reimbursed by Defense Agencies to the military personnel appropriations and environmental cleanup costs not reimbursed to the entity administering the fund when the administering fund is outside the DoD reporting entity. Refer to SFFAS 7, Paragraphs 333-334.

A0402. Transfer of General PP&E and Stewardship Assets without Reimbursement

General PP&E and Stewardship Assets (Heritage Assets and Stewardship Land) may be transferred from one government entity to another. Refer to SFFAS 7, Paragraph 358.
A. If the asset that is transferred was classified as general PP&E for the transferring entity and general PP&E for the recipient entity, it is recognized as a transfer-out (a negative other financing source) of capitalized assets by the transferring entity and as a transfer-in (other financing source) of capitalized assets by the recipient entity, at the book value of the asset.

B. If the asset that is transferred was classified as general PP&E for the transferring entity but stewardship PP&E for the recipient entity, it is recognized as a transfer-out of capitalized assets by the transferring entity. No amount is recognized by the entity that receives the asset. Refer to SFFAS 7, Paragraph 346. Similarly, if multi-use heritage assets are transferred and cost remains on the books of the transferring entity, that cost is recognized as a transfer-out of capitalized assets. The receiving entity should not recognize any amount.

C. If the asset that is transferred was classified as stewardship PP&E for the transferring entity but general PP&E for the recipient entity, it is recognized as a transfer-in (other financing source) of capitalized assets by the recipient entity. No amount is recognized by the transferring entity.

D. If the asset was classified as a stewardship asset in its entirety by both the transferring entity and the recipient entity, the transfer does not affect the net cost of operations or net position of either entity. In such a case, it is not revenue, a gain or loss, or other financing source. Refer to SFFAS 7, Paragraph 345. Likewise, when stewardship PP&E is donated to the Government, no amount is recognized as a cost or revenue.

A05. REVALUATIONS

Refer to SFFAS 7, Appendix B for these classifications.

*A06. TRANSACTIONS NOT RECOGNIZED AS REVENUES, GAINS, OR OTHER FINANCING SOURCES

A0601. Disposition of Revenue to Other Entities - Custodial Transfers

Revenue, primarily nonexchange revenue, may be collected by an entity acting on behalf of the General Fund or another entity within the government on whose behalf it was collected. The collecting entity accounts for the disposition of these by debiting a “nonentity” liability account and crediting its “nonentity” Fund Balance with Treasury account. These custodial transfers, by definition, do not affect the collecting entity’s net cost of operations or operating results, nor are they part of the reconciliation between its obligations and net cost of operations. The receiving entity recognizes the revenue as nonexchange or exchange revenue, depending on its nature, according to the applicable revenue standards. Refer to SFFAS 7, Paragraph 353.
A0602. Sales of Different Types of Government Assets

The sale of government assets (other than forfeited property) is an exchange transaction, because each party receives and sacrifices something of value. As a general rule, any difference between the sales proceeds and book value is recognized as a gain or loss when the asset is sold. The remainder of the transaction does not provide a net inflow of resources, so no gain, revenue, or other financing source is recognized. If the sales proceeds equal book value, there is no gain or loss, because the exchange of one asset for another of equal recorded value is not a net inflow of resources. This general rule applies to PP&E, receivables (other than direct loans), foreclosed property associated with pre-1992 direct loans and loan guarantees, and miscellaneous assets. It does not apply to inventory, nor does it apply to forfeited property. It also does not apply to the sale of direct loans and the sale of foreclosed property associated with post-1991 direct loans and loan guarantees. Refer to SFFAS 7, Paragraphs 354-355.

A0603. Repayment of Post-1991 Direct Loans

The present value of estimated loan repayments is included in the calculation of the subsidy cost of direct loans, and this subsidy cost is recognized as an expense when the loans are disbursed. The present value of estimated loan repayments is likewise included in the value of the loans receivable. When cash is received for the repayment of loans, decrease the loans receivable by an equal amount. The increase in one asset is offset by an equal decrease in another asset. Therefore, cash inflow from the repayment is not recognized as a revenue, a gain, or other financing source. If the actual repayment is different from the previous estimate, the present value of the difference between cash inflows and outflows over the term of the loan, calculated as of the date of disbursement, is re-estimated and recognized as a subsidy expense or a reduction in subsidy expense. Refer to SFFAS 7, Paragraph 365.

A0604. Repayment of Pre-1992 Direct Loans

When pre-1992 direct loans are repaid in whole or in part, the entity exchanges one asset (loans receivable) for another (cash) with equal value. There is no net inflow of resources. Therefore, the amount of cash inflow equal to book value is not recognized as a revenue, a gain, or other financing source. If the loan is not repaid, the unpaid amount is recognized as an adjustment to the bad debt allowance and does not affect revenue, gains, or other financing sources. Refer to SFFAS 7, Paragraph 366.

A0605. Repayment of Receivables - Except Direct Loans

When receivables other than direct loans are paid or repaid in whole or in part, the entity exchanges one asset (loans receivable) for another (cash) with equal value. There is no net inflow of resources. Therefore, the amount of cash inflow equal to book value is not recognized as revenue, gain, or other financing source. If the receivable is not repaid, the unpaid amount is recognized as an adjustment to the bad debt allowance and does not affect revenue, gains, or other financing sources. Refer to SFFAS 7, Paragraph 367.
A0606. Sales of Direct Loans

The sale of a direct loan is a modification according to the Federal Credit Reform Act of 1990 regardless of whether the loan being sold was obligated after Fiscal Year (FY) 1991 or before FY 1992. The book value loss (or gain) on a sale of direct loans equals the book value of the loans sold (prior to sale) minus the net proceeds of the sale. It normally differs from the cost of modification, which is recognized as an expense. This difference is due to the different interest rates used to discount future cash flows for calculating the subsidy cost (and subsidy allowance) when the loan is disbursed and for calculating the cost of modification at a later time. If the sale is with recourse, the present value of the estimated loss from the recourse is also recognized as an expense. Any difference between the book value loss (or gain) and the cost of modification is recognized as a gain or loss. The amount of cash inflow equal to book value is not a net inflow of resources to the entity, because it is an exchange of one asset for another of equal recorded value. Therefore, the amount of cash inflow equal to book value is not recognized as revenue, gain, or other financing source. Refer to SFFAS 7, Paragraph 368.

*A0607. Acquisition of PP&E through Exchange

The cost of PP&E acquired through an exchange of assets with the public is the fair value of the PP&E surrendered at the time of exchange. If the fair value of the PP&E acquired is more readily determinable than that of the PP&E surrendered, the cost is the fair value of the PP&E acquired. If neither fair value is determinable, the cost of the PP&E acquired is the cost recorded for the PP&E surrendered net of any accumulated depreciation or amortization. In the event that cash consideration is included in the exchange, the cost of PP&E acquired is increased (or decreased) by the amount of the cash surrendered (or received). Refer to SFFAS 7, Paragraph 356.

*A0608. Sales of Foreclosed Property Associated with Post-1991 Direct Loans and Loan Guarantees

The net present value of the cash flow from the estimated sales of foreclosed property is included in calculating the subsidy cost of post-1991 direct loans and loan guarantees. This subsidy cost is recognized as an expense when the loans are disbursed. When property is foreclosed, the property is recognized as an asset at the net present value of its estimated net cash flows. When the foreclosed property is sold, any difference between the sales proceeds and the book value (i.e., the net present value as of the time of sale) requires a reestimate of the subsidy expense, which is recognized as a subsidy expense or a reduction in subsidy expense. The amount of cash flow equal to book value is an exchange of one asset for another of equal recorded value and therefore is not recognized as a gain, revenue, or other financing source. Refer to SFFAS 7, Paragraph 369.
A negative subsidy means that the direct loans or loan guarantees are estimated to make a profit, apart from administrative costs (which are excluded from the subsidy calculation by law). The amount of the subsidy cost is recognized as an expense when the direct loan or guaranteed loan is disbursed. A negative subsidy is recognized as a direct reduction in expense, not as revenue, gain, or other financing source. Refer to SFFAS 7, Paragraph 362.

Downward Subsidy Reestimates for Post-1991 Direct Loans and Loan Guarantees

A downward subsidy reestimate means that the subsidy cost of direct loans or loan guarantees is estimated to be less than had previously estimated. The initial subsidy cost is recognized as an expense; a positive subsidy reestimate is recognized as an expense; and a downward subsidy reestimate is recognized as a direct reduction in expense, not as revenue, gain, or other financing source. Refer to SFFAS 7, Paragraph 363.

Fees on Post-1991 Direct Loans and Loan Guarantees

The present value of estimated fees is included as an offset in calculating the subsidy cost of direct loans and loan guarantees, which is recognized as an expense when the loans are disbursed. The present value of estimated fees is likewise included as one component in calculating the value of loans receivable or loan guarantee liabilities. When cash is received in payment of fees, the loans receivable decrease by an equal amount (or the loan guarantee liabilities increase by an equal amount). The increase in one asset is offset by an equal decrease in another asset (or by an equal increase in liabilities). Therefore, fees are not recognized as revenue, a gain, or other financing source. Refer to SFFAS 7, Paragraph 364.
VOLUME 4, CHAPTER 17: “EXPENSES AND MISCELLANEOUS ITEMS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated September 2015 is archived.

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CHAPTER 17

EXPENSES AND MISCELLANEOUS ITEMS

1701 GENERAL

170101. Purpose

The purpose of this chapter is to provide guidance to account for expenses and miscellaneous items, such as gains and losses, incurred in carrying out Department of Defense (DoD) operations. Additionally, this chapter provides instruction on how to identify and account for extraordinary items and adjustments to prior period financial statements.

*170102. Authoritative Guidance

The Federal Accounting Standards Advisory Board concluded in Statement of Federal Financial Accounting Standards (SFFAS) 5, “Accounting for Liabilities of the Federal Government” that expenses are not independent of assets and liabilities and do not have their own essential characteristics. Expenses are changes in assets and/or liabilities during a reporting period that result in a change in net position. Thus, the definition of expenses is dependent on the definitions of assets and liabilities. Additional guidance for expenses is found in the following:

A. SFFAS 4, Managerial Cost Accounting Standards and Concepts.
B. SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting.
C. SFFAS 21, Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources.
D. SFFAS 55, Amending Inter-entity Cost Provisions.
F. SFFAC 7, Measurement of Accrual-Basis Financial Statements in Periods after Initial Recording.
G. SFFAS 6, Accounting for Property, Plant, and Equipment.
H. SFFAS 3, Accounting for Inventory and Related Property.

17-4
1702 AUDIT REMEDIATION AND INTERNAL PROCEDURES

Each DoD Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data. Relevant records supporting financial statements must be maintained and made available during financial statement audits.

1703 EXPENSE OVERVIEW

170301. Definition

Expenses represent the outflow or consumption of assets or the incurrence of liabilities (or a combination of both) during a period of providing goods, rendering services, or carrying out other normal operating activities related to the entity’s programs and missions which results in a decrease in the entity’s net position.

170302. Financial Accounting and Reporting

In financial accounting and reporting, the costs that apply to an entity’s operations for the current accounting period are recognized as expenses of that period, regardless of when cash is exchanged. Expenses are commonly reported at their gross amount at the time the expense is incurred.

170303. Exceptions to Cash Outlays

Most expenses require cash outlays. There are exceptions such as depreciation, other losses, bad debt expenses and miscellaneous items. Miscellaneous items may result from extraordinary transactions, prior period adjustments, and changes in actuarial liabilities.

170304. Unusual or Nonrecurring Transactions

Expenses are costs that occur as part of normal, routine operations of the entity, as opposed to costs attributable to extraordinary or unexpected events, which are classified as miscellaneous items. Unusual or nonrecurring transactions or having resulted from peripheral or incidental activities of an entity should be recognized as a gain or loss, rather than as a revenue or expense.

170305. Budgetary Accounts

An expense normally includes a use or application of budgetary or other resources. Goods and services ordered and received are recorded in the budgetary accounts as expended authority (Delivered Orders – Obligations, Unpaid) and in the proprietary accounts as an expense. The budgetary accounts provide financial control over the resources provided to the entity and ensure accurate accounting during the budget execution process.
170306. Financial Control

Financial control over all commodities such as material, labor, or supplies must be maintained until consumed (expensed), sold or transferred in accordance with statutory authority. For Defense Working Capital Fund (DWCF) activities, expenses primarily are incurred in providing goods and services to customers. Refer to Volume 11B, Chapter 12 for policy covering DWCF.

170307. DWCF Expenses

The treatment of expenses by some DWCF activities is different from the treatment accorded to expenses related to appropriation funded activities. The proper term to describe expenses accumulated in asset accounts is costs. For some activity groups in the DWCF, such as depot maintenance, costs are accumulated by job order number in the “Construction in Progress” (account 172000) or “Inventory Work in Process” (account 152600) and subsequently billed to customers. Other activity groups, such as supply management, record civilian personnel costs as an expense to the activity or cost center as a whole, in the same manner as appropriated funded activities.
170308. Relationship between Budgetary and Proprietary Accounts

Figure 17-1 illustrates the relationship between Expended Budgetary Authority accounts and Proprietary accounts.

FIGURE 17-1

Compound budgetary and proprietary entries are required when goods or services are received and/or accepted. Purchased goods or services are recorded in the budgetary accounts as expended authority or expenditures (Delivered Orders – Obligations Unpaid and Paid) and in the proprietary accounts as an expense (or asset, when DoD capitalization criteria are met).
17044 PRESENTATION IN FINANCIAL STATEMENTS

170401. Expense Recording

Expenses are commonly reported at their gross amount at the time that the expense is incurred. Expenses are recognized in the period that services are rendered, not when invoices are received. The accounting entries are specified in the DoD United States General Ledger (USSGL) Standard Financial Information Structure (SFIS) Transaction Library.

170402. Reporting Program Costs

A. Program costs must be reported in the “Statement of Net Cost” as required by Volume 6B, Chapter 5.

B. Program costs include the full costs of the program outputs and consist of the direct costs and all other costs that can be directly traced, assigned on a cause and effect basis, or reasonably allocated to a program’s outputs. Program costs also include any nonproduction costs that can be assigned to a program but not to its outputs.

C. The costs of program outputs must include the costs of services provided by other entities regardless of whether the providing entity is fully reimbursed. The costs of program outputs must also include costs that are paid in total or in part by other entities to the extent that accounting standards require them to be recognized in financial statements. For example, DoD Components must recognize imputed costs of pensions and other retirement benefit expenses in their financial statements.

D. Imputed costs represent the unreimbursed portion of the full cost of goods and services received from another source. In the case of post-employment benefits for retired, terminated, and inactive employees, imputed costs are the excess of the costs actually incurred by employing agencies for covered employees over the total contributions made by and for covered employees. Imputed costs encompass all unreimbursed portions of the full cost of goods and services received by a DoD entity from a providing DoD entity according to SFFAS 55.

170403. Production and Nonproduction Costs

A. Costs related to the production of outputs must be reported separately from costs that are not related to the production of outputs (i.e., nonproduction costs) on the Statement of Net Cost. Nonproduction costs are reported as a separate item in the financial statements and are addressed in the SFFAS 4.

B. The following nonproduction costs must be reported separately from other nonproduction costs, if incurred:
1. The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets. Costs associated with multi-use heritage assets are capitalized and depreciated over the expected useful life if they meet the capitalization criteria discussed in Chapter 28.

2. The acquisition cost of acquiring stewardship land.

3. The cost of maintenance not performed but delayed to a future period (deferred maintenance) reported in the Required Supplementary Information section of the financial statements.

170404. Intragovernmental Transactions

Goods and Services acquired from other government trading partners or programs (i.e., intragovernmental) must be recorded separately from those purchased from nonfederal entities (i.e., the public). Additionally, goods and services (costs) provided to other government programs (i.e., intragovernmental) must be recorded separately from those provided to nonfederal entities (i.e., the public).

170405. Losses

Losses are associated with the transactions that are not incurred in the normal operation of the organization (such as the loss on the disposal of property).

1705 ACCOUNTING TREATMENT FOR EXPENSES

170501. Accounting Treatment for Expenses and Miscellaneous Items

A. The Department is accountable for its stewardship in expending resources necessary in carrying out its missions. Examples of operating expenses include personnel costs, contractual services, and the purchase of operating materials and supplies. Expenses also can include an allocation of prior capital outlays (depreciation/amortization) when such information is necessary for management decision making purposes, to meet external reporting requirements, or to recover costs of operations. Expenses are recognized in the period that services are rendered, not when invoices are received.

B. Particular attention is to be given to expenses incurred by research and development programs, or related to the search for knowledge and the conversion of knowledge into use for DoD missions.

170502. Costs for Property, Plant and Equipment (PP&E)

Costs for PP&E acquired or constructed for a particular project must be capitalized if the acquisition cost exceeds the Department’s capitalization threshold (see Chapter 6), the items are not intended for sale in the ordinary course of operations, the items have been acquired or constructed with the intention of being used by the entity, and the items have a life expectancy of
more than two years. An asset may be expensed (account 615000) if the amount of the expenses recognized by a purchasing agency when a capitalized asset acquired from another federal agency does not meet the purchasing agency’s capitalization threshold. Chapter 6 provides accounting guidance for capitalizing and depreciating or amortizing assets.

170503. Work in Process Account

Work in process accounts must be used to accumulate the costs of goods or services in accordance with guidance contained in Chapters 4, 5, 6, and 28. The amounts recorded in these accounts, as well as amounts recorded in applicable inventory accounts, must be the basis for determining the amounts to be recorded as cost of goods sold.

170504. Depreciation, Amortization and Depletion Account

A. Depreciation, Amortization and Depletion is used to record the allocation of the cost of an asset (tangible or intangible) over the period of time benefited or the asset’s useful life.

B. The amounts to be recorded for depreciation, amortization, and depletion must be determined in accordance with the guidance contained in Chapters 1, 6, 7, and 26.

170505. Depreciation Expense for Capitalized and Donated Assets

Depreciation expense for capitalized and donated assets is recorded with a debit to Depreciation, Amortization, and Depletion (account 671000) and a credit to the appropriate Accumulated Depreciation account related to the asset. No budgetary entry is made. Depreciation is reported in the “Reconciliation of Net Cost to Net Outlays” footnote to the financial statements, since it is not an expense requiring a cash payment. For the DWCF, depreciation expense also is an element included in the cost recovery rates, used to finance the capital programs. Refer to the DoD USSGL SFIS Transaction Library for additional information on account descriptions for reporting depreciation.

170506. Operating Expenses/Program Costs

A. Operating expenses/program costs include costs associated with carrying out a specific program or function. Examples include personnel, travel, communications, contractual services, and other program expenses. Amounts paid often represent transactions that require a budgetary entry, moving obligations from the unexpended obligation (undelivered order) to the expended authority (delivered order) stage. DWCF activities routinely post operating expenses/program costs to a cost of goods sold account (either directly or via work in process accounts) so that costs may be matched to revenue upon completion of the task or filling an order.
B. Accounting systems must have the ability to report expenses related to operating expenses/program costs at the detail necessary to support budget preparation and applicable cost accounting requirements.

170507. Benefits Expense

The employer’s portion of the contributions to the following employee benefit programs administered by Federal agencies are Federal expenses: retirement funds, life insurance, Voluntary Separation Incentive Payment (VSIP), Federal Employee’s Compensation Act (FECA), unemployment for Federal employees, Social Security (Federal Old-Age, Survivors Insurance, and Federal Disability Insurance) and Medicare (Federal Hospital Insurance (Medicare Part A), Federal Supplementary Medical Insurance (Medicare Part B). The amount of benefit expense (such as employment benefits, entitlement benefits due and payable, or insurance and guarantee benefits) incurred by the program agency and/or administering agency for benefit payments must be recorded in the entity’s General Ledger and reported in a timely manner.

170508. Employer contributions to the Thrift Savings Plan

Employer contributions to the Thrift Savings Plan are nonfederal expenses. The account must be supported by subsidiary accounts to show the types of transactions for which entitlement benefits were incurred.

170509. Administrative Expenses

Administrative expenses incurred for benefit payments are generally nonfederal expenses. This includes (but is not limited to) costs for retirement, life insurance, health insurance, VSIP, FECA, unemployment, entitlements, and insurance guarantees (i.e., flood insurance).

170510. Cost of Goods Sold Account

A. The cost of goods sold account is used to record the cost of goods or services sold from stock, by DWCF activities, or by other DoD activities authorized to provide services or material to other federal government agencies (including other DoD Components) or nonfederal government organizations.

B. This account is used predominantly by revolving fund activities. Appropriated fund activities also must use this account to support reimbursable programs when necessary. Trust fund activities that need to account for products delivered to other organizations also may use this account.

*170511. Imputed Costs Account

The Imputed Cost account must be used by all DoD activities receiving goods or services not reimbursed to an activity outside the reporting entity. SFFAS 55 provides for recognition of significant inter-entity costs among and between federal agencies by business-type activities and allows non-business-type activities to elect not to recognize inter-entity costs, with the exception of
inter-entity costs for personnel benefits and the United States Department of the Treasury Judgement Fund settlements unless otherwise directed by OMB. Business-type activity is significantly self-sustaining activities that finance their accounting cycle of operations through collections of exchange revenues. For example, working capital funds would be considered business-type activities.

170512. Future Funded Expenses

Future funded expenses represent the amount of accrued expenses which are required to be funded from future year appropriations. Examples of future funded expenses include, but are not limited to, accrued annual leave expense (except for working capital funds), accrued worker’s compensation, upward re-estimates for credit reform loan programs, and projected future cleanup costs associated with the removing, containing, and/or disposing of hazardous materials associated with PP&E.

170513. Expense Transactions Not Requiring Budgetary Resources

Some expense transactions do not require the use of budgetary resources and, therefore, only proprietary accounts are charged. Such expenses most commonly are the result of allocating expenses over more than one reporting period (e.g., depreciation expense), costs incurred that are paid in total or in part by other entities (e.g., imputed costs), or recognizing costs to be funded from future year appropriations (e.g., future funded expenses).

1706 LOSSES

170601. Losses on Disposition of Assets Account

A. The Losses on Disposition of Assets account is used to record a loss incurred on the disposition of DoD owned assets. Such losses can result from the sale, exchange, casualty, or retirement of assets.

B. Losses are reported net of any received proceeds.

170602. Users of Losses on Disposition of Assets Account

The Losses on Disposition of Assets account ordinarily must be used only by DoD activities authorized to dispose of DoD property; however, any DoD Component having control over personal and real property may incur such losses due to events beyond its control. The effect from such losses must be recorded in Losses on Disposition of Assets in the Statement of Net Cost.

170603. Other Losses

Other Losses must be used to record the loss on assets resulting from events other than disposition, such as investment losses and miscellaneous losses.
**EXTRAORDINARY ITEMS**

1707. Extraordinary Transactions

Extraordinary transactions, events that are distinguished by their unusual nature and by the infrequency of their occurrence, may impact expenses and/or miscellaneous items. Both criteria of unusual nature and infrequency of occurrence must be met to classify an event or transaction as an extraordinary item.

170702. Unusual Nature

The underlying event or transaction must possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity, taking into account the environment in which the entity operates.

170703. Infrequency of Occurrence

The underlying event or transaction must be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the entity operates.

170704. Financial Disclosure of Extraordinary Items

The total amount of all extraordinary items is included in the applicable Gross Program Cost or Non Production Cost lines of the Statement of Net Cost. Disclosure of the nature and amount of each extraordinary item is included in the notes to the financial statements.

**PRIOR PERIOD ADJUSTMENTS**

1708. Adjustments to Prior Period Financial Statements

Circumstances may arise that require an entity to make adjustments to prior period financial statements due to a change in accounting principle or correction of a material error (or an aggregation of errors). Such circumstances include the retrospective application of a change in accounting principle or the correction of an error in prior period financial statements pursuant to SFFAS 21. See Volume 6B, Chapter 6 for information on reporting prior period adjustments in the financial statements.

170802. Change in Accounting Principle

A change in accounting principle results from adoption of one Generally Accepted Accounting Principle to another one that can be justified as preferable. Changes in accounting principles also include those occasioned by the adoption of new federal financial accounting standards. The newly adopted accounting principle should result in more accurate and meaningful financial statement disclosure.
A. The term, accounting principle, includes not only accounting principles and practices but also the methods of applying them. Unless otherwise specified in the transition instructions section of a new federal financial accounting standard, the cumulative effect of the change on prior periods should be reported as a change in accounting principle, with the adjustment made to the beginning balance of the cumulative results of operations in the Statement of Changes in Net Position.

B. Prior period financial statements presented for comparative purposes should be presented as previously reported.

C. The nature of the changes in accounting principle and its effect on relevant balances should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosure. See Volume 6B, Chapter 6 for additional information on reporting prior period adjustments in the financial statements.

170803. Correction of Errors

When errors are discovered after the issuance of the financial statements, and if the financial statements would be materially misstated absent correction of the errors, corrections should be made as follows:

A. If only the current period statements are presented, then the cumulative effect of correcting the error should be reported as a prior period adjustment with the adjustment made to the beginning balance of cumulative results of operations in the Statement of Changes in Net Position.

B. If comparative financial statements are presented, then the error should be corrected in the earliest affected period presented by correcting any individual amounts on the financial statements. If the earliest period is not the period in which the error occurred and the cumulative effect is attributable to prior periods, then the cumulative effect should be reported as a prior period adjustment with the adjustment made to the beginning balance of cumulative results of operations in the Statement of Changes in Net Position for the earliest period presented.

C. The nature of an error in previously issued financial statements and the effect of its correction on relevant balances should be disclosed. Financial statements of the subsequent periods need not repeat the disclosures.

D. Prior period financial statements should only be restated for corrections of errors that would have caused any statements presented to be materially misstated. (See Volume 6B, Chapter 6 for additional information on reporting material errors.)
VOLUME 4, CHAPTER 19: “MANAGERIAL COST ACCOUNTING”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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<td>Updated references and reorganized sections to comply with Department of Defense Financial Management Regulation Standard Operating Procedures.</td>
<td>Revision</td>
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<tr>
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<td>Updated Authoritative Guidance for accuracy.</td>
<td>Revision</td>
</tr>
<tr>
<td>190301</td>
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<td>Revision</td>
</tr>
<tr>
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<td>Revision</td>
</tr>
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<td>Merged Financial, Budgetary and Managerial Cost Accounting Relationships language with paragraph 190603 Cost, Budget, and Financial System Relationships and updated 190402 Users paragraph (which was 190403) to clarify internal and external user needs.</td>
<td>Revision</td>
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<tr>
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CHAPTER 19

MANAGERIAL COST ACCOUNTING

1901 GENERAL

190101. Overview

A. Managerial cost accounting standards and concepts are focused on providing reliable and timely information on the full cost of federal programs, projects, activities, and outputs. This information provides the structure needed for accurate, consistent, and reliable managerial cost accounting.

B. The concepts of managerial cost accounting describe the relationship among cost accounting, financial reporting, and budgeting. Managerial cost accounting concepts are an integral part of the financial management system in that they provide a basis of accounting, recognition, and measurement appropriate for the intended purpose.

C. The five standards set forth are fundamental elements of managerial cost accounting:

1. Accumulating and reporting costs of activities on a regular basis for management information purposes,

2. Establishing responsibility segments to match costs with outputs,

3. Determining full costs of government goods and services,

4. Recognizing the costs of goods and services provided among Federal entities, and

5. Using appropriate costing methodologies to accumulate and assign costs to outputs.

190102. Purpose

The purpose of this chapter is to provide the Department of Defense (DoD) policy for managerial cost accounting to improve financial management and managerial decision making in five essential areas:

A. Budgeting and cost control,

B. Performance measurement,

C. Determining reimbursements and setting fees and prices,
D. Program evaluations, and
E. Making economic choice decisions.

*190103. Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

A. Chief Financial Officers Act *(CFO) Act of 1990*;
B. Government Performance and Results Act *(GPRA) of 1993*;
C. Government Management Reform Act *(GMRA) of 1994*;
D. Federal Financial Management Improvement Act *(FFMIA) of 1996*;
F. *(SFFAS) 8, “Supplementary Stewardship Reporting”*;
G. Federal Accounting Standards Advisory Board (FASAB) Handbook *(Appendix E: Consolidated Glossary)*;
H. Office of Management and Budget (OMB) *(Circular A-25, “User Charges”)*;
I. The United States (U.S.) Department of Treasury (Treasury) U.S. Standard General Ledger (USSGL) *(Treasury Financial Manual)*; and

1902 DEFINITIONS

The following definitions primarily originate from the FASAB Handbook, Appendix E: Consolidated Glossary, and/or the MCAIG Glossary.

190201. Activity

An activity is the actual work task or step performed in producing and delivering products and services, or an aggregate of actions performed within an organization that is useful for purposes of activity based costing.
190202. Activity Based Costing

Activity Based Costing (ABC) is a cost accounting method that measures the cost and performance of process related activities and cost objects. It assigns cost to cost objects, such as products or customers, based on their use of activities. It recognizes the causal relationship of cost drivers to activities.

190203. Budgetary Accounting

Budgetary accounting is the system that measures and controls the use of resources according to the purposes for which budget authority was enacted, and that records receipts and other collections by source. It is undertaken to assess and ensure compliance with fiscal legal requirements applicable to an appropriation or fund. It tracks the use of each appropriation for specified purposes in separate budgetary accounts through the various stages of budget execution—from appropriation to apportionment and allotment to obligation and eventual outlay.

190204. Cost Accounting System

A cost accounting system is a continuous and systematic cost accounting process, which may be designed to accumulate and assign costs to a variety of objects routinely or as desired by management.

190205. Cost Accumulation

Cost accumulation is the collection of costs in an organized fashion by means of a cost accounting system. There are two primary approaches to cost accumulation: job order and process costing. Under a job order system, the three basic elements of costs: direct materials, direct labor, and overhead, are accumulated according to assigned job numbers. Under a process cost system, costs are accumulated according to processing department or cost center.

190206. Cost Allocation

Cost allocation is a method of assigning costs to activities, outputs, or other cost objects. The allocation base used to assign a cost to objects is not necessarily the cause of the incurred cost. For example, assigning the cost of power to machine activities by machine hours is an allocation because machine hours are an indirect measure of power consumption.

190207. Cost Assignment

Cost assignment is a process that identifies costs with activities, outputs, or other cost objects. In a broad sense, costs can be assigned to processes, activities, organizational divisions, goods, and services. There are three approaches of cost assignment: (a) directly tracing costs wherever economically feasible, (b) using cause and effect, and (c) allocating costs on a reasonable and consistent basis.
190208. Cost Finding

Cost finding techniques produce cost data by analytical or sampling methods. Cost finding techniques are appropriate for certain kinds of costs, such as indirect costs, items with costs below set thresholds within programs, or for some programs in their entirety. Cost finding techniques support the overall managerial cost accounting process and can represent nonrecurring analysis of specific costs.

190209. Cost Object (Also Referred to as Cost Objective)

A cost object is an activity, output, or item whose cost is to be measured. In a broad sense, a cost object can be an organizational division, function, task, good, service, or customer. It is also defined as an activity, operation, or completion of a unit of work to complete a specific job for which management decides to identify, measure, and accumulate costs. The cost object must be discrete enough and described in writing to such a level of detail as to form a basis to establish cost centers and output products.

190210. Direct Costs

Direct costs are the costs of resources directly consumed by an activity. Direct costs are assigned to activities by direct tracing of units of resources consumed by individual activities.

190211. Financial Accounting (Proprietary Accounting)

Financial accounting is the accounting for assets, liabilities, net position, revenues, and expenses as a basis for reports to external parties. It is a methodology that focuses on reporting financial information primarily for use by owners, external organizations, and financial institutions. This methodology is constrained by rule making bodies such as the Financial Accounting Standards Board, Securities Exchange Commission, and the American Institute of Certified Public Accountants. For Federal Agencies, the rule making bodies include FASAB, the Treasury, and the OMB. Financial accounting supports accrual accounting and attempts to show actual financial position and results of operations.

190212. Fixed Cost

A fixed cost is a cost that does not vary in the short term (usually less than one year) with the volume of activity. Fixed cost information is useful for cost savings by adjusting existing capacity or by eliminating idle facilities.
190213. Full Cost

A. Full costs are the sum of all costs required by a cost object including the costs of activities performed by other entities regardless of funding sources. More specifically, the full cost of an output produced by a responsibility segment is the sum of (a) the costs of resources consumed by the responsibility segment that directly or indirectly contributes to the output, and (b) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity and by other reporting entities.

B. Full cost is all direct and indirect costs to any part of the Federal Government of providing goods, resources, or services (OMB Circular A-25).

190214. Indirect Cost

Indirect costs are costs that cannot be identified specifically with or traced to a given cost object in an economically feasible way.

190215. Inter-Entity Costs

Inter-entity is a term meaning between or among different federal reporting entities. It commonly refers to activities or costs between two or more agencies, departments, or bureaus.

190216. Intra-Entity Costs

Intra-entity costs are costs from organizational components within the reporting entity that provide support for the responsibility segment’s programs, projects, or activities. These costs include the direct and indirect costs of other organizational components of the reporting entity. (MCAIG Glossary)

190217. Job Order Costing

Job order costing is a method of cost accounting that accumulates costs for individual jobs or lots. A job may be a service or manufactured item, such as the repair of equipment or the treatment of a patient in a hospital.

190218. Latest Acquisition Cost

Latest acquisition cost is a method in which all units are valued at the invoice price of the most recent items purchased less any discounts, plus any additional costs incurred to bring the item to a form and location suitable for its intended use.

190219. Managerial Cost Accounting

Managerial cost accounting is the process of accumulating, measuring, analyzing, interpreting, and reporting cost information useful to both internal and external groups concerned with the way in which the organization uses, accounts for, safeguards, and controls its resources.
to meet its objectives. Managerial cost accounting is the integration of budgetary and financial accounting, and management reporting because it provides information for decision making purposes and performance measurement. Managerial cost accounting is the organization and procedures, whether automated or not, and whether part of the general ledger or stand-alone, that accumulate and report consistent and reliable cost data from various agency feeder systems.

190220. Outcome

A. Outcome is defined in broad terms in Statements of Federal Financial Accounting Concepts (SFFAC) 1, “Objectives of Federal Financial Reporting (OFFR)”, paragraphs 204-208, as accomplishments or results that occur (at least partially) because of the service efforts of government entities. Some authorities use terms like “impact,” “effect,” or “results” to distinguish the change in outcomes specifically caused by the government activity from the total change in conditions that can be caused by many factors.

B. Outcome is an assessment of the results of a program compared to its intended purpose. Outcomes must: (a) be capable of being described in financial, economic, or quantitative terms, and (b) provide a plausible basis for concluding that the program has had or will have this intended effect. For measuring outcomes for research and development programs, results may be reported by a narrative discussion of the major results achieved by the program during the year (SFFAS 8, paragraphs 93 and 99).

190221. Output

Output is any good or service generated from the consumption of resources. It is measured as a tabulation, calculation, or recording of activity or effort that can be expressed in a quantitative or qualitative manner. It must have two key characteristics:

A. Systematically or periodically captured through accounting or management information system, and

B. A logical connection between the reported measures and the program’s purpose.

190222. Performance Measurement

Performance measurement is a means of evaluating efficiency, effectiveness, and results. A balanced performance measurement scorecard includes financial and nonfinancial measures focusing on quality, cycle time, and cost. Performance measurement should include program accomplishments in terms of outputs (quantity of goods or services provided, e.g., how many items are efficiently produced) and outcomes (results of providing outputs, e.g., are outputs effectively meeting intended agency mission objectives).
190223. Pricing

Pricing is the process to determine the amount at which to sell a product or service. Setting prices is a policy matter, sometimes governed by statutory provisions and regulations, and other times by managerial or public policies. The price of a good or service does not necessarily equal the cost of the good or the service determined under a particular set of principles (SFFAS 4, paragraph 37).

190224. Product

A product is any discrete, traceable, or measurable good or service provided to a customer. Often goods are referred to as tangible products, and services are referred to as intangible products. A good or service is the product of a process resulting from the consumption of resources.

190225. Program

Program is defined as a mission program, whose products or services the Agency delivers as part of its strategic plan. Agencies decide the exact classification of programs based on the entity’s budget structure, the missions and outputs described in the GPRA strategic and annual plans and the guidance for defining and structuring responsibility segments.

190226. Project

A project is a planned undertaking, usually related to a specific activity, such as the research and development of a new product or the redesign of the layout of a plant.

190227. Process Costing

Process costing is a method of cost accounting that first collects costs by processes and then allocates the total costs of each process equally to each unit of output flowing through it during an accounting period.

190228. Recovery of Cost

Recovery of cost is the method of recovering the costs of any given expenditure.

190229. Relevant Costs

Relevant costs are those cost elements that are necessary for particular management analyses and/or decision making purposes when full cost is not appropriate. Relevant costs may include expected or potential costs that differ among alternative courses of action.

190230. Resource

A resource is an economic element that is applied or used in the performance of activities. Salaries and materials, for example, are resources used in the performance of activities.
190231. Responsibility Segment

A responsibility segment is a significant organizational, operational, functional, or process component which has the following characteristics: (a) its manager reports to the entity’s top management, (b) it is responsible for carrying out a mission, performing a line of activities or services, or producing one or a group of products, and (c) for financial reporting and cost management purposes, its resources and results of operations can be clearly distinguished, physically and operationally, from those of other segments of the entity.

190232. Service

A service is an intangible product or task rendered directly to a customer. (Also, see Product as defined in paragraph 190225.)

190233. Service Department

A service department is also known as an Intermediate Cost Object. A service department is an organizational unit of a facility that has the responsibility for providing support for the work of the production departments. Examples are purchasing, building and ground personnel, and power departments. All of these activities are necessary parts of the production process and primarily supportive of production departments. Service department costs must be allocated to production departments before overhead rates are determined.

190234. Standard Costing

Standard costing is a costing method that attaches costs to cost objects based on reasonable estimates or cost studies and by means of budgeted rates rather than according to actual costs incurred. It is the anticipated cost of producing a unit of output. It is a predetermined cost to be assigned to products produced. Standard cost implies a norm, or what costs should be. Standard costing may be based on either absorption or direct costing principles, and may apply to all or some cost elements. Refer to Volume 11B and Volume 3, Chapter 19 for use of standard costing in the Working Capital Fund (WCF).

190235. Unit Price

Unit price is the cost of a selected unit of a good or service.

190236. Variable Cost

Variable cost is a cost that varies with changes in the level of an activity, when other factors are held constant. The cost of material handling to an activity, for example, varies according to the number of material deliveries and pickups to and from that activity.
1903 MANAGERIAL COST ACCOUNTING POLICY

*190301. Concepts

A. As described in SFFAS 4, paragraphs 41-45, the concepts and standards of managerial cost accounting explain the relationship among budgetary, financial, and cost accounting. Managerial cost accounting is the process of accumulating, measuring, analyzing, and reporting cost information useful to both internal and external groups concerned with how DoD uses, accounts for, safeguards, and controls its resources to meet its objectives. Managerial costing uses a basis of accounting, recognition, and measurement that is appropriate for the intended purpose. Managerial cost accounting is an essential element of proper financial planning, control, performance evaluation, and program accountability.

B. Managerial cost accounting is a basic, integral part of the DoD financial management system. Information from a common data source provides cost information relevant to budgetary and financial accounting and reporting while providing useful information directly to management for control and decision making. Financial, budgetary, and cost accounting processes ultimately produce the Department’s audited general purpose financial statements and special purpose reports from the DoD general and sub ledgers to achieve cost accountability and transparency to stakeholders. Cost information developed for different purposes are drawn from a common data source so that output reports are reconcilable to each other.

190302. Standards

A. SFFAS 4 requires each reporting entity to accumulate and report the cost of its activities on a regular basis for management. Costs may be accumulated through cost accounting systems or through cost finding techniques. The standard provides flexibility based on organization mission, operations, size, capabilities, and resources. Agencies have flexibility in designing a cost accounting methodology that meet both internal and external user needs.

B. The following are the five standards referenced in SFFAS 4:

1. **Requirement**: Accumulate and report costs of activities on a regular basis for management information purposes (see section 1904),

2. **Responsibility Segments**: Establish responsibility segments to match costs with outputs (see section 1905),

3. **Full Cost**: Determine the full cost of goods and services (see sections 1904, 1905, and 1906),

4. **Inter-Entity Costs**: Recognize the cost of goods and services provided among federal entities (see sections 1905 and 1906), and

5. **Methodology**: Use appropriate costing methodologies to accumulate and assign costs to outputs (see section 1905).
190303. Uses

In managing DoD programs, cost accounting information assists managers and other stakeholders in making informed decisions in the areas of budget and cost control, performance measurement, reimbursement and fee/price setting, program evaluations, and economic choice decisions. An organization should be able to answer the following types of questions:

A. Given the current spend plan and rate of execution, at what interval (if applicable) could the program experience a cost over-run?

B. What are the full costs to deliver goods and/or services by organization, line of business, or region?

C. How well is the organization managing its available resources in terms of mission effectiveness and cost efficiency?

D. How well has the organization met its strategic plan and the expected outcomes based on resources available?

190304. Assignment and Methodologies

A. Cost assignment approaches link expenses from a financial accounting perspective using the USSGL, as further defined in the Office of the Deputy Chief Financial Officer Standard Financial Information Structure (SFIS) to outputs of an organization (see paragraph 190503). Users should assign costs with one of the following approaches listed in the order of preference:

1. Directly trace costs wherever feasible and economically practicable,

2. Assigning costs on a cause and effect basis, or

3. Allocating costs on a reasonable and consistent basis.

B. Methodologies are processes used to accumulate and allocate costs to specific outputs. Although SFFAS 4 does not require the use of a particular costing methodology, the standard requires that a costing methodology, once adopted, be used consistently. The standard recognizes that the agency management is in the best position to select a type of costing system that would meet its needs and describes the four costing methodologies in section 1905, which include (a) job order costing, (b) process costing, (c) standard costing, and (d) ABC. The DoD Component must select the costing methodologies that best meet the organization’s operational need and mission requirement.
190305. Systems, Sources and Cost Finding

Managers must establish appropriate procedures and practices to enable the collection, measurement, accumulation, analysis, interpretation, and communication of consistent and periodic cost information with a system or the use of cost finding techniques.

A. A system is a continuous and systematic process, which may be designed to accumulate and assign costs from a common data source to a variety of objects routinely or as desired by managers. The common data source may include many different kinds of data from many financial and non-financial sources of information to support cost, financial and budgetary accounting. Costs are traced using the accounts described in the USSGL as the standard to produce financial and budgetary general purpose reports and special purpose performance reports. Cost accumulation is facilitated by the SFIS structure, which includes the Standard Line of Accounting (SLOA). See paragraph 190503.

B. When data systems are unable to provide the needed cost information or where information is required on a non-recurring basis (e.g., budget estimates, Business Case Analysis, Cost Benefit Analysis, and/or Analysis of Alternatives), cost finding techniques may provide the needed results through analytical or sampling methods and special cost studies and analysis. Cost finding techniques should not replace consistent and regular managerial cost reporting when available.

1904 REPORTING AND ANALYSIS

190401. Overview

A. Reliable costs of federal programs and activities is important to managers. Cost reporting and analysis provides a better understanding of specific programs and activities (e.g., products and services) to include costs and changes in costs; efforts and accomplishments over time; efficiency and effectiveness of assets and liabilities in support of budgetary, financial, and managerial cost reporting; and program business decisions. Additional benefits are derived when planned and actual performance data are aligned, such as the ability to capture full costs of products and/or manpower, transparency into pricing and fees, and consistency in standardized cost reporting for historic and forecasting value. Benefits derived will vary based on organization, model maturity, and department mission.

B. Managerial cost accounting improves both financial management and decision making by providing:

1. An understanding of the reporting requirements as seen by management,
2. The type of information management needs, and
3. An approach to developing the analysis that will eventually support the reporting and performance structure.
A. Regardless of a stakeholder’s function, users need accurate reporting to identify cash, disbursements, collections, full cost of resources, activities, capabilities, and operations for various needs. Specifically, for the DoD Reporting Components, some of these needs include:

1. Making better decisions at the cost element levels,
2. Knowing the cost of operations and activities,
3. Linking budget planning and allocation to actual expenditures,
4. Responding to both external and internal cost related inquiries, and
5. Making costs visible to DoD leadership, component leadership, operational commanders, and program managers.

B. Internal Users

1. **Government** managers are the primary users of cost information. They are responsible for carrying out program objectives with resources entrusted to them. Reliable and timely cost information helps ensure that resources are spent to achieve expected results and outputs as well as identify waste and inefficiency.

2. **Program Managers** use cost information to (a) effect cost control, (b) make resource acquisition decisions, (c) evaluate and improve efficiency and cost effectiveness of various program activities, and (d) make budget and planning proposals to agency heads and Congress.

3. **Financial Managers**, including accountants and budget analysts, use cost information to (a) calculate unit costs of outputs, (b) analyze and explain cost variances, (c) formulate standard costs, (d) compile period financial reports, and (e) analyze the cost behavior to quantify variable, fixed, and/or incremental costs for decisions such as buy or lease.

4. **Franchise Activity Managers** use cost information to set prices or reimbursements for the goods or services they provide (MCAIG A-xxv).

5. **Government executives** use cost information to (a) evaluate the overall performance of the programs, (b) assess future resource requirements for financial plans and budgets, and (c) develop proposals to the President and Congress on resource allocations and program expansion, modification, or downsizing.
C. External Users

1. Congress makes policy decisions on program priorities and allocates resources among programs through the appropriations process. These officials need cost information to compare alternative courses of action and to make program authorization decisions by assessing costs and benefits and evaluating program performance outcomes and outputs.

2. Citizens, including news media and interest groups, use cost information to assess the efficiency and effectiveness of resource allocation.

190403. Decision Making

A. To interpret cost data appropriately, it is important to distinguish between direct and indirect costs, fixed and variable costs, and full and relevant costs. Analysis of these cost components help managers understand the demand their program places on federal resources of other organizational units and contributes to their organizational costs. The accurate recording and availability of detailed historical cost information is important in providing insight into budgets, cost estimates, and performance metrics.

B. Cost information should allow organizations to address:

1. Current spend plan and program expense status, and

2. The full costs to deliver goods and/or services by an organization, line of business, or region,

C. Cost information assists managers in budget and cost control, performance measurement, reimbursement and fee/price setting, program evaluations, and economic choice decisions.

190404. Budget and Cost Control

A. Budget planning and control serves an important function within the Federal Government. Managers use historical and current costs of program activities as a basis in estimating future budgets and to measure actual performance against established goals.

B. Once budgets are approved and executed, current cost information serves as feedback on the budgets. DoD financial managers use the feedback derived from the current costs to budget analysis to control and reduce costs, as well as, find and avoid waste. With appropriate cost information collected through managerial cost accounting, federal managers can:

1. Explain variances between actual and budgeted costs of a cost object,

2. Compare cost changes over time and identify their causes,
3. Compare costs of similar activities and identify cost differentials, and

4. Produce budgets at a detailed level which will improve accuracy, insight, and increased transparency of an agency’s expenditures.

C. Organizations should produce a Statement of Net Cost (actual to budget) in accordance with Volume 6B, Chapter 5.

190405. Performance Measurement

A. The GPRA requires Federal Agencies to develop five year strategic plans and annual performance plans and report annually on actual performance compared to goals. The GMRA reduces duplicative administrative services by establishing a self-sustaining franchise fund to provide common and efficient administrative support services on a reimbursable basis. Participation in these franchise funds requires proper costing procedures. Subsequently, the FFMIA was enacted to help improve compliance with accounting standards resulting in reporting full costs of programs and activities, which increases accountability and improves cost efficiency, performance, and productivity. The FFMIA builds upon and complements the CFO Act, GPRA, and GMRA, and increases the capability of agencies to monitor execution of the budget by more readily permitting reports that compare spending of resources to results of activities. Cost information is necessary to aid organizations in evaluating and comparing actual costs to planned performance measures, outputs, and outcomes.

B. In defining annual performance plans, program managers can establish performance goals based upon an understanding of both the direct and indirect costs of programs, and thereby align strategic resources to results.

C. Results are often stated in terms of an “output,” because they are easier to identify and measure. Leading practice in performance management prefers to measure an “outcome” or a result or measureable goal, which is often more difficult to identify and measure. The utilization of managerial cost accounting can provide the performance details useful to leadership for determining whether the organization achieves an “outcome” or not. Defined cost goals will assist managers in deploying resources more efficiently to achieve the desired performance.

D. An annual performance plan defines measurements for each major activity, good, and service. Plans and performance goals are developed based upon anticipated resource levels. In the budget formulation process, program managers begin to connect federal resources to results. Managerial cost accounting policies require that financial managers base their planning upon all federal resources allotted to their programs. This includes resources for both direct and indirect costs. The indirect allocated support for activities, goods, and services that are separately appropriated or covered through relevant activities are often overlooked and not included. A complete and fully inclusive performance report will include both direct and indirect (from all sources within program or support programs) costs of the cost object. When the cost of a program is managed through managerial cost accounting, and cost goals are defined, the costs of the activity, good, and service can be monitored and managed more efficiently.
E. Performance measurement can be viewed as the government equivalent of private sector profitability measurements. However, selecting appropriate measurements is quite difficult and requires exercise of judgment. Cost itself can be a performance metric, but cost should also be combined with an effectiveness measure, such as the percent of a goal achieved at a level of expected performance, to ensure the resulting output is cost effective.

F. As suggested by SFFAS 4, paragraph 35, measuring cost is an integral part of measuring performance for efficiency and cost effectiveness. Efficiency is measured by relating outputs to inputs, often expressed as cost per unit of output. Effectiveness is measured by the outcome or the degree to which a predetermined objective is met, commonly expressed as “cost effectiveness.” Therefore, the service efforts and accomplishments of a government entity can be evaluated with the following measures:

1. Measures of an organization’s efforts (inputs), which include the costs of resources used or consumed, and non-financial measures,

2. Measures of an organization’s accomplishments (outputs), which include the quantity of goods and services provided and outcomes (the results of those goods and services), or

3. Measures that relate efforts to accomplishments, such as cost per unit of output or cost effectiveness.

190406. Reimbursements and Fee/Price Setting

A. Cost information is important for setting prices and user fees for government provided goods and services. Pricing and costing, however, conceptually use cost information differently. In the Federal Government, setting prices is a policy matter, sometimes governed by statutory provisions and regulations, and at other times, by department or managerial policies.

B. SFFAS 4, paragraph 37 and OMB Circular A-25 requirements include:

1. With respect to goods and services that the government provides in its sovereign capacity to a particular group of individuals as a special benefit, user charges should be sufficient to recover the full cost of those goods and services.

2. With respect to goods and services that the government provides under business-like conditions, user charges for those goods and services need not be limited to the recovery of full cost and may yield net revenue. WCFs are revolving funds that rely on a cost recovery methodology to finance operations. WCF activities are designated as zero profit/loss or breakeven activities. The full costs of the goods and services delivered are reimbursed through the associated sales. Those sales represent receipts from the appropriated funds. For this to happen, it is critical that reimbursement rates be as accurate as possible. If the rates are set too high, the organization will overcharge its customers. If rates are set too low, costs will not be fully recovered.
To set rates accurately, the DoD needs a comprehensive understanding of the goods and services that are delivered, the activities and tasks required for delivery, and the resources consumed by those activities. For more information on WCF see Volume 3, Chapter 19 and Volume 11B.

C. Cost information is also important in calculating reimbursements for goods and services provided by one federal agency to another. Hence, reimbursable accounting allows one federal organization to recover its cost from another federal organization for the direct and indirect costs of providing those goods and services. The reimbursable fee structure, best displayed in the reimbursement of communication, data, and accounting services by some of the DoD agencies, is specifically established for providing those goods and services. Even if fees or reimbursements do not recover the full costs due to policy or economic constraints, management needs to be aware of the difference between cost and price. With this information, program managers can properly inform the public, Congress, and federal executives about the costs of providing the goods or services. For more information on reimbursable fees, see Volumes 11A and 11B.

190407. Program Evaluations

The cost of federal resources required by programs is an important factor in making policy decisions related to program authorization, modification, consolidation, or discontinuation. These decisions are usually subject to policy constraints. They often require the consideration of both social and economic costs and benefits affecting different sectors of the economy and society. For complete program cost evaluation, it may be necessary to obtain advice from outside the entities’ data systems. The Office of the Director, Cost Assessment and Program Evaluation (CAPE), provides independent analytic advice to the Secretary of Defense on all aspects of the Defense program, including alternative weapon systems and force structures, the development and evaluation of defense program alternatives, and the cost effectiveness of defense systems.

190408. Economic Choice Decisions

As noted in SFFAS 4, agencies and programs often face decisions involving choices among alternative actions, such as whether to do a project in-house or contract it out, to accept or reject a proposal, or to continue or discontinue a good or service. Making these decisions requires cost comparisons among available alternatives. In the case of outsourcing, decisions may involve comparing the incremental cost and benefits of continuing a government activity with the incremental cost and benefits of turning the project over to a private sector business. In federal terms, it may use an analysis of alternatives, for example, in the selection of software application, an upgrade to an enhanced good or service, or a capital investment project. Cost studies of various types can help to decide whether to accept or reject a proposal for a government capital project, to continue or drop a government good or service, or to contract with a private sector vendor.
1905 COST ASSIGNMENT AND COSTING METHODOLOGY

190501. Overview

SFFAS 4, paragraph 116, requires that managers accumulate the cost of resources consumed by responsibility segments and type of resource; accumulate outputs produced and, if practicable, measured in units; and that the full cost of direct and/or indirect resources be assigned to outputs through consistently-applied and appropriate costing methodologies or cost finding techniques.

A. When assessing cost accounting requirements, reporting entities must determine the appropriate detail for processes and procedures based the following factors:

1. Nature of the entity’s operations,
2. Precision desired and needed in cost information (accuracy, frequency, granularity, transparency, and cost benefit of obtaining data),
3. Practicality of data collection and processing,
4. Availability of service departments for indirect services,
5. Cost of installing, operating, and maintaining the cost accounting processes, and
6. Any specific information needs of management.

B. Management should evaluate alternative costing methods and select those that provide the best results considering its operating environment and economic feasibility (e.g., the benefits resulting from implementing the methods outweigh the costs).

C. SFFAS 4 requires that a costing methodology, once adopted, be used consistently so that cost information can be compared from year to year. This requirement, however, does not preclude necessary improvements and refinements to the system or methodology, so long as the effect of any change is documented and explained. Documenting the changes assists in appropriately incorporating the new processes over historic years and provides support to any forecast adjustments.

190502. Cost Accumulation

A. SFFAS 4 states that cost accumulation is the process of collecting cost data in an organized way and that the accumulation is for costs incurred within each responsibility segment; this does not involve the assignment or allocation of costs incurred by other supporting segments.
B. Of the five standards in SFFAS 4, two reference cost accumulation:

1. Accumulating and reporting costs of activities on a regular basis for management information purposes, and

2. Using appropriate costing methodologies to accumulate and assign costs to outputs.

C. Cost accumulation for cost objectives or outputs is achieved by selecting costing methods (e.g., standard costing, job order costing, ABC) or cost finding techniques that are suited to the operational environment. For more information on cost finding techniques, see section 1906.

D. SFFAS 4 requires organizations to accumulate costs for the identified types of outputs produced for various programs or projects. Organizations may establish a network of cost centers to accomplish this cost accumulation task. Cost centers are a tool that groups relevant costs that support a consistent output or objective. Cost centers can be used to simplify the various costs incurred by aggregating costs into a cost center that provides a product, be it a service or a good. A project management office is a common type of cost center.

E. Responsibility segments should accumulate the costs of resources consumed by the type of resource, such as costs of employees, employee benefits, and office space or rent. Accumulating the costs incurred by resource type supports detailed reporting and provides transparency of cost by type. Outputs (if practical, measured in units) produced by responsibility segments should also be accumulated; the full cost of resources that directly or indirectly contribute to the production of outputs should be assigned, if the purpose is to support billing a customer (refer to Volumes 11A and 11B).

190503. Cost Assignment Authoritative Guidance

The SFIS is a comprehensive DoD enterprise data structure and common business language for budgeting, financial accounting, cost, performance, and standardized reporting requirements. SFIS enables budgeting, performance-based management, and the generation of financial statements. Through the SLOA classification, SFIS improves interoperability between business systems, provides better end-to-end funds traceability and linkage between budget and expenditures, complies with Treasury requirements, and helps achieve audit readiness. SLOA provides additional granularity to accounting transactions that improves the appropriate assignment of costs. Volume 1, Chapters 4 and 7, and the SFIS resources web page provide complete information, including the SFIS matrix, Compliance Checklist, USSGL Transaction Library, the Standard Chart of Accounts (SCOA) and the SLOA.

190504. Cost Assignment Approaches

A. Cost assignment is the process that identifies the accumulated costs to cost objects (an activity or item whose cost is measured). As per SFFAS 4, there are three approaches, summarized in Table 19-1, for assigning costs to outputs listed in order of preference:
1. Directly tracing costs wherever feasible and economically practicable,

2. Assigning costs on a cause and effect basis, and

3. Allocating costs on a reasonable and consistent basis

Table 19-1. Cost Assignment Approaches

<table>
<thead>
<tr>
<th>Approach</th>
<th>General Cost Behaviors</th>
<th>Accuracy/ Frequency</th>
<th>Granularity/ Transparency</th>
<th>Project/ Program Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Tracing</td>
<td>Job Order Direct and/or Indirect Actual or Standard</td>
<td>High</td>
<td>High to Moderate</td>
<td>Activity / Task Level</td>
</tr>
<tr>
<td>Cause and Effect</td>
<td>Job Order Direct and/or Indirect Process Direct and/or Indirect Variable Actual or Standard</td>
<td>High to Moderate</td>
<td>High to Moderate</td>
<td>Task / Delivery Order</td>
</tr>
<tr>
<td>Allocation</td>
<td>Job Order Indirect Process Indirect Fixed Actual or Standard</td>
<td>Lowest</td>
<td>Lowest</td>
<td>Project / Program</td>
</tr>
</tbody>
</table>

B. Agencies and responsibility segments select the appropriate cost assignment approach based on their operational needs. Operational needs tend to follow historic practices (if reliable historic data is available); however, cost assignment approaches can change if the operating environment or regulations change. SFFAS 4 requires organizations to identify the full cost of outputs (the goods or services produced, the missions or tasks performed, and the customers or markets served) including:

1. Direct and indirect costs incurred within the responsibility segment, 

2. Intra-entity costs from other responsibility segments, and

3. Inter-entity costs recognized by the receiving entity.

C. Responsibility segments that produce only one output assign costs of the resources used in production to the output. Responsibility segments that deliver intermediate goods or provide supporting services assign the costs to the segments that receive the goods and services. Inter-entity costs are assigned to the responsibility segments that use the inter-entity goods and services. A receiving entity should also recognize assigned inter-entity costs from other Federal Entities.

D. It is a requirement to document changes to a cost assignment approach. Documenting changes may also require noting in the financial statements. It is important to maintain a consistent cost assignment approach, where possible, for reporting and pricing efforts.
190505. Direct Tracing

A. Direct tracing applies to resources directly used in the production of an output. Examples include materials used in production, employees providing direct effort, facilities, and equipment used exclusively in the production of the output, and goods or services received from other entities (inter-entity) directly used in support of the output. Direct tracing also applies to specific resources dedicated to particular outputs, such as resources tracked to a single task or objective.

B. Direct costs tend to originate internally by program, responsibility segment, or reporting entity; however, outside entities may also assign direct costs to a segment. Additionally, the direct tracing approach is not limited to direct costs. Indirect costs from these outside entities can also use the direct tracing approach to capture costs in more detail. Regardless of origin or funding profile, all direct costs are included in the cost of the output.

C. As noted in Table 19-1, directly tracing costs provides the highest level of granularity and yields the highest level of reporting information; however, it is not necessary to apply direct tracing to all elements of a cost object or output. For example, directly tracing office supplies to a particular weapon system upgrade would not be cost effective, but if a program or activity explicitly budgets for administrative or clerical services, then direct traceability is relevant for costing purposes.

190506. Cause and Effect Basis

A. Costs that cannot be traced directly to a final output (such as activities or work elements), or it is cost prohibitive to do so, but a relationship can be made between the resource costs and outputs, are assigned to intermediate cost objects. The cause and effect basis recognizes that activities have incurred costs, outputs have required these activities, and therefore, a reasonable relationship can be derived between the two. The causal beneficial relationship permits the activity costs to be accumulated and assigned using the cause and effect basis.

B. Establishing an intermediate cost object requires the identification of homogenous activities to an output and determining the rate of allocation to receiving cost objects. For example, a laboratory’s costs can first be assigned to various tests it runs. The costs of the tests can then be assigned to the operating units that ordered the tests.

C. The cause and effect basis is useful when production is consistent and manageable. The cause and effect basis must not be used if cost cannot be normalized or linked to a final output; instead, costs are assigned using a more general process.
190507. Cost Allocation

A. Cost allocation is the process of assigning costs that cannot be directly traced or assigned using the cause and effect basis. General and Administrative services used by various common segments apply cost allocation to assign costs to benefiting cost objects. Cost allocation provides the least detail in costs incurred and is used for indirect costs only.

B. General and Administrative support costs are allocated initially to the segments and then to the outputs of that segment on a pro rata basis. This involves two steps:

1. Allocate the accumulated costs of services to the segment, and
2. Allocate the accumulated costs to the outputs of each segment.

C. The usual basis for cost allocations is the relevant common denominator. The basis of cost allocation may include the number of employees, direct hours worked, or the amount of direct costs incurred in segments. The common denominator is also referred to as the allocation base. Grouped costs should be accumulated and assigned using a consistent and relevant base. The allocation frequency and base should remain consistent to allow cost comparison over a period of time.

D. Cost allocation is similar to cause and effect in that it may use an intermediate cost object to accumulate costs; however, it differs in that a single benefiting segment or output is unable to be identified for allocation purposes. Cost allocation is commonly used for general and administrative costs. A responsibility segment may use more detailed costing methods to accumulate costs within the intermediate cost object for more detailed internal reporting, but the allocation remains based on the accumulated cost.

E. Costs accumulated for intermediate cost objects must be homogeneous. Examples in homogeneity accumulation include, but are not limited to: human resource departments, program management offices, and general and administrative offices. Activities within these examples are often difficult to measure in meaningful amounts per unit or per cost object.

190508. Costing Methodologies and Cost Behaviors

It is important to note that the costing methodologies described in paragraphs 190509 through 190512 are not mutually exclusive nor all inclusive, and can be utilized in combination based on the objective, job order, or process costing and can be applied to both ABC and standard costing systems.

190509. Job Order Costing

A. Job order costing is a costing methodology that accumulates and assigns costs to discrete jobs. Job order costing systems are used by organizations that produce unique products or special order products, projects, assignments or groups of similar outputs. Job order costing is used if:
1. The production or service is being performed to meet customer specifications or requirements, or

2. Products or services require different amounts and types of direct material, labor and indirect costs.

B. In a job order costing system, different products with varying degrees of production time and different amounts of direct materials consumed are tracked separately by work orders. Job order costing provides more control, less estimation, and more direct and reliable allocation of costs.

C. Direct materials and supplies owned by the performing activity, acquired from a WCF or from an inventory account financed by appropriated funds, are charged to a job order in accordance with established costing procedures for the segment.

D. The structure for job order data must be consistent with the SFIS and the SFIS Business Rules (see paragraph 190503). Where relevant, subsidiary ledger accounts or proprietary accounts will be incorporated into the structure for job order data.

E. A job order number is given to each identified cost object, similar to a project Work Breakdown Structure, in which a number is assigned to each task that is being tracked or reported. Job order numbers are the framework for identifying each job and a means of accumulating departmental direct labor, direct material, and overhead (indirect, general, and administrative) cost by job order. Detailed DoD specific transactions are available in the DoD USSGL Transaction Library and must be consistent with Volume 1, Chapters 4 and 7. Refer to Volumes 11A and 11B for reimbursable policies applicable to activities financed with annual appropriations and WCFs.

190510. Process Costing

A. Process costing accumulates costs by individual processing cost center. These processing cost centers are involved in a continuous flow of effort, with each center contributing towards the completion of the end products. The output of a processing center becomes the input of the next processing cost center or becomes a part of the end product.

B. Process costing is appropriate for production of goods or services with the following characteristics:

1. The production involves a regular pattern of processes, and

2. The output consists of homogeneous units, and

3. All units are produced through the same process procedures.

C. Each cost center accumulates costs, assigns the costs to its outputs, and calculates the unit cost of its output. For each period, cost centers prepare a cost and performance
report showing the costs, the completed effort, and the work-in-process. When a certain number of completed units are transferred from the cost center to the next cost center, the cost of those units are also transferred and are eventually incorporated into the costs of the end product. Therefore, the cost flow follows the physical flow of the production. The unit cost of the end product is the sum of the unit costs of all the divisions.

190511. Standard Costing

A. Standard costs are carefully predetermined or expected costs that can be applied to activities, services or products on a per unit basis. The purpose of standard costing is to have a standard cost per product used as a goal to compare with actual costs.

B. A standard cost outlines how a task should be accomplished in nonfinancial terms (hours, minutes, board feet) and how much it should cost. Standard costing can be done for components such as direct materials, direct labor, and indirect costs. Standard costs are a fixed price per unit and are commonly used in production or service center models.

C. Standard costing is used in conjunction with job order costing, process costing, and activity based costing and it can be applied to specific outputs or activities, or to a responsibility segment in aggregate by comparing total actual costs with total standard costs based on outputs produced within a certain time period. Standard costing is appropriate for operations that produce services or products on a consistently repetitive basis. (Refer to Volumes 11A for Reimbursable Operations and 11B for WCF activities).

190512. ABC

A. ABC focuses on activities of a production cycle, based on the premises that:

1. Output requires activities to produce, and

2. Activities consume resources.

B. ABC uses cost drivers to assign costs through activities to outputs.

C. The ABC cost assignment process is a two-stage process. The first stage assigns the cost of resources to activities. The second stage assigns activity costs to outputs.

D. Implementing ABC is a four step process:

1. Identifying activities within a segment. This may require an in-depth analysis of the operating processes, as some processes may consist of one or more activities. Activities may be classified into unit level, batch level, product sustaining, and facility sustaining activities. Management may combine related small activities into larger activities to avoid excessive costing efforts.
2. Assigning resource costs to activities to capture the full cost of the final output. Assigned resource costs should include direct and indirect costs as well as any inter- or intra-department costs relevant to the activity. Resource costs are assigned to activities in three ways, depending on feasibility and cost benefit considerations:

   a. Direct tracing,

   b. Standard costing or cost finding report, or

   c. Allocations.

3. Identifying outputs. Outputs are any good or service generated by a segment, and can include information or paper work generated by the completion of the tasks or customers (e.g., persons or entities to whom a federal agency is required to provide goods or services). Omitting a resource cost, activity, or output in the ABC process will result in overcharging costs to other outputs.

4. Assigning activity costs are assigned to outputs using activity drivers based on individual outputs’ consumption or demand for activities. For example, a driver may be the number of times an activity is performed or the length of time an activity is performed in the production of an output. These are referred to as transactional and durational drivers, respectively.

E. ABC can be used in conjunction with job order costing or process costing. Job order or process costing would be costing activities that occur in the production of a final output. For example, a contracting office has many activities that lead into the finalization of a contract. There are routine processes relevant to all contracts, such as document formatting, printing, and delivery activities, that are likely allocated using a standard cost methodology (established rate per output), while other activities such as research and negotiation are not common and vary depending on contract type, are allocated using ABC methods.

F. A major advantage of using ABC is that it avoids or minimizes distortions in product costing that result from arbitrary allocations of indirect costs. By tracing costs through activities, ABC can provide more accurate good or service costs. Ranking activities by the degree to which they add value to the organization or its outputs encourages management to evaluate the efficiency and cost effectiveness of activities. An ABC method starts with identifying and examining the following:

   1. What value-added activities are really needed in order to accomplish a mission, deliver a service, or meet customer demand?

   2. How can activities be modified to achieve cost savings or product improvements?
What activities do not actually add value to services or products?

Where can cycle time analysis and value-added analysis be incorporated?

1906 DATA SYSTEMS, DATA SOURCES AND COST FINDING

190601. Data System

A. Financial accounting, budgeting, and managing are three essential ingredients of accountability. Data systems are the source of cost and programmatic information used for reporting. SFFAS 4 requires that each reporting entity accumulate and report the cost of activities on a regular basis.

B. A data “system” is an organized grouping of methods, source information, and activities surrounding data collection used to produce reliable cost information on a consistent basis. Data systems include a collection of system tools and sources used for automating managerial cost accounting reporting, but can also include manual processes, such as cost finding reports. System based reporting should be used first before relying on cost finding reports in order to routinely collect reliable data from a common data source, process the data, and report cost and output information for general and special purposes. Data systems will integrate sources of information across an organization and may need to include data sources that cross multiple reporting segments of an entity in order to provide the proper cost information, such as accounting information, time records, or asset data. A data system can also include evaluation and decision source information derived as a result of prior reporting and feedback.

C. Cost information developed for managerial cost accounting purposes from established data systems should be reconcilable to financial, budgetary, or managerial accounting items. When possible, information produced from a data system should be corroborated with other reporting tools to validate the content in the systems (quantity of line items or sum of dollars). This task may be included in a recurring internal control assessment to reduce redundancy. DoD financial managers will decide the best approach based on the complexity of the data and its reliance.

D. DoD data systems, to the extent practicable, should be integrated with an organization’s accounting, budgetary, and financial system(s). As SFFAS 4, paragraph 72 prescribes, a system should take into consideration:

1. The nature of the entity’s operations,
2. Precision desired and needed in cost information,
3. Practicality of data collection and processing,
4. Availability of electronic data handling,
5. Cost of installing, operating and maintaining the cost accounting processes, and
6. Any specific management information needs.

E. Data systems will support cost analyses used to compare actual to anticipated costs. To meet managerial cost accounting needs, data systems should use uniform and basic cost, transactional, or programmatic data. Examples of these data are units of output produced and input used, to include the amount of labor in terms of employees or employee hours.

190602. Data Sources

A. Data sources, as SFFAS 4 describes it, “consists of all financial and programmatic information used by the budgeting, cost accounting, and financial accounting processes. The common data source may include many different kinds of data, which may be spread among multiple systems or locations, including non-computerized sources. These data are far more than the information about financial transactions found in the standard general ledger, although that is a significant part of the data source.” Non-financial data may include human capital, logistical, and operational data. Common data sources will include information about financial transactions found in the standard general ledger along with various other data types. The use of the term “data source” is not limited to the use of computerized systems for information, but includes a broad array of sources of information (for example, manually prepared reports or audit findings).

B. Data sources integrated into the data system must be relevant to the reporting segment and its reporting requirements. Data sources may originate from within the reporting segment or from an external entity. Data sources must be capable of retaining pertinent data over periods sufficient to provide historical reference and allow for forecasting. Managers will examine non-systematic data sources for content, accuracy, and reliability on a recurring basis.

C. Reporting needs will vary depending upon the circumstances and purpose for which the measurement is used. Data sources established within an entity’s data system may need to change as the operational needs change. However, as stated in SFFAC 1, the focus is on developing generally accepted accounting standards for reporting on the financial operations, financial position, and financial condition of the Federal Government and its component entities and other useful financial information. This implies a variety of data sources that complement budget information will be required and must be adapted to fit OFFR, SFIS, and SLOA standards.

190603. Cost, Budget, and Financial System Relationships

A. Proper financial management requires that cost, budget, and financial systems work closely together to provide useful information. Per FASAB, OFFR should consider the needs of both internal and external users, the decisions they make and the information they need. The established data systems must follow the DoD USSGL Transaction Library and DoD SCOA for consistency of the cost information.
B. Budgetary accounting ensures compliance with fiscal legal requirements and tracks the use of each appropriation for specified purposes in separate budgetary accounts through the various stages of budget execution—from appropriation to apportionment and allotment to obligation and eventual outlay. Cost accounting informs budget formulators and decision makers with the full cost of federal resources required to support policy and program goals. Cost accounting also assists the budget execution process by consistently accumulating and reporting the costs of the federal resources consumed, and by comparing actual against planned federal resource consumption (MCAIG Glossary, page I-19). Managerial cost accounting uses the defined data elements prescribed by SLOA to produce a more detailed Statement of Net Cost for budget reconciliation (see paragraph 190503).

C. Financial accounting tracks financial events of DoD Reporting Entities and produces results of operations, including assets, liabilities, and changes in net position, revenues, and expenses. Federal financial reporting derived from cost accounting data systems will encompass general and special purpose report capabilities to meet the needs of the four user groups: program managers, executives, Congress, and citizens. Information produced by managerial cost accounting appears in or influences both general and special purpose reports.

D. Data systems for cost accounting should provide sufficient cost detail on a timely basis to support performance reporting. Measuring and reporting actual performance against established goals is essential to assess governmental accountability. Cost information is necessary in establishing strategic goals, measuring service efforts, determining whether expected outcomes were achieved, and relating efforts to accomplishments.

E. Data systems that use different accounting bases or different recognition and measurement methods than the norm should be reconcilable and should fully explain the accounting bases and measurement methods. Regardless of the type of report in which it is presented, cost information should ultimately be traceable back to the original source.

F. As per SFFAS 4, to be reconcilable, the amount of the differences in the information reported should be ascertainable and the reasons for the differences should be explainable. In some situations, informational differences may be clearly understandable without further explanation. However, other cases may require a narrative statement concerning the differences. In complicated situations, a schedule or table may be required to fully explain the differences. Any variances observed in data system reports to budgetary, financial, or managerial cost accounting reports must be documented noting the reason for the variance (if discernable), the source of the variance, and the resolution, if applicable.

190604. Cost Finding

A. Cost finding is a tool used to perform cost examinations when a data system cannot provide sufficient data. Cost finding techniques produce cost data by analytical or sampling methods. Cost finding techniques are only appropriate for certain kinds of projects or programs that have limited scopes or costs. Organizations may use thresholds to limit the use of cost finding technique.
When cost finding techniques are used, the value of the report should be limited and a timeframe for updating the cost finding report established. As cost information becomes available and normalized on the project or program, the cost finding report should be replaced with actual data.

B. Special purpose cost reports and analyses, or cost finding techniques, can be performed for financial based decision making. Cost finding techniques will vary depending on the type, level, and significance of the financial decision, e.g., planning decisions for replacement costs, capital costs, or sustainment of operations. It is important that the basis and method used be appropriate for the circumstances and consistent with the intended purpose.

C. Cost finding techniques produce cost data by analytical or sampling methods. Cost finding techniques are used for indirect costs, items with costs below set thresholds within programs, or for programs in their entirety. Cost finding techniques support the overall managerial cost accounting process and can represent nonrecurring analysis of specific costs.

190605. Cost Finding Application

A. Cost findings generated manually outside of the standard reporting tools should utilize an established managerial cost accounting data system where possible. Cost finding techniques will vary. It is crucial that the process be thoroughly documented. Documentation must be sufficient to replicate the cost finding process used with consistent results.

B. Within the DoD, cost finding techniques will be used to compare costs of different organizational units or operations performing the similar output. Cost finding is one tool in estimating full costs, and can be used to compare organizational efficiency. For example, the costs for an intermediate object, such as processing a personnel action at a personnel office, can be compared with the cost at other personnel offices to determine the efficiency of one over the other or value of both.

C. Cost finding techniques are used for a number of different circumstances, but there are four general circumstances:

1. A cost accounting system is not in place for full cost of a cost objective.

2. The data system does not have the full costs incurred to provide an output or product. In this scenario, the output is often new or unique.

3. Activities do not have formal cost accounting capability as part of their financial management system, but periodically provide outputs to other DoD Components, Federal agencies, or to the public.

4. The cost of an item has not been recorded in the accounting system and the item is being transferred, sold, or recorded in the accounting system for the first time.
D. When the purpose of a cost finding includes the preparation of an internal report or an external report for another Federal agency or non-Federal organization, General Fund (GF) Components should follow the guidance contained in Volume 11A, Chapter 1 to ensure that all applicable costs are considered. WCF Components must follow the guidance in Volume 11B. When the purpose is to establish the cost of an activity associated with the Security Cooperation Program, managers and users will follow the guidance contained in Volume 15, Chapter 7.

190606. Cost Finding Requirements

A. Cost finding techniques must be repeatable and set up in a manner that is consistent with similar prior cost finding reports in the cost collection approach, even if the effort is associated with a one-time cost accounting requirement. This is required to sustain an audit or assessment of the cost later.

B. Although cost finding practices are outside of the standard processes, cost finding techniques must align with the SFIS Business Rules for financial data (see paragraph 190503).

C. A thoroughly documented cost finding approach requires:

1. The cost objects or outputs (both intermediate and final) to which cost finding techniques are to be applied, in addition to the relevant funds used to support the organization (WCF and GF),

2. The organizations involved in performing the cost objects and the tasks performed by each,

3. The applicable cost elements,

4. A plan that includes the specific cost finding techniques to be used and the criteria followed in selecting the specific cost finding technique, and

5. A description of how those techniques will be used to estimate the cost object.

D. The documented statement and the related work papers should be retained for the same length of time as other documentation used to support billings to federal agencies or the public. Refer to Volume 1, Chapter 9, for document retention and audit readiness.

E. Identifying and describing cost objects are an important element of the documentation requirement. When the cost object identified is at a reporting entity or organizational level, the cost finding approach could rely on more estimation techniques and fewer details in the cost estimates. If the cost object identified is at the specific function or operation level, additional granularity will be required to provide useful cost object data. At the specific function or operation level, the data may not be available in the legacy financial systems.
F. The task is to classify the direct or indirect cost objects. A cost object responsible for actually performing the work is direct. A cost object that provides support or performs an administrative function is indirect.

G. Organizations or cost objects may be either direct or indirect costs depending on the activities identified. For example, when using cost finding techniques to collect costs for paying a contractor invoice, the costs of the accounting technicians at the Defense Finance and Accounting Service (DFAS) disbursement function would be considered direct costs, as they are assigning their time directly to the specific customer. However, when using cost finding to collect costs for the operation of an aircraft carrier battle group, the disbursing function at DFAS is considered an indirect cost and allocated to all benefiting organizations. In the two examples, the difference is the activity scope performed and how cost is recognized as a singular cost easily identifiable in a cost summary or multiple cost aggregated into a single assignment.

H. An organization classified as indirect cost will not always be recognized in the computation of costs for a final cost object. At the macro level, service center type organizations generally will be recognized as indirect and the related costs allocated among direct organizations. At the micro level, materiality and usefulness will be determining factors on recording the costs as direct. Specifically, if some cost assignment amounts are not readily available, and they are estimated to be relatively insignificant in the context of the total costs, cost finding techniques would allow them to be excluded from the overall costs with a notation that they are not material.

I. An important aspect of any cost finding technique is identifying the direct and indirect cost elements applicable to the good or service. Even within a direct cost organization, there may be indirect cost elements. Both the direct and indirect activities may have the same cost elements, such as civilian personnel costs. The difference is in whether the costs are considered direct or indirect. If indirect, allocate across the direct cost elements.

J. All possible cost elements must be identified and determined if they are significant. Personnel compensation, purchased services, supplies, and materials are typical major categories within the SFIS Cost Element Code (see paragraph 190503).

K. After the potential elements are identified, it must be decided which cost elements are sufficiently significant to the final cost object and if they warrant separate consideration. An evaluation of the elements would also include the relevance and materiality of each cost element to the cost object. Materiality is determined by analyzing whether excluding the data could distort the computed value for the final cost object.

L. Before the values for each cost finding can be determined, the source documents for the required data must be identified and physical hardcopies or softcopies retained for audit or performance examination purposes. Source documentation is cost information on a prior project, effort, or purchase that is the same or similar in nature. Examples include: invoices of procurements, contracts, statement on costs, and funding reports.
When WCF organizations are part of the cost finding, detailed cost or pricing documentation should already be available since these data are needed for the customer rate setting process. Depending on the significance and intended use of the cost finding report, the identification of specific documents may not be necessary if it is insignificant to the operating costs to which it will be applied.

M. The following principles are intended to help guide the collection of comprehensive data:

1. Provide a comprehensive data structure for the cost object that specifies the source of all data,

2. Rely on the financial management system to the maximum extent possible and ensure the source data is complete and representative for its intended purpose (reflective of all debits, credits, cost transfers, and journal adjustments),

3. Document the rationale for direct and indirect costs,

4. Pricing lists, costing sheets, benchmarking studies on standard items such as direct and indirect labor and materials, and

5. Create an auditable, repeatable process to support cost management analysis over time.

N. The following guidance using cost finding techniques should be applied when determining the individual costs of intermediate and final cost objects:

1. Civilian direct labor costs are computed using the average pay grade for applicable General Schedule series personnel (e.g., step 5). For Wage Grade employees, use the average applicable pay grade (e.g., step 4). Amounts included as direct labor costs should recognize only productive time that is, the time actually used to perform the function. All other times, such as training or annual leave, are indirect labor and are included in indirect costs. Actual costs may be used, if known, provided appropriate documentation is available to support their substitution. Prior to applying the labor costs, it will be necessary to develop an approach for collecting the number of hours associated with an activity reflected in a cost object.

2. Civilian Personnel Fringe Benefit costs are computed using the rates published annually on the Office of the Under Secretary of Defense, Comptroller (OUSD(C)) Financial Management Reports website in accordance with Volume 11A, Chapter 6 or Volume 15, Chapter 7.

3. Costs for Military Personnel are calculated using standard military composite rates in accordance with guidance in Volume 11A, Chapter 1 and Chapter 6, Appendix I. Military Personnel Composite Standard Pay and Reimbursement Rates are published annually on the OUSD(C) Financial Management Reports website.
4. Both military and civilian labor should be included, as applicable. Labor that is directly traceable to jobs should be recorded as direct labor. Indirect labor (labor that cannot be charged to a specific job) should be used in computing indirect costs. Volume 11A, Chapter 1, reimbursable policy controls whether military labor costs actually are includable in charges to other DoD entities.

5. Direct material cost is determined using standard prices, unless the actual cost is known from vendor invoices. Standard prices can be obtained from vendor catalogs, supply system stock databases, recent contract purchases of similar items, or any other available data source.

6. Depreciation and amortization of capitalized property and real property represent an additional cost of an activity, project, or service. Chapters 24-27 provide additional guidance on calculation of depreciation and amortization for general equipment; assets under capital leases, internal software, government furnished equipment, contractor acquired property, and real property.

7. Other costs that can be directly related to the cost object are determined using source documents, such as vendor invoices and travel vouchers.

190607. Pricing for a Cost Finding Report

Pricing elements (labor, materials and overhead) for cost finding reports are estimates based on prior same or similar purchases, projects, or programs. When pricing for a cost finding primarily uses financial system data, it improves the accuracy and confidence in the estimate. Common elements such as labor, raw materials, and materiel are examples of standard costs found in financial systems. Pricing practices and standards should be researched for each agency before developing a new practice or procedure.

A. Information available from CAPE, such as full cost of manpower, and defense employment and purchase projection system are available to support pricing of labor costs. In addition to base pay, these sources provide additional costs related to labor, including fringe benefits and training. When pricing labor, it is important to include the full cost of labor, as fringe benefits will increase total labor costs significantly.

B. Materials and supply pricing tools are also available from CAPE. These tools can support costs for common purchase items. Pricing for materials and supplies should include the full cost of procurement, which can include material handling and destination charges. Supporting agencies like Washington Headquarters Services or Defense Logistics Agency may supply the full cost of procurement. It is important to identify where services and goods originate from as part of the pricing documentation. The life cycle of a procurement will need to be included as part of a procurement pricing estimate.

C. A pricing Basis of Estimate (BoE) will vary for services provided by a GF Component vice a WCF Component. Volume 11A, Chapter 1, paragraph 010102.C provides guidance on the pricing of reimbursements for providing authorized services or materiel unless a
specific DoD issuance authorizes alternative reimbursement policies. Volume 11B provides WCF guidance for products and services cost recovery. A WCF-financed activity must include general and administrative costs and other overhead in a BoE to satisfy requirements for full cost recovery. Under reimbursable policies set forth in Volume 11A, Chapter 1, DoD activities that finance reimbursable operations using annual appropriations generally do not include such costs in charges to customer activities within the DoD.


**VOLUME 4, CHAPTER 24: “REAL PROPERTY”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated June 2019 is archived.

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<td>Policy Memo</td>
<td>The Deputy Chief Financial Officer policy memorandum, “Real Property Financial Reporting Responsibilities Policy Update (FPM #19-05),” dated March 15, 2019, was incorporated into the chapter and cancelled.</td>
<td>Cancellation</td>
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<tr>
<td>240204</td>
<td>Revised the accountability and financial reporting requirements for real property assets based on implementation of the Federal Accounting Standards Advisory Board Technical Bulletin 2017-2, “Assigning Assets to Component Reporting Entities.”</td>
<td>Revision</td>
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<tr>
<td>240205.F</td>
<td>Revised the accounting and financial reporting requirements for capital improvements.</td>
<td>Revision</td>
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<tr>
<td>240305.B</td>
<td>Added requirement that the management representation letter and the notes to the financial statements must include a disclosure related to the Department of Defense real property reporting policy.</td>
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<td>Annex 5</td>
<td>Added illustrative examples, journal entries, and note disclosures relating to financial reporting responsibilities for real property.</td>
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CHAPTER 24

REAL PROPERTY

2401  GENERAL

240101. Overview

This chapter prescribes Department of Defense (DoD) accounting policy for real property, which is a subset of General Property, Plant, and Equipment (General PP&E).

A. Description. General PP&E, which includes real property, consists of tangible assets that:

1. Have an estimated useful life of two years or more;
2. Are not intended for sale in the ordinary course of operations; and
3. Are acquired or constructed with the intention of being used or being available for use by the entity.

B. Characteristics of Real Property. Real property items are used in providing goods or services, or support the mission of the entity, and typically have one or more of these characteristics:

1. The item could be used for alternative purposes (e.g., by other DoD or federal programs, state or local governments, or nongovernmental entities), but it is used to produce goods or services, or to support the mission of the entity;
2. The item is used in business-type activities which are defined as a significantly self-sustaining activity which finances its continuing cycle of operations through collection of exchange revenue; and/or
3. The item is used by entities in activities whose costs can be compared to those of other entities performing similar activities (e.g., federal hospital services in comparison to commercial hospitals).

C. Inclusions. Real property also includes:

1. Items acquired through capital leases, including leasehold improvements (see Chapter 26 for a discussion of accounting for real property acquired through leases);
2. Items under the accountability of the reporting DoD Component even though it may be in the possession of others (e.g., state and local governments, colleges and universities, or contractors);
3. Land, other than Stewardship Land that was specifically acquired for, or in connection with other General PP&E. See paragraph 240204 for election to expense land under Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 50.

4. Land rights held by a DoD Component in land owned by others. See paragraph 240204 for election to expense land rights under FASAB SFFAS 50.

D. Examples. Real property examples include:

1. Real property including land, land rights, and facilities (includes buildings, structures, and linear structures) (addressed in this chapter);

2. Construction-in-progress (CIP) (addressed in this chapter);

3. Assets under capital lease (addressed in chapter 26); and

4. Leasehold improvements (addressed in this chapter).

E. Exclusions. Real property excludes items:

1. In which the DoD has a reversionary interest (for example, the DoD sometimes retains an interest in real property acquired with grant money in the event that the recipient no longer uses the real property in the activity for which the grant was originally provided and the real property reverts to the DoD); and

2. Classified as non-Multi-Use Heritage Assets or Stewardship Land (as described in Chapter 28).

240102. Purpose

This chapter prescribes DoD accounting policy for real property, a subset of General PP&E. The applicable general ledger accounts are listed in the United States Standard General Ledger (USSGL) contained in Volume 1, Chapter 7, and the accounting entries for these accounts are specified in the DoD USSGL Transaction Library. Unless otherwise stated, this chapter is applicable to all DoD Components, both General Fund and Working Capital Fund (WCF) activities.

240103. Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

B. FASAB SFFAC 7, “Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording;”

C. FASAB SFFAS 1, “Accounting for Selected Assets and Liabilities;”

D. FASAB SFFAS 4, “Managerial Cost Accounting Standards and Concepts;”

E. FASAB SFFAS 6, “Accounting for Property, Plant, and Equipment;”


G. FASAB SFFAS 29, “Heritage Assets and Stewardship Land;”


J. FASAB SFFAS 44, “Accounting For Impairment of General Property, Plant, and Equipment Remaining In Use;”


L. FASAB SFFAS 55, “Amending Inter-entity Cost Provisions;”


O. FASAB TR 14, “Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment;”


Q. FASAB TR 17, “Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment;”
R. FASAB TR 18, “Implementation Guidance for Establishing Opening Balances;”


T. FASAB Staff Implementation Guidance 6.1, “Clarification of Paragraphs 40 – 41 of SFFAS 6, Accounting for Property, Plant, and Equipment, as Amended;”


V. DoD Directive (DoDD) 4165.06, “Real Property;”

W. DoDD 5110.04, “Washington Headquarters Services (WHS);”

X. DoD Instruction (DoDI) 1015.15, “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;”

Y. DoDI 4000.19, “Support Agreements;”

Z. DoDI 4165.14, “Real Property Inventory (RPI) and Forecasting;”

AA. DoDI 4165.70, “Real Property Management;”

AB. DoDI 4165.71, “Real Property Acquisition;”

AC. DoDI 4165.72, “Real Property Disposal;”


AE. Title 10, United States Code, section 2674 (10 U.S.C. § 2674)

AF. 10 U.S.C. § 2682;

AG. 10 U.S.C. § 2721; and

AH. Title 41, Code of Federal Regulations, part 102-75 (41 CFR 102-75)
2402 ACCOUNTING FOR REAL PROPERTY

240201. Definitions

A. Facility. A facility is a building, structure, or linear structure whose footprint extends to an imaginary line surrounding a facility at a distance of five feet from the foundation that, barring specific direction to the contrary such as a utility privatization agreement, denotes what is included in the basic record for the facility (e.g., landscaping, sidewalks, and utility connections). This imaginary line is commonly referred to as the “5-foot line.” A facility will have a Real Property Unique Identifier (RPUID) received from the Data Analytics & Integration Support platform, which is entered into an Accountable Property System of Record (APSR) as a unique real property record.

B. Funding DoD Component. The funding DoD Component is the entity paying to acquire the real property asset or improvement, regardless of the specific types of funds used (e.g., appropriation or working capital funds).

C. Installation Host. Installation Host is a term used by the DoD to describe the Military Department (i.e., Department of the Army, Department of the Navy which includes the U.S. Marine Corps, or Department of the Air Force) or Washington Headquarter Services (WHS) on whose installation a real property asset is located. An Installation Host may be either a General Fund or a WCF operation.

D. Materiality. Materiality, as defined by the SFFAS 1, is the degree to which an item's omission or misstatement in a financial statement makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

E. Net Realizable Value (NRV). NRV is the estimated amount that can be recovered from selling, or any other method of disposing, of an item less estimated costs of completion, holding, and disposal.

F. Real Property. Real property assets consist of buildings, structures, linear structures (collectively called facilities), land, and land rights.

1. A building is a roofed and floored facility enclosed by exterior walls and consisting of one or more levels that is suitable for single or multiple functions and that protects human beings and their properties from direct harsh effects of weather such as rain, wind, sun and other natural factors.

2. A structure is a facility, other than a building or linear structure that is constructed on or in the land.
3. A linear structure is a facility whose function requires that it traverse land (e.g., runway, road, rail line, pipeline, fence, pavement, electrical distribution line) or is otherwise managed or reported by a linear unit of measure at the category code (commonly known as CATCODE) level.

4. Land is defined as a portion of the earth’s surface distinguishable by boundaries. Land must be accountable by parcel starting when the parcel was transferred into an Installation Host’s custody and control. Excluded from the definition are natural resources (e.g., depletable resources, such as mineral deposits and petroleum, renewable resources such as timber and the outer continental shelf resources) related to land.

5. A land right is an interest and privilege held by DoD or a DoD Component in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights and other like interests in land.

G. Value-In-Use. SFFAC 7 describes value-in-use as the benefit to be obtained by an entity from the continuing use of an asset and from its disposal at the end of its useful life.

240202. Relevant USSGL Accounts

A. Land and Land Rights (USSGL 171100). The amount of identifiable cost of land and land rights of unlimited duration acquired for or in connection with General PP&E used in general operations and permanent improvements are recorded in this account.

B. Construction-in-Progress (USSGL 172000). The CIP is used to accumulate the costs of new construction of General PP&E (except for internal use software) and capital improvements while the asset is under construction. CIP accounts include all costs (e.g., direct labor, direct material, supervision, inspection and overhead) incurred in construction. Upon completion, these costs will be transferred to the appropriate General PP&E account.

C. Buildings, Improvements, and Renovations (USSGL 173000). The Buildings, Improvements, and Renovations account is used to record the cost of buildings acquired and improvement(s) to them, under the legal jurisdiction of the Installation Hosts, which are used in providing DoD services or goods. This account also includes the cost of renovation, improvement, or restoration of multi-use heritage assets classified as buildings after transfer from the CIP account.

D. Accumulated Depreciation on Buildings, Improvements, and Renovations (USSGL 173900). The Accumulated Depreciation on Buildings, Improvements, and Renovations account is used to record the amount of accumulated depreciation charged to expense for assets and improvements recorded in the USSGL 173000 account.

E. Other Structures and Facilities (USSGL 174000). The Other Structures and Facilities account is used to record the cost or appraised value of structures and linear structures and improvements to them, under the legal jurisdiction of the Installation Hosts, which are used in providing DoD services or goods. This account also includes the cost of renovation, improvement,
or restoration of multi-use heritage assets classified as structures or linear structures after transfer from the CIP account.

F. Accumulated Depreciation on Other Structures and Facilities (USSGL 174900). The Accumulated Depreciation on Other Structures and Facilities account is used to record the amount of accumulated depreciation charged to expense for assets and improvements recorded in the USSGL 174000 account.

G. General Property, Plant, and Equipment Permanently Removed but Not Yet Disposed (USSGL 199500). The General Property, Plant, and Equipment Permanently Removed but Not Yet Disposed account is used to record the value of General PP&E assets, which have been permanently removed from service but not yet disposed. Upon permanent removal from service, General PP&E assets must be recorded at their expected NRV and must cease to be depreciated.

H. Financing Sources Transferred In Without Reimbursement (USSGL 572000). The amount determined to increase the financing source of a reporting Federal entity that occurs as a result of an asset being transferred in. The amount of the asset is recorded at book value of the transferring Federal entity.

I. Financing Sources Transferred Out Without Reimbursement (USSGL 573000). The amount determined to decrease the financing source of a reporting Federal entity that occurs as a result of an asset being transferred out. The amount of the asset is recorded at book value as of the transfer date.

J. Depreciation, Amortization and Depletion (USSGL 671000). The expense recognized by the process of allocating costs of an asset (tangible or intangible) over the period of time benefited or the assets useful life is recorded in this account.

240203. Valuation of Acquisitions and Transfers

A. Recorded Cost. When acquiring a real property asset, the recorded cost must be recognized in accordance with paragraph 240204. The recorded cost of a real property asset is the basis for computing depreciation. The recorded cost must include all amounts paid to bring the real property asset to its form and location suitable for its intended use. This subparagraph defines and prescribes the use of acquisition cost, net book value (NBV), fair value, and ancillary cost when recording the cost of newly acquired real property assets. The funding source (e.g., appropriation and WCFs) is not a factor in determining whether or not an item should be capitalized.
1. **Acquisition Cost.** For purposes of this chapter, acquisition cost refers to the original purchase or construction cost, net of (less) any purchase discounts. Purchase discounts lost and late payment interest expenses must not be included as a cost of the asset; rather, such costs must be recognized as operating expenses. Although the measurement basis for valuing real property remains historical cost, for purposes of establishing auditable opening balances, DoD Components should use the Plant Replacement Value as the methodology for calculating deemed cost as a surrogate for the historical cost for real property as described in SFFAS 6 as amended by SFFAS 50 (see Annex 4 for additional guidance).

2. **NBV.** NBV is the recorded cost of a real property asset, less its accumulated depreciation.

3. **Fair Value.** Fair value is the amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

4. **Ancillary Cost.** Ancillary costs are included in the recorded cost in addition to the acquisition cost of the asset. These costs are identifiable and necessary to bring the asset to its form and location suitable for its intended use including other direct and indirect costs. Examples include:
   
   a. Labor and other direct or indirect production costs (for assets produced or constructed);
   
   b. Engineering, architectural, and other outside services for designs, plans, specifications, and surveys after funding and design authorization;
   
   c. Acquisition and preparation costs of buildings and other facilities;
   
   d. An appropriate share of the cost of the equipment used in construction work;
   
   e. Fixed equipment and related installation costs required for activities in a building or facility;
   
   f. Allowable direct costs of inspection, supervision, and administration of construction contracts and construction work;
   
   g. Legal and recording fees and damage claims;
   
   h. Fair value of facilities and installed equipment donated to the DoD;
   
   i. Interest paid directly to providers of goods or services related to the acquisition or construction (not including late payment interest penalties).
B. Method of Acquisition or Transfer Determines Recorded Cost

1. **Purchased Real Property.** The cost to be recorded for real property assets acquired by purchase from a third party (private, commercial, or state or local government) is its purchase contract cost plus applicable ancillary costs. Examples of ancillary costs are included in the listing in subparagraph 240203.A.4. For purposes of this guidance, purchase includes procurements of real property by cash, check, or installment or progress payments on contracts or purchase agreements.

2. **Constructed Real Property.** The cost to be recorded for constructed real property asset(s) is the sum of all the costs incurred to bring the real property asset(s) to a form and condition suitable for its intended use. These costs include the costs of project design and actual construction such as labor, materials, and overhead costs (see Annex 1 for a list and description of the costs to be accumulated for constructed assets). Note that preliminary planning and design costs accumulated prior to funding and design authorization must be expensed and not be captured as part of the recorded cost of constructed assets. The cost of real property under construction must be recognized in accordance with the CIP guidance prescribed in subparagraph 240204.G.

3. **Donated Real Property.** The cost to be recorded for real property received through donation, execution of a will, or judicial process excluding forfeiture must be its estimated fair value at the time received by the DoD and any costs incurred by the DoD to bring the asset into service (e.g., legal fees).

4. **Exchanged Real Property.** The cost to be recorded for real property acquired through exchange between the DoD and a nonfederal entity is the fair value of the consideration surrendered at the time of exchange. If the fair value of the real property acquired is more readily determinable than that of the consideration surrendered, the cost will be the fair value of the real property acquired. If neither fair value can be determined, the cost of the real property acquired will be the cost recorded for the consideration surrendered, net of any accumulated depreciation/amortization. Any difference between the net recorded amount of the consideration surrendered and the cost of the real property acquired must be recognized as a gain or loss. In the event that additional cash consideration is included in the exchange, the cost of real property acquired will be increased by the amount of cash consideration surrendered or decreased by the amount of cash consideration received. If the DoD Component enters into an exchange in which the fair value of the real property acquired is less than that of the consideration surrendered, the real property acquired will be recognized at the amount of consideration surrendered, as described previously and subsequently reduced to its fair value. A loss must be recognized in an amount equal to the difference between the amount of consideration surrendered for the real property acquired and its fair value. This guidance on exchanges applies only to exchanges between a DoD Component and a nonfederal entity. Exchanges between a DoD Component and another DoD Component or federal agency must be accounted for as a transfer.

5. **Capital Leases.** The recorded cost of real property acquired under a capital lease is the present value of the rental and other minimum lease payments during the lease term, excluding that portion of the payments representing executory costs (e.g., insurance,
maintenance and taxes) to be paid by the lessor. The present value is the value of future cash flows (e.g., lease payments) discounted to the present at a certain interest rate (such as the reporting entity’s cost of capital), assuming compound interest. However, if the amount so determined exceeds the fair value of the leased property at the inception of the lease, the amount recorded will be the fair value. If the portion of minimum lease payments representing executory costs is not determinable from the lease provisions, the amount should be estimated. See Chapter 26 for additional guidance on capital leases.

6. **Seized and Forfeited Real Property.** The cost recorded for real property acquired through seizure or forfeiture is its fair value, less an allowance for any liens or claims from a third party.

7. **Vested and Seized Property During Times of War.** See Volume 12, Chapter 29, for discussion of vested and seized property during times of contingency operations.

8. **Transferred Real Property from a non-DoD Federal agency to DoD.** The cost recorded for real property transferred from a non-DoD Federal agency to a DoD Component is the cost recorded on the transferring entity’s books for the real property, net of any accumulated depreciation/amortization. If the receiving DoD Component cannot reasonably ascertain those amounts, the cost of the asset will be its fair value at the time of transfer.

9. **Transfer of Capitalized Real Property between DoD Components.** DoD Components must adhere to the following:

   a. The cost recorded for real property transferred from one DoD Component to another DoD Component shall be the gross cost recorded net of accumulated depreciation/amortization on the transferring DoD Component’s books. The DoD Component transferring the real property is responsible for providing the gross cost net of accumulated depreciation/amortization of the asset being transferred to the DoD Component receiving the transfer. Both parties must agree to the transfer and the agreement must be documented using the appropriate documentation. Each DoD Component has execution responsibility to ensure that requisite tasks are being completed in a timely manner for all transfers.

   b. When completing a transfer, the transferring DoD Component, is required to provide financial reporting information to the receiving DoD Component whenever the asset is transferred throughout the asset lifecycle. When transfers are implemented, supporting documentation which includes financial reporting information, trading partner information, and associated data elements must be provided. These data elements include, **Project/Work Order Number**, **Name**, **RPUID**, **Real Property Site Unique Identifier (RPSUID)**, **Contract Number(s)**, **Operational Status Code**, **Acquisition Original Recorded Cost Amount** and **Capital Improvement Recorded Cost Amount** (for all capitalized improvements), **Placed in-Service Date**, **Capital Improvement Placed in-Service Date** (for all capitalized improvements), **Facility Total Accumulated Depreciation Amount**, **Capital Improvement Estimated Useful Life Year Quantity**, **Facility Estimated Useful Life Quantity**, **Facility Estimated Useful Life Adjustment Quantity**, transaction details to include **Acquisition Fund Source Code**, **Acquisition Method Code**, and **Real Property Asset Predominate Design Use Facility Analysis Code (FAC)**. If this
information is not available, the receiving and transferring entities must develop and document an estimate to support the financial transfer of the asset. See Volume 12, Chapter 14, for further policy on transfers of DoD real property between Installation Hosts.

c. Within DoD Components, there are different capitalization thresholds. For transferred real property between DoD Components if an asset was capitalized at acquisition, it will continue to be capitalized and depreciated after transfer regardless of the new financial reporting entity’s capitalization threshold. If an asset was expensed at acquisition, it will not be capitalized and depreciated after transfer to the new financial reporting entity, even if the new financial reporting entity has a lower capitalization threshold than the original entity that acquired the asset. The receiving DoD Component will include the item in its APSR as accountable real property.

10. **Joint Venture Type Arrangements.** Joint venture type arrangements should be accounted for as follows:

   a. There may be situations where a DoD Component jointly funds the acquisition or construction of real property with a Nonappropriated Fund Instrumentality (NAFI). As defined in DoDI 1015.15, a NAFI is a DoD organizational and fiscal entity that is supported in whole or in part by nonappropriated funds (NAFs). It acts in its own name to provide or assist Secretaries of Military Departments in providing programs for DoD personnel. It is not incorporated under the laws of any State or the District of Columbia, but has the legal status of an instrumentality of the U.S. Under current GAAP, NAFI entities are not included in the DoD consolidated financial statements. An example of a NAFI would be an Armed Services Exchange.

   b. Where a DoD Component jointly funds the acquisition or construction of real property with a NAFI, the DoD Component will, assuming the amount meets the capitalization threshold in effect at the time of the acquisition, record the real property on its Balance Sheet and report it in its financial statements in the amount of its share of the funding. For example, if a DoD Component and a NAFI each fund $10 million in the acquisition of a real property asset with a total of 50,000 square feet (with each acquiring 25,000 square feet); the DoD Component would record the real property at $10 million. Subsequent to the acquisition, the DoD Component, that jointly funded the acquisition, should evaluate whether the real property asset should be transferred to another DoD Component in accordance with paragraph 240204 and follow the requirements to transfer the real property asset to another DoD Component, if applicable.

   C. **Documentation.** When recording the acquisition of a real property asset in the APSR and/or accounting system, the asset must be assigned a dollar value (i.e., recorded cost) as detailed in this chapter. The dollar value must be supported by appropriate documentation. A complete discussion of supporting documentation can be found at paragraph 240302. To establish proper financial control when acquiring real property from another DoD Component or Federal agency, the acquiring DoD Component must request from the transferring DoD Component or other Federal agency, the necessary source information and financial transfer documents. Such information and documents must include unique identifier(s) for the asset(s); location; original acquisition cost(s); cost of any improvements; the date the asset was constructed, or acquired; the estimated useful life; the amount of accumulated depreciation; the condition; and other relevant
information linked to that asset. If this information is not available, the receiving and transferring entities must develop and document an estimate to support the financial transfer of the asset. See Volume 12, Chapter 14 for further policy on transfers of DoD real property between Installation Hosts. See Volume 12, Chapter 14 and DoDI 4165.70 for further policy on transfers of DoD real property between Installation Hosts.

240204. Recognition

All real property assets acquired by DoD Components must be recognized for accountability and financially reported as required by this chapter. Recognition requires the appropriate accounting treatment (expensed or capitalized) and the reporting of capitalized amounts and accumulated depreciation/amortization on the appropriate DoD Component’s financial statements.

Note, SFFAS 50 applies to a reporting DoD Component that is presenting financial statements, or one or more line items in the financial statements, following Generally Accepted Accounting Principles (GAAP) promulgated by FASAB either (1) for the first time or (2) after a period during which existing systems could not provide the information necessary for producing such GAAP based financial statements without use of the alternative methods for opening balances set out in SFFAS 50. A reporting DoD Component meeting either one of these criteria may elect to apply the alternative valuation method described in SFFAS 50, including the election to record a zero value for land and land rights. However, if the reporting DoD Component has previously undergone a financial statement audit and received an unmodified audit opinion, they would not meet either of these two criteria and therefore would not be able to elect this alternative valuation method. Refer to Annex 4 for additional guidance on alternative valuation methodology for establishing opening balances for buildings, structures, linear structures, land and land rights.

A. Recognition Responsibility

1. General Requirements for Recognition Responsibility

a. 10 U.S.C. § 2682 states “a real property facility under the jurisdiction of the Department of Defense which is used solely by an activity or agency of the Department of Defense (other than a military department) shall be under the jurisdiction of a military department designated by the Secretary of Defense.” The DoD determined that because the entities with jurisdiction over real property assets have existing requirements to manage the asset-related data required for financial reporting, it is rational and consistent that those entities carry the financial reporting responsibility for those assets in accordance with FASAB TB 2017-2. In addition, WHS is delegated jurisdiction over its facilities via 10 U.S.C. § 2674 and DoDD 5110.04.

b. Real property is generally reported on the General Fund’s financial statements of a Military Department or WHS, but a Military Department WCF can report real property on its financial statements if it has been given jurisdiction over a specific installation.
24-15

c. Financial reporting responsibility for real property assets includes all aspects of financial reporting and disclosures such as, but not limited to, footnote disclosures, deferred maintenance and repair (DM&R), and other required supplemental information (RSI).

d. Financial reporting responsibility for real property assets must be supported by documentation establishing the rights and obligations of the reporting entity for each asset (see paragraph 240302). Such documentation may include real property records reflecting the jurisdiction of an Installation Host over real property, as well as inter- and intra-agency agreements and records reflecting host-tenant support relationships.

e. See Annex 5 for illustrative examples and journal entries relating to financial reporting responsibilities for real property.

2. Construction-In-Progress

a. The funding DoD Component reports CIP for real property (including improvements) in its CIP account until the asset or improvement is placed in service. The funding DoD Component also relieves CIP when the asset or improvement is placed in service. At this time, an asset or improvement will be recorded by the funding DoD Component and an interim DoD (DD) Form 1354 will be used to document the construction in accordance with existing DoD real property policy. If additional costs continue to be incurred after the asset or improvement is placed in service, those costs will continue to be recorded in the funding DoD Component’s CIP account. Upon final contract closeout, the CIP will be relieved and a final DD Form 1354 will be completed.

b. Once the asset is placed in service, if the funding DoD Component is not the Installation Host, then the asset will need to be transferred from the funding DoD Component to the Installation Host.

3. In-Service Real Property

a. Real property must be reported on the financial statements of the Installation Host on whose installation a real property asset is located.

b. DoD real property that is not located on a DoD installation (including property located on an installation that is hosted by an entity other than DoD) will be reported on the financial statements of the Military Department that is the Installation Host having jurisdiction of the real property asset. Jurisdiction of real property is identified in the Office of the Secretary of Defense (OSD) consolidated real property database. This database is maintained and managed by the Office of the Assistant Secretary of Defense (Sustainment). Disputes between Installation Hosts regarding who should be the financial reporting organization may be resolved by contacting the Office of the Assistant Secretary of Defense (Sustainment). If a real property asset is located on a DoD installation that is funded by an entity that is not part of the consolidated DoD financial statements, it will be the financial reporting responsibility of the non-DoD entity.
c. For DoD Components that do not already have an unmodified audit opinion, existing land and land rights will be valued at zero dollars and future land acquisitions will be expensed as described in SFFAS 50.

d. Assets assigned to/from one reporting DoD Component to another reporting DoD Component should be treated as transfers of assets per SFFAS 7, “Accounting for Revenue and Other Financing Sources.”

4. Capitalized Improvements to Real Property

a. Capital improvements to an asset will be reported by the DoD Component that reports the real property asset that is being improved. Capital improvements that are under construction will be reported in accordance with subparagraph 240204.A.2.

b. The cost of a capitalized improvement will be accumulated and reported by the funding DoD Component until the improvement to the asset is placed in service, at which time it will be transferred to the entity responsible for reporting the real property base asset. The funding DoD Component will coordinate the delivery of the final DD Form 1354 and supporting documentation to the Installation Host.

B. Intra-DoD Transfers

1. Both parties must agree to the transfer and the agreement must be documented using the appropriate documentation (e.g., DD Form 1354). In addition, the entity transferring the real property must provide adequate and appropriate supporting documentation for financial statement reporting (financial reporting information). Data elements included in the financial reporting information, should include but are not limited to, Project/Work Order Number, Name, RPUID, RPSUID, Contract Number(s), Operational Status Code, Acquisition Original Recorded Cost Amount and Capital Improvement Recorded Cost Amount (for all capitalized improvements), Placed in-Service Date, Capital Improvement Placed in-Service Date (for all capitalized improvements), Facility Total Accumulated Depreciation Amount, Capital Improvement Estimated Useful Life Year Quantity, Facility Estimated Useful Life Quantity, Facility Estimated Useful Life Adjustment Quantity, transaction details to include Acquisition Fund Source Code, Acquisition Method Code, and Real Property Asset Predominate Design Use FAC. The financial reporting information will be maintained with the asset throughout the asset lifecycle.

2. Transfers between DoD Components may occur regularly due to construction or improvement of real property. When a transfer occurs due to the construction or improvement of real property, the Installation Host will accept the transfer on their installation when the funding entity provides the appropriate transfer documentation. In cases where property is transferred, the values transferred should be the same on each side of the transfer to ensure there are no discrepancies between DoD Components. Adjustments to the transferred value recorded may subsequently be made to record value at deemed cost in accordance with SFFAS 50.
C. Memorandum of Agreement (MOA). All DoD Component tenants must have MOAs in place with the Installation Host. A MOA will be executed to establish rights and obligations between the Installation Host and the DoD Component using the real property asset. All tenants must maintain a list of real property facilities they occupy and for which they have facility operations and maintenance or facility improvement responsibility. The MOA should also identify the respective maintenance and other operational responsibilities of the host and tenant. DoDI 4000.19 prescribes DoD policy on intra-departmental support, to include establishment of MOAs to document host-tenant relationships.

D. WCF Capital Recovery Rate and Accounting Treatment. WCF will continue to recover costs associated with the construction of real property that is funded by the WCF regardless of financial reporting responsibility. In cases where a capital improvement is transferred to a different reporting entity, the WCF will record an imputed cost in lieu of an actual depreciation expense for the improvement. Capital recovery rates will be set in accordance with Volume 2B, Chapter 9.

E. Inter-Entity Costs.

1. SFFAS 55 requires the continued recognition of significant inter-entity costs among and between federal agencies by business-type activities (e.g., WCFs) and allows non-business type activities to elect not to recognize inter-entity costs, with the exception of inter-entity costs for personnel benefits and the U.S. Department of the Treasury (Treasury) Judgment Fund settlements unless otherwise directed by the OMB. DoD has elected to not recognize imputed costs and corresponding imputed financing from non-business-type-activities, aside from the exceptions stated in this subparagraph.

2. WCFs or other business like activities must impute costs in accordance with SFFAS 55. These imputed costs would include depreciation expense. The imputed costs will include what would otherwise have been depreciation expense for real property assets and improvements that were funded by the WCF and subsequently transferred to the General Fund, as well as any depreciation expense or other costs for assets not funded by the WCF (see Annex 2). Imputed costs are recorded as a debit to Imputed Cost (USSGL 673000) and a credit to Imputed Financing Sources (USSGL 578000).

3. Disclosure requirements for inter-entity costs are described in subparagraph 240305.D.

F. Recognition Uncertainty. It is important that the overall accounting records of the DoD and the Federal Government are not duplicative.
1. In situations where doubt exists as to which DoD Component should recognize the real property asset, DoD Components involved must reach agreement with the other applicable DoD Components or Federal agencies as to which DoD Component or Federal Agency will record the asset for financial reporting purposes.

2. If an agreement cannot be reached, the matter must be referred to Office of the Assistant Secretary of Defense (Sustainment) for resolution. Requests for resolution must be accompanied by adequate supporting documentation to assist in resolution of the matter and be submitted through the Financial Management and Comptroller of the submitting DoD Component.

G. Recognition Timing. Recognition of real property for financial reporting purposes must occur upon acceptance to the acquiring DoD Component. Contract progress payments made must be recorded in the CIP account until the real property asset is accepted. See subparagraph 240204.I for guidance on the use of the CIP account.

H. Capitalization Thresholds. The capitalization threshold for real property is $250,000 for both the General Fund and WCF, except for the National Security Agency and the Office of the Director of National Intelligence for which the threshold is $1 million. Real property assets with a recorded cost that equals or exceeds the capitalization threshold and have a useful life of at least two years must be capitalized as an asset in the appropriate DoD Component’s accounting records and depreciated/amortized over its useful life. Real property assets with a recorded cost below the applicable capitalization threshold or which has a useful life of less than two years must be expensed.

I. CIP Process. CIP must be used to accumulate costs of new real property construction and capital improvements, which are anticipated to meet the capitalization criteria.

1. A CIP account will be created when either of these triggering events occurs: (i) work order and funding authorizations are received for an in-house construction project; or (ii) design and fund authorizations are received for construction projects performed by a construction agent (i.e., another DoD Component, Federal agency or commercial entity). When a DoD Component is constructing a real property asset to be transferred to another DoD Component, as the construction agent they must accumulate all costs since project inception in a CIP account until the costs are billed to the funding (purchasing) DoD Component. The billed costs in such a scenario must be removed from the CIP account of the construction agent when billed to the funding (purchasing) DoD Component entity and the funding (purchasing) DoD Component must record such billed amounts in their appropriate CIP account. See Volume 3, Chapter 17 for additional guidance on inter-governmental construction work or services.

a. When there is a cost shared project between Federal and nonfederal entities, a CIP account must only be created when the real property asset will be federally owned. Only the federal share of construction costs in conjunction with a nonfederal cost shared project should be captured in a CIP account. In the case of a cost shared project between DoD and another Federal agency (e.g., Department of State), only the DoD share of construction costs should be captured in a CIP account within DoD’s financial statements. At the
time the asset is placed in service, the real property asset must be recognized in the financial statements of the acquiring DoD Component for the value of the DoD Component’s share of the costs.

b. For cost shared projects where a DoD Component is the construction agent and constructing a non-federally owned real property asset, costs must be accumulated in a CIP account to be billed to the customer. If a DoD Component is not the construction agent and the real property asset is not DoD owned, the DoD Component’s share of construction cost must be expensed as incurred. If the real property asset’s final ownership was not determined at project funding and design authorization, this cost must be relieved from the CIP account and properly expensed when it is determined that the real property asset will not be federally owned.

2. DoD Components must assign a Component unique project number and the Installation Host will assign at least one RPUID for each approved construction project. The project number and RPUID will be associated to a CIP account when created. The Component unique project number must remain the same and be used for all phases of a particular construction project regardless of the fiscal year.

3. All costs for a construction project will be accumulated in a CIP account. A reasonable allocation methodology must be established and documented to assign project costs, direct and indirect, to all real property assets that will be constructed or improved with corresponding RPUIDs. Any indirect project costs must be allocated to the project CIP account as they are incurred. Thus, the full cost of constructed items must be adequately captured, reported and distributed across real property assets by RPUID, no later than the time the real property assets are placed in service and available for use. See Chapter 19 Managerial Cost Accounting for additional information on indirect costs.

4. CIP costs must be tracked by both the Component unique project number and the RPUID to ensure visibility, traceability, and accountability. The relationship among a construction project, RPUID and CIP account is provided in Figure 24-1.
5. The funding DoD Component must continue to report CIP on their financial statements until the constructed item is accepted by the accountable DoD Component (if the accountable DoD Component is different than the funding DoD Component). The minimum information associated with the CIP amount reported for financial statement preparation purposes must include the funding DoD Component’s Project Number, Project Detail Fund Code(s), Project Detail Fund Code Cost Amount, Project Detail Organization Code(s), Programmed Amount, and RPUID(s). For a specified project and for the purpose of an audit trail of the CIP account, the construction agent and the funding DoD Component must retain the supporting documentation for their respective portion(s) of the project to which they have fiscal accountability. For additional information regarding representative documentation for a construction project, refer to paragraph 240302. Upon acceptance of the constructed real property asset(s) or improvements, the construction agent must provide the funding DoD Component and the military service real property accountable officer with auditable supporting documentation. The funding DoD Component and military service real property accountable officer, in turn, must ensure the documentation is retained in accordance with applicable laws, regulations, and instructions.

6. When constructed real property asset(s) or improvements are accepted and placed in service, the costs accumulated in the CIP account must be relieved in a manner that recognizes the cost of each individual real property asset with a RPUID (i.e., transferred to the appropriate real property account). To ensure constructed real property asset(s) or improvements are recorded at full cost, the recorded cost of the real property asset(s) or
improvements accepted must equal the sum of all construction and applicable design costs. (See Annex 1 for a comprehensive list of cost types.) In addition, the funding DoD Component of a construction project must ensure that all costs incurred by the funding DoD Component are provided to the construction agent on a formal document for inclusion in the full cost of the real property asset(s) or improvements prior to acceptance by the accountable DoD Component.

7. For construction projects that are completed in multiple phases, the cost of each phase is transferred from the CIP account to the appropriate asset account, by RPUID, at the time each real property asset or useable portion of the asset in the phase is placed in service. Each constructed real property asset or useable portion of the asset, therefore, may have one or more placed in-service dates, which will be used to initiate the capitalization of each corresponding phase. Each phase must be depreciated over its estimated useful life when placed in service.

8. If a construction project is cancelled, all cost accumulated in the associated CIP account must be expensed. When a portion of a project is cancelled or decreased in scope, the cost directly associated to that portion of the project, and an allocated portion of the common cost in the CIP, must be expensed. All projects deferred for more than two years must be reviewed for continuance or cancellation during the review cycle.

J. Accounting for Real Property Outside of the U.S. As used in this chapter, U.S. means the 50 States of the U.S., the District of Columbia, and the commonwealths, territories, and possessions of the U.S. In carrying out their mission, operations and objectives, there are circumstances in which DoD Components occupy and use real property facilities outside of the U.S. DoD's rights to real property outside of the U.S. are different from those within the U.S. For financial reporting purposes, a DoD Component that occupies and uses facilities outside of the U.S. must adhere to the following guidance:

1. DoD real property that is not located on a DoD installation (including property located on an installation of a host nation) will be reported on the financial statements, (including capital improvements) of the Installation Host that is identified in the OSD approved Enduring Location Master List, which is maintained and managed by the Office of the Under Secretary of Defense for Policy, when all of the following criteria are met:

   a. An agreement exists between the U.S. and the host nation/foreign government (e.g., Cooperative Security Agreement, Bilateral Security Agreement and Status of Forces Agreement) and the agreement conveys a right to construct and operate facilities (i.e., real property);

   b. The U.S. Government/DoD Component funded the asset's acquisition (e.g., purchase and construction) and/or capital improvements. See subparagraphs 240204.A and 240204.B for transfers between DoD Components when the real property acquisition is funded by a DoD Component other than an Installation Host having jurisdiction over the installation on which the real property resides.
c. The cost incurred is over the DoD Component's real property capitalization threshold (if the asset is partially funded by DoD, only the portion funded by DoD will be evaluated against the capitalization threshold and recognized as an asset if applicable);

d. The asset has an estimated useful life of two years or more; and

e. The DoD Component is using the asset in its operations.

2. Such capitalized assets will be depreciated over their estimated useful lives. Should the use of the asset terminate earlier than the estimated useful life, the asset's remaining NBV will be written off.

3. When a DoD Component occupies a facility but the DoD did not fund its acquisition, the DoD Component will recognize such facilities on its financial statements as assets under a capital lease, if a specific agreement with the host nation/foreign government exists and addresses the use of the facility. See Chapter 26 for guidance on applying the lease criteria for real property outside of the U.S.

4. SFFAS 4 “Managerial Cost Accounting Standards and Concepts” addresses imputed costs between federal agencies but does not extend to entities outside of the federal context. The concept of imputed costs does not apply to activities between a DoD Component and a host nation/foreign government. Therefore, a DoD Component will not record imputed costs for the use and/or occupancy of facilities, for which it does not pay directly or pay through reimbursement, provided by international organizations (e.g., North Atlantic Treaty Organization) or host nation/foreign government.

5. The Installation Host with jurisdiction over the installation outside of the U.S. must record all real property occupied and used by it in an APSR, regardless of interest type, including those that have not been capitalized for accounting and financial reporting purposes, in accordance with 10 U.S.C. § 2721, DoDI 4165.14 and subparagraphs 240204.J.1 and 240204.J.3. Assets that do not meet the criteria for capitalization in accordance with subparagraphs 240204.J.1 and 240204.J.3 will be expensed in the period received for use by DoD.

6. The Installation Host with jurisdiction over the installation outside of the U.S. must record an expense for any maintenance and sustainment costs relating to the real property paid, or to be paid by them in the period incurred regardless of real property interest type.

240205. Capital Improvements

A. Capital improvements to real property assets must be capitalized when (1) the improvement increases the asset's useful life by two or more years, or increases its capacity or size, and (2) the cost of the improvement equals or exceeds the capitalization threshold (see subparagraph 240204.H). If capital improvements do not meet these two criteria, they should be expensed. Funding source (e.g., appropriation or WCFs) is not a factor in determining whether or not an improvement will be capitalized. If the capital improvement increases the underlying asset's useful life by two years or more, the DoD Component must capitalize and depreciate the
improvement with the original asset over the revised estimated useful life. Costs of capital improvements which do not extend the useful life of an existing real property asset but enlarge or improve its capacity and have a useful life of two years or more must be capitalized and depreciated over the lesser of the useful life of the improvement or the remaining economic useful life of the underlying asset. Note that the economic life of the real property asset, in certain instances, may be different than the original estimated accounting useful life. The economic life reflects the remaining period of utility for the real property.

B. The cost of improvements to more than one real property asset as identified by a RPUID when constructed under a single project or work order, and that cannot be specifically identified by asset, will be capitalized only if the allocated cost per real property asset equals or exceeds the capitalization threshold. When more than one improvement is made to a single real property asset, in a single project and the improvements are part of one effort to increase the real property’s capacity, size, and/or useful life, the sum of the costs of the improvements must be capitalized, if the summed costs equal or exceed the capitalization threshold. This is required even when the improvements are funded by different fund sources. Once a determination has been made that the aggregate costs of the improvements will be capitalized, the summed costs of improvements should be capitalized and depreciated upon being placed in service as described in paragraph 240205.A.

C. Maintenance and repair costs are not considered capital improvements, regardless of whether the cost equals or exceeds the capitalization threshold. Per SFFAS 42, maintenance and repairs are defined as activities directed toward keeping fixed assets in an acceptable condition. Maintenance and repair activities include preventative maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain assets. Maintenance and repair activities also include cyclic work done to prevent damage that would be more costly to restore than to prevent (e.g., painting). A roof or a heating and air conditioning system that is replaced due to failure should be classified as a repair and should be expensed, even if the replacement incorporated a better quality and longer life shingle or a more efficient heating and cooling unit.

D. Although maintenance and repairs are generally expensed in the period incurred, certain replacements of parts, systems, or components may or may not be an improvement for accounting purposes. Crucial to the determination of whether a replacement must be recognized as a repair or an improvement is the intent behind the replacement. Replacement of parts, systems, or components that have failed, are in the incipient stages of failing, or are no longer performing the functions for which they were designated are classified as a repair; replacements falling into this category must be expensed. If the replacement was undertaken to expand the capacity or extend the life of a real property asset that was in good working order, then the replacement must be recognized as an improvement. A replacement classified as a repair does not include rebuilding entire structures within the same physical area (footprint).

E. For the purpose of capital improvements, capacity is defined as an increased footprint, or internal structural reconfiguration that increases the amount of usable space, number of personnel, or increased throughput. Increased capacity includes activities that upgrade the asset to serve needs different from, or significantly greater than its current use.
F. Capital Improvements (which includes leasehold improvements), at or over the capitalization threshold in effect at the time the capital improvements/leasehold improvements are acquired, must be capitalized. The cost of a capitalized improvement should be accumulated and reported by the funding DoD Component in a CIP account until the improvement to the asset is placed in service, at which time it will be transferred to the entity responsible for reporting the real property base asset. See subparagraph 240204.B for intra-DoD transfers. Only Installation Hosts with jurisdiction over a specific installation have financial reporting responsibility for real property and completed capital improvements.

240206. Depreciation

A. The recorded cost of real property and capital improvements which have been capitalized in accordance with the guidance prescribed by paragraphs 240204 and 240205 must be depreciated over the shorter of (i) the period of time benefited, or (ii) the asset’s useful life. Such capitalized amounts, as well as associated amounts of accumulated depreciation and depreciation expense, must be reflected in DoD financial statements.

B. Depreciation is the systematic and rational allocation of the recorded cost of an asset over its estimated useful life. Estimates of useful life for real property assets must consider factors such as usage, physical wear and tear and technological change. For purposes of computing depreciation on DoD real property assets, specific useful lives are prescribed. Table 24-1 reflects the useful lives to be used for DoD real property in establishing opening balances as well as for real property acquired after establishment of opening balances.

Table 24-1. DoD Useful Lives for Depreciable Real Property Assets

<table>
<thead>
<tr>
<th>Real Property Classification</th>
<th>Real Property Useful Lives</th>
<th>Capital Improvements (if useful life is not provided by an engineering estimate)(ii)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>45 years</td>
<td>20 years</td>
</tr>
<tr>
<td>Structures</td>
<td>35 years</td>
<td>15 years</td>
</tr>
<tr>
<td>Linear Structures</td>
<td>40 years</td>
<td>20 years</td>
</tr>
<tr>
<td>Land Rights of a Limited Duration (i)</td>
<td>Over the specified duration</td>
<td></td>
</tr>
</tbody>
</table>

i. Land Rights are included on the balance sheet in General PP&E only if the DoD Component did not make the election to implement the provisions of SFFAS 50, paragraph 13 to exclude land rights from the opening balance of General PP&E and expense future land rights acquisitions after establishment of the opening balance.

ii. Engineering estimates are of particular importance when evaluating full restoration or conversion.
C. The event that triggers the calculation of depreciation is the date the real property asset is placed in service (regardless of whether it is actually used). The actual commencement of depreciation will generally be based on the Month Available for Service method. Under this method, the month the asset was available for use, regardless of whether it was actually used, is the month used to commence the calculation of depreciation expense for the first year.

D. DoD policy permits only the use of the straight-line method of depreciation for real property assets. Straight-line depreciation expense is calculated as the recorded cost divided equally among accounting periods during the asset’s useful life based on useful lives in Table 24-1.

E. If an asset remains in use longer than its estimated useful life, it must be retained in the APSR, as well as the accounting records, and reflect both its recorded cost and accumulated depreciation until disposition of the asset.

F. WCF activities are required to depreciate real property assets in accordance with the guidance in this chapter without regard to whether such assets are procured through the WCF activity’s Capital Purchase/Investment Program budget or whether depreciation for such assets is included in rates charged to customers. The recognition of real property assets and the depreciation of such assets by WCF activities, therefore, may be different for financial statement reporting purposes than the depreciation amounts used for WCF rate development and budget presentation. All real property depreciation of WCF activities must be recognized as an expense on the Statement of Net Cost, included in accumulated depreciation amounts on the Balance Sheet, and reported in the “Defense Working Capital Fund Accounting Report [Accounting Report (Monthly) 1307] (AR(M)1307).” Depreciation recorded on real property that was not acquired nor will be replaced through use of Defense WCF resources must be classified as non-recoverable for rate setting purposes and reported appropriately on the AR(M)1307. Defense WCF rates charged to customers are based on guidance in Volume 2B and Volume 11B.

240207. Impairment

A. Description. SFFAS 44 defines impairment as a significant and permanent decline in the service utility of General PP&E (which includes real property assets) or expected service utility of CIP that results from events or changes in circumstances that are not considered normal and ordinary. Identified real property (i.e., real property for which a significant decline in the service utility has occurred) should be tested for impairment by determining whether the magnitude of the decline in the service utility is significant and whether the decline in the service utility is expected to be permanent.

1. See subparagraph 240207.B.2 for a discussion of determining the significance and permanence of a service utility decline.
2. The service utility of real property is the usable capacity that, at acquisition or after improvement, was expected to be used to provide service. The current usable capacity of real property may be less than its original usable capacity due to the normal or expected decline in useful life or to impairing events or changes in circumstances, such as physical damage, obsolescence, enactment of approval of laws or regulations or other changes in environmental or economic factors, or changes in the manner or duration of use.

3. Normal and ordinary events or circumstances are those that fall within the expected useful life of the real property such as standard maintenance and repair requirements. Events or circumstances that are not considered normal are those that, at the time the real property was acquired or improved, the event or change in circumstance would not have been expected to occur during the useful life of the real property or, if expected, was not sufficiently predictable to be considered in estimating the real property’s useful life.

B. Identification of Potential Impairment Loss. The determination of whether real property remaining in use is impaired is a two-step process which includes (1) identifying potential impairment indicators and (2) testing for impairment.

1. Step 1 – Identify Indicators of Potential Impairment. Indicators of potential impairment can be identified and brought to DoD Component’s attention in a variety of ways, such as procedures related to DM&R. Although DoD Components are not required to establish additional or separate procedures beyond those that may already exist, they should evaluate existing processes and internal controls to determine if they are sufficient to reasonably assure the identification of potential impairment indicators and implement appropriate additional processes and internal controls if necessary. Once identified, indicators are not conclusive evidence that a measurable or reportable impairment exists; DoD Components should carefully consider the surrounding circumstances to determine whether a test of potential impairment is necessary given the circumstances. Some common indicators of potential impairment include:

   a. Evidence of physical damage;
   
   b. Enactment or approval of laws or regulations which limit or restrict the usage of the real property asset;
   
   c. Changes in environmental factors (e.g., change in floodplain);
   
   d. Technological changes or evidence of obsolescence (however, if obsolete real property continues to be used, the service utility expected at acquisition may not be diminished);
   
   e. Changes in the manner or duration of use of real property;
   
   f. Construction stoppage or contract termination; and
g. Real property idled or unserviceable for excessively long periods.

2. Step 2 – Impairment Test. Identified real property should be tested for impairment by determining whether these two factors are present: (1) the magnitude of the decline in service utility is significant and (2) the decline in service utility is expected to be permanent.

   a. Significant declines in service utility are those that cause costs (including operational and maintenance costs) to be disproportionate to the new expected service utility. The determination of whether or not an impairment is significant is a matter of professional judgement and is distinct from materiality considerations. Such judgements may be based on the relative costs of maintaining the service utility of the facility before and after the decline, the percentage decline in service utility, or other considerations.

   b. The decline in service utility is considered permanent when the DoD Component has no reasonable expectation that the lost service utility will be replaced or restored; that is, the DoD Component expects that the real property will remain in service so that its remaining service utility will be utilized. In contrast, reasonable expectation that the lost service utility will be replaced or restored may exist when the DoD Component has:

      (i) Specific plans to replace or restore the lost service utility of the real property,

      (ii) Committed or obligated funding for remediation efforts, or

      (iii) A history of remediating lost service utility in similar cases or for similar real property.

3. For CIP, the testing of impairment in subparagraph 240207.B.2 should be performed over the period of expected future service utility rather than current service utility.

C. Determining the Appropriate Measurement Approach. Impairment losses on real property that will continue to be used by the DoD Component should be estimated using a measurement approach that reasonably estimates the portion of NBV associated with the diminished service utility of the real property. A measurement method would not be considered appropriate if it would result in an unreasonable NBV associated with the remaining service utility of the real property. Conversely, a reasonable measurement method may result in no impairment loss to be recorded. Regardless of the method used, recognition of impairment loss should be limited to the asset’s NBV at the time of impairment. Widely recognized methods for measuring impairment include:

   1. Replacement Approach. Impairment of real property with physical damage generally may be measured using a replacement approach. This approach uses the
estimated cost to replace the lost service utility of the real property at today’s standards (i.e., at current market prices and in compliance with current statutory, regulatory, or industry standards) to identify the portion of the historical cost of real property that should be written off due to impairment. It may be appropriate to apply the ratio of estimated cost to replace the diminished service utility over total estimated cost to replace the real property, to the NBV of real property to determine the impairment amount.

2. **Restoration Approach.** This approach uses the estimated cost to restore the diminished service utility of the real property to identify the portion of the historical cost of the real property that should be written off. This approach does not include any amounts attributable to improvements and additions to meet today’s standards. The estimated restoration cost can be converted to historical cost by restating (i.e., deflating) the estimated restoration cost using an appropriate cost index. Alternatively, it may be appropriate to apply the ratio of estimated restoration cost to restore the diminished service utility over total estimated restoration cost to the NBV of the real property to determine the impairment amount.

3. **Service Unit Approach.** Impairment of real property that are affected by enactment or approval of laws or regulations or other changes in environmental factors or are subject to technological changes or obsolescence generally may be measured using a service unit approach. This approach compares the service units (e.g., operational capacity) provided by the real property before and after the impairment to isolate the historical cost of the service utility that cannot be used due to the impairment to determine the impairment amount.

4. **Deflated Depreciated Current Cost Approach.** Impairments of real property that are subject to a change in manner or duration of use generally may be measured using a deflated depreciated current cost approach. Under this approach, a current cost for a real property asset to replace the current level of service is estimated. This estimated current cost is then depreciated to reflect the fact that the real property is not new, and is then subsequently deflated to convert it to historical cost dollars. A potential impairment loss results if the NBV of the real property exceeds the estimated historical cost of the current service utility (i.e., deflated depreciated current cost).

5. **Cash Flow Approach.** Recognizes an impairment loss only if the NBV (i) is not recoverable and (ii) exceeds the higher of its NRV or value-in-use estimate.

   a. The NBV of real property is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the real property.

   b. If the NBV is not recoverable, the impairment loss is the amount by which the NBV of the real property exceeds the higher of its NRV or value-in-use estimate. No impairment loss exists if the NBV is less than the higher of the real property’s NRV or value-in-use estimate.

6. **Lower of (a) NBV or (b) Higher of NRV or Value-In-Use Approach.** Real property impaired from either construction stoppages or contract terminations, which are
expected to provide service, should be reported at their recoverable amount; the lower of (i) the real property’s NBV or (ii) the higher of its NRV or value-in-use estimate. Impaired real property, which is not expected to provide service, should be accounted for in accordance with paragraph 240208.

D. Recognizing and Reporting Impairment Losses. The loss from impairment, if any, should be recognized and reported in the Statement of Net Cost in the period in which the Installation Host, with jurisdiction over the real property, concludes that the impairment is both (1) a significant decline in service utility and (2) expected to be permanent. Such losses may be included in program costs or costs not assigned to programs. A general description of the real property for which an impairment loss is recognized, the nature (e.g., damage or obsolescence) and amount of the impairment and the financial statement classification of the impairment loss must be disclosed in the notes to the financial statements in the period the impairment loss is recognized.

E. Recoveries. The impairment loss must be reported net of any associated recovery when the recovery and loss occur in the same fiscal year. Recoveries reported in subsequent fiscal years must be reported as revenue or other financing source as appropriate. The amount and financial statement classification of recoveries should be disclosed in the notes to the financial statements.

F. Remediating Previously Reported Impairments. The costs incurred to replace or restore the lost service utility of impaired real property remaining in use must be accounted for in accordance with applicable standards (i.e., recognized according to the nature of the costs incurred and the appropriate capitalization threshold).

G. Diminished Service Utility Without Recognized Impairment Loss. If the future service utility has been adversely affected but the impairment test determines that a loss does not need to be recognized, a change to the estimates used in depreciation calculations (such as estimated useful life and salvage value, if applicable) should be considered and adjusted as appropriate.

240208. Removal/Disposal

A. FASAB TR 14 defines removal from service as an event that terminates the use of a real property asset. Removal from service may occur because of a change in the manner or duration of use, change in technology or obsolescence, damage by natural disaster, or identification as excess to mission needs. Removals from service should be considered other than permanent unless (1) the asset’s use is terminated and (2) there is documented evidence of the DoD Component’s decision to permanently remove the asset from service (e.g., by selling, donating, or demolishing the asset). If only one of the two business events has occurred, permanent removal from service has not occurred (i.e., the removal is considered other than permanent).

B. If an asset’s normal use is terminated (i.e., it no longer provides service in the operations of the entity) but the DoD Component has not yet decided to permanently remove the asset from service, the removal from service must be accounted for as other than permanent.
Other than permanent removal from service is evidenced by activities such as continuing low-level maintenance to sustain the asset in a recoverable status or until reutilization efforts are exhausted. There is no change in the reported value for assets that have been other than permanently removed from service and the assets must continue to be depreciated.

C. If (1) an asset’s use is terminated and (2) the DoD Component has documented its decision to permanently remove the asset from service, the removal from service must be accounted for as permanent. Assets permanently removed from service are no longer depreciated. Permanent removal from service is evident from the DoD Component’s documented decision to dispose of an asset by selling, donating, or demolishing the asset. The recorded cost as well as the accumulated depreciation/amortization of an asset permanently removed from service must be removed from the accounts in which they are reported, and the asset must be recorded at its NRV in General PP&E Permanently Removed But not Yet Disposed (USSGL Account 199500). Any difference between the NBV of the asset and its expected NRV must be recognized as a gain or loss. The expected NRV should be evaluated at the end of each fiscal year and any change in NRV should be recognized as a gain or loss. Assets permanently removed from service are no longer depreciated.

D. When an asset is disposed of (e.g., by selling, donating, or demolishing the asset) the asset must be written off and the difference between any disposal proceeds and the asset’s NBV must be recognized as a gain or loss. The disposal start date is the calendar date of a legally enforceable and recognizable obligation to complete the disposal action. For demolitions, this represents the demolition contract’s start date. For transfers to a non-DoD entity and sales, this represents the date on which the instrument is endorsed or operation is ceased, whichever comes later. For natural disasters, this represents the actual date of the incident if the asset is a complete loss.

2403 ADDITIONAL CONSIDERATIONS

240301. Use of Cancelled Treasury Account Symbol

A. The Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) is a data collection system that replaces the reporting functionalities of Federal Agencies Centralized Trial Balance System I and II, Intra-governmental Fiduciary Confirmation System, and Intra-governmental Reporting and Analysis System, as the primary means for DoD Components to report their trial balance data to Treasury. Capitalized assets are required to be reported and remain in GTAS after the original purchasing Treasury Account Symbol (TAS) has expired and been cancelled. If a capitalized asset has not been moved to a cancelled (“C”) TAS as described in subparagraph 240301.B; GTAS will provide a “C” TAS on the GTAS Super Master Account File (SMAF) for each fund family represented on the SMAF. The system generated “C” TAS will have three components: the three-digit agency identifier, availability type "C", and a four digit main account.
B. All DoD Components must use the “C” availability type TAS to report capitalized assets. Assets may be moved to a “C” TAS at any time from the purchase date to the date the original purchasing fund cancels. (Refer to the TFM Volume 1, Part 2, Chapter 4700 for additional information.)

C. To transfer an asset to a “C” TAS:

1. Use USSGL account transaction E510 to transfer-out the asset from the purchasing fund account.

2. Use USSGL account transaction E606 to transfer-in the asset into the appropriate “C” TAS.

240302. Supporting Documentation

Entries to record financial transactions in accounting system general ledger accounts and the accountable property records and/or systems must:

A. Be supported by source documents that reflect all transactions affecting the DoD Component’s investment in the real property.

1. All real property acquisitions, whether by purchase, transfer from other agencies, donation, or other means, must be supported as of the date the DoD Component takes custody of the real property. The documents listed in Table 24-2, where applicable, must be readily available to support the changes in asset value or physical attributes as a result of new acquisition or capital improvement.
Table 24-2. Examples of Supporting Documentation for Real Property Acquisition
(Note: These examples may not be all inclusive for all circumstances)

<table>
<thead>
<tr>
<th>Evidence</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unique Identification</strong></td>
<td>Assignment of RPUID</td>
</tr>
<tr>
<td><strong>Project Approval</strong></td>
<td>Such as, but not limited to a Work Order</td>
</tr>
</tbody>
</table>
| **Obligation on Behalf of the Government** | Such as, but not limited to:  
1. For contracts, contract modifications, or change orders:  
   - Statement of Work;  
   - Dollar Amount of Contract;  
   - Location;  
   - Source of Funds;  
   - Parties to the Contract; and  
   - Signature Page [Signature of All Parties].  
2. Documentation of troop labor hours;  
3. Approved Work Order. |
| **Payment Submitted** | Such as, but not limited to:  
1. Approved last invoice reflecting the total amount submitted for payment and received to date;  
2. Evidence of in-house construction costs, including labor;  
3. Indirect Costs incurred internally by the gaining activity that relate to the new acquisition or capital improvement. |
| **Acceptance** | Such as, but not limited to:  
1. *General Services Administration Form 1334*, Request for Transfer of Excess Real and Related Personal Property;  
2. Interim and final DD Form 1354, Transfer and Acceptance of DoD Real Property, with associated source documentation retained by the responsible party. Note: All cost information transferred from the CIP account to the real property asset account at the time the asset or improvement is placed in-service, must be included as support for the DD Form 1354;  
3. Executed acquisition document and appraisal results for the donated assets;  
4. Signed judgment documents for condemnations;  
5. Deed;  
6. Signed lease for leased property;  
7. Letter of withdrawal for property withdrawn from public domain;  
8. Executed occupancy agreement;  
9. Executed reversionary document;  
10. Transfer letter and documents for transferred assets; and  
11. Collection voucher. |
| **Project Closeout** | Such as, but not limited to a final DD Form 1354, with associated source documentation retained by the responsible party. |
2. All disposals must be supported as of the date the real property leaves the custody of the DoD Component to provide an adequate audit trail for the disposal of an asset. The execution of certain disposal events will generate financial or administrative accountability transactions. These documents, where applicable, must be readily available to support disposals:

   a. Declaration of excess document;
   
   b. Disposal approval documentation (to include disposal of land);
   
   c. Original acquisition documents;
   
   d. Legal instruments (such as a deed or contract) to indicate legal obligation to dispose of an asset;
   
   e. Document showing the disposal completion date;
   
   f. Receipt documentation; and
   
   g. Transfer documents for transferred assets or as otherwise stated.

3. Documents that support the recorded cost of real property assets must be retained by the DoD Component in accordance with the National Archives and Records Administration requirements described in Volume 1, Chapter 9. Documentation (original documents and/or hard and electronic copies of original documentation) must be maintained in a readily available location during the applicable retention period to permit the validation of information pertaining to the asset such as the purchase cost, purchase date, and cost of improvements. The documentation must also be linked to the appropriate RPUID(s). Supporting documentation may include, but is not limited to, the documentation as outlined in this subparagraph.

B. Include sufficient information indicating the physical size, location, and unit cost of each real property asset. The APSR and/or other systems must be designed to be of maximum assistance in making procurement and utilization decisions, including decisions related to identifying potential excess real property that may be available for reuse, transfer to other DoD Components, or made available for disposal in accordance with current DoD regulations and other regulatory requirements.

C. Enable periodic, independent verification of the accuracy of the accounting and APSR and/or other systems through periodic physical counts/inventories of real property existence and completeness (known as “book to floor and floor to book”). Such periodic inventories also must include reconciling the APSR and/or other systems with the general ledger accounts and physical counts. Personal hand receipt self-validations are not acceptable for meeting the independent verification of physical inventory requirements (see DoDI 4165.14).
D. Identify and classify real property that was capitalized, recorded in the APSR and accounting system, and reported in the financial statements.

1. The Installation Host having jurisdiction over the real property, in accordance with DoDD 4165.06 and DoDI 4165.70, is required to record real property assets in their APSR.

2. The Installation Host must reconcile their real property APSR to their financial statements (or to their trial balance if financial statements are not required to be prepared) on a quarterly basis.

3. All DoD Components funding CIP must reconcile their recorded CIP balances on a quarterly basis with any construction service provider working on the CIP. CIP should reflect the value associated with the actual progress payments and other costs incurred based on the progress of work completed as of the quarter end.

E. Be based on the same documents, to ensure that entries to the financial accounting/reporting and APSR are the same. This will ensure that the APSR is integrated and subsidiary to the financial accounting system and such records can be reconciled with the accounting system.

F. Include documents used to accumulate the cost of construction projects. Each document must link to the appropriate RPUID(s). For a listing of those costs that may be incurred during the construction, see Annex 1.

G. Include all real property in which the DoD has a legal interest.

H. Provide information to identify and account for leased real property, regardless of whether the real property was acquired by a capital lease or operating lease or whether the value of the real property exceeds DoD capitalization thresholds.

I. Provide information to identify and account for capitalized improvements to real property.

240303. Physical Inventories of Real Property

DoD Components must perform periodic physical inventories of real property in accordance with DoDI 4165.14.

240304. DM&R

A. Description

1. FASAB SFFAS 42 defines DM&R as maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed to a future period.
2. Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Maintenance and repairs include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset in working condition.

3. Maintenance and repairs exclude activities aimed at expanding the capacity or capability of an asset or otherwise upgrading it to serve needs different from or significantly greater than its current use.

B. Measurement

1. The values reported for real property DM&R must be consistent with the Facility Condition Index ratings and Facility Plant Replacement Values of the applicable real property facilities.

2. DoD Components should determine what condition standards are acceptable and which DM&R measurement methods to apply. Condition standards and measurement methods must be consistently applied unless the DoD Component determines that changes are necessary. Changes deemed necessary by the DoD Component must be accompanied by an explanation documenting the rationale for the change(s) and any related impact the change(s) will have on the DM&R estimates.

3. DM&R must be measured for capitalized and non-capitalized real property, and fully depreciated real property. In addition, DM&R associated with inactive real property should only be included when the asset is reported with an operational status of caretaker (CARE), closed (CLSD) or non-functional (NONF). In addition, DM&R must measure funded maintenance and repairs that have been delayed for a future period as well as unfunded maintenance and repairs. The reported data should not include DM&R that would be funded with NAFs commissary surcharge, or funding from non-DoD sources.

C. Required Supplemental Information

The Installation Host that reports real property must report material amounts of DM&R as RSI to the financial statements (see Volume 6B, Chapter 12). At a minimum, the following information must be presented as RSI:

1. Estimates of the beginning and ending balances of DM&R for each major category of real property;

2. A summary of the DoD Component’s maintenance and repairs policies and a brief description of how they are applied (i.e., method of measuring DM&R);

3. Policies for ranking and prioritizing maintenance and repair activities;
4. Factors the DoD Component considers in determining acceptable condition standards;

5. Whether DM&R relates solely to capitalized facilities or also to amounts relating to non-capitalized or fully depreciated real property;

6. Capitalized real property for which the DoD Component does not measure and/or report DM&R and the rationale for the exclusion; and

7. If applicable, explanation of any significant changes to
   (a) DM&R amounts from the prior year; and

   (b) The policies and factors subject to the reporting requirements established in subparagraphs 240304.C.2 through 240304.C.6.

240305. Financial Statement Disclosure Reporting and Representation Requirements

   A. DoD Components that financially report real property should reference a note on the Balance Sheet that discloses information about the reported real property assets.

   * B. The management representation letter provided to the Independent Public Accountant (for those DoD Components that undergo a financial statement audit), and the notes to the financial statements must include a disclosure related to real property reporting accounting policy. Examples of note disclosures are included in Appendix 5, paragraph A50104. It is the responsibility of each DoD Component to ensure that they are making a full and complete disclosure of how real property is being reported in accordance with the policies in this chapter.

   C. DoD Components must disclose in the notes to the financial statements those instances in which they are using real property provided by a host nation/foreign government without reimbursement by DoD to the host nation/foreign government, as applicable, that:

   1. The DoD Component is utilizing real property provided by and owned by a host nation/foreign government in its operations outside of the U.S. without reimbursement by DoD to the host nation/foreign government and that there are no amounts recorded in the financial statements related to these properties.

   2. The general nature of the agreement with the host nation/foreign government. It is not intended or recommended that the geographic location of the host nation/foreign government be disclosed.

   D. In accordance with SFFAS 55, DoD Components must disclose in the notes to the financial statements that only certain inter-entity (imputed) costs are recognized for goods and services that are received from other federal entities and/or DoD Components at no cost or at a cost less than the full cost as applicable. Such imputed costs and revenues relate to business-type
activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified in the preceding sentence are not included in DoD financial statements.

E. Refer to Volume 6B, Chapter 10 for additional disclosure reporting requirements.

240306. Environmental Liabilities/Cleanup Costs

The accounting policy for environmental liabilities/cleanup costs pertaining to real property is contained in Chapter 13.

(Costs to be accumulated for constructed assets)

<table>
<thead>
<tr>
<th>Cost Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of contract work</td>
<td>Amounts paid for work performed under contract, as well as any incentive fees paid to contractors to reward performance goals.</td>
</tr>
<tr>
<td>Direct cost of labor</td>
<td>The direct cost of labor and all associated fringe benefits in connection with the construction project. Includes both military and civilian labor costs.</td>
</tr>
<tr>
<td>Direct cost of materials and supplies</td>
<td>The purchase price and the cost of inspection.</td>
</tr>
<tr>
<td>Cost of Supervision, Inspection, and Overhead</td>
<td>Support associated with the administration of contracts for facility projects. Support may include processing of contract award and payments, performing inspections, and other actions taken during project execution.</td>
</tr>
<tr>
<td>Cost of transportation</td>
<td>Amounts paid for transportation of workers, materials, and supplies in connection with the construction project.</td>
</tr>
<tr>
<td>Cost of handling and storage</td>
<td>Amount paid for packaging and storing the materials and supplies used in the construction project.</td>
</tr>
<tr>
<td>Cost of legal and recording fees</td>
<td>Legal fees incurred to bring the asset to its intended use (e.g., title or recording fees).</td>
</tr>
<tr>
<td>Cost of architecture and engineering studies</td>
<td>Amounts paid for engineering, architectural, and other outside services for designs, plans, specifications, and surveys after funding and design authorization. May include design reviews, environmental impact studies, and soil testing for the construction projects.</td>
</tr>
<tr>
<td>Cost of facility and site preparation</td>
<td>Amounts paid to prepare the site for new construction, such as soil removal and restoration. Includes amount paid to prepare the asset for its intended use, such as installation of utilities in a facility.</td>
</tr>
<tr>
<td>Cost of installed equipment</td>
<td>Fixed equipment and related installation costs required for activities in a facility.</td>
</tr>
<tr>
<td>Cost of government furnished property</td>
<td>An appropriate share of the cost of the government furnished equipment and material used in construction work.</td>
</tr>
<tr>
<td>Cost of donated assets</td>
<td>The fair market value of equipment donated to the government, as authorized by a special legislation, in connection with the construction project.</td>
</tr>
</tbody>
</table>
Annex 2. Decision Tree for Determining Imputed Costs

Accounting for imputed costs as displayed in the decision tree is applicable only to business-type activities (e.g., Working Capital Funds (WCFs)). See Chapter 24, subparagraph 240204.E for further guidance on inter-entity costs.

The following decision tree provides an illustrative guide to determine what real property asset-related costs should be imputed and reported by a Department of Defense (DoD) Component which is business-type activity (e.g., WCF) based on specific business case scenario attributes.

Note 1: With regard to imputed costs, if only partial direct payment or reimbursement is made by the DoD Component, it would record an imputed cost for the difference between the full value/benefit received and the direct payment or reimbursement.

Note 2: Quantitative information for imputing costs should be provided by the DoD Component incurring those costs (i.e., depreciation, amortization, operation costs and sustainment costs).
Annex 3. Capital Improvement Depreciation

A. As stated in paragraph 37 of Statement of Federal Financial Accounting Standards 6 (SFFAS 6), “costs which either extend the useful life of existing General PP&E, or enlarge or improve its capacity shall be capitalized and depreciated/amortized over the remaining useful life of the associated General PP&E.”

B. The following Scenarios I and II illustrate application of the depreciation methodology for capital improvements and the underlying real property asset as directed by SFFAS 6 for improvements that equal or exceed the Department of Defense’s (DoD’s) capitalization threshold. When improvements extend the useful life of the associated General PP&E, the original estimated useful life will be adjusted for the estimated extension created by the improvement. When an improvement increases the capacity, size, or functionality/use of the associated General PP&E, but does not extend its useful life, the improvement should be capitalized and depreciated over the lesser of the useful life of the improvement or the remaining economic useful life of the underlying asset. Note that the economic life of the real property asset, in certain instances, may be different than the original estimated accounting useful life. The economic life reflects the remaining period of utility for the real property.

C. Examples and Scenarios of Capital Improvements

1. Extends the useful life: Major restoration or reconstruction restore facilities damaged by a natural disaster or event of similar consequence (e.g., reconstruction of a building on an existing foundation).

2. Increase capacity: Raising the roof of the warehouse to increase cubic feet.

3. Increase size: Build an addition, expansion or extension to the building, i.e., increase the footprint.

4. Modify functionality: Convert an office to a warehouse; upgrade architectural elements of a facility that is or is not failing; e.g., upgrade a flat roof to a pitched roof; install elevator where none existed.
Scenario I. Capital Improvement Extends the Useful Life of Existing General PP&E

In this scenario, the estimated extension of the useful life is combined with the remaining useful life of the original asset to establish a revised useful life. The remainder of the revised useful life at the date the improvement is placed in service is then used as the basis for calculating depreciation for the combined NBV of the original asset plus the value of the improvement.

In this Scenario, for example the conversion of a warehouse to office space, the capital improvement is placed in service at the beginning of the 26th year of the useful life of the original asset.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Building Acquisition Cost</td>
<td>$450,000</td>
</tr>
<tr>
<td>Original Estimated Useful Life in years (yrs.)¹</td>
<td>45</td>
</tr>
<tr>
<td>Annual Depreciation Expense (using straight-line depreciation)</td>
<td>$10,000</td>
</tr>
<tr>
<td>($450,000 ÷ 45)</td>
<td></td>
</tr>
<tr>
<td>Accumulated Depreciation at the end of year 25</td>
<td>$250,000</td>
</tr>
<tr>
<td>(25 yrs. X $10,000 per year)</td>
<td></td>
</tr>
<tr>
<td>NBV of original asset at the end of year 25</td>
<td>$200,000</td>
</tr>
<tr>
<td>($450,000 - $250,000)</td>
<td></td>
</tr>
<tr>
<td>Capital Improvement – added at the beginning of year 26 of original building’s useful life</td>
<td>$280,000</td>
</tr>
<tr>
<td>Extension of useful life (yrs.) of existing building from capital improvement based on documented Engineering Estimate³</td>
<td>30</td>
</tr>
<tr>
<td>Revised remaining useful life for building with the capital improvement</td>
<td>50</td>
</tr>
<tr>
<td>(45 yrs.(original useful life) less 25 yrs. (expired useful life) plus 30 yrs. (capital improvement useful life))</td>
<td></td>
</tr>
<tr>
<td>Revised depreciable value of building including capital improvement</td>
<td>$480,000</td>
</tr>
<tr>
<td>($200,000 (original NBV) plus $280,000 (capital improvement))</td>
<td></td>
</tr>
<tr>
<td>Revised annual depreciation for the building and capital improvement</td>
<td>$9,600</td>
</tr>
<tr>
<td>($480,000 ÷ 50 yrs.)</td>
<td></td>
</tr>
</tbody>
</table>

¹From Table 24-1
²If an Engineering Estimate for the extended useful life of the capital improvement were not available; the 20 year useful life from Table 24-1 would be used.
Scenario II. Capital Improvement Increases the General PP&E Asset’s Capacity, Size, or Modifies the Functionality/Use but Does Not Extend the Life of the Original General PP&E Asset

In this type of scenario, the capital improvement is depreciated over the lesser of the useful life of the improvement or the remaining economic useful life of the underlying General PP&E asset.

In this scenario, the capital improvement is placed in service at the beginning of the 16th year in the useful life of the original base asset. In this scenario, the remaining economic useful life of the original base asset is 25 years at the date the capital improvement is placed in service.

| Original Linear Structure Acquisition Cost | $500,000 |
| Original Estimated Useful Life (yrs.)¹ | 40 |
| Annual Depreciation Expense (using straight-line depreciation) ($500,000 ÷ 40) | $12,500 |
| Accumulated Depreciation at the end of year 15 (15 yrs. X $12,500 per year) | $187,500 |
| NBV of original asset at the end of year 15 ($500,000 - $187,500) | $312,500 |
| Capital Improvement – added at the beginning of year 16 of original linear structure useful life | $270,000 |
| Useful life of capital improvement (yrs.)² | 20 |
| Annual Depreciation Expense (using straight-line depreciation) ($270,000 ÷ 20) | $13,500 |
| Depreciation for the original value of linear structure would continue on an annual basis for the next 25 years ((40 yrs. (original useful life) - 15 yrs. (expired useful life)) | $12,500 annual depreciation |
| Depreciation for the capital improvement would be recorded over the estimated 20 year useful life of the improvement | $13,500 annual depreciation |

¹ From Table 24-1
² If an Engineering Estimate were available for the useful life of the capital improvement were available, the Engineers Estimate would be used rather than the amount from Table 24-1

A40101. Establishing Opening Balances for Buildings, Structures and Linear Structures

A. The alternative valuation methods for establishing opening balances for Property, Plant and Equipment described in Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 50, “Establishing Opening Balances for General Property, Plant and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35,” is available only once to each reporting Department of Defense (DoD) Component. Therefore, prior to the establishment of opening balances for buildings, structures and linear structures (real property facilities), DoD Components must validate that they are prepared to account for and comply with the recognition, measurement, presentation and disclosure requirements for real property in accordance with FASAB SFFAS 6, “Accounting for Property, Plant and Equipment.”

B. If historical cost, as described in SFFAS 6, has not already been recorded and included in financial statements that have been audited by an Independent Public Accountant and received an unmodified opinion, deemed cost will be used as a surrogate to establish opening balances for real property. In this context, deemed cost is an amount used as a surrogate for initial amounts that otherwise would be required by SFFAS 6 to establish opening balances. Although deemed cost may be based on any one of, or a combination of, allowable valuation methods such as fair value, estimated historical cost, or replacement cost (which includes Plant Replacement Value (PRV)), DoD’s selected valuation method for real property facilities is PRV. Once established using PRV, opening balances will be used as a surrogate for the initial amounts that would have existed had an SFFAS 6 compliant valuation method been used.

C. Only existing real property assets with a gross PRV value equal to or over the current real property capitalization threshold and with a remaining book value will be recorded as a part of the opening balance. When evaluating real property for the purpose of establishing opening balances, DoD Components should apply the applicable capitalization threshold to their entire population of real property retroactively, irrespective of the capitalization thresholds in effect for years prior to October 1, 2013. The current real property threshold is $250,000 for both the General Fund and Working Capital Fund (WCF), except for the National Security Agency (NSA) and the Office of the Director of National Intelligence (ODNI) for which the threshold is $1 million. When establishing real property opening balances, DoD Components need to take the appropriate steps to ensure all relevant prior period adjustments and note disclosures are included in their annual financial statements in accordance with SFFAS 50. As part of their evaluation, DoD Components should not simply value assets already recorded above the capitalization threshold. DoD Components should perform additional analytical procedures to identify any assets that have been improperly capitalized or expensed. Examples of this type of review can include searching for real property assets with values of $0 or $1 which are indications of erroneous values. An additional example can include real property for which an additional zero was added in error, incorrectly placing the asset above the capitalization threshold.
D. When establishing opening balances using deemed cost:

1. DoD Components will calculate a gross value and an accumulated depreciation value for real property assets. Both the gross value deemed cost and accumulated depreciation deemed cost will be recorded in the accounting records. The difference between the net book value (NBV) of the deemed cost on the opening Balance Sheet of the current fiscal year presented and the existing/historical NBV of the real property as of the ending Balance Sheet of the previous fiscal year, is considered a prior period adjustment. This prior period adjustment represents a change in accounting principle in accordance with paragraph 13 of FASAB SFFAS 21, “Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources.” If any depreciation based on the original historical real property value has been recorded in the year in which the prior period adjustment for deemed cost is recorded, that depreciation expense should be reversed and depreciation for the deemed cost value should be recorded.

2. Any adjustment must be properly documented and supported to assist ongoing audit efforts including retaining documentation of the existing/historical real property value in the Accountable Property System of Record (APSR) and documentation supporting the deemed cost value. The existing/historical gross value and accumulated depreciation of the real property will need to be removed from the APSR and be replaced with the new gross value and accumulated depreciation for deemed cost.

A40102. Financial Statement Disclosure Requirements

DoD Components who apply the PRV deemed cost methodology to adjust their opening real property balances, must disclose in their financial statements that an alternative valuation method was applied in establishing their opening balances and describe the method used in the first reporting period in which the reporting DoD Component makes an unreserved assertion that its financial statements, or one or more line items, are presented fairly in accordance with Generally Accepted Accounting Principles (GAAP). An unreserved assertion is an unconditional statement. No disclosure of the distinction or breakout of the amount of deemed cost of real property included in the opening balances is required.

A40103. Deemed Cost Methodology

A. The DoD’s selected deemed cost methodology for establishing opening balances in the absence of previously audited historical costs is current replacement cost or PRV, as calculated using the DoD’s PRV model. The PRV approach has been selected as the preferred method for the following reasons:

1. Cost and time effectiveness: The PRV model already exists and values are required to be updated annually for all assets;

2. Many of the key data elements required by the PRV model have been validated by the DoD Components during their existence and completeness procedures;
3. Consistency: The PRV model provides a common approach for DoD to establish and support its opening balances for these assets.

B. The use of deemed cost does not change the requirement that documentation be available to support asset values. Therefore, documentation must exist to support the values (e.g., support for data element inputs for PRV model calculations).

A40104. PRV Responsibilities

A. The successful use of the PRV model in establishing opening balances requires specific actions on the part of the DoD Components, and the Office of the Secretary of Defense (OSD). OSD specific actions are carried out by the Office of the Under Secretary of Defense (Comptroller) Financial Improvement and Audit Remediation Directorate; and the Office of the Assistant Secretary of Defense (Sustainment). A summary of responsibilities is:

1. DoD Components are responsible for ensuring:

   a. First, key PRV data element inputs are accurate. The critical data elements for the PRV model are:

      (1) Real Property Site Unique Identifier (RPSUID);

      (2) Real Property Unique Identifier (RPUID);

      (3) Real Property Asset (RPA) Interest Type;

      (4) Asset Allocation Current Use Category Code;

      (5) Asset Allocation Current Use Facility Analysis Category (FAC) Code;

      (6) Asset Allocation Size Quantity;

      (7) Asset Allocation Unit of Measure Code; and

      (8) RPA Historic Status Code.

   b. Second, additional data elements are required to apply and report the PRV values are accurate.

      (1) RPA Placed in-Service Date. This data element is important for depreciation purposes. See subparagraph A40106 for guidance on determining placed in-service date.
(2) Government Investment Percentage (For Government / Private Agreement (GVPV) interest type only). The amount of the Government’s investment as a percentage of an asset’s total value is required for GVPV interest types in order to allocate DoD’s portion of the total PRV.

c. Third, documentation exists and is readily available to support the Asset Allocation Size Quantity, RPA Historic Status Code, RPA Placed in-Service Date, and Government Investment Percentage (for GVPV interest types).

d. Fourth, processes, controls, and systems are in place to value newly acquired assets at actual cost in accordance with SFFAS 6.

e. Fifth, valuation calculations are performed correctly using the PRV formula and appropriate cost factors and adjustments found in the Unified Facilities Criteria 3-701-01 (UFC 3-701-01), “DoD Facilities Pricing Guide.”

f. Sixth, resulting accounting adjustments are performed accurately and timely, are supported with sufficient documentation, and are reflected in the DoD Component’s APSR, general ledger, and financial statements.

2. OSD is responsible for ensuring that:

a. The PRV model itself is supportable from a financial statement audit perspective. OSD will evaluate the processes, procedures, systems and controls that produce the PRV tables, factors, indexes, and functions, and reviewing the model outputs for overall reasonableness.

b. DoD estimated useful lives for depreciation purposes are supportable.

A. DoD Components will perform several steps to develop opening balances using the PRV approach. In summary, DoD Components will:

1. Validate all asset data that the DoD Components used to calculate and apply PRV values (paragraph A40104.A.1 PRV Responsibilities);

2. Calculate each asset’s PRV as found in the DoD UFC 3-701-01. Capital improvements are included within the PRV calculation and do not need to be valued or depreciated separately from the base asset as part of this initial process. Each DoD Component’s management must formally document the review and acceptance of the resulting values;

3. For assets with a GVPV interest type, the percentage of DoD’s interest in the asset will be multiplied by the asset’s total PRV to calculate the amount the DoD
Component will report. Only assets where DoD’s portion of the PRV equal to or more than $250,000 for both General Fund and WCF and $1 million for NSA and ODNI will be reported;

4. Identify all DoD accountable General Property, Plant, and Equipment (General PP&E) (commonly known as FEE assets) with a PRV equal to or more than $250,000 for both the General Fund and WCF and $1 million for NSA and ODNI. These assets will be considered capitalized assets and must be reported on the DoD Component’s Balance Sheet. For the purpose of establishing opening balances, the current real property capitalization threshold of $250,000 for both the General Fund and WCF and $1 million for NSA and ODNI will be applied to all existing real property assets;

5. Adjust, as appropriate, the DoD Component’s APSR, general ledger, and financial statements upon establishing the beginning balance. Documentation supporting any adjustments must be maintained.

A40106. Determining Placed in-Service Date

A. The Real Property Information Model (RPIM) defines RPA Placed in-Service Date as “the calendar date the real property asset is available for use by DoD and the Government assumes liability and the warranties and receives legal interest.” The \textit{UFC 1-300-08}, “Criteria for Transfer and Acceptance of DoD Real Property,” notes this date as “the date an interim Transfer and Acceptance of Military Real Property document (DoD (DD) Form 1354) is signed and title for assets listed on the acceptance form is transferred to the DoD on behalf of the United States (U.S.) Government.”

B. To assure consistent and accurate placed in-service dates, DoD Components must adhere to one of the following methods, and ensure that sufficient supporting documentation exists for auditors to validate the date recorded. Existing guidance that describes how placed in-service dates for real property assets will be determined is presented in Table A4-1
Table A4-1

<table>
<thead>
<tr>
<th>Acquisition Method</th>
<th>Source Document</th>
<th>Acceptance Date</th>
<th>Effective Date</th>
<th>Acquisition Date¹</th>
<th>RPA Place in-Service Date² (Depreciation Triggering Event)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New construction</td>
<td>DD form 1354</td>
<td>Executed interim DD Form 1354 transaction</td>
<td>Date specified in DD Form 1354 transaction</td>
<td>Date first interim DD Form 1354³ transaction is executed</td>
<td>Date interim DD Form 1354 transaction is executed</td>
</tr>
<tr>
<td>Purchase⁴ (can include Exchange)</td>
<td>Deed</td>
<td>Executed interim DD Form 1354 ⁵ transaction</td>
<td>Date of delivery/recordation</td>
<td>Date of delivery/recordation</td>
<td>Acquisition Date</td>
</tr>
<tr>
<td>Lease/Grant</td>
<td>Lease/Grant</td>
<td>Signed lease/grant</td>
<td>Grant Start Date</td>
<td>Date lease signed</td>
<td>Grant start date (Not applicable for depreciation)</td>
</tr>
<tr>
<td>Transfer between Services</td>
<td>DD Form 1354</td>
<td>Executed interim DD Form 1354 transaction</td>
<td>Date specified in transaction</td>
<td>Date of original transaction when United States Government acquired title or legal interest in the asset (Acquisition Date for the transferring Service)</td>
<td>Original DoD RPA Placed in-Service Date as shown by the transferring Service</td>
</tr>
<tr>
<td>Inventory Adjustment</td>
<td>Tier documentation noted in Table A5-3</td>
<td>Executed interim DD Form 1354 transaction</td>
<td>Date based on Tier documentation noted in Table A5-3</td>
<td>Date based on Tier documentation noted in Table A5-3</td>
<td>Date based on Tier documentation noted in Table A5-3</td>
</tr>
<tr>
<td>Transfer from one federal Component to another</td>
<td>Transfer letter, SF 1334</td>
<td>Executed interim DD Form 1354 transaction</td>
<td>Date specified in document</td>
<td>Date the United States Government acquired title or legal interest in the asset</td>
<td>Acquisition Date</td>
</tr>
<tr>
<td>Condemnation</td>
<td>Judgment document</td>
<td>Executed interim DD Form 1354 transaction/ Signed Judgment</td>
<td>Declaration of Taking is accepted by a court</td>
<td>Declaration of Taking is accepted by a court</td>
<td>Acquisition Date</td>
</tr>
<tr>
<td>Reversion</td>
<td>Reversion legal document</td>
<td>Executed interim DD Form 1354</td>
<td>Date of executed reversionary</td>
<td>Date of executed reversionary</td>
<td>Date of executed reversionary document</td>
</tr>
</tbody>
</table>
### Table A4-1

<table>
<thead>
<tr>
<th>Acquisition Method</th>
<th>Source Document</th>
<th>Acceptance Date</th>
<th>Effective Date ¹</th>
<th>Acquisition Date ² (Depreciation Triggering Event)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gifts and donations</td>
<td>Executed acquisition document</td>
<td>Deed delivery/recordation</td>
<td>Date of acquisition document</td>
<td>Date of acquisition document</td>
</tr>
</tbody>
</table>

¹ Acquisition Date is a RPIM data element to be populated upon first acceptance by the United States Government. For RPA Placed in–Service Date, the term Acquisition Date equals the entry in the column titled Acquisition Date.

² The date reflected in box 7a on the DD Form 1354.

³ Changed from final DD Form 1354 to interim DD Form 1354.

⁴ Purchase acquisition method is associated to both the land purchase and land purchase with facilities and exchange acquisition scenarios.

⁵ This method of acquisition is being added to the UFC 1-300-08 as requiring a completed interim DD Form 1354 at acceptance.

### C.

In the absence of information noted in Table A4-1, the guidance in Table A4-2 should be used.

### Table A4-2

<table>
<thead>
<tr>
<th>Governing Document Reference</th>
<th>Placed in-Service Date Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>FASAB - SFFAS 6, Paragraph 34</td>
<td>“PP&amp;E shall be recognized when title passes to the acquiring entity or when the PP&amp;E is delivered to the entity or an agent of the entity.”</td>
</tr>
</tbody>
</table>
| FASAB - SFFAS 6, Paragraph 40 and SFFAS 50, Paragraph 13 | “In some cases, the in-service date must be estimated. In estimating the year that the base unit was placed in service, if only a range of years can be identified, then the midpoint of the range is an acceptable estimate of the in-service date.”
“IT is not necessary to separately identify the in-service date for material improvements included in the opening balances of a base unit. All improvements included in the opening balances at deemed cost may be treated as if they were placed in-service at the date the base unit was placed in-service.” |
| Chapter 24, Paragraph 240206.C | “The event that triggers the calculation of depreciation is the date the real property asset is placed in service (regardless of whether it is actually used).” |
| Defense Finance and Accounting Service 7900.4-M, Financial Management Systems Requirements Manual Volume 3, Property, Plant and Equipment, page 41, August 2014 | “Property, Plant and Equipment (PP&E) shall be recognized when title passes to the acquiring entity or when the PP&E is delivered to the entity or to an agent of the entity. In the case of constructed Property, PP&E, the PP&E shall be recorded as construction work in process until it is placed in service, at which time the balance shall be transferred to general PP&E in the system.” |
D. DoD Components must review real property asset records for the existence and adequacy of documentation to support placed in-service information. In reviewing asset records, answers to the following questions must be answered:

1. Does sufficient documentation exist?

2. Does alternative documentation need to be used?

3. Is the placed in-service date clearly identified and marked on supporting documents?

4. Are all required appropriate/authorized signatures noted on documentation?

E. Documentation to support the placed in-service date is vital to the completeness of both functional and financial records. GAAP allows for alternative placed in-service methodologies where adequate historical documentation does not exist. These estimates of cost and placed in-service date must be fully supported, and information retained in accordance with National Archives and Records Administration requirements described in Volume 1, Chapter 9. Table A4-3 lists examples of supporting documentation for placed in-service date in descending order of preference.

Table A4-3

<table>
<thead>
<tr>
<th>Documentation for Placed in-Service Date</th>
<th>Description</th>
<th>Tier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source Documentation (noted in Table A4-1)</td>
<td>Noted in the second column of Table A4-1.</td>
<td>1</td>
</tr>
<tr>
<td>Tax Assessor Records</td>
<td>If adequate historical placed in-service date is not available, a search of the county tax assessor's website for the asset and the purchase date should be used to determine a reasonable estimate for placed in-service date.</td>
<td>1</td>
</tr>
<tr>
<td>Dedication Plaque</td>
<td>If adequate historical placed in-service date is not available, a search of the asset should be conducted for a dedication plaque. Once the dedication plaque has been found, ensure that it references the DoD as owners. If DoD is listed as owners, obtain a photograph of the dedication plaque with an inscription indicating the dedication date. If DoD is not listed on the plaque, the date shall not be used as an alternative for placed in-service date.</td>
<td>2</td>
</tr>
<tr>
<td>Cornerstone</td>
<td>If adequate historical placed in-service date is not available, search the asset for a cornerstone. If the cornerstone is found, obtain a photograph of the cornerstone. The cornerstone should be located on the outside of the building or structure with an inscription on the stone indicating the construction date. This date would be used for the placed in-service date.</td>
<td>2</td>
</tr>
<tr>
<td>Earliest Site Plot of Asset</td>
<td>If adequate historical placed in-service date is not available, search online in the DoD Component database for the earliest site plot or asset drawing available. Once found, the date on the earliest plot or asset drawing may be used as a reasonable alternative for placed in-service date.</td>
<td>2</td>
</tr>
<tr>
<td>Documentation for Placed in-Service Date</td>
<td>Description</td>
<td>Tier</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>Earliest Maintenance Record of Asset or Engineering Estimates (e.g., Engineering Form 3013)</td>
<td>If adequate historical placed in-service date is not available, search for work order or maintenance records from Department of Public Works or real property accountable officer or local program office. Once found, the date of the earliest recorded work order or maintenance may be used as a reasonable alternative for placed in-service date.</td>
<td>3</td>
</tr>
<tr>
<td>Placed in-Service Date of Major Asset on Site</td>
<td>If adequate historical placed in-service date is not available, research and obtain the actual or alternate placed in-service date established from a major asset on the DoD site. A major asset can be defined as a significant asset that is critical to the primary function of the site. The major assets may vary based on the purpose of the site. For example, a tower would be a major asset at a communications station, a house would be a major asset at a housing site, and a lighthouse would be a major asset for a site that includes the lighthouse, housing units, as well as other assets such as driveways, fences, and storage buildings that were established to support the lighthouse. For other sites, such as air stations, units, or sectors that may have multiple functions, a major asset could be a building where many of the management and administrative activities occur. The major assets must be located within the same real property site. Upon obtaining the placed in-service date of the major asset, use the placed in-service date of the major asset as the reasonable alternative for the placed in-service date of the supporting assets in question. If more than one major asset has a reliable placed in-service date on the site, and the placed in-service date of the major assets are different, then use the placed in-service date of the oldest asset on the site. Once found, the placed in-service date of the oldest major asset may be used as a reasonable alternative for placed in-service date.</td>
<td>3</td>
</tr>
<tr>
<td>Construction Style</td>
<td>If adequate historical placed in-service date is not available, a search for assets on the DoD site of a similar construction style or period. Once found, the placed in-service date of the similar style asset may be used as a reasonable alternative for placed in-service date. If only a range of years can be identified, then the mid-point of the range is an acceptable estimate of the placed in-service date.</td>
<td>3</td>
</tr>
</tbody>
</table>

A40107. Definitions

A. **Asset Allocation Current Use Category Code**: A Military Service designator that represents the current use by the assigned user of a specific portion of a RPA.

B. **Asset Allocation Current Use FAC Code**: An OSD level designator that represents the current use by the assigned user of a specific portion of the RPA.

C. **Asset Allocation Size Quantity**: The amount of the asset granted for use based on the Asset Allocation Current Use FAC and expressed in terms of the Asset Allocation Unit of Measure Code.

D. **Asset Allocation Unit of Measure Code**: The unit of measure code used for the measurement of the associated Asset Allocation Size Quantity.
E. **Building**: A roofed and floored facility enclosed by exterior walls and consisting of one or more levels that is suitable for single or multiple functions and that protects human beings and their properties from direct harsh effects of weather such as rain, wind and sun.

F. **City Code**: The code used to identify the city or the nearest city to where the real property asset or real property site is located. The nearest city shall be in the same county as the asset.

G. **Country Code**: The Geopolitical Component Names, and Codes standard, code used to identify the country in which the real property asset or site is located.

H. **County Code**: The code used to identify the county in which the real property asset or site is located. This code identifies counties and equivalent administrative entities of the U.S., its possessions, and associated areas as defined by the Federal Information Processing Series (FIPS) and found in the General Services Administration (GSA) Geographic Locator Codes (GLCs) or the county equivalent for countries not covered in the GSA GLCs. A County Code is only unique if it is combined with a State or Country Primary Subdivision Code in the areas listed in the GSA GLCs or with the Country Code for areas not in the GSA GLCs.

I. **Deemed Cost**: An amount used as a surrogate for initial amounts that otherwise would be required by SFFAS 6 to establish opening balances.

J. **Fair Value**: The amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

K. **GVPV**: An interest in a real property asset held by the U.S. Government acquired by a mutually beneficial partnership agreement between a Military Department or WHS and a private entity, where equity interest in a project is shared for a specific business purpose. This interest type applies when the DoD has ongoing reported financial statement costs directly associated with an asset(s) gained by the project or the asset is located on a military installation.

L. **Linear Structure**: A facility whose function requires that it traverse land (e.g., runway, road, rail line, pipeline, fence, pavement, electrical distribution line) or is otherwise managed or reported by a linear unit of measure at the category code level.

M. **Opening Balances**: Account balances that exist at the beginning of the reporting period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions and events of prior periods and accounting policies applied in the prior period. Opening balances also include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments.

N. **PRV**: A value, recorded in U.S. dollars, which represents the cost to design and construct a facility to current standards for replacement of an existing facility at the same location.
O. **RPA Historic Status Code**: A code used to identify the current historical status of a RPA.

P. **RPA Interest Type Code**: A code used to identify the type of legal interest that DoD holds in a RPA.

Q. **RPSUID**: A unique non-intelligent code used to permanently identify real property sites. A real property site is a specific geographic location that has individual land parcels and/or facilities assigned to it. The City Code, County Code, State or Country Primary Subdivision Code and Country Code associated to the RPSUID will provide location information necessary for location cost factors.

R. **RPUID**: A unique non-intelligent code used to permanently identify a real property asset.

S. **State or Country Primary Subdivision Code**: The code used to identify the primary subdivision of a country such as a state, the District of Columbia, or a possession in which the real property asset or site is located.

T. **Structure**: A facility, other than a building or linear structure, that is constructed on or in the land.

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**A40108. Establishing Opening Balances for Land and Land Rights**

A. This paragraph does not change existing accounting or financial reporting guidance regarding Stewardship Land, including guidance in Chapter 28.

B. All DoD Components that have not yet undergone a financial statement audit where they received an unmodified audit opinion will exclude the value of General PP&E land and land rights from opening balances of GPP&E on their Balance Sheet. This means that DoD Components who have not undergone a financial statement audit where they received an unmodified audit opinion will adjust their land and land rights opening balances to zero. A DoD Component that has received an unmodified audit opinion will continue to account for land and land rights in accordance with SFFAS 6.

C. Entries in the DoD Component accounting systems/records to adjust the value of land and land rights to zero are subject to the reporting requirements under paragraph 13 of FASAB SFFAS 21, “Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources.” Accordingly, the entries will be reflected as a change in accounting principle. Any adjustments must be properly documented and supported to assist ongoing audit efforts.

D. DoD Components adjusting their land and land rights to zero in accordance with subparagraph A40108.B will also expense future General PP&E land and land rights acquisitions.
E. DoD Components must disclose, in the notes to their financial statements, with a reference on the Balance Sheet, the number of acres of General PP&E land and land rights (where the types of land rights are conducive to measurement in acres) held as of the period of its first audited financial statement. This acreage amount must be reported separately from the DoD Component's Stewardship Land. There are no disclosure requirements for General PP&E land rights not measured in acres in establishing opening balances.

F. For all years after the initial financial statements, where land and land rights were reported as zero, DoD Components must disclose, in the notes to their financial statements, with a reference on the Balance Sheet, the number of acres of General PP&E land and land rights measured in acres held at the beginning of each reporting period, the number of acres added during the period, the number of acres disposed of during the period, and the number of acres held at the end of each reporting period. These acreage amounts must be reported separately from the DoD Component's Stewardship Land. There are no disclosure requirements for General PP&E land rights not measured in acres.

A50101. Construction-In-Progress (CIP) Illustrative Example and Journal Entries

A. CIP Example: The Department of Defense Education Activity (DoDEA) funds the construction of a new high school on an Army Installation. DoDEA reports the CIP on its financial statements. When the asset is placed in service, DoDEA relieves the appropriate CIP amount, recognizes the asset, and transfers the asset to the Army along with all relevant supporting documentation. Upon transfer, the Army reports the school on its financial statements.

B. Table A5-1 depicts illustrative General Ledger (G/L) journal entries to demonstrate the relief of CIP in the accounting records and initial recording of the asset by the funding Department of Defense (DoD) Component and the subsequent transfer of that asset to the Installation Host when the funding DoD Component is not the Installation Host.

Table A5-1. Liquidation of CIP and Transfer of Completed Asset

<table>
<thead>
<tr>
<th>Funding DoD Component</th>
<th>G/L Entry – Liquidation of CIP by the DoD Component Funding Construction to Place the Asset in Service (Transaction Code D510)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit 173000 Buildings, Improvements, and Renovations</td>
</tr>
<tr>
<td></td>
<td>Debit 174000 Other Structures and Facilities</td>
</tr>
<tr>
<td></td>
<td>Credit 172000 Construction-in-Progress</td>
</tr>
</tbody>
</table>

|                       | G/L Entry – Transfer Out to Installation Host (Transaction Code E510)                                               |
|                       | Debit 573000 Financing Sources Transferred Out Without Reimbursement                                                |
|                       | Credit 173000 Buildings, Improvements, and Renovishments                                                              |
|                       | Credit 174000 Other Structures and Facilities                                                                       |

<table>
<thead>
<tr>
<th>Installation Host</th>
<th>G/L Entry – Transfer In by Installation Host (Transaction Code E606)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit 173000 Buildings, Improvements, and Renovishments</td>
</tr>
<tr>
<td></td>
<td>Debit 174000 Other Structures and Facilities</td>
</tr>
<tr>
<td></td>
<td>Credit 572000 Financing Sources Transferred in Without Reimbursement</td>
</tr>
</tbody>
</table>

Note: If the transfer is not completed during the month CIP is relieved and depreciation has been recorded by the funding DoD Component, the recorded amount of accumulated depreciation recorded will also be transferred.

A50102. In-Service Real Property Illustrative Examples and Journal Entries

A. In-Service Real Property Examples:

1. The Missile Defense Agency (MDA) operates a facility that includes other defense agency tenants located on an Army Installation. The Army does not have operations in the facility but is the designated Installation Host and carries the MDA facility as Army real property in its real property database. The Army is the financial reporting entity for the facility.
2. The Army Working Capital Fund (WCF) operates and has jurisdiction over a maintenance depot. The Army WCF will report the real property on that installation on its financial statements and is responsible for maintaining supporting documentation to support audit.

B. Table A5-2 depicts illustrative G/L journal entries to demonstrate the transfer of in-service real property from one DoD Component to the Installation Host.

Table A5-2. Transfer of In-Service Real Property Reporting Responsibility

<table>
<thead>
<tr>
<th>DoD Component</th>
<th>G/L Entry – Transfer Out to Installation Host (Transaction Code E510)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit 573000 Financing Sources Transferred Out Without Reimbursement</td>
</tr>
<tr>
<td></td>
<td>Debit 173900 Accumulated Depreciation on Buildings, Improvements, and Renovations</td>
</tr>
<tr>
<td></td>
<td>Debit 174900 Accumulated Depreciation on Other Structures and Facilities</td>
</tr>
<tr>
<td></td>
<td>Credit 173000 Buildings, Improvements, and Renovations</td>
</tr>
<tr>
<td></td>
<td>Credit 174000 Other Structures and Facilities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Installation Host</th>
<th>G/L Entry – Transfer In by Installation Host (Transaction Code E606)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit 173000 Buildings, Improvements, and Renovations</td>
</tr>
<tr>
<td></td>
<td>Debit 174000 Other Structures and Facilities</td>
</tr>
<tr>
<td></td>
<td>Credit 173900 Accumulated Depreciation on Buildings, Improvements and Renovations</td>
</tr>
<tr>
<td></td>
<td>Credit 174900 Accumulated Depreciation on Other Structures and Facilities</td>
</tr>
<tr>
<td></td>
<td>Credit 572000 Financing Sources Transferred In Without Reimbursement</td>
</tr>
</tbody>
</table>

A50103. Capitalized Improvements to Real Property Illustrative Examples and Journal Entries

A. Capitalized Improvements to Real Property Examples:

1. The Defense Logistics Agency (DLA) WCF funds an improvement to a building on an Army base. DLA reports the CIP until the improvement is complete, then transfers the improvement to the Army to be reported on the Army’s General Fund financial statements. DLA will set its capital recovery rates related to the capital improvement in accordance with Volume 2B, Chapter 9, recording the imputed cost instead of actual depreciation expense as the basis for their budget.

2. The Defense Advanced Research Projects Agency (DARPA) funds a conversion of an office suite to another purpose that it occupies on a Navy installation. DARPA reports the CIP until the conversion is complete, relieves CIP, and then transfers the improvement to the Navy to be reported on the Navy’s General Fund financial statements.

B. Table A5-3 depicts illustrative G/L journal entries to demonstrate the transfer of in-service capital improvements from one DoD Component to the Installation Host.
Table A5-3. Transfer of In-Service Capital Improvements to Real Property

<table>
<thead>
<tr>
<th>Funding DoD Component</th>
<th>G/L Entry – Transfer Out to Installation Host (Transaction Code E510)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit 573000 Financing Sources Transferred Out Without Reimbursement</td>
</tr>
<tr>
<td></td>
<td>Debit 173900 Accumulated Depreciation on Buildings, Improvements, and Renovations</td>
</tr>
<tr>
<td></td>
<td>Debit 174900 Accumulated Depreciation on Other Structures and Facilities</td>
</tr>
<tr>
<td></td>
<td>Credit 173000 Buildings, Improvements, and Renovations</td>
</tr>
<tr>
<td></td>
<td>Credit 174000 Other Structures and Facilities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Installation Host</th>
<th>G/L Entry – Transfer In by Installation Host (Transaction Code E606)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit 173000 Buildings, Improvements, and Renovations</td>
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<td>Debit 174000 Other Structures and Facilities</td>
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<td>Credit 173900 Accumulated Depreciation on Buildings, Improvements and Renovations</td>
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<td>Credit 174900 Accumulated Depreciation on Other Structures and Facilities</td>
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<td>Credit 572000 Financing Sources Transferred In Without Reimbursement</td>
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A50104. Note Disclosure Examples

A. The following is an example of a note disclosure for Installation Hosts, which could be Military Departments, WHS or Military Department WCFs:

The [Installation Host] reports the real property within the jurisdiction of [Installation Host] installations, in its financial statements because it is the designated Installation Host. This includes real property on [Installation Host] installations including real property used and occupied by [another Military Department, WHS, another Military Department WCF or other DoD Components (who are not the Installation Host)]. The [Installation Host] who is the Installation Host does not report assets on its installation that were funded by, and are exclusively used by an entity not included in the consolidated DoD financial statements. While the [Installation Host] is responsible and accountable for accepting, controlling, managing, and utilizing real property assets, the [Installation Host] has entered into Memoranda of Agreement, with another Installation Host, or other DoD Components, and license or permit with non-DoD governmental agencies, transferring the right to control the use of a [Installation Host] real property asset to the [other Installation Host and other DoD Components and non-DoD governmental agencies (who are not the Installation Host)]. The transfer of the right to control the use of the real property asset does not transfer jurisdiction and the asset remains an asset under the jurisdiction of the [Installation Host].
B. The following are examples of note disclosures for DoD Components utilizing real property assets in their operations that are being financially reported by an Installation Host:

Example of the Note for DoD Component:

The [DoD Component] does not report in its financial statements real property that they use and occupy within the jurisdictions of [Military Department or WHS]. This includes all real property used and occupied by the [DoD Component]. The [DoD Component] has entered into Memoranda of Agreement, with the [Installation Host] that is the Installation Host, which transfers the right to control the use of [Installation Host] real property asset to the [DoD Component]. The transfer of the right to control the use of the real property asset does not transfer jurisdiction and the asset remains an asset of the [Installation Host] acting as the Installation Host.

Example of the Note for a non-Military Department WCF Component (e.g., DLA):

The [DoD WCF Component] does not report in its financial statements real property that they use and occupy within the jurisdiction of [Installation Host]. This pertains to all real property used and occupied by the [DoD WCF Component] including real property that was funded with WCF outlays that are being recovered through the capital recovery rate. The [DoD WCF Component] has entered into Memoranda of Agreement, with the [Installation Host] that is the Installation Host, which transfers the right to control the use of a [Installation Host] real property asset to the [DoD WCF Component]. The transfer of the right to control the use of the real property asset does not transfer jurisdiction and the asset remains and asset of the [Installation Host] acting as Installation Host.
C. The following is an example of a note disclosure for a Military Department WCF that (1) has been given jurisdiction over specific installation(s) and financially reports that real property; and, (2) also used and occupied other real property for which it is not the financially reporting Installation Host:

The [Military Department WCF] reports in its financial statements real property within the jurisdiction of the [Military Department WCF], when it is the designated Installation Host for the real property. This includes real property on [Military Department WCF ] designated installations including real property used and occupied by [another Military Department, WHS or other DoD Components (who are not the Installation Host)]. However, the [Military Department WCF] who is the designated Installation Host does not report assets on its installation that were funded by, and are exclusively used by an entity not included in the consolidated DoD financial statements.

The [Military Department WCF] used and occupied certain real property asset(s) in which it is not the designated Installation Host as a result does not include the real property asset(s) in its financial statements. The [Military Department WCF] has entered into Memoranda of Agreement, with the [Installation Host] that is the Installation Host, which transfers the right to control the use of [Installation Host] real property asset(s) to the [Military Department WCF]. The transfer of the right to control the use of the real property asset does not transfer jurisdiction and the asset remains an asset of the [Installation Host] acting as the Installation Host.
**VOLUME 4, CHAPTER 25: “GENERAL EQUIPMENT”**

SUMMARY OF MAJOR CHANGES

All changes are denoted by **blue font**.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

This is the initial publication.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tbody>
<tr>
<td>All</td>
<td>This chapter contains updated policy for general equipment and supersedes policy contained in Volume 4, Chapter 6 dated June 2009 related to general equipment.</td>
<td>New Chapter</td>
</tr>
<tr>
<td>Policy Memo</td>
<td>The Deputy Chief Financial Officer (DCFO) policy memorandum, “Application of Capitalization Thresholds for General Property, Plant, and Equipment,” dated March 5, 2019, was incorporated into this chapter as applicable.</td>
<td>*</td>
</tr>
<tr>
<td>Policy Memo</td>
<td>The DCFO policy memorandum, “General Equipment Financial Reporting Responsibilities,” dated July 2, 2018, was incorporated into this chapter and cancelled.</td>
<td>Cancellation</td>
</tr>
<tr>
<td>Policy Memo</td>
<td>The DCFO policy memorandum, “Strategy and Implementation Guidance for General Equipment Valuation,” dated March 14, 2016, was incorporated into this chapter and cancelled.</td>
<td>Cancellation</td>
</tr>
<tr>
<td>Policy Memo</td>
<td>The DCFO policy memorandum, “Requests to Increase Capitalization Thresholds,” dated March 14, 2014, was incorporated into the chapter as applicable.</td>
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<tr>
<td>Policy Memo</td>
<td>The DCFO and Director, Acquisition Resources and Analysis, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics policy memorandum, “Elimination of Military Equipment Definition and Increase to Capitalization Thresholds for General Property, Plant and Equipment,” dated September 20, 2013, was incorporated into this chapter as applicable.</td>
<td>*</td>
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<tr>
<td>Policy Memo</td>
<td>The DCFO policy memorandum, “Financial Statement Responsibility for Reporting Military Equipment under the Operational Control of Another Entity,” dated March 6, 2012, was incorporated into this chapter and cancelled.</td>
<td>Cancellation</td>
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* Cancellation of the policy memo is not applicable with this publication.
*CHAPTER 25

GENERAL EQUIPMENT

2501 GENERAL

250101. Overview

This chapter prescribes Department of Defense (DoD) accounting policy for general equipment including Government-Furnished Property (GFP) and Contractor-Acquired Property (CAP) that fall under the category of general equipment, all of which are subsets of general Property, Plant, and Equipment (PP&E).

A. Description. General equipment, such as Military Equipment (weapon systems), consists of tangible assets that:

1. Have an estimated useful life of two years or more;
2. Are not intended for sale in the ordinary course of operations; and
3. Are acquired or constructed with the intention of being used or being available for use by the entity.
4. Were previously defined as Military Equipment, and before that as National Defense Property, Plant and Equipment (weapon systems).

B. Characteristics of General Equipment. General equipment items are used in providing goods or services, or support the mission of the entity, and typically have one or more of these characteristics:

1. The item could be used for alternative purposes (e.g., by other DoD or federal programs, state or local governments, or nongovernmental entities), but it is used to produce goods or services, or to support the mission of the entity;
2. The item is used in business-type activities which are defined as a significantly self-sustaining activity which finances its continuing cycle of operations through collection of exchange revenue; and/or
3. The item is used by entities in activities whose costs can be compared to those of other entities performing similar activities (e.g., federal hospital services in comparison to commercial hospitals).

250102. Purpose

This chapter prescribes DoD accounting policy for general equipment including GFP and CAP that fall under the category of general equipment, all of which are subsets of general PP&E. The applicable general ledger accounts are listed in the United States Standard General Ledger
(USSGL) contained in Volume 1, Chapter 7, and the accounting entries for these accounts are specified in the DoD USSGL Transaction Library. Unless otherwise stated, this chapter is applicable to all DoD Components, both General Fund and Working Capital Fund (WCF) activities.

250103. Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:


B. FASAB SFFAC 7, “Measurement of the Elements of Accrual-Basis Financial Statements in Periods after Initial Recording”;


D. FASAB SFFAS 4, “Managerial Cost Accounting Standards and Concepts”;

E. FASAB SFFAS 6, “Accounting for Property, Plant, and Equipment”;

F. FASAB SFFAS 23, “Eliminating the Category National Defense Property, Plant, and Equipment”;


I. FASAB SFFAS 44, “Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use”;


K. FASAB SFFAS 55, “Amending Inter-entity Cost Provisions”;


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N. FASAB TR 14, “Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment”;


P. FASAB TR 17, “Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment”;

Q. FASAB TR 18, “Implementation Guidance for Establishing Opening Balances”;


S. FASAB Staff Implementation Guidance 6.1, “Clarification of Paragraphs 40 – 41 of SFFAS 6, Accounting for Property, Plant, and Equipment, as Amended”;


U. Federal Acquisition Regulation (FAR);

V. Defense FAR Supplement (DFARS);

W. DFARS Procedures, Guidance, and Information (PGI);

X. DoD Instruction (DoDI) 5000.02, “Operation of the Defense Acquisition System”;

Y. DoDI 5010.40 “Managers’ Internal Control Program Procedures”;

Z. DoDI 5000.64, “Accountability and Management of DoD Equipment and Other Accountable Property”;


AB. Title 40, United States Code, section 571 (40 U.S.C. § 571) – Public Buildings, Property, and Works; Subtitle 571 – General Rules for Deposit and Use of Proceeds; and
2502 ACCOUNTING FOR GENERAL EQUIPMENT

250201. Definitions

A. CAP. CAP is property acquired, fabricated, or otherwise provided by the contractor for performing a contract and to which the Government has title. CAP may be equipment, material, special tools, and special test equipment.

B. Constructive Delivery. Delivery that is inferred to have taken place from the conduct of the parties (such as when one transfers a title to another) involved in a transaction, even if the physical delivery did not take place. Constructive delivery must be based on the terms of the contract regarding shipping and/or delivery.

C. General Equipment. General equipment refers to tangible items that are used by DoD in providing goods and services.

1. General equipment items are those items that:
   a. Are durable and have a useful life of two years or more;
   b. Are not intended for sale in the ordinary course of operations;
   c. Are not held in anticipation of physical consumption;
   d. Are functionally complete and ready to use for their intended purpose; and
   e. Do not ordinarily lose their identity or become a component part of another asset when put into use.

2. GFP and CAP that meet the criteria of subparagraphs 250201.A.1.a through 250201.A.1.e are general equipment.

3. General equipment excludes internal use software. However, any computer software that is integrated into (embedded) and necessary to operate equipment (rather than perform an application) will be considered part of the general equipment item of which it is an integral part. Embedded software is not classified as internal use software. Guidance relating to software that is not integrated, i.e., internal use software is contained in Chapter 27.
a. An Automated Data Processing (ADP) system, including Information Technology Systems, for accounting and financial statement reporting purposes consists of dedicated equipment or components linked together and used in the performance of a service or function in support of a mission of a DoD Component, command, or installation. This definition should not be confused with budgetary or property accountability policy and/or regulations which may be different. ADP systems for the purpose of this definition and the requisite accounting treatment are typically referred to as mainframe or minicomputer systems and generally, do not include personal computers (PCs) linked to a central server and used in an office environment. ADP systems must be capitalized and depreciated when the total cost of the system (considering the individual components as a whole system) equals or exceeds the applicable DoD capitalization threshold (see subparagraph 250204.D) and has an expected useful life of two years or more.

b. PCs that are not organic to an ADP system (attached PCs and used solely for the operation of the ADP system) are excluded from the accounting and financial statement reporting definition of an ADP system. The cost of such PCs, therefore, is not included in the capitalized cost of an ADP system. Such nonorganic PCs must be recognized in accordance with the guidance prescribed in paragraph 250204.

4. Items that had previously been classified as Military Equipment, i.e., weapon systems and related support equipment, are now classified as general equipment. Weapon systems are those items that are intended to be used by the Armed Forces to carry out battlefield, intelligence, or surveillance missions; examples include combat aircraft, pods, combat ships, support ships, satellites, and combat vehicles.

a. Weapon systems do not ordinarily lose their identity or become component parts of another article; and are available for the use of the reporting entity for their intended purpose.

b. Intangible items, such as software, are not considered weapon systems; however, computer software that is integrated into (embedded) and necessary to operate weapon systems (rather than perform an application) must be considered part of the weapon system of which it is an integral part.

c. Weapon systems are generally functionally complete and must be valued based on the cost of the final assembly, including the cost of embedded items.

D. GFP. GFP is property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. GFP includes, but is not limited to equipment, material, special tools, special test equipment, spares and property furnished for repair, maintenance, overhaul, or modification.

E. Indirect Project Costs. Costs incurred, such as construction administration, legal fees, and various office costs, that clearly relate to projects under development or construction.
F. **Material.** Material is property that may be consumed or expended during the performance of a contract, component parts of a higher assembly, or items that lose their individual identity through incorporation into an end item. Material does not include equipment, special tooling, or special test equipment.

G. **Materiality.** Materiality, as defined by the SFFAS 1, is the degree to which an item's omission or misstatement in a financial statement makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

250202. **Relevant USSGL Accounts**

A. **Construction-in-Progress (USSGL 172000).** The Construction-in-Progress (CIP) account is used to accumulate the costs of new construction of general PP&E (except for internal use software for which capitalized development costs are accumulated in USSGL 183200 - Internal Use Software in Development Account) and capital improvements while the asset is under construction. CIP accounts include all costs (i.e., direct labor, direct material, supervision, inspection and overhead) incurred in construction. Upon completion, these costs will be transferred to the appropriate general PP&E account. See subparagraph 250204.G for a discussion of the CIP process.

B. **Equipment (USSGL 175000).** The Equipment account is used to record the capitalized cost of tangible equipment items of a durable nature that are used by DoD in providing goods and services. This account excludes internal use software but includes the cost of computer software that is integrated into (embedded) and necessary to operate the equipment of which it is an integral part.

C. **Accumulated Depreciation on Equipment (USSGL 175900).** The Accumulated Depreciation on Equipment account is used to record the amount of accumulated depreciation charged to expense for assets recorded in the Equipment account (USSGL 175000). See paragraph 250206 for guidance on calculating and recording depreciation.

D. **General Property, Plant, and Equipment Permanently Removed but Not Yet Disposed (USSGL 199500).** The General Property, Plant, and Equipment Permanently Removed but Not Yet Disposed account is used to record the value of general PP&E assets which have been permanently removed from service. Upon permanent removal from service, general PP&E assets must be recorded at their expected net realizable value (NRV) and must cease to be depreciated. See paragraph 250208 for guidance on reporting general PP&E assets which have been permanently removed from service.

E. **Depreciation, Amortization and Depletion (USSGL 671000).** The expense recognized by the process of allocating costs of an asset (tangible or intangible) over the period of time benefited or the asset’s useful life is recorded in this account.
250203. Acquisition/Valuation

A. Recorded Cost. When acquiring a general equipment item, the recorded cost must be recognized in accordance with paragraph 250204. The recorded cost of general equipment items is the basis for computing depreciation. The recorded cost must include all amounts paid to bring the equipment to its form and location suitable for its intended use, including the costs of any embedded items and/or integral software plus ancillary costs. This subparagraph defines and prescribes the use of acquisition cost, net book value, fair value, and recorded cost when recording the cost of newly acquired general equipment assets. The funding source (e.g., appropriation and WCFs) is not a factor in determining whether or not an item should be capitalized.

1. Acquisition Cost. For the purposes of this chapter, acquisition cost refers to the original purchase, construction, or development cost; net of (less) any purchase discounts. Purchase discounts lost and late payment interest expenses must not be included as a cost of the asset; rather, such costs must be recognized as operating expenses. Although the measurement basis for valuing general equipment remains historical cost, reasonable estimates maybe used to establish the historical acquisition cost for general equipment as described in SFFAS 6 as amended by SFFAS 50.

2. Net Book Value. Net Book value is the recorded cost of a general equipment asset, less its accumulated depreciation.

3. Fair Value. Fair value is the amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

4. Ancillary Cost. Ancillary costs are included in the recorded cost in addition to the acquisition cost of the asset. These costs are identifiable and necessary to bring the asset to its form and location suitable for its intended use including other direct and indirect costs. Examples include:

   a. GFP installed in end items (e.g., engines installed in aircraft);

   b. An appropriate share of the cost of Government-furnished materials used in the production of end items;

   c. Transportation charges to the point of initial use;

   d. Handling and storage costs;

   e. Labor and other direct or indirect production costs (for assets produced or constructed);
f. Engineering and other outside services for designs, plans, specifications, and surveys;

g. An appropriate share of the cost of the equipment and facilities used in construction work;

h. Acquisition and preparation costs of equipment;

i. Direct costs of inspection, supervision, and administration of construction contracts and construction work;

j. **Allowable** direct cost of maintaining the Program Management Office, if material;

k. Legal and recording fees and damage claims;

l. Fair value of equipment donated to the DoD;

m. Interest paid **directly to providers of goods or services related to the acquisition or construction** (not including late payment interest penalties); and

n. A prorated share of non-recurring cost associated with the production of the equipment. A non-recurring cost is an unusual charge, expense, or loss that is unlikely to occur again in the normal course of business. Non-recurring costs include write-offs, fire or theft losses, and losses on sales of assets.

**B. Method of Acquisition or Transfer Determines Recorded Cost**

1. **Purchased Equipment.** The cost to be recorded for general equipment items acquired by purchase from a third party (private, commercial, or state or local government) is its purchase contract cost plus applicable ancillary costs. **Examples of ancillary costs are included in the listing in subparagraph 250203.A.4.** For purposes of this guidance, purchase includes procurements of general equipment by cash, check, or installment or progress payments on contracts.

2. **Constructed Equipment.** The cost to be recorded for constructed general equipment items is the sum of all the costs incurred to bring the item(s) to a form and condition suitable for their intended use. These include costs incurred after project design authorization for actual construction such as labor, materials, and overhead costs (see Annex 1 for a list and description of the costs to be accumulated for constructed items). Note that preliminary planning costs accumulated prior to design authorization must be expensed and not be captured as part of the recorded cost of constructed items. The cost of general equipment under construction must be recognized in accordance with the CIP guidance prescribed in subparagraph 250204.G.
3. **Donated Equipment.** The cost to be recorded for general equipment acquired through donation, execution of a will, or judicial process excluding forfeiture must be its estimated fair value at the time acquired by the DoD.

4. **Exchanged Equipment.** The cost to be recorded for general equipment acquired through exchange between the DoD and a nonfederal entity is the fair value of the consideration surrendered at the time of exchange. If the fair value of the equipment acquired is more readily determinable than that of the consideration surrendered, the cost will be the fair value of the equipment acquired. If neither fair value can be determined, the cost of the equipment acquired will be the cost recorded for the consideration surrendered, net of any accumulated depreciation. Any difference between the net recorded amount of the consideration surrendered and the cost of the equipment acquired must be recognized as a gain or loss. In the event that cash consideration is included in the exchange, the cost of general equipment acquired will be increased by the amount of cash consideration surrendered or decreased by the amount of cash consideration received. If the DoD Component enters into an exchange in which the fair value of the equipment acquired is less than that of the consideration surrendered, the equipment acquired will be recognized at the amount of the consideration surrendered, as described previously and subsequently reduced to its fair value. A loss must be recognized in an amount equal to the difference between the amount of the consideration surrendered for the equipment acquired and its fair value. This guidance on exchanges applies only to exchanges between a DoD Component and a nonfederal entity. Exchanges between a DoD Component and another DoD Component or Federal agency must be accounted for as a transfer.

5. **Capital Leases.** The recorded cost of general equipment acquired under a capital lease is the present value of the rental and other minimum lease payments during the lease term, excluding that portion of the payments representing executory cost (e.g., insurance, maintenance and taxes) to be paid by the lessor. The present value is the value of future cash flows (e.g., lease payments) discounted to the present at a certain interest rate (such as the reporting entity’s cost of capital), assuming compound interest. However, if the amount so determined exceeds the fair value of the leased property at the inception of the lease, the amount recorded will be the fair value. If the portion of minimum lease payments representing executory cost is not determinable from the lease provisions, the amount should be estimated.

6. **Seized and Forfeited Equipment.** The cost recorded for general equipment acquired through seizure or forfeiture is its fair value, less an allowance for any liens or claims from a third party.

7. **Vested and Seized Property During Contingency Operations.** See Volume 12, Chapter 29, for discussion of vested and seized property during times of contingency operations.
8. Transferred Equipment. Transfers of equipment must adhere to the following:

   a. Generally, the cost recorded for general equipment transferred from another DoD Component or Federal agency is the cost recorded on the transferring entity’s books for the general equipment, net of any accumulated depreciation (i.e., net book value). If the receiving DoD Component cannot reasonably ascertain those amounts, the cost of the asset will be its fair value at the time of transfer. Accountability for general equipment can be transferred between entities in accordance with DoDI 5000.64 and financial reporting responsibilities will follow. Both parties must agree to the transfer and the agreement must be documented using the appropriate documentation (e.g., DoD (DD) Form 1348-1A, DLMS 856S, or DD Form 1149). Each DoD Component has execution responsibility to ensure that requisite tasks are being completed in a timely manner for all transfers.

   b. When completing a transfer, the transferring DoD Component, is required to provide financial reporting information to the receiving DoD Component whenever the asset is transferred throughout the asset lifecycle. When transfers are implemented, supporting documentation which includes financial reporting information, trading partner information, and associated data elements must be provided. These data elements include, but are not limited to, Name, Unique Identifier, Status, General Ledger Classification, Value, Estimated Useful Life, Date Placed in Service, and Transaction Date. If this information is not available, the receiving and transferring entities must develop and document an estimate to support the financial transfer of the asset. See Volume 12, Chapter 14, for further policy on transfers of DoD general equipment between Military Departments.

   c. Within DoD Components, there are different capitalization thresholds. For transferred equipment between DoD Components if an asset was capitalized at acquisition, it will continue to be capitalized and depreciated after transfer regardless of the new financial reporting entity’s capitalization threshold. If an asset was expensed at acquisition, it will not be capitalized and depreciated after transfer to the new financial reporting entity, even if the new financial reporting entity has a lower capitalization threshold than the original entity that acquired the asset. The transferring DoD Component will remove the transferred general equipment from its Accountable Property System of Record (APSR) and the receiving DoD Component will include the item in its APSR as accountable general equipment.

9. Equipment Acquired by Trade-In. The cost to be recorded for general equipment acquired when trading in another general equipment asset is the sum of the net book value of the asset(s) traded plus (minus) any cash paid (received) or liabilities assumed (relinquished) for the new asset. The net book value is the recorded cost of a general equipment asset, less its accumulated depreciation.

10. CAP. The recorded cost for general equipment acquired as CAP will be in accordance with the contractual arrangement used to acquire the item as follows:

   a. For fixed price type line, subline, or exhibit line items, the unit price identified in the contract at the time of delivery;
b. For cost type or undefinitized line, subline, or exhibit line items, the contractor’s estimated fully burdened unit cost to the Government at the time of delivery; and

c. For items delivered under a time and materials contract, the contractor’s estimated fully burdened unit cost to the Government at the time of delivery.

C. Documentation. When recording the acquisition of a general equipment item in the APSR and/or accounting system, the item must be assigned a dollar value (i.e., recorded cost) as detailed in this chapter. The dollar value must be supported by appropriate documentation. A complete discussion of supporting documentation can be found at paragraph 250302.

250204. Recognition

All general equipment items acquired by DoD Components must be recognized for accountability in accordance with DoDI 5000.64 and financially reported as required by this guidance. Recognition requires the appropriate accounting treatment (expense or capitalization with depreciation) and the reporting of capitalized amounts and accumulated depreciation on the appropriate DoD Component’s financial statements.

A. Recognition Responsibility. Financial reporting responsibility for a given general equipment asset will reside with the same entity that has accountability for that asset as defined in DoDI 5000.64, including the responsibility for recording the asset in the DoD Component’s APSR. In most cases, the entity with accountability and financial reporting responsibility for in-service general equipment will be the funding entity acquiring the asset for use in its operations. While financial reporting begins while the asset is under construction, physical accountability for the asset begins at the point of receipt, delivery, or acceptance. See Annex 3 for illustrative examples of financial reporting responsibilities for general equipment and related journal entries.

1. The base asset and all capital improvements to the base asset will be reported by the same reporting entity in order to maintain consistency between the financial reporting and the physical assets.

2. In cases where accountability changes from one entity to another, the financial reporting of the asset will transfer with the accountability of the asset. When transferring financial reporting responsibility for assets, supporting documentation for assets is required as described in subparagraph 250203.B.8.

3. Financial reporting responsibility for the asset also includes all aspects of financial reporting and disclosures such as, but not limited to, footnote disclosures, deferred maintenance and repair (DM&R), and other required supplemental information (RSI).

4. DoD Components must follow existing DoDIs for establishing and maintaining accountability for general equipment assets using their APSRs.
5. All DoD Components who are responsible for the financial reporting of an asset should be prepared to support the financial statement assertions. These assertions include: existence and completeness, rights and obligations, accuracy and valuation, occurrence, and presentation and disclosure.

6. CAP must be recognized by the funding DoD Component as general equipment when the item is delivered and accepted by the DoD Component or an authorized representative thereof in accordance with the terms and conditions of the contract. Until acceptance, constructive delivery of the CAP item and its cost will be recognized in the CIP account. Delivery and acceptance of CAP will be in accordance with DFARS PGI 245.402-71.

7. A capital improvement that is funded by the same entity that reports the base asset will also be reported by that same entity by first accumulating the costs of the improvement in a CIP account and then transferring those costs to the same account as the base asset when the improvement goes into service. However, if the entity that funds the improvement is different than the entity that reports the base asset the following applies:

   a. The entity or entities funding the improvement will accumulate the cost of the improvement in their CIP account(s) until the implementation of the improvement is complete.

   b. When the improvement is placed in service, the CIP will be relieved by the funding organization(s) and the improvement will be recognized as a general equipment asset by the funding organization(s). The cost of the improvement will then be transferred and reported by the entity that has reporting responsibility for the base asset (see Annex 3, subparagraph A30103 for illustrative examples and journal entries).

   c. The accounting objective is that the base asset and all capital improvements made to the base asset are reported by the same entity. The rationale for maintaining the base asset with the cost of the improvement is to maintain assets and their improvements on the same financial statements.

8. If a DoD general equipment asset is identified on site that is not recorded in the APSR of the local DoD Component, it is the local DoD Component’s responsibility to identify who has accountability for the asset. In this instance, the local DoD Component is defined as the DoD Component that the general equipment asset in question is residing closest in distance. For example, if the general equipment was in a building operated by the Defense Logistics Agency (DLA), then DLA would be the local DoD Component. Another example would be, if the general equipment were located on a yard maintained by the Navy, then the Navy would be the local DoD Component. It should be noted that it will not be uncommon for certain types of assets to be under the accountability of a DoD Component that is not the local DoD Component. When this situation occurs it will be critical for the local DoD Component and the accountable DoD Component to have a clear understanding of accountability of the general equipment asset, and ensure that the general equipment asset is recorded in the appropriate APSR. The accountable entity is required to inventory property in accordance with DoDI 5000.64 as well as have the proper internal controls in place to support Property Management in accordance with DoDI 5010.40.
These elements will assist the accountable DoD Component with maintaining accountability of assets in their APSR. For audit purposes, if there are general equipment assets for which the local DoD Component is not accountable, it may be beneficial to maintain a listing of those assets and their respective accountable DoD Components.

9. Assets on loan or assets under temporary or stewardship control of another entity will not result in a transfer of accountability or financial reporting. The entity with stewardship control must maintain supporting documentation (e.g., hand receipt, Memorandum of Understanding) that identifies them as having physical control, but not financial reporting responsibility, and provide it to the accountable entity. Additionally, the custodial entity must support any audit requests from the accountable entity related to property in their control.

B. Recognition Uncertainty. It is important that the overall accounting records of the DoD and the Federal Government are not duplicative.

1. In situations where doubt exists as to which DoD Component should recognize an item, DoD Components involved must reach agreement with the other applicable DoD Components or Federal agencies as to which entity will record the item for financial reporting purposes.

2. Disputes between DoD Components regarding accountability for an asset under DoDI 5000.64 guidelines may be resolved by contacting the Office of the Deputy Assistant Secretary of Defense for Logistics.

C. Recognition Timing. Recognition of general equipment for financial reporting purposes must occur upon delivery and acceptance to the acquiring DoD Component even though title passage can occur either at the time of delivery or at an earlier contractually specified date. For weapon systems the recognition date will normally be the date source shown on the Invoicing, Receipt, Acceptance, and Property Transfer (iRAPT) receiving report.

1. Upon delivery or constructive delivery, the cost of general equipment items must be capitalized in the appropriate USSGL equipment account if the delivery is for finished goods; if the delivery is not for finished goods, the costs must be accumulated in the CIP USSGL account by the funding DoD Component, assuming the estimated total costs will reach the capitalization threshold. DoD Components must estimate whether the total cost will reach the capitalization threshold and if not, document and expense costs as they are incurred. Upon the date the asset is placed in service, the CIP will be relieved by the funding entity, and a depreciable asset will be recognized. In cases where there are multiple DoD funding entities, the entity with accountability according to DoDI 5000.64 will become the financial reporting entity and record the completed asset at full cost in their APSR. See subparagraph 250203.B.8 for details on transfers of in-service assets. Such transfers must be recorded in the same month that the asset was removed from CIP and placed in service (see Annex 3 for illustrative examples and journal entries). The property must be accounted for in the APSR regardless of whether it is capitalized or expensed subject to the accountability requirements set out in DoDI 5000.64.
2. For general equipment acquired by a contractor on behalf of a DoD Component (i.e., CAP), the assets must be recognized upon delivery or constructive delivery, whether to the contractor for use in performing the service or to the DoD Component. Delivery or constructive delivery will be based on the terms of the contract regarding delivery, receipt, and acceptance in accordance with DFARS PGI 245.402-71. Contract financing payments for work performed (e.g., progress payments, performance-based payments, and commercial interim payments) made to a contractor prior to delivery or constructive delivery must be recorded in the CIP account until the goods are received, assuming estimated total costs will reach the capitalization threshold. Upon completion and contractual delivery of general equipment CAP to the Government, the CAP should either be capitalized in the appropriate USSGL account or, if the CAP does not meet the capitalization threshold, such item should be recorded in the appropriate expense account. DoD Components must estimate whether the total costs of the item under construction will reach the capitalization threshold and if not, document and expense costs as they are constructed. See subparagraph 250204.G for guidance on the use of the CIP account.

D. Capitalization Thresholds. The current capitalization threshold for general equipment is $1 million for the Department of Air Force and the Department of Navy general funds; $1 million for the National Security Agency and the Office of the Director of National Intelligence reporting entities; and $250,000 for all other DoD Component general funds and WCFs. A general equipment item with a recorded cost that equals or exceeds the applicable capitalization threshold and has a useful life of at least two years must be capitalized as an asset in the appropriate DoD Component’s accounting records and depreciated over its useful life. A general equipment item with a recorded cost below the applicable capitalization threshold or which has a useful life of less than two years must be expensed, with the exception of general equipment items acquired as part of a qualifying bulk purchase. See subparagraph 250204.F for guidance on bulk purchases.

E. CAP. All special tooling, special test equipment or equipment items meeting or exceeding the appropriate capitalization threshold with a useful life of at least two years must be capitalized at the time of delivery. Per SFFAS 6, general equipment should be recognized when title passes to the acquiring entity or when the general equipment is delivered to the entity or to an agent of the entity. Delivery or constructive delivery should be based on the terms of the contract regarding shipping and/or delivery. For general equipment acquired by a contractor on behalf of the DoD Component where the Government will ultimately hold title to the equipment, the equipment should be recognized upon delivery or constructive delivery whether to the contractor for use in performing services or to the entity. In the case of constructed equipment, the costs should be accumulated in the CIP USSGL account until the item is delivered, at which time the costs should be transferred from the CIP account to the appropriate equipment USSGL account. An accountable property record in the appropriate APSR for CAP should be established upon its delivery and acceptance. Valuation of the delivered item should be at the contractor provided fully burdened cost, (i.e., normal or provisional burdens to the direct costs in accordance with the applicable disclosed accounting practices; including an appropriate amount for fee or profit (as reflected in the contract under which the estimate is prepared)) in addition to the direct and indirect costs. Placed in service dates for equipment (e.g., special tooling or special test equipment) will be the date of acquisition by the contractor or date of completed manufacture, if a contractor fabricated the asset.
F. Bulk Purchases.

1. For accounting consideration purposes, a bulk purchase is a single contractual/purchase arrangement of multiple like general equipment items within a fiscal year. For bulk purchases made on a single multiple year contractual/purchase arrangement, purchases should be aggregated and evaluated on an individual fiscal year basis. Each DoD Component should evaluate whether the amounts of bulk purchases are considered material. This evaluation should be documented in writing. Each DoD Component should establish guidance on applying DoD capitalization thresholds to their bulk purchases.

2. The DoD Component evaluation should consider whether period costs on the Statement of Net Costs would be materially overstated and/or asset values on the Balance Sheet would be materially understated by expensing bulk purchases. Determining materiality requires appropriate and reasonable professional judgment. In making such a judgment, the DoD Component may review, for example, recent fiscal year bulk purchases, and consider if such purchases are likely to trend in a similar buying pattern in the current and subsequent years based on their understanding of the DoD Component's specific operational and mission needs. Based on a quantitative analysis aggregating bulk purchases from prior fiscal years, the DoD Component may compare these amounts to recorded amounts on the Balance Sheet and expenditures in the Statement of Net Costs to determine whether such amounts will or will not be considered material in the current fiscal year.

3. In the instance where more than one DoD Component has the authority to place orders under the same contractual/purchase arrangement, they should evaluate only those orders they fund for purposes of the bulk purchase evaluation and not those funded by other DoD Components.

G. CIP Process.

1. Constructed general equipment must be recorded in the CIP USSGL account until it is placed in service at which time the balance must be transferred to the general equipment USSGL account. Capital expenditures or progress payments paid to contractors, for general equipment being manufactured or constructed, are to be recorded in a CIP account. Reporting entities must be able to capture and accumulate capital costs separately for each acquisition program or acquisition contract. As completed assets are delivered and accepted by DoD or constructive delivery occurs, capital costs will be relieved from the CIP account and transferred to the general equipment asset account. See Figure 25-1 for the typical steps involved in the CIP process for construction to completion of the asset.
2. Advance Payments, as defined in FAR 32.202-2, are to be recorded in an advance account until the end items are delivered. Advances should be recorded to USSGL 141000, “Advances and Prepayments.” All other contract financing payments must be recorded as CIP. CIP must reflect actual progress on the contract. To ensure that CIP amounts reflect actual progress on the contract, DoD Components must perform a periodic reconciliation (at least quarterly) between amounts recorded in CIP and the actual progress on the contract. Generally, the reconciliation should be performed by the DoD Contracting Officer’s Representative. This may require working with the contractor to perform the reconciliation. Costs incurred in excess of finance payments should be reported as a liability.

3. For acquisition programs or acquisition contracts, the contract(s) must be written to reflect the general equipment items being manufactured or constructed. In order to trace commitments, obligations, and expenditures to the general equipment recorded in the DoD Component’s accounting records, it is essential that the level of detail in the contract be aligned to the level at which items will be delivered, recorded in the accounting records, and managed. DFARS Subpart 204.71 – Uniform Contract Line Item Numbering System provides specific instructions for the composition of the contract line item numbers (CLINs) and accounting classification reference numbers, which ensures funding citations are appropriately designated for items and services being acquired. Based on the terms of the contract and nature of the item or service being acquired, each CLIN will be determined to be either capital or noncapital. Table 25-1 provides examples of cost types that may be included in a contract and whether those costs would be capitalized or expensed.
Table 25-1. Examples of Cost Types and Accounting Treatment

<table>
<thead>
<tr>
<th>Acquisition Deliverable</th>
<th>Accounting Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Vehicle</td>
<td>☐ Capitalize the cost, if the full cost is greater than the capitalization threshold and a useful life of two years or more&lt;br&gt;☐ Expense the cost, if the full cost is less than the capitalization threshold</td>
</tr>
<tr>
<td>Research, Development, Test and Evaluation (RDT&amp;E)*</td>
<td>Expense costs*</td>
</tr>
<tr>
<td>Acquired Data</td>
<td>Expense costs</td>
</tr>
<tr>
<td>Support Equipment</td>
<td>☐ Capitalize the cost, if the full cost is greater than the capitalization threshold and a useful life of two years or more&lt;br&gt;☐ Expense the cost, if the full cost is less than the capitalization threshold</td>
</tr>
<tr>
<td>Initial Spares and Repair Parts</td>
<td>Report as Inventory for WCF activities or Operating Materials and Supply for general fund activities in accordance with Chapter 4</td>
</tr>
</tbody>
</table>

* RDT&E costs, which are typically expensed, will be capitalized if they are associated with the production of functional end items that will be placed in service or have alternative future uses.

4. A CIP account will be created following the decision to proceed with an acquisition program granted at Milestone C (design authorization) as described in DoDI 5000.02 and the successful completion of the funding authorization document. When a DoD entity is constructing an item for another DoD entity on a cost reimbursable basis, the constructing entity must accumulate all costs since project inception in a CIP account until the costs are billed to the funding entity. The billed costs in such a scenario must be removed from the CIP account of the DoD constructing entity when billed to the funding entity and the funding entity must record such billed amounts in their appropriate CIP account.

5. DoD Components must assign a service unique project number to each approved acquisition project when the CIP account is created to accumulate costs. When portions of CIP for the same construction project are performed by multiple entities, the same project number must be used for all phases of the construction project regardless of the performing entity.

6. All costs to be capitalized for a construction project will be accumulated in the CIP account of the funding entity. A reasonable allocation methodology should be established to assign project costs (including non-recurring costs as described in 250203.A.4.m) to the end items received and accepted by the DoD Component and placed into service. Any indirect project costs must be allocated across CIP accounts periodically as they are incurred, and no later than the date the items are placed in service based on the direct cost of each constructed item as a percentage of the total direct cost of all constructed items in the project. Thus, the full
cost of constructed items can be adequately captured and reported. Allocation and cost identification are addressed in Chapter 19.

7. The DoD entity constructing the item must continue to report CIP on their financial statements until the constructed item is accepted by the accountable DoD Component or its agent. The minimum information associated with the CIP amount reported for financial statement preparation purposes must include the DoD Component’s project number, project fund code(s), project detail cost, project detail organization code(s), and programmed amount. For a specified project and for the purpose of an audit trail of the CIP account, the Government’s project construction agent and the DoD constructing entity must retain the supporting documentation for their respective portion(s) of the project to which they have fiscal accountability. For additional information regarding representative documentation for a construction project, refer to paragraph 250302. Upon acceptance of constructed items, the Government’s project construction agent and the DoD constructing entity must provide the accountable property officer with the legible copies of auditable supporting documentation that must be provided, along with their location. The accountable property officer, in turn, must ensure the documentation is retained in accordance with applicable laws, regulations, and instructions.

8. When constructed items are accepted, the costs accumulated in the CIP account must be relieved (i.e., transferred to the appropriate general PP&E account). To ensure constructed items are recorded at full cost, the recorded cost of the item(s) accepted must equal the sum of all the costs incurred to bring the item(s) to a form and condition suitable for their intended use. These include costs incurred after project design authorization for actual construction such as labor, materials, and overhead costs (see Annex 1 for a list and description of the costs to be accumulated for constructed 090385items). In addition, the funding entity of a construction project must ensure that all costs incurred by the funding entity are provided to its construction agent on a formal document for inclusion in the full cost of the item(s).

9. If a construction project is cancelled, each cost accumulated in the associated CIP account must be expensed. When a portion of a project is cancelled or decreased in scope, the cost directly associated to that portion of the project, and an allocated portion of the common cost in the CIP, must be expensed. All projects deferred for more than two years must be reviewed for continuance or cancellation during the review cycle.

H. Accounting for General Equipment Outside of the United States. As used in this chapter, “United States” means the 50 States of the United States, the District of Columbia, and the commonwealths, territories, and possessions of the United States. In carrying out their mission, operations and objectives, there are circumstances in which DoD Components use general equipment outside of the United States. DoD’s rights to general equipment outside of the United States may be different from those within the United States. For financial reporting purposes, a DoD Component that uses general equipment outside of the United States must adhere to the following guidance:
1. A DoD Component will recognize a general equipment asset on its financial statements in accordance with the guidance provided throughout the other provisions of this chapter if the DoD Component purchases the general equipment asset outside of the host nation/foreign country to which it is bringing the general equipment.

2. If a DoD Component both purchases and uses the general equipment in the foreign country then the DoD Component must evaluate any foreign legal restrictions, or terms of any agreements with the host nation/foreign government to determine the accounting treatment for the general equipment asset as follows:

   a. If there are no foreign legal restrictions, terms of agreement with the host nation/foreign government or similar barriers for owning general equipment purchased within the foreign country, the DoD Component will account for such general equipment in accordance with the other provisions of this chapter.

   b. If there are foreign legal restrictions, terms of agreement with the host nation/foreign government or other restrictions that preclude the DoD’s ownership of the general equipment imposed by the host nation/foreign government, the DoD Component should estimate the period of time it will use the general equipment in the foreign country. If the estimated period of use is two years or greater and the cost of the general equipment equals or exceeds the capitalization threshold (see subparagraph 250204.D), the general equipment should be capitalized and depreciated over the lesser of the estimated period of use in the foreign country or the useful life in Table 25-2 for the particular type of general equipment.

3. If a general equipment acquisition is not funded/purchased by DoD but instead the general equipment is provided by the host nation/foreign government and the terms and use of the general equipment are set out in an agreement between the DoD Component and the host nation/foreign government, the DoD Component will recognize the general equipment as an asset under capital lease if it meets the lease criteria in Chapter 26.

4. SFFAS 4 and SFFAS 55 address imputed costs between Federal agencies but do not extend to entities outside of the federal context. The concept of imputed costs does not apply to activities between a DoD Component and a host nation/foreign government. Therefore, a DoD Component will not record imputed costs for the use of general equipment, for which it does not pay directly or pay through reimbursement, provided by international organizations (e.g., North Atlantic Treaty Organization) or host nations/foreign governments.

5. The DoD Component must record accountable general equipment it uses in an APSR, including those that have not been capitalized for accounting and financial reporting purposes in accordance with DoDI 5000.64.

   a. General equipment which do not meet the criteria for capitalization in accordance with subparagraphs 250204.H.1, 250204.H.2 or 250204.H.3 will be expensed in the period acquired or built.
b. If the DoD Component does not pay the host nation/foreign government for use of general equipment provided to the DoD Component then this general equipment will not be reflected in financial statements (other than through note disclosure as described in subparagraph 250305.B).

c. All other property attributes and data elements must be entered and maintained in the APSR for all general equipment regardless of the dollar value assigned to the asset.

6. The DoD Component must record an expense for any maintenance and sustainment costs relating to the general equipment paid, or to be paid by them in the period incurred.

7. See also the reporting requirements for disclosure at subparagraph 250305.B.

I. Accounting Treatment for Long Range Ballistic Missiles.

1. DoD defines the mission of the nuclear arsenal solely as one of deterrence. Under this mission, the useful life of nuclear assets is expected to exceed two years. Therefore, nuclear long range ballistic missiles (including, but not necessarily limited to, Intercontinental Ballistic Missiles and Submarine Launched Ballistic Missiles) which are fully configured and armed in support of this mission should be classified/recorded as general equipment.

2. Long range ballistic missiles which are not a part of a fully configured nuclear armed long range ballistic missile should be classified/recorded as operating materials and supplies, see Chapter 4.

250205. Capital Improvements/Enhancements

Capital improvements/enhancements for general equipment are often referred to as modifications, modernizations, upgrades and improvements.

A. Capital improvements to general equipment must be capitalized when (1) the improvement increases the asset's useful life by two or more years, or increases the assets capability, or increases its capacity or size, and (2) the cost of the improvement equals or exceeds the capitalization threshold (see subparagraph 250204.D). If capital improvements do not meet these two criteria they should be expensed. Funding source (e.g., appropriation and WCFs) is not a factor in determining whether or not an improvement will be capitalized. If the capital improvement increases the underlying general equipment asset’s useful life by two years or more, the DoD Component must capitalize and depreciate the improvement with the original general equipment over the revised estimated useful life. Costs of capital improvements that do not extend the useful life of an existing general equipment asset but enlarge or improve its capacity and have a useful life of two years or more must be capitalized and depreciated over the lesser of the estimated useful life of the improvement or the remaining economic estimated useful life of the asset.
underlying general equipment asset. Note that the economic life of the asset, in certain instances, may prove to be different than the original estimated accounting useful life. The remaining economic life reflects the remaining period of utility for the equipment.

B. The cost of improvements to more than one general equipment item as identified by a unique identifier when performed under a single contract or work order, and that cannot be specifically identified by asset, should be capitalized only when the allocated cost per general equipment item equals or exceeds the applicable capitalization threshold and the estimated useful life is two or more years. When more than one improvement is made to a single item and the improvements are part of one overall effort to increase the item’s capability, size, and/or useful life, the sum of the costs of the improvements must be capitalized, if the summed costs equal or exceed the applicable capitalization threshold. This is required even when the improvements are funded separately. Once a determination has been made that the aggregate costs of the improvements will be capitalized, each improvement should be capitalized and depreciated upon being placed in service as described in subparagraph 250205.A.

C. Maintenance and repair costs are not considered capital improvements, regardless of whether the cost equals or exceeds the applicable capitalization threshold. In SFFAS 42, the FASAB defines maintenance and repairs as activities directed toward keeping fixed assets in an acceptable condition. Maintenance and repair activities include preventative maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain assets. Maintenance and repair activities also include cyclic work done to prevent damage that would be more costly to restore than to prevent (e.g., painting). For example, for a wheeled vehicle or an aircraft that has a new engine installed due to the existing engine failing, the cost of the new engine and installation must be expensed even if the new engine provides improved performance and/or longer use.

D. Although maintenance and repairs are generally expensed in the period incurred, certain replacements of parts, systems, or components may or may not be an improvement for accounting purposes. Crucial to the determination of whether a replacement must be recognized as a repair or an improvement is the intent behind the replacement. Repair by replacement occurs when parts, systems, or components have failed, are in the incipient stages of failing, or are no longer performing the functions for which they were designated. Replacements falling into this category must be expensed. If the replacement was undertaken to improve or extend the life of an item that was in good working order, then the replacement must be recognized as an improvement.

250206. Depreciation

A. The recorded cost of general equipment and capital improvements which have been capitalized in accordance with the guidance prescribed by paragraphs 250204 and 250205 must be depreciated. Such capitalized amounts, as well as associated amounts of accumulated depreciation and depreciation expense, must be reflected in DoD financial statements.
B. Depreciation is the systematic and rational allocation of the recorded cost of an asset, less its estimated salvage or residual value, over its estimated useful life. Estimates of useful life for general equipment assets must consider factors such as usage, physical wear and tear, and technological change.

1. The salvage value, also known as the residual or scrap value, is the amount that would be expected to be obtained from selling an asset at the end of its useful life, but only when such proceeds (from recycle, resale, or salvage) are permitted to be retained and used by the DoD Component. Typically, general equipment will not have a salvage value. If the asset is to be traded in on a new asset, the salvage value is the expected trade-in value. For purposes of computing depreciation, weapon systems do not have salvage values.

2. The depreciable basis of an asset is the recorded cost reduced by the asset’s salvage value (if applicable).

3. For purposes of computing depreciation on DoD general equipment assets, specific useful lives are prescribed. Table 25-2 reflects the useful lives to be used for DoD general equipment, except for certain weapon systems and general equipment assets with a useful life of less than five years.

   a. DoD policy specifies using the straight line method of depreciation only. However, alternate depreciation methods such as activity based depreciation may be permitted. DoD Components that would like to implement a method of depreciation different from straight line must submit an approved written request from the DoD Component’s Accounting Policy Office to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C))/Office of the Deputy Chief Financial Officer (ODCFO) for approval to proceed.

   b. If a DoD Component determines that a newly acquired general equipment asset costing more than the applicable DoD capitalization threshold has a useful life of at least two years, but less than five years, the DoD Component may elect to depreciate the asset over a useful life that more accurately reflects its useful life (two to four years, as appropriate). The DoD Component making this election must document the basis for that decision.

   c. If a DoD Component acquires a general equipment asset costing more than the applicable DoD capitalization threshold which has a useful life of at least five years for which the DoD Component determines that a different useful life than that stated in Table 25-2 is justified, they must receive written approval from the DoD Component’s Accounting Policy Office prior to deviating from the standards in Table 25-2. The justification must be supported by sufficient evidentiary matter (i.e., an engineering estimate). OUSD(C)/ODCFO is the approving office for the DoD Components other than the Military Departments, unless delegated by the DCFO to the DoD Component.
Table 25-2. DoD Useful Lives for Depreciable General Equipment Including GFP and CAP

<table>
<thead>
<tr>
<th>Categories</th>
<th>Sub-Categories</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERAL EQUIPMENT ASSETS (EXCLUDING WEAPON SYSTEMS)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Purpose Vehicles</td>
<td>Heavy-duty Trucks and Buses</td>
<td>5</td>
</tr>
<tr>
<td>ADP Systems and Hardware</td>
<td>Computers and Peripherals</td>
<td>5</td>
</tr>
<tr>
<td>Communication and Medical Equipment</td>
<td>High Tech Medical Equipment</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Radio and Television Broadcasting Equipment</td>
<td>5</td>
</tr>
<tr>
<td>All Other Equipment and Machinery</td>
<td>All Other Equipment and Machinery</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Equipment used in Research, Development, Test, and Evaluation (RDT&amp;E)</td>
<td>5</td>
</tr>
<tr>
<td>Vessels</td>
<td>Tugs</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Barges</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Similar Water Transportation Equipment</td>
<td>20</td>
</tr>
<tr>
<td>Generation Equipment</td>
<td>Steam Generation Equipment (12.5K pounds per hour or more)</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Electric Generation Equipment (500 Kilowatt or more)</td>
<td>20</td>
</tr>
<tr>
<td>**Capital Improvements **</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GENERAL EQUIPMENT WEAPON SYSTEMS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground Systems</td>
<td>Armored/Assault Vehicle</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Cargo Vehicle</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Tracked Vehicle</td>
<td>20</td>
</tr>
<tr>
<td>Fixed Wing Aircraft</td>
<td>Combat Fixed Wing</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Cargo Fixed Wing</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Utility Fixed Wing</td>
<td>20</td>
</tr>
<tr>
<td>Rotary Wing</td>
<td>Combat Rotary Wing</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Cargo Rotary Wing</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Utility Rotary Wing</td>
<td>30</td>
</tr>
<tr>
<td>Ships</td>
<td>Combat Ship</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Cargo Ship</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Aircraft Carrier</td>
<td>50</td>
</tr>
<tr>
<td>Submarines</td>
<td>Submarine</td>
<td>33</td>
</tr>
<tr>
<td>Unmanned Aerial Vehicle Systems (UAVS)</td>
<td>U A V S</td>
<td>15</td>
</tr>
<tr>
<td>Combat Support Systems</td>
<td>Combat Support System</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Missile Defense System</td>
<td>20</td>
</tr>
</tbody>
</table>

*See Capital Improvements/Enhancements in paragraph 250205.
C. The event that triggers the calculation of depreciation is the date of receipt shown on the asset receiving document in cases where no installation is required; the date installed (if required); or the date the asset is available for use, also known as the acceptance date (regardless of whether it is actually used). Generally, the actual commencement of depreciation will be based on the Month Available for Service method. Under this method, the month the asset was accepted, installed, or available for use as applicable, is the month used to commence the calculation of depreciation expense for the first year.

D. DoD policy permits only the use of the straight line method of depreciation. In some cases, exceptions can be made to using the straight line method. Straight line depreciation expense is calculated as the depreciable basis (recorded cost less salvage value, if applicable) divided equally among accounting periods during the asset’s useful life based on useful lives in Table 25-2. DoD Components may desire to depreciate certain weapon systems using an activity based or usage based method of depreciation. Activity based depreciation, referred to in DoD as Operational Tempo (OPTEMPO) recognizes changes in expected utilization rates and fatigue caused by operating environment and mission as set forth in the OPTEMPO methodology. DoD Components wanting to implement the OPTEMPO methodology for a certain weapon system should submit an approved written request from the DoD Component’s Accounting Policy Office to the OUSD(C)/ODCFO for approval to proceed.

E. If an asset remains in use longer than its estimated useful life, it must be retained in the APSR, as well as the accounting records, and reflect both its recorded cost and accumulated depreciation until disposition of the asset.

F. WCF activities are required to depreciate general equipment assets in accordance with the guidance in this chapter without regard to whether such assets are procured through a WCF activity’s Capital Purchase/Investment Program budget or whether depreciation for such assets is included in rates charged to customers. The recognition of general equipment assets and the depreciation of such assets by WCF activities therefore may be different for financial statement reporting purposes than the depreciation amounts used for WCF rate development and budget presentation. All general equipment depreciation of WCF activities must be recognized as an expense on the Statement of Net Cost, included in accumulated depreciation amounts on the Balance Sheet, and reported in the “Defense Working Capital Fund Accounting Report [Accounting Report (Monthly) 1307] (AR(M)1307).” Depreciation recorded on general equipment that was not acquired nor will be replaced through use of Defense WCF resources must be classified as non-recoverable for rate setting purposes and reported appropriately on the AR (M) 1307. Defense WCF rates charged to customers are based on guidance in Volume 2B and Volume 11B.

250207. Impairment

A. Description. SFFAS 44 defines impairment as a significant and permanent decline in the service utility of general equipment (which includes general equipment assets) or expected service utility of CIP that results from events or changes in circumstances that are not considered normal and ordinary.
1. See subparagraph 250207.B.2 for a discussion of determining the significance and permanence of a service utility decline.

2. The service utility of general equipment is the usable capacity that, at acquisition, was expected to be used to provide service. The current usable capacity of general equipment may be less than its original usable capacity due to the normal or expected decline in useful life or to impairing events or changes in circumstances, such as physical damage, obsolescence, enactment or approval of laws or regulations or other changes in environmental or economic factors, or changes in the manner or duration of use.

3. Normal and ordinary events or circumstances are those that fall within the expected useful life of the general equipment such as standard maintenance and repair requirements. Events or circumstances that are not considered normal are those that, at the time the general equipment was acquired, the event or change in circumstance would not have been expected to occur during the useful life of the general equipment or, if expected, was not sufficiently predictable to be considered in estimating the general equipment’s useful life.

B. Identification of Potential Impairment Loss. The determination of whether general equipment remaining in use is impaired is a two-step process which includes (1) identifying potential impairment indicators and (2) testing for impairment.

1. Step 1 - Identify Indicators of Potential Impairment. Indicators of potential impairment can be identified and brought to DoD Component’s attention in a variety of ways, such as procedures related to DM&R. Although DoD Components are not required to establish additional or separate procedures beyond those that may already exist, they should evaluate existing processes and internal controls to determine if they are sufficient to reasonably assure the identification of potential impairment indicators and implement appropriate additional processes and internal controls if necessary. Once identified, indicators are not conclusive evidence that a measurable or reportable impairment exists; DoD Components should carefully consider the surrounding circumstances to determine whether a test of potential impairment is necessary given the circumstances. Some common indicators of potential impairment include:

- Evidence of physical damage;
- Enactment or approval of laws or regulations which limit or restrict general equipment usage;
- Changes in environmental or economic factors;
- Technological changes or evidence of obsolescence (however, if obsolete general equipment continues to be used, the service utility expected at acquisition may not be diminished);
- Changes in the manner or duration of use of general equipment;
- Construction stoppage or contract termination; and
2. Step 2 - Impairment Test. Identified general equipment should be tested for impairment by determining whether these two factors are present: (i) the magnitude of the decline in service utility is significant and (ii) the decline in service utility is expected to be permanent.

a. Significant declines in service utility are those that cause costs (including operational and maintenance costs) to be disproportionate to the new expected service utility. The determination of whether or not an item is significant is a matter of professional judgement and is distinct from materiality considerations. Such judgements may be based on the relative costs of providing the service before and after the decline, the percentage decline in service utility, or other considerations.

b. The decline in service utility is considered permanent when the DoD Component has no reasonable expectation that the lost service utility will be replaced or restored; that is, the DoD Component expects that the general equipment will remain in service so that its remaining service utility will be utilized. In contrast, reasonable expectation that the lost service utility will be replaced or restored may exist when the DoD Component has:

(i) Specific plans to replace or restore the lost service utility of the general equipment,

(ii) Committed or obligated funding for remediation efforts, or

(iii) A history of remediating lost service utility in similar cases or for similar general equipment.

3. For CIP, the testing of impairment in subparagraph 250207.B.2 should be performed over the period of expected future service utility rather than current service utility.

C. Determining the Appropriate Measurement Approach. Impairment losses on general equipment that will continue to be used by the entity should be estimated using a measurement approach that reasonably estimates the portion of net book value associated with the diminished service utility of the general equipment. A measurement method would not be considered appropriate if it would result in an unreasonable net book value associated with the remaining service utility of the general equipment. Conversely, a reasonable measurement method may result in no impairment loss to be recorded. Regardless of the method used, recognition of impairment loss should be limited to the asset’s net book value at the time of impairment. Widely recognized methods for measuring impairment include:

1. Replacement Approach. Impairment of general equipment with physical damage generally may be measured using a replacement approach. This approach uses
the estimated cost to replace the lost service utility of the general equipment at today’s standards (i.e., at current market prices and in compliance with current statutory, regulatory, or industry standards) to identify the portion of the historical cost of general equipment that should be written off due to impairment. It may be appropriate to apply the ratio of estimated cost to replace the diminished service utility over total estimated cost to replace the general equipment, to the net book value of general equipment to determine the impairment amount.

2. **Restoration Approach.** This approach uses the estimated cost to restore the diminished service utility of the general equipment to identify the portion of the historical cost of the general equipment that should be written off. This approach does not include any amounts attributable to improvements and additions to meet today’s standards. The estimated restoration cost can be converted to historical cost by restating (i.e., deflating) the estimated restoration cost using an appropriate cost index. Alternatively, it may be appropriate to apply the ratio of estimated restoration cost to restore the diminished service utility over total estimated restoration cost to the net book value of the general equipment to determine the impairment amount.

3. **Service Unit Approach.** Impairment of general equipment that are affected by enactment or approval of laws or regulations or other changes in environmental factors or are subject to technological changes or obsolescence generally may be measured using a service unit approach. This approach compares the service units provided by the general equipment before and after the impairment to isolate the historical cost of the service utility that cannot be used due to the impairment to determine the impairment amount.

4. **Deflated Depreciated Current Cost Approach.** Impairment of general equipment that are subject to a change in manner or duration of use generally may be measured using a deflated depreciated current cost approach. Under this approach, a current cost for a general equipment to replace the current level of service is estimated. This estimated current cost is then depreciated to reflect the fact that the general equipment is not new, and is then subsequently deflated to convert it to historical cost dollars. A potential impairment loss results if the net book value of the general equipment exceeds the estimated historical cost of the current service utility (i.e., deflated depreciated current cost).

5. **Cash Flow Approach.** Recognizes an impairment loss only if the net book value (i) is not recoverable and (ii) exceeds the higher of its NRV or value-in-use estimate.

a. The net book value of general equipment is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the general equipment.

b. NRV is the estimated amount that can be recovered from selling, or any other method of disposing, of an item less estimated costs of completion, holding, and disposal. SFFAC 7 describes value-in-use as the benefit to be obtained by an entity from the continuing use of an asset and from its disposal at the end of its useful life.

c. If the net book value is not recoverable, the impairment loss is the amount by which the net book value of the general equipment exceeds the higher of its NRV...
or value-in-use estimate. No impairment loss exists if the net book value is less than the higher of the general equipment’s NRV or value-in-use estimate.

6. **Lower of (a) Net Book Value or (b) Higher of NRV or Value-in-Use Approach.** General equipment impaired from either construction stoppages or contract terminations, which are expected to provide service, should be reported at their recoverable amount; the lower of (i) the general equipment’s net book value or (ii) the higher of its NRV or value-in-use estimated. Impaired general equipment, which are not expected to provide service, should be accounted for in accordance with paragraph 250208.

D. **Recognizing and Reporting Impairment Losses.** The loss from impairment, if any, should be recognized and reported in the Statement of Net Cost in the period in which the DoD Component concludes that the impairment is both (1) a significant decline in service utility and (2) expected to be permanent. Such losses may be included in program costs or costs not assigned to programs. A general description of the general equipment for which an impairment loss is recognized, the nature (e.g., damage or obsolescence) and amount of the impairment and the financial statement classification of the impairment loss must be disclosed in the notes to the financial statements in the period the impairment loss is recognized.

E. **Recoveries.** The impairment loss must be reported net of any associated recovery when the recovery and loss occur in the same fiscal year. Recoveries reported in subsequent fiscal years must be reported as revenue or other financing source as appropriate. The amount and financial statement classification of recoveries should be disclosed in the notes to the financial statements.

F. **Remediating Previously Reported Impairments.** The costs incurred to replace or restore the lost service utility of impaired general equipment remaining in use must be accounted for in accordance with applicable standards (i.e., recognized according to the nature of the costs incurred and the appropriate capitalization threshold).

G. **Diminished Service Utility Without Recognized Impairment Loss.** If the future service utility has been adversely affected but the impairment test determines that a loss does not need to be recognized, a change to the estimates used in depreciation calculations (such as estimated useful life and salvage value, if applicable) should be considered and adjusted as appropriate.

250208. **Removal/Disposal**

A. FASAB TR 14 defines removal from service as an event that terminates the use of a general equipment asset. Removal from service may occur because of a change in the manner or duration of use, change in technology or obsolescence, damage by natural disaster, or identification as excess to mission needs. Removals from service should be considered other than permanent unless (1) the asset’s use is terminated and (2) there is documented evidence of the DoD Component’s decision to permanently remove the asset from service (e.g. by selling, donating, or demolishing the asset). If only one of the two business events has occurred, permanent removal from service has not occurred (i.e., the removal is considered other than permanent).
B. If an asset’s normal use is terminated (i.e., it no longer provides service in the operations of the entity) but the DoD Component has not yet decided to permanently remove the asset from service, the removal from service must be accounted for as other than permanent. Other than permanent removal from service is evidenced by activities such as continuing low-level maintenance to sustain the asset in a recoverable status or until reutilization efforts are exhausted. For example, assets that have been removed from service and sent to a depot for temporary storage with the intent to use the assets again in the future and other assets taken out of service on a temporary basis are considered other than permanently removed from service. There is no change in the reported value for assets that have been other than permanently removed from service and the assets must continue to be depreciated.

C. If (1) an asset’s use is terminated and (2) the DoD Component has documented its decision to permanently remove the asset from service, the removal from service must be accounted for as permanent. Permanent removal from service is evident from the DoD Component’s documented decision to dispose of an asset by selling, scrapping, recycling, donating, or demolishing the asset. For example, assets that are part of a Base Realignment and Closure or are declared as excess under a special legislation are considered permanently removed from service. The recorded cost as well as the accumulated depreciation of an asset permanently removed from service must be removed from the accounts in which they are reported, and the asset must be recorded at its NRV in general PP&E Permanently Removed But not Yet Disposed (USSGL Account 199500). USSGL Account 199500 is defined therein as the NRV of general PP&E that is permanently removed from service but not yet disposed and is reclassified in accordance with FASAB TR 14, paragraphs 10 and 12. NRV is the estimated amount that can be recovered from disposing of the asset less estimated costs of completion, holding, and disposal. Any difference between the net book value of the asset and its expected NRV must be recognized as a gain or loss. The expected NRV should be evaluated at the end of each fiscal year and any change in NRV should be recognized as a gain or loss. Assets permanently removed from service are no longer depreciated.

D. When an asset is disposed of (e.g., by selling, scrapping, recycling, donating, or demolishing the asset) the asset must be written off and the difference between any disposal proceeds and the asset’s net book value must be recognized as a gain or loss. Disposals of general equipment will be conducted in accordance with DoDM 4160.21. The disposal start date is the calendar date of a legally enforceable and recognizable obligation to complete the disposal action. For demolitions, this represents the demolition contract’s start date. For transfers to a non-DoD entity and sales, this represents the date on which the instrument is endorsed or operation is ceased, whichever comes later. For natural disasters, this represents the actual date of the incident if the asset is a complete loss.
E. Absent separate contract terms and conditions for GFP and CAP disposition, and provided the property was not reutilized, transferred, or otherwise disposed of, the contractor, as directed by the Plant Clearance Officer or authorizing official, must use Standard Form 1428, Inventory Disposal Schedule or electronic equivalent, to identify and report:

1. GFP that is no longer required for performance of the contract;
2. CAP, which is no longer required for performance of the contract; and
3. Termination Inventory.

F. Plant clearance officers follow the direction of FAR Subpart 45.6, DFARS Subpart 245.6, and DFARS PGI 245.602-70. Following the plant clearance officer’s acceptance of an inventory disposal schedule, the property must be screened for reutilization DoD-wide. Surplus personal property with commercial value that is processed through the reutilization screening process without success may be sold. Proceeds of any sale of surplus property are to be credited to the Treasury as miscellaneous receipts, unless otherwise provided by statute or the contract or any subcontract thereunder authorizing the proceeds to be credited to the price or cost of the work (40 U.S.C. § 571 and § 574, FAR 45.604-3).

2503 ADDITIONAL CONSIDERATIONS

250301. Use of Cancelled Treasury Account Symbol

A. The Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) is a data collection system that replaced the reporting functionalities of Federal Agencies Centralized Trial-Balance System I and II, Intragovernmental Fiduciary Confirmation System, and Intragovernmental Reporting and Analysis System as the primary means for DoD Components to report their trial balance data to the Treasury. Capitalized assets are required to be reported and remain in GTAS after the original purchasing Treasury Account Symbol (TAS) has expired and been cancelled. If a capitalized asset has not been moved to a cancelled (“C”) TAS as described in 250301.B; GTAS will provide a “C” TAS on the GTAS Super Master Account File (SMAF) for each fund family represented on the SMAF. The system generated “C” TAS will have three components: the three-digit agency identifier, availability type "C", and a four digit main account.

B. All DoD Components must use the “C” availability type TAS to report capitalized assets. Assets may be moved to a “C” TAS at any time from the purchase date to the date the original purchasing fund cancels. (Refer to the TFM Volume 1, Part 2, Chapter 4700 for additional information.)
C. To transfer an asset to a “C” TAS:

1. Use USSGL account transaction E510 to transfer out the asset from the purchasing fund account.

2. Use USSGL account transaction E606 to transfer in the asset into the appropriate “C” TAS.

250302. Supporting Documentation

Entries to record financial transactions in accounting system general ledger accounts and/or the APSR and/or other systems must:

A. Be supported by source documents that reflect all transactions affecting the Component’s investment in the general equipment.

1. All general equipment acquisitions, whether by purchase, transfer from other agencies, donation, or other means, must be supported as of the date of delivery and acceptance (including acceptance where constructive receipt has occurred) by the DoD Component. The documents listed in Table 25-3, where applicable, must be readily available to support the changes in asset value or physical attributes as a result of new acquisition or capital improvement.
Table 25-3. Examples of Supporting Documentation for General Equipment Acquisition
(Note: These examples may not be all inclusive for all circumstances.)

<table>
<thead>
<tr>
<th>Evidence</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unique Identification</strong></td>
<td>Assignment of unique identifier</td>
</tr>
<tr>
<td><strong>Project Approval</strong></td>
<td>Such as, but not limited to a Work Order</td>
</tr>
<tr>
<td><strong>Obligation on Behalf of the Government</strong></td>
<td>Such as, but not limited to:</td>
</tr>
<tr>
<td></td>
<td>1. For contracts, contract modifications, or change orders:</td>
</tr>
<tr>
<td></td>
<td>• Statement of Work;</td>
</tr>
<tr>
<td></td>
<td>• Dollar Amount of Contract;</td>
</tr>
<tr>
<td></td>
<td>• Location;</td>
</tr>
<tr>
<td></td>
<td>• Source of Funds;</td>
</tr>
<tr>
<td></td>
<td>• Parties to the Contract; and</td>
</tr>
<tr>
<td></td>
<td>• Signature Page [Signature of All Parties].</td>
</tr>
<tr>
<td></td>
<td>2. Documentation of troop labor hours;</td>
</tr>
<tr>
<td></td>
<td>3. Approved Work Order; or Purchase Order; or Reimbursable Agreement; or Military Interdepartmental Purchase Requests</td>
</tr>
<tr>
<td><strong>Payment Submitted</strong></td>
<td>Such as, but not limited to:</td>
</tr>
<tr>
<td></td>
<td>1. Approved last invoice reflecting the total amount submitted for payment and received to date;</td>
</tr>
<tr>
<td></td>
<td>2. Evidence of in-house construction costs, including labor;</td>
</tr>
<tr>
<td></td>
<td>3. Indirect Costs incurred internally by the gaining activity that relate to the new acquisition or capital improvement.</td>
</tr>
<tr>
<td><strong>Acceptance/Receipt</strong></td>
<td>Such as, but not limited to:</td>
</tr>
<tr>
<td>(Acceptance of New Acquisitions and receipt or requisition of equipment items)</td>
<td>1. <em>DD Form 250</em>, Material Inspection and Receiving Report;</td>
</tr>
<tr>
<td></td>
<td>2. General Services Administration <em>(GSA)</em> 1334, Request for Transfer of Excess Real and Related Personal Property;</td>
</tr>
<tr>
<td></td>
<td>3. Executed acquisition document and appraisal results for the donated assets;</td>
</tr>
<tr>
<td></td>
<td>4. Signed lease for leased property;</td>
</tr>
<tr>
<td></td>
<td>5. Executed reversionary document;</td>
</tr>
<tr>
<td></td>
<td>6. Transfer letter and documents for transferred assets to include <em>DD Form 1348-1A</em>, Issue Release/Receipt Document; and equivalent Electronic Turn-In Document;</td>
</tr>
<tr>
<td></td>
<td>7. Receiving report, e.g., iRAPT receiving report;</td>
</tr>
<tr>
<td></td>
<td>8. <em>DD Form 1149</em>, Requisition and Invoice/Shipping Document;</td>
</tr>
<tr>
<td></td>
<td>9. <em>DD Form 1150</em>, Request for Issue/Transfer/Turn-In;</td>
</tr>
<tr>
<td></td>
<td>10. <em>DD Form 1155</em>, Order for Supplies or Services.</td>
</tr>
<tr>
<td><strong>Project Closeout</strong></td>
<td>Such as, but not limited to a final DD 1354 with associated source documentation retained by the responsible party.</td>
</tr>
</tbody>
</table>
2. All disposals or retirements must be supported as of the date the general equipment leaves the custody of the DoD Component to provide an adequate audit trail for the disposal of the asset. The execution of certain disposal events will generate financial or administrative accountability transactions. These documents, where applicable, must be readily available to support disposals:

a. ‘Declaration of excess’ document;
b. Approval documentation;
c. Original acquisition documents;
d. Legal instruments (such as a contract) to indicate legal obligation to dispose of an asset;
e. Document showing the disposal start date and disposal end date;
f. Receipt documentation; and
g. Transfer documents for transferred assets or as otherwise stated.

3. Documents that support the recorded cost of general equipment assets must be retained by the DoD Component in accordance with the requirements contained in Volume 1, Chapter 9 or as otherwise stated. Documentation (original documents and/or hard and electronic copies of original documentation) must be maintained in a readily available location during the applicable retention period to permit the validation of information pertaining to the asset such as the purchase cost, purchase date, and cost of improvements. The documentation must also be linked to the appropriate unique identifier(s). Supporting documentation may include, but is not limited to, the documentation as outlined in this subparagraph.

B. Include sufficient information indicating the physical quantity, location, and unit cost of the general equipment. The APSR and/or other systems must be designed to be of maximum assistance in making procurement and utilization decisions, including decisions related to identifying potential excess general equipment that may be available for reuse, transfer to other DoD Components, or made available for disposal in accordance with current DoD regulations and other regulatory requirements.

C. Enable periodic, independent verification of the accuracy of the accounting and APSR and/or other systems through periodic physical counts/inventories of general equipment (existence and completeness—“book to floor and floor to book”). Such periodic inventories also must include reconciling the APSR and/or other systems with the general ledger accounts and physical counts. Personal hand receipt self-validations are not acceptable for meeting the independent verification of physical inventory requirements (see DoDI 5000.64).
D. Identify and classify general equipment that was capitalized, recorded in the APSR and accounting system, and reported in the financial statements.

1. All DoD Components (i.e., Military Departments, Washington Headquarters Service and Other Defense Organizations) must reconcile their APSR to their financial statements (or to their trial balance if financial statements are not required to be prepared) on a quarterly basis.

2. All DoD Components funding CIP must reconcile their recorded CIP balances on a quarterly basis with any service provider/contractor working on the CIP. CIP should reflect the value associated with the actual progress of work completed which may be more or less than amounts invoiced to the DoD Component as of the quarter end.

E. Be based on the same documents, to ensure that entries to the financial accounting/reporting and APSR are the same. This will ensure that the APSR is integrated and subsidiary to the financial accounting system and that such records can be reconciled with the accounting system.

F. Include documents used to accumulate the cost of construction or developmental projects. Each document must link to the appropriate asset unique identifier. For a listing of those costs that may be incurred during the construction, see Annex 1.

G. Include all general equipment possessed by the DoD (to include property held by others) and general equipment of others held by DoD through seizure, forfeiture, loss, or abandonment.

H. Provide information to identify and account for leased general equipment, regardless of whether the general equipment was acquired by a capital lease or operating lease or whether the value of the general equipment exceeds DoD capitalization thresholds. Refer to DoDI 5000.64 for accountability requirements for general equipment.

I. Provide information to identify and account for capitalized improvements to general equipment.

250303. Physical Inventories of General Equipment

DoD Components must perform periodic physical inventories of general equipment in accordance with DoDI 5000.64.

250304. DM&R

A. Description

1. Per SFFAS 42, DM&R is defined as maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed to a future period.
2. **Maintenance and repairs** are activities directed toward keeping fixed assets in an acceptable condition. Maintenance and repairs include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset.

3. Maintenance and repairs exclude activities aimed at expanding the capacity or capability of an asset or otherwise upgrading it to serve needs different from, or significantly greater than its current use.

**B. Measurement**

1. Amounts for DM&R may be measured using condition assessment surveys, life-cycle cost forecasts, or other methods that are similar to the condition assessment survey or life-cycle costing methods.
   
   a. Condition assessment surveys are periodic physical inspections of general equipment to determine their current condition and estimated cost to correct any deficiencies. DoD Components should assess the condition of general equipment assets as a function of their day-to-day operations and document condition through periodic assertion/assessment statements provided by their field office managers. DoD Components also need to evaluate the cost and benefits of doing condition assessment surveys. Such things as cycling the assessments on a rotating basis, the frequency of assessments (i.e., every three or five years) and the criteria and methodology used for making such assessments need to be considered.

   b. Life-cycle costing is an acquisition or procurement technique, which considers operating, maintenance, and other costs in addition to the acquisition cost of assets. Since it results in forecasts of maintenance and repairs expense, these forecasts may serve as a basis against which to compare actual maintenance and repairs expense to arrive at an estimate of DM&R.

2. DoD Components should determine what condition standards are acceptable and which DM&R measurement methods to apply. Once determined, condition standards and measurement methods must be consistently applied unless the DoD Component determines that changes are necessary. Changes deemed necessary by the DoD Component must be accompanied by an explanation documenting the rationale for the change(s) and any related impact the change(s) will have on the DM&R estimates.

3. DM&R must be measured for capitalized and non-capitalized general equipment and fully depreciated general equipment. In addition, DM&R must be measured for inactive and/or excess general equipment to the extent that it is required to maintain the general equipment in acceptable condition (e.g., to comply with existing laws and regulations or to preserve value pending disposal). In addition, DM&R must measure funded maintenance and repairs that have been delayed for a future period as well as unfunded maintenance and repairs.
C. RSI

DoD Components who report general equipment must report material amounts of DM&R as RSI to the financial statements (see Volume 6B, Chapter 12). At a minimum, this information must be presented as RSI for all general equipment:

1. Estimates of the beginning and ending balances of DM&R for each major category of equipment;
2. A summary of the DoD Component’s maintenance and repairs policies and a brief description of how they are applied (i.e., method of measuring DM&R);
3. Policies for ranking and prioritizing maintenance and repair activities;
4. Factors the Components consider in determining acceptable condition standards;
5. Whether DM&R relates solely to capitalized general equipment or also to amounts relating to non-capitalized or fully depreciated general equipment;
6. Capitalized general equipment for which the DoD Component does not measure and/or report DM&R and the rationale for the exclusion; and
7. If applicable, explanation of any significant changes to
   (a) DM&R amounts from the prior year; and
   (b) The policies and factors subject to the reporting requirements established in subparagraphs 250304.E.2 through 250304.E.6.

D. Weapon Systems

Maintenance and repair of weapon systems is accomplished by two different, yet complementary components—depot level maintenance and repair activities and field level maintenance and repair activities. The term “field level maintenance and repair” includes all non-depot level maintenance and repair activities (e.g., organizational, intermediate, and regional). DoD Components should determine whether the year-end amounts of field level DM&R on weapon systems are material when compared to their component depot level amounts of DM&R. This determination should be updated and documented on an annual basis. Material amounts of weapon systems field level DM&R should be reported in the financial statements. Materiality is defined in subparagraph 250201.G.

1. Depot level maintenance and repair includes: major repair, overhaul, or complete rebuilding of weapon systems, end items, parts, assemblies, and subassemblies; manufacture of parts; technical assistance; and testing. Material amounts of depot
level deferred maintenance due to the unavailability of funding and/or capacity constraints have been historically reported through the DoD’s budget process by the Military Departments. Such amounts are provided annually to the Congress in the President’s Budget submission and also satisfy the intent of the federal accounting standard definition. The same budget submission amounts must be reported in the financial statements of the Military Departments.

2. Field level maintenance and repair comprises maintenance and repair activities at lower organizational levels than depot level. The Military Departments may or may not separate this level of maintenance and repair into intermediate and organizational maintenance and repair activities when describing the field level maintenance and repair structure and capability.

a. Intermediate field level maintenance and repair includes limited repair of commodity oriented components and end items; job shop, bay and production line operations for special mission requirements; repair of printed circuit boards; software maintenance; and fabrication or manufacture of repair parts, assemblies, and components. The intermediate maintenance and repair mission is to sustain the combat readiness and mission capability of supported activities by providing quality and timely materiel support at the nearest location with the lowest practical resource expenditure.

b. Organizational field level maintenance and repair is normally performed by an operating unit on a day-to-day basis in support of its own operations. The organizational maintenance and repair mission is to maintain assigned equipment by performing functions such as inspections, servicing, preventive maintenance, and corrective maintenance.

250305. Reporting Requirements

A. DoD Components with general equipment should reference a note on the Balance Sheet that discloses information about the reported general equipment assets. Note 1 of the financial statements should include a disclosure related to the DoD Component’s general equipment reporting accounting policy. DoD Components should state that they are financially reporting property that they have accountability for according to DoDI 5000.64. Additionally, DoD Components should disclose that they may use assets to complete their mission which are financially reported by another DoD Component. See Volume 6B, Chapter 10 for the specific reporting requirements.

B. DoD Components must disclose in the notes to the financial statements those instances where they are using general equipment provided by a host nation/foreign government without reimbursement by DoD to the host nation/foreign government, as applicable, that:

1. The DoD Component is utilizing general equipment provided by and owned by a host nation/foreign government in its operations outside of the United States without reimbursement by DoD to the host nation/foreign government and that there are no amounts recorded in the financial statements related to these assets.
2. The general nature of the agreement with the host nation/foreign government. It is not intended or recommended that the geographic location of the foreign government/host nation be disclosed.

250306. Environmental Liabilities/Cleanup Costs

The accounting policy for environmental liabilities/cleanup costs pertaining to general equipment is contained in Chapter 13.
(Costs to be accumulated for construction items)

<table>
<thead>
<tr>
<th>Cost Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of contract work</td>
<td>Amounts paid for work performed under contract, as well as any incentive fees paid to contractors to reward performance goals.</td>
</tr>
<tr>
<td>Direct cost of labor</td>
<td>The direct cost of labor and all associated fringe benefits in connection with the construction project. Includes both military and civilian labor costs.</td>
</tr>
<tr>
<td>Direct cost of materials and supplies</td>
<td>The purchase price, the cost of inspection, and loading assumed by the carrier.</td>
</tr>
<tr>
<td>Cost of Supervision, Inspection, and Overhead</td>
<td>Support associated with the administration of contracts for facility projects. May include contract award, payments, inspections, material testing, and other actions taken during contract execution.</td>
</tr>
<tr>
<td>Cost of transportation</td>
<td>Amounts paid for transportation of workers, materials, and supplies in connection with the construction project.</td>
</tr>
<tr>
<td>Cost of handling and storage</td>
<td>Amount paid for packaging and storing the materials and supplies and equipment used in the construction project.</td>
</tr>
<tr>
<td>Cost of legal and recording fees</td>
<td>Legal fees incurred to bring the asset to its intended use (e.g., title or recording fees).</td>
</tr>
<tr>
<td>Cost of architecture and engineering studies</td>
<td>Amounts paid for engineering, architectural, and other outside services for designs, plans, specifications, and surveys.</td>
</tr>
<tr>
<td>Cost of government-furnished property</td>
<td>An appropriate share of the cost of the government-furnished equipment and material and facilities used in construction work.</td>
</tr>
<tr>
<td>Cost of donated assets</td>
<td>The fair value of facilities and equipment donated to the government, as authorized by a special legislation, in connection with the construction project.</td>
</tr>
</tbody>
</table>

A20101. Establishing Opening Balances for General Equipment

The alternative valuation methodologies for establishing opening balances for general equipment including Government-Furnished Property (GFP), Contractor-Acquired Property (CAP) and Construction-in-Progress (CIP) for Equipment are:

A. The alternative valuation methods for establishing opening balances for Property, Plant and Equipment described in Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 50, “Establishing Opening Balances for General Property, Plant and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35” is available only once to each reporting entity. Therefore, prior to the establishment of opening balances for general equipment, including GFP, CAP and CIP for equipment (general equipment), Department of Defense (DoD) Components must validate that they are prepared to account for and comply with the recognition, measurement, presentation and disclosure requirements for general equipment at historical cost in accordance with FASAB SFFAS 6, as amended, “Accounting for Property, Plant and Equipment.”

B. If historical cost, as described in SFFAS 6 has not already been recorded and included in financial statements that have been audited by an Independent Public Accountant and received an unmodified (“clean”) opinion, deemed cost will be used as a surrogate to establish opening balances for general equipment. In this context, deemed cost is an amount used as a surrogate for initial amounts that otherwise would be required by SFFAS 6 to establish opening balances. Deemed cost may be based on any one of, or a combination of, allowable valuation methods such as cost of similar assets at the time of acquisition, contract based estimates and budget based estimates. Once established using deemed cost, opening balances will be used as a surrogate for the initial amounts that would have existed had an SFFAS 6 compliant valuation method been used.

C. When evaluating general equipment for the purpose of establishing opening balances, DoD Components should apply the applicable capitalization threshold to their entire population of general equipment retroactively, irrespective of the capitalization thresholds in effect for years prior to October 1, 2013. When doing so, DoD Components need to take the appropriate steps to ensure all relevant prior period adjustments and note disclosures are included in their annual financial statements in accordance with SFFAS 50. As part of their evaluation, DoD Components should not simply value assets already recorded above the capitalization threshold. DoD Components should perform additional analytical procedures to identify any assets that have been improperly capitalized or expensed. Examples of this type of review can include searching for equipment with values of $0 or $1 which are indications of erroneous values. An additional example can include equipment for which an additional zero was added in error, incorrectly placing the asset above the capitalization threshold.
D. When establishing opening balances using Deemed Cost:

1. DoD Components will calculate a gross value and an accumulated depreciation value for General Equipment assets. Both the gross value Deemed Cost and accumulated depreciation Deemed Cost will be recorded in the accounting records. The difference between the Net Book Value (NBV) of the Deemed Cost on the opening Balance Sheet of the current fiscal year presented and the existing/historical NBV of the general equipment as of the ending Balance Sheet of the previous fiscal year, is considered a prior period adjustment. This prior period adjustment represents a change in accounting principle in accordance with paragraph 13 of FASAB SFFAS 21, “Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources.” If any depreciation based on the original historical equipment value has been recorded in the year in which the prior period adjustment for Deemed Cost is recorded, that depreciation expense should be reversed and depreciation for the Deemed Cost value should be recorded.

2. Any adjustment must be properly documented and supported to assist ongoing audit efforts including retaining documentation of the existing/historical equipment value in the Accountable Property System of Record (APSR) and documentation supporting the Deemed Cost value. The existing/historical gross value and accumulated depreciation of the general equipment will need to be removed from the APSR and be replaced with the new gross value and accumulated depreciation for Deemed Cost.

A20102. Financial Statement Disclosure Requirements

DoD Components who apply the deemed cost methodology to adjust their opening general equipment balances, must disclose in their financial statements that an alternative valuation method was applied in establishing their opening balances and describe the method used in the first reporting period in which the reporting entity makes an unreserved assertion that its financial statements, or one or more line items, are presented fairly in accordance with Generally Accepted Accounting Principles. An unreserved assertion is an unconditional statement. No disclosure of the distinction or breakout of the amount of deemed cost of general equipment included in the opening balances is required.

A20103. Deemed Cost Methodology

A. When a Component cannot apply the initial amount measurement approach (historical cost) outlined in SFFAS 6, it is acceptable to estimate the initial amounts (historical cost) to establish the opening balances for general equipment. Estimates should be based on any one or a combination of the following allowable valuation methods:

1. Replacement Cost;

2. Fair Value;

3. Cost of similar assets at the time of acquisition;
4. Contract based estimates; or
5. Budget based estimates.

B. DoD Components must estimate the historical cost for establishing opening balances of general equipment based on a deemed cost method if historical costs cannot be adequately supported with appropriate documentation as described in paragraph A20104. The DoD Components must consider the deemed cost methods described in subparagraph A20103.B.1 through A20103.B.3 and select the approach that will be most efficient in producing an auditable value. DoD Components that anticipate substantial use of replacement cost or fair value methodologies for equipment valuation must contact the Office of the Under Secretary of Defense (Comptroller)/Office of the Deputy Chief Financial Officer and the Office of the Deputy Assistant Secretary of Defense for Logistics prior to committing significant resources to these methods.

1. Cost of Similar Assets at the Time of Acquisition. This method is frequently used for commercial off-the-shelf general equipment, but may also be used for other general equipment, such as weapon systems when appropriate. When using this method, DoD Components must:

   a. Work closely with other organizations to gather the information needed to support the valuation when using general equipment from another organization as a comparable asset;

   b. Exercise due care to ensure that the source value is supported. If the comparable asset is not properly supported, the subject general equipment is also not properly supported; and

   c. Apply appropriate price indices to estimate the cost of the general equipment in the period when it was placed into service if the comparable general equipment has a different in-service date. See FASAB Federal Financial Accounting and Auditing Technical Release 13, “Implementation Guide for Estimating the Historical Cost of General Property, Plant & Equipment,” for additional details for using indices to inflate or deflate costs.

2. Contract Based Estimates. This methodology involves valuing general equipment using the pricing data included in contracts. A complete understanding of the acquisition program, including the structure of all related contracts is required to implement this methodology. DoD Components must align activities and costs of general equipment with relevant accounting standards to isolate the costs that are to be capitalized versus those that are to be expensed (e.g., research and development costs, factory training). When using this methodology, DoD Components must consider the complexity of multiple contracts used to develop or acquire the general equipment assets. Steps for performing contract based estimates include:

   a. Identification by Program Management Offices (PMOs) of all contracts for the acquisition or modification of the general equipment. Relevant contracts include those that have a financial impact on the value of the asset and/or establish its placed-in-service date;
b. Working with Financial Managers, Procurement Contracting Officers, and PMOs will review all line items in the contract to identify costs that will be included in the capitalized acquisition costs and the costs that will be excluded;

c. Compiling documentation supporting the valuation including copies of relevant contract documents; and

d. Documenting the process and results.

3. **Budget Based Estimates.** This methodology utilizes information included in DoD Component budget exhibits to estimate the value of the general equipment. The key requirement is that the available procurement budget detail must allow DoD Components to clearly associate budgeted amounts with the general equipment end items. When using this methodology DoD Components must consider that acquisition programs can span many years; and, not all costs associated with the budgeted amount should be capitalized. Steps for performing budget based estimates include:

   a. Reviewing the relevant President’s Procurement Budget documentation for the general equipment acquisition program to determine whether the budget has adequate detail to support the budget valuation methodology. Specifically, determining whether the budget detail provides visibility of the various cost estimates comprising the general equipment acquisition program (e.g., end items versus spares);

   b. Identifying costs and determining which costs should be included in the capitalized costs of the general equipment;

   c. Compiling documentation supporting the valuation including copies of the referenced budget exhibits; and

   d. Documenting the process and results.

A20104. **Historical Cost for Commercial Off-the-Shelf General Equipment**

A. Some general equipment is acquired “off-the-shelf” and not developed as part of a program. This includes commercially available items acquired via Simplified Acquisition Procedures (see Federal Acquisition Regulation (FAR) Part 13); Sealed Billing (see FAR Part 14); or Contracting by Negotiation (see FAR Part 15). Examples of general equipment in this category include:

1. Commercial vehicles;
2. Heavy-duty construction equipment;
3. Railroad engines;
4. Dockside Cranes;
5. Depot machinery (e.g., computer driven lathes);
6. Computer hardware; and
7. Medical equipment.

B. The procurement of general equipment following these existing acquisition processes, require obtaining an approved purchase request, following the acquisition procedures in accordance with either FAR Part 13, FAR Part 14, or FAR Part 15, receiving and accepting the general equipment, receiving a vendor invoice, and submitting payment for the invoice. The acquisition cost for these assets is determined from the invoice amount and may also be shown on the receiving report. If this supporting documentation is readily available, valuing these assets based on actual historical cost is encouraged but not required to establish opening balances. The DoD Component must determine the most efficient and cost effective approach to assign and support auditable values for general equipment opening balances.

A20105. CIP for Equipment

A. Capital expenditures or progress payments paid to contractors, coinciding with the portion of the work completed for general equipment being manufactured or constructed, should be recorded in a CIP account. The CIP balance is included in the notes to the financial statements (generally Note 10) and is included in the general equipment line of the Balance Sheet, and must therefore be included in the general equipment opening balance. As a result, each DoD Component’s Financial Management Community, working with their Acquisition Community, must establish a CIP balance for each existing/ongoing acquisition program with outstanding general equipment deliverables at the date for which the opening balance is established. To create the CIP balances, DoD Components must determine capital versus non-capital costs (if the expected value of the completed general equipment asset will be equal to or greater than the applicable capitalization threshold and it will have a useful life of two years or more then it is a capital cost and should be accumulated in CIP). Where possible, transaction detail should be evaluated to identify costs that need to be capitalized. The opening balance for CIP should represent the amount disbursed to contractors (capital costs only) from program inception less the acquisition cost of general equipment delivered and capitalized. The difference between the two amounts should be the CIP opening balance. The CIP opening balance formula is:

\[
\text{CIP Opening Balance} = \text{Total Capital Costs Paid to Contractor} - \text{Total Amount of General Equipment Capitalized based on Deemed Cost}
\]
B. For some contract types that include contract finance payments, the Component must reconcile the payments to actual progress completed by the Contractor. If the CIP balance based on the formula in this subparagraph surpasses progress on the contract and is material, the DoD Component must move the appropriate amount from CIP into the Advances account (USSGL 141000).

C. CIP Go Forward Process – End State Target Environment

1. DoD Components must be able to capture capital costs paid to contractors and accumulate them (where they meet the criteria for capitalization) in CIP. DoD Components must maintain reasonable estimates of per unit costs which will be used to relieve CIP and capitalize the resulting general equipment asset. Costs which should be capitalized include other direct and indirect costs such as program management costs. These costs need to be captured as incurred, recorded in CIP, and allocated to the end item value. DoD Components need to determine how they will capture actual program management costs as well as other costs and the method for how they will allocate these costs.

2. Advance Payments, as defined in FAR 32.202-2, are to be recorded in an advance account until the end items are delivered. All other contract financing payments must be recorded as CIP. CIP must reflect actual progress on the contract. To ensure that CIP amounts reflect actual progress on the contract, DoD Components must perform a periodic reconciliation (at least quarterly) between amounts recorded in CIP and the actual progress on the contract. This may require working with the contractor to perform the reconciliation. Costs incurred in excess of finance payments should be reported as a liability. Figure A2-1 illustrates the CIP go forward process.
D. Programs and Contracts in Effect as of the Opening Balance

1. Figure A2-2 illustrates the process for capturing actual capital costs paid to a contractor and accumulating them in a CIP account for existing programs with remaining deliverable equipment end items. Capital costs will be relieved from CIP as the assets are delivered. The value of an asset constructed after the opening balance can be based upon a reasonable estimate of the per unit cost in accordance with SFFAS 6 and SFFAS 4, “Managerial Cost Accounting Standards and Concepts.” Reasonable estimates may be based on established methods that will approximate historical cost such as contracts, budget documents, engineering and acquisition documents, or reports reflecting amounts to be expended. Figure A2-2 also illustrates the allocation of estimates based on expenditures.
2. Some assets will be under construction at the time the opening balance is established. The value assigned to these assets will consist of two parts. One part will be the portion of the asset under construction as of the opening balance. The value of this portion will be based on how it was estimated when initially calculated and recorded as a Deemed Cost. The second part of the value will be the portion of the asset constructed after the opening balance. The value of this portion of the asset will be recorded in accordance with SFFAS 4 and SFFAS 6 as described in subparagraph A20105.C. The resulting value of the asset that will be debited to the general equipment account and credited to the CIP account, upon completion of the construction when the asset is available for use, will be the sum of both parts.

A30101. Construction-In-Progress (CIP)

A. CIP Example: The Air Force, Missile Defense Agency (MDA), and National Geospatial-Intelligence Agency (NGA), fund the construction of a satellite to be launched into space. Each entity will report their portion of CIP in their CIP accounts until a depreciable asset is recognized. The Air Force is the accountable entity under DoD Instruction (DoDI) 5000.64 once the asset is placed in service. When the satellite is placed into service all funding entities will recognize the capitalized costs of the satellite and transfer the capitalized costs to their Equipment account. MDA and NGA will then transfer the costs in their Equipment account to the Air Force’s Equipment account. The Air Force will subsequently record depreciation for the full cost of the asset.

B. Table A3-1 illustrates the general ledger (G/L) entries that are required to liquidate CIP and recognize a depreciable asset.

Table A3-1: Liquidation of CIP

<table>
<thead>
<tr>
<th>Funding Entity</th>
<th>G/L Entry – Liquidation of CIP by the Entity Funding Construction to Place the Asset in Service (Transaction Code D510)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit 175000 Equipment</td>
</tr>
<tr>
<td></td>
<td>Credit 172000 Construction-in-Progress</td>
</tr>
</tbody>
</table>

A30102. In-Service Assets (including weapon systems and Government-Furnished Property)

A. Following are three illustrative examples for In-Service Assets:

1. The Army is conducting an inventory of capital assets and identifies a Humvee that was not previously reported on their Accountable Property System of Record (APSR). They are unable to locate any procurement documentation for the asset, but the Army has been using and maintaining the asset and will assume accountability for the asset in accordance with DoDI 5000.64. Because the Army has accountability for the asset it will also be responsible for the financial reporting of the asset.

2. The Defense Health Program (DHP) funds the acquisition of a magnetic resonance imaging (MRI) machine, and records it in its APSR as the accountable entity in accordance with DoDI 5000.64. The MRI machine will be located at a Navy hospital, but will remain in DHP’s APSR. DHP will have financial reporting responsibility for the asset. To facilitate an information request from an auditor of the Navy or DHP on the MRI machine, the Navy and DHP must have processes in place that will allow them to easily demonstrate the designation of the responsible reporting entity based on the policy in Chapter 25.
3. The US Special Operations Command (USSOCOM) funds the acquisition of a mine resistant ambush protected (MRAP) vehicle and records it in its APSR as the accountable entity in accordance with DoDI 5000.64. The MRAP is later issued to an Army special operations unit, where it is added to the Army’s APSR. USSOCOM transfers accountability and financial reporting responsibility to the Army at the time of issuance. All required financial information and supporting documentation should be provided to the Army to support their financial reporting.

B. Table A3-2 illustrates the G/L entries to be recorded if a transfer is required to implement the policy in Chapter 25 or if a transfer is needed after an asset is placed in service.

Table A3-2: Transfer of In-Service General Equipment Reporting Responsibility

<table>
<thead>
<tr>
<th>Entity Transferring Out</th>
<th>G/L Entry Upon Transfer Out to New Reporting Entity (Transaction Code E510)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit 573000 Financing Sources Transferred Out Without Reimbursement</td>
</tr>
<tr>
<td></td>
<td>Debit 175900 Accumulated Depreciation on Equipment</td>
</tr>
<tr>
<td></td>
<td>Credit 175000 Equipment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Entity Transferring In</th>
<th>G/L Entry for New Reporting Entity Upon Transfer In (Transaction Code E606)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit 175000 Equipment</td>
</tr>
<tr>
<td></td>
<td>Credit 175900 Accumulated Depreciation on Equipment</td>
</tr>
<tr>
<td></td>
<td>Credit 572000 Financing Sources Transferred In Without Reimbursement</td>
</tr>
</tbody>
</table>

A30103. In-Service Capital Improvements

A. Once capital improvements are placed in service they become a part of the total recorded value of the depreciable asset (regardless of whether or not the asset is tracked or depreciated separately from the base asset). Following are two illustrative examples for capital improvements:

1. The Air Force provides USSOCOM a C-130 for use in its operations. USSOCOM makes an improvement to convert it to an AC-130 aircraft. Because the Air Force is responsible for the financial reporting of the base asset, it is also responsible for the financial reporting of any capital improvements to the base asset.

2. An F-18E Super Hornet (i.e., the base asset) that was the financial reporting responsibility of the Navy received a capital improvement package that significantly increased its capacity to perform its mission. The improvement package was added to a Navy asset so the Navy is responsible for the financial reporting of the capital improvement.

B. Table A3-3 illustrates the G/L entries to be recorded if a transfer is required to implement the policy in Chapter 25. If the transfer is not completed during the month the improvement was placed in service and depreciation has been incurred, the accumulated depreciation will transfer with the asset.
Table A3-3: Transfer of In-Service Capital Improvements

<table>
<thead>
<tr>
<th>Funding Entity of Capital Improvement</th>
<th>G/L Entry Upon Transfer Out from Funding Entity (Transaction Code E510)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit 573000 Financing Sources Transferred Out Without Reimbursement</td>
</tr>
<tr>
<td></td>
<td>Debit 175900 Accumulated Depreciation on Equipment</td>
</tr>
<tr>
<td></td>
<td>Credit 175000 Equipment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funding Entity of Base Asset</th>
<th>G/L Entry for Base Asset Funding Entity upon Transfer In (Transaction Code E606)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit 175000 Equipment</td>
</tr>
<tr>
<td></td>
<td>Credit 175900 Accumulated Depreciation on Equipment</td>
</tr>
<tr>
<td></td>
<td>Credit 572000 Financing Sources Transferred In Without Reimbursement</td>
</tr>
</tbody>
</table>
**VOLUME 4, CHAPTER 26: “ASSETS UNDER CAPITAL LEASE”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

This is the initial publication.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various</td>
<td>This chapter contains updated policy for assets under capital lease based upon the policy contained in Volume 4, Chapter 6, dated June 2009. The existing policy in Volume 4, Chapter 6 related to assets under capital lease is no longer applicable.</td>
<td>Revision</td>
</tr>
<tr>
<td>Various</td>
<td>The Federal Accounting Standards Advisory Board issued a new accounting standard for leases, which may require substantive changes to the policy contained in this chapter. The effective date of this new standard is for reporting periods beginning after September 30, 2020. Until the new standard becomes effective, the guidance in this chapter must be followed.</td>
<td>Notification</td>
</tr>
<tr>
<td>260102</td>
<td>Added an “Authoritative Guidance” paragraph.</td>
<td>Addition</td>
</tr>
<tr>
<td>260201</td>
<td>Added additional language to the definition of bargain purchase option, capital lease, lease term, minimum lease payments, noncancelable and renewal or extension of leases. Added a definition for leasehold improvements and operating leases.</td>
<td>Addition</td>
</tr>
<tr>
<td>260202</td>
<td>Added a definition for the capital lease liability account; depreciation, amortization and depletion account; and for other losses from impairment of assets account.</td>
<td>Addition</td>
</tr>
<tr>
<td>260203</td>
<td>Clarified the use of net book value, fair value, and recorded cost when recording the cost of general property, plant, and equipment acquired under a capital lease, as well as, documentation requirements.</td>
<td>Revision</td>
</tr>
<tr>
<td>PARAGRAPH</td>
<td>EXPLANATION OF CHANGE/REVISION</td>
<td>PURPOSE</td>
</tr>
<tr>
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<td>----------------------</td>
</tr>
<tr>
<td>260204</td>
<td>Updated guidance for recognition responsibility, recognition timing, capitalization thresholds, and bulk acquisition through leases. Added additional guidance for recognition timing and accounting for real property outside of the United States. The changed capitalization thresholds are based on Office of Secretary of Defense memorandum dated September 20, 2013.</td>
<td>Revision/Addition</td>
</tr>
<tr>
<td>260205</td>
<td>Clarified guidance that maintenance and repairs expended on leased assets are not considered capital improvements.</td>
<td>Revision</td>
</tr>
<tr>
<td>260206</td>
<td>Updated the guidance for “Depreciation/Amortization”, including removing the salvage value threshold of ten percent.</td>
<td>Revision</td>
</tr>
<tr>
<td>260207</td>
<td>Added guidance for “Impairment” of lease based upon Statement of Federal Financial Accounting Standards 44.</td>
<td>Addition</td>
</tr>
<tr>
<td>260208</td>
<td>Added guidance for “Derecognition” of lease when a capital lease is terminated before expiration of the lease term.</td>
<td>Addition</td>
</tr>
<tr>
<td>260301</td>
<td>Added guidance for “Use of Canceled Treasury Account Symbol” to continue to reported capitalized leased assets using appropriations that subsequently have cancelled.</td>
<td>Addition</td>
</tr>
<tr>
<td>260302</td>
<td>Updated guidance for “Supporting Documentation”, particularly associated with the derecognition of capital leases.</td>
<td>Revision</td>
</tr>
<tr>
<td>260304</td>
<td>Added additional guidance for “Deferred Maintenance and Repair”, including reporting material amounts as Required Supplementary Information.</td>
<td>Addition</td>
</tr>
<tr>
<td>260305</td>
<td>Added guidance for “Reporting Requirements” related to disclosure of real property outside of the United States when real property is provided by a foreign government/host nation without reimbursement.</td>
<td>Addition</td>
</tr>
</tbody>
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CHAPTER 26

ASSETS UNDER CAPITAL LEASE

2601  GENERAL

260101.  Purpose

This chapter prescribes Department of Defense (DoD) accounting policy for assets under capital lease, which is a subset of General Property, Plant and Equipment (PP&E). Unless otherwise stated, this chapter is applicable to all DoD Components, including Working Capital Fund (WCF) activities. Budgetary accounting treatment of capital leases and lease purchases is found in the Office of Management and Budget Circular A-11, “Preparation, Submission, and Execution of the Budget,” Appendix B and does not fall under the scope of this chapter.

*260102.  Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:


B.  FASAB SFFAC 6, "Distinguishing Basic Information, Required Supplementary Information and Other Accompanying Information";

C.  FASAB SFFAC 7, "Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording";

D.  FASAB Statement of Federal Financial Accounting Standards (SFFAS) 1, "Accounting for Selected Assets and Liabilities";

E.  FASAB SFFAS 3, "Accounting for Inventory and Related Property";

F.  FASAB SFFAS 4, "Managerial Cost Accounting Standards and Concepts";

G.  FASAB SFFAS 5, "Accounting for Liabilities of The Federal Government";

H.  FASAB SFFAS 6, "Accounting for Property, Plant, and Equipment";

I.  FASAB SFFAS 10, “Accounting for Internal Use Software";

J.  FASAB SFFAS 29, "Heritage Assets and Stewardship Land";
2602 ACCOUNTING FOR ASSETS UNDER CAPITAL LEASE

A lease conveys the use of an asset or part of an asset (such as part of a building) from one entity, the lessor, to another, the lessee, for a specified period of time in return for rent or other compensation. Leases can be either capital or operating leases as described in this chapter. The asset being leased under a lease, which meets the criteria of a capital lease, is capitalized and depreciated. The asset being leased under a lease that does not meet the criteria of a capital lease is classified as an operating lease, the asset is not capitalized and lease payments are expensed over the term of the lease.

A. Bargain Purchase Option. A bargain purchase option is a provision allowing the lessee to purchase the leased property for a price, which is sufficiently lower than the
expected fair value of the property at the date the option becomes exercisable, and where exercise of the option appears, at the inception of the lease, to be reasonably assured.

B. Bargain Renewal Option. A bargain renewal option is a provision allowing the lessee, at their option, to renew the lease for a rental sufficiently lower than the fair rental of the property at the date the option becomes exercisable, and where exercise of the option appears, at the inception of the lease, to be reasonably assured.

C. Capital Lease. Capital leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. Lessees must classify a lease as a capital lease if, at its inception, one or more of the following four criteria are met:

1. The lease transfers ownership of the property to the lessee by, or at, the end of the lease term;

2. The lease contains an option to purchase the leased property at a bargain price (refer to the definition in subparagraph 260201.A);

3. The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property; or

4. The present value of rental and other minimum lease payments, excluding that portion representing executory costs to be paid by the lessor, equals or exceeds 90 percent of the fair value of the leased property. The lessee must compute the present value of the minimum lease payments using the Treasury Instrument interest rate Resource Center (bill, note or bond) for the beginning of the month when the lease started, which matches the term of the lease. For example, the interest rate for an 8.5-year capital lease would be the average of the interest rates for a 7-year Treasury Note and a 10-year Treasury Note unless:

   a. It is practicable for the lessee to learn the interest rate implicit in the lease computed by the lessor; and
   
   b. The implicit rate computed by the lessor is less than the Treasury Instrument Rate.

5. The criteria cited in subparagraphs 260201.C.3 and 260201.C.4, do not apply if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property. While leases/occupational agreements with the General Services Administration (GSA) typically do not meet the capital lease criteria, if a GSA lease does meet the criteria cited in subparagraph 260201.C it should be capitalized.

6. If a lease does not meet at least one of the four criteria cited in subparagraphs 260201.C.1 through 260201.C.4, it should be classified as an operating lease. Operating leases of General PP&E are leases in which the entity does not assume the risks of ownership of the asset. Multi-year service contracts and multi-year purchase contracts for expendable commodities are not capital leases. Multi-year purchase contracts for expendable commodities are not capital leases. Multi-year service contracts that do not include provisions for
exclusive use of assets (either through identification of specific assets, segregation of services provided from other customers or exclusive use of an asset) are not capital leases.

D. Contingent Rentals. Contingent rentals are rentals on which the amounts are dependent on some factor other than the passage of time, such as a store lease where contingent rentals are based on a percentage of sales in excess of stipulated amounts or under certain data processing equipment leases based on hours of use in excess of stipulated minimums. Contingent rentals are not part of the minimum lease payments and are expensed as incurred over the term of the lease.

E. Estimated Economic Life. Estimated economic life is the estimated remaining period during which the property is expected to be economically usable by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at the inception of the lease, without limitation by the lease term.

F. Fair Value. Fair value is an unbiased, equitable or just value based on the cost of a similar item or the price that an impartial buyer would be willing to pay for the item or a similar item.

G. Interest Rate Implicit in the Lease. The interest rate implicit in the lease is the discount rate that, when applied to the minimum lease payments (less executory costs and the unguaranteed residual value), causes the aggregate present value at the beginning of the lease term to be equal to the fair value of the leased property at the inception of the lease.

H. Lease Term. The lease term is the fixed noncancelable term of the lease including:

1. All periods, if any, covered by bargain renewal options;

2. All periods, if any, for which failure to renew the lease imposes a penalty on the lessee in such amount that a renewal appears, at lease inception, to be reasonably assured;

3. All periods, if any, covered by ordinary renewal options during which any of the following conditions exist:
   a. A guarantee by the lessee of the lessor's debt directly or indirectly related to the leased property is expected to be in effect; or
   b. A loan from the lessee to the lessor directly or indirectly related to the leased property is expected to be outstanding.

4. All periods, if any, covered by ordinary renewal options preceding the date as of which a bargain purchase option is exercisable;

5. All periods, if any, representing renewals or extensions of the lease at the lessor's option; and
6. The lease term should not be assumed to extend beyond the date a bargain purchase option becomes exercisable.

I. Leasehold Improvements. A leasehold improvement is an improvement to leased land, to include easements and right-of-ways, buildings, structures, and linear structures utilized by the United States Federal Government.

J. Materiality. Materiality, as defined by the SFFAS 1, is the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

K. Minimum Lease Payments. Minimum lease payments are the payments that the lessee is obligated to make or can be required to make in connection with the leased property. Minimum lease payments exclude:

1. Contingent rentals;

2. Any guarantee by the lessee of the lessor’s debt and the lessee’s obligation to pay (apart from rental payments) executory costs such as insurance, maintenance, and taxes in connection with the leased property.

L. Noncancelable. Noncancelable means the lease is cancelable only on the occurrence of a remote contingency or with the permission of the lessor. Funds that are not appropriated by the Congress in future years to cover the lease are considered a remote contingency. If the lessee enters into a new lease with the same lessor, the term of the new lease would be considered noncancelable. In addition, a lease term would be considered noncancelable if the lessee incurs a penalty in such amount that continuation of the lease appears, at inception, reasonably assured.

M. Operating Leases. Operating leases are leases that meet all of the following criteria. (If the criteria is not met, the lease is to be considered a capital lease or a lease-purchase, as appropriate.)

1. Ownership of the asset remains with the lessor during the term of the lease and is not transferred to the Government at or shortly after the end of the lease term;

2. The lease does not contain a bargain price purchase option;

3. The lease term does not exceed 75 percent of the estimated economic life of the asset;

4. The present value of the minimum lease payments over the life of the leases is less than 90 percent of the fair value of the asset at the beginning of the lease term;
5. The asset is a general purpose asset rather than being for a special purchase of the Government and is not built to the unique specification of the Government as a lease; and

6. There is a private sector market for the asset.

N. Renewal or Extension of Leases. The renewal or extension of a lease refers to the continuation of a lease agreement beyond the original lease term, including a new lease under which a lessee continues to use the same property. Renewals or extensions do not include modifications of any of the terms in the original arrangement before the end of the term of the original arrangement.

*260202. Relevant USSGL Accounts*

The DoD USSGL accounts are specified on the Office of the Deputy Chief Financial Officer Standard Financial Information Structure website for the DoD Standard Chart of Accounts (including point accounts) and the Transaction Library. USSGL accounts most commonly used in accounting for capital leases include:

A. **Assets Under Capital Lease (Account 181000).** The Assets Under Capital Lease account is used to record general equipment assets and real property assets acquired under capital lease and properly capitalized according to the guidance in subparagraphs 260201.C and 260204.D.1.

B. **Accumulated Depreciation on Assets Under Capital Lease (Account 181900).** The Accumulated Depreciation on Assets Under Capital Lease account accumulates the annual/periodic depreciation expense for assets under capital lease.

C. **Leasehold Improvements (Account 182000).** The Leasehold Improvement account is used to record the value of capitalized improvements to leased general equipment and leased real property.

D. **Accumulated Amortization on Leasehold Improvements (Account 182900).** The account, Accumulated Amortization on Leasehold Improvements, is used to accumulate the periodic amortization expense for leasehold improvements.

E. **Capital Lease Liability (Account 294000).** The Capital Lease Liability account is used to record the present value of liabilities for general equipment assets and real property assets acquired under a lease agreement that meets the test for capitalizing the assets.

F. **Depreciation, Amortization, and Depletion (Account 671000).** This account is used to recognize the expense resulting from the process of allocating costs of an asset (tangible or intangible) over the period of time benefited or the asset's useful life.

G. **Other Losses from Impairment of Assets (Account 729200).** The loss from the partial impairment of General Property, Plant and Equipment including assets under capital lease, but excluding internal use software.
*260203. Acquisition/Valuation

A. Recorded Cost. When acquiring a General PP&E asset under a capital lease, the recorded cost must be recognized in accordance with paragraph 260204. The recorded cost of General PP&E under capital lease is the basis for computing depreciation/amortization (if applicable). This paragraph defines and prescribes the use of net book value, fair value, and recorded cost when recording the cost of General PP&E items acquired under capital lease.

1. **Net Book Value.** Net book value is the recorded cost of a General PP&E asset, less its accumulated depreciation/amortization.

2. **Fair Value.** Fair value is an unbiased, equitable or just value based on the cost of a similar item or the price that an impartial buyer would be willing to pay for the item or a similar item.

3. **Amount to Record.** The recorded cost of General PP&E items under a capital lease is the present value of the rental and other minimum lease payments during the lease term, excluding that portion of the payments representing executory cost such as insurance, maintenance and taxes paid to the lessor. If the present value amount, however, exceeds the fair value of the leased property at the inception of the lease, the amount recorded should be the fair value. If the executory cost portion of the minimum lease payments cannot be determined, the amount must be estimated.

B. Documentation. When recording the acquisition of a General PP&E item under capital lease in the accountable property system of record (APSR) and/or accounting system, the item must be assigned a dollar value (i.e., recorded cost) as detailed in this chapter. The dollar value must be supported by appropriate documentation, including the executed lease agreement. The DoD Component entering into a lease must have the lease agreement available for determining the capitalization of the leased item. Guidance on supporting documentation can be found in paragraph 260302.

*260204. Recognition

A. All General PP&E items acquired by DoD Components under a capital lease must be recognized for accountability and financial reporting purposes. Recognition requires the proper accounting treatment (expense or capitalization with depreciation/amortization) and the reporting of capitalized amounts and accumulated depreciation/amortization on the appropriate DoD Component’s financial statements.

B. **Recognition Responsibility.** The DoD Component that procures a General PP&E item by entering into a capital lease will be the DoD Component that must initially record the item. In the event where a DoD Component other than the initial lessee uses and benefits from the leased asset, the recognition responsibility of the leased asset must be reevaluated. The subsequent recognition responsibility of a General PP&E item under capital lease is determined based on the type of asset being leased. Refer to the appropriate chapter in this Volume for additional guidance.
C. Recognition Uncertainty. It is important that the overall accounting records of the DoD and the Federal Government are not duplicative.

1. In situations where doubt exists as to which DoD Component should record an item, the DoD Components involved must reach agreement with the other applicable DoD Component(s) or Federal agencies as to which entity will record the item.

2. If the DoD Components cannot reach an agreement, the matter must be referred to the Office of the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller) for resolution. Requests for resolution must be accompanied by adequate supporting documentation to assist in resolution of the matter and be submitted through the Financial Management and Comptroller of the submitting Military Department or Defense Agency.

D. Recognition Timing. Recording of a General PP&E item under capital lease for financial reporting purposes must occur at lease inception.

1. Lease inception is the date of the lease agreement. A lease agreement must be in writing, signed by the parties in interest to the transaction, and should specifically set forth the principal provisions of the transaction. For leasehold improvements, the date it should be recorded is the date the leasehold improvement is placed in service.

2. For General PP&E assets under capital lease acquired by an external third party contractor on behalf of a DoD Component, the lease agreement must be executed by an authorized DoD contracting officer. The assets must be recorded upon signing of the lease and delivery or constructive delivery of the leased asset, whether to the contractor performing the service or to the DoD Component. Delivery or constructive delivery will be based on the terms of the contract regarding delivery, receipt, and acceptance. The leased asset should either be capitalized in the appropriate USSGL account or, if the leased asset does not meet the lease criteria for capitalization and the capitalization threshold, such items must be recorded in the appropriate expense account.

E. Capitalization Thresholds. A capitalization threshold is the amount that determines the financial reporting of an asset or expensing its cost.

1. The capitalization threshold for General PP&E items acquired under capital lease, with the exception of real property items, is:

   a. $1 million for the Department of Air Force and the Department of Navy general funds;

   b. $1 million for the Office of the Director of National Intelligence General PP&E; and

   c. $250 thousand for all other DoD Component’s (including Department of the Army) General Fund and WCF.
2. The capitalization threshold for real property items acquired under capital lease for all DoD Components is $250 thousand.

3. General PP&E items under capital lease with a recorded cost that equals or exceeds the applicable capitalization threshold, must be capitalized as an asset in the appropriate DoD Component’s accounting records and depreciated/amortized over its lease term. Leasehold improvements should be depreciated/amortized over the lesser of its estimated economic life or the remaining lease term. General PP&E items under capital lease, with a recorded cost below the applicable capitalization threshold must be accounted for as an operating lease with no balance sheet recognition, with the exception of General PP&E items acquired as part of a qualifying bulk acquisition as described in subparagraph 260204.H.

4. For General PP&E items acquired under capital lease, which meet or exceed the appropriate capitalization threshold, the lessee must recognize both a capital lease asset and a capital lease liability at lease inception.

F. Allocation of Lease Payments. A portion of each lease payment must be allocated to interest expense, and the balance should be applied to reduce the lease liability using the effective interest rate method. (Interest is calculated on the balance of the lease obligation for each period, and the remainder of the payment is applied as a reduction of the lease obligation.) The periodic payment amount allocated to interest expense must be computed based on the interest rate used to compute the present value of minimum lease payments, unless the lease is recorded at fair value.

G. Leases with Residual Guarantee or Penalty. Leases with a residual guarantee by the lessee or a penalty for failure to renew the lease at the end of the lease term, generally should result in a liability balance that will equal the amount of the guarantee or penalty at the end of the lease term. If a renewal or other extension of the lease term or a new lease under which the lessee continues to lease the same property renders the guarantee or penalty inoperative, the asset and the liability under the lease should be adjusted. The adjustment must be the amount equal to the difference between the present value of the future minimum lease payments under the revised agreement and the present balance of the liability. The present value of future minimum lease payments under the revised lease agreement should be computed using the rate of interest used to record the lease initially. Other renewals and extensions of lease terms should be considered new agreements.

H. Bulk Acquisitions Through Leases. For capitalization purposes, a bulk acquisition is defined as the acquisition of like items as part of multiple leases with a single lessor within a fiscal year. Acquisitions through multiple leases with a single lessor during separate fiscal years are to be considered separately within each fiscal year. To determine proper recognition of bulk acquisitions through leases, the acquisition cost of all like items leased under multiple leases with a single lessor within a fiscal year must be totaled, and the resulting total must be considered against the lease criteria for capitalization and the capitalization threshold prescribed by subparagraphs 260201.C and 260204.E respectively.
I. Accounting for Real Property Outside of the United States. As used in this chapter, “United States” means the 50 States of the United States, the District of Columbia, and the commonwealths, territories, and possessions of the United States. In carrying out their mission, operations and objectives, there are circumstances in which DoD Components occupy and use real property facilities and/or general equipment outside of the United States for which there is not a lease agreement. When a DoD Component occupies an asset and/or uses general equipment outside of the United States but the DoD did not fund its acquisition, the DoD Component will recognize such facilities and/or general equipment on its financial statements as assets under a capital lease only if a specific agreement with the host nation/foreign government exists. The agreement must include a requirement that the DoD Component pay minimum regular payments for its use. The agreement must meet one of the criteria for a capital lease as specified in SFFAS 6, paragraph 20:

Table 26-1. Capital Lease Criteria

<table>
<thead>
<tr>
<th>Capital Lease Criteria</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>The lease transfers ownership of the property to the lessee by the end of the lease term.</td>
<td>Not likely for foreign owned real property.</td>
</tr>
<tr>
<td>The lease contains an option to purchase the leased property at a bargain price.</td>
<td>Not likely for foreign owned real property.</td>
</tr>
<tr>
<td>The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property.</td>
<td>Not likely for foreign owned real property. The specified term of the agreement with the host nation/foreign government will substitute for the lease term for this analysis. Terms specified in these agreements are typically less than 75 percent of a real property asset's estimated economic life.</td>
</tr>
<tr>
<td>The present value of rental and other minimum lease payments, excluding that portion of the payments representing executory costs, equals or exceeds 90 percent of the fair value of the leased property.</td>
<td>Not likely for foreign owned real property. The payments to the host nation/foreign government established in the agreement will substitute for lease payments for this analysis. If minimum payments established in the agreement cover multiple items, only the proportional amount paid for the subject asset should be considered for this analysis.</td>
</tr>
</tbody>
</table>

Note: The last two criteria are not applicable when the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property.

1. If a lease agreement (as contrasted with another type of agreement with the host nation/foreign government) exists, the other provisions of this chapter would apply.

2. See also reporting requirements for disclosure of real property outside the United States at subparagraph 260305.B.
260205. Improvements/Enhancements

A. The costs to improve (leasehold improvements) a General PP&E item under lease (capital or operating) must be capitalized when (1) the costs of the improvement increase the item’s capability, size, and/or extends its useful life and (2) the cost of the improvement equals or exceeds the applicable capitalization threshold (see subparagraph 260204.E), regardless of funding source.

B. When leasehold improvements meet or exceed DoD capitalization criteria (see subparagraphs 260204.E and 260205.A), such improvements must be capitalized and amortized over the lesser of the remainder of the lease period or the improvement’s useful life.

C. Maintenance and repair costs expended on leased assets are not considered capital improvements, regardless of whether the cost equals or exceeds the applicable capitalization threshold. In SFFAS 42, the FASAB defines maintenance and repairs as activities directed toward keeping fixed assets in an acceptable condition. Maintenance and repair activities include preventative maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain assets. Maintenance and repair activities also include cyclic work done to prevent damage that would be more costly to restore than to prevent (e.g., painting). A roof or a heating and air conditioning system that is replaced due to the failing of the existing asset must be classified as a repair and must be expensed, even if the replacement incorporated a better quality and longer life shingle or a more efficient heating and air conditioning unit.

D. Although maintenance and repairs are generally expensed in the period incurred, certain replacements of parts, systems, or components may or may not be an improvement for accounting purposes. Crucial to the determination of whether a replacement must be recognized as a repair or an improvement is the intent behind the replacement. Repair by replacement occurs when parts, systems, or components have failed, are in the incipient stages of failing, or are no longer performing the functions for which they were designated. Replacements falling into this category must be expensed. If the replacement was undertaken to improve an item that was in good working order, then the replacement must be recognized as an improvement.

260206. Depreciation/Amortization

A. The recorded cost of assets under capital lease and leasehold improvements, which have been capitalized in accordance with the guidance prescribed by this chapter, must be depreciated/amortized. Such capitalized amounts, as well as associated amounts of accumulated depreciation/amortization and depreciation/amortization expense, must be reflected in DoD financial statements.

B. For leased General PP&E, depreciation/amortization is the systematic and rational allocation of the recorded cost of an asset over the lease term. The depreciation/amortization recovery period (useful life) to be used to depreciate personal or real property acquired by a capital lease is the lease term regardless of the recovery period designated for the type of property. For example, if a capital lease is used to acquire a fire truck and the lease term is seven years and the DoD estimated recovery period for a truck is five years, then the fire
truck would be depreciated over seven years. In the same example, if the lease period were only four years, the fire truck would be fully depreciated over four years.

Table 26-2. Depreciation/Amortization Period for Assets Under Capital Lease

<table>
<thead>
<tr>
<th>Asset</th>
<th>Recovery Period</th>
<th>Lease Term</th>
<th>Depreciation Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truck</td>
<td>5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Truck</td>
<td>5</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

1. The salvage value, also known as the residual or scrap value, is the amount that would be expected to be obtained from selling an asset at the end of its useful life, but only when such proceeds (from recycle, resale, or salvage) are permitted to be retained and used by the DoD Component. Salvage value is only applicable to assets under capital lease if the asset meets the criteria in subparagraphs 260201.C.1 and 260201.C.2.

2. The depreciable/amortizable basis of an asset is the recorded cost reduced by the asset’s salvage value.

C. In the case of leased General PP&E assets, the event that triggers the calculation of depreciation is the beginning of the lease term. In the case of capitalized leasehold improvements, the event that triggers amortization is when the improvement is placed into service.

D. The recorded cost of leased General PP&E assets and capitalized leasehold improvements must be depreciated/amortized using the straight-line method of depreciation/amortization.

1. Straight-line depreciation/amortization expense for the capitalized lease is calculated as the depreciable/amortizable basis (recorded cost less salvage value as described in subparagraph 260206.B.1) divided equally among accounting periods during the lease term.

2. Straight-line depreciation/amortization expense for leasehold improvements is calculated as the depreciable/amortizable basis (recorded cost of the leasehold improvement) divided equally among accounting periods during the remaining lease term or the useful life of the leasehold improvement, whichever is less.

E. An asset under capital lease must be retained in the APSR, as well as the accounting records, and reflect both its recorded cost and accumulated depreciation/amortization until the end of the lease term or disposition of the asset.

F. WCF activities are required to depreciate/amortize General PP&E assets under capital lease in accordance with the guidance in this chapter without regard to whether such assets are procured through a WCF activity’s Capital Purchase/Investment Program budget or whether depreciation/amortization for such assets is included in rates charged to customers. The recognition of General PP&E assets under capital lease and the depreciation/amortization of such assets by WCF activities therefore may be different for financial statement reporting purposes than
the depreciation/amortization amounts used for WCF rate development and budget presentation. Depreciation/amortization for all General PP&E assets under capital lease of WCF activities must be recognized as an expense on the Statement of Net Cost, reflected in the Statement of Changes in Net Position, included in accumulated depreciation/amortization amounts on the Balance Sheet, and reported in the “Defense Working Capital Fund Accounting Report [Accounting Report (Monthly) 1307]. Depreciation/amortization recorded on General PP&E assets under capital lease, which was not acquired nor will be replaced through use of Defense WCF resources, must be classified as non-recoverable for rate setting purposes and reported appropriately on the AR (M) 1307. Defense WCF rates charged to customers are based on guidance in Volume 2B and Volume 11B.

260207. Impairment

A. Description. SFFAS 44 defines impairment as a significant and permanent decline in the service utility of General PP&E or expected service utility of construction in progress that results from events or changes in circumstances that are not considered normal and ordinary.

1. See subparagraph 260207.B.2 for a guidance on determining the significance and permanence of a service utility decline.

2. The service utility of General PP&E is the usable capacity that, at acquisition, was expected to provide service. The current usable capacity of General PP&E may be less than its original usable capacity due to the normal or expected decline in useful life or to impairing events or changes in circumstances, such as physical damage, obsolescence, enactment or approval of laws or regulations, or other changes in environmental or economic factors, or changes in the manner or duration of use.

3. Normal and ordinary events or circumstances are those that fall within the expected useful life of the General PP&E such as standard maintenance and repair requirements. Events or circumstances that are not considered normal are those where, at the time the General PP&E was acquired, the event or change in circumstance would not have been expected to occur during the useful life of the General PP&E or, if expected, was not sufficiently predictable to be considered in estimating the General PP&E’s useful life.

B. Identification of Potential Impairment Loss. The determination of whether General PP&E under capital lease remaining in use is impaired is a two-step process, which includes (1) identifying potential impairment indicators and (2) testing for impairment.

1. Step 1 - Identify Indicators of Potential Impairment. Indicators of potential impairment can be identified and brought to DoD Component’s attention in a variety of ways, such as procedures related to deferred maintenance and repair (DM&R). Although DoD Components are not required to establish additional or separate procedures beyond those that may already exist, they should evaluate existing processes and internal controls to determine if they are sufficient to reasonably assure the identification of potential impairment indicators and implement appropriate additional processes and internal controls if necessary. Once identified, however, indicators are not conclusive evidence that a measurable or reportable impairment exists. DoD
Components should carefully consider the surrounding circumstances to determine whether a test of potential impairment is necessary given the circumstances. Some common indicators of potential impairment include:

- Evidence of physical damage;
- Enactment or approval of laws or regulations, which limit or restrict General PP&E usage;
- Changes in environmental or economic factors;
- Technological changes or evidence of obsolescence (however, if obsolete General PP&E continues to be used, the service utility expected at acquisition may not be diminished);
- Changes in the manner or duration of use of General PP&E;
- Construction stoppage or contract termination; and
- General PP&E idled or unserviceable for excessively long periods.

2. Step 2 - Impairment Test. Identified General PP&E should be tested for impairment by determining whether these two factors are present: (i) the magnitude of the decline in service utility is significant and (ii) the decline in service utility is expected to be permanent.

a. Significant declines in service utility are those that cause costs (including operational and maintenance costs) to be disproportionate to the new expected service utility. The determination of whether or not an item is significant is a matter of professional judgment and is distinct from materiality considerations. Such judgments should be based on the relative costs of providing the service before and after the decline, the percentage decline in service utility, or other considerations.

b. The decline in service utility is considered permanent when the DoD Component has no reasonable expectation that the lost service utility will be replaced or restored; that is, the DoD Component expects that the General PP&E will remain in service so that its remaining service utility will be utilized. In contrast, a reasonable expectation that the lost service utility will be replaced or restored may exist when the DoD Component has: (1) specific plans to replace or restore the lost service utility of the General PP&E, (2) committed or obligated funding for remediation efforts, or (3) a history of remediating lost service utility in similar cases or for similar General PP&E.

C. Determining the Appropriate Measurement Approach. Impairment losses on General PP&E assets under capital lease that will continue to be used by the entity should be estimated using a measurement approach that reasonably estimates the portion of net book value associated with the diminished service utility of the General PP&E. A measurement method would
not be considered appropriate if it would result in an unreasonable net book value associated with
the remaining service utility of the General PP&E. Conversely, a reasonable measurement method
may result in no impairment loss to be recorded. Regardless of the method used, recognition of
impairment loss should be limited to the asset’s net book value at the time of impairment. Widely
recognized methods for measuring impairment include:

1. **Replacement Approach.** Impairment of General PP&E with
physical damage generally may be measured using a replacement approach. This approach uses
the estimated cost to replace the lost service utility of the General PP&E at today’s standards (i.e.,
at current market prices and in compliance with current statutory, regulatory, or industry standards)
to identify the portion of the historical cost of General PP&E that should be written-off due to
impairment. It may be appropriate to apply the ratio of estimated cost to replace the diminished
service utility over total estimated cost to replace the General PP&E, to the net book value of
General PP&E to determine the impairment amount.

2. **Restoration Approach.** Uses the estimated cost to restore the
diminished service utility of the General PP&E, but does not include any amounts attributable to
improvements and additions to meet today’s standards.

3. **Service Unit Approach.** Impairment of General PP&E that are
affected by enactment or approval of laws or regulations or other changes in environmental factors
or are subject to technological changes or obsolescence generally may be measured using a service
unit approach. This approach compares the service units provided by the General PP&E before
and after the impairment, to isolate the historical cost of the service utility that cannot be used due
to the impairment, to determine the impairment amount.

4. **Deflated Depreciated Current Cost Approach.** Impairment of
General PP&E that are subject to a change in manner or duration of use generally may be measured
using a deflated depreciated current cost approach. Under this approach, a current cost for a
General PP&E to replace the current level of service is estimated. This estimated current cost is
then depreciated/amortized to reflect the fact that the General PP&E is not new, and is then
subsequently deflated to convert it to historical cost dollars. A potential impairment loss results if
the net book value of the General PP&E exceeds the estimated historical cost of the current service
utility (i.e., deflated depreciated current cost).

5. **Cash Flow Approach.** Recognizes an impairment loss only if the
net book value (a) is not recoverable and (b) exceeds the higher of its net realizable value (NRV)
or value-in-use estimate.

   a. The net book value of General PP&E is not recoverable if it
   exceeds the sum of the undiscounted cash flows expected to result from the use and eventual
disposition of the General PP&E.

   b. NRV is the estimated amount that can be recovered from
   selling, or any other method of disposing, of an item less estimated costs of completion, holding,
   and disposal. SFFAC 7 describes value in use as the present value of future cash flows that an
entity expects to derive from an asset, including cash flows from use of the asset and eventual disposal.

c. If the net book value is not recoverable, the impairment loss is the amount by which the net book value of the General PP&E exceeds the higher of its NRV or value in use estimate. No impairment loss exists if the net book value is less than the higher of the General PP&E’s NRV or value in use estimate.

6. **Lower of (a) Net Book Value or (b) Higher of NRV or Value-in-Use Approach.** General PP&E impaired from either construction stoppages or contract terminations, which are expected to provide service, should be reported at their recoverable amount; the lower of (a) the General PP&E’s net book value or (b) the higher of its NRV or value-in-use estimated. Impaired General PP&E under capital lease, which are not expected to provide service, should be accounted for in accordance with paragraph 260208.

D. **Recognizing and Reporting Impairment Losses.** The loss from impairment, if any, should be recognized and reported in the Statement of Net Cost in the period in which the DoD Component concludes that the impairment is both (1) a significant decline in service utility and (2) expected to be permanent. Such losses may be included in program costs or costs not assigned to programs. A general description of the General PP&E for which an impairment loss is recognized, the nature (e.g., damage or obsolescence) and amount of the impairment and the financial statement classification of the impairment loss must be disclosed in the notes to the financial statements in the period the impairment loss is recognized.

E. **Recoveries.** The impairment loss must be reported net of any associated recovery, when the recovery and loss occur in the same fiscal year. Recoveries reported in subsequent fiscal years must be reported as revenue or other financing source as appropriate. The amount and financial statement classification of recoveries should be disclosed in the notes to the financial statements.

F. **Remediating Previously Reported Impairments.** The costs incurred to replace or restore the lost service utility of impaired General PP&E remaining in use must be accounted for in accordance with applicable standards (i.e., recognized according to the nature of the costs incurred and the appropriate capitalization threshold).

G. **Diminished Service Utility Without Recognized Impairment Loss.** If the future service utility has been adversely affected but the impairment test determines that a loss does not need to be recognized, a change to the estimates used in depreciation/amortization calculations (such as estimated useful life and salvage value) should be considered.

*260208. Derecognition

A lease modification is a termination of a capital lease before the expiration of the lease term. The lease modification must be accounted for by the lessee by removing the asset and obligation, with a gain or loss recognized for the difference. Supporting documentation required for derecognition is listed in subparagraph 260302.A.2.
ADDITIONAL CONSIDERATIONS

*260301. Use of Canceled Treasury Account Symbol (TAS)

A. The Department of Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) is a data collection system that replaces the reporting functionalities of Federal Agencies Centralized Trial-Balance System I and II, Intragovernmental Fiduciary Confirmation System, and Intragovernmental Reporting and Analysis System as the primary means for Components to report their trial balance data to the Department of Treasury. Capitalized assets must be reported in GTAS when purchased and after the original purchasing TAS has expired and canceled. Treasury’s GTAS provides a “cancelled” or “C” TAS on the GTAS Super Master Account File (SMAF) for each fund family represented on the SMAF to allow Components to continue to report capitalized leased assets using appropriations that subsequently have cancelled. The system generated “C” TAS has three components: the three digit agency identifier, availability type "C", and a four digit main account.

B. All DoD Components must use the “C” availability type TAS to report capitalized assets. Assets may be moved to a C TAS at any time from the purchase date to the date the original purchasing fund cancels.

C. To transfer an asset to a C TAS:

1. Use USSGL account transaction E510 to transfer out the asset from the purchasing fund account.

2. Use USSGL account transaction E606 to transfer in the asset into the appropriate C TAS.

*260302. Supporting Documentation

Entries to record financial transactions in accounting system general ledger accounts and/or the accountable property records and/or systems must:

A. Be supported by source documents that reflect all transactions affecting the DoD Component’s investment in assets under capital lease.

1. All acquisitions, whether by capital lease, purchase, transfer from other agencies, donation, or other means, must be supported as of the date the DoD Component takes custody of the asset. The documents listed in Table 26-3, where applicable, must be readily available to support the changes in asset value or physical attributes as a result of a new acquisition or leasehold improvement.
Table 26-3. Supporting Documentation for Assets Under Capital Lease Acquisition

<table>
<thead>
<tr>
<th>Evidence</th>
<th>Examples*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique Identification</td>
<td>Assignment of unique identifier</td>
</tr>
<tr>
<td>Project Approval</td>
<td>Such as, but not limited to a Work Order</td>
</tr>
<tr>
<td>Obligation on Behalf of the Government</td>
<td>Such as, but not limited to:</td>
</tr>
<tr>
<td></td>
<td>1. For leases, or lease modifications:</td>
</tr>
<tr>
<td></td>
<td>• Statement of Work;</td>
</tr>
<tr>
<td></td>
<td>• Dollar Amount of Lease;</td>
</tr>
<tr>
<td></td>
<td>• Location;</td>
</tr>
<tr>
<td></td>
<td>• Source of Funds;</td>
</tr>
<tr>
<td></td>
<td>• Parties to the Lease agreement; and</td>
</tr>
<tr>
<td></td>
<td>• Signature Page [Signature of All Parties].</td>
</tr>
<tr>
<td></td>
<td>2. Approved Work Order.</td>
</tr>
<tr>
<td>Payment Submitted</td>
<td>Such as, but not limited to, approved last invoice reflecting the total amount submitted for payment to date.</td>
</tr>
<tr>
<td>Acceptance</td>
<td>Such as, but not limited to:</td>
</tr>
<tr>
<td></td>
<td>1. DoD (DD) Form 250, Material Inspection and Receiving Report;</td>
</tr>
<tr>
<td></td>
<td>2. GSA Form 1334, Request for Transfer of Excess Real and Related Personal Property;</td>
</tr>
<tr>
<td></td>
<td>3. DD Form 1354, Transfer and Acceptance of DoD Real Property (interim or final), with associated source documentation retained by the responsible party;</td>
</tr>
<tr>
<td></td>
<td>4. Signed lease for leased property;</td>
</tr>
<tr>
<td></td>
<td>5. Executed Occupancy agreement; and</td>
</tr>
<tr>
<td></td>
<td>6. Transfer letter and documents for transferred assets.</td>
</tr>
</tbody>
</table>

* The supporting documentation examples included in Table 26-3 could also be applicable to operating leases.

2. All derecognition of capital leases must be supported as of the date the lessee is no longer liable for the lease obligation. The execution of certain derecognition events will generate financial or administrative accountability transactions. These documents, where applicable, must be readily available to support derecognition:

   a. “Declaration of excess” document;

   b. Original lease document;

   c. Approval documentation for derecognition;

   d. Lease modification (e.g., for early termination of lease);

   e. Document to support any improvements made to the assets under capital lease;

   f. Transfer documents for transferred assets or as otherwise stated.
3. Documents that support the recorded cost of General PP&E assets under capital lease must be retained by the DoD Component in accordance with the requirements contained in Volume 1, Chapter 9 or as otherwise stated. Documentation (original documents and/or hard and electronic copies of original documentation) must be maintained in a readily available location during the applicable retention period to permit the validation of information pertaining to the asset such as the lease term, lease date and cost of leasehold improvements. The documentation must also be linked to the appropriate unique identifier(s). Supporting documentation may include, but is not limited to, the documentation as outlined in this subparagraph.

B. Include sufficient information indicating the physical quantity, location, and unit cost of the General PP&E assets under capital lease. The accountable property records must be designed to be of maximum assistance in making procurement and utilization decisions, including decisions related to identifying potential excess General PP&E that may be available for reuse, transfer to other DoD Components, or made available for disposal in accordance with current DoD regulations and other regulatory requirements.

C. Enable periodic, independent verification of the accuracy of the accounting and accountable property records through periodic physical counts/inventories of General PP&E assets under capital lease (existence and completeness -- “book to floor and floor to book”). Such periodic inventories also must include reconciling the APSR and accounting systems with the general ledger accounts and physical counts. Personal hand receipt self-validations are not acceptable for meeting the independent verification of physical inventory requirements. See DoDI 5000.64 (excluding real property) and DoDI 4165.14 for real property.

D. Identify and classify General PP&E that was capitalized, recorded in the APSR and accounting system, and reported in the financial statements.

E. Be based on the same documents, to ensure that entries to the accounting and accountable property records are the same. This will ensure that the property accountability records are integrated and subsidiary to the accounting system and those records can be reconciled with the accounting system.

F. Include all General PP&E possessed by the Department (to include DoD leased property held by contractors).

G. Provide information to identify and account for leased General PP&E, regardless of whether the General PP&E was acquired by a capital lease or operating lease or whether the value of the General PP&E exceeds DoD capitalization thresholds.

H. Provide information to identify and account for improvements to General PP&E assets under capital lease.
260303. Physical Inventories of General PP&E

DoD Components must perform periodic physical inventories of General PP&E including assets under capital lease in accordance with DoDI 5000.64 (equipment and other accountable property) or DoDI 4165.14 (real property).

260304. DM&R

A. In SFFAS 42, the FASAB defines DM&R as maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed to a future period.

1. For purposes of this policy, maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Maintenance and repairs include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset in acceptable condition.

2. Maintenance and repairs exclude activities aimed at expanding the capacity or capability of an asset or otherwise upgrading it to serve needs different from or significantly greater than its current use.

B. Amounts for DM&R may be measured using condition assessment surveys, life-cycle cost forecasts, or other methods that are similar to the condition assessment survey or life-cycle costing methods.

1. Condition assessment surveys are periodic physical inspections of General PP&E to determine their current condition and estimated cost to correct any deficiencies.

2. Life-cycle costing is an acquisition or procurement technique that considers operating, maintenance, and other costs in addition to the acquisition cost of assets. Since it results in forecasts of maintenance and repairs expense, these forecasts may serve as a basis against which to compare actual maintenance and repairs expense to arrive at an estimate of DM&R.

C. DoD Components should determine what condition standards are acceptable and which DM&R measurement methods to apply. Once determined, condition standards and measurement methods must be consistently applied unless the DoD Component determines that changes are necessary. Changes deemed necessary by the DoD Component must be accompanied by an explanation documenting the rationale for the change(s) and any related impact the change(s) will have on the DM&R estimates.

D. DM&R must be measured for capitalized and non-capitalized General PP&E (including assets under capital lease), fully depreciated General PP&E, Heritage Assets, and Stewardship Land. In addition, DM&R must be measured for inactive and/or excess General PP&E to the extent that it is required to maintain the General PP&E in acceptable condition (e.g., to comply with existing laws and regulations or to preserve value pending disposal). In addition,
DM&R must measure funded maintenance and repairs that have been delayed for a future period as well as unfunded maintenance and repairs.

E. DoD Components must report material amounts of DM&R as Required Supplementary Information (RSI) to the financial statements (see Volume 6B, Chapter 12). At a minimum, the Components must present the following information as RSI:

1. Estimates of the beginning and ending balances of DM&R for each major category of General PP&E asset under capital lease;

2. A summary of the DoD Component’s maintenance and repairs policies and a brief description of how they are applied (i.e., method of measuring DM&R);

3. Policies for ranking and prioritizing maintenance and repair activities;

4. Factors the DoD Component considers in determining acceptable condition standards;

5. Whether DM&R relates solely to capitalized General PP&E or also to amounts relating to noncapitalized or fully depreciated General PP&E under capital lease;

6. Capitalized General PP&E for which the DoD Component does not measure and/or report DM&R and the rationale for the exclusion; and

7. If applicable, explanation of any significant changes to (a) DM&R amounts from the prior year and (b) the policies and factors subject to the reporting requirements established in subparagraphs 260304.E.1 through 260304.E.6.

*260305. Reporting Requirements

A. DoD Components with leased General PP&E should reference a note on the Balance Sheet that discloses information about the reported assets. See Volume 6B for the specific reporting requirements.

B. Disclosure of Real Property Outside of the United States

DoD Components must disclose in the notes to the financial statements those instances where they are using real property provided by a foreign government/host nation without reimbursement by DoD to the foreign government/host nation, as applicable, that:

1. The DoD Component is utilizing real property provided by and owned by a foreign government/host nation in its operations outside of the United States without reimbursement by DoD to the foreign government/host nation and that there are no amounts recorded in the financial statements related to these properties.
2. The general nature of the agreement with the foreign government/host nation. It is not intended or recommended that the geographic location of the foreign government/host nation be disclosed.

260306. Environmental Liabilities/Cleanup Costs

The lease agreement must clearly identify the party responsible for environmental liabilities/cleanup costs. The accounting policy for environmental liabilities/cleanup costs pertaining to General PP&E is contained in Chapter 13.
**VOLUME 4, CHAPTER 27: “INTERNAL USE SOFTWARE”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

This is the initial publication.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various</td>
<td>This chapter contains updated policy for internal use software (IUS) based upon IUS policy contained in Volume 4, Chapter 6, dated June 2009. As a result, the existing policy in Volume 4, Chapter 6 related to IUS is no longer applicable.</td>
<td>Revision</td>
</tr>
<tr>
<td>Various</td>
<td>The Federal Accounting Standards Advisory Board issued a new accounting standard for leases with an effective date for reporting periods beginning after September 30, 2020. Policy has yet to be fully developed to implement this new standard, which may result in changes to the capital lease criteria. Until the new standard becomes effective, the policy guidance in this chapter must be followed.</td>
<td>Revision</td>
</tr>
<tr>
<td>Policy Memo</td>
<td>The Deputy Chief Financial Officer policy memorandum, “Strategy for Internal Use Software Audit Readiness,” dated September 30, 2015 has been incorporated into the chapter as applicable and is cancelled.</td>
<td>Cancellation</td>
</tr>
<tr>
<td>270103</td>
<td>Added “Authoritative Guidance” paragraph.</td>
<td>Addition</td>
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<tr>
<td>270201</td>
<td>Added a definition for software and additional guidance for distinguishing internal use software from integrated software.</td>
<td>Addition</td>
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<tr>
<td>270202</td>
<td>Added relevant United States Standard General Ledger accounts and their descriptions.</td>
<td>Addition</td>
</tr>
<tr>
<td>PARAGRAPH</td>
<td>EXPLANATION OF CHANGE/REVISION</td>
<td>PURPOSE</td>
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<tr>
<td>270203</td>
<td>Updated guidance for capitalized costs of internally developed software; treatment of software development costs; software developed by one activity and used by others without reimbursement; software development phases; and documentation. Added guidance for different software development methods; cross-functional Internal Use Software (IUS) reviews; determining accounting treatment of different software development activities; and capitalizable cost.</td>
<td>Revision/Addition</td>
</tr>
<tr>
<td>270204</td>
<td>Updated guidance for recognition responsibility, including recognition timing of contractor acquired property and progress payments. Updated capitalization threshold amounts and capitalization guidance. Revised recognition guidance for bulk purchases of software. Added guidance for IUS developed through a joint venture; for software licenses; cloud and other subscription based services, shared services; and guidance on accountable records of IUS.</td>
<td>Revision/Addition</td>
</tr>
<tr>
<td>270205</td>
<td>Added guidance addressing IUS enhancements.</td>
<td>Addition</td>
</tr>
<tr>
<td>270206</td>
<td>Updated guidance for maintenance and repair of IUS.</td>
<td>Revision</td>
</tr>
<tr>
<td>270207</td>
<td>Added guidance addressing amortization of IUS.</td>
<td>Addition</td>
</tr>
<tr>
<td>270208</td>
<td>Added guidance addressing impairment of IUS.</td>
<td>Addition</td>
</tr>
<tr>
<td>270209</td>
<td>Updated guidance addressing the removal/disposal of IUS.</td>
<td>Revision</td>
</tr>
<tr>
<td>270301</td>
<td>Added guidance on the use of the “Canceled” Treasury Account Symbol.</td>
<td>Addition</td>
</tr>
<tr>
<td>270303</td>
<td>Added guidance for reporting requirements.</td>
<td>Addition</td>
</tr>
<tr>
<td>Figure 27-2</td>
<td>Added a capitalization decision tree for IUS.</td>
<td>Addition</td>
</tr>
<tr>
<td>Annex 1</td>
<td>Added an annex containing common terms used by information technology and software programming professionals, with corresponding examples, that are relevant to IUS.</td>
<td>Addition</td>
</tr>
<tr>
<td>Annex 2</td>
<td>Added guidance for use as an alternative methodology for establishing opening balances for IUS.</td>
<td>Addition</td>
</tr>
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CHAPTER 27

INTERNAL USE SOFTWARE

2701 GENERAL

270101. Overview

A. This chapter prescribes Department of Defense (DoD) accounting policy for Internal Use Software (IUS), which is a subset of General Property, Plant, and Equipment (PP&E). This overview paragraph will define and describe the characteristics of General PP&E.

B. General PP&E items are used in providing goods or services, or support the mission of the entity, and typically have one or more of the following characteristics:

1. The item could be used for alternative purposes (e.g., by other DoD or Federal Programs, state or local governments, or nongovernmental entities), but it is used to produce goods or services, or to support the mission of the entity;

2. The item is used in business-type activities; and/or

3. The item is used by entities in activities whose costs can be compared to those of other entities performing similar activities (e.g., federal hospital services in comparison to commercial hospitals).

270102. Purpose

The applicable general ledger accounts are listed in the government-wide United States Standard General Ledger (USSGL) contained in Volume 1, Chapter 7. The accounting entries for these accounts and the DoD Standard Chart of Accounts are specified in the DoD USSGL Standard Transaction Library. Unless otherwise stated, this chapter is applicable to all DoD Components, including Working Capital Fund (WCF) activities.

*270103. Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:


B. FASAB SFFAC 7, “Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording;”

### 2702 ACCOUNTING FOR IUS

*270201. Definition

A. "Software" includes the application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program. Most often, software is an integral part of an overall system(s) having interrelationships between software, hardware, personnel, procedures, controls, and data. IUS is software that:

1. Is acquired or developed to meet the entity’s internal or operational needs (*intended purpose*); and
2. Is a stand-alone application, or the combined software components of an information technology (IT) system that can consist of multiple applications, modules, or other software components integrated and used to fulfill the entity’s internal or operational needs (software type).

Figure 27-1. IUS is Generally One Component of an IT System

B. IUS can be:

1. Purchased from commercial off-the-shelf (COTS) vendors and be ready for use with little or no changes;

2. Internally developed by employees of DoD, including new software and existing or purchased software that is modified with or without a contractor’s assistance; or

3. Contractor-developed software that a DoD Component paid a contractor to design, program, install, and implement, including new software and the modification of existing or purchased software.

C. IUS includes software that is:

1. Used to operate an entity’s programs (e.g., financial and administrative software, including that used for project management);
2. Used to produce the entity’s goods and to provide services (e.g., maintenance work order management and loan servicing); and

3. Developed or obtained for internal use and subsequently provided to other Federal Entities with or without reimbursement.

D. Integrated (embedded) software is not IUS.

1. IUS does not include computer software that is integrated into and necessary to operate General PP&E, rather than perform an application. Such software must be considered part of the PP&E of which it is an integral part, and capitalized and amortized accordingly (e.g., software embedded in airport radar, computer-operated lathes, military equipment/weapon systems and special test equipment). The aggregate cost of the hardware and software must be used to determine whether to capitalize or expense the costs. In situations where software and the hardware on which it runs have independent service lives, the determination of the useful life of the software must be viewed independently of the useful life of the hardware. The determination must be made on a case-by-case basis. The rationale for this determination must be documented.

2. Software used in conjunction with the operation of equipment, which is not the same as the integrated or embedded software, can be considered IUS if all of the following criteria apply:

   a. The software was developed separately from the equipment;

   b. The software is not required for the equipment to perform its core purpose and functions; and

   c. The quantity of equipment items on which the software will be installed is unknown.

E. DoD entities may purchase IUS as part of a package of products and services (e.g., training, maintenance, data conversions, reengineering, site licenses and rights to future upgrades and enhancements). If the costs are not readily separable between the IUS and the services on the invoice, contract or other procurement documents, costs should be allocated based on the relative fair values of the IUS and the services. The cost of the IUS should be capitalized (assuming it meets the capitalization criteria) and the cost of the training/maintenance should be expensed. Non-IUS costs (e.g., training and maintenance services) that are not susceptible to allocation between maintenance and relatively minor enhancements must be expensed.

F. Materiality, as defined by the SFFAS 1, is the degree to which an item's omission or misstatement in a financial statement makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the inclusion or correction of the item.
G. Additional definitions can be found in Annex 1.

*270202. Relevant USSGL Accounts

A. Fund Balance with Treasury (Account 101000). This account is used to record the aggregate amount of funds on deposit with the United States Department of the Treasury, excluding seized cash deposited.

B. Internal Use Software (Account 183000). This account is used to record the amount of capitalized cost of IUS for those costs that are to be capitalized in accordance with Table 27-1. It includes (1) purchased COTS software, (2) contractor-developed software, and (3) internally developed software.

C. Internal Use Software in Development (Account 183200). This account is used to record the full cost amount incurred for those costs that are to be capitalized in accordance with Table 27-1 during the software development phase of (1) contractor-developed software and (2) internally developed software, (as defined in SFFAS 10). Upon completion, these costs will be transferred to USSGL account 183000, Internal Use Software. There is no Generally Accepted Accounting Principles (GAAP) requirement to establish a separate account for each software under development. However, DoD Components may elect to create separate subaccounts to better differentiate and track costs.

D. Accumulated Amortization on Internal Use Software (Account 183900). This account is used to record the accumulated amount of amortization charges to expense for IUS.

E. General Property, Plant, and Equipment Permanently Removed but Not Yet Disposed (Account 199500). The General Property, Plant, and Equipment Permanently Removed but Not Yet Disposed account is used to record the value of General PP&E assets that have been permanently removed from service. Upon permanent removal from service, IUS assets must be recorded at their expected net realizable value (NRV) and must cease to be amortized. See paragraph 270209 for guidance on reporting IUS assets that have been permanently removed from service.

F. Gains on Disposition of Assets – Other (Account 711000). This account is used to record the gain on the disposition (such as sale, exchange, disposal, or retirement) of assets not associated with investments or borrowings/loans.

G. Losses on Disposition of Assets – Other (Account 721000). This account is used to record the loss on the disposition (such as sale, exchange, disposal, or retirement) of assets not associated with investments or borrowings/loans.

*270203. Acquisition/Valuation

A. Recorded Cost. When acquiring IUS, the acquisition cost and other costs necessary to bring the software to an operable condition must be recognized in accordance with paragraph 270204.
1. **COTS Software.** The capitalized cost of COTS software must be the actual purchase price, plus any costs incurred to place the software in service or otherwise make the software ready for use.

2. **Contractor-Developed Software.** The capitalized cost of contractor-developed software must include the amount paid to the contractor to design, program, install, and implement new software or to modify existing or COTS software, plus any costs incurred to implement or otherwise make the software ready for use.

3. **Internally Developed Software.** The capitalized costs of internally developed software must include the full cost (direct and indirect costs, as described in subparagraphs 270203.A.4.a, 270203.A.4.b and 270203.A.4.c) incurred after:
   a. The DoD Component authorizes and commits to a software project and believes that it is more likely than not that the project will be completed and the software will be used to perform the intended function(s), and it will have an estimated service life of two years or more; and
   b. The completion of the conceptual planning/planning and requirements phase (i.e., project evaluation, concept testing, and evaluation alternatives) as evidenced by a documented approval decision.

4. **Table 27-1.** This table provides a matrix of the software project phases and their related processes. The treatment of costs must be applied based on the nature of the costs incurred, not the exact sequence of the work. Full cost includes the costs of new software (e.g., salaries of programmers, systems analysts, project managers, and administrative personnel; associated employee benefits; outside consultants’ fees; rent; and supplies and overhead) and technical documentation. The development of technical documentation and manuals must be capitalized, but the costs of mass-producing manuals should be expensed in the period incurred. The various types of costs incurred during the software project phases include:
   a. **Direct Labor Costs.** Direct labor costs are typically the labor costs of project teams (e.g., programmers, engineers, managers) incurred during the Design/Development and Testing/Implementation Phase and are capitalized as part of the costs of the software project. Project managers and/or program managers must track direct labor cost and allocate to individual software projects. The allocation methodology must be consistent between projects and must be auditable.
   b. **Indirect Labor Costs.** Indirect labor costs are typically the labor costs associated with the Program Management Office (PMO) personnel responsible for overseeing more than one software project. In many instances, PMO indirect labor costs are immaterial when compared with the overall costs of a software project, and if determined to be immaterial, can be expensed. Decisions regarding the materiality of indirect labor costs, when such costs are expensed, must be justified, documented, and must be able to stand up to audit scrutiny. If indirect labor costs are determined to be material to a software project or projects and are to be distributed to the capitalized costs of such project, the costs must be allocated based on a distribution methodology that is consistently applied, documented and auditable.
c. **Overhead Costs.** Overhead costs are those costs associated with utilities, building maintenance, and supplies that are essential to the overall accomplishment of a software project. In many instances, overhead costs are immaterial when compared with the overall costs of a software project and if determined to be immaterial, the DoD Components should expense these costs. Decisions regarding the materiality of overhead costs when such costs are to be expensed must be justified, documented, and must be able to stand up to audit scrutiny. If overhead costs are determined to be material to a software project or projects and are to be distributed to the capitalized costs of such project, the costs must be allocated based on a distribution methodology that is consistently applied, documented and auditable.

d. **Contractor Costs.** Contractor costs must be evaluated to determine whether the costs are to be expensed or capitalized. Such determination is based on the type of work performed by the contractors. Table 27-1 provides a breakdown of the various work activities and whether the cost of such activities must be expensed or capitalized.

e. **Data Conversion Costs.** All data conversion costs incurred for internally developed, contractor developed, or COTS software must be expensed as incurred, including the cost to develop or obtain software that allows for access or conversion of existing data to the new software. Such costs may include the purging or cleansing of existing data, reconciliation or balancing of data, and the creation of new or additional data.

B. **Software Development Phases Determine Recorded Cost (Internally Developed Software).** Software’s life-cycle phases include planning, development, and operations. This subparagraph provides a framework for identifying software development phases and processes to help isolate the capitalization period for IUS that the DoD entity is developing. The three phases of software development described in subparagraph follow a linear software development method. Generally, costs incurred during the development phase are to be capitalized and costs incurred in other phases are to be expensed. However, software development under other methods does not follow this linear approach and capitalization decisions absent distinct phases are more difficult. Regardless of timing, the cost incurred for development phase activities must be capitalized or expensed based on their substance/task activity rather than their phase. The three phases of software development are:

1. **Conceptual Planning/Planning and Requirements Phase.** In this phase, the DoD Components will most likely do the following:

   a. Make strategic decisions to allocate resources between alternative projects at a given time. For example, should programmers develop new software or direct their efforts toward correcting problems in existing software?

   b. Determine performance requirements (i.e., what it is that they need to do)?

   c. Invite vendors to perform demonstrations of how their software will fulfill a DoD Component’s needs.
d. Explore alternative means of achieving specified performance requirements. For example, should a DoD Component make or buy the software? Should the software run on a mainframe or client server system?

e. Determine that the technology needed to achieve performance requirements exists.

f. Select a vendor if a DoD Component chooses to obtain COTS software.

g. Select a consultant to assist in the software’s development or installation.

2. Software Design/Development and Testing/Implementation Phase. In this phase, the DoD Components will likely do the following:

a. Use a system to manage the project;

b. Track and accumulate life-cycle cost and compare it with performance indicators;

c. Determine the reasons for any deviations from the performance plan and take corrective actions;

d. Test the deliverable to verify that they meet the specifications.

3. Operations and Maintenance/Disposition Phase. In this phase, the DoD Components will likely do the following:

a. Operate the software, undertake preventative maintenance, and provide ongoing training for users;

b. Convert data from the old to the new system;

c. Undertake post-implementation review comparing asset usage with the original plan; and/or

d. Track and accumulate life-cycle cost and compare it with the original plan.
Table 27-1. Capital versus Expense IUS Activities  
(Adapted from SFFAS 10, paragraph 11)

<table>
<thead>
<tr>
<th>Project Phase</th>
<th>Task</th>
<th>Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conceptual Planning/Planning &amp; Requirements</td>
<td>Project Evaluation</td>
<td>Expense</td>
</tr>
<tr>
<td></td>
<td>Concept testing</td>
<td>Expense</td>
</tr>
<tr>
<td></td>
<td>Evaluation of alternatives</td>
<td>Expense</td>
</tr>
<tr>
<td></td>
<td>Project approval</td>
<td>Expense</td>
</tr>
<tr>
<td>Design/Development &amp; Testing/Implementation</td>
<td>Design</td>
<td>Capitalize</td>
</tr>
<tr>
<td></td>
<td>Coding</td>
<td>Capitalize</td>
</tr>
<tr>
<td></td>
<td>Installation to Hardware</td>
<td>Capitalize</td>
</tr>
<tr>
<td></td>
<td>Project personnel costs</td>
<td>Capitalize</td>
</tr>
<tr>
<td></td>
<td>Technical Acceptance Testing</td>
<td>Capitalize</td>
</tr>
<tr>
<td></td>
<td>Quality assurance testing</td>
<td>Capitalize</td>
</tr>
<tr>
<td></td>
<td>Documentation</td>
<td>Capitalize</td>
</tr>
<tr>
<td></td>
<td>Overhead costs</td>
<td>Allocate</td>
</tr>
<tr>
<td></td>
<td>Data conversion software</td>
<td>Expense</td>
</tr>
<tr>
<td>Operations &amp; Maintenance/Disposition</td>
<td>Training</td>
<td>Expense</td>
</tr>
<tr>
<td></td>
<td>Data conversion</td>
<td>Expense</td>
</tr>
<tr>
<td></td>
<td>Help desk</td>
<td>Expense</td>
</tr>
<tr>
<td></td>
<td>Enhancement</td>
<td>See “IUS Enhancements” paragraph 270205.</td>
</tr>
<tr>
<td></td>
<td>Maintenance/Bug Fix</td>
<td>Expense</td>
</tr>
</tbody>
</table>

PROGRAM MANAGEMENT
The costs of program management and the PMO that may be incurred during each phase of software development or acquisition are indirect costs. PMO indirect costs should be expensed or capitalized, depending on: 1) their materiality to overall costs of individual software development projects, and 2) in which phase the costs are incurred.

C. Software Development Methods. Software development methods are ever evolving, with new methods and techniques being introduced over time. Included in the following subparagraphs are several descriptive examples of common software development methods.

1. Linear/Waterfall Software Development Method. The linear/waterfall software development method is a sequential design process, used in software development in which progress is seen as flowing steadily downwards (like a waterfall) through the software development phases. The linear/waterfall software development method follows the phases outlined in Table 27-1 in sequence, whereas the other software development methods as described in subparagraphs 270203.C.2 through 270203.C.4 can move between phases during the life of the development. Regardless of the development method (e.g., waterfall, prototyping, agile, or spiral), the capitalization decisions follow the tasks identified.
2. **Prototyping Software Development Method.** The prototyping software development method is a system development method in which a prototype (an early approximation of a final system or product) is built, tested, and then reworked as necessary until an acceptable prototype is finally achieved from which the complete system or product can be developed. This model works best in scenarios where not all of the project requirements are known in detail ahead of time. An iterative, trial-and-error process takes place between the developers and the users.

3. **Agile Software Development Method.** The agile software development method is a group of software development methods in which requirements and solutions evolve through collaboration between self-organizing, cross-functional teams.

   a. In an agile project, working software is deployed in iterations of typically one to eight weeks in duration, each of which provides a segment of functionality. Initial planning regarding cost, scope, and timing is usually conducted at a high level, and the project status is primarily evaluated based on software demonstrations.

   b. The IUS development phases listed in subparagraph 270203.B could be applied to agile development projects on an iteration basis. If an iteration developed meets the module or component asset description in accordance with subparagraph 270203.F.3 and the capitalization cut-off period described in subparagraph 270203.F.6, then it could be treated as an individual IUS project. If the number of iterations are dependent on the outcomes of multiple processes for a complete function, the cost incurred in these iterations should be grouped together based on the nature of the activities (capital or expense) and treated as one project for the purposes of recognition, measurement, and disclosure. Any future incremental releases that result in additional functionality can be treated as an enhancement of the original IUS project and accounted for in accordance with paragraph 270205.

4. **Spiral Software Development Method.** The spiral software development method combines the features of the waterfall and prototyping incremental models, but with more emphasis placed on risk analysis and management.

   a. The spiral methodology projects are typically separated into phases like the waterfall method: planning, risk analysis, engineering, and evaluation. However, they are broken up into incremental releases of the product, or incremental refinement through each time around the spiral and through continuously analyzing the requirements and improving the definition and implementation. At each iteration around the cycle, the project is improved and extended.

   b. The IUS development phases listed in subparagraph 270203.B could be applied to a spiral development project on a process iteration basis. If an iteration developed meets the module or component asset description in accordance with subparagraph 270203.F.3 and the capitalization cut-off period described in subparagraph 270203.F.6, then it could be treated as an individual IUS project. If the number of iterations are dependent on the outcomes of multiple spiral processes for a complete function, the cost incurred in these iterations should be grouped together based on the nature of the activities
(capital or expense) and treated as one project for the purposes of recognition, measurement, and disclosure. Any future incremental releases that result in additional functionality can be treated as an enhancement of the original IUS project and accounted for in accordance with paragraph 270205.

D. Cross-Functional IUS Reviews. Software development can be complex and accounting decisions often require a measure of judgment and expertise found throughout an organization. Examples of these decisions can include identifying assets that meet the IUS definition, determining the point at which an IUS project is more likely than not to be completed, whether an enhancement should be capitalized, and determining the useful life. DoD Components will ensure that key stakeholders from the IUS program, acquisition, and accounting organizations have adequate visibility into the major milestones throughout the acquisition process to make these decisions. This could take the form of an IUS acquisition review board, consisting of knowledgeable stakeholders who assess pending and active IUS projects to make such decisions. It could also include leveraging portfolio management processes already in place at some DoD Components. Stakeholders will meet periodically and with enough frequency to make timely decisions concerning the IUS and the decisions will be documented. Additional cross-functional decisions and deadlines for making them are found in Table 27-2. This review activity can also serve as a key control.

Table 27-2. Cross-Functional Review Decisions and Timeline

<table>
<thead>
<tr>
<th>Decision</th>
<th>Decision Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify potential IUS</td>
<td>During the budget process and not later than end of planning phase</td>
</tr>
<tr>
<td>Determine that it is more likely than not that the IUS project will be completed</td>
<td>Prior to the completion of the planning phase</td>
</tr>
<tr>
<td>Assign a useful life</td>
<td>Prior to the end of final technical acceptance testing</td>
</tr>
<tr>
<td>Confirm that cost has been correctly accumulated and assigned to the asset</td>
<td>Prior to the end of final technical acceptance testing</td>
</tr>
<tr>
<td>Confirm that indirect costs have been appropriately allocated</td>
<td>Prior to the end of final technical acceptance testing</td>
</tr>
<tr>
<td>Assign an in-service date</td>
<td>Upon completion of final technical acceptance testing</td>
</tr>
<tr>
<td>Determine if licenses meet capital lease criteria</td>
<td>Upon license agreement execution</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Decision</th>
<th>Decision Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify potential capital enhancements</td>
<td>During the budget process and not later than end of planning phase</td>
</tr>
<tr>
<td>Management Oversight Decisions</td>
<td>On-going</td>
</tr>
<tr>
<td>• Impairment</td>
<td></td>
</tr>
<tr>
<td>• Evaluation of suspended projects</td>
<td></td>
</tr>
<tr>
<td>o More likely than not that the project will be completed</td>
<td></td>
</tr>
<tr>
<td>o More likely than not that the project will be cancelled</td>
<td></td>
</tr>
</tbody>
</table>
E. Capital Versus Expense IUS Activities. Many IUS programs and contracts include a variety of activities that are conducted by government and/or contractor personnel throughout the software development life cycle. Some costs associated with these activities should be capitalized as part of the cost of the IUS and some costs should be expensed. Regardless of the software development method (e.g., waterfall, prototyping, agile, or spiral), the capitalization decisions follow the activity. When reviewing contracts and budget documentation, care must be taken to distinguish between activities that are to be capitalized and those that are to be expensed. Refer to Table 27-1 for additional details on capital versus expense for IUS activities.

F. Capitalizable Cost

1. DoD Components must capitalize the cost of software when such software meets the criteria for General PP&E (see subparagraph 270204.E).

2. Costs related to capitalized activities identified in Table 27-1 must be accumulated in account 183200 (Internal Use Software in Development), but are not amortized until the software is placed-in-service. Costs should begin accumulating in this account if the IUS is anticipated to meet capital criteria and the criteria listed in subparagraph 270203.A.3 have been met.

3. Accumulated costs must be transferred to account 183000 (Internal Use Software) when the IUS is placed-in-service (see placed-in-service dates in subparagraph 270207.C). Many larger and more complex software systems, such as Enterprise Resource Planning systems, are developed and placed-in-service over time. For each module or component of a software project, costs must be moved from account 183200 (Internal Use Software in Development) to account 183000 (Internal Use Software), and amortization must begin when a module or component has been successfully tested. If the use of a module is dependent on the completion of another module(s), the movement from 183200 to 183000 will take place and amortization will begin when both that module and the other module(s) have successfully completed testing. For example, a DoD Component may develop an accounting software system containing three modules: a general ledger, an accounts payable sub-ledger, and an accounts receivable sub-ledger. In this example, each module could be analyzed to determine whether it could be treated as a separate IUS asset. Specifically, if the module provides economic benefit through distinct, substantive functionality, and meets the tests for capitalization threshold, ownership, and eligibility for capital treatment, then the module could be treated as a separate IUS asset.

4. Capitalized IUS costs must have sufficient supporting documentation as discussed in paragraph 270302, including support for costs incurred in the development of the IUS. Documentation in the form of narratives, software architectural documentation, user manuals and other similar documents supporting the functionality of the components/modules of a software system must be available to substantiate whether the IUS should be treated as separate IUS assets.

5. The full cost (direct and indirect cost as described in subparagraphs 270203.A.4.a through 270203.A.4.d) incurred during the software development phase must be...
capitalized. Considering economic feasibility, a cost estimation technique could be developed to trace the costs to outputs based on the SFFAS 4, paragraph 124, provision that “[i]n principle, costs should be assigned to outputs in one of the methods listed in the order of preference:

a. Directly tracing costs wherever economically feasible;

b. Assigning costs on a cause-and-effect basis; and

c. Allocating costs on a reasonable and consistent basis.

6. Costs incurred after final technical acceptance testing has been successfully completed must be expensed (see Table 27-1). Technical acceptance testing is testing undertaken to verify if a software product meets technical specifications. Technical acceptance testing costs are capitalizable costs. Operational testing and evaluation and other functional testing conducted after technical acceptance must be expensed. Similarly, if the software consists of multiple individual components or modules, the capitalization phase must end for each component/module after technical acceptance testing is complete for that component/module. In some development practices, each iteration within an IUS development has its own acceptance testing before moving forward to the next iteration and final acceptance testing may not always be performed. The entity should identify a pre-determined agency milestone such as the go-live or in-service date, which is equivalent to a final technical acceptance test for capitalization cut-off purposes.

7. For COTS software, capitalized costs must include the amount paid to the vendor for the software. For contractor-developed software, capitalized costs must include the amount paid to a contractor to design, program, install, and implement the software. Material internal costs incurred by the Federal Entity to implement the COTS or contractor-developed software and otherwise to make it ready for use must be capitalized.

G. Documentation

1. When recording the acquisition of IUS in the Accountability Property System of Record (APSR) and/or accounting system, the software must be assigned a dollar value (i.e., recorded cost) as detailed in this chapter. Appropriate documentation must be available to support the dollar value. Paragraph 270302 includes a complete discussion of supporting documentation related to IUS.

2. To establish proper PP&E financial control when acquiring IUS from another DoD Component or Federal Agency, the acquiring DoD Component must request from the losing DoD Component or other Federal Agency, the necessary source information and financial transfer documents, to include unique identifier(s) for the software(s); location; original acquisition cost(s); cost of enhancements; the date the software was developed, or acquired; the estimated useful life; the amount of accumulated amortization; and other relevant information linked to that software. If this information is not available, the gaining and losing entities must develop and document a reasonable estimate to support the financial transfer of the software.
270204. Recognition

DoD Components must recognize all acquired IUS for accountability and financial reporting purposes. Recognition requires the proper accounting treatment (expense or capitalization with amortization) and the reporting of capitalized amounts and accumulated amortization on the appropriate DoD Component’s financial statements. For financial reporting purposes, all IUS that has a useful life of two years or more and meets the capitalization criteria described in subparagraph 270204.E must be capitalized. IUS that does not meet the capitalization threshold must be expensed.

A. Recognition Responsibility

1. The DoD Component’s financial reporting responsibility can be determined using a two tier criteria:

   a. Exclusive/sole Use. When a DoD Component is the exclusive/sole user of capitalized IUS, it will report the IUS on its Balance Sheet. If there is no exclusive/sole user, the DoD Component must apply the second criteria.

   b. Control. If an exclusive/sole user does not exist, the DoD Component that controls the IUS will have financial reporting responsibility. Evidence of control can include funding the software maintenance, exercising access control, and prioritizing enhancements.

2. DoD Components that possess and/or control IUS items that materially contribute to the Component’s mission must maintain accounting and financial reporting for such items, regardless of the organization that originally acquired or provided the funding for the items. If a DoD Component prepares financial statements, such IUS items must be appropriately recognized in its financial statements.

B. Recognition Uncertainty

1. It is important that the overall accounting records of the DoD and the Federal Government are not duplicative. In situations where doubt exists as to which DoD Component should recognize an item, DoD Components involved must reach agreement with the other applicable DoD Components or Federal agencies as to which entity will recognize the item. The process used to reach this agreement and the terms of the agreement must be documented in a memorandum of agreement and be considered supporting documentation.

2. If an agreement cannot be reached, the matter must be referred to the Office of the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller) for resolution. Requests for resolution must be accompanied by adequate supporting documentation to assist in resolution of the matter and be submitted through the Financial Management and Comptroller of the submitting Military Department or Defense Agency.
C. Recognition Timing

1. Recognition of the COTS IUS for financial reporting purposes must occur no later than the technical acceptance of the software.

2. IUS in development must be recorded in the Internal Use Software in Development account (USSGL 183200) during the design, development and testing, and implementation phases. After technical acceptance testing is completed, an IUS asset will be recognized, capital costs will be transferred to the Internal Use Software account (USSGL 183000), and accountability must be established in the APSR.

3. For IUS assets acquired by a contractor on behalf of a DoD Component (i.e., the DoD Component that will ultimately hold title/license to the assets), the software must be recognized upon completion of the technical acceptance testing by the contractor performing the service, or by the DoD Component. Contract financing payments (e.g., progress payments, performance-based payments, and commercial interim payments) made to a contractor prior to completion of final technical acceptance testing must be recorded in a Software in Development account until the IUS is placed-in-service. Upon completion of technical acceptance testing, the Contractor Acquired Property (CAP) must be capitalized in the appropriate USSGL account. See subparagraph 270203.F for guidance on the use of the Software in Development account.

D. Capitalization Thresholds

1. The current IUS capitalization threshold for all DoD Components is $250,000, except for the Office of the Director of National Intelligence, for which the capitalization threshold is $1 million.

2. IUS with a cost that equals or exceeds the appropriate capitalization threshold must be capitalized according to subparagraph 270204.E as an asset in the appropriate DoD Component’s accounting records and amortized over its useful life. IUS items with a cost below the appropriate capitalization threshold must be expensed; with the exception of IUS items acquired as part of a qualifying bulk purchase (see subparagraph 270204.G).

3. The capitalization threshold described in subparagraph 270204.D.1 is for financial reporting purposes. The requirement for accountability of IUS is discussed in subparagraph 270204.K.

E. Capitalization Criteria

1. IUS is recognized and capitalized if it meets the following criteria for General PP&E:
   
a. Useful life of two years or more;

b. Intended for use or being available for use by the entity;
c. Not intended for sale in the normal course of business; and

d. Total cost is greater than DoD Component’s capitalization threshold (as described in subparagraph 270204.D).

2. As development work accumulates, the costs must be entered into an Internal Use Software In Development account (183200). When the IUS passes final technical acceptance testing, the accumulated costs must be removed from the “In Development” account and transferred to the Internal Use Software account (183000). Accounting entries for this account are specified in the DoD USSGL Transaction Library.

F. Joint Ventures

If IUS is developed through a joint venture between two or more entities, including at least one entity outside of the DoD, the DoD Component must capitalize the IUS asset if it meets the criteria for capitalization, based on its portion of the development cost in relation to the capitalization threshold. The DoD Component will only record the portion it funded which will be capitalized if it meets the criteria for capitalization.

G. Bulk Purchases of Software Applications/Programs

1. Bulk purchases must be considered if they may materially affect the fiscal year financial statements during which they were purchased. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement. To ensure that the statements are not materially affected, new bulk purchases of software with an aggregate cost that exceeds the capitalization threshold must be capitalized.

2. An exception to this requirement includes license agreements that do not meet the criteria established for capital leases in subparagraph 270204.H. Costs related to such purchases must be expensed in the period incurred.

3. When multiple acquisitions of the same IUS application(s)/programs (for example spreadsheets, word processing programs, etc.) or modules or components of a software system are made as part of a single contract within a fiscal year, the purchases must be added together to determine whether they meet the capitalization threshold. Purchases made on a single contract during separate fiscal years are to be considered separately. DoD Components must not split bulk purchases into multiple transactions with the intent of avoiding capitalization.

4. Bulk purchases of licensed IUS with terms less than two years in length do not need to be considered for capitalization. Table 27-3 provides capitalization guidelines for bulk purchase licenses.
Table 27-3. Capitalization is Dependent on Term and Aggregate Purchase Amount

<table>
<thead>
<tr>
<th>Bulk Purchased License Terms</th>
<th>Aggregate Purchase Amount</th>
<th>Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>License Term &lt; 2 years</td>
<td>N/A</td>
<td>Expense</td>
</tr>
<tr>
<td>License Term =/ &gt; 2 years or Perpetual</td>
<td>Under capitalization threshold</td>
<td>Expense</td>
</tr>
<tr>
<td>License Term =/ &gt; 2 years or Perpetual</td>
<td>Equal to or exceeding capitalization threshold*</td>
<td>Capitalize</td>
</tr>
</tbody>
</table>

*Maintenance agreements included in the purchase of licenses are not to be considered part of the cost for this determination.

H. Software Licenses

1. Software licenses are defined as licenses for which the license holder is only entitled to use the software for a specified time period, after which the right to use the software expires and the license must be renewed or a new license purchased in order to continue using the software. License agreements to use software come in many forms and vary in length of the license period. Software licenses can be term or perpetual.

   a. Term licenses provide the right to use the software for a specified period of time. The determination of whether term licensed IUS will be capitalized or not must be based on lease accounting concepts in which the criteria in Table 27-3 are applied.

   b. Perpetual software licenses give the DoD Component the right to use the software in perpetuity in exchange for an upfront cost, which could be charged as a one-time payment or financed over a set period of time. If the license is perpetual, then the entity is purchasing the IUS and must apply the capitalization criteria to determine if the license must be capitalized or expensed.

2. If one of the following criteria applies, the IUS can be expensed and the lease criteria analysis does not need to be conducted:

   a. The license term is less than two years;

   b. The license cost (excluding any maintenance agreements) is less than the capitalization threshold; or

   c. The aggregate cost of a bulk license purchase (excluding any maintenance agreements) is less than the capitalization threshold. See subparagraph 270204.G for guidance related to bulk purchases of software.

3. If none of the criteria listed in subparagraph 270204.H.2 is applicable, the capital lease criteria described in Table 27-4 must be applied. If any one or more of the criteria listed in Table 27-4 apply, the IUS must be recorded as a capital lease.
Table 27-4. Capital Lease Criteria as Applied to Licenses

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>The license transfers ownership of the property to the licensee by the end of the license term.</td>
<td>For IUS, this would mean that the license transfers ownership of the intellectual property (e.g., source code) to the licensee by the end of the license term.</td>
</tr>
<tr>
<td>The license contains an option to purchase the software at a bargain price.</td>
<td>For IUS, this would mean that the license contains an option to purchase the software intellectual property (e.g., source code) at a bargain price.</td>
</tr>
<tr>
<td>The present value of minimum license payments, excluding that portion of the payments representing executory cost, equals or exceeds 90 percent of the fair value of the software.*</td>
<td>It is very unusual for software to meet this criteria. The value of the software itself typically far outweighs a license to use a copy of it.</td>
</tr>
<tr>
<td>The license term is equal to or greater than 75 percent of the estimated economic life of the software.*</td>
<td>Some licenses may meet this criteria. Economic life is defined as the estimated remaining period during which the property is expected to be economically usable by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at the inception of the lease, without limitation by the lease term. For example, a perpetual license will always be equal or greater than 75 percent of the estimated economic life. A license term of 5 years for software that has an economic life of 10 years would not meet this criteria.</td>
</tr>
</tbody>
</table>

* The last two criteria are not applicable when the beginning of the license term falls within the last 25 percent of the total estimated economic life of the software.

4. A license agreement may include executory costs for maintenance and technical support. DoD Component judgment should apply in determining what portions of license fees are attributable to software capitalizable costs versus executory costs. Assuming lease capitalization criteria and thresholds are met, software license capitalization amounts may be derived from the payment schedule contained in the license agreement. As stated in SFFAS 5, if the portion of the minimum lease payments representing executory cost is not determinable from the lease provisions, the amount should be estimated. DoD Components may also want to consider having each license agreement specifically identify the various costs throughout the license life cycle, for example, initial license, maintenance, and enhancement.

5. Additional guidance regarding accounting for license agreements includes:

   a. Maintenance costs agreed to as part of the initial license agreement are to be expensed in the period they are incurred;

   b. “True-up” costs associated with unlimited license agreements or enterprise licenses that may occur (depending on the agreement terms) at the end of each year to reconcile and account for the actual quantity of users will also be expensed; and
c. Software upgrades that are included in annual maintenance and security assurance agreements should be expensed, not be capitalized as enhancements or separate assets.

6. License agreements that do not meet the criteria established for capital leases set out in Table 27-4 must be expensed by the DoD Component in the period incurred.

I. Cloud and Other Subscription Based Services

1. A cloud computing service is any resource that is provided over the Internet. It has the following essential characteristics: on-demand self-service, broad network access, resource pooling, rapid elasticity, and measured service. The most common cloud service resources are: software as a service, platform as a service, and infrastructure as a service. Cloud services can take a number of forms. To determine whether the arrangement includes capitalized IUS, the DoD Component will need to examine the nature of the arrangement and apply the capitalization criteria.

2. When a DoD Component pays regular subscription fees to access and use software that is funded, maintained, and owned by a non-DoD entity, the subscription costs are to be expensed in the period incurred. This scenario is a service and does not constitute an IUS asset for the DoD Component.

3. A subscription arrangement using a cloud with a non-DoD entity can result in DoD-owned IUS if the using DoD Component takes possession, or has the ability to take possession of a software application without incurring a significant penalty. DoD Components must capitalize this IUS if it meets the capitalization criteria as described in subparagraphs 270204.D and 270204.E.

4. When a cloud or subscription arrangement exists between DoD Components, the Component that owns the software (see subparagraph 270204.A) will report it as IUS. The subscribing DoD Component(s) will expense any fees paid for the service in the period incurred.

5. If a cloud computing arrangement includes a software license, the customer must account for the software license element of the arrangement consistent with the acquisition of other software licenses in accordance with the lease criteria discussed in subparagraph 270204.H. SFFAS 10 is not applicable to a cloud computing arrangement that does not convey a contractual right to the IUS or to ones that do not include an IUS license. The entity that develops and owns the software, platform or infrastructure used in the cloud computing arrangement would account for the software development in accordance with SFFAS 10. If the funding to develop cloud computing is shared among entities without clear ownership, the service provider entity that receives funding and is responsible for maintaining the software, platform or infrastructure must account for the software in accordance with SFFAS 10 and the full cost/inter-entity cost requirements of SFFAS 4.
J. Shared Services

1. Shared services means a mission or support function provided by one business unit to other business units within or between organizations. The funding and resourcing of the service is shared and the providing entity effectively becomes an internal/external service provider.

2. There are three types of shared service structures in the Federal Government:
   a. Intra-agency. Intra-agency shared services include those provided within the boundaries of a specific organization such as a Federal Department or Agency, to that organization’s internal units. Intra-agency shared services would be those between one DoD Component and another DoD Component.
   b. Inter-agency. Inter-agency shared services are those provided by one Federal Organization to other Federal Organizations that are outside of the provider’s organizational boundaries. Inter-agency shared services would be those between one DoD Component and another Federal Agency/Organization outside of DoD.
   c. Commercial. Commercial shared services are those provided by private vendors.

3. For intra-agency shared services, a cost allocation methodology could be developed in accordance with SFFAS 4, paragraphs 120-125. Additional guidance on cost allocation methodology can be found in the Volume 4, Chapter 19. For inter-agency shared services and commercial shared services, the service provider entity that owns (receives funding/responsible for maintaining) the software must account for the software in accordance with SFFAS 10. In the event that the entity receiving the service (the customer) has the contractual right to take possession of the software at any time during the hosting period without significant penalty, and it is feasible for the customer to either run the software on its own hardware or contract with another party unrelated to the vendor to host the software, then the customer must account for the software in accordance with SFFAS 10.

4. If the shared service arrangement includes a software license, the DoD Component must account for the software license element of the arrangement consistent with the acquisition of their other software licenses, as discussed in subparagraph 270204.H. SFFAS 10 is not applicable to a shared service arrangement that does not convey a contractual right to the IUS or to ones that do not include an IUS license.

K. Accountable Records of IUS

DoD Components must establish accountable records for all government IUS purchased or otherwise obtained. IUS which meets the criteria for capitalization must be accounted for in an APSR. IUS which does not meet the criteria for capitalization must be accounted for in either an APSR or approved managerial system. Managerial systems must contain all general data elements
that would be contained in a data compliant APSR. In addition, managerial systems must have documented controls and procedures in place that are sufficient to withstand potential audit scrutiny and support the audit requirement of a complete universe of assets. The primary Accountable Property Officer or designated delegate should grant managerial system approval. See DoDI 5000.76.

*270205. IUS Enhancements

A. An IUS enhancement is a modification to existing IUS that provides it with significant additional capabilities and enables the software to perform tasks that it was previously incapable of performing. DoD Components must capitalize an enhancement that increases the capability of the IUS when its cost meets or exceeds the capitalization threshold. Criteria to capitalize enhancements to IUS differs from that of other PP&E in that changes that merely extend the useful life or improve efficiency are to be expensed, irrespective of the cost. (Even though the costs associated with the extension of useful life are expensed, the amortization of any previously capitalized amount must be extended to reflect that new useful life period.) Capitalizable enhancements normally require new software specifications and may require a change to all or part of the existing software specifications. For example, DoD Components should capitalize the cost of modifying existing software for making ad hoc queries, if it required new software specifications and/or changes to existing software specifications and it also exceeds the capitalization threshold. In addition, the DoD Components should expense the nominal charges paid for enhanced versions of software in the period incurred.

B. If one module is dependent upon another to function, then those modules must be evaluated together as one enhancement. Components must amortize all costs of an enhancement that have been capitalized based on the IUS capitalization criteria, including any costs carried over or allocated from the original software, over the enhancements estimated useful life, which should not exceed five years.

C. DoD Components must begin accumulating costs for enhancements when it is determined that it is more likely than not that the enhancement will result in new capabilities; and the project phase in which the costs are being incurred and the nature of the cost meets the criteria for capitalization treatment set out in Table 27-1; and the estimated total cost of the enhancement meets the IUS capitalization threshold. When the development of the enhancement takes place over multiple periods, the costs will accumulate in account 183200 (Internal Use Software in Development) until the completion of the enhancement (see subparagraph 270207.C on placed-in-service dates), at which time the costs are moved to account 183000 (Internal Use Software).

D. DoD Components must separately account for enhancements in a manner that allows them to specifically identify and support each capitalized enhancement made to the IUS.

E. An enhancement to IUS that meets or exceeds the capitalization threshold to correct a design flaw, and in effect doubles its useful life, must be expensed in the period incurred, unless the enhancement adds new capabilities to the software. However, the useful life
of the IUS is subject to adjustment and must reflect the enhancement. Knowledgeable personnel must determine and document the additional useful life, which should not exceed five years added to the existing useful life.

F. The cost of minor enhancements resulting from ongoing systems maintenance or incurred solely to repair a design flaw without adding additional capabilities must be expensed in the period incurred. Examples of minor enhancements include updating data tables, web-enabling, customizing reports, or changing graphic user interfaces. Enhancements that extend the useful life of the software without adding significant capabilities are to be considered minor enhancements and expensed. However, in instances where the useful life of the software is extended, the amortization period must be adjusted as described in subparagraph 270205.E.

G. A specific software development project may include expenditures for enhancements and maintenance that cannot be easily separated but may be reasonably and consistently allocated. One approach that can be used is a ratio based on the projected work hours for development phase activities relative to other types of work. Such a ratio can be applied to determine the expenditures that should be capitalized when the expenses meet the other capitalization criteria. The basis for allocating costs must be applied consistently and in accordance with GAAP.

H. Documentation related to IUS enhancement decisions, such as the justification for capitalizing the enhancement, a change of useful life, and the amount capitalized must be retained. Specific documents that support these decisions can vary by organization and asset, but could include an analysis from software developers or a cross-functional review team that defines the enhancement’s impact on functionality and useful life.

I. The cost of enhancements to more than one IUS asset as identified by a unique identifier, when performed under a single contract or work order that cannot be specifically identified by asset must be capitalized only if the allocated cost per IUS equals or exceeds the appropriate DoD capitalization threshold and the enhancements are determined more likely than not to add additional capability to the existing software.

J. When a single IUS goes under more than one enhancement and the enhancements are part of one overall effort to increase the software’s functionality, and/or useful life; the sum of the costs of the enhancements must be capitalized, if the summed costs equal or exceed the appropriate DoD capitalization threshold. This is required even when the enhancements are funded separately. The enhancements must be capitalized when the determination has been made that it is more likely than not that the enhancements will result in new significant capabilities.

*270206. Maintenance and Repair

A. Maintenance and repair costs are not considered capital enhancements, regardless of whether the cost equals or exceeds DoD capitalization threshold. Maintenance and repairs are activities directed toward keeping IUS asset in an acceptable condition so that it continues to provide services and achieves its expected useful life. Maintenance and repair
activities include subsequent security accreditations (not included in user acceptance testing); software diagnostics; repair processing and/or performance failures; updates to documentation; minor software updates; minor corrections to design flaws; and other activities needed to preserve or maintain the software. Maintenance and repairs, as distinguished from enhancements, exclude activities directed towards expanding the capacity of IUS or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

B. The costs of maintenance agreements purchased with a software license are not included in the historical cost of IUS when determining whether to capitalize the IUS. If maintenance costs are not distinguishable from the cost of the license itself, reasonable and documented estimating methods must be used. Upgrades that are included in annual maintenance and security assurance agreements will not be capitalized as enhancements or separate assets.

*270207. Amortization

A. Amortization is the systematic and rational allocation of the acquisition cost of IUS, over its estimated useful life. The DoD recovery periods (useful life) for IUS amortizable assets are set out in Table 27-5. The useful life must be determined during the planning phase of the software development, based on the length of time it is expected to have economic benefit or service potential to the DoD Component. The decision on the useful life must be documented and made with input from personnel familiar with the software’s technical characteristics and planned use. Software acquired for research and development with no alternative future use will be amortized over the period of the project as opposed to the normal life-cycle amortization.

B. The recorded cost of IUS and enhancements to IUS, which have been capitalized according to the guidance in Table 27-1, must be amortized. Such capitalized amounts, as well as associated amounts of accumulated amortization and amortization expense, must be reflected in DoD Component’s financial statements.

C. DoD Components must document the placed-in-service dates for both acquired IUS and developed IUS. Documented placed-in-service dates are critical in determining when to start amortization of capitalized IUS costs. IUS is considered placed-in-service when final technical acceptance testing is completed. The point at which this milestone is reached can vary for different types of software acquisitions.

1. For IUS acquired through a Major Automated Information System acquisition program, the Full Deployment Decision date made by the Milestone Decision Authority will serve as the placed-in-service date.

2. For other IUS system acquisitions, the Initial Operational Capability (IOC) date will be used as the placed-in-service date. System’s Capability Development Document (CDD) and/or Capability Production Document (CPD) often define the IOC. DoD Components can use other supporting documents for acquisitions that do not require a CDD or CPD.
3. If knowledgeable parties within a DoD Component determine that a placed-in-service date other than the ones listed in subparagraphs 270207.C.1 and C.2 better align to the completion of final technical acceptance testing for a specific software acquisition, the alternate placed-in-service date can be used. However, the DoD Components must document and justify the decision.

D. Before beginning amortization, the IUS must have successfully completed final acceptance testing. This criteria is necessary, especially for internally developed software but also for contractor-developed and COTS software because testing plays a major role for software assets by demonstrating that the software product can meet the requirements and of the need for a clear point for ending the developmental phase.

E. When IUS is replaced with new software, the unamortized cost of the old software must be expensed when the new software successfully completes testing. No adjustments will be made to the previously recorded amortization. Any additions to the book value or changes in useful life must be treated prospectively. The change should be accounted for during the period of the change and future periods.

F. All IUS must be accounted for in an APSR. Figure 27-2 provides a decision tree to assist in determining what elements of an IUS project should be capitalized for financial reporting purposes.

G. Proper supporting documentation must be retained by the program office to justify the estimated useful life of the program. Examples of proper documentation are engineering estimates, operational requirements documents, mission needs statements, commercial industry-equivalent information, contracts, and acquisition documents (such as the Select Acquisition Report). See paragraph 270302 for additional information on supporting documentation requirements.

H. In the case of IUS assets, after the successful completion of the final technical acceptance testing described in subparagraph 270270.D, the event that triggers the calculation of amortization is the date the asset is installed and placed-in-service (regardless of whether it is actually used). In the case of internally developed IUS, the costs of developing the IUS that are capitalizable should be recorded in the Internal Use Software in Development account (183200) but are not amortized until the software is placed-in-service, at which time the balance (total capitalizable development costs) should be transferred to the Internal Use Software account (183000). Amortization should begin when a module or component has been successfully tested. If the use of a module is dependent on the completion of another module(s), the movement from account 183200 to account 183000 will take place and amortization will begin when both that module and the other module(s) have successfully completed testing and are placed-in-service.

I. DoD policy permits the use of only the straight-line method of amortization. Straight-line amortization expense is calculated based on the recorded cost divided equally among accounting periods during the software’s useful life based on recovery periods in Table 27-5. The salvage value for all capitalized IUS for the DoD Components should be zero.
J. If an IUS asset remains in use longer than its estimated useful life, it must be retained in the APSR, as well as the accounting records, and reflect both its recorded cost and accumulated amortization until disposition of the software.

K. WCF activities are required to recognize and amortize IUS assets in accordance with the guidance in this chapter without regard to whether such assets are procured through a WCF activity’s Capital Purchase/Investment Program budget or whether amortization for such assets is included in rates charged to customers. The recognition of IUS assets and the amortization of such assets by WCF activities therefore may be different for financial statement reporting purposes than the amortization amounts used for WCF rate development and budget presentation. All IUS asset amortization of WCF activities must be recognized as an expense on the Statement of Net Cost, reflected in the Statement of Changes in Net Position, included in accumulated amortization amounts on the Balance Sheet, and reported in the “Defense Working Capital Fund Accounting Report [Accounting Report (Monthly) 1307] (AR(M)1307).” Accounting Report 1307 is described in Volume 6a Chapter 15. Amortization recorded on IUS assets that was not acquired nor will be replaced through use of Defense WCF resources must be classified as non-recoverable for rate setting purposes and reported appropriately on the AR(M)1307. Defense WCF rates charged to customers are based on guidance in Volume 2B and Volume 11B.

Table 27-5. DoD Recovery Periods for Amortizable IUS Assets

<table>
<thead>
<tr>
<th>Description of IUS Assets</th>
<th>Recovery Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalized IUS</td>
<td>2, 3, 4, 5 or 10 Years*</td>
</tr>
<tr>
<td>Licenses</td>
<td>Term of the license agreement</td>
</tr>
<tr>
<td>Perpetual Licenses</td>
<td>5 Years</td>
</tr>
<tr>
<td>IUS Upgrades</td>
<td>Not capitalized**</td>
</tr>
<tr>
<td>Enhancements</td>
<td>Not more than 5 years***</td>
</tr>
</tbody>
</table>

* The useful life will be determined during the planning phase of the asset’s development based on the length of time it is expected to have economic benefit or service potential to the DoD Component.

** The amortization period of an IUS must be adjusted (not extending more than 5 years) if minor upgrades resulting from ongoing systems maintenance or repair of a design flaw extend the useful life of the software without adding additional capabilities. The cost of the upgrades should be expensed in the period incurred. Also note the upgrades that do add additional capabilities would be considered enhancements and would be capitalized and amortized if they meet the capitalization criteria in subparagraph 270204.E.

***See paragraph 270205 on the criteria for capitalizing versus expensing of IUS enhancements.
270208. Impairment

A. Impairment must be recognized and measured when one of the following occurs and is related to post-implementation/operational software:

1. The software is no longer expected to provide substantive service potential and will be removed from service; or

2. A significant reduction occurs in the software’s or software module’s capabilities, functions, or uses.

B. If the impaired software is to remain in use, the loss due to impairment must be measured as the difference between the book value and either:

1. The cost to acquire software that would perform similar remaining functions (i.e., the unimpaired functions) or, if that is not feasible;

2. The portion of the book value attributable to the remaining functional elements of the software.

C. The loss must be recognized upon impairment, and the book value of the asset reduced accordingly. If neither criteria listed in subparagraph 270208.B can be determined, the DoD Component should continue to amortize the book value over the remaining useful life of the software. However, this decision and associated analyses must be documented and retained.

D. If the impaired software is to be removed from use, the loss due to impairment must be measured as the difference between the book value and the NRV, if any. The loss must be recognized upon impairment, and the book value of the asset reduced accordingly. The NRV, if any, must be transferred to an appropriate asset account until the software is disposed of and the amount is realized.

E. When it is more likely than not that a developmental software project will not be completed, no further costs are to be capitalized and any costs that have been capitalized must be expensed. Indications that the software development may no longer be completed include:

1. The expenditures are neither budgeted nor incurred to fund further development;

2. The discontinuance of the business segment for which the software was designed;

3. The inability to resolve programming difficulties timely;
4. A decision to obtain COTS software instead and abandon the current software development; or

5. Major cost overruns occur.

F. When a developmental software project is suspended pending management’s evaluation as to whether to resume or terminate the project, the software development cost may remain capitalized in an Internal Use Software in Development account (USSGL 183200) as long as it is more likely than not that the developmental software project will eventually be completed and the cost incurred or expected to be incurred meets the capitalization threshold. The status of the project must be reevaluated periodically and the capitalized cost must be written off if management concludes that it is more likely than not that the software will not be placed-in-service in the future.

G. The loss from impairment, if any, must be recognized and reported in the Statement of Net Cost in the period in which the DoD Component concludes that the impairment is both (1) a significant decline in service utility and (2) expected to be permanent. Such losses may be included in program costs or costs not assigned to programs. A general description of the IUS for which an impairment loss is recognized, the nature (e.g., damage or obsolescence) and amount of the impairment and the financial statement classification of the impairment loss must be disclosed in the notes to the financial statements in the period the impairment loss is recognized if the amount is significant to the financial statements.

H. The impairment loss must be reported net of any associated recovery of the net realizable value when the recovery and loss occur in the same fiscal year. Recoveries reported in subsequent fiscal years must be reported as revenue or other financing source as appropriate. The amount and financial statement classification of recoveries must be disclosed in the notes to the financial statements.

I. The costs incurred to replace or restore the lost service utility of impaired IUS remaining in use must be accounted for in accordance with applicable standards (i.e., recognized according to the nature of the costs incurred and the appropriate capitalization threshold).

*270209. Removal/Disposal

A. In TR 14, FASAB defines removal from service as an event that terminates the use of a General PP&E asset. Removal from service may occur because of a change in the manner or duration of use, change in technology or obsolescence, damage by natural disaster, or identification as excess to mission needs. Removal from service must be considered other than permanent unless (1) the asset’s use is terminated and (2) there is documented evidence of the DoD Component’s decision to permanently remove the asset from service. If only one of the two business events has occurred, permanent removal from service has not occurred (i.e., the removal is considered other than permanent).
B. If an IUS’s normal use is terminated (i.e., it no longer provides service in the operations of the entity) but the DoD Component has not yet decided to permanently remove the IUS from service, the removal from service is considered other than permanent. Other than permanent removal from service is evidenced by activities such as continuing low-level maintenance to sustain the IUS in a recoverable status or until reutilization efforts are exhausted. For example, IUS taken out of service on a temporary basis is considered other than permanently removed from service. In such cases, the recorded cost of the IUS will remain in the Internal Use Software account (USSGL 183000). There is no change in the reported value for IUS that have been other than permanently removed from service and the IUS must continue to be amortized. Amortization charges to expense for IUS will continue to be recorded in USSGL 183900.

C. If (1) an IUS’s use is terminated and (2) the DoD Component has documented its decision to permanently remove the IUS from service, the removal from service must be accounted for as permanent. Permanent removal from service is evident from the DoD Component’s documented decision to dispose of an IUS by selling, recycling, or donating the IUS. The recorded cost as well as the accumulated amortization of an IUS permanently removed from service must be removed from the accounts in which they are reported, and the IUS must be recorded at its NRV in a General Property, Plant and Equipment Permanently Removed But not Yet Disposed account (USSGL 199500). USSGL account 199500 is defined in the DoD Standard Reporting Chart of Accounts under the DoD Account Definitions tab as the NRV of General PP&E that is permanently removed from service but not yet disposed and is reclassified in accordance with FASAB TR 14, paragraphs 10 and 12. NRV is the estimated amount that can be recovered from disposing of the asset less estimated costs of completion, holding, and disposal. Any difference between the net book value of the asset and its expected NRV must be recognized as a gain or loss. Any gain should be recorded in the Gains on Disposition of Assets – Other account (USSGL 711000); any loss should be recorded in the Losses on Disposition of Assets – Other account (USSGL 721000). The expected NRV should be evaluated at the end of each fiscal year and any change in NRV should be recognized as a gain or loss. IUS permanently removed from service is no longer amortized.

D. When an IUS is disposed of (e.g., by selling, recycling, donating, or destruction) the IUS must be written off from the financial records and financial statements and the difference between any disposal proceeds and the IUS’s net book value must be recognized as a gain or loss as described in subparagraph 270209.C. In such case, if the DoD Component receives a consideration (e.g., cash) for the disposal, a receipt of cash should be recorded in the Fund Balance with Treasury account (USSGL 101000). If the funds (consideration received) are not apportioned to the DoD Component, the fund must be transferred to miscellaneous receipts of the Treasury. There will be no consideration received for a donation. The disposal start date is the calendar date of a legally enforceable and recognizable obligation to complete the disposal action. For transfers and sales, this represents the date on which the instrument is endorsed or operation is ceased, whichever comes later. For natural disasters, this represents the actual date of the incident.
2703 ADDITIONAL CONSIDERATIONS

270301. Use of Canceled Treasury Account Symbol

A. The Department of Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) is a data collection system that replaces the reporting functionalities of Federal Agencies Centralized Trial-Balance System I and II, Intragovernmental Fiduciary Confirmation System and Intragovernmental Reporting and Analysis System as the primary means for DoD Components to report their trial balance data to the Department of Treasury. Capitalized assets are required to be reported and remain in GTAS after the original purchasing Treasury Account Symbol (TAS) has expired and been canceled. If a capitalized asset has not been moved to a “C” TAS as described in 270301.B, GTAS will provide a “C” TAS on the GTAS Super Master Account File (SMAF) for each fund family represented on the SMAF. The system generated “C” TAS will have three components: the three digit agency identifier, availability type "C", and a four digit main account.

B. All DoD Components must use the “C” availability type TAS to report capitalized assets. Assets may be moved to a C TAS at any time from the purchase date to the date the original purchasing fund cancels. (Refer to the TFM, Part 2, Chapter 4700 for additional information.)

C. To transfer an asset to a C TAS:

1. Use USSGL account transaction E510 to transfer-out the asset from the purchasing fund account.

2. Use USSGL account transaction E606 to transfer-in the asset into the appropriate C TAS.

270302. Supporting Documentation

Entries to record financial transactions in accounting system general ledger accounts and/or the supporting subsidiary accountable property records and/or systems must:

A. Be supported by source documents that reflect all transactions affecting the DoD Component’s investment in the IUS.

1. All acquisitions, whether by purchase, transfer from other agencies, donation, or other means, must be supported as of the date the DoD Component takes custody of the IUS. The documents listed in Table 27-6, where applicable, must be readily available to support the changes in asset value or physical attributes as a result of new acquisition or capital enhancement.
Table 27-6. Supporting Documentation for IUS Acquisition

<table>
<thead>
<tr>
<th>Evidence</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unique Identification</strong></td>
<td>Assignment of unique identifier</td>
</tr>
<tr>
<td><strong>Project Approval</strong></td>
<td>Such as, but not limited to, a Work Order</td>
</tr>
</tbody>
</table>
| **Obligation on Behalf of the Government** | Such as, but not limited to:  
1. For contracts, contract modifications, or change orders:  
   - Statement of Work;  
   - Dollar Amount of Contract;  
   - Location;  
   - Source of Funds;  
   - Parties to the Contract; and  
   - Signature Page [Signature of All Parties].  
2. Documentation of labor hours;  
3. Approved Work Order. |
| **Payment Submitted**                 | Such as, but not limited to:  
1. Approved last invoice reflecting the total amount submitted for payment and received to date;  
2. Evidence of in-house development costs, including labor;  
3. Indirect Costs incurred internally by the gaining activity that relate to the new acquisition or capital enhancement. |
| **Acceptance**                        | Such as, but not limited to:  
1. DoD *(DD)* Form 250, Material Inspection and Receiving Report;  
2. Executed acquisition document and appraisal results for the donated IUS;  
3. Signed agreement for software licenses;  
4. A signoff document confirming key development milestones such as technical acceptance tests are met;  
5. Documents to support the amount that has been expensed versus capitalized during the software development phase;  
6. Executed reversionary document; and  
7. Transfer letter and documents for transferred assets. |

2. All disposals or retirements must be supported as of the date the IUS leaves the custody of the DoD Component to provide an adequate audit trail for the disposal of an asset. The execution of certain disposal events will generate financial or administrative accountability transactions. These documents, where applicable, must be readily available to support disposals:

   a. ‘Declaration of excess’ document;

   b. Approval documentation for the disposal;

   c. Original acquisition documents;

   d. Legal instruments (such as a license agreement or contract) to indicate legal obligation to dispose of an asset;

   e. Document showing the disposal start date;
f. Receipt documentation; and

g. Transfer documents for transferred assets or as otherwise stated.

3. Documents that support the recorded cost of IUS assets must be retained by the DoD Component in accordance with the requirements contained in Volume 1, Chapter 9 or as otherwise stated. Documentation (original documents and/or hard and electronic copies of original documentation) must be maintained in a readily available location during the applicable retention period to permit the validation of information pertaining to the asset such as the purchase cost, purchase date, and cost of enhancements. The documentation must also be linked to the appropriate unique identifier(s). Supporting documentation may include, but is not limited to, the documentation as outlined in this subparagraph. DoD Component asset managers will maintain all applicable documentation for the retention period outlined in Volume 1, Chapter 9.

B. Include sufficient information indicating the quantity (as applicable would include the number of seats for which the IUS asset is loaded; the number of licenses; and/or the number of copies of a computer disk purchased), location and unit cost (as measured consistently with the criteria for quantification) of the IUS. The accountable property records must be designed to be of maximum assistance in making procurement and utilization decisions, including decisions related to identifying potential excess IUS that may be available for reuse, transfer to other DoD Components, or made available for disposal in accordance with current DoD regulations and other regulatory requirements.

C. Identify and classify IUS that was capitalized, recorded in the APSR and accounting system, and reported in the financial statements.

D. Be based on the same documents, to ensure that entries to the accounting and accountable property records are the same. This will ensure that the property accountability records are integrated and subsidiary to the accounting system and those records can be reconciled with the accounting system.

E. Include documents used to accumulate the cost of developmental projects. Each document must link to the appropriate asset unique identifier. For a listing of those costs that may be incurred during the development, see Table 27-1.

F. Include all IUS possessed by the Department (to include property held by others) and IUS of others held by DoD through seizure, forfeiture, loss, or abandonment.

G. Provide information to identify and account for licenses, regardless of whether the license meets the capital lease criteria or whether the value of the licenses exceeds DoD capitalization thresholds.

H. Provide information to identify and account for capitalized enhancements to IUS.
**270303. Reporting Requirements**

DoD Components with IUS should reference a note on the Balance Sheet that discloses information about the reported IUS assets. See Volume 6B, Chapter 10 for the specific reporting requirements.

*Figure 27-2. Capitalization Decision Tree for IUS Purchased from Commercial Off-the-Shelf Vendors; IUS Internally Developed by DoD and IUS Developed by a Third Party on Behalf of DoD*
Annex 1. Definitions and Examples

The following table contains common terms as they are generally defined by information technology and software programming professionals. It also includes scenarios relevant to IUS.

<table>
<thead>
<tr>
<th>Definition</th>
<th>Classified as IUS?</th>
<th>Capitalization</th>
<th>DoD Examples*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Access Control Software</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This type of software, which is external</td>
<td>No</td>
<td>Include with equipment costs</td>
<td>CA-ACF2, RACF</td>
</tr>
<tr>
<td>to the operating system, provides a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>means of specifying who has access to a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>system and the specific capabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>authorized users are granted.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Application Software</strong></td>
<td>Yes</td>
<td>Yes - When capitalization criteria is</td>
<td>Microsoft Excel,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>met</td>
<td>Adobe Photoshop</td>
</tr>
<tr>
<td>A software program that performs a</td>
<td></td>
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<tr>
<td>specific function directly for a user</td>
<td></td>
<td></td>
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<tr>
<td>and can be executed without access</td>
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<tr>
<td>to system control, monitoring, or</td>
<td></td>
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<tr>
<td>administrative privileges.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cloud – Public</strong></td>
<td>No</td>
<td>No</td>
<td>Dropbox</td>
</tr>
<tr>
<td>A cloud based environment that is</td>
<td></td>
<td></td>
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<tr>
<td>generally external to the Department</td>
<td></td>
<td></td>
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<tr>
<td>with infrastructure owned and managed by</td>
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<tr>
<td>a third party. Public cloud services are</td>
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<tr>
<td>generally subscription based.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cloud – Private</strong></td>
<td>Yes</td>
<td>Yes – When the capitalization criteria</td>
<td>DISA milCloud</td>
</tr>
<tr>
<td>A cloud based environment that is generally</td>
<td></td>
<td>is met, the DoD Component that</td>
<td></td>
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<tr>
<td>internal to the Department and used solely</td>
<td></td>
<td>controls the IUS has financial</td>
<td></td>
</tr>
<tr>
<td>by DoD Components.</td>
<td></td>
<td>reporting responsibility</td>
<td></td>
</tr>
<tr>
<td><strong>Database Management System (DBMS)</strong></td>
<td>Yes</td>
<td>Yes - When capitalization criteria is</td>
<td>Oracle Enterprise</td>
</tr>
<tr>
<td>Computer software applications that</td>
<td></td>
<td>met</td>
<td>Manager</td>
</tr>
<tr>
<td>interact with the user, other applications,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and the database itself to capture and</td>
<td></td>
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<tr>
<td>analyze data.</td>
<td></td>
<td></td>
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<td>Capitalization</td>
<td>DoD Examples*</td>
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<tr>
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<tr>
<td><strong>Enterprise Resource Planning System</strong></td>
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<tr>
<td>Commercial software that integrates business information flowing through the Component. ERP systems contain functional modules (e.g., financial, accounting, human resources, supply chain, and customer information) that are integrated within the core system or interfaced to external systems.</td>
<td>Yes – portions of ERP systems are IUS (excluding any hardware acquired as part of the system)</td>
<td>Yes – portions of ERP systems are capitalized</td>
<td>Navy ERP, GFEBS, LMP, DAI</td>
</tr>
<tr>
<td><strong>Firmware</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A program recorded in permanent or semi-permanent computer memory.</td>
<td>No – may be capitalized as part of equipment</td>
<td>May be capitalized as part of equipment</td>
<td>Radar system software, lathe</td>
</tr>
<tr>
<td><strong>Freeware / Open Source Software (OSS)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software that is offered at no cost.</td>
<td>No</td>
<td>No</td>
<td>Internet browser</td>
</tr>
<tr>
<td><strong>Hardware</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The physical components of IT, including the computers, peripheral devices such as printers, disks, and scanners, and cables, switches, and other IT equipment.</td>
<td>No</td>
<td>May be capitalized as general equipment depending on applicable capitalization criteria being met</td>
<td>Router, Server, Modem, Switch</td>
</tr>
<tr>
<td><strong>License – Annual</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A software license that must be renewed annually to continue using the software.</td>
<td>Yes</td>
<td>No - an annual license does not meet the useful life criteria of 2 years for capitalization</td>
<td>Microsoft Lync, VMWARE vSphere</td>
</tr>
<tr>
<td><strong>License – Enterprise</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A license that allows use of the software throughout an organization or for a specified number of users.</td>
<td>Yes</td>
<td>Only if it meets capitalization threshold and capital lease criteria</td>
<td>Microsoft Office, Oracle</td>
</tr>
<tr>
<td><strong>License – Perpetual</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A software license that gives the Department the right to use the software in perpetuity.</td>
<td>Yes</td>
<td>Only if it meets capitalization threshold</td>
<td>SAP Chrystal Reports</td>
</tr>
<tr>
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<td>Classified as IUS?</td>
<td>Capitalization</td>
<td>DoD Examples*</td>
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<tr>
<td>-------------------------</td>
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<td>---------------</td>
</tr>
<tr>
<td><strong>Middleware</strong></td>
<td>Yes</td>
<td>Yes – If the system it is part of meets capital criteria</td>
<td>Linux Kernel</td>
</tr>
<tr>
<td>Computer software that provides services to software applications beyond those available from the operating system.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Portal</strong></td>
<td>Yes</td>
<td>Yes – When capitalization criteria is met</td>
<td>Audit Response Center (ARC) Tool</td>
</tr>
<tr>
<td>Web-based application that provides personalization, single sign-on, and content aggregation from different sources, and hosts the presentation layer of information systems.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Simulation Software</strong></td>
<td>Yes</td>
<td>Yes – When capitalization criteria is met</td>
<td>F-35 Lightning II Training Software</td>
</tr>
<tr>
<td>Based on the process of modeling a real or proposed system with a set of mathematical formulas that allows the user to observe an operation before performing it.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating System</strong></td>
<td>No</td>
<td>Include in equipment costs</td>
<td>Windows, Linux</td>
</tr>
<tr>
<td>The software that controls the execution of other computer programs, schedules tasks, allocates storage, manages the interface to peripheral hardware, and presents a default interface to the user when no application program is running.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>System / IT System</strong></td>
<td>Yes – software components of a system or IT system are IUS</td>
<td>Yes - When capitalization criteria is met</td>
<td>Navy ERP, GFEBS, DAI, CAMIS, MC4</td>
</tr>
<tr>
<td>The term “system” by itself is not limited to any specific resource. A system may be any two resources that work together to produce a specific outcome. Internal use software may or may not be one component of an overall “system”.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Utility Program</strong></td>
<td>No</td>
<td>Include in equipment costs</td>
<td>CD burner, Disk defragmenter, virus scan</td>
</tr>
<tr>
<td>System software designed to perform a particular function or system maintenance.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Web Application</strong></td>
<td>Yes (assuming it is owned by a DoD Component)</td>
<td>Yes - When capitalization criteria is met</td>
<td>Outlook Webmail</td>
</tr>
<tr>
<td>An application that is accessed via the web over a network.</td>
<td></td>
<td></td>
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</tbody>
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*DoD examples provided may or may not be capitalized
A20101. Establishing Opening Balances for Internal Use Software

A. The alternative valuation method for establishing opening balances for Internal Use Software (IUS) described in Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 50, “Establishing Opening Balances for General Property, Plant and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35” is available only once to each reporting entity. Therefore, prior to the establishment of IUS opening balances, DoD Components must validate that they are prepared to account for and comply with the recognition, measurement, presentation and disclosure requirements for IUS in accordance with FASAB SFFAS 10, “Accounting for Internal Use Software.”

B. DoD Components must identify any IUS that they have capitalized prior to establishing opening balances, including capitalized development costs. All DoD Components that have not previously undergone a financial statement audit where they received an unmodified (i.e., “clean”) audit opinion will exclude the value of all IUS, including development costs, from opening balances of General Property, Plant, and Equipment on their Balance Sheet. This means that DoD Components who have not undergone a financial statement audit where they received a “clean” audit opinion will adjust their capitalized IUS, including development costs, opening balances to zero. A DoD Component that has received a “clean” audit opinion should continue to account for IUS, including development costs, in accordance with FASAB SFFAS 10 and will not reduce their balances to zero.

C. Entries in the DoD Component accounting systems/records to record IUS opening balances at zero are subject to the reporting requirements under paragraph 13 of FASAB SFFAS 21, “Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources”. Accordingly, the entries will be reflected as a change in accounting principle. Any adjustments must be properly documented and supported to assist ongoing audit efforts.

A20102. Financial Statement Disclosure Requirements

DoD Components who adjust their opening IUS balances, including development costs, in accordance with subparagraphs A.20101.B and A.20101.C, must disclose in their financial statements that an alternative valuation method was applied in establishing their opening balances. This disclosure must describe the alternative valuation method used in the first reporting period in which the reporting entity makes an unreserved assertion that its financial statements, or one or more line items, are presented fairly in accordance with Generally Accepted Accounting Principles. An unreserved assertion is an unconditional statement.
A20103. Prospective Accounting for Internal Use Software

A. Once the opening balances for IUS have been recorded at zero as described in paragraph A.20101.B, the DoD Components shall capitalize IUS costs for IUS placed-in-service and IUS in development in accordance with the provisions of FASAB SFFAS 10 for which guidance is provided in Chapter 27. This capitalization requirement includes IUS development costs incurred after the establishment of opening balances for projects started prior to the establishment of opening balances. The DoD Components must have sufficient source documentation to support the capitalized amounts of IUS based on actual historical cost. The DoD Components must apply the provisions of FASAB SFFAS 10 regarding amortization and impairment to any unamortized capitalized cost of the IUS.

B. The DoD Components should also fully implement the systems, internal controls, processes and procedures to be compliant with accounting for IUS under FASAB SSFAS 10. They must also periodically review and update the documentation of the systems, processes, and procedures as needed.
**VOLUME 4, CHAPTER 28: “HERITAGE ASSETS, MULTI-USE HERITAGE ASSETS AND STEWARDSHIP LAND”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

This is the initial publication.

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<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>All</td>
<td>This chapter contains updated policy for heritage assets, multi-use heritage assets and stewardship land; and supersedes policy contained in Volume 4, Chapter 6 dated June 2009 related to heritage assets, multi-use heritage assets and stewardship land.</td>
<td>New Chapter</td>
</tr>
<tr>
<td>Policy Memo</td>
<td>The Deputy Chief Financial Officer’s policy memorandum, “Elimination of Military Equipment Definition and Increase to Capitalization Thresholds for General Property, Plant and Equipment,” dated September 20, 2013, was incorporated into the chapter as applicable.</td>
<td>Revision</td>
</tr>
<tr>
<td>Policy Memo</td>
<td>The Deputy Chief Financial Officer’s policy memorandum, “Requests to Increase Capitalization Thresholds,” dated March 14, 2014, was incorporated into the chapter as applicable.</td>
<td>Revision</td>
</tr>
<tr>
<td>Policy Memo</td>
<td>The Deputy Chief Financial Officer’s policy memorandum, “Financial Reporting Policy for Real Property Estimated Useful Lives, Land Valuation, and Accounting for Real Property Outside of the United States,” dated June 27, 2016, was incorporated into the chapter as applicable.</td>
<td>Revision</td>
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HERITAGE ASSETS, MULTI-USE HERITAGE ASSETS AND STEWARDSHIP LAND

2801 GENERAL

280101. Purpose

This chapter prescribes Department of Defense (DoD) accounting policy for heritage assets, multi-use heritage assets and stewardship land, which are subsets of property, plant and equipment (PP&E). Within PP&E, two categories have been defined for accountability and financial reporting purposes. The categories are: (1) general PP&E which includes multi-use heritage assets; and, (2) stewardship PP&E. Stewardship PP&E includes heritage assets and stewardship land. The applicable general ledger accounts are listed in the United States Standard General Ledger (USSGL) discussed in Volume 1, Chapter 7. Both the DoD Standard Chart of Accounts and the accounting entries for these accounts are specified in the DoD USSGL Transaction Library. Unless otherwise stated, this chapter is applicable to all DoD Components, including Working Capital Fund (WCF) activities.

280102. Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:


B. FASAB SFFAS 5, “Accounting for Liabilities of the Federal Government”;

C. FASAB SFFAS 6, “Accounting for Property, Plant, and Equipment”;

D. FASAB SFFAS 7, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting”;

E. FASAB SFFAS 29, “Heritage Assets and Stewardship Land”;


H. FASAB SFFAS 44, “Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use”;

28-3
I. FASAB SFFAS 50, “Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35”;

J. FASAB SFFAS 55, “Amending Inter-entity Cost Provisions”;


M. FASAB TR 14, “Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment”;


P. DoD Instruction (DoDI) 4165.14, “Real Property Inventory (RPI) and Forecasting”;

Q. DoDI 4165.70, “Real Property Management”;

R. DoDI 4715.16, “Cultural Resources Management”;

S. DoDI 5000.64, “Accountability and Management of DoD Equipment and Other Accountable Property”;


U. Code of Federal Regulations, Title 36, Chapter 1, Part 60, National Register of Historic Places, Section 60.4 Criteria for Evaluation; and


2802. ACCOUNTING FOR HERITAGE ASSETS, MULTI-USE HERITAGE ASSETS AND STEWARDSHIP LAND

280201. Definitions

A. Heritage Assets. Heritage assets are PP&E that are unique for one or more of the following reasons:
1. Historical or natural significance;

2. Cultural, educational, or artistic (e.g., aesthetic) importance; or

3. Significant architectural characteristics.

Heritage assets consist of (1) collection-type heritage assets, such as objects gathered and maintained for exhibition, for example, museum collections, art collections, and library collections; and (2) non-collection-type heritage assets, such as memorials, monuments, and buildings. Cultural resources and historic properties, as defined in DoDI 4715.16, may be categorized as heritage assets for financial accounting purposes, if they have the attributes of heritage assets as described in this definition.

B. Multi-use Heritage Assets. Heritage assets may in some cases serve two purposes: (a) a heritage function and (b) a government operations function. In cases where a heritage asset serves two purposes, and the predominant use of the asset is in general government operations, the heritage asset should be considered, and classified as, a multi-use heritage asset (e.g., the main Treasury building used as an office building). Another example of a multi-use heritage asset is the Pentagon, which has been listed on the National Register of Historic Places and also is used as an office building. Heritage assets having an incidental (i.e., not significant or predominant) use in government operations are not considered and are not classified as multi-use heritage assets; they are simply heritage assets. Cultural resources and historic properties, as defined in DoDI 4715.16, may be categorized as multi-use heritage assets for financial accounting purposes, if they have the attributes of multi-use heritage assets as described in this definition.

C. PP&E: PP&E consists of tangible assets, including land, that meet the following criteria – (i) they have estimated useful lives of two years or more; (ii) they are not intended for sale in the ordinary course of operations; and, (iii) they have been acquired or constructed with the intention of being used, or being available for use by the entity.

D. Stewardship Land. Stewardship land includes land and land rights owned by the Federal Government but not acquired for or in connection with the acquisition or construction of real property facilities. Examples of stewardship land include public land withdrawn for military purposes such as buffer zones and land used for forests, wildlife or grazing.

E. Materiality. Materiality, as defined by the SFFAS 1, is the degree to which an item's omission or misstatement in a financial statement makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the inclusion or correction of the item. Since the value of heritage assets and stewardship land are expensed when acquired, the focus for considering their materiality should be based on the DoD required accountability for the asset.
280202. Relevant USSGL Accounts

A. Land and Land Rights (USSGL 171100). The amount of identifiable cost of land and land rights of unlimited duration acquired for or in connection with general property, plant and equipment used in general operations and permanent improvements. Stewardship land (national park or forest and land in public domain), materials beneath or above the surface, and Outer Continental Shelf resources are excluded. Under SFFAS 50, entities can elect to expense land and land rights. If this election is made, there would not be an amount for land and land rights recorded in this USSGL account.

B. Construction-in-Progress (USSGL 172000). The Construction-in-Progress (CIP) account is used to accumulate the costs of new construction of general PP&E (except for internal use software) and capital improvements while the asset is under construction. CIP accounts include all costs (i.e., direct labor, direct material, supervision, inspection and overhead) incurred in construction. Upon completion, these costs will be transferred to the appropriate general PP&E account.

C. Buildings, Improvements, and Renovations (USSGL 173000). The Buildings, Improvements, and Renovations account is used to record the cost, fair value or appraised value of DoD-owned buildings acquired and building improvements which are used in providing DoD services or goods. This account also includes the cost of renovation, improvement or restoration of multi-use heritage assets classified as buildings after transfer from the CIP account.

D. Accumulated Depreciation on Buildings, Improvements, and Renovations (USSGL 173900). The Accumulated Depreciation on Buildings, Improvements, and Renovations account is used to record the amount of accumulated depreciation charged to expense for assets and improvements recorded in the USSGL 173000 account.

E. Other Structures and Facilities (USSGL 174000). The Other Structures and Facilities account is used to record the cost, fair value or appraised value of DoD-owned structures and linear structures and structures and linear structure improvements which are used in providing DoD services or goods. This account also includes the cost of renovation, improvement or restoration of multi-use heritage assets classified as structures or linear structures after transfer from the CIP account.

F. Accumulated Depreciation on Other Structures and Facilities (USSGL 174900). The Accumulated Depreciation on Other Structures and Facilities account is used to record the amount of accumulated depreciation charged to expense for assets and improvements recorded in the USSGL 174000 account.

G. Equipment (USSGL 175000). The Equipment account is used to record the capitalized cost of tangible equipment items of a durable nature that are used by DoD in providing goods and services.
H. **Accumulated Depreciation on Equipment (USSGL 175900)**. The Accumulated Depreciation on Equipment account is used to record the amount of accumulated depreciation charged to expense for assets recorded in the USSGL 175000 account.

I. **General Property, Plant and Equipment Permanently Removed but Not Yet Disposed (USSGL 199500)**. The General Property, Plant, and Equipment Permanently Removed but Not Yet Disposed account is used to record the value of general PP&E assets which have been permanently removed from service. Upon permanent removal from service, general PP&E assets must be recorded at their expected net realizable value (NRV) and must cease to be depreciated. See paragraph 280210.B.3 for guidance on reporting general PP&E assets which have been permanently removed from service.

J. **Depreciation, Amortization and Depletion (USSGL 671000)**. The expense recognized by the process of allocating costs of an asset (tangible or intangible) over the period of time benefited or the asset’s useful life is recorded in this account.

280203. **Heritage Assets**

A. As described in subparagraph 280201.A, heritage assets are PP&E that are unique for one or more of the following reasons:

1. Historical or natural significance;
2. Cultural, educational, or artistic (e.g., aesthetic) importance; or
3. Significant architectural characteristics.

B. Heritage assets are generally expected to be preserved indefinitely.

C. The cost or value should not serve as a precursor when deciding if an asset should be classified as a heritage asset. DoD Components should refer to cultural resources and collections policies, published registers, and consult with DoD subject matter experts (i.e., the DoD cultural resources or museum staffs), when making this assessment. Designation of a PP&E asset (including such assets as museum, library and art collections) as a heritage asset can be done at any time in its life-cycle, based on application of evaluation criteria by qualified staff. Historic significance may be identified if a property/asset meets at least one of the following criteria adapted from the National Register of Historic Places as determined by the relevant DoD Component with concurrence by the relevant State Historic Preservation Officer, or as determined by the guidelines of the National Register of Historic Places in the Code of Federal Regulations, Title 36, Part 60, Section 60.4:

1. Association with historic events or activities that have made a significant contribution to the broad patterns of our history (e.g., battles, development of military technology, prehistoric cultural patterns);
2. Association with the lives of significant historic persons (e.g., important military leaders, political leaders, inventors);

3. Distinctive design or physical characteristics of a type, period, or method of construction (e.g., work of a master architect, landscape architect, planner, or engineer; work representative of a particular approach to military design or a particular type or style of architecture or engineering; a formative example of standardized planned military housing); or

4. Potential to provide important information about prehistory or history (e.g., an archeological site on a military installation).

D. As contrasted with multi-use heritage assets (see subparagraph 280201.B), heritage assets are not used predominantly in general government operations.

280204. Stewardship Land

A. Land and land rights owned by the Federal Government but not acquired for, or in connection with the acquisition or construction of real property facilities, is stewardship land.

B. “Acquired for or in connection with” is defined as including land or land rights acquired with the intent to construct general PP&E and land or land rights acquired in combination with general PP&E.

C. Land is defined as the solid part of the surface of the earth. Excluded from the definition are natural resources (e.g., depletable resources, such as mineral deposits and petroleum, renewable resources such as timber and the outer continental shelf resources) related to land.

D. Land and land rights owned by DoD or a DoD Component, but not acquired for or in connection with real property facilities must be reported as stewardship land.

E. Land and land rights owned by DoD or a DoD Component, and acquired for or in connection with real property facilities must be accounted for and reported as general PP&E and expensed under SFFAS 50, if elected.

F. Land rights are interests and privileges held by DoD or a DoD Component, in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights, and other like interests in land.

G. Some heritage assets will meet the definitions of, and be considered and reported as, both heritage assets and stewardship land. Such reporting would not be considered duplication as the type of information reported on the physical unit would be different for each category of stewardship asset (i.e., heritage assets and stewardship land.)
280205. Acquisition/Valuation

A. Heritage Assets and Stewardship Land

1. The cost of acquiring heritage assets and stewardship land are expensed in the period incurred. The cost must include all costs incurred to bring the asset to a form and location suitable for its intended use.

2. Maintenance or renovation contracts, historical maintenance records or a history of payment of invoices, minutes of meetings, historical data bases, surveys of land records, a history of past/historical practices (e.g., establishing defacto ownership), or other relevant sources of information may provide acceptable alternative evidence of government ownership of heritage assets and stewardship land.

B. Multi-use Heritage Assets

1. **Recorded Cost.** When acquiring a multi-use heritage asset, which is a subset of general PP&E, the recorded cost must be recognized in accordance with paragraph 280206. The recorded cost of multi-use heritage assets is the basis for computing depreciation (if applicable). The method of acquisition determines the cost recorded for multi-use heritage assets, which are part of general PP&E, as described in subparagraph 280205.B.6. The recorded cost must include all amounts paid to bring the asset to its form and location suitable for its intended use, including the costs of any embedded items and/or integral software plus ancillary costs. This subparagraph defines and prescribes the use of acquisition cost, net book value, fair value, ancillary costs, and recorded cost when recording the cost of newly acquired multi-use heritage asset items.

2. **Acquisition Cost.** For the purposes of this chapter, acquisition cost refers to the original purchase, construction, or development cost; net of (less) any purchase discounts. Purchase discounts lost and late payment interest expenses must not be included as a cost of the asset; rather, such costs must be recognized as operating expenses.

3. **Net Book Value.** Net Book value is the recorded cost of a general PP&E asset, less its accumulated depreciation.

4. **Fair Value.** Fair value is the amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

5. **Ancillary Costs.** Ancillary costs are included in the recorded cost in addition to the acquisition cost of the asset. These costs are identifiable and necessary to bring the asset to its form and location suitable for its intended use including other direct and indirect costs. Examples include:

   a. Government-furnished property installed in end items (e.g., engines installed in aircraft);
b. An appropriate share of the cost of government-furnished materials used in the production of end items;

c. Transportation charges to the point of initial use;

d. Handling and storage costs;

e. Labor and other direct or indirect production costs (for assets produced or constructed);

f. Engineering, architectural, and other outside services for designs, plans, specifications, and surveys;

g. Acquisition and preparation costs of buildings and other facilities;

h. An appropriate share of the cost of the equipment and facilities used in construction work;

i. Fixed equipment and related installation costs required for activities in a building or facility;

j. Direct costs of inspection, supervision, and administration of construction contracts and construction work;

k. Allowable direct cost of maintaining the Program Management Office, if material;

l. Legal and recording fees and damage claims;

m. Fair value of facilities and equipment donated to the DoD;

n. Material amounts of interest paid directly to providers of goods or services related to the acquisition or construction (not including late payment interest penalties); and

o. A prorated share of nonrecurring cost associated with the development and production of the property.

6. The method of acquisition determines the cost recorded for multi-use heritage assets, which are a part of general PP&E.

a. Purchased General PP&E. The cost to be recorded for assets acquired by purchase from a third party (private, commercial, or government) is its purchase contract cost plus applicable ancillary costs. Examples of ancillary costs are included in the listing
in subparagraph 280205.B.5. For purposes of this guidance, purchase includes procurements by cash, check, or installment or progress payments on contracts.

b. **Constructed General PP&E.** The cost to be recorded for constructed items is the sum of all the costs incurred to bring the item(s) to a form and condition suitable for their intended use. These include costs incurred after project design authorization for actual construction such as labor, materials, and overhead costs. Note that preliminary planning costs accumulated prior to design authorization must be expensed and not be captured as part of the recorded cost of constructed items.

c. **Donated General PP&E.** The cost to be recorded for general PP&E acquired through donation, execution of a will, or judicial process excluding forfeiture must be its estimated fair value (except for land expensed under SFFAS 50, if elected) at the time acquired by the DoD.

d. **Exchanged General PP&E.** The cost to be recorded for general PP&E acquired through exchange between the DoD and a nonfederal entity is the fair value of the consideration surrendered at the time of exchange. If the fair value of the general PP&E acquired is more readily determinable than that of the consideration surrendered, the cost will be the fair value of the general PP&E acquired. If neither fair value can be determined, the cost of the general PP&E acquired will be the cost recorded for the consideration surrendered, net of any accumulated depreciation. Any difference between the net recorded amount of the consideration surrendered and the cost of the general PP&E acquired must be recognized as a gain or loss. In the event that cash consideration is included in the exchange, the cost of general PP&E acquired will be increased by the amount of cash consideration surrendered or decreased by the amount of cash consideration received. If the DoD Component enters into an exchange in which the fair value of the general PP&E acquired is less than that of the consideration surrendered, the general PP&E acquired will be recognized at the amount of the consideration surrendered, as described previously and subsequently reduced to its fair value. A loss must be recognized in an amount equal to the difference between the amount of the consideration surrendered for the general PP&E acquired and its fair value. This guidance on exchanges applies only to exchanges between a DoD Component and a nonfederal entity. Exchanges between a DoD Component and another DoD Component or federal agency must be accounted for as a transfer.

e. **Capital Leases.** The recorded cost of general PP&E acquired under a capital lease is the present value of the rental and other minimum lease payments during the lease term, excluding that portion of the payments representing executory cost (e.g., insurance, maintenance and taxes) to be paid by the lessee. The present value is the value of future cash flows (e.g., lease payments) discounted to the present at a certain interest rate (such as the reporting entity’s cost of capital), assuming compound interest. However, if the amount so determined exceeds the fair value of the leased property at the inception of the lease, the amount recorded will be the fair value. If the portion of minimum lease payments representing executory cost is not determinable from the lease provisions, the amount should be estimated.
f. **Seized and Forfeited General PP&E**. The cost recorded for general PP&E items acquired through seizure or forfeiture is its fair value, less an allowance for any liens or claims from a third party.

g. **Vested and Seized Property During Times of War**. See Volume 12, Chapter 29, for discussion of vested and seized property during times of war.

h. **Transferred General PP&E**. The cost recorded for general PP&E transferred from another DoD Component or federal agency is the cost recorded on the transferring entity’s books for the general PP&E, and its accumulated depreciation. If the receiving DoD Component cannot reasonably ascertain those amounts, the cost of the asset will be its fair value at the time of transfer.

i. **General PP&E Acquired by Trade-In**. The cost to be recorded for general PP&E acquired when trading in another PP&E asset is the sum of the net book value of the asset(s) traded plus (minus) any cash paid (received) or liabilities assumed (relinquished) for the new asset. The net book value is the recorded cost of a general PP&E asset, less its accumulated depreciation.

280206. Recognition and Measurement

All heritage assets, multi-use heritage assets, and stewardship land acquired by DoD Components must be recognized for accountability (in accordance with DoDI 4165.14, DoDI 4165.70, and DoDI 5000.64) and financial reporting purposes. Recognition requires the proper accounting treatment (expense or capitalization with depreciation) and the reporting of capitalized amounts and applicable accumulated depreciation and expensed amounts on the appropriate DoD Component’s financial statements.

A. Heritage Assets

1. The cost of acquiring, improving, restoring or renovating heritage assets, other than multi-use heritage assets, should be recognized as a cost on the Statement of Net Cost for the period in which the cost is incurred. The cost should include all costs incurred to bring the asset to its current condition and location. The DoD Components will include heritage assets in its financial statement note disclosures only if it has both ownership and control of the asset and is also responsible for maintenance or sustainment of the asset. If no one DoD Component meets all the criteria, then the DoD Component that has control over the heritage asset must report the heritage asset in its financial statement note disclosures (see paragraph 280305, Reporting Requirements).

2. Except for assets classified as multi-use heritage assets, no amounts for heritage assets acquired through donation or devise (a will or clause of a will disposing of property) should be recognized in the cost of heritage assets.
3. Transfers of heritage assets, except for multi-use heritage assets, from one DoD Component to another or to another Federal agency do not affect the net cost of operations or net position of either entity. In some cases, assets included in general PP&E may be transferred to a DoD Component for use as heritage assets. In this instance, the transferring DoD Component should recognize a transfer-out of capitalized assets and the receiving DoD Component recognizes a transfer-in to facilitate reconciliation and a corresponding cost on the Statement of Net Cost.

B. Multi-use Heritage Assets

1. The costs of acquisition, improvement, or restoration of multi-use heritage assets should be capitalized as general PP&E and depreciated if the costs equals or exceeds the DoD capitalization threshold. Such multi-use heritage assets should be depreciated over their estimated useful life.

2. The capitalization threshold for general PP&E assets is:

   a. $1 million for the Department of Air Force and the Department of Navy general funds General Equipment;

   b. $1 million for the National Security Agency (NSA) and the Office of the Director of National Intelligence (ODNI) general PP&E; and

   c. $250,000 for real property (other than NSA and ODNI), and all other General Equipment assets for all other general funds and WCFs.

3. Assets classified as multi-use heritage assets and acquired through donation or devise should be recognized as general PP&E at the fair value of the assets at the time received and the amount should also be recognized as non-exchange revenues as defined in FASAB SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting.

4. Transfers of multi-use heritage assets from one Federal entity to another (including those between DoD Components or between a DoD Component and another Federal entity) should be recognized by the receiving entity as a transfer-in and as an additional financing source and the transferring entity should recognize a transfer-out. The value recorded should be the transferring entity’s net book value of the multi-use heritage asset. If the receiving entity has not been provided the net book value, the multi-use heritage asset should be recorded at its estimated fair value.

C. Stewardship Land

1. Land classified as stewardship land must be reported as basic information within the financial statements of the DoD Component responsible for such land (see paragraph 280305, Reporting Requirements). The cost of the acquisition of stewardship land
should be recognized as an expense on the Statement of Net Cost for the period in which the cost is incurred. The cost should include all costs to prepare stewardship land for its intended use (e.g., grading the land). In such cases, land may be acquired along with existing facilities. The following treatments should apply:

a. To determine whether the facility itself would be deemed a heritage asset, the DoD Component should consult with Component cultural resources staff about whether the acquisition cost of the facility should be treated as the cost of stewardship land, heritage asset, or both;

b. The cost in its entirety should be treated as an acquisition of stewardship land, if the facility is to be used in operations (e.g., as general PP&E), and

   i. The value of the facility is insignificant; or

   ii. Its acquisition is merely a byproduct of the acquisition of the land.

c. Facilities of significant value that have an operating use (e.g., a constructed hotel or employee housing block) should be treated as general PP&E by identifying the cost attributable to general PP&E and segregating it from the cost of stewardship land acquired.

2. No amounts for stewardship land acquired through donation or devise should be recognized as an expense in the Statement of Net Cost.

3. Transfers of stewardship land from one DoD Component to another or to another Federal agency, do not affect the net cost of operations or net position of either entity. In some cases, land included in general PP&E may be transferred to a DoD Component for use as stewardship land. In this instance, the transferring DoD Component should recognize a transfer-out for the amount it has capitalized in its financial accounting records (if land was not expensed under SFFAS 50) for the asset and the receiving DoD Component recognizes a transfer-in to facilitate reconciliation.

280207. Improvements/Enhancements

A. Heritage Assets. The cost of improvement or renovation of heritage assets should be recognized on the Statement of Net Cost for the period in which the cost is incurred.

B. Multi-use Heritage Assets

1. Capital improvements to multi-use heritage assets must be capitalized when (1) the improvement increases the asset's useful life by two or more years, or increases its capacity or size, and (2) the cost of the improvement equals or exceeds the capitalization threshold (see subparagraph 280206.B.2). If capital improvements do not meet these two criteria they should be expensed. Funding source is not a factor in determining whether an
improvement will be capitalized. If the capital improvement increases the underlying asset's useful life by two years or more, the DoD Component must capitalize and depreciate the improvement with the original asset over the revised estimated useful life. Costs of capital improvements that do not extend the useful life of an existing real property asset but enlarge or improve its capacity and have a useful life of two years or more must be capitalized and depreciated over the lesser of the estimated useful life of the improvement or the remaining economic estimated useful life of the underlying asset. Note that the economic life of the multi-use heritage asset may be different than the original estimated accounting useful life. The economic life reflects the remaining period of utility for the multi-use heritage asset.

2. The cost of improvements to more than one multi-use heritage asset as identified by a unique identifier when performed under a single contract or work order, and that cannot be specifically identified by asset, should be capitalized only if the allocated cost per multi-use heritage asset equals or exceeds the capitalization threshold. When more than one improvement is made to a single asset and the improvements are part of one overall effort to increase the asset’s capability, size, and/or useful life, the sum of the costs of the improvements must be capitalized, if the summed costs equal or exceed the capitalization threshold. This is required even when the improvements are funded separately. Once a determination has been made that the aggregate costs of the improvements will be capitalized, each improvement should be capitalized and depreciated upon being placed in service.

3. Maintenance and repair costs are not considered capital improvements, regardless of whether the cost equals or exceeds the capitalization threshold. In SFFAS 42, the FASAB defines maintenance and repairs as activities directed toward keeping fixed assets in an acceptable condition. Maintenance and repair activities include preventative maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain assets. Maintenance and repair activities also include cyclic work done to prevent damage that would be more costly to restore than to prevent (e.g., painting).

4. Although maintenance and repairs are generally expensed in the period incurred, certain replacements of parts, systems, or components may or may not be an improvement for accounting purposes. Crucial to the determination of whether a replacement must be recognized as a repair or an improvement is the intent behind the replacement. Repair by replacement occurs when parts, systems, or components have failed, are in the incipient stages of failing, or are no longer performing the functions for which they were designated. Replacements falling into this category must be expensed. If the replacement was undertaken to expand the capacity or extend the useful life of an item that was in good working order, then the replacement must be recognized as an improvement. A roof or a heating and air conditioning system that is replaced due to the failing of the existing asset should be classified as a repair and should be expensed, even if the replacement incorporated a better quality and longer life shingle or a more efficient heating and air conditioning unit. Repair by replacement does not include rebuilding entire structures within the same physical area (footprint).
5. Capital Improvements at or over the capitalization threshold in effect at the time the capital improvements are completed, will be recorded and depreciated by the DoD Component acquiring the capital improvement irrespective of whether they are the Primary Economic Beneficiary responsible for sustainment requirements of the property containing the capital improvement. A WCF activity of a DoD Component using a capital improvement in property that does not pay/reimburse the acquirer of the capital improvements for property use, will record an imputed cost in their financial statements for the value of the depreciation expense of the capital improvements from which they benefit. The requirement to impute costs is not applicable to DoD Component General Funds except for inter-entity costs for personnel benefits and Treasury Judgment Fund settlements. A DoD Component using space in a multi-use heritage asset that reports capital improvements for that asset and subsequently ceases use of the asset will transfer the book value of those capital improvements (acquisition value and accumulated depreciation) along with supporting documentation to the DoD Component responsible for reporting the multi-use heritage asset in its financial statements at the time they no longer are using the asset.

280208. Depreciation

A. Heritage Assets. The cost of acquisition, improvement, or renovation of heritage assets should be recognized as an expense on the Statement of Net Cost for the period in which the cost is incurred. These costs are not capitalized and not subsequently depreciated. The cost should include all costs incurred during the period to bring the item to its current condition.

B. Stewardship Land. The cost of acquiring stewardship land is expensed in the period incurred. These costs are not capitalized and subsequently depreciated.

C. Multi-Use Heritage Assets. The recorded cost of capitalized multi-use heritage assets must be depreciated in accordance with the general PP&E guidance as described in 280208.C.1 through C.7. Such capitalized amounts, as well as associated amounts of accumulated depreciation and depreciation expense, must be reflected in DoD financial statements.

1. Depreciation is the systematic and rational allocation of the recorded cost of an asset, less its estimated salvage or residual value, over its estimated useful life. Estimates of useful life for general PP&E assets must consider factors such as usage, physical wear and tear and technological change.

2. The salvage value, also known as the residual or scrap value, is the amount that would be expected to be obtained from selling an asset at the end of its useful life, but only when such proceeds (from recycle, resale, or salvage) are permitted to be retained and used by the DoD Component. Typically, personal property will not have a salvage value. DoD real property does not have a salvage value. If the asset is to be traded in on a new asset, the salvage value is the expected trade-in value.

3. The depreciable basis of an asset is the recorded cost reduced by the asset’s salvage value, if the asset has a salvage value.
4. For purposes of computing depreciation on DoD general PP&E assets, specific useful lives are prescribed. Table 28-1 and Table 28-2 provide guidance on the useful lives to be used for DoD multi-use heritage assets that are real property or general equipment. Heritage assets and stewardship land are not capitalized and depreciated.

   a. DoD policy permits the use of only the straight-line method of depreciation.

   b. If a DoD Component determines that a newly acquired general PP&E asset with a cost equal to or greater than the applicable DoD capitalization threshold which has a useful life of at least two years, but less than five years, the Component may elect to depreciate the asset over a useful life that more accurately reflects its useful life (two to four years, as appropriate). The DoD Component making this election must document the basis for that decision.
Table 28-1. DoD Useful Lives for General Equipment (Including Multi-Use Heritage Assets)

<table>
<thead>
<tr>
<th>Categories</th>
<th>Sub-Categories</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>GENERAL EQUIPMENT ASSETS (EXCLUDING WEAPON SYSTEMS)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Purpose Vehicles</td>
<td>Heavy-duty Trucks and Buses</td>
<td>5</td>
</tr>
<tr>
<td>ADP Systems and Hardware</td>
<td>Computers and Peripherals</td>
<td>5</td>
</tr>
<tr>
<td>Communication and Medical Equipment</td>
<td>High Tech Medical Equipment</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Radio and Television Broadcasting Equipment</td>
<td>5</td>
</tr>
<tr>
<td>All Other Equipment and Machinery</td>
<td>All Other Equipment and Machinery Equipment used in Research, Development, Test, and Evaluation (RDT&amp;E)</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Vessels</td>
<td>Tugs</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Barges</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Similar Water Transportation Equipment</td>
<td>20</td>
</tr>
<tr>
<td>Generation Equipment</td>
<td>Steam Generation Equipment (12.5K pounds per hour or more)</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Electric Generation Equipment (500 Kilowatt or more)</td>
<td>20</td>
</tr>
<tr>
<td>Capital Improvements *</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GENERAL EQUIPMENT WEAPON SYSTEMS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground Systems</td>
<td>Armored/Assault Vehicle</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Cargo Vehicle</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Tracked Vehicle</td>
<td>20</td>
</tr>
<tr>
<td>Fixed Wing Aircraft</td>
<td>Combat Fixed Wing</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Cargo Fixed Wing</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Utility Fixed Wing</td>
<td>20</td>
</tr>
<tr>
<td>Rotary Wing</td>
<td>Combat Rotary Wing</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Cargo Rotary Wing</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Utility Rotary Wing</td>
<td>30</td>
</tr>
<tr>
<td>Ships</td>
<td>Combat Ship</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Cargo Ship</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Aircraft Carrier</td>
<td>50</td>
</tr>
<tr>
<td>Submarines</td>
<td>Submarine</td>
<td>33</td>
</tr>
<tr>
<td>Unmanned Aerial Vehicle Systems (UAVS)</td>
<td>UAVS</td>
<td>15</td>
</tr>
<tr>
<td>Combat Support Systems</td>
<td>Combat Support System</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Missile Defense System</td>
<td>20</td>
</tr>
</tbody>
</table>

*See Capital Improvements/Enhancements in paragraph 280207.
Table 28-2. DoD Useful Lives for Real Property (Including Multi-Use Heritage Assets)

<table>
<thead>
<tr>
<th>Real Property Classification</th>
<th>Real Property Useful Lives</th>
<th>Capital Improvements (if useful life is not provided by an engineering estimate)(i)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>45 years</td>
<td>20 years</td>
</tr>
<tr>
<td>Structures</td>
<td>35 years</td>
<td>15 years</td>
</tr>
<tr>
<td>Linear Structures</td>
<td>40 years</td>
<td>20 years</td>
</tr>
</tbody>
</table>

(i) Engineering estimates are of particular importance when evaluating full restoration or conversion.

5. The event that triggers the calculation of depreciation is the date of receipt shown on the asset receiving document in cases where no installation is required; the date installed (if required); or the date the asset is available for use, also known as the acceptance date, (regardless of whether it is actually used). The actual commencement of depreciation should be based on the Month Available for Service Method. Under this method, the month the asset was accepted, installed, or available for use as applicable, is the month used to commence the calculation of depreciation expense for the first year.

6. If an asset remains in use longer than its estimated useful life, it must be retained in the accountable property system of record, as well as the accounting records, and reflect both its recorded cost and accumulated depreciation until disposition of the asset.

7. WCF activities are required to depreciate general PP&E assets in accordance with the guidance in this chapter without regard to whether such assets are procured through a WCF activity’s Capital Purchase/Investment Program budget or whether depreciation for such assets is included in rates charged to customers. The recognition of general PP&E assets and the depreciation of such assets by WCF activities therefore may be different for financial statement reporting purposes than the depreciation amounts used for WCF rate development and budget presentation. All general PP&E depreciation of WCF activities must be recognized as an expense on the Statement of Net Cost, included in accumulated depreciation amounts on the Balance Sheet, and reported in the “Defense Working Capital Fund Accounting Report [Accounting Report (Monthly) 1307] (AR (M) 1307).” Depreciation recorded on general PP&E that was not acquired nor will be replaced through use of Defense WCF resources must be classified as non-recoverable for rate setting purposes and reported appropriately on the AR (M)1307. Defense WCF rates charged to customers are based on guidance in Volume 2B and Volume 11B.

280209. Impairment

A. Description. SFFAS 44 defines impairment as a significant and permanent decline in the service utility of general PP&E or expected service utility of CIP that results from events or changes in circumstances that are not considered normal and ordinary. The guidance in this paragraph is applicable to multi-use heritage assets only. Due to the nature of heritage assets and stewardship land and the fact that they are expensed when acquired, impairment is not
calculated for these assets. Heritage assets are expected to be preserved indefinitely. Multi-use heritage assets are subject to impairment guidance for general PP&E as described in SFFAS 44.

1. See subparagraph 28020.9.B.2 for a discussion of determining the significance and permanence of a service utility decline.

2. The service utility of general PP&E is the usable capacity that, at acquisition, was expected to be used to provide service. The current usable capacity of general PP&E may be less than its original usable capacity due to the normal or expected decline in useful life or to impairing events or changes in circumstances, such as physical damage, obsolescence, enactment or approval of laws or regulations or other changes in environmental or economic factors, or changes in the manner or duration of use.

3. Normal and ordinary events or circumstances are those that fall within the expected useful life of the general PP&E such as standard maintenance and repair requirements. Events or circumstances that are not considered normal are those that, at the time the general PP&E was acquired, the event or change in circumstance would not have been expected to occur during the useful life of the general PP&E or, if expected, was not sufficiently predictable to be considered in estimating the general PP&E’s useful life.

B. Identification of Potential Impairment Loss. The determination of whether general PP&E remaining in use is impaired is a two-step process, which includes (1) identifying potential impairment indicators and (2) testing for impairment.

1. Step 1 - Identify Indicators of Potential Impairment. Indicators of potential impairment can be identified and brought to DoD Component’s attention in a variety of ways, such as procedures related to deferred maintenance and repair (DM&R). Although DoD Components are not required to establish additional or separate procedures beyond those that may already exist, they should evaluate existing processes and internal controls to determine if they are sufficient to reasonably assure the identification of potential impairment indicators and implement appropriate additional processes and internal controls if necessary. Once identified, indicators are not conclusive evidence that a measurable or reportable impairment exists; DoD Components should carefully consider the surrounding circumstances to determine whether a test of potential impairment is necessary given the circumstances. Some common indicators of potential impairment include:

   a. Evidence of physical damage;

   b. Enactment or approval of laws or regulations which limit or restrict general PP&E usage;

   c. Changes in environmental or economic factors;

   d. Technological changes or evidence of obsolescence (however, if obsolete general PP&E continues to be used, the service utility expected at acquisition may not be diminished);
e. Changes in the manner or duration of use of general PP&E;

f. Construction stoppage or contract termination; and

g. General PP&E idled or unserviceable for excessively long periods.

2. Step 2 - Impairment Test. Identified general PP&E should be tested for impairment by determining whether these two factors are present: (i) the magnitude of the decline in service utility is significant and (ii) the decline in service utility is expected to be permanent.

a. Significant declines in service utility are those that cause costs (including operational and maintenance costs) to be disproportionate to the new expected service utility. The determination of whether or not an item is significant is a matter of professional judgment and is distinct from materiality considerations. Such judgments may be based on the relative costs of providing the service before and after the decline, the percentage decline in service utility, or other considerations.

b. The decline in service utility is considered permanent when the DoD Component has no reasonable expectation that the lost service utility will be replaced or restored; that is, the DoD Component expects that the general PP&E will remain in service so that its remaining service utility will be utilized. In contrast, a reasonable expectation that the lost service utility will be replaced or restored may exist when the DoD Component has: (i) specific plans to replace or restore the lost service utility of the general PP&E, (ii) committed or obligated funding for remediation efforts, or (iii) a history of remediating lost service utility in similar cases or for similar general PP&E.

3. For construction work in process, the testing of impairment in subparagraph 280209.B.2 should be performed over the period of expected future service utility rather than current service utility.

C. Determining the Appropriate Measurement Approach. Impairment losses on general PP&E that will continue to be used by the entity should be estimated using a measurement approach that reasonably estimates the portion of net book value associated with the diminished service utility of the general PP&E. A measurement method would not be considered appropriate if it would result in an unreasonable net book value associated with the remaining service utility of the general PP&E. Conversely, a reasonable measurement method may result in no impairment loss being recorded. Regardless of the method used, recognition of impairment loss should be limited to the asset’s net book value at the time of impairment. Widely recognized methods for measuring impairment include the following. Note that the restoration approach should generally be used for multi-use heritage assets.

1. Replacement Approach. Impairment of general PP&E with physical damage generally may be measured using a replacement approach. This approach uses the estimated cost to replace the lost service utility of the general PP&E at today’s standards
(i.e., at current market prices and in compliance with current statutory, regulatory, or industry standards) to identify the portion of the historical cost of general PP&E that should be written-off due to impairment. It may be appropriate to apply the ratio of estimated cost to replace the diminished service utility over total estimated cost to replace the general PP&E, to the net book value of general PP&E to determine the impairment amount.

2. Restoration Approach. Impairment of multi-use heritage assets with physical damage should generally be measured by using a restoration approach. This approach uses the estimated cost to restore the diminished service utility of the general PP&E to identify the portion of the historical cost of the general PP&E that should be written-off. This approach does not include any amounts attributable to improvements and additions to meet today’s standards. The estimated restoration cost can be converted to historical cost by restating (i.e., deflating) the estimated restoration cost using an appropriate cost index. Alternatively, it may be appropriate to apply the ratio of estimated restoration cost to restore the diminished service utility over total estimated restoration cost to the net book value of the general PP&E to determine the impairment amount.

3. Service Unit Approach. Impairment of general PP&E that are affected by enactment or approval of laws or regulations or other changes in environmental/economical factors or are subject to technological changes or obsolescence generally may be measured using a service unit approach. This approach compares the service units provided by the general PP&E before and after the impairment to isolate the historical cost of the service utility that cannot be used due to the impairment to determine the impairment amount.

4. Deflated Depreciated Current Cost Approach. Impairment of general PP&E that are subject to a change in manner or duration of use generally may be measured using a deflated depreciated current cost approach. Under this approach, a current cost for a general PP&E to replace the current level of service is estimated. This estimated current cost is then depreciated to reflect the fact that the general PP&E is not new, and is then subsequently deflated to convert it to historical cost dollars. A potential impairment loss results if the net book value of the general PP&E exceeds the estimated historical cost of the current service utility (i.e., deflated depreciated current cost).

5. Cash Flow Approach. Recognizes an impairment loss only if the net book value (i) is not recoverable and (ii) exceeds the higher of its NRV or value-in-use estimate.

   a. The net book value of general PP&E is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the general PP&E.

   b. NRV is the estimated amount that can be recovered from selling, or any other method of disposing, of an item less estimated costs of completion, holding, and disposal. SSFAC 7 describes value-in-use as the benefit to be obtained by an entity from the continuing use of an asset and from its disposal at the end of its useful life.
Value-in-use can be measured at the present value of future cash flows that an entity expects to derive from an asset, including cash flows from use of the asset and eventual disposal.

c. If the net book value is not recoverable, the impairment loss is the amount by which the net book value of the general PP&E exceeds the higher of NRV or value-in-use estimate. No impairment loss exists if the net book value is less than the higher of the general PP&E’s NRV or value-in-use estimate.

6. Lower of Net Book Value or Higher of NRV or Value-in-Use Approach. General PP&E impaired from either construction stoppages or contract terminations, which are expected to provide service, should be reported at their recoverable amount; the lower of (i) the general PP&E’s net book value or (ii) the higher of its NRV or value-in-use estimate. Impaired general PP&E, which are not expected to provide service, should be accounted for in accordance with SFFAS 6.

D. Recognizing and Reporting Impairment Losses. The loss from impairment, if any, should be recognized and reported in the Statement of Net Cost in the period in which the DoD Component concludes that the impairment is both (1) a significant decline in service utility and (2) expected to be permanent. Such losses may be included in program costs or costs not assigned to programs. A general description of the general PP&E for which an impairment loss is recognized, the nature (e.g., damage or obsolescence) and amount of the impairment and the financial statement classification of the impairment loss must be disclosed in the notes to the financial statements in the period the impairment loss is recognized.

E. Recoveries. The impairment loss should be reported net of any associated recovery when the recovery and loss occur in the same fiscal year. Recoveries reported in subsequent fiscal years should be reported as revenue or other financing source as appropriate. The amount and financial statement classification of recoveries should be disclosed in the notes to the financial statements.

F. Remediating Previously Reported Impairments. The costs incurred to replace or restore the lost service utility of impaired general PP&E remaining in use must be accounted for in accordance with applicable standards (i.e., recognized according to the nature of the costs incurred and the appropriate capitalization threshold).

G. Diminished Service Utility Without Recognized Impairment Loss. If the future service utility has been adversely affected but the impairment test determines that a loss does not need to be recognized, a change to the estimates used in depreciation calculations (such as estimated useful life and salvage value) should be considered and adjusted as appropriate.

280210. Removal/Disposal

A. Heritage Assets and Stewardship Land. Heritage assets and stewardship land can be removed from service or otherwise disposed. For example, stewardship land can be granted to the DoD Component by the Department of Interior (DOI) for a definite period with the expectation the land will be returned at the end of the period. In this example, the stewardship land is considered to be removed from service when it is returned to DOI.
B. Multi-Use Heritage Assets

1. In TR 14, the FASAB defines removal from service as an event that terminates the use of a general PP&E asset. Removal from service may occur because of a change in the manner or duration of use, change in technology or obsolescence, damage by natural disaster, or identification as excess to mission needs. Removals from service should be considered other than permanent unless (1) the asset’s use is terminated and (2) there is documented evidence of the DoD Component’s decision to permanently remove the asset from service. If only one of the two business events has occurred, permanent removal from service has not occurred (i.e., the removal is considered other than permanent).

2. If an asset’s normal use is terminated (i.e., it no longer provides service in the operations of the entity) but the DoD Component has not yet decided to permanently remove the asset from service, the removal from service must be accounted for as other than permanent. Other than permanent removal from service is evidenced by activities such as continuing low-level maintenance to sustain the asset in a recoverable status or until reutilization efforts are exhausted. For example, assets that have been removed from service and sent to a depot for temporary storage with the intent to use the assets again in the future and other assets taken out of service on a temporary basis are considered other than permanently removed from service. There is no change in the reported value for assets that have been other than permanently removed from service and the assets must continue to be depreciated.

3. If (i) an asset’s use is terminated and (ii) the DoD Component has documented its decision to permanently remove the asset from service, the removal from service must be accounted for as permanent. Permanent removal from service is evident from the DoD Component’s documented decision to dispose of an asset by selling, scrapping, recycling, donating, or demolishing the asset. The recorded cost as well as the accumulated depreciation of an asset permanently removed from service must be removed from the accounts in which they are reported, and the asset must be recorded at its NRV in General PP&E Permanently Removed but Not Yet Disposed (USSGL Account 199500). USSGL Account 199500 is defined in the Treasury Financial Manual Chart of Accounts as “the NRV of general PP&E that is permanently removed from service but not yet disposed and is reclassified in accordance with FASAB TR 14, paragraphs 10 and 12.” NRV is the estimated amount that can be recovered from disposing of the asset less estimated costs of completion, holding, and disposal. Any difference between the net book value of the asset and its expected NRV should be recognized as a gain or loss. The expected NRV should be evaluated at the end of each fiscal year and any change in NRV should be recognized as a gain or loss. Assets permanently removed from service are no longer depreciated.

4. When an asset is disposed of (e.g., by selling, scrapping, recycling, donating, or demolishing the asset) the asset must be written-off from the financial records and statements and the difference between any disposal proceeds and the asset’s net book value must be recognized as a gain or loss. The disposal start date is the calendar date of a recognizable obligation to complete the disposal action. For demolitions, this represents the demolition contract’s start date. For transfers to a non-DoD entity and sales, this represents the date on which the instrument is endorsed or operation is ceased, whichever comes later. For natural disasters, this represents the actual date of the incident if the asset is a complete loss.
2803 ADDITIONAL CONSIDERATIONS

280301. Use of Canceled Treasury Account Symbol

A. Heritage assets and stewardship land are not reported in the Department of Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS).

B. Multi-use heritage assets are required to be reported in GTAS, a data collection system that has replaced the reporting functionalities of Federal Agencies Centralized Trial-Balance System I and II, Intragovernmental Fiduciary Confirmation System and Intragovernmental Reporting and Analysis System as the primary means for DoD Components to report their trial balance data to the Department of Treasury. Capitalized assets are required to be reported and remain in GTAS after the original purchasing Treasury Account Symbol (TAS) has expired and been canceled. If a capitalized asset has not been moved to a cancelled (“C”) TAS as described in 280301.B.1; GTAS will provide a “C” TAS on the GTAS Super Master Account File (SMAF) for each fund family represented on the SMAF. The system generated “C” TAS will have three components: the three-digit agency identifier, availability type "C", and a four digit main account.

1. All DoD Components must use the “C” availability type TAS to report capitalized assets. Assets may be moved to a “C” TAS at any time from the purchase date to the date the original purchasing fund cancels. (Refer to the TFM, Part 2, Chapter 4700 for additional information.)

2. To transfer an asset to a “C” TAS:
   a. Use USSGL account transaction E510 to transfer-out the asset from the purchasing fund account.
   b. Use USSGL account transaction E606 to transfer-in the asset into the appropriate “C” TAS.

280302. Supporting Documentation

A. Entries to record financial transactions in accounting system general ledger accounts and/or the Accountable Property System of Record (APSR) and/or other systems, as well as information to be included in financial statement note disclosures, must be supported by source documents that reflect all transactions affecting the DoD Component’s stewardship investment in the PP&E.

1. All acquisitions, whether by purchase, transfer from other agencies, donation, or other means, must be supported as of the date the DoD Component accepts the heritage assets, multi-use heritage assets and/or stewardship land. The documents listed in Table 28-3, where applicable, must be readily available to support the changes in asset value or physical attributes as a result of new acquisition or capital improvement. Agencies should maintain historical files evidencing ownership of heritage assets, multi-use heritage assets and
stewardship land; and for some types of heritage assets, records and documentation pertaining to the asset's historical significance are required to be maintained pursuant to U.S.C. and DoD policy (e.g., 54 U.S.C. § 306131 and DoDI 4715.16). However, when original property records or other documentation (e.g., deeds, tax assessments, insurance records) for heritage assets and stewardship land do not exist, a methodology must be employed in order to develop alternative documentation to support management's assertions of Federal ownership.

2. As discussed in SFFAS 29 paragraphs 86 through 88 and in TR-9, since the historical records for items acquired long ago may not have been retained, other reasonable approaches and methods must be developed by the program offices to support the existence and completeness of heritage assets and stewardship land. When definitive documentation for stewardship land and/or heritage assets is not available, management must identify and use alternative methods for supporting management’s assertions for these assets. For assessing land, for example, these methods could mirror the areas used to determine major categories for Note disclosure in the financial statements, such as the number of areas of recreational use, geographic management areas, and federal water projects of fish hatcheries. Heritage assets also have many of the same documentation issues since antiquities laws and preservation acts did not go into effect prior to artifacts having been collected and preserved. Many of these assets may reside in federal and nonfederal repositories. However, records and detailed listings from these periods generally do not exist.

3. All disposals or retirements must have sufficient supporting documentation as of the date the PP&E leaves the custody of the DoD Component to provide an adequate audit trail for the disposal of the asset. The execution of certain disposal events will generate financial or administrative accountability transactions. These documents, where applicable, must be readily available to support disposals:

   a. “Declaration of excess” document;

   b. Approval documentation (to include disposal of land);

   c. Original acquisition documents;

   d. Legal instruments (such as a deed or contract) to indicate legal obligation to dispose of an asset, if applicable;

   e. Document showing the disposal start date and disposal end date;

   f. Receipt documentation; and

   g. Transfer documents for transferred assets.

B. In their internal accounting policies and procedures, the DoD Components should document the identification, categorization, and method used to physically quantify the assets to ensure the consistent reporting for all similar heritage assets and stewardship land. As
described in paragraph 280206, the cost of acquiring heritage assets and stewardship land should be recognized as a cost on the Statement of Net Cost for the period in which the cost is incurred. In addition, financial statement note disclosure for the physical quantities of heritage assets and stewardship land are required. As further described in paragraph 280206, the cost to acquire a multi-use heritage asset that meets the capitalization threshold and has a useful life of two years or more is capitalized and depreciated over the asset’s estimated useful life.

C. Heritage assets should be quantified in terms of physical units (unit of measure) to facilitate the required financial statement note reporting. The appropriate level of aggregation and physical units of measure for each major category should be meaningful and determined by the preparer based on the entity’s mission, types of heritage assets, and how the entity manages the assets. For each major category of heritage asset, the following should be documented:

1. The number of physical units by major category. The major categories should be classified by collection- or non-collection-type heritage assets for which the entity is the steward as of the end of the reporting period;

2. The number of physical units by major category that were acquired and the number of physical units by major category that were withdrawn during the reporting period; and

3. A description of the major methods of acquisition and withdrawal of heritage assets during the reporting period. This should include disclosure of the number of physical units (by major category) of transfers of heritage assets between federal entities and the number of physical units (by major category) of heritage assets acquired through donation or devise, if material. In addition, the fair value of heritage assets acquired through donation or devise during the reporting period should be disclosed, if known and material.

D. Stewardship land should be quantified in terms of physical units (acres). The appropriate level of aggregation and physical units (acres) of measure for each major category (e.g., Land Predominate Use Code) of stewardship land use should be meaningful and determined by the preparer based on the entity’s mission, types of stewardship land use, and how the entity manages the assets. For each major category of stewardship land, the following should be documented:

1. The number of physical units (acres) by major category of stewardship land use for which the entity is the steward as of the end of the reporting period;

2. The number of physical units (acres) by major category of stewardship land use that were acquired and the number of physical units (acres) by major category of stewardship land use that were withdrawn during the reporting period; and

3. A description of the major methods of acquisition and withdrawal of stewardship land during the reporting period. This should include disclosure of physical units (acres) (by major category of stewardship land use) of transfers of stewardship land between
federal entities and the number of physical units (acres) (by major category of stewardship land use) of stewardship land acquired through donation or devise, if material. In addition, the fair value of stewardship land acquired through donation or devise during the reporting period should be disclosed, if known and material.
Table 28-3. Examples of Supporting Documentation for Heritage Assets, Multi-Use Heritage Assets and Stewardship Land Acquisition

Note: These examples are not all inclusive for all circumstances.

<table>
<thead>
<tr>
<th>Evidence</th>
<th>Examples</th>
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<tbody>
<tr>
<td><strong>Unique Identification</strong></td>
<td>Assignment of unique identifier</td>
</tr>
<tr>
<td><strong>Project Approval</strong></td>
<td>Such as, but not limited to a Work Order</td>
</tr>
</tbody>
</table>
| **Obligation on Behalf of the Government** | Such as, but not limited to:  
1. For contracts, contract modifications, or change orders:  
   a. Statement of Work;  
   b. Dollar Amount of Contract;  
   c. Location;  
   d. Source of Funds;  
   e. Parties to the Contract; and  
   f. Signature Page [Signature of All Parties].  
2. Documentation of troop labor hours;  
3. Approved Work Order. |
| **Payment Submitted** | Such as, but not limited to:  
1. Approved last invoice reflecting the total amount submitted for payment and received to date;  
2. Evidence of in-house construction costs, including labor;  
3. Indirect Costs incurred internally by the gaining activity that relate to the new acquisition or capital improvement. |
| **Acceptance** | Such as, but not limited to:  
1. DoD (DD) Form 250, Material Inspection and Receiving Report;  
2. General Services Administration (GSA) Form 1334, Request for Transfer of Excess Real and Related Personal Property;  
3. DD Form 1354, Transfer and Acceptance of DoD Real Property (Interim or final), with associated source documentation retained by the responsible party;  
4. Executed acquisition document and appraisal results for the donated assets;  
5. Signed judgment documents for condemnations;  
6. Deed;  
7. Signed lease for leased property;  
8. Letter of withdrawal for property withdrawn from public domain;  
9. Executed Occupancy Agreement;  
10. Executed Reversionary Document;  
11. Transfer letter and documents for transferred assets; and  
12. DD Form 1131, Cash Collection voucher. |
| **Project Closeout** | Such as, but not limited to a Final DD Form 1354 with associated source documentation retained by the responsible party. |
E. Sufficient documentation must:

1. Indicate the physical quantity, location, and unit cost of the multi-use heritage assets. The APSR must be designed to be of maximum assistance in making procurement and utilization decisions, including decisions related to identifying general PP&E that may be available for reuse, transfer to other DoD Components, or made available for disposal in accordance with current DoD regulations and other regulatory requirements.

2. Enable periodic, independent verification of the accuracy of the accounting and APSR through periodic physical counts/inventories (existence and completeness, i.e., “book to floor and floor to book”). Such periodic inventories also must include reconciling the APSR and/or other systems with the general ledger accounts and physical counts for multi-use heritage assets, heritage assets and stewardship land. Personal hand receipt self-validations are not acceptable for meeting the independent verification of physical inventory requirements. See DoDI 4165.14 for real property and DoDI 5000.64 for personal property.

3. Identify and classify multi-use heritage assets that were capitalized, recorded in the APSR and accounting system, and reported in the financial statements.

4. Be based on the same documents, to ensure that entries to the financial accounting/reporting and APSR are the same. This will ensure that the APSR is integrated and subsidiary to the financial accounting system, and that such records can be reconciled with the accounting system for multi-use heritage assets, heritage assets and stewardship land.

5. Include all multi-use heritage assets, heritage assets and stewardship land possessed by DoD (to include property held by others) and multi-use heritage assets, heritage assets and stewardship land of others held by DoD through seizure, forfeiture, loss, or abandonment.

6. Provide information to identify and account for improvements to multi-use heritage asset.

280303. Physical Inventories of Heritage Assets, Multi-use Heritage Assets and Stewardship Land

DoD Components must perform periodic physical inventories of heritage assets and multi-use heritage assets in accordance with DoDI 5000.64 and DoDI 4165.14. Periodic physical inventories of stewardship land must be performed in accordance with DoDI 4165.14.
280304. **DM&R**

A. **Description**

1. In SFFAS 42, the FASAB defines DM&R as maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed to a future period.

2. For purposes of this policy, maintenance and repairs are activities directed toward keeping general PP&E assets in an acceptable condition. Maintenance and repairs include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset.

3. Maintenance and repairs exclude activities aimed at expanding the useful life, capacity or capability of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

B. **Measurement**

1. Amounts for DM&R may be measured using condition assessment surveys, life-cycle cost forecasts, or other methods that are similar to the condition assessment survey or life-cycle costing methods.

   a. Condition assessment surveys are periodic physical inspections of assets to determine their current condition and estimated cost to correct any deficiencies. DoD Components should assess the condition of heritage assets as a function of their day-to-day operations and document condition through periodic assertion/assessment statements provided by their field office managers. Components also need to evaluate the cost and benefits of doing condition assessment surveys. Such things as cycling the assessments on a rotating basis, the frequency of assessments (i.e., every three or five years) and the criteria and methodology used for making such assessments need to be considered. SFFAS 42 rescinded the requirement to report condition information for heritage assets and stewardship land. See DoDI 4165.70 and DoDI 4715.16 for additional guidance.

   b. Life-cycle costing is an acquisition or procurement technique, which considers operating, maintenance, and other costs in addition to the acquisition cost of assets. Since it results in forecasts of maintenance and repairs expense, these forecasts may serve as a basis against which to compare actual maintenance and repairs expense to arrive at an estimate of DM&R.

2. DoD Components should determine what condition standards are acceptable and which DM&R measurement methods to apply. Once determined, condition standards and measurement methods must be consistently applied unless the DoD Component determines that changes are necessary. Changes deemed necessary by the DoD Component must be accompanied by an explanation documenting the rationale for the change(s) and any related impact the change(s) will have on the DM&R estimates.
3. DM&R must be measured for capitalized and non-capitalized PP&E, and fully depreciated general PP&E. In addition, DM&R must be measured for inactive and/or excess general PP&E to the extent that it is required to maintain the general PP&E in acceptable condition (e.g., to comply with existing laws and regulations or to preserve value pending disposal) and, DM&R must measure funded maintenance and repairs that have been delayed for a future period as well as unfunded maintenance and repairs.

C. RSI

SFFAS 42 eliminated the requirement to report condition information and optional reporting of low-high DM&R estimates and critical and non-critical DM&R in the Required Supplementary Information (RSI) of the Agency Financial Report. However, DoD Components must report material amounts of DM&R as RSI to the financial statements (see Volume 6B, Chapter 12). At a minimum, the following information must be presented as RSI for all PP&E:

1. Estimates of the beginning and ending balances of DM&R for each major category of PP&E (i.e., heritage assets and multi-use heritage assets);

2. A summary of the DoD Component’s maintenance and repairs policies and a brief description of how they are applied (e.g., method of measuring DM&R);

3. Policies for ranking and prioritizing maintenance and repair activities;

4. Factors the DoD Component considers in determining acceptable condition standards;

5. Whether DM&R relates solely to capitalized general PP&E and non-capitalized heritage assets or also to amounts relating to non-capitalized or fully depreciated general PP&E;

6. Capitalized general PP&E, and non-capitalized heritage assets for which the DoD Component does not measure and/or report DM&R and the rationale for the exclusion; and

7. If applicable, explanation of any significant changes to DM&R amounts from the prior year and the policies and factors subject to the reporting requirements established in subparagraphs 280304.C.2 through 280304.C.6.

280305. Reporting Requirements

A. SFFAS 29 reclassifies the reporting of all heritage assets and stewardship land from Required Supplemental Stewardship Information to basic information in the financial statements, except for DM&R which must be reported as RSI (see subparagraph 280304.C). The standard requires that entities reference a note on the balance sheet that discloses information about heritage assets and stewardship land, but does not require the reporting of acquisition cost.
B. DoD Components with heritage assets and stewardship land should reference a note on the balance sheet that discloses information about the heritage assets and stewardship land, but no asset dollar amount should be shown. Instead the minimum reporting requirements for note disclosure include a description of major categories, physical unit information for the end of the reporting period, physical units added or withdrawn during the period, and a description of the methods of acquisition and withdrawal. The DoD Components should also include in the disclosures, the entity stewardship policies and an explanation of how heritage assets and stewardship land relate to the mission of the entity. See Volume 6B, Chapter 10, Note 10 for the specific reporting requirements. Supporting documentation requirements for financial statement disclosures is described in paragraph 280302, Supporting Documentation.

C. Multi-use heritage assets require additional descriptive information in the heritage asset note disclosure as set forth in SFFAS 29, paragraph 25, with cross references directing the reader from the balance sheet to the note disclosure. Multi-use heritage assets are to be reported in both the principal financial statements (in dollars) as general PP&E and in the heritage asset note disclosure (in physical units). This reporting and note disclosure would not be considered duplicative as each category is considered unique for this reporting purpose.

280306. Environmental Liabilities/Cleanup Costs

The accounting policy for environmental liabilities/cleanup costs pertaining to heritage assets, multi-use heritage assets and stewardship land is contained in Chapter 13.
**VOLUME 5, CHAPTER 1: “PURPOSE, ORGANIZATION, AND DUTIES”**

**SUMMARY OF MAJOR CHANGES**

All changes are in blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are in **bold, italic, blue, and underlined font**.

The previous version dated November 2017 is archived.

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CHAPTER 1

PURPOSE, ORGANIZATION, AND DUTIES

0101 GENERAL

010101. Purpose

The Department of Defense (DoD) Financial Management Regulation Volume 5 establishes disbursing requirements, principles, standards, responsibilities, and pecuniary liability standards for disbursing officers (DOs), certifying officers, and other accountable officials throughout the DoD. If new legislation conflicts with Volume 5, the highest level guidance governs.

010102. Authoritative Guidance

Volume 5 is issued by authority of DoD Instruction (DoDI) 7000.14, DoD Financial Management Policy and Procedures; implements the Treasury Financial Manual (TFM) Volume I; and establishes policies for disbursing throughout the DoD. It applies to the Secretary of Defense (SecDef), Military Departments, Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, Combatant Commands, DoD Inspector General, Defense Agencies, and DoD Field Activities (collectively known as DoD Components).

010103. Recommended Changes and Requests for Deviation or Exception

Recommended changes and exceptions to policy must be sent through appropriate channels to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Office of the Deputy Chief Financial Officer (see the “Introduction” to the DoD Financial Management Regulation). Coordinate requests for deviations from or exceptions to Volume 5 with Finance Policy, Strategy, Policy and Requirements Directorate, Defense Finance and Accounting Service (DFAS) Indianapolis (DFAS-ZPF/IN), 8899 East 56th Street, Indianapolis, IN 46249-0050 (dfas-in.disbursingpolicy@mail.mil).

010104. Use of Volume 5

A. Volume 5 cites specific Department of the Treasury (Treasury) accounts (e.g., **F3880) where the asterisks ** represent the appropriate DoD Component designator, (i.e., 17 for Navy and Marine Corps, 21 for Army, 57 for Air Force, or 97 for Defense).

B. Volume 5 prescribes the use of specific forms (see the DoD (DD) Forms Management Program website). DoD Components using systems and producing their own forms in lieu of those prescribed that were in operation at the time of this Volume 5’s initial issuance (December 16, 1993) may continue using these systems and forms until DoD implements a single standard disbursing system. A DoD Component electing to use a computer-generated version of a prescribed DD Form must use an exact replica of that form or submit a request for exception in accordance with DoD 7750.07-M, DoD Forms Management Program Procedures
Manual, to the address in paragraph 010103. The forms examples in Volume 5 are for illustrative purposes only and are not intended for reproduction and use.

C. Refer to the Definitions Chapter for terms used herein.

0102  ORGANIZATION

010201. DFAS

_DoD Directive 5118.5_ established DFAS under the authority vested in the SecDef by Title 10, United States Code (U.S.C.), _section 113_. DFAS is under the direction, authority, and control of the OUSD(C). The Director, DFAS is the principal DoD executive for finance and accounting requirements, procedures, functions, and the performance of the duties identified in the directive.

010202. Disbursing Policy

DFAS-ZPFA/IN is under the direction, authority, and control of the Director, Strategy, Policy and Requirements. This division:

A. Develops and promulgates standard DoD disbursing policy and cash management guidance;

B. Responds to all inquiries pertaining to disbursing policy and cash management within DoD;

C. Initiates, changes, and implements DoD disbursing policy and cash management guidance according to Treasury regulations;

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

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

010203. DoD Disbursing Offices and Officers

DoD Component Heads, through command channels, ensure that DOs in their commands follow Volume 5. Commanders monitor disbursing operations, requiring DOs and Deputy DOs (DDOs) under their purview to adhere to Volume 5. DOs, in turn, direct disbursing operations accordingly (see Chapter 2, paragraph 020201).
010204. Certifying Officers, Departmental Accountable Officials (DAOs), and Payment Review Officials

Commanders ensure that certifying officers, DAOs, and payment review officials in their commands follow Chapter 5, section 0503.

0103 ACCOUNTABILITY AND RESPONSIBILITY

010301. General

Accountable individuals have personal and pecuniary liability for their acts involving the expenditure and receipt of public funds (see Chapter 5, section 0507 and Chapter 6, section 0603).

010302. Knowledge of Laws Governing Disbursements

Accountable individuals whose duties pertain to the disbursement of public funds must be knowledgeable of and adhere to applicable laws.

010303. Accountable Officials

Accountable individual, accountable official, and accountable officer are used synonymously throughout Volume 5. The term “accountable official” is used in 31 U.S.C. § 3527 to refer to the class of officers or employees of an agency who are pecuniarily liable for repayment of losses or deficiencies of public money, vouchers, checks, securities, or records. Such officials are appointed using a DD Form 577, Appointment/Termination Record - Authorized Signature. Only officers and employees of an agency are eligible for appointment as accountable officials (see Chapter 2, section 0203).

A. Disbursing Officials. These include DOs, DDOs, and subordinate disbursing agents, paying agents, cashiers, change fund custodians, collection agents, and imprest fund cashiers. Under 31 U.S.C. § 3321(c)(2), the SecDef is required to designate personnel of the agency as disbursing officials to disburse public money available for expenditure by the agency (see Chapter 2, paragraph 020101).

B. Certifying Officers. Under 31 U.S.C. § 3325(a)(1), “a disbursing official in the executive branch of the United States Government shall disburse money only as provided by a voucher certified by the head of the executive agency concerned, or an officer or employee of the executive agency having written authorization from the head of the agency to certify vouchers.” Thus, a DoD agency cannot disburse a payment unless it is certified by a properly appointed certifying officer. These statutory “certifying officers” must be officers or employees of the Federal agency concerned, and are “accountable” because unless granted relief they are pecuniarily liable under 31 U.S.C. § 3528(a) for any payments they erroneously certified. Appointment as a certifying officer is a precondition to enforcement of pecuniary liability under section 3528(a) (see Chapter 5, paragraph 050401).
C. DAOs

1. In certifying payments, DoD’s statutory certifying officers often are required to rely on information and data provided by agency systems and by other personnel. Because of this, Congress authorized DoD to impose potential pecuniary liability to an additional class of agency officers and employees: those who are formally appointed as a DAO under 10 U.S.C. § 2773a. Under section 2773a, the SecDef may designate any DoD civilian employee or member of the U.S. armed forces under the Secretary’s jurisdiction as a DAO. In the performance of their duties, DAOs are responsible for providing certifying officials with information, data, or services that are directly relied upon by the certifying officer in the certification of vouchers for payment. Section 2773a does not, however, statutorily mandate that the DoD organizations appoint DAOs to perform such activities; instead, appointment of DAOs to perform any particular function or class of functions is an option available to management for inclusion in management’s internal controls program (see paragraph 010305).

2. When considering whether to require that only persons appointed as DAOs perform duties that generate the information, data, or services relied upon by certifying officers, agency managers, and appointing authorities take into account considerations that include mission requirements and functions under their responsibility, the availability of resources, the sufficiency of other internal controls, and whether or not a governing policy or directive mandates performance of some function only by a properly appointed DAO (see Chapter 5, paragraph 050305).

D. Foreign National Personnel. A foreign national employee is an individual who is employed by or performing work for U.S. forces outside the United States, its territories, and possessions in a system of employment. Under the direct hire arrangement, the legal employer of the foreign national assumes responsibility for all administrative and management functions related to foreign national employment. Under the indirect hire arrangement, the host government serves as the legal employer of U.S. forces’ foreign nationals. Although the host government is the official legal employer of the foreign national personnel, it grants operational control to U.S. forces for the day-to-day management of such personnel (see DoDI 1400.25-V1231).

1. In deciding whether to appoint foreign local nationals in overseas areas as certifying officers and DAOs, organizations should take into account whether enforcement of pecuniary liability of such individuals to the United States is precluded as a legal or practical matter by status of forces agreements, other international agreements, or local laws. If enforcement is not precluded by such agreements or local laws, foreign national direct hire employees are eligible for appointment both as certifying officers and DAOs because the agency is the legal employer and such individuals qualify as officers or employees of the United States. If not constrained by such agreements or by local law, the DoD has the ability to enforce pecuniary liability against these employees because it has statutory authority to withhold amounts from their pay accounts.

2. Foreign national indirect hire employees cannot be appointed as certifying officers or DAOs because the United States cannot enforce pecuniary liability by unilaterally setting off indebtedness against their pay accounts and because the agency is not the
legal employer. However, this regulation does not prohibit organizations from assigning indirect hire employees to duties that DAOs otherwise would perform, nor does it mandate that organizations appoint DAOs to provide the information or data, or to perform services relied upon by certifying officers to certify payment vouchers. Organizations operating in overseas areas may permit or assign foreign national indirect hire employees to perform such operational duties without appointing them as DAOs if adequate internal controls are in place to support voucher certification.

E. Contractors and Contractor Support Personnel. Do not appoint contractors and contractor support personnel as DAOs or certifying officers.

010304. Accountable Officials and Inherently Governmental Functions

The Federal Activities Inventory Reform (FAIR) Act of 1998 (Public Law 105-270), as implemented by the Office of Management and Budget (OMB) (31 U.S.C. § 501) provides that, "the making of value judgments in making decisions for the Federal Government, including judgments relating to monetary transactions and entitlements" is an inherently governmental function, i.e., "a function that is so intimately related to the public interest as to require performance by Federal Government employees." For further information regarding inherently governmental functions, see the OMB’s Office of Federal Procurement Policy Letter 11-01, Performance of Inherently Governmental and Critical Functions, which provides a single definition of an inherently governmental function built around the well-established statutory definition in the FAIR Act, as well as establishes criteria for identifying of critical functions and for ensuring sufficient levels of internal agency oversight and management of functions closely associated with inherently governmental functions.

010305. Internal Management Controls

Internal management controls are specific policies, procedures, and/or activities an organization establishes and implements to manage risk. They are the methods by which an organization governs its activities to accomplish its mission, and are required by OMB Circular A-123, Management’s Responsibility for Internal Control, which implements 31 U.S.C. § 3512(c)(1). Consistent with the guidelines in this paragraph, DOs implement these controls to eliminate opportunities to conceal errors or irregularities and assign work so that no one individual controls multiple phases of a transaction. Inspections and audits of disbursing offices must include a review of internal management controls to determine their adequacy, compliance, and effectiveness.

A. Standards of Internal Control. Management determines applicability of these standards at the operational level.

1. Control Environment. Management and employees establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.
2. Risk Assessment. Provide for an assessment of the risks the organization faces from both external and internal sources.

3. Control Activities. Internal control activities ensure the implementation of management’s directives, and should be effective and efficient in achieving an organization’s control objectives.

4. Information and Communications. Record and communicate information to management and others within an organization that needs it, in a specific form and inside a time frame that enables them to carry out their internal control and other responsibilities.

5. Monitoring. Assess the quality of performance over time and ensure the findings of audits and other reviews are promptly resolved.

B. Separation of Duties. Separation of duties precludes errors or attempts at fraud or embezzlement from going undetected. Internal controls generally require a four-way separation of the contracting, receiving, voucher certification, and disbursing functions. Assign key duties such as certification of fund availability; contracting (obligating the Government); authorizing, approving, and recording transactions; issuing or receiving assets; certifying and making payments; preparing and signing checks; and reviewing or auditing payments to different individuals to minimize the risk of loss to the Government to the greatest extent possible.

1. Do not assign DOs duties that create potential conflicts of interest (see Chapter 2, paragraph 020305).

2. Separation of duties is not always practical or possible due to time constraints, manpower shortages, or the use of electronic systems. Commanders and DOs must be aware of situations where valid, long-standing separation of duties cannot be achieved, recognize that internal controls have been weakened as a result, and make every effort to mitigate the risks. For example, payments and collections through the Intra-governmental Payment and Collection system can occur outside the disbursing work center without weakening internal controls because the payee is always another Federal agency and recovery of an improper payment is assured, or financial systems which allow for adjustments to the data outside of the normal application include appropriate controls and audit trails for those adjustments. Other situations may require closer scrutiny. Report all situations of inability to separate appropriate responsibilities to the DO’s commander, with a request for a waiver and recommendations to mitigate the risks.

C. Electronic and Digital Signatures

1. General. Personnel may use electronic and digital signatures to receive, accept, and certify financial documents processed through automated information systems.

2. Requirements. Title 15, U.S.C. §§ 7001 and 7021 require that either of these media used by a person to sign (e.g., certify) any type of financial document be:
a. Unique to that person;

b. Under that person’s sole control or custody;

c. Linked to the data signed throughout their processing so that if any of the data are changed, the electronic or digital signature is invalidated; and

d. Capable of being verified by the paying DO.

3. Digital Signature. A digital signature is an electronic signature (see DoD 8520.02, Public Key Infrastructure (PKI) and Public Key Enabling). Digital signature technology encrypts data; detects changes to digitally signed documents; and enables “authentication” of digital messages, assuring the recipient of a digital message of both the identity of the sender and the integrity of the message.

   a. Digital signatures and certificates authenticate identity, control access through authorized user levels and PKI certificates or passwords, and provide an encryption capability for information in transit or at rest.

   b. Secure digital signatures cannot be rejected. Except in a case of a compromise of system security resulting in a forged electronic signature, the signer of a document cannot later deny the validity of the signature, claiming it was forged. The recipient of a digitally signed message has the capability to verify both the document's author and that the document was not altered either intentionally or accidentally after signature.

010306. Prohibited Payments

Personnel involved in the payment certification and disbursement processes must preclude payments to ineligible recipients. Many tools to aid in this effort are available, among them the Specially Designated Nationals List maintained by Treasury’s Office of Foreign Assets Control. This is a list of individuals and entities covered by Executive Order 13224, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism. Do not initiate, certify, or make payments or draw checks or warrants payable to individuals or organizations on this list (see also ITFM 4A-2025).

0104 PUNITIVE PROVISIONS

010401. Misuse of Public Funds

Title 18, U.S.C. § 641 governs crimes of embezzlement and theft. Individuals charged with safekeeping of public funds must handle those funds with utmost care. The loan, exchange for other funds, conversion of funds for one’s own use or that of another, or deposit of public funds except as authorized by law, may subject the individual entrusted with the funds to criminal sanctions.
010402. Conspiracy to Defraud the Government

Any person entering into an agreement or conspiracy to defraud the United States by obtaining or aiding in obtaining the payment or allowance of any false, fictitious, or fraudulent claim is subject to fine, imprisonment, or both as prescribed by 18 U.S.C. § 286.
VOLUME 5, CHAPTER 2: “DISBURSING OFFICES, OFFICERS, AND AGENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2019 is archived.

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CHAPTER 2

DISBURSING OFFICES, OFFICERS, AND AGENTS

0201 GENERAL

020101. Overview

Title 31, United States Code (U.S.C.), section 3321 allows the Secretary of Defense to designate disbursing officials to disburse public moneys available to the Department of Defense (DoD). In order to disburse money, a requesting activity must send a request to establish a disbursing office at a new activity. When establishing disbursing offices and associated appointments of accountable positions, DoD Components must be cognizant of internal control guidelines provided in Chapter 1, paragraph 010305. See Volume 1, Chapter 9 for financial records retention requirements.

020102. Purpose

This chapter addresses policy on DoD’s establishment of a disbursing office. A disbursing office is considered necessary for the efficient functioning of an operating activity. The chapter also addresses the appointment of the Disbursing Officer (DO) and other agents appointed to receive and maintain the custody of public funds.

020103. Authoritative Guidance

Official funds will be received and disbursed by order or on the authority of the commanding officer, except when directed by a superior in the chain of command or when sanctioned by the Comptroller General of the United States. DoD DOs are authorized by 31 U.S.C. § 3321 to disburse public funds on receipt of vouchers properly certified by persons appointed under 31 U.S.C. § 3325.

0202 POLICY

020201. Request for Establishment of a Disbursing Office

A. A requesting activity sends a memorandum to establish a disbursing office at a new activity or at an activity receiving disbursing services from an external source by memorandum through its chain of command. Send the memorandum to the Defense Finance and Accounting Service (DFAS), ATTN: Enterprise Solutions and Standards, Disbursing (DFAS- IN/JJKFKB), 8899 East 56th Street, Indianapolis, IN 46249-0500. Each level of command endorses the request to indicate concurrence and provides any additional information required by the approving official. Include in the request:

1. Reason(s) why establishing the office is necessary, to include why disbursing operations cannot be conducted by an existing disbursing activity;
2. Anticipated office workload in terms of the number of military personnel to be supported, civilian personnel to be paid, and commercial vouchers to be settled;

3. Proposed date of establishment;

4. Name and location of the nearest Federal Reserve Bank (FRB) or branch, and its distance from the proposed disbursing office. If there is no FRB or branch within a reasonable distance include the name and location of the nearest designated depositary, if any, and its distance from the proposed office;

5. An estimation of Department of the Treasury (Treasury) checks for the first year of operation and whether checks will be procured through the normal requisition process or if an emergency supply will be needed (see Chapter 7, section 0703);

6. Name, social security number, and rank or grade of the proposed DO, if known;

7. Estimate of monthly cash requirements (see Chapter 3, section 0302); and

8. Information on plans to implement an automated disbursing system.

B. When a commander decides that establishing a disbursing office is required for the efficient functioning of the activity, he or she endorses the request to indicate concurrence and provides additional information required by the approving official. In all cases, the commander will provide a statement justifying why an additional disbursing office is required and why the disbursing operation cannot be conducted by an existing disbursing activity. The memo also addresses the appointment of the DO and his or her appointed agents to regularly receive and maintain custody of public funds. The DO may appoint any officer, enlisted member, or civilian employee he or she considers satisfactory as an agent.

020202. Disbursing Station Symbol Number (DSSN)

A. General. The DFAS-IN/JFKCB obtains the DSSN from the Treasury’s Bureau of Fiscal Service (Fiscal Service). DSSNs are permanent, and are either open or closed. Open DSSNs are open for an indefinite period. Some open DSSNs may be inactive, and may be either:

1. Contingency, available for use in a military contingency operation;

2. Temporarily deactivated for a specific reason, (e.g., a ship undergoing extensive overhaul for a period of several months may arrange for disbursing service from a shore-based disbursing office or activity); or

3. In settlement pending closure (see section 0210).
B. **Change in Designation or Location.** Coordinate proposed changes in the
designation or location (mailing address) of an operating DSSN, to include tactical deployment,
with DFAS-IN/JFKCB, who will advise Fiscal Service.

C. **Use of DSSN.** The DSSN must appear on all payments, collection
vouchers, and Treasury and limited depositary account (LDA) checks processed by the disbursing
activity.

020203. **Employer Identification Number**

The DO, who disburses taxable funds, should ensure payments received by entitlements’
activities have secured an Employer Identification Number to report taxable income or income and
withholdings.

020204. **Reporting Activation of a Disbursing Office**

The DO activating a disbursing office notifies Fiscal Service, Check Reconciliation
Branch, through DFAS-IN/JFKCB by memorandum immediately upon commencement of
disbursing operations. Include in the memorandum: the name of the disbursing activity, DSSN
assigned, DO’s name, rank or grade, the opening date of the account, and the first and last serial
number of all blank Treasury checks on hand in each check range. Send a copy of the
memorandum to the supporting DFAS site.

0203 **APPOINTING DISBURSING OFFICERS (DOs), DEPUTY DOs (DDOs), AND OTHER
ACCOUNTABLE OFFICIALS**

020301. **Persons Authorized to Have Custody of Public Funds**

To ensure proper security of and accounting for public funds, assign responsibility for
custody and to a limited number of authorized persons to receive, maintain custody of, and disburse
or otherwise dispose of public funds.

020302. **Accountable Officials**

Accountable Officials are officers or employees of an agency who are or who may be found
to be pecuniarily liable for repayment of losses or deficiencies of public money, vouchers, checks,
securities, or records (see Chapter 1, section 0103).

020303. **Appointments**

Use DoD **(DD) Form 577,** Appointment/Termination Record-Authorized Signature, to
appoint accountable officials. This form does not allow multiple appointments simultaneously. It
is the only document required to support this type of appointment. Include in item 7 of the form
the DSSN, email address, and any specific duties and special instructions. Appointees
acknowledge appointment acceptance in Section III of this form. Send a copy of the DD 577 and
the required original specimen signature as specified in subparagraph 020404.A to DFAS-IN/JFKC to be maintained in the DO’s files.

020304. Exceptions

A. An individual who occasionally receives public funds need not be appointed formally as an accountable official. Funds may be received at times, at locations, and under circumstances that preclude any advance arrangement for their receipt. At some activities, collections are so infrequent that it is impractical to have a formal designation in effect. Funds received by persons other than those formally designated must promptly send funds received to their servicing disbursing office or to another person formally designated to receive them.

B. The DO at DFAS sites may hold more than one DSSN, and may serve concurrently as a DDO to other DFAS DOs. Each DDO appointed by a DFAS DO may serve under one or more of the DSSNs assigned to the appointing DO and may also serve more than one DFAS DO concurrently. DOs and DDOs at DFAS sites holding multiple DSSN appointments complete a separate DD 577 for each applicable DSSN.

C. The DO and DDOs aboard Navy vessels may serve concurrently in other accountable positions, (e.g., ship’s stores officer, food service officer) when the ship’s manpower authorization does not provide Supply Corps officers for each accountable function (see Chapter 1, subparagraph 010305.B).

D. When directed by appropriate authority, DOs, DDOs, and their agents may accept, safeguard, account for, and dispose of personal funds and valuables received for safekeeping. Where personnel resources are limited, persons serving as DOs or other accountable officials may also serve as safekeeping custodians at the commander’s discretion (see Chapter 16, section 1601).

020305. Restrictions

Except as specifically authorized, do not assign DOs additional duties of order approving authority, certifying officer, custodian of any fund, or other conflict-of-interest assignment.

020306. Terminations

Terminate appointments using Section IV of the appointing DD 577.

0204 DOs

020401. Eligibility

To be eligible for appointment as a DO, an individual must be a U.S. citizen and have previous experience as a DO or have completed (or agreed to complete) specific DO training as defined by the appointing authority.
020402. Appointment

The commander, director, or other equivalent appoints a DO using a DD 577 (see paragraph 020303).

020403. Terminations

Terminate appointments using Section IV of the appointing DD 577.

020404. Submission of DD Form 577, Appointment/Termination Record - Authorized Signature and Treasury Financial Service (TFS) Form 3023, Specimen Signatures

A. Official Signature. Before commencing disbursing operations, a DO and all appointed DDOs determine which of their given names and/or initials will comprise their official signatures, and use them on all checks, vouchers, correspondence, and official papers pertaining to the DoD, Government Accountability Office (GAO), and Treasury. Send these signatures, together with the appointing DD 577 and TFS Form 3023, Specimen Signatures (Figure 2-1) to DFAS-IN/JFKCB, having used permanent dark blue, blue-black, or black fade-resistant ink that is not readily soluble in water.

B. Official Signatures to Other Depositories. If checks will be drawn on a depositary other than the Treasury, send the DO’s official signature (as well as those of DDOs authorized to sign depositary checks) to the depositary. An officer whose signature is known to the depositary must certify the forms.

C. Change of Official Signature. A DO or DDO may change his or her official signature by submitting a new TFS Form 3023 to DFAS-IN/JFKCB.

D. Furnishing Additional Signatures When Transferred to a New Station. The DFAS-IN/JFKCB files specimen signatures under each DSSN used and furnishes them to different banks upon request for use in cashing and processing checks, and may request that a DO or DDO furnish an additional TFS 3023. Since an individual’s signature may change over a period of years, DFAS-IN/JFKCB may request additional signatures if needed.

020405. Commencement of Disbursing Duty

Immediately upon commencement of disbursing duties, a DO activating a new disbursing office, reactivating a disbursing office that has been temporarily closed, or relieving another DO, prepares a memorandum that includes: the name of the disbursing activity, the DSSN assigned, the DO’s name, rank or grade, the opening date of the account, and the beginning and ending serial number of all blank Treasury checks on hand in each check range. If applicable, also include in the memorandum the relieved DO’s name and rank or grade. Keep the original memorandum in the disbursing office and sends copies to DFAS-IN/JFKCB and the supporting DFAS site.
A. Joint Actions by the Outgoing and Incoming DOs. The outgoing and incoming DOs establish the date to transfer accountability, subject to command approval. Because accountability is reported daily by a full CARS daily reporter, a transfer of disbursing duty is not required to occur on the last day of the month as is required for CARS non-daily reporters. When the transfer occurs, the outgoing and incoming DOs:

1. Verify cash on hand.

2. Verify all other documents that support the Standard Form *(SF) 1219*, Statement of Accountability, as assets.

3. Verify and inventory all blank Treasury checks and prepare a letter of transfer for them. Both the outgoing and incoming DOs sign the letter. The incoming DO reports all checks issued by the outgoing DO that were not reported to the Treasury before the transfer of accountability and for resubmitting any rejected entries. Include the numbers of the blank checks the incoming DO receives in the commencement of disbursing duties announcement memorandum. The first check in the series must be the next sequential number after the last check listed on the outgoing DO’s last check issue report. The last check receipted for should be the same as the last check number previously ordered and received by the outgoing DO. Research any checks missing or out of sequence and void them if necessary.

4. Verify inventory of stored value card stock (see Chapter 10, paragraph 100212).

5. Verify any postal money orders on hand.

6. Verify any safekeeping deposits (see Chapter 16, section 1604).

7. Prepare a memorandum of relief for submission to the commander if required by local regulations.

8. Verify and transfer all documentation supporting balances in clearing accounts **F3880** (Unavailable Check Cancellations and Overpayments (Suspense)), **F3875** (Budget Clearing Account (Suspense)), and **F3885** (Undistributed Intragovernmental Payments). The Treasury Financial Manual (TFM), Volume 1, Part 4, Chapter 7000 (1 TFM 4-7000) and the TFM bulletin No. 2020-05 require these accounts be cleared to proper appropriations or funds as expeditiously as possible. To clear account **F3880**, the outgoing DO presents a detailed list of individual subsidiary transactions, supporting documentation or backup information, and current status. Documented evidence includes certification that the DO or designated DDO personally reviewed the balances in the account within the last month (see Chapter 7, subparagraph 071109.E).

9. Validate unreconciled differences (e.g., check issue and deposit discrepancies, Intragovernmental Payment and Collection system differences). In addition, ensure
that the outgoing DO’s accountability, the balance amount on the DoD *(DD)* Form 2657, Daily Statement of Accountability, is reconciled with the DO Cash Treasury Account Symbol (TAS) on the daily Central Accounting Reporting System *(CARS)* Account Statement. If the outgoing DO cannot provide documentation supporting the unreconciled items, he or she processes the discrepancies as losses (DoD FMR Volume 5, Chapter 6, section 0604) or overages (DoD FMR Volume 5, Chapter 6, section 0608) of funds.

**B. Actions by Outgoing DO.** Upon relief from disbursing duty:

1. Terminate all DDO, agent, and cashier appointments and clear all related *(DD)* Form 1081(s), Statement of Agent Officer’s Account.

2. Transfer all cash, negotiable instruments, money accounts, books, property, vouchers, and other retained records to the incoming DO.

3. Prepare and submit a final SF 1219 (marked “FINAL” on the top of SF 1219 just below the title “Statement of Accountability”). The incoming DO signs as prescribed in Chapter 15, Figure 15-4.

4. Prepare a final SF 1179, Month End Check Issue Summary (see Chapter 7, paragraph 071407). The incoming DO signs and marks the SF 1179 as "FINAL."

5. Send a copy of the incoming DO’s commencement of disbursing duty memorandum including copies of all the letters of transfer of the total accountability with the final SF 1219 to the DFAS activity where financial reports are submitted.

6. Prepare and send a memorandum to the supporting DFAS site and DFAS-IN/JFKCB advising of the date and check number of the last check issued.

7. Verify the destruction of signature plates or digitized media being withdrawn from service (i.e., not to be used again). Follow the guidance in Chapter 7, subparagraph 070502.F. When the medium has been destroyed, send a copy of the certificate of destruction certifying that the signature has been permanently removed to DFAS-IN/JFKCB.

8. Transfer custody of the check-signing machine to the incoming DO, if applicable.

9. Verify balances in suspense accounts are properly documented.

**C. Actions by the Incoming DO.** The incoming DO ensures that all actions listed in this section are accomplished, documented, and verified before signing for the accountability. The actions listed are to be taken by an incoming DO before reporting to the new disbursing office or activity:

1. Upon commencement to disbursing duty:
a. Send original specimen signatures to DFAS-IN/JFKC on TFS 3023. If signatures have been furnished previously as a DO or DDO, submission of new specimen signatures is not required unless specifically requested or a change of official signature is desired. If the outgoing DO has an LDA with check stock, send specimen signatures to the LDA.

b. Contact the disbursing office or activity to determine if a check-signing machine is in use. Obtain all necessary information about the machine (make, model and number of media required).

(1) If the incoming DO has never had a signature medium, provide three official signature specimens in addition to those required by paragraph 020404, and request the required medium be ordered in enough time to arrive before the actual transfer date.

(2) If a signature medium cannot be received or obtained before the actual date of transfer, the incoming DO may request DFAS-IN/JFKC authorize the use of the outgoing DO’s signature medium until a new one arrives to allow continued efficient operations of the disbursing office. The incoming DO is accountable and pecuniarily liable for payments made on or after the date of the transfer of accountability.

2. Upon commencement of disbursing duty:

a. Send a memorandum to DFAS-IN/JFKC and the DFAS site that receives the DO’s financial reports advising them of the commencement of disbursing duty.

b. Appoint at least one DDO and send the required copies of the DD 577 and TFS 3023 to DFAS-IN/JFKC. Appoint agents, cashiers and other accountable officials as necessary.

c. Verify the adequacy of the safekeeping facilities for funds, blank checks, stored value cards, and other accountable documents. If the facilities are inadequate, report the deficiencies to the commander and request that proper facilities be provided (see Chapter 3, section 0303).

d. Change all safe combinations including those assigned to other accountable individuals.

e. Review cash on hand requirements. If the current cash holding authority is valid, the incoming DO may retain it until the normal resubmission date. Otherwise, the incoming DO submits a new cash holding authority request as soon as possible after assuming the account (see Chapter 3, section 0302).

f. Notify all serviced activities, agencies, commercial concerns, and necessary stakeholders of the account holder change.
0205  DDOs

  020501.  Eligibility

  An officer, enlisted member, or civilian employee acceptable to the DO and who is a U.S. citizen may be appointed as a DDO.

  020502.  Appointment

  DOs appoint their DDOs using the DD 577 (see paragraph 020303).

  020503.  Terminations

  A DO may terminate a DDO’s appointment at any time by completing Section IV of the appointing DD 577. When a DO is relieved from disbursing duties, he or she revokes the appointments of all DDOs. In all cases, send a copy of the DD 577 to DFAS-IN/JFKCBA. If another individual will succeed a DDO, send a copy of the appointing DD 577 and the required original specimen signatures for the new DDO with the copy of the notice of revocation to DFAS-IN/JFKCBA. If a DDO appointment is terminated for cause, include the reason for termination when sending the appropriate DD 577 to DFAS-IN/JFKCBA.

0206  CHANGE IN THE STATUS OF DOs OR DDOs

  020601.  Authorized Absence of DOs and DDOs

  During an authorized absence, the DO remains accountable for the account unless or until it is officially transferred. It need not be transferred unless, in the DO’s judgment, not doing so would impair proper supervision. The DO must maintain an adequate system of controls to avoid errors and ensure the implementation and effectiveness of those controls. For relief of liability to be considered, the DO must show clearly what the procedures were and how they were implemented during the absence (e.g., records must show that any loss incurred was not the result of bad faith or lack of reasonable care).

    *020602.  Death, Incapacity, or Removal of a DO

      A.  General.  When a DO dies, is incapacitated, or is removed from disbursing duty for cause (including unauthorized absence), a DDO under 10 U.S.C. § 2773, may continue to disburse in the name of and under the accounts of the DO through the last day of the second month after the month of death, incapacity, or removal. If there is more than one DDO, the commander, DFAS Director, or designee, as appropriate, designates one DDO to disburse in the DO’s name.

      B.  Responsibility of the Commander or DFAS Director.  The commander, DFAS Director, or designee:

          1.  Seizes and seals all disbursing spaces, keys, property, and safe(s) to ensure the security of the funds, property, and spaces involved;
2. Appoints a board of at least three disinterested but qualified persons to inventory the vouchers, funds, and property on hand (see subparagraph 020602.C);

3. Appoints based on the disbursing needs of the activity:
   a. A custodian of the disbursing office’s vouchers, funds, and property (see subparagraph 020602.D); or
   b. A qualified person (normally a DDO) to take charge of the DO’s vouchers, funds, and property involved and perform as acting DO until a regular relief reports (or is appointed), or until the last day of the second month following the date of death, incapacity, or removal (see subparagraph 020602.E); and

4. Notifies the supporting DFAS site of all actions taken and provides an information copy to DFAS-IN/JFKCMB.

* C. Responsibility of the Inventory Board. The appointed board, as prescribed in subparagraph 020602.B.2, inventories all public funds, including advances to deputies, agents and cashiers; vouchers evidencing receipt, transfer, or disbursement of funds; safekeeping deposits; stored value cards, if applicable; and property of the DO in the presence of the immediate custodians and the appointed custodian, acting DO, or incoming DO. In addition, the appointed board must verify the departed DO’s accountability balance on the DD 2657 is reconciled with the DO Cash TAS on the daily CARS Account Statement. If there is no documentation supporting the unreconciled items, the incoming DO processes the discrepancies as losses (DoD FMR Volume 5, Chapter 6, section 0604) or overages (DoD FMR Volume 5, Chapter 6, section 0608) of funds.

   1. The board verifies all official records to determine that the cash on hand agrees with the records, verifies that all checks and stored value cards issued in the current accounting period have been properly accounted for, and inventories blank checks to determine if any are missing.

   2. If the board discovers a shortage or deficiency, the commander takes the actions prescribed for losses of funds or deficiencies in the DO’s account as prescribed in Chapter 6, section 0604.

   3. All members of the board prepare and certify an original and four copies of the inventory as true and accurate. The board turns over all public funds and property certified on the inventory to the appointed custodian, acting DO, or incoming DO. The incoming DO retains a copy of the inventory report, provides the original to the commander, and a certified/notarized copy to each member of the board.

D. Responsibility of the Custodian. The custodian, on receipt of the original inventory, assumes custody of the public funds, and property held by the former DO. No transactions other than collections may be conducted. When the incapacitated DO returns, or a new, permanent DO reports, the custodian and the DO inventory and transfer all vouchers, funds, and property as prescribed in the relief procedures.
E.  **Responsibility of the Acting DO.**

1. The DDO appointed to serve as the acting DO performs and is accountable for all official duties that would have been required of the DO, to include submitting financial reports for the DO as of the date of death, incapacity, or unauthorized absence. Include only those vouchers actually paid by the former DO in the reports. The DDO submits the reports in the name of the former DO.

2. Include in the reports: information on the date of death, incapacity, or unauthorized absence; and the fact that transactions included were made by the former DO. Include vouchers for which checks have been drawn but not delivered in the first reports covering transactions made by the DDO. Submit subsequent financial reports at the normally prescribed times in the name of the former DO, signed by the DDO, and include an explanation that the reports include only transactions made by the DDO under authority of subparagraph 020602.E.1 subsequent to the death, incapacity, or unauthorized absence of the former DO. Do not merge the financial reports of transactions performed by an acting DO with those of the officer for whom he or she was appointed, or with those submitted by the regular relief after the disbursing duties are assumed.

3. The DDO signs all checks drawn in the manner normally used when the DDO signs checks. If the volume of checks warrants, the acting DO may use the former DO’s signature plates. The acting DO is legally liable and responsible for all payments and official acts subsequent to the death, incapacity, or unauthorized absence of the DO.

F. **Responsibility of the Incoming DO.** If the commander appoints an individual as DO to relieve the deceased, incapacitated, or removed DO, the incoming DO is responsible for performing all actions required in subparagraph 020406.C, and for rendering financial reports in his or her own name.

G. **Administration of the Accounts of a Deceased, Incapacitated, or Removed DO.** The commander should strive to protect the rights of a deceased, incapacitated, or removed DO, as well as the custodian, acting DO, or incoming DO so that, for any differences discovered during settlement of the accounts, responsibility may be assigned to the appropriate individual. The acting or incoming DO completes the vouchers, closes the accounts, maintains custody of records, and renders the final reports of the outgoing DO. Further, the individual signs documents prepared in connection with the administration and settlement of the accounts of the outgoing DO as follows:

_______________________________
(Name of Disbursing Officer)

By ___________________________
Acting (appointed per 10 U.S.C. § 2773)

The commander of an exonerated DO restored to duty following arrest, suspension, or other incapacity directs a second inventory to be taken by the restored DO and the custodian, acting DO,
or incoming DO. The guidance in subparagraph 020406.A regarding the transfer of accountability from an outgoing to an incoming DO applies.

H. DDO at Branch Disbursing Office. Upon the death, incapacity, unauthorized absence, arrest, or other emergency absence of a DDO at a branch disbursing office, the local commander advises the DO as expeditiously as possible. Depending upon the circumstances, the DO requests the commander of the activity where the branch office is located appoint a board to inventory the vouchers, funds, and property of the DDO and appoint a suitable person to take custody of the vouchers, funds, and property until the DO can take an inventory. If practical, the DO takes an inventory of the vouchers, funds, and property in the presence of a competent witness.

0207 OTHER AGENTS OF DOs

020701. General

Officers, enlisted members, or civilian employees satisfactory to both the appointing officer and DO may be appointed as agents, (e.g., disbursing agents (DA), cashiers, paying agents, collection agents, change fund custodians, imprest fund cashiers). No agent may be appointed or used over protest of the accountable DO, serve concurrently in any other accountable position, or be charged with the handling or custody of any other funds (see paragraph 020305).

A. Include in item 7 of the appointing DD 577 the specific duties, limitations, and the name of the individual being relieved, if any (see paragraph 020303).

B. DOs’ agents are pecuniarily liable under accountable official laws for losses of public funds in their possession. When appointing agents, appointing authorities should carefully consider appointing non-U.S. citizens as accountable officials. In some instances, foreign nationals and other non-U.S. citizens may be precluded from being held pecuniarily liable for losses of funds (see Chapter 1, subparagraph 010303.D).

C. From a security standpoint, do not allow an excessive number of individuals access to public funds.

D. After an individual ceases to serve in an appointed position, the DO maintains appointing documents for a retention period following the guidance in Chapter 15, section 1508. Appointments as agents of DOs are effective only while the DO continues to serve as DO of that disbursing activity.

E. The appointing officer terminates appointments when appropriate (e.g., when the DO is relieved, when the agent ceases to perform the duties for which appointed, or for cause (see subparagraph 020406.B.1)), using Section IV of the original appointing DD 577.
020702. Disbursing Agents

A. Duties and Responsibilities. A DA is a DO’s agent who is not a DDO. A DA’s responsibilities can include all duties, assignments, and functions of a DDO except the authority to sign Treasury checks.

B. Establishing Positions. The appropriate major command or Defense Agency establishes DA positions in writing.

C. Appointments. The DO appoints DAs following paragraph 020303, which includes the appointee’s acknowledgement. The DO sends the original copy to the DA, a copy to the office where the duties are performed, and retains a copy on file.

020703. Cashiers

A. Selection Criteria. An officer, enlisted member, or a civilian employee with working knowledge of the cash functions and operations, and acceptable to the DO, may be appointed as a cashier. The DO should also obtain a credit report if access to a credit reporting service is available, charging the associated costs to the Operations and Maintenance funds available to the activity. Safeguard credit reports against unauthorized access.

B. Duties and Responsibilities. Cashiers disburse, collect, and account for cash; and perform other duties as required concerning the receipt, custody, safeguarding and preparation of checks. A cashier may prepare DO accountability reports, but the DO, DDO, or DA must personally validate them.

C. Appointments. The DO appoints cashiers following paragraph 020303, which includes the appointee’s acknowledgement. The DO sends the original copy to the cashier, a copy to the office where the duties are performed, and retains a copy on file.

D. Restrictions. A cashier may not:

1. Sign checks;

2. Accept checks drawn (and endorsed to the cashier) in the name of the DO, DDO, or DA to procure and disburse cash for any purpose;

3. Prepare billing documents and accept collections for the same items. This restriction also applies to a DA performing cashier duties;

4. Prepare vouchers that they will later pay; and

5. Prepare vouchers on days when they perform cashier functions.
020704. Paying Agents

A. Appointments. Commanders appoint paying agents only when adequate payment, check cashing, or currency conversion services are not otherwise available (see paragraph 020303). Appointments are for a specific transaction or time period. Do not appoint paying agents solely as a convenience when a DO, DDO, DA, or cashier can make the required transactions. In unusual situations (e.g., payments or currency conversions must be made at remote locations where use of checks is not feasible), the DO may request a remote location commander appoint a paying agent to make the necessary payments for and in the name of the DO from cash advanced for that purpose.

B. Restrictions. Paying agents may not act as certifying officers (see Chapter 5, section 0503) or purchasing officers. Escort officers serving as paying agents for expenses related to official travel may likewise not be purchasing officers. See Chapter 1, subparagraph 010305.B for guidance on separation of duties and Chapter 5, subparagraph 050301.C for guidance applicable to micro-purchases in contingency operations.

020705. Collection Agents

A. Establishing Positions. Commanders may establish collection agent positions to receive funds derived from functions such as hospitalization fees and other charges at medical facilities (e.g., communication charges, rentals and other charges at housing developments, fees for research or reproduction of records, safekeeping deposits where the safekeeping function is not performed by the DO, and similar functions when appropriate).

B. Appointments. The commander appoints collection agents following paragraph 020303. Unless revoked by the appointing authority, collection agent appointments remain in effect through succeeding appointing authorities.

020706. Change Fund Custodians

A. Duties and Responsibilities. A change fund custodian receives a change fund from the parent DO, safeguards it, is pecuniarily liable for any loss, and makes change for sales transactions. The commander provides a detailed description of duties to be performed.

B. Establishing Positions. The sales activity commander (e.g., commissary, hospital) establishes the position.

C. Appointments. The activity commander or designee appoints a change fund custodian following paragraph 020303 in coordination with the parent DO.
020707. Imprest Fund Cashiers

The activity commander appoints an imprest fund cashier following paragraph 020303 to make authorized cash payments for materials and non-personal services, maintain custody of funds, and file periodic vouchers to account for and replenish the imprest fund. An imprest fund cashier may be an officer, enlisted person, or civilian employee who is not responsible for originating, approving, or processing imprest fund requirements. An imprest fund cashier (or alternate) may not have access to or control of more than one fund. The commander keeps the appointing document and approval for establishment of the imprest fund in a permanent file, and furnishes two copies of these documents to the cashier and one copy each to the DO and installation or activity contracting office (see section 0209).

020708. Alternate Agents

A. General. When required, one or more alternate agents may be designated to serve only during the absence of an appointed primary agent. Alternate agents for DDOs are not permitted. The official authorized to appoint the primary agent also appoints alternates following paragraph 020303. When serving in place of the primary agent, the alternate agent is subject to all regulations applicable to the primary. Alternate agents may not merge funds received with those of the primary agent, and must also maintain separate records from those of the primary agent to establish the amount for which each is responsible. Alternate agents may not conduct operations involving the handling of public funds concurrently with the primary.

B. Alternate Imprest Fund Cashier. Under paragraph 020303, a commander may appoint an alternate imprest fund cashier to provide service during a principal’s absence. Appointment requirements for principal cashiers apply to alternate cashiers. Upon return of the principal, the alternate returns paid receipts, subvouchers, and residual cash to the DO.

1. Planned Absences. In planned absences of the principal cashier and with the appointing official’s written authorization, the principal may advance cash to the alternate in any amount up to the limit of the fund, using a DD 1081 for the advance.

2. Unforeseen Absence. In the unforeseen absence of the principal cashier, the DO may advance funds to the alternate in the normal manner; these funds are in addition to the amount advanced to the principal under the established fund, but may not exceed the authorized amount of the fund.

020709. Death, Incapacity, or Unauthorized Absence of Agents

In the event of the death, incapacity, or unauthorized absence of an agent, the appropriate commander follows paragraph 020602 for deputies at branch offices, but appoints relieving agents following procedures applicable to the position involved. In the case of an imprest fund cashier, the relieving imprest fund cashier prepares the final voucher.
0208  DEACTIVATING OR CLOSING A DSSN

020801.  Deactivation

A.  General.  To eliminate the necessity of submitting monthly financial and checking account reports during the period of inactivity, the DO deposits all currency, coin, and negotiable instruments; closes the LDA, and if applicable; properly disposes of all undeliverable checks; submits the memorandum required for closure of disbursing offices with additional information that the account is closed temporarily; and retains blank Treasury check stock for use when the disbursing operation is reactivated (see Chapter 7, section 0703 for inventory and storage requirements).  A DO preparing an office for closure ensures that the DO’s accountability balance on the DD 2657 and the DO Cash TAS in CARS are reconciled (Agency Location Code (ALC) settlement).  The DO may reopen that same DSSN at any time by submitting the report of commencement of disbursing operations.  Note:  A DO may not close a DSSN temporarily if any cash or documents representing cash are on hand.  Any assets on hand, including deficiencies such as dishonored checks or losses of funds, require monthly submission of an SF 1219.

B.  Designation of a Settlement Office.  The supporting DFAS site designates another disbursing office as the settlement office to handle uncleared transactions for the closed office.

C.  Notification of Deactivation Pending Closure.  The DO will:

1.  Notify all affected activities, agencies, commercial concerns (including LDAs when applicable), and individuals of the disbursing office deactivation date and the name and location of the settlement office to which all accounts will be transferred;

2.  Notify Fiscal Service by memorandum through DFAS-IN/JJFKCB that the disbursing office is being deactivated pending closure.  State in the memorandum the DSSN, date of deactivation, the office to which the accounts and records have been/will be forwarded for settlement, and the last check number of each check range issued by the DSSN.  Also, include the date and check number of the last check signed in each check range by each DDO where separate check series are assigned to DDOs at branch offices.  Send a copy of the memorandum to the supporting DFAS site.  Once a disbursing office is reported to Fiscal Service as being in a settlement status, it may not be reopened or transferred to another location without Fiscal Service approval.  Once the settlement office has met all requirements in section 0208, pertaining to closing the disbursing office, Treasury will close the DSSN permanently;

3.  Notify commanders and request termination of appointment for all agents they appointed;

4.  Issue terminations of appointments to all DDOs, agents, and cashiers (see paragraph 020306);

5.  Notify commanders and request termination of the DO’s and agents’ authorities to hold cash at personal risk; and
6. Clear all outstanding agent advances (e.g., imprest fund cashier and change fund custodians).

020802. Deposits

Deposit all currency, coin, negotiable instruments, and LDA balances to the credit of the Treasury (see Chapter 11, section 1108).

020803. Deposit Fund Account Balances

Transfer deposit fund account balances that could not be cleared before deactivation to the designated settlement office. Send a detailed list of the persons owed or funds to be reimbursed with any documents or backup information with the **SF 1081**, Voucher and Schedule of Withdrawals and Credits, to the settlement office. The SF 1081 is the basis for adjusting the general ledger for the amounts transferred.

020804. Undeliverable Checks

Cancel all undeliverable checks and return checks forwarded by other DOs as undeliverable to the forwarding DOs for cancellation (see Chapter 7, section 0710).

020805. Blank Treasury Check Stock

Destroy remaining blank check stock and report them on the SF 1179 and Checks Issued Report (Report 72) as “voids” (zero dollar value issues) (see Chapter 7, subparagraph 070904.A).

020806. Stored Value Cards

Smart Card stock must be treated like blank check stock (see paragraph 020805).

020807. Standard Form (SF) 1219, Statement of Accountability

Prepare and submit an SF 1219 (marked “FINAL” on the top of the SF 1219 just below the title “Statement of Accountability”) covering the period from the first day of the accounting period through the close of the last business day (see Chapter 15, section 1506 and Figure 15-4).

020808. SF 1179, Month End Check Issue Summary

Prepare and submit an SF 1179 (marked “FINAL”) covering the period from the first day of the accounting period through the close of the last business day. Include all checks issued during the period as well as the blank check stock destroyed and reported as “voids” (zero dollar value issues) (See Chapter 7, paragraph 071407).
020809. Equipment

Notify the supporting DFAS site of the availability of useable office equipment. The supporting DFAS site advises other DOs of the equipment available and facilitates transfers between disbursing offices, if requested. If no other disbursing office needs the equipment, the DO turns over the equipment to the supporting property disposal office. See Chapter 7, subparagraph 070502.F for disposition of signature media.

020810. Discrepancies

A DO preparing an office for closure ensures that no discrepancies exist in his or her accountability. The supporting DFAS site reviews all accounts transferred to settlement offices and may order collection action against a relieved DO who submits a disbursing account to a settlement office with unresolved deficiencies in the accountability (e.g., dishonored personal checks, unconfirmed deposits, check issue records and reports, physical losses of funds, and unresolved open debit items in **F3875, **F3880, and **F3885 clearing accounts).

020811. Closure

Only the Treasury may close a DSSN. Follow the policies within section 0208 to pursue closing a disbursing office permanently. Once a disbursing office has been closed, it may be used only for settlement purposes. If the disbursing office is to be reopened, the DO must request and receive approval for reactivation from the Fiscal Service through DFAS-IN/JFKCB. The Fiscal Service also must approve a new check range.

0209 IMPREST FUNDS

*020901. Overview

Imprest funds are generally not authorized for DoD activities. Exceptions are allowed for contingency and classified operations. Submit specific requests for exception in accordance with Chapter 1, paragraph 010103. Include adequate justification and demonstrate that the use of a government purchase card, third party draft, purchase card convenience check, government travel card, or other reasonable alternatives are not feasible for the specific situation. Agencies granted the authority to disburse imprest funds must classify imprest fund transactions using established and appropriate TAS/Business Event Type Code (TAS/BETC). DOs advancing or receiving funds from an imprest fund cashier will treat the transactions similar to advancing other accountable agents. The Shared Accounting Module (SAM) website provides Fiscal Service Reference Data for the TAS/BETCs. In lieu of imprest funds, use the government purchase card for micro-purchases of supplies and/or services and the government travel card for travel payments formerly made from the imprest funds. If an imprest fund is authorized, the DO and the imprest fund cashier keep a copy of the signed authorization to establish and maintain the fund. Detailed regulations concerning establishing, using, and accounting for imprest funds, including the responsibilities of designated imprest fund cashiers and alternates are in:

A. 1 TFM 4A-30170;
B. GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Fiscal Guidance, Chapter 6; and

C. The Federal Acquisition Regulation Part 13, subpart 13.305.

020902. Safeguarding Imprest Funds

Safeguard cash and disbursement documents at all times (e.g., safes, locked cash drawers) as prescribed in Chapter 3, section 0303. The imprest fund cashier should maintain an organizationally and physically convenient location on the installation or activity to make payments to vendors or carriers. Do not commingle imprest funds with other cash funds (e.g., disbursing funds, change funds, or cash receipts for other funds). The imprest fund cashiers must be able to account for the full amount of funds being held at any given time. The responsible imprest fund cashier is accountable to the advancing DO for receipts or subvouchers supporting temporarily unreimbursed expenditures from any imprest fund, together with the cash on hand, in support of the total amount of the fund, and is subject to review by the DO at any time.

0210 SETTLEMENT OF DO ACCOUNTS

021001. Overview

The responsibility to clear outstanding items in the accounts of a DO relieved from disbursing duty is normally assigned to a designated settlement office (see subparagraph 020801.B). The DO of the designated settlement office (referred to in this section as the settlement officer), follows this guidance to resolve discrepancies in a relieved DO’s accountability. All correspondence and vouchers initiated by the settlement officer should show the name and DSSN of the accountable officer, date and number of the voucher or account, and be signed “By (name of settlement officer), Settlement Officer for (name and DSSN of accountable officer).” Normally, the settlement officer is also responsible for other residual disbursing functions, (e.g., issuance of stop payment requests, required records research pursuant to claims against the government, and clearing of all suspense accounts).

A. Deficiencies. In all instances, the relieved DO is responsible for resolving deficiencies before relief, if possible. If a deficiency exists in the account of a relieved DO and it appears that no action was taken to remove it from the accountability and no relief request is pending, the settlement officer should initiate collection action against the accountable DO.

B. Non-tactical Disbursing Stations. At non-tactical disbursing stations, settlement duties are normally the responsibility of the relieving DO. When one of these stations is closed, the supporting DFAS site designates another non-tactical disbursing station within the site’s area to assume the closed station’s disbursing operations and perform the settlement function.

C. Tactical Disbursing Stations. For naval vessels and tactical units, the servicing DFAS site performs the duties of settlement officer for relieved DOs whether or not the disbursing function of the naval vessel or unit is closed.
021002. Responsibility of Relieved Officers

Despite the appointment of a settlement officer, the relieved DO is responsible for accounting for all funds expended while performing disbursing duties. Transfer of disbursing records under the authority of section 0210 only relieves the DO of the paperwork incident to settlement of the account. Accountability for illegal, incorrect, or improper payments that cannot be adjusted despite the diligence of the settlement officer remains with the DO who made the payments. The relieved DO should keep the settlement officer informed of his or her current mailing address at all times. The relieved officer should also answer inquiries related to settlement of outstanding items and furnish any advice or suggestions, which may be of assistance in the prompt and complete clearance thereof.

*021003. Settlement Officer Functions

The settlement officer is the incumbent DO. Subparagraphs 021003.A-E apply only to non-tactical DOs (within and outside the continental United States) performing settlement functions for previous DOs of the same disbursing activity and DSSN to which the DO performing the settlement functions is assigned. In addition to accounting for and taking settlement action on deficiencies which occurred during the incumbency of a former DO that were unresolved on the date of relief, the settlement officer may be required to establish or increase deficiencies in the account of a former DO. Most of the transactions processed to establish, increase, reduce, or remove deficiencies in the account of the former DO will be similar to the routine transactions of a DO and will be reported on the DD 2657, Daily Statement of Accountability, and the SF 1219.

A. Transactions. The transactions described in the following subparagraphs are the most common types of transactions that will be encountered. On some occasions, the servicing DFAS site may direct accomplishment of specific transactions and will provide detailed instructions for those transactions.

1. Settlement History. In order to have a complete history of the settlement process, the settlement officer will: maintain a record of actions taken to clear deficiencies in separate settlement folders for each former DO; and file copies of all documents and correspondence pertaining to settlement of the former DOs accounts in the settlement folders. The settlement folders should be made available for examination and made available to the next relieving DO as a part of the relief process.

2. Check Overdraft Receivables. Procedures for recording, reporting and clearing a check overdraft deficiency are prescribed in Chapter 7, subparagraph 070804.A. The procedures are the same for both current and former DOs except that in the case of a former DO, the current DO (settlement officer) reports the item daily on line 9.2A (Accounts Receivable - Check Overdrafts) of the DD 2657 and monthly on line 9.2 (Receivables - Check Overdrafts) of the SF 1219 until resolved.

3. Losses of Funds. Losses of funds in the account of a former DO that were unresolved on the date of relief are recorded and reported until resolved on line 9.3 (Loss of Funds) on the current DO’s (settlement officer’s) DD 2657 and SF 1219. Increases in the value of
existing losses of funds are generally accomplished only upon the specific direction of the servicing DFAS site. Decreases in the value of existing losses of funds are accomplished by collection (full or partial) of the losses from the accountable individual or by relief of liability for the losses.

4. Other Accountability. Other accountability items are unresolved deficiencies in the account of a former DO which cannot be classified as check issue overdrafts or losses of funds. These items are reported on line 9.4 (Other) of the DD 2657 and the SF 1219 until resolved. The value of other accountability may be increased by the settlement officer. For debit vouchers received by the settlement officer after the date of relief of a DO (which is chargeable to the former DO), the settlement officer processes the debit vouchers, and reports the value of the debit vouchers on line 9.3 of the DD 2657 and SF 1219. For overpayments caused by the negotiation of both the original and recertified check which the settlement officer determines to be uncollectible, follow Chapter 7, paragraph 071113.

5. Removal of a Deficiency. The settlement officer can request removal of the deficiency on behalf of the former DO. Decreases to the value of other accountability items may be effected by: collection from the responsible individual; replacement of lost checks by their drawers; confirmation of a deposit previously presumed and treated as lost in transit; reversal of a debit voucher by a general depositary or the Treasury; correction of an erroneous collection voucher; or relief of liability. The servicing DFAS site can provide specific instructions for removal of an accountability by correction of an erroneous collection voucher. Instructions pertaining to a relief of liability item are provided in Chapter 6, section 0606.

6. Processing Negotiable Instruments. Enter negotiable instruments received by a settlement officer to offset a deficiency in a former DO’s account on the DD 2657 as either an increase to line 4.2A (Deposits Presented or Mailed to Bank) or to line 6.3B (Other Undeposited Instruments on Hand) as a decrease to the applicable receivable (e.g., 9.2A, 9.2B (Accounts Receivable - Other), 9.3, 9.4). Document the instrument received on Optional Form (OF) 1017-G, Journal Voucher, and deposit it under the same guidelines as for other negotiable instruments.

B. Settlement Officer is not Incumbent DO. This subparagraph applies only to DOs designated to settle the accounts of DOs of tactical units or naval vessels relieved from disbursing duty and the accounts of former DOs of closed disbursing stations. These settlement officers perform settlement functions for a DSSN other than the one to which assigned as a DO. Transactions processed to establish, increase, reduce, or remove deficiencies in the account of the former DO will be similar to the routine transactions (i.e., Payment Information Repository (PIR), Collections Information Repository (CIR), Classification Transactions and Accountability (CTA)) of a DO and will be reported on the daily accountability documents and reconciled with the CARS DO cash account for the settlement ALC.

1. Relieved DO. Any transaction affecting the accountability of a relieved DO, including the initial establishment of the settlement account, requires submission of monthly financial reports by the settlement officer for the relieved DO. The financial reports are submitted to the servicing DFAS site in the same manner as other financial reports.
2. **Settlement Folders.** In order to have a complete history of the settlement process, the settlement officer will: maintain a record of actions taken to clear deficiencies in separate settlement folders for each former DO; and file copies of all documents and correspondence pertaining to settlement of the former DOs accounts in the settlement folders. The settlement folders should be made available for examination to the next relieving DO as a part of the relief process.

3. **Initial Establishment of the Settlement Account.** Upon receipt of the final SF 1219 of the relieved DO, the settlement officer reviews it to determine if any deficiencies existed on the date of relief. In the case of a closed disbursing station where the DO is transferred without a relief, the settlement officer establishes the settlement account by preparation of the necessary files to resolve the deficiencies. In the case of naval vessels and tactical units, if there is a deficiency in the account of the relieved DO, the settlement officer establishes the settlement account as of the month following the receipt of the relieved DOs final SF 1219 by preparing a supplemental SF 1219. The designated settlement officer must:

   a. Compute the actual accountability of the relieving DO on the date of relief by subtracting the amount established in the settlement account from the amount reported on line 11.0 (Total) DO accountability of the relieved DOs final SF 1219.

   b. Notify the relieving DO of the naval vessel or tactical unit by message that the settlement account is established and direct the DO to record the dollar value of the deficiency on line 4.37 (Transfers to Other DOs) of the next SF 1219. The relieving DO attaches a copy of the message to each copy of the SF 1219 to support the transfer of accountability shown on line 4.37.

   c. Remove amounts from lines 9.2, 9.3, and 9.4 (as appropriate).

4. **Recording Increases to a Settlement Account.** After the date of relief, it may become necessary to record a deficiency into the account of a relieved DO. This type of transaction can be caused by: a debit voucher; a Financial Management Service (FMS) 5206, an Advice of Check Issue Discrepancy; a notice of an out-of-balance payroll; or various other discrepancies discovered in subsequent audit of accounts.

C. **Removal of Deficiencies.** Removal of deficiencies from the accounts of former DOs can be accomplished by collection from the responsible individual, correction of erroneous documents, or relief of liability.

   1. If the deficiency is recovered by collection from the responsible individual, the settlement officer prepares an OF 1017-G to document the collection and deposit the funds on a deposit ticket. Block 3 of the deposit ticket should show the DSSN of the DO whose account is being settled. Record the deposit transaction on the supplemental SF 1219 prepared for the month in which the transaction is processed.
2. If the deficiency is removed by correction of erroneous documents, the corrected documents are reported on the supplemental SF 1219 prepared for the month in which the transaction is processed.

3. If a deficiency is removed by relief of liability, the Disbursing Policy DFAS/ZPFA-IN team will direct the preparation of an SF 1034, Public Voucher for Purchases and Services Other Than Personal, and will provide a complete fund site to be charged for the transaction.

D. Preparation of Disbursement and Collection Vouchers. Normally, the preparation and processing of vouchers to settle the accounts of former DOs will not affect the disbursing account of the settlement officer. The settlement officer maintains a separate series of locally assigned voucher numbers (for example, COOO1 for collections and DOOO1 for disbursements) for use in settlement transactions. Collection and disbursement voucher numbers (assigned to vouchers prepared to process settlement transactions) should not be taken from the voucher number logs of the DO at the settlement activity. In addition, the settlement officer does not maintain the DD 2657, for the former DO.

E. Financial Reports. The settlement officer submits financial reports for a former DO every month until the former DOs accountability is cleared. Normally, the documents required to be submitted are: a supplemental SF 1219; appropriate copies of the deposit ticket or debit voucher if these forms are involved in the transaction; and any supporting disbursement or collection vouchers prepared. The general requirements in Chapter 15, section 1507 pertain to preparation and submission of financial reports. In addition to the normal distribution requirements, one additional copy of each document is forwarded to the servicing DFAS site. In all cases, each document should clearly identify the name and DSSN of the former DO and the name and address of the settlement officer preparing the reports. Documents requiring a signature are signed “By (name of settlement officer), settlement officer for (name and DSSN of accountable officer).”

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recorded against the previous DOs account. If follow-up action previously initiated by the relieved officer results in recovery of funds, the relieving officer forwards the funds in the form of an exchange-for-cash Treasury check to the servicing DFAS site.

C. **Unconfirmed Deposits.** For unconfirmed deposits that are later confirmed by follow-up action after the date of relief, forward the confirmed copy of the deposit ticket by email to the servicing DFAS site with a cover letter indicating that the accountability should be recorded against the previous DOs account for processing.

D. **FMS 5206.** If an FMS 5206 is received during the 90-day retention period subsequent to relief, reproduce a copy of the applicable check issue record and disbursement voucher from the relieved DO’s retained records and attach to the form. Send the documents by email with a cover letter to the servicing DFAS site with a cover letter indicating that the accountability should be recorded against the previous DOs account for processing. If one is received after the former DO’s records have been sent to the DFAS site as prescribed in Chapter 15, subparagraph 150804.B send the document with a cover letter to the servicing DFAS site for processing.

E. **Daily Advice of Status (DAS).** Upon receipt of a DAS from the Treasury indicating the original and recertified check issued by the previous DO were both negotiated and previous credit given by the Treasury or the canceled original check is being reversed, the current DO should take the same actions as prescribed in subparagraph 021004.B. for debit vouchers.
Figure 2-1. TFS 3023, Specimen Signatures

Department of the Treasury
Bureau of the Fiscal Service
Operations Support Branch
Analysis, Reconciliation,
& Reporting Section
Philadelphia, PA 19154

The information requested on the enclosed form is required under the provisions of 31 U.S.C. 82b to identify the accredited official for disbursing operations. Failure to provide the information requested may affect the accreditation of the individual.

The above privacy act notice requirement should be associated with each TFS Form 3023 and/or each TRS Form 5583 upon release. My official signature as it will appear on checks drawn on the United States Treasury is shown in each of the 14 spaces below.

I understand that a legible signature is desirable and that signatures on checks should conform closely to these specimens. I will use a permanent ink of dark-blue, blue-black, or black color. I will furnish new specimen signatures if a change in the form of my signature is to be made, and I will observe all of the provisions of Treasury Fiscal Requirements Manual, Part IV Chapter 5000 in the issue, care, and use of checks.

(Date) (Signature)

When the sign graph is used, submit additional signatures on blank sheets

Specimen Signatures

Specimen Signatures

TFS FORM 3023 EDITION OF 9-80 is OBSOLETE

DEPARTMENT OF THE TREASURY
BUREAU OF THE FISCAL SERVICE
VOLUME 5, CHAPTER 3: “OBTAINING AND SAFEGUARDING PUBLIC FUNDS”

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated July 2018 is archived.

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<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<tr>
<td>030205</td>
<td>Added guidance to the paragraph titled “Obtaining Cash for Disbursing Purposes” for Disbursing Officer’s (DO) Cash classifications from the Treasury Daily Reporting Policy Memo FPM 19-14 to the paragraph.</td>
<td>Addition</td>
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<tr>
<td>030205.A.2</td>
<td>Amended the subparagraph title and included Treasury’s Central Accounting Reporting System classifications for U.S. Treasury Check/ Electronic Funds Transfer Exchange-for-Cash transactions from the Treasury Daily Reporting Policy Memo FPM 19-14.</td>
<td>Revision</td>
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<td>030205.C</td>
<td>Added subparagraph titled “Cash Held for Operating Requirements” and Treasury’s Central Accounting Reporting System classifications from the Treasury Daily Reporting Policy Memo FPM 19-14.</td>
<td>Addition</td>
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<tr>
<td>030206</td>
<td>Added guidance to the paragraph titled “Treasury Account Symbol for DO Cash” paragraph from the Treasury Daily Reporting Policy Memo FPM 19-14.</td>
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<td>030207</td>
<td>Added paragraph titled “Reconciling Disbursing Officer Cash” and guidance from the Treasury Daily Reporting Policy Memo FPM 19-14.</td>
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<tr>
<td>030401.A</td>
<td>Added guidance to the paragraph titled “Deputy Disbursing Officers, Agents, and Cashiers” subparagraph from the Treasury Daily Reporting Policy Memo FPM 19-14.</td>
<td>Revision</td>
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<tr>
<td>030402.B</td>
<td>Added guidance to the paragraph titled “Cash to Paying Agents” subparagraph from the Treasury Daily Reporting Policy Memo FPM 19-14.</td>
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VOLUME 5, CHAPTER 3: “OBTAINING AND SAFEGUARDING PUBLIC FUNDS”

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<td>Figure 3-2</td>
<td>Deleted the Department of Defense (DoD) Form 165, “Shipment of Funds,” which can be found at DoD Forms Management. (<a href="https://www.esd.whs.mil/Directives/forms/">https://www.esd.whs.mil/Directives/forms/</a>).</td>
<td>Deletion</td>
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CHAPTER 3

OBTAINING AND SAFEGUARDING PUBLIC FUNDS

0301 GENERAL

030101. Overview

The Department of the Treasury (Treasury) holds funds appropriated by the Congress subject to disbursement by disbursing officers (DOs) of the United States. When necessary to disburse in cash, upon approval of the commander or other authority, DOs may obtain and maintain cash on hand at their personal risk (a cash holding authority (CHA)) for official disbursements and accommodation exchanges (see paragraph 030201). Department of Defense (DoD) DOs must safeguard all items identified as public funds that they receive and account for to the Treasury periodically (see Chapter 15, paragraph 150103). DOs outside the United States may maintain official checking accounts, known as limited depositary accounts (LDAs), in foreign currency with banks approved by the Treasury (see Chapter 14, section 1402).

030102. Purpose

The purpose of this chapter is to provide DoD’s policy on DoD DOs’ responsibilities to obtain and safeguard cash, negotiable instruments, and other items that comprise public funds.

030103. Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3302 authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds.

0302 CASH OPERATIONS

030201. Cash Held at Personal Risk

Funds that qualify as cash held at personal risk include U.S. and foreign currency and coin, imprest funds, change funds, cash with agents (e.g., paying agent (PA)), and cash on deposit in an LDA. DOs use cash to make miscellaneous cash payments, make change, conduct accommodation exchanges, and make other specifically authorized transactions.

030202. Approving Authorities

A commander, director, equivalent civilian head, or designee (see Definitions Chapter) has the authority to approve CHAs for DOs, Deputy DOs (DDOs), agents, and cashiers within their commands. The Defense Finance and Accounting Service (DFAS) Director or designee approves requests for DFAS DOs. DFAS DDOs, agents, and cashiers outside of the main DFAS disbursing office may hold cash at personal risk, with the amount to be held subject to the approval of the parent DO and the local activity commander based on his/her responsibility to safeguard public funds (see section 0303). Keep cash on hand at the minimum amount necessary to meet normal
requirements. Approving authorities review each request to ensure that good cash management procedures are in effect.

030203. Determining Cash Requirements

A. General. DOs should consider daily cash collections of all DDOs, agents, cashiers, and other custodians of public funds over a representative period of time, and average the results to determine cash requirements. If daily cash collections exceed disbursement and accommodation needs, no additional computation is necessary. If collections do not exceed disbursements, use the following table to compute the cash requirements according to the time to obtain funds from the source, weekly cash transaction volume, and the maximum amount authorized.

<table>
<thead>
<tr>
<th>LEVELS OF AUTHORIZED CASH HOLDINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the source of funds is</td>
</tr>
<tr>
<td>Reasonably close (not more than 24 hours required to obtain cash)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Not reasonably close (24-48 hours required to obtain cash)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Remote (more than 48 hours required to obtain cash)</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

To preclude temporary increases due to extreme currency fluctuations, the portion of the DO’s request to hold foreign currency at personal risk may be stated in foreign currency units. See Figure 3-1 for a suggested procedure for computing average daily cash requirements. Consider the following types of disbursements:

1. Routine cash payments;
2. Emergency cash payments;
3. Cash travel advances for non-cardholder temporary duty and permanent change of station travelers;
4. Foreign currency requirements for accommodation exchanges;
5. Personal check cashing transactions (see Chapter 4);
6. Cash transactions of remote DDOs, cashiers, and agents; and

7. Cash requirements for managing foreign government contributions (burdensharing funds).

B. Special Circumstances. When special circumstances require DOs to increase their CHA beyond the amounts discussed in subparagraph 030203.A (e.g., operational contingencies), describe the circumstances and duration of the expected need for increased cash in the request for approval to increase cash held at personal risk. If the circumstances are more than temporary (over 30 days) or expected to become permanent, the DO re-computes their CHA and submits a new request based on the anticipated services.

C. Cash Collections. DOs and their agents may hold cash collections for operating requirements within their CHA. Immediately deposit cash collections that increase cash on hand above the authorized limit (see Chapter 11, section 1108).

030204. Requests for Approval

A. A DO requests a CHA from the approving authority cited in paragraph 030202. Do not include scheduled payday cash requirements (e.g., the amount required to cash payday paychecks) in a request. The approving authority ensures that the requested amount follows the guidance in paragraph 030203 and that management controls exist to ensure the conduct of routine reviews of cash requirements. Submit requests semiannually allowing enough time for CHA authority to become effective on October 1 and April 1 of each year. Also, submit a request whenever a review of cash requirements results in a major change. Include in the written request:

1. The name, title, and duty station of the accountable requestor;

2. A description of the transactions requiring the use of cash;

3. A statement that adequate facilities are available to safeguard the cash (see section 0303); and

4. A breakdown of cash by accountable position.

B. A CHA request includes the amount to be held personally by the DO and the DO’s DDOs, agents, cashiers, and other custodians of public funds, but not amounts to be held by authorized imprest fund cashiers and change fund custodians which receive separate approval. The approving authority approves all requests by an endorsement and returns them to the DO for retention. To preclude compromise of classified information, CHA requests for emergency and extraordinary expense funds may omit security items (e.g., duty station, description of payments, facility location, or other details), but keep this information on file for review by cleared personnel.
*030205. Obtaining Cash for Disbursing Purposes

Funds that qualify as cash held at personal risk, also known as DO’s cash, include U.S. and foreign currency and coin, imprest funds, change funds, cash with agents (e.g., paying agent), negotiable checks (not check stock), and cash on deposit in a limited depositary checking account (LDA). The Central Accounting Reporting System (CARS) DO cash Treasury Account Symbol (TAS) (see paragraph 030206) balance amount should never exceed the approved cash holding authority amount or the balance amount of the days ending cash on hand.

A. Available Procurement Methods

1. Exchange-for-Cash Checks. DOs may draw exchange-for-cash checks (see Chapter 7, section 0707) payable to the DO or DDO who procures the cash. The DO or DDO endorses the check to the name of another DO or DDO, or the name of the financial institution. DOs may obtain cash from other DOs, a Federal Reserve Bank (FRB) or branch, or any commercial bank willing to provide the service, to include overseas Military Banking Facilities (MBFs). If a DO or DDO is unable to go to the bank to take possession of the funds due to excessive workload or location, he or she may arrange for the FRB or financial institution to ship the funds by registered mail or armored car. The local commander approves and funds this type of delivery.

*2. U.S. Treasury Check/Electronic Funds Transfer (EFT) Exchange-for-Cash. DOs or DDOs may procure cash (U.S. dollars (USDs) or foreign currency) for authorized disbursements and accommodation transactions overseas using EFT. Coordinate with an authorized MBF or local LDA for an account to receive the transfer as an Automated Clearing House or International Treasury Services (ITS.gov) transaction, and determine the exchange rate on the date of crediting to the DO’s account. DOs must cite the DO Cash TAS associated with their Service on the Optional Form (OF) 1017-G, Journal Voucher, as stated in the DoD FMR Volume 5, Chapter 7 when issuing a U.S. Treasury check or EFT for cash. These transactions are reported to the Payment Information Repository (PIR), which will feed the CARS daily account statement showing an increase to DO cash. Note – an issued U.S. Treasury check for cash is considered cash from a reporting standpoint regardless if negotiated.

3. Transfers Between DOs. DoD DOs may transfer funds among themselves following the same exchange-for-cash procedures used to procure cash. They may also accomplish these transfers using lines 2.37, Transfers from Other DOs, and 4.37, Transfers to Other DOs, of the DoD (DD) Form 2657, Daily Statement of Accountability, and Standard Form (SF) 1219, Statement of Accountability, but must coordinate to ensure they report this amount in the same reporting period (see Chapter 15, section 1505 and section 1506). Transfers must be reported by both DOs via two CTA transactions to reflect a decrease to the DO reducing the funds and an increase to the DO receiving the funds.

B. Notification to the Treasury. The Treasury Financial Manual, Volume I, Part 4A, section 4020 identifies Treasury’s requirement to maintain and update its operating cash balance (i.e., the government’s cash flow). DOs must therefore provide the Treasury with advance
notice of their cash requirements and other related information. For additional guidance on disbursement forecasting, see Chapter 9, section 0903.

**C. Cash Held for Operating Requirements.** DOs that maintain physical cash associated with a DD 1131, Cash Collection Voucher, must cite the appropriate Standard Line of Accounting (SLOA), which will include the TAS/BETC, for the collection transaction. Multiple collection vouchers may be consolidated under one transaction reported to Treasury at the end of day as long as they fall under the same program TAS/BETC and ALC. DOs must ensure that any consolidated transactions have an audit trail that can be validated at the individual transaction level. These transactions are reported to the CTA, which will feed the CARS daily account statement showing an increase to the DO cash TAS and an increase to the TAS on the collection voucher. This will increase DO accountability to reflect the entire amount of cash collected in as being retained for operating requirements.

**D. Protection of Currency in Transit**

1. **Notification to Commander.** A DO or another accountable official, either leaving the disbursing activity or arriving to pick up $10,000 and above, notifies the commander and the security police through the command or other duty officer. The DO must provide the time of departure, destination, estimated time of return, amount, and the source or disposition of the funds, as appropriate, for entry in the ship or station log.

2. **Transporting Cash.** The commander of the installation requesting cash is responsible to secure that cash at all times. The decision to have an armed escort, how many, or the type of transportation to be used is a command responsibility. The commander should consider such things as the amount of cash, distance and terrain, and type of transportation and local security forces available.

3. **Liability.** An accountable official (DO, DDO, agent, cashier, or other custodian of public funds) who has signed for the cash is pecuniarily liable for it pending its return to the DO. An accountable official who feels that the command has not provided adequate security may refuse to disburse such funds and return them to the DO.

**E. Verification of Money.** The accountable official verifies all cash received before acceptance. Verify unsealed money by actual count before acceptance or immediately upon receipt of shipment. The DO or DDO, at their own risk, may bundle-count sealed new money bricks presented with the FRBs packaging intact. When opening a bundle, verify it immediately upon opening with individuals present to witness both the breaking of the seal and the count. The accountable official must report discrepancies immediately by issuing a claim to Treasury via the bank that provided the money. Identify the bundle or brick in question and include a signed statement from the witnesses. For a disapproved claim, follow the request for relief of liability procedures in Chapter 6, section 0606. Verify and accept cash shipped to the accountable official in front of witnesses immediately upon receipt following these procedures, depending upon how the money is packaged.
F. Expenses. Charge bank fees and shipping costs incurred when procuring U.S. or foreign currency to the disbursing activity’s operating fund account.

G. Accounting for Premiums on Sales of Public Moneys or Securities. Under 31 U.S.C. § 3341, DOs of the U.S. Government may sell government warrants, checks, drafts, or obligations not the property of the official at a premium, or dispose of the proceeds of the warrant, check, draft, or obligation, only if the official deposits the premium and the proceeds in the Treasury with a depositary for the credit of the government. Credit General Fund Accounts 203220, General Fund Proprietary Receipts, Not Otherwise Classified, All Other, for the USD equivalent (USDE).

H. Registered Mail Shipments. Send an exchange-for-cash check to an FRB or MBF by registered mail. Keep a copy of the check and report it on line 6.7, as Cash in Transit, (see Chapter 15, section 1506) on the SF 1219 until the cash is received. When a DO is aware that the FRB or MBF has shipped the cash and has not received that cash within a reasonable period of time, contact the shipper to request the shipment be traced (see paragraph 030505). This is the least preferred method to obtain cash. Use it only after determining that all other procurement methods are not feasible.

I. Obtaining Cash by Transfer from Officer Relieved. DOs may obtain cash funds by transfer from another DO without the issuance of an exchange-for-cash check only upon the relief of a DO and only from the DO being relieved (see Chapter 2, paragraph 020406).

*030206. Treasury Account Symbol (TAS) for DO Cash

A TAS is established for each DoD Component to document the balance of DO cash held outside of the Treasury. The Treasury and the Office of Management and Budget determined that this fund group presents a reporting model consistent with the Statement of Federal Financial Accounting Standards 31 for unique activities for other Federal Program Agencies to record non-fiduciary, non-budgetary activities with Government (Federal) sources or Funds. DOs operating in a CARS daily reporting environment must classify each cash transaction with the DO Cash TAS. Cash funds obtained via a U.S. Treasury check or EFT are classified through PIR. Operating cash reductions and accommodation exchange transactions are reported through Collections Information Repository. Cash disbursements, cash collections, and cash transfers between DOs not deposited and/or maintained in the DOs accountability are reported through Classification Transactions and Accountability (CTA). The TAS for DO cash does not impact the current DO reporting environment as referenced in Chapter 15. DFAS Accounting sites utilize monthly SF 1219 data to report the DO Cash to the proper TAS. The TASs for DO cash are:

A. 017 X 6950 DO Cash, Department of Navy;

B. 021 X 6951 DO Cash, Department of Army;

C. 057 X 6952 DO Cash, Department of Air Force;
D. 097 X 6953 DO Cash, Defense Agencies; and

E. 096 X 6954 DO Cash, Corps of Engineers, Civil.

*030207  Reconciling Disbursing Officer Cash

DOs must reconcile daily all transactions reported on the DD 2657 and DO Cash TAS reflected on the CARS daily account statement. Funds obtained for disbursing purposes are reported through and reconciled with PIR (DoD FMR Volume 5, Chapter 11, paragraph 111004). Cash deposited and accommodation transactions are reported through and reconciled with CIR (Chapter 11, paragraphs 111103 and 111104). Cash disbursements, cash collections, and cash transfers between DOs not deposited and/or maintained in the DOs accountability are reported through and reconciled with CTA. To facilitate the reconciliation of cash transactions, DOs must maintain a log of all cash transactions, annotating the DO Cash TAS associated with each transaction. The log of cash transactions must include:

A. The DD 2657, Voucher Control Log; and

B. The detailed deposit activity report; or

C. A system generated report from the disbursing system.

0303 SAFEGUARDING CASH AND RELATED DOCUMENTS

030301. General

The commanders’ and DOs’ responsibilities to safeguard cash and other assets, related instruments, and supporting documents are described in paragraph 030302. All accountable officials are responsible for safeguarding public funds. DOs should minimize the number of accountable officials required to store public funds. Use the most secure container, vault, or safe available to safeguard, in order of priority, currency, undelivered checks, negotiable instruments, paid vouchers, blank U.S. Treasury and LDA checks (see Chapter 7, paragraph 070307), signature media, valuables (see Chapter 16, section 1603), and other records. The command security program must consider the maximum amount of each of these items that would normally be on hand at any time. Store classified material separately from public funds and documents.

030302. Responsibilities

A. The Commander. The responsibilities of the Commander include:

1. Approves a DO’s request to hold cash at personal risk, and is responsible for ensuring unannounced quarterly verification of cash and other assets in the disbursing office (see Appendix A);

2. Provides every individual entrusted with public funds with a vault, safe, or other adequate secure facility (e.g., a strong box) for the exclusive use of the assigned
individual. If it is not possible to provide separate safes, furnish separate locked compartments in a safe or separate strongboxes stored in a safe or vault. Always store public funds separately from other funds;

3. Develops a security program and publishes it in a command instruction or notice. The security program must provide adequate protection for the maximum amount of public funds and related documents and instruments on hand at any given time;

4. Ensures personnel protection is included in the overall disbursing security program. This includes the requirements for periodic review of the adequacy of the security measures in place and for testing the security equipment for proper operation on a semiannual basis;

5. Provides armed guards for the escort of public funds to and from the disbursing office. When necessary, acquires an armored car service using locally-available mission funds (see subparagraph 030205.C.2); and

6. Provides fire protection of government facilities and funds.

B. DOs.

1. DOs safeguard all public funds they collect or otherwise have in their custody or control, and they are accountable and subject to pecuniary liability for their loss. DOs are prohibited from lending, using, depositing, or exchanging public funds in their possession for other funds except as specifically allowed by law. DOs secure public funds until ordered by proper authority to transfer or disburse them. When DOs receive orders for transfer or payment, they execute transactions and perform all other duties as imposed by law or regulations in conformity to the law. In case of disaster, DOs should secure and preserve the accounts of all personnel, public money, and other papers and property in order of their importance as circumstances permit (see section 0308).

2. DOs, DDOs, agents, cashiers, custodians, or alternates with custody of public funds assign each person a separate secured container. Although all appointed or assigned accountable officials are liable for any loss of public funds in their custody, the DO holds overall responsibility and is subject to pecuniary liability, jointly or severally, for any losses associated with these personnel. Therefore, DOs ensure that all DDOs, agents, cashiers, imprest fund cashiers, and other custodians of public funds are fully aware of their responsibilities to properly handle and protect public funds. The DO or designee personally inspects office security, keeping a record of each inspection, at least semiannually to ensure that:

a. Vaults and safes are not accessible to unauthorized persons (e.g., limit access to vaults using vault day gates to which only authorized personnel have the keys);

b. Cash in excess of the amount required and authorized for official purposes is deposited promptly;
c. Windows and doors are limited and barred and/or locked at all times after business hours;

d. Access to the working area is marked conspicuously with “AUTHORIZED PERSONNEL ONLY.” Conduct transactions from a cage, room, or counter enclosure, constructed to provide a physical barrier to normal traffic with minimal interference from other activities and personnel of the office;

e. Security devices for the check signing machines, digitized signature media, meters, and plates are in the custody of the DO or authorized DDOs at all times;

f. Internal office procedures are established and implemented to provide adequate controls on all undelivered and returned checks. Assign responsibility of checks, which includes receipt, holding, and final distribution, in writing;

g. The commander is aware of any security shortfalls or breaches, and any request for adequate safeguarding facilities previously denied. Inform the supporting DFAS site of unresolved facility issues that relate to the ability to safeguard public funds;

h. All DDOs, agents, cashiers, and custodians receive written and oral instructions regarding the proper care and handling of cash and other accountable documents. The DO should keep an affidavit from each accountable individual attesting to receipt of such instructions;

i. All cash, blank Treasury and LDA checks, and related items are kept in a vault, safe, or security container that meets minimum security standards prescribed in section 0303;

j. All safes and security containers aboard ships and on installations that are on rollers or weigh less than 750 pounds are stored in a vault or secured in such a way as to prevent movement;

k. A vault, safe, or security container visible to the exterior of the office is illuminated;

l. The combinations of all vaults, safes, and security containers are changed at least once every 6 months and upon relief, transfer, separation, or discharge of the accountable official. The accountable official is prohibited from sharing the combination or key with anyone and places the combination of each safe and duplicate key of each strong box in separate sealed, signed, and dated envelopes such that an unauthorized opening can be detected. The DO keeps the sealed envelopes of all accountable officials in his or her safe or vault and delivers the combination and/or keys to their safe or vault to the commander, security officer, or another designated official for retention. Authorized personnel access the sealed combinations only in an emergency requiring the opening of the safe or vault;
m. A record of combination changes, dated and signed by the accountable official, is kept inside each vault, safe, or container;

n. To limit the possibility of the combination being observed, the dial to the vault, safe, or container is concealed by a shield made of suitable material;

o. The name and phone number of the accountable official is posted on the inside of the vault, safe, or container. DOs may use an SF 701, Activity Security Checklist, or SF 702, Security Container Check Sheet, as appropriate, to assist in the control and proper safeguarding of public funds stored in vaults, safes, and/or containers. If the forms are not available, post a unique container number along with a “24 hour” duty phone number on the outside of the vault, safe, or container allowing the duty personnel to contact the accountable official;

p. Keys to the workspace or disbursing office are strictly controlled. Keep a record that identifies who has keys and when they were issued and surrendered; and

q. All security equipment is tested at least every 6 months for proper operation. Keep a record of the tests maintained.

030303. Intrusion Detection Systems (IDS)

A. General. IDS are vital to any system that provides in-depth protection for a secure area. The DoD supports a policy on the use of IDS for resource protection purposes. The commander, in the exercise of his or her responsibility to provide security, considers components of the DoD Joint-Services Interior IDS. In special cases, components of the base and installation security system, generally used for security applications, may also be available for resource protection requirements.

B. Alarms. Consider using alarms to deter entry to the general disbursing area or actual storage container. There are three levels of alarm protection: penetration, motion, and point detection. A minimum of two levels of detection capability provides the best in-depth protection. Post conspicuous warnings of the existence of alarms and publicize the existence of alarms to gain the full benefit of psychological deterrence.

C. Maintenance. Maintain and regularly test a system maintenance program to ensure the alarm system operates properly. Protect against bypassing the alarm system consistent with DoD requirements.

D. Alarm Monitor Responsibilities. Train monitors to understand, operate, and monitor the alarm system so they may work closely with the security police and unit personnel, and act as a liaison in this special role.
3-15

030304. Storage Containers

A. Categories

1. Vaults and Safes

   a. Vaults. When possible, provide a disbursing office a built-in, fire-resistant vault with at least a three-position, dial-type combination lock; with the door and vault being able to resist a fire for a minimum period of two hours. Store all safes containing funds and when possible, the instruments and documents cited in subparagraph 030304.B, in the vault. Follow the requirements of the DoD Physical Security Equipment Guide, UG-2045-SHR, when constructing new vaults, doors, and intrusion devices.

   b. Safes. When vaults are not available, DOs, DDOs, agents, cashiers, and other custodians of public funds use combination three-tumbler lock, tool-resistant safes available at General Services Administration (GSA) Global Supply or GSA Federal Supply Schedules (FSS) to store public funds. If such a safe is not available, use a field safe secured properly to an immovable object. Post a guard in an unsecured building at the direction of the commander. Store irreplaceable checks, bonds, or other perishable records in combination three-position, dial-type, insulated, and built-in fire-resistant money cabinets/safes. For temporary storage, Class 5 file cabinets with three-position, dial-type, and built-in combination locks can be used to protect against forced entry. File cabinets with steel lock bars or without forced-entry protection are not adequate.

2. Security Containers. Class 1 and Class 5 cabinets provide the greatest protection against forced entry. GSA approved security containers have the following Federal specifications:

<table>
<thead>
<tr>
<th>Type</th>
<th>Specifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 1 or Class 2 Cabinet</td>
<td>AA-F-357 (GSA-FSS)</td>
</tr>
<tr>
<td>Class 4 or Class 5 Cabinet</td>
<td>AA-F-358 (GSA-FSS)</td>
</tr>
<tr>
<td>Class 5 or Class 6 Map and Plan File</td>
<td>AA-F-363 (GSA-FSS)</td>
</tr>
<tr>
<td>Class 6 Drawer File</td>
<td>AA-F-358 (GSA-FSS)</td>
</tr>
</tbody>
</table>

3. Burglary Resistant Safes. The intent of burglary resistant safes is to prevent forced entry. The numerical value cited represents the time in minutes that the safe will resist forced entry. These safes provide a greater degree of protection than GSA rated security containers. Commercial burglary resistant safes are certified by Underwriters Laboratories according to the following classifications:

<table>
<thead>
<tr>
<th>Type</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tool-Resistant Safe (TL)</td>
<td>TL-15 or TL-30</td>
</tr>
<tr>
<td>Torch and Tool-Resistant Safe (TRTL)</td>
<td>TRTL-30 or TRTL-60</td>
</tr>
</tbody>
</table>
B. Requirements

1. Currency, Negotiable Instruments, and Paid Vouchers. DoD Component security and resource protection programs ensure compliance with the following minimum requirements for storing currency, negotiable instruments, and paid vouchers. Previously approved storage containers currently in use may continue to be used. The Naval Sea Systems Command may designate specific containers for use on Navy ships.

   a. Under $7,500. Commanders establish these requirements. Any security container or burglary resistant safe listed in subparagraph 030304.A is acceptable.

   b. $7,500 - $50,000. Use a security container with a Class 1 or Class 5 rating, or a burglary resistant safe with at least an Underwriters Laboratories classification of TL-15, and having a Group 1R combination lock.

   c. $50,000 or more. Use a burglary resistant safe or vault with at least an Underwriters Laboratories classification of a TL-30 and having a Group 1R combination lock.

2. Other Items. Blank checks, signature media, and personal valuables held for safekeeping (see Chapter 16, subparagraph 160101.A) are not part of a DO’s accountability. Store them in a security container with at least a Class 1 or Class 5 rating or a burglary resistant safe separate from the one used to store the items listed in subparagraph 030304.B.1.

0304 ADVANCING CASH TO AGENTS

*030401. Deputy Disbursing Officers (DDOs), Agents, and Cashiers

A. Authority. DOs advance cash for official use to their DDOs, agents, and cashiers on a DD 1081, Statement of Agent Officer’s Account, whether by cash disbursement; or by EFT; or by exchange-for-cash checks, with instructions to negotiate the checks only as funds are needed. The DO reports un-negotiated checks as funds with agents; DDOs, agents, or cashiers report them as “Cash on Hand.” The DO reports funds in the custody of DDOs, agents, and cashiers in the main disbursing office on Line 6.2, Cash on Hand, of the SF 1219, and report agents outside the main disbursing office on Line 6.5, Cash in the Custody of Government Cashiers, of the SF 1219 (see Chapter 15, section 1506).

   1. Advance Cash From the Vault. The DO Cash TAS is not impacted when funds from the vault are advanced to an agent. The funds were previously reported to the DO Cash TAS prior to the advance taking place.

   2. Advance With a U.S. Treasury Check or EFT. The DO Cash TAS will increase when funds are advanced to an agent utilizing either a U.S. Treasury check or EFT and are reported to the PIR, which will feed the CARS daily account statement.
B. **Amount Limits.** Under normal conditions, do not advance an amount of cash to a DDO, agent, or cashier that exceeds their CHA. There are occasions where cash may be entrusted to DDOs, agents, or cashiers in other amounts when required to maintain efficient operations (e.g., during the authorized absence of the DO and on paydays). The total amount held by the DO, DDOs, agents, and cashiers may not exceed the DO’s CHA.

C. **Custody.** Each DDO, agent, or cashier stores entrusted cash in a safe or adequate container assigned for his or her exclusive use as specified in section 0303. Only the assigned DDO, agent, or cashier may know the combination of the safe or container. If the commander deems it necessary to gain access to the safe or container, open it and verify the contents.

D. **Balancing.** DDOs, agents, and cashiers entrusted with official funds must balance the cash in their custody daily using **DD 2665**, Daily Agent Accountability Summary, as the permanent record of balancing (see Chapter 15, subparagraph 150201.B). The DO ensures that each DDO, agent, or cashier is aware of the frequency for balancing and submitting the DD 1081, and uses it as a summary of cash transactions and receipt for cash and vouchers on hand. Each DO submits a DD 1081 no less frequently than monthly. A DDO, agent, or cashier who will be absent for more than 5 workdays returns all funds and accountable documents to the DO with properly executed DD 2665s and DD 1081s before departure, reporting any shortage or overage immediately (see Chapter 6, section 0604).

E. **Collections and Disbursements**

1. **DDOs, Agents, and Cashiers in the Main Disbursing Office.** DDOs, agents, and cashiers account for all negotiable instruments, collection and disbursement vouchers, and other accountable documents on a DD 2665 and turn them in daily to the DO under the cover of a DD 1081. They must retain currency collected over and above the currency disbursed when authorized by the DO if the total funds held are within the limitations specified in paragraph 030203. The DD 1081 also serves as a receipt for the funds that remain in the DDO’s, agent’s, or cashier’s custody. When additional funds are required due to disbursements greater than collections or other authorized transactions, the DO may replenish the funds in the net amount of acceptable vouchers and negotiable instruments delivered with the DD 2665s and DD 1081s. The DO prepares a DD 1081 for the amount of funds advanced (see Chapter 15, section 1504).

2. **DDOs, Agents, and Cashiers at Branch Disbursing Offices.** When DDOs, agents, and cashiers are serving in branch offices where reporting transactions in person is impractical, the DO may authorize transmittal of the transactions by electronic or regular mail, or messenger. Account for these transactions on a DD 2665 under the cover of a DD 1081. The DDO, agent, or cashier signs the original and duplicate of the DD 1081 and sends it with the DD 2665 and substantiating vouchers, negotiable instruments, and documents to the DO. After examining and accepting the DD 1081, the DO acknowledges receipt on the duplicate copy of the form and returns it to the DDO, agent, or cashier. The DO may replenish funds following subparagraph 030401.A.
3. **DDOs, Agents, and Cashiers Under Other Commands.** DDOs, agents, or cashiers not under the same command as the DO must deposit negotiable instruments whenever possible (e.g., an investigative service or support center, intelligence command, U.S. Defense Attaché Office). If a deposit is $5,000 or more, mail or present the deposit to the nearest FRB or its branch. Transmit deposit tickets, collection and disbursement vouchers, and other accountable documents electronically, or send them by mail or messenger to the DO. Account for the transactions on a DD 2665 with a cover DD 1081, preparing the latter following Chapter 15, section 1503 and section 1504. The DO may determine that the volume of transactions is small enough to allow submission of a single DD 1081 monthly.

F. **Records.** Identify transactions made by other than the DO by the name of the DDO, agent, or cashier. The DO determines the method to be used. Identify negotiable instruments cashed by someone other than the DO following Chapter 4, paragraph 040204.

**030402. Cash to Paying Agents (PAs)**

DOs furnish PAs written instructions to ensure they observe pertinent disbursing procedures including safeguarding funds; identifying payees and obtaining their signatures; requiring vouchers, documents, and certifications; and returning of funds and vouchers.

A. **Funds Advancement.** Complete a DD 1081 to document the cash entrusted to PAs authorized to make payments, currency conversions, or check cashing transactions. The DO must establish and implement controls to preclude advancing amounts in excess of requirements for the assigned mission or other anticipated valid requirements. PAs may not commingle cash advanced to them with any other funds nor advance it to any other person.

B. **Funds Return.** Agents returning paid vouchers and deposit tickets results in a reduction of DO accountability, which also results in a reduction in the balance of the DO Cash TAS. Returns of residual cash to the DO will not impact the DO Cash TAS since the funds were previously classified under the DO Cash TAS.

C. **Advanced Cash.** Normally, PAs may not retain advanced cash overnight, but must promptly return the paid vouchers, negotiable instruments, and residual cash to the DO with a properly completed DD 1081 (see Chapter 15, section 1504). When circumstances require a PA to retain cash overnight, follow the custody requirements in subparagraph 030401.C and return the paid vouchers, negotiable instruments, and residual cash as soon as possible after making the authorized payments, normally within 24 hours. The DO must notify the PA’s commanders when the PA fails to make a prompt return, or if a loss of funds or vouchers occurs.

**030403. Agents of Friendly Foreign Nations**

A. **Authority**

1. **Basic Agreement.** DoD DOs may advance cash to DOs, cashiers, or other members of a friendly foreign nation’s armed force to disburse pay and allowances to their members if the President has made an agreement with the foreign country pursuant to 10 U.S.C. §
An advance may also be used to allow that armed force to purchase necessary supplies and services under a basic intergovernmental agreement negotiated in accordance with DoD Directive 5530.3, International Agreements, to include coordination with the Combatant Commander involved, the U.S. Ambassador or Chief of Diplomatic Mission, the DoD General Counsel, and the governments of the friendly foreign nation and the United States.

2. **Supplemental Agreement.** A supplemental agreement establishes:

   a. The type of personal identification required for a DO or individual member when drawing an advance of funds;

   b. The maximum amount that may be advanced to an individual;

   c. Protection for the lender nation against loss from fluctuating exchange rates;

   d. The address of the respective settlement offices to which the lender nation DO forwards receipts for fund advances with requests for reimbursement;

   e. Procedures for local settlement when feasible or, if not feasible, between the signatory nation’s representatives in Washington, DC or another designated location;

   f. That settlement may be in cash or by check, and in the type of currency used to make the advance. Make settlement in the lender nation’s medium of exchange (when possible); and

   g. Other provisions local conditions may require.

B. **Conditions**

DO advances cash only against the signed receipt of the individual members of the armed force receiving the advance for the following purposes and under the following conditions:

1. To a DO of an armed force of a friendly foreign nation wanting to provide pay and allowances for troops or purchase necessary supplies and services. The DO must present proper personal identification and the unit must be serving in an area where personnel temporarily are unable to obtain funds from their own nation; or

2. To individual armed force members of a friendly foreign nation in need of funds, serving in an area temporarily separated from their units and the DO of that force is not available to make payments. These individuals must be identifiable as members of an armed force of a friendly foreign nation with which an intergovernmental agreement for advances exists.
C. Documentation. The receipt must include the name, rank, service number, title, organization, and country of the individual receiving the advance; purpose for which the advance is needed; type and amount of currency to be advanced; prevailing rate of exchange to one USD at the time the advance is made, if applicable; and name, rank, organization, and address of the DO making the advance.

D. DoD Rewards Program to Assist in Combating Terrorism

1. Authority. Payment of rewards to assist in combating terrorism is authorized by 10 U.S.C. § 127b (also see Volume 12, Chapter 17, paragraph 170102). When payment of these rewards by U.S. personnel is not practical, DOs may advance cash to agents of friendly foreign nations’ armed forces to make the payments. The international agreement and authorities in subparagraph 030403.A1 do not apply.

2. Controls. Agents of friendly foreign nations appointed under Chapter 2, section 0207 are agents of the DOs who advance cash to them. Commanders and DOs have the same oversight and internal control responsibilities regarding these agents as they do for U.S. PAs. DOs may advance cash to properly appointed PAs only in amounts required to pay specific approved reward payments to identified payees.

030404. Change Funds

A. Authorization. When the operation of a clothing sales store, government laundry, or other appropriated fund activity engaged in selling property or services requires cash for making change, the activity’s officer in charge requests that the commander establish a change fund. After approval, the commander or designee appoints a change fund custodian. The appointing document specifies the amount of cash to be advanced by the DO or DO’s agent, who issues written instructions to the custodian when advancing the change fund covering the custodian’s responsibilities for safeguarding the cash and their pecuniary liability for losses. The DO or agent providing disbursing service to the installation or activity where the sales activity is located provides the authorized change fund advance and records the advance in his or her accountability as cash in the custody of government cashiers.

B. Fund Limit. A change fund may not exceed $250 for each cash register operated in an activity. When a cash register has more than one drawer, each drawer may be considered as a register. The commander may authorize additional amounts consistent with good cash management principles. Upon approval of the commander, authorized collecting agents may also be change fund custodians to facilitate making change.

C. Fund Increases. A commander may authorize an additional $50 for each cash register, and an amount not to exceed $500 for each accountable medical services’ change fund custodian. For extended operations (e.g., Sunday operations), a commander may approve an additional amount up to $50 per cash register when there is limited or no banking support.

D. Documentation. The DO or agent prepares a DD 1081. The change fund custodian signs and returns the original to the DO or agent for the amount of funds advanced. The
change fund custodian returns all cash to the DO or agent upon termination of their appointment and prepares a DD 1081 to document the return. The DO or agent acknowledges receipt of the cash by signature on the duplicate copy of the DD 1081 and returns it to the custodian. A DO or agent may recall a change fund when it is necessary to verify the DO’s or agent’s cash. On completion of such verification, the DO or agent re-advances the funds to the change fund custodian. Also, unannounced inspections, including cash counts of change funds, are required at least quarterly by the cash verification team.

E. Change Fund Irregularities. The custodian follows Chapter 6, Table 6-1 and informs the officer who advanced the funds immediately of any fund irregularity (e.g., shortage or overage).

030405. Imprest Fund Cashiers

Imprest funds are authorized only as an exception to this volume. See Chapter 2, section 0209.

0305 SHIPMENT OF PUBLIC FUNDS

030501. General

A. Authority. Shipment of valuables is authorized by the Government Losses in Shipment Act (40 U.S.C. Chapter 173). Shipments are insured under this authority; do not purchase supplementary insurance.

B. Authorized Purposes. A DO is authorized to ship public funds to deposit into an official checking account; deliver funds to another DO as an exchange-for-cash transaction; ship damaged or mutilated currency (see subparagraph 030507.B); and obtain funds from a bank or another DO by exchange of a check for cash.

C. Methods of Shipment. Ship public funds in a manner that provides the greatest possible protection against risk of loss, destruction, or damage to the funds:

1. Public funds may be shipped by registered mail or courier, office messenger, government conveyance, railway express, contract armored car service, or as cargo via Air Mobility Command (AMC) signature security service, depending upon availability of means of transit. The normal methods are registered mail and AMC cargo;

2. Shipment by registered or certified mail is preferred in the case of checks, drafts, and money orders. Shipment by courier is preferred in the case of currency and coin;

3. Do not use certified mail to ship currency and coin. Use shipment by government conveyance or railway express only in the case of currency or coin of excessive weight or bulk; and
4. Transfers between DOs afloat using airlift (helicopter) or high-line is also authorized during underway replenishment at sea; attach a buoy or other reliable floatation device to the container to aid in recovery that may be required.

D. Record of Shipment. In addition to accounting documents required in the case of transfers and deposits of public funds, and in order to provide the record required by Treasury regulations, describe each shipment of funds in detail on **DD 165**, Shipment of Funds.

030502. Shipment of Funds

A. General. Use a DD 165 to ship coin or currency, regardless of the amount (see Figure 3-2). This form is not required for shipments for deposit to the Treasury or to a bank if the shipment consists only of checks and money orders, and the record of instruments deposited required by Chapter 11, section 1108 is otherwise maintained. In addition to the retained copy of the DD 165, the shipping DO keeps the registry or other carriers’ receipts and any other documents incident to the shipment until assured that the shipment has been completed and no claims actions will be initiated.

B. Distribution of DD 165

1. Include the original and duplicate with the shipment.

2. Send a copy by mail directly to the consignee as a notice of shipment when the amount equals or exceeds $10,000.

3. The shipping officer keeps a copy. This copy bears the DO’s and verifying witnesses’ original signatures to substantiate any claim for loss in shipment.

C. Shipment by Registered Mail or as Cargo via AMC. When shipment is by registered mail or as cargo via AMC, show the registry number and the date the shipment was delivered to the post office or terminal on all copies of the DD 165. Whenever feasible, limit single shipments to $250,000. Package registered mail and AMC shipments to prevent breakage in transit. For registered mail shipments, the appropriate postal official signs the shipping officer’s copy in the space beneath the block "Delivery Date and Time." Advice as to adequate packaging is available from military post offices.

D. Shipment by Courier. When shipment is by courier or office messenger, the shipping DO encloses the funds in a securely sealed envelope, moneybag, or other suitable container bearing the name and address of the consignee. Any Armed Forces member on active duty, DoD civilian employee, or individual serving as a courier for the Department of State may serve as courier for delivery of funds represented by currency, checks, drafts, or money orders. The courier takes all practicable precautions to protect the shipment. The courier signs the copy of the DD 165 retained by the shipping officer in the space beneath the block "Delivery Date and Time" as a receipt for the shipment.
E. Shipment by Office Messenger. When shipment is through a message center, an authorized message center official enters the registry number in the “Delivery Date and Time” space on the shipping officer’s retained copy of the DD 165. Upon receipt of the shipment, the consignee, after verifying the contents of the shipment, signs the original DD 165 in the last signature block and returns it to the shipper as a receipt. The consignee also signs a copy of the DD 165 in the space beneath "Delivery Date and Time," gives it to the courier as a receipt for the shipment, and annotates the advance copy providing notice of shipment to indicate the date of receipt and keeps in his/her retained records. If the services of an office messenger are used, the messenger also signs the consignee’s retained copy in the block for "Delivery Date and Time."

F. Shipment by Government Conveyance. When the shipment is of such weight or bulk as to make other methods of shipment impracticable, government conveyance may be used. The DO makes necessary arrangements for the shipment and receives the bill of lading for delivery with the shipment. In all cases, the DO is the shipper and the consignee is responsible for the receipt of the funds. The DO is responsible for direct delivery to the carrier and obtaining a receipt on a copy of the bill of lading.

G. Shipments by Armored Car Service

1. General. Shipment of funds by commercial armored car service is authorized when it is cost effective and offers the greatest protection against loss. Charge the cost to the operations and maintenance or working capital funds available to the DO.

2. Obtaining Funds from Banks. Since FRBs comply with Treasury regulations in making shipments of money, funds may be obtained by sending them an exchange-for-cash check with instructions for delivery of the funds in the desired denomination to an armored car carrier. When funds are obtained from a bank other than an FRB, the DO accepts the funds at the bank and turns them over to the armored car carrier for transport.

030503. Action by Consignee

A. General. On receipt of a copy of a DD 165 as notice of shipment, the consignee is the intended recipient or authorized official designated by the activity receiving shipment and is responsible for arrangements to receive the shipment. On receipt, the consignee ensures that the shipment is opened and inspected by one or more responsible employees. The consignee signs the original DD 165 and returns it to the shipping officer as a receipt. If a courier made the shipment, the consignee signs and returns a copy of the DD 165 to the courier as an acknowledgment of receipt of the shipment.

B. Funds for Deposit. When the shipment represents funds for deposit, the consignee completes the deposit ticket and returns the required copies to the DO. The consignee immediately advises the shipping officer of any difference between the amount and quantity listed on the copy of the DD 165 and in the actual shipment at the time of opening. If the shipment fails to arrive in due course, the consignee immediately notifies the shipping officer, the post office, or office of other carrier through which delivery was arranged. The consignee also immediately
notifies the shipping officer of any damage to the shipment. All findings of the consignee in such cases are a matter of record subject to inspection in connection with any necessary investigation.

030504. Action by Consignor

The consignor (shipper) takes prompt action to trace a shipment of funds for which a signed DD 165 is not received within a reasonable time. The consignor initiates telephone or message contact with the consignee to ensure compliance with paragraph 030503.

030505. Losses in Shipment

Accountability for public funds rests with the consignor until the consignee has received and verified all cash listed on the DD 165. If funds shipped as prescribed are lost, destroyed, or damaged, the shipping officer sends an immediate written report to Bureau of Public Debt (BPD), Division of Financial Management, Department of the Treasury, Room 201, PO Box 1328, Parkersburg, WV 26106-1328. The shipping officer also notifies the agent in charge of the nearest U.S. Secret Service (USSS) office, the appropriate investigative service, the local post office, or local office of the carrier service used to place a tracer on the shipment, and takes such other action as may be necessary to facilitate recovery. The shipping officer sends a copy of the report to the consignee and DFAS Indianapolis, ATTN: (DFAS-ZPFA/IN), 8899 E. 56th Street, Indianapolis, IN 46249-0500 or email to dfas-in.disbursingpolicy@mail.mil. If the loss, destruction, or damage is $10,000 or more, or delay in reporting might delay the government’s recovering the shipment, the shipping officer sends the report with written confirmation that includes the:

A. Date of shipment;
B. Amount and type(s) of the valuables lost, destroyed, or damaged;
C. Name and address of the consignee;
D. Method of transportation, name of the carrier, and location of the carrier’s office from which shipment was made;
E. Registry or other receipt number; and
F. Cause of the loss, destruction, or damage, if known.

030506. Recovery Action

A. General. Recovery action is the responsibility of the officer accountable for the lost or damaged shipment. When an exchange-for-cash check has been issued, this responsibility and accountability rests with the shipping bank or DO (consignor). Accountability for the check remains with the check-issuing DO (consignee), who reports the amount on the SF 1219 as funds in transit. The consignee determines the shipping officer’s actions and monitors the subsequent investigative process.
B. **Cash Lost In Transit.** For cash lost in transit to a depositary, accountability rests with the shipping DO, who takes the reporting and recovery actions required following Chapter 6, section 0604. The shipping DO records the loss of funds on 7.3, Losses of Funds, on the SF 1219. If the DO is reassigned before recovery can be affected, the relieving DO does not take responsibility for the loss, but records it on Line 9.3, Losses of Funds, on the SF 1219. The relieving officer also ensures that necessary claims are properly filed, and that the proceeds from the claims are properly applied against the loss.

C. **Checks and Money Orders.** The DO acts to recover the amount of lost negotiable instruments following Chapter 11, subparagraph 110803.H. If this recoups the full amount of a lost deposit, do not file the claims described in subparagraphs 030506.D or E. If it does not result in full recovery, the DO may request relief of liability for the unrecovered portion, supported by copies of all correspondence pertaining to the unsuccessful recovery action (see Chapter 6, section 0606).

D. **Claim for $100 or Less Against U.S. Postal Service (USPS).** USPS liability in the case of lost cash shipped by registered mail is generally limited to shipments of $100 or less, and only the consignor (mailer) may file a claim for a lost shipment. The consignor may file a claim for damage or partial loss using Postal Service (PS) Form 1000, Domestic or International Claim. The accountable DO obtains a copy of the form as a means of tracing the shipment; such a filing does not constitute a claim. If a DO files a claim online at the USPS website, the PS 1000 is not required.

E. **Claim in Excess of $100 Against the Treasury.** The DO sends claims for the value of lost currency shipments exceeding $100 to Secretary of the Treasury through the supporting DFAS site. The DO ensures:

1. The proof of claim includes satisfactory proof of loss, destruction, or damage. The claim must include the original DD 165, which will be returned after adjustment of the claim. The DO ensures that all applicable blocks on the form are complete and the form is signed or the BPD will not process the claim. The consignor (shipping officer) submits a statement concerning the loss, destruction, or damage to the shipment or any part thereof.

2. If the consignee receives a shipment with contents not intact, the statement describes the circumstances relating to the condition in which the shipment was received and the manner of inspection and verification of its contents. The claim must also include affidavits covering the loss, destruction, or damage to the shipment from the consignee and the carrier, as well as statements and recommendations of the investigating officers.

3. In the case of lost shipments for which an exchange-for-cash check was issued to an FRB or another DO, the check-issuing DO requests that the shipping officer provide copies of all documentation. All necessary and reasonable steps to recover the lost, destroyed, or damaged shipment must continue after filing the claim. DOs ensure that all recoveries and refunds received following favorable consideration of the claim are turned over to the Treasury. See [Title 31, Code of Federal Regulations, part 361](https://www.gpo.gov/fdsys/freefulltext/31CFR361.pdf) for claims under the Government Losses in Shipment Act.
F. Restitution and Relief. The BPD grants claims for relief for lost, damaged, or destroyed shipments only if the shipping officer strictly followed prescribed procedures. If a claim is denied, the accountable DO may either make restitution of the missing funds or submit a request for relief of liability following Chapter 6, section 0606. The request will be adjudicated according to Chapter 6, section 0607 and U.S. laws and regulations applicable to accountable official liability. If a claim is approved, the BPD sends a refund via the Intra-governmental Payment and Collection (IPAC) system. The DO must provide an agency location code before transmission. If no IPAC capability exists, contact the supporting DFAS site.

030507. Unfit U.S. Currency and Coin

A. Responsibility for Cancellation and Destruction. Under 12 U.S.C. § 413, the Secretary of the Treasury is responsible for the cancellation and destruction of U.S. currency unfit for circulation. The Secretary has, under 31 U.S.C. § 321(b)(2), delegated these responsibilities to the Treasurer of the United States, who subsequently re-delegated them to the Director of the Bureau of Engraving and Printing (BEP). There are no further re-delegations.

B. Mutilated Currency

1. At least three disinterested persons must inventory damaged or mutilated U.S. currency or fragments thereof recovered from inadvertent wartime destruction or peacetime catastrophes affecting DoD property and personnel (e.g., aircraft crashes, ship sinking, building explosions, chemical spills). These persons normally can determine the value of the currency, but if they cannot, the DO sends the currency to the BEP for determination of value. The address is BEP, Mutilated Currency Division/Office of Financial Management, Room 344A, P.O. Box 37048, Washington, DC 20013 if shipping via the USPS; or to 14th and C Streets SW, Washington, DC 20228 if shipping via other means. Insure the shipment and request a return receipt.

2. Package the unfit currency as follows:

a. Regardless of the condition of the currency, do not disturb the fragments more than necessary.

b. If the currency is brittle, pack it carefully in suitable cushioning material, and box it as found, without disturbing the fragments any more than necessary.

c. When possible, leave mutilated currency that was in a purse, box, or other container as is to prevent either further deterioration or loss of the fragments.

d. If it is necessary to remove the fragments from the container, send the container with the currency and any other contents found.

e. If the money was flat when mutilated, do not roll or fold it.
f. If the money was in a roll when mutilated, do not attempt to unroll or straighten it.

g. Carefully remove coins or any other metal that may be mixed with the currency. Do not send coins or other metal in the same package with mutilated currency, as it may further damage the currency.

h. Send properly packaged currency to BEP by registered mail (see subparagraph 030507.B.1), return receipt requested, and insure the shipment. Because the BEP issues written confirmation for cases that it expects to take longer than eight weeks to process, DOs should include a specific request to receive a written confirmation. A DO not receiving confirmation during this time initiates follow-up procedures with the BEP by mail or telephone at (866) 575-2361.

C. Mutilated Coins. U.S. coins that are bent, broken, not whole, or fused and melted together are "mutilated." For additional information on mutilated coins, see the guidance under 31 CFR 100, Subpart C. Refer questions on the disposition of mutilated or contaminated coins to the U.S. Mint’s Office at 1-800-872-6468, or contact DFAS-ZPFA/IN.

D. Worn Coins. Any FRB or branch will redeem at face value U.S. coins that are worn or reduced in weight by natural abrasion, yet are readily and clearly recognizable and machine countable.

E. Contaminated Currency

1. Contaminated currency is that which has been damaged by or exposed to contaminants or poses a health hazard or safety risk and cannot be processed under normal operating procedures. This does not apply to currency that has been exposed to a bio-terrorist agent (either biological or chemical). Contamination may result in currency emitting offensive odors and displaying mold-like conditions, and may be caused by the following:

   a. Prolonged exposure to water or other liquids;
   
   b. Exposure to blood, urine, other bodily fluids, or feces, including removal from any body cavity, corpse, or animal;
   
   c. Exposure to sewage;
   
   d. Exposure to any foreign substance or chemical, including dye-packs, which may pose a health hazard or safety risk; or
   
   e. Mold or mildew.

2. The DO contacts the Office of Currency Standards, BEP at (202) 874-2361 to arrange an on-site BEP review or to obtain disposition instructions.
0306 WEPONS FOR CASH PROGRAM

030601. Authorization

The weapons for cash program requires Secretary of Defense authorization. The senior operational commander provides funding authorization for weapons procurement. The total amount advanced to PAs under this program may not exceed this authorization. Before providing additional funds, the commander must adjust the authorization.

030602. PAs

Use PAs to ensure successful operation of the program (see Chapter 2, paragraph 020704). The DO advances cash following paragraph 030402 in the currency of the country involved, referring to Chapter 13, section 1303 for guidance on obtaining the required foreign currency.

030603. Weapons Purchases

Proper accounting is required for each disbursement. Use an SF 44, Purchase Order-Invoice-Voucher, or other available chain-of-custody type receipt. Each seller’s receipt must include the seller’s name and (if possible) identification number, weapon description and serial number, and amount disbursed. The PA ensures the seller’s signature appears on the receipt. Prepare the original and three copies of the disbursement document (seller’s receipt). Provide the original and one copy to the DO, attach one copy to the weapon (for inventory control), and give one copy to the seller.

030604. Clearing or Replenishing the PA’s Account

A PA prepares a DD 1081 for the total amount of all disbursement document vouchers turned in, which includes the original and one copy of each document (receipt), any residual cash advanced from the DO or designated representative, and a copy of the approval to establish a weapons for cash program. If replenishment of a PA’s account is necessary, the PA prepares the DD 1081 as prescribed and submits it to the supporting DO who replenishes the PA’s account for the approved amount shown on the DD 1081, subject to paragraph 030402.

0307 COUNTERFEIT OR ALTERED U.S. CURRENCY

030701. Detected Before Acceptance

A DO confiscates U.S. currency presented for exchange or payment of an obligation to the United States that he or she determines is either counterfeit or altered, gives a receipt indicating the type, denomination, and amount of the confiscated currency to the person presenting it, and obtains information from that individual regarding the currency’s source. The DO delivers the currency, by letter of transmittal with all available information, to either a representative of the appropriate investigative service (if available) or the nearest military security agency, obtaining a receipt in either case. Since such currency is suspect, no entries in the DO’s accounts are required.
030702. Detected After Acceptance

A. Reimbursement Obtained. Upon discovering counterfeit currency, the DO requests reimbursement from the source from which received, and follows paragraph 030701. No loss to the DO accrues, and no entries in the DO's accounts are required.

B. Reimbursement Not Obtained. If the source of counterfeit currency is unknown, or is known but reimbursement is not obtained, the DO delivers the currency, with a detailed report of all known circumstances, to either a representative of the appropriate investigative service (if available), or the nearest military security agency, obtaining a receipt in either case. Send the currency receipt with a signed copy of the DO’s report by memorandum stating the reason why reimbursement was not obtained through the DO’s commander to DFAS-ZPFA/IN, and report it on the SF 1219 as a physical loss of funds.

030703. Detected After Depositing with Bank

When a bank operating a Treasury General Account (TGA) notifies a DO that the currency, deposited by the DO, is suspected to be counterfeit, the DO reimburses the TGA for that currency and obtains a receipt with the currency’s description, stating that the currency is suspected to be counterfeit and has been withdrawn from circulation. The TGA surrenders any suspected counterfeit currency to the USSS, and provides depositors with a photocopy of Secret Service Form 1604, Counterfeit Note Report, and/or any other documentation. The DO contacts the USSS to ascertain if the surrendered currency is counterfeit and must ensure that the TGA processes a deposit ticket for the amount of surrendered currency that the USSS determines is not counterfeit and credit the amount of the deposit ticket to the appropriation that funded the loss. Report the amount the USSS determines as counterfeit on the SF 1219 as a physical loss of funds.

030704. Miscellaneous Cases

Send a description of any unusual counterfeit currency situation not specifically covered in section 0307 to DFAS-ZPFA/IN for disposition instructions.

0308 EMERGENCY DISPOSITION

030801. Contingency Plans

DoD Component heads must develop and maintain contingency plans and standby procedures to dispose of cash and other assets under emergency conditions. These plans should address emergency conditions, emergency destruction, sudden destruction, and accounting for cash and other assets destroyed. They must include internal controls to minimize the potential risks of fraud, waste, and abuse. Emergency operations include, but are not limited to, combat and peacekeeping operations, humanitarian assistance efforts, noncombatant evacuation operations, disaster relief efforts, and disposal of contaminated cash.
030802. Policy

A. Emergency Conditions. Under conditions that may require the evacuation, disposal, or destruction of cash and other assets, commanders execute their contingency plans. DOs or their designees will have to evacuate cash and other assets under these conditions (e.g., in anticipation of enemy action) to a designated safe haven (e.g., secured vaults or safes).

1. Cash and Other Assets. Upon initial notification of a threat that may require the destruction of cash and other assets, the DO, DDO, or other designee should determine cash requirements, recall or purchase excess cash, and evacuate it and other assets held at personal risk to a designated safe haven. If the DO, DDO, or commander determines that capture of these assets is possible, secure them in a manner that will minimize the risk of capture or destroy them following subparagraph 030802.B.

2. Combustible Materials. If capture of funds is inevitable, burn paper currency, checks, and other burnable documents completely to ashes. If this is not possible, use chemical decomposition, shredding, or pulping. The alternative methods must render the items non-negotiable by completely destroying their original character and appearance.

3. Solid Substances. Dispose of coins and other valuable non-burnable items by scattering in deep bodies of water or physically destroying when possible. When no suitable bodies of water are present, discretely bury these items in the ground. Coins may also be fused or mutilated to make them unrecognizable. Fragment and scatter bars, ingots, and other units of precious or valuable substances, making their recovery impossible or at least uneconomical.

B. Emergency Destruction

1. Preparation

a. DOs and their Agents. If time permits, the DO/DDO prepares the following forms or documents for the various disbursing media identified.

(1) U.S. Currency. The DO/DDO prepares an original and three copies of DD 2669, Destruction Schedule for Currency, for all U.S. currency to be destroyed, noting the reason in the space provided. For full or partial packages of new currency, note the beginning and ending serial numbers of each denomination. Destruction must be witnessed by three persons who are either U.S. commissioned or noncommissioned officers, or U.S. Government civilian employees who are U.S. citizens. The DO/DDO may serve as the third witness if one of the other two witnesses is senior in rank to the DO/DDO. Witnesses must enter their name, rank or grade, and signature in the spaces provided. A DO/DDO serving as a witness completes block 5 and the applicable section of block 8. Indicate the method of destruction in the space provided for the witnesses’ certifications.
2. U.S. Coin. The DO/DDO prepares a DD 2669 for U.S. coin to be destroyed, including the same type of information required for U.S. currency, but listing the denominations and value of each denomination to be destroyed. DO/DDO will cross out the preprinted denominations of paper currency, and enter the coin denominations. Also, cross out “currency” and write “U.S. coin” immediately above it in both the DO’s/DDO’s and witnesses’ certification blocks (see subparagraph 030802.B.1.a(1)).

(3) Check Stock. The DO/DDO prepares a listing (original and three copies) of the U.S. Treasury and LDA check stock to be destroyed, indicating the range (from and through) of check numbers for each series of checks maintained (see subparagraph 030802.B.1.a(1)).

(4) Foreign Currency and Coin. The DO/DDO prepares a DD 2669 for foreign cash to be destroyed. Modify the appropriate areas of the form to identify the different denominations, prepare separate forms for currency and coins, and separate forms for public funds and those held for safekeeping (see subparagraph 030802.B.1.a(1)).

(5) Signature Media. See subparagraph 030802.A.2.

b. Nonappropriated Fund (NAF) Custodians and MBF and Other DoD-Sponsored Activity Managers. These activities may periodically exchange cash that exceeds day-to-day requirements for a U.S. Treasury check to reduce currency susceptible to loss.

(1) U.S. Cash. When ordered by the commander, these activities deliver their U.S. cash to the nearest DoD DO/DDO in exchange for a U.S. Treasury check. The DO is then accountable for the cash. If an exchange cannot be made, the activity custodians or managers prepare a destruction schedule similar to the DD 2669 and after verification, burn the currency to ashes in the presence of at least one activity representative and two U.S. commissioned or noncommissioned officers or U. S. Government civilian employees (see subparagraph 030802.B.1.a(1)).

(2) Foreign Cash. If necessary to destroy foreign cash, the appropriate authority (e.g., NAF custodian, MBF, or other activity manager) transports it to the nearest DoD DO/DDO and exchanges it for a receipt stating that the foreign currency is being accepted for safekeeping and that neither the DO/DDO nor the U.S. Government is accountable for loss or destruction as a result of the existing emergency (see Chapter 16, section 1602). A DO/DDO, having accepted the currency and coin, needing to use it to meet operational requirements, issues a U.S. Treasury exchange-for-cash check to the appropriate authority for the USDE of the foreign funds purchased. If destruction becomes necessary and time permits, the DO/DDO prepares a DD 2669. When an exchange cannot be made, the appropriate authority prepares a destruction schedule similar to the DD 2669 and after verification, burns the currency to ashes. See subparagraph 030802.B.2 to dispose of foreign coin.

2. Precedence. DOs/DDOs in areas of elevated tension should anticipate the possibility of emergency destruction and maintain procedures to rapidly inventory
and destroy their cash and other assets. If there is not enough time to destroy all funds held by the
DO/DDO, prioritize the destruction as follows:

a. U.S. and foreign cash, and negotiable instruments carried as
cash in the DO’s accounts;

b. Blank U.S. Treasury checks;

c. Blank LDA checks;

d. Currency, negotiable instruments, and other valuables held
for safekeeping;

e. Coins; and

f. Other valuables (e.g., signature media).

C. Sudden Destruction. When currency and coins are destroyed by explosion,
fire, sinking of a vessel, or aircraft accident, the accountable DO prepares a written statement
identifying the circumstances under which the destruction occurred and sends it with a request for
relief of liability to DFAS-ZPFA/IN. If the DO does not survive the disaster that destroyed the
funds, the officer designated to settle the account acts on the DO’s behalf by reconstructing the
accountability of the DO and initiating the appropriate requests for relief.

D. Accounting for Destroyed Cash and Other Assets. DOs account for
destroyed currency, coin, and negotiable instruments that were held as public funds by entering on
line 7.7, “Currency, Coin, and Negotiable Instruments Destroyed,” of the DD 2657 and the
SF 1219, and attach copies of supporting DD 2669 to both forms.

0309 SAFEKEEPING U.S. SAVINGS BONDS

See Volume 7A, Chapter 43, paragraph 430204.
Figure 3-1. Suggested Average Daily Cash Requirement

| Foreign Currency Cash or Limited Depository Account (LDA) Balance Requirements Example¹,⁶ |
| (Separately calculate cash and local depositary accounts for each location) |
| a. Value of Monthly Disbursements, Local Currencies (last 3 months average)² | $299,420 |
| b. Value of Accommodation Exchange, Local Currencies (last 3 months average) | 63,170 |
| c. Value of Monthly Cash Collections, Local Currencies (last 3 months average)³ | -19,086 |
| d. Value of Monthly Reconversions, Local Currencies (last 3 months average) | -4,830 |
| e. Value of Monthly Local Currency Checks Cashed (last 3 months average) | 4,830 |
| f. Average Net Monthly Local Currency Requirements (a+b-c-d+e) | $343,504 |
| g. Number of Business Days per Month⁴ | 20 |
| h. Average Number of Business Days Required to Obtain Local Currency | 3 |
| i. Contingency/Static Requirements (Command Determination)⁵ | 20,000 |
| j. Value of Average Currencies Required per Business Day (f/g) | 17,175 |
| k. Value of Average Currencies Required based on Replenishment (h*j) | 51,525 |
| l. Burdensharing Funds (If Applicable) | 0 |
| m. Value of Total Local Currency Holding Authority (i+k+l) | $71,525 |

| U.S. Dollars (USD) Balance Requirements Example⁶ |
| n. Monthly USD Cash Disbursements (last 3 months average) | $333,407 |
| o. Monthly USD received: Foreign Currency Accommodation Exchange (last 3 month average) | 27,645 |
| p. USD Checks Cashed on Accommodation Exchange (last 3 months average) | 26,025 |
| q. Monthly USD Cash Collections (last 3 months average) | -27,375 |
| r. Monthly USD Cash Disbursed on Reconversions (last 3 months average) | -2,100 |
| s. USD checks cashed (accommodation exchanges) | -43,690 |
| t. Average Net Monthly USD Requirements (n+o+p+q-r-s) | $313,912 |
| u. Number of Business Days per Month⁴ | 20 |
| v. Average Number of Business Days Required to Obtain USD | 5 |
| w. Contingency/Static Requirements (Command Determination)⁵ | 30,000 |
| x. Average USD Required per Business Day (t/u) | 15,696 |
| y. Average USD Required based on Replenishment (x*v) | 78,480 |
| z. USD CHA (w+y) | $108,480 |
| aa. Total CHA (m+z) | $180,005 |
Figure 3-1. Suggested Average Daily Cash Requirement (Continued)

Notes:
1 Maintain LDAs with checkbook balances as close to zero as possible by forecasting payment requirements in enough time to order currency to correspond with the payment due date. See Chapter 14.
2 Value based on Monthly Worksheet Calculations.
3 A higher CHA will be required if collections exceed disbursements. It is generally not cost effective to reconvert currency that may be required for disbursements in the near term.
4 When recurring variance in demand occurs due to events such as paydays, compute a separate CHA for these periods and exclude it from normal non-peak calculations.
5 Contingency requirements generally reflect emergency cash needs for operational missions or due to large fluctuations in demand that cannot be forecast in advance. Static requirements reflect subordinate agents, imprest funds, or contractual arrangements such as debit card pool accounts or community bank contingency cash. Validate agent requirements based on usage and frequency of returns/replenishment.
6 See also subparagraph 030203.A.
VOLUME 5, CHAPTER 4: “ACCOMMODATION EXCHANGE”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2017 is archived.

<table>
<thead>
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<th>PARAGRAPH</th>
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<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>040203</td>
<td>Added additional clarifying language to Negotiable Instruments Eligibility from United States Code 3342.</td>
<td>Addition</td>
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CHAPTER 4

ACCOMMODATION EXCHANGE

0401 GENERAL

040101. Overview

If adequate banking facilities are not available to provide personal check cashing and other accommodation exchange services, Department of Defense (DoD) disbursing officers (DOs) may provide these services within the guidance of this chapter.

040102. Purpose

The purpose of this chapter is to provide policy on check cashing and other accommodation exchange services. This includes exchange of cash for negotiable instruments (including personal check cashing), eligibility for check cashing services, internal controls, accountability, and removal of deficiencies.

040103. Authoritative Guidance

Title 31, United States Code *(U.S.C.), section 3342* allows DOs to provide check cashing and accommodation exchange services when authorized by the appropriate commander (i.e., a theater commander, base or installation commander, commanding officer or officer-in-charge, director of a supporting Defense Finance and Accounting Service (DFAS) site, or equivalent civilian head in the DO’s chain of command) for eligible individuals (see paragraph 040203).

0402 EXCHANGE OF CASH FOR NEGOTIABLE INSTRUMENTS

040201. Policy

A. In the United States, a commander may request the Director, DFAS or designee to authorize a DO to cash negotiable instruments. Submit requests, with justification, to DFAS, Enterprise Standards and Solutions, Disbursing (DFAS-JJKFCB/IN), 8899 E. 56th Street, Indianapolis, IN 46249-0050.

B. In overseas areas and for ships afloat, a commander may authorize the DO to cash negotiable instruments. The command must have a written check cashing policy approved by the theater commander or designee identifying the services to be offered and identifying the personnel eligible to receive them. The policy must provide that the DO may deny check cashing privileges to anyone based on the non-availability of cash or personnel resources. Resources must be available to provide these services without impacting levels of other financial services (e.g., primary disbursing and related functions).
040202. Negotiable Instruments

A DO may cash U.S. Treasury checks, money orders, traveler’s checks, third-party checks, state and local government checks, credit card checks, business checks, and personal checks payable in U.S. dollars for eligible payees. These instruments may be processed through the Over the Counter Channel Application (commonly referred to as OTCnet) (see Chapter 11, paragraph 110801).

*040203. Eligibility

Personnel permanently assigned to units in the area served by the DO are eligible for check cashing services. These include:

A. Members of the U.S. Armed Forces;

B. Civilian employees of the U.S. Government who are U.S. citizens;

*C. A veteran hospitalized or living in an institution operated by an agency;

D. Contractors and their employees engaged in U.S. Government projects if the contractor is a U.S. firm whose employees are U.S. citizens:

1. The company’s on-site representative must furnish the DO with a list of employees authorized to cash personal checks, and enter into a written agreement. The agreement must stipulate that the DO will suspend check cashing privileges for that company’s employees if the DO receives a dishonored check written by a company employee and the DO cannot collect for the dishonored check; and

2. The DO will notify the company representative when a dishonored check is received from one of its employees and suspend check cashing services for all of the company’s employees. The suspension remains in effect until the DO collects on the dishonored check. The check cashing agreement is permanently terminated if the DO is unable to collect the dishonored check within 30 calendar days from the notification to the company representative;

E. U.S. citizens who are employees of authorized nongovernment agencies operating with U.S. Government agencies, (e.g., the American Red Cross);


1. At a U.S. installation at which adequate banking facilities are not available, and

2. Holding proper identification and powers of attorney and who possess valid DoD identification cards; or
3. Ordered to safe haven posts due to emergency evacuation (see Chapter 13, subparagraph 130303.E for accommodation restrictions), and

4. In the case of negotiation of negotiable instruments, if the dependent’s sponsor authorizes, in writing, the presentation of negotiable instruments to the DO for negotiation;

G. Third-country national civilian employees under contract to the U.S. Government as contractors or subcontractors employed by U.S. firms engaged in U.S. Government projects in foreign countries with U.S. Treasury checks or U.S. dollar checks issued by the contractors;

H. A Federal credit union operating on U.S. military installations in a foreign country but only if that country does not permit contractor operated military banking facilities (MBF) to operate on installations;

I. Personnel on temporary duty/temporary additional duty (TDY/TAD) when approved by a DO’s commander. These personnel must provide the DO a copy of their TDY/TAD orders and any other items of identification the DO may require; or

J. An authorized agent, authorized by a properly executed power of attorney, for personal checks drawn on the account of a member; personal checks drawn on joint accounts to which the member is a party; and other checks drawn in favor of the member. The agent must present valid identification in the course of all transactions. Restrictions that apply to benefiting members also apply to their agents under the terms of the executed DoD (DD) Form 2761, Personal Check Cashing Agreement, which serves as a power of attorney.

040204. Internal Controls

Commanders and other individuals in the chain of command are responsible for implementing and maintaining internal controls that preclude the fraudulent issuance and cashing of negotiable instruments. At a minimum:

A. All instruments are endorsed, “Pay to the Order of the Disbursing Officer, (name of ship, station, activity, unit, disbursing station symbol number ####, or the DFAS site);”

B. The payee(s) sign or endorse each instrument in the presence of the DO, a deputy DO (DDO), the DO’s authorized agent, or a cashier;

C. The identity of the DDO, DO’s agent, or cashier cashing the instrument must be clearly identifiable on that instrument, and the person cashing the instrument may be held pecuniarily liable if the instrument is altered or forged. The DO may also be held pecuniarily liable if the instrument becomes nonnegotiable and their identity is not apparent; and

D. The person cashing a negotiable instrument must properly verify the identity of the person(s) presenting the instrument. Record the payee(s) or endorser(s) identification (e.g., legible name, social security number (SSN), phone number, and identification card number and duty
station (if applicable)) on the negotiable instrument. This allows recovery to be made if the instrument is dishonored. A DO may institute an alternate to annotating this information on a check by the use of the DD 2761. Use of the DD 2761 would alleviate concerns of identity theft such as the SSN. Attach a photocopy of the negotiated check to the DD 2761 and file for records retention.

0403 CASHING PERSONAL CHECKS

040301. Check Cashing

A. All authorized military and appropriated fund civilian personnel who request check cashing privileges must consent in writing to immediate collection against their pay for the total of any dishonored check. Dishonored checks are not delinquent debts. There is no authority for the DO to assess a service charge (penalty), but recover any insufficient fund charges assessed on the DO by financial institutions. Depending on the circumstances, the DO has two options:

1. Option 1. DD 2761:

   a. The DO uses this form if the individual’s payroll office is unknown or when cashing a check for a civilian employee or an authorized agent of a civilian employee or military member.

   b. The term “authorized agent,” as used on this form, pertains to an individual, usually a dependent, authorized by a power of attorney to cash personal checks on behalf of a member or civilian employee as prescribed in this chapter.

   c. Proper use of this form precludes the need for a separate power of attorney on behalf of the individual requesting check cashing service. The member or employee appoints an agent by providing a name(s) in the block titled “Authorized Agent,” and signs the form. The person cashing the check must verify the agent’s signature against a valid form of identification when the check is presented.

2. Option 2. Authorized Statement: A statement stamped on the front of the personal check may be used only for military members and civilian appropriated fund employees.

   a. If the individual’s payroll office is known, the DO may order a rubber stamp in small type to be placed on the front of the check along the top margin or above the bank’s name and address (see Figure 4-1). The stamp must state:

   “I consent to immediate collection from my pay the amount of this check plus bank charges, if this check is dishonored (individual’s initials).”

   b. The DO (or authorized agent) stamps this statement on the front of the check in the presence of the individual and ensures the individual places his or her
initials at the end of the statement to validate immediate collection from the individual’s pay account if the check is later dishonored.

c. If the stamp is used, record adequate payee identification (verified against a valid identification card) on the negotiable instrument to facilitate recovery if the instrument is dishonored (see section 0404).

B. The following items are the responsibilities of DO and their authorized agents when pay account collection for dishonored personal checks becomes necessary.

1. When a military member is in the same DoD Component and the DO maintains the member’s account:
   a. Immediate deduction from the pay account is authorized for the face value of the dishonored check(s) plus any charges assessed against the DO by a financial institution for their processing.
   b. DO may not use partial payments as a means of resolving a dishonored check.

2. When a military member is from a different Military Service or from the same component and subparagraph 040301B.1 does not apply (e.g., retirees, members on transfer orders, on TDY/TAD, or in any other transitory status):
   a. When using the DD 2761, the DO makes copies of the form (front and back), certifies on the back that the individual consented to voluntary collection, and sends it to the appropriate component payroll office (see Table 4-1) to affect the pay account deduction and make restitution to the negotiating DO. The payroll office annotates the back of the DD 2761 specifying the action taken for each dishonored check listed.
   b. When a rubber stamp is used on the face of a check, the DO prepares a DD 139, Pay Adjustment Authorization, by component as follows:
      (1) Attach a listing showing each military member’s name, DoD Component, SSN, unit or duty station, and check amount(s), along with copies of the check(s) (front and back). If the depository adds a fee to the amount of the dishonored check, include a copy of the debit voucher to substantiate its inclusion in the total amount of the deduction. Send all required documents to the appropriate payroll office at the mailing address in Table 4-1 to accomplish pay account deduction.
      (2) Certify that the military members consented to voluntary collection by typing the following certification statement on the DD 139 in the block titled “Explanation and/or Reason for Adjustment.”

     “I certify that these collections are the result of dishonored personal checks cashed by the cited individuals for the amounts
stated. Each individual has consented, in writing, that in consideration for cashing the individual’s personal check(s), the amount of any check returned unpaid, plus any charges assessed against the DO by a financial institution, for any reason may be collected from the individual’s pay.”

3. For dishonored personal checks from authorized appropriated fund civilian employees:
   a. Immediate pay account deductions are authorized for the face value of dishonored checks plus any charges assessed against the DO by financial institutions.
   b. The DO prepares a **DD 2481**, Request for Recovery of Debt Due the United States by Salary Offset, attaching copies of the front and back of the check(s), and a copy of the DD 2761, if applicable. If the depositary adds a fee to the amount of the dishonored check, attach a copy of the debit voucher to substantiate its inclusion in the amount of the pay account deduction. Send all documents to the appropriate payroll office (see Table 4-1).

4. When a check is returned for a contract employee, the DO must immediately seek reimbursement from the company employee, as indicated in the employee’s company agreement.

C. When collection action becomes necessary and the payroll office receives a DD 139 or DD 2761 from the DO, the payroll office:
   1. Processes the account deduction using normal payroll procedures;
   2. When possible, includes a statement similar to, “Consensual collection action for a dishonored check” in the remarks column of the leave and earnings statement; and
   3. Annotates, after collection of the debt, the DD 139 or DD 2761 with the action taken for the dishonored check(s) and returns the document together with a certified casual payment voucher. This voucher must be charged to the service member's pay account for the amount of the dishonored check to support the DO's issuance of an exchange-for-cash check payable to the disbursing office holding the dishonored check, to support the Standard Form (SF) **1219**, Statement of Accountability.

D. If a military member or DoD civilian employee is separated or has resigned and cannot be located to make restitution, the DO follows section 0405.

E. Writing checks in advance of the availability of funds (floating a check) is illegal. Deny check cashing privileges to individuals who abuse it by writing checks against insufficient funds.

F. Retain check cashing documents as follows:
1. The DO keeps the original signed DD 2761 for all personal checks honored. See Volume 1, chapter 9, section 0902 for records retention policy.

2. For all dishonored checks, keep the original DD 2761 with the dishonored check file until resolved. If the consent statement is stamped on the front of the check and the check is dishonored, the DO, deputies, agents, or cashiers make copies of the front and back (if applicable) of the check. Keep a copy of the check along with a copy of the agreement if the individual is a contractor until the matter is resolved.

040302. Limitations

A. Commanders establish maximum amounts for cashing personal checks by authorized personnel and/or their agents. In overseas areas where personnel of two or more Services are operating, the senior commander ensures the existence of a uniform policy to provide check cashing privileges within sound financial management practices. The policy and applicable limits are based on the circumstances of the local economy and cost-of-living. The supporting DO should publish deviations from established command maximum limits for each exception.

B. The DO provides a copy of an authorization to exceed the established limit when requesting removal of deficiencies involving uncollectible insufficient fund checks and associated charges that may be assessed by financial institutions for personal checks they have cashed (see section 0404). Personal checks being cashed must be drawn in multiples of 5 dollars unless local conditions make that increment impractical. U.S. Treasury checks or checks issued by banks, or other similar financial institutions may be cashed without regard to a dollar amount.

C. Checks must be drawn on U.S. financial institutions, overseas branches of U.S. banks or credit unions, or overseas MBFs operated under U.S. Government contract. Checks must also be payable in U.S. dollars through U.S. banks or credit unions, to include banks located in the Commonwealth of Puerto Rico, U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The DO establishes the days and hours during which check cashing service is available and makes appropriate notification of any changes.

D. Subparagraph 040203.E governs suspension of check cashing privileges for contractors and their employees engaged in U.S. Government projects who have written dishonored checks.

040303. Exceptions

A DO of a naval vessel may cash personal checks for crew members when the vessel is in a U.S. port and adequate check cashing facilities are neither available nor adequate for nonresidents of the area. A non-tactical disbursing activity in the United States may provide check cashing service when a unit, squadron, or detachment without a DO or disbursing capability is performing TDY/TAD away from its permanent station or homeport where adequate check cashing facilities are not available. This authority applies when units, squadrons, or detachments are engaged in training or exercises that preclude use of available check cashing facilities. For situations not described in
section 0402, a commander may request the Director, DFAS or designee authorize check cashing services. Submit the request following subparagraph 040201.A.

0404 ACCOUNTABILITY FOR DISHONORED CHECKS

040401. Checks Accepted from External Activities

DOs who accept checks from external activities for the sale or transfer of something of value (e.g., property disposal sales, clothing sales, commissary sales, ships stores, housing offices, or similar activities) which a depositary later returns unpaid on a debit voucher must record the debit voucher on the DD 2657, Daily Statement of Accountability, as a reduction of deposits (line 4.2.A), prepare a reverse collection voucher as a reduction of reimbursements (line 4.1.E), and send one copy of the collection voucher and one copy of the dishonored check to the collection activity concerned. Collection activities are responsible to pursue collection action in accordance with their regulations and Volume 16, Chapter 2. Since these checks were collected into an appropriation and subsequently reversed, there is no deficiency in the DO’s accountability.

040402. Checks Accepted to Satisfy an Obligation (Debt) Due the United States

DOs who accept checks to satisfy a debt to the United States (e.g., overpayment of travel allowances) which later are returned unpaid by a depositary must follow paragraph 040401. The activity responsible for originating the charge (e.g., military pay, travel pay, or similar entitlement area) reestablishes the debt based on the dishonored check and the reverse collection voucher and pursues collection action in accordance with their regulations and Volume 16, Chapter 2. A DO who is the collecting officer for these types of dishonored checks initiates collection action following Volume 16, Chapter 2. Since these checks were collected into an appropriation and subsequently reversed, there is no deficiency in the DO’s accountability.

040403. Checks Received as Accommodation Exchange Transactions

Checks accepted in check cashing transactions authorized by 31 U.S.C. § 3342 which are later returned unpaid by a depositary on a debit voucher must be recorded on the DD 2657 as decreases to deposits (line 4.2.A) and increases to dishonored checks receivable (line 7.4). Unlike the checks discussed in paragraphs 040401 and 040402, consider these as erroneous payments because public funds have been disbursed. DOs pursue collection of these checks following section 0403 and Volume 16, Chapter 2. If the checks become uncollectible, the DO reports the losses and requests removal of the deficiencies through the Relief of Liability Section, Disbursing Policy Division, Strategy, Policy & Requirements Directorate, DFAS Indianapolis (DFAS-ZPFA/IN), 8899 E. 56th Street, Indianapolis, IN 46249-0050 (see section 0405).

0405 REMOVAL OF DEFICIENCIES

040501. Request for Removal

A. Upon notification that a check has been dishonored, start collection action immediately and pursue it through recovery. If the debtor is no longer employed, in the military
service, or is an inactive reservist, and all attempts to collect have been exhausted, the DO sends a written request for removal of the deficiency to DFAS-ZPFA/IN (see Figure 4-2) through their command channels. The request must include:

1. The original or a copy of the front and back of the uncollectible check;

2. A copy of the related debit voucher;

3. Copies of the documents presented in section 0403, to include the latest available information regarding the debtor’s location;

4. A copy of the command’s check cashing policy;

5. A copy of the one-time authority to exceed the command’s normal check amount, if applicable; and

6. A copy of the request for the DFAS payroll site to pursue collection action against the delinquent debtor.

B. If the DO has followed the check cashing policy and collection requirements in section 0403 and Volume 16, Chapter 2, section 0202, removal of deficiencies normally is authorized under 31 U.S.C. § 3342. If DFAS-ZPFA/IN approves removal of the deficiency, it sends the requesting DO a memorandum authorizing a charge to ***6763, Gains and Deficiencies on Exchange Transactions. The DO sends a copy of the memorandum to the activity to which it submits financial reports. DFAS-ZPFA/IN advises the Debt and Claims Management Office to continue attempts to recover the debt and, if successful, credit the appropriation charged when the deficiency is removed as a result of successful debt recovery processes. If DFAS-ZPFA/IN does not authorize removal of the deficiency, the deficiency cannot be charged to ***6763, and the DO can either repay the loss or request relief of liability as prescribed in Chapter 6, section 0606.

040502. Lost Dishonored Check

If a dishonored check held in the disbursing office is lost, consider it a physical loss of funds (see Chapter 6, section 0604).

040503. Forgeries and Other Unusual Cases

If a forged check is processed and paid, a loss of funds investigation is required (see Chapter 6, section 0604). If the investigation is unable to identify the forger, or if recovery from this person cannot be accomplished, the DO, DDO, agent, or cashier who cashed the forged instrument will be liable for the loss but may be eligible for relief of liability (see Chapter 6, section 0606). As such, the DO, DDO, agent, or cashier may submit a request for relief of liability to DFAS-ZPFA/IN for the improper payment. The request should include a copy of the investigation results, all related documents, and a description of the procedures used to preclude forgery.
0406 REDEEMING SAVINGS BONDS IN OVERSEAS AREAS

040601. General

MBFs are authorized to redeem savings bonds in overseas areas. Where none are available, DOs may request this authorization through their chain of command. This is the only situation where DOs may redeem savings bonds. Disbursing offices with current authority to redeem savings bonds may continue this service providing no changes in area support by a local MBF has occurred.

040602. Cashing Bonds

A. Authorized DOs. The DO authorized to redeem savings bonds must use the redemption tables found at the Treasury Direct website. Series EE and I Bonds issued after February 2003 must be at least 12 months old based on the date of issue before the DO may redeem them.

B. Redeemed Bonds. Return redeemed bonds on a separate deposit ticket following instructions provided by the servicing Federal Reserve Bank.

C. Discrepancies. Upon discovery that an amount was paid different from that authorized by the applicable redemption table, report the variance on line 7.2B of the DD 2657, and either pay the amount of underpayment (using an SF 1034, Public Voucher for Purchases and Services Other Than Personal), or attempt to recover the overpayment from the payee. If the collection of the overpayment is made, prepare an Optional Form 1017-G, Journal Voucher, to document the collection and record the transaction as a decrease to line 7.2B and an increase to cash. If the collection is not made, process the shortage as a physical loss of funds as prescribed in Chapter 6, section 0604.

D. Internal Revenue Service (IRS) Form 1099-INT, Statement for Recipients of Interest Income. The DO issues an IRS 1099-INT, Interest Income, to recipients of $10 or more in interest paid on redeemed savings bonds. This form includes the amount of interest paid, name, address, Taxpayer Identification Number (usually the bondholder’s SSN), name of the person paid, and other information needed by the IRS. DOs are prohibited from cashing bonds for individuals who refuse to furnish their SSN. Since individuals redeeming bonds may change their address without notification by calendar year-end, DOs should furnish the form to the recipient at the time of the transaction.
Figure 4-1. Sample Statements of Consent for Dishonored Check Charges

```
JAMES A. HANCOCK  
MARY S. HANCOCK  
4567 ASSUMED DRIVE (703) 345-6789  
ALEXANDRIA, VA 22310  

PAY TO THE ORDER OF  

$  

DOLLARS  

XYZ  
FEDERAL CREDIT UNION  
VIENNA, VIRGINIA  

I CONSENT TO IMMEDIATE COLLECTION FROM MY PAY THE AMOUNT OF THIS CHECK PLUS BANK CHARGES, IF THIS CHECK IS DISHONORED  

FOR  

SAMPLE-NON-NEGOTIABLE  

| :256074974: | 4620::3333333333 | ::001  
```

4-13
Figure 4-2. Sample of a Request for Removal of Deficiency due to Dishonored Checks

(Letterhead Block)

Date

MEMORANDUM FOR: RELIEF OF LIABILITY SECTION, DISBURSING POLICY DIVISION, DFAS INDIANAPOLIS (DFAS-ZPFA/IN), 8899 E. 56TH STREET, INDIANAPOLIS, IN 46249-0500

SUBJECT: Request for Removal of Deficiency

I request removal of deficiency under the provisions of Department of Defense Financial Management Regulation, Volume 5, paragraph 040501, for the following dishonored checks accepted as accommodation exchange transactions. This deficiency is carried on the accountability of disbursing station symbol number XXXX under the account holder Captain XXXXXXX.

<table>
<thead>
<tr>
<th>NAME</th>
<th>SSN</th>
<th>CHECK #</th>
<th>DATE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irwin XXXXXX</td>
<td>xxx-xx-xxxx</td>
<td>185</td>
<td>July 15, 2017</td>
<td>$150.00</td>
</tr>
<tr>
<td>James XXXXX</td>
<td>xxx-xx-xxxx</td>
<td>422</td>
<td>July 28, 2017</td>
<td>$150.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>$300.00</td>
</tr>
</tbody>
</table>

This office has exhausted all means of collection. These individuals are no longer employed in an active duty, reserve, or civilian capacity for the U.S. Government. Members have been notified of their debt and have not responded to the collection letter. Attached are the dishonored check(s), copy of applicable debit voucher(s), copy of the applicable check cashing policy, and the documentation supporting attempted collections.

If you have any questions, please contact Mr. John Doe, at DSN ###-#####, phone (###) ###-#####, or by email: John.Doe.civ@mail.mil.

Signature Block
Disbursing Officer

Attachments:
As stated
### Table 4-1. DoD Component Payroll Office Addresses

<table>
<thead>
<tr>
<th>Branch of Service</th>
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<th>Active Reserve/ National Guard</th>
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4-15
Table 4-1. DoD Component Payroll Office Addresses (Continued)

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VOLUME 5, CHAPTER 5: “CERTIFYING OFFICERS, DEPARTMENTAL ACCOUNTABLE OFFICIALS, AND REVIEW OFFICIALS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2019 is archived.

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<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<tr>
<td>050304.D</td>
<td>Added subparagraph titled “DoD Employees Serving as Treasury Certifying Officers” paragraph from the Treasury Daily Reporting Policy Memo (FPM 19-14).</td>
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<td>050402.A.2</td>
<td>Amended the subparagraph title “Government-wide Purchase Card (GPC)” providing the GPC Policy Guidebook website link and deleting the requirement to use the Purchase Card Online System for certifying officer appointments/termination.</td>
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CHAPTER 5

CERTIFYING OFFICERS, DEPARTMENTAL ACCOUNTABLE OFFICIALS, AND REVIEW OFFICIALS

0501 GENERAL

050101. Overview

The Department of Defense (DoD) recognizes the difficulty of any single official exercising direct personal control over all aspects of each business transaction. Therefore, DoD relies on automated systems and accountable officials to ensure accountability of government funds including the accuracy, propriety, and legality of every payment.

A. An accountable official is a member of the U.S. Armed Forces or DoD civilian employee to whom public funds are entrusted or who participates in the process of certifying vouchers for payment in connection with the performance of government business. Accountable officials include disbursing officers (DOs), deputy disbursing officers (DDOs), disbursing agents, cashiers, imprest fund cashiers, change fund custodians, paying and collection agents, certifying officers, and departmental accountable official (DAOs).

B. This chapter addresses certifying officers and DAOs. Certifying officers are accountable officials who ensure transactions are processed by all responsible officials, are properly documented and computed correctly according to source documents, and correct and proper for payment. DAOs are accountable officials that provide information, data, or services that certifying officers rely on to certify vouchers.

050102. Purpose

This chapter addresses the selection, appointment, responsibilities, and qualifications for certifying officers; certification of vouchers for payment; DAOs; random review of disbursement vouchers; and pecuniary liability.

050103. Authoritative Guidance

A. Certifying Officers. Under Title 31, United States Code (U.S.C.), section 3325(a)(1) and (b), a DoD disbursing official may disburse money only as provided by a voucher certified by the Secretary of Defense (SecDef), an officer or employee of the DoD, or member of the U.S. Armed Forces having written authorization from the SecDef to certify vouchers.

B. DAOs. Under 10 U.S.C. § 2773a, the SecDef may designate any DoD civilian employee or member of the U.S. Armed Forces under the Secretary’s jurisdiction as a DAO. In the performance of their duties, DAOs are responsible for providing certifying officers with information, data, or services that are directly relied upon by the certifying officer in the certification of vouchers for payment.
0502 POLICY

050201. Authority to Appoint

The DoD Directive 5118.03 delegates authority to appoint certifying officers under 31 U.S.C. § 3325(a)(1) and (b), and DAOs under 10 U.S.C. § 2773a to the Under Secretary of Defense (Comptroller) (USD(C)). This volume re-delegates that authority to DoD Component Heads, who may further re-delegate that authority. See Chapter 2, paragraph 020303 for policy on who may be appointed to positions of accountability to the U.S.

A. Based on the separation of duties principles cited in Chapter 1, subparagraph 010305.B, DOs, their deputies, and agents may neither be appointed as, nor appoint certifying officers for payments they will eventually make. See subparagraph 050301.B for conditions that may require deviation from normal separation of duties requirements.

1. DOs and DDOs may certify cover vouchers supported by properly certified subvouchers; see Chapter 9, paragraph 090409.

2. Where a DO supervises separate computation and disbursing functions, persons in the computation section may be certifying officers. In limited situations (e.g., afloat units, noncombatant evacuations, contingency operations, training exercises), disbursing office personnel may be appointed as certifying officers. Make these appointments through command channels, excluding the DO, and describe the circumstances in Item 7 of the appointing DoD (DD) Form 577, Appointment/Termination Record-Authorized Signature.

B. DoD personnel who may be appointed to certify vouchers for payment include, but are not limited to, commanders, deputy commanders, resource managers and other key funds control personnel, travel authorizing officials, purchase card and centrally billed account (CBA) approving officials, and other personnel in equivalent positions. For example, a traveler’s supervisor could be a travel authorizing official and a certifying officer. See paragraph 050304 for certifying officer training requirements and section 0504 for policy on appointments.

C. The same person may not serve as both a DAO and certifying officer for the same types of payments.

050202. Certification of Funds Availability vs. Certification of a Payment Voucher

A. Certification of Funds Availability. As key funds control personnel, resource managers must certify funds availability before goods and/or services are ordered based on funding authorizations that allow incurrence of obligations for which the U.S. Government will make a payment at some future date (see paragraph 050303). This does not create pecuniary liability consequences under either 31 U.S.C. § 3527 or 31 U.S.C. § 3528 (see also paragraph 050701), but may have Antideficiency Act implications (see Volume 14, Chapter 2).

B. Certification of a Voucher for Payment. This is an attestation by a properly appointed and trained certifying officer that a voucher is correct and proper for payment. Such a
certification normally occurs before payment, but may occur simultaneously with receipt of and payment for goods and/or services, particularly in tactical situations. Only persons properly appointed on a DD 577 may make these certifications; see sections 0504 and 0505.

0503 RESPONSIBILITIES

050301. Appointing Authorities

DoD Component Heads or their designees:

A. May appoint certifying officers and DAOs, other than themselves, and terminate appointments when required (see paragraph 050401 and Chapter 1, paragraph 010204);

B. Oversee the appointees and their execution of the duties described in paragraphs 050304 and 050305. In cases involving micro-purchases in support of contingency operations, to balance mission accomplishment with acceptable risk and cost benefit, it may be necessary to deviate from normal separation of duties and internal control principles required by Chapter 1, paragraph 010305 and subparagraph 010305.B, and the policy in subparagraph 050201.C. Deviations are at the discretion of the commander, who must be aware of the increased possibility of the risk of errors, theft, and fraud that may result from the merging of payment certification responsibilities with other functions. Because such mergers may compromise internal controls, commanders must make every effort to mitigate these risks. Post-payment reviews, rotation of duties, and reviews of financial data and reports by management or external resources are tools available to mitigate these risks. The micro-purchase threshold is defined by the Federal Acquisition Regulation, Subpart 2.101; and

C. Implement controls to effect timely appointment terminations.

050302. Supervisors

Supervisors ensure that subordinate certifying officers and DAOs are trained in their responsibilities, including initial training and refresher training annually (see subparagraph 050304.A); periodically review their performance to ensure compliance with established regulations, policies, and procedures, including local standard operating procedures; review appointments annually for validity and current status, and make appropriate recommendations for change to appointing authorities.

050303. Key Funds Control Personnel

Resource or other key funds personnel maintaining a system of funds control are responsible for certifying funds availability, and assignment of proper funding citations on commitment and obligating documents. Key funds control personnel should coordinate with requiring officials, such as program managers, contracting officers, and engineers, to verify that requests comply with funding statutes applicable to the assignment of funding on a commitment or obligation document and that the structure of the obligating document will support that capital and expensed items are listed on different line items. This coordination should include ensuring
delivery of supplies and/or the period of performance for service aligns with the lifecycle of the associated funds such that the obligation meets the bona fide need rules as described in Volume 3, Chapter 8, subparagraph 080304.A. A certification of funds availability is not a certification for payment (see paragraph 050202 and Volume 14, Chapter 2).

*050304. Certifying Officers

A. Qualifications. Certifying Officers:

1. Must have knowledge of the subject matter, background, or experience in the preparation of a voucher for payment; appropriations and other funds and accounting classifications; and the payment process (e.g., location of designated paying and accounting offices). See paragraph 050202;

2. Must complete an approved Certifying Officer Legislation training course applicable to their mission area prior to their appointment and refresher training annually, and provide proof of completion to their supervisor. Evidence of having completed this training is required prior to performing as a certifying officer. On-the-job training is not acceptable; and

3. Should read the Treasury publication, “Now That You’re a Certifying Officer.”

B. Responsibilities. Certifying officers must ensure that the automated and manual processes supporting their voucher certifications reasonably satisfy the requirements listed under Treasury Financial Manual, Volume 1, Part 4A, Chapter 2000, as well as:

1. Check the accuracy of facts stated on a voucher and in supporting documents and records, and may rely on data received from reliable automated systems that have been certified as compliant with the Federal Financial Management Improvement Act (FFMIA) (see Volume 1, Chapter 3);

2. Verify the accuracy of computation of a voucher before certification;

3. Determine the legality of a proposed payment from the appropriation or fund cited on the voucher (see Chapter 1, paragraph 010306 for policy on prohibited payments);

4. Ensure there is a legal obligation to pay (e.g., a contract);

5. Ensure the payee has fulfilled the prerequisites to payment (e.g., an invoice, receiving report, approved travel claim);

6. Ensure the payment is legal under the appropriation or fund involved (e.g., the correct appropriation and fiscal year);
7. Seek advance decisions on questionable vouchers; see Chapter 12, section 1203;

8. Repay a payment:
   a. Determined to be erroneous (e.g., illegal, improper, or incorrect) due to an inaccurate or misleading certification;
   b. Prohibited by law; or
   c. Not a legal obligation of the fund or appropriation cited; unless the payment is recovered by collection or offset from the payee or another source, (e.g., collected from a DAO or relief is granted under subsections (b) or (c) of 31 U.S.C. § 3528; also see Chapter 6, subparagraph 060604.C);

9. Respond timely to a reviewing official’s questionable-payment inquiry; and

10. Include the payee’s Tax Identification Number (for businesses) or Social Security Number (for individuals).

C. Pecuniary Liability. See subparagraph 050701.B.

* D. DoD Employees Serving as Treasury Certifying Officers. The guidance in this section applies to DoD employees appointed as Treasury Certifying Officers (CO) and are delegated the authority to certify the disbursement of funds, as well as scheduling and classifying domestic and international payments that the Bureau of the Fiscal Service disburses, as authorized by the Treasury Disbursing Office. For more information on the Treasury Disbursing Office, see Chapter 9, section 0906.

1. Treasury Certifying Officers

COs that certify Treasury-disbursed payments must be appointed utilizing the Bureau of the Fiscal Service Form 210CO, Designation for Certifying Officer, and not the DD Form 577, Appointment/Termination Record-Authorized Signature, unless also serving as a certifying officer for DoD disbursed payments by an Non-Treasury Disbursement Offices (NTDO). Treasury appointed CO designations are valid for a period of two years from the effective date, unless revoked earlier. See 1 TFM 4A-3000 for all requirements and forms for scheduling payments disbursed by the Bureau of the Fiscal Service.

2. Treasury Certifying Officer’s Pecuniary Liability

All accountable officials are subject to the pecuniary liability standard under Title 31 of the U.S.C. as addressed in the DoD FMR Volume 5, Chapter 6, paragraph 060103. Treasury COs are pecuniarily liable when there is a fiscal irregularity based on the “presumption of negligence,”
regardless if the payment was disbursed by the Treasury or an NTDO. See Chapter 6, sections 0606 and 0607 for policy concerning relief of liability of accountable officials.

050305. Departmental Accountable Officials (DAOs)

A. DAOs are responsible in the performance of their duties to provide certifying officers with information, data, or services to support the payment certification process. They have unique mission area responsibilities that require supervisors and appointing officials to not only decide if DAO appointments are required, but also define clearly each DAO’s functions. Appointment of DAOs is not mandatory; examples of persons whose duties could be considered as appropriate to support their being appointed as DAOs include, but are not limited to, receiving officials, contracting officers, personnel who make payment eligibility determinations, time and attendance personnel, and travel approving officials. Consider personnel in the following areas for appointment as DAOs:

1. **Purchase Card Program.** Approving officials may be appointed as certifying officers with the additional responsibilities outlined in subparagraph 050304.B. Other personnel involved with the purchase card program may be appointed as DAOs (see Volume 10, Chapter 23).

2. **Contract and Vendor Pay.** See Volume 10.

3. **CBA.** See Volume 4 of the Government Travel Charge Card Regulations.

4. **Personnel Programs.** Personnel officers ensure accurate and timely input of personnel data supporting payments.
   a. **Military Pay.** See Volume 7A.
   b. **Civilian Pay.** See Volume 8.
   c. **Travel.** See Volume 9.

B. DAOs must complete approved training applicable to their mission areas within two weeks of their appointment, refresher training annually, and provide a copy of their training completion certificate to their supervisor. Evidence of having completed this training is required prior to performing as a DAO. See subparagraph 050201.A for appointment eligibility, and subparagraph 050701.C. for pecuniary liability implications.

050306. Automated Information System (AIS) Administrators

In addition to other responsibilities, AIS administrators operate and maintain automated system(s) that support the entitlement, certifying, and disbursing processes so that these system(s) operate in accordance with prescribed functional requirements so that the integrity of the data is...
maintained and unauthorized access is prevented. They must also ensure that the systems they administer are certified as compliant with the FFMIA; see Volume 1, Chapter 3.

0504 APPOINTMENT/TERMINATION RECORD-AUTHORIZED SIGNATURE (DD 577)

050401. Appointment and Termination

Appointing authorities (see paragraph 050301) appoint and terminate the appointments of certifying officers and DAOs using a DD 577, identifying as necessary the types of payments to be certified (e.g., vendor pay, purchase card, CBAs, travel, transportation, military and civilian pay) and, if appropriate, the entitlement system(s) involved. Avoid the term “various” and similar generalities when identifying types of vouchers to be certified. Include the reviewing official’s organization on the appointment if desired. The effective date of an Appointee Acknowledgment (Item 15 or 16a - Digital) may not be earlier than the date of the Appointing Authority (Item 12).

A. Include the appointee’s DoD Identification Number (employee number for direct-hire, non-U.S. citizen outside the U.S.), name, organization, and position. Limit the access to any personally identifiable information to only those who require it in the performance of their duties and are following the Privacy Act of 1974 (5 U.S.C. § 552).

B. When appointing employees outside the U.S. who are precluded by local law, treaty, or status of forces agreement from being held pecuniarily liable to the U.S. (see Chapter 1, subparagraph 010303.D), make an appropriate comment in Item 7.

C. Appointees acknowledge their appointment in Section III; they may not re-delegate their appointed authority.

D. Appointments remain in force until terminated by an appointee’s reassignment or for cause. An appointing authority’s reassignment does not affect existing appointments.

E. Certifying officers who certify vouchers electronically, (e.g., Defense Travel System), must submit the DD 577 electronically, satisfying the requirements in Chapter 1, subparagraph 010305.C.

F. Certifying officers who certify manual vouchers or submit manual certifications of electronic payments must submit original, manually-signed DD 577s (see subparagraph 050402.A.1) or supplemental documents to support electronic DD 577 submissions.

G. These forms cannot be amended. Pen-and-ink changes are not authorized. Any change (e.g., to alter the types of vouchers to be certified) requires termination of the existing and preparation of a new appointment.

H. Terminate appointments using Section IV and submit the DD 577 to all recipients who received copies of the original appointment.
*050402. Distribution

A. Certifying Officer Appointments. Ensure the training required by subparagraph 050304.A.2 is complete before submission.

1. Payments Certified to Defense Finance and Accounting Service (DFAS) DOs. Send the form to the DFAS Indianapolis (DFAS-IN) DO (secure email: dfas.indianapolis-in.jfd.mbx.dfas-incdd577@mail.mil) following that office’s guidance. Forms sent as attachments to secure emails must be copies of original DD 577s, not “copies of copies.”

*2. Government-wide Purchase Card (GPC). DoD components following the guidance in the GPC Policy Guidebook for certifying officer appointments/termination (https://www.acq.osd.mil/dpap/pdi/pc/policy_documents.html) are not required to follow the submission guidance in subparagraph 050402.A.1 for payments that are electronically certified. Certifying Officers who certify manual vouchers must continue to follow the guidance outlined in subparagraph 050401.F.

3. Payments Certified to non-DFAS DOs. Send the form following the paying DO’s instructions.

4. Immediate Payment. Fax or email a signed copy of the form to the appropriate DO. Follow up with a normal submission.

B. DAO Appointments. Appointing authorities ensure completion of the training required by subparagraph 050305.B, keep the signed original DD 577s, and send copies to the offices that certify vouchers. Offices and organizations that rely on DAOs must establish and implement mechanisms for identifying and facilitating communication with them.

C. Appointment Terminations. See subparagraph 050401.H.

050403. Retention Requirements

Keep DD 577 copies after appointment termination for a retention period following the guidance in Volume 1, Chapter 9; except for transactions affecting Foreign Military Sales, use a retention period following the guidance in Volume 15, Chapter 6.

0505 CERTIFICATION

050501. General

All payments from appropriated funds must be certified (excludes intra-governmental); see section 6.5 of the Government Accountability Office (GAO) Policy and Procedures Manual for Guidance of Federal Agencies. Certifying officers review payment vouchers before certification and submission to DOs for payment to ensure that the information on the vouchers agrees with all supporting documentation. See Chapter 9, paragraph 090403 for voucher certification requirements and Volume 1, Chapter 9 for records retention policy.
050502. Effect of Certification

Certifying officers certify to, not “for” or “on behalf of,” DOs or their agents that vouchers are correct and proper for payment from the appropriation(s) or other funds cited on them or on supporting vouchers, and that the proposed payments are legal, proper, and correct (see subparagraph 050304.B.6). They may certify either individual vouchers or a file of several vouchers; see paragraph 050503. Manual certifications require the certifying officer’s signature and typed or printed name, date, and dollar amount. See Chapter 1, subparagraph 010305.C for electronic signature requirements. Submit manually certified vouchers to the disbursing office by mail or fax.

050503. Certification of a File of Payments (Batch Certification)

Batch certification attests that a file contains a specified number of payments that total a specific dollar amount equal to the total of vouchers contained in the file and that each voucher in the file has been certified as correct and proper for payment. Pecuniary liability attaches to the original certifying officer for each payment. The person that certifies the file is pecuniarily liable for vouchers in that file not previously individually certified. Once a file is input, a DO processes each payment separately.

050504. Successive Certification

More than one certifying officer may be involved with a given payment; this is known as “successive certification.” When this occurs, the successive certifying officer(s)’ actions do not diminish the responsibility of the officer who certified the original voucher. If the officer who certifies an additional related voucher differs from the one who certified the original, the first certifying officer is pecuniarily liable for the correctness of the original voucher and the successive certifying officer is pecuniarily liable only for the additional voucher(s). If a voucher is certified and then changed (e.g., to take a discount, add interest penalties), the certifying officer certifying the legality, propriety, and correctness of the changes is pecuniarily liable for only the payments based on those changes.

050505. Foreign Military Sales Transactions

See Volume 15, Chapter 3.

050506. Altering a Certified Voucher

Altering a certified voucher invalidates the certification. A DO who determines that a certified payment voucher is improper must return it for correction and a new certification. However, post-payment printing and scanning of paid vouchers that were properly certified electronically do not invalidate the original certifications.
050507. Certification and Accounting Data Translation

The translation of accounting data for a certified voucher is acceptable as long as the correct appropriation or funds involved aligns with the appropriation or funds cited on the legal obligation to make the payment (e.g., contract). The translation process must be auditable and deemed reliable to where the certified line of accounting can be mapped to the translated line of accounting. See Volume 1, Chapter 4 for additional information regarding data translation. DOs and certifying officers may rely on data received from reliable automated systems that have been certified as compliant with the FFMIA (see Volume 1, Chapter 3).

0506 RANDOM REVIEW OF DISBURSEMENT VOUCHERS

050601. Payment Review Officials

Payment review officials are not subject to pecuniary liability since they are not in accountable positions. State their responsibilities in their position descriptions and performance standards, or appoint them by means other than a DD 577.

050602. Examination Requirements

A. General.

1. Title 7, of the GAO Manual, which implements 31 U.S.C. § 3521(b)(1), requires pre-payment examination of payments over $2,500. For payments of $2,500 or less, statistical sampling procedures may be implemented in lieu of examining all payments (see paragraph 050603). Various publications provide guidance on statistical sampling methods, pre-payment, and post-payment reviews. These include the report GAO/Accounting and Information Management Division 21.3.2, May 2000, Streamlining the Payment Process While Maintaining Effective Internal Control and Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments, to the Office of Management and Budget Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. GAO reports and publications provide examples of statistical sampling applications in the pre-payment and post-payment phases, but no single procedure is appropriate for every type of disbursing system.

2. The appropriateness of these reviews depends largely on the extent of automation of the system that computes and processes payments. Fully automated systems that can perform reviews of all records through extensive edit checks and balances before payment is made, replaces the need for manual invoice process and examination procedures.

B. Pre-Payment Reviews

1. Pre-payment reviews may occur any time before payment and are subject to management’s judgment of the most appropriate stage in the voucher-preparation process for their conduct. These reviews ensure that vouchers are substantiated by documentation for lawful and proper payment. Under manual processing systems, they include verification of accuracy of computation. These requirements include ensuring that:
a. Payments are allowed by law and regulation;

b. Payments are authorized and approved for payment;

c. Requests for payment are supported by basic documents;

d. Payee identification is correct;

e. Manual calculations are correct and data are input correctly to automated computation systems;

f. Proper accounting classifications are charged (e.g., supported by a proper obligating document);

g. Funds are available to support disbursements;

h. Any required special certificates or receipts are attached to the disbursement documents; and

i. Duplicate payments are prevented through proper manual or automated edits and checks.

2. Pre-payment review officials who determine that proposed or actual certified payments are of questionable legality, propriety, or correctness must send inquiries to the certifying officers challenging the decision to certify these payments, and keep files of these inquiries or those received from other sources. Inquires must be resolved within 30 days.

C. Post-Payment Reviews. See Volume 10, Chapter 10.

050603. Statistical Sampling Plans

A. DoD Components may use statistical sampling plans for vouchers not exceeding $2,500. Agencies must establish their own dollar limitations within that maximum based on cost/benefit analysis of their voucher examining operations. If a certifying officer uses an approved pre-payment statistical sampling procedure and reviews only those vouchers selected in the sample as a basis for certification, he or she identifies the vouchers selected for review. If a DoD Component determines that an alternate voucher examining plan is required, it sends a written request through Director, DFAS to the USD(C) for approval under subparagraph 050603.C. The request must identify the reason for the alternate plan to include a description of the plan, alternate procedures for statistical sampling, and a business case that indicates savings without jeopardizing the Government’s interest.

B. Sampling plans must be statistically valid and adhere to technical guidelines in professional texts and publications (both Federal and non-Federal) on the subject. Include in the sampling plans the purpose, scope, frequency of the review, a definition of the population from which the sample will be selected, the sample size and element selection method, procedures to
analyze results of the sampled records, and methods to document and report the results of the sample review. Sampling plans require review and approval (or in most cases, original preparation) by qualified statisticians before submission for final approval. Review and update them periodically to ensure they reflect the most recent occurrence rate trends and allow for population estimates within predetermined sampling probability and precision levels.

C. The Director, DFAS or designee approves statistical sampling plans for payment vouchers processed by DFAS and ensures implementation of these plans at locations for which DFAS is responsible. The USD(C) approves statistical sampling plans for other DoD Components whose officials ensure implementation of these plans.

0507 PECUNIARY LIABILITY

050701. Presumption of Negligence

Certifying officers and DOs, but not DAOs, are pecuniarily liable automatically when there is a fiscal irregularity based on the “presumption of negligence” (28 U.S.C. § 2512 and 31 U.S.C. § 3527). A fiscal irregularity is either a physical loss of cash, vouchers, negotiable instruments, or supporting documents, or an erroneous (e.g., illegal, improper, or incorrect) payment. Physical losses generally apply only to DOs and their agents. To gain relief of liability, certifying officers and DOs must prove that they were neither negligent nor the proximate cause of the irregularity. See Chapter 6, sections 0606 and 0607 for policy concerning relief and liability of accountable officers.

A. DOs. Under 31 U.S.C. § 3325, DOs are pecuniarily liable for payments not in accordance with the vouchers certified to them for payment, and for errors in their accounts. DOs who make payments in accordance with certifications of properly appointed certifying officers may be relieved of their liability.


C. DAOs. DAOs are not subject to the presumption of negligence, but may be held pecuniarily liable under 10 U.S.C. § 2773a(c) for illegal, improper or incorrect payments resulting from information, data, or services they negligently provide to certifying officers; and upon which the certifying officers relied to certify payment vouchers. Any pecuniary liability of DAOs for losses to the U.S. resulting from illegal, improper, or incorrect payments may be either individual or joint and several with that of other officers or employees of the U.S. or members of the uniformed services who are also pecuniarily liable for those losses.

050702. Erroneous Payments Under Random Sampling Procedures

Under 31 U.S.C. § 3521(c), certifying officers and DOs who pursue diligent collection action are not pecuniarily liable for payments on vouchers in a population of vouchers subject to sampling but not reviewed. See Chapter 6 in the case of a fraudulent or suspected fraudulent payment.
VOLUME 5, CHAPTER 6: “PHYSICAL LOSSES OF FUNDS, ERRONEOUS PAYMENTS, AND OVERAGES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated August 2018 is archived.

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CHAPTER 6

PHYSICAL LOSSES OF FUNDS, ERRONEOUS PAYMENTS, AND OVERAGES

0601 GENERAL

060101. Overview

An accountable official is a member of the U.S. Armed Forces or a Department of Defense (DoD) civilian employee who is responsible for or has custody of government funds. Accountable officials include those defined in Chapter 5, section 0503 as certifying officers and departmental accountable officials (DAO); and in Chapter 2 as disbursing officers (DOs), deputy DOs (DDOs), cashiers, imprest fund cashiers, change fund custodians, paying agents, and collection agents. Accountable officials are personally liable for the physical loss or improper payment of the funds for which they are accountable, unless granted relief. The decision by the Secretary of Defense to grant or deny relief is binding. The Secretary of Defense has delegated authority to the Director of the Defense Finance and Accounting Service (DFAS) to make the required determinations to grant or deny relief on all requests for relief of liability. The Director of DFAS has delegated this authority to the Director of Strategy, Policy and Requirements (DFAS-ZP).

060102. Purpose

This chapter provides the definition of physical losses, the criteria for minor and major losses, and upon discovery of a physical loss, the process for accounting, investigating, requesting relief, and funding for removal of physical losses. Additionally, the chapter defines and provides examples of erroneous payments (illegal, incorrect, and improper) to include the discovery, investigation, loss of funds process, and settlement of erroneous payments. The chapter also provides guidance on granting or denying relief of liability and an overview on overages of public funds.

060103. Authoritative Guidance

All accountable officials are subject to the pecuniary liability standard under Title 31 of the United States Code (U.S.C.). Except for the DAO, the basic legal liability of an accountable official arises automatically by virtue of the loss, regardless of fault or negligence on the official’s part. Relief is a separate process that considers the lack of fault or negligence by the accountable official to the extent authorized by:

A. Title 31, U.S.C., section 3527 provides general authority to relieve accountable officials and agents from liability due to physical losses.

B. Title 31, U.S.C., section 3528 provides general authority to relieve certifying officials from liability due to erroneous payments.

C. Title 10, U.S.C., section 2773a provides general authority to establish pecuniary liability for DAOs.
0602 DEFINITIONS

060201. Physical Losses of Funds

A physical loss of funds can be minor or major. A minor loss is a physical loss of less than $750 without evidence of theft or fraud within the disbursing office. A major loss must meet at least one of the following criteria:

A. Equal to or greater than $750;

B. Any loss of funds resulting from theft, regardless of the dollar amount; or

C. Any loss, regardless of the dollar amount, where there is evidence of fraud within the disbursing office; for example, embezzlement or fraudulent acts by disbursing personnel, whether acting alone or in collusion with others. See Table 6-1 for examples of physical losses of funds.

060202. Erroneous Payments

A. Erroneous payments include:

1. Any payment that should not have been made or that was made which results in an incorrect overpayment under statutory, contractual, administrative, or other legally applicable requirements; or

2. Any payment to an ineligible recipient or service, duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts.

NOTE: This definition applies to accountable official liability. Improper payments under the Improper Payments Information Act differ in that they include both underpayments and overpayments. See Volume 4, Chapter 14, paragraph 140201.

B. Examples of erroneous payments that require an investigation include:

1. Any payment in which the debt is delinquent for 180 days or the loss cannot be fully recovered within the 2-year period, from the time the erroneous payment was made, such as:

a. Overpayment to a payee;

b. Payment to the wrong payee;

c. Overdrafts of issued U.S. Treasury check; or
d. Negotiation of original and replacement U.S. Treasury checks;

2. Any payment based on fraudulent, forged, or altered documents prepared or presented by officials who were not under the direct cognizance or control of the DO; or

3. Payment in violation of a regulation.

C. Examples of erroneous payments that do not require an investigation include:

1. An erroneous payment that is not delinquent for 180 days and can be recovered within the 2-year period, from the time the erroneous payment was made;

2. An erroneous payment that is collectible through offset of military pay, civilian pay, retired pay, or contract debt;

3. A valid payment made in accordance with appropriate documentation, which through no fault of the certifying officer, becomes an overpayment, e.g.:
   a. A member paid a reenlistment bonus and does not complete terms of the contract;
   b. A deceased retiree who is overpaid because death notification was not provided; or
   c. An overpayment on a travel advance;

4. A payment made based on documentation from an individual and certified to be true and correct (e.g., a payment made to the wrong bank account because the individual provided incorrect information); or

5. Any payment made based on vouchers not examined under an approved statistical sampling plan.

0603 DISCOVERY OF PHYSICAL LOSS OR ERRONEOUS PAYMENT

Any person who believes that an official entrusted with public funds is misusing those funds or who suspects an occurrence of a fraudulent erroneous payment must notify the Commander having jurisdiction over the alleged offender within 24 hours of discovery. Sections 0604 and 0605 provide guidance on the responsibilities and actions required to process physical losses and erroneous payments. See Figure 6-1 and Figure 6-2 for an overview of processing physical losses of funds and erroneous payments.
0604 PHYSICAL LOSSES

060401. Responsibilities

A. DO. Upon notification of a possible loss, the DO must:

1. Verify that all transactions on the DoD (DD) Form 2657, Daily Statement of Accountability, and DD 2665, Daily Agent Accountability Summary, posted correctly;

2. Verify the accuracy of all totals from the date of the last balancing of the DD 2657 and the DD 2665 for each DDO, agent, or cashier;

3. Verify by actual count that the total of all cash and documents held as cash by the DO and all DDOs, agents, and cashiers are in agreement with the amount shown as on hand on the DD 2657 and DD 2665;

4. Report the loss in writing to the Commander if the loss is not resolved within 24 hours of discovery and is a major physical loss as defined in paragraph 060201; and

5. Request the Commander to direct an immediate audit of all disbursing assets by a Cash Verification Team as prescribed in Appendix A, to confirm that a loss has occurred.

B. Commander. Upon notification of a possible loss, the Commander must request the Cash Verification Team conduct an audit of the DO’s account. If the discrepancy is not resolved and qualifies as a major loss of funds as described in paragraph 060201, report the loss to DFAS within 24 hours. Send the report via email to the Disbursing Policy mailbox at dfas-in.disbursingpolicy@mail.mil or by mail to the Relief of Liability Section, Disbursing Policy and Treasury Initiatives Division, DFAS Indianapolis (DFAS-ZPFA/IN), Column 326H, 8899 E. 56th Street, Indianapolis, IN 46249. When the Commander is in command of the DDO, agent, or cashier, a copy of the report must be provided to the DO. The report must include:

1. The specific type of loss; physical loss, erroneous payment, or fraudulent payment;

2. All known circumstances surrounding the alleged loss of funds;

3. The authorized amount of the imprest fund if the loss occurred in the imprest fund;

4. The date the irregularity occurred and/or was discovered;

5. The dollar amount of the loss;
6. The identity of the accountable official(s) by name, rank/grade, and accountable position (such as DO, DDO, agent, or cashier);

7. The date of the investigation or when it will convene;

8. The contact information of the Investigating Officer (IO); including name, email address, and phone number;

9. The completion date of the investigation or, if applicable, the estimated completion date; and

10. The status of any recovery action in progress or contemplated.

060402. Accounting for Physical Losses of Funds

A. General. Chapter 15, Figure 15-4, provides specific instructions for recording and clearing losses on the Standard Form (SF) 1219, Statement of Accountability.

B. Recording a Physical Loss of Funds

1. Record All Physical Losses. All physical losses, major or minor, discovered in the DO’s account, including those incurred by deputies, agents, cashiers, imprest fund cashiers, and change fund custodians, must be recorded on the DD 2657 by using an Optional Form (OF) 1017-G, Journal Voucher, to document the repositioning or movement of money from one line to another. For example, if a cash count reveals U.S. currency on hand is short $100, prepare an OF 1017-G, to document the loss and record the transaction as a decrease to line 6.2A (U.S. Currency/Coinage on Hand) and an increase to line 7.3 or (9.3, if predecessor DO), Loss of Funds. Continue to show all losses on the DD 2657 and the SF 1219 until the loss is recovered, recouped, or until relief of liability is granted.

NOTE: Foreign currency loss must be converted and recorded in U.S. Dollar equivalent using the exchange rate at the time that the loss occurred.

2. Cumulative Record of Physical Losses

a. Support the loss entered on the DD 2657 by annotating it on the DD 2667, Subsidiary Accountability Record. If more than one physical loss occurs during a single business day, use a separate line on the same form to account for each loss individually.

b. Complete the DD 2667. See Figure 6-3 for an example of a DD 2667 prepared as a cumulative record of physical losses.

c. Maintain separate DD 2667s for different DOs.

d. Maintain the DD 2667 on file as a subsidiary record supporting the DD 2657.
e. Forward the DD 2667 to DFAS-ZPFA/IN within 5 calendar days after the end of each month. Send by email to the Disbursing Policy mailbox at dfsas-in.disbursingpolicy@mail.mil or mail to DFAS-ZPFA/IN.

3. **Agent Losses.** Physical losses of funds incurred by DDOs, disbursing agents, cashiers, paying agents, collection agents, imprest fund cashiers, or change fund custodians are physical losses within the official agent’s accountability documents. It is important to notify the DO of all physical losses as soon as possible. The DO then must reduce the DD 2657, line 6.5 (Funds with Agents) for that particular agent and increase line 7.3. The DO must record the loss on the cumulative DD 2667.

4. **Change Fund or Imprest Fund Loss.** Table 6-2 provides guidance for processing a loss that occurs in a change fund or imprest fund.

5. **Counterfeit Currency Loss.** The DO must record the amount of the loss on the DD 2667 and DD 2657, line 6.2A, or 6.2B (Foreign Currency/Coinage on Hand) column d, by the amount of the counterfeit currency and increase line 7.3.

060403. **Investigation**

An investigation is required for all physical losses of funds.

A. **Purpose of Investigation.** The purpose of the investigation is to review and document all facts leading up to and connecting with the loss, to include the:

1. Amount, date, time, and place of the loss;
2. Identification of accountable officials and others involved (name and rank);
3. Authenticity of documentary evidence and oral testimony;
4. Functional capacity of the accountable official incurring the loss and the physical location of this official, such as disbursing office and/or functional area;
5. Cause of loss; and
6. Adequacy of internal controls in place and effectively implemented.

NOTE: Table 6-3 provides standardized questions that the IO must use as a basis to address essential facts surrounding the loss and ensure completeness of the investigation.

B. **Type of Losses.** The type of loss determines the type of investigation required.
1. **Minor Physical Losses**

   a. **$300 or Less (No Fraud).** The DO or DDO (if the DO is not co-located with the DDO) will conduct the investigation and complete the written investigatory report (See Figure 6-4). If the loss is attributable to the DO, the primary DDO will conduct the investigation along with the written investigatory report. Under no circumstances will the official incurring the loss prepare their own written investigatory report. In all cases, the written investigatory report must be completed and submitted to DFAS-ZPFA/IN within 30 days from discovery of the loss.

   b. **Over $300 (No Fraud).** The Commander must appoint an IO to conduct the investigation and complete the written investigatory report (See Figure 6-4). The appointed official must be someone other than the DO or disbursing office personnel (e.g., a member of the Cash Verification Team). Furthermore, the appointed IO must have knowledge of disbursing office operations, especially knowledge of the required internal controls, pertinent laws, and applicable directives. In all cases, the written investigatory report must be completed and submitted to DFAS-ZPFA/IN within 30 days from discovery of the loss through the Commander.

2. **Major Physical Losses.** An IO must be appointed to conduct a formal investigation when there is a major physical loss.

   a. **Appointment Authority.** The following individuals have the authority to appoint an IO:

      (1) The Commander of the DO who incurred the loss;

      (2) For DFAS sites, the Director of the DO who incurred the loss;

      (3) When the accountable official and the DO are not in the same location, the Commander over the accountable official will appoint the IO. For example, the Commander of a disbursing agent located in Afghanistan would appoint an IO when the agent incurs a loss while the DO is located in Indianapolis; or

      (4) When the Commander is not authorized to convene an investigation, the Commander must request an investigation through the chain of command.

   b. **Appointment/Order of IO.** The Commander must provide a copy of the official appointment notification to DFAS-ZPFA/IN within 5 days of appointment. The Commander must include the following in the appointment order:

      (1) Name of the IO, telephone number, and email address;

      (2) Incident or occurrence that requires an investigation;
(3) Citation of Volume 5 and any authorizing DoD Component regulation as the authority for the investigation;

(4) The approximate time allowed for the investigation (the investigation must be completed and submitted to DFAS-ZPFA/IN within 90 days from discovery of the loss); and

(5) Instruction to include a copy of the appointment/order in the report of investigation (ROI) as an exhibit.

c. Individuals Authorized to be IO(s). A Commissioned Officer (O-4 or above) or civilian employee who is senior in rank/grade to the person(s) under investigation and:

(1) Does not have a vested interest in the outcome of the investigation;

(2) Is not in the chain of command of the DO or accountable officials involved in the irregularity;

(3) Is familiar with investigative techniques; and

(4) Has knowledge of financial accounting controls and pertinent laws and directives. Only use Comptroller personnel when there is no feasible alternative to appoint an IO from another organizational element.

NOTE: The comptroller, staff judge advocate, or DFAS Office of General Counsel (DFAS-OGC) must provide technical guidance to IOs who do not have extensive backgrounds in investigative or financial matters.

d. Guidance for IOs

(1) Develop all information and documentation in connection with the loss so that higher authority may take proper action. This includes information regarding the procedures followed by all officials involved in the loss, as well as safeguards and controls instituted for the entire period in which the loss occurred.

(2) Before interviewing the accountable official(s) for the first time, ensure that each official receives and reviews this chapter and Chapter 5, section 0507 regarding liabilities and responsibilities of accountable officials and the authoritative guidance provided in paragraph 060103.

(3) Obtain statements from accountable official(s) and others involved with the loss. The IO may summarize or report the testimony verbatim. Whenever possible, ensure the witness reviews, attests, and signs the transcript or summary of testimony. If
sworn testimony is not obtainable, the IO must submit a statement giving the substance of the interview and the reason for absence of attestation.

(4) If the IO recommends denial of relief to the DO or any other accountable official(s) who are pecuniarily liable for the loss, provide a copy of the report to these officials.

(5) Gather all records, documents, correspondence, photographs, and sworn affidavits relating to the loss. The IO may use evidence developed in investigations already conducted concerning the loss by other agencies (e.g., Federal Bureau of Investigation (FBI), U.S. Secret Service, or local authorities).

(6) Make a determined effort to resolve or clarify all apparent discrepancies or contradictions in the evidence.

(7) Report every 30 days on the status of the investigation. Send the report through the Commander to DFAS-ZPFA/IN.

(8) When extraordinary circumstances require an extension to complete the ROI, the IO may request an extension from the Commander. The IO can use Figure 6-5 as a request for an extension. The Commander must notify DFAS-ZPFA/IN of any authorized extension by forwarding Figure 6-5 or similar request to the Disbursing Policy mailbox.

e. Preparation of the ROI. The ROI must include the following elements:

(1) Facts: The IO must gather all the facts of the loss by:

(a) Identities of all accountable officials who are pecuniarily liable for the loss, the amount that each person is responsible for, and their involvement in the loss;

(b) If any of the accountable officials involved in the loss are not physically located in the disbursing office, describe the structure of the chain of command of the activity in which the official was performing their disbursing functions. In addition, describe the financial services supplied by that official for the activity they serve;

(c) Circumstances leading to and surrounding the loss, including the efforts undertaken to discover the cause of a loss that remains unexplained;

(d) Description of the internal controls prescribed to prevent losses of the type experienced and the steps taken to implement those controls;
(e) Other relevant information that would aid in understanding how the loss occurred and in evaluating whether relief is appropriate for the accountable officials involved;

(f) Documentary evidence (such as statements, transcripts, correspondence, affidavits, investigative reports completed by other agencies, records, and photographs) as exhibits to the ROI; and/or

(g) Information regarding collection activity and any possible offset relating to the loss.

(2) Findings. The IO must make the following findings:

(a) Whether there was a loss to the U.S. government and the amount of the loss;

(b) Whether the loss occurred through the fault or negligence on the part of the accountable official;

(c) Whether negligence, fraud, or theft was the proximate cause of the loss by an individual other than the accountable official(s);

(d) The name of all official(s) involved and when the loss occurred; and

(e) Whether the accountable official(s) was carrying out official duties when the loss or deficiency occurred.

NOTE: The IO must make any other findings considered necessary and appropriate. It is essential that all findings, especially those indicated in subparagraph 060403.B.2.e(2), have supporting documentation. When applicable, reference the tab or page number of the supporting documentation after each related finding.

(3) Recommendations. Based on the information gathered, the IO must make a recommendation on:

(a) Whether the accountable official(s) should be relieved of pecuniary liability for the loss (separate recommendations are required for each accountable official);

(b) Whether other person(s) should be held pecuniarily liable for the loss, in whole or in part;

(c) Whether any corrective action is needed to improve controls or procedures; and/or
(d) Any other recommendations that are appropriate considering the existing facts, circumstances, and conditions of the case.

f. Submission of ROI

(1) Timeframe. Unless authorized for an extension, the IO must submit the ROI through the Commander (who appointed the IO) to DFAS-ZPFA/IN within 90 days after discovering the loss.

(2) Commander’s Actions. Upon receiving the ROI from the IO, the Commander must:

(a) Immediately review the ROI for compliance with requirements as indicated in subparagraph 060403.B.2.e;

(b) Determine if the ROI is complete and if not, return it to the IO explaining the discrepancies and request further documentation or information. Notify DFAS-ZPFA/IN if the ROI cannot be completed and submitted within 90 days from discovery of the loss;

(c) Consider all the facts, findings, and recommendations;

(d) Make additional findings and recommendations pertinent to the investigation;

(e) Determine if sufficient evidence exists to support a recommendation for relief from liability or recommend denial of relief referencing all evidence supporting the denial recommendation for each accountable official involved;

(f) Forward a copy of the ROI and all attachments to DFAS-ZPFA/IN, unless the investigation is on hold for fraudulent or wrongful conduct (see note below subparagraph 060403.B.2.f(2)j);

(g) Forward a copy of the ROI to the Commander of the base, station, activity, ship, or unit where the accountable official(s) is located. For Army Finance Management Detachments, send a copy to the Finance Management Support Unit. It is the commander’s discretion whether to use the ROI for disciplinary or administrative actions;

(h) Keep a copy of the ROI;

(i) Submit any documentation and/or information requested by DFAS-ZPFA/IN, due to insufficient ROI received; and

(j) Forward any documentation and/or information to DFAS-ZPFA/IN that become available after the ROI has been forwarded.
NOTE: If there is evidence of fraudulent or wrongful conduct and the matter is under investigation by authorized law enforcement personnel, the investigative entities may request the Commander to withhold the report until completion of their investigation. If so, the Commander must continue to follow-up on the status of their investigation and advise DFAS-ZPFA/IN of the status every 30 days. It is acceptable to add copies of the investigative reports as exhibits before forwarding the report through the chain of command to DFAS-ZPFA/IN.

3. **DFAS-ZPFA/IN**: Upon receipt of ROI, DFAS-ZPFA/IN must:
   a. Review the ROI;
   b. If the ROI lacks sufficient information, or in the absence of compliance with the provisions for the findings and recommendations, DFAS-ZPFA/IN may return the report for further investigation and fulfillment of the provisions as indicated in subparagraph 060403.B.2.e; and
   c. Forward the final decision to the appropriate individuals, and in those cases where individual(s) are held liable, inform them of their right to submit a rebuttal.

060404. Funding for Removal of Physical Losses

In all cases, the ideal method for resolving a loss is recovery of the loss from the beneficiary. For example, 1) recovery of missing cash from the finder or, 2) collection from the accountable official.

A. Appropriated funds must be made available to remove the deficiency from the DO’s SF 1219 if the losses are not recovered. This includes instances when relief of liability has been denied and recoupment cannot be made from the accountable official or when relief of liability is granted to the accountable official.

1. **DFAS Employee**. If the accountable official responsible for the loss of funds was a DFAS employee or a military member assigned to DFAS when the loss occurred, DFAS must identify the necessary appropriation and funding to resolve the loss.

2. **Other DoD Component Employees**. If the accountable official responsible for the loss of funds was a military member or employee of another DoD Component when the loss occurred, that DoD Component must identify the necessary appropriation and funding to resolve the loss.

B. The DO must clear the loss of funds from the DD 2667 and DD 2657, line 7.3 or 9.3, based on the instructions given by DFAS-ZPFA/IN.
0605 ERRONEOUS PAYMENTS (ILLEGAL, INCORRECT, AND IMPROPER)

060501. Responsibilities

A. Fraudulent or Suspected Fraudulent Erroneous Payments

1. Commander: Upon notification of a fraudulent or suspected fraudulent erroneous payment, the commander must:
   a. Notify DFAS-ZPFA/IN within 24 hours of notification, through the chain of command, per subparagraph 060401.B;
   b. Appoint an IO to conduct a formal investigation. See subparagraph 060403.B.2.b; and
   c. Ensure the investigation is completed and forwarded to DFAS-ZPFA/IN within 90 days from the appointment of the IO.

2. DO: Upon notification of a fraudulent or suspected fraudulent erroneous payment, the DO must:
   a. Determine if the erroneous payment occurred due to fraudulent actions of accountable officials under the direct cognizance or control of the DO, and prepare a collection voucher transferring the amount of the fraudulent payment back into the appropriation from which the payment disbursed. Increase lines 4.1B (Less-Refunds) and line 7.3 on the DD 2657. Increase line 9.3 on the DD 2657 if the loss is a predecessor loss. Record the loss on the DD 2667 as prescribed in subparagraph 060402.B.2 if the erroneous payment occurred due to fraudulent actions of accountable officials under the direct cognizance or control of the DO.
   b. Determine if the erroneous payment occurred due to fraudulent actions by individuals who were not under the direct cognizance or control of the DO, the payment(s) must remain charged to the appropriation originally charged.

B. Erroneous Payments – No Fraud

1. Certifying Officer: Upon notification of an erroneous payment, the certifying officer must:
   a. Review the erroneous payment voucher and the supporting documentation;
   b. Ensure collection action is taken against the recipient of the payment, as prescribed in Volume 16. This may require submission of the debt to the DO or other responsible area; and
c. Notify the Commander if the recipient of the erroneous payment does not voluntarily repay the amount owed and:

   (1) The debt is delinquent for 180 days; or

   (2) The full amount of the loss is not recovered within the 2-year period, which is calculated from the time the erroneous payment was made.

2. **DO’s Responsibilities**

   a. The DO does not need to take any action if the erroneous payment was properly certified.

   b. If the erroneous payment was not properly certified:

      (1) Report the loss to the Commander; and

      (2) Ensure collection action was taken against the recipient of the payment, as prescribed in Volume 16. This may require submission of the debt to another responsible area. If the erroneous payment is recouped from the recipient, collect the proceeds into the appropriation originally charged, unless the appropriation is canceled. If the appropriation is canceled, refer to Volume 4, Chapter 3, subparagraph 030305.C for disposition of the collection.

3. **Commander:** Upon notification of an erroneous payment, the commander must:

   a. Determine whether a formal or an informal investigation is required;

   b. Appoint an IO to conduct the appropriate investigation; and

   c. Ensure the investigation is completed and submitted to DFAS-ZPFA/IN.

   060502. Investigation of Erroneous Payments

   A. **Formal Investigation Policy**

   1. Formal investigations are required when:

      a. Fraud is suspected on the part of the payee, disbursing office personnel, certifying officer, or any other accountable official; or

      b. The Commander determines it to be necessary.
NOTE: Formal investigations for erroneous payments must follow the guidance outlined in paragraph 060403.

2. The investigation must be submitted to DFAS-ZPFA/IN through the Commander who appointed the IO within 90 days from the appointment of the IO.

B. Informal Investigation Policy

1. The IO must prepare investigatory comments using Figure 6-6 as an example.

2. The investigation must be submitted to DFAS-ZPFA/IN within 60 days from the Commander’s notification of the erroneous payment.

060503. Completion of Erroneous Payments Process

When feasible, all actions required to reach a determination of liability for a loss of funds due to an erroneous payment should be completed within 3 years after the date the SF 1219 is certified.

060504. Settlement of Erroneous Payments

Generally, the DO will not carry an erroneous payment as a loss of funds on the SF 1219, since an appropriation was charged when the payment was disbursed. However, there are exceptions to this general rule. For example, an exception occurs when the Department of the Treasury issues check-issue overdrafts against a disbursing station symbol number (DSSN) or if an accountable official under the direct cognizance or control of the DO made a fraudulent payment.

A. If the erroneous payment is recovered from the recipient, the appropriation initially charged is credited the amount recouped or collected unless the appropriation is canceled. Refer to Volume 4, Chapter 3, subparagraph 030305.C for disposition of the collection of canceled appropriation.

B. If the erroneous payment cannot be recovered from the recipient and relief of liability has been denied, the loss must be collected from the DO, certifying officer, and/or accountable official(s) involved. Credit the proceeds from the collection to the appropriation originally charged, unless the appropriation is canceled. For disposition of the collection of a canceled appropriation, refer to Volume 4, Chapter 3, subparagraph 030305.C.

C. The amount of the erroneous payment must remain charged to the appropriation that the payment originated from when:

1. Relief of liability is granted; or

2. Recovery attempts from the recipient are unsuccessful.
D. If an adjustment to the appropriation account to which the payment was charged is necessary, the amount of the erroneous payment must be charged as stated in 31 U.S.C. § 3527(d)(1).

060505. Document Retention

The following documents and information are retained to ensure proper response to audits conducted by the Government Accountability Office:

A. Detailed statement of facts of the case, including the type of irregularity, date, amount, names and positions of the accountable official(s) involved;

B. Reference to pertinent supporting documents, such as pay records, contracts, and vouchers;

C. Description of how the irregularity occurred and how it affected the accountable official’s account;

D. Adequate description of procedural deficiencies, if known, that caused the irregularity and the corrective action taken or to be taken; and/or

E. Information on any recoupment already made or being considered.

0606 REQUEST FOR RELIEF

060601. Request for Relief

Requests for relief must be in the form of a memorandum and submitted within 30 days after the investigation is completed. A copy of the IO’s report must be included as an attachment to the request for relief. Erroneous payments paid through the Treasury Direct Disbursing process follow the same process as erroneous payments paid through a DoD disbursing office. Accountable officials must submit their request for relief as follows:

A. DOs. Submit the request for relief through the Commander or DFAS site director to DFAS-ZPFA/IN.

B. DOs Settling Accounts of Former DOs. Submit the request for relief on behalf of a former DO to DFAS-ZPFA/IN.

C. DDOs, Disbursing Agents, Cashiers, Certifiers. Submit requests for relief through the DO responsible for the account to DFAS-ZPFA/IN.

060602. Evidence Required for Granting Relief
A. **Burden of Proof.** An accountable official is strictly liable for any erroneous payments or physical loss of funds placed in the official’s care, subject to relief of liability. Accordingly, if the Government can establish that a loss has occurred, strict liability applies to the accountable official involved with the loss. The accountable official bears the burden of proving that it is more likely than not that the official:

1. Was not negligent; or

2. The official’s fault or negligence is not the proximate cause of the loss.

B. **Information Required.** Generally, the findings of related court of inquiry, investigation, court-martial, or other proceedings (including endorsements) will provide the information required for the loss. When such information is not available, the following information must be supplied and considered in the request for relief and/or the forwarding endorsements. Failure to include all the information required could contribute to an unfavorable consideration of a request for relief. Include the following items:

1. The specific duty assignment of the accountable official when the loss occurred;

2. A statement showing when, how, and who discovered the loss;

3. A description of any actions taken to verify the loss and establish how the loss occurred;

4. A statement including the date of the last cash count and balancing prior to discovery of the loss;

5. A copy of the appropriate standard operating procedures (SOPs) in effect at the time the loss occurred. If no written procedures are available, provide a statement to explain the known and utilized procedures at the time the loss occurred;

6. A statement indicating pertinent regulations and instructions were followed or, if not followed, an explanation and justification for any omissions and deviations;

7. A statement regarding the official’s past involvement in any prior losses, if applicable;

8. A statement indicating whether the loss was caused by theft or some other criminal act; and

9. A description of the manner in which the DO is carrying the loss in their account, and the identity of that DO.
C. **Forwarding Endorsements.** Each addressee in the requestor’s chain of command (including the DO) must provide a forwarding endorsement that must include a specific opinion as to whether the loss occurred while the accountable official was in the line of duty and regarding fault or negligence. A specific recommendation regarding granting or denying relief is required, as a part of the forwarding endorsement.

060603. Statutory Standards for Relief of a Physical Loss

The general authority to relieve accountable officials from liability is stipulated in 31 U.S.C. § 3527. Relief of liability may be granted when:

A. The Secretary of Defense determines that the official was carrying out official duties when the loss occurred;

B. The loss or deficiency was not the result of an illegal or incorrect payment; and

C. The loss or deficiency was not the result of fault or negligence by the official.

060604. Statutory Standards for Relief of an Erroneous Payment

The general authority to relieve accountable officials from liability is stipulated in 31 U.S.C. § 3527(b)(1)(B), which incorporates by reference 31 U.S.C. § 3528(b)(1), as follows:

A. **DO**

1. The payment was not the result of bad faith or lack of reasonable care; and

2. The disbursing officials and the agency have made diligent collection efforts.

B. **Certifying Officer**

1. The certification was based on official records and the certifying officer did not know, and by reasonable diligence and inquiry could not have discovered, the correct information; or

2. The obligation was incurred in good faith, no law specifically prohibited the payment, the U.S. Government received value for the payment, and diligent collection efforts were made to recover the payment.

C. **DAO.** Pecuniary liability under this subsection will apply in the same manner and to the same extent as applies to an official accountable under 31 U.S.C., subtitle III.
0607 DECISIONS ON LIABILITY

060701. Relief Granted

If granted relief, DFAS-ZP will provide a memorandum with instructions to remove the
deficiency or authority to leave the payment charged to the original appropriation.

060702. Relief Denied

If denied relief, DFAS-ZP will advise the accountable official(s) of the decision and of
their right to submit a rebuttal. The rebuttal must be submitted within 30 days from the date of
notification of the adverse determination to DFAS-ZPFA/IN. Based on the additional information
received, DFAS-ZPFA/IN will make a recommendation to the Director, DFAS-ZP, through the
DFAS-OGC, whether to affirm or reverse the previous decision.

A. If the decision is reversed, the accountable official(s) will be advised
accordingly, and the DO will be provided instructions for removal of the loss of funds or authority
to leave the payment charged to the original appropriation.

B. If the decision stands, the Commander and/or DO will be advised to take
immediate collection action against the accountable official(s). Volume 16 provides procedures
for completing collection of irregularities.

0608 OVERAGES OF PUBLIC FUNDS

060801. Overview

Overages are funds held in an amount greater than the amount shown to be on hand by the
daily accountability records of the DO.

060802. Recording Overages of Funds

Do not offset an overage of funds against a physical loss of funds unless the relation
between the two is obvious (e.g., foreign currency on hand is short and U.S. currency on hand is
over by equal U.S. equivalent amounts). Do not offset overages against shortages if the shortage
and overage occur on different business days. An overage of funds must be collected into the
Budget Clearing Account (Suspense), **F3875, pending a determination of where the overage
belongs. Subsequently, if the proper location for the overage cannot be determined, the overage
must be transferred to the Department of the Treasury’s Forfeiture of Unclaimed Money and
Property, **R1060. Track overages by recording each occurrence on a separate DD 2667,
maintained specifically for overages.

NOTE: The DD 2667 is a stand-alone document for tracking overages. Start a new DD 2667 for
overages at the beginning of each quarter.
060803. Preparation of DD 2667 as a Record of Overages of Funds

List each overage occurring each day on the DD 2667. See Figure 6-7 for an example of DD 2667 prepared as a record of overages.

060804. Reporting Overages of Funds

Overages of funds that are $750 or more must be reported to the Commander. However, unless there is an indication of fraud or other criminal act, there is no requirement to report or investigate as in losses of funds. A copy of the DD 2667 must be retained with the original voucher transferring the funds to the **R1060 account.
Figure 6-1. Processing Physical Losses of Funds

PROCESSING LOSSES OF FUNDS DUE TO PHYSICAL LOSS

1. **DO discovers loss or is notified of loss.**
   - **NO**
     - **DO or DDO performs informal investigation.**
     - **DO submits report of investigation to DFAS-ZPFA/IN within 30 days from discovery of loss.**

2. **YES**
   - **Over $300?**
     - **NO**
       - **Fraud or criminal act indicated?**
         - **YES**
           - **DO forwards DD 2667 to DFAS-ZPFA/IN within 5 calendar days at the end of each month.**
         - **NO**
           - **DO reports loss in writing to Commander within 24 hours of discovery.**
           - **Commander appoints someone other than the DO or disbursing office personnel to conduct the investigation.**
           - **IO submits completed report of investigation thru Commander to DFAS-ZPFA/IN within 30 days from discovery of loss.**
           - **DFAS-ZPFA/IN reviews ROI, makes recommendation on liability, and obtains DFAS legal review.**
           - **DFAS-ZPFA/IN forwards proposed recommendation to Director, DFAS-ZP for final decision.**
           - **DFAS-ZP grants relief?**
             - **YES**
               - **DFAS-ZPFA/IN notifies individual of liability and right to submit rebuttal or make voluntary payment.**
             - **NO**
               - **Individual on active duty?**
                 - **YES**
                   - **Individual on active duty and fails to submit rebuttal or make voluntary payments, DFAS-ZPFA/IN will advise DO to take immediate collection action.**
                 - **NO**
                   - **Individual no longer on active duty and fails to submit rebuttal or make payment arrangement, DFAS-ZPFA/IN refers debt for out-of-service collection actions.**
             - **NO**
               - **DFAS-ZPFA/IN provides instructions to DO to remove loss from accountability.**

3. **YES**
   - **DO records loss on DD 2657 and DD 2667.**
   - **DO forwards DD 2667 to DFAS-ZPFA/IN within 5 calendar days at the end of each month.**
   - **Loss is less than $750?**
     - **YES**
       - **DO reports loss in writing to Commander within 24 hours of discovery.**
       - **Commander reports loss to DFAS-ZPFA/IN within 24 hours of notification and convenes or recommends investigation.**
       - **IO conducts a formal investigation and makes appropriate findings and recommendations including recommendation as to granting relief of liability to accountable individual(s). Within 90 days from discovery of loss, submit completed report to Commander.**
       - **Commander reviews findings and recommendations, endorses, and forwards investigation and all exhibits to DFAS-ZPFA/IN through command channels.**
       - **DFAS-ZPFA/IN notifies individual of liability and right to submit rebuttal or make voluntary payment.**
     - **NO**
       - **DFAS-ZPFA/IN provides instructions to DO to remove loss from accountability.**
Figure 6-2. Processing Erroneous Payments

PROCESSING ERRONEOUS PAYMENTS

- **DO or certifying officer reports loss to commander.**
  - Is fraud suspected with the payment? **YES**
    - Commander reports loss within 24 hours of notification to DFAS-ZPFA/IN via command channels.
    - Command appoints IO and notifies DFAS-ZPFA/IN of appointment.
  - NO
    - The payment is 180 days delinquent or it cannot be fully recovered within 2 years from the time the erroneous payment was made?
      - NO
        - The payment is 180 days delinquent or it cannot be fully recovered within 2 years from the time the erroneous payment was made.
      - YES
        - Commander appoints IO.
        - IO must complete investigation using sample in figure 6-4 or similar format.
        - IO must forward investigation thru commander to DFAS-ZPFA/IN within 60 days of the IO’s appointment.
          - NO
            - Investigation completed and submitted to DFAS-ZPFA/IN within 90 days from discovery of loss?
              - NO
                - IO must request extension from commander. Commander notifies DFAS-ZPFA/IN of any authorized extension.
                - Investigation completed.
                - NO
                  - IO reports every 30 days thru the commander to DFAS-ZPFA/IN on status of investigation.
                  - NO
                    - Investigation completed and submitted to DFAS-ZPFA/IN within 90 days from discovery of loss?
                      - NO
                        - IO reports every 30 days thru the commander to DFAS-ZPFA/IN on status of investigation.
                        - YES
                          - Investigation completed.
                          - DFAS-ZPFA/IN receives investigation, makes recommendation on liability, obtains legal review.
                          - DFAS-ZPFA/IN forwards proposed recommendation to Director, DFAS-ZP for final decision.
                          - NO
                            - Director, DFAS-ZP grants relief?
                              - NO
                                - DFAS-ZPFA/IN notifies commander and accountable individual of decision.
                                - Accountable individual is afforded rebuttal rights.
                              - YES
                                - DFAS-ZPFA/IN advises commander to leave payment charged to original appropriation. Collection action continues against individual/company that received payment.
                                - END
                          - YES
                            - Director, DFAS-ZP grants relief?
                              - NO
                                - DFAS-ZPFA/IN notifies commander and accountable individual of decision.
                                - Accountable individual is afforded rebuttal rights.
                              - YES
                                - Director, DFAS-ZP grants relief?
                                  - NO
                                    - DFAS-ZPFA/IN notifies commander and accountable individual of decision.
                                    - Accountable individual is afforded rebuttal rights.
                                  - YES
                                    - Director, DFAS-ZP grants relief?
                                      - NO
                                        - DFAS-ZPFA/IN notifies commander and accountable individual of decision.
                                        - Accountable individual is afforded rebuttal rights.
                                      - YES
                                        - Director, DFAS-ZP grants relief?
                                          - NO
                                            - DFAS-ZPFA/IN notifies commander and accountable individual of decision.
                                            - Accountable individual is afforded rebuttal rights.
                                          - YES
                                            - Director, DFAS-ZP grants relief?
                                              - NO
                                                - DFAS-ZPFA/IN notifies commander and accountable individual of decision.
Figure 6-3. DD 2667, Subsidiary Accountability Record (Cumulative Physical Losses of Funds)

<table>
<thead>
<tr>
<th>DSSN</th>
<th>PURPOSE OF RECORD</th>
</tr>
</thead>
<tbody>
<tr>
<td>5995</td>
<td>Cumulative Physical Losses of Funds</td>
</tr>
</tbody>
</table>

**3. NAME OF DISBURSING OFFICER**
James Harris, Capt.

**4. ADDRESS**
PACAF, APO AP 96307

<table>
<thead>
<tr>
<th>DATE</th>
<th>REFERENCE OR EXPLANATION</th>
<th>INCREASE</th>
<th>DECREASE</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/6/XX</td>
<td>Evan Thomas, 1st Lt, USAF, Dep DO (unexplained loss)</td>
<td>1,375.00</td>
<td>1,375.00</td>
<td></td>
</tr>
<tr>
<td>6/12/XX</td>
<td>Ralph Brown, Cashier (Fraud)</td>
<td>210.00</td>
<td>1,585.00</td>
<td></td>
</tr>
<tr>
<td>7/1/XX</td>
<td>Ralph Brown, Cashier (Fraud) Recouped</td>
<td>210.00</td>
<td>1,375.00</td>
<td></td>
</tr>
</tbody>
</table>

**NOTES:**
- Item 5: For each loss of funds, enter the date the DO recorded the loss in the accountability.
- Item 6: For each loss, enter a brief description of the loss, including identification of the person responsible for the loss.
- Item 7: For each loss, enter the amount of the loss.
- Item 8: If the loss is recovered, recouped, or granted relief, record the amount accordingly.
- Item 9: Enter the cumulative total of the losses. The balance must be in agreement with lines 7.3 or 9.3 on the DD 2657 at all times.
Figure 6-4. Minor Physical Losses–No Fraud

<table>
<thead>
<tr>
<th>MINOR PHYSICAL LOSSES–NO FRAUD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Loss Amount</td>
</tr>
<tr>
<td>4. Location of Loss</td>
</tr>
</tbody>
</table>

### Accountable Officials

<table>
<thead>
<tr>
<th>6. CAPACITY</th>
<th>7. NAME</th>
<th>8. EMAIL ADDRESS</th>
<th>9. GRADE</th>
<th>10. MAILING ADDRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>DO</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEPUTY</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGENT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASHIER</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

11. How did the loss occur?

12. Did accountable officials act in a prudent manner in compliance with regulations, procedures?
   - Yes       No
   - If No, provide name of official(s) and reason(s).

13. Were accountable officials acting within their line of duty?
   - Yes       No
   - If no, provide name(s) and reason(s).

14. Has the presumption of negligence of the accountable official(s) been refuted?
   - Yes       No
   - If no, provide name(s) and reason(s).

15. If the loss was by a subordinate, did the supervisory DO/deputy DO exercise adequate supervision?
   - If, Yes, identify and attach applicable procedures; e.g., SOPs, training guides, inspection results.
   - If No, provide reasons.

16. I do recommend relief of liability _____   17. I do not recommend relief of liability _____

18. The accountable officials have been counseled regarding appropriate corrective measures to prevent recurrence and the applicable regulatory procedures for minor losses of funds have been reviewed.
   - Yes___________________                       No (provide reasons)

19a. ____________________________ does request relief of liability ____________
   - Additional facts provided in separate memo Yes___   No___

19b. ____________________________ does not request relief of liability ____________

20. Point of contact for this investigation is (Name (to include grade/rank), (Phone Number), and (EMAIL address)
Figure 6-4. Minor Physical Losses–No Fraud (Continued)

<table>
<thead>
<tr>
<th>BLOCK</th>
<th>GUIDANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Insert dollar amount of loss.</td>
</tr>
<tr>
<td>2</td>
<td>Insert the date loss occurred. If unknown, leave blank.</td>
</tr>
<tr>
<td>3</td>
<td>Insert the date loss was discovered.</td>
</tr>
<tr>
<td>4</td>
<td>Insert the location where the loss occurred; e.g., Incirlik Air Base, Turkey; USS Eisenhower; Camp Arifjan, Kuwait.</td>
</tr>
<tr>
<td>5</td>
<td>Insert the DSSN that incurred the loss.</td>
</tr>
<tr>
<td>6</td>
<td>Identify each accountable official, to include the DO, DDO, and the official that incurred the loss.</td>
</tr>
<tr>
<td>7</td>
<td>Include the full name of appropriate individuals.</td>
</tr>
<tr>
<td>8</td>
<td>Provide the email address of each individual.</td>
</tr>
<tr>
<td>9</td>
<td>Include the grade/rank of the appropriate individuals; e.g., GS 4 (civilian) or military rank.</td>
</tr>
<tr>
<td>10</td>
<td>Provide the mailing address of each individual.</td>
</tr>
<tr>
<td>11</td>
<td>Provide details of how the loss occurred; e.g., &quot;Cashier was performing standard disbursing functions; i.e., check cashing, casual pays, in a combat zone. When cashier returned funds/documents to disbursing agent, a $100 shortage was discovered. Cashier had no explanation for the loss.&quot;</td>
</tr>
<tr>
<td>12</td>
<td>Provide response. Note: “Prudent” or “non-negligent” requires applying the standard of reasonable care or ordinary negligence. Negligence is determined by applying a reasonable prudent person (RPP) test. The test requires the fact finder to weigh the facts of the case against what a reasonable person would have done to take care of his or her own property of like description under similar circumstances. Therefore, a determination of negligence is a highly fact-sensitive inquiry and what constitutes “reasonable” or “prudent” under the RPP test is wholly dependent on the facts, conditions, and circumstances presented by each case.</td>
</tr>
<tr>
<td>13</td>
<td>Provide response. Normally the response will be &quot;yes.&quot; A &quot;no&quot; response would be rare.</td>
</tr>
<tr>
<td>14</td>
<td>Provide response. The fact that a loss or deficiency occurred gives rise to a presumption of negligence on the part of the accountable official. An accountable official bears the burden of producing evidence to rebut this presumption. The presumption may be rebutted by evidence demonstrating that it is more likely than not, the accountable official was not negligent. In other words, the greater weight of the evidence is sufficient to incline a fair and impartial mind that the accountable official was not negligent relating to the loss. Regarding negligence, see guidance in Block 12.</td>
</tr>
<tr>
<td>15</td>
<td>Provide a response if the loss occurred from a subordinate to the DO or DDO. The DO may be relieved if he/she maintained adequate supervisory control over the operations. If this is the case, list those controls; e.g., Cashier SOP, training guides.</td>
</tr>
<tr>
<td>16</td>
<td>Add the names of the accountable officials, if recommending relief.</td>
</tr>
<tr>
<td>17</td>
<td>Add the names of the accountable officials, if recommending denial of liability.</td>
</tr>
<tr>
<td>18</td>
<td>Indicate if the appropriate accountable officials have been counseled and applicable regulatory procedures have been reviewed. If not, provide reasons; e.g., accountable official discharged.</td>
</tr>
<tr>
<td>19a</td>
<td>Insert the name of the individual(s) requesting relief. If the accountable official(s) requests relief and has additional information not included in the investigation, a separate memo must be provided to DFAS-ZPFA/IN within 30 days after completion of the investigation.</td>
</tr>
<tr>
<td>19b</td>
<td>Insert the name of the individual who does not request relief. If the accountable official chooses not to request relief, he/she must pay the amount of the loss.</td>
</tr>
<tr>
<td>20</td>
<td>Provide the IO’s name to include grade/rank, phone number, and email address.</td>
</tr>
</tbody>
</table>
Figure 6-5. Request for Extension of Investigation

<table>
<thead>
<tr>
<th>REQUEST FOR EXTENSION OF INVESTIGATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPLETION BY INVESTIGATIVE OFFICER</td>
</tr>
<tr>
<td>1. FROM:</td>
</tr>
<tr>
<td>2. TO:</td>
</tr>
<tr>
<td>3. REQUEST EXTENSION TO COMPLETE INVESTIGATION OF $___________ LOSS OF FUNDS</td>
</tr>
<tr>
<td>4. DATE REQUESTED FOR EXTENSION:</td>
</tr>
<tr>
<td>5. REASON FOR REQUEST:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMPLETION BY COMMANDER WHO APPOINTED INVESTIGATIVE OFFICER</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. COMMANDER APPROVED:____________________________</td>
</tr>
<tr>
<td>7. COMMANDER DISAPPROVED/REASON:</td>
</tr>
</tbody>
</table>
Figure 6-6. Erroneous Payments–No Fraud

<table>
<thead>
<tr>
<th>ERRONEOUS PAYMENTS-NO FRAUD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Loss Amount</td>
</tr>
<tr>
<td>4. Date Loss Discovered</td>
</tr>
</tbody>
</table>

**7. DISBURSING OFFICER/DEPUTY DISBURSING OFFICER**

<table>
<thead>
<tr>
<th>7a. NAME</th>
<th>7b. EMAIL</th>
<th>7c. GRADE/RANK</th>
<th>7d. MAILING ADDRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7e. Was payment made based on properly certified voucher?</th>
<th>Yes</th>
<th>No, provide reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, provide reason</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>Yes, provide synopsis of actions taken</td>
<td>Yes, provide synopsis of actions taken</td>
<td>No, provide reasons</td>
</tr>
</tbody>
</table>

**8. CERTIFYING OFFICER**

<table>
<thead>
<tr>
<th>8a. NAME</th>
<th>8b. EMAIL</th>
<th>8c. GRADE/RANK</th>
<th>8d. MAILING ADDRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>8e. Was certification based on official records and the official did not know and by reasonable diligence and inquiry could not have discovered the correct information?</th>
<th>8f (1) Was obligation incurred in good faith?</th>
<th>8f (2) Did a law specifically prohibit the payment?</th>
<th>8f (3) Did U.S. Government receive value for the payment?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, provide synopsis of actions taken.</td>
<td>No</td>
<td>Yes</td>
<td>No, provide reasons</td>
</tr>
</tbody>
</table>

**9. INVESTIGATING OFFICER**

<table>
<thead>
<tr>
<th>9a. NAME</th>
<th>9b. GRADE/RANK</th>
<th>9c. MAILING ADDRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>10. I do recommend relief of liability ______</th>
<th>11. I do not recommend relief of liability ______ (Provide reasons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12a. The accountable official does request relief of liability_________.</td>
<td>12b. The accountable official does not request relief of liability_________.</td>
</tr>
</tbody>
</table>
Figure 6-6. Erroneous Payments–No Fraud (Continued)

<table>
<thead>
<tr>
<th>BLOCK</th>
<th>GUIDANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Insert dollar amount of loss.</td>
</tr>
<tr>
<td>2</td>
<td>Provide the appropriation in which the payment was charged.</td>
</tr>
<tr>
<td>3</td>
<td>Insert the date loss occurred.</td>
</tr>
<tr>
<td>4</td>
<td>Insert the date loss was discovered.</td>
</tr>
<tr>
<td>5</td>
<td>Insert the location where the loss occurred; e.g., Incirlik Air Base, Turkey; USS Eisenhower; Camp Arifjan, Kuwait.</td>
</tr>
<tr>
<td>6</td>
<td>Insert the DSSN that incurred the loss.</td>
</tr>
<tr>
<td>7a, b, c, d</td>
<td>Identify the DO/deputy DO who made the payment by providing his/her name, email address grade/rank of individual(s), and a mailing address.</td>
</tr>
<tr>
<td>7e</td>
<td>Review that a duly appointed certifying officer made the payment on a properly certified voucher, check “Yes”. If not, provide the reason(s), it was not.</td>
</tr>
<tr>
<td>7f</td>
<td>Determine whether the DO exercised reasonable care by applying the RPP test. The test requires the IO to weigh the facts of the case against what a reasonable person would have done under similar circumstances. Therefore, a determination of reasonable care or negligence is a highly fact sensitive inquiry and what constitutes &quot;reasonable&quot; under the RPP test is wholly dependent on the facts, conditions and circumstances of each case. “Bad faith” can be considered somewhere between negligence and dishonesty, and closer to the latter.</td>
</tr>
<tr>
<td>7g</td>
<td>Provide response. Did the DO take diligent collection action in accordance with Volume 16? Please answer “yes” and provide a synopsis of what actions were taken.</td>
</tr>
<tr>
<td>8a, b, c, d</td>
<td>Identify the certifying officer who certified the accuracy of facts stated on the voucher, computation of the certified voucher, and legality of the payment by providing his/her name, grade/rank of individual(s), and a mailing address.</td>
</tr>
<tr>
<td>8e</td>
<td>Provide an explanation of what documentation the certifying officer used to certify the payment. If the certification was based on incorrect facts, could the certifying officer have determined the true facts?</td>
</tr>
<tr>
<td>8f(1)</td>
<td>Provide response. Did the certifying officer have, or should have had, doubt regarding the propriety of the payment? If so, what did he or she do about it?</td>
</tr>
<tr>
<td>8f(2)</td>
<td>Identify if there is a statute that prohibits the payment. If yes, please provide.</td>
</tr>
<tr>
<td>8f(3)</td>
<td>Review receipt of goods or services with a readily determinable dollar value; however, an intangible item may constitute value received where the payment has achieved a desired program result.</td>
</tr>
<tr>
<td>8g</td>
<td>Provide response. Did the certifying officer take diligent collection action in accordance with Volume 16? Please answer “yes” and provide a synopsis of what actions were taken.</td>
</tr>
<tr>
<td>9a, b, c</td>
<td>Provide response. IO must include this information. This will provide DFAS-ZP with a point of contact, if needed.</td>
</tr>
<tr>
<td>10</td>
<td>Complete if IO recommends relief of liability.</td>
</tr>
<tr>
<td>11</td>
<td>Provide reasons if IO recommends denial of relief.</td>
</tr>
<tr>
<td>12a</td>
<td>Provide any additional information not included in the investigation by the individual requesting relief. Complete a separate memo to DFAS-ZPFA/IN within 30 days after completion of the investigation.</td>
</tr>
<tr>
<td>12b</td>
<td>Payment of the loss amount is due, if the individual chooses not to request relief and the debt is uncollectible from the recipient of the payment.</td>
</tr>
</tbody>
</table>
Figure 6-7. DD 2667, Subsidiary Accountability Record (Overage of Funds Record)

<table>
<thead>
<tr>
<th>DSSN</th>
<th>PURPOSE OF RECORD</th>
<th>NAME OF DISBURSING OFFICER</th>
<th>ADDRESS</th>
<th>DATE</th>
<th>REFERENCE OR EXPLANATION</th>
<th>INCREASE</th>
<th>DECREASE</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>5995</td>
<td>Overage of Funds</td>
<td>James Harris, Capt.</td>
<td>PACAF,</td>
<td>4/5/XX</td>
<td>John Doe, cashier, discovered in funds at end of day</td>
<td>5.00</td>
<td></td>
<td>5.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>APO AP</td>
<td>5/14/XX</td>
<td>Jane Smith, paying agent, discovered in funds</td>
<td>.97</td>
<td></td>
<td>5.97</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>96307</td>
<td>6/18/XX</td>
<td>Additional funds in DDO's safe</td>
<td>7.43</td>
<td></td>
<td>13.40</td>
</tr>
</tbody>
</table>

DD Form 2667, AUG 93

NOTES:
- Item 5: For each overage of funds, enter the date the overage collected into a deposit fund account or miscellaneous receipt account, as appropriate.
- Item 6: For each overage of funds, enter a brief description of the overage together with identification of the person responsible for the overage (if known); when disposition is determined, give a brief description.
- Item 7: For each overage, enter the amount of the overage.
- Item 8: This is not used.
- Item 9: Enter the cumulative total of the overages shown in the record.
Table 6-1. Examples of Physical Losses of Funds

<table>
<thead>
<tr>
<th>TYPES OF LOSSES</th>
<th>EXPLANATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Funds</td>
<td>Loss of cash</td>
</tr>
<tr>
<td>Limited Depositary Account (LDA)</td>
<td>A loss can occur when the LDA is unreconciled, reported incorrectly, or subjected to a fraudulent transaction</td>
</tr>
<tr>
<td>Records</td>
<td>Loss of records such as debit vouchers or deposit tickets</td>
</tr>
<tr>
<td>Original Vouchers</td>
<td>Copies of the original voucher and retained supporting documents may be stamped as a certified copy of the original voucher if the original voucher is lost. However, the absence of a signature acknowledging receipt of a cash payment may negate the validity of the certified copy. The same is true when a payee denies receipt of a cash payment and there is no original voucher with the payee’s signature to provide proof of payment</td>
</tr>
<tr>
<td>Documentation Supporting Debit Vouchers</td>
<td>A physical loss can occur if open debit items cannot be reconciled because of the loss of supporting documentation</td>
</tr>
<tr>
<td>Shipment of Cash</td>
<td>Shipments of cash that are lost can result in the liability of the accountable official(s) if they failed to ship cash as prescribed in Chapter 3, paragraph 030502</td>
</tr>
<tr>
<td>Unexplained Losses</td>
<td>No explanation – money is missing</td>
</tr>
<tr>
<td>Negotiable Instruments</td>
<td>A physical loss can result when a negotiable instrument and all copies held in the disbursing office are lost</td>
</tr>
<tr>
<td>Bank Failure</td>
<td>DO’s funds held in a bank; e.g., an LDA, and the bank closed because of failure</td>
</tr>
<tr>
<td>Counterfeit Currency</td>
<td>Currency in the DO’s possession determined to be counterfeit</td>
</tr>
<tr>
<td>Change Fund</td>
<td>Cash shortage that is not whole from sales receipts</td>
</tr>
<tr>
<td>Imprest Fund</td>
<td>Shortage of funds advanced to imprest fund cashier</td>
</tr>
<tr>
<td>Fraud within Disbursing</td>
<td>A loss resulting from fraudulent actions of disbursing personnel acting alone or in collusion with others</td>
</tr>
<tr>
<td>Robbery, Burglary</td>
<td>A loss of funds from a robbery/burglary</td>
</tr>
</tbody>
</table>
Table 6-2. Processing Change Fund or Imprest Fund Loss

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>a cash shortage in the</td>
<td>there is no loss of funds.</td>
<td>Change Fund Custodian or Imprest Fund Cashier Must.</td>
<td>DO Must</td>
<td>Commander Must</td>
</tr>
<tr>
<td></td>
<td>change fund is made</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>whole from sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>receipts (property),</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a loss is no loss of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>funds.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>a cash shortage in a</td>
<td>the balance of the shortage is a loss from the change fund.</td>
<td>make a return (on paper only) of the amount of the loss</td>
<td>upon receipt of DD</td>
<td>if loss is a major loss of funds, take actions to report loss</td>
</tr>
<tr>
<td></td>
<td>change fund cannot be</td>
<td></td>
<td>using the Statement of Agent Officer’s Account, DD 1081.</td>
<td>2667 and the DD</td>
<td>and convene or request appropriate investigation as specified</td>
</tr>
<tr>
<td></td>
<td>made whole from sales</td>
<td></td>
<td></td>
<td>2657 as a decrease</td>
<td>in subparagraphs 060401.B and 060403.B.2.</td>
</tr>
<tr>
<td></td>
<td>receipts,</td>
<td></td>
<td></td>
<td>to line 6.5 and</td>
<td>if loss is a minor loss of funds, conduct an investigation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>increase to line 7.3.</td>
<td>per subparagraph 060403.B.1.</td>
</tr>
<tr>
<td>3</td>
<td>a loss of all activity</td>
<td>it is considered a loss of funds.</td>
<td>make a return (on paper only) of the amount of the loss</td>
<td>upon receipt of DD</td>
<td>1. if loss is major loss of funds, report loss as specified in</td>
</tr>
<tr>
<td></td>
<td>funds (sales receipts</td>
<td></td>
<td>using the DD 1081.</td>
<td>2667 and the DD</td>
<td>subparagraph 060401.B.</td>
</tr>
<tr>
<td></td>
<td>and change fund),</td>
<td></td>
<td></td>
<td>2657 as a decrease</td>
<td>2. initiate an investigation for the loss of sales receipts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>to line 6.5 and</td>
<td>The investigation, plus any other investigations (e.g., FBI)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>increase to line 7.3.</td>
<td>must cover the facts and circumstances surrounding the entire</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>loss (change fund and sales receipts). The investigation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>determines liability only for the loss of sales receipts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Since the same set of facts and circumstances relates to both</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>the losses of sales receipts and change funds, a separate</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>investigation is not required for the loss of change fund.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3. send a summary report of the investigation to DFAS-ZPFA/IN.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The report must include:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>a. certification that the DO (or authorized agent) advanced</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>the change fund per Chapter 3, subparagraph 030401.A.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>b. statement of whether the safeguarding requirements prescribed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>in Chapter 3, section 0303 were met and if not met, the reason(s)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>why.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>c. determination that satisfactory evidence exists to support</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>a recommendation for relief of the DO or any other person</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>involved, or a finding of pecuniary liability against the DO or</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>any other person involved.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>d. copy of the investigation and all attachments.</td>
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Table 6-2. Processing Change Fund or Imprest Fund Loss (Continued)

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<thead>
<tr>
<th>RULE</th>
<th>If</th>
<th>Then</th>
<th>DO Must</th>
<th>Commander Must</th>
</tr>
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<tr>
<td>4</td>
<td>a loss occurs in an imprest fund,</td>
<td>upon discovery,</td>
<td>if Commander determines imprest fund should be restored to its full operational level, make advance following procedures described in Chapter 3, subparagraph 030401.A. except the amount of the advance must not be recorded as an increase to DD 2657, line 6.5. record the loss on the DD 2667 and record the additional advance on line 7.3 of the DD 2657.</td>
<td>based on information contained in imprest fund cashier’s report and amount of loss, volume of imprest fund transactions, and frequency of replenishment, determine whether DO should provide additional advance in amount of loss to restore imprest fund to its full operational level. If decision is to provide additional advance, notify the DO of requirement in writing. a. include information as to whether imprest fund will be turned over to alternate cashier pending completion of the required investigation(s) and b. provide instructions of the additional advance to the primary or alternate cashier, as appropriate.</td>
</tr>
</tbody>
</table>
Table 6-3. Standardized Questions for Investigations

<table>
<thead>
<tr>
<th>Question</th>
<th>Cashier Loss</th>
<th>Counterfeit Currency Loss</th>
<th>Agent Officer Loss</th>
<th>Fraud Loss</th>
<th>Imprest Fund Cashier and Change Fund Custodian Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have the DO and other person potentially liable for the loss been afforded all the rights and privileges of parties in interest?</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Has the IO obtained testimony from every person who has relevant information regarding the circumstances?</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Has the IO thoroughly questioned each witness?</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Are there inconsistencies among the testimonies of different witnesses?</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Did the IO conduct a thorough investigation to discover the full extent of the loss?</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Has the IO considered other investigations conducted regarding the loss? (NOTE: Do not consider lie detector test results.)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>If fraud is involved, were the methods to defraud the U.S. Government clearly described?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the cause of the loss clearly established?</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Was a thorough search of the physical area made for missing cash or vouchers?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Did the IO review the transactions made during the day of the loss thoroughly, in an effort to determine the cause of the shortage?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Were any individuals contacted in an effort to determine if an overpayment had been made and could be recovered?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Were individuals who made collections contacted to determine if they found a compensating overage in their accounts?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Was all cash-on-hand counted to make sure there was no compensating overage?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>What was the number of transactions handled by the cashier/agent during the period in which the loss occurred?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Did distracting influences exist or were working conditions poor?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Was the cashier/agent working under pressure because of the heavy volume of business?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Was the cashier/agent handling new currency that has a tendency to stick together?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Was the cashier/agent experienced or inexperienced?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>What procedures and internal controls has the DO established to safeguard funds and preclude fraudulent activity?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>What facilities were available to protect cash for which the cashier/agent was accountable, such as a cash drawer with key lock or a separate safe?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>What procedures did the DO, deputy DO, and/or disbursing agent follow in making daily settlements with the cashier?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Has the DO supplied instructions in detecting counterfeit money for those personnel in the office that handle money?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>What written SOPs has the DO supplied for guidance?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Are the SOPs adequate?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Did the accountable official follow the applicable procedures on the day of the loss?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>
Table 6-3. Standardized Questions for Investigations (Continued)

<table>
<thead>
<tr>
<th>Question</th>
<th>Cashier Loss</th>
<th>Counterfeit Currency Loss</th>
<th>Agent Officer Loss</th>
<th>Fraud Loss</th>
<th>Imprest Fund Cashier and Change Fund Custodian Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the DO issued any oral instructions?</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Was the cashier’s cage or safe accessible to persons other than the cashier/agent?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Did theft occur?</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Does the exhibit show the appointment of the official; i.e., cashier, DDO, agent?</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Was the cashier/agent functioning under the direct cognizance/control of the DO?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>When, and by whom, was the receipt of counterfeit currency detected?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Was an effort made to determine the source of the counterfeit note(s)?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the volume of transactions handled by the cashier/agent preclude a careful inspection of every piece of currency?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do exhibits show the amount the DO entrusted to the cashier/agent, the signature of the cashier/agent in receipt of funds, the turn-in made by the cashier/agent, and the amount of the shortage or a statement of the cashier’s/agent’s account?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If the loss involves funds in the hands of a cashier/agent, has the DO inspected and supervised the cashier/agent office, or arranged for such inspections?</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under what functional capacity was the accountable individual acting with regards to the DO?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What is the accountable official’s immediate chain of command within the activity for which they provide disbursing services?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has all possible collection action been taken?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In the case of military personnel, is collection action occurring in the field or by the supporting DFAS site in cases where personnel have been separated from the Service?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In the case of civilian employees, has the individual involved authorized application of pay to offset the shortage?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have steps been taken to secure application of final pay to settle the indebtedness?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If the amount of the indebtedness was determined, was a request made to Office of Personnel Management for offset against the Civil Service Retirement and Disability Fund?</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
VOLUME 5, CHAPTER 7: “U.S. TREASURY CHECKS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated January 2017 is archived.

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<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
</tr>
<tr>
<td>070301</td>
<td>Removed Government Printing Office (GPO) Form 2431, Print Order-Department of the Treasury Checks and Proofs. This form is obsolete.</td>
</tr>
<tr>
<td>070301</td>
<td>Updated the paragraph to reflect the current form(s) to submit for Treasury check orders.</td>
</tr>
<tr>
<td>070301</td>
<td>Updated the paragraph to change the minimum quantity of check orders from 1,000 to 100 per the GPO guidance.</td>
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CHAPTER 7

U.S. TREASURY CHECKS

0701 GENERAL

070101. Overview

Disbursing Officers (DOs) issue U.S. Treasury checks under applicable laws and regulations for military pay and allowances, civilian pay, settlement of travel claims, authorized advances to travelers and agents, exchanges for cash, and deposits for credit to the Department of the Treasury (Treasury). The Competitive Equality Banking Act of 1987 (CEBA) amended Title 31, United States Code (U.S.C.), section 3328 and created a new section 31 U.S.C. § 3334 that establishes time limits on the payability of Treasury checks. CEBA affects the time allowed for negotiating Treasury checks, initiating and processing claims, recovering monies from financial institutions, and requesting replacement check payments. The underlying obligations for which Treasury checks were issued are not affected. CEBA legislation does not impose the same payability restrictions on check payments made from limited depositary accounts (LDA).

070102. Purpose

This chapter provides basic principles and requirements for procurement of Treasury checks, check types and features, security, storage, and signature media to include machine specifications of check signing machines. It also provides information on the issuance of Treasury checks, exchange-for-cash checks, check issue discrepancies, spoiled and voided checks, check cancellation, and the necessity for timely and accurate reporting to Treasury.

070103. Authoritative Guidance


0702 POLICY

070201. Drawing and Dating Checks

A. Drawing a Check. Inscribe checks drawn on the Treasury to the payee by name or to a financial institution for credit to the account of the named payee, except for checks drawn as exchanges for cash (see section 0707). Never make a check payable to “Cash.”

B. Dating and Mailing Checks. DOs must not issue checks in payment of salaries before completion of the service for which the payment is being made or before the scheduled payday, unless authorized (e.g., advance pay). A Department of Defense (DoD)
Component is authorized to mail checks to payees before a military or civilian payday to ensure payments are available when due. When mailing a check before payday, do not date it before the date of the scheduled payday. Agencies using this method of pay delivery must have internal controls that alert the DO when a payee becomes ineligible for scheduled pay (e.g., unauthorized absence or separation) and ensure that pay intercept procedures can be initiated.

C. Legal Representatives

1. Legal Representative of Estate of Decedent. A check may be drawn to the order of a legal representative of the estate of a deceased person (e.g., “John K. Smith, Executor of the estate of James R. Jones”). Do not make a check payable “to the estate of” a decedent or to a deceased person.

2. Committee or Guardian. A check may be drawn to the order of a legally appointed committee, guardian, or other legal representative of a mentally incompetent payee when specifically authorized (see Volumes 7A, 7B, and 8).

3. Power of Attorney. The payee of a check may authorize another person to receive a Treasury check by execution of a specific power of attorney that clearly states the holder is entitled to receive the check on the payee’s behalf. The person receiving the check signs his or her own name on the voucher followed by the words “Attorney-in-Fact for” and the name of the person granting the power of attorney. The DO verifies the identity of the holder and keeps a copy of the power of attorney. Process payments made to the holder of a power of attorney that require “secret” or “confidential identity” using a cover voucher insert. Transmit a copy of the original voucher and a copy of the power of attorney to the supporting Defense Finance and Accounting Service (DFAS) site for proper handling and storage.

D. Signing Blank Checks. Signing blank checks is prohibited.

070202. Negotiability

Treasury checks are negotiable for 1 year from their issue dates. This became effective October 1, 1989; checks issued before that date became void on October 1, 1990. Checks presented for payment that is not negotiable must be verified for validity and replaced, if appropriate (see section 0712).

070203. Evidence of Payment

The issuance and mailing of a check to a creditor of the United States does not, by itself, constitute payment of a debt. A debt is not discharged until a creditor has received the amount of the debt in money or its equivalent in law. An acknowledgement of receipt of the check is also not evidence of payment. The endorsed and negotiated check is the receipt to the government.
070204. Federal Nontax Payments

A. The Treasury Financial Manual (TFM), Part 4A, section 2035 (I TFM 4A-2035) requires that all Federal nontax payments must be made by Electronic Funds Transfer (EFT) unless a waiver applies.

B. No waivers are available for vendor payments; all must be made by EFT.

0703 PROCUREMENT OF TREASURY CHECKS

*070301. Ordering

Order Treasury checks using a DoD (DD) Form 282, DoD Printing/Requisition Order or a DD 448, Military Interdepartmental Purchase Request (MIPR) and DD 448-2, Acceptance of MIPR. Disbursing offices should order enough checks to last 1 year unless there is reason to request a supply for a longer or shorter period; cite this reason in the “Remarks” section of the form. The minimum order amount for any check format is 100 checks, except for roll stock for which the minimum is 40,000. Larger quantities should be in multiples of 100. Include in the check order the full line of accounting and the unit identification code. The order and shipping time for checks is 90 days. To ensure continuity of operations, DOs should not allow check stock to fall below a six-month supply. Set reorder levels for when the check stock reaches the nine-month level. Send orders to:

Defense Finance and Accounting Service Indianapolis Center
Enterprise Solutions and Standards Directorate
Tax and Disbursing Division (DFAS-IN/JJFKCB)
8899 E. 56th Street
Indianapolis, IN 46249-2700
Email: dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil

As an exception, a DO at a newly established disbursing station symbol number (DSSN) should submit a check order at least 4 months before the planned commencement of disbursing operations. The DFAS Tax and Disbursing Division is the sole check-ordering agency for DoD activities. The DO must request cancellations of check orders in writing through DFAS-IN/JJFKCB. There is no fee for canceling an order, but the contractor will be compensated if an order is canceled after check production operations have begun.

070302. Check Types

A. Regular Issue Checks. Regular issue checks are standard checks with preprinted DSSNs, serial numbers, and magnetic ink character recognition (MICR) encoding.

B. Unnumbered Checks. Unnumbered checks are regular issue checks controlled by preprinted inventory control numbers (ICNs) rather than preprinted DSSNs, serial numbers, or MICR encoding, and are for use only by DFAS sites. Under I TFM 4-5035.15, systems that prepare these checks must have a post-print verification unit to read and verify certain
critical data after the optical character recognition-B (OCR-B) and MICR data are printed. These data elements are the OCR-B, check symbol, serial number, dollar amount, and the entire MICR line. The system must internally calculate the check digits for the check symbol and serial number on the MICR line and verify correctness, compare the MICR data with the OCR-B data, and verify both the OCR-B and MICR data with the data from the input source. If any character fails to verify correctly, the check or checks must be rejected, marked “Void - Not Negotiable,” and then reprinted.

C. Test Grid Checks. Test grid checks provide the format of the check by grid lines to test or align automated check writing and bursting equipment. They are white with a non-reproducible blue test grid (eight vertical lines per inch and ten horizontal character positions per inch). They are printed for government-wide use. Ignore the date and dollar boxes since they are not preprinted on checks. Test grid checks are not for issuance.

D. Specimen Checks. Specimen checks are identical to unnumbered checks except that they are overprinted with the words “SPECIMEN CHECK – NOT NEGOTIABLE” in black ink in a type size of at least 18 points in the signature space, with an ICN Alpha prefix of “X” in the numbering sequence. Safeguard specimen checks the same as blank checks. In the absence of a specimen check, use a blank check marked “Void - Not Negotiable, No Check Issued Under this Number,” if available; otherwise, use a piece of paper or card of check size 7 3/8 inches in width and 3 1/4 inches in length. When ordering, the contractor determines the numbering sequence based on the ending number of the previous order.

E. Blank Check Formats. See ITFM 4-5020.20.

070303. Check Features

A. General. Disbursing activities may issue only multi-hued, standard size checks (7 3/8 inches in width and 3 1/4 inches in length) against the Treasury’s account.

B. Pre-Encoded Magnetic Ink Characters. Certain information is encoded in MICR format along the lower edge of regular issues. The MICR area extends across the width of the check from positions 14 to 54, 5/8 inch up from the bottom of the check. The MICR line consists of a 9-digit check serial number in positions 23 through 31, a 9-digit routing transit number in positions 34 through 42, a 5-digit check symbol number in positions 49 through 53, and the appropriate MICR symbols citing preprinted symbol and serial numbers.

C. Check Serial Numbers. When all serial numbers of a DSSN have been used, Treasury’s Bureau of the Fiscal Service (Fiscal Service) will assign a new DSSN for the next supply of checks. Accordingly, as serial numbers of checks issued approach 99,999,999, the DO should notify the Fiscal Service’s Check Analysis Branch (CAB), through DFAS-IN/JJKFCB, to facilitate assigning a new DSSN before the next supply of blank checks is ordered. In this instance, the DO should allow 30 days in addition to the time normally required to print and deliver the checks for the proof to be changed.
D. **Check Numbering.** Initial orders for serially numbered checks must specify that the numbers begin with 00,001,000 and end in “##,###,999.” Serial numbers on subsequent orders must follow in exact sequence.

E. **Additional Imprinting and/or Numbering.** On formats E, G, GS, I, K, and M, agencies may order additional printing and/or numbering on the check stub.

1. **Number Only.** Print the check number on the face of the check stub in OCR-B black ink.

2. **Personalized Imprint Only.** Print personalized information on the face of the check stub in OCR-B black ink (include the address of the issuing DO).

3. **Number and Personalized Imprint.** Print the check number and personalized information on the face of the check stub in OCR-B black ink.

070304. **Emergency Checks**

Place emergency check orders as a last resort and keep emergency check orders to a minimum. Send emergency orders for checks to DFAS-IN/JJKFCB. Include the DSSN for which the checks will be issued, the name of the DO, and justification for the order. Specify the check quantity, in multiples of 100 that will be sufficient to last until regular issue checks are received. If applicable, include the unfilled check order number and date of that order in the request. Use emergency check stock completely before using any new stock of regular issue checks. The DO must request cancellation of emergency check orders in writing to DFAS-IN/JJKFCB. No fees are charged for canceling emergency check orders.

070305. **Receipt of Treasury Checks**

A. **Receipt.** Upon receipt of a check shipment and based on a representative sample, the DO or designee verifies that all checks have been received, examines the accuracy of the printing, and verifies the check symbol/serial numbers in the upper right corner of the checks and in the MICR field. Open any box bearing evidence of tampering and individually count each check. An acknowledgment to the vendor of receipt of the checks is not required. If shipment is by means other than registered first class mail, the vendor mails an “Advice of Shipment” form to the ordering activity when it ships the order. The upper portion of the form describes the checks being shipped and the lower portion is an inspection receipt report. After receipt and verification of the check order, sign the form and send it to DFAS-IN/JJKFCB.

B. **Warranty.** The vendor provides a 120-day warranty on checks it produces, beginning with the day the checks are delivered to the user. The office that receives the checks is responsible to determine any obvious defects or missing checks before the warranty period expires. Otherwise, the vendor may not be liable for making replacements.
C. **Defective Check Shipments**

1. If checks are missing from the shipment, or check stock is in some other way defective and replacement is warranted, contact DFAS-IN/JFKCB. If checks are damaged upon receipt, the DO should contact the trucking company; if checks were sent by registered mail, contact the U.S. Postal Service (USPS) to initiate a claim for damages.

2. If a check shipment is received that contains more than one check with the same check serial number, in addition to the notification to DFAS-IN/JFKCB, the DO must destroy each check bearing a duplicate number. Since the remaining checks bearing these same serial numbers may be issued in the normal manner, do not report check serial numbers of the duplicate checks as zero dollar amounts in the check issue report. Mark the checks bearing the duplicate numbers “Void - Not Negotiable” and destroy them locally within 30 days.

3. If checks are discovered missing in the receipt verification process or at any time thereafter, notify both DFAS-IN/JFKCB and the nearest DoD Component investigative service for referral and liaison with the U.S. Secret Service (USSS).

4. If checks are received that are intended for another disbursing office, immediately contact DFAS-IN/JFKCB for instructions regarding the shipment.

070306. **Transfers Between DO’s**

Count checks transferred between DOs as a part of the relief from disbursing duty process by both the transferring and the receiving parties when they are not in the original packages (see Chapter 2, subparagraph 020406.A.3).

070307. **Security, Storage, and Issuance of Blank Checks**

A. Store blank Treasury checks in a secure container (see Chapter 3, paragraph 030304). Keep them in the DO’s or deputy DO’s (DDO) safe or under lock and key. The DO or DDO must store blank Treasury checks in a secure container. The DO or designee ensures that the condition of storage prevents any deterioration of the surface tint and design of the check, which are sensitive to moisture, light, and heat. The DO or designee may accept checks which bear printing of a satisfactory color and strength and, if subsequent deterioration occurs, obtain a replacement supply. Check stock may be stored in safes or vaults to which both the DO and the designated DDO have access. Only one individual should be given primary responsibility for maintaining the check stock and related control records. Access by others should be limited to occasions when the designated custodian is absent.

B. The DO or designee maintains control of the check stock and is accountable for it at all times. In cases of joint custody, the DO or designee ensures that no break in accountability occurs, to provide for access to the check stock during periods of brief or unexpected absence of the single individual who exercises normal day-to-day responsibility for the check stock.
1. A DO or designee maintains a blank check control log for each series of checks used to maintain a perpetual inventory of checks on hand and control their release. Include in the blank check control log the date, beginning and ending check numbers, balance of checks on hand, initials of the persons advancing or receiving the checks, and initials of the persons receiving or returning the checks. DOs that use unnumbered roll stock use the ICNs rather than check numbers. The DO or designee must examine the blank check control log daily to ensure that all checks drawn and checks returned unused are accounted for and that no checks have been removed without authority.

2. Using the prescribed blank check control log:
   a. The DO or designee issues blank checks to check writers from the check stock in blocks of appropriate size by serial numbers and monitors the return of blank, voided, or spoiled checks to the vault. The DO or designee also uses the control log to control issuance and return of checks between the DO and sites external to the disbursing office that prepare checks.
   b. The DO or designee must obtain receipts for checks issued. The designee in charge of the working checks must keep a record of checks issued daily to each clerk, examine daily the record of checks drawn and returned unused by the clerks to account for checks issued, and ensure that no checks are removed without authority.
   c. The DO or designee must inventory the check stock not less than once every 90 days. Any open container must be inventoried by an individual count of the checks contained therein. Open all damaged cartons of checks, or those bearing evidence of tampering, and individually count the checks. Keep a record of the inventory on hand in the disbursing office and provide it to the cash verification team for attachment to the quarterly cash verification report (see Appendix A).

3. When blank checks are lost or stolen:
   a. The DO or designee immediately notifies the Commander, the nearest office of the USSS by email or telephone, and Fiscal Service at telephone number (304) 480-7777. Confirm the notification with a letter to the Fiscal Service’s Security Division, 3700 East-West Hwy, Room 149B, Hyattsville, MD 20782, with copies to the USSS, appropriate DoD Component investigative service, DFAS-IN/JFKCB, and appropriate local banks. Include the DSSN, ICNs or serial numbers of the checks involved, a statement giving complete information concerning the loss or theft, and the date the loss was referred to the USSS for investigation.
   b. If the loss involves a range of consecutive serially numbered checks, only the beginning and ending serial numbers of the range are required. Void all checks discovered to be missing, lost, or stolen before issuance, and report the circumstances following I TFM 4-5030.20.
ISSUANCE OF TREASURY CHECKS

Check Preparation

A. General. Issue checks in strict numeric sequence within each series. The information essential to a check includes place and date of issue, DSSN, serial number, payee, amount, signature of drawer, designation of title, and other identifying information. Do not print legends such as “Salaries and Expenses” or “Drawn for Above Object” on the face of a check. Check explanations (e.g., exchange-for-cash or salary) and other special information unique to each disbursing activity may be entered at the bottom of the check to the left of the signature area. Keep extraneous data to a minimum. Spaces allotted on the printed check form for specific information are only for their intended purposes. Do not leave any spaces unfilled in a manner that would allow or facilitate alterations and additions that could lead to forgery or fraud.

B. Check Completion. A completed check must have an orderly appearance and good legibility for accurate reading in rapid handling. Avoid overprinting, intersecting, and crowding. No check may be issued for more than $99,999,999.99. In instances when the total payment exceeds that amount, issue two or more checks that total the payment required. No deviation in the check writing procedures is permitted unless authority is first obtained from DFAS-IN/JJKFCB. See ITFM 4-5000.

Check Print Requirements

A. General. Data printed or typewritten on checks will be permanent and not affected by erasure, smudging, moisture, handling, the passage of time, or by other methods that might intentionally or unintentionally be used to remove or alter the printing without affecting the check itself.

1. Impact printers may be used. Laser type printers where the toner fuses the print into the check may be used. Do not use laser type printers which only lay an image on the surface of the paper. Do not use correctable ribbons for manual preparation of checks, as they lack the permanence required to protect against undetectable alteration.

2. The physical characteristics and layout of the blank check determine the correct position of the date, amount, payee name, and DO’s signature. Avoid deviations from the normal positioning of this information. To standardize printing and facilitate accuracy verification, inscribe words on checks in all capital letters. Omit punctuation except commas used in addresses and to set off names of two or more payees.

B. Pay to the Order of. Inscribe the payee’s name on a check to ensure positive identification.

1. To ensure correct endorsement and for other reasons established by custom, the payee’s surname should appear last; the correct order is first name, middle name or initial, and last name. Where the payee has an often used surname (e.g., “R T Jones” or “J G Smith”), the use of initials only, instead of the full given name is inadequate to provide positive
identification of the rightful payee. An initial in lieu of a first name is permissible only in cases where the payee’s legal given names consist of initials only. In this case, show the words “Initials Only” after the initials. In instances where the length of the surname would leave insufficient space for the full first name, or where the check writing system makes the use of a first name impractical, show other positive identifying data, e.g., the payee’s address on the check.

2. While not a violation of the Privacy Act, when entering a payee’s SSN on the check, inscribe it in a location where it will not be visible in the envelope window if the check is mailed. When checks are to be mailed, exercise care to assure that the full and complete address of the payee is entered on the checks or envelopes, including rural route numbers, box numbers, house numbers, zip codes, and any other information needed for correct delivery.

C. Date. Print the date on the right side of the check below the DSSN and check number or at the top of the check immediately to the right of and on a line with the place of issue with a base line 9/32 inch from the top of the check. Check signers equipped with date bands may be used as long as the location of the stamped date does not interfere with preprinted data or other data to be printed or typed on the check.

D. Numeric Dollar Amount. Print the numeric dollar amount in the upper right quarter section of the check above the signature of the DO and below the DSSN, in horizontal alignment with the name of the payee or the amount in the body. Completely fill the allotted area with the money amount, preceded by a dollar sign, e.g., $****123.45. Leave no space unfilled that otherwise might be susceptible to use for fraudulent insertion. To reduce opportunities for amount alterations, use neither zeroes as fill-in characters preceding the money amount nor commas in the money amount.

E. Written Dollar Amount. Printing the amount in the body of a check in words offers greater protection against the alteration of amounts. If a disbursing activity determines that substantial savings in the cost of issuing checks would result or that space is limited, it may use figures only, without any spacing within the amount, in one of these formats: $50and75cents, $50and75/100, or $50.75.

F. Other Special Information. Print special information (e.g., distribution code, computer or typewritten check serial number, or explanations for check issuance) at the bottom of the check to the left of the signature area. When checks are drawn for public vouchers or payroll payments, the DO, at his or her option, may insert the disbursing office voucher number or, if applicable, the bureau voucher number.

G. Drawer’s Signature. Each check issued must bear either the DO’s manual or approved facsimile signature, or the manual signature of a DDO appointed following Chapter 2, paragraph 020502. Manual signatures should generally agree with specimens previously submitted to DFAS-IN/JJFKCB. Checks drawn by a DDO are signed below the printed, typed, or stamped title of the DO for whom he or she is acting, as follows:
Disbursing Officer

By ____________________, Deputy
(Deputy DO’s Signature)

Use permanent dark blue, blue-black, or black ink for signatures on checks (whether manual or by facsimile signature). The ink should not be subject to fading and not readily soluble in water.

070403. Erasures and Alterations

DOs must not release checks with erasures, alterations, overprinting, or imperfect figures or letters. Spoil or void such checks and issue replacements (see section 0709).

070404. Record of Checks Issued

Each DO must maintain a record of checks issued by their DSSN. The record must contain at least these data elements: payee, amount, DSSN, check serial number, and date of the check. Other information as to the purpose for which the check was issued, document number, voucher number, and local identification code or number is optional and subject to the discretion of the issuing DO. The record may be kept on paper or electronic medium designed for data processing use. Include copies of check issue records with the retained disbursing records.

070405. Supporting Documents

Attach documents and payroll vouchers used to support the record of checks issued to the original vouchers submitted to the supporting DFAS site. Do not transmit them to the Treasury with the check issue reports. Send requests for the Defense Check Reconciliation Module (DCRM) Users' Manual to dfas.dssc.zte.mbx.cco-dcrm@mail.mil. Include all the necessary data for Treasury’s reporting purposes in the electronic flat file. See paragraph 071407 for Standard Form (SF) 1179, Month End Check Issue Summary, submission requirements.

0705 CHECK SIGNING MACHINES

070501. Machine Specifications

Select check signing machines that meet Treasury regulations and standards (see I TFM 4-5015.20). Impact check signers using rubber signature dye or approved laser check printers containing digitized signatures may be used. The machines should have the following features:

A. A dating device capable of placing the date either immediately above or to the right of the words "UNITED STATES." It is preferable to have the signature and date imprinted in a single operation; if the check writing equipment also imprints the date, the check signing machine does not need to have this capability;
B. A mechanism capable of processing paper checks. Offices issuing checks with detachable stubs ensure that the mechanism’s feeding device can handle this type of check; and

C. A key-controlled DO signature feature or a removable computer chip containing the digitized signature for laser check printers with digitized facsimile signature capability. Keep the key and/or the chip controlling the signature capability in a locked safe or vault or under other equally effective safeguards when not in use.

070502. Signature Media

A. Requisition

1. General. Upon receipt of orders to disbursing duty, the prospective DO contacts the disbursing activity to determine if a check signing machine is available and obtains all necessary information, e.g., type of equipment, model, serial number, and number of plates or digitized chips required. If the prospective DO already has a compatible signature medium, he or she requests DFAS-IN/JFKCB send it to the new location. Otherwise, he or she sends three specimen signatures to the new duty station for use in procuring a new medium (see Chapter 2, paragraph 020404). The signatures must be in black ink on blank, unlined, 3 by 5 inch white cards and accompanied by a statement designating the number to be shown on the medium as explained in subparagraph 070502.A.2.

2. Request for Procurement. Upon receipt of the specimen signatures, the outgoing/relieved DO immediately prepares and forwards a request for procurement to DFAS-IN/JFKCB for approval and forwarding to the contractor. DFAS-IN/JFKCB ensures sequential numbering of the medium (see ITFM 4-5015.20). The purchase order must include the statement:

“Signature plates for impact type check signers are rubber stamps containing the prescribed facsimile signature of the DO. Digitized signature media are normally Dual In-Line or Single In-Line Memory Module computer chips or computer diskettes containing the DO’s signature that is loaded to the laser printer check signing software.”

Also include the following information:

a. The type, manufacturer’s name, model, and serial number of the check signing machine;

b. Whether the signature plate or digitized signature medium is for a machine currently in use;

c. If the plate or digitized signature medium is to be used on a new and undelivered machine, refer to the procurement papers for the machine including the manufacturer, type, and model; and
d. The plate number and the name of the DO.

3. **Numbering.** Treasury regulations require that the signature media of each DO be numbered in sequence in the lower left corner of the border beginning with the number 1. Include on each order the next sequential number for the affected DO (see I TFM 4-5015.20).

4. **Multiple Media.** Normally, a DO and authorized DDOs use only one signature medium. Multiple signature media may be obtained only upon approval of DFAS-IN/JJFKCB. Requests for additional media must include justification of the need for more than one medium. If the check signing machine uses one set of two plates for signing, additional media may be obtained only upon approval of DFAS-IN/JJFKCB.

**B. Format and Quality of Impression.** DFAS-IN/JJFKCB will not accept facsimile signatures that do not meet required standards. Design facsimile signature media so that the frame or border which encloses the facsimile signature is a single wavy line that contains no identifying characteristics. Characterize the impression of the signature with sharp lines, a continuous and homogeneous deposit of ink, absence of filling, and absence of pronounced ribbon pattern.

**C. Approval.** Upon receipt of the signature media, the DO whose signature is reproduced runs 14 specimens of each facsimile signature, certifies two of the copies as true facsimiles, and mails all 14 copies to DFAS-IN/JJFKCB with a memorandum requesting approval of the facsimile to sign checks. The reply of approval authorizes use of the check signing machine. In the case of Cummins check signing machines, the contractor produces 14 specimen copies of each medium and mails them to DFAS-IN/JJFKCB which compares the specimens to the originals on the purchase order and sends the approval to the disbursing office. If the specimens do not match or the medium does not meet required standards, DFAS-IN/JJFKCB advises the contractor and requests correction. Do not sign checks by facsimile signature before receipt of DFAS-IN/JJFKCB approval.

**D. Custody.** The DO establishes and implements controls necessary to prevent unauthorized use of signature media. Maintain custody receipts for all signature media held by authorized deputies and a record of each run of checks through the check signer, and reconcile this report with the report of checks issued. When not in use, keep signature media in an approved safe or vault. If the signature media are not removable from the check signing machine, keep the keys to the machine in an approved safe or vault.

**E. Use.** Check signing by signature media should be performed by only the DO or designated DDOs. When considered necessary for efficient operation of the disbursing office, the DO may authorize (in writing) the holder of a specified position other than a DDO to perform this function. Do not appoint individuals as DDOs solely to sign checks by signature media.
F.  **Destruction**

1.  **Signature Medium.** If a signature medium is to be withdrawn from service (e.g., not to be used again or DO retiring from service) or is unserviceable, destroy it locally. This destruction must be by someone other than the DO and be witnessed by two individuals equal to or senior in rank to the DO.

   a.  Before destruction, the DO verifies the signature plate number or serial number of the digitized signature medium, and witnesses the information on the certificate of destruction.

   b.  Identify in the certificate of destruction the typed name, title, and grade or rank of the DO; complete mailing address of the disbursing station; date and method of destruction; DSSN; typed name, title, and grade or rank of the witnessing individuals; the DO's signature; and a statement as to whether or not the digitized signature medium had to be loaded to a printer or check signer software.

   c.  If a signature plate is destroyed, include in the certificate of destruction the specific plate number and an inked impression of the plate.

2.  **Digitized Medium.** If a digitized medium containing the DO’s signature is destroyed and that signature had been loaded to a printer or check signer software, the DO verifies that the signature has been permanently removed from the printer or check signer software. This destruction must be by someone other than the DO and be witnessed by two individuals equal to or senior in rank to the DO. The DO signs the certificate of destruction only after the actual destruction of the signature medium. Immediately upon destruction, the DO sends the original certificate of destruction to DFAS-IN/JFKCB for inclusion in the DO's DSSN file and keeps a copy of the certificate at the disbursing office. DFAS-IN/JFKCB compares the signature plate number or digitized signature medium serial number listed in the certificate of destruction to the original purchase documents to verify the actual destruction of signature media.

0706  **PROMPT DELIVERY OF CHECKS**

070601.  **General**

Once prepared, deliver checks promptly to payees. The DoD requires participation in the direct deposit program for all newly enlisted, reenlisted, appointed (commissioned), or retired military personnel and all newly hired civilian personnel. Title 31, U.S.C. § 3332 requires that contractors be paid by EFT.

070602.  **Safeguarding and Handling**

A.  Properly safeguard checks, handling them as few times and by as few people as practical.
B. Ensure proper custody, signing, and delivery of checks. If checks are handed to the payees, require that payees identify themselves. Utilize the payee identification process discussed in Chapter 9, paragraph 090404.

C. Promptly return to the disbursing office checks not delivered within the time specified by the DO.

D. Keep checks in a safe, vault, or locked fireproof cabinet pending distribution or return to the DO.

E. Designate personnel engaged in pay delivery activities in writing and supervise them to help prevent any unauthorized, fraudulent, or other irregular activities.

070603. Delivery by Mail

The normal method of check delivery is by mail through the USPS to payees’ residential mailing addresses or post office boxes. At overseas activities, payees’ organizational addresses are considered their residential mailing addresses; organizational addresses are otherwise not valid. When check delivery by mail is impractical, commanders or their designees may provide specific locations where payees may receive their checks. If checks are mailed to specific locations for delivery, the DO appoints a person in writing at each location to deliver the checks as a designated third party (see paragraph 070605).

070604. Outside the Continental United States (OCONUS)

A. Restrictions. Under Title 31, Code of Federal Regulations (CFR), 211.1, the Secretary of the Treasury prohibits agencies from sending checks to the Republic of Cuba (except to the Naval Base, Guantanamo Bay) and the Democratic People’s Republic of Korea (North Korea). DOs instead withhold payment and establish the liability on their books. Go to the Treasury’s Office of Foreign Assets Control website for a complete listing of designated nationals and blocked persons.

B. Exceptions. The restrictions in subparagraph 070604.A do not apply to checks payable to foreign governments, issued to pay salaries or wages, or for goods or services purchased by the U.S. Government. See 31 CFR § 211.3.

C. Claims for the Release of Withheld Checks or Proceeds. The agency originally responsible for authorizing the issuance of proceeds processes claims to release them (see 31 CFR § 211.2). If an agency withholding payment receives a valid claim, it issues a check and decreases the related liability. If the proceeds of withheld checks were on deposit with the Fiscal Service before April 1976 and are still in deposit fund account 20X6048 (Proceeds of Withheld Foreign Checks), submit requests for payment with an appropriate recommendation to the Credit Accounting Branch, Fiscal Service, Department of the Treasury, PGMC II – Room 622D, 3700 East West Highway, Hyattsville, MD 20782, or send an email to credit.accounting@fms.treas.gov for assistance; the telephone number is (202) 874-8740. The
Fiscal Service’s Credit Accounting Branch keeps a ledger detailing the balances for all federal agencies that submitted deposits to the 20X6048 account.

070605. Delivery by Designated Third Parties

Personal delivery of multiple checks may be impractical for the DO, or it may not be expedient to mail them to addresses of record. Under such circumstances and with the guidance for delivery of checks noted in paragraph 070602, the DO may deliver or mail checks to a designated third party for distribution. A third party is any individual authorized to distribute a quantity or bulk shipment of checks to payees. A person who maintains pay accounts or prepares checks is not authorized to distribute checks.

A. Appointment/Termination of Designated Third Parties. A DO may appoint individuals to serve as third parties for bulk check delivery. The Treasury Financial Management Service (FMS) Form 210DA, Designation for Agent to Receive and Deliver Checks, is available for this purpose. A DO may appoint one or more alternates to prevent distribution delays in the absence of the designee. Alternates may also assist in check distribution when conditions warrant. The DO ensures revocation of appointments upon appointee transfer, when bulk delivery is no longer needed, or as other circumstances warrant. Appointments by memorandum must include:

1. The name and title of the appointee,
2. The name and location of the DO,
3. The applicable DSSN(s),
4. The date of the appointment, and
5. A description of the types of checks to be delivered.

B. Transporting Checks to Designated Third Parties. Package bulk shipments of prepared checks separately from other correspondence and send them by registered mail. Send bulk shipments for a unit or group of units to a third party for distribution or delivery to payees, or reship them to another third party for delivery where the military unit is located. Include only the checks, transmittal letter, and documentation needed for the specific payments.

C. Release of Checks to Other Than Payee. Designated third parties may not release checks to anyone other than designated payees. When the payees are absent at the time of delivery, see subparagraph 070605.E for handling checks.

D. Judge Advocate or Investigative Agent Third Parties. If advance payments are issued for witnesses subpoenaed for trial, a representative from a DoD Component investigative agency or a judge advocate charged with serving the subpoena delivers the checks when the payees are absent at the time of delivery.
E. Third Party Disposition of Undelivered Checks. Unless otherwise directed, return checks for payees not present when a third party attempts delivery to the DO before the close of business that day. Inform payees who were absent, or who for other reasons did not get their checks, to call the disbursing office or other stated place to receive them. If locked fireproof file cabinets or safes are available, the DO may authorize the designated third party to hold undelivered checks for a specified short period of time. When payees are on extended periods of leave or absence, return their checks to the DO for disposition. Return checks found to be in error to the DO. The DO issues a new check to the payee after appropriate corrective action.

0707 EXCHANGE-FOR-CASH CHECKS

070701. General

A. Accommodations. Accommodation exchange-for-cash checks are allowed only when satisfactory banking facilities do not exist and are typically only OCONUS. In OCONUS areas and for ships afloat, a commander may authorize the DO to cash negotiable instruments (see Chapter 4, section 0402). These checks may be prepared and issued by DOs for official purposes to a DDO, agent, or cashier as an advance of cash; to the USPS for remitting collections for the sale of postal money orders; or to the Western Union for remitting collections for personal messages of military personnel transmitted over DoD communications facilities to points inside the continental United States (CONUS).

B. Advance Cash. When these checks are issued to advance cash, the DDO, agent, or cashier prepares and sends the DO a signed DD 1081, Statement of Agent Officer’s Account (see Chapter 3, subparagraph 030401.A). Checks issued as advances must be endorsed to the order of the bank or other institution furnishing the cash or, when cashed by another DO, to that officer by title and activity rather than by name as “Pay to the order of the Disbursing Officer (name of ship, station, activity, or unit).” Make checks issued to remit collections for the sale of postal money orders or personal messages payable to the Disbursing Officer, USPS, or Western Union, as appropriate.

070702. Preparation and Handling

Do not show the name of the remitter and identifying references to invoices on exchange-for-cash checks. DOs may draw these checks payable to themselves, a DDO, or an agent for purposes of obtaining operating cash. When authorized in writing by the DO, for purposes of obtaining operating cash, DDOs may draw these checks payable to themselves. Support these checks with an Optional Form (OF) 1017-G, Journal Voucher (JV), using a separate series of voucher numbers unique to the functional area where the voucher is prepared.

070703. Cash Belonging to Deceased or Missing Persons

A. Died or Missing. Exchange cash found in the personal effects of a person who has died or is missing in action for a Treasury check payable to the payee designated by the officer having custody of the personal effects. State the object for which drawn as “Exchange-for-
cash; personal effects of (name, rank or rate, file or service number).” Draw a separate check for safekeeping deposits of each person (see Chapter 16, paragraph 160305).

B. Unknown Whereabouts. Collect cash found in the personal effects of a person whose whereabouts are unknown, including absentees and deserters, into a deposit fund account. Funds that have been held in a deposit fund for more than 1 year can be transferred to account 20X6133, Payment of Unclaimed Money, or into account **R1060, Forfeitures of Unclaimed Money and Property. Make a separate collection for safekeeping deposits of each person and include the safekeeping deposit number on the collection voucher (see Chapter 16, paragraph 160305). Give a copy of the collection voucher to the officer having custody of the personal effects.

070704. Exchange-for-Cash Checks Returned as Not Required

Do not cancel exchange-for-cash checks issued for advances of cash to DDOs, agents, and/or cashiers and returned to the DO as “not required.” The DDO, agent, or cashier provides the DO with a completed DD 1081 indicating return of the check as prescribed in Chapter 3, subparagraph 030401.A. The payee’s endorsement on the check is not required. The DO endorses the check and deposits it as prescribed in Chapter 11, section 1108. DOs cannot accept the return of exchange-for-cash checks from any payee other than a DDO, agent, or cashier. Other exchange-for-cash checks are issued to the purchaser and must be negotiated by the payee.

070705. Exchange-for-Cash Checks Lost, Stolen, or Destroyed

A. When Issued to an Individual. When the payee of an exchange-for-cash check reports the check as lost, stolen, or destroyed, the DO follows section 0711. For unavailable check cancellations (UCC), the DO may not issue a recertified payment to the payee before receipt of credit for the original check from the Treasury because the original check was issued in exchange-for-cash as opposed to any entitlement chargeable to an appropriation.

B. When Issued as an Advance of Cash to a DDO, Agent, or Cashier. For lost, stolen, or destroyed exchange-for-cash checks that were issued to advance cash, the DDO, agent, or cashier remains accountable for the cash.

1. Accountability. The DDO, agent, or cashier accounts for the check as a loss of funds on the DD 1081 (see Chapter 6, Table 6-3). A DO may replace the lost check with a recertified payment check (or a new advance of cash) if he or she considers it necessary due to operational requirements, and documents the recertified payment or new advance on a DD 1081. Attach a copy of the SF 1184, Unavailable Check Cancellation, to the DD 1081 to document the status of the lost check and the accountability of the DDO, agent, or cashier.

2. Offset Loss of Funds. After receiving credit for the lost check, the DO prepares an SF 1080, Voucher for Transfers Between Appropriations or Funds, to transfer the credit from the **F3880 (Unavailable Check Cancellations Overpayments, Suspense) account to offset the loss of funds in the DO’s accountability (see Chapter 6). Give a copy of the SF 1080 to
the DDO, agent, or cashier to document the Treasury’s cancellation of the lost check, use the credit to offset the loss of funds, and file a copy with the UCC documentation.

3. **Negotiated Lost Check.** If the lost check is subsequently negotiated after cancellation by the Treasury (in which case, the Treasury will reverse the previous credit), the DDO, agent, or cashier is accountable for the original lost check and must re-establish the loss of funds. Apply normal loss of funds and relief of liability procedures.

0708 CHECK ISSUE DISCREPANCIES

070801. Adjustment of Duplicate Checks

Treasury accepts only one issue/paid record for any given DSSN and check serial number, and will therefore issue a debit voucher to charge the disbursing office for a second check received for payment with the same DSSN and check serial number. Should a DO receive a debit voucher for a duplicate check to which the payee is entitled, the normal presumption is that the wrong original check number was entered on the second check. The DO submits an SF 1184 for the correct original check serial number in order to receive credit, and cross-references it with the memorandum copy of the debit voucher since the disbursing office may need a copy of the duplicate check for claim purposes in the future.

070802. FMS Form 5206, Advice of Check Issue Discrepancy

When a Treasury check is negotiated, the Treasury Check Information System (TCIS) verifies the check amount reported matches the amount of the negotiation. If the amounts differ by more than $1, Treasury uses an electronically generated FMS 5206, Advice of Check Issue Discrepancy (see 1 TFM 4-6000, Appendix 2), along with a copy of the check, to notify DOs of check issue discrepancies (see Figure 7-1). The DO makes this correcting entry and changes the amount reported on the check issue report to the actual amount of the check (see Table 7-1). If the discrepancy is $1 or less, the Treasury adjusts the check issue records without sending the FMS 5206 to the DO.

A. **DO Action Upon Receipt.** Upon receipt of an FMS 5206, the DO researches the check issue data to determine if the payee has been overpaid or underpaid, and collects or disburses the adjustment amount as appropriate. If the payee has not been overpaid or underpaid, but incorrect check issue information has been reported to the Treasury, the DO processes the FMS 5206 on an SF 1179, Month End Check Issue Summary (see 1 TFM 4-6000, Appendix 1), and an SF 1219, Statement of Accountability, even though the documents net to zero. If offsetting FMS 5206s have not been received, the DO must identify the offsetting error(s) to make the transaction net to zero, and prepare a JV to advise the Treasury of the discrepancy. The DO makes the necessary adjustment to his or her account following the guidance in this section.

B. **For Navy DOs Aboard Ships.** If the FMS 5206 affects a predecessor DO’s accountability, send it with a covering memorandum to the office where the monthly financial reports are submitted for processing. If the form is received during the 90-day record retention
period, send copies of the applicable check issue record, SF 1179, and disbursement voucher, reproduced from the former DO’s retained records, with the form.

C. **For another DSSN.** A DO receiving an FMS 5206 citing a DSSN different from that of the receiving DSSN sends it with a memorandum to the correct disbursing station, if identifiable. Otherwise, return it to the Treasury with an explanatory memorandum.

D. **Corrective Action Previously Accomplished.** If a DO receives an FMS 5206 citing a discrepancy which was discovered and reported using a JV, attach a copy of the JV to the FMS 5206 and return it to the Treasury without further action.

E. **Check Issue Report Discrepancy Identified Before Receipt of FMS 5206.** If a DO discovers a check issue report discrepancy after having reported check issues to the Treasury and an FMS 5206 has not been received, the DO must notify the Treasury’s CAB in writing to request a reporting adjustment. The CAB issues a Notification of Check Issue Correction for each check adjustment the DO requests. The DO forwards all adjustment requests to the CAB within 1 year. Once a limited payability cancellation has occurred, the CAB cannot process the requested adjustment.

070803. **SF 1219, Statement of Accountability Adjustments**

A. **Prior Month Checks Issued.** A common reason for an SF 1219 adjustment made by the DO is a prior month check issue adjustment. Do not report prior month issue of checks as current month checks issued, as this will cause check issue discrepancies for both issue months. An SF 1219 adjustment is necessary to realign the check issue reporting to the proper issue month of the checks. To record prior month check issues on the SF 1219, prepare a JV summarizing the prior month checks issued to include the same information that would have appeared on the SF 1179 if the checks had been reported when issued. Record the prior month adjustment on line 2(b) of the SF 1179 and Section II, Part A, Column 4 (TC 212) of the SF 1219.

B. **Clear Check Issue Discrepancy.** To clear check issue discrepancies resulting from erroneously reported prior month checks issued, the DO prepares a JV to decrease the overstated check issues and increase the check issues for the proper month. For audit trail purposes, reference the check numbers and issue dates of the prior month checks being adjusted between months on the JV. Keep all JVs prepared for check issue adjustments in the DO’s financial records as supporting documentation.

C. **FMS 5206.** When an SF 1219 adjustment is needed due to the issuance of an FMS 5206, the procedures are very similar to those provided in subparagraph 070803.A. Record the adjustment for the FMS 5206 in a separate column. To report the adjustment to the SF 1219 for an FMS 5206 adjustment, record the FMS 5206 on line 2(a) of the SF 1179 and in Section II, Part A, Column 3 (TC 211) of the SF 1219. Keep a copy of the FMS 5206 in the DO’s financial records as supporting documentation.

D. **Request for Adjustment.** If the DO’s financial records reflect the correct check issued data for the proper month and the error is limited to the Treasury’s record of the SF
1219 check issue total identified in the check reconciliation process (see paragraph 071406), the DO sends a request for adjustment to the Treasury’s CAB.

070804. Overdrafts

A. Advice of Check Issue Discrepancy. Adjustments of overdrafts of more than $1 require collection of the overpayment or a supplemental charge to an appropriation or fund. Unless the FMS 5206 is erroneous (supportable with copies of the documents listed in subparagraph 070803.C), record the FMS 5206 on the DD 2657, Daily Statement of Accountability, and take corrective action to resolve the issue.

B. Distribution of FMS 5206

1. The DO attaches a copy of the FMS 5206 to the current month’s SF 1179 to support line 2(a) of the SF 1179.

2. Use a second copy to support the adjusting entry on the SF 1219.

3. If the discrepancy is still unresolved at the end of the month, keep a copy of the FMS 5206 to file with the next month’s financial reports.

4. Retain the original FMS 5206 in the disbursing office.

C. Recording Check Issue Overdrafts. Record the FMS 5206 on line 2(a) of the Summary portion of the SF 1179 and include it in the amount on line 3. Also record it on the back of the SF 1219. If the discrepancy is unresolved at the end of the month, include the overdraft on line 7.2 of the SF 1219. Keep two copies of all executed FMS 5206s and JVs with supporting documents in an uncleared difference file pending resolution of the discrepancy.

D. Adjustment before Submission of Financial Reports. In some instances, overdrafts may be discovered before submission of the financial reports (SF 1219 and supporting documents, and the SF 1179) for the period during which the check was issued. A JV is not required if the check is recovered and voided before submission of the check issue report (the unnegotiated check). Normally, this exception applies only to Navy DOs aboard ships and those DDOs who do not submit daily reports to the central disbursing office.

E. Adjustment After Submission of Financial Reports. When a check issue overdraft is discovered after the financial reports covering the period in which the discrepancy occurred have been submitted, the DO or DDO:

1. Prepares a JV for the overdraft (see Figure 7-3),

2. Posts the DD 2657 to reflect the amount of the overdraft on line 2.1A as an increase to Checks Issued and on line 9.2A as an increase to Receivables – Check Overdrafts at the end of the current reporting period,
3. Records the JV on the SF 1179 (line 2(b) of the Summary portion and included in the amount recorded on line 3),
4. Records the JV on the back of the SF 1219, and
5. Attaches the original of the JV to the SF 1219 and a copy to the SF 1179 for the current reporting period to support the entries thereon.

F. Resolving Check Issue Overdrafts. Resolve overdrafts by collection or supplemental charge to an appropriation. Collection is appropriate when the check was issued for more than the payee was actually entitled to receive. Supplemental charges to appropriations are required when the amount of a check is correct, but the payment voucher is for a lesser, incorrect amount. Make no additional entries in the summary portion of the SF 1179 or on the back of the SF 1219 to indicate that the overdraft has been cleared. Clear the overdraft by one of the following methods.

1. **Collection.** Upon receipt of a collection, the DO prepares a JV to document the transaction and posts the DD 2657 to reflect an increase in Cash (line 4.2A) and a decrease in Receivables (line 9.2A). This affects only the DO’s accountability; no credit to an appropriation is involved.

2. **Charge to Appropriation.** If an overdraft resulted from an undercharge to the appropriation or fund from which the original check was drawn, the DO prepares an SF 1034, Public Voucher for Purchases and Services Other Than Personal, or a one-sided SF 1081, Voucher and Schedule of Withdrawals and Credits, records it against the undercharged appropriation or fund, and posts the DD 2657 to reflect a disbursement and a decrease in Receivables – Check Overdrafts. Do not issue a check for this transaction.

3. **Charge to Military Pay Appropriation and Pay Account Checkage.** Clear overdrafts caused by undercharging the appropriation for military pay and allowances by actions described in Volume 7A to ensure posting of proper charges to a member’s Master Military Pay Account (MMPA). Prepare either an SF 1034 or one-sided SF 1081 to describe the transaction in complete detail, charging the accounting data shown on the original payment voucher. Do not issue a check in this transaction. Post the DD 2657 to reflect a disbursement and a decrease in Receivables – Check Overdrafts.

070805. Underdrafts

A. **Advice of Check Issue Discrepancy.** Adjustments of discrepancies of more than $1 require supplemental check issues to the payees or credits to appropriations or funds. Upon receipt of the FMS 5206, the DO reviews the retained records of checks issued, applicable payment vouchers, SF 1179, and SF 1219 to identify and validate that a discrepancy actually occurred and determine the corrective action required.

1. Unless the FMS 5206 is erroneous (and this can be supported with copies of the documents listed in subparagraph 070805.A), the DO prepares a DD 1131, Cash
Collection Voucher, crediting the underdraft to deposit fund account **X6999 (Accounts Payable, Check Issue Under drafts). Record the DD 1131 and the FMS 5206 on the DD 2657 as a decrease on line 2.1A and an increase on line 6.3A. The DO’s total accountability is unchanged.

2. At the end of the current reporting period, record the FMS 5206 on the SF 1179 (line 2(a) of the Summary portion) and on the back of the SF 1219. See subparagraph 070804.D.

B. Distribution of the FMS 5206

1. Attach a copy of the FMS 5206 to the SF 1179 (for the current reporting period to support line 2(a)) and include in the amount on line 3 of the SF 1179.

2. Use the second copy of the FMS 5206 to support the adjusting entry in part A on the back of the SF 1219.

3. File two additional copies with at least two copies of the DD 1131 in the uncleared differences file pending final resolution of the discrepancy and preparation of the end of month financial reports.

4. Retain the original in the disbursing office.

C. Adjustment Before Submission of Financial Reports. In some instances, underdrafts may be discovered before submission of the financial reports (SF 1219, supporting documents, and the SF 1179) covering the period during which the check was issued. Do not prepare a DD 1131 if the unnegotiated check is recovered and voided before submission of the check issue report. Normally, this applies only to Navy DOs aboard ships and those DDOs who do not submit daily reports to the central disbursing office.

D. Adjustment After Submission of Financial Reports. When a check issue underdraft is discovered after the financial reports covering the period in which the discrepancy occurred have been submitted, the DO, DDO, or agent, based on subparagraph 070804.E, prepares a DD 1131 crediting deposit fund account **X6999 and posts the DD 2657 to record a decrease to line 2.1A and an increase to line 6.3A. There is no change to the DO’s total accountability. At the end of the accounting period, record the DD 1131 on line 2b of the SF 1179 and include this amount on line 3 of the SF 1179. Also record the DD 1131 on the back of the SF 1219. Attach a copy of the DD 1131 to the SF 1179 submitted with check issue reports. Keep two copies of the DD 1131 in the uncleared differences file until the discrepancy is cleared.

E. Resolving Check Issue Underdrafts. Make no additional entries in the summary portion of the SF 1179 or on the back of the SF 1219 to indicate that the underdraft has been cleared. Clear check issue underdrafts using one of the following methods:

1. When the payee is entitled to the amount of the underdraft, prepare an SF 1034 charging deposit fund account **X6999, and draw a check in favor of the original
payee. Post the DD 2657 to record a check issue and a disbursement. Total accountability is unchanged.

2. If an underdraft discrepancy is caused by overcharging the appropriation and credit is due the appropriation, the DO prepares a DD 1131 to charge deposit fund account **X6999, and credit the appropriation charged on the original payment voucher. Post the DD 2657 to record a collection. Total accountability is unchanged.

070806. Discrepancies

A. More Than $1. The DO prepares a JV, as soon as he or she becomes aware of a discrepancy, to account for a check issue discrepancy of more than $1 for any prior or current month’s check issue errors detected by the DO. Reference the voucher number and date on which the error occurred, as well as any other documents affected, on all JVs. Do not prepare a JV for check issue errors detected over 1 year from the issue month of the check.

B. Equal to $1 or Less. Treasury adjusts discrepancies of $1 or less between the amount of a check reported as issued in Level 8 and the actual amount of the check paid by the Treasury. See paragraph 071401 for more information on Level 8 and check issue reporting. Issue a supplemental check if a disbursing office receives a claim from a payee for an underpayment of $1 or less. Record the check on the back of the SF 1219 as a regular check issue in Section II, Part A, Column 2 and a minus adjustment of prior month’s issues in Section II, Part A, Column 4. Record the amount of the check as a minus adjustment on line 2(b) of the SF 1179.

070807. DO Requested Adjustment to the Check Issue Detail

A. Request for Adjustment. To request an adjustment to the check issue detail in TCIS, the DO sends a written request containing a description of the error to the Treasury’s Fiscal Service, CRB, Room 711A, 3700 East-West Highway, PGC Building #2, Hyattsville, MD 20782. To expedite the adjustment, the DO may fax the request to Check Reconciliation Branch (CRB) at (202) 874-8536 or call (202) 874-8150. The CRB still requires receipt of the request by mail at a later date as it requires a request with an original signature to be on file. The CRB uses the information to correct the reporting in TCIS. After the CRB makes the adjustment inTCIS, it issues a Notification of Check Issue Correction for each specific check symbol and serial number adjusted (see Figure 7-4). The CRB forwards this report to the DO, who monitors any adjustments requested and verifies the proper adjustment.

B. Time Limitation. If no response is received within 30 days of the request, the DO contacts the CRB for status. The DO keeps the report and the request for an adjustment with the monthly financial records. Adjustments to the check issue detail in TCIS may be made within 12 months of the issue month. After 12 months, the period of negotiability expires. The Treasury cancels the checks and issues limited payability credits for their amounts as recorded in TCIS (see sections 0712). A DO who detects check issue reporting errors after 12 months from the issue month adjusts the accountability to reflect the check issue detail recorded in TCIS. The limited payability credits offset the check issue adjustments on the SF 1219.
C. **Example.** A voided check was reported to the Treasury as $150 vice $0 for issue month November 2018. In May 2018, the DO became aware of the reporting error when the limited payability credits were being researched to transfer credits to the original appropriations. The corrective action for this situation would be to adjust the SF 1219 and create a one-sided SF 1081 to clear the limited payability credit. The DO must prepare a JV to record the check as issued for $150 for November 2018, with an offsetting debit to the **F3880 account to clear the limited payability credit.**

070808. **Erroneous Information Reported on the FMS 5206**

The DO reviews the FMS 5206, a copy of the check, disbursement voucher, and the check issue report data. If the DO determines that the check was paid for an amount different from its original issue amount, the DO returns the FMS 5206 to the Treasury with a memorandum stating the reason for returning the document without action. Support the memorandum with copies of the documents used to determine that the FMS 5206 is in error. Generally, the situation described is indicative of a bank processing error or alteration of the check by the payee. In either event, the explanatory memorandum that returns the FMS 5206 to the Treasury is sufficiently clear to enable the Treasury to initiate reclamation action through the banking system.

070809. **Relief of Liability**

Both underdrafts and overdrafts are illegal, incorrect, or improper payment irregularities in the DO’s account. The DO has the authority and the means to correct underdrafts. Overdrafts frequently are not within the power of the DO to correct. If a check issue overdraft resulted in an overpayment of a payee, the overpayment amount is an erroneous payment debt. When the DO has attempted to contact the payee and failed, or when the payee has been notified and has neither the ability nor the inclination to make restitution, the DO transfers the debt to the supporting DFAS site for further collection action. In order to meet standards for relief of liability, transfer uncollectible overdrafts to the supporting DFAS site within 180 days. After the debt has been transferred, relief of liability for the illegal, incorrect, or improper payment may be requested (see Chapter 6).

070810. **Internal Control Report for FMS Forms 5206**

A. **General.** The DO prepares an internal control report listing all the FMS 5206s received during the month. Each FMS 5206 is supported with an explanation of how the error occurred and a description of the internal control measures initiated to prevent further errors.

B. **Preparation.** The DO records the FMS 5206s on either a manual or automated log immediately upon receipt to ensure all forms are accounted for, and updates the log during the month with explanations for cause and the preventive internal control measures to be implemented.

C. **Method of Submission.** The DO provides the internal control report to the Commanding Officer (supporting DFAS site for DFAS DSSNs) by the 10th workday of each month. The recipient reviews the report for management purposes. Mail a copy of the report to
DFAS-IN/JFKCB for monitoring to ensure compliance with prescribed regulations and analyze problem areas. The disbursing office keeps a copy of the report in the disbursing office files for 1 year.

0709  SPOILED AND VOIED CHECKS

070901. Spoiled Checks

A. General. When a check is spoiled during the issue process, the handling and replacement methods depend on whether or not it has been reported to the Treasury as issued with a dollar value greater than zero, and the payee’s entitlement to the payment.

1. If a check is spoiled in the check issue process and has not been reported as issued, void the check and follow paragraph 070902.

2. If a spoiled check has been reported as issued with a dollar value greater than zero, it cannot be voided. Cancel the check using the check cancellation procedures in either section 0710 or section 0711.

B. Processing. For available spoiled checks, the DO stamps the check, “Not Negotiable-For Deposit Only; Credit of DSSN ####,” deposits the check using a deposit ticket, and processes an SF 1098, Schedule of Canceled or Undelivered Checks, to credit the proceeds of the check to the appropriation from which it was issued following subparagraph 071005.A.

1. For mutilated checks that are not acceptable for deposit, the DO follows procedures for UCC, processing an SF 1184 using stop reason code “A” or “D” (at the discretion of the DO based on the facts available) and issuing a recertified payment in accordance with the recertification provisions applicable to the stop reason code used on the SF 1184; see section 0711.

2. If the check was spoiled during the check production process and has not been released or mailed to the payee, the recertified payment voucher requires certification by a certifying officer. The SF 1184 is automated; Fiscal Service no longer accepts manually prepared SF 1184s (see subparagraph 071103.B).

C. Exchange-for-Cash Checks. An exchange-for-cash check does not have an appropriation associated with it. Therefore, if the spoiled check is an exchange-for-cash check, the DO processes an SF 1184 using a stop reason code “D,” and upon receipt, transfers the budget clearing account **F3880 credit to the Treasury’s **X6501 (Small Escrow Amounts) deposit fund account.

1. Since the credit in **X6501 is the basis for issuing a recertified payment for the exchange-for-cash check, transfer the credit before replacing the check. Once the credit is established in the **X6501 account, prepare an SF 1081 to issue a new check charging **X6501 for the disbursement.
2. The recertified payment voucher requires certification by a certifying officer. Since these vouchers do not originate from an entitlement area, a certifying officer should be appointed to certify these types of payments. Although the DO may not appoint the certifying officer, an individual under the DO’s direct supervision may be appointed as a certifying officer only in limited situations (see Chapter 5, paragraph 050201).

D. Record of Spoiled Checks. DOs maintain a record of spoiled checks in either electronic or manual form that must be part of the record of checks issued. This record must include the original spoiled check number and date; the original voucher number; the replacement check number and date; the voucher number of the SF 1098 or recertified payment, whichever is applicable; the payee; and the amount of payment. Keep this record as a permanent part of the DO’s retained records subject to the retention and disposition policies for check issue records as prescribed in Volume 1, Chapter 9, section 0902. This record does not satisfy the requirement to maintain the recertified payment data on the DO’s DD 2662 (see paragraph 071102).

E. Certification of Payroll Officer. If a civilian payroll check payee requests issuance of a recertified payment in a name other than the name printed on the original check, the DO obtains a signed statement authorizing the name change from the payroll officer who certified the original payroll before issuing the recertified payment. The DO attaches the statement to the retained copy of the payroll.

070902. Voided Checks

Void a check that is misprinted or mutilated during the issue process or is determined not to be a proper payment, and has not been reported as a check issue with a dollar amount greater than zero. Report destroyed unused and lost or stolen blank checks as voids. Render checks voided by the DO nonnegotiable by typing or stamping the words “Void - Not Negotiable: No Check Issued Under This Number,” or “Void – Not Negotiable: Replacement Check Issued Under Check Number XX, XXX,XXX,” as appropriate.

A. A check reported to the Treasury under check issue reporting procedures in a dollar amount greater than zero may not be voided under any circumstances. Process the check as either an available or UCC, as appropriate, following subparagraph 070901.B.

B. If the payment associated with the voided check is otherwise proper, replace it with the next available check in the series and in the same format used for the original voided check. Annotate on the original voucher, the copies of the voucher, and the check issue log to indicate the original check was voided and the number of the replacement check used for the payment. See paragraph 071404 for reporting voided check issues.

070903. Storage

The DO stores spoiled and voided checks in the vault or safe, segregated from other checks.
070904. Disposition

A. Destruction. The DO destroys spoiled and voided checks locally on a quarterly basis by either burning or shredding. If destroyed by burning, they must be burned completely. If destroyed by shredding, the fragments may be no larger than 1 inch wide and 1/4 inch long. In either event, prepare a certificate of destruction (see Figure 7-5), signed by the DO and at least one witness, listing the serial numbers and method of destruction. For unnumbered checks controlled by a preprinted ICN, list the voided check by the ICN on the certificate of destruction.

B. Verification. The DO and at least one witness examine the checks to verify they are the actual checks to be destroyed, verify the check numbers and DSSN with information on the certificate of destruction, and sign the certificate only after witnessing their actual destruction.

C. Certificate of Destruction. Prepare this in an original and one copy. Include the complete mailing address of the disbursing station; date and method of destruction; DSSN; serial number or ICN of each check; typed name, title, grade or rank, and signature(s) of the witness(es); and typed name, title, grade or rank, and signature of the DO. List each check in numerical sequence, except that when destroying blocks of checks, show the beginning and ending numbers in the series (see Figure 7-5). Include the original certificate with the monthly disbursing financial reports, and keep a copy in the DO’s blank check inventory control records.

0710 AVAILABLE CHECK CANCELLATIONS

071001. General

CEBA requires that Treasury checks be negotiated within 1 year of their issue dates. DOs may cancel checks within this 1 year period when the check is drawn under the DO's own DSSN, under the account of a predecessor DO of the same activity and DSSN, or under an account being settled by the DO. A DO may not cancel a check over 1 year old. Checks may be canceled when the disbursing account is closed or current, or the proceeds of the check are for repayment to an appropriation or fund account which is current or expired. DOs cancel Treasury checks in their possession within three workdays of receipt in the disbursing office (see I TFM 4-7030).

071002. Exceptions

A. Stamp original checks recovered by or returned to a DO after being processed with an SF 1184, “Not Negotiable, Previously Treated as Canceled SF 1184 dated ________.” The DO retains the checks in their safe or vault for 90 days and then shreds them. Note the date of destruction on the DD 2662 and supporting documentation. A DO receiving a returned check for an activity or DSSN that is no longer in operation stamps the check “Not Negotiable” and sends it to the successor or settlement DO.

B. For checks involving holder-in due-course claims, see section 0713.
C. If substantial portions of mutilated checks are missing, see I TFM 4-7030.

D. For checks that are at least 1 year from the date of issue (stale dated), see paragraph 071001.

071003. Undeliverable Checks

The DO keeps a record of undeliverable checks on the DD 2658, Returned and Undeliverable Check/Bond Record, with the dates the checks are returned, check numbers, check dates, amounts, payees, voucher numbers, disposition, and dates of disposition. An electronic system is acceptable to record undeliverable checks if it includes all of the information required on the DD 2658. The DO provides the information or a copy of the DD 2658 to agents, cashiers, and appropriate entitlement offices for their use. Do not remove undelivered checks from the safe or vault or allow deputies, agents, or cashiers to hold them except for immediate delivery to payees, or for cancellation and deposit.

A. Safekeeping. DOs keep undeliverable checks in a safe or vault, filing them in an order best suited for ready identification when claimed or for mailing upon obtaining a proper address. At a minimum:

1. Open mail with returned Treasury checks in the presence of two people,
2. Limit access to the returned Treasury checks processing area, and
3. Secure the checks in a locked container if there is a delay between the time the checks are received and when they are defaced (see Chapter 3, paragraph 030304).

B. Undeliverable Due to Death of the Payee

1. Deceased Military Members. The issuing DSSN cancels checks payable to deceased military members promptly and credits the value to the individual's pay account pending payment to a properly designated beneficiary.

2. Deceased Civilian Employee. See Volume 8, Chapter 10.

3. Other Payees. Deposit checks drawn to other deceased payees as undeliverable checks. Obtain an SF 1055, Claim Against the United States for Amounts Due in the Case of a Deceased Creditor, processing it following either Volume 8, Chapter 3, subparagraph 030203.B.3 or Volume 8, Chapter 10, paragraph 100501. See paragraph 071006 for the accounting data chargeable and references required on the voucher.

C. Checks Undelivered at Time of Relief. When a DO is relieved by another DO or the DSSN is deactivated and disbursing for that activity is assumed by another activity due to consolidation, transfer of function, or other reason, the relieving DO or gaining activity assumes custody of and processes the undelivered checks. If the DO is transferred from disbursing duty
without a relief or the disbursing function is not assumed by another activity, process the
undelivered checks as collections on an SF 1098 and deposit them whether or not the three-
workday holding period has elapsed. Send the DD 2658 to the office designated to settle the DO’s
account.

D. Special Actions on Canceled Checks Held by the Disbursing Office

1. **Military Payrolls.** When canceling a military pay and allowances
check, the DO processes the adjustment to the MMPA.

2. **Civilian Payrolls.** When canceling a check in payment of civilian
pay, the DO notifies the payroll office to make the appropriate payroll adjustment.

071004. SF 1098, Schedule of Canceled or Undelivered Checks

A. **General.** Credit a check that is undelivered within three workdays of receipt
in the disbursing office to the appropriation originally charged using an SF 1098 prepared in
triplicate. In the appropriate columns, show for each check the month and year of issue, check
serial number (and DSSN if different from the DSSN shown in heading of the form), name of
payee, applicable voucher number, amount of check, and accounting data credited.

B. **Lack of Accounting Data.** If the proper appropriation to be credited cannot
be determined immediately, collect the amount of the check into account **F3875 (Budget
Clearing Account, Suspense). Include on the SF 1098 all information available as to the identity
and location of the payee of the check. Keep a copy of the documentation in a separate file to
support each item in the suspense account. The DO acts aggressively to identify the proper
appropriation and removes the item from the suspense account as soon as possible. If the proper
appropriation remains unknown after 60 days, transfer the funds to Treasury’s miscellaneous
receipt account **R1060 on SF 1081.

071005. Disposition of Canceled Available Checks

A. **General.** Process canceled check transactions authorized by this section in
a manner similar to that for collections. Upon receipt of a check to be canceled, prepare an SF
1098 as the collection voucher and credit the appropriation originally charged for the payment.
Show all lines of accounting charged and credited on the original disbursement voucher, assign a
collection voucher (CV) number, and print the CV number and the date of collection on the back
of the canceled check. Deposit the canceled checks for credit to the DSSN used by the DO
canceling the checks. An endorsement stamp is required for canceled checks.

B. **Defacing Returned Checks.** Stamp the face of each Treasury check to be
canceled “Not Negotiable.” Ensure that the stamp is in a color other than black (preferably red)
and is of prominent enough size to remove all possibility of negotiation.
C. **Deposit Ticket.** Deposit canceled checks on a deposit ticket separate from other negotiable instruments. DOs with Over the Counter Channel Application (OTCnet) capability may deposit their canceled checks through this system.

D. **Frequency of Deposits.** Checks received for cancellation need not be deposited daily, but may be held in the DO's safe or vault pending preparation of a consolidated deposit ticket. In situations where check deposit volume is minimal or where electronic deposits utilizing OTCnet are not available, send deposits to the Federal Reserve Bank (FRB) no later than the 25th of the month of receipt. Checks received after the 25th of the month may be retained and deposited the following month. All CONUS DOs deposit canceled Treasury checks with the nearest FRB. DOs in Alaska, Hawaii, and foreign countries deposit them with the general depositary normally used for making deposits for credit to the Treasury’s General Account. See Chapter 11, section 1108 for deposit reconciliation requirements.

071006. **Claims for the Proceeds of Canceled Available Checks**

When a claim is received for the proceeds of a canceled available check and all or a portion of the amount is due to the claimant, the disbursing office that collected and deposited the original undeliverable check pays the claim on payroll or other vouchers prepared, processed, and certified the same as a current payment. This does not preclude an undeliverable military paycheck from being canceled by the issuing DO so that the member may be paid at a new duty station. Use an SF 1034 to make these payments and charge them to the accounting data credited on an SF 1098, referencing the original undeliverable check by serial number, amount, DSSN, month, year, and account in which the undeliverable check was collected. Pay claims received for items transferred to the **R1060 account from the 20X1807 (Refund of Moneys Erroneously Received and Covered) account. Record the claim and its disposition on the DD 2658.

0711 **UNAVAILABLE CHECK CANCELLATIONS**

071101. **General**

Cancel unavailable Treasury checks less than 12 months old reported to the DO as lost, stolen, mutilated, or not received by the payee following this section, or when the payee is not entitled to a check’s proceeds. Such situations include death of the payee before the check issue date, non-receipt of a recertified payment by the payee when the original check has been received and cashed, and receipt of a cash payment and a check payment for the same entitlement.

A. Payees have 1 year from the date of issue of the check to file a claim of non-receipt with the issuing disbursing office, which then submits an SF 1184 to the Treasury within 13 months of the issue date. The Treasury has 18 months from the date a check is paid to reclaim monies from the financial institution if the payee files a claim of forgery or unauthorized endorsement.

B. Checks unavailable to the payee and/or the DO and for which entitlement to the payment exists may be replaced by a new check called a recertified payment check. Such a payment bears a new check serial number and is vouchered, certified, and recorded as a new
disbursement following this section. The DO must control, cross-reference, and track original and recertified payments indefinitely or until both have been paid, recovered and destroyed, or canceled.

071102. DD Form 2662, Recertified Payment Register

Maintain the DD 2662 to provide the necessary cross-reference and control over UCCs. An electronic log is acceptable if it contains the required information (see Volume 1, Chapter 9, section 0902 for records retention). This form requires information to identify the original check serial number, date, amount, payee, and status as provided by the Treasury, identifying information regarding the recertified payment, payee’s claims, and collection information.

071103. SF 1184, Unavailable Check Cancellation

A. General. The SF 1184 is required for all cancellations covered by this section. The servicing DFAS site reports each unavailable check to be canceled to Treasury using this form. Bulk losses of original checks require the preparation of an SF 1184 for each check.

1. Use this form to stop payment, obtain photocopies, or check the payment status of unavailable Treasury checks. Input stop reason codes to designate the desired action. Although this form attempts to stop payment on a check, there is no true stop payment action. The payee may still negotiate the check, and the DO is responsible to recoup the money.

2. If a check is presented for payment after Treasury has given the DO a credit to the **F3880 account, Treasury will reverse the credit and provide the DO the documentation, including a photocopy of the paid check. The DO must then research and take the appropriate corrective action, including collection efforts when dual negotiation has occurred. See subparagraph 071103.B for guidance on preparing and submitting an SF 1184, and paragraph 071109 for guidance on handling the credits and reversals of credit in the **F3880 account.

B. Processing. Use DCRM’s UCC subsystem to process SF 1184s, and transfer them to the Treasury biweekly. Contact the supporting DFAS site for questions on the SF 1184.

Defense Finance and Accounting Service Cleveland
1240 E 9th St
Northpoint 7th Fl (JAFBA)
Cleveland, OH 44199-2056
Email: dfas.cleveland-oh.zte.mbx.ccl-mb-checkissues@mail.mil
071104. Claims of Non-receipt, Destruction, Loss, or Theft

A. Payee Request for Claim

1. Treasury will deny a claim of non-receipt, destruction, loss, or theft of a Treasury check issued on or after October 1, 1989, unless it is presented by the payee to the issuing disbursing office within 1 year from the date of issue.

2. The disbursing office will document the claim on an SF 1184 and process it through the supporting DFAS so the Treasury receives it within 13 months of the check issue date. If Treasury denies a cancellation credit, it issues a Daily Advice of Status (DAS) with one of the status codes in ITFM 4-7045, Appendix 7. The DO advises the payee of the check status.

3. If the check has been negotiated and the payee wishes to continue the claim process, he or she initiates the FMS 1133, Claim Against the United States for the Proceeds of a Government Check, and an FMS 3858, Claims Document.

B. Disbursing Officer Action. The DO sends the FMS 1133, the FMS 3858, the photocopy of the check, and any other supporting documentation for the claim to Treasury for processing. If the payee files an FMS 1133 to claim forgery or unauthorized endorsement against the check, a recertified payment is not authorized before receipt of an FMS 3859, Claims Disposition Notice (CDN), from the Treasury (see subparagraph 071112.D).

071105. DD Form 2660, Statement of Claimant Requesting Replacement Check

A. Payee Request

1. A payee who reports the loss, theft, mutilation, or non-receipt of a Treasury check submits a written statement to the DO. The DD 2660 is the preferred form for the required statement, but a DO may accept a signed letter from the payee in lieu of the DD 2660, provided the letter contains the required information and the certification statement found on the DD 2660.
2. A payee who submits a statement in lieu of the DD 2660 must include the payee's name, SSN, and address; member's name and SSN if different from the payee; type of payment entitlement; whether the check was received and if so, whether it was lost, stolen, destroyed, or mutilated; whether the check was endorsed by the payee or had a limited endorsement such as "for deposit only;" circumstances surrounding the loss, theft, destruction, or mutilation if the check was received; and the signed statement of certification of the payee. The statement must contain the signed certification statement exactly as cited above blocks 12-15 on the DD 2660. Failure to include this statement could hinder collection efforts if a dual negotiation occurs. Also, if the payee is the one that negotiated both checks, the statement could also be used to establish fraudulent intent.

B. Disbursing Officer Action

1. Upon receipt of the signed statement, the issuing DO or settlement officer completes the information required to identify the check (e.g., issue date, check number, amount, and voucher number). Before processing an SF 1184, the DO must verify that the check has not been returned as undeliverable by verifying that the check is not listed on the DD 2658.

2. If the check is listed and the disposition indicates that the check was re-mailed at a later date, the DO notifies the payee of the later mailing date and allows two weeks delivery time before processing the claim of non-receipt. If the check has not been returned and enough time has passed to allow for mail delivery, the DO uses the information on the DD 2660 to process an SF 1184 to cancel the unavailable check. Do not submit an SF 1184 involving non-receipt of future dated checks, such as those issued for pay and allowance entitlements, before the date of payment.

3. Do not process an SF 1184 involving non-receipt until the third working day after the check payment date. For each claim received, establish an individual case file containing the written request for a recertified payment (DD 2660); documentation pertaining to the SF 1184; the DAS; copies of vouchers evidencing the transfer of the **F3880 credit; the issuance of the recertified and original payments, if obtained; and all other applicable correspondence concerning the case.

4. The DO sends a copy of the claimant's DD 2660, or other written statement, and a copy of the SF 1184 documentation to the appropriate entitlement area, which must certify that the entitlement for payment still exists before the DO may issue a recertified payment.

071106. DAS

A. General. With the exception of the transmittal documents, Treasury returns a DAS on every SF 1184 received. An essential control technique is for DOs to keep a complete file of submitted SF 1184s. Periodic review of the file will show, either by copy of the DAS or by copy of the agency receipt of batch transmittals, the Treasury received and processed all submissions. Follow-up incomplete file items within 30 days through the supporting DFAS site by telephone and, if necessary, by submitting a second SF 1184 (see \textit{ITFM 4-7045.20c}).
B. **Canceled Check Status.** Once Treasury has issued a DAS with a status indicating “check canceled; crediting agency,” future requests to cancel or obtain photocopies of the canceled check will receive a response “outstanding check was canceled; agency credited.” A photocopy of the check will not be available until the check is presented for payment through the banking system. Therefore, once a disbursing office has received a DAS with a status code of “Outstanding,” no additional SF 1184s may be submitted for that check number. If the original check is ever presented through the banking system for payment, the DO will receive notification that the Treasury has reversed the credit to the **F3880 account.** Treasury will then provide a photocopy of the original check, and the claim forms FMS 1133 and FMS 3858.

071107. Payments, Accounting Claims, and Enhanced Reconciliation System

A. **General.** Treasury’s TCIS is available to obtain digital check images and view check status on-line. It only contains information and images for checks issued since October 1997. Digital images are available only for paid checks. The time for receiving an image depends on how the image is requested (either on-line or batch), how long the image has been in the FRB archive, and whether or not the image has ever been requested before. Images under six months old or previously requested within the past 30 days are available for immediate viewing. Images archived by the Federal Reserve System in the preceding six months will normally be available within a few hours of the request; images archived for more than six months will usually be available within 24 hours.

B. **Inquiries.** The inquiries on payments and claims option in TCIS allows for inquiries on the status of a single payment or multiple payments at the same time. TCIS is available for use Monday through Friday from 6 a.m. to 12 a.m. (midnight), Eastern Time. No software purchase is required to access this system. See TCIS website under Equipment Requirements for system requirements. To request access to TCIS, contact the Treasury’s Support Center at (855) 838-0743.

071108. Authorization to Issue Recertified Payments

A. **General.** Treasury has delegated authority to DOs to replace checks originally issued by them to include checks lost, stolen, or destroyed both in transit and after receipt by applicable payees (see **31 CFR 245** and **31 CFR 248**). DOs may also issue a recertified payment when the SF 1184 is prepared, based on the facts available. The payee receives immediate replacement and the risk of loss from overpayment to the payee is low. Subject to the restrictions in the following paragraphs, DOs may issue recertified payments as replacements for original checks any time commencing with the submission of the SF 1184. The circumstances associated with each unavailable check govern this timing.

B. **Limitations**

1. Do not issue a recertified payment check if:

   a. The payee of the original check is not entitled to the proceeds,
b. The payee died before the original check issue date,

c. Insufficient mail time has lapsed from the date the original check was mailed or re-mailed to allow for its delivery and possible return,

d. The payee has an outstanding obligation which the payment can offset, or

e. The original check is more than 12 months old.

2. Consider all circumstances of situations involving high-dollar-value unavailable checks, payees involved in adverse actions that could result in early discharge or termination, or nonpermanent employees with no vested retirement benefits or sustained work history before issuing a recertified payment. Also, consider the payee’s ability to repay in cases of double negotiation and the possibility of offsetting a double negotiation against money, other than salary, due to the payee. For deactivated and closed DSSNs:

a. The designated settlement office normally issues these payments. In some situations, e.g. consolidation, the DO supporting the activity that assumed the disbursing and accounting responsibility for the deactivated or closed office may issue a recertified payment for the deactivated or closed office.

b. Except as prescribed in subparagraph 070901.C, issue recertified payments only as a disbursement from the appropriation charged for the original check or, if that appropriation is no longer available, a current appropriation available for the same general purpose, subject to limitations on its use.

C. Issue before Receipt of Check Status. Delays in issuing checks may affect military and civilian employees’ personal financial affairs, DoD relations with private business, and other intangible benefits. Immediate issuance of replacement checks may thus be appropriate. DOs may use stop reason code “A” on the SF 1184 to support immediate check issuance to replace undelivered, lost, stolen, mutilated, or destroyed original checks issued under their DSSN if less than 31 days have elapsed since the check issue date. Limit this service to:

1. Military and civilian personnel for payment of pay and allowances;

2. Banks, credit unions, and other financial institutions unless the DO decides that obtaining the Treasury status is in the government’s interest before issuing a replacement;

3. Agencies of the U.S. Government;

4. Foreign governments (If doubt exists as to the status of a foreign payee, treat the payment as a foreign business transaction and issue a recertified payment only after receipt of the Treasury status as prescribed in subparagraph 071109.D.); and
5. Any blanket check regardless of amount.

D. Issue after Receipt of Check Status. Submit UCCs using stop reason code “D” or “G” and issue a recertified payment only after the Treasury reports the check status as outstanding for:

1. Foreign businesses and contractors where the check payment is made to addresses or financial institutions OCONUS,

2. Payees who have previously negotiated both the original check and the replacement check issued to replace it,

3. Payees who have received more than three replacement check payments in the past six months or more than four in a 12-month period,

4. Payees who report non-receipt of a recertified payment,

5. Payees requesting replacement of an original check more than 30 days old, or

6. Payees other than a deputy, agent, or cashier requesting replacement of an exchange-for-cash check.

E. Issue When Check Status Is Paid. Do not issue a recertified payment check when the DAS from the Treasury indicates the check status is paid (see paragraph 071113).

071109. Accounting for Recertified Payments

A. General. Treasury provides credits for canceled unavailable checks and charges resulting from negotiation of previously canceled unavailable checks through budget clearing account **F3880. This account is restricted to unavailable check transactions; do not use it for any other purpose. It is available to hold credit or chargeback amounts only pending identification of the appropriation or fund charged for the original check issuance. Do not charge the **F3880 account directly for any payment, but transfer amounts in this account to the original appropriation as expeditiously as possible. Do not allow transactions in this account to become stale or unidentifiable, as an unidentifiable balance may result in a DO loss of funds and an associated pecuniary liability.

1. Exchange-for-Cash Checks. As indicated in section 0707, exchange-for-cash checks generally are for advances to deputies, agents, or cashiers, or accommodation exchanges for payees’ benefits. Exchange-for-cash transactions are not charged to an appropriation or fund. If a deputy, agent, or cashier loses such a check, treat the loss as a physical loss of funds under Chapter 6, section 0604. If the Treasury determines the check to be outstanding, apply the unavailable check credit to offset the loss of funds. If the unavailable check is negotiated later and the Treasury reverses the credit, re-establish the physical loss of funds. If a
payee who received an exchange-for-cash check as an accommodation service loses the check, apply the unavailable check credit to reimburse the payee for the loss.

a. Transfer the **F3880 amount to deposit fund account **X6501 and charge the latter account for the disbursement. Issue the recertified payment check only after receipt of the **F3880 credit. Do not disburse from **X6501 account before receipt and transfer of the **F3880 credit.

b. Use discretion when authorizing recertified payments to individuals for lost exchange-for-cash checks issued as accommodation exchanges based on the risk associated with recovery of the funds if dual negotiation occurs.

c. If the exchange-for-cash check was for the sole benefit of the payee and risk of loss is high, the DO should consider waiting until the check has been canceled by limited payability.

2. Credits Resulting from Submission of SF 1184s. If an unavailable check is outstanding, Treasury will issue a DAS indicating that the check is outstanding and that it will credit the agency with the proceeds. The Treasury will cancel the check and credit the funds derived from the cancellation to the **F3880 account. DFAS Cleveland (DFAS-CL) and DFAS Indianapolis (DFAS-IN) receive cancellation credits electronically from Treasury daily or as needed. A hardcopy of the SF 1081 follows the electronic submission. Treasury sends these canceled check proceeds to DFAS-CL and DFAS-IN through the Central Accounting Reporting System (CARS) and the Intra-Governmental Payment and Collection (IPAC) system. This will reflect any identifying information provided in the original check issue data submission as detail in the credit transmission.

3. Reversals of Cancellation Credits. If a canceled unavailable check is negotiated by a financial institution after cancellation by Treasury, Treasury will reverse the cancellation credit and provide a DAS indicating the check has been negotiated and the credit reversed. Treasury generates an SF 1081 and other documents to report reversals of cancellation credits to DFAS-CL and DFAS-IN. These documents indicate the total dollar amount of the credit or charge entered into the DO’s **F3880 account. The SF 1081 is the DO’s documentary evidence that Fiscal Service entered the credit or charge to the **F3880 account. Credits and charges are listed separately and are not commingled on the same SF 1081. DO’s record the amounts as increases or decreases to their **F3880 account.

B. Agency Reporting of Fiscal Service Transfers to the **F3880 Account. Treasury transfers to the **F3880 account via IPAC, and the monthly IPAC transaction detail report documents them. After receiving an SF 1081 and recording the credit or charge to the **F3880 account, the DO prepares a JV to clear the credit or charge from the account, returning the funds to the appropriation charged or like fund that has been identified. At the end of each month, the DO reports the JV transactions on line 2.39 (line 2.8 for electronic versions) of the SF 1219 (see Chapter 15, section 1506 and Figure 15-4). The accounting cutoff date for credits and charges transferred to the **F3880 account from Treasury is the second-to-last business day of each month. Account for transactions processed after that date in the next accounting month.
C. Distribution. Under 31 U.S.C. § 3334(a)(2), return canceled check proceeds to the appropriation(s) charged when the check(s) were originally issued, and treat the canceled check(s) as account(s) payable. Within 15 days of receipt, DFAS-IN and DFAS-CL send the check cancellation and credit detail information to the disbursing office (except as noted in subparagraph 071110.B) that issued the check(s) and to the disbursing offices’ supporting accounting offices. Any reversal of previous cancellation credits issued by Treasury should also be sent in the same manner to the applicable disbursing and accounting offices.

1. DFAS-CL and DFAS-IN send the check credit information including the details applicable to the disbursing accounts that DFAS Columbus (DFAS-CO) manages to DFAS-CO. DFAS-CL processes or distributes cancellation credit information for Marine Corps disbursing offices.

2. DFAS-CL posts monthly, upon receipt, the current Agency Location Code (ALC) 1700 reports on the Recertification and Payability Detail website for use by DOs and its supported accounting offices. The **F3880 reports are cumulative, and only the latest are accessible.

D. Accounting Office. When the accounting office receives canceled check credits, it transfers them from **F3880 to the original appropriations charged when the payments were made and establishes an accounts payable. If a DO replaces an unavailable check before receiving credit from Treasury, the accounting office establishes an accounts receivable in the appropriation or fund charged for the original check, removes the receivable upon receipt of the credit, and transfers the reversal of a previous credit from **F3880 to the original appropriation.

E. Review of **F3880 Balances. The DO reviews the **F3880 account monthly to ensure necessary actions are taken to clear these transactions. Each time the DO’s account is transferred, the incoming DO validates balances in this account (see Chapter 2, subparagraph 020406.A.8). If the departing DO cannot provide the incumbent DO with documentation supporting the **F3880 items, the departing DO processes the unsupported items as losses of funds under Chapter 6.

F. Research. Upon receipt of a DAS indicating cancellation credit or reversal information from the supporting DFAS site, the DO initiates research on the check issue data submitted to Treasury to ensure the accuracy of the detailed information, e.g., the DSSN, check serial number, date of issue, and issue amount provided in the cancellation credit or reversal which must agree with the original check issue data reported to Treasury. Research any discrepancy in this data to determine its cause and correct it. In the case of a reversal, the DO determines if a dual negotiation occurred by verifying the status of the replacement check. The DO submits an SF 1184 on the replacement check using stop reason code “F” for non-entitlement.

1. If the check for the recertified payment is outstanding, the DO receives a credit to offset the charge for the reversal previously received. If the check has been paid, the DO receives a photocopy of the paid check, a claim form, and a claims document. If both the original and recertified payment checks have been negotiated, the DO begins collection action as outlined in paragraph 071113. The disbursing office must also notify the appropriate
entitlement or subject matter area (e.g., military pay, civilian pay, travel pay, or commercial accounts payable) that Treasury has returned a credit to the activity because the check was not negotiated or has reversed a credit previously received and provided a copy of the DAS.

2. The DO requests the accounting department re-obligate funds to cover the issuance of a recertified payment. Once assured that funds are re-obligated and available, the DO may issue a recertified payment check citing the original appropriation. If the original appropriation is closed, use a current year appropriation for the same or similar purpose.

3. When Treasury provides a reclamation credit, the DO requests the accounting department re-obligate funds to cover the issuance of a recertified payment.

G. Entitlement to Payment. When notified that an unavailable check has been canceled, the credit has been received, and a recertified payment has been requested, the appropriate entitlement or subject matter area determines if the liability for payment of the underlying obligation is valid before preparing a recertified payment, which is prohibited if the entitlement to payment no longer exists.

H. Recertified Payments. All recertified payments (including immediate replacements (stop reason code “A”)) must be vouchered, certified by a certifying officer, and charged to the appropriation or fund charged for the original payment. Making a recertified payment under the first two provisions listed in this paragraph requires the establishment of an accounts receivable, supported by a copy of the SF 1184 and/or the DAS, in the appropriation or fund for the amount due on cancellation of the original check. Recertified payments may be made when the disbursing office submits the SF 1184, or at any time in the claims cycle that is:

1. Before the status of the original check is known, when less than 31 days have elapsed from the date of the original check (see paragraph 071108);

2. After the disbursing office has been advised by the DAS code that the original is outstanding and credit will be provided; or

3. After the credit has been received from Treasury.

071110. Preparation and Disposition of Replacement Checks

A. General. Prepare and distribute replacement checks in the same manner as regular checks as described in section 0704. If a payee claims non-receipt, loss, or destruction of a replacement check, the UCC procedures in section 0704 also apply to the replacement check.

B. Returned and Recovered Replacement Checks. When a replacement check is returned by the payee after the original check which it replaced has been found and negotiated by the payee, cancel the replacement check on an SF 1098 and credit the proceeds to the appropriation charged when it was issued. Deposit the check with the nearest FRB or branch on a deposit ticket as prescribed in paragraph 071004. Transfer the chargeback to the **F3880 account.
from Treasury for the negotiated original check to the appropriation charged when the original check was issued.

071111. Check Forgery Insurance Fund (CFIF)

A. General. The CFIF is a revolving fund established under 31 U.S.C. § 3343 to settle payee/claimant claims of non-receipt when an original check has been fraudulently negotiated. Only Fiscal Service’s Check Claims Branch (CCB) may adjudicate claims of forgery against Treasury checks.

B. Claim Against the CFIF. A claim against the CFIF is governed by the 1 year statute of limitations provided in the CEBA (see subparagraph 071201.B) since a claim against the CFIF constitutes a claim on account of a Treasury check. Therefore, a claim of forgery must be presented within 1 year from the date the check was issued, otherwise the claim on the check is barred and the payee is not entitled to payment from the CFIF. The DO must submit an SF 1184 on the check within 13 months from the check issue date.

C. Statutory 1 Year Limit. The statutory 1 year limit on the claim against the CFIF does not affect the underlying obligation of the government for the payment. If the Treasury determines a check endorsement was forged and the payee’s claim meets the statutory requirements, Treasury will institute reclamation procedures to recover the proceeds of the forged check through the banking system.

071112. Processing Forgery Claims

A. General. When Treasury determines that an original check was negotiated and paid by the Fiscal Service on a forged or unauthorized endorsement, a payee may have a valid claim against the CFIF (see paragraph 071111). The CCB is the approval authority for settlement checks issued to replace checks paid over forged endorsements. Fiscal Service does not charge the CFIF for losses resulting from negotiation of checks issued to deceased payees or to payees who were not entitled to the payment. The address is: CCB, Check Resolution Division, Payment Management, Fiscal Service, Department of the Treasury, 3700 East-West Highway, Room 800D, Hyattsville, MD 20782. Fiscal Service issues settlement checks out of the CFIF if it determines that the payee or special endorsee has established that:

1. The payee or special endorsee presented a timely claim of non-receipt, e.g., filed a claim within 1 year after the date of check issue;

2. The original check was lost or stolen due to no fault of the payee or special endorsee;

3. The original check was negotiated and paid by Fiscal Service on a forged or unauthorized endorsement of the payee’s or special endorsee’s name; and

4. The payee or special endorsee has not participated in any part of the proceeds of the negotiation or payment of the original check.
B. **DO’s Action.** A payee reports the loss, theft, or non-receipt of a U. S. Treasury check, and follows paragraph 071105. A DO whose research determines that the check was negotiated requests a digital image of the check. For checks issued on or after the date of October 1, 1997, see paragraph 071107 for instructions on how to obtain a digital check image using TCIS. For checks issued before the date of October 1, 1997, DOs use the SF 1184 process to determine the check status (see paragraph 071103). When follow-up action with Fiscal Service is required, DO’s prepare and submit an Agency Recertification Follow-Up. See I TFM 4-7000, Appendix 11.

C. **Payee/Claimant’s Action.** When the check status is "Paid," Treasury provides a photocopy of the original check, FMS 1133, and FMS 3858. If, after examining the check copy, a payee/claimant denies having negotiated the check, the payee/claimant completes and signs the FMS 1133 and returns it along with the check copy to Fiscal Service. The FMS 1133s and FMS 3858s are a combined set of four pages. The FMS 1133 is for the payee’s declarations and information concerning the unavailable check, and the FMS 3858 is the claim reference document that contains the necessary information for the U.S. Treasury CCB to identify the check. Attach a copy of the FMS 3858 to any correspondence with Treasury concerning the unavailable check.

D. **Fiscal Service Action.** Upon receipt of the FMS 1133, the CCB reviews the claim form. If the FMS 1133 is not complete, the CCB returns it to the payee/claimant with a letter advising the corrections needed. If the payee/claimant admits negotiating the check or does not return the FMS 1133, take no further action. Consider an FMS 1133 complete when all questions are answered and all required signatures are present. If a payee/claimant signs by mark, the mark must be witnessed in the space provided. If the FMS 1133 is complete, the CCB advises the DO of the status of the claim using a CDN and begins the adjudication process. If the CCB determines that the payee/claimant was not involved in the negotiation of the check and did not participate in the proceeds from the check, it settles the claim by initiating a request to issue a check to the payee/claimant or transfer the funds to the DO.

1. **Stop Reason Code A.** If stop reason code A and the criteria for settlement from the CFIF are met, the CCB charges the CFIF and transfers credit to the DO via IPAC and sends a CDN to the DO with the message “Forgery Established – Treasury is Crediting Your Account.” The DO transfers the credit to the correct appropriation and reissues the payment, using the CDN as supporting documentation.

2. **Stop Reason Codes B and C.** Stop reason codes B and C are not applicable for DoD use.

3. **Stop Reason Code D.** If stop reason code D and the CFIF settlement criteria are met, the CCB issues a settlement check to the payee/claimant charging the CFIF and sends a CDN to the DO with the message “Forgery Established – A Settlement Check Is Being Sent to the Payee.”

4. **Stop Reason Code E.** If stop reason code E and checks are greater than $25, Fiscal Service credits the DO for deceased payee checks once it receives the reclamation
credit from the financial institution. For checks of $25 or less, the CCB issues a CDN with the message “Paid-The Issue Amount Is $25.00 or Less. No Further Action Will Be Taken.”

5. **Stop Reason Code F or G.** If stop reason code F or G and forgery is substantiated, the CCB requests reclamation action against the financial institution, refers the case to the USSS, and sends a CDN to the DO with the message “Forgery Established. Claim Valid but Settlement Not Appropriate Based on Your Non-entitlement Code. Treasury Will Credit Your Account When the Funds Are Collected.”

6. **Stop Reason Codes H, I, J.** Stop reason codes H, I, and J are not used by Treasury or DoD.

7. **Stop Reason Codes K, L, M.** For stop reason codes K, L, and M see subparagraph 071208.B.

E. **Appeal Process.** If the CCB denies a claim, a payee/claimant may appeal in writing to the CCB. The appeal must be postmarked no later than 60 days after the date of the denial letter. The appeal must include a copy of the denial letter, a signed statement, and any additional information or documentation for further investigation. The appeal must also include the check and symbol number identified in the denial letter.

071113. **Collections of Double Negotiations**

A. **General.** A double negotiation occurs when an original check and its replacement have both been reported as paid by Treasury. The loss actually occurs on negotiation of the replacement check; the order in which the checks are cashed is irrelevant. A double negotiation is an illegal or improper payment for purposes of pecuniary liability. The DO initiates collection action to recover illegal or improper payments made by his/her office. If the payee separates from government service, the DO is still responsible to pursue collection action. Normally, collections for illegal or improper payments are one-time cash refunds or lump-sum collections by salary offset, and do not warrant installment liquidation. Limit installment repayments to cases of extreme personal hardship.

B. **Collection Action**

1. When Treasury notifies a DO that it has reversed a credit to the **F3880** account from a previous cancellation, the DO researches the situation to ascertain if a double negotiation has occurred by determining the payment status of the replacement check. Once a Treasury response confirms a double negotiation, the DO immediately begins collection action. Afford the payee due process rights of collection specified in Volume 16, Chapter 2, section 0204 in each case. The most effective means of achieving expeditious recovery is to present the payee a photocopy of the paid original and replacement check and a copy of the claimant’s signed statement acknowledging he/she was not entitled to both payments. Due process rights of collection include the opportunity for the payee to contest the validity of the debt. In cases of double negotiation, the payee’s right to complete an FMS 1133 provides this opportunity.
2. If the payee asserts that one of the checks was negotiated over a forged endorsement, delay collection until the CCB adjudicates the payee’s forgery claim. If Treasury determines the check was forged, the payee does not owe the debt. If Treasury denies the payee’s claim (e.g., Treasury determines the check was not forged), the full amount of the check is due and subject to immediate collection. If the payee fails to provide the properly completed FMS 1133 within the time frame allowed to present documentation as to why the debt is not owed, he/she is deemed to have acknowledged the debt and the DO takes immediate collection action. In either situation, complete collection action within 90 days of the receipt of the DAS from Treasury indicating the canceled unavailable original check has been paid, or within 90 days of receipt of the CDN from Treasury indicating the payee’s claim of forgery is denied.

3. The DO documents all attempts to collect illegal or improper payments. If all reasonable steps have been taken to collect and the illegal or improper payment becomes uncollectible within the 90-day time limit, the DO transfers the debt to the appropriate office designated to pursue collection of uncollectible debts. See Volume 16, Chapter 2 for debt collection processes. If the dual negotiation involves a check issued to a contractor or vendor, see Volume 16, Chapter 2 for applicable debt collection procedures. Although the debt is transferred to another office for further collection action, the DO remains pecuniarily liable for the illegal or improper payment until the debt has been collected or relief has been granted; see subparagraph 071113.A.

C. Determination of Fraud. Double negotiations could indicate fraudulent intent or misrepresentation. A DO suspecting this reports the situation utilizing guidance in Chapter 6 for possible investigative and/or disciplinary action. Pursue collection action as specified in Volume 16, Chapter 2, paragraph 021301.

071114. Relief of Liability for Uncollectible Illegal or Improper Payments

A DO may request relief of liability under 31 U.S.C. § 3527 (see Chapter 6, section 0606).

071115. Separation of Duties

The payment recertification process is subject to the same management controls as other routine disbursements. The same individual may not authorize, process, and review recertified payment transactions; see Chapter 1, subparagraph 010305.B.

A. The minimum acceptable separation of duties consists of preparation of the SF 1184 by one individual, review and approval of the DD 2660 and SF 1184 by the DO or a DDO, preparation and certification of a disbursement voucher by an individual in the appropriate entitlement area, review and approval of the voucher with supporting documentation by a first line supervisor (other than the DO or DDO authorizing the transaction), and authorization of the disbursement by the DO or a DDO.

B. Where the disbursement voucher is prepared in disbursing because of limitations imposed by automated disbursing system processes or the combination of entitlement and disbursing functions into one unit (as is the case at small activities and most tactical units), the
DO ensures that the duties of preparing the SF 1184, preparing the disbursement voucher, reviewing the transaction and supporting documents, and preparing the check are performed by different individuals.

0712  TREASURY CHECKS CANCELED UNDER LIMITED PAYABILITY

071201. General

Treasury automatically cancels checks issued on or after October 1, 1989 not negotiated by a financial institution within 12 months of the date of issue. This cancellation occurs in the 14th month after the date of the check.

A. Pre-CEBA. Before CEBA’s effective date, 31 U.S.C. § 3328(a) allowed a Treasury check to be paid (negotiated) any time and 31 U.S.C. § 3328(c) provided that the limitation on claims against the Government in 31 U.S.C. § 3702 (Barring Act) did not apply to an unpaid (not negotiated) Treasury check. Under the latter, the administrative statute of limitations allows consideration of claims to those filed within six years after they arise. The following examples illustrate these principles.

1. In December 1978, an individual submitted a $1,000 claim for lump-sum leave to DFAS. In January 1979, DFAS issued a Treasury check to the claimant, who did not negotiate the check until 1986. In this example the underlying obligation is $1,000 or the amount due to satisfy the claim for lump-sum leave. Since the claim for payment was submitted in 1978, the provisions of the Barring Act were suspended (or tolled), meaning a claim was filed within the required six-year period. Once the Treasury check was issued (1979), the individual also became entitled to a separate claim on that check, which, in 1979, was payable in perpetuity (31 U.S.C. § 3328(a)). Thus, before CEBA, the individual’s right to obtain a replacement check based on the claim to the original unnegotiated Treasury check masked the effect of the Barring Act on the underlying obligation.

2. Modifying the example in subparagraph 071201.A.1 shows the effect of the Barring Act on the underlying obligation. In addition to the earlier facts, assume further that the individual discovered that he had failed to claim all that was due in December 1978 and that the agency in fact owed him another $250. He may obtain payment for the additional amount of the underlying obligation only if he submits a new claim for the additional amount to the agency within the six-year period following the accrual of the original claim, December 1978. If, in 1986, however, the individual—in addition to negotiating the check—submitted a claim for the additional $250, the claim for the additional amount would have been barred since more than six years had lapsed from the accrual of the original claim.

B. CEBA

1. General. The CEBA established a 1-year time limit in which to negotiate a Treasury check. This negotiation period does not affect the obligation underlying the check. The CEBA left the two causes of action separate, one on the underlying obligation and one on the Treasury check.
a. The CEBA imposed a statutory limitation on the period during which a Treasury check may be paid and on any claim on account of a Treasury check. It requires the negotiation of a Treasury check within 1 year of its issuance date and states that any claim on account of that check is barred, unless the agency which issued the check receives a claim within 1 year of its issue date. After this period, a request for payment based on the check is barred.

b. The payee may still be entitled to payment based on the underlying obligation subject to the six-year statute of limitations in the Barring Act. Accordingly, after the six-year period following the accrual of the claim, a check may be issued only if the claimant has tolled the Barring Act by making a timely claim on the underlying obligation. CEBA applies to the example in subparagraph 071201.A.2. If the individual submitted the claim in December 1989 and the check was issued January 1, 1990, a claim on the check expired 1 year after the date of issue, December 31, 1990. Thus, the individual had to complete his claim on the Treasury check before the 1-year period expired in order to obtain a replacement check.

c. The CEBA also sets an 18-month statutory time limit from the date a check is negotiated to accomplish bank reclamation. If the statutory requirements for the claim are met and the proceeds of the check cannot be recovered from the banking system through bank reclamation procedures, Treasury issues the settlement check and charges the payment to the CFIF.

2. Underlying Obligation. The lack of availability of a replacement check does not affect a claim on the underlying obligation.

a. As an example, because a claim for payment was submitted timely (December 1989), the period of limitation as prescribed in the Barring Act was tolled, and a check may be issued even if more than six years has passed. Conversely, if a timely claim on the underlying obligation had not been received, the claim on the underlying obligation is barred and an agency may not issue a check. Therefore, a claimant who submitted a valid claim to toll the statute of limitations on the underlying obligation may obtain a replacement check even if more than six years have passed since the claim accrued or the check was issued.

b. Tolling the Barring Act on the underlying obligation does not permit payment in perpetuity. Entitlement to payment is not unlimited; any appropriate defense remains available to the government. If a claimant waits an inordinate period of time to request payment on the underlying obligation of a Treasury check under CEBA, then Doctrine of Laches (a legal term based on neglect or omission to do what one should, thus warranting presumption that one has abandoned right or claim; e.g., if a payee neglects or fails to file a timely request, the payer can presume that the payee has abandoned the claim) may apply. Further, Treasury records show only if a check has not been presented to it for payment, not whether it was presented to and paid by an intermediary bank.
071202. Treasury Check Payability

Treasury canceled all Treasury checks issued before October 1, 1989. Those issued on or after that date bear the legend "Void After One Year." Treasury will decline payment of checks not negotiated to a financial institution within one year from their issue dates. Financial institutions will advise a payee to contact the check-issuing agency if a check is no longer negotiable. Stamp checks returned to the disbursing office as no longer payable (negotiable) "Void - Not Negotiable" and shred them after confirming receipt of the limited payability cancellation credit. Treasury checks issued before October 1, 1989 have already been mass canceled; shred them without confirmation of receipt of a limited payability cancellation credit.

071203. Treasury Check Claimability

Any claim on a Treasury check is barred unless it is presented to the agency that issued the check within 1 year after its issue date. Since CEBA established a 1 year statute of limitations for claims against Treasury checks, DOs must reject all claims against Treasury checks not received before the expiration of the 12-month period of negotiability of the checks as time barred. DOs should notify claimants that claims of nonpayment of the underlying obligations of the government must be filed with the appropriate entitlement office (e.g., contracting officer for vendors or commercial payees, military pay office, civilian pay office, travel office). Under 31 U.S.C. § 3702(e), the Secretary of Defense (SecDef) may waive this time limitation on these canceled checks for claims under $25,000.

071204. Limited Payability Check Cancellation Process

A. General. During the 14th month after the date of issue, Treasury will identify and cancel all checks that have not been negotiated within 12 months from their issue dates. When check issues are not reported timely and are submitted after the limited payability processing period, Treasury will cancel those that are outstanding at the end of the month in which the check issued data is submitted, and credit funds derived from these cancellations to the **F3880 account.

B. Canceled Check Listing. DFAS-CL and DFAS-IN will receive limited payability cancellation credits monthly from Treasury with an SF 1081 and a listing of checks canceled; the listing will include identifying information for the checks canceled. Where possible, Treasury will send the proceeds of these canceled checks through the CARS and IPAC systems; the transmission will include any detailed identifying information provided in the original check issue data submission. DFAS-CL and DFAS-IN will forward check credit information including the details applicable to DFAS-CO disbursing accounts to DFAS-CO. DFAS-CL will process or distribute applicable cancellation credit information for Marine Corps disbursing offices.

071205. Reversals of Limited Payability Cancellation Credits

In some cases, checks will be negotiated to financial institutions within 1 year from the date of issue, but processing in the Federal Reserve System or by the CRB will prevent the payment from being applied to TCIS before limited payability cancellation has occurred. In these instances,
Treasury will reverse the cancellation credit and provide a copy of the paid check. Reversal transactions will be separate from the monthly cancellation credits.

071206. Accounting for Limited Payability Cancellation Credits or Reversals

A. DFAS-IN, DFAS-CL, and DFAS-CO. Under 31 U.S.C. § 3334(a)(2), return the proceeds from canceled checks to the appropriation from which they were paid originally and treat them as accounts payable. Within 15 days of receipt, send the check cancellation and credit detail information to both the disbursing office that issued the check and the supporting accounting office. Any Treasury reversal of previous cancellation credits also should be forwarded to the applicable disbursing and accounting offices.

B. Accounting Adjustments. Transfer limited payability credits or credit reversals promptly from the **F3880 account to the appropriation charged when the check was issued. For exchange-for-cash checks, post the credits or reversals to Treasury’s deposit fund account 20X6133. The accounting office should establish an accounts payable for each credit or an accounts receivable for each reversal. Account for returned canceled check credits as current liabilities, as the amounts are subject to payment on request upon establishment of a valid claim to the funds. The DO must base entries to these new accounts on the transactions recording the return of canceled check credits to an appropriations account, and reductions for replacement payments to the payee or transfers to miscellaneous receipts upon expiration of the statute of limitations.

C. Research. Upon receipt of the detailed limited payability cancellation credit or reversal information from DFAS-IN, DFAS-CL, and DFAS-CO, the DO initiates research on the check issue data submitted to ensure that the detailed information provided is accurate, e.g., the DSSN, check serial number, date of issue, and issue amount provided in the cancellation credit or reversal, all of which must agree with the original check issue data reported when the check was issued. Determine the cause of any discrepancy and correct it.

1. The DO also researches disbursing records to determine if a claim of loss, theft, or non-receipt has been filed on the canceled check, to include a determination of whether the check was previously replaced by recertified or other type of payment. The disbursing office also should notify the appropriate entitlement area (e.g. military pay, civilian pay, travel pay, or commercial accounts payable) that Treasury has returned the credit to the activity because the check was not negotiated within the prescribed period.

2. Upon the request of an entitlement area, DOs should accomplish the verifications described in paragraph 071005 and advise the entitlement area whether the original Treasury check was canceled, negotiated, or previously replaced.
071207. **Claims of Nonpayment of the Underlying Obligation**

See paragraphs 071201, 071203, and 071208.

A. **Claim of Individual Payees**

1. **Uniformed Service Members.** Submit claims for nonpayment of uniformed service members’ (active duty, reserve, retired, and annuitant) pay, allowances, travel, transportation, unused leave, and survivor benefits to the appropriate payroll office. Submit claims by transportation carriers involving amounts collected from them for loss or damage incurred to property incident to shipment at government expense to the appropriate payroll office. A determination will be made of the entitlement and verification that a timely submission of the claim was made on the underlying obligation.

   a. Treasury checks issued in payment of obligations relating to uniformed service members’ pay and allowance entitlements ordinarily are not issued in response to claims. A payee will not normally present a claim before issuance of the original check, thereby tolling the Barring Act. It may be necessary for the entitlement area to consider the extent to which the Barring Act was tolled during periods of active duty performed by the claimant. Include in the package the original check or facsimile and the original documentation from the claimant. When the claim of a member of the Armed Forces accrues during war or within five years before war begins, the claim must be received within five years after peace is established or within six years after the claim accrues.

   b. If the payee submitted a timely claim and has not been paid, send the claim through the appropriate Component’s Assistant Secretary for Financial Management to the General Counsel, of the DoD requesting a waiver of the statute of limitations on the claim. If the General Counsel determines that the claimant is entitled to payment of a claim and if a payment voucher is prepared and sent with supporting documentation to the disbursing office, the DO determines if a replacement check should be issued based on the criteria in paragraph 071208.

2. **Civilian Pay.** Claims of nonpayment of Federal civilian employees’ compensation, wages, and leave earned by civilian employees of the U.S. Government must be submitted to the appropriate civilian payroll office for determination of entitlement and that a timely claim on the underlying obligation was submitted. Treasury checks issued in payment of obligations relating to Federal civilian employees pay entitlements ordinarily are not issued in response to claims. If it is determined that the payee has submitted a timely claim and that the payee has not been paid, the entitlement office certifies the claim and sends it to the appropriate disbursing office for payment.

3. **Civilian Travel Pay.** Claims of nonpayment of Federal civilian employees’ expenses incurred for official travel and transportation, and for relocation expenses incident to transfers of official duty station must be submitted to the appropriate travel office for determination of entitlement and that a timely claim on the underlying obligation was submitted. Treasury checks issued in payment of obligations for travel pay entitlements ordinarily are issued...
for claims presented in the form of travel vouchers by claimants. Unlike military and civilian pay cases, the Barring Act’s limitation in travel payment cases usually will have been tolled before issuance of the original check when the claimant submitted the travel voucher. If the payee submitted a timely claim and has not been paid, the entitlement office certifies the claim and sends it to the appropriate disbursing office for payment.

4. **Residual Claim Categories.** Treasury checks are issued to payees to satisfy miscellaneous government obligations. Legal claims under 28 U.S.C. § 1346(b) and 28 U.S.C. §§ 2671-2680, the Federal Tort Claims Act, should be asserted by claimant-payees to the entitlement area within the Military Department with tort claim settlement authority over the claim.

   a. Similarly, claims for losses incurred incident to government service may be cognizable under 31 U.S.C. § 3721 and should be asserted by claimants to entitlement areas with claim settlement authority, such as the Military Department’s judge advocate general. Treasury checks for payment of these types of obligations are issued to settle claims asserted by the claimants.

   b. Unlike military and civilian pay cases, the Barring Act’s statute of limitations in residual claim cases usually will have been tolled before issuance of the original check when the claimant submitted the claim. If it is determined that the payee has submitted a timely claim and has not been paid, the entitlement office certifies the claim to the appropriate disbursing office for payment.

B. **Claims of Commercial Payees.** Claims of commercial payees are from vendors, contractors, and individuals under contract for miscellaneous services. Claimants or authorized agents submit these claims to the contracting officer, who determines if the claimant is entitled to payment and then sends the claim with supporting documentation to the disbursing office for payment.

071208. **Claim Processing**

A. Upon receipt of a claim approved by the designated settlement authority, a certified payment voucher from the appropriate entitlement area, and the proper supporting documentation, the issuing DO or the officer assigned to settle accounts for the issuing DO:

1. Verifies cancellation of the original check under either mass cancellation or limited payability;

2. Verifies that credit for the check was received from Treasury and transferred by the accounting office to the original appropriation charged when the check was issued. If receipt of the credit cannot be verified or no information is available locally, the DO prepares and submits an SF 1184 for each check using stop reason code “K” (photocopy), “L” (certified photocopy), or “M” (status), and cites the “Limited Payability Cancellation Replacement Request” in the “For Agency Use” block. This action is also required to ensure cancellation of the check under mass cancellation before making any recertified payment for an obligation.
represented by a check dated before October 1, 1989. See ITFM 4-7045, Appendix 1 for stop
reason codes, status codes, and message responses;

3. Verifies that the original check was not spoiled or voided and reissued using a check bearing another serial number;

4. Verifies that the original check was not previously replaced by a recertified payment check (e.g., was not previously the subject of a claim of non-receipt, loss, or theft); and

5. Issues a replacement check upon receipt of a certified payment voucher from the entitlement area, provided that the verifications under subparagraphs 071108.C and 071108.D confirm that the original check was not replaced previously. If the original check was replaced previously, the DO reproduces a copy of the payment voucher on which the replacement was issued and obtains a photocopy of the replacement check from Treasury as prescribed in section 0711.

B. Send the copy of the voucher and replacement check to the entitlement area and notify the claimant that the claim was settled previously. To assure the necessary cross-reference and control over the issue of replacement checks, DOs maintain a DD 2662 as prescribed in paragraph 071102.

C. For deactivated and closed disbursing offices, the designated settlement office is normally responsible for issuing a recertified payment for the underlying obligation represented by a check canceled under limited payability. When circumstances warrant (e.g., consolidation), the DO supporting the activity that assumed the disbursing and accounting responsibility for the deactivated or closed office may issue a recertified payment on behalf of the deactivated or closed office.

D. Recertified payments for the underlying obligations represented by a check canceled under limited payability may be made only from the original appropriation or, if it is no longer available, from a current appropriation available for the same general purpose as the original appropriation, subject to the limitations on its use.

0713 HOLDER-IN-DUE-COURSE

071301. General

A holder-in-due-course claim occurs when a non-banking institution negotiates a Treasury check and the check is lost or stolen before being presented for cash or deposit at a financial institution. Submit holder-in-due-course claims in writing to the CCB for processing.

071302. Processing Holder-in-Due-Course Claims

Upon receipt of a holder-in-due-course claim, the CCB determines the status of the check. If the check has been negotiated, the CCB returns the claim with a copy of the check advising the
holder that the check has been paid and that no further action will occur. If the check has not been negotiated, the CCB provides the holder with an Affidavit and Indemnity Agreement for Lost U.S. Treasury Check (see Figure 7-6). The holder completes the affidavit and returns it to the CCB. If the check is still outstanding, the CCB issues a settlement check to the holder.

071303. Lost-in-Transit Check Procedure

Lost-in-transit items are Treasury checks that have been negotiated and subsequently lost by a financial institution, or lost or stolen between the financial institutions and/or the financial institutions and the FRB.

A. The nearest FRB Government Check Adjustment Department handles these items if the Treasury checks are less than 1 year old.

B. A DO that receives a request to reissue a check that has not been canceled and is less than 1 year old should return the request to the financial institution advising it to submit the request to the nearest FRB Government Check Adjustment Department.

0714 CHECK ISSUE REPORTING

071401. General

Disbursing offices must report detailed check issue transmittals in a Level 8 format to the Treasury for update to TCIS with check issue detail. The DoD uses DCRM for direct submission of the check issue detail to the Treasury.

A. DCRM sends the check issue files via Connect Direct, an encrypted electronic host-to-host file transfer process. Enter the check issue detail data files into the DCRM database, which generates a daily electronic file to transfer the detailed check issue data to the Treasury. The DFAS administers DCRM, which tracks the status of all checks on hand and provides inquiry capabilities and reports to reflect issuance discrepancies and acceptance or rejection conditions of reporting.

B. DOs who do not have direct access to DCRM submit their check issue data to their supporting DFAS site, following that site’s guidance, for upload into DCRM. Submit the Level 8 check issue data in the most secure method possible, e.g., an encrypted file. DFAS-CL and DFAS-IN have electronic mailboxes for these submissions or other check issue concerns: dfas.cleveland-oh.zte.mbx.ccl-mb-checkissues@mail.mil for DFAS-CL and dfas.dscn.zte.mbx.cco-dcrm@mail.mil for DFAS-IN. Send requests for the DCRM Users’ Manual to the latter address.

071402. Submission Requirements

A. Report detailed check issue data in sequential groups of checks, called transmittals, which uniquely identify the DSSN, accounting month and year, and check series. Submit a new transmittal each time a break in check numbers occurs, or when the issue month...
changes. DOs reporting check issues for multiple DSSNs submit separate transmittals for each DSSN. A submission of detailed check issue data may consist of one or more transmittals. DCRM reports check issue detail in blocks by DSSN, check series, and issue Julian date format (YYDDD) to the Treasury.

B. If a check series will not be reported sequentially due to the splitting of a check series range between different locations, uses, or DDOs, the DO reports the split check series range to the DCRM manager at (614) 701-2109, so an adjustment can be made to record the split check series range in DCRM. If check series range splits are not noted, DCRM creates unnecessary management notices about missing and unaccounted checks on its reports. Reporting avoids the additional workload entailed in reviewing and validating these notices.

C. Submit all check issue transmittals to the Treasury no later than the close of business at the end of the week in which the issue dates occur and at month end. DOs who submit their check issue transmittals through their supporting DFAS site ensure their supporting DFAS site receives their check issue data at least weekly and at month end.

D. Failure to report check issue data timely increases the possibility for loss caused by banking system errors, check alterations, and counterfeits. If a loss results from an altered or counterfeit check as a result of delinquent check issue reporting, the DO may be held liable for the amount of the loss. If the checks issued data are not reported in TCIS, the Treasury will not recognize the check as issued and will not process any actions, such as claims or limited payability cancellation credits, against the check. Also, the Treasury cannot complete a final reconciliation and clearance of a DO’s account until all check issue data is received. If the DO is habitually delinquent for 60 days or more, the Treasury may suspend the processing of further print orders for blank Treasury check stock until all delinquent check issue reporting has been accepted into TCIS.

071403. Disbursing Office Responsibility for Quality of Data Submitted

The disbursing office is responsible for ensuring the check issue data submitted to the Treasury is accurate. DOs notify their supporting DFAS site immediately after finding an error. See the checklists at Table 7-2 (for DOs) and Table 7-3 (for DFAS sites). DCRM transmits the accepted files to the Treasury each business day but does not change the data. Once TCIS accepts an erroneous check issue transmittal, the file cannot be deleted. Correct all errors before the file transfer process. If an erroneous data file has been sent to DCRM but has not been forwarded to the Treasury, place the whole data file containing the erroneous check information in either a “replace” or “suspended” status. Contact your local DCRM manager or supporting DFAS site immediately to change the file from the accepted status in DCRM. In addition, the DO:

A. Ensures all check issue data submitted to the supporting DFAS site for processing agree with check issue totals on the DD 2657 and the SF 1219;

B. Submits corrected transmittal(s) within 10 workdays of notification of a rejected transmittal within a file transfer;
C. Recreates the previously rejected check issue data for a period up to 180 calendar days after submission or replacement of rejected data, if needed; and

D. Contacts the DCRM manager for further details on how to put an erroneous check file into either a replace or suspended status. To request or make corrections after a TCIS acceptance, follow paragraph 070807.

071404. Voided Checks

A. Report voided checks as zero dollar amounts in the proper sequence with those of other checks issued in the same check range. If a DO reports the check issue detail to the Treasury by sending it to another disbursing office for conversion to data files and/or uploads to DCRM, that DO ensures the voided checks are reported and clearly marked. Stamp or mark the hardcopy check issue listing to indicate that a check is voided and the dollar amount is zero. Do not obliterate the serial number of the voided check from the check listing. If a voided check has not been dated, report a date for the check to facilitate the check issue reporting. DOs submitting their own check issue data to the Treasury ensure inclusion of serial numbers and dates of the voided checks in the transmission with zero dollar values.

B. A DO who erroneously reported a voided check with a dollar value greater than zero (and the check is under 1 year old) initiates corrective action as soon as the error is discovered without waiting to receive the FMS 5206, and sends Treasury a written request to adjust the check issue detail in TCIS.

C. If the issue date of the erroneously reported check is over 1 year old, the voided check cannot be adjusted in TCIS; Treasury will issue a limited payability credit for it. Upon receipt of the credit in the **F3880 account, the DO reports the check as a check issue on the monthly SF 1219 and debits the **F3880 account to clear the limited payability credit.

071405. Checks Issued Report (Report 72)

A. General. The Checks Issued Report (see figure 7-7) is a monthly report that summarizes all of the transactions that affected TCIS during the month. It is not cumulative. The date of the report is in the heading under the title and the effective date is the last day of the report month.

B. Report 72 Details. This report lists all of the DO’s transmittals of check issue detail and all the adjustments applied to TCIS data file processed by the Treasury during the calendar month. Entries are based on when the Treasury processes transactions, not the issue month. Therefore, if the Treasury does not receive and process a DO’s check issue transmittals before the end of a month, the result would be a difference reported on the Comparison of Checks Issued Report, and the transmittals will show on the next month’s Report 72. This report provides a total for each check series by transaction code for each DSSN and issue month.
C. SF 1179 Comparison. Report 72 is comparable to a DO’s SF 1179. The summary totals for each DSSN and issue month in this report appear in TCIS column of the Comparison of Checks Issued Report.

D. FMS 5206 Adjustments. The DO should review Report 72 for all FMS 5206 adjustments noted by a code 6 under the type column of the report to ensure that each FMS 5206 issued has been received and processed. DOs not receiving this report monthly should contact their supporting DFAS site. If a copy of the FMS 5206 cannot be provided by the supporting DFAS site, contact the Treasury’s CRB. Do not report an FMS 5206 on the Internal Control Report until the document has been received.

E. Distribution. The Treasury provides a copy of the monthly Report 72 to DFAS-CL, DFAS-IN, and DFAS-CO which in turn distribute it to the DOs and settlement officers responsible for check issue reconciliation. The DFAS-IN/JFKCB receives a copy of the report for monitoring and reference for checks issued.

F. Usage. Use Report 72 in the reconciliation process for differences reflected on the Comparison of Checks Issued Report, as prescribed in subparagraph 071406.C.3. Also use it to verify that the Treasury has received all of the transmittal data sent by the agency in a given calendar month by dollar amount and serial number range. The DO compares the SF 1179 to the Report 72 to identify which check series, if any, contain discrepancies, verify that all the DO’s requested adjustments were accomplished and applied appropriately to the specific check serial number, and verify receipt of all FMS 5206s issued as specified in subparagraph 071406.C.3.a.(3).
the Comparison of Checks Issued Detail Reported (see Figure 7-8). DCRM produces the SF 1219 to Check Issues Reported detail to help identify discrepancies.

2. Distribution. The Treasury produces this report monthly and sends a hardcopy to DFAS-CL, DFAS-CO, and DFAS-IN. The supporting DFAS site receives the reports and forwards them to the DO. The reports provided are ALC 1700 for DFAS-CL, ALC 2100 for DFAS-IN, and ALC 5700 for DFAS-CO.

3. Reconciliation. The DO researches each difference and makes necessary corrections. Clear check issue discrepancies within 60 days from the check issue dates. The documentation needed to properly research discrepancies on the Comparison of Checks Issued Report is the SF 1219, an SF 1179, JVs prepared for checks issued, check issue log, the FMS 5206s, and the Report 72 for each reporting month containing the discrepancy.

a. Upon receipt of the report, the DO reviews each difference. Clear the aged discrepancies as soon as possible to prevent further aging. Compare the total for the DSSN report to the total for TCIS, looking for common causes of discrepancies.

   (1) If the DSSN side is greater, look for checks not reported by reviewing the Report 72. Determine if any checks issued were not reported as issued in TCIS and report missing checks immediately using DCRM. Do not report the checks on the SF 1219 again. The discrepancy indicates that these checks were reported on the SF 1219 at the time of issuance. If checks are in DCRM but not reflected in TCIS, verify that the issue dates are correct. If correct, check to see if the checks were entered near or after the end of the month. The discrepancy may be due to a timing issue. If the checks are properly entered and accepted in DCRM, the discrepancy will clear without further action by the next report. If the difference has not been resolved by the next report, further action is required.

   (2) If the DSSN total is less than TCIS total, look for voided checks which were erroneously reported with values greater than zero, or checks dated with a prior or future month date which were reported as current month in the accountability. Refer to paragraphs 071404 for corrective procedures for erroneously reported voided checks.

   (3) Look for unprocessed FMS 5206 transactions. These could cause one side to be greater than the other, depending on the purpose of the FMS 5206. The Comparison of Checks Issued Report will show if any FMS 5206s were issued by looking at the reference numbers. If the number contains one “6” and is followed by one or more zeros (0), or the number 7, 8, and/or 9, TCIS total contains at least one FMS 5206 transaction. The Report 72, which corresponds to the date in the report date column, identifies the check number affected by the issuance of an FMS 5206.

   (4) Check immediately to see if a copy of the FMS 5206 has been received and if action has been taken to clear this discrepancy. If action has not been taken, review the check issue records and the payment voucher to determine what the amount of the check should have been. The action needed to correct this discrepancy will depend on whether the error is limited to a reporting error or whether the check was negotiated for a different amount.
than it should have been. See paragraphs 070802 and 070810 for procedures for processing, reporting, or obtaining duplicate FMS 5206s.

(5) Look for between month discrepancies. If there is a debit in 1 month and an offsetting credit for another month, compare the check issue records to the Report 72 to determine which checks or adjustments caused the discrepancy and which month is accurate according to the date on the voucher and the check. The type of adjustment action required depends on the results of the research and the cause for the discrepancy. Some causes for between month differences are erroneous adjustment transactions, future dated checks that are included in the total of current month checks issued and are reported on the SF 1219, wrong dates typed on the checks, and late reporting of the SF 1219. Make corrections necessary to report the checks in the appropriate month of issuance. See section 0715 for check issue adjustment procedures.

b. If the check issue discrepancy was not easily identified through the steps listed in the subparagraph 071406.C.3.a, examine the check issue records more thoroughly. Continue researching the differences by comparing the amount for each check block series listed on the Report 72 to the amounts listed for each check series on the SF 1179 and the check issue logs. Look for differences in the total amounts between what was reported and issued for each check series. Use the DCRM inquiries and reports to identify the check series containing the discrepancy.

c. Once the check block series has been identified, determine which particular check or checks caused the difference. When determining the corrective action, look at which record(s) needs to be adjusted in order to record the check issue accurately with respect to the issue date and amount, and if the appropriation has been charged correctly. Request an adjustment from the Treasury only if the DO’s SF 1219 accurately reflects the reporting of the checks as written and the corrective action does not substitute for the initial reporting of any checks issued. If the check was not accurately reported on the DO’s SF 1219, there may be an undercharge or overcharge to an appropriation, or the DO’s cash accountability could be overstated or understated depending on the nature of the error.

d. See Table 7-4 for appropriate corrective action.

071407. SF 1179, Month End Check Issue Summary

A. General. Disbursing offices report monthly check issues at the end of each month on the SF 1179, following the instructions on the form. Summarize the total dollar amount of the current month check issues submitted by transmittals, listing each check series individually, and show current and prior months’ adjustments to check issue totals as affected by the SF 1219 and Comparison of Checks Issued Report listed in subparagraphs 071406.B and 071406.C. Summarize prior month check issues on a JV (see figure 7-2) and record them on line 2(b) of the SF 1179. The total amount shown on the SF 1179 must agree with the amount shown in Section II, Part A, Column (2), on the back of the SF 1219. For guidance on LDA check issue reporting, see Chapter 14, section 1407.
B. **Preparation.** Prepare the SF 1179 in an original and one copy, completing all blocks, including page and location, DO's signature, and the month and year for which rendered. See *ITFM 4-6025.10*.

C. **Distribution.** The Treasury does not require agencies to submit monthly SF 1179 reports or supporting documents. DOs submit the original SF 1179 and supporting documents with the original financial reports to the supporting DFAS site, and maintain copies for check issue research and reconciliation.

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**0715 CHECK ISSUE ADJUSTMENTS**

**071501. SF 1219 Reporting**

The SF 1219 check issue reporting and the check issues in TCIS must match each check as it was issued, regardless of whether or not the check was accurately produced. If the check was issued incorrectly, the DO ensures the reporting on the SF 1219 and TCIS reflects the check data as written, and corrects the check issue error. To prevent duplicate adjustments, all DOs, who do not directly report their check issue data in DCRM, coordinate their adjustment actions with their supporting DFAS site. For guidance pertaining to check overdrafts, see paragraph 070804, and for check underdrafts, see paragraph 070805.

**071502. Error Adjustments**

When differences occur between what was paid and what was reported for a check, the Treasury adjusts the individual check record in TCIS to change the reported amount to the paid amount, and issues an FMS 5206. Once an error has been identified, the DO does not wait to receive an FMS 5206. If an error is discovered before reporting the check issue detail to the Treasury, the DO corrects the error on the data file before submitting the data to the Treasury. If the DO is unable to correct the file, the DO requests an adjustment to the check issue detail; see paragraph 070807. During check issue reconciliation procedures, the DO may find that while the check issue detail was reported correctly, there is an error in reporting the SF 1219 check issue totals.
Figure 7-1. FMS Form 5206, Advice of Check Issue Discrepancy

<table>
<thead>
<tr>
<th>DOCUMENT NO.</th>
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<tbody>
<tr>
<td>10232</td>
<td>ISSUE AMOUNT INCREASE</td>
<td>5370-5570-95337066</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>REG NO</th>
<th>CHECK SYMBOL</th>
<th>SERIAL NUMBER</th>
<th>ISSUE DATE</th>
<th>REPORTED AMOUNT</th>
<th>AMOUNT PRINTED ON CHECK</th>
<th>ADJUSTMENT AMOUNT</th>
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<tbody>
<tr>
<td>57</td>
<td>5570</td>
<td>95337069</td>
<td>8/7/XX</td>
<td>500.00</td>
<td>1,659.06</td>
<td>1,159.06</td>
</tr>
</tbody>
</table>

TECHNICIAN NAME: JOHN DOE

PLEASE REVIEW YOUR CHECK ISSUE RECORD IMMEDIATELY TO DETERMINE WHETHER THE DISCREPANCY REFERENCED ABOVE IS THE RESULT OF AN ISSUE REPORTING ERROR OR INVOLVES AN ALTERED OR COUNTERFEIT CHECK. IF THE CHECK IS NOT ALTERED OR COUNTERFEIT, PLEASE PROCESS THE FMS FORM 5206 IN ACCORDANCE WITH INSTRUCTIONS IN THE TREASURY FINANCIAL MANUAL, VOLUME 1, PART 4, CHAPTER 6000. IF THE CHECK IS ALTERED OR COUNTERFEIT, PLEASE NOTIFY THE CHECK RECONCILIATION BRANCH IMMEDIATELY IN WRITING BY EXPRESS MAIL AT THE ABOVE ADDRESS.
Figure 7-2. OF 1017-G, JV for Prior Month Checks Issued

<table>
<thead>
<tr>
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<th>EXPLANATION</th>
<th>DEBIT</th>
<th>CREDIT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Adjustment for prior month checks issued.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Checks Issued  Feb 20XX Reported on Mar 20XX SF 1219</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>D.O. Symbol:  1234 Check Symbol No:  1234 Reporting Method: Connect Direct DCRM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10226834-10227933</td>
<td></td>
<td>$511,369.24</td>
<td></td>
</tr>
<tr>
<td>30984320-30984639</td>
<td></td>
<td>$190,981.32</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$702,350.56</strong></td>
<td></td>
</tr>
</tbody>
</table>

Prepared by: ____________________________________________ Approved by: ____________________________

- (Signature) (Signature)

- (Title) (Title)
Figure 7-3. OF 1017-G, JV for Check Issue Overdraft

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>DV #475129</td>
<td>Accounts Receivable – Check Issue Overdraft</td>
<td>500.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Check Issue, Sep XX</td>
<td></td>
<td>500.00</td>
</tr>
<tr>
<td></td>
<td>Check was drawn for $1,500.00 payable to Joe Doe. The payee was due only $1,000.00, the amount charged to the appropriation on the disbursement voucher.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>DSSN 2222</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Check No. 00,141,123</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Date Issued: Sep 21, 20XX</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Original Amount Reported: $1,500.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Correct Issue Amount to be reported: $1,500.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total 500.00 500.00

Prepared by ___________________________________________ Approved by ________________________________

(Signature) (Signature)

______________________________________________________________

(Title) (Title)

7-65
Figure 7-4. Notification of Check Issue Correction – D.O. Requested

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<thead>
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<tr>
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<th>CHECK SYMBOL</th>
<th>SERIAL NUMBER</th>
<th>ISSUE DATE</th>
<th>REPORTED AMOUNT</th>
<th>AMOUNT PRINTED ON CHECK</th>
<th>ADJUSTMENT AMOUNT</th>
</tr>
</thead>
<tbody>
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<td>8888</td>
<td>00002222</td>
<td>06/27XX</td>
<td>799.79</td>
<td>1,197.38</td>
<td>397.59</td>
</tr>
</tbody>
</table>

TECHNICIAN NAME: MARY MARTIN

REFERENCE NUMBER:

PLEASE PROCESS THE NOTIFICATION OF CHECK ISSUE CORRECTION – D.O. REQUESTED IN ACCORDANCE WITH INSTRUCTIONS IN THE TREASURY FINANCIAL MANUAL, VOLUME I, PART 4, CHAPTER 6000.
Figure 7-5. Sample Certificate of Destruction

(USE APPROPRIATE LETTERHEAD)

May 12, 20XX

MEMORANDUM FOR RECORD

This memorandum certifies that on May 12, 20XX, one hundred and one (101) spoiled Treasury checks serially numbered from 70,006,499 through 70,006,599 (inclusive) and seventy six (76) voided Treasury checks serially numbered from 70,006,621 through 70,006,696 (inclusive), all bearing disbursing station symbol number 7834, were completely destroyed by shredding.

J.A. HANCOCK
LT, SC, USN
Disbursing Officer

We, the undersigned, certify by signature hereon that the checks listed above were physically verified by us and that all were completely destroyed by shredding in our presence on May 12, 20XX.

G.C. GARLAND, LT, USN WILLIAM B. ELLIS, ENS, SC, USNR
Figure 7-6. Sample Affidavit and Indemnity Agreement for Lost Treasury Check

**AFFIDAVIT AND INDEMNITY AGREEMENT FOR LOST U.S. TREASURY CHECK**

I. __________________________________, [hereinafter (“indemnitor”)] the undersigned, being of sound mind and over the age of 21, capable of making this affidavit and indemnity agreement, duly sworn, state that the indemnitor is the lawful owner of the U.S. Treasury Check Number __________, Symbol ________, Payable to ____________________, issued by the U.S. Department of the Treasury for the sum of $________. Indemnitor further states that:

1. it/he/she is not in possession of the check now;
2. it/he/she was entitled to enforce the check when the loss of possession occurred;
3. the loss of possession was not the result of a transfer by it/him/her;
4. the loss of possession was not the result of a lawful seizure; and
5. it/he/she cannot reasonably obtain possession of the check because the check was destroyed, the check’s whereabouts cannot be determined, or the check is in the wrongful possession of an unknown person or person that cannot be found or is not amenable to service of process.

NOW, THEREFORE, in consideration of payment of said check to indemnitor of the sum of $______, indemnitor promises to indemnify, defend, and protect the U.S. Treasury from any loss or harm occasioned or sustained by the U.S. Treasury of account of payment of the above described check to indemnitor. THIS AGREEMENT SHALL BE INTERPRETED ACCORDING TO FEDERAL COMMON LAW, INCLUDING APPLICABLE U.S. TREASURY REGULATIONS.

INDEMNITOR

Entity: __________________________
By: ______________________________
Title: _____________________________

State of _______________________
County of ________________________

Before me, the undersigned Notary Public for the State of ______________________, appeared (name) ______________________, (title of company) ______________________, who after being duly sworn, did acknowledge and sign the foregoing AFFIDAVIT AND INDEMNITY AGREEMENT FOR LOST U.S. TREASURY CHECK.

SWORN AND SUBSCRIBED this _____day of ________, ______

________________________
Notary Public, State of ____________
My Commission expires ____________
Figure 7-7. Checks Issued Report - Report 72

<table>
<thead>
<tr>
<th>AREA CODE</th>
<th>DO SYMBOL</th>
<th>ISSUE MONTH</th>
<th>CLEARANCE DATE</th>
<th>TYPE</th>
<th>TC</th>
<th>AMOUNT</th>
<th>SUMMARY TOTAL</th>
<th>BLOCK NUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>63</td>
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<td>05-06</td>
<td>060516</td>
<td>6</td>
<td>39</td>
<td>3,340,807.65</td>
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<td>80012512</td>
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</tr>
<tr>
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<td></td>
<td>DO SYMBOL TOTAL</td>
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<tr>
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<td>39</td>
<td>949,477.86</td>
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<td>00372340</td>
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<tr>
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<td></td>
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<td>949,477.86</td>
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<td></td>
<td></td>
<td>DO SYMBOL TOTAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>63</td>
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<td>06-06</td>
<td>061203</td>
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<td>658,421.66</td>
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<td>061206</td>
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<td>061206</td>
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<td>1,924,721.41</td>
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<td>3,030,476.09</td>
<td></td>
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<td>ISSUE MONTH TOTAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>DO SYMBOL TOTAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>63</td>
<td>4567</td>
<td>05-06</td>
<td>060216</td>
<td>8</td>
<td>39</td>
<td>2,100.00</td>
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</tr>
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<td></td>
<td></td>
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<td>2,100.00</td>
<td></td>
</tr>
<tr>
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<td>ISSUE MONTH TOTAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>DO SYMBOL TOTAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,100.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Figure 7-7. Checks Issued Report - Report 72 (Continued)

<table>
<thead>
<tr>
<th><strong>Explanation of Report Columns</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area Code</strong></td>
</tr>
<tr>
<td>Treasury’s code identifying the reporting Central Disbursing Office:</td>
</tr>
<tr>
<td>61 = Air Force (DFAS-CO)</td>
</tr>
<tr>
<td>62 = Army (DFAS-IN)</td>
</tr>
<tr>
<td>63 = Navy (DFAS-CL)</td>
</tr>
<tr>
<td><strong>DO Symbol</strong></td>
</tr>
<tr>
<td>Disbursing station symbol number identifying the disbursing office.</td>
</tr>
<tr>
<td><strong>Issue Month</strong></td>
</tr>
<tr>
<td>Month and year that the checks were issued; the SF 1219 accountability month.</td>
</tr>
<tr>
<td><strong>Clearance Date</strong></td>
</tr>
<tr>
<td>Date check issue transmission and/or adjustment transaction was entered into TCIS, in the format MMDDY.</td>
</tr>
<tr>
<td><strong>Type</strong></td>
</tr>
<tr>
<td>The type of adjustment made by the Treasury against the TCIS data file, which could be one of the following:</td>
</tr>
<tr>
<td>6 = An FMS Form 5206 has been issued by the Treasury due to an overpayment or underpayment based on the amount reported by the DO for the issued check. The TCIS data file was adjusted to reflect the revised amount of the check.</td>
</tr>
<tr>
<td>7 = The Treasury processed an adjustment to the TCIS data file upon request from the disbursing office.</td>
</tr>
<tr>
<td>8 = The Treasury processed an adjustment to the TCIS data file upon notification from the disbursing office that voided checks were erroneously reported with dollar values greater than zero.</td>
</tr>
<tr>
<td><strong>Transaction Code (TC)</strong></td>
</tr>
<tr>
<td>32 = Disbursing office requested adjustment.</td>
</tr>
<tr>
<td>33 = FMS 5206 issued for check underpayment.</td>
</tr>
<tr>
<td>34 = Adjustment for voided check.</td>
</tr>
<tr>
<td>35 = FMS 5206 issued for check overpayment.</td>
</tr>
<tr>
<td>39 = Regular reporting of checks issued from electronic transmission of detail (Connect Direct or Level 8).</td>
</tr>
<tr>
<td><strong>Amount</strong></td>
</tr>
<tr>
<td>Represents the total dollar amount for each transmission submitted by the disbursing office, reported by check series and issue month. This must match the DO’s SF 1179 report.</td>
</tr>
<tr>
<td><strong>Summary Total</strong></td>
</tr>
<tr>
<td>Represents the total dollar amount for all file transmittals submitted for the check issue month and the individual dollar amount of each adjustment made against the TCIS data file. If the entry is an adjustment, the amount listed will only reflect the amount of the adjustment and not necessarily the amount of the check.</td>
</tr>
<tr>
<td><strong>Block Number</strong></td>
</tr>
<tr>
<td>Represents the first check serial number of the range for each transmittal and the individual check serial number of the check adjusted in TCIS.</td>
</tr>
</tbody>
</table>
Figure 7-8. Comparison of Checks Issued – Detail Reported

<table>
<thead>
<tr>
<th>DO. SYMBOL REPORTING</th>
<th>CHECK</th>
<th>REPORT DATE</th>
<th>ISSUE DATE</th>
<th>CAR REF</th>
<th>TCIS REF</th>
<th>TRAN. CODE</th>
<th>FMS 1219 REPORT</th>
<th>LEVEL 8 TCIS</th>
<th>DIFFERENCE</th>
<th>AREA CODE</th>
</tr>
</thead>
<tbody>
<tr>
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<td>00001234</td>
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<td>790</td>
<td>1,346,011.50</td>
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<tr>
<td></td>
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<td>01-15-20XX</td>
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<td>790</td>
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<td>02-00-20XX</td>
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<td>1,567,892.84</td>
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<td>02-15-20XX</td>
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<td>2,522.50*</td>
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<td>63</td>
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<tr>
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<td>02-00-20XX</td>
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<td>02-15-20XX</td>
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<td>03-15-20XX</td>
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<td>2,673,516.79</td>
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<td>03-15-20XX</td>
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<td>2,621,166.31</td>
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**Figure 7-8. Comparison of Checks Issued – Detail Reported (Continued)**

<table>
<thead>
<tr>
<th>Explanation of Report Columns</th>
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<tbody>
<tr>
<td><strong>DO Symbol Reporting Check</strong></td>
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<td><strong>Report Date</strong></td>
</tr>
<tr>
<td><strong>Issue Date</strong></td>
</tr>
<tr>
<td><strong>CAB Ref</strong></td>
</tr>
<tr>
<td><strong>TCIS Ref</strong></td>
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</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>FMS 1219 Report</strong></td>
</tr>
<tr>
<td><strong>Level 8 TCIS</strong></td>
</tr>
<tr>
<td><strong>Difference</strong></td>
</tr>
<tr>
<td><strong>Area Code</strong></td>
</tr>
<tr>
<td></td>
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<td></td>
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</tbody>
</table>
Table 7-1. Check Issue Discrepancies

<table>
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<th>Rule</th>
<th>If</th>
<th>And</th>
<th>Then</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>checks with incorrect information are discovered prior to release</td>
<td>void check and Level 8 data. Issue new check and Level 8 data with correct information.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Level 8 data has already been reported into a disbursing system and check dollar amount is correct,</td>
<td>do not void check; process as a recertified payment.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Level 8 data has been released to DCRM and check dollar amount is incorrect,</td>
<td>process as a canceled check using an SF 1098.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>an FMS 5206 is received by the DO, research check issue data and determine if the payee is overpaid or underpaid,</td>
<td>process FMS 5206 on the DO’s SF 1179 and SF 1219.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>an FMS 5206 is not received by the DO</td>
<td>the DO identifies and corrects offsetting error(s) by preparing and issuing a JV to the Treasury.</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>the Treasury reported an FMS 5206 but the DO did not receive it, contact the Treasury for a copy of FMS 5206,</td>
<td>process on the SF 1179 and SF 1219.</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>the FMS 5206 does not belong to DSSN,</td>
<td>forward the FMS 5206 with memorandum to correct disbursing station.</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>a check issue reporting discrepancy is discovered within 1 year of issue</td>
<td>notify the Treasury in writing and request an adjustment to the amount reported.</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>no FMS 5206 has been issued,</td>
<td>process on SF 1179 and SF 1219.</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>an FMS 5206 was received,</td>
<td>an adjustment cannot be processed. Refer to Chapter 7, 071204.</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>a limited payability credit has been received,</td>
<td>request files be transmitted to the DCRM system.</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>check issue Level 8 data was transmitted but was not processed by the Treasury</td>
<td>report the check issue data work with DCRM regarding the missing check data at Treasury.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>check reporting files for the DSSN in DCRM are reviewed and checks are determined to be missing.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 7-2.  DO's Check Issue Reporting and Check Reconciliation Checklist

<table>
<thead>
<tr>
<th></th>
<th>Disbursing Officer’s Check Issue Reporting and Check Reconciliation</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>1</td>
<td>Has the disbursing section reviewed the check issue data from the entitlement system for accuracy? If data is not accurate, work with entitlement section to identify and correct.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Were checks issued after entitlement data was validated?</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Were the check payment listing and the checks matched to entitlement data (amount of check, amount of voucher, amount of Level 8 data, and name) prior to releasing the checks and/or releasing the check issue data to DCRM?</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Was an error detected (e.g., date error, wrong serial number, or dollar amount)? If so, void the check, and change check issue reporting data prior to releasing the check or the data.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Was the post-print verification completed for the check payment listing, checks, and check issue Level 8 data prior to releasing the checks and the check issue data through DCRM to the Treasury’s Check Payment and Reconciliation (CP&amp;R) system?</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>When the check data is balanced, did the DO process automated or manual Level 8 data daily, weekly, or monthly to the Treasury through DCRM?</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Did DCRM validate the Level 8 detail data to include DSSN, check issue date, amount, and serial number?</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>At month end, did the DO ensure all check issue data for the month was entered into DCRM?</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Did the DO work the DCRM email notification for missing/unused checks in a timely manner to ensure missing checks are reported?</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Are voided, lost or stolen checks reported as zero (0) to the Treasury and Level 8 reporting (See paragraph 071404)?</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Did the DO process the Month End Check Issue Summary (SF 1179) by consolidating the data into the summary level Statement of Accountability (SF 1219) and ensure that the end of month check issue data reported through Level 8 is in balance with the SF 1219 and the SF 1179? (See section 0714)?</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Did the current month’s SF 1179 also show prior month adjustment to check issue totals in accordance with section 0714?</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Did the DO receive an FMS 5206? The DO must research the FMS 5206 to determine reason for discrepancy and make appropriate adjustment, as required.</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Has correction of the discrepancy been reported on line 2.11 of the monthly SF 1219? Use the original transaction date cited on the FMS 5206 when recording the adjustment.</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>When the payee was not overpaid or underpaid, but incorrect check issue information has been reported to the Treasury, has the DO processed the FMS 5206 on the DO’s SF 1179 and SF 1219, or has the DO requested that the Treasury adjust the Check Issue Report?</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>When the DO discovers a discrepancy and prepares a JV before an FMS 5206 is received from the Treasury, has the correction been reported on the SF 1219, line 2.12, and on the monthly SF 1179?</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Did the DO take necessary actions to clear the FMS 5206 discrepancies in accordance with section 0714?</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Do any disbursing personnel have access to DCRM? If yes, what level and purpose?</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Did the DO coordinate with field personnel to ensure that all checks have been reported to the Treasury?</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Has the DO taken necessary actions in accordance with section 0714 to clear all discrepancies within 60 days of notification from the DFAS sites? DFAS site personnel must monitor all discrepancies to ensure the necessary actions have been taken to clear the discrepancies within 60 days in accordance with section 0714.</td>
<td></td>
</tr>
</tbody>
</table>
Table 7-3. DFAS Sites’ Responsibilities for Check Issue Reporting and Reconciliation

<table>
<thead>
<tr>
<th></th>
<th>DFAS Sites' Responsibilities for Check Issue Reporting and Check Reconciliation</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Did the reporting DFAS sites monitor output product from DCRM that compares DFAS sites' monthly reported SF 1219 line 2.10 to Level 8 data by DSSN?</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Did the DFAS reporting sites perform oversight and notify DOs to ensure discrepancies are corrected within the month they are notified?</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Did the DFAS reporting sites receive from the Department of the Treasury the monthly CP&amp;R and the Checks Issued Report (Report 72) denoting errors and forward reports to the DOs for reconciliation?</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Did the DFAS sites monitor and age discrepancies to ensure the necessary actions to clear the account were taken?</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Were the comparison/discrepancy reports worked using the Report 72 to reconcile any differences that are not corrected by either an SF 1179, FMS 5206 for under/over pay adjustment, void check, or a DO request for an adjustment on an OF 1017G?</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Did the DFAS sites monitor and age check issue discrepancies on the Outstanding Payment Report, which reflects the range of checks issued and cleared by the Department of the Treasury but not reported by DOs, with the checks reported as missing in DCRM?</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Did the DFAS sites contact the DOs to obtain the data for any unreported checks in DCRM?</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Did the DFAS site personnel contact the DO about checks reported as missing by the Treasury but reported in DCRM?</td>
<td></td>
</tr>
</tbody>
</table>
Table 7-4. Samples of Corrective Actions for Check Issue Discrepancies

<table>
<thead>
<tr>
<th>Problem</th>
<th>Effect</th>
<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Check reported incorrectly in DCRM system; check issue file transmitted to the Treasury. An FMS 5206 not yet issued.</td>
<td>Check issue discrepancies with TCIS totals higher or lower than SF 1219 totals.</td>
<td>Request a check issue adjustment from the Treasury. Ensure notification of check issue correction is received. See subparagraph 070807.A for more information.</td>
</tr>
<tr>
<td>2. Check reported incorrectly in the DCRM system; check issue file not transmitted to the Treasury.</td>
<td>The DCRM system file total does not match the total of check issues for a check block series.</td>
<td>Request deletion/replacement of erroneous check block series file in the DCRM system. Create a new file with the corrected check issue information. See paragraph 071403 for more information.</td>
</tr>
<tr>
<td>3. Check issued and dated 30th of the month but not included as a check issued on the accountability statements.</td>
<td>Check issue discrepancy with TCIS higher than the DO’s SF 1219, which may also be out of balance, unless voucher was not recorded.</td>
<td>Prepare and process a JV for prior month check issue. If the payment voucher has not been previously reported, record the voucher and accounting entries. See subparagraph 070803.A for more information.</td>
</tr>
<tr>
<td>4. Check dated and issued in previous month, but reported as current month issues on the accountability statement.</td>
<td>Check issue discrepancy between months.</td>
<td>Prepare and process a JV to move the check issue to the proper month. Refer to subparagraph 070803.A for more information.</td>
</tr>
<tr>
<td>5. The DO has the checks issued on the proper month’s SF 1219, but the Treasury has the SF 1219 recorded as the wrong month.</td>
<td></td>
<td>Request the Treasury do an adjustment to move the checks issued (SF 1219) to the proper month. Refer to subparagraph 070803.C for more information.</td>
</tr>
<tr>
<td>6. A check is negotiated and paid but the DO has not reported the check issue data to the Treasury.</td>
<td>TCIS rejects claim for payment until the check is reported as issued. No limited payability cancellation credits will be processed. Delays or precludes detection of possible fraud, theft, or altered check, and possible bank reclamation procedures. Payee received funds for check when negotiated. If DO has included check in the accountability statement as issued, check issue discrepancy will reflect on the Comparison of Checks Issued Report.</td>
<td>Review check issue records to ensure the check is valid. If the payment of the check is due to an act of fraud or theft, initiate an investigation, bank reclamation procedures, and loss of funds action, as applicable. Check the status of the check in the DCRM system, and either input or correct the DCRM check file to report the check issue detail to the Treasury.</td>
</tr>
</tbody>
</table>
Table 7-4. Samples of Corrective Actions for Check Issue Discrepancies (Continued)

<table>
<thead>
<tr>
<th>Problem</th>
<th>Effect</th>
<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. The DO receives an FMS 5206 issued by the Treasury for a check discrepancy.</td>
<td>Check issue discrepancy reflected on the Comparison of Checks Issued Report. Possible underpayment, overpayment, error in reporting, or altered check.</td>
<td>Review the check issue records to determine if the error is a reporting error, underpayment, or overpayment. For reporting errors, adjust the record that is in error. If the TCIS entry was the only incorrect reporting, the error was corrected when the FMS 5206 was issued. If the check issue total is incorrect on the SF 1219, report the adjustment under Section II, Part A, Column 4 on the SF 1219 for adjustments related to FMS 5206s. For overdrafts, see subparagraph 070804.F. For underdrafts, see subparagraph 070805.E. Record receipt of the FMS 5206 on the monthly internal control report and follow procedures as prescribed to complete report requirements.</td>
</tr>
<tr>
<td>8. The DO has not received an FMS 5206, which was issued by the Treasury.</td>
<td>Check issue discrepancy. The Report 72 indicates an FMS 5206 has been issued, but the DO has no record of receipt.</td>
<td>Request a copy of the FMS 5206 from the supporting DFAS site. Review the Report 72 to identify the check with the discrepancy. Follow Item 7 when the FMS 5206 is received.</td>
</tr>
</tbody>
</table>
**VOLUME 5, CHAPTER 8: “COLLECTIONS”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated May 2018 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>080301.A.1.d &amp; 080301.B</td>
<td>Amended paragraphs by removing procedural instructions for the Department of Defense (DD) Form 2657 (Daily Statement of Accountability) in coordination with Defense Finance and Accounting Services, Enterprise Solution &amp; Standards (ESS), Disbursing Division assuming responsibility for managing disbursing related DD forms.</td>
<td>Revision</td>
</tr>
<tr>
<td>Figures 1, 2, &amp; 3</td>
<td>Removed Figures 1, 2, &amp; 3, which displayed DD Form 1131 (Sample Cash Collection Voucher), DD 2659 (Sample Voucher Control Log), and DD 707 (Sample Report of Deposits), from the chapter. These forms can be found at Department of Defense Forms Management. (<a href="https://www.esd.whs.mil/Directives/forms/">https://www.esd.whs.mil/Directives/forms/</a>).</td>
<td>Deletion</td>
</tr>
</tbody>
</table>
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CHAPTER 8

COLLECTIONS

0801 GENERAL

080101. Overview

Collections are transactions that increase a disbursing officer’s (DO) accountability, but do not apply to the acquisition of United States and foreign currencies through the purchase with dollars or accommodation exchange transactions. They may also result from transfers of funds from one appropriation or fund to another by voucher deduction or a “no check drawn” transaction using a Standard Form *(SF) 1080*, Voucher for Transfers Between Appropriations and/or Funds; an *(SF 1081)*, Voucher and Schedule of Withdrawals and Credits; or by the Department of the Treasury's (Treasury) Intragovernmental Payment and Collection (IPAC) System. A collection voucher may be a combination of a payment and a collection by voucher deduction, e.g., a civilian payroll voucher where federal and state taxes are deducted. Vouchers must be retained in accordance with Volume 1, Chapter 9, which provides record retention requirements with emphasis on supporting audit readiness and contingency operations.

080102. Purpose

Chapter 8 addresses the legality and propriety of collection transactions and substantiating vouchers.

080103. Authoritative Guidance

Title 31, United States Code, *section 3302(c)* requires Department of Defense (DoD) DOs to deposit public money not being held for current expenditure in the Treasury or with a depositary designated by the Secretary of the Treasury.

0802 TYPES OF COLLECTIONS

080201. Receipts

Receipts are collections into a Treasury miscellaneous receipt or other legally authorized account or fund. DOs collect them into their accountability using a DoD *(DD) Form 1131*, Cash Collection Voucher. They are recognizable by the absence of a fiscal/program year in the accounting classification. Disbursing from a receipt account is not authorized. “Adjusting out” an over collection requires processing a collection voucher as a negative receipt.

080202. Reimbursements

Reimbursements are amounts earned and collected for property sold or services furnished to U.S. Government agencies or to the public, amounts collected from outside sources for payments made in error, overpayments, or adjustments for previous amounts disbursed. They are
recognizable by the presence of an accounts receivable sales code within the accounting classification, and shown as positive amounts on the DD 1131. A “negative reimbursement” occurs when a reimbursement is over collected and requires a return of funds to the remitter and is vouchered as a bracketed (negative) amount on a DD 1131.

0802. Refunds

Refunds are recoveries of payments collected into a DO’s accountability as positive amounts on a DD 1131 using the same accounting classification as the one on the original disbursement voucher. Refunds may also occur as offsets shown as (bracketed) amounts on disbursement vouchers. They are reductions in disbursements rather than collections. Report refunds, documented on collection vouchers, on the DD 2657, Daily Statement of Accountability, separately from those occurring as negative disbursements, which are reported simply as net of disbursements. Do not report refunds separately on the SF 1219, Statement of Accountability, but include them in the calculation of net disbursements.

0803 COLLECTION TRANSACTIONS

*080301. General

Collections are transactions that increase a DO’s accountability, but do not apply to the acquisition of U.S. and foreign currencies through the purchase with dollars or accommodation exchange transactions. All collection vouchers reported in the DoD business systems must meet standard line of accounting requirements. Document collections received by DOs on the appropriate collection forms and verify and record them in the accounting records. Funds received that are not creditable to appropriations (e.g., recoveries of losses of funds, or dishonored checks) are not “collections” because they do not change a DO’s accountability.

A. Voucher Supported Collections

1. Voucher supported collections create credits to appropriations or to receipt or deposit fund accounts and involve:

   a. Direct receipts (e.g., cash, checks, money orders, and electronic deposits);

   b. Deductions on payment vouchers to cover indebtedness to the U.S. Government;

   c. Other deductions on payment vouchers (e.g., deductions for federal taxes); or

   d. Transfers between appropriations or funds, corrections of charges against appropriations or funds, or credits to appropriations or funds. Use an SF 1080 or SF 1081. Voucher-supported collections may also occur in Treasury’s IPAC System (see Chapter 11, section 1104). In some instances, (e.g., collections from dining facilities), only one collection
voucher number for the entire accounting period (e.g., month) may be assigned. In this case, prepare the formal collection voucher on the last business day of that period. DOs may record daily receipts of this nature on the DD 2657 to Other Transactions, and U.S. Currency/Coinage on Hand.

2. Separate negotiable instruments (checks or money orders) received as collections from accompanying accounting documents at the initial stage of processing and deposit them (see Chapter 11, subparagraph 110803.B.1). If the identification of the appropriation account is not known at the point of origin (at time of deposit), credit either **F3875 (Budget Clearing Account (Suspense)), **X6500 (Advances without Orders from Nonfederal Sources), **X6501 (Small Escrow Amounts), or **X6276 (Other Federal Payroll Withholding, Allotments), as appropriate, and deposit the negotiable instruments (see Treasury Financial Manual Bulletin 2020-05). Upon determining the proper accounting classification, use an SF 1081 to charge the appropriate budget clearing account or deposit fund and credit the proper appropriation or fund. Do not issue checks for these transfers.

* B. Collection Classification Transactions. Voucher supported collections create credits to appropriations or to receipt or deposit fund accounts and are received on a DD 1131, recorded in the accounting records, and reported to Treasury through Collections Information Repository (CIR) citing the proper Treasury Account Symbol (TAS)/ Business Event Type Code (BETC) combination. Unvouchered collections occur when a DO receives cash or negotiable instruments from individuals or organizations and does not credit them to an appropriation or fund or does not support them with a formal collection voucher (e.g., dishonored checks cashed, losses of funds, and some check issue overdraft discrepancies). Document unvouchered collections on the OF 1017-G and utilize a Classification Transactions and Accountability (CTA) transaction to credit and debit the proper program TAS.

* C. Cash Collections Deposited the Same Day. If the full cash amount associated with a DD 1131 is deposited the same day and the DD 1131 and deposit are reflected in the DO accountability, the DO Cash TAS is not impacted. DOs must utilize OTCnet, citing the BETC and TAS associated with the collection voucher on the deposit ticket. Deposits in OTCnet are reported through CIR, which will feed the Central Accounting Reporting System (CARS) daily account statement showing an increase to the TAS associated with the collection voucher.

* D. Collections Not Deposited the Same Day. Any portion of the cash associated with a DD 1131 that is not deposited the same day and is collected into the DO’s accountability must be reported as a CTA transaction. This will feed the CARS daily account statement, showing an increase to the DO Cash TAS and an increase to the program TAS on the collection voucher. Multiple collection vouchers may be consolidated under one transaction reported to Treasury as long as they fall under the same TAS/BETC and ALC. DOs must ensure that any transactions that are consolidated have an audit trail that can be validated at the individual transaction level.
080302. Method of Remittance

Accept cash, checks, or other recognized forms of credit instruments payable on demand. Examples include certified or uncertified personal checks, corporate checks, bank drafts, Treasury checks with issue dates less than 1 year old, postal money orders, money orders issued by banks or other financial establishments, credit union share drafts, and warrants payable on demand. Draw these negotiable instruments in favor of a DO's official capacity (i.e., position title, not name). Visa and MasterCard credit cards and debit cards are acceptable when presented for payment at locations participating in the Card Acquiring Service (see Chapter 11, paragraph 110301).

A. Commissary Sales Collections. Commanders may authorize commissary officers to accept Treasury checks from authorized patrons to pay for sales when available banks and other facilities are unable to furnish check cashing services, but cannot authorize or require DOs or their agents to advance additional change funds to commissary officers to cash Treasury checks they receive. Commissaries may use the cash they receive for this purpose.

B. Remittance by Mail. DOs establish procedures to control receipt and processing of checks and other negotiable instruments received by mail. An individual that is independent of the collection function must receive these remittances, and must not be the same individual who maintains the accounts receivable records. DOs must establish controls using the DD 2658, Returned and Undeliverable Check/Bond Record, or another effective method to maintain a record of transmittal of the instruments between functional areas.

080303. Collections by Remote Cashiers

DOs acknowledge collections made by remote cashiers only upon receipt of certification of the actual monetary amounts.

080304. Performance and Bid Bonds (Storage and Safekeeping)

The Federal Acquisition Regulation, Subpart 28.2, prescribes acceptance of only cash, certificates of deposit, or irrevocable letters of credit (ILC). Only ILCs issued by federally-insured financial institutions, in the name of the contracting agencies that identify the agency and solicitations or contract numbers for which ILCs are presented are acceptable.

A. Negotiable Instruments. DOs receiving remittances (e.g., checks, bank drafts, and money orders) as deposits for performance or bid bonds deposit them immediately in deposit fund account **X6501 to be held pending settlement with the contractor.

B. U.S. Bonds Deposited in Lieu of a Surety. Under Title 31, Code of Federal Regulations, Part 225, contractors may deposit certain U.S. bonds with contracting officers instead of furnishing corporate individual sureties on performance and payment bonds. DOs may not accept these bonds (whether electronic or hardcopy) for other than temporary safekeeping (e.g., overnight or over a weekend). DOs may provide space in a safe or vault for temporary safekeeping by placing the bonds and related documentation in a sealed package indicating custodianship, and
giving the contracting officer a receipt for the package (see Chapter 3, section 0303). The contracting officer is responsible for transferring the bonds to the Federal Reserve Bank (FRB).

080305  Negotiable Instruments

A. General. To facilitate Treasury identification of the depositing organization, DOs, Deputy DOs (DDOs), agents, and cashiers require remitters to make checks and other negotiable instruments payable to the accepting organization (e.g., “Disbursing Officer, disbursing station symbol number (DSSN) ####,” “Disbursing Officer, Camp Lejeune, NC 28542,” or “Disbursing Officer, APO AP 96604-8405”) rather than to the “Department of the Treasury.” However, if a check is made payable to the Treasury the check must be accepted and processed immediately. Modify the examples to fit the situation (e.g., “Agent” or “Food Services Officer, (insert unit)” for “Disbursing Officer”) if appropriate, particularly if the DO that will receive the collections is unknown. Do not accept checks payable to a DO or agent by proper name.

B. For Deposit to the Credit of the Treasury. Deposit the negotiable instruments in an FRB or branch or an approved general depositary for credit to the Treasury. Instruments drawn payable to the remitter are acceptable as inscribed if the remitter endorses them as explained in Chapter 11, paragraph 110803. For endorsements on negotiable instruments see Chapter 11, subparagraph 110803.F. Post inscription instructions in strategic locations at cashier cages, commissaries, and other locations receiving these instruments.

C. For Deposit in a Limited Depositary. Keep limited depositary accounts in the name of the activity to which the DO is assigned (see Chapter 14, section 1402). Instruct the remitter not to inscribe instruments payable to the DO by activity name.

0804  ISSUANCE OF RECEIPTS FOR COLLECTIONS

080401  Turning in Funds

A. Indirect Collections. Individuals other than DOs, DDOs, cashiers, or agents receiving funds belonging to the United States (including those to be held in trust) promptly turn over such funds to their supporting DO or deposit them in an authorized general depositary. These individuals may work within commissary, property disposal, personnel, and other offices authorized to receive funds due the United States. They are responsible for safekeeping funds in their possession pending deposit or turn-in. Collecting officers number documents sequentially by fiscal year. The DO, DDO, or agent receiving the funds signs and returns two copies of each DD 1131 (other than the original) to the collecting officer, distributing additional copies as required.

B. Direct Collections. A DO, DDO, agent, or cashier receiving a collection directly from a remitter prepares a collection voucher for the amount collected. The supporting Defense Finance and Accounting Service (DFAS) site determines the number of copies to give the remitter. Only issue receipts for payment of bills received by mail in the disbursing office if the remitter requests it. Furnish receipts only for amounts received and verified by actual count. DOs,
DDOs, or agents are prohibited from using “subject verification” to issue receipts, giving receipts “in blank,” or accepting receipts “in blank.”

C. Receipt Acknowledgement. Where an automated system is used, cashiers may sign receipts in their own name; otherwise DOs, DDOs, or agents must personally sign the receipts. Signatures are not required for collection vouchers electronically validated by an approved public key infrastructure method. Before signing, the cashier or collecting official ensures that remittances are authorized collections in the correct amounts. The person accepting the remittance should not be the same person updating the accounts receivable record.

080402. Collections by Deductions from Vouchers

If requested, give payees receipts for collections made by voucher deduction. This includes other divisions or activities that may require notices of collection.

080403. Collections by Agent Officers

A. Collections. Agents of appointing DOs may sign receipts for funds.

B. Proceeds of Sales. When funds are deposited with agents, they complete receipts on the original and three copies of the DD 1131 as agents of their DO, and submit the original and two signed copies of the DD 1131, together with supporting documents, with their financial reports to the DO. Return one signed copy to the appropriate collecting official as receipt for the funds. The format for the receipt is:

Richard Roe, Lt Col, (Component)

By: _________________________
Name and Type of Agent

0805 RECORDING AND CONTROLLING COLLECTIONS

080501. Pending Payment File

The affected functional area maintains a pending payment file and associated copy of the uncollected billing document(s) unless the supporting DFAS site directs otherwise. Send the original and duplicate copy of the documents to the customer from whom reimbursement is expected (see paragraph 080202). Arrange the files in the order most convenient to the person maintaining the file, reconciling it quarterly to the accounts receivable subsidiary ledgers.

080502. Collection of Accounts Receivable

A. Payment of Bills. When payment is physically presented to a cashier, the cashier annotates a copy of the bill as “Paid” and initials it. If the cashier is presented the original bill, he/she stamps or notes it “Paid” with date of payment, initials, and returns it to the remitter. Attach paid copies of bills to the DD 1131 and forward them to the affected functional area daily.
for recording. For automated billings, the responsible functional area prepares the DD 1131 (cash payments) or an SF 1080 (payroll deductions) as part of the automated collection posting process.

B. Clearance of Component Bills. An individual being transferred from the Component notifies the appropriate functional area and billing office to ensure settlement of all unpaid telephone bills, utilities, and similar liabilities. The responsible functional area ensures the collection of pending bills, makes any required adjustments on a new bill, marks the old bill “Void,” attaches it to the paid copy of the new bill, and completes the clearance form.

080503. Collections for Other Agencies

A. Identifiable Collections. Issue a receipt for an identifiable collection applicable to an account maintained by another fiscal station if requested or required, and process the collection as a transaction for others. Include the complete identity of the remitter, account, fiscal station, and appropriate fiscal data on the DD 1131.

B. Unidentifiable Collections. Do not process a collection for another fiscal station for which the accounting classification is not immediately identifiable as a transaction for others. Deposit the collection into accounts **X6500, **X6501, **X6276, or **F3875. Upon determining the correct accounting classification, process an SF 1080 as a transaction for others to clear the suspense account.

080504. Overages

Process an overage in a DO’s account as a collection to **F3875 no later than the business day after the overage occurs. Resolve overages no later than the fifth business day after the end of each quarter or, upon the DO’s relief from disbursing duty, no later than the fifth business day following the date of relief. Consider collections and returns from agents when determining the source of the overage. When reasons for overages are explained, and there is reasonable assurance that no claim will be made against them, credit it directly to the Treasury’s receipt account **R1060, Forfeiture of Unclaimed Money and Property.

080505. Collection Voucher Control Log

Maintain a daily DD 2659, Voucher Control Log, for collection vouchers the disbursing office receives or prepares. The DO determines the functional areas and assigns individuals to maintain this form. Assign each functional area and/or branch disbursing office a separate series of voucher numbers. Include the collection voucher number, identification of the remitter (name of remitting individual or organization), amount, and instrument of remittance (e.g., check, cash, traveler’s check, electronic funds transfer, or a no pay adjustment). Annotate a check/Electronic Funds Transfer (EFT) trace number in column d “OTHER.”

080506. Collections Overpaid or Underpaid by $1.00 or Less

When a remitter overpays an amount due totaling $1.00 or less, collect the overpayment into receipt account **1099 (Fines, Penalties, and Forfeitures). Refund it only if requested by the
remitter. Also, if a payee underpays an amount due that totals $1.00 or less, prepare an SF 1080 charging the DoD Component’s Operations and Maintenance account and credit the applicable appropriation (or receivable) for the amount of the underpayment. Do not pursue collection action for underpayments totaling $1.00 or less.

080507. Collections Made at Agencies Not Having a Disbursing Office

Agencies not collocated with or supported by a disbursing office that receive collections must:

A. Collection Control Log. Use a log to control the collections from the time of receipt until they are transmitted to the disbursing office. At a minimum, show the date of receipt, remitter, check or money order number, collection voucher number, amount of collection, and the date transmitted to the disbursing office.

B. Collection Voucher. Prepare a collection voucher the same day the DoD Component receives the collection.

C. Safeguarding the Collection. Safeguard the collection and supporting documents (see Chapter 3, section 0303).

0806 DOCUMENTING AND PROCESSING COLLECTIONS

080601. Verification of Funds Received

A. Verification. Functional areas ensure that collections are proper, vouchers have complete and accurate data, and required copies are available. A disbursing office detecting an improperly prepared voucher returns it to the functional area for correction.

B. Funds Deposited by Collecting Officers. When a collecting officer deposits collections directly to a general depositary, the disbursing office processes them in the DO’s account upon receipt of the collection voucher (or receipts for collection). The deposit ticket and supporting collection vouchers are the basis for verification of receipt of the funds. If the collecting officer does not provide a confirmed copy of the deposit ticket, advise him/her to furnish it upon receipt.

C. Purpose of Collection. Include the purpose of a collection (e.g., contract lease, applicable regulation, schedule, cost list, or other document that authorizes the collection) on, or as an attachment to, a collection voucher. If a sales contract is involved, cite the contract in the reference information. If the purpose of a collection cannot be determined, account for it in suspense accounts **F3875, **X6500, **X6501, or **X6276, as appropriate and attempt to clear the deposit within 60 days of the transaction (see Treasury Financial Manual Bulletin 2020-05).

1. Transfer to account 20X6133, Payment of Unclaimed Moneys, amounts of $25 or more that have been held for more than 1 year, are authorized to be refundable, but cannot be refunded because the individual’s location is unknown.
2. Transfer to **R1060 unclaimed amounts of less than $25 or amounts of $25 or more that have been held for more than 1 year for which the rightful owner can be neither identified nor located.

D. **Numbering Collection Vouchers.** Assign collection voucher numbers consecutively starting at the beginning of each fiscal year based on numbering instructions provided by the DFAS site that receives the financial reports.

E. **Legibility of Copies.** DOs ensure the legibility of all copies of vouchers prepared for distribution.

F. **Routing Original Collection Vouchers.** The disbursing division of each disbursing office sends original collection vouchers to the supporting DFAS site.

080602. **Signature on Collection Vouchers**

A. **Responsibility.** The DOs, DDOs, or agent officers sign original collection vouchers in permanent, non-erasable ink; this duty may not be delegated or reassigned. Officers using cash control machines or mechanized equipment to validate vouchers are exempt from this requirement (except when a DD 1131 is processed for further action by a disbursing office not collocated with the processing disbursing office) so long as the machines and control of them meet minimum security and audit requirements. The DO or DDO controls the keys for these machines. Digital signatures may also be used following the guidance in Chapter 1, subparagraph 010305.C.

B. **Internal Controls.** The DO implements controls to ensure that all funds received by the cashier are accounted for properly. The DO or DDO holds copies of the vouchers bearing the cashier’s initials. In making daily settlement with the cashier at the end of the business day, these copies determine if the amounts of the collections the cashier reported were proper. The receiving officer’s signature is required where applicable (see subparagraph 080401.C). The DO or certifying officer, as applicable, signs transfer, cancellation, or adjustment vouchers (SF 1081) and an SF 1098, Schedule ofCanceled or Undelivered Checks. If the same voucher is both a disbursement and collection, the disbursement is the original subject to the signature requirements in paragraph 080602; the collection is a copy and does not require a signature.

080603. **Preparation of Documents Used to Transmit Funds**

A. **Responsibility.** An officer depositing or transmitting funds to a disbursing office prepares the forms listed in subparagraphs 080604.A and D. Except for collections arising from over the counter sales (e.g., commissaries), include the name of the remitter, the specific authority for the collection, and information sufficient for the DO to identify the collection and determine that the correct amount is cited on each collection document. The officer preparing the form also furnishes the complete accounting classification as prescribed; fiscal code, including the DSSN of the station maintaining the appropriation cited; and the country code when the collection is made in an overseas area.
B. Preparation and Distribution. Prepare each collection voucher in duplicate, with additional copies as required.

080604. Collection Documents

A. DD 1131. Use this when governing directives do not otherwise prescribe other forms. It may serve as a cover voucher for other receipt forms.

B. SF 1098. Use this form to collect the proceeds of an available canceled Treasury check (see Chapter 7, paragraph 071004).

C. DD 707, Report of Deposits. Commissary officials prepare and submit this form to the DO under whose DSSN they make deposits.

D. SF 1080. Use this form to transfer amounts between appropriations and/or funds.

E. SF 1081. Similar to SF 1080, this form also transfers amounts between appropriations or funds and may be used for corrections of charges and credits.

F. DD 139, Pay Adjustment Authorization. Use this form for salary offset collections.
VOLUME 5, CHAPTER 9: “DISBURSEMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated December 2019 is archived.

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<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<tr>
<td>090101.B</td>
<td>Added guidance to the subparagraph titled “Disbursement Voucher” from the Treasury Daily Reporting Policy Memo (FPM 19-14).</td>
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CHAPTER 9

DISBURSEMENTS

0901 GENERAL

*090101. Overview

A. Disbursement. A disbursement is a payment to an individual or organization for goods furnished or services rendered. It may also be a transfer of funds from one appropriation or fund to another by a “no check drawn” transaction using a Standard Form (SF) 1080, Voucher for Transfers Between Appropriations and/or Funds; SF 1081, Voucher and Schedule of Withdrawals and Credits; or by the Department of the Treasury's (Treasury) Intragovernmental Payment and Collection (IPAC) System. A negative disbursement is a refund.

B. Disbursement Voucher. A disbursement voucher may be a combination of a payment and collection by voucher deduction (e.g., a civilian payroll voucher where deductions for Federal tax, U.S. savings bonds, and civil service retirement are credited to the appropriate accounts) and the net pay is disbursed to the payee. All disbursements must be supported by formal disbursement vouchers (e.g., SF 1080; SF 1081; SF 44, Purchase Order-Invoice-Voucher; or SF 1034, Public Voucher for Purchases and Services Other Than Personal).

1. Electronic funds transfer (EFT) and U.S. Treasury Check. Report EFT (includes International Treasury Services for payments in foreign currencies) and U.S. Treasury check disbursements to Payment Information Repository (PIR) citing the proper Treasury Account Symbol (TAS)/ Business Event Type Code (BETC).

2. No Check/Voucher for Transfer. Report no check/voucher for transfer utilizing a Classification Transactions and Accountability (CTA) citing the proper credit and debit two-sided transaction citing the proper TAS/BETC.

3. Cash and Limited Depositary Accounts (LDA) Checks. Report cash and LDA check disbursements utilizing a CTA transaction citing the DO Cash TAS/BETC and the program TAS/BETC listed on the disbursement voucher. Multiple disbursement vouchers may be consolidated under one transaction reported to Treasury as long as they fall under the same TAS/BETC and Agency Location Code (ALC). DOs must ensure that any transactions that are consolidated have an audit trail that can be validated at the individual transaction level.

4. Disbursements of Foreign Military Sales funds require the request and receipt of expenditure authority before certification of a voucher for payment (see Volume 15, Chapter 4, section 0409). Chapter 15, section 1508 provides record retention requirements with emphasis on supporting audit readiness and contingency operations.

C. Interagency Disbursing Support. The Enterprise Solutions and Standards, Disbursing Division of the Defense Finance and Accounting Service (DFAS) provides the Department of Defense’s (DoD) policy for interagency disbursing support and IPAC. DoD’s
disbursing offices and their servicing accounting offices coordinate with other U.S. Government agencies on establishing IPAC Trading Partner Agreements (see Chapter 11, subparagraph 110403.A). The DFAS email address is: dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil.

090102. Purpose

This chapter addresses the legality and propriety of payment transactions, substantiating vouchers, payment of compensation, advances, payments to third parties, equitable claims, and certified disbursement vouchers. It also addresses disbursement forecasting, processing of disbursement vouchers, disbursements from deposit fund and budget clearing accounts, and payment in support of advance payment pool agreements.

090103. Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3321(c)(2) authorizes DoD Disbursing Officers (DOs) to disburse public funds on receipt of vouchers certified by an appointed certifying officer (see 31 U.S.C. § 3325 and Chapter 5, paragraph 050304).

0902 POLICY

090201. Legality and Propriety

A. Sanction of Law. Examine payment transactions for legality, propriety, limitations, and time frames under the statutes governing the various classes of expenditures and for validity under general provisions of law.

B. Decisions and Responsible Offices. A DO may request an advance decision on the propriety of any perspective payment according to the procedure outlined in each section’s standard operating procedure (see Chapter 12, section 1203). DOs are not pecuniarily liable for payments they make based on advance decisions.

090202. Substantiating Vouchers

A. Written Record of Transaction. Unless otherwise mandated by law, each transaction by an officer, agent, or employee of the U.S. Government that requires payment of money from the Treasury or payment by a DO or agent of the U.S. Government requires a written or approved electronically signed document or series of documents that includes a complete record of the transaction.

B. Electronic Transactions. The Federal Reserve Banks (FRBs) are Treasury’s fiscal agents. Each disbursing office processing disbursements maintains a detailed written agreement with the supporting FRB. The DO must implement internal controls to confirm that the FRB receives EFT payment files successfully.
C. Additional Evidence. A DO is not required to make payment merely on the submission of formal evidence. If the facts do not justify payment, a reasonable explanation or the submission of further evidence is required.

090203. Payment of Expenses

Using public funds to pay the expenses of a commission, council, board, or other similar body is prohibited by 31 U.S.C. § 1346 unless the creation of the body has been specifically authorized by law.

090204. Advances, Prepayments, and/or Overpayments

A DO generally may not make advance payments, prepayments, or overpayments of public monies, but 31 U.S.C. § 3324; Volumes 5, 7A, 8, 9, and 10; and the Joint Travel Regulations allow limited advances and prepayments.

090205. Payments to Third Parties

A. General. Unless specifically authorized by law, monies the government owes to an individual are not subject to attachment, garnishment, or other legal processes. Do not certify or make payment to a third party even if the payee requests it. This restriction applies to all funds including those held in trust by the DoD.

B. Levy and Distraint for Delinquent Taxes. Salaries and wages of officers and employees of the U.S. Government, including members of the Armed Forces, are subject to levy and distraint (the ability to force or compel satisfaction of an obligation by means of seizure) for delinquent federal taxes in accordance with 26 U.S.C. § 6331.

C. Payments to Bankruptcy Trustees. A civilian employee or military member may file an appropriate bankruptcy petition under 11 U.S.C. § 109. During the bankruptcy proceedings, the bankruptcy court may order the individual's pay to be sent to the bankruptcy trustee. Such payments are proper and DOs incur no additional liability as a result. See Volume 8, Chapter 8, section 0805 for civilian employees and Volume 7A, Chapter 50 for military members.

D. Successor in Interest. DOs may make payments due to contractors, to court appointed trustees, receivers, or other legal representatives (see Volume 10, Chapter 3, section 0305).

E. Assignment of Claims. A transfer by the contractor of its right to be paid by the government for contract performance to a bank, trust company, or other financing institution, as security for a loan made to the contractor. See Volume 10, Chapter 3, section 0304, the Federal Acquisition Regulation, Part 32.8 and Defense Federal Acquisition Regulation Supplement 232.8, for more information regarding the responsibilities for assignment of claims.
F. Authorized Withholdings and Allotments of Pay. Deductions from military and civilian payrolls for specific purposes (e.g., retirement, taxes, health benefits, group life insurance, allotments, and voluntary payments for child support or alimony) are supported by statutory authority under 5 U.S.C. § 5525.

G. Payments to Financial Organizations for Credit to Persons' Accounts. Under 31 U.S.C. § 3332, Federal wage, salary, and retirement payments must be made by EFT to financial organizations for credit to payees’ accounts (e.g., Merchants National Bank, Cr: John Doe, Account Number: 346-839, Taylor, MI 04180) (see also Volume 7A, Appendix C; Volume 8, Chapter 1, section 0103; and Volume 9, Chapter 8, paragraph 080202).

H. Garnishment of Pay for Child Support, Alimony, and Commercial Debts. Salaries and wages of military members and civilian employees may be garnished for child support and alimony (42 U.S.C. § 659), and for commercial debts (non-child or spousal support) (5 U.S.C. § 5520a).


090206. Equitable Claims

Claims not founded on contracts, either expressed or implied, but on merely equitable or moral grounds are permitted only after direct authorization by Congress.

090207. Insurance Fee

The government is self-insured (or bonded). Neither a DO nor any of the DO’s agents may insure public funds or property.

090208. Municipal Services

Absent specific statutory authority, a DO may not pay for municipal services (e.g., police and fire protection) if those services are required to be furnished to private citizens at no cost (see Volume 10, Chapter 12, paragraph 120315).

090209. Questionable Payments

See Chapter 12 for alternatives available in connection with questionable payments.

090210. Certified Disbursement Vouchers

A. Authority. A disbursement voucher certified by someone independent of the disbursing process is a DO’s authority to make a payment, and is the source document for liquidation of a government obligation.
1. **Certified Vouchers.** Certified vouchers must contain complete and accurate data. Contents of these vouchers and supporting documents may vary slightly depending on the type of disbursement and form used. Write signatures and other information that become integral parts of original vouchers in permanent, non-erasable ink. Handwritten information must be legible. Approved electronic signatures are acceptable (see Chapter 1, subparagraph 010305.C).

2. **Voucher Corrections.** Return certified vouchers requiring correction to the functional area. Disbursing office personnel may not make these corrections. Corrected vouchers require recertification before disbursement.

3. **Travel Vouchers.** Accept a legible copy of a signed travel voucher and its supporting documents received in lieu of the original for processing and payment as if it were the original. This includes travel vouchers and supporting documents received by facsimile transmission or scanned images forwarded via email.

B. **Essential Data.** Certified disbursement vouchers must contain the following minimum essential data:

1. **Voucher Heading and Date.** This includes the complete name and mailing address of the paying disbursing office, the date the voucher is prepared, the disbursing office voucher number, and the disbursing station symbol number (DSSN) in the “Paid By” (or “Brief”) block (see Table 9-1).

2. **Accounting Classification**

   a. The Treasury Financial Manual (TFM), Volume I, Part 4A, Chapter 2000, section 2070 (1 TFM 4A-2070) requires that a voucher certified as correct and proper for payment include an accounting classification against which the disbursement will be charged. Code each charge to an appropriation or fund with a complete accounting classification, and country code when applicable. List the information on a continuation form if the space available is insufficient.

   b. The type of payment or the supporting DFAS site dictates acceptable continuation forms. Do not show titles of appropriations or deposit fund accounts. Entering extraneous information (e.g., voucher collection data) may result in the inclusion of erroneous information in accounting records and reports. A certified disbursement voucher may cite more than one appropriation, deposit fund account, or subsidiary account (group two or more subsidiary accounts of the same appropriation by that appropriation).

   c. On foreign currency disbursements, show the total amount of the foreign currency disbursement; disbursing office personnel enter the conversion rate and U.S. dollar equivalent (USDE) on vouchers certified for payment in foreign currency.
3. **Amount to Be Disbursed.** Cite the total amount of the disbursement on the voucher in conjunction with the related accounting classification. Any alteration invalidates the certification (see Chapter 5, paragraph 050506).

4. **Method of Disbursement.** Show the method of disbursement in the space provided on the certified disbursement voucher. In order of preference, the methods are:
   a. EFT (includes International Treasury Services (ITS.gov) for payments in foreign currencies),
   b. No check/voucher for transfer,
   c. Treasury check,
   d. Limited Depositary Check, and
   e. Cash (only if specifically authorized by the payee's commander when it is determined that no other alternatives exists due to operational conditions).

5. **Payee.** List only the individual or organization entitled to the proceeds of the payment on the voucher. Under **10 U.S.C. § 2785**, a DO may not change the remittance address. Also, under 31 U.S.C. § 3325(d), certified vouchers must contain the payee’s taxpayer identification number (TIN), a unique nine digit identifier assigned to all individuals by the Social Security Administration and to businesses by the Internal Revenue Service (IRS). See Volume 10, Chapter 8, paragraph 080207 for the requirement of a TIN on a certified payment voucher.

   **C. Payment on Forged or Fraudulent Vouchers or Pay Receipts.** A DO is pecuniarily liable for payments based on forged or fraudulent vouchers. A DO, Deputy DO (DDO), agent, or cashier making such a payment may request relief of liability for such payments (see Chapter 6, section 0606).

   **D. Voucher Storage.** Follow Chapter 3, section 0303 to safeguard original paid vouchers.

0903  **DISBURSEMENT FORECASTING**

090301. **Daily Disbursement Forecasting**

Treasury’s Bureau of the Fiscal Service (Fiscal Service) manages the government's daily cash position and disbursements affecting this position. DOs must therefore report to Treasury on a daily basis their anticipated aggregate level of planned disbursements for each disbursing method (e.g., wire, Automated Clearing House (ACH), check) for the following 5-day period. Each entity that performs its own disbursing submits one consolidated report by 3:00 p.m. eastern time daily following a Fiscal Service standardized reporting process. See the reporting process at the 1 TFM 4A-4000 website.
090302. Large Dollar Disbursements

The *TFM 6-8500* requires DO’s to report, in advance, deposits and disbursements totaling $50 million or more. The deposits and disbursements reports include single transactions, multiple transactions of a common nature, or repetitive transactions. For deposits and disbursements between $50 million and $500 million, DO’s are required to submit the report a minimum of 2 business days in advance of the settlement date. For deposits and disbursements of $500 million or more, DO’s are required to submit the report a minimum of 5 business days in advance of the settlement date. If specific deposit or disbursement information is not final, agencies must inform Fiscal Service daily as soon as possible, but no later than 8:30 a.m. eastern time on the transaction settlement date, of the approximate amount and approximate deposit or disbursement date.

0904 PROCESSING DISBURSEMENT VOUCHERS

090401. Numbering Disbursement Vouchers

Assign disbursing voucher numbers consecutively starting at the beginning of each fiscal year based on guidance from the supporting DFAS site to which financial reports are submitted. Identify voucher numbers with the disbursing office, not the DO.

090402. Department of Defense (DD) Form 2659, Voucher Control Log

Keep a *DD 2659*, Voucher Control Log, daily for disbursement vouchers received or prepared in the disbursing office. Include in the log the disbursement voucher number, name of the payee, amount, form of payment (e.g., EFT, check, cash), and check/EFT trace number under “other.” This log summarizes daily disbursement and collection transactions, and ensures the entering of all vouchers in the accountability records. It functions as a cross check against the *DD 2657*, Daily Statement of Accountability, and *DD 2665*, Daily Agent Accountability Summary, to summarize disbursement and collection transactions; enables comparison of vouchers paid by check to total checks written, and of vouchers paid by cash to cashier paid vouchers; associates returned and undeliverable checks with applicable vouchers; and transmits vouchers showing voucher numbers used, unused, or voided.

090403. Certification of Vouchers

A. The applicable entitlement areas (i.e., military, civilian, travel, and vendor pay) ensure that all payments are proper, prepare the correct number of copies, and ensure that all vouchers contain complete and accurate data.

B. Certifying officers examine payment vouchers before certification to ensure that the information on vouchers agrees with all supporting documentation (see Chapter 5, section 0505).

C. DOs must have access to the *DD 577*, Appointment/Termination Record - Authorized Signature, verify that vouchers submitted to DO’s for payment have been certified by
persons authorized to certify vouchers, and disburse money only in accordance with vouchers certified by authorized certifying officers. A disbursing office detecting an improperly prepared voucher must return it to the functional area for correction and recertification.

090404. Release of Cash

An individual entitled to a payment (the payee) must receive the cash and sign the voucher. All cash payments require receipts. Do not prepare duplicate receipts. DOs or their agents making cash payments must positively identify the payee using the photograph on the payee’s DoD Common Access Card. Other acceptable forms of identification include a driver’s license and other identification normally acceptable in the banking community to cash checks or bonds. The responsibility for payee identification may not be delegated. In cases of cash payment, the exchange of currency and the receipt for it must be simultaneous. Requiring receipts in advance of actual cash payments is prohibited.

090405. Cash Payment Vouchers

The responsible entitlement areas send or deliver these vouchers to the cashier area. Payees may hand carry vouchers when the distance between the entitlement area and cashier area makes this impractical, provided the total amount of the voucher is inscribed in words on the bottom of the voucher (e.g., “sixty dollars and twenty cents”). Space words or enter lines in a manner to preclude alteration by inserting additional words, particularly at the beginning of writing (e.g., prevent insertion of “one hundred” immediately preceding “sixty dollars and twenty cents”).

A. Cashier Responsibilities. If the voucher deduction block is used on a payment voucher, the cashier must verify that it contains an appropriation and the total to be paid is net of any deductions. After verification of these items, the cashier must initial the original voucher to identify who made the payment.

B. Payee Signature. Cashiers must obtain the payee's signature in the space provided, or in the case of multiple payments, on the sub-voucher or supporting documentation. The payee signs for receipt of cash using permanent, non-erasable ink. Facsimile signatures and signatures in pencil are unacceptable. When signatures of payees are on a sub-voucher or supporting documentation, annotate the “payee signature block” on the cover voucher with the words, “See attached.” Positively identify payees before making payments. Compare the signature obtained on vouchers to signatures on identification cards or other acceptable forms of identification. The form of the signature must be the same as the payee as shown on the voucher, in the signature block, the payee must sign the first name, with additional initials, if any, followed by the surname, except as explained in the following subparagraphs.

1. Unable to Write. A payee unable to write may indicate receipt of payment by signing an “X.” A disinterested party, whose address must be on the form, must witness the form. If the payee is physically unable to write and asks someone to sign in his or her presence, the signature requires verification by a disinterested witness and is regarded as a signing by the payee. File a physician’s note addressing the payee’s inability to sign with the original disbursement voucher.
2. Mental Disability. Do not pay a mentally disabled payee who cannot comprehend a signature except in the presence of an appointed legal guardian. File certified copies of court papers appointing a legal guardian with the original disbursement voucher. The legal guardian signs the name of the payee, followed by his or her own signature as legal guardian. Refer to the first disbursement voucher by DO voucher number and date paid on future payments to substantiate the legal guardianship. If the payee is in an asylum, file the superintendent’s certificate that the payee was alive at the time payment was due with each disbursement voucher.

C. Voucher Validation. Validate the voucher by completing the “Paid By” (or “Brief”) block with the paying office location, DSSN, and business date of payment, using a typewriter, automated system, or rubber stamp. Do not show the geographical location if the disbursing office has a classified address (see Table 9-1).

090406. Check Disbursement Vouchers, Manual Voucher Processing

Responsible entitlement areas send manual check disbursement vouchers to the check issuing area for check preparation. The check issuing area enters the check number on the voucher in the space provided. Do not enter check numbers on duplicate copies of vouchers except for payroll and group travel vouchers. When payment is by check on an SF 1034, follow subparagraphs 090406.A - E. A receipt is not necessary for payments drawn by the DO except when required by law or contract.

A. Checks Drawn on the Treasury. For payments by check drawn on the Treasury, enter the check number in the block near the bottom of the form titled “Check Number on Account of U.S. Treasury.”

B. Checks Drawn on LDAs. For payments by checks drawn on LDAs, enter the check number and the name of the LDA bank on which drawn in the block near the bottom of the form titled “Check Number On (Name of bank).” If it is a “no check drawn” voucher, state “no check drawn.”

C. Check Usage. Make checks payable to the payee stated on the disbursement voucher. Number disbursing vouchers sequentially with the lowest check number used to pay the lowest numbered disbursement voucher or the first name on a payroll. Maintaining an unbroken sequence of check numbers facilitates check issue auditing and reporting. Consolidate multiple payments to the same payee on the same day, and pay them with one check. DOs must ensure that inscribed checks duplicate the voucher information. A DO may perform this review either before or after signing the checks. The DO ensures the completion of appropriate records to provide control over check writing. Automated systems producing disbursement vouchers must contain edit and validation controls to ensure the exact information appearing on the vouchers is passed to the check printer.

D. Paid By. See subparagraph 090405.C.
E. Automated Disbursement Vouchers. The entry of check numbers on automated disbursement vouchers is not required so long as the voucher processing system maintains complete audit trails between disbursement vouchers and hard copy records.

090407. Check Disbursements Overpaid or Underpaid by $1 or Less

Do not collect an overpayment to a payee of $1 or less. Prepare an SF 1080 to charge the DoD Component Operation and Maintenance account and credit the appropriation originally charged for the payment. Similarly, do not issue a supplemental payment when a payee is underpaid by $1 or less unless the payee requests the payment (see 1 TFM 4-6050).

090408. Transmittal of Vouchers and Recording

A. DDOs, agents, and cashiers must include payment vouchers on the DD 2665 as prescribed in Chapter 15, subparagraph 150201.B, and settle with the DO at the end of each business day.

B. For midday returns of cash on hand or an additional advance of funds, use a DD 1081, Statement of Agent Officer’s Account (see Chapter 15, section 1504).

C. Entitlement areas send transfer, correction, and other disbursement vouchers not for payment by cashiers directly to the accountability area.

D. Return voucher copies to the entitlement area (i.e., military, civilian, travel, and vendor pay).

090409. Certification Restrictions

The disbursing office supervisor may not routinely certify vouchers for payment, but may certify cover vouchers supported with properly certified sub-vouchers. In these cases, the approving official of the supporting documentation may not be the cover voucher certifier. If an emergency exists and the deputy, who is also a supervisor of the disbursing office, must certify a voucher for payment not supported with certified sub-vouchers, the DO or another DDO dates and signs the voucher that includes a statement similar to: “Payment approved by Lieutenant John Doe, Disbursing Officer” (see Chapter 5, section 0505). To ensure adequate internal control, neither the supervisor of the disbursing office nor other disbursing office personnel should be able to input data into the computerized accounting system.

090410. Documentation Supporting Delivery of Payments

Documentation that supports delivery of payments includes a copy of the payment voucher, annotated copies of invoices, or other available media that provide information on payments delivered to payees as prescribed by functional area directives. This information may be in any form (e.g., printed, electronic) but may be subject to contractual requirements.
090411. Deferred Vouchers

Deferred vouchers are paid vouchers not recorded in an accounting system, and are usually vouchers paid by an agent that must be returned for correction. They may also be vouchers paid by an agent but not yet examined by a DO. Deferred vouchers do not impact the DO Cash TAS until the voucher is processed. Responsible entitlement areas must act promptly to clear them. Keep a chronological record of actions taken, showing the date when clearance is expected. DOs or their DDOs review those actions weekly to ensure the correction of irregularities causing deferment without delay.

090412. Classified Payments

A. General. A DO making payments classified for security purposes prepares a covering disbursement voucher. These may not contain information that requires a security classification. On the original and all copies show only the name and address of the payee, amount, date of payment, complete accounting data, voucher number, check number, DO’s name, DSSN, and disbursing office payment data in the “Paid By” (or “Brief”) block. Payments under classified contracts should include instructions requiring the supplier to limit information on invoices so that supplies or services are identifiable only by reference to the contract. The DO (for collateral classified programs) or the voucher preparing office (for special access programs) allows access to classified documents to only those persons requiring access for the performance of their official duties.

B. Preparation. Personnel who process classified documents must possess a security clearance level equal to or higher than the documents they process. DOs or voucher preparing offices must assign duties (e.g., preparation of vouchers) so that only a minimum number of persons require access to classified information. Mark and store classified documents following prescribed security regulations. Do not attach classified essential supporting documents, invoices, or certificates to the original disbursement voucher, but identify them by the name of the DO, voucher number, DSSN, and the period of the account. Retain them at the paying disbursing office (for collateral classified programs) or the voucher preparing office (for special access programs) with other classified material. Include one of the following statements on the portion of the voucher for the description of the articles or services purchased:

1. For Collateral Classified Programs. “The documents supporting this voucher are located at the payment site with other classified material in accordance with (cite the applicable security regulation).”

2. For Special Access Programs. “The documents supporting this voucher are located at the voucher preparing office with other classified material in accordance with (cite the applicable security regulation).”

C. Declassification. Refer to appropriate security regulations for declassifying and downgrading, and to report classification abuses and improper classifications.
D. Distribution. Distribute the original and required copies of the covering disbursement voucher in the normal manner. Do not attach the classified supporting documents.

090413. Payments from Contingency Funds

Use a DD 281, Voucher for Emergency or Extraordinary Expense Expenditures, to make payments from contingency funds.

A. Preparation. Prepare the form to allow it to be unclassified. Classify supporting documents based on their content. A covering disbursement voucher is not required as described in subparagraph 090412.A.

B. Transmittal of Vouchers and Recording. See paragraph 090408.

090414. Hand Carrying Disbursement Vouchers

A. Vouchers Prepared Outside the Disbursing Office. Send payment vouchers prepared outside the disbursing office to the disbursing office so that the payee does not have access to them.

B. Vouchers Prepared Within the Disbursing Office. The responsible functional area sends or delivers these vouchers to the cashier area. Where distance between the functional area and cashier section makes this impractical, see paragraph 090405.

090415. Distribution of Paid Vouchers

The disbursing office sends the original and necessary copies of paid vouchers to the appropriate DFAS site (see Chapter 15, paragraph 150801).

090416. EFT Payments

A. Procedures. EFT payments are sent to the FRB on debit vouchers showing the date payment is due. The DO must implement internal controls to confirm that the FRB receives the payment files successfully and on schedule, and retain the memorandum copy of the debit voucher. DOs that transmit payment files electronically use the FRB's summary of ACH activity report in lieu of the debit voucher. In either case, the FRB issues a confirmation debit voucher to the DO. For an EFT transaction, record the debit voucher as a negative deposit with the payroll, travel, or vendor payment recorded as a gross disbursement (see Chapter 15).

B. Returns. When a financial institution returns one or more EFT/ACH payments to a paying office, the DO prepares and processes a collection voucher to account for the returned funds, crediting them to the appropriation from which they were originally disbursed. EFT returns will be submitted back to the originating ALC crediting the TAS from which they were originally disbursed. Record the collection on line 4.1B (Less - Refunds) of the DD 2657, with an offsetting entry on line 4.2A (Deposits Presented or Mailed to Bank) to account for the deposit ticket from the FRB in processing the returned payment. The DO notifies the appropriate
entitlement area of the returned payment by providing a copy of the collection voucher and any rejection information received (e.g., the reject code). See Treasury’s *Green Book, Chapter 4*, for a detailed listing of payment rejection codes. The entitlement area tracks, monitors, and researches the cause of the return and provides a recertified voucher to initiate an appropriate EFT/ACH payment within 5 business days.

C. **Reclamations.** The DFAS Cleveland (DFAS-CL) DO, when notified of the death of a military retiree or an annuitant, contacts the decedent’s bank requesting the return of all payments made since the retiree’s or annuitant’s death. The DFAS-CL DO has three years from the date of the Financial Management Service (FMS) Form 133, Notice of Reclamation, to submit FMS 135, ACH Reclains. For additional information, see Treasury’s *Green Book, Chapter 5*, for detailed instructions.

090417. Retention of Records

See Volume 1, Chapter 9.

0905 DEPOSIT FUND AND BUDGET CLEARING ACCOUNTS

090501. Disposition of Funds in Deposit Fund Accounts

A. **Method of Disposition.** Applicable functional areas dispose of collections received for deposit fund accounts using one of the following methods:

1. **Payment to Other Individuals or Organizations.** Use an SF 1034;

2. **Refund to the Remitter.** Use an SF 1034; or

3. **Withdrawal for Application to an Appropriation, Receipt Account, or Other Deposit Fund Account.** Use an SF 1081 for the disbursement and collection, and submit it as substantiation for either or both. The SF 1081 cannot be used for check or cash payment.

B. **Vouchering.** Only one deposit fund account may be charged on a single voucher. Submit charges to accounts **F0109, Federal Tax Withheld from Payments to Nonresident Aliens; and **F3875, Budget Clearing Account (Suspense), on separate vouchers.

C. **Civilian Pay Deductions.** When preparing an SF 1081 for adjustment of deductions from civilian pay, show deposit fund account symbols and amounts for withheld taxes and U.S. savings bonds on the same SF 1081 containing the necessary information.

D. **Withdrawals Involving Foreign Currency.** To repay foreign currency deposits at USDEs different from those at which they were deposited, see Chapter 13.
*090502. **F3875, Budget Clearing Account (Suspense)

A. Transfer of Funds. Upon determining the proper disposition of funds in this account, transfer the amount on an SF 1080 or 1081 to the proper account. Explain the charges on the SF 1080 or 1081. See TFM Bulletin No. 2020-05 for guidance on the use of **F3875. Use this account to hold unidentifiable collections temporarily for no more than 60 days, or use other business processes approved by the Fiscal Service. Payment is prohibited from the **F3875 suspense accounts.

*  

B. Transferring Funds Out of Clearing Accounts (Suspense). Utilize a CTA transaction to move the (cash) funds out of the clearing account to the proper program TAS, deposit fund account, or DO Cash TAS along with the proper adjustment BETCs. Utilize an SF 1080 or SF 1081 to document the charges and report the transactions within internal DoD systems.

C. Disbursements Representing Funds Received for Other Government Agencies. Send an IPAC payment or check payable to the Treasury and a copy of the disbursement voucher to the official of the agency requesting collection.

1. Checks Payable to the U.S. Postal Service. If the collection is for credit to a U.S. Postal Service appropriation or receipt account citing departmental prefix “18,” send the check and a copy of disbursement voucher to the Manager, Finance Branch, Eagan Information Systems/Accounting Service Centers, U.S. Postal Service, 2825 Lone Oak Pkwy, Eagan, MN 55121-9600.

2. Checks Payable to Other Government Agencies. For a collection for another government agency, send the check to the agency with a source and reason for collection.

D. Deposits Representing Collections for Unofficial Telegraph and Telephone Service. Upon transfer of funds to the proper accounts, disburse amounts representing federal taxes for unofficial telegraph and telephone services to the appropriate IRS District Director.

E. Transactions Rejected by the Accounting System. Accounting Offices notify the DO and request the documentation needed to process the transaction successfully. DOs send the requested documentation to the accounting office within 30 days.

1. Supporting Documentation Maintained Locally. The DO sends the requested documentation to the accounting office immediately.

2. Supporting Documentation Maintained at a Remote Site

a. The DO notifies the entitlement area of the rejected transaction immediately by telephone or email.
b. If the requested information is not received within five working days of the initial request, send a formal, written request to the functional area, referencing the original request.

c. If no response is received within five working days of the second request, send a copy of the request memorandum, with a cover letter, to the site director or commander, as appropriate.

090503. Overages

A. Disbursement Action. For an overage that should not have been accounted for as a collection, the responsible functional area prepares an SF 1034 payable to “Adjustments” to reverse the erroneous collection and permit proper accounting for the funds. Do not issue a check or a cash payment for this voucher.

B. Adjustments. If an amount was recorded in error as a collection to one of the following accounting classification other than **F3875; **F3885, Undistributed Intragovernmental Payments; **X6500, Advances Without Orders from Nonfederal sources; **X6501, Small Escrow Amounts; or **X6276, Other Federal Payroll Withholding, Allotments (e.g., a collection from a sales official); the responsible entitlement area initiates the adjustment by preparing an SF 1081 charging one of the cited accounts and crediting the proper appropriation or fund.

C. Removal. If every reasonable effort to discover the proper disposition of the funds is unsuccessful, prepare an SF 1081 to remove the amount from the affected deposit fund account, and credit **R1060, Forfeitures of Unclaimed Money and Property.

*0906 Treasury Disbursing Office (TDO)

The TDO initiative allows Treasury to become the Federal service provider performing payment and collection functions on behalf of DoD. The program also allows an agency to send and receive financial transactions directly to Treasury systems. The TDO program provides services to facilitate various disbursement and collections including contract, vendor pay, individual reimbursement, and miscellaneous pay (e.g., utility bills, credit cards, etc.). The TDO program is also a centralized post-pay actions that works in concert with customers, partners, and stakeholders to provide customized payment solutions that are expeditious while ensuring invoices or claims are valid against the government. Once fully transitioned from the legacy disbursing systems to TDO, DoD will continue to function as a non-Treasury disbursing office and provide services related to collections, advance payments, cash disbursements, agent payment and returns, accommodation exchange, contingency (e.g., combat zone, afloat, and military in support of disaster relief), and emergency disbursing transactions under 31 U.S.C. § 3321(c)(2). For additional information on the TDO initiative, see 1 TFM 4A-3000 for scheduling payments disbursed by the Fiscal Service.
0907 PAYMENTS IN SUPPORT OF ADVANCE PAYMENT POOL AGREEMENTS

090701. General

An advance payment pool agreement:

A. Is a means of financing the performance of more than one contract held by a single contractor. Cash advanced to a contractor must be reported on the DD 2657 and be reflected on the DO Cash TAS until the money is returned or disbursed;

B. Is convenient for the financing of cost type contracts with nonprofit educational or research institutions for experimental or research and development work when several contracts require financing by advance payments. When appropriate, pooled advance payments may also be used to finance other types of contracts held by a single contractor; and

C. May be established:

   1. To finance contracts for one or more departments or contracting activities;

   2. In addition to any other advance payment pool agreement at a single contractor location when it is more convenient or otherwise preferable to have more than one agreement; or

   3. Without regard to the number of appropriations involved. Under 31 U.S.C. § 1534, one appropriation may be charged for the benefit of another any time during a fiscal year so long as:

      a. Amounts are available in both the appropriation to be charged and the appropriation to be benefited subject to limitations applicable to the appropriations, and

      b. Any amounts paid are charged on a final basis by the close of the fiscal year to the appropriation benefited and the appropriation originally charged is appropriately credited.

090702. Policy

A. Allow payment in advance of receipt of goods or services to educational and research institutions under 10 U.S.C. § 2307. Payments are allowed only if the contractor gives adequate security and after a determination by the head of the agency that to do so would be in the public interest. Security may be in the form of a lien on the balance in an account in which the payments are deposited. This lien takes precedence over other liens and is effective immediately upon the first advance payment of funds without filing, notice, or any other action by the United States. The total payments made may not exceed the unpaid contract price.
B. When multiple agencies or departments are part of the advance payment pool agreement, cite their funds on contracts. When more than one contract is involved in the advance payment pool agreement, one or more of them, normally of large dollar value, is designated as the contract to which the advance payments are to be applied. Follow Volume 10, Chapter 10, paragraph 100504 to process advance payments.
Table 9-1. Disbursement Voucher “Paid By” Blocks

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VOLUME 5, CHAPTER 10: “SMART CARDS FOR FINANCIAL APPLICATIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated **July 2017** is archived.

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<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<td>1005</td>
<td>Deleted section titled “Navy Cash Program” due to the duplication of guidance provided by the EagleCash and EZPay Stored Value Card program information.</td>
<td>Deletion</td>
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<tr>
<td>1005</td>
<td>Added section titled “Daily Reporting Requirements for Stored Value Card” and guidance from the Treasury Daily Reporting Policy Memo FPM 19-14.</td>
<td>Addition</td>
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<tr>
<td>100601.B</td>
<td>Added guidance to the subparagraph titled “Card Funds Access” paragraph from the Treasury Daily Reporting Policy Memo FPM 19-14.</td>
<td>Revision</td>
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10-3
CHAPTER 10

SMART CARDS FOR FINANCIAL APPLICATIONS

1001 GENERAL

100101. Overview

The Department of Defense (DoD) utilizes several Smart Card applications to conduct financial transactions in a number of settings. Smart Cards:

A. Include Stored Value Cards (SVC), debit cards, and combination cards (hybrids that contain both SVC and debit card features);

B. Store or provide access to “electronic funds” and a more secure method of handling funds; and

C. Alleviate the need to carry cash and provide electronic payment to vendors for items purchased or services rendered.

100102. Purpose

This chapter provides:

A. Guidance for requesting approval to begin a Smart Card pilot program or to move from pilot to full roll-out, except when provided under the General Services Administration (GSA) SmartPay Contract; and

B. High-level disbursing guidance for SVCs, combination cards, and debit cards.

1. SVCs

a. The basic trainee SVC program (known as EZpay) is used as an advance of pay to basic trainees of the United States Army, Air Force, Navy, and Marine Corps.

b. The SVC used for United States deployed forces, known as EagleCash, is used for electronic financial transactions in overseas contingency locations.

2. Debit Cards. Debit cards are used as an alternate device for payments made by DoD agencies.
100103. Authoritative Guidance

In accordance with Title 31, Code of Federal Regulations, part 208, Electronic Funds Transfer (EFT) is mandatory within the DoD, unless a waiver has been granted. Per Treasury Financial Manual (TFM), Volume I, Part 4A, Chapter 300 (ITFM 4A-3000), SVCs and debit cards are available mechanisms for working towards compliance with the EFT requirement.

1002 POLICY ON SMART CARD UTILIZATION

100201. Overview

The policy and guidance set forth in this chapter, is in accordance with the Department of Treasury (Treasury), ITFM 4-9000. Treasury guidance supersedes any conflicting information provided in this chapter. The Defense Finance and Accounting Service (DFAS) is assigned management and oversight responsibility for the functional aspects and the use of financial Smart Cards within the DoD, except for GSA Smartpay products. Written approval from DFAS is required for all pilot and full rollout Smart Card usage (e.g., stored value or debit) that employ either single purpose or multifunctional applications (combined financial/non-financial applications).

100202. Smart Card Program Approval

A. General. If a DoD agency seeks to establish a new Smart Card program, the agency must submit a request for approval to the Director, Enterprise Solutions and Standards, Disbursing (DFAS-JJFKCB/IN), 8899 East 56th Street, Indianapolis, IN 46249-0500. Separate requests are required for each financial application. Electronic submissions may be sent to dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil.

B. Program Magnitude. Requests for approval must indicate whether the program is a pilot effort or a full rollout program.

1. Pilot Programs. Pilot programs are temporary and must be in operation for no less than 90 days and not to exceed 180 days. Pilots should be used to test card programs prior to full rollout.

2. Full Roll-Out Programs. Full rollout programs are non-temporary and must be in operation longer than 180 days. Full rollout of a card program should follow a pilot.

C. Smart Card Application Package. Requests for approval must be submitted as an application package to DFAS-JJFKCB/IN. The application package must be completed before approval of any pilot or full rollout of a card program. Include the following items in the application package:
1. Requesting Memorandum. The agency headquarters, or designated representative, should request approval of the pilot or full rollout program via memorandum. It should be addressed to DFAS, Enterprise Solutions and Standards.

2. Application. All pilot and full rollout programs are required to submit a completed DoD Financial Smart Card Application (Figure 10-1).

3. Concept of Operations (CONOPS). The CONOPS document should contain guidance on the use of the Smart Card program by the agency.

4. Coordination. The package must contain copies of coordination documentation, including the agency or component leadership’s and servicing Disbursing Officer’s (DO) endorsement of memoranda.

5. Agency Smart Card Project Manager Documentation. A copy of the letter designating the agency Smart Card project manager must be submitted with each package. See paragraph 100204 for information on project managers.

6. Analysis for Full Rollout. If the request is to move from a pilot Smart Card program to a full rollout, include an analysis showing:
   a. Any savings realized from the pilot program;
   b. How the pilot program is an improvement over the pre-pilot environment; and
   c. The results of relevant performance measures used during the pilot and proposed for the full rollout.

100203. Memorandum of Understanding

The Treasury, Bureau of the Fiscal Service (Fiscal Service) and the agency implementing the program must establish a Memorandum of Understanding (MOU) prior to the implementation of a new Smart Card program (see subparagraph 100202.A). The MOU describes the terms of the agency’s Smart Card program and the respective responsibilities of the agency and Fiscal Service for operation of the program. In addition, the MOU specifies the type of program and Smart Card(s) implemented by the agency, the agency’s funding schedule, and the fees and costs to be paid by the agency and Fiscal Service.

100204. Agency Smart Card Project Manager

A. Designation. The agency must designate a Smart Card project manager and alternate in writing before implementing a Smart Card program.

B. Responsibilities. The agency must specifically identify the tasks for which the Smart Card project manager is responsible. The Smart Card project manager must manage the
Smart Card program and the activities described in this chapter in accordance with the MOU between the Fiscal Service and the agency, the Smart Card standard operating procedures (SOPs) and other instructional documents, and program-specific policies and procedures developed by the agency in consultation with Fiscal Service. The specific duties of the project manager include:

1. Acts as the agency’s liaison among Fiscal Service, the agency, and other interested stakeholders;

2. Provides full support for the Smart Card program within the agency;

3. Develops and obtains agency approval for the CONOPS, Smart Card application, and other related plans for the implementation of the agency’s Smart Card program;

4. Secures agency funding approvals necessary for the Smart Card program;

5. Coordinates the agency’s implementation of the Smart Card program to include obtaining and maintaining the Security Assessment and Authorization, the Authority to Operate or similar approval, and the SVC program to access the agency’s computer networks so that the SVC can be deployed and operate as designed;

6. Oversees and obtains agency approvals for changes to the program;

7. Transfers sufficient funds to Treasury’s financial or fiscal agent to ensure full funding for the agency’s obligations with respect to outstanding Smart Cards;

8. Maintains accurate, up-to-date lists of accountable officers; and

9. Complies with other Smart Card program policies and procedures as described in the MOU, SOPs, and other Smart Card instructional documents.

100205. Smart Card Accountable Officers

A. Designation. The agency must designate one or more Smart Card accountable officers. If the agency Smart Card accountable officer is already appointed as a DO, Deputy DO (DDO), or Disbursing Agent and the responsibilities of the card program are covered by the current appointment, no additional documentation is necessary for appointment. However, if these requirements are not met, then the agency must provide a Letter of Appointment or appointment by DoD (DD) Form 577, Appointment/Termination Record - Authorized Signature, assigning an individual or individuals as the Smart Card accountable officer(s). The Letter of Appointment will list the individual’s responsibilities. An additional letter will be required when the individual no longer serves as the Smart Card accountable officer. In addition to this documentation, the accountable officer(s) must fill out the Fiscal Service (FS) Form 2888,
Application Form for U.S. Department of the Treasury Accountable Official Stored Value Card (SVC), when directed by the agency Smart Card project manager.

B. Responsibilities. The agency must specifically identify the tasks for which the Smart Card accountable officers are responsible. The agency should segregate the duties appropriately in accordance with the agency’s policies and procedures. As applicable and appropriate, accountable officers are responsible for the duties and responsibilities of a certifying officer or a DO, depending upon the designation of the accountable officer per Title 31, United States Code (U.S.C.), sections 3322, 3325, 3528, and other applicable laws. The Smart Card accountable officers must manage the Smart Card program and the activities described in this chapter in accordance with the MOU between Fiscal Service and the agency, the Smart Card SOPs and other instructional documents, and program-specific policies and procedures developed by the agency in consultation with Fiscal Service. The specific duties of the accountable officers may include:

1. Issuing Smart Cards and Personal Identification Numbers (PINs) to cardholders while following all enrollment processes;

2. Accounting for outstanding Smart Cards and the funds associated with each Smart Card, to the extent the Smart Cards and funds are within the control of the agency;

3. Providing instructions to Treasury’s financial or fiscal agent as to the proper allocation of funds among the Smart Cards that are issued, by account number and, where feasible, cardholder name;

4. Maintaining accurate, up-to-date inventories of Smart Card program hardware and equipment, including point-of-sale (POS) terminals, laptops, kiosks, Smart Cards, and other items associated with the Smart Card program that are delivered to agency locations;

5. Safeguarding Smart Cards as sensitive items, to the extent the Smart Cards are within the control of the agency (the agency is accountable for Smart Cards issued by the agency at issuance locations); and

6. Along with the agency’s Smart Card project manager, comply with other Smart Card program policies and procedures as described in the MOU, SOPs, and other instructional documents.

100206. Standard Operating Procedures

This chapter contains higher level policy and disbursing accountability requirements for the use of various card programs that have been approved. DoD Agencies, responsible for programs listed within this chapter, are required to develop and maintain detailed SOPs that comply with all current applicable regulations and cover all aspects of their card program for daily operations and/or contingencies.
100207. Loss of Funds

The DO is accountable for physical loss of funds and for overage of Smart Card funds. Should a loss or overage occur, the DO or designated representative should follow the guidance prescribed in Chapter 6, section 0604.

100208. Smart Card Ordering

Smart Cards are ordered through the applicable point of contact for the program (Fiscal Service or Fiscal Service’s financial agent/fiscal agent) and delivered to the appropriate site. The point of contact and designated agency representative(s) must establish procedures to determine card usage and a secure method of card delivery.

100209. Security and Storage

Smart Card stock must be treated like blank check stock. Storage and security requirements for blank check stock are prescribed in Chapter 7, paragraph 070307.

100210. Lost or Damaged Cards and Replacements

If a Smart Card is reported lost, damaged, or malfunctioning, follow procedures laid out in the applicable MOU and SOPs. For all stored value and combination cards reported lost, stolen, damaged, or malfunctioning, a locally produced list should be created for audit purposes. For the U.S. Debit Card, contact Fiscal Service’s financial agent.

100211. Theft, Fraud, Waste, and Abuse

Agencies participating in a Smart Card program must:

A. Include a process for reporting and educating Smart Card cardholders on how to promptly report any loss, theft, fraudulent, and unauthorized use of Smart Cards, PINs, passwords, or other security breach or malfunction involving the Smart Card program to Treasury or Treasury's financial or fiscal agent, and to the agency Smart Card Project Manager;

B. Aggressively investigate and prosecute (or assist in investigations, and prosecutions of) end-user theft, fraud, unauthorized use, or improper use of the Smart Card service that occur in agencies’ areas of operation, and assist in obtaining restitution for the party suffering the loss;

C. Ensure that appropriate anti-money laundering controls and procedures are in place, in order to document the flow of monies onto or off of a Smart Card; and

D. When a funds pool is used to fund a SVC; compensate the SVC funds pool for losses that result from theft, fraud, unauthorized use or other improper use of SVC equipment or resources for which agencies are responsible; unless the funds pool has been reimbursed from
other sources, or the Treasury determines that such compensation is unnecessary or does not serve the SVC program’s best interests.

100212. Audit Requirements

A. General. An initial inventory must be completed and recorded upon receipt of Smart Cards from the Fiscal Service or other designated representatives. After the Smart Cards are inventoried, a signed receipt must be provided to the issuing representative for their records. The DO or designated representative will complete a SVC inventory log when releasing Smart Card stock to authorized personnel and to monitor returns of all unused Smart Cards. The DO or designated representative must maintain a copy of the signed receipt for his or her records.

B. Monthly Inventory. At least once every calendar month, the DO or designated representative must inventory all Smart Cards secured in the vault. Any open container must be inventoried by individual count and by unique sequential numbers of the cards. All damaged containers, or those bearing evidence of having been tampered with, must be opened, and all cards must be individually counted and unique sequential numbers verified. A detailed record of the inventory, to include total cards on hand and unique sequential numbers by card type, must be retained in the disbursing office. At least once during each calendar quarter, the agency’s cash verification team must conduct an unannounced verification of any Smart Card stock (e.g., U.S. Debit Cards, EagleCash, EZpay) to include cards received, issued, returned, and on hand. A copy of the inventory must be given to the agency’s cash verification team as an attachment to their quarterly cash verification report.

1003 EZPAY STORED VALUE CARD

100301. Overview

The EZpay SVC program utilizes a Smart Card with an embedded computer chip, which is preloaded with a specific amount of funds (e.g., $300, $350, $400), that provides an electronic payment method for advance of pay to trainees of the U.S. Army, Air Force, Navy, and Marine Corps. The EZpay SVC is a substitute for coin and currency transactions and is issued to alleviate cash or check payments to trainees during training. The card is designed to provide basic trainees with access to their initial advance pay, a more secure method of money handling, and electronic payments to vendors for essential items needed during the first few weeks of training (e.g., haircuts, stationery, stamps, and toiletries). Personnel involved with administering the EZpay program are encouraged to access Fiscal Service’s EZpay website. This website provides an overview of EZpay and includes items such as: getting started, common questions, acceptance sites, SVC facts, and the EZpay User’s Guide. EZpay SVC transactions do not impact the DO Cash TAS and are reported to Treasury through PIR (similar to EFT transactions) citing the proper TAS/BETC. Residual values on expired/cancelled cards will follow the EFT return reporting process.
100302. Card Issuance

The DO or designated representative must maintain a vault inventory and issuance log for each denomination (monetary amount) of EZpay SVC stock received. This log must be used to maintain an inventory of card stock on hand and to control the release of cards to the issuing section or individual. When EZpay SVCs are issued, the DO or designated representative must examine the log to ensure that all cards issued and cards returned unused, if any, are accounted for and that cards are not removed without authority. Use a separate log sheet for cards with different fixed monetary amounts. Do not mix cards of different values on the same sheet. The SVC inventory log must contain the date of inventory, beginning card unique sequential number, ending card unique sequential number, number of cards returned, number of cards issued for the day, number of cards remaining in inventory, and the signature of the DO or designated representative.

100303. Activation and Accountability

Detailed procedures for activation of EZpay SVCs must be included in the agency’s SOP for issuance. Once an EZpay SVC is activated, the DO or designated representative must ensure that the card number is indicated on the payroll document for tracking purposes and ensure the amount is reflected as an increase in the DO’s accountability for that day’s business. A payment in an amount equal to the total value of all EZpay SVCs activated that day will be forwarded to the Treasury’s fiscal agent, which is the financial institution making restitution to the vendors for card usage. The payment will be in the form of an EFT. The fiscal agent will complete the required settlement action with vendors who accept the EZpay SVC. The total dollar value of the EZpay SVCs activated for that day, with the exception of replacement cards issued, will always match the total of the daily payroll document.

100304. Residual Value on Expired/Cancelled Cards

Unclaimed balances on a SVC at expiration are identified as residual funds and, if possible, are returned to the cardholder systematically by Fiscal Service’s designated financial or fiscal agent. If systematic return is not possible, the agency and Fiscal Service initiate good faith efforts to locate and return residual funds greater than $10.00 to the authorized SVC cardholder. Should systematic or good faith return not be possible, residual funds greater than one year old are transferred to the Treasury trust fund receipt account “Unclaimed Moneys of Individuals Whose Whereabouts are Unknown” (31 U.S.C. § 1322) to be claimed with supporting documentation by contacting Fiscal Service. See I TFM 6-3000 for additional guidance on residual funds.

1004 EAGLECASH STORED VALUE CARD

100401. Overview

The EagleCash SVC is a reloadable plastic card embedded with a computer chip that stores “electronic funds” in its memory. The card is issued to deployed service members, DoD civilians, and contractors. The card is used as a substitute for coins and currency transactions at concessions and for services at military installations overseas during contingency operations (e.g., barber and beauty shops, food court, post office, and Base Exchange). The card can be reloaded and
continually used throughout the tour of duty. The cards are issued by a Finance Office (inside or outside the continental United States) and may be funded through a local pay, cash, personal check, or the EagleCash Kiosk. For more information, visit Fiscal Service’s EagleCash website. This website provides an overview of EagleCash and includes items such as: getting started, common questions, acceptance sites, SVC facts, the EagleCash User’s Guide, and the Kiosk User’s Guide.

100402. Card Issuance

The DO or designated representative will issue all cards used in this program. EagleCash cards with a zero dollar value may be issued to individuals who are authorized to receive check-cashing services as prescribed in Chapter 4, paragraph 040301. The name of the individual, appropriate identification number, length of deployment, and bank account information are all collected during the issuance process. EagleCash cards can be issued at the deployed location or in advance of deployment by the Finance Office.

100403. Activation

A. EagleCash Kiosk. When an EagleCash card is issued, it may be loaded with funds drawn by personal check, cash, or local pay. Additionally, a self-service card-processing device called the EagleCash Kiosk may be deployed in the field for the purpose of loading, unloading, and transferring funds to the EagleCash card.

B. Application Process. Before a cardholder uses a kiosk, he or she is required to complete the FS 2887, Application Form for U.S. Department of the Treasury Stored Value Card (SVC) Program. Completion of the FS 2887 gives the Treasury’s fiscal agent access to move money from the cardholder’s financial institution to the EagleCash card.

C. PIN. Bank information (bank routing number, account number, and type of account) is captured electronically or manually and embedded in the computer chip. A PIN is assigned at the chip level for use with the kiosk or at a Finance Office. The completed and signed FS 2887 must be forwarded to the Treasury’s designated fiscal agent who is authorized to initiate debit and credit entries to the individual’s financial institution. The FS 2887 will allow the cardholder to transfer funds between his or her financial institution and the EagleCash account. The DO must retain a copy of all completed enrollment forms.

100404. Accountability

The accounting for entries of EagleCash must be recorded on the appropriate lines of the DD 2657, Daily Statement of Accountability. On each business day, using the EagleCash laptop, DOs, DDOs, Finance Officers, or their designated representatives collect all new account transactions and create a compressed “zipped” file. Email the file to the EagleCash Customer Service Center at eagle@frb.org, transmit it on line, or deposit it at another agency designated location.
100405. Residual Value on Expired/Cancelled Cards

If a cardholder departs the area before cashing out their EagleCash card, the Fiscal Agent must deposit the funds to the cardholder’s account on file after the card expires. A credit must be forwarded to the cardholder’s bank account via an Automated Clearing House credit using information provided by the cardholder when signing up for EagleCash. If systematic return is not possible, the agency and Fiscal Service initiate good faith efforts to locate and return residual funds greater than $10.00 to the authorized SVC cardholder. Should systematic or good faith return not be possible, residual funds greater than one year old are transferred to the Treasury trust fund receipt account “Unclaimed Moneys of Individuals Whose Whereabouts are Unknown” (see 31 U.S.C. § 1322) to be claimed with supporting documentation by contacting Fiscal Service. See I TFM 6-3000 for additional guidance on residual funds.

*1005 DAILY REPORTING REQUIREMENTS FOR STORED VALUE CARD

100501. General

Daily reporting requirements for the EagleCash and EZPay Cash card programs are the same. Scenarios below impact the DO Cash TAS and must be properly reported to the Treasury.

A. SVC Sales or Load/Chip to Cash

Issued cards may be funded by personal check, cash, split pay, or transfer of funds from the cardholder’s home financial institution. Funding through split pay and the cardholder’s home financial institution does not impact the DO’s accountability/DO Cash TAS. Funding by personal check or cash increases the DO’s accountability/DO Cash TAS.

1. Personal Check. Submit a debit voucher citing the DO Cash TAS and applicable BETC to the Federal Reserve Bank (FRB) via DoD business system processes. The FRB will transmit the transactions to Treasury via OTCnet/CIR reflecting the proper TAS and BETC. Deposit the personal check citing the DO Cash TAS.

2. Cash. Submit a debit voucher citing the DO Cash TAS and applicable BETC to the FRB via designated system processes. The FRB will transmit the transactions to Treasury via OTCnet/CIR reflecting the proper TAS and BETC.

B. SVC Sales or Sale/Cash to Chip

Prior to departing a deployed environment, ship, or being separated from active duty, a cardholder may transfer any remaining value to their home financial institution or request a cash-out from the DO paid in cash or by U.S. Treasury check. The transfer of value to a home financial institution does not impact the DO’s accountability/DO Cash TAS. Additionally, vendors utilizing a point-of-sale (POS) terminal may request a cash-out for the dollar value equal to transactions on their POS terminal. Cash-out transactions decrease the DO’s accountability/DO Cash TAS.
1. U.S. Treasury Check. Submit a deposit ticket citing the DO Cash TAS and applicable BETC to the FRB via designated DoD business system processes. The FRB will transmit the transactions to Treasury via OTCnet/CIR reflecting the proper TAS and BETC. Report the U.S. Treasury check to PIR citing the DO Cash TAS.

2. Cash. Submit a deposit ticket citing the DO Cash TAS and applicable BETC to the FRB via designated DoD business system processes. The FRB will transmit the transactions to Treasury via OTCnet/CIR reflecting the proper TAS and BETC.

1006 UNITED STATES DEBIT CARD PROGRAM

*100601. General

The United States Debit Card (USDC) program provides Federal agencies with the ability to deliver Federal payments through debit cards, as an alternative to checks, drafts, cash, and other non-electronic mechanisms. The cardholder may use the USDC to access authorized Federal payments at ATMs, POS terminals, bank tellers, and other locations where access is permitted. If the USDC is MasterCard or Visa branded, the cardholder may use the USDC anywhere the applicable brand is accepted. For more information, visit Fiscal Service’s USDC website and the USDC Program website.

A. Program Administration. The USDC program is administered by the Fiscal Service, with the assistance of Fiscal Service’s designated financial agent. The USDC is a flexible payment mechanism used to deliver miscellaneous or nonrecurring payments to individuals, or to allow government employees or military personnel access to cash during their official duties.

* B. Card Funds Access. After implementation of the USDC program, the agency disburses payments to a card account and the funds are accessed via a debit card issued to a Federal payment recipient. Cards may be funded through a Card Funding Account (CFA) owned by the Agency and held by the financial agent, through EFT via the ACH network, or by utilizing the Automated Standard Application for Payments system to authorize the financial agent to draw down agency funds. Funds held in a CFA must be reflected in the DO Cash TAS. DOs establish funds in a CFA through an EFT for Cash and record the funds on the DD 2657. Disbursements out of the CFA must be reported as cash disbursements.

1007 DIRECT EXPRESS

Direct Express Debit MasterCard is a prepaid debit card offered to Federal benefit recipients who wish to receive their benefits electronically. The debit card offers the convenience and security of using electronic transactions to spend and access money rather than using cash for purchases. Recipients do not need to have a bank account to sign up for the card. The Direct Express Debit MasterCard is available only to individual Federal benefit recipients. For more information on the Direct Express Debit MasterCard, see the website.
<table>
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<td>1. Program Title:</td>
</tr>
<tr>
<td>2. Program Description:</td>
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<tr>
<td>3. Sponsoring Organization:</td>
</tr>
<tr>
<td>4a. Name of Smart Card Project Manager (Primary or Alternate):</td>
</tr>
<tr>
<td>b. Telephone:</td>
</tr>
<tr>
<td>c. E-Mail:</td>
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<tr>
<td>d. Fax:</td>
</tr>
<tr>
<td>5. Program Magnitude (Check one): Pilot [ ] Full Roll-out [ ]</td>
</tr>
<tr>
<td>6. Supporting Disbursing Station Symbol Number (DSSN):</td>
</tr>
<tr>
<td>7. Implementing Location(s):</td>
</tr>
<tr>
<td>8. Duration and Start Date Requested:</td>
</tr>
<tr>
<td>9. Financial Application(s) (e.g., Debit, Stored Value, Other):</td>
</tr>
<tr>
<td>10. Purpose/Objective (Include improvements/changes to official DoD functions (e.g., disbursing and paying, if any)):</td>
</tr>
<tr>
<td>11a. Anticipated Future Deployment: Yes [ ] No [ ]</td>
</tr>
<tr>
<td>b. If yes, explain:</td>
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</table>
Figure 10-1. Department of Defense Financial Smart Card Application (Page 2 of 4)

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<tr>
<td>12. Alternatives Considered (e.g., EFT, Travel Card):</td>
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<td>13. Other Non-Financial Applications on Card:</td>
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<td>14a. Total Population Served:</td>
<td>b. Number of Cards:</td>
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<td></td>
<td>c. Projected Annual Dollar Amount Deposited on Cards (US Debit Card Program Only):</td>
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<tr>
<td>15. Other Known Location(s)/Installation(s) Where Card Could be Used:</td>
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<td>16. Projected Savings and Budget Impact:</td>
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<td>17. Anticipated Benefits:</td>
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<td>18. Performance Measures of Pilot:</td>
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<td>19. Barriers to Implementation:</td>
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<tr>
<td>20. Issuing Financial Institution Provider/Sponsor and <strong>Point of Contact (POC):</strong></td>
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</tr>
<tr>
<td>21. Type of Card Technology/Platform and Size:</td>
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<tr>
<td>22. How Funds Will be Loaded on Cards:</td>
<td></td>
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<tr>
<td>23. Source of Funds to be Loaded on Cards:</td>
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<tr>
<td>24. Security and Privacy Factors:</td>
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</tr>
<tr>
<td>25. Accountability Controls (including Funds Pool), Auditable Features, and Collateralization/Warranty Issues:</td>
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<tr>
<td>26. Frequency of In Progress Reviews (e.g., monthly, quarterly):</td>
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<tr>
<td>27. Authorization/Dispute Processes:</td>
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<td>28.</td>
<td>Association Brand Affiliation (e.g., VISA/MASTERCARD):</td>
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<td>29.</td>
<td>Network Used, if any (Cirrus, Plus):</td>
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<td>30.</td>
<td>On-base Merchants Where Card is Accepted:</td>
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<td>31.</td>
<td>Cost of Cards:</td>
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<tr>
<td>32.</td>
<td>Type and Number of Equipment:</td>
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<tr>
<td>33.</td>
<td>Cost of Equipment:</td>
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VOLUME 5, CHAPTER 11: “ELECTRONIC COMMERCE AND DEPOSIT OF PUBLIC FUNDS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2019 is archived.

<table>
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<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
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<tr>
<td>110403.F</td>
<td>Added additional guidance to subparagraph titled “Other Required Information” from the Treasury Daily Reporting Policy Memo (FPM 19-14).</td>
<td>Revision</td>
</tr>
<tr>
<td>110405.A</td>
<td>Amended the subparagraph titled “Recording Intra-governmental Payment and Collection (IPAC) Transactions” by removing the requirement to use the Standard Form 1219 (Statement of Accountability) to record IPAC transactions. Per Treasury instructions, all IPAC transactions are recorded daily in Treasury’s Central Accounting Reporting System.</td>
<td>Revision</td>
</tr>
<tr>
<td>110405.C</td>
<td>Removed the subparagraph titled “Monthly Reporting of Differences by the Treasury to Agencies” from the chapter. The Treasury no longer provides the monthly Statement of Difference (Form 6652) report.</td>
<td>Deletion</td>
</tr>
<tr>
<td>1108</td>
<td>Added additional guidance to paragraph titled “Deposit of Funds” from the Treasury Daily Reporting Policy Memo (FPM 19-14).</td>
<td>Revision</td>
</tr>
<tr>
<td>111002</td>
<td>Added additional guidance to paragraph titled “Standard Reporting Format” from the Treasury Daily Reporting Policy Memo (FPM 19-14).</td>
<td>Revision</td>
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<tr>
<td>111103</td>
<td>Added additional guidance to paragraph titled “Deposit Reconciliation – General” from the Treasury Daily Reporting Policy Memo (FPM 19-14).</td>
<td>Revision</td>
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<td>PARAGRAPH</td>
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<td>PURPOSE</td>
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<tr>
<td>Figure 11-1</td>
<td>Deleted the form titled “Example of a Bilateral Trading Partner Agreement,” which is no longer used by the Treasury.</td>
<td>Deletion</td>
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<tr>
<td>Figure 11-2</td>
<td>Deleted the form “Example of DD Form 1131 with Deduction for Cashier’s Check” These forms can be found at DoD Forms Management. (<a href="https://www.esd.whs.mil/Directives/forms/">https://www.esd.whs.mil/Directives/forms/</a>).</td>
<td>Deletion</td>
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<tr>
<td>Figure 11-3</td>
<td>Deleted the form titled “Endorsement on Instruments Deposited to a General Depositary” form. The Defense Finance and Accounting Services, Enterprise Solution &amp; Standards (ESS), Disbursing Division has assumed responsibility for managing disbursing related procedural forms.</td>
<td>Deletion</td>
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<tr>
<td>Table 11-1</td>
<td>Deleted the Table titled “Checklist for DFAS Site Responsibilities for Deposit Discrepancies” form. The Defense Finance and Accounting Services, Enterprise Solution &amp; Standards (ESS), Disbursing Division has assumed responsibility for managing disbursing related procedural forms.</td>
<td>Deletion</td>
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<tr>
<td>Table 11-2</td>
<td>Deleted the Table titled “Checklist for DFAS Site Responsibilities for Deposit Discrepancies” form. The Defense Finance and Accounting Services, Enterprise Solution &amp; Standards (ESS), Disbursing Division has assumed responsibility for managing disbursing related procedural forms.</td>
<td>Deletion</td>
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<tr>
<td>Policy Memo</td>
<td>The Deputy Chief Financial Officer policy memorandum, “Intra-Governmental Payment and Collections System Cutoff and G-Invoicing Guidelines (FPM 20-06),” dated July 6, 2020, was incorporated into the chapter and cancelled.</td>
<td>Cancellation</td>
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CHAPTER 11

ELECTRONIC COMMERCE AND DEPOSIT OF PUBLIC FUNDS

1101 GENERAL

110101. Overview

Government entities disburse funds to and collect funds from individuals, businesses, and other government entities via cash, negotiable instruments, and a variety of electronic mechanisms.

110102. Purpose

This chapter provides information and guidance on several electronic disbursement and collection mechanisms that are Department of Treasury (the Treasury) programs and services.

110103. Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3322 and 31 U.S.C. § 3302 authorizes disbursing officers (DO) to deposit public funds and draws public funds from the Treasury or a depositary only as necessary to make payments. Additional statutes, regulations, and other guidance are referenced under each section of this chapter.

1102 ELECTRONIC FUNDS TRANSFER (EFT)

110201. Overview

In accordance with 31 U.S.C. § 3332, EFT is mandatory within the Department of Defense (DoD). Exceptions to this mandate are provided in the Treasury Financial Manual (TFM), Part 4A, Chapter 2000 (ITFM 4A-2000).

110202. Electronic File Transmission

Payment or payroll files must be transmitted to the Federal Reserve Bank (FRB) by electronic file transmission.

110203. Contractor Pay Applicability

Refer to Volume 10, Chapter 3, paragraph 030408.

110204. Official Authorization List (OAL) for the FRB

A. Overview. The OAL identifies all individuals who are authorized to transact business and provide instructions to the FRB on behalf of a disbursing office.
B. OAL Documentation. The OAL authorization letter, form, and instructions are located at the FRB Services - Account Services Forms web page. The disbursing offices must complete the “Official Authorization List (Government Organizations)” form, notarize the OAL form, sign the Agency Authorization Letter, and forward the documents to Treasury’s Bureau of the Fiscal Service, 401 14th Street SW - 409D, Washington, DC 20227, (treasuryOAL@fiscal.treasury.gov).

C. OAL Change Process. Each DO must validate their respective contact form for their office at least annually. If changes are required, follow the process in the FRB Service guidance located at the FRB Services web page in *Table S.4* (Sending Point and Service Provider Contact form). Once completed, send a copy to Defense Finance and Accounting Service (DFAS), Enterprise Solutions and Standards, Disbursing (DFAS-IN/JFKCB), 8899 East 56th Street, Indianapolis, IN 46249-2700 (dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil) and submit the original to the Fiscal Service, who will sign and forward to the FRB.

1103 CARD ACQUIRING SERVICE (CAS)

110301. Overview

The CAS is a government-wide network that allows federal agencies to receive credit and some debit card payments (i.e., Visa, MasterCard, American Express, Discover credit cards, and some debit cards) due the Federal Government. These credit or debit cards can be used to collect payments from the general public and from Government entities for a variety of reasons, including, but not limited to: sales of material, services, fees, fines, debts, customs duties, and taxes. Fiscal Service designated one financial agent to process credit and debit card collections and to provide uniform nationwide credit and debit card services for federal agencies. Credit and debit cards may be used for collections received over the counter, by mail, by phone, or over the Internet. If an agency wants to accept payments through the Internet, it is recommended that the agency work with Pay.gov in addition to setting up a CAS account. For more information about Pay.gov, see section 1107. Information pertaining to the CAS can be found at Fiscal Service’s *CAS* website.

110302. Card Processing Rules and Regulations

Activities participating in the CAS will use the “Financial Management Service (FMS) Card Processing Rules and Regulations” as a guide when processing credit and debit card transactions. In order to establish a processing relationship, activities must complete and submit the Agency Participation Agreement (APA) to Fiscal Service for approval. Prior to submission, activities must coordinate with their servicing DO.

110303. Transaction Dollar-Value Limit

A. Maximum Limit. Effective June 1, 2015, agencies must limit their credit card collections to ensure an individual payment transaction does not exceed $24,999.99. There should be no purchases using the credit card in excess of $24,999.99. An attempt to bypass this limit will result in a rejected transaction at the point of collection. Agencies will ensure controls
are in place to prevent splitting a purchase into smaller transactions. The payment–collection process will be stopped if the maximum limit for a collection is attempted. This information can be found at ITFM Part 5, 7045.10. This limit has been lowered from the previous payment transaction limit of $49,999.99.

B. Government Purchase Card Transactions. The limit in subparagraph 110303.A also applies to intra-governmental transactions using the government purchase card when the agency accepting the card uses Treasury’s CAS. Individual credit card transactions exceeding the maximum limit cannot be split into two or more transactions over one or multiple days. If the agency’s cash flow includes individual credit card transactions greater than the maximum limit, the agency should use another electronic collection alternative for those transactions. Available electronic alternatives include Automated Clearing House (ACH), which is the primary system for EFT, and Fedwire, which is a gross settlement funds transfer system operated by the FRB.

C. Minimum Limit. Agencies may not establish minimum transaction amounts as a condition of honoring a credit or debit card. Minimum limits must be established or allowed by the Treasury and will only be permitted in certain circumstances.

D. Purchase Card Payments. Requirements can be found in Volume 10, Chapter 23.

110304. Processing Transactions

All activities must settle (balance or reconcile) on a daily basis, regardless of the amount accumulated that day. Activities will pay the assessed non-qualifying interchange fee when they fail to settle electronically every day. The network bank will inform the activity of its particular cutoff times for deposits. In an electronic environment, settlement transactions should take place through an Electronic Data Capture/Point of Sale at various times during the day (or once at the close of business) in order to meet the cutoff time for deposits.

110305. Reports and Reconciliation

Based on the report requirements established in the participation agreement with the network bank, reports of the merchant’s credit and debit card activity will be made available electronically by the network bank to the participating DoD activity (merchant). The summary will detail dates of deposits, dollar amounts of deposits, number of transactions processed, adjustment charges, and chargebacks. This report must be used to reconcile any differences which may occur between the report and entries into the accounting system. The report must also be reconciled with the DoD (DD) Form 1131, Cash Collection Voucher, submitted to the DO or Deputy DO, and the deposit information posted in the Collection Information Repository (CIR).

110306. Internal Controls

Internal control procedures must be established by each participating DoD activity to ensure that credit and debit card transaction documentation, to support all DD 1131s submitted to
the DO, is properly safeguarded. Documentation must be available for use by the DO’s quarterly cash verification board, the collection agent audit board, and for other audit purposes.

1104  INTRA-GOVERNMENTAL PAYMENT AND COLLECTION (IPAC) SYSTEM

110401.  Overview

A. This section covers general information on the IPAC system. General requirements and technical specifications are fully prescribed by the Treasury on the IPAC website (see Volume 10, Chapter 10, section 1002).

B. The IPAC system is used for buyer-seller (i.e., reimbursable) transactions between federal agencies because it accomplishes the following:

1. Facilitates timely posting of collections to reduce receivable balances,
2. Eliminate the paper flow between agencies,
3. Eliminate the use of Treasury checks between agencies,
4. Improves cash management, and
5. Establishes the Treasury as the collection agency.

110402.  IPAC

The IPAC system’s primary purpose is to provide an automated standardized interagency funds expenditure transfer mechanism for Federal Program Agencies (FPAs). It facilitates intragovernmental Federal e-commerce by transferring funds, with related descriptive data, from one FPA to another on a real-time basis. The IPAC system enables FPAs to exchange accounting information and to transfer funds between FPAs involved in buyer-seller relationships. It establishes standardized interagency payment, collection, and adjustment procedures through an internet-based application. The IPAC system also includes a module for the Retirement Insurance Transfer System transactions that are transmitted to the Office of Personnel Management (also see the IPAC website).

*110403. Originating the IPAC Transactions

A. Buy-Sell Agreement. Per I TFM 2-4700, Appendix 10, Buy-Sell Agreements are required between agency location codes (ALCs) in order to help facilitate the payment/collection process. The Buy-Sell Agreement contain agreed upon terms between the ALCs that help ensure necessary transaction information is provided so that both sides will be able to reconcile their transactions (also see the IPAC website).
B. **Government Invoicing Initiative.** In a daily reporting environment, agencies are required to use Treasury’s government invoicing (G-Invoicing) system (formerly named the Invoice Processing Platform). G-Invoicing is used to negotiate, broker, and electronically store the General Terms and Conditions between buyers and sellers for all inter- and intra-governmental reimbursable transactions as appropriate system capabilities become available. Additional information on G-Invoicing is addressed in Volume 11A, Chapter 2, paragraph 020301.

C. **Initiating the Order**

1. The customer agency must include its ALC on all requisitions or order forms forwarded to the billing agency. This code identifies the customer agency to be billed for services or supplies. The billing agency will provide the customer agency with appropriate instructions for transmitting this information. In addition, the customer agency is advised to include sufficient descriptive information on the requisition or order form, which the billing agency will place in the description section of the bill. This will enable the customer agency to match the bill with the originating requisition when the bill is received on the customer's computer system. The primary match will be on the originating document number. The IPAC system was not designed to be dependent on appropriation data as criteria to match an existing obligation since the Treasury transfers funds at the ALC level.

2. After fulfilling the customer agency’s requisition/order, the originating agency (based on whether it is a payment or collection transaction) must input the appropriate data in all the IPAC required data fields. Also, it must input the customer agency’s special requirements and any descriptive information, supplied with the requisition/order, in the appropriate fields of the IPAC transaction.

D. **Initiating the IPAC Transaction**

1. If a collection transaction is initiated by the billing agency, the transaction provides essential invoice information and immediately charges the funds to the 8-digit customer ALC. Within DoD, the 8-digit ALC is the 4-digit Disbursing Station Symbol Number (DSSN) preceded by four zeros. Upon fulfilling the customer agency's order or requisition for services purchased or supplies shipped, immediate payment is accomplished by the billing agency crediting its own ALC and charging the customer agency's ALC. A payment transaction initiated by the customer agency (i.e., disbursement) is used to credit funds of the billing ALC when a hardcopy invoice is received. A payment transaction is also used to transfer payroll deduction type payments (e.g., Internal Revenue Service or Veterans Education Assistance Program).

2. Transactions can be input manually into the on-line system or created automatically by accounting or disbursing systems for bulk data transfer or host-to-host transmissions. The IPAC system automatically will issue an IPAC Document Reference Number that is the equivalent of a U.S. Treasury check number and will ensure that no two transactions have the same number.
3. Bulk files are queued for processing as soon as they are received into the IPAC system; on-line transactions are transmitted in “real-time.” Whether an on-line or bulk data transfer transaction, the transaction originator must include a point of contact and telephone number to ensure the receiving agency can accurately determine who to contact if there is a need for adjustment.

4. A collection or disbursement voucher (e.g., DD 1131, Standard Form (SF) 1080, Voucher for Transfers Between Appropriations and/or Funds, or SF 1034, Public Voucher for Purchases and Services Other than Personal) must be prepared for each bill or payment entered in the system and processed through the DO in the same manner as other vouchers, except that no check or cash payment is sent or received.

E. Required Data Elements for Initiating IPAC Transactions. There are mandatory fields that must be filled out in the IPAC system to process specific IPAC transactions. These data elements vary by transaction type and are required by the Treasury. The mandatory fields can be found at the IPAC website.

* F. Other Required Information. There are three additional required data elements for DoD IPAC transactions, in addition to the Treasury required information. When initiating a payment or collection in IPAC, the sender Business Event Type Code (BETC), receiver BETC, and the receiver Treasury Account Symbol (TAS) are required for every transaction. Also, an ALC can require specific and/or descriptive data necessary for their ALC to process the transaction completely. This specific information should be outlined in the Buy-Sell Agreement that was agreed upon by the participating ALCs. See TFM Bulletin 2020-05 for guidance for the TAS/BETC reporting of accounts **F3500, Collections and/or Payments Default, and 3502, IPAC Default. Agencies must correctly reclassify, in the Classification Transactions and Accountability (CTA), all system defaulted transactions to a valid receipt or expenditure TAS by the third business day following the close of the accounting month.

110404. Processing Cycle

The IPAC system is available through the last day of each month to enter bills or transfers for that month. However, unless a different cutoff date and time has been agreed upon in a Buy-Sell Agreements, agencies will not process any new transactions the last five business days of the month to avoid month-end accounting problems. In addition, Trading Partner Agreements (TPA) being revised to incorporate the new five workday cutoff must utilize Fiscal Service Forms 7600A and 7600B as the Department continues to migrate towards G-Invoicing. The TFM, I TFM 2-4700, states G-Invoicing was available for government-wide use with G-Invoicing Release 2.1, which allowed users to begin brokering General Terms and Conditions (GT&Cs) within the system. Each DoD reporting entity must apply the GT&Cs for intragovernmental transaction account reconciliation, derived from TFM, I TFM 2-4700, to all transactions with internal DoD trading partners currently using G-Invoicing for GT&Cs.
110405. Recording IPAC Transactions

A. Under the Central Accounting Reporting System (CARS) initiative, partial and “Full” CARS reporters will no longer report IPAC transactions to the Treasury monthly, since they provide the information daily.

B. Reconciliation. To assist the ALC in ensuring all transactions are accounted for, an ALC can print out its activity from the IPAC system (see the IPAC website).

C. Reporting of Unprocessed Transactions

1. Unidentified transactions between federal agencies, including IPAC transactions, will be debited or credited to account **F3885 (Undistributed Intragovernmental Payments). The Treasury identified a 3-digit limit, **F3885.007, specifically for the IPAC system. All new transactions that remain unclassified at month-end will be recorded in **F3885.007 (see TFM Bulletin 2020-05).

2. The detailed transactions and the reconciliation to the Treasury will remain in the existing tool used for recording and clearing unprocessed IPAC transactions.

D. Receipt and Acceptance Internal Controls. DoD financial reporting entities should include IPAC in intra-governmental transactions, and must develop and implement internal controls to ensure that receipt and acceptance is properly documented. This documentation must be made available within the timeframe prescribed by an auditor when requested during audits.

110406. Adjustments of Erroneous Charges

Both the billing and customer agencies should recognize that the system cannot tolerate uncontrolled charges or adjustments. The adjustment function should not be used to adjust charges that originated under other billing systems. The charge should also not be considered erroneous simply because the customer agency receives the paid billing statement before supplies are received. If the receiving agency subsequently finds that the transaction was erroneous, the adjustment should be made at that time. However, the receiving agency is limited to 90 days from the creation date of the transaction, to process the adjustment. It should be noted that the sending agency also has the ability to make an adjustment to an erroneous transaction prior to, or after its submission to the receiving agency within 90 days.

A. There are some situations that warrant an immediate adjustment to a transaction. Some acceptable reasons for an immediate adjustment are:

1. Wrong ALC was billed for the transaction,
2. Funds cited do not belong to the billed ALC,
3. Appropriation cited has expired,
4. Transaction exceeds authorized funding,

5. Duplicate transaction, or

6. Noncompliance with required data elements set forth in a TPA.

Anytime a transaction appears to be erroneous, there needs to be sufficient reason to adjust it back. If you can take ownership of a transaction, (i.e., a valid billing that belongs to your ALC) it should not be rejected without sufficient research and notification. Communication between trading partners is key to resolving erroneous transactions.

B. The agency representative who created the original transaction should be contacted. If the transaction is erroneous, the receiving agency will access the IPAC on-line system and make the menu selection for IPAC adjustments. The IPAC system will guide the user with prompts. The user will enter all pertinent data as requested. The IPAC system contains edits to ensure that the original transaction is matched. Once the data is entered correctly, the system will issue an IPAC Adjustment Voucher Number unique to each transaction. Adjustments are considered a new transaction for reporting purposes and included in the net totals for the month in which the adjustment is accepted in the IPAC system.

C. In cases where the originating agency (i.e., the ALC that created the transaction) later concludes that the adjustment (or a portion thereof) was improper, it must communicate this to the receiving agency, preferably by email or via telephone. When agreement is reached, a second IPAC transaction will be prepared for the proper amount.

110407. Basic Criteria to Access the IPAC System

In order for billing and customer agencies to use the IPAC system, the following is required (also see the IPAC website):

A. Master Administrator must be assigned the responsibility of setting up IPAC Agency Administrators (IAAs) for one or more ALCs. The IAAs are responsible for registering agency personnel as IPAC users. These users will then be given a user id and gain access to the IPAC system based on assigned roles.

B. The Treasury must assign each ALC an identification number and password that will enable access to the system. The Treasury also requires the ALCs of the corresponding agencies from which the transactions will originate or be received. Agencies that are Non-Treasury disbursing offices (such as DoD) control their own billable/non-billable status.

110408. Restrictions

The Treasury reserves the right to (a) make any adjustments centrally in CARS and (b) to remove any agency from the IPAC system in those instances when the agency fails to comply with the rules and regulations set forth by the Treasury. For additional information see the IPAC website.
1105  TREASURY LOCKBOX NETWORK

The Treasury Lockbox Network is comprised of financial agents that provide lockbox and remittance service to the Treasury on behalf of federal agencies. The financial agents are strategically located to minimize mail, processing, and collection float. Lockbox processing was adopted as a means of accelerating deposits to the Treasury’s General Account at the FRB of New York. The Treasury (ITFM 5-4600) has prescribed guidance on lockbox service.

1106  CREDIT GATEWAY

110601. Overview

The Credit Gateway is a collection program for Fedwire and ACH credit transactions. For more information about Credit Gateway, see paragraph 110602 for the hyperlink to Fiscal Service’s Credit Gateway.

110602. Implementation

Activities who want to use the Credit Gateway must complete the new account setup form and email it to Fiscal Service. Fiscal Service will coordinate with the financial agent to assign an account number. Upon notification that the account number is active, the activity can provide the account number to customers and receive payments. Activities interested in creating a Credit Gateway account should review the Fiscal Service’s Credit Gateway Get Started link.

110603. Credit Gateway Process

A. The activity advises the customer of the obligation due the Government, either by invoice, bill, letter, or other means. The agency also supplies the customer with the appropriate information to include in the transaction.

B. When the customer sends the payment through their financial institution, the FRB receives the transaction and credits the Treasury’s account.

C. Transaction information is submitted to the Treasury via the CIR. The transaction information includes both detailed and summary deposit information. The activity can download the information from CIR.

1. Fedwire Reporting. CIR will report deposit information for Fedwires in near real-time.

2. ACH Credit Reporting. CIR will report future-dated and settled ACH credit entries.
1107    PAY.GOV

110701.   Overview

Pay.gov was developed by Fiscal Service to meet a commitment of processing collections electronically using internet technologies. Pay.gov satisfies agencies’ and consumers’ demands for electronic alternatives by providing the ability to electronically complete forms, make payments, and submit queries 24 hours a day. Pay.gov is a secure, government-wide collection portal and provides a suite of services allowing agencies to obtain and process collections in an efficient and timely manner.

110702.   Services

The Pay.gov application is comprised of four services: billing/notification, forms, reporting, and collections.

110703.   Collections Service

The Pay.gov collections service has credit and debit card transaction and ACH debit transaction processing options. Activities that want to accept credit and debit cards through Pay.gov must apply for an internet merchant account with the Fiscal Service CAS. Pay.gov accepts several payment options:

A. One-time Payments. The customer submits a one-time payment to the activity.

B. Recurring Payments. The customer sets the payment details and establishes a specific interval of time between each payment. Payments continue until all payments have been made or the payments have been canceled.

C. Deferred Payments. The customer can enter and schedule a payment up to 30 days in advance. Customers performing a credit or debit card transaction cannot use this option.

D. Preauthorized ACH Debits. The customer can authorize the activity to submit payment information, on their behalf, for regular, recurring ACH debits. The customer must provide advance, written authorization. The activity submits the payment information to Pay.gov.

110704.   Implementation

A. Prior to implementing Pay.gov, activities must obtain the approval of the servicing DO.
B. Activities considering use of Pay.gov are directed to Fiscal Service’s Pay.gov Getting Started. Guides and technical information can be found at the Pay.gov Agency Documentation.

C. DFAS established a Pay.gov team to provide assistance with new or changing Pay.gov activities. The DFAS Pay.gov team serves as a focal point for communicating with Treasury and can review, approve, and authorize all Pay.gov initiatives. Contact the DFAS Pay.gov team at dfas.indianapolis-in.ztd.mbx.pay-gov@mail.mil.

*1108 DEPOSITS OF FUNDS

Under 31 U.S.C. § 3302, custodians of money (e.g., DOs) holding cash or negotiable instruments in excess of either current requirements or the amount authorized to be held at personal risk, whichever is less, must deposit them promptly in an authorized depositary of the Treasury for credit to the Treasurer of the United States. This does not apply to instruments to be returned to remitters in the form received (e.g., deposits of unsuccessful bidders for the sale of government property). All physically received, negotiable instrument deposit transactions must be processed through OTCnet and must cite a valid TAS and BETC at the time of the deposit.

A. Same Day Deposit. Cash collected in and deposited prior to the end of the business day does not impact the DO Cash TAS. Deposited funds must cite the appropriate TAS/BETC that appears on the DD 1131.

B. Deposit Operating Cash that is No Longer Needed. Cash that is reflected on the DD 2657 (ending accountability and deposited) must cite the DO Cash TAS/BETC at the time of the deposit.

110801. Over the Counter Channel Application (OTCnet)

A. Overview. OTCnet is a web application that lets federal agencies manage and report all check and cash deposits in one place. OTCnet automates the over the counter deposit process, captures detailed accounting information, and makes the classification of Treasury collections easier. It allows agency users to report receipts through a secure web-based application rather than by using paper-based credit vouchers. There are “off-line” check capture capabilities for activities operating in locations with intermittent or unavailable bandwidth and communication. For more information about OTCnet, see Fiscal Service’s OTCnet.

B. OTCnet Requirement. All physically received, negotiable instrument deposit transactions must be processed through OTCnet. However, agencies unable to use OTCnet for deposits of negotiable instruments, due to contingency operations, must establish depositary arrangements with US Bank’s Mail-In Treasury General Account (MITGA) through the FRB of St. Louis. This includes the deposit of commercial checks and U.S. Treasury checks. For more information on MITGA, see paragraph 110803.

C. Deposit of Cash and Negotiable Instruments. When using the OTCnet Deposit Reporting function, the depositing agency may combine cash and negotiable instruments into one deposit.
D. Required Information in Block 6. At a minimum, Block 6 of the OTCnet
deposit ticket must identify the depositing entity’s name and location, the deposit preparer’s name, 
email address, and the deposit preparer’s phone number. The extent of additional information 
required in Block 6 is at the discretion of the DO.

E. Handling of Scanned Negotiable Instruments. After scanning items in 
OTCnet, the scanned negotiable instruments must be retained until it is verified that they reside 
within OTCnet and a good image is on file. This verification must take place within 14 calendar 
days. Items that have been scanned and are awaiting approval must be secured in an approved 
manner (see Chapter 3, section 0303). Once verified, the negotiable instruments must be 
destroyed.

110802. Depositaries

A. General Depositaries. The TFM (\texttt{ITFM 2-1000}) describes general 
depositaries as commercial banks or other financial institutions designated specifically and 
authorized by the Treasury to maintain a demand account in its name to accept deposits to the 
TGA. These depositaries are designated only where they are needed to receive deposits of public 
funds for credit to the TGA or to furnish cash to DOs for official disbursements. Making deposits 
to a TGA eliminates processing floats. If more than one bank has been authorized at a base, 
station, installation, or command, the local commander must give equal recognition when 
recommending designation of authorized financial institutions as TGA depositaries. After 
Treasury approval, the commander should reasonably distribute official financial transactions 
among the approved depositaries. Do not deposit public funds in a financial institution that has 
not been approved as a general depositary except as shown in subparagraph 110802.D, and do not 
mail deposits to a TGA without specific Treasury authorization to do so.

B. Requests to Deposit with or Change General Depositary. DOs formally 
request authorization to deposit collections with a general depositary, or change from one 
authorized depositary to another, following guidance provided in the \texttt{ITFM 6-9000}. This 
requirement also includes those instances when on-base banks or credit union offices undergo 
changes such as acquisitions or mergers. Send the completed request, no later than 35 calendar 
days prior to desired deposit start date, to the DoD Banking and Credit Union Office via email: 
CCO-DoD-FINANCIAL-INSTITUTION-TGA@MAIL.MIL; fax: (216) 367-3388; or mail: 
DFAS Columbus, Attn: DFAS-JJF/CO, P.O. Box 182317, Columbus, OH 43218-2317, for 
review, coordination, and submission to the FRB St. Louis.

C. Need for General Depositary Ceases to Exist. The DO advises 
DFAS-JJF/CO of the date on which the need for a general depositary ceases to exist, and the 
reason therefore.

D. Limited Depositaries. Limited depositaries are designated only to receive 
deposits made by or on behalf of DOs for credit to their official non-symbol checking accounts 
maintained with such depositaries. Limited depositaries are not authorized to accept deposits for 
credit to the Treasury. Additional information on limited depositary accounts can be found in 
Chapter 14.
110803. Deposit Requirements

A. Frequency. Deposit all funds received for credit to the Treasury’s account promptly.

1. Agencies must deposit receipts totaling $5,000 or more on the same business day received prior to depositary cutoff time. Deposits will be made as late as possible prior to the specified cutoff time to maximize daily deposit amounts. Collections totaling less than $5,000 may be accumulated and deposited when the total reaches $5,000. However, deposits must be made by Thursday of each week, regardless of the amount accumulated. For additional information, review the 1 TFM 1-2000, section 2055.

2. Mailed deposits must be sent to US Bank’s MITGA, rather than to the FRB. The MITGA will be utilized when mailing a deposit of commercial checks, U.S. Treasury checks, and at the direction of the DO, cash. Before mailing deposits, the DO must establish depositary arrangements with US Bank’s MITGA through the FRB of St. Louis. Once approved, the MITGA will be established within OTCnet, and OTCnet will be used in conjunction with the MITGA. When using the MITGA during contingencies (when OTCnet is not available), the DO will contact the FRB of St. Louis to obtain permission to mail in a deposit. Once approved, the requestor will be provided a special form to complete and mail with the deposit. The former SF 215 (manually prepared deposit ticket) cannot be used.

3. For Navy vessels at sea, when daily mail service is not available, receipts consisting only of personal checks, money orders, and other negotiable instrument(s) may be accumulated up to $5,000 before they must be deposited, provided that a deposit of all receipts on hand is made at least once each week. The DO prepares the deposits for mailing via registered mail and delivers them to the military post office onboard. The DO may not hold negotiable instruments to be deposited in his/her accountability pending arrival at the next scheduled port of call. Regardless of the total amount, the time interval since the last deposit, and the type of checks and negotiable instruments on hand, DOs on board Naval vessels make a deposit on the last regular business day before leaving port and on the first regular business day after returning to port for any at sea period in excess of 1 week.

B. U.S. Dollar Deposits

1. Negotiable Instruments. Deposit negotiable instruments (e.g., personal checks, traveler’s checks, cash, and money orders) payable in U.S. dollars for credit to the Treasury’s account at an approved general depositary. DOs may deposit Treasury Checks at Military Banking Facilities overseas.
2. Checks Drawn on Foreign Banks in U.S. Dollars Payable Through a Bank in the United States. Checks drawn on foreign banks in U.S. dollars, payable through a bank in the United States, must have an American Bankers Association (ABA) routing and transit number (RTN) printed on the item and a magnetic ink character recognition encoded with a U.S. bank's ABA RTN at the bottom left side of the check. Group these checks on a single deposit ticket and deposit them as described in subparagraph 110803.B.1.

3. Manner of Deposit

a. In conjunction with OTCnet, deposit cash, checks, drafts, or money orders in person with an authorized TGA. If a deposit of cash in person is impracticable at an authorized TGA, the next most preferred method is by armored car. The least preferred method of depositing cash is by registered mail to the MITGA. Since the delivery confirmation may require an additional fee to request a copy of the signature record with return receipt, the DO must ensure that funding is available. Charge costs for a cashier’s check or money order to operations and maintenance or working capital funds available to the DO. If cash must be mailed, then the cash must either be double wrapped or placed in an inner and outer container. Deposit damaged or mutilated currency in accordance with Chapter 3, paragraph 030507.

b. Agent officers or any authorized collection officer may make deposits on behalf of the DO when an approved designated depositary is available. These individuals will use OTCnet for deposits.

c. When an approved designated depositary is not available, agent officers or any authorized collecting officers may send cash to the DO by conversion to postal money order, bank money order, or cashier’s check. Pay the fee for purchase of the cashier's check or postal/bank money order in cash at the time of purchase, and attach the receipt to the DD 1131. Deduct the cost of the cashier's check or postal/bank money order from the total amount collected. Show in the body of the DD 1131 the total amount collected, the fee for the cashier's check or postal/bank money order, the net collection, the bank, and the date of the money order.

C. Foreign Currency Deposit. See Chapter 13, subparagraphs 130602.D and E.

D. Reporting Large Deposits. To permit Fiscal Service to manage the government’s cash position at each FRB, large deposits must be reported in advance of the transaction settlement date (\textit{ITFM 6-8500}). Per I TFM 6-8500, IPAC transactions are exempt from this reporting requirement.
E. Sorting and Listing of Instruments. Include with each completed deposit ticket an adding machine tape or other listing, unless other arrangements have been made with the depositary. Sort all currency by denomination, face and top up, and deposit it in full packages (100 notes) of each denomination: $1, $2, $5, $10, $20, $50, and $100. Prepare partial packages for each denomination not containing 100 notes. Secure each package (full or partial) with a currency strap bearing no printed denomination. DOs may obtain these straps from commercial suppliers. Legibly show the total dollar amount and DSSN on each package of currency on each strap. Roll coins whenever possible. Include with each completed deposit ticket an adding machine tape or other listing reflecting, by denomination, the total of currency and coin being deposited.

F. Endorsement of Negotiable Instruments

1. Area for Endorsements. Negotiable instruments must be endorsed on the back in the 1 1/2 inch space along the "trailing edge." When viewing the face (front) of a check, the trailing edge is the left hand edge. Normally, endorsements consist of the name of the payee and other identifying information required by the activity cashing the check. When the DO is preparing checks made payable to DoD, a DoD Component, another government agency, or the DO for deposit, the endorsement stamp required by subparagraph 110803.F.3 appears in this space.

2. Multiple Endorsements. When multiple endorsements occur (or the space is used by a qualified endorsement such as for checks endorsed over to the DO by the payee) and the DO's endorsement requires space beyond the first 1 1/2 inches from the trailing edge, the DO uses the assigned space for subsequent endorsers (the back of the check in the upper right hand corner, no more than 3 inches from the right hand edge (leading edge) of the check). Do not refuse a check when the area assigned for the bank of first endorsement has been used. Such checks are acceptable but may not be processed by the banking system in the prescribed time frames under the Expedited Funds Availability Act (12 U.S.C., Chapter 41), which could hamper collection action. Blue or black ink is preferable for endorsements.

3. Endorsement Requirements. Activities with stamps containing additional information may use them so long as the endorsement fits within the 1 1/2 inch space assigned for payee endorsers.

a. Negotiable Instruments Deposited with a General Depositary. When using the Deposit Reporting function of OTCnet, all negotiable instruments in payment of an obligation due the United States, regardless of the payee to which drawn, must be endorsed on the back of the instrument in the 1 1/2 inch space along the trailing edge (see Figure 11-3). Insert the component’s name (e.g., Army, Navy, or DFAS) first and then insert the 4-digit disbursing activity’s DSSN in the blank following “DSSN.” These may be entered manually, mechanically, or be included as a part of the stamp itself. Enter, either manually or mechanically, the date on which the deposit is made in the blank following “Date” to correspond with the bank’s business day. See subparagraph 110803.A.
b. **Conditional Endorsements.** Do not accept checks with conditional endorsements, e.g., “Payment in Full.” Return these checks to the drawers and advise them that the DoD cannot legally accept them.

c. **When Scanning Negotiable Instruments.** If a depositing location is using the Check Capture function of OTCnet (i.e., check image scanning), there is no requirement for endorsing the negotiable instruments being scanned. The only time that a signature would be required is when scanning a Third-Party check. Acceptance of Third-Party checks is not recommended.

G. **Record of Negotiable Instruments Deposited.** DOs keep a complete record of negotiable instruments mailed or presented to depositaries. This should be accomplished using scanned or photocopied images of both sides of the instruments. If scanning or photocopying is not possible, prepare a typed or written list containing the source of the instrument, name of the financial institution on which drawn, type of instrument, serial number, payee, maker, endorser (name of person from whom received when other than drawer), date drawn, and amount. Copies of collection vouchers or other documents that show the same data are acceptable as the record of instruments. If an item is lost in banking channels, the DO must be held pecuniary liable if the maker of the instrument cannot be identified in order to contact that person for a replacement. Therefore, photocopied, scanned, or prepared lists of instruments deposited must be kept in active files until receipt of the deposit is confirmed in CIR.

H. **Lost Negotiable Instruments.** When a negotiable instrument is lost, whether before or after deposit, the DO adjusts the affected accounts and immediately requests that the maker of the instrument stop payment and replace it with a new check or other form of payment. DOs must inform members of their legal obligation for the check and offer them another opportunity to replace the check. If the military member refuses, the DO may, as with any other debt, pursue involuntary collection action against the military member’s pay.

I. **Disposition of Funds on Transfer or Reassignment Without Relief.** A DO that is transferred or reassigned without being relieved by another DO deposits all funds in his/her possession prior to the transfer or reassignment. This includes all funds held by deputies, agents, and/or cashiers, including imprest funds and change funds. Report each deposit made during the period including the final deposit.

110804. Deposit Transactions

A. **Distribution and Disposition.** Send a copy of the deposit ticket to the depositary with the funds and/or negotiable instruments being deposited. The DO retains a copy to assure that all deposits are in fact confirmed. The DO follows up on unconfirmed deposits as required by paragraph 111104. In instances where a deposit is not confirmed in the same month as mailed, refer to Chapter 15, section 1507. The supporting DFAS site may also require the DO to submit a copy in support of the reported deposit activity for that month.
B. Accounting for Deposits. After netting out all debit vouchers (except those used for EFT) to be accounted for in the current business day, enter the total of all the deposits to be accounted for during the business day (including deposit tickets in OTCnet) on line 4.2A of the DD 2657. At the end of the accounting period (month), use a record of each deposit ticket (and debit voucher, including those for EFT) applicable to only the current accounting period to prepare the detailed deposit activity report to support the SF 1219. The total of the detailed deposit activity report must agree with the total reported on line 4.2 on the face of the SF 1219 and with the total reported in Column 5, Section II, Part B, on the reverse of the SF 1219.

C. Debit Vouchers In Relation to Deposits

1. General. When a check is returned unpaid to the depositary with which the check was originally deposited, the depositary may process a debit voucher to charge the depositing DSSN. The depositary may also prepare a debit voucher charging the depositing DSSN whenever a check is lost after deposit. Debit vouchers may also be issued by depositaries and by the Treasury to establish other valid charges against a DO’s account, e.g., exchange fees and other collection charges assessed in connection with foreign instruments deposited. The DO immediately records all debit vouchers received on the DD 2657. Include the debit vouchers in the SF 1219 for the month in which received.

2. Action by the DO

   a. Non-tactical Disbursing Activities. For debit vouchers received in connection with returned unpaid checks, see Chapter 4, section 0404 for guidance on processing dishonored checks. For debit vouchers received in connection with checks lost after deposit, the DO follows subparagraph 110803.H. Process new checks received pursuant to action taken by the DO as a new deposit. Process charges for handling foreign checks as prescribed in Chapter 13, paragraph 1304.

   b. Tactical Disbursing Activities. DOs must comply with debit vouchers received from a depositary whenever any one of the following conditions exist: the deposit (which included the lost or dishonored check) was made during the incumbency of the current DO; the deposit (which included the lost or dishonored check) was made during the incumbency of a DO whose account is being subjected to the 90 day local retention period; or the maker or endorser of the lost or dishonored check is locally available for collection action. If none of the foregoing conditions apply, then the current DO forwards the debit voucher, by cover letter, to the activity designated to settle the former DO’s account. In addition, either the original dishonored check as returned by the depositary or, in the case of lost checks, a copy of the relevant abstract from the listing of instruments deposited, should be sent. Include in the cover letter the most recent information concerning the present location and status of the maker or endorser of the check in question. Send a copy of the cover letter to the issuing depositary.

3. Distribution. The DO sends a copy to support the monthly financial reports and retains a copy with their retained financial records.
4. **Accounting.** Account for debit vouchers as negative deposits. As noted in subparagraph 110804.B, net all debit vouchers (except those used for EFT) in the current business day against all deposits for that business day, and record the total on line 4.2A of the DD 2657. Record EFT debit vouchers on line 4.2B. At the end of the accounting period (month), use the records of each debit voucher (including EFT debit vouchers) and each deposit ticket applicable to only the current accounting period to prepare the detailed deposit activity report to support Section II, Part B of the SF 1219. The total of the detailed deposit activity report must agree with the total reported on line 4.2 on the face of the SF 1219 and with the total reported in Column (5), Section II, Part B, on the reverse of the SF 1219.

1109 **INTERNATIONAL TREASURY SERVICES (ITS.GOV)**

*ITS.gov* is the Treasury’s comprehensive international payment and collection system. It is the preferred payment method for foreign currency transactions. DOs are encouraged to use ITS.gov to the maximum extent possible wherever the infrastructure will support its use. Prior to using ITS.gov, a Memorandum of Understanding between the activity and the Fiscal Service is required. Activities interested in using ITS.gov should contact Fiscal Service. ITS.gov contact information can be found at the Fiscal Service’s website. See Chapter 13, section 1306 for guidance on foreign currency payments.

1110 **PAYMENT INFORMATION REPOSITORY (PIR)**

111001. **Overview**

PIR is a web-based, centralized repository of payment related data. PIR increases the transparency of government payments and provides agencies with the ability to view summary and/or detail payment information as well as data analysis. PIR has replaced CA$HLINK II for payment voucher information. For more information on PIR, see Fiscal Service’s PIR. Agencies that use the online application within CARS for interagency billings and payments for goods and services will no longer receive a statement of difference report (formerly known as the Financial Management Service (FMS) Form 6652) and are no longer required to follow the guidance related to the FMS 6652.

*111002. Standard Reporting Format (SRF)*

The SRF is an input file specification that defines data elements and business rules that must be used for reporting payment and associated Treasury Account Symbol/BETC information to PIR. When fully implemented, DoD agencies will be required to use the SRF to submit detailed payment and accounting data to PIR. More information on the format specification can be found at Fiscal Service’s SRF. Agencies must submit the PIR/SRF one day after the date of payment. Agencies that do not submit the SRF within one day following the date of payment by 6:00 p.m. (Eastern Time) will default in CARS to the default TAS/BETC for payment transactions. Date of payment is further defined as:

A. **Check Payments.** The issue date of the check (date inscribed on the check).
B. ACH Payments. The settlement of the ACH transaction found in the acknowledgement received from the FRB’s ACH.

C. Wire and Treasury’s International Treasury Services (ITS.gov) Payments. The value date specified in the payment request.

111003. Access

To gain access to the PIR, see Fiscal Service’s Getting Started.

111004. Reconciliation of EFT Transactions

A. Confirm PIR. EFT payment transactions are recorded using debit vouchers. DOs must reconcile their EFT payment data (i.e., EFT debit vouchers) with PIR. If the purpose of an EFT transaction cannot be determined, account for it in suspense accounts **F3875, **X6500, **X6501, or **X6276, as appropriate and attempt to clear the deposit within 60 calendar days of the transaction (see Treasury Financial Manual Bulletin 2020-05).

B. Discrepancy - Over or Understated Debit Vouchers

1. A difference occurs when a debit voucher amount is overstated or understated.

   a. An overstated debit voucher exists when the amount entered exceeds the value of the check or EFT payments it covers.

   b. An understated debit voucher exists when the amount entered is less than the value of the check or EFT payments it covers.

1111 COLLECTIONS INFORMATION REPOSITORY (CIR)

111101. Overview

CIR is a web-based, centralized repository of detailed deposit and collection transaction data that has been collected from all of the Treasury’s collection systems and settlement mechanisms into a single system. CIR provides the ability for agencies to view summary and/or detail level data, extract and analyze data in various scenarios, and produce flexible, standardized reports based on agencies’ needs. CIR has replaced CASHLINK II for deposit reconciliation.

111102. Requirement

DOs must confirm deposits using CIR. For guidance on deposit reconciliation, see paragraphs 111103 and 111104.
*111103. Deposit Reconciliation – General

* A. DO’s or their designee(s) must reconcile DoD financial system data daily with CARS and maintain either a manual or a mechanized subsidiary record of all debit voucher differences. If the purpose of a deposit cannot be determined at the time of transaction (point of origin), account for it in suspense accounts **F3875, **X6500, **X6501, or **X6276, as appropriate and attempt to clear the deposit within 60 calendar days of the date of transaction (see Treasury Financial Manual Bulletin 2020-05). The DO or designee(s) review the record of differences at least weekly to ensure these differences are cleared. Retain the evidentiary documentation supporting the review process for a retention period following the guidance in Chapter 15, paragraph 150802. Consider items not reconciled within 60 calendar days of the transaction and have been validated as meeting the criteria of an actual physical loss of funds as a loss or overage of funds as prescribed in Chapter 6, section 0608.

* B. CARS reporters must ensure that there are no existing uncleared statement of differences prior to becoming a “Full” CARS daily reporter. Agencies that use online application within CARS for interagency billings and payments for goods and services will no longer receive a statement of difference report (formerly known as the Financial Management Service (FMS) Form 6652) and are no longer required to follow the guidance related to the FMS 6652. The Treasury compares the value of deposits and debit vouchers reported by DOs activity reports to the value of deposits and debit vouchers reported through CIR.

C. Consider all differences that have not been reconciled within 60 days of the transaction, and that have been validated as meeting the criteria of an actual physical loss of funds, as a loss or overage of funds with the associated pecuniary liability as prescribed in Chapter 6, section 0608. Do not consider timing differences and/or reporting errors as a loss of funds, but the DFAS site must pursue aggressive action to clear the differences with appropriate offsetting transactions, via departmental level, Treasury, and/or agency within 60 days of the offsetting transaction.

D. DOs must strictly adhere to the preparation requirements for the deposit tickets and debit vouchers as described in paragraph 110804. It is also imperative that DOs report promptly and properly all deposit tickets and debit vouchers.

E. Once deposit tickets have been released to a depositary, the documents cannot be recalled, corrected, or resubmitted. In addition, the Treasury prescribes specific instructions to all approved depositaries regarding adjustments of errors discovered subsequent to the day of deposit. DOs must take aggressive action to reconcile and/or clear all differences as rapidly as possible after notification by the Treasury that a difference exists.

F. To maintain control, the DO or the DO’s designee(s) monitor deposit activity daily using CIR and maintain either a manual or mechanized subsidiary record of all deposit differences. The DO or the DO’s designee(s) review the record of differences at least weekly to ensure these differences are cleared. Retain the evidentiary documentation supporting the review process for a retention period following the guidance in Chapter 15, paragraph 150802. These records need not be certified. Also, each time there is a change of DOs, the incoming DO
validates the unresolved differences. If the departing DO cannot provide the incumbent DO with documentation supporting the unresolved items, the departing DO processes the unsupported items as a loss or overage of funds (see Chapter 6, section 0604).

111104. Deposit Reconciliation – Discrepancies

A. Over or Understated Deposit Tickets

1. A difference occurs when a deposit ticket amount is overstated or understated.

   a. An overstated deposit ticket exists when the amount entered exceeds the amount of cash or negotiable instruments submitted with it.

   b. An understated deposit ticket exists when the amount entered is less than the amount of cash or negotiable instruments submitted with it.

2. Treasury regulations for depositaries do not permit changing the amount on a deposit ticket or debit voucher. They require the depositary to confirm a deposit as presented and immediately issue either a debit voucher for the amount of the overage or an additional deposit ticket for the amount of the shortage. In either situation, the DO should discover an overage of funds for an overstated deposit or a loss of funds for an understated deposit upon the first balancing after the deposit was presented or mailed to the depositary and recorded on the DD 2657. Treasury regulations also require the depositary to confirm a debit voucher as presented and immediately issue a deposit ticket for the amount of the overage or an additional debit voucher for the amount of the shortage. In either of these situations, the DO should discover an overage of funds for an overstated debit voucher or a loss of funds for an understated debit voucher upon the first balancing after the debit voucher was presented or mailed to the depositary and recorded on the DD 2657.

3. Daily monitoring of deposit activity using CIR enables early detection of these differences. Upon receipt of a copy of an adjusting deposit ticket or debit voucher, the DO records the document on the DD 2657. If actions required by Chapter 6, section 0608 were taken to record the overage or shortage of funds upon discovery, receipt of the adjusting deposit ticket or debit voucher from the depositary enables a more rapid settlement of the discrepancy in the DO's accountability. If an overage or shortage of funds was not discovered before receipt of the adjusting deposit ticket or debit voucher, and recording the document creates an overage or shortage, then the DO processes the overage or shortage as prescribed in Chapter 6, paragraph 060802.

B. Deposits Not Reported by Depositaries. Deposit tickets that have been reported by DOs but not by the depositary do not appear in CIR. Daily monitoring of CIR alerts the DO to possible deposit differences, when a deposit does not appear in the system after a reasonable period of time, based on whether the deposit was presented to the depositary in person or by mail.
1. If the depositary does not confirm the deposit within a reasonable period of time for deposits presented by mail, the DO initiates follow-up action with the depositary to determine the status of the deposit. A reasonable period of time is considered to be the normal mailing time from the date mailed to the depositary until the date the deposit is confirmed, based on past experience. Tactical DOs consider unit movement schedules and locations when the deposit was mailed. In any event, initiate follow-up action within 30 days from the date of mailing a deposit.

2. Include with a follow-up request to a depositary, a copy of the applicable deposit ticket and a description or copies of the instruments included in a deposit. The depositary provides confirmation information to the DO in response to the follow-up request. If the depositary acknowledges receipt of the deposit but refuses to report the transaction to the Treasury, the DO provides written notification, with copies of all correspondence and documents involved, to DFAS-JJF/CO, which will then pursue resolution of the issue through the Treasury and provide the DO written instructions on additional actions to be taken.

3. If the follow-up action does not result in confirmation of the deposit or the depositary notifies the DO that the deposit was not received, the DO will reverse the deposit transaction in the current month's business. The DO prepares and processes an Optional Form 1017-G, Journal Voucher (JV), to document the reversal. Record the JV on the DD 2657, line 4.2A as a negative deposit and on line 7.3 as a loss of funds, and include it on the corresponding lines of the SF 1219 at the end of the month. Describe the deposit reversal in Section II, Part B, Column (3) of the SF 1219, and indicate the month and year the deposit was initially reported to the Treasury. Show the amount of the reversed deposit as negative or bracketed. Reverse the deposit in the current month's detailed deposit activity report, using the actual deposit number, month, and year of the deposit (as initially reported to the Treasury). Show the amount as negative or bracketed.

4. The actions in subparagraph 11104.B.3 will remove the deposit from the detailed deposit activity report, and record the deposit as a loss of funds. Attach a copy of the follow-up memorandum to the depositary, and the depositary's response, as supporting documents to the JV. Report and process the resulting loss of funds as prescribed in Chapter 6, section 0603. If negotiable instruments were included in the lost deposit, follow subparagraph 110803.H for those instruments.

C. Debit Vouchers Not Reported by DOs

1. Debit vouchers are generally prepared only by depositaries as adjustments to erroneous amounts on deposit tickets and debit vouchers to return negotiable instruments that are dishonored, or to adjust deposit tickets for counterfeit currency. All debit vouchers prepared by depositaries are reported automatically to the Treasury. Unless the DSSN appearing on the debit voucher is not the DSSN of the DO receiving the document, the DO records the debit voucher in his/her accountability upon receipt of a copy, and includes it in the detailed deposit activity report. This requirement applies regardless of whether the debit voucher is deemed erroneous or the reason given for the charge needs further clarification.
2. Daily monitoring of CIR alerts the DO that a depositary has issued a debit voucher. The DO must confirm the information in CIR and include the debit voucher on DD 2657 and detailed deposit activity report during the month of receipt. The DO ensures the debit voucher is reported using the month and year of issue (as reported by the depositary in CIR), not the current month and year in which the debit voucher is being recorded and reported. Section II, Part B, Column (3) of the SF 1219 must indicate the actual month and year of the debit voucher as reported by the depositary. The debit voucher also must be included in the detailed deposit activity report and must be reported using the actual month and year the debit voucher was issued (as reported by the depositary).

3. In some instances, debit vouchers for electronic payments through the Federal Reserve System are prepared by the paying DO and submitted to the depositary with the payment file. Include these debit vouchers on the DD 2657, SF 1219, and detailed deposit activity report for the month of payment. Failure to include a debit voucher electronic payment transaction on the DD 2657, SF 1219, or the detailed deposit activity report will create an out-of-balance condition on the DD 2657 and SF 1219, unless the DO also failed to record the disbursement. For example, if a DO processes and includes a disbursement voucher on DD 2657 and SF 1219, prepares and submits a debit voucher to the depositary with the electronic payment file, but does not include the debit voucher on the DD 2657, SF 1219, and detailed deposit activity report, then the DD 2657 and SF 1219 will not balance. Proper balancing procedures preclude this situation.

4. If the transaction occurred near the end of the month, and the DO cannot process and report the transaction in the transaction month, then a deposit difference will occur. To correct this difference, the DO must obtain the transaction documentation and process both the payment and the debit voucher on the DD 2657, SF 1219, and detailed deposit activity report during the current month. The DO must ensure the reporting of debit vouchers using the month and year the payment was actually made (as reported by the depositary in CIR), not the month and year in which the debit voucher is being reported. Include the debit voucher in the detailed deposit activity report and report it using the actual month and year the debit voucher was reported by the depositary.

D. Debit Voucher Not Reported by Depositaries. Debit vouchers that have been reported by the DO but not by the depositary will cause a difference to the depositaries. The most frequent cause of this difference occurs when a depositary receives a debit voucher and payment file for payment by EFT, but rather than processing and reporting the debit voucher given by the DO, prepares a new debit voucher and reports it to the Treasury. The depositary provides the DO with the copies of the debit voucher it prepared and reported.

1. Daily monitoring of CIR alerts the DO that the depositary has issued a new debit voucher. DOs using depositaries that routinely process debit vouchers in this manner should contact the depositary in writing. The DO should request an explanation for the actions and that the depositary processes the debit vouchers given by the DO with the payment files. If the depositary refuses to process the debit vouchers given by the DO, the DO must then provide
written notification with copies of all correspondence and documents to DFAS-JJF/CO, which will pursue resolution of the issue through the Treasury and provide the DO written instructions on any additional actions to be taken.

2. To prevent this type of difference from occurring, the DO reports the debit voucher transaction on the detailed deposit activity report as reported by the depositary. If the DO receives the copy of the debit voucher prepared by the depositary before the end of the month in which the transaction occurred, he/she reports the debit voucher prepared by the depositary rather than the one prepared by the DO. The DO keeps the copy of the debit voucher he/she prepared with the copy of the debit voucher the depositary prepared. If the depositary routinely continues to prepare new debit vouchers, include these with the written notification.

3. To clear this type of difference, the DO must reverse the DO's debit voucher transaction from the current month’s detailed deposit activity report and reenter the debit voucher transaction the depositary reported, using the actual debit voucher number, month and year as initially reported to the Treasury. Enter the debit voucher prepared and reported by the depositary exactly as reported by the depositary. Also, describe the debit voucher reversal in Section II, Part B, Column (3) of the SF 1219, and indicate the month and year the debit voucher was initially reported to the Treasury. Also, describe the debit voucher prepared and reported by the depositary in Section II, Part B, Column (3) of the SF 1219, and indicate the month and year the debit voucher was reported by the depositary. Since these actions net to a zero, they should not impact the DO's pecuniary liability.
VOLUME 5, CHAPTER 12: “QUESTIONABLE AND FRAUDULENT CLAIMS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2018 is archived.

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CHAPTER 12

QUESTIONABLE AND FRAUDULENT CLAIMS

1201 GENERAL

120101. Overview

This chapter establishes policy for processing questionable and fraudulent claims presented for certification or payment that a Certifying Officer (CO) or Disbursing Officer (DO) believes to be illegal or improper. Determination of potentially fraudulent claims is the responsibility of the CO and/or DO. The CO and/or DO must research claims and base their determinations on the criteria in this chapter and the legal opinions of the supporting Staff Judge Advocates (SJA) or other legal counsel. A fraudulent claim is any intentional deception designed to unlawfully deprive the United States of something of value or to secure from the United States a benefit, privilege, allowance, or consideration to which a claimant is not entitled. This chapter also discusses a CO’s, DO’s, and/or head of an agency’s right to request an advance decision from the appropriate authority.

120102. Purpose

This chapter addresses the determinations of fraud, advance decisions on the propriety of any prospective payment from an authorized official, and actions required when a suspected fraudulent claim is presented for payment or upon discovery that a fraudulent claim has been paid.

120103. Authoritative Guidance

A. Under Title 31, United States Code (U.S.C.), section 3529, a CO, DO, or head of an agency may request an advance decision on the propriety of any prospective payment from an authorized official (see Table 12-1). This authority does not cover the rendering of legal decisions pertaining to payments already made or for hypothetical cases.

B. See 31 U.S.C. § 3702 for the authority on settling claims against the United States.

1202 DETERMINATIONS OF FRAUD

120201. Discrepancies

Inaccuracy on a claim is not proof of intent to defraud the government. When minor discrepancies exist because of clerical or computation errors, misunderstanding of procedure, or failure to properly document, the intent to deceive is less likely, thus decreasing the probability of a finding of fraud without evidence. The claimant’s supervisor should discuss these errors with the claimant and require that the claimant correct them.
120202. Claims

A claimant must complete a claim accurately to ensure proper payment. A claim may be unauthorized for payment, but not considered fraudulent. This may occur if a claim is prohibited by law, or is otherwise not authorized, and lacks willful intent by the claimant. A CO or DO may refer these claims to the appropriate authority for an advance decision (see Table 12-1). Additionally, a claim is not necessarily fraudulent if it is not prepared according to the requirements of regulations (e.g., the Joint Travel Regulations, Uniformed Service Members and Department of Defense (DoD) Civilian Employees). It may be due to claimant error, misinformation, or lack of knowledge.

1203 ADVANCE DECISIONS

120301. Application for Decision

The submitter of an application states the facts and evidence to support the reason(s) for the request and upon which to base the decision. An application must generally include a specific claim or voucher. Applications are sent through the Office of General Counsel (OGC) of the DoD Component or the Defense Finance and Accounting Service (DFAS) to the DoD Deputy General Counsel (Fiscal) (DoD DGC(F)) for determination. The affected Component or DFAS OGC must attach a legal memorandum that discusses the legality of the proposed payment under the circumstances. The responsible activity, DFAS site, or appropriate OGC may return cases involving entitlement questions that have been clearly decided authoritatively, with a determination that no advance decision is necessary. A submitter may resubmit such a determination through the responsible activity for reconsideration.

120302. Decisions Rendered

An advance decision is conclusive for the specific payment involved on the question presented. Although an advance decision is conclusive for the specific payment reviewed, COs should use the principles cited in the decision when making future entitlement decisions.

1204 FALSE, FICTITIOUS, OR FRAUDULENT CLAIMS

120401. Fraudulent Claim Presented for Payment

If there is reason to suspect that a claim presented for certification or payment contains fraudulent information, the CO must request their commander or comparable authorized civilian to initiate an investigation into the suspected fraud. A DO that suspects that a certified voucher is fraudulent must return it to the CO. The requirement to request an investigation applies regardless of the dollar value. Once the investigation and legal review by the supporting SJA or other legal counsel are complete, the investigating officer (IO) gives a copy of the completed report of investigation (ROI) to the CO and DO. See Chapter 6, subparagraph 060403.B.2.e for ROI guidance.
A. If the ROI does not support a finding of fraud, the CO may certify the voucher for payment of all amounts to which the claimant is entitled. The CO documents the reasons for the determination and maintains documentation for the CO’s records.

B. If the ROI confirms that some items of the claim are fraudulent, the claimant may submit a new claim for the items that the ROI identified as not fraudulent to the CO. A claimant who protests the determination of fraud and insists on payment of the entire claim may submit a new claim for the items denied because of fraud. The CO processes the reclamation for the items disallowed as prescribed in paragraph 120403.

120402. Fraudulent Claim Paid

A CO or DO who suspects that a claim was paid based on fraudulent information or documents, must review the retained copy of the claim to determine if it contains false information.

A. A CO or DO who suspects that a paid claim is fraudulent must inform his or her commander or comparable authorized civilian, who then initiates an investigation of the suspected fraud regardless of the dollar value involved. See Chapter 6, subparagraph 060403.B.2.e for ROI guidance. Following the investigation, the supporting SJA or OGC reviews the investigation for legal sufficiency. The IO then gives the CO and DO each a copy of the final ROI.

B. Upon learning of an improper payment based on suspected fraud, the CO or DO sends an ROI to the supporting DFAS site through their commander or comparable authorized civilian equivalent. Include in the ROI a basic statement of the irregularity, the date, amount, and identification of the individual(s) involved. Upon completion of the final recovery, investigative, or other negative action, the CO or DO advises the supporting DFAS site.

C. If the CO determines that some or all of the items of a paid claim are fraudulent, the CO may not certify any of the items for repayment. The CO or DO includes in the report:

1. The applicable contract or travel order number,
2. The voucher number,
3. The date of payment,
4. The appropriation charged,
5. A description of the supporting documentation,
6. A description of how the fraud was committed,
7. A description of procedural deficiencies in the disbursing office,
8. The action taken to correct the deficiencies, and
9. The amounts recovered or scheduled for repayment from the recipient of the fraudulent payment.

D. Losses resulting from fraudulent acts are improper payments (except losses within the disbursing office). The DO leaves them charged to the appropriations cited on the payment vouchers (see Chapter 6, subparagraph 060501.A.2). Any losses, regardless of the dollar amount, where there is evidence of fraud within the disbursement office (for example, embezzlement or fraudulent acts by disbursing personnel) are physical losses (see Chapter 6, subparagraph 060201.C).

120403. Reclamation of Items Disallowed or Recovered Due to Fraud

A. The CO sends reclamation for items disallowed or recouped due to fraud though the appropriate office in his/her chain of command to the DoD DGC(F) (see Table 12-1). For a claim denied in its entirety, submit the original claim. Send the completed claim with a cover letter or memorandum from the CO stating why the claim is fraudulent, with the statement: “I have not certified and will not certify this claim for payment unless authorized by competent authority.” Include the original and two copies of all supporting documents and the orders with all endorsements for a travel claim, and a copy of the paid voucher for the items free of fraud.

B. If applicable, provide a copy of the ROI and a statement by the claimant supporting his or her belief that the claim is not fraudulent. The claimant’s commander may submit a statement at the claimant’s option. When endorsing the CO’s letter or memorandum, the CO’s commander may state an opinion on the case supporting either the CO or the claimant. When endorsing the CO’s letter or memorandum, the CO’s commander may state an opinion on the case supporting either the CO or the claimant.

C. A CO may not certify a reclamation claim for any or all of an amount recovered by the government due to an illegal or improper payment of any voucher item obtained by fraud or misrepresentation processed under paragraph 120403.

1. **Civilian Employees.** The CO or DO must send paid fraudulent claims to the appropriate pay office and local OGC or SJA for referral to the Defense Criminal Investigative Service or military criminal investigative organization. Recover payments based on substantiated claims of fraud by direct repayment from the employee through salary offset or by other procedures in Volume 16, Chapter 2, paragraph 020301. The CO or DO may take no further action on the paid fraudulent claim until OGC or SJA gives the CO or DO specific processing and disposition instructions.

2. **Military Members.** Under 37 U.S.C. § 1007(c) and the guidance in this chapter, the CO or DO collects debts owed by military members. When a debtor requests reconsideration of a fraud determination, the creditor organization submits evidence or statements from the debtor to the local SJA to review.
Table 12-1. Responsible Offices for Claims and Advance Decisions

<table>
<thead>
<tr>
<th>FUNCTION</th>
<th>RESPONSIBLE OFFICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLAIMS AND ADVANCE DECISIONS</td>
<td></td>
</tr>
<tr>
<td>Federal civilian employees’ compensation and leave</td>
<td>Classification and Pay Claims Program Manager Room 6484 Merit System Audit and Compliance Office of Personnel Management 1900 E Street NW, Room 6484 Washington, DC 20415 (202) 606-7948</td>
</tr>
<tr>
<td>Federal civilian employees’ travel, transportation, and relocation expenses and allowances</td>
<td>The Civilian Board of Contract Appeals 1800 F Street, NW Washington, DC 20045-0002 (202) 606-8800 FAX (202) 606-0019 <a href="https://cbca.gov/">https://cbca.gov/</a></td>
</tr>
<tr>
<td>CLAIMS</td>
<td></td>
</tr>
<tr>
<td>Military members’ pay, allowances, travel, transportation, retired pay, and survivor benefits</td>
<td>Defense Office of Hearings and Appeals Claims Division - Reconsideration P.O. Box 3656 Arlington, VA 22203-1995 (703) 696-1876</td>
</tr>
<tr>
<td>Amounts collected from transportation carriers for damage or loss of property shipped at government expense</td>
<td>Deputy General Counsel (P&amp;HP) Office of the Secretary of Defense Room 3B747 1600 Defense Pentagon Washington, DC 20301-1600 (703) 697-9341</td>
</tr>
<tr>
<td>ADVANCE DECISIONS</td>
<td></td>
</tr>
<tr>
<td>Military members’ pay, allowances, travel, transportation, retired pay, and survivor benefits</td>
<td>Deputy General Counsel (Fiscal) Office of the Secretary of Defense Room 3B688 1600 Defense Pentagon Washington, DC 20301-1600 (703) 571-9343</td>
</tr>
<tr>
<td>Use of appropriated funds</td>
<td></td>
</tr>
</tbody>
</table>

12-7
VOLUME 5, CHAPTER 13: “FOREIGN DISBURSING OPERATIONS”

SUMMARY OF MAJOR CHANGES

All changes are in blue font.

Substantive revisions are identified by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are in bold, italic, blue, and underlined font.

The previous version dated March 2017 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tbody>
<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
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</tbody>
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CHAPTER 13
FOREIGN DISBURSING OPERATIONS

1301 GENERAL

130101. Overview

A. In areas where the use of U.S. currency is prohibited or where diplomatic or financial considerations make its use inadvisable, the senior commander consults with other U.S. military commanders and the U.S. Department of State (DoS) representatives in the area to determine the local government’s foreign currency control regulations. The commander issues instructions that conform to DoS procedures and local government foreign currency control regulations. Disbursing Officers (DOs) must follow disbursing guidance set forth in Chapter 9, section 0902 concerning voucher certification and substantiation prior to executing payment transactions, including advances, equitable claims, and payments to third parties.

B. The same policies governing domestic disbursements also are applicable to foreign currency disbursements. Except in areas where U.S. diplomatic or financial relations make the use of the U.S. dollar (USD) inadvisable, U.S. currency or Treasury checks are the only media of exchange for:

1. Basic salaries, special and incentive pay, and allowances (e.g., subsistence and housing) in USDs for U.S. military personnel stationed overseas;

2. Salaries and differentials to similarly-situated U.S. citizen civilian personnel in fulfillment of U.S. contractual or statutory obligations in USDs;

3. Per diem;

4. Travel expenses; and

5. Purchases from appropriated and nonappropriated fund activities located in the foreign currency area.

C. A disbursement voucher may constitute a payment voucher and a collection voucher for transactions involving setoff or deduction to recover an amount owed by the payee, with a net amount due disbursed to the payee. All disbursements must be supported by formal disbursement vouchers (see Chapter 9, section 0904). Requirements established in Volume 1, Chapter 9, Financial Records Retention, apply to contingency operations.
D. International Treasury Services (ITS.gov) is the preferred method to issue foreign currency payments electronically and to issue international USD wire transfer payments. ITS.gov is the comprehensive international payment and collection system for the Department of Treasury (Treasury).

130102. Purpose

This chapter addresses disbursing policy that includes exchange of USDs for foreign currency, foreign exchange transactions, currency rate of exchange, use of foreign currency for transportation, disposition of foreign currency and negotiable instruments, records and reports, and contingency operations in foreign territories.

130103. Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3302 authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds. This chapter addresses disbursing policy in the context of foreign disbursing and cash management operations prescribed in the Treasury Financial Manual, Volume 1, Part 4, Chapter 8000 (1 TFM 4-8000); 1 TFM 2-3200; and 1 TFM 5-6000.

1302 EXCHANGE OF U.S. DOLLARS FOR FOREIGN CURRENCY

130201. Guidelines

When it is not practical to use ITS.gov or if the DO does not have a limited depositary account (LDA) in the currency to be paid, the DO may need to acquire foreign currency. An appointed DO may obtain foreign currency for official purposes such as making payments to U.S. Government creditors and exchanging foreign currency or other negotiable instruments for which the DO is accountable. Foreign currency obtained may be held as currency or in an LDA (see Chapter 14, section 1401). DOs may obtain foreign currency using sources identified in paragraph 130202 and from sources authorized by the government of the country concerned. The process by which one currency is exchanged for another is foreign exchange. When DOs exchange USDs for foreign currency, the following guidelines apply to exchanges:

A. The “spot rate” is the rate of exchange to purchase foreign currency (normally the purchase of foreign currency for delivery within two business days);

B. Exchange at the time the foreign currency is needed for immediate funding requirements. DOs should ensure that payment is made for foreign currency purchases on the value date;

C. Speculation in foreign currency is prohibited;

D. Any change in program costs resulting from the use of foreign currency in international financial arrangements is the responsibility of the involved U.S. or foreign program agencies;
E. Foreign currency may not be purchased by forward contracts directly from foreign governments, private firms, or individuals at a negotiated rate without prior Treasury authorization. Submit such requests for authorization through the Defense Finance and Accounting Service (DFAS), Disbursing Policy (DFAS-ZPFA/IN), 8899 East 56th Street, Indianapolis, IN 46249-0500 (dfas-in.disbursingpolicy@mail.mil);

F. Limit DO foreign currency holdings in a safe, vault, or an LDA to no more than 7 business days requirement, unless an increase has been authorized by the Treasury (see Chapter 14, subparagraph 140310.B.2). This includes foreign currency held by all authorized deputies, agents, and cashiers within the disbursing office and at remote locations. Limiting foreign currency holdings may minimize deficiencies due to rate devaluations and avoid premature drawdown from the Treasury;

G. Acquire foreign coins only to fill specific needs or when received as a change incident to an official cash payment in foreign funds. Coins present problems due to weight, storage, transportation, and disposition; and

H. Prepare foreign currency reports following section 1307.

130202. U.S. Government Sources

Procurement of foreign currency from U.S. Government or commercial sources requires a certificate or statement showing the amount purchased, the rate of exchange, the amount of USDs paid, the date, and the source/seller. Include the certificate or statement with the monthly financial reports. DOs may use ITS.gov to acquire foreign currency via electronic funds transfer. Each exchange voucher must be submitted in support of the accounts of the disbursing office and attached to monthly Standard Form (SF) 1219, Statement of Accountability. A DO may also obtain foreign currency from the following sources:

A. U.S. Government Sources. Other U.S. government sources include Department of Defense (DoD) DOs, U.S. DOs (USDOs), cashiers at American Embassies, or the Federal Reserve Bank of New York (FRBNY). Normally, the DO draws a U.S. Treasury exchange-for-cash check (see Chapter 3, subparagraph 030205.A.1) and endorses it to the order of the officer furnishing the foreign exchange. When foreign currency is purchased from a USDO or an American Embassy cashier, the check may be issued to the American Embassy. When foreign currency is purchased from the FRBNY, the DO makes appropriate shipping arrangements.

B. DoD Military Banking Facility (MBF). When possible, DOs can purchase foreign currency from a MBF (includes funds for LDAs) using a U.S. Treasury exchange-for-cash check (see Chapter 3, subparagraph 030205.A.1).

130203. Currency Custody Accounts

Absent ready-access to the Federal Reserve System, the DO can request approval from the Treasury to establish currency custody LDAs with the government’s contractor-operated MBF. The DO must settle daily with the MBF. The currency custody LDA assures the availability of
U.S. currency to support the dollar economy created by U.S. Armed Forces stationed overseas. Report the balance held in custody accounts on 6.4 (Custody or Contingency Cash) of the DoD *(DD) Form 2657*, Daily Statement of Accountability, and the SF 1219 (see Chapter 15, section 1506).

130204. Purchase From Individuals and Collections From Foreign Vendors

Subject to the provisions outlined in subparagraph 130303.D, DOs may purchase foreign currency from individuals. DOs may also receive foreign currency either as refunds from foreign vendors or in payment for sale of excess foreign property in accordance with the Department of Defense Manual (DoDM), *DoDM 4160.21-V1*. Foreign currency sales receipts from post offices, exchanges, commissaries, and other nonappropriated fund activities are not collections by the disbursing office, but may be acquired by purchase only to the extent necessary to acquire foreign exchange for the LDA.

1303 FOREIGN EXCHANGE TRANSACTIONS

130301. International and Foreign Exchange

International and foreign exchange includes policy on the use of U.S. Government funds in international programs and on foreign exchange and interest costs to the Treasury. These include transactions with foreign countries and international organizations involved with bilateral or multilateral programs (e.g., procurement, research, co-development, co-production, grants, or other transactions) that require the:

A. Outlay of USDs or foreign currencies;

B. Inflow of funds from foreign countries; and/or

C. Exchange of USDs and foreign currencies.

130302. Policies for Financial Transactions

A. In addition to the foreign exchange guidelines provided in paragraph 130201, the following general policies apply to financial transactions:

1. Withdraw dollars from the Treasury on behalf of any program management organization only as needed. Base withdrawal on the recipient organization’s funding requirements to carry out the project.

2. Negotiate to provide for dollar outlays as close as possible to their need for current program expenditure to support international programs requiring U.S. funding.
3. Obtain the U.S. Government share of funding required to support a program by appropriation, with no part of this funding derived from interest earned on U.S. contributions. DoD Components are responsible to ensure that any interest earned is deposited promptly to the Treasury General Fund Receipt Account 3220 (General Fund Proprietary Receipts, Not Otherwise Classified, All Other).

4. Consider the fiscal needs and funding policy issues or concerns of each participating country or international organization, provided that U.S. Government cash management policies are not compromised.

5. Arrange to accommodate the financial policies of each participating country or organization to the maximum extent feasible. Except for arrangements entered into for the sole purpose of implementing U.S. international monetary policy, retain USDs in the Treasury until actually required for immediate disbursement, to minimize interest cost on the public debt.

6. Act on requests from a foreign country or international organization for the temporary deposit and safekeeping of USDs in trust in a Treasury account based on their own merit. Base the decision on the reason for the request, the specific financial arrangements proposed, and the relevant U.S. Government political and general financial considerations. All requests must include a recommendation from the local commander and be submitted to the Department of the Treasury, Financial Management Service, Cash Management Improvement Act Division, Liberty Center (Room 420), Washington, D.C. 20227 through the DFAS-ZPFA/IN (dfas-in.disbursingpolicy@mail.mil).

7. DoD Components may not invest funds on behalf of a foreign country or international organization when receipt of such funds serves as a basis for creating contract obligation authority for the DoD Component or other U.S. Government department or agency.

8. Ensure that application of these general policies in negotiations with foreign countries and international organizations are not compromised by DoD Component administrative practices.

9. Process requests for exceptions in accordance with Chapter 1, paragraph 010103.

B. Specific Policies. See Volume 12, Chapter 9 for financial policies related to international agreements.

130303. Accommodation Exchange Services

A. Definition. Accommodation exchange services are the exchange of U.S. Treasury checks or other USD instruments for USDs (e.g., check cashing), the exchange of USDs or dollar instruments for foreign currency or, where permitted, the exchange of foreign currency for USD instruments. See Chapter 4, sections 0402 and 0403 for accommodation exchange
services to include limitation, personnel eligibility, and the required internal controls for exchanging cash for negotiable instruments.

B. Authorization

1. Commanders may approve and implement accommodation exchange services only after determining that:

   a. Contract MBFs, other on-base financial institutions, exchanges, commissaries, or U.S. Postal facilities cannot fulfill the needs of DoD personnel;

   b. The DO or agent has an immediate need for the foreign currency repurchased; or

   c. Resources are available to provide these services without impacting levels of other financial services (e.g., primary disbursing and related functions).

2. When satisfactory local banking facilities are not available to conduct accommodation transactions; and after the establishment of written check cashing policy approved by the commander, DOs may use official funds to:

   a. Disburse foreign currency for checks, drafts, bills of exchange, and other instruments payable in USDs; and

   b. Cash foreign currency checks drawn by accountable officers of the U.S. on non-symbol checking accounts for the same currency in which drawn, when the currency is needed by the officer for official purposes.

C. Sale of Foreign Currency to Individuals. MBFs normally make accommodation exchanges of foreign currency at installations served under the DoD MBF contract. In countries served by these MBFs, DOs providing accommodation exchange services obtain needed foreign currency from the MBF and make those exchanges at the accommodation rate. DoD personnel may not receive accommodation exchange service from USDOs or Treasury DOs in areas where those services are provided by DoD DOs. DoD personnel assigned or attached to U.S. embassy duty may use available embassy cashier services. DOs, agents, and cashiers making these accommodation exchanges maintain the DD Form 2664, Currency Exchange Record, Record of Individual Exchange Transactions, daily to ensure implementation of the requirements in section 1307 (see Figure 13-1).

D. Purchase of Foreign Currency From Individuals. By policy, DOs are prohibited from purchasing foreign currency from individuals in areas served by MBFs under DoD contract. In areas not served by contract MBFs, DOs may purchase foreign currency or instruments payable in foreign currency in exchange for USDs or dollar instruments before their departure on home leave or completion of their foreign assignment. When purchasing foreign currency or instruments payable in foreign currency for USDs or dollar instruments, DOs must comply with the following:
1. If the amount of foreign currency presented does not exceed the sum of the individual’s salary and allowances for two biweekly pay periods, it may be purchased without requiring documentation of any kind from the departing individual;

2. If the amount of foreign currency presented exceeds the amount authorized in subparagraph 130303.D.1, the requestor must submit a written application to the commander for approval of the purchase. The application must include a statement describing the source of the currency and a statement affirming that none of the currency was acquired in violation of local regulations or exchange control laws of the country concerned;

3. The purchase of the foreign currency with USDs must consider the DO’s immediate foreign currency disbursing requirements (see section 1302). A DO may suspend making accommodation exchanges for such time and to such extent necessary to carry out his or her other responsibilities;

4. Purchase the foreign currency at the prevailing market rate; and

5. Keep a DD 2664 daily to reflect the amount and source of purchased funds.

E. Safe Haven Posts. The appropriate commander establishes foreign currency accommodation exchange services for dependents of DoD personnel at safe haven areas to which they were ordered by competent authority in the event of emergency evacuation. These services must be consistent with the amount of exchanges authorized for dependents of U.S. personnel employed by other U.S. Government agencies.

1304 CURRENCY RATE OF EXCHANGE

130401. Prevailing Rate of Exchange

A. Definition. The prevailing rate of exchange is the most favorable rate legally available to the U.S. Government for acquisition of foreign currency for official disbursement and accommodation exchange transactions. If the currency of any one country is obtained from more than one of the sources provided in paragraph 130202, maintain separate accountability for exchange rate adjustments.

B. Rate of Exchange. Unless otherwise authorized by the Treasury, carry all foreign currency, including amounts held in LDAs, at the prevailing rate of exchange. Foreign currency acquired without purchase includes burdensharing contributions made in host nation currency and held in accounts authorized by 10 U.S.C. § 2350j. Compute disbursements for official expenditures or accommodation exchange transactions to avoid gains or deficiencies due to fluctuations in rates of exchange to the extent possible. If there is no rate of exchange established by agreement between the U.S. Government and the foreign country or where no MBF is available, conduct foreign currency transactions at the prevailing rate using the rate of exchange of the currency on hand as determined by the method outlined in paragraph 130402.
C. Non-Government Sources. When purchasing from sources other than the U.S. Government, DOs should acquire foreign exchange at the best rate available (e.g., fixed or non-fixed legal rate) in which the exchange is being expended. Follow DoS regulations or the currency control laws of the country where the currency will be used. Draw Treasury checks to obtain foreign exchange from commercial sources in favor of the DO and endorse them to the order of the banking institution or commercial enterprise providing the funds.

1. Fixed Legal Rate. The best fixed legal rate to the U.S. Government, depending upon the circumstances in each country, may be any officially established buying rate for dollars, including diplomatic rates or special rates established by agreement with the authorities of the country. When this type of fixed legal rate prevails, agencies should purchase foreign exchange at the best applicable rates to the particular transaction. They may affect purchases at fixed legal rates without the formality of obtaining bids, but the purchases should be evidenced by a statement over the signature of the seller setting forth the pertinent data relative to the purchase. This data includes the date, amount of purchase, and exchange rate. The DO should retain the statement as a supporting document with the SF 1219 (see Chapter 15, section 1508).

2. Non-Fixed Legal Rate. When rates legally applicable to the particular transaction are not fixed, or when such rates are fixed but the use of other rates is also legal for the particular transactions, DOs should purchase foreign exchange at the best obtainable rate. When foreign exchange can be purchased at a non-fixed legal rate, DOs should solicit bids from not less than three sources if available.

   a. When a DO obtains foreign currency from a commercial source in a country where the rate of exchange is not established by agreement between the U.S. and the foreign country, use DD Form 2668, Request for Bid (Purchase/Sale), in duplicate to obtain written bids from at least three legally authorized sources, when available.

   b. When practical, solicit bids from sources outside the country of the currency involved. Accept the bid providing the most beneficial exchange rate to the U.S. Government. The DO includes a copy of the certified and accepted bid as a supporting document with the financial reports, and keeps a copy of it to substantiate the place of purchase if some of the currency is eventually sold through commercial channels. See Figure 13-2 for a sample of a foreign currency purchase and Figure 13-3 for a sample of a sale of foreign currency. The DO should retain documentation stating the most beneficial bid, accepted and certified, with the SF 1219.

130402. Recomputed Rate of Exchange

The DO will need to recompute the operating rate of exchange if the rate of exchange of the newly acquired foreign currency differs from that of the DO’s current balance. The DO then disburses from their account using the recomputed rate of exchange.

   A. Determining the New Rate of Exchange. Determine the new rate of exchange by adding the USD equivalent (USDE) value of the foreign currency on hand before the new acquisition to the USDE value of the additional foreign currency purchased, and divide the
total into the new total of foreign currency units on hand; round the result to five decimal places. Do not adjust the rate until new foreign currency units are acquired.

B. **Certificate of Change.** The DO or Deputy DO (DDO) prepares a certificate of change similar to the example in Figure 13-4, and submits the certificate with the next SF 1219. When possible, determine the value of foreign currency on hand (including LDAs) at the beginning of the business day. If recomputation of the rate of exchange for foreign currency on hand is required during a business day, enter the voucher number of the last disbursement or collection voucher processed under the old rate of exchange on the certificate of revaluation. If there were no vouchers processed during the current business day, so state.

C. **Adjustments Due to Rounding.** Due to the rounding on individual disbursements and collection transactions, a difference in the USD value of foreign currency on hand may occur and cause a minor gain or deficiency. The balance of foreign currency divided by the current rate of exchange (carried to five decimal places) equals the exact USD value of foreign currency on hand. To account for minor gains or deficiencies, the DO adjusts the USD value of foreign currency on hand as part of the daily balancing process. For example, the following reflects transactions occurring on January 3, 20XX:

<table>
<thead>
<tr>
<th>FOREIGN UNITS</th>
<th>USD VALUE</th>
<th>RATE OF EXCHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>107,275,503 (Balance)</td>
<td>$854,512.60</td>
<td>125.53999</td>
</tr>
<tr>
<td>751,883,562 (Purchased)</td>
<td>6,000,000.00</td>
<td>125.31393</td>
</tr>
<tr>
<td>859,159,065 (Balance)</td>
<td>$6,854,512.60</td>
<td>125.34211</td>
</tr>
<tr>
<td>- 9,396,641 (Disbursed)</td>
<td>74,967.95</td>
<td>125.34211</td>
</tr>
<tr>
<td>849,762,424</td>
<td>$6,779,544.65</td>
<td>125.34211</td>
</tr>
</tbody>
</table>

Actual USD Value: 849,762,424 (# of foreign units) divided by the recomputed rate of exchange (125.34211) = $6,779,544.59. The results indicate a minor deficiency of $.06 ($6,779,544.65 less $6,779,544.59) due to rounding of individual vouchers.

D. **New Rate of Exchange.** When computing a new rate of exchange to purchase additional foreign currency, the number of foreign units divided by the rate of exchange may not always accurately reflect the USD value. The rate of exchange for newly acquired foreign currency often differs from that of the balance on hand before the purchase.

1. **Gains and Deficiencies Due to Rounding.** Credit gains or charge deficiencies due to rounding to account **6763 (Gains and Deficiencies on Exchange Transactions) using **DD Form 1131**, Cash Collection Voucher, or **SF 1034**, Public Voucher for Purchases and Services Other Than Personal, as appropriate. Attach a Certificate of Adjustment as prescribed in subparagraph 130402.D.2, to the voucher to support the transaction.

2. **Certificate of Adjustment.** The DO or DDO prepares and signs a Certificate of Adjustment Due to Rounding (see Figure 13-5) when a minor gain or deficiency results.
E. Foreign Currency Revaluation. Any change in the prevailing rate of exchange causes a gain or deficiency by revaluation since there is a change in the USD value of the foreign currency, except when using the method outlined in subparagraph 130402.D.1. Whenever possible, revalue the foreign currency on hand (including LDAs) at the beginning of the business day on which a rate change occurs. Determine the new USD value by dividing the total foreign currency on hand (including LDAs) by the new exchange rate, and whether a gain or deficiency by revaluation has occurred by comparing the USD value at the old rate to the USD value at the new rate. Because DOs carry foreign currency held in the disbursing account at the USD value, adjust that value by the amount of the gain or deficiency (loss) by recording the gain or deficiency by revaluation as a collection or disbursement transaction in the DO’s account.

F. Gains and Deficiencies by Revaluation. Show the computation of the revaluation gain or deficiency on the DD 1131 or SF 1034, as appropriate. Calculate gain/deficiency values for each currency individually by DO/DDO/agent/cashier to keep personal accountability accurate. Except when using the method outlined in subparagraph 130402.D.1, use DD 1131 to credit gains and SF 1034 to charge deficiencies, citing account **6763. DOs may consolidate the “net” change for all currencies on a single DD 1131 or SF 1034, as appropriate.

G. Balance-of-Payments. Code all credits and charges to account **6763 as USD transactions. Use account **6763 only for gains and deficiencies due to foreign currency revaluations. Account **6763 is not related to and has no relationship with the Foreign Currency Fluctuations, Defense (FCFD) or the Foreign Currency Fluctuations, Construction, Defense (FCFCD) accounts used for differences between budgeted foreign currency rates at which obligations are recorded and the rates at which they are liquidated. Reflect the FCFD and FCFCD portions of foreign currency disbursements separately on disbursement vouchers as charges to the appropriate foreign currency centrally-managed allotment account set up for that purpose.

H. Gains or Deficiencies on Security Deposits Due to Foreign Currency Fluctuation

1. Policy
   a. Service members stationed in overseas areas are authorized advanced overseas housing allowance for security deposits to obtain leased housing. As authorized by the Joint Travel Regulations, the supporting DO pays the necessary amount in the appropriate local currency and charges the appropriate military pay appropriation for the USDE. The preferred method for paying advanced housing allowance is a LDA check in the local currency of the area involved.

   b. For disbursing offices that do not maintain an LDA in the required currency, the member presents a copy of the lease agreement containing the amount of foreign currency needed to initiate the lease contract. The disbursing office contacts the local MBF to determine the foreign currency exchange rate on the date the advance is to be paid and computes the USD amount. The appropriate military pay entitlement office prepares and certifies the appropriate voucher for payment of the advance in USD, and charges the appropriate military pay appropriation. The service member converts the payment to local currency at the MBF.
c. The supporting finance office maintains a tracking system, either by input into the master military pay account (MMPA) or by manual methods, showing the amount of the advance paid in local currency, the USDE, and the exchange rate on the date of payment.

2. **Lease Termination**

a. At lease termination, service members return the total amount of the deposit in local currency to the supporting disbursing office in exchange for a receipt. The supporting disbursing office credits the USDE based on the rate of exchange in effect on the date of the return to the appropriation charged when the deposit was advanced; compares that rate of exchange with the rate in effect on the date of the advance; and posts any gain or deficiency (loss) due to currency fluctuation as a charge or credit, as appropriate, to the current military pay appropriation.

b. If the security deposit was paid in USD, the service member takes the full value of the security deposit in foreign currency to the MBF, converts it to U.S. currency, obtains a receipt indicating the exchange rate, and turns in the U.S. currency and receipt to the disbursing office. The disbursing office prepares a collection voucher for credit to the appropriate military pay appropriation, indicates return of the security deposit, verifies with the MMPA or local record whether a gain or deficiency has occurred for the current exchange rate, and prepares the appropriate voucher to credit or debit the gain or deficiency to the appropriate military pay appropriation. Ensure that the member does not experience any gain or deficiency due to foreign currency fluctuations.

130403. Obtaining Weekly Foreign Currency Exchange Rates

The **Federal Reserve Bank** provides weekly foreign currency exchange rates at their website.

1305 USE OF FOREIGN CURRENCIES FOR TRANSPORTATION

130501. Transportation Payment

To the maximum extent possible, use U.S.-owned foreign currencies for transportation when certified air carriers are available and will accept such currencies in payment for U.S. Government-financed, commercial, foreign air transportation of persons or property. Review **DoD Directive 4500.09E**, Transportation and Traffic Management, for guidance on the use of these air carriers and determination of their availability. In issuing and exchanging Government Transportation Requests (GTRs), Government Bills of Lading (GBLs), transportation warrants, or other procurement documents, state clearly “PAYMENT IN (foreign currency)” on the form. Otherwise the carrier may demand payment in USDs.
130502. Transportation Billing

DOs should ensure to include in the “BILL TO” portion of the GTR, GBL, transportation warrant, or other procurement document:

A. Name of the requesting agency;
B. Address to be billed; and
C. Instruction on payment in foreign currency.

1306 DISPOSITION OF FOREIGN CURRENCY AND NEGOTIABLE INSTRUMENTS

130601. Payments to Authorized Personnel

DOs may use foreign currency for payments to foreign personnel and vendors. For miscellaneous advance payments, see Volume 10, Chapter 4, paragraph 040408.

130602. Disposition of Excess Foreign Funds

When possible, transfer foreign currency excess to other DoD DOs, USDOs, U.S. Embassies, or accountable officers in a particular locality with immediate disbursing needs. When the collection of foreign currency causes a noninterest bearing LDA to exceed immediate disbursing requirements, see Chapter 14, subparagraph 140310.B.2.

A. Sale to Another DoD Disbursing Office

1. Sort checks, drafts, and money orders payable in foreign currency by the geographical location of the institutions on which they were drawn and send them by registered mail or courier to a DoD DO located in the country of the monetary unit involved. Send them with a completed DD Form 165, Shipment of Funds, and a letter of transmittal addressed to “DO (activity of addressee)” (see Chapter 3, section 0305). Include a request for a U.S. Treasury exchange-for-cash check with the letter of transmittal. Identify the country, type, amount, exchange rate, and USD value of the instruments on the DD 165. Endorse the instruments "Pay to the order of ‘Disbursing Officer, Activity of Addressee’, (Signature of sender)." When there is no DoD DO in the country involved, deposit the instruments in accordance with the 1 TFM 5-6000.

2. Send other than local currencies, and currencies not required for official purposes to a DoD DO that needs them, or to a DO located in the country where the currency is legal tender. Exchange the foreign currency for U.S. currency or a U.S. Treasury exchange-for-cash check. When using registered mail or courier, include a completed DD 165 and letter of transmittal requesting a U.S. Treasury exchange-for-cash check. Include the country, type, amount, exchange rate, and USD value of the foreign currency on the DD 165. Do not send foreign coins for exchange except under unusual circumstances and with the prior concurrence of the intended recipient.
3. Use the prevailing rate of exchange on the date of the seller’s transmittal and the prevailing rate on the date of receipt for the buyer. Since the prevailing rate is the holding rate for the receiving office, there will be no gain or deficiency in the receiving office’s accounts. The selling office accounts for any gain or deficiency due to exchange rate fluctuations when it receives the U.S. Treasury exchange-for-cash check.

B. Sale to an MBF. A DO may sell excess foreign currency to an MBF whenever the currency cannot be sold to another DoD DO. The selling DO uses the MBF “buy rate” as the rate of exchange on the date it sends the currency to the MBF, and accounts for any gain or deficiency due to exchange rate fluctuations when it receives the U.S. from the MBF.

C. Sale Through Commercial Channels. If foreign currency cannot be sold, a DO may sell it through commercial channels. If the rate of exchange has been established by agreement between the U.S. and the foreign country, sell or otherwise dispose of foreign currency for U.S. currency or USD checks at the established rate of exchange.

1. For this type of sale, the bank or other entity to which the foreign currency is sold provides a statement showing the amount of USD supplied, rate of exchange, amount of foreign currency received, date, and name and address of the bank or other entity. The recipient’s representative signs the statement and the DO includes it with the financial reports. A DO may also conduct foreign currency sale transactions with a bank or entity approved by the Treasury (e.g., an MBF) to establish LDAs in the currency purchased (see Chapter 14, section 1403).

2. When the rate of exchange is not established by agreement between the U.S. and the foreign country, or if there is not a bank or entity approved by the Treasury to establish LDAs, use a DD 2668 to request at least three bids from reputable banking institutions or dealers in foreign exchange, if available. Sell the foreign currency to the bidder submitting the most beneficial bid as certified by a commissioned officer other than the DO; the DO accepts it and includes it with the financial reports to support gains or deficiencies in foreign currency transactions (see Figure 13-3).

D. Deposits to the Credit of the Treasury. If disposition is not possible through a DoD DO or an MBF, follow guidance in the TFM 5-6000 for deposits of foreign currency and checks drawn on foreign banks.

E. Deposits. Pending receipt of the confirmed copy of the deposit ticket, record the deposit in Cash in Transit (line 6.7) of the DD 2657 at the USD value of the funds when the deposit was mailed. If the confirmed copy of the deposit ticket is not received before the end of the month of mailing, report the item on line 6.7 of the SF 1219. The depositary enters the net USD proceeds in Block 4 of the deposit ticket and distributes the copies as for any regular deposit.

1. Upon receipt of the confirmed deposit ticket, the DO enters the confirmed amount in Deposits Presented or Mailed to Bank (line 4.2A) of the DD 2657 as a decrease to line 6.7. Account for any difference in the amount of the confirmed deposit ticket and
the amount at which carried by the DO on line 6.7 (as distinguished from exchange fees and collection charges) as either a gain or deficiency by exchange transaction as prescribed in section 1303.

2. Do not report deposits of foreign negotiable instruments under the “Gross Accountability” section as on line 4.2A until receipt of the confirmed copy of the deposit ticket because the USD value to be reported as deposited is not known to the DO until then.

130603. Dishonored Foreign Checks, Drafts, and Money Orders

Dishonored foreign instruments received by DoD DOs are subject to the regular debt collection procedures. DOs must request removal of dishonored item deficiencies for instruments received that become uncollectible (see Chapter 4, section 0405).

130604. Mutilated or Unfit Foreign Currency

DOs should take every possible precaution to prevent acceptance of mutilated foreign currency as a collection, payment, or an exchange transaction. If a DO is holding mutilated foreign currency, the DO must contact local banks or fiscal authorities to arrange for the exchange of mutilated or unfit currency for fit currency.

130605. Counterfeit or Altered Foreign Currency

DOs should take every possible precaution to prevent acceptance of counterfeit currency as a collection. If the collection is counterfeit, see section 2045 in 1 TFM 5-2000. Absent an agreement with the foreign government, ship the currency to the appropriate investigative agency or nearest military security agency. Obtain a receipt for the currency, and account for it in the DO’s records in the same manner prescribed in Chapter 3, section 0307 for counterfeit U.S. currency. A DO considered at fault in acquiring counterfeit foreign currency is accountable for the value of the currency. Submit a request for relief of liability pursuant to the process outlined in Chapter 6, section 0606. This is the same process that is used for accountability for receipt of counterfeit U.S. currency.

1307 RECORDS AND REPORTS

130701. Treatment of Transactions

Treat transactions involving foreign currency as cash transactions and follow the same principles and guidelines established for controlling U.S. currency. DOs, DDOs, agents, and cashiers who engage in foreign currency transactions (e.g., collections, disbursements, and accommodation exchanges) must document them on the DD Form 2663, Foreign Currency Control Record (Figure 13-6). This form shows current balances of foreign currency on hand (all foreign currency held by cashiers, in the vault, or by other agents of the DO) and in LDAs, as well as the detailed transactions that increase or decrease these balances.
130702. DD Form 2663, Foreign Currency Control Record

Maintain separate DD 2663s for each type of foreign currency used (e.g., Kuwaiti Dinar, Euro, and Japanese Yen). Also maintain a separate DD 2663 for accommodation exchange foreign currency carried at an exchange rate different from that used for disbursements. DOs may maintain separate DD 2663s for foreign currency on hand and in LDAs. See Figure 13-6 for preparation instructions for DD 2663.

130703. Foreign Currency Reports

A. DO. Include with the foreign currency reports a cover sheet with the following headings: Country of Currency; Monetary Unit; Number of Units Purchased; Total Dollar Outlay; and Memorandum-Dollar Outlay for Accommodation Exchanges. Reports are due within 15 calendar days after the close of each quarter to the supporting DFAS site. Reports may be combined and submitted as one report.

1. Cumulative Report of Foreign Currency Purchased With USD From Sources Outside the U.S. Government. This report is cumulative for the fiscal year. Include the amounts acquired through accommodation exchange transactions as well as purchases from banks and other dealers in currency exchange.

2. Report of the Balance of Foreign Currency Held Under Dollar Accountability. This report is due by the end of each quarter to the same DFAS site as the cumulative report. It may be combined with the cumulative report.

3. Report of Foreign Exchange Received by DOs and Credited Immediately to Miscellaneous Receipt Accounts of the Treasury. This report is a cumulative report of outside purchases and quarterly report of balances of foreign currency on hand. These funds are received for such things as fees and services and are immediately purchased by DOs with appropriated funds for their operating needs. Exclude repayments to appropriations.

B. Consolidated Quarterly Reports of DOs. DFAS sites will consolidate the DOs quarterly reports and forward them to DFAS, Departmental Reporting Directorate, Treasury Division, Reporting Operations Branch, Column 334Z-1, 8899 E. 56th Street, Indianapolis, IN 46249, in time to be delivered to the Treasury 45 calendar days after the close of each quarter.

C. SF 1219. Report foreign currency balances held in USDE (see Chapter 15, section 1506) on the SF 1219 including those in LDAs.

1308 CONTINGENCY OPERATIONS IN FOREIGN TERRITORIES

Information pertaining to Contingency Operations in Foreign Territories can be found in Volume 12, Chapter 29, “Administering, Using, and Accounting for Seized and/or Vested Funds and Property During Contingency Operations.”
**Figure 13-1. Sample DD Form 2664, Currency Exchange Record**

<table>
<thead>
<tr>
<th>1. DISBURSING OFFICER DESIGNATION</th>
<th>2. RATES OF EXCHANGE (Number of Foreign Currency Units to one U.S. Dollar)</th>
<th>3. DATE (YYYYMMDD)</th>
<th>4. DSSN</th>
<th>5. NAME OF CASHIER OR DEPUTY</th>
<th>6. RECEIVED FROM CUSTOMER</th>
<th>7. DISURSED TO CUSTOMER</th>
<th>8. NAME AND OTHER INFORMATION REQUIRED BY DISBURSING OFFICER ON PERSON FOR WHOM EXCHANGE IS MADE</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>a. TYPE OF NEGOTIABLE INSTRUMENT RECEIVED (Personal check)</td>
<td>b. U.S. CURRENCY AND COIN</td>
<td>c. FOREIGN CURRENCY</td>
</tr>
<tr>
<td>Personal check</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Personal check</td>
<td>$500.00</td>
<td>$500.00</td>
</tr>
<tr>
<td>Money Order</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Money Order</td>
<td>$125.23</td>
<td>$125.23</td>
</tr>
</tbody>
</table>

*T Smith requested 22,473.00 Yen, 194.24 Euro, and balance in U.S. cash.

**J Smith requested 115.00 Euro and balance in U.S. cash.
**REQUEST FOR BID (Purchase/Sale)**

### SECTION I – PURCHASE

1. **DISBURSING ACTIVITY NAME AND LOCATION**
   USS FAIRFAX COUNTY (LST-1193)
   FPO AE 09569-1814

2. **DSSN**
   8289

3. **NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER**
   BANCA COMMERCIALE ITALIANA
   BRINDISI, ITALY

4. **NAME OF FOREIGN CURRENCY REQUESTED**
   EURO

5. **U.S. DOLLAR AMOUNT**
   $10,000.00

6. **DISBURSING OFFICER NAME, RANK OR GRADE**
   SHALLIAM B. ELLIS, ENS, SC, USNR

7. **DISBURSING OFFICER’S SIGNATURE**

8. **DATE**
   JUNE 22, 20XX

9. **UNITS AND TYPE OF FOREIGN CURRENCY OFFERED**
   9,352.26 EURO

10. **PAY BY (Check one)**
    a. CHECK
    b. CASH

11. **NAME AND TITLE OF OFFERING OFFICIAL**
    G. C. PAVALONI, VICE PRESIDENT

12. **SIGNATURE OF OFFERING OFFICIAL**

13. **DATE**
    JUNE 24, 20XX

14. **CERTIFICATION**
    a. CERTIFIED TO BE THE MOST BENEFICIAL BID.
    b. NUMBER OF BIDS
    3
    c. COMMISSIONED OFFICER NAME AND SIGNATURE
    JOSEPH L. SMITH, LT, USN
    d. DATE
    JUNE 25, 20XX

15. **BID ACCEPTED**

16. **DISBURSING OFFICER NAME AND SIGNATURE**
    SHALLIAM B. ELLIS

17. **DATE**
    JUNE 25, 20XX

### SECTION II – SALE

18. **DISBURSING ACTIVITY NAME AND LOCATION**

19. **DSSN**

20. **NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER**

21. **NUMBER AND NAME OF FOREIGN CURRENCY UNITS**
    INDICATED IN ITEM 21.

22. **DISBURSING OFFICER NAME, RANK OR GRADE**

23. **DISBURSING OFFICER’S SIGNATURE**

24. **DATE**

25. **AMOUNT OF UNITED STATES DOLLARS OFFERED**

26. **NAME AND TITLE OF OFFERING OFFICIAL**

27. **SIGNATURE OF OFFERING OFFICIAL**

28. **DATE**

29. **CERTIFICATION**
    a. CERTIFIED TO BE THE MOST BENEFICIAL BID.
    b. NUMBER OF BIDS
    3
    c. COMMISSIONED OFFICER NAME AND SIGNATURE
    d. DATE

30. **BID ACCEPTED**

31. **DISBURSING OFFICER NAME AND SIGNATURE**

32. **DATE**

33. **REMARKS**

**DD Form 2668, AUG 93**
**REQUEST FOR BID (Purchase/Sale)**

**SECTION I – PURCHASE**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. DISBURSING ACTIVITY NAME AND LOCATION</td>
<td>2. DSSN</td>
</tr>
<tr>
<td>3. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>PLEASE INDICATE THE NUMBER OF CURRENCY UNITS DESCRIBED IN ITEM 4 YOU SHALL FURNISH IN EXCHANGE FOR EITHER A CHECK DRAWN ON THE TREASURY OF THE UNITED STATES OR UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 5.</td>
<td></td>
</tr>
<tr>
<td>4. NAME OF FOREIGN CURRENCY REQUESTED</td>
<td>5. U.S. DOLLAR AMOUNT</td>
</tr>
<tr>
<td>6. DISBURSING OFFICER NAME, RANK OR GRADE</td>
<td>7. DISBURSING OFFICER’S SIGNATURE</td>
</tr>
<tr>
<td></td>
<td>8. DATE</td>
</tr>
<tr>
<td>OFFER IS MADE TO FURNISH THE NUMBER AND TYPE OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 9. THE FORM OF PAYMENT REQUESTED FOR THIS CURRENCY IS INDICATED IN ITEM 10.</td>
<td></td>
</tr>
<tr>
<td>9. UNITS AND TYPE OF FOREIGN CURRENCY OFFERED</td>
<td>10. PAY BY (Check one)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. CHECK</td>
</tr>
<tr>
<td></td>
<td>b. CASH</td>
</tr>
<tr>
<td>11. NAME AND TITLE OF OFFERING OFFICIAL</td>
<td>12. SIGNATURE OF OFFERING OFFICIAL</td>
</tr>
<tr>
<td>13. DATE</td>
<td></td>
</tr>
<tr>
<td>14. CERTIFICATION</td>
<td></td>
</tr>
<tr>
<td>a. CERTIFIED TO BE THE MOST BENEFICIAL BID.</td>
<td>b. NUMBER OF BIDS</td>
</tr>
<tr>
<td>c. COMMISSIONED OFFICER NAME AND SIGNATURE</td>
<td>d. DATE</td>
</tr>
<tr>
<td>15. BID ACCEPTED</td>
<td>16. DISBURSING OFFICER NAME AND SIGNATURE</td>
</tr>
<tr>
<td>17. DATE</td>
<td></td>
</tr>
</tbody>
</table>

**SECTION II – SALE**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>18. DISBURSING ACTIVITY NAME AND LOCATION</td>
<td>19. DSSN</td>
</tr>
<tr>
<td>20. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER</td>
<td>8289</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>PLEASE INDICATE THE AMOUNT IN UNITED STATES DOLLARS YOU SHALL FURNISH IN EXCHANGE FOR THE NUMBER OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 21.</td>
<td></td>
</tr>
<tr>
<td>21. NUMBER AND NAME OF FOREIGN CURRENCY UNITS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,676.13 EURO</td>
</tr>
<tr>
<td>22. DISBURSING OFFICER NAME, RANK OR GRADE</td>
<td>23. DISBURSING OFFICER’S SIGNATURE</td>
</tr>
<tr>
<td>SHALLIAM B. ELLIS, ENS, SC, USNR</td>
<td></td>
</tr>
<tr>
<td></td>
<td>24. DATE</td>
</tr>
<tr>
<td>JULY 12, 20XX</td>
<td></td>
</tr>
<tr>
<td>OFFER IS MADE TO FURNISH UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 25 FOR THE CURRENCY SPECIFIED ABOVE.</td>
<td></td>
</tr>
<tr>
<td>25. AMOUNT OF UNITED STATES DOLLARS OFFERED</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$5,000.00</td>
</tr>
<tr>
<td>26. NAME AND TITLE OF OFFERING OFFICIAL</td>
<td>27. SIGNATURE OF OFFERING OFFICIAL</td>
</tr>
<tr>
<td>G. C. PAVALONI, VICE PRESIDENT</td>
<td></td>
</tr>
<tr>
<td></td>
<td>28. DATE</td>
</tr>
<tr>
<td>JULY 12, 20XX</td>
<td></td>
</tr>
<tr>
<td>29. CERTIFICATION</td>
<td></td>
</tr>
<tr>
<td>a. CERTIFIED TO BE THE MOST BENEFICIAL BID.</td>
<td>b. NUMBER OF BIDS</td>
</tr>
<tr>
<td>c. COMMISSIONED OFFICER NAME AND SIGNATURE</td>
<td>d. DATE</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>JOSEPH L. SMITH, LT, USN</td>
<td>JULY 13, 20XX</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>30. BID ACCEPTED</td>
<td>31. DISBURSING OFFICER NAME AND SIGNATURE</td>
</tr>
<tr>
<td>SHALLIAM B. ELLIS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>32. DATE</td>
</tr>
<tr>
<td>JULY 13, 20XX</td>
<td></td>
</tr>
<tr>
<td>33. REMARKS</td>
<td></td>
</tr>
</tbody>
</table>

**DD Form 2668, AUG 93**
Figure 13-4. Sample Certificate of Change in Purchase Rate

<table>
<thead>
<tr>
<th>Description</th>
<th>Yen</th>
<th>Exchange Rate</th>
<th>U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount of Japanese Yen on hand at close of business October 3, 20XX</td>
<td>220,000</td>
<td>97.99991</td>
<td>$2,244.90</td>
</tr>
<tr>
<td>Japanese Yen received this date through sale of Treasury Check No. 196,240 for $1,960.78</td>
<td>200,000</td>
<td>102.00022</td>
<td>$1,960.78</td>
</tr>
<tr>
<td>Totals</td>
<td>420,000</td>
<td>99.86494</td>
<td>$4,205.68</td>
</tr>
</tbody>
</table>

420,000 Yen divided by $4,205.68 equals 99.86494, which is the new exchange rate for Japanese Yen on hand. This rate is based on the prior purchase exchange rate and the new exchange purchase rate for Yen purchased on October 4, 20XX.

No collection or disbursement vouchers processed this date prior to revaluation of Japanese Yen.

J. A. HANCOCK  
DSSN 6870
Figure 13-5. Sample Certificate of Adjustment Due to Rounding

<table>
<thead>
<tr>
<th>YEN</th>
<th>US DOLLAR VALUE (based on individual cumulative transactions)</th>
<th>US DOLLAR VALUE (based on rate of exchange of 0.0089=$1.00)</th>
<th>DIFFERENCE (deficiency)gain</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,254,123.47</td>
<td>$64,385.50</td>
<td>$64,385.57</td>
<td>$0.07</td>
</tr>
</tbody>
</table>

U.S. NAVAL STATION JAPAN

January 3, 20XX

CERTIFICATE OF ADJUSTMENT DUE TO ROUNDING

J. A. HANCOCK
Symbol 6870
Table: FOREIGN CURRENCY CONTROL RECORD (Section I)

<table>
<thead>
<tr>
<th>1. DATE</th>
<th>2. TRANSACTION REFERENCE</th>
<th>3. EXCHANGE RATE</th>
<th>4. COLLECTIONS</th>
<th>5. PURCHASES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>a. MISC RECEIPT</td>
<td>b. REIMBURSEMENT/ REFUND</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>UNITS DOLLARS</td>
<td>UNITS DOLLARS</td>
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<tr>
<td>4/6/XX</td>
<td>CV-1111</td>
<td>1.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4/9/XX</td>
<td>Purch by Accom Ex</td>
<td>1.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4/12/XX</td>
<td>Vend Pay Vouch S12</td>
<td>1.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4/16/XX</td>
<td>Sale by Accom Ex</td>
<td>1.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
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</tbody>
</table>

DD Form 2663, AUG 93

Figure 13-6. Sample DD Form 2663, Foreign Currency Control Record
Figure 13-6. Sample DD Form 2663, Foreign Currency Control Record (Continued)

(Back)

<table>
<thead>
<tr>
<th>FOREIGN CURRENCY CONTROL RECORD (Section II)</th>
<th>6. COUNTRY</th>
<th>7. CURRENCY UNIT TYPE</th>
<th>8. DISBURSEMENTS</th>
<th>9. DEPOSITS / SALES/ TRANSFERS</th>
<th>10. GAIN OR LOSS</th>
<th>11. SUB BALANCE</th>
<th>12. COMBINED BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>France</td>
<td>Euros</td>
<td>UNITS</td>
<td>DOLLARS</td>
<td>UNITS</td>
<td>DOLLARS</td>
<td>UNITS</td>
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<td></td>
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<td>10.00</td>
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<td>60</td>
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<td>50</td>
<td>55.00</td>
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Figure 13-6. Sample DD Form 2663, Foreign Currency Control Record (Continued)

Instructions

A. Preparation. Complete both sections to make a complete record of each line entry.

1. Item 1: Date. Enter the applicable transaction date.

2. Item 2: Transaction Reference. Enter data to enable reference to transaction source documents (e.g., voucher number, revaluation and LDA check number).

3. Item 3: Exchange Rate. Enter the foreign currency to USD exchange rate applicable to the transaction.

4. Item 4: Collections
   a. Sub-item a: Miscellaneous Receipt. Enter the amount of foreign currency in the “units” column and the USDE of those units in the “dollars” column for any foreign currency collected into a Treasury miscellaneous receipt account.
   
   b. Sub-item b: Reimbursement/Refund. Enter the amount of foreign currency in the “units” column and the USDE of those currencies in the “dollars” column for any foreign currency reimbursement or refund transactions. DOs, at their option, may use these columns only for reimbursements while netting refunds out in Item 8 (Disbursements); draw a single line through the word “refund” when using this option.

5. Item 5: Purchases
   a. Sub-item a: Government Sources. Enter the amount of foreign currency in the “units” column and the USDE in the “dollars” column for foreign currency purchases from government sources (including other DOs). Include foreign currency acquired from government sources to be used for accommodation exchange purposes. Do not include foreign currency acquired in accommodation exchange transactions.

   b. Sub-item b: Non-government Sources. Enter the amount of foreign currency in the “units” column and the USDE in the “dollars” column for foreign currency purchases from non-government sources, including MBF and nonappropriated fund activities. Include foreign currency acquired from non-government sources to be used for accommodation exchanges and foreign currency acquired in accommodation exchanges.
Instructions

6. **Item 6: Country.** Enter the name of the country whose currency is reported (e.g., Kuwait, United Kingdom, and Japan).

7. **Item 7: Currency Unit Type.** Enter the name of the foreign currency reported (e.g., Dinar, Pound Sterling, and Yen).

8. **Item 8: Disbursements.** Enter the amount of foreign currency in the “units” column and the USDE in the “dollars” column for foreign currency disbursements. When including foreign currency refunds in sub-item 4b, disbursements entered in this item are gross disbursements. When entering only reimbursements in sub-item 4b, disbursements entered in this item are net of refunds.

9. **Item 9: Deposits/Sales/Transfers.** Enter the amounts of foreign currency in the “units” column and the USDE in the “dollars” column represented by accommodation exchange sales, deposits to a general depositary, or transfers to other DOs or agents outside the DOs accountability. Do not show deposits to an LDA in this item.

10. **Item 10: Gain or Loss.** Enter gains or deficiencies resulting from revaluation of foreign currency on hand and in an LDA. Include gains or deficiencies recognized on the basis of individual disbursement or accommodation exchange transactions. Also enter the amounts of physical deficiencies of foreign currency. Process overages of foreign currency as reimbursements to **F3875, Budget Clearing Account (Suspense), or eventually as receipt account collections (see Chapter 6).**

11. **Item 11: Sub Balance**

   a. **Sub-item a: On Hand.** Enter the cumulative amounts of foreign currency in the “units” column and the USDE in the “dollars” column to report foreign currency on hand (not including currency on deposit in an LDA). Balance (offset) entries in this sub-item with entries in other items of the DD 2663 except when foreign currency carried as cash on hand is deposited to an LDA or when an LDA check is written to obtain cash on hand. Enter these transactions as decreases (or increases, as appropriate) in the “units” and “dollars” columns of 11a (ON HAND) and 11b (LDA). Enter appropriate references to such transactions in items 1 and 2.
Instructions

b. Sub-item b: LDA. Enter the cumulative amounts of foreign currency in the “units” column and the USDE in the “dollars” column representing the balance on deposit in an LDA. Balance (offset) entries in this sub-item with entries in other items of the DD 2663 except for transactions involving transfers between cash on hand and cash in an LDA as explained in subparagraph A.11.a.

12. Item 12: Combined Balance. Enter the total of the “units” and “dollars” columns of sub-items 11a and b in the appropriate columns.

B. Totaling. Enter column totals of items 4 through 10 at the end of each month, quarter, and year.
VOLUME 5, CHAPTER 14: “LIMITED DEPOSITARY CHECKING ACCOUNTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated July 2018 is archived.

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<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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CHAPTER 14

LIMITED DEPOSITARY CHECKING ACCOUNTS

1401 GENERAL

140101. Overview

If the Department of the Treasury’s (Treasury) International Treasury Services (ITS.gov) will not support mission requirements, Department of Defense (DoD) disbursing officers (DOs) may maintain official limited depositary accounts (LDAs) for check or electronic funds transfer (EFT) payments in foreign currencies with banks designated by the Treasury as “Depositaries of Public Moneys of the United States.” LDA transactions are recorded on the DoD (DD) 2657, Daily Statement of Accountability and the Standard Form (SF) 1219, Statement of Accountability.

140102. Purpose

This chapter provides policy on the establishment and maintenance of LDAs by DoD DOs.

140103. Authoritative Guidance

Treasury is authorized by Title 31, United States Code, section 3303 to select financial institutions to maintain U.S. Government operated accounts based on obtaining the most beneficial banking arrangement available to transact business. Preference should be given to American financial institutions unless a local bank’s arrangement is more advantageous to the United States. See implementing guidance in Title 31, Code of Federal Regulations, sections 202.1, 281.5, and 281.7.

1402 SOLICITATION

140201. Overview

A. New LDAs. A DO (or designated deputy DO (DDO)) confers with the local U.S. Embassy or Consulate for assistance to determine which banks meet the criteria to maintain an account. When anticipating the establishment of a new LDA, a DO solicits all American-owned and leading local financial institutions in the area to determine which would offer the most beneficial arrangement. The solicitation process must be competitive to allow all banks to submit written information on identical questionnaires or requests for banking proposals. To determine the most beneficial arrangement, a DO considers, in descending order of importance, (1) standard operating services minimally required, (2) customary local banking practices (e.g., telex cost or armored car service), and (3) other special services that may be necessary in a particular country or circumstance (e.g., payment of interest on the account, waiver of miscellaneous charges). The required services must include:

1. Capability to honor payments to payees in outlying areas;
2. Processing of checks and, if possible, EFTs and deposits;
3. Provision of a daily or a monthly bank statement as needed; and
4. Acceptance of the DO’s funding procedures.

B. **LDA Banks.** DOs ensure that banks are valid, reflect a high level of American ownership, are financially secure, are dependable, and are reliable financial institutions to avoid losses and ensure the protection of U.S. Government funds. Unsolicited proposals from financial institutions to operate an existing LDA may be received any time, and the LDA is open to all interested financial institutions.

140202. Requesting a Limited Depositary Account

A DO, upon selecting a reliable financial institution with beneficial banking arrangements, sends a request for approval and designation of an LDA to the Enterprise Solutions and Standards (ESS) Disbursing (Defense Finance and Accounting Service (DFAS), ESS Disbursing, Indianapolis (DFAS-JFKCB/IN), 8899 E. 56th Street, Column 301S, Indianapolis, IN 46249 (dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil)). ESS Disbursing will review and send the request to the Treasury’s Bureau of the Fiscal Service before the account is established.

A. Requests for U.S. dollar (USD) accounts must include documentation indicating that the DO requested and received a commitment to pledge collateral from the bank suggested for selection. If the bank agrees to pledge collateral, the DO may request a USD operating account; otherwise, the DO may request only a USD zero-balance account.

B. A request for an LDA should include the:

1. Disbursing station symbol number (DSSN);
2. Justification for the account, to include the reason(s) why ITS.gov will not support mission requirements;
3. Location;
4. Name of the currency;
5. Criteria for determining the preferred bank and reasons for recommending its selection (e.g., results of the competitive process);
6. Name of proposed bank;
7. Bank address;
8. Name and title of bank official and telephone number(s);
9. Percentage of ownership by a U.S. bank;

10. Name of the correspondent bank in the United States, the account number, and a point of contact (e.g., name, title, and telephone number); and

11. Business need or statutory authority for any balance that may exceed the 5 to 7 day supply requirement. Note: Approved LDA requests that include requirements for balances to exceed the 5 to 7 day supply will not require a waiver from Treasury as stated in subparagraph 140310.B.2.

1403 ESTABLISHING AND MAINTAINING A LIMITED DEPOSITARY ACCOUNT

140301. Establishment

Once Treasury approves a request, establish the LDA in the name of the assigned DO, DDO, or other agent the DO designates. Limit authority to sign checks drawn on the LDA to the DO and other appointed DDOs or agents. A DO who transacts business in multiple foreign currencies must establish and maintain a separate LDA for each currency.

140302. Letter of Authorization

The commander certifies by letter the name and rank of the DO assigned to the activity, stating that the DO is authorized to maintain an LDA with official funds of the United States in the name of the activity. If the custodian of the LDA is a DDO or other agent of the DO, the commander’s letter identifies that DDO or agent and:

A. Certifies that the account is subject to checks issued by the DO, other appointed DDOs or agents, and their successors in office;

B. Includes signature specimens of the DOs and authorized DDOs and agents, and a certification that the signatures are those of the personnel authorized to transact business with the limited depositary (LD); and

C. Requests the bank acknowledge acceptance by endorsement of the letter, in triplicate. The bank should retain the original letter and return two copies to the activity.

140303. Blank Limited Depositary Checks

A. Procurement. LD checks are not available through the Treasury check contract. Order checks from the bank maintaining the LDA, charging their procurement cost to the disbursing activity’s operating funds.

B. Print Order Requirements. Obtain LD checks in continuous form format for mechanized systems. The checks must be overprinted to provide the serial number of the check, name of the activity, any limited-payable notices as may apply in the foreign nation, and information necessary for security and accounting for check issues.
C. **Security.** Control and safeguard blank LD checks in the same manner as prescribed for Treasury checks in Chapter 7, paragraph 070307. If LD checks are lost or stolen, the DO immediately notifies the LD of the serial numbers of those checks, places stop payments against them, and submits copies of the stop-payment requests with the next original LD reports.

D. **Relief of DO.** Transfer unused LDA checks to the relieving officer, with no change in serial numbers, for their use.

E. **LDA No Longer Required.** When an LDA is no longer required or when a disbursing office is deactivated, void all unused blank LDA checks and destroy them (see section 1404 and Chapter 7, paragraphs 070902 and 070904.

140304. **Preparation of Limited Depositary Checks**

A. **General.** Prepare LD checks using automated check writing equipment, if available, or a typewriter, if necessary.

B. **Record of Check Issues.** DOs maintain a record of all LD checks issued. The record includes payee names, voucher numbers, amounts (in the currency of the check), check serial numbers, check dates, and activity name under which the account is established. Other information as to the purpose for which checks are issued and local identification codes is optional at the issuing DO’s discretion. The record may be on paper or in media designed for data processing use (e.g., compact disk). Keep a separate record for each LDA. Include records of check issues with retained disbursing records.

140305. **Disbursement Vouchers**

When a payment is made with an LD check, enter the notation “LD Check No. ___,” on the disbursement voucher. Although a receipt is not generally required for a check payment, local laws may prohibit LD checks drawn outside the United States from being returned to the drawer. In these cases, show evidence of receipt of the payment on the voucher on which an LD check payment appears in one of the following two ways:

A. **Signature on Original Voucher.** Submit the original voucher as a part of the financial reports for the month of payment; or

B. **Periodic Statements From Depositary.** Periodic statements from the LD listing the paid checks by number and amount, certified by an officer of the bank and the DO, are satisfactory evidence of payment. The certificate of the bank should say, “I certify that the above is a true and correct list of all checks paid by this bank and charged to the account shown in the heading during the period covered by this statement, and that the originals of the checks are on file in this bank and will be held for ___ years.” The DO certifies to the reconciliation of the bank statement with the disbursing records.
140306. Delivery of Checks

Before mailing any LD checks outside the country in which the LD is located, the DO verifies that such action is not prohibited by the Status of Forces Agreements or the banking laws of the countries involved (see Chapter 7, paragraph 070604).

140307. Irregularity After Delivery of Checks

When an irregularity occurs after check delivery and the check is still outstanding, stop payment of the check. Provide a complete report of the facts with the request for stoppage. If the irregularity is discovered after payment of the check, the DO notifies the depositary of the irregularity.

140308. Interest on Deposits

In some cases, LDs pay interest on LDAs. When possible, the DO obtains interest on the LDA. The DO canvasses the market to obtain the highest interest rate legally available consistent with disbursing requirements and monitors the interest-bearing accounts to ensure the interest is paid timely following agreements between the DO and the banks. When notified that interest has been credited to the account, the DO prepares a DoD *(DD) Form 1131*, Cash Collection Voucher, crediting **3220 (General Fund Proprietary Receipts, Not Otherwise Classified, All Other)** for the U.S. dollar equivalent (USDE) of the interest and records the transaction as both a collection and an increase to line 6.1, Designated Depositary, of the DD 2657 and line 6.1, Cash on Deposit in Designated Depositary, of the SF 1219.

140309. Account Balances

Keep daily LDA balances as near zero as possible, maintaining them solely to support disbursing requirements. Draw LDA checks against new deposits only after receipt of confirmation of the deposits from the LD. If foreign currency collections cause a non-interest bearing LDA to exceed a 5 to 7 business day supply and all attempts to sell the currencies to other DOs are exhausted, the DO sells the foreign currency for USDs for deposit to a bank designated as a Treasury General Depositary or requests a waiver per subparagraph 140310.B.2. LDAs approved to hold funds beyond the 5 to 7 day supply do not require a reduction of the account balance, but they must comply with any stipulations cited in the LDA request approval (see subparagraph 140202.B.11). Do not use LDA balances (or the forfeiture of potential interest earnings on the account) to subsidize banking services otherwise funded through the appropriation process.

140310. Review of Limited Depositary Accounts

A. Commanders’ Review. Commanders require review of DO maintained LDAs to ensure compliance with this chapter. The cash verification team (see Appendix A) performs this unannounced review quarterly, upon transfer of accountability to a successor DO, before departure of the outgoing DO from the command, upon deactivation of the LDA, or upon a change in the designated settlement office.
B. **DOs’ Review.** DOs review LDAs on a continuing basis to ensure:

1. Maintenance of minimum account balances necessary to meet immediate disbursement needs (checks issued and in process);

2. Balances do not exceed immediate needs (typically a 5 to 7 business day supply). Transfer the excess funds beyond the immediate need to other DoD Disbursing Officers, State Department U.S. Disbursing Officers, or a U.S. Embassy; withdraw and deposit the funds with Treasury; or receive Treasury approval to exceed the 5 to 7 business day supply. Waivers to exceed the 5 to 7 business day supply must be requested from Treasury (see I TFM 4-30145.20). Contact DFAS-JFKCB/IN at the email address listed in paragraph 140202 to obtain procedural guidance for waiver requests;

3. The terms negotiated with the depositary are favorable to the U.S. Government including interest on the account at the highest possible rate;

4. At least every three years for each account, the DO determines if it may be cost effective to solicit competitive proposals from all American owned and leading local financial institutions in the area to secure the most beneficial banking agreement; and

5. There are no significant events that affect the designated bank (e.g., bank closure). Immediately notify Treasury’s Over-the-Counter Revenue Collection Division through DFAS-JFKCB/IN at the email address listed in paragraph 140202 upon learning of a significant event that affects the designated bank.

140311 Burdensharing and Overseas Relocation Contributions by Foreign Allies

See Volume 12, Chapter 24 for the overall policy and responsibilities for acceptance, receipt, use, and reporting of burdensharing and relocation monetary contributions to the DoD. DOs must include any burdensharing and relocation monetary contributions held in an LDA in the semiannual cash holding authority requests (see Chapter 3, paragraph 030204). Burdensharing and monetary contributions held in an LDA in excess of the 5 to 7 business day supply must be approved with the original LDA request (see subparagraph 140202.B.11) or will require an approved waiver from Treasury (see subparagraph 140310.B.2).

1404 VOIDED AND SPOILED LIMITED DEPOSITARY CHECKS

140401. General

Treat original LD checks that are not to be issued as voided or spoiled. Void LD checks with writing errors (e.g., wrong name or amount). In addition, void checks physically damaged during preparation, or where the applicable entitlement area has withdrawn the voucher. Mark these checks conspicuously to prevent their negotiation, either in error or through fraud. Prepare separate listings of voided and spoiled checks monthly and attach them to the **SF 1149** Statement of Designated Depositary Account.
140402. Voided Checks

The functional area authorizing the payment of a voucher may request voiding of a check. The DO bases their decision on the payee’s non-entitlement to payment, or an error in the way the check was drawn. Do not report voided checks as issued in the DO’s check report. Upon determination to void a check, render the check non-negotiable by stamping, marking, or writing the words “VOID - NOT NEGOTIABLE, NO CHECK ISSUED UNDER THIS NUMBER” on the check’s face in large, prominent letters. Do not store voided checks in the safe or vault of the DO or any deputies or agents. Prepare a listing of voided checks, entitled “Voided Checks,” showing the accounting month, the name of the LD, and the LDA number at the end of each month. Send the voided checks listing and the originals of all voided checks with the monthly SF 1149.

140403. Spoiled Checks

A DO issuing a check determines when to report a check as spoiled, basing the decision on the physical appearance of the check (e.g., mutilated, torn, not whole, smudged, unreadable); or upon discovering an error in the preparation of the check, (e.g., voucher is correct but the check data does not match).

A. Preparation of Check Listing. Prepare a separate listing of spoiled checks, entitled “Spoiled Checks,” in check-number sequence at the end of each month, showing the accounting month, name of the LD, and LDA number. Send the listing and the original spoiled checks with the monthly SF 1149.

B. Spoiled Check Replacement. Replace a spoiled check with the next available serially numbered check. Enter the same information that appeared on the original check except for the check serial number and the check issue date, and date the replacement check on its issue date. Render the original check non-negotiable by writing, marking, or stamping “SPOILED – NOT NEGOTIABLE, REPLACEMENT ISSUED UNDER CHECK NO. __, DATED ___” on the face of the check. Inscribe “Issued to Replace Check No. ____” on every replacement check in the lower left-hand corner of the check. Show this same information on the detailed record of checks issued.

1405 TRANSFERRING PROCEEDS OF LIMITED DEPOSITARY CHECKS

140501. General

An uncurrent LD check is a check that has not been negotiated through the LD for at least one full fiscal year after the fiscal year in which the check was issued, except where local laws provide that the negotiable period of a check is shorter. The amount of such checks must be transferred to Treasury or credited to the original appropriation. The transfer of LDA check proceeds may be due to undeliverable checks or checks due to deceased or incompetent payees.
140502. Uncurrent Check Transfers

The DO who issued the original check, a successor DO, or a settlement officer designated by the supporting DFAS site transfers proceeds of unccurrent checks to Treasury each October.

A. Open LDAs

1. Preparation of Check Listing. Prepare an original and four copies of a separate check listing for each LDA, with a heading showing the DO’s name and location and the name and location of the LD. Include the unccurrent LD checks in ascending numerical order on each listing, showing each check’s issue date, check number, name of the payee, check amount in the check’s currency, and the USDE of the check when it was issued (as shown on the payment voucher). Show the total amount of foreign currency units and the total USDE of all checks on the listing. Transfer the total USDE when the checks were issued to Treasury account, 20X6045 (Proceeds and Payment of Certain Unpaid Checks).

2. Stop Payment Notice to the LD. The DO immediately gives a copy of the unccurrent check listing to the LD, requests that it place stop payments on all checks, and instructs the LD to advise all payees presenting checks shown on the listing to submit the checks to the disbursing office for transmittal to and settlement by the Department of the Treasury, Bureau of the Fiscal Service, Attn: Credit Accounting Branch, 3201 Pennsy Drive, Building E, Landover, MD 20785.

3. Method of Transfer. The DO prepares an Optional Form (OF) 1017-G, Journal Voucher (JV), to document the purchase of foreign currency represented by the outstanding checks, and completes the purchase by issuing a Treasury check payable to the Department of Treasury for the USDE shown on the check listing. Include a complete explanation of the transaction on the JV, giving the date, check serial number, and DSSN of the activity issuing the Treasury check. The JV supports the increase in the LDA checkbook balance. Report the transaction on line 6 of the SF 1149. Attach a copy of the JV to the unccurrent check listing and send it with the Treasury check to the Treasury (see subparagraph 140502.A.2 for address).

4. Accounting for the Transfer

   a. Report the Treasury check in the daily business on line 2.1B, Checks Issued – All Others, of the DD 2657 and line 2.1, Checks Issued on U.S. Treasury, of the SF 1219;

   b. Increase line 6.1 of the DD 2657 and SF 1219 in the same USD amount as the Treasury check;

   c. Increase the LDA checkbook balance by the total amount of foreign currency units shown on the check listing;
d. Compute the USDE of the LDA checkbook balance including the foreign currency units added in subparagraph 140502.A.4.c using the current rate of exchange; and

e. Compare the computed total USDE of the LDA checkbook balance to the total USDE shown on line 6.1 of the DD 2657 and SF 1219. Voucher any difference as a gain or loss by exchange transaction on a DD 1131 or SF 1034, Public Voucher for Purchases and Services Other Than Personal (as appropriate), against **6763 (Gains and Deficiencies on Exchange Transactions), and record it in the day’s business as either an increase or decrease to line 6.1 of the DD 2657 and SF 1219.

5. Distribution of Documents. Distribute the uncurrent check listing, JV, and the DD 1131 or SF 1034:

   a. Send the original and one copy of the uncurrent check listing, a copy of the JV, and the Treasury check to the Treasury (see subparagraph 140502.A.2);

   b. Send a copy of the uncurrent check listing to the LD;

   c. Attach one copy each of the uncurrent check listing, the JV, and the DD 1131 or SF 1034 to the SF 1149;

   d. File one copy of each of the uncurrent check listing, the JV, and the DD 1131 or SF 1034 in the DO’s retained LDA records; and

   e. Include the original and appropriate number of copies of the JV and DD 1131 or SF 1034 with other vouchers supporting the SF 1219.

B. Closed LDAs. When outstanding (unpaid) checks become uncurrent in a closed LDA, transfer the USDE to Treasury account 20X6045. The DO having jurisdiction over the closed account arranges with the LD for the necessary transfer of funds from the closed LDA to the DO’s current LDA. After the LD completes the transfer to the current account, the DO follows subparagraph 140502.A. If the closed account belonged to a predecessor DO or is part of the settlement account for a closed disbursing station, prepare an additional copy of the uncurrent check listing to file with the retained records of the closed disbursing station’s records; include a reference to the disbursing office accomplishing the transfer and the date of transfer on this copy. Notify Treasury of the closure through DFAS-JJFKCB/IN at the email address in paragraph 140202.

140503. Transferring Proceeds of Undeliverable Checks

This paragraph relates to the proceeds of undeliverable LD checks still due the payee or the payee’s estate. Cancel LD checks returned as undeliverable and are not due the payee or payee’s estate (see section 1406).
A. **Time Limit for Holding Undeliverable Checks.** Hold undeliverable LD checks only until determination that the DO cannot deliver them with the information available, but not longer than 60 days from the date of issue.

B. **Record of Undeliverable Checks.** Undeliverable LD checks are recorded on an **DD 2658, Returned and Undeliverable Check/Bond Record.** Include a complete description of the checks, the disbursement voucher numbers, dates the checks were returned, disposition of the checks, disbursement office authorizing the disposition, and disposition dates. The DO, DDO, or a third person having the DO’s written authorization approves disposition of undelivered checks.

C. **Safekeeping of Undeliverable Checks.** Protect undeliverable LDA checks held in the disbursing office the same as cash. File them in an order best suited for ease of retrieval and identification.

D. **Disposition of the Proceeds of Undeliverable Checks Drawn on Open Accounts**

1. Credit the proceeds of undeliverable LDA checks (current as to date of issue) drawn on an open LDA to the appropriation or fund charged for the original disbursement. Use the rate of exchange that was in effect on the date of issue, as shown by the payment voucher, and establish a payable to allow for future settlement. Schedule undeliverable LDA checks on an **SF 1098, Schedule of Canceled or Undelivered Checks,** showing the check number, month and year of issue, name of payee, amount (USDE on the date of issue), DSSN, and the appropriation or fund to be credited, and process the SF 1098 as a cash collection. To maintain the DO’s accountability, increase line 6.1 of the DD 2657 and SF 1219 by the USD amount on the SF 1098, and increase the LDA checkbook balance by the total amount of foreign currency units of the listed checks.

2. Compute the current USDE of the LDA checkbook balance (including the foreign currency units added in subparagraph 140502.A.4.c.) using the current exchange rate. Compare the total USDE of the LDA checkbook balance to the total USDE shown as “Cash on Deposit in Designated Depository.” Prepare a voucher to document any difference in total USDEs as a gain or loss by exchange transaction on a DD 1131 or SF 1034 (as appropriate) against **6763, and record it in the day’s business as either a collection (increase) or disbursement (decrease), as appropriate to line 6.1 of the DD 2657 and SF 1219.

3. Update the record of outstanding and undeliverable checks to reflect the disposition. At the time of disposition, render the checks non-negotiable by writing, typing, or stamping on the face of the check “NOT NEGOTIABLE, PROCEEDS CREDITED IN GOVERNMENT ACCOUNTS, D.O. SYMBOL (DSSN)” to prevent unauthorized negotiation. Include the amount of the defaced checks on line 3 of the SF 1149. Send the canceled checks and one copy of the SF 1098 with the SF 1149 in the same manner as voided and spoiled checks at the end of each month. Reproduce enough additional copies of the SF 1098 to provide the functional area authorizing the original disbursement a copy so they may establish a payable to handle future claims for the proceeds of canceled undeliverable checks.
E. Disposition of the Proceeds of Undeliverable Checks Drawn on Closed Accounts

1. If the LDA on which the undeliverable checks were drawn is closed, the successor DO or settlement officer notifies the LD that the checks are canceled. Transfer the proceeds of the check to the successor DO’s LDA or by a check payable to the DO (by title). Once the proceeds are transferred to the open account, the DO follows subparagraph 140503.D for undeliverable checks drawn. When the LD provides the proceeds by check, the DO processes a DD 1131 to credit the appropriation or fund charged when the checks were issued, and does not prepare an SF 1098. Prepare the DD 1131 at the rate of exchange in effect when the checks were issued, as shown by the related payment vouchers. Account for any difference in the USD value by comparing the current rate of exchange and the rate when the checks are collected as a gain or loss by exchange (see Chapter 13, section 1304).

2. Render undelivered checks non-negotiable by writing, typing, or stamping “NOT NEGOTIABLE, PROCEEDS CREDITED IN GOVERNMENT ACCOUNTS, D.O. SYMBOL (DSSN)” on the face of the check to prevent unauthorized negotiation. Post the record of outstanding and undeliverable checks in the former DO’s accounts to reflect their disposition. Send a copy of the DD 1131 and the defaced checks with the SF 1149 to support the changes in the closed LDA account at the end of the month. Send a copy of the DD 1131 to the applicable functional area to enable it to establish the payable in the event of future claims for the proceeds of canceled undeliverable checks.

F. Undeliverable Checks Uncurrent as to Date of Issue. Send uncurrent undeliverable checks that come to the disbursing office, the proceeds of which have been transferred to Treasury account 20X6045, and for which no current claim has been presented, to the Credit Accounting Branch, Bureau of the Fiscal Service. To process uncurrent undeliverable checks with proceeds not transferred to the Treasury, follow the guidance in paragraph 140502. Do not schedule them on an SF 1098 or DD 1131 as current undeliverable checks.

140504. Limited Depositary Checks Due Deceased or Incompetent Payees

A. Checks Current as to Date of Issue. Process non-negotiated LD checks returned to the disbursing office in connection with a claim for the proceeds which are still due a deceased or incompetent payee but still current as to date of issue under subparagraphs 140503.D and 140503.E.

B. Checks Uncurrent as to Date of Issue. Handle non-negotiated LD checks, uncurrent as to date of issue and returned to the disbursing office in connection with a claim for the proceeds that still are due a deceased or incompetent payee, as follows:

1. If the proceeds of the checks were not previously transferred to Treasury account 20X6045, perform this transfer as provided in paragraph 140602, before forwarding the check and the claim to Treasury.
2. If transfer of these checks’ proceeds to Treasury account 20X6045 has occurred, send the checks with the related claims to Treasury’s Credit Accounting Branch, Bureau of Fiscal Service for settlement.

140505. Claims for the Proceeds of Undeliverable Checks

A. Claims for Settlement by the DO. Support claims for the proceeds of undeliverable checks credited to the appropriation or fund originally charged using an SF 1034. Cite a reference to the original undeliverable check showing its serial number, amount, and DSSN on each voucher.

B. Claims for Settlement by the DoD. When there is any question of law or fact, send claims for the proceeds of undeliverable checks to DoD, Office of the General Counsel (OGC), 1600 Defense Pentagon, Washington, DC 20301-1600.

1406 CANCELING LIMITED DEPOSITARY CHECKS

140601. General

Cancel LDA checks when their proceeds are not due to payees or their estates but are for credit to an appropriation or fund account. The procedure to cancel these checks depends on whether the account on which the check was written is open or closed, whether the check is current or uncurrent, and whether the check is available or unavailable to the DO maintaining the LDA.

140602. Checks Not Due a Payee or Payee’s Estate

If a payee or payee's estate is not entitled to a check, the functional area that submitted the certified payment is the only office that may request the DO to cancel that check. Except as provided in this paragraph, use an SF 1098 to list and report all such checks canceled. In all cases where practicable, the functional area authorizing the original payment prepares the SF 1098. If the disbursing office prepares the SF 1098, the functional area signs and dates it in the lower right-hand corner in the spaces titled “Forwarded” and “By.” The disbursing office marks the front of the check with the word “CANCELED” and the date of cancellation in prominent letters to prevent improper negotiation of the check.

A. Checks Current as to Issue Date. The DO cancels LD checks not due a payee as quickly as possible and credits the USDE of the foreign currency amount of the checks at the rate of exchange in effect on the dates the checks were issued (as shown on the payment vouchers) to the original appropriation or fund charged for the payments.

1. Open Accounts. If the LDA is open, process the SF 1098 in the account to credit to the fund or appropriation charged for the original disbursement, increase the LDA checkbook balance, and remove the canceled check from the record of outstanding checks.

   a. Account for each SF 1098 as a cash collection;
b. Increase line 6.1 of the DD 2657 and SF 1219 by the same USD amount as the SF 1098 to maintain the DO’s accountability;

c. Increase the LDA checkbook balance by the total amount of foreign currency units shown on the listed checks;

d. Compute the current USDE of the LDA checkbook balance (including the foreign currency units added in subparagraph 140602.A.1.c.) using the current rate of exchange;

e. Compare the total USDE of the LDA checkbook balance to the total USDE shown on line 6.1 of the DD 2657 and SF 1219. Voucher any difference in total USDEs as a gain or loss by exchange transaction on a DD 1131 or SF 1034 (as appropriate) against **6763, and record it in the day’s business as either a collection or disbursement on line 6.1 of the DD 2657 and the SF 1219; and

f. Mark the face of the canceled check “Canceled,” include the date of cancellation, and send the canceled check and a copy of the SF 1098 with the original SF 1149 at the end of the month.

2. Closed Accounts. If the LDA is closed or the account was maintained by a predecessor DO and closed upon change of DOs, transfer funds between the closed and current (open) LDAs before processing a cancellation action. Otherwise, follow the procedures in the remainder of this paragraph.

a. Check to be Canceled Drawn on DO’s Current LDA. If a DO cannot draw a check against the closed LDA and both the closed and open (DO’s current) LDAs are with the same LD, advise the LD by letter that the DO has the check and will cancel it. Ask the LD to transfer the funds involved from the closed to the open LDA. When the LD advises that the requested transfer has been made, proceed with the preparation of the SF 1098 as described in subparagraph 140903.

b. Check to be Canceled Drawn on Different LD. If the closed LDA and the DO’s current open LDA are in different LDs, request in writing that the LD on which the check was drawn credit the account for the check being canceled and send the funds to the DO, by title. Upon receipt, deposit the funds in the current open LDA and treat them as a cash collection using a DD 1131 for credit to the fund or appropriation originally charged for the check being canceled; do not process an SF 1098. Show the USDE of the foreign currency amount of the check and the rate of exchange effective on the date the check was issued as shown on the payment voucher on the DD 1131. State prominently that the transaction involves the proceeds of a canceled check on the DD 1131. Account for any difference in the USD value at the current rate of exchange and the rate of exchange at which the funds provided by the LD are collected on the DD 1131 as a gain or loss by exchange transaction.

B. Unavailable Checks. Cancel LDA checks, the proceeds of which are not due the payee or the payee’s estate and not held by the disbursing office, even though they cannot
be forwarded with the SF 1149 as canceled checks. The applicable functional area prepares an SF 1098 and includes an explanation of the circumstances that make the check unavailable. The functional area that authorized the issue of the original check approves the SF 1098, which the DO also signs under the explanation of the unavailability of the check:

1. The DO requests that the LD on which the check was drawn place a stop payment on the check and provide a written acknowledgement when this is accomplished;

2. When the LD’s acknowledgement is received, the DO processes the SF 1098, credits the fund or appropriation originally charged, adjusts the checkbook balance, reduces the record of outstanding checks, sends a copy of the LD’s acknowledgement, and sends a copy of the SF 1098 with the SF 1149 at the end of the month; and

3. The DO files the original SF 1098 and the bank’s acknowledgement with his/her monthly financial reports and keeps copies for the retained records file.

C. Checks Uncurrent as to Date of Issue. Process the proceeds of uncURRENT checks not due a payee or payee’s estate through Treasury account 20X6045. Process uncURRENT LDA checks, whether or not due the payee (payee’s estate) or available to the DO through Treasury account 20X6045 as prescribed in section 1405.

1. The DO schedules the checks on an SF 1098 (original and six copies) crediting the fund or appropriation originally charged for the payment. List the USDE of the foreign currency at the rate of exchange in effect on the check’s issue date as shown on the payment voucher. Modify the heading of the SF 1098 to read “Schedule of Limited Depositary Checks Canceled by the Department of the Treasury.” Include a full explanation of the reason for cancellation of the check on the SF 1098, but do not process this SF 1098 as a collection in the accounts.

2. Send the original and five copies of the SF 1098 and the check, when available, through the supporting DFAS site to Credit Accounting Branch, Bureau of Fiscal Services, Treasury with a cover letter or memorandum requesting cancellation of the check. Attach a copy of the outstanding check listing and JV prepared when the check was transferred to the Treasury account 20X6045 to document the request. Retain one copy of the SF 1098 in a pending receivables file.

3. After cancellation of the check is approved, the Treasury authorizes issuance of a Treasury check for the value of the canceled LDA check. Process this check and the SF_1080, Voucher for Transfers Between Appropriations and/or Funds, upon receipt from Treasury as a collection. Support the transaction with the retained copy of the SF 1098.
1407 REPLACING MISSING, MUTILATED, AND FORGED LIMITED DEPOSITORY CHECKS

140701. General

A DO, upon receipt of a claim for a check that is reported as not received, lost, stolen, destroyed, mutilated, forged, or defaced, determines the status of the check from the LD or from retained records whether the check is outstanding. The DO issues a replacement check in accordance with this chapter when checks are reported as outstanding and unpaid before the end of the fiscal year following the fiscal year a check was issued, and such issuance does not involve a question of law or fact.

140702. Issuing Replacement Checks

A. Action by the Original Payee or Other Claimant. The payee or other claimant notifies the DO in writing (with signature) when a check has been lost, stolen, mutilated, or destroyed, and requests payment on the check be stopped.

1. The notification must provide all information available on the check. When furnished by the DO, the payee or other claimant completes a Treasury Fiscal Service (TFS) Form 2244, Undertaking of Indemnity - Substitute Checks, and returns it to the DO before the end of the fiscal year following the fiscal year of the check’s issuance.

2. Claimants other than the original payee present a statement to support their ownership of the check with the TFS 2244. Representatives of deceased payees or owners who are entitled to the proceeds of original checks as part of the estate also complete and submit an SF 1055, Claim Against the United States for Amounts Due in the Case of a Deceased Creditor.

3. Claimants acting as guardians of incompetent payees or owners who are shown by the evidence to be entitled to the proceeds of the original check submit a short-form court certificate showing their appointment and qualifications as guardians with the TFS 2244.

4. A DO may, at his/her discretion, accept an undertaking of indemnity in the form of a written statement or letter (see subparagraph 140702.A.5) if:

   a. The payee or other claimant is a bank or other financial institution and the check was drawn for $15,000 or less;

   b. The payee or other claimant is a corporation or business of recognized financial standing and the check was drawn for $5,000 or less;

   c. The payee or other claimant is a financially responsible individual and the check was drawn for $150 or less; or
d. The check was for a recurring payment in any amount greater than $150.

5. The substance of the statement or letter must be:

“In consideration of the issuance of a replacement check in lieu of (check number of original check, date, amount, and payee) and the payment of the replacement check, the undersigned undertakes and agrees to save harmless and indemnify the United States of America, its officers and agents, of and from any and all liability, loss, expense, claim, and demand whatsoever, arising in any manner by reason of or on account of said original check(s) or the stoppage of payment thereof, or the issue of payment of the replacement check(s), to replace the same.”

The statement must be witnessed by a person with authority to so act and, when necessary, may be executed in a foreign language translation of the foregoing letter of indemnity. If the claim exceeds the amounts stated in subparagraph 140702.A.4 and the DO still desires to use the letter form of the undertaking of indemnity, obtain prior approval from the DFAS Director for Strategy, Policy, and Requirements through the supporting DFAS site.

B. Action by the DO. The DO first determines that the check reported as lost, stolen, destroyed, mutilated, or defaced is still outstanding. If it is, request the LD stop payment on the check and acknowledge receipt of the request in writing. Upon receipt of the acknowledgement, the DO sends a modified TFS 2244 to the claimant for completion and return. The DO makes the following modifications to the TFS 2244:

1. Enter the description of the check;

2. Enter the name of the bank on which the check was drawn; and

3. Insert a statement near the added bank name that reads, “This change made before execution of bond with full knowledge and consent of all parties concerned.” The claimant and sureties must sign this statement. On completion of the TFS 2244, the DO, having determined that the original check is still outstanding, approves the claim for payment. The DO may issue a replacement check before the end of the fiscal year after the fiscal year of issue if:

   a. There is no question of law or fact concerning the payment,

   b. The written claim, the TFS 2244, or written statement or letter includes an undertaking of indemnity; and

   c. Supporting documents have been received in proper form.

C. Replacement Check. Note the approval on the reverse of TFS 2244 or on the letter undertaking indemnity, with the words “Claim approved by (Name, title, and disbursing station), Date (month, day, and year).” If the original check was drawn on a closed LDA, transfer the funds to an open LDA before issuing a replacement check under subparagraph 140602.A.2.
1. The DO issues a replacement check with a current date payable in the same currency as the original check. In the lower left-hand corner on the face of the replacement check, include information identifying the original check as follows: “Issued in lieu of check number dated (month, day, and year) drawn by (DO who issued original check) on (Name of LD).” The DO records the number of the replacement check, the date of issue, and the name of the LD on which drawn on the back of the TFS 2244 or on the letter undertaking indemnity; and

2. At the end of the month, the DO attaches a copy of all replacement checks issued during that month to the SF 1149. If copies cannot be provided, submit a listing of replacement checks issued, showing only the replacement check numbers and numbers and dates of the original checks replaced with the SF 1149. Replacement checks do not increase a DO’s accountability; do not reflect them on the SF 1219. File the TFS 2244 and all supporting documents with the DO’s retained records.

D. Sureties. A surety assumes debtor status under the original agreement and is primarily liable with the claimant for any default. Acceptable sureties in connection with TFS 2244 are either a corporate surety authorized by the Secretary of the Treasury, or two responsible individual sureties acting in concert. In foreign countries, the claimant is responsible to secure the certification of financial sufficiency of individual sureties. One of the persons listed on the face of the TFS 2244 executes the certification under “Certificate as to Sureties” as prescribed by the instructions on the TFS 2244. If the amount of the original check had a USD value of $200 or less, only one financially responsible surety is required. Sureties are not required if the:

1. DO determines that the non-receipt, loss, theft, destruction, or mutilation of the check was not the fault of the owner or holder, and occurred while the check was in the custody or control of an agent of the United States performing services in connection with an official U.S. function;

2. DO is satisfied that a substantial portion of the check is presented, is in fact the subject of the claim, and that the missing portions will not support a valid claim against the United States;

3. Claimant or holder is an officer or employee of the United States, a U.S. municipal corporation, or a U.S. political subdivision, a U.S. state, the District of Columbia, or a U.S. territory or possession; or

4. Claimant is a corporation whose entire capital is owned by the United States, a foreign government or agency thereof, a foreign central bank, or a Federal Reserve Bank.

140703. Issuing Settlement Checks

This guidance for claims on paid checks applies to all LDAs.

A. Action by the Payee of the Check. The payee immediately notifies the DO in writing (with signature) when a check has been paid on a forged endorsement, providing all
available information on the identification of the forged check. The payee completes the Financial Management Service (FMS) *Form 1133*, Claim Against the United States for the Proceeds of a Government Check, and returns it to the DO issuing the original check within 90 days of the date on the FMS 1133.

B. **Action by the DO.** Upon receipt of a written request for the proceeds of a check paid on a forged endorsement:

1. The DO sends a written request to initiate reclamation to the LD, asking the LD to acknowledge the request in writing and, if canceled checks are not returned to the account holder with the bank statement, the LD provides the forged check or a clear legible copy of it to the DO;

2. The DO gives the payee a copy of the forged check, and an FMS 1133 with instructions on its completion, informing the payee that the form must be returned within 90 days. The return address at the top right of the form is that of the DO processing the claim. In the opposite box insert the complete name and address of the claimant as shown on the forged check, the check number, the date of issue, and the amount of the check;

3. If the claimant does not complete and return the FMS 1133 within 90 days, the DO considers the case closed. If the claimant returns the form within 90 days, the DO sends the form and a copy of the forged check to his/her Component’s investigative service for examination by a handwriting expert;

4. The DO requests the opinion of the investigative service as to the authenticity of the endorsement. The opinion of the handwriting expert is the basis for deciding if a settlement check may be approved for the claimant. Approve a settlement check if the opinion of the handwriting expert is that the endorsement was forged. A DO may issue a settlement before the end of the fiscal year following the fiscal year in which the forged check was issued if:

   a. There is no question of fact or law concerning the payment;

   b. The payee’s claim is in writing; and

   c. The FMS 1133, the certified opinion of the handwriting expert, or any other necessary supporting documents have been received in proper form.

5. A DO, upon determining that a settlement check is due to the payee, issues it without waiting for reclamation to be accomplished by the LD. Note the approval on the front of the FMS 1133 in the words, “Settlement approved by (name, title, and disbursing station), Date (month, day, and year).” The DO issues a settlement check with the current date payable in the same currency as the original check, including in the lower left-hand corner the statement, “Issued in settlement of check number ___, dated (month, day, year), drawn by (DO who issued original check) on (name of LD).” Report settlement checks as checks issued and account for them in the regular manner when preparing the SF 1149; and
6. If the local currency disbursed for the forged check was purchased from a military banking facility, by an open market transaction, or by issuance of a Treasury check, report the issuance of the settlement check on line 7.2A, Accounts Receivable - Check Overdrafts, of the DD 2657, and line 7.2, Receivables - Check Overdrafts, of the SF 1219. Follow section 1408 to establish and clear the receivable as a check issue overdraft discrepancy. If the funds originally used to pay the forged check were from U.S.-owned foreign currencies, the DO charges the disbursement of the settlement check to the same foreign currency account.

C. Reclamation. A DO issuing settlement checks must be satisfied that reclamation action is timely, having made every effort to recover the proceeds of forged LD checks. Within 30 days after receipt of the LD’s acknowledgement of the notification of a forgery, the DO makes at least two formal written requests for completion of reclamation by the LD.

1. If the LD advises that reclamation cannot be made due to a local law that relieves it from responsibility, the DO requests relief of liability for the illegal, incorrect, or improper payment (see Chapter 6, section 0606); and

2. If relief is granted, the DO follows section 1408 to clear the check issue overdraft. Credit recoveries made through reclamation to the appropriation charged for the disbursement of the settlement check. If the charge is still carried as a check issue overdraft, clear line 7.2A of the DD 2657 and line 7.2 of the SF 1219. If the receivable has been cleared by relief of liability, credit **3210, General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified.

140704. Recovery of Original Check

If the original LD check is recovered before issuance of a replacement check, suspend the replacement check action and request that the LD remove the stop payment against the original check, which the payee may then negotiate. If the replacement check has been released, render the original check non-negotiable by writing or stamping across the face of the check “NOT NEGOTIABLE REPLACEMENT CHECK ISSUED UNDER No.______,” and submit it with the next SF 1149.

140705. Referral to DoD Office of General Counsel

A. Entitlement or Legal Representation. Send cases involving questions on a payee’s or owner’s entitlement to a substitute or settlement check, and cases where no legal representative has been appointed by the court for deceased/incompetent payees or owners, through command legal channels to the DoD OGC. Include an assessment or determination from the appropriate entitlement area concerning the underlying obligation. Before referring a case, see section 1406.

B. Question of Law or Fact. Send cases involving any question of law or fact through command legal channels for settlement action.
C. **Checks Outstanding More Than One Full Fiscal Year.** Send cases involving checks outstanding more than one fiscal year after the fiscal year in which they were issued through command legal channels for settlement. Include in these cases an undertaking of indemnity for the proceeds of a lost, stolen, destroyed, mutilated, or defaced LD check; the check in question, when available, or any identifiable portions thereof; and any other supporting documentation.

140706. **Files**

The DO retains approved claims and supporting documents or copies of claims where the originals have been transferred to the supporting DFAS site, as part of the retained records.

1408 **ADJUSTMENT OF CHECK ISSUE DISCREPANCIES**

140801. **General**

This section prescribes the actions required to adjust LDA differences chargeable to DOs. The DO makes these adjustments and records them immediately upon discovery. This guidance does not apply to voided, spoiled, or canceled LDA checks (see sections 1404 and 1405). Internal, Government Accountability Office, other agency audits, or DO-initiated control measures disclose LD check-issue discrepancies. These occur when the LD pays a check in an amount different from the disbursement voucher and the record of checks issued; the disbursing office draws a check to the wrong payee; the disbursing office issues a check in an amount different from that shown on the disbursement voucher; the disbursing office voids, spoils, or cancels a valid check in error while simultaneously issuing a check that was the subject of an action to void, spoil, or cancel; or the payee advises of a possible overpayment or underpayment.

140802. **Recording Limited Depositary Check Issue Overdrafts and Underdrafts**

A DO, as soon as he or she is aware of a check issue difference (regardless of the USD value), prepares a JV with an original and three copies to record the difference, showing a complete explanation of the difference and including a description of the check (e.g., check number, date, amount, payee, account number, and LD name) and identification of the related disbursement voucher. Attach the original JV to the DO’s SF 1219, a copy to the SF 1149, and file the two remaining copies to be used as the DO’s official subsidiary record of the uncleared difference comprising the DO’s accounts receivable and/or accounts payable.

140803. **Adjustments During the Current Accounting Period**

Do not include documentation for adjusting check issue discrepancies disclosed and adjusted in the current accounting period with the SF 1149; retain these documents with the other retained financial records for internal processing. Follow paragraphs 140804 – 140806 to document differences disclosed during the current accounting period which cannot be adjusted until a subsequent accounting period.
140804. Adjustments of Check Issue Overdrafts of More Than $1

A DO finding that an LD check was issued for more than the amount shown on the disbursement voucher and reported in the LDA reports prepares a JV under paragraph 140802 and enters the amount as a decrease to the LDA on line 6.1 of the DD 2657 and SF 1219, and an increase to accounts receivable on line 7.2A of the DD 2657 and line 7.2 of the SF 1219.

A. If the overdraft is an actual overpayment to the payee, the DO begins collection action. When the overpayment is recovered, the DO deposits the funds in the LDA and enters the amount as an increase on line 6.1 and a decrease on line 7.2A of the DD 2657 and line 7.2 of the SF 1219, and prepares a JV to document the transaction, but does not prepare a collection voucher.

B. If the overdraft is due to not having charged the appropriation for the total amount of the check, prepare a one-sided SF 1081, Voucher and Schedule of Withdrawal and Credits, to charge the overdraft to the appropriation cited on the original disbursement voucher. Include a complete explanation of the adjustment and process it as a disbursement on line 4.1A, Gross Disbursements, of the DD 2657 and line 4.1, Net Disbursements, of the SF 1219, and a decrease to the accounts receivable on line 7.2A of the DD 2657 and line 7.2 of the SF 1219.

140805. Adjustments of Check Issue Underdrafts of More Than $1

A DO finding that a check was issued for less than the amount of the disbursement voucher and shown on the depositary reports prepares a JV under paragraph 140802, enters the amount of the underdraft as an increase to line 4.1E, Less – Reimbursements, of the DD 2657 and line 4.1 of the SF 1219, and line 6.1 of the DD 2657 and SF 1219, and prepares a one-sided SF 1081 crediting deposit fund account **X6999 (Accounts Payable, Check Issue Underdrafts).

A. If the underdraft is due to charging the appropriation cited on the disbursement voucher more than the amount of the check, prepare an SF 1081 charging deposit fund account **X6999 and crediting the appropriation charged on the original voucher.

B. If the underdraft is due to issuing the check for less than the amount on the original voucher, prepare an SF 1034 charging deposit fund **X6999 and issue a check to the original payee for the amount of the underdraft.

C. Record the check and the SF 1034 as a new transaction in the LDA and on the DD 2657.

140806. Clearing Overdrafts and Underdrafts of $1 or Less

A DO finding that an overdraft or underdraft of $1 or less exists prepares a JV as described under paragraph 140802. Do not liquidate LD check issue differences of $1 or less in USD, even though they are recorded in the DO’s accounts. Reconcile collection from overpaid payees, payment to underpaid payees, or adjustments to appropriation or fund accounts which were over or under charged in the original processing of the voucher and issuance of the check, as follows:
A. **Overdrafts of $1 USD or Less.** At the close of each fiscal year, the DO prepares a one-sided SF 1081 for the cumulative total of all outstanding check issue overdrafts with a USD value of $1 or less, charging the disbursing activity’s operating funds and crediting accounts receivable. Describe the transactions completely, and include a listing of the JVs being cleared.

B. **Underdrafts of $1 USD or Less.** At the close of each fiscal year, the DO liquidates all outstanding underdrafts for check issue differences with a USD value of $1 or less by processing an SF 1081 to transfer the cumulative total of these accounts payable from deposit fund **X6999 to miscellaneous receipt account **1060 (Forfeitures of Unclaimed Money and Property). If a payee requests payment of an underpaid amount before the end of the fiscal year, the DO confirms the claim and, when necessary, issues a check charging the original appropriation for the disbursement. Refer claims received after the outstanding underdraft has been cleared to the supporting DFAS site.

140807. **Clearing the Subsidiary Account Files**

When the adjustment action has been completed, collection has been made, or an additional check has been issued, mark the file copies of the JV with either: “See Deposit Ticket No. ______, (date);” “See Check No. ______, (date);” or “See Adjustment Voucher No. ______, (date).” Submit one of the annotated copies with the SF 1149 at the close of the accounting period, and file the remaining copy with the DO’s retained records for the LDA.

1409 **LIMITED DEPOSITARY ACCOUNT TRANSACTION DOCUMENTATION**

140901. **General**

DOs implement controls to assure the drawing of LD checks in strict conformance to certified disbursement vouchers. LDAs are a part of the DO’s accountability for public funds. The DO must maintain complete and accurate records, and make them available for audit to ensure the integrity of the LDAs. Treat a loss resulting from a bank failure as a physical loss; see Chapter 6, paragraph 060201.

140902. **Standard Form 1149, Statement of Designated Depositary Account**

A DO holding an open LDA or a settlement officer charged with settling closed accounts prepares and submits an SF 1149 within 30 days after the close of a calendar month. When closing an LDA, the account holder prepares and submits an SF 1149 within five days after closure. For a closed LDA, mark the final SF 1149 “FINAL” at the top of the form. Prepare an original and two copies of the SF 1149 if the LDA holder is the DO, or an original and three copies if the LDA holder is an agent of the DO. Support the SF 1149 with the:

A. LDA bank statement for the period or a certified list of paid checks;

B. Record of checks issued;
C. Schedule of spoiled and voided checks and the checks themselves;

D. Copy of each SF 1098 issued during the reporting period canceling available checks and the checks themselves;

E. Copy of each SF 1098 issued during the reporting period canceling unavailable checks with the LD’s letter acknowledging their cancellation;

F. Copy of each JV issued during the accounting period transferring uncurren checks or reporting/clearing check issue discrepancies;

G. Original checks returned or recovered after issuing a substitute check or any mutilated or defaced checks received from claimants;

H. Schedule of deposits made to the LDA during the accounting period, showing date and amount of each deposit;

I. List of outstanding checks showing check number, date, and amount; and

J. Copy of the SF 1219.

140903. Standard Form 1098, Schedule of Canceled or Undelivered Checks

Voucher LD checks canceled because the payee is not entitled to the proceeds of the check or because the check cannot be delivered to the payee on an SF 1098. Add the caption “Limited Depositary Account” at the top of the form. See paragraph 140503 and section 1406. If the checks scheduled were all drawn on the same LDA and are canceled or are all undeliverable, use a single SF 1098. If they were drawn on more than one LDA, prepare a separate SF 1098 for each account. Do not include undeliverable and canceled checks on the same SF 1098. LDA checks charged to different appropriations or funds and drawn on the same LDA do not require separate SF 1098s.

140904. Optional Form 1017-G, Journal Voucher

Prepare JVs to document a DO’s accountability when disbursement or collection vouchers from the functional areas are not appropriate. A DO documents the transfer of the proceeds of uncurren checks and adjustments of check issue discrepancies, entering USD values of the currency involved.

1410 TRANSFERRING AND CLOSING A LIMITED DEPOSITARY ACCOUNT

141001. General

LDAs closed or transferred require reconciliation. The DO’s agent serving as the LDA custodian contacts the LD and requests a current statement of the account and, if available, all the paid LD checks since the last regular statement before attempting to reconcile an LDA. Reconcile the account by preparing an SF 1149 (see paragraph 140902).
141002. Transferring a Limited Depositary Account

Use these procedures to transfer an LDA to the DO/DDO, a successor DO, or designated settlement office due to operational requirements or economic considerations.

A. The DO’s agent:

1. Obtains an up-to-date bank statement from the LD;

2. Reconciles the LDA;

3. Prepares a list of the outstanding LDA checks and provides it to the individual charged with continuing the account;

4. Gives the LD the name, official title, and address of the successor LDA holder and arranges for future bank statements and paid checks to be delivered to that individual;

5. Turns over all undelivered LD checks to the successor LDA holder;

6. Issues a check to the successor LDA holder for the unexpended reconciled balance of the account;

7. Reports the check transaction on line 10 of the final SF 1149;

8. Forwards the SF 1149 and a list of the outstanding checks to the supporting DFAS site;

9. Enters the amount of the unexpended balance and gives a complete description of the check issued to the successor LDA holder as an Other Cash Item on line 7.9 of the SF 1219;

10. Returns any unused checks belonging to the LD for disposition. If they were purchased by the disbursing activity, deliver them to the successor LDA holder;

11. Requests the supporting DFAS site designate a settlement officer to liquidate the LDA before transferring the LDA to a settlement office for closure; and

12. Notifies DFAS-JJFKCB/IN at the email address listed in paragraph 140202 of the transfer.

B. The successor LDA holder:

1. Verifies the LDA is in balance before relieving the DO’s agent and ensures that a balance sufficient to satisfy all outstanding checks remains in the LDA;
2. Notifies the LD of the names of the new DO and check-signing agents;

3. Deposits the check received from the previous DO’s agent for the unexpended balance and reports the check amount on line 2 of the SF 1149 in the first monthly report of the successor LDA holder; and

4. Makes all required reports and processes all transactions required in this chapter for the maintenance of LDAs.

141003. Closing a Limited Depositary Account

A. The DO/DDO or DO’s agent:

1. Requests a current statement of the account from the LD;

2. Reconciles the account, and

   a. If there are no outstanding checks, closes the LDA, or

   b. If there are outstanding checks, leaves a sufficient balance in the account to cover them and transfers the account to a settlement office designated by the supporting DFAS site;

3. Prepares a list of outstanding checks showing the name of the LD, check number, date, payee name, payee social security number, payee address, voucher number under which the check was disbursed, amount in units of foreign currency, amount of the check in equivalent USDs at the time of issue, DSSN, and the name of the DO that established the LD;

4. Prepares a letter (in triplicate) for the commander's signature advising the LD that the account is closed with the withdrawal of the unexpended balance and that an amount sufficient to cover all outstanding checks will remain in the account. Give the LD the name, official title, and address of the settlement officer and request that future statements and paid checks, when available, be forwarded until the account balance is depleted. Request the LD acknowledge acceptance by signature, retain the original, and return two signed copies to the DO. The LDA holder retains one of the signed copies;

5. Prepares an LD check payable to the DO (by title) under whose authority the account was established for the unexpended balance of the account. The DO cashes the check and accounts for it on the SF 1219 by reducing line 6.1, and increasing line 6.2, Cash On Hand, by the amount of the check;

6. Reconciles the account and prepares a final SF 1149 as of the last business day showing a zero checkbook balance on lines 12 and 18. The ending balance must be the total amount of the checks shown on both the list of outstanding checks and line 16;
7. Sends all undelivered checks, a copy of the final SF 1149, a copy of
the current bank statement furnished by the LD, a signed copy of the letter advising the LD of
closure of the account, a copy of the check issued for the unexpended balance of the account, and
the list of outstanding checks to the designated settlement office;

8. Returns unused LD checks to the LD. Store unused LD checks
purchased by the disbursing activity and dispose of them in the same manner as Treasury checks.
No certificate of destruction or notification to the DFAS or to the Treasury is required for
destruction of LD checks; and

9. Notifies DFAS-JJKCB/IN within 15 days of account closure at the
email address listed in paragraph 140202.

B. The designated settlement office:

1. Confirms the LDA is in balance before accepting accountability
from the DO/DDO or DO’s agent;

2. Validates LDA transactions using the documentation provided by
the LDA holder;

3. Renders the monthly SF 1149 required by paragraph 140902 using
the documentation provided by the LDA holder and statements by the LD;

4. Transfers the proceeds of uncurrent checks to the Treasury (see
paragraph 140502);

5. Issues replacement checks as required by paragraph 140702;

6. Disposes of undeliverable checks when necessary (see paragraph
140503); and

7. Notifies DFAS-JJKF/IN within 15 days of account closure at the
email address listed in paragraph 140202.
**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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<td>150101.B</td>
<td>Added guidance to the subparagraph titled “Accountability Reports” paragraph from the Treasury Daily Reporting Policy Memo (FPM 19-14).</td>
<td>Revision</td>
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<tr>
<td>1506</td>
<td>Added guidance to the section titled “Statement of Accountability, Standard Form (SF) 1219” paragraph from the Treasury Daily Reporting Policy Memo (FPM 19-14).</td>
<td>Revision</td>
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<tr>
<td>150702.A</td>
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CHAPTER 15

DISBURSING OFFICER ACCOUNTABILITY REPORTS

1501 GENERAL

*150101. Overview

A. Financial Reports. All disbursing officers (DOs) are accountable to the Treasury for the cash and cash equivalent items (including receivables) in their possession. DOs are required to submit financial reports to support the Department of Defense (DoD) accountability to the U.S. Government for all public funds collected and disbursed. These reports are the basis for official audits and settlement of accounts by the U.S. Government Accountability Office, and provide information to maintain administrative accounting controls.

B. Accountability Reports. DOs maintain their daily accountability on the DoD \textit{(DD) Form 2657}, Daily Statement of Accountability. The DO’s official monthly accountability is recorded and reported on the Standard Form \textit{(SF) 1219}, Statement of Accountability. DOs report disbursement and collection transactions on both the DD 2657 and the SF 1219, with collections reported as net of disbursements on the SF 1219. Every DO must keep detailed records of all transactions. These records must be available for examination by authorized representatives. The use and distribution of the DD 2657, SF 1219, \textit{DD 2665}, and \textit{DD 1081} as referenced in the DoD FMR Volume 5, Chapter 15 are not impacted by daily reporting. DOs must continue to submit financial reports to supporting DFAS sites following instructions by the site.

150102. Purpose

This chapter provides the policy, guidelines, and forms to record daily and monthly accountability for cash items (and receivables) in the DO's possession. In addition, it provides requirements for submission and distribution of financial reports and retention of disbursing office records, and defines the accounting period.

150103. Authoritative Guidance

Under Title 31, United States Code (U.S.C.), \textit{section 3513}, the Secretary of the Treasury prepares reports required to inform the President, Congress, and the public on the financial operations of the U.S. Government. The head of each executive agency must provide the Secretary of Treasury reports and information relating to the agency’s financial conditions and operations. See Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4700 \textit{(1 TFM 2-4700)}.

1502 POLICY

150201. Balancing of Accounts

A. DOs. DOs keep documents representing cash in their vault or safe and account for them daily on the DD 2657 and monthly on the SF 1219. The DD 2657 represents the permanent
written record of the DOs daily balance of cash in their possession. When accounts are inspected, DOs must present the DD 2657 to the inspectors for examination.

B. Deputies, Cashiers, and Disbursing Agents. Deputies DOs (DDOs), cashiers, and disbursing agents perform most DO cash transactions. The DO or primary DDO balances all DDOs, cashiers, disbursing agents, paying agents, and collections agents daily, using the DD 2665, Daily Agent Accountability Summary. The DD 2665 represents the report of their accountability to the DO, and preparation of this form is based on a physical count of all cash and negotiable instruments in their possession.

150202. Deputies, Cashiers, and Disbursing Agents at Remote Locations

DDOs, cashiers, and disbursing agents who are geographically distant from the DO (e.g., DO in Indiana and agent in Afghanistan) are still required to record transactions by preparing a DD 2665; however, they need not submit the DD 2665 to the DO on a daily basis. DOs will establish the timing of agent turn-ins for their operations. Agent turn-ins must include all DD 2665s, supporting documentation (e.g., collection vouchers, disbursement vouchers, and deposit tickets), and DD 1081, Statement of Agent Officer’s Account.

150203. Navy Vessels

DOs aboard Navy vessels balance their cash using the DD 2657. The DDOs, cashiers, and disbursing agents must use DD 2665 to balance at least weekly, immediately before and after each payday, the last day of each month, and anytime the DO suspects that an irregularity has occurred. When workload and staffing conditions allow, DOs aboard Navy vessels should balance cash accounts for all DDOs, cashiers, and disbursing agents daily.

1503 DAILY AGENT ACCOUNTABILITY SUMMARY (DD 2665)

The DD 2665 is a stand-alone document that provides a complete picture of a DDO’s, cashier’s, or disbursing agent's accountability transactions from day to day. Each DDO, cashier, and disbursing agent prepares a DD 2665 for each day during which he/she transacts business. They must summarize that day’s business and record the transactions in U.S. dollar (USD) values. Paying agents appointed to work with contracting for contingency operations need to prepare a DD 2665 on the day they turn-in all their business to the DO. To the extent possible, avoid performing a turn-in during the middle of a business day. If a turn-in for the middle of the day is necessary, prepare a DD 2665 up to and including the turn-in period; prepare another DD 2665 for the portion of the business day after the turn-in.

1504 STATEMENT OF AGENT OFFICER’S ACCOUNT (DD 1081)

150401. Overview

Agent officers (DOs, cashiers, and disbursing agents) prepare a DD 1081, as a summary of cash transactions and receipt for cash and vouchers on hand (between DOs and their agent officers). This form is prepared when a DO is advancing funds to an agent and is also used to
summarize cash transactions for the period covered by the turn-in. When the agent officers settle their account, the DO or principal DDO verifies the DD 1081, signs the original and a copy of the form, keeps the original form and supporting documents, and returns the signed copy of the form to the agent officer. The DO or principal DDO must perform a physical count of cash at the time of the turn-in or settlement. The agent officer keeps the signed copy as a record of the opening cash balance for the next period of duty and for record purposes if the account is balanced to zero.

150402. Electronic Submission of DD 1081s in Contingency Locations

Subject to the approval of the parent DO, paying agents in remote operational contingency locations may transmit electronically scanned or facsimile copies of the DD 1081 to the parent disbursing office. A paying agent is solely responsible to ensure that all documentation is legible and that:

A. The scanned or facsimile copies were produced from original documents and cannot be altered;

B. The copies are retained until the applicable retention period expires; and

C. Access to the images is limited to authorized personnel.

In cases of paying agents transmitting documents electronically, the DO must verify the electronic submissions are in fact from the paying agent. Further, the DO is responsible to ensure that adequate internal controls are implemented to prevent the posting of duplicate items when receiving electronic and original documents from the operational contingency location. The DO must also provide for the confirmation and acceptance of digitally signed documents, and the return of the accepted DD 1081 to the agent.

1505 DAILY STATEMENT OF ACCOUNTABILITY (DD 2657)

The DD 2657 summarizes the total disbursements and collections made during the business day by the DO and all DDOs, cashiers, and disbursing agents. Section I of the DD 2657 reflects the total DO accountability to the Treasury at the end of each business day. If disbursing operations were to cease, the total amount listed in Section I for the last operational business day would be the amount that the Treasury would seek to recover from the DO.

*1506 STATEMENT OF ACCOUNTABILITY (SF 1219)

In a daily reporting environment, the SF 1219 is no longer required to be submitted to the Treasury. DOs may continue to complete and submit the SF 1219 at month’s end to DFAS for reporting requirements based on each site’s instructions. The SF 1219 will continue to be utilized to reconcile deposits, collections, disbursements, and cash balances with Treasury on a monthly basis. In a daily reporting environment, there is still the requirement to balance to the Treasury monthly account statement, which summarizes the financial activities of federal agencies. DoD currently has established processes for creating and reconciling the SF 1219, which reduces risk from a reconciliation and balancing standpoint as DoD transitions to daily reporting. From an accounting perspective, there is no warrant or apportionment for DO cash and no formal funds control system documentation that...
legally places responsibility on the DO for the cash. Additionally, the SF 1219 is a recognized means of establishing responsibility for a specific and verified balance at a point in time. It aligns with accounting reporting cycles (the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) bulk file submission), which transmits the end of month balance in the DO Cash account(s) and must match the sum of the SF 1219s for each Service to facilitate reconciliation with the general ledger reporting.

1507 FINANCIAL REPORTS

150701. Overview

A. Accounting Period. DOs submit financial reports to the Defense Finance and Accounting Service (DFAS) on a calendar month basis, except for months during which accountability begins or ends on other than the first or last day of a month.

1. For a new disbursing office, the accounting period begins on the first day official business is transacted. When one DO relieves another, the accounting period for the relieved officer ends on the date of relief. The accounting period for the relieving officer normally begins on the next calendar day. Whenever possible, relief of a DO should occur on the last day of a month to preclude the need to submit an additional set of financial reports for that month.

2. An accounting period may not extend beyond the end of a calendar month. Exceptions to the calendar month accounting period may occur when a DO is relieved from disbursing duty before the last day of a month or commences disbursing duty on other than the first day of a month. The first day of the accounting period coincides with the date of commencement of disbursing duty notification forwarded under Chapter 2, subparagraph 020406.B.5. For any month during which accountability ends because of a Disbursing Station Symbol Number (DSSN) closing, the DO must submit the financial reports from the first day of the month through the date of closing.

B. Adjustments. DOs are allowed to submit supplemental reports to Treasury to adjust prior period reporting, make corrections to the original reporting, or report additional current month transactions.

C. Submission of DO’s Financial Reports. DOs submit financial reports to the supporting DFAS site following instructions provided by that site.

150702. Requirement for Submission of the DD 2667

When a DDO, cashier, disbursing agent, paying agent, collection agent, or imprest fund cashier has a physical loss of funds, forward the DD 2667, Subsidiary Accountability Record, to DFAS-ZPFA/N within five calendar days after the end of each month (see Chapter 6, subparagraph 060402.B.2).
1508 DISBURSING OFFICE RECORDS

150801. DFAS Record Retention

The supporting DFAS site examines all financial reports and sends them to the nearest federal records center for retention based on record retention requirements and storage availability at the DFAS site.

150802. DoD Record Retention

A. Volume 1, Chapter 9, section 0902 provides records retention requirements applicable to financial records. The retention requirements for Federal entities are further defined in the National Archives and Records Administration (NARA) General Records Schedule. The DoD has also developed supplementary guidance in DoD Instruction 5015.02, DoD Records Management Program.

B. DOs must apply the most stringent record retention requirements to support accounting records of initial entries and support records such as checks, electronic fund transfers (EFT), and invoices (see Financial Improvement Audit Readiness Guidance), and maintain them until all outstanding issues are resolved. Before disposal of contingency operations documents, DOs must contact their legal counsel for document retention in excess of the NARA and DoD guidance for financial records. Records must be available and accessible to all authorized users. Additionally, a DO or designated settlement official must keep records to complete the reconciliation of payment or collection discrepancies until resolved.

150803. Other Records

A. Original Disbursing Office Records. Original disbursing office records include, but are not limited to:

1. Disbursement and collection vouchers including supporting documents (e.g., invoices, receiving reports, purchase orders or contracts, and lodging receipts);

2. DD 2659. Voucher Control Logs;

3. DD 2657;

4. SF 1219;

5. DD 2665;

6. Check issue records and reports;

7. Limited Depositary Account (LDA) records and reports;

8. Deposits of negotiable instruments;
9. Deposit tickets and debit vouchers;

10. Appointments and revocations of accountable individuals;

11. Payroll deposit transactions to individual service members’ local pay accounts that are accessed via shipboard cash dispensers (automated teller machines);

12. Any other document record, log, or electronic file that supports disbursing transactions that affects the accountability of the DO or other accountable individual; and

13. Local check cashing policies and agreements.

B. Other Records Retention. The requirement for retaining original records applies to any record a DO receives that accompanies payment or collection transactions, or supports financial reports. The requirement applies to both paper and electronic records kept as original supporting documents at both the functional and disbursing offices. Certifying officials send electronic payment files to only the DO and keep supporting documentation in accordance with the guidance referenced in paragraph 150802. For Foreign Military Sales document record retention, see Volume 15, Chapter 6.

1. Hardcopy and electronic records storage controls must be in place by the disbursing office to ensure that only authorized personnel have access to any paper documents and electronic images.

2. Original disbursing office records and supporting documents in electronic format are a form of record retention. Duplicate copies of disbursement and collection vouchers and associated supporting documents may be retained as necessary at the DO’s discretion.

C. Unclassified Records. Individual records may be unclassified, but sometimes when information is aggregated, the security classification may change. Unclassified records do not require special security or storage controls and may be stored in open files or cabinets. Store these records with controls that readily identify:

1. Records that have been removed from the files;

2. The name of the individual(s) who removed the records;

3. The date the records were removed;

4. The name of the individual(s) who returned the records;

5. The date the records were returned; and
6. Other information needed to contact the responsible individual(s),
(e.g., organization, address, telephone number, and email address to ensure that records are
returned timely).

150804. Transfer and Disposition of Retained Disbursing Office Records

A. Nontactical Disbursing Offices. Transfer all disbursing office records to the
incoming (relieving) DO as a part of the relief process described in Chapter 2, paragraph 020406.
When a disbursing office is deactivated, package and mail all disbursing office records to the office
designated to settle the accounts.

B. Tactical Units and Naval Vessels

1. Detachment With Relief. When a DO of a tactical unit or naval
vessel is relieved from disbursing duty, the incoming DO keeps the outgoing DO’s disbursing
records for 90 days from the date of relief. After the 90-day period, the incoming DO packages
the disbursing records and sends them to the supporting DFAS site or alternate site designated by
DFAS for retention until the expiration of the required retention period. For deployed units, the
90-day period begins after the unit or vessel returns to homeport.

2. Detachment Without Relief. When a DO of a tactical unit or naval
vessel is relieved from disbursing duty due to deactivation of the disbursing office or when a vessel
or unit is decommissioned from service, the DO must package and send all disbursing office
records to the supporting DFAS site or alternate site designated for retention.

3. Shipment of Retained Documents. To facilitate shipment of
retained records, DOs of tactical units and naval vessels file retained records in these categories:

   a. Public vouchers other than payroll vouchers;

   b. Payroll vouchers with supporting documents;

   c. Collection vouchers and supporting documentation;

   d. Checking accounts records, to include records of checks
drawn. These records include SF 1179, Month End Check Issue Summary; Financial Management
Service (FMS) Form 5206, Advice of Check Issue Discrepancy, with related correspondence; and
Optional Form (OF) 1017-G, Journal Voucher, with related correspondence;

   e. DD 2657;

   f. SF 1149, Statement of Designated Depositary Account;

   g. SF 1219;

   h. Instruments deposited;

15-9
i. SF 1184, Unavailable Check Cancellation;

j. Debit Vouchers;

k. Certificate of revaluation of foreign currency;

l. Quarterly reports on the status of suspense accounts; and

m. Other miscellaneous retained disbursing documents.
VOLUME 5, CHAPTER 16: “SAFEKEEPING FUNDS AND VALUABLES FOR INDIVIDUALS AND MORALE, WELFARE, AND RECREATION ACTIVITIES”

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CHAPTER 16

SAFEKEEPING FUNDS AND VALUABLES FOR INDIVIDUALS
AND MORALE, WELFARE, AND RECREATION ACTIVITIES

1601 GENERAL

160101. Overview

Department of Defense (DoD) disbursing officers (DOs), deputy DOs (DDOs), and agents may accept cash and checks from individuals and morale, welfare, and recreation (MWR) activities for which safe custody otherwise would not be available. When a DO, DDO, or agent is unavailable, or when it is impractical for one of them to accept and account for safekeeping deposits, a commander may appoint and terminate any military member or DoD civilian employee as a safekeeping custodian to accept and account for safekeeping deposits using a separate DoD (DD) Form 577, Appointment/Termination Record – Authorized Signature (see Chapter 2, section 0203).

A. Safekeeping of Deposits. Keep safekeeping deposits in a secured safe and establish appropriate procedures to maintain accountability. Consider funds accepted for safekeeping as funds held in trust for which the United States is accountable, but are not within the DO’s financial accountability to be reported to the Department of the Treasury (Treasury) on the Standard Form (SF) 1219, Statement of Accountability.

B. Restrictions. Deposits and withdrawals are subject to local command regulations that establish necessary and proper restrictions as to the time, place, and frequency of deposits and withdrawals, and the types of objects classified as valuables. Impose controls to prohibit interruption of the activity’s priority fiscal operations (e.g., special and regular payroll activities). Safekeeping services should not be abused by the deposit of objects that are not usually afforded additional protection. Limit deposited valuables to funds; negotiable instruments including bonds, credit cards, travelers’ checks, and checkbooks; and objects classified as jewelry having an intrinsic value requiring additional protection. Items such as wallets, snapshots, keys, or items lacking any intrinsic value are prohibited.

C. Responsibility for Deposits

1. Custodians. Commanders appoint custodians to be responsible for the proper handling of and accounting for safekeeping deposits (see paragraph 160301). Appointments must state the specific duties authorized to be performed by the custodian. Pecuniary liability does not attach to safekeeping deposits as they are not public funds. Section 1602 applies to the safekeeping of nonappropriated funds for MWR activities. Note that losses of nonappropriated funds are not recorded on the DO’s SF 1219. If a loss occurs, notify the depositor of their right to submit a claim for reimbursement of the loss under applicable DoD Component regulations. Submission of a claim need not be deferred to await findings of any investigation initiated to determine responsibility for the loss.
2. **Assistant Custodians.** When the volume or nature of safekeeping deposit transactions warrants, the custodian may formally appoint an assistant custodian for initial receipt and temporary custody of safekeeping deposits pending their delivery to the designated custodian. Provide separate safekeeping facilities for the assistant custodian. Cover all custody transfers between the custodian and assistant custodian with receipt. An assistant custodian is responsible for proper accounting and handling, including receipt and delivery of safekeeping deposits to a permanent custodian. Process losses under subparagraph 160101.C.1.

D. **Deposit of Postal Funds.** Receive and handle safekeeping deposits of postal funds under the DoD Postal Manual, *DoD 4525.6-M*, identifying these as postage stamp fund or postal money order fund, as applicable, on the safekeeping deposit receipt.

E. **Deposit of Funds Under Emergency Conditions.** Follow paragraph 160202 to receive and handle safekeeping deposits of funds by military banking facilities, nonappropriated fund custodians, and other DoD sponsored activities. Identify on the safekeeping deposit receipt the deposit, depositing agency, and the custodian making the deposit.

160102. **Purpose**

This chapter provides DoD’s policy for appointed custodians and assistants to receive and safeguard cash and other valuables belonging to individuals or MWR activities.

160103. **Authoritative Guidance**

Title 31, United States Code, section 3302 authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds.

1602 **SAFEKEEPING OF NONAPPROPRIATED FUNDS FOR MWR ACTIVITIES**

160201. **Accounting for Separate Funds**

Place each safekeeping deposit in a separate, sealed envelope following subparagraph 160202.A, except as provided in paragraph 160202. Process withdrawals in accordance with the procedures provided in subparagraph 160202.B.

160202. **Accounting for Collocated Funds**

Custodians may collocate funds when the volume of safekeeping deposits warrants and it is desirable to accommodate more than one deposit or withdrawal transaction in (non-individual) safekeeping deposit accounts at non-tactical activities. Place the deposits in a separate container identified as safekeeping funds to prevent commingling with official funds. At activities other than Navy ships, if the total value of collocated safekeeping funds on hand is large, a bank checking account may be established (see paragraph 160203).
A. Deposits

1. **Receipt for Deposit.** Use a DD 2674, Record and Receipt of Deposits and Withdrawals of Safekeeping Funds, for each deposit and assign a consecutive series of deposit numbers beginning with the number “1” preceded by the letter “D.” Assign each depositor a depositor’s account number using a consecutive series of numbers beginning with the number “1.” The information on the DD 2674 should identify the depositor, depositor’s account number, date of deposit, and the amount deposited. The custodian gives the signed original DD 2674 to the depositor and retains a copy.

2. **Individual Ledger Sheets.** For each depositor, the custodian keeps a separate ledger control sheet, the heading of which includes the following: depositor’s account number, name and location of the depositing MWR activity, and signature of the MWR activity representative making the deposit. The custodian enters the amount of each deposit in the debit column of the ledger sheet, the total amount on deposit in the balance column, the date of each deposit, and deposit receipt number.

3. **Cash-On-Hand Ledger Control Sheet.** In addition to the individual ledger sheets described in subparagraph 160202.A.2, the custodian also keeps a cash-on-hand ledger control sheet entering the amount of each deposit in the debit column and the total amount on deposit by all depositors in the balance column. If preferred, a daily summary posting may be made to the ledger control sheet showing inclusive deposit numbers. The balance of the ledger control sheet must agree with the combined balances of the individual depositors’ ledger sheets.

B. Withdrawals. The depositor presents the original deposit receipt(s) to the custodian when requesting a full or partial withdrawal of the funds on deposit. The custodian confirms the depositor’s account balance and obtains a signature in the applicable section of the retained copy of the DD 2674 verifying it against the signature on the deposit record and/or the individual ledger sheet before releasing the funds requested. If the request is for a full withdrawal, the custodian voids the original DD 2674 in the presence of the depositor. A depositor may make up to three partial withdrawals of a safekeeping deposit. If the deposit is not withdrawn in full after two requests, the custodian voids the original DD 2674 and issues a new DD 2674 for the new deposit amount. The custodian enters the withdrawal as a credit in the depositor’s individual ledger sheet and the custodian’s ledger control sheet. In lieu of individual entries, the custodian may post a daily summary showing inclusive withdrawal numbers on the ledger control sheet.

1. **Currency Withdrawals.** Return the identical currency that was presented by the depositor when the deposit is withdrawn (e.g., a deposit made in Japanese Yen cannot be withdrawn in U.S. dollars).

2. **Check Withdrawals.** Enter the check number on the withdrawal request. See subparagraph 160203.A for more information regarding checks for the deposit of safekeeping funds.
160203. Bank Account Procedures

A. General. Custodians of commingled safekeeping funds, with command approval, may establish and maintain a checking account in a local bank or credit union (insured by either the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, as appropriate) for the deposit of safekeeping funds if the amount available for deposit is large enough to preclude the payment of service charges or other fees. The financial institution collateralizes funds in excess of the insured limits in accordance with Title 31, Code of Federal Regulations, Part 202. Establish the account in the name of the disbursing activity, the safekeeping fund, and the custodian (e.g., “U.S. Naval Activity, Boston, MA, Safekeeping Deposit Fund, Lieutenant J. A. Hancock, SC, U.S. Navy, Custodian”). Loans or investments from safekeeping deposit funds are prohibited.

B. Check Records. All checks must be serially pre-numbered. A complete record of all checks drawn, deposits made to the safekeeping checking account, and a running account balance must be maintained in the checkbook. Reconcile statements from the financial institution immediately upon receipt and file them with the bank ledger control sheet. Mark spoiled checks as “VOID” and file them in sequence.

C. Deposits to Safekeeping Fund Bank Account. Deposit checks, money orders, and cash received for safekeeping to the authorized account, except for cash required to be kept on hand to meet safekeeping withdrawal requirements. Checks and money orders may be accepted for deposit, subject to collection. Withdrawals are not authorized until sufficient time has elapsed for the checks and money orders to clear through the banking system.

D. Disbursements From Safekeeping Fund Bank Account. Draw checks for withdrawals of safekeeping funds on the safekeeping deposit fund account whenever practical. Checks may be drawn on the safekeeping fund account only for payment to a depositor for withdrawal, an authorized transfer of a depositor’s account to another activity, replenishment of cash-on-hand (through an exchange-for-cash check) needed to meet safekeeping withdrawal requirements, or transfer of unclaimed monies.

E. Cancellation of Checks. Checks drawn on the safekeeping deposit fund account must bear the following stamped endorsement on the reverse side: “This check is not valid unless presented for payment within 12 months from its date of issue.” If a check is canceled, the custodian confirms the stop payment action with the financial institution and credits the depositor’s safekeeping account for the amount of the canceled check. An effort should be made to locate the depositor and make the payment.

F. Account Closure. If the depositor cannot be located, close the account by drawing a check payable to the Treasury for deposit. The custodian prepares a DD 1131, Cash Collection Voucher, and credits account **R1060 for amounts less than $25. The custodian credits account 20X6133, Payment of Unclaimed Moneys, for amounts of $25 or more. Ensure the deposit utilizes the Treasury Account Symbol that matches the DD 1131 along with the Business Event Type Code for collateral. Include all information available as to the identity and location of the depositor on the collection voucher. The custodian presents the check and DD 1131
to the DO for collection. Send any claim subsequently received for the funds to the supporting Defense Finance and Accounting Service site for processing, with a copy of the related DD 1131.

G. Bank Ledger Control Sheet. In addition to the cash-on-hand ledger control sheet, the custodian keeps a separate ledger control sheet for cash-in-bank. When cash, checks, or money orders are deposited in the bank, the custodian debits the cash-in-bank ledger control sheet and credits the cash-on-hand ledger control sheet. Post exchange-for-cash checks as credits to the bank ledger control sheet and debits to the cash-on-hand ledger control sheet. Post withdrawals by check as credits to the bank ledger control sheet and debits to the individual ledger sheet. The sum of the cash-in-bank and cash-on-hand ledger control sheets must agree with the combined balances of the individual depositors’ ledger sheets.

1603 SAFEKEEPING OF PERSONAL FUNDS AND VALUABLES OF INDIVIDUALS

160301. Deposits

The custodian records all deposits on a DD 2674. Use a series of consecutive numbers beginning with the number “1” for assignment to safekeeping deposits. Assign each deposit, at the time it is made, the next number in the series. The custodian enters in the appropriate spaces of the DD 2674 the deposit number, date of deposit, description of the deposit (if money, describe the amount in figures and words), and the signature and rank of the custodian (or assistant custodian) receiving the deposit. The depositor must enter their social security number (SSN), signature, and rank or rate in the spaces provided. The custodian gives the signed original of the DD 2674 to the depositor and retains a copy.

160302. Withdrawals

A depositor wishing to withdraw a deposit presents the original DD 2674 to the custodian, who verifies the depositor’s signature and determines that the serial number, date, and description correspond with the data appearing on the retained copy of the form. The depositor acknowledges receipt of the deposit by entering their signature and the date of withdrawal in the space provided on the retained copy of the DD 2674. The custodian destroys the original DD 2674 in the presence of the depositor. If the receipt has been lost, the deposit may be returned to the depositor only after the custodian is satisfied as to the identity of the depositor and the depositor’s entitlement to the deposit. The entries on the DD 2674 constitute the official record of the deposit. The entire deposit must be withdrawn at the time of withdrawal. Partial withdrawals are not authorized, but a new deposit in a new amount is authorized subject to any restrictions prohibiting unreasonable repeated deposits.

160303. Withdrawal of Funds or Valuables Subsequent to Transfer of Depositor

If a depositor is transferred before withdrawing safekeeping deposits, the custodian delivers the depositor’s cash balance to the DO in exchange for a Treasury check payable to the depositor. Send the check and the depositor’s valuables (if any) with a letter of transmittal to the commander of the activity where the depositor was transferred to for delivery to the depositor.
Include in the transmittal letter all available details about the depositor and request acknowledgement of receipt. Insert data regarding the transfer on the file copy of the DD 2674.

160304. Deposit and Withdrawal of Funds by Incapacitated Persons

To process deposits and withdrawals of funds and valuables, an officer or any other person designated by the commander must accompany an incapacitated person to witness and sign each transaction. Deliver receipts for safekeeping deposits to the commander.

160305. Deposits of Deceased or Missing Persons

The custodian delivers cash on deposit to the DO in exchange for a Treasury check payable to the payee designated by the officer (or inventory board) appointed by the commander to take custody of the depositor’s personal effects. The Treasury check is drawn as “Exchange-for-Cash, Safekeeping Deposit No. _______, name, rank or rate, SSN.” Deliver the check and any depositor valuables to the appointed officer (or inventory board) for disposition following applicable DoD Component regulations. Obtain a receipt for the check and any valuables transferred under these instructions. Enclose a retained copy of the DD 2674 with a notation describing the disposition, and destroy the receipt portion of the DD 2674, if available.

1604 BALANCING AND VERIFICATION OF SAFEKEEPING DEPOSITS

160401. Balancing

The safekeeping custodian balances all safekeeping deposits on the last day of each month. The cash-on-hand and any safekeeping fund bank account balance must equal the total of the amounts credited in all of the active depositors’ accounts as shown on the retained copies of the DD 2674s, or the individual ledger sheets and ledger control sheet. The custodian certifies that balancing was accomplished on the ledger control sheet or the last DD 2674 issued with the following statement:

All safekeeping deposits, serial Nos. ______ through ______, balanced and verified (date). Total cash deposits equal $__________

(Signature and rank of custodian)

160402. Verification

A. General. At unannounced intervals, at least once during each calendar quarter, a cash verification team appointed by the commander verifies safekeeping deposits in the presence of the custodian. Include the results of the verification in the report of verification to the commander.
B. **Separate Deposits.** Separate deposits should be confirmed by verifying the contents of each envelope against the retained copies of the DD 2674s. The verifying officers must certify with the following statement:

```
All safekeeping deposits, serial Nos. _________ through _________, verified (date). Total cash deposits equal $__________
```

_______________________________
(Signature and rank of verifying officer)

_______________________________
(Signature and rank of verifying officer)

C. **Collocated Funds.** The custodial office verifies collocated funds by counting the cash held for safekeeping and comparing it with the total of the individual depositors’ ledgers and with the balance shown on the ledger control sheet. At activities maintaining a safekeeping deposit fund checking account, examine the latest statement from the financial institution and verify the amount on deposit in the checking account. The verifying officers certify the last entry on the ledger control sheet with the following statement:

```
We, the undersigned, on (date), verified the collocated safekeeping funds by actual count and certify that the total amount on hand is $__________, which agrees with active safekeeping accounts, Nos. _________ through _________, and with the ledger control sheets.
```

_______________________________
(Signature and rank of verifying officer)

_______________________________
(Signature and rank of verifying officer)

D. **Reporting a Shortage or Overage.** By accepting custody of safekeeping funds, the United States is accountable for them and assumes a trust responsibility for their care and safekeeping, even though it has no beneficial interest in them. The custodian must promptly report any shortage or overage of safekeeping deposits to the commander who takes actions similar to those prescribed in Chapter 6, section 0604 for a shortage or overage of public funds.

160403. **Transfer of Safekeeping Deposits Upon Relief of Custodian**

In preparation for being relieved of custodial duties, the outgoing custodian must balance safekeeping deposits, prepare a duplicate list of all active deposits, and give the list and all active deposits to the relieving custodian, who must then verify all deposits and receipts. The DD 2674 and any other records of commingled deposits must be transferred to the relieving custodian. If a checking account is maintained, it must be reconciled and transferred to the relieving custodian. The outgoing custodian must arrange with the financial institution to transfer the checking account to the relieving custodian.
VOLUME 5, APPENDIX A: “QUARTERLY VERIFICATION OF CASH AND OTHER ASSETS”

SUMMARY OF MAJOR CHANGES

All changes are in blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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APPENDIX A

QUARTERLY VERIFICATION OF CASH AND OTHER ASSETS

A101  GENERAL

A10101.  Overview

Chapter 3, subparagraph 030302.A.1, requires that a cash verification team conduct an unannounced verification of the cash and other assets under the accountability of the disbursing officer (DO) at least once during each calendar quarter. The cash verification team ensures that the DO and his or her agents are given neither formal nor informal advance notification of the intent to conduct the verification. Verification scheduling should be random to ensure it does not predictably fall during a particular period each quarter. Generally, it is not practical to verify cash on days involving unusually high volumes of disbursing transactions. The commander may omit a second quarterly cash verification, if an audit of the DO’s cash and assets has been conducted as a part of a transfer of accountability, or if other official audits verifying the accountability were conducted during the same quarter. The cash verification team must prepare a written statement for the commander’s signature specifying the circumstances for omitting a cash verification.

A10102.  Purpose

This appendix provides a checklist for conducting a surprise verification of the cash and other assets under the accountability of the DO.

A10103.  Authoritative Guidance

Title 31, United States Code, section 3302 authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds.

A102  CASH VERIFICATION CHECKLIST

A10201.  Checklist

Use this checklist as a guide for the cash verification process and to assist in preparing the official report of verification. The senior member of the verification team, in consultation with the DO, determines which checklist items pertain to the DO’s operations and operating environment, and explains any deviations or omissions from the checklist in the official report.

A. The senior member of the cash verification team notifies the DO’s immediate supervisor upon arrival to conduct the surprise verification of cash and other assets. The cash verification team presents a copy of its letter of appointment, and with the presence of the DO or a deputy, assumes control over all cash and other assets in the DO’s accountability. If access is refused, the senior member of the verification team immediately notifies the commander.
B. Secure all accessible vaults, safes, security containers, and cash drawers housing cash or other assets holding DO cash accountability. Inventory the cash and other assets by actual count in the presence of the person accountable for their safekeeping.

C. Require the DO to prepare a Department of Defense \((DD)\) Form 2657, Daily Statement of Accountability, for the close of business of that day and validate amounts reported for items due the U.S. Government that are included in the balance. It is also required that the custodian of public funds prepares a \(DD\) 2665, Daily Agent Accountability Summary.

D. No custodian of public funds may conduct further business until the cash verification team has completed the count of that custodian's funds. Normally, the duty cashier's funds are verified first to minimize the impact on disbursing operations. Compare amounts of cash held at personal risk by the DO and his or her agents to the authorization to hold such cash as indicated by the approved cash holding authority (CHA) (see Chapter 3, section 0302).

E. If the commander determines that it is not practical to inventory the funds in the possession of some of the DO’s agents because of inaccessibility or geographic separation, the cash verification team verifies the amounts shown on custody receipts either by telephone with the accountable person, examination of the permanent file of cash verifications and certification held by the disbursing office, or any other means available to complete the verification. The verification team notes actions taken and describes any limits to the verification in the report.

F. Commence the actual count of currency and other assets.

1. \textbf{Cash}

   a. Count all currency and coin in the presence of the accountable individual.

   b. Count all items representing cash, including exchange-for-cash checks, in the presence of the accountable individual.

   c. Verify that cash and receipts held by agents in the disbursing office equal the receipts signed by those agents and held by the DO.

   d. Count all negotiable instruments representing cash held by the DO awaiting deposit in the presence of the accountable individual.

2. \textbf{Other Assets}

   a. Review and total all receipts for cash held by agents of the DO located outside the disbursing office.

   b. Review and total deposit transactions via Over the Counter Channel Application and confirm deposit transactions utilizing the Collections Information Repository (see Chapter 11, section 1111).
c. Review the debit voucher and associated dishonored checks; require the DO to initiate collection action.

d. Review exchange-for-cash checks in transit (see Chapter 7, section 0707).

e. Review Financial Management Service Form 5206, Advice of Check Issue Discrepancy, representing overdrafts and underdrafts (see Chapter 7, section 0708).

f. Review actions on previously reported losses of funds.

g. Verify bank statements and balances of foreign currency held in limited depositary checking accounts (see Chapter 14, paragraphs 140309 and 140310).

h. Verify the amount of foreign currency by actual count against the subsidiary records and the foreign currency reports.

G. Immediately after verifying the DO’s cash accountability, the cash verification team verifies all safekeeping deposits and the postal stamp funds (if applicable) with procedures provided in Chapter 16, paragraph 160402. No quarterly verification of agent cash is considered to have been made if any agent’s cash accountability is not physically verified, when the DO’s cash accountability is verified.

H. The cash verification team verifies the imprest and change funds at least once each quarter. This may be simplified by appointing an individual rather than a team. Accomplish these verifications by totaling all receipts and counting all cash to prove the total shown on the cash receipt held by the DO. Investigate any receipts for cash advanced by the imprest fund cashier more than five days old if not redeemed before the report is issued, and document on the cash verification report. Change fund custodians must certify in writing that their funds are present at the time of the cash verification. Change fund verification consists of verifying that the cash drawer contains the amount shown on the change fund documentation, after adjusting for any sales proceeds or receipts on the day of verification. Verifications of both imprest fund cashiers and change fund custodians ensure that none of the funds include personal checks from the cashier/custodian, any of their supervisors, or the individual charged with accountability for the funds (see Chapter 2, paragraphs 020706 and 020707).

I. Review all vouchers supporting gains and deficiencies on foreign currency transactions (see Chapter 13, paragraph 130402).

J. Review the DO’s compliance with the provisions for cashing personal checks and the collection of dishonored checks (see Chapter 4, section 0403).

K. Ensure that checks representing collections are properly identified and supported by collection vouchers so that dishonored personal checks received as collections may be charged back to the receiving activity and not held as losses due to accommodation exchanges made by the DO (see Chapter 4, section 0404).
L. Review previous cash verification reports to ensure that repeat deficiencies being reported in the current cash verification report are noted as significant and advise the commander of the action necessary to remedy the deficiencies of the DO.

M. Review maintenance of the DD 2658, Returned and Undeliverable Check/Bond Record, or automated system if used, to ensure that no undelivered checks are missing, none exceed the time limit to be held, and all are properly safeguarded (see Chapter 7, paragraph 071003).

N. Verify all undeposited checks in relation to the prescribed frequency and timeliness of deposits (see Chapter 11, subparagraph 110803.A.1).

O. Examine undeposited checks to ensure that they are negotiable instruments the DO is authorized to exchange-for-cash and that checks received as collections are maintained separately from those checks received in accommodation exchange transactions.

P. Verify that the DO deposits receipts daily. If daily deposits of less than $5,000 are impractical, verify that receipts are accumulated until the total reaches $5,000 and then deposited. Also, verify that deposits are made by Thursday of each week, regardless of the amount accumulated (see Chapter 11, subparagraph 110803.A.1).

Q. Compare military payroll vouchers and money lists with related pay accounts to ensure payments are posted to the member's account.

R. Review the cash held at personal risk is commensurate with needs and in compliance with the authorized CHA (see Chapter 3, section 0302).

S. Verify safekeeping deposits, postal funds, postage stamp stock, and postal money order stock (see Chapter 16, paragraph 160402).

T. Inventory and verify the safekeeping of all smart cards (see Chapter 10, paragraphs 100209 and 100212).

U. Inventory all blank checks (both working and bulk stock), examine all voided and spoiled checks pending local destruction to ensure they are properly defaced and stored in authorized containers. Where roll stock of blank checks is used, conduct the inventory by recording the ending number from the reels rather than unrolling the reel, which could destroy the stock.

V. Finalization

1. Verify totals from the reviews with the amounts reported on the DD 2657.

2. Advise the DO of any discrepancies or deficiencies noted.
3. Notify the DO’s immediate superior and the commander of any deficiencies and advise them that a written report will be prepared.

4. Sign and certify the results of the cash verification on the DD 2657 or a paper attached to the DD 2657. Results must be signed by all members of the cash verification team.

5. Insert the following statement on (or attach to) the DD 2657 and ensure it is signed by the senior member of the cash verification team.

"On (date) at (time), the undersigned verified by actual cash count in the amount of $ (amount), together with all documents supporting collections and disbursements, which (is/is not) in agreement with this daily statement of accountability."

Signature and Rank of Verifying Official

6. Distribute the cash verification report as directed in paragraph A10202.

A10202. Report of Verification

The cash verification team reports all findings in writing to the appointing official immediately upon completion of verification of both official funds and safekeeping deposits. If the appointing official is not the DO’s commander, address the report jointly to the appointing official and the DO’s commander so both receive an original of the verification report. Where safekeeping of personal funds and valuables is authorized and the designated safekeeping custodian is not the DO, send a copy of the report to the safekeeping custodian. The senior member of the cash verification team maintains a copy of the report as a permanent part of the cash verification team’s records. Include the following in the report:

A. The date the verification was conducted;

B. The date of the preceding verification;

C. A statement as to whether or not the DO complies with the safekeeping requirements (see Chapter 3, section 0303);

D. The identity of each person holding cash under the DO’s cash accountability that was not verified by actual count, the amount of cash each held, and the method of contact made with each custodian. If such contact was made, include a statement as to whether or not the verified cash accountability of the DO agrees with the DD 2657 cash and other asset totals;

E. A list of undeposited checks containing a description of those not handled;
F. A statement as to whether or not the DO is taking timely action to clear debit vouchers, check issue discrepancies, check issue reporting gaps, duplicate payments, forger recovery through the banks, and reissue of limited payability check cancellations; and

G. A statement as to whether or not safekeeping deposits amounts verified agreed with safekeeping deposit records.
VOLUME 5, “DEFINITIONS”

SUMMARY OF MAJOR CHANGES

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DEFINITIONS

A. General

The following list defines general terms of significance or importance in financial accounting policies for the Federal Government or the Department of Defense (DoD) that are discussed in various chapters of this volume. These definitions are provided for general information; it is by no means an exhaustive list of all financial management terms, and it does not define terms when standard dictionary definitions apply. Authoritative guidance with more detailed explanations or nuances may be found in specific chapters. These definitions apply throughout this volume.

B. List of Definitions

Accommodation Exchange

The exchange of U.S. Treasury checks or other U.S. dollar instruments for U.S. dollars (i.e., check cashing) for the convenience of authorized personnel, the exchange of U.S. dollars or dollar instruments for foreign currency for the convenience of authorized personnel or, where permitted, the exchange of foreign currencies for U.S. dollars or dollar instruments.

Account Statement

The Account Statement Module is an online query driven component that provides a daily refreshed view of a Federal Program Agency’s (FPA) Fund Balance With Treasury (FBWT). The Account Statement provides FPAs with a central source for retrieving a near real-time picture of their account balances.

Accountable Officials

Accountable individual, accountable official, and accountable officer are used synonymously throughout Volume 5. The term “accountable official” is used in Title 31, United States Code (U.S.C.), section 3527 to refer to the class of officers or employees of an agency who are pecuniarily liable for repayment of losses or deficiencies of public money, vouchers, checks, securities, or records. Such officials are appointed using a DoD (DD) Form 577, Appointment/Termination Record - Authorized Signature. Only officers and employees of an agency are eligible for appointment as accountable officials.

Accounts Receivable Office

The Accounts Receivable Office, normally located at a Defense Finance and Accounting Service site, records and reports accounts receivable and may be responsible for debt management and collection.
Agency Location Code (ALC)

A numeric symbol identifying the agency accounting and/or reporting office. A 3-digit Regional Finance Center, 4-digit Non-Treasury Disbursing Officer (NTDO), or 8-digit Treasury Disbursing Office identifier assigned by the Treasury, Bureau of the Fiscal Service (FS). An 8-digit ALC’s first two digits identify the department or agency, the third and fourth identify the particular bureau within the department, and the remaining four identify the particular agency account within that bureau. DoD Disbursing Station Symbol Numbers (DSSNs) are NTDOs whose ALCs begin with four zeros and include the DSSN (e.g., 00001234).

Approving Official

A person responsible for one or more Government Purchase Card (GPC) holders or for approving travel vouchers using the Defense Travel System.

Automated Information Systems (AIS) Administrator

A person who programs, schedules, or operates computerized programs, and maintains one or more AIS.

Automated Teller Machine (ATM)

An electronic machine that dispenses cash and may perform other functions such as, funds transfers among a customer’s various accounts and acceptance of deposits. Equipment generally is activated by a plastic card in combination with a personal identification number. Typically, when the cardholder’s account is with a financial institution other than the one operating the ATM, its use results in the assessment of a fee from the ATM network (e.g., Armed Forces Financial Network, Cirrus, or Plus) that processes the transaction.

Basic Agreement

An intergovernmental instrument negotiated with the government of a friendly nation that states in general terms the policies of DoD Directive 5530.3, and authorizes the implementation of those provisions by mutual consent.

Business Event Type Code (BETC)

A code consisting of up to eight characters. The code is used in combination with the Treasury Account Symbol (TAS) to determine the transaction effect on the FBWT. The code indicates the type of activity being reported (e.g., disbursements, collections).

Canceled Treasury Check

The process whereby an issued Treasury check that has not been presented for payment is put in a paid status in the Treasury’s Check Processing and Reconciliation System (CP&R).
Canceled Treasury Check Types

a. Canceled available check: A check in the possession of a Disbursing Officer (DO) and either canceled due to non-entitlement, or because it is mutilated or otherwise undeliverable.

b. Canceled unavailable check: A properly vouchered and issued check not held by a DO or payee (not received by payee, i.e., lost, stolen, or destroyed).


d. Limited-payability canceled check: A check issued on or after October 1, 1989 automatically canceled by the Treasury if not cashed within 12 months from its date of issue.

Card Acquiring Service

The government’s means of collecting debts via credit or debit card transactions, and whose objective is to increase electronic collections received by the government and process them in an efficient, timely and cost-effective manner.

Cardholder

A person an agency designates to be issued a GPC and/or government travel card.

Cash Holding Authority (CHA)

The authority to obtain and maintain cash on hand (upon approval of commander or other authority) at their personal risk. Deputy DOs (DDO), agents, and cashiers outside of the main disbursing office may hold cash at personal risk, with the amount to be held subject to the approval of the parent DO or local activity commander.

Cash and Investments Held Outside of Treasury (CIHO)

Funds (i.e., U.S. and foreign currency and coin) under the custodial responsibility of federal government agencies and/or their employees, officers, or agents which includes imprest funds, change funds, cash with agents (e.g., Paying Agent), and cash on deposit in a Limited Depositary Account (LDA).

Cashier

A military member or DoD civilian employee appointed by a DO to perform duties involving the handling of cash. The recruitment, screening, and selection of persons for these positions should be accomplished with primary regard to the sensitive nature of the position.
Central Accounting Reporting System (CARS)

The central accounting system of record for the Treasury, Bureau of the FS. CARS is utilized for Treasury-level accounting and reporting for all federal agencies.

a. CARS Daily Reporter: Federal agency that submits the TAS/BETC reporting classification of each payment or collection daily to CARS via the Payment Information Repository (PIR) or Collection Information Repository (CIR). DoD DOs report cash disbursements and U.S. and foreign currency collections held for future operational needs via the Classification Transaction and Accountability (CTA) system.

b. CARS Non-Daily Reporter: Federal agency that reports disbursements and collections through monthly reporting on the Standard Form (SF) 1220, Statement of Transactions According to Appropriations, Funds and Receipt Accounts, and SF 1219, Statement of Accountability.

Certification


Certifying Officer

An individual designated to attest to the correctness of statements, facts, accounts, and amounts appearing on a voucher, or other documents. A certifying officer is pecuniarily liable for payments in accordance with 31 U.S.C. § 3528.

Change Fund Custodian

A person who operates from an appropriated fund sales activity (e.g., dining hall, hospital, commissary), is responsible for safeguarding the cash provided, and may be held pecuniarily liable for any loss in the change fund.

Check Issue Discrepancy

Occurs when the issue amount reported by the disbursing office differs from the amount for which the check was issued as evidenced by the printed amount on the check when presented for payment.

a. Check Issue Overdraft: Occurs when the amount printed on either a Treasury or limited depositary (LD) check and paid by the Treasury or LD, as applicable, is greater than the issue amount of that check reported by a DO on the check issue report, or when the amount printed on a check and paid by the Treasury or LD is greater than the amount due shown on the payment voucher.
b. Check Issue Underdraft: Occurs when the amount printed on either a Treasury or LD check and paid by the Treasury or LD bank, as applicable, is less than the issue amount of that check as reported by a DO on the check issue report, or when the amount printed on a check and paid by the Treasury or LD bank is less than the amount due shown on the payment voucher.

Civilian Pay

Addresses entitlements to DoD civilian employees and is also a functional area within the payment process.

Classification Transactions and Accountability (CTA)

A system used by FPAs to report their monthly accounting activity to the Treasury, Bureau of the FS.

Coalition Forces

Temporary alliances of nations or factions for a specific purpose (e.g., those engaged internationally in times of conflict or war).

Coin

Metallic specie representing either U.S. dollars and foreign currency fractional units or multiples thereof.

Collection Agent

An individual appointed by a local commander to perform duties relating to the collection of official funds, including funds held as safekeeping deposits, at a point other than a disbursing office. Performs duties under the general supervision of, and as prescribed by, the appointing officer. Should not be involved with billing or accounting for funds received, and may not be appointed from among disbursing office personnel. Responsibility for duties and functions should be segregated between receipt of funds, recordkeeping, determination of the amount owed, and making demands on the debtor to minimize opportunities for unauthorized, fraudulent, or otherwise irregular acts.

Collections Information Repository (CIR)

Formerly the Transaction Reporting System (TRS). A collections reporting tool, supplying the latest information on deposits and details of collection transactions to federal agencies. It allows financial transaction information from all collections systems and settlement mechanisms to be exchanged in a single system.
Commander/Director

A person assigned as a combatant commander, base or installation commander, commanding officer, officer-in-charge, director of a defense activity, U.S. Property and Fiscal Officer (National Guard), or equivalent civilian head.

Continental United States

The 48 contiguous states and the District of Columbia.

Contingency Operation

A military operation designated by the Secretary of Defense (SecDef) in which members of the U.S. Armed Forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or an opposing military force; or results in the call, order to, or retention of, active duty of members of the Uniformed Services under 10 U.S.C. §§ 688, 12301(a), 12302, 12304, 12305, 12306, or any other law during a war or a national emergency declared by the President or the Congress. Includes, but is not limited to, a combat, peacekeeping, or noncombatant evacuation operation, or humanitarian assistance or disaster relief effort.

Contract Pay

The entitlement process to pay contractors.

Contractor

Any person, organization, or business concern engaged in a profession, trade, or business, and may also be a not-for-profit entity operating as a contractor, including state and local governments and foreign entities, but excluding federal entities and foreign governments, doing business under a contract with an element of the U.S. Government.

Credit Card Collections

A government-wide network under Treasury’s Pay.gov program enabling federal agencies to accept collections by credit card over the internet for offered products and services.

Credit Gateway

A deposit program that the Treasury, Bureau of the FS uses for the receipt of federal agency Fedwire and Automated Clearing House (ACH) credit transactions. A component of the Treasury, Bureau of the FS’s Collections and Cash Management Modernization initiative, a multi-year effort to simplify and modernize collections and cash management programs.
Credit Union

A cooperative nonprofit association, incorporated under 12 U.S.C. § 1751 (the Federal Credit Union Act) or similar state statute, to encourage thrift among its members and creating a source of credit at a fair and reasonable rate of interest.

Currency

Paper money in the form of U.S. dollars and foreign banknotes.

Custody Account

An arrangement approved by the Treasury allowing safety stocks of U.S. currency held as a 100% cash reserve on the books of overseas military central funding officers physically held in the government’s contractor-operated Military Banking Facility (MBF), with daily settlement between the MBF operator and central funding officer. Absent ready access to the Federal Reserve System, assures the availability of U.S. currency to support the dollar economy exported to support U.S. Armed Forces stationed overseas.

Defense Check Reconciliation Module

A check register that records the issuance of DoD manual checks. It includes Check Issue and Unavailable Check Cancellation subsystems.

Deputy Disbursing Officer (DDO)

A person appointed as a deputy to a DO to act in the name of and for that DO to perform any and all acts relating to the receipt, disbursement, custody, and accounting for public funds. The appointing DO may restrict the acts a deputy is authorized to perform. DDOs must be U.S. citizens.

Disbursing

The paying of public funds to entities to whom the Government is indebted; the collection and deposit of monies; the safeguarding of public funds; and the documenting, recording, and the reporting of these transactions.

Disbursing Agent

An agent of a DO, not appointed as a DDO, who generally operates a permanently-located disbursing office that is often geographically separated from the disbursing office.

Disbursing Office

An activity or the organizational unit of an activity whose principal function consists of the disbursement, collection, and reporting of public funds. Includes both tactical and non-tactical
disbursing activities. Each has a DO and at least one DDO under the DO’s direct control. Disbursing offices within DoD formerly were referred to as Finance and Accounting Offices, Accounting and Finance Offices, and Finance Offices.

**Disbursing Officer (DO)**

An officer or employee of a Federal Department or Agency designated to disburse money and render accounts according to laws and regulations governing the disbursement of public money (see 31 U.S.C. § section 3321). The term DO within Volume 5, unless otherwise stated (e.g., Treasury DO, U.S. DO (USDO)), is specific to DoD DOs. DoD DOs are considered Non-Treasury Disbursing Officers (NTDOs) in Treasury terms.

**Disbursing Station Symbol Number (DSSN)**

A four-digit number assigned to each disbursing office by the Treasury. Also an identification number that indicates the authority to receive and disburse public funds and issue checks on behalf of the Treasury. See “Agency Location Code (ALC).”

**Doctrine of Laches**

A legal term based upon neglect or omission to do what one should do in a reasonable amount of time so as not to prejudice the adverse party. The defense can be used against an untimely claim to establish a presumption of abandonment of a right or claim (e.g., if a payee neglects or fails to file a timely request) the payer can presume that the payee has abandoned the claim.

**DoD Activity**

A ship, camp, post, station, base, activity, unit, installation, or facility operating within the DoD.

**DoD Personnel**

All DoD Active and Reserve Component military personnel, military retired members, DoD civilian employees (including foreign national direct hire and indirect hire, as well as nonappropriated fund employees), contractors and host nation support personnel.

**Duplicate Check**

A check issued by a DSSN with the same serial number as a previously-issued check.

**Electronic Commerce**

A range of financial functions performed using data communication techniques.
Electronic Signature

An electronic sound, symbol, or process, attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record. See 15 U.S.C. § 7006(5).

Emergency Condition

Any situation resulting from war, armed aggression, or other hostilities against U.S. personnel or interests; and sudden, extensive natural or manmade disasters.

Employee

A civilian paid from appropriated (or non-appropriated, if applicable) funds.

Erroneous Payment

A fiscal irregularity resulting from routine or non-routine processed payments that are not in strict conformity with laws and regulations, including but not limited to, an overpayment to a payee; two or more payments to a payee for the same entitlement (i.e., a duplicate payment); a payment to the wrong payee; a Treasury check issue overdraft (in some cases); a shortage caused by negotiation of both an original and a substitute Treasury check; payment based on fraudulent, forged, or altered documents; or a payment made in violation of law or regulation.

Exchange-for-Cash Check

A check issued by a DO to obtain cash funds for disbursements or in exchange for cash for official or accommodation purposes.

Facsimile Signature

An impression of a signature made by a rubber stamp and authenticated by the initials of the certifying officer or the designated individual. May also be a metal plate or electronic digitized facsimile signature medium.

Federal Program Agency (FPA)

A department, instrumentality, office, commission, board, service, or other establishment of the U.S. Government.

Federal Reserve Bank (FRB)

The central bank of the United States, divided into 12 Federal district banks. Created by the Federal Reserve Act of 1913 to provide the nation with a safe, flexible and stable monetary and financial system.
Financial Services

Commonly associated with financial institutions in the United States, such as electronic banking (e.g., ATMs and personal computing banking); in-store banking; checking, share and savings accounts; funds transfers; sales of official checks, money orders, and travelers checks; loan services; safe deposit boxes; trust services; sale and redemption of U.S. Savings Bonds, and acceptance of utility payments; and any other services provided by financial institutions.

Fiscal Irregularity

Any action (or lack thereof), event, practice, or circumstance (or lack thereof) that causes an out-of-balance condition in the financial accountability of a DO, deputy, agent, and cashier entrusted with public funds. Includes irregularities resulting from physical losses of funds or erroneous payments.

Foreign Exchange

Identifies the conversion (exchange) of foreign currencies (i.e., the legal monetary unit of a foreign nation), and negotiable instruments, such as travelers checks, money orders, and bank drafts payable in such monetary units.

Foreign National Personnel

A foreign national employee is an individual who is employed by or performing work for U.S. forces outside the United States, its territories, and possessions in a system of employment. Under the direct hire arrangement, the legal employer of the foreign national assumes responsibility for all administrative and management functions related to foreign national employment. Under the indirect hire arrangement, the host government serves as the legal employer of U.S. forces foreign nationals.

Fraudulent Claim

Any claim against the government involving the presentation of false information, or misrepresentation on the part of a claimant or any other party having an interest in a claim.

Functional Area

A specialized entitlement area (also known as a subject matter area) not under the direct cognizance/control of the DO. Functional areas are responsible for specific types of transactions, e.g., accounts control, travel, military pay, commercial sales, and civilian pay. Functional areas are not considered part of the disbursing office.

Fund Balance With Treasury (FBWT)

An asset account that shows the available budget spending authority of federal agencies. Collections and disbursements increase or decrease the balance in the account.
G-Invoicing

G-Invoicing offers an online portal to support the exchange of information in Intragovernmental Transactions activity by federal trading partners. G-Invoicing will serve as an agreement broker (the mechanism by which agencies arrange and negotiate information electronically) and a data exchange platform.

General Depositary

A financial institution designated by the Treasury to accept deposits of cash and checks from specifically authorized DOs.

Governmentwide Accounting (GWA) and Reporting Modernization

A project addressing the central accounting and reporting functions and processes associated with budget execution, accountability, and cash/other asset management. Includes the collection and dissemination of financial management and accounting information from and to federal program agencies. Also includes the business processes in the Treasury, Bureau of the FS that are related to ledger accounting for each appropriation, fund, and receipt account's FBWT, General Ledger accounting for the cash and monetary assets of the Government, and the preparation of the Monthly Treasury Statement and the U.S. Government Combined Statement and Appendix. This project improves timeliness and accuracy to support financial analysis and decision-making.

Holder in Due Course

A person, financial institution, or business other than the original payee who in good faith takes possession of a check through endorsement. A claim to payment by a holder-in-due-course will be honored, even if the original payee is not due or entitled to the check.

Host Nation

A nation supported by the forces and/or supplies of allied nations; and/or coalition partners located on, operating in, or transiting through its territory.

Imprest Fund

A cash fund of a fixed amount established by an advance of funds, with or without charge to an appropriation, from a DO to a duly appointed cashier, for disbursement as needed in making cash payments for relatively small purchases.

Imprest Fund Cashier

An individual appointed by the local commander to make authorized cash payments for materials or services. An imprest fund cashier is required to maintain custody of public funds and
to file periodic vouchers to account for and replenish the imprest fund. Disbursing personnel are not eligible for appointment as imprest fund cashiers.

**International Treasury Services (ITS)**

Treasury’s comprehensive international payment and collection system, and the preferred payment method for foreign-currency transactions.

**Intra-governmental Payment and Collection (IPAC) System**

A Treasury automated system used for the payment and collection of intra-governmental billing services and supplies.

a. IPAC Adjustment: A reversal of a transaction by the receiving agency up to but not to exceed the amount of the original transaction reported in the accounting month in which they are processed in IPAC. Receiving agencies cannot reject IPAC transactions that have been processed by the Treasury.

b. IPAC Billing Agency: The agency originating a collection or receiving a payment transaction. In the Treasury’s Disbursing and Adjustment menu screens, the billing ALC represents the originator of the transaction.

c. IPAC Corrections: Refers to erroneous reporting on the SF 1219. The error can be caused by amounts being over or understated or by the failure of an agency to record the transaction in the proper month of accountability.

d. IPAC Customer Agency: Originates a payment or receives a collection transaction. In the Treasury's Disbursing menu screen, the customer ALC represents the agency receiving the transaction. In the Treasury's Adjustment menu screen, the Billing ALC of Original Bill field represents the agency receiving the adjustment transaction.

**Limited Depositary (LD)**

A U.S. or foreign commercial bank designated by the Treasury to receive deposits from DOs for credit to their official LD checking accounts.

**Limited Depositary Account (LDA)**

A LDA is a checking account, generally in a foreign currency, maintained in an LD by a DO, DDO, or another agent specifically designated by the DO, in his or her own name.

**Lockbox Service**

A collection and processing service provided by a financial institution to accelerate cash flow to Treasury’s General Account.
Member

A person appointed, enlisted, or conscripted into a Uniformed Service or a person retired from active duty (including those receiving retainer pay) or a reserve component.

Micro-purchase Threshold

See the Federal Acquisition Regulation, Subpart 2.101.

Military Banking Facility (MBF)

A banking office normally located on an overseas DoD installation and operated by a financial institution the Secretary of the Treasury specifically has authorized under its designation as a “Depository and Financial Agent of the U.S. Government” to provide certain banking services at the installation.

Military Pay

An entitlement and pay process for military members. Also refers to a functional pay area. Examples:

a. Armed Forces Americas (AA): Central and South America, e.g., Army Post Office (APO) and Fleet Post Office (FPO) Miami are now APO and FPO AA, respectively.

b. Armed Forces Europe (AE): Canada, Europe, Africa, and the Middle East, e.g., APO and FPO New York are now APO and FPO AE, respectively.

c. Armed Forces Pacific (AP): Pacific area, e.g., APO and FPO San Francisco, and APO and FPO Seattle are now APO and FPO AP, respectively.

National Bank

An association approved and chartered by the Comptroller of the Currency to operate a banking business.

Negligence

The failure to act as a reasonably prudent person would act under similar facts, conditions, and circumstances.

Non-tactical Disbursing Activity

Any disbursing activity permanently assigned to an installation and not subject to mobilization or deployment.
Officer or Military Officer

A commissioned or warrant officer (appointed officer) of the Uniformed Services.

Official Authorization List

Identifies all individuals who are authorized to transact business and provide instructions to the FRB on behalf of a Component.

On-base

Refers to physical presence on a domestic or overseas DoD installation.

Original Signature

A signature is in permanent dark blue, blue-black, or black ink. For electronic and digital signatures see Volume 5, subparagraph 010305.C.

Outstanding Check

A check that Treasury’s CP&R system shows as issued but not paid.

Over-the-Counter Channel Application (OTCnet)

A web-based application that integrates Check Capture and Deposit Reporting functionalities in one system. Created from two legacy systems, Paper Check Conversion Over the Counter and Treasury General Account (TGA) Deposit Reporting Network, the OTCnet application design accommodates check capture and deposit reporting using electronic collection mechanisms instead of paper based processing. The OTCnet application check capture activities are primarily performed online; however, there is an offline check capture capability for agencies operating in locations where internet connectivity and bandwidth are intermittent or unavailable.

Overage of Funds

An amount greater than the amount shown to be on hand by the daily accountability records.

Overseas

A military installation (or community) located outside the United States, the District of Columbia, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, or the U.S. Virgin Islands.
Paid Status

Identifies a Treasury check presented to the Treasury for payment through the banking system, or reported as void (zero value issue), or canceled.

Pay (Salary)

Includes basic, special, incentive, retired or retainer pay; consultant's fees; and any other authorized pay and allowances.

Pay.gov

A program developed to meet the commitment to process collections electronically using internet technologies. Satisfies agencies and consumers demands for electronic alternatives by providing the ability to complete forms, make payments, and submit queries 24 hours a day electronically.

Pay Period

Normally biweekly for civilians working for federal agencies, may be monthly or twice monthly for active duty military personnel, monthly for retirees, or periodically based on completion of active or inactive duty for training for Reserve Component personnel.

Payability

The length of time during which a Treasury check is negotiable. Also relates to “claimability,” the length of time a payee may present a claim of non-receipt, loss, or theft of a Treasury check to a government agency. Claims are valid on underlying obligations until expiration of the statute of limitations, normally six years. If a payee’s right to entitlement has expired, the claim is denied, but under 31 U.S.C. § 3702, the SecDef may waive this for claims not exceeding $25,000.

Paying Agent (PA)

PAs qualifications and responsibilities are;

a. A military member or DoD civilian employee appointed by a commander to act as an agent of a DO to make specific payments, currency conversions, or check cashing transactions from cash the DO temporarily advances to the agent;

b. An individual whose regular duties do not involve disbursing functions and who is not organizationally located in the disbursing office;

c. Appointed to the position of PA as an additional duty, is under the exclusive supervision of the DO in all matters concerning custody and disposition of cash advanced, and complies with all instructions and regulations pertaining to their PA duties issued by the DO;
d. Makes payments or currency conversions for and in the name of the DO to whom the PA is appointed;

e. Holds the advanced cash at personal risk, and must account for them to the DO immediately upon completion of the transaction(s) for which advanced.

**Payment Information Repository (PIR)**

A centralized information repository for federal payment-related data to improve and increase the transparency of government payments and streamline the reporting of accounting classification information from NTDOs, e.g., DoD DOs.

**Payment Review Official**

A person who conducts pre-payment and post-payment reviews (not an inherently-governmental function), issues and controls inquiries regarding possible financial irregularities, but is not subject to pecuniary liability because of not being in an accountable position.

**Pecuniary Liability**

Personal financial liability for fiscal irregularities of accountable officials, as an incentive to guard against errors and theft by others, as well as, protect the government against errors and dishonesty by the officers themselves.

**Physical Loss of Funds**

A physical loss of funds includes:

a. A loss of U.S. Government cash by theft, embezzlement, unexplained disappearance, or cash handling errors;

b. A loss of paid vouchers and/or negotiable instruments from a disbursing office;

c. A loss of an official deposit in route from a disbursing office to a depositary or after confirmation by a depositary;

d. Any payment based on fraudulent, forged, or altered documents prepared or presented by individuals, both accountable and non-accountable disbursing personnel, who work in the disbursing office;

e. A loss or theft of cash from an imprest fund;

f. A failure to obtain (or loss of) official receipts and/or documents representing cash;

g. A loss or destruction by fire, accident, or natural disaster;
h. Unidentifiable DO suspense account charges; or

i. Losses associated with counterfeit currency transactions.

Presumption of Negligence

Title 31 U.S.C. § 3527, is the basis for automatically holding a certifying officer or DO pecuniarily liable for a fiscal irregularity. The presumption of negligence established by law does not apply to Departmental Accountable Officials.

Prevailing Rate of Exchange

The most favorable rate legally available to the U.S. Government for acquisition of foreign currencies for its official expenditures and accommodation exchange transactions.

Public Funds

Cash, paid vouchers, or cash collected by a disbursing official for goods or services subject to the control or regulation of the United States or any of its officers, agents, or employees.

*Receipt, Appropriation (Expenditure), and Fund Accounts

See 1 TFM 1520 for complete account descriptions.

Receiving Official

A military member or DoD civilian employee authorized to substantiate the receipt, inspection, and acceptance of goods and/or services.

Recertified Payment

A replacement payment by Treasury check with a check serial number different from that of the original check. The replacement Treasury check may be issued after the presentation and review of required documentation to replace any lost, stolen, or destroyed original check (except for holder-in-due-course situations), regardless of the disbursement purpose (e.g., pay, travel, or vendor payment).

Relief from Liability

Pursuant to 31 U.S.C. § 3527, an action taken by an individual with appropriate legal authority to relieve DOs, certifying officers, or other accountable officials of pecuniary liability for a fiscal irregularity.
Replacement Check

A check issued to replace a check that is for a proper payment but has been classified as void, not been reported to the Treasury as a valid check issue, or is not cashable due to misprint or mutilation during the issue process.

Retiree

A military person retired from active duty or a Reserve Component, including those receiving retainer pay.

Review Official

A military member or DoD civilian employee appointed in writing to conduct pre-payment and post-payment reviews, to initiate and control inquiries, and to initiate investigations of possible fiscal irregularities.

Salary Offset

A deduction from a current pay account to liquidate a debt. May be from basic, special, incentive, retired, and/or retainer pay; or in the case of an individual not entitled to basic pay, other authorized pay.

Seized Funds

Cash confiscated by coalition forces during military operations and governed by the laws and usages of war. Normally captured foreign currency is delivered promptly into the custody of the State Department’s USDO supporting the particular country involved. Any DoD DO acquiring captured foreign currency safeguards and delivers it to the USDO as soon as possible, but does not collect them into his or her accountability.

Settlement Office

A disbursing office designated to clear outstanding transactions and/or deficiencies from the accounts of predecessor DOs. The DO assigned to the settlement office is referred to as a settlement officer.

Shared Accounting Module (SAM)

An FS application that carries out the process of validating or deriving the appropriate TAS and BETC combinations to assist GWA in classifying financial transactions as they occur.

Smart Cards

Includes: Stored Value Cards (SVC), debit cards and combination cards (hybrids that contain both SVC and debit card features). These cards store or provide access to “electronic
money” and provide a more secure method of handling funds, alleviate the need to carry cash and provide electronic payment to vendors for items purchased or services rendered.

Spoiled Check

A check that has been reported to the Treasury as a valid issue, has been returned by the payee as not cashable due to mutilation or defect, represented a valid payment to the payee, and is less than one year old.

*Standard Financial Information Structure (SFIS)*

The SFIS is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, interoperability, and external reporting needs across the DoD enterprise. It is a common business language that enables budgeting, performance-based management, and the generation of financial statements. SFIS standardizes financial reporting across DoD and allows revenues and expenses to be reported by programs that align with major goals, rather than basing reporting primarily on appropriation categories. It also enables decision-makers to efficiently compare programs and their associated activities and costs across DoD and provides a basis for common valuation of DoD programs, assets, and liabilities. SFIS compliance is required for all target accounting systems and target financial business feeder systems (DoD FMR Volume 1, Chapter 4).

*Standard Line of Accounting (SLOA)*

The DoD SLOA is a subset of the SFIS data standard elements. The SLOA is comprised of the minimum SFIS data elements that must be exchanged for business events that have an accounting impact at any point from the initial commitment to the final posting in the appropriate general ledger. This includes commitments, obligations, expenditures, and disbursements. All collection and disbursement vouchers reported in the DoD business systems must meet SLOA requirements. The SLOA accommodates Treasury reporting requirements for daily cash reporting (DoD FMR Volume 1, Chapter 4).

**Standard Reporting Format (SRF)**

SRF is a Fiscal Service defined input file specification defining the data elements and validation rules that all NTDOs use to report issued payments and associated TAS/BETC information. Payment and accounting data are submitted to the Payment Information Repository reporting tool using SRF.

**Stored Value Card (SVC)**

A smart card application capable of storing electronic monetary value on the card’s embedded computer chip. The SVC is used to conduct financial transactions in a number of DoD settings. These include: EagleCash, Navy Cash, Marine Cash, Ezpay, Debit cards, combination cards, and others.
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**Supplemental Agreement**

Statement of local operating procedures formulated and used by the commanders of the Armed Forces of two friendly foreign nations, whose governments have signed a basic agreement, as contemplated under DoD Directive 5530.3. Use these procedures in territories of mutual concern to provide each other with emergency financial support, under the policies of the basic agreement. Supplemental agreements may be entered into by commanders of unified or separate Armed Forces, as considered appropriate.

**Suspense/Budget Clearing Accounts**

A disbursement transaction that has been reported to the Treasury Department, has not been identified to a specific fundholder or is placed in a suspense account while research efforts are underway. Budget Clearing Account (suspense), F3875, temporarily credits unclassified transactions from the public when there is a reasonable presumption that the amounts belong to the agency.

**Tactical Disbursing Activity**

Any tactical unit (including Navy ships) authorized to provide disbursing services under an assigned DSSN and is subject to movement from one location to another. Some of these activities provide disbursing services on a full-time basis (e.g., Navy ships); others perform them only while deployed (or mobilized). When not deployed, the DSSNs are held in reserve, in an inactive status, for use on short notice as required.

**Tolled**

To suspend or stop temporarily, e.g., an event that suspends the running of time related to a statute of limitations.

**Transaction Reporting System (TRS)**

See Collections Information Repository (CIR).

**Travel Authorizing Official**

An individual designated in writing by organizational title having authority to issue travel orders, sign/approve travelers’ claims, verify that all transactions made were necessary expenses, and were accomplished in accordance with the [Joint Travel Regulations](#).

**Travel Order**

A document authorizing official government travel.
Traveler

A military member, DoD civilian employee, or invitational traveler traveling in an official capacity.

Treasury Account Symbol (TAS)

An identification code assigned by the Department of the Treasury. The TAS represents individual appropriation, receipt, and other fund accounts for agencies and bureaus.

Treasury Check Information System (TCIS)

A system that records and reconciles the worldwide issuance and payment of Treasury checks. It also allows end users to query the Payments, Claims & Enhanced Reconciliation system for claim status on ACH payments.

Treasury General Account (TGA)

A demand account titled TGA in a designated commercial bank specifically authorized by the Treasury Department to maintain that account in the name of the Treasury for the purpose of accepting deposits. A non-U.S. bank located overseas (an International TGA) may also be authorized to perform this function.

Undeliverable Check

A check not delivered to the payee within 60 days after the month of issue.

Valuables

Any articles or representations of value in which the United States has any interest, or in connection with which it has any obligation or responsibility.

Vendor

See “Contractor.”

Vendor Pay

The process of computing the amount due a contractor or vendor for all contract/purchase orders, except those administered by the Defense Contract Management Agency, or a functional pay area.

Voided Check

A check pre-numbered with a serial number, invalidated for any reason before issuance by a DO, and reported with a zero dollar value.
Voucher

A document certified by a certifying officer to a DO (under 31 U.S.C. § 3325) to make a payment.
VOLUME 6A, CHAPTER 2: “FINANCIAL REPORTS, ROLES AND RESPONSIBILITIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated June 2019 is archived.

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<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tbody>
<tr>
<td>020204</td>
<td>Added a consolidated “Supporting Documentation” paragraph to remove duplication throughout the chapter.</td>
<td>Addition</td>
</tr>
<tr>
<td>020208.B.1.a</td>
<td>This revision incorporates relevant information from the Deputy Chief Financial Officer (DCFO) policy memorandum, “Mandatory Use of Root Cause Indicator Code (FPM 20-04),” dated April 18, 2020. The procedural level information from the memorandum remains available on the DCFO Financial Management Policy and Reporting web page under the “Dual Purpose Policy Memos &amp; Other Information” section.</td>
<td>Revision</td>
</tr>
<tr>
<td>020209</td>
<td>Added a “System-Generated JVs” section to provide guidance for systems-generated journal voucher (JV) adjustments.</td>
<td>Addition</td>
</tr>
<tr>
<td>020210.C.2</td>
<td>Added guidance for out of balance JV adjustments.</td>
<td>Addition</td>
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CHAPTER 2
FINANCIAL REPORTS, ROLES AND RESPONSIBILITIES

0201 GENERAL

020101. Purpose

This chapter defines the roles and responsibilities in the preparation and issuance of financial reports for Department of Defense (DoD) Components. DoD Components and the Defense Finance and Accounting Service (DFAS) are responsible for the proper and consistent preparation of financial reports at the DoD Component departmental, intermediate, and installation level. In some instances, DoD Components prepare their own financial reports without accounting support from DFAS. Ultimately, each DoD Component is responsible for the accuracy and completeness of financial information in the reports that present the financial effects of its operations.

A. The policies within this chapter apply to all DoD Components and includes those entities whose departmental, intermediate, and installation level financial reports are prepared by DFAS, DoD Components and organizations operating Enterprise Resource Planning (ERP) systems under an approved agreement with DFAS, certain DoD Components which prepare their own financial reports (e.g., the U.S. Army Corps of Engineers), and organizations required to perform their own accounting due to security considerations.

B. In those instances in which DFAS does not have financial report preparation responsibility, the reporting entity must fulfill the responsibilities assigned in this chapter at both the DFAS and DoD Component level. The requirements for the audited or interim financial statements addressed in the Office of Management and Budget (OMB) Circular A-136, “Financial Reporting Requirements” are contained in Volume 6B, “Form and Content of the Department of Defense Audited Financial Statements.”

020102. Authoritative Guidance

This chapter prescribes the roles, responsibilities, and authoritative guidance for preparation and issuance of financial reports for DoD Components in accordance with the reporting responsibilities and internal control provisions identified in:

A. Government Accountability Office (GAO) “Federal Information System Controls Audit Manual” (FISCAM);

B. GAO Financial Audit Manual (FAM);


E. Office of the Under Secretary of Defense (Comptroller) (OUSD(C))/Chief Financial Officer (CFO) “DoD Financial Statement Audit Guide;” and


0202 RESPONSIBILITIES

020201. Stewardship and General Responsibilities

The U.S. Congress provides resources to finance the programs, missions, and functions of DoD and its Components. Financial reports are a tool to display the status and uses of those resources at a point in time. DoD Components and DFAS as their service provider have responsibilities to ensure that financial information is accurate and timely in order for managers to make sound decisions and exercise proper stewardship over these resources. Refer to the “DoD Internal Control Over Financial Reporting Guide” for additional information on roles and responsibilities for internal controls over financial reporting.

020202. Internal Controls

A. DoD Components. DoD Components must create and maintain internal controls to ensure that data input in DoD Component-controlled systems, or provided to DFAS to be recorded in the accounting systems and subsequently used in financial reports, are accurate, complete, supportable, and input timely into the finance and accounting systems. Refer to the “DoD Internal Control Over Financial Reporting Guide” for additional internal controls applicable to DoD Components.

1. DoD Components must maintain and create controls to ensure actual or potential Antideficiency Act violations are reported, reviewed, and investigated in accordance with Volume 14, Chapter 2.

2. DoD Components must perform and document periodic reviews of system functionality to ensure controls are in place to verify the authorization of recorded transactions and compliance with the FISCAM framework.

3. DoD Components must comply with internal control policies contained in DoD Instruction (DoDI) 8510.01, “Risk Management Framework (RFM);” Volume 1, Chapter 3; and the “DoD Internal Control Over Financial Reporting Guide.”

B. DFAS. DFAS must maintain or create controls to ensure that data provided by each DoD Component is recorded accurately and processed timely for financial reporting. Refer to the “DoD Internal Control Over Financial Reporting Guide” for additional internal controls applicable to DFAS reporting.

1. DFAS must maintain or create controls to ensure actual or potential Antideficiency Act violations are reported to DoD Components for their review and investigation in accordance with Volume 14, Chapter 2.
2. DFAS must perform and document periodic reviews of DFAS system functionality to ensure controls are in place to verify the authorization of recorded transactions and compliance with the FISCAM framework.

3. DFAS must maintain feeder files used in financial reporting from accounting systems of record (component-controlled), in accordance with records retention guidance contained in Volume 1, Chapter 9.

4. DFAS must maintain supporting documentation for corrections made to DoD Component submissions in intermediate edit systems as part of the audit trail for the reporting period. DFAS must maintain records to support adjustments to DoD Component submissions and assign transactions that fail to pass edits to DFAS or the DoD Component for research and correction.

5. DFAS must provide any adjustments made to DoD Component submissions so they can be recorded by the DoD Component in the accounting systems of record, if not already recorded in the accounting systems of record in the current or subsequent period, before the beginning of the next reporting cycle. DFAS and the DoD Component must make every effort to resolve any discrepancies prior to the end of the reporting period. DFAS and the DoD Components must track unresolved discrepancies for research and correction as soon as possible after the end of the reporting period.

6. DFAS must comply with internal control policies contained in DoDI 8510.01; Volume 1, Chapter 3; and the “DoD Internal Control Over Financial Reporting Guide.”

020203. Audit Trails

A. DoD Components. DoD Components must maintain audit trails in sufficient detail, including the rationale, justification, and approvals to permit tracing of transactions and balances from their sources to their transmission to DFAS. Audit trails are necessary to demonstrate the accuracy, completeness, and timeliness of the transaction. In addition, audit trails provide documentary support for all data generated by the DoD Component and submitted to DFAS for recording in the accounting systems and use in financial reports.

B. DFAS. DFAS must clearly document processes and internal controls and maintain a complete and documented audit trail to support the reports it prepares. The organization that translates the information into an electronic mode must retain supporting documents or images of the supporting documents. DFAS must establish documented business rules and internal controls to ensure feeder file data is received, processed, and compiled in departmental reporting system output files.

1. DFAS must sufficiently document adjustments to DoD Component submissions to assist approving officials and others, such as auditors, in understanding the reason for preparing the adjustment, and to support the validity of adjustments prepared during the reporting period.
2. DFAS must ensure documentation is readily available as part of the audit trail for the reporting period. The documentation must be readily available for assisting auditors, and those involved in financial statement preparation, to understand how feeder file records are processed.

*020204. Supporting Documentation

A. DoD Components and DFAS as their service provider must maintain supporting documentation that will support DoD’s accounting cycle. The DoD accounting cycle encompasses the processing and recording of all financial transactions in the proper period and includes the proper presentation on the financial statements and closing of the accounts.

B. DoD Components and DFAS as their service provider must also have the ability to display the rationale and justification for the adjustment, the dollar amount of errors or conditions related to the transactions or records proposed for adjustment, the date of adjustment, and the name and position of the individual(s) approving the adjustment. The documentation must be readily available in one or a combination of the following media: hardcopy, systemically stored electronic records, or electronic files maintained in an external system or location.

C. Proper documentation in hard copy, electronic form, or a combination of both is necessary to support all journal voucher (JV) entries. JV documentation must include reporting elements deemed critical to assess the accuracy and completeness of financial information, applicable criteria to support the rationale for preparing the adjustment, Treasury Account Symbols or entity codes impacted, and the calculation of the dollar amount of the adjustment. Maintain clear documentation of the JV preparer, reviewer (if used), and approver(s) with the JV documentation. Attach supporting documentation to a copy of the JV. In some cases, it may not be practical to attach all of the documentation to the JV because of the large number of detailed transactions summarized on it. In those cases, attach specific and detailed information summarizing the content and identifying the location of the supporting documentation to the JV.

020205. Reconciliation

A. Many financial balances (e.g., general ledger (GL) proprietary and budgetary accounts, such as assets, liabilities, commitments, and undelivered orders) require supporting subsidiary records to validate the amount of the financial balance. Reconcile subsidiary records to financial balances in accordance with the policies, requirements, and frequencies prescribed in this paragraph.

1. DoD Components must maintain the supporting records for many financial balances. An individual authorized by each DoD Component must periodically validate the accuracy of such subsidiary records against applicable physical assets or other appropriate confirmations of the source documents. DoD Components perform periodic physical inventories in accordance with DoDI 5000.64, “Accountability and Management of DoD Equipment and Other Accountable Property,” for tangible equipment, and DoDI 4165.14, “Real Property Inventory (RPI) and Forecasting,” for real property. Validations must be documented, signed, and dated by the individual authorized by the DoD Component.
a. Various regulations require periodic counting, or another physical verification in the case of equipment, inventories, supplies and materials, and real property, depending upon the nature of the asset. Refer to the GAO FAM Volume 1, Section 260, “Identify Risk Factors,” for controls related to the completeness and accuracy of inventory records.

b. Periodic validation and/or reconciliation is required in the case of commitments, obligations, accounts receivable, and accounts payable. These validations must include the review of the documentary evidence that initiated the financial transaction to ensure the integrity of source data. For additional information, see Volume 3, Chapter 8.

2. DoD Components must document and provide changes in the source data to DFAS for proper recording. The reconciliation of source data with reported balances is a joint responsibility of DFAS and the DoD Component.

3. DFAS must establish procedures to ensure that all GL balances, and other associated financial balances, are validated and/or reconciled with supporting records, including source data, in accordance with DoD policy. See Volume 3, Chapter 8.

   a. DFAS must establish and maintain supporting subsidiary detail transactions that are traceable and reconcile to reported financial statement balances. DoD Components must participate in the reconciliation process for these subsidiary records when the source documents, or transactions that require research to complete the reconciliation, are retained by the DoD Component.

   b. When the DoD Component maintains accounting system and trial balance subsidiary records, DFAS must establish a reconciliation schedule, mutually agreed to by the DoD Component, and subject to approval by OUSD(C), to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of DFAS and the DoD Component.

4. DFAS must investigate unreconciled differences and document adjustments required to balance the GL amount and the amount of the subsidiary records with the rationale, justification, and approvals.

5. DFAS must perform reconciliations on a monthly basis, at a minimum, to determine the cause of differences and take appropriate corrective actions to ensure the accuracy and integrity of the accounting system and monthly reports when unreconcilable differences between the GL and the subsidiary records exceed $1 million. Continue to perform monthly reconciliations until the irreconcilable difference is less than $1 million.

6. DFAS must reconcile changes in source data, made by the DoD Component, with reported balances. The reconciliation of source data with reported balances is a joint responsibility of DFAS and the DoD Component.
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020206. Reporting Schedules

A. DFAS must establish procedures requiring joint development of report preparation schedules with DoD Components according to the timeframes established by the U.S. Department of the Treasury (Treasury), Bureau of the Fiscal Service, Governmentwide Treasury Account Symbol (GTAS). DFAS and the DoD Components must work to resolve issues identified in the report preparation process according to the GTAS schedule.

B. Reporting schedules for reports provided to external recipients must include the opportunity to present a draft of the report to the DoD Component for review and approval prior to release to the recipients.

020207. Draft Reports

A. DoD Components. DoD Components must review DFAS reports to assess the accuracy of the financial information reported. The review must identify errors, omissions, and significant diversions from budgeted or planned amounts and levels of activity. The DoD Component must:

1. Research and propose adjustments to correct abnormal balances. A GL balance is abnormal when the reported balance does not comply with the normal debit or credit balance established in the DoD Standard Reporting Chart of Accounts. DoD Components must maintain supporting documentation in accordance with paragraph 020204 for requested adjustments to financial reports and provide the support to DFAS;

2. Research any unusual trends and comparisons with the prior year and/or prior period amounts to determine whether corrective action is required;

3. Ensure that the amounts in the financial reports are consistent and reconcilable with the same financial data included in management reports prepared by the DoD Component;

4. Not change draft reports provided by DFAS or release the reports to external recipients. For errors or omissions identified in a draft report, submit a request to DFAS to revise the report and include changes in the final report; and

5. Validate reports created within their ERP systems. DoD Components must perform quality reviews to confirm that:

   a. Amounts on the report are mathematically correct;

   b. Internal relationships of amounts included in a report that are interdependent are correct;
c. Abnormal account balances, such as negative balances or unusual amounts, are researched and resolved, if possible. If unresolved, include comprehensive explanations identifying root causes and the timeline for resolution; and

d. Unusual trends and comparison with the prior year and/or prior year amounts are identified, researched, and explained.

B. DFAS. DFAS must validate reports to ensure reported amounts agree with the official accounting records prior to release to DoD Components for review and approval or release to external recipients. DFAS must perform quality reviews to confirm that:

1. Amounts on the report are mathematically correct;

2. Internal relationships of amounts included in a report that are interdependent are correct;

3. Abnormal account balances, such as negative balances or unusual amounts, are researched and resolved, if possible. If unresolved, include comprehensive explanations identifying root causes and the timeline for resolution;

4. Reported amounts for the same data elements for the same report period are consistent across all similar financial reports; and

5. Unusual trends and comparisons with the prior year and/or prior period amounts are identified and called to the attention of the DoD Component.

C. OUSD(C). Refer DoD Component-proposed changes to the draft reports, with which DFAS does not concur, to the OUSD(C) Directorate with oversight responsibility for the subject matter, for adjudication before the end of the current reporting cycle. The DoD Component, or DFAS, may submit requests for adjudication through their reporting chain of command to OUSD(C).

020208. Journal Voucher Adjustments

A. Journal Vouchers (JVs) are all adjustments recorded in system transaction registers and the GL identifying summary-level adjustments to the GL. Accounting systems generally consist of two forms of JV adjustments, manual JVs and system-generated JVs. JVs are required for several reasons, including instances when subsidiary records do not reconcile with the financial balances, transactions need correction, and adjustments are required to align obligations, accruals, or expenses with the liquidation amounts for receipts, acceptances, and/or disbursements. JVs do not include transactions and processes used to record detail amounts in subsidiary ledgers as standard business transactions.
B. Either DFAS as the service provider or the DoD Components may identify the need to make adjustments. Both DFAS and DoD Components must support adjustments with sufficiently detailed documentation to provide an audit trail to the source transaction(s) that require the adjustments. (See paragraph 020204.)

1. DoD Components. When, during the applicable reporting period, a DoD Component identifies an adjustment pertaining to information included in a monthly, quarterly, semiannual, or annual report, the adjustment will be included as part of the financial information used to produce final report balances.

   a. DoD Components must utilize the Root Cause Indicator Codes (RCIC) when recording manual accounting adjustments in the Defense Departmental Reporting System-Budgetary (DDRS-B) and Defense Departmental Reporting System-Audited Financial Statements (DDRS-AFS). The RCIC is required to record and monitor the root causes for recording accounting adjustments. Capturing the RCIC will be used to develop action plans to address the root cause requiring the accounting adjustment and then monitor the effectiveness of those action plans.

2. DFAS. When DFAS identifies a required adjustment to the official accounting records of a DoD Component, it will refer the proposed adjustment to the DoD Component who must review and approve the adjustment. DFAS must document proposed adjustments to DoD Component submissions and provide supporting documentation. DoD Components must respond with approval or disapproval for proposed adjustments within reporting cutoff dates for the relevant period. The following paragraphs provide the exceptions to this policy.

   a. When DFAS makes an adjustment of less than $1 billion to correct errors made by DFAS in the preparation of a report, (e.g., calculation errors and similar mistakes), they may be corrected by DFAS without prior referral to the affected DoD Component. Examples of corrections that may be made by DFAS without referral to a DoD Component are:

      (1) Adjustments to correct systems processing deficiencies;

      (2) Adjustments to correct an error made by DFAS in processing a transaction or a previous adjustment;

      (3) Adjustments to correct a financial balance to equal the sum of subsidiary records; and

      (4) Adjustments to align funding, obligation, accrual, or expense amounts with the liquidation amount for receipts, acceptances, and/or disbursements when the applicable supporting information requires such adjustments.
b. DFAS must notify DoD Components at least once each month of the reports impacted, total amounts, types, and categories of reasons for adjustments made without prior referral to the DoD Component under circumstances specified in the preceding paragraph and provide corrected reports if applicable. DFAS must keep adequate records of all such notifications; and DFAS and the DoD Component must work together to record adjustments made by DFAS in the accounting systems of record before the beginning of the next reporting cycle.

C. Appropriate Uses of JVs. JVs have the following primary uses within DoD.

1. Correcting Entries. Correcting entry JVs adjust for errors identified during the reports review process. This entry includes specific amounts, accounts, and/or transactions related to the required correction. If possible, the JV supporting documentation will note the required steps in the process to prevent the need for similar adjustments in future periods.

   a. In some cases, correcting entries are required to adjust for errors on previously prepared JVs. In those instances, correcting entries will both reverse the effect of incorrect entries and record the correct amount.

   b. In some cases, both entries can be made with one JV and a single set of supporting documentation. Regardless of whether a single JV or multiple JVs are prepared, the correcting JV must include a copy of the original JV, documentation supporting the correct amount, and a narrative explanation regarding how it is known that the original entry is incorrect and why the correcting entry is accurate/more accurate.

2. Source Entries. Source entry JVs record those accounting entries that, due to system limitations or timing differences, have not been otherwise recorded. By nature, source entry JVs are usually summarized at the entity level by GL account. The source entry accounting transaction must be supported by documentation for the summarized amounts and identify the location of the transaction level supporting detail. Source entry JVs, generally, are used for month-end closing, year-end processing and closing purposes, and also may include postings of information provided through data calls, such as those required to record values for property, plant, and equipment recognition.

3. Summarized Entries. Both correcting and source entry JVs will normally be summarized amounts for which documentation is required. In these situations, the summarized accounting entry represents the amount to record the effect of the detailed transactions. In all such cases, the summarized accounting entry will include documentation of the effect of the detailed transactions and identify the location of the transaction level supporting detail.

4. Subcategories. Further separate correcting and source entry JVs into the following subcategories:

   a. Audit Recommended JVs. When auditors recommend a JV adjustment, the proper authoritative source must perform an analysis of the recommendation using
the auditors’ work papers and other relevant information to determine if the recommended adjustments are valid. Any decision resulting in a determination that a JV should, or should not, be prepared must document why the adjustment is, or is not, required; indicate how the duly authorized official determined that the audit recommendation should be, or should not be, followed; and identify the audit recommendation serving as the basis for the actions taken.

b. **DoD Component Requested JVs.** When a DoD Component requests an adjustment that complies with the JV definition in subparagraph 020208.A, a JV must be prepared. In addition, the JV must document why the adjustment is required, indicate how the duly authorized official determined that the entries included on the JV are correct, and identify the DoD Component’s request serving as the basis for the adjustment. The DoD Component’s JV request to DFAS must include supporting records and related analysis. A request for a JV entry that is not properly authorized or supported by accurate or proper documentation will be returned to the JV requestor with an indication of what additional information is required to process it, along with any applicable authoritative guidance.

c. **Edits and Validations.** Reporting entities record JVs modifying report submissions to comply with edits and validations designed to improve the accuracy of financial reporting. The Treasury Financial Manual, United States Standard General Ledger (**USSGL**), contains a listing of Governmentwide Treasury Account Symbol Adjusted Trial Balance System validations and edits. (See Section VII.)

*020209. System-Generated JVs

A. For the purposes of this chapter, system-generated JVs are all automated and controlled entries included in system transaction registers identifying summary-level adjustments to the GL. Examples of system-generated entries include system-performed period-end closing entries, consolidations, and entries to bring GL accounts into balance at specified periods of times during the financial reporting process. System-generated JVs do not include the automation of JVs previously recorded manually.

B. DFAS utilizes eight types of recurring system-generated JVs in DDRS-B. These adjustments are approved by the Components for DFAS to process to ensure financial records are compliant with generally accepted accounting principles. Supporting documentation for system-generated JVs must be in accordance with paragraph 020204. The eight recurring system-generated JV types are:

1. **Army Legacy.** Adjustments processed in the first accounting period of each fiscal year to ensure prior year unobligated balances from Army legacy accounting systems, Standard Finance System (STANFINS), Standard Operations and Maintenance Army Research and Development System (SOMARDS), and Civil Engineers Financial Management System (CEFMS) are not overstated/understated in DDRS-B.

2. **Extended Appropriation.** Adjustments processed in the first accounting period of each fiscal year to execute the transfer of obligated/unobligated Shipbuilding
and Conversion, Navy (SCN) appropriation balances from the expiring to the extended period of availability. Only SCN balances are in scope for the Extended Appropriation JVs.

3. **Flowback.** Adjustments to ensure that the impacts of select adjustments processed directly in DDRS-AFS are also reflected in DDRS-B.

4. **Funding.** Adjustments to guard against the misstatement of funding and ensure the funding amounts reflected in DDRS-B agree to the OMB apportionments recorded in the Program Budget and Accounting System and the Program Budget Information System.

5. **Pre-close Cancelling Appropriation.** Adjustments processed in the last accounting period of each fiscal year to facilitate the process of cancelling appropriations that have reached the end of their fifth expired year.

6. **Reapportionment.** Adjustments to facilitate the process of reinstating unapportioned authority which closed during the previous fiscal year’s closing process.

7. **Reversal.** Adjustments posted in the first accounting period of each fiscal year to reverse manual, year-end, Permanent with Reversal or Permanent with Reversal Recurring JVs and Permanent with Reversal Feeder Trial Balance Adjustments.

8. **Undistributed.** Adjustments to support the monthly requirement that final appropriation-level disbursements and collections reported in DDRS-B agree to the balances reported by Treasury.

C. DFAS must create and maintain standardized narratives for recurring system-generated JVs to identify and provide a description of the predefined business rules used to execute the adjustments. In addition, DFAS must maintain evidence of review and approval of the predefined business rules executed in DDRS-B.

D. Other non-recurring system-generated JVs are recorded based on certain System Change Requests (SCRs), which are proposals to modify information in DDRS-B such as revising programming logic and coding changes. Not all SCRs result in system-generated JVs. In the event a non-recurring system-generated JV is required, the supporting documentation must be supplied and maintained by the requestor of the SCR. DDRS Program Management Office must retain supporting documentation for all non-recurring system-generated JVs to include, at a minimum, user stories, testing documentation, and the impact of the system-generated JV.

020210. **JV Preparation**

A. **General.** Proper preparation of and adequate support for JVs is important to ensure they accurately record accounting, financial, or other GL-related events and that documentation for a detailed audit trail exists. Unadjusted GL account balances represent the listing of GL account balances at the end of the reporting period, before period-end adjusting JVs are recorded. In various level financial reporting systems, the unadjusted GL balances reported are summaries of transaction data used to record specific homogeneous types of transactions and
balances that aggregate to specific classifications on the financial statements. Use JVs to process monthly, quarterly, and annual adjustments to unadjusted GL account balances in the field and higher-level accounting and reporting systems.

1. All summary-level entries included in system transaction registers identifying adjustments to the GL are considered JVs for the purposes of this chapter and must be adequately documented to support the validity of the transactions. In accounting systems of record, manual adjustments to the GL are considered JVs. Transactions and processes used to record detail amounts in subsidiary ledgers are not considered JVs.

2. Proper preparation of, and adequate support for, JVs is the responsibility of DFAS and the DoD Components. Memorandum-style entries to the GL, affecting neither Treasury-level reporting nor subordinate records, are not considered JVs for the purposes of this chapter.

B. Internal Controls. OMB Circular A-123 identifies operational internal controls to ensure JVs are recorded properly. These controls must be in place for all transactions included in system transaction registers identifying summary-level adjustments to the GL. These controls do not apply to transaction input or processes establishing detail amounts recorded in subsidiary ledgers.

1. JVs may be prepared at the installation (execution) or departmental (reporting) level and must be:

a. Systematically tracked and reflected in a JV log. Reporting entities must implement controls to ensure JVs are tracked and readily available for audit;

b. Categorized by each of the applicable categories listed in subparagraph 020210.D;

c. Reviewed and validated to ensure the transaction utilizes the correct accounts and posts correctly;

d. Documented to support the validity and the amount of the JV transaction. The documentation requirement applies to all transactions included in system transaction registers identifying summary-level adjustments to the GL;

e. Authorized, approved, and documented at the appropriate level of management or designee. The organizational level within accounting centers, accounting stations, finance offices, and other accounting locations approving JVs will vary by the dollar amount of the voucher as shown in Table 2-1. The dollar amount for each JV is the sum of the absolute value of the debit side entries on that voucher.

(1) The approving officials listed in Table 2-1 provide a framework for approving JVs based on identified thresholds. Reporting entities may adapt the approving officials identified based on the entity’s organizational structure. Within each of the
listed thresholds, other approval thresholds with lower dollar values than those specified in Table 2-1 may be established to accommodate the organizational level of those preparing the JV. In addition, unless other DoD Component approval thresholds with lower dollar values are established in memorandums of understanding between DFAS and a DoD Component, all JVs over $1 billion must be coordinated with the affected DoD Component.

(2) Approving officials may delegate their authority in writing to lower-level supervisors or other duly authorized officials with sufficient knowledge of the accounting matters addressed by the JV. The delegation does not relieve approving officials of their responsibilities as outlined in this chapter. See additional guidance in subparagraph 020210.B.2;

Table 2-1. JV Approval Thresholds

<table>
<thead>
<tr>
<th>Threshold</th>
<th>Dollar Amount</th>
<th>Approving Official Supporting the Reporting Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Under $100 Million</td>
<td>Branch Chief</td>
</tr>
<tr>
<td>2</td>
<td>$100-$500 Million</td>
<td>Supervisor of Branch Chief</td>
</tr>
<tr>
<td>3</td>
<td>Over $500 Million-$1 Billion</td>
<td>Director for Accounting or Finance</td>
</tr>
<tr>
<td>4</td>
<td>Over $1 Billion</td>
<td>Site Director</td>
</tr>
</tbody>
</table>

f. Processed under procedures that ensure the separation of duties for preparing, approving, recording or posting, and validating to the maximum extent possible. The preparer and approver cannot be the same person;

g. Annotated with the name, title, and office symbol of currently authorized preparers, reviewers (if used), and approvers. In an electronic environment, the name, title, and office symbol may be represented by user identification;

h. Maintained and readily available in hard copy, electronic form, or a combination if there is a manual approval of an automated system JV. All manual JVs must be documented, approved by the appropriate level, readily available, and in compliance with published guidance. Manual JVs include the automation of JVs previously recorded manually; and

i. Retained in accordance with records retention guidance contained in Volume 1, Chapter 9.

2. Maintain adequate managerial internal controls at each level of management, as directed in OMB Circular A-123, to ensure there is proper oversight of JV preparation. As a minimum, such managerial internal controls require the following:

a. Within 10 workdays after the accounting centers' issuance of quarterly financial statements for the first through third quarters, approving officials, at the levels of authority designated in Table 2-1, must perform and document a high-level integrity review of all JVs for which they delegated approval authority. Integrity reviewers are required to review
each delegated JV for compliance with the terms of the delegation but are not required to review all documentation supporting the JV. A fourth quarter review must take place prior to submission of the Agency Financial Report to OMB (no later than November 15). If the approving official, at the levels of authority designated in Table 2-1, is unavailable to perform the integrity review, an individual having the appropriate accounting knowledge and expertise, and who was not a delegated approver, can perform the integrity review on behalf of the approving official. The approving official must appoint this individual in writing.

b. Within 30 calendar days of the issuance of the financial statements, whether quarterly or annually, the DFAS Director for Accounting (or designee) must perform a quarterly quality and compliance review after submission of the quarterly and annual reports to OUSD(C). Conduct the review on a random sample of all manual JVs to determine if JVs are correctly prepared and processed, adequately described and supported, and approved at the proper managerial level within the limitations set forth in subparagraph 020210.B.1.e.1. The Director of Accounting (or designee) may substitute monthly reviews in place of the quarterly review. The review must be conducted by an entity outside the immediate office that created the JV. The entity conducting the review must have sufficient auditing expertise to perform the review and must sign, date, and retain documentation to support the completed review.

   (1) DFAS must conduct the review in accordance with the GAO FAM Volume 1, Section 450, “Perform Sampling Control Tests.” The FAM provides guidance pertaining to acceptable sample sizes and error rates for typical internal control samples. The FAM Figure 450.1, “Sample Sizes and Acceptable Numbers of Deviations,” includes tables to compute the acceptable number of deviations for testing controls. Within DoD, compute the acceptable number of deviations using a 90 percent confidence level and a 5 percent tolerable error rate. When the tolerable error rate is exceeded, review current JV procedures for possible revision to ensure compliance;

   (2) DFAS must identify and correct errors and notify the affected DoD Component as necessary. Identify root causes and implement corrective actions as appropriate. If errors materially impacted the financial statements, evaluate the need to restate/reissue the financial statements;

   c. The internal review office must conduct an assessment of the organization's JV processing procedures, in accordance with OMB Circular A-123, to ascertain if JVs are properly prepared and supported. Volume 1, Chapter 3, discusses the necessity and importance of independent reviews.

   d. DoD Components must perform a compliance review of JVs within their accounting systems to ascertain if the JVs are correctly prepared and processed, adequately described, supported, and approved at the proper managerial level at least on a quarterly basis.

C. Critical Elements. Critical elements are items that, if reported incorrectly for financial reporting purposes, would have a direct effect on the amounts presented on the financial statements. Reporting fields deemed critical must be populated in order to provide
sufficient information for the approving official and others, such as auditors, to understand the reason for preparing the JV, determine if it is proper and accurate, and identify whether the JV entries are supported or unsupported by subsidiary records. This paragraph outlines critical elements for most JV categories and applies to JVs recorded in all systems. Additional items may be deemed critical depending on the category of adjustment being made. JVs must include items listed in paragraph 020204.

1. Correct Appropriation/Accounting Data. JVs must contain accurate financial information in order to populate the required input fields for entry into the accounting/financial reporting systems.

2. Balanced Adjustments. JV debits and credits must equal and reflect correct dollar amounts. Out of balance JV adjustments are not permitted.

3. Approvals. JVs must contain required approvals according to the thresholds outlined in subparagraph 020210.B.1.e.

4. Documentation. JVs must include adequate documentation, with cross-referencing to other documentation (hard copy or electronic form), to support the validity and amount of the transaction. Attach supporting documentation to the JV as described in paragraph 020204.

5. USSGL. JVs must contain valid GL accounts to record the adjustments. Approved DoD postings transactions are available at the DoD USSGL Transaction Library.

D. JV Categories. Regardless of the method of documentation used for the JVs, the dollar amount(s) on the JVs must be clearly and readily identifiable within the supporting documentation for the categories in subparagraphs 020210.D.1-11. Both manual and system-generated JVs require the use of JV categories.

1. Category A - Reversing Entries for Prior Reporting Period. Category A must be used when reversing JVs from a prior accounting period.

2. Category B - Data Call Entry. Category B must be used when recording JVs for summarized source data not included in the GL trial balance. To the maximum extent possible, reporting entities will eliminate data call JVs in the DDRS and record properly supported JVs closer to the underlying source transaction. This practice enhances accuracy and accountability, reduces errors, and places JV ownership with the organization responsible for the underlying transaction. Examples of data call entries include property, plant and equipment; operating materials and supplies; environmental liabilities; contingent liabilities; and employee benefit data.

3. Category C - Balancing Entries for Eliminations. Category C must be used when the duly authorized official has determined that entries are necessary to balance buyer side data with seller side data. Refer to Volume 6B, Chapter 13 for guidance on eliminations.
4. Category D - Recognition of Undistributed Disbursements and Collections. Category D must be used when recording undistributed disbursements and collections JVs representing the difference between the amount of disbursements and collections reported to Treasury and the amount recorded by the operating level activities.

5. Category E - Reconciliation of Trial Balance and Budget Execution Reports. Category E must be used when reconciling trial balances or other source data reported by field accounting sites and/or accounting stations to the DoD Component’s budget execution reports. Consider trial balances or other source data correct and only adjust to budget execution data in instances where budget execution data is determined to be more accurate, i.e., Tie Point reconciliation of budgetary and proprietary accounts.

6. Category F - Supply Management Inventory. Category F must be used when supply management activities adjust from the standard price to approximate historical cost.

7. Category G - Reclassification of Accounts. Category G must be used when correcting erroneous USSGL accounts attributes and to adjust incorrect posting logic, aligning with the DoD Standard Reporting Chart of Accounts and Standard Financial Information Structure.

8. Category H - Identified Errors and Reasonableness Checks. Category H must be used when correcting errors identified by an authorized official or auditor.

9. Category I - Adjustment to Balance Reports Internally. Category I must be used when an authorized official has determined that a reconciliation of data supporting two different reports is not possible.

10. Category J - Other Accruals. Category J must be used when recording accrual JVs. Accruals involve the following types of business transactions:

   a. Expenses, losses, and liabilities that have been incurred but are not yet recorded in the accounts,

   b. Revenues and assets that have been earned but are not yet recorded in the accounts, and

   c. Laws or Regulations specific requirements

11. Category M - Data Collection Module (DCM). Category M must be used when utilizing DDRS DCM JV functionality to record data call amounts from DCM.

020211. Release of Reports

A. DoD Components. DoD Components must approve draft annual reports and return those reports to DFAS for appropriate revision, validation, and distribution as final reports.
The DoD Components must not release any reports, including monthly recurring reports, such as budget execution reports, to any organization external to the DoD Components. Only DFAS may release such reports. Volume 6B, Chapter 2 contains the requirements for the audited and interim financial statements.

B. DFAS. DFAS must validate all final reports using the official accounting records prior to release to their intended recipients. The release of reports occurs only after final validation that corrections and adjustments have been made and that the report agrees with the official accounting records.

020212. Certifications

A. DoD Component/Reporting Entity. A reporting entity is an organization represented by the financial information in a financial statement or report and may be a DoD Component or a subordinate command/organization. For example, a reporting entity may include an individual command or activity, such as a shipyard or a supply depot, or it could encompass a number of activities within a business area, such as all shipyards or aircraft depot maintenance activities in a Military Department. A reporting entity can also be at a DoD Component level.

1. The reporting entity, rather than DFAS, is responsible for annual certifications required in the implementation of Title 31, United States Code, section 1501(a). See Chapter 4, “Appropriations and Fund Status Reports,” for additional information related to year-end reporting.


B. DFAS. DFAS’s role in processing financial data, and in preparation of financial reports for DoD Components, includes certain responsibilities. Accordingly, DFAS will provide the following to the DoD Component:

1. Assurances and certifications, when requested, to the reporting entity regarding the quality of accounting and report preparation services performed for the DoD Component;

2. Signed monthly, quarterly, and semiannual reports on behalf of the DoD Component following review and approval by the DoD Component. An exception is the AR(M) 1307, which the DoD Component is required to sign. Volume 6B, Chapter 2 contains the requirements for the audited and interim financial statements; and

3. A certification provided by the chief of the applicable reports section confirming accuracy of the balances reported on the AR(M) 1307.
SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated January 2018 is archived.

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<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>All</td>
<td>Consolidated information from Chapter 6 into Chapter 3. Revised the title of Chapter 3 to reflect the consolidation of Chapter 6 and Chapter 3. Chapter 6 is cancelled upon publication of this chapter.</td>
<td>Addition</td>
</tr>
<tr>
<td>All</td>
<td>Removed references to the Governmentwide Financial Report System as the Bureau of the Fiscal Service (Fiscal Service) discontinued its use by reporting entities external to Fiscal Service.</td>
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<tr>
<td>All</td>
<td>Deleted references to the Closing Package as Fiscal Service discontinued use of the Closing Package in fiscal year 2019.</td>
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<tr>
<td>030101</td>
<td>Added an overview paragraph identifying the need to reconcile reported amounts between the Central Accounting Reporting System (CARS) and the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS), to ensure financial reports contain accurate information.</td>
<td>Addition</td>
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<tr>
<td>All</td>
<td>Deleted information on the Standard Form 1220, Statement of Transactions According to Appropriations, Funds, and Receipt Accounts, as Fiscal Service discontinued use of the form for CARS daily reporters.</td>
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<tr>
<td>030201, 030203.A, 030203.B</td>
<td>Replaced subclass codes used to report Government securities and borrowing authority amounts with a reference to current Business Event Type Code classifications.</td>
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<td>PARAGRAPH</td>
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<td>PURPOSE</td>
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<tr>
<td>030202.A-D</td>
<td>Deleted reporting processes and data elements used by CARS reporters.</td>
<td>Deletion</td>
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<tr>
<td>030203.C</td>
<td>Revised subparagraph on cash to reflect current Treasury Financial Manual and DoD Financial Management Regulation policies for accounting and reporting cash and investments held outside of the U.S. Treasury.</td>
<td>Revision</td>
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<tr>
<td>030301</td>
<td>Clarified the amounts in GTAS must reconcile with amounts reported in CARS to verify the accuracy of reported balances.</td>
<td>Revision</td>
</tr>
<tr>
<td>030306.B</td>
<td>Revised reference to the current authoritative guide used to assist agencies in complying with the Digital Accountability and Transparency Act.</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 3-1</td>
<td>Modified the listing of DoD reporting entities to align with Office of Management and Budget Bulletin 19-03, “Audit Requirements for Federal Financial Statements,” allowing the Navy General Fund audit to be satisfied with separate U.S. Marine Corps statements, and non-Marine Corps Navy statements. Clarified inclusion of the U.S. Marine Corps Working Capital Fund within the Navy Working Capital Fund.</td>
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CHAPTER 3

REPORTING OF OUTLAYS, RECEIPTS, AND ADJUSTED TRIAL BALANCES

0301 GENERAL

*030101. Overview

DoD reporting entities, including DoD Components, submit monthly outlay and receipt information via the Central Accounting Reporting System (CARS). The data in CARS interfaces with trial balance data submitted through the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to produce the financial reports. Reporting entities, including DoD Components, are responsible for reconciling information between CARS and GTAS to ensure financial reports contain accurate information and provide an audit trail for the reporting period presented. The DoD Financial Management Regulation Glossary identifies DoD Components included as a part of DoD reporting.

030102. Purpose

This chapter prescribes guidance for reporting outlays, receipts, and adjusted trial balances (ATBs) to the U.S. Department of the Treasury (Treasury). The policies included in this chapter apply to DoD reporting entities authorized to prepare and submit consolidated monthly reports of outlays and receipts, and reporting entities authorized to prepare and submit consolidated annual financial statements, to the Treasury, Bureau of the Fiscal Service (Fiscal Service).

030103. Authoritative Guidance


0302 CARS REPORTING

*030201. CARS

CARS handles Treasury-level accounting and reporting for all federal agencies and is the system of record for Fiscal Service. CARS captures and records Treasury Account Symbol (TAS) information for payments, deposits, and intragovernmental transactions and provides agencies a daily status of their Fund Balance with Treasury. All agencies must use the CARS Modules and submit the CARS TAS/Business Event Type Code (BETC) reporting classification for each payment, deposit, and intragovernmental transaction. The CARS Glossary identifies and defines the reporting processes and data elements used by CARS reporters.
030202. CARS Reporting

A. CARS Daily Reporters. “CARS Daily Reporters” submit the TAS/BETC reporting classification for each payment or collection daily to CARS via the Payment Information Repository (PIR) or Collections Information Repository (CIR), respectively. DoD disbursing officers report cash disbursements via the Classification, Transactions, and Accountability system.

1. PIR. The PIR serves as a repository for all Government payment data and supports Government transparency initiatives by improving the way Fiscal Service collects, analyzes, and reports on payment-related data. Reporting entities submit payment and accounting data to the PIR using the Standard Reporting Format.

2. CIR. Reporting entities use the CIR to obtain detailed and summary-level information on collections and deposits received.


030203. Special Reporting

* A. Government Securities. Refer to I TFM 2-4300 for guidance on reporting the purchase and sale of U.S. Government securities, including the purchase of unrealized discount on investments. Report U.S. Government securities, purchased as an investment by a trust fund, as a disbursement at par value and the sale of securities at par value as a receipt. See the Fiscal Service BETC listing for approved TAS/BETC combinations used to report the purchase and sale of U.S. Government securities.

* B. Borrowing Authority. Borrowing authority is statutory authority to incur obligations and make payments for specified purposes out of borrowed money. It must be established as needed by the acquisition of property subject to a mortgage, and withdrawn upon payment of the mortgage principal. When the buyer assumes the mortgage, the borrowing authority is disestablished. See the Fiscal Service BETC listing for approved TAS/BETC combinations used to report mortgage transactions.

1. A DoD Component becomes the mortgagor when it acquires property subject to a previous mortgage under the DoD Homeowners Assistance Program, or when it borrows money to finance, or issues a mortgage instead of immediate payment, for new construction under the DoD Family Housing Program. See Volume 3, Chapter 15 for additional guidance on borrowing authority.
2. Report the total acquisition cost of the property, including mortgages payable included in the sale of non-guaranteed Government agency securities, as a disbursement to liquidate the entire related obligation. Report the amount of the mortgage assumed, which is included in the sale of non-guaranteed Government agency securities, as a reimbursement.

3. Report payments to the mortgagee in two parts: Payments on principal, which are associated with the redemption of non-guaranteed Government agency securities, as disbursements; and the associated interest payments.

4. Report the sale of property subject to a previous mortgage assumed by the buyer as a reimbursement for the total sales price. Report only the portion of this balance that relates to the redemption of non-guaranteed Government agency securities. Report the amount of the existing mortgage assumed by the buyer, related to the redemption of non-guaranteed Government agency securities, as a disbursement.

* C. Cash. \textit{ITFM 2-3400} contains guidance on reporting cash held outside of the U.S. Treasury. See Volume 4, Chapter 2 and Volume 5 for additional information on establishing financial control over fund balances with the U.S. Treasury and cash resources not part of the Fund Balance with Treasury.

030204. Monthly Reporting Process

A. Fiscal Service coordinates with reporting entities to ensure appropriate submission and reporting procedures are in place to accomplish the monthly reporting requirements. Reporting entities compile expenditure accounting information from their reporting activities and electronically submit a monthly consolidated report to Fiscal Service in accordance with due dates established by Fiscal Service. Due dates are consistent with the requirements of the Office of the Under Secretary of Defense (Comptroller) Program/Budget, Program and Financial Control Directorate.

B. Fiscal Service uses outlay and receipt information submitted by reporting entities to produce the Monthly Treasury Statement (\textit{MTS}), which summarizes the financial activities of the Federal Government and conforms to the Budget of the U.S. Government. MTS data includes information provided by federal entities, disbursing officers, and Federal Reserve Banks. It presents a summary of receipts and outlays, surplus or deficit, and means of financing on a modified cash basis.

030205. Reconciliation of Monthly Information

A. The Defense Finance and Accounting Service (DFAS) and Components must incorporate controls into their processes to ensure amounts reported daily or monthly to Treasury reconcile to collections and disbursements processed through the disbursing systems and reflect amounts reported in the accounting systems. Treasury reporting includes SF 224 submissions by reporting entities. See Volume 1, Chapter 3 for information on providing accurate, reliable, and timely financial management information to achieve compliance with the Federal
Financial Management Improvement Act. Refer to subparagraph 030304.C for additional information on GTAS edits and validations.

B. DFAS and Components must perform timely reconciliations and implement effective and efficient reconciliation processes. Effective reconciliations serve as a detection control for identifying unauthorized and unrecorded transactions at the entities and Treasury. Volume 4, Chapter 2 prescribes DoD policy for reporting and reconciling transactions affecting an entity’s Fund Balance with Treasury. Effective reconciliations are also important in preventing entity disbursements from exceeding appropriated amounts and providing an accurate measurement of the status of available resources.

030206. Supplemental Reporting

A supplemental report may be submitted to Fiscal Service to adjust previously submitted data. Under special circumstances, Fiscal Service may request a supplemental report from the reporting entity. The totals reported on the supplemental reports will be consistent with the summarized net disbursements submitted by the reporting entities.

0303 GTAS REPORTING

*030301. GTAS

Fiscal Service administers and maintains GTAS to facilitate preparation and consolidation of the FR. Within GTAS, reporting entities submit both proprietary and budgetary data simultaneously in the Bulk File Format. Systemic edits validate data across both budgetary and proprietary reporting, including the Governmentwide Accounting System Account Statement. Reporting entities reconcile GTAS data with amounts reported in CARS to verify the accuracy of reported balances.

030302. GTAS Reporting

A. The GTAS data submitted by agencies are United States Standard General Ledger (USSGL)-based trial balances used to populate the Statement of Budgetary Resources (SBR); the SF 133, Report on Budget Execution and Budgetary Resources; and the prior-year column of the Program and Financing Schedule of the Budget. Agencies must ensure budgetary information used to prepare the SBR is consistent with budgetary information reported to GTAS during the fourth quarter reporting window. Reporting entities submit GTAS data according to the annual Fiscal Service Reporting Window Schedule. The GTAS Glossary identifies and defines the reporting processes and data elements used by GTAS reporters.

* B. Agencies must ensure the data in their Agency Financial Reports is exactly the same as the data reported in GTAS and the Defense Departmental Reporting System-Audited Financial Statements as of the GTAS close date.
C. GTAS establishes the default Canceled ("C") TAS used to report canceled proprietary payables, receivables, and assets. Report expired obligated and unobligated balances as canceled on the final, September 30, SF 133 before closing a Treasury Appropriation Fund Symbol (TAFS). While budgetary USSGL balances are not required to be reported to Treasury and the Office of Management and Budget (OMB) after a TAFS is canceled, Section 130 of OMB Circular A-11, “Preparation, Submission, and Execution of the Budget,” requires a tracking process monitoring obligations pertaining to canceled appropriations in order to prevent overpayment.

D. The DoD Financial Reporting Guidance provides DoD processes for reporting GTAS information, in addition to the quarterly and year-end schedules.

030303. FR

The FR provides a comprehensive view of the Federal Government’s financial position and condition, its revenues and costs, assets and liabilities, and other obligations and commitments. The FR includes consolidated financial statements and related disclosures, as well as reports on stewardship responsibilities. I TFM 2-4700 and OMB Circular A-136, “Financial Reporting Requirements,” describe how agencies provide data for the FR using GTAS.

030304. Submission and Verification of Data

A. Reporting. DoD reporting entities will:

1. Comply with Fiscal Service (GTAS) reporting policies for the reconciliation and confirmation of balances;

2. Ensure submitted data is timely and reliable; and

3. Verify due dates are met according to I TFM 2-4700, DoD Financial Reporting Guidance, and this chapter, for both Significant Entities and Other Entities.

* B. Significant Entities. I TFM 2-4700 provides a list of Significant Entities. Other Entities include all other executive branch agencies. All entities (Significant and Other) submit pre-closing GTAS ATB data and complete FR Notes and other FR data for fiscal year reporting. Significant entities will:

1. Submit audited financial statements in the Agency Financial Report or the Performance and Accountability Report;

2. Submit GTAS ATBs and provide an interim and year-end variance analysis to OMB;
3. Provide Fiscal Service with an electronic copy of the interim unaudited financial statements (the third-quarter financial statements), notes, required supplementary information, required supplementary stewardship information, and other information, if the information is not available in OMB MAX;

4. Comply with intragovernmental policies;

5. Review (with their auditors) the fifth quarter Scorecard to determine if a prior-year journal voucher was processed. If a prior-year journal voucher was processed, the Significant Entity must identify the reason for the journal voucher as well as how to prevent the adjustment in the current year; and


C. Edits and Validations. Reporting entities must comply with established GTAS edits and validations used to verify the integrity of data submissions. Section VII of the USSGL contains a listing of edits and validations used in GTAS. In addition to Treasury-level tie-point type edits incorporated in GTAS, reporters will perform more-detailed Component-level tie-point reconciliations before submitting finalized data through GTAS.

D. Standard Financial Information Structure (SFIS). SFIS is a comprehensive data structure that supports GTAS reporting, as well as requirements for budgeting, financial accounting, cost/performance, and external reporting needs across DoD. Entities must use the SFIS reporting elements as prescribed in the SFIS data structure.

030305. I TFM 2-4700 Reporting Requirements


B. ATB Requirements. Federal entities must prepare and submit pre-closing GTAS ATBs at the TAS level using USSGL accounts and attributes. Table 3-1 contains a list of DoD reporting entities required to submit ATBs. Fiscal Service collects ATB data to aid in its analytical processes. The GTAS ATBs must include USSGL accounts with the required attributes, while USSGL account balances must reflect the pre-closing adjusting entries needed to produce financial statements. Significant Entities and Other Entities use the same USSGL data on the GTAS ATBs used to prepare the current fiscal year audited entity consolidated financial statements due to OMB.

030306. Digital Accountability and Transparency Act

A. The Digital Accountability and Transparency Act (DATA Act) requires Federal agencies to report financial and payment information according to data standards
established by Treasury and OMB. The purpose of the DATA Act is to make Federal spending data more accessible, searchable, and reliable while also serving as a tool for better oversight, data-centric decision-making, and innovation both inside and outside of government.

* B. To help agencies comply with the DATA Act, OMB and Treasury created the [DATA Quality Playbook](#) identifying key steps that, if followed together, assist agencies in leveraging existing capabilities with DATA Act implementation. Accurate financial reporting through GTAS enables reporting entities to submit USSGL accounts and SFIS data elements required to comply with the DATA Act.
Table 3-1. DoD Reporting Entities Required to Submit ATBs

<table>
<thead>
<tr>
<th>DoD Reporting Entity (Source: OMB Bulletin 19-03, “Audit Requirements for Federal Financial Statements”)</th>
<th>Treasury Index (TI)</th>
<th>Budget Functional Classification</th>
<th>Responsible Office for GTAS Submission to the Fiscal Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of the Navy</td>
<td>TI 17</td>
<td>051</td>
<td>DFAS-Cleveland</td>
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<td>U.S. Marine Corps</td>
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<td>DFAS-Cleveland</td>
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<tr>
<td>Department of the Army</td>
<td>TI 21</td>
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<tr>
<td>Department of the Air Force</td>
<td>TI 57</td>
<td>051</td>
<td>DFAS-Columbus</td>
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<tr>
<td>U.S. Army Corps of Engineers (USACE)</td>
<td>TI 96</td>
<td>301/304</td>
<td>USACE Finance Center</td>
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<td>Defense Working Capital Fund, Army</td>
<td>TI 97X4930.001</td>
<td>051</td>
<td>DFAS-Columbus</td>
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<td>Defense Working Capital Fund, Navy*</td>
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<td>DFAS-Cleveland</td>
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<tr>
<td>Defense Working Capital Fund, Air Force</td>
<td>TI 97X4930.003</td>
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<td>Defense Working Capital Fund, Defense Commissary</td>
<td>TI 97X4930.004</td>
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<td>TI 97X4930.005</td>
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<td>Other Defense Organizations General Funds</td>
<td>TI 97 all other</td>
<td>051</td>
<td>DFAS-Indianapolis</td>
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<td>Medicare Eligible Retiree Health Care Fund</td>
<td>TI 97X5472</td>
<td>551</td>
<td>DFAS-Indianapolis</td>
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<td>Military Retirement Trust Fund</td>
<td>TI 97X8097</td>
<td>602</td>
<td>DFAS-Indianapolis</td>
</tr>
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*includes U.S. Marine Corps Working Capital Fund
VOLUME 6A, CHAPTER 4: “APPROPRIATION AND FUND STATUS REPORTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2017 is archived.

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<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>040101</td>
<td>Revised to include the fund types used in financial reporting as outlined in Office of Management and Budget (OMB) Circular A-11, Preparation, Submission, and Execution of the Budget.</td>
<td>Revision</td>
</tr>
<tr>
<td>040402.B</td>
<td>Revised to include the OMB Circular A-11 policy prescribing the Treasury Appropriation Fund Symbols used to submit budgetary resource information on the Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources.</td>
<td>Revision</td>
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<tr>
<td>040403.C</td>
<td>Revised to reflect the OMB policy used to report allocation and appropriation transfer account information.</td>
<td>Revision</td>
</tr>
<tr>
<td>040505.A</td>
<td>Removed listing of United States Standard General Ledger accounts used to report reimbursement and refund information on the Accounting Report (Monthly) 725, Report on Reimbursements and Refunds, and provided a link to the Department of Defense Standard Reporting Chart of Accounts.</td>
<td>Deletion</td>
</tr>
<tr>
<td>040605</td>
<td>Revised required reporting levels for Treasury Index 97 appropriations to align with reporting levels required by the Standard Financial Information Structure.</td>
<td>Addition</td>
</tr>
<tr>
<td>040607.A</td>
<td>Clarified language regarding specific applicability of reconciliation edits.</td>
<td>Revision</td>
</tr>
<tr>
<td>040607.D</td>
<td>Added language regarding the Department of Defense Form 1391, Military Construction Project Data used to report military construction financial information.</td>
<td>Addition</td>
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<td>PARAGRAPH</td>
<td>EXPLANATION OF CHANGE/REVISION</td>
<td>PURPOSE</td>
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<tr>
<td>040608.A.2</td>
<td>Removed certification for the Foreign Military Financing and International Military Education and Training accounts, to align with certifications required by Public Law 115-245.</td>
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<tr>
<td>Figure 1</td>
<td>Removed Figure 1 and provided a link to Appendix F, “Format of SF 132, SF 133, Schedule P, and SBR” of OMB Circular A-11 containing the format and line item descriptions for the SF 133.</td>
<td>Deletion</td>
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CHAPTER 4

APPROPRIATION AND FUND STATUS REPORTS

0401 GENERAL

*040101. Purpose

This chapter prescribes the reporting requirements and policy to follow when preparing appropriation and fund status reports at the departmental level. These reports identify, for the Defense Finance and Accounting Service (DFAS) and its customers, the status of accounting transactions on a monthly, quarterly, and annual basis. This chapter does not prescribe the reporting requirements of the intermediate command and installation levels. The provisions apply to all Department of Defense (DoD) Components, and cover fund types included in Section 79 of Office of Management and Budget (OMB) Circular A-11, Preparation, Submission, and Execution of the Budget.

040102. Authoritative Guidance

A. The reports defined by this chapter fulfill the requirement in Title 31, United States Code (U.S.C.), section 1512(d) that the President review expenditures by executive agencies at least four times a year. The policy in this chapter also fulfills the requirement in 31 U.S.C. § 1554(b) to report unliquidated obligations, unobligated balances, canceled balances, and adjustments made to appropriation accounts during the fiscal year (FY).

B. The chapter supplements reporting policies required by OMB Circular A-11, which provides an overview of the budget process and instructions on budget execution, including guidance on the apportionment and reapportionment process.

0402 REPORTING

040201. Report Formats

The report formats for the appropriation and fund status-type reports are identified within the respective paragraphs. Figures 1 and 2 contain sample fund status reports.

040202. Frequency and Distribution

The frequency and distribution of each report are designated within the respective paragraphs.

040203. Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS)

A. The Department of the Treasury (Treasury), Bureau of the Fiscal Service (Fiscal Service), administers and maintains GTAS to facilitate preparation and consolidation of
the *Financial Report of the U.S. Government*. Reporting Agencies submit both proprietary and budgetary data simultaneously in the *Bulk File Format*. Refer to Chapter 6 for DoD policy related to the submission of financial data using GTAS.

B. Reporting entities are required to submit requests for new Treasury symbols to be used in GTAS reporting to the Office of the Under Secretary of Defense (Comptroller), Program/Budget (OUSD(C)(P/B)), Program and Financial Control (P&FC) Directorate, along with justification that cites the specific authorizing legislation. P&FC will review requests and coordinate with OMB and the Treasury to establish new accounts when authorized.

040204. Standard Financial Information Structure (SFIS)

Appropriation and fund status reporting utilizes the data structure and reporting elements outlined in *SFIS*. SFIS is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs across DoD. See Volume 1, Chapter 4, for additional information on SFIS reporting.

0403 YEAR-END REPORTING

040301. Purpose

This section contains instructions for reporting unexpended appropriation and fund balances required by Treasury Financial Manual, Volume I, Part 2, *Chapter 4200*.

040302. Scope

This section pertains to all DoD reporting entities reporting unexpended balances of appropriation accounts to Fiscal Service through GTAS.

040303. Reporting

Reporting entities utilize GTAS and the Fiscal Service Year-End Module to report unexpended balances of appropriation accounts. Fund holders are responsible for verifying the accuracy of reported balances and providing final confirmation of amounts reported in GTAS to DFAS Accounting Standards and Reporting, Budget Execution Analysis via signed documentation for electronic certification.

0404 REPORT ON BUDGET EXECUTION AND BUDGETARY RESOURCES (STANDARD FORM (SF) 133)

040401. Purpose

This section contains instructions for implementing OMB Circular A-11 for the monthly *SF 133, Report on Budget Execution and Budgetary Resources*. The SF 133 shows the status of budgetary resources and related financial data. The report is intended for use, with other available information, in reviewing apportionments and the U.S. Government’s budgetary programs, in
managing the rate of incurring obligations and outlays, and as a basis for initiating requests for reapportionments and transfers. See Section 130.1 of OMB A-11 for additional uses of SF 133 data.

*040402. Scope

A. Applicability. The requirements of this section apply to all DoD Components.

B. Basic Report. Prepare an SF 133 for each unexpired (current) or expired Treasury Appropriation Fund Symbol (TAFS) of the types identified in OMB Circular A-11, Section 130.2(a). Unless exempted by OMB, submit SF 133 information for each open TAFS. Subparagraph 040402.C contains a list of current exemptions.

C. Exemptions. Unless required by OMB, do not submit SF 133s for deposit fund accounts, receipt accounts, clearing accounts, suspense accounts, and closed TAFS (TAFS with canceled balances).

*040403. Frequency and Distribution

A. Fiscal Service. Fiscal Service receives monthly budget execution information via GTAS according to the Fiscal Service Reporting Window Schedule. Fiscal Service prepares the monthly SF 133 for OMB based upon GTAS United States Standard General Ledger (USSGL) information and attributes forwarded by DoD.

B. Reporting Entities. Volume 6B addresses the form and content of DoD audited financial statements. Volume 6B, Chapter 1 contains information regarding DoD Component reporting entities.

C. Reports on Allocation and Appropriation Transfer Accounts

1. Allocation (Transfer To) Account. For allocation transfers made from a parent account to allocation accounts, submit an SF 133 containing the activity for each allocation account.

2. Parent (Transfer From) Account. The parent agency may choose to gather information from all of the agencies that have allocation accounts and enter the information into GTAS, or require each agency with an allocation account to enter information into GTAS and provide a copy to the parent agency. See OMB Circular A-11 for additional information on allocation/parent reporting.

D. Submission Schedule

1. Except for reports on allocation and transfer appropriation accounts, submit reports by the departmental level reporting entities as of the end of each month. Submit
regular reports in accordance with due dates established by DFAS and consistent with the timeframes established by the Fiscal Service Reporting Window Schedule.

2. Submit reports on allocation and transfer appropriation accounts to the parent agency in accordance with the schedule prescribed by that agency and consistent with the timeframe provided in OMB Circular A-11.

040404. Preparation

A. The SF 133 is divided into four sections: Budgetary Resources; Status of Budgetary Resources; Change in Obligated Balance; and Budget Authority and Outlays, Net. Report cumulative amounts from the beginning of the FY to the end of the period reported and include all footnotes at the end of the report. Forward any information used to supplement or clarify the submitted reports directly to OMB. See OMB Circular A-11, Appendix F, “Format of SF 132, SF 133, Schedule P, and SBR” for the format and line item descriptions for each line item on the SF 133.

B. Section 130 of OMB Circular A-11 contains exhibits of sample SF 133 reports.

C. Volume 1, Chapter 7, contains DoD’s implementation of the USSGL. Fiscal Service includes crosswalks from the SF 133 to the USSGL in Section V of the current FY’s version of the USSGL.

D. OMB Circular A-136, Financial Reporting Requirements, contains information on reconciling SF 133 information with the Statement of Budgetary Resources (SBR).

040405. The Expired Phase: Budget Execution Reporting

Report obligated and unobligated balances on the SF 133 for each expired TAFS that has not been canceled. Section 130 of OMB Circular A-11 contains instructions for budget execution reporting on expired TAFS that have not been canceled, as well as instructions for reporting upward and downward adjustments to expired TAFS.

040406. The Expired Phase: Obligation Adjustments for Contract Changes

Upward adjustments to obligations in expired appropriation accounts, caused by contract changes that exceed certain thresholds, are subject to additional reporting and approval requirements. A contract change represents an order relating to an existing contract under which a contractor is required to perform additional work. A contract change does not include adjustments related to an escalation clause.

A. Section 130 of OMB Circular A-11 specifies the thresholds, reporting requirements, and approval requirements for contract changes.
B. The USD(C), as the Secretary of Defense’s designee, fulfills the duties and responsibilities designated to “the agency head” in this section of OMB Circular A-11.

040407. The Expired Phase: Alternatives for Payment of Old Obligations

The length of the expired phase of a TAFS may only be changed by law. When DoD requires payment of obligations beyond the normal 5-year expired phase (such as the Navy Shipbuilding and Conversion appropriation), the Assistant Secretary of the Military Department Financial Management and Comptroller (FM&C) submits proposed changes to appropriation language for the budget year through OUSD(C)(P/B) to OMB for approval.

A. Request this authority only when historical outlay data indicates the payment of old balances from unexpired funds regularly exceeds the 1 percent limitation or when such payments would severely affect the current program.

B. Report such authority to Treasury to prevent premature automatic cancelation of the account. Without this authority, DoD must seek reappropriation of canceled balances and defer payment until the appropriation is available, or pay from current appropriations, as described in Volume 3, Chapter 10.

040408. SF 133 and the SBR

The compilation of an agency’s SF 133s should generally agree with the agency’s SBR. OMB Circular A-11 identifies the few differences between the SF 133 and SBR.

040409. Consistency of Amounts Reported

Amounts reported in the fourth quarter SF 133 must be consistent with information reported to Treasury as part of the year-end closing procedures and based on actual accounting information pursuant to 31 U.S.C. § 3512. Actuals submitted to OMB for inclusion in the President’s annual budget, which is submitted to the Congress, will agree with those submitted to Treasury and reported on the fourth quarter SF 133.

0405 REPORT ON REIMBURSEMENTS AND REFUNDS (ACCOUNTING REPORT (MONTHLY) (AR(M)) 725)

040501. Purpose

The AR(M) 725 identifies supplemental budget execution data with respect to reimbursements and refunds, in terms of their sources and the FY programs being executed. The AR(M) 725 identifies reimbursable activity during the reporting period and includes refunds of prior year orders from direct appropriations.

040502. Scope

A. The provisions of this section apply to all DoD Components.
B. Reports are required electronically for the following:

1. All current appropriations or other fund accounts for military or civil functions of DoD reported on the SF 133;

2. All expired appropriations or other fund accounts;

3. Trust fund accounts if reimbursements or refunds are from non-Federal sources;

4. Trust revolving fund accounts if the reimbursements or refunds are from U.S. Government accounts; and

5. Allocation and transfer accounts for DoD Components from appropriations made to the Office of the Secretary of Defense (Treasury Index (TI) Code 97).

C. Unless specifically requested in writing by the OUSD(C), reports are not required for the following:

1. Trust fund accounts, except those in subparagraph 040502.B.3;

2. Trust revolving fund accounts, except those in subparagraph 040502.B.4;

3. Deposit fund accounts;

4. Other Defense, civil programs; and

5. Security assistance appropriation accounts.

040503. Report Format

The AR(M) 725 will be prepared in accordance with the guidance provided in paragraph 040505. Figure 1 contains the current report format for the AR(M) 725.

040504. Frequency and Distribution

A. Reporting entities with reimbursable activity electronically submit monthly reports in accordance with due dates established by DFAS and consistent with the timeframes established by OUSD(C). Submit the report at the same time as the AR(M) 1002, Appropriation Status by Fiscal Year Program and Subaccounts.

B. Include the AR(M) 725 with the SF 133.
*040505. Preparation

* A. Basis of Reporting. Amounts reported will agree with corresponding general ledger balances for reimbursement and refund USSGL accounts as defined in the DoD Standard Reporting Chart of Accounts.

B. Unit of Entries. Round reported amounts to the nearest thousand.

C. Description (Column A). This column identifies whether the transaction is from a “Federal” or “Non-Federal” source.

D. Reimbursements Receivable (Column B). Enter the amount of receivables brought forward from the prior year. The total of this column must agree with column I of the year-end AR(M) 725 report from the prior year.

E. Unfilled Customer Orders Without Advance (Column C). Enter the amount of unfilled orders brought forward from the prior year. The total of this column must agree with column J of the year-end AR(M) 725 report from the prior year.

F. Total Anticipated Reimbursements (Column D). Enter the estimate of reimbursements expected to be earned during the current FY, subject to OMB apportionment, other authorized reimbursements, and/or other income for which current year obligational authority is automatically established based on orders received.

G. Earned Reimbursements and Refunds (Column E). This column represents the amount recognized when a performing organization renders actual or constructive performance on a reimbursable order. Generally, reimbursements must recover the cost elements outlined in Volume 11A, Chapter 3 and Volume 11B, Chapter 3.

1. The SFIS reporting structure identifies approved USSGL transactions and data elements used to record transactions between buyers and sellers. This column also includes refunds of prior-year orders from direct appropriations. Refunds are the repayments of excess payments and are directly related to previous obligations incurred and outlays made against the appropriation. Process refunds received to the appropriation or fund account charged with the original obligations.

2. OMB Circular A-11 provides guidance for processing refunds in both current and prior years.

H. Changes in Unfilled Customer Orders (Column F). This column represents the net change in unfilled customer orders during the period. The balance in this column increases with new customer orders and decreases with earned customer orders.

I. Anticipated Orders for Rest of Year (Column G). For transactions with the public, this column represents estimated collections, including advances expected to be received.
and reimbursements expected to be earned. In transactions between U.S. Government entities, this balance represents orders expected to be received, but which have not been accepted.

J. Reimbursements and Refunds Collected (Column H). This column includes collections received on a reimbursable basis for goods, services provided, and refunds of prior-year orders from direct appropriations.

K. Reimbursements Receivable (Column I). This column represents the balance of outstanding collections, for goods and services provided on a reimbursable basis, at the end of the reporting period.

L. Unfilled Customer Orders Without Advance (Column J). This column represents the balance of unfilled customer orders, at the end of the reporting period, for goods and services without an advance. This line applies only to transactions between U.S. Government entities and those entities with approved exceptions.

0406 APPROPRIATION STATUS BY FISCAL YEAR PROGRAM AND SUBACCOUNTS (AR(M) 1002)

040601. Purpose

This section prescribes the preparation and submission of reports on the application and status of appropriation and other fund accounts. The reports present budget execution data with respect to obligational authority in terms of the FY programs executed at budgetary subdivisions not found on the SF 133. Maintain program value, obligation, unobligated balance, unexpended balance, and expenditure balance data integrity, by line item, throughout an account’s unexpired and expired availability periods. Expired account adjustments, which move resources between Budget Line Items (BLI), must reflect the appropriate change to that line item’s program value amount, obligations, unobligated balance, unexpended balance, and expenditure data on the AR(M) 1002.

040602. Scope

A. The provisions of this section apply to all DoD Components.

B. Reports are required for all general and special fund appropriations for military and civil functions of the Department that are reported on the SF 133, except those accounts specifically exempted in subparagraph 040602.C.

C. Reports are not required for the following, unless specifically requested in writing by the OUSD(C):

1. Revolving funds that do not have direct appropriation funds available, except for accounts 97 X 4555, 4090, 4965, and 0833;
2. Receipt accounts, clearing accounts, suspense accounts, deposit funds, and trust funds, except for 97 X 8097, 8098, and 8335;

3. Civil funds of the U.S. Army Corps of Engineers and the U.S. Soldiers’ and Airmen’s Home; and

4. Transfer appropriation accounts.

040603. Report Format

Prepare the AR(M) 1002 in accordance with the guidance provided in paragraph 040605. Report 1002 data in accordance with the Business Enterprise Architecture included in SFIS. The AR(M) 1002 format includes budget and fiscal account classifications required to align with information included in annual DoD budget requests, as illustrated in the President’s Budget Exhibits M-1, O-1, P-1, R-1, and C-1. See the “SFIS Matrix” for business rules and examples of acceptable budgetary values. The Defense Departmental Reporting System-Budgetary contains the official report mapping for the AR(M) 1002. Figure 2 contains the current report format for the AR(M) 1002.

040604. Frequency and Distribution

A. Electronically submit monthly reports in accordance with the due dates established by DFAS, and consistent with the timeframes established by OUSD(C).

B. Arrange the reports in the same order as the SF 133s they support.

*040605. Preparation

A. Units of Entry. Round all amounts to the nearest thousand and no attempt need be made to adjust the rounded figures so that they will add to column totals. Rounded amounts will never exceed the actual amounts by more than ± $2,000.

B. Direct Programs

1. Military Personnel

a. General. Report at least two classification levels for distinct sets of TI Codes 17 (Navy), 21 (Army), and 57 (Air Force); FY program; and Treasury account number (Main Account Code).

b. Level One. Budget Activity (BA) equals the M-1 (Military Personnel Programs) BA. Use the set of distinct M-1 BA records to present the BA stub entries.

c. Level Two. Budget Sub-activity (BSA) equals the M-1 BSA and is the M-1 line item detail and lowest classification level. Use the set of distinct M-1 BSA records to present the BSA stub entries. Present the BSA stub entries under their respective BA.
d. **Level Three (Optional).** BLI equals the President’s Budget Exhibit PB-30J, Summary of Entitlements by Sub-activity, and is the lowest classification level. Use the same set of distinct entitlement stub entries on the AR(M) 1002 displayed in Budget Exhibit PB-30J. Present the BLI stub entries under their respective BA and BSA.

2. **Operation and Maintenance (O&M)**

   a. Report the three classification levels for distinct sets of TI Codes 17, 21, and 57; FY program; and Main Account Code.

   (1) **Level One.** BA equals the O-1 (O&M Programs) BA. Use the set of distinct O-1 BA records to present the BA stub entries.

   (2) **Level Two.** BSA equals the O-1 Budget Activity Group (BAG). Use the set of distinct O-1 BAG records to present the BSA stub entries. Present the BSA stub entries under their respective BA.

   (3) **Level Three.** BLI equals the O-1 Sub-activity Group (SAG) and is the O-1 line item detail and lowest classification level. Use the set of distinct O-1 SAG line items to present the BLI stub entries. Present the BLI stub entries under their respective BA and BSA.

   b. Report five classification levels for distinct sets of TI Code 97, FY program, and Main Account Code as prescribed by [DFAS Manual 7097.01](#).

   (1) **Level One.** BA equals the O-1 BA. Use the set of distinct O-1 BA records to present the BA stub entries.

   (2) **Level Two.** Defense Level Organization (DLO) equals the O-1 Defense Agencies. Use the set of distinct O-1 Defense Agencies to present the DLO stub entries. Present the DLO stub entries under their respective BA. The DFAS Manual 7097.01 Budget Project Codes appropriation chapters identify the valid Defense Agencies. Within each chapter is a list of valid limitations where the first two digits of the limitation identify the Defense Agency allotment holder.

   (3) **Level Three.** BSA equals the O-1 BAG. Use the set of distinct O-1 BAG records to present the BSA stub entries. Present the BSA stub entries under their respective DLO.

   (4) **Level Four.** BLI equals the O-1 SAG and is the O-1 line item detail and lowest classification level. Use the set of distinct O-1 SAG line items to present the BLI stub entries. Present the BLI stub entries under their respective BSA.

   (5) **Level Five.** Budget Allotment Line Item Identifier (BALI) is a sub-set of BLIs and refers to sub-BLI codes used in original allotment and sub-
allotment funding authorization documents. Present the BALI stub entries under their respective BLI.

3. **Procurement**

   a. Report the three classification levels for distinct sets of TI Code 17, 21, and 57; FY program; and Main Account Code.

      (1) **Level One.** BA equals the P-1 (Procurement Programs) BA and BA Title. Use the set of distinct P-1 BA records to present the BA stub entries. A subtotal at the BA level is required for Procurement Accounts.

      (2) **Level Two.** BSA equals the P-1 BSA and BSA Title. Use the set of distinct P-1 BSA records to present the BSA stub entries. Present the BSA stub entries under their respective BA. A subtotal at the BSA level is not required for Procurement Accounts.

      (3) **Level Three.** BLI equals the P-1 Line Item and Line Item Title and is the P-1 line item detail and lowest classification level. Use the set of distinct P-1 line item records to present the BLI stub entries. Present the BLI stub entries under their respective BA and BSA.

   b. Report five classification levels for distinct sets of TI Code 97, FY program, and Main Account Code as prescribed by DFAS Manual 7097.01.

      (1) **Level One.** BA equals the P-1 BA and BA Title. Use the set of distinct P-1 BA records to present the BA stub entries.

      (2) **Level Two.** DLO equals the P-1 Organizational Title. Use the set of distinct P-1 Defense Agencies to present the DLO stub entries.

      (3) **Level Three.** BSA equals the P-1 BSA and BSA Title. Use the set of distinct P-1 BSA records to present the BSA stub entries. Present the BSA stub entries under their respective DLO. A subtotal at the BSA level is not required for Procurement Accounts.

      (4) **Level Four.** BLI equals the P-1 Line Item and Line Item Title and is the P-1 line item detail and the lowest classification level. The DFAS Manual 7097.01 Budget Project Codes appropriation chapters identify a valid list of line items/budget projects. Use the set of distinct P-1 line item records to present the BLI stub entries. Present the BLI stub entries under their respective BSA.

      (5) **Level Five.** BALI is a sub-set of BLIs and refers to sub-BLI codes used in original allotment and sub-allotment funding authorization documents. Present the BALI stub entries under their respective BLI.
4. **Research, Development, Test, and Evaluation (RDT&E)**

   a. Report at least two classification levels for distinct sets of TI Code 17, 21, and 57; FY program; and Main Account Code.

      (1) **Level One.** BA equals the R-1 (RDT&E Programs) BA and BA Title. Use the set of distinct R-1 BA records to present the BA stub entries.

      (2) **Level Two.** BLI equals the R-1 Program Element (PE) and PE Title and is the R-1 line item detail and the lowest classification level. Use the set of distinct PE records to present the BLI stub entries under their respective BA.

   b. Report five classification levels for distinct sets of TI Code 97, FY program, and Main Account Code as prescribed by DFAS Manual 7097.01.

      (1) **Level One.** BA equals the R-1 BA and BA Title. Use the set of distinct R-1 BA records to present the BA stub entries.

      (2) **Level Two.** DLO equals the R-1 Organizational Title. Use the set of distinct R-1 Defense Agencies to present the DLO stub entries.

      (3) **Level Three.** BSA equals the R-1 BSA and BSA Title. Use the set of distinct R-1 BSA records to present the BSA stub entries. Present the BSA stub entries under their respective DLO.

      (4) **Level Four.** BLI equals the R-1 Line Item and Line Item Title and is the R-1 line item detail and the lowest classification level. The DFAS Manual 7097.01 Budget Project Codes appropriation chapters identify a valid list of BAs/PEs. Use the set of distinct R-1 line item records to present the BLI stub entries. Present the BLI stub entries under their respective BSA.

      (5) **Level Five.** BALI is a sub-set of BLIs and refers to sub-BLI codes used in original allotment and sub-allotment funding authorization documents. Present the BALI stub entries under their respective BLI.

5. **Military Construction and Family Housing**

   a. Report the three classification levels for distinct sets of TI Code 17, 21, and 57; FY program; and Main Account Code. For TI Code 97, report the three classification levels by Defense Agency as prescribed by the DFAS Manual 7097.01.

      (1) **Level One.** BA equals the C-1 (Construction Programs) BA and BA Title. Use the set of distinct C-1 BA and BA Title records to present the BA stub entries.
(2) **Level Two.** BSA equals the C-1 Location, Location Title, and State-Country. Use the distinct sets of C-1 Location, Location Title, and State-Country record combinations to report the set of locations. Present the location stub entries under their respective BA.

(3) **Level Three.** BLI equals the C-1 Project and Project Title. Use the distinct set of C-1 Project and Project Title record combinations to report C-1 line items. Present the C-1 line items under their respective location and BA and BSA.

b. Report five classification levels for distinct sets of TI Code 97, FY program, and Main Account Code as prescribed by DFAS Manual 7097.01.

(1) **Level One.** BA equals the C-1 BA and BA Title. Use the set of distinct C-1 BA records to present the BA stub entries.

(2) **Level Two.** DLO equals the C-1 Organizational Title. Use the set of distinct C-1 Defense Agencies to present the DLO stub entries.

(3) **Level Three.** BSA equals the C-1 BSA and BSA Title. Use the set of distinct C-1 BSA records to present the BSA stub entries. Present the BSA stub entries under their respective DLO.

(4) **Level Four.** BLI equals the C-1 Line Item and Line Item Title and is the C-1 line item detail and the lowest classification level. The DFAS Manual 7097.01 Budget Project Codes appropriation chapters identify a valid list of BAs/PEs. Use the set of distinct C-1 line item records to present the BLI stub entries. Present the BLI stub entries under their respective BSA.

(5) **Level Five.** BALI is a sub-set of BLIs and refers to sub-BLI codes used in original allotment and sub-allotment funding authorization documents. Present the BALI stub entries under their respective BLI.

c. Report one classification level for distinct sets of TI Code 17, 21, 57, and 97; FY program; Military Construction BA of Minor Construction or Planning and Design; and Family Housing Construction BA of Construction Improvements or Planning and Design. The line item classification equals the C-1 BA and BA Title. Use the set of distinct C-1 BA records to present the BA stub entries. For TI Code 97, report the BA by Defense Agency.

d. Report one classification level for distinct sets of TI Code 17, 21, 57, and 97; FY program; and Main Account Code for Family Housing O&M or DoD Family Housing Improvement Fund (FHIF). The line item classification equals the C-1 BA and BA Title. Use the set of distinct C-1 BA records to present the BA stub entries.

e. For Base Realignment and Closure (BRAC), follow the report classification levels prescribed by the DFAS Manual 7097.01 Budget Project Codes appropriation chapter guidance for BRAC Accounts. Report the BA of Major Construction
information by location and title, and report all other BAs at the BA lump-sum level by FY and Service Component or Defense Agency.

f. For the FHIF (97 X 0834), follow the guidance in subparagraph 040605.B.5.a once project funds have transferred from Family Housing Construction to the FHIF.

6. Trust and Special Funds

a. Report one classification level for each trust or special fund.

b. The line item classification equals the BA as found in the President’s budget exhibits, DoD Military Programs, or Other Defense – Civil Programs, as appropriate.

C. Reimbursable Programs

1. Report all reimbursable program data separately from direct program data. A subtotal for the direct program will be followed by a one-line reimbursable program, followed by a “Grand Total,” which is the sum of the direct and the reimbursable programs.

2. For all the aforementioned appropriation functional titles, report reimbursable program data at the lump-sum level for distinct sets of TI Code 17, 21, and 57; FY program; and Main Account Code.

3. For TI Code 97:

a. Main Account Codes for BRAC and Procurement accounts report reimbursable program data at the lump-sum level by FY program and Defense Agency; and

b. All other Main Account Codes report reimbursable program data at the lump-sum level by FY program.

040606. Column Descriptions

The composition and amounts in each column are detailed in subparagraphs 040606.A through 040606.D.

A. No-year accounts

1. No-year accounts follow the same guidance as other accounts but are individually reported by FY account. No-year accounts are tracked and reported by the FY in which the funds were appropriated. The FY in which the funds were appropriated is also known as the SFIS Program Year.
2. The period of availability (POA) start year for no-year accounts reflects the year money was appropriated; the POA end year reflects XXXX. For example, the POA for no-year money appropriated in FY 2019 would be reflected as 2019/XXXX on the AR(M) 1002. Continue to report these funds separately until the account is closed.

B. General

1. **Budget Activity (Column A).** Valid values for the report stub entries are the program codes contained in the publicly published President’s Budget. The nomenclature is equal to the line items found in the President’s Budget Exhibits M-1, O-1, R-1, P-1, C-1; Family Housing and BRAC Programs; DoD Military Programs; and Other Defense – Civil Program documents. Arrange the separate FY appropriation accounts of an appropriation title in consecutive order, starting with the most current FY or multiple-year account. Arrange the FY programs within a multiple program year account in consecutive order, starting with the most current FY program. Subtotals are required for each level contained in the report.

2. **Base for Reprogramming (Column B).** The balance in this column matches the enacted amounts as published in the Department of Defense (DD) Form 1414, Base for Reprogramming Actions for most appropriation types. Once established, the dollar values in the column will not change and will continue to be reported for the life cycle of the account (until the account closes). **Volume 3, Chapter 6, contains an example of the DD 1414.** The exceptions to this are the Trust and Special Funds. Column B will match current year authority for these funds.

C. Cumulative Columns

1. **Approved Program (Column C).** The balance in this column shows the approved program for the FY-to-date. Column C includes the distribution of the effect of approved reprogramming actions on DD Form 1415-1, Reprogramming Action - Prior Approval, and/or DD 1415-3, Reprogramming Action - Internal; supplemental appropriations; and rescissions. The amounts in this column will change to reflect congressionally approved changes to the program. This column reflects the cumulative program-to-date, and will continue to be reported for the life cycle of the account (until the account closes). **Volume 3, Chapter 6, contains an example of the DD 1415-1 and DD 1415-3.** The exceptions to this are the Trust and Special Funds. Column C will match current year authority for these funds.

2. **Revised Program (Column D).** The balance in this column shows the effect of below threshold reprogramming (BTR) actions initiated by a DoD Component that occur during execution.

   a. Note that the grand total for column C and column D will be the same. The difference between the two columns is column D incorporates BTRs and column C does not. BTR actions provide DoD Components with the discretionary flexibility to realign funding within prescribed limits. BTR actions are minor actions not otherwise requiring congressional approval that may be accomplished within the DoD Components and are measured.
cumulatively over the entire obligation availability of the appropriation. The grand totals for column C and column D will be the same; however, differences will exist below the grand total level if BTRs have been recorded which realigned previous funding levels.

b. The exceptions to this are the Trust and Special Funds. Column B will match current year authority for these funds, which report either current year authority or apportionment amount as appropriate.

3. Cumulative Obligations (Column E). Enter the amount of obligations occurring from the inception of the program to the end of the reporting period. Obligation transactions will include both obligations incurred and adjustments of prior-year obligations. The exceptions to this are the Trust and Special Funds, which report current year obligations plus unpaid obligations from prior year.

4. Cumulative Unobligated Balance (Column F). The balance shown in this column represents the difference between columns D and E.

5. Cumulative Expenditures (Column G). Enter the distribution of the gross disbursements (net of refunds) from the inception of the program to the end of the reporting period. Within an FY program, enter the difference between amounts distributed by subaccounts and total disbursements identifiable to that FY program on the line “Undistributed Disbursement.” Enter disbursements not immediately distributable by FY program, or by subaccount in accounts without FY program subdivisions, on the line “Undistributed Disbursement” immediately before the total line for the appropriation account. For expired year accounts, unless specifically exempted by the OUSD(C), report the direct and reimbursable programs at the same level of detail as they were reported as unexpired accounts. The total of column G plus the total of column H must equal column D.

6. Cumulative Unexpended Balance (Column H). Enter the distribution of the unexpended balance from the inception of the program to the end of the reporting period. Column H will equal the difference between columns D and G.

7. Commitments (Column I). The use of column I is optional for operating appropriations. Enter, by subaccount, the amount of outstanding commitments recorded. The entry in this column may properly exceed the amount of the unobligated balance in column F if a program reduction was approved in anticipation of a cancelation or downward adjustment of commitments outstanding. If there was no approved program reduction, then an excess of commitments outstanding over total unobligated balance indicates the program was implemented in excess of the approved amount.

D. Current FY Columns

1. Amount Obligated in Current FY (Column J). Enter the amount of obligations occurring from the beginning of the current FY to the end of the reporting period. Obligation transactions include both obligations incurred and adjustments of prior year obligations.
2. **Amount Expended in Current FY (Column K).** Enter the distribution of the gross disbursements (net of refunds) for the period from the beginning of the current FY to the end of the reporting period. Within an FY program, enter the difference between amounts distributed by subaccounts and total disbursements identifiable to that FY program on the line “Undistributed Disbursement.” Enter disbursements not immediately distributable by FY program, or by subaccount in accounts without FY program subdivisions, on the line “Undistributed Disbursement” immediately before the total line for the appropriation account. For expired year accounts, unless specifically exempted by the OUSD(C), report the direct and reimbursable programs at the same level of detail as they were reported as unexpired accounts.

*040607. Reconciliation of AR(M) 1002 With the DD 1414; DD 1416, Report of Programs; and Other Reports Submitted to Congress*

A. **Reconciliations**

1. Perform the DD 1414 and DD 1416 reconciliations described in 040607.B-C only for appropriation authority amounts.

2. Spending authority from offsetting collections, contract authority, and borrowing authority do not apply to these reconciliations.

B. **Military Personnel and O&M Accounts**

1. The DD 1414 is prepared annually directly after the DoD Appropriations Act is passed. The Base for Reprogramming column (normally the last column on the DD 1414 report) amounts must reconcile with the amounts in the AR(M) 1002 column B at the BA level. See Volume 3, Chapter 6 for additional information on the reprogramming of DoD appropriated funds and related reports.

2. The *Selected Reserve Personnel by Reserve Component* Report is prepared in accordance with the yearly appropriations acts.

C. **RDT&E and Procurement Accounts**

1. The Base for Reprogramming column amounts must reconcile with the amounts in the AR(M) 1002 column B at the P-1/R-1/BLI line item level.

2. The DD 1416 is prepared quarterly upon receipt of enactment of the DoD Appropriations Act. The net amount reported on the DD 1416 must reconcile with column D of the AR(M) 1002 by P-1/R-1/BLI. The OUSD(C) will provide guidance for reporting under continuing resolutions.
D. Military Construction Accounts

1. The DD 1391, Military Construction Project Data, supports each project proposed for inclusion in the Military Construction Program. This includes new authorization projects in the program or projects using emergency or contingency authorization.


040608. Special Instructions for Selected Accounts

A. Obligation Limitation for Annual Accounts. Each year, Title VIII, “General Provisions,” of the DoD Appropriations Act requires a certification that not more than 20 percent of the appropriations in that act, which are limited for obligation during the current FY, will be obligated during the last 2 months of the FY. The exception to this policy is the Reserve Components record obligations for support of active duty training or the Reserve Officers’ Training Corps records obligations for summer camp training.

B. Certification. Each year, DoD Components must provide one of the following certifications, depending upon the level of obligations incurred, on the July AR(M) 1002 for those annual appropriations to which the limitation applies:

1. This certification usually is referred to as the “80/20” criterion. In determining direct obligational authority, the amount of transfers in or out within the applicable DoD Appropriations Act will be considered. If obligations are 80 percent or more of direct authority, the certification will be as follows:

   “I hereby certify that direct obligations have been incurred equal to or in excess of 80 percent of the funds subject to the congressional limitation on year-end spending.”

2. If obligations are less than 80 percent, then the certification will be as follows:

   “I hereby certify that action has been taken to assure that not more than 20 percent of the funds subject to the congressional limitation on year-end spending remain available for obligation during the remainder of the FY.”

0407 REPORTING OBLIGATION AND OUTLAY DATA

040701. Purpose

Reporting entities will report obligation and outlay planning and execution data to OUSD(C)(P/B) P&FC for monitoring the planned monthly execution of approved DoD programs.
A. OUSD(C) updates requirements for planning data on an annual basis. Specific report formats are updated on a yearly basis by memorandum to the Assistant Secretaries of the Military Departments’ FM&C.

B. OUSD(C) updates requirements for execution data on an annual basis. Specific report formats are updated on a yearly basis by memorandum to DFAS.

C. Report on the SF 133 monthly totals for obligation and outlay execution data. These reports, provided monthly by DFAS to OUSD(C) and the Military Departments, must be consistent with data reported to Treasury via GTAS. These reports are also to be made available to DoD reporting entities.

040702. Scope

Planning and execution data for obligations and outlays applies to DoD Components with respect to obligations incurred for all military functions; including obligations incurred in connection with related allocation and transfer appropriation accounts. This includes all DoD Military accounts as well as related receipt accounts.
Figure 1. AR(M) 725: Report on Reimbursements and Refunds

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<thead>
<tr>
<th>Description</th>
<th>Reimbursements Receivable</th>
<th>Unfilled Customer Orders Without Advance</th>
<th>Total Anticipated Reimbursements</th>
<th>Earned Reimbursements and Refunds</th>
<th>Changes in Unfilled Customer Orders</th>
<th>Anticipated Orders for Rest of Year</th>
<th>Reimbursements and Refunds Collected</th>
<th>Reimbursements Receivable</th>
<th>Unfilled Customer Orders Without Advance</th>
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Figure 2. AR(M) 1002: Appropriation Status by Fiscal Year Program and Subaccounts

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* Levels come from President’s Budget Exhibit M-1, O-1, R-1, P-1, C-1 documents.
VOLUME 6A, CHAPTER 7: “FOREIGN CURRENCY REPORTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2018 is archived.

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<td>All</td>
<td>Reformatted chapter for clarity in accordance with current administrative guidance.</td>
<td>Revision</td>
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<tr>
<td>070303</td>
<td>Added paragraph to clarify responsibility for report data correction as recommended by Government Accountability Office Report 18-221, dated April 2018.</td>
<td>Addition</td>
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<tr>
<td>070402</td>
<td>To reflect transfer of function for Cost-of-Living Allowances and Overseas Housing Allowances, changed responsible office from Per Diem, Travel, and Transportation Allowance Committee to Military Compensation Policy.</td>
<td>Revision</td>
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CHAPTER 7
FOREIGN CURRENCY REPORTS

0701 GENERAL

070101. Purpose

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

070102. Authoritative Guidance

The DoD Appropriation Act of 1979, Public Law 95-457, initially established the FCF program to maintain the budgeted level of operations and eliminate substantial gains or losses caused by FCF rates that vary substantially from those used in preparation of budget submissions. Public Law 95-457 has been codified under Title 10, United States Code (U.S.C.), section 2779. Additional authoritative guidance is referenced throughout the chapter.

0702 PROGRAM MANAGEMENT

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

070201. Definitions

A. Foreign Currency Unliquidated Obligations. Foreign currency unliquidated obligations are unpaid obligations recorded in the accounting system at the budget rate of the foreign currency cited within the obligating document. These unpaid obligations represent a key component of the monthly reporting process and are required to compute the accrued variance. At time of disbursement, foreign currency unliquidated obligations in excess of the outlay amount must be adjusted to the actual outlay amount and net gains transferred to the applicable FCF Account.

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

C. Budget Rate. Budget rates are OUSD(C) published foreign currency exchange rates for use during the formulation, preparation, and submission of DoD’s operating budgets. These published budget rates will also be used as the basis for recording budgetary obligations that are associated with approved overseas programs into the accounting systems of DoD. Do not use internal or unapproved exchange rates on official accounting or disbursing records.
D. **Accrued Variance.** An accrued variance is the difference between the value of unliquidated obligations recorded at the budget rate and the value of those same unliquidated obligations calculated at the current foreign currency exchange rate. The computed accrued variance provides DoD decision makers a monthly estimate of the net gains or losses that would be realized if payment had to be made as of the report date.

E. **Realized Variance.** A realized variance is the calculated difference between obligations recorded at the budget rate and liquidated at the foreign currency exchange rate in effect at the time of payment. When the budget rate used in recording the original obligation is less than the current exchange rate, transfer the realized variance (loss) from the applicable FCF account if funds are available. When the budget rate used in recording the original obligation is more than the current foreign currency exchange rate, transfer the realized variance (gain) into the applicable FCF account.

F. **Centrally Managed Allotment (CMA).** A CMA is used by DoD to manage budgetary authority provided by the FCF accounts. Funding transfers from the FCF account line within the appropriation to cover realized losses are contingent on funds availability in the CMA. Should FCF budget authority be insufficient, component level operating funds must be used to cover any realized losses. Net gains due to currency fluctuation are returned by the component operating appropriations through the FCF account line for reallocation and distribution by the CMA in subsequent years based on approved FCF budget authority (see subparagraph 070302.D). CMAs are managed at the DoD level.

G. **FCF Account.** An FCF account is used by service components to manage realized gains and losses in direct programs due to fluctuation in foreign exchange rates. Funding is normally provided as a budgetary line item as part of a component’s annual funding authorization. FCF accounts are maintained at various budgetary levels within the service components.

070202. FCF, D

In fiscal year (FY) 1979, Congress authorized an appropriation to facilitate the transfer of funds to and from DoD operating appropriations to cover substantial net losses from foreign exchange rate fluctuation. Substantial net gains from foreign currency exchange rate fluctuation will also be transferred to this appropriation, entitled FCF, D, Department of the Treasury Account Symbol (TAS) 97X0801. The purpose of the appropriation is to alleviate the adverse effect of substantial fluctuation in the specified currency exchange rates on authorized DoD programs funded by Operation and Maintenance (O&M) and Military Personnel (MILPERS) appropriations. Charge net gains or losses from foreign currency exchange rate fluctuation funded by the FCF, D appropriation to the same FY as the underlying obligation. As FCF gains are realized by de-obligation of the unneeded portion of the direct program, transfer the gains to the FCF account. In areas participating in the FCF program, the occurrence of a gain or loss on an FCF transaction is an expected, normal component of an obligation and should be treated as an ordinary event. Record the gain or loss on an FCF transaction using current United States Standard General Ledger (USSGL) accounts for Other Gains (USSGL account 719000) and Other Losses (USSGL account 729000). The following statutes provide authority for the FCF, D appropriation:
A. The “DoD Appropriation Act, 1979” established the FCF, D appropriation.

B. Title 10, U.S.C. § 2779(a) allows previously transferred FCF, D funds to be transferred back to the FCF, D appropriation so long as the transfer is made no later than the end of the second FY after the FY that the appropriation to which the funds were originally transferred is available for obligation. This is allowed only if the funds are not needed to finance increased obligations due to fluctuation in currency exchange rates because of subsequent favorable fluctuation in currency exchange rates or because other funds are, or become, available to finance these cost increases.

C. Title 10, U.S.C. § 2779(d) states any transfer made pursuant to the authority provided in this subsection must be limited such that the balance in the appropriation FCF, D does not exceed $970 million at the time of the unobligated balance transfer.

070203. FCF, C, D

In FY 1987, Congress enacted the current authority for an FCF appropriation to protect DoD Military Construction, Family Housing, and North Atlantic Treaty Organization (NATO) infrastructure programs from substantial gains or losses resulting from foreign currency fluctuation. The title of this appropriation is the FCF, C, D TAS 97X0803.

A. The FCF, C, D account was initially capitalized by transferring unobligated balances from the family housing and military construction appropriations. Pursuant to authority conferred by recurring annual Military Construction Appropriations Act general provisions, unobligated balances from family housing and military construction appropriation accounts may be transferred into the FCF, C, D account during the 5-year period after the appropriations expire for original obligation purposes. Charge net gains or losses from foreign currency exchange rate fluctuation funded by the FCF, C, D appropriation to the same FY as the underlying obligation. As FCF gains are realized by de-obligation of the unneeded portion of the direct program, transfer the gains to the FCF account. In areas participating in the FCF program, the occurrence of a gain or loss on an FCF transaction is an expected, normal component of an obligation and should be treated as an ordinary event. Record the gain or loss on an FCF transaction using current USSGL accounts for Other Gains (USSGL account 719000) and Other Losses (USSGL account 729000).

B. OUSD(C) will approve all amounts transferred from this appropriation to other appropriations available for construction.

070204. Standards

A. Use the foreign currency appropriations (FCF, D and FCF, C, D) to offset losses sustained because of unfavorable foreign currency fluctuation realized upon payment for goods and services in local currency. The appropriations are not available to finance cost increases resulting from changes in the scope of programs, inflation increases, or other such changes, nor to finance Prompt Payment Act interest payments. Other important provisions of the FCF appropriations relate to obligation/expenditure limitations and financial accounting requirements related to foreign currency exchange fluctuation.
1. Authorizations or limitations now or hereafter contained within appropriations or other provisions of law limiting the amounts that may be obligated or expended will be increased to the extent necessary to reflect fluctuation in foreign currency exchange rates from those used in preparing the applicable budget submission.

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

B. Funds transferred from the FCF appropriations will be available for funding CMAs established in the applicable O&M, construction, family housing, or NATO infrastructure appropriations to cover losses or account for gains in direct programs due to fluctuation in foreign exchange rates. Base these transfers on need, funds available to cover such losses DoD-wide, and other budgetary considerations. Consequently, such losses may not be fully funded.

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

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

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

3. When payment is made, charge the variance between the budget rate and the current rate directly to the applicable FCF account. If the transaction results in a gain, credit the FCF account in the amount de-obligated from the original FCF, C, D obligation. For example, a military construction project was included in the FY 2017 President’s Budget (PB). Funds for the project were obligated in FY 2018 using FY 2017 funds, and all the project expenditures disbursed in FY 2019. In this example, record the obligations in the accounting system using the FY 2017 budget rates. There would be no effect on the military construction FCF account prior to FY 2019 since no disbursements were made until FY 2019. The foreign currency reports in each of those years, however, would identify accrued variances, i.e., the differences between the project obligations carried at the FY 2017 budget rate and the project obligations valued at the current exchange rate. Use this accrued variance to identify the projected disbursement requirements of the component FCF account. The realized foreign currency variance would be recorded against the military construction FCF account for FY 2017 at the time of the actual disbursements.

D. The DFAS Service Component central accounting activities will determine the total foreign currency unliquidated obligations at the budget exchange rate provided by OUSD(C) for each appropriation, and identify and accumulate both favorable and unfavorable variances. The supporting activity will also determine the “accrued variance” at the end of each
month based on the difference between unliquidated obligations at the budget rate and unliquidated obligations at the current rate, using the exchange rate on the last day of the month. The accrued variance will never be obligated in the official accounting documents.

E. Each DoD Component holding an FCF account is responsible to establish internal controls and carefully monitor funds availability at all times, as Antideficiency Act provisions apply to each FCF account. Establish controls to reserve sufficient funds within the appropriation’s availability to finance projected disbursement requirements for the FCF account. For family housing and construction, a 6-month requirement is recommended. Should FCF account funding availability drop below that level, take immediate action to avoid overobligation. Such action will include providing additional funds from current accounts and, if necessary, advising all disbursing officers to cease payments from the FCF account without prior certification until funding is obtained. Do not take any action that presumes relief through a transfer of funds from the FCF appropriations because of the limited capital available in these accounts.

F. OUSD(C) publishes lists of specific currencies in the FCF program and associated exchange rates. Currencies may be added and deleted by OUSD(C) as conditions warrant. The OUSD(C) FCF site provides a report containing the list of currencies, the applicable budget rate, and the current period adjusting rate.

0703 REPORTING REQUIREMENTS

070301. Appropriation Transfers

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

070302. General Reporting Guidance

A. Other than calculating the monthly accrued variance described in subparagraph 070204.D, no further adjustment to the original obligation is necessary until disbursement is made or until the appropriation is closed.

B. FCF requirements described in this chapter do not apply to reimbursable programs. The performing activity will continue to accept reimbursable orders, incur obligations, and bill for reimbursement at the current foreign currency exchange rate using the requirements found in Volume 3, Chapter 9 and Volume 11A, Chapter 1. However, when the performing activity and the benefiting activity are DoD organizations, the performing activity will notify the benefiting activity of the amounts obligated that are to be paid in foreign currency. The benefiting activity will record that portion of its obligation for direct programs at the budget rate in the manner prescribed in subparagraph 070204.C. Record the realized variance determined at the time of the disbursement in the respective FCF account of the benefiting activity.
C. Do not adjust normal operating budgets or other funding documents issued for the affected appropriations by DoD Components for foreign currency exchange rate fluctuation.

D. Prior to closing the financial records at year-end, each component holding an FCF account will review the status of that account. Transfer net gains in an FCF account to the applicable FCF appropriation. Components will also determine the portion of the losses that can be absorbed by the FCF account and transfer to the FCF appropriation any remaining balances that are not required.

E. FCF requirements described in this chapter do not apply to Gains and Deficiencies on Exchange Transactions, Army (TAS 21 6763 and TAS 021 6763); Gains and Deficiencies on Exchange Transactions, Navy (TAS 17 6763 and TAS 017 6763); Gains and Deficiencies on Exchange Transactions, Air Force (TAS 57 6763 and TAS 057 6763); and Gains and Deficiencies on Exchange Transactions, Treasury (TAS 20 6763 and TAS 020 6763). Volume 5, Chapter 4 provides guidance regarding deficiencies. See Volume 5, Chapter 13 for guidance regarding gains and losses by revaluation.

F. FCF requirements described in this chapter do not apply to Burdensharing funds received from other countries. See Volume 12, Chapter 24 for guidance regarding Burdensharing funds.

*070303. Report Error Correction

Service components and OUSD (Personnel & Readiness) (OUSD(P&R)) Military Compensation Policy are responsible for ensuring the completeness and accuracy of monthly report submissions to DFAS Departmental Reporting Directorate-Indianapolis. DFAS forwards the consolidated reports to the Office of the Deputy Comptroller (Program/Budget) (ODC(P/B)), OUSD(C), which also conducts a review of submitted reports for completeness and accuracy. ODC(P/B), OUSD(C) will notify the applicable data submitter if data correction is required. The applicable data submitter is responsible for data correction and resubmission through DFAS Departmental Reporting Directorate-Indianapolis to ODC(P/B), OUSD(C).

0704 REPORTING FORMATS


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

B. The DFAS Service Component central accounting activities, National Security Agency (NSA), DoD Education Activity (DoDEA), and Defense Security Cooperation Agency will provide a monthly report to DFAS Departmental Reporting Directorate-Indianapolis using the format in Figure 7-1.
1. Submit the report in accordance with due dates established by DFAS-Indianapolis and consistent with the requirements of OUSD(C).

2. The report will include the following:

   a. **Column 1 – Currency/Submitter.** Alphabetically list the specified country. Include the official currency (monetary unit) next to each country.

   b. **Column 2 – Unliquidated Obligations.** Enter the dollar amount of foreign currency unliquidated obligations at the budget rate. Derive this amount by taking the obligations incurred at the budget rate less the disbursements at the budget rate.

   c. **Column 3 – Accrued Variances.** Enter the accrued variances for the unliquidated obligations shown in column 2. This amount may change from month to month as the current foreign currency exchange rate changes and/or as the amount of unliquidated obligations changes.

   d. **Column 4 – Liquidated Obligations.** Enter the dollar amount of foreign currency obligations liquidated in the accounting system at the budget rate of the foreign currency cited within the obligating document.

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

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

   g. **Column 7 – Planned Overseas Program.** The planned overseas program for execution at the budget rate should agree with the current year (CY) column of the Exhibit PB-18 (Foreign Currency Exchange Data). Volume 2B, Chapter 19 contains the format for Exhibit PB-18, which is required to support the PB request for the budget year. Explain any increases or decreases to the planned overseas program during the execution of the CY by country in the monthly report.

3. The report will also include footnotes showing:

   a. The total funding provided to the FCF account by source including:

      (1) Transfers from the FCF, D appropriation;

      (2) Transfers from the component's O&M availability;
(3) Total FCF account funding;

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

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

d. Projected liquidations (budget rate) for the FY. Estimate the obligations (budget rate) that will be disbursed during the FY; and

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

* 070402. FCF, D Report (MILPERS)

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

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

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

1. Identify total expenditures by the Military Departments for COLA and OHA by officer and enlisted for the country currencies included in the FCF, D account.

2. OUSD(P&R) Military Compensation Policy will report to the DFAS Service Component central accounting activities the appropriate COLA and OHA index based on current exchange rates. For FCF, D, OUSD(P&R) Military Compensation Policy will also report COLA and OHA indices based on the budget exchange rates.

3. DFAS Service Component central accounting activities will access affected personnel pay accounts and identify the COLA and OHA disbursements, by officer and enlisted, according to designated location codes.
4. DFAS Service Component central accounting activities will calculate the foreign currency impact by estimating the differences between budget exchange rates and current exchange rates applied to the total expenditures for COLA and OHA.

5. Consolidate foreign currency amounts and identify the remaining expenditures for the end-of-month recorded disbursements.

D. The COLA foreign currency report format structure is:

1. Service,
2. Country (FCF, D country),
3. Budget Rate,
4. COLA Rate,
5. COLA Code,
6. COLA Code Change Indicator,
7. Budget Index,
8. Allowance Index,
9. COLA Factor,
10. Actual COLA Enlisted Disbursement,
11. Budgeted COLA Enlisted Amount MILPERS Appropriation,
12. COLA Realized Variance Enlisted,
13. Actual COLA Officer Disbursement,
14. Budgeted COLA Officer Amount MILPERS Appropriation,
15. COLA Realized Variance Officer,
16. Actual COLA Officer/Enlisted Disbursement Total,
17. Budgeted COLA Officer/Enlisted Amount MILPERS Appropriation Total, and
18. COLA Realized Variance Officer/Enlisted Total.
E. The OHA foreign currency report format structure is:

1. Service,
2. Country (FCF, D country),
3. Budget Rate,
4. OHA Rate,
5. OHA Factor,
6. Actual OHA Enlisted Disbursement,
7. Budgeted OHA Enlisted Amount MILPERS Appropriation,
8. OHA Realized Variance Enlisted,
9. Actual OHA Officer Disbursement,
10. Budgeted OHA Officer Amount MILPERS Appropriation,
11. OHA Realized Variance Officer,
12. Actual OHA Officer/Enlisted Disbursement Total,
13. Budgeted OHA Officer/Enlisted Amount MILPERS Appropriation Total, and
14. OHA Realized Variance Officer/Enlisted Total.

F. Report the following information by OUSD(P&R) Military Compensation Policy and use it to prepare the monthly COLA and OHA foreign currency execution reports:

1. Column A – Country. This column lists the budget countries subject to FCF, D requirements.
2. Column B – Budget Rate. This column identifies the FY budget exchange rates as set by OUSD(C).
3. Column C – COLA Rate. This column identifies the current market exchange rate upon which both COLA and OHA are set (allowance rate).
4. Column D – COLA Code. For countries with multiple COLAs, many locations are linked and receive the same index. This code identifies linked locations for COLA purposes.
5. **Column E – COLA Code Change Identifier.** This column identifies whether a change has been made this period to the COLA Code.

6. **Column F – Budget Index.** This column represents the COLA index based on budget rate.

7. **Column G – Allowance Index.** This column represents the COLA index based on allowance rate.

8. **Column H – COLA Factor.** This column represents the multiplication factor for COLA disbursements based on budget and allowance indices.

9. **Column I – OHA Factor.** Compute the balance for this column by taking the budget rate minus the OHA rate divided by OHA rate.

DD-COMP (M) 1761 – Foreign Currency Fluctuation, Construction, Defense Report

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

B. The **DFAS Service Component** central accounting activities, NSA, and DoDEA will provide a monthly report to the DFAS Departmental Reporting Directorate-Indianapolis using the format in Figure 7-2.

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

2. The report will include the following:
   a. **Column 1 – Country.** Alphabetically list the specified country.

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

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

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

   e. **Column 5 – Foreign Currency Liquidated Obligations.** Enter the dollar amount of total obligations liquidated for the report month at the budget rate.
f. **Column 6 – Realized Variance.** Enter the actual dollar amount of the variance resulting from liquidated obligations for the month. This amount represents the variance (difference) between obligations at the budget rate and the amount actually disbursed. Charge all realized variances against the applicable FCF accounts for construction, military family housing operations and maintenance, and military family housing construction.

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

3. The report will also include footnotes showing:

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

b. The total amount of funding transferred to the FCF accounts from the FCF, C, D appropriation.
Figure 7-1. Foreign Currency Fluctuations, Defense Report: DD-COMP (M) 1506

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<th>Liquidated Obligations (Budget Rate)</th>
<th>Realized Variances (Budget Rate)</th>
<th>Obligations Incurred (Budget Rate)</th>
<th>Planned Overseas Program (Budget Rate)</th>
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FOOTNOTES:

1. FCF Account Funding
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SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated February 2018 is archived.

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<td>All</td>
<td>Updated hyperlinks and reformatted chapter for clarity in accordance with current administrative guidance.</td>
<td>Revision</td>
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<td>0902</td>
<td>Updated office name for Office of the Assistant Secretary of Defense for Sustainment, and added reference to Military Unaccompanied Housing Improvement Fund (MUHIF).</td>
<td>Revision</td>
</tr>
<tr>
<td>090801</td>
<td>Added reference to MUHIF.</td>
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CHAPTER 9

ACCOUNTING AND REPORTING FOR OPERATION AND MAINTENANCE
OF THE FAMILY HOUSING PROGRAM

0901  GENERAL

090101.  Overview

This chapter provides accounting support for Family Housing Operation and Maintenance (O&M) requirements and prescribes an accounting structure that accumulates Family Housing O&M costs consistent with guidance set forth in Volume 2B, Chapter 6. Congress established the Family Housing O&M appropriation to separate the funding of Family Housing O&M from other O&M programs. Charge all obligations incurred for O&M to support the military Family Housing Program to the Family Housing O&M appropriation.

090102.  Purpose

The purpose of the account structure is to provide uniform procedures for consistently identifying, accumulating, and reporting family housing program costs. It is important that methods for computing costs for the Family Housing Program are as uniform as practicable among the Department of Defense (DoD) Components. Such uniformity is essential to permit intra-DoD and inter-DoD Component program, budget, and cost comparison, irrespective of the management service, the agency, or the accounting system used at the installation. Cost identification and computation methods specified herein should minimize the accounting effort and detail required to compute costs. Costs for operating and maintaining family housing facilities must be identified as prescribed in this chapter and are the basis for reports referenced herein.

090103.  Authoritative Guidance

The Family Housing Program encompasses Military Family Housing, as defined and authorized by the provisions of Title 10, United States Code (U.S.C.), Chapter 169, and includes all DoD Component family housing in the Defense Family Housing Property Account, leases of real property utilized by DoD Components for family housing, and associated family housing support services programs. The policies prescribed throughout this chapter, pertaining to the accounting and reporting for O&M costs of the Family Housing Program, are based upon 10 U.S.C., Chapter 169 and the laws and regulations cited herein.

*0902  SCOPE

This policy applies to all DoD Components that support military family housing under the Family Housing Program. Military Departments’ Housing Privatization support costs associated with the Military Housing Privatization Initiative (MHPI) Program, such as assessments/studies; portfolio, program, and asset management; construction oversight; consultant fees; and other administrative costs, are funded by the Family Housing O&M appropriation and fall within the parameters of this policy. The Office of the Assistant Secretary of Defense for Sustainment
(OASD(S)) and Defense Finance and Accounting Service (DFAS) MHPI Program administrative support costs are separately budgeted, accounted for, and reported in the Defense-wide Family Housing Improvement Fund (FHIF) and Military Unaccompanied Housing Improvement Fund (MUHIF) Program accounts.

0903 ACCOUNT STRUCTURE AND CONTENT

090301. Accounts Used for Accumulating Costs

A series of accounts has been established and maintained for accumulating Family Housing O&M costs incurred and reimbursements earned through the Family Housing Program. Compute and identify costs and reimbursements to the accounts in accordance with the guidance herein. Use the accumulated costs and reimbursements in the accounts to support budget exhibits and budget execution reports.

090302. Required Summary and Subordinate Accounts

The following is a list of required summary and subordinate accounts.

A. Operations Account

1. Management Account. This account accumulates costs of management, administrative, and support-type services at the installation level involving:

   a. Administration costs for installation housing offices, including management office personnel, supplies, equipment, and utilities pertaining to the functions of a family housing office. These costs also include administrative support services provided in supply, comptroller, maintenance, and other installation offices when the costs for such services are attributable to family housing;

   b. Costs for administering and providing housing referral services and assistance in locating and inspecting privately-owned family housing for DoD personnel;

   c. Costs for requirements surveys and preliminary studies, including Family Housing market analyses, condition assessments, survey requirements for construction plans, and concept development. This account also includes community liaison and planning for improvement and rental guarantee projects and inspection; and

   d. Other identifiable management costs that directly support the Family Housing Program.

2. Services Account. This account accumulates costs for authorized services for Government-owned family housing units. For privatized housing, the developers are financially responsible for the reimbursement or payment of services provided.
a. **Refuse Collection and Disposal.** These services include collecting garbage, trash, ashes, debris, and refuse disposal for family housing, such as the O&M of incinerators, sanitary fills, and regulated dumps. These services also include acquisition, maintenance, and repair of garbage and trash containers, and operation of can-washing facilities.

b. **Fire Protection.** This service includes costs for protection and fire prevention efforts for family housing facilities.

c. **Police Protection.** This service includes the costs for law enforcement, traffic control, and protection of family housing facilities.

d. **Entomological Services.** These services include costs of all control measures against fungi, insects, and rodents within family housing dwellings, facilities, and areas.

e. **Custodial Services.** These services include costs of janitorial and custodial services performed in common service areas and the cost of elevator operation in family housing facilities.

f. **Snow Removal.** This service includes the costs of removing, hauling, and disposing of snow; ice alleviation; and erection, maintenance, repairs, and removal of snow fences for family housing areas.

g. **Street Cleaning.** This service includes the costs of cleaning streets comprised of sweeping, flushing, and picking up litter.

h. **Municipal Type Services.** These services include costs of miscellaneous municipal type services not identifiable to other listed accounts.

i. **Other Services.** The costs of all other authorized services for family housing fall into this category.

3. **Furnishings Account.** This account accumulates costs for initial acquisition, maintenance, repair, and replacement of furnishings, furniture, movable household equipment, and authorized miscellaneous items. This account also includes costs of controlling, handling, record keeping, and moving of Government-owned furnishings into and out of dwelling units; charges for connecting and disconnecting equipment; and handling costs incident to storage. Also included are furnishings for Special Command Positions and Senior Leadership as prescribed in DoD Manual 4165.63, “DoD Housing Management.”

4. **Miscellaneous Account.** This account accumulates costs of operational items that do not fall into management, services, or furnishings accounts. This account includes:
a. Lease, rents, and permit payments for housing and trailer spaces leased by the Government from private sources or provided by the Federal Housing Administration (FHA) or the U.S. Department of Veterans Affairs (VA);

b. Reimbursement costs for dwellings provided by State (e.g., International Cooperative Administrative Support Services), municipal, or foreign governments, or by Federal agencies other than the FHA or VA. This includes payments from the Military Departments to the U.S. Coast Guard for family housing provided to their military personnel;

c. German land taxes paid to the Federal Republic of Germany under the North Atlantic Treaty Organization Status of Forces Agreement for local taxes on land and improvements of family housing property;

d. Fire insurance charges paid to the Federal Republic of Germany to cover fire damage to family housing dwelling units;

e. United Kingdom accommodation charges paid in accordance with the country-to-country agreement for housing provided to U.S. Forces; and

f. Other miscellaneous operations costs not covered elsewhere.

B. Utility Account. This is a summary account for accumulating costs for utilities consumed in family housing, including electricity, water, sewage, natural gas, fuel oil, or other heating fuels. This account excludes the costs of maintenance and repair of utility systems identified to the family housing property covered under the Maintenance Account. Exclude other costs reported as “Services” from the utility operations account.

C. Maintenance Account

1. Dwellings Account. This account accumulates costs of maintenance and repair, including all interior utilities and installed equipment, of all family housing buildings in real property category codes 711, 712, and 714, as defined in the DoD Real Property Categorization System, which is established by DoD Instruction 4165.03, “DoD Real Property Categorization.” Typically, accumulating costs for this account involves:

a. Service calls for minor work, including emergency and temporary repairs normally not in excess of 16 work hours;

b. Routine maintenance for occupancy work and other maintenance usually scheduled annually or more frequently;

c. Repairs and replacements for rehabilitations and replacement of major components and installed equipment;

d. Interior and exterior painting and the necessary preparation; and
e. Contract cleaning between occupancy, where authorized.

2. Exterior Utilities Account. This account accumulates costs of maintenance and repair of electric, gas, water, sewage, and other utility distribution, collection, or service systems assigned to family housing. Street and area lighting systems are included in exterior utilities beginning at a point 5 feet from the house line and ending at a point where the utility system joins a common use main or terminates.

3. Other Real Property Account. This account accumulates costs for maintenance other than to dwellings and exterior utilities, including:

   a. Maintenance, care, and repair of improved and unimproved grounds, storm sewerage, and drainage structures; and costs of acquisition, maintenance, and repair of Government-owned minor equipment, such as hand-operated lawnmowers used for grounds maintenance by occupants;

   b. Maintenance and repair of paved or stabilized streets, roads, walks, and driveways; utility, service, and parking areas, as well as curbs, gutters, signs, and other road appurtenances; and

   c. Maintenance and repair of facilities other than dwellings, such as fences when the facility is dedicated to housing, athletic and recreation facilities, community buildings, service facilities, and the costs of maintenance of trailer sites including outlets.

4. Alterations and Additions Account. This account accumulates costs for incidental additions, expansions, extensions, and alterations to existing real property. These costs include payments made to military personnel for telephone reconnection charges when maintenance or repair work necessitates Government-directed, nonpermanent change-of-station moves, and charges resulting from improvement or repair projects funded in part from the family housing construction account.

D. Leasing Account

1. Lease Cost – Foreign Account. This account accumulates costs for charges and other payments specified in the lease agreement for housing in foreign countries under 10 U.S.C., section 2828.

2. Lease Cost – Foreign Account Government Rental Guarantee Program (GRGP). This account accumulates costs for charges and other payments specified in the lease agreement for housing in foreign GRGPs (e.g., Europe under the Army GRGP programs).

3. Lease Cost – Domestic Account. This account accumulates costs for charges and other payments specified in the lease agreement for housing in the United States, including U.S. possessions and territories, as specified in 10 U.S.C. § 2828.
4. **Lease Cost – Section 2835 Account.** This account accumulates costs for charges and other payments specified in the lease agreement for 10 U.S.C. § 2835 housing contracts for the lease of facilities on or near military installations, essentially a build-to-lease guarantee to a local property developer.

5. **Rental Guarantee – Section 2836 Account.** This account accumulates costs accounted for under rental guarantees for a minimal occupancy rate or rental income for 10 U.S.C. § 2836 housing. This program allows the DoD Components to enter into lease agreements guaranteeing that tenants occupy rental housing on or near installations.

6. **Other O&M Cost.** This series of accounts accumulates costs for maintenance, utilities, and contracted services not provided by the lessor for foreign, GRGP, domestic, and 10 U.S.C. § 2835 and § 2836 housing. They include initial make-ready costs, costs of Government-owned furnishings, any pro rata share of the costs of installation services, and administrative costs, such as assignment, travel, and inspection by installation personnel. Reimbursements to the Department of State for foreign affairs administrative support costs are also included.

E. **Mortgage Insurance Premiums Account.** This is a summary account for accumulating the costs for service members’ mortgage insurance premium payments pursuant to 12 U.S.C. § 1701, also referred to as the “National Housing Act.” See Volume 2B, Chapter 6 for more guidance.

F. **Foreign Currency Fluctuations Account.** This is a summary account for accumulating the gains or losses arising from foreign currency exchange rate fluctuations in accordance with the requirements in Chapter 7.

G. **Reimbursements Account.** This is a summary account for accumulating reimbursements collected during the current fiscal year for Family Housing O&M rental and service charges billed to occupants and for proceeds from handling or disposing of excess housing property. Identify reimbursements for Foreign Military Sales (FMS)-funded and Non-FMS-funded accounts separately.

1. **FMS-Funded Account.** This account accumulates all reimbursements from FMS-funded activities or sources. Identify the amounts within the account as to the nature of the reimbursements, for example, recovery of the costs of operations, utility operation, maintenance of real property facilities, or proceeds from property handling or disposal.

2. **Non-FMS-Funded Account.** This account accumulates reimbursements from other than FMS-funded activities or sources. Identify the amounts within the account as to the nature of the reimbursements, for example, recovery of the costs of operations, utility operation, maintenance of real property facilities, or proceeds from property handling or disposal.

H. **Housing Privatization Support Account.** Use this account for accumulating costs the Government incurs in direct support of the MHPI program with the exception of the costs
included as part of the privatization project. These costs are associated with the support of the MHPI program and specifically for:

1. Site assessment costs, including environmental baseline assessments, environmental assessments, environmental impact statements, and any efforts required by the Government prior to privatization for environmental mitigation, site surveys, or real estate costs;

2. Project costs, including project feasibility studies, concept development, consultant fees, solicitation, procurement, contracting, execution, transition, construction management, post-award management and monitoring, and portfolio management; and

3. Administrative costs, including civilian pay, travel, training, supplies, equipment, and services provided by a Defense agency in support of the privatization program.

0904 COST IDENTIFICATION PROCEDURES

090401. Obligations Incurred

The DoD Components must identify the obligations incurred, both in-house and by contract, to operate and maintain family housing programs.

090402. Identifiable and Measurable Costs

Charge costs to the applicable family housing account to the extent they are reasonably identifiable and measurable to the housing program. This practice does not prevent the use of engineered standards or estimates in charging utilities when metering devices are not used.

090403. Obligations for Administrative Costs

Limit obligations incurred for administrative support and supervision efforts to those incurred at installation level and do not include those incurred at echelons of command above the installation. An exception is made when amounts for administrative support and supervision are included in charges assessed by a field office of a construction agent.

090404. Criteria for Support Costs

Assign other efforts, goods, or services provided to family housing programs to appropriate family housing accounts based on relative workload, benefit, or other measurement. Use the following general criteria in assigning support costs to the Family Housing Program:

A. When the support provided is predominantly personnel-intensive, costs must be allocated based on a pro rata basis of workload or actual costs, whenever possible. This would
include collateral duty management assignments involving command or policy determinations related to personnel, financial management, legal, procurement, or similar areas;

B. When the support provided has a mix of personnel, equipment, materials, or supplies, allocate costs based on workload (e.g., printing or reproduction services or computer support involving a mix of resources) or actual costs, whenever possible. Use the proportion of workload for the Family Housing Program to the total workload to compute the portion of the total costs identified to the Family Housing Program; and

C. When the support provided predominantly involves specific goods or services (e.g., electricity, gas, water, or sewer), allocate costs based on the relative amount consumed or quantity used or actual costs, whenever possible.

090405. General or Flag Officers Costs

When a set of quarters is intended for or occupied by officers of General or Flag rank, identify the costs accumulated for the O&M of each set of quarters within the accounts specified in this chapter and reported in accordance with the requirements prescribed by the OASD(S).

090406. Costs Identified to the Family Housing Program

When identifying Family Housing O&M costs to the program, the general premise is to assign all applicable costs. When an incidental level of effort, supplies, or services are provided on a nonrecurring basis, costs need not be identified to the program if they are insignificant and it is not cost effective to measure and assign the costs. As a general rule, cost identification is necessary when the support is more than incidental.

090407. Installation Managers Responsibility

Installation management officials, such as the installation commander, public works officer, housing director, or comptroller, are responsible for identifying the O&M costs for the Family Housing Program, whether funded by Family Housing O&M or other appropriations. Installation managers must periodically review manning standards, workload and consumption methods, and other factors used to identify efforts in support of the program. When variances occur in efforts, workload, or other resources consumed, reset the basis of allocating such costs to the program. Management must also review charges to the accounts specified herein to ensure that none have been inadvertently omitted or erroneously included.

0905 COST ELEMENTS AND COMPUTATION OF CHARGES

090501. Full Absorption Basis

Charge costs to the program in proportion to the actual efforts used, goods consumed, or services received by the Family Housing Program. Fully charge dedicated efforts or responsibilities for the program. For example, charge total costs for full-time management and staff to the Family
Housing Program. Compute and expense all costs of providing program support to the program on a full absorption basis, i.e., full cost for dedicated support and pro rata cost for other support.

A. Apply the normal business fund overhead rates to family housing support for Defense Working Capital Fund (DWCF) real property maintenance activities, which have a primary mission of facility maintenance.

B. Apply the applicable rate to direct work or service in support of family housing for other funded real property maintenance activities with established shop or productive expense rates.

090502. Labor Costs

Compute the labor effort of military or civilian personnel assigned and identified to family housing for pay and benefits using a labor distribution system, if available, or the guidance in Volume 11A, Chapter 1. Review and validate personnel efforts annually to support charges to family housing. Accumulate and classify military labor as an unfunded cost within the account structure since the cost is not a reimbursable charge to the program.

090503. Material and Supplies Costs

Compute costs for material and supplies based upon the relative or actual amount consumed, or the quantity used. Compute material and supplies at acquisition price if directly (locally) purchased or at standard inventory price if issued through the supply system.

090504. Costs of Services

Compute and charge, upon receipt, services provided by Government forces or contractors, such as refuse collection and disposal, entomological, and custodial activities. Family housing must bear the full cost of these services when it is the sole customer. Charge a partial cost to family housing when the family housing portion of such services is readily separable and distinct. When the service operation is too intertwined or complex to enable ready identification of proper family housing costs, charge costs to family housing based on the proportionate amount of service received on a unit-of-service basis, such as number of refuse pickups or square feet of floor area receiving custodial service.

090505. Utility Costs

Compute utility costs based upon consumption. All DWCF-funded activities providing utilities must compute the charges consistent with their normal procedures. All other activities must compute the charge to family housing at the rate the utility is purchased from the supplier. If not metered, then base consumption on documented engineering estimates.
090506. Equipment Usage Costs

Compute equipment usage costs for rented property at the lease or rental rate. Limit cost computation in the case of Government-owned equipment to the expenses of operating and maintaining the equipment and charges for the operator’s time when provided by other than family housing. Do not compute acquisition costs or periodic depreciation charges.

090507. Unfunded Costs

Treat military labor and headquarters costs, included in construction agent administrative support and supervision effort above the installation level, as unfunded costs in computing Family Housing O&M costs.

0906 REIMBURSEMENTS

090601. FMS-Funded and Non-FMS-Funded Accounts

Use FMS-funded and non-FMS-funded accounts to accumulate reimbursements for charges initially financed by the Family Housing O&M appropriation for the Family Housing Program or proceeds from handling or disposing of family housing property. Record all reimbursements in the family housing reimbursement accounts.

090602. Reimbursements

Ordinarily, reimbursements are for rental and service charges paid by occupants or users of family housing facilities. Some collections are refunds that include the costs of repairing damages and replacement of items to family housing facilities.

090603. Reimbursements for Recovery of Expenses

Reimbursements involve the recovery of expenses for handling and disposing of excess family housing property as well as the proceeds from sales of such property. Collections are used for various purposes, such as defraying O&M expenses or the payment of debt. Volume 2B, Chapter 6 provides policy guidance governing such collections, use, and reporting.

0907 INTERNAL CONTROL

Management must develop and implement internal control techniques to ensure effective control over and accountability for the resources charged to this program and for the full and prompt receipt of all proceeds from reimbursements for rents, service charges, and disposal or handling of excess family housing property.
0908 REPORTING

* 090801. Responsibility of DoD Components

The DoD Components responsible for operating and maintaining family housing facilities are required to prepare the reports described in this chapter. Administrators of Housing programs under MHPI are required to prepare these reports for the FHIF and MUHIF program accounts. The FHIF and MUHIF Financing accounts, however, require only the Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources.

090802. Reports

Data derived from the uniform account structure identified in this chapter must be used when preparing and submitting the following reports.

A. Appropriation Status by Fiscal Year Program and Subaccounts Report (Accounting Report (Monthly) 1002). The DoD Components must prepare and distribute the report in accordance with the guidance contained in Chapter 4.

B. SF 133. The DoD Components must prepare and distribute the monthly report for the annual portion of the Family Housing O&M category of the family housing appropriation in accordance with the guidance prescribed in Chapter 4.

090803. Military Departments/DFAS and Intermediate/Installation-Level Report Requirements

Reporting requirements for family housing reports at the center/service and intermediate/installation-level are addressed in manuals and instructions published by the individual Services or DFAS central accounting activities.
VOLUME 6A, CHAPTER 13: “INTERNATIONAL BALANCE OF PAYMENTS REPORTING AND ESTIMATING”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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<td>Updated hyperlinks and formatting in accordance with current administrative instructions.</td>
<td>Revision</td>
</tr>
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<td>Deleted reference to Table 13-8 (previous version), which explained the evolution of the basic geopolitical entities coding structure, and included a reference to the National Geospatial-Intelligence Agency website.</td>
<td>Revision</td>
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<tr>
<td>130208.D.1</td>
<td>Replaced reference to Table 13-11 with a hyperlink to Security Assistance Management Manual (SAMM) Table C4.T2B, identifying a list of international organizations.</td>
<td>Revision</td>
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<td>Deleted table since it duplicated information in paragraph 130207.B.1 and B.2.</td>
<td>Deletion</td>
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<td>Table 13-11 (Previous Version)</td>
<td>Deleted table and replaced with hyperlink to SAMM table as identified in paragraph 130208.D.1.</td>
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CHAPTER 13

INTERNATIONAL BALANCE OF PAYMENTS
REPORTING AND ESTIMATING

1301 GENERAL

DoD Components are required to report expenditures and receipts that affect the U.S. International Balance of Payments (IBOP). The IBOP report provides information required by the Department of Commerce and the Department of the Treasury (Treasury) for control of IBOP financial transactions.

130101. Purpose

This chapter establishes the policies and requirements for the accounting and reporting of DoD international transactions related to U.S. balance of payments data, including grants and credits extended to foreign countries.

130102. Authoritative Guidance

Authoritative guidance for this chapter is derived from Office of Management and Budget (OMB) Statistical Directive 19: “Reports of the Department of Commerce on International Transactions” (Directive 19). Directive 19 established the IBOP transaction reporting requirements to the Department of Commerce. Reported information is used by the United States in managing balance of trade with foreign nations.

1302 REPORTING OVERVIEW

130201. Applicability and Scope

A. These requirements apply to the OSD, the Military Departments (Army, Navy, Air Force, Marine Corps), Defense Agencies (including the Military Postal Service (MPS) and nonappropriated fund activities), and DoD Field Activities (hereafter referred to collectively as “DoD Components”). DoD Components are responsible for reporting transactions affecting the IBOP. Each Defense Finance and Accounting Service (DFAS) main site (Indianapolis, Columbus, and Cleveland) is responsible for consolidating the data for the DoD Components and submitting a final report to the Department of Commerce. While DFAS reports a majority of the IBOP data, the Department of Commerce may identify specific information to be reported directly by select DoD components.

B. The requirements cover all transactions that relate to the IBOP report, including specified data on DoD assets and liabilities abroad and foreign currency transactions, DoD international investments, Foreign Military Sales, transfers of property and services abroad, and foreign grants and credits. This chapter’s requirements apply to all transactions, regardless of payment method (e.g., U.S. dollars, foreign currency, and purchase card) accounted for in any of the following:
1. Expenditures from or reimbursements to U.S. dollar appropriation and fund accounts (general and special funds, public enterprise funds, deposit funds, and trust fund accounts for military and civilian functions);

2. Transfer appropriation accounts including Foreign Military Sales;

3. General fund receipt accounts established by the Treasury for collection of miscellaneous receipts for which the DoD has billing and collecting responsibility;

4. Expenditures or receipts of foreign currencies charged or credited to other than U.S. dollar appropriation and fund accounts (such as DoD Foreign Currency (Foreign Transaction (FT) accounts));

5. Receipts or donations of commodities or services;

6. Transfers under special drawdown authority of the President, Excess Defense Articles (EDA) program, or international treaties;

7. Nonappropriated fund activities, such as commissaries, post exchanges, and officers’ clubs; and

8. All MPS transactions, such as meters (including Postage Validation Imprinters Sales), stamps, and money orders.

130202. Report Formats and Rules

The report formats and edit and validation rules for submission are provided in Tables 13-1 through 13-4. Sample formats are shown in Tables 13-5 through 13-7.

130203. Definitions

A. **Abroad.** The term abroad includes all foreign countries and the Panama Canal Commission, but excludes the United States, its possessions, Puerto Rico, Guam, and the U.S. Virgin Islands.

B. **Accommodation Sales.** Accommodation sales represent the sale of foreign currencies for dollars to U.S. personnel for their personal use in a foreign country.

C. **Collections.** Collections are receipts in currencies (both foreign and U.S.), checks, or other negotiable instruments and net of repayments.

D. **Constructive Delivery.** Constructive delivery is the delivery of materiel to a carrier for transportation to the consignee; the delivery of materiel to the customer or the designated forwarder at point of production, testing, or storage; delivery at dockside, at airports, or to a U.S. post office for shipment to the consignee. Completed shipping documents or listings of delivery to the U.S. Post Office provide evidence of delivery.
E. **Contract.** A contract is any type of agreement or order for procurement of materiel, supplies, and services of any amount including purchase orders, delivery orders, service orders, and similar authorizations.

F. **Delivery.** Delivery is the performance of services for the customer or requisitioner; the constructive delivery of materiel as defined in subparagraph 130203.D; or collections for services, transportation, and materiel when they are normally recorded in the billing and collection cycle immediately following performance.

G. **Foreign Military Sales.** Foreign military sales represent the sale of materiel, supplies, equipment, services, and any other support for cash or credit by a DoD Component to a foreign government or international organization as authorized by the Arms Export Control Act (AECA) of 1976, as amended.

H. **Foreign Resident.** The term foreign resident is comprised of the government of a foreign country and all its agencies and subdivisions, corporations, and any individuals residing in a foreign country, except for those defined as follows.

1. Consider a corporation a resident of the country in which it is incorporated. Count a subsidiary as a separate corporation and as a resident in the country where it is incorporated. Business offices and branches of U.S. corporations are residents of the countries where they are located. A corporation operating in a foreign country without a subsidiary or foreign business office or branch is a resident of the country in which it is incorporated. A business representative, however, such as the ticket office of a U.S. transportation company or a sales agent, is not considered a foreign business office.

2. An individual, including a retired U.S. citizen, is a resident of the country in which he or she resides, and not the country of his or her citizenship.

3. An international organization with multi-governmental members is not considered a resident of any particular country.

I. **Gross Pay Foreign Nationals.** The term gross pay foreign nationals is the amount paid to or on behalf of a foreign national citizen or organization, including U.S. contributions to the foreign government, and fees charged by a foreign government under contracts for indirect hire.

J. **Guaranty Financing.** Guaranty financing includes items associated with the guaranty of private credit by the U.S. Government under the AECA of 1976, as amended.

K. **Interest.** The term interest includes interest collected on military assistance or foreign military long-term credit, interest collected by finance and accounting officers for short-term deposits made in financial institutions that share in interest remitted to a DoD Component under Guaranty Financing arrangements, and interest on advances to foreign residents.
L. Joint Weapons Production and Exchange Agreements. Joint weapons production and exchange agreements includes both production of military end items by a foreign country or resident with participation by a DoD Component through payment of cash, or the provision in kind of materiel, assemblies, components, or services, and a joint sharing of the end items as determined by the agreement. This includes co-production, cost sharing, exchange agreements, joint production, North Atlantic Treaty Organization (NATO) consortiums, and others as authorized by the AECA of 1976, as amended.

M. Military Assistance Grant Aid. Military assistance grant aid is the provision of any type of assistance in the form of materiel, supplies, equipment, facilities, training, transportation and services, or otherwise by a DoD Component to a foreign government or international organization. The AECA of 1976 and the Foreign Assistance Act (FAA) of 1961 authorize such assistance. These provisions include Foreign Military Financing (FMF), International Military Education and Training (IMET), the Military-to-Military Contact Program, Special Drawdown Authority, the EDA Program, and Building Partnership Capacity (BPC) programs.

N. MPS. The MPS is the single DoD point of contact with the U.S. Postal Service (USPS). An agreement between the DoD and the USPS establishes the MPS as an extension of the USPS abroad and in the continental United States, as applicable.

O. Net Pay. Net pay is the part of gross pay that is given, mailed, or electronically transferred directly to the individual by cash, check, or electronic transfers. This can include paychecks mailed or transferred by a disbursing officer (DO) to any bank or financial institution for credit to the individual account of U.S. personnel stationed abroad. Net pay includes allotment checks for U.S. personnel stationed abroad or in the United States (for dependent support, personal accounts) mailed to a foreign address (including Army Post Offices), Fleet Post Offices (FPOs), and Diplomatic Post Offices (for foreign addressees), but excludes allotment checks mailed to a U.S. address.

P. Net Pay U.S. Personnel. The term net pay U.S. personnel includes earned entitlements (pay and allowances) for U.S. military forces, allowances to enlisted personnel for subsistence, and amounts earned or otherwise payable to U.S. civilian employees. Net pay excludes U.S. contributions (e.g., life insurance, retirement, health benefits, and social security), but includes amounts that may be withheld from personnel for these items or that are allotted to designated individuals or institutions.

Q. Other Assistance Grant Aid. The DoD outlays from appropriations or sections of appropriations that specifically support U.S. foreign assistance (as authorized under the FAA as amended and other legislation) are IBOP assistance grant aid. These DoD outlays represent the value of goods and services delivered to foreign individuals, governments, or international organizations under specific U.S. foreign assistance programs that include, but are not limited to: Overseas Humanitarian, Disaster, and Civic Aid, Defense (97X0819); Cooperative Threat Reduction Account, Defense (97X0134); Drug Interdiction and Counter-Drug Activities, Defense (in-country support only of 97X0105); and Overseas Costs for Contingency Operations under section 607 of the FAA (reimbursed by special supplement appropriations).
R. Payment. The term payment includes payment in currencies (both foreign and U.S.), checks, or other negotiable instruments, after net of all refunds.

S. Personnel Afloat. The term personnel afloat includes U.S. personnel whose duty station is aboard ship.

T. Progress Payments. Progress payments are payments made by a DoD Component to a contractor or other supplier on contractual procurement of goods or services as work progresses for delivery on a foreign military sale.

U. Real Property Transfer. Real property transfers are items associated with the conveyance of military real property by a Military Department to a foreign resident or international organization.

V. Returns to the United States. Returns to the United States are the portion of payments to contractors or suppliers that is remitted to the United States, or spent or held in the United States, as the result of procurement of U.S. products, U.S. services, and transportation on U.S. flag carriers for supply, service, or construction contracts. For rules applicable to the identification and reporting of returns to the United States, see the Defense Federal Acquisition Regulation Supplement (DFARS), section 225.1103(1) and the clause at 252.225-7005.

W. U.S. Personnel. U.S. personnel includes U.S. military forces (active duty and Reserve Components, but excludes retired military personnel) and U.S. civilian employees (civil service, nonappropriated fund, and individual contract hire).

130204. Frequency and Distribution

The IBOP report must be prepared, at a minimum, quarterly and is due to the Department of Commerce no later than 45 calendar days following the end of the quarter. The report may be prepared and submitted monthly if desired based upon system capability. DFAS Operations Directorates will provide specific due dates to their respective DFAS Sites.

130205. Policy

It is DoD policy to operate overseas activities efficiently and effectively, and to reduce the balance of payments impact of these activities, when such reduction is consistent with U.S. national security goals and objectives. To support this policy, the Department maintains a mechanism to manage and control DoD transactions that enter the IBOP. This system provides for:

A. DoD-wide accounting for and reporting of IBOP transactions;

B. Evaluation and explanation of DoD IBOP transactions;

C. Use of uniform criteria, definitions, and requirements to report IBOP transactions; and
D. Integration of IBOP management and the overall system of management within the Department.

130206. Responsibilities

A. Heads of the DoD Components, must:

1. Develop procedures for implementing the reporting requirements;

2. Ensure reports and required data are submitted on time and are complete and accurate; and

3. Identify, for the Department of Commerce, the office responsible for submitting required data and points of contact within respective organizations that can both provide supplemental information on specific IBOP transactions and resolve problems associated with collecting and processing data.

B. The DFAS Site Directors must:

1. Administer and monitor, as necessary, the reporting requirements for their field reporting offices;

2. Ensure the requirements prescribed are uniformly implemented;

3. Work with other DFAS Sites to provide technical assistance on collecting required data and preparing reports. Each DFAS Site acts as the focal point for the assigned reporting organizations (sites) in providing technical assistance; and

4. Ensure reports are submitted directly to the Bureau of Economic Analysis, U.S. Department of Commerce, and include all data required by Directive 19.

130207. Reporting Guidelines

A. Finance and Accounting Data

1. Installation-Level Procedures. The DoD Components and supporting DFAS Sites must accumulate the data on payments and collections made by their respective disbursing activities as an integral part of installation-level requirements. The IBOP reports must include all collection and disbursement data for the period covered by the report.

2. Nonappropriated Funds and MPS. Accumulate data on nonappropriated funds and MPS accounts and include them in the quarterly reports.
B. Category and Country Codes on Vouchers

   1. Codes. Code all payment and collection vouchers processed overseas with the appropriate category code and foreign country or international organization code, as prescribed on the National Geospatial-Intelligence Agency (NGA) website (see Geopolitical Entities, Names and Codes (GENC) Standard) and Table 13-8, prior to time of payment or collection. Vouchers processed overseas not entering the IBOP must be coded with the “U.S.” country code.

   2. Country Codes. Input country codes on vouchers processed in the United States only for those transactions entering the IBOP. A current list of country codes is available on the GENC Standard (formerly “Federal Information Processing Standards (FIPS) Publication (PUB) 10-4”). If countries are not listed in the current guidance, a request can be sent to NGA at ccwgsecretariat@nga.mil for a new code. Country codes must not be confused with Defense Security Cooperation Agency (DSCA) customer codes. The two codes are not interchangeable.

C. Coded Authorizations. To ensure that payment vouchers are coded properly to indicate category, procurement of U.S. end products, transportation or services, and country or international organization, authorizations such as purchase orders, delivery orders, and contracts that result in expenditures entering the IBOP must be coded at the time of preparation whenever possible. Enter these same codes on the payment vouchers. When the authorization covers procurements of U.S. end products, transportation, or services, enter the percentage or amounts applicable to each procurement return category. Enter codes on all authorizations for the following types of transactions.

   1. Construction and Other Service Contracts, Including Contracts for Scientific and Technical Knowledge to Be Performed Abroad. In all cases where the contract, delivery order, or other procurement document is issued to a U.S. resident, appropriate codes that identify returns to the United States must be included in the accounting classification.

   2. Contracts for Procurement of Materiel, Supplies, and Equipment Abroad. When the terms of the contract require the use of U.S. end products, appropriate codes that identify returns to the United States must be included in the accounting classification on all contracts or other procurement documents issued to U.S. residents.

D. New or Discontinued Appropriations. Each DFAS Site is responsible for modifying their associated tables to reflect new or discontinued accounts that affect IBOP. The Treasury’s Federal Account Symbols and Titles (FAST) Book lists receipt, appropriation, and other fund account symbols and titles assigned by the Department. The FAST Book lists accounts separately that were created or discontinued since the previous revision.

E. Transaction Review. Review IBOP transactions prior to submission for accuracy to ensure the final report is complete and includes all of the required data elements for submission to the Department of Commerce. The DoD Components, accounting activities, and other reporting entities in the United States and at overseas locations must ensure that reported
IBOP transactions are consistent with total transactions reported on the Standard Form (SF) 1220, Statement of Transactions According to Appropriations, Funds, and Receipt Accounts, and supporting SF 1219, Statement of Accountability, including FT accounts.

F. Cross-Disbursing. Under cross-disbursing requirements, the appropriate disbursing office must provide data on payment and receipt transactions to the DoD Component assigned reporting responsibility. Under these procedures, reports must include all of the data necessary for the DoD Component to report balance of payment expenditures and receipts for its accounts in accordance with the requirements of this chapter. The data must include all supplementary information that is necessary to identify returns to the United States as stated in subparagraph 130208.B.1.c. The DoD Component having management control of the funds must include these transactions in its IBOP report. Subparagraph 130207.N.4 identifies cross-disbursing reporting requirements for each Military Department.

G. Appropriation Reimbursements. Enter appropriation reimbursements from foreign entities on the appropriate Collections lines in the Accounting Report (AR)-1, as shown in Table 13-5. Enter collections from U.S. personnel abroad in the appropriate “Less Receipts from U.S. Personnel” lines (i.e., “Payments”).

H. Delivery Data. As outlined in DSCA 5105.38-M, Security Assistance Management Manual (SAMM), data regarding Foreign Military Sale deliveries (Chapter 7), FMF grant aid deliveries (Chapter 9), IMET Program (Chapter 10), transfers under Special Drawdown Authority and the EDA program (Chapter 11), Military-to-Military Contact Program (Chapter 11), BPC deliveries (Chapter 15), and transfers of real property (Chapter 15) must be prepared by the appropriate agencies.

I. Loans of Property. For any defense item loaned to a foreign government, central offices in each DoD Component must maintain a record as outlined in the SAMM, Chapter 11.

J. Advances to Foreign Residents or Countries. Report advances made to foreign residents or countries by a DoD Component as payments on the same lines in AR-1, as shown in Table 13-5, for future contract payments. Use Line Item 190000 of AR-1 to report interest collections for advances.

K. Other Foreign Aid under FAA. Report data on DoD outlays resulting from serving as the executive agent for other U.S. foreign assistance programs (as authorized by the FAA) as IBOP Other Assistance Grant Aid by the appropriate DoD Component assigned the responsibility for those programs. Such assistance includes, but is not limited to, the following programs: Overseas Humanitarian, Disaster, and Civic Aid Defense; Cooperative Threat Reduction Account, Defense; Drug Interdiction and Counter-Drug Activities, Defense (In-Country Support only); and Overseas Costs for Contingency Operations under section 607 of the FAA.

L. Records Retention. Maintain records reflecting balance of payments transactions at each DFAS Site consolidation point for 12 months following the end of the reporting period.
M. Foreign Currencies

1. Report data on foreign currencies in dollar equivalents.

2. The DSCA must report expenditures and collections for all FT accounts under its control, including those for which the DSCA has financial management responsibility in connection with Foreign Military Sales currencies, as well as those provided under joint weapons production and exchange agreements.

3. Use the respective reporting system utilized by each DoD Component to provide data on accommodation sales to individuals by military DOs.


N. Submission of Reports

1. Prepare reports of performance and transactions, using the current automated technology, entering the IBOP by DoD Components as outlined in the detailed instructions provided in Tables 13-1 through 13-4. Sample formats are shown in Tables 13-5 through 13-7.

2. Submit ARs to the Department of Commerce through DFAS as follows:

   a. Department of the Army – ARs-1 and 2;

   b. Department of the Navy (including U.S. Marine Corps) – ARs-1 and 2;

   c. Department of the Air Force – ARs-1 and 2;

   d. MPS - AR-3; and

   e. All other Defense Agencies, such as the DSCA and Defense Intelligence Agency - AR-1.

3. The DSCA must report all Foreign Military Sales and BPC delivery data.

4. Submit cross-disbursing data submitted by the DoD Component as follows.
a. Forward IBOP transactions between the Air Force and the Army no later than 32 calendar days following the end of the quarter to their corresponding offices. Each Service will send its IBOP files to the other Services.

b. Forward vouchers and control listings of IBOP transactions of the Navy for the Army and the Air Force, the Army for the Air Force and the Navy, and the Air Force for the Navy and the Army to the designated accounting and finance offices quarterly.

c. Forward electronic transmissions of Army, Navy, Air Force, and Marine Corps IBOP transactions for the Defense Agencies and OSD no later than 45 calendar days following the end of the quarter to the Department of Commerce.

d. Report salary payments to U.S. personnel as the net amount paid to individuals, excluding all deductions, such as amounts withheld for taxes, contributions, allotments, or savings bonds.

5. Complete the headings on each report as indicated in Tables 13-5 through 13-7. Round dollar amounts to the nearest $1,000. Round amounts from $1 to $499 downward; amounts from $500 to $999 are rounded upward.


130208. Criteria for Determining and Identifying IBOP Transactions

A. Introduction. In establishing a basis for reporting IBOP transactions, assume that purchases of materiel and services are equal to related disbursements, since payments by DoD Components normally are made within the month following receipt of the materiel and services. Similarly, report DoD outlays from appropriations supporting various U.S. foreign assistance programs to signify the delivery of that assistance to foreign entities. It is necessary, however, to report Foreign Military Sales on a delivery basis. State collections separately to reflect the changes in financial status. Accounting reports prescribed by this chapter reflect these reporting concepts. Table 13-9 contains a glossary of automated data processing (ADP) terms.

B. Transactions Entering the IBOP. The following transactions enter the DoD IBOP for reporting purposes.

1. Payments

   a. Inclusion of all payments is required, including advance and progress payments by DOs (whether located abroad or in the United States, its territories and possessions, or Puerto Rico) from their accounts and all payments from the accounts of nonappropriated funds and the MPS to:

      (1) Foreign residents, including all amounts deposited in foreign or U.S. banks to their credit (e.g., a deposit to the account of a foreign entity maintained in
Foreign residents include foreign governments, corporations, contractors, and individuals;

(2) U.S. personnel stationed, or employed, or who live abroad, or on ships homeported abroad, for pay disbursed or mailed abroad when on temporary duty (TDY) abroad and per diem for TDY abroad;

(3) International organizations, including all amounts deposited to their credit in foreign or U.S. banks;

(4) U.S. corporations for materiel, supplies (excluding petroleum products), and equipment, title to which is acquired by the U.S. Government abroad as evidenced by an accomplished materiel inspection and receiving report;

(5) U.S. contractors for construction or services performed abroad, except for travel and transportation as described in subparagraph 130208.D.2.g; and

(6) U.S. and foreign corporations for petroleum products that will be identified to the country shown as the product source as described in subparagraph 130208.D.2.h.(2).

b. Inclusion of foreign currency payments is required, including counterpart foreign currency payments by a foreign government held by the foreign government for U.S. uses under special arrangements such as Euros disbursed by the Spanish Government for constructing and maintaining U.S. facilities.

c. Included are all Returns to the United States resulting from contracts or other procurement documents for procurement of supplies and services for use outside the United States. Also included are all Returns to the United States from contracts for construction, maintenance, and repair of real property facilities that require U.S. end products, or that specify certain services be performed in the U.S. Additionally, U.S. contractors performing construction and service contracts overseas may acquire, on their own initiative, certain U.S. end products, services, or transportation on U.S. flag carriers in fulfillment of construction or service contracts. Identify and report the amount of such procurements of U.S. end products, services, and transportation on U.S. flag carriers in AR-1, as shown in Table 13-5. The following rules apply only to contractors who are U.S. residents.

(1) The amounts remitted by a supplier to the United States for procurement of U.S. end products and the amounts paid by the supplier to a U.S. transportation company for transportation of goods on U.S. flag carriers must be identified and reported as reductions to procurement payments.

(2) Identify and report the following amounts as reductions to contractual service payments:
(a) The amount of U.S. end products procured from the United States by the contractor for incorporation in the project (whether required by the terms of the contract or voluntarily procured from the United States without contractual requirements);

(b) The amount remitted to or retained in the United States by the contractor for services performed in the United States and for profit, overhead, amortization costs, employee tax withholdings, and other indirect expenses, including that portion of the salaries of contractor personnel remitted to or retained in the United States; and

(c) The amount paid to transportation companies in the United States by the contractor for transportation provided on U.S. flag carriers.

(3) Reporting requirements and requirements for contracts exceeding the simplified acquisition threshold are set forth in DFARS 225.1103(1) and the clause at 252.225-7005.

(4) The amounts reported as returns under subparagraph 130208.B.1.c must exclude:

(a) Payments by the contractor to a DoD Component for supplies or services such as utilities and telephone services; and

(b) Returns to the United States by foreign residents who use U.S. end products or services to fulfill DoD contracts.

2. Collections

a. Report all collections by DOs credited to their accounts or to Treasury accounts (for which the Department has billing and collection responsibility) and all receipts in nonappropriated funds and the MPS from the following:

(1) Foreign residents;

(2) U.S. personnel who are stationed, employed, residing, or traveling abroad, or on ships homeported abroad (for reporting purposes, however, these collections are treated as a reduction to pay of personnel);

(3) International Organizations;

(4) U.S. contractors in connection with their performance of contracts with the U.S. Government or private firms abroad; and

(5) Foreign governments or other foreign entities for goods and services sold for delivery or use under the Foreign Military Sales program, other sales programs, and the Defense Logistics Agency Disposition Services.
b. Report all collections of foreign currency contributed by foreign governments for the support of U.S. Military Assistance Advisory Groups (MAAGs) and Missions.

c. Do not deposit FMF receipts into the U.S. Treasury. The FMF receipts are recorded in successor account 11*1082 (Foreign Military Financing Program, Funds Appropriated to the President), via a Treasury SF 133, Report on Budget Execution and Budgetary Resources, allocation by the Department of State in the year received, and finally apportioned in the same year on an SF 132, OMB Apportionment And Reapportionment Schedule as found in OMB Circular A-11, “Preparation, Submission, and Execution of the Budget,” Appendix F.

3. Deliveries

a. All deliveries of materiel, supplies, equipment, and services to foreign countries and international organizations must be reported to include the following:

   (1) Foreign Military Sales deliveries outlined in the AECA of 1976, as amended;

   (2) Sales by property disposal officers as represented by collections;

   (3) Loans and leases of aircraft, vessels, and other equipment to foreign entities;

   (4) Transfers of real property and deliveries of materiel and services under logistical support agreements and otherwise; and

   (5) Deliveries of goods and services for foreign assistance reimbursed by the Agency for International Development (AID), Department of State, or from Funds Appropriated to the President.

b. This chapter requires that delivery data pertaining to Military Assistance Grant Aid be reported.

4. Special Transactions

a. Transfers. Transfers from Deposit Account 6500 (Advances Without Orders from Non-Federal Sources) and Clearing Account 3875 (Budget Clearing Account (suspense)) to other accounts must be included when recorded as a collection in deposit fund accounts or in applicable receipt (including miscellaneous receipt), appropriation, or other fund accounts. For example, a bid deposit of a successful purchaser of surplus, excess, foreign excess, scrap, or salvage will be recorded in IBOP at the time transferred to account 3845 (Proceeds of Sales, Personal Property). Treat returns of deposits to depositors as IBOP transactions. Exclude amounts initially recorded in these suspense accounts from IBOP reporting requirements.
b. Settlements. Treat offsetting settlements between DoD accounts made in place of payments to, and collections from, a foreign government as IBOP transactions as if the transaction had been carried out with the foreign government.

c. Outlays. Report DoD outlays in support of Other Assistance Grant Aid.

C. Transactions Not Entering the IBOP. The following transactions do not enter the DoD reporting of IBOP:

1. Payments to and receipts from any DoD or other U.S. Government agency or activity, including any DoD nonappropriated fund or postal service activity, except special transactions noted in subparagraph 130208.B.4;

2. All transfers between the DoD or other U.S. Government accounts, except those from Deposit Account 6500 and Clearing Account 3875, as noted in subparagraph 130208.B.4.a;

3. Payments to foreign residents for goods produced in the United States if title is transferred within the United States. Include payments to the foreign resident when title is transferred to the United States if the goods were originally delivered to the foreign resident under the Foreign Military Sales program; and

4. Payments to foreign residents for goods produced abroad and imported into the United States when title is transferred to the U.S. Government after the goods are imported. Consider goods imported when they clear the U.S. Customs Service.

D. Identification of Transactions to Country or International Organizations

* 1. General. Identify transactions, except those relating to international organizations designated in SAMM Table C4.T2B, generally to the country of residence of the payee or remitter, rather than the location of the DO. Identify transactions with international organizations not listed in SAMM Table C4.T2B to the country to which payment is sent or from which payment is received. In cases where country of residence cannot be determined, identify transactions as follows.

a. Cash. Code payments or collections by cash to the country in which disbursed or collected.

b. Check. Code payments or collections by check to the country to which check is sent or from which check is received.

c. Electronic. Code payments or collections by electronic transfer to the country to which transfer is sent or from which transfer is received.
2. Payments. Identify payments to the designated international organization or country of residence of the payee. More specifically, identify payments as follows.


   b. Foreign Corporations. Identify payments to foreign corporations and individuals to the country of residence. A current list of country codes is available on the NGA website (GENC Standard).

   c. U.S. Personnel Payments

      (1) U.S. Personnel Ashore. Code net pay to the foreign country to which payment is made or the check is addressed.

      (2) U.S. Personnel Afloat (Homeported Abroad). Code net pay to the foreign country to which payment is made or the check is addressed.

      (3) U.S. Personnel Afloat (U.S. Homeported). Code net pay as a U.S. payment. A statistical determination will be made, by country, of the expenditures ashore by these individuals.

      (4) Allotments of Pay. Allotments to individual persons will be identified to the country to which addressed. Identify all other allotments to the country of residence of the allottee.


   d. Retired and Survivors Pay. Identify the amount of the payment to the foreign country to which the check is mailed or payment is electronically transferred.

   e. Foreign Nationals

      (1) Direct Hire of Foreign Nationals. Identify net pay to the foreign country, which employs the individual. In addition, identify the payment of all U.S. Government contributions, and the payments of all amounts withheld from the employee's pay, at the time of payment, to the country addressed.

      (2) Indirect Hire of Foreign Nationals. Identify payments under contracts for indirect hire of foreign nationals, including retirement accruals or separation allowances when paid, to the country addressed.
(3) **Foreign Nationals Aboard Ships.** Identify net pay to the country in which the individual maintains his or her “home of record.” In addition, the payment of all U.S. Government contributions and payments of all amounts withheld from the employee's pay must be identified, at the time of payment, to the country to which addressed.

f. **Construction and Services Performed Abroad Other Than Travel and Transportation.** Identify payments for construction or services performed abroad to the country in which construction or service is performed, regardless of where the check is mailed.

g. **Travel and Transportation**

(1) **Transportation.** Code payments for transportation of persons or things (trip requests, bills of lading, warrants, or cash) paid to a transportation company to the country of residence of the transportation company.

(2) **Travel Allowances.** Code payments for per diem allowances, relocation allowances, and other incidental travel expenses, including transportation expenses or mileage allowances paid to individuals, according to the following guidance.

   (a) For permanent change of station (PCS), code to the country in which the greater part of the allowances was earned or expenses incurred. Code relocation allowances to the country to which the individual's family moves.

   (b) For TDY, code to the country in which the TDY was performed, except TDY performed aboard ship that must be coded to the United States. Where TDY is performed in several countries and it is not feasible to identify the per diem to each country, code the payment to the country in which the greater part of the allowances was earned.

h. **Materiel, Supplies, and Equipment**

(1) Payments to a U.S. corporation for materiel, supplies (excluding petroleum products), and equipment acquired by a DoD Component abroad must be coded to the country where it is delivered or accepted by the DoD Component. Code payments to foreign contractors (excluding petroleum products) to the country of residence of the payee.

(2) Identify payments to a U.S. or foreign corporation for petroleum products according to the following guidance.

   (a) Code the payment to the country shown as the product source in the “product source” clause of the contract under which the payment is made. If a region (e.g., the Caribbean or Persian Gulf) is shown rather than a country, code the payment to the country shown in section 9 of the Department of Defense Form 250-1, Tanker/Barge-Material Inspection and Receiving Report. If the product source cannot be established, it will be coded to the country where acquired by the DoD Component.
(b) When the product source for petroleum is the United States, and the petroleum has been transported by the Military Sealift Command, or transported by commercial vessels directly to a DoD Component abroad, code the payment to the United States. If the petroleum is not consigned directly to a DoD Component, code the payment to the country where it is delivered and code the amount of the petroleum product and the transportation furnished by U.S. flag carriers as a return to the United States.

(c) Code petroleum services, other than ocean transportation, to the country in which the service is performed.

   i. **NATO Infrastructure.** In processing NATO Infrastructure and International Military Headquarters Payments for NATO infrastructure, refer to Enclosure 2 of *DoD Directive 2010.5*, “The NATO Security Investment Program,” for eligible project types. Code such payments to the country or to the appropriate NATO command that is the recipient of the payment. Code payments to international military headquarters, including those located in the United States.

3. **Deliveries and Collections**

   a. **Materiel or Services.** Code deliveries of materiel or services to the country or international organization to which the collection for that delivery must be identified. Code collections to the countries making payments. Code collections from international organizations to the international organization making payment.

   b. **Recipient Country.** Code delivery transactions involving Military Assistance Grant Aid and reimbursement from AID, Department of State, or Funds Appropriated to the President to the recipient country or international organization.

4. **Special Transactions**

   a. **Balance of Payment Transactions.** Transactions for Guam, Puerto Rico, the Commonwealth of the Northern Marianas, and the U.S. Virgin Islands must not be included in any summary totals of balance of payments transactions since transactions involving these areas do not enter the United States balance of payments. If a special report is requested for these areas, then apply country codes as appropriate.

   b. **Guantanamo Bay.** Code transactions at Guantanamo Bay, other than pay of foreign nationals, as U.S. transactions not entering the IBOP. However, treat the pay of foreign nationals employed at Guantanamo Bay as IBOP transactions and code to their country of residence.

130209. **Entries for DoD Transactions Entering the IBOP – AR-1**

   A. **Purpose.** This format prescribes line items, columnar data, and line item identification (ID) codes used for reporting IBOP transactions in AR-1. This submission provides for summarizing DoD IBOP transactions under appropriation and category groupings.
B. General

1. **Separate AR-1.** Prepare a separate AR-1 for each foreign country and international organization listed in the GENC Standard and SAMM Table C4.T2B, as applicable, and for each foreign area grouping shown in Table 13-8. In addition, submit a separate AR-1 (a sample format of AR-1 is shown in Table 13-5; change “Quarter” to “Month” if reporting monthly) for Guam, Puerto Rico, the Commonwealth of the Northern Marianas, and the U.S. Virgin Islands. However, these transactions, and those for other U.S. possessions, must not be included in the subtotals for foreign area groupings or worldwide totals.

2. **DoD Component.** Each DoD Component must submit AR-1 electronically. Data on the electronic transfer submissions must carry the line item numbers for AR-1 precisely as shown in Table 13-10.

3. **Assemble Reports.** Documentation for countries without transaction data is not required when assembling supporting documentation for IBOP reporting.

4. **Report Data.** Report data for each line item entry listed in Table 13-10. To facilitate summarizing data, each line item entry must be identified by the same line ID Code shown in Table 13-10. Line items for which no amount is reported for the current quarter or cumulative columns must not be shown on the report.

5. **Reporting Responsibilities.** Data reported for all lines for transactions involving the FMF, Foreign Military Sales Program, BPC Program, IMET, Drawdowns, EDAs, and Military-to-Military Contact Programs are established under the SAMM, Chapter 1.

6. **Dollar Collections.** Report as dollar collections all collections of foreign currency not obtained by purchase with U.S. dollars, used for authorized expenditure purposes rather than deposited to Treasury FT accounts.

7. **Trust Fund Expenditures.** Treat refunds to foreign governments for Foreign Military Sales as trust fund expenditures. In the DoD balance of payment presentations, net such refunds against receipts rather than treated as expenditures on AR-1.

C. **Line Entries - Descriptions and Codes.** Line item ID codes, line item captions, and descriptions for AR-1 are shown in Table 13-10.

130210. **Entries for DoD Transactions Entering the IBOP – AR-2**

A. **Purpose.** This format prescribes line items, columnar data, and line ID codes for reporting IBOP transactions in AR-2, i.e., financial data relating to DoD nonappropriated fund activities abroad. Use these data to develop amounts available for spending abroad by U.S. personnel.
B. General

1. Nonappropriated Fund Activities. Each reporting activity must include all nonappropriated fund activities under its command jurisdiction. When one activity serves more than one command in a given area, make local arrangements to have the data submitted through only one command, thus avoiding duplications (e.g., the Army and Air Force Exchange Service). Nonappropriated fund activities aboard ship must include only receipt and payment transactions abroad, which are included with activities ashore and enter the IBOP.

2. Submit Separate Reports. The reporting activities must submit separate reports for the following:
   a. Exchange Service Operations, and
   b. Other Nonappropriated Fund Activities.

3. Payments and Receipts. These reports must include only payments and receipts affecting nonappropriated funds. Exclude payments and receipts from appropriated funds used in operating a nonappropriated fund activity.

4. Reported Quarter. Amounts shown in the report must cover the reported quarter. Change “Quarter” to “Month” if reporting monthly.

5. Schedules. Submit separate schedules for the Navy and Marine Corps.

C. Line Entries - Descriptions and Codes. Line ID codes, line item captions, and descriptions for AR-2 are shown in Table 13-11.

130211. Entries for DoD Transactions Entering the IBOP - AR-3

A. Purpose. This format prescribes line items, columnar data, and line ID codes used for reporting IBOP transactions in AR-3, i.e., financial data relating to military postal services to individuals. Use these data to develop the amounts available for spending abroad by U.S. personnel.

B. General

1. MPS. Submit one report to cover all MPS operations, excluding FPO operations aboard ship.

2. Payments and Receipts. Exclude from the report payments and receipts of appropriated funds used for operating expenses of MPS facilities.

3. Agencies and Activities. Exclude sales to or receipts from federal agencies and activities and DoD-sponsored nonappropriated fund activities.
4. **Reported Quarter.** The amounts shown in the report must cover the reported quarter only and will be noncumulative. Change “Quarter” to “Month” if reporting monthly.

C. **Line Entries – Description and Codes.** Line ID codes, line item captions, and descriptions for AR-3 are shown in Table 13-12.

1303 INTERMEDIATE/INSTALLATION-LEVEL REPORTING REQUIREMENTS

Each DFAS site develops and monitors the reporting requirements, at the intermediate or installation level, for its IBOP reporting. Consistently apply reporting formats for the intermediate or installation levels in accordance with the requirements outlined in paragraphs 130201 through 130211.
Table 13-1. Edit and Validation Rules for Submitting IBOP Data to the Department of Commerce

The following includes the record edit and validation rules that apply to all transaction data records submitted on IBOP transactions.

<table>
<thead>
<tr>
<th>Data Record Position(s)</th>
<th>Description of Item</th>
<th>Rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coded Report No.</td>
<td>Must be 1, 2, or 3</td>
</tr>
<tr>
<td>2</td>
<td>Coded Report No.</td>
<td>Must be blank except for Accounting Report 2</td>
</tr>
<tr>
<td>3-4</td>
<td>Fiscal Year (FY)</td>
<td>Must be numeric</td>
</tr>
<tr>
<td>5</td>
<td>Quarter of FY</td>
<td>Must be 1, 2, 3, or 4</td>
</tr>
<tr>
<td>6</td>
<td>Dept. Code</td>
<td>Must be an alpha character shown in Table 13-13</td>
</tr>
<tr>
<td>7-8</td>
<td>Country or Organizational Code</td>
<td>Position 7 must be alpha. Position 8 must be alpha/numeric (A/N). Cannot be blank (GENC Standard and SAMM Table C4.T2B).</td>
</tr>
<tr>
<td>9-14</td>
<td>Line ID No.</td>
<td>May be alpha, numeric, or A/N</td>
</tr>
<tr>
<td>15-21</td>
<td>$ Amount this Qtr. (“Month” if reporting monthly.)</td>
<td>Must be numeric</td>
</tr>
<tr>
<td>22-25</td>
<td>Main Account</td>
<td>Must be numeric</td>
</tr>
<tr>
<td>26-29</td>
<td>Blank</td>
<td>Must be blank</td>
</tr>
<tr>
<td>30</td>
<td>Reserved</td>
<td>Must be blank</td>
</tr>
<tr>
<td>31</td>
<td>Data Originator</td>
<td>Blank except for AR-1</td>
</tr>
<tr>
<td>32-80</td>
<td>Blank</td>
<td>Must be blank</td>
</tr>
</tbody>
</table>
Table 13-2. Record Format Accounting Report 1

<table>
<thead>
<tr>
<th>Data Record Position(s)</th>
<th>Alphabetic (A) or Numeric (N) or (A/N)</th>
<th>Description of Item</th>
<th>Special Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>N</td>
<td>Coded Report No.</td>
<td>Must be 1</td>
</tr>
<tr>
<td>2</td>
<td>Blank</td>
<td>Blank</td>
<td>Blank</td>
</tr>
<tr>
<td>3-4</td>
<td>N</td>
<td>Fiscal Year (FY)</td>
<td>Last 2 digits</td>
</tr>
<tr>
<td>5</td>
<td>N</td>
<td>Quarter of FY</td>
<td>Must be 1, 2, 3, or 4</td>
</tr>
<tr>
<td>6</td>
<td>A</td>
<td>Dept. Code</td>
<td>Table 13-13</td>
</tr>
<tr>
<td>7-8</td>
<td>A</td>
<td>Country or Organizational Code</td>
<td>GENC Standard and SAMM Table C4.T2B</td>
</tr>
<tr>
<td>9-14</td>
<td>A/N</td>
<td>Line ID No.</td>
<td>Table 13-10</td>
</tr>
<tr>
<td>15-21</td>
<td>N</td>
<td>$ Amount this Qtr. “Month” if reporting monthly.</td>
<td>Rounded to the nearest thousand. Place a zero in vacant high order position(s).</td>
</tr>
<tr>
<td>22-25</td>
<td>N</td>
<td>Main Account</td>
<td></td>
</tr>
<tr>
<td>26-29</td>
<td>Blank</td>
<td>Blank</td>
<td>Blank</td>
</tr>
<tr>
<td>30</td>
<td>Reserved</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>A</td>
<td>Data Originator</td>
<td>Table 13-13</td>
</tr>
<tr>
<td>32-80</td>
<td>Blank</td>
<td>Blank</td>
<td>Blank</td>
</tr>
</tbody>
</table>
Table 13-3. Record Format Accounting Report 2

<table>
<thead>
<tr>
<th>Data Record Position(s)</th>
<th>Alphabetic (A) or Numeric (N) or (A/N)</th>
<th>Description of Item</th>
<th>Special Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>N</td>
<td>Coded Report No.</td>
<td>Must be 2</td>
</tr>
<tr>
<td>2</td>
<td>N</td>
<td>Coded Report No.</td>
<td>Must be 1 or 2(*)</td>
</tr>
<tr>
<td>3-4</td>
<td>N</td>
<td>Fiscal Year (FY)</td>
<td>Last 2 digits</td>
</tr>
<tr>
<td>5</td>
<td>N</td>
<td>Quarter of FY</td>
<td>Must be 1, 2, 3, or 4</td>
</tr>
<tr>
<td>6</td>
<td>A</td>
<td>Dept. Code</td>
<td>Table 13-13</td>
</tr>
<tr>
<td>7-8</td>
<td>A</td>
<td>Country or Organizational Code</td>
<td>GENC Standard and SAMM Table C4.T2B</td>
</tr>
<tr>
<td>9-14</td>
<td>A/N</td>
<td>Line ID No.</td>
<td>Table 13-11</td>
</tr>
<tr>
<td>15-21</td>
<td>N</td>
<td>$ Amount this Qtr. “Month” if reporting monthly.</td>
<td>Rounded to the nearest thousand. Place a zero in vacant high order position(s).</td>
</tr>
<tr>
<td>22-80</td>
<td>Blank</td>
<td>Blank</td>
<td>Blank</td>
</tr>
</tbody>
</table>

(*) Must be 21 on Submission for Exchange Service Operations.  
(*) Must be 22 on Submission for Other Nonappropriated Fund Activities
Table 13-4. Record Format Accounting Report 3

<table>
<thead>
<tr>
<th>Data Record Position(s)</th>
<th>Alphabetic (A) or Numeric (N) or (A/N)</th>
<th>Description of Item</th>
<th>Special Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>N</td>
<td>Coded Report No.</td>
<td>Must be 3</td>
</tr>
<tr>
<td>2</td>
<td>Blank</td>
<td>Blank</td>
<td>Blank</td>
</tr>
<tr>
<td>3-4</td>
<td>N</td>
<td>Fiscal Year (FY)</td>
<td>Last 2 digits</td>
</tr>
<tr>
<td>5</td>
<td>N</td>
<td>Quarter of FY</td>
<td>Must be 1, 2, 3, or 4</td>
</tr>
<tr>
<td>6</td>
<td>A</td>
<td>Dept. Code</td>
<td>Table 13-13</td>
</tr>
<tr>
<td>7-8</td>
<td>A</td>
<td>Country or Organizational Code</td>
<td>GENC Standard and SAMM Table C4.T2B</td>
</tr>
<tr>
<td>9-14</td>
<td>A/N</td>
<td>Line ID No.</td>
<td>Table 13-12</td>
</tr>
<tr>
<td>15-21</td>
<td>N</td>
<td>$ Amount this Qtr.</td>
<td>Rounded to the nearest thousand. Place a zero in vacant high order position(s).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Month” if reporting monthly.</td>
<td></td>
</tr>
<tr>
<td>22-80</td>
<td>Blank</td>
<td>Blank</td>
<td>Blank</td>
</tr>
</tbody>
</table>
Table 13-5. Sample Accounting Report 1

<table>
<thead>
<tr>
<th>LINE ID NUMBER</th>
<th>LINE ITEM DESCRIPTION</th>
<th>CURRENT QUARTER</th>
<th>FISCAL YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(See instructions for each line item in Table 13-10)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 13-6. Sample Accounting Report 2

<table>
<thead>
<tr>
<th>Country</th>
<th>Sales</th>
<th>Other Revenues</th>
<th>Total Receipts</th>
<th>Net Pay U.S. Personnel</th>
<th>Gross Pay Foreign Nationals</th>
<th>Foreign Payments For Procurement of Merchandise for Resale</th>
<th>Other Foreign Payments</th>
<th>Total Foreign Payments</th>
<th>Net Excess of Payments or Receipts</th>
<th>Memo: Payments in Excess &amp; Near Excess Foreign Currency</th>
<th>Memo: Net Accommodation Sales (Foreign Currency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

DEPARTMENT OF DEFENSE INTERNATIONAL BALANCE OF PAYMENTS
NONAPPROPRIATED FUND TRANSACTIONS
(Thousands of Dollars)

DEPARTMENT/AGENCY: ____________
QUARTER ENDING: ________________

EXCHANGE/OTHER

Page _____ of _____ Pages
Table 13-7. Sample Accounting Report 3

<table>
<thead>
<tr>
<th>Country</th>
<th>Meter/Postage</th>
<th>Stamp Sales</th>
<th>Money Order Sales</th>
<th>Money Order Fees</th>
<th>Money Orders Cashed</th>
<th>Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 13-8. Geographical Areas, Countries, and International Organizations to be Used in Preparing IBOP Accounting Reports

This table lists the countries and geographical areas to be shown in the IBOP reports. Alternatively, each country having an IBOP transaction (not only those shown in this enclosure) may be listed alphabetically followed by the area totals (A through E) and the “Grand Total.”

A. Western European Countries and International Organizations

1. Austria  
2. Belgium/Luxembourg  
3. Bosnia/Herzegovina  
4. Croatia  
5. Denmark (include Greenland)  
6. France  
7. Germany (Unified)  
8. Greece (includes Crete)  
9. Iceland  
10. Italy (includes Sicily)  
11. Netherlands  
12. Norway  
13. Portugal  
14. Spain  
15. Switzerland  
16. Turkey  
17. United Kingdom  
18. Other Western European Countries and International Organizations

Total Western Europe

B. Japan

C. Canada

(continued on following page)
Table 13-8. Geographical Areas, Countries, and International Organizations to be Used in Preparing IBOP Accounting Reports (Continued)

D. Other Countries

1. Australia
2. Bahrain
3. Bermuda
4. China, Republic of (Taiwan)
5. Korea, Republic of
6. Morocco
7. Netherlands Antilles
8. Pakistan
9. Republic of the Philippines
10. Saudi Arabia
11. Thailand
12. Trinidad and Tobago
13. Venezuela
14. Vietnam
15. Other American Republic
16. Other (all other countries not elsewhere listed)

Total Other Countries

E. Other International Organizations

1. South East Asia Treaty Organization Military Headquarters
2. United Nations
3. Other

Total Other International Organizations

F. GRAND TOTAL (World Wide)
Table 13-9. Glossary of ADP Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting Reports</td>
<td>The series of reports specifically referenced in this chapter.</td>
</tr>
<tr>
<td>0</td>
<td>The representation of numeric zero unless it is otherwise specified.</td>
</tr>
<tr>
<td>Zero Fill Unused High Order Positions</td>
<td>Fill assigned field spaces to the left of the most significant numeric digit in ALL $ Amount fields. May also be expressed as “Right Justify.”</td>
</tr>
<tr>
<td>BLANK</td>
<td>Shown on record formats to indicate a blank space in a record.</td>
</tr>
<tr>
<td>FY</td>
<td>Fiscal Year (FY)</td>
</tr>
<tr>
<td>PY</td>
<td>Prior FY</td>
</tr>
<tr>
<td>CY</td>
<td>Current FY. If the current FY is FY 2017, the PY is FY 2016, and the CY is FY 2017.</td>
</tr>
<tr>
<td>Line ID No.</td>
<td>As used in this Regulation, a special six (6) digit alpha/numeric code used ONLY for IBOP reporting to identify an exact line item in a report.</td>
</tr>
<tr>
<td>QTR</td>
<td>Numeric quarter of the FY. Must be 1, 2, 3, or 4.</td>
</tr>
</tbody>
</table>
Table 13-10. Line Item Captions and Descriptions Accounting Report 1

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Payments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Pay, U.S. Personnel - This includes payments to U.S. personnel for “net pay” as defined in subparagraph 130203.P., PCS and TDY travel expenses, dislocation allowances for which the individual is reimbursed, and claims paid to U.S. personnel. Enter payments on the line indicating the appropriation cited in the voucher. Use other lines under this heading to record adjustments to payments to U.S. personnel to arrive at the amount of pay available for spending on the local economy.</td>
</tr>
<tr>
<td>01A000</td>
<td>a. Military Personnel, Reserve Personnel, and National Guard Personnel (Including afloat personnel homeported abroad)</td>
</tr>
<tr>
<td>01A020</td>
<td>b. Printing and Reproduction, Civilian Personnel</td>
</tr>
<tr>
<td>01B000</td>
<td>c. Operation and Maintenance (O&amp;M), Civilian Personnel</td>
</tr>
<tr>
<td>01C000</td>
<td>d. Military Construction, Civilian Personnel</td>
</tr>
<tr>
<td>01D000</td>
<td>e. Family Housing Construction, Civilian Personnel</td>
</tr>
<tr>
<td>01E000</td>
<td>f. Military Assistance Appropriations and Funds, Civilian Personnel</td>
</tr>
<tr>
<td>01F000</td>
<td>g. Other Appropriations and Funds, Civilian Personnel</td>
</tr>
<tr>
<td></td>
<td>h. Total Net Pay, U.S. Personnel - Enter the sum of lines A.1.a. through A.1.g.</td>
</tr>
<tr>
<td>01H010</td>
<td>i. Travel Payments to U.S. Personnel Stationed Abroad (See subparagraph 130208.D.2.g)</td>
</tr>
<tr>
<td>01H020</td>
<td>(1) Travel Payments to Military Personnel, Reserve Personnel, and National Guard Personnel Stationed Abroad</td>
</tr>
<tr>
<td>01H030</td>
<td>(2) Total Subsistence and Per Diem</td>
</tr>
<tr>
<td></td>
<td>(3) Travel Payments to Other U.S. Personnel Stationed Abroad.</td>
</tr>
<tr>
<td></td>
<td>(4) Total Travel Payments to U.S. Personnel Stationed Abroad - Enter the sum of lines A.1.i.(1) through A.1.i.(3).</td>
</tr>
<tr>
<td>01I000</td>
<td>j. Travel Payments to U.S. Personnel Stationed in the United States.</td>
</tr>
<tr>
<td></td>
<td>k. Expenditures by U.S. Personnel at Foreign Non-Duty Locations</td>
</tr>
<tr>
<td>01J010</td>
<td>(1) Expenditures Ashore by U.S. Personnel Afloat with Homeports in the United States. Report the amounts as determined by current personnel surveys and other statistical methods. The basis used by the reporting DoD Component for developing data for each country will be provided annually to Department of Commerce upon request.</td>
</tr>
<tr>
<td>01J020</td>
<td>(2) Reserved</td>
</tr>
</tbody>
</table>
Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>01J030</td>
<td>(3) Expenditures by U.S. Personnel on Rest and Recuperation (R&amp;R) Leave - Report the amounts spent by U.S. Personnel while on R&amp;R at locations outside the country in which they are assigned. Positive entries (+) will be used for countries where the individual is on R&amp;R, and negative entries (-) will be used to reflect the adjustment to the “Pay Available for Spending” in the country in which the individual is stationed.</td>
</tr>
<tr>
<td>01K000</td>
<td>l. Deposits (Savings)</td>
</tr>
<tr>
<td>01L000</td>
<td>m. Claims, Defense Personnel - (Excluding death gratuities) n. Nonappropriated Fund Transactions</td>
</tr>
<tr>
<td>01M010</td>
<td>(1) Exchange Service Money Orders - Enter the total amount of money order sales and fees.</td>
</tr>
<tr>
<td>01M020</td>
<td>(2) Other Nonappropriated Funds - Enter the net increase (-) or decrease (+) in column (10) of AR-2. (Table 13-6) (3) Total Nonappropriated Fund Transactions - Enter the sum of lines A.1.n.(1) and A.1.n.(2).</td>
</tr>
<tr>
<td>01N000</td>
<td>o. MPS Agency Transactions - Enter the net increase (-) or decrease (+) in column 7 of AR-3 (Table 13-7) (reported only by Defense Postal Service). p. Less Receipts from U.S. Personnel (-)</td>
</tr>
<tr>
<td>01O010</td>
<td>(1) Commissary Store Sales to Individuals - (Excluding collections from nonappropriated funds)</td>
</tr>
<tr>
<td>01O020</td>
<td>(2) Other Sales to Individuals - This includes laundry, dry-cleaning, and family housing management funds, sales of meals to individuals and dependents, clothing store sales, and sales of gasoline coupons. (3) Total Receipts from U.S. Personnel - Enter the sum of lines A.1.p.(1) and A.1.p.(2). q. Civilian Pay &amp; Benefits</td>
</tr>
<tr>
<td>01Q000</td>
<td>(1) Full-Time Civilian Pay &amp; Benefits</td>
</tr>
<tr>
<td>01Q010</td>
<td>(2) Other Civilian Pay &amp; Benefits</td>
</tr>
<tr>
<td>01Q020</td>
<td>(3) Insurance Claims, Indemnities, and Refunds (4) Total Civilian Pay &amp; Benefits – Enter the sum of lines A.1.q.(1) through A.1.q.(3). r. Total Pay Available for Spending - Enter the sum of line A.1.h., line A.1.i.(4), line A.1.j., lines A.1.k.(1) thru A.1.k.(3), line A.1.l., line A.1.m., line A.1.n.(3), line A.1.o., less line A.1.p.(3), plus line A.1.q.(4).</td>
</tr>
<tr>
<td></td>
<td>2. Direct Hire Foreign Nationals - This includes the total gross pay of foreign nationals from appropriations and funds as defined in subparagraph 130203.I.</td>
</tr>
</tbody>
</table>
Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>02A000</td>
<td>a. O&amp;M, Direct Hire Foreign Nationals</td>
</tr>
<tr>
<td>02B000</td>
<td>b. Military Assistance Appropriations and Funds, Direct Hire Foreign Nationals</td>
</tr>
<tr>
<td>02C000</td>
<td>c. Military Construction Appropriations and Family Housing, Direct Hire Foreign Nationals</td>
</tr>
<tr>
<td>02D000</td>
<td>d. Other Appropriations and Funds, Direct Hire Foreign Nationals</td>
</tr>
<tr>
<td></td>
<td>e. Total Direct Hire Foreign Nationals - Enter the sum of lines A.2.a. through A.2.d.</td>
</tr>
</tbody>
</table>

3. Indirect Hire Foreign Nationals - This includes the total gross pay of indirect hire of foreign nationals from appropriations and funds as defined in subparagraph 130208.D.2.e.(2).

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>03A000</td>
<td>a. O&amp;M, Indirect Hire Foreign Nationals</td>
</tr>
<tr>
<td>03B000</td>
<td>b. Military Assistance Appropriations and Funds, Indirect Hire Foreign Nationals.</td>
</tr>
<tr>
<td>03C000</td>
<td>c. Military Construction Appropriations and Family Housing, Indirect Hire Foreign Nationals.</td>
</tr>
<tr>
<td>03D000</td>
<td>d. Other Appropriations and Funds, Indirect Hire Foreign Nationals</td>
</tr>
<tr>
<td></td>
<td>e. Total Indirect Hire Foreign Nationals - Enter the sum of lines A.3.a. through A.3.d.</td>
</tr>
</tbody>
</table>

4. Materials, Supplies, and Equipment - This includes total payments for material identified to object classes 26 and 31 from appropriations and funds and the amount of returns to the United States. This excludes military construction and major procurement.

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>04A010</td>
<td>a. Subsistence</td>
</tr>
<tr>
<td>04A020</td>
<td>(1) Military Personnel</td>
</tr>
<tr>
<td></td>
<td>(2) Stock Funds</td>
</tr>
<tr>
<td></td>
<td>(3) Subtotal - Enter the sum of lines A.4.a.(1) and A.4.a.(2).</td>
</tr>
<tr>
<td></td>
<td>(4) Less Returns to United States (-)</td>
</tr>
<tr>
<td>04A04A</td>
<td>(a) U.S. End Products</td>
</tr>
<tr>
<td>04A04B</td>
<td>(b) U.S. Services</td>
</tr>
<tr>
<td>04A04C</td>
<td>(c) U.S. Transportation</td>
</tr>
<tr>
<td></td>
<td>(d) Total Returns - Enter the sum of lines A.4.a.(4)(a) through A.4.a.(4)(c).</td>
</tr>
<tr>
<td></td>
<td>(5) Total Subsistence - Enter the net of lines A.4.a.(3) and A.4.a.(4)(d).</td>
</tr>
<tr>
<td></td>
<td>b. POL - (Petroleum, oil, and lubricants) (Including product transportation, storage and handling)</td>
</tr>
</tbody>
</table>
Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>04B010</td>
<td>(1) O&amp;M, POL</td>
</tr>
<tr>
<td>04B020</td>
<td>(2) Stock Funds, POL</td>
</tr>
<tr>
<td>04B030</td>
<td>(3) Industrial Funds and Other, POL</td>
</tr>
<tr>
<td></td>
<td>(4) Subtotal - Enter the sum of lines A.4.b.(1) through A.4.b.(3).</td>
</tr>
<tr>
<td></td>
<td>(5) Less Returns to United States (-)</td>
</tr>
<tr>
<td>04B05A</td>
<td>(a) U.S. End Products</td>
</tr>
<tr>
<td>04B05B</td>
<td>(b) U.S. Services</td>
</tr>
<tr>
<td>04B05C</td>
<td>(c) U.S. Transportation</td>
</tr>
<tr>
<td></td>
<td>(d) Total Returns - Enter the sum of lines A.4.b.(5)(a) through A.4.b.(5)(c).</td>
</tr>
<tr>
<td></td>
<td>(6) Total POL – Enter the net of line A.4.b.(4) and A.4.b.(5)(d).</td>
</tr>
<tr>
<td>c. Offshore Procurement</td>
<td></td>
</tr>
<tr>
<td>04C010</td>
<td>(1) Procurement – Aircraft</td>
</tr>
<tr>
<td>04C020</td>
<td>(2) Procurement – Missiles</td>
</tr>
<tr>
<td>04C030</td>
<td>(3) Procurement – Ships</td>
</tr>
<tr>
<td>04C040</td>
<td>(4) Procurement – Combat Vehicles</td>
</tr>
<tr>
<td>04C050</td>
<td>(5) Procurement – Tactical &amp; Support Vehicles</td>
</tr>
<tr>
<td>04C060</td>
<td>(6) Procurement – Weapons</td>
</tr>
<tr>
<td>04C070</td>
<td>(7) Procurement – Ammunition</td>
</tr>
<tr>
<td>04C080</td>
<td>(8) Procurement – Communication Equipment</td>
</tr>
<tr>
<td>04C090</td>
<td>(9) Procurement – Other Support Equipment</td>
</tr>
<tr>
<td>04C100</td>
<td>(10) Procurement – Supplies</td>
</tr>
<tr>
<td></td>
<td>(11) Subtotal – Enter the sum of lines A.4.c.(1) through A.4.c.(10)</td>
</tr>
<tr>
<td></td>
<td>(12) Less: Returns to United States (-)</td>
</tr>
<tr>
<td>04C12A</td>
<td>(a) U.S. End Products</td>
</tr>
<tr>
<td>04C12B</td>
<td>(b) U.S. Services</td>
</tr>
<tr>
<td>04C12C</td>
<td>(c) U.S. Transportation</td>
</tr>
<tr>
<td></td>
<td>(d) Total Returns - Enter the sum of lines A.4.c.(12)(a) through A.4.c.(12)(c).</td>
</tr>
<tr>
<td></td>
<td>(13) Total Offshore Procurement – Enter the net of lines A.4.c.(11) and A.4.c.(12)(d).</td>
</tr>
<tr>
<td>d. Other Materials, Supplies, and Equipment</td>
<td></td>
</tr>
<tr>
<td>04D010</td>
<td>(1) O&amp;M, Other Materials, Supplies, and Equipment</td>
</tr>
<tr>
<td>04D020</td>
<td>(2) Research, Development, Test, and Evaluation (RDT&amp;E)</td>
</tr>
<tr>
<td>04D030</td>
<td>(3) Military Assistance Appropriations and Funds, Procurement other than Offshore Procurement from line A.4.c.(13)</td>
</tr>
<tr>
<td>04D040</td>
<td>(4) Stock Funds, Other Materials, Supplies, and Equipment</td>
</tr>
</tbody>
</table>
Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>04D050</td>
<td>(5) Other Appropriation and Funds - (Excluding Military Construction Material and Major Procurement)</td>
</tr>
<tr>
<td></td>
<td>(6) Subtotal – Enter the sum of lines A.4.d.(1) through A.4.d.(5)</td>
</tr>
<tr>
<td></td>
<td>(7) Less: Returns to United States (-)</td>
</tr>
<tr>
<td>04D07A</td>
<td>(a) U.S. End Products</td>
</tr>
<tr>
<td>04D07B</td>
<td>(b) U.S. Services</td>
</tr>
<tr>
<td>04D07C</td>
<td>(c) U.S. Transportation</td>
</tr>
<tr>
<td></td>
<td>(d) Total Returns - Enter the sum of lines A.4.d.(7)(a) through A.4.d.(7)(c).</td>
</tr>
<tr>
<td></td>
<td>(8) Total Other Materials, Supplies, and Equipment - Enter the net of lines A.4.d.(6) and A.4.d.(7).d.</td>
</tr>
<tr>
<td></td>
<td>e. Total Materials, Supplies, and Equipment - Enter the sum of lines A.4.a.(5), A.4.b.(6), A.4.c.(13), and A.4.d.(8).</td>
</tr>
<tr>
<td>05A000</td>
<td>a. Aircraft and Related Equipment and Spares</td>
</tr>
<tr>
<td>05B000</td>
<td>b. Missiles and Related Equipment and Spares</td>
</tr>
<tr>
<td>05C000</td>
<td>c. Shipbuilding and Related Equipment and Spares</td>
</tr>
<tr>
<td>05D000</td>
<td>d. Ground Electronics and Related Equipment and Spares</td>
</tr>
<tr>
<td>05E000</td>
<td>e. Other - Major Procurement</td>
</tr>
<tr>
<td></td>
<td>f. Subtotal – Enter the sum of lines A.5.a. through A.5.e.</td>
</tr>
<tr>
<td></td>
<td>g. Less: Returns to United States (-)</td>
</tr>
<tr>
<td>05G010</td>
<td>(1) U.S. End Products</td>
</tr>
<tr>
<td>05G020</td>
<td>(2) U.S. Services</td>
</tr>
<tr>
<td>05G030</td>
<td>(3) U.S. Transportation</td>
</tr>
<tr>
<td></td>
<td>(4) Total Returns - Enter the sum of lines A.5.g.(1) through A.5.g.(3).</td>
</tr>
<tr>
<td></td>
<td>h. Total Major Procurement - Enter the net of lines A.5.f. and A.5.g.(4).</td>
</tr>
<tr>
<td>06A010</td>
<td>(1) Military Construction</td>
</tr>
</tbody>
</table>

6. Construction - Report payments to foreign contractors and U.S. contractors for foreign construction projects charged to the appropriations listed and payments for construction material charged to the Military Construction and Family Housing Appropriations. Include all payments for services charged to Military Construction and Family Housing Construction Appropriations.
   a. Foreign Contractors
<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>06A020</td>
<td>(2) Family Housing, Defense Construction</td>
</tr>
<tr>
<td>06A030</td>
<td>(3) Military Assistance Appropriations and Funds, Construction, Foreign Contractors</td>
</tr>
<tr>
<td>06A040</td>
<td>(4) Counterpart Foreign Currency Payments</td>
</tr>
<tr>
<td></td>
<td>(5) Subtotal – Enter the sum of lines A.6.a.(1) through A.6.a.(4).</td>
</tr>
<tr>
<td></td>
<td>(6) Less: Returns to the United States (-)</td>
</tr>
<tr>
<td>06A06A</td>
<td>(a) U.S. End Products</td>
</tr>
<tr>
<td>06A06B</td>
<td>(b) U.S. Services</td>
</tr>
<tr>
<td>06A06C</td>
<td>(c) U.S. Transportation</td>
</tr>
<tr>
<td></td>
<td>(d) Total Returns - Enter the sum of lines A.6.a.(6)(a) through A.6.a.(6)(c).</td>
</tr>
<tr>
<td></td>
<td>(7) Total Construction Foreign Contractors - Enter the net of lines A.6.a.(5) and A.6.a.(6)(d).</td>
</tr>
<tr>
<td></td>
<td>b. U.S. Contractors</td>
</tr>
<tr>
<td>06B010</td>
<td>(1) Military Construction</td>
</tr>
<tr>
<td>06B020</td>
<td>(2) Family Housing, Defense Construction</td>
</tr>
<tr>
<td>06B030</td>
<td>(3) Military Assistance Appropriations and Funds, Construction, U.S. Contractors</td>
</tr>
<tr>
<td>06B040</td>
<td>(4) Counterpart Foreign Currency Payments</td>
</tr>
<tr>
<td></td>
<td>(5) Subtotal - Enter the sum of lines A.6.b.(1) through A.6.b.(4).</td>
</tr>
<tr>
<td></td>
<td>(6) Less: Returns to United States</td>
</tr>
<tr>
<td>06B06A</td>
<td>(a) U.S. End Products</td>
</tr>
<tr>
<td>06B06B</td>
<td>(b) U.S. Services</td>
</tr>
<tr>
<td>06B06C</td>
<td>(c) U.S. Transportation</td>
</tr>
<tr>
<td></td>
<td>(d) Total Returns - Enter the sum of lines A.6.b.(6)(a) through A.6.b.(6)(c).</td>
</tr>
<tr>
<td></td>
<td>(7) Net Payments to U.S. Contractors for Construction - Enter the net of lines A.6.b.(5) and A.6.b.(6)(d).</td>
</tr>
<tr>
<td></td>
<td>c. Construction Material - This includes the procurement of material, supplies, and equipment acquired for foreign construction projects. Report government-furnished material provided to contractors, procured abroad with construction funds when the material is purchased.</td>
</tr>
<tr>
<td>06C010</td>
<td>(1) Military Construction</td>
</tr>
<tr>
<td>06C020</td>
<td>(2) Family Housing, Defense Construction Categories</td>
</tr>
<tr>
<td></td>
<td>(3) Subtotal - Enter the sum of lines A.6.c.(1) and A.6.c.(2).</td>
</tr>
<tr>
<td></td>
<td>(4) Less: Returns to United States (-)</td>
</tr>
<tr>
<td>06C04A</td>
<td>(a) U.S. End Products</td>
</tr>
<tr>
<td>06C04B</td>
<td>(b) U.S. Service</td>
</tr>
<tr>
<td>06C04C</td>
<td>(c) U.S. Transportation</td>
</tr>
</tbody>
</table>
Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(d) Total Returns - Enter the sum of lines A.6.c.(4)(a) through A.6.c.(4)(c).</td>
</tr>
<tr>
<td></td>
<td>(5) Net Payments for Construction Material – Enter the net of lines A.6.c.(3) and A.6.c.(4)(d).</td>
</tr>
<tr>
<td>d. NATO Infrastructure</td>
<td></td>
</tr>
<tr>
<td>06D000</td>
<td>(1) Foreign Military Sales – Land and Structures</td>
</tr>
<tr>
<td>06D010</td>
<td>(2) NATO Infrastructure</td>
</tr>
<tr>
<td>06D020</td>
<td>(3) NATO Air Defense Ground Environment</td>
</tr>
<tr>
<td></td>
<td>(4) Total NATO Infrastructure - Enter the sum of lines A.6.d.(1) through A.6.d.(3).</td>
</tr>
<tr>
<td>e. Total Construction - Enter the sum of lines A.6.a.(7), A.6.b.(7), A.6.c.(5), and A.6.d.(4).</td>
<td></td>
</tr>
<tr>
<td>7. Transportation - Report payments to foreign carriers for transportation of individuals or transportation of household goods and materiel, including those furnished on U.S. Government bills of lading, travel requests, and similar documents charged to the following appropriations and funds, excluding amounts reported under POL and subsistence stock funds.</td>
<td></td>
</tr>
<tr>
<td>07A000</td>
<td>a. Military Personnel, Reserve Personnel, and National Guard Personnel</td>
</tr>
<tr>
<td>07B000.</td>
<td>b. O&amp;M, Transportation</td>
</tr>
<tr>
<td>07C000</td>
<td>c. Military Assistance Appropriations and Funds, Transportation</td>
</tr>
<tr>
<td>07D000</td>
<td>d. Other Appropriations and Funds, Transportation</td>
</tr>
<tr>
<td></td>
<td>e. Subtotal – Enter the sum of lines A.7.a. through A.7.d.</td>
</tr>
<tr>
<td></td>
<td>f. Less: Returns to United States (-)</td>
</tr>
<tr>
<td>07F010</td>
<td>(1) U.S. End Products</td>
</tr>
<tr>
<td>07F020</td>
<td>(2) U.S. Services</td>
</tr>
<tr>
<td>07F030</td>
<td>(3) U.S. Transportation</td>
</tr>
<tr>
<td></td>
<td>(4) Total Returns – Enter the sum of lines A.7.f.(1) through A.7.f.(3).</td>
</tr>
<tr>
<td></td>
<td>g. Total Transportation - Enter the net of lines A.7.e. and A.7.f.(4).</td>
</tr>
<tr>
<td>8. Services - Report payments for services performed overseas, including real property maintenance, repair, and minor construction (Object classes 23, 24, and 25, excluding indirect hire, foreign nationals) from the following appropriations and funds.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Foreign Contractors</td>
</tr>
<tr>
<td></td>
<td>(1) O&amp;M</td>
</tr>
<tr>
<td>08A01A</td>
<td>(a) Rents, Communications, and Utilities</td>
</tr>
</tbody>
</table>
Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>08A01B</td>
<td>(b) Contract Maintenance of Equipment and Related Payments</td>
</tr>
<tr>
<td>08A01C</td>
<td>(c) Real Property Maintenance, Repair, and Minor Construction</td>
</tr>
<tr>
<td>08A01D</td>
<td>(d) Other O&amp;M</td>
</tr>
<tr>
<td></td>
<td>(e) Total Services, Foreign Contractors, O&amp;M - Enter the sum of lines A.8.a.(1)(a) through A.8.a.(1)(d).</td>
</tr>
<tr>
<td>08A020</td>
<td>(2) RDT&amp;E</td>
</tr>
<tr>
<td>08A030</td>
<td>(3) Military Assistance Appropriations and Funds, Services, Foreign Contractors</td>
</tr>
<tr>
<td>08A040</td>
<td>(4) Other Appropriations and Funds, Services, Foreign Contractors</td>
</tr>
<tr>
<td></td>
<td>(5) Subtotal – Enter the sum of lines A.8.a.(1)(e) and A.8.a.(2) through A.8.a.(4).</td>
</tr>
<tr>
<td></td>
<td>(6) Less: Returns to United States (-)</td>
</tr>
<tr>
<td>08A06A</td>
<td>(a) U.S. End Products</td>
</tr>
<tr>
<td>08A06B</td>
<td>(b) U.S. Services</td>
</tr>
<tr>
<td>08A06C</td>
<td>(c) U.S. Transportation</td>
</tr>
<tr>
<td></td>
<td>(d) Total Returns – Enter the sum of lines A.8.a.(6)(a) through A.8.a.(6)(c).</td>
</tr>
<tr>
<td></td>
<td>(7) Total Payments to Foreign Contractors for Services - Enter the net of lines A.8.a.(5) and A.8.a.(6)(d).</td>
</tr>
<tr>
<td></td>
<td>b. U.S. Contractors</td>
</tr>
<tr>
<td>08B01A</td>
<td>(a) Real Property Maintenance, Repair, and Minor Construction</td>
</tr>
<tr>
<td>08B01B</td>
<td>(b) Other O&amp;M</td>
</tr>
<tr>
<td></td>
<td>(c) Total Services, U.S. Contractors, O &amp; M - Enter the sum of lines A.8.b.(1)(a) and A.8.b.(1)(b).</td>
</tr>
<tr>
<td>08B020</td>
<td>(2) RDT&amp;E</td>
</tr>
<tr>
<td>08B030</td>
<td>(3) Military Assistance Appropriations and Funds, Services, U.S. Contractors</td>
</tr>
<tr>
<td>08B040</td>
<td>(4) Other Appropriations and Funds, Services, U.S. Contractors</td>
</tr>
<tr>
<td></td>
<td>(5) Subtotal - Enter the sum of lines A.8.b.(1)(c) and A.8.b.(2) through A.8.b.(4).</td>
</tr>
<tr>
<td></td>
<td>(6) Less: Returns to United States (-)</td>
</tr>
<tr>
<td>08B06A</td>
<td>(a) U.S. End Products</td>
</tr>
<tr>
<td>08B06B</td>
<td>(b) U.S. Services</td>
</tr>
<tr>
<td>08B06C</td>
<td>(c) U.S. Transportation</td>
</tr>
<tr>
<td></td>
<td>(d) Total Returns - Enter the sum of lines A.8.b.(6)(a) through A.8.b.(6)(c).</td>
</tr>
<tr>
<td></td>
<td>(7) Net Payments to U.S. Contractors for Services - Enter the net of lines A.8.b.(5) and A.8.b.(6)(d).</td>
</tr>
</tbody>
</table>
Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>c. Net Payments to U.S. and Foreign Contractors for Services - Enter the sum of lines A.8.a.(7) and A.8.b.(7).</td>
</tr>
<tr>
<td>9. Grants to Foreign Entities - Report cash grants paid from the following appropriations and funds. Exclude grants under Military Assistance Grant Aid authorized by the Arms Export Control Act (AECA) of 1976, as amended.</td>
<td></td>
</tr>
<tr>
<td>09A000</td>
<td>a. RDT&amp;E</td>
</tr>
<tr>
<td>09B000</td>
<td>b. Reserved</td>
</tr>
<tr>
<td>09C000</td>
<td>c. Other Appropriations and Funds</td>
</tr>
<tr>
<td></td>
<td>d. Total Grants to Foreign Entities - Enter the sum of lines A.9.a. through A.9.c.</td>
</tr>
<tr>
<td>10. Other Payments - Report all other payments made abroad, not elsewhere classified.</td>
<td></td>
</tr>
<tr>
<td>10A000</td>
<td>a. O&amp;M</td>
</tr>
<tr>
<td>10A020</td>
<td>b. O&amp;M, Army</td>
</tr>
<tr>
<td></td>
<td>c. Military Assistance Appropriations and Funds</td>
</tr>
<tr>
<td>10B010</td>
<td>(1) International Military Headquarters (Project R 1)</td>
</tr>
<tr>
<td>10B020</td>
<td>(2) Other Military Assistance Appropriations and Funds</td>
</tr>
<tr>
<td></td>
<td>(3) Subtotal - Enter the sum of lines A.10.c.(1) and A.10.c.(2).</td>
</tr>
<tr>
<td>10B040</td>
<td>(4) Weapons Production Program - (Project R 5 0)</td>
</tr>
<tr>
<td>10B050</td>
<td>(5) Research and Development - (Projects P 1 0 and P 2 0)</td>
</tr>
<tr>
<td></td>
<td>(6) Total Other Payments, Military Assistance - Enter the sum of lines A.10.c.(3), A.10.c.(4) and A.10.c.(5).</td>
</tr>
<tr>
<td>10C000</td>
<td>d. Retired Pay, Defense - Report payments to retired personnel living abroad.</td>
</tr>
<tr>
<td>10D000</td>
<td>e. Other Claims - Report claims, including death gratuities, other than personnel claims (Code 01L000).</td>
</tr>
<tr>
<td>10E000</td>
<td>f. Counterpart Foreign Currency Payments</td>
</tr>
<tr>
<td>10F000</td>
<td>g. Other Appropriations and Funds</td>
</tr>
<tr>
<td></td>
<td>h. Subtotal – Enter the sum of lines A.10.a., A.10.b., A.10.c.(6), and A.10.d. through A.10.g.</td>
</tr>
<tr>
<td></td>
<td>i. Less: Returns to United States (-)</td>
</tr>
<tr>
<td>10H010</td>
<td>(1) U.S. End Products</td>
</tr>
<tr>
<td>10H020</td>
<td>(2) U.S. Services</td>
</tr>
<tr>
<td>10H030</td>
<td>(3) U.S. Transportation</td>
</tr>
<tr>
<td></td>
<td>(4) Total Returns – Enter the sum of lines A.10.i.(1) through A.10.i.(3).</td>
</tr>
<tr>
<td>LINE ITEM ID CODES</td>
<td>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</td>
</tr>
<tr>
<td>-------------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>110000</td>
<td>j. Total Other Payments - Enter the net of lines A.10.h. and A.10.i.(4).</td>
</tr>
<tr>
<td></td>
<td>11. FT Accounts - Enter all payments from FT accounts for which management responsibility has been delegated to the DoD. The amounts reported on this line must be consistent with the total of all FT accounts reported on the Statement of Transactions and Accountability for the same period.</td>
</tr>
<tr>
<td>12B000</td>
<td>b. Reserved</td>
</tr>
<tr>
<td>12C000</td>
<td>c. Reserved</td>
</tr>
<tr>
<td>12D000</td>
<td>d. Less: Payments Reimbursable from AID, Department of State, or Funds Appropriated to the President - Enter the amount as a negative (-).</td>
</tr>
<tr>
<td>12E000</td>
<td>e. Less: Fines, Penalties, and Forfeitures</td>
</tr>
<tr>
<td>12F000</td>
<td>f. Less: Interest &amp; Dividends</td>
</tr>
<tr>
<td></td>
<td>g. Total Net Payments - Enter the net of line A.12.a. and lines A.12.b. through A.12.f.</td>
</tr>
<tr>
<td></td>
<td>B. Collections</td>
</tr>
<tr>
<td></td>
<td>13. Collections for DoD Cash Sales</td>
</tr>
<tr>
<td>13A000</td>
<td>a. Foreign Military Sales Trust Fund, Account 8242 - (Excludes reimbursements for prior expenditures from Account 8242)</td>
</tr>
<tr>
<td>13B000</td>
<td>b. Less: Refunds to the account of foreign governments from Foreign Military Sales Account 8242 - Enter the amount as a negative (-).</td>
</tr>
<tr>
<td>13C000</td>
<td>c. Military Assistance Appropriations, Accounts 11X1080, 11X1081, 11X1088, and 11X4116</td>
</tr>
<tr>
<td>13D000</td>
<td>d. Other Sales Accounts</td>
</tr>
<tr>
<td>13E000</td>
<td>e. Other Collections for DoD Cash Sales</td>
</tr>
<tr>
<td></td>
<td>f. Total Collections for DoD Cash Sales - Enter the sum of lines B.13.a. through B.13.e.</td>
</tr>
<tr>
<td>140000</td>
<td>14. Advances from Foreign Countries on Sale Agreements - This line applies only to sales under long-term credits where an advance has been received this period. It does not apply to cash sales.</td>
</tr>
</tbody>
</table>
Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>15A000</td>
<td>15. Repayment of Loans - Enter repayments of principal on Foreign Military Sales loans and Other DoD Loans.</td>
</tr>
<tr>
<td>a. 15A000</td>
<td>a. Collection of Principal Miscellaneous Receipt Account Treasury Account 2968</td>
</tr>
<tr>
<td>15B000</td>
<td>b. Liquidation of Foreign Military Sales Trust Fund Account</td>
</tr>
<tr>
<td>15C000</td>
<td>c. Collections for Guaranty Reserve Fund 11X4121</td>
</tr>
<tr>
<td>15D000</td>
<td>d. Reserved</td>
</tr>
<tr>
<td>15E000</td>
<td>e. Reserved</td>
</tr>
<tr>
<td>15F000</td>
<td>f. Ryukyu Islands Power System</td>
</tr>
<tr>
<td></td>
<td>g. Total Repayment of Loans - Enter the sums of lines B.15.a. through B.15.f.</td>
</tr>
<tr>
<td>16A000</td>
<td>16. Joint Weapons Production and Exchange Agreements - Enter collections resulting from transactions under this program.</td>
</tr>
<tr>
<td>a. 16A000</td>
<td>a. Reserved</td>
</tr>
<tr>
<td>16B000</td>
<td>b. Other</td>
</tr>
<tr>
<td>170000</td>
<td>17. Contributed Currencies - Report currencies contributed by foreign governments that reimburse the U.S. Government for operating costs of MAAGs and Missions. See Volume 12, Chapter 24: “Burdensharing and Overseas Relocation Contributions By Foreign Allies.”</td>
</tr>
<tr>
<td>180000</td>
<td>18. Collections for Sales by Property Disposal Officers - Report collections and reimbursements for all sales of surplus, excess, foreign excess, scrap, salvage, timber and lumber products, sold overseas, including the bid deposits of successful bidders recorded in: Accounts from Sales of Personal Property pursuant to exchange/sales requirements and industrial fund accounts. Exclude bid deposits recorded in Deposit Account 6500, Clearing Account 3875, and collections made directly into account 8242.</td>
</tr>
<tr>
<td>190000</td>
<td>19. Collections of Interest - Report the interest collected from foreign debtors on direct long-term credits, including fees and premiums on guaranteed loans, and other interest such as that collected on deposits in foreign banks and on advances.</td>
</tr>
<tr>
<td></td>
<td>a. Interest Received from Loans &amp; Financing Accounts</td>
</tr>
</tbody>
</table>
### Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>19A000</td>
<td>b. Miscellaneous Receipt Accounts - (Other than those shown in B.19.a., B.19.c., B.19.f., and B.19.g.)</td>
</tr>
<tr>
<td>19B000</td>
<td>c. Foreign Military Credit Sales, Account 1468</td>
</tr>
<tr>
<td>19C000</td>
<td>d. Foreign Military Sales Account 8242</td>
</tr>
<tr>
<td>19D000</td>
<td>e. FT accounts</td>
</tr>
<tr>
<td>19E000</td>
<td>f. Ryukyu Islands Power System Loan</td>
</tr>
<tr>
<td>19F000</td>
<td>g. Interest on Advances</td>
</tr>
<tr>
<td></td>
<td>h. Total Collections of Interest - Enter the sum of lines B.19.a. through B.19.g.</td>
</tr>
<tr>
<td>200000</td>
<td>20. Collections for Deliveries of DoD Materiel and Services Billed Locally to Foreign Residents - Report collections for all logistical support or sales abroad at the amount billed and collected locally to foreign residents. Includes sales of foreign non-excess personal property and all services rendered.</td>
</tr>
<tr>
<td>210000</td>
<td>21. Collections for Deliveries Billed Centrally for Logistical Support - Report the amount of collections for all materiel and services billed centrally for logistical support furnished by a DoD Component to a foreign resident or international organization. Reported collections on this line are separate and apart from collections reported on line B.13. and will encompass all other arrangements for support of foreign country or international organization forces by the DoD Component.</td>
</tr>
<tr>
<td>220000</td>
<td>22. Collections for Loans and Leases of Aircraft, Vessels, and Other Equipment - Enter all reimbursements received for loan or lease of aircraft and vessels. Exclude collections for such transfers under Foreign Military Sales and Military Assistance Grant Aid - Enter all reimbursements received for loan or lease of aircraft and vessels. Exclude collections for such transfers under Foreign Military Sales and Military Assistance Grant Aid.</td>
</tr>
<tr>
<td>230000</td>
<td>23. Reserved</td>
</tr>
<tr>
<td>240000</td>
<td>24. Barter/Sales of Surplus Agricultural Products - Enter only in the worldwide summary report the amount paid to the Commodity Credit Corporation (CCC) representing barter sales of surplus agricultural products pursuant to a barter contract.</td>
</tr>
</tbody>
</table>
### Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.</td>
<td>Deliveries - Delivery data for the following categories will be prepared by appropriate agencies pursuant to the SAMM. Level of detail for each category and method of reporting will be established by agreement between the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) and the appropriate agency and will be implemented by the effective date of this Instruction.</td>
</tr>
<tr>
<td>260000</td>
<td>26. Reserved</td>
</tr>
<tr>
<td>270000</td>
<td>27. DoD Deliveries – Foreign Military Sales and Building Partner Capacity - Deliveries of materiel and services relative to direct sales authorized by the AECA of 1976, as amended, as indicated by the generic codes in Chapter 4 and Chapter 9 of the SAMM.</td>
</tr>
<tr>
<td>280000</td>
<td>28. Deliveries under Joint Weapons Production and Exchange Agreements - The value of components or services provided by the U.S. Government under weapons production programs and delivered to countries outside the United States by the categories stated in Chapter 11 of the SAMM.</td>
</tr>
<tr>
<td>29.</td>
<td>Interest - Do not report delivery data for interest.</td>
</tr>
<tr>
<td>30.</td>
<td>Deliveries by Property Disposal Officers - Do not report deliveries by Property Disposal Officers.</td>
</tr>
<tr>
<td>31.</td>
<td>Contributed Currencies - Do not report delivery data for contributed currencies.</td>
</tr>
<tr>
<td>32.</td>
<td>Deliveries of DoD Materiel and Services Billed Locally to Foreign Entities - Do not report deliveries of DoD materiel and services billed locally to foreign entities.</td>
</tr>
<tr>
<td>33.</td>
<td>Deliveries Billed Centrally for Logistical Support - Do not report deliveries billed centrally for logistical support.</td>
</tr>
<tr>
<td>34.</td>
<td>Transfers Without Reimbursement, Military Assistance Program (Grant Aid) - Transfers to foreign countries and international organizations as Military Assistance Grant Aid relative to the FAA of 1961, as amended, as indicated by the generic codes in Chapter 11 of the SAMM.</td>
</tr>
<tr>
<td>34A000</td>
<td>a. Special Drawdown Authority</td>
</tr>
<tr>
<td>34B000</td>
<td>b. EDA Program</td>
</tr>
</tbody>
</table>
Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>34C000</td>
<td>c. Under International Treaties and Agreements</td>
</tr>
<tr>
<td></td>
<td>35. Loans and Leases of Aircraft, Vessels, and Other Equipment - This includes the value at unit inventory prices as carried on the books of the DoD Component at centrally controlled management offices of equipment loaned or leased to foreign governments. It excludes transfers under Foreign Military Sales and Military Assistance Grant Aid.</td>
</tr>
<tr>
<td>35A000</td>
<td>a. Original Deliveries</td>
</tr>
<tr>
<td>35B000</td>
<td>b. Less: Returns of Aircraft, Vessels, and Other Equipment (-)</td>
</tr>
<tr>
<td>35C000</td>
<td>c. Net Loans and Leases of Aircraft, Vessels, and Other Equipment</td>
</tr>
</tbody>
</table>
Enter the net of lines C.35.a. and C.35.b. |
| 360000            | 36. Transfers of Real Property - This includes the transfer of land, buildings, utilities, and improvements, excluding leases, by a DoD Component to a foreign government or international organization, at the amount carried on the real property records. Refer to DoD Instruction 4165.14, “Real Property Inventory and Forecasting.” |
| 370000            | 37. Joint Weapons Production and Exchange Agreements - This includes the value of end products furnished to the United States under joint weapons production and exchange agreements. |
| 380000            | 38. Deliveries under Reimbursement from the AID, Department of State, or Funds Appropriated to the President - This includes the value of end items furnished to foreign governments. |
| 390000            | 39. Outlays from Appropriations, Other Assistance Grant Aid - Include outlays from appropriations in support of other U.S. foreign assistance. |
| 39A               | a. Overseas Humanitarian, Disaster, and Civic Aid Defense (97 0819) |
| 39A000            | (1) Overseas Humanitarian, Disaster, and Civic Activities 97 0819 (Gross Appropriation Amount). |
| 39A020            | (2) Less: Returns to United States - (97 0819). |
| 39B               | b. Cooperative Threat Reduction Account, Defense (97 0134) |
| 39B000            | (1) Former Soviet Union Threat Reduction 97 0134 (Gross Appropriation Amount). |
| 39B020            | (2) Less: Returns to United States – (97 0134). |
| 39C               | c. Drug Interdiction and Counter-Drug Activities, Defense, in-country support only - Outlays from 97 0105 only for in-country support. |
Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>39C000</td>
<td>(1) Drug Interdiction and Counter-Drug Activities 97 0105 (Gross Appropriation Amount).</td>
</tr>
<tr>
<td>39C020</td>
<td>(2) Less: Returns to United States – (97 0105).</td>
</tr>
<tr>
<td>39D000</td>
<td>(1) Contingency Operations – Incremental Costs Incurred (Gross Appropriation Amount).</td>
</tr>
<tr>
<td>39D020</td>
<td>(2) Less: Returns to United States</td>
</tr>
<tr>
<td>39E000</td>
<td>(1) Afghanistan Security Force Fund, Army 21 2091 (Gross Appropriation Amount).</td>
</tr>
<tr>
<td>39E020</td>
<td>(2) Less: Returns to United States</td>
</tr>
<tr>
<td>39F000</td>
<td>(1) Iraq Security Force Fund, Army 21 2092 (Gross Appropriation Amount).</td>
</tr>
<tr>
<td>39F020</td>
<td>(2) Less: Returns to United States</td>
</tr>
<tr>
<td>39G</td>
<td>g. Commander’s Emergency Relief Program (21 2020 Project 13600000000).</td>
</tr>
<tr>
<td>39G000</td>
<td>(1) Commander’s Emergency Relief Program 21 2020 Project 13600000000 (Gross Appropriation Amount).</td>
</tr>
<tr>
<td>39G020</td>
<td>(2) Less: Returns to United States</td>
</tr>
<tr>
<td>39H</td>
<td>h. Commander’s Humanitarian Relief and Reconstruction Program (21 2020 Project 13619800000).</td>
</tr>
<tr>
<td>39H000</td>
<td>(1) Commander’s Humanitarian Relief and Reconstruction Program 21 2020 Project 13619800000 (Gross Appropriation Amount).</td>
</tr>
<tr>
<td>39H020</td>
<td>(2) Less: Returns to United States</td>
</tr>
<tr>
<td>39I</td>
<td>i. Iraq Relief and Reconstruction Fund, Army (21 X 2089).</td>
</tr>
<tr>
<td>39I000</td>
<td>(1) Iraq Relief and Reconstruction Fund, Army 21 X 2089 (Gross Appropriation Amount).</td>
</tr>
<tr>
<td>39I020</td>
<td>(2) Less: Returns to United States</td>
</tr>
<tr>
<td>39J000</td>
<td>(1) NRRRF 97 X 0142 (Gross Appropriation Amount).</td>
</tr>
<tr>
<td>39J020</td>
<td>(2) Less: Returns to United States</td>
</tr>
</tbody>
</table>
Table 13-10. Line Item Captions and Descriptions Accounting Report 1 (Continued)

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>39K020</td>
<td>(2) Less: Returns to United States</td>
</tr>
<tr>
<td>39L</td>
<td>1. Pakistan Counterinsurgency Fund, Army (21 2095).</td>
</tr>
<tr>
<td>39L000</td>
<td>(1) Pakistan Counterinsurgency Fund, Army 21 2095 (Gross Appropriation Amount).</td>
</tr>
<tr>
<td>39L020</td>
<td>(2) Less: Returns to the United States</td>
</tr>
<tr>
<td>400000</td>
<td>40. Military Gross Pay U.S. Personnel - This includes payments to U.S. personnel for “gross pay.”</td>
</tr>
</tbody>
</table>
Table 13-11. Line Item Captions and Descriptions Accounting Report 2

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1. Country (column 1) - List each country abroad according to the guidance provided by the NGA (see Geopolitical Entities, Names and Codes Standard and Table 13-8) for which there are nonappropriated fund transactions entering the IBOP. Show data for Puerto Rico and other U.S. territories and possessions separately following the &quot;Total&quot; line, but not included in “Total.”</td>
</tr>
<tr>
<td>202XXX</td>
<td>a. Sales (column 2) - This includes receipts from the sales of merchandise and services, including commissions from concessionaires. It excludes concessionaire sales and receipts from any U.S. Government agency or activity.</td>
</tr>
<tr>
<td>203XXX</td>
<td>b. Other Revenues (column 3) - This includes such receipts as membership dues, chaplain’s funds, and net receipts from bingo or slot machines.</td>
</tr>
<tr>
<td></td>
<td>c. Total Receipts (column 4) - Enter the sum of the receipts shown in columns 2 and 3.</td>
</tr>
<tr>
<td>205XXX</td>
<td>d. Net Pay, U.S. Personnel (column 5) - This includes net pay of U.S. civilian personnel (part time or full time), and U.S. military personnel employed while off duty.</td>
</tr>
<tr>
<td>206XXX</td>
<td>e. Gross Pay, Foreign Nationals (column 6) - This includes gross pay of all direct or indirect hire, foreign nationals, as well as all payments to or on behalf of the foreign nationals.</td>
</tr>
<tr>
<td>207XXX</td>
<td>f. Foreign Payments for Procurement of Merchandise for Resale (column 7) - This includes foreign payments for merchandise purchases for resale. It excludes payments for purchases from any U.S. Government agency or activity other than to the CCC under barter agreements.</td>
</tr>
<tr>
<td>208XXX</td>
<td>g. Other Foreign Payments (column 8) - This includes other payments for operating expenses, construction, renovation, and equipment not included in columns 5, 6, and 7. It excludes payments to any U.S. Government agency or activity other than to the CCC under barter agreements.</td>
</tr>
<tr>
<td></td>
<td>h. Total Foreign Payments (column 9) - Enter the sum of columns 5 through 8.</td>
</tr>
<tr>
<td>210XXX</td>
<td>i. Net Excess of Payments or Receipts (column 10) - Enter the net of column 4 and column 9. If the payments (column 9) are greater than the receipts (column 4), the difference will be shown as a positive figure. If the receipts (column 4) are greater than the payments (column 9), the differences will be shown as a negative figure. The entry is the same as that for line 01M020 in AR-1. (Table 13-5)</td>
</tr>
</tbody>
</table>
Table 13-11. Line Item Captions and Descriptions Accounting Report 2 (Continued)

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>211XXX</td>
<td>j. Payments in Excess and Near Excess Foreign Currency (column 11) - This includes payments included in all lines made in currencies of countries designated as excess or near excess currency countries. Include only those payments with currencies obtained from official U.S. sources, i.e., military DOs or U.S. Treasury DOs. Do not report any payments made with currencies obtained from commercial banks or other non-U.S. official sources.</td>
</tr>
<tr>
<td>212XXX</td>
<td>k. Net Accommodation Sales (Foreign Currency) (column 12) - Enter the net amount of accommodation sales of foreign currency to U.S. personnel in facilities operated by nonappropriated fund or exchange activities as a memorandum entry for each country. Include the total amount sold to individuals less purchases, if any, from individuals.</td>
</tr>
</tbody>
</table>
Table 13-12. Line Item Captions and Descriptions Accounting Report 3

<table>
<thead>
<tr>
<th>LINE ITEM ID CODES</th>
<th>LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country (column 1) – List each country abroad according to the guidance provided by the NGA (see Geopolitical Entities, Names and Codes Standard and Table 13-8) for which there are MPS transactions entering the IBOP. Show data for Puerto Rico and other U.S. territories and possessions separately following the “Total” line, but not included in “Total.”</td>
<td></td>
</tr>
<tr>
<td>301XXX a. Meter/Postage Validation Imprinter Sales (column 2)</td>
<td></td>
</tr>
<tr>
<td>302XXX b. Stamp Sales (column 3) - This includes sales to individuals</td>
<td></td>
</tr>
<tr>
<td>303XXX c. Money Order Sales (column 4) - This includes sales to individuals, including fees. It excludes sales of international money orders.</td>
<td></td>
</tr>
<tr>
<td>304XXX d. Money Orders Fees (column 5)</td>
<td></td>
</tr>
<tr>
<td>305XXX e. Money Orders Cashed (column 6) - This includes cashed by individuals.</td>
<td></td>
</tr>
<tr>
<td>f. Net Sales (column 7) - Enter the sum of columns 2 through 5, less column 6. If the payments (column 6) are greater than the receipts (columns 2 through 5), the differences will be shown as a negative figure. If the receipts (columns 2 through 5) are greater than the payments (column 6), the difference will be shown as a positive figure.</td>
<td></td>
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Table 13-13. DoD Component Identification Codes

<table>
<thead>
<tr>
<th>DoD Component</th>
<th>Code</th>
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<tbody>
<tr>
<td>Department of the Army</td>
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</tr>
<tr>
<td>Department of the Navy</td>
<td>N</td>
</tr>
<tr>
<td>Department of the Air Force</td>
<td>F</td>
</tr>
<tr>
<td>U.S. Marine Corps (code is M, but include with Navy)</td>
<td>M</td>
</tr>
<tr>
<td>Defense Contract Audit Agency</td>
<td>R</td>
</tr>
<tr>
<td>Defense Contract Management Agency</td>
<td>BL</td>
</tr>
<tr>
<td>Defense Information Systems Agency</td>
<td>K</td>
</tr>
<tr>
<td>Defense Intelligence Agency</td>
<td>L</td>
</tr>
<tr>
<td>Defense Logistics Agency</td>
<td>S</td>
</tr>
<tr>
<td>Defense Security Cooperation Agency</td>
<td>D</td>
</tr>
<tr>
<td>National Security Agency</td>
<td>U</td>
</tr>
<tr>
<td>Washington Headquarters Services, Budget and Finance Division</td>
<td>E</td>
</tr>
</tbody>
</table>
VOLUME 6A, CHAPTER 14: “DEPOT MAINTENANCE REPORTING”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated May 2018 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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</thead>
<tbody>
<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current</td>
<td>Revision</td>
</tr>
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<td>administrative instructions.</td>
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<tr>
<td>140301</td>
<td>Updated office name for receipt of data revisions and report</td>
<td>Revision</td>
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<td></td>
<td>format changes to Office of the Under Secretary of Defense (Comptroller), Financial Management Policy &amp; Requirements.</td>
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</tr>
<tr>
<td>Addendum 2</td>
<td>Updated Reporting Activity Identifying Code Activity Names.</td>
<td>Revision</td>
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</table>
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CHAPTER 14

DEPOT MAINTENANCE REPORTING

1401 GENERAL

140101. Purpose

The DoD maintains a core depot-level maintenance and repair capability in support of mission-essential weapon systems and other military equipment needed to directly support operational requirements and enable the armed forces to execute the strategic and contingency plans prepared by the Chairman of the Joint Chiefs of Staff. This chapter prescribes Depot Maintenance Cost System (DMCS) requirements that are necessary to provide a comprehensive accounting of DoD depot maintenance workloads. The DoD Components must satisfy these requirements with regard to reporting the accomplishment and status of DoD depot maintenance workloads in:

A. DoD depot maintenance facilities;
B. Private-sector facilities;
C. Other DoD and Federal Government facilities; and
D. State, local, and foreign government facilities.

140102. Authoritative Guidance

These requirements apply to DoD depot maintenance workloads the Components identify pursuant to Title 10, United States Code, section 2466, under which DoD reports to the Congress the respective depot maintenance workload levels in the public and private sectors.

1402 COST DATA REQUIREMENTS

140201. Scope

These requirements apply to all depot maintenance workloads, regardless of DoD funding source, e.g., Defense Working Capital Fund (DWCF), Research and Development, Procurement, General Purpose Forces, Special Operations Forces, Operation and Maintenance, or other appropriations; or non-DoD funding source, such as work done for private-sector customers or other federal, state, local, and foreign governments. Additional guidance is provided in:

A. Addendum 1 – DoD Major Depot Maintenance Activities;
B. Addendum 2 – Reporting Activity Identifying Codes;
C. Addendum 3 – DMCS Input File;
140202. Cost Data Collection

The uniform recording, accumulation, and reporting of costs incurred in depot maintenance operations is required to document the use of DoD resources and to assist management in the measurement of productivity and efficiency, development and use of performance measurement and cost standards, and identification of areas in need of increased management emphasis. In addition, the data will assist in the assessment of total DoD maintenance capability, duplication of capacity, and opportunities for areas of interservice support of maintenance workloads.

140203. Managerial Use of Cost Data

Management requires depot maintenance information to assist in:

A. Developing inputs to meet Departmental and Congressionally-mandated requirements;
B. Comparing repair costs with replacement costs;
C. Overseeing the utilization of depot maintenance resources;
D. Evaluating budgets for customers and providers of depot maintenance;
E. Comparing cost trends among organic DoD depots and between organic and contract (private-sector) sources;
F. Formulating managerial direction and guidance for depot maintenance programs;
G. Evaluating depot maintenance activities for efficient use of resources;
H. Estimating depot maintenance requirements;
I. Monitoring DoD Component compliance with various Congressionally-mandated reporting requirements;
J. Examining the behavior of cost drivers over time; and
K. Identifying and evaluating total ownership costs.

140204. Cost Definition

To ensure that all workloads are accounted for and reported in DMCS, regardless of funding source, reporting requirements have been stratified to facilitate reporting of total DoD
costs, both funded and unfunded, for organic and contract depot maintenance. For DMCS reporting purposes:

A. Funded costs are those charged to the operating funds of the performing activity or the activity reporting contract depot maintenance. Funded costs are defined from the perspective of the activity performing the work or, in the case of contract maintenance, from the perspective of the program manager or administrator responsible for reporting contract costs. Costs incurred by a DWCF, or direct-funded organic activity in performance of reimbursable orders, are categorized as funded, as these costs are charged to the operating account of the performing activity. Funded costs at DoD organic activities normally include items such as payroll, operating materials, supplies, and services; and

B. Unfunded costs are costs financed by a DoD appropriation, activity, or entity other than that of the performing activity, or the reporting activity in the case of contract depot maintenance. In other words, financial responsibility resides with an entity other than the DMCS reporting unit. Material, such as a modification kit or other Government-furnished material financed by a procurement appropriation not available to the performing activity, is an unfunded cost. For a direct-funded activity, depreciation of plant and equipment financed by procurement appropriations, and facilities maintenance financed by a regional command, are examples of unfunded costs.

1403 REPORTING REQUIREMENTS

*140301. General Reporting Requirements

The DMCS reporting requirements contained in this chapter, including any subsequent data and format revisions, are the responsibility of the Deputy Assistant Secretary of Defense for Materiel Readiness (DASD (MR)), Office of the Under Secretary of Defense (OUSD) (Acquisition & Sustainment). The DASD (MR) must provide the data revisions and report format changes to the OUSD Comptroller (OUSD (C)), Financial Management Policy and Reporting (FMPR), for publication in subsequent revisions of this chapter. The senior official with responsibility for logistics in each DoD Component is responsible for timely reporting. The Assistant Secretary responsible for financial management in the Military Departments (or equivalent in other DoD Components) is responsible for providing complete and accurate financial data to the report preparer in sufficient time for report submission.

140302. Applicability of Reporting Requirements

The depot maintenance cost report required by this chapter applies to all Military Services and other DoD activities that accomplish depot maintenance workloads, or have depot maintenance workloads accomplished by contract. This includes all work performed by DoD depot maintenance activities, as well as all DoD depot-level maintenance accomplished by other Government activities and contractors.
A. Performing and Reporting Activities

1. Addendum 1 identifies the major DoD depots, shipyards, and other depot maintenance activities that historically have performed depot maintenance workloads. Report work performed at major depot maintenance activities listed in that addendum as specified in subparagraph 140401.B.1. Report work performed by DoD activities not listed in Addendum 1 in accordance with subparagraph 140401.B.2. Report all other work (i.e., that performed by contractors; other Federal Government activities; and state, local, and foreign governments) as stipulated in subparagraph 140401.B.3 by the program administering offices designated by the official in each DoD Component responsible for reporting DMCS data.

2. Addendum 2 is a list of reporting activity identifying codes. Activities performing depot maintenance not listed in Addendum 2, that are required to report, will request an appropriate identifying code from DASD (MR) or its designated agent.

B. Cost Reporting By DoD Performing Activities. Report records from DoD performing activities must reflect total costs incurred, including the cost of any subsidiary ordering from other Government activities or contracting with commercial firms incident to accomplishing workloads. The report accommodates separate reporting of direct labor hours, and costs of contract labor used to augment the workforce, when the hours and associated costs are obtainable from local cost accounting data.

C. Cost Reporting By Other Activities. Report records for DoD depot-level maintenance performed by contractors and DoD activities not listed on Addendum 1 must include all costs to DoD incurred in performing the work. These reports must:

1. Exclude intermediate-level, organizational-level, and other non-depot-level maintenance services (unless those maintenance services are an integral part of a depot-level task or contract);

2. Include the depot-level maintenance portion of Contractor Logistics Support (CLS), Interim Contractor Support (ICS), Performance-Based Logistics (PBL), and similar contracts. Report the direct costs of the depot maintenance performed, as well as associated overhead and other costs attributable to the depot-level maintenance portion of the contracts;

3. Include the cost of Government-furnished material and Government-furnished services consumed in producing a product or service, even though financed or provided by a source other than the primary reporting office or entity; and

4. Provide all appropriate categorization codes, including Item Identification, Weapon or Support System Code (WSSC), Work Breakdown Structure, WPC, and the average number of Shop Flow Days.
140303. Work Performance Categories

Addendum 5 contains the WPC codes that identify the nature of work performed. In cases where there may be overlap between WPCs, report costs in the highest level of repair. For example, if manufacture is required to complete an overhaul because critical parts are not available, report costs as overhaul.

140304. DMCS Data Submission Process

A. Frequency and Timing of Submittal. Annual DMCS data submissions must be provided to DASD (MR), or its designated agent, no later than December 31 following the end of the fiscal year. Reporting requirement symbol AP-MP(A)1397 is assigned to this reporting requirement. Paragraph 140301 lists the parties responsible for data submission.

B. Accompanying Documents

1. With each data submission to the DASD (MR), include a transmittal memorandum that includes a brief discussion of any anomalies in the data, significant changes from previous submissions, or other pertinent information to aid in processing the data. The transmittal memorandum for the report must identify a point of contact within the submitting activity for issues and questions related to the reported data.

2. Within 90 days after the initial submission due date, submit a brief narrative analysis (three to five pages) explaining trends in the data to the DASD (MR). The focus of the narrative analysis must be on the factors driving year-to-year changes in cost and direct labor hours. These factors include changes in workload; changes in contract support (both in level of effort and in price); changes in the prices paid for labor, material, and other resources; and, when applicable, significant changes in organic maintenance processes and financial policies. Express the impact of the factors in quantitative terms (for example, an average 3.2 percent material price change or a 2.1 percent improvement in direct labor productivity).

C. Quality Control and Editing of Data Prior to Submission. The AP-MP(A)1397 report serves as a principal database in support of DASD (MR) weapon systems depot maintenance cost and production analyses and external reporting, as well as the principal joint-service database on depot maintenance production operations. The DASD (MR) provides a data editing and submission file creation tool in the form of a relational database application. This tool, which provides Component-specific and general edits, facilitates accuracy and consistency of data submitted by the individual Components. The use of this tool is a required element of the submission process. Provide appropriate personnel within each reporting activity with training in tool usage. In addition, the DASD (MR) will provide each Component with tool updates on an annual basis prior to the end of the fiscal year.

D. Data Input to the Data Editing Tool. The format and content of DMCS data input to the Data Editing Tool must be in accordance with Addendum 3. The individual Military Services and the DASD (MR), or its designated agent, may agree upon alternative formatting of data.
E. Form and Method of DMCS Data Submissions. Annual AP-MP(A)1397 data must be submitted to DASD (MR), or to its designated agent, using the DMCS Data Editing Tool described in subparagraph 140304.D. The tool containing the data and associated documentation may be compressed and submitted in a variety of ways, for example, compact disk, file transfer protocol, email, or other medium agreed upon by the DASD (MR), or its designated agent, and the reporting activity.

F. DoD-Level Review Process. The review and update of annual AP-MP(A)1397 submissions must be accomplished as follows:

1. Within 15 days of receipt of each Component submission, the DASD (MR), or its designated agent, must perform an edit of the data and provide each reporting activity or Component data consolidation point with preliminary versions of summary tables and the applicable section of the “DoD Depot Data Highlights Report.” Review any data discrepancies, at this time, with the individual reporting activities or consolidation points;

2. Within an additional 30 days, the Component must review and make appropriate updates or provide explanations to support the data as initially submitted;

3. Within 30 days following receipt of all revised Component data, the DASD (MR), or its designated agent, must prepare and publish the final versions of summary tables and the “DoD Depot Data Highlights Report.” At that time, a final fiscal year database must be established as a historical file for subsequent analysis by the Office of the Secretary of Defense, the Components, and other authorized activities; and

4. Within an additional 15 days, the Components must submit the narrative analyses described in subparagraph 140304.B.2.

G. Retention of Submitted Data by Reporting Facilities. Reporting activities must retain submission files for a minimum of 5 years.

140305. DMCS Data Maintenance Requirements

The Components must ensure that cost and production reporting systems retain the capability to provide an audit trail back to individual job order cost records, or other data sources, when needed to support DMCS report records.

140306. Report Record Data Requirements

A report record is required for each type of maintenance work (Field 14) performed for each different weapon system, or item identification number, as indicated by different data entries in Addendum 3. Consolidate data for similar job orders if the item repaired, services performed, and other report record fields are consistent. All fields in Addendum 3 are mandatory except for those identified as “Not Used.” “Not Used” fields may be employed by reporting activities for internal use or left blank. Where quantitative data are required, such as costs and man-hours, enter “0” (zero) if there are no data associated with the fields. Null mandatory fields are not acceptable.
A. The DASD (MR), or its designated agent, must maintain lookup tables of pertinent data elements and codes for use by the Military Departments in compiling the DMCS report. These tables will include Weapon or Support System Codes, Performing Activity Identification Codes, Reporting Activity Identification Codes, WPC Codes, Item Identification Codes and Nomenclature, Work Breakdown Structure Codes, and Customer Codes. Components will review the codes annually and notify the DASD (MR), or the designated representative, of any needed additions or deletions. Do not change codes at any other time, except by agreement between the DASD (MR), or its designated agent, and the individual Components.

B. The Defense Finance and Accounting Service (DFAS) must work with the Components to ensure that DFAS financial systems (if used at depot level) retain the capability to provide cost detail to satisfy the reporting requirements of this chapter. Preparation of the DMCS report is the responsibility of the DoD Component performing the work or managing the contract.

C. Each depot maintenance reporting activity must implement quality assurance procedures to be applied to each DMCS record as it is created and populated. Such procedures must include validity checks to prevent errors, such as identifying an F/A-18A aircraft as a submarine or a High Mobility Multipurpose Wheeled Vehicle (HMMWV) as a tank. Each reporting activity that consolidates DMCS organic and contract records must also implement quality control procedures for all its performing facilities. Prior to data submission, reporting facilities must use the DMCS Data Editing Tool, or similar application, to validate the records.

140307. Report Record Type

The data submission report must consist of two types of report records. For both types, the costs reported must be cumulative from inception.

A. The first record type is cumulative costs for financially completed work. Identify all reported transaction records with a “C” in Field 51 for financially completed customer orders. The reported amount for work completed by contractors must equal the total cost (funded and unfunded) incurred.

B. The second record type is cumulative costs for not financially complete work. Report these costs in order to form a complete picture of the work accomplished at each activity performing depot maintenance. Identify report records for financial work that is incomplete with a “W” in Field 51. When reporting contract costs (Field 36), enter the sum of the contract costs accumulated since inception of the contract that are attributable to the work accomplished.

140308. Report Record Corrections

Once an annual DMCS report cycle is completed and the results published, the data should remain unchanged. Therefore, it is important to incorporate corrections and adjustments in the original report records. Exceptions must be for corrections or adjustments that materially change a total for an entire performing facility. If significant corrections to prior year data become necessary, contact the DASD (MR), or its designated agent, to coordinate processing the changes.
1404 REPORTING CATEGORIES AND DATA REQUIREMENTS

140401. Workload Reporting Activities

A. Depot maintenance is performed at DoD depots, at private-sector commercial contractor facilities, and at other DoD activities, such as intermediate maintenance facilities (IMF), arsenals, ordnance stations, or public works centers. The DoD depot maintenance activities that are funded by DWCF are required to follow the formal job order accounting requirements specified in Volume 11B, Chapter 13. Other DoD activities performing depot maintenance workloads may use other cost finding procedures to satisfy the reporting requirements specified in Section 1403.

B. All activities performing depot maintenance will report workload identification data, as required, in Fields 1-16. Cost and production data reporting requirements (Fields 17-54) vary, depending upon the category of activity performing the work. Reporting categories and data requirements must be as follows:

1. **DoD Major Depot Maintenance Activities.** Addendum 1 lists the major depot maintenance activities under the headings: Army Depots, Naval Shipyards, Fleet Readiness Centers, Marine Corps Depots, and Air Force Depots. Funded and unfunded DoD costs for these activities are reported in Fields 17 through 35, with an owner/operator code (Field 7) of “1.” The cost of work suballocated, in part, by a depot to another DoD facility or commercial firm must be reported as an “other direct-funded cost” (Field 30). These major maintenance activities must report all work accomplished by the activity;

2. **DoD Activities Not Listed in Addendum 1.** The program manager or DoD entity (as determined by each Component’s DMCS reporting official) responsible for program oversight must report funded and unfunded DoD costs for these activities in Fields 17 through 35, with an owner/operator code (Field 7) of “2.” If the cost finding procedures of the reporting facility are not sufficiently robust to adequately identify the detailed costs required in Fields 17 through 35, a waiver must be requested from DASD (MR) to permit reporting costs in Fields 36, 37, and 41; and

3. **Non-DoD Facilities.** Work performed at commercially-owned/commercially-operated (COCO) facilities; Government-owned/contractor-operated (GOCO) facilities; non-DoD Government activities; and state, local, and foreign government facilities must be reported by the DoD activity initiating the order (e.g., systems program offices, program managers, major commands, major subordinate commands, Fleet Forces Command, the Naval Inventory Control Points, and other activities that use DoD funds, regardless of source, to obtain depot maintenance from non-DoD entities). Reporting activities must ensure that data submissions for depot maintenance performed at non-DoD activities are complete and accurate and that report records reflect an owner/operator code of “3” in Field 7, non-DoD entity costs in Field 36, and Government-furnished materials and services costs in Fields 37 and 41. Government-furnished materials and services include goods and services funded or provided by a sponsor or contract other than administered by the primary reporting entity.
140402. Primary Workload Reporting Data Fields

The DMCS reports from all activities must identify the item worked on, the WPC, and work breakdown structure classification to the extent economically feasible.

1405 SPECIAL REPORTS

Any one-time or additional reports required must be as prescribed by the OUSD (C), FMPR or the DASD (MR).
ADDENDUM 1 - DoD Major Depot Maintenance Activities

**ADDENDUM 1**

DoD MAJOR DEPOT MAINTENANCE ACTIVITIES

(Activities That Report With a “1” in Field 7 see Addendum 3)

**DEPARTMENT OF THE ARMY**

<table>
<thead>
<tr>
<th>Army Depots</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anniston Army Depot</td>
<td>Anniston, Alabama</td>
</tr>
<tr>
<td>Corpus Christi Army Depot</td>
<td>Corpus Christi, Texas</td>
</tr>
<tr>
<td>Letterkenny Army Depot</td>
<td>Chambersburg, Pennsylvania</td>
</tr>
<tr>
<td>Red River Army Depot</td>
<td>Texarkana, Texas</td>
</tr>
<tr>
<td>Tobyhanna Army Depot</td>
<td>Tobyhanna, Pennsylvania</td>
</tr>
</tbody>
</table>

**DEPARTMENT OF THE NAVY**

<table>
<thead>
<tr>
<th>Naval Shipyards</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norfolk Naval Shipyard</td>
<td>Portsmouth, Virginia</td>
</tr>
<tr>
<td>Pearl Harbor Naval Shipyard and IMF</td>
<td>Pearl Harbor, Hawaii</td>
</tr>
<tr>
<td>Portsmouth Naval Shipyard</td>
<td>Kittery, Maine</td>
</tr>
<tr>
<td>Puget Sound Naval Shipyard and IMF</td>
<td>Bremerton, Washington</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fleet Readiness Centers (FRCs)</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRC East</td>
<td>Cherry Point, North Carolina</td>
</tr>
<tr>
<td>FRC Southeast</td>
<td>Jacksonville, Florida</td>
</tr>
<tr>
<td>FRC Southwest</td>
<td>North Island, California</td>
</tr>
</tbody>
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**MARINE CORPS**

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<th>Location</th>
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</thead>
<tbody>
<tr>
<td>Maintenance Center Albany</td>
<td>Albany, Georgia</td>
</tr>
<tr>
<td>Maintenance Center Barstow</td>
<td>Barstow, California</td>
</tr>
</tbody>
</table>

**DEPARTMENT OF THE AIR FORCE**

<table>
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<th>Air Force Depots</th>
<th>Location</th>
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<tbody>
<tr>
<td>Ogden Air Logistics Complex (ALC)</td>
<td>Hill Air Force Base (AFB), Utah</td>
</tr>
<tr>
<td>Oklahoma City ALC</td>
<td>Tinker AFB, Oklahoma</td>
</tr>
<tr>
<td>Warner-Robins ALC</td>
<td>Robins AFB, Georgia</td>
</tr>
</tbody>
</table>
ADDENDUM 1 - DoD Major Depot Maintenance Activities (continued)

Aerospace Maintenance and Regeneration Group (AMARG) (report may be submitted in conjunction with Ogden ALC)

Davis-Monthan AFB, Arizona
ADDENDUM 2
REPORTING ACTIVITY IDENTIFYING CODES
(Codes To Be Used in Field 8 of Addendum 3)

<table>
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<tr>
<th>IDENTIFYING CODE</th>
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<td>Air Force</td>
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<td>98747</td>
<td>Ogden ALC</td>
<td>Air Force</td>
</tr>
<tr>
<td>98748</td>
<td>Oklahoma City ALC</td>
<td>Air Force</td>
</tr>
<tr>
<td>98752</td>
<td>Warner-Robins ALC</td>
<td>Air Force</td>
</tr>
<tr>
<td>H0000</td>
<td>Aviation and Missile Command (AMCOM)—Air</td>
<td>Army</td>
</tr>
<tr>
<td>L0000</td>
<td>AMCOM—Missile</td>
<td>Army</td>
</tr>
<tr>
<td>75117</td>
<td>Anniston Army Depot (AD)</td>
<td>Army</td>
</tr>
<tr>
<td>4UB51</td>
<td>Anniston Munitions Center</td>
<td>Army</td>
</tr>
<tr>
<td>HQAMC</td>
<td>Army Materiel Command Headquarters</td>
<td>Army</td>
</tr>
<tr>
<td>4TU65</td>
<td>Blue Grass AD</td>
<td>Army</td>
</tr>
<tr>
<td>G0000</td>
<td>U.S. Army Communications-Electronics Command (CECOM)</td>
<td>Army</td>
</tr>
<tr>
<td>W4FHAA</td>
<td>CECOM Software Engineering Center</td>
<td>Army</td>
</tr>
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<td>0SDA4</td>
<td>Corpus Christi AD</td>
<td>Army</td>
</tr>
<tr>
<td>4V7J9</td>
<td>Crane Army Ammunition Plant (AAP)</td>
<td>Army</td>
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<td>0NDM7</td>
<td>Letterkenny AD</td>
<td>Army</td>
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<td>4UA79</td>
<td>Letterkenny Munitions Center</td>
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<td>4TZJ4</td>
<td>McAlester AAP</td>
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<td>19200</td>
<td>Picatinny Arsenal</td>
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<td>3XUS9</td>
<td>Pine Bluff Arsenal</td>
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<td>67101</td>
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<td>Army</td>
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<tr>
<td>19204</td>
<td>Rock Island Arsenal</td>
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<tr>
<td>49JA0</td>
<td>Sierra AD</td>
<td>Army</td>
</tr>
<tr>
<td>M0000</td>
<td>U.S. Army Tank–Automotive and Armaments Command (TACOM)</td>
<td>Army</td>
</tr>
<tr>
<td>K0000</td>
<td>TACOM Warren</td>
<td>Army</td>
</tr>
<tr>
<td>W1PLAA</td>
<td>Test Measurement and Diagnostic Equipment (TMDE) Activity</td>
<td>Army</td>
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<tr>
<td>14850</td>
<td>Tobyhanna AD</td>
<td>Army</td>
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<tr>
<td>21624</td>
<td>Tooele AD</td>
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</tr>
<tr>
<td>19206</td>
<td>Watervliet Arsenal</td>
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<tr>
<td>99998</td>
<td>Defense Supply Center, Richmond, Product Center 12</td>
<td>DLA</td>
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<tr>
<td>67004</td>
<td>Marine Corps Logistics Command (MCLC)</td>
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<tr>
<td>67854</td>
<td>Marine Corps Systems Command (SYSCOM)</td>
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<tr>
<td>67100</td>
<td>Marine Depot Maintenance Command (MDMC)</td>
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### ADDENDUM 2 - Reporting Activity Identifying Codes (continued)

<table>
<thead>
<tr>
<th>Code</th>
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<tbody>
<tr>
<td>94700</td>
<td>MDMC, Production Plant Albany</td>
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<tr>
<td>93636</td>
<td>MDMC, Production Plant Barstow</td>
<td>Marine Corps</td>
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<tr>
<td>65923</td>
<td>FRC East</td>
<td>Navy</td>
</tr>
<tr>
<td>65886</td>
<td>FRC Southeast</td>
<td>Navy</td>
</tr>
<tr>
<td>44321</td>
<td>FRC West</td>
<td>Navy</td>
</tr>
<tr>
<td>44329</td>
<td>FRC Northwest</td>
<td>Navy</td>
</tr>
<tr>
<td>65888</td>
<td>FRC Southwest</td>
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</tr>
<tr>
<td>44327</td>
<td>FRC Mid-Atlantic</td>
<td>Navy</td>
</tr>
<tr>
<td>66021</td>
<td>FRC Western Pacific</td>
<td>Navy</td>
</tr>
<tr>
<td>68778</td>
<td>FRC Support Equipment Facility</td>
<td>Navy</td>
</tr>
<tr>
<td>30003</td>
<td>Naval Air Systems Command (NAVAIR) Headquarters</td>
<td>Navy</td>
</tr>
<tr>
<td>00104</td>
<td>NAVSUP WSS-Mechanicsburg</td>
<td>Navy</td>
</tr>
<tr>
<td>81601</td>
<td>Norfolk Naval Shipyard (NSY)</td>
<td>Navy</td>
</tr>
<tr>
<td>89103</td>
<td>Pearl Harbor NSY and IMF</td>
<td>Navy</td>
</tr>
<tr>
<td>81316</td>
<td>Portsmouth NSY</td>
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<td>82522</td>
<td>Puget Sound NSY and IMF</td>
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<td>00164</td>
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<td>00253</td>
<td>Naval Underwater Warfare Center (NUWC) Keyport</td>
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<td>66001</td>
<td>Naval Information Warfare Center (NIWC), Pacific</td>
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<td>65236</td>
<td>NIWC Atlantic</td>
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<td>32253</td>
<td>Hawaii Regional Maintenance Center (RMC)</td>
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<td>4523A</td>
<td>Northwest RMC</td>
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<td>40025</td>
<td>Mid-Atlantic RMC</td>
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<td>69097</td>
<td>Southwest RMC</td>
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<tr>
<td>40027</td>
<td>Southeast RMC</td>
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<tr>
<td>62758</td>
<td>U.S. Naval Ship Repair Facility and Japan RMC (SRF-JRMC)</td>
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<tr>
<td>66630</td>
<td>Naval Air Warfare Center Weapons Division (NAWCWD), Point Mugu</td>
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</tr>
<tr>
<td>68936</td>
<td>NAWCWD, China Lake</td>
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<tr>
<td>68335</td>
<td>Naval Air Warfare Center Aviation Division (NAWCAD), Lakehurst</td>
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ADDENDUM 3 – DMCS Input File

### ADDENDUM 3

#### SECTION A

**DMCS DATA EDITING TOOL INPUT FILE FORMAT**

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<td>2</td>
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<td>Fiscal Year</td>
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<td>5</td>
<td>b. Reporting Component</td>
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<td>5</td>
<td>a. Performing Activity Identifying Code</td>
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<td>Item Identification Code</td>
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<td>Item Nomenclature</td>
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<td>17</td>
<td>Direct Civilian Labor—Funded Costs</td>
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### ADDENDUM 3 – DMCS Input File (continued)

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<td>21</td>
<td>Direct Military Labor—Funded Costs</td>
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<td>Direct Material—Funded Costs</td>
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<td>Direct Material—Unfunded Costs</td>
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<td>Other Direct—Unfunded Costs</td>
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<td>Operations Overhead—Funded Costs</td>
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<td>33</td>
<td>Operations Overhead—Unfunded Costs</td>
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<td>34</td>
<td>General and Administrative—Funded Costs</td>
<td>223–230</td>
<td>8N</td>
</tr>
<tr>
<td>35</td>
<td>General and Administrative—Unfunded Costs</td>
<td>231–238</td>
<td>8N</td>
</tr>
<tr>
<td>36</td>
<td>Contract and/or Other Maintenance Activity—Funded and Unfunded Costs</td>
<td>239–246</td>
<td>8N</td>
</tr>
<tr>
<td>37</td>
<td>Government-Furnished Material—Funded and Unfunded Costs</td>
<td>247–254</td>
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<td>Government-Furnished Services—Funded and Unfunded Costs</td>
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## PERFORMANCE-PRODUCTIVITY (PRODUCTION) DATA:

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<td>45</td>
<td>Total Production Quantity</td>
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<td>46</td>
<td>Report Data Record Identifier</td>
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<td>Shop Flow Days</td>
<td>351–354</td>
<td>4N</td>
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<td>Work Status Code</td>
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<td>1A/N</td>
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<td>54</td>
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</table>
ADDENDUM 3 – DMCS Input File (continued)

ADDENDUM 3
SECTION B
EXPLANATION OF ENTRIES REQUIRED FOR DMCS REPORTING

1. **Field 1**—Not Used

2. **Field 2**—Not Used

3. **Field 3**—Fiscal Year. Enter the two terminal digits of the current fiscal year being reported.

4. **Field 4**—Reporting Component. In position 10, enter A (Army), F (Air Force), M (Marine Corps), N (Navy), or S (Defense Logistics Agency) to designate the DoD Component providing the report.

5. **Field 5**—Performing Activity Identifying Code
   
   a. **Organic Activity Identifying Code.** If the activity is Government-operated (Code 1 or 2 in Field 7), then enter the identifying code in positions 11 through 15 for the activity identified in Addendum 2.
   
   b. **Contractor CAGE or Identifying Code.** If the maintenance is contractor-performed (Code 3 in Field 7), then enter the contract activity’s CAGE code or other unique, approved 5-digit identifier as specified by the Defense Logistics Information Service (DLIS). Start in position 11 and leave positions 16 through 24 blank. Request a CAGE code if one has not been established for a contractor.

6. **Field 6**—Not Used

7. **Field 7**—Owner and/or Operator Code. Enter one of the following to indicate the type of activity performing the maintenance.

   **Code 1**—DoD Major Depot Maintenance Activities (DoD Component organic maintenance activities listed in Addendum 1). When Code 1 is entered in Field 7, report costs in Fields 17 through 35. Fields 36, 37, and 41 must be zero filled.

   **Code 2**—Other DoD Facilities (DoD Component in-house maintenance activities not listed in Addendum 1). When Code 2 is entered in Field 7, report costs in Fields 17 through 35. Fields 36, 37 and 41 must be zero filled.

   **Code 3**—COCO, GOCO, and other non-DoD entities (other Federal Government activities; state, local, and foreign governments). When Code 3 is entered, report costs in Fields 36, 37, and 41. Fields 17 through 28 and 30 through 35 must be zero filled.
ADDENDUM 3 – DMCS Input File (continued)

8. **Field 8—Reporting Activity Identifying Code.** A code identifying the reporting activity, including activities contracting for depot maintenance work with commercial contractors. Enter the reporting activity’s identifying code as specified in Addendum 2. Depot maintenance activities performing in-house work for all other DoD activities, including other depot maintenance activities, must report their work by using their own identifying code in this field.

9. **Field 9—Item Identification Code.** A code to identify the specific item on which depot maintenance was or is being performed. Do not use punctuation or special characters such as dashes, slashes, or blank spaces between characters. Start in position 32 and enter left justified up to 13 characters; zero fill unused positions. Sample entries for this field are as follows:

   a. If the item is an aerospace vehicle (aircraft, guided missile, rocket, or probe), then show the mission-design series according to **DoD Directive 4120.15E**, “Designating and Naming Military Aerospace Vehicles,” and listed in **DoD 4120.15-L**, “Model Designation of Military Aerospace Vehicles.”

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>POSITIONS</th>
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<tbody>
<tr>
<td>Basic (Standard) Mission Aircraft</td>
<td>32 33 34 35 36 37 38 39 40 41 42 43 44</td>
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<tr>
<td>Modified (Special) Mission Aircraft</td>
<td>F 1 6 C Ø Ø Ø Ø Ø Ø Ø Ø Ø Ø</td>
</tr>
<tr>
<td>Special Test (Permanent) Aircraft</td>
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<tr>
<td>Basic (Standard) Missile</td>
<td>N K C 1 3 5 E Ø Ø Ø Ø Ø Ø Ø Ø Ø Ø</td>
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<tr>
<td>Basic (Standard) Rocket</td>
<td>U G M 1 3 3 A Ø Ø Ø Ø Ø Ø Ø Ø Ø Ø</td>
</tr>
<tr>
<td>Basic (Standard) Probe</td>
<td>R U R 5 A Ø Ø Ø Ø Ø Ø Ø Ø Ø Ø Ø Ø</td>
</tr>
</tbody>
</table>

   NOTE: Ø is numeric; O is alphabetic.

   b. If the item is an aerospace vehicle propulsion engine, equipment or aeronautical support equipment, or photographic item, then show the type designation according to Military Handbook 1812, “Type Designation, Assignment, and Method for Obtaining.”
ADDENDUM 3 – DMCS Input File (continued)

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>POSITIONS</th>
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<tbody>
<tr>
<td></td>
<td>32 33 34 35 36 37 38 39 40 41 42 43 44</td>
</tr>
<tr>
<td>Turbofan Engine</td>
<td>F 1 1 8 G E 1 Ø Ø A Ø Ø Ø</td>
</tr>
<tr>
<td>Turboshaft, Turboprop Engine</td>
<td>T F 3 4 G E 1 Ø Ø B Ø Ø Ø</td>
</tr>
<tr>
<td>Solid Propellant Rocket Motor</td>
<td>S R 1 1 Ø A D 1 A Ø Ø Ø Ø Ø</td>
</tr>
<tr>
<td>Manufacturer’s Model Engine</td>
<td>C F M 5 6 2 A 2 Ø Ø Ø Ø Ø Ø Ø</td>
</tr>
<tr>
<td>Reconnaissance Camera</td>
<td>K A 7 A Ø Ø Ø Ø Ø Ø Ø Ø Ø Ø Ø</td>
</tr>
<tr>
<td>Crash/Fire Truck</td>
<td>A S 3 2 P 2 6 Ø Ø Ø Ø Ø Ø Ø Ø</td>
</tr>
<tr>
<td>Chemical Alarm Unit</td>
<td>A E 2 3 D 3 Ø Ø Ø Ø Ø Ø Ø Ø</td>
</tr>
</tbody>
</table>

NOTE: Ø is numeric; O is alphabetic.

c. If the item is a vessel, then show ship type and hull number in the first eight positions and zero fill the remaining five positions.

d. If ammunition rework or renovation is performed by a depot-level maintenance activity, then total cost must be recorded by work breakdown structure code H3 (Field 13) only, and this field must be zero filled.

e. If items “a” through “d” for Field 9 do not apply, and the job order is for repair of items with the same national stock number (NSN) identification, then enter that NSN, such as 6730001161618, in positions 32 through 44.

f. If items “a” through “e” for Field 9 do not apply, enter the letters or numbers used for the identification of the job order. The first 4 digits should identify the Federal Supply Class and, of the remaining nine positions, one must be alphabetic. Zero fill when WPC (Field 14) is “Other Work (T).”

10. **Field 10—Item Nomenclature.** A 20-digit field describing the specific item on which maintenance was performed, or the support service that was performed. Use common abbreviations if more than 20 positions would otherwise be required. Start in position 45 and leave blank unused positions to the right (left justify).

a. For aircraft and missiles, use popular names, if assigned, such as Patriot, Cobra, Phoenix, Falcon, Minuteman, and Harrier. If a popular name has not been assigned or is unknown, then use the basic mission of the aircraft or missile, such as Fighter Aircraft, Trainer Aircraft, Cargo Trans Aircraft, Util Helicopter, or Surface Attack Missile. DoD 4120.15-L, “Model Designation of Military Aerospace Vehicles,” includes a current complete listing.
ADDENDUM 3 – DMCS Input File (continued)

b. For aircraft and rocket engines, use the name of the engine type. Examples are Turbofan Engine, and Rocket Motor.

c. For vessels, use the name of the ship. An example is the U.S. Ship (USS) Georgia.

d. For conventional ammunition, use “Ammunition.”

e. For items with an NSN, use the standard description maintained by DLIS in the Federal Logistics Information System (FLIS).

f. For all other items, use the noun and modifiers that adequately describe the item.

11. Field 11—Not Used

12. Field 12—Weapon or Support System Code. A code identifying a specific weapon or support system. Use code 997 if an item cannot be identified to a specific weapon or support system, but can be identified in Field 13 to a major commodity group (such as aircraft, and missiles) and to a category (such as fighters and bombers) within the major commodity group. Use code 998 if identification is possible only to the major commodity group and not to a category. Use code 999 if identification cannot be made to a major commodity group and the Work Breakdown Structure Code L11 is used in Field 13.

13. Field 13—Work Breakdown Structure Code. A code to identify the specific type of weapon or support system to which the item described by the Item Identification Code (Field 9) and Item Nomenclature (Field 10) applies. Use the Work Breakdown Structure Code established in Addendum 4 to this chapter. Use code L11 if the item, service, or investment cannot be identified with a specifically listed Work Breakdown Structure Code and Code 999 is used in Field 12.

14. Field 14—WPC. A code to categorize the type of maintenance work performed on the item identified in Field 9 or the type of maintenance service provided. Use the Codes in Addendum 5. Subcategorize basic alpha codes with a numerical designation by each Component as required for internal management and analysis, budget review, and justification. If the report record is “N” (Technical Assistance) or “T” (Other Work), then Fields 45 and 50 must be zero.

15. Field 15—Customer Code. A code identifying the DoD Program and Department or Agency billed for the maintenance cost (that is, “Sales code”). In Position 85, enter A (Army), N (Navy), F (Air Force), M (Marine Corps), or D (Defense Agency) to designate a DoD customer. Enter Y for other Federal agencies or a Z for all non-Federal customers. Leave position 86 blank.

16. Field 16—Not Used
ADDENDUM 3 – DMCS Input File (continued)

Fields 17–42—Labor Hour and Cost Data. The direct labor hours and summary elements of reported costs are set forth in Addendum 3. The various elements of cost are explained in detail in the basic chapter. Some clarifying notations are included for certain fields. In addition:

a. “Funded” and “Unfunded” costs are defined in paragraph 140204.

b. Entries in direct labor hour’s fields must be the actual hours expended rather than standard (or “earned”) hours.

17. Field 17—Direct Civilian Labor—Funded Costs

18. Field 18—Direct Civilian Labor—Funded Hours

19. Field 19—Contract Labor Augmentation of Direct Workforce—Funded Costs. Funded costs for direct labor performed by contract personnel who augment the organic workforce, working side by side with Government personnel, and whose time is recorded in the local time and attendance system. This excludes contract personnel working at a Government depot under a contract for delivery of a specific product such as painting an aircraft for a fixed price per aircraft. Also excluded are contract personnel performing indirect or overhead support functions.

20. Field 20—Contract Labor Augmentation of Direct Workforce—Funded Hours. Funded hours for direct labor performed by contract personnel who augment the organic workforce, working side by side with Government personnel, and whose time is recorded in the local time and attendance system. This excludes contract personnel working at a Government depot under a contract for delivery of a specific product, such as painting an aircraft for a fixed price per aircraft. Also excluded are contract personnel performing indirect or overhead support functions.

21. Field 21—Direct Military Labor—Funded Costs. Since the majority of military personnel at depot maintenance activities are there for reasons other than business requirements, their cost is to be reported based upon civilian equivalent rates that are provided by the DoD Comptroller. These are the rates reflected in DWCF activity budgets.

22. Field 22—Direct Military Labor—Funded Hours

23. Field 23—Direct Military Labor—Unfunded Costs. The labor cost for military personnel not funded by the performing activity. The cost calculation is based upon civilian equivalent rates that are provided by the DoD Comptroller. This Field includes military personnel at a direct-funded activity or military personnel temporarily working under the supervision of a DWCF activity.
ADDENDUM 3 – DMCS Input File (continued)

24. **Field 24—Direct Military Labor—Unfunded Hours.** The labor hours for military personnel not funded by the performing activity. This Field includes military personnel at a direct-funded activity or military personnel temporarily working under the supervision of a DWCF activity.

25. **Field 25—Direct Material—Funded Costs**

26. **Field 26—Direct Material—Unfunded Costs.** Includes material provided at no cost to the performing activity.

27. **Field 27—Direct Civilian Labor—Unfunded Costs.** The civilian labor cost for Government (Civil Service) employees not funded by the performing activity. This Field excludes contractor personnel used for workforce augmentation.

28. **Field 28—Direct Civilian Labor—Unfunded Hours.** The civilian labor hours for Government (Civil Service) employees not funded by the performing activity. This Field excludes contractor personnel used for workforce augmentation.

29. **Field 29—Not Used**

30. **Field 30—Other Direct—Funded Costs.** For example, contracted services.

31. **Field 31—Other Direct—Unfunded Costs.** For example, customer provided services.

32. **Field 32—Operations Overhead—Funded Costs**

33. **Field 33—Operations Overhead—Unfunded Costs.** For example, military personnel cost for indirect effort.

34. **Field 34—General and Administrative—Funded Costs**

35. **Field 35—General and Administrative—Unfunded Costs**
ADDENDUM 3 – DMCS Input File (continued)

36. **Field 36—Contract and/or Other Maintenance Activity—Funded and Unfunded Costs.** When code 3 is entered in Field 7, this field must be the total cost of the contract. Report Government-furnished material or services consumed in the production of contract maintenance in Field 37 or Field 41 as applicable. When code 1 or 2 is entered in Field 7, this field must be zero filled.

37. **Field 37—Government-Furnished Material—Funded and Unfunded Costs**

38. **Field 38—Not Used**

39. **Field 39—Not Used**

40. **Field 40—Not Used**

41. **Field 41—Government-Furnished Services—Funded and Unfunded Costs**

42. **Field 42—Not Used**

43. **Field 43—Not Used**

44. **Field 44—Not Used**

45. **Field 45—Total Production Quantity**

   a. If Field 51 is a “C,” then enter the total quantity of items for which work was completed and reported by this transaction record (including contractor-performed work reported with a “3” in Field 7). This field must be zero filled for WPCs “N” and “T.”

   b. If Field 51 is a “W,” then enter the total quantity of items covered by job orders that are not yet financially complete at the end of the period covered by the report record. This field must be zero filled for WPCs “N” and “T.”
ADDENDUM 3 – DMCS Input File (continued)

46. **Field 46—Report Data Record Identifier.** A unique DoD Component alpha and/or numeric code used to identify each individual report transaction record. Use the field to permit the unique identification of each report record. For DoD organic activities, it is recommended that the job order number, or similar production control number, be entered. In all cases, the numbering scheme should:

   a. Uniquely identify each job order, consolidation of similar job orders, or similar production control number;
   
   b. Support queries into the source of data appearing in DMCS report records; and
   
   c. Support year-to-year tracking by job order number (or similar production control number).

47. **Field 47—Not Used**

48. **Field 48—Not Used**

49. **Field 49—Not Used**

50. **Field 50—Shop Flow Days**

   a. If Field 51 is a “C,” then report the average number of days that the items being reported were in process; that is, from the date an item is physically inducted to the date the item is completed, passed its final inspection, and is ready for delivery to the customer. The field may be left blank for contractor-performed work or for work performed at another depot maintenance activity if the number of days in process cannot be determined. Make reasonable efforts to provide accurate data for all applicable records submitted.

   b. If Field 51 is a “W,” then report the average number of days that each item was in process; that is, since the date of physical induction.

51. **Field 51—Work Status Code.** A single-digit alpha code that indicates if the transaction being reported has been financially completed, or is still in process at the time of the report.

   a. Enter a “C” if the reported transaction is financially complete.

   b. Enter a “W” if the transaction being reported is not financially complete as of the report date.
ADDENDUM 3 – DMCS Input File (continued)

52. Field 52—Not Used

53. Field 53—Not Used

54. Field 54—Not Used
## ADDENDUM 4 - Work Breakdown Structure Codes

### ADDENDUM 4

WORK BREAKDOWN STRUCTURE CODES
(Codes To Be Used in Field 13 of Addendum 3)

<table>
<thead>
<tr>
<th>POSITION</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>A 0 0</td>
<td>Aircraft</td>
</tr>
<tr>
<td>1 0</td>
<td>Fighters</td>
</tr>
<tr>
<td>1</td>
<td>Basic Aircraft</td>
</tr>
<tr>
<td>2</td>
<td>Engine</td>
</tr>
<tr>
<td>3</td>
<td>Aircraft and Engine Accessories and Components</td>
</tr>
<tr>
<td>4</td>
<td>Electronics and Communications Equipment</td>
</tr>
<tr>
<td>5</td>
<td>Armament</td>
</tr>
<tr>
<td>6</td>
<td>Support Equipment</td>
</tr>
<tr>
<td>7</td>
<td>Other</td>
</tr>
<tr>
<td>8</td>
<td>Software</td>
</tr>
<tr>
<td>2 0</td>
<td>Bombers</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Fighters</td>
</tr>
<tr>
<td>3 0</td>
<td>Cargo and/or Transports</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Fighters</td>
</tr>
<tr>
<td>4 0</td>
<td>Trainers</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Fighters</td>
</tr>
<tr>
<td>5 0</td>
<td>Utility (Includes fixed-wing aircraft with a &quot;U&quot; designation and &quot;C&quot; series aircraft used in an executive aircraft role)</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Fighters</td>
</tr>
<tr>
<td>6 0</td>
<td>Attack</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Fighters</td>
</tr>
<tr>
<td>7 0</td>
<td>Patrol</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Fighters</td>
</tr>
<tr>
<td>8 0</td>
<td>Antisubmarine</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Fighters</td>
</tr>
<tr>
<td>9 0</td>
<td>Other/Multiple Aircraft Types</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Fighters</td>
</tr>
<tr>
<td>A 0</td>
<td>Tankers</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Fighters</td>
</tr>
<tr>
<td>B 0</td>
<td>Attack Helicopters</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Fighters</td>
</tr>
<tr>
<td>C 0</td>
<td>Transport Helicopters</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Fighters</td>
</tr>
<tr>
<td>D 0</td>
<td>Unmanned Aerial Vehicles/Systems</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Fighters</td>
</tr>
<tr>
<td>B 0 0</td>
<td>Automotive</td>
</tr>
</tbody>
</table>
### ADDENDUM 4 - Work Breakdown Structure Codes (continued)

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 0</td>
<td>Tactical Vehicles</td>
</tr>
<tr>
<td>1</td>
<td>Basic Vehicle (Hull and/or Body Frame and Installed Systems)</td>
</tr>
<tr>
<td>2</td>
<td>Engine</td>
</tr>
<tr>
<td>3</td>
<td>Vehicle and Engine Components and Accessories</td>
</tr>
<tr>
<td>4</td>
<td>Electronic And Communications Equipment</td>
</tr>
<tr>
<td>5</td>
<td>Armament</td>
</tr>
<tr>
<td>6</td>
<td>Support Equipment</td>
</tr>
<tr>
<td>7</td>
<td>Other</td>
</tr>
<tr>
<td>8</td>
<td>Software</td>
</tr>
<tr>
<td>2 0</td>
<td>Support Vehicles</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Tactical Vehicles</td>
</tr>
<tr>
<td>3 0</td>
<td>Administrative</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Tactical Vehicles</td>
</tr>
<tr>
<td>4 0</td>
<td>Unmanned Vehicles/Systems</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Tactical Vehicles</td>
</tr>
<tr>
<td>C 0</td>
<td>Combat Vehicles</td>
</tr>
<tr>
<td>1</td>
<td>Tanks</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Tactical Vehicles</td>
</tr>
<tr>
<td>2</td>
<td>Armored Personnel Carriers</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Tactical Vehicles</td>
</tr>
<tr>
<td>3</td>
<td>Self-Propelled Artillery</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Tactical Vehicles</td>
</tr>
<tr>
<td>4</td>
<td>Other/Multiple Combat Vehicles</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Tactical Vehicles</td>
</tr>
<tr>
<td>5</td>
<td>Amphibious Vehicles</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Tactical Vehicles</td>
</tr>
<tr>
<td>6</td>
<td>Unmanned Combat Vehicles/Systems</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Tactical Vehicles</td>
</tr>
<tr>
<td>D 0</td>
<td>Construction Equipment</td>
</tr>
<tr>
<td>1</td>
<td>Tractors and Earth Moving Equipment</td>
</tr>
<tr>
<td>1</td>
<td>Basic Vehicle (Hull and/or Body Frame and Installed Systems)</td>
</tr>
<tr>
<td>2</td>
<td>Engine</td>
</tr>
<tr>
<td>3</td>
<td>Vehicle and Engine Components and Accessories</td>
</tr>
<tr>
<td>4</td>
<td>Other</td>
</tr>
<tr>
<td>5</td>
<td>Software</td>
</tr>
<tr>
<td>2</td>
<td>Cranes and Shovels</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Tractors and Earth Moving Equipment</td>
</tr>
<tr>
<td>3</td>
<td>Other</td>
</tr>
<tr>
<td>*</td>
<td>Same as for Tractors and Earth Moving Equipment</td>
</tr>
<tr>
<td>E 0</td>
<td>Electronics and Communications Systems</td>
</tr>
</tbody>
</table>
ADDENDUM 4 - Work Breakdown Structure Codes (continued)

| 1 ** | Radio          |
| 2 ** | Radar          |
| 3 ** | Computer       |
| 4 ** | Wire and Communications |
| 5 ** | Other          |
| 6 ** | Electro Optical or Infra Red |
| 7 ** | Software       |

F 0 0 Missiles
   1 0 Ballistic Missiles
      1 Basic Missile (Frame)
      2 Propulsion System and Components
      3 Missile Accessories and Components
      4 Support and Launch Equipment
      5 Guidance System and Components
      6 Surface Communications and Control Systems
      7 Payload System and Components
      8 Other
      9 Software
   2 0 Other Missiles
      * Same as for Ballistic Missiles
   3 0 Tactical Missiles
      * Same as for Ballistic Missiles

G 0 0 Ships
   1 0 Cruisers
      1 Hull Structure
      2 Propulsion Plant
      3 Electric Plant
      4 Command and Surveillance
      5 Auxiliary Systems
      6 Outfit and Furnishings
      7 Armament
      8 Engineering (Direct Support)
      9 Ship Support Service
   A 0 Software
   2 0 Aircraft Carriers
      * Same as for Cruisers
   3 0 Destroyers
      * Same as for Cruisers
   4 0 Submarines – Attack
      * Same as for Cruisers

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### ADDENDUM 4 - Work Breakdown Structure Codes (continued)

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
</table>
| 5 0  | Patrol Vessels  
* Same as for Cruisers |
| 6 0  | Mine Warfare Vessels  
* Same as for Cruisers |
| 7 0  | Auxiliary and Amphibious Vessels  
* Same as for Cruisers |
| 8 0  | Service Craft and Miscellaneous Vessels  
* Same as for Cruisers |
| 9 0  | Frigates  
* Same as for Cruisers |
| A 0  | Submarines – Ballistic  
* Same as for Cruisers |
| B 0  | Littoral Combat Ships  
* Same as for Cruisers |
| C 0  | Unmanned Undersea Vehicles/Systems  
* Same as for Cruisers |
| H 0  | Ordnance Weapons and Munitions |
| 1 ** | Nuclear Weapons |
| 2 ** | Chemical and Biological Weapons |
| 3 ** | Conventional Arms and Explosives |
| 4 ** | Small Arms |
| 5 ** | Artillery and Guns |
| 6 ** | Other |
| 7 ** | Software |
| I    | Not Used |
| J    | Not Used |
| K 0  | General Purpose Equipment |
| 1 ** | Rail Equipment |
| 2 ** | Generator or Sets |
| 3 ** | General Purpose Maintenance Tooling and Equipment |
| 4 ** | Other Items (includes Medical, Chaplain, Musical, and Personal Equipment, Tents, and Tarpaulins) |
| 5 ** | Federal Supply Group 34 Metalworking Machinery |
| 6 ** | Test, Measurement, and Diagnostic Equipment (includes Calibration Equipment) |
| 7 ** | Software |
| L 1  | All Other Items Not Identified |

* See the referenced table entries.  
** Report to the second level only.
ADDENDUM 5 - Work Performance Category (WPC) Codes

ADDENDUM 5
WPC CODES
(Codes To Be Used in Field 14 of Addendum 3)

Code A—Overhaul. Returning an unserviceable item of equipment to serviceable condition by restoring most or all internal tolerances to “like new” specification. Overhaul is synonymous with “rework” and “rebuild.”

Code B—Progressive Maintenance. A predetermined amount of work that represents a partial overhaul under a program that permits the complete overhaul by means of two or more scheduled work efforts in the maintenance process. Progressive maintenance is synonymous with “cycle maintenance,” “restricted availability,” “preventive servicing,” “recondition,” and “phased” or “incremental maintenance.”

Code C—Conversion. The alteration of the basic characteristics of an item to such an extent as to change its mission, performance, or capability.

Code D—Activation. The process of returning an item from preservation, storage, or inactive status to an active, serviceable status by means of removal from storage and containers, stripping, inspection, servicing, testing, repair, replacement of components, assemblies, or subassemblies as required.

Code E—Inactivation. The servicing and preservation of an item prior to placement in storage or an inactive status.

Code F—Renovation. The proof and test, evaluation, inspection, and rework of ammunition or ordnance items as required for retaining their desired capability.

Code G—Analytical Inspection. The disassembly, inspection, data gathering, and engineering analysis of an equipment item to compare actual wear characteristics and failure patterns with predicted values. Data collected during analytical inspection is used to validate the adequacy of maintenance planning and execution. Analytical rework is synonymous with the “age exploration analysis” phase of reliability-centered maintenance.

Code H—Modification. A physical change made to weapon systems or equipment such that one or more measurable characteristic is altered. Modifications are often made to improve equipment performance, but may also be designed to increase reliability, improve supportability, or enhance safety. Synonymous with “upgrade.”

Code I—Repair. Returning an unserviceable item of equipment to serviceable condition by restoring failed structures or components to acceptable standards. “Acceptable” may mean “restore to ‘like new’ specification,” or it may be less stringent, depending upon the demands of the equipment user.
ADDENDUM 5 - Work Performance Category (WPC) Codes (continued)

Code J—Inspection. The examination of an item to reveal information about its physical condition. Inspection results are typically compared with specifications, standards, or the results of other inspections to determine whether the item under inspection is acceptable for use. Inspections are also an important part of engineering investigations that seek to establish cause-and-effect relationships between observed characteristics and external influences.

Code K—Manufacture. The fabrication of a component or end item from raw materials or components. Can include engineering, design, test, and production. Does not include manufacturing that takes place as a part of the normal repair or overhaul processes.

Code L—Reclamation. The authorized processing of end items, assemblies, or subassemblies to obtain parts or components retained in operating materials and supplies prior to taking disposal action on the end item, assembly, or subassembly. Includes demilitarization actions on items prior to disposal when the demilitarization is incidental to the reclamation.

Code M—Storage. The inspection, preservation, periodic re-preservation, and maintenance in storage status of weapons, subsystems, and components in the supply system.

Code N—Technical Assistance. The use of qualified depot maintenance personnel to provide technical information, instructions, or guidance, or to perform specific work requiring special skills for operational activities or other maintenance organizations. Includes all demilitarization other than that incidental to reclamation when reporting is required.

Codes O, P, Q, R, and S—Not Used

Code T—Other Work. Used to complete the reporting of all maintenance workforce costs incurred. Any costs incurred at a depot maintenance activity funded by the Working Capital Fund that do not meet the criteria for reporting under the other WPCs must be reported in this category. This includes any maintenance support costs funded by a DWCF activity. Maintenance support includes centralized programming and planning support, technical and engineering services, preparation of maintenance publications and engineering data, and technical and administrative training.

Code U—Software Maintenance. Those software activities carried out following initial operating capability to include all events that maintain operational capability, correct faults, improve performance, and adapt the software to environmental changes or new requirements. Software maintenance must be reported regardless of location or funding source. For software or related hardware modifications/upgrades, includes the labor associated with the application of the modification.

Code V—Calibration. The comparison of a measurement system or device of unknown accuracy to a system or device of known and greater accuracy. The system or device of greater accuracy is a measurement standard.
ADDENDUM 5 - Work Performance Category (WPC) Codes (continued)

Code W—CLS, ICS, PBL, and Similar Contracts. The CLS, ICS, PBL, and similar contracts provide commercial support for weapon systems and equipment that do not have an organic support base established. Contractors provide total logistics support, including depot maintenance for the equipment, end item, and components. Only those maintenance functions that would be classified as depot-level, if the equipment were maintained organically, will be included.

Codes X, Y, and Z—Not Used
**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated October 2011 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
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</thead>
<tbody>
<tr>
<td>All</td>
<td>Reformatted chapter for clarity and updated hyperlinks in accordance with current administrative guidance.</td>
</tr>
<tr>
<td>All</td>
<td>Revised Treasury Financial Management Service (FMS) references with the new title. On October 7, 2012, the FMS and the Bureau of the Public Debt merged to become the Bureau of the Fiscal Service (Fiscal Service).</td>
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<tr>
<td>All</td>
<td>Revised listing of United States Standard General Ledger account codes used in Defense Working Capital Fund (DWCF) reporting to align with the Fiscal Service six-digit format.</td>
</tr>
<tr>
<td>All</td>
<td>Incorporated requirements for the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS).</td>
</tr>
<tr>
<td>All</td>
<td>Revised naming conventions, section headings, and line descriptions used in DWCF financial reporting to better align with DWCF reporting structure.</td>
</tr>
<tr>
<td>All</td>
<td>Deleted information redundant to that provided in the DoD Standard Chart of Accounts.</td>
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<tr>
<td>150102</td>
<td>Included clarifying language on the reporting requirements for working capital funds mandated within Title 10, United States Code, section 2208.</td>
</tr>
<tr>
<td>150201.C</td>
<td>Added information on the Standard Financial Information Structure used for financial reporting.</td>
</tr>
<tr>
<td>150201.D</td>
<td>Clarified the purpose of the DWCF Accounting Report [Accounting Report (Monthly) 1307] (AR(M) 1307) and added a hyperlink to the DoD United States Standard General Ledger Transaction Library.</td>
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15-1
<table>
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<td>150201.D (Previous Version)</td>
<td>Deleted paragraph due to outdated language.</td>
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<tr>
<td>150201.E</td>
<td>Clarified the relationship between the DWCF AR(M) 1307 and the Standard Form 133, Report on Budget Execution and Budgetary Resources, and provided a source reference for use in verifying the integrity of reported data.</td>
<td>Revision</td>
</tr>
<tr>
<td>150201.F (Previous Version)</td>
<td>Incorporated paragraph into 150202.B.3 for improved alignment of information.</td>
<td>Revision</td>
</tr>
<tr>
<td>150202.B.3</td>
<td>Clarified report descriptions and requirements for the seven parts of the Statement of Operations.</td>
<td>Revision</td>
</tr>
<tr>
<td>150202.C (Previous Version)</td>
<td>Deleted paragraph as being redundant to paragraph 150202.A.</td>
<td>Deletion</td>
</tr>
<tr>
<td>150203.D</td>
<td>Clarified guidance on allocation and adjustment to transaction amounts.</td>
<td>Revision</td>
</tr>
<tr>
<td>150203.I</td>
<td>Clarified report format and submission requirements under GTAS.</td>
<td>Revision</td>
</tr>
<tr>
<td>150303.Q</td>
<td>Clarified language on the DoD inventory valuation method.</td>
<td>Revision</td>
</tr>
<tr>
<td>150303.V</td>
<td>Clarified the process used to report DWCF work-in-process balances.</td>
<td>Revision</td>
</tr>
<tr>
<td>150303.X.2</td>
<td>Updated reporting instructions for real property balances as explained in Volume 4, Chapter 24.</td>
<td>Revision</td>
</tr>
<tr>
<td>150303.AI</td>
<td>Updated description of liabilities covered by budgetary resources to align with the guidance contained in OMB Circular A-136, dated June 28, 2019.</td>
<td>Revision</td>
</tr>
<tr>
<td>150403.Z</td>
<td>Clarified guidance for transfers between Working Capital Funds and the “Foreign Currency Fluctuations, Defense” and “Operation and Maintenance” appropriations, as outlined in Section 8008 of Public Law 113-6.</td>
<td>Revision</td>
</tr>
<tr>
<td>150703.A, 150703.K</td>
<td>Revised inventory and related property reporting requirements used in the DWCF to align with current DoD policy.</td>
<td>Revision</td>
</tr>
<tr>
<td>150703.S</td>
<td>Updated descriptions and requirements for reporting losses or gains realized on disposal of inventory.</td>
<td>Revision</td>
</tr>
<tr>
<td>151003, Figure 15-8</td>
<td>Revised the reporting requirements contained in Part VI, “Capital Program,” of the Statement of Operations.</td>
<td>Revision</td>
</tr>
</tbody>
</table>
### PARAGRAPH | EXPLANATION OF CHANGE/REVISION | PURPOSE
--- | --- | ---
151104, Figure 15-9 | Updated the reporting format for Part VII, “Inventory Management Report - Supply Management Activity,” of the Statement of Operations to distinguish inventory valuation methodologies. | Revision
Table 15-1 | Updated table with current DWCF financial reporting activities. | Revision
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150701. General
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(FIGURE 15-6)

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150801. General
150802. Heading
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1509. FORMAT OF THE STATEMENT OF OPERATIONS: PART V - RECOVERABLE OPERATING RESULTS

(FIGURE 15-7)

Figure 15-7: Statement of Operations, Part V – Recoverable Operating Results

150901. General
150902. Heading
150903. Line Item Instructions
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1510. FORMAT OF THE STATEMENT OF OPERATIONS: PART VI – CAPITAL PROGRAM

(FIGURE 15-8)

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151001. General
151002. Heading
*151003. Columnar Instructions

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(FIGURE 15-9)

*Figure 15-9: Statement of Operations: Part VII – Inventory Management Report–Supply Management Activity

151101. General
151102. Heading
151103. General Reporting Requirements
151104. Line Item Instructions

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CHAPTER 15

DEFENSE WORKING CAPITAL FUND ACCOUNTING REPORT
[ACCOUNTING REPORT (MONTHLY) 1307]

1501 GENERAL

150101. Purpose

This chapter prescribes the reporting requirements and policies to follow when preparing the Defense Working Capital Fund (DWCF) Accounting Report [Accounting Report (Monthly) 1307] (AR(M) 1307) and is applicable to all DoD Working Capital Funds.

*150102. Authoritative Guidance

The chapter addresses the basic internal reporting requirements identified in Title 10, United States Code, section 2208 (10 U.S.C. § 2208), which requires the Secretary of Defense, with respect to the working capital funds of each Defense Agency, and the Secretary of each military department, with respect to the working capital funds of the military department, to provide for separate accounting, reporting, and auditing of funds and activities managed through the working capital funds.

1502 REPORTING

150201. Report Content

A. The DWCF AR(M) 1307 consists of three principal internal accounting statements.


2. Statement of Cash Flow. The Statement of Cash Flow discloses the reporting entity’s cash flows from operations, adjustments, and appropriations and cash transfers with an explanation of the changes in cash or cash equivalents for the reporting period.

3. Statement of Operations. The Statement of Operations discloses the results of the reporting entity’s operations for the reporting period, including changes in the entity’s net position from the end of the prior reporting period.

B. Volume 1, Chapter 2 contains the Federal Accounting Standards Advisory Board hierarchy of accounting principles and standards used to prepare the DWCF AR(M) 1307.

* C. Volume 1, Chapter 4 contains guidance on the Standard Financial Information Structure that supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs across the DoD.
D. The DWCF AR(M) 1307 is the official internal management report document for financial accounting and is a source document for the annual financial statements. The United States Standard General Ledger (USSGL), on which the report is based, is updated at least annually and posted by the Bureau of the Fiscal Service (Fiscal Service). The DoD Standard Chart of Accounts provides normal account balance information. The DoD USSGL Transaction Library provides detailed general ledger transactions and posting business rules for accounting standardization that supports the preparation of financial statements.


1. The AR(M) 1307 provides accounting and inventory data for financial reporting and identifies the proprietary position of DWCF activities. The AR(M) 1307 complements information provided in the Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources, which is prepared by using the activity’s budgetary trial balances. Although the AR(M) 1307 and SF 133 run independently of one another, they should reconcile at the summary level. Refer to Volume 3, Chapter 19 for additional guidance.

2. Use standard reconciliations, such as budgetary to proprietary relationships described in Volume 1, Chapter 7, to verify the integrity of reported data.

150202. Reporting Requirement

A. Applicability. Table 15-1 contains a listing of DWCF financial reporting activities. Within Table 15-1, an asterisk (*) symbol indicates the lowest level for which individual AR(M) 1307 reports are required. DWCF activities may generate the AR(M) 1307 at different levels in order to manage their business effectively. Table 15-1 identifies the levels for which consolidated AR(M) 1307 reports are required with a pound (#) symbol. Each DoD Component DWCF activity must produce consolidated reports.

B. Report Formats. Use the financial report formats provided in Figures 15-1 through 15-9 to prepare reports. Reports produced by Automated Data Processing (ADP) equipment may be substituted for the formats illustrated. Submit the following reports:

1. Statement of Financial Position;

2. Statement of Cash Flow; and

3. Statement of Operations;

a. Part I - Statement of Operations identifies the cumulative year-to-date Net Operating Results (NOR) and the Recoverable NOR. Recoverable NOR is the amount that can be recovered in the activity’s rates;
b. Part II - Changes in Net Position identifies the arithmetic difference between the total assets and total liabilities recognized on a component entity’s balance sheet;

c. Part III - Cost of Goods Sold identifies the value of inventory sold or services provided. It does not provide a value for total obligations incurred;

d. Part IV - Expenses identifies detailed expense information by category. Not all expenses represent claims against budgetary resources;

e. Part V - Recoverable Operating Results reconciles NOR to the operating results that may be used for rate-setting purposes;

f. Part VI - Capital Program identifies the approved program, obligations, disbursements, and collections for the Capital Program by fiscal year (FY); and


C. Frequency of Reports. Unless otherwise specified by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), prepare and submit the AR(M) 1307 reports monthly. Submit regular reports in accordance with due dates established by the Defense Finance and Accounting Service (DFAS) and consistent with the requirements of OUSD(C).

D. Distribution

1. Consolidated DoD Component and DWCF Activity Reports. Submit a copy of consolidated DWCF activity reports to the:

   a. Director for Operations, Office of the Deputy Comptroller (Program/Budget (P/B)), OUSD(C);

   b. Offices of the Assistant Secretary of the Army, Navy, and Air Force (Financial Management and Comptroller); the Defense Commissary Agency (DeCA) Comptroller; and Comptrollers of Other Defense Activities (e.g. the Defense Logistics Agency (DLA) Comptroller); and

   c. Management Command responsible for the oversight of the DWCF activity, if requested by a DoD Component.

2. Activity Level Reports. Submit a copy of DWCF activity level reports to the:
a. Offices of the Assistant Secretary of the Army, Navy, and Air Force (Financial Management and Comptroller); the DeCA Comptroller; and Comptrollers of Other Defense Activities if requested by a DoD Component;

b. Management Command responsible for the oversight of the DWCF activity, if requested by a DoD Component; and

c. DWCF activity, disclosing any adjustments made to the financial data submitted by that activity.

150203. Detailed Instructions

A. The instructions to the AR(M) 1307 identify the specific data, and appropriate source of that data, for amounts entered into each line of each report.

B. Report amounts in thousands of dollars ($000) for all parts of the report and related footnotes (i.e., $1,000 = $1; $10,000 = $10; and $100,000 = $100).

C. Include footnotes with each report for lines requiring identification of the nature of specific extraordinary amounts or abnormal balances.

D. Allocate or assign adjustments for amounts otherwise accounted for or reported at the DoD Component level to the applicable DWCF activities. Similarly, allocate or assign adjustments for amounts otherwise submitted for or reported at the DWCF activity level to the applicable individual activities. DFAS will make such allocations in accordance with the direction received from the DoD Components. Where reasonable, allocate all such adjustments to individual activities. Show adjustments made at the DWCF activity level separately as a DWCF activity adjustment. Recognize adjustments at the DWCF activity level (DWCF activity adjustment) until the transactions can be allocated to the individual activities. All DWCF activity adjustments must be zero at year-end. Enter adjustments allocated to the individual activity level into the activity’s installation level accounting records. Record the adjustments in accordance with the guidance contained in Chapter 2.

E. Do not retroactively implement policies that could have a significant adverse impact on the accuracy and integrity of financial reports without a clear offsetting benefit, or unless directed by an external authority such as Congress.

F. Base the report submissions on current FY data. All references to “year” apply to FY.

G. Entities are only required to report lines on the AR(M) 1307 in which there is current activity or activity from a prior period.

H. Use the USSGL accounts cited as general guidance to populate each line. DoD requires the use of the DoD Standard Reporting Chart of Accounts in all accounting systems for all appropriations and funds. Detailed account mapping is included in the Defense
Departmental Reporting System (DDRS). Volume 1, Chapter 7 prescribes the requirements of the USSGL.

I. Base the report submissions on the bulk file format and attributes outlined in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS). The GTAS format includes both budgetary and proprietary USSGL accounts, however, the AR(M) 1307 is based upon proprietary USSGL accounts with few exceptions.
1503. FORMAT OF THE STATEMENT OF FINANCIAL POSITION (FIGURE 15-1)

Figure 15-1: Statement of Financial Position

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fund Balance with Treasury</td>
<td>$ XXX</td>
</tr>
<tr>
<td>a. Funds Collected - Operating Program</td>
<td>XXX</td>
</tr>
<tr>
<td>b. Funds Collected - Capital Program</td>
<td>XXX</td>
</tr>
<tr>
<td>c. Funds Disbursed - Operating Program</td>
<td>XXX</td>
</tr>
<tr>
<td>d. Funds Disbursed - Capital Program</td>
<td>XXX</td>
</tr>
<tr>
<td>e. Funds Transferred In (Out)</td>
<td>XXX</td>
</tr>
<tr>
<td>f. Funds with Treasury - Operating Program</td>
<td>XXX</td>
</tr>
<tr>
<td>g. Funds with Treasury - Capital Program</td>
<td>XXX</td>
</tr>
<tr>
<td>2. Cash on Hand and Other Monetary Assets</td>
<td>XXX</td>
</tr>
<tr>
<td>3. Accounts Receivable, Net</td>
<td>XXX</td>
</tr>
<tr>
<td>a. Accounts Receivable, Intragovernmental</td>
<td>XXX</td>
</tr>
<tr>
<td>b. Accounts Receivable, Intragovernmental, Undistributed</td>
<td>XXX</td>
</tr>
<tr>
<td>c. Accounts Receivable, Non-Federal</td>
<td>XXX</td>
</tr>
<tr>
<td>d. Accounts Receivable, Non-Federal, Undistributed</td>
<td>XXX</td>
</tr>
<tr>
<td>4. Advances Paid and Prepayments</td>
<td>XXX</td>
</tr>
<tr>
<td>5. Inventories, Net</td>
<td>XXX</td>
</tr>
<tr>
<td>a. Inventory Items</td>
<td>XXX</td>
</tr>
<tr>
<td>(1) Latest Acquisition Cost (LAC)</td>
<td>XXX</td>
</tr>
<tr>
<td>(2) Moving Average Cost (MAC)</td>
<td>XXX</td>
</tr>
<tr>
<td>b. Allowance for Gains (or Losses) on Inventories</td>
<td>XXX</td>
</tr>
<tr>
<td>6. Work-in-Process</td>
<td>XXX</td>
</tr>
<tr>
<td>7. Operating Materials and Supplies, Net</td>
<td>XXX</td>
</tr>
<tr>
<td>8. Property, Plant, and Equipment, Net</td>
<td>XXX</td>
</tr>
<tr>
<td>a. Structures, Facilities and Leasehold Improvements, Net</td>
<td>XXX</td>
</tr>
<tr>
<td>b. Construction-in-Progress</td>
<td>XXX</td>
</tr>
<tr>
<td>c. Equipment, Net</td>
<td>XXX</td>
</tr>
<tr>
<td>d. ADP Software, Net</td>
<td>XXX</td>
</tr>
<tr>
<td>e. Software Development in Progress</td>
<td>XXX</td>
</tr>
<tr>
<td>f. Assets Under Capital Lease, Net</td>
<td>XXX</td>
</tr>
<tr>
<td>g. Other Property, Net</td>
<td>XXX</td>
</tr>
<tr>
<td>9. Other Assets, Net</td>
<td>XXX</td>
</tr>
<tr>
<td>10. Total Assets</td>
<td>XXX</td>
</tr>
</tbody>
</table>
Figure 15-1: Statement of Financial Position (Continued)

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>11.</strong> Liabilities Covered by Budgetary Resources</td>
<td>$ XXX</td>
</tr>
<tr>
<td>a. Accounts Payable, Net</td>
<td>XXX</td>
</tr>
<tr>
<td>(1) Accounts Payable, Intragovernmental</td>
<td>$ XXX</td>
</tr>
<tr>
<td>(2) Accounts Payable, Intragovernmental, Undistributed</td>
<td>XXX</td>
</tr>
<tr>
<td>(3) Accounts Payable, Non-Federal</td>
<td>XXX</td>
</tr>
<tr>
<td>(4) Accounts Payable, Non-Federal, Undistributed</td>
<td>XXX</td>
</tr>
<tr>
<td>b. Accrued Payroll and Benefits</td>
<td>XXX</td>
</tr>
<tr>
<td>(1) Salaries and Wages</td>
<td>XXX</td>
</tr>
<tr>
<td>(2) Accrued Annual Leave</td>
<td>XXX</td>
</tr>
<tr>
<td>(3) Severance Pay, Separation Allowance, and Other Payroll Liabilities</td>
<td>XXX</td>
</tr>
<tr>
<td>c. Progress Billings</td>
<td>XXX</td>
</tr>
<tr>
<td>d. Advances and Prepayments from Others</td>
<td>XXX</td>
</tr>
<tr>
<td>e. Debt</td>
<td>XXX</td>
</tr>
<tr>
<td>f. Interest Payable</td>
<td>XXX</td>
</tr>
<tr>
<td>g. Lease Liabilities</td>
<td>XXX</td>
</tr>
<tr>
<td>h. Other Liabilities</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>12.</strong> Liabilities Not Covered by Budgetary Resources</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>13.</strong> Total Liabilities</td>
<td>XXX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET POSITION</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>14.</strong> Net Position</td>
<td>XXX</td>
</tr>
<tr>
<td>a. Unexpended Appropriations</td>
<td>XXX</td>
</tr>
<tr>
<td>b. Accumulated Operating Results (AOR)</td>
<td>XXX</td>
</tr>
<tr>
<td>c. Invested Capital</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>15.</strong> Total Liabilities and Net Position</td>
<td>XXX</td>
</tr>
</tbody>
</table>
150301. General

The Statement of Financial Position, Figure 15-1, discloses the reporting entity’s assets, liabilities, and net position.

150302. Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DWCF activity, the reporting period (month), and the calendar year.

150303. Line Item Instructions

Instructions for the content of each line item are as follows:

A. Section Heading – ASSETS. The “Assets” section identifies items owned by the Federal Government which have probable (more likely than not) economic benefits that can be obtained or controlled by a Federal Government entity. Fiduciary activities that fall under the guidance of Statement of Federal Financial Accounting Standards (SFFAS) 31, “Accounting for Fiduciary Activities,” are not part of the net position.

B. Line 1 – Fund Balance with Treasury. Report the aggregate amount of the entity’s accounts with the Department of the Treasury (Treasury) for which the entity has the authority to make expenditures and pay liabilities. Establish accounts to identify disbursements and collections applicable to the operating and capital programs to comply with 10 U.S.C. § 2208, which requires DoD to establish a capital asset subaccount. Report the balance by the specified applicable categories.

C. Line 1.a – Funds Collected – Operating Program. Report the portion of the balance of the following account as it relates to funds collected for the operating program during the current FY:

101000 Fund Balance with Treasury (Funds Collected – Operating Program)

D. Line 1.b – Funds Collected - Capital Program. Report the portion of the balance of the following account as it relates to funds collected for the capital program during the current FY. Base the amount of collections allocated from the operating program to the capital program on the activity’s DWCF-funded depreciation expenses and capital surcharge. In all cases, at the end of the FY, the amount collected must be sufficient to ensure the ending Fund Balance with Treasury - Capital Program is not negative. See Volume 11B, Chapter 3 for additional guidance on transfers of budget authority. Line 1.b will agree with the collections reported in Column 11, “Collections - This Fiscal Year,” of Part VI, “Capital Program,” of the Statement of Operations.

101000 Fund Balance with Treasury (Funds Collected – Capital Program)
E. **Line 1.c – Funds Disbursed - Operating Program.** Report the portion of the balance of the following account as it relates to funds disbursed for the operating program during the current FY:

101000 Fund Balance with Treasury (Funds Disbursed – Operating Program)

F. **Line 1.d – Funds Disbursed – Capital Program.** Report the portion of the balance of the following account as it relates to funds disbursed for the capital program this FY. Line 1.d will agree with the disbursements reported in Column 8, “Disbursements - This Fiscal Year,” of Part VI, “Capital Program,” of the Statement of Operations.

101000 Fund Balance with Treasury (Funds Disbursed – Capital Program)

G. **Line 1.e – Funds Transferred In (Out).** Report the portion of the balance of the following account as it relates to funds transferred in or out during the current FY:

101000 Fund Balance with Treasury (Current Year Transfers)

H. **Line 1.f – Funds with Treasury – Operating Program.** Report the portion of the balance of the following accounts as they relate to funds held by the Treasury for the operating program. Report the beginning FY balance of the operating program account, which is the net of prior year funds collected and disbursed related to operating programs.

101000 Fund Balance with Treasury (Funds with Treasury – Operating Program)

109000 Fund Balance with Treasury While Awaiting a Warrant (If applicable, under a continuing resolution authority)

I. **Line 1.g – Funds with Treasury – Capital Program.** Report the portion of the balance of the following account as it relates to funds held by the Treasury for the capital program. Report the beginning FY balance of the capital program account, which is the net of prior year funds collected and disbursed related to capital programs.

101000 Fund Balance with Treasury (Funds with Treasury – Capital Program)

**J. Line 2 – Cash on Hand and Other Monetary Assets.** Cash on hand and other monetary assets consists of: (a) coins, paper currency, and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit; (b) amounts on demand deposit with banks or other financial institutions including nonconfirmed collections and disbursements; (c) investments held outside of Treasury; and (d) foreign currencies, which, for accounting purposes, will be translated into U.S. dollars at the exchange rate on the financial statement date. Report the balance of the following accounts:

111000 Undeposited Collections
113000 Funds Held Outside of Treasury – Budgetary
119000 Other Cash
119500  Other Monetary Assets
120000  Foreign Currency

K.  **Line 3 – Accounts Receivable, Net.** Accounts receivable are amounts due from others when the right to receive funds accrues as a result of performance of services, delivery of goods, or court-ordered assessments. **Line 3** is a summary line for Lines 3.a, “Accounts Receivable, Intragovernmental,” through 3.d, “Accounts Receivable, Non-Federal, Undistributed.”

L.  **Line 3.a – Accounts Receivable, Intragovernmental.** Report the portion of the balance of the following accounts due from other Federal Agencies:

- 131000  Accounts Receivable (except as reported on Line 3.b)
- 131900  Allowance for Loss on Accounts Receivable
- 134000  Interest Receivable – Not Otherwise Classified
- 136000  Penalties and Fines Receivable – Not Otherwise Classified
- 137000  Administrative Fees Receivable – Not Otherwise Classified

M.  **Line 3.b – Accounts Receivable, Intragovernmental, Undistributed.** Report the portion of the balance of the following account as it relates to accounts receivable from other Federal Agencies recorded for undistributed collections. Undistributed collections represent the difference between the amount of collections reported to DFAS by the Treasury finance network and the amount of collections recorded by operating level activities.

- 131000  Accounts Receivable (except as reported on Line 3.a)

N.  **Line 3.c – Accounts Receivable, Non-Federal.** Report the portion of the balance of the following accounts as they relate to accounts receivable from non-federal agencies and entities:

- 131000  Accounts Receivable (except as reported on Line 3.d)
- 131900  Allowance for Loss on Accounts Receivable
- 134000  Interest Receivable – Not Otherwise Classified
- 134700  Allowance for Loss on Interest Receivable – Not Otherwise Classified
- 136000  Penalties and Fines Receivable – Not Otherwise Classified
- 136700  Allowance for Loss on Penalties and Fines Receivable – Not Otherwise Classified
- 137000  Administrative Fees Receivable – Not Otherwise Classified
- 137700  Allowance for Loss on Administrative Fees Receivable – Not Otherwise Classified

O.  **Line 3.d – Accounts Receivable, Non-Federal, Undistributed.** Report the portion of the balance of the following account as it relates to undistributed accounts receivable balances from non-federal agencies and entities. Undistributed collections represent the difference
between the amount of collections reported to DFAS by the Treasury finance network and the amount of collections recorded by operating level activities.

131000 Accounts Receivable (except as reported on Line 3.c)

P. Line 4 – Advances Paid and Prepayments. The amount reported on this line will agree with the amount reported on Line 5, “Advances and Prepayments,” of the “Supplemental Budget Execution Information Report,” which is available in the Budgetary module of DDRS. This report provides additional reporting line items to amounts reported on the SF 133. Report the balance of the following account:

141000 Advances and Prepayments

* Q. Line 5 – Inventories, Net. Inventory is tangible personal property that is: (a) held for sale; (b) in the process of production for sale; (c) consumed in the production of goods for sale or in the provision of services for a fee; (d) held for repair; or (e) excess, obsolete, and unserviceable.

1. **SFFAS 3**. “Accounting for Inventory and Related Property,” sets the accounting principles under which Federal entities account for and report inventory and related property balances.

2. Although Moving Average Cost (MAC) is the official DoD inventory valuation method, the Latest Acquisition Cost (LAC) valuation method is available to DeCA only. See Volume 4, Chapter 4 for additional guidance on inventory and related property. Line 5 is a summary line for Lines 5.a, “Inventory Items,” and 5.b, “Allowance for Gains (or Losses) on Inventories.”

R. Line 5.a – Inventory Items. Line 5.a is a summary line for Lines 5.a.(1), “Latest Acquisition Cost (LAC),” and 5.a.(2), “Moving Average Cost (MAC).”

S. Line 5.a.(1) – Latest Acquisition Cost (LAC). The amount reported on this line will equal Line 2.i, “Minus: Ending Inventory – LAC,” of Part III, “Cost of Goods Sold,” of the Statement of Operations. Report the amount of inventory maintained at LAC in the following accounts:

152100 Inventory Purchased for Resale
152200 Inventory Held in Reserve for Future Sale
152300 Inventory Held for Repair
152400 Inventory – Excess, Obsolete, and Unserviceable
152500 Inventory – Raw Materials
152700 Inventory – Finished Goods

T. Line 5.a.(2) – Moving Average Cost (MAC). Report the amount of inventory maintained at MAC in the following accounts:
152100  Inventory Purchased for Resale
152200  Inventory Held in Reserve for Future Sale
152300  Inventory Held for Repair
152400  Inventory – Excess, Obsolete, and Unserviceable
152500  Inventory – Raw Materials
152700  Inventory – Finished Goods

U.  Line 5.b – Allowance for Gains (or Losses) on Inventories. Report the portion of the balance in the following account as it relates to the estimated cost to repair damage, and to gains (or losses), on inventories. Report a credit balance as a negative amount (deduct) and debit balance as a positive amount (add).

152900  Inventory – Allowance

*  V.  Line 6 – Work-in-Process. DWCF work-in-process is the amount of direct, indirect, and general and administrative costs assigned or otherwise properly allocated to a final cost objective (generally, a job order), or the amount of incremental billings for Supply Management manufactured inventory. Prior to completion of final cost objects, either in their entirety or as discrete elements, allocate all costs to work-in-process.

1. When recognizing revenue on a percentage-of-completion basis, record the portion of work-in-process associated with the recognized revenue as cost of goods sold. Line 6 applies to DWCF activities that accumulate costs to a final cost objective (generally, a job order), such as those within the Depot Maintenance, Research and Development (R&D), and Base Support DWCF activities. Line 6 will agree with the amount reported on Line 1.g, “Minus: Ending Work-In-Process,” of Part III, “Cost of Goods Sold,” of the Statement of Operations.

2. Non-supply reporting entities are to bill for work-in-process balances before the reporting cycle closes, and therefore, work-in-process is expected to be zero for these activities on the AR(M) 1307. The work-in-process for supply accounts represent progress payments incurred for manufactured items. Provide explanations in the footnotes when non-supply work-in-process is not zero. Timely billing helps ensure resources are available to cover DWCF costs. See Volume 4, Chapter 16 and **SFFAS 7**, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,” for additional guidance relating to revenue recognition. Report the portion of the balance in the following accounts as they relate to work-in-process:

152600  Inventory – Work-in-Process
152900  Inventory – Allowance

W.  Line 7 – Operating Materials and Supplies, Net. Operating materials and supplies are asset accounts consisting of tangible personal property expensed when consumed in the course of normal operations. See Volume 4, Chapter 4 for guidance related to capitalizing or expensing operating materials and supplies balances. Line 7 can be applicable to any DWCF activity. Report the balance of the following accounts:
151100  Operating Materials and Supplies Held for Use
151200  Operating Materials and Supplies Held in Reserve for Future Use
151300  Operating Materials and Supplies – Excess, Obsolete, and Unserviceable
151400 Operating Materials and Supplies – Held for Repair
151600 Operating Materials and Supplies – In Development
151900 Operating Materials and Supplies – Allowance

X. Line 8 – Property, Plant, and Equipment, Net. Property, plant, and equipment (PP&E) are tangible assets that: (1) have an estimated useful life of two or more years; (2) are not intended for sale in the ordinary course of business; and (3) are intended to be used or available for use by the entity.

1. SFFAS 6, “Accounting for Property, Plant, and Equipment,” outlines accounting standards for Federally owned PP&E. Line 8 is the cost basis, net of depreciation, of the activity’s real and personal property, i.e., land, structures and facilities, construction-in-progress, purchased and self-developed software, equipment, and related improvements that have been capitalized.

* 2. Report DoD real property as follows:

a. Construction-In-Progress. The funding entity accumulates and reports construction-in-progress for real property (including improvements) in the construction-in-progress accounts until the asset or improvement is placed in service. When the asset or improvement is placed in service, the funding entity removes the construction-in-progress balance and recognizes the asset. The funding entity then transfers the asset or improvement to the host entity, if the host entity is different than the funding entity.

b. In-Service Assets. Report real property on the financial statements of the Military Department or Washington Headquarters Services on whose installation a real property asset is located. A Military Department working capital fund can report real property on its financial statements if it has jurisdiction over an installation.

c. Land. Reporting responsibilities for land follow the same rules as other real property. However, reporting entities without an unmodified audit opinion value existing land at zero dollars and expense future land acquisitions.

d. Capitalized Improvements. The funding entity accumulates and reports the costs of capitalized improvements until the improvement to an asset is placed in service, at which time it will be transferred to the entity responsible for reporting the real property base asset. Only Military Departments and Washington Headquarters Services have financial reporting responsibility for real property and completed improvements. See Volume 4, Chapter 24 for additional information. Line 8 is a summary line for Lines 8.a, “Structures, Facilities and Leasehold Improvements, Net,” through 8.g, “Other Property, Net.”
Y. **Line 8.a – Structures, Facilities and Leasehold Improvements, Net.** Report the balance of the following accounts:

- 171200 Improvements to Land
- 171900 Accumulated Depreciation on Improvements to Land
- 173000 Buildings, Improvements, and Renovations
- 173900 Accumulated Depreciation on Buildings, Improvements, and Renovations
- 174000 Other Structures and Facilities
- 174900 Accumulated Depreciation on Other Structures and Facilities
- 182000 Leasehold Improvements
- 182900 Accumulated Amortization on Leasehold Improvements

Z. **Line 8.b – Construction-in-Progress.** Report the balance of the following account:

- 172000 Construction–in–Progress

AA. **Line 8.c – Equipment, Net.** Report the balance of the following accounts:

- 175000 Equipment
- 175900 Accumulated Depreciation on Equipment

AB. **Line 8.d – ADP Software, Net.** Report the balance of the following accounts:

- 183000 Internal–Use Software
- 183900 Accumulated Amortization on Internal–Use Software

AC. **Line 8.e – Software Development in Progress.** Report the balance of the following account:

- 183200 Internal–Use Software in Development

AD. **Line 8.f – Assets Under Capital Lease, Net.** Report the balance of the following accounts:

- 181000 Assets Under Capital Lease
- 181900 Accumulated Depreciation on Assets Under Capital Lease

AE. **Line 8.g – Other Property, Net.** Report the balance of the following accounts:

- 184000 Other Natural Resources
- 184900 Allowance for Depletion
- 189000 Other General Property, Plant, and Equipment
189900 Accumulated Depreciation on Other Property, Plant, and Equipment

AF. Line 9 – Other Assets, Net. Report the balance of the following accounts:

135000 Loans Receivable - Not Otherwise Defined
159100 Other Related Property
159900 Other Related Property – Allowance
199000 Other Assets
199500 General Property, Plant, and Equipment Permanently Removed but Not Yet Disposed


AH. Section Heading – LIABILITIES. The “Liabilities” section identifies obligations of the Federal Government to provide assets or services to another entity at a determinable date, when a specified event occurs, or on demand.

* AI. Line 11 – Liabilities Covered by Budgetary Resources. Report liabilities covered by available budgetary resources on this line. Budgetary resources are required to cover all obligations whether considered a liability or not.

1. Available budgetary resources include: (1) new budget authority; (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year; (3) spending authority from offsetting collections (credited to an appropriation or fund account); and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations.

2. Consider liabilities covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the reporting date. The Office of Management and Budget (OMB) may apportion the resources without further action by the Congress or without a contingency first having to be met. Line 11 is a summary line for Lines 11.a, “Accounts Payable, Net,” through 11.h, “Other Liabilities.”


AK. Line 11.a.(1) – Accounts Payable, Intragovernmental. Report the portion of the balance of the following accounts as they relate to accounts payables owed to Federal entities:
211000 Accounts Payable (except as reported on Line 11.a.(2))
212000 Disbursements in Transit
214000 Accrued Interest Payable – Not Otherwise Classified

AL. Line 11.a.(2) – Accounts Payable, Intragovernmental, Undistributed. Report the amount of accounts payable in the following account that is owed to Federal entities recorded for undistributed disbursements. Undistributed disbursements represent the difference between the amount of disbursements reported by DFAS to the Treasury finance network and the amount of disbursements recorded by operating level activities.

211000 Accounts Payable (except as reported on Line 11.a.(1))

AM. Line 11.a.(3) – Accounts Payable, Non-Federal. Report the portion of the balance of the following accounts as they relate to accounts payable owed to non-federal entities:

211000 Accounts Payable (except as reported on Line 11.a.(4))
212000 Disbursements in Transit
213000 Contract Holdbacks
214000 Accrued Interest Payable – Not Otherwise Classified

AN. Line 11.a.(4) – Accounts Payable, Non-Federal, Undistributed. Report the amount of accounts payable in the following account that is owed to non-federal entities recorded for undistributed disbursements. Undistributed disbursements represent the difference between the amount of disbursements reported to DFAS by the Treasury finance network and the amount of disbursements recorded by operating level activities.

211000 Accounts Payable (except as reported on Line 11.a.(3))


AP. Line 11.b.(1) – Salaries and Wages. Report the portion of the balance of the following accounts as they relate to salaries and wages:

221000 Accrued Funded Payroll and Leave
221100 Withholdings Payable
221300 Employer Contributions and Payroll Taxes Payable

AQ. Line 11.b.(2) – Accrued Annual Leave. DWCF activities must fully fund annual leave in their rates. The balance reported on this line represents the value of employee annual leave not yet taken. This amount is exclusive of the amount reported on Line 11.b.(1). Report the portion of the balance of the following account as it relates to accrued annual leave:

221000 Accrued Funded Payroll and Leave
AR.  **Line 11.b.(3) – Severance Pay, Separation Allowance, and Other Payroll Liabilities.** Report the portion of the balance of the following account as it relates to severance pay, separation allowances, and other payroll liabilities:

221500  Other Post-Employment Benefits Due and Payable

AS.  **Line 11.c – Progress Billings.** The amount reported represents billings received in advance of performance for which revenue has not been earned. Report the portion of the balance of the following account as it relates to progress billings:

231000  Liability for Advances and Prepayments

AT.  **Line 11.d – Advances and Prepayments from Others.** The amount reported will agree with Line 6, “Unearned Revenue,” of the “Supplemental Report on Budget Execution.” Report the value of advances and prepayments received for goods not yet delivered or services not yet performed in the following account:

231000  Liability for Advances and Prepayments

AU.  **Line 11.e – Debt.**  **Line 11.e** represents the amount of borrowings from the Treasury, the Federal Financial Bank, or other Federal Agencies. Report the portion of the balance of the following accounts as they relate to debt:

214000  Accrued Interest Payable – Not Otherwise Classified (except as reported on Line 11.f)
214200  Accrued Interest Payable – Debt
252000  Principal Payable to the Federal Financing Bank
259000  Other Debt

AV.  **Line 11.f – Interest Payable.** Report the portion of the balance of the following account as it relates to interest payable (other than debt interest). Exclude amounts already listed on **Line 11.e, “Debt.”**

214000  Accrued Interest Payable – Not Otherwise Classified (except as reported on Line 11.e)

AW.  **Line 11.g – Lease Liabilities.** **Line 11.g** represents the portion of liability for capital leases covered by budgetary authority. Fully fund the capital leases and lease-purchases in the first year of the lease in accordance with OMB Circular A-11, **Appendix B, “Budgetary Treatment of Lease-Purchases and Leases of Capital Assets.”** Report the balance of the following account:

294000  Capital Lease Liability

AX.  **Line 11.h – Other Liabilities.** **Line 11.h** represents liabilities not recognized in other specific categories. Include the total amount due Federal entities for other liabilities
covered by budgetary authority not included on other lines. Report the portion of the balance of the following accounts as they relate to transactions with other Federal and non-federal entities:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>213000</td>
<td>Contract Holdbacks</td>
</tr>
<tr>
<td>219000</td>
<td>Other Liabilities With Related Budgetary Obligations</td>
</tr>
<tr>
<td>231000</td>
<td>Liability for Advances and Prepayments</td>
</tr>
<tr>
<td>232000</td>
<td>Other Deferred Revenue</td>
</tr>
<tr>
<td>240000</td>
<td>Liability for Nonfiduciary Deposit Funds and Undeposited Collections</td>
</tr>
<tr>
<td>265000</td>
<td>Actuarial FECA Liability</td>
</tr>
<tr>
<td>292000</td>
<td>Contingent Liabilities</td>
</tr>
<tr>
<td>298500</td>
<td>Liability for Non–Entity Assets Not Reported on the Statement of Custodial Activity</td>
</tr>
</tbody>
</table>

**AY. Line 12 – Liabilities Not Covered by Budgetary Resources.** Liabilities not covered by available budgetary resources result from the receipt of goods or services, or the occurrence of other eligible events, for which revenues or other sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations or current earnings of the reporting entity. Notwithstanding an expectation that the appropriations will be made, whether they, in fact, will be made is at the discretion of the Congress. Report the portion of the balance of the following accounts for which an available budgetary resource does not exist:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>214000</td>
<td>Accrued Interest Payable – Not Otherwise Classified</td>
</tr>
<tr>
<td>216000</td>
<td>Entitlement Benefits Due and Payable</td>
</tr>
<tr>
<td>219000</td>
<td>Other Liabilities With Related Budgetary Obligations</td>
</tr>
<tr>
<td>222500</td>
<td>Unfunded FECA Liability</td>
</tr>
<tr>
<td>232000</td>
<td>Other Deferred Revenue</td>
</tr>
<tr>
<td>252000</td>
<td>Principal Payable to the Federal Financing Bank</td>
</tr>
<tr>
<td>259000</td>
<td>Other Debt</td>
</tr>
<tr>
<td>265000</td>
<td>Actuarial FECA Liability</td>
</tr>
<tr>
<td>292000</td>
<td>Contingent Liabilities</td>
</tr>
<tr>
<td>294000</td>
<td>Capital Lease Liability</td>
</tr>
<tr>
<td>296000</td>
<td>Accounts Payable from Canceled Appropriations</td>
</tr>
<tr>
<td>299000</td>
<td>Other Liabilities Without Related Budgetary Obligations</td>
</tr>
<tr>
<td>299500</td>
<td>Estimated Cleanup Cost Liability-OAEL Active Installations Non-BRAC-Environmental Corrective Actions</td>
</tr>
</tbody>
</table>

**AZ. Line 13 – Total Liabilities.** Line 13 is a summary line for Lines 11, “Liabilities Covered by Budgetary Resources,” and 12, “Liabilities Not Covered by Budgetary Resources.”

**BA. Section Heading – NET POSITION.** The “Net Position” section presents the arithmetic difference between the total assets and total liabilities recognized in the Federal Government's or a component entity's balance sheet. Net position may be positive (assets greater than liabilities) or negative (assets less than liabilities).

BC. **Line 14.a – Unexpended Appropriations.** Line 14.a is equal to Line 1.A.(3), “Equals: Unexpended Appropriations – End of Period,” of Part II, “Changes in Net Position,” of the Statement of Operations. Normally, DWCF activities will not have unexpended appropriations as they are expended upon receipt to provide budgetary authority. (Supply activities that receive appropriations for War Reserve Materiel may not expend upon receipt. Also, a DWCF may have unexpended appropriations for Emergency Disaster Relief.)


15-25

1504. FORMAT OF THE STATEMENT OF CASH FLOW (FIGURE 15-2)

Figure 15-2: Statement of Cash Flow

DEFENSE WORKING CAPITAL FUND
STATEMENT OF CASH FLOW
(DoD COMPONENT/DWCF ACTIVITY)
MONTH ENDING ____________, 20XX
($ in thousands)

CASH FLOWS FROM OPERATIONS:
1. Net Operating Results (NOR) (Part I, Line 11) $ XXX

OPERATING ADJUSTMENTS:
2. Appropriated Capital Used (-) (XXX)
3. Decrease (Increase) in Accounts Receivable XXX
4. Decrease (Increase) in Advances and Prepayments XXX
5. Decrease (Increase) in Inventories:
   a. Inventory $ XXX
   b. Work-in-Process XXX
   c. Operating Materials and Supplies, Net XXX
6. Decrease (Increase) in Other Assets XXX
7. Increase (Decrease) in Accounts Payable XXX
8. Increase (Decrease) in Accrued Payroll and Benefits XXX
9. Increase (Decrease) in Liabilities XXX
10. Depreciation and Amortization XXX
11. Other Adjustments:
    a. Prior Period Adjustments XXX
    b. Non-Cash Transfers XXX
    c. Other XXX
12. Total Operating Adjustments XXX
13. NOR Plus or Minus Operating Adjustments XXX

CAPITAL ADJUSTMENTS:
14. (Increase) Decrease of Property, Plant, and Equipment, Net XXX
Figure 15-2: Statement of Cash Flow (Continued)

<table>
<thead>
<tr>
<th>APPROPRIATIONS AND CASH TRANSFERS:</th>
</tr>
</thead>
<tbody>
<tr>
<td>15. Appropriations (Current Warrants)       $    XXX</td>
</tr>
<tr>
<td>16. Transfers of Cash                  XXX</td>
</tr>
<tr>
<td>a. Transfers In                     $    XXX</td>
</tr>
<tr>
<td>b. Transfers Out                    XXX</td>
</tr>
<tr>
<td>17. Total Appropriations and Cash Transfers XXX</td>
</tr>
<tr>
<td>18. Repayments on Loans from the Treasury and the Federal Financing Bank XXX</td>
</tr>
<tr>
<td>19. Net Change In Cash For Accounting Period XXX</td>
</tr>
<tr>
<td>20. Fund Balance, Beginning            XXX</td>
</tr>
<tr>
<td>21. Fund Balance, Ending              XXX</td>
</tr>
</tbody>
</table>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

| 22. Total Interest Paid                XXX       |
150401. General

The Statement of Cash Flow, Figure 15-2, discloses the reporting entity’s gross cash receipts and disbursements with an explanation of the changes in cash or cash equivalents for the reporting period.

150402. Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DWCF activity, the reporting period (month), and the calendar year.

150403. Line Item Instructions

Instructions for the content of each line item are as follows:

A. Section Heading - CASH FLOWS FROM OPERATIONS. The “Cash Flows From Operations” section presents the cash flows generated by an entity’s operations.


C. Section Heading - OPERATING ADJUSTMENTS. The “Operating Adjustments” section identifies increases and decreases in items impacting an entity’s ending Fund Balance with Treasury.

D. Line 2 – Appropriated Capital Used (-). The amount of appropriated funds expended is a negative adjustment to the cash flow from operations. Report the balance of the following account:

570000 Expended Appropriations


G. Line 5 – Decrease (Increase) in Inventories. Line 5 is a summary line for Lines 5.a, “Inventory,” through 5.c, “Operating Materials and Supplies, Net.” Report the net decrease (increase) of the three sub-categories of inventory reported on Lines 5.a through 5.c.


N. **Line 9 – Increase (Decrease) in Liabilities.** Report the current year change in the following accounts:

- 213000 Contract Holdbacks
- 214000 Accrued Interest Payable – Not Otherwise Classified
- 216000 Entitlement Benefits Due and Payable
- 219000 Other Liabilities With Related Budgetary Obligations
- 222500 Unfunded FECA Liability
- 231000 Liability for Advances and Prepayments
- 232000 Other Deferred Revenue
- 240000 Liability for Nonfiduciary Deposit Funds and Undeposited Collections
- 252000 Principal Payable to the Federal Financing Bank
- 259000 Other Debt
- 265000 Actuarial FECA Liability
- 292000 Contingent Liabilities
- 294000 Capital Lease Liability
- 296000 Accounts Payable From Canceled Appropriations
- 298500 Liability for Non–Entity Assets Not Reported on the Statement of Custodial Activity
O. **Line 10 – Depreciation and Amortization.** The depreciation and amortization for the period are not paid in cash and, therefore, require a positive adjustment to net cash flow from operations. **Report the portion of the balance of the following account as it relates to items funded by the DWCF activity:**

- 671000 Depreciation, Amortization, and Depletion

P. **Line 11 – Other Adjustments.** Line 11 is a summary line for Lines 11.a, “Prior Period Adjustments,” through 11.c, “Other.”

Q. **Line 11.a – Prior Period Adjustments.** Report the portion of the balance of the following accounts as they relate to prior period adjustments. Enter prior period adjustments for the period that are not cash related transactions.

- 740000 Prior–Period Adjustments Due to Corrections of Errors
- 740100 Prior–Period Adjustments Due to Changes in Accounting Principles
- 740500 Prior–Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year

R. **Line 11.b – Non–Cash Transfers.** Report the balance of the following accounts. Enter transfers in and transfers out for the period that are not cash related transactions.

- 572000 Financing Sources Transferred In Without Reimbursement
- 573000 Financing Sources Transferred Out Without Reimbursement

S. **Line 11.c – Other.** Report the balance of the following account:

- 579000 Other Financing Sources

T. **Line 12 – Total Operating Adjustments.** Line 12 is a summary line for Lines 2, “Appropriated Capital Used (–),” through 11, “Other Adjustments.”

U. **Line 13 – NOR Plus or Minus Operating Adjustments.** Report the sum of Lines 1, “Net Operating Results (NOR),” and 12, “Total Operating Adjustments.”

V. **Section Heading – CAPITAL ADJUSTMENTS.** The “Capital Adjustments” section adjusts cash flow for the impact of acquiring and disposing of PP&E and other assets used in the production of goods and services. Most sales within the DWCF are recorded as revenue and included in Line 1, “Net Operating Results (NOR).” However, if an incoming cash flow is not a result of revenue, identify that cash flow within this section as either a result of a sale of PP&E or another cause. See Volume 4 for additional information relating to PP&E.

**X.** Section Heading – APPROPRIATIONS AND CASH TRANSFERS. The “Appropriations and Cash Transfers” section identifies the impact on cash flow from resources obtained in the form of appropriations from the Congress, or by transferring from or to other reporting entities. Appropriations may be distributed to the individual activity level. If appropriations are not distributed, report by the DWCF level holding those balances or allocate by that DWCF level, for reporting purposes, to the appropriate activity or activities.

**Y.** Line 15 – Appropriations (Current Warrants). Report the portion of the balance of the following accounts as they relate to transfers in and transfers out of appropriations (current warrants). Report the amount of appropriations received, net of rescissions, for the current FY in the following accounts:

- 310100 Unexpended Appropriations – Appropriations Received
- 310200 Unexpended Appropriations – Transfers–In
- 310300 Unexpended Appropriations – Transfers–Out
- 310500 Unexpended Appropriations – Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year
- 310600 Unexpended Appropriations – Adjustments
- 310700 Unexpended Appropriations – Used
- 310800 Unexpended Appropriations – Prior–Period Adjustments Due to Corrections of Errors
- 310900 Unexpended Appropriations – Prior–Period Adjustments Due to Changes in Accounting Principles


- 575500 Nonexpenditure Financing Sources – Transfers–In

576500 Nonexpenditure Financing Sources – Transfers–Out


AD. Line 18 – Repayments on Loans from the Treasury and the Federal Financing Bank. Report the amounts disbursed to liquidate loans from the Fiscal Service, the Federal Financing Bank, or other Federal Agencies. Line 18 applies only to the Military Sealift Command (MSC).

252000 Principal Payable to the Federal Financing Bank


AH. Section Heading – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION. The “Supplemental Disclosure of Cash Flow Information” section presents additional information related to the Statement of Cash Flow.

AI. Line 22 – Total Interest Paid. Report the current year change in the following accounts:

214000 Accrued Interest Payable – Not Otherwise Classified
214100 Accrued Interest Payable – Loans
214200 Accrued Interest Payable – Debt
633000 Other Interest Expenses
1505. FORMAT OF THE STATEMENT OF OPERATIONS: PART I – STATEMENT OF OPERATIONS (FIGURE 15-3)

Figure 15-3: Statement of Operations, Part I – Statement of Operations

<table>
<thead>
<tr>
<th>REVENUES AND FINANCING SOURCES:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Appropriated Capital Used</td>
<td>$ XXX</td>
<td></td>
</tr>
<tr>
<td>2. Revenue from Sales of Goods and Services</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>a. Gross Revenue from Sales</td>
<td>$ XXX</td>
<td></td>
</tr>
<tr>
<td>b. Minus: Credits Allowed on Sales</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>3. Other Revenue and Financing Sources</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>4. Total Revenue and Financing Sources</td>
<td>XXX</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Program or Operating Expenses (Supply and Service Activities)</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>6. Cost of Goods and Services Sold</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>7. Other Losses</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>8. Total Expenses</td>
<td>XXX</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET OPERATING RESULTS:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>9. Revenue Less Cost Incurred Before Extraordinary Items</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>10. Plus (Minus) Extraordinary Items</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>11. Net Operating Results (NOR)</td>
<td>XXX</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET OPERATING RESULTS FOR RATE PURPOSES:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>12. Plus (Minus) Deferred Operating Results and Depreciation (Part V)</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>13. Recoverable Net Operating Results</td>
<td>XXX</td>
<td></td>
</tr>
</tbody>
</table>
150501. General

Part I – Statement of Operations, Figure 15-3, identifies the cumulative year-to-date NOR and the Recoverable NOR.

150502. Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DWCF activity, the reporting period (month), and the calendar year.

150503. Line Item Instructions

Instructions for the content of each line item are as follows:

A. Section Heading – REVENUES AND FINANCING SOURCES. The “Revenues and Financing Sources” section presents inflows of or other increases in assets, decreases in liabilities, or a combination of both resulting in an increase in the government's net position during the reporting period.

B. Line 1 – Appropriated Capital Used. Appropriations, primarily for War Reserve Material and Commissary Operations, may be provided directly to the DWCF. Use USSGL account 570000, “Expended Appropriations,” to record an amount equal to accrued expenses (versus outlays) of appropriated funds provided directly to the Fund. The purpose of the account is to match current period expenses to the appropriated funds used to finance those expenses. Record amounts in account 570000 equal to the amount of program expenses but do not include any expenses applicable to revenue accounts other than account 570000. In other words, record expenses incurred against an appropriation made directly available to the DWCF separately from expenses incurred against ordinary DWCF reimbursable financing. Report the balance of the following account:

570000 Expended Appropriations

C. Line 2 – Revenue from Sales of Goods and Services. Line 2 is a summary line for Lines 2.a, “Gross Revenue from Sales,” and 2.b, “Minus: Credits Allowed on Sales.”

D. Line 2.a – Gross Revenue from Sales. Report the balances in the following accounts:

510000 Revenue From Goods Sold
520000 Revenue From Services Provided

E. Line 2.b – Minus: Credits Allowed on Sales. Reporting activities within the Supply Management Activity will report the dollar amount of credits allowed on amounts due (accounts receivable) from sales or Depot Level Repairable (DLR) exchanges. Report the balances in the following accounts:
510900  Contra Revenue for Goods Sold
520900  Contra Revenue from Services Provided

F.  Line 3 – Other Revenue and Financing Sources.  Include the total amount of revenues and financing sources not reported on Lines 1, “Appropriated Capital Used,” or 2, “Revenue from Sales of Goods and Services.” Do not include revenues reported on this line in customer rates.  Include cash donations.  Identify the nature of each miscellaneous gain in the footnotes.  Do not include other gains related to inventory on this line.  Report other gains related to inventory on Line K.4, “Net Other Inventory (Gains) Losses” of Part IV, “Expenses,” of the Statement of Operations.  Report the portion of the balance of the following accounts as they relate to Other Revenues and Financing Sources:

531000  Interest Revenue – Other
531900  Contra Revenue for Interest Revenue – Other
532000  Penalties and Fines Revenue
532900  Contra Revenue for Administrative Fees
560000  Donated Revenue – Financial Resources
560900  Contra Revenue for Donations – Financial Resources
561000  Donated Revenue – Nonfinancial Resources
561900  Contra Donated Revenue – Nonfinancial Resources
575500  Nonexpenditure Financing Sources – Transfers–In – Other
576500  Nonexpenditure Financing Sources – Transfers–Out – Other
577500  Nonbudgetary Financing Sources Transferred In
578000  Imputed Financing Sources
579000  Other Financing Sources
590000  Other Revenue
590900  Contra Revenue for Other Revenue
599300  Offset to Non–Entity Collections – Statement of Changes in Net Position
599400  Offset to Non–Entity Accrued Collections – Statement of Changes in Net Position
711000  Gains on Disposition of Assets
719000  Other Gains

G.  Line 4 – Total Revenue and Financing Sources.  Line 4 is a summary line for Lines 1, “Appropriated Capital Used,” through 3, “Other Revenue and Financing Sources.” Revenue will equal net sales plus any other reimbursable revenue and financing source.

H.  Section Heading – EXPENSES.  The “Expenses” section presents outflows of or other decreases in assets, increases in liabilities, or a combination of both resulting in a decrease in the government's net position during the reporting period.


L. **Line 8 – Total Expenses.** Report the sum of Lines 5, “Program or Operating Expenses (Supply and Service Activities),” through 7, “Other Losses.”

M. **Section Heading – NET OPERATING RESULTS.** The “Net Operating Results” section identifies the reporting line items used to calculate the NOR for the reporting period.


O. **Line 10 – Plus (Minus) Extraordinary Items.** Extraordinary items are both unusual in nature and infrequent in occurrence. Identify the nature of each extraordinary gain or loss in a footnote. Report the balance of the following account:

```
730000   Extraordinary Items
```

P. **Line 11 – Net Operating Results (NOR).** Line 11 is a summary line for Lines 9, “Revenue Less Cost Incurred Before Extraordinary Items” and 10, “Plus (Minus) Extraordinary Items.”

Q. **Section Heading – NET OPERATING RESULTS FOR RATE PURPOSES.** The “Net Operating Results for Rate Purposes” section identifies the reporting line items used to calculate the NOR used for rate purposes for the reporting period.


S. **Line 13 – Recoverable Net Operating Results.** Line 13 is a summary line for Lines 11, “Net Operating Results (NOR),” and 12, “Plus (Minus) Deferred Operating Results and Depreciation (Part V).”
1506. FORMAT OF THE STATEMENT OF OPERATIONS: PART II – CHANGES IN NET POSITION (FIGURE 15-4)

Figure 15-4: Statement of Operations, Part II – Changes in Net Position

<table>
<thead>
<tr>
<th>DEFENSE WORKING CAPITAL FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATEMENT OF OPERATIONS: PART II-CHANGES IN NET POSITION</td>
</tr>
<tr>
<td>(DoD COMPONENT/DWCF ACTIVITY)</td>
</tr>
<tr>
<td>MONTH ENDING ____________, 20XX</td>
</tr>
<tr>
<td>($ in thousands)</td>
</tr>
</tbody>
</table>

1. CHANGES IN NET POSITION

A. UNEXPENDED APPROPRIATIONS

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Appropriations Available – Beginning of Year</td>
</tr>
<tr>
<td>(2)</td>
<td>Plus or Minus: Changes in Appropriation Balance</td>
</tr>
<tr>
<td>(3)</td>
<td>Equals: Unexpended Appropriations – End of Period</td>
</tr>
</tbody>
</table>

B. ACCUMULATED OPERATING RESULTS (AOR)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) RECOVERABLE AOR</td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>AOR Beginning of Year (Unadjusted)</td>
</tr>
<tr>
<td>b.</td>
<td>Plus or Minus: Prior Period Adjustments</td>
</tr>
<tr>
<td>c.</td>
<td>Equals: AOR Beginning of Year (Adjusted)</td>
</tr>
<tr>
<td>d.</td>
<td>Plus or Minus: Net Operating Results</td>
</tr>
<tr>
<td>e.</td>
<td>Equals: Recoverable AOR End of Period</td>
</tr>
</tbody>
</table>

| (2) DEFERRED AOR |
| a. | AOR Beginning of Year (Unadjusted) | XXX |
| b. | Plus or Minus: Prior Period Adjustments | XXX |
| c. | Equals: AOR Beginning of Year (Adjusted) | XXX |
| d. | Plus or Minus: Net Operating Results | XXX |
| e. | Equals: Deferred AOR End of Period | XXX |

| (3) Total AOR End of Period | XXX |

C. Operational Equity Position – End of Period | XXX |

D. INVESTED CAPITAL

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) ASSETS CAPITALIZED</td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Assets Capitalized – Beginning of Period</td>
</tr>
<tr>
<td>b.</td>
<td>Plus: Transfers In of Property</td>
</tr>
<tr>
<td>c.</td>
<td>Minus: Transfers Out of Property</td>
</tr>
<tr>
<td>d.</td>
<td>Minus: Depreciation, Non-DWCF Acquired PP&amp;E</td>
</tr>
<tr>
<td>e.</td>
<td>Equals: Assets Capitalized – End of Period</td>
</tr>
</tbody>
</table>
Figure 15-4: Statement of Operations, Part II – Changes in Net Position (Continued)

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) FUND (CASH) ASSETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Fund (Cash) Assets – Beginning of Period</td>
<td>$ XXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Plus: Transfers In of Cash</td>
<td>XXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Minus: Transfers Out of Cash</td>
<td>XXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Equals: Fund (Cash) Assets – End of Period</td>
<td>XXX</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| (3) LIABILITIES ASSUMED |   |   |   |
| a. Liabilities Assumed – Beginning of Period | XXX |
| b. Plus: Transfers In of Liabilities | XXX |
| c. Minus: Transfers Out of Liabilities | XXX |
| d. Equals: Liabilities Assumed – End of Period | XXX |

| (4) Equals: Invested Capital – End of Period |   |
|   | $ XXX |

2. Net Position – End of Period

XXX
150601. General

Part II - Changes in Net Position, Figure 15-4, identifies the arithmetic difference between the total assets and total liabilities recognized on a component entity’s balance sheet.

150602. Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DWCF activity, the reporting period (month), and the calendar year.

150603. Line Item Instructions

Instructions for the content of each line item are as follows:

A. Section Heading – CHANGES IN NET POSITION. The “Changes in Net Position” section identifies the reporting line items used to report the change in net position during the reporting period.

B. Section Heading – UNEXPENDED APPROPRIATIONS. The “Unexpended Appropriations” section identifies appropriations that have not yet been used to acquire goods and services or provide benefits.


   310000  Unexpended Appropriations - Cumulative

D. Line 1.A.(2) – Plus or Minus: Changes in Appropriation Balance. Line 1.A.(2) represents the difference between the beginning FY balance and the balance as of the end of the reporting period. Report the balance of the following accounts:

   310100  Unexpended Appropriations – Appropriations Received
   310200  Unexpended Appropriations – Transfers–In
   310300  Unexpended Appropriations – Transfers–Out
   310500  Unexpended Appropriations – Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year
   310600  Unexpended Appropriations – Adjustments
   310700  Unexpended Appropriations – Used
   310800  Unexpended Appropriations – Prior–Period Adjustments Due to Corrections of Errors
   310900  Unexpended Appropriations – Prior–Period Adjustments Due to Changes in Accounting Principles

F. **Section Heading – ACCUMULATED OPERATING RESULTS (AOR).** The “Accumulated Operating Results” section reflects the cumulative summation of NOR.

G. **Section Heading – RECOVERABLE AOR.** The “Recoverable AOR” section identifies the reporting line items used to calculate the ending balance of recoverable AOR for the reporting period.


   331000  Cumulative Results of Operations

I. **Line 1.B.(1).b – Plus or Minus: Prior Period Adjustments.** Report the portion of the balance in the following accounts related to prior period adjustments to recoverable AOR. Report a credit balance as a plus and a debit balance as a negative.

   740000  Prior–Period Adjustments Due to Corrections of Errors
   740100  Prior–Period Adjustments Due to Changes in Accounting Principles
   740500  Prior–Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year


M. **Section Heading – DEFERRED AOR.** The “Deferred AOR” section identifies the reporting line items used to calculate the ending balance of deferred AOR for the reporting period.

331000  Cumulative Results of Operations

O. Line 1.B.(2).b – Plus or Minus: Prior Period Adjustments. Report the portion of the balance in the following accounts related to prior period adjustments to deferred AOR. Report a credit balance as a plus and a debit balance as a negative.

740000  Prior–Period Adjustments Due to Corrections of Errors
740100  Prior–Period Adjustments Due to Changes in Accounting Principles
740500  Prior–Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year


Q. Line 1.B.(2).d – Plus or Minus: Net Operating Results. The amount reported on this line will be the opposite of the amount shown on Line 2, “Deferred Operating Results (Gains/Losses) Net,” of Part V, “Recoverable Operating Results,” of the Statement of Operations.


U. Section Heading – INVESTED CAPITAL. The “Invested Capital” section identifies the reporting line items used to calculate the ending balance of invested capital for the reporting period.

V. Section Heading – ASSETS CAPITALIZED. The “Assets Capitalized” section identifies the reporting line items used to calculate the ending balance of capitalized assets for the reporting period.

331000 Cumulative Results of Operations

X. Line 1.D.(1).b – Plus: Transfers In of Property. Report the value of non-cash capital assets transferred in without reimbursement. Report the portion of the balance in the following account as it relates to non-cash capital transfers:

572000 Financing Sources Transferred In Without Reimbursement

Y. Line 1.D.(1).c – Minus: Transfers Out of Property. Report the value of non-cash capital assets transferred out without reimbursement. Report the portion of the balance in the following account as it relates to non-cash capital transfers:

573000 Financing Sources Transferred Out Without Reimbursement


719000 Other Gains
729000 Other Losses


AB. Section Heading – FUND (CASH) ASSETS. The “Fund (Cash) Assets” section identifies the reporting line items used to calculate the ending balance of fund (cash) assets for the reporting period.


331000 Cumulative Results of Operations
AD. Line 1.D.(2).b – Plus: Transfers In of Cash. Report the amount of financing sources of a reporting entity representing cash transferred in without reimbursement. Report the portion of the balance in the following account as it relates to transfers in of cash:

575500 Nonexpenditure Financing Sources – Transfers–In

AE. Line 1.D.(2).c – Minus: Transfers Out of Cash. Report the amount of financing sources of a reporting entity representing cash transferred out without reimbursement. Report the portion of the balance in the following accounts as they relate to transfers out of cash:

576500 Nonexpenditure Financing Sources – Transfers–Out


AG. Section Heading – LIABILITIES ASSUMED. The “Liabilities Assumed” section identifies the reporting line items used to calculate the ending balance of liabilities assumed for the reporting period.


331000 Cumulative Results of Operations

AI. Line 1.D.(3).b – Plus: Transfers In of Liabilities. Report the portion of the balance in the following account as it relates to the value of liabilities transferred in:

572000 Financing Sources Transferred In Without Reimbursement

AJ. Line 1.D.(3).c – Minus: Transfers Out of Liabilities. Report the portion of the balance in the following account as it relates to the value of liabilities transferred out:

573000 Financing Sources Transferred Out Without Reimbursement


1507. FORMAT OF THE STATEMENT OF OPERATIONS: PART III - COST OF GOODS SOLD (FIGURE 15-5)

Figure 15-5: Statement of Operations, Part III – Cost of Goods Sold

<table>
<thead>
<tr>
<th>DEFENSE WORKING CAPITAL FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATEMENT OF OPERATIONS: PART III-COST OF GOODS SOLD</td>
</tr>
<tr>
<td>(DoD COMPONENT/DWCF ACTIVITY)</td>
</tr>
<tr>
<td>MONTH ENDING ____________, 20XX</td>
</tr>
<tr>
<td>($ in thousands)</td>
</tr>
</tbody>
</table>

1. COST OF GOODS AND SERVICES SOLD:
   a. Beginning Work-in-Process $ XXX
   b. Plus/Minus: Prior Period Adjustments to Work-in-Process XXX
   c. Equals: Adjusted Beginning Work-in-Process XXX
   d. Minus: Transfers Out of Work-in-Process XXX
   e. Plus: Transfers In of Work-in-Process XXX
   f. Plus: Operating Expenses XXX
   g. Minus: Ending Work-in-Process XXX
   h. Minus: Work for Activity Retention XXX
   i. Equals: Cost of Goods and Services Sold $ XXX

2. COST OF GOODS SOLD FROM INVENTORY:
   a. Beginning Inventory-LAC XXX
   b. Plus/Minus: Prior Period Adjustments to LAC Inventory XXX
   c. Equals: Adjusted Beginning Inventory-LAC XXX
   d. Minus: Beginning Allowance for Unrealized Holding Gains (Losses) XXX
   e. Plus: Purchases at Cost XXX
   f. Plus: Customer Returns-Credit Given XXX
   g. Plus: DLR Exchange Credits XXX
   h. Minus: Inventory Losses (Gains) Realized XXX
   i. Minus: Ending Inventory-LAC XXX
   j. Plus: Ending Allowance for Unrealized Holding Gains (Losses) XXX
   k. Minus: Transfers Out of Inventory at LAC XXX
   l. Plus: Transfers In of Inventory at LAC XXX
   m. Equals: Cost of Goods Sold at LAC XXX
   n. Plus: Cost of Goods Sold at MAC XXX
   o. Equals: Cost of Goods Sold from Inventory XXX
150701. General


150702. Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DWCF activity, the reporting period (month), and the calendar year.

150703. Line Item Instructions

Instructions for the content of each line item are as follows:


   152600 Inventory – Work-in-Process
   152900 Inventory – Allowance

C. Line 1.b – Plus/Minus: Prior Period Adjustments to Work-in-Process. Report the current year change for Inventory Work-in-Process related to a prior period adjustment included in the following accounts:

   740000 Prior–Period Adjustments Due to Corrections of Errors
   740100 Prior–Period Adjustments Due to Changes in Accounting Principles
   740500 Prior–Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year

E. **Line 1.d – Minus: Transfers Out of Work-in-Process.** Report the portion of the balance in the following account as it relates to work-in-process transferred out to another activity without reimbursement:

573000 Financing Sources Transferred Out Without Reimbursement

F. **Line 1.e – Plus: Transfers In of Work-in-Process.** Report the portion of the balance in the following account as it relates to work-in-process transferred in from another activity without reimbursement:

572000 Financing Sources Transferred In Without Reimbursement


H. **Line 1.g – Minus: Ending Work-in-Process.** Report the portion of the balance in the following accounts as of the end of the current reporting period:

152600 Inventory – Work-in-Process
152900 Inventory – Allowance

I. **Line 1.h – Minus: Work for Activity Retention.** Report the value of assets developed or manufactured for use and retention by the performing DWCF activity. Report the portion of the balance of the following account as it relates to assets retained by a business activity:

650000 Cost of Goods Sold


K. **Section Heading — COST OF GOODS SOLD FROM INVENTORY.** Report in the “Cost of Goods Sold from Inventory” section only the costs for Supply Management and Commissary Resale DWCF activities. Supply activities must record any incremental amount billed for manufactured inventory as work-in-process on Line 1. The Supply Activity will adjust the inventory work-in-process account as appropriate based on the subsequent progress bills received.

1. Refer to the DoD USSGL Transaction Library for detailed debit and credit transactions related to the recording and transfer out of work-in-process inventory accounts to the appropriate Inventory Held for Sale account(s). Once the Supply Activity receives the completed manufactured end item(s), they will transfer the corresponding value in the inventory work-in-process account to the appropriate inventory account. Accounting transactions related to
this policy need to comply with the DoD Standard Chart of Accounts and the DoD USSGL Transaction Library.

2. SFFAS 3 sets the accounting principles for Federal Government entities to follow when accounting for and reporting inventory and related property. Volume 4, Chapter 4 provides instructions for DoD Components recording inventory at its last invoice price. Volume 4, Chapter 4 also provides the application of inventory-related accounts and provides clarification for the reporting requirements contained in section 2, “Cost of Goods Sold from Inventory,” of Part III, “Cost of Goods Sold,” of the Statement of Operations.

L. Line 2.a – Beginning Inventory – LAC. Report the balance of Line 2.i, “Minus: Ending Inventory – LAC,” from the preceding September 30, Statement of Operations, Part III, “Cost of Goods Sold.” The LAC valuation method is available to DeCA and is not approved for use by other DoD Components. The amount reported will not change during the FY.

152100 Inventory Purchased for Resale
152200 Inventory Held in Reserve for Future Sale
152300 Inventory Held for Repair
152400 Inventory – Excess, Obsolete, and Unserviceable
152500 Inventory – Raw Materials
152700 Inventory – Finished Goods

M. Line 2.b – Plus/Minus: Prior Period Adjustments to LAC Inventory. Report the current year change for inventory reported at LAC related to prior period adjustments included in the following accounts:

740000 Prior–Period Adjustments Due to Corrections of Errors
740100 Prior–Period Adjustments Due to Changes in Accounting Principles
740500 Prior–Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year

N. Line 2.c – Equals: Adjusted Beginning Inventory-LAC. Line 2.c is a summary line for Lines 2.a, “Beginning Inventory – LAC,” and 2.b, “Plus/Minus: Prior Period Adjustments to LAC Inventory.”

O. Line 2.d – Minus: Beginning Allowance for Unrealized Holding Gains (Losses). Report the balance of Line 2.j, “Plus: Ending Allowance for Unrealized Holding Gains (Losses),” from the preceding September 30, Statement of Operations, Part III, “Cost of Goods Sold.” The amount will not change during the FY. Recognize holding gains (or losses) in the valuation of inventory. Holding gains (or losses) may be unrealized or realized. “Unrealized” refers to any gain (or loss) associated with inventory still held by the entity. “Realization” of the holding gain (or loss) occurs when an item of inventory is sold or otherwise leaves the Supply Management stocking point.
P. **Line 2.e – Plus: Purchases at Cost.** Report the portion of the balance in the following account as it relates to amounts paid or payable for all inventory purchases during the reporting period:

\[ 152900 \quad \text{Inventory – Allowance} \]

Q. **Line 2.f – Plus: Customer Returns–Credit Given.** Report the portion of the balance in the following account as it relates to amounts of credit given on materiel returns:

\[ 152900 \quad \text{Inventory – Allowance} \]

R. **Line 2.g – Plus: DLR Exchange Credits.** Report the portion of the balance in the following account as it relates to amounts of credits given on DLR exchanges:

\[ 152900 \quad \text{Inventory – Allowance} \]

*S. **Line 2.h – Minus: Inventory Losses (Gains) Realized.** The realization of most inventory gains (and losses) are recognized through reduction of the unrealized holding gains (and losses) accounts as a result of sales; that is, those gains (and losses) are realized when inventory items are sold and recognized in the cost of goods sold.

1. However, increases (or decreases) in inventory occurring because of disposal and events other than sales also result in an adjustment (increase or decrease) of the unrealized holding gains (or losses) accounts. As those inventory increases (or decreases) are not the result of sales, they should not affect the cost of goods sold. (Immaterial losses are charged to cost of goods sold.)

2. Therefore, remove the value of those gains (or losses) from the cost of goods sold and report on Line K.4, “Net Other Inventory (Gains) Losses,” of Part IV “Expenses,” of the Statement of Operations. Report the portion of the balance of the following accounts related to (gains) losses on inventory identified in the following breakdown:

   a. **Non-Recoverable Gains or Losses on Disposal of Excess Inventory, Supply Management:**

\[ 
711000 \quad \text{Gains on Disposition of Assets – Other} \\
719000 \quad \text{Other Gains} \\
721000 \quad \text{Losses on Disposition of Assets – Other} \\
729000 \quad \text{Other Losses} 
\]

   b. **Other Inventory Losses, Non-Supply Management:**

\[ 729000 \quad \text{Other Losses} \]

T. **Line 2.i – Minus: Ending Inventory–LAC.** Report the end of period inventory value of the following accounts:
152100  Inventory Purchased for Resale  
152200  Inventory Held in Reserve for Future Sale  
152300  Inventory Held for Repair  
152400  Inventory – Excess, Obsolete, and Unserviceable  
152500  Inventory – Raw Materials  
152700  Inventory – Finished Goods

U.  Line 2.j – Plus:  Ending Allowance for Unrealized Holding Gains (Losses).  Report the portion of the balance in the following account as it relates to allowance for unrealized holding gains (losses):

152900  Inventory – Allowance

V.  Line 2.k – Minus:  Transfers Out of Inventory at LAC.  Report the portion of the balance in the following account as it relates to inventory maintained at LAC transferred out of the activity:

573000  Financing Sources Transferred Out Without Reimbursement

W.  Line 2.l – Plus:  Transfers In of Inventory at LAC.  Report the portion of the balance in the following account as it relates to inventory maintained at LAC transferred into the activity:

572000  Financing Sources Transferred In Without Reimbursement

X.  Line 2.m – Equals:  Cost of Goods Sold at LAC.  Line 2.m is a summary line for Lines 2.c, “Equals: Adjusted Beginning Inventory–LAC,” through Line 2.l, “Plus: Transfers In of Inventory at LAC.”

Y.  Line 2.n – Plus:  Cost of Goods Sold at MAC.  Report the portion of the balance of the following account reported from activities maintaining inventory at MAC value:

650000  Cost of Goods Sold

1508. FORMAT OF THE STATEMENT OF OPERATIONS: PART IV - EXPENSES

(Figure 15-6)

Figure 15-6: Statement of Operations, Part IV – Expenses

<table>
<thead>
<tr>
<th>DEFENSE WORKING CAPITAL FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATEMENT OF OPERATIONS: PART IV-EXPENSES</td>
</tr>
<tr>
<td>(DoD COMPONENT/DWCF ACTIVITY)</td>
</tr>
<tr>
<td>MONTH ENDING ________________, 20XX</td>
</tr>
<tr>
<td>($ in thousands)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>($000)</th>
<th>($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Personnel Services and Benefits-Civilian</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Personal Compensation</td>
<td>$ XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>2. Annual Leave</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>3. Personnel Benefits</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>4. Benefits for Former Personnel</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>B. Travel and Transportation</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>1. Travel and Transportation of People</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>2. Transportation of Things</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>C. Rents, Communications and Utilities</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>1. Rents, Communications and Utilities</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>2. Printing and Reproduction</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>D. Contractual Services</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>1. Military Personnel Services</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>2. Purchased Services</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>E. Supplies, Materials, and Other Non-Capitalized Assets</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>1. Supplies and Materials</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>2. Equipment</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>F. Grants and Fixed Charges</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>1. Grants and Contributions</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>2. Insurance Claims and Indemnifications</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>3. Other Interest Expenses</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>G. Other Expenses</td>
<td>XXX</td>
<td>XXX</td>
</tr>
</tbody>
</table>
**Figure 15-6: Statement of Operations, Part IV – Expenses (Continued)**

<table>
<thead>
<tr>
<th>H. Depreciation</th>
<th>$ XXX</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Depreciation of Equipment</td>
<td>$ XXX</td>
</tr>
<tr>
<td>2. Depreciation of Real Property</td>
<td>$ XXX</td>
</tr>
<tr>
<td>3. Amortization of Leasehold Improvements and Other Intangible Assets</td>
<td>$ XXX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>I. Depreciation – Non-DWCF Acquired PP&amp;E</th>
<th>XXX</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Non-Recoverable Depreciation of Equipment</td>
<td>XXX</td>
</tr>
<tr>
<td>2. Non-Recoverable Amortization</td>
<td>XXX</td>
</tr>
</tbody>
</table>

| J. Bad Debts | XXX |

<table>
<thead>
<tr>
<th>K. Other Losses and Gains</th>
<th>XXX</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Losses on Disposition of Assets</td>
<td>XXX</td>
</tr>
<tr>
<td>2. Net (Gains) Losses on Inventory Shrinkage/Deterioration</td>
<td>XXX</td>
</tr>
<tr>
<td>3. Net (Gains) Losses on Inventory Excess/Obsolescence/Spoilage</td>
<td>XXX</td>
</tr>
<tr>
<td>4. Net Other Inventory (Gains) Losses</td>
<td>XXX</td>
</tr>
<tr>
<td>5. Other Miscellaneous (Gains) Losses</td>
<td>XXX</td>
</tr>
</tbody>
</table>

Expended Appropriation | XXX
Direct Labor Hours – Regular | XXX
Direct Labor Hours – Overtime | XXX
Direct Labor Hours – Total | XXX
150801. General


150802. Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DWCF activity, the reporting period (month), and the calendar year.

150803. Line Item Instructions

Instructions for the content of each line item are as follows:

A. Line A – Personnel Services and Benefits–Civilian. Line A is a summary line for Lines A.1, “Personnel Compensation,” through A.4, “Benefits for Former Personnel.” Report the amount of expense related to personnel services and benefits:

B. Line A.1 – Personnel Compensation. Report the portion of the balance of the following accounts related to personnel compensation:

   610000 Operating Expenses/Program Costs

C. Line A.2 – Annual Leave. Report the portion of the balance of the following accounts related to annual leave:

   610000 Operating Expenses/Program Costs

D. Line A.3 – Personnel Benefits. Report the portion of the balance of the following accounts related to personnel benefits:

   610000 Operating Expenses/Program Costs
   640000 Benefits Expense
   680000 Future Funded Expenses
   685000 Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority (Unobligated)
   760000 Changes in Actuarial Liability

E. Line A.4 – Benefits for Former Personnel. Report the portion of the balance of the following accounts related to benefits for former personnel:
F. **Line B – Travel and Transportation.** Line B is a summary line for Lines B.1, “Travel and Transportation of People,” and B.2, “Transportation of Things.” Report the amount of expense related to travel and transportation.

G. **Line B.1 – Travel and Transportation of People.** Report the portion of the balance of the following account related to travel and transportation of persons:

   610000 Operating Expenses/Program Costs

H. **Line B.2 – Transportation of Things.** Report the portion of the balance of the following account related to travel and transportation of things:

   610000 Operating Expenses/Program Costs


J. **Line C.1 – Rents, Communications, and Utilities.** Report the portion of the balance of the following account related to rents, communications, and utilities:

   610000 Operating Expenses/Program Costs

K. **Line C.2 – Printing and Reproduction.** Report the portion of the balance of the following account related to printing and reproduction:

   610000 Operating Expenses/Program Costs

L. **Line D – Contractual Services.** Line D is a summary line for Lines D.1, “Military Personnel Services,” and D.2, “Purchased Services.” Report the amount of expense related to military personnel services and other contractual services.

M. **Line D.1 – Military Personnel Services.** Report the portion of the balance of the following account related to military personnel services:

   610000 Operating Expenses/Program Costs

N. **Line D.2 – Purchased Services.** Report the portion of the balance of the following account related to purchased services:

   610000 Operating Expenses/Program Costs

P. Line E.1 – Supplies and Materials. Report the portion of the balance of the following account related to supplies and materials:

610000 Operating Expenses/Program Costs

Q. Line E.2 – Equipment. Report the portion of the balance of the following account related to equipment (not capitalized):

610000 Operating Expenses/Program Costs


S. Line F.1 – Grants and Contributions. Report the portion of the balance of the following account related to grants and contributions:

610000 Operating Expenses/Program Costs

T. Line F.2 – Insurance Claims and Indemnifications. Report the portion of the balance of the following account related to insurance claims and indemnifications:

610000 Operating Expenses/Program Costs

U. Line F.3 – Other Interest Expenses. Report the portion of the balances of the following accounts related to interest expenses not captured in other lines:

631000 Interest Expense on Borrowings from Bureau of the Fiscal Service or Federal Financing Bank
633000 Other Interest Expenses

V. Line G – Other Expenses. Report amounts not captured in other elements of expense. Identify the type of expense on this line.

610000 Operating Expenses/Program Costs
615000 Expensed Asset
619900 Adjustment to Subsidy Expense
660000 Applied Overhead
661000 Cost Capitalization Offset
673000 Imputed Costs
679000 Other Expenses Not Requiring Budgetary Resources
680000  Future Funded Expenses
685000  Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority (Unobligated)
690000  Nonproduction Costs


X.  Line H.1 – Depreciation of Equipment.  Report the portion of the balance of the following account related to depreciation of equipment:

671000  Depreciation, Amortization, and Depletion

Y.  Line H.2 – Depreciation of Real Property.  Report the amount of the following account related to depreciation of real property:

671000  Depreciation, Amortization, and Depletion

Z.  Line H.3 – Amortization of Leasehold Improvements and Other Intangible Assets.  Report the portion of the balance of the following account related to amortization of leasehold improvements and other intangible assets:

671000  Depreciation, Amortization, and Depletion

AA.  Line I – Depreciation – Non-DWCF Acquired PP&E.  Line I is a summary line for Lines I.1, “Non-Recoverable Depreciation of Equipment,” through I.2, “Non-Recoverable Amortization.”  Report the amount of depreciation on PP&E acquired by the activity with funds other than DWCF Revolving Funds.

AB.  Line I.1 – Non-Recoverable Depreciation of Equipment.  Report the portion of the balance of the following account related to depreciation of equipment acquired by the activity with funds other than DWCF Revolving Funds:

671000  Depreciation, Amortization, and Depletion

AC.  Line I.2 – Non-Recoverable Amortization.  Report the portion of the balance of the following account related to amortization of leasehold improvements and other intangible assets acquired by the activity with funds other than DWCF Revolving Funds:

671000  Depreciation, Amortization, and Depletion

AD.  Line J – Bad Debts.  Report the balance in the following account:

672000  Bad Debt Expense

AF. Line K.1 – Losses on Disposition of Assets. Report the portion of the balance of the following account related to losses on disposition of assets identified for the following categories: Non-Supply Management Activities; Non-Recoverable Disposal of Equipment/Capital Assets, Non-Federal; Non-Recoverable Base Realignment and Closure (BRAC) Cost, Non-Federal; and Other Expense-Non-Supply Management, Non-Federal.

721000 Losses on Disposition of Assets – Other

AG. Line K.2 – Net (Gains) Losses on Inventory Shrinkage/Deterioration. Report the portion of the balance of the following accounts related to (gains) losses on inventory shrinkage/deterioration as reported by Non-Supply Management activities:

719000 Other Gains
729000 Other Losses

AH. Line K.3 – Net (Gains) Losses on Inventory Excess/Obsolescence/Spoilage. Report the portion of the balance of the following accounts related to (gains) losses on inventory excess, obsolescence, and spoilage as reported by Non-Supply Management activities:

719000 Other Gains
729000 Other Losses

AI. Line K.4 – Net Other Inventory (Gains) Losses. Report the portion of the balance of the following accounts related to (gains) losses on inventory identified in the following breakdown:

1. Non-Recoverable Gains or Losses on Disposal of Excess Inventory, Supply Management:

711000 Gains on Disposition of Assets – Other
719000 Other Gains
721000 Losses on Disposition of Assets – Other
729000 Other Losses

2. Other Inventory Gains or Losses, Non-Supply Management:

719000 Other Gains
729000 Other Losses

AJ. Line K.5 – Other Miscellaneous (Gains) Losses. Report the portion of the balance of the following accounts related to (gains) losses not specifically identified to another sub-category of Other Losses. Only include other (gains) losses related to inventory on this line.

719000 Other Gains
729000 Other Losses

AK. For Information Only. Report other miscellaneous information not defined.

AL. Expended Appropriation. Report the amount of appropriations used during the FY for goods and services received or benefits provided.

570000 Expended Appropriations

AM. Direct Labor Hours – Regular. Report the amount of year-to-date non-overtime direct labor hours for Industrial activities.

AN. Direct Labor Hours – Overtime. Report the amount of year-to-date overtime direct labor hours for Industrial activities.

AO. Direct Labor Hours – Total. Report the sum of “Direct Labor Hours – Regular” and “Direct Labor Hours – Overtime.”
1509. FORMAT OF THE STATEMENT OF OPERATIONS: PART V - RECOVERABLE OPERATING RESULTS (FIGURE 15-7)

Figure 15-7: Statement of Operations, Part V – Recoverable Operating Results

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Net Operating Results (NOR)</td>
<td>$ XXX</td>
</tr>
<tr>
<td>2. Deferred Operating Results (Gains/Losses) Net</td>
<td>XXX</td>
</tr>
<tr>
<td>a. Net (Gains) Losses on Disposal of Excess Inventory (+/-)</td>
<td>$ XXX</td>
</tr>
<tr>
<td>b. Disposal of Equipment/Capital Assets (-)</td>
<td>XXX</td>
</tr>
<tr>
<td>c. Non-Reimbursable Base Closure (BRAC) Costs (+/-)</td>
<td>XXX</td>
</tr>
<tr>
<td>d. Capital Asset Surcharge (-)</td>
<td>XXX</td>
</tr>
<tr>
<td>e. Cash Surcharge</td>
<td>XXX</td>
</tr>
<tr>
<td>f. Inventory Replenishment</td>
<td>XXX</td>
</tr>
<tr>
<td>g. Other Approved Gains and Losses (must be footnoted)</td>
<td>XXX</td>
</tr>
<tr>
<td>3. Depreciation, Non-DWCF Acquired PP&amp;E</td>
<td>XXX</td>
</tr>
<tr>
<td>4. Net Recoverable Operating Results from Current Year Operations</td>
<td>XXX</td>
</tr>
</tbody>
</table>
150901. General

Part V - Recoverable Operating Results, Figure 15-7, discloses differences, if any, between NOR reported on Part I, “Statement of Operations,” of the Statement of Operations and the operating results that may be used in the budget formulation of stabilized billing rates. As a matter of policy, any amounts that a DoD Component requests to include in or exclude from its DWCF rates, whether identified in the OUSD(C) guidance as permissible or requested by the DoD Component, must be adequately documented and quantified. Further, all such amounts must be explicitly approved by OUSD(C) prior to being included in or excluded from the report.

150902. Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DWCF activity, the reporting period (month), and the calendar year.

150903. Line Item Instructions

Instructions for the content of each line item are as follows:


B. Line 2 – Deferred Operating Results (Gains/Losses) Net

1. Data reported on this line, and its sub-lines, unless otherwise specified, are restricted to specific exclusions approved by OUSD(C)(P/B).

2. These exclusions include amounts determined to be adjustments for the difference between the historical and LAC inventory valuations. Attribute this difference to the value of inventory reflected in the cost of goods sold at historical cost versus the value of inventory at LAC. The LAC valuation method is available to DeCA and is not approved for use by other DoD Components. Use this difference on the AR(M) 1307 to adjust the NOR to Net Recoverable Operating Results based on replacement costs that preserve the Working Capital Funds ability to replenish stock.

3. Line 2 is a summary line for Lines 2.a, “Net (Gains) Losses on Disposal of Excess Inventory (+/-),” through 2.g, “Other Approved Gains and Losses (must be footnoted).” The activity, management command of the reporting DWCF activity, or the DoD Component departmental level will provide, or approve, amounts reported on monthly activity reports.

C. Line 2.a – Net (Gains) Losses on Disposal of Excess Inventory (+/-). Line 2.a applies only to Supply Management Activities. Report gains (or losses, if applicable) on potential excess/actual inventory for which OUSD(C)(P/B) has approved an exclusion. Report the
portion of the balance in the following accounts related to net (gains) losses on the disposal of excess inventory:

- 711000 Gains on Disposition of Assets – Other
- 719000 Other Gains
- 721000 Losses on Disposition of Assets – Other
- 729000 Other Losses

D. Line 2.b – Disposal of Equipment/Capital Assets (-). Report losses (or gains, if applicable) realized upon the disposal of excess equipment and other capital assets when OUSD(C)(P/B) has approved the exclusion. Do not report losses (or gains) on excess equipment and other capital assets due to BRAC on this line. Report the losses (or gains) on excess equipment and other capital assets due to BRAC on Line 2.c, “Non–Reimbursable Base Closure (BRAC) Costs.” Report the amount of losses (or gains) related to the disposal of equipment and capital assets in the following accounts:

- 711000 Gains on Disposition of Assets – Other
- 721000 Losses on Disposition of Assets – Other

E. Line 2.c – Non-Reimbursable Base Closure (BRAC) Costs (+/-). Report losses (or gains, if applicable) in excess of reimbursement that are a result from a base closure when OUSD(C)(P/B) has approved the exclusion. Report the amount of losses (or gains) related to BRAC costs in the following accounts:

- 711000 Gains on Disposition of Assets – Other
- 719000 Other Gains
- 721000 Losses on Disposition of Assets – Other
- 729000 Other Losses

F. Line 2.d – Capital Asset Surcharge (-). Adjust capital asset surcharge amounts, positive or negative, included in revenue in order to avoid either the return of an apparent gain (or loss) in the development of the subsequent year rate structure. Leave this line blank when there is no capital surcharge revenue.

1. Include a capital asset surcharge in customer rates only if approved by OUSD(C)(P/B). A capital asset surcharge might be approved when the amount of depreciation expense of existing capital assets included in stabilized rates is either less (or greater) than the budgeted Capital Program.

2. As the capital asset surcharge does not have an offsetting expense, in isolation from other transactions, it is expected to result in a gain (or loss) to NOR. Deduct the gain (or loss) from NOR to prevent its return or charge to customers in subsequent years through adjusted rates. Capital asset surcharge amounts may be reported without prior approval of OUSD(C)(P/B). Report the amount of revenue related to capital asset surcharges in the following accounts:
510000  Revenue From Goods Sold
520000  Revenue From Services Provided

G. **Line 2.e – Cash Surcharge.** Similar to capital asset surcharges, activities may include a cash surcharge in their rates. Report the amount of revenue related to cash surcharges in the following accounts:

510000  Revenue From Goods Sold
520000  Revenue From Services Provided

H. **Line 2.f – Inventory Replenishment.** Report the difference between the historical cost and LAC for inventory valuation. Report the amount of revenue related to inventory replenishment in the following accounts:

510000  Revenue From Goods Sold
719000  Other Gains
729000  Other Losses

I. **Line 2.g – Other Approved Gains and Losses (must be footnoted).** Report the approved gains (or losses) in the following accounts. Exclude amounts already listed in Lines 2.a, “Net (Gains) Losses on Disposal of Excess Inventory,” through 2.f, “Inventory Replenishment.”

510000  Revenue From Goods Sold
520000  Revenue From Services Provided
570000  Expended Appropriations
671000  Depreciation, Amortization, and Depletion
685000  Employer Contributions to Employee Benefit Programs Not Requiring Current Year Budget Authority (Unobligated)-FECA Civilian Personnel Benefits
711000  Gains on Disposition of Assets – Other
719000  Other Gains
721000  Losses on Disposition of Assets – Other
729000  Other Losses
760000  Changes in Actuarial Liability


K. **Line 4 – Net Recoverable Operating Results from Current Year Operations.** Line 4 is a summary line for Lines 1, “NET OPERATING RESULTS (NOR),” through 3, “Depreciation, Non–DWCF Acquired PP&E.”
15-62

150904. Year-End Procedures

A. At FY end, close the NOR to Cumulative Results of Operations. Since part of that amount may be a non-recoverable deferred amount and an amount related to depreciation for non-DWCF acquired PP&E, identify those amounts separately in financial records with attributes.

B. The amount reported on Line 2, “Deferred Operating Results (Gains/Losses) Net,” will be the opposite of Line 1.B.(2).d, “Plus or Minus: Net Operating Results,” of Part II, “Changes in Net Position,” of the Statement of Operations during the FY and closed to deferred Cumulative Results of Operations during the year-end close process.


D. Report the amount from Line 4, “Net Recoverable Operating Results from Current Year Operations,” on Line 1.B.(1).d, “Plus or Minus: Net Operating Results,” of Part II during the FY. Close this amount to Cumulative Results of Operations – Recoverable during the year-end close process.
1510. FORMAT OF THE STATEMENT OF OPERATIONS: PART VI – CAPITAL PROGRAM (FIGURE 15-8)

*Figure 15-8: Statement of Operations, Part VI – Capital Program

<table>
<thead>
<tr>
<th>Program Year</th>
<th>Approved Program</th>
<th>Obligations</th>
<th>Disbursements</th>
<th>Collections</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Program</td>
<td>Program Adjustments</td>
<td>Current Program</td>
<td>This Fiscal Year</td>
</tr>
<tr>
<td>FY 20PY - X</td>
<td>$ XXX $ XXX</td>
<td>$ XXX $ XXX</td>
<td>$ XXX $ XXX</td>
<td>$ XXX $ XXX $ XXX</td>
</tr>
<tr>
<td>FY 20PY - 4</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX XXX</td>
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<tr>
<td>FY 20PY - 3</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX XXX</td>
</tr>
<tr>
<td>FY 20PY - 2</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX XXX</td>
</tr>
<tr>
<td>FY 20PY - 1</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX XXX</td>
</tr>
<tr>
<td>FY 20PY</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX</td>
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</tr>
<tr>
<td>FY 20CY</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX</td>
<td>XXX XXX XXX XXX</td>
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<tr>
<td>Total</td>
<td>$ XXX $ XXX</td>
<td>$ XXX $ XXX</td>
<td>$ XXX $ XXX</td>
<td>$ XXX $ XXX $ XXX</td>
</tr>
</tbody>
</table>
151001. General

A. Part VI - Capital Program, Figure 15-8, reflects the approved program, obligations, disbursements, and collections for each FY of the program. A capital asset for this report must meet the Working Capital Fund Investment Threshold for the program year reported and have a useful life of 2 years or greater.

B. For reporting purposes, define the reporting period as the year-to-date amounts, i.e., amounts reported since the end of the prior FY to the end of the reporting month shown in the heading. Report balances for each program year in Part VI until the program’s obligations, disbursements, and collections equal.

151002. Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DWCF activity, the reporting period (month), and the calendar year.

*151003. Columnar Instructions

The contents of the columns will be as follows:

A. Program Year (Column 1). Separate FY program identification is required. Identify all prior FYs separately until the obligations, disbursements, and collections equal. Arrange the FY programs in consecutive order, starting with the least current FY program.

B. Approved Program – Original Program (Column 2). The original program amount will be capital authority approved for the reporting FY on the initial Annual Operating Budget (AOB) for the FY. Report the carryover from prior FYs as part of the initial program for that year. The amount reported will not change in subsequent years. Show the changes in the Capital Program amount in Column 3, “Approved Program – Program Adjustments.”

C. Approved Program – Program Adjustments (Column 3). Report adjustments (generally, deductions) to the initial approved Capital Program amounts in this column. Disclose adjustments to the initial approved program amounts in the AOBs for a subsequent program year. The amount reported in this column may change annually as of the beginning of a FY but will not change during a FY except at year-end. At year-end, the amount reported in this column will change to allow the value of Column 4, “Approved Program – Current Program,” to equal Column 7, “Obligations – Total.”


E. Obligations – This Fiscal Year (Column 5). Amounts included in this column will be the total amount of obligations incurred in the current FY.
F. **Obligations – Prior Fiscal Year(s) (Column 6).** Amounts included in this column will be the cumulative amount of Column 7, “Obligations – Total,” as of the end of the prior FY. The amount reported will not change during the reporting FY.

G. **Obligations – Total (Column 7).** Column 7 is the sum of Column 5, “Obligations – This Fiscal Year,” and Column 6, “Obligations – Prior Fiscal Year(s).” The amount reported in Column 4, “Approved Program – Current Program,” must be greater than or equal to Column 7, “Obligations – Total.”

H. **Disbursements – This Fiscal Year (Column 8).** Amounts included in this column will be the total amount of disbursements incurred in the current FY. The amount must agree with Line 1.d, “Funds Disbursed – Capital Program,” of the Statement of Financial Position.

I. **Disbursements – Prior Fiscal Year(s) (Column 9).** Amounts included in this column will be the cumulative amount of Column 10, “Disbursements – Total,” as of the end of the prior FY. The amount reported will not change during the reporting FY.

J. **Disbursements – Total (Column 10).** Column 10 is a summary column for Columns 8, “Disbursements – This Fiscal Year,” and 9, “Disbursements – Prior Fiscal Year(s).” The amount reported in Column 7, “Obligations – Total,” must be greater than or equal to Column 10, “Disbursements – Total.”

K. **Collections – This Fiscal Year (Column 11).** Amounts included in this column will be the total amount of collections reported in the current FY. The amount must agree with Line 1.b, “Funds Collected – Capital Program,” of the Statement of Financial Position.

L. **Collections – Prior Fiscal Year(s) (Column 12).** Amounts included in this column will be the cumulative amount of Column 13, “Collections – Total,” as of the end of the prior FY. The amount reported will not change during the reporting FY.

M. **Collections – Total (Column 13).** Column 13 is a summary column for Columns 11, “Collections – This Fiscal Year,” and 12, “Collections – Prior Fiscal Year(s).”
1511. FORMAT OF THE STATEMENT OF OPERATIONS: PART VII – INVENTORY MANAGEMENT REPORT – SUPPLY MANAGEMENT ACTIVITY (FIGURE 15-9)

*Figure 15-9: Statement of Operations: Part VII – Inventory Management Report–Supply Management Activity

<table>
<thead>
<tr>
<th>Current Year to Date</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Customer Orders Accepted - Cumulative</td>
<td>$ XXX</td>
</tr>
<tr>
<td>B. Gross Reimbursable Sales of Property, Inventory, &amp; Services - Cumulative</td>
<td>XXX</td>
</tr>
<tr>
<td>C. Unfilled Customer Orders</td>
<td>XXX</td>
</tr>
<tr>
<td>D. Customer Returns - Credits Granted - Cumulative</td>
<td>XXX</td>
</tr>
<tr>
<td>E. Net Reimbursable Sales - Cumulative</td>
<td>XXX</td>
</tr>
<tr>
<td>F. Purchases at Cost (LAC) - Cumulative</td>
<td>XXX</td>
</tr>
<tr>
<td>G. Obligations - Cumulative</td>
<td>XXX</td>
</tr>
<tr>
<td>H. Obligations - Reimbursable</td>
<td>XXX</td>
</tr>
<tr>
<td>I. Obligations - Augmentation - Cumulative</td>
<td>XXX</td>
</tr>
<tr>
<td>J. Obligations - Mobilization - Cumulative</td>
<td>XXX</td>
</tr>
<tr>
<td>K. Outstanding Commitments</td>
<td>XXX</td>
</tr>
<tr>
<td>L. Inventories - Stock On Hand (LAC)</td>
<td>XXX</td>
</tr>
<tr>
<td>M. Inventories - Stock On Hand (MAC)</td>
<td>XXX</td>
</tr>
<tr>
<td>N. Other Inventories (LAC)</td>
<td>XXX</td>
</tr>
<tr>
<td>O. Other Inventories (MAC)</td>
<td>XXX</td>
</tr>
<tr>
<td>P. Inventories in Transit (LAC)</td>
<td>XXX</td>
</tr>
<tr>
<td>Q. Inventories in Transit (MAC)</td>
<td>XXX</td>
</tr>
<tr>
<td>R. Total Inventories (LAC)</td>
<td>XXX</td>
</tr>
<tr>
<td>S. Total Inventories (MAC)</td>
<td>XXX</td>
</tr>
<tr>
<td>T. Customer Returns Without Credit - Cumulative</td>
<td>XXX</td>
</tr>
<tr>
<td>U. Transfers to Reutilization and Market - Cumulative</td>
<td>XXX</td>
</tr>
<tr>
<td>V. Material Returns to Suppliers - Cumulative</td>
<td>XXX</td>
</tr>
<tr>
<td>W. Undelivered Orders</td>
<td>XXX</td>
</tr>
<tr>
<td>X. Fund Balance with Treasury</td>
<td>XXX</td>
</tr>
<tr>
<td>Y. Funds Collected - Cumulative</td>
<td>XXX</td>
</tr>
<tr>
<td>Z. Funds Disbursed - Cumulative</td>
<td>XXX</td>
</tr>
<tr>
<td>AA. Accounts Receivable - Intragovernmental</td>
<td>XXX</td>
</tr>
<tr>
<td>AB. Accounts Receivable - Non-Federal</td>
<td>XXX</td>
</tr>
<tr>
<td>AC. Accounts Payable</td>
<td>XXX</td>
</tr>
</tbody>
</table>
151101. General

Part VII - Inventory Management Report – Supply Management Activity, Figure 15-9, compares fiscal data from the Supply Management Activity general ledger with the approved operating program for the purpose of monitoring execution of the current year budget. The report applies solely to Supply Management Activities for the reporting of inventory-related transactions.

151102. Heading

Complete the heading of the form to indicate: the reporting DoD Component, the reporting DWCF activity, the reporting period (month), and the calendar year.

151103. General Reporting Requirements

Each DoD Component will submit an Inventory Management Report for each Supply Management Activity division on forms consistent with the example provided. Footnotes should be included as an addendum to Figure 15-9.

151104. Line Item Instructions

A. Line A – Customer Orders Accepted – Cumulative. Enter the total amount of customer orders received for the FY to date. Report the current year change in the following accounts:

- 422100 Unfilled Customer Orders Without Advance
- 422200 Unfilled Customer Orders With Advance
- 425100 Reimbursements and Other Income Earned – Receivable
- 425200 Reimbursements and Other Income Earned – Collected
- 425300 Prior-Year Unfilled Customer Orders With Advance – Refunds Paid
- 426600 Other Actual Business-Type Collections From Non-Federal Sources

B. Line B – Gross Reimbursable Sales of Property, Inventory, & Services – Cumulative. Enter the total sales for the FY to date. The amount reported on this line will equal Line 2.a, “Gross Revenue from Sales,” of Part I, “Statement of Operations,” of the Statement of Operations. Report the balance of the following accounts:

- 510000 Revenue From Goods Sold
- 520000 Revenue From Services Provided

C. Line C – Unfilled Customer Orders. Enter the amount of requisitions or orders outstanding from customers. Report the balance of the following accounts:

- 422100 Unfilled Customer Orders Without Advance
- 422200 Unfilled Customer Orders With Advance
D. **Line D – Customer Returns – Credits Granted – Cumulative.** Enter the amount of credit granted to customers for material returns for the FY to date. The amount reported will equal Line 2.b, “Minus: Credits Allowed on Sales,” of Part I, “Statement of Operations,” of the Statement of Operations. Report the amount of credit granted to customers for material returns in the following accounts:

- 510900 Contra Revenue for Goods Sold
- 520900 Contra Revenue from Services Provided


F. **Line F – Purchases at Cost (LAC) – Cumulative.** Enter the amount of purchases at cost for this FY to date. The LAC valuation method is available to DeCA and is not approved for use by other DoD Components. The amount reported will equal Line 2.e, “Plus: Purchases at Cost,” of Part III, “Cost of Goods Sold,” of the Statement of Operations. Report the portion of the following general ledger account:

- 152900 Inventory – Allowance (Purchased at Cost)

G. **Line G – Obligations – Cumulative.** Enter the total obligations incurred this FY to date. Line G is a summary line for Lines H, “Obligations – Reimbursable,” through J, “Obligations – Mobilization – Cumulative.”

H. **Line H – Obligations – Reimbursable.** Enter the amount of operating obligations incurred this FY to date. Do not include obligations reported on Lines I, “Obligations – Augmentation – Cumulative,” and J, “Obligations – Mobilization – Cumulative.” Report the current year net change in the following accounts:

- 480100 Undelivered Orders – Obligations, Unpaid
- 480200 Undelivered Orders – Obligations, Prepaid/Advanced
- 487100 Downward Adjustments of Prior-Year Unpaid Undelivered Orders – Obligations, Recoveries
- 488100 Upward Adjustments of Prior-Year Undelivered Orders – Obligations, Unpaid
- 488200 Upward Adjustments of Prior-Year Undelivered Orders – Obligations, Prepaid/Advanced
- 490100 Delivered Orders – Obligations, Unpaid
- 490200 Delivered Orders – Obligations, Paid
- 497100 Downward Adjustments of Prior-Year Unpaid Delivered Orders – Obligations, Recoveries
- 497200 Downward Adjustments of Prior-Year Paid Delivered Orders – Obligations, Refunds Collected

15-68
I. Line I – Obligations – Augmentation – Cumulative. Enter the amount of obligations incurred this FY to date for inventory augmentation, initial issue. Volume 2B, Chapter 9 defines purposes for inventory augmentation. Do not include obligations reported on Lines H, “Obligations – Reimbursable,” and J, “Obligations – Mobilization – Cumulative.” Report the current year net change in the following accounts:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>480100</td>
<td>Undelivered Orders – Obligations, Unpaid</td>
</tr>
<tr>
<td>480200</td>
<td>Undelivered Orders – Obligations, Prepaid/Advanced</td>
</tr>
<tr>
<td>483200</td>
<td>Undelivered Orders – Obligations Transferred, Prepaid/Advanced</td>
</tr>
<tr>
<td>487100</td>
<td>Downward Adjustments of Prior–Year Unpaid Undelivered Orders – Obligations</td>
</tr>
<tr>
<td></td>
<td>Recoveries</td>
</tr>
<tr>
<td>487200</td>
<td>Downward Adjustments of Prior–Year Prepaid/Advanced Undelivered Orders</td>
</tr>
<tr>
<td></td>
<td>– Obligations, Refunds Collected</td>
</tr>
<tr>
<td>488100</td>
<td>Upward Adjustments of Prior–Year Undelivered Orders – Obligations, Unpaid</td>
</tr>
<tr>
<td>488200</td>
<td>Upward Adjustments of Prior–Year Undelivered Orders – Obligations, Prepaid/</td>
</tr>
<tr>
<td></td>
<td>Advanced</td>
</tr>
<tr>
<td>490100</td>
<td>Delivered Orders – Obligations, Unpaid</td>
</tr>
<tr>
<td>490200</td>
<td>Delivered Orders – Obligations, Paid</td>
</tr>
<tr>
<td>498100</td>
<td>Upward Adjustments of Prior–Year Delivered Orders – Obligations, Unpaid</td>
</tr>
<tr>
<td>498200</td>
<td>Upward Adjustments of Prior–Year Delivered Orders – Obligations, Prepaid/</td>
</tr>
<tr>
<td></td>
<td>Advanced</td>
</tr>
</tbody>
</table>

J. Line J – Obligations – Mobilization – Cumulative. Enter the amount of obligations incurred this FY to date for war reserve purposes. Volume 2B, Chapter 9 defines purposes for war reserves. Do not include obligations reported on Lines H, “Obligations – Reimbursable,” and I, “Obligations – Augmentation – Cumulative.” Report the current year net change in the following accounts:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>480100</td>
<td>Undelivered Orders – Obligations, Unpaid</td>
</tr>
<tr>
<td>480200</td>
<td>Undelivered Orders – Obligations, Prepaid/Advanced</td>
</tr>
<tr>
<td>483200</td>
<td>Undelivered Orders – Obligations Transferred, Prepaid/Advanced</td>
</tr>
<tr>
<td>487100</td>
<td>Downward Adjustments of Prior–Year Unpaid Undelivered Orders – Obligations</td>
</tr>
<tr>
<td></td>
<td>Recoveries</td>
</tr>
<tr>
<td>487200</td>
<td>Downward Adjustments of Prior–Year Prepaid/Advanced Undelivered Orders</td>
</tr>
<tr>
<td></td>
<td>– Obligations, Refunds Collected</td>
</tr>
<tr>
<td>488100</td>
<td>Upward Adjustments of Prior–Year Undelivered Orders – Obligations, Unpaid</td>
</tr>
<tr>
<td>488200</td>
<td>Upward Adjustments of Prior–Year Undelivered Orders – Obligations, Prepaid/</td>
</tr>
<tr>
<td></td>
<td>Advanced</td>
</tr>
</tbody>
</table>
K. **Line K – Outstanding Commitments.** Enter the amount of commitments outstanding that have not resulted in obligations. Report the balance of the following account:

470000 Commitments – Programs Subject to Apportionment

L. **Line L – Inventories – Stock On Hand (LAC).** Enter the total amount of inventories on hand at the end of the reporting period after adjustment to LAC. Exclude inventories reported on Line N, “Other Inventories (LAC),” and on Line P, “Inventories in Transit (LAC).” Report the balance of the following accounts after adjustment to the estimated cost:

152100 Inventory Purchased for Resale
152200 Inventory Held in Reserve for Future Sale
152300 Inventory Held for Repair
152400 Inventory – Excess, Obsolete, and Unserviceable
152900 Inventory – Allowance

M. **Line M – Inventories – Stock On Hand (MAC).** Enter the total amount of inventories on hand at the end of the reporting period reported at MAC. Exclude inventories reported on Line O, “Other Inventories (MAC),” and on Line Q, “Inventories in Transit (MAC).” Report the balance of the following accounts:

152100 Inventory Purchased for Resale
152200 Inventory Held in Reserve for Future Sale
152300 Inventory Held for Repair
152400 Inventory – Excess, Obsolete, and Unserviceable
152900 Inventory - Allowance

N. **Line N – Other Inventories (LAC).** Enter the total amount of other inventories after adjustment to LAC. Exclude inventories reported on Line L, “Inventories – Stock On Hand (LAC),” and on Line P, “Inventories in Transit (LAC).” Report the balance of the following accounts consisting of work-in-process, on loan to others for use, and with agents:

152500 Inventory – Raw Materials
152600 Inventory – Work-in-Process
152700 Inventory – Finished Goods
152900 Inventory – Allowance

O. **Line O – Other Inventories (MAC).** Enter the total amount of other inventories reported at MAC. Exclude inventories reported on Line M, “Inventories – Stock On
Hand (MAC),” and on Line Q, “Inventories in Transit (MAC).” Report the balance of the following accounts consisting of work-in-process, on loan to others for use, and with agents:

152500  Inventory – Raw Materials  
152600  Inventory – Work-in-Process  
152700  Inventory – Finished Goods  
152900  Inventory – Allowance

P.  Line P – Inventories in Transit (LAC). Enter the amount of material in transit after adjustment to LAC. Exclude inventories reported on Line L, “Inventories – Stock On Hand (LAC),” and on Line N, “Other Inventories (LAC).” Report the portion of the balance of the following accounts identified as being in transit:

152100  Inventory Purchased for Resale  
152300  Inventory Held for Repair  
152500  Inventory – Raw Materials  
152700  Inventory – Finished Goods

Q.  Line Q – Inventories in Transit (MAC). Enter the amount of material in transit reported at MAC. Exclude inventories reported on Line M, “Inventories – Stock On Hand (MAC),” and on Line O, “Other Inventories (MAC).” Report the portion of the balance of the following accounts identified as being in transit:

152100  Inventory Purchased for Resale  
152300  Inventory Held for Repair  
152500  Inventory – Raw Materials  
152700  Inventory – Finished Goods


T.  Line T – Customer Returns Without Credit – Cumulative. Enter the amount of returns from customers without credit. The amount reported will equal the net of the total amount of returns from customers less Line D, “Customer Returns – Credits Granted – Cumulative.” Report the portion of the balance of the following accounts for customer returns without credit:

152900  Inventory – Allowance  
719000  Other Gains

15-71
U. **Line U – Transfers to Reutilization and Market – Cumulative.** Enter the net amount transferred to the Defense Reutilization & Marketing Service for the FY to date. Report the portion of the balance of the following account for transfers to reutilization and marketing offices:

721000 Losses on Disposition of Assets – Other

V. **Line V – Material Returns to Suppliers – Cumulative.** Enter the total amount of returns to non-federal suppliers and contractors.

W. **Line W – Undelivered Orders.** Enter the total amount of undelivered orders outstanding. Report the balance of the following accounts:

480100 Undelivered Orders – Obligations, Unpaid
480200 Undelivered Orders – Obligations, Prepaid/Advanced
483200 Undelivered Orders – Obligations Transferred, Prepaid/Advanced
487100 Downward Adjustments of Prior-Year Unpaid Undelivered Orders – Obligations, Recoveries
487200 Downward Adjustments of Prior-Year Prepaid/Advanced Undelivered Orders – Obligations, Refunds Collected
488100 Upward Adjustments of Prior-Year Undelivered Orders – Obligations, Unpaid
488200 Upward Adjustments of Prior-Year Undelivered Orders – Obligations, Prepaid/Advanced

X. **Line X – Fund Balance with Treasury.** Enter the total amount of Fund Balance with Treasury. The amount reported will equal the total of Lines 1.f, “Funds with Treasury – Operating Program,” and 1.g, “Funds with Treasury – Capital Program,” of the Statement of Financial Position. Report the balance of the following accounts:

101000 Fund Balance with Treasury
109000 Fund Balance with Treasury While Awaiting a Warrant

Y. **Line Y – Funds Collected – Cumulative.** Enter the portion of the balance of the following account as it relates to funds collected during the current FY. The amount reported will equal the total of Lines 1.a, “Funds Collected – Operating Program,” and 1.b, “Funds Collected – Capital Program,” of the Statement of Financial Position.

101000 Fund Balance with Treasury

Z. **Line Z – Funds Disbursed – Cumulative.** Enter the portion of the balance of the following account as it relates to funds disbursed during the current FY. The amount reported will equal the total of Lines 1.c, “Funds Disbursed – Operating Program,” and 1.d, “Funds Disbursed – Capital Program,” of the Statement of Financial Position.

101000 Fund Balance with Treasury
**AA. Line AA – Accounts Receivable – Intragovernmental.** Enter the amount of receivables outstanding due from other Federal Governmental entities. Report the portion of the balance of the following accounts as they relate to accounts receivable from other Federal Agencies. The amount reported will equal the total of Lines 3.a, “Accounts Receivable, Intragovernmental,” and 3.b, “Accounts Receivable, Intragovernmental, Undistributed,” of the Statement of Financial Position.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>131000</td>
<td>Accounts Receivable</td>
</tr>
<tr>
<td>131900</td>
<td>Allowance for Loss on Accounts Receivable</td>
</tr>
<tr>
<td>134000</td>
<td>Interest Receivable – Not Otherwise Classified</td>
</tr>
<tr>
<td>136000</td>
<td>Penalties and Fines Receivable – Not Otherwise Classified</td>
</tr>
<tr>
<td>137000</td>
<td>Administrative Fees Receivable – Not Otherwise Classified</td>
</tr>
</tbody>
</table>

**AB. Line AB – Accounts Receivable – Non-Federal.** Enter the amount of receivables outstanding due from non-federal entities. Report the portion of the balance of the following accounts as they relate to accounts receivable from non-federal agencies and entities. The amount reported will equal the total of Lines 3.c, “Accounts Receivable, Non-Federal,” and 3.d, “Accounts Receivable, Non-Federal, Undistributed,” of the Statement of Financial Position.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>131000</td>
<td>Accounts Receivable</td>
</tr>
<tr>
<td>131900</td>
<td>Allowance for Loss on Accounts Receivable</td>
</tr>
<tr>
<td>134000</td>
<td>Interest Receivable – Not Otherwise Classified</td>
</tr>
<tr>
<td>134700</td>
<td>Allowance for Loss on Interest Receivable – Not Otherwise Classified</td>
</tr>
<tr>
<td>136000</td>
<td>Penalties and Fines Receivable – Not Otherwise Classified</td>
</tr>
<tr>
<td>136700</td>
<td>Allowance for Loss on Penalties and Fines Receivable – Not Otherwise Classified</td>
</tr>
<tr>
<td>137000</td>
<td>Administrative Fees Receivable – Not Otherwise Classified</td>
</tr>
<tr>
<td>137700</td>
<td>Allowance for Loss on Administrative Fees Receivable – Not Otherwise Classified</td>
</tr>
</tbody>
</table>

**AC. Line AC – Accounts Payable.** Enter the total amount of accounts payable outstanding for goods and services from, progress in contract performance made by, and rents due to DoD and other Federal and non-federal entities. See Volume 10, Chapter 10 and the FAR part 32 for additional guidance relating to contract financing payments. Report the balance of the following accounts. The amount reported will equal Line 11.a, “Accounts Payable, Net,” of the Statement of Financial Position.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>211000</td>
<td>Accounts Payable</td>
</tr>
<tr>
<td>212000</td>
<td>Disbursements in Transit</td>
</tr>
<tr>
<td>214000</td>
<td>Accrued Interest Payable – Not Otherwise Classified</td>
</tr>
</tbody>
</table>

**AD. Footnotes.** Include in a footnote the estimated balance of Line X, “Fund Balance with Treasury,” that is the result of appropriations. Organize the data by type of appropriation, i.e., inventory augmentation or War Reserves and the estimated amount from operations. Include in a footnote the amounts of Lines L, “Inventories – Stock on Hand (LAC),” and M, “Inventories – Stock on Hand (MAC),” at standard price.
*Table 15-1: DWCF Financial Reporting Activities

**DWCF (97X4930)**

**DWCF Financial Reporting Activities**

### DWCF Component Level

* Department of the Army
* Department of the Navy
* Department of the Air Force
* Defense Commissary
* Defense Agencies

**DEPARTMENT OF THE ARMY (97X4930.1)**

**DWCF Financial Reporting Activities**

**ARMY SUPPLY MANAGEMENT**

**# Army Managed Items**

* Army Materiel Command, Redstone Arsenal, AL
* Aviation and Missile Life Cycle Management Command, Huntsville, AL
* Communications Electronics Lifecycle Management Command, Aberdeen Proving Ground, MD
* Tank and Armaments Lifecycle Management Command, Warren, MI

**# Non-Army Managed Items**

* Non-Army Managed Items - Product Support/Integration Directorate, Rock Island, IL

**ARMY INDUSTRIAL OPERATIONS**

**# Industrial Operations**

* Anniston Army Depot, Bynum, AL
* Bluegrass Army Depot, Richmond, KY
* Corpus Christi Army Depot, Corpus Christi, TX
* Crane Army Ammunition Activity, Crane, IN
* Letterkenny Army Depot, Chambersburg, PA
* McAlester Army Ammunition Plant, McAlester, OK
* Pine Bluff Arsenal, Pine Bluff, AR
* Red River Army Depot, Texarkana, TX
* Rock Island Arsenal, Rock Island, IL
* Sierra Army Depot, Herlong, CA
* Tobyhanna Army Depot, Tobyhanna, PA
* Tooele Army Depot, Tooele, UT
* Watervliet Arsenal, Watervliet, NY

Key to Symbols

# = DWCF Consolidation Point
* = DWCF Financial Reporting (AR(M) 1307) Entity
Table 15-1: DWCF Financial Reporting Activities (Continued)

**DEPARTMENT OF THE NAVY (97X4930.2)**

**DWCF Financial Reporting Activities**

### NAVY SUPPLY MANAGEMENT
- * Marine Corps Supply Management, Albany, GA
- * Navy Supply Systems Command, Mechanicsburg, PA

### NAVY DEPOT MAINTENANCE
- # Aviation
  - * Fleet Readiness Center East, Cherry Point, NC
  - * Fleet Readiness Center Southeast, Jacksonville, FL
  - * Fleet Readiness Center Southwest, North Island, CA
- # Marine Depot Maintenance Command
  - * Marine Depot Maintenance Command, Albany, GA
  - * Marine Depot Maintenance Command, Barstow, CA
- # Navy Base Support
  - * Norfolk Naval Shipyard, Portsmouth, VA
  - * Naval Facilities Engineering and Expeditionary Warfare Center, Port Hueneme, CA

### NAVY R&D
- # Naval Air Warfare Centers
  - * Naval Air Warfare Center-Aircraft Division, Patuxent River, MD
  - * Naval Air Warfare Center-Weapons Division, China Lake, CA
- # Naval Surface Warfare Centers
  - * Naval Surface Warfare Center, Carderock Division, West Bethesda, MD
  - * Naval Surface Warfare Center, Corona Division, Corona, CA
  - * Naval Surface Warfare Center, Crane Division, Crane, IN
  - * Naval Surface Warfare Center, Dahlgren Division, Dahlgren, VA
  - * Naval Surface Warfare Center, Explosive Ordnance Disposal Technology Division, Indian Head, MD
  - * Naval Surface Warfare Center, Panama City Division, Panama City, FL
  - * Naval Reserve Warfare Center, Philadelphia Division, Philadelphia, PA
  - * Naval Surface Warfare Center, Port Hueneme Division, Port Hueneme, CA

**Key to Symbols**
- # = DWCF Consolidation Point
- * = DWCF Financial Reporting (AR(M) 1307) Entity
**Table 15-1: DWCF Financial Reporting Activities (Continued)**

<table>
<thead>
<tr>
<th>#</th>
<th>Naval Undersea Warfare Centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>*</td>
<td>Naval Undersea Warfare Center, Keyport Division, Keyport, WA</td>
</tr>
<tr>
<td>*</td>
<td>Naval Undersea Warfare Center, Newport Division, Newport, RI</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>#</th>
<th>Naval Information Warfare Centers (NIWC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>*</td>
<td>NIWC Atlantic, North Charleston, SC</td>
</tr>
<tr>
<td>*</td>
<td>NIWC Pacific, San Diego, CA</td>
</tr>
</tbody>
</table>

| # | Naval Research Laboratory, Washington, DC |

<table>
<thead>
<tr>
<th>#</th>
<th>Navy Transportation</th>
</tr>
</thead>
<tbody>
<tr>
<td>*</td>
<td>Military Sealift Command (MSC), Norfolk, VA</td>
</tr>
</tbody>
</table>

**DEPARTMENT OF THE AIR FORCE (97X4930.3)**

**DWCF Financial Reporting Activities**

**AIR FORCE CONSOLIDATED SUSTAINMENT ACTIVITY GROUP (CSAG)**

<table>
<thead>
<tr>
<th>#</th>
<th>CSAG Maintenance Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>*</td>
<td>Aerospace Maintenance &amp; Regeneration Group, Davis-Monthan Air Force Base, Tucson, AZ</td>
</tr>
<tr>
<td>*</td>
<td>Ogden Air Logistics Complex, Hill Air Force Base, Ogden, UT</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>#</th>
<th>CSAG-Supply Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>*</td>
<td>Combined 448th Supply Chain Management Wing, Air Force Sustainment Center, Tinker Air Force Base, Oklahoma City, OK</td>
</tr>
<tr>
<td>*</td>
<td>Headquarters Air Force Materiel Command, Wright-Patterson Air Force Base, OH</td>
</tr>
<tr>
<td>*</td>
<td>Oklahoma City Air Logistics Complex, Air Force Sustainment Center, Tinker Air Force Base, Oklahoma City, OK</td>
</tr>
</tbody>
</table>

**AIR FORCE SUPPLY MANAGEMENT**

<table>
<thead>
<tr>
<th>#</th>
<th>Air Force Supply Management Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>*</td>
<td>Academy Cadet Store: U.S. Air Force Academy, Colorado Springs, CO</td>
</tr>
<tr>
<td>*</td>
<td>Medical-Dental Division: Air Force Medical Logistics Office, Frederick, MD</td>
</tr>
<tr>
<td>*</td>
<td>General Support Division: Combined 635 Supply Chain Operations Wing, Air Force Sustainment Center, Scott Air Force Base, IL</td>
</tr>
<tr>
<td>*</td>
<td>Headquarters Air Force Materiel Command, Wright-Patterson Air Force base, OH</td>
</tr>
</tbody>
</table>

Key to Symbols

# = DWCF Consolidation Point

* = DWCF Financial Reporting (AR(M) 1307) Entity
Table 15-1: DWCF Financial Reporting Activities (Continued)

# UNITED STATES TRANSPORTATION COMMAND (USTRANSCOM)
* Air Mobility Command, Scott Air Force Base, IL
* Defense Courier Division, Scott Air Force Base, IL
* MSC, Norfolk, VA
* Surface Deployment and Distribution Command, Scott Air Force Base, IL
* USTRANSCOM, Scott Air Force Base, IL

DeCA (97X4930.4)
DWCF Financial Reporting Activities

* Commissary Resale
* Commissary Operations

DEFENSE AGENCIES (97X4930.5)
DWCF Financial Reporting Activities

# OTHER DEFENSE ACTIVITIES

Defense Logistics Agency (DLA)

# DLA Logistics Management Standards Office, Ft. Belvoir, VA
* DLA Aviation, Richmond, VA
* DLA Disposition Services, Battle Creek, MI
* DLA Distribution, New Cumberland, PA
* DLA Document Services, New Cumberland, PA
* DLA Energy, Ft. Belvoir, VA
* DLA Land and Maritime, Columbus, OH
* DLA Logistics Information Service, Battle Creek, MI
* DLA Troop Support, Philadelphia, PA

# Defense Information Systems Agency (DISA)

* DISA, Global Information Grid Combat Support Directorate, Computing Services Center
* DISA, Telecommunications Services & Enterprise Acquisition Services

# Defense Finance and Accounting Service (DFAS)

* DFAS Resource Management, Indianapolis, IN

Key to Symbols
# = DWCF Consolidation Point
* = DWCF Financial Reporting (AR(M) 1307) Entity
**Table 15-1: DWCF Financial Reporting Activities (Continued)**

### BUILDING MAINTENANCE FUND (97X4931)

**DWCF Financial Reporting Activities**

<table>
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<th>#</th>
<th>Building Maintenance Fund (BMF)</th>
</tr>
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<tbody>
<tr>
<td>*</td>
<td>BMF, Washington Headquarters Service, Arlington, VA</td>
</tr>
</tbody>
</table>

### DEFENSE COUNTERINTELLIGENCE SECURITY AGENCY (97X4932)

**DWCF Financial Reporting Activities**

<table>
<thead>
<tr>
<th>#</th>
<th>Defense Counterintelligence Security Agency (DCSA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>*</td>
<td>DCSA, Quantico, VA</td>
</tr>
</tbody>
</table>

### NATIONAL DEFENSE STOCKPILE TRANSACTION FUND (97X4555)

**DWCF Financial Reporting Activities**

<table>
<thead>
<tr>
<th>#</th>
<th>National Defense Stockpile Transaction Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>*</td>
<td>Defense Strategic Materiels, Fort Belvoir, VA</td>
</tr>
</tbody>
</table>

### PENTAGON RESERVATION MAINTENANCE REVOLVING FUND (97X4950)

**DWCF Financial Reporting Activities**

<table>
<thead>
<tr>
<th>#</th>
<th>Pentagon Reservation Maintenance Revolving Fund (PRMRF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>*</td>
<td>PRMRF, Washington Headquarters Service, Arlington, VA</td>
</tr>
</tbody>
</table>

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**Key to Symbols**

# = DWCF Consolidation Point  
* = DWCF Financial Reporting (AR(M) 1307) Entity
DEPARTMENT OF DEFENSE
FINANCIAL MANAGEMENT REGULATION

VOLUME 6B: “FORM AND CONTENT OF THE DEPARTMENT OF DEFENSE AUDITED FINANCIAL STATEMENTS”

UNDER SECRETARY OF DEFENSE (COMPTROLLER)
VOLUME 6B, CHAPTER 1: “INTRODUCTION TO THE FORM AND CONTENT OF THE FINANCIAL STATEMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated January 2018 is archived.

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<tr>
<td>All</td>
<td>Updated hyperlinks.</td>
<td>Revision</td>
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<tr>
<td>All</td>
<td>Added clarifying language to improve readability.</td>
<td>Revision</td>
</tr>
<tr>
<td>0103</td>
<td>Added clarification that agencies will submit footnotes and other information 45 business days (not calendar days) after the end of the third quarter of the fiscal year.</td>
<td>Revision</td>
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<tr>
<td>0103</td>
<td>Deleted specific date annual audited financial statements are due and included a hyperlink to the DoD Financial Statement and Agency Financial Report Schedule since the due dates vary from year to year.</td>
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<td>010401</td>
<td>Deleted the listing of OMB required reporters. Referred readers to OMB’s annual bulletin, “Audit Requirements for Federal Financial Statements,” to provide reader access to most current information.</td>
<td>Revision</td>
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<tr>
<td>010401</td>
<td>Added clarifying language to identify OMB required reporters as Tier 1 entities per Deputy Chief Financial Officer (DCFO) memorandum, “Annual List of Department of Defense Reporting Entities (FPM 19-08),” dated August 29, 2019.</td>
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<td>010403, 010509.B</td>
<td>Changed Other Defense Organizations (ODOs) to Other Defense Activities (ODAs) to reflect current nomenclature.</td>
<td>Revision</td>
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<tr>
<td>010403</td>
<td>Deleted references to “column structure” for ODAs and added clarifying language explaining “tier structure” for ODAs per DCFO memorandum FPM 19-08.</td>
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<td>010404 (Previous Version)</td>
<td>Deleted entire paragraph as financial statements no longer reflect ODO-General Funds and ODO-Working Capital Funds.</td>
<td>Deletion</td>
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<tr>
<td>010404</td>
<td>Updated language to reflect new access location for the list of non-OMB reporting entities per DCFO memorandum FPM 19-08.</td>
<td>Revision</td>
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<tr>
<td>010405</td>
<td>Added a paragraph explaining pass-through accounts for clarification of account type.</td>
<td>Addition</td>
</tr>
<tr>
<td>010406</td>
<td>Added a paragraph explaining disclosure entities for clarification of account type.</td>
<td>Addition</td>
</tr>
<tr>
<td>010407</td>
<td>Clarified the update schedule for OMB Bulletin, “Audit Requirements for Federal Financial Statements.”</td>
<td>Revision</td>
</tr>
<tr>
<td>010501</td>
<td>Updated language to identify the Agency Head Transmittal Letter as required for reporting entities per OMB Circular A-136, dated June 28, 2019.</td>
<td>Revision</td>
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<tr>
<td>010501</td>
<td>Rearranged list of sections and subsections of annual financial statements to clarify there are four major sections with accompanied subsections. Added language to clarify requirement to prepare first quarter principal statements and accompanying notes.</td>
<td>Revision</td>
</tr>
<tr>
<td>010502</td>
<td>Added paragraph explaining the purpose of the Agency Head Transmittal Letter per OMB Circular A-136, dated June 28, 2019.</td>
<td>Addition</td>
</tr>
<tr>
<td>Table 1-1</td>
<td>Updated table to reflect the Agency Head Transmittal Letter is now required per OMB Circular A-136, dated June 28, 2019. Deleted Grants Oversight and New Efficiency Act section reference due to expiration of statutory reporting requirement.</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 1-2 (Previous Version)</td>
<td>Deleted table per DCFO memorandum FPM 19-08.</td>
<td>Deletion</td>
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CHAPTER 1

INTRODUCTION TO THE FORM AND CONTENT OF THE FINANCIAL STATEMENTS

0101 GENERAL

*010101. Overview

Under the provisions of Title 31, United States Code (U.S.C.), section 3515, the Department of Defense (DoD) is required to have annual audited financial statements covering all accounts and associated activities of the Department. As implemented by the Office of Management and Budget (OMB), the Department is required to prepare both Agency-wide annual audited financial statements and separate financial statements for reporting entities as defined in Statement of Federal Financial Accounting Standards (SFFAS) 47, "Reporting Entity.” The financial statements are expected to provide information to DoD program managers, Congress, and the public, thereby facilitating both effective allocation of resources and assessment of management performance and stewardship. The objective is to produce financial statements that can and will be used to improve the management of the Department. Additionally, consistent with the objectives of the Statements of Federal Financial Accounting Concepts (SFFACs) and SFFASs, the Department continues to work toward the integration of budget and financial information in order to provide for more effective program management at all levels.

010102. Purpose

The provisions within this chapter constitute guidance on the form and content of quarterly and annual financial statements prepared within the DoD. This guidance is intended to provide a framework within which each DoD Component has the flexibility to develop and include information useful both to its financial managers and to program managers in making decisions. This guidance applies to all DoD reporting entities identified in section 0104 and identifies the level at which functions and/or funds should be reported on a consolidated basis, notes the basis of accounting to be utilized, prescribes the specific authoritative guidance on financial statement format and disclosures, and provides other instructions necessary for the preparation of annual audited financial statements and quarterly unaudited financial statements. When recording accounting transactions, follow the accounting standards hierarchy found in Volume 1, Chapter 2.

*010103. Authoritative Guidance

0102 BACKGROUND

Federal agencies traditionally prepared financial reports to monitor and control the obligation and expenditure of budgetary resources. With the enactment of Public Law 101-576, “Chief Financial Officers Act of 1990” (CFO Act), and Public Law 103-356, “Government Management Reform Act of 1994” (GMRA), the Congress called for the production of audited financial statements. The statements must fully disclose a federal entity’s financial position and results of operations, and provide information for not only the effective allocation of resources but also with which Congress, Agency managers, the public, and others can assess management performance and stewardship. Accordingly, OMB in consultation with the CFO Council, the Council of the Inspectors General on Integrity and Efficiency, and other interested parties developed the formats and instructions for financial statements described in this volume. The annual audited financial statements must be organized as shown in Table 1-1.

*0103 REQUIRED REPORTING DATES

The provisions of this volume require the preparation of annual audited financial statements for the period ending on September 30 of each fiscal year and the quarterly unaudited financial statements for periods ending December 31, March 31, and June 30 of each fiscal year. Agencies will submit unaudited interim financial statements to OMB 21 business days after the end of the third quarter of the fiscal year and footnotes and other information (OI) 45 business days after the end of the third quarter of the fiscal year. Annual audited financial statements are due to OMB, the Government Accountability Office, and the Congress in accordance with the DoD Financial Statement and Agency Financial Report Schedule.

0104 DoD REPORTING ENTITIES

*010401. Audited Financial Statements and Quarterly Unaudited Financial Statements Required by OMB

Executive Branch agencies must generally prepare and submit audited financial statements to OMB. The CFO Act, as amended by the GMRA, requires major agencies of the Federal Government to prepare and submit audited financial statements. Additionally, OMB requires the Department and other major agencies to prepare agency-wide quarterly unaudited financial statements according to OMB Circular A-136. The DoD Agency-wide financial statements provide the financial status of the entire Department. There are Component reporting entities in the Department that, while included in the DoD Agency-wide statements, are required by OMB to prepare stand-alone audited financial statements and quarterly unaudited financial statements. These components are referred to as Tier 1 entities and are listed in Appendix B of OMB’s annual bulletin, “Audit Requirements for Federal Financial Statements.” A list of Tier 1 entities may also be found on the website identified in paragraph 010404.
010402. Audited Financial Statements and Quarterly Unaudited Financial Statements Required by the Senate Select Committee on Intelligence

In addition to the reporting entities identified in paragraph 010401, the following entities will prepare audited annual and unaudited quarterly financial statements to the Senate Select Committee on Intelligence:

A. Defense Intelligence Agency;
B. National Reconnaissance Office;
C. National Geospatial-Intelligence Agency; and
D. National Security Agency.

*010403. Other Defense Activities (ODAs)

In addition to the reporting entities identified as Tier 1 in paragraph 010401, the remaining components of the Department are reported in a tier structure of the consolidating/combining statements, which comprise the DoD Agency-wide audited financial statements and quarterly unaudited financial statements. Tier 2 includes Components undergoing a stand-alone audit per DoD. Tiers 3 and 4 include Components not under a stand-alone audit, but included as part of the DoD-wide audit.

*010404. Non-OMB Reporting Entities

The non-OMB reporting entities represent all others not identified in paragraphs 010401 and 010402. These entities are not required “reporters” per OMB Circular A-136. The management-approved “DoD Reporting Entities” list is located on the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Office of the Deputy Chief Financial Officer, Financial Improvement and Audit Remediation (FIAR) Directorate website (DoD Common Access Card required) under the “Policies, Publications, & Guidance” heading. The FIAR Directorate is responsible for updating this list annually.

A. DoD Designated Audit Entities. DoD has designated certain reporting entities to adhere to the same audit readiness efforts as congressionally mandated OMB reporting entities. These reporting entities must perform all audit readiness efforts in accordance with the FIAR guidance and must undergo annual stand-alone financial statement audits.

B. Other Material Defense Agencies and Remaining Entities. Other material defense agencies are reporting entities that must undergo annual examinations or other independent validations of their financial statement balances. Remaining entities include ODAs, organizations, and funds not material to the DoD consolidated financial statements. Remaining entities must perform audit readiness efforts to improve their internal controls and will be included in the DoD consolidated financial statement audit.
1. To support the preparation of the Agency-wide financial statements, these entities must continue to submit trial balances and corresponding adjustments within Defense Departmental Reporting System – Audited Financial Statements (DDRS-AFS), DDRS-Budgetary, and DDRS - Data Collection Module. Additionally, these entities are still required to provide information as outlined by the quarterly Agency-wide reporting schedules and guidance. To ensure continued improvement to financial reporting in accordance with Department objectives, other material defense agencies and remaining entities must continue value-added financial improvement efforts including evaluation and improvements to internal controls over financial reporting. Reasonableness reviews of financial statements for other material defense agencies and remaining entities during non-reporting periods may result in questions being forwarded for explanation and/or future corrective action. The OUSD(C) delegated financial statement review of the entity’s financial information and OUSD(C) oversight of these reporting entities to the respective Component’s Comptroller or senior financial manager. However, designated DFAS Financial Reporting staff will remain available to assist in responding to issues or inquiries.

2. Based on the FIAR strategy, cost mitigation requirements, and expected progression towards full assertion of auditability, each other material defense agency and remaining entity will determine their internal reporting and audit requirements, as deemed necessary for continued improvement of financial data and achievement of audit objectives. Entities currently receiving an unmodified audit opinion should consider the cost versus value of the audit in determining requirements and objectives.

*010405. Pass-Through Accounts

Pass-through accounts are included in the consolidated financial statements. While financial transactions flow through such accounts to or from other entities, these accounts do not ultimately own that activity. Most pass-through account balances are eliminated within the DoD-wide consolidating statements, or with Treasury. The exception are account balances affecting the Statement of Budgetary Resources, which is presented on a combined basis. A listing of pass-through accounts is identified on the DoD Reporting Entities list (reference paragraph 010404).

*010406. Disclosure Entities

Disclosure entities are those non-DoD entities that are required to be disclosed in the footnotes to the consolidated financial statements but are not included in the primary financial statements of the Department. A listing of disclosure entities is identified on the DoD Reporting Entities list (reference paragraph 010404).

*010407. Audit Compliance

DoD Component reporting entities will prepare financial statements as denoted in paragraph 010401. All DoD Components (both reporting entities and non-reporting entities) are required to comply with the FIAR requirements and other guidance issued by the OUSD(C). Each Component, after completing their assertion of auditability, and with the advice of the DoD Office of the Inspector General (OIG), must establish an audit committee to oversee its financial audit.
The purpose of the audit committee is to establish audit requirements, identify contract deliverables, monitor the execution of the contract, and identify and assist with resolution of obstacles to an unmodified opinion. Once DoD Component reporting entities are deemed auditable, the audit committee’s focus should be on ensuring a forum exists to address ongoing accounting and auditing issues. Audit committees for OMB reporting entities identified in paragraph 010401 must include a representative of DoD OIG. Audits of Federal financial statements are conducted in accordance with the requirements found in the annually updated OMB Bulletin, “Audit Requirements for Federal Financial Statements.” The provisions of this Bulletin apply to audits of financial statements of executive departments, agencies, and government corporations and certain components of these agencies. The Bulletin reflects changes that apply as a result of other revised OMB guidance, including OMB Circular A-136.

0105 CONTENT OF ANNUAL AUDITED FINANCIAL STATEMENTS AND QUARTERLY UNAUDITED FINANCIAL STATEMENTS

*010501. Major Sections of the Audited Financial Statements

A. The annual audited financial statements of the OMB reporting entities identified in paragraph 010401 must be comprised of four major sections. A reporting entity is required to include a dated transmittal letter signed by the Agency Head to be located at the beginning of the report, as explained in Chapter 3, section 0302. Non-OMB reporting entities not identified elsewhere in this chapter are to follow the requirements outlined in paragraph 010404. The quarterly unaudited financial statements required for third and fourth quarters must be comprised of the principal statements and notes to the principal statements and, if applicable, supporting consolidating and/or combining statements. Although the first and second quarter principal statements must be prepared, the preparation of accompanying notes for the first and second quarter is not required. A more detailed outline appears in Table 1-1. Specific instructions for the preparation of the contents of each section are provided in individual chapters of this volume. The four required major sections and the sequence of their presentation are as follows:

1. Agency Head Transmittal Letter;
2. Management’s Discussion and Analysis (MD&A);
3. Financial Section; and
4. OI.

B. The accompanying subsections are as follows:

1. Principal Statements;
2. Notes to the Principal Statements;
3. Supporting Consolidating/Combining Statements (if applicable);
4. Required Supplementary Stewardship Information (RSSI);
5. Required Supplementary Information (RSI); and
6. Audit Opinion.

*010502. Agency Head Transmittal Letter

This message precedes the MD&A section of the financial statements and is a dated transmittal letter signed by the agency head. The letter must contain the Agency Head’s assessment of the reliability and completeness of financial and performance data in the report and a description of any material weaknesses in internal control and actions the agency is taking to resolve the weaknesses. Guidance for required information in the Agency Head Transmittal Letter is provided in Chapter 3.

010503. MD&A

MD&A of the reporting entity is integral to the annual financial statements and should be regarded as RSI. MD&A requirements are stated in SFFAC 3, “Management’s Discussion and Analysis;” SFFAS 15, “Management’s Discussions and Analysis;” and OMB Circular A-136. MD&A is an important vehicle for communicating managers’ insights about the reporting entity, increasing the understandability and usefulness of the financial statements, and providing understandable and accessible information about the entity and its operations, service levels, successes, and challenges. MD&A also should address significant events, conditions, risks, uncertainties, trends, and contingencies that may affect future operations. Guidance for preparation of MD&A is provided in Chapter 3.

010504. Principal Statements and Notes to the Principal Statements

Principal statements and notes to the principal statements summarize financial information for individual funds and accounts within reporting entities and subentities. The amounts reported on the principal statements are based on specific general ledger account balances. Instructions for the preparation of the principal statements are contained in Chapters 4, 5, 6, and 7. Reconciliations and edits used within DoD can be viewed with proper authorization in the DDRS-AFS by selecting “Reports” from the menu and then accessing “Reconciliations.” Additional reconciliation information is available in the DFAS Reconciliation Manual.

A. Principal Statements. The principal statements must include:

1. Balance Sheet (Consolidated);
2. Statement of Net Cost (Consolidated);
3. Statement of Changes in Net Position (Consolidated); and
4. Statement of Budgetary Resources (Combined).
B. Notes to the Principal Statements. The notes to the principal statements are an integral part of the financial statements. They include a summary of the accounting principles and methods of applying those principles that management has concluded are the most appropriate for presenting the entity’s significant assets, liabilities, equity, revenues, expenses, and budgetary information. The notes also provide further detail of the amounts reported on the statements. In cases where individual line items of the financial statements cannot be obtained or a substitution is made from the requirements herein, the deficiencies must be explained and the reason for noncompliance annotated in the notes. Where data used is known to be incomplete, deemed to be unreliable, or is an estimated (partial or full) amount, the note pertaining to the line(s) where such data is reported in the statement must contain a reference to such data. The reference must include the amount and explanation of the circumstances regarding the availability and use of such data. The notes also contain disclosures required by the SFFASs. Instructions for the preparation of the required footnotes are contained in Chapter 10.

010505. Supporting Consolidating/Combining Statements

The consolidating and combining statements use a multi-column format to present information on the reporting entity's major component. The total column for consolidating and combining statements must equal the amount reported in the consolidated or combined statements. Although publishing the consolidating/combining statements is not required by the DoD, it is very important these statements are reviewed for completeness and consistency with the consolidated statements.

010506. RSSI

Specific guidance for reporting RSSI is contained in Chapter 11.

010507. RSI

All Federal agencies are required to report RSI. Certain information is designated as RSI and defined in OMB Circular A-136. Specific guidance for reporting RSI is contained in Chapter 12.

010508. OI

Specific guidance for reporting OI is contained in Chapter 3.

010509. Audit Opinion

A. DoD Reporting Entity Audits. DoD OIG must render an audit opinion on the DoD Agency-wide financial statements and OMB required entities in paragraph 010401. In addition, OIG must provide an endorsement to the audit opinion for each of the reporting entity financial statements opined on by a contract auditor.

* B. ODA Audits. DoD OIG will not issue separate audit opinions on the financial statements of ODAs included in the DoD Agency-wide financial report. The ODA
financial statements and records must be included in the audits performed to support the opinion issued by OIG on the DoD Agency-wide audited financial statements.
Table 1-1. Detailed Outline of DoD Financial Statements

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<th>Section Sequence</th>
<th>Major Components of Financial Statements (Hard copy and files for Internet)</th>
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<th>DoD Agency-Wide</th>
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<tr>
<td>2</td>
<td>Table of Contents</td>
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<td>Required</td>
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<tr>
<td>3</td>
<td>Message(s) from the Secretary of the Military Department; Chief, U.S. Army Corps of Engineers; or the Director of a Defense Agency, as applicable, for the reporting entity.</td>
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<tr>
<td>4</td>
<td>Management’s Discussion and Analysis</td>
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<td>Required</td>
</tr>
<tr>
<td>5</td>
<td>Performance Information</td>
<td>Not Required</td>
<td>Not Required</td>
</tr>
<tr>
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<td>Financial Section</td>
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<td>Principal Statements</td>
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<td>6.21</td>
<td>Balance Sheet, Consolidated</td>
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<tr>
<td>6.22</td>
<td>Statement of Net Cost, Consolidated</td>
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<tr>
<td>6.23</td>
<td>Statement of Changes in Net Position, Consolidated</td>
<td>Required</td>
<td>Required</td>
</tr>
<tr>
<td>6.24</td>
<td>Statement of Budgetary Resources, Combined</td>
<td>Required</td>
<td>Required</td>
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<td>6.3</td>
<td>Notes to the Financial Statements</td>
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<td>Required</td>
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<td>Statement of Disaggregated Budgetary Resources</td>
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<td>Required</td>
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<td>Management Challenges</td>
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<td>6.62</td>
<td>Summary of Financial Statement Audit and Management Assurances</td>
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<td>Payment Integrity</td>
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<td>6.64</td>
<td>Fraud Reduction Report</td>
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<td>6.65</td>
<td>Other Agency-specific Statutorily Required Reports</td>
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<td>6.67</td>
<td>Civil Monetary Penalty Adjustment for Inflation</td>
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<td>Audit Opinion(s)</td>
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<td>7.1</td>
<td>Inspector General, DoD Audit Opinion or Endorsement</td>
<td>Not Applicable</td>
<td>Required</td>
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<td>7.2</td>
<td>Audit Opinion of Contract Auditor (e.g., for the Military Retirement Fund)</td>
<td>As Applicable</td>
<td>Not Applicable</td>
</tr>
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VOLUME 6B, CHAPTER 2: “GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS”

SUMMARY OF MAJOR CHANGES

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<td>All</td>
<td>Reformatted chapter and updated hyperlinks to comply with current administrative instructions.</td>
<td>Revision</td>
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<td>All</td>
<td>Clarified language throughout the chapter to improve readability.</td>
<td>Revision</td>
</tr>
<tr>
<td>020102</td>
<td>Clarified overall responsibility for management and preparation of financial statements, and explained that annual updates to Office of Management and Budget (OMB) Circular A-136, dated June 28, 2019, are on the OMB website.</td>
<td>Revision</td>
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<tr>
<td>020301.A, 020301.C</td>
<td>Clarified requirements related to other departmental reporting and analyses activity.</td>
<td>Revision</td>
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<tr>
<td>020302.B</td>
<td>Clarified submission requirements for the final Agency Financial Report (AFR).</td>
<td>Revision</td>
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<tr>
<td>020502.C</td>
<td>Updated language regarding Management Schedules of Information.</td>
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<td>020503</td>
<td>Included additional sources of guidance for preparation of the Legal Representation Letter (LRL).</td>
<td>Revision</td>
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<td>020505</td>
<td>Updated language explaining requirement of Inspector General to make notification of “no changes” or “changes” due to a change in the likelihood of a loss, or the amount of a loss, after the effective date of the final LRL but before the date of the audit report on the Financial Report of the U.S. Government, per OMB Circular A-136, dated June 28, 2019.</td>
<td>Revision</td>
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<tr>
<td>020603</td>
<td>Clarified that total figures disclosed in the supporting notes and other schedules must conform to the amounts presented in the body of the financial statements, per OMB Circular A-136, dated June 28, 2019.</td>
<td>Revision</td>
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<td>PARAGRAPH</td>
<td>EXPLANATION OF CHANGE/REVISION</td>
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<td>020605</td>
<td>Updated variance analysis threshold standard, per OMB Circular A-136, dated June 28, 2019.</td>
<td>Revision</td>
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<td>020610</td>
<td>Deleted final sentence about discretion of Components to prepare consolidating or combining financial statements and include them as part of their AFR, per OMB Circular A-136, dated June 28, 2019.</td>
<td>Deletion</td>
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<tr>
<td>020616</td>
<td>Deleted reference to Government-wide Financial Report System since it is no longer used.</td>
<td>Deletion</td>
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<tr>
<td>020616.A</td>
<td>Clarified guidance for the draft/working versions and final version of the Financial Section of the AFR.</td>
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CHAPTER 2

GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS

0201  GENERAL

020101.  Purpose

This chapter identifies the general requirements for preparation and submission of financial statements and the required disclosures, as required by the Office of Management and Budget (OMB) and other departmental guidance. It establishes the roles and responsibilities of departmental and agency financial managers, and provides specific instructions for preparation of the Management Representation Letter (MRL) and the Legal Representation Letter (LRL).

*020102.  Authoritative Guidance

Guidance on the content and submission of the financial statements is defined in the OMB Circular A-136, “Financial Reporting Requirements,” and Bulletin 19-03, “Audit Requirements for Federal Financial Statements.” Applicable accounting principles are contained in the Statements of Federal Financial Accounting Standards (SFFAS) and Statements of Federal Financial Accounting Concepts (SFFAC). The DoD Financial Statement Audit Guide details the roles and responsibilities of reporting entities and service providers, as well as the processes they must follow, to achieve audit readiness. The Department’s financial reporting entities and related information are identified in Chapter 1. Volume 1, Chapter 1 explains the authority granted to the Under Secretary of Defense (Comptroller) (USD(C)) for management and preparation of DoD financial statements. Annual updates to Circular A-136 are on the OMB website.

0202  RESPONSIBILITIES

020201.  Responsibility for Preparation of the Financial Statements

The primary responsibility for the financial statements rests with the reporting entity’s management. Responsibility for preparation of the principal statements and notes, however, may be shared with the accounting organization responsible for maintaining the financial records of the reporting entity. Additional information for the responsible accounting activities who prepare the required supporting statements, and the responsible officials for those statements, can be found in the Defense Finance and Accounting Service (DFAS) Financial Reporting Guidance. The responsible official must ensure that: (1) known business processes/systems that could materially impact the financial statements are communicated; (2) all necessary data that originates in nonfinancial processes and systems (e.g., inventory and property data) is provided; (3) consolidating/combining statements are reviewed and analyzed; and (4) feedback is provided to the entity’s supporting accounting organization as required or upon request.
020202. Reporting of Foreign Military Sales and Other Security Assistance

The Defense Security Cooperation Agency administers certain Foreign Military Sales (FMS) and other security assistance programs on behalf of the Executive Office of the President (EOP). While FMS activity is primarily reported separately from DoD activity, OMB has approved the following provisions regarding the specific information on the financial activity of FMS programs that is to be included in the DoD financial statements.

A. Revenue and expense amounts pertaining to FMS goods or services provided from the stocks of the DoD Components on a reimbursable basis must be reported in the financial statements of the applicable selling DoD Component and in the DoD Agency-wide consolidated statements.

B. Principal statements for the following EOP accounts are to be prepared by DFAS and reported separately from the DoD Agency-wide financial statements: 11*1081, 11*1082, 11*1085, 11*4116, 11X4121, 11X4122, 11X4174, and 11X8242. Descriptions of these accounts are contained in Volume 15, Chapter 1.

0203 REPORTING SCHEDULES AND QUALITY CONTROL REVIEWS

020301. Interim Financial Reporting

* A. Interim financial reporting requirements are detailed in the OMB Circular A-136 and in the DFAS Financial Reporting Guidance. All DoD financial reporting entities are required to support the DFAS and USD(C) preparation and analysis of the Department’s quarterly Agency-wide financial statements that must be submitted to OMB 21 business days after the end of the third quarter of the fiscal year (FY). The OMB-designated reportable entities are required to submit their interim unaudited Balance Sheet, Statement of Net Cost (SNC), and Statement of Changes in Net Position (SCNP) to OMB 21 business days after the end of the third quarter of the FY. More detailed reporting and timing requirements are contained in the DFAS Financial Reporting Guidance. Agencies are required to use the MAX Federal Community to submit their interim financial statements electronically to OMB.

B. The DoD Agency-wide submission for the interim quarter and for the fiscal year end must include an analysis of any material differences. The analysis must only be on the material differences between the interim quarter and the same quarter from the prior year. It must be noted in the analysis if a financial statement does not have material differences between comparative periods. The analysis must include management’s explanation of material differences in types or amounts of assets, liabilities, costs, and revenues.

* C. USD(C) and DFAS may require the OMB reportable entities to prepare and submit full note disclosures, variance analyses, and the Statement of Budgetary Resources (SBR) to Standard Form (SF) 133, “Report on Budget Execution and Budgetary Resources,” reconciliations as part of other departmental reporting and analyses activity to support the Agency-wide submission due to OMB after the interim quarter and at fiscal year end. Specific requirements and timelines are detailed in the DFAS Financial Reporting Guidance.
D. Additionally, the DoD Financial Statement Audit Guide establishes other financial reporting requirements to assist in achieving full auditability. These financial reporting requirements and timelines are detailed within the Guide.

E. Chapter 10 requires the disclosure of all abnormal balances appearing on the individual note schedules or financial statement lines. These disclosures are reported in the accompanying notes to the financial statements in the third and fourth quarters of each FY. In support of the DFAS preparation and submittal of the Agency-wide interim reports, all Components must investigate abnormal balances and correct them if required by the DFAS Financial Reporting Guidance. Further, all Components must explain material, abnormal proprietary and budgetary United States Standard General Ledger (USSGL) account balances of $500,000 or greater on the summary program-level trial balance within the Defense Departmental Reporting System–Audited Financial Statement (DDRS-AFS). They must also explain any abnormal balance that appears on the statements or note schedule, regardless of amount. Refer to the DFAS Financial Reporting Guidance for detailed disclosure requirements.

020302. Annual Financial Statements

A. In accordance with OMB Circular A-136, the Department is required to submit a draft of the Agency Financial Report (AFR) to OMB’s Office of Federal Financial Management, and the appropriate OMB Resource Management Office, 10 business days before issuing the final AFR. This draft must include all sections of the Agency-wide AFR, as identified in Chapter 1, except the audit report if it is not available at that time. If the audit report is not available when the draft AFR is submitted to OMB, then a draft audit report, or a summary of the audit results including the type of opinion anticipated and names and descriptions of material weaknesses and significant deficiencies, is to be provided to OMB as soon as it is available. Agencies are required to use the MAX Federal Community to submit their draft AFRs electronically to OMB.

* B. Each of the reporting entities identified in Chapter 1 is required to submit audited financial statements in accordance with the detailed financial statement reporting schedule contained in the DFAS Financial Reporting Guidance. The final AFR must be posted to the reporting entity’s public website the same day the report is submitted to OMB, the Government Accountability Office (GAO), the U.S. Department of the Treasury (Treasury), and the Congress. Agencies must submit their final reports to OMB using the MAX Federal Community and to the Treasury and GAO using the contact information provided in Appendix B of OMB Circular A-136. Additionally, reporting entities must also submit their final reports to the USD(C).

020303. Quality Control Reviews of Financial Statements and Notes

Each Component, along with their supporting accounting organization, must review its financial statements and notes to ensure the completeness of financial information provided by both the accounting activity and the various Component functional organizations.
020304. Key Financial Statements Preparation Due Dates

The development and publication of the financial statements requires coordinated actions by entity management, the supporting accounting organization, and the audit community. Additional information regarding the key financial statement preparation milestones is in the financial statement reporting schedule in the DFAS Financial Reporting Guidance.

0204 MANAGEMENT REPRESENTATION LETTERS

020401. Preparation and Submission

A. Auditors require the responsible senior manager to prepare and submit a Management Representation Letter (MRL), for each reporting entity audited, prior to the conclusion of an audit. The MRL must be signed by those members of management with overall responsibility for financial and operating matters. Members of management are those that the auditor believes are responsible for and knowledgeable about, directly or through others in the organization, the matters covered by the representations. Such members of management generally include the head of the agency, the Chief Financial Officer, and any others deemed responsible for matters presented in the MRL.

B. During the audit, management makes many representations to the auditor, both oral and written, in response to specific inquiries and through the submission of the financial statements. In the MRL, the senior responsible manager confirms the representations explicitly or implicitly given to the auditor, states and documents the continuing appropriateness of such representations, and reduces the possibility of misunderstanding concerning the matters that are the subject of the representations. Representations by management generally relate to: (1) the financial statements; (2) completeness of the information; (3) recognition, measurement, and disclosure; and (4) subsequent events. Specifically, the management function must represent that the financial statements do, or do not, present fairly the financial position of the reporting entity in accordance with federal generally accepted accounting principles.

020402. Management Representations

Management representations must include all representations that are required by generally accepted auditing standards and OMB Bulletin 19-03. General representations must, however, be modified to be consistent with findings reported by the auditor. In accordance with OMB Circular A-136, Section V.5, management’s representations may be limited to matters that are considered either individually or collectively material to the financial statements, provided management and the auditor have reached an understanding on materiality for this purpose. MRLs are due to the office performing the entity’s audit prior to the conclusion of the audit. The schedules for the draft and final letters are contained in the DFAS Financial Reporting Guidance. The USD(C) is responsible for submitting the final MRL to OMB.

020403. Materiality

As required by OMB Circular A-136, Section V.5, the MRL must include a representation regarding the materiality of unrecorded financial statement adjustments aggregated by the auditors.
A list of any uncorrected misstatements (in Excel format), including those audit adjustments waived by the Component level, must be attached to the MRL.

020404. Representation of Budgetary Data

Management is required to include a representation that addresses the consistency of budgetary data reported on the SBR, and the budgetary data submitted through the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS), to prepare the year-end SF 133s. Management may consider using the following sample representation: "The information presented on the Department’s SBR is reconcilable to the information submitted on the Department’s year-end SF 133s. This information will be used as input for the FY 20xx actual column of the Program and Financing Schedules reported in the FY 20xx Budget of the U.S. Government. Such information is supported by the related financial records and related data."

020405. Signature Levels of Representation Letters

Signature levels for MRLs are as follows and may be handwritten or electronic.

A. The Secretary or Under Secretary of the Military Department concerned must sign an MRL in support of the audited financial statements for a Military Department’s General Fund and Working Capital Fund.

B. The Director or Deputy Director of the Defense Agency concerned must sign an MRL in support of the audited financial statements for a Defense Agency.

C. The fund manager of the trust, or revolving fund concerned, must sign an MRL in support of financial statements for a trust or revolving fund managed by the Office of the Secretary of Defense or Defense Agency.

D. The head of other reporting entities not described in subparagraphs 020405.A through 020405.C, but listed in Chapter 1 and pursuing a full financial audit and producing stand-alone financial statements, must sign an MRL in support of their audited financial statements.

E. The Secretary of Defense or Deputy Secretary of Defense, and the USD(C), must sign the final MRL for the DoD Agency-wide financial statements.

020406. Referrals to Office of the Deputy Chief Financial Officer

Auditor requests for MRLs below levels cited in paragraph 020405 must be referred to the USD(C), Office of the Deputy Chief Financial Officer (ODCFO).

020407. Date of Management Representation Letter

Generally, the date of an MRL must be the date the auditor issues the audit report on the entity’s financial statements. Coordinating the two dates is essential. The due dates for the MRLs
are specified in the financial statement reporting schedule in the DFAS Financial Reporting Guidance. Management must not provide auditors with pre-signed, undated letters or with predated letters. If auditors need an advance copy of the intended management letter, then auditors must include that requirement when submitting the initial request for the MRL. Active cooperation and interaction between auditors and management is expected so that the MRL reaches the auditors on the due date. Refer to the DFAS Financial Reporting Guidance for additional requirements and timelines in support of the DoD Agency-wide financial statement submittal.

0205 LEGAL REPRESENTATION LETTERS

020501. Inquiries of Legal Counsel

According to OMB Bulletin 19-03, the auditor will request entity management to send a letter of inquiry to those lawyers with whom management consulted concerning litigation, claims, and assessments. Refer to the GAO Financial Audit Manual, Section 1002B, Example Legal Letter Request, and subsequent revisions, for an illustrative letter of inquiry from entity management to legal counsel. Management must document in a schedule how the information contained in the legal counsel’s response(s) was considered in preparing the financial statements. In accordance with OMB Circular A-136, Section V.4, LRLs and management’s schedules are required for the audits of entity financial statements and the special-purpose financial statements used to compile the Financial Report (FR) of the U.S. Government.

020502. Obtain Legal Representations

A. To assist the auditor in completing the review of legal matters in a timely manner, the auditor may ask management to request that legal counsel submit an interim LRL so that a preliminary evaluation of the significance of material legal matters can be made. It is the responsibility of the senior financial management official of the entity being audited to request interim or final LRLs from their General Counsel (GC). Judge Advocates General must not be requested to furnish LRLs. The LRLs requested from the GC of the Military Departments must include the request that the GC report matters involving both military and civilian counsel.

B. Requests for an LRL pertaining to the Agency-wide financial statements, and to any defense-wide account audited separately, such as the Military Retirement Fund, must be sent to the DoD GC. Copies of any letters prepared by the GC of the Military Departments and DoD Components must be provided to the DoD GC, Attention: Deputy General Counsel (Fiscal) (DGC(F)) and to the DoD Inspector General (IG), or other independent auditors performing the audit. In letters provided to the GC, DoD must report only cases at or above the materiality threshold established for that year’s Agency-wide financial statement audit.

C. Management Schedules of Information (MSIs) must be reported directly to the USD(C). The U.S. Army Corps of Engineers (USACE) must also prepare an LRL for Treasury Index 96 civil funds. The USACE LRL, and supporting MSIs, must be submitted to the USD(C). Each year, the DGC(F) must advise the counsels preparing the LRLs of the mandatory times for submission of them as specified in the financial statement reporting schedule within the DFAS
Financial Reporting Guidance. The DGC(F) must also advise them of the applicable Agency-wide materiality threshold for that year’s Agency-wide financial statement.

*020503. Preparation of Legal Representation Letters

When preparing the LRLs, the GC must consider the guidance found in Treasury Financial Manual 2-4700, section 4705.60a, and OMB Bulletin 19-03. Report cases and claims using the legal representation format and guidance on the U.S. Department of Justice (DOJ) website under the “Selected Documents & Forms.” In addition to reporting the status of pending contingent liabilities, the interim LRLs must also include the cases reported in the previous year’s legal representations that are no longer pending. For additional policy regarding contingent liabilities, see Volume 4, Chapter 12 and applicable Policy Memoranda related to Volume 4, Chapter 12. The final representation letter must be limited to new information (i.e., cases that arise subsequent to the interim letter or changes in the status of cases that were reported in the interim letter). The final letter must not repeat information from the interim letter that has not changed. Any subsequent changes in cases that arise after the final representation letter, but before the end of the audit fieldwork on the financial statements, must be communicated to the auditor. The required summaries of the legal letters must be submitted to the cognizant audit agency for the reporting entity, to the entity’s supporting accounting activity, and to the ODCFO.

020504. Determination of Legal Cases

Management must make an assessment as to whether pending, threatened litigation or unasserted claims must be reported or disclosed in the financial statements. This determination extends to cases in which legal counsel has classified the likelihood of loss as “unknown.” The name and telephone number of the individual who is able to answer questions regarding the presentation of legal claims and assessments in the financial statements must also be provided. The required summaries of the legal letters must be submitted to the cognizant audit agency for the reporting entity, the entity’s supporting accounting activity, and the ODCFO. DoD due dates for the interim and updated legal letters, and the associated summaries, are reflected in the financial statement reporting schedule in the DFAS Financial Reporting Guidance.

*020505. Summary of Legal Representation Letters

Rather than having the cognizant auditors submit copies of the interim and updated LRLs, along with the summaries of the information contained in these responses for each reporting entity, the GAO has agreed to use the single summary of the various LRLs prepared for submission with the Agency-wide statements. The IG and ODCFO must make the required submission to the OMB, the Treasury, the DOJ, and the GAO per the due dates in the financial statement reporting schedule contained in the DFAS Financial Reporting Guidance. The agency IG must also provide notification to the OMB, Treasury, the DOJ, and the GAO whether there were “no changes” or “changes” due to subsequent events that resulted in a change in the likelihood of a loss, or the amount of a loss, or both, after the effective date of the final LRL, but before the date of the audit report on the FR.
0206 GENERAL PREPARATION INSTRUCTIONS

020601. Generally Accepted Accounting Principles

The principal statements and notes embody the generally accepted accounting principles contained in the SFFAS and SFFAC. The SFFAS and SFFAC are incorporated into accounting policy and guidance contained in this Regulation. Preparers of financial statements seeking additional guidance must follow the hierarchy contained in Volume 1, Chapter 2.

020602. United States Standard General Ledger

Preparers of financial statements and notes must crosswalk their unique general ledger accounts to the USSGL chart of accounts, and at a lower level of detail to include Treasury’s Bureau of the Fiscal Service (Fiscal Service) GTAS attributes, Standard Financial Information Structure elements, DoD’s trading partner information, and other DoD-required attributes to prepare the financial statements and note schedules. DDRS-AFS must utilize the USSGL, GTAS attributes, and other DoD required attributes, to populate financial statements and related note schedules. Additional information regarding the input and timelines for importing information into DDRS-AFS is in the quarterly DFAS Financial Reporting Guidance.

*020603. Agreement Between Totals in Statements and Notes

DoD Components/reporting entities preparing quarterly interim and fiscal year-end financial statements, and related supporting notes and other schedules, must ensure the total figures disclosed in the supporting notes and other schedules conform to the amounts presented in the body of the financial statements. The chosen rounding level must be maintained consistently throughout the principal statements and notes. In addition, rounded totals must agree between the principal statements as applicable (e.g., ending balances from the SCNP equal the Total Net Position line on the Balance Sheet). Individual line items must sum to the totals (this may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals).

020604. Comparative Data

Comparative financial statements are required. Data presented in the fiscal year-end prior year column must be identical with the amounts reported on the financial statements of the prior year. Information for the current and preceding years must be presented, regardless of the type of audit opinion rendered by the auditor. The notes must contain the information that is necessary for full disclosure of both years. Refer to Chapter 10 for additional policy regarding the notes required for the financial statements.

*020605. Variance Analysis/Fluctuations

A comprehensive financial statement variance analysis report is prepared each quarter solely for the Agency-wide financial statements, addressing material fluctuations between comparative periods on report lines of the Balance Sheet, SNC, and selected lines of the SCNP,
SBR, and supporting note schedules. Only Components materially contributing to the Agency-wide variances must explain significant variances when requested by DFAS Financial Reporting. A significant variance is a fluctuation from the same quarter in the prior year to the current year that exceeds $1 billion and 10 percent of the prior year amount, or a lower threshold defined by management. The detailed explanations for the significant variances must provide concise answers to the following questions pertaining to the comparative periods.

A. What is the dollar amount of the fluctuation?

B. Which activity caused the fluctuation?

C. What business event caused the fluctuation?

D. Why did the fluctuation occur?

E. When, during the last four quarters, did the primary business event occur causing the fluctuation? Responding to this question helps identify which disclosures are likely to be in effect for the current fiscal year end.

020606. Statement Consolidation

User judgment must be exercised to determine if it is appropriate to exclude some statement line items, notes, and lines or columns in notes from the final published statements, if those lines do not apply to the reporting entity. In order to ensure consistent and accurate aggregation of amounts from suborganizations, however, such lines must not be excluded prior to the submission of the final published version. Due to the short timeframes available for statement consolidation at the agency level, preparers are not authorized to combine lines for which the referenced account balances are immaterial.

020607. Disclose Material Balances

Do not designate in the notes as “other” any discrete balances of a material amount. Material balances must be separately disclosed and designated by name. Material is defined for this purpose as any component of a line item that represents 10 percent or more of the value of the line in the principal statement.

020608. Notes to the Financial Statements

The note numbering sequence contained in Chapter 10 must be maintained in all versions of the notes in order to ensure consistent and accurate aggregation to the DoD Agency-wide level. For notes that are not applicable to the reporting entity, indicate the note is not applicable after the note number and title. Entities must retain this determination of nonapplicability in the working versions of the notes to document to outside auditors that an overt decision was made regarding the note disclosure applicability. The notes identified as nonapplicable will be excluded in preparation of the final statements. If additional notes are necessary to provide other required disclosures, then number them as explained in Chapter 10. Refer to Chapter 10 for more detailed
guidance on the preparation, presentation, and numbering of notes to the principal financial statements.

020609. Consistency in Reporting

Accounting policies and procedures must be applied consistently throughout the financial statements. Ensure amounts are consistently reported throughout the financial statements, notes, supplemental information, and the Management’s Discussion and Analysis (MD&A) section. Also ensure that schedules presented in the notes, in support of amounts presented on financial statements, have total figures that agree with the amounts presented in the financial statements. Financial information reported in multiple notes, or other sections, must be reported in a consistent manner. To the extent that information is not available for the accelerated reports, a reliable, alternative method of estimating amounts and balances must be developed and adequately disclosed.

020610. Consolidated or Combined Statements

The Balance Sheet, SNC, and the SCNP principal statements must be prepared as consolidated statements, net of intra-entity transactions. The SBR must be prepared as a combined statement.

020611. Rounding

DoD Agency-wide final published financial statements and notes must display dollars rounded to millions with one decimal point. All Component statements must display dollar amounts rounded to the nearest whole thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives must be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., $324.1 million; not $324,100 thousand). To improve communication among preparers, reviewers, and auditors during the preparation process, and to avoid excessive workload associated with the resolution of rounding errors, all accounting activities must report amounts as dollars and cents on all draft/working versions of the principal statements and note schedules prior to submission by the reporting entity of the final audited financial statements.

020612. Additional Information

Reporting entities that choose to present additional financial statements or information must include these in the “Other Information” section (see Chapter 3).

020613. Organization of the Financial Statements

The financial statements of the reporting entities will be organized as outlined in Chapter 1, Table 1-1.
020614. Requirements for Audited Financial Statements

Reporting entity managers are responsible for the preparation and printing of the final, complete annual audited version of their financial statements. These specific requirements are outlined in DFAS Financial Reporting Guidance.

020615. Posting the Financial Statements

DoD’s Agency-wide financial statements and the AFR are posted on the public website of the USD(C). Reporting entity managers must post their individual financial statements on their public website and provide the ODCFO with electronic links to these reports by the due date specified in the financial statement reporting schedule. The files must be prepared in the Portable Document Format (PDF) type. If the reporting entity includes a large number of digital images, then the PDF can be very slow for users to access on the website. In those cases, it is beneficial, and encouraged, to prepare separate files for each section of the financial report. For additional posting guidance, refer to OMB Circular A-136, Section I.5.

020616. Responsibility for Sections of DoD Agency-wide Financial Statements

DFAS, the USD (Acquisition and Sustainment) (USD(A&S)), and the USD(C) have responsibility for various sections of DoD Agency-wide financial statements and for providing information to Fiscal Service for inclusion in the FR of the U.S. Government.

* A. The USD(C) and DFAS are responsible for preparing the draft/working versions and final version of the Financial section of the AFR that includes the Agency-wide financial statements and notes, the Required Supplementary Information (RSI) section (except for the deferred maintenance and repairs information), and the Other Information section of the DoD Agency-wide financial statements. In addition, DFAS must ensure that the GTAS adjusted trial balances are transmitted to Fiscal Service for inclusion in the FR of the U.S. Government with a notification to the USD(C). Refer to Volume 6A, Chapter 3 for guidance on GTAS reporting.

B. The USD(A&S) is responsible for compiling the complete Required Supplementary Stewardship Information section and the deferred maintenance and repairs information for the RSI section of DoD’s Agency-wide financial statements. The USD(A&S) must provide this information, electronically, to DFAS for inclusion in the working and final version of DoD Agency-wide financial reports per the due dates in the financial statement reporting schedule.

C. The USD(C) is responsible for preparing the Agency Head Transmittal Letter required by OMB Circular A-136, Section II.1.1 and the MD&A section of the Agency-wide financial statements, and for submitting the DoD Agency-wide financial statements to OMB and the Congress.
VOLUME 6B, CHAPTER 3: “AGENCY HEAD TRANSMITTAL LETTER, MANAGEMENT’S DISCUSSION AND ANALYSIS, FINANCIAL SECTION, AND OTHER INFORMATION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated January 2018 is archived.

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<td>030303</td>
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<td>Added reference to an illustrative table of key measures which may be included in the financial statement analysis section of the MD&amp;A per OMB Circular A-136, dated June 28, 2019.</td>
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<td>Added information on OMB memorandums, located in previous version of paragraph 030310, for better alignment of information.</td>
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<td>Created a new paragraph from information in previous version of paragraph 030305, for consistency in presentation, by moving explanation of forward-looking information.</td>
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<td>Streamlined paragraph by moving some information to paragraph 030307, for consistency in presentation, and by deleting redundant information.</td>
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<td>030310</td>
<td>Added language clarifying that this paragraph refers to federal entities.</td>
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<td>Added language clarifying responsibility for preparation of the Financial Section and the location of additional clarifying guidance per OMB Circular A-136, section II.3, dated June 28, 2019.</td>
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CHAPTER 3

AGENCY HEAD TRANSMITTAL LETTER, MANAGEMENT'S DISCUSSION AND ANALYSIS, FINANCIAL SECTION, AND OTHER INFORMATION

0301 GENERAL

*030101. Purpose

The Agency Head Transmittal Letter, the Management’s Discussion and Analysis (MD&A), the Financial Section, and Other Information (OI) are components of the Agency Financial Report (AFR) applicable to Tier 1 reporting entities referenced in Chapter 1, section 0104. Within the guidance of the Office of Management and Budget (OMB) Circular A-11, “Preparation, Submission, and Execution of the Budget,” and OMB Circular A-136, “Financial Reporting Requirements,” the Department of Defense (DoD) prepares and submits the AFR and a separate Annual Performance Report (APR). DoD reporting entities are required to prepare the AFR according to the policies prescribed by OMB Circular A-136 as implemented in this volume. These formats and instructions provide a framework within which individual agencies have flexibility to provide information useful to the Congress, agency managers, and the public. Subcomponents are not required to prepare an APR. Within the AFR framework, subcomponents are not required to prepare OI, but may choose to do so using the format specified in this chapter. Finally, DoD does not prepare the optional Summary of Performance and Financial Information.

030102. Authoritative Guidance

The primary authoritative guidance for this chapter is Title 31, United States Code (U.S.C.), section 3515, “Financial Statements of Agencies,” and OMB Circular A-136. Additional authoritative sources are referenced throughout the chapter. Annual updates to Circular A-136 are on the OMB website.

*0302 AGENCY HEAD TRANSMITTAL LETTER

An agency is required to include a dated transmittal letter signed by the agency head to be located at the beginning of the report. It must include a brief message from the agency head highlighting an assessment of whether financial and performance data in the report is reliable and complete, identifying material internal control weaknesses, and corrective actions the agency is taking to resolve them (the letter may reference a more detailed discussion of this topic elsewhere in the report).

0303 MD&A

*030301. Purpose

The MD&A should serve as a brief overview of the entire annual financial report. To be useful, the MD&A must be concise, easy to read to a non-technical audience, and use visual references to present summary information. The MD&A should focus on the most important
matters and provide a balanced analytical assessment of key program and financial performance that includes both positive and negative information. The MD&A should provide management’s view of actual current performance and financial results, as well as expectations about the future. The MD&A should inform the reader, at a high level, on progress toward accomplishing the entity’s mission and associated strategic goals. The discussion should deal with the most important matters that would likely affect the judgments and decisions of people who rely on the AFR as a key source of information. It should address most important matters that could:

A. Lead to significant actions or proposals by senior management;

B. Be significant to the managing, budgeting, and oversight functions of Congress and the Administration; or

C. Significantly affect the judgment of stakeholders about the efficiency and effectiveness of the entity.

*030302. Responsibility

Management is responsible for the content of the MD&A. Its preparation should be a joint effort of the financial management office, program offices, and offices responsible for performance reporting. Management has considerable discretion in preparing and presenting the MD&A, subject to the inclusion of the required content and the pervasive requirement that the MD&A not be misleading. The MD&A provides management with a vehicle for communicating insights about the entity, increasing the understandability of financial information, and providing information about the entity, its operations, service levels, successes, challenges, and the future. The preparer must develop and retain adequate documentation supporting the financial, statistical, and other information presented in the MD&A section.

*030303. Scope

The MD&A is an integral part of the AFR and should be regarded as Required Supplementary Information (RSI). The MD&A reporting requirements are summarized in Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards 15 and Statement of Federal Financial Accounting Concepts 3. The MD&A may reference information in other discrete sections of the AFR, or it may be based on information contained in reports separate from the AFR. In addition, the MD&A may include a brief overview or executive summary explaining the MD&A. An overview section gives the reader a useful summary of what is to come. Some agencies include an overview or executive summary in the “Mission and Organizational Structure” section of the MD&A. The MD&A should clearly delineate the details on when and where the APR will be available to the public. At a minimum, the MD&A should address the entity’s:

A. Mission and organizational structure;

B. Performance goals, objectives, and results;
C. Financial statements;

D. Systems, controls, and legal compliance; and

E. Forward-looking information.

030304. Mission and Organizational Structure

The MD&A should contain a brief description of the mission(s) of the entity and describe its related organizational structure, consistent with the entity's strategic plan. The MD&A should:

A. Name the reporting entity in a clear manner that leaves no doubt as to whether the reporting entity is an entire organization or an activity or group of activities within an organization;

B. Identify the commercial functions and the revolving, trust, and other fund accounts covered by the financial statements;

C. State the mission and major goals of the reporting entity, including reference to the entity’s legislative mandate, if appropriate;

D. Identify the type and provide information on the numbers of individuals and/or groups served by or benefiting from the entity’s major program(s);

E. Provide indicators of the size of the major program(s) (e.g., dollars expended, population served, and the numbers of military and civilian personnel employed in carrying out the major program(s)); and

F. Describe the manner in which the reporting entity is organized to provide the major program(s), including information related to the geographic locations of the organization (e.g., numbers of local, district, state, and regional offices).

*030305. Performance Goals, Objectives, and Results

The MD&A should highlight the “most important” performance goals and results (positive and negative) for the applicable year related to and consistent with goals and objectives in the entity’s strategic and performance plans, including performance trend data. The performance discussion should help the reader assess the relative efficiency and effectiveness of programs. The MD&A should:

A. Provide a concise assessment of the entity’s overall progress toward major program goals, linking goals to cost categories or responsibility segments in the Statement of Net Cost or related notes, if possible;

B. Summarize overall (e.g., reporting entity) performance in the context of historical trends;
C. Summarize the strategies and resources the entity used to achieve its goals;

D. Summarize any significant underlying factors that may have affected the reported performance, including factors that are substantially outside the entity’s control, factors over which the entity has significant control, and any anticipated or unanticipated risks;

E. Summarize plans to improve performance; and

F. Summarize the procedures management has designed and followed to provide reasonable assurance that reported performance information is relevant and reliable.

*030306. Analysis of Financial Statements and Stewardship Information

The MD&A should help users understand the entity’s financial results, position, and condition conveyed in the principal financial statements. The MD&A should include comparisons of the current year to the prior year and should provide an analysis of the agency's overall financial position and results of operations to assist users in assessing whether the financial position has improved or deteriorated as a result of the year's activities. This section should also include a discussion of key financial-related measures emphasizing financial trends and assessing financial operations. Additionally, it should give users the benefit of management’s understanding of the following:

A. Major changes in types or amounts of assets, liabilities, costs, revenues, obligations, and outlays (explaining the underlying causes of the changes);

B. Relevance of particular balances and amounts shown in the principal financial statements, particularly if relevant to important financial management issues;

C. Entity’s stewardship information; and

D. In addition, the following items may be useful to include in the financial statement analysis:

1. Explanations for variances exceeding ten percent and are material to the agency;

2. Significant issues qualitative in nature and relating to financial management;

3. Overall financial condition and financial management issues occurring since the previous reporting period that impact the agency’s current financial status; and

* 4. A table of information based upon the Illustrative Table of Key Measures identified in OMB Circular A-136, Section II.2.6.
A. Agencies are required to provide assurances to the status and effectiveness of the internal controls and financial management systems that support the preparation of the financial statements. Management should provide its assurances related to the Federal Managers’ Financial Integrity Act of 1982 (FMFIA) and its compliance determination required by the Federal Financial Management Improvement Act of 1996 (FFMIA) in a separate section entitled “Management Assurances.” The FMFIA assurance statement should:

1. Provide management’s assessment of the effectiveness of the organization’s internal controls to support effective and efficient programmatic operations, reliable financial reporting and compliance with applicable laws and regulations, and whether the financial management systems conform to relevant financial systems requirements;

2. Provide a separate assessment of the effectiveness of the internal controls over financial reporting as a subset of the overall FMFIA assurance statement; and

3. Include a summary of material weaknesses and non-compliance, a summary of assurance, and a summary of corrective actions to resolve the material weaknesses and non-compliance. Illustrative assurance statements and further guidance on corrective action plans can be found in OMB Circular A-123, “Management’s Responsibility for Enterprise Risk Management and Internal Control.”

B. Management should include its FFMIA compliance assessment in this section. Management is required to provide its assessment of the organization’s financial management systems compliance with the federal financial management systems requirements standards promulgated by FASAB and the U.S. Standard General Ledger at the transaction level. Financial management systems include both financial and financially-related (or mixed) systems. Further guidance on the financial systems requirement can be found in OMB Circular A-123, Appendix D, “Compliance with the Federal Financial Management Improvement Act of 1996.” Briefly discuss the agency's financial management systems strategy and how it will achieve the goals of improving financial and budget management agency-wide. Include an overview of the agency's current and future financial management systems framework and a synopsis of critical projects currently underway or planned to achieve the target framework, per OMB Memorandum M-19-16, “Centralized Mission Support Capabilities for the Federal Government;” OMB Memorandum M-13-09, “Fiscal Year 2013 PortfolioStat Guidance: Strengthening Federal IT Portfolio Management;” and OMB Circular A-123, Appendix D. For areas of FFMIA non-compliance, the agency must identify remediation activities that are planned and underway and include projected dates to achieve compliancy.

C. Management should also review its FMFIA assurance statements and its FFMIA compliance determination for consistency with the findings specified in the annual financial statement audit report(s). The Office of the Inspector General (OIG) or auditor must compare material weaknesses disclosed during the audit with those material weaknesses reported in the agency’s FMFIA report and document any material weaknesses disclosed by audit that were not reported in the agency’s assurance statements. The financial audit responsibilities are
established in the “Scope of the Audit” section of OMB Bulletin 19-03, “Audit Requirements for Federal Financial Statements,” which is updated annually. The reports may be different, but they should not be in direct conflict. When conflicting discrepancies exist, it is management’s responsibility to ensure that outstanding issues are reported appropriately. For material weaknesses related to an error requiring a restatement, if the agency asserted in its MD&A that it received an unmodified opinion on any previously issued financial statement, management should include a high-level discussion of the events that gave rise to the restatement, which should include the nature of the error.

*030308. Forward-looking Information

Forward-looking information includes information about the possible effects of the most important existing performance and financial demands, events, conditions, and trends. Management should discuss important problems that need to be addressed and actions that have been planned or taken to address such problems. The actions that are needed, planned, and taken must be discussed within the sections listed in this paragraph or in a separate section of the MD&A.

030309. Other Management Information, Initiatives, and Issues

Management has the discretion to include a summary in the MD&A of other information, initiatives, and issues it identifies.

*030310. Limitations of the Financial Statements

The MD&A should articulate the limitations of the principal financial statements. This section should state the following:

A. The principal financial statements are prepared to report the financial position and results of operations of the reporting entity, pursuant to the requirements of 31 USC § 3515 (b);

B. The statements are prepared from the books and records of the entity in accordance with Federal Generally Accepted Accounting Principles and the formats prescribed by OMB Circular A-136. Reports used to monitor and control budgetary resources are prepared from the same books and records; and

C. The statements should be read with the realization that they are for a Component of the U.S. Government.

*0304 FINANCIAL SECTION

The Financial Section of the AFR must contain the Auditor’s Report and Financial Statements and Notes. The financial statements are the responsibility of agency management. The reporting entity may include a Chief Financial Officer letter summarizing planned time frames for and major impediments to correcting audit weaknesses and instances of non-compliance and the process made in addressing previously reported audit weaknesses and instances and non-
compliance. Refer to OMB Circular A-136, Section II.3.1 for additional guidance on the financial section. The guidance for the Financial Statements and Notes is in Chapters 4 through 10.

0305 OI

The OI section of the AFR follows the RSI section of the statements and should contain the following, when appropriate and applicable.

*030501. Management Challenges

OMB Circular A-136 states the Performance Accountability Report (PAR) or AFR must include a statement prepared by an executive agency’s OIG summarizing what the OIG considers the most serious management and performance challenges facing an executive agency and briefly assessing the executive agency’s progress in addressing those challenges. This statement must be provided to the executive agency head at least 30 days before the AFR due date. Comments by the executive agency head may be appended to the OIG’s statement. The executive agency head may comment on, but not modify, the OIG statement. Additional guidance can be found in OMB Circular A-136, OI.

*030502. Summary of Financial Statement Audit and Management Assurances

Executive agencies are required to prepare a Summary of Financial Statement Audit and a Summary of Management Assurances. OMB Circular A-136 requires executive agencies to include these summaries as OI or to explain how and why DoD uses an alternative method for reporting that information. Each material weakness should be listed using a unique, short, and easily understood name. These names should be kept constant, so that a weakness reported in FMFIA sections or by the auditor has the same name. To the extent possible, weakness names should also be kept constant from year to year. Significant deficiencies are not required to be reported. Refer to OMB Circular A-136 for additional guidance regarding format and content of the summary report.

030503. Payment Integrity

Guidance for reporting improper payments is contained in Volume 4, Chapter 14 and OMB Circular A-136, Section II.4.5.

030504. Fraud Reduction Report

Under the Fraud Reduction and Data Analytics Act of 2015 (Public Law 114-186, Title 31 U.S.C., § 3321), each agency must include in its AFR or PAR a report on its fraud reduction efforts undertaken. This requirement became effective beginning with the final quarter of Fiscal Year (FY) 2016. The report must include information on the agency’s progress in implementing financial and administrative controls established pursuant to the Act, the fraud risk principle in the Standards for Internal Control in the Government, and OMB Circular A-123 with respect to leading practices for managing fraud risk. The report must also include information on agency progress in identifying risks and vulnerabilities to fraud (including with respect to payroll,
beneficiary payments, grants, large contracts, and purchase and travel cards) and agency progress on establishing strategies, procedures, and other steps to curb fraud.

030505. Reduce the Footprint

Consistent with Section 3 of the OMB Memorandum M-12-12, “Promoting Efficient Spending to Support Agency Operations,” and OMB Memorandum M-17-08, “Amending OMB Memorandum M-12-12, Promoting Efficient Spending to Support Agency Operations,” all Chief Financial Officers Act entities must set annual targets to reduce the total square footage of their domestic office and warehouse inventory compared to the FY 2015 baseline. Pursuant to the requirements in the “Reduce the Footprint” policy implementing guidance, agencies must:

A. Report the total square office and warehouse footage associated with the agency’s assets subject to the “Reduce the Footprint” policy;

B. Report the annual operating costs as reported in the most recent Federal Real Property Profile submittal for owned and direct-lease facilities (direct-lease facilities does not include General Services Administration occupancy agreements) that are subject to the “Reduce the Footprint” policy; and

C. Provide a brief narrative highlighting actions the agency is taking to reduce its FY 2015 Reduce the Footprint office and warehouse baseline, the cost of its lease portfolio, and operation and maintenance costs of unneeded property. An illustrative table is provided for reference in OMB Circular A-136, Section II.4.8.

030506. Civil Monetary Penalty Adjustment for Inflation

Under the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, agencies must make annual inflation adjustments to civil monetary penalties and report on the adjustments in their AFR or PAR. Agencies are encouraged to include the illustrative table referenced in OMB Circular A-136, Section II.4.9.
VOLUME 6B, CHAPTER 4: “BALANCE SHEET”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated November 2016 is archived.

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<td>Reformatted chapter and updated hyperlinks to comply with current administrative instructions.</td>
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<td>Clarified definition of Operating Materials and Supplies (OM&amp;S) by adding “OM&amp;S held for repair” and “OM&amp;S in development” per Statement of Federal Financial Accounting Standards Number 3, “Accounting for Inventory and Related Property.”</td>
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CHAPTER 4

BALANCE SHEET

0401  GENERAL

040101.  Overview

The Balance Sheet is a statement of financial position required to be completed by Department of Defense (DoD) reporting entities identified in Chapter 1. It is a principal financial statement that presents comparative fiscal year data (i.e., current and preceding), as of a specific time. Moreover, it reports amounts owned or managed by reporting entities (assets), amounts owed by the entities (liabilities), and amounts which comprise the difference (net position). Notes to the Balance Sheet are required to clarify or provide additional, more detailed information on the individual asset, liability, and net position line items reported on the face of the Balance Sheet.

040102.  Purpose

This chapter presents the form and content of the DoD Balance Sheet. It identifies general requirements for each asset, liability, and net position line item reported on the Balance Sheet. For detailed accounting policy, see the individual asset and liability chapters published in Volume 4. For detailed information regarding schedules/timelines and/or specific notes, see the Defense Finance and Accounting Service (DFAS) Financial Reporting Guidance and Chapter 10.

040103.  Authoritative Guidance


0402  BALANCE SHEET FORMAT

040201.  General Information

The Balance Sheet should present summary information necessary to make the statement most useful to readers. Where substantial detail is required to properly explain specific line items, present the detail in the notes. See OMB Circular A-136 and Chapter 10 for additional instructions regarding the preparation and presentation of notes for each specific line item on the Balance Sheet.
Individual statement crosswalks are prepared using the Treasury *USSGL*. The crosswalk for each line of the Balance Sheet is incorporated into the Defense Departmental Reporting System (DDRS) Audited Financial Statements (*AFS*) and can be accessed with proper authorization by selecting “Query” from the main DDRS AFS menu, then selecting option “Referential Data” and option “Report Map.”

040202. **Materiality Amounts**

Separate reporting of items on the Balance Sheet is appropriate if the amounts are *material* to the Balance Sheet. *Material* is defined as any item (asset or liability) that represents more than 10 percent of the value of total assets or total liabilities. If an item is determined to be *material*, DoD reporting entities may report the item separately on the face of the Balance Sheet.

040203. **Final Published Balance Sheet**

The format presented in Figure 4-1 must be used for the final DoD-wide consolidated Balance Sheet. The final DoD-wide consolidated Balance Sheet and notes will display dollars rounded to millions with one decimal point. All DoD reporting entity Balance Sheets and notes must display dollar amounts rounded to the nearest whole thousand. Dollar amounts in note narratives must be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., $340.1 million). Foreign currency account balances reported on the Balance Sheet must be translated into U.S. dollars at exchange rates determined by Treasury and which are effective at the financial reporting date. Additionally, the Balance Sheet will use pre-closing balances for all amounts. The line numbers shown in Figure 4-1 (e.g., 1.A.1) will not be included on the final published version of the DoD-wide or reporting entity Balance Sheet. The line numbers are for reference purposes only.

0403 **INSTRUCTIONS FOR PREPARATION OF THE BALANCE SHEET**

040301. **General Instructions for the Assets Section**

A. **Assets.** Assets are defined in accordance with *SFFAS 1*, “Accounting for Selected Assets and Liabilities.” The Balance Sheet must include both entity assets and nonentity assets. (Note: Clearing and suspense accounts are entity assets).

B. **Disclosure of Entity and Nonentity Assets.** The Balance Sheet combines entity and nonentity assets. For example, entity intragovernmental accounts receivable and nonentity intragovernmental accounts receivable are combined and reported as a single intragovernmental accounts receivable line item on the Balance Sheet. However, DoD reporting entities must separately disclose nonentity assets in notes to the financial statements.

C. **Intragovernmental Assets.** Intragovernmental assets arise from transactions within or between federal entities and represent claims by a DoD reporting entity against other federal entities. DoD reporting entities must report intragovernmental assets separately from nonfederal assets on the Balance Sheet. Nonfederal includes domestic and foreign persons and organizations outside the U.S. Federal Government. DoD reporting entities must classify Foreign

040302. Line Item Instructions for the Assets Section

A. Intragovernmental Assets.

1. Fund Balance with Treasury (FBWT), Line 1.A.1. FBWT is the aggregate amount of funds (i.e., entity and nonentity) in a DoD reporting entity's accounts with Treasury for which the reporting entity is authorized to make expenditures and pay liabilities. FBWT is an asset account because it represents an entity’s claim to the U.S. Federal Government’s resources. Fiduciary assets are not recognized on the Balance Sheet but must be separately disclosed in accordance with the provisions of SFFAS 31, “Accounting for Fiduciary Activities.” It does not include any amounts for which Treasury is willing to accept corrections to canceled appropriation accounts, in accordance with SFFAS 1. The amount reported must include extended obligation authority for obligations incurred in closing and closed accounts. For a detailed definition and accounting policy regarding FBWT, see Volume 4, Chapter 2.

2. Investments, Line 1.A.2. Intragovernmental investments are federal securities. Federal securities include nonmarketable par value Treasury securities, market-based Treasury securities expected to be held to maturity, marketable Treasury securities expected to be held to maturity, and securities issued by other federal entities. DoD reporting entities must report their investments on the Balance Sheet at their acquisition cost, adjusted for amortization of a premium or discount, if appropriate.

3. Accounts Receivable, Line 1.A.3. Intragovernmental accounts receivable are DoD claims to cash or other assets due from other federal entities. Receivables related to direct or guaranteed loans are not included on this line. No allowance for estimated uncollectible amounts is recognized for intragovernmental receivables because they are considered collectible. For accounts receivable elimination requirements, see Chapter 13.

4. Other Assets, Line 1.A.4. Intragovernmental other assets are assets not reported in a separate category under the Intragovernmental Assets section of the Balance Sheet. This line reports other intragovernmental advances and prepayments, including advance payments, and other intragovernmental assets that are immaterial to an entity and do not warrant separate reporting. For other assets elimination requirements, see Chapter 13.

5. Total Intragovernmental Assets, Line 1.A.5. This line is the sum of Lines 1.A.1 through 1.A.4.

B. Cash and Other Monetary Assets, Line 1.B. This line reports entity and nonentity cash and other monetary assets. The amount of cash and other monetary assets that the DoD reporting entity holds and is authorized to spend is entity cash. The assets under this category that are collected and held on behalf of the U.S. Federal Government or other entities are nonentity
cash and other monetary assets; report both on this line. This line also includes DoD disbursing officers’ cash from the Standard Form (SF) 1219, “Statement of Accountability,” and the total U.S. dollar equivalent of foreign currencies held in special program foreign currency fund accounts. Cash consists of:

1. Coins, paper currency, and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit;
2. Amounts on demand deposit with banks or other financial institutions, including nonconfirmed collections and disbursements;
3. Cash held by a Disbursing Office;
4. Cash held in imprest funds;
5. Seized cash;
6. Foreign currencies translated for accounting purposes into U.S. dollars at the exchange rate on the financial statement date; and
7. Investments held outside of Treasury.

C. Accounts Receivable, Net, Line 1.C. This line reports DoD claims to cash or other assets due from nonfederal entities, net of an allowance for estimated doubtful amounts. It also includes interest receivable, fines, penalties, and administrative fees from nonfederal entities and supported undistributed collections. However, DoD reporting entities must report interest receivable related to direct loans and acquired defaulted guaranteed loans as a component of loans receivable on Line 1.D.

D. Loans Receivable, Net, Line 1.D. This line reports the net value of direct loans receivable (i.e., prior to 1992 and post-1991) and acquired defaulted guaranteed loans receivable. The net value of credit program receivables and related foreclosed property are considered entity assets if the entity has the authority to determine the use of the funds collected or is legally obligated to use the funds to meet entity obligations (e.g., loans payable to the Treasury). If a DoD reporting entity administers a loan guarantee program and forecloses on property, then refer to SFFAS 2, “Accounting for Direct Loans and Loan Guarantees,” for detailed requirements. When a loan guarantee program (generating a negative subsidy) guarantees a loan and the lender has not disbursed the loan as of the Balance Sheet date, a proprietary receivable from borrowings should not be reported. The undelivered order recorded to obligate the funds is sufficient disclosure when reported as part of the total undelivered orders.

E. Inventory and Related Property, Line 1.E. This line includes inventory, operating materials and supplies (OM&S), and stockpile materiel. For accounting policy regarding inventory, see SFFAS 48, “Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials;” SFFAS 3, “Accounting for Inventory and Related Property;” Volume 4, Chapter 4; and applicable Policy Memoranda. The following categories make up this line:
1. **Inventory.** Inventory is tangible personal property that is:
   a. Held for sale, including raw materials and work in process;
   b. Held for repair;
   c. In the process of production for sale;
   d. To be consumed in the production of goods for sale or in the provision of services for a fee; and
   e. To be transferred to entities within or outside of the U.S. Federal Government.

2. **OM&S.** OM&S are tangible personal property to be consumed in normal operations. OM&S consist of secondary supply items and munition items that a logistics activity holds in stock pending issue, without reimbursement, to the unit or organization that will consume the item in normal operations. This may include OM&S held for repair and OM&S in development.

3. **Stockpile Materiel.** Stockpile materiel is strategic and critical materiel held due to statutory requirements for use in national defense, conservation, or national emergencies as required by the *Strategic and Critical Materials Stock Piling Act*. Specifically, this line reports only materiel applicable to and reported by the Defense Logistics Agency (DLA). The DLA National Defense Stockpile Center manages DoD stockpile materiel and only the DLA National Defense Stockpile Transaction Fund is authorized to use this inventory category and associated accounts.

F. **General Property, Plant and Equipment (PP&E), Net, Line 1.F.** This line reports all PP&E (net of accumulated depreciation) as defined in *SFFAS 6*, “Accounting for Property, Plant and Equipment;” Volume 4; and applicable Policy Memoranda related to Volume 4. DoD reporting agencies must recognize permanent impairments of General PP&E that will remain in use by the entity, in accordance with *SFFAS 44*, “Accounting for Impairment of General Property, Plant and Equipment Remaining in Use.” Please refer to *SFFAS 50*, “Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, SFFAS 10, and SFFAS 23, and Rescinding SFFAS 35,” for additional guidance. Refer to Volume 4, Chapter 26 for a more detailed description of impairment. The rules regarding recognition of impairment apply to all capitalized assets. In addition, although the value of stewardship assets does not appear on the Balance Sheet, it is disclosed in the notes to the financial statements. General PP&E, Net, includes:

1. **Capitalized PP&E.** Capitalized PP&E includes general and personal property and any related modifications, modernizations, upgrades, and improvements whose values or costs meet or exceed the capitalization thresholds established by the Department. For additional policy regarding capitalization, see Volume 4 and applicable Policy Memoranda related to Volume 4.
2. **Real Property.** Real property includes buildings, structures, linear structures, facilities, installed building equipment (e.g., control systems, heating, cooling, electrical, and emergency lighting), and related capital improvements. DoD reporting entities must record the value of Base Realignment and Closure real property (once the mission of that installation terminates or transfers) in USSGL account 189000, “Other General Property, Plant, and Equipment.”

3. **Assets Acquired through Capital Leases, including Leasehold Improvements.** Capital leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. For additional policy regarding capital leases, see SFFAS 6 and Volume 4, Chapter 26. DoD reporting entities must separately disclose capital leases in the footnotes.

4. **Internal Use Software.** DoD reporting entities must capitalize, as a General PP&E asset, the cost of software, whether commercial off-the-shelf, internally developed, or contractor-developed, that meets the DoD capitalization criteria for General PP&E. For further policy on internal use software, see SFFAS 10, “Accounting for Internal Use Software;” Federal Financial Accounting and Auditing Technical Release 16; and Volume 4, Chapter 27.

5. **Depreciation/Amortization.** Depreciation/amortization is the expense associated with the use of General PP&E. It is a contra-asset account that reduces the amount reported for General PP&E. DoD reporting entities must recognize depreciation/amortization on all General PP&E, except land and land rights of unlimited duration. For additional policy regarding depreciation/amortization, see Volume 4 and applicable Policy Memoranda related to Volume 4.

6. **Construction-in-Progress (CIP).** CIP is a temporary asset account in which DoD reporting entities must record the costs of constructing real property and general equipment. CIP accounts include all costs incurred to bring the asset to a form and condition suitable for its intended use. Capital expenditures or Contract Financing Payments (CFPs), coinciding with the portion of the work completed for real property and/or general equipment, must be recorded in a CIP account. For additional policy regarding CIP and/or CFPs, see Volume 4 and applicable Policy Memoranda related to Volume 4.

7. **Land.** General PP&E includes land and land rights acquired for or in connection with other General PP&E. Acquired for or in connection with other General PP&E is defined as land acquired with the intent to construct General PP&E and land acquired in combination with General PP&E, including not only land used as the foundation, but also adjacent land considered to be the General PP&E’s common grounds. DoD reporting entities that have not yet undergone a financial statement audit where they received an unmodified audit opinion must exclude (or adjust their land and land rights opening balances to zero) the value of land and land rights from opening balances of General PP&E on their balance sheets in accordance with SFFAS 6, as amended by SFFAS 50. Moreover, these entities must continue to exclude and expense future land and land rights acquisitions. Conversely, DoD reporting entities that have received an unmodified audit opinion will continue to account for land and land rights in accordance with SFFAS 6. All DoD reporting entities must disclose, in the notes to the financial statements, with a reference on the balance sheet, the number of acres of General PP&E land and land rights held.
DoD reporting entities must report this acreage amount separately from Stewardship Land. There are no disclosure requirements for General PP&E land rights not measured in acres in establishing opening balances.

8. **Government Furnished Equipment (GFE) and Contractor Acquired Property (CAP).** GFE is property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. CAP means property acquired, fabricated, or otherwise provided by the contractor for performing a contract and to which the Government has title. DoD reporting entities must use the most reliable source of information available as a means to report the value of GFE and CAP. For additional policy regarding GFE and CAP, see Volume 4 and applicable Policy Memoranda related to Volume 4.

9. **Working Capital Fund (WCF) PP&E.** DoD WCF reporting entities operate as business-type activities. DoD WCF reporting entities must categorize all PP&E used in the performance of their missions as General PP&E, whether or not it meets the definition of other PP&E categories in SFFAS 6.

10. **Multi-use Heritage Assets.** Heritage assets predominantly used in general government operations (e.g., buildings such as the Pentagon, which is used as an office building) are classified as multi-use heritage assets. As required by SFFAS 29, “Heritage Assets and Stewardship Land,” DoD reporting entities must capitalize as General PP&E and depreciate the cost of acquiring, improving, and reconstructing all multi-use heritage assets. Refer to Volume 4, Chapter 28 for more detailed information on Multi-use Heritage Assets.

G. **Investments, Line 1.G.** This line reports investments in nonfederal securities. DoD reporting entities must report investments in nonfederal securities separately from investments in federal securities. Nonfederal securities include those issued by state and local governments, government-sponsored enterprises, and other private corporations. Report nonfederal securities at acquisition cost or amortized acquisition cost (less an allowance for loss due to changes in market value, if any). This line represents other DoD investments as allowed by public law. Specifically, Public Law 104-106, Section 2801 authorizes DoD to enter into limited partnerships in support of the Military Housing Privatization Initiative.

H. **Other Assets, Line 1.H.** Other assets are nonfederal assets that are not reported in a separate category on the Balance Sheet.

1. Other assets reports the values of all advances and prepayments made to nonfederal entities, and includes travel advances and those assets that are immaterial to the entity and do not warrant separate reporting.

2. This line does not include invoice payments, to include payments for partial deliveries or lease and rental payments. In addition, CFPs are not Other Assets. DoD reporting entities must record CFPs in a CIP account and report them on the General PP&E line of the Balance Sheet.
I. Total Assets, Line 2. This line is the sum of Line 1.A.5. and Lines 1.B. through 1.H.

J. Stewardship PP&E, Line 3. Stewardship PP&E consists of assets whose physical properties resemble those of General PP&E. However, due to their unique nature, stewardship assets are not capitalized and carry no book value. DoD reporting entities must demonstrate accountability over these assets by reporting on their existence and condition. SFFAS 29 reclassified heritage assets and stewardship land information as basic information, with the exception of condition reporting, which is considered Required Supplemental Information. Specifically, it requires reporting entities to reference a note on the face of the Balance Sheet that discloses information about heritage assets and stewardship land, but report no asset dollar amount. Refer to Volume 4, Chapter 28 for more detailed information on Heritage Assets and Stewardship Land. Stewardship PP&E includes:

1. Heritage Assets. Heritage assets are PP&E that are unique for one or more of the following reasons: (1) historical or natural significance; (2) cultural, educational, or artistic importance; or (3) significant architectural characteristics. Heritage assets consist of collection type heritage assets (i.e., objects gathered and maintained for exhibition) and non-collection type heritage assets (i.e., parks, memorials, monuments, and buildings). These assets are preserved indefinitely.

2. Stewardship Land. Stewardship land is land and land rights owned by the Government, but not acquired for or in connection with items of General PP&E. Examples of stewardship land include land used as forests and parks or land used for wildlife and grazing.

*040303. General Instructions for the Liabilities Section

A. Liability. A liability is a probable future outflow or other sacrifice of resources resulting from past transactions or events. Financial statements must recognize probable and measurable future outflows or other sacrifices of resources arising from:

1. Past exchange transactions;

2. Government-related events;

3. Government-acknowledged events; and

4. Nonexchange transactions that are unpaid amounts due as of the reporting date.

B. Liability Recognition.

1. SFFAS 5. “Accounting for Liabilities of The Federal Government,” describes the general principles governing the recognition of a liability. The concept of a liability includes not only those liabilities that routinely recur in normal operations and are due within a
fiscal year (e.g., accounts payable, as outlined in SFFAS 1), but also contingent liabilities resulting from an existing condition that involve uncertainty as to possible loss.

2. DoD reporting entities must recognize liabilities resulting from normal operations when they are incurred, regardless of whether they are covered by available budgetary resources. This requirement includes liabilities related to appropriations canceled under “M” account legislation included in Title 31, United States Code, section 1552, “Procedure for Appropriation Accounts Available for Definite Periods.”

C. Liabilities Covered, Not Covered by, and Not Requiring Budgetary Resources. Liabilities covered by budgetary resources, liabilities not covered by budgetary resources, and liabilities not requiring budgetary resources are combined on the Balance Sheet. For example, intragovernmental accounts payable covered by budgetary resources and intragovernmental accounts payable not covered by budgetary resources are combined and reported as a single intragovernmental accounts payable line item on the Balance Sheet.

1. Liabilities Covered by Budgetary Resources
   a. Liabilities Covered by Budgetary Resources are liabilities incurred which are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority, but also other resources available to cover liabilities for specified purposes in a given year. OMB Circular A-11 identifies amounts included as available budgetary resources.
   
   b. Liabilities are considered covered by budgetary resources when they are funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date. The resources must be apportioned by OMB without further action by the Congress and without a contingency having to be met first. Custodial liabilities are covered by the assets that are collected and held for eventual transfer to other entities.

2. Liabilities Not Covered by Budgetary Resources. This category is for liabilities not covered by budgetary resources as provided in subparagraph 040303.C.1.b, and that will require budgetary resources.

3. Liabilities Not Requiring Budgetary Resources. This category is for liabilities that have not in the past required and will not in the future require the use of budgetary resources.

D. Current Liability. A current liability is an amount that is due to be paid within 12 months of the Balance Sheet date. Current liabilities must be disclosed separately from noncurrent liabilities in the notes to the financial statements.

E. Noncurrent Liability. A noncurrent liability is an amount that is due to be paid beyond 12 months of the Balance Sheet date and will be disclosed separately from current liabilities in the notes to the financial statements.
F. **Contingent Liability.** A contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. Record a contingent liability if the contingency is probable and the amount of the liability can be reasonably estimated.

G. **Intragovernmental Liabilities.** Intragovernmental liabilities arise from transactions within or between federal entities. Intragovernmental liabilities are claims against a DoD reporting entity by other federal entities. DoD reporting entities must report intragovernmental liabilities separately from nonfederal liabilities, including government-sponsored enterprises and the Federal Reserve System, on the Balance Sheet. Classify liabilities with the Foreign Military Sales Trust Fund as intragovernmental.

H. **Interest Payable.** Interest payable is a current liability used to report the amount of interest incurred, but not paid by DoD reporting entities as of the date of the Balance Sheet. DoD reporting entities must report interest payable as a component of the appropriate liability accounts. Interest payable to federal entities is an intragovernmental liability and must be accounted for separately from interest payable to nonfederal entities (or the public).

040304. **Line Item Instructions for the Liabilities Section**

This paragraph includes those liabilities incurred as of the reporting date.

A. **Intragovernmental Liabilities**

1. **Accounts Payable, Line 4.A.1.** Intragovernmental accounts payable are amounts owed by a DoD reporting entity for goods and services received from other federal entities. They include payables for progress made in contract performance by other federal entities and rents due to other federal entities. DoD reporting entities must adjust accounts payable for undistributed disbursements. For intragovernmental accounts payable elimination requirements, see Chapter 13.

2. **Debt, Line 4.A.2.** This line reports the amounts of borrowings from the Treasury, the Federal Financing Bank, or other federal agencies under general or specific financing authority (e.g., Treasury bills, notes, bonds, and Federal Housing Administration debentures). DoD reporting entities must classify all debt not covered by budgetary resources, except for direct loan and guaranteed loan financing account debt to Treasury, and that portion of other debt covered by budgetary resources, at the Balance Sheet date.

3. **Other Liabilities, Line 4.A.3.** Intragovernmental other liabilities are liabilities not reported in a separate category under the Intragovernmental liabilities section of the Balance Sheet. This line reports the total amount due to federal entities for liabilities owed by DoD reporting entities that are not included on lines 4.A.1 and 4.A.2. This amount includes, but is not limited to, deferred credits, advances and prepayments received from other federal entities for goods to be delivered or services to be performed, deposit fund amounts held in escrow, amounts collected from payroll and remitted to the Office of Personnel Management, and capital leases. This line also includes pecuniary liability to the Treasury for DoD disbursing officer's cash reported on SF 1219.
4. **Total Intragovernmental Liabilities, Line 4.A.4.** This is the sum of Lines 4.A.1 through 4.A.3.

B. **Accounts Payable, Line 4.B.** Accounts payable are amounts owed by a DoD reporting entity for goods and services received from nonfederal entities. They include payables for progress made in contract performance by nonfederal entities and rents due to nonfederal entities. DoD reporting entities must report interest payable as a component of the accounts payable on this line. Accrued interest payable is also included in this line as detailed by the Prompt Payment Act. DoD reporting entities must adjust accounts payable for undistributed disbursements.

C. **Military Retirement and Other Federal Employment Benefits, Line 4.C.** This line is applicable to and reports military retirement pension benefits, retired military health benefits, and other employment related actuarial liabilities for civilian and military personnel. DoD reporting entities responsible for the administration of pensions and other retirement benefits, including health benefits for retirees and other postemployment benefits, must calculate and report these liabilities and related expenses in accordance with SFFAS 5 and SFFAS 33, “Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates.” Liabilities for federal employee and veterans’ benefits include the actuarial portion of these benefits. They do not include liabilities related to ongoing continuous expenses (e.g., employee accrued salary and accrued annual leave), which are reported on the Other Liabilities line.

D. **Environmental and Disposal Liabilities, Line 4.D.** Environmental and disposal liabilities include the costs to remove, contain, and dispose of hazardous waste from General PP&E, as well as the costs to remove, contain, and dispose of materiel and property that is deemed to be hazardous waste at a permanent or temporary closure or shutdown of associated General PP&E. SFFAS 5 provides criteria for recognizing a contingent liability and DoD reporting entities must apply such criteria to determine when cleanup costs are recognized as liabilities and disclosed in the notes. SFFAS 6 supplements the liability standard by providing policy for recording cleanup costs related to General PP&E and Stewardship PP&E used in federal operations. For accounting policy regarding Environmental and Disposal Activities, see Volume 4, Chapter 13.

E. **Loan Guarantee Liability, Line 4.E.** This line reports the present value of the estimated net cash flows to be paid as a result of loan guarantees after 1991. For loan guarantees prior to 1992, the amount of known and estimated losses to be payable must be included. When the total loan guarantee liability for all credit programs of a DoD reporting entity is negative, the entity must report the loan as an asset. If a loan guarantee liability is the result of both positive and negative amounts for the various components, then the total must be shown as a liability and negative components disclosed.

F. **Other Liabilities, Line 4.F**

1. **Included Amounts.** This line reports the total amount due to nonfederal entities for other liabilities owed by DoD reporting entities that are not included on
lines 4.A through 4.E. This amount includes, but is not limited to, liabilities related to deferred credits from nonfederal entities, accrued liabilities related to ongoing continuous expenses, such as federal employee salaries, accrued employee annual leave, capital leases, advances and prepayments received from other nonfederal entities for goods to be delivered or services to be performed, deposit fund amounts held in escrow, and estimated contingent liabilities. In addition, report cleanup costs as other liabilities if they are not material to the Balance Sheet. Cleanup costs that exceed the materiality threshold are reported separately as environmental and disposal liabilities.

2. **Accrued Entitlement Benefits.** Accrued entitlements benefits include:

   a. Salaries and wages which represent the estimated liability for salaries and wages of civilian personnel that have been earned, but are unpaid; and the estimated military personnel funded compensation earned, but unpaid, as of the end of the current accounting month; and

   b. Both funded and unfunded accrued annual leave, which represent the accrued leave for civilians and military personnel earned and expected to be paid in the future.

3. **Commitments and Contingencies.** A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur.

   a. DoD reporting entities must recognize a contingent liability when a past event or exchange transaction has occurred; a future outflow or other sacrifice of resources is probable; and the future outflow or sacrifice of resources is measurable. Contingencies that do not meet any of the conditions for liability recognition, and for which there is at least a reasonable possibility that a loss or an additional loss may have been incurred, must be disclosed in a separate note. For additional policy regarding contingent liabilities, see SFFAS 5, as amended by SFFAS 12, “Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government;” Volume 4, Chapter 12; and applicable Policy Memoranda related to this chapter.

   b. DoD reporting entities must also disclose the following commitments:

      (1) An estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment; and

      (2) Amounts for contractual arrangements that may require future financial obligations.
c. DoD reporting entities must recognize a contingent liability for pending or threatened litigation and unasserted claims when the future outflow or other sacrifice of resources is measurable and "likely to occur" as detailed by SFFAS 12.

d. DoD reporting entities must recognize a contingent liability for contingencies not related to pending or threatened litigation when the future outflow or other sacrifice of resources is measurable and "more likely than not to occur" as detailed in SFFAS 12. If a contingency exists for clean-up costs related to Stewardship PP&E, DoD reporting entities must recognize a contingent liability when the Stewardship PP&E is placed in service. DoD reporting entities must report such liability on Line 4.D. Please refer to OMB Circular A-136, Section II.3.3.4 for additional information.

4. Lease Liabilities. DoD reporting entities must report the liability for nonfederal capital leases, including those capital leases entered into during Fiscal Year 1992 and thereafter, and required to be fully funded in the first year of the lease.

G. Total Liabilities, Line 5. This line is the sum of Line 4.A.4 and Lines 4.B. through 4.F.

H. Commitments and Contingencies, Line 6. DoD reporting entities must disclose on Line 6 and in the notes, any contingencies that do not meet any of the conditions for liability recognition and for which there is at least a reasonable possibility that a loss or an additional loss may have been incurred.
disclosures must not be restated in the year funds from dedicated collections are initially reported by an entity.

B. **Unexpended Appropriations, Other Funds, Line 7.B.** This amount includes the portion of the entity’s appropriations represented by undelivered orders and unobligated balances that do not relate to funds from dedicated collections. The amount of unexpended appropriations (including the amount of dedicated collections) reported on the Balance Sheet must equal the amount of unexpended appropriations reported on the Statement of Changes in Net Position (SCNP).

C. **Cumulative Results of Operations, Dedicated Collections, Line 7.C.** This line reports the net results of operations since inception, plus the cumulative amount of prior period adjustments related to funds from dedicated collections. DoD reporting entities must report the cumulative results of operations attributable to funds from dedicated collections separately on the Balance Sheet and in accordance with SFFAS 27, as amended by SFFAS 43. The prior period columns of the basic financial statements and related disclosures must not be restated in the year funds from dedicated collections are initially reported by an entity.

D. **Cumulative Results of Operations, Other Funds, Line 7.D.** This line reports the net results of operations since inception plus the cumulative amount of prior period adjustments that do not relate to funds from dedicated collections. This includes the cumulative amount of donations and transfers of assets in and out without reimbursement. The amount of cumulative results of operations (including the amount of dedicated collections) reported on the Balance Sheet must equal the amount of cumulative results of operations reported on the SCNP.

E. **Total Net Position, Line 8.** This line is the sum of Lines 7.A. through 7.D.

F. **Total Liabilities and Net Position, Line 9.** This line is the sum of Lines 5 and 8.
Figure 4-1. Department of Defense (Reporting Entity) Balance Sheet

<table>
<thead>
<tr>
<th>DEPARTMENT OF DEFENSE (REPORTING ENTITY)</th>
<th>BALANCE SHEET</th>
<th>As of Fiscal Year 20XX</th>
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<tbody>
<tr>
<td></td>
<td>(Amounts in thousands)</td>
<td>(Current FY)</td>
</tr>
<tr>
<td>1. ASSETS:</td>
<td></td>
<td></td>
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<tr>
<td>A. Intragovernmental:</td>
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<tr>
<td>1. Fund Balance with Treasury</td>
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<td>2. Investments</td>
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<td>3. Accounts Receivable</td>
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<td>4. Other Assets</td>
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<td>5. Total Intragovernmental Assets</td>
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<td>B. Cash and Other Monetary Assets</td>
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<td>C. Accounts Receivable, Net</td>
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<td>D. Loans Receivable, Net</td>
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<td>E. Inventory and Related Property, Net</td>
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<td>F. General Property, Plant and Equipment, Net</td>
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<td>G. Investments</td>
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<tr>
<td>H. Other Assets</td>
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<td>2. TOTAL ASSETS</td>
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<td>F. Other Liabilities</td>
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VOLUME 6B, CHAPTER 5: “STATEMENT OF NET COST”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated January 2018 is archived.

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<thead>
<tr>
<th>PARAGRAPH</th>
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<tr>
<td>All</td>
<td>Clarified language for readability and made updates to comply with administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>050103</td>
<td>Updated to reflect the current title of Treasury Financial Manual, Volume 1, Part 2, Chapter 4700.</td>
<td>Revision</td>
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<tr>
<td>050201</td>
<td>Combined paragraphs 050201 and 050202 (previous version) discussing the formats used to generate the consolidated and consolidating Statement of Net Cost (SNC).</td>
<td>Revision</td>
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<tr>
<td>050301.A.2, 050301.C.2, 050301.D.1.b, 050302.A.1</td>
<td>Replaced note numbers with a reference to the notes to the financial statements.</td>
<td>Revision</td>
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<tr>
<td>050301.B</td>
<td>Replaced the reference identifying performance measures used for reporting purposes from the Financial Improvement and Audit Readiness Guidance to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer DoD Internal Control Over Financial Reporting Guide.</td>
<td>Revision</td>
</tr>
<tr>
<td>050301.B</td>
<td>Replaced information explaining the presentation of the SNC with a reference to Figures 5-1 and 5-2 containing the current SNC formats.</td>
<td>Revision</td>
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<tr>
<td>050301.D.1.a</td>
<td>Replaced the categories used to report inter-entity imputed costs with a reference to the gross program cost categories included in Office of Management and Budget (OMB) Circular A-136, “Financial Reporting Requirements,” dated June 28, 2019.</td>
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<td>050301.D.2.a</td>
<td>Replaced the reference to Interpretation of Federal Financial Accounting Standards 6, “Accounting for Imputed Intradepartmental Costs: An Interpretation of SFFAS No. 4,” which was rescinded by SFFAS 55, with a reference to SFFAS 4.</td>
<td>Revision</td>
</tr>
<tr>
<td>050302</td>
<td>Revised the line numbers used on the SNC to more clearly present information.</td>
<td>Revision</td>
</tr>
<tr>
<td>050302.A.1</td>
<td>Replaced the listing of stewardship property, plant, and equipment costs with a reference to OMB Circular A-136, which contains this information.</td>
<td>Revision</td>
</tr>
<tr>
<td>050302.C</td>
<td>Replaced the policy for reporting earned revenues with a reference to OMB Circular A-136, which contains this information.</td>
<td>Revision</td>
</tr>
<tr>
<td>050302.F</td>
<td>Replaced the policy for reporting costs not assigned to programs with a reference to OMB Circular A-136, which contains this information.</td>
<td>Revision</td>
</tr>
<tr>
<td>Figure 5-1</td>
<td>Revised numbering and line titles for the Consolidated SNC to improve usability.</td>
<td>Revision</td>
</tr>
<tr>
<td>Figure 5-2</td>
<td>Revised presentation for the Consolidating SNC to include a column used to summarize data at the Component level.</td>
<td>Revision</td>
</tr>
</tbody>
</table>
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CHAPTER 5

STATEMENT OF NET COST

0501 GENERAL

050101. Overview

The Statement of Net Cost (SNC) is designed to show separately the components of the net cost of the reporting entity's operations for the reporting period. The net cost of operations is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities.

050102. Purpose

This chapter prescribes the policy for preparing the DoD SNC. Additionally, this chapter provides standard formats for the published and working versions of the SNC.

*050103. Authoritative Guidance


0502 FORMATS FOR THE SNC

*050201. Format for the Working Version of the Consolidated/Consolidating SNC

Use the formats presented in Figures 5-1 (consolidated) and 5-2 (consolidating) for the SNC. Consider all versions of the statements, and notes leading up to the final submission to the Defense Finance and Accounting Service (DFAS) Financial Reporting Directorate, “working versions.” The working versions of all statements will include the line numbers as shown in Figures 5-1 and 5-2. All amounts will remain in dollars and cents in the working versions of the statements and note schedules in order to improve communication among the preparers, the reviewers, and the auditors during the financial statements preparation process. Consolidating statements are not required by OMB Circular A-136. However, they are useful for financial management and may be published in a reporting entity’s annual financial report.

050202. Published SNC Format

The final DoD published statements, including the SNC, and the notes to the principal statements will display dollars rounded to the nearest millions with one decimal point. All Component statements will display dollar amounts rounded to the nearest whole thousand on the
final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives will be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g. $340.1 million, not $340,100 thousand). The line numbers shown in Figures 5-1 and 5-2 are for reference only and are not included in the final versions.

0503 INSTRUCTIONS FOR THE PREPARATION OF THE SNC

050301. General Instructions

A. Net Cost of Operations. All figures used on the SNC are pre-closing trial balances.

1. Pre-closing trial balances include end of period adjusting entries to recognize on an accrual basis, revenues and expenses, and the proper amounts for assets, liabilities, and net position amounts. They do not include closing entries, which reduce nominal accounts to zero. The Consolidating SNC is organized in a manner that allows users of the financial data to differentiate between costs and revenues resulting from both program and non-program operations, and provides the framework for analysis of metrics and outcomes of the various DoD programs and activities.

2. Net program costs are the gross program costs incurred by the reporting entity, plus losses (gains) from actuarial assumption changes for military retirement or other postemployment benefits, less any exchange program revenue earned from its activities. This amount represents the net cost of a sub-organization or entity funded by sources other than exchange revenues. The gross cost of a program consists of the full cost of the outputs produced by that program, as defined by SFFAS 4, “Managerial Cost Accounting Standards and Concepts,” plus any nonproduction costs that are assignable to the program. Nonproduction costs are costs linked to events other than the production of goods and services. Refer to Chapter 10 for disclosure requirements in the notes to the financial statements.

B. Programs Reported. DoD has identified performance measures in the Office of the Under Secretary of Defense (OUSD) (Comptroller)/Chief Financial Officer DoD Internal Control Over Financial Reporting Guide for gross costs. DoD currently does not accumulate costs for major programs based on performance measures, in part because financial processes and systems do not yet fully collect costs in line with these measures. DoD divides programs by the seven major appropriation groupings addressed in paragraph 050401. Refer to Figures 5-1 and 5-2 for the current SNC formats.

C. Sub-Entity Programs

1. Preparers of the SNC decide the exact classification of sub-entities and major programs based on:
a. Metrics and outcomes described in the entity’s strategic and performance plans, as required by the Government Performance and Results Act of 1993 (GPRA), as amended by the GPRA Modernization Act of 2010 (GPRAMA); 

b. Entity’s budget structure;

c. Guidance for defining and structuring responsibility segments presented in SFFAS 4; and

d. Requirements of the GPRAMA.

* 2. When data is available at the program element level, reporting entities may provide information as a supplemental schedule in the note to the SNC or in “Other Information.” The SNC and related supporting schedules must show the net cost of operations for the reporting entity as a whole and its sub-entities and program elements, as applicable. In the Consolidating SNC, DoD identifies Components by the reporting entities described in Chapter 1. The Components may further break out the Consolidating SNC and provide any additional supporting schedules in the notes to the financial statements.

D. Imputed Costs. SFFAS 4 requires reporting entities to measure and report the full costs of their outputs (products and services) in financial reports. Imputed costs and financing sources included in the SNC must be identifiable to a specific trading partner. The entity providing the goods or services has the responsibility to provide the receiving entity with information on the full cost of such goods or services through either billing or other advice. SFFAS 4 identifies inter-entity costs that are not fully reimbursed. See SFFAS 4 for additional information.

1. Inter-Entity Imputed Costs

a. Inter-entity imputed costs represent costs that are paid in total or in part by entities external to DoD. Costs displayed on the SNC include certain imputed costs as directed by OMB. All federal agencies are required to report imputed costs for the gross program cost categories described in OMB Circular A-136 to ensure consistency in reporting across the Government.

b. SFFAS 55, “Amending Inter-entity Cost Provisions,” requires the recognition of significant inter-entity costs by business-type activities. Additional guidance on inter-entity costs is available in Federal Accounting Standards Advisory Board Technical Release 19, “Rescission of Technical Release 8.” Disclose intragovernmental full costs and earned revenues, and public costs and earned revenues, in the notes to the financial statements.

2. Intra-Entity Imputed Costs

a. Intra-entity imputed costs represent costs that are paid in total or in part by other entities within DoD. Costs displayed on the SNC include intra-entity
imputed costs as required by SFFAS 4. Imputed intra-entity cost is the unreimbursed portion of the full costs of goods and services received by the entity from a providing entity that is part of the same entity or larger reporting entity (i.e. other bureaus, components, or responsibility segments within the entity or larger reporting entity). An example of an intra-entity imputed cost would be a DoD tenant receiving rent-free business space from another DoD entity. Volume 4, Chapter 19 provides additional detail on intra-entity costs. DoD reporting entities should report the following intra-entity imputed costs:

1. **Imputed Costs for Military Pension Expense.** DoD reporting entities will recognize an imputed cost that is equal to the reported employer entity pension expense for the accounting period, as computed using factors provided by the OUSD (Personnel and Readiness) (P&R), less any accounting period contributions by the Military Departments to the Military Retirement Fund. Report administrative entity expenses only in the Military Retirement Fund audited financial statements.

2. **Imputed Costs for Military Health Benefits.** DoD reporting entities will recognize imputed costs equal to the employer entity expense for the military health benefits that is attributable to the Military Department (as computed using factors provided by the OUSD(P&R)) for the accounting period. The administrative entity for the military health benefits is the OUSD(P&R). Report the administrative entity’s actual expenses only in the Medicare-Eligible Retiree Health Care Fund, Defense Health Agency, and Other Defense Organizations-General Funds financial statements.

b. DoD management, in accordance with the full cost provision of SFFAS 4, determines how intragovernmental costs incurred within DoD will be assigned, allocated, or imputed for purposes of accounting for the full cost of a program and its output(s). As a result, recognition of intra-entity imputed costs is not limited to specific cost categories as in the case of inter-entity imputed costs.

E. **SFFAS 33.** SFFAS 33, “Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates,” requires entities reporting liabilities for federal civilian and military employee pensions, other retirement benefits, and other postemployment benefits, including veterans’ compensation, to report changes in those liabilities that result from gains and losses due to changes in long-term assumptions as a separate line item on the SNC.

*050302. Line Item Instructions*

The Department of the Treasury provides a United States Standard General Ledger crosswalk detailing the accounts and attributes included in each line item of the SNC. DFAS ensures the Defense Departmental Reporting System, Audited Financial Statements is updated with all crosswalk changes made by the Department of the Treasury.

A. **Program Costs - Line 1.** This line includes the full costs of each program’s outcome. It consists of both direct and indirect costs of the output and the costs of identifiable supporting services provided by other segments within the reporting entity and by
other reporting entities. To the extent accounting systems and defined DoD business rules allow, the reporting entity will accumulate and assign costs using the costing methodology found in SFFAS 4. Program costs also include any nonproduction costs that can be assigned to the program but not to its outputs. Report costs related to the production of outputs separately from nonproduction costs that cannot be traced to the production of outputs. The costs of program outputs include costs of services provided by other entities whether or not the providing entity is fully reimbursed.

1. Recognize the cost of Stewardship Property, Plant, and Equipment as a cost in the SNC in the period it is incurred, report separately from other nonproduction costs, and disclose in the notes to the financial statements. Refer to OMB Circular A-136 for additional information. The entity that received the funds reports these costs and separately discloses them in the notes to the financial statements. Report heritage assets and stewardship land according to Chapter 10 and SFFAS 29, “Heritage Assets and Stewardship Land.” Refer to Volume 4, Chapter 28, for additional information on heritage assets, multi-use heritage assets, and stewardship land.

2. Reporting entities will consider differentiating other significant costs when, by doing so, the usefulness of the statements would be improved either because the amount of a particular cost is large or because of its special nature. Consider elements of other nonproduction costs significant when the element represents 10 percent or more of the value of the line.

B. Gross Costs - Line 1.A. This line contains costs that arise from the purchase of goods or services. Eliminate the effects of intra-entity business transactions in the reporting entity’s statements. See Chapter 13 for elimination reporting requirements.

C. (Less: Earned Revenue) - Line 1.B

1. This line contains exchange revenues that arise when a federal entity provides goods and services to the public or another government entity for a price. Report the full amount of exchange revenue on the SNC or supplementary schedule regardless of whether the entity is permitted to retain the revenue in whole or in part.

2. Earned revenue should be deducted from the full cost of outputs or outcomes to determine their net cost unless it is not practical or reasonably possible to do so. If that cannot be done, deduct earned revenue from the gross cost of programs to determine the net program costs. When that is not practical or reasonably possible, deduct earned revenue from the costs of sub-organizations to determine the sub-organizations’ net cost of operations. Refer to OMB Circular A-136 for additional policies for assigning earned revenue to outputs, outcomes, programs, or sub-organizations.

E. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits – Line 1.D. This line contains gains and losses from changes in long-term assumptions used to measure military retirement benefits (i.e., Military Retirement Fund and Medicare-Eligible Retiree Health Care Fund). See SFFAS 33 for further guidance on gains and losses from long-term assumptions.

F. Net Program Costs Including Assumption Changes - Line 1.E

* G. Costs Not Assigned to Programs – Line 1.F. These costs are part of the entity and sub-organization costs and should be reported on the SNC as “Costs Not Assigned to Programs.” Exchange transactions resulting in the recognition of “Extraordinary” items not properly assignable to specific programs will be included in this line. Extraordinary items are costs or income as unusual in type or amount as to be accorded special treatment in the general ledger accounts. Disclose extraordinary items if they represent 10 percent or more of this line. Refer to OMB Circular A-136 for specific examples.

H. Less: Earned Revenue Not Attributable to Programs - Line 1.G. Earned revenue that is insignificant, or cannot be attributed to particular outputs or programs, is reported separately as a deduction in arriving at net cost of operations of the sub-organization or reporting entity as a whole.

I. Net Cost of Operations – Line 2. This line is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities. This amount represents the net cost of a sub-organization or entity that must be financed by sources other than exchange revenues. Report the financing sources required to fund the “Net Cost of Operations” on the Statement of Changes in Net Position.

0504 PROGRAM PRESENTATION

050401. DoD Agency-wide Program Presentation

Report the program data from the SNC for the consolidated DoD financial statements by major appropriation grouping until financial processes and systems are upgraded. The seven appropriation groupings to be reported are:

A. Military Retirement Benefits;
B. Civil Works;
C. Military Personnel;
D. Operations, Readiness and Support;
E. Procurement;
F. Research, Development, Test, and Evaluation; and
G. Family Housing and Military Construction.

050402. DoD Reporting Entities

Managers of the DoD reporting entities identified in Chapter 1 may report the program distribution of net costs by existing entity program units or by appropriation grouping as specified in paragraph 050401. If management chooses a program distribution other than by the appropriation grouping in paragraph 050401, a supplemental SNC by appropriation grouping must be provided. This supplemental schedule is required in order to prepare the consolidated DoD SNC.
**Figure 5-1. Consolidated Statement of Net Cost**

<table>
<thead>
<tr>
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<td>CONSOLIDATED STATEMENT OF NET COST</td>
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<td>FOR THE YEARS ENDED SEPTEMBER 30, 20(CY) AND 20(PY)</td>
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<tr>
<td>(Amounts in dollars and cents)</td>
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**1. Program Costs:**

A. Gross Costs

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<tr>
<td>Military Retirement Benefits</td>
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</tr>
<tr>
<td>Civil Works</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>Military Personnel</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>Operations, Readiness &amp; Support</td>
<td>$$$</td>
<td>$$$</td>
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<tr>
<td>Procurement</td>
<td>$$$</td>
<td>$$$</td>
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<td>$$$</td>
</tr>
<tr>
<td>Family Housing &amp; Military Construction</td>
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<td>$$$</td>
</tr>
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B. (Less: Earned Revenue)

<table>
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<th>Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($$$)</td>
<td>($$$)</td>
</tr>
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</table>

C. Net Cost before Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits

<table>
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<tr>
<th></th>
<th>Current Year</th>
<th>Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$$$</td>
<td>$$$</td>
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</tbody>
</table>

D. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits

<table>
<thead>
<tr>
<th></th>
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<th>Prior Year</th>
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<tr>
<td></td>
<td>$$$</td>
<td>$$$</td>
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E. Net Program Costs Including Assumption Changes

<table>
<thead>
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<th>Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$$$</td>
<td>$$$</td>
</tr>
</tbody>
</table>

F. Costs Not Assigned to Programs

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<tr>
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<th>Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>$$$</td>
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G. Less: Earned Revenue Not Attributable to Programs

<table>
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<tr>
<th></th>
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<td></td>
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<td>($$$)</td>
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**2. Net Cost of Operations**

<table>
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<tr>
<th></th>
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<th>Prior Year</th>
</tr>
</thead>
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<tr>
<td></td>
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<td>$$$</td>
</tr>
<tr>
<td></td>
<td>$</td>
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</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
**Figure 5-2. Consolidating Statement of Net Cost**

<table>
<thead>
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<th>Department of Defense [Reporting Entity]</th>
<th>Consolidating Statement of Net Cost</th>
<th>For the Years Ended September 30, 20(CY) and 20(PY)</th>
<th>(Amounts in dollars and cents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Program Costs</td>
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<td></td>
</tr>
<tr>
<td>A. Gross Costs</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Military Retirement Benefits</td>
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<td>$$$$</td>
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</tr>
<tr>
<td>Civil Works</td>
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<td>$$$$</td>
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<tr>
<td>Military Personnel</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>Operations, Readiness &amp; Support</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>Procurement</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>Research, Development, Test &amp; Evaluation</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>Family Housing &amp; Military Construction</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>B. (Less: Earned Revenue)</td>
<td>($$$)</td>
<td>($$$)</td>
<td>($$$)</td>
</tr>
<tr>
<td>C. Net Cost before Losses/(Gains) from</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>Actuarial Assumption Changes for Military Retirement Benefits</td>
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<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>D. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>E. Net Program Costs Including Assumption Changes</td>
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<td>$$$$</td>
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</tr>
<tr>
<td>F. Costs Not Assigned to Programs</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>G. Less: Earned Revenue Not Attributable to Programs</td>
<td>($$$)</td>
<td>($$$)</td>
<td>($$$)</td>
</tr>
<tr>
<td>2. Net Cost of Operations</td>
<td>$$$$</td>
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<td>$$$$</td>
</tr>
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</table>

The accompanying notes are an integral part of these statements.
VOLUME 6B, CHAPTER 6: “STATEMENT OF CHANGES IN NET POSITION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated January 2018 is archived.

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<tr>
<td>All</td>
<td>Clarified existing language and updated hyperlinks.</td>
<td>Revision</td>
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<td>060102</td>
<td>Added reference to Tier 1 entities per Deputy Chief Financial Officer Memorandum, “Annual List of Department of Defense Reporting Entities (FPM 19-08),” dated August 29, 2019.</td>
<td>Revision</td>
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<tr>
<td>060102</td>
<td>Added that annual updates to Office of Management and Budget (OMB) Circular A-136, dated June 28, 2019, are on the OMB website.</td>
<td>Revision</td>
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<tr>
<td>060301.B</td>
<td>Changed note reference to Note 18 for Funds from Dedicated Collections to align with current note numbering in OMB Circular A-136.</td>
<td>Revision</td>
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<tr>
<td>060301.C.3</td>
<td>Changed note reference to Note 28 for Restatements, and to Note 20 for Disclosures Related to the Statement of Changes in Net Position, to align with current note numbering in OMB Circular A-136.</td>
<td>Revision</td>
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<tr>
<td>060302</td>
<td>Renumbered line references of Figure 6-1, and revised section heading verbiage, per OMB Circular A-136.</td>
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<td>060302.C.1, 060302.J.1</td>
<td>Revised generally accepted accounting principle (GAAP) to U.S. generally accepted accounting principle (USGAAP) to distinguish from international standards, which differ significantly.</td>
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<td>060302.M.3</td>
<td>Deleted reference to Interpretation 6, “Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4,” as rescinded by SFFAS 55.</td>
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<tr>
<td>Figure 6-1</td>
<td>Renumbered line references of Figure 6-1, and revised section heading verbiage, per OMB Circular A-136.</td>
<td>Revision</td>
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</tr>
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</table>
CHAPTER 6

STATEMENT OF CHANGES IN NET POSITION

0601 GENERAL

060101. Purpose

This chapter prescribes the policy surrounding preparation of the Department of Defense (DoD) Statement of Changes in Net Position (SCNP). It provides details for the formatting required for the SCNP and instructions for preparing the Unexpended Appropriations and Cumulative Results of Operations sections thereof.

060102. Authoritative Guidance


0602 FORMAT FOR THE SCNP

060201. General Information

The SCNP reports the change in net position during the reporting period. The net position is affected by changes to its two components: Unexpended Appropriations and Cumulative Results of Operations. The SCNP format displays both components of net position separately to enable the user to understand better the nature of changes to net position as a whole.

060202. Format for the SCNP

The SCNP will be prepared in accordance with the format presented in Figure 6-1. The working versions of all statements and notes must include line numbers as shown in Figure 6-1. All amounts are in dollars and cents in the working versions of the statements and notes in order to facilitate communication among the preparers, reviewers, and auditors during the financial statements preparation process. This process minimizes the additional time and workload required to round and reconcile dollar amounts.

060203. Format for the Final Published SCNP

The final published DoD principal statements, including the SCNP, and notes to the principal statements display dollars rounded to millions with one decimal point. All Component statements, and notes to the statements, display dollar amounts rounded to the nearest thousand on
the final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives must be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., $340.1 million, not $340,100 thousand). The line numbers shown in Figure 6-1 are for reference purposes only. Line number references are not included on the final published statements.

0603 INSTRUCTIONS FOR THE PREPARATION OF THE SCNP

060301. General Instructions

A. Preparation. The SCNP is prepared from information utilizing Department of the Treasury (Treasury) United States Standard General Ledger (USSGL) accounts and crosswalks. System users can access crosswalk information within the USSGL section of the TFM for current fiscal year reporting. The crosswalk for each line of the SCNP is included in the Defense Departmental Reporting System - Audited Financial Statements (DDRS-AFS). Authorized DDRS users may access the most current mapping of the SCNP by selecting “Query” from the main DDRS-AFS menu, then selecting “Referential Data,” and then SCNP under one of the “Report Map” options.

* B. Dedicated Collections

1. Generally, funds from dedicated collections are financed by specifically identified revenues provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute for designated benefits, activities, or purposes, and must be reported separately from the Federal government’s general revenues. The Statement of Federal Financial Accounting Standards (SFFAS) 43, “Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds,” contains the complete definition and criteria for dedicated collections. Report the portions of Cumulative Results of Operations and Unexpended Appropriations attributable to dedicated collections in Note 18, “Funds from Dedicated Collections,” of the notes to the financial statements.

2. Resources from “Funds from Dedicated Collections” derived from trust or special fund receipts are often commingled or mixed with resources from the General Fund of the U.S. Government. If the predominant source of a mixed fund is “Funds from Dedicated Collections,” the entire fund may be reported in the financial statements as “Funds from Dedicated Collections.” Whether a mixed fund is reported as “Funds from Dedicated Collections” depends upon the predominant use of the fund and whether the fund as a whole meets the definition of “Funds from Dedicated Collections” in SFFAS 43.

C. Prior Period Adjustments. A prior period adjustment is an adjustment to balances of a prior period due to a change in accounting principle or correction of a material error (or an aggregation of errors). Prior period adjustments for correction of material errors require restatement of prior period balances, while adjustments for changes in accounting principles
generally do not. Immaterial errors must be corrected in the period discovered, using the accounts that would have been posted had the transactions occurred in the current period. For additional guidance, refer to *SFFAS 21*, “Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources,” and the *Prior-Period and Prior-Year Adjustment Scenarios*.

1. **Requests for Prior Period Adjustments.** Prior period adjustments will be included in the quarterly financial statements in accordance with the guidance found in Section 405 of the DoD Financial Reporting Guidance, hereafter referred to as “DoD FRG.” Components should not record prior period adjustments in USSGL accounts without prior approval from Defense Finance and Accounting Service (DFAS) Financial Reporting Directorate. Forward all requests for prior period adjustments to DFAS Financial Reporting, accompanied by prior period adjustment packages with required supporting documentation, as outlined in the DoD FRG.

2. **Calculating Materiality.** Calculate materiality separately at the DoD reporting entity level, and against a materiality base. If the misstatement involves assets, then the materiality base should be total assets. If the misstatement involves liabilities, then the materiality base should be total liabilities. If the misstatement involves expenses, then the materiality base should be total expenses. Calculate the materiality base net of intragovernmental balances. For DoD reporting entities, an error (or aggregate of errors) is material when it equals or exceeds one percent of the materiality base. See the DoD FRG for additional information.

3. **Disclosure of Prior Period Adjustments.** Prior period adjustments that require restatements are included in Note 28, “Restatements.” Note disclosures to the principal financial statements are explained in Chapter 10. Disclosures include the nature of the errors and the effect on relevant balances in the current period. Financial statements of subsequent periods need not repeat the full disclosures, but should disclose whether there are prior period adjustments not reflected in comparative balances. A note disclosure is required when management becomes aware of a potential misstatement due to material error(s) whether or not the exact amount is known or has been corrected at the time financial statements are prepared. Disclose the nature of a prior period adjustment as the result of a change in accounting principle in accordance with the guidance found in Chapter 10, Note 20, “Disclosures Related to the Statement of Changes in Net Position.”

4. **Management’s Responsibility and Notification of Auditors.** Upon discovery that material errors escaped detection and were included in the published audited financial statements, management must assume responsibility for any false or misleading information in the financial statements, or omissions that render information or disclosures made in the financial statements misleading. As soon as possible after the detection of an error, management must notify their auditors and the primary users of their financial statements of the error and management’s plans to correct it in the financial statements. Components with prior period adjustments will immediately notify DFAS Financial Reporting Directorate (Audited Financial Statements) of the material error. The Office of the Secretary of Defense will make the formal notification to the Congress, OMB, Treasury, and the Government Accountability Office. The notification should include the cause of the error, an estimated dollar amount of the error, and
whether a previously issued financial statement(s) will or may be restated. The general public can see the revised statements on the Office of the Under Secretary of Defense (Comptroller) website. The misstated financial statements will be removed from the website.

5. Auditor’s Responsibility. If a “Subsequent Discovery of Facts” exists on the date of the auditor's report, the auditors will determine whether action is required to prevent future reliance on the published audit report. The auditors may determine if revised financial statements and a revised auditor’s report are required. The auditors may decide to change the audit opinion if it is determined that subsequently discovered information is not reliable. Therefore, it is imperative management work with their auditor as soon as possible after the detection of an error and assist in any actions to resolve the audit finding.

*060302. Line Item Instructions for the Preparation of the SCNP

A. Section Heading – Unexpended Appropriations. This section displays the unexpended balances brought forward from the prior period, in addition to any prior period adjustments that affect the beginning balance.

B. Beginning Balances, Line 1. The total for beginning balances for the consolidated “Unexpended Appropriations” must agree with the total of the ending balances for consolidated “Unexpended Appropriations” of the prior year.


1. Changes in accounting principles, Line 2.A. A change in accounting principle is a change from one U.S. generally accepted accounting principle (USGAAP) to another USGAAP that can be justified as preferable. Changes in accounting principles include those that result from the adoption of a new Federal Accounting Standards Advisory Board (FASAB) standard. This line reports the cumulative effect of the change on prior periods as a change in accounting principle. Do not restate the prior periods financial statements (see SFFAS 21).

2. Corrections of errors (+/-), Line 2.B. Errors in financial statements can result from mathematical mistakes, mistakes in the application of accounting principles, and/or oversight or misuse of the facts that existed at the time the financial statements were prepared. For errors discovered after the issuance of the financial statements, if the misstatement to the financial statements is material absent correction of the errors, then corrections are required and treated as prior period adjustments. Use the following criteria to determine proper display of financial statements containing material corrections of errors in prior periods (see SFFAS 21).

a. When only the current period statements are presented, report the cumulative effect of correcting the error as a prior period adjustment on Line 2.B, “Corrections of errors,” and restated on Line 3, “Beginning balances, as adjusted.”

b. When comparative financial statements are presented, correct the error in the earliest affected period presented by correcting any individual amounts on
the financial statements. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, report the cumulative effect as a prior period adjustment on Line 2.B, “Corrections of errors,” of the earliest period presented. The beginning position of the earliest period presented is restated on Line 3, “Beginning balances, as adjusted.”

D. **Beginning balances, as adjusted, Line 3.** This line is the sum of the adjusted “Beginning Balances” (Line 1) of “Unexpended Appropriations” and “Prior Period Adjustments.”

E. **Budgetary Financing Sources, Line 4.** Report financing sources that represent budgetary resources or adjustments to those resources, as reported on the Statement of Budgetary Resources (SBR) and defined by OMB *Circular A-11*, “Preparation, Submission, and Execution of the Budget.”

1. **Appropriations received, Line 4.A.** This amount includes appropriations received during the current reporting period. This amount does not always agree with the appropriations received amount reported on the SBR because of differences between proprietary and budgetary accounting concepts and reporting requirements. For example, certain dedicated collections are recorded as appropriations received on the SBR, but are recognized as exchange or nonexchange revenue (i.e., in special and nonrevolving trust funds) and reported on the SCNP in accordance with SFFAS 7.

2. **Appropriations transferred-in/out (+/-), Line 4.B.** This line is the amount of appropriations received in the current or prior year(s) that have been transferred-in or out during the current reporting year.

3. **Other adjustments (e.g. rescissions) (+/-), Line 4.C.** This amount includes adjustments to unexpended appropriations. Some examples of adjustments include reductions of appropriations and cancellations of expired appropriations/expenditure accounts.

4. **Appropriations used, Line 4.D.** Appropriations are considered used as a financing source when goods and services are received or benefits are provided. This statement is true whether the goods, services, and benefits are payable or paid as of the reporting date and whether the appropriations are used for items that are expensed or capitalized. “Appropriations used” does not include undelivered orders or unobligated appropriations. “Appropriations used” does not increase “Net Position” since it is subtracted from “Unexpended Appropriations” and added to “Cumulative Results of Operations” for a net zero effect on “Net Position” as a whole.

F. **Total Budgetary Financing Sources, Line 5.** This line is a summation of “Budgetary Financing Sources” (Lines 4.A through 4.D).

G. **Total Unexpended Appropriations, Line 6.** This line represents the total amount of “Unexpended Appropriations” for the period. The calculated value results from adding Line 5, “Total Budgetary Financing Sources,” to Line 3, “Beginning balances, as adjusted.”
H. Section Heading - Cumulative Results of Operations. This section displays the beginning balances brought forward from the prior year, in addition to any prior period adjustments that affect the beginning balance.

I. Beginning Balances, Line 7. The total for beginning balances for the “Consolidated Cumulative Results of Operations” must agree with the total of the ending balances for “Consolidated Cumulative Results of Operations” of the prior year.


1. Changes in accounting principles, Line 8.A. A change in accounting principle is a change from one USGAAP to another one that can be justified as preferable. Adoption of a new FASAB standard is a change in accounting principle. Unless otherwise specified in transitioning instructions of a new FASAB standard, report the cumulative effect of the change on prior periods on this line. Record the adjustment to the beginning balance of “Cumulative Results of Operations” in the SCNP for the period the change is made. Prior period financial statements will not be restated (see SFFAS 21).

2. Corrections of errors (+/-), Line 8.B. Errors in financial statements can result from mathematical mistakes, mistakes in the application of accounting principles, and/or oversight or misuse of the facts that existed at the time the financial statements were prepared. For errors discovered after the issuance of the financial statements, if the misstatement to the financial statements is material absent correction of the errors, then corrections are required and treated as prior period adjustments. Use the following criteria to determine proper display of financial statements containing material corrections of errors in prior periods (see SFFAS 21).

   a. When only the current period statements are presented, report the cumulative effect of correcting the error as a prior period adjustment on Line 8.B., “Corrections of errors,” and the beginning position restated on Line 9, “Beginning Balances, as adjusted.”

   b. When comparative financial statements are presented, correct the error in the earliest affected period presented by correcting any individual amounts on the financial statements. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, report the cumulative effect as a prior period adjustment on Line 8.B., “Corrections of errors,” of the earliest period presented. The beginning position of the earliest period presented is also restated on Line 9, “Beginning balances, as adjusted.”

K. Beginning balances, as adjusted, Line 9. This line is the sum of the beginning balances of “Cumulative Results of Operations” and “Prior Period Adjustments.”
L. Budgetary Financing Sources, Line 10. Report financing sources and nonexchange revenue that are also budgetary resources or adjustments to those resources, as reported on the SBR and defined by OMB Circular A-11.

1. Other adjustments (+/-), Line 10.A. This amount includes adjustments to “Cumulative Results of Operations” that also have an impact on budgetary resources.

2. Appropriations used, Line 10.B. Appropriations are considered used as a financing source when goods and services are received or benefits are provided. This statement is true whether the goods, services, and benefits are payable or paid as of the reporting date and whether the appropriations are used for items that are expensed or capitalized. “Appropriations used” does not include undelivered orders or unobligated appropriations. “Appropriations used” does not increase “Net Position” since it is subtracted from “Unexpended Appropriations” and added to “Cumulative Results of Operations” for a net zero effect on “Net Position” as a whole.

3. Nonexchange revenue, Line 10.C. This includes revenues the Federal Government obtains through the use of its sovereign powers. SFFAS 7, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,” discusses the recognition and measurement criteria for taxes and other nonexchange revenues. If Federal securities investment revenue is material, report it as a separate line item on the SCNP.

4. Donations and forfeitures of cash and cash equivalents, Line 10.D. This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by nonfederal entities. Donations of financial resources include cash, cash equivalents, and securities. Involuntary forfeitures include seized cash and cash equivalents.

5. Transfers-in/out without reimbursement (+/-), Line 10.E. This amount includes intragovernmental non-appropriated balance transfers-in or out during the current reporting year. This line includes financing sources and revenue not reported as “Unexpended Appropriations.” Exchange revenue (included in calculating an entity's net cost of operations) transferred to the Treasury or another Federal entity must be recognized as a transfer-out.

6. Other budgetary financing sources (+/-), Line 10.F. This line includes other financing sources that affect budgetary resources and are not included in Lines 10.A through 10.E. Disclose in Note 20 of the Financial Statements all items equaling 10 percent or more of the value reported on Line 10.F.

M. Other Financing Sources (Nonexchange), Line 11. Report financing sources and nonexchange revenue that do not represent budgetary resources reported on the SBR and are not defined by OMB Circular A-11.

1. Donations and forfeitures of property, Line 11.A. This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by
nonfederal entities, such as land or buildings. *SFFAS 6*, “Accounting for Property, Plant, and Equipment,” contains additional guidance for recognizing revenue arising from donations/involuntary forfeitures of non-financial resources.

2. Transfers-in/out without reimbursement (+/-), Line 11.B. This amount includes intragovernmental transfers-in/out of capitalized assets during the current reporting year. Record the amount of the transfer at the net book value of the transferring entity. If the net book value is unknown, then the amount recognized will be the asset's estimated fair value at the date of the transfer. Both parties to the transfer must confer when fair value is used to ensure balanced intragovernmental entries are recorded.

*   3. Imputed financing from costs absorbed by others, Line 11.C. This amount includes financing of certain costs by one Federal entity on behalf of another Federal entity. “Imputed financing from costs absorbed by others” must equal the amount of imputed costs reported on the Statement of Net Cost (SNC). Refer to *SFFAS 55*, “Amending Inter-entity Cost Provisions,” and *SFFAS 4*, “Managerial Cost Accounting Standards and Concepts,” for additional guidance on the recognition of inter-entity and material intra-entity unreimbursed costs.

4. Other (+/-), Line 11.D. This line includes other financing sources that do not represent budgetary resources and are not included in Lines 11.A through 11.C. Disclose in Note 20 of the Financial Statements all items equaling 10 percent or more of the value reported on Line 11.D.

N. Total Financing Sources, Line 12. This line is a summation of “Budgetary Financing Sources” (Lines 10.A through 10.F) and “Other Financing Sources (Nonexchange)” (Lines 11.A through 11.D).

O. Net Cost of Operations (+/-), Line 13. This amount must agree with the “Net Cost of Operations” as reported on the SNC.

P. Net Change, Line 14. This line represents the net change in “Cumulative Results of Operations” during the period. Subtract Line 13, “Net Cost of Operations,” from Line 12, “Total Financing Sources.”


R. Net Position, Line 16. This line represents the summation of Line 6, “Total Unexpended Appropriations,” and Line 15, “Cumulative Results of Operations.” The value for this line must agree with the “Total Net Position” reported on the “Balance Sheet.”
**Figure 6-1. SCNP**

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<td>Statement of Changes in Net Position For the Periods Ending Month/Day 2XXX and 2XXX</td>
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<th>Current Year</th>
<th>Prior Year</th>
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<tr>
<td><strong>UNEXPENDED APPROPRIATIONS</strong></td>
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<td></td>
</tr>
<tr>
<td>1. Beginning Balances (Includes Funds from Dedicated Collections - See Note 18)</td>
<td>$ XXX</td>
<td>$ XXX</td>
</tr>
<tr>
<td>2. Prior Period Adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.A. Changes in accounting principles</td>
<td>$ XXX</td>
<td>$ XXX</td>
</tr>
<tr>
<td>2.B. Corrections of errors (+/-)</td>
<td>$ XXX</td>
<td>$ XXX</td>
</tr>
<tr>
<td>3. Beginning balances, as adjusted</td>
<td>$ XXX</td>
<td>$ XXX</td>
</tr>
<tr>
<td><strong>Budgetary Financing Sources:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.A. Appropriations received</td>
<td>$ XXX</td>
<td>$ XXX</td>
</tr>
<tr>
<td>4.B. Appropriations transferred-in/out (+/-)</td>
<td>$ XXX</td>
<td>$ XXX</td>
</tr>
<tr>
<td>4.C. Other adjustments (e.g. rescissions) (+/-)</td>
<td>$ XXX</td>
<td>$ XXX</td>
</tr>
<tr>
<td>4.D. Appropriations used</td>
<td>$ XXX</td>
<td>$ XXX</td>
</tr>
<tr>
<td><strong>Total Budgetary Financing Sources (Includes Funds from Dedicated Collections - See Note 18)</strong></td>
<td>$ XXX</td>
<td>$ XXX</td>
</tr>
<tr>
<td><strong>Total Unexpended Appropriations (Includes Funds from Dedicated Collections - See Note 18)</strong></td>
<td>$ XXX</td>
<td>$ XXX</td>
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<td><strong>CUMULATIVE RESULTS OF OPERATIONS:</strong></td>
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<td>7. Beginning Balances</td>
<td>$ XXX</td>
<td>$ XXX</td>
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<tr>
<td>8. Prior Period Adjustments:</td>
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<td>8.A. Changes in accounting principles</td>
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<td>$ XXX</td>
</tr>
<tr>
<td>8.B. Corrections of errors (+/-)</td>
<td>$ XXX</td>
<td>$ XXX</td>
</tr>
<tr>
<td>9. Beginning balances, as adjusted (Includes Funds from Dedicated Collections - See Note 18)</td>
<td>$ XXX</td>
<td>$ XXX</td>
</tr>
<tr>
<td>Department of Defense Reporting Entity</td>
<td>Statement of Changes in Net Position For the Periods Ending Month/Day 2XXX and 2XXX</td>
<td></td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Current Year</td>
<td>Prior Year</td>
</tr>
</tbody>
</table>

10. Budgetary Financing Sources:

10.A. Other adjustments (+/-) $ XXX | $ XXX
10.B. Appropriations used $ XXX | $ XXX
10.C. Nonexchange revenue $ XXX | $ XXX
10.D. Donations and forfeitures of cash and cash equivalents $ XXX | $ XXX
10.E. Transfers-in/out without reimbursement (+/-) $ XXX | $ XXX
10.F. Other budgetary financing sources (+/‐) $ XXX | $ XXX

11. Other Financing Sources (Nonexchange):

11.A. Donations and forfeitures of property $ XXX | $ XXX
11.B. Transfers-in/out without reimbursement (+/-) $ XXX | $ XXX
11.C. Imputed financing from costs absorbed by others $ XXX | $ XXX
11.D. Other (+/-) $ XXX | $ XXX

12. Total Financing Sources (Includes Funds from Dedicated Collections - See Note 18) $ XXX | $ XXX

13. Net Cost of Operations (+/-) (Includes Funds from Dedicated Collections - See Note 18) $ XXX | $ XXX

14. Net Change $ XXX | $ XXX

15. Cumulative Results of Operations (Includes Funds from Dedicated Collections - See Note 18) $ XXX | $ XXX

16. Net Position $ XXX | $ XXX
### VOLUME 6B, CHAPTER 7: “STATEMENT OF BUDGETARY RESOURCES”

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated November 2016 is archived.

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<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<td>070101 &amp; 070301.E</td>
<td>Updated the current list of reporting sections included on the Statement of Budgetary Resources (SBR).</td>
<td>Revision</td>
</tr>
<tr>
<td>070201.B</td>
<td>Clarified the process used to submit United States Standard General Ledger (USSGL) trial balances and the associated USSGL reconciliations between the financial reports.</td>
<td>Revision</td>
</tr>
<tr>
<td>070301.C</td>
<td>Revised reference to the current Office of Management and Budget (OMB) Bulletin used to identify the minimum requirements for Federal financial statement audits.</td>
<td>Revision</td>
</tr>
<tr>
<td>070301.E.3</td>
<td>Revised to clarify the Bureau of the Fiscal Service reports used to report distributed offsetting receipt information.</td>
<td>Revision</td>
</tr>
<tr>
<td>070302</td>
<td>Revised reporting line items and descriptions used to report budget execution data on the SBR to reflect current policy in Appendix F, “Format of SF 132, SF 133, Schedule P, and SBR,” of OMB Circular A-11, “Preparation, Submission, and Execution of the Budget.”</td>
<td>Revision</td>
</tr>
<tr>
<td>070302.B &amp; 070302.C</td>
<td>Deleted line items and descriptions for the SBR and included a reference to the OMB appendix containing this information.</td>
<td>Deletion</td>
</tr>
<tr>
<td>070302.D.2 &amp; 070302.D.2.e</td>
<td>Deleted the policy used to reconcile offsetting receipts distributed to Components, and reported on the SBR, to deductions reported in the Budget of the U.S. Government, as current OMB policy does not require this reconciliation.</td>
<td>Deletion</td>
</tr>
<tr>
<td>070302.D.2.d</td>
<td>Added information on the reporting processes used within the Central Accounting Reporting System.</td>
<td>Addition</td>
</tr>
<tr>
<td>Figure 7-1 &amp; Figure 7-2</td>
<td>Revised the respective figures used to report budget execution data on the SBR to reflect current policy in OMB Circular A-136, “Financial Reporting Requirements.”</td>
<td>Revision</td>
</tr>
</tbody>
</table>
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CHAPTER 7

STATEMENT OF BUDGETARY RESOURCES

0701 GENERAL

*070101. Purpose

This chapter prescribes the policy surrounding preparation of the Department of Defense (DoD) Statement of Budgetary Resources (SBR). It provides details for the formatting used in various versions of the SBR and instructions for preparing the SBR subsections of Budgetary resources, Status of budgetary resources, and Outlays, net.

070102. Authoritative Guidance


0702 FORMAT FOR THE SBR

*070201. Format for the Working Version of the SBR

Format the SBR to align with the Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources using the guidance published in Section 130 of OMB Circular A-11. The SBR is prepared at the DoD Component level and is a summarization of the individual appropriation account level SF 133s. Use the format presented in Figure 7-1 for the working version of the combined SBR. All amounts are in dollars and cents in the working versions of the statements and notes in order to improve communication among the preparers, the reviewers, and the auditors during the financial statements preparation process. Reporting all amounts in dollars and cents minimizes the additional time and workload required to round and reconcile dollar amounts.

A. OMB Circular A-136 requires that DoD distinguish between budgetary and non-budgetary credit reform financing accounts, and identify net outlays of specific distributed offsetting receipt values. Reserve the “Non-Budgetary Credit Reform Financing Account” section of the SBR for reporting United States Standard General Ledger (USSGL) account balances from the post-1991 direct loan financing and loan guarantee entries included in section 185.11 of OMB Circular A-11. Section 185.11 includes data descriptions for the respective schedules used to report financing and loan guarantee balances. Information on the SBR must be reconcilable with budget execution information reported on the SF 133 and with information reported in the Budget of the U.S. Government to ensure the integrity of the numbers presented.

* B. Reporting entities submit USSGL-based trial balances through the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to produce
the SF 133, the prior year (PY) column of the Program and Financing Schedule (Schedule P) of the Budget of the U.S. Government, and the SBR. The DoD Financial Reporting Guidance and OMB Circular A-136 provide instructions for reconciling SF 133 data submitted through GTAS to the SBR.

1. The Bureau of the Fiscal Service (Fiscal Service) “Federal Account Symbols and Titles (FAST) Book” of the Treasury Financial Manual (TFM) identifies receipt, appropriation, and other fund account symbols and titles assigned by the Department of the Treasury. The FAST Book includes accounts used to report non-budgetary financing and loan guarantee accounts.

2. Disclose as Other Information, Executive Office of the President Accounts administered by DoD as non-budgetary financing and loan guarantee accounts. Refer to the FAST Book for a listing of non-budgetary financing and loan guarantee accounts.

070202. Format for the SBR

The final published DoD principal statements and the notes to the principal statements display dollars rounded to millions with one decimal point. Component principal statements and the notes to the principal statements display dollars rounded to the nearest thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives are reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., $340.1 million, not $340,100 thousand). The line numbers on the working versions of all statements, including the illustrative DoD statements, are for reference purposes only. Line number references are not included on final published statements.

070203. Note Disclosure

Explain material differences between amounts reported on the financial statements and budgetary reports in footnotes as described in Chapter 10. These material disclosures are consistent with the reconciliation requirements for the SBR, GTAS, and other budgetary reporting. The Component and auditor will discuss any material changes to budgetary information subsequent to the publication of the audited SBR to determine whether a restatement or note disclosure is necessary. Disclose any material differences between comparable information contained in the SBR and the Budget of the U.S. Government at the Agency-wide level in footnotes as described in Chapter 10. See Section 405 of the DoD Financial Reporting Guidance for DoD materiality thresholds.

0703 INSTRUCTIONS FOR THE PREPARATION OF THE SBR

*070301. General Instructions for the Preparation of the SBR

Information on the SBR must be reconcilable with budget execution information reported on GTAS submissions and with information reported in the Budget of the U.S. Government. The SBR is prepared from USSGL information based on Fiscal Service USSGL accounts and
crosswalks. The Fiscal Service website contains USSGL information and crosswalks for the SBR. The Defense Departmental Reporting System Audited Financial Statements (DDRS-AFS) includes the crosswalk logic from the trial balance to each line of the SBR. Authorized users can access report crosswalks in DDRS-AFS by selecting “Query” and “Referential Data” from the main DDRS-AFS menu, and selecting a report under one of the “Report Map” options. For DoD, the DoD Standard Reporting Chart of Accounts identifies and defines approved general ledger accounts in accordance with the Standard Financial Information Structure.

A. Due to timing differences, subsequent changes, whether material or non-material, may be made to budgetary information included in the Budget of the U.S. Government after the SBR has been published. Make all subsequent changes, whether material or non-material, in OMB’s MAX A-11 Data Entry System and in GTAS during the September revision period.

B. The agencies and their auditors will discuss any material changes to budgetary information subsequent to the publication of the audited SBR to determine if restatement or note disclosure is necessary. At a minimum, disclose any material difference between comparable information contained in the SBR and the Budget of the U.S. Government in footnotes as described in Chapter 10.

C. Budgetary information aggregated for purposes of the SBR should be disaggregated for each of the reporting entity's major budget accounts and presented as Required Supplementary Information (RSI), as described in Chapter 12. Base the recognition and measurement of budgetary information in the SBR on guidance described in Appendix F, “Format of SF 132, SF 133, Schedule P, and SBR,” of OMB Circular A-11. OMB Bulletin 19-01, “Audit Requirements for Federal Financial Statements,” provides additional guidance by identifying the minimum requirements for audits of Federal financial statements.

D. OMB Circular A-136 requires a combined SBR (intragovernmental transactions are not eliminated), which is consistent with the aggregate of the account level information presented on GTAS submissions. Do not perform a line-by-line consolidation of this statement since it would require a line-by-line elimination of inter-entity balances. The statement distinguishes between budgetary and non-budgetary credit reform financing accounts and identifies distributed offsetting receipt values.

E. Divide the SBR into three general subsections: Budgetary resources; Status of budgetary resources; and Outlays, net.

1. Aggregate the SBR to reflect all activity of the reporting entity for the year covered by the financial statement. Present PY information so the reader may make appropriate comparisons with PYs.

2. Present separate columns for the current year (CY) and PY non-budgetary credit reform financing accounts in the SBR. The presentation allows for a clear distinction between budgetary and non-budgetary credit reform financing account information. OMB Circular A-136 contains guidance supporting the separation of credit reform financing
account information on the SBR. Report all non-budgetary credit reform financing accounts separate from the budgetary totals in the Budget of the U.S. Government.

* 3. Line 4200 is included for distributed offsetting receipts on the SBR. Distributed offsetting receipts offset budget authority and outlays at the Component level in the Budget of the U.S. Government, but are not required on the SF 133, which provides appropriation account level information only. Since the SBR functions as a Component-wide report, the values of distributed offsetting receipts are included to reconcile with the Fiscal Service Quarterly Distributed Offsetting Receipts by Department Report in the Central Accounting Reporting System (CARS), which provides detailed information for transactions reported on the Statement of Transactions for distributed offsetting receipts reflected in the Monthly Treasury Statement.

F. Monitor budget execution at the individual appropriation account level (SF 133) for DoD Component reporting entities. Aggregate all budgetary information for the combined SBR principal statements. Disaggregate budgetary information for the reporting entity’s combining statement by major budget account groups and present in the RSI section of the financial statements as identified in section 0704. The major accounts and the aggregate of small budget accounts must equal, in total, the amounts reported on the face of the SBR.

*070302. Line Item Instructions for the Preparation of the SBR

A. SBR Format. Appendix F of OMB Circular A-11 identifies the format and information reported on each line of the SBR. OMB Circular A-136 provides additional guidance for the types of data included in each section of the SBR.

* B. Budgetary resources. The Budgetary resources section identifies the total budgetary resources available to the reporting entity. Budgetary resources include, but are not limited to, new budget authority, unobligated budgetary resources at the beginning of the period, transfers in and out of budgetary resources, recoveries of PY obligations, spending authority from offsetting collections, and any adjustments to these resources.

* C. Status of budgetary resources. The Status of budgetary resources section displays information about the status of budgetary resources at the end of the reporting period. It consists of the obligations incurred and the unobligated balances at the end of the reporting period. The total amount displayed for the status of budgetary resources equals the total budgetary resources available to the reporting entity as of the reporting date. The nature of permanent indefinite appropriations and legal arrangements affecting the use of unobligated balances must be disclosed in either Note 1 or a separate note to the SBR.

D. Outlays, net. The Outlays, net section displays the net total for agency outlays.

1. Outlays, net (total) (discretionary and mandatory), Line 4190. Line 4190 shows the amount of net outlays recorded during the reporting period. Line 4190 equals gross outlays less any offsetting collections.
2. Distributed offsetting receipts (-), Line 4200. Line 4200 shows the amount of distributed offsetting receipts recorded during the reporting period. Offsetting receipts are composed of proprietary receipts from the public, receipts from intragovernmental transactions, and offsetting governmental receipts.

   a. Offsetting receipts are collections credited to general fund (GF), special fund, or trust fund receipt accounts, which offset gross outlays. Unlike offsetting collections, which are credited to expenditure accounts and offset outlays at the account level, offsetting receipts are credited to receipt accounts and offset outlays at the Component or governmentwide level.

   b. Offsetting receipts may be distributed to Components or remain undistributed. Distributed offsetting receipts offset the outlays of the Component, while undistributed offsetting receipts offset governmentwide outlays. Distributed offsetting receipts typically offset the outlays of the Component that conducts the activity generating the receipts and the subfunction to which the activity is assigned.

   c. The SBR includes all distributed offsetting receipts for the Component. OMB Circular A-136 defines and describes distributed offsetting receipts.

   d. The amount of distributed offsetting receipts reported in the SBR is the aggregate of cash collected in these receipt accounts and reported to the Fiscal Service. Agencies classified as “CARS Daily Reporters” report via the Payment Information Repository or Collections Information Repository. Agencies not classified as “CARS Daily Reporters” report on a monthly basis via the legacy process using the Financial Management Service (FMS) 224, Statement of Transactions, or the FMS 1220, Statement of Transactions According to Appropriations, Funds, and Receipt Accounts. See TFM Volume 1, Part 2, Central Accounting and Reporting, for guidance regarding these forms.

   e. The SBR does not include undistributed offsetting receipts credited to governmentwide outlay totals.

3. Agency outlays, net (discretionary and mandatory), Line 4210. Line 4210 shows net totals for agency outlays. Reduce gross outlays (disbursements) by actual offsetting collections to derive net outlays. Reduce net outlays by any distributed offsetting receipts to derive “Agency outlays, net.” The outlays (gross and net) are reconcilable to the disbursements and collections reported to Fiscal Service for the CY to date.

0704 DISAGGREGATED SBR

Prepare and report the Disaggregated SBR in the RSI section of the financial statements. Figure 7-2 illustrates the current report format for the disaggregated SBR.
070401. The DoD-wide Disaggregated SBR

Disaggregate the DoD-wide SBR into seven appropriation/fund groupings. Provide column headings and breakout by: Military Personnel; Procurement; Research, Development, Test and Evaluation (RDT&E); Family Housing and Military Construction; Military Retirement Benefits; Civil Works; and Operations, Readiness and Support.

070402. Military Department GFs Disaggregated SBR

Disaggregate the Department of the Army GF, the Department of the Navy GF, and the Department of the Air Force GF SBR into five appropriation/fund groupings. Provide column headings and breakout by: Military Personnel; Procurement; RDT&E; Family Housing and Military Construction; and Operations, Readiness and Support.

070403. Military Retirement Fund and U.S. Army Corps of Engineers (USACE) Disaggregated SBR

A disaggregated SBR for the Military Retirement Fund is not applicable. The USACE Civil Works may disaggregate as appropriate for the Treasury Index 96 accounts in the stand-alone USACE financial statements.

070404. Medicare-Eligible Retiree Health Care Fund Disaggregated SBR

A disaggregated SBR for the Medicare-Eligible Retiree Health Care Fund is not applicable.

070405. Working Capital Fund (WCF) Disaggregated SBR

Disaggregate the stand-alone Army WCF, Navy WCF, and Air Force WCF SBR by business activity.

070406. All Other Defense Entities Disaggregated SBR

The stand-alone Other Defense Entities may disaggregate as appropriate for their entities.
**Figure 7-1. Statement of Budgetary Resources**

<table>
<thead>
<tr>
<th>Budgetary resources:</th>
<th>2XXX (CY)</th>
<th>2XXX (PY)</th>
<th>2XXX (PY)</th>
<th>2XXX (PY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Unobligated balance from prior year budget authority, net (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>* Appropriations (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>* Borrowing authority (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>* Contract authority (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>* Spending authority from offsetting collections (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>Total budgetary resources</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
</tr>
</tbody>
</table>

**Status of budgetary resources:**

<table>
<thead>
<tr>
<th></th>
<th>2XXX (CY)</th>
<th>2XXX (PY)</th>
<th>2XXX (PY)</th>
<th>2XXX (PY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New obligations and upward adjustments (total)</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
</tr>
<tr>
<td>Unobligated balance, end of year</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>* Apportioned, unexpired accounts</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>* Exempt from apportionment, unexpired accounts</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>* Unapportioned, unexpired accounts</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>* Unexpired unobligated balance, end of year</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>* Expired unobligated balance, end of year</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>Unobligated balance, end of year (total)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>Total budgetary resources</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
</tr>
</tbody>
</table>

**Outlays, net:**

<table>
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<tr>
<th></th>
<th>2XXX (CY)</th>
<th>2XXX (PY)</th>
<th>2XXX (PY)</th>
<th>2XXX (PY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Outlays, net (total) (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>* Distributed offsetting receipts (-)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>* Agency outlays, net (discretionary and mandatory)</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
</tr>
</tbody>
</table>

* Represents a line number that is unique to the SBR. Further information on the description and composition of these lines can be found in OMB Circular A-11, Appendix F.

The accompanying notes are an integral part of these statements.
### Figure 7-2. Statement of Disaggregated Budgetary Resources

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Budgetary resources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1051 * Unobligated balance from prior year budget authority, net (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>1290 * Appropriations (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>1490 * Borrowing authority (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>1690 * Contract authority (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>1890 * Spending authority from offsetting collections (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
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<td>XXX.X</td>
</tr>
<tr>
<td>1910 Total budgetary resources</td>
<td><strong>$ XXX.X</strong></td>
<td><strong>$ XXX.X</strong></td>
<td><strong>$ XXX.X</strong></td>
<td><strong>$ XXX.X</strong></td>
<td><strong>$ XXX.X</strong></td>
<td><strong>$ XXX.X</strong></td>
<td><strong>$ XXX.X</strong></td>
<td><strong>$ XXX.X</strong></td>
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</table>

**Status of budgetary resources:**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>2190 New obligations and upward adjustments (total)</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
</tr>
<tr>
<td>2204 * Unobligated balance, end of year</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>2304 * Exempt from apportionment, unexpired accounts</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>2404 * Unapportioned, unexpired accounts</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>2412 Unexpired unobligated balance, end of year</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>2413 Expired unobligated balance, end of year</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>2490 Unobligated balance, end of year (total)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>2500 Total budgetary resources</td>
<td><strong>$ XXX.X</strong></td>
<td><strong>$ XXX.X</strong></td>
<td><strong>$ XXX.X</strong></td>
<td><strong>$ XXX.X</strong></td>
<td><strong>$ XXX.X</strong></td>
<td><strong>$ XXX.X</strong></td>
<td><strong>$ XXX.X</strong></td>
<td><strong>$ XXX.X</strong></td>
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</tr>
</thead>
<tbody>
<tr>
<td>4190 * Outlays, net (total) (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>4200 * Distributed offsetting receipts (-)</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>4210 * Agency outlays, net (discretionary and mandatory)</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
</tr>
</tbody>
</table>

* Represents a line number that is unique to the SBR. Further information on the description and composition of these lines can be found in OMB Circular A-11, Appendix F.

The accompanying notes are an integral part of these statements.
*Figure 7-2. Statement of Disaggregated Budgetary Resources (continued)

<table>
<thead>
<tr>
<th>Department/Agency/Reporting Entity</th>
<th>Statement of Disaggregated Budgetary Resources</th>
<th>For the Years Ended September 30, 2XXX (CY) and 2XXX (PY)</th>
</tr>
</thead>
</table>

**Non Budgetary Financing Account**

**Budgetary resources:**

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>CY</th>
<th>PY</th>
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</thead>
<tbody>
<tr>
<td>1051</td>
<td>* Unobligated balance from prior year budget authority, net (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
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<tr>
<td>1290</td>
<td>* Appropriations (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>1490</td>
<td>* Borrowing authority (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>1690</td>
<td>* Contract authority (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>1890</td>
<td>* Spending authority from offsetting collections (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>1910</td>
<td>Total budgetary resources</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
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</tbody>
</table>

**Status of budgetary resources:**

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>CY</th>
<th>PY</th>
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<tbody>
<tr>
<td>2190</td>
<td>New obligations and upward adjustments (total)</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
</tr>
<tr>
<td>2204</td>
<td>* Apportioned, unexpired accounts</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>2304</td>
<td>* Exempt from apportionment, unexpired accounts</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>2404</td>
<td>* Unapportioned, unexpired accounts</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>2412</td>
<td>Unexpired unobligated balance, end of year</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>2413</td>
<td>Expired unobligated balance, end of year</td>
<td>XXX.X</td>
<td>XXX.X</td>
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<tr>
<td>2490</td>
<td>Unobligated balance, end of year (total)</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>2500</td>
<td>Total budgetary resources</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
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</table>

**Outlays, net:**

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>CY</th>
<th>PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>4190</td>
<td>* Outlays, net (total) (discretionary and mandatory)</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>4200</td>
<td>* Distributed offsetting receipts (-)</td>
<td>XXX.X</td>
<td>XXX.X</td>
</tr>
<tr>
<td>4210</td>
<td>* Agency outlays, net (discretionary and mandatory)</td>
<td>$ XXX.X</td>
<td>$ XXX.X</td>
</tr>
</tbody>
</table>

* Represents a line number that is unique to the SBR. Further information on the description and composition of these lines can be found in OMB Circular A-11, Appendix F.

The accompanying notes are an integral part of these statements.
VOLUME 6B, CHAPTER 10: “NOTES TO THE FINANCIAL STATEMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated November 2018 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tbody>
<tr>
<td>All</td>
<td>Reordered, retitled, and disaggregated notes to more closely follow the order used in Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, dated June 28, 2019. Streamlined language and notes throughout.</td>
<td>Revision</td>
</tr>
<tr>
<td>100202</td>
<td>Revised the title of the Federal Accounting Standards Advisory Board Handbook containing U.S. Generally Accepted Accounting Principles.</td>
<td>Revision</td>
</tr>
<tr>
<td>100202, 1004, Figure 10-1, 102604</td>
<td>Revised the title of Note 1 from “Significant Accounting Policies,” to “Summary of Significant Accounting Policies,” to match OMB Circular A-136.</td>
<td>Revision</td>
</tr>
<tr>
<td>100308</td>
<td>Removed unnecessary abnormal balance guidance not required by OMB Circular A-136. Consolidated other references to abnormal balance reporting for simplicity.</td>
<td>Revision</td>
</tr>
<tr>
<td>100309</td>
<td>Added a new paragraph consolidating references to the DoD Financial Reporting Guidance containing procedural information used to produce the year-end notes to the financial statements.</td>
<td>Addition</td>
</tr>
<tr>
<td>Figure 10-1</td>
<td>Revised the listing of significant accounting policies to align disclosures produced as part of the year-end financial reporting process with OMB policy.</td>
<td>Revision</td>
</tr>
<tr>
<td>100602, Figure 10-3</td>
<td>Added line items to Note 3, “Fund Balance with Treasury” (FBWT), used to report more detailed FBWT amounts.</td>
<td>Revision</td>
</tr>
<tr>
<td>1009, Figure 10-6</td>
<td>Revised the title of Note 6 from “Accounts Receivable,” to “Accounts Receivable, Net,” to match OMB Circular A-136.</td>
<td>Revision</td>
</tr>
<tr>
<td>1010</td>
<td>Revised the title of Note 7 from “Direct Loan and Loan Guarantees,” to “Direct Loan and Loan Guarantees, Nonfederal Borrowers,” to match OMB Circular A-136.</td>
<td>Revision</td>
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<td>EXPLANATION OF CHANGE/REVISION</td>
<td>PURPOSE</td>
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<tr>
<td>Figure 10-10</td>
<td>Revised the column headings used to report subsidy expenses for direct loans by program to align with OMB Circular A-136.</td>
<td>Revision</td>
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<tr>
<td>Figure 10-12, 101007.C, 101007.D</td>
<td>Revised the line items used to report subsidy cost allowance information to align with OMB Circular A-136.</td>
<td>Revision</td>
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<tr>
<td>Figure 10-15, 101010.C</td>
<td>Updated and clarified note format used to report liabilities for loan guarantees.</td>
<td>Revision</td>
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<tr>
<td>101010, 101013</td>
<td>Removed information on Pre-1992 loans as DoD currently only has Post-1991 loans.</td>
<td>Revision</td>
</tr>
<tr>
<td>1011, Figure 10-19</td>
<td>Revised the title of Note 8 from “Inventory and Related Property,” to “Inventory and Related Property, Net,” to match OMB Circular A-136.</td>
<td>Revision</td>
</tr>
<tr>
<td>Figure 10-20, 101103</td>
<td>Revised titles for inventory and related property reporting categories and removed inventory allowance information as Statement of Federal Financial Accounting Standards (SFFAS) 3, “Accounting for Inventory and Related Property,” does not require this information.</td>
<td>Revision</td>
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<tr>
<td>Figure 10-21, 101104</td>
<td>Removed operating material &amp; supplies (OM&amp;S) allowance information from the OM&amp;S calculation, as SFFAS 3 does not require this information.</td>
<td>Revision</td>
</tr>
<tr>
<td>Figure 10-23, 101201.D.1</td>
<td>Revised the line numbering by combining federal and non-federal lease information on one line. Federal and non-federal lease information is separately reported in Note 16, “Leases.”</td>
<td>Revision</td>
</tr>
<tr>
<td>Figure 10-23</td>
<td>Revised the service life used for buildings, structures, and facilities to align with current DoD policy.</td>
<td>Revision</td>
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<tr>
<td>Figure 10-24</td>
<td>Removed unnecessary column used to identify the measurement quantity for heritage assets.</td>
<td>Revision</td>
</tr>
<tr>
<td>Figure 10-29 (Previous Version)</td>
<td>Deleted Figure 10-29, “Accounts Payable,” from Note 11, “Liabilities Not Covered by Budgetary Resources,” because OMB does not require this information.</td>
<td>Deletion</td>
</tr>
<tr>
<td>Figure 10-30</td>
<td>Revised note presentation to report information on actuarial gains and losses more clearly. Added second schedule used to present prior year information.</td>
<td>Revision</td>
</tr>
<tr>
<td>101802.A.5</td>
<td>Added disclosures for insurance programs required by SFFAS 51, “Insurance Programs.”</td>
<td>Addition</td>
</tr>
<tr>
<td>Figure 10-32, 101802.C.8</td>
<td>Combined reporting for federal and nonfederal capital lease liability information onto one line.</td>
<td>Revision</td>
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<td>1019</td>
<td>Added new note for leases by consolidating information to align with the notes included in OMB Circular A-136. Information on leases was previously contained in Notes 9, “General Property, Plant and Equipment,” and 15, “Other Liabilities.”</td>
<td>Addition</td>
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<td>Figure 10-33, 101901</td>
<td>Revised the title and presentation of the figure to clarify the information presented is for the lessee. Included a line to include a description of lease arrangements.</td>
<td>Revision</td>
</tr>
<tr>
<td>Figure 10-34</td>
<td>Revised the title and presentation of the figure to identify the information presented is for federal entities.</td>
<td>Revision</td>
</tr>
<tr>
<td>Figure 10-34, 101902.D</td>
<td>Separated reporting for imputed interest and executory costs on to separate lines to align with OMB Circular A-136.</td>
<td>Revision</td>
</tr>
<tr>
<td>Figure 10-35</td>
<td>Added new figure to account for future payments due for nonfederal capital leases, as OMB Circular A-136 requires federal and nonfederal leases to be reported separately.</td>
<td>Addition</td>
</tr>
<tr>
<td>Figure 10-36</td>
<td>Revised to identify both federal and nonfederal operating lease information, as OMB Circular A-136 requires federal and nonfederal leases to be reported separately.</td>
<td>Revision</td>
</tr>
<tr>
<td>1021, Figure 10-37, Figure 10-38, Figure 10-39</td>
<td>Revised note presentation so both current year and prior year information is presented together for funds from dedicated collections.</td>
<td>Revision</td>
</tr>
<tr>
<td>Figure 10-40, 102201.D</td>
<td>Revised the title of Figure 10-40 to “Cost and Exchange Revenue by Major Program.” Renamed “Total Net Cost” to “Net Program Costs” within Figure 10-40.</td>
<td>Revision</td>
</tr>
<tr>
<td>Figure 10-42, 102303, 102304</td>
<td>Added information clarifying required reconciliations between the Statement of Budgetary Resources (SBR) and the Statement of Changes in Net Position.</td>
<td>Revision</td>
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<tr>
<td>1024, Figure 10-43, Figure 10-44</td>
<td>Divided previous figure into two and added disclosures used to explain amounts reported on the SBR as required per OMB Circular A-136.</td>
<td>Revision</td>
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<tr>
<td>Figure 10-45</td>
<td>Added a figure used to explain differences between the SBR and the Budget of the U.S. Government.</td>
<td>Addition</td>
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<tr>
<td>102603</td>
<td>Revised to identify SFFAS 31, “Accounting for Fiduciary Activities,” fiduciary activity exclusions.</td>
<td>Revision</td>
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<tr>
<td>1027, Figure 10-48, 102701, 102704</td>
<td>Revised note presentation and line items used to identify the relationship of net costs to net outlays required by SFFAS 53, “Budget and Accrual Reconciliation: Amending SFFAS 7, and 24, and Rescinding SFFAS 22.” Revised the title of the note to: “Reconciliation of net cost to net outlays.”</td>
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<td>102701.A</td>
<td>Clarified the purpose of the reconciliation required by SFFAS 53.</td>
<td>Revision</td>
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<td>1030</td>
<td>Added new note required by OMB Circular A-136 used to show how line items in the financial statements relate to amounts reported in the Financial Report of the U.S. Government.</td>
<td>Addition</td>
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1013 \hspace{1cm} \textbf{NOTE 10. OTHER ASSETS} \hspace{1cm} \textsuperscript{65}

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1014 \hspace{1cm} \textbf{NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES} \hspace{1cm} \textsuperscript{67}

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101402. Reporting \hspace{1cm} \textsuperscript{67}

1015 \hspace{1cm} \textbf{NOTE 12. DEBT} \hspace{1cm} \textsuperscript{69}

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CHAPTER 10

NOTES TO THE FINANCIAL STATEMENTS

1001 GENERAL

100101. Purpose

This chapter prescribes the format, content, and instructions for the preparation and presentation of notes to the principal financial statements.

100102. Authoritative Guidance

A. This chapter supplements the reporting requirements of Office of Management and Budget (OMB) Circular A-136, “Financial Reporting Requirements,” dated June 28, 2019. Updates to OMB Circular A-136 are on the OMB website. OMB Circular A-136 specifically authorizes agencies to modify illustrations in the Circular in order to clarify amounts or remove information that does not apply or is uninformative. The chapter also describes responsibilities of the DoD Chief Financial Officer (CFO) as established by the CFO Act of 1990. The major DoD components and reporting entities listed in Chapter 1 will prepare quarterly and fiscal year (FY)-end comparative financial statements and notes.

B. The entities covered by this chapter are “reporting entities” and “component reporting entities” under Statement of Federal Financial Accounting Standards (SFFAS) 47, “Reporting Entity.” Under SFFAS 47, inclusion in a reporting entity’s financial statements may take the form of consolidation or disclosure. Agencies should review SFFAS 47, and consult with OMB and the Department of the Treasury (Treasury) Bureau of the Fiscal Service (Fiscal Service), if they have questions regarding which agencies to include in their Performance and Accountability Report or Agency Financial Report (AFR).

1002 REPORTING

100201. Consistency and Agreement

The supporting schedules presented in the notes must have total figures that agree with the amounts presented in the body of the financial statements. Maintain the consistency of the chosen presentation (i.e. “thousands” or “millions”) and rounding level throughout the financial statements and notes. Rounded totals must agree between the financial statements as applicable (e.g., Net Position line on the Statement of Changes in Net Position (SCNP) must equal the Total Net Position line on the Balance Sheet). Individual line items must sum to the totals, which may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals. The prior FY column must be consistent with the amounts published on the financial statements and notes in the prior FY. Comparative financial information is presented on a one-year trailing period basis. For example, if presenting third quarter data, show comparative data from the third quarter of the prior fiscal year.
*100202. Noncompliance with U.S. Generally Accepted Accounting Principles (USGAAP)

The underlying financial systems and operations that produce these statements were not designed to generate auditable financial statements in compliance with the form and content guidance. Because of such long-standing system deficiencies, many DoD organizations may not be fully compliant with USGAAP and OMB Circular A-136. DoD is developing long-term systems improvements that will correct these deficiencies and ensure compliance with USGAAP. Within the Federal Government, the Federal Accounting Standards Advisory Board (FASAB) *Handbook of Federal Accounting Standards and Other Pronouncements, as Amended* is an authoritative source for USGAAP. In cases where individual line items of the financial statements are not obtainable, or a substitution is made from the requirements herein, explain the deficiencies, and the reason for the noncompliance, in the related note. In addition, identify departures from USGAAP in Note 1, “Summary of Significant Accounting Policies.”

100203. Classifications

Treasury account symbols are the basis for reporting the Department's financial transactions. Fiscal Service classifies receipt and expenditure accounts according to the Treasury Financial Manual (TFM) *Federal Account Symbols and Titles* Supplement to Volume 1. For descriptions of fund groups, and how they are used, refer to Volume 12, Chapter 1.

1003 GENERAL NOTE INSTRUCTIONS

100301. General

The objective of the notes to the financial statements is to provide additional disclosures to ensure that the financial statements are more informative and not misleading. Consider the audience when writing the note narrative. Users of the general-purpose financial reports, including internal users, tend to have different levels of knowledge about government operations, accounting, and finance. Prepare the financial statements such that individuals without a detailed knowledge of accounting principles and specific business practices can understand them. DoD’s financial statements are provided to various internal users within DoD as well as external users such as OMB, Fiscal Service, Congress, and the general public.

100302. Narrative

The narrative should explain issues in “plain English” and with sufficient detail so that a person with general knowledge of the subject matter would understand. The narrative should describe the balances rather than a list or statement as to which component the balance is attributable.

100303. Multiple Sources

Review narratives from various sources for consistency. Additional research may be necessary to ensure the presentation of a similar level of detail for all entities in the note narrative.
100304. Amounts in Narrative

The narrative should readily agree with the line item(s) on the financial statements and note schedules.

100305. Other Lines

Include a narrative for any line item titled “Other.” If the individual components of the “Other” line item represent 10 percent or more of the value of the line, disclose those components separately. If no amount sums to 10 percent or more of the “Other” line item, state that the amount is attributable to multiple items.

100306. Intragovernmental Amounts

Intragovernmental amounts disclosed in a table to a note must contain a statement concerning the entity’s ability to reconcile with its trading partner.

100307. Format of Notes

A consistent format is required for the narrative portion of notes. The narrative includes definitions and other relevant disclosures. References to financial regulations or other notes are not required in the note narrative.

*100308. Abnormal Balances

OMB Reportable Components are required to explain all abnormal balances appearing on individual note schedules or financial statement lines. Current policy for reporting abnormal balance information is contained in the DoD Financial Reporting Guidance.

*100309. DoD Financial Reporting Guidance

The DoD Financial Reporting Guidance provides additional information pertaining to the notes to the financial statements. Reporting entities must use the policies in this chapter, in addition to the DoD Financial Reporting Guidance, when preparing the notes to the financial statements.

*1004 NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

100401. Content of Note

Note 1 to the financial statements must describe the reporting entity and identify its major components if not fully described in the Management’s Discussion and Analysis. Also, summarize the accounting principles, and the methods of applying those principles, that management has concluded are the most appropriate for presenting the entity’s assets, liabilities, equity, net cost of operations, changes in net position, and budgetary resources. Do not duplicate details presented elsewhere as part of the notes to the financial statements.
A. In general, the disclosure encompasses important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues, and other financing sources. Include in Note 1 a description of changes in USGAAP that impact the financial statements and an explanation of concepts, such as Fund Balance with Treasury (FBWT) and funds from dedicated collections, unique to federal financial statements.

B. In addition, disclose any significant changes, from the prior FY, in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes.

100402. Note 1 Format

Figure 10-1 outlines the Note 1 format and includes some sample disclosure statements. All DoD reporting entities listed in Chapter 1, as well as reporting entities not listed in Chapter 1, must review financial processes, systems, and data and modify or expand the sample disclosure statements for a complete and accurate representation of each issue. The specific language shown in sample disclosure statements may not be applicable to all DoD Components. Do not include narratives that are not applicable (N/A).
### Note 1 Content Requirement and Format

<table>
<thead>
<tr>
<th>REQUIREMENT AND/OR DISCLOSURE STATEMENT</th>
<th>REPORTING ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.A. Reporting Entity</strong></td>
<td></td>
</tr>
<tr>
<td>Describe the reporting entity and identify its major components if not fully described in the Management’s Discussion and Analysis. Also, describe any consolidated entities and disclosure entities in accordance with SFFAS 47, and explain that disclosure entities are not consolidated entities.</td>
<td>All Entities</td>
</tr>
<tr>
<td><strong>1.B. Basis of Presentation and Accounting</strong></td>
<td></td>
</tr>
<tr>
<td>Disclose how the financial statements are prepared and any limitation that prevents compliance with USGAAP. Include a disclosure that the financial statements have been prepared to report the financial position and results of operations as required by the CFO Act of 1990, expanded by the Government Reform Act of 1994, and other legislation. Include the following disclosure statements: “The financial statements have been prepared from the books and records of the [Reporting Entity] in accordance with, and to the extent possible, USGAAP promulgated by the FASAB; OMB Circular A-136, “Financial Reporting Requirements;” and DoD Financial Management Regulation (FMR).” Only those entities recording the data report classified activity. Disclose significant changes in the composition of the reporting entity, or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes. Describe the accounting principles, and methods of applying those principles, that management has concluded are appropriate for presenting fairly the entity’s assets, liabilities, net cost of operations, changes in net position, and budgetary resources. Describe changes in USGAAP affecting the financial statements and explain concepts such as FBWT and Funds from Dedicated Collections. Describe limitations that prevent compliance with full accrual accounting as required by USGAAP.</td>
<td>All Entities</td>
</tr>
</tbody>
</table>
### 1.C. Mission of the Reporting Entity

For each reporting entity, enter a brief mission statement.  

**All Entities**

### 1.D. Use of Estimates

Disclose the reporting entity’s use of estimates, and that actual results could differ materially from the estimated amounts. Describe the methodology used to account for, and recognize, estimates.  

**All Applicable Entities**

### 1.E. Recognition of Expenses

Disclose the accounting policy for recognizing operating expenses and any limitation that may hinder recognition in accordance with USGAAP. Also, define Operating Material & Supplies (OM&S) operating expenses, its recognition method, and any limitations.  

**All Entities**

### 1.F. Revenues and Other Financing Sources

Disclose the accounting policy for revenue recognition, the reporting entity’s pricing policy, and any limitation that may hinder revenue recognition in accordance with USGAAP. Also, provide policy information on: (1) other financing sources; and (2) non-monetary support provided by U.S. allies for common defense and mutual security, where applicable.  

**All Entities**

### 1.G. Accounting for Intragovernmental Activities

Describe the reporting entity’s: (1) methodology for eliminating transactions among entities within DoD and between other federal agencies; (2) any limitation that prevents the elimination of the intragovernmental transactions; and (3) actions the reporting entity is taking to correct the problem(s). Disclose that DoD’s proportionate share of public debt and related expenses, including interest cost of the Federal Government, is not included.  

**All Applicable Entities**
*Figure 10-1. Note 1. Summary of Significant Accounting Policies (Continued)*

1. Transactions with Foreign Governments and International Organizations

Describe the authority to sell defense articles and services to foreign countries and international organizations.

**All Applicable Entities**

- 1. Entity and Non-entity Assets

Describe entity and non-entity assets. Disclose relevant information related to amounts reported as entity and non-entity assets.

**All Applicable Entities**

- 1. Fund Balance with Treasury

Include the following disclosure statements: “The Reporting Entity’s monetary resources are maintained in U.S. Treasury accounts.” Also, include any other information relevant to understanding Funds with the U.S. Treasury. Entities (Defense Agencies) with zero fund balance reported in their financial statements disclose: “Appropriations are suballocated to [Reporting Entities] by DoD. Differences between the U.S. Treasury and DoD balances are reconciled at the Department level.”

**All Entities**

- 1. Cash and Other Monetary Assets

Include the following disclosures: (1) description of cash and foreign currency; (2) any restrictions on cash or foreign currency; (3) classification of these assets; and (4) procedures for handling exchange rate gains and losses.

**All Applicable Entities**
*Figure 10-1. Note 1. **Summary of Significant Accounting Policies (Continued)**

<table>
<thead>
<tr>
<th>1.L. Accounts Receivable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include the following disclosures: (1) categories of receivables included in the amount reported in accounts receivable on the Balance Sheet; and (2) allowance methods for uncollectible accounts due from the public. Pursuant to <a href="#">TFM Volume 1, Part 2, Chapter 4700</a>, agencies may not recognize any allowance for loss on intragovernmental accounts receivable.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.M. Inventory and Related Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include the following disclosures: (1) the method for valuing inventory and related property; (2) an approximation of the percent of resale inventory valued using the moving average cost (MAC) method and other methods; and (3) any limitations in valuing inventory in accordance with <a href="#">SFFAS 3</a>, “Accounting for Inventory and Related Property,” or uncertainties about completeness and existence of reported values of inventory. Describe the held for sale; held in reserve for future sale; excess, obsolete, and unserviceable; held for repair; raw materials; and work-in-process categories. Also describe the OM&amp;S held for use; held in reserve for future use; excess, obsolete, and unserviceable inventory; held for repair; and in development categories. DoD Components are responsible for identifying inventory (including inventory held as OM&amp;S) that is excess, obsolete, and unserviceable. Upon identification of inventory as excess, obsolete, and unserviceable, the DoD Component adjusts the value of excess, obsolete, and unserviceable inventory to its net realizable value (NRV) as described in Volume 4, Chapter 4.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.N. Investments and Related Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include the following disclosures: (1) the method for valuing investments; (2) the amortization method for premiums and discounts; (3) the provision for unrealized gains or losses; (4) a description of the types of securities purchased; (5) the information on investment in limited liability partnerships; and (6) information related to accrued interest on investments.</td>
</tr>
</tbody>
</table>
*Figure 10-1.  Note 1.  Summary of Significant Accounting Policies (Continued)*

<table>
<thead>
<tr>
<th>1.O. General Property, Plant, and Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include the following disclosures: (1) the method for valuing general equipment; (2) the capitalization threshold; (3) any limitations in valuing General Property, Plant, and Equipment (PP&amp;E) in accordance with federal standards; and (4) the policy for reporting property provided to contractors.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.P. Stewardship Property, Plant, and Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Describe stewardship PP&amp;E. Disclose the methodology used to account for, and recognize, stewardship PP&amp;E.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.Q. Advances and Prepayments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Describe advances and prepayments. Disclose DoD’s policy for reporting advances and prepayments. If the reporting entity is not in compliance, provide an explanation for noncompliance.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.R. Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Describe the conditions under which capital and operating leases would be recorded. Identify the method used to determine the value for capital leases. Describe how the discount rate for the present value calculation is determined. Disclose current year (CY) federal and nonfederal leases separately. Prior year lease amounts do not need to be disclosed separately.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.S. Other Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify the majority of items reported as “Other Assets.” Describe contract financing payments and the circumstances under which the reporting entity uses them. See Volume 4, Chapter 5 for additional information related to contract financing payments.</td>
</tr>
</tbody>
</table>
1. **Environmental and Other Contingent Liabilities**

Describe environmental and other contingent liabilities. Identify the conditions in which they would be reported on the Balance Sheet as a liability, or condition where financial statement reporting is limited to a note disclosure. Describe the liabilities that arise from anticipated disposal costs.

| All Applicable Entities |

1.U. **Accrued Leave**

Describe accrued leave. Sick leave is not included in accrued leave.

| All Applicable Entities |

1.V. **Net Position**

Describe the components of net position. Describe the amounts, which comprise the overall net position balance.

| All Entities |

1.W. **Treaties for Use of Foreign Bases**

Describe the use, purchase, and limits on land, buildings, and other overseas facilities obtained through various international treaties and agreements.

| All Applicable Entities |

1.X. **Funds From Dedicated Collections**

Describe the accounting for funds from dedicated collections, as defined by *SFFAS 43*, “Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds.”

| All Applicable Entities |
*Figure 10-1. Note 1. Summary of Significant Accounting Policies (Continued)*

<table>
<thead>
<tr>
<th>1.Y. Fiduciary Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclose information concerning fiduciary activities in accordance with <em>SFFAS 31</em>, “Accounting for Fiduciary Activities.” Fiduciary activities are reported on the financial statement note schedules, and not recognized on the proprietary financial statements. Define the reporting entity’s fiduciary activities. Disclose that fiduciary assets are not assets of the Federal Government and are not recognized on the Balance Sheet.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.Z. Military Retirement and Other Federal Employment Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Describe transactions involving Military Retirement and Other Federal Employment Benefits. The Department applies <em>SFFAS 33</em>, “Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates,” in selecting the discount rate and valuation date used in estimating actuarial liabilities.</td>
</tr>
</tbody>
</table>
NOTE 2. NON-ENTITY ASSETS

Figure 10-2 identifies a reporting entity’s non-entity asset balance for the current and prior FY.

Figure 10-2. Non-entity Assets, Note Schedule Format

<table>
<thead>
<tr>
<th>Note 2.</th>
<th>Non-entity Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Current FY</td>
</tr>
<tr>
<td><strong>1. Intragovernmental Assets</strong></td>
<td></td>
</tr>
<tr>
<td>A. Fund Balance with Treasury</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Accounts Receivable</td>
<td>$$$</td>
</tr>
<tr>
<td>C. Other Assets</td>
<td>$$$</td>
</tr>
<tr>
<td>D. Total Intragovernmental Assets</td>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>2. Nonfederal Assets</strong></td>
<td></td>
</tr>
<tr>
<td>A. Cash and Other Monetary Assets</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Accounts Receivable</td>
<td>$$$</td>
</tr>
<tr>
<td>C. Other Assets</td>
<td>$$$</td>
</tr>
<tr>
<td>D. Total Nonfederal Assets</td>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>3. Total Non-entity Assets</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>4. Total Entity Assets</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>5. Total Assets</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

Instructions

Disclose “Non-entity Assets” consisting of the categories shown in Figure 10-2, in accordance with the instructions provided in this chapter.

Reporting

A. **Non-entity Assets (Lines 1 and 2).** These are assets that are held by an entity (as manager or custodian), but are not available for the entity’s own operational use. Within DoD, cash held by a disbursing officer (DO), as reflected on the Central Accounting Reporting System Account Statement for the relevant DO Cash Treasury Account Symbol, is an example of a non-entity asset. The amounts reported on Lines 1.A through 1.C are totaled and reported on Line 1.D. The amounts reported on Lines 2.A through 2.C are totaled and reported on Line 2.D.

B. **Total Non-entity Assets (Line 3).** This line is a summation of the totals reported on Lines 1.D, “Total Intragovernmental Assets,” and 2.D, “Total Nonfederal Assets.”
C. **Total Entity Assets (Line 4).** These are assets the reporting entity has authority to use. For example, an entity’s assets may be used in entity operations (such as equipment), be sold or exchanged for other assets (such as inventory for cash), or be used to liquidate (pay) entity liabilities.

D. **Total Assets (Line 5).** This line represents the sum of Lines 3, “Total Non-entity Assets,” and 4, “Total Entity Assets.” The amount on Line 5 must equal the Total Assets line on the Balance Sheet.

E. **Other Information.** Disclose in the narrative a description of each current FY non-entity asset focusing on the nature of the asset that causes it to be classified as “Total Non-entity Assets” (Line 3).

F. **Other Non-entity Assets.** If any of the individual components of Lines 1.C, “Other Assets,” and 2.C, “Other Assets,” represent 10 percent or more of the value of the line, disclose those components separately.
1006 NOTE 3.  FUND BALANCE WITH TREASURY

Figure 10-3 identifies the status of a reporting entity's FBWT for the current and prior FY.

*Figure 10-3.  Status of Fund Balance with Treasury, Note Schedule Format

<table>
<thead>
<tr>
<th>Status of Fund Balance with Treasury</th>
<th>Current FY</th>
<th>Prior FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Unobligated Balance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Available</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Unavailable</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>C. Total Unobligated Balance</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>2. Obligated Balance not yet Disbursed</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>3. Nonbudgetary FBWT:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Clearing Accounts</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Deposit Funds</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>C. Non-entity and Other</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>D. Total Nonbudgetary FBWT</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>4. Non-FBWT Budgetary Accounts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Investments in Treasury Securities</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Unfilled Customer Orders Without</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>Advance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Contract Authority</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>D. Borrowing Authority</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>E. Receivables and Other Accounts</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>F. Total Non-FBWT Budgetary Accounts</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>5. Total FBWT</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

100601. Instructions

A. Status of FBWT. The “Status of Fund Balance with Treasury” is the total of the entity's FBWT, as reflected in the entity's general ledger. Unobligated and obligated not yet disbursed balances presented in this section may not equal related amounts reported on the Combining Statement of Budgetary Resources (SBR). Do not include fiduciary activity on these lines. Refer to section 1026 for the reporting of fiduciary activities.

B. Crosswalks. Base the mapping for the lines within this schedule on the USSGL crosswalks utilized in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and the Year-end Transaction Module. See I TFM 2-4200 for guidance on reporting year-end unexpended balances. For USSGL account information, refer to the Fiscal Service USSGL and DoD USSGL Transaction Library.
*100602. Reporting

A. Unobligated Balance (Line 1). This line represents the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations. Classify unobligated balances as available or unavailable. In the 4th quarter of the FY, this balance must agree with the sum of available and unavailable unobligated ending balances reported in GTAS and the Year-end Transaction Module.

1. Available (Line 1.A). This line represents the amount of unexpired, unobligated balance that has been apportioned or is not subject to apportionment. This amount is immediately available for new obligations.

2. Unavailable (Line 1.B). This line represents the amount of unexpired, unobligated balance that has not been apportioned, deferred, withheld pending rescission, or other similar limits on resources usage. It also may include expired budgetary resources available only for obligation adjustments until the appropriation is cancelled.


B. Obligated Balance not yet Disbursed (Line 2). This line represents funds that have been obligated for goods that have not been received, services that have not been performed, and goods and services that have been delivered and received, but not paid. In the 4th quarter of the FY, this balance must agree with amounts reported in GTAS and the Year-end Transaction Module.

C. Nonbudgetary FBWT (Line 3). Include entity and non-entity FBWT accounts, which represent adjustments that do not have budgetary authority. Report the following fund types: Clearing Accounts; Deposit Funds; and Non-entity and Other accounts.

D. Non-FBWT Budgetary Accounts (Line 4). Include amounts from the following budgetary accounts, which do not impact FBWT: Investments in Treasury Securities; Unfilled Customer Orders Without Advance; Contract Authority; Borrowing Authority; and Receivables and Other Accounts.


F. Explanation of Unobligated Unavailable Balances. Disclose and explain restrictions on unobligated balances. Also, disclose if there are no restrictions.
NOTE 4. CASH AND OTHER MONETARY ASSETS

Figure 10-4 identifies a reporting entity’s cash and other monetary asset balance for the current and prior FY.

Figure 10-4. Cash and Other Monetary Assets, Note Schedule Format

### Note 4. Cash and Other Monetary Assets

<table>
<thead>
<tr>
<th>As of [Current Fiscal Period End Date]</th>
<th>Current FY</th>
<th>Prior FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cash</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>2. Foreign Currency</td>
<td>$ $$</td>
<td>$ $$</td>
</tr>
<tr>
<td>3. Other Monetary Assets</td>
<td>$ $$</td>
<td>$ $$</td>
</tr>
<tr>
<td>4. Total Cash, Foreign Currency, &amp; Other Monetary Assets</td>
<td>$ $$$</td>
<td>$ $$</td>
</tr>
</tbody>
</table>

100701. Instructions

Report the current and prior FY amount of cash and other monetary assets.

100702. Reporting

A. Cash (Line 1). Cash consists of: coins; paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit; amounts on demand deposit with banks or other financial institutions, including nonconfirmed collections and disbursements; investments held outside of Treasury; and foreign currencies, which will be converted into U.S. dollars at the exchange rate on the financial statement date. Cash available for reporting entity use includes petty cash, and cash held in revolving funds, not transferred into the General Fund of the Treasury.

B. Foreign Currency (Line 2). The total U.S. dollar equivalent of nonpurchased foreign currencies held in foreign currency fund accounts. Nonpurchased foreign currency is limited to the Treasury Index 97X7000 fund account.

C. Other Monetary Assets (Line 3). Report other monetary assets not reported on other lines. If any of the individual components of Line 3 represent 10 percent or more of the value of the line, disclose those components separately.

D. Total Cash, Foreign Currency, & Other Monetary Assets (Line 4). The amount reported on this line equals the sum of Lines 1, 2, and 3. This line must equal the amount reported on the Balance Sheet.

E. Additional Information. Provide additional information needed to understand the nature of cash and other monetary assets. Disclose any restrictions on cash and the dollar amount. Refer to Volume 4, Chapter 2 and SFFAS 1, “Accounting for Selected Assets and...
Liabilities,” for information related to restricted cash. Components report entity assets and non-entity assets under an entity’s custody or management in the financial statements, except for non-entity assets meeting definition of fiduciary assets, which are not recognized on the Balance Sheet, but disclosed in accordance with the provisions of SFFAS 31.

1. Disclose any restrictions on the use or conversion of foreign currencies. If there are no restrictions on cash or the use or conversion of foreign currencies, include a statement in the narrative disclosing that there are no restrictions.

2. Components must reconcile all imprest fund transactions involving cash on a periodic basis, but no less frequently than quarterly, to ensure cash reported reconciles with the agency’s accounting records and related financial statements in accordance with I TFM 2-3400.
1008 NOTE 5. INVESTMENTS AND RELATED INTEREST

Figure 10-5 identifies a reporting entity’s investments in federal securities and other investments for the current and prior FY.

Figure 10-5. Investments and Related Interest, Note Schedule Format

<table>
<thead>
<tr>
<th>Note 5. Investments and Related Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1. Intragovernmental Securities</td>
</tr>
<tr>
<td>A. Non-Marketable, Market-Based</td>
</tr>
<tr>
<td>1. Military Retirement Fund</td>
</tr>
<tr>
<td>2. Medicare-Eligible Retiree Health Care Fund</td>
</tr>
<tr>
<td>3. U.S. Army Corps of Engineers</td>
</tr>
<tr>
<td>4. Other Funds</td>
</tr>
<tr>
<td>5. Total Non-Marketable, Market-Based</td>
</tr>
<tr>
<td>B. Accrued Interest</td>
</tr>
<tr>
<td>C. Total Intragovernmental Securities</td>
</tr>
<tr>
<td>2. Other Investments</td>
</tr>
<tr>
<td>A. Total Other Investments</td>
</tr>
</tbody>
</table>

* DATE
Figure 10-5. Investments and Related Interest, Note Schedule Format (Continued)

<table>
<thead>
<tr>
<th>Note 5.</th>
<th>Investments and Related Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td>Cost</td>
</tr>
<tr>
<td>Prior FY</td>
<td></td>
</tr>
<tr>
<td>1. Intragovernmental Securities</td>
<td></td>
</tr>
<tr>
<td>A. Non-Marketable, Market-Based</td>
<td></td>
</tr>
<tr>
<td>1. Military Retirement Fund</td>
<td>$ $$$</td>
</tr>
<tr>
<td>2. Medicare-Eligible Retiree Health Care Fund</td>
<td>$ $$</td>
</tr>
<tr>
<td>3. U.S. Army Corps of Engineers</td>
<td>$ $$</td>
</tr>
<tr>
<td>4. Other Funds</td>
<td>$ $$</td>
</tr>
<tr>
<td>5. Total Non-Marketable, Market-Based</td>
<td>$ $$</td>
</tr>
<tr>
<td>B. Accrued Interest</td>
<td></td>
</tr>
<tr>
<td>C. Total Intragovernmental Securities</td>
<td>$ $$</td>
</tr>
<tr>
<td>2. Other Investments</td>
<td></td>
</tr>
<tr>
<td>A. Total Other Investments</td>
<td>$ $$</td>
</tr>
</tbody>
</table>
Instructions

A. Disclose the reporting entity’s investments in federal securities and other investments. Investments in federal securities include market-based U.S. Treasury securities issued by Fiscal Service. Investments are normally reported on the Balance Sheet at their par value or acquisition cost, adjusted for the amortization of the premium or discount recorded at the time of acquisition.

B. Net Investments (column 5) are equal to Cost (column 2), plus Amortized (Premium)/Discount (column 4). Securities are normally recognized at amortized cost on the Balance Sheet. However, use market value for Balance Sheet purposes when: (a) there is intent to sell the securities before maturity; and (b) there is a reduction in value that is more than temporary. Other Adjustments (column 6) discloses amounts resulting from the sale of securities prior to maturity or any change in value that is more than temporary. Market Value (column 7) discloses the fair value of all non-marketable market-based securities. Other investments are comprised of investments of funds with developers of family housing.

Reporting

A. Non-Marketable, Market-Based Intragovernmental Securities (Line 1.A). Non-marketable, market-based U.S. Treasury securities are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. All investments maintained by the Defense Finance and Accounting Service (DFAS) Trust Fund Accounting Office are non-marketable, market-based U.S. Treasury securities (e.g., DoD Education Benefits Fund and Military Retirement Fund). If any of the individual components of Line 1.A.4, “Other Funds,” represent 10 percent or more of the value of the line, disclose those components separately. Refer to SFFAS 1 for required non-marketable, market-based U.S. Treasury security disclosures.

B. Accrued Interest (Line 1.B). The amount recorded as accrued interest represents the amount of interest accrued on intragovernmental investment securities, but not received as of the date of the statements.

C. Total Intragovernmental Securities (Line 1.C). This line represents the sum of Intragovernmental Securities Cost (column 2), Amortized (Premium)/Discount (column 4), and Investments, Net (column 5) for the current period reported. The total amount reported in column 5 of this line must equal the amount reported on the reporting entity’s Balance Sheet.

D. Other Investments (Line 2). The Military Family Housing Revitalization Act of 1996 provides for the DoD Family Housing Improvement Fund. The legislation permits investment of funds into ventures with developers to provide family housing. For example, the ventures will be real estate ventures, rent differential payments, investment in limited partnerships, and investments in equity or debt instruments related to family housing. Additionally, provide a description of the accounting method used and the amount of cash and non-cash assets conveyed to the venture.
E. **Intragovernmental Investments for Funds from Dedicated Collections.** The following is a required disclosure for any reporting entity reporting funds from dedicated collections: “The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections (or name(s) of fund(s)). The cash generated from funds from dedicated collections is deposited in the U.S. Treasury, which uses the cash for general government purposes. U.S. Treasury securities are issued to funds from dedicated collections as evidence of its receipts. U.S. Treasury securities are an asset to the [Reporting Entity] and a liability to the U.S. Treasury. Because the [Reporting Entity] and the U.S. Treasury are both parts of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Governmentwide financial statements. U.S. Treasury securities provide the [Reporting Entity] with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the [Reporting Entity] requires redemption of these securities to make expenditures, the government finances the securities out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the government finances all other expenditures.”

F. **Other Information.** Disclose any additional information relative to understanding the nature of reported investments, such as permanent impairments, and any securities that have been reclassified as securities available for sale or early redemption.
**NOTE 6. ACCOUNTS RECEIVABLE, NET**

Figure 10-6 identifies a reporting entity’s total accounts receivable balance for the current and prior FY.

*Figure 10-6. Accounts Receivable, Net Note Schedule Format*

<table>
<thead>
<tr>
<th>Note 6.</th>
<th>Accounts Receivable, Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gross Amount Due</td>
</tr>
<tr>
<td>1. Intragovernmental Receivables</td>
<td>$ $$$</td>
</tr>
<tr>
<td>2. Nonfederal Receivables (From the Public)</td>
<td>$ $$$</td>
</tr>
<tr>
<td>3. Total Accounts Receivable</td>
<td>$ $$$</td>
</tr>
<tr>
<td>As of [Prior Fiscal Period End Date]</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gross Amount Due</td>
</tr>
<tr>
<td>1. Intragovernmental Receivables</td>
<td>$ $$$</td>
</tr>
<tr>
<td>2. Nonfederal Receivables (From the Public)</td>
<td>$ $$$</td>
</tr>
<tr>
<td>3. Total Accounts Receivable</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

100901. Instructions

Present the gross receivables, the allowance for uncollectible accounts (from the public), and the net amount due for the current FY and prior FY. Disclose the method used to estimate the allowance. Pursuant to I TFM 2-4700, agencies may not recognize any allowance for loss on intragovernmental accounts receivable. The amount represented in this note includes both entity and non-entity receivables. Do not include receivables related to direct or guaranteed loans. Report these amounts in Note 7, “Direct Loan and Loan Guarantees, Nonfederal Borrowers.”

100902. Reporting

A. Intragovernmental Receivables (Line 1). Do not report an allowance for uncollectible accounts for Intragovernmental Receivables. The amount on Line 1, column 4, of this note must equal the amount reported on the reporting entity’s Balance Sheet.

B. Nonfederal Receivables (From the Public) (Line 2). The term “nonfederal entities” encompasses domestic and foreign persons and organizations outside the U.S.
Government. The amount on Line 2, column 4, of this note must equal the amount reported on the reporting entity’s Balance Sheet.

C. **Total Accounts Receivable (Line 3).** The amount reported on Line 3 equals the sum of Lines 1 and 2 for each column.

D. **Criminal Restitution.** Disclose criminal restitution balances included in accounts receivable separately, including the gross amount of receivables related to criminal restitution orders monitored by the agency and the estimate of NRV determined to be collectible for criminal restitution orders monitored by the agency.

E. **Other Information.** Disclose the method used to estimate the allowance for uncollectible accounts and the net amount due. Disclose any other information needed to understand the nature of the accounts receivable.

*1010 NOTE 7. DIRECT LOAN AND LOAN GUARANTEES, NONFEDERAL BORROWERS

101001. General Information on Direct Loans and Loan Guarantees


1. **Direct Loans.** These loans are reported at the net present value of the following projected cash flows: loan disbursements, repayments of principal, payments of interest, recoveries, proceeds of asset sales, and other payments over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries.

2. **Loan Guarantee Liabilities.** Report these liabilities at the net present value. The cost of the loan guarantee is the net present value of the following estimated projected cash flows: payments by DoD to cover defaults and delinquencies; interest subsidies, or other payments offset by payments to DoD including origination; and other fees, penalties, and recoveries.

B. **Pre-1992 Direct Loans and Loan Guarantees.** The reporting entity discloses whether Pre-1992 direct loans and loan guarantees are reported under the present value method, or are reported under the allowance for loss method. DoD has elected to report Pre-1992 direct
loans and loan guarantees using the allowance for loss method. See SFFAS 2 for additional information on the present value and allowance methods.

1. **Note Format.** Depending on the reporting method selected by management, agencies must choose the appropriated note format, which includes the net present value method or the allowance for loss method.

2. **Changing Reporting Methods.** Changing from one method to the other is not permitted without the advance approval of OMB. If a reporting entity needs guidance related to Pre-1992 direct loans or loan guarantees, contact the Office of the Under Secretary of Defense (Comptroller), Office of the Deputy CFO. The reporting entity discloses that their loans receivable, net, or their value of assets related to direct loans, is not the same as the proceeds they would expect to receive from selling their loans.

C. **Payments Made on Behalf of Borrowers.** When the reporting entity has made payments on behalf of borrowers (which should be collected from the borrowers), the resulting receivables must be reported in the same column as loans receivable for either direct loans or defaulted guaranteed loans.

D. **Direct Loan or Loan Guarantee Programs.** Enter the names of the direct loans and loan guarantee programs operated by the reporting entity. An example of a DoD direct loan program is the Military Housing Privatization Initiative (MHPI). The Armament Retooling and Manufacturing Support Initiative is an example of a DoD guaranteed loan program.

E. **Other Information.** Disclose events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions that: (a) have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re-estimates; and (b) are events and changes in conditions that have occurred and are more likely than not to have a significant impact, but the effects of which are not measurable at the reporting date.

F. **Reporting.** Report direct loan and loan guarantee information as follows:

1. Figure 10-7 identifies a summary of a reporting entity’s direct loan and loan guarantees balance for the current and prior FY.

2. Figure 10-8 identifies direct loan obligation balances for the current and prior FY.

3. Figure 10-9 identifies direct loan disbursement balances for the current and prior FY.

4. Figure 10-10 identifies subsidy expenses for direct loans for the current and prior FY.
5. Figure 10-11 identifies estimated budget subsidy rates for direct loans.

6. Figure 10-12 identifies the reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans.

7. Figure 10-13 identifies the defaulted loan guarantees for applicable credit reform programs.

8. Figure 10-14 identifies the outstanding amount of guaranteed loans for each loan guarantee program.

9. Figure 10-15 identifies the liabilities for loan guarantees for each loan guarantee program.

10. Figure 10-16 identifies the estimated cash flows (on a present value basis) for the various subsidy expense components of the loan guarantee programs.

11. Figure 10-17 identifies the components used to compute the budget subsidy rates for loan guarantees.

12. Figure 10-18 identifies the reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in each entity’s Balance Sheet.
Figure 10-7. Summary of Direct Loans and Loan Guarantees, Note Schedule Format

<table>
<thead>
<tr>
<th>Note 7.</th>
<th>Direct Loan and Loan Guarantees, Nonfederal Borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary of Direct Loans and Loan Guarantees</strong></td>
<td></td>
</tr>
<tr>
<td><strong>As of [Current Fiscal Period End Date]</strong></td>
<td><strong>Current FY</strong></td>
</tr>
<tr>
<td><strong>Loans Receivable</strong></td>
<td></td>
</tr>
<tr>
<td>Direct Loans</td>
<td></td>
</tr>
<tr>
<td>1. Military Housing Privatization Initiative</td>
<td>$ $$</td>
</tr>
<tr>
<td>2. Total Direct Loans</td>
<td>$ $$</td>
</tr>
<tr>
<td>Defaulted Loan Guarantees</td>
<td></td>
</tr>
<tr>
<td>3.A. Military Housing Privatization Initiative</td>
<td>$ $$</td>
</tr>
<tr>
<td>3.B. Armament Retooling &amp; Manufacturing Support Initiative</td>
<td>$$</td>
</tr>
<tr>
<td>4. Total Default Loan Guarantees</td>
<td>$ $$</td>
</tr>
<tr>
<td>5. Total Loans Receivable</td>
<td>$ $$</td>
</tr>
<tr>
<td><strong>As of [Current Fiscal Period End Date]</strong></td>
<td><strong>Current FY</strong></td>
</tr>
<tr>
<td><strong>Loan Guarantee Liability</strong></td>
<td></td>
</tr>
<tr>
<td>1. Military Housing Privatization Initiative</td>
<td>$ $$</td>
</tr>
<tr>
<td>2. Armament Retooling &amp; Manufacturing Support Initiative</td>
<td>$$</td>
</tr>
<tr>
<td>3. Total Loan Guarantee Liability</td>
<td>$ $$</td>
</tr>
</tbody>
</table>

101002. Instructions

Summarize the total amounts for loans receivable and loan guarantee liability reported in Note 7. The “Total Loans Receivable” (Line 5) must agree with the amount reported on the Balance Sheet. The “Total Loan Guarantee Liability” (Line 3) must agree with the amount reported on the Balance Sheet.
Figure 10-8. Direct Loans Obligated, Note Schedule Format

<table>
<thead>
<tr>
<th>Note 7.</th>
<th>Direct Loan and Loan Guarantees, Nonfederal Borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Loans Obligated</strong></td>
<td></td>
</tr>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td>Current FY</td>
</tr>
<tr>
<td><strong>Direct Loans Obligated After FY 1991 (Present Value Method):</strong></td>
<td></td>
</tr>
<tr>
<td>1. Military Housing Privatization Initiative</td>
<td></td>
</tr>
<tr>
<td>A. Loans Receivable Gross</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Interest Receivable</td>
<td>$$$</td>
</tr>
<tr>
<td>C. Foreclosed Property</td>
<td>$$$</td>
</tr>
<tr>
<td>D. Allowance for Subsidy Cost (Present Value)</td>
<td>$$$</td>
</tr>
<tr>
<td>E. Value of Assets Related to Direct Loans, Net</td>
<td>$ $$$</td>
</tr>
<tr>
<td>2. Total Direct Loans Receivable</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

101003. Instructions

Present information for direct loans obligated.

A. Military Housing Privatization Initiative (Lines 1.A through 1.E). Report in column 2 (Current FY): the Loans Receivable Gross, the Interest Receivable, the estimated NRV of related Foreclosed Property, the Allowance for Subsidy Cost (Present Value), and the Value of Assets Related to Direct Loans, Net. Line 2 is the sum of Lines 1.A through 1.E. Report amounts from the prior FY in column 3.

B. Total Direct Loans Receivable (Line 2). The amount reported in this line must agree with the amount reported on the reporting entity’s Balance Sheet. Loan receivables for defaulted loan guarantees will also be included on the reporting entity’s Balance Sheet.

C. Other Information. If you have foreclosed property resulting from credit reform activities, refer to OMB Circular A-136 for required disclosures.

D. Additional Instructions for Foreclosed Property. Value foreclosed property associated with Post-1991 direct loans at the net present value of the projected cash flows. Refer to Section 86 of OMB Circular A-11 for policy related to reporting foreclosed property.
Figure 10-9. Total Amount of Direct Loans Disbursed, Note Schedule Format

<table>
<thead>
<tr>
<th>Note 7.</th>
<th>Direct Loan and Loan Guarantees, Nonfederal Borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Amount of Direct Loans Disbursed</td>
<td></td>
</tr>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td>Current FY</td>
</tr>
<tr>
<td>Direct Loan Programs</td>
<td></td>
</tr>
<tr>
<td>1. Military Housing Privatization Initiative</td>
<td>$ $$$</td>
</tr>
<tr>
<td>2. Total</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

101004. Instructions

Report the total amount of direct loans disbursed after FY 1991.

A. **Direct Loan Programs Disbursed.** DoD administers a direct loan program on behalf of the Executive Office of the President, which is reported in Other Accompanying Information. Disclose the amount of direct loans disbursed for each program the reporting entity manages. DoD has one direct loan program that disburses direct loans, the MHPI.

B. **Direct Loan Programs, Total (Line 2).** Report the total of the amount of direct loans disbursed for the current and prior reporting years.

C. **Other Information.** Provide other information related to direct loans disbursed necessary to understand the nature of the loans.
**Figure 10-10. Subsidy Expense for Direct Loan by Program, Note Schedule Format**

### Note 7. Direct Loan and Loan Guarantees, Nonfederal Borrowers

#### Subsidy Expense for Direct Loan by Program

*As of [Current Fiscal Period End Date]*

<table>
<thead>
<tr>
<th>Current FY</th>
<th>Interest Differential</th>
<th>Defaults</th>
<th>Fees and Other Collections</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Subsidy Expense for New Direct Loans Disbursed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military Housing Privatization Initiative</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Total</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prior FY</th>
<th>Interest Differential</th>
<th>Defaults</th>
<th>Fees and Other Collections</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Subsidy Expense for New Direct Loans Disbursed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military Housing Privatization Initiative</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Total</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current FY</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Direct Loan Modifications and Re-estimates:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military Housing Privatization Initiative</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Total</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current FY</th>
<th>Prior FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Total Direct Loan Subsidy Expense:</td>
<td></td>
</tr>
<tr>
<td>Military Housing Privatization Initiative</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Total</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

#### Instructions

For each direct loan program, report the direct loan subsidy expense, at present value.

**A. Subsidy Expense for New Direct Loans Disbursed – Current FY (Line 1)**

Report in column 2 the present value amount of the current FY’s subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs; in column 3, report the present value of the estimated delinquencies and defaults (net of recoveries) for the current FY; in column 4, report the present value of the estimated fees and other collections (offsetting expense) for the current FY; in column 5, report the present value of other cash flows for the current FY, including prepayments and proceeds of loan asset sales; and in column 6, report the total of columns 2 through 5.
B. Subsidy Expense for New Direct Loans Disbursed – Prior FY (Line 2). Report in column 2 the present value amount of the prior FY’s subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs; in column 3, report the present value of the estimated delinquencies and defaults (net of recoveries) for the prior FY; in column 4, report the present value of the estimated fees and other collections (offsetting expense) for the prior FY; in column 5, report the present value of other cash flows for the prior FY, including prepayments and proceeds of loan asset sales; and in column 6, report the total of columns 2 through 5.

C. Direct Loan Modifications and Re-estimates – Current FY (Line 3). Report in column 2 the current FY’s subsidy cost of modifications of direct loans previously disbursed; in column 3 report the current FY’s subsidy cost for interest rate re-estimates which are due to a change in interest rates from the rate assumed in budget preparation and used in calculating the subsidy expense to the rates that are prevailing at the time the direct loan is disbursed; in column 4, report the current FY’s subsidy cost for technical re-estimates which are due to changes made in projected cash flows under the terms of direct loans after reevaluating all the risk factors as of the financial statement date, except for the effect of interest rate re-estimates; and in column 5, report the total of columns 3 and 4.

D. Total Direct Loan Subsidy Expense (Line 4). Report in column 2 the total direct loan subsidy expense for the current FY, and in column 3, report the total direct loan subsidy expense for the prior FY.

E. Other Information. Identify other information related to direct loan subsidy expense for Post-1991 direct programs. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting from re-estimates that is included in the financial statements is not reported in the budget until the following year.
Figure 10-11. Subsidy Rate for Direct Loans by Program, Note Schedule Format

<table>
<thead>
<tr>
<th>Note 7.</th>
<th>Direct Loan and Loan Guarantees, Nonfederal Borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget Subsidy Rates for Direct Loans by Program for the Current Fiscal Year</strong></td>
<td></td>
</tr>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td>Interest Differential</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>1. Military Housing Privatization Initiative</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

101006. Instructions

Disclose the budget subsidy rates estimated for the cohorts of the current reporting year. Disclose the subsidy rate for the following components: interest differential costs; default costs (net of recoveries); fees and other collections; and other costs. These estimated subsidy rates for direct loans are in the current FY’s budget (President’s Budget).

A. Subsidy Rate. These rates must be consistent with rates published in the Direct Loans: Assumptions Underlying the FY Subsidy Estimates Table contained in the Federal Credit Supplement to the Budget of the U.S. Government.

B. Relevant Information for Comprehension. Subsidy rates pertain to the loan agreements contracted during the current FY. Do not apply these rates to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans disbursed in the current FY could result from disbursement of loans from both current and prior FY loan agreements. The subsidy expense reported in the current FY also includes modifications and re-estimates.

C. Subsidy Rate Amount. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the direct loans obligated in the cohort year. Entities are encouraged to use trend data to display significant fluctuations in subsidy rates. Trend data, if used, includes an analysis to explain the underlying causes for the fluctuations.
Display the reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans reported in the reporting entity’s Balance Sheet. The reconciliation is required for direct loans obligated on or after October 1, 1991, the effective date of the FCRA. Reporting entities are encouraged, but not required, to display reconciliations for direct loans obligated prior to October 1, 1991, in schedules separate from the direct loans obligated after September 30, 1991.

A. Beginning Balance of the Subsidy Cost Allowance (Line 1). Report the Beginning Balance of the Subsidy Cost Allowance.
B. **Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component (Lines 2.A through 2.E).** Report the components of subsidy expense for direct loans: Interest Rate Differential Costs; Default Costs (Net of Recoveries); Fees and Other Collections; and Other Subsidy Costs. Total the components of subsidy expense for direct loans.

C. **Adjustments (Lines 3.A through 3.F).** Report the adjustments for direct loans: Loan Modifications, Fees Received; Foreclosed Property Acquired; Loans Written Off; Subsidy Allowance Amortization; and Other Adjustments.

D. **Ending Balance of the Subsidy Cost Allowance Before Re-estimates (Line 4).** Report the sum of Lines 1, 2.E, and 3.A through 3.F.

E. **Add or Subtract Subsidy Re-estimates by Component (Lines 5.A through 5.C).** Report the Interest Rate Re-estimate and Technical/Default Re-estimate for direct loans. Total the re-estimates for direct loans.

F. **Ending Balance of the Subsidy Cost Allowance (Line 6).** Report the sum of Line 4 and Line 5.C.
Figure 10-13. Defaulted Guaranteed Loans, Note Schedule Format

<table>
<thead>
<tr>
<th>Note 7.</th>
<th>Direct Loan and Loan Guarantees, Nonfederal Borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Defaulted Guaranteed Loans</strong></td>
<td></td>
</tr>
<tr>
<td><strong>As of [Current Fiscal Period End Date]</strong></td>
<td><strong>Current FY</strong></td>
</tr>
<tr>
<td><strong>Defaulted Guaranteed Loans from Post-1991 Guarantees (Present Value Method):</strong></td>
<td></td>
</tr>
<tr>
<td><strong>1. Military Housing Privatization Initiative</strong></td>
<td></td>
</tr>
<tr>
<td>A. Defaulted Guaranteed Loans Receivable, Gross</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Interest Receivable</td>
<td>$$$</td>
</tr>
<tr>
<td>C. Foreclosed Property</td>
<td>$$$</td>
</tr>
<tr>
<td>D. Allowance for Subsidy Cost (Present Value)</td>
<td>$$$</td>
</tr>
<tr>
<td>E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net</td>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>2. Armament Retooling &amp; Manufacturing Support Initiative</strong></td>
<td></td>
</tr>
<tr>
<td>A. Defaulted Guaranteed Loans Receivable, Gross</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Interest Receivable</td>
<td>$$$</td>
</tr>
<tr>
<td>C. Foreclosed Property</td>
<td>$$$</td>
</tr>
<tr>
<td>D. Allowance for Subsidy Cost (Present Value)</td>
<td>$$$</td>
</tr>
<tr>
<td>E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net</td>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>3. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

101008. Instructions

Report the defaulted loan guarantees for applicable credit reform programs. If the reporting entity does not have defaulted guaranteed loans, state “Not Applicable” after the note number and title.

A. **Military Housing Privatization Initiative** (Lines 1.A through 1.E). Report the: Defaulted Guaranteed Loans Receivable, Gross; Interest Receivable; the estimated value of related Foreclosed Property; the Allowance for Subsidy Cost (Present Value); and the Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net.

B. **Armament Retooling and Manufacturing Support Initiative** (Lines 2.A through 2.E). Report the: Defaulted Guaranteed Loans Receivable, Gross; Interest Receivable; the estimated value of related Foreclosed Property; the Allowance for Subsidy Cost (Present Value); and the Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net.

C. **Total Value of Assets Related to Defaulted Guaranteed Loans Receivable** (Line 3). Report the total Value of Assets Related to Defaulted Guaranteed Loans Receivable from
Lines 1.E and 2.E. The sum of these lines must equal the amount reported on the Balance Sheet as loans receivables. (Loans receivable for direct loans will also be included on the reporting entity’s Balance Sheet.)

D. **Other Information.** If you have foreclosed property resulting from credit reform activities, refer to OMB Circular A-136 for required disclosures.

E. **Additional Instructions for Foreclosed Property.** Value foreclosed property associated with Post-1991 direct and acquired defaulted guaranteed loans at the net present value of the projected cash flows associated with the property. At the time of foreclosure, foreclosed property may be recorded at the estimated NRV if the differences do not meet the materiality threshold identified in the DoD Financial Reporting Guidance. A portion of the related allowance for subsidy account applies to the foreclosed property, but that amount need not be separately determined. Rather, subtract the allowance account from the sum of the credit program assets to determine the net present value of the assets.
**Figure 10-14. Guaranteed Loans Outstanding**

<table>
<thead>
<tr>
<th>Guaranteed Loans Outstanding</th>
<th>As of [Current Fiscal Period End Date]</th>
<th>Outstanding Principal of Guaranteed Loans, Face Value</th>
<th>Amount of Guaranteed Outstanding Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current FY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guaranteed Loans Outstanding</td>
<td>1. Military Housing Privatization Initiative</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td></td>
<td>2. Armament Retooling &amp; Manufacturing Support Initiative</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td></td>
<td>3. Total</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>New Guaranteed Loans Disbursed</strong></th>
<th>Principal of Guaranteed Loans, Face Value</th>
<th>Amount of Principal Guaranteed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current FY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Military Housing Privatization Initiative</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>2. Armament Retooling &amp; Manufacturing Support Initiative</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>3. Total</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Prior FY</strong></th>
<th>Principal of Guaranteed Loans, Face Value</th>
<th>Amount of Principal Guaranteed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Guaranteed Loans Disbursed</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Military Housing Privatization Initiative</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>2. Armament Retooling &amp; Manufacturing Support Initiative</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>3. Total</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

101009. Instructions

Present the outstanding amount of guaranteed loans for each loan guarantee program.

A. **Guaranteed Loans Outstanding (Lines 1 through 3).** For each guaranteed loan outstanding, report in column 2 the face value of outstanding principal of guaranteed loans disbursed by a third party. In column 3, report the guaranteed amount of the outstanding principal.

1. **Total (Line 3).** Present the total of Lines 1 and 2.

2. **Other Information.** Identify other information related to guaranteed loans outstanding necessary to understand the nature of the loan.

B. **New Guaranteed Loans Disbursed (Lines 1 through 3).** For each new guaranteed loan disbursed, report in column 2 the face value of principal of guaranteed loans. In column 3, report the guaranteed amount of principal.

1. **Total (Line 3).** Present the total of Lines 1 and 2.
2. **Other Information.** Identify other information related to new guaranteed loans disbursed necessary to understand the nature of the loan.

*Figure 10-15. Liabilities for Loan Guarantees*

<table>
<thead>
<tr>
<th>Note 7.</th>
<th>Direct Loan and Loan Guarantees, Nonfederal Borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability for Loan Guarantees</td>
<td></td>
</tr>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td>Current FY</td>
</tr>
<tr>
<td>Liability for Loan Guarantees from Post-FY 1991 (Present Value):</td>
<td></td>
</tr>
<tr>
<td>1. Military Housing Privatization Initiative</td>
<td>$ $$$</td>
</tr>
<tr>
<td>2. Armament Retooling &amp; Manufacturing Support Initiative</td>
<td>$$$</td>
</tr>
<tr>
<td>3. Total Loan Guarantee Liability (Post-FY 1991)</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

*101010. Instructions*

For each program with Post-FY 1991 loan guarantees, report the present value of the estimated net cash flows (outflows less inflows), to be paid by the entity because of the loan guarantees. Present the liabilities for loan guarantees for each loan guarantee program.

A. **Military Housing Privatization Initiative (Line 1).** Report the present value of current and prior FY estimated net cash flows (outflows less inflows) to be paid because of loan guarantees.

B. **Armament Retooling & Manufacturing Support Initiative (Line 2).** Report the present value of current FY and prior FY estimated net cash flows (outflows less inflows) to be paid because of loan guarantees.

C. **Total Loan Guarantee Liability (Post-FY 1991) (Line 3).** Report the totals from Line 1 and Line 2.

D. **Other Information.** Identify other information necessary to understand the nature of the loan guarantee liability.
Figure 10-16. Subsidy Expense for Loan Guarantees by Program

### Note 7. Direct Loan and Loan Guarantees, Nonfederal Borrowers

#### Subsidy Expense for Loan Guarantees by Program

<table>
<thead>
<tr>
<th>As of [Current Fiscal Period End Date]</th>
<th>Interest Supplements</th>
<th>Defaults</th>
<th>Fees and Other Collections</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Subsidy Expense for New Loan Guarantees:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military Housing Privatization Initiative</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Armament Retooling &amp; Manufacturing Support Initiative</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>Total</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(Prior FY)</th>
<th>Interest Supplements</th>
<th>Defaults</th>
<th>Fees and Other Collections</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Subsidy Expense for New Loan Guarantees:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military Housing Privatization Initiative</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Armament Retooling &amp; Manufacturing Support Initiative</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>Total</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(Current FY)</th>
<th>Total Modifications</th>
<th>Interest Rate Re-estimates</th>
<th>Technical Re-estimates</th>
<th>Total Re-estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Modifications and Re-estimates:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military Housing Privatization Initiative</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Armament Retooling &amp; Manufacturing Support Initiative</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>Total</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current FY</th>
<th>Prior FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Total Loan Guarantee Subsidy Expense:</td>
<td></td>
</tr>
<tr>
<td>Military Housing Privatization Initiative</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Armament Retooling &amp; Manufacturing Support Initiative</td>
<td>$$$$</td>
</tr>
<tr>
<td>Total</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

101011. Instructions

Report the estimated cash flows (on a present value basis) for the various subsidy expense components of the loan guarantee programs.

A. Subsidy Expense for New Loan Guarantees – Current FY (Line 1).

Disclose, in column 2, the present value of the amount of the interest supplements; in column 3,
the present value of the estimated payments for defaults on loan guarantees (net of recoveries); in
column 4, the present value of the estimated fees and other collections (offsetting expense); in
column 5, the present value of other cash flows; and in column 6, the total of columns 2 through
5.

B. Subsidy Expense for New Loan Guarantees – Prior FY (Line 2). Disclose, in column 2, the present value of the amount of the interest supplements; in column 3, the present value of the estimated payments for defaults on loan guarantees (net of recoveries); in column 4, the present value of the estimated fees and other collections (offsetting expense); in column 5, the present value of other cash flows; and in column 6, the total of columns 2 through 5.

C. Modifications and Re-estimates – Current FY (Line 3). Disclose, in column 2, the subsidy expense for modifications of loan guarantees in guaranteed loans previously disbursed by a third party (whether Pre-1992 or Post-1991). Disclose, in columns 3 and 4, re-estimates of the subsidy expense for loan guarantees, previously committed, by component (interest rate and technical); and in column 5, the total of columns 3 and 4.

D. Total Loan Guarantee Subsidy Expense (Line 4). Report in column 2 (Current FY) the total subsidy expense for the current FY’s loan guarantees, modifications, and re-estimates. Report in column 3 (Prior FY) the total subsidy expense for the prior FY’s loan guarantees, modifications, and re-estimates.

E. Other Information. Identify other relevant information for loan guarantee programs subsidy expenses. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting from re-estimates that is included in the financial statements is not reported in the budget until the following year.
Figure 10-17. **Budget Subsidy Rates for Loan Guarantees by Program for the Current FY**

<table>
<thead>
<tr>
<th>Note 7. Direct Loan and Loan Guarantees, Nonfederal Borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget Subsidy Rates for Loan Guarantees by Program for the Current FY</strong></td>
</tr>
<tr>
<td>As of Current Fiscal Period End Date</td>
</tr>
<tr>
<td>-------------------------------------</td>
</tr>
<tr>
<td>1. Military Housing Privatization Initiative</td>
</tr>
<tr>
<td>2. Armament Retooling &amp; Manufacturing Support Initiative</td>
</tr>
</tbody>
</table>

101012. **Instructions**

A. **Military Housing Privatization Initiative and Armament Retooling & Manufacturing Support Initiative (Lines 1 and 2).** Report information on the subsidy rates for loan guarantees. Disclose the estimated subsidy rates for the following components: Interest Supplement costs (column 2); Default costs (net of recoveries) (column 3); Fees and Other Collections (column 4); and Other costs (column 5). These estimated subsidy rates for loan guarantees are in the current FY’s budget (President’s Budget).

B. **Subsidy Rates**

1. **Subsidy Rates.** Subsidy rates must be consistent with rates published in the Loan Guarantees: Assumptions Underlying the (FY) Subsidy Estimates table, contained in the Federal Credit Supplement to the Budget of the U.S. Government, which is a supporting document to the budget. Refer to the Federal Credit Supplement to the Budget of the U.S. Government for current guidance pertaining to subsidy estimates for loan guarantees.

2. **Subsidy Rate Amount.** Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the guaranteed loans obligated. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, includes an analysis to explain the underlying causes for the fluctuations.

3. **Subsidy Rate Applicability.** The subsidy rates disclosed pertain only to the current FY’s cohorts. Do not apply these rates to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current FY could result from disbursements of loans from both current FY cohorts and prior FY(s) cohorts. The subsidy expense reported in the current FY also includes modifications and re-estimates.
Figure 10-18. Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees

<table>
<thead>
<tr>
<th>Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of [Current Fiscal Period End Date]</strong></td>
</tr>
<tr>
<td><strong>Beginning Balance, Changes, and Ending Balance:</strong></td>
</tr>
<tr>
<td>1. <strong>Beginning Balance of the Loan Guarantee Liability</strong></td>
</tr>
<tr>
<td>2. <strong>Add Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component</strong></td>
</tr>
<tr>
<td>A. Interest Supplement Costs</td>
</tr>
<tr>
<td>B. Default Costs (Net of Recoveries)</td>
</tr>
<tr>
<td>C. Fees and Other Collections</td>
</tr>
<tr>
<td>D. Other Subsidy Costs</td>
</tr>
<tr>
<td>E. <strong>Total of the Subsidy Expense Components</strong></td>
</tr>
<tr>
<td>3. <strong>Adjustments</strong></td>
</tr>
<tr>
<td>A. Loan Guarantee Modifications</td>
</tr>
<tr>
<td>B. Fees Received</td>
</tr>
<tr>
<td>C. Interest Supplements Paid</td>
</tr>
<tr>
<td>D. Foreclosed Property and Loans Acquired</td>
</tr>
<tr>
<td>E. Claim Payments to Lenders</td>
</tr>
<tr>
<td>F. Interest Accumulation on the Liability Balance</td>
</tr>
<tr>
<td>G. Other</td>
</tr>
<tr>
<td>H. <strong>Total of the Adjustments</strong></td>
</tr>
<tr>
<td>4. <strong>Ending Balance of the Loan Guarantee Liability Before Re-estimates</strong></td>
</tr>
<tr>
<td>5. <strong>Add or Subtract Subsidy Re-estimates by Component</strong></td>
</tr>
<tr>
<td>A. Interest Rate Re-estimate</td>
</tr>
<tr>
<td>B. Technical/Default Re-estimate</td>
</tr>
<tr>
<td>C. <strong>Total of the Re-estimate Components</strong></td>
</tr>
<tr>
<td>6. <strong>Ending Balance of the Loan Guarantee Liability</strong></td>
</tr>
</tbody>
</table>

*101013. Instructions

Display the reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in each entity’s Balance Sheet based upon the following instructions. The reconciliation is required for loan guarantees committed on or after October 1, 1991, the effective date of the FCRA. Reporting entities are encouraged, but not
required, to display reconciliations for loan guarantees committed prior to October 1, 1991, in schedules separate from the loan guarantees committed after September 30, 1991.

A. **Beginning Balance of the Loan Guarantee Liability (Line 1).** Report on Line 1 the beginning balance of the loan guarantee liability.

B. **Add Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component (Lines 2.A through 2.E).** Report the following components of subsidy expense for guaranteed loans disbursed: Interest Supplemental Costs; Default Costs (Net of Recoveries); Fees and Other Collections; and Other Subsidy Costs. Total the components of subsidy expense for guaranteed loans.

C. **Adjustments (Lines 3.A through 3.H).** Report the following adjustments for loan guarantees: Loan Guarantee Modifications; Fees Received; Interest Supplements Paid; Foreclosed Property and Loans Acquired; Claim Payments to Lenders; Interest Accumulation on the Liability Balance; and Other adjustments. Total the adjustments for loan guarantees.

D. **Ending Balance of the Loan Guarantee Liability Before Re-estimates (Line 4).** Report on Line 4 the sum of Lines 1, 2.E, and 3.H.

E. **Add or Subtract Subsidy Re-estimates by Component (Lines 5.A through 5.C).** Report Interest Rate Re-estimates and Technical/Default Re-estimates for loan guarantees and report the total subsidy re-estimates for loan guarantees.

F. **Ending Balance of the Loan Guarantee Liability (Line 6).** Report the sum of Lines 4 and 5.C.
NOTE 8. INVENTORY AND RELATED PROPERTY, NET

101101. General Information on Valuation Methods

Volume 4, Chapter 4 contains more complete information on inventory valuation methods. Valuation methods shown in this chapter are those used by DoD, but may be specific to a particular organization or type of organization. Figure 10-19 identifies the total amounts of Inventory and Related Property reported on the Balance Sheet.

*Figure 10-19. Inventory and Related Property, Net Note Schedule Format

<table>
<thead>
<tr>
<th>Note 8.</th>
<th>Inventory and Related Property, Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td>Current FY</td>
</tr>
<tr>
<td>1. Inventory, Net</td>
<td>$ $$$$</td>
</tr>
<tr>
<td>2. Operating Material &amp; Supplies, Net</td>
<td>$$</td>
</tr>
<tr>
<td>3. Stockpile Material, Net</td>
<td>$$</td>
</tr>
<tr>
<td>4. Total Inventory and Related Property, Net</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

101102. Instructions

In Figure 10-19, include the total amounts of Inventories and Other Related Property reported in Figure 10-20 (Inventory), Figure 10-21 (OM&S), and Figure 10-22 (Stockpile Material) in Note 8. The Total Inventory and Related Property, Net (Line 4) must agree with the amount reported on the Balance Sheet.
Note 8. Inventory and Related Property, Net

### Inventory Categories

<table>
<thead>
<tr>
<th>As of [Current Fiscal Period End Date]</th>
<th>Current FY</th>
<th>Valuation Method</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inventory, Gross Value</td>
<td>Revaluation Allowance</td>
</tr>
<tr>
<td>A. Held for Sale</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Held in Reserve for Future Sale</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>C. Held for Repair</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>D. Raw Materials</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>E. Work-In-Process</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>F. Excess, Obsolete, and Unserviceable</td>
<td>$$$$</td>
<td>$$$$</td>
</tr>
<tr>
<td>G. Total</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As of [Prior Fiscal Period End Date]</th>
<th>Prior FY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inventory, Gross Value</td>
</tr>
<tr>
<td>A. Held for Sale</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Held in Reserve for Future Sale</td>
<td>$$$$</td>
</tr>
<tr>
<td>C. Held for Repair</td>
<td>$$$$</td>
</tr>
<tr>
<td>D. Raw Materials</td>
<td>$$$$</td>
</tr>
<tr>
<td>E. Work-In-Process</td>
<td>$$$$</td>
</tr>
<tr>
<td>F. Excess, Obsolete, and Unserviceable</td>
<td>$$$$</td>
</tr>
<tr>
<td>G. Total</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

Legend for Valuation Methods

LAC = Latest Acquisition Cost
MAC = Moving Average Cost
NRV = Net Realizable Value

*101103. Instructions

Report the current FY and prior FY net amount of each inventory category in accordance with the instructions provided in this chapter. Inventory categories include: held for sale; held in reserve for future sale; held for repair; raw materials; work-in-process; and excess, obsolete, and unserviceable inventory.

A. Valuation. Disclose the following for each category of inventory: in column 2, the gross amount recorded in the inventory system; in column 3, the revaluation allowance for holding gains (losses) on inventory, if any; in column 4 (column 2 plus column 3), the net book value of the inventory; and in column 5, the valuation method used. The revaluation allowance represents adjustments to the recorded values in column 2 required to arrive at the value in column 4, in accordance with the applicable valuation methodology in column 5.
B. Valuation Method. Enter the appropriate valuation method using the codes from the legend for column 5: Latest Acquisition Cost adjusted for holding gains and losses; NRV; and MAC.

C. Held for Sale (Line A). Report inventory that is held for sale, which includes consumable spare and repair parts, and repairable items owned and managed by DoD. This inventory includes materiel held due to a managerial determination to retain these items to support military or national contingencies.

D. Held in Reserve for Future Sale (Line B). Report the cost or value of tangible personal property held in reserve for future sale. Line 1.B includes inventory held for future sale because it is not readily available or will be needed.

E. Held for Repair (Line C). Report inventory held for repair, which includes damaged inventory that requires repairs to make it suitable for sale. DoD often relies on weapon systems and machinery no longer in production and encourages the repair and rebuilding of certain items. Report inventory identified as unserviceable, but not reviewed to determine its reparable, as held for repair. When an assessment has been conducted, and it has been determined that it is not economically feasible to repair the item, the item must be reported as excess, obsolete, and unserviceable.

F. Raw Materials (Line D). Report the raw material inventory.

G. Work-In-Process (Line E). Report inventory that is work-in-process, which includes costs related to the production or servicing of items, including direct material, direct labor, applied overhead, and other direct costs. This may also be used to accumulate the amount paid to a contractor under cost reimbursable contracts, including the amount withheld from payment to ensure performance, and the amount paid to other government plants for accrued costs of end items of material ordered but not delivered. Also, report work-in-process at depot maintenance activities.

H. Excess, Obsolete, and Unserviceable Inventory (Line F). Report inventory estimated to be potentially excess, obsolete, or beyond economic repair. Excess, obsolete, and unserviceable inventory must be valued at its expected NRV. Refer to Volume 4, Chapter 4 regarding the use of the NRV for excess inventory.

I. Total (Line G). Report the sum of Lines A. through F. The amounts reported in column 4 of this note equal the amounts reported on Line 1 of Note 8 (the summary note for Inventory and Other Related Property) in Figure 10-19.

J. Definitions of Inventory Gross Value, Revaluation Allowance, and Inventory, Net Columns. Column 2, Inventory, Gross Value, represents the standard value used for inventory transactions in the financial system. Column 3, Revaluation Allowance, represents the difference between standard inventory values and either historical cost or NRV. Column 4, Inventory, Net, is approximate historical cost or NRV. Column 5, Valuation Method, is the applicable valuation methodology used to arrive at the net inventory value.
K. Other Information (Related to Inventory). Disclose other information for the inventory component of the Inventory and Related Property line item on the reporting entity’s Balance Sheet. At a minimum, include information for the inventory disclosures identified in SFFAS 3.

*Figure 10-21. Operating Material & Supplies, Net

Note 8. Inventory and Related Property, Net

Operating Material & Supplies, Net

<table>
<thead>
<tr>
<th>OM&amp;S Categories</th>
<th>Current FY</th>
<th>Prior FY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OM&amp;S, Gross Value</td>
<td>Revaluation Allowance</td>
</tr>
<tr>
<td>A. Held for Use</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Held in Reserve for Future Use</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>C. Held for Repair</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>D. In Development</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>E. Excess, Obsolete, and Unserviceable</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>F. Total</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

Legend for Valuation Methods
MAC = Moving Average Cost
NRV = Net Realizable Value

*101104. Instructions

Report the current FY and prior FY net amount of each OM&S category in accordance with the instructions provided in this chapter. OM&S include spare and repair parts, ammunition, tactical missiles, aircraft configuration pods, and centrally managed aircraft engines. OM&S categories include held for use; held in reserve for future use; held for repair; in development; and excess, obsolete, and unserviceable.

A. Valuation. Disclose the following for each category of OM&S: in column 2, the gross amount reported in the inventory system; in column 3, the allowance for gains (losses) on OM&S, if any; in column 4 (column 2 plus column 3), the net book value; and in column 5, the valuation method used. The amounts identified in column 3, revaluation allowance, represent the
adjustment to the recorded value in column 2 required to arrive at the historical cost reported in column 4.

B. **Held for Use (Line A)**. Report OM&S Held for Use balances which include all issuable materiel.

C. **Held in Reserve for Future Use (Line B)**. Report OM&S held in reserve for future use balances representing the cost or value of tangible personal property, held in reserve because it is not readily available or because it will be needed.

D. **Held for Repair (Line C)**. Report OM&S held for repair, which includes all economically reparable materiel. OM&S that has been identified as unserviceable, but not yet reviewed to determine its reparable, must be reported as held for repair. When an assessment has been conducted, and it has been determined that it is not economically feasible to repair the item, then the item must be reported as excess, obsolete, and unserviceable.

E. **In Development (Line D)**. Report the cost incurred or value of tangible personal property, such as OM&S in development that will be consumed in normal operations upon completion of development.

F. **Excess, Obsolete, and Unserviceable (Line E)**. Report OM&S estimated to be potentially excess, obsolete, or beyond economic repair. Value excess, obsolete, and unserviceable OM&S at their expected NRV. Refer to Volume 4, Chapter 4 regarding the use of the NRV for excess OM&S.

G. **Total (Line 1.F)**. Report the sum of Lines A through E. The amounts reported on Line F, column 4 of this note must equal the amounts reported on Line 2 of Note 8 (the summary note for Inventory and Related Property, Net) in Figure 10-19.

H. **Valuation Method**. Enter the appropriate valuation method using the codes from the following legend for column 5: NRV and MAC.

I. **Other Information (Related to OM&S)**. Disclose other information for the OM&S component of the Inventory and Related Property line item on the entity’s Balance Sheet. At a minimum, include information for the OM&S disclosures identified in SFFAS 3.
Figure 10-22.  Stockpile Material, Net

<table>
<thead>
<tr>
<th>Stockpile Material, Net</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of [Current Fiscal Period End Date]</strong></td>
</tr>
<tr>
<td>Stockpile Material, Gross Value</td>
</tr>
<tr>
<td>A. Held for Sale</td>
</tr>
<tr>
<td>B. Held in Reserve for Future Sale</td>
</tr>
<tr>
<td>C. Total</td>
</tr>
</tbody>
</table>

| **As of [Current Fiscal Period End Date]** | **Prior FY** | **Valuation Method** |
| Stockpile Material, Gross Value | Allowance for Gains (Losses) | Stockpile Material, Net |
| A. Held for Sale | $ $$$ | $ $$$ | $ $$$ | MAC |
| B. Held in Reserve for Future Sale | $ $$$ | $ $$$ | $ $$$ | MAC |
| C. Total | $ $$$ | $ $$$ | $ $$$ | MAC |

**Legend for Valuation Methods**

MAC = Moving Average Cost

101105.  Instructions

A. **Stockpile Material.** Reserve this category of inventory for use exclusively within the Department by the National Defense Stockpile Transaction Fund. Report the current FY and prior FY net amount of each inventory category in accordance with the instructions provided in this chapter.

1. The stockpile material categories are “Held for Sale” and “Held in Reserve for Future Sale.” Stockpile material is strategic and critical material, held due to statutory requirements, for use in national defense, conservation, or national emergencies. All material held by the National Defense Stockpile is classified as Held in Reserve for Future Sale until congressional action declares the material no longer required to be stockpiled, and available for sale on the open market. When the authorization to offer material for sale is received, the material is reclassified to Held for Sale.

2. Disposals cannot be made from the stockpile except for: (1) necessary upgrading, refining, or processing; (2) necessary rotation to prevent deterioration; (3) determination as excess with potential financial loss if retained; or (4) as authorized by law.

B. **Valuation.** For each category of Stockpile Material, disclose the amount reported in the logistics system in column 2; the allowance for gains (losses) on stockpile material, if any, in column 3; and the net book value of stockpile material (column 2 plus column 3) in column 4.
C. **Valuation Method.** Enter the appropriate valuation method using the code from the legend for column 5: MAC.

D. **Total Stockpile Material (Line C).** Report the total amounts for Stockpile Material in column 4. These total amounts equal the amounts reported on Line 3 of Note 8 (the summary note for Inventory and Related Property) in Figure 10-19.

E. **Other Information.** Disclose other information for the Stockpile Material component of the Inventory and Related Property, Net line item on the Balance Sheet. At a minimum, include information for the stockpile disclosures identified in SFFAS 3.
**NOTE 9. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET**

Figure 10-23 identifies a reporting entity’s General PP&E, Net balance for the current and prior FY.

*Figure 10-23. Major General PP&E Asset Classes*

<table>
<thead>
<tr>
<th>Note 9.</th>
<th>General PP&amp;E, Net</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of [Current Fiscal Period End Date]</strong></td>
<td><strong>Current FY</strong></td>
</tr>
<tr>
<td></td>
<td>Depreciation/Amortization Method</td>
</tr>
<tr>
<td>1. <strong>Major Asset Classes</strong></td>
<td></td>
</tr>
<tr>
<td>A. Land</td>
<td>N/A</td>
</tr>
<tr>
<td>B. Buildings, Structures, and Facilities</td>
<td>S/L 35, 40 or 45</td>
</tr>
<tr>
<td>C. Leasehold Improvements</td>
<td>S/L Lease Term</td>
</tr>
<tr>
<td>D. Software</td>
<td>S/L 2-5 or 10</td>
</tr>
<tr>
<td>E. General Equipment</td>
<td>S/L 5 or 10</td>
</tr>
<tr>
<td>F. Assets Under Capital Lease¹</td>
<td>S/L Lease Term</td>
</tr>
<tr>
<td>G. Construction-in-Progress (Excludes Military Equipment)</td>
<td>N/A N/A</td>
</tr>
<tr>
<td>H. Other</td>
<td>N/A N/A</td>
</tr>
<tr>
<td>1. <strong>Total General PP&amp;E</strong></td>
<td></td>
</tr>
</tbody>
</table>

¹ See Note 16 for additional information on Capital Leases

**Legend for Depreciation/Amortization Methods:**

S/L = Straight Line  
N/A = Not Applicable
Figure 10-23. Major General PP&E Asset Classes (Continued)

<table>
<thead>
<tr>
<th>Note 9. General PP&amp;E, Net</th>
<th>Prior FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td>Depreciation/Amortization Method</td>
</tr>
<tr>
<td>1. Major Asset Classes</td>
<td></td>
</tr>
<tr>
<td>A. Land</td>
<td>N/A</td>
</tr>
<tr>
<td>B. Buildings, Structures, and Facilities</td>
<td>S/L</td>
</tr>
<tr>
<td>C. Leasehold Improvements</td>
<td>S/L</td>
</tr>
<tr>
<td>D. Software</td>
<td>S/L</td>
</tr>
<tr>
<td>E. General Equipment</td>
<td>S/L</td>
</tr>
<tr>
<td>F. Assets Under Capital Lease</td>
<td>S/L</td>
</tr>
<tr>
<td>G. Construction-in-Progress (Excludes Military Equipment)</td>
<td>N/A</td>
</tr>
<tr>
<td>H. Other</td>
<td>N/A</td>
</tr>
<tr>
<td>I. Total General PP&amp;E</td>
<td></td>
</tr>
</tbody>
</table>

1 See Note 16 for additional information on Capital Leases

Legend for Depreciation/Amortization Methods:
S/L = Straight Line       N/A = Not Applicable

101201. Instructions

A. General PP&E. Report the current FY and prior FY balances for General PP&E by major class. Recognition and measurement criteria for General PP&E are in SFFAS 6, “Accounting for Property, Plant, and Equipment,” as amended by SFFAS 10, “Accounting for Internal Use Software;” SFFAS 23, “Eliminating the Category National Defense Property, Plant, and Equipment;” SFFAS 44, “Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use;” and SFFAS 50, “Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35.” As part of Note 9, Figure 10-24 identifies a reporting entity’s beginning counts, additions, deletions, and ending counts of Heritage Assets. Figure 10-25 identifies a reporting entity’s beginning counts, additions, deletions, and ending counts of stewardship land.

B. Depreciation/Amortization Method (Column 2). Report the depreciation or amortization method used: Straight Line (S/L) or N/A. See Volume 4 for information on how to calculate depreciation using the S/L method.

C. Service Life (Column 3). Report the range of service life by Major Asset Class based on DoD Standard Recovery Periods contained in Volume 4.
D. **Acquisition Value (Column 4).** Report the acquisition costs or estimated values by Major Asset Class.

* 1. **Assets Under Capital Lease.** For assets under capital lease, report the lesser of the present value or the fair value of the asset. The present value will be calculated, using either the lessor’s implicit rate or the U.S. Treasury borrowing rate of the rental or other lease payments during the lease term, and will exclude that portion of the payments representing executory costs paid to the lessor. Include a cross-reference to Note 16, “Leases,” for additional information on capital leases.

2. **Other.** If any of the individual components of the “Other” line represent 10 percent or more of the value of the line, disclose those amounts separately, by Major Asset Class, as a subcomponent of Total General PP&E.

E. **Accumulated Depreciation/Amortization (Column 5).** Report the accumulated depreciation/amortization through the current reporting period, by Major Asset Class.

F. **Net Book Value (Column 6).** Report the net book value of each Major Asset Class (acquisition cost less accumulated depreciation/amortization) in column 6 (column 4 plus column 5). The total of this column for Total General PP&E must agree with the amounts on the reporting entity’s Balance Sheet.


H. **General PP&E Opening Balances.** SFFAS 50 allows a reporting entity, under specific conditions, to apply alternative methods in establishing opening balances for General PP&E. DoD’s alternative methods include: using deemed cost to establish opening balances of General PP&E, selecting between deemed cost and prospective capitalization of internal use software, and allowing an exclusion of land and land rights from opening balances with disclosure and acreage information and expensing of future acquisitions.

1. Disclose the use of deemed costs in the first year the entity uses deemed costs to value assets for its opening balances and in any subsequent year those financial statements are presented for comparative purposes. The disclosure should describe the deemed cost methods used, and in the first year presented, the effect on relevant balances.

2. Account for general equipment and real property after opening balances in accordance with SFFAS 6.

I. **Other Information.** Disclose in the narrative sections of this note other relevant information for the General PP&E line item on the reporting entity’s Balance Sheet.

1. **Adjustments.** If adjustments are required to existing PP&E in the period the standards are implemented, in order to comply with the recognition and measurement criteria, record and disclose the adjustments by Major Asset Class in accordance with the standard.
2. **General Disclosures Related to General PP&E.** Disclose the required information pertaining to General PP&E, such as: (a) restrictions on the use or convertibility of General PP&E (e.g., outside the continental U.S. real property) or a statement disclosing there are no restrictions; (b) capitalization thresholds, including any changes in thresholds during the period; and (c) adjustments from changes in the accounting standards. If the acquisition cost is unknown for certain types or significant amounts of General PP&E, DoD Components must disclose the valuation method used to estimate the value reported.

3. **Other.** If any of the individual components of the “Other” line represent 10 percent or more of the value of the line, disclose those components separately.

*Figure 10-24. Heritage Assets*

<table>
<thead>
<tr>
<th>Note 9.</th>
<th>General PP&amp;E, Net</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Categories</strong></td>
<td><strong>Beginning Balance</strong></td>
</tr>
<tr>
<td>Buildings and Structures</td>
<td>X</td>
</tr>
<tr>
<td>Archeological Sites</td>
<td>X</td>
</tr>
<tr>
<td>Museum Collection Items (Objects, Not Including Fine Art)</td>
<td>X</td>
</tr>
<tr>
<td>Museum Collection Items (Objects, Fine Art)</td>
<td>X</td>
</tr>
</tbody>
</table>

101202. **Heritage Assets**

Heritage Assets are items of historical, natural significance, cultural, educational, or artistic (e.g., aesthetic) importance, or items with significant architectural characteristics. Heritage Assets are expected to be preserved indefinitely. *SFFAS 29*, “Heritage Assets and Stewardship Land,” requires entities with Stewardship PP&E to reference a note on the Balance Sheet where required disclosures relative to these assets are contained. Rather than a separate note, DoD discloses Heritage Assets with the General PP&E note.

A. **Reporting.** Reporting entities will disclose the beginning counts, additions, deletions, and ending counts of their Heritage Assets, by category for the period presented. Disclose the quantity of Multi-Use Heritage Assets (i.e., Heritage Asset buildings used predominantly for government operations) in the schedule.

B. **Categories.** Report balances for Heritage Assets within the following categories.

1. **Buildings and Structures.** Building and Structures include buildings and structures listed on, or eligible for listing on, the National Register of Historic Places, including Multi-Use Heritage Assets. This category also includes National Historic Landmarks; buildings or structures that are contributing elements to districts listed on, or eligible for, the
National Register of Historic Places or a National Historic Landmark District; and buildings and structures designated eligible in the National Register of Historic Places for purposes of program alternatives.

2. **Archeological Sites.** Archeological Sites include sites identified, evaluated, and determined to be eligible for, or are listed on, the National Register of Historic Places.

3. **Museum Collection Items.** Museum Collection Items include items that are unique for one or more of the following reasons: historical or natural significance; cultural, educational, or artistic importance; or significant, technical, or architectural characteristics. Divide museum collection items into two subcategories: fine art and objects. Fine art includes paintings, sculptures, and other three dimensional art. Objects are current use, excess, obsolete, or condemned material; war trophies; personal property, such as uniforms, medals, or diaries; and military equipment.

C. **Disclosures.** Include the disclosures for Heritage Assets identified in OMB Circular A-136.

D. **Year-End Reporting.** Report deferred maintenance and repair information regarding Heritage Assets in Required Supplementary Information at year-end only.

**Figure 10-25. Stewardship Lands**

<table>
<thead>
<tr>
<th>Facility Number</th>
<th>Facility Title</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deletions</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>9110</td>
<td>Government Owned Land</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>9111</td>
<td>State Owned Land</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>9120</td>
<td>Withdrawn Public Land</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>9130</td>
<td>Licensed and Permitted Land</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>9140</td>
<td>Public Land</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>9210</td>
<td>Land Easement</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>9220</td>
<td>In-leased Land</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>9230</td>
<td>Foreign Land</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Total – All Other Lands</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Total – Stewardship Land</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

**Note 9.** Stewardship Land

Stewardship land is land and land rights owned by the Federal Government, but not acquired for or in connection with, items of General PP&E. “Acquired for or in connection with” is defined as including land acquired with the intent to construct General PP&E and land acquired...
in combination with General PP&E. Each DoD Component responsible for such land will report land classified as stewardship land. Without exception, classify all land provided to the Department from the public domain or at no cost as stewardship land, regardless of its use. SFFAS 29 requires entities with Stewardship PP&E to reference a note on the Balance Sheet where required disclosures relative to these assets are contained. Rather than a separate note, DoD discloses stewardship land within the General PP&E note.

A. Reporting. Reporting entities will disclose the beginning counts, additions, deletions, and ending counts of their stewardship land, by category. Report the facility numbers and category descriptions. DoD Instruction (DoDI) 4165.14, “Real Property Inventory (RPI) and Forecasting,” identifies the predominant categories authorized for use.

1. Government Owned Land (Facility Number 9110) and State Owned Land (Facility Number 9111) is land held in public trust and will be reported as stewardship land;

2. Withdrawn Public Land (Facility Number 9120) is land held in public trust and will be reported as stewardship land;

3. Licensed and Permitted Land (Facility Number 9130) are interests and privileges held by the entity in land owned by others and will be reported as stewardship land;

4. Public Land (Facility Number 9140) is land held in public trust and will be reported as stewardship land;

5. Land Easement (Facility Number 9210) are interests and privileges held by the entity in land owned by others and will be reported as stewardship land;

6. In-leased Land (Facility Number 9220) are interests and privileges held by the entity in land owned by others and will be reported as stewardship land; and

7. Foreign Land (Facility Number 9230) are interests and privileges held by the entity in land in foreign countries and will be reported as stewardship land.

B. Disclosures. Include the disclosures for stewardship land identified in OMB Circular A-136.
1013 NOTE 10. OTHER ASSETS

Figure 10-26 identifies a reporting entity’s other asset balance for the current and prior FY.

Figure 10-26. Other Assets, Note Schedule Format

<table>
<thead>
<tr>
<th>Note 10.</th>
<th>Other Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td>Current FY</td>
</tr>
<tr>
<td><strong>1. Intragovernmental Other Assets</strong></td>
<td></td>
</tr>
<tr>
<td>A. Advances and Prepayments</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Other Assets</td>
<td>$$</td>
</tr>
<tr>
<td>C. Total Intragovernmental Other Assets</td>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>2. Nonfederal Other Assets</strong></td>
<td></td>
</tr>
<tr>
<td>A. Outstanding Contract Financing Payments</td>
<td>$ $$</td>
</tr>
<tr>
<td>B. Advances and Prepayments</td>
<td>$$</td>
</tr>
<tr>
<td>C. Other Assets (With the Public)</td>
<td>$$</td>
</tr>
<tr>
<td>D. Total Nonfederal Other Assets</td>
<td>$ $$</td>
</tr>
<tr>
<td><strong>3. Total Other Assets</strong></td>
<td>$ $$</td>
</tr>
</tbody>
</table>

101301. Instructions

Report the amount of Other Assets.

101302. Reporting

A. Intragovernmental Other Assets (Line 1). Separately categorize the intragovernmental other assets.

1. Advances and Prepayments (Line 1.A). Include advances and prepayments to other federal entities.

2. Other Assets (Line 1.B). Include other assets categorized as federal.

3. Total Intragovernmental Other Assets (Line 1.C). The amount reported on this line equals the sums of Lines 1.A and 1.B and must match the amount reported on the Balance Sheet.

B. Nonfederal Other Assets (Line 2). Separately categorize the nonfederal other assets.


10-65
2. **Advances and Prepayments (Line 2.B).** Include advances and prepayments categorized as nonfederal.

3. **Other Assets (With the Public) (Line 2.C).** Include other assets categorized as nonfederal.

4. **Total Nonfederal Other Assets (Line 2.D).** The amount reported on this line equals the sum of Lines 2.A through 2.C and must match the amount reported on the Balance Sheet.

C. **Total Other Assets (Line 3).** The amount reported on this line equals the sum of Lines 1.C, “Total Intragovernmental Other Assets,” and 2.D, “Total Nonfederal Other Assets.” The total amount reported on Line 3 must equal the sum of federal and nonfederal Other Assets on the Balance Sheet.

D. **Information Related to Other Assets.** Identify other relevant information for other assets reported on the Balance Sheet. If any of the individual components of Line 1.B, “Other Assets,” and Line 2.C, “Other Assets (With the Public),” represent 10 percent or more of the value of the line, disclose those components separately.
1014 NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Figure 10-27 identifies a reporting entity’s liabilities not covered by budgetary resources for the current and prior FY.

Figure 10-27. Liabilities Not Covered by Budgetary Resources

<table>
<thead>
<tr>
<th>Note 11. Liabilities Not Covered by Budgetary Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of [Current Fiscal Period End Date]</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>1. Intragovernmental Liabilities</strong></td>
</tr>
<tr>
<td>A. Accounts Payable</td>
</tr>
<tr>
<td>B. Debt</td>
</tr>
<tr>
<td>C. Other Liabilities</td>
</tr>
<tr>
<td><strong>D. Total Intragovernmental Liabilities</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>2. Nonfederal Liabilities</strong></td>
</tr>
<tr>
<td>A. Accounts Payable</td>
</tr>
<tr>
<td>B. Military Retirement and Other</td>
</tr>
<tr>
<td>Federal Employee Benefits</td>
</tr>
<tr>
<td>C. Environmental and Disposal Liabilities</td>
</tr>
<tr>
<td>D. Other Liabilities</td>
</tr>
<tr>
<td><strong>E. Total Nonfederal Liabilities</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>3. Total Liabilities Not Covered by Budgetary</strong></td>
</tr>
<tr>
<td>Resources</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>4. Total Liabilities Covered by Budgetary</strong></td>
</tr>
<tr>
<td>Resources</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>5. Total Liabilities Not Requiring Budgetary</strong></td>
</tr>
<tr>
<td>Resources</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>6. Total Liabilities</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

101401. Instructions

Report the Liabilities Not Covered by Budgetary Resources, which are liabilities for which congressional action is needed before budgetary resources can be provided.

101402. Reporting

A. Liabilities Not Covered by Budgetary Resources (Lines 1 and 2). The amounts reported on Lines 1.A through 1.C of this note represent the portion of intragovernmental liabilities not covered by budgetary resources for Accounts Payable (Line 1.A); Debt (Line 1.B); and Other Liabilities (Line 1.C). Report on Line 1.D the sum of intragovernmental liabilities (Lines 1.A through 1.C). The amounts reported on Lines 2.A through 2.D of this note represent the portion of nonfederal liabilities not covered by budgetary resources for Accounts Payable (Line

B. Total Liabilities Not Covered by Budgetary Resources (Line 3). Report on Line 3 the sum of Lines 1.D and 2.E.

C. Total Liabilities Covered by Budgetary Resources (Line 4). Report on Line 4 the total amount of liabilities covered by budgetary resources. Budgetary resources include: (1) new budget authority; (2) spending authority from offsetting collections; (3) recoveries of unexpired budget authority through downward adjustments of prior FY obligations; and (4) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior FY balances during the year; and (5) permanent indefinite appropriations or borrowing authority, which have been enacted and signed into law as of the Balance Sheet date, provided that the resources may be apportioned by OMB without further action by the Congress or without a contingency first having to be met.

D. Total Liabilities Not Requiring Budgetary Resources (Line 5). Report on Line 5 the total amount of liabilities not requiring budgetary resources. Amounts reported on Line 5 represent liabilities that have not been required in the past and will not require the use of budgetary resources in the future. Examples of liabilities reported on Line 5 include liabilities for clearing accounts, non-fiduciary deposit funds, custodial collections, and unearned revenue.

E. Total Liabilities (Line 6). The amount reported on Line 6 is the sum of Line 3 through Line 5. Line 6 must equal the amount reported on the reporting entity’s Balance Sheet.

F. Information Related to Liabilities Not Covered by Budgetary Resources. Disclose why material amounts and sensitive areas such as accounts payable and debt are not covered. Provide other information needed to understand the nature of liabilities not covered by budgetary resources. All entities reporting a balance on Line 2.B must disclose that Military Retirement and Other Federal Employment Benefits Not Covered by Budgetary Resources comprise various employee actuarial liabilities not due and payable during the current FY. These liabilities are primarily comprised of [Identify the content of Line 2.B] $XXX. Refer to Note 13, “Military Retirement and Other Federal Employment Benefits,” for additional details and disclosures.

G. Other Liabilities. If any of the individual components of Line 1.C, “Other Liabilities,” and Line 2.D, “Other Liabilities,” represent 10 percent or more of the value of the line, disclose those components separately. If no amount encompasses 10 percent or more, state the amount is attributable to multiple items.
NOTE 12. DEBT

Figure 10-28 identifies a reporting entity’s total debt balance for the current and prior FY.

Note 12. Debt

<table>
<thead>
<tr>
<th></th>
<th>Current FY</th>
<th>Prior FY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning Balance</td>
<td>Net Borrowing</td>
</tr>
<tr>
<td><strong>1. Agency Debt (Intragovernmental)</strong></td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>A. Debt to the Treasury</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Debt to the Federal Financing Bank</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>C. Total Agency Debt</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>2. Total Debt</strong></td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

Instructions

Report the net amount of debt in accordance with the instructions provided in this chapter. Agency Debt (Intragovernmental) includes debt to the U.S. Treasury and debt to the Federal Financing Bank.

Reporting

A. Agency Debt (Lines 1.A through 1.C). For the current FY and prior FY, report the amount of debt owed to the U.S. Treasury, which includes direct loan and guaranteed loan financing account liabilities to the U.S. Treasury, as well as other debt owed to the U.S. Treasury on Line 1.A. Report the amount of debt owed to the Federal Financing Bank on Line 1.B. Line 1.C is the sum of Lines 1.A and 1.B. Report the beginning balance of borrowings in column 2; the year’s net borrowing in column 3; and the ending balance of borrowings in column 4.

B. Total Debt (Line 2). Report the amount reported on Line 1.C. In addition, the Ending Balance on Line 2 of this note must equal the balance for “Debt” on the reporting entity’s Balance Sheet.

C. Information Related to Debt. Provide other information needed to understand the nature of debt (e.g., write offs of debts owed to the U.S. Treasury or the Federal...
Financing Bank) which includes direct loans and guaranteed loans financing account liabilities disclosed in paragraph 101001.

1. Disclose that the outstanding debt consists of interest and principal due to the U.S. Treasury and the Federal Financing Bank. State the specific purpose for which the reporting entity borrows funds.

2. Disclose that the reporting entity must pay the debt if borrowers (e.g. foreign country, ship leasing, or housing builder) default on the loan. For loan guarantees, the reporting entity must pay the amount of outstanding principal guaranteed.
### 1016 NOTE 13. MILITARY RETIREMENT AND OTHER FEDERAL EMPLOYMENT BENEFITS

Figure 10-29 identifies a reporting entity’s Military Retirement Benefits and Other Federal Employment Benefits balance for the current and prior FY.

**Figure 10-29. Military Retirement and Other Federal Employment Benefits**

<table>
<thead>
<tr>
<th>Note 13.</th>
<th>Military Retirement and Other Federal Employment Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="table.png" alt="Table" /></td>
<td><img src="table.png" alt="Table" /></td>
</tr>
</tbody>
</table>

**Actuarial Cost Method Used For Pension and Health Benefits:**

**Assumptions:**

**Market Value of Investments in Non-Marketable, Market-based Securities included in Assets Available to Pay Benefits:**
Figure 10-29. Military Retirement and Other Federal Employment Benefits (Continued)

<table>
<thead>
<tr>
<th>Note 13.</th>
<th>Military Retirement and Other Federal Employment Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Prior FY</strong> Liabilities</td>
</tr>
<tr>
<td><strong>As of [Current Fiscal Period End Date]</strong></td>
<td></td>
</tr>
<tr>
<td><strong>1. Pension and Health Benefits</strong></td>
<td></td>
</tr>
<tr>
<td>A. Military Retirement Pensions</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Military Pre Medicare-Eligible Retiree Health Benefits</td>
<td>$$$</td>
</tr>
<tr>
<td>C. Military Medicare-Eligible Retiree Health Benefits</td>
<td>$$$</td>
</tr>
<tr>
<td>D. Total Pension and Health Benefits</td>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>2. Other Benefits</strong></td>
<td></td>
</tr>
<tr>
<td>A. Federal Employees’ Compensation Act (FECA)</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Voluntary Separation Incentive Programs</td>
<td>$$$</td>
</tr>
<tr>
<td>C. DoD Education Benefits Fund</td>
<td>$$$</td>
</tr>
<tr>
<td>D. Other</td>
<td>$$$</td>
</tr>
<tr>
<td>E. Total Other Benefits</td>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>3. Total Military Retirement and Other Federal Employment Benefits</strong></td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

Actuarial Cost Method Used for Pension and Health Benefits:

Assumptions:

Market Value of Investments in Non-Marketable, Market-Based Securities included in Assets Available to Pay Benefits:

101601. Instructions

Present Military Retirement Benefits and Other Federal Employment Benefits for the current and prior FY based on the following instructions. Report the information required in the note by the entity that administers the benefit(s), except for Line 2.A, “Federal Employees’ Compensation Act (FECA).” Include amounts owed to the Department of Labor (DOL) for estimated actuarial liabilities for future workers’ compensation benefits. Figure 10-30 identifies the reporting entity’s change in actuarial liability for the current FY.


1. Liabilities (Column 2). Report the actuarial present value of projected benefits. For pensions, this would be the projected benefit obligation.
a. Military Retirement Pensions accumulates funds used to pay pensions and annuities to retired military personnel and their survivors. Military Retirement Pensions will report the actuarially determined present value of all future pensions earned to date, using the “aggregate entry age” normal cost method. This is a method whereby projected retirement costs are spread over the projected future salaries of a new entrant cohort. (Refer to Volume 4, Chapter 10 for further guidance.)

b. The Military Pre Medicare-Eligible Retiree Health Benefits will include beneficiaries of the Defense Health Program (DHP), retirees, their dependents, and survivors who are not yet Medicare-eligible. The DHP will report the actuarially determined present value of all retirement benefits earned to date, using the “aggregate entry age” normal cost method. This is a method whereby projected medical costs are spread over the projected future service of a cohort at the point of entry. (Refer to Volume 4, Chapter 10 for further guidance).

c. The Military Medical-Eligible Retiree Health Benefits pay for health care programs for Medicare-eligible Military and other Uniformed Service retirees and their Medicare-eligible dependents or survivors. Report the actuarial present value of projected benefits accrued to date, using the “aggregate entry age” normal cost method. This is a method whereby projected retiree medical plan costs are spread over the projected service of a new entrant cohort.

d. Line 1.D, “Total Pension and Health Benefits,” is the sum of Lines 1.A through 1.C.


3. Unfunded Liabilities (Column 4). Report the actuarial liabilities not covered by budgetary resources, e.g., the actuarial present value of projected benefits (column 2) less funded assets available to pay benefits (column 3).


3. Unfunded Liabilities (Column 4). Report the actuarial liabilities not covered by budgetary resources, e.g., the actuarial present value of projected benefits (column 2) less funded assets available to pay benefits (column 3).

C. Total Military Retirement and Other Federal Employment Benefits (Line 3). Enter the sum of the totals from Lines 1.D and 2.E in the corresponding columns. The
liabilities total (column 2) must agree with the amount reported on the Balance Sheet. The unfunded liabilities (column 4) must agree with Note 11, “Liabilities Not Covered by Budgetary Resources,” Line 2.B, “Military Retirement and Other Federal Employee Benefits.”

D. Other Information Pertaining to Military Retirement and Other Federal Employment Benefits. Report the minimum disclosures related to pensions and other actuarial liabilities.

1. Total Liability. Disclose the separate amounts for the liabilities covered by budgetary resources and not covered by budgetary resources and the total liability.

2. Actuarial Cost Method Used. Provide a description of the actuarial cost method used to compute the projected plan benefit cost.

3. Assumptions. Disclose the actuarial, economic, and health care cost trend and discount rate assumptions used to calculate the liability. Refer to SFFAS 5, “Accounting for Liabilities of the Federal Government,” and SFFAS 33 for discount rate assumptions. Include the statement that the estimated actuarial liability is updated only at the end of each FY.

4. Expense Components. Disclose the individual components of expense for the period.

5. Fair Value of Investments. Disclose the fair value of investments in market-based and marketable securities.

6. Changes. Disclose the changes in actuarial liability since the previous calculation and provide a brief summary of the program(s) for which actuarial liabilities are computed.

7. Materiality. If any of the individual components of Line 2.D represents 10 percent or more of the value of the line, disclose those components separately.
*Figure 10-30. Reconciliation of Beginning and Ending Liability Balances for Military Retirement and Other Federal Employment Benefits

<table>
<thead>
<tr>
<th>Note 13. Military Retirement and Other Federal Employment Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of [Current Fiscal Period End Date]</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Current FY</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Beginning Actuarial Liability</strong></td>
</tr>
<tr>
<td>Military Retirement Pensions</td>
</tr>
<tr>
<td>Military Pre Medicare-Eligible Retiree Health Benefits</td>
</tr>
<tr>
<td>Military Medicare-Eligible Retiree Health Benefits</td>
</tr>
<tr>
<td>Voluntary Separation Incentive Programs</td>
</tr>
<tr>
<td>DoD Education Benefits Fund</td>
</tr>
<tr>
<td></td>
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<tr>
<td>$ $$$</td>
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<td>$ $$$</td>
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<td>$ $$$</td>
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<td>$ $$$</td>
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<tr>
<td><strong>Plus Expenses:</strong></td>
</tr>
<tr>
<td>Normal Cost</td>
</tr>
<tr>
<td>Interest Cost</td>
</tr>
<tr>
<td>Plan Amendments</td>
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<tr>
<td>Experience Losses (Gains)</td>
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<tr>
<td>Other factors</td>
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<td></td>
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<td>$$$</td>
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<td>$$$$</td>
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<tr>
<td><strong>Subtotal: Expenses Before Losses (Gains) from Actuarial</strong></td>
</tr>
<tr>
<td>Assumption Changes</td>
</tr>
<tr>
<td>Actuarial Losses (Gains)</td>
</tr>
<tr>
<td>due to:</td>
</tr>
<tr>
<td>Changes in Trend Assumptions</td>
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<tr>
<td>Changes in Assumptions Other Than Trend</td>
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<td>$$$$</td>
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<td>$$$$</td>
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<tr>
<td><strong>Losses (Gains) from Actuarial Assumption Changes</strong></td>
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<td>$$$$</td>
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<td>$$$$</td>
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<td>$$$$</td>
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<tr>
<td><strong>Total Expenses</strong></td>
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<tr>
<td>$ $$$</td>
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<td>$ $$$</td>
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<td>$ $$$</td>
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<tr>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>Less: Benefit Outlays</strong></td>
</tr>
<tr>
<td><strong>Total Changes in Actuarial Liability</strong></td>
</tr>
<tr>
<td><strong>Ending Actuarial Liability</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>$ $$$</td>
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<td>$ $$$</td>
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<td>$ $$$</td>
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</tbody>
</table>
Provide a reconciliation of the changes in actuarial liabilities from beginning and ending balances. SFFAS 33 requires the display of the components of pension expense, as well as the gains and losses from changes in long-term assumptions used to estimate liabilities for federal employee pensions, other retirement benefits, and other post-employment benefits including a discount rate assumption.
101603. Reporting

Report actuarial liability data related to normal cost liabilities, interest costs, plan amendment liabilities, actuarial (gains)/losses, and benefit outlays. Report actuarial liability data according to the following categories: Military Retirement Pensions, Military Pre Medicare-Eligible Retiree Health Benefits, Military Medicare-Eligible Retiree Health Benefits, Voluntary Separation Incentive Programs, and DoD Education Benefits Fund.
NOTE 14. ENVIRONMENTAL AND DISPOSAL LIABILITIES

Figure 10-31 identifies a reporting entity’s environmental and disposal liabilities for the current and prior FY.

Figure 10-31. Environmental and Disposal Liabilities

<table>
<thead>
<tr>
<th>Note 14.</th>
<th>Environmental and Disposal Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As of [Current Fiscal Period End Date]</td>
</tr>
<tr>
<td>1.</td>
<td>Environmental Liabilities—Nonfederal</td>
</tr>
<tr>
<td></td>
<td>A. Accrued Environmental Restoration Liabilities</td>
</tr>
<tr>
<td></td>
<td>1. Active Installations - Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)</td>
</tr>
<tr>
<td></td>
<td>2. Active Installations - Military Munitions Response Program (MMRP)</td>
</tr>
<tr>
<td></td>
<td>3. Formerly Used Defense Sites - IRP and BD/DR</td>
</tr>
<tr>
<td></td>
<td>4. Formerly Used Defense Sites - MMRP</td>
</tr>
<tr>
<td></td>
<td>B. Other Accrued Environmental Liabilities – Non-BRAC</td>
</tr>
<tr>
<td></td>
<td>1. Environmental Corrective Action</td>
</tr>
<tr>
<td></td>
<td>2. Environmental Closure Requirements</td>
</tr>
<tr>
<td></td>
<td>3. Asbestos</td>
</tr>
<tr>
<td></td>
<td>4. Other</td>
</tr>
<tr>
<td></td>
<td>C. Base Realignment and Closure Installations</td>
</tr>
<tr>
<td></td>
<td>1. IRP</td>
</tr>
<tr>
<td></td>
<td>2. MMRP</td>
</tr>
<tr>
<td></td>
<td>4. Asbestos</td>
</tr>
<tr>
<td></td>
<td>5. General Equipment</td>
</tr>
<tr>
<td></td>
<td>6. Other</td>
</tr>
<tr>
<td></td>
<td>D. Environmental Disposal for General Equipment/Weapons Programs</td>
</tr>
<tr>
<td></td>
<td>E. Chemical Weapons Disposal Program</td>
</tr>
<tr>
<td></td>
<td>2. Chemical Demilitarization – Assembled Chemical Weapons Alternatives</td>
</tr>
<tr>
<td></td>
<td>3. Other</td>
</tr>
<tr>
<td></td>
<td>2. Total Environmental and Disposal Liabilities</td>
</tr>
</tbody>
</table>
*Figure 10-31. Environmental and Disposal Liabilities (Continued)

### Note 14. Environmental and Disposal Liabilities

<table>
<thead>
<tr>
<th>As of [Current Fiscal Period End Date]</th>
<th>Prior FY Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Environmental Liabilities—Nonfederal</td>
<td></td>
</tr>
<tr>
<td>A. Accrued Environmental Restoration Liabilities</td>
<td></td>
</tr>
<tr>
<td>1. Active Installations - Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>2. Active Installations - Military Munitions Response Program (MMRP)</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>3. Formerly Used Defense Sites - IRP and BD/DR</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>4. Formerly Used Defense Sites - MMRP</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>B. Other Accrued Environmental Liabilities – Non-BRAC</td>
<td></td>
</tr>
<tr>
<td>1. Environmental Corrective Action</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>2. Environmental Closure Requirements</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>3. Asbestos</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>4. Other</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>C. Base Realignment and Closure Installations</td>
<td></td>
</tr>
<tr>
<td>1. IRP</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>2. MMRP</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>3. Environmental Corrective Action/Closure Requirements</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>4. Asbestos</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>5. General Equipment</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>6. Other</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>D. Environmental Disposal for General Equipment/Weapons Programs</td>
<td></td>
</tr>
<tr>
<td>1. Nuclear Powered General Equipment/Spent Nuclear Fuel</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>2. Non-Nuclear Powered General Equipment</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>E. Chemical Weapons Disposal Program</td>
<td></td>
</tr>
<tr>
<td>1. Chemical Demilitarization – Chemical Materials Agency</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>2. Chemical Demilitarization – Assembled Chemical Weapons Alternatives</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>3. Other</td>
<td>$\text{SS.}$$</td>
</tr>
<tr>
<td>2. Total Environmental and Disposal Liabilities</td>
<td>$\text{SS.}$$</td>
</tr>
</tbody>
</table>

101701. Instructions

Present reported current FY and prior FY environmental liabilities in accordance with the instructions provided in this chapter, and the corresponding policy guidance presented in Volume 4, Chapter 13.

A. Total Environmental Liabilities. Report the total environmental liability for each line in the schedule at Figure 10-31.

1. Environmental liabilities cost estimates consider, on a current cost basis, the anticipated costs of the level of effort required for remediating environmental cleanup sites, in compliance with associated environmental legal and regulatory requirements, and estimated environmental costs associated with the future closure of operations, including closure and disposal of PP&E.
2.  Base such cost estimates on the current technology available. The estimated liability may be a specific amount or a range of amounts. If some amount within the range is considered a better estimate than any other estimate, use that amount. If no amount within a range is considered a better estimate than the other estimates, use the minimum amount in the range, and disclose the range under the note narrative.

a.  Base the amount reported on site level investigations and characterizations. Base any estimate produced on site-specific information and cost models validated in accordance with DoDI 5000.61, “DoD Modeling and Simulation (M&S) Verification, Validation, and Accreditation (VV&A).”

b.  As investigation at a specific site proceeds, the estimate is refined and reported as appropriate. If a site (Site “A”) is similar to another site (Site “B”) for which valid cost estimates have been derived (through site level investigation and characterization), the estimate for recognizing a liability for the site (Site “A”) could be based on the valid cost estimate for the similar site (Site “B”). Additionally, the estimated cost of a future study (if required) must be recognized. If there is no comparable site, then the remediation cost for the site (Site “A”) is not considered reasonably estimable at this time, but the anticipated cost of conducting a future study plus any other required costs must be recognized.

c.  Disclose all methods used to estimate the costs for this line (including the number of sites and costs estimates derived using data from similar sites) in a note narrative, as well as any elements that could not be estimated.

B.  Nonfederal Environmental Liabilities. All environmental liabilities are nonfederal liabilities and reported on Line 1.A.1 through Line 1.E.3 of Figure 10-31.

1.  Accrued Environmental Restoration Liabilities (Line 1.A). Accrued Environmental Restoration (cleanup) Liabilities represent the cost to correct past environmental problems funded from the Environmental Restoration Accounts in accordance with DoD Manual 4715.20, “Defense Environmental Restoration Program (DERP) Management,” and Volume 4, Chapter 13. These liabilities relate to PP&E, including acquired land and stewardship land, which are major asset categories described in Volume 4. Environmental restoration activities may be conducted at operating installations and Formerly Used Defense Sites (FUDS), and other than operational ranges. Site inventory and estimated cost data prepared for the Defense Environmental Programs Annual Report to the Congress is the baseline for environmental restoration (cleanup) liability measurement (e.g., the current cost to acquire the required services).

a.  Active Installations-Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR) (Line 1.A.1). This line represents the environmental liabilities associated with remedial actions eligible for funding under DoD Manual 4715.20. Report cleanup costs not eligible for DERP funding on Line 1.B.1. These remedial actions may address:
(1) Hazardous substances, pollutants, and contaminants as defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA);

(2) Hazardous waste or hazardous constituents addressed under the Resource Conservation and Recovery Act (RCRA) corrective action process or other federal or state statutes and regulations;

(3) Military munitions (e.g., Unexploded Ordnance (UXO) or Waste Military Munitions (WMM)), chemical residues from military munitions, and munitions scrap at locations other than operational ranges associated with an active installation, when the environmental restoration activity is incidental to the IRP environmental restoration activity; or

(4) BD/DR, which is the demolition and removal of unsafe buildings and structures at facilities or sites owned by, leased to, or otherwise possessed by the United States and under the jurisdiction of the Secretary of Defense. For additional information, refer to the Management Guidance for the DERP (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

b. Active Installations-Military Munitions Response Program (MMRP) (Line 1.A.2). This line represents the environmental liabilities associated with the MMRP category defined as response actions (e.g., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM) or the chemical residues of munitions at locations other than operational ranges. The contamination may include munitions, chemical residues from military munitions and munitions scrap at ranges other than operational ranges associated with active installations that pose a threat to human health or the environment. Refer to the Management Guidance for the DERP (Chapters 6 and 7) for more details on the definition of the MMRP category and funding eligibility criteria, respectively.

c. Formerly Used Defense Sites - IRP and BD/DR (Line 1.A.3). This line represents properties that meet the FUDS eligibility criteria described in the Management Guidance for the DERP. Include only those projects that address DoD hazardous, toxicological, and radiological waste (HTRW) and containerized HTRW (e.g., storage tanks).

(1) Include the environmental response actions related to hazardous substances (as defined in the CERCLA), pollutants or contaminants (as defined in the CERCLA), and DoD-unique materials. The BD/DR program category is defined as the demolition and removal of unsafe buildings and structures at facilities or sites that are or were owned by, leased to, or otherwise possessed by the United States and under the jurisdiction of the Secretary of Defense.

(2) For additional detail, refer to the Management Guidance for the DERP (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.
d. Formerly Used Defense Sites - MMRP (Line 1.A.4). This line represents properties that meet the FUDS eligibility criteria described in the Management Guidance for the DERP. This line represents the environmental liabilities associated with the identification, investigation, and removal or remedial actions (or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM), chemical residues from military munitions, and munitions scrap for those sites that are FUDS eligible. Report liabilities associated with remediation of contamination from non-munitions related activities on Line 1.A.3.

2. Other Accrued Environmental Liabilities – Non-BRAC (Line 1.B). This line represents the costs to remediate cleanup sites that are not eligible for funding from environmental restoration accounts. Other accrued environmental liabilities also include environmental costs associated with the future closure of operations, including closure and disposal of PP&E.

a. Although hazardous waste cleanup and disposal activities are normally thought of as a cost of ongoing operations, associated activities remain a liability if not disposed of or cleaned up by the financial reporting date. Thus, environmental conditions that result from current operations and require immediate cleanup, e.g. an oil spill or routine hazardous waste disposal, are not considered environmental liabilities and will be recognized as a current operating expense, assuming the DoD Component completes the cleanup, closure, and disposal action in the current reporting period.

b. The following subparagraphs describe in more detail the categories of liabilities, as well as the applicable lines.

(1) Environmental Corrective Action (Line 1.B.1). This line represents those environmental liabilities associated with the cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other federal or state statutes and regulations. Include environmental liabilities associated with the identification, investigation, and removal and remedial actions to address environmental contamination emanating from an operational range on this line.

(2) Environmental Closure Requirements (Line 1.B.2). This line represents the environmental liability associated with the future closure/decommissioning of facilities on an active installation that have environmental closure requirements. Examples include the future costs associated with closing a solid waste landfill, wastewater treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn-open detonation sites.

(3) Asbestos (Line 1.B.3). This line represents environmental liabilities associated with the removal, containment, and/or disposal of friable (immediate health threat) and non-friable (not an immediate health threat): (1) asbestos-containing materials from property, or (2) material and/or property that consists of asbestos-containing material at permanent or temporary closure or shutdown of associated PP&E on non-Base Realignment and Closure (BRAC) installations.
2. Other (Line 1.B.4). This line covers environmental liabilities not covered by Lines 1.B.1 through 1.B.3. Disclose the specific liabilities addressed in this line in a schedule.

3. Base Realignment and Closure Installations (Line 1.C). This line includes the cost to address environmental cleanup at bases that are realigning or closing. These liabilities can be from past activities that are part of DERP or from activities not covered by DERP.

   a. IRP (Line 1.C.1). This line represents the environmental liabilities associated with remedial actions eligible for funding under the DERP. Report all BRAC cleanup costs not eligible for DERP funding on Line 1.C.3. These remedial actions may address:

      (1) Hazardous substances, pollutants, and contaminants as defined in the CERCLA;

      (2) Hazardous waste or hazardous constituents addressed under the RCRA corrective action process or other federal or state statutes and regulations; and

      (3) Military munitions (e.g., UXO or WMM), chemical residues from military munitions, and munitions scrap at BRAC installations, when the environmental restoration activity is incidental to the IRP environmental restoration activity.

   b. MMRP (Line 1.C.2). This line represents the environmental liabilities associated with the MMRP that are defined as response actions (e.g., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM) or the chemical residues of munitions at locations other than operational ranges. The contamination may include munitions, chemical residues from military munitions, and munitions scrap at BRAC Installations (e.g., MMRP that pose a threat to human health or the environment). Refer to the Management Guidance for the DERP for more details on the definition of the MMRP category and funding eligibility criteria, respectively.

   c. Environmental Corrective Action/Closure Requirements (Line 1.C.3). This line represents those environmental liabilities associated with cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other federal or state statutes and regulations. This line also includes the environmental liability associated with the future closure of facilities that have environmental closure requirements. Examples include the future costs associated with closing a solid waste landfill, waste water treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn-open detonation sites.

   d. Asbestos (Line 1.C.4). This line represents environmental liabilities associated with the removal, containment, and disposal of friable (immediate health threat) and non-friable (not an immediate health threat). The environmental liability includes: (1) asbestos-containing materials from property, or (2) material and property that consist of asbestos-
containing material at permanent or temporary closure or shutdown of associated PP&E on BRAC installations.

e. **General Equipment (Line 1.C.5).** This line represents environmental liabilities resulting from the disposal of general equipment on BRAC installations. Environmental liability cost estimates associated with disposal include, on a current cost basis, the anticipated level of effort required to comply with environmental federal, state, and local statute, regulation, or other legal agreement specific to the equipment decommissioning and disposal.

f. **Other (Line 1.C.6).** This line covers environmental liabilities not covered by Lines 1.C.1 through 1.C.5. Disclose the specific liabilities addressed in this line in a schedule.

4. **Environmental Disposal for General Equipment/Weapons Programs (Line 1.D).** This line represents environmental disposal liabilities related to the final disposition of general equipment on non-BRAC installations. Report the environmental disposal liabilities on Lines 1.D.1 and 1.D.2 by the following line items:

   a. **Nuclear Powered General Equipment/Spent Nuclear Fuel (Line 1.D.1).** This line represents environmental disposal liabilities related to nuclear powered general equipment and used fuel.

   b. **Non-Nuclear Powered General Equipment (Line 1.D.2).** This line represents environmental disposal liabilities related to the non-nuclear powered general equipment and used fuel.

5. **Chemical Weapons Disposal Program (Line 1.E).** This line represents environmental remediation and disposal liabilities related to chemical agents. Report the environmental disposal liabilities on Lines 1.E.1 through 1.E.3 by the following line items:

   a. **Chemical Demilitarization – Chemical Materials Agency (Line 1.E.1).** This line covers liabilities associated with the disposal of chemical constituents of military munitions, including the chemical byproducts of detonation, deflagration, or other reactive processes. These constituents are unconsumed explosives (even in trace concentrations) from the detonation of military munitions, explosives released by the structural compromise of unfired WMM, and chemical agents released from chemical munitions.

   b. **Chemical Demilitarization – Assembled Chemical Weapons Alternatives (Line 1.E.2).** This line covers liabilities associated with assembled chemical weapons alternatives. Assembled chemical weapons alternatives refer to weapons that contain a chemical agent in addition to explosives, propellant, and packaging materials. Examples include rockets, projectiles, and bombs.

   c. **Other (Line 1.E.3).** This line covers environmental liabilities associated with chemical weapons disposal not covered by Lines 1.E.1 and 1.E.2.
C. Total Environmental Liabilities and Disposal Liabilities (Line 2). The amount reported on this line equals the sum of Lines 1.A.1 through 1.E.3.

D. Other Information Related to Environmental Liabilities. Provide the narrative disclosures as outlined; each section will have captions so the disclosures are readily segregated.

1. Applicable Laws and Regulations of Cleanup, Closure, and/or Disposal Requirements. DoD Components must address each of the applicable laws and regulations that are the source of their environmental liabilities. DoD is required to clean up contamination resulting from past waste disposal practices, leaks, spills, and other past activities, which have created a public health or environmental risk. DoD does this in coordination with regulatory agencies, and if applicable, with other responsible parties.

   a. The Department is also required to recognize closure and post-closure environmental costs for its General PP&E and environmental corrective action costs for current operations. Each of the Department’s major reporting entities is responsible for tracking and reporting all required environmental information related to environmental restoration costs, other accrued environmental costs, environmental disposal costs of weapons systems, and environmental costs related to the BRAC actions.

   b. Examples of relevant laws and regulations for consideration and discussion include, but are not limited to:

      (1) CERCLA;
      (2) Superfund Amendments and Reauthorization Act;
      (3) Clean Water Act;
      (4) Safe Drinking Water Act;
      (5) Clean Air Act;
      (6) RCRA;
      (7) Toxic Substances Control Act;
      (8) Atomic Energy Act;
      (9) Nuclear Waste Policy Act; and
2. Methods for Assigning Total Cleanup, Closure, and/or Disposal Costs to Current Operating Periods

a. DoD Components must provide the method for assigning the estimated total cleanup, closure, and disposal costs to the current operating periods. DoD Components must not confuse this with how they budget for the liabilities. The Department policy is to comply with the accounting standards.

b. The Department uses engineering estimates and independently validated models to estimate environmental costs. The models are contained within the Remedial Action Cost Engineering Requirements System. The Department validates the models in accordance with DoDI 5000.61 and primarily uses the models to estimate the liabilities based on data received during a preliminary assessment and initial site investigation.

1. The Department primarily uses engineering estimates after obtaining extensive data during the remedial investigation/feasibility phase of the environmental project. Once the environmental cost estimates are complete, the Department complies with accounting standards to assign costs to current operating periods. The Department has already expensed the costs for cleanup associated with General PP&E placed into service prior to October 1, 1997 unless the costs are to be recovered through user charges. When recovering costs through user charges, the Department expenses the portion of the asset life that has passed since the General PP&E was placed into service and systematically recognizes the remaining cost over the life of the assets.

2. For General PP&E placed into service after September 30, 1997, the Department expenses the associated environmental costs systematically over the life of the asset. The Department expenses the full cost to cleanup contamination for stewardship PP&E at the time the asset is placed into service. The Department uses two methods for systematic recognition: physical capacity for operating landfills and life expectancy in years for all other assets.

3. Provide a Description of the Types of Environmental and Disposal Liabilities Identified. DoD Components will provide a general statement describing the types of their environmental and disposal liabilities. An example, which could apply, is as follows: “DERP sites at active installations, BRAC installations, FUDS, sites at active installations that are not covered by DERP, weapon systems programs, and chemical weapons disposal programs are required to provide a description of the environmental and/or disposal liabilities. DoD Components are required to cleanup DERP and sites not covered by DERP in coordination with regulatory agencies, other responsible parties, and current property owners. The weapons systems program consists of chemical weapons disposal, nuclear powered aircraft carriers, nuclear powered submarines, and other nuclear ships.”

4. Nature of Estimates and the Disclosure of Information Regarding Possible Changes due to Inflation, Deflation, Technology, Plans, or Applicable Laws and Regulations. DoD Components specifically identify any environmental liabilities that they know may change due to inflation, deflation, technology, plans, and/or pending changes to applicable
laws and/or regulations. If no known changes are pending, DoD Components must state that they are not aware of any pending changes but the liabilities can change in the future due to changes in laws and regulations, changes in agreements with regulatory agencies, and advances in technology.

5. Provide a Description of the Level of Uncertainty Regarding the Accounting Estimates Used to Calculate the Reported Environmental Liabilities. DoD Components provide a detailed description of the uncertainties regarding estimates of significant situations (e.g., BRAC closures, environmental related disposals, ranges, chemical agents, and munitions). The disclosure includes a general statement followed with the specific details known about the uncertainties.

   a. The general statement could apply as follows: “The environmental liabilities for the Department are based on accounting estimates which require certain judgments and assumptions that we believe are reasonable based upon information available to us at the time of calculating the estimates. The actual results may vary materially from the accounting estimates if agreements with regulatory agencies require remediation to a different degree than anticipated when calculating the estimates. The liabilities can be further impacted if further investigation of the environmental sites discloses contamination different than known at the time of the estimates.”

   b. The disclosure provides specific details, such as “In addition to the liabilities reported, (DoD Component) has a liability to take environmental restoration/corrective action for buried chemical munitions and agents. (DoD Component) is unable to provide a reasonable estimate at this time because the extent of the buried chemical munitions and agents is not known.” DoD Components also disclose in this paragraph any liabilities based on a range of estimated amounts.

6. Unrecognized Costs. DoD Components provide the unrecognized portion of the estimated total cleanup, closure, or disposal costs associated with General PP&E. For General PP&E placed in service on or after October 1, 1997, DoD Components systematically recognize the liability over the useful life of the assets. The unrecognized portion of the total cleanup must equal the estimated total cleanup costs less the amount recognized on the financial statements. Refer to Volume 4, Chapter 13 for further information on General PP&E requiring systematic recognition of the environmental liability.

7. Other Disclosures. DoD Components provide any other information they believe material to the users of the financial statements.

101702. Definitions

The term liability, as defined by the FASAB, means a probable and measurable future outflow of resources arising from past transactions or events. While some categories of environmental and disposal liabilities in Note 14 are self-explanatory (e.g., nuclear powered aircraft carriers, submarines, and other ships), the definitions are provided for clarity and to ensure consistency of reporting.
A. **Environmental Liabilities.** An environmental liability is a future outflow or expenditure of resources that exist as of the financial reporting date for environmental cleanup, closure, and/or disposal costs resulting from past transactions or events. A DoD environmental liability exists when: (1) contamination is present or likely to be present; (2) environmental cleanup, closure, and/or disposal is required by lease contracts, federal, state, and/or local statute, regulation, or other legal agreement; and (3) the operations that created the liability are DoD related. An environmental liability may also exist if environmental contamination is not DoD related, but DoD enters into a binding agreement that formally accepts financial responsibility for cleanup, closure, and/or disposal. Refer to Volume 4, Chapter 13 for accounting policy on measuring, recognizing, and disclosing environmental liabilities.

B. **Military Munitions.** Military munitions are all ammunition products and components produced or used by or for DoD or the U.S. Armed Services for national defense and security, including military munitions under the control of DoD, the U.S. Coast Guard, the U.S. Department of Energy (DOE), and National Guard personnel.

1. The term “military munitions” includes confined gaseous, liquid, and solid propellants; explosives; pyrotechnics; chemical and riot-control agents; smokes and incendiaries used by DoD Components, including bulk explosives and chemical warfare agents, chemical munitions, rockets, guided and ballistic missiles, bombs, warheads, mortar rounds, artillery ammunition, small arms ammunition, grenades, mines, torpedoes, depth charges, cluster munitions and dispensers, demolition charges, and devices and components.

2. Military munitions do not include wholly inert items, improvised explosive devices, nuclear weapons, nuclear devices, and nuclear components. However, the term does include non-nuclear components of nuclear devices, managed under DOE's nuclear weapons program, after all required sanitation operations under the Atomic Energy Act of 1954, as amended, have been completed. Military munitions include munitions scrap, UXO, WMM, and chemical residue.

a. **Munitions Scrap.** Munitions scrap includes the metal components of military munitions that remain from the destruction, detonation, demilitarization, or treatment of military munitions. Munitions scrap does not include concentrations of explosives or other materiel associated with the scrap munitions that pose hazards to health, safety, or the environment.

b. **UXO.** UXO includes military munitions that have been primed, fused, armed, or otherwise prepared for action, and have been fired, dropped, launched, projected, or placed in such a manner as to constitute a hazard to operations, installations, personnel, or materiel and remain unexploded either by malfunction, design, or any other cause.

c. **WMM.** For purposes of this document, WMM are defined as:

   (1) An unused munition abandoned by being disposed of, burned or incinerated, or treated prior to disposal;
(2) A used or fired munition recovered, collected, and disposed of by burial, landfills, or land treatment; or

(3) Explosive contaminated environmental media (e.g., soil, water, or air) where the concentration of the explosive present is sufficient to detonate or deflagrate when exposed to a strong initiating force or when the explosives are present at a concentration sufficient to make the soil a reactive hazardous waste under Title 40, Code of Federal Regulations, Section 261.23. Such contaminated media are to be managed as explosives and are subject to the explosives safety requirements (e.g., the hazard classification) applicable to the explosive present.

d. Chemical Residues from Military Munitions. Chemical residues from military munitions include the chemical byproducts of detonation, deflagration, or other reactive processes. Examples include unconsumed explosives (even in trace concentrations) from the detonation of a military munitions; explosives released by the structural compromise of an unfired WMM; residues from the destruction of excess propellant bags in the course of training; and chemical agents released from chemical munitions.

C. Ranges. Ranges are designated land or water area set aside, managed, and used to conduct research, develop, test, and evaluate military munitions and explosives, other ordnance or weapon systems, or to train military personnel in their use and handling. Ranges include firing lines and positions, maneuver areas, firing lanes, test pads, detonation pads, impact areas, and buffer zones with restricted access and exclusionary areas.

1. Military ranges also include bodies of water located within the boundaries of a military range (e.g., a stream, lake, or pond) or that are themselves a range (e.g., an offshore range in the Atlantic or Pacific Ocean). Such water areas include all waters of the United States (as defined under the Clean Water Act) and those ocean waters extending out to 200 nautical miles from the U.S. coast. A military range may be a single site or may be comprised of several sites.

2. For the purposes of this chapter, there are two types of ranges, operational and other than operational, as described.

   a. Operational Range. For purposes of this chapter, an operational range includes military ranges that are currently in service and regularly used for range activities. Operational ranges also include military ranges that are not currently being used, but: (a) are still considered by the cognizant Military Service to be a potential range area; and (b) have not been put to a new use that is incompatible with range activities.

   b. Other Than Operational Range. For purposes of this document, a range that is other than operational includes closed, transferring, and transferred ranges. It is important to note that while other than operational ranges that meet the funding eligibility criteria for the MMRP category are addressed by DERP, there are MMRP sites that are not associated with a range. For more details, refer to the Management Guidance for the DERP (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.
(1) **Closed Range.** A closed range is a military range that has been taken out of service as a range and that has either been put to new uses that are incompatible with range activities or is not considered by the military to be a potential range area. A closed range is still under the control of a DoD Component. For purposes of funding, a range that is transferring from DoD control through land transfer actions other than BRAC is considered “closed.” For purposes of funding, a range transferred from DoD control that was not transferred as a result of BRAC, and that is not FUDS eligible, is considered “closed.”

(2) **Transferred Range.** A transferred range is a property formerly used as a military range that is no longer under military control and has been leased by DoD, transferred, or returned from DoD to another entity, including federal entities. A transferred range includes a military range that is no longer under military control, but was used under the terms of a withdrawal, executive order, special use permit or authorization, right-of-way, public land order, or other instrument issued by the federal land manager. For purposes of funding, a range transferred from DoD control that is not transferred as a result of BRAC, and that is not FUDS eligible, is considered “closed.”

(3) **Transferring Range.** A transferring range is a military range that is proposed to be transferred or returned from DoD to another entity, including federal entities. A transferring range includes a military range used under the terms of a withdrawal, executive order, act of Congress, public land order, special use permit or authorization, right-of-way, or other instrument issued by the federal land manager or property owner. An active, inactive, or a closed range will not be considered a “transferring range” until the transfer is imminent. For purposes of funding, a range that is transferring from DoD control through land transfer actions other than BRAC is considered “closed.”
NOTE 15. OTHER LIABILITIES

Figure 10-32 identifies a reporting entity’s other liabilities balance for the current and prior FY.

**Figure 10-32. Other Liabilities**

<table>
<thead>
<tr>
<th>Note 15.</th>
<th>Other Liabilities</th>
</tr>
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<tbody>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td>Current FY</td>
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<tr>
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<td>Current Liability</td>
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<tr>
<td><strong>1. Intragovernmental</strong></td>
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</tr>
<tr>
<td>A. Advances from Others</td>
<td>$ $$</td>
</tr>
<tr>
<td>B. Deposit Funds and Suspense Account Liabilities</td>
<td>$$</td>
</tr>
<tr>
<td>C. DO Cash</td>
<td>$$</td>
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<tr>
<td>D. Judgment Fund Liabilities</td>
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<tr>
<td>E. FECA Reimbursement to the DOL</td>
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<tr>
<td>F. Custodial Liabilities</td>
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<tr>
<td>G. Employer Contribution and Payroll Taxes Payable</td>
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<tr>
<td>H. Other Liabilities</td>
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<tr>
<td>I. Total Intragovernmental Other Liabilities</td>
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<tr>
<td><strong>2. Nonfederal</strong></td>
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<td>A. Accrued Funded Payroll and Benefits</td>
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<td>C. Deferred Credits</td>
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<td>E. Temporary Early Retirement Authority</td>
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<td>F. Nonenvironmental Disposal Liabilities:</td>
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<td>(1) Military Equipment (Non-nuclear)</td>
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<td>(2) Excess/Obsolete Structures</td>
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<td>(3) Conventional Munitions Disposal</td>
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<tr>
<td>G. Accrued Unfunded Annual Leave</td>
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<td>H. Capital Lease Liability</td>
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<td>I. Contract Holdbacks</td>
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<tr>
<td>J. Employer Contribution and Payroll Taxes Payable</td>
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<td>K. Contingent Liabilities</td>
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<tr>
<td>M. Total Nonfederal Other Liabilities</td>
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**Note 15.** 

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<td></td>
<td>Current Liability</td>
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<tr>
<td><strong>As of [Current Fiscal Period End Date]</strong></td>
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</tr>
<tr>
<td>A. Advances from Others</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Deposit Funds and Suspense Account Liabilities</td>
<td>$$$$</td>
</tr>
<tr>
<td>C. DO Cash</td>
<td>$$$$</td>
</tr>
<tr>
<td>D. Judgment Fund Liabilities</td>
<td>$$$$</td>
</tr>
<tr>
<td>E. FECA Reimbursement to the DOL</td>
<td>$$$$</td>
</tr>
<tr>
<td>F. Custodial Liabilities</td>
<td>$$$$</td>
</tr>
<tr>
<td>G. Employer Contribution and Payroll Taxes Payable</td>
<td>$$$$</td>
</tr>
<tr>
<td>H. Other Liabilities</td>
<td>$$$$</td>
</tr>
<tr>
<td>I. Total Intragovernmental Other Liabilities</td>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>2. Nonfederal</strong></td>
<td></td>
</tr>
<tr>
<td>A. Accrued Funded Payroll and Benefits</td>
<td>$ $$$</td>
</tr>
<tr>
<td>B. Advances from Others</td>
<td>$$$$</td>
</tr>
<tr>
<td>C. Deferred Credits</td>
<td>$$$$</td>
</tr>
<tr>
<td>D. Deposit Funds and Suspense Accounts</td>
<td>$$$$</td>
</tr>
<tr>
<td>E. Temporary Early Retirement Authority</td>
<td>$$$$</td>
</tr>
<tr>
<td>F. Nonenvironmental Disposal Liabilities:</td>
<td></td>
</tr>
<tr>
<td>(1) Military Equipment (Non-nuclear)</td>
<td>$$$$</td>
</tr>
<tr>
<td>(2) Excess/Obsolete Structures</td>
<td>$$$$</td>
</tr>
<tr>
<td>(3) Conventional Munitions Disposal</td>
<td>$$$$</td>
</tr>
<tr>
<td>G. Accrued Unfunded Annual Leave</td>
<td>$$$$</td>
</tr>
<tr>
<td>H. Capital Lease Liability</td>
<td>$$$$</td>
</tr>
<tr>
<td>I. Contract Holdbacks</td>
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</tr>
<tr>
<td>J. Employer Contribution and Payroll Taxes Payable</td>
<td>$$$$</td>
</tr>
<tr>
<td>K. Contingent Liabilities</td>
<td>$$$$</td>
</tr>
<tr>
<td>L. Other Liabilities</td>
<td>$$$$</td>
</tr>
<tr>
<td>M. Total Nonfederal Other Liabilities</td>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>3. Total Other Liabilities</strong></td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

101801. **Instructions**

Present Other Liabilities for the current and prior FY that are not included elsewhere on the Balance Sheet based upon the instructions in the chapter.

101802 **Reporting**

A. **General Guidance on Other Liabilities**

1. Other Liabilities include, but are not limited to, grants payable; capital lease liabilities; insurance and guarantee programs; advances and prepayment from others;
deposit fund amounts held in escrow; contingent liabilities; contract holdbacks; accrued liabilities related to ongoing continuous expenses, such as federal employee salaries and accrued employee annual leave; and resources payable to the U.S. Treasury and other accrued liabilities.

2. Clean up costs will not be included in Other Liabilities because they are reported as environmental liabilities or the environmental portion of disposal costs in Note 14, “Environmental and Disposal Liabilities.”

3. Report all contingent liabilities on the Other Liabilities line of the Balance Sheet. The amount reported (recognized) on the Balance Sheet is the total amount of the estimated probable loss. Refer to OMB Circular A-136 for policy on recognizing contingent liabilities. Examples of claims or other contingencies include: (a) indemnity agreement reimbursements due to licensees or contractors for losses incurred in support of federal activities; (b) adjudicated claims against the Federal Government that are in the process of judicial proceedings; and (c) the unfunded portion of total liabilities to international institutions.

4. Current liabilities represent debt due for payment within 12 months or less of the Balance Sheet date. Noncurrent liabilities represent debt that is due for payment beyond 12 months from the Balance Sheet date.

5. SFFAS 51, “Insurance Programs,” requires disclosure of insurance program information. Reporting entities must recognize revenues, expenses, and liabilities in accordance with categories identified in SFFAS 51.

B. Intragovernmental. Report all intragovernmental other liabilities.


5. FECA Reimbursement to the DOL (Line 1.E.). The FECA provides benefit coverage for death, disability, medical, and miscellaneous costs for approved cases of on the job incidents. Submit FECA claims to the DOL for approval. DOL pays the claim holders,
and then prepares a charge back billing to the responsible Agencies. Public law 93-416, Section 8147 essentially gives agencies two years to pay this charge back bill, allowing time for the amount to be included in their budgets.

   a. Under the FECA, once funding is received, payments are due within 30 days. If DoD still has some amounts outstanding, report these amounts as covered by budgetary resources with an explanation for late payments.

   b. Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3, representing the total liability for FECA reimbursement to the DOL.


   9. Total Intragovernmental Other Liabilities (Line 1.I.). The amounts reported represent the sum of Lines 1.A through 1.H. for each column (2, 3, and 4). In addition, Line 1.I of this note must equal the amount reported on the reporting entity’s Balance Sheet. Disclose the total intragovernmental portion of other liabilities not covered by budgetary resources in Note 11, “Liabilities Not Covered by Budgetary Resources.”

C. Nonfederal Other Liabilities. Report Nonfederal Other Liabilities.


4. **Deposit Funds and Suspense Accounts (Line 2.D.).** Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

5. **Temporary Early Retirement Authority (Line 2.E.).** Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

6. **Nonenvironmental Disposal Liabilities (Line 2.F.).** Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3. Breakout the categories used to report nonenvironmental disposal liabilities as follows: (a) Military Equipment (Non-nuclear); (b) Excess/Obsolete Structures; and (c) Conventional Munitions Disposal.

7. **Accrued Unfunded Annual Leave (Line 2.G.).** Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3.

* 8. **Capital Lease Liability (Line 2.H.).** Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the total for column 2 and column 3. Note 16 provides additional information related to a reporting entity’s capital lease liability for the current and prior FY.


12. **Other Liabilities (Line 2.L.).** Report in column 2 the current portion of the liability. Report in column 3 the noncurrent portion of the liability. Report in column 4 the sum of column 2 and column 3.

13. **Total Nonfederal Other Liabilities (Line 2.M.).** The amounts reported represent the sum of Lines 2.A through 2.L for each column (2, 3, and 4). In addition, Line 2.M of this note must equal the amount reported on the reporting entity’s Balance Sheet. Disclose the total nonfederal portion of other liabilities not covered by budgetary resources in Note 11.
D. **Total Other Liabilities (Line 3).** The amounts represent the sum of “Total Intragovernmental Other Liabilities” and “Total Nonfederal Other Liabilities” for each column (2, 3, and 4).

E. **Other Information Pertaining to Other Liabilities.** Report other information relevant to other liabilities that is not in the categories. If any of the individual components of the “Other Liabilities” lines represent 10 percent or more of the value of the line, disclose those components separately. In addition, disclose any delinquent FECA bills due to the DOL for FECA, including amounts.
*1019 NOTE 16. LEASES

Figure 10-33 identifies a reporting entity’s assets under capital lease balance for the current and prior FY. Figure 10-34 provides information related to a reporting entity’s federal capital lease liability for the current and prior FY. Figure 10-35 provides information related to a reporting entity’s nonfederal capital lease liability for the current and prior FY. Figure 10-36 identifies operating lease information for the current FY.

*Figure 10-33. Entity as Lessee-Assets Under Capital Lease, Note Schedule Format

<table>
<thead>
<tr>
<th>Note 16. Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Leases:</strong></td>
</tr>
<tr>
<td><strong>Entity as Lessee-Assets Under Capital Lease</strong></td>
</tr>
<tr>
<td>**As of ** [Current Fiscal Period End Date] **</td>
</tr>
<tr>
<td>1. Land and Buildings</td>
</tr>
<tr>
<td>2. Equipment</td>
</tr>
<tr>
<td>3. Other</td>
</tr>
<tr>
<td>4. Accumulated Amortization</td>
</tr>
<tr>
<td>5. Total Assets Under Capital Leases</td>
</tr>
</tbody>
</table>

**Description of Lease Arrangements:**

*101901. Instructions

Report the Assets under Capital Lease by categories of land and buildings, equipment, or other.

A. **Entity as Lessee – Assets Under Capital Lease** (Lines 1 through 5). By major category of asset, report the gross assets under capital lease and the total accumulated amortization. Sum the total of Lines 1 through 4 on Line 5. The amount reported on Line 5 must equal the amount reported on Line 1.F, “Assets Under Capital Lease,” of Figure 10-23.

B. **Description of Lease Arrangements.** Disclose any additional information related to assets under capital leases. Provide a narrative with all dollar amounts and reasons for this additional disclosure.
*Figure 10-34. Future Payments Due for Federal Capital Leases

### Note 16. Leases

#### Capital Leases:

**Future Payments Due for Federal Capital Leases**

**As of [Current Fiscal Period End Date]**

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Current FY</th>
<th>Prior FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Buildings</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Equipment</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Other</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Total</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

1. **Federal**
   - A. Current FY
   - B. FY 1 (CY + 1)
   - C. FY 2 (CY + 2)
   - D. FY 3 (CY + 3)
   - E. FY 4 (CY + 4)
   - F. FY 5 (CY + 5)
   - G. After 5 Years
   - H. Total Future Lease Payments
   - I. Less: Imputed Interest
   - J. Less: Executory Costs
   - K. Net Capital Lease Liability

2. **Federal Capital Lease Liabilities Covered by Budgetary Resources**

3. **Federal Capital Lease Liabilities Not Covered by Budgetary Resources**
**Note 16. Leases**

**Capital Leases:**

**Future Payments Due for Nonfederal Capital Leases**

<table>
<thead>
<tr>
<th>As of [Current Fiscal Period End Date]</th>
<th>Current FY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Land and Buildings</td>
<td>Equipment</td>
</tr>
<tr>
<td>1. Nonfederal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Current FY</td>
<td>$ $$</td>
<td>$ $$</td>
</tr>
<tr>
<td>B. FY 1 (CY + 1)</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>C. FY 2 (CY + 2)</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>D. FY 3 (CY + 3)</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>E. FY 4 (CY + 4)</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>F. FY 5 (CY + 5)</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>G. After 5 Years</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>H. Total Future Lease Payments</td>
<td>$ $$</td>
<td>$ $$</td>
</tr>
<tr>
<td>I. Less: Imputed Interest</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>J. Less: Executory Costs</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>K. Net Capital Lease Liability</td>
<td>$ $$</td>
<td>$ $$</td>
</tr>
</tbody>
</table>

2. Nonfederal Capital Lease Liabilities Covered by Budgetary Resources $ $$$

3. Nonfederal Capital Lease Liabilities Not Covered by Budgetary Resources $ $$$

| 1. Nonfederal                         |             |           |       |       |
| A. Current FY                         | $ $$  | $ $$ | $ $$ | $ $$ |
| B. FY 1 (CY + 1)                      | $$       | $$       |       | $$   |
| C. FY 2 (CY + 2)                      | $$       | $$       | $$    | $$   |
| D. FY 3 (CY + 3)                      | $$       | $$       | $$    | $$   |
| E. FY 4 (CY + 4)                      | $$       | $$       | $$    | $$   |
| F. FY 5 (CY + 5)                      | $$       | $$       | $$    | $$   |
| G. After 5 Years                      | $$       | $$       | $$    | $$   |
| H. Total Future Lease Payments        | $ $$    | $ $$ | $ $$ | $ $$ |
| I. Less: Imputed Interest             | $$       | $$       |       | $$   |
| J. Less: Executory Costs              | $$       | $$       |       | $$   |
| K. Net Capital Lease Liability        | $ $$    | $ $$ | $ $$ | $ $$ |

101902. Instructions for Capital Leases

Present capital lease liabilities for the current and prior FY in accordance with the instructions provided in this chapter. OMB Circular A-136 requires note disclosures for the lessee and the lessor and disclosure of capital and operating leases. OMB Circular A-136 instructions for this note schedule reflect future payment disclosure requirements for five FYs and all remaining payments due in later years (after 5 years). While OMB Circular A-136 presentation is
appropriate for end of year reporting, quarterly reporting requires an additional Line 1.A for payments due in the remaining current FY and will result in the reporting of 6 FYs during quarters 1 through 3, instead of the 5 FYs displayed in OMB Circular A-136.

A. **Future Payments Due (Lines 1.A-G.)**. Report the future lease payments, by major category (columns 2, 3, and 4), for all non-cancelable leases with terms longer than 1 year. Disclose CY federal and nonfederal leases separately. Prior year lease amounts do not need to be disclosed separately. Enter the total information in column 5.

B. **Total Future Lease Payments (Line 1.H.)**. Report the total future lease payments due for columns 2, 3, and 4. Enter the total information in column 5.

C. **Less: Imputed Interest (Line 1.I.)**. Report the imputed interest for columns 2, 3, and 4. Enter the total information in column 5.

* D. **Less: Executory Costs (Line 1.J.)**. Report the executory costs for columns 2, 3, and 4. Enter the total information in column 5.

E. **Net Capital Lease Liability (Line 1.K.)**. Sum each column and enter the total in column 5.

F. **Capital Lease Liabilities Covered by Budgetary Resources versus Not Covered by Budgetary Resources (Lines 2 and 3)**. Separately disclose the portions of the capital lease liability covered by budgetary resources and not covered by budgetary resources. (Refer to Appendix B of the OMB Circular A-11 for additional guidance, but notice a difference in terminology. The term “capital leases” as used in this volume includes “capital leases and lease purchases”).

G. **FY Information**. For quarterly reporting, report the payments remaining for the current FY (e.g., FY 2020) on Line 1.A.
*Figure 10-36. Total Future Operating Lease Payments Due

### Operating Leases:

#### Future Payments Due for Non-Cancelable Operating Leases

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Current FY</th>
<th>Landing and Buildings</th>
<th>Equipment</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land and Buildings</strong></td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td><strong>Equipment</strong></td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
</tbody>
</table>

#### Total Federal Future Lease Payments

<table>
<thead>
<tr>
<th>FY</th>
<th>Landing and Buildings</th>
<th>Equipment</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Current FY</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>C. FY 1 (CY + 1)</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>D. FY 2 (CY + 2)</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>E. FY 3 (CY + 3)</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>F. FY 4 (CY + 4)</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>G. FY 5 (CY + 5)</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>H. After 5 Years</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
</tbody>
</table>

#### Total Non-Federal Future Lease Payments

<table>
<thead>
<tr>
<th>FY</th>
<th>Landing and Buildings</th>
<th>Equipment</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Current FY</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>C. FY 1 (CY + 1)</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>D. FY 2 (CY + 2)</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>E. FY 3 (CY + 3)</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>F. FY 4 (CY + 4)</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>G. FY 5 (CY + 5)</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>H. After 5 Years</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
</tbody>
</table>

#### Total Future Lease Payments

<table>
<thead>
<tr>
<th>FY</th>
<th>Landing and Buildings</th>
<th>Equipment</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Current FY</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>C. FY 1 (CY + 1)</td>
<td>$$</td>
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<td>$$</td>
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<tr>
<td>D. FY 2 (CY + 2)</td>
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</tr>
<tr>
<td>E. FY 3 (CY + 3)</td>
<td>$$</td>
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<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>F. FY 4 (CY + 4)</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>G. FY 5 (CY + 5)</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
<tr>
<td>H. After 5 Years</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
<td>$$</td>
</tr>
</tbody>
</table>

101903. **Instructions for Operating Leases**

Disclose information relating to the reporting entity’s financial position and results that are N/A to any other notes.

101904. **Entity as Lessee – Operating Leases**

A. **Description of Operating Lease Arrangements.** Report information that would disclose the level of the reporting entity’s funding commitments, which include the following items in the disclosure: the major asset categories and associated lease terms; existence and terms of renewal options; escalation clauses; contingent rental restrictions imposed by lease agreements; deviations from the standard lease terms; and the lease period. Disclose CY federal and nonfederal leases separately. Prior year lease amounts do not need to be disclosed separately.
B. Future Payments Due for Operating Leases. Enter future lease payments, by major category, for all irrevocable leases with terms longer than one year. OMB Circular A-136 instructions for this note schedule reflect future payment disclosure requirements for five FYs and then all remaining payments due in later years (after 5 years). While this OMB Circular A-136 presentation is appropriate for end of year reporting, quarterly reporting requires an additional line for payments due in the remaining current FY and will result in the reporting of 6 FYs during quarters 1 through 3, instead of the 5 FYs displayed in OMB Circular A-136.

1020 NOTE 17. COMMITMENTS AND CONTINGENCIES

102001. Instructions

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. The likelihood that the future event or events will result in the loss or the incurrence of a liability can range from probable to remote. SFFAS 5, as amended by SFFAS 12, “Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government,” contains the criteria for recognition and disclosure of contingent liabilities. It provides an exception to the contingent liability standard for recognizing loss contingencies on matters of pending or threatened litigation and unasserted claims. Refer to OMB Circular A-136 for disclosures related to commitments and contingencies.

102002. Disclosures

A. Disclosure versus Recognition of Contingent Liabilities. Disclose contingent liabilities that do not meet the criteria for recognition on the books of a reporting entity. Record the contingent liabilities that meet the recognition criteria on the books of the reporting entity and include the contingent liabilities on the applicable liability line(s) of the Balance Sheet (e.g., Environmental and Disposal Liabilities; and Other Liabilities) and in notes, as appropriate.

B. Criteria for Disclosure of a Contingent Liability. Disclose contingent liabilities if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. Contingencies may include claims derived from treaties or international agreements. Disclosure in this context refers to the reporting information in notes regarded as an integral part of the basic financial information.

C. Required Disclosures. Include contingent liabilities that meet the criteria for disclosure:

1. Each reporting entity reviews its financial processes, systems, and data and modifies or expands, as necessary. The disclosure statement is a complete and accurate representation of contingent liabilities. An example of the disclosure statement is: “The reporting entity is a party in various administrative proceedings and legal actions, and claims. The Balance Sheet includes an estimated liability for those legal actions where the management and Chief Counsel consider adverse decisions “probable” and the amount of loss is measurable. In the event
of an adverse judgment against the Government, some of the liabilities may be payable from the Judgment Fund. The reporting entity records Judgment Fund liabilities in Note 15, “Other Liabilities.” Refer to Note 15 for details.”

2. Disclose the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made. Amounts disclosed for litigation claims and assessments are fully supportable and must agree with the reporting entity’s legal representation letters and management summary schedule. (This disclosure refers to the Management Representation Letter and the supporting Management Summary Schedule. This disclosure is applicable only to entities audited by the DoD Inspector General or an independent accounting firm.)

3. Disclose amounts for potential future financial obligations, such as contractual arrangements including fixed price contracts with escalation, price redetermination, or incentive clauses; contracts authorizing variations in quantities; and contracts where allowable interest may become payable based on contractor claims under the "Disputes" clause contained in contracts. Amounts disclosed represent future potential liabilities and do not include amounts already recognized as contingent liabilities in Note 15. Consider disclosing the difference between the maximum or ceiling amounts and amounts recognized in Note 15 when it is reasonably possible the maximum amount may be paid.

4. In addition to the contingent liability disclosures required, OMB requires the following disclosures: (1) an estimate of obligations related to cancelled appropriations for which the reporting entity has a contractual commitment for payment, and (2) amounts for contractual arrangements that may require future financial obligations.

5. Disclose amounts attributable to treaties and other international agreements. Reporting entities must review treaties and other international agreements to determine whether they give rise to contingent liabilities, and if so, whether the contingent liabilities should be recognized or disclosed. SFFAS 5, as amended by SFFAS 12, contains the criteria for recognition and disclosure of contingent liabilities. Refer to OMB Circular A-136 for required OMB disclosures.

6. Disclose any other applicable contingencies, along with additional information to clarify the nature of the contingency. If a contingent liability has been recognized for all or part of the item(s), disclose it in Note 15, and do not include in Note 17.

7. For reporting entities that are unable to disclose contingencies related to specific contracts, disclose that the reporting entity “is a party in numerous individual contracts that contain clauses, such as price escalations, award fee payments, or dispute resolution, that may or may not result in the future outflow of expenditures. Currently, the entity does not have a systemic process by which it captures or assesses these potential contingent liabilities. Therefore, the amounts reported may not fairly present the reporting entity’s contingent liabilities.”
**NOTE 18. FUNDS FROM DEDICATED COLLECTIONS**

Figures 10-37, 10-38, and 10-39 identify a reporting entity’s funds from dedicated collections for the current and prior FY as reported on the Balance Sheet, the Statement of Net Cost (SNC), and the SCNP.

*Figure 10-37. Combined Balance Sheet - Funds from Dedicated Collections*

### Combined Balance Sheet - Funds from Dedicated Collections

<table>
<thead>
<tr>
<th>Note 18.</th>
<th>Current FY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Harbor Maintenance and Related Funds</td>
</tr>
<tr>
<td>Fund Balance with Treasury</td>
<td>$ $$</td>
</tr>
<tr>
<td>Investments</td>
<td>$ $$</td>
</tr>
<tr>
<td>Accounts and Interest Receivable</td>
<td>$ $$</td>
</tr>
<tr>
<td>Other Assets</td>
<td>$ $$</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$ $$</td>
</tr>
</tbody>
</table>

| Prior FY |
| --- | --- |
| | Harbor Maintenance and Related Funds | Rivers and Harbors Contributed and Advance Funds | Other Funds | Combined Total |
| Fund Balance with Treasury | $ $$ | $ $$ | $ $$ | $ $$ |
| Investments | $ $$ | $ $$ | $ $$ | $ $$ |
| Accounts and Interest Receivable | $ $$ | $ $$ | $ $$ | $ $$ |
| Other Assets | $ $$ | $ $$ | $ $$ | $ $$ |
| Total Assets | $ $$ | $ $$ | $ $$ | $ $$ |
*Figure 10-38. Combined Statement of Net Cost – Funds from Dedicated Collections

<table>
<thead>
<tr>
<th>Note 18.</th>
<th>Combined Statement of Net Cost - Funds from Dedicated Collections</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td>Current FY</td>
</tr>
<tr>
<td></td>
<td>Harbor Maintenance and Related Funds</td>
</tr>
<tr>
<td>Gross Program Costs</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Less: Earned Revenue</td>
<td>$$</td>
</tr>
<tr>
<td>Net Program Costs</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Less: Earned Revenues Not Attributable to Programs</td>
<td>$$</td>
</tr>
<tr>
<td>Net Cost of Operations</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

| As of [Current Fiscal Period End Date] | Prior FY |
| | Harbor Maintenance and Related Funds | Rivers and Harbors Contributed and Advance Funds | Other Funds | Combined Total |
| Gross Program Costs | $ $$$ | $ $$$ | $ $$$ | $ $$$ |
| Less: Earned Revenue | $$ | $$ | $$ | $$ |
| Net Program Costs | $ $$$ | $ $$$ | $ $$$ | $ $$$ |
| Less: Earned Revenues Not Attributable to Programs | $$ | $$ | $$ | $$ |
| Net Cost of Operations | $ $$$ | $ $$$ | $ $$$ | $ $$$ |
*Figure 10-39. Combined Statement of Changes in Net Position – Funds from Dedicated Collections

<table>
<thead>
<tr>
<th>Note 18.</th>
<th>Combined Statement of Changes in Net Position - Funds from Dedicated Collections</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td>Current FY</td>
</tr>
<tr>
<td></td>
<td>Harbor Maintenance and Related Funds</td>
</tr>
<tr>
<td>Net Position, Beginning of the Period</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Budgetary Financing Sources</td>
<td>$$$$</td>
</tr>
<tr>
<td>Other Financing Sources</td>
<td>$$$$</td>
</tr>
<tr>
<td>Less: Net Cost of Operations</td>
<td>$$$$</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Net Position, End of Period</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

| As of [Current Fiscal Period End Date] | Prior FY |
| | Harbor Maintenance and Related Funds | Rivers and Harbors Contributed and Advance Funds | Other Funds | Combined Total |
| Net Position, Beginning of the Period | $ $$$ | $ $$$ | $ $$$ | $ $$$ |
| Budgetary Financing Sources | $$$$ | $$$$$ | $$$ | $$$$ |
| Other Financing Sources | $$$$ | $$$$$ | $$$ | $$$$ |
| Less: Net Cost of Operations | $$$$ | $$$$ | $$$ | $$$$ |
| Change in Net Position | $ $$$ | $ $$$ | $ $$$ | $ $$$ |
| Net Position, End of Period | $ $$$ | $ $$$ | $ $$$ | $ $$$ |

102101. Instructions

A. Funds from dedicated collections are financed by specifically identified revenues, provided to the government by nonfederal sources, often supplemented by other financing sources, and which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Federal Government’s general revenues. Refer to the DoD Financial Reporting Guidance for required criteria for recognizing funds from dedicated collections.

B. SFFAS 43 contains current policy for reporting dedicated collections. SFFAS 43 clarifies that at least one source of funds must be external to the Federal Government for a fund to qualify as a fund from dedicated collections. It explicitly excludes any fund established to account for pensions, other retirement benefits, other post-employment benefits or other benefits provided for federal employees (civilian and military).
C. If more than one component entity is responsible for carrying out the program financed with revenues and other financing sources that are dedicated collections, and the separate portions of the program can be clearly identified with a responsible component entity, then each component entity reports its portion in accordance with the requirements of SFFAS 43. If separate portions cannot be identified, the component entity with program management responsibility reports the fund. Refer to the DoD Financial Reporting Guidance for required disclosures for each individually reported fund from dedicated collections, or portion thereof, for which a component entity has program management responsibility.

102102. Reporting

A. Funds established to account for pensions, other retirement benefits, other post-employment benefits, and other employee benefits are excluded. The note schedule must show current FY and prior FY data.

B. Report all eliminations between funds from dedicated collections and other funds within the reporting entity. If a Component entity reports a different portion of a fund from dedicated collections than it reported in prior FYs, it will not restate its prior FY financial statements, but disclose the change in the note. This applies if a DoD Component entity does not report a fund from dedicated collections, or a portion thereof, that it reported in the previous year.

C. DoD presents funds from dedicated collections on a combined basis. Note 20, “Disclosures Related to the Statement of Changes in Net Position,” summarizes the elimination of intradepartmental activity between funds from dedicated collections and all other fund types to arrive at the consolidated net position totals presented on the Balance Sheet.
**NOTE 19. GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST**

Figure 10-40 identifies a reporting entity’s disclosures related to the SNC.

*Figure 10-40. Cost and Exchange Revenue by Major Program*

<table>
<thead>
<tr>
<th>Note 19. General Disclosures Related to the Statement of Net Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
</tr>
<tr>
<td><strong>Military Retirement Benefits</strong></td>
</tr>
<tr>
<td>1. Gross Cost</td>
</tr>
<tr>
<td>2. Less: Earned Revenue</td>
</tr>
<tr>
<td>3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits</td>
</tr>
<tr>
<td><strong>Net Program Costs</strong></td>
</tr>
<tr>
<td><strong>Civil Works</strong></td>
</tr>
<tr>
<td>1. Gross Cost</td>
</tr>
<tr>
<td>2. Less: Earned Revenue</td>
</tr>
<tr>
<td>3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits</td>
</tr>
<tr>
<td><strong>Net Program Costs</strong></td>
</tr>
<tr>
<td><strong>Military Personnel</strong></td>
</tr>
<tr>
<td>1. Gross Cost</td>
</tr>
<tr>
<td>2. Less: Earned Revenue</td>
</tr>
<tr>
<td>3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits</td>
</tr>
<tr>
<td><strong>Net Program Costs</strong></td>
</tr>
<tr>
<td><strong>Operations, Readiness &amp; Support</strong></td>
</tr>
<tr>
<td>1. Gross Cost</td>
</tr>
<tr>
<td>2. Less: Earned Revenue</td>
</tr>
<tr>
<td>3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits</td>
</tr>
<tr>
<td><strong>Net Program Costs</strong></td>
</tr>
<tr>
<td><strong>Procurement</strong></td>
</tr>
<tr>
<td>1. Gross Cost</td>
</tr>
<tr>
<td>2. Less: Earned Revenue</td>
</tr>
<tr>
<td>3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits</td>
</tr>
<tr>
<td><strong>Net Program Costs</strong></td>
</tr>
</tbody>
</table>
**Note 19.** General Disclosures Related to the Statement of Net Cost

<table>
<thead>
<tr>
<th>Note 19.</th>
<th>General Disclosures Related to the Statement of Net Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>As of [Current Fiscal Period End Date]</strong></td>
</tr>
<tr>
<td><strong>Research, Development, Test &amp; Evaluation</strong></td>
<td></td>
</tr>
<tr>
<td>1. Gross Cost</td>
<td></td>
</tr>
<tr>
<td>2. Less: Earned Revenue</td>
<td></td>
</tr>
<tr>
<td>3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits</td>
<td></td>
</tr>
<tr>
<td>Net Program Costs</td>
<td></td>
</tr>
<tr>
<td><strong>Family Housing &amp; Military Construction</strong></td>
<td></td>
</tr>
<tr>
<td>1. Gross Cost</td>
<td></td>
</tr>
<tr>
<td>2. Less: Earned Revenue</td>
<td></td>
</tr>
<tr>
<td>3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits</td>
<td></td>
</tr>
<tr>
<td>Net Program Costs</td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated</strong></td>
<td></td>
</tr>
<tr>
<td>1. Gross Cost</td>
<td></td>
</tr>
<tr>
<td>2. Less: Earned Revenue</td>
<td></td>
</tr>
<tr>
<td>3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits</td>
<td></td>
</tr>
<tr>
<td>4. Costs Not Assigned to Programs</td>
<td></td>
</tr>
<tr>
<td>5. (Less: Earned Revenues) Not Attributed to Programs</td>
<td></td>
</tr>
<tr>
<td>Total Net Cost</td>
<td></td>
</tr>
</tbody>
</table>

102201. Instructions

Disclose information related to the SNC.

**A. Gross Cost (Line 1).** This line contains costs that arise from exchange transactions made between two reporting entities within the Federal Government. The effects of intra-entity (that is, trading with itself) business transactions are eliminated from reporting entity statements in order to prevent overstating costs. Line 1 also contains costs that arise from exchange transactions made between the reporting entity and a nonfederal entity. Line 1 agrees with the amount reported on the SNC.

**B. Less: Earned Revenue (Line 2).** This line contains revenues that arise from exchange transactions made between two reporting entities within the Federal Government. The effects of intra-entity (that is, trading with itself) business transactions are eliminated from reporting entity statements in order to prevent overstating revenue. Line 2 also contains revenues
that arise from exchange transactions made between the reporting entity and a nonfederal entity. Line 2 agrees with the amount reported on the SNC.

C. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits (Line 3). This line contains the losses and gains from actuarial assumption changes for military retirement benefits reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; Family Housing and Military Construction; and on the Consolidated line.

D. Net Program Costs. This line is the cost incurred by the reporting entity (Line 1), less any exchange revenues earned (Line 2), plus or minus the losses or gains from actuarial assumption changes for military retirement benefits (Line 3). This amount agrees with the amount reported on the SNC, SCNP, and Reconciliation of Net Cost to Net Outlays.

E. Costs Not Assigned to Programs (Line 4). This line is the costs not assigned to programs and is added to the Consolidated section to arrive at the Total Net Cost.

F. (Less: Earned Revenues) Not Attributed to Programs (Line 5). This line is the revenue not attributed to programs and is subtracted from the Consolidated section to arrive at the Total Net Cost.

G. General Disclosures

1. Disclose that the SNC is unique because its principles are driven on understanding the net cost of programs and organizations that the Federal Government supports through appropriations or other means. This statement provides gross and net cost information that can be related to the amount of output or outcome for a given program and organization administered by a responsible reporting entity.

2. Disclose that intragovernmental costs and revenue relate to transactions made between two reporting entities within the Federal Government.

3. Disclose that public costs and revenues are exchange transactions made between the reporting entity and a nonfederal entity. For public earned revenue, the buyer of the goods or services is a nonfederal entity. For intragovernmental costs, the seller is a federal entity. If a federal entity purchases goods or services from another federal entity and sells them to the public, classify the exchange revenue as public, but classify the related costs as intragovernmental. The purpose of this classification is to enable the Federal Government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs incurred to produce public and intragovernmental revenue.

4. Reporting entities who are unable to track customer information at the transaction level must make additional disclosures. Disclose that many of the reporting entity’s systems do not track intragovernmental transactions by customer at the transaction level. Expenses were adjusted by [cite methodology]: (1) reclassifying amounts between federal and nonfederal
expenses; or (2) accruing additional accounts payable and expenses. See Chapter 13 for additional information on intragovernmental reconciliations and eliminations.

5. If the reporting entity was able to compare its intragovernmental costs and revenues with corresponding balances of its intragovernmental trading partners (other federal entities), then it must disclose any material differences identified. Additionally, provide an explanation for the material differences identified and whether or not the differences were resolved.

102202. Other Disclosures

A. Cost Disclosure Specific to General Funds. Disclose, if applicable, that the reporting entity does not meet specific accounting standards and that information presented is based on budgetary obligations, disbursements, and collection transactions, as well as nonfinancial feeder systems adjusted to record known accruals for major items such as payroll expenses, accounts payable, and environmental liabilities.

B. Cost Disclosure Specific to Working Capital Fund (WCF). Disclose, if applicable, that the reporting entity does not meet specific accounting standards. Each reporting entity reviews its financial processes, systems, and data and discloses, if applicable, that while the WCF generally records transactions on an accrual basis, the systems do not always capture actual costs in a timely manner. Information presented on this statement is primarily based on budgetary obligation, disbursement, or collection transactions, as well as information from nonfinancial feeder systems.

C. Inter-entity Costs. Refer to SFFAS 55, “Amending Inter-entity Cost Provisions,” for disclosure requirements related to inter-entity costs.

102203. Stewardship PP&E

Stewardship PP&E assets include Heritage Assets and stewardship land. Disclose, if applicable, the following:

A. If the cost of Heritage Assets and stewardship land transferred from other federal entities is not known, the receiving entity must disclose the number of physical units by major category. Do not recognize Heritage Assets and stewardship land acquired through donation or devise as a cost in calculating net cost, but disclose the fair value of the property. If the fair value is not known or reasonably estimable, disclose information related to the type and quantity of assets received.

B. Disclose any amounts expensed during the current period in the SNC for the costs of acquiring, constructing, improving, reconstructing, or renovating Heritage Assets (other than Multi-Use Heritage Assets), and the cost of acquiring stewardship land and any costs to prepare a stewardship asset for its intended use. If the accounting system does not provide the necessary information to make the required disclosure for all or part of these expenses, the reporting entity must make the following disclosure to recognize the weakness and to disclose the
portion of the expenses that are known. (If no portion of the expenses is known, include only the first sentence of the disclosure.)

C. Disclose that the reporting entity’s accounting system does not capture information relative to Heritage Assets separately and distinctly from normal operations. Where it was able to separate the cost of acquiring, constructing, improving, reconstructing, or renovating Heritage Assets, the reporting entity identified the dollar amount for the FY.

1023 NOTE 20. DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

Figure 10-41 identifies the elimination of intradepartmental activity between funds from dedicated collections and all other fund types to arrive at the consolidated net position totals presented on the Balance Sheet. Figure 10-42 identifies the reconciliation of appropriations on the SBR to appropriations received on the SCNP.

Figure 10-41. Disclosures Related to the Statement of Changes in Net Position

<table>
<thead>
<tr>
<th>Note 20</th>
<th>Disclosures Related to the Statement of Changes in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of [Current Fiscal Period End Date]</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consolidating Net Position</strong></td>
<td></td>
</tr>
<tr>
<td>Unexpended Appropriations – Funds from Dedicated Collections (Note 18)</td>
<td>$ $$$</td>
</tr>
<tr>
<td>Unexpended Appropriations – Other Funds</td>
<td>$$$$</td>
</tr>
<tr>
<td>Cumulative Results of Operations – Funds from Dedicated Collections (Note 18)</td>
<td>$$$$</td>
</tr>
<tr>
<td>Cumulative Results of Operations – Other Funds</td>
<td>$$$$</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

| **As of [Prior Fiscal Period End Date]** | | **Prior FY** |
| | | Combined | Consolidating Eliminations | Consolidated |
| **Consolidating Net Position** | | |
| Unexpended Appropriations – Funds from Dedicated Collections (Note 18) | $ $$$ | $ $$$ | $ $$$ |
| Unexpended Appropriations – Other Funds | $$$$ | $$$$ | $$$$ |
| Cumulative Results of Operations – Funds from Dedicated Collections (Note 18) | $$$$ | $$$$ | $$$$ |
| Cumulative Results of Operations – Other Funds | $$$$ | $$$$ | $$$$ |
| Total Net Position | $ $$$ | $ $$$ | $ $$$ |
**Note 20. Disclosures Related to the Statement of Changes in Net Position**

<table>
<thead>
<tr>
<th>Category</th>
<th>Current Year</th>
<th>Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reconciliation of Appropriations on the Statement of Budgetary Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriations, Statement of Budgetary Resources</td>
<td>$ $$$</td>
<td></td>
</tr>
<tr>
<td>Appropriations Received, Statement of Changes in Net Position</td>
<td>$$$</td>
<td></td>
</tr>
<tr>
<td><strong>Total Reconciling Amount</strong></td>
<td>$ $$$</td>
<td></td>
</tr>
<tr>
<td><strong>Items Reported as Reductions to Appropriations, Statement of Budgetary Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent Reductions</td>
<td>$$$</td>
<td></td>
</tr>
<tr>
<td>Temporary Reductions</td>
<td>$$$</td>
<td></td>
</tr>
<tr>
<td><strong>Items Reported as Additions to Appropriations, Statement of Budgetary Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers</td>
<td>$$$</td>
<td></td>
</tr>
<tr>
<td><strong>Items Not Reported as Appropriations Received on the Statement of Changes in Net Position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dedicated Appropriations and earmarked receipts</td>
<td>$$$</td>
<td></td>
</tr>
<tr>
<td><strong>Total Reconciling Items</strong></td>
<td>$ $$$</td>
<td></td>
</tr>
</tbody>
</table>

*Figure 10-42. Disclosures Related to the Statement of Changes in Net Position*
102301. Instructions

Disclose information related to the SCNP.

102302 Consolidating Net Position

DoD presents funds from dedicated collections on a combined basis. Figure 10-41 summarizes the elimination of intradepartmental activity between funds from dedicated collections and all other fund types to arrive at the consolidated totals presented on the Balance Sheet and the Financial Report of the U.S. Government (FR). See Note 18, “Funds from Dedicated Collections,” for additional information on reporting dedicated collections balances.

*102303 Reconciliation of the SBR to the SCNP

The Appropriations Received line item on the SCNP will not agree with the Appropriations line item on the SBR due to differences between proprietary and budgetary accounting concepts and reporting policies. Figure 10-42 identifies the differences, and amounts needed to reconcile, the two reports.

*102304 Reporting

A. Appropriations. Include items reported as reductions and additions to amounts reported on the SBR, and items not reported as appropriations received on the SCNP. Disclose, if applicable, that Appropriations Received on the SBR does not agree with Appropriations Received on the SCNP.

B. Reductions and Additions to Appropriations. Report items reported as reductions or additions to the appropriations balance reported on the SBR.

C. Items Not Reported as Appropriations Received. Report items not reported as reductions or additions to the appropriations received balance on the SCNP.

* D. Other Information. Discuss other information to help the user understand the SCNP. If any of the individual components of the statement lines titled “Other” represent 10 percent or more of the value of the line, disclose those components separately. Refer to SFFAS 55 for disclosure requirements related to inter-entity costs.
*1024 NOTE 21. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

Figure 10-43 identifies a reporting entity’s available borrowing and contract authority at the end of the reporting period for the current and prior FY. Figure 10-44 identifies the balance for undelivered orders at the end of the period.

*Figure 10-43. Available Borrowing/Contract Authority

<table>
<thead>
<tr>
<th>Note 21.</th>
<th>Disclosures Related to the Statement of Budgetary Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available Borrowing/Contract Authority</td>
<td></td>
</tr>
<tr>
<td>Net Adjustments to Unobligated Balance, Brought Forward, October 1:</td>
<td></td>
</tr>
<tr>
<td>Terms of Borrowing Authority Used:</td>
<td></td>
</tr>
<tr>
<td>Available Borrowing/Contract Authority, End of Period:</td>
<td></td>
</tr>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td>Current FY</td>
</tr>
<tr>
<td>1. Available Borrowing and Contract Authority at the End of the Period</td>
<td>$</td>
</tr>
</tbody>
</table>

102401. Net Adjustments to Unobligated Balance, Brought Forward, October 1

OMB A-136 requires preparers of the financial statements to disclose and explain material adjustments impacting the SBR unobligated beginning balance. If the adjustment represents a correction of a material error, and the earliest period presented is not the period in which the error occurred, and the cumulative effect is attributable to prior periods, report the cumulative effect as a prior period adjustment. If the period is presented on the financial statements, report the adjustment in the earliest affected period presented by correcting any individual amounts on the financial statements.

102402. Terms of Borrowing Authority Used

Disclose repayment requirements, financing sources for repayment, and other terms of borrowing authority used.

102403. Available Borrowing/Contract Authority, End of Period

Disclose and report the amount of borrowing and contract authority available at the end of the reporting period for the current and prior FY.
Figure 10-44. Budgetary Resources Obligated for Undelivered Orders at the End of the Period

<table>
<thead>
<tr>
<th>Note 21.</th>
<th>Disclosures Related to the Statement of Budgetary Resources</th>
</tr>
</thead>
</table>

**Budgetary Resources Obligated for Undelivered Orders at the End of the Period**

Undelivered Orders at the End of the Period:

<table>
<thead>
<tr>
<th></th>
<th>Current FY</th>
<th>Prior FY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of [Current Fiscal Period End Date]</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Intragovernmental</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Unpaid</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>B. Prepaid/Advanced</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>C. Total Intragovernmental</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>2. Nonfederal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Unpaid</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>B. Prepaid/Advanced</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>C. Total Nonfederal</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>3. <strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budgetary Resources Obligated for Undelivered Orders at the End of the Period</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

Legal Arrangements Affecting the Use of Unobligated Balances:

Explanation of Differences between the SBR and the Budget of the U.S. Government:

Contributed Capital:

Permanent Indefinite Appropriations:

102404. Undelivered Orders at the End of the Period

Disclose information related to the undelivered orders balance at the end of the period.

102405. Budgetary Resources Obligated for Undelivered Orders at the End of the Period


102406 Legal Arrangements Affecting the Use of Unobligated Balances

Disclose information pertaining to legal arrangements affecting the use of unobligated balances.

102407 Explanation of Differences between the SBR and the Budget of the U.S. Government

Disclose information explaining differences between the SBR and the Budget of the U.S. Government. Figure 10-45 identifies the cumulative difference between the SBR and the Budget of the U.S. Government.

*Figure 10-45. Explanation of Differences between the SBR and the Budget of the U.S. Government

<table>
<thead>
<tr>
<th>Note 21.</th>
<th>Explanation of Differences between the SBR and the Budget of the U.S. Government</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Budgetary Resources</td>
</tr>
<tr>
<td>FY XXXX Combined Statement of Budgetary Resources</td>
<td>$ $$</td>
</tr>
<tr>
<td>Reconciling difference</td>
<td>$ $$</td>
</tr>
<tr>
<td>Reconciling difference</td>
<td>$ $$</td>
</tr>
<tr>
<td>Total</td>
<td>$ $$</td>
</tr>
<tr>
<td>Budget of the U.S. Government</td>
<td>$ $$</td>
</tr>
<tr>
<td>Difference</td>
<td>$ $$</td>
</tr>
</tbody>
</table>
102408 Contributed Capital.

Explain any contributed capital received during the reporting period including the amount, the source, and the reason for these additional funds. (Only applies to those who received funds in excess of their original appropriation.)

102409 Permanent Indefinite Appropriations

Disclose the existence, purpose, and availability of permanent indefinite appropriations.

1025 NOTE 22. DISCLOSURES RELATED TO INCIDENTAL CUSTODIAL COLLECTIONS

102501 Instructions

Reporting entities collecting immaterial custodial revenues that are incidental to their primary mission may disclose the sources and amount of collections and the amounts distributed to others in the accompanying notes.

102502 Disclosures

A. Disclose that the reporting entity collected \[\text{[\$XXX]}\] of incidental custodial revenues generated primarily from [identify the source of collections]. Also, disclose that the reporting entity distributed \[\text{[\$XXX]}\] to [name of organization or agency] or that the reporting entity has not yet distributed the incidental custodial revenues collected.

B. Disclose other information relating to the further understanding of incidental custodial collections.

C. Refer to OMB Circular A-136 for additional disclosures required for incidental custodial collections.
1026 NOTE 23. FIDUCIARY ACTIVITIES

Figure 10-46 identifies the items contributing to the change in a reporting entity’s fiduciary net asset balance for the current and prior FY. Figure 10-47 identifies the items contributing to the total fiduciary net asset balance for the current and prior FY.

Figure 10-46. Schedule of Fiduciary Activity

<table>
<thead>
<tr>
<th>Note 23. Fiduciary Activities</th>
<th>Fiduciary Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-Entity Assets</strong></td>
<td></td>
</tr>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td>Current FY</td>
</tr>
<tr>
<td>1. Fiduciary Net Assets, Beginning of year</td>
<td>$ $$$</td>
</tr>
<tr>
<td>2. Fiduciary Revenues</td>
<td>$$$</td>
</tr>
<tr>
<td>3. Contributions</td>
<td>$$$</td>
</tr>
<tr>
<td>4. Investment Earnings</td>
<td>$$$</td>
</tr>
<tr>
<td>5. Gain (Loss) on Disposition of Investments, Net</td>
<td>$$$</td>
</tr>
<tr>
<td>6. Administrative and Other Expenses</td>
<td>$$$</td>
</tr>
<tr>
<td>7. Disbursements To and On Behalf of Beneficiaries</td>
<td>($$$)</td>
</tr>
<tr>
<td><strong>8. Increase/(Decrease) in Fiduciary Net Assets</strong></td>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>9. Fiduciary Net Assets, End of Year</strong></td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

[Fiduciary Fund A] was authorized by [legislation], which authorized [component entity] to collect [type of collections] on behalf of [beneficiaries]. Other fiduciary activities by [component entity] include [fiduciary activities included in “other”].

*Figure 10-47. Schedule of Fiduciary Net Assets

<table>
<thead>
<tr>
<th>Note 23. Fiduciary Activities</th>
<th>Fiduciary Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Schedule of Fiduciary Net Assets</strong></td>
<td></td>
</tr>
<tr>
<td>As of [Current Fiscal Period End Date]</td>
<td>Current FY</td>
</tr>
<tr>
<td><strong>FIDUCIARY ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>1. Fund Balance with Treasury</td>
<td>$ $$$</td>
</tr>
<tr>
<td>2. Investments</td>
<td>$$$</td>
</tr>
<tr>
<td>3. Other Assets</td>
<td>$$$</td>
</tr>
<tr>
<td><strong>FIDUCIARY LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>4. Less: LIABILITIES</td>
<td>$ $$$</td>
</tr>
<tr>
<td><strong>5. TOTAL FIDUCIARY NET ASSETS</strong></td>
<td>$ $$$</td>
</tr>
</tbody>
</table>

102601. Instructions

Disclose the fiduciary assets, liabilities, and inflows/outflows of the reporting entity in accordance with SFFAS 31.
102602. Fiduciary Activities

Fiduciary activities collect the receipt for cash or other assets in which nonfederal individuals or entities (or “nonfederal parties”) have an ownership interest that the Federal Government must uphold. Base the fiduciary relationship on statutory or other legal authority. Fiduciary activities are not recognized on the proprietary financial statements, but they are required to be reported on schedules in the notes to the financial statements. Fiduciary activities may involve a variety of transactions including, but are not limited to, cash, investments, other assets, liabilities, inflows, and outflows. See SFFAS 31 for additional reporting information for fiduciary activities.

*102603. Exclusions

SFFAS 31 excludes certain transactions from the reporting requirements for fiduciary activities, including but not limited to, unpaid payroll withholdings and garnishments, unearned revenue, operating revenues and expenses, and seized property, including seized monetary instruments. See SFFAS 31 for a list of exclusions.

*102604. Reporting

Reporting on fiduciary activities is required in two notes to the financial statements. Within Note 1, “Summary of Significant Accounting Policies,” provide a statement that says, “Fiduciary assets are not assets of the Federal Government and are not recognized on the Balance Sheet.” In Note 23, provide a description of the fiduciary relationship, such as the applicable legal authority, the objectives of the fiduciary activity, and a general description of the beneficial owners or class of owners. Also, disclose fiduciary activities in the following schedules:

A. Schedule of Fiduciary Activity. Disclose the beginning balance of net assets; the inflows/outflows from the fiduciary activities by category; the change in net assets; and the ending balance of net assets.

B. Schedule of Fiduciary Net Assets. Disclose the current and prior period ending balances of assets by category, liabilities by category, and a variance analysis addressing significant changes from the prior period.

C. Non-monetary Fiduciary Assets. Include a description of the composition of the assets, the method(s) of valuation, and changes (if any) from prior period accounting methods.

D. Non-Valued Fiduciary Assets. Include a description of non-valued fiduciary assets. These assets may include land held in trust. Component entities holding non-valued fiduciary assets disclose them in a Schedule of Changes in Non-Valued Fiduciary Assets.
**NOTE 24. RECONCILIATION OF NET COST TO NET OUTLAYS**

Figure 10-48 identifies how budgetary net outlays relate to the net cost of operations for the reporting entity.

*Figure 10-48. Reconciliation of the Net Cost of Operations to Net Outlays*

<table>
<thead>
<tr>
<th>Note 24. Disclosures Related to the Reconciliation of Net Cost of Operations to Net Outlays</th>
<th>Intragovernmental</th>
<th>With the Public</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of [Current Fiscal Period End Date]</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Net Cost of Operations (SNC)</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>2. Property, plant, and equipment depreciation</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>3. Property, plant, and equipment disposal &amp; revaluation</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>4. Year-end credit reform subsidy re-estimates</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>5. Unrealized valuation loss/(gain) on investments</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>6. Other</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>7. Increase/(decrease) in assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7a. Accounts receivable</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>7b. Loans receivable</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>7c. Investments</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>7d. Other assets</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>8. (Increase)/decrease in liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8a. Accounts payable</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>8b. Salaries and benefits</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>8c. Insurance guarantee program liabilities</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>8d. Environmental and disposal liabilities</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>8e. Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>9. Other financing sources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9a. Federal employee retirement benefit costs paid by OPM and imputed to the agency</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>9b. Transfers out (in) without reimbursement</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>9c. Other imputed financing</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>10. Total Components of Net Cost That Are Not Part of Net Outlays</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>11. Effect of prior year agencies credit reform subsidy re-estimates</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>12. Acquisition of capital assets</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>13. Acquisition of inventory</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>14. Acquisition of other assets</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>15. Other</td>
<td>$$$</td>
<td>$$$</td>
<td>$$$</td>
</tr>
<tr>
<td>16. Total Components of Net Outlays That Are Not Part of Net Cost:</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>17. Other Temporary Timing Differences</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>18. Net Outlays</td>
<td>$ $$$</td>
<td>$ $$$</td>
<td>$ $$$</td>
</tr>
<tr>
<td>19. Agency Outlays, Net, Statement of Budgetary Resources</td>
<td></td>
<td>$ $$$</td>
<td></td>
</tr>
<tr>
<td>20. Reconciling Difference</td>
<td></td>
<td></td>
<td>$ $$$</td>
</tr>
</tbody>
</table>
*102701. Reconciliation Objective


B. The Reconciliation of Net Cost to Net Outlays accomplishes this reconciliation. Note 24 reconciles budgetary obligations and nonbudgetary resources available to the reporting entity with its net cost of operations. Refer to SFFAS 53 for additional reporting policies related to the reconciliation of net cost to net outlays.

102702. Budgetary to Proprietary Accounting Reconciling Differences

Because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts due to legislative requirements or USGAAP (e.g., accrual of unfunded environmental and disposal liabilities that are recorded only in the proprietary records). Furthermore, not all obligations or offsetting collections may result in expenses or exchange revenue (e.g., purchase of a building is capitalized on the Balance Sheet in the proprietary accounts, but obligated and outlayed in the budgetary accounts).

A. The reconciliation summarizes differences due solely to budgetary and proprietary accounting. Other differences encountered must be researched and corrected.

B. See the DFAS, Enterprise Solutions and Standards, Financial Reporting, Audited Financial Statements Reconciliation Manual for additional information on Defense Departmental Reporting System reconciliations used for financial reporting.

102703. Reconciliation Crosswalk

It is imperative to comply with the “Additional Information Required” column in the crosswalk. This column limits or provides further detail on items that can be reported in these lines. A crosswalk for this note is available in the query section of the Defense Departmental Reporting System-Audited Financial Statements.

*102704. Instructions

Preparers of financial statements perform a detailed reconciliation of net outlays and other resources to net cost of operations, identifying all applicable reconciling items. Preparers should refer to FASAB’s Implementation Guide to SFFAS 7, “Accounting for Revenue and Other Financing Sources: Detailed Information on the Statement of Financing,” for detailed guidance on preparing the reconciliation. Budgetary resources reported in this schedule are those resources reported on the SBR and defined in OMB Circular A-11. Other resources reported in this schedule are also reflected in the SCNP.
A. **Net Cost of Operations (SNC) (Line 1).** Report the net cost of operations balance from the SNC.

B. **Property, plant, and equipment depreciation (Line 2).** Report the amount of depreciation expense charged to PP&E.

C. **Property, plant, and equipment disposal & revaluation (Line 3).** Report gains and losses associated with the disposal and revaluation of PP&E.

D. **Year-end credit reform subsidy re-estimates (Line 4).** Report the balance for subsidy payables to the financing account, and any adjustments or re-estimates to subsidy expense.

E. **Unrealized valuation loss/(gain) on investments (Line 5).** Report the unrealized valuation gains and losses associated with investments.

F. **Other (Line 6).** Report components of net cost that are not part of net outlays, which are not reported on other lines.

G. **Increase/(decrease) in assets (Lines 7.a through 7.d).** Report the increase or decrease in the overall balance for accounts receivable, loans receivable, investments, and other assets.

H. **(Increase)/decrease in liabilities (Lines 8.a through 8.e).** Report the increase or decrease in the overall balance for accounts payable, salaries and benefits, insurance guarantee program liabilities, environmental and disposal liabilities, and other identified liabilities.

I. **Other financing sources (Lines 9.a through 9.c).** Report the increase or decrease in the overall balance for federal employee retirement benefits as paid by OPM and imputed to the agency, transfers in or out without reimbursement, and other imputed financing.

J. **Total Components of Net Cost That Are Not Part of Net Outlays (Line 10).** Report the sum of Line 2 through Line 9.c.

K. **Effect of prior year agencies credit reform subsidy re-estimates (Line 11).** Report the sum of credit reform subsidy re-estimates recorded in a prior year.

L. **Acquisition of capital assets (Line 12).** Report the amount of capitalized PP&E purchased during the FY, in addition to any cost capitalization offsets.

M. **Acquisition of inventory (Line 13).** Report the amount of inventory and related property purchased during the FY.

N. **Acquisition of other assets (Line 14).** Report the amount of other assets purchased during the FY, not reported on lines 12 or 13.
O. Other (Line 15). Report components of net outlays that are part of net costs, which are not reported on other lines.

P. Total Components of Net Outlays That Are Not Part of Net Cost (Line 16). Report the sum of Line 11 through Line 15.

Q. Other Temporary Timing Differences (Line 17). Report amounts attributable to temporary timing differences.


S. Agency Outlays, Net, Statement of Budgetary Resources (Line 19). Report the net agency outlays, net balance shown on the SBR.

T. Reconciling Difference (Line 20). Report the difference between the amounts shown on Line 18 and Line 19.

102705. Narrative Disclosures

Report any information relating to the reporting entity that provides a further understanding of the entity’s note. At a minimum, discuss the following:

A. Adjustment to Align Budgetary Data to Proprietary Data. For reporting entities whose budgetary data does not agree with proprietary data, disclose that because of the reporting entity’s financial system limitations, budgetary data will not be in agreement with proprietary expenses and assets capitalized. The differences between budgetary and proprietary data are a previously identified deficiency. Also, disclose the amount (absolute value) of the adjustment to the note to bring it into balance with the SNC. Report the adjustment in one of three categories: Resources That Finance the Acquisition of Assets; Other Components Not Requiring or Generating Resources; or Revaluation of Assets or Liabilities (if applicable).

B. Other Lines (Line 6 and Line 15). If any of the individual components of Line 6 or Line 15 represent 10 percent or more of the value of the line, disclose those components separately.

1028 NOTE 25. PUBLIC-PRIVATE PARTNERSHIPS

102801. Definition

SFFAS 49, “Public-Private Partnerships: Disclosure Requirements,” defines public-private partnerships as risk-sharing arrangements or transactions lasting more than five years between public and private sector entities.

102802. Reporting

A. Entities involved in public-private partnerships, as defined by SFFAS 49, review the conclusive risk characteristics, and possibly the suggestive risk characteristics, to
determine the required disclosures. See paragraphs 20 and 21 of SFFAS 49 for a listing of conclusive and suggestive risk characteristics.

B. SFFAS 49 exempts certain arrangements or transactions from public-private partnership disclosure requirements. See paragraph 15 of SFFAS 49 for a listing of exempt arrangements and transactions. Such exempt arrangements or transactions are subject to existing disclosure requirements in other SFFAS applicable to such arrangements or transactions.

C. Assess arrangements or transactions not excluded by paragraph 15 of SFFAS 49, which meet the public-private partnership definition in paragraphs 16 through 18, against the risk-based characteristics in paragraphs 20 and 21. When an entity determines disclosures are required, include the information specified in SFFAS 49, paragraph 24. Disclosures can be provided by individual public-private partnerships or summarized.

1029 NOTE 26. DISCLOSURE ENTITIES AND RELATED PARTIES

102901. Instructions

SFFAS 47 instructs preparers of the financial statements, at the governmentwide and component reporting entity levels, in determining what organizations should be included in the reporting entity’s general-purpose federal financial reports for accountability purposes. The general-purpose federal financial reports include all organizations budgeted for by elected officials of the Federal Government, owned by the Federal Government, or controlled by the Federal Government with risk of loss or expectation of benefits. SFFAS 47 requires reporting entities to disclose certain information about disclosure entities and related parties.

102902. Disclosure Entities

Preparers should consider both qualitative and quantitative materiality in determining the information presented regarding disclosure entities. Refer to OMB Circular A-136 and the DoD Financial Reporting Guidance for required disclosures for disclosure entities.

102903. Related Parties

Consider organizations related parties if an existing relationship, or one party to the existing relationship, has the ability to exercise significant influence over the other party’s policy decisions. Only relationships that would be misleading to exclude information about such relationships warrant disclosure. Refer to OMB Circular A-136 and the DoD Financial Reporting Guidance for required disclosures for related parties.
NOTE 27. RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR COMPILATION IN THE U.S. GOVERNMENTWIDE FINANCIAL REPORT

103001. Instructions

Disclose information identifying how amounts reported on the AFR for the Balance Sheet, SNC, and SCNP are reclassified for compilation of the FR.

103002. Reporting

Agency financial statements reflect all agency financial transactions, including transactions with other Government agencies and transactions with the public. The FR includes only the Government’s financial transactions with the public; and does not include intragovernmental transactions.

103003. Reclassifications

Note 27 identifies reclassifications used to reconcile balances reported in agency financial statements with the FR. The reclassifications identify detailed line items shown separately in agency statements, but aggregated in the FR. Amounts shown separately in the FR, but aggregated in agency statements, are also identified.

NOTE 28. RESTATEMENTS

103101. Misstatements

Disclosure is required when management becomes aware of a potential misstatement due to a material error(s) whether or not the exact amount is known or has been corrected at the time financial statements are prepared.

103102. General Disclosures

A. Where amount of the misstatement is known, the disclosure must include the disclosures identified in the DoD Financial Reporting Guidance for misstatements.

B. Where management has become aware that a material error has occurred, but the exact amount is not known and/or financial statements have not yet been corrected, include the disclosures required by OMB Circular A-136.
**VOLUME 6B, CHAPTER 12: “REQUIRED SUPPLEMENTARY INFORMATION”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated December 2016 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Reformatted chapter and updated hyperlinks to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>120301</td>
<td>Added language to clarify materiality in accordance with Statement of Federal Financial Accounting Standards 42.</td>
<td>Addition</td>
</tr>
</tbody>
</table>
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CHAPTER 12

REQUIRED SUPPLEMENTARY INFORMATION

1201 GENERAL

120101. Purpose

This chapter provides the Department of Defense (DoD) policy and guidance for reporting Required Supplementary Information (RSI) to accompany the basic financial statements.

120102. Authoritative Guidance


C. DoD Deputy Chief Financial Officer (DCFO) policy memorandum dated September 30, 2015, “Accounting Policy Update for Financial Statement Reporting for Real Property Assets,” hereafter referred to as “DCFO Memo” in this chapter, provides the guidance for determining which DoD reporting entity is responsible for reporting real property on its financial statements. The memo will be incorporated into relevant chapters in Volume 4.

1202 DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES (SBR)

DoD reporting entities must prepare and report the disaggregated SBR as RSI. The format of the disaggregated SBR must follow the format contained in Chapter 7. As stated in OMB Circular A-136, for purposes of this presentation, small budget accounts may be aggregated. DoD has elected to aggregate smaller budget accounts within an account grouping titled "Other Accounts." The major account groupings and the aggregate of smaller budget accounts must, in total, agree with the amounts reported on the face of the reporting entity's SBR. The DoD Agency-wide SBR must be disaggregated into the following appropriation/fund account groupings: (1) Military Retirement Benefits; (2) Civil Works; (3) Military Personnel; (4) Operations, Readiness, and Support; (5) Procurement; (6) Research, Development, Test, and Evaluation; and (7) Family Housing and Military Construction. Refer to Chapter 7 for additional guidance and detail on the disaggregated SBRs for the various military departments, funds, and other Defense entities.
1203 DM&R

*120301. Policy

DoD reporting entities are required to report material amounts of DM&R on property, plant, and equipment (PP&E) (if applicable) as supplementary information to accompany their annual financial statements. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement. PP&E related accounting policy and definitions are contained in Volume 4.

120302. Definition

As defined in SFFAS 42, DM&R are maintenance and repairs (M&R) that were not performed when they should have been or were scheduled to be, and which are put off or delayed for a future period. M&R are activities directed toward keeping fixed assets in an acceptable condition. M&R activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. M&R, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use. The amounts reported must include both funded and unfunded DM&R, but need not be separately reported as such in the RSI.

120303. Required Reporting in RSI

A. In accordance with SFFAS 42, DoD reporting entities, if applicable, are required to:

1. Describe their M&R policies and how they are applied (i.e., method of measuring DM&R);

2. Discuss how they rank and prioritize M&R activities among their other activities;

3. Identify the factors considered in determining acceptable condition standards;

4. State whether DM&R relates solely to capitalized general PP&E and stewardship PP&E or also to non-capitalized or fully depreciated general PP&E;

5. Identify the PP&E for which management does not measure and/or report DM&R, and provide the rationale for the exclusion of other than non-capitalized or fully depreciated general PP&E;
6. Provide estimated beginning and ending DM&R balances for each major category of PP&E (i.e., general PP&E; heritage assets; and stewardship land), for which M&R has been deferred. Refer to the Defense Finance and Accounting Service Financial Reporting Guidance for specific reporting formats and timing;

7. Explain significant changes in estimated DM&R balances by category (i.e., general PP&E, heritage assets, and stewardship land) from the prior year; and

8. Explain significant changes in the policies and factors subject to the reporting requirements from the prior year.

B. SFFAS 42 permits the following methods to measure DM&R:

1. Condition assessment surveys, which are periodic visual (i.e., physical) inspections of PP&E to determine their current condition and estimated cost to correct any deficiencies;

2. Life cycle cost forecasts, which are acquisition techniques that consider operating, maintenance, and other costs in addition to the acquisition cost of assets; or

3. Other methods similar to the condition assessment survey or life cycle cost forecast methods.

C. To comply with the guidance in subparagraph 120303.A.7 and A.8, the determination of whether a change is significant is a matter for professional judgement at the reporting entity level. Significance is separate and distinct from materiality and could consider:

1. The absolute dollar amount or the percentage change in DM&R estimates,

2. The perceived importance of the reason for the change to the financial statement users, or

3. The potential consequences arising from the change (e.g., the effect on mission).

D. SFFAS 42 also requires that condition standards, related assessment methods, and reporting formats be consistently applied unless management determines that changes are necessary. Although condition information is essential in developing DM&R amounts, SFFAS 42 eliminated the previous requirement to report condition information.

E. The DoD Component that reports the real property in its financial statements in accordance with the DCFO Memo identified in paragraph 120102.C is primarily responsible for preparing, compiling, and reporting the RSI for DM&R on that real property. Chapter 2 provides additional Component responsibilities involving preparation of the
draft/working versions and final version of the Financial Section of the Agency Financial Report that includes the RSI.

F. Information presented in the RSI should be presented on a comparative basis when the information would be meaningful to the user of the financial report.
VOLUME 6B, CHAPTER 13: “ADJUSTMENTS, ELIMINATIONS, AND OTHER SPECIAL INTRAGOVERNMENTAL RECONCILIATION REQUIREMENTS”

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated March 2012 is archived.

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<td>Added an overview paragraph providing a definition of intragovernmental transactions and identifying the need to eliminate reciprocal activity between trading partners.</td>
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<td>Added an authoritative guidance paragraph identifying policies used to report intragovernmental activity between trading partners.</td>
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<td>130202.A</td>
<td>Added information on eliminations used to ensure reciprocal transactions between reporting entities are recorded in the financial statements.</td>
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<td>Replaced the United States Standard General Ledger (USSGL) accounts with a reference to the Department of Defense (DoD) Standard Reporting Chart of Accounts identifying USSGL accounts used for DoD financial reporting.</td>
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<td>Added information on the Government-Invoicing system used to manage the receipt and acceptance of intragovernmental transactions.</td>
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<td>130501.B</td>
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<td>130502</td>
<td>Added a reference to the Treasury Financial Manual containing a current listing of federal trading partner codes.</td>
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<td>130502.A.2, 130502.B.2, 130802, &amp; 130901</td>
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<td>130502.B.1</td>
<td>Revised the transaction types used to reconcile intragovernmental fiduciary transactions to reflect the current listing required by OMB Circular A-136.</td>
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<td>130502.B.2, 130903, &amp; 130904</td>
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<tr>
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<td>Addition</td>
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<td>130801.A</td>
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<td>130802 (Previous Version)</td>
<td>Deleted paragraph identifying reporting policies for legacy systems.</td>
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<td>130903</td>
<td>Added the Standard Financial Information Structure code used to identify federal and non-federal transactions within DoD.</td>
<td>Revision</td>
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<td>130904</td>
<td>Replaced policies used to report balances for the Foreign Military Sales Trust Fund with a reference to the DoD Financial Reporting Guidance containing this information.</td>
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<td>Policy Memo</td>
<td>This revision incorporates relevant information from the DCFO policy memorandum FPM19-03. The procedural-level information from the memorandum remains available on the DCFO Financial Management Policy and Reporting web page under the “Dual Purpose Policy Memos &amp; Other Information” section.</td>
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CHAPTER 13

ADJUSTMENTS, ELIMINATIONS, AND OTHER SPECIAL INTRAGOVERNMENTAL RECONCILIATION REQUIREMENTS

1301 GENERAL

*130101. Overview

Intragovernmental transactions result from business activities conducted between two federal entities, called trading partners. The accurate reporting of reciprocal balances, and proper elimination of reciprocal activity between trading partners, requires accurate documentation of accounting events. Imbalances occur when federal entities or trading partners are unable to account for and reconcile differences when buying and selling goods and services.

130102. Purpose

This chapter provides general instructions for trading partner exchange of data, eliminating intragovernmental transactions from the Department of Defense (DoD) quarterly and annual financial statements, and providing elimination information to the Department of the Treasury for use in preparing the Governmentwide financial statements.

*130103. Authoritative Guidance


B. Treasury’s Bureau of the Fiscal Service (Fiscal Service) requires the use of Government-Invoicing (G-Invoicing) for the exchange of intragovernmental transactions between federal trading partners under Title 31, United States Code, sections 3512(b) and 3513. G-Invoicing adoption is required by all Federal Program Agencies (FPAs) by June 30, 2021, as mandated in the G-Invoicing Implementation Playbook Checklist.

C. The DoD Financial Reporting Guidance includes instructions and adjusting entries used to record intragovernmental eliminations.

1302 BACKGROUND

130201. Intragovernmental Balances

All DoD reporting entities are required to report intragovernmental account balances in their financial statements, eliminate appropriate intra-DoD balances, and classify intragovernmental account balances by category and level. The category of transaction refers to the nature of the accounting event causing the transaction. Refer to section 1303 for information
addressing reciprocal account transactions. The level of the transaction refers to the nature of the trading partner involved. Refer to section 1305 for information addressing levels of intragovernmental trading partners.

*130202. Eliminations

A. Eliminations represent the process where a federal entity having transactions with another federal entity ensures that the amounts on its trial balances for specific accounts correlate with those amounts in the reciprocal accounts of the federal entity with which business was conducted.

B. The purpose of eliminating intragovernmental account balances is to offset the effect of transactions between a DoD reporting entity and other FPAs, DoD reporting entities, and organizations within a DoD reporting entity in the financial statements. For reference, per Office of Management and Budget (OMB) Circular A-136, “Financial Reporting Requirements,” the Statement of Budgetary Resources is a combined statement and intragovernmental budgetary accounts are not eliminated.

*1303 RECIPROCAL ACCOUNT TRANSACTIONS

Divide the transactions for intragovernmental data collected into the reciprocal categories, and the reciprocal United States Standard General Ledger (USSGL) accounts comprising these categories. A reciprocal category is comprised of a set of reclassified financial statement line items that are the reciprocal of each other (accounts payable/accounts receivable). These categories assist in the elimination of federal activity at the Governmentwide level to prepare the Financial Report of the United States Government (FR). Additionally, these reciprocal categories facilitate the reconciliation of activities between federal entities. See Appendices 2 and 3 of TFM 2-4700 for additional information on reciprocal categories.

*1304 INTRAGOVERNMENTAL CAPITALIZED PURCHASES

Capture and report all current year capitalized asset purchase amounts in USSGL accounts included in the DoD Standard Reporting Chart of Accounts. These accounts must identify whether the items capitalized were purchased from non-federal sources or FPAs. Reporting entities capture agency trading partner codes when the capitalized items are from FPAs. Use this information to prepare the financial statements and reconcile reciprocal accounts with the federal trading partners. The full reconciliation equation, “expense plus current year capitalized acquisitions from a FPA equals the reciprocal FPA revenue,” is reflected in the “Buy/Sell Costs/Revenues” category for elimination of intragovernmental transactions addressed in TFM 2-4700.
1305 LEVELS OF INTRAGOVERNMENTAL TRADING PARTNERS

*130501. General

A. G-Invoicing. To assist FPAs with reconciling intragovernmental transactions, Fiscal Service mandated use of G-Invoicing, which facilitates the exchange of intragovernmental transaction information between federal trading partners and serves as the interface by which FPAs submit and reconcile intragovernmental data. FPAs involved with intragovernmental reimbursable activities use G-Invoicing to originate and settle intragovernmental agreements, orders, and invoices. G-Invoicing adoption is required by all FPAs by June 30, 2021, as mandated in the G-Invoicing Implementation Playbook Checklist.

B. Reporting Attributes. Assign each USSGL account the appropriate federal/non-federal indicator as defined in the Standard Financial Information Structure (SFIS). See the USSGL Account Attribute Table in Part 1, Section IV of the USSGL for additional guidance pertaining to permitted indicators for each USSGL account. There are three levels of intragovernmental trading partners for which intragovernmental transactions must be identified.

*130502. Level 1 Trading Partners – Non-DoD FPAs

Level 1 transactions are between DoD and other FPAs, e.g., between the Department of the Air Force and the Department of Commerce. Identify Level 1 transaction balances by the Treasury Trading Partner codes and attributes attached to the USSGL accounts. Use Level 1 transaction balances to eliminate intragovernmental transactions during preparation of the FR. Appendix 1a of TFM 2-4700 contains a current list of federal trading partner codes. Level 1 transactions include sales of goods and services and specialized transactions, such as loans, interest receivable, other post-employment benefits, or civil service retirement benefit payments. DoD reporting entities are to document the procedures used to identify and verify the accuracy of their intragovernmental assets, liabilities, revenues, and expenses balances.

A. Intragovernmental Transactions

1. Fiscal Service issued TFM 2-4700 to streamline the accounting for intragovernmental transactions and provide a means for federal entities to ensure accurate recording, reporting, and reconciliation. All DoD entities executing or participating in intragovernmental acquisitions (either internal to DoD or external with other federal partners) are required to follow the intragovernmental transaction guidance contained in TFM 2-4700, and to exchange and capture the pertinent data elements specified.

2. Treasury eliminates all intragovernmental transactions when preparing the FR. Since Treasury eliminates these amounts, the accounting centers must ensure balances confirmed with the trading partners agree with balances submitted via the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS).
B. Intragovernmental Fiduciary Transactions

1. Selected Level 1 intragovernmental transactions with the Treasury Investments, Borrowings, and Federal Financing Bank; the Department of Labor Federal Employees Compensation Act transactions; the Office of Personnel Management Employee Benefit transactions for Retirement, Health Insurance, Life Insurance; and custodial and non-entity transactions with federal entities other than the General Fund (GF) are specifically required to be fully reconciled.

2. Treasury eliminates all intragovernmental fiduciary transactions when preparing the FR. Accounting centers must ensure balances confirmed with the trading partners agree with balances submitted via GTAS.

130503. Level 2 and 3 Trading Partners – Other DoD Reporting Entities

A. Level 2. Level 2 balances result from transactions between DoD reporting entities, e.g., between the Department of the Army Working Capital Funds (WCF) and the Department of the Navy GF. Volume 6B, Chapter 1, contains information on DoD reporting entities. Level 2 transactions are identified by trading partner codes and supplemental internal DoD codes, such as business partner numbers, trading partner federal/non-federal indicators, and other trading partner codes included in SFIS.

B. Level 3. Level 3 trading partners are within a DoD Component, i.e., Army WCF, Supply Management and Army WCF, Depot Maintenance, Other; and Department of the Navy GF, Operations and Maintenance and Department of the Navy GF, Research Development, Test, and Evaluation. There are up to four sublevels of eliminations, with the elimination totals shown on the DoD Component’s supporting consolidating statements. For example, the Navy GF Level 3 eliminations would be between: (A) Navy Military Personnel and Navy Procurement; (B) Navy Military Personnel trial balance AT17AA1_1453 and Navy Reserve Personnel trial balance AT17AA1_1405; and (C) internally within Navy Military Personnel trial balance AT17AA1_1453.

*130504. Eliminations

A. Trading Partner Reconciliations. DoD reporting entities reconcile with their trading partners at the detail transaction level. Detail transactions provide support for reported balances requiring elimination with trading partners. The reporting entity is ultimately responsible for the accuracy of its trading partner data; therefore, it is responsible for initiating actions to reconcile balances with its trading partners. DoD buy/sell eliminations include detailed transactions and should be supported by a Military Interdepartmental Purchase Request, sales order, customer bill, purchase order, contract, voucher, or the seller/buyer’s line of accounting, and be readily available upon request. Include similar detail supporting documentation for other reciprocal categories identified in TFM 2-4700. A DoD reporting entity unable to provide detail transactions at the appropriate time of the financial statement reporting cycle must adjust its balance to match the seller’s or buyer’s supportable data.
1. Reporting entities document the trading partner agreement in the General Terms and Conditions (GT&C) for instances where both buyers and sellers are currently on G-Invoicing. Reporting entities apply the GT&C to all transactions with DoD, other federal trading partners, and with internal DoD trading partners using G-Invoicing for GT&C.

2. Alternatively, DoD reporting entities may establish a bilateral Memorandum of Understanding with each of their DoD trading partners not using G-Invoicing. Such agreements, at a minimum must identify the following:
   a. The reconciliation timeframes (frequency);
   b. Accrual processes (agreed upon methodologies);
   c. Availability or exchange of detailed transactions and key supporting documentation;
   d. Protocol to resolve differences between trading partners; and
   e. Other processes requiring clarification.

B. Intragovernmental Business Rules. Reporting entities with clean audit opinions on their annual financial statements provide intragovernmental transaction data in accordance with the DoD Financial Reporting Guidance. It is not expected that trading partner adjustments will have an adverse impact on agencies with a clean audit opinion; therefore, unsupported adjustments should not be allocated to agencies with a clean audit opinion. No supported or unsupported undistributed collections or disbursements should be allocated to either accounts receivable or payable balances of agencies with a clean audit opinion, unless specifically identifiable to the agency.

   1. Document identified differences including, but not limited to, the difference amount, USSGL accounts impacted, rationale for the difference, and the status of communication with trading partners.

   2. Prioritize trading partner material differences to reduce high-dollar variances. Agencies must work to reconcile and eliminate differences regardless of materiality.

C. Dispute Resolution. The Office of the Under Secretary of Defense (Comptroller) oversees a DoD dispute resolution process to resolve balance discrepancies between DoD reporting entities. Reporting entities unable to reach an agreement with respect to intragovernmental account balances must escalate the issue to the Financial Improvement and Audit Remediation (FIAR) Directorate for resolution. Submit requests to the FIAR Directorate no later than the 12th business day of the month following the end of the quarter. At fiscal year-end, final adjustments must be completed prior to the issuance of the Agency Financial Report.

   1. Reporting entities requesting FIAR Directorate review must provide the following with the request:
13-10

a. Completed Trading Partner Dispute Resolution Request Form;

b. Documentation demonstrating attempts to reconcile balances with trading partners at the senior executive or agency comptroller level; and

c. Documentation supporting balances the DoD reporting entities are seeking to resolve with trading partners.

2. The FIAR Directorate will facilitate resolution of the balance discrepancies within 2 business days. Once FIAR has rendered a final decision, the affected agencies must adjust their financial records to reflect the decision within 3 business days, but no later than the end of the quarter.

3. DoD reporting entities are expected to work with their respective non-DoD trading partners to reconcile and resolve intragovernmental differences. Working through the Defense Finance and Accounting Service, Enterprise Solutions and Standards, Financial Reporting-Audited Financial Statements Directorate, reciprocal accounts disputes with other FPAs will continue to follow the dispute resolution process identified in Appendix 6 of TFM 2-4700.

1306 ELIMINATION OF BUDGETARY ACCOUNTS (4000 SERIES ACCOUNTS)

Present budgetary information on a combined basis, with no elimination of budgetary accounts, in order to be consistent with information reported on the “Report on Budget Execution and Budgetary Resources” in accordance with OMB Circular A-11, “Preparation, Submission, and Execution of the Budget.”

1307 RECONCILIATION WITH OTHER REPORTS

Review all information reported in any other external reports for consistency with the information included in the quarterly and the annual audited financial statements.

1308 RECONCILIATION WITH LEVEL 1 TRADING PARTNERS

*130801. Reconciliation

A. OMB Circular A-136 requires reporting entities to reconcile and resolve differences between intragovernmental balances and transactions.

B. TFM 2-4700 includes guidance to facilitate the reconciliation of intragovernmental transactions.

C. G-Invoicing maintains a repository of intragovernmental transactions and internal controls to ensure the accuracy of transactions for buyers and sellers.
GTAS

Each quarter, Treasury populates detailed trading partner data in GTAS. GTAS provides comparisons of balances reported by all federal partners and facilitates intragovernmental consolidation and elimination required for Governmentwide reporting. As an output of the GTAS comparison, Treasury provides quarterly Intragaovernmental Material Differences Reports by Treasury Index. Review these reports and explain differences to Treasury in accordance with TFM 2-4700 and the DoD Financial Reporting Guidance. Treasury uses the Level 1 trading partner amounts reported in GTAS to compile the elimination entries necessary to prepare the FR.

1309 FEDERAL TRADING PARTNER CODES

*130901. Trading Partner Codes

Reporting entities submit trading partner code information to Treasury by GTAS Attributes. Use the trading partner codes, in conjunction with the USSGL account information, to identify required elimination entries.

130902. Trading Partner Effect of Prior Period Adjustments

When it is determined that a prior period adjustment is necessary for a transaction involving another FPA, the accounting centers identify the trading partner and determine how the transaction was recorded. Additionally, the accounting centers must work with the trading partner to inform Treasury of the prior period adjustment. This will assist Treasury with eliminations on the Governmentwide financial statements.

*130903. Non-Federal Trading Partners

All accounting centers and DoD reporting entities must identify trading partner information properly according to the federal/non-federal indicator attribute included in SFIS.

*130904. Foreign Military Sales Trust Fund Reporting

In general, DoD Components performing reimbursable activities on behalf of the Foreign Military Sales Trust Fund (11X8242) must recognize related accounts receivable and revenue as federal citing entity code 11X8242 as the Level 1 trading partner. Refer to the DoD Financial Reporting Guidance for additional reporting policy for the Foreign Military Sales Trust Fund.
DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 7A: “MILITARY PAY POLICY - ACTIVE DUTY AND RESERVE PAY”

UNDER SECRETARY OF DEFENSE
(COMPTROLLER)
VOLUME 7A, CHAPTER 1: “BASIC PAY”

SUMMARY OF MAJOR CHANGES

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<td>010301.F</td>
<td>Added information about the “Correction of Military Records.”</td>
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0101 GENERAL

010101. Purpose

This chapter prescribes the criteria for determining creditable service for military members; provides examples for computing valid creditable service; states periods of service that are not creditable for pay purposes; cites conditions for the payment of military pay entitlements; explains the computation of leave and conditions for leave accrual; and provides for situations where enlistments are not valid. Tables 1-1 through 1-15, outlining various conditions in which military pay is payable for all grades of military personnel, are at the end of this chapter. See Chapter 26 for entitlement to Basic Allowance for Housing (BAH), and Chapter 25, subparagraph 250202.A, or the Basic Allowance for Subsistence (BAS) table for payments.

010102. Authoritative Guidance

The pay policies and requirements established by Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

0102 CREDITABLE SERVICE

*010201. Service Which is Creditable

A. General

1. The several military pay and personnel systems use a variety of dates to determine various entitlements. Among them is the date that denotes how much service a member has for the purpose of determining longevity pay rates. The Army refers to this as the “pay entry basic date,” the Navy and Marine Corps refer to this as the “pay entry base date,” while the Air Force calls it the “pay date.” This chapter will refer to this data element as the “basic pay date,” which is defined as reflecting all service that is creditable towards longevity.

2. The member’s servicing personnel office is responsible for providing, when necessary, a statement of service that can include the basic pay date, total active federal military service date, total commissioned federal military service date, and a variety of other dates, depending on the nature of the individual member’s service. This Regulation details only the computation of the basic pay date, since Military Service personnel regulations control the computation of all other dates.

B. Computation of Creditable Service. For most members who enter and serve on active duty without a break in service, the basic pay date is the date the member enters active
or inactive service. If, however, there is a break in service, the time between periods of service usually is not included. Also, there are statutory periods when service in a particular component may not be counted. Conversely, there are periods for which some members are given constructive service, even though they were not actually serving on active or inactive duty. Use subparagraphs 010201.C through E to compute the basic pay date when there has been a break in service of any kind or if there is a need to include constructive service.

C. **Creditable Service Periods.** Include active or inactive service in any of the following components without restriction:

1. Regular service in the Army, Air Force, Navy, Coast Guard, and Marine Corps;
2. Army, Naval, Marine Corps, Air Force, and Coast Guard Reserve;
3. Army of the United States (service without specification of a component);
4. Army National Guard;
5. Army National Guard of the United States;
6. National Guard;
7. National Guard of the United States;
8. Air Force of the United States (service without specification of a component);
9. Air National Guard;
10. Air National Guard of the United States;
11. Nurse Corps and Nurse Corps Reserve of the Public Health Service;
12. Public Health Service and Reserve Corps of the Public Health Service.

* D. **Other Creditable Service (with restrictions noted in this subparagraph and in subparagraph 010202.A).** Include the following periods of service:

1. Officer, deck officer, or junior engineer service in the National Oceanic and Atmospheric Administration, including similar periods of service in the former Corps of the Environmental Science Services Administration and the U.S. Coast and Geodetic Survey;
2. Service on a Military Service retired list, temporary disability retired list, or honorary retired list of any Uniformed Service or service as a member of the Fleet Reserve or Fleet Marine Corps Reserve;

3. Any period of service during which a member is entitled to retired, retirement, or retainer pay from any Uniformed Service;

4. Service as a cadet or midshipman at a military academy is always creditable service for an enlisted member who is not commissioned. For a prior service member, he/she reverts back to his/her enlisted status to complete their enlistment contract. See Table 1-1 to determine whether such service is creditable for commissioned and warrant officers;

5. Credit the time when an enlisted member is retained after the expiration of term of service of an Armed Force for medical care or hospitalization for disease or injury incident to service. Do not credit such periods of service if the underlying medical condition requiring medical care or hospitalization was due to the member’s misconduct;

6. Service otherwise creditable that is performed before a member reaches the statutory age for enlistment, unless the enlistment contract was voided or invalidated for fraud;

7. Active service performed as a temporary member of the U.S. Coast Guard Reserve;

8. Service terminated by desertion or dishonorable discharge unless the enlistment was fraudulent and was voided for that reason;

9. Periods of service when a member is detailed to and receiving pay and allowances from any other agency of the United States, even though accrual of military pay and allowances is suspended;

10. Service as a member of the Army, Navy, or Air Force Reserve Officers’ Training Corps (ROTC), provided the member has concurrent Selected Reserve (drilling status) for duty performed on or after August 1, 1979. Also, see subparagraph 010201.D.14;

11. Service as an officer, Army field clerk, flight officer, aviation midshipman, or enlisted member of a uniformed service;

12. Service as an enlisted member in a Reserve Component, including Ready Reserve service (inactive and active) under the Delayed Entry (Enlistment) Program (DEP), before beginning active duty or an initial period of Active Duty Training (ADT), provided the Reserve enlistment was entered into before January 1, 1985. As of January 1, 1985, the following restrictions went into effect as and when stated:

   a. For enlistments in a Reserve Component under Title 10, U.S.C., section 12103 (b) or (d), including enlistments under a DEP, that were entered into between
January 1, 1985, and November 28, 1989, the period served in the Reserve Component before beginning active duty or an initial period of ADT is not creditable; or

b. For enlistments entered into on or after November 29, 1989:

(1) A period of enlisted service in a Reserve Component under 10 U.S.C. § 12103(b) or (d), including inactive service under a DEP, is creditable service only if the member performs Inactive Duty Training (IDT) before beginning active duty or an initial period of ADT; or

(2) Service performed as an enlisted member in a Reserve Component under 10 U.S.C. § 513, other than a period of active duty, is not creditable service; or

13. Any period of service which was creditable under any federal statute in effect on January 10, 1962.

*  14. Prior provisions of law excluded the Simultaneous Membership Program from creditable service for commissioned officers effective October 13, 1964. Public Law 104-201, section 507, September 23, 1996, amended these provisions to provide service credit retroactive to August 1, 1979. These amendments resulted in no increase in pay, retired pay, or retainer pay before the date of enactment, September 23, 1996. Service in the program for enlisted members who retain that status remains creditable under all provisions.

E. Constructive Service

1. Some medical and dental officers are entitled to extra credit for longevity purposes to reflect the time spent in medical or dental school. Medical and dental officers must meet one or more of the following criteria to be entitled to the constructive credit:

a. On or before September 15, 1981, if the officer already had the constructive service credit, then the credit is not lost if there is a break in service either before or after that date. This criteria is applicable to Public Health Service officers.

b. On or before September 14, 1981, if the individual was enrolled in either the Armed Forces Health Professions Scholarship Program (AFHPSP) or in the Doctor of Medicine (DOM) program at the Uniformed Services University of Health Sciences (USUHS), completed that program, and was appointed as a medical or dental officer.

c. On or before September 14, 1981, if the individual was participating in a program that credited years of service and led to an appointment as an officer in the Army, Navy, Air Force, or Marine Corps.

2. Medical and dental officers, who meet the criteria in subparagraph 010201.E.1, are entitled to 4 years of constructive service credit. Also, those medical officers who
have completed a medical internship or its equivalent, or who entered military status while serving such an internship, are entitled to a fifth year of constructive service credit.

3. Where a member is entitled to service credit for a period covered by the constructive credit, reduce the constructive service credit by an amount equal to the actual service credit.

Example 1: An individual completed dental school on June 11, 1977, and accepted a commission as a dental officer on August 3, 1977. The member was credited with 4 years of constructive service and a basic pay date of August 3, 1973.

Example 2: An individual completed a medical internship on June 30, 1979, and accepted a commission as a medical officer on August 11, 1979. The member was credited with 5 years of constructive service and a basic pay date of August 11, 1974.

Example 3: An individual entered medical school in 1970 and accepted a commission on January 12, 1972. He graduated from medical school on June 10, 1974 and completed a civilian residency during the period from July 1, 1974 through June 30, 1975. Compute basic pay date as follows:

First, compute dual status period, which is the period of time between the date of commission and date of graduation:

<table>
<thead>
<tr>
<th>Graduated:</th>
<th>YR</th>
<th>MO</th>
<th>DAY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>74</td>
<td>06</td>
<td>10</td>
</tr>
<tr>
<td>Commission Date:</td>
<td>72</td>
<td>01</td>
<td>12</td>
</tr>
<tr>
<td>Dual Status Period:</td>
<td>02</td>
<td>04</td>
<td>28+1 (inclusive day)</td>
</tr>
</tbody>
</table>

Then, compute constructive service credit, which is the 4 years constructive credit less the time already credited as commissioned service:

<table>
<thead>
<tr>
<th>Maximum Constructive Service Credit:</th>
<th>YR</th>
<th>MO</th>
<th>DAY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>03</td>
<td>11</td>
<td>30</td>
</tr>
<tr>
<td>Less Dual Status Time:</td>
<td>02</td>
<td>04</td>
<td>29</td>
</tr>
<tr>
<td>Constructive Credit:</td>
<td>01</td>
<td>07</td>
<td>01</td>
</tr>
</tbody>
</table>

The member’s basic pay date was 1 year, 7 months, and 1 day before his commission date of January 12, 1972 or June 11, 1970.

Example 4: The scenario is the same as in the previous subparagraph, except the member accepted a commission on July 12, 1974 after starting the internship. The member was entitled to 5 years of constructive service credit instead of 4 years:

<table>
<thead>
<tr>
<th>Date Finished Internship:</th>
<th>YR</th>
<th>MO</th>
<th>DAY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>75</td>
<td>06</td>
<td>30</td>
</tr>
</tbody>
</table>
The member’s basic pay date was 4 years, no months, and 11 days before his commission date, or July 1, 1970.

Example 5: An officer commissioned on November 19, 1962, entered dental school on September 9, 1970, and graduated on May 28, 1974. To compute constructive service credit:

First, compute dual status.

Graduated: 74 05 28
Started School: 70 09 09
Dual Service: 03 08 19+1 (inclusive day)

Then, deduct the dual service from the 4-year constructive credit period to arrive at net constructive service credit:

Maximum Constructive Service Credit: 03 11 30 (4 years)
Less Dual Service: 03 08 20
Constructive Credit: 00 03 10

Change the member’s basic pay date to 3 months and 10 days before the previous one (November 19, 1962) to August 10, 1962.

010202. Service Not Creditable

A. General. Do not use any service that is not listed as creditable service to compute a basic pay date. The following list includes a few types of service that are not creditable:

1. The time served in an enlistment that is terminated, voided, or invalidated as fraudulent;

2. The time served as a commissioned officer in the Philippine Army;

3. The period of time a member was on the Emergency Officers’ Retired List;
4. The time an individual was a member of a state, home, or territorial guard;

5. The time an individual was a member of the inactive National Guard. This does not apply to an individual who was a member of the National Guard Reserve and the National Guard of the United States. Time during which the individual had dual status, enlisted or commissioned, in the inactive National Guard and the National Guard of the United States is creditable;

6. The time, subsequent to September 14, 1981, a member serves while enrolled in the AFHPSP and Financial Assistance Program (FAP), or while a DOM student at the USUHS. Use any service creditable on the date of the officer’s entry into DOM USUHS to compute the officer’s basic pay for longevity purposes while a USUHS student, not to exceed the maximum rate of O-1 pay (Table 1-7) or O-1E pay (Table 1-8), as applicable; or the rate of pay of the member’s former pay grade, if greater, as outlined in subparagraph 010303.A. For the most current pay rates, see the Military Basic Pay tables on DFAS.MIL;

7. The time served in a Reserve Component before beginning active duty or an initial period of ADT for enlistment in a Reserve Component under 10 U.S.C. § 12103(b) or (d) that was entered into between January 1, 1985, and November 28, 1989;

8. For enlistments entered into on or after November 29, 1989:
   a. A period of enlisted service in a Reserve Component under 10 U.S.C. § 12103(b) or (d), including inactive service under a DEP, if the member does not perform IDT before beginning active duty or an initial period of ADT; or
   b. Service performed as an enlisted member in a Reserve Component under 10 U.S.C. § 513, other than a period of active duty; or

9. For an officer, the time served while attending a military service academy including the U.S. Merchant Marine Academy.

NOTE: The midshipmen attending the U.S. Merchant Marine Academy sign contracts to join the enlisted Navy Reserve on the day they enter the Academy. Students who attend one of the six state Merchant Marine college programs and who receive a Naval ROTC scholarship are treated the same as any Naval ROTC cadet or midshipmen. Students who attend one of the 6 state Merchant Marine college programs and who join the Navy after graduation from one of the programs are treated as any other member who joins the Navy.

B. Effect of Lost Time Absence From Duty on Creditable Service

1. Prior to February 11, 1996, a commissioned or warrant officer was entitled to credit for every day in a commissioned or warrant status, without regard to an absence of any kind, whether authorized or unauthorized, and including confinement prior to and during trial. In addition, absence during which a member was serving on active duty as an enlisted
member was creditable if the enlisted member also held a commission as a Reserve officer. After February 10, 1996, a commissioned or warrant officer may not count the following periods of absence for any purpose other than that of computing length of service for basic pay:

a. Desertion;

b. Absence from organization, station, or duty for more than 1 day without proper authority, as determined by proper authority;

c. Confinement by military or civilian authorities for more than 1 day in connection with a trial, whether before, during or after the trial; or

d. The officer’s inability for more than 1 day, as determined by competent authority, to perform assigned duties because of the officer’s intemperate use of drugs or alcoholic liquor, or because of disease or injury resulting from the officer’s misconduct.

2. See Table 1-2 to determine the creditability for absence while in an enlisted status.

010203. Active Enlisted and/or Warrant Officer Service for Members in Basic Pay Grades O-1E, O-2E, or O-3E

A. Service Counted

1. General. Commissioned officers with over 4 years of prior active service as an enlisted member, warrant officer, or combined service in both grades are entitled to count such service for purposes of computing basic pay for longevity purposes. Such prior service includes all active service, in either the Regular or Reserve Component or both (i.e., ADT in enlisted or warrant officer status, annual Reserve training duty, and full-time National Guard duty). Service on active duty or ADT and IDT for at least 4 years and 1 day satisfy the over 4 years of service requirement under this section.

2. Creditable Prior Enlisted Service. Commissioned officers in pay grades O-1, O-2, or O-3 who are credited with over 4 years (i.e., at least 4 years and 1 day) of prior active service as an enlisted member are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

3. Creditable Prior Warrant Officer Service. Commissioned officers in pay grades O-1, O-2, or O-3 who are credited with over 4 years (i.e., at least 4 years and 1 day) of prior active service as a warrant officer are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

4. Creditable Combined Prior Service. Effective October 1, 1993, commissioned officers in pay grades O-1, O-2, or O-3 who are credited with over 4 years (i.e., at least 4 years and 1 day) of combined prior active service as an enlisted member and warrant officer are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.
5. **Creditable Service for Certain Reserve Commissioned Officers.** Effective January 1, 2002, commissioned officers in pay grades O-1, O-2, and O-3 who are paid from funds appropriated for Reserve personnel and credited with 1,460 points for retirement computed under 10 U.S.C. § 12732(a)(2) service as a warrant officer and/or enlisted member, which requires a minimum of 50 points annually, are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

6. **Creditable Service for Certain Commissioned Officers.** Effective November 24, 2003, the restriction that members must be paid from reserve appropriated funds to qualify for the special rate of basic pay for pay grades O-1E, O-2E, and O-3E based upon creditable service points is eliminated. Therefore, effective that date, commissioned officers in pay grades O-1 through O-3 with more than 1,460 points computed under 10 U.S.C. § 12732(a)(2) for service as a warrant officer and/or an enlisted member, which requires a minimum of 50 points annually, are entitled to the special rate of pay.

7. **Leap Year.** Reserve Component members who perform duty during a leap year earn a point for the extra day of duty in the month of February under 10 U.S.C. § 12732(a)(2). A leap year represents 1 year of service for basic pay purposes. Thus, the extra point does not qualify the member for having earned the equivalent of over 4 years of active service, and the member would not be eligible for the O-1E, O-2E, or O-3E rate of basic pay. The member would have to serve more than 4 years of active service to qualify for the special rate of basic pay.

8. **Creditable Service While Graduate Students at USUHS.** The Secretary of Defense shall establish such selection procedures, service obligations, and other requirements as the Secretary considers appropriate for graduate students (other than DOM students) in a postdoctoral, postgraduate, or technological institute established pursuant to 10 U.S.C. § 2113(e). The subparagraph 010202.A.8, does not apply to graduate students.

B. **Service Not Counted.** In computing active service, do not count:

1. Active service in a dual status (temporary officer/permanent enlisted) in the Navy or Marine Corps;

2. Service as a National Guard technician; or

3. Except for periods of active duty service performed while a USUHS DOM student, time served as a DOM student at USUHS. See subparagraph 010202.A.8 and applicable notes to Tables 1-7, 1-8 and the Basic Pay tables on DFAS.MIL.

010204. **Computation of Creditable Service**

A. **Computing a Basic Pay Date**

1. All basic pay date computations start from the date of the member’s most recent entry on duty without a break in service. Use the following dates:
a. For enlisted members, the date of enlistment, but see subparagraph 010201.D.12, for service under a DEP;

b. For officers, the date of acceptance of a commission. The date of acceptance for officers graduating from a Military Service academy is the date of graduation; or

c. For officers entitled to count service as an acting assistant surgeon, intern, or hospital steward in the Public Health Service or the Public Health Marine Hospital Service, the date of acceptance of the appointment. Do not count service performed before that date.

2. After determining initial basic pay date, compute creditable service for all service prior to that date. Use the following to compute basic pay date. If the member had any periods of service during which there was lost time, do not use those periods here. Instead, compute according to subparagraph 010204.A.3.

a. List beginning dates of service for each separate period of service, without changing any of them, and add them together.

b. List all ending dates. If the day is the 31st day of the month, change it to 30. If the day is February 28 in a non-leap year, change it to February 30 for computation purposes. If the day is February 29, change it to February 30 for computation purposes. Do not change February 28 of a leap year to February 30. Add all ending dates together.

c. Subtract the beginning day result from the ending day result.

d. For each non-continuous period of service, add 1 day to account for inclusive days. Explanation: Any period of service is at least one day. If, for example, the member had one day of service on January 17, 2016, the computation would look like this:

<table>
<thead>
<tr>
<th>YR</th>
<th>MO</th>
<th>DAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ending Day:</td>
<td>16</td>
<td>01</td>
</tr>
<tr>
<td>Less Beginning Day:</td>
<td>16</td>
<td>01</td>
</tr>
<tr>
<td></td>
<td>00</td>
<td>00</td>
</tr>
</tbody>
</table>

It is necessary to add 1 day for inclusive days to avoid this erroneous answer.

e. Convert to full years, months, and days. The result is years of service creditable for pay purposes.
EXAMPLE:
Member served as follows:

Active Duty Army (Enlisted) From: Jan 1, 93 To: Feb 29, 96
Army National Guard (Commissioned) From: Jun 1, 96 To: May 26, 03
Air National Guard (Commissioned) From: Aug 1, 05 To: Mar 31, 10
U.S. Air Force (Commissioned) From: Apr 1, 10 To: Jun 4, 17

Beginning dates: Ending Dates:
<table>
<thead>
<tr>
<th>YR</th>
<th>MO</th>
<th>DAY</th>
<th>YR</th>
<th>MO</th>
<th>DAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>01</td>
<td>01</td>
<td>1996</td>
<td>02</td>
<td>30</td>
</tr>
<tr>
<td>1996</td>
<td>06</td>
<td>01</td>
<td>2003</td>
<td>05</td>
<td>26</td>
</tr>
<tr>
<td>2005</td>
<td>08</td>
<td>01</td>
<td>2017</td>
<td>06</td>
<td>04</td>
</tr>
<tr>
<td>5994</td>
<td>15</td>
<td>03</td>
<td>6016</td>
<td>13</td>
<td>60</td>
</tr>
</tbody>
</table>

Convert February 29, 1996 to February 30, 1996, since 1996 was a leap year.

Convert March 31, 2010 to March 30, 2010 since the 31st day of a month does not count as an ending date, though it would count as a beginning date. The period from August 1, 2005 through June 4, 2017 is continuous, so it is all included in the third line of the computation.

Subtract total of beginning dates from the total of ending dates:

<table>
<thead>
<tr>
<th>YR</th>
<th>MO</th>
<th>DAY</th>
<th>(total of ending dates)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6016</td>
<td>13</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>6015</td>
<td>25</td>
<td>60</td>
<td>(borrowed 12 months from year column)</td>
</tr>
<tr>
<td>5994</td>
<td>15</td>
<td>03</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>10</td>
<td>57</td>
<td></td>
</tr>
</tbody>
</table>

Add 1 day for each of the 3 periods used in the computation. The result is 21 years, 10 months, and 60 days, which converts to exactly 22 years of creditable service.

3. Regarding computations involving lost time, if a member has lost time, compute the creditable service for the period served separately. Add the results to any creditable service computed separately under subparagraph 010204.A.2.

a. When there is a period of lost time that has not been made good, compute the lost time on a 30-day month basis; but, if the lost time begins on the 31st day of a month, include that day as a lost day. Compute as follows:

Determine the years, months, and days of lost time and deduct that amount from the total service during the period.

1-14
Example: A member enlisted for 4 years on July 18, 2012, but was absent without leave (AWOL) from February 10, 2015 through March 16, 2015. The member received a hardship discharge on August 10, 2015 without making up the lost time. The member reenlisted February 20, 2017. Compute creditable service and basic pay date as follows:

First compute the lost time.

<table>
<thead>
<tr>
<th></th>
<th>YR</th>
<th>MO</th>
<th>DAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ended AWOL:</td>
<td>15</td>
<td>03</td>
<td>16</td>
</tr>
<tr>
<td>Began AWOL:</td>
<td>15</td>
<td>02</td>
<td>10</td>
</tr>
<tr>
<td>Lost Time:</td>
<td>00</td>
<td>01</td>
<td>06+1 (inclusive day)</td>
</tr>
</tbody>
</table>

Then compute first period of service.

<table>
<thead>
<tr>
<th></th>
<th>YR</th>
<th>MO</th>
<th>DAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discharged:</td>
<td>15</td>
<td>08</td>
<td>10</td>
</tr>
<tr>
<td>Entered Active Duty:</td>
<td>-12</td>
<td>07</td>
<td>18</td>
</tr>
<tr>
<td>Subtotal:</td>
<td>03</td>
<td>00</td>
<td>22+1 (inclusive day)</td>
</tr>
<tr>
<td>Deduct Lost Time:</td>
<td>-00</td>
<td>01</td>
<td>07</td>
</tr>
<tr>
<td>Creditable Service:</td>
<td>02</td>
<td>11</td>
<td>16</td>
</tr>
</tbody>
</table>

Subtract 2 years, 11 months, and 16 days from reenlistment date of February 20, 2017 to arrive at a new basic pay date of March 4, 2014.

b. A member who makes good the lost time does so on a day-to-day basis. When the member makes good lost time and completes the enlistment or contract period, compute the period of lost time on both a 30-day month basis and a day-to-day basis and use the result that is most advantageous to the member. To illustrate, if a member is AWOL on March 30 through April 1, it would be 3 days on the day-to-day basis but only 2 days on a 30-day month basis. Compute creditable service as follows (and separately from periods of service which do not have lost time):

(1) First step: Compute total lost time on both a 30-day basis and a day-to-day basis. Convert the day-to-day basis computation to years, months and days, and compare it to the computation on the 30-day basis. Discard the one which shows a higher total of days lost.

(2) Second step: Compute the gross amount of service during the period by subtracting the entry date from the discharge date and adding 1 day for inclusive day.

(3) Third step: Subtract the lost time from the result of the second step. If the result is at least as long as the enlistment contract, use that amount. If the result is less than the enlistment contract, increase it to equal the enlistment contract.
(4) Fourth step: Add this creditable service to any other periods and use the total to figure the member’s basic pay date.

Example 1: Assume the member in the example in subparagraph 010204.A.3.a had not received a hardship discharge; instead, he or she had completed the enlistment contract, including making good the lost time. He made up the 35 days of lost time computed on a day-to-day basis. The days served to make good the lost time were July 18-31, 2016 (14 days) and August 1-21, 2016 (21 days).

When the member reenlists on February 20, 2017, compute creditable service as follows:

<table>
<thead>
<tr>
<th>YR</th>
<th>MO</th>
<th>DAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>08</td>
<td>21</td>
</tr>
<tr>
<td>-12</td>
<td>07</td>
<td>18</td>
</tr>
<tr>
<td>04</td>
<td>01</td>
<td>03+1</td>
</tr>
</tbody>
</table>

The result is 4 years, 1 month and 4 days before deducting lost time. Note that the lost time computed on a 30-day month basis was 37 days, but was only 35 days when computed on a day-to-day basis. Subtract the 35 days lost time from the period of service computed.

<table>
<thead>
<tr>
<th>YR</th>
<th>MO</th>
<th>DAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>04</td>
<td>01</td>
<td>04</td>
</tr>
<tr>
<td>-00</td>
<td>01</td>
<td>05</td>
</tr>
<tr>
<td>03</td>
<td>11</td>
<td>29</td>
</tr>
</tbody>
</table>

The result is less than the enlistment contract of 4 years, but since the member completed the enlistment contract, he or she is entitled to credit for the entire 4 years. Set basic pay date at February 20, 2013, when the member reenlists on February 20, 2017.

Example 2: A member enlisted on July 18, 2012, for 4 years. She was AWOL from July 28, 2015 through September 3, 2015, which is 38 days on a day-to-day basis (July 28-31, 4 days; August 1-31, 31 days; and September 1-3, 3 days). She is discharged on August 24, 2016, after making good the 38 days of bad time by serving July 18-31 (14 days) and August 1-24 (24 days).

Step 1. When she reenlists on February 20, 2017, compute prior service as follows:

<table>
<thead>
<tr>
<th>YR</th>
<th>MO</th>
<th>DAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>08</td>
<td>24</td>
</tr>
<tr>
<td>-12</td>
<td>07</td>
<td>18</td>
</tr>
<tr>
<td>04</td>
<td>01</td>
<td>06+1</td>
</tr>
</tbody>
</table>

The result is 4 years, 1 month and 7 days before deducting lost time.
Step 2. Lost time on a day-to-day basis was 38 days. Compute lost time on a 30-day month basis as:

- July 28-31, 2015: 03 days
- August 1-30, 2015: 30 days
- September 1-3, 2015: 03 days
- Total: 36 days

Step 3. Following the rule set out in step 2, deduct the lost time in the manner most beneficial to the member.

Step 4. Set the basic pay date at February 19, 2013, when the member reenlists on February 20, 2017.

4. Regarding adjusting the basic pay date when a member has lost time, lost time does not change an officer’s basic pay date (See paragraph 010202.B). When an enlisted person returns to duty after a period of lost time, add the number of days lost time to the member’s basic pay date to reflect the lost time.”

Example: An enlisted member with no prior service enlisted on July 18, 2015. He was AWOL from February 10, 2017 through March 16, 2017. When member returns to duty status, change his basic pay date as follows:

Compute lost time:

- February 10-30: 21 days
- March 1-16: 16 days
- Total: 37 days lost time

<table>
<thead>
<tr>
<th>YR</th>
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<tr>
<td>15</td>
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<td>+00</td>
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<td>15</td>
<td>08</td>
<td>25</td>
</tr>
</tbody>
</table>

The new basic pay date is August 25, 2015.

B. Procedure When Basic Pay Date Falls on February 29. When basic pay date falls on February 29, entitlement to longevity increases begins on March 1 in non-leap years and on February 29 in leap years.
0103 COMPUTATION OF PAY

*010301. Basic Pay Entitlements

A. When Entitled to Basic Pay. The pay of Military Service members is prescribed by law. Current basic pay rates are contained in Tables 1-7, 1-8, 1-9, 1-10, and on the Basic Pay tables on DFAS.MIL. Members are entitled to receive pay according to their pay grades and years of service if they are:

1. On active duty in a pay status; and
2. Not prohibited by law from receiving such pay.

B. Employment of Members in Another Capacity

1. Employment Under the Government
   a. Unless otherwise provided by law (such as during the period a member is on terminal leave pending retirement, separation, or release from active duty under honorable conditions), a member may not be employed in another capacity by the government and receive pay, other than the pay and allowances that accrue by reason of the military status. A member may be employed, however, on a voluntary basis during off-duty hours in connection with non-appropriated fund activities.
   b. Under agreements such as that between the DoD and the Agency for International Development (AID) of the Department of State, military members may be detailed to agencies such as AID for certain types of service for specified periods. As provided in pertinent agreements, members that are detailed are entitled to the pay and allowances of employees of the agency (AID Foreign Service personnel, in the case of that agency) holding comparable positions. Such members are paid by the agency in which service is performed, not by the Military Service involved.

2. Acceptance or Holding Civil Office
   a. An officer of an Armed Force on active duty may not be employed on civil functions if the civil duties separate the member from the parent organization or interfere with the performance of military duties. This applies to employment on civil works or internal improvements, by an incorporated company, or as acting paymaster or disbursing agent of the Bureau of Indian Affairs.
   b. Unless otherwise provided by law, an officer of a Regular Component of the Army, Navy, Air Force, or Marine Corps may not hold a civil office by election or appointment under the United States, a territory, possession, or state. Acceptance of such position terminates the officer’s appointment and any further entitlement to receive pay and allowances whether or not the officer continues to fulfill the duties as an officer subsequent to accepting the office.
3. **Medical Officers.** Medical officers on active duty who receive any compensation or stipend payments for services they perform as interns or resident physicians in private or public institutions (state, county, municipal, or privately owned hospitals) receive such payments for the benefit of the United States. Collect these payments from medical officers for deposit to the U.S. Treasury.

C. **Formal Acceptance of Appointment by Officers**

1. Pay and allowances generally accrue from the date of acceptance of appointment as an officer. The normal method of acceptance is taking the oath of office. Commencement of travel in compliance with an order is considered acceptance for pay purposes, but payment will not be made until formal signing of the oath of office. See Table 1-3 for specifics and for graduates of the academies.

2. An officer need not take the oath of office upon promotion if the service has been continuous since the last oath.

Note: See Table 1-4 for other situations regarding effective dates for promotions or restoration of grade.

D. **Restriction Against Dual Payments**

1. A Reserve member who is called to active duty for more than 30 days in time of war or national emergency is entitled while on that active duty to the pay and allowances prescribed for active duty. Exception is authorized if the member is entitled to a pension, retired pay, or disability compensation for earlier military service, in an amount greater than that prescribed for active duty.

2. Except as prescribed in subparagraph 010301.D.1, a Reserve member who is entitled to payments for earlier military service, and is called to active duty and is entitled to pay, may elect to receive either:
   a. The payments for the earlier military service; or
   b. If member specifically waives those payments, the pay and allowances authorized for the active duty.

E. **Posthumous Promotions.** Members may be promoted posthumously. The amount of bonus, gratuity, pay, or allowances is not changed by these promotions. This payment restriction does not apply to promotions of members while in a missing status where a determination by the Secretary of the Military Department concerned is subsequently made that the member died before the date of the promotion.

*F. **Corrections of Military Record.** Members who are separated from active service but later retroactively restored to active duty by administrative record correction action become entitled to retroactive military pay and allowances (for the period of restoration) subject to the following: The purpose of such a record correction is to restore the member--without
awarding him an unearned windfall—to the same position he would have had if he had not been separated from military service. When settling such an account, the earnings received from civilian employment during the period for which active duty pay and allowances are payable, must be deducted as part of the settlement of the account. The civilian earnings will be deducted from the net balance of military pay and allowances otherwise due. Any amount of civilian earnings in excess of the net balance of retroactive military pay and allowances otherwise due will not be collected so as not to place the member in debt.

010302. Computing Monthly Pay

A. Monthly Pay

1. Service of 30 Days or More. Compute monthly compensation as if each month had 30 days. When service begins on an intermediate day of the month, pay for the actual number of days served during that calendar month, but only through the 30th day of that month. If active military service begins on the 31st day of any month, compensation does not accrue for that day. Any person who enters active service during February and serves until the end of the month is entitled to pay for 1 month (30 days), less the prorated amount for the number of days expired before entry on duty. If the service ends before the last day of February, pay the member only for the actual number of days served.

2. Service of Less Than 30 Days. Members of the Uniformed Services entitled to receive compensation for continuous periods of less than 1 month are entitled to pay and allowances for each day of the period at the rate of 1/30 of the monthly amount of such pay and allowances. Include the 31st day of a calendar month in the computation. Members who are obligated to serve on active duty for 30 days or more, but who were released before performing such active duty for at least 30 days, are entitled to receive pay and allowances on a day-to-day basis.

B. Absence Without Pay

1. Deduct 1/30 of 1 month’s pay for each day’s absence in a non-pay status.

2. No pay is lost for unauthorized absence on the 31st day of a month, except when it is the first day of absence or when the member is paid for the day under subparagraph 010302.A.2.

3. Absence in a non-pay status on the 28th of February in a non-leap year results in loss of pay for 3 days. If the member is absent only on the 28th day of February in a leap year, deduct the pay for 1 day for the 28th. If the absence occurs on the 29th of February, deduct pay for 2 days. When payment is made under subparagraph 010302.A.2, on the basis of each day served, deduct only for the actual period of unauthorized absence.
C. **Annual Salary.** Annual salary is divided into 12 equal installments. One installment represents the pay for each calendar month. The daily rate is $1/30$ of the monthly rate. The instructions in subparagraph 010302.B, for monthly pay also apply to annual salary.

D. **Basic Pay Rates.** Tables 1-7 through 1-10 contain monthly rates of basic pay, and are listed on the Basic Pay tables on DFAS.MIL.

010303. **Saved Pay and Allowances**

A. **Enlisted.** An enlisted member who accepts an appointment as an officer will, following appointment, be paid the greater of:

1. The pay and allowances to which such member would be entitled if the member had remained in the last enlisted grade held before appointment as an officer and continued to receive increases in pay and allowances authorized for that grade; or

2. The pay and allowances to which the member thereafter becomes entitled as an officer.

B. **Warrant Officers.** A warrant officer who accepts an appointment as a commissioned officer will, following appointment, be paid the greater of:

1. The pay and allowances to which the member thereafter becomes entitled as a commissioned officer;

2. The pay and allowances to which such member would be entitled if the member had remained in the last warrant officer grade held before appointment as a commissioned officer and continued to receive increases in pay and allowances authorized for that grade; or

3. In the case of an officer who was formerly an enlisted member, the pay and allowances to which entitled, under subparagraph 010303.D.3, before appointment as an officer.

C. **Prior Service Medical Students.** Members selected to participate as DOM students at the USUHS or in the AFHPSP and FAP who have prior active service, including members who have had a break in service, in a pay grade with years of service greater than the rate of second lieutenant or ensign, will be authorized saved pay for the basic pay rate of the former grade. The former basic pay rate will be increased on January 1 of each year by the average percentage increase authorized for that year. The member will continue to receive the former pay rate until the date, occurring before or after graduation or participation in the program, that the member’s actual grade and years of service basic pay rate exceeds the former grade rate. This saved pay provision applies only to basic pay. The member’s other pay entitlements will be paid at the member’s actual grade and years of service.
D. **Restrictions**

1. Except for prior service DOM students discussed in subparagraph 010303.C, a member entitled to saved pay is not authorized the pay for one grade and an allowance for another grade.

2. The saved pay amount may be reduced when the member loses entitlement to specific items. However, these specific items will be included in saved pay if the member again qualifies for such items. (See subparagraph 010303.D.7.)

3. In the case of the Navy or Marine Corps, a member in a temporary appointment is not entitled to saved pay because of a permanent promotion.

4. BAH may be continued as an item of saved pay and will be paid whenever it is not forfeited because the member is assigned to government quarters.

5. For enlisted members, BAS is the alternative for subsistence in kind. Since officers are not authorized subsistence in kind, a member eligible for saved pay is entitled to the appropriate BAS rate (including the “when permitted to mess separately rate” even when subsistence in kind otherwise would be provided or made available) under the conditions prevailing for enlisted members at their permanent station. Credit BAS at the “when permitted to mess separately rate” at all times, except when the member would otherwise be entitled to a different rate. (See Chapter 25, paragraph 250202.)

6. For appointments accepted before January 6, 2006, special duty assignment pay, incentive pay for hazardous duty, special pay for diving duty, special pay for sea duty, and hardship duty pay may be retained as an item of saved pay only for as long as the member continues to perform the duty and would be eligible to receive payment had the member remained in the former status.

7. For appointments accepted on or after January 6, 2006, in determining the amount of pay and allowances of a grade formerly held by an officer who was an enlisted member and accepted an appointment as an officer, the following special and incentive pays may be considered only so long as the officer continues to perform the duty that creates the entitlement to, or eligibility for, that pay and would otherwise be eligible to receive that pay in the former grade:

   a. Incentive pay for hazardous duty;
   
   b. Submarine duty pay;
   
   c. Special pay for diving duty;
   
   d. Hardship duty pay;
   
   e. Career sea pay;
f. Special pay for service as a member of a Weapons of Mass Destruction Civil Support Team;

g. Assignment incentive pay;

h. Special pay for duty subject to hostile fire or imminent danger;

i. Special pay or bonus for an extension of duty at a designated overseas location;

j. Foreign language proficiency bonus; and

k. Critical skill retention bonus.

8. The enlisted cash clothing allowances prescribed in Chapter 29 may not be included in the saved pay computation if the officer is entitled to the initial uniform allowance prescribed in Chapter 30, section 3002.

9. Family Separation for Housing (FSH) may be continued as an item of saved pay under the same conditions as BAH (See subparagraph 010303.D.4). If the member was entitled to FSH due to an enforced separation from the member’s family at the time of appointment, the allowance may be included in the computation of saved pay until the entitlement ends. FSH may be reinstated for future periods if the member again qualifies for FSH due to an enforced separation from the family. Similarly, other items of overseas station allowance and/or special or incentive pay may be reinstated if a member again qualifies for them.

10. Effective January 6, 2006, the following special and incentive pays are dependent on a member being in an enlisted status and may not be considered in determining the amount of pay and allowances of a grade formerly held by an officer:

a. Special duty assignment pay;

b. Reenlistment bonus;

c. Enlistment bonus; and

d. Critical skill incentive pay (see Chapter 22, section 2205).

E. Breaks in Service. A break in service (e.g., released from active duty, discharged) does not disqualify an officer for the saved pay and allowances entitlements of this section.
010304. Increased Basic Pay During a Period of Service Essential to the Public Interest

A. Entitlement to Increased Basic Pay. This section applies only to enlisted members of the Regular Navy or Marine Corps, or Naval or Marine Corps Reserve, whose enlistments expire while serving on a naval vessel in foreign waters.

1. Retention in Service. Such members may be retained on active duty until the naval vessel returns to the Continental United States (CONUS) if the period of retention is determined “service essential to the public interests.” The senior officer present afloat makes this determination.

2. Pay and Allowances. During the period of retention, except in time of war, members are entitled to regular pay and allowances, plus a 25-percent increase in the basic pay, to which they were entitled on the day before the period of retention began.

B. Members Not Eligible for Increase

1. Enlisted members are not entitled to the increased basic pay if retained on active duty after the expiration of enlistment:
   a. At shore stations;
   b. On ships on duty in waters in or around possessions and territories of the United States;
   c. On ships on duty in ports or waters within the sovereign jurisdiction of the United States;
   d. Due to lack of transportation; or
   e. Merely because it is desirable to continue their services or some benefit may be derived there from.

2. A member of the Naval Reserve or Marine Corps Reserve is not entitled to the 25-percent increase while retained beyond the period of obligated service as distinguished from normal date of expiration of enlistment.

C. Restrictions in Use. Do not use the 25-percent increase in computing:

1. Cash settlement for unused leave on discharge;
2. Physical disability or temporary disability retired pay;
3. Disability severance pay; or
4. Reenlistment bonus.

D. Termination of Increase in Basic Pay. The 25-percent increase in basic pay continues through date of:

1. Discharge, if the member is discharged within 30 days after arrival in CONUS; or

2. Transfer to a hospital for treatment. (See Table 1-5, rule 19 for the date of termination of normal pay and allowances.)

010305. Allowable Travel Time for Reserve Members Called to or Released From Active Duty

A. Pay and Allowances Entitlement for Allowable Travel Time

1. Reserve members called to active duty are entitled to active duty pay and allowances for the time allowed for necessary travel from:

   a. Home to a first duty station; or

   b. Last duty station to home (except when released from active duty for retirement or dismissal, when discharged, or upon resignation).

2. Pay and allowances for allowable travel time is an earned entitlement. The payment for the return home may be made upon the member’s release from such duty without regard to actual performance of the travel. If the member dies after payment but before payment would otherwise be due, no part of the payment will be recovered by the United States.

B. Terms and Special Conditions

1. Allowable travel time is considered active duty for all purposes normally ascribed to active duty. The computation of allowable travel time, whether actual or constructive will:

   a. For periods of active duty of 30 days or less, be based upon the rules contained in Table 1-6; or

   b. For periods of active duty of more than 30 days, be based upon the rules and provisions in Chapter 57.

2. A member of a Reserve Component is entitled to active duty pay and allowances for allowable travel time, if any, when:

   a. Ordered to perform ADT;
b. Performing authorized IDT immediately before or after ADT at or near the same site; or

c. Receiving orders that direct performance of necessary travel to and from the ADT site immediately before and after combined ADT/IDT. The travel date will be specified in the active duty orders. Full retirement point credit is earned for the period of IDT performed.

0104 ABSENCE FROM DUTY, EFFECT ON PAY, AND ALLOWANCES

010401. Authorized Leave

A. Authority. All Military Service members on active duty for 30 consecutive days or more are entitled to accrue leave under applicable Military Service leave regulations. While on authorized leave, they are entitled to full pay and allowances except as otherwise provided in Table 1-11.

B. Applicable Service Leave Regulations. Applicable Military Service leave regulations are:

1. Army. *Army Regulation 600-8-10*;


3. Air Force. *Air Force Instruction 36-3003*; and


C. Pay and Allowances During Leave

1. Entitlement. See Table 1-11.

2. Full Pay and Allowances Defined. This term means (includes) the following:

   a. Basic pay;

   b. Special pays;

   c. Incentive pay for hazardous duty;

   d. BAS (enlisted leave rations);

   e. BAH;

   f. Personal money allowances;
g. Clothing maintenance allowances;

h. Family separation allowances; and

i. Station allowances (CONUS Cost of Living Allowance (See Chapter 67); and Overseas Cost of Living Allowance and Temporary Lodging Allowance (See Chapter 68).

D. Advance Leave Carryover or Change to Excess Leave (Effective November 14, 1986)

1. **When Carryover Allowed.** Members may elect to carry all or part of an advance leave balance over to a new term of service when discharged for the purpose of:

   a. Reenlisting within 24 hours of discharge or extending an enlistment; or

   b. Accepting an appointment as a warrant or commissioned officer of the Armed Forces. Carryover will not exceed the number of days or fraction of days the member will accrue in the new enlistment or term of service or 30 days, whichever is less.

   **Example 1:** A member’s current term of service ends April 30, 2015. The member reenlists for 6 years on March 1, 2015 and has a 5.0-day advance leave balance. The 5.0-day advance leave balance can be carried into the new term of service.

   **Example 2:** A member’s current term of service ends September 30, 2015. On May 1, 2015, the member agrees to serve a 12-month extension and has a 12.5-day advance leave balance that will be offset by leave accrual through September 30, 2015. Between May 1, 2015, and September 30, 2015, the member was charged for 30 days of leave. When the extension became operative (October 1, 2015), the member could elect to carry the 30.0-day advance leave balance into the new term of service (12-month extension).

2. **Excess Leave.** Advance leave becomes excess leave and requires collection of pay and allowances under the following conditions:

   a. Discharge for the purpose of reenlisting, extending an enlistment, or accepting a warrant or commission, and advance leave exceeds 30 days;

   b. Advance leave balance exceeds that which will accrue in the new enlistment or term of service (for example, enlistment or extension(s)), including when an agreement to extend is cancelled by the Military Service. If an agreement to extend is cancelled by the member for the purpose of immediate reenlistment, collect the advance under subparagraph 010401.D.2.a, if applicable;

   c. Relief from active duty;
d. Appointment as a cadet or midshipman at a Service academy;

e. Death; or

f. Return from a period of leave that was in excess of the number of days of leave and fractions thereof that the member will accrue before the normal expiration of current enlistment or term of active service. The term of an extension(s) will be considered when determining the normal expiration of current enlistment or term of active service. Extension(s) will be considered from the date the member agrees to the extension(s). Excess leave properly charged before the date a member extends a term of service (reenlistment, appointment or agrees to extend voluntarily or is involuntarily extended) will not be affected and under no circumstances will pay and allowances previously collected be refunded. (See subparagraph 010401.E when it is known at the time leave is granted that the member will be in excess leave status.)

Example 3: A member’s current term of service ended on March 31, 2016. The member reenlisted for 6 years on January 1, 2015 and had a 35.5-day advance leave balance. The member carried 30.0 days of advance leave into the new term of service. The remaining 5.5-day advance leave balance changes to excess leave and requires immediate collection of pay and allowances. Subparagraph 010401.E applies.

Example 4: Same as example 2, except that the member took 34 days of leave between May 1, 2015 and September 30, 2015. Since a maximum of 30.0 days of advance leave could be carried into the new term of service (12-month extension), immediate collection of pay and allowances for the remaining 4.0 days was required when the leave was used. Subparagraph 010401.E applies.

3. **Amount to be Collected.** Compute collection under subparagraph 010401.D.2 on the basis of pay and allowances received by the member during the period of leave involved.

E. **Pay and Allowances During Excess Leave.** Members on excess leave are not entitled to pay and allowances. Apply as follows:

1. When the complete period of leave is granted as excess leave, pay and allowance accrual will be stopped beginning with the first day of leave.

2. When a portion of the leave is granted as advance leave and a portion granted as excess leave, pay and allowance accrual will be stopped beginning with the first day of excess leave. Members in an excess leave status are considered to have a rate of pay.

F. **Leave Pending Review of Certain Court-Martial Convictions.** Under regulations prescribed by the Secretary of the Military Department concerned, members sentenced to unsuspended dismissal or unsuspended dishonorable or bad conduct discharge by court-martial
may be required to take leave pending review of their conviction as provided by Article 76a, Uniform Code of Military Justice (UCMJ).

1. Such leave will be charged against any accrued leave to the member’s credit on the day before the day such leave begins unless the member elects to be paid for accrued leave under Chapter 35, subparagraph 350201.B.

   a. If the member does not elect to be paid for accrued leave or does not have sufficient accrued leave to cover the total period of leave required to be taken, the leave not covered by accrued leave will be charged as excess leave.

   b. If the member elects to be paid for accrued leave, the entire period of leave will be charged as excess leave and pay and allowances will not accrue for such period except under the provisions of subparagraph 010401.F.2.

2. A member required to take leave under Article 76a, UCMJ, whose sentence by court-martial to dismissal or dishonorable or bad-conduct discharge is set aside or disapproved on appellate review, will accrue pay and allowances for the period of leave charged as excess leave (except for any day of accrued leave for which the member has been paid under subparagraph 010401.F.1.b), unless a rehearing or new trial is ordered and dismissal or dishonorable or bad-conduct discharge results from the rehearing or new trial and such dismissal or discharge is later executed.

   a. Computation of Payment. The amount of gross pay and allowances accrued under this subparagraph will be reduced by the total gross income from wages, salaries, tips, other personal service income, unemployment compensation, and public assistance benefits from any government agency during the period the member is deemed to have accrued gross pay and allowances. The total gross income, however, cannot reduce the amount of gross pay and allowances to the extent that the member becomes indebted to the government.

      (1) Approved Sentence Does Not Include Reduction. Pay and allowances under this section will be paid in the pay grade held by the member on the day before the day on which the court-martial sentence was approved by the convening authority.

      (2) Approved Sentence Includes Reductions. If the pay grade of the member was reduced to a lower grade as a result of the court-martial sentence and the reduction has not been set aside, disapproved, or otherwise vacated, pay and allowances accrued under this paragraph will be paid at the lower pay grade.

   b. Time of Payment

      (1) Payment will be made within 60 days from the date of the order setting aside or disapproving the sentence by court-martial to a dismissal or a dishonorable or bad-conduct discharge if no rehearing or new trial has been ordered.
(2) Payment will be made within 180 days from the date of the order setting aside or disapproving the sentence by court-martial to a dismissal or a dishonorable or bad-conduct discharge if a rehearing or new trial has been ordered, but charges have not been referred to a rehearing or new trial within 120 days from the date of that order.

(3) If a rehearing or new trial has been ordered, and a dismissal or a dishonorable or bad-conduct discharge is not included in the result of the rehearing or new trial, payment will be made within 60 days of the date of the announcement of the result of such rehearing or new trial.

(4) If a rehearing or new trial has been ordered, and a dismissal for a dishonorable or bad-conduct discharge is included as the result of such rehearing or new trial, but such dismissal or discharge is not later executed, payment will be made within 60 days of the date of the order which set aside, disapproved, or otherwise vacated such dismissal or discharge.

(5) If a member who is entitled to be paid under this section fails to provide sufficient information in a timely manner regarding his/her income when such information is requested under subparagraph 010401.F.3, the periods of time prescribed in this paragraph will be extended until 30 days after the date on which the member provides the requested information.

3. In all cases where payment must be made under subparagraph 010401.F.2, the member solely is responsible for providing the information as to all sources and amounts of income received by the member during periods of required appellate leave. Pay will be computed only on the basis of a written record.

   a. For periods where the member was employed, information as to all sources and amounts of income should include, at a minimum, copies of all pertinent:

   (1) Federal income tax returns;
   (2) Employer statements of income earned from wages, salaries, tips; and
   (3) Documentation of other personal service income.

   b. For periods where the member has been unemployed, the member must submit an affidavit or written evidence of lack of employment and, at a minimum, copies of all pertinent:

   (1) Documentation to verify the duration of unemployment compensation;
   (2) Public assistance benefits received from any government agency;
(3) Federal income tax returns; and

(4) Any other documentation required by the Service concerned.

NOTE: The burden of proving the existence of a valid claim against the United States is on the member asserting the claim. A member must prove by clear and convincing evidence on the written record that the U.S. DoD is liable under the law for the amount claimed.

010402. Unauthorized Absence and Other Lost Time

A. Effect on Pay and Allowances. The types of unauthorized absences and other lost time and their effect on pay and allowances are shown in Table 1-12. (Compute forfeitures of pay and allowances as instructed in subparagraph 010302.B.)

B. Unauthorized Absence and Desertion

1. Determination by Court-Martial. A member found guilty of unauthorized absence by a court-martial forfeits pay and allowances for the period of absence. An acquittal (or disapproval by the reviewing authority, in case of conviction) affects only the disciplinary aspects of the absence. It does not prevent an administrative determination that the member was AWOL.

2. Administrative Determination of Unauthorized Absence. When a member is in an unauthorized absence status, an administrative determination must be made as to whether the absence was unavoidable. Table 1-13 contains rules for determining whether the absence was unavoidable. If it is not excused as unavoidable, the member (including one mentally incompetent) forfeits pay and allowances for the period of absence. This applies even though a court-martial finds the member not guilty of a charge of unauthorized absence, or when a finding of guilty has been disapproved by the reviewing authority.

3. Discharge for Desertion. A discharge for desertion is conclusive evidence of desertion for the purpose of forfeiture of pay, even in the absence of trial by court-martial.

4. Dropped From Rolls. A commissioned officer of the Army or Air Force who is dropped from the rolls by the President for absence without authority for 3 months forfeits all pay due or to become due. Pay and allowances due at the time the officer is dropped from the rolls, however, will be used to satisfy debts due the United States and its instrumentalities.

5. Disposition of Forfeitures as a Result of Desertion. When an enlisted member, warrant officer, or limited duty officer forfeits pay as a result of desertion, deposit the gross amount of such forfeited pay to the Armed Forces Retirement Home Trust Fund. Do not, however, deposit this pay beyond the expiration of term of enlistment for enlisted members.
C. **Computing Periods of Unauthorized Absence.** Unauthorized absence of 24 consecutive hours or less does not affect pay or allowances. This applies even though the absence involves parts of 2 days. When the period of unauthorized absence exceeds 24 consecutive hours, use Table 1-14 to determine the first and last day of the period of absence.

D. **Absence in the Hands of Civil Authorities**

1. **General.** Pay the member all pay and allowances earned through the day before the first day of unauthorized absence. If the member is delivered to civil authorities by military authorities, he or she is entitled to all pay and allowances earned through the day prior to the date of such delivery. For entitlement to pay and allowances during confinement, see Table 1-12, rules 4, 5, and 6.

2. **Finding of Insanity.** An administrative determination under the rules contained in Table 1-13 must be made as to whether the absence was unavoidable when a member is found not guilty by reason of insanity by a civil court and transferred to a mental institution for an indefinite period of time. Table 1-12 contains rules for determining the effect of absences on pay and allowances.

3. **Work Release Program.** In some states and local jurisdictions, a person convicted and sentenced to a term of civil confinement may be released from the confinement facility to the cognizance of an employer during the normal workday. Work release, job rehabilitation, or employment retention programs of this type generally are conducted for the purpose of providing prisoners a means to continue support of their dependents and to demonstrate that they are capable of self-rehabilitation. When members are paroled to military authorities under a “work release” or similar program, they are entitled to pay and allowances for each day of full duty performed commensurate with their grade and military specialty.

E. **Absence Due to Disease**

1. **When Pay Is Forfeited.** See Table 1-12, rule 3.

2. **When Pay Is Not Forfeited.** Pay is not forfeited for absence from duty caused by:

   a. An injury;

   b. A disease, except under Table 1-12, rule 3;

   c. Simple drunkenness, if not coupled with chronic alcoholism or intemperate use of habit-forming drugs; or

   d. Venereal disease, whether or not due to misconduct.

3. **Personal Expense Money.** A member whose pay is forfeited under Table 1-12, rule 3 for more than 1 month is entitled to $5 for personal expenses for each full month.
that he or she forfeits pay. This payment will be made even though the member is indebted to the United States. The term “full month” is the period from a date in 1 month through the preceding date in the following month. For example, July 3 through August 2 is 1 month.

F. Military Confinement. Pay and allowances accrue to a member in military confinement except when:

1. Confined by military authorities, for civil authorities. See Table 1-12, rules 6 and 8;

2. Pay and allowances are forfeited by court-martial sentence. See Chapter 48 and Table 1-12, rule 10; and

3. The term of enlistment expires. See subparagraph 010402.G.

G. Term of Enlistment Expires

1. General. Pay and allowances accrue to a member upon return to a full-duty status. Full duty is attained when a member, not in confinement, is assigned useful and productive duties (as opposed to duties prescribed by regulations for confinement facilities) on a full-time basis which are not inconsistent with the grade, length of service, and military occupational specialty (MOS). While placement in the same MOS is not essential, the decision to place a member in that MOS or to assign the member available duties consistent with the grade and service rests with the appropriate military commander.

2. Absentee Returned to Military Control. An absentee who surrenders or is apprehended after a term of enlistment has expired is not entitled to pay and allowances until restored to a full-duty status for the purpose of making good the lost time. While held in retention, a member may be assigned duties as prescribed by regulations governing detained prisoners without being returned to full-duty status.

3. Enlistment Expires Before Trial. An enlisted member retained in the Military Service for the purpose of trial by court-martial is not entitled to pay for any period after the expiration of the enlistment unless acquitted or the charges are dismissed, or the member is retained in or restored to a full-duty status.

4. Confined Awaiting Trial by Court-Martial. If a member is confined awaiting court-martial trial when the enlistment expires, pay and allowances end on the date the enlistment expires. If the member is acquitted when tried, pay and allowances accrue until discharge.

5. Confined Serving Court-Martial Sentence. If a member is confined serving a court-martial sentence when the enlistment expires, pay and allowances end on the date the sentence is completely overturned or set aside as specified in Chapter 48. Pay and allowances will not accrue again until the date the member is restored to a full-duty status.
6. **Confined While in a Status of Being Held in the Service to Make Up Lost Time.** If confined while in a status of being held in the Military Service to make up lost time, an enlisted member continues in a pay status, except to the extent that pay may be forfeited by court-martial, the same as during the regular enlistment period. This pay status terminates if the member is in confinement on the date the normal term of service as extended to make up lost time would have expired, even if restored to duty at a later date.

7. **Confinement Deferred or Prisoner Restored to Duty.** A prisoner in a non-pay status is entitled to pay and allowances when service of sentence to confinement is deferred or the member is restored to a full-duty status. The date restored to duty is the date the member reported present for duty.

8. **Absentee Confined Upon Return to Military Control.** An enlisted member whose term of enlistment has expired while in a status of absence without leave or desertion is not entitled to pay and allowances upon return to military control while confined awaiting trial and disposition of the case if the conviction becomes final and the member has not been returned to a full-duty status. A member, however, who is returned to military control and restored to full duty for the purpose of making good the lost time before being confined to await trial, continues in a pay status except to the extent that pay may be forfeited by court-martial, the same as during the regular enlistment period. This pay status terminates if the member is in confinement on the date the normal term of service is extended to make up lost time would have expired, even if he or she is restored to duty at a later date.

9. **Confined Under Sentence of Death.** The pay and allowances of a member, serving in confinement under sentence of death and pending completion of the appellate review of the record of trial, do not accrue after the expiration of the enlistment.

10. **Appellate Review of Court-Martial Sentence.** A confined member who is pending appellate review of his or her court-martial sentence is not entitled to pay and allowances after the expiration of term of enlistment, unless the conviction is completely overturned or set aside.

H. **Reserve Officer Absent From Duty.** A Reserve officer whose term of active service expires while confined as a result of court-martial action continues to be entitled to pay and allowances, except when forfeited under an approved sentence of a court-martial or a period of service is terminated by proper orders.

0105 **PAYMENT IN CASES OF VOID, VOIDABLE, OR REJECTED ENLISTMENTS OR INDUCTIONS**

010501. **Voidability of Contract**

A fraudulent contract of enlistment or induction is not void but is voidable at the option of the government. When the government becomes aware of the fraud, it may void the contract or waive the objection and allow the contract to stand. (See Table 1-15.)
010502. Fraudulent Enlistments – Pay and Allowances

Members under investigation or determined to be serving in fraudulent enlistments are due pay and allowances for periods shown in Table 1-15.

010503. Travel Payments

See JTR, Chapter 5, Paragraph 051007.

010504. Disbursing Officer Entitled to Credit

A disbursing officer is entitled to credit for proper payments to a member who fraudulently enlisted if payments were made without the knowledge of the fraud and before the government rescinded the contract.

010505. Failure to Discover Physical Condition of Enlistee or Inductee

Failure to discover that the physical condition of an enlistee or inductee was such as would warrant rejection for military service does not deprive member of right to pay and allowances or of the status of being entitled to basic pay. (See Table 1-15.)

0106 FINANCIAL INSTITUTION CHARGES

010601. Reimbursement

Reimbursement of financial institution charges may be authorized. Authorized reimbursements are limited to overdraft charges or minimum balance or average balance charges levied by the financial institution because of an administrative or mechanical error on the part of the government that causes pay to be deposited late, or in an incorrect manner or amount.

010602. Non Reimbursement

Charges by financial institutions resulting from erroneous information provided by the member or the financial institution to a military pay office are not the liability of the government and will not be reimbursed.

010603. Definitions

A. Financial Institutions. For the purpose of this section a financial institution is defined as a bank, savings and loan association, or similar institution or a credit union chartered by the United States or a state.

B. Pay. For the purpose of this section pay is defined as basic pay, allowances, bonuses, special and incentive pays.
0107 MILITARY PAYDAYS

010701. Payday

The payday is the first calendar day of the month after the month in which the entitlement was earned.

010702. Exception

Except for payrolls otherwise payable on October 1, if the payday falls on a Saturday, Sunday, or federal legal holiday, payment is authorized on the preceding workday, but not more than 3 days before the scheduled payday. This exception applies to foreign holidays recognized abroad by U.S. Forces. It also applies to payments made to members upon separation from the Military Service through retirement or discharge when the last day of active duty falls on a Saturday, Sunday, or federal legal holiday.

010703. Determination

For payrolls otherwise payable on October 1, the DoD Comptroller will determine if the payroll may be dated in September.
Table 1-1. Service as Cadet or Midshipman - Officers

<table>
<thead>
<tr>
<th>Rule</th>
<th>When a member currently serving as an officer has had service as a cadet or midshipman in</th>
<th>to which appointed and member</th>
<th>then the period involved is</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>any of the military academies</td>
<td>held no concurrent enlisted and/or Reserve status</td>
<td>not creditable.</td>
</tr>
<tr>
<td>2</td>
<td>after June 25, 1956</td>
<td>had an enlistment contract or period of obligated service that was not terminated</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>concurrently retained a commission or warrant in the Army or Air Force Reserve</td>
<td>creditable.</td>
</tr>
<tr>
<td>4</td>
<td>on or after January 1, 1953</td>
<td>concurrently retained a commission or warrant in the Naval Reserve</td>
<td></td>
</tr>
</tbody>
</table>
### Table 1-2. Absence From Duty in Enlisted Status

<table>
<thead>
<tr>
<th>R U L E</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td>authorized leave or authorized excess leave</td>
<td>and</td>
<td>then the period of absence is creditable.</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>unauthorized absence of more than 1 day (24 consecutive hours) (including detention of Army or Air Force members by or for civil authorities)</td>
<td>is administratively excused as unavoidable</td>
<td></td>
</tr>
<tr>
<td><strong>3</strong></td>
<td></td>
<td>is not administratively excused as unavoidable</td>
<td>not creditable (note 1).</td>
</tr>
<tr>
<td><strong>4</strong></td>
<td>civil detention of a Navy or Marine Corps member</td>
<td>occurred before July 24, 1956, and the member was not acquitted or released without trial, and without making restitution</td>
<td></td>
</tr>
<tr>
<td><strong>5</strong></td>
<td></td>
<td>occurred on or after July 24, 1956, and the member was absent under sentence or awaiting (and during) trial which resulted in conviction (note 2)</td>
<td></td>
</tr>
<tr>
<td><strong>6</strong></td>
<td>inability to perform duty for more than 1 day (24 consecutive hours) because of intemperate use of alcohol or drugs, or disease or injury resulting from misconduct</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>7</strong></td>
<td>Desertion</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>8</strong></td>
<td>because of confinement for more than 1 day (24 consecutive hours) while awaiting trial (if the trial results in conviction) or confinement as the result of a court-martial sentence (note 3)</td>
<td>the member was a member of the Army or Air Force</td>
<td></td>
</tr>
<tr>
<td><strong>9</strong></td>
<td>absence of a Navy or Marine Corps member because of confinement of more than 1 day (24 consecutive hours) while awaiting trial (if the trial results in conviction) or confinement as the result of a court-martial sentence</td>
<td>the confinement occurred on or after July 24, 1956 (note 3)</td>
<td></td>
</tr>
<tr>
<td><strong>10</strong></td>
<td></td>
<td>the confinement occurred before July 24, 1956 (note 4).</td>
<td></td>
</tr>
</tbody>
</table>
Table 1-2. Absence From Duty in Enlisted Status (Continued)

NOTES:

1. Prior to February 11, 1996, absence during which a member was serving on active duty as an enlisted member and was also a Reserve officer is creditable. After February 10, 1996, a commissioned or warrant officer may not count the periods of absence for any purpose other than for computing length of service for basic pay. Also, see subparagraph 010202.B.

2. If the member is released without trial or acquitted, or if conviction is set aside on legal grounds (as distinguished from clemency), the period of absence is creditable. If the member is released upon agreement to make restitution or is later convicted by court-martial on the same facts, the period of absence is not creditable.

3. Period spent in confinement is creditable when the member is acquitted or the sentence is set aside or disapproved.

4. The period of absence is not creditable only if the confinement was under general court-martial sentence and/or while waiting (and during) trial which resulted in a sentence by a general court-martial to confinement and total loss of pay and allowances.
### Table 1-3. When Active Duty Pay Begins

<table>
<thead>
<tr>
<th>Rule</th>
<th>When a person is</th>
<th>in the</th>
<th>and</th>
<th>then active duty pay and allowances begin on:</th>
<th>are authorized for:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>originally appointed as a permanent officer</td>
<td>Regular Army, Navy, Air Force, or Marine Corps (note 1)</td>
<td></td>
<td>the date of formal acceptance of appointment (see subparagraph 010301.C.).</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>an enlisted member temporarily appointed to a warrant or commissioned officer grade</td>
<td>Navy or Marine Corps</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>an enlisted member or warrant officer on active duty appointed to a commissioned officer grade under 10 U.S.C. § 12201</td>
<td>Reserve</td>
<td>continues on active duty in that commissioned officer grade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>enlisted, reenlisted, or inducted</td>
<td>Regular Army, Navy, Air Force, or Marine Corps</td>
<td></td>
<td>the date of enlistment, reenlistment, or induction.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>a service academy graduate commissioned as a second lieutenant or ensign</td>
<td>Regular Army or Air Force</td>
<td></td>
<td>the date of graduation (note 2).</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>a reserve or retired member called or recalled to active duty</td>
<td>Regular Navy or Marine Corps</td>
<td></td>
<td>the date of formal acceptance of appointment.</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>Regular Army, Navy, Air Force, or Marine Corps</td>
<td></td>
<td>the date member necessarily complies with active duty order (note 3).</td>
<td></td>
</tr>
</tbody>
</table>
Table 1-3. When Active Duty Pay Begins (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>When a person is</th>
<th>in the and</th>
<th>begin on:</th>
<th>are authorized for:</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>a temporary officer (without component) called to active duty</td>
<td>Army or Air Force</td>
<td>the date member necessarily complies with active duty orders (note 3).</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>a reserve or retired member ordered to active duty to take a physical examination incident to being ordered to active duty for more than 30 days</td>
<td>Regular Army, Navy, Air Force, or Marine Corps</td>
<td>period of the examination, and allowable travel time in connection therewith (notes 3, 4, 5, and 6).</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>an Army National Guard or Air National Guard member called into federal service</td>
<td>Army or Air Force</td>
<td>the date on which the member, in person or by authorized telephonic or electronic means, contacts the member's unit.</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td></td>
<td></td>
<td>the date member necessarily complies with active duty orders (notes 3 and 7).</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>a separated Service academy cadet required to serve a period of enlisted active duty</td>
<td>Regular Army, Navy, Air Force, or Marine Corps</td>
<td>the date following date of approval of cadet’s separation from the academy.</td>
<td></td>
</tr>
</tbody>
</table>
Table 1-3. When Active Duty Pay Begins (Continued)

NOTES:

1. Original appointments include officers appointed from warrant officer, enlisted member, or civilian status.
2. Pay accrues from date of graduation, even though appointment is issued and accepted at later date.
3. See paragraph 010305 and Table 1-6 for allowable travel time to include in computation. Pay and allowances do not accrue if the member begins travel or reports earlier than the travel time necessary to comply with the active duty orders.
4. If member passes the physical examination, pay and allowances accrue for travel time to first duty station when later ordered to active duty for more than 30 days.
5. If the member fails the physical examination, pay and allowances accrue for period required for the examination and travel time to and from the examination.
6. If the member is ordered to active duty solely to take a physical examination, not incident to being ordered to active duty, active duty pay and allowances do not accrue.
7. Pay status does not begin if the Army National Guard or Air National Guard member is unable to respond to the call to active duty because of illness or other reason.
Table 1-4. Increases in Pay on Promotion or Restoration of Grade

<table>
<thead>
<tr>
<th>Rule</th>
<th>When member is a(n)</th>
<th>and action is</th>
<th>in the</th>
<th>and</th>
<th>then effective date of increase in pay and allowances</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>officer</td>
<td>designation of special assignment under 10 U.S.C. § 601(a)</td>
<td>Army, Air Force, or Marine Corps as General or Lt General; or Navy as Admiral or Vice Admiral</td>
<td></td>
<td>is the date officer assumes the designated duty (note 1).</td>
</tr>
<tr>
<td>2</td>
<td>Reserve officer not on the active duty list</td>
<td>promotion to grade above O-2</td>
<td>Navy or Marine Corps</td>
<td></td>
<td>is the date officer becomes eligible for promotion to the higher grade.</td>
</tr>
<tr>
<td>3</td>
<td>officer</td>
<td>promotion to grade O-2</td>
<td></td>
<td></td>
<td>is the date of rank.</td>
</tr>
<tr>
<td>4</td>
<td>officer</td>
<td>promotion to grade above O-1</td>
<td>Uniformed Services</td>
<td></td>
<td>is the effective date of the promotion.</td>
</tr>
<tr>
<td>5</td>
<td>Reserve officer on active duty (other than for training) (but not on the active duty list)</td>
<td>permanent promotion to a higher Reserve grade</td>
<td>Army or Air Force</td>
<td>officer is ordered to serve on active duty in the higher permanent Reserve grade</td>
<td>is the effective date of orders to serve on active duty in the higher permanent Reserve grade (note 2).</td>
</tr>
<tr>
<td>6</td>
<td>officer</td>
<td>temporary promotion to a higher Reserve grade</td>
<td></td>
<td>officer is serving on active duty and assigned to a position requiring a grade equal to or higher than the grade to which promoted</td>
<td>is the effective date of orders or letter announcing promotion (note 3).</td>
</tr>
<tr>
<td>7</td>
<td>enlisted member</td>
<td>advancement in rank or rating</td>
<td>Navy</td>
<td>effective date is specified in the letter authorizing the advance</td>
<td>is the effective date of orders announcing promotion; or date shown in special orders confirming verbal orders.</td>
</tr>
<tr>
<td>8</td>
<td>enlisted member</td>
<td></td>
<td></td>
<td>effective date is specified in the letter authorizing the advance</td>
<td>is the effective date as stated, or date of the letter, whichever is later (note 4).</td>
</tr>
</tbody>
</table>
### Table 1-4. Increases in Pay on Promotion or Restoration of Grade (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A When member is a(n)</th>
<th>B and action is</th>
<th>C in the</th>
<th>D and</th>
<th>E then effective date of increase in pay and allowances</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>enlisted member</td>
<td>advancement in rank or rating</td>
<td>Navy</td>
<td>effective date is not stated in letter</td>
<td>is the date advance was actually affected, but not before date member's commander receives the authority (note 4).</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td>Marine Corps</td>
<td>effective date is specified in the directive authorizing the advance</td>
<td>is the effective date as stated in the directive or date of the directive, whichever is later (note 4).</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td>promotion is not effected by directive</td>
<td>is the date certificate of appointment is signed by issuing authority (note 4).</td>
</tr>
<tr>
<td>12</td>
<td>appointment or promotion to a higher grade</td>
<td>Army or Air Force</td>
<td></td>
<td>1. is the date cited in orders, or date of orders, whichever is later (note 5); or 2. is the date of oral appointment or promotion, if later confirmed in writing (note 4).</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>restoration of former grade</td>
<td></td>
<td>reason for reduction was non-judicial punishment</td>
<td>may be retroactive to date of reduction.</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td></td>
<td>reason for reduction was inefficiency</td>
<td>is the date of restoration orders.</td>
<td></td>
</tr>
</tbody>
</table>
Table 1-4. Increases in Pay on Promotion or Restoration of Grade (Continued)

NOTES:

1. If the officer’s assignment is terminated because of:
   a. Assignment to another position also designated a special assignment: the officer will continue to draw the pay rate of the terminated assignment through the day before assuming the new position.
   b. Hospitalization: the officer will continue to draw the pay rate of the terminated assignment for the full period of hospitalization, but for not more than 180 days.
   c. Retirement: the officer will continue to draw the pay rate of the terminated position through the day before retirement, but for not more than 90 days.

2. A retroactive amendment of active duty orders is authority to serve in the higher grade from date of the amendment only. Increased pay and allowances are authorized from that date. Such orders do not create entitlement to increased pay and allowances for the retroactive period.

3. A retroactive promotion date is to be used only for consideration of seniority and time in grade for future promotions. Such orders do not create entitlement to increased pay and allowances for the period between the eligibility date for promotion and the effective date of the promotion order or letter. The effective date of promotion for purposes of entitlement to increased pay and allowances must not be earlier than the date the officer is assigned to a position requiring a grade equal to or higher than the grade to which promoted.

4. An appointment, promotion, or advancement to a higher grade with an effective date beyond the expiration date of the current enlistment and which is contingent upon the member’s extension of enlistment or reenlistment, entitles the member to increased pay and allowances from the effective date of extension or reenlistment, whichever is later. Payment for the higher rank or rating is not authorized for a period prior to date of current enlistment.

5. This restriction does not prevent payment to enlisted members for retroactive promotions or advancements that are made pursuant to 10 U.S.C. § 1552(a)(2) (retroactive promotion or advancement without decision of the Board for Correction of Military Records), effective October 23, 1992.
Table 1-5. Termination or Reduction of Active Duty Pay and Allowances

<table>
<thead>
<tr>
<th>RULE</th>
<th>If member is in the</th>
<th>and status is an</th>
<th>and action is</th>
<th>and reason for retention is</th>
<th>then pay and allowances are authorized through date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regular Army, Navy, Marine Corps, or Air Force</td>
<td>officer holding permanent appointment</td>
<td>resignation, discharge, or dismissal</td>
<td>1. shown as official date of separation in official notice; or 2. officer receives official notice, if no official date of separation is shown (note 1).</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>officer holding temporary appointment or promotion</td>
<td>discharge or dismissal from permanent status</td>
<td>of termination of appointment.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>resignation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>transfer to Fleet Reserve, or Fleet Marine Corps Reserve (note 2)</td>
<td>before date placed on the retired list.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>involuntary retirement under Officer Personnel Act of 1947</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>retirement on last day of month after month member completed 30 years of active service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>retirement, other than as shown in rules 5 and 6; includes physical disability retirement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>permanent appointment as an officer</td>
<td>before date of acceptance of permanent appointment.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 1-5. Termination or Reduction of Active Duty Pay and Allowances (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Regular Army, Navy, Marine Corps, or Air Force officer holding temporary appointment or promotion</td>
<td>termination of appointment for any other reason</td>
<td>and reason for retention is</td>
<td>of termination of appointment.</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Army, Navy, Marine Corps, or Air Force Reserve officer or enlisted member</td>
<td>release from active duty</td>
<td>and reason for retention is</td>
<td>of allowable travel time after release (see Table 1-6).</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Army, Navy, Marine Corps, or Air Force Reserve officer or enlisted member</td>
<td>release from active duty for retirement</td>
<td>and reason for retention is</td>
<td>before date placed on retired list.</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Army, Navy, Marine Corps, or Air Force Reserve officer or enlisted member</td>
<td>discharge, dismissal, or a resignation</td>
<td>and reason for retention is</td>
<td>shown in official separation notice, or date member receives official notice of separation.</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Army, Navy, Marine Corps, or Air Force enlisted member</td>
<td>retirement (including physical disability retirement)</td>
<td>and reason for retention is</td>
<td>before date placed on retired list.</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Army, Navy, Marine Corps, or Air Force Reserve officer or enlisted member</td>
<td>transfer to Fleet Reserve or Fleet Marine Corps Reserve</td>
<td>and reason for retention is</td>
<td>of transfer.</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Regular Army, Navy, Marine Corps, or Air Force officer holding temporary appointment or promotion</td>
<td>discharge</td>
<td>and reason for retention is</td>
<td>of discharge (note 3).</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Retention in service after expiration of term of service (note 4)</td>
<td>convenience of the government</td>
<td>and reason for retention is</td>
<td>of the period of retention.</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>To make good lost time</td>
<td>and reason for retention is</td>
<td>and reason for retention is</td>
<td>of the period of retention, if retained in full duty status or if authorized to perform duty.</td>
<td></td>
</tr>
</tbody>
</table>
Table 1-5. Termination or Reduction of Active Duty Pay and Allowances (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>If member is in the and status is an and action is and reason for retention is then pay and allowances are authorized through date</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>Army, Navy, Marine Corps, or Air Force enlisted member probation after confinement of the probation period, if duty is performed during such period.</td>
</tr>
<tr>
<td>19</td>
<td>medical care or hospitalization (with member’s consent) of release from medical care or hospitalization (note 5).</td>
</tr>
<tr>
<td>20</td>
<td>service is essential to public interest (see paragraph 010304) of discharge (note 6).</td>
</tr>
<tr>
<td>21</td>
<td>court-martial action see subparagraph 010402.G.</td>
</tr>
<tr>
<td>22</td>
<td>demotion (administrative) before date of demotion orders at the higher rate; and at the reduced rate on and after date of demotion orders.</td>
</tr>
<tr>
<td>23</td>
<td>officer or enlisted member death of death.</td>
</tr>
<tr>
<td>24</td>
<td>revoking a promotion (erroneous promotion through administrative error) before date of discovery at the higher rate; at the reduced rate on or after date of discovery (note 7).</td>
</tr>
<tr>
<td>25</td>
<td>retirement late delivery of retirement orders retirement orders are delivered or member is notified that retirement orders were issued.</td>
</tr>
</tbody>
</table>
Table 1-5. Termination or Reduction of Active Duty Pay and Allowances (Continued)

NOTES:

1. Discharge orders do not of themselves relieve the government of its obligation to an officer. The officer must have received actual or constructive notice by the effective date, unless the officer willfully avoids notice of separation. If kept in Military Service without fault, in ignorance of an order of dismissal, the officer is entitled to all salaries and benefits of the office. If held in Military Service under orders after the date shown in separation orders, the officer is entitled to pay if there is nothing in the records showing non-entitlement.

2. A member who reverts from a temporary officer appointment to a permanent enlisted or warrant officer grade is entitled, if otherwise proper, to the active duty pay and allowances of the temporary officer grade through and including the date of reversion.

3. Includes discharge for underage enlistment. Does not include discharge for fraudulent contract of enlistment. (See section 0105.)

4. A member whose enlistment is extended involuntarily by law comes under rule 15, not rules 16-21.

5. If medical care or hospitalization was due to member’s misconduct, pay and allowances terminate on date of expiration of term of Military Service.

6. See subparagraph 010304.D for date of termination of the 25 percent increase in basic pay.

7. An erroneous promotion is later voided by revoking promotion orders (certificates of appointment or other documents used by the Military Service concerned to administratively effect promotions) from the original effective date. Payment of the pay and allowances of the higher grade through the date prior to the date of discovery is contingent, in each case, upon an administrative determination of the commander, that service performed while serving in the higher grade may be regarded as service performed in a “de facto” status, that is, the member was promoted by competent authority and performed duties of the higher grade. (See procedural regulations of the Military Service concerned.)
Table 1-6. Allowable Travel Time – Travel Between Places Within the United States

<table>
<thead>
<tr>
<th>RULE</th>
<th>A If order to active duty is for</th>
<th>B and travel by (note 1)</th>
<th>C then travel time allowed is</th>
<th>D using (notes 3 and 4).</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>30 days or less</td>
<td>all transportation is reasonably available</td>
<td>computed on the basis of air transportation (not more than 1 day for travel between places within the CONUS) (note 2)</td>
<td>actual commercial air schedules, and including the actual or estimated time to travel to and from air terminal(s) (but not more than 2 hours for each trip).</td>
</tr>
<tr>
<td>2</td>
<td>air transportation is not reasonably available for entire travel</td>
<td>computed as if actually performed by public surface transportation</td>
<td>actual schedules of fastest available mode.</td>
<td></td>
</tr>
</tbody>
</table>

NOTES:

1. When the air terminal is within 50 miles of the active duty station and direct or connecting flights are obtainable within 50 miles of the place from which ordered to active duty.
2. Additional time may be allowed when there is an actual delay in air travel. The delay must have been due to reasons beyond the control of the member, such as mechanical failure, adverse weather conditions, excess passenger load, cancelled flights, illness of other passengers, or other circumstances.
3. Travel is not expected to start or end between midnight and 0600.
4. Travel days will not exceed the computed travel time. In the computation of travel time, use existing commercial schedules to determine the latest departure time that would permit arrival at the duty station on the reporting date and hour. On release from active duty, use earliest schedule after release which would permit arrival home by fastest available means, without regard to actual performance of travel. A member of a Reserve Component is entitled to active duty pay and allowances for allowable travel time per subparagraph 010305.B when member:
   a. is ordered to perform ADT;
   b. performs authorized IDT immediately before or after ADT at or near the same site; and
   c. receives orders which direct performance of necessary travel to and from the ADT site immediately before and after combined ADT/IDT. The travel date will be specified in the active duty orders. Full retirement point credit is earned for the period of IDT performed.
Table 1-7. Monthly Rates of Basic Pay – Commissioned Officers, Academy Cadets and Midshipmen and ROTC Members - Effective January 1, 2020

For the most current rates, see Basic Pay table on DFAS.MIL.

Notes 1 through 6

<table>
<thead>
<tr>
<th>Cumulative Years of Service</th>
<th>Pay Grade (note 7)</th>
<th>2 or less</th>
<th>Over 2</th>
<th>Over 3</th>
<th>Over 4</th>
<th>Over 6</th>
<th>Over 8</th>
<th>Over 10</th>
<th>Over 12</th>
<th>Over 14</th>
<th>Over 16</th>
<th>Over 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>O-10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O-9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O-8</td>
<td>10,999.50</td>
<td>11,360.40</td>
<td>11,599.50</td>
<td>11,666.10</td>
<td>11,964.60</td>
<td>12,462.90</td>
<td>12,579.00</td>
<td>13,052.10</td>
<td>13,188.30</td>
<td>13,596.00</td>
<td>14,186.10</td>
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<tr>
<td>O-7</td>
<td>9,140.10</td>
<td>9,564.60</td>
<td>9,761.10</td>
<td>9,917.40</td>
<td>10,200.00</td>
<td>10,479.60</td>
<td>10,802.70</td>
<td>11,124.60</td>
<td>11,447.70</td>
<td>12,462.90</td>
<td>13,319.70</td>
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<tr>
<td>O-6</td>
<td>6,931.20</td>
<td>7,614.60</td>
<td>8,114.40</td>
<td>8,114.40</td>
<td>8,145.30</td>
<td>8,494.50</td>
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<td>9,884.10</td>
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<tr>
<td>O-5</td>
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<td>6,509.10</td>
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<td>7,325.70</td>
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<td>7,863.60</td>
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<td>8,486.10</td>
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<tr>
<td>O-4</td>
<td>4,985.40</td>
<td>5,770.80</td>
<td>6,156.30</td>
<td>6,241.80</td>
<td>6,599.10</td>
<td>6,982.80</td>
<td>7,460.40</td>
<td>7,831.80</td>
<td>8,089.80</td>
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<td>8,324.10</td>
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<td>6,633.90</td>
<td>6,960.60</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cumulative Years of Service</th>
<th>Pay Grade (note 7)</th>
<th>Over 20</th>
<th>Over 22</th>
<th>Over 24</th>
<th>Over 26</th>
<th>Over 28</th>
<th>Over 30</th>
<th>Over 32</th>
<th>Over 34</th>
<th>Over 36</th>
<th>Over 38</th>
<th>Over 40</th>
</tr>
</thead>
<tbody>
<tr>
<td>O-10</td>
<td>16,441.80</td>
<td>16,441.80</td>
<td>16,441.80</td>
<td>16,441.80</td>
<td>16,441.80</td>
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<td>16,441.80</td>
<td>16,441.80</td>
<td>16,441.80</td>
<td>16,441.80</td>
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</tr>
<tr>
<td>O-9</td>
<td>15,546.00</td>
<td>15,770.70</td>
<td>16,094.10</td>
<td>16,441.80</td>
<td>16,441.80</td>
<td>16,441.80</td>
<td>16,441.80</td>
<td>16,441.80</td>
<td>16,441.80</td>
<td>16,441.80</td>
<td>16,441.80</td>
<td></td>
</tr>
<tr>
<td>O-7</td>
<td>13,319.70</td>
<td>13,319.70</td>
<td>13,319.70</td>
<td>13,319.70</td>
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<td>13,388.10</td>
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<td>13,656.00</td>
<td>13,656.00</td>
<td>13,656.00</td>
<td>13,656.00</td>
<td></td>
</tr>
<tr>
<td>O-6</td>
<td>10,890.90</td>
<td>11,177.40</td>
<td>11,467.80</td>
<td>12,030.00</td>
<td>12,030.00</td>
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<td>12,270.30</td>
<td>12,270.30</td>
<td>12,270.30</td>
<td>12,270.30</td>
<td>12,270.30</td>
<td></td>
</tr>
<tr>
<td>O-5</td>
<td>9,530.10</td>
<td>9,816.60</td>
<td>9,816.60</td>
<td>9,816.60</td>
<td>9,816.60</td>
<td>9,816.60</td>
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<td>9,816.60</td>
<td>9,816.60</td>
<td>9,816.60</td>
<td>9,816.60</td>
<td></td>
</tr>
<tr>
<td>O-4</td>
<td>8,324.10</td>
<td>8,324.10</td>
<td>8,324.10</td>
<td>8,324.10</td>
<td>8,324.10</td>
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<td>8,324.10</td>
<td>8,324.10</td>
<td>8,324.10</td>
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<td></td>
</tr>
<tr>
<td>O-3</td>
<td>7,131.30</td>
<td>7,131.30</td>
<td>7,131.30</td>
<td>7,131.30</td>
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<td>7,131.30</td>
<td>7,131.30</td>
<td>7,131.30</td>
<td>7,131.30</td>
<td></td>
</tr>
</tbody>
</table>
NOTES:

1. Basic pay rate for Academy Cadets/Midshipmen and ROTC members/applicants is $1,150.50.
2. The amount of the maximum combat zone tax exclusion in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member payable (Table 1-10 note 3) and the maximum amount of hostile fire or imminent danger pay actually payable to the officer for the qualifying month.
3. Basic pay is limited to the rate of basic pay for level II of the Executive Schedule in effect during calendar year 2020, which is $16,441.80 per month for officers at pay grades O-7 through O-10. This includes officers serving as:
   a. Chairman or Vice Chairman of the Joint Chiefs of Staff;
   b. Chief of Staff of the Army;
   c. Chief of Naval Operations;
   d. Chief of Staff of the Air Force;
   e. Commandant of the Marine Corps;
   f. Commandant of the Coast Guard;
   g. Chief of the National Guard Bureau; or
   h. Commander of a unified or specified combatant command (as defined in 10 U.S.C. 161(c)).
4. Basic pay for pay grades O-6 and below is limited to the rate of basic pay for Level V of the Executive Schedule during calendar year 2020, which is $13,341.60.
5. O-1, O-2, and O-3 rates do not apply to commissioned officers who have been credited with over 4 years (i.e., at least 4 years and 1 day) of active duty service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer.
6. These rates or, when applicable, the O-1E rates in Table 1-8 apply during periods of active service while as a DOM student of the USUHS. Also see subparagraph 010202.A.6.
7. For rank titles, see Volume 7A Comparable Grades.
Table 1-8. Monthly Rates of Basic Pay – Commissioned Officers Credited With Over 4 Years of Active Duty Enlisted and/or Warrant Officer Service - Effective January 1, 2020

For the most current rates, see Basic Pay table on DFAS.MIL.

Notes 1 and 2

<table>
<thead>
<tr>
<th>Cumulative Years of Service</th>
<th>Pay Grade (note 3)</th>
<th>2 or less</th>
<th>Over 2</th>
<th>Over 3</th>
<th>Over 4</th>
<th>Over 6</th>
<th>Over 8</th>
<th>Over 10</th>
<th>Over 12</th>
<th>Over 14</th>
<th>Over 16</th>
<th>Over 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>O-3E</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,847.30</td>
<td>6,127.80</td>
<td>6,435.00</td>
<td>6,633.90</td>
<td>6,960.60</td>
<td>7,236.30</td>
<td>7,395.00</td>
<td>7,610.70</td>
</tr>
<tr>
<td>O-2E</td>
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<td></td>
<td></td>
<td></td>
<td>5,135.70</td>
<td>5,241.30</td>
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<td>6,069.60</td>
<td>6,069.60</td>
</tr>
<tr>
<td>O-1E (note 4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,136.40</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cumulative Years of Service</th>
<th>Pay Grade (note 3)</th>
<th>Over 20</th>
<th>Over 22</th>
<th>Over 24</th>
<th>Over 26</th>
<th>Over 28</th>
<th>Over 30</th>
<th>Over 32</th>
<th>Over 34</th>
<th>Over 36</th>
<th>Over 38</th>
<th>Over 40</th>
</tr>
</thead>
<tbody>
<tr>
<td>O-3E</td>
<td></td>
<td>7,610.70</td>
<td>7,610.70</td>
<td>7,610.70</td>
<td>7,610.70</td>
<td>7,610.70</td>
<td>7,610.70</td>
<td>7,610.70</td>
<td>7,610.70</td>
<td>7,610.70</td>
<td>7,610.70</td>
<td></td>
</tr>
<tr>
<td>O-2E</td>
<td></td>
<td>6,069.60</td>
<td>6,069.60</td>
<td>6,069.60</td>
<td>6,069.60</td>
<td>6,069.60</td>
<td>6,069.60</td>
<td>6,069.60</td>
<td>6,069.60</td>
<td>6,069.60</td>
<td>6,069.60</td>
<td></td>
</tr>
<tr>
<td>O-1E (note 4)</td>
<td></td>
<td>5,135.70</td>
<td>5,135.70</td>
<td>5,135.70</td>
<td>5,135.70</td>
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<td>5,135.70</td>
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<td>5,135.70</td>
<td>5,135.70</td>
<td>5,135.70</td>
<td></td>
</tr>
</tbody>
</table>

NOTES:

1. The amount of the maximum combat zone tax exclusion in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member payable (Table 1-10 note 3) and the maximum amount of hostile fire or imminent danger pay actually payable to the officer for the qualifying month.

2. Creditable service to be taken into account for purposes of this table is active service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer, in the case of a commissioned officer on active duty who is paid from funds appropriated for active-duty personnel; or a commissioned officer on active Guard and Reserve duty. Creditable service to be taken into account for purposes of this table in the case of a commissioned officer is service as an enlisted member or as a warrant officer, or as both an enlisted member and a warrant officer, for which more than 1,460 points have been credited to the officer for the purposes of 10 U.S.C. § 12732(a)(2).

3. For rank titles, see Volume 7A Comparable Grades.

4. These rates do not apply to DOM students of the USUHS who do not have over 4 years (i.e., at least 4 years and 1 day) of active duty service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer. See Table 1-7 for applicable rates. DOM USUHS students with over 4 years of prior enlisted and/or warrant officer service are entitled to the O-1E rate of basic pay in this table during such active duty periods. Also see subparagraph 010202.A.6.
Table 1-9. Monthly Rates of Basic Pay – Warrant Officers - Effective January 1, 2020
For the most current rates, see Basic Pay table on DFAS.MIL.

<table>
<thead>
<tr>
<th>Pay Grade (Note)</th>
<th>Cumulative Years of Service</th>
</tr>
</thead>
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<tr>
<td></td>
<td>2 or less</td>
</tr>
<tr>
<td>W-5</td>
<td></td>
</tr>
<tr>
<td>W-4</td>
<td>4,530.00</td>
</tr>
<tr>
<td>W-3</td>
<td>4,137.00</td>
</tr>
<tr>
<td>W-2</td>
<td>3,660.60</td>
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<td>3,213.00</td>
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</table>

<table>
<thead>
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<th>Pay Grade (Note)</th>
<th>Cumulative Years of Service</th>
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</thead>
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<td>Over 20</td>
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<td>6,713.70</td>
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<tr>
<td>W-1</td>
<td>5,552.10</td>
</tr>
</tbody>
</table>

**NOTE:**

For rank titles, see Volume 7A Comparable Grades.
*Table 1-10. Monthly Rates of Basic Pay – Enlisted Members - Effective January 1, 2019
For the most current rates, see Basic Pay table on DFAS.MIL.
NOTES 1 - 4

<table>
<thead>
<tr>
<th>Pay Grade (note 2)</th>
<th>2 or less</th>
<th>Over 2</th>
<th>Over 3</th>
<th>Over 4</th>
<th>Over 6</th>
<th>Over 8</th>
<th>Over 10</th>
<th>Over 12</th>
<th>Over 14</th>
<th>Over 16</th>
<th>Over 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-9 (notes 3 &amp; 4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,472.90</td>
<td>5,596.80</td>
<td>5,753.40</td>
<td>5,936.70</td>
<td>6,123.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-8</td>
<td></td>
<td>4,480.20</td>
<td>4,678.20</td>
<td>4,800.90</td>
<td>4,947.60</td>
<td>5,107.20</td>
<td>5,394.60</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-7</td>
<td>3,114.30</td>
<td>3,399.00</td>
<td>3,529.50</td>
<td>3,701.40</td>
<td>3,836.10</td>
<td>4,067.40</td>
<td>4,197.90</td>
<td>4,428.90</td>
<td>4,621.50</td>
<td>4,752.60</td>
<td>4,892.40</td>
</tr>
<tr>
<td>E-6</td>
<td>2,693.70</td>
<td>2,964.30</td>
<td>3,095.10</td>
<td>3,222.30</td>
<td>3,354.90</td>
<td>3,653.10</td>
<td>3,769.80</td>
<td>3,994.80</td>
<td>4,063.50</td>
<td>4,113.60</td>
<td>4,172.10</td>
</tr>
<tr>
<td>E-5</td>
<td>2,467.50</td>
<td>2,634.00</td>
<td>2,761.20</td>
<td>2,891.40</td>
<td>3,094.50</td>
<td>3,306.30</td>
<td>3,480.90</td>
<td>3,501.90</td>
<td>3,501.90</td>
<td>3,501.90</td>
<td></td>
</tr>
<tr>
<td>E-4</td>
<td>2,262.60</td>
<td>2,378.40</td>
<td>2,507.10</td>
<td>2,634.60</td>
<td>2,746.55</td>
<td>2,746.50</td>
<td>2,746.50</td>
<td>2,746.50</td>
<td>2,746.50</td>
<td>2,746.50</td>
<td></td>
</tr>
<tr>
<td>E-3</td>
<td>2,042.70</td>
<td>2,171.10</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td></td>
</tr>
<tr>
<td>E-2</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td></td>
</tr>
<tr>
<td>E-1 &gt; 4 mos. (note 5)</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td></td>
</tr>
<tr>
<td>E-1 &lt; 4 mos. (note 6)</td>
<td>1,602.30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Cumulative Years of Service**

<table>
<thead>
<tr>
<th>Pay Grade (note 2)</th>
<th>Over 20</th>
<th>Over 22</th>
<th>Over 24</th>
<th>Over 26</th>
<th>Over 28</th>
<th>Over 30</th>
<th>Over 32</th>
<th>Over 34</th>
<th>Over 36</th>
<th>Over 38</th>
<th>Over 40</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-9</td>
<td>6,419.40</td>
<td>6,671.40</td>
<td>6,935.10</td>
<td>7,340.10</td>
<td>7,340.10</td>
<td>7,706.40</td>
<td>7,706.40</td>
<td>8,092.20</td>
<td>8,092.20</td>
<td>8,497.50</td>
<td>8,497.50</td>
</tr>
<tr>
<td>E-8</td>
<td>5,540.10</td>
<td>5,787.90</td>
<td>5,925.60</td>
<td>6,264.00</td>
<td>6,264.00</td>
<td>6,389.70</td>
<td>6,389.70</td>
<td>6,389.70</td>
<td>6,389.70</td>
<td>6,389.70</td>
<td></td>
</tr>
<tr>
<td>E-7</td>
<td>4,946.40</td>
<td>5,128.50</td>
<td>5,226.00</td>
<td>5,597.40</td>
<td>5,597.40</td>
<td>5,597.40</td>
<td>5,597.40</td>
<td>5,597.40</td>
<td>5,597.40</td>
<td>5,597.40</td>
<td></td>
</tr>
<tr>
<td>E-6</td>
<td>4,172.10</td>
<td>4,172.10</td>
<td>4,172.10</td>
<td>4,172.10</td>
<td>4,172.10</td>
<td>4,172.10</td>
<td>4,172.10</td>
<td>4,172.10</td>
<td>4,172.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-4</td>
<td>2,746.50</td>
<td>2,746.50</td>
<td>2,746.50</td>
<td>2,746.50</td>
<td>2,746.50</td>
<td>2,746.50</td>
<td>2,746.50</td>
<td>2,746.50</td>
<td>2,746.50</td>
<td>2,746.50</td>
<td></td>
</tr>
<tr>
<td>E-3</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td>2,302.80</td>
<td></td>
</tr>
<tr>
<td>E-2</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td>1,942.50</td>
<td></td>
</tr>
<tr>
<td>E-1 &gt; 4 mos. (note 5)</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td>1,733.10</td>
<td></td>
</tr>
<tr>
<td>E-1 &lt; 4 mos. (note 6)</td>
<td>1,602.30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NOTES:

1. Basic pay rate for Academy Cadets/Midshipmen and ROTC members/applicants is $1,150.50.
2. For rank titles, see Volume 7A Comparable Grades.
3. Basic pay for senior enlisted member (grade E-9) is $8,844.30 regardless of years of service while serving as:
   a. Senior Enlisted Advisor of the Chairman, Joint Chiefs of Staff;
   b. Sergeant Major of the Army;
   c. Master Chief Petty Officer of the Navy;
   d. Chief Master Sergeant of the Air Force;
   e. Sergeant Major of the Marine Corps;
   f. Master Chief Petty Officer of the Coast Guard; or
   g. Senior Enlisted Advisor to the Chief of the National Guard Bureau.
4. If a member is placed on terminal leave pending retirement immediately following the completion of service as the senior enlisted member of a Military Department, the member is entitled to the higher senior enlisted pay $8,844.30 up to a maximum of 60 days. If a member is hospitalized, and during or immediately before such hospitalization, completed service as the senior enlisted member of that Military Department’s Armed Force, the member will continue to be entitled, for not more than 180 days while so hospitalized, to the rate of basic pay authorized for a senior enlisted member.

*5. Must have 4 months of active duty or more.
*6. Must have under 4 months of active duty.
Table 1-11. Authorized Absence - Effect on Pay and Allowances

<table>
<thead>
<tr>
<th>Rule</th>
<th>When member is absent from duty</th>
<th>and</th>
<th>then the member is entitled to otherwise proper credit of full pay and allowances during the period of absence</th>
<th>and the period of absence is charged as leave.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>on authorized leave</td>
<td></td>
<td></td>
<td>charged as leave.</td>
</tr>
<tr>
<td></td>
<td>such leave is:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. ordinary accrued leave;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. emergency leave;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>c. reenlistment leave; or</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>d. delay en route</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>charged against leave as it accrues (note 1).</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>not chargeable against leave.</td>
</tr>
<tr>
<td>4</td>
<td>at home on Permanent Change of Station (PCS) orders awaiting final action on physical evaluation board proceedings</td>
<td></td>
<td>entitled to pay and allowances as follows:</td>
<td>chargeable to leave to the extent possible (note 4).</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>a. basic pay;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>b. special pay (if a health professional officer);</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>c. BAS for officers and enlisted (as applicable) (note 2);</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>d. BAH (note 3); and</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>e. clothing maintenance allowance</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>on excess leave</td>
<td></td>
<td>not entitled to pay and allowances (note 5)</td>
<td>not chargeable to accrued leave (note 6).</td>
</tr>
</tbody>
</table>
Table 1-11. Authorized Absence - Effect on Pay and Allowances (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>When member is absent from duty and then the member is entitled to basic pay (member is not entitled to BAH, BAS, or any other pay and allowance to which member might otherwise be entitled for period of leave of absence)</td>
<td>and the period of absence is not chargeable to accrued leave.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>on authorized rest and recuperative absence for not more than 30 days for extending duty under Chapter 14, section 1403</td>
<td>entitled to otherwise proper credit of full pay and allowances during the period of absence (note 7)</td>
<td>not chargeable to accrued leave.</td>
<td></td>
</tr>
</tbody>
</table>

NOTES:

1. See subparagraph 010401.D for collection requirements when advance leave is changed to excess leave.
2. Enlisted members are entitled to BAS at the rate shown in Chapter 25, subparagraph 250202.A.2 or the Basic Allowance for Subsistence (BAS) table except for days of leave specifically authorized by the PCS orders. Pay BAS at the rate shown in Chapter 25, subparagraph 250202.B.3 for the PCS order-authorized leave period.
3. Members without dependents are entitled to BAH as prescribed in subparagraph 010401.C.2.e.
4. A negative leave balance which existed prior to the member being ordered home continues until separation or retirement and will be collected as excess leave.
5. A member separating effective Mar 1, whose separation leave period through February 28 (or through February 29 during leap year) results in excess leave, is not entitled to pay and allowances for February 29 and 30 (or for February 30 during leap year). These days are not considered days of excess leave; however, the member is considered to be in a non-pay status through February 30. See subparagraph 010302.B.
Table 1-11. Authorized Absence - Effect on Pay and Allowances (Continued)

NOTES (continued):

6. Under DoD Instruction (DoDI) 1327.06, “Leave and Liberty Policy and Procedures,” a member does not accrue leave during periods of excess leave (here referred to as “nonaccrual”). Computation of the number of days involved in an excess leave balance which accounts for this nonaccrual may result in a total which includes a fraction. Effective with leave taken on or after Feb 1, 1987, the total is not rounded to eliminate the fraction when pay and allowances are collected for excess leave. The fractional one-half day is considered to occur on the first day of the excess leave involved. Collect pay and allowances for the number of days, to include fractional days.

7. Member is not entitled to special pay under Chapter 14, section 1402.
Table 1-12. Unauthorized Absence and Other Lost Time - Effect on Pay and Allowances

<table>
<thead>
<tr>
<th>Rule</th>
<th>When member is absent from duty</th>
<th>and</th>
<th>then the member</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>without authority, (AWOL) or excess leave, delays en route, pass or liberty</td>
<td>the absence is excused as unavoidable</td>
<td>is entitled to otherwise proper credits of pay and allowances (note 1).</td>
</tr>
<tr>
<td>2</td>
<td>for more than 24 consecutive hours as a result of a disease</td>
<td>the absence is not excused as unavoidable</td>
<td>is entitled to allowances but not to basic pay, special, or incentive pay (note 3).</td>
</tr>
<tr>
<td>3</td>
<td>is in confinement by civil authorities</td>
<td>the absence is excused as unavoidable (see Table 1-13)</td>
<td>is not entitled to pay and allowances, except for that part of the period that is covered by authorized leave, liberty, or pass (note 4).</td>
</tr>
<tr>
<td>4</td>
<td>is in confinement by military authorities for a foreign civil offense</td>
<td>is not considered “constructively absent” from duty (note 5)</td>
<td>is entitled to otherwise proper credits of pay and allowances.</td>
</tr>
<tr>
<td>5</td>
<td>is awaiting trial by court-martial or serving a sentence of confinement which did not include a forfeiture of pay</td>
<td>is not entitled to pay and allowances except for that part of the period that is covered by authorized leave, unless the absence is excused as unavoidable (see Table 1-13).</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>is serving a court-martial sentence which includes a forfeiture of pay and allowances</td>
<td>is entitled to otherwise proper credits of pay and allowances.</td>
<td></td>
</tr>
</tbody>
</table>
Table 1-12. Unauthorized Absence and Other Lost Time – Effect on Pay and Allowances (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>When member is absent from duty and</td>
<td></td>
<td>then the member</td>
</tr>
<tr>
<td>11</td>
<td>as a deserter</td>
<td>is found guilty of deserting by court-martial or is administratively discharged for desertion or dies prior to return to military control or while awaiting trial by court-martial for the charge of desertion</td>
<td>forfeits all pay and allowances including that due on the first day of desertion (note 7).</td>
</tr>
<tr>
<td>12</td>
<td>without authority for 3 months while serving as an Army or Air Force officer</td>
<td>is dropped from the rolls by the President</td>
<td>forfeits all pay and allowances due or to become due (note 7).</td>
</tr>
</tbody>
</table>

NOTES:

1. Enlisted members are entitled to BAS at the rate prescribed when permission to ration separately is granted unless they were subsisted at government expense.
2. See Chapter 26, for entitlement to BAH in a non-pay status. See Chapter 10 for entitlement to Hostile Fire Pay which is payable in full for each month in which qualification is made.
3. A member is not entitled to pay or allowances for period of hospitalization after expiration of enlistment.
4. A member is not entitled to pay and allowances if granted a pass or liberty to serve civil confinement.
5. In any case where the commander of the military installation retains the discretionary authority to decide to incarcerate a member (or to merely restrict to the duty station and assign to perform useful and productive duties on a full-time basis), such member will not be considered as being “constructively absent” for the purposes of entitlement to pay and allowances.
6. Under existing DoD policy and Status of Forces Agreements, the U.S. Commander always retains discretionary authority to incarcerate or restrict a Military Service member to the installation when such a member is pending civil charges, even in cases where incarceration or restriction is requested by foreign authorities. Such member is not considered as being “constructively absent” for the purpose of entitlement to pay and allowances.
7. Pay and allowances due on date of desertion and on date an officer was dropped from the rolls will be used to satisfy debts due the United States and its instrumentalities.
Table 1-13. Rules for Determining Whether Absence Is Unavoidable

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>When member is absent from duty and</td>
<td>is tried and acquitted</td>
<td></td>
<td>be excused as unavoidable.</td>
</tr>
<tr>
<td>2</td>
<td>in confinement by civil authorities or by military authorities for civil authorities</td>
<td>charges are dismissed or member is released (or dies) without trial</td>
<td>it is clear that arrest and detention were not due to member's misconduct</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>is released without trial upon agreement to make restitution or reparation for the alleged offense</td>
<td>the commander determines that absence was not due to member's misconduct</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>is admitted to bail and trial is postponed indefinitely</td>
<td>it is apparent that the case will not be prosecuted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>was released because the case was discontinued by the prosecutor or plaintiff or because the jury failed to agree</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>is tried and convicted</td>
<td></td>
<td></td>
<td>not be excused as unavoidable.</td>
</tr>
<tr>
<td>7</td>
<td>is released under bond (not in a full-duty status) pending appeal of the case to a higher court</td>
<td>the appeal does not result in acquittal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>is discharged because of imprisonment or conviction by a civil court</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>confinement is due to failure to obey a decree of a civil court</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>in confinement by civil authorities</td>
<td>is tried and found not guilty by reason of insanity</td>
<td>is transferred to a state mental institution</td>
<td>be excused as unavoidable.</td>
</tr>
<tr>
<td>11</td>
<td>without authority, (AWOL) or excess leave</td>
<td>the absence could not have been avoided by the member or by military authorities</td>
<td>the absence was not due to member’s misconduct</td>
<td>be excused as unavoidable.</td>
</tr>
<tr>
<td>12</td>
<td>over pass or liberty</td>
<td>the absence could not have been avoided by the member or by military authorities</td>
<td>the absence was not due to member’s misconduct</td>
<td>be excused as unavoidable.</td>
</tr>
<tr>
<td>13</td>
<td>the absence could have been prevented by member or by military authorities</td>
<td></td>
<td></td>
<td>not be excused as unavoidable.</td>
</tr>
</tbody>
</table>
**Table 1-14. Computing Periods of Unauthorized Absence**

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>and he/she is in the expiration of leave, pass, or liberty, or authorized travel</td>
<td>and the member</td>
<td>remains absent more than 24 consecutive hours</td>
<td>the day of departure will be counted as the first day of unauthorized absence.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Army, Air Force, Navy or Marine Corps</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Navy, or Marine Corps</td>
<td>is before 2400 hours as specified in leave orders</td>
<td>does not report on or before the specified hour of the following day</td>
<td>the last day of leave, pass, or liberty, or authorized travel time is the first day of unauthorized absence.</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td>is 2400 hours as specified in leave orders</td>
<td></td>
<td>the day following the last day of leave, pass, or liberty, or authorized travel time is the first day of unauthorized absence.</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td>is not specified in leave orders</td>
<td>does not report before normal duty hours of the following day (note)</td>
<td>the day following the last day of leave, pass, or liberty is the first day of unauthorized absence.</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Army or Air Force</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>Army, Air Force, Navy, or Marine Corps</td>
<td>is not specified in orders</td>
<td></td>
<td>the day following the last day of authorized travel time is the first day of unauthorized absence.</td>
</tr>
</tbody>
</table>
Table 1-14. Computing Periods of Unauthorized Absence (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>When a member and he/she is in the Army, Air Force, Navy, or Marine Corps</td>
<td>and the hour of expiration of leave, pass, or liberty, or authorized travel</td>
<td>and the member returns to the place of duty, or organization, or otherwise to the jurisdiction of the Armed Forces</td>
<td>then the day before the member’s return is the last day of unauthorized absence.</td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:**

The unauthorized absence begins at the normal duty hour. No unauthorized absence exists unless the member remains absent for more than 24 hours after the beginning of the normal duty hour.
<table>
<thead>
<tr>
<th>RULE</th>
<th>When an individual</th>
<th></th>
<th>then pay and allowances</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>is under investigation for a fraudulent enlistment or induction and</td>
<td></td>
<td>will continue to be paid until a determination of fraud is made.</td>
</tr>
<tr>
<td>2</td>
<td>is determined to be serving under a fraudulent enlistment or induction; or enlists in the Army or Air Force before 17, and the government discovers the defect after the member reaches minimum age; or enlists in the Army or Air Force while 17 without parent’s or guardian’s consent</td>
<td>the government neither voids the enlistment or induction nor waives the fraud (or defect)</td>
<td>are suspended (including unpaid pay and allowances) from the date the disbursing officer is notified of the determination of fraud until the government either voids the enlistment or induction, or allows it to stand.</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>the government voids the enlistment or induction</td>
<td>will not be paid (note 1).</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>the government waives the fraud (or defect)</td>
<td>continue and the service is as valid as that of any other member.</td>
</tr>
<tr>
<td>5</td>
<td>enlists in the Army or Air Force before 17, and the government discovers the defect before the member reaches minimum age</td>
<td></td>
<td>do not accrue between date of notification to disbursing officer and date of discharge (note 1).</td>
</tr>
<tr>
<td>6</td>
<td>enlists in the Army or Air Force while 17, without parent’s or guardian’s consent</td>
<td>is discharged upon application of parent or guardian</td>
<td>accrue to include the date of discharge or release.</td>
</tr>
<tr>
<td>7</td>
<td>enlists in the Navy or Marine Corps while under the minimum statutory age (17)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>was judicially declared to have been mentally incompetent before entry on active duty</td>
<td>is released from military control for such reason</td>
<td>do not accrue for any part of the period involved (note 2).</td>
</tr>
</tbody>
</table>
Table 1-15. Void, Voidable, or Rejected Enlistments or Inductions – Pay and Allowances (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>When an individual</th>
<th>and</th>
<th>then pay and allowances</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>was not judicially declared to be mentally incompetent before entry on active duty but is later found to have been mentally incompetent at the time of entry on active duty</td>
<td>is released from military control for such reason</td>
<td>accrue from the time of entry on active duty until release from military control.</td>
</tr>
<tr>
<td>10</td>
<td>enlisted or inducted into the Military Service is discovered by Military Service medical authorities to have been medically unfit for induction at the time of entrance into the Military Service</td>
<td></td>
<td>accrue from the time of entry on active duty through the date of release from military control.</td>
</tr>
</tbody>
</table>

NOTES:

1. Individual retains amounts received before disbursing officer is notified, if otherwise proper.
2. Individual retains amounts received while performing active duty before release from military control.
*REFERENCES

CHAPTER 1 – BASIC PAY

0102 – CREDITABLE SERVICE

010201 37 U.S.C. §§ 201(e), 203(d), 205,
27 Comptroller General (Comp Gen) 530
24 Comp Gen 829
25 Comp Gen 680
10 U.S.C. §§ 507, 1038, 2106(c), 2107(g)
62 Statutes (Stat) 1082
37 Comp Gen 838
1 Comp Gen 668
45 Comp Gen 149
Comp Gen B-195448, April 3, 1980
42 Comp Gen 296
45 Comp Gen 103
38 Comp Gen 68

010201.D.4 10 U.S.C. §§ 516, 971
010201.D.10 10 U.S.C. § 2106(e)
010201.D.11 37 U.S.C. § 205(e)

010201.D.14 10 U.S.C. § 2106

010201.E 37 U.S.C. § 205(a)

010202 36 Comp Gen 146
37 Comp Gen 237
37 U.S.C. §§ 205, 205(b) (d) (e)
Comp Gen B-221944.2
1 Comp Gen 511
1 Comp Gen 668
3 Comp Gen 61
22 Comp Gen 987
25 Comp Gen 718
45 Comp Gen 103
22 Comp Gen 907
23 Comp Gen 755
10 U.S.C. §§ 2114(b), 2126
38 Comp Gen 553
38 Comp Gen 352

010202.A.6 10 U.S.C. § 2114(b)
010202.A.8 10 U.S.C. §§ 513, 12103(b) & (d)
37 U.S.C. §§ 205, 205(e)
010202.A.9 10 U.S.C. §§ 516, 971
Note

46 U.S.C. §§ 513, 515
Title 46, Code of Federal Regulations, Part 310, Subparts A & C

010202.B
10 U.S.C. § 972(b)
37 U.S.C. § 205(a)
38 Comp Gen 352
38 Comp Gen 553

010203
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38 Comp Gen 68

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10 U.S.C. § 2114(b)
010203.A.2
37 U.S.C. § 203(d)
010203.A.3
37 U.S.C. § 907
010203.A.4
37 U.S.C. § 203(d)
010203.A.5
37 U.S.C. § 203(d)
010203.A.8
10 U.S.C. § 2114
010203.B
32 U.S.C. § 709
010204
5 U.S.C. § 5505
38 Comp Gen 824
37 Comp Gen 455

010204.A
5 U.S.C. § 5505
38 Comp Gen 824
37 Comp Gen 455

010204.A.1
10 U.S.C. §§ 513, 12103(b) & (d)
37 U.S.C. § 205(e)

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5 U.S.C. § 5505
38 Comp Gen 824
37 Comp Gen 455

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010301.B.1
5 U.S.C. §§ 5534a, 5536
3 Comp Gen 40
17 Comp Gen 1049
18 Comp Gen 213
46 Comp Gen 400
52 Comp Gen 471
Comp Gen B-214919, March 22, 1985
010301.B.1.b
22 U.S.C. § 2385(d)
010301.B.2
10 U.S.C. § 973
5 U.S.C. § 5534a
010301.C.1
21 Comp Gen 819
010301.C.2
10 U.S.C. §§ 3394, 5792, 8394, 8312, 8451
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10 U.S.C. § 12316
010301.E
10 U.S.C. § 1523
37 U.S.C. § 552(a)
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010003.A.2

010003.A.2

010003.A.2

010003.A.2

010003.B

010003.C

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010003.D.2

010003.D.3

010003.D.9

010003.E

010004.A

010005.A

010005.A.2

010005.B.1

010005.B.2

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| 010401.F | 10 U.S.C. § 707 |
| 010401.F.2 | Comp Gen B-213883, May 30, 1984 |
| 010401.F.3 | 10 U.S.C. § 707(c) |
| **Note** | DoDI 1340.21, May 12, 2004, paragraph E5.7 |
| 010402.B.1 | 50 U.S.C., App 2205 |
| 010402.B.2 | Comp Gen B-147334, November 6, 1961 |
| 010402.B.3 | 9 Comp Dec 517, 518 |
| 010402.B.5 | 10 U.S.C. § 2772 |
| 010402.D.1 | Comp Gen B-169366, April 8, 1970 |
| 010402.D.2 | 52 Comp Gen 317 |
| 010402.D.3 | Comp Gen B-194949, November 7, 1979 |
| 010402.E.1 | 14 Comp Gen 710 |
| 010402.F.1.a | Comp Gen B-169366, April 8, 1970 |
| 010402.G.1 | 54 Comp Gen 862 |
| 010402.G.2 | 9 Comp Gen 323 |
| 010402.G.3 | Comp Gen B-131446, June 26, 1957 |
| 010402.G.4 | 30 Comp Gen 449 |
| 010402.G.5 | 11 Comp Gen 342 |
| 010402.G.6 | 54 Comp Gen 862 |
| 010402.G.7 | 37 Comp Gen 488 |
| 010402.G.8 | 47 Comp Gen 487 |
| 010402.G.9 | 37 Comp Gen 380 |
| 010402.G.10 | 9 Comp Gen 323 |
| 010402.H | 3 Comp Dec 676 |
| 010402.H | Comp Gen B-171865, March 25, 1971 |

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| 010501 | 12 Comp Dec 445 |
| 010504 | 11 Comp Dec 710 |
| 010505 | 48 Comp Gen 377 |

0106 – FINANCIAL INSTITUTION CHARGES

| 010601 | 10 U.S.C. § 1035 |
0107 – MILITARY PAYDAYS

10 U.S.C. § 1014

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Rule 1 10 U.S.C. § 971(b)
30 Comp Gen 228
Rule 2 10 U.S.C. §§ 516, 971(a)
Rules 3 and 4 32 Comp Gen 548

Table 1-2 – ABSENCE FROM DUTY IN ENLISTED STATUS

Rule 1 55 Comp Gen 1244
Rule 2, 3, 5, 6, 8 and 9 10 U.S.C. § 972
Note 2 38 Comp Gen 553

Table 1-3 – WHEN ACTIVE DUTY PAY BEGINS

Rule 5 37 U.S.C. § 204(f)
Rule 8 37 U.S.C. § 204(b)
Rule 9 Comp Gen B-181762, July 18, 1975
19 Comp Gen 282
Rule 10 37 U.S.C. § 204(c)
Rule 11 43 Comp Gen 293

Table 1-4 – INCREASES IN PAY ON PROMOTION OR RESTORATION OF GRADE

Rule 1 10 U.S.C. § 601(a)
Rule 2 37 U.S.C. § 905(a)
Rule 3 37 U.S.C. § 905(b)
Rule 4 37 U.S.C. § 1010
Rules 5 & 6 10 U.S.C. §§ 3380, 8380
Rule 11 Comp Gen B-208043, January 18, 1983
Rule 12 10 U.S.C. § 1552(a)(2)
Rule 13 36 Comp Gen 137
Note 1 10 U.S.C. § 601(b)
Note 2 Comp Gen B-143510, September 29, 1960
42 Comp Gen 445
Note 3 Comp Gen B-107486, November 15, 1966
Note 5 10 U.S.C. § 1552(a)(2)

Table 1-5 – TERMINATION OR REDUCTION OF ACTIVE DUTY PAY AND ALLOWANCES

Rule 5 61 Stat 795
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Table 1-6 – ALLOWABLE TRAVEL TIME – TRAVEL BETWEEN PLACES WITHIN THE UNITED STATES

EO 10153, August 17, 1950
EO 10649, December 28, 1955
EO 12683, July 12, 1989
Comp Gen B-146551, December 13, 1961

Table 1-7 – MONTHLY RATES OF BASIC PAY – COMMISSIONED OFFICERS, ACADEMY CADETS AND MIDSHIPMEN AND ROTC MEMBERS

37 U.S.C. §§ 203, 1009
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37 U.S.C. §§ 203, 1009
EO 13901, December 26, 2019

Table 1-9 – MONTHLY RATES OF BASIC PAY – WARRANT OFFICERS

37 U.S.C. §§ 203, 1009
EO 13901, December 26, 2019

Table 1-10 – MONTHLY RATES OF BASIC PAY – ENLISTED MEMBERS

37 U.S.C. §§ 203, 1009
EO 13901, December 26, 2019
Note 3 37 U.S.C. § 210(a)

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Rule 4 32 Comp Gen 348
Rule 6 10 U.S.C. § 708
DoDI 1327.06, June 16, 2009
Rule 7 10 U.S.C. § 705
Note 1 37 U.S.C. § 402
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<table>
<thead>
<tr>
<th>Rule(s)</th>
<th>Source</th>
</tr>
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<tbody>
<tr>
<td>Rules 1 &amp; 2</td>
<td>40 Comp Gen 366</td>
</tr>
<tr>
<td>Rule 3</td>
<td>37 U.S.C. 802</td>
</tr>
<tr>
<td>Rules 5 &amp; 6</td>
<td>8 Comp Gen 80</td>
</tr>
<tr>
<td></td>
<td>36 Comp Gen 173</td>
</tr>
<tr>
<td>Rules 7 &amp; 8</td>
<td>36 Comp Gen 173</td>
</tr>
<tr>
<td></td>
<td>45 Comp Gen 766</td>
</tr>
<tr>
<td></td>
<td>Comp Gen B-169366, April 8, 1970</td>
</tr>
<tr>
<td></td>
<td>55 Comp Gen 186</td>
</tr>
<tr>
<td>Rule 11</td>
<td>U.S. v. Landers, 92 US 77</td>
</tr>
<tr>
<td>Rule 12</td>
<td>37 U.S.C. § 803</td>
</tr>
<tr>
<td>Note 1</td>
<td>37 U.S.C. § 402</td>
</tr>
<tr>
<td>Note 2</td>
<td>U.S. v Landers, 92 US 77</td>
</tr>
<tr>
<td>Note 3</td>
<td>19 Comp Gen 288, 290</td>
</tr>
<tr>
<td>Notes 4 &amp; 5</td>
<td>55 Comp Gen 186</td>
</tr>
<tr>
<td>Note 5</td>
<td>Comp Gen B-191301, May 17, 1978</td>
</tr>
</tbody>
</table>

Table 1-13 – RULES FOR DETERMINING WHETHER ABSENCE IS UNAVOIDABLE

<table>
<thead>
<tr>
<th>Rule(s)</th>
<th>Source</th>
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<tbody>
<tr>
<td>Rule 2</td>
<td>7 Comp Gen 496</td>
</tr>
<tr>
<td>Rule 3</td>
<td>39 Comp Gen 781</td>
</tr>
<tr>
<td>Rule 4</td>
<td>10 Comp Dec 490</td>
</tr>
<tr>
<td>Rule 5</td>
<td>Opinion Judge Advocate General (JAG), 18 March 1909</td>
</tr>
<tr>
<td>Rule 7</td>
<td>11 Comp Dec 755</td>
</tr>
<tr>
<td>Rule 8</td>
<td>14 Comp Dec 116</td>
</tr>
<tr>
<td>Rule 9</td>
<td>Opinion JAG, 15 April 1916</td>
</tr>
<tr>
<td>Rule 10</td>
<td>Comp Gen B-194949, November 7, 1979</td>
</tr>
<tr>
<td>Rules 11 through 13</td>
<td>40 Comp Gen 366</td>
</tr>
</tbody>
</table>

Table 1-15 – VOID, VOIDABLE, OR REJECTED ENLISTMENTS OR INDUCTIONS – PAY AND ALLOWANCES

<table>
<thead>
<tr>
<th>Rule(s)</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rule 1</td>
<td>31 Comp Gen 562</td>
</tr>
<tr>
<td>Rules 2 through 4</td>
<td>31 Comp Gen 562</td>
</tr>
<tr>
<td></td>
<td>11 Comp Dec 710</td>
</tr>
<tr>
<td></td>
<td>9 Comp Gen 26</td>
</tr>
<tr>
<td></td>
<td>39 Comp Gen 860</td>
</tr>
<tr>
<td></td>
<td>10 U.S.C. § 505</td>
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<tr>
<td></td>
<td>47 Comp Gen 671</td>
</tr>
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<td></td>
<td>54 Comp Gen 291</td>
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<td>55 Comp Gen 1421</td>
</tr>
<tr>
<td>Rule</td>
<td>Reference</td>
</tr>
<tr>
<td>--------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Rule 5</td>
<td>39 Comp Gen 860</td>
</tr>
<tr>
<td>Rule 6</td>
<td>39 Comp Gen 860</td>
</tr>
<tr>
<td></td>
<td>10 U.S.C. § 505</td>
</tr>
<tr>
<td>Rule 7</td>
<td>10 U.S.C. §§ 505, 6292</td>
</tr>
<tr>
<td>Rule 8</td>
<td>39 Comp Gen 742</td>
</tr>
<tr>
<td>Rule 9</td>
<td>39 Comp Gen 742</td>
</tr>
<tr>
<td>Rule 10</td>
<td>48 Comp Gen 377</td>
</tr>
</tbody>
</table>
**VOLUME 7A, CHAPTER 2: “REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated May 2018 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>020102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated statutes and supporting references.</td>
<td>Revision</td>
</tr>
</tbody>
</table>
CHAPTER 2

REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS

0201 GENERAL

020101. Purpose

This chapter establishes policy pertaining to the repayment of unearned portions of bonuses and other benefits. A member, who enters into a written agreement with specified service conditions for receipt of a bonus, special or incentive pay, educational benefits, stipend, or similar payment (hereinafter referred to as “pay or benefit”) is entitled to the full amount of the pay or benefit if the member fulfills the required conditions. Failure to fulfill the conditions specified in the written agreement may result in termination of the agreement and the member may be required to repay the unearned portion of the pay or benefit. Such repayment will be pursued unless the member’s failure to fulfill the specified conditions is due to circumstances determined reasonably beyond the member’s control. Conditions under which repayment will not be sought are set forth in section 0203.

*020102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Title 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

0202 POLICY

020201. Payment Disposition

The Secretary of the Military Department concerned may establish, by regulation, procedures for determining the amount of the repayment required. Service regulations will apply the rules in Table 2-1 for disposition of unearned portions of the pay or benefit.

020202. Use of Separation Designator Codes (SPD) in Effecting the Repayment of Unearned Portion of Bonuses and Other Benefits

SPD codes are used to track and analyze the reasons that Service members separate from military service and to assist in the review, development, and monitoring of separation policies and programs. Additionally, SPD codes are used to ensure standardized pay actions are consistent with separation policies. While automated processes are critical, it is also important to recognize and allow Secretaries of the Military Departments to exercise their delegated authority to change pay actions on a case-by-case basis. Therefore, when the Secretary of a Military Department concerned wishes to exercise delegated authority to change a pay action for the designated SPD code assigned to the member’s Department of Defense (DD) Form 214, the Secretary concerned...
submits the requested exception to policy (ETP) to the Director of Military Compensation in the Office of the Assistant Secretary of Defense (OASD) for Manpower and Reserve Affairs (M&RA) for approval. The approved ETP is submitted to the Defense Finance and Accounting Service (DFAS) for processing. It is important for the Military Departments to treat Service members similarly at separation, so this authority to change the designated pay action should be used sparingly.

020203. Definition

The term “service,” as used in this chapter, refers to an obligation willingly undertaken by a member of the uniformed services in exchange for a pay or benefit offered by the Secretary of Defense or the Secretary of the Military Department concerned to do one or more of the following:

A. Remain on active duty;
B. Remain in an active status in a Reserve Component;
C. Perform duty in a specified skill, with or without a specified qualification or credential;
D. Perform duty at a specified location; or
E. Perform duty for a specified period of time.

020204. Bankruptcy

An obligation to repay a pay or benefit to the United States is, for all purposes, a debt owed to the United States. A discharge in bankruptcy does not discharge a person from such debt if the discharge order is entered less than 5 years after:

A. The date of the termination of the agreement or contract on which the debt is based; or
B. The date of the termination of service on which the debt is based, in the absence of such agreement or contract.

0203 REPAYMENT AND NON-REPAYMENT CONDITIONS

020301. Conditions Under Which Repayment Will Be Sought

A. When the conditions of a written agreement are not fulfilled and repayment is determined appropriate, the member will be required to repay the United States the unearned portion of a pay or benefit. In cases other than death of a member, the Secretary of the Military Department concerned will advise DFAS of the disposition of any unearned portion of a pay or benefit.
B. Repayment will be sought, and any unpaid balances may not be paid to members who incur a disability because of their misconduct.

020302. Delegation of Authority

The Secretary of the Military Department concerned may, through regulation, delegate the authority to make repayment determinations consistent with the criteria set forth in section 0203, but not below the O-6 or equivalent level. If delegated, then the Military Departments will specify the level and the scope of the authorized delegation in implementing regulations.

020303. Conditions Under Which Repayment Will Not Be Sought

As a general rule, repayment action may not be pursued in situations in which the member’s inability to fulfill specified service conditions related to a pay or benefit is due to circumstances determined reasonably beyond the member’s control. Payment of any unpaid portion of pay or benefit will be subject to the rules in Table 2-1, which in appropriate circumstances provide discretion to the Secretary of the Military Department concerned to pay unearned portions based on case-by-case determinations.

A. Repayment will not be sought, and any remaining unpaid portion of a pay or benefit due to a member under a written agreement that existed at the time of the member’s death, which was not the result of the member’s misconduct, is payable as a lump sum in the settlement of the decedent’s final military pay entitlements.

B. Repayment will not be sought, and any remaining unpaid portion of a pay or benefit due to a member under a written agreement will be paid at the time of separation or retirement for a disability incurred in the line of duty in a combat zone designated by the President of the United States or the Secretary of Defense, or in a combat-related operation designated by the Secretary of Defense, and/or for a combat-related disability. In such case, any remaining unpaid portion of a pay or benefit due to a member will be paid to the member upon separation from service.

C. Subject to the enlistment authorities, and the relevant regulations of the Secretary of the Military Department concerned, a member who was paid a bonus or special pay for a period of enlistment in a Military Department, who is discharged for immediate reenlistment or appointment in a Military Department for which no bonus or special pay is paid, may be considered to have completed the full term of service specified in the former enlistment contract, provided the term of the latter reenlistment or appointment includes the remaining period of service from the former enlistment. The member’s enlistment bonus or special pay entitlements will be addressed prior to discharge from a Military Department.

D. Repayment will not be sought, and the Secretary of the Military Department concerned will not pay any remaining unpaid portion of a pay or benefit under the following circumstances, unless otherwise authorized by the Secretary of the Military Department concerned under subparagraph 020304.B:
1. The member’s employment in another military specialty or assignment rotation is directed;

2. The member’s military specialty or assignment is phased out or eliminated;

3. The member’s military specialty or assignment is otherwise affected by force structure or other mission essential requirements; or

4. The member is separated from service under a hardship separation or sole survivor discharge.

E. Pursuant to [Title 10, U.S.C. section 1171], enlisted members who are discharged within 12 months before the expiration of an enlistment, reenlistment, or extension of enlistment are considered to have completed the terms of the enlistment, reenlistment, or extension of enlistment for which the bonus was paid. Thus, recoupment is not required for the unearned portion of the pay or benefit arising from the early discharge. The Military Departments are responsible for determining whether a member’s early discharge is made pursuant to 10 U.S.C. § 1171 and advising DFAS of the determination.

020304. Conditions Under Review by the Secretary of the Military Department

A. In instances involving a member’s separation for medical reasons, which were not the result of the member’s misconduct, the Secretary of the Military Department concerned has the discretion to determine whether to require repayment of the unearned portion of pay or benefit, or to pay an unpaid balance of a pay or benefit.

B. Under circumstances not specifically mentioned in this chapter, the Secretary of the Military Department concerned has the discretion to, at some point in the process, render a case-by-case determination that the member’s repayment of, or the Military Department’s full payment of an unpaid portion of, a pay or benefit is appropriate based on the following:

1. Contrary to a personnel policy or management objective;

2. Against equity and good conscience; or

3. Contrary to the best interest of the United States.
Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends

<table>
<thead>
<tr>
<th>Rule</th>
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<th>Repayment of Unearned Portion</th>
<th>Condition</th>
<th>Action</th>
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<tbody>
<tr>
<td>1</td>
<td>Dies, through no misconduct of the member</td>
<td>Will not be sought</td>
<td>Any unpaid portion of the bonus, special pay, or student loan repayment under 10 U.S.C. or 37 U.S.C.</td>
<td>Will be paid in the member’s final pay.</td>
</tr>
<tr>
<td>2</td>
<td>Incurs an injury or illness, through no misconduct of the member, that precludes the member from fulfilling the service conditions specified in the written agreement</td>
<td>Will not be sought</td>
<td>If such separation or retirement is for a disability incurred in the line of duty in a combat zone designated by the President of the United States or the Secretary of Defense, or in a combat-related operation designated by the Secretary of Defense, and/or involves a combat-related disability as defined in 10 U.S.C. § 1413a(e)</td>
<td>Will be paid to the member upon separation.</td>
</tr>
<tr>
<td>3</td>
<td>The member is separated, other than as described in Rule 2, for medical reasons as a result of an injury or illness</td>
<td>Will not be sought, unless the Secretary of the Military Department concerned determines that repayment of the unearned portion is appropriate due to a personnel policy or management objective, equity or good conscience, or it is in the best interest of the United States</td>
<td>Will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.</td>
<td>Will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.</td>
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<tr>
<td>4</td>
<td>The member continues in service in another capacity</td>
<td>Will not be sought</td>
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Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends (Continued)

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<tr>
<td>If a member under a written agreement for a pay or benefit and then repayment of the unearned portion of the pay or benefit and any unpaid portion of the bonus, special pay, or student loan repayment under 10 U.S.C. or 37 U.S.C.</td>
<td></td>
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<tr>
<td>5</td>
<td>Is an enlisted member paid a bonus or special pay and is discharged for immediate reenlistment or appointment in a Military Department for which no bonus or special pay is paid the term of the latter reenlistment or appointment includes the remaining period of service from the former enlistment will not be sought if the Secretary of the Military Department concerned determines that to recoup the unearned portion would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States will not be paid unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E. (In this case, the member may be considered to have completed the full term of service on the former enlistment contract.)</td>
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<tr>
<td>6</td>
<td>Is directed by the Service concerned to transfer into another military specialty or assignment rotation will not be sought will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.</td>
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<tr>
<td>7</td>
<td>Is in a military occupational specialty or assignment that is phased out or eliminated, or otherwise affected by a force structure or other mission essential requirement will not be sought will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.</td>
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<td>8</td>
<td>Is separated from service under a hardship separation or a sole survivor discharge will not be sought will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.</td>
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Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends (Continued)

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<tr>
<td>9</td>
<td><strong>R</strong> U L E</td>
<td>If a member under a written agreement for a pay or benefit and</td>
<td>then repayment of the unearned portion of the pay or benefit and</td>
<td>any unpaid portion of the bonus, special pay, or student loan repayment under 10 U.S.C. or 37 U.S.C.</td>
<td>will not be paid unless the Secretary of the Military Department concerned, at some point in the process makes a case-by-case determination that to refrain from paying an unpaid portion of the pay, benefit, or student loan would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States.</td>
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<tr>
<td></td>
<td>Does not fulfill the service conditions for the pay or benefit under any other circumstances</td>
<td></td>
<td>will be sought, unless the Secretary of the Military Department concerned, at some point in the process makes a case-by-case determination that to require repayment of an unearned portion of the pay or benefit would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States.</td>
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CHAPTER 2 – REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS

0201 – GENERAL

Under Secretary of Defense (USD) (P&R) Memo, February 6, 2009

0202 – POLICY

37 U.S.C. §§ 303a(e) and 373
OUSD (P&R) Memo, May 21, 2008
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020202

**DoD** Instruction 1336.01, August 20, 2009,
Incorporating Change 3,
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020203

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0203 – REPAYMENT AND NON-REPAYMENT CONDITIONS

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020304.A

10 U.S.C., Chapter 61

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Rule 2

10 U.S.C., Chapter 61
10 U.S.C. § 1413a(e)
VOLUME 7A, CHAPTER 3: “SPECIAL PAY – OFFICERS ONLY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2018 is archived.

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<tr>
<td>030102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
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<td>030307</td>
<td>Added hyperlinks to the “Duration of Authority” table on dfas.mil.</td>
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<td>030702.E</td>
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<td>References</td>
<td>Renamed “Bibliography” to “References,” and updated statutes and supporting references.</td>
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CHAPTER 3

SPECIAL PAY – OFFICERS ONLY

0301 GENERAL

030101. Purpose

The Secretaries of the Military Departments may pay a bonus or special pay to persons or officers, as appropriate, to support accession and retention efforts for a designated military specialty, career field, unit, grade, or to meet some other condition or conditions of service imposed by the Secretary of the Military Department concerned. This chapter establishes policy pertaining to the payments of bonuses or special pay in support of accession and retention efforts.

*030102. Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

0302 GENERAL BONUS AUTHORITY FOR OFFICERS

030201. Authority

Title 37, U.S.C., section 332 and the DoD Instruction (DoDI) 1304.34, General Bonus Authority for Officers, dated July 11, 2016, provides the general bonus authority for bonuses referenced in sections 0303, 0304, 0305, and 0306. The Secretaries concerned may pay these bonuses to a person, member, or officer in the Military Services who:

A. Accepts a commission or appointment as an officer in a Military Service;

B. Affiliates as an officer with a Reserve Component (RC) of a Military Service;

C. Agrees to remain on active duty (AD) or in an active status for a specified period as an officer in a Military Service;

D. Transfers between the Regular Component and the Ready Reserve of the same Military Service, or vice versa; or

E. Transfers from a Regular Component or the Ready Reserve of a Military Service to a Regular Component or the Ready Reserve of another Military Service, subject to the approval of the Secretary with jurisdiction over the Military Service to which the member is transferring.
030202. Eligibility

In accordance with paragraph 030201, the Secretary concerned may only pay a bonus to a person or officer who:

A. Signs a written agreement with the Secretary concerned to serve for a specified period in a designated career field, skill, unit, or grade, or meets some other condition or conditions of service imposed by the Secretary;

B. Successfully completes training and becomes qualified in a designated skill or career field, if completion of such training and technical qualification forms the basis for which the bonus is paid;

C. Qualifies pursuant to any additional criteria prescribed by the Secretary concerned;

D. Meets any additional eligibility criteria outlined in sections 0303, 0304, 0305, and 0306;

E. Is not in receipt of an accession, retention, reserve affiliation, or transfer bonus, in accordance with 37 U.S.C., Chapter 5, Subchapter I, for the same activity, skill, or period of service;

F. Will not exceed the mandatory retirement or high-year tenure date during the specified period of obligated service for which the bonus is paid; and

G. Is not serving a service obligation, except as noted in paragraph 030208.

030203. Additional Guidelines

A. An officer is not eligible for a bonus, under DoDI 1304.34, if previously discharged or released from AD or military service in an active status based on a determination of misconduct, substandard duty performance, or moral or professional dereliction.

B. In accordance with 37 U.S.C. § 371, an officer may not receive a bonus or incentive pay under 37 U.S.C., Chapter 5, Subchapter I and Subchapter II, for the same activity, skill, or period of service.

C. An officer may receive only one bonus pursuant to paragraph 030201 for the duration of the service obligation period, unless explicitly exempt in statute or DoDI 1304.34.

D. An officer may not receive more than $300,000 (or $150,000, in the case of a non-Active Guard Reserve officer in the RC) in combined bonus payments authorized under DoDI 1304.34 during the course of the officer’s career. The Military Service may not exceed these payment caps unless specifically authorized by the Assistant Secretary of Defense for Manpower and Reserve Affairs (ASD (M&RA)).
E. An officer receiving pre-commissioning compensation in accordance with 10 U.S.C. §§ 2106, 2107, and 2107a, or financial assistance through a loan repayment program under 10 U.S.C. §§ 16201, 16301, 16302, or 16303, is not eligible for a bonus pursuant to DoDI 1304.34 until the military service obligation (MSO) is completed.

F. An officer receiving a bonus in accordance with 37 U.S.C. §§ 333 and 334, is not eligible for a bonus pursuant to DoDI 1304.34 for the same skill and period of service.

G. An officer receiving a bonus in accordance with 37 U.S.C. § 335, is not eligible for a bonus pursuant to DoDI 1304.34 for the same period of obligated service.

H. Existing bonus contracts under 37 U.S.C., Chapter 5, Subchapter I, will remain in effect through the preexisting termination dates.

030204. Payment Method

A. The Secretary concerned will establish the method of payment for the bonus (i.e., lump sum or periodic installments).

B. The Secretary concerned may make payment based on training milestones, proportional length of service, or lump sum. However, the Secretary will not pay an officer any portion of a skill bonus before awarding of the military skill specialty, if completion of such training and technical qualification forms the basis for which the bonus is paid.

C. Officers will receive their initial bonus payments based on the terms and conditions of their bonus agreements.

030205. Amount

The bonus amount paid by the Secretary concerned will be fixed on acceptance of the agreement by the Secretary, and may only be paid prospectively. The bonus paid may not exceed the following amounts, unless otherwise approved by the ASD (M&RA):

A. $60,000 for a minimum 4-year service obligation for an officer or person who accepts a commission or appointment as an officer in a Military Service, as described in subparagraph 030201.A;

B. $10,000 for a minimum 3-year service obligation for an officer, as described in subparagraph 030201.B;

C. $25,000 for each year of obligated service as an officer in a Regular Component for retention, as described in subparagraph 030201.C;

D. $12,000 for each year of obligated service as an officer in an RC for retention, as described in subparagraph 030201.C; or
E. $10,000 for a transfer, as described in subparagraphs 030201.D and 030201.E.

030206. Specific Rule for Designated Military Skills or Career Fields

The following are specific procedures, requirements, and conditions related to an accession, affiliation, retention, or transfer bonus paid to an officer for a period of obligated service in a designated military skill or career field:

A. The period of obligated service will include normal skill progression, as defined by the Secretary concerned (e.g., attending courses in professional military education) and any other advanced training or education related to a designated military skill.

B. The Secretary concerned may pay a conversion bonus to an officer who agrees to convert to a designated military skill in which there is a shortage of trained and qualified officers. The bonus may be payable in a lump sum upon approval and completion of the conversion training by the Secretary concerned.

1. The officer must agree to serve for not less than 3 years on AD or in an active status in the Selective Reserve (SELRES) in that military skill or career field.

2. The officer must serve in the pay grade of O-3 or below with no more than 8 years of commissioned military service at the time the officer enters into the conversion contract, as computed in accordance with 37 U.S.C. § 205.

3. The officer must have completed all service obligations previously incurred for receipt of an accession or retention bonus, in accordance with 37 U.S.C. § 332, or critical skills retention bonus, in accordance with 37 U.S.C. § 355, at the time the officer begins training for conversion to the new skill.

4. The bonus amount may not exceed the retention bonus amounts listed in paragraph 030504.

C. Officers receiving skill-based bonuses are expected to serve in an assignment for which the skill is required. For service obligations of at least 36 months, the Secretary concerned may curtail the assignment requirements to a period of 2 years based on the needs of the Military Service. The Secretary concerned will establish assignment criteria and procedures that limit the circumstances in which such a period of obligated military service may be curtailed and will specify such other appropriate conditions of military service, consistent with 37 U.S.C. § 332(b)(2) and paragraph 030202. Additionally, the Secretary will:

1. Ensure that military personnel centers identify, monitor, and review such obligated military service curtailments;

2. Approve any curtailment of the assignment criteria that involves more than one consecutive assignment in a military skill other than that which was designated for
purposes of the bonus. This responsibility may be delegated no lower than the grade of major general or rear admiral (upper half); and

3.  Ensure that any request for curtailment is:

   a.  Clearly justified based on the needs of the Military Department concerned; and

   b.  Not granted on a routine basis.

030207. Repayment

A person or officer who receives a bonus in accordance with 37 U.S.C. § 332, and fails to complete the period of obligated service or other conditions of service specified in the written agreement for which the bonus is paid, must repay any unearned portion of the bonus in accordance with the provisions of 37 U.S.C. § 373 and Chapter 2.

030208. Service Obligations

A.  An officer who has a service obligation is not eligible for a bonus under DoDI 1304.34, except when the officer:

1.  Serves his or her initial service obligation incurred at time of commissioning or appointment in accordance with DoDI 1304.25, “Fulfilling the Military Service Obligation (MSO);”

2.  Incurs a service obligation due to a permanent change in duty station or promotion;

3.  Incurs a service obligation for attending and completing professional military education or government-funded education courses (this exception does not apply to undergraduate education); or

4.  Incurs a service obligation as a result of transferring Post 9-11 GI Bill benefits.

B.  For the situations described in subparagraphs 030208.A.1 through 030208.A.3, the service obligations may run concurrently for bonuses offered under DoDI 1304.34. For subparagraph 030208.A.4, the Secretary concerned will determine if the service obligation is concurrent or consecutive.

C.  Excluding the situations described in subparagraph 030208.A:

1.  The Military Department may offer a bonus under DoDI 1304.34 up to 1 year from completion of an officer’s service obligation.
2. The bonus may not be paid until completion of the previous service obligation.

3. The service obligation for a new bonus will begin on the date of the agreement or completion of a previous service obligation, whichever date is later.

030209. Non-Availability

A. Officers of the SELRES who incur a period of authorized absence approved by the Secretary concerned, or are transferred to the Standby Reserve in accordance with DoD Directive 1200.7, will have their bonuses suspended during this period and will not be entitled to bonus payments. The Secretary concerned will determine this period of time on a case-by-case basis.

B. The Secretary concerned may reinstate RC officers in the bonus program who are subsequently reassigned in the SELRES to a skill for which they had previously contracted, if they extend their MSO so they are able to serve the full original bonus agreement period.

C. Officers’ entitlement to subsequent payments will resume on the adjusted anniversary date of satisfactory and creditable SELRES service, as appropriate. The Secretary concerned will adjust the anniversary date for periods of authorized absence. Failure to meet reinstatement criteria in a capacity that was previously agreed on will result in termination of the bonus and in repayment, as appropriate.

0303 ACCESSION BONUS

030301. General

An accession bonus offers a monetary incentive for a person (including a Service member) to accept a commission or appointment as an officer and serve for a specified period on AD or in an active status in a Military Service.

A. An accession bonus is authorized when an individual executes a written agreement and agrees to serve for a minimum 4-year period in:

1. A designated military skill or career field;

2. A unit;

3. A grade; or

4. Some other role that meets a condition or conditions imposed by the Secretary concerned.
B. The procedures described in sections 0302 and 0303, as well as any additional conditions and requirements prescribed by the Secretary concerned, govern the award and administration of an accession bonus.

030302. Additional Accession Bonus Eligibility Requirements

In addition to meeting the minimum eligibility requirements listed in paragraph 030202, an eligible person must:

A. Meet the qualification standards listed in DoDI 1304.26 for a commission or appointment;

B. Be an initial recipient of a commission or appointment in a Regular Component or RC;

C. Have completed all previous service obligations incurred as a result of receiving a bonus or special pay while serving as an enlisted Service member or Reserve Officer Training Course cadet or midshipmen;

D. Not have received:

1. Pre-commissioning compensation under 10 U.S.C. §§ 2106, 2107, and 2107a;

2. Financial assistance through a loan repayment program in accordance with 10 U.S.C. §§ 16201, 16301, 16302, or 16303; or

3. An accession bonus in accordance with 37 U.S.C. §§ 324 and 330; and

E. Accept a service obligation on AD or in the SELRES for at least 4 years.

030303. Restrictions

A. An officer may receive only one officer accession bonus during a career. An officer accessed from the enlisted ranks is eligible for an accession bonus as an officer or warrant officer.

B. An officer reappointed in a Military Service after resignation or termination of a commission or appointment from an earlier period of military service is not eligible for an accession bonus.

C. An officer may not receive an accession bonus and a transfer bonus for the same period of military service.
D. An officer may not receive an accession bonus and an affiliation bonus for the same period of military service.

030304. Amount

The amount of an accession bonus under DoDI 1304.34 may not exceed $60,000 for a minimum 4-year period of obligated service, nor may it exceed an annual amount of $15,000.

030305. Payment Method

The method of payment will be consistent with paragraph 030205.

030306. Non-Availability

In the event an RC officer becomes unavailable, the provisions in paragraph 030209 will apply.

*030307. Duration of Authority

An officer accession bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

0304 RC AFFILIATION BONUS

030401. General

The RC affiliation bonus offers a monetary incentive for an officer to affiliate with the SELRES of a Military Service.

A. The bonus is authorized when an officer affiliates with the SELRES of a Military Service and agrees to serve for a specified period of not less than 3 years of obligated service in a military skill designated critical by the Secretary concerned or not less than 3 years of obligated service in a specific SELRES unit or officer pay grade to meet manpower shortages in the specific SELRES unit or officer pay grade. Additionally, the Secretary concerned may, with the officer’s consent, convert the officer to a designated career field or military skill in which there is a shortage of trained and qualified personnel.

B. The procedures described in sections 0302 and 0304, as well as any additional conditions and requirements prescribed by the Secretary concerned, govern the award and administration of an RC affiliation bonus.

030402. Additional RC Affiliation Bonus Eligibility Requirements

In addition to meeting the minimum eligibility requirements in paragraph 030202, an eligible officer must execute an agreement to serve as an officer in the SELRES for a service
obligation of at least 3 years and have fewer than 15 years of qualifying military service towards a regular or non-regular retirement, in accordance with DoDI 1215.07. The officer must also:

A. Be serving in the Ready Reserve or Standby Reserve of a Military Service; or

B. Be serving or have served in the Regular Component for a period of more than 30 days and have been released under honorable conditions.

030403. Additional Guidelines

A. Individuals may receive more than one affiliation bonus in a career, though not for the same military skill, grade, or unit.

B. An officer may receive an affiliation bonus and transfer bonus as long as the officer serves the service obligations for each bonus consecutively. See section 0306 for additional information on transfer bonuses.

C. Officers signing up for an affiliation bonus and a transfer bonus at the same time will incur an additional 12-month service obligation rather than an additional 24-month service obligation, as otherwise prescribed. The minimum service obligation for an officer receiving both bonuses is 4 years.

030404. Amount

The maximum affiliation bonus may not exceed $10,000 for a minimum 3-year service obligation.

030405. Payment Method

A. The method of payment will be consistent with paragraph 030205.

B. An affiliation bonus begins to accrue on the date the eligible officer is assigned to a unit or position in the SELRES.

030406. Non-Availability

In the event an RC officer becomes unavailable, the provisions in paragraph 030209 will apply.

*030407. Duration of Authority

An officer affiliation bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.
0305 RETENTION BONUS

030501. General

A retention bonus under DoDI 1304.34 provides a monetary incentive that may be offered by the Military Department to retain adequate numbers of qualified officers.

A. Specifically, the bonus may be used by the Military Department to obtain the voluntary extension of an officer’s service in exchange for an agreement to serve for a specified period in a designated military skill, career field, unit, or grade or to meet some other condition or conditions imposed by the Military Department concerned.

B. The procedures described in sections 0302 and 0305, as well as additional conditions and requirements prescribed by the Secretary concerned, govern the award and administration of the retention bonus.

C. In order to meet the designated military skill or career field criteria, the Secretary concerned may, with the officer’s consent, convert the officer to a designated career field or military skill in which there is a shortage of trained and qualified personnel.

D. Officers appointed into a Military Service after a period of disenrollment, discharge, or separation who meet the eligibility requirements in paragraphs 030202 and 030502 may be eligible for a retention bonus.

030502. Additional Retention Bonus Eligibility Requirements

In addition to the eligibility requirements in paragraph 030202, an eligible officer must:

A. Have completed a minimum of 4 years of active commission service or qualifying service for an RC officer, in accordance with DoDI 1215.07; and

B. Agree to remain on AD or in an active status for a period of at least 2 years.

030503. Restrictions

A. An officer is not eligible for a retention bonus if, at the start of the period of additional obligated service, the officer:

1. Has between 16 and 19 years of active commissioned service or qualifying service, in accordance with DoDI 1215.07 for an RC officer; or

2. Is retirement eligible with more than 22 years of active commissioned service or qualifying service in accordance with DoDI 1215.07.
B. The service obligation for a retention bonus may not extend an officer’s service beyond 25 years of active commissioned service or qualifying service, in accordance with DoDI 1215.07 for an RC officer.

C. Officers who have transferred their Post-9/11 GI Bill or Montgomery GI Bill – SELRES education benefits to a dependent or spouse in accordance with DoDI 1341.13, are eligible for a retention bonus as specified in DoDI 1304.34. The Secretary concerned will determine if the service obligation for both the retention bonus and GI Bill transfer is served concurrently or consecutively.

030504. Amount

The Secretary of the Military Department may prorate bonus amounts for retention requests greater than 2 years. The additional service time will be calculated on a monthly basis at a rate equal to 1/12th the annual amount. The maximum retention bonus may not exceed:

A. $25,000 for each year of obligated service in a Regular Component; or
B. $12,000 for each year of obligated service in an RC.

030505. Payment Method

The method of payment will be consistent with paragraph 030205.

030506. Non-Availability

In the event an RC officer becomes unavailable, the provisions of paragraph 030209 will apply.

*030507. Duration of Authority

An officer retention bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

0306 TRANSFER BONUSES

030601. Intra-Service Transfer

The Intra-Service transfer bonus provides a monetary incentive for an officer to transfer from the Regular Component of a Military Service to the Ready Reserve (and vice versa, however mobilization does not constitute an intra-service transfer) of the same Service to meet manning requirements. The Secretaries concerned may pay a bonus to an officer who agrees to transfer from the Regular Component to the Ready Reserve (and vice versa) and agrees to serve for a specified period in a designated military skill, career field, unit, or grade, or to meet other conditions imposed by the Secretary concerned.
A. The procedures described in section 0302 and paragraph 030601, as well as any additional conditions and requirements prescribed by the Secretary of the Military Department concerned, govern the award and administration of the transfer bonus.

B. All transfers among Military Service components will be conducted in accordance with DoDI 1300.04.

C. To be eligible for an intra-service transfer bonus, an officer must meet the following additional eligibility requirements:
   
   1. The officer has fulfilled all service obligations satisfactorily within the officer’s current Regular Component or RC;
   
   2. The officer meets the qualification criteria for the transfer bonus of the Regular Component or RC of the Military Service to which the officer is transferring;
   
   3. The officer must agree to remain in the component of the Military Service for which the transfer bonus is offered for a minimum of 2 years; and
   
   4. The officer must have fewer than 15 years of active time.

D. Affiliation and Transfer Bonus

   1. The Secretaries concerned may offer an intra-service transfer bonus in conjunction with an affiliation bonus.
   
   2. Officers receiving both bonuses incur an additional 12-month service obligation for a minimum service obligation of 4 years.
   
   3. Table 3-1 lists the intra-service transfers for which the Military Departments may offer a bonus.

030602. Inter-Service Transfer

The Inter-Service transfer bonus provides a monetary incentive for an officer to transfer to another Military Service to meet manning requirements of that Military Service. The Secretaries concerned may pay a bonus to an officer who agrees to transfer to and serve in another Military Service for a specified period in a designated military skill, career field, unit, or grade or to meet some other condition(s) imposed by the Secretary of the gaining Military Department.

A. The procedures described in section 0302 and paragraph 030602, as well as any additional conditions and requirements prescribed by the Secretary of the Military Department concerned, govern the award and administration of the transfer bonus.
B. Transfers between Military Services include officers transferring from the Regular Component or the Ready Reserve of a Military Service to the Regular Component or the Ready Reserve of a different Military Service.

C. Officer transfers between Military Services will be conducted in accordance with DoDI 1300.04.

D. In order to successfully transfer, an officer must:
   1. Qualify for retention in the Military Service to which the officer is transferring;
   2. Have fulfilled all MSOs satisfactorily within the officer’s current Regular Component or RC;
   3. Meet the qualification criteria established by the Secretary of the Military Department with jurisdiction over the Military Service to which the officer is transferring;
   4. Agree to sign a written agreement to remain in the Military Service for which the transfer bonus is offered for a minimum 3-year period; and
   5. Have fewer than 15 years of active service time.

E. Affiliation and Transfer Bonus
   1. The Secretary concerned may offer an inter-service transfer bonus in conjunction with an affiliation bonus.
   2. Officers receiving both bonuses incur an additional 12-month service obligation for a minimum MSO of 4 years.
   3. Table 3-2 lists the inter-service transfers for which a bonus may be offered.

030603. Restrictions

An officer receiving separation pay in accordance with 10 U.S.C., Chapter 59, is not eligible for a transfer bonus.

030604. Amount

A transfer bonus may not exceed $10,000.

030605. Payment Method

The method of payment will be consistent with paragraph 030205.
030606. Non-Availability

In the event an RC officer becomes unavailable, the provisions of paragraph 030209 will apply.

*030607. Duration of Authority

An officer transfer bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

0307 SPECIAL PAYS FOR NUCLEAR-QUALIFIED OFFICERS (NAVY ONLY)

*030701. Nuclear Power Accession Bonus Program

A. Eligibility

1. Nuclear Officer Accession Bonus. An accession bonus is payable to officers or prospective officers who are selected for officer naval nuclear propulsion training and execute a written agreement to participate in a program of training for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants. Payment is authorized upon acceptance of the written agreement.

2. Nuclear Career Accession Bonus. Officers who are on AD and who successfully complete the nuclear propulsion-training program, leading to qualification for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants, are eligible for payment of the nuclear career accession bonus.

B. Payment. Under 37 U.S.C. § 333(d)(1), Nuclear Officer Bonuses may not exceed $50,000 for each 12-month period. Bonus rates for this program are contained in Chief of Naval Operations Instruction (OPNAVINST 7220.11G).

C. Repayment. An officer, who receives an accession bonus and does not commence or satisfactorily complete the nuclear power training, will be subject to the repayment provisions of 37 U.S.C. § 373, and Chapter 2.

* D. Duration of Authority. A nuclear power accession bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

*030702. Nuclear Officer Continuation Bonus (COBO)

A. Entitlement. The Secretary of the Navy may pay Nuclear Officer COBO to nuclear-qualified officers who agree to remain on AD for a specified period beyond their existing service obligation.
B. **Eligibility.** Officers who meet the criteria defined in OPNAVINST 7220.11G are eligible to receive COBO upon acceptance of their written agreement to remain on AD in connection with supervision, operation, and maintenance of naval nuclear propulsion plants.

C. **Payment.** The amount payable may not exceed $35,000 for each year of the active service agreement. The rates and effective dates are contained in the governing regulation, OPNAVINST 7220.11G.

D. **Repayment.** An officer who receives a bonus and fails to complete the period of obligated service or other conditions of service specified in the written agreement for which the bonus is paid, may be subject to repayment of any unearned portion of the bonus in accordance with the provisions of 37 U.S.C. § 373, Chapter 2, and OPNAVINST 7220.11G.

* E. **Duration of Authority.** A nuclear officer continuation bonus may not be paid to any person after the date on the **Duration of Authority** table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

030703. **Nuclear Career Annual Incentive Pay (AIP)**

A. **Purpose.** The Secretary of the Navy may pay Nuclear Career AIP to nuclear-trained and nuclear-qualified officers who are on AD and who complete their initial service requirement, and to nuclear-trained and nuclear-qualified limited duty and warrant officers who serve in an assignment with duties in connection with direct supervision, operation, or maintenance of naval nuclear propulsion plants.

B. **Eligibility.** AIP is paid annually to nuclear-trained and qualified officers who remain on AD for a specified period and who meet the eligibility criteria set forth in OPNAVINST 7220.11G.

1. **Warrant Officers** in pay grades W-2 through W-5 and Officers in pay grades O-1 through O-6 are eligible for AIP. Officers serving in a period of obligated service associated with paragraph 030702 are not eligible for AIP during that period of their obligated service.

2. In order to be eligible for AIP (or a pro-rata portion thereof), for any nuclear service year, an officer must be qualified for duties in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants on 30 September.

C. **Payment.** Under 37 U.S.C. § 333(d)(1)(B), Nuclear Career AIP may not exceed $25,000 for each 12-month period of qualifying service. The current rates and payment procedures are contained in the governing regulation, OPNAVINST 7220.11G.

NOTE: An officer of the U.S. Navy who is not on AD on the last day of a nuclear service year may be paid AIP on a pro rata basis if otherwise qualified, unless termination of AD or loss of qualifications was voluntary or was the result of his own misconduct.
Prototype Shift Engineer Incentive Pay (SEIP)

A. Entitlement. The Secretary of the Navy may pay SEIP to nuclear-trained and nuclear-qualified officers who have completed their initial service requirement and remain on AD for a specified period while maintaining current technical qualifications, as approved by the Secretary, for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants.

B. Eligibility. Nuclear-trained submarine and surface warfare officers who meet the criteria defined in OPNAVINST 7220.11G, are eligible to receive SEIP while assigned to a qualifying billet and qualified for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants.

C. Payment. Officers who meet the eligibility criteria in OPNAVINST 7220.11G are entitled to SEIP at the start of their shift-engineer tour at the monthly rate of $500. The monthly portion of SEIP will be paid at the end of the month on a pro-rata basis for the period the officer meets the payment criteria in OPNAVINST 7220.11G. SEIP is paid on a 30-day month. Officers who receive COBO are eligible for SEIP. Officers who receive AIP are eligible for SEIP provided they do not exceed the $25,000 payment limit authorized under 37 U.S.C. § 333(d)(1)(B), when combined with Nuclear Career AIP for each 12-month period of qualifying service. An officer who is serving in a qualifying assignment for a portion of a year may be paid SEIP on a pro rata basis. Current rates and payment procedures are contained in the governing regulation, OPNAVINST 7220.11G.

D. Repayment. An officer, who fails to commence or satisfactorily complete a shift engineer tour will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2. Specific exclusions from recoupment are listed in OPNAVINST 7220.11G.

Command pay is designed to recognize officers assigned as commanding officers in operational leadership positions of unusual responsibility which are of a critical nature to a Military Service. The Secretary concerned may designate positions under his or her jurisdiction that are authorized command pay.

Eligibility

Secretaries concerned will establish eligibility criteria based on Service-specific needs but will consider paygrade, level of responsibility, and the operational nature of the assignment.

Amount

Secretaries of the Military Departments concerned will establish monthly rates but the amount of command pay per month will not exceed $150.
030804. Restrictions

A. No more than 10 percent of the number of officers on AD in a Military Service in paygrades O-4 through O-6 may be paid command pay.

B. Command pay is not authorized for more than one officer per unit, except for the dates of assumption of and relief from command.
Table 3-1. Intra-Service Transfers that Allow Bonuses

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<th>Intra-Service Transfer</th>
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AC – Active Component
IRR – Individual Ready Reserve
YOS – Total Years of military service

Table 3-2. Inter-Service Transfers that Allow Bonuses

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AC – Active Component
IRR – Individual Ready Reserve
YOS – Total Years of military service
REFERENCES

CHAPTER 03 – SPECIAL PAY – OFFICERS ONLY

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37 U.S.C. § 332

0302 – GENERAL BONUS AUTHORITY FOR OFFICERS

37 U.S.C. § 332
DoDI 1304.34, July 11, 2016

0303 – ACCESSION BONUS

37 U.S.C. § 332
DoDI 1304.34, July 11, 2016

0304 – RC AFFILIATION BONUS

37 U.S.C. § 332(a) & (g)
DoDI 1304.34, July 11, 2016

0305 – RETENTION BONUS

37 U.S.C. § 332(a)(3)
37 U.S.C. § 355
DoDI 1304.34, July 11, 2016
DoDI 1215.07, July 30, 2019

0306 – TRANSFER BONUSSES

37 U.S.C. § 327
37 U.S.C. § 332(a)(4) & (5)
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DoDI 1215.07, July 30, 2019
DoDI 1300.04, July 25, 2017
10 U.S.C., Chapter 59
37 U.S.C. § 373

0307 – SPECIAL PAYS FOR NUCLEAR-QUALIFIED OFFICERS

37 U.S.C. § 333
37 U.S.C. § 373
OPNAVINST 7220.11G, July 10, 2019

030703
37 U.S.C. § 333(d)(1)
030704

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37 U.S.C. § 333(b) & (c)
OPNAVINST 7220.11G, July 10, 2019

0308 – COMMAND PAY

37 U.S.C. § 352
DoDI 1340.26, *Incorporating Change 1, January 11, 2019*

Table 3-1
DoDI 1304.34, July 11, 2016

Table 3-2
DoDI 1304.34, July 11, 2016
VOLUME 7A, CHAPTER 5: “HEALTH PROFESSIONS OFFICER (HPO) SPECIAL AND INCENTIVE PAY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated September 2017 is archived.

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<td>All</td>
<td>Added hyperlink to DFAS.MIL for the Health Profession Special and Incentive tables.</td>
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<td>050905</td>
<td>Added a subparagraph for the “Duration of Authority.”</td>
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<td>Table 5-1; Table 5-2; Table 5-5; Table 5-7; Table 5-8</td>
<td>Updated to reflect the current rates established in the Assistant Secretary of Defense – Health Affairs Memo, September 26, 2018 for Fiscal Year 2019.</td>
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<td>Table 5-9</td>
<td>Updated and renamed to Dental Reserve Corps Accession and Retention Bonus.</td>
<td>Revision</td>
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<td>Table 5-10; Table 5-11; Table 5-12</td>
<td>Inserted tables for Reserve Component Accession and Retention Bonuses for Medical, Nurse and Biomedical Services, Medical Services, Specialists, and Veterinary Corps.</td>
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<td>Renamed “Bibliography” to “References” and updated statutes and supporting references.</td>
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CHAPTER 5

HEALTH PROFESSIONS OFFICER (HPO) SPECIAL AND INCENTIVE PAY

0501 GENERAL

050101. Purpose

The purpose of this chapter is to establish policy pertaining to Health Professions Special & Incentive (HPS&I) Pay.

050102. Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD or DD) in this chapter are derived primarily from, and prepared in accordance with the DoD Instruction (DoDI) 6000.13. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

0502 PROVISIONS

Each HPS&I pay is in addition to any other pay or allowance to which an HPO is eligible except as specified in sections 0503 through 0508.

050201. Legacy Special Pays

A. HPOs who entered into a written agreement for receipt of a special pay (Multiyear Special Pay; Incentive Special Pay; Additional Special Pay) on or before January 27, 2018 will, if otherwise qualified, continue to receive payments until completion of the written agreement. Effective January 28, 2018, all new agreements for special pays will be administered in accordance with paragraph 050202. The criteria for legacy pays can be found in the archived Chapters 5, 6, 7, and 21.

B. Subject to acceptance by the Secretary concerned, an HPO who entered into a written agreement in accordance with the legacy special pay authorities may request termination of that agreement to enter into a new agreement with an equal or longer obligation at the annual rate in effect at the time of execution of the new agreement. The new obligated period will not retroactively cover any portion or period that was executed under the old agreement.

050202. Consolidated Special Pays (CSP)

HPOs may be paid special pay at the rate for the specialty for which they are fully qualified. The specialty or subspecialty must be the same for all pays received. The HPO may only receive Incentive Pay (IP) and a Retention Bonus (RB) for one specialty, even if the HPO holds qualifications in two or more specialties. The IP and RB must be effective on the same date. The eligibility for each HPS&I pay is described in sections 0504 through 0508.
050203. Restrictions

A. The amount of HPS&I pay is not included in computing the amount of any increase in pay or in computing retired, separation, severance, or readjustment pays.

B. An HPO may not receive Special pays pursuant to paragraphs 050201 and 050202 simultaneously. Once an HPO receives a Special pay pursuant to paragraph 050202, the HPO cannot revert back to Special pays in paragraph 050201.

050204. Eligibility

To be eligible to participate in the CSP, an HPO must:

A. Not have reached the mandatory retirement or removal date due to age or years of service and will complete any additional service obligation incurred before the individual’s mandatory retirement or removal date, unless granted a waiver;

B. Have a current, valid, and unrestricted license or approved waiver;

C. Maintain all licensing, credentialing, and specialty qualifications;

D. Meet privileging requirements; and

E. Sign a service agreement indicating:

1. The amount of bonus or pay;

2. The method of payment of the bonus or pay;

3. The period of obligated service for the bonus or pay;

4. Whether the service will be performed on Active Duty (AD) or in active status in a Reserve Component (RC);

5. The type or conditions of the service; and

6. The circumstances that may result in termination of the agreement and repayment of any unearned portion of the bonus or pay if the officer fails to fulfill the conditions of the bonus or pay, to include an unfulfilled service obligation or eligibility requirement.
0503  ACCESSION BONUS (AB)

050301.  Eligibility

To be eligible for an AB, an individual must:

A.  Meet the eligibility criteria itemized in paragraph 050204;
B.  Be a graduate of an accredited school in a health profession;
C.  Be qualified for an appointment as a commissioned officer in a regular or RC of a Uniformed Service (an individual must accept an appointment as an HPO before the bonus will be paid);
D.  Execute a written agreement to accept an appointment as an HPO of the Army, Navy or Air Force to serve on AD in a regular component or in an active status in an RC in a health profession for a specified period;
E.  When appointed, have completed the service obligation for receipt of financial assistance from the DoD to pursue a course of study in a health profession. This includes, but is not limited to, participants and former participants of the:
   1.  Reserve Officers’ Training Corps;
   2.  Armed Forces Health Professions Scholarship Program;
   3.  Financial Assistance Program;
   4.  Uniformed Services University of the Health Sciences; and
   5.  Other commissioning programs;
F.  Have been honorably discharged or released from any prior service;
G.  Be qualified in the specialty to which appointed; and
H.  Have been discharged from any Uniformed Service at least 24 months before execution of the written agreement to receive an AB, and no longer hold an appointment, if a former HPO.

050302.  Amounts

AB amounts are listed in Table 5-1. For the most current rates, see the HPO AB table on DFAS.MIL.
0504 CRITICALLY SHORT WARTIME SKILLS ACCESSION BONUS (CSWSAB)

050401. Eligibility

To be eligible for CSWSAB, an individual must:

A. Meet the eligibility criteria itemized in subparagraphs 050301.A through F; and

B. Be fully qualified in the critically short wartime specialty to which appointed; and

C. Have been discharged from any Uniformed Service at least 24 months before execution of the written agreement to receive a CSWSAB, and no longer hold an appointment, if a former HPO.

050402. Amounts

CSWSAB amounts are listed in Table 5-2. For the most current rates, see the CSWSAB table on DFAS.MIL.

0505 BOARD CERTIFICATION PAY (BCP)

050501. Eligibility

A. HPOs must:

1. Meet the eligibility criteria itemized in paragraph 050204;

2. Be serving in an Active Component (AC) or an RC of a Military Service and entitled to basic pay under Title 37, United States Code (U.S.C.), section 204 or compensation pursuant to 37 U.S.C. § 206;

3. Be serving on AD or in an active Reserve status in a designated health professional clinical specialty;

4. Have a post-baccalaureate degree in a clinical specialty (a post Master's certificate acceptable to the Secretary concerned can satisfy this requirement); and

5. Be certified by a professional board in a designated health profession clinical specialty.

B. All Officers, to include General/Flag officers at the rank of O-7 and above, are eligible for the BCP.
050502. Amount

The annual amount payable is $6,000, to be prorated monthly.

0506 IP

050601. General Provisions

A. IP When Not Participating in an RB Agreement. Subject to acceptance by the Secretary concerned, an HPO who is eligible for and not in an existing RB agreement, and who is no longer obligated pursuant to a previous IP agreement, may enter into a new 1-year IP agreement at the rate in the HPS&I pay plan. IP agreements must be for at least 1 year and cannot be prorated. If, during the IP agreement, the HPO becomes eligible for a higher IP, the HPO may terminate and renegotiate at that higher rate, obligating for at least a year from the date of renegotiation.

B. IP When Participating in an RB Agreement. An HPO who enters into an RB contract may also be eligible for IP for the same specialty at the amount in the HPS&I pay plan. An HPO who elects this option will continue IP eligibility, at the rate in effect at the time the RB agreement is effective, for each active year of the RB contract. Any renegotiation of either the RB or IP will require signing a new RB contract at the annual rate in effect at the time of signature, with an obligation that ends after the obligation of the original agreement.

C. Effective Date. The effective date of the IP agreement will be calculated from the date the member completes the qualifying training plus 3 months.

050602. Eligibility

A. To be eligible for IP, an HPO must be:

1. Serving in an AC or RC of a Military Service and entitled to basic pay under 37 U.S.C. § 204 or compensation pursuant to 37 U.S.C. § 206;

2. Serving on AD or in an active Reserve status in a designated health professional specialty; and

3. Eligible as prescribed in paragraph 050204;

B. Medical Corps and Dental Corps Officers at the rank of O-7 and above are eligible for the HPO IP at the General Medical Officer (GMO) or General Dental Officer rate, respectively. All other General/Flag officers are authorized the HPO IP rate for their credentialed specialty.
050603. Amounts

Annual payment amounts for IP contracts are listed in Tables 5-3 through 5-6 and paid in equal monthly payments. For the most current IP rates, see the Dental Corps, Medical Corps, Nurse Corps, Biomedical Services, Medical Services, Specialists, and Veterinary Corps tables on DFAS.MIL.

0507 RB

050701. General Provisions

A. Subject to acceptance by the Secretary concerned, an HPO with an existing multiyear special pay pursuant to 37 U.S.C. Chapter 5, Subchapter I, or with an RB contract pursuant to 37 U.S.C. Chapter 5, Subchapter II, may request termination of that contract to enter into a new RB contract with an equal or longer obligation at the RB annual rate in effect at the time of execution of the new contract. The new obligation period will not retroactively cover any portion or period that was executed in accordance with the prior contract.

B. The Secretary concerned may pay an RB to HPOs based on their clinical specialty or subspecialty regardless of their ability to spend appropriate time in a clinical setting.

050702. Eligibility

To be eligible for an RB, an HPO must:

A. Meet the eligibility criteria itemized in paragraph 050204;

B. Have completed qualifications for the specialty or subspecialty for which the RB is being paid before the beginning of the fiscal year during which a written agreement is executed;

C. Enter into a written agreement, accepted by the Secretary concerned, to remain on AD or in an active status in an RC as an HPO for 2, 3, or 4 years;

D. Be below the grade of O-7; and

E. Meet one of the following requirements:

1. Have completed any AD or reserve duty service commitment incurred for any and all pre-commissioning education and training; or

2. Have completed the service obligation for an AB (an individual eligible for an AB may decline the AB and accept the RB).
050703. Amounts

Annual payment amounts for AC RB contracts are listed in Tables 5-5 through 5-8. For the most current AC RB rates, see the *Dental Corps*, *Medical Corps*, *Nurse Corps*, *Biomedical Services, Medical Services, Specialists, and Veterinary Corps* tables on DFAS.MIL.

0508 RC

050801. AB

A. To be eligible for an AB, an RC participant must:

1. Execute a written agreement to remain a satisfactory participant in the Selected Reserves (SELRES) in accordance with DoDI 1215.13;

2. Be qualified in a critical skill identified on the RC HPS&I Pay Plan; and

3. Meet the provisions outlined in paragraphs 050204 and 050301. NOTE: An HPO in the SELRES who transfers to the Individual Ready Reserve or Standby Ready Reserve is not eligible for payments and will have the special pay suspended during this period.

B. Payment amounts for RC AB contracts are listed in Tables 5-9, 5-10, 5-11 and 5-12. For the most current RC AB rates, see the *Dental Corps*, *Medical Corps*, *Nurse Corps*, *Biomedical Services, Medical Services, Specialists, and Veterinary Corps* tables on DFAS.MIL.

050802. Affiliation Bonus for RC (AFBRC)

A. Eligibility

To be eligible for an AFBRC, an HPO must:

1. Meet the eligibility criteria itemized in paragraph 050204;

2. Be serving on AD or have served on AD and have a DD Form 214, “Certificate of Release or Discharge from Active Duty,” that verifies an honorable discharge or release;

3. Provide the original DD 214 (copy 1 or copy 4) or a reproduction with a certified true-copy stamp and the appropriate Federal Government authenticating seal imprinted for each period of service;

4. Be qualified to hold an appointment as an HPO;

5. Be qualified in the specialty in which they agree to serve;
6. Execute a written agreement to serve 3 years in the SELRES; and
7. Not have previously received an AB in the SELRES, unless granted a waiver.

B. Amount

The Secretary concerned may pay an AFBRC up to $10,000 to eligible officers.

050803. BCP

A. Eligibility

An HPO must meet the provisions outlined in paragraph 050501.

B. Payment

If eligible, an RC member will be paid at the daily rate of one-thirtieth of the BCP monthly rate as defined in paragraph 050502 for any period in which the member is entitled to basic pay under 37 U.S.C. § 204 or compensation pursuant to 37 U.S.C. § 206.

050804. IP

A. Eligibility

An HPO must meet the provisions outlined in paragraph 050602.

B. Payment

If eligible, an RC member will be paid at the daily rate of one-thirtieth of the IP monthly rate for any period in which the member is entitled to basic pay under 37 U.S.C. § 204 or compensation pursuant to 37 U.S.C. § 206. See paragraph 050603.

050805. RB

A. Eligibility

To be eligible for an RB, an HPO must meet the provisions outlined in paragraph 050702.

B. Payment

Payment amounts for RC RB contracts are listed in Tables 5-9, 5-10, 5-11 and 5-12. For the most current RC RB rates, see the Dental Corps, Medical Corps, Nurse Corps, Biomedical Services, Medical Services, Specialists, and Veterinary Corps tables on DFAS.MIL.
0509 TERMINATION

050901. Reasons

The Secretary concerned may terminate at any time an HPO special pay agreement. The Secretary concerned will establish regulations that specify the conditions and procedures for termination, and they will be included in the written service agreement for the specific special pay. Reasons for termination may include, but are not necessarily limited to:

A. Loss of privileges;
B. Court-martial conviction;
C. Failure to maintain a current, valid, and unrestricted license or approved waiver; or
D. Reasons that are in the best interest of the Military Department.

050902. Proration

If an agreement for one or more special pays is terminated, the HPO will be paid on a pro-rata basis for the portion served until the official date of termination.

050903. Repayment

An HPO who fails to maintain the eligibility requirements for a special pay, does not complete the obligation period for the pay, or whose pay is terminated by the Secretary concerned, as described in paragraph 050801, will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2. These repayment authorities will be stipulated in the written service agreement.

050904. Reinstatement

If an HPO’s special pay is terminated due to failure to maintain a valid license, the member can become eligible for special pays again. Once the HPO’s license is reinstated and eligibility is re-established, the HPO may negotiate new contractual special pay agreements. Regardless of whether the HPO receives special pays, the HPO will be held responsible for the original contracted special pay service obligation until completed or until involuntary separation from military service occurs.

*050905. Duration of Authority

An HPS&I may not be paid to any person for an AB, CSWSAB, BCP, IP, or RB after the date on the Duration of Authority table. No payments will be made after the termination date unless the person’s entitlement to the HPS&I commenced prior to that date.
**Table 5-1. AB**

For the most current rates, see the *Health Professions Accession Bonus* table on DFAS.MIL.

<table>
<thead>
<tr>
<th>NURSE</th>
<th>AB</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Year Obligation (Any Specialty)</td>
<td>$20,000</td>
</tr>
<tr>
<td>4 Year Obligation (Any Specialty)</td>
<td>$30,000</td>
</tr>
<tr>
<td>*4 Year Obligation</td>
<td></td>
</tr>
<tr>
<td>(Certified Registered Nurse Anesthetist)</td>
<td>$250,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SPECIALTY</th>
<th>3-Year Obligation</th>
<th>4-Year Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Dietician</td>
<td>$0</td>
<td>$30,000</td>
</tr>
<tr>
<td>*Medical Lab Technologist</td>
<td>$0</td>
<td>$30,000</td>
</tr>
<tr>
<td>Pharmacist</td>
<td>$0</td>
<td>$30,000</td>
</tr>
<tr>
<td>*Physical Therapist</td>
<td>$0</td>
<td>$30,000</td>
</tr>
<tr>
<td>Physician Assistant</td>
<td>$37,500</td>
<td>$60,000</td>
</tr>
<tr>
<td>Public Health Officer (Air Force)</td>
<td>$22,500</td>
<td>$40,000</td>
</tr>
<tr>
<td>Social Worker</td>
<td>$18,750</td>
<td>$30,000</td>
</tr>
<tr>
<td>Veterinary Officer</td>
<td>$0</td>
<td>$20,000</td>
</tr>
</tbody>
</table>
Table 5-2. CSWSAB
For the most current rates, see the CSWSAB table on DFAS.MIL.

<table>
<thead>
<tr>
<th>DENTAL SPECIALTY</th>
<th>CSWSAB 4-YEAR OBLIGATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive Dentistry</td>
<td>$300,000</td>
</tr>
<tr>
<td>Endodontics</td>
<td>$300,000</td>
</tr>
<tr>
<td>General Dentistry</td>
<td>$150,000</td>
</tr>
<tr>
<td>Oral and Maxillofacial Surgery</td>
<td>$300,000</td>
</tr>
<tr>
<td>Prosthodontics</td>
<td>$300,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MEDICAL SPECIALTY</th>
<th>CSWSAB 4-YEAR OBLIGATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Aerospace Medicine</td>
<td>$200,000</td>
</tr>
<tr>
<td>*Anesthesia</td>
<td>$400,000</td>
</tr>
<tr>
<td>*Cardiology</td>
<td>$325,000</td>
</tr>
<tr>
<td>*Cardio-Thoracic Surgery</td>
<td>$400,000</td>
</tr>
<tr>
<td>*Diagnostic Radiology</td>
<td>$375,000</td>
</tr>
<tr>
<td>*Emergency Medicine</td>
<td>$300,000</td>
</tr>
<tr>
<td>*Family Practice</td>
<td>$275,000</td>
</tr>
<tr>
<td>General Surgery</td>
<td>$400,000</td>
</tr>
<tr>
<td>*Internal Medicine</td>
<td>$250,000</td>
</tr>
<tr>
<td>*Infectious Diseases</td>
<td>$200,000</td>
</tr>
<tr>
<td>Neurosurgery</td>
<td>$400,000</td>
</tr>
<tr>
<td>*Ophthalmology</td>
<td>$225,000</td>
</tr>
<tr>
<td>*Orthopedics</td>
<td>$400,000</td>
</tr>
<tr>
<td>*Preventive Medicine</td>
<td>$225,000</td>
</tr>
<tr>
<td>*Psychiatry</td>
<td>$275,000</td>
</tr>
<tr>
<td>*Pulmonary Medicine</td>
<td>$300,000</td>
</tr>
<tr>
<td>*Trauma/Critical Care Surgery</td>
<td>$400,000</td>
</tr>
<tr>
<td>*Urology</td>
<td>$300,000</td>
</tr>
<tr>
<td>Vascular Surgery</td>
<td>$400,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SPECIALTY CSWSAB</th>
<th>3-Year Obligation</th>
<th>4-Year Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Clinical Psychologist</td>
<td>$37,500</td>
<td>$60,000</td>
</tr>
</tbody>
</table>
Table 5-3. Dental Corps IP
For the most current rates, see the *Dental Corps IP* table on DFAS.MIL.

<table>
<thead>
<tr>
<th>DENTAL CORPS</th>
<th>FULLY QUALIFIED IP ONLY 1-YEAR RATE (PRORATED MONTHLY)</th>
<th>OR</th>
<th>FULLY QUALIFIED IP RATE PAID WITH A 2-, 3-, OR 4-YEAR RB (PRORATED MONTHLY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance Clinical Practice:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endodontics;</td>
<td>$25,000</td>
<td></td>
<td>$25,000</td>
</tr>
<tr>
<td>Exodontia;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Dentistry;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Periodontics;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prosthodontics</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive/Operative Dentistry</td>
<td>$25,000</td>
<td></td>
<td>$25,000</td>
</tr>
<tr>
<td>Dental Research</td>
<td>$25,000</td>
<td></td>
<td>$25,000</td>
</tr>
<tr>
<td>Endodontics</td>
<td>$25,000</td>
<td></td>
<td>$25,000</td>
</tr>
<tr>
<td>General Dentistry</td>
<td>$20,000</td>
<td></td>
<td>$20,000</td>
</tr>
<tr>
<td>Oral:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diagnosis;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicine;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pathology</td>
<td>$25,000</td>
<td></td>
<td>$25,000</td>
</tr>
<tr>
<td>Oral Maxillofacial Surgery</td>
<td>$55,000</td>
<td></td>
<td>$75,000</td>
</tr>
<tr>
<td>Orthodontics</td>
<td>$25,000</td>
<td></td>
<td>$25,000</td>
</tr>
<tr>
<td>Pedodontics</td>
<td>$25,000</td>
<td></td>
<td>$25,000</td>
</tr>
<tr>
<td>Periodontics</td>
<td>$25,000</td>
<td></td>
<td>$25,000</td>
</tr>
<tr>
<td>Prosthodontics</td>
<td>$25,000</td>
<td></td>
<td>$25,000</td>
</tr>
<tr>
<td>Public Health Dentistry</td>
<td>$25,000</td>
<td></td>
<td>$25,000</td>
</tr>
<tr>
<td>Temporomandibular Dysfunction/Orofacial Pain</td>
<td>$25,000</td>
<td></td>
<td>$25,000</td>
</tr>
</tbody>
</table>
Table 5-4. Medical Corps IP
For the most current rates, see the *Medical Corps IP* table on DFAS.MIL.

<table>
<thead>
<tr>
<th>MEDICAL CORPS</th>
<th>IP ONLY 1-YEAR RATE (PRORATED MONTHLY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Medical Officer</td>
<td>$20,000</td>
</tr>
<tr>
<td>Initial Residency</td>
<td>$8,000</td>
</tr>
<tr>
<td>Internship</td>
<td>$1,200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>POST RESIDENT OR FELLOW GRADUATE</th>
<th>FULLY QUALIFIED IP ONLY 1-YEAR RATE (PRORATED MONTHLY) OR FULLY QUALIFIED IP RATE PAID WITH A 2-, 3-, OR 4-YEAR RB (PRORATED MONTHLY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace Medicine</td>
<td>$43,000</td>
</tr>
<tr>
<td>Anesthesiology</td>
<td>$59,000</td>
</tr>
<tr>
<td>Cardiology - Adult/Pediatric</td>
<td>$59,000</td>
</tr>
<tr>
<td>Dermatology</td>
<td>$43,000</td>
</tr>
<tr>
<td>Emergency Medicine</td>
<td>$49,000</td>
</tr>
<tr>
<td>Family Practice</td>
<td>$43,000</td>
</tr>
<tr>
<td>Gastroenterology Adult/Pediatrics</td>
<td>$49,000</td>
</tr>
<tr>
<td>General Internal Medicine</td>
<td>$43,000</td>
</tr>
<tr>
<td>General Surgery</td>
<td>$52,000</td>
</tr>
<tr>
<td>Neurology Adult/Pediatrics</td>
<td>$43,000</td>
</tr>
<tr>
<td>Neurosurgery</td>
<td>$59,000</td>
</tr>
<tr>
<td>Obstetrics-Gynecology (OB-GYN)</td>
<td>$54,000</td>
</tr>
<tr>
<td>Ophthalmology</td>
<td>$51,000</td>
</tr>
<tr>
<td>Orthopedics</td>
<td>$59,000</td>
</tr>
<tr>
<td>Otolaryngology</td>
<td>$53,000</td>
</tr>
<tr>
<td>Pathology</td>
<td>$43,000</td>
</tr>
<tr>
<td>Pediatrics</td>
<td>$43,000</td>
</tr>
<tr>
<td>Physiatrist/Physical Medicine</td>
<td>$43,000</td>
</tr>
<tr>
<td>Preventive/Occupational Medicine</td>
<td>$43,000</td>
</tr>
<tr>
<td>Psychiatry Adult/Pediatrics</td>
<td>$43,000</td>
</tr>
<tr>
<td>Pulmonary/Critical Care Medicine</td>
<td>$46,000</td>
</tr>
<tr>
<td>Radiology Diagnostic/Therapeutic</td>
<td>$59,000</td>
</tr>
<tr>
<td>Subspecialty Category I (Note 1)</td>
<td>$59,000</td>
</tr>
<tr>
<td>Subspecialty Category II (Note 2)</td>
<td>$51,000</td>
</tr>
<tr>
<td>Subspecialty Category III (Note 3)</td>
<td>$46,000</td>
</tr>
<tr>
<td>Subspecialty Category IV (Note 4)</td>
<td>$43,000</td>
</tr>
<tr>
<td>Subspecialty Category V (Note 5)</td>
<td>$59,000</td>
</tr>
<tr>
<td>Urology</td>
<td>$51,000</td>
</tr>
</tbody>
</table>
Table 5-4. Medical Corps IP (Continued)

NOTES:

1. Requires primary specialty in General Surgery or as listed:
   a. Cardio Thoracic Surgery;
   b. Colon Rectal Surgery;
   c. Fellowship trained Orthopedic Surgeons;
   d. Oncology Surgery;
   e. Organ Transplant;
   f. Pediatric Surgery;
   g. Plastic Surgery;
   h. Trauma/Critical Care Surgery; or
   i. Vascular Surgery.
2. Nuclear Medicine Internists only.
3. Internal Medicine/Pediatric Fellowship subspecialties in:
   a. Allergy/Immunology;
   b. Hematology/Oncology;
   c. Neonatology; or
   d. Nephrology.
4. All internal medicine and pediatric subspecialties not listed in subspecialty category 1 and 3 listed separately:
   a. Clinical Pharmacology;
   b. Developmental Pediatrics;
   c. Endocrinology;
   d. Geriatrics Fellowship training;
   e. Infectious Disease; or
   f. Rheumatology.
5. Physicians who Fellowship trained in:
   a. OB/GYN;
   b. Ophthalmology;
   c. Otolaryngology; or
   d. Urology.
Table 5-5. Nurse Corps IP and RB
For the most current rates, see the Nurse Corps IP and RB table on DFAS.MIL.

<table>
<thead>
<tr>
<th>NURSE CORPS</th>
<th>FULLY QUALIFIED IP ONLY 1 YEAR RATE (PRORATED MONTHLY)</th>
<th>2-Year</th>
<th>3-Year</th>
<th>4-Year</th>
<th>*6-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Any Nurse Practitioner</td>
<td>$0</td>
<td>$10,000</td>
<td>$15,000</td>
<td>$20,000</td>
<td>$35,000</td>
</tr>
<tr>
<td>*Certified Registered Nurse Anesthetist</td>
<td>$15,000</td>
<td>$10,000</td>
<td>$20,000</td>
<td>$35,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Community/Public Health Nursing</td>
<td>$0</td>
<td>$10,000</td>
<td>$15,000</td>
<td>$20,000</td>
<td>$0</td>
</tr>
<tr>
<td>*Critical Care Nursing</td>
<td>$0</td>
<td>$10,000</td>
<td>$15,000</td>
<td>$20,000</td>
<td>$35,000</td>
</tr>
<tr>
<td>*Emergency Nursing</td>
<td>$0</td>
<td>$10,000</td>
<td>$15,000</td>
<td>$20,000</td>
<td>$35,000</td>
</tr>
<tr>
<td>*Flight Nursing</td>
<td>$0</td>
<td>$10,000</td>
<td>$15,000</td>
<td>$20,000</td>
<td>$35,000</td>
</tr>
<tr>
<td>Medical-Surgical Nursing</td>
<td>$0</td>
<td>$10,000</td>
<td>$15,000</td>
<td>$20,000</td>
<td>$0</td>
</tr>
<tr>
<td>Neonatal Intensive Care</td>
<td>$0</td>
<td>$10,000</td>
<td>$15,000</td>
<td>$20,000</td>
<td>$0</td>
</tr>
<tr>
<td>Nurse Midwife</td>
<td>$0</td>
<td>$10,000</td>
<td>$15,000</td>
<td>$20,000</td>
<td>$0</td>
</tr>
<tr>
<td>OB/GYN Nursing</td>
<td>$0</td>
<td>$10,000</td>
<td>$15,000</td>
<td>$20,000</td>
<td>$0</td>
</tr>
<tr>
<td>Pediatric Nursing</td>
<td>$0</td>
<td>$10,000</td>
<td>$15,000</td>
<td>$20,000</td>
<td>$0</td>
</tr>
<tr>
<td>*Perioperative Nursing</td>
<td>$0</td>
<td>$10,000</td>
<td>$15,000</td>
<td>$20,000</td>
<td>$35,000</td>
</tr>
<tr>
<td>*Psychiatric/Mental Health Nursing</td>
<td>$0</td>
<td>$10,000</td>
<td>$15,000</td>
<td>$20,000</td>
<td>$35,000</td>
</tr>
</tbody>
</table>
*Table 5-6. Biomedical Services, Medical Services, Specialists, and Veterinary Corps IP & RB

For the most current rates, see the Biomedical Services, Medical Services, Specialists, and Veterinary Corps IP & RB table on DFAS.MIL.

<table>
<thead>
<tr>
<th>SPECIALTY</th>
<th>PAID ANNUALLY</th>
<th>RB Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FULLY QUALIFIED IP RATE/YEAR</td>
<td>2-Year</td>
</tr>
<tr>
<td></td>
<td>(WITH OR WITHOUT RB)</td>
<td></td>
</tr>
<tr>
<td>Optometrist</td>
<td>$1,200</td>
<td>$5,000</td>
</tr>
<tr>
<td>Pharmacist</td>
<td>$0</td>
<td>$15,000</td>
</tr>
<tr>
<td>*Physician Assistant</td>
<td>$5,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>*Psychologist</td>
<td>$5,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Public Health Officer (Air Force)</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Social Worker</td>
<td>$0</td>
<td>$5,000</td>
</tr>
<tr>
<td>Veterinary</td>
<td>$5,000</td>
<td>$2,500</td>
</tr>
</tbody>
</table>
Table 5-7. Dental Corps RB
For the most current rates, see the *Dental Corps RB* table on DFAS.MIL.

<table>
<thead>
<tr>
<th>DENTAL CORPS</th>
<th>PAID ANNUALLY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2-Year Rate</td>
</tr>
<tr>
<td>Advance Clinical Practice:</td>
<td></td>
</tr>
<tr>
<td>Endodontics; Exodontia; General Dentistry; Periodontics; and Prosthodontics</td>
<td>$18,000</td>
</tr>
<tr>
<td>*Comprehensive/Operative Dentistry</td>
<td>$25,000</td>
</tr>
<tr>
<td>Dental Research</td>
<td>$25,000</td>
</tr>
<tr>
<td>Endodontics</td>
<td>$25,000</td>
</tr>
<tr>
<td>General Dentistry</td>
<td>$13,000</td>
</tr>
<tr>
<td>Oral:</td>
<td></td>
</tr>
<tr>
<td>Diagnosis; Medicine; Pathology</td>
<td>$25,000</td>
</tr>
<tr>
<td>*Oral Maxillofacial Surgery</td>
<td>$25,000</td>
</tr>
<tr>
<td>Orthodontics</td>
<td>$25,000</td>
</tr>
<tr>
<td>Pedodontics</td>
<td>$25,000</td>
</tr>
<tr>
<td>*Periodontics</td>
<td>$25,000</td>
</tr>
<tr>
<td>*Prosthodontics</td>
<td>$25,000</td>
</tr>
<tr>
<td>Public Health Dentistry</td>
<td>$25,000</td>
</tr>
<tr>
<td>Temporomandibular Dysfunction/Orofacial Pain</td>
<td>$25,000</td>
</tr>
</tbody>
</table>
*Table 5-8. Medical Corps RB
For the most current rates, see the Medical Corps RB table on DFAS.MIL.

<table>
<thead>
<tr>
<th>POST RESIDENT OR FELLOW GRADUATE</th>
<th>PAID ANNUALLY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2-Year</td>
</tr>
<tr>
<td>Aerospace Medicine</td>
<td>$13,000</td>
</tr>
<tr>
<td>*Anesthesiology</td>
<td>$25,000</td>
</tr>
<tr>
<td>Cardiology-Adult/Pediatric</td>
<td>$21,000</td>
</tr>
<tr>
<td>Dermatology</td>
<td>$17,000</td>
</tr>
<tr>
<td>*Emergency Medicine</td>
<td>$17,000</td>
</tr>
<tr>
<td>*Family Practice</td>
<td>$17,000</td>
</tr>
<tr>
<td>Gastroenterology</td>
<td></td>
</tr>
<tr>
<td>Adults/Pediatrics</td>
<td>$22,000</td>
</tr>
<tr>
<td>General Internal Medicine</td>
<td>$13,000</td>
</tr>
<tr>
<td>*General Surgery</td>
<td>$25,000</td>
</tr>
<tr>
<td>Neurology Adults/Pediatrics</td>
<td>$13,000</td>
</tr>
<tr>
<td>Neurosurgery</td>
<td>$25,000</td>
</tr>
<tr>
<td>OB-GYN</td>
<td>$17,000</td>
</tr>
<tr>
<td>Ophthalmology</td>
<td>$13,000</td>
</tr>
<tr>
<td>*Orthopedics</td>
<td>$17,000</td>
</tr>
<tr>
<td>Otolaryngology</td>
<td>$17,000</td>
</tr>
<tr>
<td>Pathology</td>
<td>$13,000</td>
</tr>
<tr>
<td>Pediatrics</td>
<td>$13,000</td>
</tr>
<tr>
<td>Physiatrist/Physical Medicine</td>
<td>$12,000</td>
</tr>
<tr>
<td>Preventative/Occupational Medicine</td>
<td>$13,000</td>
</tr>
<tr>
<td>*Psychiatry Adults/Pediatrics</td>
<td>$17,000</td>
</tr>
<tr>
<td>*Pulmonary/Critical Care Medicine</td>
<td>$21,000</td>
</tr>
<tr>
<td>Radiology Diagnostic/Therapeutic</td>
<td>$25,000</td>
</tr>
<tr>
<td>*Subspecialty Category I (Note 1)</td>
<td>$23,000</td>
</tr>
<tr>
<td>Subspecialty Category II (Note 2)</td>
<td>$12,000</td>
</tr>
<tr>
<td>Subspecialty Category III (Note 3)</td>
<td>$12,000</td>
</tr>
<tr>
<td>Subspecialty Category IV (Note 4)</td>
<td>$13,000</td>
</tr>
<tr>
<td>Subspecialty Category V (Note 5)</td>
<td>$21,000</td>
</tr>
<tr>
<td>Urology</td>
<td>$20,000</td>
</tr>
</tbody>
</table>
NOTES:

1. Requires primary specialty in General Surgery or as listed:
   a. Cardio Thoracic Surgery;
   b. Colon Rectal Surgery;
   c. Fellowship trained Orthopedic Surgeons;
   d. Oncology Surgery;
   e. Organ Transplant;
   f. Pediatric Surgery;
   g. Plastic Surgery;
   h. Trauma/Critical Care Surgery; or
   i. Vascular Surgery.
2. Nuclear Medicine Internists only.
3. Internal Medicine/Pediatric Fellowship subspecialties in:
   a. Allergy/Immunology;
   b. Hematology/Oncology;
   c. Neonatology; or
   d. Nephrology.
4. All internal medicine and pediatric subspecialties not listed in subspecialty category 1 and 3 listed separately:
   a. Clinical Pharmacology;
   b. Developmental Pediatrics;
   c. Endocrinology;
   d. Geriatrics Fellowship training;
   e. Infectious Disease; or
   f. Rheumatology.
5. Physicians who Fellowship trained in:
   a. OB/GYN;
   b. Ophthalmology;
   c. Otolaryngology; or
   d. Urology.
*Table 5-9. Dental RC AB and RB
For the most current rates, see the Dental RC AB and RB table on DFAS.MIL.

<table>
<thead>
<tr>
<th>DENTAL CORPS</th>
<th>AB (Note)</th>
<th>RB (Note)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dental Officer, Clinical/General</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Dentist, Comprehensive</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Endodontist</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>*Oral &amp; Maxillofacial Surgeon</td>
<td>$30,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>Periodontist</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Prosthodontist</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>*Public Health Dentist</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
</tbody>
</table>

NOTES:

The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be subject to the current law, DoDI 6000.13, and service policy existing at the time the contracts were signed. These amounts are paid annually.
Table 5-10. Medical RC AB and RB
For the most current rates, see the *Medical RC AB and RB* table on DFAS.MIL.

<table>
<thead>
<tr>
<th>MEDICAL CORPS</th>
<th>AB (Note)</th>
<th>RB (Note)</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Aerospace Medicine</td>
<td>$30,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>*Anesthesiology</td>
<td>$40,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>*Critical Care Pulmonary Disease</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>*Emergency Medicine</td>
<td>$40,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>Family Medicine/Family Practice</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Field Surgeon</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>*Flight Surgeon; Aviation/Aerospace GMO; Aviation/Aerospace; Residence Trained</td>
<td>$30,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>*Gastroenterology</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Infectious Disease</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Internist</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>*Nephrology</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>*Neurologist</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>OB-GYN</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Ophthalmology</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Otolaryngologist</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Pediatrician</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Preventive Medicine</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Psychiatrist</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>*Radiologist, Diagnostic</td>
<td>$45,000</td>
<td>$45,000</td>
</tr>
<tr>
<td>*Radiologist, Special Procedures</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>*Surgeon Colon Rectal</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>*Surgeon Critical Care Trauma</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>*Surgeon, General</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>*Surgeon, Neurological</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>*Surgeon Orthopedic</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>*Surgeon Plastic</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>*Surgeon, Thoracic Cardiovascular</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>*Surgeon Vascular Peripheral</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Undersea Medicine</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>*Urologist</td>
<td>$45,000</td>
<td>$45,000</td>
</tr>
</tbody>
</table>
*Table 5-10. Medical RC AB and RB (Continued)

NOTE:

The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be subject to the current law, DoDI 6000.13, and service policy existing at the time the contracts were signed. These amounts are paid annually.
*Table 5-11. Nurse Corps RC AB and RB
(See Note)
For the most current rates, see the Nurse Corps RC AB and RB table on DFAS.MIL.

<table>
<thead>
<tr>
<th>NURSE CORPS</th>
<th>AB (Note)</th>
<th>RB (Note)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anesthetist</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>*Clinical, Critical Care</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>*Clinical, Obstetrics</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>*Flight</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>*Mental Health</td>
<td>$17,500</td>
<td>$17,500</td>
</tr>
<tr>
<td>Midwife</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>*Operating Room</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>*Practitioner, Acute Care</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>*Practitioner, Family</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>*Practitioner, Mental Health</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Practitioner, Pediatric</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>*Practitioner, Women’s Health</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>*Public Health</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>*Trauma/Emergency</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
</tbody>
</table>

NOTE:

The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be subject to the current law, DoDI 6000.13, and service policy existing at the time the contracts were signed. These amounts are paid annually.
*Table 5-12. Biomedical Services, Medical Services, Specialists, and Veterinary Corps RC AB & RB
(See Note)
For the most current rates, see the Biomedical Services, Medical Services, Specialists, and Veterinary Corps RC AB and RB table on DFAS.MIL.

<table>
<thead>
<tr>
<th>SPECIALTIES</th>
<th>AB (Note)</th>
<th>RB (Note)</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Aeromedical Evacuation</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>*Audiologist</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>*Clinical Laboratory/ Biomedical Laboratory Science</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>*Clinical Psychologist</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>*Entomologist</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>Health Service Administration</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>*Microbiologist</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Optometrist</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>*Patient Administration</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>*Physical Therapist</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Physician Assistant</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Plans/Operations/Medical Intelligence</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>*Public Health</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>*Social Worker</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VETERINARY CORPS</th>
<th>AB</th>
<th>RB</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Clinical Medicine</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>*Laboratory Animal Medicine</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>*Pathology</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>*Preventive Medicine</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>*Service Officer</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
</tbody>
</table>

**NOTE:**

The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be subject to the current law, DoDI 6000.13, and service policy existing at the time the contracts were signed. These amounts are paid annually.
REFERENCES

CHAPTER 5: - HEALTH PROFESSIONS OFFICER (HPO) SPECIAL AND INCENTIVE PAY

0502 – PROVISIONS

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

0503 – AB

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

0505 – BCP

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

050502

Assistant Secretary of Defense Health Affairs (ASD HA) Memo, September 27, 2016

0506 – IP

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

0507 – RB

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0508 – RC

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0509 – TERMINATION

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

050905

37 U.S.C. §§ 332, 335, 353

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VOLUME 7A, CHAPTER 8: “SPECIAL PAY - SPECIAL DUTY ASSIGNMENT PAY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated August 2017 is archived.

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<td>Updated the “Purpose” paragraph in accordance with Department of Defense Instruction (DoDI) 1340.26.</td>
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<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
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CHAPTER 8

SPECIAL PAY - SPECIAL DUTY ASSIGNMENT PAY

*0801 GENERAL

080101. Purpose

Special Duty Assignment Pay (SDAP) is awarded to Service members for the performance of duty in an assignment, location, or unit designated, where the assigned duties are determined to be extremely demanding, involving an unusual degree of responsibility or difficulty, or requiring special qualifications.

080102. Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Title 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*0802 SDAP

080201. Eligibility

The Secretaries of the Military Departments concerned will establish eligibility criteria based on Service-specific needs and will consider paygrade, level of responsibility, and the operational nature of the assignment.

A. Army. See the Department of the Army Memorandum, Corrected 3-Special Duty Assignment Pay Biennial Review and Recertification, dated November 14, 2018.

B. Navy. See Chief of Naval Operations Instructions (OPNAVINST) 1160.6C.

C. Air Force. See Air Force Instruction (AFI) 36-3017.

D. Marine Corps. See Marine Corps Order (MCO) 7220.12R.

080202. Additional Guidelines

A. The Secretary of the Military Department may pay a special duty pay to a member of the Active or Reserve Component of the Uniformed Service who is entitled to basic pay under 37 U.S.C., section 204, or compensation under 37 U.S.C. § 206.
B. The Secretary concerned may pay SDAP to a Service member who performs duties in an assignment, location, or unit designated, and under the conditions of service specified by the Secretary concerned.

C. SDAP will be in addition to any other pay or allowances a Service member may be receiving, except where otherwise stated.

D. Awarding new agreements for assignment and special duty pays under 37 U.S.C., Chapter 5, Subchapter I, was discontinued after October 1, 2017. Existing agreements under 37 U.S.C., Chapter 5, Subchapter I, will remain in effect and payments may continue through the agreed-upon date.

080203. Restrictions

A. A member of a Reserve Component entitled to pay under 37 U.S.C. § 206 and authorized for special duty pay may be paid an amount of SDAP that is proportionate to the compensation received by the member for inactive duty training. The member may be awarded an amount at 1/30th of the prescribed monthly rate of the special duty pay for the performance of each authorized period of inactive duty training with pay.

B. The Secretary of the Military Department concerned may increase, decrease, or abolish SDAP for any skill or assignment at any time and will establish restrictions and limitations to the pay through Service regulations.

C. Assignment and special duty pays are not to be continuous in nature and should be for a specified period. However, back-to-back assignment and special duty pays are authorized as long as the Service member continues to meet Service regulations and perform duties in assignments designated for the pay.

D. A member may receive multiple assignment and special duty pays. However, a Service member may not receive multiple pays for the same purpose and period of service.

080204. Amount

A. Assignment and special duty pays may be paid in monthly, installment, or lump sum amounts, but may not exceed the amount listed in subparagraph 080204.B. The combination of assignment and special duty pays may not exceed an average monthly amount of $3,500, unless otherwise authorized by the Assistant Secretary of Defense for Manpower and Reserve Affairs.
B. The Secretaries of the Military Departments concerned will establish monthly rates, but the maximum amount of SDAP per month will not exceed $750.

080205. Repayment

A member who receives SDAP in accordance with 37 U.S.C. § 352, and fails to fulfill the eligibility requirements for receipt of such pay, will be subject to the repayment provisions of 37 U.S.C. § 373.

0803 ENTITLEMENT

080301. Service Designations

Designations of military specialties and assignments for SDAP are in the applicable regulations of the Military Service concerned.

*080302. Written Agreement

A. Discretionary for Monthly Payments. The Secretary of the Military Department concerned may require a Service member to enter into a written agreement with the Secretary in order to qualify for the payment of assignment pay or special duty pay on a monthly basis. If used, the written agreement will specify the period for which the assignment pay or special duty pay will be paid and the monthly rate.

B. Non-discretionary for Installment or Lump Sum Payments. The Secretary of the Military Department concerned will require a Service member to enter into a written agreement with the Secretary in order to qualify for installment or lump sum payments of assignment pay or special duty pay. The written agreement will specify the period for which the Service member will receive assignment pay or special duty pay, the amount of each periodic installment or lump sum, and the repayment policy under paragraph 080205.

*0804 CONDITIONS OF ENTITLEMENT

080401. Effect of SDAP on Other Computations

SDAP is not used in the computation for an enlistment bonus, severance pay, separation pay, or cash settlement of accrued leave.

080402. Tax

SDAP is subject to withholding of income tax, but not subject to withholding of Federal Insurance Contributions Act taxes.
CHAPTER 8 - SPECIAL PAY - SPECIAL DUTY ASSIGNMENT PAY

*0801 - GENERAL

37 U.S.C. § 352
DoD Instruction (DoDI) 1340.26, September 25, 2017,
Incorporating Change 1, Effective January 11, 2019

*0802 - SDAP

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         Change 1, Effective January 11, 2019
080201.A  Department of the Army Memo, November 14, 2018
080201.B  OPNAVINST 1160.6C, October 5, 2017
080201.C  AFI 36-3017, September 20, 2018
080201.D  MCO 7220.12R, June 13, 2017

*0803 - ENTITLEMENT

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         Change 1, Effective January 11, 2019
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         Change 1, Effective January 11, 2019
VOLUME 7A, CHAPTER 9: “ACTIVE DUTY ENLISTED MEMBERS
ENLISTMENT, REENLISTMENT, AND RETENTION BONUSES”

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<td>Addition</td>
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CHAPTER 9

ACTIVE DUTY ENLISTED MEMBERS ENLISTMENT, REENLISTMENT AND RETENTION BONUSES

0901 GENERAL

090101. Purpose

This chapter establishes DoD policy guidance pertaining to active duty enlistment, reenlistment, and retention bonuses.

*090102. Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 331. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

0902 ENLISTMENT BONUS

090201. Eligibility

An enlistment bonus is authorized for individuals who enlist in a Military Service for a specific period and, if applicable, for service in a military skill that is experiencing critical personnel shortages as designated by the Secretary of the Military Department concerned. The individual must meet the qualifications listed in subparagraphs 090201.A-H:

A. Possess a high school diploma, a completion or attendance certificate in lieu of a high school diploma, or a General Educational Development program certificate;

B. The individual must be an initial enlistee, a prior Military Service enlistee, who enlists in a Regular Component of the Military Service as defined in subparagraphs 090201.B.1 and 2.

1. Initial/Non-prior Service Enlistee. An Initial or Non-prior Service Enlistee is a person who has either never served or has served, and was released from such service before completing the basic training requirements of the Service of which the person was a member and the service was characterized as either honorable or uncharacterized.

2. Prior Military Service Enlistee. A Prior Military Service Enlistee is a person who has prior military experience but has not previously received an enlistment or reenlistment bonus or who currently is not entitled to a Selective Retention Bonus (SRB) under section 0903, or a Critical Skill Retention Bonus (CSRB) under section 0904, or a Prior Service Enlistment Bonus under section 0905;
C. Enlist for at least 2 years or extend an initial period of obligated service to a total of at least 2 years in a Regular Component of a Military Service and serve for a specified period of obligated service in at least one of the following categories:

1. A designated military skill,
2. Career field,
3. Unit,
4. Grade, or
5. Other condition or conditions imposed by the Under Secretary of Defense (Personnel and Readiness) (USD (P&R)) or the Secretary of the Military Department concerned;

D. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

1. Amount of the bonus;
2. Method of bonus payment - lump sum amount or periodic installments;
3. Period of obligated service; and
4. Designated military skill or specialty, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

E. Not have previously received an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

F. Not have previously received and not be eligible to receive an SRB under section 0903 or a CSRB under section 0904;

G. Successfully complete training and become technically qualified in a designated skill if completion of such training and technical qualification forms the basis under which the bonus is paid; and

H. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department concerned.
090202. Amount

The Secretary of the Military Department concerned will determine the amount of the enlistment bonus awarded for a designated military skill. The bonus payment for a designated military skill or cumulative amount of enlistment bonuses to any individual is not to exceed $40,000.

090203. Computation

The Secretaries of the Military Departments are required to establish rules of computation for enlistment bonuses.

090204. Method of Payment

A. The bonus may be paid either in periodic installments or a single lump sum. The timing of the initial payment is at the discretion of the Secretary of the Military Department concerned, except that it must not be paid before the member completes basic recruit training. For individuals enlisted for specialties requiring formal training, the Service concerned may withhold the initial payment until the individual completes the training and qualifies in the military skill, so the bonus serves as an incentive to complete the training needed to qualify in the skill.

B. Members, with prior military service who do not require formal training to be technically qualified in the skill for which the bonus is paid, are paid the first installment no earlier than 30 days after arrival at the first permanent duty station following re-entry to active duty.

C. If paid in installments, after the initial payment, the remainder of the bonus must be paid in equal periodic installments.

090205. Repayment

A. A member, who does not complete the term of enlistment, or extension of enlistment, or who is not technically qualified in the skill for which the bonus was paid, will be subject to the repayment provisions of Chapter 2.

B. A member, who is discharged 12 months or less before the expiration of enlistment or extension of enlistment, may be considered to have completed the terms of enlistment or extension of enlistment for which the bonus was paid. The Military Departments will determine and advise when repayment is required, since this 12-month rule is not applicable to all early discharges.

*090206. Duration of Authority

An enlistment bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.
0903 SRB

090301. Eligibility

The Secretary of the Military Department concerned may designate a unit, grade, or impose such other condition or conditions of service with respect to the SRB, as determined necessary to mitigate a significant current or projected personnel shortage or changing force structure requirements. An SRB based on unit, grade, or such other condition or conditions of service are subject to USD (P&R) approval. The member must:

A. Serve in a pay grade E-3 or higher;

B. Reenlist for a period of at least 3 years or voluntarily extend an enlistment for a period of at least 1 year on active duty;

C. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment - lump sum amount or periodic installments;

3. Period of obligated service; and

4. Designated military skill, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

D. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

1. A designated military skill,

2. Career field,

3. Unit,

4. Grade, or

5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

E. Meet skill qualification prior to payment of the SRB for a member transferring into a designated military skill;
F. Qualify under any additional eligibility criteria prescribed by the Secretary of the Military Department concerned; and

G. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service.

090302. Limitations

A. A re-entry or reenlistment must occur no later than 3 months (or within a lesser period if so prescribed by the Secretary of the Military Department concerned) after the date of discharge or release from active duty.

B. Veterans with more than a 3-month but less than a 4-year break in active duty may qualify for a broken service, or a prior service re-entry, SRB program in accordance with regulations prescribed by the Secretary of the Military Department concerned.

C. Re-enlistees reentering active duty with a break in active duty greater than 24 hours, only the original DoD (DD) Form 214, Certificate of Release or Discharge from Active Duty, (copy 1 or copy 4) or a reproduction of the DD 214, with a certified true-copy stamp and appropriate Federal Government authenticating seal imprinted thereon, is acceptable documentation and identification. The 24-hour period begins on the day following the date of discharge or separation.

D. Members with prior enlisted service and subsequent service as an officer, who were discharged or released from active duty and who, within 3 months after discharge or release from active duty as an officer, reenlist in the same Regular Component of a Military Service in which they previously served as an enlisted member may be eligible for an SRB. The individual must meet all other requirements established in paragraphs 090301 and 090302.

E. Service members may be eligible for an SRB if they extend their existing service obligation for a minimum of 12 months.

F. Members who reenlist or voluntarily extend an enlistment to obtain sufficient obligated service to participate in a program leading to commissioned or warrant officer status are not eligible for an SRB.

G. A member is not eligible for an SRB if the member was discharged or released from active duty or service in an active status based upon a determination of misconduct, substandard duty performance, or moral or professional dereliction.

H. An SRB may not be paid to an enlisted member who has completed more than 20 years of active duty or service in an active status, or who will complete a total of 24 years of service before the end of the period of active duty or active status for which the bonus is offered.

I. Generally, a member may not use any preexisting period of obligated service to satisfy an obligated service requirement under an SRB agreement, unless such service
is determined by the Secretary of the Military Department concerned to be consistent with the requirements of 37 U.S.C. § 371; and

1. Such preexisting period of obligated service is necessary for the member to qualify for continuous submarine duty incentive pay and is service for which no bonus was previously authorized or payable; or

2. Such preexisting period of obligated service includes no more than a 2-year period of an unserved voluntary extension of enlistment for which no bonus was previously authorized or payable, and the member agrees to an additional 2-year period of obligated service in connection with the SRB.

090303. Amount

The SRB may not exceed $25,000 for each year of obligated service in a Regular Component. The maximum amount for an SRB is $100,000.

A. The Secretary of the Military Department concerned must determine the amount of the SRB based on a business case model that targets the retention of adequate levels of enlisted personnel in a reenlistment or extension category.

B. Members may receive more than one SRB for a career, but the total combined SRB payments over a career must not exceed $200,000.

C. SRB amounts may be prorated for extension requests greater than one year and reenlistments greater than 3 years. The additional service time will be calculated on a monthly basis at a rate equal to 1/12th the annual amount. Total bonus amounts are limited to $100,000.

090304. Computation

The Secretaries of the Military Departments are required to establish and publish the rules for computing the SRB.

090305. Method of Payment

The bonus may be paid either in periodic installments or a single lump sum. If the Secretary of the Military Department concerned elects to pay SRBs in installments:

A. The installment amount will be at the discretion of the Secretary of the Military Department concerned, and may be paid at the time of reenlistment, or at the beginning of the member’s service commitment for the voluntary extension of enlistment. All payments must be made before the member completes a total of 24 years of service.

B. An initial installment to a member who reenlists after a break in active duty service greater than 24 hours is to be made no earlier than 30 days after arrival at the first permanent duty station following reenlistment.
C. Where there is lost time, the subsequent installment payments will be delayed by the number of days of lost time.

D. Discharge for the purpose of immediate reenlistment does not affect a member’s entitlement to subsequent SRB installment payments.

090306. Additional Obligated Service

Additional obligated service is defined as any active service commitment beyond an existing contractual service agreement. Existing contractual service agreements include enlistments, extensions of enlistment, and reenlistments.

090307. Changes and Termination of Awards

A. The Military Departments will notify USD (P&R) of any changes to a Military Department’s SRB guidance under the enlisted bonus program. The Secretary of the Military Department concerned will issue an announcement that fully describes the change along with an effective date. The amount of the SRB offered after the date of such change may not exceed that authorized under 37 U.S.C. § 331(c).

B. A member who agrees to train and reenlist for military service in a skill, that at the time of that agreement is designated for an award of an SRB, may be paid a bonus for that skill at the award level in effect at the time of agreement or the award level in effect at the time of reenlistment, whichever is higher, on completion of qualification training and reenlistment in that skill. The bonus would still be payable if the member otherwise qualifies for the bonus, even if that skill is no longer designated for an award of the SRB at the time the member becomes eligible for payment of the bonus.

090308. Repayment

A. A member, who does not complete the term of reenlistment, or extension of reenlistment, or who is not technically qualified in the skill for which the bonus was paid, will be subject to the repayment provisions of Chapter 2.

B. A member, who is discharged 12 months or less before the expiration of reenlistment or extension of reenlistment, may be considered to have completed the terms of reenlistment or extension of enlistment for which the bonus was paid. The Military Departments will determine and advise when repayment is required, since this 12-month rule is not applicable to all early discharges.

090309. Duration of Authority

An SRB may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.
0904 CSRB

090401. Eligibility

An enlisted member of the Armed Forces, who is serving on active duty in a Regular Component and is qualified in a critical military skill designated by the Secretary of Defense, may be paid a retention bonus as provided in this section, if the member is not serving on an indefinite enlistment and reenlists or voluntarily extends the enlistment for at least 1 year.

090402. Limitations

A. A retention bonus may not be given under paragraph 090401 to a member of the Armed Forces who has completed more than 25 years of active duty or who will complete the 25th year before the end of the period of active duty or active status for which the bonus is offered. This limitation does not apply with respect to a member who is qualified in a skill related to special operations forces.

B. The USD (P&R) or the Principal Deputy, USD (PDUSD) (P&R) may waive the 25-year service limitation on eligibility with respect to a member who, during a period of active duty or service in an active status in a Reserve Component for which the bonus is being offered, is assigned duties in a skill designated as critical.

C. CSRB payments may not be made before the start of the active duty service period for which the CSRB is being awarded, unless specifically authorized by the PDUSD (P&R).

090403. Amount

A. A member may enter into an agreement, reenlist, or voluntarily extend enlistment more than once in order to receive a bonus under this section. However, a member may not receive a total of more than $200,000 in payments under this section.

B. A CSRB amount may not exceed $30,000 unless PDUSD (P&R) has granted an exception.

NOTE: The combined total of CSRB and SRB, in accordance with DoD Directive (DoDD) 1304.21, during an individual’s career, shall not exceed $200,000, unless the PDUSD (P&R) authorizes it for the skill concerned as an exception to policy.

090404. Method of Payment

A bonus under this section may be paid in a single lump sum or periodic installments.
090405. Repayment

A. A member, who does not complete the terms of the retention bonus or who is not technically qualified in the skill for which the bonus was paid, will be subject to the repayment provisions of Chapter 2.

B. A member, who is discharged 12 months or less before the expiration of the terms of the retention bonus, may be considered to have completed the terms of the retention bonus for which the bonus was paid. The Military Departments will determine and advise when repayment is required, since this 12-month rule is not applicable to all early discharges.

*090406. Duration of Authority

An CSRB may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

0905 PRIOR SERVICE ENLISTMENT BONUS

090501. Eligibility

The Secretary of the Military Department concerned may pay an individual with prior military service who reenlists in a Regular Component of a Military Service after a break in active duty. The individual must:

A. Enlist in a Regular Component of a Military Service;

B. Reenlist for a period of at least 3 years or extend the initial period of obligated service to a total of 3 years;

C. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment - lump sum amount or periodic installments;

3. Period of obligated service; and

4. Designated military skill or specialty, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

D. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:
1. A designated military skill,

2. Career field,

3. Unit,

4. Grade, or

5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

E. Successfully complete training or re-training and become technically qualified in a designated military skill, when additional training is required;

F. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

G. Provide the original DD 214 (copy 1 or copy 4), “Certificate of Release or Discharge from Active Duty,” or a reproduction of the DD 214 with a certified true-copy stamp and the appropriate Federal Government authenticating seal imprinted thereon for any period of prior military service, or other official documentation verifying member’s satisfactory participation for all periods of prior service in the Regular Component;

H. Qualify under any additional eligibility criteria prescribed by the Secretary of the Military Department concerned; and

I. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department concerned.

090502. Amount

The Prior Service Enlistment Bonus or the cumulative amount of enlistment bonuses will not exceed $40,000.

090503. Method of Payment

A. The Secretary of the Military Department concerned must establish a method of payment for the bonus (lump sum or periodic installments). Payment should be disbursed based on training milestones, amounts, and length of enlistment. The Secretary of the Military Department concerned must not pay a person or member any portion of the bonus prior to completion of basic recruit training.

B. Members with prior military service, who do not require formal training to be technically qualified in the skill for which the bonus is being paid, will receive their first installment no earlier than 30 days after arrival at the first permanent duty station following entry on active duty.
090504. Repayment

A. A member, who does not complete the term of enlistment or who is not technically qualified in the skill for which the bonus was paid, will be subject to the repayment provisions of Chapter 2.

B. A member, who is discharged 12 months or less before the expiration of enlistment, may be considered to have completed the terms of enlistment for which the bonus was paid. The Military Departments will determine and advise when repayment is required, since this 12-month rule is not applicable to all early discharges.

*090505. Duration of Authority

A prior service enlistment bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

0906 MILITARY OCCUPATIONAL SPECIALTY (MOS) CONVERSION BONUS

090601. Eligibility

The Secretary of the Military Department concerned may pay a conversion bonus to a member of the Armed Forces, who agrees to execute a written agreement to convert to, and serve for a period of not less than three years in, a MOS for which there is a shortage of trained and qualified personnel. The member must:

A. At the time the agreement is executed, be serving in a pay grade E-6, with not more than 10 years of service, or be serving in a pay grade E-5 or below, regardless of years of service;

B. Have completed all service obligations incurred for receipt of an enlistment bonus as prescribed in section 0902, a retention bonus as prescribed in section 0903, or CSRB as prescribed in section 0904;

C. Meet all eligibility requirements prescribed in section 090201;

D. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment - lump sum amount or periodic installments;

3. Period of obligated service; and
4. Designated military skill, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned; and

E. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service.

090602. Amount

The bonus payment will not exceed $4,000.

090603. Method of Payment

The bonus will be disbursed in one lump sum when the member’s conversion to the MOS is approved by the chief personnel officer of the member’s Armed Force.

090604. Repayment

A. A member, who does not complete the terms of the conversion bonus or who is not technically qualified in the skill for which the bonus was paid, will be subject to the repayment provisions of Chapter 2.

B. A member, who is discharged 12 months or less before the expiration of the terms of the conversion bonus, may be considered to have completed the terms of the conversion bonus for which the bonus was paid. The Military Departments will determine and advise when repayment is required, since this 12-month rule is not applicable to all early discharges.

*090605. Duration of Authority

A MOS conversion bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

0907 BONUS FOR TRANSFER BETWEEN MILITARY SERVICES

090701. Eligibility

The Secretary of the gaining Military Department may pay a bonus to an enlisted member who agrees to transfer and serve in another Military Service, for a specified period in a designated military skill, career field, unit, grade, or to meet some other condition or conditions imposed by the Secretary of the gaining Military Department. The member must:

A. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

1. Amount of the bonus;
2. Method of bonus payment - lump sum amount or periodic installments;

3. Period of obligated service; and

4. Designated military skill, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

B. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

1. A designated military skill,

2. Career field,

3. Unit,

4. Grade, or

5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

C. Not have failed to satisfactorily complete any term of enlistment in a Military Service;

D. Qualify for reenlistment in the Regular Component of the Military Service to which the member is transferring;

E. Prior to the transfer, fulfill the requirements established by the Secretary with jurisdiction over the Military Service to which the member is transferring;

F. Not be in receipt of an enlistment bonus, retention bonus, an affiliation bonus, or a transfer bonus for the same period of service; and

G. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department to which the member is transferring.

090702. Amount and Method of Payment

The Secretary of the gaining Military Department may pay the transfer bonus in one $10,000 lump sum amount upon approval of the transfer by the Secretary of that Military Department. Alternatively, the bonus may be paid in annual installments, the total of which may not exceed $10,000.
090703. Repayment

A. A member, who does not complete the terms of the transfer bonus or who is not technically qualified in the skill for which the bonus was paid, will be subject to the repayment provisions of Chapter 2.

B. A member, who is discharged 12 months or less before the expiration of the terms of the transfer bonus, may be considered to have completed the terms of the transfer bonus for which the bonus was paid. The Military Departments will determine and advise when repayment is required, since this 12-month rule is not applicable to all early discharges.

*090704. Duration of Authority

A bonus for transfer between military service may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

0908 BONUS FOR TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE

090801. Eligibility

The Secretary of the Military Department concerned may pay a bonus to an enlisted member who agrees to transfer from the Regular Component to the Ready Reserve or vice versa of the same service. The member must:

A. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment - lump sum amount or periodic installments;

3. Period of obligated service; and

4. Designated military skill, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

B. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

1. A designated military skill,

2. Career field,

3. Unit,
4. Grade, or

5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

C. Not be in receipt of an enlistment bonus, retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

D. Satisfactorily complete all terms of enlistment within their current component;

E. Qualify for reenlistment in the Regular Component of the Military Service to which the member is transferring; and

F. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department concerned.

090802. Amount and Method of Payment

The Secretary of the Military Department concerned must establish the amount and method of payment for the bonus (lump sum or periodic installments). The bonus for transfer between components of a Military Service may not exceed $10,000 and is payable upon approval of the Secretary concerned.

090803. Repayment

A. A member, who does not complete the terms of the transfer bonus or who is not technically qualified in the skill for which the bonus was paid, will be subject to the repayment provisions of Chapter 2.

B. A member, who is discharged 12 months or less before the expiration of the terms of the transfer bonus, may be considered to have completed the terms of the transfer bonus for which the bonus was paid. The Military Departments will determine and advise when repayment is required, since this 12-month rule is not applicable to all early discharges.

*090804. Duration of Authority

A bonus for transfer between components of a military service may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.
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*0909 VOLUNTARY EXTENSION RETENTION BONUS (VERB)

090901. Eligibility

Effective April 27, 2020, the Secretary of the Military Department concerned may pay a VERB to an enlisted member who volunteers to remain on active duty, for at least 6, but not more than, 24 months of additional obligated service beyond their expiration of term of service (ETS) dates. The member must:

A. Be within 12 months of the date of their ETS;

B. Volunteer to remain on active duty, for at least six, but not more than, 24 months of additional obligated service beyond their existing ETS dates;

C. Be in the pay grade of E-3 or above;

D. Have less than 28 years of service; and

E. Sign an extension agreement specifying the amount of the bonus, the payment method, period of obligated service, and type or condition of service.

090902. Restrictions

A. Enlisted members volunteering for VERB are not eligible for an early discharge in accordance with title 10 U.S.C. § 1171.

B. Enlisted members may not be in receipt of any other bonus pursuant to title 37 U.S.C. § 331 for the same period of service.

C. Members who are pending disciplinary action, administrative separation, or mandatory discharge pursuant to any other provision of law or regulation, or who are being evaluated for disability retirement or separation pursuant to 10 U.S.C. Chapter 61 are not eligible for an extension bonus.

D. Additionally, unless otherwise waived by the Secretary concerned, an enlisted member is not eligible for VERB if the additional obligated service will extend the member’s service beyond the member’s mandatory retirement or high-year tenure date.

E. Members may only receive one VERB during their career.

090903. Amount and Method of Payment

Secretaries concerned may pay the bonus in a lump sum or in periodic installments. The bonus amount may not exceed $12,000 for each 12-month period. For bonus agreements less than 12 months, the bonus amount may be prorated to a monthly rate not to exceed $1,000 per month. Bonus amounts may be paid at the time of the agreement, but the bonus amount will be
calculated based only on the additional service obligation. Lastly, the entire term of the extension will be included as previously obligated service for any future bonus calculations.

090904. Repayment

Service members failing to complete the service obligation specified in the bonus agreement may have their agreement terminated and may be required to repay any unearned portion of the bonus amount in accordance with title 37 U.S.C. § 373, and Chapter 2.

090905. Duration of Authority

Subject to congressional reauthorization of title 37 U.S.C. § 331, this authority will remain in effect until September 30, 2021, unless otherwise modified or terminated earlier by the Assistant Secretary of Defense for Manpower and Reserve Affairs (ASD M&RA).
CHAPTER 9 – ACTIVE DUTY ENLISTED MEMBERS ENLISTMENT, REENLISTMENT, AND RETENTION BONUSES

0902 – ENLISTMENT BONUS

37 U.S.C. § 331

090202 DoD Instruction (DoDI) 1304.31, March 12, 2013
090203 DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020
090204 DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020
090205.A 37 U.S.C. § 373

0903 – SRB

37 U.S.C. § 331(h)

090301 DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020
090301.H DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020
090302 DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020
090303 DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020
090304 DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020
090305 DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020
090306 DoDD 1304.21, January 31, 2005
090307.A DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020
090307.B DoDI 1304.21, January 31, 2005
090308.A 37 U.S.C. § 373

0904 – CSRB

37 U.S.C. § 355(h)

090401 DoDD 1304.21, January 31, 2005
090402 DoDD 1304.21, January 31, 2005
090403 37 U.S.C. § 355(d)
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**0905 – PRIOR SERVICE ENLISTMENT BONUS**

| 090501 | 37 U.S.C. § 331 DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020 |
| 090502 | 37 U.S.C. § 331 DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020 |
| 090503 | 37 U.S.C. § 331 DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020 |
| 090504.A | 37 U.S.C. § 373 |
| 090504.B | 10 U.S.C. § 1171 |

**0906 – MILITARY OCCUPATIONAL SPECIALTY (MOS) CONVERSION BONUS**

| 090601 | 37 U.S.C. § 326(g) DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020 |
| 090602 | 37 U.S.C. § 326(g) DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020 |
| 090603 | 37 U.S.C. § 326(g) DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020 |
| 090604.A | 37 U.S.C. § 373 |
| 090604.B | 10 U.S.C. § 1171 |

**0907 – BONUS FOR TRANSFER BETWEEN MILITARY SERVICES**

| 090701 | 37 U.S.C. § 331 DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020 |
| 090702 | 37 U.S.C. § 331 DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020 |
| 090703.A | 37 U.S.C. § 373 |
| 090703.B | 10 U.S.C. § 1171 |

**0908 – BONUS FOR TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE**

| 090801 | 37 U.S.C. § 331 DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020 |
| 090802 | 37 U.S.C. § 331 DoDI 1304.31, March 12, 2013 Incorporating Change 1, Effective April 23, 2020 |
| 090803.A | 37 U.S.C. § 373 |
0909 – VOLUNTARY EXTENSION RETENTION BONUS (VERB)

37 U.S.C. § 331
DoDI 1304.31, March 12, 2013 Incorporating Change 1,
Effective April 23, 2020
ASD M&RA Memo, April 27, 2020
VOLUME 7A, CHAPTER 10: “SPECIAL PAY - DUTY SUBJECT TO HOSTILE FIRE OR IMMINENT DANGER”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated August 2019 is archived.

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<td>Updated formatting to comply with current administrative instructions.</td>
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<tr>
<td>Figure 10-1</td>
<td>Updated the current Imminent Danger Pay areas in accordance with the Assistant Secretary of Defense Manpower and Reserve Affairs Memos dated April 21, 2020 and June 4, 2020.</td>
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CHAPTER 10

SPECIAL PAY - DUTY SUBJECT TO HOSTILE FIRE OR IMMINENT DANGER

1001 GENERAL

100101. Purpose

This chapter establishes Department of Defense (DoD) policy for payment of Hostile Fire Pay (HFP) and Imminent Danger Pay (IDP) and lists the areas where members are authorized to receive these entitlements.

100102. Authoritative Guidance

The HFP and IDP policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 351. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1002 ENTITLEMENT PROVISIONS

100201. Policy

A member may be paid special pay for duty subject to hostile fire or imminent danger for any month when the member, while entitled to basic pay for active duty or compensation for inactive duty, also meets the qualifying criteria of this chapter. A member is not authorized to receive concurrent payments for hostile fire and imminent danger duty.

A. HFP. This entitlement is paid at the rate of $225 per month when, as certified by the appropriate commander, a member is:

1. Subjected to hostile fire or explosion of a hostile mine;

2. On duty in an area in close proximity to a hostile fire incident and the member is in danger of being exposed to the same dangers actually experienced by other members subjected to hostile fire or explosion of hostile mines; or

3. Killed, injured, or wounded by hostile fire, explosion of a hostile mine, or any other hostile action.

B. IDP. This entitlement is paid on a daily prorated basis, not to exceed $225 per month, when a member is on official duty in a designated IDP area. IDP may be paid to a service member who is subject to the threat of physical harm or imminent danger on the basis of civil insurrection, civil war, terrorism, or wartime conditions in a designated foreign area. See Figure 10-1, or for the most current listings Imminent Danger Pay table on DFAS.MIL.
100202. Payment

IDP is payable on a prorated daily basis not to exceed a monthly rate of $225. It is payable in addition to all other pays or allowances, except when receiving HFP, as stated in paragraph 100201. The proration does not apply to the 31st of a month for Active and Reserve component members who are on active duty for 30 days or more. HFP will not be prorated. Members will receive the maximum monthly rate of special pay for the month in which the hostile fire or hostile fire mine explosion event occurred. Payment will be made for the full month, if a member is exposed to hostile fire or a hostile mine explosion on the 31st day of a month, and the member has not already received credit for the full monthly allowance. The following examples for payment on the 31st are provided:

Example 1: A member, on active duty for more than 30 days in an IDP area for the period March 31 through April 29, will receive IDP only for the period April 1 through 29.

Example 2: A member, on active duty for more than 30 days in an IDP area for the period March 31 through April 29, and is exposed to hostile fire or a hostile mine explosion on March 31, will be entitled to HFP for the entire month of March and IDP for the period April 1 through 29.

Example 3: A member, on active duty for less than 30 days in an IDP area for the period March 29 through April 20, will be entitled to IDP for the period March 29 through 31 and April 1 through 20 for a total of 23 days.

Example 4: A member, on active duty for less than 30 days in an IDP area for the period March 29 through April 20, and is exposed to hostile fire or a hostile mine explosion on March 31, will be entitled to the full monthly amount of HFP of $225 for the month of March, and daily IDP for the period April 1 through 20.

1003 DETERMINATIONS OF FACT

100301. Eligibility

The appropriate commander will certify that the member has met the requirements for entitlement to HFP for a given month.

A. Certification of entitlement will be made at the lowest level of command that includes all the vessels, aircraft, or units subjected to the hostile fire or explosion of hostile mine incident. For example, in the case of a single vessel subjected to hostile fire or explosion of hostile mines, the vessel’s commanding officer should certify payment eligibility for all members on board. If two or more vessels are involved, then the commanding officer of the unit that includes all of the vessels should certify eligibility.

B. Certification will include the name and appropriate payroll identification number of each member entitled to the HFP, a short description of the incident, and when and
where it occurred. The certification should be forwarded directly to the servicing financial support office, via the geographic Combatant Commander exercising operational control over the Service member(s) at the time of the hostile fire event.

C. When the airspace is specifically included in an IDP area designation, members who perform official duty while flying over the area are eligible for IDP, even if they do not land in the area. When airspace is not specifically designated, members who perform duty over the area are not entitled to IDP unless they land in the area.

D. A member who performs duty on a vessel performing operational duty while in an area designated for IDP is eligible for IDP payments.

E. A death certificate or injury report may be substituted in place of the certification, if the document establishes the cause of the death or injury was due to hostile fire or an explosion of a hostile mine.

F. A member is not considered to be on official duty in a designated IDP area, and therefore, is not eligible for IDP pay, if the member is in the area:

1. While on leave from a duty station outside the IDP area, even if the outside location is another IDP area;

2. While merely transiting (as distinguished from performing official duty) by any means (including vessel, aircraft, and land conveyance) the IDP area as a consequence of traveling between two points, both outside the IDP area; or


100302. Administration

Any determinations of fact made by commanders in the certification of hostile fire are conclusive. Such determinations are not subject to review by any officer or agency of the government, unless there has been fraud or gross negligence. Such determinations, however, may be changed on the basis of new evidence or for other good cause.

1004 SPECIAL SITUATIONS

100401. Member Captured or Missing

A member entitled to HFP and/or IDP immediately before entering a status of missing, missing-in-action, interned in a foreign country or captured by a hostile force will continue to be credited with HFP and/or IDP for each month while in such a status. See Chapter 34 for additional information.
100402. Hospitalization

A member entitled to HFP and/or IDP, who is hospitalized for a wound or injury incurred as a result of hostile action, or while in the line of duty, incurs a wound, injury, or illness in a combat operation or combat zone designated by the Secretary of Defense, and is hospitalized outside of the theater of the combat operation or the combat zone for the treatment of the wound, injury, or illness, is entitled to HFP and/or IDP for each month hospitalization continues, up to an additional 3 months after the month in which the wound, injury, or illness occurred. Members may be entitled to HFP and/or IDP for up to 12 months from the date of hospitalization under the Pay and Allowance Continuation (PAC) Program. See Chapter 13 for PAC entitlement eligibility.

100403. Absences

The following examples are provided for absences from the IDP area:

A. A member, who takes leave in the IDP designated area that the member is assigned for duty, remains entitled to the payment of IDP.

B. A member, who takes leave in an IDP area that the member is not assigned for duty, is not eligible for the payment of IDP. See subparagraph 100301.F.1.

C. A member, who takes leave in an area not designated as an IDP area, is not eligible for the payment of IDP for the period of the absence.

D. A member, assigned for duty in an IDP area that performs temporary duty in an area not designated as an IDP area, is not eligible for the payment of IDP for the period of absence.

1005 Duration of Authority

HFP or IDP may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the person’s entitlement to the HFP or IDP commenced prior to that date.
**Figure 10-1. IDP Areas**  
For the most current listings, see the IDP table on DFAS.MIL.

**NOTES 1, 2, 3 and 4**

<table>
<thead>
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<th>Designated Locations</th>
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<td></td>
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</tr>
<tr>
<td>(formerly Zaire)</td>
<td></td>
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<td>X</td>
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Figure 10-1. IDP Areas ( Continued )
For the most current listings, see the IDP table on DFAS.MIL.
NOTES 1, 2, 3 and 4

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<td>Sulu Archipelago</td>
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<td>Somalia Basin</td>
<td>(Note 8)</td>
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<tr>
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<td>Yemen</td>
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</table>

NOTES:
1. The designation of a land area encompasses all internal waters, unless otherwise noted. For HFP and/or IDP purposes, the term “internal waters” is defined as waters landward of the baseline, drawn in accordance with international law.
2. The designation of a water area (such as the Persian Gulf) includes the territorial seas of those waters, but not the internal waters of the coastal lands. For example, all waters of the Persian Gulf seaward of the baseline of the coastal states, drawn in accordance with international law, would be included in the Persian Gulf designation.
3. Unless otherwise specifically indicated, airspace is NOT part of the included area. When airspace is specifically included, it will normally be that space directly vertically above the approved land or sea area.
4. This figure reflects all designated areas, which were active within the last six years.
5. Limited to Service members performing duties within the Joint Task Force Guantanamo Bay Detention Facilities.
6. Land area within a 20-km radius from the center of Athens (38° 01’ N, 23° 44’ E).
Figure 10-1. IDP Areas (Continued)
For the most current listings, see the IDP table on DFAS.MIL.
NOTES 1, 2, 3 and 4

7. Water area of the Mediterranean Sea extending from the North African Coast northward into Mediterranean Sea, bounded on the east at: 26° 00’ E longitude; extending north to: 34° 35’ N latitude; and extending west to: the East Coast of Tunisia.

8. Water area of the Somalia Basin with coordinates:
   - 11°10’N-51°15’E;
   - 06°00’N-48°30’E;
   - 05°00’N-50°30’E;
   - 11°30’N-53°34’E;
   - 05°00’N-50°30’E;
   - 01°00’N-47°00’E;
   - 03°00’S-43°00’E;
   - 01°00’S-41°00’E; and
   - 06°00’N-48°30’E.

9. Excluding Izmir and the Turkish Straits (i.e., the Dardanelles; the Sea of Marmara; and the Bosporus Straits).

10. Airspace: south of 37°45’N; and east of 43°00’E.
*REFERENCES

CHAPTER 10 - SPECIAL PAY - DUTY SUBJECT TO HOSTILE FIRE OR IMMINENT DANGER

1002 – ENTITLEMENT PROVISIONS

37 U.S.C. § 351
DoD Instruction (DoDI) 1340.09, January 26, 2018

100202  37 U.S.C. § 351

1003 – DETERMINATIONS OF FACT

DoDI 1340.09, January 26, 2018

100301.B  DoDI 1340.09, January 26, 2018, paragraph 3.2.b.(2)

1004 – SPECIAL SITUATIONS

100402  37 U.S.C. § 372

1005 – DURATION OF AUTHORITY

37 U.S.C. § 351

Figure 10-1

Afghanistan  DoD Office of General Counsel Memo, October 25, 1988
Office of the USD (OUSD) (P&R) Memo, March 27, 2007
USD (P&R) Memo, December 31, 2013

OUSD (P&R) Memo, March 27, 2007
USD (P&R) Memo, December 31, 2013

Azerbaijan  ASD (FMP) Memo, June 9, 1995
OUSD (P&R) Memo, March 27, 2007
USD (P&R) Memo, December 31, 2013

Burundi  ASD (FMP) Memo, November 29, 1996
OUSD (P&R) Memo, March 27, 2007
USD (P&R) Memo, December 31, 2013
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<td>OASD Readiness and Force Management (R&amp;FM) Memo, December 8, 2014</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>ASD (FMP) Memo, March 31, 1997</td>
</tr>
<tr>
<td></td>
<td>OUSD (P&amp;R) Memo, March 27, 2007</td>
</tr>
<tr>
<td></td>
<td>USD (P&amp;R) Memo, December 31, 2013</td>
</tr>
<tr>
<td>Tunisia</td>
<td>OUSD (P&amp;R) Memo, April 26, 2011</td>
</tr>
<tr>
<td></td>
<td>USD (P&amp;R) Memo, December 31, 2013</td>
</tr>
<tr>
<td>Turkey</td>
<td>ASD (FMP) Memo, January 29, 1997</td>
</tr>
<tr>
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<td>ASD (FMP) Memo, February 4, 1998</td>
</tr>
<tr>
<td></td>
<td>OUSD (P&amp;R) Memo, March 27, 2007</td>
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<td>USD (P&amp;R) Memo, December 31, 2013</td>
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<td>Izmir</td>
<td>ASD (R&amp;FM) Memo, October 24, 2014</td>
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Uganda

ASD (FMP) Memo, January 19, 2000
OUSD (P&R) Memo, March 27, 2007
USD (P&R) Memo, December 31, 2013

Yemen

ASD (FMP) Memo, May 25, 1999
OUSD (P&R) Memo, March 27, 2007
USD (P&R) Memo, December 31, 2013
VOLUME 7A, CHAPTER 11: “SPECIAL PAY – DIVING DUTY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated September 2017 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>110102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>1102</td>
<td>Renamed “Entitlements” to “Diving Duty Hazardous Duty Incentive Pay” and updated the section in accordance with the Department of Defense Instruction 1340.09, dated January 26, 2018. Renumbered subsequent paragraphs.</td>
<td>Revision</td>
</tr>
<tr>
<td>110206</td>
<td>Updated the “Rates Payable” paragraph with information on proration of HDIP.</td>
<td>Revision</td>
</tr>
<tr>
<td>110207</td>
<td>Updated the paragraph to reference the “Diving Duty Pay Rates” table on DFAS.MIL. Added a hyperlink to the table.</td>
<td>Revision</td>
</tr>
<tr>
<td>110209</td>
<td>Added the “Duration of Authority” paragraph in accordance with Title 37, United States Code (U.S.C.), section 351. Added a hyperlink to the “Duration of Authority” table on DFAS.MIL.</td>
<td>Addition</td>
</tr>
<tr>
<td>1103</td>
<td>Added the “Master Diver Skill Incentive Pay” section per the Under Secretary of Defense (Personnel and Readiness) Memorandum, Master Diver Skill Incentive Pay, dated January 26, 2018.</td>
<td>Addition</td>
</tr>
<tr>
<td>110307</td>
<td>Added the “Duration of Authority” paragraph in accordance with 37 U.S.C. § 353. Added a hyperlink to the “Duration of Authority” table on DFAS.MIL.</td>
<td>Addition</td>
</tr>
<tr>
<td>Table 11-4</td>
<td>Updated the Navy Enlisted and Marine Corps Officers “Diving Duty Pay Rates” table.</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 11-7</td>
<td>Added supporting statutes and references.</td>
<td>Revision</td>
</tr>
</tbody>
</table>

References

Renamed “Bibliography” to “References” and updated supporting statutes and references.
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CHAPTER 11

SPECIAL PAY - DIVING DUTY

1101 GENERAL

110101. Purpose

This chapter provides the policy governing special pay entitlements applicable to diving duty for all of the Military Services.

*110102. Authoritative Guidance

The pay policies and requirements established by Department of Defense in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*1102 DIVING DUTY HAZARDOUS DUTY INCENTIVE PAY (HDIP)

110201. Entitlement

The Secretary concerned may pay HDIP to Service members required by competent orders to participate in diving duty as part of their primary duty.

110202. Requirements

Service members entitled to basic pay may be eligible for HDIP for diving duty for periods during which they are:

A. Assigned by competent orders to the duty of diving,

B. Required to maintain proficiency as a diver by frequent and regular dives, and

C. They are either:

1. Actually performing diving duty while serving in an assignment for which diving is a primary duty, or

2. Meeting the requirements to maintain proficiency as a diver by frequent and regular dives while serving in an assignment that includes diving other than as a primary duty.
110203. **Suspension**

In time of war, the President may suspend diving duty pay.

110204. **Conditions**

See Table 11-1 for conditions which further affect entitlement to diving duty pay. Additional conditions of service may be imposed by the Secretary concerned.

110205. **Qualifications for Diving Duty**

**A. Army**

Except as noted in Tables 11-2 and 11-3, an Army member must be a rated diver in accordance with *Army Regulation (AR) 611-75* and be assigned to:

1. A Table of Organization and Equipment or Table of Distribution and Allowance position in Skill Classification/Military Occupational Specialty, Special Qualification Identifier, or Additional Skill Identifier (ASI) specified in AR 611-75; or

2. A position designated as diving duty by the Deputy Chief of Staff Personnel.

**B. Navy and Marine Corps**

Members must be designated divers, assigned to diving duty under competent orders, and maintain their qualifications for diving.

**C. Air Force**

*Service* members must:

1. Successfully complete an approved Department of Defense course for underwater swimmers,

2. Be under orders for diving duty as authorized by their Major Command, and

3. Meet the other qualification standards prescribed by current Air Force Instructions.
*110206. Rates Payable

Service members who meet the eligibility criteria, but who do not participate in a full calendar month of dive duty, will receive a prorated HDIP payment.

A. Officers assigned to diving duty are entitled to special pay for diving duty at a rate of not more than $240 per month.

B. Enlisted members assigned to diving duty are entitled to special pay for diving duty at a rate of not more than $340 per month.

110207. Specific Rates Payable

See Tables 11-2 through 11-9. The most current rates are in the Diving Duty Pay Rates table on DFAS.MIL.

110208. Restrictions on Payment

A. When assigned by orders to both diving duty and hazardous duty for the same period, a member may be paid special pay for diving duty and not more than three incentive payments for hazardous duty from among those listed in Chapter 22 and Chapter 24.

B. No member is entitled to receive special pay for performing diving duty after diving qualifications have lapsed. Upon requalification, no payments will be made for the period of the lapsed qualification.

*110209. Duration of Authority

Unless authorized by Congress, no diving duty HDIP payment may be paid after the termination date on the Duration of Authority table.

*1103 MASTER DIVER SKILL INCENTIVE PAY (MDSIP)

110301. Authority

Title 37, U.S.C. § 353 and the Under Secretary of Defense (Personnel and Readiness) (USD(P&R)) Memorandum, Master Diver Skill Incentive Pay, dated January 26, 2018, provides the authority for the Secretaries of the Military Departments to offer MDSIP to Service members who:

A. Are qualified in a critical diving specialty, and

B. Maintains proficiency as a diver through frequent and regular dives.
110302. Eligibility

The Secretaries of the Military Departments may pay MDSIP to qualified Service members serving in critical diving specialties designated by the Secretary concerned. Qualifying Service members must be proficient in performance of one of the following critical diving skill areas:

A. Supervision and training of members who are qualified in the full spectrum of diving apparatus and gas mixtures;

B. Diving, salvage, and ship underwater repair operations;

C. Surface and underwater demolition operations for salvage, ship husbandry, or underwater construction operations;

D. Operation, maintenance, and certification of deep dive systems and equipment; or

E. Operation of special operations underwater vehicles requiring the use of an underwater breathing apparatus.

110303. Additional Guidelines

A. In addition to being qualified in one of the critical skill areas listed in paragraph 110302, a Regular or Reserve Component Service member must meet the eligibility criteria for diving duty (HDIP) outlined in section 1102, and any additional criteria prescribed by the Secretary concerned.

B. Service members qualified solely in the use of a self-contained underwater breathing apparatus are not authorized MDSIP.

C. Reserve Component members entitled to compensation pursuant to 37 U.S.C. § 206 are eligible for MDSIP at the discretion of the Secretary of the Military Department concerned. The amount authorized will be equal to 1/30th of the monthly MDSIP authorized by the Military Department concerned for each period of inactive duty training.

110304. Payment Method and Amount

A. Rates. In accordance with paragraph 110301, the Military Departments may pay monthly MDSIP to qualified Service members who meet the MDSIP eligibility requirements. The amount may not exceed:

1. $340 per month for enlisted members, or

2. $240 per month for officers.
B. **Multiple Payments.**

1. Under the provisions of 37 U.S.C. § 353, a Service member may not be paid more than one skill incentive pay in any month for the same period of service or skill.

2. A member may not be paid a skill incentive pay under 37 U.S.C. § 353, and hazardous duty pay under 37 U.S.C. § 351, for the same period of service in the same career field or skill for which the payment is made.

C. **Proration.** If a Service member does not satisfy the eligibility requirements for MDSIP for an entire month, the Secretary concerned will prorate the payment to reflect the duration of the member’s actual qualifying service during the month.

D. **Repayment.** Repayment of any unearned portion or overpayment will be in accordance with the provisions of Chapter 2; Volume 16, Chapter 3; and 37 U.S.C. § 373.

110305. **Restrictions**

A. Service members temporarily unable to perform diving duty due to a physical or medical condition, not the result of the member’s own misconduct, may continue to receive MDSIP for up to 6 months. After 6 months, MDSIP will be terminated and may not be reinstated until the condition resulting in the physical or medical restriction is corrected and the member is again certified for diving duty by a competent Medical Officer.

B. Service members permanently disqualified or otherwise determined to be no longer eligible to perform diving duty are not eligible for MDSIP in accordance with paragraph 110301 or any additional criteria prescribed by the Military Departments concerned.

C. Service members are not authorized MDSIP for any period of unauthorized absences.

D. Service members who receive MDSIP and fail to satisfy the eligibility requirements for receipt of pay will be subject to having the pay terminated.

110306. **Written Agreement**

The Secretary of the Military Department concerned will establish Service specific instructions for the administration of MDSIP in accordance with paragraph 110301. The instructions may require a member to enter into a written agreement in order to qualify for MDSIP. The written agreement must specify the period for which the Service member will receive the skill incentive pay and the monthly rate of the pay.
*110307. Duration of Authority

Unless authorized by Congress, no MDSIP payment may be entered into after the date on the *Duration of Authority* table.
Table 11-1. Diving Duty Pay - Conditions of Entitlement

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>is removed from diving duty or the member's diving qualifications lapse</td>
<td></td>
<td>ceases on the date of removal or lapse.</td>
</tr>
<tr>
<td>2</td>
<td>is hospitalized as a result of a diving accident</td>
<td></td>
<td>accrues for not more than 90 days while hospitalized.</td>
</tr>
<tr>
<td>3</td>
<td>is hospitalized not as a result of a diving accident</td>
<td></td>
<td>accrues for the first 30 days.</td>
</tr>
<tr>
<td>4</td>
<td>is on leave in a pay status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>is on Temporary Additional Duty (TAD)/Temporary Duty (TDY) other than diving duty</td>
<td></td>
<td>continues to accrue (note 1).</td>
</tr>
<tr>
<td>6</td>
<td>is on TAD/TDY for diving duty purposes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>is in confinement awaiting trial by court-martial</td>
<td>is subsequently acquitted or charges are dismissed</td>
<td>accrues retroactively to date of confinement.</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>is subsequently convicted</td>
<td>does not accrue from first day of confinement through the day before the date restored to a full duty status.</td>
</tr>
<tr>
<td>9</td>
<td>is in confinement under sentence of a court-martial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>is reassigned Permanent Change of Station (PCS) and no TAD/TDY is required enroute to the new duty station</td>
<td>is ordered to and actually performs diving duty at the new duty station</td>
<td>continues to accrue (notes 1 and 2).</td>
</tr>
<tr>
<td>11</td>
<td>is reassigned PCS and no TAD/TDY is required enroute to the new duty station</td>
<td>is not ordered to diving duty at the new duty station</td>
<td>accrues through the date of detachment from the old duty station.</td>
</tr>
<tr>
<td>12</td>
<td>is reassigned PCS and TAD/TDY is required enroute to the new duty station</td>
<td>PCS orders require diving duty at the TAD/TDY station and new duty station, and actually performs diving duty</td>
<td>continues to accrue (notes 1 and 2).</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>PCS orders require diving duty at the TAD/TDY station but not the new duty station</td>
<td>continues to accrue through the date of detachment from the TAD/TDY station (notes 1 and 2).</td>
</tr>
</tbody>
</table>
Table 11-1. Diving Duty Pay - Conditions of Entitlement (Continued)

<table>
<thead>
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<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>is reassigned PCS and TAD/TDY is required enroute to the new duty station</td>
<td>PCS orders do not require diving duty at TAD/TDY station</td>
<td>accrues through the date of detachment from the old duty station.</td>
</tr>
<tr>
<td>15</td>
<td>is a member of a Reserve Component</td>
<td>is released from active duty</td>
<td>ceases not later than the date the member departs for home from the last duty station.</td>
</tr>
<tr>
<td>16</td>
<td>is discharged and immediately reenlists at the same station without a break in service</td>
<td>diving duty orders are not specifically terminated</td>
<td>continues to accrue.</td>
</tr>
<tr>
<td>17</td>
<td></td>
<td>diving duty orders are specifically terminated</td>
<td>ceases on the date stated in the orders.</td>
</tr>
</tbody>
</table>

NOTES:
1. If the member is removed from diving duty, or the member's qualifications lapse during this period, then the member's entitlement to diving duty pay terminates on the date removed from diving duty or the date qualifications lapse.
2. If a member is reassigned PCS and takes leave enroute, then diving duty pay will continue to accrue up to 30 days, if the member has otherwise met the requirements for diving duty pay.
### Table 11-2. Diving Duty Pay Rates - Army Enlisted

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>If an Army enlisted member is (note 1)</td>
<td>then the member may receive diving duty pay at the monthly rate of</td>
</tr>
<tr>
<td>1 assigned to diving duty under instruction at an approved Armed Services diving school (note 2)</td>
<td>$110</td>
</tr>
<tr>
<td>2 Master Diver</td>
<td>$340</td>
</tr>
<tr>
<td>3 Diver First Class</td>
<td>$215</td>
</tr>
<tr>
<td>4 Salvage Diver</td>
<td>$175</td>
</tr>
<tr>
<td>5 Diver Second Class</td>
<td>$150</td>
</tr>
<tr>
<td>6 Combat Diver (note 3)</td>
<td>$215</td>
</tr>
</tbody>
</table>

**NOTES:**

1. Except as otherwise noted, eligibility commences on the date of assignment to diving duty under a listed category after graduation from the requisite diving course.
2. Eligibility commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.
3. The combat diver rating applies to members serving primarily in Special Operations Forces (SOF) units who are assigned to positions that require Special Forces Underwater Operations Systems qualifications and hold a combat diver rating in accordance with AR 611-75.

### Table 11-3. Diving Duty Pay Rates - Army Officers

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>If an Army officer is (note 1) and has a special identifying code</td>
<td>then the officer may receive diving duty pay at the monthly rate of</td>
<td></td>
</tr>
<tr>
<td>1 assigned to diving duty under instruction at an approved Armed Services diving school (note 2)</td>
<td></td>
<td>$110</td>
</tr>
<tr>
<td>2 Marine Diving Officer ASI 5V</td>
<td></td>
<td>$240</td>
</tr>
<tr>
<td>3 Combat Diver (note 3)</td>
<td></td>
<td>$215</td>
</tr>
<tr>
<td>4 Diving Medical Officer</td>
<td></td>
<td>$215</td>
</tr>
</tbody>
</table>

**NOTES:**

1. Except as otherwise noted, eligibility commences on the date of assignment to diving duty under a listed category after graduation from the requisite diving course.
2. Eligibility commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.
3. The combat diver rating applies to members serving primarily in SOF units who are assigned to positions that require Special Forces Underwater Operations Systems qualifications and hold a combat diver rating in accordance with AR 611-75.
# Table 11-4. Diving Duty Pay Rates - Navy Enlisted

<table>
<thead>
<tr>
<th>R</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>U</td>
<td>If a Navy enlisted member is (note 1)</td>
<td>with an Navy Enlisted Classification</td>
<td>then the member may receive diving duty pay at the monthly rate of</td>
</tr>
<tr>
<td>L</td>
<td>(note 1)</td>
<td>of</td>
<td>$150</td>
</tr>
<tr>
<td>E</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>assigned to diving duty under instruction at an approved Armed Services diving school (note 2)</td>
<td></td>
<td>$150</td>
</tr>
<tr>
<td>2</td>
<td>Master Diver</td>
<td>MMDV</td>
<td>$340</td>
</tr>
<tr>
<td>3</td>
<td>Master Underwater Construction Diver</td>
<td>B18A</td>
<td>$340</td>
</tr>
<tr>
<td>4</td>
<td>First Class Diver</td>
<td>M1DV</td>
<td>$315</td>
</tr>
<tr>
<td>5</td>
<td>Underwater Construction Technician Advanced</td>
<td>B16A</td>
<td>$215</td>
</tr>
<tr>
<td>6</td>
<td>Underwater Construction Technician Basic</td>
<td>B17A</td>
<td>$150</td>
</tr>
<tr>
<td>7</td>
<td>Second Class Diver</td>
<td>M2DV</td>
<td>$215</td>
</tr>
<tr>
<td>8</td>
<td>Self-Contained Underwater Breathing Apparatus (SCUBA) Diver</td>
<td>840A</td>
<td>$150</td>
</tr>
<tr>
<td>9</td>
<td>Fleet Marine Force (FMF) Reconnaissance Independent Duty Corpsman</td>
<td>L02A</td>
<td>$215</td>
</tr>
<tr>
<td>10</td>
<td>FMF Reconnaissance Corpsman</td>
<td>L11A</td>
<td>$215</td>
</tr>
<tr>
<td>11</td>
<td>Medical Deep Sea Diving Technician</td>
<td>L27A</td>
<td>$215</td>
</tr>
<tr>
<td>12</td>
<td>Deep Sea Diving Technician Independent Duty Corpsman</td>
<td>L27A</td>
<td>$215</td>
</tr>
<tr>
<td>13</td>
<td>Explosive Ordnance Disposal (EOD) Mobile Unit Apprentice</td>
<td>M06A</td>
<td>$150</td>
</tr>
<tr>
<td>14</td>
<td>Basic EOD Technician</td>
<td>M02A</td>
<td>$215</td>
</tr>
<tr>
<td>15</td>
<td>Special Warfare Operator</td>
<td>O26A</td>
<td>$215</td>
</tr>
<tr>
<td>16</td>
<td>Special Warfare Operator (SEAL) Candidate</td>
<td>O20A</td>
<td>$150</td>
</tr>
<tr>
<td>17</td>
<td>Senior EOD Technician</td>
<td>M03A</td>
<td>$215</td>
</tr>
<tr>
<td>18</td>
<td>Master EOD Technician</td>
<td>M04A</td>
<td>$215</td>
</tr>
<tr>
<td>19</td>
<td>SEAL Delivery Vehicle Operator</td>
<td>O23A</td>
<td>$340</td>
</tr>
</tbody>
</table>

**NOTES:**
1. Except as otherwise noted, eligibility commences on the date of graduation from the requisite diving course, with assignment to diving duty under a listed category.
2. Eligibility commences on the date of first dive.
Table 11-5. Diving Duty Pay Rates - Navy Officers

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>assigned to diving duty under instruction at an approved Armed Services diving school (note 1)</td>
<td>various</td>
<td>$150</td>
</tr>
<tr>
<td>2</td>
<td>Diving Officer (SCUBA) (note 2)</td>
<td>various</td>
<td>$150</td>
</tr>
<tr>
<td>3</td>
<td>Diving Officer (note 3)</td>
<td>various</td>
<td>$240</td>
</tr>
<tr>
<td>4</td>
<td>EOD Officer (note 4)</td>
<td>114X, 119X, 648X, 748X</td>
<td>$240</td>
</tr>
<tr>
<td>5</td>
<td>Special Warfare Officer (note 5)</td>
<td>113X, 615X, 715X</td>
<td>$240</td>
</tr>
<tr>
<td>6</td>
<td>Special Warfare Officer – Student (note 1)</td>
<td>118X</td>
<td>$150</td>
</tr>
<tr>
<td>7</td>
<td>Medical (Diving Undersea) Officer (note 4)</td>
<td>210X</td>
<td>$240</td>
</tr>
<tr>
<td>8</td>
<td>Diving Chief Warrant Officer (note 5)</td>
<td>720X</td>
<td>$240</td>
</tr>
</tbody>
</table>

NOTES:
1. Eligibility commences on the date of first dive.
2. Must have completed SCUBA course of instruction, Course Identification Number A 433-0023.
3. Eligibility commences in accordance with paragraph 110201.
4. Except as otherwise noted, entitlement commences on the date of graduation from the requisite diving course, with assignment to diving duty under a listed category.
5. Eligibility commences on assignment of the designator.

Table 11-6. Diving Duty Pay Rates - Marine Corps Enlisted

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
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<tbody>
<tr>
<td>1</td>
<td>assigned to diving duty under instruction at an approved Armed Services diving school (note 2)</td>
<td></td>
<td>$150</td>
</tr>
<tr>
<td>2</td>
<td>Combatant Diver</td>
<td>0324/0326/8024/8026</td>
<td>$215</td>
</tr>
</tbody>
</table>

NOTES:
1. Except as otherwise noted, eligibility commences on the date of assignment to diving duty under a listed category after graduation from the Combatant Diver course.
2. Eligibility commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.
Table 11-7. Diving Duty Pay Rates - Marine Corps Officers

<table>
<thead>
<tr>
<th>R</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>U</td>
<td>If a Marine Corps officer is (note 1) and has a special identifying code of then the member may receive diving duty pay at the monthly rate of $150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>assigned to diving duty under instruction at an approved Armed Services diving school (note 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Combatant Diver 8024/8026</td>
<td>$215</td>
<td></td>
</tr>
</tbody>
</table>

**NOTES:**
1. Except as otherwise noted, eligibility commences on the date of assignment to diving duty under a listed category after graduation from the Combatant Diver course.
2. Eligibility commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.

Table 11-8. Diving Duty Pay Rates - Air Force Enlisted

<table>
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<tr>
<td>U</td>
<td>If an Air Force enlisted member is then the member may receive diving duty pay at the monthly rate of $110</td>
<td></td>
</tr>
<tr>
<td>L</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>SCUBA Diver</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Para rescue Diver</td>
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Table 11-9. Diving Duty Pay Rates - Air Force Officers

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<th>A</th>
<th>B</th>
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<td>U</td>
<td>If an Air Force Officer is then the officer may receive diving duty pay at the monthly rate of $150</td>
<td></td>
</tr>
<tr>
<td>L</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>assigned to diving duty</td>
<td></td>
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</table>
*REFERENCES

SPECIAL PAY - DIVING DUTY

1101 - GENERAL

37 U.S.C. § 304

1102 - DIVING DUTY HDIP

Department of Defense Instruction 1340.09, January 26, 2018
37 U.S.C. § 351

110206  37 U.S.C. § 304(b)

110209  37 U.S.C. § 351

1103 - MASTER DIVER SKILL INCENTIVE PAY

USD (P&R) Memorandum, January 26, 2018
37 U.S.C. § 353
37 U.S.C. § 351

110304  USD (P&R) Memorandum, January 26, 2018

110307  37 U.S.C. § 353

Table 11-3

Rule 4  Department of the Army (DA), Office of the Deputy Chief of Staff (ODCS) G-1 Memo, May 10, 2007
DA ODCS G-1 Memo, May 24, 2007
AR 611-75, October 16, 2015

Table 11-5  Department of the Navy, Bureau of Naval Personnel (BUPERS), 7220 Series BUPERS - 3/377, June 18, 2009
Naval Military Personnel Manual 1220-260 CH-64, August 2, 2018

Table 11-7  Marines Administrative Message 449/18, August 22, 2018
VOLUME 7A, CHAPTER 12: “PURPORTED MARRIAGES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated February 2018 is archived.

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<td>Revision</td>
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<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
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<td>Revision</td>
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120202. Responsibility for Validation ................................................................................... 3
120203. Payments Not Validated.......................................................................................... 3

*REFERENCES .......................................................................................................................... 4
CHAPTER 12

PURPORTED MARRIAGES

1201  GENERAL

120101.  Purpose

The purpose of this chapter is to establish policy for purported marriages and the related impact to military pay.

*120102.  Authoritative Guidance

The pay policies and requirements established by the Department of Defense in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 423.

1202  VALIDATION OF PAYMENTS BASED ON PURPORTED MARRIAGES

120201.  Authority for Validation

A payment of an allowance based on a purported marriage that is made under 37 U.S.C. § 423 or prior laws, before the marriage is annulled or terminated is valid if:

A.  A court of competent jurisdiction adjudges or decrees that the military member entered the marriage in good faith; or

B.  In the absence of such judgment or decree, the Secretary of the Military Department concerned or a person designated by the Secretary of the Military Department concerned makes a finding of good faith.

120202.  Responsibility for Validation

Findings of good faith under subparagraph 120201.B are submitted to the offices listed in Chapter 26, Table 26-11. Purported marriages requiring such findings are listed in Chapter 26.

120203.  Payments Not Validated

Payments based on invalid marriages are erroneous payments or overpayments unless validated.
CHAPTER 12 – PURPORTED MARRIAGES

1202 – VALIDATION OF PAYMENTS BASED ON PURPORTED MARRIAGES

37 U.S.C. § 423
### VOLUME 7A, CHAPTER 13: “ILLNESS OR INJURY PAYMENT PROGRAMS”

#### SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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<td>Updated formatting and hyperlinks to comply with current administrative instructions.</td>
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<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
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<td>130202 130203</td>
<td>Updated the “Eligibility” and “Entitlement” paragraphs to comply with the National Defense Authorization Act for Fiscal Year 2020, Public Law 116-92, section 601, dated December 20, 2019.</td>
<td>Revision</td>
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<td>Updated the Special Compensation for Assistance with Activities of Daily Living” section and applicable paragraphs in accordance with the Department of Defense Instruction 1341.12, dated October 31, 2019.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated statutes, and supporting references.</td>
<td>Revision</td>
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CHAPTER 13

ILLNESS OR INJURY PAYMENT PROGRAMS

1301 GENERAL

130101. Purpose

This chapter describes the payment programs authorized for military personnel, who, while serving in the line of duty, are either injured, wounded, or became ill, or who have a permanent catastrophic injury or illness and require a caregiver.

*130102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1302 PAY AND ALLOWANCE CONTINUATION (PAC) PROGRAM

130201. General

Effective May 15, 2008, the Secretary of Defense authorized the PAC Program for Service members of the Regular or Reserve Components (RC) pursuant to 37 U.S.C., section 372.

*130202. Eligibility

A. Service members must have been wounded, ill, or injured in a combat zone, a hostile fire area, or while exposed to a hostile fire event, and hospitalized, as defined in subparagraph 130203.B for treatment of such wound, injury, or illness.

B. Service members who are assigned to a medical or patient unit based on orders that confirm the assignment and who are determined as not fully fit to perform full military duties are eligible.

*130203. Entitlement

A. Service members of the Regular or RC who incur a wound, injury, or illness in the line of duty while serving in a combat operation or a combat zone, while serving in a hostile fire area, or while exposed to a hostile fire event (regardless of location), and are hospitalized for treatment of the wound, injury, or illness, will continue to receive the pay and allowances the member was receiving at the time of hospitalization. These pay and allowances include special and incentive pays, bonuses, and the daily incidental expense portion of the temporary duty allowance authorized for members deployed in a combat operation or combat zone.
B. Circumstances Involving Hospitalization:

1. The member, at the time of evacuation, will be considered “first hospitalized for treatment” for the purposes of determining PAC eligibility.

2. After first hospitalization for treatment, a Service member may remain eligible for PAC during follow-on outpatient treatment and/or rehabilitation until triggering one of the three terminating reasons listed in paragraph 130205.

3. The member may be authorized PAC beginning on the first day of the month following the date they were first hospitalized, and it may continue for up to 12 subsequent consecutive months.

C. For purposes of Hardship Duty Pay – Location (HDP-L), Service members serving on a temporary deployment, or attached duty of more than 30 days in a designated hardship duty location, and who are wounded, injured, or become ill within the first 30 days of serving in the designated area, will be considered eligible for HDP-L at the time the wound, injury or illness is incurred.

130204. Commencement of Payment

Continuation of pay and allowances under the PAC Program begins on May 15, 2008, or the date of the member’s eligibility, whichever occurs later. Begin PAC payment on the first month after hospitalization.

Example: If a member was medically evacuated from Iraq to Germany in July, August is the “first month” of PAC.

130205. Termination of Entitlement

The pay and allowances for Service members that meet the PAC Program eligibility requirements will continue until the end of the first month beginning after the earliest of the following dates:

A. The date on which the Service member is returned for assignment to other than a medical or patient unit for duty (Note: The return to assignment is based on a determination that the member is fully fit to perform full military duties.);

B. The date on which the Service member is discharged, separated, or retired (including temporary disability retirement) from the Uniformed Services; or

C. One year after the date on which the Service member is first hospitalized for the treatment of the wound, injury, or illness. The Principal Deputy Under Secretary of Defense (USD) for Personnel and Readiness (P&R) may extend the termination date in 6-month increments under extraordinary circumstances.
1303 SPECIAL COMPENSATION FOR ASSISTANCE WITH ACTIVITIES OF DAILY LIVING (SCAADL)

*130301. General

The provisions of the SCAADL Program apply only to those Service members with qualifying injuries or illnesses incurred on or after August 31, 2011. The Secretary concerned may pay special compensation to eligible Service members of the Active or RC who have incurred or aggravated a permanent catastrophic illness or injury in the line of duty, and require a caregiver who provides non-medical care, support, and assistance to the member. The DoD Instruction (DoDI) 1341.12, “Special Compensation for Assistance with Activities of Daily Living Program,” dated October 31, 2019, contains detailed instructions and procedures for initiating the SCAADL entitlement.

*130302. Eligibility

A. In order to receive the SCAADL compensation, the Service member must:

1. Have a determination made, by a licensed DoD physician or a Veterans Affairs (VA)-licensed physician, that the member has a permanent catastrophic injury and needs assistance from another person to perform the personal functions required by everyday living;

2. Have a determination made, by a DoD or a VA-licensed physician, that the member requires hospitalization, nursing home care, or other residential institutional care in the absence of such assistance;

3. Be an outpatient and have identified a designated primary caregiver. The designated primary caregiver:

   a. May be a Service member assigned to a RC and not serving on active duty. If the Service member designates a member of a RC as their primary caregiver, an alternate caregiver must also be designated. Members of the Active Component and RC assigned to active duty will not serve as designated primary caregivers;

   b. Must not be receiving the VA Program of Comprehensive Assistance Caregivers stipend, or VA Aid and Attendance compensation, in accordance with subparagraphs 130303.B.2 and 130303.B.3;

   c. May still be eligible to receive the respite benefit if they are qualified in accordance with TRICARE Operations Manual (TOM) 6010.56-M; and

   d. Must be at least 18 years of age. The exception to this requirement is if the Service member’s spouse is under 18 years of age, he or she may be the primary or alternate caregiver;
4. Be an outpatient and not receiving federally funded in-home services (other than respite care), including TRICARE, to assist with activities of daily living (ADL) or provide supervision to avoid harm to self or others.

B. Service member receiving other home health services in accordance with TOM 6010.56-M remain eligible to receive SCAADL compensation, except as described in paragraph 130303.

*130303. Restrictions

A. SCAADL is not paid to a Service member:

1. If any other federal agency is providing outpatient or in-home services to assist the member with ADL or provide supervision to avoid the Service member from harming themselves or others;

2. If the Service member receives special monthly compensation from the VA in accordance with 38 U.S.C. § 1114(r)(2);

3. If the Service member’s primary caregiver receives a monthly caregiver stipend from the VA’s Comprehensive Assistance for Family Caregivers Program;

4. If the Service member qualifies for and accepts in-home assistance with ADL, supervisory, or protection needs paid with supplemental health care program funds and provided by a TRICARE-authorized home health agency;

5. If the Service member enters hospice care. In accordance with TRICARE Reimbursement Manual 6010.61-M, TRICARE will cover hospice care for those members. However, Service members in hospice care for the management of medication still qualify for the SCAADL Program; or

6. On the last day of the month during which a 90-day period ends after the Service member begins separation or retirement, even though the member has not begun to receive compensation pursuant to 38 U.S.C. § 1114(r)(2) before the end of such period.

B. Service member will be removed from the SCAADL Program:

1. If the Service member is returned to duty through rehabilitation, or is found fit by a Service physical evaluation board, or otherwise returned to duty status as unfit, but retained on active duty. The Service member will be removed from the SCAADL program in accordance with the Military Department’s regulations. Termination effective date will be the last day of the month the Service member is no longer eligible under this provision; or

2. Pursuant to 37 U.S.C. § 373, Service members no longer satisfying SCAADL eligibility requirements will repay any SCAADL allowances received after the member is returned to duty or removed from the SCAADL program, except when:
13-7

a. The Secretary of the Military Departments concerned determines that the imposition of the repayment with regard to a Service member would be contrary to a personnel policy or management objective, would be against equity and good conscience, or would be contrary to the best interest of the United States;

b. The Service member dies or is retired or separated with a combat-related disability; or

c. The Service member receives sole survivorship discharge.

C. Service members or their designated representatives may appeal disapproval to receive SCAADL in accordance with respective Military Service appeal guidelines.

D. Qualifying payments to Service members, who receive SCAADL, in accordance with paragraph 130203, will terminate as detailed in subparagraph 130305.C.

E. Service members must complete a re-evaluation and recertification every 180-calendar days of eligibility for the SCAADL benefit.

F. Service members in receipt of SCAADL will recertify compensation upon a change in clinical status or geographical location.

G. All Service members hospitalized for 16 cumulative days or more of a month will be required to recertify upon release from the hospital.

130304. Monthly Compensation

An online SCAADL Calculator is available to compute the approximate monthly SCAADL compensation. The military services will use the DoD (DD) Form 2948, Application for Special Compensation for Assistance with Activities of Daily Living (SCAADL) Eligibility, to document the Service member’s eligibility for SCAADL. The following guidelines apply:

A. Monthly compensation is computed based on the Bureau of Labor Statistics (BLS) wage rate for a home health aide, using the 75th percentile of the hourly wage rate in the Service member’s geographic area of residence. The BLS wage rates are updated annually and published effective January of each year. The amount of monthly compensation is calculated using the zip code of the geographic location where the Service member currently resides and the Service member’s dependence level.

B. A three-tier system recognizing the variation in complexity of care required by the Service member and provided by the caregiver determines the monthly compensation. The member’s Primary Care Manager (PCM) will assess the Service member’s dependency level and assign a point value corresponding to the number of hours of care the member requires each week.

1. High Tier. It is presumed that a Service member who scores 21 or higher will require at least 40 hours per week of caregiver assistance.
2. **Medium Tier.** It is presumed that a Service member who scores 13-20 will require at least 25 hours per week of caregiver assistance.

3. **Low Tier.** It is presumed that a Service member who scores 1-12 will require at least 10 hours per week of caregiver assistance.

C. Service members or their designated representatives may appeal a PCM’s determination of dependency level to their Service headquarters. The dependency level may also change if the Service member’s condition changes and a reevaluation of the member’s level of dependency is conducted.

130305. **Payment Period**

The following guidelines apply to the period that the SCAADL entitlement may be paid:

A. Service members become eligible for the SCAADL entitlement on the date a licensed DoD or VA physician certifies that the member meets the eligibility criteria. If the certification is not on the first of the month, and the entitlement is continuous for more than 1 month, the first month will be prorated based on a 30-day month computation. The 31st day of the first month will be excluded.

B. Service members entitled to SCAADL for a continuous period of less than 1 month will receive payment for the actual number of days at the rate of 1/30th of the monthly amount. The 31st day of a calendar month may not be excluded from this computation.

C. **SCAADL entitlement stops on:**

1. The last day of the month in which a 90-day period ends after the date the Service member separates or retires. (For example, March 15 (separation date) plus 90 days equals June 13 (last day of entitlement is June 30));

2. The last day of the month during which a Service member dies (See Note);

3. The last day of the month a physician determines that a Service member no longer meets the eligibility requirements for SCAADL; or

4. The last day of the month preceding the month during which the Service member begins receiving aid and attendance from the VA under 38 U.S.C. § 1114(r)(2), or the Service member’s primary caregiver begins receiving a monthly caregiver stipend from the VA under 38 U.S.C. § 1720G.

Note: This last SCAADL payment should be paid to the beneficiary in the unpaid pay and allowances described in Chapter 36, section 3603.
**REFERENCES**

**ILLNESS OR INJURY PAYMENT PROGRAMS**

1302 - PAY AND ALLOWANCE CONTINUATION (PAC) PROGRAM

37 U.S.C. § 372
Office of the USD (P&R) Memo, July 16, 2009
National Defense Authorization Act for Fiscal Year, 2020
Public Law 116-92, section 601, December 20, 2019

1303 - SPECIAL COMPENSATION FOR ASSISTANCE WITH ACTIVITIES OF DAILY LIVING (SCAADL)

37 U.S.C. § 439
37 U.S.C. § 373
DoDI 1341.12, October 31, 2019
VOLUME 7A, CHAPTER 14: “INCENTIVE FOR QUALIFIED MEMBERS EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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CHAPTER 14

INCENTIVE FOR QUALIFIED MEMBERS EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS

1401 GENERAL

140101. Purpose

This chapter establishes policy pertaining to the incentive for qualified members extending duty at designated locations overseas.

140102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1402 SPECIAL PAY OR BONUS

140201. Eligibility

Members of the Armed Forces may be entitled to a special pay or bonus if they:

A. Are entitled to basic pay;

B. Have a specialty that is designated by the Secretary of the Military Department concerned for the purposes of this entitlement;

C. Have completed a tour of duty (as defined in accordance with regulations prescribed by the Secretary concerned) at a location outside the Continental United States (CONUS) that is designated by the Secretary of the Military Department concerned for the purposes of this entitlement; and

D. Have completed that tour of duty and then execute an agreement to extend that tour for a period of not less than 1 year.

140202. Amount

When the Secretary of the Military Department concerned accepts the member’s agreement to extend the tour of duty, the member becomes entitled, subject to the restrictions identified in paragraph 140205, to receive one of the following benefits:

A. Special pay in monthly installments in an amount prescribed by the Secretary, but not to exceed $80 per month; or
B. An annual bonus in an amount prescribed by the Secretary, but not to exceed $2,000 per year. The Secretary may pay a bonus in either a lump sum or monthly installments.

140203. Selection

Not later than the date the Secretary of the Military Department concerned accepts the agreement described in subparagraph 140201.D providing for the extension of a member’s tour of duty, the Secretary of the Military Department concerned will notify the member regarding whether the member will receive special pay or bonus. The payment rate for the special pay or bonus will be fixed at the time of the agreement and may not be changed during the period of the extended tour of duty.

140204. Repayment

A member who, having entered into a written agreement to extend a tour of duty described in subparagraph 140201.D, and who receives a bonus payment but does not complete the obligated service in accordance with the agreement will be subject to the repayment provisions of Chapter 2.

140205. Restriction

A member, who elects to receive one of the benefits specified in section 1403 as part of the extension of a tour of duty, is not entitled to the special pay or bonus authorized in this section for the period of extension of duty for which the benefit is provided.

1403 SPECIAL REST AND RECUPERATIVE (SR&R) ABSENCE

140301. Eligibility

A member who meets the eligibility requirements defined in paragraph 140201 may in lieu of receiving the special pay or bonus, elect to receive one of the entitlements described in paragraph 140302.

140302. Entitlement

A member may elect, in lieu of a special pay or bonus, either:

A. A period of SR&R absence for not more than 30 days; or

B. A period of SR&R absence for not more than 15 days for members whose qualifying tour of duty is 12 months or less, and round-trip transportation at Government expense from the location of the extended tour of duty to the nearest port in the 48 contiguous States and return, or to an alternative destination and return at a cost not to exceed the cost of round-trip transportation from the location of the extended tour of duty to such nearest port; or
C. A period of SR&R absence for not more than 20 days for members whose qualifying tour of duty is longer than 12 months, and round-trip transportation at Government expense from the location of the extended tour of duty to the nearest port in the 48 contiguous States and return, or to an alternative destination and return at a cost not to exceed the cost of round-trip transportation from the location of the extended tour of duty to such nearest port.

NOTE: The provisions of SR&R are not effective unless the Secretary concerned determines that the application will not adversely affect combat or unit readiness.

140303. Travel Time

Travel time from the CONUS port, or alternate destination, to the SR&R absence point, and return is included in the 15-day or 20-day SR&R absence. This period will begin the day after the member arrives at the aerial port of debarkation and continue until the day before the member returns to the designated port. The non-chargeable leave period will continue until the day before the date of return to the designated port. Travel time to or from the CONUS port, or alternate destination, and overseas location is non-chargeable and not included in the 15-day or 20-day SR&R.

140304. Limitations

The 15-day or 20-day SR&R absence and round-trip transportation option may not be combined with any temporary duty or transportation entitlement that would result in the cost of the round-trip portion of the option exceeding the round-trip cost from the member’s tour of duty station to the nearest CONUS port.

1404 SERVICE REGULATIONS

The following paragraphs provide hyperlinks for service entitlements, policies, and procedures for the previous prescribed incentives:

140401. Army

Army Regulation 614-30, Chapter 6, section 6-3

140402. Navy

Naval Military Personnel Manual 1306-300

140403. Air Force

Air Force Instruction 36-2110, Chapter 6

140404. Marine Corps

Marine Corps Order 1300.8, Chapter 6, section 13
*REFERENCES

CHAPTER 14 - INCENTIVE FOR QUALIFIED MEMBERS EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS

1402 – SPECIAL PAY OR BONUS

37 U.S.C., section 352
DoD Instruction (DoDI) 1327.06, June 16, 2009,
   Incorporating Change 3, May 19, 2016
DoDI 1340.26, September 25, 2017, Incorporating Change 1,
   January 11, 2019
DoDI 1315.18, October 28, 2015, Incorporating Change 3,
   June 24, 2019

1403 – SPECIAL REST AND RECUPERATIVE (SR&R) ABSENCE

10 U.S.C. § 705
DoDI 1327.06, June 16, 2009, Incorporating Change 3,
   May 19, 2016
VOLUME 7A, CHAPTER 15: “SPECIAL PAY – ASSIGNMENT INCENTIVE PAY (AIP)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated September 2016 is archived.

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<tbody>
<tr>
<td>150201</td>
<td>Updated the “Entitlement” and “Eligibility” paragraphs to comply with Title 37, United States Code, section 352 and Department of Defense Instruction 1340.26, dated September 25, 2017.</td>
<td>Revision</td>
</tr>
<tr>
<td>150202</td>
<td>Added the “Written Agreement” paragraph.</td>
<td>Addition</td>
</tr>
<tr>
<td>150204</td>
<td>Updated the “Payment” paragraph and “Limitations and Restrictions” subparagraphs and renumbered subsequent paragraphs.</td>
<td>Revision</td>
</tr>
<tr>
<td>150301.C</td>
<td>Updated the termination dates of the Navy “Pilot Programs” and “Sea Duty Incentive Pay (SDIP) Program” and moved them to the Duration of Authority table. Added hyperlinks to the table.</td>
<td>Revision</td>
</tr>
<tr>
<td>1504</td>
<td>Removed the restriction for Reserve Component members.</td>
<td>Revision</td>
</tr>
<tr>
<td>150402</td>
<td>Added the “Security Force Assistance Brigade (SFAB) AIP” paragraph.</td>
<td>Addition</td>
</tr>
<tr>
<td>150402</td>
<td>Deleted terminated AIP programs and renumbered subsequent paragraphs. Deleted “Exception to Policy (ETP) to KAIP,” “780th Military Intelligence Brigade AIP,” “Special Mission Units (SMU) AIP,” “Army Special Operations Aviation AIP,” and “Career Management Field 18 Program.”</td>
<td>Deletion</td>
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<tr>
<td>150403.D</td>
<td>Updated the termination dates of the “Asymmetric Warfare Group (AWG) AIP” and “Joint Special Operations Command (JSOC) Special Mission Unit (SMU) AIP Program” and moved them to the Duration of Authority table. Added hyperlinks to the table.</td>
<td>Revision</td>
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<tr>
<td>150405.D 150405.E</td>
<td>Updated the content and termination date for the “U.S. Army Special Operations Command (USASOC) AIP.” Moved the termination date to the Duration of Authority table. Added a hyperlink to the table.</td>
<td>Revision</td>
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<tr>
<td>150406.C 150406.D 150406.E</td>
<td>Updated the content and termination date for the “Army Cyber (ARCYBER) Command AIP Program.” Moved the termination date to the Duration of Authority table. Added a hyperlink to the table.</td>
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<tr>
<td>150407.D.2</td>
<td>Updated the termination date for the “14th Missile Defense Battery (MDB) AIP” and moved it to the Duration of Authority table. Added a hyperlink to the table.</td>
<td>Revision</td>
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<tr>
<td>150408</td>
<td>Added the “AIP for Operational Deployments (OD)” paragraph.</td>
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<tr>
<td>150409</td>
<td>Added the “AIP – Drill Sergeant (DS) and Advanced Individual Training (AIT) Platoon Sergeant (PSG) Tour Extension Program” paragraph.</td>
<td>Addition</td>
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<tr>
<td>150501.A.2 150502 150505 150506</td>
<td>Updated the termination dates for the “KAIP,” “724th Special Tactics Group Incentive Program,” “Headquarters Air Force Special Operations Command (AFSOC), BP0VFX3H Program,” and the Intercontinental Ballistic Missile Field Operations Program” and moved them to the Duration of Authority table. Added hyperlinks to the table.</td>
<td>Revision</td>
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<tr>
<td>150507.A 150507.E</td>
<td>Updated the content and termination date for the “AIP for Kingsley Field, Klamath Falls, Oregon.” Moved the termination date to the Duration of Authority table and added a hyperlink to the table.</td>
<td>Revision</td>
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<tr>
<td>150508</td>
<td>Added the “Turkey AIP” paragraph.</td>
<td>Addition</td>
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<tr>
<td>150509</td>
<td>Added the “AIP for Extended Training Service Specialists (ETSS)” paragraph.</td>
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<tr>
<td>150601.A</td>
<td>Updated the termination date for the “Marine Corps SMU-Operators” and moved it to the Duration of Authority table. Added a hyperlink to the table.</td>
<td>Revision</td>
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<tr>
<td>150602</td>
<td>Added the “Marine Corps SMU – Direct Support” paragraph.</td>
<td>Addition</td>
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<tr>
<td>1507</td>
<td>Updated the termination date for the “AIP Programs for Involuntary Extensions in Afghanistan or Certain Theaters Units.” Moved the termination date to the Duration of Authority table and added a hyperlink to the table.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated supporting references.</td>
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CHAPTER 15

SPECIAL PAY – ASSIGNMENT INCENTIVE PAY (AIP)

1501  GENERAL

150101.  Purpose

This chapter prescribes guidance applicable to the payment of AIP.

150102.  Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1502  DEPARTMENT OF DEFENSE (DoD) AIP CRITERIA

*150201.  Entitlement

The DoD may give AIP to eligible Active/Regular and Reserve Component (RC) Service members in accordance with 37 U.S.C., section 352, the DoD Instruction (DoDI) 1340.26, “Assignment and Special Duty Pays,” and regulations published by the Secretary of the Military Department concerned. The ability of the Secretary of the Military Department concerned to enter into a new agreement with a Service member for AIP is subject to the extension of such authority under 37 U.S.C. § 352.

*150202.  Eligibility

The Secretary of the Military Department concerned may pay AIP to a member of an Active/Regular or RC who is entitled to basic pay under 37 U.S.C. § 204, or compensation under 37 U.S.C. § 206. The Secretaries of Military Departments will establish eligibility criteria based on Service-specific needs. Personnel shortages and the ability of a unit to meet mission requirements should be given primary consideration.

*150203.  Written Agreement

A.  Discretionary for Monthly Payments.  The Secretary concerned may require a Service member to enter into a written agreement with the Secretary in order to qualify for the AIP payment on a monthly basis. If used, the agreement will specify the period for which the AIP will be paid and the monthly rate of the AIP.

B.  Non-discretionary for Installment or Lump Sum Payments.  The Secretary concerned will require a Service member to enter into a written agreement with the Secretary in
order to qualify for installment or lump sum payments of AIP. The written agreement will specify
the period for which the Service member will receive AIP, the amount of each periodic installment
or lump sum, and the repayment policy cited in 37 U.S.C. § 373.

*150204. Payment

Incentive pay paid under this section is in addition to any other pay or allowance to which
the Service member is entitled, except where otherwise stated in DoDI 1340.26 and 37 U.S.C. The
Secretary of the Military Department concerned will establish payment levels to be either monthly
payments, installments, or a lump sum amount not to exceed a maximum monthly average of
$1,500.

150205. Limitations and Restrictions

The following limitations and restrictions, which affect the entitlement to AIP, apply to all
programs listed in this chapter.

* A. The Secretary of the Military Department concerned may increase,
decrease, or abolish AIP for any assignment, location, or unit at any time and will establish
restrictions and limitations to the pay through Military Service regulations. Payment of AIP in
combination with other special duty pays may not exceed an average monthly amount of $3,500
unless authorized by the Assistant Secretary of Defense (ASD) for Manpower and Reserve Affairs
(M&RA).

* B. AIP agreements, awarded under 37 U.S.C., Chapter 5, Subchapter 1, are
discontinued as of October 1, 2017. Agreements awarded under 37 U.S.C., Chapter 5,
Subchapter 1 prior to October 1, 2017, will remain in effect and payments may continue through
the agreed-upon date.

C. A member is not entitled to AIP during a period of terminal leave which
ends upon discharge or release of the member from Active Duty (AD).

D. Service members are not authorized to receive more than one AIP
simultaneously for the same period of service. If a Service member is eligible for more than one
AIP, the higher dollar value AIP will be paid.

E. RC members are not authorized AIP for assignments at their permanent duty
station.

150206. Special Provisions

The service of a member in a designated assignment will be considered continuous in any
period of temporary absence during which the member is performing temporary duty pursuant to
orders or on authorized leave other than transition leave.
1503 NAVY AIP PROGRAMS

150301. Pilot Programs

A. On May 29, 2003, the Navy was authorized a Pilot Program for AIP. The entitlement conditions are:

1. Entitlement begins upon reporting to the assigned duty and terminates when permanently detached from the assigned duty;

2. The Service member and the Navy negotiate to determine the payment rates, which may be different for members in the same location. For partial months served in a designated assignment, payment will be prorated;

3. Payment for AIP may not be made to Navy members receiving a Selective Reenlistment Bonus for Location for the same assignment; and

4. This program will remain in effect until the Assistant Secretary of the Navy (ASN) (M&RA) rescinds the program or higher authority cancels the program.

B. On February 9, 2007, the Navy announced the Naval Special Warfare Development Group (NSWDG) AIP program. The entitlement conditions are:

1. Enlisted personnel must successfully complete the required NSWDG training;

2. Enlisted personnel must be assigned to NSWDG designated billets;

3. Enlisted personnel will sign an agreement or accept orders to voluntarily remain in an NSWDG billet for an additional 12 months from the date of the agreement or date of the first AIP payment, whichever is later;

4. Personnel who have been assigned to a designated NSWDG billet for:
   a. less than 3 years since completion of the required training will receive AIP at $750 per month; or
   b. 3 years or more since completion of the required training will receive AIP at $1000 per month;

5. Payment of the AIP will terminate when the member permanently detaches from the assigned duty at NSWDG. AIP will not be paid to members in a disciplinary or not fit for operational duty status; and
6. This program will remain in effect until the ASN (M&RA) rescinds the program or higher authority cancels the program.

C. On October 1, 2013, the Navy announced a new AIP for NSWDG personnel assigned to Combat Support (CS) positions. Effective December 21, 2017, the ASN (M&RA) reauthorized the continuance of AIP for qualified personnel assigned to NSWDG CS positions. Unless extended by the authority of the Congress, no agreement may be entered into after the termination date on the Duration of Authority table. The requirement conditions are:

1. Qualified NSWDG CS personnel are eligible to receive an AIP flat-rate of $500 or $750 (for Explosive Ordinance Disposal personnel with more than 3 consecutive years of NSWDG service) per month.

2. Sailors in receipt of AIP – NSWDG CS will serve in their billets 48 months, with 24-month extension options.

*150302. Sea Duty Incentive Pay (SDIP) Program

On March 15, 2007, the Navy implemented the SDIP program. Since then, there have been multiple reauthorizations of the program by the Navy. Effective December 21, 2017, the ASN (M&RA) reauthorized the continuance of the SDIP program subject to the requirements in 37 U.S.C. § 352 and the conditions specified in DoDI 1340.26. Unless extended by the authority of the Congress, no agreement may be entered into after the termination date on the Duration of Authority table.

A. Programs

1. **SDIP – Extension (SDIP-E).** SDIP-E is authorized for Sailors who sign a written agreement to voluntarily extend their sea duty assignments on ships, submarines, or aviation squadrons by a minimum of 12 months and a maximum of 48 months (36 months for an assignment outside the continental United States (OCONUS), including Hawaii).

2. **SDIP – Curtailment (SDIP-C).** SDIP-C is authorized for Sailors who voluntarily curtail their shore duty assignments a minimum of 6 months prior to their original planned rotation date, and return to sea duty assignments on a ship, submarine, or to an aviation squadron for a minimum of 12 months and a maximum of 48 months (36 for an OCONUS assignment, including Hawaii).

3. **SDIP – Back-To-Back (SDIP-B).** SDIP-B is authorized for Sailors who voluntarily extend their sea duty when assigned to a Type 2/4 command for rotational purposes upon transfer to ships, submarines, or aviation squadrons by a minimum of 12 months and a maximum of 48 months, based upon the DoD area or minimum activity tour length requirements.
B. **Eligibility.** To be eligible for SDIP, the Service member must:

1. Be serving in or selected for advancement (including frocked members) in one of the eligible ratings, skills, and pay grades listed in the SDIP Eligibility Chart;

2. Be serving:
   a. In a permanent duty assignment on a ship, submarine, or aviation squadron designated as sea duty for the purpose of rotation, and home ported in CONUS, Hawaii, or overseas for SDIP-E. Members considered assigned as excess of authorized billets are ineligible for SDIP-E;
   b. In a permanent shore duty assignment at an activity located in CONUS, Hawaii, Alaska, or overseas that is designated as shore duty for purposes of rotation for SDIP-C. Members currently receiving AIP for their shore duty assignment are not eligible for SDIP-C; or
   c. In a permanent duty assignment on a Type 2/4 sea duty for purposes of rotation and transfer to a ship, submarine, or aviation squadron and home ported in CONUS, Hawaii, or overseas for SDIP-B. Ships under construction that have not yet been delivered and commissioned are not eligible for SDIP; and

3. Incur sufficient obligated service to fulfill the service time required by the SDIP-E, SDIP-C, or SDIP-B agreement. Additional obligated service will be incurred prior to payment of SDIP-E and SDIP-B, and prior to detachment from the shore duty unit/command for SDIP-C.

C. **Restrictions**

1. RC Sailors are not eligible for SDIP.

2. Sailors are not eligible for SDIP and any other AIP allowance simultaneously.

D. **Payment.** The Department of the Navy (DON) determines the SDIP rates, which change frequently and vary by pay grade and skill/rating. The SDIP Eligibility Chart in subparagraph 150302.B.1 contains the current monthly entitlement rates for the SDIP program.

E. **Recoupment and Repayment.** Recoupment of unearned portions of the SDIP lump sum payment will be as follows:

1. Sailors who fail to complete the full period of additional sea duty service as required by their SDIP agreement will be required to repay the percentage of the SDIP lump sum payment representing the unexecuted portion of their required service. Situations requiring recoupment include, but are not limited to:
15-10

DoD 7000.14-R Financial Management Regulation Volume 7A, Chapter 15
* September 2019

a. Approved request for voluntary release from the written agreement if, due to unusual circumstances, it is determined that such release would clearly be in the best interests of both the Navy and the sailor;

b. Approved voluntary request for relief from an SDIP assignment;

c. Disability resulting from misconduct, willful neglect, or incurrence during a period of unauthorized absence;

d. Removal from the SDIP assignment for cause, including misconduct;

e. Separation for cause, including misconduct; or

f. Separation for weight control and/or failure of a physical readiness test.

2. Recoupment of payments already received will not be required if a sailor becomes ineligible for SDIP for any of the following reasons:

a. Disability, injury, or illness, not the result of misconduct or willful neglect, or not incurred during a period of unauthorized absence;

b. Separation from the naval service by operation of laws or regulations independent of misconduct;

c. Death; or

d. Where the Secretary of the Navy determines repayment would be against equity and good conscience, or contrary to the best interests of the United States.

3. In the event a sailor dies before the SDIP is received or before the sailor completes the sea duty assignment/extension for which SDIP is payable (and death is not caused by the sailor’s misconduct), the unpaid /unearned balance of the SDIP will be payable in the settlement of the deceased sailor’s final military pay account. The unpaid SDIP will be payable in a lump sum. If death is determined to be voluntary or the result of the sailor’s own misconduct, termination of any future payment and proration or recoupment of the SDIP, as applicable, will be made in accordance with procedures established for sailors whose inability to complete a contracted period of service is voluntary or the result of misconduct.
1504 ARMY AIP PROGRAMS

The Department of the Army (DA), Office of the Deputy Chief of Staff (ODCS) G-1 authorizes AIP programs for Army personnel in amounts of $1,500 per month or less. All Head Quarters DA (HQDA) authorized programs have a termination date. No new agreements may be entered into without DA reauthorization of the programs. The programs listed in paragraphs 150401 through 150409 are DA programs and fall under these guidelines.

150401. Korea AIP (KAIP) Program

A. Eligibility

1. Soldiers must be permanently assigned to Korea in the grades of O-3 and below.

2. Soldiers must not be serving in command select list positions.

3. Soldiers must be in good standing and not be under Uniform Code of Military Justice (UCMJ) action at the time of approval, and must remain in good standing throughout the AIP tour.

4. Soldiers assigned to Korea for more than 40 months at the end of their current tour are not eligible to apply.

5. Soldiers serving on their initial assignment after graduating from initial entry training or newly appointed officers are not authorized to apply. Soldiers must be in a documented and authorized position by Military Occupational Specialty and skill level and must remain in that position for the duration of the extension in order to qualify for KAIP.

B. Payment

1. The maximum monthly rate payable is $500. Payment will be made in a lump sum, payable upon approval of the AIP agreement extending the Soldier’s assignment.

2. Soldiers are limited to a maximum 24-month extension under this AIP program. Payment for an extension beyond 24 months or a subsequent extension when combined with a previous extension(s) that exceeds 24 months is not authorized.

3. The commander determines the payment rate based on the needs of the Army and may be different for Soldiers serving in the same location, but will not exceed the monthly rate of $500.

4. Lump sum payments will not exceed the maximum monthly rate authorized by the Commander at the time the Soldier enters into the written agreement multiplied by the number of continuous months in the period for which the AIP is authorized. Lump sum payments will be paid on the approval of the AIP agreement.
C. Restrictions

Soldiers are not authorized to receive more than one AIP for the same period of service. If the Soldier is eligible for more than one AIP program, the Soldier will receive the higher of these AIPs.

D. Written Agreements

1. Approval authorities will require a Soldier to enter into a written agreement in order to qualify for AIP. The agreement will specify the period for which the AIP will be paid and the amount of the lump sum AIP payment.

2. New AIP written agreements must adhere to this policy. Any approved AIP agreement in existence prior to October 1, 2018, will remain valid under its terms until the effective termination date of the agreement.

E. Termination

The KAIP program is subject to annual budget constraints; therefore, unless reauthorized by HQDA, no agreement may be entered into after the termination date on the Duration of Authority table.

*150402. Security Force Assistance Brigade (SFAB) AIP

On August 22, 2017, the Assistant Secretary of the Army (ASA) (M&RA) approved AIP for Soldiers agreeing to serve at least 12 months in an SFAB.

A. Eligibility

1. Enlisted Soldiers, who are fully trained and certified, are authorized AIP for assignments at their permanent duty stations.

2. Soldiers must be in good standing and not under the UCMJ process at the time of approval and must remain in good standing throughout the AIP tour.

3. Soldiers must enter into a written agreement to serve one to three years in an SFAB approved billet.

B. Payment

The maximum payment under this program is $5,000 for a minimum 12-month assignment to an SFAB.
C. Repayment

Soldiers, with the exception of sole survivor discharges and those who die or are retired or separated with a combat-related disability, will repay an amount equal to the unearned portion of AIP if the Soldier fails to complete the AIP period. Soldiers who fail to complete the AIP period will not receive any unpaid AIP amounts.

D. Restrictions

Soldiers are not authorized to receive the benefit of more than one incentive for the same period of service. If the Soldier is eligible for more than one AIP, the Soldier will receive the higher of these AIPs.

E. Written Agreements

Approval authorities will require a Soldier to enter into a written agreement in order to qualify for AIP. AIP agreements must include the period for which the AIP will be paid, the amount of the lump sum AIP payment, and comply with other written agreement requirements directed by the DA ODCS.

F. Termination

The SFAB AIP program is subject to annual budget constraints; therefore, unless reauthorized by HQDA, no agreement may be entered into after the termination date on the Duration of Authority table.

*150403. Asymmetric Warfare Group (AWG) AIP

A. Eligibility

1. Soldiers must be permanently assigned to an AWG in grades E-5 to E-9, W-2 to W-4, and O-2 to O-4, and assigned to an authorized Operational Advisor position within the group or operational support billet in an operational squadron.

2. Soldiers must have completed the appropriate training and have been awarded an additional skill identifier of “U9” (Operational Advisor) or “U8” (Operational Support).

3. Soldiers must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

4. Soldiers must enter into a written agreement to serve 1 to 2 years in an AWG approved billet. The written agreement will specify the period for which the AIP will be paid and the monthly amount of AIP.
B. Payment

1. Eligible Soldiers serving in an Operational Advisor (U9) billet may be paid $400 per month.

2. Eligible Soldiers serving in an Operational Support (U8) billet in an operational squadron may be paid $300 per month.

C. Restrictions

Soldiers are not authorized to receive more than one AIP simultaneously for the same period of service. If the Soldier is eligible for more than one AIP, he or she will receive the higher of these AIPs.

D. Termination

The AWG AIP program was terminated. See the Duration of Authority table for the termination date.

*150404. Joint Special Operations Command (JSOC) Special Mission Unit (SMU) AIP Program

A. Eligibility

1. Soldiers, including RC, must be permanently assigned to a JSOC SMU Operator billet.

2. Soldiers must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

3. Soldiers must have less than 35 years of active federal service in order to qualify for continued payment.

4. Soldiers must sign a written agreement to serve 1 to 3 years in a JSOC SMU Operator assignment.

B. Payment

1. SMU Operators with less than 25 years of active federal service may apply for the following:

   a. SMU Operators with less than 3 years of service in a SMU Operator billet may be paid $750 per month; or

   b. SMU Operators with 3 years or more of service in a SMU Operator billet may be paid $1,000 per month.
2. SMU Operators with 25 years or more of active federal service may apply for the following:

   a. SMU Operators with 3 years or more of service in a SMU Operator billet may be paid $500 per month. Agreements will terminate at 28 years of active federal service; or

   b. SMU Operators serving in a specified Key Leadership/Development position may be paid $1,000 per month. Agreements will terminate at 35 years of active federal service.

C. Restrictions

   Soldiers are not authorized to receive more than one AIP simultaneously for the same period of service. If the Soldier is eligible for more than one AIP, he or she will receive the higher of these AIPs.

D. Termination

   The JSOC SMU AIP program is subject to annual budget constraints; therefore, unless reauthorized by HQDA, no agreement may be entered into after the termination date on the Duration of Authority table.

150405. U.S. Army Special Operations Command (USASOC) AIP

A. Eligibility

   1. Soldiers must be permanently assigned to an authorized Major Force Protection-11 billet in the grade of E-5 and above.

   2. Soldiers must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

   3. Soldier must have less than 35 years of active federal service in order to qualify for continued payment.

B. Payment

   1. The maximum monthly rate payable to any Soldier in this AIP program is $1,250. This payment may be made in a lump sum or monthly payments.

   2. The Commander determines the monthly entitlement rate based on the needs of the Army and it may be different for Soldiers serving in similar positions at the same location, but will not exceed the monthly rate of $1,250.
3. Lump sum payments will not exceed the maximum monthly rate authorized by the commander at the time the Soldier enters into the written agreement, multiplied by the number of continuous months in the period for which the AIP will be paid, pursuant to the agreement. Lump sum payment will be paid on the approval of the AIP agreement.

C. Restrictions

Soldiers are not authorized to receive more than one AIP simultaneously for the same period of service. If the Soldier is eligible for more than one AIP, he or she will receive the higher of these AIPs.

D. Written Agreements

Approval authorities will require a Soldier to enter into a written agreement in order to qualify for AIP. The agreement will specify the period for which the AIP will be paid and the amount of the lump sum AIP payment.

E. Termination

The USASOC AIP program is subject to annual budget constraints; therefore unless reauthorized by HQDA, no agreement may be entered into after the termination date on the Duration of Authority table.

150406. Army Cyber (ARCYBER) Command AIP Program

Effective September 2, 2017, the DA, ODCS G-1, extended the ARCYBER AIP program.

A. Eligibility

1. Enlisted Soldiers, Warrant Officers, and Commissioned Officers must be fully trained and certified in a U.S. Cyber Command or ARCYBER work role.

2. Soldiers must have completed the appropriate training and have been awarded the appropriate certifications located inside the Cyber Mission Force (CMF) or those directly executing strategic to tactical level cyber missions required outside of the CMF.

3. Soldiers must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

4. Soldiers must enter into a written agreement to serve 1 to 3 years in an ARCYBER approved billet.

B. Payment

1. The maximum monthly rate payable to any Soldier serving as a Basic under the AIP program will not exceed $200.
2. The maximum monthly rate payable to any Soldier serving as a Senior under the AIP program will not exceed $300.

3. The maximum monthly rate payable to any Soldier serving as a Master under the AIP program will not exceed $500.

C. Restrictions

Soldiers are not authorized to receive more than one AIP simultaneously for the same period of service. If the Soldier is eligible for more than one AIP, he or she will receive the higher of these AIPs.

D. Written Agreements

Approval authorities will require a Soldier to enter into a written agreement in order to qualify for AIP. The agreement will specify the period for which the AIP will be paid and the amount of the lump sum AIP payment.

E. Termination

The ARCYBER AIP program is subject to annual budget constraints; therefore, unless reauthorized by HQDA, no agreement may be entered into after the termination date on the Duration of Authority table.

150407. 14th Missile Defense Battery (MDB) AIP

On January 13, 2015, the ASA (M&RA) approved the payment of AIP to Soldiers assigned to the 14th MDB at Kyogamisaki, Japan. Effective September 27, 2018, the DA ODCS G-1 reauthorized the payment.

A. Eligibility

1. Soldiers must be permanently assigned to the 14th MDB at Kyogamisaki, Japan.

2. Soldiers must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

3. Soldiers must sign a written agreement acknowledging the limitations and restrictions as a condition to receive AIP. The agreement will specify the period for which the AIP will be paid and the amount of the monthly rate.

B. Payment

The maximum monthly rate payable to Soldiers serving in an approved assignment will not exceed $1,500. This amount will be adjusted if the request for Basic
Allowance for Subsistence II (see Chapter 25, subparagraphs 250201.B.2 and 250202) is approved for enlisted Soldiers, and/or the Soldiers are furnished meals or rations at no charge from an appropriated fund dining facility or are subsisted at no charge on behalf of the Government.

C. Restrictions. The following restrictions apply:

Soldiers are not authorized to receive more than one AIP simultaneously for the same period of service. If the Soldier is eligible for more than one AIP, he or she will receive the higher of these AIPs.

D. Termination

1. The 14th MDB will terminate once the Life Support Area is established or Soldiers are being subsisted by or on behalf of the Government.

* 2. The AIP program is subject to annual budget constraints; therefore, unless reauthorized by HQDA, no agreement may be entered into after the termination date on the Duration of Authority table.

*150408. AIP for Operational Deployments (OD)

AIP-OD is a pilot program to further develop and justify a financial incentive for specifically identified OD. The intent of a future incentive is to provide a vital distribution tool for the Army as well as provide a special payment in recognition of the greater than normal rigors of the arduous duty involving long deployments and the repetitive nature of operational force rotational (OFR) assignments. Effective January 1, 2018, AD Soldiers who physically deploy and perform duties as part of a rotational force away from their permanent duty stations to U.S. Army Europe (USAREUR) and U.S. Army Pacific (USARPAC) areas of responsibility may be entitled to AIP-OD, subject to the criteria outlined in subparagraphs 150408.A through 150408.G.

A. Payment

1. AIP-OD will be paid in monthly installments (lump sums are not authorized).

2. AIP-OD will be prorated for Soldiers who do not satisfy the eligibility requirement for an entire month to reflect the duration of the Soldier’s actual qualifying service during the month. For Soldiers eligible to receive AIP-OD, proration will not apply to the 31st day of a month with more than 30 days.

3. Atlantic Resolve, Joint Multi-National Training Group Ukraine, and other qualifying deployments for a Soldier who is serving on OFR in a field duty status are authorized $195 per month. Soldiers serving on OFR in a regular temporary duty status are not authorized AIP-OD.
4. Korea Rotational Force Soldiers serving on OFR in a field duty status are authorized $195 per month. Soldiers serving on OFR in a regular temporary duty status are not authorized AIP-OD.

B. Restrictions

1. AIP-OD is authorized in addition to any other AIP program for which the Soldier may be eligible; however, a Soldier may not receive more than two simultaneous AIP payments and the total may not exceed the maximum AIP of $1,500 per month.

2. A Soldier’s eligibility to receive AIP-OD will terminate if/when the Army is required to pay high deployment allowance or implements a similar deployment incentive pay or allowance.

3. USARPAC AIP-OD payments are based on a Soldier’s eligibility. However, no payment will be authorized for any period prior to October 1, 2016.

4. USAREUR AIP-OD payments are based on a Soldier’s eligibility. However, no payment will be authorized for any period prior to December 31, 2016.

C. Absences

1. AIP-OD for USARPAC and USAREUR will continue when a Soldier is on authorized leave, other than leave authorized for a period ending upon the Soldier’s discharge or release from AD.

2. When a Soldier entitled to AIP-OD is absent without leave (AWOL), AIP-OD payments will stop on the first day of AWOL through the day before the date the Soldier is restored to full duty, provided the Soldier remained eligible for AIP-OD.

D. Hospitalization

1. A Soldier who is deployed and requires hospitalization away from the permanent duty station is still considered operationally deployed and remains entitled to AIP-OD.

2. A Soldier who is deployed and requires hospitalization at the permanent duty station is not eligible for payment of AIP-OD for the period of hospitalization, unless otherwise qualified to receive the pay under 37 U.S.C. § 372.

3. If a line of duty investigation determines that the Soldier’s injuries are due to his or her own misconduct, AIP-OD payments will stop on the first day of hospitalization through the day before the date the Soldier is restored to full duty, provided the Soldier remained otherwise eligible for AIP-OD.
4. If the member is wounded/injured/ill from a combat zone, combat operation, hostile fire area, or as a result of hostile fire, reference Chapter 13.

E. Confinement

1. When a Soldier entitled to AIP is confined awaiting trial by court-martial, AIP-OD payments stop on the first day of confinement through the day before the date the Soldier is restored to full duty, provided the Soldier remained eligible for AIP-OD.

2. When a Soldier confined awaiting trial by court-martial is acquitted, or has charges dismissed, the Soldier will be entitled to AIP-OD retroactive to the first day of confinement, provided the Soldier remained eligible for AIP-OD.

F. Captured or Missing Status

A Soldier entitled to AIP-OD immediately before entering a status of missing, missing-in-action, interned in a foreign country, or captured by a hostile force will continue to be credited with AIP-OD for each month while in such a status.

G. Termination

The AIP-OD program is subject to congressional annual reauthorization of 37 U.S.C. § 352; therefore, no orders will be issued to start an AIP-OD payment after the termination date on the Duration of Authority table.

*150409. AIP – Drill Sergeant (DS) and Advanced Individual Training (AIT) Platoon Sergeant (PSG) Tour Extension Program

Effective October 1, 2017, a DS or AIT PSG whose tour is extended beyond the normal tour of 24 months is eligible for AIP, provided the Soldier meets the eligibility requirements.

A. Eligibility

1. The Soldier must be permanently assigned to the Training and Doctrine Command as:

   a. A DS in a Basic Combat Training or One Station Unit Training company; or

   b. An AIT PSG in an AIT company.

2. The Soldier must be scheduled and fully eligible to PCS between October 1, 2017 and December 31, 2019.

3. The Soldier must be recommended for and selected for extension by their Battalion and Brigade Chain of Command.
4. The Soldier must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

5. The Soldier must complete a Periodic Health Assessment.

B. Payment

1. The maximum monthly rate payable to a DS or an AIT PSG will not exceed $500.

2. AIP is only payable for the period of the extension. Payments begin on the first day of the month following the Soldier’s original tour ending date.

3. Soldiers are not authorized to receive more than 12 monthly payments under this program.

4. AIP payments will terminate on the day prior to an authorized leave period that ends with the Soldier’s discharge or release from AD.

5. In the event of misconduct, AIP payments will terminate on the day the Soldier loses qualification to perform the duty to which he or she is receiving AIP.

C. Repayment

Soldiers, with the exception of sole survivor discharges and those who die or are retired or separated with a combat-related disability, will repay an amount equal to the unearned portion of AIP if the Soldier fails to complete the extension period. Soldiers who fail to complete the extension period will not receive any unpaid AIP amounts.

D. Restrictions

Soldiers are not authorized to receive more than one AIP simultaneously for the same period of service. If the Soldier is eligible for more than one AIP, he or she will receive the higher of these AIPs.

E. Termination

The AIP program is subject to annual budget constraints; therefore, unless reauthorized by the HQDA, no orders will be issued after the termination date on the Duration of Authority table.
On April 27, 2004, the Air Force was authorized KAIP. On June 30, 2008, the Principal Deputy Under Secretary of Defense (USD) Personnel and Readiness (P&R) provided permanent approval of this program and on April 6, 2009, the USD P&R modified the eligibility requirements based on tour length changes for Korea. All changes are subject to congressional reauthorization of 37 U.S.C. § 352.

A. Secretary of the Air Force (SAF) Memorandum, Dated October 20, 2015. In accordance with DoDI 1340.26, and subject to the availability of appropriated funds, enlisted and officer personnel are eligible to receive KAIP under 37 U.S.C. § 352. Members will continue to receive their AIP payments until the end-date specified in their agreements or their departure from Korea.

1. Airmen who are:
   a. Selected for a 12-month unaccompanied tour in the Republic of Korea, and who execute a written agreement to serve either an additional 12- or 24-month unaccompanied tour, will receive $300.00 per month regardless of rank or Air Force Specialty Code (AFSC); or
   b. Offered and have accepted a Command Sponsorship Program billet in the Republic of Korea, and execute a written agreement to serve the 36-month accompanied tour, will receive $300.00 per month regardless of rank or AFSC.

* The SAF reauthorized the continuance of KAIP through the termination date on the Duration of Authority table.

3. The AIP will be stopped upon termination of the contract or curtailment of the agreed tour of duty for any reason, either voluntary or involuntary. The entitlement to AIP will be terminated if the member is AWOL or enters confinement.

4. Airmen who elect AIP for Korea will not be eligible for Home Basing, Follow-on Assignment, or concurrent Overseas Tour Extension Incentive Program or In-Place Consecutive Overseas Tour.

B. USD (P&R) Memorandum, Dated April 6, 2009. The memorandum establishes three categories of assignments applicable for AIP payments. All categories require a written agreement by the member. The categories are:

1. Members who volunteer for a 36-month initial assignment to Pyeongtaek, Osan, Daegu, Chinhae, or Seoul may be paid $300 per month in AIP, to be paid on a monthly basis, upon commencement of the assignment.
2. Members who volunteer for a 24-month initial assignment to Uijongbu or Dongducheon may be paid $300 per month in AIP, to be paid on a monthly basis, upon commencement of the assignment.

3. Members who accept an initial tour to Korea in any location and later elect to extend their assignment length for 12 or 24 months may be paid $300 per month, to be paid on a monthly basis, upon commencement of the tour with an extension agreement, or entering the extension, whichever is earlier.

C. Restrictions. At any time during the authorized period, the SAF (M&RA) may terminate the KAIP program if it is no longer required.

*150502. 724th Special Tactics Group Incentive Program

On December 30, 2011, the SAF established this program with a monthly payment of $1,000 being authorized to eligible personnel. The program terminated on September 30, 2012, and reestablished on October 17, 2012. Any payments made for the period October 1 through October 16, 2012 are considered invalid. Effective December 22, 2014, the SAF reauthorized this program through the termination date on the Duration of Authority table.

A. Eligibility

Enlisted SMU members are eligible for this program.

B. Payment

1. SMU Operators who have a cumulative assignment time of less than 48 months will be paid $750 per month.

2. SMU Operators who have a cumulative assignment time of 48 months or more will be paid $1,000 per month.

C. Restrictions. At any time during the authorized period, the SAF (M&RA) may terminate the 724th Special Tactics Group Incentive program if it is no longer required.

150503. Unmanned Aerial System - Aviation Incentive Pay

See Chapter 22, section 2203.

150504. Critical Skill Incentive Pay - CSIP

See Chapter 22, section 2205.
150505. Headquarters Air Force Special Operations Command (AFSOC), BP0VFX3H, Program

On September 4, 2014, the SAF established an AIP program for enlisted and officers when assigned to the AFSOC unit designated by the Personnel Accounting Symbol (PAS) code BP0VFX3H. The SAF authorized the program for a period of 5 years subject to annual congressional approval of the pay authority, Title 37 U.S.C § 352. No AIP will be initially awarded (initial eligibility start date) after this date unless the program is officially extended/authorized beyond the date on the Duration of Authority table by an appropriate approving authority.

A. Eligibility Requirements

1. Officers and enlisted members must be assigned to operator positions within the PAS code BP0VFX3H.

2. Members must have successfully completed the unit’s required operator training and certification.

B. Payment. Eligible personnel will be paid:

1. $750 per month for personnel who have a post-training cumulative unit assignment time of less than 36 months; or

2. $1,000 per month for personnel who have a post-training cumulative unit assignment time of 36 months or more.

150506. Intercontinental Ballistic Missile Field Operations Program

On September 29, 2014, the SAF established an AIP program for officers assigned to Minot Air Force Base (AFB), Malmstrom AFB, or F.E. Warren AFB. Subject to reauthorization by Congress, this AIP program is authorized through the date on the Duration of Authority table.

A. Eligibility Requirements

1. Missile and Nuclear Operations (13N), Missile Maintenance (21M), and Security Forces (31P) officers who are qualified to perform nuclear position duties are eligible.

2. Officers who are assigned to qualifying positions at Minot AFB, Malmstrom AFB, or F.E. Warren AFB and regularly perform duties in missile fields at these locations are eligible.

3. Officers whose “regular performance of duties” requires dispatch on orders to a missile field for a minimum number of hours within a 90-day calendar quarter (example: 210 hours out of a 90-day period) are eligible. This pay is not intended for those who go to the missile field sporadically.
B. **Payment**

Officers meeting the requirements will receive $300 per month. The unit commander will sign the AIP roster certifying the officer has met all the requirements.

150507. **AIP for Kingsley Field, Klamath Falls, Oregon**

* A. In accordance with DoDI 1340.26, and subject to the availability of appropriated funds, regular Air Force and Active Guard Reserve (AGR) Airmen permanently assigned to the 173rd Fighter Wing, Kingsley Field, Klamath Falls, Oregon will be eligible to receive AIP under 37 U.S.C. § 352. Air Force and AGR Airmen assigned to the 173rd Fighter Wing in a student status are not eligible for AIP.

B. Members who meet the eligibility provisions outlined in 150507.A, will be authorized $400 AIP per month.

C. AIP shall be terminated immediately if the member is AWOL, placed in confinement, or removed from field duties by the commander for cause. For officers the termination is effective the day prior to promotion to the grade of Major. The effective date of termination is the last day the Airman met the requirements before removal.

D. AIP shall terminate upon PCS to a location other than the 173rd Fighter Wing, Kingsley Field, Klamath Falls, Oregon or upon starting permissive leave in conjunction with terminal leave status.

* E. The AIP for Kingsley Field, Klamath Falls, Oregon is authorized through the termination date on the **Duration of Authority** table.

*150508. **Turkey AIP**

A. In accordance with DoDI 1340.26, AD Airmen assigned to Turkey serving a 15-month unaccompanied tour, who agree to serve an additional 9 months for a total of 24 months in Turkey, are eligible to receive Turkey AIP. Turkey AIP does not apply to AD Airmen assigned to Turkey serving a 24-month accompanied tour.

B. Members who meet the eligibility provisions outlined in 150508.A will receive Turkey AIP at a rate of $300 per month effective on:

1. the date they arrive at the duty station, if electing AIP at the losing station; or

2. the date they sign the agreement, if electing AIP after arriving in Turkey but prior to entering the Date Eligible to Return from Overseas forecast window, or appearing on the Vulnerable to Move List, as applicable.
C. Effective August 18, 2016, the SAF authorized Turkey AIP. This program is extended through the termination date on the Duration of Authority table.

*150509. AIP for Extended Training Service Specialists (ETSS)

A. In accordance with DoDI 1340.26, and subject to annual congressional authorization and the availability of appropriated funds, Airmen assigned to identified hard-to-fill billets in the ETSS program support to Foreign Military Sales activities are eligible to receive AIP.

B. Airmen filling these billets will receive AIP at a rate of $1,500 per month, subject to the AIP rate ceiling established by the Deputy ASD for Military Personnel Policy.

C. Effective March 22, 2017, the AIP for ETSS program is authorized. The AIP for ETSS is authorized through the termination date on the Duration of Authority table.

1506 MARINE CORPS SMU AIP PROGRAMS

150601. Marine Corps SMU – Operators

*A. General

AIP for SMU Operators was established for Marine Corps personnel on November 28, 2007. The ASN (M&RA) reauthorized the continuance of this program through the termination date on the Duration of Authority table.

B. Payment

Qualified SMU Operators are eligible to receive a flat-rate AIP of $750 per month (for personnel with less than three years of SMU service) or $1,000 per month (for personnel with three or more years of SMU service) for each month after completing qualification requirements. Marines in receipt of this AIP will serve in their billets for 12- to 48-month periods.

*150602. Marine Corps SMU – Direct Support

A. General

Effective December 18, 2017, the ASN authorized the Marine Corp to offer AIP to enlisted Marines serving as direct support personnel assigned to an SMU. The program is extended through the termination date on the Duration of Authority table.

B. Payment

Qualified SMU Direct Support personnel are eligible to receive a flat-rate AIP of $500 per month for each month after completing qualification requirements. Marines in receipt of this AIP will serve in their billets for 12- to 48-month periods.
1507 AIP PROGRAMS FOR INVOLUNTARY EXTENSIONS IN AFGHANISTAN OR CERTAIN THEATER UNITS

The AIP program for involuntary extensions beyond 12-months Boots on the Ground (BoG) in Iraq, Afghanistan, or certain theater units was terminated. See the Duration of Authority table for the termination date.

1508 AIP IN LIEU OF POST-DEPLOYMENT MOBILIZATION RESPITE ABSENCE (PDMRA) PROGRAM

The Secretary of Defense directed on January 19, 2007 that a program be established to recognize members who mobilize or deploy more frequently than established rotation policy goals. The PDMRA program was established to allow a member to earn days of administrative absence, not chargeable to the member’s accrued leave account, dependent on the length of time the member deployed beyond the rotation policy goals. Effective May 24, 2007, the program also allowed members to receive monetary compensation in lieu of administrative absence days in certain situations. The authority to pay monetary compensation terminated October 1, 2014. Paragraphs 150801 – 150806 are included for historical information only.

150801. USD (P&R) Memorandum, May 24, 2007

The USD (P&R) authorized the Secretary concerned to offer the option of payment of AIP in lieu of taking administrative absence under the PDMRA program in certain situations. RC members (as described in subparagraph 150801.A) may elect to receive AIP for PDMRA days earned instead of taking the administrative absence. The programs are not effective until the Services publish their implementation instructions.

A. Eligible Members. RC members who are also federal, state, or local government civilian employees and precluded by law from being paid by two entities for simultaneously serving in an RC status and in their civilian government jobs may elect the payment of AIP instead of taking administrative absence.

B. Requirement. The member must elect to receive the AIP instead of the PDMRA administrative absence days before the PDMRA days are earned.

C. Payment. Members electing to be paid the AIP will receive $200 for each PDMRA day earned. Members are not authorized to be paid for any PDMRA days earned before an election is made.

D. Restrictions

1. Payment of the AIP will not exceed the monthly limit of $1,500.

2. The PDMRA payment benefit is not eligible for combat zone tax exclusion (CZTE).
E. **Service Instructions.** Effective dates for the implementation are:

1. Marine Corps: July 27, 2007;
2. Navy: August 2, 2007;
3. Army: August 7, 2007; and

150802. **Authority**

Public Law 111-84, section 604, dated October 28, 2009, authorized the Secretary of Defense to prescribe regulations allowing the Secretary concerned to provide current and former members with payment for administrative absence days earned under the PDMRA program during the period January 19, 2007 through the date the Service implemented their respective PDMRA program. The USD (P&R) issued guidance on February 1, 2010, authorizing the Secretary concerned to issue implementing guidance. The authority expired on October 28, 2010.

A. **Eligible Members**

1. Former members who were discharged or released from the Armed Forces under honorable conditions are eligible.

2. Current **Active Component (AC)** and RC members, who qualified for PDMRA days during the period described in paragraph 150802, are eligible.

B. **Payment**

1. Former members may receive $200 for each PDMRA day earned.

2. Current members, who earned **PDMRA days** during the period of January 19, 2007, through the date the member’s Service implemented the PDMRA benefits as stated in subparagraph 150801.E, may receive either one day of administrative absence for each PDMRA day earned or payment of $200 per day during that time frame as directed by the Secretary concerned.

3. Payment may be paid in a lump sum or installments, at the election of the Secretary concerned.

C. **Restrictions**

1. Payment of the AIP will not exceed the monthly limit of $1,500.

2. The PDMRA payment benefit is not eligible for CZTE.
150803. Qualifying Deployments and Mobilizations on or After January 19, 2007

The following is the program guidance for qualifying deployment and mobilizations on or after January 19, 2007, but before October 1, 2011.

A. Frequency Thresholds

1. AC members deployed in excess of 12 months during the most recent 36-month period qualify for PDMRA.

2. RC members mobilized in excess of 12 months during the most recent 72-month period qualify for PDMRA.

B. Creditable Time

1. Creditable time for AC members includes the day of the member’s arrival at the deployed location through departure of BoG.

2. Creditable time for RC members includes mobilizations under 10 U.S.C. §§ 12301(a), 12302, or 12304. Mobilization for this purpose includes the day the member is mobilized through the date the mobilization is terminated.

3. The Secretary concerned may include other deployments or mobilizations in conjunction with an expanded program for the Service concerned.

4. For AC members, computation of creditable time commences 36 months prior to the member’s deployment and continues during the deployment.

5. For RC members, computation of creditable time commences 72 months prior to the member’s mobilization and continues during the deployment.

6. The Secretary concerned will establish policy on the crediting of time when court-martial or other adverse administrative actions have been initiated.

7. PDMRA days are authorized for each month or portion of a month that a member is deployed (AC) or mobilized (RC) beyond the frequency thresholds at subparagraph 150803.A. The number of PDMRA days awarded to AC and RC members are:

   a. One day of administrative absence per month in excess of 12 months during the qualifying period;

   b. Two days of administrative absence per month in excess of 18 months during the qualifying period; or

   c. Four days of administrative absence per month in excess of 24 months during the qualifying period.
8. The Secretary concerned may develop supplementary tables, including other non-monetary recognition programs, delivering comparable or greater benefits to members meeting the frequency thresholds at subparagraph 150803.A.

9. RC members must be on AD during the days they take their earned PDMRA days.

C. Payment

1. Under current law, RC members who are also federal, state, or local government civilian employees are not permitted to receive their civilian pay on the same days they are serving on AD. Affected members may elect to receive AIP at $200 for each day of absence that otherwise would have been authorized, not to exceed $1,500 monthly, in lieu of being awarded administrative absence days.

2. There is no option to cash in administrative absence days already earned. The AIP election must be made by the affected RC member prior to the days being earned.

150804. Qualifying Deployments and Mobilizations on or After October 1, 2011

The following is program guidance for qualifying deployments and mobilizations on or after October 1, 2011, including that portion of an ongoing deployment or mobilization that occurs on or after October 1, 2011.

A. Deployment and Mobilization Frequency Requirements and/or Thresholds

1. AC members, who on the first day of their current deployment, had deployed in excess of 12 months out of the previous 36 months, and who meet the other eligibility criteria contained in this section, qualify for PDMRA days.

2. RC members, who on the first day of their current qualifying mobilization, had been mobilized pursuant to 10 U.S.C. §§ 12301(a), 12302, or 12304 in excess of 12 months out of the previous 72 months, and who meet the other eligibility criteria contained in this section, qualify for PDMRA days. The 12-month qualifying period may include service pursuant to section 10 U.S.C. § 12301(d) when designated by the Secretary concerned.

3. The Secretary concerned may utilize the deployment-to-dwell ratio of 1:2 for AC members or mobilization-to-dwell ratio of 1:5 for RC members as the qualifying threshold for providing PDMRA benefits, as opposed to the requirements contained in subparagraphs 150803.A and 150803.B.

B. Two Days PDMRA Accrual Conditions

1. AC Service members accrue 2 administrative absence days per month when the deployment threshold established in subparagraph 150804.A is exceeded, and the AC member is:
a. Deployed to Iraq or Afghanistan; or

b. Deployed to a CZTE area when the area has been designated as a 2-day per month PDMRA accrual location by the Secretary concerned.

2. RC Service members accrue 2 administrative absence days per month when the mobilization threshold established in subparagraph 150804.A is exceeded, and the RC member is serving:

a. In Iraq or Afghanistan pursuant to 10 U.S.C. §§ 12301(a), 12302, or 12304;

b. In Iraq or Afghanistan pursuant to 10 U.S.C § 12301(d) when designated by the Secretary concerned; or

c. In a CZTE area under the authority of 10 U.S.C. §§ 12301(a), 12301(d), 12302, or 12304 when the CZTE area has been designated as a 2-day per month PDMRA accrual location by the Secretary concerned.

C. One Day PDMRA Accrual Conditions

1. AC members accrue 1 administrative absence day per month when the deployment threshold established in subparagraph 150804.A is exceeded for deployments to a qualifying CZTE area when the CZTE area has been designated as a 1-day per month PDMRA accrual location by the Secretary concerned.

2. RC members accrue 1 administrative absence day per month when the mobilization threshold established in subparagraph 150804.A is exceeded, and the RC member is serving:

a. Outside of the United States pursuant to 10 U.S.C. §§ 12301(a), 12302, or 12304;

b. Outside of the United States pursuant to 10 U.S.C. § 12301(d) when designated by the Secretary concerned; or

c. In a CZTE area pursuant to 10 U.S.C. § 12301(d) when the CZTE area has been designated as a 1-day per month PDMRA accrual location by the Secretary concerned.

D. PDMRA Accrual Conditions

1. Service members, at a minimum, must meet PDMRA eligibility criteria contained in paragraphs 150803 and 150804 for 30 consecutive days in order to begin accruing PDMRA days.
a. PDMRA accrual for AC members includes the day that the member arrives at the deployed location through the day that the member redeploys.

b. PDMRA accrual for RC members includes the day that the member is ordered to duty pursuant to 10 U.S.C. §§ 12301(a), 12302, or 12304 through the date that the member’s service is terminated under that same authority.

2. When designated as qualifying for PDMRA by the Secretary concerned pursuant to subparagraphs 150804.B.2.b, 150804.B.2.c, 150804.C.2.a, or 150804.C.2.b, include the day that the member enters service pursuant to 10 U.S.C. § 12301(d) through the date that the member’s service is terminated under that same authority.

E. Extensions of Mobilization Orders to Utilize Accrued PDMRA Days. The Secretary concerned may extend the mobilization orders of RC Service members, within statutory limitations, to allow these members to utilize PDMRA days accrued during the mobilization. RC members do not accrue PDMRA days during the time that mobilization orders are extended for the purpose of utilizing PDMRA days.

F. Election of Payment for PDMRA Days

1. Under current law, RC members who are also federal, state, or local government civilian employees are not permitted to receive their civilian pay while on AD utilizing accrued PDMRA days.

2. To resolve this pay restriction, the Secretary concerned may offer such RC members a special PDMRA payment, which permits such members to elect to receive AIP in lieu of being awarded PDMRA administrative absence days.

3. If this option is offered, the AIP election must be made by the RC Service member prior to earning PDMRA days. The AIP would be valued at a rate of $200 for each day of administrative absence that otherwise would have been authorized under the PDMRA program, not to exceed the $1,500 monthly maximum limit of AIP. This option may not be used to cash in administrative absence days already earned.

G. Crediting PDMRA Time. The Secretary concerned will establish policy on crediting PDMRA time when court-martial or other adverse administrative actions have been initiated.

H. RC Use of Administrative Absence Days. RC members must be serving pursuant to 10 U.S.C. §§ 12301(a), 12301(d), 12302, or 12304 in order to utilize the administrative absence days accrued under the PDMRA program.

150805. Public Law 112-120, Dated May 25, 2012

A. Public Law 112-120 clarified the entitlement to PDMRA days for RC members. The law allows for the Secretary of Defense to determine that provisions of entitlement
outlined in DoDI 1327.06 will not apply to RC members whose qualified mobilization commenced before October 1, 2011 and continued on and after that date until the date the mobilization terminated.

B. The USD (P&R) issued implementation guidance for Public Law 112-120 on July 11, 2012. The guidance stipulated that:

1. Each Secretary concerned will publish implementing guidance and establish an application process to allow qualifying current and former RC members to apply for benefits authorized by Public Law 112-120.

2. Benefits are only authorized for RC members who deployed OCONUS and whose qualified mobilization commenced before October 1, 2011.

3. Each Secretary concerned will provide qualifying applicants with a PDMRA day, or a payment of $200 for each PDMRA day that the individual would have qualified for had the October 1, 2011 guidance changes not applied to the individual.

4. Each Service’s application for benefits will require qualifying RC members to elect to receive either a PDMRA day or payment of $200 for each qualifying PDMRA day. The application will caution members who are no longer mobilized in a status where they can use the PDMRA days and elect PDMRA days in lieu of payment that:
   a. The PDMRA days will be banked and cannot be used until the next qualifying period of service; and
   b. Banked PDMRA days will be lost if the member is separated from the military prior to using the PDMRA days. Banked PDMRA days cannot be subsequently sold.

5. Qualifying former RC members will only receive $200 per day for each PDMRA day.

6. Former RC members who were discharged or released from the Armed Forces under other than honorable conditions are not eligible for benefits.

7. Each Secretary concerned may elect to pay qualifying individuals a lump sum payment or installments.

8. The authority to provided benefits under Public Law 112-120 expires on October 1, 2014. This expiration does not affect PDMRA days earned prior to but used or paid for after October 1, 2014. The member must have elected the payment option before October 1, 2014.
150806. Public Law 112-239, Dated January 2, 2013

A. Public Law 112-239 allows for the payment of $200 per day to individuals who were eligible to participate as a member of the Armed Forces in the PDMRA program, but who did not participate in 1 or more days in the program due to Government error. Those individuals must apply for payment of PDMRA days with an application for the correction of their military records pursuant to 10 U.S.C. § 1552, or other process as prescribed by the Secretary concerned.

B. A claim for a deceased individual, who would have been authorized to apply for the payment of $200 in subparagraph 150806.A, may be submitted by the deceased individual’s legal representative. Payment for a deceased member will be made pursuant to 10 U.S.C. § 1552 (c)(2), or other process as determined by the Secretary concerned.
*REFERENCES

CHAPTER 15 – SPECIAL PAY – ASSIGNMENT INCENTIVE PAY (AIP)

*1502 – DEPARTMENT OF DEFENSE (DoD) AIP CRITERIA


* DoDI 1340.26, September 25, 2017

* 37 U.S.C. § 352

1503 – NAVY AIP PROGRAMS

* 150301.A NAVAL Administration (NAVADMIN) 290/04 DON, Office of the Assistant Secretary (M&RA) Memo, February 17, 2012

* 150301.C ASN (M&RA) Memo, December 21, 2017

* ASN (M&RA) Memo, December 21, 2018

* 37 U.S.C. § 352

* 150302 NAVADMIN 070-07

ASN (M&RA) Memo, December 21, 2017

ASN (M&RA) Memo, December 21, 2018

* 37 U.S.C. § 352

DON, Office of the Chief Naval Operations Memo, May 3, 2017

1504 – ARMY AIP PROGRAMS

* 150401 DA, ODCS, G-1 Memo, August 28, 2017

DA, ODCS, G-1 Memo, September 25, 2018

* 150402 DA, ODCS, G-1 Memo, August 22, 2017

DA, ODCS, G-1 Memo, February 15, 2018

DA, ODCS, G-1 Memo, September 24, 2018

* 150403 DA, ODCS, G-1 Memo, September 22, 2016

DA, ODCS, G-1 Memo, August 30, 2017

* 150404 DA, ODCS, G-1 Memo, September 26, 2016

DA, ODCS, G-1 Memo, September 22, 2016

* 150405 DA, ODCS, G-1 Memo, August 23, 2017

DA, ODCS, G-1 Memo, September 28, 2018

* 150406 DA, ODCS, G-1 Memo, September 2, 2017

DA, ODCS, G-1 Memo, September 22, 2018

* 150407 DA, ODCS, G-1 Memo, September 5, 2017

DA, ODCS, G-1 Memo, September 27, 2018

* 150408 DA, ODCS, G-1, Memo, December 18, 2017

DA, ODCS, G-1, Memo, December 15, 2017
1505 – AIR FORCE AIP PROGRAMS

* 150501  Under Secretary of the Air Force (USAF) Memo, December 28, 2017
SAF Memo, October 20, 2015
DoDI 1340.26, September 25, 2017
37 U.S.C. § 352

150502  SAF Memo, December 22, 2014
150505  SAF Memo, September 4, 2014
SAF Memo, October 31, 2014

* 150506  SAF Memo, March 15, 2018
DoDI 1340.26, September 25, 2017
37 U.S.C. § 352

* 150507  USAF Memo, July 27, 2018
USAF Memo, December 28, 2017
DoDI 1340.26, September 25, 2017
37 U.S.C. § 352

* 150508  SAF Memo, August 18, 2016
SAF Memo, August 22, 2018

* 150509  SAF Memo, March 22, 2017
SAF Memo, October 11, 2018
37 U.S.C. § 352

1506 – MARINE CORPS SMU AIP PROGRAMS

* 150601  ASN (M&RA) Memo, December 19, 2017
ASN (M&RA) Memo, December 13, 2018
DoDI 1340.26, September 25, 2017
37 U.S.C. § 352

* 150602  ASN (M&RA) Memo, December 18, 2017
ASN (M&RA) Memo, December 20, 2018
DoDI 1340.26, September 25, 2017
37 U.S.C. § 352

*1507 – AIP PROGRAM FOR INVOLUNTARY EXTENSIONS IN AFGHANISTAN OR CERTAIN THEATER UNITS

Office of the ASD (M&RA) Memo, November 27, 2017
1508 – AIP IN LIEU OF POST-DEPLOYMENT/MOBILIZATION RESPITE ABSENCE
(PDMRA)

* 150801 USD (P&R) Memo, April 18, 2007
* 150802 USD (P&R) Memo, May 24, 2007
DoDI 1340.26, September 25, 2017
* 150803 USD (P&R) Memo, February 1, 2010
DoDI 1327.06, Change 3, May 2016
* 150803.C 37 U.S.C. § 352
150804 DoDI 1327.06, Change 3, May 2016
150805 Public Law 112-120, May 25, 2012
USD (P&R) Memo, July 11, 2012
* 150806 Public Law 112-239, section 605, January 2, 2013
10 U.S.C. § 1552
**VOLUME 7A, CHAPTER 17: “SPECIAL PAY – HARDSHIP DUTY”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated December 2018 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
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<tr>
<td>170102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>170203.C.3</td>
<td>Extended the authorization for Hardship Duty Pay – Tempo to October 1, 2023, as stated in the Assistant Secretary of the Navy (Manpower and Reserve Affairs) memorandum, dated July 1, 2020.</td>
<td>Revision</td>
</tr>
<tr>
<td>170204</td>
<td>Added Hardship Duty Pay – Restriction of Movement in accordance with Assistant Secretary of Defense (Manpower and Reserve Affairs) memorandum, dated March 13, 2020.</td>
<td>Addition</td>
</tr>
<tr>
<td>170302</td>
<td>Updated Concurrent Payment limitation in accordance with Assistant Secretary of Defense (Manpower and Reserve Affairs) memorandum, dated March 13, 2020.</td>
<td>Revision</td>
</tr>
<tr>
<td>Figure 17-1</td>
<td>Updated locations and corresponding rates in accordance with the Assistant Secretary of Defense (Manpower and Reserve Affairs) memorandums, dated April 21, 2020, and June 4, 2020.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Updated to reflect current statutes and policy memos.</td>
<td>Revision</td>
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CHAPTER 17

SPECIAL PAY – HARDSHIP DUTY

1701  GENERAL

170101.  Purpose

This chapter prescribes the policy for payment of Hardship Duty Pay (HDP) and lists the areas where members are authorized to receive these entitlements.

*170102.  Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 352. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1702  HDP

170201.  HDP – Location (HDP – L)

A.  Purpose.  HDP – L is designed to recognize service at locations where living conditions are substantially below those normally found within the continental United States and to provide equity across DoD for Service members assigned to these locations. Locations are contained in Figure 17-1, and are listed on the Hardship Duty Locations table on DFAS.MIL.

B.  Eligibility.  All Service members permanently assigned or serving in a temporary additional duty/temporary duty (TAD/TDY), deployed, or attached status for over 30 consecutive days in a designated area, will receive HDP – L.  Service members on permanent reassignment to the area are eligible for HDP – L from the day of arrival at the new station. The conditions for HDP – L are set forth in Table 17-1. The Assistant Secretary of Defense – Manpower and Reserve Affairs (ASD (M&RA)) will promulgate any additional eligibility criteria by issuing a policy decision memorandum.

C.  Locations and Amounts.  The ASD (M&RA) will promulgate locations and specific amounts for HDP – L at the rates shown in Figure 17-1.

D.  Restrictions.  Service members performing duty temporarily in a designated area are not eligible for HDP – L during the first 30 days of consecutive duty in the area. On the 31st day, HDP – L is payable to the member retroactive to the date the member reported for duty at the location. The ASD (M&RA) will promulgate any additional restrictions for HDP – L.

E.  Termination.  HDP – L entitlement ends on:
1. The day the member departs the station as a result of Permanent Change of Station (PCS) reassignment; or
2. The last day of the effective period as stated in Figure 17-1; or
3. The day specified in Table 17-1 for specific situations.

**HDP – Mission (HDP – M)**

A. **Purpose.** HDP – M is designed to recognize permanent or temporary assignment of Service members when conditions are deemed particularly arduous or require Service members to perform duties outside of normal military operations.

B. **Eligibility.** Eligibility criteria will be established by the ASD (M&RA) for Service members permanently or temporarily assigned to a designated mission. A member assigned to, on TAD/TDY with, or otherwise under the operational control of the Defense Prisoner of War/Missing Personnel Office, the Joint Task Force-Full Accounting, or the Central Identification Lab-Hawaii, may qualify for HDP – M based on performance of a hardship mission. Eligible members are entitled to receive HDP – M for each month in which they perform investigative or remains recovery duty in a remote, isolated area (including, but not limited to, areas in Laos, Cambodia, Vietnam, and North Korea) in the recovery of U.S. Service member remains.

C. **Maximum Amount.** HDP – M is payable to all members at the rate of $150 per month. HDP – M is payable at the full monthly rate, without prorating or reduction, for each month, during any part of which, the member performs a specified mission.

**HDP – Tempo (HDP – T)**

A. **Purpose.** HDP – T is designed to recognize extended or excessive amounts of time outside of a Service member’s permanent duty station (PDS).

B. **Eligibility.** Secretaries of the Military Departments concerned will establish eligibility criteria based on Service-specific needs but will consider retention, quality of life, family separation, and other factors that contribute to a Service member’s dissatisfaction when spending extended or excessive amounts of time away from the Service member’s PDS.

C. **Amount.** Secretaries of the Military Departments concerned will establish monthly rates, but the maximum amount of HDP – T per month will not exceed $500. The Department of the Navy:

1. Received approval to pay Service members HDP – T at the monthly rate of $495 for Sailors and Marines deployed beyond the 220th day of a consecutive operational deployment. Sailors and Marines will receive prorated HDP – T based on the number of days in the month that they are eligible, subject to the provisions of Chapter 1, paragraph 010302;
2. May make payments for HDP – T commencing on September 17, 2014, but members who are on a qualifying operational deployment/mobilization on September 17, 2014 may count the consecutive number of days of deployment/mobilization prior to September 17, 2014 for the purpose of being eligible for the payment of HDP – T; and


D. Restrictions. The Secretary of the Military Departments concerned will prorate the monthly amount of HDP – T for a member who does not satisfy the eligibility requirements for an entire month.

NOTE: For periods of absence, consult with Service regulations to determine eligibility.

*170204. HDP – Restriction of Movement (HDP – ROM)

A. Purpose. HDP – ROM is designed for Service members ordered by their command to restriction of movement for self-monitoring due to exposure or suspected exposure to COVID-19.

B. Eligibility. Effective March 13, 2020, Service members ordered by their command:

1. To restriction of movement for self-monitoring due to exposure or suspected exposure to COVID-19; or

2. To restriction of movement due to travel to, from or through a Center for Disease Control and Prevention Level 3 Travel Health Notice country;

3. That are directed to do so at a facility that is neither provided by the U.S. Government nor is their personal residence at the member’s PDS; and

4. Are required to pay for the cost of their lodging without full or partial reimbursement.

C. Amount. HDP – ROM will be paid at the rate of $100 per day not to exceed $1,500 per month.

1703 RESTRICTIONS ON PAYMENT

170301. General Restrictions

When a member is in receipt of Hostile Fire Pay (HFP) or Imminent Danger Pay (IDP), then the maximum amount of HDP – L is $100. The total entitlement of HDP – L plus HFP or IDP in any 1 month may not exceed $325.
170302. Concurrent Payments

The combination of HDP – M, HDP – L, and HDP – T entitlements and other assignment and special duty pays may not exceed an average monthly amount of $3,500 unless otherwise authorized by ASD (M&RA).

NOTE: As of the March 13, 2020, memorandum from ASD (M&RA), HDP – ROM may be paid in addition to all other HDPs and assignment and special duty pays such that the total combined HDP and assignment and special duty pays may not exceed the average monthly amount of $5,000 as prescribed in 37 USC § 352(b)(2).
*Figure 17-1. Hardship Duty Location Pay Areas

For the most current locations, see **Hardship Duty Locations** table on DFAS.MIL.

Notes 1 and 2

<table>
<thead>
<tr>
<th>Designated Locations</th>
<th>Monthly Rates</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
<td><strong>Province (State), City or Region</strong></td>
<td><strong>From</strong></td>
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<td>Afghanistan (Note 3)</td>
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<td>Albania</td>
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<td>American Samoa</td>
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<td>Angola</td>
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<td>Antarctic Region</td>
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<td>Australia</td>
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<tr>
<td></td>
<td>Other</td>
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<td>Azerbaijan (Note 3)</td>
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</tr>
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<td>includes Lajes Field</td>
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</tr>
<tr>
<td></td>
<td>$50</td>
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<td>Bahamas</td>
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<td></td>
<td>Andros Island</td>
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<td>Benin</td>
<td>$150</td>
<td>Jan 1, 2001</td>
</tr>
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</table>
### Designated Locations

**Country** | **Province (State), City or Region** | **Monthly Rates** | **Effective Date** | **From** | **Through**
--- | --- | --- | --- | --- | ---
Bolivia | Cochabamba | $50 | Jan 1, 2001 | | |
| La Paz | $150 | Sep 1, 2007 | Dec 31, 2017 | | |
| Santa Cruz | $50 | Jun 1, 2012 | | | |
| Other | $150 | Sep 1, 2007 | | | |
Bosnia-Herzegovina | | $100 | Jan 1, 2018 | | |
| | | $150 | Apr 1, 2012 | Dec 31, 2017 | |
Botswana | Selebi-Phikwe | $150 | Apr 1, 2012 | | |
| Other | $50 | Apr 1, 2012 | | | |
Brazil (States) | Amazonas | $50 | Jan 1, 2001 | | |
| Goias | $50 | Jan 1, 2001 | | | |
| Maranhao | $50 | Jan 1, 2001 | | | |
| Mato Grosso | $50 | Jan 1, 2001 | | | |
| Mato Grosso Do Sul | $50 | Jan 1, 2001 | | | |
| Para | $50 | Jan 1, 2001 | | | |
| Pernambuco | $50 | Jan 1, 2001 | | | |
| Piaui Rondonia | $50 | Jan 1, 2001 | | | |
| Roraima | $50 | Jan 1, 2001 | | | |
Brazil (Cities) | Belo Horizonte | $50 | Oct 1, 2017 | | |
| Brasilia | $50 | Feb 1, 2004 | | | |
| Fortaleza | $50 | Jan 1, 2001 | | | |
| Porto Alegre | $50 | Oct 1, 2017 | | | |
| Recife | $50 | Jan 1, 2001 | | | |
| Rio de Janeiro | $50 | Feb 1, 2004 | | | |
| Sao Paulo | $50 | Oct 14, 2001 | | | |
| Other | $0 | Jan 1, 2001 | | | |
Brunei | | $50 | Jan 1, 2018 | | |
| | | $100 | Jan 1, 2018 | Dec 31, 2017 | |
Bulgaria | | $50 | Jun 1, 2012 | | |
Burkina Faso | | $150 | Jan 1, 2001 | | |
Burma (Myanmar) | | $150 | Jan 1, 2001 | | |
Burundi | | $100 | May 10, 2005 | | |
Cambodia | | $150 | Oct 11, 2001 | | |
*Figure 17-1. Hardship Duty Location Pay Areas (Continued)
For the most current locations, see *Hardship Duty Locations* table on DFAS.MIL.
Notes 1 and 2

<table>
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<th>Monthly Rates</th>
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<th>Through</th>
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<td>North Region</td>
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<td>Canada</td>
<td>Northwest Territory</td>
<td>$150</td>
<td>Jan 1, 2001</td>
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<tr>
<td></td>
<td>Other</td>
<td>$0</td>
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<tr>
<td>Cape (Cabo) Verde</td>
<td></td>
<td>$150</td>
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<td>Central African Republic</td>
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*Figure 17-1. Hardship Duty Location Pay Areas (Continued)
For the most current locations, see *Hardship Duty Locations* table on DFAS.MIL.
Notes 1 and 2

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*Figure 17-1. Hardship Duty Location Pay Areas (Continued)
For the most current locations, see *Hardship Duty Locations* table on DFAS.MIL.
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*Figure 17-1. Hardship Duty Location Pay Areas (Continued)

For the most current locations, see *Hardship Duty Locations* table on DFAS.MIL.

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*Figure 17-1. Hardship Duty Location Pay Areas (Continued)
For the most current locations, see *Hardship Duty Locations* table on DFAS.MIL.
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*Figure 17-1. Hardship Duty Location Pay Areas (Continued)
For the most current locations, see *Hardship Duty Locations* table on DFAS.MIL.
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For the most current locations, see [Hardship Duty Locations](https://DFAS.MIL) table on DFAS.MIL.

Notes 1 and 2

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*Figure 17-1. Hardship Duty Location Pay Areas (Continued)*  
For the most current locations, see *Hardship Duty Locations* table on DFAS.MIL.  
Notes 1 and 2

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*Figure 17-1. Hardship Duty Location Pay Areas (Continued)

For the most current locations, see Hardship Duty Locations table on DFAS.MIL.

Notes 1 and 2

NOTES:

1. All members on qualifying duty at places within the listed country, state, or region are entitled to HDP – L. Only land areas are designated for hardship duty, except that any installations located on an ice shelf inside the Antarctic or Arctic Circle Regions are also included in the designation for that area.

2. The special pay is currently payable when ending date is not shown in “Through” column.

3. The HDP – L monthly entitlement decreases to a maximum payment of $100 when Service members are authorized a concurrent payment of $225 for HFP or IDP. See paragraph 170301.

4. When required to perform duties within the detention facility.

5. Includes Iraklion and Souda Bay.

6. Includes:
   - Alamo ASA (Det L);
   - Bayonet Training Area;
   - Bull’s Eye #1 & #2;
   - Camp Bonifas;
   - Camp Casey;
   - Camp Castle;
   - Camp Edwards;
   - Camp Essayons;
   - Camp Falling Water;
   - Camp Garry Owen North;
   - Camp Giant;
   - Camp Greaves;
   - Camp Hovey;
   - Camp Howze;
   - Camp Jackson;
   - Camp Kwang Sa-Ri
   - Camp Kyle;
   - Camp Mobile;
   - Camp Nimble;
   - Camp Page;
   - Camp Red Cloud;
   - Camp Sears;
   - Camp Stanley;
   - Camp Stanton (H-112);
   - Charlie Block;
   - Concord;
   - Demilitarized Zone (DMZ) South Half;
   - Freedom Bridge;
   - Gimbols Gun Training Area;
   - Hwaakson Evn ATC;
   - Joint Security Area Swiss-Swede Camp;
*Figure 17-1. Hardship Duty Location Pay Areas (Continued)
For the most current locations, see *Hardship Duty Locations* table on DFAS.MIL.
Notes 1 and 2

NOTES (Continued):
- Kamaksan ASA (Det M), H220 Heliport,
- La Guardia;
- Liberty Bell;
- Papyonsan ATC;
- Shinbuk Relay (Hill 754);
- Warrior Base;
- Watkins Range;
- Yongpyong (Indian Head TC);
Table 17-1. Hardship Duty Location Pay – Conditions of Entitlement

<table>
<thead>
<tr>
<th>Rule</th>
<th>When a member</th>
<th>and</th>
<th>and</th>
<th>then hardship duty location pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>is assigned to permanent duty in a location listed in Figure 17-1 as a hardship duty area</td>
<td>reports PCS to the area</td>
<td>starts on day of arrival for duty (note 1).</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>leaves the area permanently</td>
<td>continues through day of departure (note 2).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>is discharged and immediately re-enlists at the same duty station</td>
<td>continues to accrue.</td>
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</tr>
<tr>
<td>4</td>
<td>is on authorized leave and remains within the area</td>
<td></td>
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</tr>
<tr>
<td>5</td>
<td>is also entitled to payment of HFP/IDP during the same month</td>
<td>is limited to a maximum entitlement of $100 for that month.</td>
<td></td>
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</tr>
<tr>
<td>6</td>
<td>is accompanied</td>
<td>leaves the area temporarily to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas</td>
<td>accrues at the higher area rate during the temporary assignment until return to the PDS (note 3).</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>is unaccompanied</td>
<td>leaves the area temporarily for reasons other than to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas</td>
<td>continues to accrue.</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>is accompanied</td>
<td>leaves the area temporarily for reasons other than to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas</td>
<td>continues for first 30 days.</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>is unaccompanied</td>
<td>leaves the area temporarily for reasons other than to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 17-1. Hardship Duty Location Pay - Conditions of Entitlement (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>When a member and hardship duty area</th>
<th>When a member and operational flight duty, TAD/TDY, or hospitalization in one or more HDP – L areas for a continuous period of more than 30 days (including date of arrival and date of departure)</th>
<th>then hardship duty location pay</th>
<th>entitlement is limited to $100 when HFP or IDP is payable during the same month.</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>is not assigned to permanent duty in a location listed in Figure 17-1 as a hardship duty area</td>
<td>is on operational flight duty, TAD/TDY, or hospitalized in one or more HDP – L areas for a continuous period of more than 30 days (including date of arrival and date of departure)</td>
<td>accrues at the applicable area rate retroactive from the date of arrival (notes 1 and 4).</td>
<td>Entitlement is limited to $100 when HFP or IDP is payable during the same month.</td>
</tr>
<tr>
<td>11</td>
<td>is entitled to hardship duty location pay for temporary assignment in an area listed in Figure 17-1</td>
<td>leaves the area temporarily to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas</td>
<td>accrues at the higher area rate during the first 30 days at the follow-on assignment and then continues at the follow-on area rate until return to the original temporary area or through day of departure, if not returning (notes 3 and 4).</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>is entitled to hardship duty location pay for temporary assignment in an area listed in Figure 17-1</td>
<td>leaves the area temporarily for reasons other than to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas</td>
<td>continues for first 30 days.</td>
<td></td>
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<tr>
<td>13</td>
<td></td>
<td>leaves the area permanently</td>
<td>continues through day of departure (note 2).</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>is otherwise entitled to hardship duty location pay for assignment in an area listed in Figure 17-1 as a hardship duty area</td>
<td>is in confinement awaiting trial by court-martial and is acquitted or has charges dismissed</td>
<td>accrues retroactive to first day of confinement.</td>
<td></td>
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<tr>
<td>15</td>
<td></td>
<td>is in confinement awaiting trial by court-martial and is convicted</td>
<td>does not accrue from first day of confinement through the day before the date restored to full duty (note 5).</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
<td>is in confinement as result of court-martial sentence</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 17-1. Hardship Duty Location Pay - Conditions of Entitlement (Continued)

NOTES:
1. If already in a location when it is designated a hardship duty area, the day of designation starts pay for those on permanent duty. Absences from an HDP-L area of less than 24 hours do not break continuity. A member, on operational flight duty, TAD/TDY, or hospitalized in an area on the date it becomes designated for HDP – L, may count the number of consecutive days already served in that area immediately preceding the date of designation. Additionally, the member may count the number of consecutive days served in a different designated area or areas, if the member served in such area(s) immediately preceding arrival in the newly designated area. In any case, entitlement to payment for HDP – L cannot accrue for any area prior to the date it is designated.
2. Rule 3 applies when a medical evacuee has been reassigned on PCS from the designated area for medical treatment.
3. Any enroute TAD/TDY, travel time, or leave will accrue HDP-L at the PDS/prevailing area rate. HDP terminates if more than 30 days pass before a member (other than a member with accompanied status at an HDP – L PDS) reports for duty in another designated area.
4. If time from more than one designated area is combined to meet the 30 day qualifying criteria, pay the rate for the area at which the greatest time was earned during the first 30 days. After the first 30 days pay the applicable rate for the area in which duty is served, prorated if necessary.
5. Non-judicial punishment does not result in loss of HDP.
REFERENCES

CHAPTER 17 - SPECIAL PAY - HARDSHIP DUTY

1702 ENTITLEMENT

37 U.S.C. § 352
DoD Instruction (DoDI) 1340.26, September 25, 2017
   Change 1, Effective January 11, 2019
ASD (M&RA) Memo, September 26, 2017
170203.C.3 Assistant Secretary of the Navy (M&RA) Memo,
   July 1, 2020
170204 ASD (M&RA) Memo, March 13, 2020

1703 RESTRICTIONS ON PAYMENT

170301 ASD (M&RA) Memo, September 26, 2017
170302 37 U.S.C. § 352(b)(2)
   DoDI 1340.26, September 25, 2017
   Change 1, Effective January 11, 2019
   ASD (M&RA) Memo, March 13, 2020

Figure 17-1 – HARDSHIP DUTY LOCATION PAY AREAS

   Afghanistan ASD (FMP) Memo, October 31, 2001
   Albania ASD (FMP) Memo, March 13, 2002
   Algeria Office of the Under Secretary of Defense (USD) Personnel
   and Readiness (OUSD (P&R)) Memo, August 29, 2007
   American Samoa OUSD (P&R) Memo, June 15, 2005
   Angola OUSD (P&R) Memo, March 27, 2007
   OUSD (P&R) Memo, August 29, 2007
   Antarctic Region ASD (FMP) Memo, December 21, 2000
   Antigua Air Station ASD (FMP) Memo, April 18, 2002
   Arctic Circle Region ASD (FMP) Memo, December 21, 2000
   Argentina ASD (M&RA) Memo, September 26, 2017
   Armenia ASD (FMP) Memo, December 21, 2000

17-23
<table>
<thead>
<tr>
<th>Country</th>
<th>ASD (FMP) Memo, Year</th>
<th>ASD (FMP) Memo, Year</th>
<th>USD (P&amp;R) Memo, Year</th>
<th>ASD (M&amp;RA) Memo, Year</th>
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<td>April 18, 2002</td>
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<td>OUSD (P&amp;R) Memo, October 31, 2007</td>
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<tr>
<td>Azores, Portugal</td>
<td>December 21, 2000</td>
<td>October 14, 2001</td>
<td>January 28, 2004</td>
<td>September 26, 2017</td>
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<td>Bahamas</td>
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<td>September 26, 2017</td>
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<td>Bangladesh</td>
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El Salvador
- ASD (FMP) Memo, May 30, 2001
- OUSD (P&R) Memo, November 17, 2004
- OUSD (P&R) Memo, August 29, 2007
- USD (P&R) Memo, March 7, 2012

Equitorial Guinea
- OUSD (P&R) Memo, August 29, 2007

Eritrea
- ASD (FMP) Memo, December 21, 2000
- ASD (FMP) Memo, July 31, 2002
- ASD (M&RA) Memo, April 21, 2020

Estonia
- ASD (FMP) Memo, December 21, 2000

Ethiopia
- ASD (FMP) Memo, January 18, 2002

Fiji
- ASD (FMP) Memo, December 21, 2000
- OUSD (P&R) Memo, January 28, 2004
- USD (P&R) Memo, March 7, 2012
- ASD (M&RA) Memo, September 26, 2017

Gabon
- ASD (FMP) Memo, December 21, 2000
- OUSD (P&R) Memo, August 29, 2007
- USD (P&R) Memo, March 7, 2012
- ASD (M&RA) Memo, September 26, 2017

Gambia
- ASD (FMP) Memo, December 21, 2000

Georgia
- ASD (FMP) Memo, December 21, 2000
- OUSD (P&R) Memo, March 27, 2007
- ASD (M&RA) Memo, September 26, 2017

Ghana
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Greece
- ASD (FMP) Memo, December 21, 2000
- OUSD (P&R) Memo, November 17, 2004
- USD (P&R) Memo, March 7, 2012
- ASD (M&RA) Memo, September 26, 2017

Greenland
- ASD (FMP) Memo, December 21, 2000

Grenada
- ASD (FMP) Memo, December 21, 2000

Guatemala
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- OUSD (P&R) Memo, January 28, 2004
USD (P&R) Memo, March 7, 2012

Guinea
ASD (FMP) Memo, December 21, 2000

Guinea Bissau
ASD (FMP) Memo, December 21, 2000

Guyana
ASD (FMP) Memo, December 21, 2000

Haiti
USD P&R Memo, November 30, 2001
USD (P&R) Memo, December 31, 2013

Honduras
ASD (FMP) Memo, December 21, 2000
OUSD (P&R) Memo, November 28, 2008
USD (P&R) Memo, March 7, 2012
ASD (M&RA) Memo, September 26, 2017

Hungary
ASD (FMP) Memo, December 21, 2000

Iceland
ASD (FMP) Memo, December 21, 2000
OUSD (P&R) Memo, August 29, 2007
USD (P&R) Memo, March 7, 2012
ASD (M&RA) Memo, September 26, 2017

India
ASD (FMP) Memo, December 21, 2000
ASD (FMP) Memo, October 14, 2001
OUSD (P&R) Memo, January 28, 2004
USD (P&R) Memo, March 7, 2012

Indonesia
ASD (FMP) Memo, December 21, 2000
ASD (FMP) Memo, October 14, 2001
ASD (FMP) Memo, October 31, 2001
ASD (M&RA) Memo, September 26, 2017
ASD (M&RA) Memo, April 21, 2020

Iraq
OUSD (P&R) Memo, March 31, 2003
USD (P&R) Memo, August 23, 2010

Israel
ASD (FMP) Memo, December 21, 2000
ASD (FMP) Memo, October 14, 2001
OUSD (P&R) Memo, March 31, 2003
USD (P&R) Memo, March 7, 2012
ASD (M&RA) Memo, September 26, 2017

Jamaica
ASD (FMP) Memo, December 21, 2000
OUSD (P&R) Memo, August 29, 2007
ASD (M&RA) Memo, September 26, 2017
Jordan
ASD (FMP) Memo, January 18, 2002
OUSD (P&R) Memo, June 30, 2003
ASD (M&RA) Memo, June 28, 2016

Kazakhstan
ASD (FMP) Memo, December 21, 2000
ASD (M&RA) Memo, September 26, 2017

Kenya
ASD (FMP) Memo, December 21, 2000
ASD (FMP) Memo, October 14, 2001
ASD (FMP) Memo, May 23, 2002

Kiribati, Republic of
OUSD (P&R) Memo, February 8, 2011

Korea, Democratic Republic of (North Korea)
ASD (FMP) Memo, December 21, 2000

Korea, Republic of (South Korea)
ASD (FMP) Memo, December 21, 2000
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OUSD (P&R) Memo, March 31, 2003
USD (P&R) Memo, March 7, 2012

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ASD (FMP) Memo, October 31, 2001
USD (P&R) Memo, December 31, 2013

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ASD (FMP) Memo, December 21, 2000

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ASD (FMP) Memo, December 21, 2000

Lebanon
OUSD (P&R) Memo, November 17, 2004

Lesotho
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OUSD (P&R) Memo, November 17, 2004
ASD (M&RA) Memo, September 26, 2017

Liberia
USD (P&R) Memo, March 7, 2012
USD (P&R) Memo, December 31, 2013
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Vanatu    OUSD (P&R) Memo, August 29, 2007

Venezuela ASD (FMP) Memo, December 21, 2000
OUSD (P&R) Memo, January 28, 2004
OUSD (P&R) Memo, November 28, 2008

Vietnam    ASD (FMP) Memo, December 21, 2000

Western Sahara ASD (FMP) Memo, November 27, 2001
(Disputed Territory)

Yemen    ASD (FMP) Memo, January 18, 2002
OUSD (P&R) Memo, January 28, 2004

Zambia    ASD (FMP) Memo, December 21, 2000
OUSD (P&R) Memo, August 29, 2007
USD (P&R) Memo, March 7, 2012

Zimbabwe ASD (FMP) Memo, December 21, 2000
ASD (FMP) Memo, October 14, 2001
OUSD (P&R) Memo, July 30, 2003
OUSD (P&R) Memo, August 29, 2007

Table 17-1 – HARDSHIP DUTY LOCATION PAY – CONDITIONS OF ENTITLEMENT

Rule 5    OUSD (P&R) Memo, February 15, 2007
Rule 10   OUSD (P&R) Memo, February 15, 2007
Notes 1 & 3 OUSD (P&R) Memo, March 31, 2003
VOLUME 7A, CHAPTER 18: “SPECIAL PAY – CAREER SEA PAY (CSP)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2018 is archived.

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<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>180102</td>
<td>Updated the “Authoritative Guidance” paragraph and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
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<td>References</td>
<td>Renamed “Bibliography” to “References” and updated statutes and references.</td>
<td>Revision</td>
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CHAPTER 18

SPECIAL PAY – CAREER SEA PAY (CSP)

1801 GENERAL

180101. Purpose

This chapter establishes policy pertaining to CSP and CSP-Premium (CSP-P).

*180102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1802 PROVISIONS

180201. Entitlement

A member who is entitled to basic pay is entitled to CSP and CSP-P while serving on sea duty under regulations prescribed by the Office of the Secretary of Defense, Secretary of the Military Department concerned, and the provisions of this chapter.

180202. Definitions

A. CSP. CSP is special pay for recognition of the greater than normal rigors of assignment to sea duty.

B. CSP-P. CSP-P is special pay that is in addition to CSP and is paid for unusually long periods of continuous sea duty. A member entitled to CSP who has served 36 consecutive months of sea duty is also entitled to CSP-P for the 37th consecutive month and each subsequent consecutive month of sea duty served.

C. Sea Duty. Sea duty, for the purpose of entitlement to CSP and CSP-P, is duty performed by a member under orders:

1. While permanently assigned for duty to a ship, ship-based staff, or ship-based aviation unit and serving on a ship with a primary mission that is accomplished underway (includes ships designated as destroyers or submarine tenders). Periods when the member is on temporary duty (TDY), on leave, hospitalized, or otherwise temporarily absent under orders, not to exceed the first 30 consecutive days of each occurrence, are also counted;
2. While temporarily assigned for duty to a ship, ship-based staff, or ship-based aviation unit and serving on a ship with a primary mission that is accomplished underway (includes ships designated as destroyers or submarine tenders);

3. While permanently or temporarily assigned for duty to a ship or ship-based staff and serving on a ship with a primary mission that is accomplished in port, but only during that period while the ship is away from its homeport. A ship is considered to be away from its homeport whenever it is at sea or in a port that is more than 50 miles from its homeport; or

4. While serving as a member of the off-crew of a two-crewed vessel.

D. Cumulative Sea Duty (CSD). CSD is the total time a member has been assigned to qualifying sea duty during their service career, regardless of pay grade. Additionally, it will include all time during which a member is assigned to a ship or ship-based staff and actually served on a ship with a primary mission that is accomplished in port, regardless of whether the ship is at sea or away from homeport.

E. Ship. Ship, for the purpose of entitlement to CSP and CSP-P, means a self-propelled vessel in an active status, in commission, or in-service.

1803 CONDITIONS OF ENTITLEMENT

180301. General Conditions

The general conditions of entitlement to CSP are listed in Table 18-1. Additionally, entitlement to and the rate of CSP is dependent upon the branch of service, pay grade, and total CSD applicable to the member. All members in pay grades E-1 through O-6 are eligible for payment of CSP, except commissioned officers of the Army and Air Force with 3 or less years of CSD and enlisted members of the Air Force in pay grades below E-4.

180302. CSP-P Conditions

The conditions of entitlement to CSP-P require the member to first be entitled to CSP. The CSP-P is in addition to CSP; however, for certain pay grades, it has been included in the CSP rate tables and is not payable as a separate item. When payable as a separate item, CSP-P accrues from the first day following the completion of the 36th month of consecutive sea duty and will be prorated if beginning on other than the first day of a calendar month.

Example: A member beginning a period of sea duty on January 15, 2011 would accrue CSP-P beginning January 15, 2014. The CSP-P is payable for the 37th and each subsequent consecutive month of sea duty regardless of the member’s pay grade when the sea duty began, provided the member is concurrently entitled to CSP.

A. The following members of the Navy and Marine Corps may become entitled to CSP-P as a separate item of pay:
1. All officers in pay grades O-1 through O-6;
2. All warrant officers;
3. All enlisted members in pay grades E-1 through E-4; and
4. All enlisted members in pay grades E-5 through E-9 with not over 8 years of CSD.

B. The following members of the Army may become entitled to CSP-P as a separate item of pay:

1. All officers in pay grades O-1 through O-6; and
2. All enlisted members in pay grades E-1 through E-3.

C. The following members of the Air Force may become entitled to CSP-P as a separate item of pay:

1. All officers in pay grades O-1 through O-6;
2. All enlisted members in pay grade E-4; and
3. All enlisted members in pay grades E-5 through E-9 with not over 5 years of CSD.

D. Members not addressed in subparagraphs 180302.A, B, and C have CSP-P already included in their applicable CSP rate table or are otherwise not eligible to receive a separate CSP-P payment.

1804 RATES PAYABLE

180401. CSP

The Secretary concerned will prescribe the monthly rates for special pay applicable to members of each Military Service under the Secretary’s jurisdiction. The monthly rate may not exceed $750.

A. The monthly rates of CSP for members of the Army are in Table 18-2.

B. The monthly rates of CSP and CSP-P (for E-5 through E-9 with over 8 years of CSD) for members of the Navy and Marine Corps are listed in Table 18-3.

C. The monthly rates of CSP for members of the Air Force are listed in Table 18-4.
180402. CSP-P

The Secretary concerned will prescribe the monthly rate for CSP-P applicable to members of each Military Service under the Secretary’s jurisdiction. The monthly rate may not exceed $350.

1805 RESTRICTIONS

180501. Enroute and Transport Restrictions

Do not credit time for sea duty and do not pay CSP or CSP-P to members enroute to or from ships outside the Continental United States or onboard a ship for transportation, regardless of the length of the period. This restriction applies to the periods prior to a member reporting for permanent duty and after being permanently detached from duty onboard a ship.

180502. Midshipmen and Cadet Members

Do not credit time for sea duty and do not pay CSP or CSP-P to midshipmen, aviation cadets, or academy cadets.

180503. Navy and Marine Corps Members

Do not pay CSP-P to Navy and Marine Corps members entitled to CSP in Table 18-3 for duty if in pay grades E-5 through E-9 with over 8 years of CSD.

180504. Army Members

Do not pay CSP-P to Army members entitled to CSP in Table 18-2 for duty:

A. Between October 1, 2002 and June 30, 2003 if in pay grades E-5 through E-9; or

B. On or after July 1, 2003 if in pay grades E-4 through E-9 or W-1 through W-5.

180505. Air Force Members

Do not pay CSP-P to Air Force members entitled to CSP in Table 18-4 for duty if in pay grades E-5 through E-9 with over 5 years of CSD.
Table 18-1. CSP – Conditions of Entitlement

<table>
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<tr>
<th>Rule</th>
<th>When an eligible member is serving on a ship whose primary mission is accomplished and then CSP under way in port</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
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<tr>
<td>1</td>
<td>reports for permanent duty defined as sea duty and</td>
<td>X</td>
<td>X</td>
<td>member is onboard when ship departs from homeport</td>
<td>starts on reporting date.</td>
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<tr>
<td>2</td>
<td>permanent duty defined as sea duty and</td>
<td>X</td>
<td>member reports onboard while ship is away from homeport</td>
<td>accrues from departure date.</td>
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<td></td>
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<tr>
<td>3</td>
<td>is detached from permanent duty defined as sea duty and</td>
<td>X</td>
<td>X</td>
<td>terminates on detachment date, provided member is otherwise entitled on that date.</td>
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</tr>
<tr>
<td>4</td>
<td>is discharged while on sea duty and</td>
<td>X</td>
<td>X</td>
<td>immediately reenlists onboard</td>
<td>continues to accrue, provided member is otherwise entitled.</td>
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<td>5</td>
<td>on sea duty is entitled to CSP and</td>
<td>X</td>
<td>ship returns to homeport</td>
<td>accrues through the date the ship returns to homeport.</td>
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<td>6</td>
<td>on sea duty</td>
<td>X</td>
<td>is on TDY, temporary additional duty (TAD), temporarily based ashore, under orders, or hospitalized ashore (note 1)</td>
<td>accrues during the first 30 days member is in such status.</td>
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<td>7</td>
<td>is on TDY, temporary additional duty (TAD), temporarily based ashore, under orders, or hospitalized ashore (note 1)</td>
<td>X</td>
<td></td>
<td>accrues during the first 30 days member is in such status, provided member is otherwise entitled and ship remains away from its homeport (note 2).</td>
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<td>8</td>
<td>on sea duty is on authorized leave and</td>
<td>X</td>
<td>X</td>
<td>accrues for the first 30 days of leave if otherwise entitled. There is no accrual during terminal leave.</td>
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<td>9</td>
<td>is based on or stationed ashore and</td>
<td>X</td>
<td>the type of duty is TAD or TDY</td>
<td>accrues from reporting date through detachment date (note 3).</td>
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### Table 18-1. CSP – Conditions of Entitlement (Continued)

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<th>D</th>
<th>E</th>
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<td>11</td>
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<td>is serving on a ship whose primary mission is accomplished and Underway in port and</td>
<td>X</td>
<td></td>
<td>then CSP accrues as indicated in rules 2 and 3, as applicable, and terminates when the ship returns to homeport or detachment date if ship remains away from homeport.</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>is suspended or otherwise removed from duty or confined awaiting trial by court-martial and</td>
<td>X</td>
<td>X</td>
<td>is acquitted or charges are dismissed</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>is convicted</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>is confined as a result of court-martial and</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td></td>
<td>is permanently or temporarily assigned to duty on a ship which is undergoing alterations or repairs and</td>
<td>X</td>
<td>X (note 5)</td>
<td>ship remains in an active status (in commission or in-service) (note 6)</td>
</tr>
</tbody>
</table>
Table 18-1. CSP – Conditions of Entitlement (Continued)

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>When an eligible member</td>
<td>is serving on a ship whose primary mission is accomplished</td>
<td>and</td>
<td>Underway in port</td>
<td>then CSP stops when the ship reverts to inactive status.</td>
</tr>
<tr>
<td>16</td>
<td>is permanently or temporarily assigned to duty on a ship</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>undergoing inactivation processing and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>is assigned to a</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Fleet Marine Force unit based on or stationed ashore and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>X</td>
<td>the type of duty is TAD or TDY</td>
<td></td>
<td>accrues from the embarkation date through the debarkation date (note 3).</td>
</tr>
</tbody>
</table>

NOTES:
1. “Temporarily based ashore” refers to a ship-based aviation unit or ship-based staff that has landed ashore with intent to return to a ship.
2. Entitlement terminates when the ship returns to the homeport.
3. Further TAD/TDY ashore from ship will not interrupt CSP entitlement for the first 30 days member is in such status, provided member is otherwise entitled and returns to the ship.
4. Where sentence is changed to restriction to ship and member performs duty, CSP is resumed. Nonjudicial punishment does not result in loss of CSP.
5. Entitlement accrues only when the ship is away from the homeport.
6. Chief of Naval Operations Instruction (OPNAVINST) 4700.8K series defines ship status assignments for U.S. Naval ships.
Table 18-2. Monthly CSP Rates – Army
Effective October 1, 2002

<table>
<thead>
<tr>
<th>Pay Grade</th>
<th>1 or less</th>
<th>Over 1</th>
<th>Over 2</th>
<th>Over 3</th>
<th>Over 4</th>
<th>Over 5</th>
<th>Over 6</th>
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<td>205</td>
<td></td>
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</tr>
<tr>
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<td>185</td>
<td>190</td>
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<td>205</td>
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<td>338</td>
<td>506</td>
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<td>492</td>
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</tr>
</tbody>
</table>

NOTES:
1. Do not pay CSP-P to Army members entitled to CSP for duty between October 1, 2002 and June 30, 2003 if in pay grades E-5 through E-9.
2. Do not pay CSP-P to Army members entitled to CSP for duty on or after July 1, 2003 if in pay grades E-4 through E-9 or W-1 through W-5.
Table 18-2. Monthly CSP Rates – Army (Continued)
Effective October 1, 2002

<table>
<thead>
<tr>
<th>Pay Grade</th>
<th>Cumulative Years of Sea Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Over 9</td>
</tr>
<tr>
<td>O-6</td>
<td>280</td>
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<tr>
<td>O-5</td>
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<td>O-1</td>
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<td>W-5</td>
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<tr>
<td>W-4</td>
<td>534</td>
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<td>W-3</td>
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<td>170</td>
</tr>
<tr>
<td>E-1</td>
<td>160</td>
</tr>
</tbody>
</table>

NOTES:
1. Do not pay CSP-P to Army members entitled to CSP for duty between October 1, 2002 and June 30, 2003 if in pay grades E-5 through E-9.
2. Do not pay CSP-P to Army members entitled to CSP for duty on or after July 1, 2003 if in pay grades E-4 through E-9 or W-1 through W-5.
Table 18-3. Monthly CSP and CSP-P – Navy and Marine Corps
Effective May 1, 2014

<table>
<thead>
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<th>Pay Grade</th>
<th>Cumulative Years of Sea Duty</th>
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<td>E-1</td>
<td>50</td>
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</tbody>
</table>

NOTE: CSP-P is $200 per month. Do not pay CSP-P to pay grades E5 through E9 with over 8 years of CSD. CSP-P is included in their CSP.
Table 18-3. Monthly CSP and CSP-P – Navy and Marine Corps (Continued)
Effective May 1, 2014

<table>
<thead>
<tr>
<th>Pay Grade</th>
<th>Cumulative Years of Sea Duty</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Over 9</td>
</tr>
<tr>
<td>O-6</td>
<td>494</td>
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<td>O-5</td>
<td>438</td>
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<td>63</td>
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</tbody>
</table>

**NOTE:** CSP-P is $200 per month. Do not pay CSP-P to pay grades E5 through E9 with over 8 years of CSD. CSP-P is included in their CSP.
Table 18-4. Monthly CSP Rates – Air Force  
Effective May 1, 1988

<table>
<thead>
<tr>
<th>Pay Grade</th>
<th>Cumulative Years of Sea Duty (See Note)</th>
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Table 18-4. Monthly CSP Rates – Air Force (Continued)  
Effective May 1, 1988

<table>
<thead>
<tr>
<th>Pay Grade</th>
<th>Cumulative Years of Sea Duty (See Note)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Over 9</td>
</tr>
<tr>
<td>O-6</td>
<td>280</td>
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</tbody>
</table>

**NOTE:** Do not pay CSP-P to Air Force members in pay grades E-5 through E-9 with over 5 years of CSD.
**REFERENCES**

**CHAPTER 18 – SPECIAL PAY – CAREER SEA PAY (CSP)**

1802 – PROVISIONS

180201  Title 37, United States Code, section 352
        DoD Instruction (DoDI) 1340.26, September 25, 2017,
        Change 1, Effective, January 11, 2019

1804 – RATES PAYABLE

180402  DoDI 1340.26, paragraph 4.9.c, September 25, 2017,
        Change 1, Effective, January 11, 2019

1805 – RESTRICTIONS

180501  DoDI 1340.26, paragraph 4.9.d, September 25, 2017,
        Change 1, Effective, January 11, 2019

Table 18-2  Assistant Secretary of the Army Manpower and Reserve
            Affairs (M&RA) Memo, September 20, 2002

Table 18-3  OPNAVINST 7220.14, December 24, 2005
            Secretary of the Navy Memo, March 4, 2014
            Assistant Secretary of the Navy (M&RA) Memo,
            April 11, 2014

Table 18-4  Public Law 100-180, section 621, December 4, 1987
VOLUME 7A, CHAPTER 19: “FOREIGN LANGUAGE PROFICIENCY BONUS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2017 is archived.

<table>
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<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>All</td>
<td>Updated nonworking hyperlinks.</td>
<td>Revision</td>
</tr>
<tr>
<td>190305</td>
<td>Updated the duration of authority date and moved it to the “Duration of Authority” table on DFAS.MIL. Added a hyperlink to the table.</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 19-1</td>
<td>Moved the “FLPB Installment Rates” to a table on DFAS.MIL. Added a hyperlink to the table.</td>
<td>Deletion</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated supporting statute.</td>
<td>Revision</td>
</tr>
</tbody>
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  190102. Authoritative Guidance ........................................................................................ 3

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  190203. RC Eligibility ....................................................................................................... 4
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CHAPTER 19
FOREIGN LANGUAGE PROFICIENCY BONUS

1901 GENERAL

190101. Purpose

This chapter establishes policy pertaining to Foreign Language Proficiency Bonus (FLPB) for members of an Active Component (AC) or Reserve Component (RC) of the uniformed services.

190102. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

1902 ENTITLEMENT

190201. General Provisions

A. The Secretary of the Military Department concerned will pay FLPB to a member of an AC or RC, that has been certified as proficient in one or more foreign languages, or dialects identified on the Department of Defense (DoD) Strategic Language List (SLL) in the Immediate and Emerging Payment (see the FLPB Installment Rates table, Payment Category A).

B. The Secretary may pay FLPB to a member of an AC or RC of the uniformed services who has been certified as proficient in one or more foreign languages or dialects:

1. Identified on the DoD or Service Secretary SLL in the Enduring category (Service Secretaries may choose to pay or not pay FLPB, see the FLPB Installment Rates table, Payment Category B); or

2. Not identified on the DoD SLL, but designated by the Secretary concerned as a foreign language or dialect for which proficient personnel are required to accomplish DoD Component specific missions (see the FLPB Installment Rates table, Payment Category B).

C. The Secretary may not vary the criteria or rates for the proficiency bonus paid to officers and enlisted members.

Note: FLPB Installment Rates are set pursuant to DoD Instruction (DoDI) 1340.27.
190202. AC Eligibility

A. The Secretary concerned may pay FLPB to a member of an AC of the uniformed services who meets at least one of the following conditions:

1. Is qualified in a military career specialty requiring proficiency in a foreign language or dialect and is certified proficient in that foreign language or dialect;

2. Has received training, in accordance with regulations prescribed by the Secretary, designed to develop proficiency in a foreign language or dialect;

3. Is assigned to military duties requiring a proficiency in a foreign language or dialect for which the DoD or the Secretary concerned has identified a need; or

4. Is certified proficient in a foreign language or dialect in accordance with paragraph 190204 for which the DoD or the Secretary has identified a critical need.

B. The member must execute a written agreement with the Secretary concerned that specifies the:

1. Amount of FLPB awarded;

2. Period for which the FLPB will be paid;

3. Initial certification or recertification necessary for the FLPB payment; and

4. Repayment provision of the unearned portion of any remaining FLPB if the member does not satisfy the eligibility and certification requirements for the length of the written agreement.

C. The member must achieve a minimum of Interagency Language Roundtable (ILR) skill level 2/2 (ILR skill level 1/1 if authorized by the Secretary concerned) or higher in any two modalities on a DoD or Service Secretary SLL, Service-approved foreign language or dialect in order to receive FLPB, except as outlined in paragraphs 190206 and 190207.

190203. RC Eligibility

A. In order to receive FLPB in a similar fashion as a member of the AC, a member of the RC must:

1. Meet the eligibility certification requirements outlined in paragraph 190202, 190204, 190206, and 190207; and
2. Fulfill the minimum annual service requirements for retirement eligibility, as defined in *Title 10, United States Code (U.S.C.), section 12732* unless waived by the Secretary of the Military Department concerned.

   B. An RC member must earn a minimum of 50 retirement points, regardless of the RC source, in each full anniversary year to have that year count as creditable towards verification of the total years of qualifying service for non-regular retired pay and payment of FLPB.

   1. A partial qualifying year is any period of less than 12 full months during which the RC member earns a prorated share of 50 retirement points and an identical prorated share (or smaller percentage of full FLPB annual payment) of FLPB.

   2. An RC member who performs a partial qualifying year of less than 12 full months and earns less than 50 retirement points in a year will have their FLPB prorated at a value of 2 percent for each retirement point less than 50 points.

   C. The total of FLPB paid to an RC member in good standing, and who has not been adjudicated as an unsatisfactory performer in the previous 12 months, must equal the annual FLPB paid to an AC member with the same certified language proficiency.

   D. For RC members, the requirement to attain 50 points during a separation year is waived for FLPB calculation if the member separates before 12 months in the anniversary year. The RC member will be paid the standard FLPB monthly allotment for months in good standing, with the last month prorated if separation occurs before the last day of the month. RC members in a separation year, which are no longer in good standing, will have their FLPB terminated in the month in which they are determined to be no longer “in good standing.” The exception to the 50-point standard in a separation year is an RC member who serves the entire anniversary year. The individual must earn 50 points to collect the last month of FLPB prior to separation.

190204. Certification

   A. A member must be eligible and certified by the Secretary concerned as being proficient in a foreign language or dialect for which the bonus is offered.

   B. The certification of a member’s foreign language or dialect proficiency will expire at the end of the 1-year period beginning on the first day of the first month after the certification date. A member must test annually in each foreign language or dialect in order to continue receiving FLPB, unless recertified under the conditions stipulated in paragraphs 190206 and 190207. The Secretary concerned may retest a member no earlier than 6 months from the last administration of a test in that foreign language or dialect unless the member has completed a significant language education or training event (at least 150 hours of immersion training or 6 consecutive weeks of 5-hour-a-day classroom training) in that foreign language or dialect.
C. A member must be certified as proficient in any combination of two of the three modalities (reading (R), listening (L), and speaking (S)) to receive FLPB, except as referred to in the FLPB Installment Rates table, Note 2.

190205. Amount and Method of Payment

A. The bonus rate of FLPB may not exceed $12,000 per 1-year certification period. The Secretary of the Military Department concerned may pay a bonus in monthly installments or a lump sum during the certification period.

B. The monthly rate will not exceed $500 per month for a single foreign language or dialect, or $1,000 per month for two or more foreign languages or dialects. The total annual FLPB amount may not exceed $12,000 for each 1-year period of certification.

C. To receive the maximum monthly bonus installment allowed in any payment category (A or B), a member must acquire 3/3/3 proficiency in all three modalities or achieve an ILR skill level 4/4 or above in any two modalities (see the FLPB Installment Rates table).

D. The Secretary concerned:

1. May authorize FLPB at either Payment A or B rates (see the FLPB Installment Rates table) for DoD-approved languages not on the SLL and where there is a need to ensure a sufficient number of proficient personnel to accomplish DoD Component specific missions;

2. May, in the case of foreign languages considered prevalent in the Service, limit the payment of FLPB to those Service members whose duties require proficiency in such languages or as determined by the Secretary of the Military Department concerned; or

3. May authorize the payment of FLPB to Service members whose duties require an ILR skill below level 2 in the L, R, or S modalities.

Note: Hospitalized members may be entitled to FLPB under the Pay and Allowance Continuation (PAC) Program. See Chapter 13 for PAC entitlement eligibility.

190206. Waiver of Recertification of Proficiency

A. The Secretary concerned may waive the certification requirement and pay FLPB to a member who:

1. Is assigned to duty in connection with a contingency operation;

2. Is unable to schedule or complete the test for certification because of that assignment; and
3. Except for the lack of such certification, satisfies the eligibility requirements cited in paragraphs 190202 or 190203.

B. The Secretary may treat the date the member was assigned to duty in connection with a contingency operation as equivalent to a certification date.

C. When a member whose certification will expire during a contingency operation assignment or within 6 months following return to the continental United States or to an overseas permanent duty station, the Secretary concerned will authorize the Service member those 6 months after returning as a mandatory grace period to recertify for FLPB.

D. If a member fails to obtain the required certification by the end of the 6-month period, then the Secretary may require the Service member to repay all or a portion of the FLPB received in accordance with paragraph 190303.

E. The Secretary may waive the annual certification in subparagraph 190204.B and the duration of certification requirements in paragraphs 190206 and 190207, if the Service FLPB regulation addresses the specific circumstances under which the Service Secretary may waive either or both of these certification requirements.

190207. Exceptions to Recertification

The Secretary concerned may elect to recertify a member’s foreign language or dialect proficiency using their last recorded DoD Language Proficiency Test (DLPT) scores when:

A. A member is assigned to duty outside the continental United States (excluding Alaska and Hawaii) at a location where web-delivered testing facilities are not available or accessible. In such cases, the member may complete the recertification requirements provided in paragraph 190204, no later than 6 months after the date released from the duty assignment. The Secretary is responsible for determining which locations qualify for this recertification and the duration (not to exceed 6 months) of the Service recertification grace period;

B. A member’s certification expires while attending a significant language education or training event (at least 150 hours of immersion training or 6 consecutive weeks of 5-hour-a-day classroom training) or other significant events as defined by the Secretaries of the Military Departments, Defense Agencies, and DoD Field Activities heads. The next 1-year certification period will begin when they retest after they complete the significant language education or training event. The member’s FLPB will continue while in training up until completion of the course retest event. Further FLPB entitlement will be based on the results from that event; or

C. A member who initially certifies or recertifies proficient through the DLPT system, at or above ILR skill levels 3/3 or 3/3/3 in a foreign language or dialect, must take an approved test within the DLPT system no less frequently than every 2 years for recertification, in which case recertification in the off year may be accomplished using a method selected by the Secretary of the Military Department.
1903 CONDITIONS OF ENTITLEMENT

190301. Requirements

A member must qualify under any additional eligibility requirements prescribed by the Secretaries concerned, and is subject to Service specific certification requirements and amount of payment restrictions as outlined in:

A. DoD: *DoDI 1340.27*, Military Foreign Language Skill Proficiency Bonuses and *DoDI 5160.71*, DoD Language Testing Program;

B. Army: *Army Regulation 11-6*;

C. Navy: Chief of Naval Operations Instruction *7220.7H*;

D. Air Force: Air Force Instruction *(AFI) 36-2605*, Attachment 10 and 14, and *AFI 36-4002*; or

E. Marine Corps: Marine Corps Order *7220.52F*.

NOTE: Pay authorizing officials must access the current DoD SLL and the Component’s unique foreign language bonus pay authorizations, additional eligibility rules, and certification requirements in order to ensure the correct FLPB payment is authorized.

190302. Tax

FLPB is an item of pay subject to federal withholding tax. It is not subject to the Federal Insurance Contributions Act tax.

190303. Repayment

A member, who receives FLPB but does not satisfy eligibility and certification requirements specified in section 1902, may be subject to repayment in accordance with Chapter 2.

190304. Relationship to Other Pay and Allowances

A member may not be paid more than one Skill Incentive Pay or Proficiency Bonus in any month for the same period of service and skill. A member may be paid skill incentive pay or the proficiency bonus, in addition to any other pay and allowances to which the member is entitled, except that a member may not be paid skill incentive pay or a proficiency bonus and hazardous duty pay, in accordance with Chapter 24, for the same period of service in the same career field or skill.
*190305. Duration of Authority

Unless authorized by Congress, no FLPB agreement may be entered into after the date on the *Duration of Authority* table.
*REFERENCES

CHAPTER 19 – FOREIGN LANGUAGE PROFICIENCY BONUS

1902 – ENTITLEMENT

190201  DoDI 1340.27, May 21, 2013
37 U.S.C. § 353(b)(1) and (c)(2)
190202  DoDI 1340.27, May 21, 2013
190203  DoDI 1340.27, May 21, 2013
190204  37 U.S.C. § 353(d)(1) and (2)
190205  37 U.S.C. § 353(c)
Note  37 U.S.C. § 372
Public Law (P.L.) 110-181, section 661, January 28, 2008
190206  37 U.S.C. § 353(d)(3)
190207  DoDI 1340.27, May 21, 2013

1903 – CONDITIONS OF ENTITLEMENT

190303  37 U.S.C. § 353(g)
190304  37 U.S.C. § 353(h)
190305  37 U.S.C. § 353(i)
*  P.L. 115-232, section 611 (8), August 13, 2018
VOLUME 7A, CHAPTER 20: “AVIATION BONUS (AvB)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated January 2018 is archived.

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<td>200102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td></td>
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<td>2002</td>
<td>Updated section to include a hyperlink to DFAS.MIL for the duration of authority for Aviation Bonus.</td>
<td>Revision</td>
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<td>Renamed “Bibliography” to “References” and updated statutes and supporting references.</td>
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CHAPTER 20

AVIATION BONUS (AvB)

2001 GENERAL

200101. Purpose

The Secretaries of the Military Departments may offer an Aviation Bonus (AvB) to increase their respective Department’s ability to attract and retain officers in a military aviation career. An AvB paid to an eligible officer is in addition to any other pay and allowance to which the officer is entitled, except that an officer may not receive a payment for the same skill and period of service.

*200102. Authoritative Guidance

The AvB policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 334. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*2002 DURATION OF AUTHORITY

An AvB may not be paid to any officer after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement to the AvB commenced prior to that date.

2003 ELIGIBILITY REQUIREMENTS

200301. General

The Military Departments may offer an AvB on a selective basis when there is a shortage or a projected shortage of Regular or Reserve Component (RC) officers qualified in critical aviation specialties. AvBs will be limited to those periods in an officer’s aviation career in which AvBs can be expected to affect retention trends for the Military Service concerned.

200302. Qualifications

To qualify for an AvB, an officer, on active duty (AD) or in an active status, must:

A. Be eligible for Aviation Incentive Pay at the time of incurring the initial AvB contractual obligation;

B. Be in a pay grade of O-5 or below at the time of incurring the initial AvB contractual obligation;
C. Serve in an aviation specialty or skill designated as critical by the Secretary of the Military Department concerned;

D. Have completed or is within one year of completing any service obligation incurred for undergraduate aviator training. In accordance with 10 U.S.C. § 653, the minimum service obligation of any Service member who successfully completes training in the Armed Forces as a pilot is 8 years if the member is trained to fly fixed-wing jet aircraft, or 6 years if the member is trained to fly any other type of aircraft;

E. Execute a written agreement to remain on AD in the Regular Component or to serve in an active status in the selected reserve for at least one year; and

F. Meet such other additional criteria as the Secretary of the Military Department concerned may prescribe.

2004 PAYMENT METHODS AND AMOUNTS

200401. Payment Method

The Secretary of the Military Department concerned may pay an AvB to Regular or RC officers of a Uniformed Service who meet the qualification criteria in paragraph 200302 in a lump sum or in periodic installments, as determined by the Secretary concerned.

200402. Amounts

The AvB amount, covered by the written agreement, described in paragraph 200501, between the Regular or RC officer and the Secretary of the Military Department concerned, for each 12-month period of obligated service specified in 37 U.S.C. § 334(c)(1)(B), will not exceed the following, unless otherwise updated by the Assistant Secretary of Defense (ASD) (Manpower and Reserve Affairs (M&RA)):

A. $35,000 per year for Regular Component officers or RC Active Guard and Reserve officers performing qualified flying duty;

B. $35,000 per year for Regular Component officers or RC Active Guard and Reserve officers performing qualified flying duty related to Unmanned Aerial System (UAS) operators; or

C. $18,000 per year for all other RC officers performing qualified duty, to include UAS operators.

Note: The ASD (M&RA) may update the AvB amounts, in accordance with the DoD Instruction (DoDI) 7730.67, October 20, 2016, paragraph 2.1.b.
200403. Relationship to Other Pay and Allowances

Aviation pays and bonuses paid in accordance with DoDI 7730.67 will be in addition to any other pay or allowances to which the member is entitled, except as specified in the limitations and restrictions in DoDI 7730.67, paragraph 3.1.b.

2005 TERMS AND CONDITIONS

200501. Written Agreements

A. To receive an AvB, an officer must execute a written agreement with the Secretary of the Military Department concerned that specifies the amount of the AvB, the method of payment (lump sum or periodic installments), the period of obligated service (at least 1 year), and the type or conditions of service. No agreement may be executed that would take an officer beyond 25 Years of Aviation Service.

B. The Secretary of the Military Department concerned will not exceed the AvB amount covered by the written agreement for any 12-month period of obligated service specified in paragraph 200402 or 37 U.S.C. § 334(c).

C. Bonus agreements awarded under 37 U.S.C. § 301b, that were approved before October 1, 2017, will remain in effect, and payments may continue through the agreed-upon date in the written agreement.

200502. Acceptance

Upon acceptance of the written AvB agreement by the Secretary of the Military Department concerned, the period of obligated service and the total amount of AvB the Department will pay pursuant to the agreement will be fixed, unless otherwise renegotiated for a higher bonus amount in return for additional obligated service.

200503. Death of a Member

If a member dies before receiving the full amount of the bonus due (including contracted future year anniversary payments) and death is not caused by the member’s misconduct, the remaining unpaid bonus balance is payable as a lump sum for inclusion in the settlement of the deceased member’s final military pay account. If death is determined to be the result of the member’s own misconduct, termination of future payments and proration or repayment of the bonus, as applicable, must be made in accordance with procedures established by the Military Department concerned.

2006 REPAYMENT

An officer, who fails to fulfill the service conditions specified in the written agreement for the retention bonus, will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.
REFERENCES

CHAPTER 20 - AVIATION BONUS (AvB)

2002 – DURATION OF AUTHORITY

37 U.S.C. § 334(i)

2003 – ELIGIBILITY REQUIREMENTS

37 U.S.C. § 334(b)
DoDI 7730.67, October 20, 2016
10 U.S.C. § 653

2004 – AMOUNT

37 U.S.C. § 334(c)(1)(B)
DoDI 7730.67, October 20, 2016
ASD Memo, April 26, 2017

Note
DoDI 7730.67, October 20, 2016

2005 – PAYMENT

200502 37 U.S.C. § 334(c)(1)(B)
DoDI 7730.67, October 20, 2016
ASD Memo, April 26, 2017

2006 – REPAYMENT

37 U.S.C. §§ 334(g), & 373
VOLUME 7A, CHAPTER 22: “AVIATION INCENTIVE PAYS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated January 2020 is archived.

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<tr>
<td>220304.B</td>
<td>Updated subparagraph with the monthly Army Officers Aviation Incentive Pay (AvIP) rates.</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 22-5</td>
<td>Renamed to “Monthly Army Officer AvIP Rates” and modified the hyperlink.</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 22-6</td>
<td>Renamed to “Monthly Navy Officer AvIP Rates” and modified the hyperlink.</td>
<td>Revision</td>
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CHAPTER 22

AVIATION INCENTIVE PAYS

2201  GENERAL

220101. Purpose

The purpose of this chapter is to describe the policies for Hazardous Duty Incentive Pay (HDIP), Aviation Incentive Pay (AvIP), and Critical Skill Incentive Pay (CSIP).

Note: Aviation Career Incentive Pay (ACIP) and Career Enlisted Flyers Incentive Pay in accordance with Title 37, United States Code (U.S.C.), sections 301a, 301b, and 320, were discontinued after October 1, 2017.

220102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with 37 U.S.C. §§ 334(a) and 351(a)(2). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2202  HDIP FOR FLYING DUTY

The Secretary concerned may pay HDIP to Service members required by competent orders to participate in frequent and regular aerial flights as an aircrew member or to non-aircrew members who otherwise meet the requirements for flying duty.

220201. Eligibility

To be eligible for flying duty HDIP, a Service member must be required by competent orders to participate frequently and regularly in sustained, powered, controlled aerial flights, and generally must complete 4 hours (or 2 hours for reserve component (RC) Service members) of aerial flights each month. Hours that are flown in excess of this requirement may be credited against this requirement for up to 5 subsequent, consecutive months. Additionally, a Service member who has a shortage of flying hours after crediting these excess hours may, under certain conditions established by the Military Departments, enter a 3-month grace period wherein hours flown in future months may be retroactively applied to earlier monthly requirements.

220202. Limitations and Restrictions

A. Officers, including aviation cadets entitled to AvIP under section 2203, are not entitled to payments under this section for the same period of service.

B. Enlisted members receiving CSIP under section 2205 are not entitled to payments under this section for the same period of service.
C. Service members may not receive incentive payments pursuant to 37 U.S.C. §§ 301, and 351, for the same period of service.

D. An officer receiving an incentive pay pursuant to 37 U.S.C. §§ 301a or 334, may not receive HDIP pursuant to 37 U.S.C. § 351(a)(2) for the same skill and period of service.

E. After January 27, 2018, the Military Departments may not pay HDIP under 37 U.S.C. Chapter 5, Subchapter I.

F. Service members receiving a skill incentive pay pursuant to 37 U.S.C. § 353(a), may not receive HDIP pursuant to 37 U.S.C. § 351(a)(2), for the same period of service in the same career field or skill for which the payment is paid.

G. Service members must be on competent orders to serve in the area or to perform the hazardous duty to qualify for an incentive.

H. To be eligible for select HDIP payments, a Service member must be in training, have successfully completed the qualifying training and technical qualification, or meet qualification requirements for the performance of the hazardous duty.

I. Although a Service member may perform more than three hazardous duties in a month, a Service member may not receive simultaneous payments for more than three HDIP duties in a month.

220203. Definitions

A. Aerial Flights. Aerial flights are flights in military aircraft or spacecraft, and also flights in nonmilitary aircraft when Service members are required by competent orders to fly in such aircraft. A flight begins when the aircraft or spacecraft takes off from rest at any point of support located on the surface of the earth and terminates when it next comes to a complete stop at a point of support located on the surface of the earth.

B. Aviation Accident. Aviation accident is an accident in which a Service member, who is required to participate frequently or regularly in aerial flights, is injured or otherwise incapacitated as the result. The injury or incapacitation, as certified by the appropriate medical authority of the Uniformed Service concerned, may result from:

1. Jumping from, being thrown from, or being struck by an aircraft or spacecraft, or any part or auxiliary thereof; or

2. Participation in any duly authorized aerial flight or other aircraft or spacecraft operations. This term also means an incapacity incurred as the result, as certified by appropriate medical authority, of performance of flying duty, even though such incapacity is not the result of an actual aviation accident.
220204. Flight Requirements

A. Minimum Flying Time Each Month

1. During 1 calendar month, 4 hours of aerial flight are required. If a Service member does not fly 4 hours in any month, any hours flown during the last 5 preceding months (which have not already been used to qualify for flight pay) may be applied to meet this 4-hour requirement.

2. During 2 consecutive calendar months when the requirements of subparagraph 220204.A.1, have not been met, 8 hours of aerial flight are required.

3. During 3 consecutive calendar months when the requirements of subparagraph 220204.A.2, have not been met, 12 hours of aerial flight are required.

B. Fractions of a Calendar Month. For fractions of a calendar month, calculate the percentage that the period in question is of the calendar month. The flying time required is that same percentage of the aerial flight time required for a full calendar month (see Table 22-1).

C. Fractions of 2 Consecutive Calendar Months. For fractions of 2 consecutive calendar months, consider the whole period in question. Calculate the percentage that the period in question is of the calendar month. The flying time required is that same percentage of the aerial flight time required for a full calendar month (see Table 22-1).

D. Application of Hours Flown. To the extent of hours available, hours flown in any month apply as follows:

1. First, to meet flight requirements for that month;

2. Next, if the Service member has entered a grace period for meeting flight requirements, to the prior month or months, as applicable; and

3. Next, in order, to the first, second, third, fourth, and fifth succeeding months, but only to the extent that the Service member fails, during each month, to fly the required 4 hours. (Hours available to meet requirements of later months are referred to as “excess” flight time.) See examples in Tables 22-2 and 22-3.

E. Military Operations or Unavailability of Aircraft. When under authority conferred by the Secretary of the Military Department concerned, the commanding officer certifies that a Service member is unable to meet normal flight requirements due to military operations (combat or otherwise), or the non-availability of aircraft in order to complete those requirements. The Service member may, however, comply with the minimum flight requirements by performing 24 hours of aerial flight over a period of 6 consecutive calendar months. The commanding officer will certify that only those conditions specified in this subparagraph prevented completion of normal flight requirements. The 24-hour flight requirement may be met at any time during the 6-calendar-month period and in any combination of flights.
1. If the Service member is in a 3-calendar-month grace period when military operations or aircraft non-availability prevents fulfillment of flight requirements, the 6-calendar-month period for meeting the 24-hour flight requirement under this subparagraph begins on the first day of the grace period.

2. If the Service member is not in a 3-calendar-month grace period, the first month in which military operations or aircraft non-availability prevents fulfillment of flight requirements is the beginning of the 6-calendar-month period for meeting the 24-hour flight requirement under this subparagraph.

3. During the 6-calendar-month period, HDIP for flying may be paid for any single month, or for multiple months, when minimum requirements have been met.

4. At the end of the 6-calendar-month period, HDIP for flying may be paid for missed months in the period to the extent that the remaining hours flown are applicable. Excess hours are applied prospectively under subparagraph 220204.D if the Service member continues to fly under the same orders.

NOTE: For RC officers not on active duty for a period of more than 30 consecutive days, the requirement is half of the requirements contained in paragraph 220204.

220205. Determination of a 3-Calendar-Month Period

A. When 3-Month Period Starts and Ends. The 3-calendar-month period in which flight requirements must be met begins with the first month in which flight requirements are not met. If the Service member flies enough time in the second month to cover the first and second months, the period ends with the second month. If not, the period extends through the third month.

B. Deficiencies for a Fraction of a Month. If a Service member fails to qualify for a fraction of a month (because flying status or active duty began on an intermediate day of the month), the 3-month period ends on the last day of the second full month following the fractional month.

C. When Next 3-Month Period Starts

1. A new 3-month period starts with the first month in which flight requirements are not met following a month in which flight requirements were met.

2. For a new 3-month period to begin immediately after a prior 3-month period, flight requirements must have been met for the entire prior 3-month period, not merely for the last month.

3. If the requirements for the entire prior 3-month period were not met, a new period does not begin until flight requirements are met for at least 1 month after the prior 3-month period.
4. After a month when flight requirements are met, any month in which flight requirements are not met begins a new 3-month period. A new period may not start with the second or third month in which flight requirements are not met; nor may a new period start with the fourth month in which flight requirements are not met. There must be at least 1 month in which requirements are met before a new 3-month period begins. See Tables 22-2 and 22-3 for application of the rules listed in paragraph 220205.

220206. Entitlement to Pay When No Flights are Performed in the First Month of a 3-Month Period

Assume, for the purposes of this paragraph, that the Service member had no excess flight time from prior months.

A. Second Month. If a Service member performs no aerial flights during the first month of a 3-month period and, in the second month, performs at least 4 hours but less than 8 hours, he or she is entitled to pay only for the second month. For example: In January, no aerial flights are performed; in February, 5 hours of aerial flight are performed. Flight pay is payable only for February.

B. Third Month. If a Service member performs no aerial flights during the first 2 months of a 3-month period, he or she must perform 12 hours of aerial flight in the third month to be entitled to incentive pay for all 3 consecutive months. For example: If flight requirements are met for January and a Service member performs no flights during the months of February and March, he or she must perform at least 12 hours in April to be entitled to receive the incentive pay for the period February 1 to April 30. If the Service member performs 4 or more hours, but less than 12 hours in April, he or she is entitled to receive only incentive pay for April.

C. First and Third Months. If a Service member does not perform aerial flights during the first month and in the second month performs only sufficient flights to qualify for the second month, he or she must perform enough hours of flight during the third month to total 12 hours in order to qualify for the incentive pay for the first and third months of the 3-month period.

Example: In January, no aerial flights are performed; in February, 5 hours of aerial flight are performed. The deficiency in January must be made up in March. If at least 7 hours are accomplished in March, flight pay for January and March is payable. If only 6 hours are flown in March, flight pay is payable only for March (the payment for February previously having been made) and incentive pay for January is lost.

220207. Injury or Incapacity Resulting From Performance of Hazardous Duty

Service members qualified for HDIP, who are temporarily unable to perform a hazardous duty due to an injury or illness that is not the result of the Service member’s own misconduct, may continue to receive HDIP for up to 6 months.
A. On a case-by-case basis, the Secretary concerned, or designee, may authorize an extension of HDIP payments for up to an additional 6-months, based on the recommendation of the appropriate medical authority. Under no circumstance will HDIP payments continue beyond 12 months from the date of injury or illness.

B. HDIP will be terminated for Service members permanently disqualified or otherwise determined to be no longer eligible to perform hazardous duty by a competent medical authority.

C. Service members reassigned to a new duty assignment or specialty not eligible for HDIP will have their HDIP payments terminated on the date of reassignment or reclassification.

D. If the injury or illness occurred while serving in a combat zone, hostile fire area, or imminent danger area, the Service member may continue to receive HDIP during the Service member’s hospitalization and rehabilitation. See Chapter 13.

220208. Incapacity Not the Result of Performance of Hazardous Duty

The right of a Service member on flying status to flight pay during an incapacity, which is not the result of performing hazardous duty, depends on fulfillment of flight requirements under paragraph 220204.

220209. Right to Flight Pay Under Certain Conditions

See Table 22-4.

220210. Determinations Affecting Entitlement to Flight Pay

A. Flight Pay From Date of Reporting for Duty. A Service member is entitled to flight pay on and after the date that he or she reports for and enters on duty under competent orders, subject to meeting flight requirements. A Service member in a non-duty status (such as on leave or sick) at the time that flying status orders are issued is not entitled to flight pay for any period before he or she reports for and enters on duty under such orders.

B. Excess Flight Time. When authorized under paragraph 220205, flight time in excess of the time required or insufficient to qualify for a particular month may be applied to a later month in which minimum requirements are not met, provided that the orders under which flying time was logged remain in effect.

C. Change of Designation, Non-Crewmember to Crewmember or Vice Versa. A Service member whose status changes from non-crewmember to crewmember (or vice versa) within a month or other qualifying period may not combine time flown in both categories for pay purposes. The Service member is entitled to flight pay, as a non-crewmember for the period of time Service member held that status, if he or she met the pro rata requirements as a non-
crewmember. The Service member is entitled to flight pay as a crewmember, for the period of time he or she held that status, if he or she met the pro rata requirements as a crewmember.

D. Change From One Crewmember Status to Another Crewmember Status. Flights as one type of crewmember may be combined with flights as another type of crewmember if the Service member remains on continuous active duty and continuous flying status. Total requirements may be met in either crewmember status or a portion may be met in each status.

Example: An aviation cadet is given a rating as a navigator and issued new flying status orders immediately following termination of Service member's former orders.

E. Missing or Missing-in-Action

1. A Service member assigned to flying duty, who is declared missing by competent authority, is entitled to HDIP during the entire period of absence, and is entitled to HDIP for hospitalization and rehabilitation after termination of missing status, for an additional period, not to exceed one year.

2. Upon return from a missing status and completion of any required period of hospitalization and rehabilitation (not to exceed 1 year), entitlement to HDIP for flying duty will be contingent on a determination of continued eligibility under paragraph 220201 and the applicable flight requirement provisions of paragraph 220204.

3. A new 3-month grace period does not start when the missing status and hospitalization ends. The new 3-month grace period starts with the first month of deficiency, after entering a missing status.

4. If the missing status and hospitalization goes beyond the 6-month grace period, the Service member must meet flight requirements for at least 1 month to become entitled to flight pay again.

5. If the Service member does not meet flight requirements upon the completion of an authorized missing and hospitalization period, he or she is entitled to pro rata HDIP for flying duty through the date of such authorized period.

F. Death

1. Death Due to Aviation Accident. If death occurs on the date of an aviation accident, flight pay accrues to include the date of death. If, however, death occurs after the 3-month period has expired, flight pay is not authorized for any day after the expiration of that period. Flight pay for the month or period before the month in which the accident occurred is not authorized unless flight requirements were met for that period.

2. Death Due to Other Causes. If death occurs from causes other than an aviation accident, flight pay is payable to and including the date of death if the Service member
has met pro rata flight requirements for the month of death and was on flying status.

220211. Suspensions From Flying Status, Effect on Flight Pay

A. Flight Pay for a Period of Suspension. Except under subparagraphs 220211.B and C, Service members are not entitled to flight pay for any period while suspended from flying status. Service members are considered suspended on the effective date of suspension. Service members are considered to be in a flying status on the day that the suspension is removed or terminated. Payment for a period of suspension cannot be made in any case until the suspension has been removed or terminated.

B. Suspension for Other Than Physical Incapacity for Service Members Required to Perform Minimum Flight Requirements. Service members are entitled to flight pay for a period of suspension from flying status, provided the suspension is removed or terminated and they meet flight requirements as prescribed in paragraph 220204. If the Service member has excess flights performed before suspension, the grace period specified in paragraph 220204 begins on the first month of the period of suspension not covered by excess flights.

Example: A Service member was suspended from flying status on February 1. He had 16 hours excess flying time as of January 31. Flight pay is stopped on January 31. The suspension subsequently is removed (or terminated) on June 30. He flew 12 hours in the month of July. After removal of the suspension, pay flight pay for February 1 through May 31 on the basis of the 16 excess hours accumulated in the 5 months before February 1. The grace period, authorized as stated in paragraph 220204, started on June 1. The hours that were flown in July qualify the Service member for flight pay for June and July.

C. Suspension for Physical Incapacity of Service Members Subject to Minimum Flight Requirements. A Service member is entitled to flight pay during a period of grounding due to physical incapacity if he or she meets the flight requirements stated in paragraph 220204. The Service member also is entitled to flight pay during a period of suspension, if the suspension is removed or terminated and flight requirements are actually met. There are no flight requirements during the first 3 months of a period of incapacity incurred as the result of performance of an assigned hazardous duty. See paragraph 220207.

D. Suspension Removed or Terminated. If a suspension is removed or terminated after the Service member can no longer qualify for flight pay under subparagraphs 220211.B or C, there is loss of pay for any period that is not covered by paragraph 220204. Flight pay accrues after the suspension is removed or terminated for Service members required to meet minimum flight requirements from the date of reporting for flying duty after the suspension is removed or terminated, if flight requirements are met.

220212. Payment of Flight Pay and Incentive Pay for Other Hazardous Duty

A Service member who qualifies for flight pay and incentive pay for one or more other types of hazardous duty may receive the flight pay and incentive pay only for two other hazardous
duties for the same period. Dual HDIP is limited to those Service members required by orders to perform specific multiple hazardous duties necessary for successful accomplishment of the mission of the unit to which assigned.

A. Conditions of Entitlement. The hazardous duties for which dual incentive pay is payable must be an integral part of the Service member's assigned mission. Accomplishment of the assigned mission must require the Service member to perform specific multiple hazardous duties. A Service member must meet minimum requirements for each of the hazardous duties, except for injury or illness.

B. Types of Duties That Qualify Service Member for Dual Payment of HDIP. See Chapter 24, subparagraph 240204.A.

1. Air Force pararescue team Service members placed on orders to perform duties as both crewmembers and parachutists.

2. Other combinations of hazardous duties for which dual payments of incentive pay are authorized by the Military Services concerned.

C. Injury or Incapacity as a Result of Performance of Hazardous Duty or Dual Hazardous Duties. If a Service member, who is required to perform more than one hazardous duty, becomes injured or otherwise incapacitated as a result of any of the duties, he or she is entitled to dual incentive pay during the incapacity, but for no longer than 6 months. If not entitled to dual incentive pay at the time of the incapacity, the Service member is entitled to the type of incentive pay that he or she was receiving at the time of the incapacity. The beginning date of the 6-month period will be determined separately for each type of incentive pay. See paragraph 220207, to determine the 6-month period separately for each type of incentive pay.

Authority to Issue Orders

Authority to issue orders requiring the performance of flying duty, granting waivers of performance requirements, or extending time periods during which requirements may be met is delegated by the Secretary of the Military Department concerned to specific commanders within each Military Service. Such delegations are contained in the personnel administrative regulations of the respective Military Services.

Monthly Rates

For the most current rates, see the HDIP for Flying table on dfas.mil.

A. HDIP for aircrew members may not exceed $250 per month.

B. HDIP for non-aircrew members is $150 per month
C. Service members who otherwise meet the eligibility criteria, but who do not participate in a full calendar month of flying duty, will receive a prorated HDIP payment as follows:

1. Prorating the monthly HDIP is required for Service members who fail to satisfy the eligibility requirements for the pay for the entire month. The amount of HDIP authorized for qualifying service during a day or portion of a day will be the amount equal to 1/30th of the monthly amount of HDIP payable to a Service member.

2. Service members are first entitled to HDIP on the date they report for, and begin performing, an eligible duty in compliance with competent orders. HDIP ends on the effective date published in orders for termination of such duty or the date the Service member is detached from and is no longer required to perform the hazardous duty, whichever occurs first.

   a. When a Service member begins hazardous duty on a date other than the first day of a month, or terminates that duty prior to the last day of a month and otherwise meets the requirements of the pay for the month, the Service member is entitled to a prorated portion of HDIP for the month.

   b. The prorated monthly amount is calculated using the daily rate to reflect the duration of the Service member’s actual qualifying service during the month.

220215. Repayment

An officer or enlisted member who fails to fulfill the eligibility requirements of this issuance or other conditions of service specified by the Secretary of the Military Department concerned, will be subject to repayment consistent with 37 U.S.C. § 373, and Chapter 2.

220216. Duration of Authority

HDIP may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the person’s entitlement commenced prior to that date.

2203 AvIP FOR AVIATORS IN OPERATIONAL FLYING DUTY (OFD) OR PROFICIENCY FLYING DUTY (PFD) POSITIONS

220301. General

The Secretaries of the Military Departments may offer AvIP(s) under 37 U.S.C. § 334(a) to increase their respective Department’s ability to retain officers in a military aviation career and support the recruiting and retention of individuals with military aeronautical ratings or designations.
220302. Eligibility

The Secretary concerned may pay AvIP to aviation officers performing in OFD or PFD positions. AvIP may only be paid to an officer who:

A. Is entitled to basic pay pursuant to 37 U.S.C. § 204 or to compensation under 37 U.S.C. § 206;

B. Maintains, or is in training to receive, an aeronautical rating or designation that qualifies the officer for OFD or PFD;

C. Engages in, or is in training to receive, frequent and regular performance of OFD or PFD;

D. Engages in or remains in aviation service for a specified period of time;

E. Achieves the minimum flight requirements of 4 hours during 1 calendar month or 24 hours during 6 consecutive months (the minimum flight hour requirement for RC officers not on active duty for a period of more than 30 consecutive days is 2 hours during 1 calendar month or 12 hours during 6 consecutive months). A certified flight simulator may be used to meet this requirement. The Secretary concerned may waive the minimum flight requirements:

1. For officers (except flight surgeons or medical officers) who meet the AvIP eligibility requirements in paragraph 220302 while assigned to OFD or PFD positions; or

2. In extreme circumstances (e.g., military operations (combat or otherwise) or non-availability of aircraft), when the Secretary concerned may authorize a commanding officer to certify that an officer is unable to meet minimum flight requirements; and

F. Meets all applicable eligibility requirements and such other criteria, as the Secretary concerned determines appropriate.

220303. Limitations and Restrictions

A. A Service member may not receive an incentive pay pursuant to 37 U.S.C., Chapter 5, Subchapter I and Subchapter II for the same activity, skill, or period of service.

B. Officers receiving incentive payments pursuant to 37 U.S.C. §§ 301(a)(1), 301(a)(2), 301(a)(13) or 301a, are ineligible for AvIP.

C. Officers receiving AvIP pursuant to 37 U.S.C. § 334(a), may not receive HDIP pursuant to 37 U.S.C. § 351(a)(2), or skill incentive pay or proficiency bonuses pursuant to 37 U.S.C. § 353, for the same skill and period of service.
D. Service members temporarily medically incapacitated will be considered qualified for aviation service unless such incapacitation continues for more than 12 months. After 365 days of incapacitation, a Service member will be disqualified from aviation service and will not be requalified until the condition resulting in incapacitation is corrected or is subject to a waiver under regulations prescribed by the Secretary of the Military Department concerned. A competent medical authority must certify the Service member as medically qualified for operational flying duty (OFD) or proficiency flying duty (PFD). This guidance is only for the purposes of AvIPs and bonuses and does not otherwise restrict a Service’s authority to place an aviator in an applicable flight status.

E. Service members permanently disqualified for aviation service or otherwise determined no longer eligible for aviation service, in accordance with this issuance and such additional regulations prescribed by the Secretary of the Military Department concerned, are ineligible for AvIP or CSIP.

F. Service members are not authorized AvIP or CSIP payments for any periods of unauthorized absence.

*220304. Payments and Amounts

A. The National Defense Authorization Act for Fiscal Year 2017 authorized an increase to the maximum amount of monthly AvIP in 37 U.S.C. § 334 not to exceed the rate of $1,000 per month to officers while serving in an OFD or PFD assignment. Unless otherwise updated by the Assistant Secretary of Defense (ASD) in accordance with DoD Instruction (DoDI) 7730.67, paragraph 2.1.b, officers performing qualifying duty or performing qualifying duty relating to unmanned aerial systems (UAS) may receive up to $1,000.

B. The monthly Army Officer AvIP Rates are listed on Table 22-5. For the most current rates, see the Monthly Army Officer Aviation Incentive Pay Rates table on dfas.mil.

C. The monthly Navy Officer AvIP Rates are listed on Table 22-6. For the most current rates, see the Monthly Navy Officer Aviation Incentive Pay Rates table on dfas.mil.

D. The monthly Navy AvIP Rates for Officers in Administrative Milestone Billets are listed on Table 22-7. For the most current rates, see the Monthly Navy Aviation Incentive Pay Rates for Officers in Administrative Milestone Billets table on dfas.mil.

E. Under the provisions in subparagraphs 220304.A and B, the Department of the Air Force (DAF) authorized an increase to the Air Force AvIP rates. The AvIP eligibility will be in accordance with Air Force Instructions (AFI) 11-401 and AFI 11-402. The Air Force monthly AvIP rates are calculated based upon years of aviation service (YAS) established by the Aviation Service Date and are reflected in Table 22-8. For the most current rates, see the Monthly Air Force Aviation Incentive Pay Rates table on dfas.mil.
F. The monthly Marine Corps Officer AvIP Rates are listed on Table 22-9. For the most current rates, see the *Monthly Marine Corps Officer Aviation Incentive Pay Rates* table on dfas.mil.

G. The following are exceptions to the amounts in subparagraph 220304.B:

1. Warrant Officers with over 22 YAS may continue to receive AvIP at the over 10 YAS rate until retirement.

2. Officers performing OFD or PFD while piloting UASs with over 14 YAS may receive AvIP up to $1,000 per month up to 22 YAS.

H. AvIP for officers in aviation training will begin on the later of these two dates and will be prorated based on the number of days remaining in the month:

1. The date when the officer first reports to the aviation activity in which he or she will receive flight training in a specific aircraft leading to an aeronautical rating, and is placed on aeronautical orders; or

2. The date of commission.

I. AvIP payments for all other aviators will begin the day an officer signs in to an OFD or PFD assignment. The initial payment amount will be prorated based on the number of days remaining in the month.

J. At the discretion of the Secretary of the Military Department concerned, RC officers entitled to compensation under 37 U.S.C. § 206 are eligible for AvIP. The amount authorized will be equal to 1/30th of the monthly AvIP authorized by the Military Department concerned for each period of inactive duty training.

**220305. Repayment**

An officer or enlisted member who fails to fulfill the eligibility requirements of this issuance or other conditions of service specified by the Secretary of the Military Department concerned, will be subject to repayment consistent with 37 U.S.C. § 373, and Chapter 2.

**220306. Duration of Authority**

AvIP may not be paid to any person after the date on the *Duration of Authority* table. No payments will be made after the termination date unless the person’s entitlement commenced prior to that date.
2204  AvIP FOR AVIATORS NOT IN OFD OR PFD POSITIONS

220401.  General

The Secretaries concerned may pay AvIP to an officer who is otherwise qualified but who
is not currently engaged in the performance of OFD or PFD, who meets each of the following three
conditions:

A.  The officer meets the eligibility criteria listed in subparagraphs 220402.A through D;

B.  The officer is assigned to a position listed in paragraph 220404; and

C.  The AvIP payment is in the best interest of the Military Service.

220402.  Eligibility

The Secretary concerned may pay AvIP to officers with an aeronautical rating (except
flight surgeons or medical officers) with fewer than 25 YAS who are in non-OFD or PFD
assignments and meet one of the following criteria:

A.  Are eligible for AvIP continuously through 12 YAS;

B.  Have performed at least 96 creditable months of OFD or PFD upon
    completion of 12 YAS.  These officers are eligible for up to 18 YAS as long as they are assigned
    to a non-OFD or non-PFD assignment;

C.  Have performed at least 120 creditable months of OFD or PFD upon
    completion of 18 YAS.  These officers are eligible for AvIP for up to 22 YAS as long as they are
    assigned to a non-OFD or non-PFD assignment; or

D.  Have performed at least 144 creditable months of OFD or PFD upon
    completion of 18 YAS.  These officers are eligible for AvIP for up to 25 YAS as long as they are
    assigned to a non-OFD or non-PFD assignment.  Aviation warrant officers may continue to receive
    AvIP beyond 25 YAS as long as they are assigned to an assignment in paragraph 220404.

220403.  Limitations and Restrictions

See paragraph 220303.

220404.  Non-OFD or Non-PFD Assignments

Qualified aviation officers (except flight surgeons or other medical officers) who meet the
eligibility criteria in paragraph 220402 may receive AvIP when assigned to any of the following
non-OFD or non-PFD assignments:
A. A Joint assignment or position on the Joint Duty Assignment List;

B. Attending resident professional military education or a fully-funded graduate education program authorized by the Secretary of the Military Department concerned;

C. Aviation-specific positions that must be filled by officers with an aeronautical rating; or

D. Career-enhancing assignments outside of aviation or based on the needs of the Military Services for a period not to exceed 48 consecutive months.

220405. Transition Period

Upon publication of Service regulation, officers in receipt of continuous ACIP pursuant to 37 U.S.C. § 301a may receive AvIP for the remaining period of aviation service as specified in 37 U.S.C. § 301a(a)(4)(5), or 48 months, whichever is less. After this time, an aviator must be assigned to a position in accordance with section 2203 or subparagraphs 220404.A through C.

220406. Payments and Amounts

A. The Secretaries concerned may pay monthly AvIP to aviators who meet the YAS criteria in paragraph 220402 and are serving in positions listed in paragraph 220404.

B. At the discretion of the Secretary of the Military Department concerned, RC officers entitled to compensation under 37 U.S.C. § 206 are eligible for AvIP. The amount authorized will be equal to 1/30th of the monthly AvIP authorized by the Military Department concerned for each period of inactive duty training.

220407. Repayment

See paragraph 220305.

220408. Duration of Authority

See paragraph 220306.

2205 CRITICAL SKILL INCENTIVE PAY (CSIP)

220501. General

The Secretary concerned may designate a career field or skill as critical for the purposes of offering a skill incentive pay. The following specialties are designated as critical and are eligible for CSIP:

A. Qualified career enlisted members who meet the eligibility requirements in paragraph 220502; or
B. Enlisted UAS operators who meet the eligibility requirements in paragraph 220502.

220502. Eligibility

CSIP is payable on a monthly basis in accordance with 37 U.S.C. § 353 to a Regular or RC enlisted member who:

A. Is entitled to basic pay pursuant to 37 U.S.C. § 204 or to compensation under 37 U.S.C. § 206;

B. Serves in a military career enlisted aviation occupational specialty or rating designated as critical by the Secretary of the Military Department concerned;

C. Qualifies for aviation service under regulations prescribed by the Secretary of the Military Department concerned; and

D. Meets other criteria the Secretary concerned deems appropriate.

220503. Limitations and Restrictions

In addition to the limitations and restrictions prescribed in this paragraph, see paragraph 220303.

A. Enlisted members receiving incentive payments pursuant to 37 U.S.C. §§ 301(a)(1), 301(a)(2), 301(a)(13) or 320, are ineligible for CSIP.

B. Enlisted members receiving CSIP pursuant to 37 U.S.C. § 353(a), may not also receive HDIP pursuant to 37 U.S.C. § 351(a)(2), for the same period of service in the same career field or skill.

C. Enlisted members may receive only one skill incentive payment in any given month for the same skill and period of service, pursuant to 37 U.S.C § 353(a).

D. Enlisted members may not receive CSIPs and proficiency bonuses, in accordance with 37 U.S.C. § 353, for the same skills and periods of service.

E. Officers are not authorized CSIP in accordance with this issuance.

220504. Terms and Conditions of CSIP Written Agreements

The Secretary concerned may require a Service member to enter into a written agreement in order to qualify for a CSIP payment. The agreement must specify the period for which the Service member will receive CSIP and the monthly rate of pay.
220505. Payments and Amounts

A. The Secretaries of the Military Departments concerned may pay monthly CSIP to eligible Service members who meet the CSIP requirements in an amount not to exceed $600 per month. See Table 22-10. For the most current rates, see the Monthly Critical Skill Incentive Pay Rates for Air Force Enlisted Flyers table on dfas.mil.

B. If a Service member does not satisfy the eligibility requirements specified in paragraph 220502 for an entire month, the Secretary concerned may prorate the payment amount to reflect the duration of the Service member’s actual qualifying service during the month.

C. RC Service members entitled to compensation under 37 U.S.C. § 206 are eligible for CSIP at the discretion of the Secretary concerned. The amount will be equal to 1/30th of the monthly CSIP authorized by the Military Department concerned for each period of inactive duty training.

220506. Repayment
See paragraph 220305.

220507. Duration of Authority

CSIP may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the person’s entitlement commenced prior to that date.
Table 22-1. Time of Aerial Flight Required for Fractional Part of the Month

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<td>1.9</td>
<td>1.0</td>
<td>29</td>
</tr>
<tr>
<td>15</td>
<td>2.0</td>
<td>1.0</td>
<td>30-31</td>
</tr>
</tbody>
</table>

Table 22-2. Flight Examples Involving Basic 3-Month Grace Periods

<table>
<thead>
<tr>
<th>Month</th>
<th>Example 1</th>
<th>Example 2</th>
<th>Example 3</th>
<th>Example 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hours</td>
<td>Entitled</td>
<td>Hours</td>
<td>Entitled</td>
</tr>
<tr>
<td>January</td>
<td>4</td>
<td>Yes</td>
<td>4</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>(note 1)</td>
<td>(note 1)</td>
<td>(note 1)</td>
<td>(note 1)</td>
</tr>
<tr>
<td>February</td>
<td>0</td>
<td>No</td>
<td>0</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>(note 2)</td>
<td>(note 2)</td>
<td>(note 2)</td>
<td>(notes 2 - 5)</td>
</tr>
<tr>
<td>March</td>
<td>4</td>
<td>Yes</td>
<td>0</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>(note 1)</td>
<td>(note 1)</td>
<td>(note 1)</td>
<td>(note 1)</td>
</tr>
<tr>
<td>April</td>
<td>0</td>
<td>No</td>
<td>4</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>(note 3)</td>
<td>(note 3)</td>
<td>(note 1)</td>
<td>(note 1)</td>
</tr>
<tr>
<td>May</td>
<td>0</td>
<td>No</td>
<td>0</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>(note 4)</td>
<td>(note 4)</td>
<td>(note 4)</td>
<td>(notes 2 - 5)</td>
</tr>
<tr>
<td>June</td>
<td>4</td>
<td>Yes</td>
<td>0</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>(note 1)</td>
<td>(note 1)</td>
<td>(note 1)</td>
<td>(note 1)</td>
</tr>
<tr>
<td>July</td>
<td>4</td>
<td>Yes</td>
<td>4</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>(note 1)</td>
<td>(note 1)</td>
<td>(note 1)</td>
<td>(note 1)</td>
</tr>
<tr>
<td>August</td>
<td>0</td>
<td>No</td>
<td>0</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>(notes 2 - 8)</td>
<td>(notes 2 - 8)</td>
<td>(notes 2 - 8)</td>
<td>(notes 2 - 8)</td>
</tr>
</tbody>
</table>
### Table 22-2. Flight Examples Involving Basic 3-Month Grace Periods (Continued)

<table>
<thead>
<tr>
<th>Month</th>
<th>Example 5</th>
<th>Example 6</th>
<th>Example 7</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hours</td>
<td>Entitled</td>
<td>Hours</td>
</tr>
<tr>
<td>January</td>
<td>4</td>
<td>Yes (notes 1 - 7)</td>
<td>2</td>
</tr>
<tr>
<td>February</td>
<td>0</td>
<td>Yes (note 9)</td>
<td>0</td>
</tr>
<tr>
<td>March</td>
<td>0</td>
<td>Yes (note 9)</td>
<td>0</td>
</tr>
<tr>
<td>April</td>
<td>0</td>
<td>Yes (note 9)</td>
<td>0</td>
</tr>
<tr>
<td>May</td>
<td>0</td>
<td>Yes (notes 2 - 5)</td>
<td>0</td>
</tr>
<tr>
<td>June</td>
<td>0</td>
<td>Yes (note 5)</td>
<td>7</td>
</tr>
<tr>
<td>July</td>
<td>12</td>
<td>Yes (note 1)</td>
<td></td>
</tr>
<tr>
<td>August</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTES:**
1. Entitled to incentive pay based on that month's flights.
2. Begins a 3-month grace period.
3. New 3-month period does not begin, since this is last month of first 3-month period.
4. New 3-month period does not begin, since flight requirements were not met for previous entire period.
5. Entitled to incentive pay based on 3-month period.
6. Entitled to incentive pay based on 2-month period.
7. Injured in aircraft accident.
8. Not entitled to incentive pay, unless sufficient flights performed in following 1 or 2-month period.
10. Two unused hours from January lost.
11. Excess hours available for application in 5 succeeding months as required.
Table 22-3. Flight Examples Involving 3-Month Periods and Excess Time

<table>
<thead>
<tr>
<th>Month</th>
<th>Hours Flown</th>
<th>Entitlement</th>
<th>Based on Hours Flown During</th>
<th>End of Month Excess and Unused Hours That Month</th>
<th>Accumulated</th>
<th>Pertinent Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>16–31 Jan</td>
<td>3.3</td>
<td>Yes</td>
<td>Jan</td>
<td>1.3</td>
<td>1.3</td>
<td>Placed on flying status</td>
</tr>
<tr>
<td>Feb</td>
<td>0</td>
<td>Yes</td>
<td>Jan 1.3, Mar 2.7</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Mar</td>
<td>6.7</td>
<td>Yes</td>
<td>Mar</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Apr</td>
<td>9</td>
<td>Yes</td>
<td>Apr</td>
<td>5</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>5.5</td>
<td>Yes</td>
<td>May</td>
<td>1.5</td>
<td>6.5</td>
<td></td>
</tr>
<tr>
<td>Jun</td>
<td>0</td>
<td>Yes</td>
<td>Apr</td>
<td>0</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>Jul</td>
<td>1.5</td>
<td>Yes</td>
<td>Jul 1.5, Apr 1, May 1.5</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Aug</td>
<td>2</td>
<td>No</td>
<td>(note 1)</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Sep</td>
<td>4</td>
<td>Yes</td>
<td>Sep</td>
<td>0</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Oct</td>
<td>5</td>
<td>Yes</td>
<td>Oct</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Nov</td>
<td>0</td>
<td>No</td>
<td>(note 2)</td>
<td>0</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>3</td>
<td>Yes</td>
<td>Dec 3, Aug 1</td>
<td>0</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Jan 10</td>
<td>Yes</td>
<td>Jan</td>
<td>6</td>
<td>7</td>
<td>1 hour lost from Aug</td>
<td></td>
</tr>
<tr>
<td>Feb</td>
<td>0</td>
<td>Yes</td>
<td>Oct 1, Jan 3</td>
<td>0</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Mar</td>
<td>0</td>
<td>Yes</td>
<td>Jan 3, May 1</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Apr</td>
<td>0</td>
<td>Yes</td>
<td>May 4</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>10</td>
<td>Yes</td>
<td>May</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Jun</td>
<td>0</td>
<td>Yes</td>
<td>May 1, Aug 3</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Jul</td>
<td>0</td>
<td>Yes</td>
<td>Aug 4</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Aug</td>
<td>17</td>
<td>Yes</td>
<td>Aug</td>
<td>6</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Sep</td>
<td>0</td>
<td>Yes</td>
<td>Aug 4</td>
<td>0</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Oct</td>
<td>2</td>
<td>Yes</td>
<td>Oct 2, Aug 2</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Nov</td>
<td>12</td>
<td>Yes</td>
<td>Nov</td>
<td>8</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>0</td>
<td>Yes</td>
<td>Nov (note 3)</td>
<td>0</td>
<td>4</td>
<td>Suspended Dec 1</td>
</tr>
<tr>
<td>Jan</td>
<td>0</td>
<td>Yes</td>
<td>Nov 4 (note 3)</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Feb</td>
<td>0</td>
<td>No</td>
<td>(note 4)</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Mar</td>
<td>0</td>
<td>No</td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Apr</td>
<td>0</td>
<td>No</td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>4</td>
<td>Yes</td>
<td>May</td>
<td>0</td>
<td>0</td>
<td>Suspended May 1</td>
</tr>
<tr>
<td>Jun</td>
<td>30</td>
<td>Yes</td>
<td>Jun</td>
<td>26</td>
<td>26</td>
<td>Physically incapacitated</td>
</tr>
<tr>
<td>Jul</td>
<td>0</td>
<td>Yes</td>
<td>Jun 4</td>
<td>0</td>
<td>22</td>
<td>Jun 20</td>
</tr>
<tr>
<td>Aug</td>
<td>0</td>
<td>Yes</td>
<td>Jun 4</td>
<td>0</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Sep</td>
<td>0</td>
<td>Yes</td>
<td>Jun 4</td>
<td>0</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Oct</td>
<td>0</td>
<td>Yes</td>
<td>Jun 4</td>
<td>0</td>
<td>10 (note 3)</td>
<td>Suspended Oct 1</td>
</tr>
<tr>
<td>Nov</td>
<td>0</td>
<td>Yes</td>
<td>Jun 4</td>
<td>0</td>
<td>0 (note 3)</td>
<td>6 hours lost from Jun</td>
</tr>
<tr>
<td>Dec</td>
<td>0</td>
<td>No</td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Jan</td>
<td>0</td>
<td>No</td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Feb</td>
<td>0</td>
<td>No</td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Mar</td>
<td>0</td>
<td>No</td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Apr</td>
<td>9</td>
<td>Yes</td>
<td>Apr</td>
<td>5</td>
<td>5</td>
<td>Suspension ended Apr 1</td>
</tr>
</tbody>
</table>

NOTES:
1. No excess hours available from previous 5 months and deficiency not made up within 2 following months.
2. Insufficient excess hours available from previous 5 months. New 3-month period does not begin since requirements were not met for entire 3-month period of August-October.
3. Payment made after the suspension ended.
4. Three-month grace period expired before suspension ended.
# Table 22-4. Entitlement to HDIP Under Certain Conditions

<table>
<thead>
<tr>
<th>R</th>
<th>U</th>
<th>L</th>
<th>E</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>When a Service member in flying status is</strong></td>
<td>and</td>
<td>and</td>
<td>then flight pay</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>sick in line of duty</td>
<td>flying status orders remain in effect</td>
<td>Service member meets or has met flight requirements or flight requirements do not apply</td>
<td>continues for the period of illness.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>on authorized leave in pay status</td>
<td></td>
<td></td>
<td>continues for the period of leave (note 1).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>on Temporary Duty (TDY) or Temporary Additional Duty (TAD)</td>
<td></td>
<td></td>
<td>continues for the TDY or TAD period.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>in a travel status (including authorized delay en route) on change of station</td>
<td>orders are not issued directing relief from all assigned duties</td>
<td>Service member has met flight requirements</td>
<td>continues for the period of travel.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>a Reservist released from active duty of more than 30 days</td>
<td></td>
<td></td>
<td>continues for the period of allowable travel time home (note 2).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>discharged and immediately reenlists at the same station without a break in service</td>
<td>flying status orders are not specifically terminated</td>
<td></td>
<td>entitlement is determined as if there had been no discharge.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>flying status orders are specifically terminated</td>
<td></td>
<td>ceases on the date stated in orders.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>incapacitated as a result of performance of flying duty</td>
<td></td>
<td></td>
<td>is payable as indicated in paragraphs 220206 or 220207.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 22-4. Entitlement to HDIP, Under Certain Conditions (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>When a Service member in flying status is</td>
<td>and</td>
<td>and</td>
<td>then flight pay</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>an enlisted crewmember whose flight orders include a termination date</td>
<td>is involuntarily removed from flying duty (note 3)</td>
<td>was given less than 120 days of advance notice of removal from flying duty (note 4)</td>
<td>continues either for 120 days after the date on which notified of such removal or until original flight orders termination date, whichever occurs first, without regard to the flight requirements of paragraph 220203.</td>
</tr>
<tr>
<td>10</td>
<td>an enlisted crewmember whose flight orders do not include a termination date</td>
<td>was given less than 120 days advance notice of removal from flying duty (note 4)</td>
<td>continues for 120 days after the date on which notified of such removal without regard to the flight requirements of paragraph 220203.</td>
<td></td>
</tr>
</tbody>
</table>

**NOTES:**
1. Do not count flights performed while on leave for pay purposes.
2. Do not pay flight pay beyond the last day of the calendar month for which requirements are met.
3. A Service member is not considered to be involuntarily removed from flying duty upon separation, confinement, relief for cause, reduction in grade, medical unfitness, absence without leave, or transfer to ground duty at own request.
4. Advance notice of removal from flying duty will be issued by a competent authority in writing. Advance notice may be provided verbally if a suitable memorandum for the record is made and later followed by written notification.
*Table 22-5. Monthly Army Officer AvIP Rates
Effective (January 1, 2020)
For the most current rates, see the Monthly Army Officer Aviation Incentive Pay Rates table on dfas.mil.

<table>
<thead>
<tr>
<th>YAS</th>
<th>Monthly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 years or less</td>
<td>$125</td>
</tr>
<tr>
<td>Over 2 years</td>
<td>200</td>
</tr>
<tr>
<td>Over 6 years</td>
<td>700</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>1,000</td>
</tr>
<tr>
<td>Over 22 years</td>
<td>700</td>
</tr>
<tr>
<td>Over 24 years</td>
<td>400</td>
</tr>
</tbody>
</table>

*Table 22-6. Monthly Navy Officer AvIP Rates
(Effective October 17, 1998)
For the most current rates, see the Monthly Navy Officer Aviation Incentive Pay Rates table on dfas.mil.

<table>
<thead>
<tr>
<th>YAS</th>
<th>Monthly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 or less</td>
<td>$125</td>
</tr>
<tr>
<td>Over 2</td>
<td>156</td>
</tr>
<tr>
<td>Over 3</td>
<td>188</td>
</tr>
<tr>
<td>Over 4</td>
<td>206</td>
</tr>
<tr>
<td>Over 6</td>
<td>650</td>
</tr>
<tr>
<td>Over 14</td>
<td>840</td>
</tr>
<tr>
<td>Over 22</td>
<td>585</td>
</tr>
<tr>
<td>Over 23</td>
<td>495</td>
</tr>
<tr>
<td>Over 24</td>
<td>385</td>
</tr>
<tr>
<td>Over 25</td>
<td>250</td>
</tr>
</tbody>
</table>
Table 22-7. Monthly Navy AvIP Rates for Officers in Administrative Milestone Billets  
Effective (April 1, 2018)  
For the most current rates, see the *Monthly Navy Aviation Incentive Pay Rates for Officers* in Administrative Milestone Billets table on dfas.mil.

<table>
<thead>
<tr>
<th>YAS</th>
<th>Monthly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 or less</td>
<td>$125</td>
</tr>
<tr>
<td>Over 2</td>
<td>156</td>
</tr>
<tr>
<td>Over 3</td>
<td>188</td>
</tr>
<tr>
<td>Over 4</td>
<td>206</td>
</tr>
<tr>
<td>Over 6</td>
<td>650</td>
</tr>
<tr>
<td>Over 10</td>
<td>1,000</td>
</tr>
<tr>
<td>Over 22</td>
<td>700</td>
</tr>
<tr>
<td>Over 24</td>
<td>450</td>
</tr>
</tbody>
</table>

**NOTE:**  
Administrative milestone billets are designated as department head, commander command, and major command (or equivalent).

Table 22-8. Monthly Air Force AvIP Rates  
(Effective October 1, 2017)  
For the most current rates, see the *Monthly Air Force Aviation Incentive Pay Rates* table on dfas.mil.

<table>
<thead>
<tr>
<th>YAS</th>
<th>Monthly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 or less</td>
<td>$150</td>
</tr>
<tr>
<td>Over 2</td>
<td>250</td>
</tr>
<tr>
<td>Over 6</td>
<td>700</td>
</tr>
<tr>
<td>Over 12</td>
<td>1,000</td>
</tr>
<tr>
<td>Over 22</td>
<td>700</td>
</tr>
<tr>
<td>Over 24</td>
<td>450</td>
</tr>
</tbody>
</table>
Table 22-9. Monthly Marine Corps Officer AvIP Rates
(Effective March 1, 2018)
For the most current rates, see the Monthly Marine Corps Officer Aviation Incentive Pay Rates table on dfas.mil.

<table>
<thead>
<tr>
<th>YAS</th>
<th>Monthly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 or less</td>
<td>$125</td>
</tr>
<tr>
<td>Over 2</td>
<td>156</td>
</tr>
<tr>
<td>Over 3</td>
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Table 22-10. Monthly CSIP Rates for Air Force Enlisted Flyers
(Effective October 1, 2017)
For the most current rates, see the Monthly Critical Skill Incentive Pay Rates for Air Force Enlisted Flyers table on dfas.mil.

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CHAPTER 22 – AVIATION INCENTIVE PAYS

2202 – HDIP FOR FLYING DUTY

37 U.S.C. § 351(a)(2)
DoDI 1340.09, January 26, 2018

220204.A
DoDI 1340.09, January 26, 2018
DoDI 7730.67, October 20, 2016

220204.E
DoDI 1340.09, January 26, 2018

220205.B
25 Comptroller General (Comp Gen) 534

220205.C
37 Comp Gen 183
4 Comp Gen 975
9 Comp Gen 487

220206
DoDI 1340.09, January 26, 2018

220210.A
2 Comp Gen 370

220210.B
46 Comp Gen 776

220210.C
37 Comp Gen 322

220210.E
37 U.S.C. § 552
23 Comp Gen 948

220210.F.1
23 Comp Gen 449

220210.F.2
7 Comp Gen 476
36 Comp Gen 57

220211
9 Comp Gen 234
39 Comp Gen 604
41 Comp Gen 173
46 Comp Gen 776

220212.A
56 Comp Gen 983

220212.B
56 Comp Gen 983

220212.C
Comp Gen B-153331, December 11, 1964

220216
37 U.S.C. § 351(h)

2203 – AvIP FOR AVIATORS IN OFD OR PFD POSITIONS

220301
37 U.S.C. § 334(a)

220302
DoDI 7730.67, October 20, 2016

220303
37 U.S.C. § 334(a)

220303.C
ASD Manpower & Reserve Affairs Memo, April 26, 2017
DAF Memo, October 1, 2017
DoDI 7730.67, October 20, 2016

2204 – AvIP FOR AVIATORS NOT IN OFD OR PFD POSITIONS

DoDI 7730.67, October 20, 2016
2205 – CRITICAL SKILL INCENTIVE PAY (CSIP)

37 U.S.C. § 353  
DoDI 7730.67, October 20, 2016  
ASD Manpower & Reserve Affairs (M&RA) Memo,  
April 26, 2017  
DAF Memo, October 1, 2017

Table 22-2 – FLIGHT EXAMPLES INVOLVING BASIC 3-MONTH GRACE PERIODS

46 Comp Gen 776

Table 22-3 – FLIGHT EXAMPLES INVOLVING 3-MONTH PERIODS AND EXCESS TIME

46 Comp Gen 776

Table 22-4 – ENTITLEMENT TO HDIP UNDER CERTAIN CONDITIONS

Rules 1 through 8  EO 11157, June 22, 1964  
Rule 9  EO 11929, July 26, 1976  
Rule 10  EO 11929, July 26, 1976  
Note 3  EO 11929, July 26, 1976  
Note 4  EO 11929, July 26, 1976

Table 22-5 – MONTHLY ARMY OFFICER AvIP RATES

37 U.S.C. § 334(c)(1)(A)  
ASD M&RA Memo, April 26, 2017  
Department of the Army Office of the Deputy Chief of Staff  
G1 Memo, January 8, 2020

Table 22-6 – MONTHLY NAVY OFFICER AvIP RATES

37 U.S.C. § 334(c)(1)(A)  
ASD M&RA Memo, April 26, 2017  
Office of the Chief of Naval Operations Instruction 7220.18,  
August 6, 2010

Table 22-7 – MONTHLY NAVY AvIP RATES FOR OFFICERS IN ADMINISTRATIVE MILESTONE BILLETS

37 U.S.C. § 334(c)(1)(A)  
ASD M&RA Memo, April 26, 2017  
Navy Message R 20153Z, March 2018
Table 22-8 – MONTHLY MAXIMUM AIR FORCE AvIP RATES

37 U.S.C. § 334(c)(1)(A)
ASD M&RA Memo, April 26, 2017
DAF Memo (AvIP), August 29, 2017

Table 22-9 – MONTHLY MARINE CORPS OFFICER AvIP RATES

37 U.S.C. § 334(c)(1)(A)
ASD M&RA Memo, April 26, 2017
Marine Corps Message R 271318Z, February 2018

Table 22-10 – MONTHLY CSIP RATES FOR AIR FORCE ENLISTED FLYERS

37 U.S.C. § 353
DAF Memo (CSIP), August 29, 2017
VOLUME 7A, CHAPTER 23: “SUBMARINE DUTY PAY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated January 2018 is archived.

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<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
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<td>230201</td>
<td>Added the “Purpose,” “Eligibility,” and “Amount” paragraphs to comply with the DoD Instruction (DoDI) 1340.26. Renumbered subsequent paragraphs.</td>
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<td>Updated the subparagraphs to reference the “Submarine Duty Pay Rates” table on DFAS.MIL. Added a hyperlink to the tables.</td>
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<td>230203.A</td>
<td>Updated the “Restriction” paragraph in accordance with DoDI 1340.26.</td>
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<td>230203.B</td>
<td>Updated the “Continuous Submarine Duty Skill Incentive Pay for Submarine Service Members” section and applicable paragraphs in accordance with the Assistant Secretary of the Navy for Manpower &amp; Reserve Affairs Memo, dated January 26, 2018. Renumbered subsequent paragraphs.</td>
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<td>230203.C</td>
<td>Added hyperlink to DFAS.MIL for the Submarine Duty Pay Rates.</td>
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<td>Renamed “Bibliography” to “References” and updated statutes and references.</td>
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CHAPTER 23

SUBMARINE DUTY PAY

2301 GENERAL

230101. Purpose

The purpose of this chapter is to provide policy pertaining to Submarine Duty Pay for members of the Navy, as authorized by law. A member of the Navy who is entitled to basic pay, may be paid submarine duty incentive pay for the frequent and regular performance of operational submarine duty required by orders (including on a submarine of a foreign nation).

*230102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2302 INCENTIVE PAY FOR OPERATIONAL SUBMARINE DUTY

*230201. Purpose

Incentive pay for operational submarine duty is designed to recognize the arduous nature of submarine duty assignments. The Secretaries of the Military Departments concerned may establish an operational submarine duty incentive pay program to encourage volunteerism for submarine duty assignments.

*230202. Eligibility

The Secretaries of the Military Departments concerned will establish eligibility criteria based on Service-specific needs for submarine duty assignments.

*230203. Amount

The Secretaries of the Military Departments concerned will establish monthly rates, based on level of responsibility and time of submarine service. The maximum amount of operational submarine duty incentive pay per month will not exceed $1,000.

A. The monthly rates of submarine duty pay for commissioned officers are in Table 23-1. The most current rates are in the Submarine Duty Pay Rates table on DFAS.MIL.

B. The monthly rates of submarine duty pay for warrant officers are in Table 23-2. The most current rates are in the Submarine Duty Pay Rates table on DFAS.MIL.
C. The monthly rates of submarine duty pay for enlisted members are in Table 23-3. The most current rates are in the Submarine Duty Pay Rates table on DFAS.MIL.

230204. Definition of Terms for “Operational Submarine Duty”

A. “Operational submarine duty” means duty performed:

1. While assigned under competent orders to a submarine;

2. While serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle);

3. While undergoing initial submarine training prior to assignment to a nuclear-powered submarine;

4. While undergoing rehabilitation training after assignment to a nuclear-powered submarine;

5. In the case of members qualified for the submarine service, while assigned as a member of a submarine operational command staff whose duties require serving on a submarine during underway operations:

   a. During 1 calendar-month: 48 hours, except that hours served underway in excess of 48 hours as a member of a submarine operational command staff during any of the immediately preceding 5 calendar-months and not already used to qualify for incentive pay, may be applied to satisfy the 48-hour underway time requirements for the current month;

   b. During any 2 consecutive calendar-months when requirements of subparagraph 230204.A.5.a have not been met: 96 hours; or

   c. During any 3 consecutive calendar-months when requirements of subparagraph 230204.A.5.b have not been met: 144 hours;

6. While receiving training and instructions for assignment to a submarine of advanced design; or

7. While receiving instructions to prepare a submariner for a position of increased responsibility on a submarine.

B. The term “submarine service” means the service performed by a member under regulations prescribed by the Secretary of the Navy. The years of submarine service are computed beginning with the effective date of the initial order to perform submarine service.
230205. Submarine Duty Pay Start and Stop Dates

See Table 23-4.

230206. Submarine Operational Command Staff Members

A. General rules for meeting underway time requirements, including determination of a 2- or 3-month grace period, are substantially the same as those for flying pay. (See Chapter 22.)

B. For the fractional part of a calendar month, or fractional parts of 2 consecutive calendar months (duty begins in 1 month and ends in the following month), the underway time required, based on the requirement of 48 hours for a calendar month, will be determined from Table 23-5.

230207. Temporary Additional Duty or Authorized Leave

A member, who is entitled to submarine duty pay, retains entitlement during periods of temporary additional duty or authorized leave. However, a submarine operational command staff member is required to fulfill the underway time requirements to retain entitlement during such periods if not otherwise entitled to continuous monthly submarine duty pay in accordance with section 2303.

230208. Missing Status - Member’s Entitlement

A member receiving submarine duty pay when declared missing by a competent authority is entitled to submarine duty pay during the period of absence and for the period, not to exceed 1 year, required for hospitalization and rehabilitation after termination of missing status. The member’s entitlement to submarine duty pay, upon termination of the period of eligibility, will be contingent on a determination of continued eligibility.

*230209. Restriction

A. An officer who fails selection for assignment as an executive officer or commanding officer of a submarine, or who declines to serve in either such position, may not be paid submarine duty pay except for periods during which such officer is serving on a submarine during underway operations.

B. A Service member cannot receive both continuous submarine duty pay (CONSUBPAY) and operational submarine duty incentive pay at the same time for the same period of service. When CONSUBPAY eligibility is not met, personnel may be eligible for operational submarine duty incentive pay for any period attached under orders to operational submarine duty, whether temporarily or permanently assigned.
*2303 CONTINUOUS SUBMARINE DUTY SKILL INCENTIVE PAY FOR SUBMARINE SERVICE MEMBERS

*230301. Purpose

The Navy may offer CONSUBPAY to active duty Service members who volunteer to serve in, and remain serving in, the submarine service on a career basis in a submarine duty designation or designator.

*230302. Eligibility

A member of the submarine service (as defined in subparagraph 230204.B) may be eligible for CONSUBPAY if they meet the following requirements:

A. Hold a submarine duty designation or designator, or are in training to receive a submarine duty designation or designator;

B. Have a valid submarine service entry date and have obtained the prescribed amount of total operational submarine service (TOSS) at the completion of 12 and/or 18 years of submarine service. Prior to 12 years of service, there is no minimum TOSS requirement for CONSUBPAY;

C. Enlisted members serving ashore must maintain a sufficient period of obligated service as specified in the Office of Chief of Naval Operations Instruction (OPNAVINST) 7220.15 (including any extension of enlistment) to be able to be reassigned to submarine duty. Officers must remain qualified for follow-on submarine service while serving ashore;

D. Maintain physical qualifications for submarine service;

E. Have less than 26 years of service; and

F. Meet other applicable requirements outlined by the Secretary of the Navy.

*230303. Additional Eligibility Requirements

A. To remain eligible for CONSUBPAY through 26 years of service (excluding, in the case of an officer, any period of service as an enlisted member) a member must accumulate at least 6 years of TOSS in the first 12 years of submarine service, and at least 10 years of TOSS in the first 18 years of submarine service. However, if a member accumulates at least 8 but less than 10 years of TOSS after 18 years of submarine service, the member remains eligible for CONSUBPAY through 22 years of service (excluding, in the case of an officer, any period of service as an enlisted member).

B. If, upon completion of either 12 or 18 years of submarine service, it is determined that a member has failed to perform the minimum prescribed operational submarine
duty requirements during the prescribed periods of time, the eligibility for continuous monthly submarine duty pay ceases. If continuous monthly submarine duty pay ceases upon completion of 12 years of submarine service, a member may be eligible to re-qualify for the pay if after the completion of 18 years of submarine service, the minimum operational submarine duty requirements have been met. At which time, the pay may resume for the period of time prescribed in this section. However, if entitlement to continuous monthly submarine duty pay ceases in the case of any member at the completion of either 12 or 18 years of submarine service or 26 years of service (as computed under Chapter 1, section 0102), such member will only be eligible for operational submarine duty pay in the amount specified in section 2302 for the performance of submarine duties while assigned to a submarine during underway operations.

NOTE: In the case of an officer, any period as an enlisted member, before initial appointment as an officer, is excluded.

230304. Rates

The monthly rates of submarine duty pay are the same as indicated in Tables 23-1 through 23-3.

230305. Missing Status - Member’s Entitlement

The provisions of paragraph 230208 are applicable to submarine duty pay entitlement under this section.

*230306. Restriction

A. Pursuant to 37 U.S.C., section 353(h), a Service member may not be paid more than one pay under the section in any month for the same period of service and skill.

B. Service members temporarily unable to perform submarine duty due to a physical or medical condition, not the result of the member’s own misconduct, may continue to receive CONSUBPAY for a period of up to 6 months. After 6 months, CONSUBPAY will be terminated and may not be reinstated until the condition resulting in the physical or medical restriction is corrected and the member is again certified for submarine duty by a competent Undersea Medical Officer.

C. Service members permanently disqualified or otherwise determined to be no longer eligible to perform submarine duty, are ineligible for CONSUBPAY.

D. In accordance with the Memorandum for Assistant Secretary of the Navy (ASN) for Manpower and Reserve Affairs (M&RA), dated January 26, 2018 a Service member, who receives CONSUBPAY and fails to satisfy the eligibility requirements for receipt of the pay, will be subject to having the pay terminated. Repayment of any unearned portion or overpayment will be in accordance with the provisions of 37 U.S.C. § 373, Chapter 2, and Volume 16, Chapter 3.
*Table 23-1. Monthly Submarine Duty Pay - Commissioned Officers Effective October 1, 2004
For the most current rates, see the Submarine Duty Pay Rates table on DFAS.MIL.

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For the most current rates, see the Submarine Duty Pay Rates table on DFAS.MIL.

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**Table 23-3.** Monthly Submarine Duty Pay Rates - Enlisted Members Effective October 1, 2011
For the most current rates, see the [Submarine Duty Pay Rates](#) table on DFAS.MIL.

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Table 23-4. Submarine Duty Pay - Start and Stop Dates

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<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>assigned to a submarine</td>
<td>and</td>
<td>then credit for incentive pay begins on</td>
<td>continues through day of detachment.</td>
</tr>
<tr>
<td>2</td>
<td>assigned as prospective crewmember of submarine under construction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>assigned to a nuclear-powered submarine manned by two crews or a crew and an augment crew (notes 1 and 2)</td>
<td></td>
<td>the day of reporting for duty as on-ship or off-ship crew, and</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>undergoing instruction to qualify for duty on a submarine of advanced design or for duty with increased responsibility (note 3)</td>
<td></td>
<td>the day class convenes, and</td>
<td>through last day of instruction.</td>
</tr>
<tr>
<td>5</td>
<td>injured or incapacitated as a result of performing submarine duty</td>
<td>remains assigned to submarine duty</td>
<td></td>
<td>through date of detachment.</td>
</tr>
<tr>
<td>6</td>
<td>transferred to a medical facility on temporary duty orders for treatment, rehabilitation or medical board review</td>
<td></td>
<td></td>
<td>for not more than 6 months after date of incapacity, as determined by medical authorities.</td>
</tr>
<tr>
<td>7</td>
<td>is reassigned to limited duty for treatment or rehabilitation</td>
<td></td>
<td></td>
<td>for not more than 6 months after date of assignment to Limited Duty or until disqualifying condition is determined to be permanent, whichever is earlier.</td>
</tr>
</tbody>
</table>

NOTES:
1. Attachment to a submarine means duty as a crew member either on board the submarine, or on duty ashore during periods of rehabilitation after reporting for permanent duty as a crew member, whether to the on-ship or off-ship crew.
2. When an off-ship crew member, in a training and rehabilitation status, performs travel in connection with a change of home port of the member's submarine by means other than the submarine, member's entitlement to submarine pay continues during period in transit.
3. This rule also applies to officers, who previously qualified in submarines as enlisted members, while attending the following:
   a. Submarine Officers' Basic Course or Submarine Officers' Indoctrination Course, for the specific purpose of preparing for a position in a nuclear-powered submarine; or
   b. A course of instruction listed in the OPNAVINST 7220.15, December 28, 2005, specifically preparing them for positions of increased responsibility in nuclear-powered submarines.
Table 23-5. Submarine Operational Command Staff Members Underway Time Required for Fractional Part of Month

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<td>4 48</td>
<td>18</td>
<td>28 48</td>
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<td>4</td>
<td>6 24</td>
<td>19</td>
<td>30 24</td>
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<td>35 12</td>
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<td>12 48</td>
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<td>36 48</td>
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*REFERENCES

CHAPTER – 23 SUBMARINE DUTY PAY

2301 – GENERAL

37 U.S.C. § 352
37 U.S.C. § 353

2302 – INCENTIVE PAY FOR OPERATIONAL SUBMARINE DUTY

37 U.S.C. § 352
DoD Instruction 1340.26, September 25, 2017,
   Incorporating Change (CH) 1, Effective
   January 11, 2019
OPNAVINST 7220.15, CH-1, January 26, 2012

230208
37 U.S.C. § 552

2303 – CONTINUOUS SUBMARINE DUTY SKILL INCENTIVE PAY FOR SUBMARINE SERVICE MEMBERS

ASN (M&RA) Memo, January 26, 2018

230301
37 U.S.C. § 353

230304
37 U.S.C. § 352
37 U.S.C. § 353
37 U.S.C. § 372

Table 23-1
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OPNAVINST 7220.15, CH-1, January 26, 2012

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OPNAVINST 7220.15, CH-1, January 26, 2012

Table 23-3
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ASN (M&RA) Memo, August 30, 2011

Table 23-4
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OPNAVINST 7220.15, CH-1, January 26, 2012

Table 23-5
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OPNAVINST 7220.15, CH-1, January 26, 2012
## VOLUME 7A, CHAPTER 24: “INCENTIVE PAY - HAZARDOUS DUTY OTHER THAN AERIAL FLIGHTS”

### SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated June 2017 is archived.

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<th>PURPOSE</th>
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<td>240101</td>
<td>Updated the “Purpose” paragraph in accordance with the Department of Defense (DoD) Instruction (DoDI) 1340.09, dated January 26, 2018.</td>
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<td>2402</td>
<td>Updated the “Entitlement” section in accordance with DoDI 1340.09.</td>
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<tr>
<td>240203.A</td>
<td>Updated the “Rates” subparagraph, to reference the “Hazardous Duty Incentive Pay (HDIP) Rates” table on DFAS.MIL. Added a hyperlink to the table.</td>
<td>Revision</td>
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<tr>
<td>240208</td>
<td>Added a “Duration of Authority” paragraph, updated the “Duration of Authority” table on DFAS.MIL. Added a hyperlink to the table.</td>
<td>Addition</td>
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<tr>
<td>2403</td>
<td>Updated the “Parachute Duty” performance requirements and rates in accordance with DoDI 1340.09. Included the rates on the “Hazardous Duty Incentive Pay (HDIP) Rates” table and added a hyperlink to the table.</td>
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<tr>
<td>240403</td>
<td>Updated the “Flight Deck Duty” rate per DoDI 1340.09. Included the rate on the “Hazardous Duty Incentive Pay (HDIP) Rates” table and added a hyperlink to the table.</td>
<td>Revision</td>
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<tr>
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<td>Updated the “Demolition Duty” performance requirements and the rate in accordance with DoDI 1340.09. Included the rate on the “Hazardous Duty Incentive Pay (HDIP) Rates” table and added a hyperlink to the table.</td>
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<tr>
<td>240601.B</td>
<td>Updated the “Navy Enlisted Classification/Navy Officer Billet Classification” list and the “Rates” paragraph. Included the rate on the “Hazardous Duty Incentive Pay (HDIP) Rates” table and added a hyperlink to the table.</td>
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<td>240703</td>
<td>Updated the “Rates” paragraphs for the HDIP programs in accordance with DoDI 1340.09. Included the rates on the “Hazardous Duty Incentive Pay (HDIP) Rates” table and added hyperlinks to the table.</td>
<td>Revision</td>
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<tr>
<td>2413</td>
<td>Added the “Weapons of Mass Destruction Civil Support Team” section per DoDI 1340.09.</td>
<td>Addition</td>
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<tr>
<td>2414</td>
<td>Added the “Diving Duty” section per DoDI 1340.09.</td>
<td>Addition</td>
</tr>
<tr>
<td>Table 24-2</td>
<td>Deleted the obsolete Tables 24-2 through 24-5.</td>
<td>Deletion</td>
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<td>Table 24-3</td>
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<td>Table 24-4</td>
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<td>Table 24-5</td>
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<td>References</td>
<td>Renamed “Bibliography” to “References” and updated supporting statutes and references.</td>
<td>Revision</td>
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CHAPTER 24

INCENTIVE PAY - HAZARDOUS DUTY OTHER THAN AERIAL FLIGHTS

2401 GENERAL

*240101. Purpose

The Secretaries of the Military Departments may offer hazardous duty incentive pay (HDIP) payments to Service members who under competent orders are required to perform duties designated as hazardous, based upon the inherent dangers of the duty and the risks of physical injury. This chapter establishes the policy pertaining to the monetary incentive to Service members who perform these duties.

240102. Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Title 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*2402 ENTITLEMENT

240201. Eligibility

In order to receive HDIP, a Regular or Reserve Component Service member must:

A. Be entitled to basic pay under 37 U.S.C., section 204 or 206;

B. Be serving under competent orders to perform the hazardous duty; and

C. Be in training, or have completed qualifying training and meet eligibility criteria for the performance of the hazardous duty.

240202. Member of the Reserve Components (RC)

A. A member of the RC on extended active duty (EAD), who is ordered to perform any of the hazardous duties listed in sections 2403 through 2413, is entitled to pay based on the terms of this chapter.

B. A member of the RC on active duty training (ADT), who is ordered to perform any of the hazardous duties listed in sections 2403 through 2413 is entitled to pay based on Chapter 57, paragraphs 570302 and 570401 and Table 24-1, rules 9 through 13.
240203. Payment Method and Amounts

A. Rates. A member who qualifies for HDIP under this chapter is entitled to the rate prescribed for the type of duty performed. The most current rates are in the Hazardous Duty Incentive Pay (HDIP) Rates table on DFAS.MIL.

B. Proration. In the case of a member of the Regular Component, HDIP commences on the date the member reports for, and begins performing an eligible duty in compliance with competent orders. Entitlement ceases on the effective date published in orders for termination of such duty or the date the member is detached from and no longer required to perform the hazardous duty, whichever occurs first. When a member commences hazardous duty on a date other than the first day of a month, or terminates that duty on a date other than the 30th of a month (28th or 29th of February, as appropriate) and otherwise meets the requirements of this chapter for the month, he or she is entitled to a prorated portion of rate of pay for the month. In the case of an RC member, see subparagraph 240202.B

240204. Multiple Payments of HDIP

Service members performing multiple hazardous duties may receive a maximum of three HDIP payments per month. Multiple HDIP is limited to those members required by orders to perform specific multiple hazardous duties necessary for successful accomplishment of the mission of the unit to which assigned. Members must meet minimum requirements for each hazardous duty, unless excepted as provided in paragraph 240206.

A. Aviation Incentive Pay (AvIP) and HDIP. Officers entitled to AvIP and enlisted members entitled to Critical Skill Incentive Pay (CSIP), may receive not more than two types of HDIP under the provisions of this chapter provided the conditions for entitlement have been independently met. Officers and enlisted members entitled to HDIP for flying duty (in lieu of AvIP or CSIP), may receive not more than two other HDIPs under the provisions of this chapter provided the conditions for entitlement have been independently met.

B. Restriction With Regard to Parachute Duty. Only one type of parachute duty payment (regular or military free fall) is authorized for a qualifying period. When a member qualifies for both types of parachute duty, the higher rate of pay is authorized. Unless otherwise restricted by Military Service regulations (for example, restrictions on manning classification), a member who qualifies for a military free fall rate for a month in which the member earlier qualified for the regular rate of parachute pay will be entitled to the difference between the monthly rate of $150 and $225.
240205. Injury or Incapacity Resulting From Performance of Hazardous Duty

Service members qualified for HDIP who are temporarily unable to perform a hazardous duty due to an injury or illness that is not the result of the Service member’s own misconduct may continue to receive HDIP for up to 6 months. Appropriate medical authority determines the cause of the incapacity and the dates thereof.

A. Case-by-Case Exception. On a case by case basis, the Secretary concerned, or designee, may authorize an extension of HDIP payments for up to an additional 6-months, based on the recommendation of the appropriate medical authority. Under no circumstance may HDIP payments continue beyond 12 months from the date of injury or illness.

B. Termination of HDIP. HDIP will be terminated for Service members permanently disqualified or otherwise determined to be no longer eligible to perform hazardous duty by a competent medical authority.

C. Reassignment or Reclassification. Service members reassigned to a new duty assignment or specialty not eligible for HDIP will have their HDIP payments terminated on the date of reassignment or reclassification.

D. Combat Zone. If the injury or illness occurred while serving in a combat zone, hostile fire area, or imminent danger area, the Service member may continue to receive HDIP during his or her hospitalization and rehabilitation in accordance with 37 U.S.C. § 372. See Chapter 13, section 1302 for additional details.

240206. Authority to Issue Orders

Authority of the Military Departments to issue orders requiring performance of hazardous duty is delegated by the Secretaries to specific commanders within each Military Service. These delegations are contained in personnel administrative regulations of the respective Military Services.

240207. Missing Status - Member's Entitlement

A member, receiving an HDIP listed in sections 2403 through 2414, when declared by competent authority to be missing (as defined in the Definitions Chapter), is entitled to HDIP during the period of absence and for any period, not to exceed 1 year, required for hospitalization and rehabilitation after termination of the missing status. The member's entitlement to HDIP, upon termination of any required period of hospitalization and rehabilitation or the 1-year period after date of return from missing status, whichever is earlier, will be contingent on a determination of continued eligibility under section 2402 and the applicable requirements.
240208. Duration of Authority

Unless authorized by Congress, no HDIP payment may be paid after the termination date on the Duration of Authority table.

*2403 PARACHUTE DUTY

240301. Entitlement

A. General. Qualified members are those who have received a designation as a parachutist, including those undergoing training for such designation; who is required by competent orders to engage in parachute jumping from an aircraft in aerial flight, and who meet the minimum performance requirements.

B. Performance Requirements. To qualify for parachute duty pay for a 3-month period the Service member is required to jump at least once during the 3-month period. If a Service member is not able to perform at least one jump in a 3-month period due to reasons beyond the Service member’s control, the Service member may jump twice during a 6-month period, including two jumps within the same month, to maintain pay eligibility for 2 consecutive 3-month periods. The following exceptions are waivers to the 3-month jump rule:

1. Non-availability of jump equipment or aircraft, attendance at military education or training of less than 179 days, or inclement weather. Commanding officers, in the pay grade of O-5 or above, may waive the jump requirement for one jump during a 12-month period. Service members must maintain their proficiency through refresher training in lieu of jumping in order to retain eligibly for parachute duty pay during the waived period;

2. The appropriate commander, grade O-7 or above, may waive the minimum jump requirement when a Service member is unable to perform a jump due to combat operations or being operationally deployed. Upon returning from deployment, the Service member must complete airborne refresher training and jump within 3 months; or

3. Service members must maintain their eligibility for parachute pay through the actual performance of a parachute jump unless the minimum jump requirement is waived. If the Service member does not have a waiver and fails to meet the minimum jump requirement, the parachute duty pay will be discontinued and any overpayment or unearned portion of pay will be subject to repayment in accordance with 37 U.S.C. §§ 373 and 1007.

C. Military Free Fall

1. Service members who qualify for military free fall duty, must perform duty involving parachute jumping, as an essential part of their military duties, in military free fall operations where parachute deployment by the jumper occurs without the use of a static line.
2. Qualifying members are those who have received a designation as a military free fall parachutist, including those undergoing training for such designation; who are required by competent orders to engage in parachute jumping from an aircraft in aerial flight; and who meet the requirements of paragraph 240301. Performance requirements must be satisfied by military free fall jumps.

240302. Parachute Jumps-Leave, Permanent Change of Station (PCS), Temporary Duty Travel (TDY)/Temporary Additional Duty (TAD), or ADT

Qualifying jumps for entitlement to parachute pay will be performed during a period of duty requiring parachute jumping as established by competent orders. Parachute jumps performed under the following circumstances do not qualify a member for entitlement to parachute pay:

A. Parachute jumps performed by any member while on leave or during PCS or TDY/TAD not requiring parachute jumping as an essential part of the duty; and

B. Parachute jumps performed by a member of an RC while on ADT that does not require parachute jumping as an essential part of the duty.

240303. Rates

The HDIP rates for parachute duty are:

A. HDIP for static line parachute jumping is $150 per month (see the Hazardous Duty Incentive Pay (HDIP) Rates table for the most current rate).

B. HDIP for a military freefall parachutist is $225 per month (see the Hazardous Duty Incentive Pay (HDIP) Rates table for the most current rate).

C. HDIP for parachute duty may be paid, provided prescribed requirements are met, only from the date of reporting for duty or training. Service members who arrive after the first day of the month or depart prior to the end of the month and are not on competent orders for a full calendar month will receive a prorated HDIP payment for these months.

2404 FLIGHT DECK DUTY

240401. Entitlement

A. Conditions of Entitlement. A member is entitled to flight deck HDIP (FDHDIP) when the member:

1. Serves on the crew of an eligible air capable ship or an aviation unit operating from such a ship, fixed-wing-aircraft carrier or an aviation unit operating from that type of carrier;
2. Is ordered by competent authority to duty in a billet which requires frequent and regular participation in flight operations; and

3. Participates, within a calendar month, in 4 days of flight operations or their equivalent on the flight deck of eligible air capable ships.

B. Quotas and Billets. The number of members entitled to FDHDIP is subject to the monthly quotas applicable to the eligible air capable ships and type or combination of air units operating from such ships, as promulgated in the Chief of Naval Operations (OPNAV) Instruction 7220.4 series.

C. Members on TDY or TAD. Members on TDY or TAD in the crew of an aircraft carrier or other eligible air capable ship or an aviation unit operating from such a ship may be ordered to flight deck hazardous duty (FDHD) billets. When so ordered, they are eligible for HDIP for the actual period specified in the orders provided they meet the minimal participation requirements for an entire month (4 days of flight operations or their equivalent) within each calendar month.

D. Multiple Payments. Members receiving HDIP for any other type of hazardous duty are not entitled to FDHDIP for the same period.

240402. Specialized Terms

A. Eligible Air Capable Ship. A ship having a flight deck that has been certified to launch or land aircraft under Chief of Naval Operations ship or helicopter facility certification program.

B. Flight Operations. The period of time during which launch and recovery of aircraft are in progress on the flight deck of an eligible air capable ship. It includes the turn-up and movement of aircraft preparatory to launch and the movement and shutdown of aircraft immediately following recovery.

C. Day of Flight Operations. One day of flight operations will consist of a calendar day during which any combination of aircraft takeoffs and/or landings takes place, as specified for each ship by class in OPNAV Instruction 7220.4 series. Four days of such flight operations, or the equivalent thereof, will constitute the basic calendar month qualification criteria.

D. Equivalent of 4 Days of Flight Operations. Any single day or combination of days during a calendar month in which the number of aircraft takeoffs and/or landings equals the monthly total requirement for that class ship in OPNAV Instruction 7220.4 series will constitute the equivalent of 4 days of flight operations.

E. FDHD Billet. A billet that requires frequent and regular participation in flight operations on the flight deck of an eligible (certified) ship as promulgated in the OPNAV Instruction 7220.4 series.
F. Participation. Service members must be present, during flight operations, at an assigned station on the flight deck of an aircraft carrier or a ship other than an aircraft carrier from which aircraft are launched and recovered during flight operations.

*R240403. Rates

FDHDIP is paid to eligible members at a rate of $150 per month (see the Hazardous Duty Incentive Pay (HDIP) Rates table for the most current rate). Service members who meet entitlement criteria, but who do not participate in a full calendar month of flight operations will receive a prorated FDHDIP payment. The prorated amount will be determined by multiplying 1/30th of the monthly FDHDIP rate by the number of days the member actually performed in an FDHD billet aboard ship for the partial month.

*R240404. Commencement and Termination of FDHDIP

Eligibility for entitlement to FDHDIP begins on the date a member is ordered to duty in an FDHD billet. Entitlement eligibility ends on the date the orders to such billet are revoked, or when a member is permanently detached from the aircraft carrier, other eligible air capable ship, or aviation unit, whichever occurs first. Orders may be terminated for other reasons but not for the sole purpose of providing FDHDIP for additional members.

*R240405. Right to Pay Under Certain Conditions

See Table 24-1.

*2405 DEMOLITION DUTY

*R240501. Entitlement

A. Condition of Entitlement. A member entitled to basic pay, who is required by competent orders to perform duty involving the demolition of explosives, as prescribed by Military Service regulations, as a primary duty (including training for that duty), is entitled to HDIP under the conditions stated in this section.

B. Duty Involving Demolition of Explosives. Demolition duty is duty performed by members who engage in the following activities under competent orders and as a primary duty assignment:

1. Demolish by the use of explosive objects, obstacles, or other explosives, or recover and render harmless, by disarming or demolishing, explosives that have failed to function as intended or which have become a potential hazard;

2. Participate as students or instructors in instructional training, including that in the field or fleet, for the duties described in subparagraph 240501.B.1 provided that live explosives are used in such training;
3. Participate in proficiency training, including that in the field or fleet, for the maintenance of skill in the duties described in subparagraph 240501.B.1 provided that live explosives are used in such training; or

4. Experiment with or develop tools, equipment, or procedures for the demolition and rendering harmless of explosives, provided that live explosives are used.

240502. Rates

HDIP for demolition duty is $150 per month (see the Hazardous Duty Incentive Pay (HDIP) Rates table for the most current rate). HDIP is payable for any full calendar month, provided the prescribed requirements are met at least one time during the calendar month, or is prorated under subparagraph 240203.B for any portion of a calendar month during which a member under competent orders performs demolition duty.

240503. Performance Requirements

A member, who is assigned to demolition duty by competent orders and performs such duty during the month involved, is eligible for HDIP for that duty provided live explosives are used. Service members failing to meet the monthly minimum requirement for demolition duty HDIP will have their pay discontinued and any overpayment or unearned portion of the pay will be subject to repayment. Local commanders are responsible for ensuring that the finance officer is informed when a member fails to perform the monthly demolition duty required for entitlement to the HDIP.

240504. Right to Pay Under Certain Conditions

See Table 24-1.

2406 EXPERIMENTAL STRESS DUTY

*240601. Entitlement

A. Condition of Entitlement. A member on active duty who is required by competent orders to perform experimental stress duty is entitled to HDIP under the conditions stated in this section.

B. Duty Involving Experimental Stress. Experimental stress duties are included in subparagraphs 240601.B.1 through 240601.B.4.

1. Human Acceleration or Deceleration Experimental Subject. Duty performed as human acceleration or deceleration experimental subjects utilizing experimental acceleration or deceleration devices.

2. Thermal Stress Duty. Duty performed as human thermal experimental subjects in thermal stress experiments.
3. *Low-Pressure Chamber Duty.* Duty performed within a low-pressure (altitude) chamber at physiological facilities as human test subjects, inside instructor-observer or inside observer-tender.

4. **High-Pressure Chamber Duty**

   a. Duty performed within a high-pressure (hyperbaric or recompression) chamber or hyperbaric complex as a:

      1. Human test subject for approved protocols applicable to the research, development, testing and evaluation of diving, hyperbaric and underwater-related tools, systems, equipment and procedures;

      2. Human test subject in a recompression chamber/hyperbaric complex inside instructor-observer or inside observer-tender during the conduct of protocols; or

      3. Human test subject in a recompression chamber/hyperbaric complex inside instructor-observer or inside observer-tender during the conduct of hyperbaric treatment or hyperbaric therapy procedures which include, but are not limited to, treatment of ailments incidental to diving and hyperbaric/hypobaric exposure.

   b. For a Navy member to qualify as a human test subject, inside instructor-observer or inside observer-tender in a recompression chamber/hyperbaric complex, all of the following conditions must be met. The member must:

      1. Possess one of the Navy Enlisted Classification/Navy Officer Billet Classification (NEC/NOBC) codes listed and be assigned by competent orders to a billet utilizing the following NEC/NOBC classifications:

<table>
<thead>
<tr>
<th>Enlisted:</th>
<th>NEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Warfare Operator (SEAL) Candidate</td>
<td>O20A</td>
</tr>
<tr>
<td>SEAL Delivery Vehicle (SDV) Operator</td>
<td>O23A</td>
</tr>
<tr>
<td>Special Warfare Operator (SEAL)</td>
<td>O26A</td>
</tr>
<tr>
<td>Basic Explosive Ordnance Disposal (EOD) Technician</td>
<td>M02A</td>
</tr>
<tr>
<td>Senior EOD Technician</td>
<td>M03A</td>
</tr>
<tr>
<td>Master EOD Technician</td>
<td>M04A</td>
</tr>
<tr>
<td>Master Diver</td>
<td>MMDV</td>
</tr>
<tr>
<td>First Class Diver</td>
<td>M1DV</td>
</tr>
<tr>
<td>Second Class Diver</td>
<td>M2DV</td>
</tr>
<tr>
<td>Underwater Construction Technician Advanced</td>
<td>B16A</td>
</tr>
<tr>
<td>Underwater Construction Technician Basic</td>
<td>B17A</td>
</tr>
<tr>
<td>Master Underwater Construction Diver</td>
<td>B18A</td>
</tr>
<tr>
<td>Fleet Marine Force Reconnaissance Independent Duty Corpsman</td>
<td>L02A</td>
</tr>
<tr>
<td>Fleet Marine Force Reconnaissance Corpsman</td>
<td>L11A</td>
</tr>
</tbody>
</table>
Medical Deep Sea Diving Technician L27A
Deep Sea Diving Independent Duty Corpsman L28A

Officer NOBC
Undersea Medical (Diving) Officer 0107
EOD Officer 9230
EOD Mobile Unit Officer 9231
SEAL Officer 9293
Diving Officer (General) 9312;

(2) Be ordered to perform additional duty as a human test subject, inside instructor-observer or inside observer-tender as described in subparagraphs 240601.B.4.a., b, or c, or by the commanding officer having cognizance over the recompression chamber or hyperbaric complex; and

(3) Either be instructing or operating Navy approved underwater breathing equipment, support systems, and recompression chambers; or observing the other individual(s) for symptoms of diving injuries/illnesses and providing appropriate treatment, as ordered by competent authority.

c. The following types of similar duties do not entitle Navy personnel to HDIP as recompression chamber/hyperbaric complex inside instructor-observers or inside observer-tenders:

(1) Inside observer-tender and divers for surface decompression procedures incidental to the conduct of diving operations as this is considered a normal procedure related to the safe conduct of routine diving operations;

(2) Under instruction either inside instructor-observer, inside observer-tender, or trainees that includes saturation diving procedures and hyperbaric medical related training which is considered a normal requirement to establish or maintain proficiency and/or qualifications;

(3) Inside observer-tender or test candidates during pressure and/or oxygen tolerance tests;

(4) Inside observer-tender, technicians or others involved in recompression chamber or hyperbaric complex preventive or corrective maintenance or during the use of a chamber or complex for the purpose of conducting preventive or corrective maintenance procedures; and

(5) Patients undergoing hyperbaric treatment or therapy.

C. Restriction. A member is entitled to only one payment of HDIP for experimental stress duty during any 1 month.
240602. Rates

HDIP for experimental stress duty is $150 per month (see the Hazardous Duty Incentive Pay (HDIP) Rates table for the most current rate). HDIP is payable for any full month, or is prorated in accordance with subparagraph 240203.B for any portion of a calendar month, during which experimental stress duty is performed under competent orders.

240603. Performance Requirements

A member is entitled to HDIP for experimental stress duty when assigned to that duty by competent orders and performs such duty during the month involved. Competent medical authorities of the Military Service concerned must determine if the member is engaged in one or more stress experiments involving risk of experimental hazard.

240604. Right to Pay Under Certain Conditions

See Table 24-1.

2407 TOXIC FUELS (OR PROPELLANTS) DUTY

240701. Entitlement

A. A member is eligible for HDIP for duty involving the servicing of aircraft or missiles with highly toxic fuels or propellants when this duty is performed as a primary duty according to the requirements set forth in subparagraphs 240702.A – D and G.

B. A member is eligible for HDIP for duty involving the servicing of aircraft or missiles with highly toxic fuels or propellants for the testing of aircraft or missile systems (or components of such systems) during which highly toxic fuels are used when this duty is performed as a primary duty according to the requirements listed in paragraph 240702.

240702. Performance Requirements

Primary duty requirements for this HDIP consist of:

A. Removal, replacement, and servicing of the emergency power unit of an aircraft with H-70 propellant (30 percent water, 70 percent hydrazine);

B. Participation by those personnel performing duties in subparagraph 240702.A, who must also participate in an emergency response force, spill containment, or spill cleanup involving H-70 propellant (30 percent water, 70 percent hydrazine);

C. Handling and maintaining the liquid propellants (liquid oxidizer-nitrogen tetroxide; unsymmetrical dimethyl hydrazine) if such duty requires the qualification in the use of the rocket fuel handler's clothing outfit and involves:
1. Launch duct operations, including flow, pressurization, on-load, off-load, set-up, or tear down involving propellant transfer operations;

2. Set-up, installation, or tear down for fuel/oxidizer flow;

3. Decontamination of equipment, including but not limited to the rocket fuel handler's clothing outfit;

4. Venting or pressurizing missile fuel or oxidizer tanks;

5. Removing or replacing missile components while missile fuel and oxidizer tanks are loaded with such propellants;

6. Transferring propellants between commercial and military holding trailers, or between holding trailers and fuel/oxidizer pump rooms; or

7. Normal preventive maintenance activities including but not limited to seal changes;

D. Handling and maintaining the propellants, unsymmetrical dimethyl hydrazine and inhibited red-fuming nitric acid;

E. Handling, transporting, or working with toxic fuels/propellants by members assigned to the Air Force Rocket Propulsion Lab who:

1. Directly manage and inspect the activities of crew members conducting operations involving experimental rocket propulsion systems and components;

2. Directly monitor and set up measurement instruments in operational areas where contamination is suspected or may be physically present;

3. Install and remove instrumentation devices from propulsion systems and components;

4. Perform final test preparation and immediate safety inspection duties around pressurized, active systems during pre-run and post-run test periods; or

5. Install and repair electrical systems;

F. Handling, loading/unloading, and transporting toxic fuels and oxidizers at the precision sled track while working with the liquid rocket sled which uses JP-X (a mixture of jet fuel (JP-4) and unsymmetrical dimethyl hydrazine) and red-fuming nitric acid and a propulsion; or

G. Involvement with other toxic substances contained in missile or aircraft weapon system fuels or propellants as determined by the Secretary concerned.
240703. Rates

HDIP for handling of toxic fuels and propellants is $150 per month (see the *Hazardous Duty Incentive Pay (HDIP) Rates* table for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month of duty involving toxic fuels and propellants, will receive a prorated HDIP payment.

240704. Restriction

Authorization is based upon the performance of this primary duty that has the potential for accidental or inadvertent exposure to highly toxic fuels or propellants or related substances and not upon actual quantifiable exposure to such substances. Therefore, neither this construction of the term nor the receipt of the pay may be construed as indicating that any Service member eligible for such pay has been actually exposed to highly toxic fuels or propellants, or related substances contrary to the provisions of any statute, Executive order, rule, or regulation relating to health or safety which is applicable to the uniformed services.

2408 TOXIC PESTICIDES DUTY

240801. Entitlement

A member is eligible for HDIP for duty involving frequent and regular exposure to highly toxic pesticides when the member is assigned by competent orders to the entomology, pest control, pest management, or preventive medicine functions of a uniformed service for a period of 30 consecutive days or more.

240802. Performance Requirements

   A. Fumigation Duties. Members must perform fumigation duties during a calendar month to receive HDIP for the month. Fumigation duty covers any fumigation task utilizing:

      1. Phosphine, sulfuryl fluoride, hydrogen cyanide, methyl bromide, or
      2. A fumigant of comparable high-acute toxicity and hazard potential.

   B. Restrictions. The use of solid fumigant formulations such as aluminum phosphide, magnesium phosphide, and calcium cyanide in the outdoor control of burrowing animals does not qualify a member for HDIP.

240803. Rates

HDIP for duty involving exposure to toxic pesticides is $150 per month (see the *Hazardous Duty Incentive Pay (HDIP) Rates* table for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month of duty involving exposure to highly toxic pesticides will receive a prorated HDIP payment.
2409   DANGEROUS VIRUSES (OR BACTERIA) LAB DUTY

240901.   Entitlement

A member is eligible for HDIP for duty involving laboratory work that utilizes live dangerous viruses or bacteria as a primary duty.

240902.   Performance Requirements

Eligible members must perform their primary duty while assigned by competent orders for a period of 30 consecutive days or more to participate in or conduct applied or basic research that is characterized by a changing variety of techniques, procedures, equipment, and experiments. This duty requires members to work directly with microorganisms:

A.   That cause diseases with a high potential for mortality and for which effective therapeutic procedures are not available; and

B.   For which no effective prophylactic immunization exists.

*240903.   Rates.

HDIP for laboratory duty involving dangerous viruses or bacteria is $150 per month (see the Hazardous Duty Incentive Pay (HDIP) Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month of laboratory duty utilizing live viruses or bacteria will receive a prorated HDIP payment.

2410   CHEMICAL MUNITIONS DUTY

241001.   Entitlement

A member is eligible for HDIP for duty involving the handling of chemical munitions (or components of such munitions) as a primary duty.

241002.   Performance Requirements

A.   Primary duty requires direct physical handling of:

1.   Toxic chemical munitions incident to storage, maintenance, testing, surveillance, assembly, disassembly, demilitarization, or disposal of said munitions;

2.   Chemical surety material defined by the Secretary concerned, incident to manufacture, storage, testing, laboratory analysis, detoxification, or disposal of said material;

3.   Toxic chemical munitions incident to the technical escort of shipments of said munitions; or
4. Chemical surety material, defined by the Secretary concerned, incident to technical escort of shipments of said material.

B. The following duties are not eligible for HDIP:

1. Handling of the individual components of binary chemical agents or munitions;

2. User handling incident to loading, firing, or otherwise launching the toxic chemical munitions, or field storage operations during hostilities;

3. Handling of research, development, testing, and evaluation dilute solutions of toxic chemicals as defined by the Secretary concerned; and

4. Handling of riot control agents, chemical defoliants and herbicides, smoke, flame and incendiaries, and industrial chemicals.

*241003. Rates

HDIP for handling of chemical munitions is $150 per month (see the Hazardous Duty Incentive Pay (HDIP) Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month of duty handling chemical weapons will receive a prorated HDIP payment.

241004. Restriction

The Secretary concerned is authorized to pay HDIP for the performance of this primary duty that has the potential for accidental exposure to chemical agents and not upon actual quantifiable exposure to such agents. Therefore, neither the construction of the term nor the receipt of pay provided for in this section may be construed as indicating that any person eligible for such pay actually has been exposed to chemical agents contrary to the provisions of any statute, Executive order, rule, or regulation relating to health and safety which is applicable to the uniformed services.

2411 MARITIME VISIT, BOARD, SEARCH, SEIZURE (VBSS) DUTY

241101. Entitlement

The Secretary concerned may offer an HDIP to members who under competent orders perform duty in VBSS billets that require frequent and regular participation in VBSS operations aboard vessels in support of maritime interdiction operations.
241102. Performance Requirements

The Navy has established that in order to qualify for HDIP duty involving maritime VBSS for any month a member must:

A. Be assigned for an entire month to a billet designated as requiring frequent and regular participation in VBSS operations;

B. Be properly trained for the VBSS operations; and

C. Participate in a minimum of three boarding missions (excluding training exercises) during each month of qualification.

*241103. Rates

HDIP for VBSS is a monthly rate of $150.00 (see the Hazardous Duty Incentive Pay (HDIP) Rates table for the most current rate). Service members are eligible for HDIP for VBSS operations and may be paid a full month’s VBSS HDIP during any calendar month in which the Service member serves in such a billet and conducts the minimum number of boarding operations.

2412 POLAR REGION FLIGHT OPERATIONS DUTY

241201. Entitlement

A member is eligible for HDIP for duty involving the use of ski-equipped aircraft on the ground in Antarctica or on the Arctic Ice-Pack.

241202. Performance Requirements

A member may be eligible in any calendar month during which that member participated in a takeoff from or landing on the ground in Antarctica or the Arctic Ice-Pack, or the servicing or the handling of cargo in connection with such aircraft on the ground in such a polar region. The appropriate commander will certify those members who under competent orders perform such duty in a calendar month.

*241203. Rates

HDIP for polar region flight operations duty is $150.00 per month (see the Hazardous Duty Incentive Pay (HDIP) Rates table for the most current rate).
*2413 WEAPONS OF MASS DESTRUCTION CIVIL SUPPORT (WMDCS) TEAM

241301. Entitlement

The Secretary concerned may pay HDIP to RC Service members assigned to WMDCS teams.

241302. Performance Requirements

In order to be eligible for WMDCS HDIP, a Service member must be:

A. Entitled to basic pay under 37 U.S.C. § 204;

B. Assigned by competent orders to duty as a member of a WMDCS team;

C. Fully qualified for WMDCS team operations; and

D. Serving on an approved active duty tour in excess of 139 days in a DoD designated and certified WMDCS team position.

241303. Rates

HDIP for RC Service members assigned to a WMDCS team is $150 per month (see the Hazardous Duty Incentive Pay (HDIP) Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month as a WMDCS team member, will receive a prorated HDIP payment.

*2414 DIVING DUTY HDIP

See Chapter 11 for diving duty eligibility criteria, requirements, and rates.
Table 24-1.  IP for Hazardous Duty-Entitlement Under Certain Conditions

<table>
<thead>
<tr>
<th>Rule</th>
<th>A: When a member under orders to perform hazardous duty is</th>
<th>B: and the hazardous duty involved is</th>
<th>C: and</th>
<th>D: then IP entitlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>sick in the line of duty</td>
<td>any type of hazardous duty listed in this chapter</td>
<td>orders to perform the hazardous duty involved</td>
<td>continues for the period of the illness.</td>
</tr>
<tr>
<td>2</td>
<td>on authorized leave</td>
<td>any type of hazardous duty listed in this chapter</td>
<td>orders to perform the hazardous duty involved</td>
<td>continues for the period of leave (note 1).</td>
</tr>
<tr>
<td>3</td>
<td>on TDY or TAD</td>
<td>orders to perform the hazardous duty involved during the month involved, or when appropriate, performs the minimum performance requirements for the duty involved</td>
<td>continues for the period of TDY or TAD.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>reassigned PCS including TDY in conjunction with PCS</td>
<td>any type of hazardous duty listed in this chapter</td>
<td>orders to perform the hazardous duty involved</td>
<td>is not affected by the PCS (note 2).</td>
</tr>
<tr>
<td>5</td>
<td>on TDY or TAD</td>
<td>orders to perform the hazardous duty involved</td>
<td>begins on the date of reporting for duty at the TDY location and exists for the period of TDY.</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>discharged and immediately reenlisted at the same station without a break in service</td>
<td>orders to perform the hazardous duty involved are not specifically terminated</td>
<td>is determined as though there had been no discharge.</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>orders to perform the hazardous duty involved are specifically terminated</td>
<td>ceases on effective date shown in orders.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 24-1. IP for Hazardous Duty-Entitlement Under Certain Conditions (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>When a member under orders to perform hazardous duty is removed from hazardous duty</td>
<td>and the hazardous duty involved is removal is for cause, disqualification, or the member's own request</td>
<td>and</td>
<td>then IP entitlement ceases on the date that cause or disqualification is determined to exist or the date the member is removed per request, which will be the effective date established in orders terminating the hazardous duty. (See note 2 for pay proration.)</td>
</tr>
<tr>
<td>9</td>
<td>a member of an RC being released from active duty performed either: a. while member is part of strength accountability of the active military establishment (EAD); or b. while member is accountable to an RC (ADT) (note 5) parachute</td>
<td>orders are not issued directing relief from assigned duties and requirements have been met for the period involved</td>
<td>continues for the period of allowable travel time (notes 3 and 5).</td>
<td></td>
</tr>
</tbody>
</table>
Table 24-1.  IP for Hazardous Duty-Entitlement Under Certain Conditions (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>being released from active duty performed either:</td>
<td>demolition, flight deck, experimental stress, toxic fuels, toxic</td>
<td>orders are not issued directing relief from assigned duties and requirements have been met for the period involved</td>
<td>ceases on detachment from last duty station.</td>
</tr>
<tr>
<td></td>
<td>a. while member is part of strength accountability of the active</td>
<td>pesticides, dangerous viruses, handling chemical munitions,</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>military establishment (EAD); or</td>
<td>maritime VBSS, or polar region flight operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. while member is accountable to an RC (ADT) (note 4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>on ADT for any number of weeks (with or without a unit of assignment)</td>
<td>any type of hazardous duty listed in this chapter</td>
<td>orders to perform the hazardous duty involved are in effect at the ADT station. Member meets minimum performance requirements at ADT station</td>
<td>1. exists for the period of ADT. Entitlement for ADT is terminated per rules 9 or 10. 2. for IDT is determined under note 6.</td>
</tr>
<tr>
<td></td>
<td>(note 4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>on ADT for 20 weeks or more away from unit of assignment (note 4)</td>
<td>member is not ordered to perform the hazardous duty at the ADT station</td>
<td>1. does not exist for the period of ADT. 2. for IDT is determined under note 6.</td>
<td></td>
</tr>
</tbody>
</table>
Table 24-1. IP for Hazardous Duty-Entitlement Under Certain Conditions (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>When a member under orders to perform hazardous duty is</td>
<td>and the hazardous duty involved is</td>
<td>orders to perform the hazardous duty involved remain in effect at unit of assignment. Member is not ordered to perform hazardous duty at ADT station. Member meets minimum performance requirements during IDT at unit of assignment</td>
<td>1. exists for the period of ADT. Entitlement for ADT is terminated per rules 9 or 10. 2. for IDT is determined under note 6.</td>
</tr>
</tbody>
</table>

### NOTES:

1. Performance of hazardous duty while on leave cannot be counted for pay purposes.
2. Orders to perform hazardous duty remain in effect when member is being reassigned PCS successively to hazardous duty. If the member cannot be immediately assigned to a hazardous duty position at a new station, orders to perform such duty will be terminated effective the date of arrival at new duty station and HDIP stopped as of that date. When successive assignment does not require hazardous duty as an essential part of military duty at the new permanent duty station, orders to perform such duty will be terminated effective the date of departure from old duty station (or TDY point if performance of hazardous duty is required as an essential part of military duty at the TDY point) and HDIP stopped as of that date. When effective date in the orders terminating hazardous duty is other than the last day of a calendar month and that month's performance requirements have been met, the month's hazardous duty pay will be prorated per subparagraph 240203.B.
3. Parachute pay may not be paid beyond the last day of the calendar month for which requirements are met.
4. ADT includes annual training, special tours of ADT, school tours, and the initial tour performed by enlistees without prior military service.
5. HDIP entitlement for ADT includes time allowed for necessary travel from home to first duty station (See Chapter 1).
6. HDIP for IDT is paid per Chapter 58.
*REFERENCES

CHAPTER 24 - INCENTIVE PAY - HAZARDOUS DUTY OTHER THAN AERIAL FLIGHTS

2401 - GENERAL

240101  DoD Instruction (DoDI) 1340.09, January 26, 2018

2402 - ENTITLEMENT

240201  Executive Order 13294, March 28, 2003
DoDI 1340.09, January 26, 2018
37 U.S.C. § 351
240202  37 U.S.C. § 301(c)
240203  DoDI 1340.09, January 26, 2018
37 U.S.C. § 351
240204  DoDI 1340.09, January 26, 2018
240205  DoDI 1340.09, January 26, 2018
37 U.S.C. § 372
38 Comptroller General Decision 83
240208  37 U.S.C. § 351

2403 - PARACHUTE DUTY

240303  37 U.S.C. § 351(a)(2)
37 U.S.C. § 301(c)(1)(3)

2404 - FLIGHT DECK DUTY

240402  OPNAV Instruction 7220.4 series
240403  37 U.S.C. § 301(c)(1)
240405  OPNAV Instruction 7220.4 series

2405 - DEMOLITION DUTY

240502  37 U.S.C. § 301(c)(1)

2406 - EXPERIMENTAL STRESS DUTY

240601  DoDI 1340.09, January 26, 2018
24-27
2407 - TOXIC FUELS (OR PROPELLANTS) DUTY

DoDI 1340.09, January 26, 2018
37 U.S.C. § 351(a)(2)
240703 37 U.S.C. § 301(c)(1)

2408 - TOXIC PESTICIDES DUTY

DoDI 1340.09, January 26, 2018
37 U.S.C. § 351(a)(2)
240803 37 U.S.C. § 301(c)(1)

2409 - DANGEROUS VIRUSES (OR BACTERIA) LAB DUTY

DoDI 1340.09, January 26, 2018
37 U.S.C. § 351(a)(2)
240903 37 U.S.C. § 301(c)(1)

2410 - CHEMICAL MUNITIONS DUTY

DoDI 1340.09, January 26, 2018
37 U.S.C. § 351(a)(2)
241003 37 U.S.C. § 301(c)(1)

2411 - MARITIME VBSS DUTY

DoDI 1340.09, January 26, 2018
37 U.S.C. § 351(a)(2)
241103 37 U.S.C. § 301(c)(1)

2412 - POLAR REGION FLIGHT OPERATIONS DUTY

DoDI 1340.09, January 26, 2018
37 U.S.C. § 351(a)(2)
241203 37 U.S.C. § 301(c)(1)

2413 - WMDCS TEAM HDIP

DoDI 1340.09, January 26, 2018
37 U.S.C. § 351(a)(2)
241303 37 U.S.C. § 301(c)(1)
VOLUME 7A, CHAPTER 25: “SUBSISTENCE ALLOWANCES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2018 is archived.

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<td>250102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>250202</td>
<td>Updated to reflect the Basic Allowances for Subsistence effective January 1, 2020.</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 25-1</td>
<td>Updated to reflect the meal collection rates effective January 1, 2020.</td>
<td>Revision</td>
</tr>
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<td>Renamed “Bibliography” to “References”, updated statutes, and supporting references.</td>
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CHAPTER 25

SUBSISTENCE ALLOWANCES

2501 GENERAL

250101. Purpose

Each member of a uniformed service entitled to basic pay is entitled to Subsistence Allowances subject to the conditions set forth in this chapter.

*250102. Authoritative Guidance

The policies and requirements established by DoD for subsistence allowances in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 402. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2502 BASIC ALLOWANCE FOR SUBSISTENCE (BAS)

250201. Eligibility

Upon completion of initial basic military training, unless otherwise restricted as described in paragraph 250203, a member becomes entitled to one of the following monthly BAS rates based upon their rank and circumstances.

A. Officer BAS. A single rate of BAS applies to all officers.

B. BAS for Enlisted Members. Enlisted members are entitled to one of the following BAS rates.

1. Enlisted BAS. Enlisted BAS is the monthly standard rate that is payable to enlisted members unless they qualify for, and proper authority approves, BAS II.

2. Enlisted BAS II. Enlisted BAS II is the monthly rate that may be payable to members on duty at a permanent station and assigned to single (unaccompanied) Government quarters, which do not have adequate food storage or preparation facilities, and where a Government mess is not available, and the Government cannot otherwise make meals available. The BAS II rate is twice the rate of standard enlisted BAS. BAS II may be paid to enlisted members of the Navy assigned to vessels in a pre-commissioning status or who otherwise meet criteria set forth in the Military Personnel Manual (MILSPERMAN) 7220-182. The Air Force has authorized payment of BAS II to members at specific locations.

C. Continuity of Enlisted BAS Entitlement

1. Enlisted members continue their existing BAS entitlement without
interruption upon discharge or retirement, if reenlistment or recall to active duty is completed at the same station within 24 hours.

2. Enlisted members continue their existing BAS entitlement without interruption during weekends, holidays, administrative absence, pass, or liberty (not including leave).

*250202. Payment

A. Effective January 1, 2020, the rates for BAS are as follows:

1. Officers. The monthly BAS rate for officers is $256.68.

2. Enlisted. The monthly BAS rates for enlisted members are:

   a. Enlisted BAS (standard) – $372.71; and

   b. BAS II – $745.42.

B. Enlisted BAS in Specific Situations. The following policy will be used in determining whether BAS or BAS II applies in specific situations:

1. Enlisted BAS rates will be applied uniformly for all enlisted members under similar conditions permanently assigned to the same installation, station, base, or ship. The installation commander/commanding officer will ensure the uniform application of BAS rates for members under similar conditions, whether from a single Service or more than one Service. If there is conflict between Service directives that prevents uniform application of BAS, the commander/commanding officer will report the differences, through appropriate channels, to the Secretaries of the Military Departments concerned, who will confer to ensure uniform determinations on the authorized BAS rate.

2. Enlisted members on authorized leave (including proceed time, authorized delays enroute between duty stations chargeable as leave, and convalescent leave) are entitled to the standard enlisted BAS rate, regardless of the BAS rate authorized at their Permanent Duty Station (PDS).

3. Enlisted members performing Permanent Change of Station (PCS) travel (including Temporary Additional Duty or Temporary Duty (TAD/TDY)) enroute under orders away from their designated post of duty are entitled to the standard enlisted BAS rate, regardless of the BAS type authorized at their previous or subsequent PDS.

4. Enlisted members receiving BAS II at their PDS who are hospitalized or performing regular or permissive TAD/TDY (including field duty, sea duty, Essential Unit Messing (EUM), or members traveling together with limited or no per diem travel) under orders away from their PDS will revert to standard enlisted BAS for the period of hospitalization or absence from the PDS.
5. Enlisted members will be entitled to the standard enlisted BAS rate for any day they are under orders for leave or PCS travel. This includes the day of commencement and day of termination of the status under those orders.

6. Enlisted members who change BAS status at the direction or by permission of a commander, under blanket authority, or at the member’s request will have the entitlement change take effect at the beginning of the day specified in writing by the commander.

C. Advance Payments. Specific circumstances for advance payment of BAS are contained in Chapter 32, paragraph 320205.

D. Effect on Overseas Station Allowances. BAS is paid in conjunction with the overseas Cost-Of-Living Allowances (COLA) authorized by the Joint Travel Regulations.

250203. Restrictions

A. Military members are not entitled to BAS of any type under the following conditions:

1. When undergoing Basic Military Training, including initial officer training (Officer Candidate School, Officer Training School), except when the member has continuous prior enlisted service (active or reserve). Members will be subsisted-in-kind while attending initial basic military training;

2. When in an excess leave status;

3. When in an absent-without-leave status, in excess of 24 hours, unless the absence is excused as unavoidable;

4. When on an approved educational leave of absence not exceeding 2 years;

5. When a member with no dependents is training for, attending, or participating in Pan American games, Olympic games, or other specifically authorized international amateur sport competitions and the sponsoring agency subsists them during that period; or

6. When a court-martial sentence imposes forfeiture of pay and allowances.

B. Enlisted members are not authorized BAS II when a government mess is temporarily closed for less than 14 days.
250204. Government Provided Meals

A. A military member being paid BAS must pay for all meals or rations provided by or on behalf of the Government, except as provided in subparagraph 250204.B. This is a personal obligation of the individual. Meals or rations may be paid with cash tendered to the Government mess by the member or, under certain circumstances, the amount owed may be collected/deducted from the member’s travel per diem (a member under orders for EUM has no entitlement to subsistence travel per diem), or from the member’s pay account. When payment is made from a pay account, the payment is not considered a deduction from or reduction of the entitled BAS; rather it is a collection for a debt owed to the Government (see Table 25-1).

B. A member is not required to pay for meals provided while the member undergoes medical recuperation or therapy, or is otherwise in the status of continuous care, including outpatient care, at a military treatment facility for an injury, illness or disease incurred while the member was on active duty:

1. In support of Operation Enduring Freedom, Operation Iraqi Freedom, Operation New Dawn, Operation Freedom’s Sentinel; or
2. In any other operation designated by the Secretary of Defense as a combat operation or in an area designated by the Secretary as a combat zone.

C. Mandatory pay account collection may be imposed for enlisted members in certain situations. These are circumstances where it is not feasible to control dining access or collect cash due to operational constraints or where efficiency of operation requires collection for all meals. When a commander/commanding officer requires mandatory pay account collection, the collection will be made for all meals available, whether the meals are actually eaten or not. Mandatory collections are made day-for-actual-day, not on a 30-day month basis. Unless the member is receiving a per diem for subsistence, the collection will be at the discount meal rate.

1. Mandatory pay account collection may be required in the following situations:
   a. Field duty;
   b. Sea duty;
   c. Members traveling together with limited or no per diem travel;
   d. Accession Pipeline Military Training;
   e. EUM; or
   f. Essential Station Messing (ESM).
2. Mandatory pay account collection for meals does not apply to the following:

   a. Members on official leave, in a PCS status (including travel time and proceed time), in a military treatment facility, or on TAD/TDY other than TAD/TDY to another situation requiring mandatory pay account collection for meals. In these instances, pay account collections will be suspended or adjusted with a credit and the Government mess will be responsible for collecting from the member for any meals served.

   b. Members who have missed meals, as certified by the commanding officer/commander or their designee. Collections will be suspended or adjusted with a credit.

3. Pay account collections will be at 25-percent of the discount meal rate for the first and last day of assignment in situations requiring mandatory collection. A member transitioning directly between two mandatory meal collection situations will be treated as though the collection period were continuous and will not receive the 25-percent reduced charge for the transition. The 25-percent reduced meal charge does not apply for leave periods. Full collections will be made on the duty days before and after the leave period.

D. In circumstances other than those requiring mandatory pay account collection, members receiving BAS will pay for meals provided by or on behalf of the Government by using cash or by collection/reduction of subsistence per diem from their travel claims. Members on Joint Task Force operations under per diem travel orders usually will have the subsistence portion of their per diem withheld or deducted from their travel reimbursement as payment for meals provided in theater. Members deployed on regular TAD/TDY travel who receive deductible meals (meals at “no cost”) will have the subsistence portion of their per diem reduced as payment for meals provided by or on behalf of the Government.

E. The standard meal rate applies unless there is a specific exception allowing application of the discount meal rate. Members actually paid subsistence per diem for meals must pay the standard meal rate unless the per diem is withheld or disallowed as payment for the meals.

F. Members being subsisted by or on behalf of the Government, where no other collection means exists or where normal collections were not made, may have a collection for meals made through their pay account at the appropriate rate upon proper documentation for a debt owed to the Government.

G. Collections from individual pay accounts for meals and rations provided by the Government or on behalf of the Government will be credited to the appropriation specified by each Military Service.

250205. Specialized Terms

A. ESM. Messing declared by the installation, base, or station commander responsible for single Government quarters that is essential to operate the Government mess
efficiently and economically, or that is necessary for the health and safety of enlisted personnel permanently assigned to single quarters. Those categories of enlisted members included in ESM will be charged for all meals made available whether eaten or not, except for approved missed meals.

B. **EUM.** Group messing that is declared by an appropriate authority to be necessary for operational readiness, military operations, or effective training where members are required to eat Government–furnished meals. Members will be in a travel status and are entitled to travel reimbursement for incidental expenses, but not for subsistence. Designation for EUM will apply only to organizational units and to operational elements and detachments, not to individual Service members. All members on duty under circumstances where EUM has been declared will be charged for all meals made available whether eaten or not, except for approved missed meals.

C. **Sea Duty.** Service performed in a self-propelled vessel with berthing and messing facilities that is in an active status, in commission, or in service. This term applies to members who are either permanent party or aboard for TAD/TDY. All members on sea duty, not a member of an authorized private mess, will be charged for all meals made available whether eaten or not, subject to approved missed meals.

D. **Subsisted on Behalf of the Government.** A condition in which meals or rations are furnished without charge by a Government contractor or a foreign government, or through a fellowship, grant, or intern program while a member is receiving basic pay, either under the terms of a contract or agreement or on a complimentary basis. Unless a member is entitled to be subsisted-in-kind, subsistence provided on behalf of the Government must be charged to the member.

E. **Subsisted-in-Kind.** Meals or rations furnished at no charge to members not entitled to BAS from a Government Mess or who are subsisted at no charge on behalf of the Government.

2503 FAMILY SUBSISTENCE SUPPLEMENTAL ALLOWANCE (FSSA)

250301. General Provisions

The FSSA program was established to supplement a member’s BAS to a level sufficient to remove the member’s household from or eliminate the need for benefits under the U.S. Department of Agriculture (USDA) Supplemental Nutrition Assistance Program (SNAP), formerly known as the food stamp program. FSSA is payable at a monthly rate as determined by the Military Service concerned under the guidance provided by the Secretary of Defense and may not exceed $1,100 per month. FSSA is a nontaxable allowance payable in addition to, all other pays and allowances.

250302. Eligibility

FSSA is payable to any officer or enlisted member of the Armed Forces who meets all of the following criteria:
A. Is serving on active duty and receiving BAS;

B. Has a household income, including military income of the member, and any other household income that would make the member eligible for assistance under the USDA SNAP program for the member’s household size;

C. Has at least one person in the member’s household who is a military dependent;

D. Has made an application for and been certified at a specific payment level by the appropriate office; and

E. After September 30, 2016, is serving outside the United States, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, or Guam.

250303. Entitlement

FSSA is a monthly entitlement payable in whole dollar amounts not to exceed $1,100. It is not payable to any member, otherwise entitled, during periods in a non-pay status.

A. FSSA is payable in an amount that would bring the member’s household income to 130 percent of the Federal poverty line as established by the USDA.

B. For periods of less than a full month of entitlement, the FSSA is payable at 1/30 of the monthly amount for each eligible day served.

C. If an eligible member is receiving SNAP benefits, the amount of the FSSA entitlement will be equal to the calculated FSSA or the SNAP allotment, whichever is higher, not to exceed $1,100 per month.

250304. Military Income

A. For the FSSA Program, the following sources of revenue will be counted as military income:

1. Basic Pay;

2. BAS;

3. Basic Allowance for Housing or cash equivalent for those who are living in Government-provided housing;

4. Overseas Housing Allowance (OHA). When a Service member lives in Government quarters while stationed overseas, the amount of the housing allowance to count as income for that member is the OHA ceiling for the local area;
5. All bonuses. The monthly amount of military income attributable to a bonus will be the amount of the bonus, prorated over the period of time to which bonus is applicable; and

6. All special and incentive pays except those excluded in subparagraph 250304.B.

B. The following sources of revenue will not be counted as military income:

1. Hostile Fire Pay;
2. Imminent Danger Pay;
3. Continental United States COLA;
4. Overseas COLA;
5. Family Separation Allowance;
6. Clothing Allowances; and
7. All travel and transportation related allowances and entitlements.

250305. Application and Certification

Members must apply for the FSSA Program with the appropriate organizational element as designated by their respective Service. The appropriate Service organization will make all decisions regarding eligibility and the amount of entitlement and will provide final certification for payment to include the entitlement start date.

250306. Recertification and Termination

A. When any of the following events occurs, in order to avoid termination of FSSA, a member receiving FSSA must report the event to the Service certifying organization within 30 days for recertification of FSSA eligibility:

1. Member’s monthly household income increases by $100 or more;
2. Member’s household size decreases;
3. Member is promoted. The certification ends the day prior to the effective date of promotion;
4. Member executes a PCS move. The certification ends the day prior to the date the member officially reports for duty at the new duty station; and
5. Members are required to re-certify annually effective February 1 of each year.

B. Recertification must be completed in 30 days or less, before or after one of the events listed in subparagraph 250306.A, to maintain continuous qualification for the FSSA Program.

C. The effective date of recertification will be the day following the last day of the previous certification period.

D. If during recertification it is determined that the member’s gross household income increased by an amount greater than $100 more than 30 days prior to reapplication, the difference between the amount of the current entitlement and the amount being recertified (if less) will be recouped. The recoupment amount is calculated on a pro rata basis for each day, following the date the increased income exceeded $100 through the effective date of the recertification.

E. When a member’s eligibility is not timely recertified, eligibility for FSSA will be lost, and the date for termination of the entitlement will be the date of the event requiring recertification. An untimely recertification will be treated as an initial application.
Table 25-1. Meal Collection Rates

Effective January 1, 2020 (Notes 1 & 2)

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<th>C</th>
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NOTES:

1. Collections from an enlisted member’s pay account will be made when the member has not otherwise paid for meals provided by or on behalf of the Government (i.e., by cash, a personal check or charge, or by deduction/reduction of per diem). Collections from pay will be deducted from the member’s pay account and credited to the appropriation specified by the Military Service concerned.

2. For the prior year rates, see: Office of Secretary of Defense (Comptroller) website.

3. The discount meal rate applies to meals and rations provided by or on behalf of the U.S. Government to a member not paid per diem or other travel reimbursement for subsistence who is performing duty in a U.S. Government vessel, a U.S. Government aircraft, on maneuvers, war games, field exercises, or similar operations, or to members traveling together with limited or no per diem travel status under EUM or assigned ESM. The discount meal rate also applies to meals and rations provided to a member assigned to Joint Task Force operations (for other than training) at temporary U.S. installations, or through a temporary dining facility.

4. The standard meal rate applies to meals and rations provided to any member not authorized the discount meal rate. This includes any member being paid per diem for subsistence, except those on Joint Task Force operations as described in note 3. Generally, when the standard meal rate is applicable, it will be collected in cash from the member by the dining facility.
*REFERENCES*

CHAPTER 25 – SUBSISTENCE ALLOWANCES

2502 – BASIC ALLOWANCE FOR SUBSISTENCE (BAS)

37 U.S.C. § 402

250201 DoD Directive (DoDD) 1418.05, October 6, 2003
250201.B.1 37 U.S.C. § 402(d)
250201.B.2 Office of the Assistant Secretary of the Air Force
Financial Management Memo, June 8, 2010
250202.A & B Office of the Assistant Secretary of Defense
Manpower and Reserve Affairs Memo,
December 2, 2019
250202.B.2 DoDD 1418.05, October 6, 2003
250203.A.5 37 U.S.C. § 420(c)
250203.A.6 10 U.S.C. §§ 857, 858b
250203.C 37 U.S.C. § 402(h)
250204 10 U.S.C. § 2603
37 U.S.C. § 1011
DoDD 1418.05, October 6, 2003
250204.B.1 37 U.S.C. § 402(h)
Secretary of Defense Memo, July 21, 2010
Secretary of Defense Memo, October 16, 2015

2503 – FAMILY SUBSISTENCE SUPPLEMENTAL ALLOWANCE (FSSA)

37 U.S.C. § 402a
DoD Instruction 1341.11, March 4, 2008
250302.E 37 U.S.C. § 402a(b)(4)

Table 25-1 Office of Under Secretary of Defense (Comptroller)
Memo, December 13, 2019
VOLUME 7A, CHAPTER 26: “HOUSING ALLOWANCES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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This is the initial publication.

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<td>All</td>
<td>This is a new chapter. The policy for Housing Allowances was relocated from the Joint Travel Regulations, Chapter 10.</td>
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CHAPTER 26  
HOUSING ALLOWANCES

2601 GENERAL

260101. Purpose

This chapter establishes policy pertaining to housing allowances. Housing allowances include Basic Allowance for Housing (BAH), Overseas Housing Allowance (OHA), and Family Separation Housing (FSH) Allowance. Entitlement eligibility is subject to the conditions set forth in this chapter.

260102. Authoritative Guidance

This chapter transitions policy previously cited in the Joint Travel Regulations (JTR), Chapter 10. Title 37, United States Code (U.S.C.), section 403 provides the statutory requirements for this chapter.

2602 INTRODUCTION

A Service member on active duty entitled to basic pay is authorized a housing allowance based on his or her grade, rank, location, and whether he or she has any dependents. A housing allowance generally is not authorized for a Service member who is assigned to appropriate and adequate Government quarters (see Section 2608 for Government quarters). If a Service member is on excess leave, neither BAH nor OHA accrues for any excess-leave period. If a Service member is absent without leave which is not excused as unavoidable, neither BAH nor OHA is authorized.

Table 26-1. Types of Housing Allowances

<table>
<thead>
<tr>
<th>Allowance</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 BAH</td>
<td>Paid for housing in the United States. The BAH rate is based on median housing costs and is paid independently of a Service member’s actual housing costs.</td>
</tr>
<tr>
<td>2 BAH Differential (BAH-Diff)</td>
<td>Paid to a Service member assigned to single-type Government quarters and who qualifies for a BAH solely due to paying sufficient child support.</td>
</tr>
<tr>
<td>3 Partial Housing Allowance (BAH-Partial)</td>
<td>Paid to offset the raise that was reallocated from basic pay to housing between 1980 and 1981. It is paid when a Service member without a dependent is assigned to single-type quarters, or is on either field or sea duty, and not authorized to receive a BAH or an OHA. BAH-Partial is not authorized during proceed time, leave en route, and travel time on a permanent change of station (PCS) move unless the member is assigned to single type Government quarters and not authorized BAH or OHA. The rate is fixed from those years and does not change.</td>
</tr>
</tbody>
</table>
Table 26-1. Types of Housing Allowances (Continued)

<table>
<thead>
<tr>
<th>Allowance</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Transit Housing Allowance (BAH-Transit)</td>
<td>Paid while a Service member is in travel or leave status between permanent duty stations (PDS), provided the Service member is not assigned Government quarters. The BAH-Transit rate is paid during proceed time and authorized delays en route, including a temporary duty (TDY) en route.</td>
</tr>
<tr>
<td>5 BAH for Reserve Component (RC) Member (BAH-RC)</td>
<td>Paid when authorized for an RC member called or ordered to active duty for 30 or fewer days, except when called to active duty for a contingency. When an RC member is called to active duty for a contingency, even for tours of 30 or fewer days, he or she is authorized the BAH or OHA rate. The Secretary of Defense establishes BAH-RC rates.</td>
</tr>
<tr>
<td>6 OHA</td>
<td>Paid monthly to help offset housing expenses for a Service member or dependent authorized to live in private-sector leased or owned housing at an assigned overseas location outside the United States. OHA is based on cost reimbursement. The amount of OHA paid considers factors, such as whether the housing is shared, the appropriate utilities (see Section 2606), and whether the Service member owns or rents the housing. OHA cannot be paid if there is no rent or purchase expense for housing.</td>
</tr>
</tbody>
</table>
| 7 FSH | Paid to a Service member with a dependent for added housing expenses resulting from one of the following:  
  a. Separation from the dependent when a Service member is assigned to a PDS Outside Continental United States (OCONUS).  
  b. An assignment in the Continental United States (CONUS) when dependent travel is delayed or restricted. |

260201. Definitions for Housing Allowances

A. Sharer. A sharer includes a Service member authorized an OHA or FSH-O allowance or any of the following individuals who reside with a Service member:

1. A civilian employee, including any dependents, authorized a Living Quarters Allowance (LQA). Department of State Standardized Regulations (DSSR), Section 130 (DSSR §130) or cost of living allowance (COLA) in a non-foreign location OCONUS (see OCONUS COLA).

2. Any other person, excluding a Service member’s dependent, who contributes money toward the payment of rent, mortgage, or utilities.
B. Owner-Owned Multiple Occupancy Dwelling. This is a duplex, triplex, or other type of multiple occupancy dwelling that is designed for separate private-sector housing units for more than one household. The units within the dwelling ordinarily have separate addresses or entrances. For OHA or FSH-O purposes, it would include a dwelling where the Service member and any dependents occupy a single separate unit within the dwelling and the other units are rented out.

C. Vicinity. The vicinity is the entire country, U.S. territory or possession, or state when in Alaska or Hawaii where the Service member’s PDS is located. When a Service member resides with a dependent and commutes to the PDS, the dependent is considered to be residing at or in the vicinity of the PDS even if in an adjacent country or state. However, if the Service member has to maintain separate households and maintaining separate households is authorized or approved through the Secretarial Process, a dependent is not residing in the PDS vicinity for FSH purposes. A commander may submit a request for determination through the appropriate channels to the applicable office listed in Table 26-2.

Table 26-2. Offices That Determine PDS Vicinities

<table>
<thead>
<tr>
<th>Service or Agency</th>
<th>Appropriate Channel</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Army</td>
<td>Through appropriate personnel and command channels to: HQDA, DCS, G-1, ATTN: DAPE-PRC, Army Military Advisory Panel Member, Room 2B453, 300 Army Pentagon, Washington, DC 20310-0300.</td>
</tr>
<tr>
<td>2 Navy</td>
<td>Through appropriate command channels to: Chief of Naval Personnel (N-130C), Building 12, Room 3R180, 701 South Courthouse Road, Arlington, VA 22204-2472.</td>
</tr>
<tr>
<td>3 Air Force (USAF)</td>
<td>Through appropriate command channels to: HQ USAF/A1PA, 1500 West Perimeter Road, Suite 4790, Joint Base Andrews NAF, MD 20762-6604.</td>
</tr>
<tr>
<td>4 Marine Corps (USMC)</td>
<td>Through appropriate command channels to: Headquarters U.S. Marine Corps, Manpower and Reserve Affairs (MPO), 3280 Russell Road, Quantico, VA 22134-5143.</td>
</tr>
<tr>
<td>5 Coast Guard (CG)</td>
<td>Directly to: Commandant (CG-1332), U.S. Coast Guard, STOP 7907, 2703 Martin Luther King Jr. Avenue, SE, Washington, DC 20593-7907.</td>
</tr>
<tr>
<td>6 National Oceanic and Atmospheric Administration (NOAA)</td>
<td>Directly to: Director, Commissioned Personnel Center, NOAA Corps (ATTN: Military Advisory Panel Member(MAP)), (CPC1), 8403 Colesville Road, Suite 500, Silver Spring, MD 20910-6333.</td>
</tr>
<tr>
<td>7 U.S. Public Health Service (USPHS)</td>
<td>Directly to: Director, Division of Commissioned Corps Personnel and Readiness (ATTN: MAP Member), 1101 Wootton Parkway, Plaza Level, Suite 100, Rockville, MD 20852-1061.</td>
</tr>
</tbody>
</table>
D. **Government Quarters**

1. Government quarters include:
   
a. U.S. Government owned or leased sleeping accommodations or family-type housing.
   
b. Lodging or other quarters obtained by U.S. Government contract.
   
c. Dormitories or similar facilities operated by a cost-plus-a-fixed-fee contract.
   
d. Sleeping or housing facilities furnished by a foreign government on the Government’s behalf.
   
e. Quarters in a state-owned National Guard camp.

2. For BAH purposes, the term does not include privatized housing or transient facilities, such as temporary lodging facilities, guesthouses, hostess houses, or hotel-type accommodations built or operated by non-appropriated fund activities. Government quarters converted to privatized housing are no longer Government quarters.

E. **Rental Charge.** A rental charge is a fee for occupancy and does not include service charges for linens, cleaning, maintenance, or similar costs.

F. **Primary Residence for RC Member.** For an RC member ordered to active duty, the primary residence is the dwelling (e.g., house, townhouse, apartment, condominium, mobile home, houseboat, vessel) where the RC member resides before being ordered to active duty.

260202. **Housing-Allowance Rates and Applicable Dates**

A. **Rates.** The housing-allowance rates are each determined as specified in
Table 26-3. Housing Allowances Rate Determinations

<table>
<thead>
<tr>
<th>Type</th>
<th>Applicable Rate Determination</th>
</tr>
</thead>
</table>
| 1 BAH     | a. The Office of the Under Secretary of Defense for Personnel and Readiness (OUSD (P&R)) determines adequate housing costs in a military housing area (MHA) for all Service members authorized BAH. OUSD (P&R) bases the determination for housing allowances upon the cost of adequate rental housing for civilians with comparable income levels in the same area.  
  b. An adjustment in the BAH rates due to an OUSD (P&R) redetermination of housing costs in an MHA takes effect with the pay raise each year.  
  c. An MHA is defined geographically by ZIP Code within the United States. Major military population areas are further identified by a combination of a two-digit code for the state and a three-digit numerical designation within the state. For small military population areas, ZIP Codes are aggregated into areas of similar housing cost and designated as county cost groups. |
| 2 BAH-Diff| The BAH-Diff is a fixed rate and is the difference between the with-dependent Basic Allowance for Quarters (BAQ) rate and the without-dependent BAQ rate as of December 31, 1997 based on the Service member’s grade and increased each year by the average pay raise percentage. |
| 3 BAH-Partial| The BAH-Partial rate is the difference in basic pay between the 1980 and 1981 reallocated pay raises and what those basic pay rates would have been without the raise reallocation. The rate is statutory and does not change. |
| 4 BAH-Transit| The BAH-Transit rate varies depending on the old PDS location and the housing allowance type received, unless a location-specific rate is payable. The default BAH-Transit rate is a fixed rate, which is the amount of BAQ on December 31, 1997, incremented by the average housing allowance increase each year. |
| 5 BAH-RC    | The BAH-RC rate for a period of active duty for a non-contingency operation of 30 or fewer days is a fixed rate, which is the BAQ amount on December 31, 1997, incremented by the average housing allowance increase each year. |
| 6 OHA       | a. OUSD (P&R) determines adequate housing costs in a locality for all Service members authorized OHA by location.  
  b. OHA rate ceilings are calculated based on data provided by commanders OCONUS and actual rent data derived from pay systems.  
  c. The PDS geographic location governs the OHA rate payable unless otherwise specified. See Overseas Housing Allowance (OHA) for how geographic locations are determined. |
| 7 FSH       | a. FSH-B is payable in a monthly amount equal to the without-dependent BAH rate for the same location applicable to the Service member’s grade and PDS.  
  b. FSH-O is payable in a monthly amount up to the without-dependent OHA rate for the same location applicable to the Service member’s grade and PDS, and is computed under the same rules and conditions as OHA. |
B. Housing Allowance Start and Stop Dates. The authorizing document for OHA is the Department of Defense (DoD) DD Form 2367, OHA Report. Table 26-4 specifies the date to start BAH or OHA for a Service member with a dependent. Table 26-5 specifies the date to stop housing allowances based on changes in the status of a sole dependent. Table 26-6 specifies the date to stop BAH or OHA for reasons other than a change in the status of a dependent. Situations not covered in these tables are contained elsewhere in this chapter.

1. Start. Unless specifically authorized elsewhere in this Chapter, PDS housing allowance eligibility starts on a Service member’s reporting day to a new PDS. OHA starts on the day a Service member obtains private-sector housing. If the Service member is authorized a monetary allowance in lieu of transportation (MALT) plus per diem (MALT Plus) on the reporting day, OHA eligibility starts on the day after the Service member’s reporting day. When a home port change is involved, ordinarily a housing allowance based on the rate for the new home port starts on the effective date of the home port change.

Table 26-4. Date to Start BAH or OHA for a Service Member with a Dependent

<table>
<thead>
<tr>
<th>If a Service member…</th>
<th>Then BAH or OHA at the with-dependent rate begins on the date…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>enlists, or is called to extended active duty and is not assigned Government quarters for his or herself and any dependents on that date, of enlistment or entry on active duty.</td>
</tr>
<tr>
<td>2</td>
<td>is appointed to commissioned or warrant officer status and is not assigned Government quarters on that date, active-duty pay begins.</td>
</tr>
<tr>
<td>3</td>
<td>occupies Government quarters with a dependent and quarters assignment ends, the quarters assignment ends, unless a dependent continues to occupy the quarters. If definite quarters assignment was not required, then BAH or OHA begins the date that quarters are vacated.</td>
</tr>
<tr>
<td>4</td>
<td>occupies Government quarters with a dependent and the Service member and dependent depart the PDS pursuant to a PCS order, the PCS departure date, unless a dependent continues to occupy the quarters. If definite quarters assignment was not required, then BAH or OHA begins the date that quarters are vacated.</td>
</tr>
<tr>
<td>5</td>
<td>continues to occupy Government quarters with a dependent after the quarters are declared inadequate, the quarters are designated inadequate.</td>
</tr>
<tr>
<td>6</td>
<td>acquires a dependent, including a dependent acquired while on authorized leave, and is not assigned Government quarters on that date, the dependent is acquired.*</td>
</tr>
</tbody>
</table>
Table 26-4. Date to Start BAH or OHA for a Service Member with a Dependent (Continued)

<table>
<thead>
<tr>
<th>If a Service member…</th>
<th>Then BAH or OHA at the with-dependent rate begins on the date…</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>acquires a dependent while in an unauthorized absence status and is not assigned Government quarters for his or herself and dependents on that date, the Service member returns to a pay status after apprehension or surrender. If a change occurs to the status of a dependent on whose behalf BAH or OHA existed on the date an unauthorized absence commenced, a Service member must reestablish the right to BAH or OHA.</td>
</tr>
<tr>
<td>8</td>
<td>claims a dependent parent, determined or approved by authority specified in subparagraph 260302.B, as applicable.</td>
</tr>
</tbody>
</table>
| 9                    | claims an individual who has not yet been determined to be a dependent, *

*This applies to the sole dependent of a Service member. It applies to any dependent on whose behalf a Service member is authorized increased BAH or OHA. BAH or OHA starts with date of the Service member’s marriage even if the marriage occurs on same day as a divorce. When the biological parents of an illegitimate child marry, the child becomes a legitimate dependent for BAH or OHA purposes. Refer also to Table 26-28 and Table 26-29 for rules on when BAH and OHA start and stop when a Service member acquires a dependent.

2. **Stop.** Unless an extension is authorized or approved under paragraph 261002, or the PCS move is a close proximity move as specified in paragraphs 261001 and 261002, the OHA and the FSH-B or FSH-O allowances stop on any of the following:

   a. The day the Service member’s OHA, FSH-O, or FSH-B lease ends.

   b. The day before the Service member departs due to a PCS order.

   c. The day before the effective date a Service member’s assigned ship or unit changes its home port from OCONUS. However, a Service member without a dependent is authorized a housing allowance based on the old home port until the day the Service member moves back aboard the ship under all of the following conditions:

      (1) The Service member is undergoing a home port change.

      (2) The ship does not depart from the old home port before or on the home port change effective date.

      (3) Quarters on board the ship are not available (for example, because the ship is dry-docked).
### d. Assignment to Government quarters.

Table 26-5. Date to Stop Housing Allowances Based on Change in Dependent’s Status

<table>
<thead>
<tr>
<th>If the sole dependent…</th>
<th>Then stop the with-dependent housing allowance at midnight of the day…</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> is divorced,</td>
<td>of the final decree of divorce. This also applies when an affinitive relationship between a Service member and stepchild ceases due to divorce from the child’s parent.</td>
</tr>
<tr>
<td><strong>2</strong> is a spouse in a voidable, but not void marriage, which is dissolved by final annulment decree,</td>
<td>before the date of the decree. No BAH or OHA payment may be made on or after date of the decree, regardless of credits accrued and not paid. BAH or OHA paid before the date of decree may be retained. This also applies when an affinitive relationship between a Service member and stepchild ceases due to annulment of a marriage.</td>
</tr>
<tr>
<td><strong>3</strong> is a spouse in an invalid or void marriage,</td>
<td>before discovery of marriage invalidity. No housing allowance payment may be made on or after the date of discovery, regardless of credits accrued and not paid. Retention of BAH or OHA paid before that time depends on validation specified under Chapter 12.</td>
</tr>
<tr>
<td><strong>4</strong> becomes of age, except a child who is incapable of self-support due to mental or physical incapacity,</td>
<td>before the child’s 21st birthday or the 23rd birthday if a full-time student. See paragraph 260301 regarding dependents over age 21.</td>
</tr>
<tr>
<td><strong>5</strong> marries, regardless of age, or mental or physical incapacity,</td>
<td>of the dependent’s marriage. This applies even when a dependent’s marriage is to a Service member who is also authorized BAH or OHA on the dependent’s behalf for that date.</td>
</tr>
<tr>
<td><strong>6</strong> is adopted by a third party by interlocutory order or decree that changed the legal relationship,</td>
<td>before date of adoption.*</td>
</tr>
<tr>
<td><strong>7</strong> is adopted by a third party and a final order or decree has been entered,</td>
<td>before the date of adoption.</td>
</tr>
<tr>
<td><strong>8</strong> enters military service,</td>
<td>before the day of entry into military service.</td>
</tr>
<tr>
<td><strong>9</strong> stops being dependent on the Service member,</td>
<td>before the date that dependency ceases.</td>
</tr>
</tbody>
</table>
### Table 26-5. Date to Stop Housing Allowances Based on Change in Dependent’s Status (Continued)

<table>
<thead>
<tr>
<th>If the sole dependent…</th>
<th>Then stop the with-dependent housing allowance at midnight of the day…</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 dies,</td>
<td>of death.</td>
</tr>
</tbody>
</table>

*For determination as to whether the order or decree caused a changed legal relationship, an Army or Air Force case must be sent to Defense Finance and Accounting Service-Indianapolis (DFAS-IN), a Navy case to Defense Finance and Accounting Service-Cleveland (DFAS-CL), and a USMC case to Commandant of the Marine Corps. A case involving a USPHS member must be sent to the Director, Division of Commissioned Corps Personnel and Readiness, to the attention of “Defense Enrollment Eligibility Reporting System (DEERS) Determination.”

### Table 26-6. Date to Stop BAH or OHA—Other Changes

<table>
<thead>
<tr>
<th>If a Service member…</th>
<th>Then stop BAH or OHA at midnight the day…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 is furnished Government quarters at the PDS, adequate for the Service member and any dependents,</td>
<td>before quarters are assigned or, if definite assignment was not made, the day before occupancy begins.*</td>
</tr>
<tr>
<td>2 is furnished quarters, whether by cash or in kind, on behalf of the United States, adequate for the Service member and any dependents,</td>
<td>before quarters are furnished.</td>
</tr>
<tr>
<td>3 and a dependent occupies rehabilitated Government quarters that were inadequate but are now designated as adequate,</td>
<td>before the effective date of re-designation as adequate Government quarters.</td>
</tr>
<tr>
<td>4 is discharged or released from active duty,</td>
<td>of discharge or release.</td>
</tr>
<tr>
<td>5 retires,</td>
<td>before the retirement effective date.</td>
</tr>
<tr>
<td>6 dies,</td>
<td>of death.</td>
</tr>
</tbody>
</table>

*When a dependent is prevented from occupying the assigned quarters due to an order from an appropriate authority, BAH or OHA continues until transportation is arranged for Household Goods (HHG) and is available for the dependent (if prompt application is made) plus the normal travel time for a dependent to reach the Service member’s station using a direct route.

2603 DETERMINING DEPENDENCY

260301. Dependent

A. Eligibility

1. A Service member’s lawful spouse and legitimate, unmarried, minor children are always dependents for housing allowance purposes, except as specified in this Section.
2. An unmarried minor child of an invalid marriage, or a marriage annulled as void or voidable, is a dependent for housing allowance purposes.

3. An incapacitated child over age 21, a ward of the court, or an unmarried child over age 21 and under age 23 who is attending college full time requires an “in-fact dependency,” as specified in Service regulations. The child is a secondary dependent and must be dependent upon the Service member for over one-half of the child’s support. The child’s income, not counting the Service member’s contributions, must be less than one-half of the child’s living expenses and the Service member’s contribution must be more than one-half of the child’s monthly living expenses.

B. No Authority on Dependent’s Behalf. A Service member is not authorized a housing allowance for any of the following:

1. A minor child entitled to basic pay as a uniformed Service member on active duty. This includes a minor child attending a military Service academy where the United States furnishes quarters.

2. A spouse on active duty in a Uniformed Service entitled to basic pay and allowances. See Section 2604 for housing allowances when two Service members married to each other are both entitled to basic pay and allowances.

3. A dependent for whom the Service member is no longer required to provide support.

4. A dependent for whom the Service member has not provided required proof of adequate support, when necessary as specified in paragraph 260303.

5. A dependent whom the Service member fails to support (see paragraph 260303).

6. A dependent whose whereabouts are unknown and whose absence and whereabouts remain unexplained.

7. A former spouse to whom the Service member is paying alimony.

8. A dependent who occupies Government quarters as a permanent residence without payment of a rental charge. See paragraph 260307 for an exception when the child is living with the Service member’s former or estranged spouse.

9. A child for whom the Service member pays child support and the following conditions exist:

   a. The child is in another active-duty Service member’s custody, including a former spouse, as specified in this Section.
b. The Service member with custody of the child is assigned to Government or Government-leased family quarters, or receives a with-dependent housing allowance on behalf of the child. This does not include privatized housing.

10. A child after adoption by a third party and the final adoption order or decree has been entered. When the Service member supports the child pending a final decree, authority for a housing allowance continues after an interlocutory decree of adoption has been entered if the decree does not change the legal relationship between the child and the Service member.

C. Spouse in Foreign Military. A Service member is authorized a housing allowance for a spouse in the military service of a government other than the United States. The Service member is authorized a housing allowance even if the foreign government furnishes a residence or pays a monetary allowance in lieu of a residence for the spouse.

260302. Determinations and Fraudulent Claims

Dependency must be determined before a housing allowance is authorized. After initial approval, the Services must maintain adequate levels of internal audit to assure the legality, propriety, and correctness of all housing allowance payments. See individual Service regulations for procedures.

A. Determinations. In determining relationship or dependency for housing allowance eligibility, the appropriate officials must apply the rules in this section. The Service Secretary or designee makes all determinations of relationships or dependency for a primary dependent. The designee may re-delegate. Otherwise, the Army disbursing officer or designee, the USAF Financial Services Office (FSO) or designee, and offices specified in this Section for the Navy and the USMC make determinations. The Defense Finance and Accounting Service (DFAS) determines relationships and dependency for secondary dependents and individuals whose status as a primary dependent is questionable for the Army, USAF, or Navy. The Commandant of the Marine Corps (CMC-MFP-1) determines relationships and dependency for secondary dependents and individuals whose status as a primary dependent is questionable for the USMC. Determinations for relationships or dependency for non-DoD Services is per Service regulations.

1. Dependent Status Certification. Upon arrival at a new PDS, each Service member authorized a housing allowance for a dependent must recertify the status of the dependent to the Secretary concerned to support a housing allowance on the dependent’s behalf. If a Service member fails to provide the certification, the housing allowance on the dependent’s behalf stops at the end of the month in which the certification is due. A housing allowance at the appropriate partial or without-dependent rate is paid unless the Service member is not authorized that allowance for some other reason. A housing allowance at the with-dependent rate is authorized effective the date the Service member provides proper certification. The higher rate is not retroactive unless the Service member’s commander certifies that the failure to recertify promptly was for reasons beyond the Service member’s control.
2. **Dependency Re-determinations.** Annual re-determination of dependency is required for a Service member who claims a housing allowance for any of the following dependents:

a. A parent, parent-in-law, stepparent, parent by adoption, or a person who serves in loco parentis.

b. A student 21 and 22 years of age.

c. An incapacitated child over age 21.

d. A ward of a court.

e. Any dependent of an RC member. The RC member must recertify the dependent’s status at least every 3rd year from the previous certification or when a dependent’s status changes.

B. **Determining Dependency Relationship for Service Member’s Child.**

1. **Army.** Submit requests for determinations in accordance with this paragraph and Table 26-7.

Table 26-7. **Army: Unmarried Child Claimed as Dependent**

<table>
<thead>
<tr>
<th>If the child is…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. under age 23 and a full-time student</td>
<td>student determinations are made by the Personnel Officer.</td>
</tr>
<tr>
<td>2. under age 21, even if in the custody of someone other than the Service member (divorced spouse, parent) and either of the following apply:</td>
<td>the Disbursing officer or designee makes the determination. In the case of an Army Reserve Component member, the initial determination can be made by the Reserve Component unit commander or servicing Military Personnel Officer.</td>
</tr>
<tr>
<td>a. is legitimate or legitimized by marriage of blood parents,</td>
<td></td>
</tr>
<tr>
<td>b. is adopted, the certified court adoption papers are available, and the child has no income from a source other than the Service member and is dependent on the Service member for a substantial portion of his or her support</td>
<td></td>
</tr>
</tbody>
</table>
Table 26-7. Army: Unmarried Child Claimed as Dependent (Continued)

<table>
<thead>
<tr>
<th>If the child is…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 a step child under age 21, even if in the custody of someone other than the Service member (divorced spouse, parent), and the Service member is a Reserve Component member</td>
<td>the initial determination can be made by the Reserve Component unit commander or servicing Military Personnel Officer. If the Reserve Component unit commander or servicing Military Personnel Office cannot make a determination, the claim is sent electronically to DFAS-IN, Military Pay Operations, (ATTN: JFLAKA), 8899 East 56th Street, Indianapolis, IN 46249-0855.</td>
</tr>
<tr>
<td>4 a step child under age 21, even if in the custody of someone other than the Service member (divorced spouse, parent), and both of the following apply, the: a. child does not have income from a source other than the Service member; b. Service member is not a Reserve Component member</td>
<td>the Disbursing officer or designee makes a determination, and sends the claim electronically to DFAS through the Ask DFAS website, and go to the Secondary Dependency Claims (SDC) location. Only if electronic submission is unavailable may requests be submitted to the U.S mail address: DFAS-IN, Military Pay Operations (ATTN: JFLAKA), 8899 East 56th Street, Indianapolis, IN 46249-0855</td>
</tr>
<tr>
<td>5 any other child claimed as a dependent</td>
<td>the claim should be sent electronically to DFAS through the Ask DFAS website, and go to the Secondary Dependency Claims (SDC) location. Only if electronic submission is unavailable may requests be submitted to the U.S mail address: DFAS-IN, Military Pay Operations (ATTN: JFLAKA), 8899 East 56th Street, Indianapolis, IN 46249-0855</td>
</tr>
</tbody>
</table>

2. Navy. The Disbursing Officer makes the determination for any person who can qualify as a dependent of a Service member in the Navy. Submit all doubtful cases through channels to the Defense Office of Hearings and Appeals (DOHA). Table 26-8 specifies the rules for determining the dependency relationship for a Service member in the Navy for the purposes of a housing allowance when the dependent claimed is an unmarried child.

Table 26-8. Navy: Unmarried Child Claimed as Dependent

<table>
<thead>
<tr>
<th>If the child is a dependent…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 age 21 or older,</td>
<td>DFAS-CL makes the determination or DFAS-CL submits the case to the Defense Office of Hearings and Appeals (DOHA). Student determinations are made at the local Personnel Support Detachment or by the Personnel Officer for the Navy.</td>
</tr>
</tbody>
</table>
Table 26-8. Navy: Unmarried Child Claimed as Dependent (Continued)

<table>
<thead>
<tr>
<th>If the child is a dependent...</th>
<th>Then...</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 under age 21 and is a stepchild or adopted child and the child’s dependency relationship is not questionable,</td>
<td>the Disbursing Officer makes the determination.</td>
</tr>
<tr>
<td>3 under age 21 and is a child born out of wedlock (in other words, whose parents were not married to each other at the time of the child’s birth) and the child’s dependency relationship is not questionable,</td>
<td></td>
</tr>
<tr>
<td>4 under age 21,</td>
<td>the Disbursing Officer or the commanding officer of a battalion squadron or separate detached command makes the determination. Submit questionable cases to the Commandant of the Marine Corps.</td>
</tr>
<tr>
<td>5 under age 21 and is of the present or former spouse,</td>
<td></td>
</tr>
</tbody>
</table>

3. **USAF.** If the dependent claimed is an unmarried child over age 21 and is incapable of self-support, then the USAF FSO or designee makes the determination. In this case, the dependent must actually be dependent on Service member for a substantial portion of support. Submit requests for determinations in accordance with Table 26-9.

Table 26-9. Air Force: Unmarried Child Claimed as Dependent

<table>
<thead>
<tr>
<th>If the child is unmarried and...</th>
<th>Then determinations are made by the...</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 a dependent under age 23 and a full-time student,</td>
<td>USAF FSO or his or her designee and the claim must be sent to DFAS-IN/JFLTBA or the Defense Office of Hearings and Appeals (DOHA)* for decision.</td>
</tr>
<tr>
<td>2 under age 21, even if in the custody of someone other than the Service member, such as a divorced spouse or parent, and the child is legitimate or legitimated by marriage of biological parents,</td>
<td>USAF FSO or his or her designee.</td>
</tr>
</tbody>
</table>
Table 26-9. Air Force: Unmarried Child Claimed as Dependent (Continued)

<table>
<thead>
<tr>
<th>If the child is unmarried and…</th>
<th>Then determinations are made by the…</th>
</tr>
</thead>
</table>
| 3 under age 21, even if in the custody of someone other than the Service member, such as a divorced spouse or parent, and the child:  
  a. is adopted, the certified court adoption papers are available,  
  b. has no income from a source other than the Service member, and  
  c. is dependent on the Service member for a substantial portion of his or her support, | USAF FSO or his or her designee. |
| 4 under age 21, even if in the custody of someone other than the Service member, such as a divorced spouse or parent, and the child:  
  a. is adopted, the certified court adoption papers are available,  
  b. has income from a source other than the Service member, and  
  c. is dependent on the Service member for a substantial portion of his or her support,  
  d. is an illegitimate child of the spouse, when the Service member is not the biological parent, | USAF FSO or his or her designee and the claim must be sent to DFAS-IN/JFLTBA or the Defense Office of Hearings and Appeals (DOHA)* for decision. |
| 5 under age 21, even if in the custody of someone other than the Service member, such as a divorced spouse or parent, and the child is:  
  a. adopted, the certified court adoption papers are unavailable, and  
  b. dependent on the Service member for a substantial portion of his or her support, | USAF FSO or his or her designee and the claim must be sent to DFAS-IN/JFLTBA or the Defense Office of Hearings and Appeals (DOHA)* for a decision. If this is an interlocutory decree of adoption, case must be submitted to DFAS-IN for determination. |
| 6 under age 21, even if in the custody of someone other than the Service member, such as a divorced spouse or parent, and the child does not have income from a source other than the Service member, | USAF FSO or his or her designee. |
| 7 under age 21, even if in the custody of someone other than the Service member, such as a divorced spouse or parent, and the child has income from a source other than the Service member, | USAF FSO or his or her designee and the claim must be sent to DFAS-IN/JFLTBA or onward to the Defense Office of Hearings and Appeals (DOHA)* for a decision. |
Table 26-9. Air Force: Unmarried Child Claimed as Dependent (Continued)

<table>
<thead>
<tr>
<th>If the child is unmarried and...</th>
<th>Then determinations are made by the...</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. incapable of self-support and is dependent on Service member for substantial portion of support,</td>
<td>USAF FSO or his or her designee and the claim must be sent to DFAS-IN/JFLTBA or onward to the Defense Office of Hearings and Appeals (DOHA)* for a decision.</td>
</tr>
</tbody>
</table>

*See Defense Office of Hearings and Appeals *(DOHA)*

4. **USMC.** For any determination concerning a combination of a spouse and an unmarried legitimate child, and the dependent child is under age 21, the commanding officer of a battalion, squadron or separate detached command makes the decision. Table 26-10 specifies the rules for determining the dependency relationship for a Service member in the USMC for the purposes of a housing allowance when the dependent claimed is an unmarried child.

Table 26-10. USMC: Unmarried Child Claimed as Dependent

<table>
<thead>
<tr>
<th>If the Service Member is...</th>
<th>And...</th>
<th>Then...</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. an officer</td>
<td>the dependent is a legitimate child, the dependent is a child out of wedlock,</td>
<td>the commanding officer of a battalion, squadron or separate detached command, or the Disbursing Officer makes the determination. Submit questionable cases to the Commandant of the Marine Corps.</td>
</tr>
<tr>
<td>2. an officer or is enlisted</td>
<td>the child is age 21 or over, the dependent is a stepchild or adopted child and the child's dependency relationship is not doubtful,</td>
<td>the Commandant of the Marine Corps makes the determination, including if the dependent is a student.</td>
</tr>
<tr>
<td>3. is enlisted</td>
<td>the dependent is a child out of wedlock and the child’s dependency relationship is not doubtful,</td>
<td>either the commanding officer of a battalion, squadron or separate detached command, the Commandant of the Marine Corps, or the Disbursing Officer makes the determination.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the Commandant of the Marine Corps or the Disbursing Officer makes the determination.</td>
</tr>
</tbody>
</table>
C. Fraudulent Claims. Any Service member who submits a claim for a housing allowance that contains a false statement is subject to court-martial or criminal prosecution. Fraudulent acceptance of benefits may cause a civilian recipient to be subject to criminal prosecution. The law provides for severe penalties of imprisonment and a fine. For military personnel, it may include a punitive separation, total forfeitures, and confinement.

D. Marriage Status Determination. Any case in which the validity of a Service member’s marriage is questionable is a case of a doubtful relationship. This paragraph outlines different types of relationships where validity is doubtful for housing allowance purposes. Submit requests for determination on validity of a marriage in doubtful cases or for validation of payments as specified in Table 26-11.

1. Remarriage Within Prohibited Period Following Divorce. Under the laws of some states, a marriage is not dissolved until a specified period has elapsed after a divorce decree is granted, and remarriage is prohibited within the specified period. In all states that grant an interlocutory decree before granting a final divorce decree, remarriage may not occur before the final decree is granted.

2. Marriage by Proxy. Proxy marriages are valid if performed in a jurisdiction that recognizes common law marriages and has no statute or judicial determination prohibiting proxy marriages.

3. Marriage by Telephone. A marriage by telephone is recognized only if a statute or court decision authorizes or recognizes telephone marriages in the jurisdiction where the marriage was performed.

4. Common Law Marriages. Under laws of certain states, persons who do not obtain a license to marry or go through certain other formalities may enter into a common law marriage. Common law marriages entered into in those states are valid if they are contracted in accordance with state law.

5. Foreign Nation Divorce. A foreign nation divorce may or may not be recognized as valid in the United States depending on several factors. These factors include place of residence of the parties involved, whether they appeared in person to obtain the divorce, and applicable state laws. Any claim involving the remarriage of a Service member following a foreign nation divorce and any claim by, or on behalf of, the spouse from whom the Service member has obtained a foreign nation divorce are cases of doubtful relationship. A claim based on a Service member’s marriage to a person who has obtained a foreign nation divorce is also a doubtful case.

6. Void Marriage. If a Service member’s marriage is void, for example, due to a preexisting marriage of the spouse, the Service member has no lawful spouse and is not authorized a housing allowance at the with-dependent rate due to the purported marriage. When marriage invalidity is discovered, no further housing allowance payments at the with-dependent rate may be made. See Table 26-5 to determine when to stop housing allowance payments. The Service member may retain payments already received if they are validated under Chapter 12, for DoD Services or Service written material for non DoD Services. When validity
of a marriage is questionable, submit the case to the office specified in Table 26-11 for a
determination on the validity of the marriage and, if necessary, validation of payments already
made.

7. **Annulled Marriage.** If a Service member’s marriage is annulled by
a court decree, no further housing allowance payments may be made. The Service member may
retain payments received before the effective date of the decree. Retention of payment in some
annulment cases based on legal factors must be validated under Chapter 12, for DoD Services or
Service written material for non-DoD Services. Submit all annulment cases to the office specified
in Table 26-11 for review and, if necessary, validation of payments made.

Table 26-11. Determination of Marriage Validity

<table>
<thead>
<tr>
<th>Service or Agency</th>
<th>Appropriate Channel</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Army and USAF</td>
<td>Submit requests electronically to DFAS through the Ask DFAS website, and go to the Secondary Dependency Claims (SDC) location. Only if electronic submission is unavailable may requests be submitted to the U.S. mail address: DFAS-IN, Military Pay Operations (ATTN: JFLAKA), 8899 E. 56th Street, Indianapolis, IN 46249-0855.</td>
</tr>
<tr>
<td>2 Navy</td>
<td>DFAS-IN, Office of General Counsel, Military &amp; Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160.</td>
</tr>
<tr>
<td>3 USMC</td>
<td>Commandant of the Marine Corps (MFP-1), 2008 Elliot Road, Quantico, VA 22134-5143.</td>
</tr>
<tr>
<td>4 Coast Guard</td>
<td>Commanding Officer (LGL), Coast Guard Pay and Personnel Center, Federal Building, 444 S.E. Quincy Street, Topeka, KS 66683-3591.</td>
</tr>
<tr>
<td>5 NOAA</td>
<td>Director, Commissioned Personnel Center, 8403 Colesville Road, Suite 500, Silver Spring, MD 20910-6333.</td>
</tr>
<tr>
<td>6 USPHS</td>
<td>Office of Commissioned Corps Support Services, Attention: Compensation Branch, 5600 Fishers Lane, Room 4-50, Rockville, MD 20857-0001.</td>
</tr>
</tbody>
</table>

E. **Spousal Dependency Determination.** Table 26-12 specifies who determines
a dependency relationship for the purposes of a housing allowance when the dependent claimed is
a spouse. Unless otherwise specified, the rules for the Navy and the USMC apply regardless of a
Service member’s rank.

Table 26-12. Spouse is the Dependent Claimed

<table>
<thead>
<tr>
<th>Service</th>
<th>If the marriage is…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Army</td>
<td>lawful,</td>
<td>the Army disbursing officer or designee makes the determination. In the case of an Army RC member, the RC unit commander or servicing Military Personnel Officer can make the initial determination.</td>
</tr>
</tbody>
</table>
Table 26-12. Spouse is the Dependent Claimed (Continued)

<table>
<thead>
<tr>
<th>Service</th>
<th>If the marriage is…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army</td>
<td>legally questionable, which includes a common law spouse, those married by proxy or telephone or within a prohibited period following a divorce, or a divorce granted by a foreign country, and purported marriages,</td>
<td>a claim must be submitted through the chain of command to DFAS-IN for determination or to the Defense Office of Hearings and Appeals (DOHA)*.</td>
</tr>
<tr>
<td>Navy</td>
<td>lawful, of doubtful legality,</td>
<td>the Disbursing Officer makes the determination.</td>
</tr>
<tr>
<td></td>
<td>legally questionable, which includes a common law spouse, those married by proxy or telephone or within a prohibited period following a divorce, or a divorce granted by a foreign country, and purported marriages,</td>
<td>a claim must be submitted through the chain of command to DFAS-IN, Office of General Counsel, Military and Civilian Pay Division, for determination or to the Defense Office of Hearings and Appeals (DOHA)*.</td>
</tr>
<tr>
<td>USAF</td>
<td>lawful,</td>
<td>the USAF FSO or designee makes the determination.</td>
</tr>
<tr>
<td></td>
<td>legally questionable, which includes a common law spouse, those married by proxy or telephone or within a prohibited period following a divorce, or a divorce granted by a foreign country, and purported marriages,</td>
<td>a claim must be submitted through the chain of command to the USAF FSO or designee for determination; and also through the chain of command to DFAS-IN for determination or to the Defense Office of Hearings and Appeals (DOHA)* for a decision.</td>
</tr>
<tr>
<td>USMC</td>
<td>contracted with states or territories by a legal, civil, or religious ceremony and neither has been previously married, or one spouse has been previously married and that marriage was dissolved by death, final decree of divorce, or by annulment that did not prohibit remarriage,</td>
<td>the commanding officer of a battalion squadron or separate detached command makes the determination.</td>
</tr>
<tr>
<td></td>
<td>legally questionable, which includes a common law spouse, those married by proxy or telephone or within a prohibited period following a divorce, or a divorce granted by a foreign country, and purported marriages,</td>
<td>the Commandant of the Marine Corps makes the determination.</td>
</tr>
</tbody>
</table>

*See Defense Office of Hearings and Appeals (DOHA)
Providing Support for Dependent

A. Proof of Support. Proof of support of a lawful spouse or unmarried, minor, legitimate child of a Service member is generally not required. However, when an appropriate office receives evidence or a complaint from a dependent of nonsupport or inadequate support, proof of adequate support is required as specified in this paragraph.

B. Non-support. A Service member who fails to support a dependent on whose behalf a housing allowance is received is not authorized a housing allowance on that dependent’s behalf. A Service member does not avoid the legal responsibility to comply with a court order for support by forfeiting a housing allowance. Housing allowances must be recouped for nonsupport or inadequate support periods. Subsequently paying support arrears does not authorize a Service member a housing allowance for the dependent unless one of the following caused the nonsupport or inadequate support:

1. The Service’s mission requirements.

2. Outside agencies’ actions determined by Service regulations to be beyond the Service member’s control.

C. Unstated Support Amount or Release from Support Responsibility. A legal separation agreement, court decree, judgment, or order that is silent on dependent support, does not state the dependent support amount, or absolves the Service member of dependent support responsibility does not affect a Service member’s housing allowance. This is true regardless of the jurisdiction in which the decree, agreement, or order was issued or of the dependent’s domicile. The Service member is authorized a housing allowance on behalf of a dependent if the Service member contributes to the dependent’s support in an amount that is not less than the applicable BAH-Diff rate.

D. Legal Separation Agreement or Court Order Stating Support Amount. When there is a court order or legal separation agreement stating the support amount, a Service member must contribute to the dependent’s support the amount specified. In no case may the support payments be less than the applicable BAH-Diff rate.

E. Joint Legal Custody. When a Service member is divorced from a person who is not a Service member, they share joint legal custody of a child, and the former spouse is awarded primary physical custody, then the Service member is a non-custodial parent for housing allowance purposes.

1. When the Service member’s court-ordered child support is less than the applicable BAH-Diff rate and the Service member is not residing in, or assigned to, Government quarters, the Service member is only authorized a housing allowance at the without-dependent rate.
2. When a Service member not assigned to Government quarters pays additional support to the former spouse who has primary custody of the child so that the total child support provided is equal to or more than the BAH-Diff rate, he or she is authorized a housing allowance at the with-dependent rate.

F. Temporary Custody. When a Service member has temporary custody of a child and they reside in a private-sector residence, the cost of maintaining the residence is not a factor in determining authority for the with-dependent housing allowance rate and may not be used instead of, or in addition to, child support to qualify for increased allowances. The dependent child must reside with the Service member on a non-temporary basis, which is a period of 91 or more consecutive days, for the Service member to qualify for the with-dependent housing allowance rate for the temporary period. The cost of maintaining a home may not be added to the amount of child support to qualify for the increased allowances.

G. Adequate Support. When a court order or legal separation agreement does not establish support requirements, a Service member must provide a support amount that is at least equal to the BAH-Diff rate applicable to the Service member’s grade. The support amount required to retain or receive a housing allowance for a dependent is not necessarily adequate to meet Service policies. The Service concerned may have additional requirements for support in the absence of a legal separation agreement or court order.

H. Increase in Support Required by Increase in BAH-Diff Rates. Whenever BAH-Diff rates increase, the minimum amount of dependent support required for housing allowance purposes increases to the new rate. A Service member receiving a housing allowance on behalf of a dependent must increase the amount of support within 60 days of the increase to continue receiving the housing allowance.

I. Settlement Agreement.

1. Property settlements made under a court order or written agreement are not considered support for housing allowance purposes.

2. Payments made under a settlement in place of support are considered support only for the period specified in the written agreement or court order.

3. A lump-sum settlement in place of support made under written agreement or court order is support for the period the lump sum would reasonably cover the dependent’s support.

J. Interlocutory Decree of Divorce. If an interlocutory decree of divorce does not provide for support to the former spouse, the Service member is not authorized a housing allowance for the former spouse after the date of the decree unless the Service member provides proof of support.
260304. Dependent Parent

A. Determination. A parent’s dependency is determined based on an affidavit submitted by the parent and any other evidence required under applicable regulations. A legal guardian may complete the form for a mentally incompetent parent. Table 26-13 specifies who determines a dependency relationship for the purposes of a housing allowance when the dependent claimed is a parent, including a person acting in loco parentis. If there is a question on whether the parent is or is not a dependent, then the authority in Table 26-13 submits a request through the appropriate chain of command to the authority in Table 26-11 or a dependency determination. When necessary, a request may be submitted through the appropriate chain of command to the Defense Office of Hearings and Appeals (DOHA) for a decision.

Table 26-13. Dependent Claimed is a Parent

<table>
<thead>
<tr>
<th>Service</th>
<th>Authority Who Determines Dependency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Army</td>
</tr>
<tr>
<td></td>
<td>Army disbursing officer or designee</td>
</tr>
<tr>
<td>2</td>
<td>Navy</td>
</tr>
<tr>
<td></td>
<td>DFAS-CL</td>
</tr>
<tr>
<td>3</td>
<td>USAF</td>
</tr>
<tr>
<td></td>
<td>USAF FSO or designee</td>
</tr>
<tr>
<td>4</td>
<td>USMC</td>
</tr>
<tr>
<td></td>
<td>Commandant of the Marine Corps</td>
</tr>
</tbody>
</table>

B. Dependency Requirement. A Service member is authorized a housing allowance on behalf of a parent who depends on the Service member for more than one-half of the parent’s support. The parent’s income, not counting the Service member’s contribution, must be less than one-half of the parent’s monthly living expenses and the Service member’s contribution must be more than one-half of the parent’s monthly living expenses. A parent’s residence in a charitable institution, public or private, does not prohibit the Service member from receiving a housing allowance for the parent when the following conditions are met as well as any other Service requirements:

1. Family Unit Rule. In determining a parent’s dependency, consider the total income and expenses of the family unit that includes the parent. Ordinarily, the Service member’s contribution to the expenses of the family unit must exceed one-half of its total expenses before any one person in the family unit can be considered dependent on the Service member. When application of the family unit rule results in manifest injustice, consider any other available evidence of dependency, and determination made according to principles of equity and good conscience.

2. Income. Unliquidated capital assets are not income, and parents are not required to deplete their capital assets to establish dependency on a Service member for housing allowance purposes. However, the following are considered income when determining whether a parent is dependent on the Service member:

a. Proceeds derived from the liquidation of capital assets.

b. Amounts placed in reserve for depreciation of property held for income ordinarily are available for a parent’s current living expenses.
c. Contributions made to a parent by a charitable organization.

d. Payments made to the parent from the Social Security Administration, unemployment compensation, and financial assistance from governmental agencies.

e. Pensions received by the parent.

f. Uninvested capital. If a parent has capital that is not invested, compute the income return at 5.25% a year.

C. **Change in Dependent Status.** If the parent becomes a dependent due to changed circumstances, and the Service member contributes over one-half of the parents’ support, a housing allowance is authorized from the date the contribution began. A Service member is authorized a housing allowance for any active-duty period when the parent is a dependent, whether the dependency occurred before or after the Service member entered service.

D. **Stepparent.** A stepparent or stepchild relationship ends upon divorce from the biological parent, but not necessarily upon the biological parent’s death. A housing allowance for a stepparent may be established after the biological parent’s death.

260305. **Adopted Child, Stepchild, or Child Born out of Wedlock**

An adopted child, a stepchild, and a child born out of wedlock are all considered primary dependents. As a result, a dependency determination is not required for these dependents.

A. **Proof of Parentage.** A Service member who claims a housing allowance for an adopted child, stepchild, or a child born out of wedlock must provide proof of parentage as follows:

1. For an adopted child, document showing the Service member is the child’s legal parent.

2. For a stepchild, a marriage license showing the Service member is married to the child’s legal parent and documentation showing that the Service member’s spouse is the child’s parent.

3. For a child born out of wedlock, a birth certificate with the Service member’s name cited is required. If the Service member’s name is not stated on the birth certificate or on a court order, obtain a signed affidavit of parentage (signed and sworn by a notary) from the Service member. If the child is not in the custody of the Service member parent, the case is treated as specified in the rules for BAH-Diff.
B. Support Requirements. A Service member may claim a dependent child, adopted child, stepchild, or out of wedlock child, for housing allowance purposes. The Service member is authorized a housing allowance if the Service member contributes to the dependent’s support and that support is at least equal to the applicable BAH-Diff. This includes a Service member authorized BAH-Diff and a Service member assigned to single-type Government quarters when the child is in the physical custody of another person.

260306. Child Living with Service Member’s Former Spouse

A. Former Spouse Married to Another Service Member

1. Child in Government Quarters. When a Service member’s child resides in Government quarters not assigned to the divorced Service member parent, that Service member is not authorized a housing allowance for the child.

2. Child not in Government Quarters. A housing allowance may not be paid for a child to both the stepparent and the natural parent at the same time. The natural parent has priority to a housing allowance for that child if providing adequate support.

B. Service Member Marries Someone Other than a Service Member. The Service member is not authorized a housing allowance for the child living with the former spouse. Subparagraph 261002.A.2 does not apply in the case of a Service member who is required to support a child in the custody of a former spouse when the Service member remarries and is assigned to or occupies family Government quarters.

C. Service Member Marries Another Service Member

1. The Service member is not authorized a housing allowance for the child living with the former spouse when the Service member remarries another Service member and is assigned to or occupies Government family type quarters. Subparagraph 261002.A.2 does not apply in the case of a Service member who is required to support a child in the custody of a former spouse when the Service member remarries another Service member and is assigned to or occupies family Government quarters.

2. A Service member is authorized a housing allowance for a child for whom the Service member is paying child support (59 Comp. Gen. 681 (1980)) if all of the following conditions are met:

a. The Service member is required to support a child in the custody of a former spouse.

b. He or she is married to another Service member with children born of this marriage.

c. The Service member lived in family-type Government quarters with the Service member spouse and children.
d. The Service member is assigned a permanent change of station (PCS) to a different PDS outside commuting distance.

e. The Service member’s current spouse—who is also a Service member—and children remain in Government quarters.

f. The Government quarters’ assignment is in or transferred to the remaining Service member’s name.

**Note:** This is based on the rule that a Service member’s housing allowances is determined independently of the uniformed spouse when the Service members are separated by orders and do not reside in the same household.

260307. Child Living with Service Member’s Former or Estranged Spouse

A. Former or Estranged Spouse is Service Member Assigned Family Government Quarters. When the Service member with custody of the child is assigned to, or occupies, adequate family-type Government quarters with the child while receiving child support, the Service member paying child support is not authorized a housing allowance for the child.

B. Former or Estranged Spouse in Family Government Quarters Visits Service Member. When a child who normally resides in family Government quarters with a Service member’s former or estranged spouse who is the custodial parent visits the Service member in a private-sector residence for 91 or more days, the visit is considered non-temporary. The Service member is then authorized a housing allowance for the child from the first day of the visit. If the visit is 90 or fewer days, a housing allowance for the child is not payable for any part of the visit.

260308. Dependent Confined in Penal or Correctional Institution

A. Housing Allowance Payable. Confinement of a Service member’s spouse or unmarried minor child in a penal or correctional institution does not affect the Service member’s authority for a housing allowance on the dependent’s behalf, unless any of the following conditions apply:

1. The Service member refuses to support the dependent.

2. The Service member has been relieved from supporting the dependent.

3. The period of confinement may extend beyond 5 years.

4. The case is otherwise doubtful.

B. Doubtful Cases. Submit doubtful cases or cases involving a sentence extending beyond 5 years to the addresses specified in Table 26-11. Do not pay a housing allowance on behalf of the dependent pending a decision.
2604 SERVICE MEMBER MARRIED TO ANOTHER SERVICE MEMBER

A. Dependent on Active Duty in a Uniformed Service. In accordance with 37 U.S.C. §421, a dependent who is on active duty in a Uniformed Service and is entitled to basic pay cannot be considered a dependent for housing allowance purposes.

B. One Service Member Enters a Non-Pay Status. When one Service member enters a non-pay status, the other Service member may claim the Service member not entitled to pay and allowances as a dependent and be authorized to draw BAH or OHA at the with-dependent rate for the duration of the non-pay status, if otherwise authorized, unless a dependent is confined in a penal or correctional institution (see paragraph 260308). A Service member may claim as a dependent a Service member on inactive duty for training (Reserve drills).

C. Service Member Serving on Sea Duty. See paragraph 261001 for two Service members married to each other when one or both are serving on sea duty.

D. BAH or OHA at the With-dependent Rate. When two Service members have a dependent, the Service members must choose which one will receive BAH or OHA at the with-dependent rate. If they cannot agree, then the senior Service member receives the with-dependent rate. The Service members may subsequently elect to transfer BAH authorization from one Service member to the other for any reason. Changes are effective as of the election date and may not be applied retroactively.

E. Child From a Prior Marriage or the Service Member’s Child Born out of Wedlock. When the dependent is a child from a prior marriage or the Service member’s child born out of wedlock, the two Service members may elect for the Service member with a dependent to receive BAH or OHA at the without-dependent rate when not occupying single-type Government quarters and the other Service member to receive BAH or OHA for stepchildren as specified in paragraph 260305. A Service member in a TDY status would maintain the BAH in effect at the PDS while in single-type Government quarters at the TDY location.

F. Other Housing Allowances. Other housing allowance paragraphs in this chapter (e.g., FSH, Service member on unaccompanied tour, BAH rate protection) also apply to a Service member married to another Service member.

260401. Both Service Members Married to Each Other Entitled to Basic Pay

A. Family-Type Quarters. When Service members married to each other jointly occupy family-type quarters, neither Service member is authorized BAH or OHA, even if no dependent resides in the quarters, unless a dependent is prevented by a military order from occupying quarters.

B. Separate Households. When both Service members maintain separate households at or in the vicinity of their PDS or PDSs, each is individually authorized BAH or OHA. Only one Service member may receive BAH or OHA at the with-dependent rate. When both Service members no longer share a common residence due to military orders, their authorization for increased allowances or assignment to Government quarters should be
determined separately without regard to the general rule that all dependents of Service members are in the same class for the purpose of determining housing allowance authorizations. Each member is required to have physical custody of a dependent if both members are claiming a housing allowance authorization at the with-dependent rate. See paragraphs 260303 and 260403 for BAH or OHA for divorced or legally separated Services members.

C. Same or Adjacent Military Installations. Both Service members are considered to be stationed at the same or adjacent bases, or shore installations, when they are not prevented by distance from living together or they actually commute on a regular basis regardless of distance.

1. Each Service member is usually authorized BAH or OHA at the appropriate rate when family-type quarters are not assigned, notwithstanding the availability of adequate single quarters for either or both Service members.

2. When both Service members are authorized BAH or OHA at the same or adjacent military installation and are then separated geographically by orders, the Service member remaining at the old PDS ordinarily is authorized BAH or OHA continuation regardless of the availability of adequate single quarters.

D. Without-dependent. When neither Service member has other dependents and both are prevented by distance from living together, each is usually treated as a Service member without a dependent for BAH or OHA.

260402. Other Dependents

A. Dependent Parent. When one of the two married Service members is receiving a housing allowance at the with-dependent rate, the class of dependents includes either Service member’s parent. Only one Service member is authorized a housing allowance at the with-dependent rate or BAH-Diff for the one class of dependents when the Service members are assigned to the same or adjacent bases.

B. Dependent Parent or Child from Previous Relationship. When one or both Service members are authorized housing allowances for a child from a previous relationship or on behalf of a dependent parent, and the Service members marry and are stationed in the same area, all children and dependent parents of either Service member are the same class of dependents. Therefore, only one housing allowance at the with-dependent rate (including BAH-Diff) is payable. Any child born of their marriage, or adopted by them, is within the same class of dependents for housing allowances purposes.

1. If one Service member elects to stop receiving a housing allowance at the with-dependent rate, then the other Service member may claim the children for housing allowance purposes. A relationship determination is required, but ordinarily a dependency determination is not. In all instances of a Service member having a spouse on active duty, full details must be given showing the spouse’s full name, Social Security number, duty station, and branch of Service.
2. This does not apply to two Service members living together but not married. Two unmarried Service members living together are each authorized a housing allowance based on each Service member’s dependents.

260403. Dependent Custody Effects on Housing Allowances

A. Divorce or Legal Separation. The following rules apply when a divorce or separation occurred, or a decree or agreement was amended and the divorced or separated parents are both Service members. These rules apply in addition to those in paragraph 260303 and only when neither Service member is assigned to family-type Government quarters, unless otherwise specified.

1. Unless both Service members agree to the contrary, the custodial parent is authorized a housing allowance for the child, regardless of the child-support amount received by that Service member. In addition to the court order, a separate notarized agreement between the Service members must be provided for the non-custodial Service member to receive a housing allowance for the child.

2. When each Service member has legal and physical custody of one or more of the children of the marriage, each Service member is authorized a housing allowance for the children in their individual physical custody, regardless of child-support payments from one Service member to the other.

3. When a child of the marriage is in a third party’s custody, only one Service member is authorized a housing allowance for the child, even if both Service members are paying sufficient child support to qualify for the housing allowance. The senior Service member is authorized a housing allowance for the child when the two Service members do not agree on which person claims the authorization. If the Service members are of equal rank, date of rank determines which one receives a housing allowance for the child.

4. In joint legal custody cases, when physical custody changes from one parent to another, each parent is authorized a housing allowance for the child during those periods the child is actually in that parent’s physical custody.

5. When a non-custodial Service member pays child support to the custodial parent who also has another dependent who makes the Service member eligible for a housing allowance, there is a presumption that the custodial parent’s authorization is based on the dependent other than the child of the marriage. The housing allowance authorization for the custodial and non-custodial parents is determined individually.

6. When the dependent is no longer in one class, the housing allowance authorization for the custodial and non-custodial parents is determined individually. For example, if the non-custodial parent pays child support to a non-active duty parent for a child from a previous marriage or non-marriage relationship, the non-custodial parent may qualify for a housing allowance based solely on the basis of the Service member’s child support for the child (see paragraph 260301).
B. Voluntary Support Payments. Voluntary support payments must not be considered to determine housing allowance authorization unless there is a mutual agreement between the Service-member parents that the custodial Service member parent accepts the support payments.

2605 BASIC ALLOWANCE FOR HOUSING (BAH)

260501. BAH Rate Protection

The monthly BAH amount paid to a Service member must not be reduced due to changes in housing costs in the MHA, changes in the national monthly housing cost, or a Service member’s promotion. The BAH rate for an RC member is also protected, provided the RC member does not have a break in active service of 1 or more calendar days. This includes transitions in service status from Active Guard Reserve (AGR) duty to other active duty and back to AGR duty, or beginning a new active duty order or order extension without a break in active service. If the Service member is demoted or loses authority for BAH, then the Service member’s BAH rate protection at the current amount stops when the eligibility to BAH for a given MHA or County Cost Group (CCG) ends. The current BAH rate at the current duty location becomes the Service member’s new protected BAH rate.

260502. BAH Advance

A. Authority. Each Service must set regulations for advance BAH payment administration to include the preparation and disposition of vouchers and supporting papers. When allowed by Service regulations, a Service member’s commanding officer, his or her designee, or another designated official may authorize an advance BAH payment to pay advance rent, security deposits, or initial expenses due to occupying other than Government housing. An advance may also be authorized at any time during a Service member’s tour at the location concerned or when a Service member has relocated due to a PCS order. The Secretary concerned or the Secretary’s designee may authorize an advance BAH payment in circumstances and conditions other than those specified in this paragraph. Service regulations must set repayment procedures for advances made under special circumstances.

B. Timing. Ordinarily, the advance should not be disbursed more than 3 working days before the date payment under the lease or rental agreement must be made. In extenuating circumstances, the officials listed in this Chapter may authorize disbursement more than 3 working days before the date payment must be made. The BAH advance may be paid before or after the expenses occur. A Service member must request the advance payment within 30 days after incurring the expense.

C. Requirements. Housing expenses must be documented. Required documentation includes copies of the lease, utility company statement, and any other pertinent documentation necessary to support the housing expenses.
D. **Amount.** The advance amount is determined by the Service member’s current BAH rate, his or her ability to repay the advance, other advances of pay that may have been made, and any recurring pay deductions. The BAH advance is limited to a total of 3 months BAH that the Service member is expected to accrue. Expenses identified by a Service member used to purchase any real estate or living accommodations must not serve as a basis for authorizing or determining the amount of the advance.

E. **Repayment.** Repayment of the advance should be at a rate of at least one-twelfth of the amount advanced in equal monthly installments for the next 12 months. Collection action should begin on the 1st day of the month after the advance payment has been made.

1. When justified by the Service member and authorized by the Service member’s commanding officer, his or her designee, or another Service-designated official, start of collection action may be postponed for up to 3 months after the advance is made. Repayment may be spread over a period of more than 12 months, but must be limited to 24 months or the Service member’s scheduled tour at the location concerned, whichever is shorter.

2. Action must be taken immediately to recoup in a lump sum any BAH advance that the landlord has returned to the Service member upon receipt of information that the Service member has vacated the housing for which the advance was made. If the Service member chooses, he or she may repay in monthly installments any balance of an advance not returned by the landlord. The balance must be repaid during the months remaining on the existing loan repayment schedule.

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**Table 26-14. Conditions for BAH-Partial**

<table>
<thead>
<tr>
<th>If a Service member…</th>
<th>Then the Service member…</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> without a dependent assigned to single-type adequate Government quarters at the PDS and authorized BAH-Partial is subsequently sick in a hospital with no PCS involved.</td>
<td>continues to be authorized BAH-Partial while he or she is hospitalized.</td>
</tr>
</tbody>
</table>
| **2** in grade E-6 or below without a dependent is offered an assignment of adequate Government quarters, or is assigned Government quarters but elects not to occupy such quarters and resides in private quarters at own expense, | a. is considered to be assigned to Government quarters.  
  b. is not authorized BAH or OHA.  
  c. is authorized BAH-Partial.* |
### Table 26-14. Conditions for BAH-Partial (Continued)

<table>
<thead>
<tr>
<th>If a Service member…</th>
<th>Then the Service member…</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>3 is occupying single-type Government quarters while a dependent resides in family-type Government quarters,</td>
</tr>
<tr>
<td></td>
<td>a. is not authorized BAH or OHA at the full rate.</td>
</tr>
<tr>
<td></td>
<td>b. is authorized BAH-Partial, provided the family quarters are not assigned under the Service member’s eligibility.</td>
</tr>
<tr>
<td>4</td>
<td>4 married to another Service member, who has no dependents other than the spouse, is assigned to single type Government quarters and is not authorized BAH or OHA,</td>
</tr>
<tr>
<td></td>
<td>is authorized BAH-Partial</td>
</tr>
<tr>
<td>5</td>
<td>5 married to another Service member with no dependents other than the spouse is assigned to family-type Government quarters,</td>
</tr>
<tr>
<td></td>
<td>without a dependent is single and is assigned to family-type Government quarters,</td>
</tr>
<tr>
<td></td>
<td>is not authorized BAH-Partial.</td>
</tr>
<tr>
<td>6</td>
<td>6 without a dependent is assigned to Government single-type quarters (including Government leased quarters) that exceed the minimum standards of single quarters for the Service member’s grade,**</td>
</tr>
<tr>
<td></td>
<td>is authorized BAH-Partial unless forfeiture of allowances was directed.</td>
</tr>
<tr>
<td>7</td>
<td>7 without a dependent is confined in a guardhouse, brig, or correctional barracks who was assigned to single-type Government quarters before confinement and remains assigned to such quarters during confinement,</td>
</tr>
<tr>
<td></td>
<td>is authorized BAH-Partial unless forfeiture of allowances was directed.</td>
</tr>
<tr>
<td>8</td>
<td>8 without a dependent is restrained in a status of arrest in assigned single-type Government quarters,</td>
</tr>
<tr>
<td></td>
<td>without a dependent is ordered to PCS to confinement in a guardhouse, brig, correctional barracks, or to additional training in a retraining or rehabilitation facility and is assigned to certain quarters therein,</td>
</tr>
<tr>
<td></td>
<td>a. is not authorized BAH or OHA; or</td>
</tr>
<tr>
<td></td>
<td>b. is authorized BAH-Partial unless forfeiture of allowances was directed.</td>
</tr>
<tr>
<td>9</td>
<td>9 without a dependent is permanently assigned to a hospital for treatment and is assigned quarters in the hospital,</td>
</tr>
<tr>
<td></td>
<td>without a dependent is assigned to single-type Government quarters between PDSs and not authorized BAH or OHA,</td>
</tr>
<tr>
<td></td>
<td>is authorized BAH-Partial.</td>
</tr>
<tr>
<td>10</td>
<td>10 married to another Service member, and neither has other dependents, is assigned to sea duty and occupies Government family quarters assigned to the spouse when the ship is in port,</td>
</tr>
<tr>
<td></td>
<td>a. is not authorized BAH or OHA.</td>
</tr>
<tr>
<td></td>
<td>b. is authorized BAH-Partial.</td>
</tr>
<tr>
<td>11</td>
<td>11 is paying child support and receiving BAH-Diff,</td>
</tr>
<tr>
<td></td>
<td>a. is not a Service member without a dependent.</td>
</tr>
<tr>
<td></td>
<td>b. is not authorized BAH-Partial.</td>
</tr>
</tbody>
</table>
Table 26-14. Conditions for BAH-Partial (Continued)

<table>
<thead>
<tr>
<th>If a Service member…</th>
<th>Then the Service member…</th>
</tr>
</thead>
<tbody>
<tr>
<td>*See subparagraphs 261005-A and 261001-D for exceptions.</td>
<td></td>
</tr>
<tr>
<td>**This limitation does not apply to members on medical hold or holdover personnel receiving outpatient medical treatment who have been designated as requiring a live-in non-medical attendant. The Service determines the housing standards for such personnel based on medical condition, treatment, non-medical attendant, and other relevant factors.</td>
<td></td>
</tr>
</tbody>
</table>

B. Navy Barracks Privatization Test. Under the authority in 10 U.S.C. §2881a, the Navy is conducting a limited test of barracks privatization. The privatized barracks are defined as Government quarters for the purposes of the test. For a Service member occupying privatized barracks, a special BAH-Partial rate equal to a percentage of the PDS locality BAH at the without-dependent rate for the Service member’s grade is established. Table 26-15 specifies the applicable locations and percentages.

Table 26-15. Special BAH-Partial for Navy Barracks Privatization Test

<table>
<thead>
<tr>
<th>Starting Date</th>
<th>Location</th>
<th>Housing Type Occupied</th>
<th>Special BAH-Partial Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1, 2006</td>
<td>San Diego, California</td>
<td>existing dormitory-style unaccompanied housing:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>a. double occupancy</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. single occupancy</td>
<td>68</td>
</tr>
<tr>
<td>October 1, 2013</td>
<td>Pacific Beacon market-style housing:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>a. double occupancy</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. single occupancy</td>
<td>82</td>
</tr>
<tr>
<td>April 1, 2007</td>
<td>Hampton Roads, Virginia*</td>
<td>existing unaccompanied housing new construction, privatized housing (two bedroom, two bath market style)</td>
<td>66 74</td>
</tr>
</tbody>
</table>

*Including Hampton/Newport News and Norfolk/Portsmouth MHAs

260504. BAH Differential (BAH-Diff)

A Service member assigned to single-type Government quarters or a single-type housing facility under a uniformed Service’s jurisdiction is not usually authorized more than BAH Partial. However, if the Service member is authorized BAH solely due to paying child support and the Service member is paying an amount equal to or greater than BAH-Diff, then he or she is authorized BAH-Diff. A Service member is not authorized BAH-Diff if the child support payment is less than the Service member’s applicable pay grade BAH-Diff amount. See paragraphs 260306, 260307, and 260403 if child is in the custody of another active duty member.
260505. Temporary BAH Increase

The Secretary of Defense may prescribe a temporary increase in BAH rates in an area the President declared as a major disaster area or at an installation that experienced a sudden increase in the number of assigned Service members. Payment of the higher BAH is only effective for an MHA or specified ZIP Codes within a county cost group. This authority expires December 31, 2019.

A. Eligibility. A temporary increase in BAH rates results in two different BAH rates for Service members assigned to the same ZIP Code. To receive the higher of the two BAH rates, a Service member must certify to the Secretary concerned that he or she incurred higher housing costs in an approved area due to a major disaster or sudden increase of military personnel assigned to an installation. The certification must be in a form acceptable to the approval authority. The Service member’s certification must document rent, or mortgage expense in the case of a homeowner, and utility expenses.

B. Approval. The approval authority is at a level specified through the Secretarial Process. If the total housing expense—rent or mortgage plus utility expenses—from the Service member’s certification is less than the existing BAH rate, no increase is authorized. If the total housing expense from the Service member’s certification is higher than the BAH rate during that time, then the Service member is authorized the increased rate effective the approval date of the MHA for an increased rate or the date the Service member started incurring the increased expenses, whichever is later.

C. Locations. Locations approved for a temporary BAH rate increase are listed in Table 26-16.

Table 26-16. Locations Approved for a Temporary BAH Rate Increase

<table>
<thead>
<tr>
<th>Authorized Location</th>
<th>Effective Date</th>
<th>Termination Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>None Listed</td>
<td></td>
</tr>
</tbody>
</table>

D. Effect of Changes. Table 26-17 specifies how changes during the temporary rate increase period affect the BAH paid.

Table 26-17. Effect of Changes During Temporary Rate Increase Period on BAH

<table>
<thead>
<tr>
<th>If a Service member receiving a temporary BAH rate increase…</th>
<th>Then the Service member must…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 is promoted,</td>
<td>certify that housing costs exceed the standard BAH rate for the higher grade. Without certification, the standard BAH rate for the higher grade applies.</td>
</tr>
<tr>
<td>2 is demoted,</td>
<td>certify that housing costs exceed the standard BAH rate for the lower grade. Without certification, the standard BAH rate for the lower grade applies.</td>
</tr>
</tbody>
</table>
Table 26-17. Effect of Changes During Temporary Rate Increase Period on BAH (Continued)

<table>
<thead>
<tr>
<th>If a Service member receiving a temporary BAH rate increase…</th>
<th>Then the Service member must…</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 has a dependency change,</td>
<td>recertify housing costs to compare applicable rates.</td>
</tr>
</tbody>
</table>

E. Termination. The increased allowance is paid through the day before the effective date of the next standard BAH rate change for the area. The new standard BAH rate applies on the effective date. There is no rate protection for temporarily increased rates.

2606 OVERSEAS HOUSING ALLOWANCE (OHA)

260601. OHA Overview

OHA is designed to cover actual rental costs for 80% of the assigned Service members. A Service member is reimbursed actual rental costs, limited to the maximum OHA rate for each locality and grade. OHA is not intended and must not be used for the personal enrichment of a Service member by including costs incurred for procuring or adapting a residence to accommodate renters or for vacation purposes. Disciplinary action may apply when housing allowances are used for other than the purpose intended.

A. OHA Types. There are two housing-allowance types paid under OHA—an upfront, lump sum (MIHA) for those who qualify and a monthly OHA, which includes a utility and recurring maintenance allowance.

B. Requirements. A Service member authorized to live in private-sector leased or owned housing is authorized OHA provided a DD 2367 is completed and approved. Payment of OHA requires a lease agreement or a verifiable purchase price. The senior officer of the Uniformed Services in the country concerned, or the individuals or offices designated for that purpose by the senior officer has approval authority.

1. The reported housing must be the actual residence that the Service member occupies and from which the Service member commutes to and from work daily. If a Service member is assigned on an unaccompanied tour or has a Secretarial waiver and is authorized OHA for a dependent who lives separately, the reported housing must be the actual residence that the Service member’s dependent occupies.

2. When a Service member is required to pay monthly rent at a specified fixed-exchange rate (dollar equivalency contract) for the lease duration because it is required by law or local custom, the Service member’s commanding officer, or designee, must enter the following statement in DD 2367 (Part C Remarks: “Dollar equivalency contract required. No other housing option available to the Service member.”) The Service member must enter the monthly rent equivalent in U.S. dollars into DD 2367 block 5b.
C. **Monthly OHA Allowance.** An OHA paid monthly includes the rental allowance and the utility and recurring maintenance allowance as specified in paragraphs 260602 and 260603.

D. **MIHA.** See **(MIHA)**. The MIHA/Miscellaneous is an upfront, lump sum payment based on the average move-in costs for a Service member. The four payment types of MIHA are specified in Table 26-23.

E. **Allowance Payable.** OHA rates are based on a Service member’s PDS except as otherwise indicated in this chapter. OHA is not payable on the arrival day when MALT Plus is paid. Unless a special determination jointly issued by the Secretary concerned and the OUSD (P&R) authorizes a different rate due to special circumstances, the amount of OHA payable is as specified in this chapter.

F. **OHA Unique Expenses.** In some locations OCONUS, Service members incur housing expenses for items that are not incurred in the CONUS. Since not every Service member incurs these expenses and they vary in amount, do not occur monthly, and are significant, such expenses cannot be made a part of the utility and recurring maintenance allowance calculation. For these expenses, payment is a dollar for dollar reimbursement for a specifically authorized expense at designated authorized locations. Only the locations and expenses specified in Table 26-18 are authorized OHA unique expense reimbursement.

1. **Criteria.** A mandatory and excessive housing expense incurred periodically must meet all of the criteria mentioned to be authorized as an OHA unique expense eligible for reimbursement. The Secretary concerned or Secretarial Process, at Service discretion, may reimburse OHA unique expenses for the locations and specific expenses specified under this criteria. Each individual mandatory and excessive expense must meet all of the following criteria and be:

   a. Incurred by Service members receiving OHA at a duty station.

   b. An item or expense that exceeds 1% of *spendable income* for the typical Service member.

   c. An item or expense that is not purchased or paid by Service members based in the CONUS.

   d. Required by law.

   e. Authorized or approved by the Service Compensation representatives for reimbursement. These expenses must be verified by a valid receipt and paid on or after the effective date for the specific locations in Table 26-18. No expenses paid before this date can be reimbursed.
Table 26-18. OHA Unique Expense Locations

<table>
<thead>
<tr>
<th>Location</th>
<th>Expense</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>France Mandatory Habitation Tax, excluding late payment fees</td>
<td>August 16, 2016</td>
</tr>
<tr>
<td>2</td>
<td>Denmark Mandatory expenses associated with completely</td>
<td>October 10, 2017</td>
</tr>
<tr>
<td></td>
<td>refurbishing quarters upon departure</td>
<td></td>
</tr>
</tbody>
</table>

2. **Submission.** OUSD (P&R) does not accept requests from individual members for OHA unique expense authorization. All requests for specific expenses at specific locations must be forwarded through the Major Command level, then through the applicable Service representative to OUSD (P&R).

G. **OHA Responsibilities.** Commanders OCONUS, or their designees, must periodically provide data required for authorizing, changing, and terminating OHA for each locality OCONUS within their jurisdictions as specified by the OUSD (P&R). See *Station Allowance Reporting Procedures and Responsibilities* for the responsibilities of the Overseas Command or Commander, Senior Officer, and Country Allowance Coordinator.

260602. **OHA Determining Monthly Rent**

Monthly rent is the amount paid each month by a Service member for possession and use of private-sector housing, to include a mobile home or boat.

A. **Determine Rent.** The rent stated in the lease, or as otherwise agreed to by the landlord and the tenant in a written document, must be used in computing the OHA. The cost of parking at the duty location is not included in rent. The following rules apply for determining rent:

1. A recurring condominium or homeowner association fee paid by the Service member is prorated to a monthly charge and incorporated into the Service member’s rent.

2. A sharer’s monthly rent is determined by dividing the total monthly rent by the number of sharers occupying the dwelling.

3. In an arrangement by which a Service member pays rent in advance and the landlord agrees to reimburse the Service member all or substantially all of the rental money at the end of the lease agreement, the amount of rent used in computing a Service member’s OHA is zero.

4. If a Service member or dependent jointly occupy a dwelling with relatives or friends who own the dwelling, the rent amount is zero, even if there is a lease or written document. This restriction does not apply when the Service member or dependent leases lodging from a relative or friend with a bona fide, standard written lease, when the relative or friend concerned does not jointly occupy the leased dwelling and the relative or friend regularly rents the lodging involved. There is no authority to pay MIHA or the utility and recurring maintenance allowance when living with relatives or friends.
5. The cost of a separate lease for parking at or in the vicinity of the private-sector housing is added to the housing lease amount in determining his or her total rent.

6. See subparagraph 260602.C for a dwelling owned by a Service member.

B. Sharers. A sharer is authorized up to the maximum rental allowance set for a Service member without a dependent unless accompanied by one or more dependents (see Table 26-19). A sharer accompanied by a dependent is authorized up to the maximum rental allowance set for a Service member with-dependents.

1. Compute the authorized OHA for each sharer by adding the sharer’s prorated share of the rent paid or the maximum rental established for the sharer’s grade and locality, whichever is less, and the prorated monthly utility and recurring maintenance allowance.

2. A Service member authorized MIHA/Miscellaneous (see paragraph 260605) receives a full rather than prorated allowance. Only one sharer may claim reimbursement for any individual rent, security, or infectious-disease related expense.

3. A renter living in a completely separate unit of an owner-occupied multiplex dwelling owned by another Service member is not a “sharer,” and OHA is determined as if the renter occupied an unattached unit.

C. Private-Sector Housing Owned

1. Divide the actual purchase price—not an appraised value—of the private-sector housing by 120 to derive the monthly calculated “rent” for a private-sector dwelling owned by a Service member. Settlement costs, fees for title search, other legal and related costs are not included in determining the actual purchase price.

2. The amount of any personal installment-type loans and real estate equity loans obtained for renovating or repairing the current dwelling place are added to the actual purchase price before determining the rent.

   a. For this purpose, renovating means restoring to a previous condition, as by remodeling, and repairing means restoring to a sound condition after damage or injury, including fixing, setting right, renewing, or refreshing.

   b. A loan used to furnish or decorate the home—including such things as the addition of a hot tub or pool to a home purchased without such an amenity—or a loan for personal reasons, including a credit card or line of credit loan must not be used.

   c. To determine the monthly OHA rental equivalency when adding a loan described in this paragraph, add the loan amount to the original verifiable purchase price, divide the new total by 120, and the new “rental equivalency” starts from the loan start date.
d. The Service concerned must adjudicate loans. The Service member’s command should submit the request with all documentation through the appropriate channel specified in Table 26-2.

3. If a Service member or the Service member’s dependent inherits a dwelling or residence or otherwise receives it without purchasing it, the dwelling or residence purchase price is $0. In this case, the Service member is authorized to receive the utility and recurring maintenance allowance. If a Service member obtains a mortgage on the inherited dwelling or residence specifically for home improvements or takes out a loan to pay inheritance taxes on the residence or dwelling, the mortgage or loan cost may be used as an OHA housing cost.

4. If the dwelling is a multiplex unit owned by a Service member, the allowance claimed is based on the percentage of the multiplex unit’s square footage occupied by the Service member and dependent. The allowance equals the purchase price multiplied by that percentage and divided by 120. Renters of other units within the multiplex unit are not sharers.

5. If the Service member-owned dwelling place is a mobile home or boat, the monthly lot rental or berthing fee paid is added to this amount.

D. Maximum Rental Allowance. Use the Overseas Housing Allowance Calculator (OHA Calculator) to obtain the maximum amount of monthly rent considered. Maximum OHA rental allowances for each locality are based on reported actual rental cost data for Service members with-dependents residing in private-sector housing. If utilities are included in the rent, see paragraph 260603. See the OHA computation steps for calculation examples.

Table 26-19. Maximum OHA Rental Allowance

<table>
<thead>
<tr>
<th>Rent Eligibility</th>
<th>Allowable Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Service member with-dependent</td>
<td>the amount is the lesser of the Service member’s reported rent or the maximum allowable rent for the Service member’s grade at the PDS locality.</td>
</tr>
<tr>
<td>2 Service member without-dependent</td>
<td>the amount is the lesser of the Service member’s reported rent or 90% of the maximum allowable rent for the Service member’s grade at the PDS locality.</td>
</tr>
</tbody>
</table>

E. Rent Changes. Re-compute OHA if and when the rent changes.

260603. OHA Utility or Recurring Maintenance Allowance

A. Monthly Allowance. When rent does not include utilities or the Service member is a homeowner, the Service member is authorized the utility and recurring maintenance allowance. The utility and recurring maintenance allowance for each OHA locality is based on the with-dependent reported expenses for Service members who pay all or a majority of their utilities. It covers the utility costs for 80% of the Service members assigned to an area. It is paid to sharers on a prorated amount of the net allowance. It is paid to a Service member without a dependent, who is not a sharer, at 75% of the with-dependent rate.
B. **Rent Includes All or Some Utilities.** If any or all of the OHA utility component is included in the rent, then the amount is withheld from the utility and recurring maintenance allowance and then added to the Rental Allowance component before comparison with the Service member’s actual rent.

1. A Service member is not authorized the utility and recurring maintenance allowance when rent includes all utilities. However, when computing the OHA, the appropriate utility and recurring maintenance allowance is added to the Service member’s rental allowance.

2. When rent includes some utilities, the utility and recurring maintenance allowance is paid on a percentage basis. The locality climate code and the utility point score determine the percentage of the utility and recurring maintenance allowance that the Service member is authorized. However, when computing OHA, the amount for which the Service member is not authorized is added to the appropriate rental allowance ceiling.

   a. Locality climate codes are specified on each **OHA locality table.** The three climate codes are:

   (1) **Code 1 (Cold).** Long-term mean temperature of 45 °F or colder.

   (2) **Code 2 (Moderate).** Neither Code 1 nor Code 3.

   (3) **Code 3 (Hot).** Long-term mean temperature of 69 °F or warmer, except when the long-term mean for 1 or more months of the year drops to 45 °F or colder. In such instances, a climate code of 2 is assigned.

   b. Table 26-20 specifies the correct climate code to credit the Service member with appropriate points for each utility or service that is not included in the rent. Add the numbers to get the Service member’s total utility point score.

   **Table 26-20. Climate Code Utility Points**

<table>
<thead>
<tr>
<th>Utility</th>
<th>Code 3 – Hot</th>
<th>Code 2 – Moderate</th>
<th>Code 1 – Cold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Heating</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Air Conditioning</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Water</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Trash Disposal</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

c. Table 26-21 specifies the correct percentage of the utility and recurring maintenance allowance to be paid after determining the total utility point score.
Table 26-21. Utility and Recurring Maintenance Allowance Payment Percentage

<table>
<thead>
<tr>
<th>Total Utility Points</th>
<th>Applicable Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1-2</td>
<td>25</td>
</tr>
<tr>
<td>3-4</td>
<td>65</td>
</tr>
<tr>
<td>5-9</td>
<td>100</td>
</tr>
</tbody>
</table>

260604. OHA Computation Steps

Follow steps one through four in Table 26-22 to determine a Service member’s OHA.

Table 26-22. OHA Computation Procedure

<table>
<thead>
<tr>
<th>Directions</th>
<th>(See DD 2367) and utility and recurring maintenance allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Determine the Service member’s monthly rent as specified in the paragraph 260602.</td>
</tr>
</tbody>
</table>
| 2          | Using the appropriate locality table, find the rental allowance for the Service member’s specific locality code and grade. For a Service member without-dependent, multiply the with-dependent rate by 90 percent. If rent includes:  
  a. all utilities (block 7b checked on DD 2367), add the full utility and recurring maintenance allowance to the maximum rental allowance.  
  b. some but not all utilities (block 7c checked on DD 2367), add the amount computed in Step 3 to the maximum rental allowance. |
| 3          | Locate the utility and recurring maintenance allowance from the locality table. Use the rules specified in paragraph 260603 to determine the utility amount allowed based on the amount of utilities included in the rent, if any. Rent includes:  
  a. all utilities (block 7b checked on DD 2367). The Service member receives no separate utility and recurring maintenance allowance; however, this allowance is added to the rental allowance determined in Step 2.  
  b. no utilities (block 7a checked on DD 2367). A Service member with a dependent who is not a sharer receives the full utility and recurring maintenance allowance. A Service member without-dependent who is not a sharer receives 75% of the with-dependent utility and recurring maintenance allowance. A sharer, with or without a dependent, receives a prorated share of the utility and recurring maintenance allowance.  
  c. some utilities (block 7c checked on DD 2367). Determine the “Climate Code” from the applicable OHA locality table. Use the “Climate Code” and “Utility Point Score” tables to determine the percentage of utility and recurring maintenance allowance payment. The amount the Service member does not receive is added to the maximum rental allowance determined in Step 2. |
Table 26-22. OHA Computation Procedure (Continued)

<table>
<thead>
<tr>
<th>Directions</th>
<th>(See DD 2367) and utility and recurring maintenance allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Compare the monthly rent computed in Step 1 with the rental allowance determined in steps 2 and 3. If the rent in Step 1 is:</td>
</tr>
<tr>
<td></td>
<td>a. less than the rental allowance in steps 2 and 3, then rent in Step 1 is used to compute OHA.</td>
</tr>
<tr>
<td></td>
<td>b. greater than the rental allowance calculated in steps 2 and 3, then the rental allowance calculated in steps 2 and 3 is used to compute OHA.</td>
</tr>
</tbody>
</table>

See OHA computation examples

260605. Move-in Housing Allowance (MIHA)

A. **General.** MIHA exists to defray the move-in costs associated with occupying private-sector housing covered under the OHA program, whether leased or owned. MIHA is not payable to a Service member occupying Government or Government-leased housing. MIHA does not cover move-out costs. In most cases, a Service member authorized OHA is authorized MIHA. See (MIHA) for how to complete DD Form 2556, MIHA Claim. That form must accompany MIHA/Rent, MIHA/Security, or MIHA/Infectious Disease-related expenses. Various OHA Surveys are sent to Service members in private-sector leased housing to document utility and move-in expenses.

B. **Rules and Information**

1. To be authorized a MIHA, a Service member must be eligible for OHA.

2. An eligible Service member is authorized MIHA for one dwelling during a tour at a PDS unless a Government-funded local move occurs and the Service member occupies another dwelling covered by OHA.

3. There is no MIHA under any of the following circumstances:

   a. A local move would otherwise initiate a second or subsequent MIHA payment request unless that move is Government funded.

   b. A Service member complies with a PCS order but remains in the same dwelling, including an RC member called or ordered to active duty who is authorized OHA based on the primary residence at the time called or ordered to active duty.

   c. A Service member moves from Government quarters to private-sector housing for separation or retirement (see JTR, Chapter 5, Section 0519).

4. The four MIHA payment types are described in Table 26-23. See (MIHA) for qualifying areas and additional rules.
Table 26-23. Types of MIHA Payments

<table>
<thead>
<tr>
<th>Payment Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 MIHA/Miscellaneous</td>
<td>The MIHA/Miscellaneous amount indicated on the <strong>OHA locality tables</strong> is based on expenses a Service member typically incurs associated when moving into privately leased or owned dwellings. MIHA specifies reportable and non-reportable MIHA/Miscellaneous expenses. The <strong>OHA Calculator</strong> specifies the amount payable. Only one payment is authorized at a PDS unless otherwise specified in this paragraph.</td>
</tr>
</tbody>
</table>
| 2 MIHA/Rent         | Homeowners are ineligible. MIHA/Rent covers all reasonable rent-related expenses. These are fixed, one-time, nonrefundable charges levied on behalf of the landlord or a foreign government that the Service member must pay before or upon occupying a dwelling. All unreasonable expenditures, as determined by the AO, must be disallowed. The following are not included in MIHA/Rent:  
  a. Expenses deferred until lease termination, such as a real estate agent fee, a redecoration fee if paid up-front, or a one-time lease tax.  
  b. Advance rental payments, refundable deposits, or recurring costs. |
| 3 MIHA/Security     | MIHA/Security covers reasonable security related expenses for a Service member assigned to an area where dwellings require modification to minimize terrorist or criminal threat. See **MIHA-Security locations**. |
| 4 MIHA/Infectious Disease | Effective December 7, 2016, MIHA/Infectious Disease covers reasonable upgrades to the physical dwelling to prevent the spread of infectious disease, such as window or door screens, when the dwelling requires modification to minimize exposure to medical threats related to mosquito-transmitted diseases. See **MIHA** for MIHA Infectious Disease locations. |

5. **Sharer Eligibility.** Each Service member classified as a sharer and authorized MIHA is authorized the full MIHA/Miscellaneous allowance. Only one sharer may claim the individual expense for MIHA/Rent, MIHA/Security, and MIHA/Infectious Disease. Acceptable claims for MIHA/Rent, MIHA/Security, or MIHA/Infectious Disease must include DD 2556 proper documentation, and detailed receipts for all expenditures.

C. **MIHA/Miscellaneous Expenses.** The purchase price of an item included in Table 26-24 is generally authorized for the MIHA/Miscellaneous component of the OHA unless an item is purchased with the intent to ship it from the present PDS. An item intended to be shipped is not reportable. These expenses are associated with items necessary to make housing habitable. Table 26-24 lists the vast majority of reportable expenses, and also lists certain expense items that are not reportable. These lists are not exhaustive, but contain the vast majority of items commonly contained in each group.
Table 26-24. MIHA/Miscellaneous Expense Items

<table>
<thead>
<tr>
<th></th>
<th>Reportable MIHA/ Miscellaneous Expense Item</th>
<th></th>
<th>Non-Reportable MIHA/ Miscellaneous Expense Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>a. Cabinets (for example, kitchen, medicine, bathroom).</td>
<td>2</td>
<td>a. Rugs, carpets, curtains, and drapes.</td>
</tr>
<tr>
<td></td>
<td>b. Plumbing and plumbing installation, hookups.</td>
<td></td>
<td>b. Lawn and gardening maintenance expenses.</td>
</tr>
<tr>
<td></td>
<td>c. Gas or electrical installation.</td>
<td></td>
<td>c. Dishwashers, microwave ovens, and other small, personal appliances.</td>
</tr>
<tr>
<td></td>
<td>d. Supplementary heating equipment.</td>
<td></td>
<td>d. Televisions, cable TV installation, antennas, and similar expenses.</td>
</tr>
<tr>
<td></td>
<td>e. Painting, papering, and plastering (upon arrival only).</td>
<td></td>
<td>e. Any recoverable deposit, such as a security deposit.</td>
</tr>
<tr>
<td></td>
<td>f. Light fixtures, permanently installed.</td>
<td></td>
<td>f. Lightbulbs.</td>
</tr>
<tr>
<td></td>
<td>g. Wardrobes.</td>
<td></td>
<td>g. Taxes of any kind, unless specifically required by the lease.</td>
</tr>
<tr>
<td></td>
<td>h. Shelving.</td>
<td></td>
<td>h. Fencing, yard-related items.</td>
</tr>
<tr>
<td></td>
<td>i. Telephone installation.</td>
<td></td>
<td>i. Any personal labor costs.</td>
</tr>
<tr>
<td></td>
<td>j. Range, refrigerator, freezer, washer, or dryer.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>k. Air conditioners, dehumidifiers, fans.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>l. Screening.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>m. Transformers and voltage regulators.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>n. Commodes and sinks, when ordinarily not furnished.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o. Burglar alarm, security bars, and supplementary door locks, when locally required.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>p. Water purification filters, when locally required.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>q. Pest fumigation, if required when housing is first occupied, otherwise include in</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>r. Recurring maintenance expenses.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>s. Repair of drain pipes and gutters.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

260606. OHA Advance Payment

See Rental Advances for detailed information on areas with rental advance protection under OHA. Rental payments should be made on a month-to-month basis whenever possible to avoid the need for rental advances.

A. Authority

1. Advance Rent of Fewer than 4 Months, Security Deposits, or Initial Expenses. The Senior Officer in-country, or his or her designee, may authorize an advance OHA payment to pay advance rent, security deposits, or MIHA-related expenses due to occupying private-sector housing. The advance may be made at any time during the Service member’s tour. It also may be authorized when a Service member has located housing due to a PCS order.
Personal preference is not grounds for authorizing advance rent payment. Advance OHA is not authorized for lease arrangements in which the Service member lives rent free after making a one-time payment to the landlord with the anticipation that the rental amount is to be completely or substantially refunded at lease termination.

2. **Advance Rent of 4 or More Months**

   a. Rental advances of at least 4 months, but no more than 12 months, may be made only for the locations authorized by OUSD (P&R). Once OUSD (P&R) authorizes and lists a location for Rental advances, the Senior Officer in-country, or his or her designee, may authorize individual requests. Requests for approval are considered if the requirement for the advance rent exists for any of the following reasons:

   (1) Law.
   
   (2) Local custom for everyone, including local nationals.
   
   (3) Economic or market conditions preclude availability of secure housing, as confirmed by the U.S. Embassy.

   b. Requests to add locations must be submitted through the Country Senior Officer or Command as instructed in the Station Allowance Reporting Procedures and Responsibilities.

B. **Amount.** The amount to be advanced must be determined based on housing expenses, including advance rent and a security deposit, and the authorized OHA. Housing expenses must be documented. Expenses identified by a Service member for purchase of real estate or living accommodations must not be considered. The Service member’s ability to repay the advance must be considered in determining the advance amount. While the amount to be advanced should not exceed the estimated OHA total for 1 year, a larger amount may be authorized if needed to cover anticipated housing expenses. In no case may the advance payment exceed either of the following, whichever is less.

   1. Anticipated housing expenses.
   
   2. OHA anticipated to accrue for the Service member’s tour at that PDS.

C. **Repayment**

   1. **Repayment Within 12 Months.** Monthly repayment installments should be at a rate of one-twelfth of the amount advanced over 12 months. Collection action should begin on the 1st day of the month after payment of the advance.
2. **Postpone Collection Start.** When justified by the Service member and authorized by an official designated by the Service concerned, the collection start may be postponed for up to 3 months after the advance. Repayment may be spread over a period of more than 1 year, but must be limited to the Service member’s tour at the PDS.

3. **Advance Rent Repayment Postponement Until the Service Member Vacates Housing.** An official designated by the Service concerned may postpone repayment of advance rent until the Service member vacates the housing for which the advance rent was paid if earlier repayment would create an excessive economic burden.

4. **Security Deposit Repayment Postponement Until the Service Member Vacates Housing.** An official designated by the Service concerned may postpone repayment of the entire amount of a security deposit of $500 or more until the Service member vacates the housing for which the security deposit was paid if earlier repayment would create an excessive economic burden.

5. **Recouping Lump Sum Returned by Landlord.** Action to recoup in a lump sum of any OHA advance that has been returned to the Service member by the landlord must be taken immediately upon receipt of information that the Service member has vacated the housing for which the advance was made. Any balance of an advance not returned by the landlord may be repaid in monthly installments, if desired by the Service member, over the balance of the months remaining on the Service member’s existing loan repayment schedule.

6. **Currency Fluctuation Effects.** The Service concerned absorbs any loss due to currency fluctuations when liquidating advance security deposits. The Service member must pay to the Service any gains due to currency fluctuations. These currency protection procedures for security deposits apply without regard to the provisions for protection of rent advances in subparagraph 2606.06.D.

7. **Pay System Reporting of Monthly Rent.** In countries in which rate protection for advance rent has not been implemented the monthly rent entered in the respective pay system should be entered in U.S. dollars when a Service member has taken an advance for rent.

D. **Advance Rent Currency Rate Protection.** Rate protection may be provided for certain countries that have undergone a significant currency fluctuation. Countries previously authorized OHA Rental Advance Protection continue to have rent protected locality codes in the OHA Calculator until all previously protected Service members either permanently change stations or change quarters. Currency rate protection for additional advances is calculated using the exchange rate in effect at the time the new advance is paid. In countries in which rate protection for advance rent has been implemented, monthly rents for an advance rent are processed in dollars. See Service regulations for currency fluctuation loss or gain procedures. Rate protection is accomplished by comparing the OHA rate with the exchange rate in effect at the time the Service member received the advance with the greater of either of the following:

1. The rental allowance in effect at the time of the advance.
2. Any higher rental allowance implemented during the repayment period of the advance.

260607. Service Member Occupying a Government Trailer or Rental Guarantee Housing and OHA

Unless otherwise specified in this chapter, no housing allowance is payable to a Service member occupying housing constructed under the Rental Guarantee Housing Program as authorized in Section 302 of the Act of July 14, 1952, (66 Stat. 622) or Government trailers purchased under Section 408 of the Act of September 1, 1954, (68 Stat. 1126), or any other statute.

260608. OHA and Living Quarters Allowance (LQA) (DSSR §130) Paid Concurrently

A Service member is entitled to OHA at the with-dependent rate even if the Service member’s dependent spouse receives a LQA. Direct questions pertaining to LQA to the spouse’s Civilian Personnel Office (CPO) or Civilian Personnel Advisory Center (CPAC). Volume 7A has no authority to determine or control eligibility or entitlement of LQA for a civilian employee. See DSSR §130, and the Department of Defense Instruction (DoDI) 1400.25, Vol. 1250, Civilian Employee Overseas Allowances and Differentials.

260609. Observer to a UN Peacekeeping Organization

A Service member permanently assigned as an observer to a UN peacekeeping organization who receives a UN mission subsistence allowance, known as mission per diem, is also authorized a housing allowance under this Chapter. The housing allowance amount, when added to the UN mission subsistence allowance, cannot exceed the housing allowance of a Service member permanently assigned to other than a UN Peacekeeping Organization in the same area. This paragraph does not authorize a reduction in the UN mission subsistence allowance.

2607 FAMILY SEPARATION HOUSING (FSH) ALLOWANCE

FSH is payable to a Service member with a dependent for added housing expenses resulting from separation from the dependent. The separation must be caused by a Service member’s assignment on military or uniform orders to either a PDS OCONUS on an unaccompanied or dependent-restricted tour or a PDS in the CONUS to which concurrent travel has been denied.

260701. Administration of FSH Allowance

A. Eligibility. For FSH to be payable, all of the following conditions must be met:

1. Dependent transportation to the PDS is not authorized at Government expense under 37 U.S.C. §476.

2. Dependent does not reside in the PDS vicinity.
3. Government quarters are not available for assignment to the Service member.

B. Allowances

1. There are two types of FSH: FSH-B and FSH-O.

   a. FSH-B is payable for an assignment at a PDS in Alaska or Hawaii or to a PDS in the CONUS to which concurrent travel has been denied. FSH-B is payable in a monthly amount equal to the without-dependent BAH rate applicable to the Service member’s grade and PDS. Payment starts upon submission of proof that Government quarters are not available and that the Service member has obtained private-sector housing.

   b. FSH-O is payable for an assignment at a PDS outside the United States. FSH-O is payable in a monthly amount up to, and under the same conditions as, the without-dependent OHA rate applicable to the Service member’s grade and PDS. OHA rules for determining monthly rent, utility and recurring maintenance allowance, MIHA, and advances apply to FSH-O.

2. A Service member may not be paid FSH-B or FSH-O in any of the following situations:

   a. The Service member’s only dependent is entitled to active duty basic pay.

   b. The Service member has no dependents other than a dependent for whom he or she is paying child support, but the Service member does not have legal custody and control of that child. This situation is fundamentally different from a Service member who has a spouse or children. A Service member with a spouse or any children is authorized transportation of any dependents, but the nature of the tour or the PDS location prevents dependent transportation to the PDS. A Service member who has a dependent solely due to child support is not eligible for transportation of that dependent under 37 U.S.C. §476, because the Service member does not have custody and control. The ineligibility for transportation, as opposed to a tour or location denial, prevents payment of FSH.

   c. The Service member is assigned to a PDS in the CONUS where concurrent travel is authorized.

   d. The Service member elects to not occupy available assigned Government quarters and resides in a private-sector residence for personal convenience.

   e. FSH-O or FSH-B is not authorized if all of the Service member’s dependents reside in the PDS vicinity. If some, but not all, of the dependents voluntarily reside near the PDS, FSH-O or FSH-B continues.

3. FSH-O or FSH-B continues uninterrupted while a Service member’s dependent visits at or near the Service member’s PDS, but not to exceed 90 continuous days.
Circumstances must clearly show that the dependent is not changing residence and that the visit is temporary and not intended to exceed 90 days.

a. If, for unforeseen reasons, such as due to illness or other emergency, a bona fide social visit lasts 91 or more days, FSH-O or FSH-B stops at the end of the 90-day period. FSH-O or FSH-B is authorized again on the day that the dependent departs from the PDS.

b. If one or more, but not all, dependents visit for longer than 90 days and the Service member is authorized a with-dependent housing allowance on behalf of the dependents who are not visiting or do not reside in the vicinity of the Service member’s PDS, then he or she is authorized FSH-O or FSH-B.

### Table 26-25 Conditions Affecting FSH

<table>
<thead>
<tr>
<th>When an eligible Service member…</th>
<th>Then FSH…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  arrives at a PDS outside the CONUS,</td>
<td>starts when private-sector housing is acquired.</td>
</tr>
<tr>
<td>2  departs upon reassignment from a PDS OCONUS,</td>
<td>continues through whichever day occurs first, the day: a. before the Service member departs on a PCS. b. the Service member’s lease ends.</td>
</tr>
<tr>
<td>3  no longer has an eligible dependent,</td>
<td>continues through the day before the date that the Service member no longer has an eligible dependent.</td>
</tr>
<tr>
<td>4  is assigned Government quarters,</td>
<td>continues through the day before the day that Government quarters become available for assignment.</td>
</tr>
<tr>
<td>5  enters a non-pay status,</td>
<td>continues through the day before the date that the Service member enters the non-pay status.</td>
</tr>
<tr>
<td>6  is in one of the following statuses for 60 or fewer days: a. on a TDY away from the Service member’s PDS, including a TDY in the United States, b. hospitalized at or away from PDS, including hospitalization in the United States, c. on authorized leave, whether accrued or advance, at or away from the PDS, including leave in the United States, d. military confinement or otherwise restricted by military authority,</td>
<td>continues for 60 or fewer days without a certificate from the Service member that he or she maintained private-sector housing at the PDS.</td>
</tr>
</tbody>
</table>
Table 26-25  Conditions Affecting FSH (Continued)

<table>
<thead>
<tr>
<th>When an eligible Service member…</th>
<th>Then FSH…</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>7</strong> is in one of the following statuses for 61 or more days:</td>
<td>continues if payment is supported by the Service member’s certification that the Service member maintained private-sector housing at the PDS.</td>
</tr>
<tr>
<td>a. on a TDY away from the Service member’s PDS, including a TDY in the United States,</td>
<td></td>
</tr>
<tr>
<td>b. hospitalized at or away from PDS, including hospitalization in the United States,</td>
<td></td>
</tr>
<tr>
<td>c. on authorized leave, whether accrued or advance, at or away from the PDS, including leave in the United States,</td>
<td></td>
</tr>
<tr>
<td>d. in military confinement or otherwise restricted by military authority,</td>
<td></td>
</tr>
</tbody>
</table>

2608 GOVERNMENT QUARTERS

Assignment to Government quarters affects a Service member’s eligibility for BAH. A housing allowance, other than BAH-Partial or BAH-Diff, is not authorized for a Service member who is assigned to Government quarters appropriate to the Service member’s grade, rank, or rating and adequate for the Service member and dependents, if any.

260801. Responsibility for Assignment or Termination

A. Assignment or Termination of Government Quarters. The commander responsible for the Government quarters has the authority to assign and terminate the assignment. The commander also determines when quarters are adequate and suitable for assignment based on appropriate directives. Government quarters or housing facilities under the Uniformed Services’ control are considered to be assigned, suitable, and adequate whenever occupied by a Service member at the PDS without payment of rental charges. This includes under any of the following conditions:

1. When an organization or institution furnishes quarters to a Service member without charge on behalf of the United States.

2. When a foreign government furnishes quarters to a Service member without charge for the Service member’s official use.

3. When the quarters, furnished to a Service member without charge, are jointly assigned to one or more Service members without a dependent.

B. Voluntarily Vacating Assigned Quarters. A Service member is still considered to be assigned to Government quarters when he or she voluntarily vacates assigned quarters without the installation commander’s approval. A Service member in pay grade E-7 and above, without a dependent, may elect not to occupy assigned quarters unless denied permission by the Secretary Concerned.
C. **Family Type Quarters**

1. A Service member married to another Service member are both considered assigned to Government quarters when all of the following apply:
   a. Both are stationed at the same or adjacent installations.
   b. Both are able to reside in Government family quarters.
   c. Government family quarters are assigned to one of the Service members.

2. However, if there is a separation agreement, pending divorce, or marital discord that requires one Service member to obtain alternative private-sector housing, to be authorized a housing allowance the Service member not occupying family quarters must obtain a statement from the installation housing officer that Government housing is not assigned.

D. **Quarters Assignment Date for Housing Allowance.** A housing allowance continues to accrue through the day before a Service member is assigned Government quarters or begins to occupy Government quarters at the PDS.

E. **Quarters Termination Date for Housing Allowance.** Housing allowance accrues from the date the assignment to Government quarters ends or the date that quarters are vacated.

260802. **Government Quarters Assigned or Occupied**

A. **Government Quarters Adequacy.** The Commander responsible for the Government quarters determines their adequacy and appropriateness for assignment.

B. **Quarters not Designated as Family-Type Quarters.** A Service member who is not assigned to and does not occupy Government quarters is authorized a housing allowance for a dependent even if the dependent occupies Government quarters not designated as family-type quarters. Examples of such quarters include:

   1. Dormitory quarters occupied by a Service member’s child at a school for dependents of military personnel.

   2. A hospital room occupied by a dependent under 10 U.S.C. §1077, Dependents Medical Care Act. However, a Service member is not authorized a housing allowance when the dependent is hospitalized under the Dependent’s Medical Care Act and the Service member is assigned to and occupies Government quarters while the dependent is hospitalized even though private quarters are retained.

   3. Off-base housing or private-sector housing occupied by the Service member’s civilian spouse due to employment overseas with the DoD Education Activity (DoDEA) as a schoolteacher. The Service member must be separated from the spouse by official orders.
C. **Quarters Furnished on Behalf of the United States.** A Service member is not authorized a housing allowance for a dependent if the Service member and dependent is furnished adequate family-type quarters without rental charge. Examples of such family-type quarters include:

1. Quarters furnished to a Service member in an official capacity by a foreign government.
2. Quarters furnished by a state, county, municipal, or privately owned hospital to an officer serving on active duty as an intern or resident physician.
3. Quarters furnished by a college, university, or research facility as part of a fellowship, scholarship, or grant.

D. **Quarters Occupied by Dependent.** A Service member furnished single-type quarters is *not* authorized a housing allowance for any of the following:

1. A spouse who is a sole dependent and is furnished quarters in kind as a civilian employee at a Government hospital.
2. A spouse who is a sole dependent and is furnished Government quarters while serving with the American Red Cross overseas.
3. A sole dependent who is a student nurse in training at a Government hospital. However, a housing allowance is payable on behalf of a dependent who is a student nurse in training at a civilian hospital.
4. A civilian spouse who is a sole dependent and is furnished Government quarters while assigned overseas with DoDEA as a schoolteacher.
5. A dependent who occupies Government housing facilities and is evacuated to a safe haven. See subparagraph 260802.F for an exception when the Service member must continue to pay for private-sector housing.
6. Any dependent, if one or more of the Service member’s dependents occupy the quarters with the Service member on a permanent basis for more than 90 days, unless another dependent is officially prevented from residing with the Service member.

E. **Rental Quarters (Other than Inadequate Quarters).** A Service member and a dependent who occupy the following facilities on a rental basis are authorized a housing allowance.
1. Any housing facilities, including trailers, under the Government’s jurisdiction other than Government quarters constructed or designated for occupancy without charge. The Service member may sublease such quarters with or without charge to a temporary sublessee and neither the sublessor nor a Service member sublessee loses the right to a housing allowance.

2. A hotel on the grounds of a Service Academy. A Service member is authorized BAH while renting quarters in a hotel on the grounds of a Service Academy.

3. Quarters furnished to a Service member for service in a capacity other than that of a Service member.

F. Quarters at Safe Haven Temporarily Occupied by Dependents

1. A Service member is authorized a housing allowance for a dependent when both of the following occur:

   a. The Service member’s dependent occupies Government provided housing at a safe haven area after emergency evacuation from private-sector housing at the PDS.

   b. Due to conditions beyond the Service member’s control, the Service member is required to continue rent payment for the private-sector housing to keep the furnishings and belongings in the private-sector housing and to have housing available upon the dependent’s return.

2. This authority continues until a dependent is authorized to return to the Service member’s PDS or the dependent arrives at a designated place as specified in the JTR, Chapter 6.

G. Lease on Private-sector Rental or Leased Housing. When a Service member makes a local move from private-sector rented or leased housing to Government housing, a housing allowance is not payable for the remainder of the lease on the private-sector housing even though the Service member is required to honor the lease.

H. Limitation on Quarters Occupied by Service Member

1. When adequate quarters are not furnished for a Service member’s dependent, the Service member is not authorized BAH or OHA if the Service member occupies Government quarters that exceed the minimum standards for his or her grade “without-dependent.” This applies either at the PDS or TDY location unless the quarters are the only quarters available and either of the following conditions apply:

   a. The quarters are not suitable for joint occupancy.

   b. If suitable for joint occupancy, the quarters are jointly occupied with another Service member permanently assigned to the PDS.
2. This limitation does not apply to a Service member on medical hold or holdover personnel receiving outpatient medical treatment who have been designated as requiring a live-in non-medical attendant. The Service determines the housing standards for such personnel based on medical condition, treatment, non-medical attendant, and other relevant factors.

I. **Additional Room Assigned to Chaplain.** Assignment of an additional room to a chaplain for spiritual purposes does not affect the Service member’s authority for BAH or OHA. The chaplain must use the room for official duties and not as living quarters.

260803. **Government Quarters Designated as Inadequate**

A. **Housing Allowance Authority.** A Service member with-dependents may be assigned Government quarters designated as inadequate on a rental basis without loss of BAH. This does not apply to bachelor officer quarters, visiting officer quarters, guesthouses, and similar type facilities, or to assigned Government quarters undergoing ordinary repairs. An order stating that quarters were inadequate while repairs were being made cannot serve to authorize BAH during the period involved.

B. **Effect of Subleasing Inadequate Government Quarters.** The Service member may share the Government quarters with others or permit occupancy by others while on leave. The Service member may also sublet the Government quarters on a rental basis without loss of BAH, regardless of the amount of rent.

C. **Rental Charge for Inadequate Government Quarters.** The authority controlling the inadequate Government quarters establishes the procedures for collecting rent from the Service member at the Government quarters’ fair rental value. The rental charge for the Government quarters must be its fair rental value, limited to 75% of the Service member’s with-dependent BAH rate (see 10 U.S.C. §2830). The rental charge is independent of the amount and type of BAH paid to the Service member.

D. **Effective Date of BAH and Rental Charge.** BAH and rental charge begin on the date of the Service member’s assignment to such Government quarters or on the date the determination of inadequacy is effective, whichever is later.

E. **Computation of BAH and Rental Charge.** BAH and the rental charge are computed on a 30-day month basis and prorated at one thirtieth of the monthly rate for each day inadequate Government quarters are assigned. BAH is not paid for, nor is rent charged, for the 31st day of a month. When inadequate Government quarters are assigned on February 28, pay 3 days’ BAH and charge 3 days’ rent. Rent is not charged for the day the assignment ends; however, BAH accrues for the termination day.

F. **Inadequate Government Quarters Re-designated Adequate.** Rental charges and BAH end on the date rehabilitated inadequate Government quarters are re-designated as adequate Government quarters. If the Service member’s assignment to inadequate Government quarters continued during the rehabilitation period, the adequacy re-designation is effective the 1st day of the month following the month in which the rehabilitation was completed.
G. **Two Service Members Married to Each Other—Each Authorized BAH.** When two Service members married to each other jointly occupy inadequate family quarters on a rental basis, see section 2604 to determine their respective BAH rates. The rental charge for the Government quarters must be the assigned inadequate family-type Government quarters’ fair rental value, but must never exceed 75% of the with-dependent BAH rate that would be payable to a Service member of the same grade and rank as the Service member under whose eligibility the Government quarters are assigned. The BAH paid to the respective Service members does not affect the rent amount charged, even if a Service member is receiving BAH at the with-dependent rate. BAH is collected as specified in Service procedures. For inter-Service marriages, the rental charge is collected as specified in the procedures of the Service furnishing the Government quarters.

2609 PRIVATIZED HOUSING

“Privatized housing” is defined as housing units on or near a military facility in the United States or its territories and possessions that are acquired by or constructed by private persons under the authority of 10 U.S.C. §2871–§2885. The Service Secretary determines which privatized housing is suitable for use as military family housing. Each Service member occupying privatized housing is authorized a housing allowance in the same manner as a Service member not assigned to Government quarters. See subparagraph 260503.B for the Navy Barracks Privatization Test.

2610 ASSIGNMENT SITUATIONS

261001. Service Member Without-dependent

A Service member without a dependent entitled to basic pay is authorized BAH or OHA in the situations specified in Table 26-26 and as otherwise specified in this paragraph. Ordinarily BAH or OHA is based on the service member’s PDS and paid when adequate Government quarters are not provided at the PDS.

A. **Service Member Away from PDS.** A Service member away from the assigned PDS may occupy Government quarters designated for a Service member without-dependent at the TDY location without affecting the Service member’s authority to receive BAH or OHA or to be assigned quarters at the Service member’s PDS. Under such circumstances, a Service member may not occupy Government quarters that exceed the minimum standards specified for a Service member of that grade “without-dependent,” unless they are the only quarters available and are available for joint occupancy with other Service members. This limitation does not apply to a Service member who is on medical hold or is receiving outpatient medical treatment and has been designated as requiring a live-in non-medical attendant. The Service determines the housing standards for these personnel based on medical condition, treatment, non-medical attendant, and other relevant factors.
B. Government Quarters. A Service member is not authorized BAH or OHA if assigned or occupies Government Quarters suitable and adequate for the member’s grade at the PDS. Government Quarters occupied without payment of rental charges are deemed assigned as appropriate and adequate quarters. When not assigned to Government quarters at the PDS, BAH or OHA accrues while in a duty or authorized leave status not due to PCS. BAH or OHA continues if temporary Government quarters are occupied.

C. Service Member TDY. A Service member on TDY (including permissive travel) when no PCS is involved, is authorized to continue to receive BAH or OHA if authorized prior to the TDY. For a Service member below grade E-7 on a TDY without a PCS involved, authority for BAH or OHA does not exist during the TDY if quarters are assigned or furnished at the PDS, even if the quarters are vacated at the beginning of the TDY. BAH or OHA does not accrue if assigned quarters at the PDS.

D. PCS Between PDSs in Proximity. Ordinarily a housing allowance is paid based on the Service member’s PDS or the home port for a Service member assigned to a ship or afloat unit.

1. The Service may instead pay a housing allowance based on the old PDS rate in a situation involving a low or no-cost move. The determination of whether to base the housing allowance on the old PDS because it is inequitable to base it on the new PDS is made by the Secretary concerned or through the Secretarial Process.

2. When a Service member is ordered on a PCS between PDSs located in proximity to each other, housing allowances continue when the Service member continues to commute from the residence occupied while at the old PDS. The housing allowance continues from the time between the Service member’s detachment from the old PDS and reporting to the new PDS, unless otherwise prohibited in this Chapter.

3. If a Service member is reassigned under the conditions of a low-cost or no-cost PCS and is not authorized an HHG move, the housing allowance is based on the old PDS under the following conditions:

   a. The Service member requested the old PDS housing allowance.

   b. The Service-selected decision process determines that it would be inequitable to base the Service member’s allowances on the housing cost in the Service member’s new PDS area.

E. Service Member in Grade E-7 or Above not on Sea Duty. A Service member without a dependent in grade E-7 or above may elect at any time not to occupy Government quarters at the PDS and is authorized BAH or OHA unless the Secretary concerned or designee has determined that the Service member’s exercise of this option would adversely affect a training mission, military discipline, or readiness.
F. **Service Member in Grade E-6 not on Sea Duty.** A Service member without a dependent in grade E-6 assigned to inadequate Government quarters or to a housing facility under the jurisdiction of a Uniformed Service that does not meet DoD adequacy standards, may elect to not occupy such quarters and receive BAH or OHA instead. The Secretary concerned, or the designee, may deny BAH or OHA on determining that the Service member’s exercise of this option would adversely affect a training mission, military discipline, or readiness.

G. **Service Member on Sea Duty.** A Service member assigned on permanent duty to a ship ordinarily has Government Quarters available aboard that ship. The Secretary Concerned may determine that a ship or class of ships is inadequate for berthing a member in home port, in which case the ship or class of ships is not available as Government Quarters for housing allowance purposes. When quarters aboard a ship, deemed adequate for berthing, become temporarily unavailable due to maintenance or damage, Government Quarters are no longer available onboard the ship. The Service concerned provides guidance on payment of housing allowances or alternate berthing procedure for ships that become temporarily unavailable for berthing.

1. A Service member without a dependent in grade E-6 or above assigned to permanent sea duty aboard a ship may elect to not occupy assigned shipboard Government quarters and receive BAH or OHA. A Service member in pay grade E-6 or above is authorized to receive BAH or OHA after reporting to a deployed ship or afloat unit.

2. A Service member without a dependent in grade E-5 assigned to permanent sea duty aboard a ship cannot elect to not occupy assigned shipboard Government quarters and receive BAH or OHA. Under Service regulations, the Secretary concerned may authorize BAH or OHA to a Service member without a dependent who is serving in grade E-5 and is assigned to sea duty. When preparing regulations under this paragraph, the Secretary concerned must consider Government quarters availability for a Service member serving in grade E-5.

3. A Service member without a dependent in grade E-4 assigned to permanent sea duty aboard a ship cannot elect to not occupy assigned shipboard Government quarters and receive BAH or OHA. Under Service regulations, the Secretary concerned may authorize BAH or OHA to a Service member without a dependent who is serving in grade E-4 and is assigned to sea duty. When preparing regulations under this paragraph, the Secretary concerned must consider Government quarters availability for a Service member serving in grade E-4.

4. A Service member married to another Service member who is in a pay grade below E-6 is authorized BAH or OHA if assigned to permanent sea duty.
Table 26-26. BAH or OHA Accrual for Service Member Without-dependent Entitled to Basic Pay

<table>
<thead>
<tr>
<th>If a Service member is…</th>
<th>Then BAH or OHA accrues…</th>
</tr>
</thead>
</table>
| 1 assigned to a PDS,  | a. while on a short period of special alert duty during which the Service member is furnished sleeping accommodations at the PDS where Government quarters are unavailable for assignment.  
b. while on a short training period during which, due to military necessity, the Service member is furnished sleeping accommodations at the PDS where Government quarters are unavailable for assignment. |
| 2 initially assigned to active duty and is on a TDY at other than indoctrination or basic training location pending receipt of an order designating a PDS to which the Service member is to report upon TDY completion, | when Government quarters are not available for assignment and per diem is not payable. |
| 3 in the accession pipeline, | between the initial TDY and the initial PDS. An RC member is authorized BAH or OHA based on the primary residence location at the time called or ordered to active duty while attending accession training. See paragraph 261010 for transit rules. |
| 4 ordered home or to a place other than a military organization awaiting another order in connection with Physical Evaluation Board proceedings, | on and after the departure day from the hospital or old PDS through the discharge day, or day before retirement effective date. |
| 5 ordered to report for a TDY in connection with the fitting out or conversion of a ship, then to permanent duty aboard the same ship when placed in commission, | if the Service member is not assigned to Government quarters at the old PDS or aboard ship (the new PDS), but BAH or OHA does not accrue if the Service member is assigned to Government quarters at the old PDS or aboard ship (the new PDS). |
| 6 on field duty and no PCS is involved, | if the Service member is receiving BAH or OHA at the PDS, but BAH or OHA does not accrue if assigned or occupying Government quarters at the PDS. |
Table 26-26. BAH or OHA Accrual for Service Member Without-dependent Entitled to Basic Pay ( Continued )

<table>
<thead>
<tr>
<th>If a Service member is…</th>
<th>Then BAH or OHA accrues…</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 assigned to PCS to a unit on field duty,</td>
<td>if the commander certifies that the Service member was required to procure Government quarters at personal expense at the initial field duty site, but BAH or OHA does not accrue for the initial field duty in progress at the time of the PCS, unless the Service member is required to procure quarters at personal expense at the field duty site.</td>
</tr>
<tr>
<td>8 being treated at hospital TDY en route during a PCS,</td>
<td>if the Service member is not assigned Government quarters, but BAH or OHA does not accrue if the Service member is assigned Government quarters in the hospital.</td>
</tr>
<tr>
<td>9 assigned to PCS directly to a hospital for treatment,</td>
<td>if the Service member is not assigned Government quarters while at the old or new PDS, but BAH or OHA does not accrue if the Service member is assigned Government quarters while at the old or new PDS.</td>
</tr>
<tr>
<td>10 in travel status during a PCS, including a non-travel status under a permissive travel authorization, a TDY en route, leave en route, and proceed time,</td>
<td>if the Service member is not assigned Government quarters while at the old or new PDS, but BAH or OHA does not accrue if the Service member is assigned Government quarters while at the old or new PDS.</td>
</tr>
<tr>
<td>11 assigned PCS and is on authorized leave or duty at the old or new PDS,</td>
<td>if the Service member is not assigned Government quarters while at the old or new PDS, but BAH or OHA does not accrue for the Government quarters occupancy period not due to a PCS.</td>
</tr>
<tr>
<td>12 assigned PCS and is on authorized leave or duty at the old or new PDS,</td>
<td>if not furnished quarters by the Government or by an agency sponsoring the Service member’s participation, but BAH or OHA does not accrue if furnished quarters by the Government or by an agency sponsoring participation.</td>
</tr>
<tr>
<td>13 training for, attending, or participating in Pan Am or Olympic games, or any other international amateur sports competition,</td>
<td>if not furnished Government quarters without charge, but BAH or OHA does not accrue if furnished quarters without charge by the hospital. Such Government quarters are considered furnished on behalf of the United States.</td>
</tr>
<tr>
<td>14 a medical officer on active duty in an intern or resident physician status at a state, county, municipal, or private hospital,</td>
<td></td>
</tr>
<tr>
<td>15 a Nurse Corps officer or Nurse Corps candidate attending a course of instruction or affiliating with a state, county, municipal, or private hospital</td>
<td></td>
</tr>
</tbody>
</table>
Table 26-26. BAH or OHA Accrual for Service Member Without-dependent Entitled to Basic Pay (Continued)

<table>
<thead>
<tr>
<th>If a Service member is…</th>
<th>Then BAH or OHA accrues…</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>16</strong> a student training on a fellowship, scholarship, or grant,</td>
<td>if <em>not</em> furnished Government quarters by the college, university, or research facility, but BAH or OHA does <em>not</em> accrue if furnished Government quarters by the college, university, or research facility. Such quarters are considered furnished on behalf of the United States.</td>
</tr>
<tr>
<td><strong>17</strong> in a hospital or on sick leave from a hospital and a PCS is not involved,</td>
<td>continues if the Service member is receiving BAH or OHA at the PDS.</td>
</tr>
</tbody>
</table>

261002. Service Member With-dependent

A. Authorized BAH or OHA. Except for a Service member paying child support and assigned to Government quarters, a Service member with a dependent, who is entitled to basic pay is authorized BAH or OHA at the with-dependent rate when any of the following conditions are met:

1. Adequate Government quarters are not furnished for the Service member and dependent without a rental charge payment.

2. Adequate Government quarters are not furnished for the Service member’s dependent, or not all of the Service member’s dependents are authorized to occupy Government quarters assigned to the Service member. This does not apply when the child is living with the former spouse and the Service member has remarried.

3. A dependent is not en route or does not accompany the Service member to the PDS, or the PDS vicinity, which prevents assignment of family quarters. This situation does not prevent the Service member from receiving BAH or OHA for a dependent.

4. A single or divorced Service member who maintains legal and physical custody of a child before receipt of a PCS authorization or order to an unaccompanied tour may continue to be paid BAH at the with-dependent rate for the last PDS, or designated place, as specified in this paragraph. The divorce decree must state the specific period during which the Service member has legal and physical custody. BAH at the with-dependent rate is authorized only for the period the Service member would have the custody of the child if not serving on the unaccompanied tour. The Service member must, for military necessity, place the child in the physical custody of a relative or caregiver designated by the Service member, to be authorized BAH or OHA at the with-dependent rate.

5. A Service member, classified as with-dependent for housing purposes solely because the Service member is paying child support, is not authorized a housing allowance other than BAH-Diff if he or she is assigned to Government quarters or both of the following apply:
a. The Service member is assigned to sea duty in a grade above E-3.

b. The Service member is authorized to and does not occupy the assigned, unaccompanied Government quarters by choice.

B. Location Rate. Ordinarily a housing allowance is based on the Service member’s PDS, or the home port for a Service member assigned to a ship or afloat unit. However, the Service may determine that a Service member’s assignment to a PDS, or the circumstances of that assignment, requires a dependent to reside separately. Authorization or approval of a housing allowance based on the dependent’s location or old PDS is through the Service Secretary or through the Secretarial Process.

1. Low or No-Cost Moves. A Service may pay BAH or OHA based on the old PDS rate in situations involving low or no-cost moves and for situations in which the Service member and dependent are residing separately. The determination of whether it is inequitable to pay BAH or OHA based on the new PDS is through the Secretarial process. When a Service member is ordered on a PCS between PDSs located in proximity to each other and continues to commute from the residence occupied while at the old PDS, BAH or OHA continues from the time between the Service member’s detachment from the old PDS and reporting to the new PDS, unless otherwise prohibited in this Chapter. A Service member ordered on PCS with TDY, or leave en route is authorized BAH or OHA based on the old PDS during that period. If a Service member is reassigned under the conditions of a low-cost or no-cost PCS and is not authorized an HHG move, BAH or OHA may be based on the rate for the old PDS if both the following conditions are met:

a. It was requested by the Service member.

b. The decision of whether it would be inequitable or not to base the allowance on the housing cost in the new PDS area to which the Service member is reassigned, is determined through the Secretarial Process.

2. Unaccompanied or Dependent-Restricted Assignment OCONUS

a. BAH or OHA is based on the old PDS in a situation in which the Service member is making a PCS to a dependent-restricted or unaccompanied assignment OCONUS and the dependent remains at the Service member’s old PDS.

b. If the dependent of a Service member assigned to an unaccompanied tour moves to a designated place, the Service member is authorized BAH or OHA based on the dependent’s location. Payment based on the old PDS is not authorized.

3. Location Rate Changes. Location rate changes may be routinely authorized or approved when a Service member is:

a. Assigned to a PDS in an area at which sufficient housing quantities do not exist.
b. In receipt of a PCS order to a unit with a promulgated change of home port and dependents relocate to the announced home port (or authorized designated place in the United States) before the effective date of the home port change.

c. Assigned to “unusually arduous sea duty” and a dependent resides at or relocates to a designated place in the United States.

d. Assigned to or is in receipt of a PCS authorization or order to a ship entering overhaul involving a home port change and his or her dependent is not relocated due to the home port change.

e. Disadvantaged due to reassignment for reasons of improving mission capability and readiness of the unit, in receipt of a PCS authorization or order between PDSs located in the same proximity, and disallowed HHG movement. A determination must be issued through the Secretarial Process that implementing this policy in the interest of correcting an inequity incurred due to movement of the Service member for purposes of improving mission capability and unit readiness.

f. Assigned to an intermittent TDY or a TDY pending further orders.

g. Assigned to a Professional Military Education or training course that is scheduled for a duration of 1 year or less.

4. **Multiple Dependent Locations.** In instances when dependents are in multiple locations, the Service member must designate the dependent’s primary residence. The housing allowance rate is based on this primary residence.

5. **Ship or Home Port**

   a. A Service member assigned to duty aboard a ship or other afloat unit is authorized a with-dependent allowance when supported by a statement of the Service member’s commanding officer, or an officer designated by the commanding officer. The statement must specify that the dependent has established a residence at or in the home port vicinity. The applicable with-dependent allowance is payable even though the Service member is quartered in kind aboard a ship with his or her afloat unit. The rate payable is the rate applicable to the ship’s or afloat units’ home port.

   b. Change the housing allowance to the new home port rate on the effective date of the home port change if the Service member is currently assigned to, or is in receipt of a PCS order to a ship or other afloat unit with an announce home port change and his or her dependent is authorized travel to the new home port.
6. **Other Circumstances.** The Secretary concerned may determine that other circumstances may require a dependent to reside separately from the Service member and authorize or approve a housing allowance payment based on either the dependent’s location or the old PDS. If the Secretary concerned determined that an additional reason for a BAH or OHA waiver was acceptable, the Secretarial Process may then be used to authorize or approve individual cases based on that determination.

C. **During Leave, Travel Status, Separation, and Other Situations.** Table 26-27 and paragraph 261010 specify BAH or OHA accrual for a Service member entitled to basic pay with a dependent. In Table 26-27, the phrase “due to a PCS” refers to whether or not the Service member is en route to a new PDS under a PCS authorization or order.

Table 26-27. BAH or OHA for a Service Member Entitled to Basic Pay With-dependent

<table>
<thead>
<tr>
<th>If a Service member is…</th>
<th>Then BAH or OHA…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 in a duty status or on authorized leave status</td>
<td>a. authorization continues when he or she is authorized BAH or OHA at the PDS.</td>
</tr>
<tr>
<td>not due to a PCS (includes accrued, advanced, or convalescent leave),</td>
<td>b. is <em>not</em> authorized when he or she is <em>not</em> authorized BAH or OHA at the PDS.</td>
</tr>
<tr>
<td>2 not authorized BAH or OHA at the PDS,</td>
<td>is <em>not</em> authorized.</td>
</tr>
<tr>
<td>3 in a duty, travel, or leave status due to a PCS, including a TDY en route, and such status is under a permissive travel authorization, *</td>
<td>is authorized unless permanent Government quarters are assigned or occupied.</td>
</tr>
<tr>
<td>4 on a TDY <em>not</em> due to a PCS, including when the status is under a permissive travel authorization, *</td>
<td>authorization continues as long as the PDS remains unchanged when he or she is authorized BAH or OHA at the PDS, except as restricted by paragraph 260802.</td>
</tr>
<tr>
<td>5 absent due to disease (as distinguished from injury) from alcohol or drugs, causing loss of pay</td>
<td>a. authorization continues when he or she is authorized BAH or OHA at the PDS.</td>
</tr>
<tr>
<td></td>
<td>b. is <em>not</em> authorized when he or she is <em>not</em> authorized BAH or OHA at the PDS. However, if quarters assignment at the PDS ends during an absence, BAH or OHA accrues on and after the end date.</td>
</tr>
</tbody>
</table>
Table 26-27. BAH or OHA for a Service Member Entitled to Basic Pay With-dependent (Continued)

<table>
<thead>
<tr>
<th>If a Service member is…</th>
<th>Then BAH or OHA…</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td></td>
</tr>
<tr>
<td>home on a PCS</td>
<td></td>
</tr>
<tr>
<td>awaiting further orders</td>
<td></td>
</tr>
<tr>
<td>in connection with</td>
<td></td>
</tr>
<tr>
<td>physical evaluation</td>
<td></td>
</tr>
<tr>
<td>board proceedings,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>authorization continues until the Service member’s retirement or discharge.</td>
</tr>
</tbody>
</table>

*Includes status under a permissive travel authorization.

261003. Service Member with Acquired Dependent

When a Service member acquires a dependent, for example, through marriage, birth, or adoption, a with-dependent housing allowance is authorized as of the date the dependent is acquired.

A. PDS in the CONUS. When the Service member is assigned to a PDS in the CONUS, the housing allowance is authorized based on the PDS. He or she may request through the Secretarial Process a housing allowance based on the dependent’s residence location. Table 26-28 specifies the changes in BAH or OHA when a Service member acquires a dependent while assigned in the CONUS.

Table 26-28. Changes in BAH or OHA when a Service Member Assigned in the CONUS Acquires a Dependent

<table>
<thead>
<tr>
<th>If a dependent is located…</th>
<th>And Government quarters are…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>in the CONUS, Alaska, or Hawaii (BAH area) and at or near the PDS</td>
<td>a. available for the Service member,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. not available for the Service member,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>in the CONUS, Alaska, or Hawaii (BAH area) and not at or near the PDS</td>
<td>a. available for the Service member,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. not available for the Service member,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 26-28. Changes in BAH or OHA when a Service Member Assigned in the CONUS Acquires a Dependent (Continued)

<table>
<thead>
<tr>
<th>If a dependent is located…</th>
<th>And Government quarters are…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3</strong> outside the CONUS, Alaska, or Hawaii (OHA area) and at or near the PDS</td>
<td>a. available for the Service member,</td>
<td>start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.</td>
</tr>
<tr>
<td></td>
<td>b. not available for the Service member,</td>
<td>(1) stop the allowance at the without-dependent rate the day before the dependent is acquired.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.</td>
</tr>
<tr>
<td><strong>4</strong> outside the CONUS, Alaska, or Hawaii (OHA area) and <em>not</em> at or near the PDS</td>
<td>a. available for the Service member,</td>
<td>start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.</td>
</tr>
<tr>
<td></td>
<td>b. not available for the Service member,</td>
<td>(1) stop the allowance at the without-dependent rate the day before the dependent is acquired.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.</td>
</tr>
</tbody>
</table>

### B. PDS OCONUS

When a Service member is assigned at a PDS OCONUS and the dependent does not reside at or near the PDS OCONUS, the housing allowance is based on the dependent’s location. If the dependent does reside at or near the PDS OCONUS, the housing allowance is based on the PDS OCONUS.
Table 26-29. Changes in BAH or OHA when a Service Member Assigned OCONUS Acquires a Dependent

<table>
<thead>
<tr>
<th>If a dependent is located...</th>
<th>And Government quarters are...</th>
<th>Then...</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 in the CONUS, Alaska, or Hawaii (BAH area) and at or near the PDS</td>
<td>a. available for the Service member, b. not available for the Service member,</td>
<td>start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired. (1) stop BAH at the without-dependent rate as of the day before the dependent is acquired. (2) start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.</td>
</tr>
<tr>
<td>2 in the CONUS, Alaska, or Hawaii (BAH area) and not at or near the PDS</td>
<td>a. available for the Service member, b. not available for the Service member,</td>
<td>start BAH at the with-dependent rate based on the dependent’s location as of the date the dependent is acquired. (1) stop BAH at the without-dependent rate the day before the dependent is acquired. (2) start BAH at the with-dependent rate based on the dependent’s location on the date the dependent is acquired. (3) start FSH-B or FSH-O based on the PDS on the date the dependent is acquired.</td>
</tr>
<tr>
<td>3 outside the CONUS, Alaska, or Hawaii (OHA area) and at or near the PDS</td>
<td>a. available for the Service member, b. not available for the Service member,</td>
<td>start OHA, based on the PDS the date the dependent is acquired. (1) start OHA at the with-dependent rate based on the PDS the date the dependent is acquired. (2) stop the without-dependent allowance on the day before the dependent is acquired.</td>
</tr>
<tr>
<td>4 outside the CONUS, Alaska, or Hawaii (OHA area) and not at or near the PDS</td>
<td>a. available for the Service member, b. not available for the Service member,</td>
<td>start OHA at the with-dependent rate based on the dependent’s location on the date the dependent is acquired. (1) start OHA at the with-dependent rate based on the dependent’s location on the date the dependent is acquired. (2) stop the without-dependent allowance on the day before the dependent is acquired. (3) start FSH-B or FSH-O based on the PDS on the date the dependent is acquired.</td>
</tr>
</tbody>
</table>

C. FSH Eligibility. Table 26-30 specifies FSH authorization for a Service member assigned to a PDS OCONUS. FSH eligibility is effective the date the dependent is acquired.
Table 26-30. FSH Eligibility—Service Member Assigned to a PDS OCONUS

<table>
<thead>
<tr>
<th>If…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. the dependent resides in the PDS vicinity OCONUS,</td>
</tr>
<tr>
<td>2. single-type Government quarters are not available for a Service member assigned to a PDS OCONUS and the dependent does not reside in the PDS vicinity,</td>
</tr>
<tr>
<td>3. a Service member assigned to a PDS OCONUS is residing in private-sector quarters, and single-type Government quarters are available at the Service member’s PDS OCONUS,</td>
</tr>
<tr>
<td>4. a Service member is assigned to a PDS in the CONUS,</td>
</tr>
<tr>
<td>5. a dependent visits a Service member at a PDS OCONUS for 90 or fewer days,</td>
</tr>
<tr>
<td>6. a dependent visits a Service member at a PDS OCONUS for 91 or more days,</td>
</tr>
<tr>
<td>7. a dependent’s permanent residence had changed due to a visit exceeding 90 days and the dependent departs the PDS area after with-dependent allowances are changed and FSH stopped,</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>an FSH is <em>not</em> authorized and the Service member is only authorized the with-dependent housing allowance based on the PDS OCONUS.</td>
</tr>
<tr>
<td>FSH is also authorized.</td>
</tr>
<tr>
<td>FSH is <em>not</em> authorized.</td>
</tr>
<tr>
<td>FSH is <em>not</em> authorized unless the Service member is assigned to a PDS to which dependent travel is delayed or restricted (see JTR, Chapter 5).</td>
</tr>
<tr>
<td>there are no changes to allowances.</td>
</tr>
<tr>
<td>it is no longer a visit, but a change of the dependent’s permanent residence. The with-dependent allowance is then based on the PDS location. FSH, if being paid, stops.</td>
</tr>
<tr>
<td>the with-dependent allowance and FSH previously authorized are reinstated as of the dependent’s departure date.</td>
</tr>
</tbody>
</table>

261004. Service Member With-dependent Serves Unaccompanied or Dependent-Restricted Tour or “Unusually Arduous Sea Duty”

A Service member with a dependent who serves an unaccompanied or dependent-restricted tour OCONUS or “unusually arduous sea duty” outside the United States is authorized a with-dependent housing allowance based on the dependent’s location. The housing allowance may be based on the old PDS if the dependent remained in the residence shared with the Service member before the PCS, did not relocate, and is not in Government quarters. The housing allowance for the dependent’s location may be authorized or approved to be effective on the date of the lease.

A. FSH Authorization. If the Service member is serving an unaccompanied or dependent-restricted tour and single-type Government quarters are not available for assignment at the PDS OCONUS, and the dependent does not reside at or near the PDS, then FSH-O or FSH-B is also authorized. A Service member assigned to “unusually arduous sea duty” is not authorized FSH since Government quarters are available for assignment.
B. **Dependent Visit.** Table 26-31 specifies changes made to allowances when a dependent visits a Service member serving an unaccompanied or dependent-restricted tour. If the Service member is in a BAH area, in Alaska or Hawaii, then the allowance specified in Table 26-30 is either BAH or FSH-B, as applicable. If the Service member is outside the United States, then the allowance is either OHA or FSH-O, as applicable. If all of a Service member’s dependents arrive at his or her PDS OCONUS and stay beyond 90 days, the Service member is not authorized OHA simply because the dependent is present. To be paid OHA the Service member must provide the required documentation (a completed and approved DD 2367) for private-sector leased or owned housing.

Table 26-31. Dependent Visits Service Member who is Serving an Unaccompanied or Dependent-Restricted Tour

<table>
<thead>
<tr>
<th>If Government quarters are available and the dependent visits…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 for 90 or fewer days,</td>
<td>there is no change to the allowance.</td>
</tr>
</tbody>
</table>
| 2 for 91 or more days,                                         | a. stop the with-dependent allowance based on the dependent’s location on the 90th day.  
  b. start the with-dependent allowance based on the PDS on the 91st day. |
| 3 for 91 or more days, and later departs the PDS after the 91st day to take up residence elsewhere, | a. stop the with-dependent allowance based on the dependent’s location on the 90th day.  
  b. start the with-dependent allowance based on the PDS on the 91st day.  
  c. stop the with-dependent allowance based on the PDS on the day before the dependent departs.  
  d. reinstate the with-dependent allowance based on the dependent’s location as of the departure day. |

<table>
<thead>
<tr>
<th>If Government quarters are not available and the dependent visits…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 or 90 or fewer days,</td>
<td>start FSH based on the PDS as of the date private-sector housing is acquired at the PDS.</td>
</tr>
</tbody>
</table>
| 5 for 91 or more days,                                            | a. stop the with-dependent allowance based on the dependent’s location on the 90th day.  
  b. stop FSH on the 90th day.  
  c. start with-dependent BAH or OHA based on the PDS on the 91st day. |
Table 26-31. Dependent Visits Service Member who is Serving an Unaccompanied or Dependent-Restricted Tour (Continued)

<table>
<thead>
<tr>
<th>If Government quarters are not available and the dependent visits...</th>
<th>Then...</th>
</tr>
</thead>
</table>
| 6 for 91 or more days, and later departs the PDS after the 91st day to take up residence elsewhere, | a. stop the with-dependent allowance based on the dependent’s location on the 90th day.  
b. stop FSH on the 90th day.  
c. start with-dependent BAH or OHA based on the PDS on the 91st day.  
d. stop BAH or OHA based on the PDS on the day before the dependent departs.  
e. reinstate the with-dependent allowance based on the dependent’s location and FSH as of the departure day. |

C. Initial Tour of Duty. When a Service member serves an unaccompanied or dependent-restricted tour at the first PDS, in other words, the initial PDS when coming on active duty, payment of a with-dependent housing allowance is based on one of the designated locations specified in the JTR, Chapter 5, paragraph 050814 if the dependent has been authorized or approved to reside at one of those locations.

D. Transfer Between Unaccompanied or Dependent-Restricted Tours. A Service member transferred between unaccompanied or dependent-restricted tours, whose dependent does not move, continues to be authorized a with-dependent rate based on the dependent’s location. A Service member is authorized a with-dependent rate based on the dependent’s new location if the Service member is transferred between unaccompanied or dependent-restricted tours and the dependent moves from either:

1. The Service member’s old PDS (the PDS before the Service member was assigned on the first unaccompanied or dependent-restricted tour) to a designated place.

2. A designated place to another designated place if the move is authorized or approved.

E. Dependent Relocates to Other OHA Location. If a dependent relocates from a designated place at personal expense to any other OHA location that is not in the vicinity of the Service member’s PDS, start OHA based on the new location effective the date private-sector housing is obtained once the required documentation is provided. If the dependent departed from an OHA area, stop the with-dependent allowance based on the designated place effective the day before the dependent departed that location. If the dependent departed from a BAH area, stop the with-dependent allowance the day before the dependent arrives at the new location.

F. Dependent Relocates to Other BAH Location. If the dependent relocates at personal expense from a designated place in a BAH area to a different location in a BAH area that is not at or near the Service member’s PDS, continue BAH based on the previously authorized
location (either the old PDS or dependent location before the move). If the dependent relocates from a designated place in an OHA area to a location in a BAH area, start BAH based on the new location on the dependent’s arrival date and stop the OHA the day before dependent’s departure.

G. Situation-Based Rate for Housing Allowance. Table 26-32 specifies situation-based rate information. A housing allowance must not be paid if a Service member is assigned adequate family-type Government quarters at the PDS. Do not start the housing allowance until the Service member terminates the family-type Government quarters assignment.

1. If a Service member is assigned to an unaccompanied or dependent-restricted tour at a PDS OCONUS and he or she is required to perform a TDY anywhere in the world, due to a transfer to another unaccompanied or dependent-restricted tour, and the dependent continues to reside at the same location then continue to pay the housing allowance based on the dependent’s permanent residence.

2. If a Service member is assigned to an unaccompanied or dependent-restricted tour at a PDS OCONUS and the Service member is required to perform a TDY due to a transfer to the United States, and the dependent continues to reside at the same location then continue to pay a housing allowance based on the dependent’s permanent residence location through the day before the Service member’s reporting day to the new PDS. Start BAH or OHA based on the new PDS, the day the Service member reports at that PDS.

3. If a Service member is assigned to “unusually arduous sea duty” in the United States and the dependent is not residing with the Service member at the unit’s home port then pay BAH based on the unit’s home port. The Service member may request a waiver through the Secretarial process for BAH or OHA to be based on the old PDS if the dependent remained in the residence shared with the Service member before the PCS, or based on the dependent’s current location.

Table 26-32. Dependent Retains Permanent Residence when Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or “Unusually Arduous Sea Duty” Outside the United States

<table>
<thead>
<tr>
<th>If the dependent retains the permanent residence in the United States and …</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 remains at the Service member’s old PDS,</td>
<td>continue to pay BAH based on the old PDS.</td>
</tr>
<tr>
<td>2 is at a U.S. location other than the old PDS, and the Service member is receiving BAH based on a Secretarial waiver,</td>
<td>continue the BAH previously being paid.</td>
</tr>
</tbody>
</table>
Table 26-32. Dependent Retains Permanent Residence when Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or “Unusually Arduous Sea Duty” Outside the United States (Continued)

<table>
<thead>
<tr>
<th>If the dependent retains the permanent residence in the United States and …</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 is at a U.S. location other than the old PDS that is not a location for which the Service member had a Secretarial waiver,</td>
<td>stop old PDS-based BAH the day before the Service member’s departure. Pay BAH-Transit starting on the Service member’s departure day until the day before the Service member’s reporting day at the new PDS. Start BAH based on the dependent’s location the day the Service member arrives at the new PDS.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>If the dependent retains the permanent residence outside the United States and…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 remains at the Service member’s old PDS,</td>
<td>continue to pay OHA based on the old PDS.</td>
</tr>
<tr>
<td>5 is at a location OCONUS other than the old PDS and the Service member is receiving OHA based on a Secretarial waiver,</td>
<td>continue the OHA previously paid.</td>
</tr>
<tr>
<td>6 is at a location OCONUS other than the old PDS that is not a location for which the Service member had a Secretarial waiver,</td>
<td>stop OHA the day before the Service member’s departure. Pay BAH-Transit starting on the Service member’s departure day until the day before the Service member’s reporting day at the new PDS. Start OHA based on the dependent’s location the day the Service member arrives at the new PDS.</td>
</tr>
</tbody>
</table>

Table 26-33. Dependent Relocates when Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or “Unusually Arduous Sea Duty” Outside the United States

<table>
<thead>
<tr>
<th>If the dependent. And…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 relocates the permanent residence from the United States to another location in the United States at Government expense travels with the Service member,</td>
<td>start BAH based on the dependent’s location, the day one or more dependents arrive at the new residence location and stop BAH-Transit the day before the dependent arrives.</td>
</tr>
</tbody>
</table>
Table 26-33. Dependent Relocates when Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or “Unusually Arduous Sea Duty” Outside the United States (Continued)

<table>
<thead>
<tr>
<th>If the dependent.</th>
<th>And…</th>
<th>Then…</th>
</tr>
</thead>
</table>
| 2 relocate the permanent residence from the United States to another location in the United States at Government expense | travels after the Service member, | a. Stop BAH based on the old PDS the day before the Service member departs.  
b. Start BAH-Transit the day the Service member departs and pay it through the day before the Service member’s reporting day at the new PDS.  
c. Start BAH based on the old PDS, the day the Service member reports to the new PDS and continue it until the day before the dependent arrives at the new residence location.  
d. Start BAH based on the dependent’s location, the day one or more dependents arrive at the new residence location. |
| 3 relocate the permanent residence at Government expense from outside the United States to the United States travels in advance of the Service member, | start BAH based on the dependent’s location, the day one or more dependents arrive at the new residence location. OHA based on the old PDS or BAH-Transit continues through the day before the dependent arrives. |
| 4 travels with the Service member, | a. Stop OHA the day before the Service member departs.  
b. Start BAH-Transit on the day the Service member departs and continue it through the day before the dependent arrives at the new location.  
c. Start BAH based on the dependent’s location, the day one or more dependents arrive at the new residence location. |
| 5 travels after the Service member, | a. Stop OHA based on the old PDS, the day before the Service member departs.  
b. Start BAH-Transit the day the Service member departs and continue it through the day before the Service member’s reporting date at the new PDS.  
c. Start OHA based on the old PDS, the day the Service member reports to the new PDS and continue it until the day before the dependent departs.  
d. Start BAH based on the dependent’s location, the day one or more dependents arrive at the new residence location. |
Table 26-33. Dependent Relocates when Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or “Unusually Arduous Sea Duty” Outside the United States (Continued)

<table>
<thead>
<tr>
<th>If the dependent.</th>
<th>And…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 relocates the permanent residence at Government expense from a location outside the United States to another location outside the United States</td>
<td>travels in advance of the Service member,</td>
<td>start OHA based on the dependent’s location, the day the dependent incurs permanent lodging costs at the new residence. OHA based on the old PDS or BAH-Transit continues through the day before OHA based on the dependent’s location begins.</td>
</tr>
</tbody>
</table>
| 7 relocates the permanent residence at Government expense from a location outside the United States to another location outside the United States | travels with the Service member, | a. Stop OHA based on the old PDS the day before the Service member departs.  
 b. Start BAH-Transit the day the Service member departs the old PDS.  
 c. Start OHA based on the dependent’s location, the day the dependent incurs permanent lodging costs at the new residence location.  
 d. Stop BAH-Transit the day before OHA based on the dependent’s location begins. |
| 8 travels after the Service member, | | a. Stop OHA based on the old PDS, the day before the Service member departs.  
 b. Start BAH-Transit the day the Service member departs and continue it through the day before the Service member’s reporting day at the new PDS.  
 c. Start OHA based on the old PDS, the day the Service member reports to the new PDS and continue it until the day before the dependent departs.  
 d. Start OHA based on the dependent’s location, the day the dependent starts incurring permanent lodging costs at the new residence location. |
Table 26-33. Dependent Relocates when Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or “Unusually Arduous Sea Duty” Outside the United States (Continued)

<table>
<thead>
<tr>
<th>If the dependent.</th>
<th>And…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 relocate the permanent residence at Government expense from the United States to a location outside the United States travels in advance of the Service member,</td>
<td>start OHA based on the dependent’s location, the day the dependent incurs permanent lodging costs at the new residence location. BAH based on the old PDS, or BAH-Transit continues through the day before OHA based on the dependent’s location begins.</td>
<td></td>
</tr>
</tbody>
</table>
| 10 relocate the permanent residence at Government expense from the United States to a location outside the United States travels with the Service member, | a. Stop BAH based on the old PDS, the day before the Service member departs.  
    b. Start BAH-Transit the day the Service member departs the old PDS.  
    c. Start OHA based on the dependent’s location, the day the dependent incurs permanent lodging costs at the new residence location.  
    d. Stop BAH-Transit the day before OHA based on the dependent’s location begins. |
| 11 relocate the permanent residence at Government expense from the United States to a location outside the United States travels after the Service member, | a. Stop BAH based on the old PDS, the day before the Service member departs.  
    b. Start BAH-Transit on the day the Service member departs and continue it through the day before the Service member’s reporting day at the new PDS.  
    c. Start BAH based on the old PDS, the day the Service member reports to the new PDS.  
    d. Start OHA based on the dependent’s location, the day the dependent starts incurring permanent lodging costs at the new residence location.  
    e. Stop BAH based on the old PDS, the day before OHA based on the dependent’s location begins. |
Table 26-33. Dependent Relocates when Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or “Unusually Arduous Sea Duty” Outside the United States (Continued)

<table>
<thead>
<tr>
<th>If the dependent.</th>
<th>And…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>relocates the residence at personal expense while the Service member is serving an unaccompanied or dependent restricted tour,</td>
<td>moves to an OHA area,</td>
</tr>
<tr>
<td>13</td>
<td>relocates between BAH locations,</td>
<td>relocates from a designated place outside the United States (OHA area) to a U.S. location,</td>
</tr>
<tr>
<td>14</td>
<td>relocates from a designated place outside the United States (OHA area) to a U.S. location,</td>
<td></td>
</tr>
</tbody>
</table>

261005. Reserve Component (RC) Member

A DoD retired Service member ordered to active duty is authorized the same housing allowances as an RC member. A lease agreement or verifiable purchase price is required before OHA payment.

A. Order Duration. An RC member called or ordered to active duty for 30 or fewer days is authorized the **RC rate (BAH-RC)**, except for contingency operations or for an AGR member. A Service member called or ordered to active duty for 31 or more days, except a Service member without a dependent during initial entry training, is authorized BAH or OHA. An RC member initially on a tour of 30 or fewer days who receives an order modification or assignment extension with a prospective, new active-duty period of 31 or more days receives BAH or OHA on the modification date. If the new period is 31 or more days, BAH-RC stops the day before the amendment or modification and BAH or OHA based on the primary residence starts on the modification date. Periods of active duty previously served may not be added together to meet the requirement for BAH or OHA that active duty exceeds 30 days. See paragraph 261010 for the rate for a Service member in accession pipeline travel.
1. Called or Ordered to Active Duty for 30 or Fewer Days. If the RC member is called or ordered to active duty for 30 or fewer days and the duty is not in support of a contingency operation, then start BAH-RC on the first day of active duty. If the duty is in support of a contingency operation, then start BAH or OHA based on the primary residence at the time called or ordered to active duty beginning on the first day of active duty.

2. Called or Ordered to Active Duty for Other than Training or Active Duty for Training (ADT) for 31 or More Days. An RC member called or ordered to ADT for a period lasting between 31 and 139 days, receives BAH or OHA based on the primary residence at the time called or ordered to ADT beginning on the first day of active duty. An RC member called or ordered to active duty for other than training for a period lasting between 31 and 180 days, except if he or she is without a dependent during initial entry training, is authorized BAH or OHA based on the primary residence beginning on the first day of active duty. This rate continues for the tour duration except as otherwise specified in this chapter.

3. Called or Ordered to ADT for 140 or More Days or Other than Training for 181 or More Days and Authorized HHG Transportation. Except when supporting a contingency operation, the initial rate ends on the day before the RC member reports at the duty location specified in the active-duty order. Whether or not the duty is in support of a contingency operation, BAH or OHA based on the primary residence starts at the time called or ordered to active duty for training, beginning on the first day of active duty and continues through the day before arrival at the PDS. BAH or OHA based on the PDS location begins on the day the RC member reports at that location. An RC member called or ordered to ADT for 140 or more days at one location or other than training for 181 or more days is authorized BAH or OHA in the same manner as a Service member already on active duty. OHA or BAH is not authorized for an RC member assigned adequate Government quarters to his or her grade and dependency status at the PDS.

4. Called or Ordered to ADT for 140 or More Days but not Authorized HHG Transportation. If the RC member is not authorized HHG transportation (e.g., duty is not performed for 140 or more days at one location), he or she receives BAH or OHA based on the primary residence at the time called or ordered to active duty, except as specified for an RC member OCONUS without a dependent. An RC member without a dependent authorized PCS allowances but not HHG transportation to a location OCONUS and Government quarters are not available, receives BAH or OHA based on the primary residence, unless the rate at the PDS is authorized or approved through the Secretarial Process.

5. Called or Ordered to Active Duty Other than Training for 181 or More Days but not Authorized HHG Transportation. An RC member called or ordered to active duty for other than training for 181 or more days who is not authorized HHG transportation for a PCS receives BAH or OHA based on the primary residence, except as specified for an RC member OCONUS without a dependent in subparagraph 261005.A.6. The member must be residing at any of the following locations at the time called or ordered to active duty:

   a. At locations outside the local commuting distance of the RC member’s primary residence and the duty is not for more than 180 consecutive days at one location.
b. At a location other than the RC member’s primary residence but authorized TDY allowances as specified in the JTR, Chapter 3.

c. At a location to which the RC member commutes from his or her primary residence.

d. At a location OCONUS for a prospective period of less than 12 months.

6. RC Member Without-dependent OCONUS. An RC member without a dependent—or who has no dependents other than for whom he or she is paying child support—and who is not authorized FSH as specified in Section 2607 receives BAH or OHA based on the primary residence. If the following conditions apply:

a. The RC member is authorized PCS allowances to a location OCONUS.

b. The RC member is not authorized PCS HHG transportation because the prospective period is less than 12 months. HHG transportation under a TDY order, as specified in the JTR, Chapter 2, does not affect this housing allowance authority.

c. Government quarters are not available at the PDS.

Then the Service may determine that it is inequitable to pay a housing allowance based on the primary residence. A housing allowance based on the PDS may be authorized or approved through the Secretarial Process. If Government quarters are available for assignment to the RC member at the PDS, he or she receives only BAH or OHA based on the primary residence.

7. Called or Ordered to Active Duty for Contingency. An RC member called or ordered to active duty in support of a contingency operation is authorized BAH or OHA based on the primary residence beginning on the first day of active duty. This rate is authorized even for duty of 30 or fewer days. This rate continues for the duration of the tour unless the RC member is authorized PCS HHG transportation, in which case the rate for the PDS would apply on the day the RC member reports to the PDS.

8. Injured or Physically Disabled While on Active Duty or on Inactive-Duty Training

a. An RC member injured or physically disabled due to an injury, illness, or disease incurred or aggravated in the line of duty during any of the following is authorized BAH or OHA:

(1) Performing active duty.

(2) While on inactive-duty training, other than work or study in connection with a correspondence course of an armed force, or attendance in an inactive status at an education institution under the sponsorship of an armed force or the USPHS.
(3) While authorized incapacitation pay, which may include BAH or OHA under DoDI 1241.01 (RC Line of Duty Determination for Medical and Dental Treatments and Incapacitation Pay Entitlements).

b. BAH or OHA is based on the primary residence and is paid beginning on the date the RC member becomes entitled to incapacitation pay. BAH or OHA for an eligible RC member may not be paid for more than 6 months except when, in the interest of fairness and equity, the Secretary concerned or the Secretary’s designee extends incapacitation pay. For offsets, see 37 U.S.C. §204(g) and (h), and DoDI 1241.01 (RC Line of Duty Determination for Medical and Dental Treatments and Incapacitation Pay Entitlements).

9. Order Modification or Amendment. When an RC member receives an order modification or amendment extending his or her assignment, the prospective new active-duty period determines the authority for housing allowances. If the prospective period is 140 or more days for training or 181 or more days and HHG are authorized for the PCS, the BAH-RC or BAH or OHA based on the primary residence stops the day before the modification or amendment and BAH or OHA based on the PDS begins on the modification date.

B. Contingency Operation. An RC member called or ordered to active duty in support of a contingency operation is authorized BAH or OHA for the duration of the tour. If the RC member receives a PCS order authorizing HHG transportation, BAH or OHA is based on the new PDS. However, if the Service member is called or ordered to active duty and a PCS order is not issued, BAH or OHA is based and paid on the primary residence location at the time called or ordered to active duty except for an AGR member.

C. AGR Member. An AGR member’s BAH or OHA is based on the PDS, even when the Service member is mobilized for active duty other than for AGR duty, provided the Service member does not have a break in service. The rate based on the PDS applies for the duration of the tour. If the AGR member receives a PCS order authorizing HHG transportation, BAH or OHA is based on the new PDS. However, if the Service member is called or ordered to active duty without a break in service and a PCS order authorizing HHG transportation is not issued, BAH or OHA is based and paid on the PDS location at the time called or ordered to active duty. A break in service occurs when 1 or more calendar days between active-duty service periods do not qualify as active-duty service. If an AGR member has a break in service when called to active duty for other than AGR duty, then the Service member is paid a housing allowance as for any other RC member (for example, the primary-residence rate).

D. RC Member Married to Service Member. Unless an RC member is assigned to a contingency operation or is an AGR member when he or she is called to active duty for 30 or fewer days, the RC member is authorized the RC rate (BAH-RC) without-dependent rate if he or she is not assigned to Government quarters and is married to another Service member on active duty without a dependent. For such an RC member on active duty for 31 or more days, each Service member is authorized BAH or OHA at the without-dependent rate. If a Service member in this situation has a dependent, BAH or OHA is paid as for an active-duty member.
261006. Government Defers Dependent Travel

A. When the Government defers dependent travel at Government expense to a Service member’s new PDS pending housing availability, in the CONUS or OCONUS, a with-dependent housing allowance continues to be paid at the old PDS rate, or at the rate for the dependent’s location if the dependent relocated there at Government expense. In a case in which the Secretarial Process previously authorized a housing allowance based on the dependent’s location, that rate continues.

B. FSH-O or FSH-B for the Service member’s location starts when the Service member obtains private-sector housing.

C. The payment of the with-dependent allowance and FSH-O or FSH-B continues for 60 days after dependent travel is authorized. If the 60-day time period expires, a dependent has not arrived at the Service member’s PDS, and an extension to the 60-day period has not been granted through the Secretarial Process, a housing allowance is not authorized for the dependent’s location. However, the Service member is authorized a with-dependent allowance based on the PDS location.

D. Table 26-34 specifies changes to a housing allowance when the Government defers a dependent’s travel to a duty station OCONUS.

Table 26-34. Changes when Government Defers Dependent Travel to Duty Station OCONUS

<table>
<thead>
<tr>
<th>If...</th>
<th>And...</th>
<th>Then...</th>
</tr>
</thead>
</table>
| 1     | the expected travel delay is at least 61 days but less than 20 weeks, the dependent did not relocate at Government expense, | arrives within 60 days of being given authorization to travel to the PDS OCONUS, | a. Continue the with-dependent allowance based on the old PDS upon the Service member’s departure.  
  b. Start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS.  
  c. Stop FSH the day before the dependent arrives.  
  d. Stop the with-dependent allowance based on the old PDS the day before the dependent arrives.  
  e. Start OHA or BAH in Alaska or Hawaii at the with-dependent rate on the dependent’s arrival date. |
| 2     | does not arrive within 60 days of being given authorization to travel to the PDS OCONUS, | | a. Continue the with-dependent allowance, based on the old PDS upon the Service member’s departure.  
  b. Start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS.  
  c. Stop FSH at 24:00 on the 60th day from the date travel is authorized to begin.  
  d. Change the with-dependent allowance to the rate based on the new PDS on the 61st day. |
Table 26-34. Changes when Government Defers Dependent Travel to Duty Station OCONUS (Continued)

<table>
<thead>
<tr>
<th>If...</th>
<th>And...</th>
<th>Then...</th>
</tr>
</thead>
</table>
| 3 the expected travel delay is 20 or more weeks, the dependent did not relocate at Government expense | arrives within 60 days of being given authorization to travel to the PDS OCONUS | a. Continue the with-dependent allowance based on the old PDS upon the Service member’s departure.  
b. Start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS.  
c. Stop FSH and the with-dependent allowance the day before the dependent arrives.  
d. Start OHA, or BAH in Alaska or Hawaii, at the with-dependent rate the day the dependent arrives at the Service member’s PDS. |
| 4 does not arrive within 60 days of being given authorization to travel to the PDS OCONUS | | a. Continue the with-dependent allowance based on the old PDS, upon the Service member’s departure.  
b. Start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS.  
c. Stop FSH-O or FSH-B at 24:00 on the 60th day from the date travel is authorized to begin.  
d. Change the with-dependent allowance to the rate based on the new PDS on the 61st day. |
| 5 the dependent is relocated at Government expense | arrives within 60 days of being given authorization to travel to the PDS OCONUS | a. Change the rate of the with-dependent allowance from the rate of the old PDS to the rate of the designated location, the day the dependent arrives at the designated location.  
b. Start FSH-O or FSH-B the day private-sector housing is acquired at the PDS.  
c. Stop FSH the day before the dependent arrives.  
d. Stop the with-dependent allowance, based on the dependent’s location, the day before the dependent arrives at the Service member’s PDS.  
e. Start OHA, or BAH in Alaska or Hawaii, at the with-dependent rate the day the dependent arrives at the Service member’s PDS. |
Table 26-34. Changes when Government Defers Dependent Travel to Duty Station OCONUS (Continued)

<table>
<thead>
<tr>
<th>If...</th>
<th>And...</th>
<th>Then...</th>
</tr>
</thead>
</table>
| 6     | does not arrive within 60 days of being given authorization to travel to the PDS OCONUS, | a. Change the rate of the with-dependent allowance from the rate of the old PDS to the rate of the designated location, the day the dependent arrives at the designated location.  
|       |                             | b. Start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS.  
|       |                             | c. Stop FSH-O or FSH-B at 24:00 on the 60th day from the date travel is authorized to begin.  
|       |                             | d. Change the with-dependent allowance from the rate of the old PDS to the rate of the new PDS on the 61st day. |

E. Tables 26-35 and 26-36 specify changes, based on location and expected travel delay, when the Government defers dependent travel to a duty station in the CONUS when the area has been declared a concurrent dependent travel application area (see JTR, Chapter 5, paragraph 051205).

Table 26-35. Government Defers Dependent’s Travel to PDS in the CONUS for 139 or Fewer Days and Old PDS is in the United States

<table>
<thead>
<tr>
<th>If the dependent is not relocated at Government expense and...</th>
<th>Then...</th>
</tr>
</thead>
</table>
| 1 arrives within 60 days of travel authorization,             | a. Upon the Service member’s departure, continue the with-dependent allowance based on the old PDS.  
|                                                               | b. Start FSH-B the day private-sector housing is acquired at the new PDS.  
|                                                               | c. Stop FSH the day before the dependent arrives.  
|                                                               | d. Stop the with-dependent allowance based on the old PDS the day before the dependent arrives.  
|                                                               | e. Start BAH at the with-dependent rate the day the dependent arrives at the Service member’s PDS. |
| 2 does not arrive within 60 days of travel authorization,     | a. Upon the Service member’s departure, continue the with-dependent allowance based on the old PDS.  
|                                                               | b. Start FSH-B the day private-sector housing is acquired at the new PDS.  
|                                                               | c. Stop FSH at 24:00 on the 60th day from the date travel is authorized to begin.  
|                                                               | d. Change the with-dependent allowance from being based on the old PDS to being based on the new PDS on the 61st day. |
Table 26-36. Government Defers Dependent’s Travel to PDS in the CONUS when the Old PDS is Outside the United States or the Old PDS is in the United States and the Expected Travel Delay is 140 or More Days (20 Weeks)

<table>
<thead>
<tr>
<th>If the dependent is not relocated at Government expense, and…</th>
<th>Then…</th>
</tr>
</thead>
</table>
| 1 arrives within 60 days of travel authorization             | a. Upon the Service member’s departure, continue the with-dependent allowance based on the old PDS.  
  b. Start FSH-B on the day private-sector housing is acquired at the new PDS.  
  c. Stop FSH on the day before dependent arrival.  
  d. Stop the with-dependent allowance based on the old PDS on the day before the dependent arrives.  
  e. Start BAH at the with-dependent rate as of the day the dependent arrives at the Service member’s PDS. |
| 2 does not arrive within 60 days of travel authorization     | a. Upon the Service member’s departure, continue the with-dependent allowance based on the old PDS.  
  b. Start FSH-B on the date private-sector housing is acquired at the PDS.  
  c. Stop FSH-B at 24:00 on the 60th day from the date travel is authorized to begin.  
  d. Change the with-dependent allowance from being based on the old PDS to being based on the new PDS on the 61st day. |
| 3 Arrives within 60 days of travel authorization             | a. Change the rate of the with-dependent allowance from the rate of the old PDS to the rate of the designated location, the day the dependent arrives at the designated location.  
  b. Start FSH-B the day private-sector housing is acquired at the new PDS.  
  c. Stop FSH-B at 24:00 on the 60th day from the date travel is authorized to begin.  
  d. Stop the with-dependent allowance based on the dependent’s location, the day before the dependent arrives at the Service member’s PDS.  
  e. Start BAH at the with-dependent rate for the Service member’s PDS the day the dependent arrives at the Service member’s PDS. |
Table 26-36. Government Defers Dependent’s Travel to PDS in the CONUS when the Old PDS is Outside the United States or the Old PDS is in the United States and the Expected Travel Delay is 140 or More Days (20 Weeks) (Continued)

<table>
<thead>
<tr>
<th>If the dependent is not relocated at Government expense, and…</th>
<th>Then…</th>
</tr>
</thead>
</table>
| 4 does not arrive within 60 days of travel authorization     | a. Change the rate of the with-dependent allowance from the rate of the old PDS to the rate of the designated location, the day the dependent arrives at the designated location.  
b. Start FSH-B the day private-sector housing is acquired at the new PDS.  
c. Stop FSH-B at 24:00 on the 60th day from the date travel is authorized to begin.  
d. Change the with-dependent allowance from being based on the dependent’s location to being based on the new PDS on the 61st day. |

261007. Dependent Travels Before or After Service Member

When a PCS order has been issued, the Service member’s family may perform PCS travel at a different time than the Service member.

A. **Housing Allowance Based on Dependent’s Location or Old PDS.** Unless otherwise authorized or approved, a Service member’s housing allowance is based on the PDS. If authorized or approved through the Secretarial Process, a Service member may be authorized a housing allowance based on the location at which a dependent maintains a permanent residence or the old PDS. Situations that are routinely authorized or approved at a lower level than the Service Secretary are listed in subparagraph 261002.B. An example of advance travel is the member’s family travels ahead to get settled before school starts. An example of delayed travel is the family remains at the old PDS until the school year ends.

B. **Secretarial Determinations.** The Secretary concerned may determine that other circumstances may require a dependent to reside separately from the Service member and authorize or approve a housing allowance payment based on either the dependent’s location or the old PDS. If the Secretary concerned determined that an additional reason for a BAH or OHA waiver was acceptable, the Secretarial Process may then be used to authorize or approve individual cases based on that determination.

C. **Rates Applicable**

1. If a dependent relocates, the rate applicable to the dependent’s new residence location is effective on the date the dependent arrives.

2. If the dependent does not relocate, the with-dependent allowance is based on the higher of the rates for the dependent’s location or the Service member’s old PDS and continues until the dependent departs the authorized or approved location.
3. A Service member is generally authorized BAH-Transit while on leave and travel between PDSs. However, in situations in which the Secretary concerned has authorized or approved an advance or delayed travel situation, the authorized or approved allowance at the with-dependent rate applies. In delayed travel situations, when the dependent departs the authorized or approved location, the allowance changes to the new PDS if the Service member has already arrived there or to the BAH-Transit if the Service member is still in transit.

D. Advance Travel. In all cases of advance travel, if the Service member is assigned Government quarters at the old PDS and a housing allowance has not been approved by the Secretarial process for the dependent’s location, do not start either BAH or OHA.

1. Table 26-37 specifies changes to housing allowances when the old PDS and new PDS are in the BAH area.

Table 26-37. Advance Dependent Travel when Service Member’s Old PDS and New PDS Are in the United States (BAH Area)

<table>
<thead>
<tr>
<th>If the Service member…</th>
<th>And a housing allowance…</th>
<th>Then…</th>
</tr>
</thead>
</table>
| 1  
  is assigned Government quarters at the old PDS  
  has been approved through the Secretarial Process for the dependent’s location, | | Start BAH at the with-dependent rate based on the dependent’s location on whichever is later:  
  a. The Arrival date.  
  b. The date Government quarters assignment terminates.  
  c. The effective date specified by the authorizing or approving document. |

| 2  
  is not assigned Government quarters at the old PDS  
  has been approved through the Secretarial Process for the dependent’s location, | | a. Start BAH at the with-dependent rate based on the dependent’s location on whichever is later:  
  (1) The arrival date.  
  (2) The effective date specified by the authorizing or approving document.  
  b. Stop BAH based on the current PDS as of the day before BAH starts based on the dependent’s location. |

| 3  
  is not assigned Government quarters at the old PDS  
  has not been approved through the Secretarial Process for the dependent’s location, | | continue BAH based on the current PDS until the Service member’s departure. |

2. Table 26-38 specifies changes to housing allowances when the old PDS is in the BAH area and the new PDS is outside the OHA area.
Table 26-38. Advance Dependent Travel when Service Member’s Old PDS is in the United States (BAH Area), New PDS is Outside the United States (OHA Area)

<table>
<thead>
<tr>
<th>If the Service member…</th>
<th>And a housing allowance…</th>
<th>Then…</th>
</tr>
</thead>
</table>
| 1 is assigned Government quarters at the old PDS | has been approved through the Secretarial Process for the dependent’s location, | start OHA at the with-dependent rate based on the dependent’s location on whichever is later:  
   a. The date private-sector housing is obtained at the new PDS.  
   b. The date Government quarters assignment terminates.  
   c. The effective date specified by the authorizing or approving document. |
| 2 is not assigned Government quarters at the old PDS | has been approved through the Secretarial Process for the dependent’s location, | a. Start OHA at the with-dependent rate based on the dependent’s location on whichever is later:  
   (1) The date private-sector housing is obtained at the new PDS.  
   (2) The effective date specified by the authorizing or approving document.  
   b. Stop BAH based on the current PDS, the day before OHA starts based on the dependent’s location. |
| 3 is not assigned Government quarters at the old PDS | has not been approved through the Secretarial Process for the dependent’s location, | continue BAH based on the current PDS until the Service member’s departure. |

3. Table 26-39 specifies changes to housing allowances when the old PDS is outside the OHA area and the new PDS is in the BAH area.
Table 26-39. Advance Dependent Travel when Service Member’s Old PDS is Outside the United States (OHA Area), New PDS is in the United States (BAH Area)

<table>
<thead>
<tr>
<th>If the Service member…</th>
<th>And a housing allowance...</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>is assigned Government quarters at the old PDS</td>
<td>has been approved through the Secretarial Process for the dependent’s location,</td>
</tr>
<tr>
<td>2</td>
<td>is not assigned Government quarters at the old PDS</td>
<td>has been approved through the Secretarial Process for the dependent’s location,</td>
</tr>
<tr>
<td>3</td>
<td>is not assigned Government quarters at the old PDS</td>
<td>has not been approved through the Secretarial Process for the dependent’s location,</td>
</tr>
</tbody>
</table>

4. Table 26-40 specifies changes to housing allowances when both the old and new PDS are outside the OHA area.

Table 26-40. Advance Dependent Travel when Service Member’s Old and New PDS are Outside the United States (OHA Area)

<table>
<thead>
<tr>
<th>If the Service member…</th>
<th>And a housing allowance...</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>is assigned Government quarters at the old PDS</td>
<td>has been approved through the Secretarial Process for the dependent’s location,</td>
</tr>
</tbody>
</table>
Table 26-40. Advance Dependent Travel when Service Member’s Old and New PDS are Outside the United States (OHA Area) (Continued)

<table>
<thead>
<tr>
<th>If the Service member…</th>
<th>And a housing allowance…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>is not assigned Government quarters at the old PDS</td>
<td>has been approved through the Secretarial Process for the dependent’s location,</td>
</tr>
<tr>
<td>3</td>
<td>is not assigned Government quarters at the old PDS</td>
<td>has not been approved through the Secretarial Process for the dependent’s location,</td>
</tr>
</tbody>
</table>

E. Delayed Travel

1. Table 26-41 specifies changes to housing allowances when the old PDS and new PDS are in the BAH area.

Table 26-41. Delayed Dependent Travel when Service Member’s Old PDS and New PDS Are in the United States (BAH area)

<table>
<thead>
<tr>
<th>If the Service member…</th>
<th>And a housing allowance…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>is assigned Government quarters at the old PDS</td>
<td>has been approved through the Secretarial Process for the dependent’s location,</td>
</tr>
</tbody>
</table>
Table 26-41. Delayed Dependent Travel when Service Member’s Old PDS and New PDS Are in the United States (BAH area) (Continued)

<table>
<thead>
<tr>
<th>If the Service member…</th>
<th>And a housing allowance…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 is assigned Government quarters at the old PDS</td>
<td>has not been approved through the Secretarial Process for the dependent’s location,</td>
<td>start BAH based on the new PDS, the day Government quarters assignment terminates if the Service member has arrived at the new PDS or start BAH-Transit if the Service member is still in transit.</td>
</tr>
</tbody>
</table>
| 3 is not assigned Government quarters at the old PDS | has been approved through the Secretarial Process for the dependent’s location, | a. continue BAH based on the higher of either the old PDS or on the dependent’s location on whichever is later:  
   (1) The day the Service member departs from the old PDS.  
   (2) The effective date specified by the authorizing or approving document.  
   b. base the allowance on the current PDS the day the dependent departs if the Service member has arrived at the new PDS or change it to BAH-Transit if the Service member is still in transit. |
| 4 | has not been approved through the Secretarial Process for the dependent’s location, | stop BAH as of the day before the Service member’s departure. |

2. Table 26-42 specifies changes to housing allowances when the old PDS is in the BAH area and the new PDS is outside the OHA area.

Table 26-42. Delayed Dependent Travel when Service Member’s Old PDS in the United States (BAH Area), New PDS Outside the United States (OHA Area)

<table>
<thead>
<tr>
<th>If the Service member…</th>
<th>And a housing allowance…</th>
<th>Then…</th>
</tr>
</thead>
</table>
| 1 is assigned Government quarters at the old PDS | has been approved through the Secretarial Process for the dependent’s location, | a. start BAH based on the highest of either the old PDS or the dependent’s location on whichever is later:  
   (1) The day Government quarters assignment terminates.  
   (2) The effective date specified by the authorizing or approving document.  
   b. base the allowance on the new PDS the day the dependent departs if the Service member has arrived to the new PDS or change it to BAH-Transit if the Service member is still in transit. |
Table 26-42. Delayed Dependent Travel when Service Member’s Old PDS in the United States (BAH Area), New PDS Outside the United States (OHA Area) (Continued)

<table>
<thead>
<tr>
<th>If the Service member…</th>
<th>And a housing allowance…</th>
<th>Then…</th>
</tr>
</thead>
</table>
| 2 is assigned Government quarters at the old PDS | has not been approved through the Secretarial Process for the dependent’s location, | a. start OHA based on the new PDS, the day Government quarters assignment terminates if the Service member has arrived at the new PDS.  
   b. start BAH-Transit if the Service member is still in transit. |
| 3 is not assigned Government quarters at the old PDS | has been approved through the Secretarial Process for the dependent’s location, | a. start BAH based on the highest of either the old PDS or the dependent’s location on whichever is later:  
   (1) The day the Service member departs from the old PDS.  
   (2) The effective date specified by the authorizing or approving document.  
   b. base the allowance on the new PDS the day the dependent departs if the Service member has arrived at the new PDS or change it to BAH-Transit if the Service member is still in transit. |
| 4 | has not been approved through the Secretarial Process for the dependent’s location, | stop BAH the day before the Service member’s departure. |

3. Table 26-43 specifies changes to housing allowances when the old PDS is outside the OHA area and the new PDS is in the BAH area.

Table 26-43. Delayed Dependent Travel when Service Member’s Old PDS Outside the United States (OHA Area), New PDS in the United States (BAH Area)

<table>
<thead>
<tr>
<th>If the Service member…</th>
<th>And a housing allowance…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 is assigned Government quarters at the old PDS</td>
<td>has been approved through the Secretarial Process for the dependent’s location and the dependent moves to the new PDS after Government quarters terminates,</td>
<td>start BAH based on the new PDS, if the Service member has arrived at the new PDS, or start BAH-Transit if the Service member is in transit.</td>
</tr>
</tbody>
</table>
Table 26-43. Delayed Dependent Travel when Service Member’s Old PDS Outside the United States (OHA Area), New PDS in the United States (BAH Area) (Continued)

<table>
<thead>
<tr>
<th>If the Service member…</th>
<th>And a housing allowance…</th>
<th>Then…</th>
</tr>
</thead>
</table>
| 2                      | is assigned Government quarters at the old PDS | has been approved through the Secretarial Process for the dependent’s location and the dependent moves to private-sector housing at the old PDS after Government quarters terminates, | a. start OHA based on the old PDS on whichever is later:  
(1) The day Government quarters terminates.  
(2) The date private-sector housing is obtained.  
(3) The effective date specified by the authorizing or approving document.  
b. change to BAH based on new PDS, the day the dependent departs if the Service member has arrived to the new PDS or to BAH-Transit if the Service member is still in transit. |
| 3                      | is assigned Government quarters | has not been approved by the Secretarial Process for the dependent’s location, | start BAH based on the new PDS when Government quarters terminates, if the Service member has arrived at the new PDS or start BAH-Transit if the Service member is still in transit. |
| 4                      | is not assigned Government quarters at the old PDS | has been approved through the Secretarial Process for the dependent’s location, | a. continue OHA based on the old PDS on whichever is later:  
(1) The day the Service member departs from the old PDS.  
(2) The effective date specified by the authorizing or approving document.  
b. change to BAH based on new PDS, the day the dependent departs if the Service member has arrived to the new PDS or to BAH-Transit if the Service member is still in transit. |
| 5                      |                                   | has not been approved through the Secretarial Process for the dependent’s location, | stop OHA the day before the Service member’s departure. |

4. Table 26-44 specifies changes to housing allowances when the old PDS and new PDS are outside the OHA area.
Table 26-44. Delayed Dependent Travel when Service Member’s Old and New PDS are Outside the United States (OHA Area)

<table>
<thead>
<tr>
<th>If the Service member…</th>
<th>And a housing allowance…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 is assigned Government quarters at the old PDS</td>
<td>has been approved through the Secretarial Process for the dependent’s location and the dependent moves to the new PDS after Government quarters terminates,</td>
<td>start OHA based on the new PDS if the Service member has arrived, or BAH-Transit if in transit.</td>
</tr>
</tbody>
</table>
| 2 | has been approved through the Secretarial Process for the dependent’s location and the dependent moves to private-sector housing after Government quarters terminates, | a. start OHA based on the old PDS on whichever is later:  
   (1) The date Government quarters terminates.  
   (2) The date private-sector housing is obtained.  
   (3) The effective date specified by the authorizing or approving document.  
b. change to OHA based on new PDS, the day the dependent departs if the Service member has arrived to the new PDS or to BAH-Transit if the Service member is in transit. |
| 3 | has not been approved through the Secretarial Process for the dependent’s location | start OHA based on new PDS if the Service member has arrived, or BAH-Transit if in transit, when the Government quarters assignment terminates. |
| 4 is not assigned Government quarters at the old PDS | has been approved through the Secretarial Process for the dependent’s location | a. continue OHA based on old PDS on whichever is later:  
   (1) The Service member’s departure date from the old PDS.  
   (2) The effective date specified by the authorizing or approving document.  
b. change to OHA based on new PDS, the day the dependent departs if the Service member has arrived to the new PDS or to BAH-Transit if the Service member is in transit. |
| 5 | has not been approved by the Secretarial Process for the dependent’s location | stop OHA on the day before the Service member’s departure. |
261008. Early Return of Dependent

A. Early Return at Government Expense

1. When all of a Service member’s dependents are returned from a PDS OCONUS at Government expense not due to a PCS, regardless of the reason for the return, the Service member is authorized a housing allowance at the with-dependent rate based on the dependent’s permanent residence location effective on the arrival day. If the dependent’s location is in an OHA area, start OHA on the date private-sector housing is acquired.

2. OHA, or BAH in Alaska or Hawaii, at the with-dependent rate for the Service member’s PDS OCONUS stops on the day before the day the rate for the dependent’s permanent residence starts. If the Service member resides in private-sector housing after the dependent’s departure and single-type Government quarters are not available, FSH-O or FSH-B for the Service member’s PDS location is authorized effective on the day the rate for the dependent’s permanent residence location begins. If Government quarters are assigned or made available to the Service member following a dependent’s departure, no housing allowance is payable for the Service member’s PDS.

3. Whether or not a Service member is assigned family Government quarters:
   a. If the dependent’s location is in a BAH area, start with-dependent BAH based on dependent residence location as of the dependent’s arrival date.
   b. If the dependent’s location is in an OHA area, start OHA on the date private-sector housing is acquired for the dependent (based on the paperwork).

4. When a Service member assigned to Government family-type quarters terminates the quarters assignment and single-type Government quarters are not available, start FSH effective on the termination date or the date private-sector housing for the Service member is acquired (based on the paperwork for OHA), whichever is later.

5. If a Service member is not assigned to Government family-type quarters then stop the with-dependent rate based on the PDS on the day before the allowance rate based on the dependent’s location starts. If single-type Government quarters are not available, start FSH-O or FSH-B the day the allowance based on the dependent’s location starts.

B. Early Return at Personal Expense. When all of a Service member’s dependents returned early from a PDS OCONUS at personal expense, the Service member is not authorized a second housing allowance and the housing allowance at the with-dependent rate based on the Service member’s PDS continues without change, unless there is an OHA-related paperwork change. If the Service member vacates family-type Government quarters that were occupied by the dependent before the dependent’s departure, the Service member is authorized an allowance at the with-dependent rate for the Service member’s PDS. If a Service member assigned family Government quarters at the PDS OCONUS terminates a Government quarters assignment:
1. If in a BAH area, start with-dependent BAH based on the PDS as of the termination date.

2. If in an OHA area, start with-dependent OHA based on the PDS as of the date (based on the paperwork) private-sector housing is acquired or the termination date, whichever is later.

261009. Evacuation of a Service Member’s PDS

A. Service Member with a Dependent

1. **PDS OCONUS-Command-Sponsored Dependent** (see Chapter 67)
   a. A Service member, whose command-sponsored dependent is evacuated and who was authorized a with-dependent housing allowance on the evacuation date, continues to be paid that allowance while the Service member’s PDS remains unchanged and the Service member continues to maintain private-sector housing, as long as the command-sponsored dependent is receiving evacuation allowances.
   
   b. If a dependent, command sponsored for OCONUS COLA, is authorized to return to the PDS after being evacuated, no housing allowance actions are required, whether or not the Service member is assigned quarters at the PDS.
   
   c. If a dependent’s return to the PDS is not authorized or approved, then the dependent must select a designated place and will continue to receive evacuation allowances as specified in the JTR, Chapter 6. A Service member is authorized a with-dependent allowance based on the location of the designated place beginning the day after the evacuation allowance ends, whether or not the Service member is assigned Government quarters at the PDS.

   (1) If the Service member is not assigned Government quarters at the PDS, OHA or BAH based on the PDS OCONUS stops on the day before the allowance based on the designated place starts.

   (2) If Government quarters are not available for the Service member at a PDS OCONUS, start FSH-O or FSH-B based on the PDS on the same day as the with-dependent allowance based on the designated place starts.

2. **PDS OCONUS—Non-Command Sponsored Dependent**
   a. If the evacuation occurs 89 or fewer days after a dependent arrived at the Service member’s PDS OCONUS and the Service member is still being paid a with-dependent allowance based on the dependent’s permanent residence or designated place as well as FSH-O or FSH-B based on the PDS OCONUS rate, then no changes in housing allowances are required. Whether the Service member is assigned Government quarters at the PDS is not a factor.
b. If the evacuation occurs 90 or more days after a dependent arrived at the Service member’s PDS OCONUS and the Service member is now being paid a with-dependent allowance based on the PDS, reinstate OHA or BAH based on the dependent’s prior permanent residence or designated place on the dependent’s departure day from the PDS. Stop the with-dependent OHA or BAH allowance based on the PDS the day before the dependent departs. If after the dependent departs and Government quarters are not available for the Service member, then start FSH based on the PDS on the day the dependent departs the PDS.

3. **PDS in the CONUS**

   a. A Service member who was authorized a with-dependent BAH on the date the dependent was evacuated continues to be paid BAH as long as the dependent is receiving evacuation allowances when both of the following conditions apply:

   (1) The Service member’s PDS remains unchanged.

   (2) The Service member continues to maintain private-sector housing.

   b. If a dependent is authorized to return to the PDS after being evacuated, no housing allowance actions are required. Whether the Service member is assigned Government quarters at the PDS is not a factor.

   c. If the return of a dependent to the PDS is not authorized or approved, the dependent is directed to select a designated place and continue to receive evacuation allowances as provided in the JTR, Chapter 6 until he or she establishes a permanent residence. A Service member is authorized a with-dependent allowance based on the designated place beginning the day after evacuation allowances end. BAH based on the PDS stops the day before evacuation allowances end.

B. **Service Member Without-Dependent.** A Service member without a dependent, who was authorized OHA or BAH at the PDS on the date an evacuation is ordered or authorized, and who continues to maintain a private-sector residence, continues to be authorized the allowance even though the Service member temporarily may be required to occupy Government quarters or be sent on a TDY. When the commanding officer believes the Service member will not be permitted to return to the private-sector housing in the foreseeable future, the commander must encourage the Service member to end the private-sector housing at the earliest practical date and end OHA or BAH concurrent with the private-sector housing termination.
261010. Service Member in Transit

BAH-Transit is a temporary housing allowance paid while a Service member is in a travel or leave status between PDSs, provided the Service member is not assigned Government quarters while at the old or new PDS. If the Service member performs a TDY en route at the new PDS, BAH or OHA for the new PDS begins the day of arrival in a TDY status at the new PDS. If the Service member performs a TDY en route at a location near, but outside the limits of, the new PDS or to the home port of a ship, afloat staff, or afloat unit, per diem stops as specified in the JTR, Chapter 5. BAH or OHA for the new PDS begins the day per diem stops.

A. Old PDS in the United States. A Service member’s old PDS is the PDS for BAH purposes from the day the Service member departs the old PDS through the day before the Service member reports to the new PDS in compliance with a PCS order. If the Service member had been residing in Government quarters at the old PDS, the Service member is authorized BAH as of the Government quarters termination date.

B. Old PDS Outside the United States. When a Service member’s old PDS is outside the United States, and the Service member is not assigned Government quarters, the Service member is authorized OHA through the day before departing the PDS outside the United States. The day the Service member departs, OHA is no longer authorized and the Service member is authorized BAH-Transit if the Service member is not receiving a with-dependent housing allowance for a dependent residing separately. If the Service member is being paid BAH at the with-dependent rate for a dependent residing separately, that BAH rate continues until the Service member arrives at the new PDS. If the Service member is being paid OHA at the with-dependent rate for a dependent residing separately, that OHA rate continues provided the dependent remains at the location outside the United States. If the dependent also performs PCS travel, BAH-Transit applies.

C. New Accession. A Service member in the accession pipeline includes a Service member who is undergoing initial entry training, including an RC member, a student—including Reserve Officer Training Corps (ROTC) and Officer Candidate School—without prior military Service, or a Service academy graduate upon graduation, until arrival at the first PDS. The Service member remains in the accession pipeline until the Service member arrives at a PDS, including a training location of 20 or more weeks. An RC member remains in the accession pipeline until he or she completes entry-level training or arrives at a PDS, whichever occurs first.

1. Service Member Without-dependent. A Service member in the accession pipeline without a dependent is authorized BAH-Transit when in a travel, leave en route, or proceed time status while transferring from the initial entry training location, between training locations, and to the first PDS. For BAH authorization only (not locality rate), the training sites are defined as a PDS except for an RC member without a dependent. A Service member without a dependent is not authorized BAH (except BAH-Partial) while at the training locations since Government quarters are assigned at the PDS. An RC member without a dependent attending accession training is authorized BAH or OHA based on the primary residence location at the time called or ordered to active duty if the Service member maintains a residence and continues to be responsible for rent, or owns the residence.
2. **Service Academy or ROTC Graduate Without-dependent.** A Service academy or ROTC graduate without a dependent is authorized a housing allowance at the without-dependent rate for the graduation or commissioning location through the day before departure en route to the training location, if he or she:

   a. Remains on active duty at the graduation or commissioning location following graduation and commissioning before proceeding to another duty station.

   b. Is not assigned Government quarters.

3. **Service Member with a Dependent.** The BAH rate for a new accession with a dependent is based on the dependent’s location if the location is in the United States. If dependent is located outside the United States, BAH is based on the training site location. If an officer who was previously authorized a housing allowance at the without-dependent rate for the graduation or commissioning location specified in subparagraph 261010.C.2 acquires a dependent, the officer’s housing allowance at the with-dependent rate becomes based on the dependent’s location effective the date the dependent is acquired.

D. **Retirement or Separation**

1. **From a PDS in the United States.** A Service member’s old PDS is the PDS for BAH purposes from the day the Service member departs the old PDS through the separation or retirement date. If the Service member had been residing in Government quarters at the old PDS, the Service member is authorized BAH beginning the date Government quarters are terminated provided the Service member is still on active duty.

2. **From a PDS Outside the United States**

   a. **Establishes Residence Outside the United States.** A Service member at a PDS outside the United States, who is processing for retirement or separation or on leave after processing, and who intends to establish a residence in an OHA-based area after retirement or separation, is eligible for OHA. To be paid OHA under any of the circumstances listed, the Service member must provide a lease and a completed and approved 2367.

      (1) If the Service member continues to occupy private-sector leased or owned housing at or in the PDS vicinity, OHA continues until the date of separation or retirement.

      (2) If the Service member occupies private-sector leased or owned housing after vacating Government quarters or moves to different private-sector housing in the same country, OHA starts on the date the Service member obtains private-sector housing and stops on the date of separation or retirement.

      (3) If a Service member at a PDS outside the United States moves to a different country that is an OHA area to establish a residence after separation or retirement, the Service member is eligible for a housing allowance based on the residence location. OHA starts on the day the Service member obtains private-sector housing and stops on the date of
separation or retirement. However, if the Service member is being paid OHA at the with-dependent for dependents residing separately, that OHA rate continues provided the dependents remain at the location OCONUS.

b. Returns to a U.S. Processing Station. If not assigned Government quarters, a Service member separating or retiring at a PDS outside the United States, who returns to the United States for retirement or separation processing, is authorized OHA through the day before departing the PDS outside the United States. The day the Service member departs that PDS, OHA is no longer authorized. The Service member is authorized the BAH rate for the retirement or separation processing location if he or she is not receiving a with-dependent housing allowance for a dependent residing separately. If the Service member is being paid a with-dependent BAH rate for a dependent residing separately, that BAH rate continues until the Service member separates or retires. NOAA’s Marine and Aviation Operations and Commissioned Personnel Centers are the processing stations for NOAA.

c. Returns to the United States After Completing Separation or Retirement Processing Overseas. If not assigned Government quarters, a Service member retiring or separating at a PDS outside the United States, who returns to the United States after completing retirement or separation processing at the overseas PDS, and who does not have a processing location within the United States, is authorized OHA through the day before departing the PDS outside the United States. The day the Service member departs that PDS, OHA is no longer authorized. The Service member is authorized the BAH rate for the leave address provided as part of the final processing if he or she is not receiving a housing allowance at the with-dependent rate for a dependent residing separately. If the Service member is being paid a BAH at the with-dependent rate for a dependent residing separately, that BAH rate continues until the Service member separates or retires.

E. Decision Process for a Service Member in Transit

1. In all cases for a Service member in transit:

a. If a Service member is assigned Government quarters adequate for the Service member and the dependent, if applicable, the Service member is not authorized BAH or OHA. Start BAH or OHA effective the date of quarters termination, if applicable.

b. If the Service member has a Secretarial waiver to pay BAH based on the previous PDS, or BAH based on the dependent’s location, then continue that rate until the Service member arrives at the new PDS. If a Secretarial waiver is for an OHA location, continue the OHA rate if the dependent remains at the OHA location.

c. Payment of OHA requires a lease agreement or a verifiable purchase price.
2. If a Service member is participating in the Educational Leave Program Relating to Continuing Public and Community Services, and the Service member is authorized BAH or OHA, start BAH or OHA based on the designated unit of assignment during scheduled school breaks or leave periods.

3. If a Service member receives an appropriate authorization or order associated with a prolonged hospitalization determination and is transferred from any PDS to a hospital in the United States for observation or treatment, pay BAH based on the hospital location if the Service member is authorized BAH.

4. Table 26-45 specifies housing allowances for a Service member in transit on a PCS. Table 26-46 specifies housing allowances for a Service member who is a new accession. Table 26-47 specifies housing allowances for a Service member awaiting final discharge or in processing for separation or retirement.

Table 26-45. Housing Allowance for Service Member in Transit on a PCS

<table>
<thead>
<tr>
<th>If the Service member is en route...</th>
<th>And...</th>
<th>Then...</th>
</tr>
</thead>
</table>
| 1 from a PDS in the United States,  | Government quarters at the old PDS were not assigned | a. continue BAH based on the old PDS, through the day before the Service member reports to the new PDS, to include TDY en route.  
b. start BAH or OHA based on the new PDS, the day the Service member reports to the new PDS. |
| 2 from a PDS outside the United States, | was not paid BAH or OHA at the old PDS because Government quarters were assigned, | a. start BAH-Transit the day the Service member departs the OHA area through the day before the Service member reports to the new PDS, to include TDY en route.  
b. start BAH or OHA based on the new PDS, the day the Service member reports to the new PDS. |
| 3 from a PDS in the United States,  | | a. start BAH based on the old PDS, the day the Service member terminates Government quarters.  
b. start the new PDS rate the day the Service member reports to the new PDS. |
| 4 from a PDS outside the United States, | | a. start BAH-Transit the day the Service member departs the old PDS through the day before the Service member reports to the new PDS.  
b. start BAH or OHA based on the new PDS, the day the Service member reports to the new PDS. |
Table 26-46.  Housing Allowance for Service Member in Transit for New Accession

<table>
<thead>
<tr>
<th>If the Service member is…</th>
<th>And the Service member…</th>
<th>Then…</th>
</tr>
</thead>
</table>
| 1 newly inducted, enlisted, reenlisted, or an officer candidate | has a dependent located in the United States, | a. start BAH based on the dependent’s location beginning the date of enlistment, entry on active duty, or the date active duty pay begins through the day before the day the Service member reports to the first PDS, including a training location for 20 or more weeks.  
b. start BAH or OHA based on the PDS on the day the Service member reports to the first PDS. |
| 2 newly inducted, enlisted, reenlisted, or an officer candidate | has a dependent located outside the United States, | a. start BAH based on the training location beginning the date of enlistment, entry on active duty, or the date active duty pay begins through the day before the day the Service member reports to the first PDS, including a training location for 20 or more weeks.  
b. start BAH or OHA based on the PDS on the day the Service member reports to the first PDS. |
| 3 in the pipeline in a travel, leave en route, or proceed time status while transferring from the initial training location, between training locations, and to the first PDS | has no dependents, | a. start BAH-Transit when the Service member is in a travel status between duty or training stations and start the new BAH or OHA based on the PDS the day the Service member reports to the new PDS, including a training location for 20 or more weeks.  
b. for an RC member, pay BAH or OHA based on the primary residence location at the time called or ordered to active duty for the accession training duration, if the Service member maintains a residence and continues to be responsible for rent or owns the residence. |
| 4 | has a dependent in the United States, | a. continue BAH based on the dependent’s location in the United States through the day before the Service member reports to the new PDS.  
b. start BAH or OHA based on the first PDS the day the Service member reports to the first PDS. |
| 5 | has a dependent outside the United States, | a. continue BAH based on the training site through the day before the Service member reports to the new PDS.  
b. start BAH or OHA based on the first PDS the day the Service member reports to the first PDS. |
Table 26-46. Housing Allowance for Service Member in Transit for New Accession (Continued)

<table>
<thead>
<tr>
<th>If the Service member is…</th>
<th>And the Service member…</th>
<th>Then…</th>
</tr>
</thead>
</table>
| 6 an Academy or ROTC graduate remaining at the graduation or commission location awaiting follow-on training and not assigned Government quarters | has no dependents, | a. pay BAH based on the graduation or commission location through the day before departure en route to the training location.  
b. apply BAH-Transit thereafter. See rule above for a Service member in the pipeline in a travel, leave en route, or proceed time status while transferring from the initial training location, between training locations, to the first PDS, and has no dependents. |

Table 26-47. Housing Allowance for Service Member in Transit for Final Discharge, Separation, or Retirement

<table>
<thead>
<tr>
<th>If the Service member is…</th>
<th>From…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 in a leave status away from the PDS awaiting final discharge</td>
<td>a PDS in the United States,</td>
<td>continue BAH based on the old PDS through the date of discharge.</td>
</tr>
<tr>
<td>2 is processing for separation or retirement</td>
<td>a PDS in the United States,</td>
<td>continue BAH based on the old PDS through the date of separation or the day before the effective date of retirement.</td>
</tr>
</tbody>
</table>
| 3 a PDS outside the United States with a processing location in the United States, | a. start BAH based on the retirement or separation processing location beginning the day the Service member departs the PDS through the date of separation or the day before the effective date of retirement.  
b. continue BAH based on a dependent’s location, if applicable, through the separation or retirement date. |
Table 26-47. Housing Allowance for Service Member in Transit for Final Discharge, Separation, or Retirement

<table>
<thead>
<tr>
<th>If the Service member is…</th>
<th>From…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>a PDS outside the United States and returns to the United States after processing OCONUS,</td>
<td>a. start BAH based on the leave address provided as part of the final out-processing, beginning the day the Service member departs the PDS through the date of separation or day before effective date of retirement. b. continue BAH based on a dependent’s location, if applicable, through the separation or retirement date.</td>
</tr>
<tr>
<td>5</td>
<td>a PDS outside the United States and remains at the PDS,</td>
<td>continue OHA based on the PDS outside the United States, provided the Service member continues to occupy private-sector leased or owned housing.</td>
</tr>
<tr>
<td>6</td>
<td>a PDS outside the United States and the Service member remains OCONUS but moves to a different country,</td>
<td>a. stop OHA based on the PDS when the Service member stops paying rent or when the Service member departs the PDS area. b. start OHA based on the location OCONUS the Service member moves to establish a residence on the day the Service member obtains private-sector housing. c. continue OHA through the date of separation or day before effective date of retirement. d. continue OHA based on a dependent’s location, if applicable, through the separation or retirement date provided the dependents remain at the location OCONUS.</td>
</tr>
</tbody>
</table>

261011. Service Member in a Missing Status

A. Service Member Without-dependent. A Service member without a dependent carried in a missing status is authorized without-dependent BAH. Pay BAH at the without-dependent rate based on the PDS for a Service member whose PDS is in the United States. If the Service member had a Secretarial waiver to receive BAH based on the former PDS due to a low-cost or no-cost PCS, then that BAH rate continues. Pay BAH at the without-dependent rate based on the home of record (HOR) location for a Service member whose PDS is outside the United States. If the Service member’s HOR and PDS are outside the United States then pay the without-dependent BAH-Transit rate. See Chapter 34 (Pay Entitlement of Members Missing, Missing in Action, Interned, and Payments to Dependents).

B. Service Member With-dependent. A Service member with a dependent continues to receive the housing allowance authorized upon entering the missing status. If the dependent relocates, pay the housing allowance at the with-dependent rate based on the dependent’s location.
261012. Service Member in Confinement

Pretrial confinement, restraint other than confinement, or an adjudged sentence of restriction alone does not affect a Service member’s BAH authority.

A. Transferred to a Confinement Facility. When a Service member who is serving a court-martial sentence to confinement is transferred to a confinement facility, then the BAH or OHA rate is based on the dependent’s location if the Service member is authorized a housing allowance, other than BAH partial, while confined. A Service member is not authorized a housing allowance unless authorized basic pay. All rules concerning whether a Service member in civil or foreign confinement, including pre-trial, is authorized basic pay are covered in Chapter 1 (Creditable Service). This rule does not address a Service member’s authority for a housing allowance when civil or foreign authorities confine the Service member.

B. In Confinement

1. BAH or OHA does not accrue while the Service member is confined pursuant to a court-martial and the sentence is effective or approved or when the Service member was not receiving BAH or OHA on the day before confinement and Government quarters assignment was not terminated before or during confinement. Service procedures must specify how and by whom Government quarters termination must be certified. Confinement imposed pursuant to a court-martial sentence begins the date the sentence is adjudged (10 U.S.C. §857(a), (b)).

   a. If a Service member is in confinement in a guardhouse, brig, or correctional barracks pursuant to a court-martial—not including pretrial confinement, restraint other than confinement, or an adjudged sentence of restriction alone—then the Service member’s BAH or OHA accrues if the sentence is set aside or disapproved. The Service member must be otherwise authorized to receive BAH or OHA.

   b. A Service member without-dependents who is confined in a guardhouse, brig, or correctional barracks, was assigned to single-type, Government quarters before confinement, and remains assigned to such quarters during confinement is authorized BAH-Partial unless forfeiture of allowances was directed. If he or she is restrained in a status of arrest in assigned single-type Government quarters, and therefore not authorized BAH or OHA, then the Service member is authorized BAH-Partial unless forfeiture of allowances was directed.

2. For FSH, a Service member in military confinement or otherwise restricted by military authority continues FSH for 60 or fewer days without certificate from the Service member. The FSH may continue for more than 60 days, but payment must be supported by the Service member’s certification that he or she maintained private-sector housing at the PDS.
261013. Housing Allowance Following Service Member’s Death

BAH or OHA continuation or payment to the surviving dependent of a Service member who dies on active duty is authorized for 365 days. It is paid to the dependent when, on the date of the Service member’s death, the dependent either does not occupy Government quarters, is occupying Government quarters on a rental basis, or vacates Government quarters within 365 days of the Service member’s death.

A. Not Payable. The housing allowance is not payable to a dependent who killed the Service member, unless there is evidence that clearly absolves the dependent of any felonious intent. It also is not payable to a surviving dependent of an RC member if that RC member dies while on inactive duty.

B. Payment Priority. Payments to a surviving dependent are made first to the current spouse. If there is no current spouse, the housing allowance is divided equally among the dependents on whose behalf the deceased Service member was receiving a with-dependent housing allowance.

C. Payment Amount and Method. The housing allowance is paid in the same amount and in the same manner as the deceased Service member would have been paid. The housing allowance may be paid quarterly as an advance payment, but must be reconciled. Housing allowance payments to the dependent are not subject to collection of any debts owed by the deceased Service member to the United States.

D. Surviving Service Member Spouse. (37 U.S.C. §403(1)) The allowance in this paragraph may be paid to a deceased Service member’s spouse even if the spouse is also a Service member entitled to basic pay. The allowance is paid to the surviving Service member spouse in addition to any other pay and allowances to which the surviving Service member spouse is authorized as a Service member. The following payment rules apply:

1. Dual housing-allowance payments are authorized for a surviving Service member spouse.

2. When any dependents other than a surviving Service member spouse are involved, the housing allowances are paid in the same manner that was provided for before the Service member’s death. If the surviving Service member spouse was drawing the without-dependent housing allowance on the Service member’s date of death, that rate would continue for 365 days. On day 366, the surviving Service member spouse’s housing allowance could change to the with-dependent rate.

3. If the family vacates Government quarters, the surviving Service member spouse is paid the housing allowance that would have been paid to the deceased Service member, as well as the housing allowance to which the surviving Service member spouse is authorized. In this case, the surviving Service member spouse may determine on whose behalf the with-dependent and the without-dependent housing allowances are paid.
4. If the deceased Service member was receiving a with-dependent housing allowance solely for a dependent who may not be claimed by the surviving Service member spouse, the surviving Service member spouse is only authorized housing allowance continuation at the without-dependent rate. The remainder—the difference between the with-dependent and without-dependent rates—is divided equally among the dependents on whose behalf the deceased Service member was receiving the with-dependent rate.

E. Rate Defining Location

1. If a Service member with a dependent dies on active duty while assigned to a PDS in the United States, then the housing allowance for the dependent is based on the deceased Service member’s PDS, regardless of the location where the dependent chooses to reside unless the dependent is in receipt of a Secretarial waiver.

2. If a Service member with a dependent dies on active duty while assigned to a PDS outside the United States, then the housing allowance for the dependent is based on the location where the dependent resides, or chooses to reside, in the United States. If the dependent stays overseas, the housing allowance is based on the OHA rate—and the documented cost—for the location where the dependent resides. It then changes to BAH based on the United States location where the dependent later decides to reside on the date that any dependent arrives there or the date that all dependents have departed the PDS location, whichever is later. Authority exists for 365 days after the Service member’s death.

3. If a Service member with a dependent dies on active duty and a dependent resides in Government quarters, then the housing allowance for the dependent is based on the dependent’s location the day that the Government housing facilities were vacated. That rate continues for 365 days, less the number of days the Government housing facilities were occupied following the date of the Service member’s death. If the Government housing was outside the United States, pay the housing allowance based on the location where the dependent chooses to reside.

261014. Housing Flexibility for Certain Armed Forces Members With-dependents, Permanent Change of Station (PCS) Within the United States (37 USC §403a). Effective for PCS departures on or after October 1 2018.

A. General. An eligible Armed Forces member with-dependents may be permitted certain housing flexibility while under a PCS order within the United States during a covered relocation period (DoDI 1315.18, Encl 3, paragraph 10).

B. Eligibility. An Armed Forces member with-dependents with PCS orders within the United States that may be authorized housing flexibility under this paragraph is an Armed Forces member who has one of the following:

1. A spouse who is gainfully employed or enrolled in a degree, certificate or license granting program at the beginning of the covered relocation period.
2. One or more dependents attending an elementary or secondary school at the beginning of the covered relocation period.

3. One or more dependents enrolled in the Exceptional Family Member Program.

4. An immediate family member with a chronic or long-term illness at the beginning of the covered relocation period for whom the member is caring.

C. Covered Relocation Period. The covered relocation period begins 180 days before the date of the PCS, which is the date the Armed Forces member leaves the current PDS and ends 180 days after the date of the PCS. The Secretary concerned may lengthen or shorten the covered relocation period through the Secretarial process based on the needs of the Armed Forces. See the decision support tools.

D. Expiration. If the Armed Forces member’s eligibility expires for any reason during the covered relocation period, that period is terminated and housing is paid at the PDS where the Armed Forces member is assigned at that time. If the Armed Forces member departs the old PDS, and the persons that are the basis of the eligibility do not arrive at the new PDS within the covered relocation period, housing allowances are paid at new PDS location rate beginning the day after the relocation period ends.

E. Authority. The dependents of an Armed Forces member may perform PCS travel at a different time than the Armed Forces member once the PCS order has been issued. Unless otherwise authorized or approved, the Armed Forces member’s housing allowance is based on the PDS. However, an eligible Armed Forces member may request a housing allowance based on the dependents location. If authorized or approved through the Secretarial Process for dependents who relocate in advance or after the Armed Forces member, a housing allowance under this paragraph may be based on one of the following:

1. The new PDS.

2. The location the dependents reside when the Armed Forces member departs for the new PDS (only for the time the dependents reside in that area).

3. The area of the Armed Forces member’s former PDS, but only if different than the area the dependent resides.
VOLUME 7A, CHAPTER 27: “FAMILY SEPARATION ALLOWANCE (FSA)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated November 2017 is archived.

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<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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</thead>
<tbody>
<tr>
<td>All</td>
<td>Updated formatting and hyperlinks to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated statutes and supporting references.</td>
<td>Revision</td>
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CHAPTER 27

FAMILY SEPARATION ALLOWANCE (FSA)

2701 GENERAL

270101. Purpose

The chapter provides policy for FSA. FSA provides compensation for added expenses incurred because of an enforced family separation under one of the conditions in subparagraphs 270203.A.1 through 3. FSA is payable to qualified members serving inside or outside the United States. It is not authorized when a member performs duty at any station under permissive orders (except when subparagraph 270401.C applies).

270102. Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 427. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2702 ENTITLEMENT PROVISIONS

270201. Types Authorized

FSA is payable to members with dependents. FSA is payable in addition to any other allowance or per diem, to which a member may be entitled. The member, however, may not receive more than one payment of FSA for the same period, even though qualified for FSA - Restricted (FSA-R), FSA - Ship (FSA-S), and FSA - Temporary (FSA-T).

270202. Definitions

A. Dependents. The term “dependents” has the same meaning as defined in the Volume 7A, Definitions and is further defined in subparagraphs 270202.A.1 through 270202.A.3:

1. Child. A dependent child(ren) is an unmarried child(ren) of the member who is in the legal custody of the member. Legal custody includes a circumstance in which the member has been awarded joint physical and legal custody of a dependent child(ren) as a result of a court ordered custody agreement or finalized divorce decree, which provides that the child(ren) physically reside with the member on an equal basis (no less than 14 days during a month) as compared to the time the child(ren) reside(s) with the former spouse, and the member’s actual physical custody of the child(ren) is precluded due to an enforced family separation described under paragraph 270203. Such a custody arrangement must be stipulated in the signed
court order or divorce decree, subject to the verification by the Secretary of the Military Department concerned. See subparagraph 270301.C.

270203. FSA

A. When Payable. FSA is payable to a member serving in any grade as a member with dependents. The member must meet all general requirements and one of the following conditions:

1. **FSA - R**

   a. The member’s dependents, including dependents acquired after the effective date of **Permanent Change of Station** (PCS) orders (see Table 27-1 (FSA Commencement Dates), rules 8 and 9), do not live in the vicinity of the member’s homeport/PDS, and their transportation to or near the PDS is not authorized at government expense (see paragraph 270401).

   b. Transportation of dependents is authorized at government expense, but member elects an unaccompanied tour of duty because a dependent cannot accompany the member to, or at that homeport/PDS due to certified medical reasons, regardless of the date on which the member first made the election to serve an unaccompanied tour.

2. **FSA - S.** The member is on duty aboard a ship, and the ship is away from the homeport continuously for more than 30 days.

NOTE: The dependents are not required to reside in the vicinity of the homeport.

3. **FSA - T.** The member is on Temporary Duty (TDY) or Temporary Assigned Duty (TAD) away from the PDS continuously for more than 30 days, and the member’s
dependents do not reside at or near the TDY or TAD station. This includes members who are required to perform a period of the TDY or TAD before reporting to their initial station of assignment. Members on an unaccompanied tour are entitled to FSA-T for TDY or TAD periods of over 30 continuous days if the member’s dependents do not reside at or near the TDY or TAD station and they do not reside near the PDS as defined in paragraph 270303.

B. **Amount Payable**

Effective October 1, 2002, FSA is payable in a monthly amount of $250.

C. **Conditions:**

1. For specific commencement dates, see Table 27-1;
2. For overseas eligibility, see Table 27-2;
3. For specific dates to stop FSA, see Table 27-3; and
4. For specific conditions of entitlement, see Table 27-4.

D. **Member Married to Member**

1. FSA is payable to a member married to another member regardless of whether the member has any non-active duty dependents, when all other general conditions are met, and provided members were residing together immediately before being separated by reason of execution of military orders.

   a. Except as provided in subparagraph 270203.D.2, not more than one monthly FSA may be paid with respect to a married military couple for any month. Each member may be entitled to FSA within the same month, but both cannot simultaneously be entitled. Payment will be made to a member whose orders resulted in the separation. If both members receive orders requiring departure on the same day, then payment will go to the senior member.

   b. If a member meets the requirements for credit of FSA, but entitlement is precluded by an existing entitlement status of the spouse, then the second member may, if still qualified, immediately become entitled to FSA upon termination of the spouse’s status. The couple may qualify for sequential entitlements to FSA, provided military orders keep them continuously separated.

   c. In order to qualify for a subsequent entitlement to FSA, a married member couple, no longer separated by reason of military orders, must reestablish a joint household and reside together.

2. FSA is payable to both married members when they reside together with their dependents immediately before being separated from dependents, by competent orders to assignments prescribed in subparagraphs 270203.A.1 through 3. Each member’s entitlement is
determined individually based on assignment and separation from dependents. The dual allowance will continue until one of the members is no longer assigned to one of those duty assignments. The other member will continue to receive the allowance until no longer assigned to one of those duty assignments. This is true even when both members are assigned to the same duty location away from their dependents.

3. In the case of a member married to another member, and the couple has a child, one member may claim the child for entitlement to Basic Allowance for Housing and the other member, when otherwise entitled, may claim the child for entitlement to FSA. The FSA entitlement may alternate between members based on the same dependent. However, FSA may not be paid simultaneously to both members on behalf of the same dependent, except as provided in subparagraph 270203.D.2. See subparagraph 270401.D.

2703 DEPENDENTS SEPARATION REQUIREMENTS

270301. Dependents

A member is not considered “a member with dependents” for FSA entitlement when:

A. The sole dependent is placed in an institution for a known period of over 1-year or for an indefinite period, which may be expected to exceed 1-year;

B. The sole dependent is a spouse legally separated or child(ren) in the legal custody of another person. An exception occurs when the member has joint physical and legal custody of the child(ren) and the child(ren) otherwise would reside with the member at least 14 days each month, for the current assignment. In such assignment, the member will be considered as a “member with dependents” for FSA entitlement;

C. The member has been awarded joint legal and physical custody of the child(ren) as a result of a court ordered custody agreement or finalized divorce decree, which provides that the child(ren) physically reside with the member less than 14 days during the month;

D. The member’s dependent parent does not reside in the home, which the member controls, supervises, and maintains for mutual use when circumstances permit; or

E. A dependent is entitled to active duty basic pay. This does not negate an entitlement to FSA to a couple comprised of a member married to another member with no other dependents. Such a couple is entitled to FSA.

270302. Temporary Social Visits by Dependents

A. FSA-R. Credit continues to accrue while the member’s dependents visit at or near the member’s PDS, but for no longer than 3 continuous months. Facts clearly must show that the dependents merely are visiting (not changing residence) and that the visit is temporary and not intended to exceed 3 months. If, for unforeseen reasons (due to illness or other emergency), a bona fide social visit extends beyond 3 months, then stop credit for FSA at the end of the 3-month
period. If the visit initially is intended to exceed 3 months, then stop FSA credit the day before the dependents arrive at the member’s PDS. Credit is again authorized on and after the day that the dependents depart from the PDS. A member is entitled to FSA-R, even though one or more (but not all) dependents visit for longer than 3 months if the member is entitled on behalf of the dependents who are not visiting the member.

B. **FSA-S.** Credit continues to accrue to the member whose dependents are visiting at or near the duty station (or any port) continuously for 30 days or less. Facts must show that the dependents merely are visiting. If the visit exceeds 30 days, then entitlement to FSA-S ends on the day preceding the date of dependent arrival, unless the visit is extended because of illness or other emergency. Under such circumstances, payment of FSA-S is limited to 30 days. Entitlement to FSA-S exists if one or more (but not all) of the dependents visit for longer than 30 days if the member otherwise is entitled to FSA-S on behalf of the dependents who are not visiting the member.

C. **FSA-T.** Credit continues to accrue to a member whose dependents visit at or near the TDY or TAD continuously for 30 days or less. Facts must show that the dependents are merely visiting. If the visit exceeds 30 days, then the member is not entitled to FSA-T for any part of the period, unless the visit is extended because of illness or other emergency. Under such circumstances, payment of the allowance is limited to 30 days. Entitlement to FSA-T resumes on the day that the dependents depart the TDY or TAD, if the member’s TDY or TAD extends for more than 30 days from that date. Entitlement to FSA-T exists if one or more (but not all) of the dependents visit for longer than 30 days if the member otherwise is entitled on behalf of the dependents who are not visiting the member.

270303. **Dependents Reside Near Duty Station**

A. FSA does not accrue to a member if all of the dependents reside at or near the duty station. If some (but not all) of the dependents voluntarily reside near the duty station, then FSA may accrue on behalf of those dependents who do not reside at or near the duty station. Consider dependents as residing near a duty station if the member actually commutes daily, regardless of distance. Also, consider dependents as residing near a duty station if they live within a reasonable commuting distance of that station, whether or not the member commutes daily. A distance of 50 miles, one way, is normally considered to be within reasonable commuting distance of the station, but the 50-mile rule is not inflexible.

B. Unusual conditions may permit a determination that dependents do not live within a reasonable commuting distance, even though the distance involved is less than 50 miles one way. In a situation where the distance is less than 50 miles, but the time required to commute one way by commonly used route and method of transportation would exceed one and a half hours, the dependents will be considered as not residing near the member’s duty station, unless the member actually commutes daily.

C. If dependents are authorized concurrent travel with the member to the duty station and are subsequently authorized to reside at a point over 50 miles from the member’s duty
station for personal reasons, rather than as a result of military restriction on dependents' travel, then FSA entitlement does not accrue.

D. In questionable cases, commanders may submit requests for determination through channels to the appropriate office listed:

1. **Army**: Deputy Chief of Staff, G-1
   ATTN: DAPE-PRC
   300 Army Pentagon
   Washington, DC 20310

2. **Navy**: Chief of Naval Operations, (N130)
   701 South Courthouse Rd
   Arlington, VA 22204-2472

3. **Air Force**: Commander, Air Force Personnel Center
   550 C Street West
   Randolph AFB, TX 78150-6421

4. **Marine Corps**: Commandant of the Marine Corps (RFF)
   James W. Marsh Center
   3280 Russell Road
   MCB Quantico, VA 22134

2704 CONDITIONS OF ENTITLEMENT

270401. Entitlement Incident to Permanent Change of Station (PCS) Reassignments

A. Continental United States (CONUS) Assignments. Conditions of FSA entitlement incident to regular CONUS PCS reassignments and permissive PCS reassignments are detailed in subparagraphs 270401.A.1 through 270401.A.4.

1. Entitlement to FSA upon regular PCS is authorized only when movement of a member’s dependents to the new PDS is not authorized at government expense.

2. Members are entitled to FSA-S when performing duty onboard a ship if the ship is away from the homeport for more than 30 continuous days. If, however, the ship arrives and remains at a port other than the homeport for a period of more than 30 days at a location where the member’s dependents reside, then payment of the FSA-S is precluded if the member resides with the dependents. A member is entitled to FSA-S for redeployment if the member returned to the homeport after the original deployment for a period of 30 days or less and redeployed for a period of more than 30 continuous days.

3. A member who is otherwise entitled to transportation of dependents at government expense, but whose dependent cannot accompany the member to or at that homeport/PDS due to certified medical reasons, is entitled to FSA under this subparagraph.
4. A member who otherwise is authorized movement of dependents at government expense to PDS is not so authorized when he or she is voluntarily reassigned on PCS under permissive orders. Separation from dependents under these circumstances is not an enforced separation due to government requirements. The member, therefore, is not entitled to FSA under this subparagraph.

B. **Waiver Provision.** See subparagraph 270401.D. for circumstances in which waivers may be granted.

C. **Overseas Assignments.** Dependents are permitted in some areas overseas and not permitted in others (dependent-restricted areas). A member selected for PCS overseas to an area where his or her dependents are permitted must elect to serve either an unaccompanied or an accompanied tour.

1. Except as waived by the Secretary of the Military Department concerned, a member electing to serve an unaccompanied tour, in lieu of an accompanied tour at a PDS where his or her dependents are permitted, is not entitled to FSA-R for such a tour. A member who is in receipt of accompanied tour orders, and subsequently requests to serve an unaccompanied tour, to include a dependents-restricted tour, in lieu of an accompanied tour at a PDS where his or her dependents are permitted, is not entitled to FSA-R for such a tour. Secretarial waiver of this policy may be granted in situations where it would be inequitable to deny FSA-R to a member because of the unusual family or operational circumstances.

2. See applicable procedures for tour elections and secretarial waiver in the appropriate individual Military Service regulation.

3. Refer to Table 27-2 (FSA-R, Overseas Assignment) for FSA entitlement for otherwise eligible members assigned PCS overseas.

4. A member who voluntarily is reassigned PCS (overseas) under permissive orders from the station where he or she already is entitled to FSA-R remains entitled if reassigned to an area overseas where dependents are not permitted (dependent-restricted tour) or under circumstances authorized by secretarial waiver.

D. **Unusual Family or Operational Circumstances Defined.** Unusual family or operational circumstances are defined as those in which the Secretary of the Military Department concerned determines that it is in the best interest of the government to permit payment of FSA to members who, through no fault of their own, must relocate in an unaccompanied status under certain circumstances.

1. The Military Services may waive provisions of subparagraphs 270401.A.1, 2, and 3 when it is in the best interest of the government to permit payment to members who, through no fault of their own, must relocate in an unaccompanied status for reasons of equity in the unusual family or operational circumstances. Waiver under these circumstances is effective upon the date granted. This approval authority is hereby granted to:
27-10

a. Service Secretaries or their designated representatives at the headquarters level which governs compensation policy; or

b. Combatant commands and Service major commands.

2. Waiver authority should be used prudently.

3. Waiver under these circumstances is effective upon the date granted:

a. When ordered to a new overseas duty station where terrorist activity would make it inappropriate for dependents to accompany the member; or

b. When ships in overhaul make temporary homeport changes.

4. Provided the requirements of subparagraph 270203.A are met, other than the requirement that the member’s dependents reside at the homeport or PDS, a waiver issued by the Secretary of the Military Department concerned will apply to the entire period of the deployment, an interim period, and redeployment.

E. Delays Caused by the Government (Table 27-2, Note 4). The following are examples of delays in transportation of dependents due to government reasons:

Example 1: On July 1, a member’s advance application for concurrent travel of dependents to the overseas station was disapproved by the CONUS commander due to lack of available government-owned transportation facilities. The commander’s disapproval contained a statement that the anticipated delay for movement of dependents is more than 60 days. The member departed the old station on July 6 and arrived at the overseas station on July 7 where government quarters were not available. Dependents joined the member on September 26 having performed travel under orders dated September 10. The member was entitled to FSA for the period July 6 through September 25.

Example 2: The member applied for a dependency determination for his or her dependent mother on June 3 and was transferred overseas on September 14. After arrival overseas, the member received approval of the dependency application for his or her dependent mother retroactive to May 1. The mother was not authorized concurrent travel to the member’s PDS because the determination of dependency had not been made on the effective date of those orders. Delay in processing the dependency application was caused by the government. Before the transfer overseas, the member had maintained quarters to be shared with his or her mother. An enforced separation resulted upon transfer overseas. Credit for FSA accrues from the date the member departed from the PDS or the first day of authorized travel time, whichever is later, through the day before the date that his or her dependent mother arrived at the overseas station.

F. Changes in Tour Elections. See Table 27-2, rules 12 and 13.
G. Dependents Evacuated. A member is entitled to FSA if separated from dependents as a result of either an authorized evacuation or an ordered evacuation, provided that the requirements for FSA are otherwise met. Payment does not begin until the 31st day of an ordered evacuation. FSA is not payable when evacuation is due to member or dependent misconduct.

H. Dependents’ Travel Prohibited Under Immigration Laws. No entitlement to FSA-R accrues if a dependent is authorized transportation at government expense but is not eligible under immigration laws for entry into the United States before a member reports to the new PDS. (Entitlement to FSA-T or FSA-S is not affected by this subparagraph.)

270402. Unit Ordered on Exercise for More Than 30 Days

Otherwise qualified members of a unit are entitled to FSA-T when the unit is ordered on an exercise for more than 30 days.

270403. FSA During a Missing Status

FSA-T continues to accrue to a qualified member while in a missing status unless there is a change in the status of the dependents, which would terminate entitlement. See Table 27-3 (Date to Stop FSA). A member may qualify for FSA-T while in a missing status if a continuous period of more than 30 days is completed after entry into the missing status. See paragraph 270404.

Example: A member departed the PDS on TDY or TAD August 9, was downed by hostile fire while flying over enemy territory on September 2, remained in a missing status until November 4, and returned to PDS on November 10. The member qualified for FSA-T on September 8. If otherwise qualified, then entitlement exists for FSA-T for the period August 9 to November 9.

270404. Computation of Single or Multiple Periods of More Than 30 Days

A. FSA-T for Single Periods. Credit for FSA-T may not be applied until the member has been on TDY or TAD away from his PDS continuously for more than 30 days. Compute this period as follows:

1. Count actual number of days in the month, including the day the member departs the PDS on TDY or TAD and the day of return to the PDS. Include the 31st day of the month in this computation, even though payment is made on a 30-day month basis, as prescribed in Chapter 1, section 0102.

2. Include days of authorized travel time to and from the TDY or TAD station. When there is no delay enroute chargeable as leave, count the day of departure from the PDS and the day of return to the PDS. When delay enroute chargeable as leave is authorized, count the constructive day of departure and the constructive day of return. Compute these days as follows:
a. Constructive day of departure from the PDS is either the actual date of detachment plus days of authorized leave, proceed time, and permissive travel days used or the first day of authorized travel, whichever is later.

b. Constructive day of return to the PDS is the actual date of return minus number of days leave authorized and used, minus the number of permissive travel days actually used.

Example 1: The member permanently stationed at site A is ordered TDY or TAD to site B for training of approximately 30 days. Training is to begin June 1. The member is authorized travel by privately owned conveyance (POC) as more advantageous to the government, and 5 days of leave enroute. The member departs from site A on May 25 and uses 5 days of leave enroute to site B. The member completes the training on June 27, departs from site B on June 28, and returns to duty at site A on June 30. Constructive day of departure is May 30. The period of absence is 32 days (May 30 - June 30). If a member qualifies under paragraph 270203, then entitlement exists to FSA-T for 30 days (i.e., there is no entitlement for May 31 and June 30).

Example 2: Circumstances are the same as in Example 1, except that the member uses 5 days of leave after completion of training. The member departs from site A on May 30, completes training on June 27, departs from site B on June 28, and returns to duty at site A on July 5. The constructive day of return is June 30. The period of absence is 32 days, computed as in Example 1. If the member otherwise qualifies, then entitlement exists to FSA-T for 30 days.

3. When TDY or TAD is authorized in conjunction with PCS, include days of authorized travel time to the TDY or TAD station and from the TDY or TAD station to the new duty station. When there is no delay enroute or proceed time involved, count the day of departure from the old duty station and the day of arrival at the new duty station. When delay enroute and proceed time are authorized and used, the day of departure from the old station and the day of arrival at the new station will be constructed in the manner indicated in subparagraphs 270404.A.2.a and b. Proceed time authorized and used will be included with the delay when making the computation. Consecutive assignments to TDY or TAD in conjunction with PCS may be combined in determining the 30-day period.

4. Under specific circumstances, when travel in connection with TDY or TAD is performed by POC for the convenience of the traveler, payment based on actual travel expenses may be more economical to the government than payment based on constructive travel time over a usually traveled route. In that case, the Joint Travel Regulations (JTR) authorizes travel payment based on the actual mode of transportation. In computing the more than 30 days required for entitlement to FSA-T under these circumstances, ensure that the computation is based on the mode of transportation, which governed payment of a particular member’s travel allowance. Computation for FSA-T entitlement under this subparagraph is not necessarily based on constructive travel time.
5. If a member’s TDY or TAD status is interrupted, then do not combine days before the interruption with those after the interruption to compute a continuous period of more than 30 days. Periods of leave, hospitalization, military confinement in a pay status, or short visits to the PDS do not interrupt the period unless the member is relieved from the attachment to the TDY or TAD station. A member who returns to the PDS to assume a duty status (such as participation in official flights) does interrupt a period of TDY or TAD. If leave enroute is authorized after detachment from the TDY or TAD station, then add constructive travel time from the TDY or TAD station to the PDS to the period of TDY or TAD in determining the 30-day period.

B. FSA-T for Multiple Periods of Deployment. Provided the conditions of subparagraph 270203.A.3 are met, the periods of FSA-T eligibility for multiple periods of TDY or TAD deployment, including the periods between such deployments, are calculated as follows:

1. **Count.** Although payment is made on a 30-day month basis, count the actual number of days in each applicable month, to include the 31st day of the month, as one of the actual days.

2. **Computation.** Calculate the FSA-T period of the initial TDY or TAD deployment to determine the initial deployment period as described in subparagraph 270404.A.

3. **Interim and Redeployment Period**
   a. The interim period begins on the day after the initial deployment through the day prior to redeployment. The interim period must be 30 days or less.
   b. The redeployment period begins the day that the member departs the PDS and ends upon return to the PDS. The redeployment period must be more than 30 days and will be added to the interim period.

**Example 1:** The member permanently stationed at site A is ordered to perform TDY or TAD at site B for 45 days, with departure from PDS on January 2 and return to PDS on February 15. The member departs from PDS on March 18 for redeployment of 35 days. Since the member qualified for FSA-T for the initial deployment, he or she is eligible for continued FSA-T for the total 65 days of interim/redeployment period (actual interim period of 30 days and redeployment of 35 days).

**Example 2:** The member permanently stationed at site A is ordered to perform TDY or TAD at site B for 60 days, with departure from PDS on March 1 and return to PDS on April 29. The member departs from PDS on May 31 for redeployment of 40 days. Although the member qualified for the initial 60-day period deployment, he or she is ineligible for the interim period. The actual interim period is 31 days (April 30 - May 30). The member would be entitled to FSA-T for the actual redeployment period (40 days).
Example 3: The member permanently stationed at site A is ordered to perform TDY or TAD at site B for 31 days, with departure from PDS on June 1 and returns to the PDS on July 1. The member departs from PDS on July 2 for redeployment of 41 days. Since the member qualified for FSA-T for the initial deployment of 31 days, he or she is eligible for the continued FSA-T for the interim/redeployment period (actual interim period is 0 days, actual redeployment period is 41 days).

C. FSA-S for Single Periods. Credit for FSA-S may not be applied until the member has been on duty onboard a ship away from the homeport of the ship for a continuous period of more than 30 days. Periods of leave, TAD, hospitalization, military confinement in a pay status, or short visits by the member (not the ship) to the homeport of the ship do not interrupt the qualifying period unless the member is detached (PCS) from the ship. Consecutive assignments to duty onboard two or more ships away from the homeport may be combined to meet this requirement. See Example 5. In computing the continuous period of more than 30 days, count the actual number of calendar days (including the 31st day of the month) that the member was on duty onboard a ship while it was away from its homeport. Include in this computation the day of departure onboard a ship from its homeport (or the day the member joins or rejoins a ship away from its homeport, if applicable) and the day of return onboard a ship to its homeport. The following examples show how to compute the more-than-30-day period and the related amount of FSA-S payable.

Example 1: A member onboard a ship that departs its homeport on June 15 and returns on July 15 is entitled to FSA-S in the amount of $250 (actual period of 16 days in June and 15 days in July = 31 days; 16 days in June and 14 days in July = 30 days for payment).

Example 2: A member onboard a ship that departs its homeport on October 5 and returns on November 4 is entitled to FSA-S in the amount of $241.83 (actual period of 27 days in October and 4 days in November = 31 days; 26 days in October and 3 days in November = 29 days for payment).

Example 3: A member onboard a ship that departs from its homeport on February 25 (non-leap year) and returns on March 26 is not entitled to FSA-S since the absence is not more than 30 days (actual period of 4 days in February and 26 days in March).

Example 4: A member who reports onboard a ship on May 25 while it is away from the homeport and returns with the ship to the homeport on June 30 is entitled to FSA-S in the amount of $291.67 (actual period of 7 days in May and 30 days in June = 37 days; 6 days in May and 29 days in June = 35 days for payment).

Example 5: A member onboard a ship A that departed from its homeport on August 2 was transferred (PCS) to ship B on August 18 (detached and attached the same day) while ship B was away from its homeport. The member remains aboard ship B until it returns to the homeport on September 6. The member is entitled to FSA-S in the amount of $283.33 (actual period of 30 days in August and 6 days in...
September = 36 days; 29 days in August and 5 days in September = 34 days for payment).

D. FSA-S for Multiple Periods of Deployment. Provided the conditions of subparagraph 270203.A.2 are met, the periods of FSA-S eligibility for multiple periods of TDY or TAD deployment aboard a ship, including the period between such deployments, are calculated as follows:

1. **Count.** Although payment is made on a 30-day month basis, count the actual number of days in each applicable month by including the 31st day of the month as one of the actual days.

2. **Computation.** Calculate the FSA-S period of the initial deployment aboard a ship as described in subparagraph 270404.C.

3. **Interim and Redeployment Period**

   a. The interim period begins on the day after the initial deployment through the day prior to redeployment. The interim period must be 30 days or less.

   b. The redeployment period begins on the day that the member departs the ship’s homeport and ends upon returning to the homeport. The redeployment period must be more than 30 days and will be added to the interim period.

**Example 1:** A member is onboard a ship that departed from the homeport on January 2 and returned to the homeport on February 15. The same member is onboard a ship that departed from the homeport on March 18 for a redeployment of 35 days. Since the member qualified for FSA-S for the initial deployment, the member is eligible for continued FSA-S for the total 65 days of interim/redeployment period (actual interim period of 30 days and redeployment of 35 days).

**Example 2:** A member is onboard a ship that departed from the homeport on March 1 and returned to the homeport on April 29. The member also was onboard a ship that departed the homeport on May 31 for a redeployment of 40 days. Although the member qualified for the initial 60-day deployment, the member is ineligible for the interim period. Consequently, the actual interim period is 31 days (April 30 through May 30). The member would be entitled to FSA-S for the actual redeployment (40 days).

**Example 3:** A member is onboard a ship that departed from the homeport on June 1 and returned to the homeport on July 1. The same member was onboard a ship that departed the homeport July 2 for a redeployment of 41 days. Since the member qualified for FSA-S for the initial deployment of 31 days, the member is eligible for the continued FSA-S for the interim/redeployment period (actual interim period is 0 days, actual redeployment period is 41 days).
E. Restrictions. The following restrictions apply to subparagraphs 270404.A and B:

1. There are separate 30-day requirements to qualify for FSA-T or FSA-S, and periods of TDY or TAD and duty aboard ship while away from homeport may not be combined for the purpose of FSA entitlement.

2. Periods of hospitalization or TDY or TAD for more than 30 days by the member at a place residing with his or her dependents may not be included when calculating whether the 30-day requirement was met.

270405. Ship Moves from Homeport

When a ship moves from its homeport to another port within 50 miles of the homeport (or one and a half hours travel time as prescribed in paragraph 270303), those members attached to the ship, whose dependents do not reside at or near such homeport under the criteria of paragraph 270303, do not become entitled to FSA-S.

Example 1: A member, upon reassignment to a ship, moves the family to a location outside the current 50-mile (or one and a half hours travel time) limit from the homeport of the ship. When the movement of the ship is less than 50 miles (or one and a half hours travel time) from the homeport, FSA-S is not payable to those members. If, however, the ship moves more than 50 miles (or one and a half hours travel time) from the homeport, then FSA-S is payable if members otherwise are entitled.

Example 2: A member, upon reassignment to a ship, moves the family to a location outside the current 50-mile (or one and a half hours) limit of the ship’s homeport of the ship. Subsequently, the ship moves from the homeport and, on the 29th day, docks at a port inside the 50-mile (or one and a half hours travel time) limit of the homeport for 5 days. The ship then returns to the homeport. The docking of the ship within the 50-mile limit would, for purposes of this example, have the same consequence as if the ship had returned to its homeport since (a) the member’s dependents do not reside at or near the homeport, and (b) the ship did not move to a location more than 50 miles (or one and a half hours travel time) from the port. Therefore, entitlement to FSA-S does not accrue.

Example 3: A member, upon reassignment to a ship, moves the family to a location outside the current 50-mile (or one and a half hours) limit of the homeport of the ship, but actually commutes. The movement of the ship from the homeport results in the member being unable to commute. In this example, the member’s dependents would be considered as being in the area of the homeport. Since, after movement of the ship to a new location, the member is unable to commute, the member would meet the requirement for FSA-S, provided the dependents resided more than 50 miles (or one and a half hours travel time) from the new location.
Example 4: A member, upon reassignment to a ship, moves the family to a location within the 50-mile (or one and a half hours travel time) limit, the movement of the ship resulting in the residence being located outside the 50-mile (or one and a half hours travel time) limit for some of the members, but not all. Those members whose dependents reside more than 50 miles (or one and a half hours travel time) from the ship’s new location and who do not commute, would fulfill the vicinity requirement for entitlement to FSA-S. Those members whose dependents reside within 50 miles (or one and a half hours travel time) of the ship’s new location of the ship would not become entitled to FSA-S by virtue of the ship’s movement.

270406. Specific Conditions of Entitlement to FSA

Table 27-1. FSA - Commencement Dates

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>When an eligible member and the member then FSA credit</td>
<td>is not authorized proceed time or leave enroute</td>
<td>starts on date of detachment from old station (note 1).</td>
</tr>
<tr>
<td>2</td>
<td>departs the PDS on PCS (not authorized FSA-R at old station), or TDY or TAD, including TDY or TAD in conjunction with PCS (note 1)</td>
<td>is authorized proceed time or leave enroute</td>
<td>starts on the constructive date of detachment from the old PDS (either the actual date of detachment plus days of authorized leave and/or proceed time, or the first day of authorized travel, whichever is later) (note 1).</td>
</tr>
<tr>
<td>3</td>
<td>departs homeport aboard ship, including a ship in an inactive status</td>
<td>remains in this status continuously for more than 30 days</td>
<td>starts on date of departure (note 2).</td>
</tr>
<tr>
<td>4</td>
<td>joins or rejoins a ship away from homeport</td>
<td>remains on duty onboard a ship away from its homeport continuously for more than 30 days</td>
<td>starts on first day that member boards ship away from its homeport (note 2).</td>
</tr>
<tr>
<td>5</td>
<td>acquires an initial dependent after the date of departure from old station enroute to PCS overseas, but no later than the effective date of the PCS order (FSA-R) (notes 3 and 4)</td>
<td>meets conditions of Table 27-2, rule 1</td>
<td>starts on the date that a member acquires a dependent or the constructive date of detachment from old station (Table 27-2, rule 2), whichever is later.</td>
</tr>
<tr>
<td>6</td>
<td>acquires an initial dependent after the date of departure from old station enroute to PCS overseas (member is not entitled to FSA-R, at the overseas station), but no later than the effective date of the PCS order (note 3)</td>
<td>meets conditions of Table 27-2, rule 13, note 3, or rule 14</td>
<td>(if any) starts according to Table 27-2, rule 13, note 3, or rule 14.</td>
</tr>
<tr>
<td>7</td>
<td>acquires an initial dependent after the date of departure from old station enroute to PCS overseas (member is not entitled to FSA-R, at the overseas station), but no later than the effective date of the PCS order (note 3)</td>
<td>is on TDY or TAD enroute with 30 days or more remaining after the date dependent is acquired, and not within commuting distance of dependent's residence</td>
<td>for the period of TDY or TAD starts on the date the member acquires dependent (FSA-T) (note 1).</td>
</tr>
</tbody>
</table>
### Table 27-1. FSA - Commencement Dates (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>When an eligible member and the member then FSA credit</td>
<td>a. acquires dependent after the effective date of the PCS orders (note 3), but before member’s date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member’s PDS (where member is not entitled to FSA-R)</td>
<td>is not on TDY or TAD starts FSA-R on date member acquires dependent.</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>is on leave (co-resident with dependent or not) starts FSA-T on date member acquires dependent.</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>is on TDY or TAD not within commuting distance of dependent's residence starts FSA-T on date member acquires dependent.</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>is on TDY or TAD within commuting distance of dependent's residence (paragraph 270303) starts FSA-R on member’s date of return to PDS.</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>is on TDY or TAD with 30 days or more remaining after the date dependent is acquired, and not within commuting distance of dependent’s residence for the period of TDY or TAD starts on the date that the member acquires a dependent (FSA-T) (note 1).</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>remains away from homeport aboard ship for more than 30 days after the date the dependent is acquired starts on the date that the member acquires a dependent (FSA-S) (note 1).</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>has newly acquired dependent who joins member at duty station at member's expense</td>
<td>confirms whether dependent is making change of residence or temporary social visit is based on paragraph 270302 or subparagraph 270303.C.</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>relocates dependent away from duty station at member's expense starts FSA-R on the date of a dependent’s departure from the duty station (note 5).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 27-1. FSA - Commencement Dates (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>When an eligible member has dependent depart overseas duty station at government expense because of evacuation (other than medical), under determination of the Secretary concerned as being in national interest, or for other emergency reasons not personal or caused by dependent’s misconduct</td>
<td>and the member then FSA credit</td>
<td>starts on the 31st day of a dependent’s departure from the duty station.</td>
</tr>
<tr>
<td>17</td>
<td>reports onboard a ship after a change of homeport has been declared</td>
<td>does not reside with dependents at or near the current homeport of the ship</td>
<td>starts on the date the member reports onboard a ship (note 6).</td>
</tr>
</tbody>
</table>

NOTES:
1. Do not pay FSA-T or FSA-S until the member has been on TDY or TAD or on duty aboard ship away from homeport continuously for more than 30 days (or, if applicable, for more than 30 days after the date that a dependent is acquired). In computing the amount payable, the 31st day of any month should be excluded from the computation and February should be treated as if it actually had 30 days. (See paragraph 270404.)
2. Does not apply if the ship is in a port (other than its homeport) located within commuting distance of the residence of the member’s dependents continuously for more than 30 days. Also, see paragraph 270405.
3. The effective date of PCS orders is the date a member is required to begin travel from the old PDS or the last TDY or TAD, in order to arrive at the new PDS on the date authorized by the mode of transportation authorized. (JTR, Appendix A, Effective Date of PCS Order)
4. A member who acquired an initial dependent after the date of departure from old station enroute PCS to CONUS from overseas or enroute PCS within CONUS, but no later than the effective date of the PCS order, is entitled to travel for dependent at government expense based on JTR, Chapter 5. Therefore, the member is not entitled to FSA-R. (In this case, no tour election provision exists to overcome the travel provision.)
5. If already started under paragraph 270302, the entitlement continues upon departure of dependents from the duty station.
6. FSA-R does not accrue if the member was onboard a ship when the change in homeport was declared, except under paragraph 270401.
Table 27-2. FSA-R - Overseas Assignment

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>If an eligible member is selected for PCS overseas and the accompanied tour is not authorized</td>
<td>and</td>
<td>then the member('s) is entitled to FSA-R for the entire unaccompanied tour (notes 1 and 2).</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>elects the unaccompanied tour instead of the authorized accompanied tour</td>
<td></td>
<td>is not entitled to FSA-R for the length of such tour, including tour extensions (note 3).</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>elects the accompanied tour</td>
<td>concurrent travel is authorized and dependents travel with member</td>
<td>is not entitled to FSA-R.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>is assigned to an automatic concurrent travel area or an advance application area</td>
<td>application for concurrent travel has been approved by the area commander</td>
<td>is entitled to FSA-R if dependents do not travel with the member for government reasons (notes 4 and 5).</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>in status covered by rule 4</td>
<td>dependents arrive at member's overseas station</td>
<td>FSA-R stops the day before date dependents arrive.</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>selected for PCS overseas to an advance application area</td>
<td>application for concurrent travel is disapproved by area commander</td>
<td>is entitled to FSA-R until dependents arrive at overseas station. (This rule is qualified by rules 7 and 8.)</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>member fails to comply with area regulations for entry of the dependents</td>
<td></td>
<td>FSA-R is stopped when timely action is not taken under applicable regulations (note 6).</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>there is a delay of more than 60 days in dependent's arrival (60-day period begins on date of orders)</td>
<td></td>
<td>entitlement to FSA-R continues through the day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 5).</td>
<td></td>
</tr>
</tbody>
</table>
Table 27-2. FSA-R - Overseas Assignment (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>If an eligible member is assigned overseas and one or more of the dependents live at or near the overseas station then the member('s) qualifies for FSA-R for the dependents who are not authorized to travel to the overseas station is entitled to FSA-R.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>after arrival at overseas station, an accompanied tour is authorized (previously unavailable) and member elects the accompanied tour entitlement to FSA-R continues through the day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 5).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>assigned overseas after arrival at overseas station, an accompanied tour is authorized (previously unavailable) and member does not elect the accompanied tour entitlements to FSA-R continues based on original assignment under rule 1.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>has previously elected the accompanied tour, but concurrent travel is not performed the member reelects the unaccompanied tour before dependents depart CONUS is not entitled to FSA-R on and after the date reelection is approved (note 3).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>assigned overseas has failed to make a tour election before arrival at new duty station makes unaccompanied tour election after arrival at the overseas station is not entitled to FSA-R for the entire unaccompanied tour (note 3).</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 27-2. FSA-R - Overseas Assignment (Continued)

<table>
<thead>
<tr>
<th>R U L E</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>If an eligible member is assigned overseas and has failed to make a tour election before arrival at new duty station and elects accompanied tour after arrival at the overseas station then the member(s) is entitled to FSA-R for the period starting with the date the tour is approved through the day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 5).</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
1. In all cases, entitlement exists only if dependents do not live at or near the duty station. (See paragraph 270303.) In areas where dependents are not permitted, member does not have to apply for transportation of dependents or to elect type of tour.
2. These tours include dependent restricted tours and situations where the member is not authorized to serve an accompanied-with-dependents tour in those locations where such tours are authorized.
3. The Secretary of the Military Department concerned may waive the provision in this rule to authorize FSA-R in cases where unusual family or operational circumstances exist for the member. See subparagraph 270401.D for conditions subject to waiver and individual Military Service regulations for procedures for requesting a waiver from the Secretary of the Military Department concerned.
4. Where dependents’ travel delay is not due to government reasons, but member is required to perform TDY or TAD enroute, family separation for period of TDY or TAD is considered to be due to military requirements and member is entitled to FSA-R under Table 27-4, rule 11.
5. Delays due to government reasons include:
   a. lack of transportation facilities,
   b. disapproval by CONUS commanders,
   c. disapproval for reasons of health (i.e., pregnancy of wife), and
   d. insufficient service retainability or time remaining in the overseas tour.
6. FSA-R continues if member acted timely to apply for transportation of the dependents and the application was disapproved because of the lack of service retainability or time remaining in the overseas tour.
Table 27-3. Date to Stop FSA

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>has dependents who arrive at the duty station with intent to establish a residence</td>
<td>day before dependents arrive (note 1).</td>
</tr>
<tr>
<td>2</td>
<td>on next reassignment, arrives at a station where member does not qualify for FSA</td>
<td>day before the date on which the member arrives at new station (note 2).</td>
</tr>
<tr>
<td>3</td>
<td>returns from TDY or TAD of more than 30 days</td>
<td>day before date of the member’s return from TDY or TAD (note 3).</td>
</tr>
<tr>
<td>4</td>
<td>is in a non-pay status for any period</td>
<td>day before the date entering such status, except as provided in Chapter 1, subparagraph 010402.E.</td>
</tr>
<tr>
<td>5</td>
<td>has a sole dependent in an institution, and if the stay in the institution continues</td>
<td>day before 1-year from the date that the member’s sole dependent entered an institution (note 4).</td>
</tr>
<tr>
<td>6</td>
<td>is onboard a ship away from its homeport</td>
<td>day before ship returns to homeport or date of detachment from ship, whichever is earlier (note 5).</td>
</tr>
<tr>
<td>7</td>
<td>reports onboard a ship after a change of homeport has been declared</td>
<td>effective date of the change of homeport.</td>
</tr>
<tr>
<td>8</td>
<td>has only secondary dependents who reside with relatives or friends</td>
<td>day before the date the dependents move to home of relatives or friends.</td>
</tr>
<tr>
<td>9</td>
<td>completes period of TDY or TAD of more than 30 days in conjunction with PCS</td>
<td>day before the date the member arrives at the new station (note 3).</td>
</tr>
<tr>
<td>10</td>
<td>has dependent(s) who return to the PDS after departing in conjunction with authorized or ordered evacuation</td>
<td>day before the date dependent(s) return.</td>
</tr>
</tbody>
</table>

NOTES:
1. See paragraph 270302 for temporary social visits.
2. If a delay enroute and/or proceed time is authorized and used, then use a constructive date of arrival. Constructive date will be computed by deducting the number of days' leave and/or proceed time authorized and used from the actual date of arrival.
3. If delay enroute and/or proceed time is authorized, then use the constructive date. (See subparagraph 270404.A.)
4. Applies when stay in the institution is initially not expected to exceed 1-year.
5. FSA-S continues if the member is detached and attached the same day to another ship away from its homeport.
Table 27-4. FSA - Conditions of Entitlement

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>If a member and the member is entitled to FSA-R when entering such status (note 1)</td>
<td>the member’s PDS remains unchanged</td>
<td>FSA-R credit continues during TDY or TAD.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>is hospitalized at or away from member’s PDS including hospitalization in the United States</td>
<td></td>
<td>FSA-R credit continues during period hospitalized.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>is in military confinement or otherwise restricted by military authority</td>
<td></td>
<td>FSA-R credit continues during period confined or restricted.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>is on authorized leave (accrued or advance) at or away from member’s PDS, including leave in the United States</td>
<td></td>
<td>FSA-R credit continues during leave.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>is on authorized leave (accrued or advance) at residence where member's dependents reside</td>
<td>member’s leave is followed by a period of TDY or TAD (any number of days) within commuting distance of residence where member’s dependents reside (paragraph 270303)</td>
<td>FSA-R credit continues during leave but is suspended during period of TDY or TAD.</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>is on any status covered by rules 1 through 4, or enters such status</td>
<td>member’s PDS changes</td>
<td>FSA-R credit stops (note 2).</td>
<td></td>
</tr>
</tbody>
</table>
Table 27-4. FSA - Conditions of Entitlement (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>If a member and the member’s application for transportation of dependents to the hospital is disapproved by the hospital commander upon determination that prolonged treatment is not expected (note 3)</td>
<td>if a member and the member meets requirements in note 1</td>
<td>then the member is entitled to FSA-R.</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>enters any status covered by rules 2, 3, and 4</td>
<td>the member is entitled to FSA-T when entering such status</td>
<td>member is not relieved from attachment to the TDY or TAD station</td>
<td>member continues to receive FSA-T.</td>
</tr>
<tr>
<td>9</td>
<td>is ordered to a hospital as a patient in attached status</td>
<td></td>
<td></td>
<td>the member is not entitled to FSA-T.</td>
</tr>
<tr>
<td>10</td>
<td>is on TDY or TAD for more than 30 days from member's PDS</td>
<td>the member does not qualify for FSA-R at PDS</td>
<td>member’s PDS remains unchanged</td>
<td>the member is entitled to FSA-T for authorized travel time to and from TDY or TAD station and for duty at that station (note 4).</td>
</tr>
<tr>
<td>11</td>
<td>is performing recruit/basic training, pipeline school, Officer Candidate School (OCS), travel or TDY or TAD enroute to initial PDS</td>
<td>the member is entitled to FSA-R at new PDS (notes 1 and 4)</td>
<td></td>
<td>the member is entitled to FSA-R for recruit/basic training, pipeline school, OCS, travel or TDY or TAD and authorized travel period (note 4).</td>
</tr>
</tbody>
</table>
Table 27-4. FSA - Conditions of Entitlement (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>If a member and then</td>
<td>the member does not qualify for FSA-R at this new station</td>
<td>the member is entitled to FSA-T for authorized travel time to and from the TDY or TAD station and for duty at that station (note 4).</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>is on TAD</td>
<td>the member is entitled to FSA-S when entering such status (note 1)</td>
<td>member remains assigned to duty aboard a ship which is away from its homeport</td>
<td>FSA-S accrues during the entire period of TDY or TAD (note 5).</td>
</tr>
<tr>
<td>14</td>
<td>is hospitalized away from the ship</td>
<td>FSA-S accrues during the period of hospitalization (note 5).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>is on authorized leave</td>
<td>FSA-S accrues during the period of leave (note 5).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>is in military confinement on or away from the ship or otherwise restricted by military authority from performing duty</td>
<td>FSA-S accrues during the period that the member is confined or restricted.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>is in any status covered by rules 13 through 16</td>
<td>the ship returns to homeport</td>
<td>entitlement to FSA-S ends on the day before ship returns to homeport.</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>member is detached from the ship while it is away from homeport</td>
<td>entitlement to FSA-S ends on date of detachment from ship (note 6).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 27-4. FSA - Conditions of Entitlement (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>If a member and</td>
<td>member is detached from ship while it is away from homeport and is later reassigned to ship while it is away from its homeport</td>
<td>then</td>
<td>FSA-S accrues from date of reassignment to ship provided ship does not return to homeport in less than 31 days (note 6).</td>
</tr>
<tr>
<td>20</td>
<td>is on TDY or TAD redeployment of more than 30 days</td>
<td>current TDY or TAD follows earlier TDY or TAD of more than 30 days which qualified member for FSA-T</td>
<td>period between deployments is 30 days or less</td>
<td>member’s entitlement to FSA-T continues.</td>
</tr>
<tr>
<td>21</td>
<td>is onboard a ship redeployed for more than 30 days</td>
<td>redeployment follows earlier deployment of more than 30 days which qualified member for FSA-S</td>
<td>period between deployments is 30 days or less</td>
<td>member’s entitlement to FSA-S continues.</td>
</tr>
<tr>
<td>22</td>
<td>meets the qualifying requirements of any of the rules 1 through 21</td>
<td>member is married to another active duty member</td>
<td>the couple was residing together immediately before being separated by reason of military orders</td>
<td>member is entitled to FSA under the subparagraph 270203.A.3.</td>
</tr>
<tr>
<td>23</td>
<td>executes PCS orders causing a separation from the member’s spouse</td>
<td></td>
<td></td>
<td>member is entitled to FSA-R under subparagraph 270203.A.1.</td>
</tr>
<tr>
<td>24</td>
<td>meets the qualifying requirements of any of the rules 1 through 21</td>
<td>the member is married to another active duty member and the couple has dependents</td>
<td>the couple and dependents were residing together immediately before each member is separated by reason of military orders</td>
<td>each member is entitled to FSA under the specific rule. (note 7)</td>
</tr>
</tbody>
</table>
Table 27-4. FSA - Conditions of Entitlement (Continued)

NOTES:
1. Must meet the requirements of paragraph 270203.
2. A new determination of entitlement is required if member’s PDS changes.
3. More than 90 days is prolonged hospitalization.
4. Members are not entitled to FSA-R or FSA-T during authorized leave enroute or proceed time (see Table 27-1, rules 1 and 2). See Table 27-3, rule 9 for date to stop FSA.
5. If the dependent’s residence is within commuting distance of the place where member is in such status, then FSA-S will continue for 30 days only.
6. Does not apply if member is detached and attached the same day to another ship away from its homeport (subparagraph 270404.B).
7. Not more than one monthly allowance may be paid with respect to each member of a married military couple for any month. The dual allowance will continue until one of the members is no longer assigned to one of those duty assignments. The other member will continue to receive the allowance until no longer assigned to one of those duty assignments.
*REFERENCES

CHAPTER 27: - FAMILY SEPARATION ALLOWANCE (FSA)

2702 - ENTITLEMENT PROVISIONS

270201  37 U.S.C. § 427
         DoD Instruction, 1340.24, September 17, 2009
         47 Comptroller General (Comp Gen) 788

270202.A  51 Comp Gen 116

270202.D  37 U.S.C. §§ 401, 421


270203.B  37 U.S.C. § 427(b)

270203.B.3  37 U.S.C. § 427(a)

270203.D  37 U.S.C. § 427(d)

270203.D.3  60 Comp Gen 154

270202.A  51 Comp Gen 116

270202.D  37 U.S.C. §§ 401, 421


270203.B  37 U.S.C. § 427(b)

270203.B.3  37 U.S.C. § 427(a)

270203.D  37 U.S.C. § 427(d)

270203.D.3  60 Comp Gen 154

2703 - DEPENDENTS SEPARATION REQUIREMENTS

270301.A  51 Comp Gen 97

270301.B  43 Comp Gen 332, (Question 23)
         MS Comp Gen B-213658, June 26, 1984
         MS Comp Gen B-211693, July 15, 1983
         MS Comp Gen B-179976, November 7, 1974

270301.C  45 Comp Gen 170

270301.D.3  37 U.S.C. § 427(c)

270302.A  43 Comp Gen 596

270302.B and C  43 Comp Gen 332

270303  43 Comp Gen 332, (Question 26)
         44 Comp Gen 572
         44 Comp Gen 217
         MS Comp Gen B-182098, October 9, 1975
         52 Comp Gen 912
         55 Comp Gen 991

2704 - CONDITIONS OF ENTITLEMENT

270401  37 U.S.C. § 427(d)

270401.A.2  37 U.S.C. § 427

270401.A.3  37 U.S.C. § 427

270401.A.4  37 U.S.C. § 427(c)

270401.C (Example 2)  44 Comp Gen 434

270401.D.3  37 U.S.C. § 427(c)

270401.E  43 Comp Gen 332

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270401.G    43 Comp. Gen. 332
270402    43 Comp Gen 596
270403.B    45 Comp Gen 633
270404.A.1    43 Comp Gen 596
                44 Comp Gen 537
270404.A.2    44 Comp Gen 537
270404.A.2.b (Example 1)    44 Comp Gen 537
270404.A.5    43 Comp Gen 755
                43 Comp Gen 748
270404.B    45 Comp Gen 838
                43 Comp Gen 748
                52 Comp Gen 912
                55 Comp Gen 991

Table 27-1  37 U.S.C. § 427
    Rule 5    47 Comp Gen 67
    Rule 7    43 Comp Gen 596
    Rule 8    43 Comp Gen 332
    Rule 9    43 Comp Gen 596
    Rules 12-17    43 Comp Gen 332
    Notes 4 and 5    43 Comp Gen 332

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    Rule 1    43 Comp Gen 332
    Rule 5    43 Comp Gen 596
    Rule 10    43 Comp Gen 332
    Note 3    43 Comp Gen 332

Table 27-4
    Note 4    45 Comp Gen 838
VOLUME 7A, CHAPTER 29: “CLOTHING MONETARY ALLOWANCES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated May 2018 is archived.

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<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>All</td>
<td>Added hyperlinks to DFAS.MIL for the clothing tables.</td>
<td>Addition</td>
</tr>
<tr>
<td>290102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 29-3</td>
<td>Separated the Special Initial Clothing Allowances by Service, and renumbered the subsequent tables accordingly.</td>
<td>Addition</td>
</tr>
<tr>
<td>Table 29-1; Table 29-2; Table 29-3; Table 29-5; Table 29-6; Table 29-7; Table 29-8; Table 29-9</td>
<td>Updated the Clothing Monetary Allowance effective October 1, 2019.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated statutes and supporting references.</td>
<td>Revision</td>
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CHAPTER 29

CLOTHING MONETARY ALLOWANCES

2901 GENERAL

290101. Purpose

The Secretary of Defense (SecDef) may, on an annual basis by law and under Presidential Executive Order, prescribe the quantity and kind of clothing to be furnished to an enlisted member of the Military Services and may prescribe the amount of cash allowance to be paid if the clothing is not furnished. It is DoD policy that the quantities and kinds of items of individual clothing to be furnished will be prescribed by the Service Secretary or the Commandant of the Marine Corps, under the parameters set by the Deputy Under Secretary of Defense – Military Personnel Policy (DUSD MPP).

*290102. Authoritative Guidance

The clothing monetary allowances policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 418. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2902 ALLOWANCES

290201. Initial Clothing Allowance

Enlisted members receive the initial clothing allowance upon initial enlistment or upon other special qualification for entitlement to a prescribed outfitting of uniforms. The initial issue may be an in-kind issue or a combination of in-kind issue and cash payment.

290202. Cash Clothing Replacement Allowance

Enlisted members receive the cash clothing replacement allowance, upon the anniversary month, each successive year following the provision of an initial clothing allowance. Cash clothing replacement allowances are for replacement of required uniform items based on a normal wear rate.

290203. Extra Clothing Allowances

Extra clothing allowances are additional to initial and replacement allowances and do not reduce, replace or otherwise affect them. Extra clothing allowances provide for unusual circumstances when:

A. An enlisted member may require additional uniform items; or
B. An officer (with a permanent duty station outside the United States) or enlisted member may require civilian clothes to perform their assigned duties.

2903 INITIAL CLOTHING ALLOWANCES


The standard initial clothing allowance is an in-kind issue, although a cash payment may be made for items not furnished in-kind. Each Service, as approved by the DUSD MPP, may prescribe cash payments for items specifically designated to be purchased by the member, rather than to be furnished in-kind. Additionally, if any of the items of clothing normally prescribed to be furnished in-kind are not available for issuance, then the initial allowance may be completed by paying the member the cash value of the balance remaining. The standard initial clothing allowance rates, including prescribed cash payments for personal purchase of specified items, are in Table 29-1. For the most current rates, see the Standard Initial Clothing Allowances table on DFAS.MIL.

A. The total monetary value of items furnished in-kind, plus any cash payments, may not exceed the amounts for the total value of the applicable standard initial clothing allowance as established in Table 29-1. For the most current rates, see the Standard Initial Clothing Allowances table on DFAS.MIL.

B. If a Service member dies, is discharged, or is released from active duty within 6 months of entitlement to an initial allowance, then the value of the initial allowance must be reduced to the items of clothing already supplied or amount credited up to that date.

C. Army and Marine Corps members, entitled to a standard initial clothing allowance, are furnished the allowance on an item or issue in-kind basis without establishing a monetary credit. Payment of the amount prescribed in the initial allowance as a cash allowance may be made immediately. Shortages of items being furnished on an in-kind basis must be recorded and issued when available to the Service member.

D. Navy and Air Force members, entitled to a standard initial clothing allowance, are credited with the amount of the allowance against which the authorized clothing is furnished. A member will receive the amount prescribed in the initial allowance as a cash payment for personal purchase of specified items. At the conclusion of the basic training period or within a period the Service considers appropriate, if any of the prescribed items of clothing to be furnished in-kind against the established credit are not available for issuance, then the initial allowance may be completed by paying the member the remaining balance in cash.

290302. Standard Initial Clothing Allowance – Entitlement Criteria

Enlisted personnel (except those entitled to a special initial clothing allowance) must be furnished a standard initial clothing allowance under one or more of the following circumstances:
A. Upon first enlistment in the Service, or reenlistment in the same branch of
the regular Military Service, if 3 months has expired from the date of last discharge or release from
active duty and the member is not reporting from a Reserve component that requires the member
to maintain uniform clothing;

B. Upon enlistment or reenlistment in a Service, other than the one from which
last discharged;

C. Upon reporting for or upon recall to active duty for more than 6 months,
after 3 months have expired from the date of last discharge or release from active duty with the
clothing required for service in a Reserve Component. In these cases, the initial allowance must
be reduced to a partial standard initial clothing allowance under regulations of the appropriate
Service, to account for clothing required to be in the person’s possession upon call or recall to
active duty;

D. Upon being restored to duty, after being sentenced to confinement and
punitive discharge, to the extent needed to fill the individual’s clothing requirement;

E. Upon reenlisting within 3 months of last discharge or release from active
duty, when the Service member did not receive the complete initial allowance or was required to
turn in issued clothing. The amount allowed, will be the difference between the current initial
clothing allowance and the current value of issued clothing that remained in the member’s
possession upon the date of last discharge or release from active duty, further reduced by any prior
cash clothing payments toward the initial clothing allowance. Replacement allowances, issues, or
payments are not considered the last authorization of the initial allowance;

F. Upon recall to active duty after 3 months from the date of the last release
from active duty, or retired enlisted personnel (including Service members of the Fleet Reserve
and the Fleet Marine Corps Reserve) recalled to active duty after 3 months from the date of the
last release from active duty or retirement. Only one such allowance will be authorized during any
period of four consecutive years;

G. Upon reversion to service on active duty for commissioned officers, or
warrant officers, under temporary appointments who enlisted or reenlisted, or who reverted to
service on active duty in an enlisted (other than Chief Petty Officer) status, except for purposes of
retirement. Only one such allowance is authorized in any period of 4 consecutive years; or

H. Upon reversion to enlistment in or reenlistment in the regular Navy, Naval
officer candidates, and Naval Reserve Chief Petty Officers, who revert to or are enlisted or
reenlisted in the regular Navy in pay grade E-6 or below, except for purposes of retirement,
provided they previously have not received a standard initial clothing allowance during their
current period of continuous active duty.
290303. Special Initial Clothing Allowance – General Provisions

Enlisted members assigned to a tour of duty, or who attain a status, requiring the wear of uniform clothing (other than special dress uniforms), may be authorized a special initial clothing allowance. Special initial clothing allowance is authorized only once during any period of continuous active duty. The special initial clothing allowance rates are in Table 29-2 and Table 29-3. For the most current rates, see the Special Initial Clothing Allowances – Navy and Air Force tables on DFAS.MIL.

A. The special initial clothing allowance is provided in lieu of the standard initial clothing allowance when it is the first initial allowance qualified for and issued. The special initial clothing allowance supersedes and replaces the standard initial clothing allowance and is considered the last authorization of an initial clothing allowance for a member who previously received a standard initial clothing allowance and subsequently qualifies for and is provided a special initial clothing allowance. The special initial clothing allowance may be issued in-kind, paid as a monetary payment, or provided as a combination, as established by the Service concerned.

B. Examples of uses for special initial clothing allowance are when members in an enlisted status enter an officer training program, are advanced to Chief Petty Officer in the Navy, or are assigned to a military band with uniform styles different than those for others in their pay grade.

290304. Special Initial Clothing Allowance – Eligibility Criteria

The Navy and Air Force will furnish enlisted members with a special initial clothing allowance under one or more of the following circumstances:

A. Upon selection and acceptance for specified officer-training programs;

B. In pay grade E-6 or below, upon assignment to either the U.S. Naval Academy Band, U.S. Navy Band, Washington, DC, or selection for appointment as a Limited Duty Officer in the Navy;

C. Upon first advancement to or first enlistment as a Chief Petty Officer in the Navy, while serving on active duty, unless special initial clothing allowance was previously paid. Effective October 1, 2009, Chief Petty Officers of the Naval Reserve assigned to Selected Reserve and Voluntary Training Units are entitled to a full special initial clothing allowance upon first advancement to Chief Petty Officer;

D. For Chief Petty Officers in the Naval Reserve who were advanced before October 1, 2009, upon first reporting for active duty for a period of 6 months or greater as a Chief Petty Officer of the Naval Reserve, provided no special initial clothing allowance has been previously paid either on active or inactive duty. If a special initial clothing allowance has been previously paid on inactive duty, then the Chief Petty Officer is entitled to a partial special initial
clothing allowance in accordance with the Note at Table 29-2. See the Special Initial Clothing Allowances – Navy table on DFAS.MIL; or

E. Upon active duty reenlistment or receipt of orders to active duty as a Chief Petty Officer in the Navy, provided all of the following requirements are met:

1. Over 3 months has expired from the date of last discharge, release from active duty or retirement;

2. The enlistment or reenlistment period is for a period of more than 6 months;

3. Appointment to temporary officer status is not coincident with the enlistment or reenlistment; and

4. The member has not received a special initial clothing allowance within the last 4 years while on inactive duty.

290305. Partial Initial Clothing Allowances

Enlisted members will be paid a reduced or partial initial clothing allowance when payment of a full standard initial clothing allowance or full special initial clothing allowance is not warranted, due to an enlisted member reporting for or being recalled to active duty for more than 6 months, after 3 months have expired from the date of last discharge or release from active duty with the clothing required for service in a Reserve component.

2904 CASH CLOTHING REPLACEMENT ALLOWANCES

290401. General

Enlisted members receive cash clothing replacement allowances for uniform items for the replacement of military unique items required for wear. Enlisted members engaged in officer training programs or who are attending academy preparatory schools are not eligible for cash clothing replacement allowances. See Table 29-4 for specific entitlement rules. See Table 29-5 for the cash clothing replacement allowance rates. For the most current rates, see the Cash Clothing Replacement Allowances table on DFAS.MIL.

290402. Basic Cash Clothing Replacement Allowance

Basic cash clothing replacement allowance is a preliminary replacement allowance for uniform items. It is used during the first 3 years of active service subsequent to receipt of a standard initial clothing allowance or a reduced or partial standard initial clothing allowance.

A. Basic cash clothing replacement allowance accrues to each enlisted member, beginning the first day of the month following the date of completion of 6 months of active duty without regard to time lost. At the end of the member’s anniversary month completing
1-year of uninterrupted active military service, the first payment is equal to one-half the applicable fiscal year rate then in effect.

B. When authorized under regulations of the Service concerned, enlisted members of a Reserve Component who received a reduced or partial standard initial clothing allowance may be authorized to accrue the basic cash clothing replacement allowance, beginning with the first day of the month following the date of call or recall to active duty in a pay status.

C. The basic cash clothing replacement allowance continues for the first 3 years of continuous active duty. It is payable for the second and third years at the end of the member’s anniversary month, using the applicable rate then in effect.

290403. Standard Cash Clothing Replacement Allowance

Standard cash clothing replacement allowance provides for replacement of uniform items after completion of 3 years of active service subsequent to receipt of a standard initial clothing allowance or a reduced or partial standard initial clothing allowance. It is the preliminary replacement allowance during the first 3 years of active service, subsequent to receipt of a reduced or partial or special initial clothing allowance.

A. When used as the follow-on to the basic cash clothing replacement allowance, the standard cash clothing replacement allowance accrues beginning with the first day of the month following the date the member completes 36 months active duty, without regard to time lost. It continues during the remaining period of continuous active duty and is payable annually at the end of the Service member’s anniversary month, using the applicable rate then in effect.

B. When used as the preliminary replacement allowance for the special initial clothing allowance, the standard cash clothing replacement allowance accrues, beginning with the first day of the month following the date the special initial clothing allowance or a reduced or partial special initial clothing allowance was authorized without regard to time lost. It is payable annually, for the first 3 years of continuous active duty, at the end of the Service member’s anniversary month, using the applicable rate then in effect.

290404. Special Cash Clothing Replacement Allowance

Special cash clothing replacement allowance provides for replacement of uniform items, after completion of 3 years of active service, subsequent to receipt of a special initial clothing allowance. It accrues beginning with the first day of the month following the date the member completes 36 months active duty, subsequent to receiving a special initial clothing allowance or a reduced or partial special initial clothing allowance, without regard to time lost, and continues during the remaining period of continuous active duty. It is payable annually at the end of the Service member’s anniversary month, using the applicable fiscal year rate then in effect. During the period for which the special cash clothing replacement allowance is payable, the Service member is not entitled to any other cash clothing replacement allowance.
2905 EXTRA CLOTHING ALLOWANCES

290501. General

Members may receive extra clothing allowances, in addition to any other entitled clothing allowance. Entitlement to or payment of an extra clothing allowance does not replace or reduce any other clothing allowance.

290502. Supplementary Clothing Allowances

In addition to any other clothing allowance authorized, an enlisted member may become entitled to a supplementary clothing allowance. Supplementary clothing allowances may be authorized only for an enlisted member, assigned to duty in a special organization or detail, where the nature of the duty necessitates that he or she have, as a military requirement, additional quantities or special items of individual uniform clothing normally not required for most enlisted members in the same Service. Except for maternity uniforms, supplementary clothing allowances may not exceed 30 percent of the current value of the standard initial clothing allowance.

A. Entitlement

1. A supplementary clothing allowance may be issued in-kind, as a cash payment, or as a combination of issued in-kind and a cash payment. Generally, supplementary clothing allowances are cash payments to Navy and Air Force members, while Army and Marine Corps members receive in-kind issues.

2. A member scheduled to serve in a qualifying assignment for at least 6 additional months, may receive a subsequent supplementary clothing allowance, on the anniversary of the initial supplementary clothing allowance. A Service member who has received a supplementary clothing allowance may not be authorized a subsequent supplementary allowance for the same items upon reassignment to duty if less than 12 months have elapsed since the last payment. Under circumstances deemed appropriate, the Service Secretary or the Commandant of the Marine Corps may waive this restriction.

3. As an exception to subparagraph 290502.A.2, an otherwise qualified member may not receive the supplementary clothing allowance for maternity uniforms more often than once every 3 years.

B. Rates Payable

1. The Army provides supplementary clothing allowances as in-kind issues as described in Army Regulation 700-84.

2. See Table 29-6 for the Navy supplementary clothing allowance rates. For the most current rates, see the Supplementary Clothing Allowances – Navy table on DFAS.MIL.
3. See Table 29-7 for the Air Force supplementary clothing allowance rates. For the most current rates, see the *Supplementary Clothing Allowances – Air Force* table on DFAS.MIL.

4. The Marine Corps provides supplementary clothing allowances as a combination of in-kind issues and cash payments. See Table 29-8 for the Marine Corps supplementary clothing allowance cash payments. For the most current rates, see the *Marine Corps Supplementary Clothing Allowances* table on DFAS.MIL.

290503. Civilian Clothing Allowances for Officers and Enlisted Personnel

In addition to any other clothing allowance authorized, Service members (officer or enlisted) directed by competent authority to dress in civilian clothing more than half the time when performing official duty, as a military requirement, may be authorized a civilian clothing allowance. *In accordance with 37 U.S.C. § 419*, an officer is authorized a civilian clothing allowance only if his or her permanent duty station is outside the United States. During any period in which an enlisted member is on an assignment requiring the wear of civilian clothing, the applicable replacement allowance for uniform items continues to accrue. The Service Secretary or the Commandant of the Marine Corps may prescribe reduced civilian clothing allowances, as appropriate for their respective Service, for personnel serving under conditions where the full authorized civilian clothing allowances in Table 29-9 are not required. For the most current rates, see the *Civilian Clothing Allowances for Officer and Enlisted* table on DFAS.MIL.

A. Permanent Duty Civilian Clothing Allowances. The permanent duty civilian clothing allowance has two parts: the initial civilian clothing allowance; and the replacement civilian clothing allowance. The initial civilian clothing allowance is payable upon assignment to qualifying permanent duty when authorized by the Service concerned. When entitled, the replacement civilian clothing allowance is payable annually at the end of the service member’s anniversary month using the applicable rate then in effect. The rates payable for the permanent duty civilian clothing allowances are in Table 29-9. For the most current rates, see the *Civilian Clothing Allowances for Officer and Enlisted* table on DFAS.MIL.

1. **Initial Civilian Clothing Allowance.** An initial civilian clothing allowance is paid only once in any 3-year period. It is not paid if the member has been out of a qualifying assignment for less than 12 months. If the member receives a follow-on permanent assignment requiring the wear of civilian clothing within 3 years of receiving an initial civilian clothing allowance, or within 12 months of occupying a qualifying assignment, then he or she will receive the replacement civilian clothing allowance at the end of the original anniversary month.

2. **Replacement Civilian Clothing Allowance.** At the end of the anniversary month of the member commencing the qualifying assignment, a replacement civilian clothing allowance is payable if it is projected that he or she will serve at least 6 additional months in a qualifying assignment. The member becomes entitled, upon authorization of the Service concerned. A replacement civilian clothing allowance is not payable if it is projected the member will remain in the assignment less than 6 months beyond the anniversary month. *A replacement
civilian clothing allowance is payable, if the member actually serves 6 or more months in the assignment past the anniversary month.

3. **Lump-Sum Payments.** A member who will continue to meet the eligibility criteria for a civilian clothing allowance, on a career basis, may receive the initial civilian clothing allowance, and up to two replacement civilian clothing allowance payments, in an up-front lump-sum payment. The member may receive payment at the time of eligibility and only once in their career. During the member’s first or second anniversaries after a lump-sum initial payment, if it is determined the member actually will not be remaining in a qualifying position for at least the next 6 months, the annual unearned portion for the year(s) not served will be recouped from the member. At the end of the anniversary months for the third and subsequent years of eligibility, the member will receive their replacement civilian clothing allowance payment.

4. **Prior Civilian Clothing Payments.** A member, authorized to receive permanent duty civilian clothing allowance, will have that allowance reduced by the prevailing value of any temporary duty civilian clothing allowance received within the preceding 12 months.

B. **Temporary Duty Civilian Clothing Allowances.** Generally, the temporary duty civilian clothing allowance is used when the permanent duty civilian clothing allowance is not applicable. The total amount of all temporary duty civilian clothing allowances payable in any 36-month period will not exceed the maximum allowed for temporary duty of at least 30 days. The amounts authorized by the Service concerned will be within the rates established in Table 29-9. For the most current rates, see the [Civilian Clothing Allowances for Officer and Enlisted](https://www.defas.mil) table on DFAS.MIL. The temporary duty civilian clothing allowance has two maximum rates based on the number of days the member is on temporary duty.

1. **15 Days.** When competent authority determines the member will be on temporary duty at least 15 consecutive or accumulative days within a 30-day period, the maximum amount payable is found in Table 29-9. For the most current rates, see the [Civilian Clothing Allowances for Officer and Enlisted](https://www.defas.mil) table on DFAS.MIL. The 15-day threshold requirement does not apply to Explosive Ordnance Disposal and Explosive Detector Dog Personnel on U.S. Secret Service Support Duty, Defense Courier Service couriers, or Defense Threat Reduction Agency military personnel. These personnel may receive the maximum payment for temporary duty of at least 30 days, upon their initial temporary duty assignment, regardless of the length of their temporary duty.

2. **30 Days.** When competent authority determines that a member will be on temporary duty at least 30 consecutive or accumulative days within a 36-month period, the maximum amount payable will be found in Table 29-9, less any amount paid within the past 36-month period. For the most current rates, see the [Civilian Clothing Allowances](https://www.defas.mil) for Officer and Enlisted table on DFAS.MIL.

C. **Additional Temporary Duty Payments.** In exceptional circumstances, the appropriate official, or the designated official, may make an exception to the maximum allowance permitted in a 36-month period and may authorize an additional payment of a 15-day or 30-day
allowance or some lesser amount. The Assistant Secretaries of the Army, Navy and Air Force for Manpower and Reserve Affairs (M&RA), or the Deputy Chief of Staff for M&RA in the Marine Corps, may approve the additional allowance. They cannot delegate their authority.

2906 MISCELLANEOUS CLOTHING PROVISIONS

290601. Reserve Component Allowances

Reserve Component personnel on active duty for periods of less than 6 months, or while on inactive duty, are generally furnished the required individual clothing items as in-kind issues. Reserve Component personnel may receive the standard initial clothing allowance cash portion for items designated to be personally procured and not issued in-kind. Members of Reserve Components on active duty for periods of less than 6 months or on inactive duty are not entitled to any civilian clothing allowances. Further guidance for payment of clothing allowances for Reserve members is set forth in Chapters 57 and 58.

290602. Lost or Damaged Clothing

The Service concerned will compensate an enlisted member for clothing items destroyed, damaged, lost, abandoned, captured, or otherwise rendered unusable, by an incident to military training or service, not caused by any fault or negligence of the member.

290603. Clothing Price Adjustments

Enlisted members of the Navy and Air Force, entitled to an initial or partial initial clothing monetary allowance upon entering the Service, may require an adjustment to their pay records. A member’s pay record is adjusted to reflect the difference between the old and the new fiscal year prices for items not issued, if the entitlement date is on or before September 30, for all clothing items not issued prior to October 1.

290604. Settlement of Cash Clothing Allowances

A member will receive the cash clothing replacement allowance on the last day of their anniversary month. A member will receive a prorated cash clothing replacement allowance when discharged before the end of their anniversary month. The authorizing official approves payment for supplementary clothing allowances. See Table 29-10 for settlement of other cash clothing allowances.
Table 29-1. Standard Initial Clothing Allowances
Effective October 1, 2019
For the most current rates, see the *Standard Initial Clothing Allowances* table on DFAS.MIL.

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Army</td>
<td>Male</td>
<td>$1,650.84</td>
<td>$7.99</td>
</tr>
<tr>
<td>2</td>
<td>Female</td>
<td></td>
<td>$1,874.74</td>
<td>$291.75</td>
</tr>
<tr>
<td>3</td>
<td>Navy (E1-E6)</td>
<td>Male</td>
<td>$1,887.49</td>
<td>$101.90</td>
</tr>
<tr>
<td>4</td>
<td>Female</td>
<td></td>
<td>$2,024.10</td>
<td>$289.86</td>
</tr>
<tr>
<td>5</td>
<td>Air Force</td>
<td>Male</td>
<td>$1,581.39</td>
<td>$0</td>
</tr>
<tr>
<td>6</td>
<td>Female</td>
<td></td>
<td>$1,773.29</td>
<td>$309.87</td>
</tr>
<tr>
<td>7</td>
<td>Marine Corps</td>
<td>Male</td>
<td>$2,104.92</td>
<td>$0</td>
</tr>
<tr>
<td>8</td>
<td>Female</td>
<td></td>
<td>$2,162.51</td>
<td>$175.00</td>
</tr>
</tbody>
</table>
**Table 29-2. Navy Special Initial Clothing Allowances**

Effective October 1, 2019

For the most current rates, see the *Navy Special Initial Clothing Allowances* table on DFAS.MIL.

<table>
<thead>
<tr>
<th>R U L E</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>When an entitled enlisted member is in pay grade E-6 or below and assigned to the U.S. Navy Band, Washington, DC, or the U.S. Naval Academy Band, or selected for appointment as a Limited Duty Officer in the Navy</td>
<td>Male</td>
<td>$1,053.09</td>
<td>$1,053.09</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>$1,083.42</td>
<td>$1,083.42</td>
<td>$0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>When an entitled enlisted member is eligible to wear the uniform of a Chief Petty Officer (E7-E9) (See Note)</td>
<td>Male</td>
<td>$1,053.09</td>
<td>$1,053.09</td>
<td>$1,053.09</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>$1,083.42</td>
<td>$1,083.42</td>
<td>$1,083.42</td>
<td></td>
<td></td>
</tr>
<tr>
<td>When an entitled enlisted member is selected for officer training in the Navy and enters Officer Candidate School, the Enlisted Commissioning Program, or the Seaman to Admiral Program</td>
<td>Male</td>
<td>$1,831.00</td>
<td>$1,831.00</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>$1,973.90</td>
<td>$1,973.90</td>
<td>$0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:**

Navy Reserve personnel advanced to Chief Petty Officer on or after October 1, 2009 are entitled to the full special initial clothing allowance. Chief Petty Officers in the Navy Reserve, who were advanced before October 1, 2009, were only paid a partial special initial clothing allowance and are entitled to a partial initial clothing allowance when called to active duty for 6 months or more.
*Table 29-3. Air Force Special Initial Clothing Allowances

Effective October 1, 2019
For the most current rates, see the *Air Force Special Initial Clothing Allowances* table on DFAS.MIL.

<table>
<thead>
<tr>
<th>R</th>
<th>U</th>
<th>L</th>
<th>E</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>a</td>
<td>d</td>
<td>c</td>
<td>direct civilian accession student</td>
<td></td>
<td>$963.59</td>
<td>$963.59</td>
</tr>
<tr>
<td>2</td>
<td>t</td>
<td>h</td>
<td>e</td>
<td>Air Force Officer Training School (AFOTS)</td>
<td></td>
<td>$1,247.50</td>
<td>$1,247.50</td>
</tr>
<tr>
<td>3</td>
<td>an</td>
<td>e</td>
<td>c</td>
<td>enlisted accession student to AFOTS</td>
<td></td>
<td>$403.84</td>
<td>$403.84</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>assigned to the U.S. Air Force Academy Preparatory School</td>
<td></td>
<td>$1,059.58</td>
<td>$1,059.58</td>
</tr>
</tbody>
</table>
Table 29-4. Entitlement to Cash Clothing Replacement Allowances

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>When a member completes 6 months of active duty after last entitlement to a standard initial, partial standard initial, or reduced standard initial clothing allowance (Note 1) and is not missing, missing-in-action, captured, or detained in a foreign country; nor forfeiting total pay; nor in confinement under approved sentence providing a punitive discharge (Note 2); nor assigned to a command where clothing is replaced by an in-kind issue; nor undergoing training leading to a commission or attending an academy preparatory school; nor terminated from the status for which a special initial clothing monetary allowance was awarded, then the member is entitled to an annual basic cash clothing replacement allowance, accruing from the first day of the month following the date of completion of 6 months active duty through the end of 36 months of active duty. On completion of 12 months of uninterrupted active duty, payment will be made for one-half the annual rate and the full annual rate thereafter. Annual payments will be made at the end of the member’s anniversary month of active duty (Note 3).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Completes 6 months of active duty as an officer candidate (Note 1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Becomes entitled to a special initial, partial special initial, or reduced special initial clothing allowance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Completes 36 months of active duty after last entitlement to a standard initial, partial standard initial, or a reduced standard initial clothing allowance (Note 1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Completes 36 months of active duty after last entitlement to a special initial, partial special initial, or a reduced special initial clothing allowance (Note 1)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 29-4. Entitlement to Cash Clothing Replacement Allowances (Continued)

NOTES:

1. The time period is computed without regard to lost time.
2. The term “approved sentence” means the date the sentence was approved by the convening authority.
3. If a member serves on this active duty less than 12 months or less than 12 months after the last annual payment, then a prorated amount will be paid, calculated at one-twelfth of the annual rate for each whole month or fractional month served. Example: A member on a 3-year enlistment leaves service after serving 2 years, 6 months, and 10 days. The final payment would be an amount equal to 7/12 of the annual amount.
Table 29-5. Cash Clothing Replacement Allowances
Effective October 1, 2019
For the most current rates, see the **Cash Clothing Replacement Allowances** table on DFAS.MIL.

<table>
<thead>
<tr>
<th>R</th>
<th>U</th>
<th>L</th>
<th>E</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>When an</td>
<td>and is</td>
<td>then the value</td>
<td>and the value</td>
<td>and the value</td>
<td>and the value of the Reserve Special Cash Clothing Replacement Allowance is 18% of column E</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>enlisted member is</td>
<td>and is</td>
<td>of the Basic Cash</td>
<td>of the Standard</td>
<td>of the Special</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>Army</td>
<td>male</td>
<td>$322.49</td>
<td>$460.71</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>Navy</td>
<td>female</td>
<td>$330.41</td>
<td>$472.01</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>(Note 1)</td>
<td>male</td>
<td>$356.40</td>
<td>$511.20</td>
<td>$655.20</td>
<td>$117.94 (Note 2)</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>female</td>
<td>$352.80</td>
<td>$504.00</td>
<td>$658.80</td>
<td>$118.58 (Note 2)</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>Air Force</td>
<td>male</td>
<td>$428.77</td>
<td>$549.71</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>female</td>
<td>$427.62</td>
<td>$548.06</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td>Marine Corps</td>
<td>male</td>
<td>$455.16</td>
<td>$650.28</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>female</td>
<td>$460.80</td>
<td>$658.20</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**NOTES:**

1. Members of the **U.S. Naval Academy Band, the U.S. Navy Band, Washington, DC, and all Navy Chief Petty Officers receive special cash clothing replacement allowances as follow-on to the special initial clothing allowances.
2. **Reserve Chief Petty Officers will receive 18 percent of the Active Duty Special Cash Clothing Replacement Allowance. This allowance will be paid annually during the anniversary month of the qualifying member.**
*Table 29-6. Navy Supplementary Clothing Allowances
Effective October 1, 2019
For the most current rates, see the **Navy Supplementary Clothing Allowances** table on DFAS.MIL.

<table>
<thead>
<tr>
<th>Rule</th>
<th>Description</th>
<th>Amount</th>
<th>Frequency of Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>duty as the Master Chief Petty Officer of the Navy or a Master Chief Petty Officer of a Fleet or Force</td>
<td>$220.00</td>
<td>annual.</td>
</tr>
<tr>
<td>2</td>
<td>duty as a recruit company commander at Naval training centers or Naval Air Reserve training unit (Memphis) and meets eligibility requirements (Note 2)</td>
<td>$220.00</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>duty as a recruit drill instructor at naval training centers and meets eligibility requirements (Note 2)</td>
<td>$220.00</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>duty as a midshipmen company advisor in pay grade E7 – E9 at the U.S. Naval Academy</td>
<td>$220.00</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>duty as a musician with a Fleet/Area Band, U.S. Navy Band, Washington, DC or Naval Academy Band</td>
<td>$220.00</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>assigned to a recruiting billet or a recruiting support billet (Note 3)</td>
<td>$220.00</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>the USS CONSTITUTION</td>
<td>$220.00</td>
<td>only upon assignment.</td>
</tr>
<tr>
<td>8</td>
<td>the U.S. Navy Ceremonial Guard</td>
<td>$200.00</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>duty with Naval Administrative Unit, Washington, DC</td>
<td>$125.00</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>the Ceremonial Guard Unit, Naval Air Facility, Washington DC</td>
<td>$120.00</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>a unit of the Armed Forces police or permanent shore patrol</td>
<td>$50.00</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>duty in the executive part of the Department of the Navy located at the seat of government (field activities excluded)</td>
<td>$15.00</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>duty in the Office of the SecDef including the Office of the Joint Chiefs of Staff</td>
<td>$15.00</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>active duty or Selected Reserve duty and the individual’s condition requires the wearing of a maternity uniform</td>
<td>$350.35</td>
<td>once in 3 years.</td>
</tr>
</tbody>
</table>
Table 29-6. Navy Supplementary Clothing Allowances (Continued)
Effective October 1, 2019

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual’s condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active duty within 1-year, except by special authority of the Service Secretary or designee.

2. Eligibility requires completion of Recruit Company Commander or Recruit Drill Instructor School.

3. Recruiting or recruiting support duty means active duty assignment to: Navy recruiting areas, Navy recruiting districts, Navy recruiting “A” stations, Navy recruiting stations, Military Entrance Processing Stations, or to Naval Reserve activities. It also includes Naval aviation cadet procurement teams at Naval Air Reserve activities. It is payable to recruiters after reporting to the enlisted Navy Recruiter Orientation Course or upon completion of the Veteran Recruiter Orientation. It is payable to recruiting support personnel upon receipt of orders to such duty. It is payable to members assigned to the Bureau of Naval Personnel controlled recruiting billets or a recruit support billet upon initial assignment, when specialized training is not required prior to the recruiting assignment.
Table 29-7. Air Force Supplementary Clothing Allowances
Effective October 1, 2019
For the most current rates, see the *Air Force Supplementary Clothing Allowances* table on DFAS.MIL.

<table>
<thead>
<tr>
<th>R.U.L.E.</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>When an Air Force enlisted member is assigned to</strong></td>
<td>then the Supplementary Clothing Allowance to be paid in cash is</td>
<td>and the frequency of payment is (Note 1)</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>a recruiting group or squadron</td>
<td>$271.88</td>
<td>annual.</td>
</tr>
<tr>
<td>2</td>
<td>duty as the Chief Master Sergeant of the Air Force</td>
<td>$271.85</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>duty as a Military Training Leader (Technical Training Schools)</td>
<td>$271.85</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>duty as a professional military education instructor</td>
<td>$271.85</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>duty as a basic military training instructor or manager</td>
<td>$271.85</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>duty as an in-flight passenger service steward</td>
<td>$211.87</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Detachment 1, 4950th Test Wing</td>
<td>$211.87</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>89th Air Wing, Presidential Aircrew</td>
<td>$211.87</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>duty as a cadet military training advisor at the U.S. Air Force Academy</td>
<td>$211.87</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>duty as a basic military training instructor at the U.S. Air Force Academy Preparatory School</td>
<td>$211.87</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>a military entrance processing station</td>
<td>$175.89</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>89th Air Wing as a member of the security police</td>
<td>$143.83</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>duty as the Chief Master Sergeant of the Air Force Staff</td>
<td>$271.88</td>
<td>only upon assignment.</td>
</tr>
<tr>
<td>14</td>
<td>represent the Air Force as one of the 12 Outstanding Airmen of the Year</td>
<td>$271.88</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Hammer Ace</td>
<td>$211.92</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Headquarters U.S. Air Force/Chief of Staff as member of the security police</td>
<td>$143.83</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>duty at a Major Command as a member of the security police Elite Guard</td>
<td>$143.83</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>duty as a member of the security police Elite Gate Guards</td>
<td>$143.83</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>duty as a student at the Security Forces Specialist Course (Law Enforcement &amp; Security Specialist Students)</td>
<td>$115.95</td>
<td></td>
</tr>
</tbody>
</table>
Table 29-7. Air Force Supplementary Clothing Allowances (Continued)
Effective October 1, 2019

<table>
<thead>
<tr>
<th>R</th>
<th>U</th>
<th>L</th>
<th>E</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>When an Air Force enlisted member is assigned to</td>
<td>then the</td>
<td>and the frequency of payment is (Note 1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>active duty and the individual’s condition requires the</td>
<td>Supplementary</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>wearing of a maternity uniform (Note 2)</td>
<td>Clothing Allowance to be paid in cash is</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
<td></td>
<td></td>
<td>$387.82</td>
<td>once in 3</td>
<td>years.</td>
</tr>
<tr>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td>the U.S. Air Force Band, the Air Force Band of the Rockies, or a</td>
<td>$211.92</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>numbered Air Force Band</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td></td>
<td></td>
<td></td>
<td>duty as a U.S. Air Force Academy radio maintenance work center</td>
<td>$175.92</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>technician</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td></td>
<td></td>
<td></td>
<td>active duty and the individual’s condition requires the</td>
<td>$139.94</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>wearing of a maternity uniform when the individual is</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>provided, as government issue, maternity working uniforms (e.g.,</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>hospital workers, Note 2)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual’s condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active duty within 1 year, except by special authority of the Service Secretary or designee.

2. When the reduced maternity uniform allowance has been paid and the member subsequently qualifies for a full maternity uniform allowance within 3 years of the reduced payment, the member will receive only the difference between the two allowances. A member may not receive more than the full maternity uniform allowance value within any 36-month period. A reduced maternity uniform allowance may not be paid within 36 months of a full maternity uniform allowance.
Table 29-8. Marine Corps Supplementary Clothing Allowances

Effective October 1, 2019

For the most current rates, see the Marine Corps Supplementary Clothing Allowances table on DFAS.MIL.

<table>
<thead>
<tr>
<th>R</th>
<th>U</th>
<th>L</th>
<th>E</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>When a Marine Corps enlisted member is assigned to</td>
<td>then the Supplementary Clothing Allowance to be paid in cash is</td>
<td>and the frequency of payment is (Note 1)</td>
</tr>
<tr>
<td>1</td>
<td>male Staff Non-Commissioned Officer (SNCO) white trousers (note 2)</td>
<td></td>
<td>$58.00</td>
<td>only upon assignment.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>female SNCO white skirt (note 2)</td>
<td></td>
<td>$72.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>female SNCO white slacks (note 2)</td>
<td></td>
<td>$64.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>duty as a male student at the Naval Academy Preparatory School</td>
<td></td>
<td>$1,355.25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>duty as a female student at the Naval Academy Preparatory School</td>
<td></td>
<td>$1,376.23</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Sergeant Major of the Marine Corps</td>
<td></td>
<td>$250.02</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual’s condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active duty within 1 year, except by special authority of the Service Secretary or designee.

2. Required for all SNCO whose approved duty assignment requires the white skirt, slacks, and trousers.
Table 29-9. Civilian Clothing Allowances for Officer and Enlisted Members
Effective October 1, 2019
For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL.

<table>
<thead>
<tr>
<th>R</th>
<th>U</th>
<th>L</th>
<th>E</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>permanent duty initial payment</td>
<td>$1,103.40</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>permanent duty annual replacement payment</td>
<td>$368.28</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>temporary duty of at least 15 days in a 30-day period (Note 3)</td>
<td>$368.28</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>temporary duty of at least 30 days in a 36-month period</td>
<td>$735.84</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:

1. By law, an officer is authorized a civilian clothing allowance only if the officer’s permanent duty station is outside the United States.
2. Unless exception is given, the maximum amount payable, for all temporary duty performed in any 36-month period, will not exceed the maximum prescribed for duty of at least 30 days.
3. The 15-day qualification requirement does not apply to Explosive Ordnance Disposal and Explosive Detector Dog personnel on U.S. Secret Service support duty, Defense Courier Service couriers, or Defense Threat Reduction Agency military personnel. These personnel may be authorized up to the maximum temporary duty civilian clothing allowance for 30 days upon their initial temporary duty travel requirement.
Table 29-10. Settlement of Cash Clothing Allowances
(See Note)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rule 1: When member is entitled to a standard initial clothing allowance, a reduced or partial standard initial clothing allowance, and is a member of the Army, Navy, Air Force, and Marine Corps, and has completed 6 months of active duty (Note), then settle balance of allowance due.

Rule 2: When member is entitled to a reduced or partial standard initial clothing allowance, and is a member of the Army, Navy, Air Force, and Marine Corps, and has drawn clothing equaling or exceeding the allowance, then settle amount, collect amount due from member, if appropriate.

Rule 3: When member is entitled to an initial cash allowance for personal purchase of specified items, and is a member of the Army, Navy, Air Force, and Marine Corps, and has established entitlement to an initial clothing allowance, then pay or credit amount authorized immediately.

Rule 4: When member is entitled to a special initial clothing allowance or a reduced or partial special initial clothing allowance, and is a member of the Army, Navy, Air Force, and Marine Corps, and has reenlisted in the same branch of the Regular Service subsequent to expiration of 3 months from the date of last discharge or release from active duty, then pay or credit amount authorized immediately.

Rule 5: When member is entitled to a civilian clothing allowance, and is a member of the Army, Navy, Air Force, and Marine Corps, and has completed recruit training, then settle balance of allowance due.

Rule 6: When member is entitled to an initial cash allowance for personal purchase of specified items, and is a member of the Army, Navy, Air Force, and Marine Corps, and has established entitlement to an initial clothing allowance, then pay or credit amount authorized immediately.
Table 29-10. Settlement of Cash Clothing Allowances (Continued)

NOTE:

On discharge, release from active duty, or death, before completion of 6 months of active duty (Navy), or 30 days (Air Force), reduce the monetary clothing allowance to amount of clothing already supplied.
CHAPTER 29—CLOTHING MONETARY ALLOWANCES

2901 – GENERAL

290101 37 U.S.C. § 418

2902 – CLOTHING ALLOWANCE ENTITLEMENT

37 U.S.C. § 418
DoD Directive 1338.05, January 12, 2005
DoD Instruction (DoDI) 1338.18, January 7, 1998
Office of the Under Secretary of Defense Personnel and Readiness (OUSD (P&R)) Memo, April 18, 2008

2903 – INITIAL CLOTHING ALLOWANCES

290304.B Department of the Navy Chief of Naval Operations Memo, March 12, 2002

2904 – CASH CLOTHING REPLACEMENT ALLOWANCES

290402.A DoDI 1338.18, January 7, 1998
290403.A DoDI 1338.18, January 7, 1998

2905 – EXTRA CLOTHING ALLOWANCES

OUSD (P&R) Memo, March 25, 2003
290503 37 U.S.C. § 419

2906 – MISCELLANEOUS CLOTHING PROVISIONS

290602 DoDI 1338.18, January 7, 1998

Table 29-1 – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Army Office of the Deputy Chief of Staff G-4 Memo, September 11, 2019
Department of the Navy Office of the Chief of Naval Operations Memo, September 10, 2019
Department of the Air Force AF-A1 Memo, September 13, 2019
Table 29-2 – NAVY SPECIAL INITIAL CLOTHING ALLOWANCE

Department of the Navy Office of the Chief of Naval Operations Memo, September 10, 2019

Table 29-3 – AIR FORCE SPECIAL INITIAL CLOTHING ALLOWANCE

Department of the Air Force AF-A1 Memo, September 13, 2019

Table 29-4 – ENTITLEMENT TO CASH CLOTHING REPLACEMENT ALLOWANCES

DoDI 1338.18, January 7, 1998

Table 29-5 – CASH CLOTHING REPLACEMENT ALLOWANCES

Department of the Army Office of the Deputy Chief of Staff G-4 Memo, September 11, 2019
Department of the Navy Office of the Chief of Naval Operations Memo, September 10, 2019
Department of the Air Force AF-A1 Memo, September 13, 2019
Department of the Navy Office of the Assistant Secretary M&RA Memo, October 25, 2019

Table 29-6 – NAVY SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Navy Office of the Chief of Naval Operations Memo, September 10, 2019

Table 29-7 – AIR FORCE SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Air Force AF-A1 Memo, September 13, 2019

Table 29-8 – MARINE CORPS SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary M&RA Memo, October 3, 2019
Table 29-9 – CIVILIAN CLOTHING ALLOWANCES FOR OFFICER AND ENLISTED MEMBERS

DoDI 1338.18, January 7, 1998
ASD M&RA Memo, September 16, 2019

Table 29-10 – SETTLEMENT OF CASH CLOTHING ALLOWANCES

DoDI 1338.18, January 7, 1998
VOLUME 7A, CHAPTER 30: “OFFICERS’ UNIFORM AND EQUIPMENT ALLOWANCE”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated May 2017 is archived.

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CHAPTER 30

OFFICERS’ UNIFORM AND EQUIPMENT ALLOWANCE

3001  GENERAL

300101.  Purpose

In accordance with guidance contained in this chapter, officers of the Armed Forces of the United States may be entitled to an initial uniform allowance and/or an additional active duty uniform allowance as reimbursement for the purchase of required uniforms and equipment.

300102.  Authoritative Guidance

The authoritative references are listed at the end of this chapter.

3002  INITIAL UNIFORM ALLOWANCE

300201.  General

Officers of the Armed Forces of the United States are entitled to an initial uniform allowance as provided in this section.

300202.  When Payable

A.  Except as provided in subparagraph 300202.B, the initial uniform allowance is payable only once to an officer upon:

1.  First reporting for active duty (other than for training) for a period of more than 90 days.  A member entering active duty as an officer in a Regular Component or upon Reserve Officer Training Corps (ROTC) graduation is considered to have entered into active duty for more than 90 days;

2.  Completing at least 14 days of active duty or active duty for training as a member of a Reserve Component;

3.  Completing 14 periods of inactive duty training as a member of the Ready Reserve.  Each period of inactive duty training must be of at least 2 hours duration; or

4.  Reporting for the first period of active duty required of a member of the Armed Forces Health Professions Scholarship Program.

B.  In the case where a Reserve officer transfers to another Reserve Component that requires a different uniform, that Reserve officer may receive another initial uniform allowance.
300203.  Amount Payable

All officer personnel, commissioned or appointed in the Regular or Reserve Components of the Army, Navy, Air Force, and Marine Corps, are authorized $400 as reimbursement for the purchase of uniforms and equipment, regardless the source of commission or previous enlisted status.

300204.  Restrictions

A.  If a member has received an initial uniform allowance in any amount as an officer, under conditions other than those listed in subparagraph 300202.A, then the member cannot again be entitled to the initial uniform allowance.

B.  Regular officers may not receive this allowance when transferring to another Military Service.

C.  Only periods of duty that require wearing of the uniform are counted for entitlement to the initial uniform allowance.

D.  An officer must be determined physically qualified for active duty before entitlement to an initial uniform allowance accrues.

3003  ADDITIONAL ACTIVE DUTY UNIFORM ALLOWANCE

300301.  General

Officers of Reserve Components, officers of the Army or Air Force of the United States without specification of component, and ROTC graduates appointed in the Regular Components are entitled to an additional active duty uniform allowance as provided in this section.

300302.  When Payable

A.  The additional active duty uniform allowance is payable for each instance of entry or reentry into active duty, or active duty for training (including authorized travel time) for more than 90 days. The period served may be under orders specifying active duty for more than 90 days, or under two or more orders requiring a continuous period of more than 90 days active duty.

B.  An officer commissioned in a Regular Component, upon ROTC graduation, accrues entitlement to the allowance on commencement of duty as a Regular officer. The officer is considered to have entered on active duty for more than 90 days.

300303.  Amount Payable

The additional active duty uniform allowance is payable, to qualified officers in the amount of $200, as reimbursement for the purchase of required uniforms and equipment.
300304. Restrictions

A. The additional active duty uniform allowance is not payable if the officer has received an initial uniform allowance of more than $400 during the current tour of active duty, or within 2 years prior to entering the current tour.

B. The additional active duty uniform allowance is not payable when the tour of duty for which payment is being considered began within 2 years after the end of a previous period of active duty, or active duty for training, of more than 90 days. This applies whether or not a uniform allowance was paid for the previous tour of duty. It applies only if the prior service was performed as a Reserve officer, as an officer of the Army or Air Force of the United States without specification of component, or as a Regular officer commissioned upon ROTC.

C. An officer of a Reserve Component or of the Army or Air Force of the United States, without specification of component, is not due this allowance solely because of appointment in or transfer to the Army, Air Force, or another Reserve Component.

D. A Reserve officer ordered to an indefinite tour of active duty, or active duty for training, is not entitled to this allowance until the member completes more than 90 days of that tour.

E. Only periods of duty requiring the wearing of the uniform are counted for entitlement to the allowance prescribed in this paragraph.

F. To be entitled under this paragraph, an officer must be determined physically qualified for active duty.

300305. Computation of 2-Year Period

Compute the 2-year period during which no active duty or active duty for training was performed as follows:

A. When an officer is ordered to active duty, or active duty for training, for a period of more than 90 days, the 2-year period begins on the day following the day of release from active duty or active duty for training.

Example 1: A Reserve officer was ordered to active duty for training under orders specifying a 92-day tour of duty to begin March 1, 2016, and to end May 31, 2016. The officer actually was released from active duty for training May 31, 2016. The 2-year period began on June 1, 2016. Entitlement to the next additional active duty uniform allowance accrues if the officer is called to active duty, or active duty for training, for a period of more than 90 days on or after June 1, 2018.

Example 2: If the officer in Example 1 served 35 days of a tour of active duty under orders specifying duty of more than 90 days, and was released from active duty for training April 4, 2016, then the 2-year period started April 5, 2016. Entitlement to
the next additional active duty uniform allowance accrues if the officer is called to active duty, or active duty for training for a period of more than 90 days, on or after April 5, 2018. Refund of allowance or any portion thereof is not required since entitlement was based on reporting for active duty for a period of more than 90 days.

B. When an officer is ordered to active duty for training for an indefinite period, and serves more than 90 days, the 2-year period begins on the day following the day of release from active duty.

Example 1: A Reserve officer was ordered to active duty for training for an indefinite period to begin March 1, 2016. The officer was released from active duty July 1, 2016. On the 91st day of duty (May 30, 2016), the officer was entitled to the allowance as of the first day of duty (March 1, 2016) if other conditions of entitlement were met. The 2-year period starts July 2, 2016. Entitlement to the next additional active duty uniform allowance accrues if the officer is called to active duty, or active duty for training, for a period of more than 90 days on or after July 2, 2018.

Example 2: If the Reserve officer in Example 1 (subparagraph 300305.B) was released from active duty on April 4, 2016 after serving only 35 days, then he or she would not be entitled to the additional active duty uniform allowance for that period of active duty for training.

C. When an officer is separated from a Regular Component and is later appointed as an officer in a Reserve Component and ordered to active duty, or active duty for training, for more than 90 days, the 2-year period restriction in subparagraph 300304.B does not apply. Exception: Regular officers appointed upon completion of ROTC training after October 12, 1994, are subject to the 2-year restriction.

Example: An officer was separated from a Regular Component on June 30, 2016, and was appointed an officer in a Reserve Component on July 1, 2016. The member reported for active duty for more than 90 days on May 1, 2018. The member was entitled to the additional active duty uniform allowance when reporting on the present tour of active duty, since the previous tour was as a Regular officer.

3004 DETERMINATIONS

300401. First Time Reporting for Active Duty and Allowances

An officer reporting for active duty for the first time, who meets the requirements for entitlement to the initial uniform allowance and the additional active duty uniform allowance, is entitled to receive both allowances subject to the restrictions of paragraphs 300204 and 300304.
300402. Received Initial Uniform Allowance

An officer who receives, or has previously received, an initial uniform allowance as an officer, under any conditions other than those listed in subparagraph 300202.A, is not eligible to receive the initial uniform allowance upon transfer to, or appointment in, another Reserve Component or the Army or Air Force of the United States, without specification of component.

300403. Reserve Officers’ Uniform Allowance Entitlements

A Reserve officer who receives, or has previously received, an initial uniform allowance, under the conditions listed in subparagraph 300202.A, and again qualifies for the initial uniform allowance and/or the additional active duty uniform allowance by meeting the basic requirements, is eligible to receive the initial and/or the additional allowance upon transfer to, or appointment in, another Reserve Component or the Army or Air Force of the United States, without specification of component, if the wearing of a different uniform is required.

300404. Reserve Officers’ Additional Allowance Entitlement

If otherwise eligible, a Reserve officer is entitled to be paid the additional active duty uniform allowance, even if the member has not received an initial uniform allowance.

3005 CIVILIAN CLOTHING MONETARY ALLOWANCE

300501. Officers’ Civilian Clothing Allowance

Officers assigned to a permanent duty station outside the United States, who are required to wear civilian clothing all or a substantial portion of the time in the performance of official duty, may be authorized an allowance for civilian clothing.

300502. Entitlement and Rate for Civilian Clothing Allowance

Entitlement criteria for civilian clothing allowances are specified in Chapter 29, paragraph 290503 and allowance rates are at DFAS.MIL.
CHAPTER 30 – OFFICERS’ UNIFORM AND EQUIPMENT ALLOWANCE

3002 – INITIAL UNIFORM ALLOWANCE

300202.B Title 37, United States Code (U.S.C.), section 417(b)
300204.A 37 U.S.C. § 415(b)

3003 – ADDITIONAL ACTIVE DUTY UNIFORM ALLOWANCE

300302.A 33 Comptroller General (Comp Gen) 250
300303 37 U.S.C. § 416(b)(1)
300304.B 43 Comp Gen 265
300304.D 33 Comp Gen 242
300305 42 Comp Gen 550

3004 – DETERMINATIONS

300403 37 U.S.C. § 417(b)
300404 43 Comp Gen 729

3005 – CIVILIAN CLOTHING MONETARY ALLOWANCE

37 U.S.C. § 419
VOLUME 7A, CHAPTER 31: “PERSONAL MONEY ALLOWANCE”

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<td>310102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
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<tr>
<td>310202</td>
<td>Deleted the “Allowance for Certain Naval Officers” paragraph to comply with Public Law 115-232, section 601, dated August 13, 2018 and renumbered subsequent paragraph.</td>
<td>Deletion</td>
</tr>
<tr>
<td>Table 31-1</td>
<td>Deleted rules 5-9 pertaining to personal money allowance for Navy officers in accordance with Public Law 115-232, section 601, dated August 13, 2018.</td>
<td>Deletion</td>
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<td>References</td>
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<td>Revision</td>
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CHAPTER 31

PERSONAL MONEY ALLOWANCE

3101 GENERAL

310101. Purpose

This chapter establishes policy pertaining to Personal Money Allowance.

*310102. Authoritative Guidance

The pay policies and requirements established by the Department of Defense in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

3102 ENTITLEMENT

310201. Officers

Officers, in the capacities listed in Table 31-1 (Personal Money Allowance - Amounts Payable), who are entitled to receive basic pay are also entitled to receive a personal money allowance. This allowance is in addition to any other pay or allowance authorized.

310202. Enlisted Members

An enlisted member, serving as the Senior Enlisted member of his or her Military Service, is also entitled to receive a Personal Money Allowance. This allowance is in addition to any other pay or allowance authorized.

3103 MONTHLY AMOUNTS PAYABLE

See Table 31-1.

3104 TAXABILITY AND WITHHOLDING TAX

Personal Money Allowance is subject to federal and state income tax withholding.
*Table 31-1. Personal Money Allowance — Amounts Payable

<table>
<thead>
<tr>
<th>RULE</th>
<th>If the member is serving</th>
<th>B</th>
<th>C</th>
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<tbody>
<tr>
<td>1</td>
<td>as Chairman of the Joint Chiefs of Staff, Vice Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army or Air Force, Chief of Naval Operations, Commandant of the Marine Corps, Commandant of the Coast Guard, or Chief of the National Guard Bureau (note 1)</td>
<td>$4,000 (note 2)</td>
<td>$333.33</td>
</tr>
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<td>2</td>
<td>as a senior member of the Military Staff Committee of the United Nations and entitled to the grade, pay, and allowances of a lieutenant general or vice admiral (note 1)</td>
<td>$2,200 plus $500 authorized in rule 4</td>
<td>$225.00</td>
</tr>
<tr>
<td>3</td>
<td>in the grade of general or admiral</td>
<td>$2,200</td>
<td>$183.33</td>
</tr>
<tr>
<td>4</td>
<td>in the grade of lieutenant general or vice admiral</td>
<td>$500</td>
<td>$41.67</td>
</tr>
<tr>
<td>5</td>
<td>as the Senior Enlisted Advisor for the Chairman of the Joint Chiefs of Staff, Sergeant Major of the Army, the Master Chief Petty Officer of the Navy, the Chief Master Sergeant of the Air Force, the Sergeant Major of the Marine Corps, the Master Chief Petty Officer of the Coast Guard, or the Senior Enlisted Advisor to the Chief of the National Guard Bureau (note 1)</td>
<td>$2,000</td>
<td>$166.67</td>
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NOTES:
1. This allowance is based on a specific duty assignment, and it does not accrue before the date member starts or after the date member is released from such duty assignment.
2. This amount is in place of any other Personal Money Allowance authorized.
*REFERENCES

CHAPTER 31 – PERSONAL MONEY ALLOWANCE

3102 – ENTITLEMENT

37 U.S.C., sections 413-414

3104 – TAXABILITY AND WITHHOLDING TAX

Title 26, Code of Federal Regulations, part 1.62-2
26 CFR 31.3401(a)-1
31 CFR 215.8

Table 31-1

37 U.S.C. §§ 413-414
Public Law 115-232, section 601, August 13, 2018
VOLUME 7A, CHAPTER 32: “ADVANCE, LOCAL, PARTIAL, AND EMERGENCY PARTIAL PAY”

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  320203. Advance Pay for Assignment of 1 Year or More to Hazardous Duty Pay Area. 4
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CHAPTER 32

ADVANCE, LOCAL, PARTIAL, AND EMERGENCY PARTIAL PAY

3201 GENERAL

320101. Purpose

This chapter establishes policy pertaining to advance, local, partial, and emergency partial pay for members of the active and reserve components.

320102. Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

3202 ADVANCE PAYMENTS

320201. Advance Pay for Permanent Change of Station (PCS)

A. Commander’s Responsibility. The member’s commander has a responsibility to ensure that the advance of pay is used only to help with the financial burden of a PCS.

1. This financial burden can be complicated when a member files for bankruptcy. Commanders should be aware that if a member has filed for bankruptcy and then makes a request for an advance pay, some bankruptcy court jurisdictions hold that a creditor does not have the authority to recoup any post-petition debt, including advance pay, without permission from the bankruptcy court. This is true in cases when a member has filed a Chapter 13 bankruptcy.

2. In such instances, the government may not be able to collect any amount of the advance pay unless the Defense Finance and Accounting Service (DFAS) receives approval from the court or after the bankruptcy is discharged or terminated. Additionally, in situations when DFAS has withheld funds for repayment of the advanced pay, DFAS may have to return the funds to the member. Accordingly, commanders should approach such advance pay requests fully aware that the government may not be able to collect the advance pay from the member, even though the advanced pay may have been issued after the member filed for bankruptcy.

B. Entitlement. The eligibility and amounts payable are contained in Table 32-1.

C. Repayment. Advances are repaid per Table 32-2.
D. **Effect on Allotments.** Do not pay an advance of pay in an amount that will require the stoppage of allotments for insurance or support of dependents. No allotment may be started after the advance is made if that allotment would prevent repayment of the advance of pay within the allowed period. If the separation of a member from the Service is imminent, then stop all allotments necessary to collect the advance.

320202. **Advance of Pay and Allowances**

An advance of pay is to ease hardships imposed by the lack of regular payments when a member is mobilized, ordered to duty at a distant station, or deployed aboard ship for more than 30 days.

A. **Entitlement.** The eligibility and amounts payable are contained in Table 32-1.

B. **Repayment.** These advances are repaid per Table 32-2.

320203. **Advance Pay for Assignment of 1 Year or More to Hazardous Duty Pay Area**

A. **Entitlement.** A member may be paid an advance of basic pay not to exceed 3 months less deductions. The conditions and amounts payable are contained in Table 32-1, rule 3.

B. **Repayment.** This advance is repaid based on Table 32-2, rule 11. However, advance pays, not fully collected prior to the death of a member, will not be collected against the estate of a deceased member.

320204. **Advance Pay When Ordered to Indoctrination Center**

A. **Entitlement.** A member may be paid an advance of basic pay not to exceed 15 days. The conditions and amounts payable are contained in Table 32-1, rule 4.

B. **Repayment.** Collect the advance in full from the member’s next available payday.

320205. **Advance of Basic Allowance for Subsistence (BAS)**

A. **Entitlement.** An enlisted member may be paid an advance of BAS not to exceed 3 months if the member is entitled to BAS and the Commanding Officer (CO) authorizes the payment following a determination that it is necessary. Individual Military Service regulations may limit BAS advances to less than 3 months.

B. **Repayment.** This advance is repaid based on Table 32-2, rule 12.

320206. **Advance Pay Upon Evacuation of Members or Dependents**
The purpose of this advance is to give funds to evacuated members or dependents to cover costs of travel, food, and other needs.

A. **Entitlement.** The eligibility and amounts payable are contained in Table 32-1, rule 5.

B. **Repayment.** The advances are repaid per Table 32-2, rule 13.

320207. **Advance of Allotment(s) to Dependents**

The purpose of this advance payment is to allow a member to be paid the amount of an allotment(s) to dependent(s) if the member is assigned or scheduled for assignment to sea duty or other duty with a unit or command deployed or to be deployed outside the United States and the allotment(s) is made by the member not more than 60 days before the scheduled date of the assignment of the member to this duty.

A. **Entitlement.** The eligibility and amounts payable are contained in Table 32-1, rule 6.

B. **Repayment.** This advance is repaid per Table 32-2, rule 14.

320208. **Advance Pay for Members of the Armed Forces Health Professions Scholarship Program (AFHPSP) on Active Duty**

A. **Entitlement.** An advance of pay, not to exceed basic pay for 1 month, may be paid to a member of the AFHPSP when reporting for the annual 45-day active duty tour.

B. **Repayment.** Collect the advance in full by the end of the 45-day active duty tour.

320209. **Advance of Housing Allowances**

An advance of Basic Allowances for Housing and overseas housing allowance may be authorized under the terms and conditions in Chapter 26.

320210. **Advance Pay for Senior Reserve Officer Training Corps (SROTC) Cadets and Midshipmen Ordered to Field Training or Practice Cruises**

A. **Entitlement.** An advance of pay, not to exceed the entitlement for 1 month, or the amount the SROTC member will accrue for the training, whichever is less, may be paid to an SROTC member who is ordered to perform field training or a practice cruise.

B. **Repayment.** Collect the advance in full from the member’s field training or practice cruise entitlement.
320211. Military Paydays

A. Payday is the first calendar day of the month after the month in which the entitlement was earned.

B. Except for payrolls otherwise payable on October 1, if the payday falls on a Saturday, Sunday, or federal legal holiday, payment is authorized on the preceding workday, but not more than 3 days before the scheduled payday. This exception applies to foreign holidays recognized abroad by U.S. Forces. It also applies to payments made to members upon separation from the Military Service through retirement or discharge when the last day of active duty falls on a Saturday, Sunday, or federal legal holiday.

C. For payrolls otherwise payable on October 1, the DoD Comptroller will determine if the payroll may be dated in September.

3203 LOCAL, PARTIAL, AND EMERGENCY PARTIAL PAYMENTS

320301. Local and Partial Payments

Local and partial payments are authorized only for overseas areas where on-base military banking facilities are not readily available. Exceptions may be granted for members assigned to classified or contingency operations where the exigencies of their assignments may require local cash or partial payments. In this circumstance, the member’s commander may authorize immediate cash payments up to the amount of accrued entitlement to date, when deemed appropriate to the mission (see Table 32-3).

320302. Emergency Partial Payment

A. For members residing or assigned within the United States (including Alaska and Hawaii), this is a payment deemed time sensitive and required within 24 hours due to an unforeseen set of circumstances or the resulting state that calls for immediate action (see Table 32-3). Payment will be made in an expeditious manner, e.g., Direct Deposit or check payment. The supporting DFAS site may be able to affect overnight Electronic Funds Transfer (EFT) payment if circumstances warrant.

B. The member’s commander, in coordination with the supporting finance office, may authorize emergency payments, up to the amount of accrued entitlement to date in the following circumstances:

1. Emergency pay and allowances earned to date as reflected on the member’s pay account, when no pay was received on a regular payday or when there is a major medical emergency or death in the member’s immediate family and payment is needed within 24 hours;

2. Emergency travel advance, when a traveler does not have a government travel charge card;
3. Discharge gratuity (as required by Chapter 35, Table 35-6), when payment is needed within 24 hours;

4. Payment of military death gratuity benefit to a beneficiary, when payment is needed within 24 hours;

5. Payment to military member of advance pay and allowances and/or evacuation allowance, when dependents must be evacuated as a result of a natural disaster or life threatening situations; or

6. Payment to dependents, when forfeiture of pay and allowances is waived under conditions defined in Chapter 48, subparagraph 480407.C.
Table 32-1. Advance Payments - Eligibility and Amounts Payable

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
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<tr>
<td>1</td>
<td>A member in receipt of orders for (to) and when approved in writing by the member’s commanding or recruiting officer (including enlisted commandant of the Noncommissioned Officer (NCO) Academy) may be paid an advance of basic pay of 1 month of basic pay, less deductions (note 3) to be paid by the supporting DFAS site (note 1)</td>
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<td>a PCS move, to include (note 2): a. between stations; b. to new station upon reenlistment (following a break in service); c. commencement of active duty by newly commissioned regular officer; d. change of home port; e. Reserve forces member in receipt of orders to active duty of 140 days or more; or f. extended active duty (Reserve or retired members) the member signs a form confirming that the intended use of the funds are for the purposes stated in the form; and the PCS is not due to separation from service or trial by court-martial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>the member’s commanding or recruiting officer (including enlisted commandant of the NCO Academy) not to exceed 3 months of basic pay, less deductions, if warranted and justified (notes 3 and 6)</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Rule</td>
<td>Description</td>
<td>Eligibility</td>
<td>Amount Payable</td>
<td>Supporting DFAS Site</td>
<td>Notes</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
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<td>----------------------</td>
<td>-------</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>A member in receipt of orders for (to) assignment for duty (permanent or temporary) for 1 year or more (or extended beyond 1 year) to an area where the member would receive hazardous duty pay under Title 37, U.S.C., section 351</td>
<td>when approved in writing by the member’s commanding or recruiting officer (including enlisted commandant of the NCO Academy)</td>
<td>advance of basic pay of 1 month of basic pay, not to exceed 3 months, less deductions (notes 3 and 7)</td>
<td>to be paid by the member’s financial institution (note 8).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>a training or indoctrination center on induction or enlistment</td>
<td>when approved in writing by the center commander (including enlisted commandant of the NCO Academy)</td>
<td>not to exceed 15 days of basic pay (notes 9 and 10)</td>
<td>advances will be deposited, via Direct Deposit/EFT to the basic trainee’s account at the designated financial institution.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>A member in receipt of orders for (to)</td>
<td>evacuation of member or all military dependents in the area is ordered by the area commander, the State Department, or other authorized U.S. official</td>
<td>evacuation of member or all military dependents from a place outside the United States or other place as the Secretary of Defense designates (note 11)</td>
<td>advance of basic pay, payable to the member or to the member’s dependents, in one or more installments as designated by the member, in a total amount of not more than 2 months of basic pay (net of any forfeiture and Montgomery G.I. Bill; no other deduction considered)</td>
<td>as an emergency local payment at permanent station or any military disbursing office either overseas or in the United States.</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>assignment to sea duty or other duty with a unit or command deployed or to be deployed outside the United States (note 12)</td>
<td>advance of an allotment(s) for dependent(s) equal to amount of the allotment(s) for 1 month (note 13)</td>
<td>assignment to sea duty or other duty with a unit or command deployed or to be deployed outside the United States (note 12)</td>
<td>advance of an allotment(s) for dependent(s) equal to amount of the allotment(s) for 1 month (note 13)</td>
<td>as an emergency local payment at permanent station or any military disbursing office either overseas or in the United States.</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>the call or order to, or retention on, active duty of members of the uniformed services under 10 U.S.C. §§ 688, 12301(a), 12302, 12304,12304(a), 12304(b), 12305, 12406; 10 U.S.C. Chapter 15; or 14 U.S.C. § 712</td>
<td>has reported for duty but cannot be paid pay and allowances due within 14 days of reporting for that duty</td>
<td>the member’s commander (including enlisted commandant of the NCO academy)</td>
<td>advance of pay and allowances not to exceed 3 months of pay and allowances less deductions (notes 3 and 4)</td>
<td>to member’s financial institution or mailed from DFAS central site to an address.</td>
<td></td>
</tr>
</tbody>
</table>
Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>A member in receipt of orders for (to)</td>
<td>and</td>
<td>when approved in writing by</td>
<td>may be paid</td>
<td>in an amount</td>
<td>to be paid by the supporting DFAS site (note 1)</td>
</tr>
<tr>
<td></td>
<td>assignment to a distant duty station</td>
<td>pay and allowances cannot be paid regularly</td>
<td>the member’s commander (including enlisted commandant of the NCO academy)</td>
<td>advance of pay and allowances</td>
<td>of not more than 3 months of basic pay and allowances, less deductions (note 3)</td>
<td>to member’s financial institution or mailed from DFAS central site to an address.</td>
</tr>
<tr>
<td>9</td>
<td>assignment to a distant duty station</td>
<td>pay and allowances cannot be paid regularly</td>
<td>the member’s commander (including enlisted commandant of the NCO academy)</td>
<td>advance of pay and allowances</td>
<td>of not more than 3 months of basic pay and allowances, less deductions, when approved by: Army or Air Force-Major Command; Navy-Office of Comptroller; USMC-Commandant of the Marine Corps (note 3)</td>
<td>to member’s financial institution or mailed from DFAS central site to an address.</td>
</tr>
</tbody>
</table>
Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A member in receipt of orders for (to)</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>deployment aboard ship for more than 30 days (Navy-Marine Corps only)</td>
<td>pay and allowances cannot be paid regularly</td>
<td>the member’s commander (including enlisted commandant of the NCO academy.)</td>
<td>advance of pay and allowances of not more than the basic pay (plus submarine and sea duty pay for members attached to submarines) and allowances that will accrue during the period of deployment, less deductions (note 3).</td>
<td>to be paid by the supporting DFAS site (note 1)</td>
<td>to member’s financial institution or mailed from supporting DFAS site to an address.</td>
</tr>
</tbody>
</table>

NOTES:

1. For emergency payment exceptions, see paragraph 320302.
2. Temporary duty enroute does not preclude payment. An advance payment for a PCS move in the same geographical area of the member’s prior duty station or home port, or place from which ordered to active duty, is authorized only when movement of the member’s household at government expense is authorized per JTR, Chapter 5, Part C.
3. Deductions:
   a. For advance pay computation (rules 1 and 2), the following deductions will be made:
      1. Forfeitures;
      2. Montgomery G.I. Bill;
      3. Federal/state income tax;
      4. Federal Insurance Contribution Act;
      5. Servicemembers Group Life Insurance;
      6. Armed Forces Retirement Home;
      7. Dependent Dental Plan;
Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

NOTES: (Continued)

8. TRICARE;
9. Monthly repayment of a prior advance;
10. Indebtedness to the United States or its instrumentalities, whether scheduled (monthly debt installment) or unscheduled (one-time collection);
11. Garnishments;
12. Statutorily-required support allotments in force;
13. Court-ordered bankruptcy payments; and
14. Thrift Savings Plan (TSP) (basic pay designation only).

b. For advance of pay and allowances computation (rules 6, 7, 8, 9), include total of all allotments in force and TSP designations, i.e., special pays, incentive pays, and bonuses (if paid monthly).

4. The “30-day window” may be expanded to not exceed 90 days prior, and the “60-day window” may be expanded to not exceed 180 days after, when justified for extenuating circumstances and approved by the member’s commander (including enlisted commandant of the NCO academy). The member must provide written justification indicating the specific circumstances requiring the early or late advance payment.

5. The request for an advance of pay must be made not later than 60 days after effective date of change or 60 days after vessel arrives at new home port/home yard, whichever is later.

6. The member must provide written justification clearly showing that accrual or anticipated out-of-pocket PCS expenses equal or exceed the amount of advance requested; requires written approval of the member’s commander. The advance payment may be made in 1, 2, or 3 installments.

7. Upon request, the member will be granted an advance payment equaling 1 month of basic pay. The Secretary concerned, at his discretion, may grant a request for up to 2 or 3 months of advanced basic pay if member can justify financial hardship.

8. The member may request the advance at any time during the period of assignment. The earliest that the member may apply and receive the advance is the effective or start date of the assignment, as specified in the member’s orders. This is generally when the member is authorized to begin travel to comply with the assignment order.

9. This advance is collected in full when the member receives their first regular pay.

10. For Army members only. Advances will be paid using Service’s Stored Value Cards. An exception to the 15-day limit is authorized and an Army member may be advanced up to 21 days of basic pay for the purpose of paying the cost of round trip travel to the member’s home during annual holiday leave period (mid-December through early January). Collection of the advance will be made in the January processing cycle.

11. This advance is not payable for evacuation of individual dependents.

12. The advance payment may not be made more than 60 days before the scheduled date of the duty assignment.

13. Establish an allotment(s) for dependents in the member’s pay record simultaneous to paying the advance.
Table 32-2. Repayment of Advances

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>When a member was paid an advance(s) of pay incident to a PCS</td>
<td>And</td>
<td>begin collecting (note 1)</td>
<td>and when approved in writing by</td>
<td>at the rate of</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the first day of the month following payment of advance(s)</td>
<td></td>
<td>1/12 of the amount(s) advanced each month for the next 12 months (notes 2, 3, and 4).</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>when justified by the member that repayment within 12 months would create severe hardship (note 5)</td>
<td></td>
<td>the member’s commander (including enlisted commandant of the NCO academy)</td>
<td>1/24 of the amount(s) advanced each month for the next 24 months (notes 2, 3, 6, and 7).</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>member’s separation is imminent (includes members unexpectedly forced to retire under the Selected Early Retirement Board (SERB) (note 8)</td>
<td>immediately the remaining outstanding advance prorated over the remaining months of service</td>
<td></td>
<td>all unpaid pay and allowances, except enlisted separation advanced travel allowance (notes 9, and 10).</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>member’s orders are revoked/cancelled</td>
<td>immediately the outstanding balance in full.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>member dies</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 32-2. Repayment of Advances (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>When a member was paid an advance(s) of pay and allowances (for duty at a distant station or deployed aboard ships for more than 30 days)</td>
<td>And</td>
<td>the first day of the month following payment of advance(s)</td>
<td>and when approved in writing by</td>
<td>at the rate of 1/12 of the amount(s) advanced each month for the next 12 months (notes 2, 3, and 4).</td>
</tr>
<tr>
<td>7</td>
<td>duty ends earlier than expected</td>
<td></td>
<td></td>
<td></td>
<td>equal monthly installments of not less than 1/12 of the unliquidated amount advanced per month for 12 months (notes 2 and 3).</td>
</tr>
<tr>
<td>8</td>
<td>member’s separation is imminent (includes members unexpectedly forced to retire under the SERB (note 8))</td>
<td>immediately the remaining outstanding advance prorated over the remaining months of service</td>
<td></td>
<td></td>
<td>all unpaid pay and allowances, except enlisted advanced travel allowance (notes 9 and 10).</td>
</tr>
<tr>
<td>9</td>
<td>member’s orders are revoked/cancelled member dies</td>
<td>immediately the outstanding balance in full.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
1. 
2. 
3. 
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8. 
9. 
10.
Table 32-2. Repayment of Advances (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>When a member was paid an advance of basic pay when deployed in a combat zone for 1 year or more</td>
<td>And</td>
<td>the advance on the first day of the first month beginning on or after the date on which the member receives the advance pay</td>
<td>and when approved in writing by</td>
<td>1/12 of the amount(s) advanced each month for the next 12 months (notes 2, 11, and 12).</td>
</tr>
<tr>
<td>12</td>
<td>advance of BAS (enlisted members)</td>
<td></td>
<td>the first day of the first month beginning after the payment of the advance</td>
<td></td>
<td>the amount of BAS accruing to the member’s credit. If entitlement to BAS ends before repayment, then collect the balance due as an overpayment.</td>
</tr>
<tr>
<td>13</td>
<td>advance pay for evacuation of member or dependents</td>
<td></td>
<td>the first day of the month following payment of advance(s) (note 13)</td>
<td></td>
<td>1/12 of the amount(s) advanced (or remaining amounts if waiver applies) each month for the next 12 months (notes, 2, 11, 13, and 14).</td>
</tr>
<tr>
<td>14</td>
<td>advance payment in the amount of an allotment(s) to dependents</td>
<td></td>
<td>the advance in the month following the month payment was made</td>
<td></td>
<td>1/6 of the amount(s) advanced each month for the next 6 months (notes 2 and 3).</td>
</tr>
</tbody>
</table>
Table 32-2. Repayment of Advances (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>When a member was paid an advance because of a call or order to, or retention on, active duty of members of the uniformed services under 10 U.S.C. §§ 688, 12301(a), 12302, 12304, 12304(a), 12304(b), 12305, 12406; 10 U.S.C. Chapter 15; or 14 U.S.C. § 712</td>
<td>And</td>
<td>begin collecting (note 1)</td>
<td>and when approved in writing by</td>
<td>at the rate of</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the advance on the first day of the month after the payment of the advance</td>
<td></td>
<td>1/3 of the amount advanced each month for 3 months, or at the rate needed to repay the advance by the scheduled termination date of the orders, whichever is earlier.</td>
</tr>
</tbody>
</table>

NOTES:

1. In unusual circumstances, the initiation of collection action may be delayed if the delay is approved by the Secretary of the Military Department concerned, or designee. The repayment period will, in all cases, be scheduled to repay the advance before the member’s expected date of separation.
2. Upon the member’s request, repayment may be made in lump-sum or increased monthly amounts.
3. The repayment period will be scheduled to repay the advance before the member’s expected date of separation. Repayment should be scheduled for completion before the start of a subsequent PCS move.
4. When executing PCS orders of less than 12 months, Reserve Component recipients of advance pay must accept a repayment schedule that provides for repayment by termination date of orders.
5. The member must provide written justification clearly showing that a 12-month repayment schedule would create severe financial hardship. The request must be approved in writing by the member’s commander (including enlisted commandant of the NCO academy).
6. When request is disapproved, collection will be at the rate specified in rule 1.
7. When the repayment period is extended after the repayment schedule of less than 24 months is operating, repayment will be prorated per Military Service regulations, not to exceed the 24 months from the initial collection month.
Table 32-2. Repayment of Advances (Continued)

NOTES: (Continued)

8. If the member immediately reenlists, then repayment of the advance pay may be continued into the new enlistment. To extend repayment of an advance into retired pay, projected SERB retirees must submit a written request to extend repayment into retired pay that clearly demonstrates the circumstances of their hardship. The requests will be submitted via the member’s chain of command to the Secretary of the Military Department concerned, or designee for a decision. If the request is approved, this approval document will be forwarded by the Service, as a part of the member packet, to DFAS Retired and Annuitant Pay to ensure the collection of the Advance pay.

9. Uncollected advances are treated as accounts receivable in the accounts of the disbursing officer. Such amounts remain a debt owed the United States by the member.

10. If a member is entitled to separation payment under 10 U.S.C. §§ 1174, 1174a, 1175, or 1175a and has a separation payment pending equal to or greater than the outstanding advance pay balance at separation, then the member may request that the repayment rate not be accelerated and the existing rate continue. That portion of the advance not collected prior to separation will be deducted from the separation payment.

11. The repayment period will, in all cases, be scheduled to repay the advance before the member’s expected date of separation.

12. The estate of a deceased member will not be required to repay any portion of the advanced pay paid to the member that is not repaid before the death of the member.

13. The Secretary of the Military Service concerned is authorized to waive recovery of an advance of not more than basic pay for 1 month when such recovery would be against equity and good conscience or against the public interest.

14. The Secretary of the Military Service concerned is authorized to extend repayment period up to a 24 month schedule.
<table>
<thead>
<tr>
<th>Rule</th>
<th>If payment type is a/an</th>
<th>Overseas Command is (note 1)</th>
<th>Continental United States (includes Alaska and Hawaii) is</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>local partial payment (note 2)</td>
<td>to pay bonuses, annual special pays, separation pay, death gratuity, unpaid pay and allowances, health and comfort, waiver of forfeitures for dependents.</td>
<td>not authorized.</td>
</tr>
<tr>
<td>2</td>
<td>emergency partial payment</td>
<td></td>
<td>no local payment is made (note 3).</td>
</tr>
<tr>
<td>3</td>
<td>advance PCS</td>
<td>paid centrally via Direct Deposit/EFT, all pay grades 1 month pay (E-3 and below with CO’s approval), max 3 months pay (E-4 and above) with CO’s approval.</td>
<td>paid centrally via Direct Deposit/EFT.</td>
</tr>
<tr>
<td>4</td>
<td>advance basic pay</td>
<td>not applicable</td>
<td>to pay not more than 15 days basic pay at training or indoctrination center or centrally via Direct Deposit/EFT as systems become available (see paragraph 320204).</td>
</tr>
<tr>
<td>5</td>
<td>advance BAS</td>
<td>a maximum of 3 months entitlement (note 2).</td>
<td>paid centrally via Direct Deposit/EFT a maximum of 3 months entitlement (note 2).</td>
</tr>
<tr>
<td>6</td>
<td>advance dependent evacuation allowance</td>
<td>a maximum of 2 months entitlement (note 2).</td>
<td>to pay a maximum of 2 months of basic pay locally as an emergency partial payment.</td>
</tr>
<tr>
<td>7</td>
<td>advance for an AFHPSP participant</td>
<td>not applicable</td>
<td>to pay a maximum of 1 month of basic pay when reporting for 45 days active duty tour; paid centrally via Direct Deposit/EFT.</td>
</tr>
<tr>
<td>8</td>
<td>advance for a person in the SROTC</td>
<td>not applicable</td>
<td>to pay 1 month entitlement or the amount the member will accrue for the training; paid centrally via Direct Deposit/EFT.</td>
</tr>
</tbody>
</table>
Table 32-3. Payment Procedures (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>If payment type is a/an</strong></td>
<td><strong>Overseas Command is (note 1)</strong></td>
<td><strong>Continental United States (includes Alaska and Hawaii) is</strong></td>
</tr>
<tr>
<td>9</td>
<td>advance overseas housing allowance</td>
<td>to pay 1 year accrued allowances determined on the basis of housing expenses, and the authorized overseas housing allowance and interim housing allowance may be paid locally if required.</td>
<td>not applicable</td>
</tr>
<tr>
<td>10</td>
<td>advance basic allowance for housing</td>
<td>not applicable</td>
<td>paid centrally via Direct Deposit/EFT.</td>
</tr>
<tr>
<td>11</td>
<td>advance for mobilization deployment of a member</td>
<td>to pay centrally via Direct Deposit/EFT a maximum of 3 months pay.</td>
<td>paid centrally via Direct Deposit/EFT a maximum of 3 months pay.</td>
</tr>
<tr>
<td>12</td>
<td>advance for shipboard deployment of a member</td>
<td>to pay all pay due for Navy and Marine Corps members centrally via Direct Deposit/EFT. Not applicable to Army and Air Force members.</td>
<td>not applicable</td>
</tr>
<tr>
<td>13</td>
<td>advance for distant duty</td>
<td>to pay centrally via Direct Deposit/EFT a maximum of 3 months basic pay and allowances.</td>
<td>not applicable</td>
</tr>
</tbody>
</table>

**NOTES:**
1. Payments may be paid locally when consistent with mission requirements and nonavailability of DoD military banking facilities.
2. Local payments are authorized with commander’s approval.
3. Emergency partial payment may be made when approved by the member’s commander and coordinated with the local finance office for the following circumstances:
   a. Pay and allowances earned to date on the Master Military Pay Account when no pay was received on regular payday or when there is a major medical emergency or death in the immediate family of the member;
   b. Emergency travel advance when the traveler does not have a government travel charge card;
   c. Discharge gratuity (as required by Chapter 35 Table 35-7);
   d. Payment of death gratuity benefit to beneficiary;
   e. Payment to military member of advanced pay and allowances and/or evacuation allowance to evacuate dependents as a result of a natural disaster or life threatening situation; or
   f. Payment to dependents when a member’s forfeiture is waived in favor of those dependents.
CHAPTER 32 – ADVANCE, LOCAL, PARTIAL AND EMERGENCY PARTIAL PAY

3202 – ADVANCE PAYMENTS

320201 37 U.S.C. § 1006(a)
DoD Instruction (DoDI) 1340.18, September 11, 2012
320202 37 U.S.C. § 1006(b)
320203 37 U.S.C. § 212
320205 37 U.S.C. § 402(c)
320206 37 U.S.C. § 1006(c)
320207 37 U.S.C. § 1006(a) (2)
320208 37 U.S.C. § 1006(i)
320209 5 U.S.C. § 6103
37 U.S.C. § 1006(h)
320210 37 U.S.C. § 403(a)
320211 37 U.S.C. § 1006(j)

Table 32-1

Rule 3 37 U.S.C. § 212
Rule 5 37 U.S.C. § 1006(c)
Note 13 37 U.S.C. § 212

Table 32-2

Rule 5 37 U.S.C. § 1006(c)
Rule 10 37 U.S.C. § 1006(c)
Rule 11 37 U.S.C. § 212
Rule 13 37 U.S.C. § 1006
Note 1 & 8 DoDI 1340.18, September 11, 2012
Note 6 Comptroller General B-144839, December 13, 1966
Note 12 37 U.S.C. § 212(d)
Note 13 37 U.S.C. § 1006(c)
VOLUME 7A CHAPTER 33: “PAYMENTS ON BEHALF OF MENTALLY INCOMPETENT MEMBERS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated November 2018 is archived.

<table>
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<tr>
<td>330102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Updated “References” to annotate Rules 1 and 2 of “Table 33-1” in accordance with the supporting memorandums.</td>
<td>Revision</td>
</tr>
</tbody>
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CHAPTER 33

PAYMENTS ON BEHALF OF MENTALLY INCOMPETENT MEMBERS

3301 GENERAL

330101. Purpose

This chapter establishes policy for members entitled to active duty pay and allowances while serving on active duty even though mentally incapable of managing their own affairs. This includes miscellaneous payments authorized on separation from the Military Service. See Chapter 35, section 3507.

*330102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.). The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

3302 PAYMENT

The appointment of a guardian, trustee, or other legal representative is a prerequisite to payment. For the designation of trustee and payment offices, see Table 33-1.

3303 MEMBER MENTALLY INCOMPETENT BEFORE ENTRY ON ACTIVE DUTY

When it is shown that a member was judicially declared mentally incompetent before induction or enlistment, the member is not entitled to pay and allowances. See Chapter 1, paragraph 010505, and Table 1-15, rule 8.

3304 FINALITY OF PAYMENTS TO TRUSTEE

Any payments on behalf of a mentally incompetent member to a designated trustee(s) are a complete discharge of the obligation of the United States as to amounts paid.

3305 RESTRICTION AGAINST ACCEPTANCE OF FEES

A person serving in a legal, medical, fiduciary, or other capacity may not demand or accept a fee, commission, or other charge (except bonding fee) for any service performed in administration of a mentally incompetent member account.
Table 33-1. Payment of Mentally Incompetent Members

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>When and member is in the</td>
<td>then the trustee is</td>
<td>and payment is made by</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>a court of competent jurisdiction has not appointed a guardian, committee, or other legal representative</td>
<td>Army or Air Force</td>
<td>designated by the Director, Defense Finance and Accounting Service (DFAS) - Cleveland</td>
<td>DFAS-Indianapolis.</td>
</tr>
<tr>
<td>2</td>
<td>Navy or Marine Corps</td>
<td>DFAS-Cleveland.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>a court of competent jurisdiction has appointed a guardian, committee, or other legal representative</td>
<td>Army, Air Force Navy, or Marine Corps</td>
<td>not required</td>
<td>the appropriate office shown in rules 1 or 2, except as indicated in the note.</td>
</tr>
</tbody>
</table>

**NOTE:** Army Only: Local disbursing officer servicing the member’s financial record may make payments.
CHAPTER 33: PAYMENTS ON BEHALF OF MENTALLY INCOMPETENT MEMBERS

3301 - GENERAL

Title 37, U.S.C, sections 601-604

Table 33-1

Rules 1, 2

Deputy Secretary of Defense Memo, January 29, 1991
Comptroller of the Department of Defense Memo, February 1, 1991
DFAS Memo, August 26, 2010
DFAS Memo, September 9, 2010
DFAS Memo, August 29, 2011
VOLUME 7A, CHAPTER 34: “PAY ENTITLEMENT OF MEMBERS MISSING, MISSING IN ACTION (MIA), INTERNED, AND PAYMENTS TO DEPENDENTS”

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<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>3403</td>
<td>Updated to include the information contained in Table 34-1.</td>
<td>Revision</td>
</tr>
<tr>
<td>3405</td>
<td>Updated the authority for allotments for members in a missing status from the Secretary of the Military Service concerned to the Director of the Defense Finance and Accounting Service.</td>
<td>Revision</td>
</tr>
<tr>
<td>Previous 3408</td>
<td>Removed obsolete section on Conclusiveness of Settlements.</td>
<td>Deletion</td>
</tr>
<tr>
<td>Table 34-1</td>
<td>Removed table and renumbered subsequent table accordingly.</td>
<td>Deletion</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated statutes and supporting references.</td>
<td>Revision</td>
</tr>
</tbody>
</table>
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CHAPTER 34

PAY ENTITLEMENT OF MEMBERS MISSING, MISSING IN ACTION (MIA), INTERNED, AND PAYMENTS TO DEPENDENTS

3401 GENERAL

340101. Purpose

This chapter establishes policy regarding pay entitlements of service members missing, MIA, interned, and payments to dependents. A member in a missing status is entitled to the pay and allowances to which the member was entitled when the missing status began, or to which the member later becomes entitled. The fact that the member did not receive payment before entering a missing status does not affect the right to a certain pay or allowance.

340102. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

3402 DEPENDENT

See Volume 7A, Definitions for the general definition of a dependent. For the purposes of this chapter, the term dependent also means a person designated as a dependent in the “missing” member’s official records, or a person determined to be a dependent of the “missing member” by the Secretary of the Military Service concerned.

3403 MISSING PERSONS’ PAY ACCOUNTS UNDER THE MISSING PERSONS ACT

The Secretary of the Military Service concerned makes official determinations on missing status or death. The Director of the Defense Finance and Accounting Service (DFAS) makes determinations necessary for the administration of missing persons’ accounts under the Missing Persons Act. These include determinations of facts of dependency, starting, stopping, or changing allotments of pay, waiving recovery of erroneous payment or overpayment, and settling accounts.

3404 ENTITLEMENT TO PAY AND ALLOWANCES WHILE IN A MISSING STATUS

340401. General

See Table 34-1 for a list of all pay and allowances.

340402. Basic Allowance for Housing (BAH) and Basic Allowance for Subsistence (BAS) Entitlement

Members without dependents are entitled to BAH at the without-dependent rate. Enlisted members are entitled to BAS. Payments of these allowances are authorized from the beginning of
the missing status, even though there was no housing or subsistence allowance entitlement before the missing status began.

*3405 ALLOTMENTS FOR MEMBERS IN MISSING STATUS

Allotments in effect before a member enters a missing status may be continued. As directed by the Director of DFAS, allotments may be initiated, suspended, resumed, increased, decreased, or discontinued where circumstances so warrant in the interests of the missing member, the dependents, or the government.

3406 TAX WITHHOLDING FOR MEMBERS IN MISSING STATUS

See Chapter 44 for tax withholding for members in missing status.

3407 REVIEW OF CASE AFTER 12 MONTHS AND FINDING OF DEATH

340701. Review of Case After 12 Months

When a 12-month period (starting from the date of the member’s absence) is about to end and the member has not been reported officially as dead, imprisoned or interned, the case is fully reviewed. After this review and when the 12-month period has ended, or following any later review warranted by information received, or other circumstances, the Secretary of the Military Service concerned:

A. Directs continuance of the member’s missing status, if the member reasonably may be presumed to be living; or

B. Makes a finding of death.

340702. Continuance of Member’s Missing Status

When a member continues in a missing status under subparagraph 340701.A, credit pay and allowances to his or her account. Allotments are continued, discontinued, increased, or initiated as provided in Chapters 40 through 43. When the Secretary of the Military Service concerned officially reports that a missing member is alive and in the hands of a hostile force, or is interned in a foreign country, allotment payments are authorized. These payments on the member’s behalf continue through the date on which the Secretary of the Military Department concerned receives evidence that the member is dead. When a member returns to Military Service control, the member resumes control of allotments.

340703. Finding of Death

A finding of death includes the date upon which death is presumed to have occurred for the purposes of stopping pay and allowances, settlement of accounts, and payment of death gratuities. This date is the day following the day the member has been absent 12 months, unless
the missing status continues beyond that day. In this case, the date of death is the date determined by the Secretary of the Military Department concerned.

340704. Change in Date of Death

Payment of an account made following a report, determination, or finding of death may not be recovered, and the case may not be reopened, because of a later report or determination fixing an earlier date of death. If a later date of death is established, then the account is reopened and settled on the basis of the later date.

3408 PAYMENT OF DEATH GRATUITY

See Chapter 36 for payments when a member in a missing status is reported dead, or for whom a finding of death is made.

3409 ACCRUED LEAVE

340901. Accumulation

Members, while in a missing status, can accumulate leave without regard to any leave accrual limitations stated in Chapter 35. However, a member whose death is determined under section 3407 may, in addition to leave accrued before entering a missing status, accrue not more than 150 days of leave during the period of a missing status, unless the actual date of death is found to have occurred on a date when the member had accrued leave in excess of 150 days. Leave accumulated while in a missing status may not be taken, but shall be paid.

340902. Settlement

Leave accumulated while in a missing status will be accounted for separately and settled according to subparagraphs 340902.A and B.

A. Return From Missing Status. Members will be paid for all leave accumulated while in a missing status as soon as possible after return from a missing status. Items to be included in the accrued leave payment are provided in Chapter 35, paragraphs 350202 and 350203. Computation will be based on the rates to which the member was entitled on the date that his or her name was removed from the missing status.

B. Death in a Missing Status. Notwithstanding the death of a member while in a missing status, leave will continue to accrue to his or her account through the date that the Secretary of the Military Department concerned (or designee) receives evidence that the member is dead or through the date of death as prescribed or determined under section 3407. Although leave will accrue for the entire missing status period, the actual accrued leave settlement will vary according to circumstances.

1. Death Prior to Fifth Year MIA Status. Payment for unused leave accrued to the member's credit while in a missing status is for 150 days, providing that he or she
was continued in a missing status for 5 or more years. Payment for 150 days is made even though it later is found that member's actual death occurred within the first 5 years after entry into missing status or upon entry into such status. Settlement for accrued leave is based on the amount of leave accrued to the member's credit before entering the missing status and the 150 days of leave described in paragraph 341001. Items to be included in the accrued leave payment are identified in Chapter 35, paragraphs 350202 and 350203. Computation is based on the rates to which the member was entitled on the date of death.

2. **Death Subsequent to Fifth Year MIA Status.** When it is found that the member’s actual death occurred subsequent to the fifth year after entry into a missing status, payment for unused leave accrued to his or her credit while in a missing status is for the total accrued until death. Settlement for accrued leave is based on the amount of leave accrued to the member's credit before entering the missing status plus the accrual until death described herein. Items to be included in the accrued leave payment are identified in Chapter 35, paragraphs 350202 and 350203. Computation is based on the rates to which the member was entitled on the date of death.

3. **Death, MIA Status Less Than 5 Years.** Payment for unused leave accrued to a member's credit while in a missing status, when he or she was continued in a missing status for less than 5 years, is for the total accrued through the date that the Secretary of the Military Department concerned makes a finding of death. Settlement for accrued leave is based on the amount of leave accrued to the member’s credit before entering the missing status plus the accrual until finding of death described herein. Items to be included in the accrued leave payment are identified in Chapter 35, paragraphs 350202 and 350203. Computation is based on the rates to which the member was entitled on the date of death.

4. **Special Conditions of Entitlement.** Settlement of accrued leave for a deceased member who was promoted while in a missing status is based on the amount of leave accrued to his or her credit before entering the missing status and the amount of leave accumulated in a missing status as provided in the applicable provisions of subparagraphs 340902.B.1, 2, or 3. Computation is based on the grade to which promoted and rate of pay in effect on the date of the presumed finding or the date of the determination of death. This will apply even though the Secretary of the Military Department concerned later determines that the member died before the date of promotion. See Table 34-1, rule 6.

### 3410 SERVICE GUIDANCE

**341001. Army**

A. See Army Regulation 638-8 for casualty accounting, reporting, and notification.

B. See *Joint Travel Regulation (JTR)* for transportation of dependents, household goods, and personal effects.
341002. Navy

A. See Military Personnel Management (MILPERSMAN) 1770 series for casualty accounting, reporting, and notification.

B. See MILPERSMAN 4050 and 4650 series, and the JTR for transportation of dependents, household goods, and personal effects.

341003. Air Force

A. See Air Force Instruction 36-3002 for casualty accounting, reporting, and notification.

B. See the JTR for transportation of dependents, household goods, and personal effects.

341004. Marine Corps

A. See Marine Corps Order (MCO) 3040.4 for casualty accounting, reporting, and notification.

B. See MCO P4600.7C, Marine Corps Transportation Manual, and the JTR for transportation of dependents, household goods, and personal effects.
Table 34-1. Pay and Allowances Which Accrue to Missing Members

<table>
<thead>
<tr>
<th>Rule</th>
<th>When the member is</th>
<th>and is</th>
<th>Then the member is</th>
<th>with accounts maintained in or administered by</th>
<th>and</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Army</td>
<td>missing, MIA, interned in a foreign country, beleaguered or besieged by a hostile force, or detained in a foreign country against the member's will</td>
<td>entitled to receive or have credited to the member's account the pay and allowances to which entitled when missing status began or to which the member becomes entitled later, as follows: Basic pay, Special pay, Incentive pay for hazardous duty, BAH (note 1), BAS (note 1), Family Separation Allowance (FSA) (note 2), Family Separation Housing, Per diem allowances for not more than 90 days (note 3), and Hostile Fire Pay if the member qualified immediately before entry to a missing status (note 4)</td>
<td>DFAS- Indianapolis (IN)</td>
<td>payments continue through the date the Military Service concerned receives evidence of death of the member, or date of presumption of death made by the Secretary of the Military Department concerned, or date of return to Military Service jurisdiction (note 5).</td>
</tr>
<tr>
<td>2</td>
<td>Navy</td>
<td></td>
<td></td>
<td>DFAS- Cleveland (CL)</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Air Force</td>
<td></td>
<td></td>
<td>DFAS-IN</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Marine Corps</td>
<td></td>
<td></td>
<td>DFAS-CL</td>
<td></td>
</tr>
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</table>
Table 34-1. Pay and Allowances Which Accrue to Missing Members (Continued)

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>When the member is</strong> and is</td>
<td><strong>then the member is</strong></td>
<td>with accounts maintained in or administered by and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Army, Navy, Air Force, or Marine Corps</td>
<td>officially determined to be absent without authority rather than in a missing status</td>
<td>not entitled to pay and allowances for any such period.</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>an officer, warrant officer, or enlisted member who receives a promotion while in a missing status (note 6)</td>
<td>entitled to pay and allowances of the pay grade to which promoted from the date of orders announcing the promotion.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>in a missing status and has a change of conditions upon which pay and allowances are based</td>
<td>entitled to the pay and allowances based on the changed conditions (note 7).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>an enlisted member who continues in missing status after expiration of term of service</td>
<td>entitled to continuance of pay and allowances.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>in receipt of or has placed to member's credit pay, wages, allowances, or other compensation from the hostile force</td>
<td>not charged or debited with any such amount against member's pay and allowances.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 34-1. Pay and Allowances Which Accrue to Missing Members (Continued)

NOTES:
1. Members without dependents are entitled to BAH at the without-dependent rate. Enlisted members are entitled to BAS. See paragraph 340402.
2. A member may qualify for FSA-Temporary while in a missing status if the continuous period of more than 30 days is completed after entering the missing status. (See Chapter 27, paragraphs 270403 and 270404.)
3. Travel per diem and clothing monetary allowances do not accrue during a missing status, even though member was entitled to them when missing status began.
4. See Chapter 44 to determine possible Combat Zone Tax Exclusion implications.
5. When facts or events warrant, the Secretary of the Military Department concerned may change or modify a prior determination.
6. This applies even though the Secretary of the Military Department concerned is later made aware that the member died before the date of promotion.
7. For example, if the sole dependent of a missing member dies, credit for BAH at the without-dependent rate ceases, and any allotment in force in the dependent's favor is stopped and deductions cease.
*REFERENCES

CHAPTER 34 – PAY ENTITLEMENT OF MEMBERS MISSING, MISSING IN ACTION (MIA), INTERNED, AND PAYMENTS TO DEPENDENTS

*3403 – MISSING PERSONS’ PAY ACCOUNTS UNDER THE MISSING PERSONS ACT

Department of Defense Directive (DoDD) 5118.03, April 20, 2012
DoDD 5118.05, April 20, 2012

3404 – ENTITLEMENT TO PAY AND ALLOWANCES WHILE IN A MISSING STATUS

340402 52 Comptroller General (Comp Gen) 23

*3405 ALLOTMENTS FOR MEMBERS IN MISSING STATUS

DoDD 5118.03, April 20, 2012
DoDD 5118.05, April 20, 2012

3406 – TAX WITHHOLDING FOR MEMBERS IN MISSING STATUS

Title 26, United States Code (U.S.C.), section 112(d)(1)

3407 – REVIEW OF CASE AFTER 12 MONTHS AND FINDING OF DEATH

37 U.S.C. §§ 555 and 556

3409 – ACCRUED LEAVE

10 U.S.C. § 701(g)
340902.A 37 U.S.C. § 501(h)
340902.B.4 51 Comp Gen 759

Table 34-1 – PAY AND ALLOWANCES WHICH ACCRUE TO MISSING MEMBERS

37 U.S.C. §§ 484, 551, 552, 553, 555, 556, 558

Note 1 45 Comp Gen 633
Note 7 52 Comp Gen 23
**VOLUME 7A, CHAPTER 35: “SEPARATION PAYMENTS”**

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<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>350202.D</td>
<td>Inserted provision regarding Special Leave Accrual due to the Corona-virus.</td>
<td>Addition</td>
</tr>
<tr>
<td>350401</td>
<td>Inserted a definition of Readjustment Pay and renumbered subsequent paragraphs accordingly.</td>
<td>Addition</td>
</tr>
<tr>
<td>350811</td>
<td>Updated to move subparagraph D to E and insert subparagraph D on members being involuntary recalled.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Updated to reflect current statutes.</td>
<td>Revision</td>
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CHAPTER 35

SEPARATION PAYMENTS

3501 GENERAL

350101. Purpose

This chapter prescribes the policy for entitlements that members may receive when separating from military service.

*350102. Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

3502 ACCRUED LEAVE PAY

350201. General Entitlement

A. A member who is discharged or separated under honorable conditions is entitled to payment of unused accrued leave unless the member continues on active duty under conditions that require accrued leave to be carried forward, or in the case of a Reserve Component member, the member elects to have the leave carried forward to the member’s next period of active service. An enlisted member who voluntarily extends their enlistment for the first time is also entitled to payment for unused accrued leave.

1. Conditions for Payment of Unused Accrued Leave. See Tables 35-1 through 35-4 for specific rules governing whether a member may be paid for unused accrued leave.

2. Career Leave Payment Limitation of 60 days

   a. A Service member is entitled to receive payment for no more than 60 days of accrued leave during a military career. Payments for unused accrued leave made before that date will be excluded from this 60-day limitation.

   b. A Service member eligible for an unused accrued leave settlement is authorized an election with regard to payment or carryover of the leave. The member may elect to receive payment for a portion of the unused leave, not to exceed a career total of 60 days, and to have the remaining accrued leave carried forward to a new or extended enlistment. The total of paid and carried forward leave may exceed 60 days.
3. **One-Time Leave Payment.** An enlisted member of the Armed Forces who would lose accumulated leave in excess of the 120 days in subparagraph 350202.B.2 may elect to be paid for such leave up to 30 days. This election can only be taken once during a career. This leave payment does apply against the 60 days of leave paid during a career as stated in subparagraph 350201.A.2. This one-time payment exception applies to members who:

a. Serve on active duty for a continuous period of at least 120 days in an area in which the member is entitled to hostile fire pay/imminent danger pay;

b. Are assigned to a deployable ship or mobile unit, or to other duty designated by the Secretary of the Military Department concerned as qualifying;

c. Are performing duty designated by the Secretary of Defense (SecDef) as qualifying duty; or

d. Serve on active duty in a duty assignment in support of a contingency operation.

4. **Exceptions to the 60-Day Career Leave Payment Limitation**

a. **Contingency Operations.** The 60-day leave payment limitation does not apply with respect to leave accrued by a member of a Reserve Component or retired Reserve; a retired member of the Regular Army, Regular Navy, Regular Air Force, or Regular Marine Corps; or a member of the Fleet Reserve or Fleet Marine Corps Reserve during any period while the member also is:

   (1) Serving on active duty in support of a contingency operation on or after December 5, 1991; or

   (2) Serving on active duty in connection with the Persian Gulf conflict (other than for training) under authority of Title 10, United States Code (U.S.C.), sections 688, 12301, 12302, 12304, 12306, or 12307, on or after August 2, 1990.

b. **Active Duty of 31 to 365 Days.** The 60-day leave payment limitation does not apply to leave accrued by a member of a Reserve Component while serving on active duty, full-time National Guard duty, or active duty for training during a period of more than 30 days, but not in excess of 365 days, beginning on or after October 1, 2001.

c. **Death on Active Duty.** The 60-day leave payment limitation does not apply to leave accrued by a member who dies while on active duty (or a member or former member who dies after retirement or discharge, but before receiving payment of accrued leave). Payment of accrued leave for a deceased member is based upon the unused accrued leave that he or she carried forward into the leave year in which deceased, plus the unused leave that accrued during that leave year, beginning on or after February 10, 1996.
d. **Career Leave Payment Total.** Unused leave accrued specifically under the conditions of subparagraphs 350201.A.4.a through 350201.A.4.c is in addition to the member’s career leave payment limitation of 60 days. Such unused leave may be carried forward into a new contract period of active duty and later be eligible for payment in addition to other leave to which the 60-day career ceiling applies. See paragraph 350202 for rules that apply to accounting for accrued and used leave, and subparagraph 350203.B for calculating the payment amount and the possible application of the Combat Zone (CZ) Tax Exclusion (CZTE).

Example: On January 1, 2018, a National Guard member on active duty, under Title 32, is mobilized for 3 years with his unit under 10 U.S.C. § 12301. Although previously paid for career leave of 48 days, the member elected to carry forward all 32 days of accrued unused leave from the pre-mobilization period.

On April 6, 2018, he was discharged and immediately ordered to active duty for another period of 3 years. The member used leave from April 2 through April 5, 2018 (4 days). He has 36 days accrued unused leave at discharge (32 days from his balance brought forward, plus 8 days accrued under the mobilization, minus the 4 days of leave used). He may elect to be paid for a maximum of 16 days of leave at discharge, which includes the 12 days up to the 60-day limitation, plus 4 days of excepted leave (earned 8 days excepted leave less the 4 days used).

The remaining balance of 20 days (or more, if he takes payment for less than the full 16 days of leave) may be carried forward into the new active duty period. If a payment is made for 12 days or less, then 4 days of the carryover are an exception to the 60-day payment limitation and may be paid in the future if they remain unused.

B. Under regulations prescribed by the Secretary of the Military Department concerned, a member sentenced to unsuspended dismissal or unsuspended dishonorable or bad-conduct discharge by court-martial may be required to take leave pending review of the conviction (for example, appellate leave) as provided by 10 U.S.C. § 876a. Such member may elect to be paid in a lump sum for the leave accrued to his or her credit as of the day before the day the leave begins. Otherwise, each day of appellate leave will be charged as a day of leave and the member paid accordingly until all of the member’s accrued leave is used. Payment will be based on the rate of basic pay to which the member was entitled on the day before the day leave is to begin.

C. A member who is discharged under other than honorable conditions forfeits all accrued leave at the time of discharge and is not entitled to payment for accrued leave, regardless of the length of time the separated member has served.

D. Except as provided in subparagraph 350201.E, a member who receives an entry-level discharge before completing 6 months of active duty will be considered as having received an honorable discharge with payment of accrued leave being authorized.

E. A member, who is discharged before completing 6 months of active duty because of failure to serve satisfactorily, forfeits all accrued leave at the time of discharge. Such
forfeiture also applies to any member with prior military service who had a break in service of 90 or more consecutive days. The following constitute reasons for failure to serve satisfactorily.

1. Enlisted reasons include:
   a. Defective enlistment and induction (minority and fraudulent entry only);
   b. Entry-level performance and conduct;
   c. Unsatisfactory performance;
   d. Drug and/or alcohol abuse rehabilitation failure;
   e. Misconduct, moral, and/or professional dereliction;
   f. Separation in lieu of trial by court-martial; or
   g. Security (unless the member receives an honorable discharge).

2. Officer reasons include:
   a. Separation for cause (e.g., officers separated for substandard performance of duty);
   b. Dropped from the rolls;
   c. Misconduct, moral, and/or professional dereliction;
   d. Separation in lieu of trial by court-martial; or
   e. Security (unless the member receives an honorable discharge).

*350202. Leave Accounting

A. Accrued leave must be carefully accounted for and accurately identified as to the time and circumstances under which it was earned. The number of days accrued and value of unused leave that is to be sold depends upon the timeframe and circumstances under which it was earned.

1. Leave earned is valued using only basic pay.

2. Leave accrued in a CZ or Qualified Hazardous Duty Area (QHDA), or while hospitalized as a result of action in such a zone or area, is generally known as CZTE
leave. See Chapter 44, paragraph 440203 for full descriptions of the circumstances under which such leave accrues. CZTE leave for enlisted members is exempt from federal and state income tax withholding. CZTE leave for officers is exempt from federal and state income tax withholding up to a specified limit. See subparagraph 350203.B for a discussion of tax exclusion limits. All leave earned during a month in which a member serves for any period of time in a CZ or QHDA area is CZTE leave. A single day of qualifying service in such circumstance qualifies all leave accrued in that month as CZTE leave.

3. A member of a Reserve Component who accumulates leave during a period of active service may carry over any accumulated leave to the member’s next period of active service without regard to separation or release from active service if the separation or release is under honorable conditions. This accumulated leave is subject to fiscal year carry forward limitations (75 days during the period October 1, 2008 to September 30, 2015, and 60 days otherwise).

B. Leave accrues to a Service member serving on active duty for 30 days or more. It accrues at the rate of 2½ days for each month of active service, excluding periods of absence from duty without leave, periods of confinement resulting from a court-martial, and periods of leave required to be taken pending review of a court-martial conviction. For partial months, it accrues at the rate of ½ day for any period of 6 days or less.

1. A member may not carry forward a leave balance of more than 60 days into a new fiscal year, except during the period October 1, 2008 through September 30, 2015, when 75 days may be carried forward or when entitled to Special Leave Accrual (SLA). Members with 75 days of leave under this provision will need to use 45 days of leave during the period from October 1, 2014 to September 30, 2015; otherwise, leave in excess of 60 days on September 30, 2015 will be lost.

2. A member who serves on active duty while entitled to hostile fire/imminent danger pay for a continuous period of at least 120 days may carry forward up to 120 days of SLA into the new fiscal year. Under this exemption, unused leave may be carried forward until the end of the third fiscal year following the fiscal year in which the service in the qualifying hostile fire/imminent danger area is terminated. If the 120 days of SLA were earned during the period October 1, 2008 through September 30, 2015, then unused leave may be carried forward until the end of the fourth fiscal year following the fiscal year in which the service in the qualifying hostile fire/imminent danger area is terminated.

3. A member not qualifying for SLA for service in a hostile fire/imminent danger area may qualify and carry forward up to 120 days of unused leave when assigned to a designated deployable ship, mobile unit, or other similar prescribed duty. On or after August 29, 2005, a member may also qualify and carry forward up to 120 days of unused leave if he or she is performing qualifying duties as designated by the Secretary of the Military Department concerned.

a. The duty assignment must be under conditions where operational mission requirements prohibit normal leave utilization as determined by the military
service concerned or designated commander. Under this exemption, unused SLA leave may be carried forward until the end of the third fiscal year following the fiscal year in which the qualifying service is terminated.

b. If the 120 days of leave were accumulated during the period October 1, 2008 through September 30, 2015, then unused leave may be carried forward until the end of the fourth fiscal year following the fiscal year in which the service in the qualifying assignment or other similar prescribed duty is terminated.

4. The maximum amount of SLA leave that may be carried forward is the leave balance at the end of the fiscal year following the end of the SLA period not to exceed 120 days. The maximum amount will be reduced to a new level whenever the leave balance drops below the previously set level. If at any time, the leave balance drops to or goes below 60 days, or 75 days during the period October 1, 2008 to September 30, 2014, then there is no longer any SLA protected leave. If the leave balance is over 60 days, but is below 75 days between October 1, 2014, and September 30, 2015, then the SLA is protected. Subject to this rule, if on October 1, 2015, a member had between 60 and 75 leave days and those leave days were entitled to SLA protection, the member will retain their SLA protected leave in accordance with 10 U.S.C. § 701.

a. Therefore, the actual maximum leave that can be carried forward into succeeding fiscal years is the lowest leave balance achieved following the completion of the SLA duty or the usual 60 days, or 75 days during the period October 1, 2008 to September 30, 2015, whichever is greater. If the SLA qualifying period crosses a fiscal year, then the entire leave balance (not to exceed 120 days) will be carried forward and the leave accrued from the beginning of the new fiscal year through the end of the SLA qualifying period will be added to establish the maximum.

b. Any portion of a leave balance in excess of 60 days that could have been taken before the end of the fiscal year had the member not been assigned to SLA qualifying duty will not be included in the carryover amount.

Example 1: On August 31, 2011, a member had a leave balance of 80 days. On September 15, 2011, he was assigned to duty qualifying for SLA as described in subparagraph 350202.B.1. Had the member not been assigned to SLA duty, he could have possibly taken 15 days leave from September 16 through September 30. If the member had taken leave during this period, then there would still have been a loss of 7.5 days (82.5 days accrued through September 30, less the 15 days potentially taken and the normal 60-day carryover restriction) at the end of the fiscal year. Therefore, since only the portion that potentially could have been taken is protected, the member may carry forward 75 days and will lose 7.5 days of leave.

Example 2: The member in example 1 continued on SLA duty until September 15, 2012. No leave was permitted during this period, and the member’s accrued leave totaled 105 days at the end of September. If the leave balance does
not drop at any time below 105 days, then it may be carried forward for 3 fiscal years, until September 30, 2015.

If the member took 30 days of leave from April 1 through April 30, 2013, then this would result in a leave balance of 92.5 days (105 days accrued through September, plus 17.5 days accrued from October through April, less the 30 days of leave taken) and a new maximum amount of leave that may be carried forward. If no further SLA is earned and the leave balance is not further reduced to a new lower level, then the maximum leave the member may carry forward into succeeding fiscal years (until September 30, 2015) is 92.5 days.

Example 3: On September 30, 2014, a member had a leave balance of 74 days. On October 1, 2014, the member’s leave balance is still 74 days. This is because, on October 1, 2014, the authorized leave carry-over amount for all leave was 75 days. On the same date, October 1, 2014, the member was assigned to duty qualifying for SLA as described in subparagraph 350202.B.1. He remains on duty for the entire fiscal year, earning 30 days of leave. On September 30, 2015, he has 104 days of leave. Since he has 104 days at the end of the fiscal year and is entitled to SLA protection, then on October 1, 2015, he still has 104 days.

5. Active duty members who serve in duty assignments in support of a contingency operation are authorized to accumulate annual leave in excess of 60 days, or 75 days for the period October 1, 2008 through September 30, 2015, as shown on the end of month September Leave and Earnings Statement. These members are authorized to retain up to 120 days until the end of the second fiscal year after the fiscal year in which such service on active duty is terminated.

C. Leave will be accounted for by crediting it sequentially in the chronological order in which it is accrued. Generally, when used, leave will be charged with the most recently accrued leave charged first. This method is known as Last In, First Out. As an exception, CZTE leave will be charged first, regardless of when it was earned.

Example: On August 31, 2014, a member had accrued 75.5 days of unused leave, of which 7.5 days of accrued unused CZTE leave. The CZTE leave had been earned for two separate periods, 5 days for active service from January 2 through February 6, 2012 in a CZ and 2.5 days for active service from August 7 through August 30, 2014 in a QHDA. The member took leave from September 5 through September 24, 2014, a period of 20 days. The leave taken is first applied to the 7.5 days of CZTE leave. This leaves 12.5 days to be applied to the non-CZTE leave earned, reducing that balance to 55.5 days as of September 24, 2014.

D. Effective March 11, 2020 through September 30, 2020, and pursuant to 37 U.S.C. § 701(f)(1)(A) and (B)(iii), Service members performing active service, are authorized to accumulate annual leave in excess of 60 days not to exceed 120 days as shown on the end of month September 2020 Leave and Earnings Statement. Such members are authorized to retain such unused leave until the end of fiscal year 2023 (September 30, 2023).
1. This authorization does not apply to Service members who would otherwise be authorized to accumulate leave in excess of 60 days as of October 1, 2020 under 10 U.S.C. § 701(f)(1)(A), (B)(i), and (ii) or 701(f)(2) prior to March 11, 2020.

2. Leave will be accounted for by crediting it sequentially in the chronological order in which it is accrued. Generally, when used, leave will be charged with the most recently accrued leave charged first. This method is known as Last In, First Out.

350203. Leave Payments and Taxability

A. Payments for accrued leave are normally subject to taxation and income tax withholding.

B. Payments for CZTE leave for Service members is tax-exempt from federal taxation and not subject to federal or state income tax withholding up to the monthly limit specified by the Internal Revenue Service (IRS). That limit is different for enlisted members and officers. The limit is fully described in Chapter 44, subparagraph 440202.A and summarized as follows:

1. Enlisted members (E-1 and above) and warrant officers (W-1 through W-5) have no limitation or ceiling on the value of payments exempt from federal or state taxes and federal tax withholding for any month in which they qualify for an exemption.

2. Officers (O-1 and above) are subject to a limit on the value of federal tax-exempt payments and exemption from federal and state tax withholding for each month in which they qualify for an exemption. The exemption amount for officers is set at the value of the highest rate of enlisted basic pay plus the value of any hostile fire or imminent danger pay the officer may have been entitled to in that qualifying month. The applicable rate of enlisted basic pay would be that listed in Chapter 1, Table 1-10, Note 3 for the corresponding qualifying month. To determine whether the limitation will apply to a payment for accrued unused leave, the leave must be allocated to the months in which earned and for which the officer qualified for CZTE status.

a. The value of the leave for each individual month must be added to any payments the officer has received for that tax-exempt month and the total compared to the monthly limitation amount.

b. Tax exemption may only be given for the value of the portion of the CZTE leave that does not exceed the limitation available. Any payments for CZTE leave value that exceed the limitation available will be treated as taxable income.

Example: A Reserve Component O-6 with over 12 years of service began active duty on March 25, 2018, and reported temporary additional duty to a designated CZ on March 26, 2018. He departed the zone on May 2, 2018, and was separated from active duty and paid for unused accrued leave on May 4, 2018. The officer was entitled to monthly basic pay of $8,073.90 and to imminent danger pay of $225. The monthly basic pay for the most senior enlisted member in each military service is $8,361.00 per month during that period. The officer has been
paid for his active duty service and is awaiting payment for his earned leave. He had previously sold back 58 days of leave at the end of other active duty periods.

The officer earned .5 days of leave in March and in May and 2.5 days for April. The total of 3.5 days leave when added to the 58 days previously sold would exceed the maximum of 60 days that may be sold in a career. This leave, however, is exempt from payment limitation since the Reserve officer was on active duty for a period of more than 30 but less than 365 days. Payment of the .5 days of leave for both March and May is fully exempt from income tax and income tax withholding since the prior tax-free payments for his basic pay and hostile fire/imminent danger pay in those 2 months was well below the tax exemption limitation value of $8,586.00 (senior enlisted basic pay of $8,361.00 and hostile fire/imminent danger pay of $225).

However, only a portion of the 2.5 days of unused accrued leave attributable to April is exempt from income tax and income tax withholding. The officer has already received tax-exempt treatment of his April salary and imminent danger pay using all but $287.10 of his available exemption (exemption equals $8,586.00 and the amount used was the officer’s base pay of $8,073.90 plus the hostile fire/imminent danger pay of $225, equal to $8,298.90). The 2.5 days of leave is valued at $672.83, leaving $385.73 of the leave payment subject to tax and tax withholding.

350204. Leave Payments and Debts

Payments for accrued leave may be used to satisfy debts to the U.S. Government without restriction.

350205. Leave Payment to Beneficiaries

Payments for accrued leave owed at death will be paid to the eligible beneficiary or beneficiaries under the provisions of Chapter 36, section 3603.

A. If a member dies while on active duty of 30 days or more, then the accrued leave is payable along with all other unpaid pay and allowances to the eligible beneficiary.

B. If a member or former member dies after retirement or discharge, but before receiving any or all compensation for accrued leave, then the balance is payable to the eligible beneficiary and claims for payment must be submitted to the appropriate following address:

Army and Air Force Members:
Director – Military Pay Operations Indianapolis
Defense Finance and Accounting Service (DFAS)-Indianapolis
DFAS-JFL/IN
8899 E. 56th Street
Indianapolis, IN 46249-0845
Navy Members:
   Director– Military Pay Operations Navy
   DFAS-Cleveland
   DFAS-JFLADA
   1240 E. 9th Street
   Cleveland, OH  44199-2055

Marine Corps Members:
   Director– Military Pay Operations Marine Corps
   DFAS-Cleveland
   MPO-JFLT
   1240 E. 9th Street
   Cleveland, OH  44199-2055

3503  SEPARATION PAY (NON-DISABILITY)

   350301.  Entitlement

       A.  Full Separation Pay.  Full payment of non-disability separation pay is
           authorized to Service members of the Regular and Reserve Components who have been
           involuntarily separated from active duty and have met each of the following four conditions:

           1.  The member has met one of the following criteria for active military
               service:

               a.  The member is on active duty or full-time National Guard
                   duty and has completed at least 6 years, but less than 20 years, of active service.  Reserve members
                   not on the active duty list when separated must have 6 years of continuous active duty or full-time
                   National Guard duty immediately preceding separation.  A period of active duty is considered
                   continuous if any break in active service does not exceed 30 days; or

               b.  A member who is a Regular officer and is separated under
                   10 U.S.C., Chapter 36 (except under §§ 630(1)(A), 643, 580, or 8373) must have completed at
                   least 6 years, but less than 20 years, of active service;

           2.  The member’s separation must be characterized as “honorable” and
               none of the conditions apply that are listed in paragraph 350302;

           3.  A member who is separated involuntarily, through either the denial
               of reenlistment or the denial of continuation on active duty or full-time National Guard duty, must
               meet one of the following four specific conditions:

               a.  The member must be fully qualified for retention but denied
                   reenlistment or continuation.  This includes a Service member who is eligible for promotion as
                   established by the Secretary of the Military Department concerned, but is denied reenlistment or
                   continuation on active duty under established promotion or high year of tenure policies;
b. The member must be fully qualified for retention but involuntarily separated under a Reduction in Force by authority designated by the Secretary of the Military Department concerned;

c. The member, if a Regular officer, commissioned or warrant, must be separated under 10 U.S.C. §§ 580, 1165, 8373, or Chapter 36; if a Reserve commissioned officer other than a commissioned warrant officer, must be separated or transferred to the retired Reserve under 10 U.S.C., Chapters 573 or 861; or if a Reserve commissioned officer on the active duty list or a Reserve warrant officer must be separated for similar reasons under military service policies; or

d. The member must be denied reenlistment or continuation on active duty or full-time National Guard duty under subparagraphs 350301.A.3.a through 350301.A.3.c, and have accepted an earlier separation from active duty; and

4. The member must have entered into a written agreement with the military service concerned to serve in the Ready Reserve in a Reserve Component of the Armed Forces for a minimum period of 3 years following the separation from active duty.

a. A member who enters into this written agreement and is qualified for service in the Ready Reserve will, upon separation from active duty, be enlisted or appointed, as appropriate, as a Reserve member by the military service concerned. If the person has a service obligation under 10 U.S.C. § 651 or any other law that is not completed at the time of separation from active duty, then the 3-year obligation begins on the day after the day the member completes the prior obligation.

b. A member who enters into this written agreement and is not qualified for enlistment or appointment in the Ready Reserve need not be enlisted or appointed by the military service concerned to be considered to have met this condition of eligibility for separation pay.

B. Sole Survivorship Discharge

1. A sole survivorship discharge is the separation of a member from the Armed Forces at the member’s request when the member is the only surviving child in a family in which:

a. The father, mother, or one or more siblings served in the Armed Forces, and was killed; died as a result of wounds, accident, or disease; is in a captured or missing in action status; or is permanently 100 percent disabled or hospitalized on a continuing basis (and is not gainfully employed because of the disability or hospitalization); and

b. The death, status, or disability did not result from the intentional misconduct or willful neglect of the parent or sibling and was not incurred during a period of unauthorized absence.
2. A member who receives a sole survivorship discharge will be entitled to full separation pay, even though the member completed less than 6 years of active service immediately before that discharge.

3. The amount of the full separation pay to be paid will be based on the years of active service actually completed by the member before the member’s discharge.

4. These sole survivorship discharge provisions will apply to any sole survivorship discharge granted after September 11, 2001.

5. Effective October 28, 2009, members who receive a sole survivorship discharge will not be required to repay any unearned bonus, incentive pay, or similar benefit previously paid to the member.

6. Effective October 28, 2009, the Secretary of the Military Department concerned may grant an exception to the requirement to terminate the payment of any unpaid amounts of a bonus, incentive pay, or similar benefit if he determines that termination of the payment of the unpaid amounts would be contrary to a personnel policy or management objective, would be against equity and good conscience, or would be contrary to the best interests of the United States.

C. Half Separation Pay. Half Separation Pay of non-disability separation pay is authorized to members of the Regular and Reserve Components who are involuntarily separated from active duty and have met each of the following four conditions:

1. The member must meet one of the criteria for active service specified in subparagraph 350301.A.1;

2. The member’s separation must be characterized as “honorable” or “general,” and none of the conditions apply that are listed in paragraph 350302;

3. The member must be separated involuntarily by the military service concerned through either the denial of reenlistment or the denial of continuation on active duty or full-time National Guard Duty under one of the following specific conditions:

   a. Is not fully qualified for retention and is denied reenlistment or continuation under any of the following conditions:

      (1) Expiration of service obligation;

      (2) Selected changes in service obligation;

      (3) Convenience of the government;

      (4) Drug abuse rehabilitation failure;
(5) Alcohol abuse rehabilitation failure;

(6) Security; or

(7) Weight control failure;

b. Separated under a military service specific program established as a half separation pay level by the Secretary of the Military Department concerned; or

c. Denied reenlistment or continuation on active duty or full-time National Guard duty under subparagraphs 350301.C.3.a and 350301.C.3.b, and accept an earlier separation from active duty; and

4. The member must have entered into a written agreement with the military service concerned to serve in the Ready Reserve for a minimum period of 3 years following separation from active duty.

   a. A member who enters into this written agreement and is qualified for the Ready Reserve will, upon separation from active duty, be enlisted or appointed, as appropriate, as a Reserve member by the military service concerned. If the person has a service obligation under 10 U.S.C. § 651 or any other law that is not completed at the time of separation from active duty, then the 3-year obligation begins on the day after the day the member completes the prior obligation.

   b. A member who enters into this written agreement and is not qualified for enlistment or appointment in the Ready Reserve need not be enlisted or appointed by the military service concerned to be considered to have met this condition of eligibility for separation pay.

NOTE: In extraordinary instances, the Secretary of the Military Department concerned may award full separation pay to a member otherwise eligible for half separation pay when the specific reasons for the separation and the overall quality of the member’s service have been such that denial of full separation pay would be clearly unjust.

350302. Limitations of Eligibility

Service members separated under the following circumstances are not eligible for separation pay:

A. The member is separated from active duty at the member’s own request. The following are considered to be separations at the member’s own request:

   1. A member declines training that the military service offers to qualify for a new skill or rating as a precondition to reenlistment or continuation on active duty;
2. A member requests separation under regulations established by the Secretary of the Military Department concerned as provided for in DoD Instructions (DoDI) 1332.14 and 1332.30; or

3. A Reserve officer declines a Regular appointment at the mandatory integration point when an all-regular career force program is implemented by the Secretary of the Military Department concerned;

B. The member is separated from active duty during an initial term of enlistment or an initial period of obligated service. The initial term of enlistment or initial period of obligated service is the active service obligation that the member incurred upon initial enlistment or upon enrollment in a commissioning program. This limitation also applies to a member who desires to reenlist or continue at the conclusion of the initial term of enlistment or an initial period of obligation and is denied by the military service concerned;

C. The member is released from active duty for training or from full-time National Guard duty for training;

D. The member is immediately eligible at separation for retired or retainer pay based upon his or her military service;

E. The member is a warrant officer whose appointment is terminated and who then elects to enlist;

F. The member is separated as a result of the execution of a court-martial sentence;

G. The member is being dropped from the rolls of the military service concerned;

H. The member is being separated under other than honorable conditions;

I. The member is an enlisted member who is separated for unsatisfactory performance or misconduct, as set forth in DoDI 1332.14, except when half separation pay is authorized in subparagraph 350301.C;

J. The member is an officer who is separated for substandard performance or acts of misconduct or moral or professional dereliction, except when half separation pay is authorized in subparagraph 350301.C;

K. The member is separated under a military service-specific program established as a no-payment level by the Secretary of the Military Department concerned;

L. A determination is made by the Secretary of the Military Department concerned in an extraordinary case that the conditions under which the member is separated do not
warrant a separation payment. This authority is not to be delegated. It is intended that only sparing use will be made of this discretionary authority to deny payment;

M. A Regular officer having twice failed for selection for promotion to the next higher grade is not entitled to separation pay if that officer, after such second failure of selection for promotion, is selected for and declines continuation on active duty for a period that is equal to or more than the amount of service required to qualify the officer for retirement; or

N. A Reserve officer who, is not selected for promotion to the next higher grade for the second time and is to be discharged or released from active duty, and after such failure of promotion, is selected for and declines continuation on active duty:

1. If the period of time for which the officer was selected for continuation on active duty is less than the amount of service that would be required to qualify the officer for retirement, then the officer’s discharge or release from active duty will be considered involuntary; or

2. If the period of time for which the officer was selected for continuation on active duty is equal to or more than the amount of service that would be required to qualify the officer for retirement, then the officer’s discharge or release from active duty will not be considered involuntary.

350303. Computation of Active Service

Compute active service time as follows:

A. Qualifying years, except as noted in subparagraph 350301.A.1, do not have to be continuous; however, the last phase of the qualifying term must end immediately before the separation from active duty occurs;

B. Fractions of years will be computed by counting each full month of active service, in addition to the number of full years of active service, as 1/12 of a year. Disregard any remaining fractional part of a month;

C. Periods for which a Service member previously has received separation pay, severance pay, or readjustment pay may be counted for eligibility purposes (to ensure the member meets the minimum required years of active duty), but may not be used in the multiplier to determine the amount of separation pay for a subsequent separation;

D. Count periods of active military service in a Regular or Reserve Component. Include periods of active duty for training;

E. Do not include periods of absence without leave, confinement time awaiting trial that results in a conviction, confinement time while serving a court-martial sentence, and time lost while not on duty. Count time in service to make up for lost time; and
F. Do not include service as a cadet or midshipman while in a military service academy or a Reserve Officer Training Program.

350304. Computation of Separation Pay

A. Compute full separation pay at 10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service. Table 35-5 also contains information related to computation of full separation pay.

B. Compute half separation pay at 50 percent of what the full separation pay would have been.

350305. Recoupment of Separation Pay From Retired Pay, Retainer Pay, or Department of Veterans Affairs (VA) Disability Compensation

Service members who receive separation pay under any provisions of law based on service in the Armed Forces, and, subsequently, either qualify for retired or retainer pay under 10 U.S.C. (Armed Forces) or 14 U.S.C. (Coast Guard), or become eligible for disability compensation administered by the VA, are subject to the recoupment of the gross taxable separation pay they received. Recoupment from retired pay, retainer pay, or VA disability compensation will be completed as follows:

A. If the Service member received either Retired or Retainer Pay, then recoupment will be accomplished through monthly deductions from each payment of retired or retainer pay payable to the retired member until the total amount of the deductions equals the gross taxable amount of separation pay received by the member. See Volume 7B, Chapter 4 for guidance on the calculation of the recoupment.

B. If the Service member received VA disability compensation, then recoupment will be accomplished through a deduction from the VA disability compensation payable to the retired member in an amount that is equal to the gross taxable amount of separation pay made after September 30, 1996. The amount to be deducted from the VA disability compensation will be equal to the gross taxable amount of such separation pay, less the amount of federal income tax withheld from such pay at the flat withholding rate for supplemental payments prescribed under Publication 15, Department of the Treasury, IRS. This reduction, however, will not apply to disability compensation for which the entitlement to that disability compensation is based on a later period of active duty than the period of active duty for which the separation pay was received. See Volume 7B, Chapter 4 for guidance on the calculation of the recoupment.

3504 READJUSTMENT AND SEVERANCE PAY (OTHER THAN DISABILITY) PROVISIONS

*350401. Readjustment Pay

Readjustment Pay is a lump-sum payment to members of a Reserve Component of any Military Service, members of the Army or Air Force without component, and Regular Army
commissioned officers below the grade of O-4 who were on active duty (other than for training) on September 14, 1981, and were involuntarily released after completing at least 5 years of continuous active duty and who did not qualify for retirement. Separation Pay superseded Readjustment Pay.

350402. Repay Readjustment or Severance Pay

Members, who received readjustment or severance pay before September 15, 1981, and who, on or after September 15, 1981, became entitled to retired or retainer pay under 10 U.S.C. (Armed Forces) or 14 U.S.C. (Coast Guard), are required to repay the readjustment or severance pay, in accordance with the laws in effect on September 14, 1981.

350403. Refund Upon Retirement

A Reserve member who received a readjustment payment on separation after June 28, 1962, and before September 15, 1981, and who later qualifies for retired or retainer pay under 10 U.S.C. (Armed Forces) or 14 U.S.C. (Coast Guard), (upon completing 20 years of active service), must refund 75 percent of the gross readjustment pay, without interest, by immediate deduction from retired or retainer pay. This is not required if readjustment pay had been waived or refunded under paragraph 350403.

350404. Waiver or Refund Before Retirement

A member may waive entitlement to readjustment pay. Also, the full amount of readjustment pay may be refunded before retirement. Under either condition, the member will receive retired or retainer pay immediately upon retirement or transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

350405. VA Disability Compensation

When a member who receives readjustment pay before September 15, 1981, becomes entitled to VA disability compensation, the VA deducts 75 percent of the readjustment payment from future VA compensation. The VA does not make a deduction when VA disability compensation is based on a later period of service. A member who elected, on or before June 27, 1962, to receive readjustment pay in lieu of VA disability compensation may have been awarded disability compensation effective on and after June 28, 1962. The VA reduces the disability compensation by 75 percent of the readjustment payment, unless readjustment pay was waived or refunded.

3505 DISABILITY SEVERANCE PAY

350501. Entitlement

A member separated from the military service for physical disability is entitled to severance pay, if qualified, as prescribed in personnel regulations of the military service concerned. When a
member is entitled to disability severance pay, separation orders specify this entitlement. Academy cadets and midshipmen may be entitled to severance pay if it is determined that they have a qualifying disability, and they have separated as a result of that disability.

350502. Disability Incurred During Non-pay Status

A member who incurs a disability while in a total pay forfeiture status as defined in Chapter 48, section 4805 is not entitled to disability severance pay. This is true even though the Secretary of the Military Department concerned remits the unexecuted portion of the sentence, including all uncollected forfeitures.

350503. Computation

A. Formula. To compute disability severance pay, multiply the sum of basic pay for 2 months by the number of combined years (but not over 19) of active service and inactive duty points. Do not include as basic pay the 25-percent increase prescribed under certain conditions for a Navy or Marine Corps member retained on active duty after enlistment expires.

B. Years of Service. The member’s separation orders will specify the total combined years of active service and inactive duty points to be counted in computing severance pay. Round this total to the nearest whole year, with 6 months or more rounded up. The maximum number of years of service for computing the disability severance pay will be 19 years. The minimum number of years for computation purposes will be:

1. Six years in the case of a member separated from the Armed Forces for a disability incurred in the line of duty in a CZ (as designated by the SecDef) or incurred during the performance of duty in combat-related operations as (designated by the SecDef); or

2. Three years in the case of any other member.

C. Grade at Which Disability Severance Pay is Computed. Compute severance pay on basic pay of the following highest grade or rank described:

1. The grade or rank in which the member is serving at separation;

2. The permanent Reserve grade held at separation;

3. The highest temporary or permanent grade or rank in which member served satisfactorily as determined by the Secretary of the Military Department concerned; or

4. For those selected for promotion, if the disability is found during a physical examination, then the grade or rank to which the member would have been promoted if there was no disability.
Example: An E-6 has 11 years, 4 months, and 9 days of active service and 76 inactive duty training periods (points) on the date of separation for physical disability. Compute the entitlement as follows:
11 years, 4 months, 9 days = 11.3583 years
76 points / 360 = .2111 years
Total Service = 11.5694 years
Since it is a decimal greater than or equal to .5, round the total upward to 12 years.
12 years times 2 months of basic pay of an E-6 over 10 equals the amount of disability severance pay.

NOTE: For purposes of this calculation, the number of points that may be considered may not exceed 60 points for any anniversary year that closed before September 23, 1996; 75 points for anniversary years that closed on or after September 23, 1996; 90 points for anniversary years that close on or after October 30, 2000; and 130 points for anniversary years that close on or after October 30, 2007.

350504. Taxability and Withholding

   A. General. Disability severance pay is normally taxable income. However, it is not subject to tax withholding or reporting if at least one of the following two conditions exists:

   1. The entitlement resulted from combat-related injury or illness, as determined by the Secretary of the Military Department concerned, which happens as a result of any of the following activities:

       a. As a direct result of armed conflict;

       b. While performing extra-hazardous service, even if the service does not directly involve combat;

       c. Under conditions simulating war, including maneuvers or training; or

       d. By an instrumentality of war, such as weapons; or

   2. The member is entitled to disability compensation as determined by the VA or has received a proposed disability rating from the VA at the time of separation through the Integrated Disability Evaluation System.

   B. Withholding Taxes. Income taxes are withheld from all payments of disability severance pay unless the member qualifies for an exemption under subparagraph 350504.A.

   C. Entitlement to VA Disability Compensation After Payment of Disability Severance Pay
1. A member’s disability severance pay may still qualify for an exemption from taxation under subparagraph 350504.A.2 after disability severance pay has been paid if the VA determines that the member is entitled to VA disability compensation.

2. Depending upon when a member receives notification of disability compensation, refund of the income taxes withheld may be requested from DFAS or the IRS.

D. Receipt of Official Notification of VA Disability Compensation in the Same Tax Year of the Disability Severance Pay Payment

1. A member may request refund of taxes withheld from the gross taxable amount of their disability severance pay payment from DFAS if notification of disability compensation from the VA is received in the same tax year in which the member received disability severance pay. See subparagraph 350205.B for the addresses of the DFAS sites.

2. A refund request must include documentation evidencing the VA’s award of disability compensation and must be received and processed by DFAS on or before December 31st of the year in which the disability severance pay payment was paid. If a refund is processed before December 31st, but after the Military Payroll Systems end of year cut off (typically around December 20th), a corrected IRS Form W2c may be issued by DFAS.

Example: Member received disability severance pay on January 2, 2018. On December 1, 2018, the VA issues an award letter to member authorizing disability compensation. Member may submit a request for refund to DFAS for processing before December 31, 2018.

E. VA Disability Compensation Awarded in a Tax Year Subsequent to the Year of the Disability Severance Pay Payment

1. A member must obtain a refund for income taxes withheld from their disability severance pay payment from the IRS in accordance with their procedures when the date of the VA’s award of disability compensation is in a tax year subsequent to the year in which the member received disability severance pay.

2. DFAS will not issue a corrected W-2 to a member as a result of a VA determination in a year subsequent to the year in which the disability severance payment was paid. The member may claim a reduction in the year of payment’s taxable income from the IRS in accordance with their procedures.

Example: Member received disability severance pay on January 2, 2018. On June 1, 2019, the VA issues an award letter to member authorizing disability compensation. Member may request a refund only from the IRS.

350505. Availability to Liquidate Debts

Disability severance pay may be used to liquidate debts to the U.S. Government.
350506. Recoupment From VA Compensation

The VA deducts disability severance compensation from any VA compensation for the same disability to which the member or member’s dependents become entitled. There are two exceptions:

A. No deduction will be made in the case of disability severance pay received by a member for a disability incurred in the line of duty in a CZ or incurred during performance of duty in combat-related operations (as designated by the SecDef); or

B. No deduction will be made from any death compensation to which a member’s dependents become entitled after the member’s death.

350507. Other Benefits and Claims

A member who is paid disability severance pay is not entitled to any payment from the military service for, or arising out of, service performed by the member before separation. This does not prohibit payment if an amount is due the member on the date of separation or if a claim is allowed under law.

3506 CONTRACT CANCELLATION PAY AND ALLOWANCES

350601. Entitlement

Reserve members released from active duty (other than for training) without their consent before the end of their active duty agreement made under 10 U.S.C. § 12311(a) are entitled to a special payment under 10 U.S.C. § 12312. This payment is in addition to any pay and allowances to which the member is otherwise entitled.

350602. Computation

To compute the amount payable, multiply the number of years and fraction of years of the unexpired period of service under the contract, by the sum of basic pay, special pay, and allowances for 1 month to which the member is entitled on the day of release. Count a fraction of a month that is 15 days or more as a whole month and disregard a fraction of a month that is less than 15 days. Separation orders show the number of years and months of unexpired service for which contract cancellation pay and allowances are payable.

350603. Restrictions

A member is not entitled to the special payment authorized by this section if:

A. Dismissed or discharged under the sentence of a court-martial;

B. Released because of an unexplained absence without leave of at least 3 months;
C. Released because of conviction and sentence to confinement in a federal or state penitentiary or correctional institution which sentence has become final;

D. Released because of a physical disability resulting from intentional misconduct or willful neglect;

E. Eligible for retired pay, separation pay, or severance pay under another provision of law (this restriction does not apply to readjustment pay);

F. Placed on a temporary disability retired list; or

G. Released to accept an appointment, or to be enlisted, in a Regular Component of an Armed Force.

350604. Withholding Tax

Contract cancellation pay is subject to withholding tax.

350605. Availability to Liquidate Debts

Contract cancellation pay may be used to liquidate debts to the U.S. Government.

3507 MISCELLANEOUS SEPARATION PAYMENTS

350701. Discharge Gratuity

See Table 35-6.

350702. Travel Allowance on Separation

See Joint Travel Regulations (JTR), Chapter 5 and Volume 9.

3508 VOLUNTARY SEPARATION PAY (VSP)

350801. Entitlement

A member who separates voluntarily may, under conditions prescribed by the Secretary of the Military Department concerned, be paid VSP. The authority to separate a member in conjunction with VSP applies through December 31, 2025.

350802. Eligibility

The Secretary of the Military Department concerned, may offer a member the opportunity to apply for VSP if the member:
A. Has served on active duty or full-time National Guard for more than 6 years but less than 20 years;

B. Has served at least 5 years of continuous active duty or full-time National Guard duty immediately preceding the date of separation from active duty;

C. Upon separation, is not immediately eligible for retired or retainer pay based upon his/her military service;

D. Meets such other requirements as the Secretary of the Military Department concerned, may prescribe, which may include requirements relating to years of service; skill; rating; military specialty; competitive category, grade or rank; remaining period of obligated service; or any combination of these factors; and

E. Requests separation from active duty or full-time National Guard duty.

350803. Initial Term of Obligated Service

Effective January 1, 2009, the member is required to complete the initial term of obligated service in addition to meeting requirements in paragraph 350802 prior to separation. Prior to January 1, 2009, a member’s obligation to complete an initial term of obligated service before separation will be subject to the discretion of the Secretary of the Military Departments concerned. For the purpose of this section, “initial term of obligated service” means the initial period of required active-duty service incurred upon commissioning or enlistment, together with any additional period of required active-duty service incurred during the initial period of required active-duty service.

350804. Ineligible for VSP

The Secretary of the Military Department concerned, will not offer a member the opportunity to apply for VSP if a member:

A. Does not meet any of the eligibility requirements of paragraph 350802;

B. Is discharged with disability severance pay under section 3505 (10 U.S.C. § 1212);

C. Is transferred to the temporary disability retired list under 10 U.S.C. §§ 1202 or 1205;

D. Is being evaluated for disability retirement under 10 U.S.C., Chapter 61;

E. Has previously been discharged with VSP; or

F. Is subject to pending disciplinary action or is subject to administrative separation or mandatory discharge under any other provision of law or regulation.
350805. Application for VSP

A member may request and subsequently enter into a written agreement with the Secretary of the Military Department concerned to separate from active duty or full-time National Guard duty and accept an appointment or enlistment in, or transfer to, the Ready Reserve of a Reserve Component for a period of not less than 3 years, as a condition of receipt of VSP and benefits.

350806. Approval for VSP

The Secretary of the Military Department concerned will determine each year the number of Service members to be separated, and provided separation pay and benefits during the fiscal year beginning in such year. Eligible members will not be automatically entitled to receive VSP based solely upon request. The Secretary of the Military Department concerned will review all applications for voluntary separation and approve only those that meet the needs of the Military Departments. A member whose request is approved will be separated from active duty.

350807. Computation of VSP

A. The Secretary of the Military Department concerned will specify the amount of VSP to be paid to an individual, but the amount may not be greater than four times the full amount of separation pay that a member of the same pay grade and years of service would receive for an involuntary separation under 10 U.S.C. § 1174.

B. Compute years of active service according to the formula in subparagraphs 350303.B, D, E, and F. Do not count any period of prior military service for which the member has received separation pay under any provision of law relating to members of the Armed Forces. When computing partial years of service, round the fractional parts of a year to the nearest 1/10 of 1 percent or 3 decimal points.

Example: If the officer has 10 years and 7 months of service, then the multiplier would be 10.583.

350808. Payment

VSP may be paid in a lump sum payment in the amount computed in paragraph 350807.

350809. Repayment of VSP When a Member Qualifies for and Receives Retired Pay

A. A member who is paid VSP and later qualifies to receive retired pay will have deducted from each payment of such retired pay a monthly installment as specified by the Secretary of the Military Department concerned. The total amount of retired pay deductions will equal the gross VSP amount paid to the member. More information can be found in Volume 7B, Chapter 4, section 0409.
B. The requirement to repay VSP following retirement from the Armed Forces does not apply to a member who is eligible to retire at the time the member applied for and was accepted for VSP benefits.

C. The Secretary of the Military Department concerned, may waive the requirement to repay VSP if it is determined that recovery would be against equity and good conscience or would be contrary to the best interests of the United States.

D. For exception, see paragraph 350811.

350810. VA Disability Compensation

A member who received the VSP and subsequently qualifies for disability compensation from the VA is subject to recoupment of the gross amount of VSP paid, less federal income taxes withheld from such pay. The VA administers the recoupment program for affected members. If the disability for which the member receives VA compensation was incurred or aggravated during a period of later active duty, then no recoupment of VSP is required, regardless of when it was paid. In individual cases, the Secretary of the Military Department concerned, may waive the requirement to repay the VSP if it is determined that recovery would be against equity and good conscience and would be contrary to the best interests of the United States. A blanket waiver for multiple members within a service signed by a Secretary of the Military Department concerned is not authorized.

*350811. Members Returned to Active Duty

A. Except for the provisions in subparagraphs 350811.B, 350811.C and 350811.D, members who return to active duty in a Regular or Reserve Component for 180 days or more will have deducted from each payment of basic pay a monthly installment amount specified by the Secretary of the Military Department concerned. The total amount of basic pay deduction will equal the gross amount of VSP paid to the member.

B. Recoupment will not be required for a member who is involuntarily recalled to active duty or full-time National Guard in accordance with 10 U.S.C. §§ 12301(a), (b), and (g); 12302; 12303; 12304; or 32 U.S.C. § 502(f)(1).

C. Recoupment will not be required for a member who is recalled or performs active duty or full-time National Guard duty, so long as the period of active duty is less than 180 consecutive days with consent of the member in accordance with 10 U.S.C. §§ 101(d)(1), (2), and (5); 12301(d); 12319; 12503; or 32 U.S.C. §§ 114; 115; or 502(f)(2).

* D. This paragraph will not apply to a member who:

1. Is involuntarily recalled to active duty or full-time National Guard duty; and
2. In the course of such duty, incurs a service-connected disability rated as total under 38 U.S.C. § 1155.

E. The SecDef may waive, in whole or in part, repayment required under subparagraph 350811.A if the SecDef, determines that recovery would be against equity and good conscience or contrary to the best interest of the United States. Requests for waiver under this authority should be forwarded to the Under Secretary of Defense for Personnel and Readiness (USD (P&R)).

3509 VOLUNTARY RETIREMENT INCENTIVE (VRI)

350901. Authority

The SecDef may authorize the Secretary of a Military Department to provide a VRI payment to an officer of the Armed Forces under that Secretary’s jurisdiction. Any authority provided the Secretary of a Military Department concerned, will expire as specified by the SecDef, but not later than December 31, 2018. The total number of officers who may be provided a VRI payment may not exceed 675 officers.

350902. Eligible Officers

An officer of the Armed Forces is eligible for a VRI payment under this section if the officer:

A. Has served on active duty for more than 20 years, but not more than 29 years, on the approved date of retirement;

B. Meets the minimum length of commissioned service requirement for voluntary retirement as a commissioned officer in accordance with 10 U.S.C. §§ 7311, 8323, 8911, or 9311;

C. On the approved date of retirement, has 12 months or more remaining on active duty service before reaching the maximum retirement years of active service for the member’s grade as specified in 10 U.S.C. §§ 633 or 634;

D. On the approved date of retirement, has 12 months or more remaining on active duty service before reaching the maximum retirement age under any other provision of law; and

E. Meets any additional requirements for such eligibility as is specified by the Secretary of the Military Department concerned, including any requirement relating to years of service; skill; rating; military specialty; competitive category, grade, or rank; remaining period of obligated service; or any combination thereof.
350903. Ineligible Officers

The following officers are not eligible for a VRI payment under this section:

A. An officer being evaluated for disability under 10 U.S.C., Chapter 61;
B. An officer projected to be retired under 10 U.S.C. §§ 1201 or 1204;
C. An officer projected to be discharged with disability severance pay under 10 U.S.C. § 1212;
D. A member transferred to the temporary disability retired list under 10 U.S.C. §§ 1202 or 1205;
E. An officer subject to pending disciplinary action or subject to administrative separation or mandatory discharge under any other provision of law or regulation; or
F. Any member serving a service related commitment due to an accession or retention bonus program.

350904. Payment

The amount of the VRI payment will be an amount determined by the Secretary of the Military Department concerned, not to exceed an amount equal to 12 times the amount of the officer’s monthly basic pay at the time of the officer’s retirement. The amount may be paid in a lump sum at the time of retirement.

350905. Members Returning to Active Duty

A. An officer, who after having received all or part of a VRI under this section, returns to active duty, will have deducted from each payment of basic pay, in such schedule of monthly installments as the Secretary of the Military Department concerned will specify, until the total amount deducted equals the total gross amount of the VRI received.

B. The SecDef may waive, in whole or in part, repayment required under subparagraph 350905.A if the Secretary of the Military Department concerned, determines that recovery would be against equity and good conscience or would be contrary to the best interest of the United States. This authority may be delegated only to the USD (P&R) and the Principal Deputy USD (P&R).

C. Members who are involuntarily recalled to active duty or full-time National Guard duty under any provision of law will not be subject to repayment of this incentive.
Table 35-1. PAYMENT OF ACCRUED LEAVE – OFFICERS AND ENLISTED MEMBERS – SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY
(Note 1)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>If a member has been on active duty for 30 or more consecutive</td>
<td>separation is under honorable conditions (note 2)</td>
<td>payable (notes 3 and 4).</td>
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<td></td>
<td>days and</td>
<td>and</td>
<td></td>
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<td>2</td>
<td>is discharged (including as a result of resignation)</td>
<td></td>
<td></td>
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<tr>
<td>3</td>
<td>is released from active duty (note 5)</td>
<td></td>
<td></td>
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<tr>
<td>4</td>
<td>is transferred to Fleet Reserve or Fleet Marine Corps Reserve</td>
<td></td>
<td></td>
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<tr>
<td>5</td>
<td>is discharged for fraudulent enlistment after completing 6 months</td>
<td>discharge characterization is under other than honorable conditions</td>
<td>not payable (note 9).</td>
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<tr>
<td></td>
<td>of active duty</td>
<td></td>
<td></td>
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<td>6</td>
<td>is released from duty because of void enlistment or void induction</td>
<td>discharge characterization is under other than honorable conditions</td>
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<td>due to erroneous enlistment or defective enlistment after</td>
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<td></td>
<td>completing 6 months of active duty</td>
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<td>7</td>
<td>is discharged from service as a cadet or midshipman at a military</td>
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<td></td>
<td>service academy, or as a midshipman elsewhere</td>
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<td>8</td>
<td>dies while on active duty</td>
<td>member was not put to death as lawful punishment for a crime or a</td>
<td>payable to beneficiary with other unpaid pay and allowances as</td>
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<td></td>
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<td>military offense</td>
<td>prescribed in Chapter 36, section 3603 (notes 4 and 10).</td>
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<tr>
<td>9</td>
<td>receives a discharge that is not characterized before completing</td>
<td>separation is for failure to serve satisfactorily for any reason</td>
<td>not payable.</td>
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<tr>
<td></td>
<td>6 months of active duty</td>
<td>set forth in subparagraph 350201.E</td>
<td></td>
</tr>
</tbody>
</table>
Table 35-1. PAYMENT OF ACCRUED LEAVE – OFFICERS AND ENLISTED MEMBERS – SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY (Continued) (Note 1)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
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<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>If a member has been on active duty for 30 or more consecutive days and</td>
<td>separation is not for unsatisfactory performance or misconduct for any reason set forth in subparagraph 350201.E</td>
<td>then accrued leave is payable.</td>
</tr>
</tbody>
</table>

NOTES:

1. Any member who is discharged under other than honorable conditions forfeits all accrued leave.
2. If member is discharged or relieved from active duty because of expiration of term of service (ETS) and is under investigation as an alleged security risk, do not pay accrued leave until investigation is completed and the character of the discharge determined. If discharge is under honorable conditions, then accrued leave may be paid.
3. The period when a member is home awaiting further orders in connection with physical evaluation board proceedings is charged as leave, to the extent that leave is available, beginning with the day after member arrives home or the day after constructive travel time ends, whichever is earlier. Limit payment to accrued leave remaining at time of retirement or discharge. Authorized absence under these circumstances in excess of accrued leave is not chargeable as leave.
4. A member may be paid for a maximum of 60 days accrued leave during a military career. See subparagraph 350201.A.3 for exceptions.
5. A period of active duty as a Reserve or National Guard member meets the 30-day requirement if it covers 30 or more consecutive days, even though it may be directed by more than one order covering unrelated duties.
6. If a Reserve member is entitled to pay and allowances during a disability period after a specified tour of active duty has expired, then the period after that expiration date is not included in the period for which accrued leave is paid.
7. Reserve members may elect to carry forward unused accrued leave to their next period of active duty.
8. A member may not take accrued leave in lieu of payment beyond the effective date of retirement.
9. These rules do not apply when an individual inducted or enlisted into the military service is discovered by military service medical authorities to have been medically unfit for induction at the time of entrance into the military service and such individual is released from military control for such reason.
NOTES:
10. Accrued leave is payable retroactive to February 28, 1961, for a member in a missing status whose death is prescribed under Chapter 34, section 3407. Payment is made according to Chapter 34, section 3410.
Table 35-2. PAYMENT OF ACCRUED LEAVE – OFFICERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>an officer of any military service</td>
<td>has been on active duty for 30 or more consecutive days and is retired</td>
<td>immediately reenters on active duty</td>
<td>not payable.</td>
</tr>
<tr>
<td>2</td>
<td>separated, on a day other than the end of the specified period of active duty, for the purpose of reentering on active duty in any status within any Armed Force (note 1)</td>
<td>transferred to a different military service by separation and immediate reappointment</td>
<td>immediately enters on active duty with the other military service</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>transferred to a different military service by separation and immediate reappointment</td>
<td>separated for having failed selection to a higher grade</td>
<td>immediately reenters on active duty in an enlisted status</td>
<td>payable (notes 2 and 3).</td>
</tr>
<tr>
<td>4</td>
<td>a Reserve officer of any military service</td>
<td>released from active duty under honorable conditions under 10 U.S.C. § 12313 or similar laws authorizing release of Reserve officers at convenience of government, not for the purpose of reentering active service</td>
<td>immediately reenters on active duty (including active duty in enlisted or warrant officer status) for the purpose of retirement</td>
<td>payable (note 3).</td>
</tr>
<tr>
<td>5</td>
<td>released from active duty under honorable conditions at end of a specified period of time member agreed to serve or was obligated to serve (notes 1 and 4)</td>
<td></td>
<td>immediately reenters on active duty (note 1)</td>
<td>payable (notes 3 and 5).</td>
</tr>
</tbody>
</table>
Table 35-2. PAYMENT OF ACCRUED LEAVE – OFFICERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>If a commissioned officer of any military service, who simultaneously holds a warrant officer appointment has been on active duty for 30 or more consecutive days and is released from active duty as a commissioned officer and reverts to warrant officer status and continues on active duty then accrued leave is not payable.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>If a temporary officer of the Navy or Marine Corps whose enlistment has expired reverted to enlisted status and simultaneously discharged immediately reenlists payable at rate of pay of rank held at time of reversion (note 3).</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
1. A National Guard member serving on active duty under Title 10 or Title 32, who is ordered to active duty under the other title (Title 10 or Title 32), is considered to have met the obligated service period for which the member agreed to serve (for the purposes of accrued, unused leave payment only), regardless of the unexpired time remaining on that Title 10 or Title 32 obligation. The member is not considered separated for the specific purpose of reenlisting or reentering active duty. Accrued unused leave is payable.
2. Officers who, after notification of an impending discharge, resign for the purpose of continuing a military career are not entitled to payment of accrued leave.
3. A member may be paid for a maximum of 60 days of accrued leave during a military career. See subparagraph 350201.A.3 for exceptions.
4. A Reserve officer, who remains on active duty beyond ETS of initial obligation while awaiting Regular officer appointment, is not entitled to payment of unused accrued leave, as the separation to accept the appointment is not considered to be at the end of a specified period. The officer must be separated on the expiration date of the initial obligation for entitlement to exist.
5. Reserve members may elect to carry forward unused accrued leave to their next period of active duty.
Table 35-3. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>If an enlisted member</strong></td>
<td><strong>has been on active duty for 30 or more consecutive days and</strong></td>
<td><strong>immediately reenlists or immediately reenters on active duty</strong></td>
<td><strong>then accrued leave is (note 1)</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>of any military service</td>
<td>on or after October 5, 1999, is discharged for the specific purpose of enlisting or reenlisting (note 2)</td>
<td>payable.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>prior to October 5, 1999, is separated under honorable conditions upon expiration of enlistment or is released from active duty under honorable conditions at the end of a specified period of time or was obligated to serve (notes 3, 4, and 5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>prior to October 5, 1999, is separated before ETS or obligated period of duty for the specific purpose of enlisting or reenlisting (notes 5 and 6)</td>
<td>not payable.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>is discharged for the purpose of accepting a commission or appointment as a warrant officer in any military service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>enlistment is extended</td>
<td>is contingent on rules in Table 35-4.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>extension of enlistment is canceled before or during service under the extension</td>
<td>continues on or is recalled to active duty</td>
<td>not payable.</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>is retired</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>accepts an appointment as a cadet or midshipman without being discharged from enlisted status</td>
<td>enters on duty as a cadet or midshipman</td>
<td>payable as though member was discharged on day before date appointment was accepted.</td>
<td></td>
</tr>
</tbody>
</table>
Table 35-3. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Inducted under the Universal Military Training and Service Act, or enlisted in the Regular Army under that Act</td>
<td>Has been on active duty for 30 or more consecutive days and</td>
<td>Immediately enlists or reenlists</td>
<td>Payable.</td>
</tr>
<tr>
<td>10</td>
<td>Of the Army or Air Force, who has more than 20 but less than 30 years of service,</td>
<td>is retired and transferred to the Reserve Component of the member’s military service</td>
<td>is immediately ordered into active service</td>
<td>Not payable.</td>
</tr>
<tr>
<td>11</td>
<td>Of the Navy or Marine Corps</td>
<td>is transferred to the Fleet Reserve or Fleet Marine Corps Reserve</td>
<td>continues on active service without a break in active service</td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
1. A member may be paid for a maximum of 60 days of accrued leave during a military career. See subparagraph 350201.A.3 for exceptions.
2. For these purposes, the term “discharge” means separation or release from active duty under honorable conditions, or termination of an enlistment in conjunction with the commencement of a successive enlistment (without regard to the date of the expiration of the term of the enlistment being terminated).
3. A member is considered as discharged upon expiration of enlistment if discharged not more than 1 year before the normal expiration date of the enlistment. The date of normal expiration of enlistment is excluded in computing the 1-year period.
4. An extension of the active duty obligation does not create an entitlement under this rule.
5. A National Guard member serving on active duty under Title 10 or Title 32, who is ordered to active duty under Title 10 or Title 32, is considered to have met the obligated service period for which the member agreed to serve (for the purposes of accrued unused leave payment only), regardless of the unexpired time remaining on that Title 10 or Title 32 obligation. The member is not considered separated for the specific purpose of reenlisting or reentering active duty. Accrued unused leave is payable.
6. A member is not considered as having been discharged for the purpose of enlisting or reenlisting if discharge occurs not more than 12 months before the normal expiration of the extension period. The date of normal expiration of the extension period is excluded in computing the 3-month period.
Table 35-4. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – EXTENSION OF ENLISTMENT: DISCHARGE AND REENLISTMENT BEFORE EXTENSION IS COMPLETED

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>If an enlisted member of any military service</td>
<td>has been on active duty for 30 or more consecutive days and member</td>
<td>continues on active duty in extension period</td>
<td>then accrued leave is (note 1) not payable until discharge.</td>
</tr>
<tr>
<td>2</td>
<td>voluntarily extends enlistment, regardless of duration of extension</td>
<td></td>
<td></td>
<td>payable on day before effective date of extension (leave accrued during extension is paid on discharge after extension is completed) (note 2).</td>
</tr>
<tr>
<td>3</td>
<td>any military service, whose enlistment has been involuntarily extended</td>
<td>is separated under honorable conditions upon expiration of the involuntary extension of enlistment</td>
<td>immediately reenlists</td>
<td>payable.</td>
</tr>
<tr>
<td>4</td>
<td>is separated under honorable conditions, before extension period expires, for purpose of reenlisting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>any military service, who has voluntarily extended enlistment</td>
<td>prior to October 5, 1999, extension is canceled before service under it begins and member is discharged under honorable conditions at normal expiration of enlistment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>prior to October 5, 1999, extension is canceled after service under it begins and member is discharged under honorable conditions, for purpose of reenlisting</td>
<td></td>
<td></td>
<td>not payable.</td>
</tr>
</tbody>
</table>
Table 35-4. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – EXTENSION OF ENLISTMENT: DISCHARGE AND REENLISTMENT BEFORE EXTENSION IS COMPLETED (Continued)

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>If an enlisted member of any military service, who has voluntarily extended enlistment</td>
<td>has been on active duty for 30 or more consecutive days and member</td>
<td>then accrued leave is (note 1)</td>
<td>payable.</td>
</tr>
<tr>
<td></td>
<td>on or after October 5, 1999, extension is canceled after service under it begins and member is discharged under honorable conditions, for purpose of reenlisting</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
1. A member may be paid for a maximum of 60 days of accrued leave during a military career. See subparagraph 350201.A.3 for exception.
2. No payment can be made on second or subsequent extensions.
Table 35-5. SEPARATION PAY ENTITLEMENT AND COMPUTATION

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>an officer (notes 2 and 3)</td>
<td>failure to be selected for promotion (note 4)</td>
<td>10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.</td>
</tr>
<tr>
<td>2</td>
<td>a warrant officer separated during the 3-year probationary period</td>
<td>failure to be selected for promotion</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>a warrant officer</td>
<td>second failure to be selected for promotion and does not enlist or the request to enlist is denied, and is not retained on active duty in grade above W-4</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>a Reserve member</td>
<td>non-selection for an additional tour of active duty for which the member volunteered unconditionally</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>a chaplain</td>
<td>failure to maintain professional qualifications</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>a Reserve member</td>
<td>separation at any time prior to the completion of a specified period of active duty or indefinite period of active duty</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>a warrant officer or Reserve officer</td>
<td>age (notes 5 and 6)</td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
1. Includes member’s acceptance of an earlier release before the scheduled involuntary separation date, as directed by the Secretary of the military service concerned.
2. Includes a Regular commissioned officer with more than 6 years of commissioned service.
3. Includes a Regular officer continued on active duty pursuant to 10 U.S.C. § 637a or a Reserve officer continued on active duty after failure to be selected for promotion, upon expiration of the period of continuation on active duty, or upon separation if continuation is declined.
4. Includes officer not found qualified for promotion to grade of First Lieutenant or Lieutenant Junior Grade.
5. Includes members separated after expiration of Secretarial retention period.
6. If the member is eligible for voluntary retirement, then the member is not entitled to separation pay even though the member does not apply for retirement concurrently with release from active duty.
Table 35-6. ENTITLEMENT TO DISCHARGE GRATUITY

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>If an enlisted member of any military service</td>
<td>a prisoner released from confinement in a military or contract prison to parole, appellate review leave, or expiration of sentence</td>
<td>and</td>
<td>and</td>
<td>has less than $25 in possession</td>
<td>pay the member the difference between funds in possession and $25 (note).</td>
</tr>
<tr>
<td>2</td>
<td>discharged for fraudulent enlistment</td>
<td>discharge is not for returning member to another branch of the Armed Forces on account of absence without authority from that branch</td>
<td>the member is present to receive the discharge</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>discharged under other than honorable conditions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>discharged from active duty because of void enlistment</td>
<td>enlistment is void because it was contracted when member was under age</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 35-6. ENTITLEMENT TO DISCHARGE GRATUITY (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>If an enlisted member of any military service is discharged from active duty because of void enlistment and enlistment is void because it was contracted when member was mentally incompetent then do not pay a discharge gratuity.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>discharged for minority with pay and allowances payable through date of discharge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:**
Funds in the member’s possession include personal funds and any item paid at the time of discharge or release, excluding mileage and cash advanced incident to furnishing transportation in kind.
CHAPTER 35 – SEPARATION PAYMENTS

3502 – ACCRUED LEAVE PAY

350201.A.3 10 U.S.C. § 701(d)
350201.A.4 37 U.S.C. § 501(b)(5)
37 U.S.C. § 501(e)(1)
37 U.S.C. § 501(e)(1)
350202.A.1 37 U.S.C. § 501(b)(1)
350202.A.3 DoDI 1327.06, June 16, 2009, Incorporating Change 3, May 19, 2016
10 U.S.C. § 701(d)
350202.B.1 OUSD(P&R) Memo, June 24, 2008
350202.B.2 10 U.S.C. § 701(f)
350202.B.3 10 U.S.C. § 701(f)
350202.B.4 DoDI 1327.06, June 16, 2009, Incorporating Change 3, May 19, 2016
350202.B.3 10 U.S.C. § 701(f)
350202.D USD P&R Memo, April 16, 2020
350203 26 U.S.C. § 112
350204 5 U.S.C. § 5514
34 Comptroller General (Comp Gen) 504
350205 37 U.S.C. § 501(d)

3503 – SEPARATION PAY (NON-DISABILITY)

350301-350303 DoDI 1332.29, March 3, 2017
350301.A 10 U.S.C. § 1174
350301.B 10 U.S.C. § 1174(i)
350302.A.2 DoDI 1332.14, January 27, 2014, Incorporating Change 4, April 12, 2019
DoDI 1332.30, May 11, 2018, Incorporating Change 1-April 12, 2019
350302.I  DoDI 1332.14, January 27, 2014, Incorporating Change 4, April 12, 2019
350302.N  10 U.S.C. § 1174(c)(4)
  39 Comp Gen 223
  39 Comp Gen 226
350304 and 350305 DoDI 1332.29, March 3, 2017
350305.B  10 U.S.C. § 1174(h)

3504 READJUSTMENT AND SEVERANCE PAY (OTHER THAN DISABILITY) PROVISIONS

10 U.S.C. § 1174

3505 – DISABILITY SEVERANCE PAY

350501  10 U.S.C. § 1203
  10 U.S.C. § 1206
  10 U.S.C. § 1217
350502  34 Comp Gen 65
350503.A  10 U.S.C. § 1212
  10 U.S.C. § 1212
  39 Comp Gen 291
350503.C  10 U.S.C. § 1212
350503.C.2  38 Comp Gen 268
350503.C.3  46 Comp Gen 17
350503.C.4  10 U.S.C. § 1212
350503 NOTE  DoDI 1215.07, January 24, 2013, Incorporating Change 2, May 24, 2016
350504  26 U.S.C. § 104
  St. Clair v. U.S. 778 F. Supp 894
350506  10 U.S.C. § 1212(d)
350507  10 U.S.C. § 1213

3506 – CONTRACT CANCELLATION PAY AND ALLOWANCES

350601  10 U.S.C. § 12311(a)
          10 U.S.C. § 12312

3507 – TRAVEL ALLOWANCES ON SEPARATION

350702  Joint Travel Regulations, April 1, 2020
3508 – VOLUNTARY SEPARATION PAY (VSP)

DoDI 1332.43, November 28, 2017
10 U.S.C. § 1175a
DoDI 1332.43, November 28, 2017

350801
10 U.S.C. § 1175a(a)
10 U.S.C. § 1175a(k)

350802
10 U.S.C. § 1175a(b)

350803
DoDI 1332.43, November 28, 2017

350804
10 U.S.C. § 1175a(b)(2)

350805
10 U.S.C. § 1175a(d)

350806
10 U.S.C. § 1175a(d)

350807
10 U.S.C. § 1175a(f)

350807.A
10 U.S.C. § 1174

350808
10 U.S.C. § 1175a(g)

350809
10 U.S.C. § 1175a(h)

350810
10 U.S.C. § 1175a(h)(2)

350811
10 U.S.C. § 1175a(j)

Public Law 116-92 § 603

3509 – VOLUNTARY RETIREMENT INCENTIVE (VRI)

10 U.S.C. § 638b
DoDI 1332.44, June 24, 2014, Incorporating Change 1,
March 25, 2020

Table 35-1 – PAYMENT OF ACCRUED LEAVE – OFFICERS AND ENLISTED MEMBERS
– SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY

<table>
<thead>
<tr>
<th>Rule</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>37 U.S.C. § 504</td>
</tr>
<tr>
<td>8</td>
<td>37 U.S.C. § 501(a)</td>
</tr>
</tbody>
</table>
| 9    | DoDI 1332.14, January 27, 2014, Incorporating Change 4,
April 12, 2019 |

Note 3
43 Comp Gen 802

Note 4
DoDI 1327.06, June 16, 2009, Incorporating Change 3,
May 19, 2016

Note 9
37 U.S.C. § 501

Note 10
37 U.S.C. § 501

Table 35-2 – PAYMENT OF ACCRUED LEAVE – OFFICERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY

<table>
<thead>
<tr>
<th>Rule</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>30 Comp Gen 328</td>
</tr>
<tr>
<td>2</td>
<td>31 Comp Gen 387</td>
</tr>
<tr>
<td></td>
<td>37 U.S.C. § 501</td>
</tr>
<tr>
<td>3</td>
<td>10 U.S.C. § 716</td>
</tr>
</tbody>
</table>
Rule 4    31 Comp Gen 668
Rule 6    35 Comp Gen 25
Note 3    37 U.S.C. § 501
Note 4    Comp Gen B-176858, December 12, 1973
Note 5    DoDI 1327.06, June 16, 2009, Incorporating Change 3,
          May 19, 2016
**Table 35-3 – PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rule 1</td>
<td>37 U.S.C. § 501</td>
</tr>
<tr>
<td>Rule 2</td>
<td>10 U.S.C. § 1171</td>
</tr>
<tr>
<td>Rule 8</td>
<td>36 Comp Gen 334</td>
</tr>
<tr>
<td>Note 1</td>
<td>37 U.S.C. § 501</td>
</tr>
<tr>
<td>Note 3</td>
<td>10 U.S.C. § 1171</td>
</tr>
<tr>
<td></td>
<td>30 Comp Gen 280</td>
</tr>
<tr>
<td></td>
<td>42 Comp Gen 399</td>
</tr>
<tr>
<td>Note 6</td>
<td>10 U.S.C. § 1171</td>
</tr>
<tr>
<td></td>
<td>30 Comp Gen 280</td>
</tr>
<tr>
<td></td>
<td>42 Comp Gen 399</td>
</tr>
</tbody>
</table>

**Table 35-4 – PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – EXTENSION OF ENLISTMENT: DISCHARGE AND REENLISTMENT BEFORE EXTENSION IS COMPLETED**

| Rule 2 | 37 U.S.C. § 906                             |
|        | 48 Comp Gen 127                             |
| Rule 4 | 30 Comp Gen 531                             |
| Rule 5 | 42 Comp Gen 447                             |
|        | Comp Gen B-150737, March 27, 1963            |
| Rule 6 | 42 Comp Gen 447                             |
|        | Comp Gen B-150737, March 27, 1963            |
| Rule 7 | Public Law 106-65, section 671, October 5, 1999 |
| Note 1 | 37 U.S.C. § 501                             |
| Note 2 | 48 Comp Gen 127                             |

**Table 35-5 – SEPARATION PAY ENTITLEMENT AND COMPUTATION**

| Rule 7 | 10 U.S.C. § 1164                             |
|        | 10 U.S.C. § 8373                             |
| Note 6 | 10 U.S.C. § 1174(c)                           |

**Table 35-6 – ENTITLEMENT TO DISCHARGE GRATUITY**

| Rule 1 | 10 U.S.C. § 956                             |
| Rule 2 | 10 U.S.C. § 1048                            |
| Rule 3 | 39 Comp Gen 860                             |
| Rule 4 | 39 Comp Gen 742                             |
| Rule 5 | 39 Comp Gen 860                             |
VOLUME 7A, CHAPTER 36: “PAYMENTS ON BEHALF OF DECEASED MEMBERS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated February 2018 is archived.

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<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Updated formatting and hyperlinks to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>360102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>360201.E</td>
<td>Updated the subparagraph on National Guard and Reserve members to comply with Title 10, United States Code, section 1475.</td>
<td>Revision</td>
</tr>
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<td>References</td>
<td>Renamed “Bibliography” to “References.”</td>
<td>Revision</td>
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CHAPTER 36

PAYMENTS ON BEHALF OF DECEASED MEMBERS

3601 GENERAL

360101. Purpose

The purpose of this chapter is to provide policy pertaining to the processing of payments on behalf of deceased military members.

360102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 24, 29, 31, 34 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

3602 DEATH GRATUITY

360201. Members for Whom Payable

Death gratuity will be paid, regardless of whether death occurred in the line of duty or as the result of a member’s misconduct, to eligible beneficiaries of the following (except a temporary member of the Coast Guard Reserve):

A. A member who dies while on active duty or while traveling to or from such duty;

B. A former member who dies during the 120-day period beginning on the day following date of discharge or release, under honorable conditions, from active duty (including retirement for either disability or length of service). In this case, the Secretary of Veterans Affairs must determine that death resulted from disease or injury incurred or aggravated while the member was on active duty or while in authorized travel status to or from such duty;

C. Any person who dies either while traveling to, from, or while at a place for final acceptance or for entry upon active duty (other than for training) in the Military Service; who has been ordered or directed to go to that place, and who has been:

1. Provisionally accepted for that duty; or

2. Selected, under the Military Selective Service Act, for duty in that Military Service;

D. A member whose death is determined by administrative finding under the Missing Persons Act;
A National Guard or Reserve member who:

1. Dies while on inactive duty training (other than work or study in connection with a correspondence course of an armed force or attendance, in an inactive status, at an educational institution under the sponsorship of an armed force or the Public Health Service); or

2. When authorized or required by an authority designated by the Secretary, assumed an obligation to perform active duty for training, or inactive duty training (other than work or study in connection with a correspondence course of an armed force or attendance, in an inactive status, at an educational institution under the sponsorship of an armed force or the Public Health Service), and who dies while traveling directly to or from that active duty for training or inactive duty training or while staying at the National Guard or Reserve member's residence, when so authorized by proper authority, during the period of such inactive duty training or between successive days of inactive duty training; or

F. Any member of a Reserve Officers’ Training Corps (ROTC) who dies while performing annual training duty under orders for a period of more than 13 days or while performing authorized travel to or from that annual training duty; or any applicant for membership in an ROTC who dies while attending field training or a practice cruise, or while performing authorized travel to or from the place where the training or cruise is conducted; or a graduate of a ROTC who has received a commission but has yet to receive a first duty assignment.
his sister to each receive 50 percent of the death gratuity, there are conflicting designations. In this situation, 50 percent of the death gratuity would be payable to the mother and the remaining 50 percent would be paid in accordance with subparagraph 360203.B. The amount payable to the designee must be specified in 10 percent increments. The balance of the amount of the death gratuity, if any, will be paid in accordance with subparagraph 360203.B. Effective January 28, 2008, if a member has a spouse, but designates a person other than the spouse to receive a portion of the amount payable, then the Secretary concerned will provide notice of the member’s designation to the spouse.

1. Effective May 25, 2007 through June 30, 2008, a member may designate another person other than those on the survivor precedent list mandated by law at that time to receive up to 50 percent of the amount payable under paragraph 360206.

2. Effective July 1, 2008, a member may designate one or more persons to receive all or a portion of the amount payable under paragraph 360206.

B. Distribution. If a member does not make a designation under subparagraph 360203.A, or designates only a portion of the amount payable, then the remaining amount of the death gratuity not covered by a designation will be paid as follows:

1. To the surviving spouse of a member;

2. If no surviving spouse, then the child or children of the member and descendants of deceased children, by representation;

3. If no survivor in accordance with subparagraphs 360203.B.1 or 2, then the parents of the member, in equal shares, or to the surviving parent;

4. If no survivor in accordance with subparagraphs 360203.B.1 through 3, then the duly appointed legal representative of the member’s estate; or

5. If no survivor in accordance with subparagraphs 360203.B.1 through 4, then the person(s) determined to be entitled under the laws of the state in which the member was domiciled.

C. Treatment of Parents. For the purpose of subparagraph 360203.B.3, only one father and one mother may be recognized in any case, and preference will be given to those who exercised a parental relationship on the date or most nearly before the date on which the member died.

D. Death of Eligible Survivor. If an eligible survivor dies before receipt of the death gratuity, it will be paid to the living survivor next in the order of precedence (see subparagraph 360203.B).

360204. Determining Eligible Beneficiaries
When officially notified that a member of his or her command has died, the commanding officer (CO) maintaining the member’s personnel or service records determines if an eligible death gratuity beneficiary exists in accordance with paragraph 360203 or the categories shown in Table 36-1. Legal assistance officers will aid in cases involving a question of law.

A. **Lawful Spouse.** If a decedent is survived by a spouse, the following evidence will be used to determine whether an eligible beneficiary exists:

1. Entitlement to Basic Allowance for Housing (BAH) or evidence of assignment of government quarters to a member and spouse; or

2. Documentary evidence of marriage and proof of termination of any prior marriage of either the beneficiary or decedent.

B. **Children.** If a decedent is survived by a child or children, but is not survived by a spouse, the following evidence will be used to determine whether an eligible beneficiary exists:

1. Documentary evidence must show termination of any marriage, including a certified copy of the spouse’s death certificate, divorce, or annulment decree.

2. Evidence must show entitlement to BAH for a child or children, or evidence of occupation of government quarters with the member before member’s death.

3. Base eligibility of child or children upon documentary proof of relationship, including:
   a. The original or certified copy of the original birth certificate; or
   b. A certified court order of adoption in the case of a legally adopted child.

4. A certified copy of the appointment paper must be provided if a guardian of a minor child, or children, has been appointed by a court (as distinguished from being awarded physical custody).

5. If the death gratuity is $10,000 or less, then payment for a minor child may be made to the parent, including an adoptive parent, as natural guardian when all of the following conditions exist (and the parent provides a notarized statement attesting to all of these conditions):
   a. A legal guardian has not been appointed;
   b. The parent has custody of the minor child;
   c. The parent will hold the payment for the sole use and benefit of the minor until the minor reaches adulthood;
d. The parent will account to the minor for such amount when the minor reaches adulthood; and

e. The parent will hold the government harmless in the event the minor, when he/she reaches adulthood, brings any legal action challenging the government's payment to the minor's parent.

6. If the death gratuity is in excess of $10,000, then payment may only be made to the guardian or conservator appointed by a court to receive such payments for the minor's benefit, thereby providing the government a means of obtaining a good acquittance.

7. The relationship between a member and his or her stepchild can survive the end of the marriage from which it arose. If the marriage that created the relationship ended by death, then the relationship continues, absent evidence to the contrary. If the marriage ended by divorce, as distinguished from death, then the relationship ends unless clear and convincing evidence is furnished showing continuance of close family ties and intention to continue the prior relationship.

C. Parents. If the decedent is not survived by a spouse or child and has not officially designated any other individual(s) to receive the full death gratuity, then the parent beneficiary must furnish:

1. Documentary evidence that any marriage entered into by the decedent has been terminated; and

2. A statement, witnessed by two individuals, that there are no living children.

D. In Loco Parentis. A person who stood in loco parentis (in the place of a parent) does not qualify for the death gratuity as a "parent" of the member. A member must designate such a person in order for that person to qualify as an eligible beneficiary.

E. Mentally Incompetent Beneficiary. If the beneficiary is mentally incompetent, then a photostatic or certified copy of the court order appointing a guardian, trustee, committee, or other such person is required.

F. Effect of a Will. A will does not constitute a legal designation for death gratuity since such payment is not money or debt due the member and thus cannot become part of the member’s estate.

360205. Determinations Affecting Entitlement

A. Death as Lawful Punishment. No death gratuity is payable in the case of a member whose death is the result of a lawful punishment for a crime or military offense, except when such death was inflicted by any hostile force with which the Armed Forces of the United States had engaged in armed conflict.
B. **Member Killed by Beneficiary.** No death gratuity is payable to a beneficiary or survivor who kills a member unless there is evidence that clearly absolves such beneficiary or survivor of any felonious intent.

C. **Unauthorized Absence or Desertion**

1. **Absence Without Leave (AWOL) or Absence Over Leave (AOL).** A death gratuity is payable in the case of a member whose death occurs while he or she is in an unauthorized absence status, either AWOL or AOL, including being in custody of civil authorities, provided the date of death is prior to the normal expiration of contracted duty.

2. **Desertion.** No death gratuity is payable in the case of a member who is a declared deserter at the time of his or her death unless it is later found that the declaration was in error.

### 360206. Amounts Payable and Exemptions

A. The amount of death gratuity is $100,000.

B. Death gratuity payments may not be used to satisfy indebtedness (including overpayments).

C. The death gratuity amount is excluded from gross income for tax purposes. Also, see Chapter 44, Table 44-1, Rule 16.

### 360207. Expediting Payments

Immediate payment of a death gratuity (within 24 hours, if possible) will be made when the eligible beneficiary can be determined, and there is no doubt as to the propriety of payment.

### 360208. Responsibility for Payment of Death Gratuity

See Tables 36-2 through 36-6.
360209. Erroneous Payment

An erroneous payment of death gratuity is one made to a person clearly not entitled to it because of administrative error and not because of statements of record made by the member.

A. Make a second payment to the rightful beneficiary when the error resulted from improper maintenance of records or administrative negligence. Do not delay this payment pending recovery of the erroneous payment from the ineligible recipient.

B. Do not make a second payment of death gratuity to a different person if the original payment was based on statements of record made by the member, and the government has no reason to doubt that the beneficiary’s status was as stated.

3603 SETTLING DECEASED MEMBERS’ ACCOUNTS

360301. General

Payment of any unpaid pay and allowances due on behalf of a deceased member of the Armed Forces will be made to the designated or non-designated beneficiary as defined in paragraphs 360303 or 360304. Unpaid pay and allowances include:

A. Pay and allowances due and unpaid at death, including settlement of accrued leave (subject to limitation in Chapter 35, subparagraph 350201.A.4.c). Entitlement restrictions apply.

1. Family Separation Allowance (FSA). If a member dies within the first 30-days of qualifying duty, then the member is not entitled to FSA-Ship (S) (Chapter 27, subparagraph 270203.A.2) or FSA-Temporary (T) (Chapter 27, subparagraph 270203.A.3). FSA-S and FSA-T will be excluded from the final settlement of the member’s military pay account.

2. Hardship Duty Pay – Location (HDP-L). If a member dies within the first 30-days of qualifying duty, then the member is not entitled to HDP-L (Chapter 17, paragraph 170201). HDP-L will be excluded from the final settlement of the member’s military pay account;

B. Amounts due for travel, per diem, transportation of dependents, and shipment of household goods;

C. Member’s savings deposits and interest thereon;

D. If a member dies before receiving the full amount of the bonus due (including contracted future year anniversary payments) and if death is not caused by the member’s misconduct, then the remaining unpaid bonus balance is payable as a lump sum for inclusion in the settlement of the deceased member’s final military pay account. If death is determined to be the result of the member’s own misconduct, then termination of future payments and proration or recoupment of the bonus, as applicable, will be made in accordance with procedures established for members whose inability to complete a contracted period of service is voluntary or the result of misconduct; or
360302. Entitlement

A. Upon official notification of the death or finding of death, any amounts due the decedent are paid to the person(s) determined to be the eligible beneficiary or beneficiaries.

B. Any payments made under this section prohibit recovery of those payments by any other person.

C. When a minor child, otherwise eligible, is a designated or non-designated beneficiary, payment will be made according to the provisions of subparagraphs 360204.B.5 and 360204.B.6.

360303. Designated Beneficiary

Current laws allow a member to designate anyone, related or not to receive the member’s unpaid pay and allowances upon death. Designation of a beneficiary for unpaid pay and allowances must have been executed by the member and filed in accordance with regulations governing such designations. When more than one beneficiary has been named, the percentages specified by the member govern payment. If no percentages have been specified, then payment will be divided equally among designated beneficiaries.

360304. Non-designated Beneficiary

A. Order of Precedence. In cases of deceased members who have not designated a beneficiary, the following rules apply in determining the order of precedence:

1. The surviving spouse of a member;

2. If no surviving spouse, then the child or children of the member and descendants of deceased children, by representation;

3. If no survivor in accordance with subparagraphs 360304.A.1 or 2, then the parents of the member, in equal shares, or to the surviving parent;

4. If no survivor in accordance with subparagraphs 360304.A.1 through 3, then the duly appointed legal representative of the member’s estate; or

5. If no survivor in accordance with subparagraphs 360304.A.1 through 4, then the person(s) determined to be entitled under the laws of the state in which the member was domiciled.

B. Adopted Child. An adopted child is a legal heir in every state and is therefore, entitled to payment of unpaid pay, and allowances if otherwise proper. If the deceased member’s child
is adopted by others, then the child is a beneficiary only in those states where an adopted child inherits from the child’s natural parent.

C. **Stepchild.** A stepchild is not an eligible beneficiary unless adopted by the deceased member.

D. **Illegitimate Child.**

1. An illegitimate child of a deceased female member; or

2. An illegitimate child of a deceased male member:

   a. Who has been acknowledged in writing, signed by the decedent;

   b. Who has been judicially determined, before the decedent’s death, to be the member’s child;

   c. Who has been otherwise proved, by evidence satisfactory to the Secretary of Veterans Affairs, to be a child of the decedent; or

   d. To whose support the decedent had been judicially ordered to contribute.

360305. **Responsibility for Settlement of Accounts**

Accounts of deceased members are settled as prescribed in the procedural instructions of the Military Service concerned.

360306. **Tax Abatement**

See Chapter 44, paragraph 440204 if the member’s death was caused by terrorist or military action overseas.

360307. **Bonuses and Special Pays**

If the decedent was receiving any bonuses and/or special pays, then the provisions of Chapter 2 will apply.
360308. **Advance of Pay**

The following applies to a deceased member’s final pay computation:

A. Except for an advanced pay paid under the provisions of Chapter 32, paragraph 320203, when a member is in a combat zone and receiving imminent danger or hostile fire pay, advance pays that have not been repaid prior to the death of the member remain a debt to the United States for the unliquidated amount. Advance pays paid under paragraph 320203 and not fully collected at the time of death will not be collected against the estate of a deceased member.

B. A member may receive an early payment of pay and allowances due to a regular payday falling on a weekend or legal holiday. If the member dies before the last day of that pay period, then no collection will be taken for any extra days of pay received.
Table 36-1. Eligible Beneficiaries - Death Gratuity

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>lawful spouse</td>
<td>a man or woman legally married to a member at the time of death.</td>
</tr>
<tr>
<td>2</td>
<td>child, or children, without regard to age or marital status, in equal shares (note 2)</td>
<td>a legitimate child.</td>
</tr>
<tr>
<td>3</td>
<td>a legally adopted child.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>a stepchild if such child was a member of the decedent’s household. If the marriage that gave rise to the stepparent-stepchild relationship has ended, see subparagraph 360204.B.7 for guidance.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>an illegitimate child, if the father acknowledged the child in writing signed by him; or was judicially ordered to contribute to the child’s support; or, was prior to his death judicially or otherwise shown by satisfactory evidence to be the father of the child; an illegitimate child of a female member as evidenced by birth certificate or other satisfactory evidence that member was mother of the child.</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>surviving parent(s) in equal shares (note 3)</td>
<td>the natural father or mother.</td>
</tr>
<tr>
<td>7</td>
<td>the father or mother through adoption.</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>other person(s)</td>
<td>any next of kin of the member entitled under the laws of the domicile of the member at the time of the member’s death.</td>
</tr>
</tbody>
</table>

NOTES:
1. A member may elect to designate one or more persons instead of or in addition to his/her spouse as beneficiary as defined in paragraph 360203. Unless a specific percentage is shown, payment is divided equally among all designated beneficiaries. If no designation was made, then the death gratuity is to be paid to the living survivor(s) first listed in column A. See paragraph 360203.
2. If any of the member’s children are deceased at the time of payment, payment is made to the descendants of deceased children, by representation. See subparagraph 360203.B.
3. Only one father or mother is recognized in any case. Give preference to those who exercised a parental relationship on the date, or most nearly before the date, on which the member died.
Table 36-2. Responsibility for Payment of Death Gratuity - General

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>If the deceased was a member of the Army, Army National Guard, or Army Reserves (note 1)</td>
<td>then payment is made by the Defense Finance and Accounting Service (DFAS) Indianapolis (IN) or the member's servicing finance center as specified in Table 36-3.</td>
</tr>
<tr>
<td>2</td>
<td>If the deceased was a member of the Navy or Navy Reserves (note 1)</td>
<td>then payment is made by DFAS Cleveland (CL) or the designated disbursing officer as specified in Table 36-4.</td>
</tr>
<tr>
<td>3</td>
<td>If the deceased was a member of the Air Force, Air National Guard, or Air Force Reserves (note 1)</td>
<td>then payment is made by DFAS-IN or the finance office located nearest the beneficiary as specified in Table 36-5.</td>
</tr>
<tr>
<td>4</td>
<td>If the deceased was a member of the Marine Corps or Marine Corps Reserve (note 1)</td>
<td>then payment is made by DFAS-CL as specified in Table 36-6.</td>
</tr>
<tr>
<td>5</td>
<td>If the deceased is retired and dies within 120-days of retirement (note 2)</td>
<td>then payment is made by DFAS-CL, Retired and Annuitant Pay</td>
</tr>
<tr>
<td>6</td>
<td>If the deceased was discharged under honorable conditions, and dies within 120-days of separation (note 2)</td>
<td>then payment is made by the DFAS site responsible for servicing the deceased member's military pay account.</td>
</tr>
<tr>
<td>7</td>
<td>If the deceased is a member whose death is determined by administrative finding under the Missing Persons Act</td>
<td>then payment is made by the DFAS site that would have maintained the individual's military pay account.</td>
</tr>
<tr>
<td>8</td>
<td>If the deceased was a member of a Senior ROTC (SROTC) (note 3)</td>
<td>then payment is made by the DFAS site that would have maintained the individual's military pay account.</td>
</tr>
<tr>
<td>9</td>
<td>If the deceased is a person who dies while traveling to, from, or while at a place for final acceptance or for entry upon active duty (other than for training) in the Military Service; who has been ordered or directed to go to that place, and who has been provisionally accepted for that duty; or selected, under the Military Selective Service Act, for duty in that Military Service</td>
<td>then payment is made by the DFAS site that would have maintained the individual's military pay account.</td>
</tr>
</tbody>
</table>

NOTES:
1. Includes a National Guard or Reserve member who dies while traveling directly to or from active duty for training or inactive duty training.
2. Includes a former member who dies during the 120-day period beginning on the day following date of discharge or release, under honorable conditions, from active duty (including retirement for either disability or length of service). In this case, the Secretary of Veterans Affairs must determine that death resulted from disease or injury incurred or aggravated while the member was on active duty or while in authorized travel status to or from such duty.
3. Any member of a SROTC who dies while performing annual training duty under orders for a period of more than 13-days or while performing authorized travel to or from that annual training duty; or any applicant for membership in an ROTC who dies while attending field training or a practice cruise, or while performing authorized travel to or from the place where the training or cruise is conducted.
Table 36-3. Responsibility for Payment of Death Gratuity - Army

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If the beneficiary is a(n)</td>
<td>then death gratuity is settled by</td>
</tr>
<tr>
<td>1</td>
<td>Adult</td>
<td>the deceased members' servicing finance office. (note 1)</td>
</tr>
<tr>
<td>2</td>
<td>Minor</td>
<td>DFAS-IN.</td>
</tr>
<tr>
<td>3</td>
<td>Doubtful case (note 2)</td>
<td>DFAS-IN.</td>
</tr>
</tbody>
</table>

NOTES:
1. The deceased member’s servicing finance office will be responsible for making payment for all adult beneficiaries who fall within the established guides of paragraph 360203.
2. Doubtful cases include:
   a. All cases coming under subparagraphs 360205.A, B, C, or any questionable cases under paragraph 360204;
   b. Common law widow or widower; or
   c. A member’s minor child, an adopted child without properly certified court adoption papers, and an illegitimate child.
<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>not doubtful</td>
<td>a lawfully designated beneficiary</td>
<td>Navy Casualty Assistance (N135C) certifies beneficiary and payment amount,</td>
<td>DFAS-CL upon authorization from N135C.</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>beneficiary requests local payment, after N135C certifies beneficiary and payment amount,</td>
<td>the disbursing officer authorized by N135C to make payment.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>doubtful (notes 1, 2, and 3)</td>
<td>required to be determined by N135C</td>
<td>N135C certifies beneficiary and payment amount,</td>
<td>DFAS-CL upon authorization from N135C.</td>
</tr>
</tbody>
</table>

NOTES:
1. Doubtful cases include “common law widow or widower.”
2. All cases coming under subparagraph 360204.F and paragraph 360205 are doubtful cases.
3. Doubtful cases include a member’s minor child, adopted child without properly certified court adoption papers, and an illegitimate child.
Table 36-5. Responsibility for Payment of Death Gratuity - Air Force

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>not doubtful</td>
<td>a lawful spouse (notes 1 and 2); or adult child or children (notes 2 and 3); or a designated relative (notes 2, and 4). Minor children are paid by DFAS along with those identified in rule 3</td>
<td>upon receipt of notification of death (note 5)</td>
<td>then death gratuity is settled by the finance officer located nearest the residence of the beneficiary.</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>a designated non-relative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>doubtful</td>
<td>one of those listed in notes 1, 2, and 3</td>
<td></td>
<td>DFAS-IN.</td>
</tr>
</tbody>
</table>

NOTES:
1. DFAS-IN settles death gratuity payment to “common-law widow or widower.”
2. DFAS-IN settles all cases coming under subparagraphs 360205.A, B, or C, and any questionable cases under subparagraph 360204.F.
3. DFAS-IN settles doubtful cases, including: all minor children, all adopted children without properly certified court adoption papers, and all illegitimate children.
4. Relatives consist of a member’s parents, brothers, sisters, or any combination thereof.
5. If death occurs while a member is on a Permanent Change of Station move, then the “losing” home installation notifies.
Table 36-6. Responsibility for Payment of Death Gratuity - Marine Corps

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>a lawful spouse or a designated parent</td>
<td>not doubtful</td>
<td>the spouse or parent resides with the member at or near member’s duty station or in the vicinity of the member’s home port</td>
<td>the disbursing officer has access to member’s pay and service records</td>
<td>DFAS-CL upon Commandant of the Marine Corps Casualty Section authorization.</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td>and</td>
<td>and</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>a lawful spouse, child or children, designated, or non-designated relatives (note1)</td>
<td>doubtful (notes 2, 3, and 4)</td>
<td>the relative did not reside with the member at or near member’s duty station or home port</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>not doubtful</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
1. Relatives consist of a member's parents, brothers, sisters and other next of kin of the member entitled under the laws of domicile of the member at the time of the member's death.
2. Doubtful cases include “common law widow or widower.”
3. All cases coming under subparagraph 360204.F and paragraph 360205.
4. Doubtful cases include a member’s minor child, an adopted child without properly certified court adoption papers, and an illegitimate child.
CHAPTER 36 – PAYMENTS ON BEHALF OF DECEASED MEMBERS

3602 – DEATH GRATUITY

360201 10 U.S.C., sections 1475-1480
360201.E 10 U.S.C. § 1475(a)(3)
360203 10 U.S.C. § 1477
360204.B.7 24 Comptroller General (Comp Gen) 320
360205.B 34 Comp Gen 103
360205.C.1 29 Comp Gen 294
360206 31 Comp Gen 645
360209 10 U.S.C. § 1478
360209 37 Comp Gen 131

3603 – SETTLING DECEASED MEMBERS’ ACCOUNTS

360301 10 U.S.C. § 2771
360301.A.1 37 U.S.C. § 501(d)
360301.A.2 37 U.S.C. § 427(a)(2)
360302 10 U.S.C. § 2771
360304.B and C Comp Gen B-187037, October 22, 1976
360304.D 10 U.S.C. § 1477(d)(5)
360308.A 37 U.S.C. § 212(c)
360308.B 37 U.S.C. § 1006(d)
360308.B 37 U.S.C. § 1006 (h)

Table 36-3 Military Pay E-Message 09-020

Table 36-4 Military Personnel Manual 1770-280, August 4, 2014
VOLUME 7A, CHAPTER 37: “BENEFITS FOR MEMBERS HELD AS CAPTIVES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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<tr>
<td>370102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
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</thead>
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<td>3</td>
</tr>
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<td>3</td>
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<td>3</td>
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<td>4</td>
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<td>4</td>
</tr>
<tr>
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<td>4</td>
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<td>SAVINGS ALLOTMENT</td>
<td>4</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>
CHAPTER 37

BENEFITS FOR MEMBERS HELD AS CAPTIVES

3701  GENERAL

370101.  Purpose

This chapter describes the policy provisions for benefits for members who are held as captives as determined by the Secretary of Defense.

*370102.  Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

3702  FORMER CAPTIVE PAYMENT


A former captive is a member who was held in a captive status. Entitlement may only be authorized by the Secretary of Defense. Once the Secretary of Defense makes a "hostile action" determination, which is the authority for former captive payments, the Military Service Secretaries will provide the names and dates of entitlements to their respective Defense Finance and Accounting Services (DFAS) Center. Entitlement dates may not include any of the following without specific case-by-case approval of the Secretary of Defense:

A. Dates in a captive status which are not dates of actual physical custody by a hostile force (for example, dates evading capture where the presence of a hostile force prevented escape or rescue); or

B. Dates that are doubtful that the missing status was the result of hostile action or was the result of membership in the Uniformed Services. Commanders will forward any request with justification via the appropriate Military Service chain of command. When authorized, the DFAS Center concerned will make payment.

370202.  Rates

A. For each day a member was held in a captive status, payment will be 50 percent of the then-current world-wide average per diem rate. Status beginning and ending days (for example, day of return to military control) are days of entitlement. Payment must be made within 1 year after the member's captive status ends. Rates will be obtained from the Office of the Under Secretary of Defense (Personnel and Readiness) (Military Personnel Policy/Compensation), 1500 Defense Pentagon, Washington, D.C. 20301-1500.
B. Former captives may receive more than the 50 percent rate when specifically approved by the Secretary of Defense. Recommendations justifying a higher percentage will be forwarded through command channels via the appropriate Military Service Secretary.

370203. Death of Member

If a member dies while in a captive status, any amount due is considered pay and allowances for the purposes of Chapter 34.

370204. Exceptions

A. The Secretary of Defense may defer payment for anyone (within the 1-year payment window) charged with a captivity-related offense and may deny payment if the member is convicted in a court of competent jurisdiction. If convicted, whether or not payment has been made, commanders will forward the case to the Secretary of Defense with justified recommendations for payment determination. Payments previously made and later denied must be collected.

B. No payment is authorized when the Congress specifically provides for prisoner of war (POW) compensation for captivity periods. See section 3703.

370205. Taxability

Payments to former captives generally are not taxable if the captive status resulted from the deprivation of personal rights, such as terrorist activity. However, if the captive status resulted from an engagement with another nation's armed forces, then payment may be taxable and reported as taxable income. See Chapter 44, Table 44-1 for possible applicability of the combat zone tax exclusion.

3703 POW COMPENSATION

Payment authorized by the Congress, for a specific period of captivity as a POW, is made by the Secretary of the Treasury, and is not considered to be an Uniformed Services pay and allowances entitlement. DFAS is not involved in this payment procedure or its tax reporting consequences.

3704 SAVINGS ALLOTMENT

Military Service Secretaries may allot part or all of a captive's pay and allowances (except what is already allotted) to an interest-bearing savings fund that is maintained by the Secretary of the Treasury. The Secretary of the Treasury establishes the withdrawal procedures for this savings fund.
REFERENCES

CHAPTER 37 - BENEFITS FOR MEMBERS HELD AS CAPTIVES

3702 Former Captive Payment

Title 5, U.S.C., section 5569(d)(2)
37 U.S.C. § 551
37 U.S.C. § 559(c)

370204 37 U.S.C. § 559(a)(1)

3704 Savings Allotment

37 U.S.C. § 559(b)
VOLUME 7A, CHAPTER 38: “SERVICE ACADEMY CADETS, MIDSHIPMEN, AND SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS”

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<tr>
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<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 38-1</td>
<td>Updated the rations rate for the calendar year 2020 in accordance with the “Food Service Charges at Appropriated Fund Dining Facilities and the Military Academies” as listed on the Office of the Under Secretary of Defense (Comptroller) website.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References,” updated statutes, and supporting references.</td>
<td>Revision</td>
</tr>
</tbody>
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CHAPTER 38

SERVICE ACADEMY CADETS, MIDSHIPMEN, AND SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS

3801 GENERAL

380101. Purpose

This chapter establishes policy pertaining to the pay and allowances for cadets at the U. S. Military Academy, the U.S. Air Force Academy, the Coast Guard Academy, and midshipmen at the U.S. Naval Academy.

380102. Authoritative Guidance

The pay and allowances policies and requirements for cadets and midshipmen established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 203(c). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

3802 ENTITLEMENTS

380201. Monthly Pay

Cadets at the U.S. Military Academy, the U.S. Air Force Academy, the Coast Guard Academy, and midshipmen at the U.S. Naval Academy are entitled to pay at the monthly rate of 35 percent of the basic pay of a commissioned officer in the pay grade O-1 with less than 2 years of service. This monthly rate is prescribed in Chapter 1, Table 1-7.

*380202. Rations

Cadets and midshipmen are entitled to commuted rations while on leave, on temporary duty or temporary assigned duty at the daily rate established by the Office of the Under Secretary of Defense (Comptroller) as prescribed in Table 38-1.

380203. Incentive and Special Pays

Cadets and midshipmen are not entitled to incentive pay for hazardous duty or special pay for duty subject to hostile fire or imminent danger.

380204. Start and Stop Dates

See Table 38-2.
380205. Continuance of Pay and Allowances

Pay and allowances continue to accrue to cadets or midshipmen while they are absent in an official missing or missing-in-action status. See Chapter 34. Cadets and midshipmen also are entitled to full pay while traveling under orders.

380206. Death Benefits

Death gratuity entitlement and settlement of unpaid pay and allowances instructions are contained in Chapter 36.

380207. Settlement for Unused Accrued Leave

Since cadets and midshipmen do not earn leave, they are not entitled to lump-sum leave benefits.

3803 OTHER STUDENTS

380301. Service Academy Preparatory School Students

A. A student at the U.S. Military Academy Preparatory School, the U.S. Naval Academy Preparatory School, or the U.S. Air Force Academy Preparatory School, who was selected to attend the preparatory school from civilian life, is entitled to monthly student pay at the same rate as provided for cadets and midshipmen.

B. A student at the U.S. Military Academy Preparatory School, the U.S. Naval Academy Preparatory School, or the U.S. Air Force Academy Preparatory School, who, at the time of the student’s selection to attend the preparatory school, was an enlisted member of the uniformed services, will receive the monthly basic pay at the rate prescribed for the student’s pay grade and years of service as an enlisted member or at the rate provided for cadets and midshipmen under section 3802, whichever is greater.

380302. Foreign Cadets and Midshipmen

Persons from a foreign nation, who are receiving instruction at the Military Service academies are entitled to the same pay, commuted rations, and travel and transportation allowances as authorized for U.S. cadets and midshipmen.

3804 DEDUCTIONS FROM MONTHLY PAY

380401. Allotments

The Military Department concerned determines whether cadets and midshipmen may register allotments of pay.
380402. Collections of Indebtedness

For general policies and requirements relating to the collection of indebtedness, see Volume 16. Private indebtedness for services (e.g., laundry, dry cleaning, shoe repair) is not an indebtedness collectible under Volume 16.

380403. Servicemembers’ Group Life Insurance (SGLI)

Academy cadets and midshipmen are eligible for SGLI coverage while on full-time duty as a cadet or midshipman at a Service academy. See Chapter 47. Details covering the administration of the SGLI program for cadets or midshipmen are contained in the pay procedural instructions of the Military Service academy concerned.

380404. Taxes

The basic pay of cadets and midshipmen is subject to federal and state withholding tax (Chapter 44) and Federal Insurance Contribution Act tax (Chapter 45).

3805 ADVANCE PAY FOR CLOTHING AND EQUIPMENT PURCHASES

380501. General

The Secretary of the Military Department concerned prescribes the amount to be advanced each new cadet or midshipman to cover the cost of initial clothing and equipment. The amount advanced is deducted in regular installments from the cadet’s or midshipman’s monthly pay until fully collected. Any cadet or midshipman who is discharged (whether voluntarily or involuntarily) before graduation and before the total amount has been repaid, must turn in as much of the clothing and equipment of a distinctive military nature as is necessary to liquidate the balance owed.

380502. Discharge

If a cadet or midshipman is discharged and the value of the turned-in clothing and equipment does not cover the balance owed, then the value of the turned-in clothing and equipment is applied to the balance owed and the remainder of the advance owed is cancelled, regardless of reason for discharge.

3806 TRAVEL AND TRANSPORTATION ALLOWANCES

The travel and transportation allowances payable to cadets and midshipmen are prescribed in the Joint Travel Regulations, Chapter 3.
Table 38-1. Ration Rates

<table>
<thead>
<tr>
<th>Effective</th>
<th>Breakfast</th>
<th>Lunch</th>
<th>Dinner</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1, 1999</td>
<td>$1.05</td>
<td>2.15</td>
<td>2.15</td>
<td>$5.35</td>
</tr>
<tr>
<td>October 1, 2000</td>
<td>$1.05</td>
<td>2.20</td>
<td>2.20</td>
<td>$5.45</td>
</tr>
<tr>
<td>October 1, 2001</td>
<td>$1.10</td>
<td>2.25</td>
<td>2.25</td>
<td>$5.60</td>
</tr>
<tr>
<td>October 1, 2002</td>
<td>$1.15</td>
<td>2.30</td>
<td>2.30</td>
<td>$5.75</td>
</tr>
<tr>
<td>October 1, 2003</td>
<td>$1.20</td>
<td>2.35</td>
<td>2.35</td>
<td>$5.90</td>
</tr>
<tr>
<td>October 1, 2004</td>
<td>$1.25</td>
<td>2.55</td>
<td>2.55</td>
<td>$6.35</td>
</tr>
<tr>
<td>October 1, 2005</td>
<td>$1.30</td>
<td>2.60</td>
<td>2.60</td>
<td>$6.50</td>
</tr>
<tr>
<td>October 1, 2006</td>
<td>$1.30</td>
<td>2.65</td>
<td>2.65</td>
<td>$6.60</td>
</tr>
<tr>
<td>October 1, 2007</td>
<td>$1.35</td>
<td>2.80</td>
<td>2.80</td>
<td>$6.95</td>
</tr>
<tr>
<td>October 1, 2008</td>
<td>$2.10</td>
<td>3.85</td>
<td>3.85</td>
<td>$9.80</td>
</tr>
<tr>
<td>January 1, 2009</td>
<td>$2.30</td>
<td>4.25</td>
<td>4.25</td>
<td>$10.80</td>
</tr>
<tr>
<td>January 1, 2010</td>
<td>$2.30</td>
<td>4.25</td>
<td>4.25</td>
<td>$10.80</td>
</tr>
<tr>
<td>January 1, 2011</td>
<td>$2.30</td>
<td>4.25</td>
<td>4.25</td>
<td>$10.80</td>
</tr>
<tr>
<td>January 1, 2012</td>
<td>$2.45</td>
<td>4.55</td>
<td>4.55</td>
<td>$11.55</td>
</tr>
<tr>
<td>January 1, 2013</td>
<td>$2.50</td>
<td>4.60</td>
<td>4.60</td>
<td>$11.70</td>
</tr>
<tr>
<td>January 1, 2014</td>
<td>$2.55</td>
<td>4.65</td>
<td>4.65</td>
<td>$11.85</td>
</tr>
<tr>
<td>January 1, 2015</td>
<td>$3.45</td>
<td>5.55</td>
<td>4.85</td>
<td>$13.85</td>
</tr>
<tr>
<td>January 1, 2016</td>
<td>$3.05</td>
<td>4.90</td>
<td>4.30</td>
<td>$12.25</td>
</tr>
<tr>
<td>January 1, 2017</td>
<td>$3.05</td>
<td>4.90</td>
<td>4.30</td>
<td>$12.25</td>
</tr>
<tr>
<td>January 1, 2018</td>
<td>$3.05</td>
<td>4.95</td>
<td>4.30</td>
<td>$12.30</td>
</tr>
<tr>
<td>January 1, 2019</td>
<td>$3.05</td>
<td>4.95</td>
<td>4.30</td>
<td>$12.30</td>
</tr>
<tr>
<td>January 1, 2020</td>
<td>$3.05</td>
<td>5.00</td>
<td>4.35</td>
<td>$12.40</td>
</tr>
</tbody>
</table>

NOTE: If current year is not listed, see Reimbursable Rates in Tab G at the Office of the Under Secretary Defense (Comptroller) website.
Table 38-2. Dates to Start and Stop Pay and Allowances

<table>
<thead>
<tr>
<th>Rule</th>
<th>When a cadet or midshipman</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>has been admitted officially to one of the Service academies</td>
<td>then cadet and midshipmen pay and allowances start on the day of admission (note 1).</td>
</tr>
<tr>
<td>2</td>
<td>has been discharged and later reappointed to one of the Service academies</td>
<td>are stopped on date of discharge, and start again on day of reappointment (note 1).</td>
</tr>
<tr>
<td>3</td>
<td>has been dismissed by sentence of court-martial</td>
<td>stop on the date of termination of service as specified in orders directing dismissal.</td>
</tr>
<tr>
<td>4</td>
<td>has been dismissed from the academy by other than court-martial action before graduating</td>
<td>stop on date of dismissal.</td>
</tr>
<tr>
<td>5</td>
<td>dies before graduation</td>
<td>stop on the date of death.</td>
</tr>
<tr>
<td>6</td>
<td>is appointed a second lieutenant in the Army or Air Force upon graduation</td>
<td>stop on the day before the date of graduation.</td>
</tr>
<tr>
<td>7</td>
<td>is commissioned in the Regular Navy or Marine Corps</td>
<td>stop on the day before the date of formal acceptance of appointment.</td>
</tr>
<tr>
<td>8</td>
<td>is placed voluntarily in a leave without pay status</td>
<td>stop on the day before the member enters a leave without pay status. If the member is readmitted to the academy, then the pay and allowances start again, on the day of readmission.</td>
</tr>
<tr>
<td>9</td>
<td>is not appointed a second lieutenant in the Army or Air Force immediately upon graduation</td>
<td>continue until the member is appointed a second lieutenant or is discharged (note 2).</td>
</tr>
</tbody>
</table>

NOTES:

1. An Oath of Allegiance must be taken before first payment is made.
2. In case of appointment, active duty pay is payable from date of graduation (Chapter 1, Table 1-3, Rule 5); therefore, an adjustment is necessary between cadet pay received and active duty pay due.
*REFERENCES

CHAPTER 38 – SERVICE ACADEMY CADETS, MIDSHIPMEN, AND SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS

3802 – ENTITLEMENTS

380201  37 U.S.C. § 203(c)
380202  37 U.S.C. § 422(b)
            43 Comptroller General (Comp Gen) 94
380203  30 Comp Gen 31
            47 Comp Gen 781
380206  26 Comp Gen 373
380207  37 U.S.C., Chapter 5

3803 – OTHER STUDENTS

380302  10 U.S.C. § 347

3804 – DEDUCTIONS FROM MONTHLY PAY


3805 – ADVANCE PAY FOR CLOTHING AND EQUIPMENT PURCHASES

10 U.S.C. §§ 4350, 6960, 9350

Defense Finance and Accounting Service - Denver Memo, May 21, 2002

*Table 38-1  Office of Under Secretary of Defense (Comptroller) Memo, December 13, 2019

Table 38-2
Rule 6  37 U.S.C. § 204(f)
Rule 8  46 Comp Gen 261
VOLUME 7A, CHAPTER 39: “PAY OF SERVICE ACADEMY OFFICIALS”

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<tbody>
<tr>
<td>390102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>3904</td>
<td>Deleted the “Personal Money Allowances” section to comply with Public Law (PL) 115-232, section 601, dated August 13, 2018 and renumbered subsequent sections.</td>
<td>Deletion</td>
</tr>
<tr>
<td>Table 39-1</td>
<td>Deleted rules 2 and 6 pertaining to personal money allowance for Navy officers in accordance with PL 115-232, section 601, dated August 13, 2018 and renumbered subsequent rules.</td>
<td>Deletion</td>
</tr>
<tr>
<td>References</td>
<td>Updated the “References” paragraph with supporting statutes and references.</td>
<td>Revision</td>
</tr>
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CHAPTER 39

PAY OF SERVICE ACADEMY OFFICIALS

3901 GENERAL

390101. Purpose

This chapter establishes policy guidance pertaining to the pay of Military Service academy officials.

*390102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. The specific statutes, regulations, and other applicable guidance, that govern each individual section, are listed in a reference section at the end of the chapter.

3902 PROVISIONS

A commissioned officer serving as an appointed official at a Military Service academy is entitled to the pay grade, pay, and allowances established by law for the position. A commissioned officer detailed as an official at a Military Service academy is not entitled to an increase in pay and allowances because of such detail, except as provided. The leader of the Naval Academy Band has the pay grade prescribed for such positions by the Secretary of the Navy.

3903 PAY AND ALLOWANCES

The pay and allowances authorized for academy officials are indicated in Table 39-1 (Pay and Allowances - Academy Officials).

3904 LIBRARIAN

An officer of the Regular Army, retired from active service, may be detailed on active duty to serve as librarian of the U.S. Military Academy. While serving as librarian, the officer is entitled to the pay and allowances prescribed for the officer’s grade and cumulative years of service. Include the time spent in retirement in the computation of the officer’s cumulative years of service.

3905 LEAVE OF ABSENCE – FACULTY AND OTHER OFFICERS

Professors, assistant professors, instructors, and other officers, at either the U.S. Military Academy or the U.S. Air Force Academy, may be granted a leave of absence for the period of suspension of the ordinary academic studies. The Superintendent concerned may grant such leave without deduction of pay and allowances.
3906 TRAVEL AND TRANSPORTATION ALLOWANCES

Members serving as officials at Military Service academies are entitled to travel and transportation allowances.

Table 39-1. Pay and Allowances — Academy Officials

<table>
<thead>
<tr>
<th>RULE</th>
<th>When an officer is serving as</th>
<th>at the U.S.</th>
<th>then the officer is entitled to the pay and allowances prescribed for</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Military Academy</td>
<td>Naval Academy</td>
</tr>
<tr>
<td>1</td>
<td>Superintendent</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>2</td>
<td>Dean of the Academic Board</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Dean of the Faculty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Commandant of Cadets</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Permanent Professor</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(note 1)
Table 39-1. Pay and Allowances — Academy Officials (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>When an officer is serving as</th>
<th>at the U.S.</th>
<th>and</th>
<th>then the officer is entitled to the pay and allowances prescribed for</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Permanent Professor</td>
<td>X</td>
<td>X</td>
<td>has over 36 years of creditable service for pay purposes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td>the officer’s military grade and cumulative years of service, plus additional pay of $250 per month (note 2).</td>
</tr>
<tr>
<td>8</td>
<td>Director of Admissions</td>
<td>X</td>
<td>X</td>
<td>has served as Director of Admissions for more than 6 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>a colonel using the officer’s cumulative years of service (note 3).</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td>has served as Director of Admissions for 6 years or less</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>a lieutenant colonel using the officer’s cumulative years of service (notes 1 and 3).</td>
</tr>
<tr>
<td>10</td>
<td>Naval Academy Band Leader</td>
<td></td>
<td>X</td>
<td>the grade prescribed by the Secretary of the Navy (note 4).</td>
</tr>
<tr>
<td>11</td>
<td>Second Naval Academy Band Leader</td>
<td></td>
<td>X</td>
<td>a warrant officer W-1 using the officer’s cumulative years of service.</td>
</tr>
<tr>
<td>12</td>
<td>Librarian</td>
<td>X</td>
<td></td>
<td>has retired from active service may be detailed on active duty to serve as librarian</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>the officer is entitled to the pay and allowances prescribed for the officer’s grade and cumulative years of service. Include the time spent in retirement in the computation of the officer’s cumulative years of service.</td>
</tr>
</tbody>
</table>
Table 39-1. Pay and Allowances — Academy Officials (Continued)

NOTES:
1. A person, appointed from the Regular Army or the Regular Air Force as a permanent professor, or the Director of Admissions, who has served in that position for 6 years or less, is entitled to the pay of a colonel after the date on which he or she would have been promoted had he or she been selected for promotion from among officers in the promotion zone.
2. Do not use the additional pay in computation of retired pay.
3. An officer detailed to serve as Director of Admissions, who is serving in a temporary grade higher than those shown in column D, rules 10 and 11, is entitled to the pay and allowances prescribed for the higher temporary grade in which the officer is serving.
4. Compute the applicable number of cumulative years of service as outlined in Chapter 1.
3902 – PROVISIONS

37 U.S.C., section 207
37 U.S.C. § 424

3905 – LEAVE OF ABSENCE - FACULTY AND OTHER OFFICERS

10 U.S.C. § 7441
10 U.S.C. § 9441

Table 39-1 – PAY AND ALLOWANCES — ACADEMY OFFICIAL

<table>
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<tr>
<th>Rule</th>
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<td>Rule 1</td>
<td>10 U.S.C. §§ 7434, 9434</td>
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<tr>
<td>Rule 2</td>
<td>10 U.S.C. § 7435(b)</td>
</tr>
<tr>
<td>Rule 3</td>
<td>10 U.S.C. § 9435</td>
</tr>
<tr>
<td>Rule 6 &amp; 7</td>
<td>10 U.S.C. §§ 7436(a), 9436(a)</td>
</tr>
<tr>
<td>Rule 8</td>
<td>37 U.S.C. § 203(b)</td>
</tr>
<tr>
<td>Rule 9 &amp; 10</td>
<td>10 U.S.C. §§ 7436(b), 9436(b)</td>
</tr>
<tr>
<td>Rule 11 &amp; 12</td>
<td>37 U.S.C. §§ 207(d), 424(d)</td>
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<table>
<thead>
<tr>
<th>Note</th>
<th>Reference</th>
</tr>
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<tr>
<td>Note 1</td>
<td>10 U.S.C. §§ 7436(a), 9436(a)</td>
</tr>
<tr>
<td>Note 2</td>
<td>37 U.S.C. § 203(b)</td>
</tr>
<tr>
<td>Note 3</td>
<td>10 U.S.C. §§ 7436(b), 9436(b)</td>
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</table>
VOLUME 7A, CHAPTER 40: “GENERAL PROVISIONS GOVERNING ALLOTMENTS OF PAY (OTHER THAN CHILD AND SPOUSAL SUPPORT ALLOTMENTS REQUIRED BY LAW)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2018 is archived.

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<th>PURPOSE</th>
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<td>Update the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
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<td>Renamed “Bibliography” to “References.”</td>
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CHAPTER 40

GENERAL PROVISIONS GOVERNING ALLOTMENTS OF PAY
(OTHER THAN CHILD AND SPOUSAL SUPPORT ALLOTMENTS REQUIRED BY LAW)

4001 GENERAL

400101. Purpose

This chapter prescribes the general policy for all allotments authorized for deduction from a member’s pay account. Military personnel identified in section 4004 may authorize allotments from their pay for the purposes set forth in Chapters 40, 42, and 43. The provisions of this chapter do not apply to child and spousal support allotments started as required by law when a member fails to make periodic payments under a support order. See Chapter 41 for applicable provisions under those circumstances.

400102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Titles 37 and 38. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

4002 ADMINISTRATION OF ALLOTMENTS

400201. Establishment, Discontinuance, and Changes to Existing Allotments

An allotment may be established, discontinued, or changed using a properly executed DoD Form 2558, commonly referred to as DD Form 2558, Authorization to Start, Stop or Change an Allotment, a written request from a member (or from an agent acting under a specific power of attorney), or an automated data exchange system (from specific organizations). A Service member’s written signature is not required to effect an allotment from pay when automated data exchange is utilized. Members are permitted to use automated computer programs that allow using a personal identification number to establish, discontinue, or change an allotment. Allotments will be established, discontinued, or changed only after the member’s identity has been validated.

400202. Administrative Changes

An allottee may make administrative changes without the member’s consent. Administrative changes are changes to a financial institution name, address, account number, or routing transit number. Administrative changes will only be made after validation of the allottee’s identity.
400203. Administrative Stoppage

When a financial institution notifies the member’s servicing allotment payment office that the member’s account has been cancelled or terminated, the payment office will administratively stop the allotment. The servicing allotment payment office will immediately credit any monies it receives from the financial institution to the member’s account and notify the member of the allotment stoppage.

4003 AUTHORIZED ALLOTMENTS

400301. General

Voluntary allotments of military pay and allowances by Service members in active Military Service are limited to discretionary and non-discretionary allotments.

400302. Discretionary Allotments

Members are authorized no more than six discretionary allotments. To start a discretionary allotment on and after January 1, 2015, members will certify that, “Under the penalty of the Uniform Code of Military Justice, I certify that this allotment is NOT for the purchase, lease, or rental of personal property or payment toward personal property.” Authorized discretionary allotments include:

A. Deposits to a financial institution, mutual fund company, or investment firm (for other than the prohibited purposes listed in subparagraph 400303.A);

B. Voluntary payment to a dependent or other relative. (Members may designate discretionary allotments to a spouse, former spouse(s), other dependents, and/or relative(s) not legally designated as a dependent(s). Support allotments may be made payable directly to a court, a state agency, a court trustee, a welfare agency, or to a child’s guardian or custodian. This allotment may be made payable to a financial organization for credit to the allottee’s account);

C. Payment of premiums for insurance;

D. Payment of mortgage or rent for real property; and

E. Deposits into the Savings Deposit Program.

400303. Discontinuance and Grandfathering of Discretionary Allotments

A. Discontinuance

Effective January 1, 2015, members are not authorized to start allotments for the purchase, lease, or rental of personal property. Personal property includes vehicles (e.g., automobiles, motorcycles, or boats), appliances or household goods (e.g., a washer, dryer,
furniture), electronics (e.g., a laptop, tablet, cellphone, or television), and other consumer items that are tangible and movable.

B. Grandfathering

Allotments described in subparagraph 400303.A that exist on a member’s pay account prior to January 1, 2015, may continue, and members may change the amount of these existing allotments.

400304. Non-Discretionary Allotments

Non-discretionary allotments of military pay and allowances by members in active Military Service are limited to the following:

A. Purchase of U.S. savings bonds through TreasuryDirect®;

B. Repayment of loans to the Army Emergency Relief, Navy and Marine Corps Relief Society, Air Force Aid Society, and American Red Cross;

C. Voluntary liquidation of indebtedness to the United States that includes the following:
   1. Indebtedness incurred due to defaulted notes insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs; and
   2. Payment of amounts due under the Retired Serviceman’s Family Protection Plan, in the case of retired Military Service members serving on active duty;

D. Any other indebtedness to any department or agency of the United States Government (except to the Military Department that pays the member);

E. Any repayment of debts owed to an organization for funds administered on behalf of the United States Government and any such debts assigned to a collection agency;

F. Payment for pledges for charitable contributions to the following:
   1. Combined Federal Campaign (CFC); only one such allotment is authorized for any Military Service member; and
   2. Army Emergency Relief, Navy and Marine Corps Relief Society, or Affiliates of the Air Force Assistance Fund; only one such allotment is authorized for any Military Service member;

G. Allotments to the Department of Veterans Affairs for deposit to the Post-Vietnam Era Veterans Educational Assistance Program. The allotment must be divisible by $5 and with a minimum amount of $25 and not more than $100. Upon the Service member’s authorization, the allotment must run a minimum of twelve consecutive months, unless the member
suspends participation or terminates enrollment due to personal hardship or release from active duty;

   H. Payment of delinquent federal, state, or local income or employment taxes; and

   I. Lease payments when members are assigned to privatized housing units under the Military Housing Privatization Initiative. See Chapter 43, section 4304.

4004 ELIGIBLE ALLOTTERS

   400401. Members on Extended Active Duty

       Commissioned and warrant officers, and enlisted members on extended active duty may make pay allotments.

   400402. Allotments Continued to Retired Status

       To aid members in the transition from active duty to retired status, members on active duty may transfer all existing authorized discretionary allotments to the retired pay system as approved allotments.

4005 PAY AND ALLOWANCES WHICH MAY BE ALLOTTED

   400501. Maximum Amount for Allotment

       For members assigned within the continental United States, include the following items in computing the maximum amount of pay and allowances that may be allotted:

       A. Basic Pay;

       B. Basic allowance for housing for members with dependents and members without dependents including family separation housing;

       C. Basic allowance for subsistence;

       D. Incentive Pays:

           1. Aviation Incentive Pay;

           2. Critical Skills Incentive Pay;

           3. Hazardous Duty Pay; and

           4. Submarine Duty Pay; and
E. Special Pays:

1. Assignment Incentive Pay;

2. Health Professions Officers Special and Incentive Pays to include:
   a. Board Certification Pay; and
   b. Incentive Pay;

3. Career Sea Pay;

4. Career Sea Pay Premium;

5. Continuation Pays for Nuclear-Qualified, Engineering and Scientific, Judge Advocate, and Surface Warfare Officers;

6. Designated Unit Pay;

7. Diplomate Pay for Psychologists;

8. Diving Duty Pay;

9. Enlisted Members Extending at Designated Overseas Locations;

10. Officers Holding Position of Unusual Responsibility and of a Critical Nature; and


400502. Members Assigned Outside the Continental United States

Include the following pay and allowance items in addition to those listed in paragraph 400501:

A. Cost-of-Living Allowance;

B. Family Separation Allowance – Restricted only;

C. Family Separation for Housing Allowance;

D. Hardship Duty Pay;

E. Hostile Fire/Imminent Danger Pay (applies only to members in designated areas); and

F. Overseas Housing Allowance.
400503. Amounts Withheld from Pay and Allowances

The following amounts must be withheld from the maximum amount of pay and allowances that may be allotted:

A. Federal, state, and Federal Insurance Contributions Act taxes;

B. The repayment of debts properly chargeable against a member’s pay account (does not include repayments of advance pay);

C. Premiums of Servicemembers’ Group Life Insurance (SGLI) and Family SGLI; and

D. Montgomery GI Bill deduction.

400504. Commander’s Restriction

Commanders may further restrict the total amount a member may allot when necessary to help the member meet essential personal needs.

4006 PERIODS OF ALLOTMENTS

Allotments will deduct for indefinite periods except those made to Military Service relief organizations; to the American Red Cross; to the United States Government for either repayment of indebtedness or payment of delinquent federal income taxes; for CFC charity drive donations; or for payment of delinquent state or local income or employment taxes.

4007 ALLOTMENT PAYMENT OFFICES

400701. Air Force and Army

Defense Finance and Accounting Service (DFAS)-Indianapolis pays all Army and Air Force allotments.

400702. Marine Corps and Navy

DFAS-Cleveland pays all Marine Corps and Navy allotments.

4008 SPECIAL SITUATIONS

400801. Minors

Allotments may not be made payable to children under 16 years of age, but may be made payable to the children’s guardian or custodian. Members’ spouses are authorized allottees regardless of their age.
400802. Mentally Incompetent Persons

Allotments may not be made payable to mentally incompetent persons. However, they may be made payable to a guardian or to the institution where a mentally incompetent person is confined.

400803. Power of Attorney

The holder of a member’s special power of attorney may use that document to establish, change, or stop an allotment. The special power of attorney must specifically state the authority to establish, change, or stop allotments. A general power of attorney is not acceptable to establish, change, or stop an allotment.

400804. Member Awaiting Trial by Court Martial.

A. Members may not register allotments between the date that a Court Martial is ordered and the date of the approval or disapproval of the sentence, except when the convening authority has instructed a member to establish an allotment for deferred forfeitures.

B. Discontinue allotments whenever:

1. It is necessary to permit collection of the forfeiture in the monthly amount specified and within the time limitation stated in the Court Martial sentence; or

2. A member is sentenced to forfeit all pay and allowances due from the date the convening authority approves the sentence. This applies even though the convening authority defers the forfeitures and suspends the discharge when ordering the sentence into execution.

C. A prisoner may register allotments provided the amount of pay and allowances not forfeited is sufficient to cover allotment deductions.

400805. Returned Absentees, Deserters, and Prisoners

Allotments will not be registered for a returned absentee or deserter, unless the paying DFAS site has verified the member’s pay status.

400806. Fraudulent Enlistment

When pay is suspended pending final action on the determination of fraudulent entitlement, pay and allowances are not eligible for allotment.

400807. Reduced Pay of Allotter

Allotments are discontinued when a reduction in grade or stoppage of pay results in insufficient funds for allotments in effect.
4009 RIGHT TO ALLOTMENT IN CASE OF DEATH

400901. Death of Allotter

Upon the death of the member, all allotments are revoked. After receipt of notice of the member’s death, the paying allotment office will not make further allotment payments. Deductions made from the member’s pay, but not paid to the allottee, become part of the member’s arrears of pay. The issuance of a check for an allotment does not constitute payment until it is negotiated and the payee collects the amount. Consequently, an amount for which an allotment check was issued becomes part of the member’s arrears of pay when the allotment check is not negotiated. Allotments paid after the member’s death may not be collected from the allottee, with two exceptions:

A. Allotments established erroneously after notice of the member’s death; and

B. Unearned insurance premiums (insurance premiums paid 1 month in advance of the day payment is due). See Military Service procedural instructions for actions required by the disbursing officer maintaining the pay account.

400902. Death of Allottee

When an allottee does not cash or negotiate an allotment check prior to the allottee’s death, the check, even if it has been endorsed, does not become part of an allottee’s estate. It is not subject to any expense incurred by, or on behalf of, the allottee before or after death. Unnegotiated allotment checks will be returned to the office from which they were issued. Allotment checks that have been returned will be credited to the member’s account or paid in accordance with Military Service instructions if the member has been separated from the Military Service.

4010 ALLOTMENT OVERPAYMENT RESPONSIBILITIES

Reference Volume 5, Chapter 5, section 0507 for determination of liability for disbursing officers. For collections of debts owed to the Department of Defense, refer to Volume 16.
REFERENCES

CHAPTER 40 - GENERAL PROVISIONS GOVERNING ALLOTMENTS OF PAY
(OTHER THAN CHILD AND SPOUSAL SUPPORT ALLOTMENTS REQUIRED BY LAW)

4001 - GENERAL

Title 37, U.S.C. § 701

4003 - AUTHORIZED ALLOTMENTS

400302 Office of the Under Secretary of Defense (OUSD)
Comptroller (C) Memo, November 21, 2014

400303 OUSD (C) Memo, November 21, 2014


4009 - RIGHT TO ALLOTMENT IN CASE OF DEATH

Comptroller General Decision (Comp. Gen.)
B-225873.2, March 28, 1991
Comp. Gen. B-225873, September 25, 1987
Comp. Gen. B-169453, April 20, 1970
VOLUME 7A, CHAPTER 41: “GARNISHMENTS AND OTHER INVOLUNTARY ALLOTMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated January 2017 is archived.

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<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<td>Updated the title of the Garnishment Organization from “Director, Garnishment Operations” to “Garnishment Law Directorate.”</td>
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CHAPTER 41

GARNISHMENTS AND OTHER INVOLUNTARY ALLOTMENTS

4101 GENERAL

410101. Purpose

This chapter establishes policy for garnishments assessed against members, allotments for child and spousal support, levies against member’s pay and allowances for child support obligations, and involuntary allotments of pay for debt collections other than child or spousal support.

410102. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

4102 GARNISHMENT OF PAY FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY OBLIGATIONS

410201. General

A. The processing of garnishment orders for child support and/or alimony from the pay of individuals receiving remuneration for employment from the United States is governed by Title 42, United States Code (U.S.C.), section 659 and Title 5, Code of Federal Regulations (CFR), part 581. The purpose of this section is to provide information unique to the collection of child support and/or alimony from the pay of active duty members and members of the Reserve Components (RC). The provisions of 42 U.S.C. § 659 and 5 CFR 581 take precedence when in conflict with this chapter.

B. Moneys due from or payable by the United States to active duty members and members of the RC not on active duty are subject to legal process to enforce a legal obligation to pay child support or alimony. Legal process issued by foreign courts may be honored under this authority if issued by a court of competent jurisdiction of a country with which the United States has an agreement, requiring the United States to honor such process. Such an agreement has been reached with the Federal Republic of Germany for cases where active duty members are stationed in the Federal Republic of Germany (see paragraph 410208 for additional information). When the law of the state or foreign nation in which the issuing court is located conflicts with the federal law, the more restrictive law applies.

410202. Legal Process Defined

Legal process is any writ, order, summons, or other similar process in the nature of a garnishment action. Legal process may be issued by:
A. A court of competent jurisdiction within any state, territory, or possession of the United States;

B. A court of competent jurisdiction in any foreign country with which the United States has entered into an agreement that obligates the United States to honor such process; or

C. An authorized official according to an order of such a court of competent jurisdiction or pursuant to state or local law.

410203. Pay Subject to Garnishment

Except for amounts excluded under paragraph 410204, all moneys due uniformed personnel, regardless of duty status or component, which are considered to be based upon remuneration for employment, are subject to garnishment. The items of pay and bonuses subject to legal process include the following:

A. Basic pay (including Military Service academy cadet, academy officials, and midshipmen pay), but excluding reduction for educational benefits under the Montgomery G.I. Bill (MGIB);

B. Special pay (including enlistment and reenlistment bonuses);

C. Incentive pay;

D. Accrued leave payments (basic pay portion only);

E. Readjustment pay;

F. Severance pay (including disability severance pay);

G. Lump-Sum Reserve bonus;

H. Inactive duty training pay; and

I. Separation pay.

410204. Pay and Allowances Not Subject to Garnishment

The following items of pay and allowances are not subject to legal process:

A. Basic allowance for subsistence;

B. Basic allowance for housing;

C. Family separation allowance;
D. Station allowances;

E. Clothing allowances-enlisted;

F. Uniform allowances-officers;

G. Personal money allowance;

H. Discharge gratuity;

I. Position Pay (Navy only);

J. Reserve Officer Training Corps subsistence allowance;

K. Death gratuity;

L. Allowance for recruiting expenses;

M. Travel and transportation allowances; and

N. Armed Forces Health Professions Scholarship Program monthly stipend.

410205. Disposable Earnings

Disposable earnings are a member’s gross pay subject to garnishment less deductions for the following items, which are not subject to legal process:

A. Amounts withheld in payment of debts owed to the United States, except that an indebtedness based on a levy for income tax under 26 U.S.C. § 6331 will not be excluded in complying with legal process for the support of minor children if the legal process was entered prior to the date of the levy;

B. Regular federal income tax withholding (FITW) and state income tax withholding:

1. When required or authorized by law; or

2. When amounts withheld are not greater than would be the case if the individual claimed all dependents to which he/she were entitled.

A deduction for additional FITW is authorized when the individual presents evidence of a tax obligation which supports the additional withholding;

C. Federal Insurance Contribution Act (FICA) tax;

D. Armed Services Retirement Home;
E. Servicemember’s Group Life Insurance premiums;

F. Retired Serviceman’s Family Protection Plan premiums;

G. Survivor Benefit Plan premiums;

H. Thrift Savings Plan contributions; and

I. Other amounts required by law to be deducted (e.g., fines and forfeitures ordered by a court-martial or a commanding officer).

410206. Maximum Amount of Pay Subject to Garnishment

Unless a lower maximum garnishment limitation is provided by applicable state or local law, the maximum part of disposable earnings for any pay period which is subject to legal process will not exceed:

A. Fifty percent of disposable earnings if the member concerned asserts by affidavit or other acceptable evidence that he or she is providing over half of the support for a spouse or dependent child (other than a spouse or dependent child with respect to whose support the legal process is issued);

B. Sixty percent if the member concerned is not supporting a spouse or dependent child; or

C. If it appears from the face of the legal process that the member is in arrears for a period which is 12 weeks prior to the beginning of that pay period, then the maximum percentage under subparagraph 410206.A, is 55 percent and under subparagraph 410206.B, is 65 percent.

410207. Allotments to Be Discontinued

A. The following allotments are subject to legal process. When possible, allow the member to determine which allotments are to be stopped. If the member refuses or is unable to advise which allotment should be stopped to permit compliance with the legal process, then the allotments will be involuntarily stopped in the following order:

1. Combined Federal Campaign (CFC) - Charity Drive;

2. U.S. Savings Bond;

3. Financial organizations;

4. MGIB contributions;

5. Repay loans to Service Relief Agencies and Red Cross;
6. Payment to dependents/relatives;

7. Emergency payment to dependents;

8. Repay home loans;

9. Commercial life, health, and dental insurance;

10. Navy-Mutual Aid Insurance; and


B. The allotments of pay for the repayment of indebtedness to the United States and repayment of delinquent federal taxes are not subject to legal process and should not be stopped.

410208. Agents Designated to Accept Legal Process

A. The Defense Finance and Accounting Service (DFAS) Garnishment Law Directorate, or designated representatives, are responsible for receiving and processing all legal processes concerning active duty members and members of the RC not on active duty. Any legal process for the purpose of enforcing an obligation to pay child support and/or alimony served on Department of Defense (DoD) entities, other than those served in accordance with subparagraph 410208.B, will be forwarded to the following designated address for processing.

DFAS Cleveland Garnishment Law Directorate
PO Box 998002
Cleveland, OH 44199-8002
Telephone: 1-888-332-7411
Toll-free Fax: 1-877-622-5930

B. In the case of active duty members stationed in the Federal Republic of Germany, all legal processes issued by German courts are to be served in the manner prescribed by German law to the appropriate liaison agency listed for such members.

1. Army, Navy and Marine Corps
   Office of the Judge Advocate
   HQ USAREUR
   Postfach 42 02 24
   65103 Wiesbaden
Legal processes issued by German courts, and received by the liaison agencies listed in paragraph 410208.B, will be reviewed to determine whether they comply with applicable German law. In addition, the liaison agencies will determine whether the member was served notice and certification of service issued in accordance with the provisions of Article 32(1)(a) of the German Supplementary Agreement in the prior German court proceeding which resulted in an order creating the member's obligation to pay child support or alimony. Once the appropriate liaison agency listed in paragraph 410208.B determines that legal process issued by a German court is legally sufficient and in compliance with the notice provisions of Article 32(1)(a), the legal process will be implemented or forwarded to the appropriate official designated in subparagraph 410208.A for appropriate processing. The legal process terminates when the active member is no longer stationed in the Federal Republic of Germany, or if the liaison agencies receive a termination order.

410209. Implementing Legal Process

Once a legal process has been served in the United States, the designated agent indicated in subparagraph 410208.A, will take, or initiate the following actions:

A. Review the legal process to determine whether it is regular on its face, appears to conform to the laws of the jurisdiction from which it was issued, was issued to enforce a member's legal obligation to provide child support and/or alimony, and contains sufficient information to accurately identify the member;

B. Notify the member within 15 calendar days after valid service of legal process. The written notification will explain the potential effect of the legal process on the member's pay, including allotments, and advise the member that the member has the burden of raising any available defenses, such as lack of personal jurisdiction or failure to comply with the Servicemembers Civil Relief Act, in the appropriate court. A copy of the legal process will be included with the written notice. The notice will be sent to the member's address of record in the military pay system. Where the designated agent has the capability to make notification through electronic means, such as E-mail, the notice will be made using those electronic means;

C. Within 30 calendar days of effective service, or such longer period as may be allowed by applicable State law:

1. Determine the amount of the member’s disposable earnings;

2. Where required, file an answer to the legal process with the court in which the proceeding was brought and answer any interrogatories regarding the pay and allowances due the member. The designated agent may use its standard answer form for this purpose; and
3. Pay the amount due pursuant to legal process. Governmental agencies, including DoD agencies, are not required to vary their pay or disbursing cycles to comply with legal process;

D. If the designated official is served with legal process concerning more than one legal obligation owed by the same member, then the legal obligations will be satisfied from the available funds in the following order of priority:

1. Legal process to enforce current support will have priority over legal process to enforce support arrearages;

2. Legal process to enforce current child support will have priority over legal process to enforce current alimony;

3. Legal process to enforce a child support and/or alimony obligation will have priority over involuntary allotments of pay to enforce commercial debts (see section 4105); and

4. If the legal process is to enforce more than one child support obligation, and there are not enough funds available to fully satisfy all legal processes served, then the available funds will be allocated among the obligations in proportion to the amounts of current child support due. All other obligations will be satisfied on a first-come, first-served basis; and

E. Where notice is received that the member has appealed either the legal process or the underlying alimony and/or child support order, payments of money subject to the legal process will be suspended (continue to be withheld), and will be retained by the Government until DFAS is ordered by a court, or other authority, to resume payments or otherwise disburse the suspended amounts. Pending the outcome of the appeal, payments will comply with the applicable laws of the jurisdiction where the appeal is filed.

410210. Indemnification

A. Neither the DoD, nor any officer or employee, will be liable for any payment made from moneys due from, or payable by, the DoD to any individual pursuant to legal process regular on its face, if such payment is made in accordance with 42 U.S.C. § 659, 5 CFR 581, and section 4102.

B. Neither the United States, nor any disbursing officer or any governmental entity, will be liable under this part to pay monetary damages for failure to comply with a legal process.
4103  STATUTORY ALLOTMENTS FOR CHILD AND SPOUSAL SUPPORT

410301.  General

A.  The processing of statutory allotments for child support and/or alimony from the pay of active duty military members is governed by 42 U.S.C. § 665.  This authority takes precedence when in conflict with this section.

B.  Upon proper notification from an authorized person, DFAS will start a statutory child or child and spousal support allotment from the pay and allowances of a member on extended active duty when the member has failed to make periodic payments, under a support order, in an amount equal to the support payable for 2 months or longer.

410302.  Definitions

The following definitions apply to section 4103.

A.  Authorized Person.  An authorized person is any agent or attorney of a state having in effect a plan approved under 42 U.S.C. § 665, who has the duty or authority to seek recovery of any amounts owed by a member as child or child and spousal support; and the court that has the authority to issue an order against a member for the support and maintenance of a child, or any agent of such court.

B.  Child Support.  Child support is periodic payments for the support and maintenance of a child or children, subject to and in accordance with state or local law.  This includes, but is not limited to, payments to provide for health care, education, recreation, and clothing, or to meet other specific needs of the child or children.

C.  Designated Official.  The designated official is the DFAS Site Director or designee authorized to receive and to process notices under this chapter.  The DFAS designated official and address is:

DFAS Cleveland Garnishment Law Directorate
PO Box 998002
Cleveland, OH  44199-8002
Telephone: 1-888-332-7411
Toll-free Fax: 1-877-622-5930

D.  Notice.  A notice is a court order, letter, or similar documentation issued by an authorized person providing notification that a member has failed to make periodic support payments under a support order.

E.  Spousal Support.  Spousal support is periodic payments for the support and maintenance of a spouse or former spouse, in accordance with state or local law.  It includes, but is not limited to, separate maintenance, alimony while litigation continues, and maintenance.  Spousal support does not include any payment for transfer of property or its value by an individual
to his or her spouse or former spouse in compliance with any community property settlement, equitable distribution of property, or other division of property between spouses or former spouses.

F. Support Order. A support order is any order providing for child or child and spousal support issued by a court of competent jurisdiction within any state, territory, or possession of the United States, including Indian tribal courts, or in accordance with administrative procedures established under state law that affords substantial due process and is subject to judicial review.

410303. Disposable Earnings

A. Include the following items in computing the disposable earnings for members assigned within the continental United States:

1. Basic pay (including Military Service academy cadet and midshipmen pay);

2. Basic allowance for housing for members with dependents, and for members without dependents in the grade of E-7 or higher;

3. Basic allowance for subsistence for commissioned and warrant officers;

4. Career sea pay;

5. Diving pay;

6. Flying pay (all crew members);

7. Proficiency pay or special duty assignment pay;

8. Special pay for medical, dental, optometry, and veterinary officers; and

9. Submarine pay.

B. Include the following additional items in computing the disposable earnings for members assigned outside the continental United States:

1. Family Separation Allowance - Restricted;

2. Hardship duty pay – location;

3. Special pay for duty subject to hostile fire and imminent danger (applies only to members permanently assigned in a designated area);
4. Special pay for overseas extensions;
5. Overseas housing allowance; and

C. After including the items in subparagraphs 410303.A and B, subtract the following items to compute the final disposable earnings value:

1. Amounts the member owes the United States;
2. Deductions for the Armed Forces Retirement Home;
3. Fines and forfeitures;
4. Federal and state employment and income taxes to the extent that the amount deducted is consistent with the member’s tax liability;
5. Deductions for Servicemembers’ Group Life Insurance;
6. Advances of pay the member received before the date the designated official received notice of the support allotment. (In computing future advance pay requests, deduct the amount of the allotment required by law. See Chapter 32, Table 32-1);
7. Amount of salary offset for travel charge card debt; and
8. Other amounts required by law to be deducted.

410304. Notice to Designated Official

A. An authorized person will send to the designated official a signed notice that includes:

1. A statement that delinquent support payments equal or exceed the amount of support payable for 2 months under a support order, and a request that an allotment be established;
2. A certified copy of the support order. If the support order, on its face, appears to conform to the laws of the jurisdiction from which it was issued, then the designated official will not be required to ascertain whether the authority that issued the order had obtained personal jurisdiction over the member;
3. The amount of the monthly support payment. Such amount may include arrearages, if a support order specifies the payment of such arrearages. The notice will indicate how much of the amount payable will be applied toward liquidation of the arrearages;
4. A statement that delinquent support payments are more than 12 weeks in arrears, if appropriate;

5. The following information that identifies the member:
   a. Full name;
   b. Social security number; and
   c. Military Service of the member;

6. The full name and address of the allottee. The allottee will be an authorized person, or designee, or the recipient named in the support order;

7. Any limitations on the duration of the support allotment; and

8. A certification that the official sending the notice is an authorized person.

B. The notice will be sent by mail or delivered in person to the designated official. The designated official will note the date and time of receipt on the notice.

C. The notice is effective when it is received in the office of the designated official.

410305. Notice to Member and Member’s Commanding Officer

A. Upon receipt of a notice of delinquent support payments, together with all required supplementary documents and information, the designated official will review the notice in order to identify the member from whom moneys are due and payable.

B. If the notice does not sufficiently identify the member, or if the member identified in the notice is not currently entitled to receive military pay, then the notice will be returned directly to the authorized person with an explanation of the reason for its return.

C. In cases where the designated official is able to identify the member, then as soon as possible, but not later than 15 calendar days after the date of receipt of the notice, the designated official will send to the member, at his or her duty station, a copy of the notice and other legal documentation served on the designated official, along with a letter informing the member of the following:

1. That notice has been received from an authorized person;

2. That the maximum limitations provided in 15 U.S.C. § 1673, apply, and a request that the member submit supporting affidavits or other documentation necessary for determining the applicable percentage limitation;
3. That the member may submit supporting affidavits or other documentation as evidence that the information contained in the notice is in error;

4. That by submitting supporting affidavits or other necessary documentation, the member consents to the disclosure of such information to the party requesting the support allotment;

5. The amount or percentage that will be deducted if the member fails to submit the documentation necessary to enable the designated official to respond to the notice within the prescribed time limits;

6. That a consultation with a judge advocate or legal officer will be provided by the Military Department concerned, if possible, and that the member should immediately contact the nearest legal services office; and

7. The date that the allotment is scheduled to begin.

D. The designated official will provide the member's commanding officer, or designee, with a copy of the notice and other legal documentation served on the designated official. The designated official will notify the member's commanding officer, or designee, of the need for consultation between the member and a judge advocate or legal officer.

E. The member's commanding officer, or designee, will confirm in writing to the designated official within 30 days of notice that the member received a consultation concerning the member's support obligation and the consequences of failure to make payments, or when appropriate, of the inability to arrange such consultation and the status of continuing efforts to fulfill the consultation requirement.

F. If, within 30 days of the date of the notice, the member has furnished the designated official affidavits or other documentation showing the information in the notice to be in error, then the designated official will consider the member's response. The designated official will return to the authorized person, without action, the notice for a statutory support allotment together with the member's affidavit and other documentation, if the member submits substantial proof of error, such as:

1. The support payments are not delinquent; or

2. The underlying support order in the notice has been amended, superseded, or set aside.

410306. Payments

A. The designated official will establish a statutory allotment in an amount necessary to comply with the support order and to liquidate arrearages, if provided by a support order by the first end-of-month payday after the designated official is notified that the member has consulted with a judge advocate or legal official, or that a consultation was not possible, but not
later than the first end-of-month payday after 30 days have elapsed from the date of notice to the member. However, the military pay offices will not be required to vary their normal pay and disbursement cycles to comply with notice under this section.

B. The maximum amount to be allotted under this section, together with any other moneys withheld for support from the member, will not exceed:

1. Fifty percent of the member’s disposable earnings for any month in which the member asserts by affidavit or other acceptable evidence that he or she is supporting a spouse, dependent child, or both, other than a party in the support order. When the member submits evidence, copies will be sent to the authorized person, together with notification that the member’s support claim will be honored. If the authorized person contests the support claim, then that person may refer the matter to the appropriate court or other authority for resolution;

2. Sixty percent of the member's disposable earnings for any month in which the member fails to assert by affidavit or other acceptable evidence that he or she is supporting a spouse, dependent child, or both; or

3. Regardless of the limitations in subparagraphs 410306.B.1 and 410306.B.2, an additional 5 percent of the member's disposable earnings will be withheld when the notice states that the total amount of the member's support payments is 12 or more weeks in arrears.

C. If several notices are sent with respect to the same member, then payments will be satisfied on a first-come, first-served basis within the amount limitations in subparagraph 410306.B.

D. Payment of statutory allotments will be enforced over other voluntary deductions and allotments when the member’s gross pay and allowances are not sufficient to permit all authorized deductions and collections. The member will be allowed to choose which discretionary allotments to cancel. If the member refuses or is unable to advise which allotments to cancel, then voluntary allotments will be cancelled in the following order:

1. CFC allotment;

2. Savings Bond allotment;

3. Discretionary allotment payable to a financial organization for deposit to the member’s account (includes allotments payable to a mutual fund or investment firm and allotments to pay for personal or car loans);

4. MGIB contributions;

5. Allotment to repay loans to Military Service relief agencies and the American Red Cross; and
6. Discretionary allotments in the following order:
   a. Payments to dependents/relatives;
   b. Emergency payment to dependents;
   c. Repayment of home loans and payment of rent;
   d. Commercial life, health, and dental insurance;
   e. Navy Mutual Aid Insurance; and

E. The authorized person or allottee will notify the designated official promptly if the operative court order upon which the allotment is based is vacated, modified, or set aside. The designated official will also be notified of any events affecting the allottee’s eligibility to receive the allotment, such as the former spouse’s remarriage, if a part of the payment is for spousal support, and notice of a change in eligibility for child support payments under circumstances of death, emancipation, adoption, or attainment of majority of a child whose support is provided through the allotment.

F. A statutory allotment established under section 4103 will be adjusted or discontinued upon notice from the authorized person.

410307. Indemnification

Neither the DoD, nor any of its officers or employees, will be liable for any payment made from moneys due from, or payable by, the DoD to any individual pursuant to notice regular on its face, if such payment is made in accordance with 42 U.S.C. § 659 and section 4103.

4104 LEVY ON PAY AND ALLOWANCES FOR ENFORCEMENT OF CHILD SUPPORT OBLIGATIONS

410401. Authority

The Secretary of the Treasury, upon receiving the certification of the Secretary of Health and Human Services, will assess and collect the amount certified as unpaid child support in the same manner as if the amount were a delinquent federal tax, the collection of which would be jeopardized by delay. (See Chapter 44.)

410402. Satisfaction of Levy

When the Secretary of the Treasury issues a notice of levy, satisfy the levy in the manner prescribed in Chapter 44. However, in the case of a first assessment against an active duty, retired (including members of the Fleet Reserve and Marine Corps Fleet Reserve), or Reserve member
for unpaid child support, satisfaction of the levy will be stayed for a period of 60 days immediately following notice and demand. If a portion of such member’s pay is being withheld in garnishment or attachment pursuant to a judgment entered by a court of competent jurisdiction for the support of minor children, then the amount of pay withheld is exempt from the levy.

4105 INVOLUNTARY ALLOTMENT OF PAY FOR DEBT COLLECTION OTHER THAN CHILD OR SPOUSAL SUPPORT

410501. General

A. The processing of involuntary allotments of pay for debt collection other than child or spousal support is governed by 5 U.S.C. § 5520a(k), 32 CFR 112, and 32 CFR 113. These authorities take precedence when in conflict with this section.

B. Moneys due from, or payable by, the United States to an active duty member are subject to involuntary allotment to satisfy a judgment for a debt for other than child or spousal support owed to a third party and issued by a court of competent jurisdiction within any state, territory, or possession of the United States.

410502. Definitions

The following definitions apply to section 4105.

A. Designated Agent. A designated agent is an agent responsible for receiving and processing the involuntary allotment application for active duty members;

B. Active Duty Member. An active duty member is a regular member or any member of an RC on active duty pursuant to a call or order for a period in excess of 180 days at the time an application for involuntary allotment is received by DFAS, excluding members in a prisoner of war or missing in action status and retired members;

C. Exigency of Military Duty. The exigency of military duty is a military assignment or mission-essential duty that, because of its urgency, importance, duration, location, or isolation, necessitates the absence of a member of the Military Services from appearance at a judicial proceeding or prevents the member from being able to respond to a notice of application for an involuntary allotment. Exigency of military duty is normally presumed during periods of war, national emergency, or when the member is deployed; and

D. Final Judgment. The final judgment is a valid, enforceable order or decree, issued by a court from which no appeal may be taken, or from which no appeal has been taken within the time allowed, or from which an appeal has been taken and finally decided.

410503. Service Directives

The following source directives contain detail on entitlements, policies, and procedures for allotments for commercial debts:
A. **Army:** Army Regulation **37-104-4**, Military Pay and Allowances Policy and Procedures-Active Component;

B. **Air Force:** Air Force Instruction **36-2906**, Personnel Personal Financial Responsibility; and


410504. **Involuntary Allotment Application**

A. **Designated Agent.** The designated agent responsible to receive and process the involuntary allotment applications concerning active duty members may be contacted at the following address:

DFAS Cleveland Garnishment Law Directorate  
P.O. Box 998002  
Cleveland, OH 44199-8002  
Telephone 1-888-332-7411  
Toll-free Fax: 1-877-622-5930

B. **Creditor’s Application.** The creditor initiates the involuntary allotment process by mailing a completed application package, which includes the original and three copies of the “Involuntary Allotment Application,” DoD (DD) Form **2653**, and a certified copy of the final judgment to the designated agent named in subparagraph 410504.A. The imaging date of the documents is used as the date of service.

C. **Review of Application**

1. The designated agent will first identify the pertinent member, and determine whether the member has any funds available for the involuntary allotment. If the designated agent is unable to identify the member, then the designated agent will return the application package directly to the applicant with an explanation of the deficiency.

2. If the member does not have funds available, then the designated agent will stop any further legal processing, and notify the creditor in writing of the reason why no funds are available, and that the creditor must re-serve the involuntary allotment application at a later date. The reasons that no funds are available may include the following:

   a. The member has separated from military service and is no longer receiving military pay;

   b. Involuntary allotments are honored on a first-come, first-served basis. If the designated agent is already implementing a previously-served involuntary allotment against the member’s pay, then no funds will be available until the previous involuntary allotment amount is satisfied; or
c. If the member’s pay is subject to a previously-served garnishment or statutory allotment for spousal or child support, and the amount of the spousal or child support deduction exceeds the maximum amount of pay subject to involuntary allotment (see subparagraph 410508.D.2), then no funds will be available for the involuntary allotment until the child support deduction is reduced to an amount that is less than the maximum amount of pay subject to involuntary allotment.

3. If the member has funds available for the involuntary allotment, then the designated agent will conduct a legal review of the application to ensure that it complies with the requirements of 32 CFR 112 and 113, to include compliance with the Servicemembers Civil Relief Act in the judicial proceeding resulting in the final judgment, and determining that the member’s pay could be garnished under applicable state law.

4. When the designated agent receives an application package based upon a final judgment, which on its face, appears to conform to the laws of the jurisdiction from which it was issued, the designated agent will not be required to ascertain whether the court that issued the judgment had obtained personal jurisdiction over the member.

5. If the designated agent rejects the creditor’s application after the legal review, then the designated agent will provide the creditor with a written notice of any deficiencies.

410505. Notice to Member and Member’s Commanding Officer

A. Notice Package

1. The designated agent will send a notification letter, along with a copy of the application package and a DD 2654, “Involuntary Allotment Notice and Processing,” to the pertinent member, and two copies to the member’s commanding officer, in care of the member’s unit address of record in the military pay system.

2. The notice letter to the member and the member’s commanding officer will state that the involuntary allotment will be established against the member’s pay if a response is not received within 90 calendar days from the original date of mailing, unless the member has been granted an extension to respond (see subparagraph 410506.A.2).

3. The DD 2654 itself provides step-by-step instructions for completing the form and returning it to the designated agent. Paragraph 410506 is a summary of the response process.

B. Final Notification Letter. If the designated agent has not received a response to the notice package within 60 days of the date the package was mailed, then the designated agent will send a letter to the member and the member’s commanding officer stating that if no response is received or request for extension granted within 90 calendar days from the original date the notice package was mailed, then the involuntary allotment will be established against the member’s pay.
Response by Member and Member’s Commanding Officer to Notice of Involuntary Allotment

A. Commanding Officer’s Initial Actions

1. Upon receipt of the notice and accompanying documentation, the commander will determine whether the member is assigned to the commander’s unit and available to respond to the involuntary allotment application.

2. If the member is temporarily unavailable to respond, then the member’s commanding officer may grant a reasonable extension of time for the member’s response. The commanding officer will notify the designated agent, by completing Section II of the DD 2654 and returning a copy of the form to the designated agent, that the member has been granted an extension of time to respond, the date the response is due, and the reason(s) for the extension. The commanding officer should provide appropriate documentation supporting the determination. In the absence of any additional correspondence from the member’s commanding officer, the involuntary allotment application may be automatically processed within 15 calendar days after the date a response was due, including any approved extension response date.

3. If the member is available for counseling, within 5 days of receipt of the application package and the DD 2654, then the commanding officer will notify the member of the application, provide the member with a copy of the entire application package, and counsel the member using and completing Section III of the DD 2654. The commanding officer’s counsel will include notifying the member that he or she has 15 calendar days from receipt of the commanding officer’s notice to complete Section IV of the DD 2654 and return it to the commanding officer.

B. Member’s Response

1. After receiving the commanding officer’s notification, the member completes Section IV of the DD 2654. In Section IV, the member may acknowledge either that the applicant’s judgment is valid and consent to the establishment of an involuntary allotment, or contest the involuntary allotment by asserting any of the following defenses, which the member must support with appropriate evidence:

   a. That the member’s rights under the Servicemembers Civil Relief Act were not complied with during the judicial proceeding upon which the application is based;

   b. That exigencies of military duty caused the member’s absence from appearance in a judicial proceeding forming the basis for the judgment upon which the application is sought;

   c. That information contained in the application is false or erroneous in material part;
d. That the judgment has been fully satisfied, superseded, or set aside;

e. That the judgment has been materially amended, or partially satisfied; or

f. That there is a legal impediment to the establishment of the involuntary allotment. For example, the judgment debt has been discharged in bankruptcy, or the automatic stay of enforcement of debts applies because the member has filed for bankruptcy protection, or that the applicant is not the judgment creditor or a proper successor in interest to the creditor.

2. After completing Section IV, the member returns the DD 2654 to his or her commanding officer.

C. Commanding Officer’s Completion and Return of DD 2654

1. The member’s commanding officer completes Section V of the DD 2654 and returns it to the designated agent, along with any supporting evidence provided by the member. In Section V, the commanding officer indicates one of the following:

a. The member refused to respond by the authorized suspense date, and the form is returned without Section IV being completed by the member; or

b. The member has completed Section IV, and the form is returned for appropriate action.

2. If the member has asserted an “exigencies of military duty” defense in Section IV of the DD 2654, then the commanding officer must determine whether the member has validly asserted this defense, and note his or her determination in Section V of the form.

3. If the commanding officer supports the member’s “exigencies of military duty” defense, then the commanding officer must provide the title and address of an appeal authority in Section V in case the applicant wishes to appeal the commanding officer’s determination. The appeal authority is the commander immediately superior to the commanding officer who made the determination. If the commanding officer does not designate an appeal authority, then the designated agent will return the DD 2654 to the commanding officer with instructions that this information must be provided in order to complete the form and support the member’s “exigencies” defense.

410507. Review of Completed DD 2654 and Supporting Documentation

A. Member Did Not Complete Section IV of DD 2654. If the member refused to complete Section IV of the DD 2654, then the designated agent will honor the application and implement deductions against the member’s pay to satisfy the judgment against the member.
B. Member Completes Section IV of DD 2654

1. If the member completes Section IV of the DD 2654 and has asserted the “exigencies” defense, and the member’s commanding officer has confirmed the “exigencies” defense and provided an appeal authority in Section V of the form, then the designated agent will reject the involuntary allotment application, and provide the applicant with written notice advising the applicant of the following:

   a. The reason for rejecting the application;

   b. The name and address of the appeal authority;

   c. The applicant has 60 days from the date of the designated agent’s notice to appeal the commanding officer’s “exigencies” determination to the appeal authority;

   d. The appeal must be in writing and contain sufficient evidence to overcome the presumption that the commander’s exigency determination was correct;

   e. The appeal authority will decide an appeal within 30 days of its receipt, and promptly notify the applicant of the decision. The 30-day decision period may be extended in times of deployment, war, national emergency or other similar situations;

   f. If the appeal is successful, then the applicant must submit a written request along with a copy of the appeal authority’s decision to the designated agent within 15 days of receipt of the decision; and

   g. Upon receiving notice of the successful appeal, the designated agent will continue the review of the application package and the DD 2654.

2. If the member has completed Section IV of the form, and has not asserted the “exigencies” defense, or has asserted it but the member’s commanding officer did not confirm it, or if the applicant has successfully appealed an “exigencies” determination, then the designated agent will determine whether the member has successfully asserted any other defenses against the involuntary allotment.

   a. If the designated agent determines that the member has successfully asserted one or more defenses against the involuntary allotment application, then the designated agent will reject the application, and notify the applicant in writing of the reason(s) for the rejection.

   b. If the designated agent determines that the member has not successfully asserted any defenses against the involuntary allotment, then the designated agent will implement deductions against the member’s pay to satisfy the judgment against the member.
410508. Pay Subject to Involuntary Allotment

A. Types of Pay Subject to Involuntary Allotment. Only the following types of pay are subject to the involuntary allotment process:

1. Basic pay (excluding the reduction for education benefits under the MGIB);

2. Special pay, to include:
   a. Health care professionals (Including optometrists, dental officers, psychologists, nonphysician health care providers, registered nurses, nurse anesthetists, nurse corps officers, and medical officers);
   b. Veterinarians;
   c. Diving duty;
   d. Foreign duty;
   e. Career sea pay;
   f. Command pay;
   g. International military headquarters;
   h. Proficiency pay and special duty assignment pay for enlisted members;
   i. Reenlistment bonus;
   j. Enlistment bonus;
   k. Prior service enlistment bonus;
   l. Hostile fire or imminent danger pay;
   m. Nuclear officer continuation bonus;
   n. Nuclear career accession bonus;
   o. Nuclear career annual incentive pay;
   p. Enlisted members extending duty at designated overseas locations;
q. Foreign language proficiency pay;

r. Officers in critical acquisition positions extending period of active duty;

s. Aviator Bonus;

t. Selective Reenlistment Bonus;

3. Incentive pay, including:

a. Hazardous duty;

b. Aviation incentive pay; and

c. Submarine duty;

4. Accrued leave payments (basic pay portion only);

5. Readjustment pay; and

6. Severance pay, including disability severance pay.

B. Pay and Allowances Not Subject to Involuntary Allotment. Separation pay is not subject to involuntary allotment. In addition, allowances paid under U.S.C. Titles 10 and 37, and other reimbursements for expenses incurred in connection with duty in the Military Service or allowances in lieu thereof, are not subject to the involuntary allotment.

C. Other Amounts Not Subject to Involuntary Allotment. After computing the pay subject to involuntary allotment, the following items must be deducted to compute the amount of disposable pay subject to involuntary allotment:

1. Federal and state income tax withholding (amount is limited to that which is necessary to fulfill the member's tax liability);

2. FICA tax;

3. Armed Forces Retirement Home;

4. Servicemember’s Group Life Insurance;

5. Indebtedness to the United States (including tax levies);

6. Fines and forfeitures ordered by a court-martial or a commanding officer; and
7. Amounts otherwise required by law to be deducted from a member’s pay (except payments for garnishments for child support, alimony or mandatory allotments for child or spousal support).

D. Maximum Amount of Pay Subject to Involuntary Allotment

1. The involuntary allotment will not exceed the lesser of 25 percent of a member’s pay subject to involuntary allotment or the maximum percentage of pay subject to garnishment proceedings under the applicable state law.

2. If the member’s pay is subject to a garnishment or statutory allotment for spousal or child support, in addition to the involuntary allotment application, then the combined amounts deducted from the member's pay will not exceed the lesser of 25 percent of a member’s pay subject to involuntary allotment or the maximum percentage of pay subject to garnishment proceedings under the applicable state law. If the maximum percentage allowed for involuntary allotments would be exceeded by both deductions, then garnishments and statutory allotments for spousal and child support take priority over the involuntary allotment.

E. Voluntary Allotments to be Discontinued. Payment of an involuntary allotment will be enforced over other voluntary deductions and allotments when the member’s net pay is not sufficient to permit all authorized deductions and collections. If necessary, voluntary allotments will be cancelled in the following order:

1. CFC;
2. Savings bonds;
3. Payment to a financial organization for deposit to the member’s account (includes allotments payable to a mutual fund or investment firm and allotments to pay for personal or car loans);
4. MGIB Program contributions;
5. Repay loans to Military Service relief agencies and the American Red Cross; and
6. Discretionary allotments in the following order:
   a. Payments to dependents/relatives;
   b. Emergency payment to dependents;
   c. Repayment of home loans and payment of rent;
   d. Commercial life, health, and dental insurance;
e. Navy Mutual Aid Insurance; and


410509. Starting Involuntary Allotment Payments

A. The designated agent will begin involuntary allotment payments within 30 days after the designated agent has approved the application package. The designated agent will not be required to vary the normal military pay and disbursement cycles to comply with the application package.

B. Payment of involuntary allotments will be enforced over other voluntary deductions and allotments when the member’s net pay is not sufficient to permit all authorized deductions and collections. The member will be allowed to choose which discretionary allotments to cancel. If the member refuses or is unable to advise which allotments to cancel, then allotments will be cancelled in accordance with subparagraph 410508.E.

410510. Stopping Involuntary Allotment Payments

A. Involuntary allotment payments will continue until the amount specified in the judgment is collected, including interest as annotated by the applicant in Section I of DD 2653, “Involuntary Allotment Application.”

B. The designated agent will stop involuntary allotment payments prior to satisfying the judgment amount if one of the following conditions applies:

1. The member separates from active duty at which time the applicant will be informed that the allotment is discontinued because the member is no longer receiving military pay;

2. The applicant notifies the designated agent that the operative court order upon which the allotment is based has been vacated, modified, or set aside, or the designated agent is notified of an event affecting the applicant’s eligibility to receive the allotment; or

3. The applicant requests that the involuntary allotment be discontinued.

C. The applicant will refund directly to the member any amounts overpaid within 30 days of discovery or notice of overpayment.

410511. Final Interest

A. Within 30 days following collection of the amount of the judgment, including interest annotated in Section I of the DD 2653, the applicant may submit one final statement showing any unpaid balance due to interest that accrued during the payment period.
B. The final statement must be accompanied by a statement of account showing how the remaining interest was calculated.

410512. Indemnification

Neither the DoD, nor any officer or employee thereof, will be liable for failure to make payment or for any payment made from moneys due from, or payable by, the Military Services to any individual pursuant to an application package that is regular on its face, if such payment is made in accordance with this section and 32 CFR 112 and 113.
# References

## Chapter 41: Garnishments and Other Involuntary Allocations

### 4102 - Garnishment of Pay for Enforcement of Child Support and Alimony Obligations

<table>
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| 410201 | 42 U.S.C. § 659  
5 CFR 581 |
| 410204.I | 5 CFR 581.104(h)(2)(i) |
| 410205 | 26 U.S.C. § 6331 |
| 410209 | 5 CFR 581.302  
5 CFR 581.305(f) |
| 410210 | 42 U.S.C. § 659 |

### 4103 - Statutory Allocations for Child and Spousal Support

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### 4105 - Involuntary Allotment of Pay for Debt Collection Other Than Child and Or Spousal Support

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| 410501 | 5 U.S.C. § 5520a(k)  
32 CFR 112 and 113 |
| 410508 | 32 CFR 113.3 |
| 410508.C.7 | 42 U.S.C. § 659  
42 U.S.C. § 665 |
VOLUME 7A, CHAPTER 42: “DISCRETIONARY ALLOTMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated March 2018 is archived.

<table>
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<th>PARAGRAPH</th>
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<tr>
<td>All</td>
<td>Updated formatting to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>420102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
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<tr>
<td>420502.A</td>
<td>Updated the “Commercial Insurers” subparagraphs with current Service regulations and added hyperlinks.</td>
<td>Revision</td>
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<tr>
<td>420502.C</td>
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<td>References</td>
<td>Renamed “Bibliography” to “References” and updated statutes and references.</td>
<td>Revision</td>
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CHAPTER 42

DISCRETIONARY ALLOTMENTS

4201 GENERAL

420101. Purpose

This chapter prescribes the policy for Military Service members having discretionary allotments. Service members are authorized no more than six discretionary allotments. Additionally, Service members are authorized no more than one discretionary allotment to the same allottee. To start a discretionary allotment on and after January 1, 2015, Service members will certify that, “Under the penalty of the Uniform Code of Military Justice, I certify that this allotment is NOT for the purchase, lease, or rental of personal property or payment toward personal property.” See sections 4203 through 4207 for examples of allowable allotments.

*420102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

4202 ADMINISTRATION OF DISCRETIONARY ALLOTMENTS

420201. Discontinuance

Effective January 1, 2015, Service members are not authorized to start allotments for the purchase, lease, or rental of personal property. Personal property includes vehicles (e.g., automobiles, motorcycles, or boats), appliances or household goods (e.g., a washer, dryer, furniture), electronics (e.g., a laptop, tablet, cellphone, or television), and other consumer items that are tangible and movable.

420202. Grandfathering

Allotments described in paragraph 420201 that exist on a Service member’s pay account prior to January 1, 2015 may continue, and Service members may change the amount of these allotments. If, for any reason, an allotment described in paragraph 420201 is stopped, the allotment is not authorized to be restarted.

420203. Other Provisions

See Chapter 40, section 4003 for other administrative provisions regarding allotments.
4203 ALLOTMENTS TO FINANCIAL INSTITUTIONS

Service members may have an allotment to a financial institution, mutual fund company, or investment firm where the Service member is the owner of the account. If there are multiple accounts at the same financial institution, the payments must be combined into one allotment amount.

4204 ALLOTMENTS TO DEPENDENTS OR RELATIVES

Service members may authorize allotments of pay to their dependents, relatives, or former spouse(s). The allotment may be payable to an individual or to a financial organization for credit to the account of the allottee, or a joint account of the allotter and allottee.

4205 INSURANCE ALLOTMENTS

420501. General

Service members may have an allotment for the payment of insurance premiums.

420502. Commercial Insurers

Commercial insurers are eligible allottees. All new allotments for paying premiums on commercial insurance must be approved under the following Military Service regulations:

* A. Army: Army Regulation (AR) 37-104-4, Chapter 24 and AR 210-7;

* B. Navy and Marine Corps: Secretary of the Navy Instruction (SECNAVINST) 1740.2F Series; or

* C. Air Force: DoD Instruction (DoDI) 1344.07_Air Force Instruction (AFI) 36-2925.

All payments to an insurer are made to the home office of the agency issuing the policy or to a branch office named by the home office. A Service member is not authorized to establish an insurance allotment to a financial institution where the allotment is established for and/or controlled by the insurance company. A Service member may have more than one allotment for commercial insurance. If the Service member has more than one insurance policy with the same company, then premium payments must be combined into one allotment to that company.

420503. Navy Mutual Aid Insurance (Navy and Marine Corps Only)

The Navy Mutual Aid is an authorized allottee for the payment of life insurance. If the Service member has both the regular premium and the extra hazardous duty premium, then the payments must be combined into one allotment.
420504. Effective Dates for Starting, Changing, and Stopping Allotments

Tables 42-1, 42-2, and 42-3 prescribe effective dates to start, change, or stop allotments.

4206 ALLOTMENTS FOR PAYMENT OF MORTGAGE OR RENT

Service members may authorize allotments of pay for mortgage or rent payment to a financial institution, mortgage company, realtor, or to a landlord.

4207 ALLOTMENT FOR THE SAVINGS DEPOSIT PROGRAM

Service members may authorize an allotment into the Savings Deposit Program. This allotment will be processed in accordance with the procedural instructions of the Military Service concerned. The restrictions in Chapter 51 are applicable when starting this type of allotment.
Table 42-1. Dates to Start Insurance Allotments

<table>
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<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
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<tr>
<td>1</td>
<td>If a Service member of the Army or Air Force authorizes a/an insurance allotment</td>
<td>then start allotment effective the first day of the month specified by the Service member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations. The allotment may be effective with the month allottee enters on duty but only when an enlisted Service member, warrant officer, or graduate of a Service academy is commissioned, or when an enlisted Service member is appointed as a warrant officer.</td>
<td></td>
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<tr>
<td>2</td>
<td>the Navy or Marine Corps commercial insurance or a Navy Mutual Aid allotment</td>
<td>specified by the Service member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations.</td>
<td></td>
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Table 42-2. Dates to Change Insurance Allotments

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<th>RULE</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>If a Service member of the Army or Air Force has a commercial insurance or accounting and finance officer requests a change in the allotment Service member or accounting and finance officer specifies the allotment document, if authorization will reach the allotment office before the date specified in Military Service regulations following the month the old allotment is stopped.</td>
<td>then start allotment effective the first day of the month</td>
<td>and start new allotment effective the first day of the month</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>the Navy or Marine Corps commercial insurance or a Navy Mutual Aid allotment</td>
<td>specified in the allotment document, if authorization will reach the allotment office before the date specified in Military Service regulations</td>
<td>following the month the old allotment is stopped.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 42-3. Dates to Stop Insurance Allotments

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Army or Air Force</td>
<td>commercial insurance allotment</td>
<td>the Service member requests the allotment to be stopped</td>
<td>month specified by the Service member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations.</td>
</tr>
<tr>
<td>2</td>
<td>Navy or Marine Corps</td>
<td>commercial insurance or a Navy Mutual Aid allotment</td>
<td>is absent without leave (AWOL) for 10 days or more</td>
<td>latest month in which enough pay accrues to satisfy deduction.</td>
</tr>
<tr>
<td>3</td>
<td>Army or Air Force</td>
<td>commercial insurance allotment</td>
<td>is AWOL for 15 days (or less, if allotment discontinuance is necessary to prevent overpayment)</td>
<td>month before the month in which absence began, if authorization will reach allotment office before the date specified in Military Service procedural regulations; otherwise, stop the month the absence began.</td>
</tr>
<tr>
<td>4</td>
<td>Navy or Marine Corps</td>
<td>commercial insurance or Navy Mutual Aid allotment</td>
<td>the convening authority approves a court-martial sentence imposing total forfeiture of pay and allowances</td>
<td>latest month in which enough pay accrues to satisfy deduction.</td>
</tr>
<tr>
<td>5</td>
<td>Army or Air Force</td>
<td>commercial insurance allotment</td>
<td>has insufficient “take home” pay to satisfy Internal Revenue Service (IRS) notice of levy</td>
<td>month prior to the date in which the convening authority approves the court-martial sentence.</td>
</tr>
<tr>
<td>6</td>
<td>Navy or Marine Corps</td>
<td>commercial insurance or Navy Mutual Aid allotment</td>
<td>has insufficient “take home” pay to satisfy Internal Revenue Service (IRS) notice of levy</td>
<td>month before the month in which IRS notice of levy is received. (Stop insurance allotments only if discontinuance of other discretionary allotments will not satisfy the levy.)</td>
</tr>
</tbody>
</table>
Table 42-3. Dates to Stop Insurance Allotments (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>If a Service member of the Army or Air Force</td>
<td>authorizes a commercial insurance allotment</td>
<td>has insufficient pay, because of reduction in grade, nonpay status, or stoppage of pay, to warrant continuance of allotment</td>
<td>then stop allotment effective the first day of the latest month in which enough pay accrues to satisfy deduction. Avoid stopping allotment unnecessarily or earlier than required.</td>
</tr>
<tr>
<td>10</td>
<td>Air Force, Army, Navy or Marine Corps</td>
<td>commercial insurance or a Navy Mutual Aid allotment</td>
<td>is separated, retires, or dies</td>
<td>(See procedural regulations of Military Service concerned.)</td>
</tr>
</tbody>
</table>
CHAPTER 42 - DISCRETIONARY ALLOTMENTS

4202 - ADMINISTRATION OF DISCRETIONARY ALLOTMENTS

37 U.S.C., section 701

420201 Office of the Under Secretary of Defense (OUSD) Memo, November 21, 2014

4205 - INSURANCE ALLOTMENTS

420502.A AR 37-104-4, June 8, 2005
AR 210-7, October 18, 2007

420502.B SECNAVINST 1740.2F, June 18, 2019

420502.C DoDI 1344.07_AFI 36-2925, December 4, 2018

4206 - ALLOTMENTS FOR PAYMENT OF MORTGAGE OR RENT

OUSD Memo, November 21, 2014
VOLUME 7A, CHAPTER 43: “NONDISCRETIONARY ALLOTMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated November 2017 is archived.

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<th>PURPOSE</th>
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<tr>
<td>All</td>
<td>Updated formatting and hyperlinks to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>430102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated supporting statutes and references.</td>
<td>Revision</td>
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CHAPTER 43

NONDISCRETIONARY ALLOTMENTS

4301 GENERAL

430101. Purpose

The purpose of this chapter is to provide the policies for members of the Armed Forces to initiate nondiscretionary allotment deductions from their pay accounts.

*430102. Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

4302 ALLOTMENTS FOR THE PURCHASE OF SAVINGS BONDS

The U.S. Department of the Treasury (Treasury) discontinued the purchase of paper savings bonds through federal payroll deduction effective October 1, 2010. Military members may purchase electronic savings bonds by establishing a personal TreasuryDirect account with the Treasury and then initiating a nondiscretionary allotment made payable to the Treasury at their TreasuryDirect account. Members are authorized one nondiscretionary allotment for the purchase of bonds.

430201. Establishment of Allotment

Members electing to purchase electronic savings bonds will first create an account in TreasuryDirect. This account can be used to purchase multiple bonds. Once created, members must either log into myPay or contact their servicing finance office to establish an allotment to the TreasuryDirect account. The following information is required to initiate the allotment:

A. The routing transit number for TreasuryDirect is 051736158,

B. The TreasuryDirect account number provided by the Treasury, and

C. The specific dollar amount (as opposed to a percentage of pay) to be deducted monthly.

NOTE: The myPay system also requires that the member designate an account type either checking or savings, even though that designation is inapplicable to an allotment to a TreasuryDirect account.
430202. Change or Cancellation of Allotments

Members may change or cancel their allotments through myPay, or through their servicing finance office.

430203. Administration of Allotments

Details covering the administration of savings bond allotments are contained in the procedural instructions of the Military Service concerned.

430204. Safekeeping of Bonds

The Federal Reserve Bank printed and mailed all U.S. Savings Bonds previously stored in safekeeping by the Defense Finance and Accounting Service to members. Members who did not receive all their savings bonds will need to file a claim with the U.S. Treasury Bureau of Fiscal Services through TreasuryDirect. To file a claim, members need to follow the instructions found on the TreasuryDirect website. Members must create a TreasuryDirect account, as the reissued bonds will be deposited to the account electronically.

4303 CHARITABLE CONTRIBUTIONS

430301. General

A. Combined Federal Campaign (CFC). In accordance with Title 5, Code of Federal Regulations, part 950, annual solicitations for donations to various community charity drives have been coordinated into a single combined fund-raising campaign. Basic information on the CFC and the DoD CFC Overseas Campaign is contained in the DoD Instruction (DoDI) 5035.01.

B. Service Relief Organizations (SROs). Members are authorized to make charitable contributions by allotment to the Army Emergency Relief, Navy and Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund.

C. Allotment. Members meeting the requirements of this section may authorize a class C allotment for a charitable contribution to the CFC (domestic or overseas) or to any of the Military SROs indicated in subparagraph 430301.B. All allotments authorized are paid centrally by the offices shown in Chapter 40, section 4007.

430302. Limitations

Allotments for CFC and SROs must be at least $1 per month, and each allotter is authorized only one CFC and one SRO allotment.
430303. Discontinuance (CFC Only)

Once an allotment is stopped, it may not be reinstated during the current allotment period. (This limitation does not apply to Navy or Marine Corps members when the allotment is stopped because of change in pay group.) Stop the allotment:

A. At the end of the authorized withholding period;

B. Upon member’s written request; or

C. Upon separation (except when discharged and immediately reenlisted at the same station without a break in service), release from active duty, transfer to the Fleet Reserve or Fleet Marine Corps Reserve, retirement, or death.

430304. Transfer

Continue the allotment when a member participating in a CFC campaign is transferred, unless the member submits a written discontinuance request.

430305. Administration of Allotment

Details covering charitable contribution allotments are in the procedural instructions of the Military Department concerned.

4304 NONDISCRETIONARY ALLOTMENT FOR PRIVATIZED HOUSING PAYMENT

430401. General

The Military Housing Privatization Initiative (MHPI) authorizes assignment of Service members to privatized housing units. Service members assigned to privatized housing units are entitled to Basic Allowance for Housing (BAH). The member may be required to make lease payments for such housing in the form of an allotment. A member is authorized to initiate a nondiscretionary allotment for this payment.

430402. Restrictions

A. A member is authorized only one nondiscretionary allotment for the privatized housing payment.

B. A change to the member’s BAH amount due to promotion, demotion, administrative, or legislative action may require a change to the allotment amount. Under these or other circumstances, the Service member is responsible for ensuring the allotment amount is changed.

C. The Service member is responsible for reconciling overpayments or underpayments with the property manager.
D. The nondiscretionary allotment is restricted to lease payments to entities participating in the MHPI. An allotment to private individuals, corporations, firms, partnerships, companies, state or local government, or housing authority of a state or local government, not associated with the MHPI, is not authorized.

4305 NONDISCRETIONARY ALLOTMENT (SALARY OFFSET) FOR DELINQUENT TRAVEL CHARGE CARD DEBT

430501. Authority

Under the provisions of the “Travel and Transportation Reform Act of 1998,” heads of agencies may, upon written request of a federal contractor, collect, by deduction from the amount of pay owed to an employee of the agency, any undisputed amount of funds the employee owes to the travel charge card contractor that is delinquent. The Act defines the term ‘employee’ as an individual employed in or under an agency, including a member of any of the Uniformed Services. A member of one of the Uniformed Services is an employee of that Uniformed Service.

430502. Procedures

The due process procedures applicable to military members are the same as for civilian employees of the Department. Therefore, salary offset for a military member’s undisputed delinquent travel charge card debt must follow the procedures contained in Volume 16, Chapter 2 and Chapter 3. The amount deducted from a member’s pay for any pay period may not exceed 15 percent of disposable pay for the pay period, unless the member consents in writing to the deduction of a greater percentage of pay. Disposable pay will be calculated in accordance with Chapter 41.
*REFERENCES

CHAPTER 43 - NONDISCRETIONARY ALLOTMENTS

4302 - ALLOTMENTS FOR THE PURCHASE OF SAVINGS BONDS

430201  31 CFR 363
430203  37 U.S.C., section 553(a)

4303 - CHARITABLE CONTRIBUTIONS

430301.A  5 CFR 950
          DoDI 5035.01, June 6, 2017, Change 1,
          February 16, 2018
          Executive Order 13743, October 13, 2016

4304 - NONDISCRETIONARY ALLOTMENT FOR PRIVATIZED HOUSING PAYMENT

4305 - NONDISCRETIONARY ALLOTMENT (SALARY OFFSET) FOR DELINQUENT TRAVEL CHARGE CARD DEBT

430501  5 U.S.C. § 5520a(k)(2)
          Public Law 105-264, section 2(d), October 19, 1998
          5 U.S.C. § 5520a
          DoDI 1344.09, December 8, 2008
430502  5 U.S.C. § 5514

43-7
VOLUME 7A, CHAPTER 44: “WITHHOLDING OF INCOME TAX”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated July 2016 is archived.

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<tr>
<td>440202.A.1</td>
<td>Removed subparagraph on “Combat Zone Tax Exclusion (CZTE) Prior to March 20, 1996” and renumbered subsequent subparagraphs.</td>
<td>Deletion</td>
</tr>
<tr>
<td>440203.A</td>
<td>Updated locations in Figure 44-1.</td>
<td>Revision</td>
</tr>
<tr>
<td>440203.D.4</td>
<td>Added clarifying language for claiming tax abatement.</td>
<td>Addition</td>
</tr>
<tr>
<td>440206.D</td>
<td>Removed the previous Figure 44-2 on “States and Territories That Entered Withholding Agreements With Treasury” and added a hyperlink to the Treasury Financial Manual.</td>
<td>Deletion, Addition</td>
</tr>
<tr>
<td>440207.A</td>
<td>Removed the subparagraph on the definition of Non-Resident Alien.</td>
<td>Deletion</td>
</tr>
<tr>
<td>440208</td>
<td>Removed the obsolete paragraph on “Advance Payment of Earned Income Credit Amounts.”</td>
<td>Deletion</td>
</tr>
<tr>
<td>Figure 44-1</td>
<td>Added Turkey as a “Designated Direct Support Area of a Combat Zone.”</td>
<td>Addition</td>
</tr>
<tr>
<td>Figure 44-2</td>
<td>Replaced previous Figure 44-2 with a list of the “Designated Combat Zone Areas.”</td>
<td>Addition</td>
</tr>
<tr>
<td>Figure 44-3</td>
<td>Added figure to list the “Qualified Hazardous Duty Areas.”</td>
<td>Addition</td>
</tr>
<tr>
<td>Table 44-1 Rule 9</td>
<td>Added a note for waived forfeitures.</td>
<td>Addition</td>
</tr>
<tr>
<td>Table 44-1 Rule 16</td>
<td>Added death gratuity as a non-taxable benefit.</td>
<td>Addition</td>
</tr>
<tr>
<td>Table 44-1, Rule 18</td>
<td>Updated the federal flat rate withholding tax.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated statutes and supporting references.</td>
<td>Revision</td>
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CHAPTER 44

WITHHOLDING OF INCOME TAX

4401  GENERAL

440101. Purpose

The purpose of this chapter is to describe the Federal Income Tax Withholding (FITW) and State Income Tax Withholding (SITW) requirements and procedures for Service member wages.

440102. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

4402  WITHHOLDING FROM CURRENT PAY

440201. Wages Subject to FITW and SITW

The taxable pay of all Service members is subject to FITW and SITW, except as listed in paragraph 440202. See Table 44-1. The taxable value of certain non-cash fringe benefits is also subject to federal and applicable state income taxes. See Table 44-1, rules 21 and 22.

*440202. Wages Not Subject to FITW and SITW

A. Combat Zone (CZ) Tax Exclusion (CZTE)

1. Effective November 21, 1995. All compensation of an enlisted member or warrant officer received for a month in which the enlisted member or warrant officer performed active duty in a CZ or Qualified Hazardous Duty Area (QHDA) (referenced in subparagraph 440203.A) qualifies for the CZTE under subparagraph 440203.B. For commissioned officers, no more than an amount equal to the maximum CZTE in effect for any month during any part of which such officers perform active duty in a CZ or QHDA, qualifies for the CZ or QHDA tax exclusion under subparagraph 440203.B.

2. Maximum CZTE. The amount of the maximum combat zone tax exclusion in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member (see Chapter 1) and the amount of hostile fire or imminent danger pay actually payable to the officer for the qualifying month. Also see Table 44-1, rules 1 through 4.

B. Puerto Rico and Commonwealth of Northern Mariana Islands (CNMI)

The U.S. Treasury Department has entered into an agreement with Puerto Rico and CNMI that requires the withholding of U.S. territorial income taxes instead of U.S. federal income tax for Service members who claim Puerto Rico or CNMI as their state of legal residence or domicile (as
determined by applicable territorial laws and the Servicemembers Civil Relief Act under Title 50, United States Code (U.S.C.), section 4001 and are serving:

1. On active duty in the regular or reserve components of the:
   
   (a) Army;
   
   (b) Navy;
   
   (c) Air Force;
   
   (d) Marine Corps; or
   
   (e) Coast Guard;

2. In the National Guard and participating in exercises or performing duty under 32 U.S.C. § 502; or

3. In the Ready Reserve and participating in scheduled drills or training periods or are serving on active duty for training under 10 U.S.C. § 10147.

*440203. CZTE for Active Service in a CZ, QHDA or in Direct Support of a CZ or QHDA

A. Locations.

1. Designated Direct Support Areas of a CZ. Figure 44-1 contains the CZ designated direct support areas as of September 19, 2016. For the most current areas, see the Designated Direct Support Areas of a Combat Zone (CZ) table.

2. Designated CZ Areas. Figure 44-2 contains the designated CZ areas and the Executive orders authorizing the designations, as of September 19, 2001. For the most current CZ areas, see the Combat Zone Tax Exclusion (CZTE) table.

3. QHDA. Figure 44-3 contains the QHDAs and the public laws authorizing the QHDAs, as of December 22, 2017. For the most current QHDAs, see the Qualified Hazardous Duty Areas table.

B. Qualification for CZTE for Active Service in a CZ, QHDA or in Direct Support of a CZ or QHDA. A Service member is entitled to CZ or QHDA tax exclusion for any month during any part in which:

1. Active Service. The member performs active service in a CZ or QHDA designated area. Periods in the zone or area during which a member is absent from the duty assignment because of sickness, wounds, internment by the enemy, or other lawful cause are periods of active service.
2. **Prisoner Of War (POW) or Missing In Action (MIA).** The member becomes a POW or MIA while in active service in a CZ or QHDA. Such personnel are deemed, to continue in active service in the CZ or QHDA for the period for which they are entitled to a POW or MIA status for military pay purposes.

3. **Absence.** The member is granted official leave, or is authorized to depart from assigned duty in a CZ or QHDA for other lawful cause, and is directed to perform Temporary Additional Duty or Temporary Duty (TAD/TDY), unless the member is absent for the entire calendar month for leave or TAD/TDY.

4. **Airspace.** The member is present, however briefly, in the CZ or QHDA on official duty. When the airspace over a CZ or QHDA is included as part of the zone or area, a member who passes over or through the zone or area during the course of a trip between two points, both of which lie outside the zone or area, is entitled to an exclusion only if the member is assigned to official TAD/TDY to the airspace of the zone or area, or qualifies for hostile fire or imminent danger pay as a result of the flight. If the airspace is not designated for hostile fire or imminent danger pay (but is part of the designated zone or area), then a member must be assigned to perform duty in the airspace rather than flying over the zone or area as in an incidental part of the trip to qualify for the exclusion. The fact that most members are in an official duty status when flying through a designated airspace should not be construed to mean they are assigned to the airspace to perform duty and are therefore entitled to the exclusion. The following examples apply:

   **Example 1.** Member A is assigned as a navigator in an air unit stationed outside the CZ. On June 4, during the course of a flight between his home base and another base outside the CZ, the aircraft on which he serves as a navigator flies over a CZ (given that the airspace is part of the designated CZ). Member A is not on official TAD/TDY in the airspace of the CZ and does not qualify for hostile fire or imminent danger pay as a result of the flight. Accordingly, he is not deemed to have served in a CZ since he passes through the zone without either being on official duty to the CZ or qualifying for hostile fire or imminent danger pay.

   **Example 2.** Same scenario as example 1, except that the airspace is not part of the designated zone and Member B is entitled to hostile fire or imminent danger pay as a result of the flight. Member B is deemed to have served in a CZ and is entitled to the CZTE if his duties are determined to be in direct support of the military operation in the zone.

   **Example 3.** Member C is a navigator in an air unit stationed outside a CZ. On June 4, she is ordered to perform duty (execute a mission) in the airspace over the CZ (which is part of the designated zone) and return to her home station outside the CZ. Member C is not entitled to hostile fire or imminent danger pay as a result of the flight. She is, however, entitled to the CZTE for the month of June for performing official TAD/TDY in the airspace (CZ) during that period.
5. **Direct Support.** The member performs military duties in areas outside the CZ or QHDA in direct support of military operations in the CZ or QHDA and qualifies for hostile fire or imminent danger pay under 37 U.S.C. § 351. (The hostile fire or imminent danger pay entitlement must be related to activities or circumstances in the CZ or QHDA.) Unit commanders who believe that their personnel qualify for CZTE treatment under this provision must request the appropriate designation. The Principal Deputy Under Secretary of Defense (USD) for Personnel and Readiness (P&R) is responsible for designating direct support areas in accordance with (IAW) Department of Defense (DoD) Instruction (DoDI) 1340.25, paragraph 4(b)(3). Once the area has been designated as a direct support area, all members serving in that area, who also receive hostile fire or imminent danger pay will qualify for CZTE benefits, unless otherwise specified.

a. When members are entitled to tax exclusion under this paragraph, entitlement continues for periods of absence, prisoner or missing status, and TAD/TDY as stated for service in the actual CZ or QHDA in subparagraphs 440203.B.1, 2, 3, or 4.

b. Military service is considered to be in direct support if it has the effect of maintaining, upholding, or providing assistance for those involved in military operations in the CZ or QHDA. The following examples are provided to assist in determining whether personnel qualify for CZ or QHDA tax exclusion. In each case, personnel must also be entitled to hostile fire pay or imminent danger pay:

Example 1. Services rendered on a supply vessel transporting supplies to a CZ or QHDA are in direct support of military operations in the CZ or QHDA, because the act of transporting necessary supplies is a function included within the concept of providing direct support of military operations.

Example 2. If an aircraft in a nearby country outside the CZ or QHDA is used to transport supplies and personnel into the CZ or QHDA, then the members of the ground crews who load the aircraft and the maintenance personnel who maintain the aircraft all qualify for CZ or QHDA tax exclusion. In addition, members who maintain and control the airstrip (e.g., as a meteorologist or air traffic controllers) are performing services in direct support of military operations in the CZ or QHDA and qualify for the tax exclusion.

Example 3. Members of a unit or installation who support and assist other members of that unit or installation who serve in direct support of military operations in a CZ or QHDA are considered to be serving in direct support of military operations in the CZ or QHDA. Generally, all members who serve in support of operations at an installation where some members serve in direct support of military operations in a CZ or QHDA are considered to be serving in direct support of military operations in that CZ or QHDA (e.g., unit or installation personnel for an airstrip would qualify).
6. **Hospitalization.** The member is hospitalized or re-hospitalized in any location as a result of wounds, disease, or injury incurred while serving in a CZ or QHDA or while serving in areas identified in subparagraph 440203.B.5. A member is considered as hospitalized or re-hospitalized until such time as status as a hospital patient ceases by reason of discharge from the hospital. CZ or QHDA tax exclusion under this subparagraph will not apply to any months beginning more than 2 years after the date specified by the President in an Executive order as the date of the termination of combatant activities in the CZ.

C. **Periods for Which Tax Exclusion Does Not Apply.** Members who are in the CZ or QHDA merely for their own convenience, e.g., while on leave from a duty station not in the zone or area, are not entitled to the exclusion.

**D. Tax Abatement in Case of Death**

1. A member who dies in a CZ or QHDA or as a result of wounds, disease, or injury incurred while serving in the CZ or QHDA is exempt from federal income tax for:
   
   a. The tax year in which death occurs, and
   
   b. Any prior tax year ending on or after the first day served in a CZ or QHDA.

2. Income tax liability is forgiven for any federal income tax owed for a prior year that remains unpaid on the date of death.

3. If an individual in a CZ or a QHDA is in missing status and is declared dead by Secretarial determination, for purposes of the tax abatement rules stated in subparagraph 440203.D.1, the date of death is the date of the determination and not earlier. The tax abatement rules in subparagraph 440203.D.1 do not apply for any taxable year that begins more than 2 years after it is determined that the area in which the Service member went missing is no longer a CZ or QHDA under 26 U.S.C. § 112.

4. The deceased member’s survivors, executor, or administrator may contact the Internal Revenue Service (IRS) for guidance in claiming the tax abatement.

**E. Termination Date Other Than Cases of Hospitalization.** In no case will the tax exclusion authorized in subparagraphs 440203.B.1 through B.6, for active duty members, extend beyond the effective date specified in an Executive order terminating the designation of the CZ. In the case of QHDAs, the exclusion will not extend beyond the effective date of the termination of hostile fire or imminent danger pay for the area.

440204. **Tax Abatement for Death Caused by Terrorist or Military Action Overseas**

A member whose death was caused by terrorist or military action (excluding training exercises) qualifies for federal tax abatement under the provisions of 26 U.S.C. § 692(c). No
federal income tax liability is imposed on the deceased member for the year of death and for prior tax year(s) beginning with the tax year before the injuries or wounds occurred. The deceased member’s survivors, executor, or administrator may contact the IRS for guidance in claiming the tax abatement.

440205. Rate of Withholding

A. General. The FITW/SITW will be IAW Treasury Department Circular E and Treasury Department regulations governing SITW as implemented in Military Service directives.

B. Additional FITW and SITW. A member, entitled to CZTE while TAD or TDY, may authorize that regular withholding be continued. A member entitled to CZTE may authorize an additional amount to be withheld. The member’s pay account will be adjusted for the CZTE. See the applicable procedural instructions of the Military Service concerned for preparation of additional tax withholding requests and effective dates.

*440206. State and Local Taxes

A. Tax Requirements. The state in which a member claims legal residence (i.e., domicile) may tax compensation and other income regardless of the member’s location. Compensation for Military Service, however, is not taxable by any state, territory, possession, political subdivision, or district that is not the member’s legal residence.

B. Legal Residence. Each member must designate a legal residence and report any changes of legal residence. A member’s legal residence does not change solely because of a change of permanent station. Legal residence at the time of entry into the Armed Forces remains the same until changed by the member. A member makes notification of legal residence or change of legal residence by submitting a DoD (DD) Form 2058, State of Legal Residence Certificate.

C. Native Americans. Native American Service members who claim a federally recognized tribal reservation as their state of legal residence are not subject to state taxes. A Native American Service member makes notification of a federally recognized tribal reservation as a state of legal residence by submitting a DD 2058-2, Native American SITW Exemption Certificate.

D. Withholding. Compensation for military service that is subject to federal taxation is also subject to the mandatory withholding of income taxes on behalf of those states (including the District of Columbia) that have entered into an agreement for the purpose of such withholding with the Secretary of the Treasury. See the current States/Territories withholding agreements with the Treasury Department from the Treasury Financial Manual or DFAS.mil.

E. Disclosure of Withholding Information. The furnishing of annual wage and tax information of military members to states (including the District of Columbia) that have a withholding agreement with the Treasury Department must comply with the Privacy Act of 1974. Based upon regulatory provisions pertaining to disclosure to the states, the wages of a member
who claims exemption from withholding should not be reported to a state without the member’s consent. In lieu of reporting the wages of members who claim exemption from state tax withholding, name, social security number, and the member’s claimed basis for exemption will be provided to the state. This rule applies to all Military Services and pay systems.

F. Delinquent Taxes. DoD has no authority to involuntarily collect delinquent state tax liabilities of members.

440207. Nonresident Aliens

A. Tax Liability. A Service member, who is a nonresident alien, is liable for U.S. income tax on pay attributable to service performed in the United States, even if such pay is not subjected to FITW because of the provisions in subparagraph 440207.B. A nonresident alien member’s pay attributable to service performed outside the United States is not subject to U.S. income tax. Service in a possession of the United States is considered duty outside the United States. A nonresident alien member is not disqualified from eligibility for any of the income exclusions or withholding exemptions set forth in Chapters 44 and 45 because of a nonresident alien status.

B. Income Tax Withholding. The pay of a nonresident alien for any period of service within the United States exceeding 60 calendar days is subject to FITW. Such pay also may be subject to SITW, depending on the state residency status of the alien. Pay for periods of service within the United States of 60 calendar days or less, or for service outside the United States, is not subject to FITW or SITW. The nonresident alien member nevertheless is subject to federal income taxation, and may be subject to state income taxation, on pay for all days of service within the United States, and is responsible for reporting and paying any tax due on, all such income.

4403 COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

440301. Authority

When a member does not pay any federal income tax due within 30 days after the IRS has issued a notice and payment demand to the member, the IRS may collect the tax by levy on the member’s salary or other income. Receipt by the cognizant Military Service (or Defense Finance and Accounting Service (DFAS) Site) of a levy notice is the legal authority to commence collection of the delinquent federal income taxes after taking into consideration the appropriate exemptions.

440302. Levy Processing Procedures

A. The IRS serves the tax levy by mail. The IRS Form 668-W(c), Notice of Levy on Wages, Salary, and Other Income, includes instructions for the employer (Military Service) and the employee (member).
B. Upon receipt of the levy, the disbursing officer immediately:

1. Completes part 3 and returns the levy to the IRS if no funds are due the member (for example, higher precedence deductions (Chapter 52, Table 52-1) or if the member is in a status described in paragraph 440303); or

2. Forwards parts 2 through 5 to the member if funds are due or soon will become due.

C. The member certifies his or her filing status and number of personal exemptions and returns parts 3 and 4 to the disbursing officer within 3 days (or other period authorized by the IRS in coordination with the Military Service concerned and as established within Military Service regulations). If the member does not return parts 3 and 4, then the levy will be processed as if the member is “married filing a separate return with one personal exemption.”

D. The levy will continue in effect until the amount due in the levy notice is collected or until released by the IRS.

E. Forward a misrouted levy notice or levy release to the member’s servicing DFAS Site.

440303. Effect on Members in a CZ or QHDA

A. The disbursing officer immediately will complete part 3, with appropriate notations, and return the levy to the IRS if the member is:

1. Serving (performing official duties) in a designated CZ or QHDA for any period of time;

2. Serving (performing official duties) outside a designated CZ or QHDA, but in direct support of military operations in a CZ or QHDA, and in receipt of hostile fire or imminent danger pay as a result of duties performed in direct support of designated CZ or QHDA operations;

3. Continuously hospitalized as a result of service in a designated CZ or QHDA (limited to 5 years of hospitalization in the United States); or

4. In a missing status.

B. Levy deferment remains in effect for 180 days after a member no longer meets any of the criteria listed in subparagraph 440303.A. The levy deferment begins again (including a new 180-day clock) when a member re-qualifies for deferment (again meets one of the criteria listed in subparagraph 440303.A), with one exception. Re-hospitalization for a previously treated wound, illness, or injury does not re-qualify a member, nor does it stop/restart a 180-day clock.
440304. Attachment of Earnings and Payment to IRS

A. The member’s “take home pay,” minus exempt amounts claimed via the member’s certified claim on part 3 of the levy, will be attached and sent to the IRS until the levy is satisfied or released by the IRS. The member’s usual pay deductions will continue while the levy is in effect.

B. When exemptions are equal to or exceed the member’s “take home pay,” the disbursing officer will so advise the IRS office that served the levy.

4404 INSTALLMENT COLLECTION OF DELINQUENT TAXES

440401. Agreement for Liquidation of Federal Tax Indebtedness by Payroll Deductions

A member may arrange with the IRS to pay delinquent taxes by monthly deductions from pay using IRS 2159, Payroll Deduction Agreement. A member may not cancel an agreement once it is in effect. The Military Services handle agreements in accordance with subparagraphs 440401.A through C.

A. Army. Collect and pay to IRS as prescribed for payment of indebtedness to instrumentalities and agencies of the government.

B. Navy and Marine Corps. Process the agreement as a T allotment if the period of liquidation is 3 months or longer. If the period is less than 3 months, then the disbursing officer pays each month to IRS in the amount of the deduction.

C. Air Force. Process as a Class T allotment.

440402. Change of Member’s Status During Liquidation Period

See Table 44-2.
**Figure 44-1. Designated Direct Support Areas of a CZ**
The most current listing is on the Designated Direct Support Areas of a Combat Zone (CZ) table.

<table>
<thead>
<tr>
<th>Location</th>
<th>Effective Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Djibouti – Personnel serving in Djibouti due to their service in direct support of military operations in the Afghanistan CZ (note 2)</td>
<td>July 1, 2002</td>
</tr>
<tr>
<td>Jordan – Personnel serving in Jordan due to their service in direct support of military operations in the Afghanistan CZ (note 2)</td>
<td>September 19, 2001</td>
</tr>
<tr>
<td>Jordan – Personnel serving in direct support of military operations in the Arabian Peninsula CZ (note 3)</td>
<td>March 19, 2003</td>
</tr>
<tr>
<td>Kyrgyzstan – Personnel serving in Kyrgyzstan due to their service in direct support of military operations in the Afghanistan CZ (note 2)</td>
<td>September 19, 2001</td>
</tr>
<tr>
<td>Lebanon – Personnel serving in direct support of military operations in the Arabian Peninsula CZ (note 3)</td>
<td>February 12, 2015</td>
</tr>
<tr>
<td>Pakistan – Personnel serving in Pakistan due to their service in direct support of military operations in the Afghanistan CZ (note 2)</td>
<td>September 19, 2001</td>
</tr>
<tr>
<td>Philippines – Personnel deployed in conjunction with Operation Enduring Freedom based on their service in direct support of military operations in the Afghanistan CZ (note 2)</td>
<td>January 9, 2002</td>
</tr>
<tr>
<td>Somalia – Personnel serving in:</td>
<td></td>
</tr>
<tr>
<td>1. Somalia due to their service in direct support of military operations in the Afghanistan CZ;</td>
<td>January 1, 2004</td>
</tr>
<tr>
<td>2. Somalia airspace; or</td>
<td></td>
</tr>
<tr>
<td>3. Water area of the Somali Basin including the following coordinates:</td>
<td></td>
</tr>
<tr>
<td>- 11°10’N-51°15’E;</td>
<td></td>
</tr>
<tr>
<td>- 06°00’N-48°30’E;</td>
<td></td>
</tr>
<tr>
<td>- 05°00’N-50°30’E;</td>
<td></td>
</tr>
<tr>
<td>- 11°30’N-53°34’E;</td>
<td></td>
</tr>
<tr>
<td>- 05°00’N-50°30’E;</td>
<td></td>
</tr>
<tr>
<td>- 01°00’N-47°00’E;</td>
<td></td>
</tr>
<tr>
<td>- 03°00’S-43°00’E;</td>
<td></td>
</tr>
<tr>
<td>- 01°00’S-41°00’E; and</td>
<td></td>
</tr>
<tr>
<td>- 06°00’N-48°30’E (note 2)</td>
<td></td>
</tr>
</tbody>
</table>
*Figure 44-1. Designated Direct Support Areas of a CZ (Continued)
The most current listing is on the Designated Direct Support Areas of a Combat Zone (CZ) table.

<table>
<thead>
<tr>
<th>Location</th>
<th>Effective Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Syria – Personnel serving in Syria due to their service in direct support of military operations in the Afghanistan CZ (note 2)</td>
<td>From January 1, 2004 Through</td>
</tr>
<tr>
<td>Tajikistan – Personnel serving in Tajikistan due to their service in direct support of military operations in the Afghanistan CZ (note 2)</td>
<td>From September 19, 2001 Through May 31, 2014 (note 2)</td>
</tr>
<tr>
<td>*Turkey – Personnel serving east of the 33.51 degrees East Longitude due to their service in direct support of military operations in the Arabian Peninsula CZ (note 3)</td>
<td>From September 19, 2016 Through September 18, 2021</td>
</tr>
<tr>
<td>Uzbekistan – Personnel serving in Uzbekistan due to their service in direct support of military operations in the Afghanistan CZ (note 2)</td>
<td>From September 19, 2001 Through May 31, 2014 (note 2)</td>
</tr>
<tr>
<td>Yemen – Personnel serving in Yemen due to their service in direct support of military operations in the Afghanistan CZ (note 2)</td>
<td>From April 10, 2002 Through</td>
</tr>
</tbody>
</table>

NOTES:

1. In order to have CZTE treatment of wages for services performed in a designated direct support area, a member must be entitled to hostile fire or imminent danger pay while performing service in the designated direct support area.

2. The Afghanistan CZ is the area designated by Executive Order 13239.

3. The Arabian Peninsula CZ is the area designated by Executive Order 12744.
Figure 44-2. Designated CZ Areas
The most current listing is on the *Combat Zone Tax Exclusion (CZTE)* table.

<table>
<thead>
<tr>
<th>Authority</th>
<th>Location(s)</th>
<th>Effective Dates</th>
</tr>
</thead>
</table>
| Executive Order 12744 (The Arabian Peninsula Areas) | Arabian Sea  
North of 10 degrees North Latitude; and  
West of 68 degrees East Longitude;  
Bahrain;  
Gulf of Aden;  
Gulf of Oman;  
Persian Gulf;  
Iraq;  
Kuwait;  
Qatar;  
Oman;  
Red Sea;  
Saudi Arabia; and  
United Arab Emirate | January 17, 1991 |
| Executive Order 13119                  | Albania;  
The Adriatic Sea;  
The Federal Republic of Yugoslavia  
(Serbia/Montenegro); and  
The Ionian Sea north of the 39th parallel | March 24, 1999 |
| Executive Order 13239                  | Afghanistan                                                                | September 19, 2001 |
*Figure 44-3. QHDA
The most current listing is on the *Qualified Hazardous Duty Areas* table. See Note

<table>
<thead>
<tr>
<th>Authority</th>
<th>Location(s)</th>
<th>Effective Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Law 104-117</td>
<td>Bosnia; Croatia; Herzegovina; and Macedonia</td>
<td>November 21, 1995</td>
</tr>
<tr>
<td>Public Law 106-21</td>
<td>Albania; The Adriatic Sea; The Federal Republic of Yugoslavia (Kosovo/Serbia/Montenegro); and The Ionian Sea north of the 39th parallel</td>
<td>March 24, 1999</td>
</tr>
<tr>
<td>Public Law 115-97</td>
<td>Egypt (Sinai Only)</td>
<td>June 9, 2015</td>
</tr>
</tbody>
</table>

**NOTE:**

In order to have CZTE treatment of wages for services performed in a QHDA, a member must be entitled to hostile fire or imminent danger pay while performing service in the QHDA.
**Table 44-1. Taxability of Items of Military Pay and Allowances**

<table>
<thead>
<tr>
<th>Rule</th>
<th>If item is</th>
<th>A: Taxable and Subject to FITW/SITW</th>
<th>B: Taxable but Not Subject to FITW/SITW</th>
<th>Not Taxable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Basic pay (note 4)</td>
<td>for any month that CZ or QHDA exclusions do not apply (notes 5 and 6).</td>
<td></td>
<td>when earned in a CZ or QHDA. For limits applicable to commissioned officers’ (O-1 and above) pay, see subparagraph 440202.A.2 (notes 5, 6 and 7); for members in a missing status, see subparagraph 440203.B.2.</td>
</tr>
<tr>
<td>2</td>
<td>Incentive pay or hazardous duty pay (see Chapters 22 through 24)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Special pay (see Chapters 3, 5, 8, 10, 11, 15, 17, and 18)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Lump-sum payment of accrued leave (basic pay portion)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>A bonus entitlement (including installments)</td>
<td>if earned (reenlists, extends, signs agreement) in a month during which CZTE does not apply.</td>
<td></td>
<td>(reenlists, extends, signs agreement) in a month during which CZ or QHDA exclusion applies, regardless of whether the member fulfills the bonus contract service requirement before entering or after returning from the CZ or QHDA.</td>
</tr>
<tr>
<td>6</td>
<td>National Call to Service Bonus (NCSB) or Education Loan Repayment Program (ELRP)</td>
<td></td>
<td></td>
<td>for the NCSB for the actual months that are served in a CZ or QHDA during the initial 15 months of service following initial entry training; and for the ELRP for the actual month served in a CZ or QHDA out of the 12-month period. (note 6 and note 8)</td>
</tr>
</tbody>
</table>
Table 44-1. Taxability of Items of Military Pay and Allowances (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>taxable and subject to FITW/SITW</td>
<td>taxable but not subject to FITW/SITW</td>
</tr>
<tr>
<td>7</td>
<td>separation pay, readjustment pay, or severance pay (except for disability) (note 9) and remains taxable income subject to reporting and withholding, even if paid during any month in which the CZ exclusion applies.</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>contract cancellation pay</td>
<td></td>
</tr>
<tr>
<td>*9</td>
<td>pay forfeited by court martial sentence or non-judicial punishment (note 10) and is loss of entitlement to pay in the amount of the forfeiture (however, remaining pay is subject to tax withholding (note 11)).</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>payment(s) of travel and transportation costs incurred while carrying on business of U.S. Government (includes any temporary lodging entitlements) if assignments are over 1 year. All travel reimbursement expenses are taxable, regardless of whether the reimbursements exceed the traveler's expenses IAW Internal Revenue Code 162(a) and Revenue Rule 99-7.</td>
<td>if the amounts received are in excess of actual travel and transportation costs incurred while carrying on business of U.S. Government. The amount will not be reported on IRS W-2 or 1099, but the member will account for such payment(s) on applicable individual income tax returns.</td>
</tr>
</tbody>
</table>
Table 44-1. Taxability of Items of Military Pay and Allowances (Continued)

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If item is</td>
<td>then item is (notes 1, 2, and 3)</td>
</tr>
<tr>
<td>11</td>
<td>an incentive payment paid to member for do-it-yourself move per</td>
<td>taxable and subject to FITW/SITW</td>
</tr>
<tr>
<td></td>
<td>member for do-it-yourself move per Volume 9, Chapter 6, paragraph</td>
<td>taxable but not subject to FITW/SITW</td>
</tr>
<tr>
<td></td>
<td>060302</td>
<td>not taxable</td>
</tr>
<tr>
<td>12</td>
<td>muster duty allowance</td>
<td>at time of payment.</td>
</tr>
<tr>
<td>13</td>
<td>funeral duty allowance</td>
<td>at time of payment.</td>
</tr>
<tr>
<td>14</td>
<td>personal money allowance</td>
<td>and will be reported on IRS W-2.</td>
</tr>
<tr>
<td>15</td>
<td>an allowance (Basic Allowance for Subsistence, Basic Allowance</td>
<td>at any time.</td>
</tr>
<tr>
<td></td>
<td>for Housing, Family Separation Allowance, clothing and uniform</td>
<td></td>
</tr>
<tr>
<td></td>
<td>allowances, and overseas station allowances) (note 12)</td>
<td></td>
</tr>
</tbody>
</table>
Table 44-1. Taxability of Items of Military Pay and Allowances (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If item is</td>
<td>then item is (notes 1, 2, and 3)</td>
</tr>
<tr>
<td></td>
<td>taxable and subject to FITW/SITW</td>
<td>taxable but not subject to FITW/SITW</td>
</tr>
<tr>
<td></td>
<td>not taxable</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>death gratuity</td>
<td>at any time.</td>
</tr>
<tr>
<td>17</td>
<td>an otherwise taxable item of pay earned by</td>
<td>and will be reported on IRS 1099-MISC</td>
</tr>
<tr>
<td></td>
<td>member but unpaid at death</td>
<td>when paid to beneficiary (note 13).</td>
</tr>
<tr>
<td></td>
<td>if the pay was subject to the CZ or QHDA</td>
<td></td>
</tr>
<tr>
<td></td>
<td>exclusion. See Rules 1-4.</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>special separation bonus or voluntary separation</td>
<td>at the flat withholding rate (currently</td>
</tr>
<tr>
<td></td>
<td>incentive (VSI)</td>
<td>22 percent) for FITW and at the</td>
</tr>
<tr>
<td></td>
<td></td>
<td>appropriate SITW rate for Special</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Separation Bonus payments and initial</td>
</tr>
<tr>
<td></td>
<td></td>
<td>VSI payments. Withhold taxes from VSI</td>
</tr>
<tr>
<td></td>
<td></td>
<td>installment payments at the annual</td>
</tr>
<tr>
<td></td>
<td></td>
<td>withholding rate contained in IRS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Circular E (note 14).</td>
</tr>
<tr>
<td>19</td>
<td>inactive duty training (IDT) pay</td>
<td>at time of payment (CZTE does not apply</td>
</tr>
<tr>
<td></td>
<td></td>
<td>to pay for IDTs).</td>
</tr>
<tr>
<td>20</td>
<td>former captive payment (see Chapter 37)</td>
<td>if payment is for former captive status</td>
</tr>
<tr>
<td></td>
<td></td>
<td>resulting from a lawful action. Payment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>will be reported on IRS W-2 (note 13).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>if payment is for former captive status</td>
</tr>
<tr>
<td></td>
<td></td>
<td>resulting from the deprivation of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>personal rights.</td>
</tr>
</tbody>
</table>
Table 44-1. Taxability of Items of Military Pay and Allowances (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If item is</td>
<td>then item is (notes 1, 2, and 3)</td>
</tr>
<tr>
<td></td>
<td>taxable and subject to FITW/SITW</td>
<td>taxable but not subject to FITW/SITW</td>
</tr>
<tr>
<td>21</td>
<td>employer provided home-to-work transportation</td>
<td>even if transportation is provided for security reasons (note 15).</td>
</tr>
<tr>
<td>22</td>
<td>employer-provided parking</td>
<td>to the extent that the value exceeds the monthly exclusion limit (note 15).</td>
</tr>
<tr>
<td>23</td>
<td>Thrift Savings Plan (TSP)</td>
<td>for Roth TSP contributions, since Roth contributions are after-tax contributions.</td>
</tr>
<tr>
<td>24</td>
<td>waived portion of court martial forfeiture of taxable pay or pay and allowances (Chapter 48)</td>
<td>see Chapter 48.</td>
</tr>
</tbody>
</table>

NOTES:

1. Whether military pay and allowances are subject to state income taxes depends upon the law of the member’s state of legal residence. Items of pay and allowances that are not subject to FITW, however, will not be subject to SITW. Items of pay and allowances subject to FITW will be subject to SITW if the member’s state of legal residence has entered into a withholding agreement with the Secretary of the Treasury. The total or partial exclusion by states of military pay from income will be recognized in the computation of the amount of state income tax to be withheld.

2. If a member receives an overpayment of a taxable pay item, the overpayment should be reported in the year paid unless the CZ or QHDA tax exclusion applies. If recovery of the overpayment is waived, remitted, or canceled, then there are no additional tax reporting requirements. If the overpayment consists of a nontaxable pay item, then the overpayment should not be reported as taxable income if the resulting debt is waived, remitted, or canceled.
3. Taxable wages and withholding must reflect the debt in the year the overpayment was received. Collection action will impact taxable wages and withholding (if applicable) as collection is made, but only if made in the same year as the original payment.

4. Excludes the reduction of basic pay for educational benefits under the “New Montgomery GI Bill” after December 31, 1985. Members wishing to increase their Montgomery G.I. Bill benefits may contribute up to $600, IAW 38 U.S.C. § 3011(e). This contribution is not a reduction in basic pay and therefore, does not reduce a member’s taxable wages.

5. Add the payments (rules 1 through 6) made currently or at a later date for a commissioned officer (O-1 and above) to other pay for the month (up to the highest rate of pay payable to any enlisted member) to calculate the maximum amount to be applied for CZ or QHDA tax exclusion. (See Chapter 35, subparagraph 350203.B.)

6. For commissioned officers (O-1 and above), the amount of the maximum CZTE in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member (grade E-9) payable (Basic Pay – Enlisted, Note 3) plus the amount of hostile fire or imminent danger pay actually payable to the officer for the qualifying month.

7. Only pay and allowances actually earned during any month in which a CZ or QHDA designation applies are excludable, even if paid in a later, non-qualifying month. Entitlements earned during any non-qualifying month, but paid in a month the exclusion applies, remain taxable. Accrued leave payments qualify only for that portion of days that were actually earned during a qualifying month.

8. The tax exempt computation for the NCSB and ELRP will be the number of months in the CZ/QHDA divided by 15 months for the NCSB or 12 months for the ELRP. The resulting percentage will be multiplied against the bonus or loan amount. The result will be the tax exempt amount for the member.

9. See Chapter 35, paragraph 350504 for exceptions to taxation of disability severance pay.

*10. This does not apply to waived forfeitures, which are subject to FITW and FICA withholding. See Chapter 48.

11. This does not apply to fines imposed by courts-martial or non-judicial punishments. Withhold tax from the member’s full pay credited before deducting the fine. Report the full amount of the pay credited, without deducting the fine, as taxable income.

12. Allowances considered nontaxable on September 9, 1986 remain nontaxable. Any allowance created after September 9, 1986 will be taxable for federal and state income tax purposes unless specified otherwise.

13. Exception is pay earned for any month CZ or QHDA exclusion applies. CZs and QHDAs are so designated by Executive order or statute, respectively.

14. Special Separation Bonus and VSI payments remain taxable even if a member signs the agreement to separate while serving in a CZ or QHDA.
Table 44-1. Taxability of Items of Military Pay and Allowances (Continued)

15. Home-to-work provided transportation and employer provided parking.
   a. Per the DoD Manual 4500.36-R, the USD Comptroller and USD (P&R) jointly will issue updated annual guidance concerning the valuation, on a monthly basis, of taxable government employer-provided home-to-work transportation fringe benefits provided to certain military members. Armed Forces Tax Council service representatives will annually distribute the updated guidance to the Military Services.
   b. Each DoD Component will determine the value, to be calculated on a monthly basis, of government employer-provided taxable parking fringe benefits provided to military members.
   c. Valuation must be accomplished utilizing the provisions of the Internal Revenue Code (See IRS Publication 15-B) and Treasury Regulations. Each member’s Service will:
      (1) Identify members receiving government employer-provided home-to-work transportation and/or parking fringe benefits;
      (2) Certify fringe benefits are authorized, calculate and certify the value of the taxable fringe benefits, and submit the appropriate taxable gross income amounts to the servicing DFAS central site, no less often than once a year. Exception: When members receive taxable fringe benefits from active duty assignments outside their DoD Component, the agency providing the taxable fringe benefits (such as parking) calculates the value of the benefit provided, and the member’s Service verifies the correctness of the calculation; and
      (3) Keep members who receive such benefits advised of the tax liability annually accruing to them.
   d. Each member’s certified taxable fringe benefits amount must be sent to the servicing DFAS central site no less often than annually and not later than December 15, each year, for processing to:
      (1) Include the taxable non-cash benefit amounts in member’s gross income;
      (2) Withhold and deduct appropriate federal and state income taxes (not FICA taxes); and
      (3) Generate an IRS W-2 that reflects the adjusted gross income and withholding amounts.
         The military services’ field finance offices are not authorized to process taxable fringe benefits as additional taxable wages, to withhold applicable taxes, or to generate a manual IRS W-2.
Table 44-2. Collection of Delinquent Taxes by Installment - Change of Member’s Status

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>When a member who has arranged with the IRS for installment collection of delinquent taxes and then and</td>
<td>is discharged or released from active duty immediately reenlists</td>
<td>deduct from member’s pay as agreed with IRS without interruption.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>does not immediately reenlist</td>
<td></td>
<td>deduct from final pay enough to liquidate the remaining indebtedness, or all available if the remaining indebtedness is more than is available</td>
<td>notify IRS of the member’s separation.</td>
</tr>
<tr>
<td>3</td>
<td>enters a period of unauthorized absence for which pay and allowances are not payable is a member of the Army or Air Force</td>
<td>deduct from member’s pay, and pay to IRS for the month the absence begins, the amount agreed to or as much as is available if less than agreed to</td>
<td>suspend further deductions and payments for tax indebtedness until member is restored to a pay status. If deductions and payments are suspended at the time additional payment is due, then notify IRS. Remove suspension when member is restored to a pay status. Deduct and pay for the month of restoration as much as is available if less than the agreed to amount.</td>
<td></td>
</tr>
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</table>
**Table 44-2. Collection of Delinquent Taxes by Installment - Change of Member’s Status (Continued)**

<table>
<thead>
<tr>
<th>RULE</th>
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<th>B</th>
<th>C</th>
<th>D</th>
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</thead>
<tbody>
<tr>
<td>4</td>
<td>When a member who has arranged with the IRS for installment collection of delinquent taxes and then and</td>
<td>enters a period of unauthorized absence for which pay and allowances are not payable is a member of the Navy or Marine Corps and a T allotment has not been established deduct from member’s pay, and pay to IRS for the month the absence begins, the amount agreed to or as much as is available if less than agreed to notify IRS of the member’s separation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>is a member of the Navy or Marine Corps and a T allotment has been established cancel the T allotment on the 15th day following the date absence began (or earlier if necessary to prevent allotment overpayment) suspend further deductions and payments for tax indebtedness until member is restored to a pay status. If deductions and payments are suspended at the time additional payment is due, then notify IRS. Remove suspension when member is restored to a pay status. Deduct and pay for the month of restoration as much as is available if less than the agreed to amount.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>has qualified for collection deferment because of service in a CZ or enters hospitalized/missing status as a result of service in a CZ (see note) defer initiating collection effective the month entering such status commence collection IAW paragraph 440203 B.6.</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**NOTE:** Includes direct support of CZ operations and QHDAs.
CHAPTER 44 - WITHHOLDING INCOME TAX

4402 - WITHHOLDING FROM CURRENT PAY

440201  Treasury Regulation 1.162-1(b)
440202.A  26 U.S.C. § 112
           IRS Publication 3 (2017)
440202.B  IRS Publication 80 (2017)
           Title 31, Code of Federal Regulations (CFR), part 215
           Treasury Financial Manual (TFM), Volume 1, Part 3,
           Chapter 5000
440203.B.5  IRS Notice 2002-17, Question and Answer 6
           37 U.S.C. § 351
           DoDI 1340.25
440203.E.3  IRS Publication 3 (2017)
440204  26 U.S.C. § 692(C)
440206  TFM, Volume 1, Part 3, Chapter 5000
440206.C  TFM, Volume 1, Part 3, Chapter 5000
440206.D  TFM Volume 1, Part 3, section 5070
           TFM, Part 3, Chapter 5000
440206.E  Defense Finance and Accounting Service-Denver DGM
           Memo, March 18, 1993
440207  26 U.S.C. § 871
440207.A.2  26 CFR 301.7701(b)-1
440208  26 U.S.C. § 3507

4403 - COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

440301  26 U.S.C. § 6321(a)
440303  26 U.S.C. § 7508
440304  26 U.S.C. §§ 6331, 6334

*Figure 44-1 – DESIGNATED DIRECT SUPPORT AREAS OF A CZ

Djibouti  Office of the USD (OUSD) (P&R) Memo,
           November 21, 2002

Federal Republic of Yugoslavia (Serbia, Kosovo, and Montenegro)
Jordan USD (P&R) Memo, December 14, 2001

Kyrgyzstan USD (P&R) Memo, December 14, 2001
USD (P&R) Memo, December 31, 2013
26 CFR, section 1.112-1 (e)

Lebanon USD (P&R) Memo, October 21, 2015

Pakistan USD (P&R) Memo, December 14, 2001

Philippines Assistant Secretary of Defense (ASD) Force Management & Personnel (FM&P) Memo, October 31, 2002
ASD Manpower and Reserve Affairs Memo, December 31, 2015

Somalia OUSD (P&R) Memo, October 17, 2006

Syria OUSD (P&R) Memo, January 7, 2005

Tajikistan USD (P&R) Memo, December 14, 2001
USD (P&R) Memo, December 31, 2013
26 CFR, section 1.112-1 (e)

Turkey OUSD (P&R) Memo, April 13, 2017

Uzbekistan USD (P&R) Memo, December 14, 2001
USD (P&R) Memo, December 31, 2013
26 CFR, section 1.112-1 (e)

Yemen ASD (FM&P) Memo, August 13, 2002

*Figure 44-2 – DESIGNATED CZ AREAS

Executive Order 12744, January 17, 1991
Executive Order 13119, March 24, 1999
Executive Order 13239, September 19, 2001

*Figure 44-3 – QHDA

Public Law 104-117, March 20, 1996
Public Law 106-21, April 19, 1999
Public Law 115-97, section 11026, December 22, 2017

*Table 44-1 – TAXABILITY OF ITEMS OF MILITARY PAY AND ALLOWANCES
26 U.S.C. § 112
IRS Publication 3 (2017)

Rules 5 and 6  Treasury Regulation 1.112-1

Rule 7  
26 U.S.C. § 112

Waterman v. Commissioner, 179 F.3d 123
(4th Circuit. 1999)

Rule 10  Public Law 94-212, February 9, 1976

Rule 11  Treasury Regulation 1.62-2

Treasury Regulation 31.3401(a)
31 CFR 215.8

* Rule 16  26 U.S.C. §134(b)

* Rule 18  IRS Notice 1036 (December 2018)

Rule 20  Assistant Secretary of Defense (ASD) Force Management
and Personnel (FM&P) Memo, January 15, 1987

Department of the Treasury Office of Chief Counsel Memo
June 24, 1988

Office ASD(FM&P) Memo, November 18, 1991

Rules 21 and 22  Treasury Regulation 1.162-1(b) (5) and 1.262-2(e)

IRS Notice 94-3
10 U.S.C. § 2637

Notes 2 and 3  Treasury Regulation 1.61-12

Note 4  38 U.S.C. § 3011

Notes 5 and 12  Public Law 104-117, March 20, 1996

Note 6  26 U.S.C. § 112

Note 7  26 U.S.C. § 112

Note 11  26 U.S.C. § 134

Note 15  IRS Publication 15-B

Table 44-2 – COLLECTION OF DELINQUENT TAXES BY INSTALLMENT - CHANGE OF MEMBER’S STATUS

Rule 6  26 U.S.C. § 7508
VOLUME 7A, CHAPTER 45: “FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated March 2017 is archived.

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<td>450301</td>
<td>Updated and moved the “FICA Percentages Rates” to a table on DFAS.MIL. Added a hyperlink to the table.</td>
<td>Revision</td>
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<tr>
<td>Table 45-1</td>
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<tr>
<td>Table 45-2</td>
<td>Renamed “Table 45-2” to “Table 45-1.”</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References.”</td>
<td>Revision</td>
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CHAPTER 45

FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)

4501 GENERAL

450101. Purpose

This chapter establishes policy pertaining to the FICA requirement for Federal Agencies to withhold Social Security and Medicare taxes from the basic pay of military members covered by the Social Security Act, and to pay matching FICA taxes to the Social Security Administration. The FICA tax component for Old Age, Survivors, and Disability Insurance (OASDI) tax, is also called Social Security tax, and the FICA tax component for Hospital Insurance tax, is also called Medicare tax. The OASDI tax rate applies only to those basic pay payments that do not exceed the annually variable OASDI wage base. There is no cap on wages subject to the withholding of Medicare tax.

450102. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

4502 REQUIREMENTS

450201. Members Subject to FICA

Any member appointed to, enlisted in, or inducted into any Military Service is subject to FICA tax. This includes members serving in:

A. The Military Service Academies (excluding foreign nationals);

B. An aviation cadet status; or

C. A combat zone.

450202. Taxable Wages

The following wages are subject to FICA withholding:

A. Basic pay (excluding reduction for educational benefits under the Montgomery G.I. Bill);

B. Inactive duty compensation;

C. Taxable amounts earned but unpaid at the date of death (subject to the maximum earnings tax) if paid to the beneficiary during the same calendar year in which the member’s death occurs;
D. Basic pay or compensation earned when absence is the result of injury, sickness, or hospitalization;

E. Taxable amounts received prior to the Government’s voidance of the member’s enlistment contract; and

F. Waived portions of forfeitures of basic pay payable to dependent(s) of a confined member as prescribed in Chapter 48.

4503 DEDUCTION OF FICA TAX

*450301. Amount

See the “Contribution and Benefit Base” on the Social Security website or the FICA Percentages, Maximum Taxable Wages, and Maximum Tax table on DFAS.MIL for the withholding percentage rate and the total maximum tax.

450302. Maximum Tax

Discontinue deductions when the member’s total active duty basic pay plus inactive duty compensation equals the annual maximum earnings subject to FICA withholding, and when the maximum tax has been deducted.

450303. Effect of Punishment, Absence, and Non-Pay Status

See Table 45-1.

450304. More Than One Employer

Deduct FICA taxes regardless of any amounts previously or currently being deducted by another employer. Each Military Service is considered a separate employer; however, cross-servicing of a member’s pay account between the Military Services does not constitute a change of employer. A break in service of any length within the same Military Service does not constitute a change of employer. Consider all FICA tax withheld during the calendar year in determining the total amount withheld. If this amount is in excess of the maximum tax, then the member may claim the excess from the Military Service concerned, and adjustments will be made accordingly.

450305. Retroactive Entitlements and Deductions

Retroactive entitlements and deductions will adjust the pay for the year in which they are made and will be reflected in the tax reporting for the quarter in which they are paid. All retroactive payments are subject to FICA withholding at the rates in effect at the time of payment. If the member has been discharged, separated, or retired, then issue an Internal Revenue Service (IRS) Form W-2, Wage and Tax Statement.
450306. Indebtedness

FICA taxes previously withheld may not be used to offset any indebtedness.
Table 45-1. Effect of Punishment, Absence, and Non-Pay Status

<table>
<thead>
<tr>
<th>RULE</th>
<th><strong>When a member</strong></th>
<th><strong>then</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>is fined by court-martial and the fine is deducted from pay</td>
<td>the amount of the fine is subject to FICA tax.</td>
</tr>
<tr>
<td>2</td>
<td>is required to forfeit pay as the result of court-martial or nonjudicial punishment</td>
<td>the forfeiture is a loss of entitlement to the basic pay involved, and the lost amount is not subject to FICA tax. (Note)</td>
</tr>
<tr>
<td>3</td>
<td>has pay detained under court-martial or nonjudicial punishment</td>
<td>the amount detained is not subject to FICA tax until it is actually paid to the member.</td>
</tr>
<tr>
<td>4</td>
<td>is absent without leave</td>
<td>the amount of basic pay deducted for the period is not subject to FICA tax.</td>
</tr>
<tr>
<td>5</td>
<td>is confined by civil authorities under conditions that require loss of pay</td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** The waived portion of a forfeiture is taxable income to the confined member and is subject to FICA under subparagraph 450202.F and Chapter 48.
*REFERENCES

CHAPTER 45 - FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)

4501 – GENERAL

Title 42, United States Code (U.S.C.), section 410(1)

4502 – REQUIREMENTS

450201 42 U.S.C. § 410(1)
26 U.S.C. § 3121(m)

450202 42 U.S.C. § 409(d)

4503 – DEDUCTION OF FICA TAX

450301 26 U.S.C. §§ 3101; 3102
42 U.S.C. § 430
IRS Notice 1036

450304 26 U.S.C. § 3101

450305 26 U.S.C. § 3102
26 U.S.C. § 6205

Table 45-1
Rule 2 36 Comptroller General 79
Rule 3 26 U.S.C. § 451
VOLUME 7A, CHAPTER 46: “DEDUCTIONS FOR THE ARMED FORCES RETIREMENT HOMES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated July 2018 is archived.

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<td>460102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
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<td>Renamed “Bibliography” to “References.”</td>
<td>Revision</td>
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CHAPTER 46

DEDUCTIONS FOR THE ARMED FORCES RETIREMENT HOMES

4601 GENERAL

460101. Purpose

The Armed Forces Retirement Home (AFRH) is an independent establishment in the executive branch. The purpose of the Retirement Home is to provide residences and related services for retired and former members of the Armed Forces who meet the eligibility requirements of the AFRH. The AFRH includes the AFRH – Washington (Soldiers’ and Airmen’s Home) and the AFRH – Gulfport (Naval Home).

*460102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 24 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

4602 AMOUNT

The Secretary of Defense sets the monthly deduction from pay in an amount not to exceed $1.00. The deductions of pay, which are not prorated for partial months of service, are deposited in the AFRH Trust Fund.

4603 APPLICABILITY

460301. Members Subject to Deductions

The following members are subject to deductions:

A. Regular enlisted members,

B. Warrant officers,

C. Limited duty officers of the Armed Forces, and

D. Coast Guard members (when it is operating as a Military Service in the Navy).

460302. Members Not Subject to Deductions

The following members are not subject to deductions:
A. Reserve Component members,

B. Commissioned officers, and

C. Members in a non-pay status for the entire calendar month.
**REFERENCES**

**CHAPTER 46 - DEDUCTIONS FOR THE ARMED FORCES RETIREMENT HOMES**

4601 - GENERAL

<table>
<thead>
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<td>460101</td>
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4602 - AMOUNT

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<td>37 U.S.C. § 1007(i)(1) &amp; (2)</td>
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4603 - APPLICABILITY

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**VOLUME 7A, CHAPTER 47: “SERVICEMEMBERS’ GROUP LIFE INSURANCE (SGLI) PROGRAM”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated **January 2018** is archived.

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<td>4702</td>
<td>Renamed “Coverage” to “SGLI Coverage” and updated the applicable paragraphs to comply with Title 38, United States Code, sections 1965 and 1968. Renumbered subsequent paragraphs.</td>
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<tr>
<td>470205</td>
<td>Added the “Coverage after Separation or Retirement” and the “Continuation of Coverage” paragraphs.</td>
<td>Addition</td>
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<td>4703</td>
<td>Renamed “Married Member’s Designation of a Beneficiary Other Than a Spouse” to “Service Notifications” and added the “Failure of Direct Remitters to Pay Premiums” paragraph to comply with the Servicemembers’ and Veterans’ Group Life Insurance Handbook, commonly referred to as Veterans Affairs (VA) Handbook, dated August 2019.</td>
<td>Revision</td>
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<tr>
<td>470501</td>
<td>Updated paragraph in accordance with the Under Secretary of VA (USVA) Memo, dated May 24, 2019.</td>
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<td>470802</td>
<td>Updated the content for “FSGLI” and applicable paragraphs to comply with the USVA Memo.</td>
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<td>471002.B</td>
<td>Updated the address to current mailing address.</td>
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<td>471102</td>
<td>Updated the “Premiums” and “Tax Implication” paragraphs.</td>
<td>Revision</td>
</tr>
<tr>
<td>471103</td>
<td></td>
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<tr>
<td>4712</td>
<td>Added the “Maximum Coverage Requirement” section per Public Law 115-232, dated August 13, 2018.</td>
<td>Addition</td>
</tr>
<tr>
<td>4713</td>
<td>Added the “SGLI Online Enrollment System” to comply with VA Handbook.</td>
<td>Addition</td>
</tr>
<tr>
<td>Table 47-1</td>
<td>Updated “Table 47-1” and the “Notes” to comply with the VA Handbook.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated supporting statutes and references.</td>
<td>Revision</td>
</tr>
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CHAPTER 47

SERVICEMEMBERS’ GROUP LIFE INSURANCE (SGLI) PROGRAM

4701 GENERAL

470101. Purpose

The SGLI Program is administered by the Department of Veterans Affairs (VA). Eligible members, who receive basic pay for 1 or more days per month or members of the Ready Reserves who drill for points, are responsible for the payment of SGLI and Family SGLI (FSGLI) premiums. Coverage and premiums are discussed in sections 4702 and 4705, respectively.

470102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Title 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*4702 SGLI COVERAGE

*470201. Eligibility

A. Full-Time Coverage. Full-time coverage automatically insures eligible members against death when a member is performing active duty (AD) or active duty for training (ADT) for an ordered period of more than 30 days, or while on full-time duty as a cadet or midshipman at a Service Academy. All members of the Ready Reserve and National Guard, who are assigned or attached to a unit or position that may require performing active duty or active duty for training, and will be scheduled to perform at least 12 periods of inactive duty for training (IDT) annually, are also eligible for full-time SGLI coverage. Members may elect, waive, or decrease coverage for an amount less than $400,000 in $50,000 increments in accordance with paragraph 470202.

B. Part-Time Coverage. Part-time coverage insures the following eligible members against death while performing AD or ADT for an ordered period of less than 31 days:

1. Commissioned, warrant, or enlisted members of the Army, Navy, Air Force, Marine Corps and Coast Guard Reserves;

2. Members of the Individual Ready Reserve (IRR) during 1-day call-ups;

3. Members of the Army and Air National Guard performing duty at:
a. Rifle ranges for the training of civilians in the use of military arms;

b. Required drills;

c. Field exercises;

d. National Guard Schools; and

e. Small arms competitions; and

4. Cadets, or midshipmen of the Senior Reserve Officers Training Corps while attending field training or practice cruises. (See the Servicemembers’ and Veterans’ Group Life Insurance (VGLI) Handbook, Appendix G).

Note: The eligible member is insured during the days of actual duty performed and becomes eligible for full-time coverage when the member performs AD or ADT for an ordered period of more than 30 days.

*470202. Coverage Amount

A. Amounts. Initial and maximum coverage amount is $400,000.

B. Waiving or Reducing Coverage. Members, except those specified in section 4712, may elect coverage for an amount less than $400,000, in $50,000 increments, or may elect to waive coverage.

1. Waiving SGLI coverage will also waive Traumatic Injury Protection SGLI (TSGLI) and FSGLI coverage for the spouse and all dependents.

2. Reducing SGLI coverage may impact maximum FSGLI coverage for the spouse, see section 4708.

C. Reinstating or Raising Coverage. A member, who is covered for an amount less than maximum SGLI coverage, may apply later in writing for increased coverage, to an amount up to maximum SGLI coverage, with proof of good health. Members required to have the maximum coverage per subparagraph 470202.D are not required to provide proof of good health.

D. Requirement for Maximum Coverage. Separate from section 4712, a member with the following duty statuses must have a reset of coverage to the maximum amount:

1. Full-time coverage members becoming eligible for part-time coverage, such as an Active Component member becoming a Reservist or a Reservist being released from active duty. Coverage may be waived or reduced any time after the reset.

2. Part-time coverage members qualifying for full-time coverage, such
as Reservist going on AD for over 30 days. Coverage may be waived or reduced any time after the reset.

470203. Periods of Coverage

See Table 47-1.

470204. Forfeiture of Coverage

Any person guilty of mutiny, treason, spying, desertion, or who, because of conscientious objections, refuses to serve in the Armed Forces of the United States, or refuses to wear the uniform of the Armed Forces, forfeits all rights to any coverage. This insurance is not payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy of the United States.

*470205. Coverage After Separation or Retirement

A. The following members are eligible to convert their full-time SGLI coverage to VGLI:

1. Members that are being released from AD or ADT for a period of not less than 31 days;

2. Members of the Ready Reserves or National Guard who are separated, retired, or released from assignment;

3. Members assigned to IRR or Inactive National Guard (ING); or

4. Members who have part-time SGLI and who, while performing duty, suffered an injury or disability which rendered them uninsurable at standard premium rates. (See the VA Handbook for part-time SGLI coverage conversion requirements and limitations.)

B. Members of the IRR and ING have one year and 120 days from the date they become members of these organizations to apply for VGLI.

C. To apply for VGLI without any health review, the member should submit an application with the required premium to the Office of SGLI (OSGLI) within 240 days after separation.

*470206. Continuation of Coverage

Any election made remains in effect during continuous obligation to perform duty in the same Uniformed Service, including any AD for a period of more than 30 days in which a member is serving and for 120 days thereafter.
**SERVICE NOTIFICATIONS**

470301. Married Member’s Designation of a Beneficiary Other Than the Spouse

In accordance with 38 U.S.C., section 1967, if a member is married and previously designated his or her spouse as beneficiary for SGLI coverage, and then designates a beneficiary other than his or her current lawful spouse or child(ren), or makes an election for reduced or no coverage, the Secretary concerned will notify the spouse in writing, at the last address of record, of the change in beneficiary. The advisory must be made as quickly as possible or within 30 days from the date of such election. The notification will not include the name(s) of the actual designated beneficiary(ies).

470302. Failure of Direct Remitters to Pay Premiums

See section 470503.

**APPELLATE LEAVE**

When placed on appellate leave following confinement with total forfeiture of pay and allowances (during which coverage had been properly stopped, see Table 47-1, rule 9), coverage is not reinstated. If appellate leave is followed by a restoration to duty with pay, then coverage is reinstated on the date the member returns to full duty status and continues during the period of excess leave. Coverage is reinstated at the amount in effect on the day prior to its stoppage.

**SGLI PREMIUMS**

470501. Premium Rates

The following premium rates are effective July 1, 2019. See Table 47-1, for rules on starting and stopping deductions.

A. **Full-Time Coverage.** For members who meet the requirements for full-time coverage, the premium rate is 6 cents per month per $1,000 of coverage, $3.00 monthly for each $50,000, or $24.00 monthly for the current maximum coverage. An additional $1 premium is charged each month for TSGLI as described in paragraph 470907. TSGLI coverage is automatic for those insured under SGLI, and can be declined only by refusing SGLI coverage.

B. **Part-Time Coverage.** The premium rate for part-time coverage is the same as full-time coverage, except members of the IRR will be charged $.80 for maximum coverage ($20 per $100,000) for 1-day call-ups. An additional premium is charged for TSGLI as described in paragraph 470907. The annual premium is collected from the member’s pay account during the first period of duty in which the member is in a pay status.

C. **Proration.** Monthly deductions are not prorated for partial months of service. The full monthly premium will be deducted for any month a member is covered for at
least 1 day. During months in which coverage amounts change, the full month’s premium for the higher coverage rate will be deducted.

470502. Non-Pay Status

During any month in which a member is assigned to the Ready Reserve of a Uniformed Service, and is insured under a policy of insurance purchased by the Secretary concerned, the Uniformed Service concerned will contribute from the appropriation for AD pay, the share of the cost attributable to insuring the member under this policy. Any amounts contributed on behalf of the member will be collected by deduction from the member’s pay or otherwise, which may include establishing a debt against the member’s pay account, and will be credited to the appropriation from which the contribution was made.

470503. Direct Remitters

A. Each Service must have clearly established programs to identify members who are required to make a direct remittance of premiums. Services must notify members at least 30 days in advance of the date the direct remittance is due. The notice will include the amount of the payment, the date it is due, and the Service’s address to which the payment should be sent. The member must make remittance within 30 days from the date of the notice.

B. When the Secretary concerned determines that a member has failed to make direct remittance within 60 days of the due date, the Secretary concerned will send a “Notice of SGLI Termination” to the member’s official address. The notice must clearly state that effective 60 days from the date of such notice, the member’s SGLI will be terminated. Termination of the insurance may be vacated if, before the expiration of 60 days from the date of the “Notice of SGLI Termination,” the member remits all amounts past due for SGLI coverage and can justify the failure to make timely remittance to the Secretary concerned.

470504. Refunds

Refunds will not be made in the case of amounts deducted before the effective date of any election for reduced or waived coverage. When the OSGLI rejects a request for reinstatement of coverage or increased coverage, any increase in premiums withheld pending OSGLI rejection will be credited to the member's pay account.

4706 EXTRA HAZARD COSTS

470601. Cost

In addition to a deduction from the member’s pay, each Military Service contributes from its appropriations an amount (determined by the VA) attributable to the extra hazard cost of SGLI. This premium reflects the cost of death claims in excess of the level of death claims that would result from normal peacetime service.
470602. Payment

The Military Services centrally pay the premium for extra hazard costs, along with the member premiums to the VA.

4707 SETTLEMENT OF SGLI CLAIMS

Death claims are filed with the OSGLI. The order of precedence for payment is the same as prescribed in subparagraph 470909.C. The OSGLI will reduce the insurance proceeds by the amount of any member premiums not paid. Effective July 1, 2011, the SGLI Form (commonly named and referred to as SGLV) 8283, Claim for Death Benefits, and SGLV Form 8283A, Claim for Family Coverage Death Benefits, were updated to reflect electronic funds transfer as a settlement payment option for the beneficiaries.

4708 FSGLI

470801. Eligibility

FSGLI automatically covers spouses and dependent children (insurable dependents) of Uniformed Service members. In order for the spouse and children to be eligible for family coverage, the SERVICE member must be enrolled in the full-time SGLI coverage. Enrollment for members of the Uniformed Services is based on dependent information in the Defense Enrollment Eligibility Reporting System (DEERS). For Marine Corps members, enrollment is based on dependent information in the Marine Corps Total Force System (MCTFS).

NOTE: Effective October 10, 2008, coverage was expanded to include the member's stillborn child.

*470802. Spousal Coverage

The spouse of an eligible member automatically is covered for $100,000, except for members married to other members as noted in paragraph 470805. The coverage may be reduced in $10,000 increments or waived. Coverage of a spouse cannot exceed the member’s SGLI coverage. For example, if the member’s SGLI coverage is $50,000, then the coverage for the spouse cannot exceed $50,000.
Cost

The premiums are based on the age and the amount of coverage. The premium rates for the spouse are as follows:

**Effective July 1, 2019**

<table>
<thead>
<tr>
<th>Age</th>
<th>Monthly Rate (Per $1,000)</th>
<th>Monthly Cost (Per $100,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 35</td>
<td>$0.045</td>
<td>$4.50</td>
</tr>
<tr>
<td>35 – 39</td>
<td>$0.053</td>
<td>$5.30</td>
</tr>
<tr>
<td>40 – 44</td>
<td>$0.070</td>
<td>$7.00</td>
</tr>
<tr>
<td>45 – 49</td>
<td>$0.10</td>
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</tr>
<tr>
<td>50 – 54</td>
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<tr>
<td>55 – 59</td>
<td>$0.295</td>
<td>$29.50</td>
</tr>
<tr>
<td>60 and Over</td>
<td>$0.45</td>
<td>$45.00</td>
</tr>
</tbody>
</table>

Children’s Coverage

Dependent children are covered regardless of spousal coverage at no cost to the member. The current coverage amount is $10,000. The member may not decline coverage or elect to insure any child for less than this amount. In the case of a member married to another member, a child may not be insured by more than one member. The child will be insured by the coverage of the member whose eligibility for insurance occurred first, except in cases where the senior member does not have legal custody of the child. In such cases, the child will be insured under the coverage of the member who has custody of the child.

Member Married to Member

A member married to another member is eligible for coverage under this program. Members who were married on or before January 1, 2013 were automatically enrolled for FSGLI when their marriage was reported to DEERS/MCTFS. Members married on and after January 2, 2013, who want the FSGLI coverage, must complete the FSGLI enrollment documentation through their servicing personnel offices.

Effective Date

Family coverage under SGLI is effective on the latest of the following dates:

A. The date member enrolled in SGLI;

B. In the case of the spouse, the date of marriage if the spouse is not a member of the Uniformed Service, or the date of the approved application for Spousal FSGLI coverage; or

C. In the case of the child, the date of birth. If a child is not a natural child of the member, then the date in which the child acquires status as dependent of the member.
470807. Reinstatement or Increase in Coverage

Requests to increase or restore FSGLI coverage must be entered in the SGLI Online Enrollment System (SOES) or by completing the SGLV Form 8286A (should only be used when SOES is unavailable). The health questions must be answered. Proof of good health of the spouse is required to be eligible to increase or restore FSGLI coverage. If the good health requirement is met, then the effective date of reinstatement or increase of coverage is the date the application is received by the member’s branch of service. Proof of health is required for military spouses regardless of that spouse’s own SGLI coverage.

470808. Termination of Coverage

Family coverage under SGLI will stop 120 days after the date the member makes a written election to terminate SGLI or FSGLI coverage or, the earliest of either:

A. 120 days after the date of the member's death;
B. 120 days after the date of the member’s separation from service; or
C. In the case of spouse, 120 days after the termination of the marriage; or
D. In the case of child, 120 days after the termination of the dependent status of an insurable dependent of the member.

470809. Refunds

See paragraph 470504.

470810. Beneficiary

The member is the primary beneficiary for family coverage. For the settlement of a claim, refer to section 4707.

4709 TSGLI

470901. Definitions

The following definitions are applicable only to this section.

A. Traumatic Event. A traumatic event occurs during the application of external force, violence, chemical, biological, or radiological weapons, accidental ingestion of a contaminated substance, or exposure to the elements that cause damage to a living being. A traumatic event does not include cases involving adverse reactions to vaccinations, surgical trauma, or adverse outcomes of medical procedures.
B. **Traumatic Injury Protection.** Traumatic injury protection provides for the payment of a specified benefit amount to a member insured by SGLI who sustains a traumatic event that results in a traumatic injury directly resulting in a scheduled loss.


470902. Eligibility

The TSGLI under the SGLI program provides payments to severely injured members who suffer a scheduled loss as a direct result of traumatic injury incurred under conditions in subparagraph 470901.A, such as loss of an arm or leg. If a member suffers more than one such qualifying loss as a result of traumatic injury from the same traumatic event, then payment will be made for a single loss providing the highest payment. This monetary assistance helps the member through an often long and arduous treatment and rehabilitation period. In order for a member to be eligible for TSGLI benefits, the member must meet the following requirements:

A. Be a member of the Uniformed Services and insured by SGLI under paragraph 470201 on the date of the traumatic event. For this purpose, the member will be considered a member of the Uniformed Services until midnight on the date of termination of the member’s duty status in the Uniformed Services that established eligibility for SGLI;

B. Must suffer a scheduled loss (e.g., an arm, a leg) as a direct result of a traumatic injury and no other cause;

C. Must survive a period of not less than 7 full days from the date of the traumatic injury. The 7-day period begins on the date and Zulu (Greenwich Meridian) time of the traumatic injury and ends 168 full hours later; and

D. Must suffer a scheduled loss (e.g., an arm, a leg) within 2 years (730 days) of the traumatic injury.

Note: If injured on or after December 1, 2005, the member must be insured by SGLI at the time of the traumatic event. If injured from October 7, 2001 through November 30, 2005, the member does not need to be insured under SGLI to qualify for a TSGLI payment.

470903. Limitations

A benefit will not be paid if a scheduled loss is due to a traumatic injury caused by:

A. The member’s attempted suicide, while sane or insane;

B. An intentionally self-inflicted injury or an attempt to inflict such injury;

C. Diagnostic procedures, preventive medical procedures such as inoculations, medical or surgical treatment of an illness or disease, or any complications arising from such procedures or treatment;
D. Willful use of illegal or controlled substance, unless administered or consumed on the advice of a medical doctor; or

E. Injuries sustained while committing, or attempting to commit, a felony.

470904. Other Limitations

A benefit will not be paid for a scheduled loss resulting from:

A. A physical/mental illness or disease, whether or not caused by a traumatic injury, not including illness or disease caused by a pyogenic infection, biological, chemical, or radiological weapons or accidental ingestion of a contaminated substance; or

B. A mental disorder whether or not caused by a traumatic injury.

470905. Effective Date

All members covered by the SGLI program will be automatically covered under TSGLI. Members must decline SGLI coverage in order to cancel TSGLI. See Table 47-1 for periods of SGLI coverage.

470906. Amount of Coverage

Members, who suffer a scheduled loss as a direct result of a traumatic injury and meet all other eligibility criteria, are eligible to receive monetary compensation of not less than $25,000 and not more than $100,000.

470907. TSGLI Premium

Deduct a monthly premium of $1.00 in addition to SGLI premiums from the member’s pay the month the member’s SGLI coverage begins. Reservist with Part-Time SGLI coverage pay $1.00 per year for TSGLI coverage. There is no cost for TSGLI coverage for a member while performing funeral honors and muster duties.

470908. Termination of TSGLI

A. TSGLI coverage terminates at midnight of the last day of the month that the member is no longer covered under SGLI, or at midnight of the date of the member’s separation from service, whichever occurs first.

B. TSGLI coverage is not in effect during the 120-day post-separation period or during the 2-year SGLI disability extension.

C. TSGLI cannot be converted to VGLI or commercial coverage.
470909. Payment of Traumatic Injury Protection Benefit

The payment of traumatic injury protection benefit will be paid to the member who suffered the scheduled loss, except under the following circumstances:

A. If the member is legally incapacitated, then the member’s legal guardian, conservator, or attorney acting under a valid Power of Attorney, will be paid the benefit on behalf of the member.

B. If no guardian, conservator, or attorney is authorized to act as the member’s legal representative, then a military trustee who has been appointed will be paid the benefit on behalf of the member. The military trustee will report the receipt of the traumatic injury benefit payment and any disbursements from that payment to the DoD per subparagraph 471003.D.

C. If a member who is eligible for payment of TSGLI benefits dies before payment is made, then the beneficiary or beneficiaries will be paid the benefit in the following order of precedence:

1. Beneficiary designated by the member in writing, if the designation is received by the Military Department concerned before the member’s death;
2. Surviving spouse;
3. Children and their descendants, by representation. The term “children” includes the following:
   a. Legitimate Children;
   b. Legally Adopted Children; and
   c. Illegitimate Children. The illegitimate child of a female member is an eligible beneficiary. An illegitimate child of a male member is an eligible beneficiary only if:
      (1) The member acknowledges the child, in writing, with a signature;
      (2) The member has been judicially ordered to contribute to the child’s support;
      (3) The member has been, before his death, judicially decreed to be the father of such child;
      (4) Proof of paternity is established by a certified copy of the public record of birth or church record of baptism showing that the insured was the informant and was named as father of the child; or
(5) Proof of paternity is established from service department or other public records, such as school or welfare agencies, which show that with his knowledge the insured was named as father of the child;

NOTE: A stepchild is not an eligible beneficiary unless adopted by the deceased member.

4. Father and mother in equal parts or, if either is dead, then the survivor;

5. Legal representative of the deceased member’s estate; or

6. Other next of kin entitled under the law of the domicile of the deceased member.

470910. Taxability

All benefits paid under any law administered by the VA are exempt from taxation. SGLI is a benefit administered by the VA, therefore, is not taxable. If an overpayment occurs and the overpayment is not returned, then the benefit may be taxable.

*470911. Settlement of Claims

The member must complete and sign Part A of the SGLV 8600, Application for TSGLI Benefits, and then have a medical professional, who is a licensed practitioner of the healing arts acting in the scope of his/her practice, complete Part B. The application must then be submitted to the member's Service representative for review and certification. Once the claim is approved, the Service representative will forward the claim to OSGLI for payment.

470912. Appeal of Eligibility Determination

To appeal the denial of a claim for TSGLI benefits, an appeal of eligibility determination must be submitted in writing by the member or member's legal representative, or by the beneficiary or the beneficiary's legal representative, within 1 year of the date of the denial of eligibility. The appeal must be submitted to the office of the Uniformed Service identified in the decision regarding the member's eligibility for the benefit.

4710 DESIGNATION OF FIDUCIARY OR TRUSTEE UNDER TSGLI

471001. Authority

The Secretary concerned, in consultation with the Secretary of VA, will develop a process for the designation of a fiduciary or trustee of a member of the Uniformed Services who is insured against traumatic injury under section 4709. The trustee will receive payment for a qualifying loss under section 4709 in the event that the member becomes medically incapacitated or experiences an extended loss of consciousness.
471002. Appointment of Fiduciary or Trustee

If a member is legally incapacitated and has no legal guardian, conservator, or attorney acting on his or her behalf, then a fiduciary or trustee may be appointed to act on the member’s behalf. The authority to appoint military trustees has been delegated to the Director, DFAS Cleveland.

A. The fiduciary or trustee appointed by the Director, DFAS Cleveland, has the authority to receive, expend, and account for monies received from the military and, specifically under this section, TSGLI benefits. The trustee must use the monies received for the benefit of the incompetent member.

* B. All applications to appoint a trustee and related documentation should be submitted to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

C. The Director, DFAS Cleveland, may designate one of the following persons as trustee for an incompetent military member, if the person (except for a lawful spouse) is 21 years of age or over:

1. Lawful spouse (not subject to age requirement);
2. Children:
   a. Legitimate Child; or
   b. Adopted Child;
3. Father and mother;
4. Head of an institution, if member is a patient; or
5. Any other person or persons, if determined to be in the best interest of the member.

471003. Authority of Fiduciary or Trustee

The fiduciary or trustee:

A. Will submit a DoD (DD) Form 2827, Application for Trusteeship, as verification of appointment as trustee of the member;
B. Has the ability to gain access to the Prudential’s Alliance Account after providing written confirmation of his or her appointment of fiduciary or trustee by DFAS;

C. Can access the Prudential’s Alliance Account and choose how to disburse the member’s TSGLI benefit payment. The designated trustee must furnish a suitable bond when the amount received may exceed $1,000. The required bond must have as the surety, a company approved by the U.S. Government, and be in an amount stipulated by the Director, DFAS Cleveland. Only the premium fee charged by the bonding company may be paid from funds received on behalf of the member. Other expenses incurred when securing the bond will not be paid with member funds; and

D. Must provide an annual accounting of any disbursements, including the TSGLI payments, to the Director, DFAS Cleveland. The report must show all funds received, all expenditures made on behalf of the member, and a statement of the condition of the trustee’s account at the time the report is submitted. Upon request, the trustee may be required to provide receipts, cancelled checks, voucher accounts, savings account passbook, and other supporting financial documents of the trustee account.

4711 REIMBURSEMENT ALLOWANCE FOR SGLI PREMIUM DEDUCTION

471101. General

Effective December 23, 2016, the Secretary concerned will pay an allowance to a member of the Armed Forces based on the SGLI premium of the SGLI coverage held by a member while serving in a designated duty assignment at any time during the month. For the purpose of reimbursement allowance for SGLI deduction, the term "designated duty assignment" means a permanent or temporary duty assignment outside the United States or its possessions in support of a contingency operation in an area that:

A. Has been designated a combat zone; or

B. Is in direct support of an area that has been designated a combat zone.

*471102. Premiums

The allowance is equal to the SGLI premium for the SGLI coverage the member elected plus the premium for TSGLI. See the following example to determine the amount of the allowance.

Example: A member, deployed in August 2019 to a designated duty assignment, chooses to retain coverage of $400,000. That member’s August 2019 premium would be $25.00 ($3.00 for $50,000 of coverage times 8, plus $1.00 for TSGLI). The allowance reimbursement would equal the premium of $25.00.
471103. Tax Implication

The premium amount for the first $50,000 of coverage is excluded from taxable income. Therefore, and based on the example in paragraph 471102, the member’s taxable amount is $22.00 ($25.00 less $3.00). The $22.00 amount may also be excludable from taxable income if the amount is earned while serving in a Combat Zone Tax Exclusion (CZTE) area. For officers, however, the exclusion of the allowance from taxable income is subject to application of the monthly maximum CZTE. See Chapter 44.

4712 MAXIMUM COVERAGE REQUIREMENT

Effective August 13, 2018, in accordance with 38 U.S.C. § 1967, a member deployed to a combat theater of operations must be insured for the maximum amount of coverage under the SGLI program while deployed. The maximum amount of coverage begins on the date of deployment. At midnight on the last day of the month of the Service member’s return from deployment, their coverage will return to the amount they had prior to deployment. Any member required to have such coverage will be reimbursed under section 4711.

Example 1: A member on AD declines coverages in April 2019, then is deployed to a combat theater of operations on July 10, 2019, and returns on August 15, 2019. The member will have maximum coverage from July 10 through August 31. On September 1, SGLI coverage will return to zero.

Example 2: A Ready Reservist reduced SGLI coverage to $200,000 upon entering the Ready Reserves. The Ready Reservist is called to AD in a combat theater of operations in July 2019. SGLI coverage automatically increases to the maximum SGLI coverage level due to the change of duty status in July 2019. The Ready Reservist deploys to the combat theater of operations in August 2019. The Ready Reservist cannot decline coverage while deployed to the combat theater of operations, as the law requires maximum coverage during a deployment to a combat theater of operations. The Ready Reservist returns from the combat theater of operations in December 2019. The Ready Reservist can now reduce his SGLI coverage to $200,000 again. However, his coverage will again increase to the maximum coverage level when he returns to Reserve status because this is a change of duty status from AD to reserve. Maximum basic coverage is automatically in effect unless member again chooses a reduced amount.

4713 SGLI ONLINE ENROLLMENT SYSTEM

Members with full-time SGLI coverage will no longer be required to complete the paper SGLV 8286 to make changes to their coverage or beneficiary elections. Instead, members must utilize the online system, SOES, to manage their SGLI coverages, beneficiaries, and to make election changes.

Members should access SOES whenever they make a beneficiary designation or change a previous designation. When Service members who previously declined coverage have their
coverage automatically restored to the maximum coverage level due to either a change in duty status or during a deployment to a combat theater of operations (See 4712), should be advised to go into SOES to name beneficiaries. If no beneficiaries are named, payment in the event of death would be made based on the order of precedence provided for in 38 U.S.C. § 1970.
Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time)

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(Continued)

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<td>7</td>
<td>When a member required to perform duty described in section 4702, or Chapter 58, paragraphs 580205, or 580206</td>
<td>then the effective date of and SGLI deduction (note 1)</td>
<td>see paragraph 470201.</td>
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<td>8</td>
<td>is a member of a Reserve Component not covered on a full-time basis and is called to Extended AD, AD for Special Work, or mobilization</td>
<td>coverage is the first day of AD (maximum basic coverage is automatic unless a member applies for reduced or no coverage).</td>
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<td>9</td>
<td>is covered full-time and is Absent Without Leave, confined by civil authorities under a sentence adjudged by a civilian court, or confined by military authorities under a court-martial sentence involving total forfeiture of pay and allowances</td>
<td>termination is at the end of the 31st continuous day of such status (note 11)</td>
<td>stops at the end of the month in which the 31st day of such status is reached.</td>
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<tr>
<td>10</td>
<td>forfeits rights to SGLI under the provisions of section 4702 and Chapter 58, paragraph 580807</td>
<td>termination is the end of the day before the date of conviction, refusal to perform service, or refusal to wear the uniform (note 12)</td>
<td>stops at the end of the month in which coverage is terminated.</td>
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NOTES:
1. Members in an excess leave status normally remain eligible for coverage. (See section 4704 for the appellate leave exception.) Establish monthly premiums in such cases as deductions against member pay accounts or collect as cash according to procedures of the Military Service concerned.
2. First-time enlistees in the Ready Reserves are eligible for coverage on the date of enlistment when assigned to a Ready Reserve unit, whether they are or are not required to participate in periods of IDT and have not yet been called to their initial AD period. This does not apply to delayed entry AD enlistees.
Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time) (Continued)

3. Elections made by Reserve Component members remain in effect during continuous obligation to perform duty in the same Uniformed Service. Reserve Component members are not required to reelect or reapply for their desired level of coverage each time they perform duty. For the exception, see rule 8.

4. A new period of coverage begins and new elections must be submitted when a member resumes an obligation to perform duty or reenters on duty in the same Uniformed Service more than 1 day following termination of previous obligation; or when a member assumes an obligation to perform duty and enters on duty in a different Uniformed Service at any time. A member entering active duty after a break in service is automatically covered by the maximum basic coverage, until the member elects otherwise, even though the member may have converted former SGLI coverage to an individual policy following last discharge or release from active duty. A former member, insured under the VGLI Program, who declines SGLI coverage solely to maintain VGLI coverage, upon termination of VGLI, will be eligible to be insured under maximum basic coverage if the member otherwise is qualified.

5. Any previous election for less than $400,000 is cancelled. Maximum basic coverage is automatically in effect unless member again chooses a reduced amount.

6. For members covered on a part-time basis, an election for reduced or no coverage is effective at the end of the last day of the duty period being performed. If the election is made outside a duty period, then the reduced or waived coverage is effective when the election is received by the Military Service.

7. Increase or reinstatement of coverage is contingent upon application by the member and approval by the OSGLI.

8. In the case of members totally disabled on the date of separation from such duty, the member may apply for the SGLI Disability Extension with OSGLI. If approved, the insurance will cease 2 years after the date of separation or on the date the insured ceases to be totally disabled, whichever is earlier, but in no event prior to the expiration of 120 days after separation.

9. Part-time coverage is in effect only on the days of:
   a. **Active Periods.** Eligible members of the Reserves or National Guard performing AD or ADT, under calls or orders specifying periods less than 31 days, are insured during actual days.
   b. **Inactive Periods.** Eligible members of the Reserves or National Guard, performing IDT (brief periods of less than a day of drills) scheduled in advance by competent authority to begin at a specific time and place, are insured during the actual time of such IDT period. Part-time coverage is in effect for IDT, if the site is outside reasonable commuting distance from the member’s residence, and includes the time-period of travel to and from such duty, while remaining:  
      1. overnight immediately before the commencement of IDT;
      2. overnight between successive periods of IDT; or
      3. in the vicinity of the site of the IDT.
   c. **En Route.** Members are also covered while proceeding directly to and returning directly from the Reservist active or inactive period of duty.
Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time)
(Continued)

Note: Members eligible for part-time coverage become eligible for full-time coverage when they perform AD or ADT, under calls or orders that do not specify periods of less than 31 days.

10. Coverage continues for 120 days after the period of duty if the member, during that duty period, incurs or aggravates a disability and the disability renders the member uninsurable at standard premium rates, according to good health standards approved by the VA, and determined by the OSGLI.

11. Members carried in an absent without leave or confined status, except for an offense listed in paragraph 470203, remain eligible for coverage. Insurance terminated under the provisions of rule 9, together with any elections made, will be automatically reinstated as of the date the member is restored to duty with pay. Start premium deductions at the appropriate rate on the month of the date the member is restored to duty with pay.

12. Members restored to duty under conditions, which, in effect, result in a remission of sentence, may apply for reinstatement of coverage under rule 4.
*REFERENCES

CHAPTER 47 – SERVICEMEMBERS’ GROUP LIFE INSURANCE (SGLI) PROGRAM

4701 – GENERAL

38 U.S.C. § 1966
Servicemembers’ and Veterans’ Group Life Insurance Handbook, November 2002, revised August 2019

4702 – SGLI COVERAGE

470201 38 U.S.C. § 1968(a)(2)
38 U.S.C. § 1965(5)(B)

4703 – SERVICE NOTIFICATIONS

38 U.S.C. § 1967(f)

4705 – SGLI PREMIUMS

470501 Under Secretary of VA (USVA) Memo, May 24, 2019
470502 Office of the Assistant Secretary of Defense Force Management and Personnel (OASD (FMP)) Memo, September 1, 1998
USVA Memo, March 27, 2005
470504 USVA Memo, March 13, 2008
OASD (FMP) Memo, September 1, 1998

4707 – SETTLEMENT OF SGLI CLAIMS

38 U.S.C. § 1980A

4708 – FSGLI

470801 38 U.S.C. § 1965(10)(c)
470803 USVA Memo, May 24, 2019
470805 38 U.S.C. § 1967

4709 – TSGLI

470901 38 U.S.C. § 1967
OUSD (P&R) Memo, November 23, 2005
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47-25
470902 38 U.S.C. § 1980A
Title 38, Code of Federal Regulations, part 9.20
470909.B 37 U.S.C. § 602
470910 38 U.S.C. § 5301

4710 – DESIGNATION OF FIDUCIARY OR TRUSTEE UNDER TSGLI

471001 OUSD (P&R) Memo, January 28, 2010
38 U.S.C. § 1980A
471002 37 U.S.C. § 602
471003 38 U.S.C. § 1970(a)

4711 – REIMBURSEMENT ALLOWANCE FOR SGLI PREMIUM DEDUCTION

37 U.S.C. § 437
471101 Public Law 114-328, section 644, December 23, 2016
471102 OUSD (P&R) Memo, April 17, 2006
471103 26 U.S.C. § 79
26 U.S.C. § 134

4712 – MAXIMUM COVERAGE REQUIREMENT

Public Law 115-232, section 625, August 13, 2018
38 U.S.C. § 1967

4713 – SGLI ONLINE ENROLLMENT SYSTEM

VOLUME 7A, CHAPTER 48: “COURT-MARTIAL SENTENCES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated February 2014 is archived.

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<td>Updated chapter in accordance with the 2019 Manual for Courts-Martial.</td>
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<td>Inserted “General” section with “Purpose” and “Authoritative Guidance” paragraphs, and renumbered remaining sections, paragraphs, and subparagraphs accordingly.</td>
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CHAPTER 48

COURT-MARTIAL SENTENCES

*4801  GENERAL

480101.  Purpose

The purpose of this chapter is to establish policy regarding the impact of court-martial sentences on military pay. This chapter provides policy applicable to cases in which charges are referred to trial by court-martial on or after January 1, 2019. See the previous version of this chapter, dated February 2014, for policy applicable to cases in which the charges were referred to trial by court-martial prior to January 1, 2019.

480102.  Authoritative Guidance

The pay policies and requirements established by Department of Defense in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 24, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

4802  EFFECT OF SENTENCES ON PAY AND ALLOWANCES

480201.  Forfeitures

A. A sentence to partial forfeiture of pay deprives a member of the amount of pay stated in the sentence. The sentence applies for the number of months or days expressly stated.

B. Forfeitures apply to pay (and allowances if total forfeitures of pay and allowances are adjudged or imposed by law) becoming due on and after the date forfeitures are effective (see paragraph 480601), unless the convening authority defers, suspends or remits the forfeitures.

*480202.  Fines

A fine is in the nature of a judgment. Fines are effective upon entry of judgment in general and special courts-martial and upon convening authority approval in summary courts-martial. A fine makes a member liable to the United States for the amounts specified in the sentence.

*480203.  Forfeiture of Allowances

A general court-martial sentence that includes forfeiture of pay does not include allowances unless it states that it is a forfeiture of all pay and allowances.
*4803 REDUCTIONS IN GRADE

480301. Automatic Reduction in Grade

A court-martial sentence, as set forth in the judgment of the court-martial entered into the record, that includes a dishonorable or bad conduct discharge, confinement, or hard labor without confinement, by operation of law, reduces an enlisted member to pay grade E-1 effective the date the judgment is entered into the record. If the sentence of a member who is thus reduced in pay grade is set aside or disapproved, or, as finally affirmed, does not include any of the above punishments, all rights and privileges denied the member because of the reduction are restored. The member is entitled to the pay and allowances to which the member would have been entitled, for the period the reduction was in effect, had the grade reduction not been applied.

480302. Reduction in Grade Adjudged in Court-Martial Sentence

A reduction in grade that is adjudged in a court-martial sentence takes effect 14 days after the sentence is announced, except in a summary court-martial. In a summary court-martial, an adjudged reduction in grade is effective the date the sentence is approved by the convening authority, or on the 14th day after the sentence is announced, whichever is earlier.

4804 FORFEITURES

480401. Pay Subject to Forfeiture

Forfeitures, other than total forfeitures apply to:

A. Basic pay, based on the member's years of service; and

B. Career sea pay or hardship duty pay, provided such pay continues to accrue after the effective date of the sentence.

NOTE: Pay allotted voluntarily is subject to forfeiture.

480402. Pay Not Subject to Forfeiture

Forfeitures, other than total forfeitures of pay and allowances, do not apply to special (other than sea or hardship duty pay) or incentive pay.

480403. Taxes

A forfeiture is a loss of entitlement to the pay involved. Consequently, forfeitures are not taxed. Compute the amount of pay to be forfeited before withholding for federal and state income and Federal Insurance Contribution Act (FICA) taxes. Compute taxes from the remaining pay not forfeited. See subparagraph 480407.C.1 for taxation of forfeitures waived for the benefit of dependents.
480404. Reduction in Grade

If a member’s sentence includes or requires a reduction in grade, apply forfeitures to the pay of the grade to which reduced.

480405. Concurrent Forfeitures

Forfeitures resulting from multiple court-martial sentences can run concurrently. However, the forfeitures, when combined, cannot exceed the applicable jurisdictional limit. For example, if two or more forfeitures result from courts-martial under which the maximum forfeiture which could be imposed is two-thirds of the pay subject to forfeiture, then collect no more than two-thirds of the pay subject to forfeiture for the concurrent period. Following the concurrent period, pay is forfeited under the remaining sentence at the rate specified in the sentence for the time remaining in that sentence.

480406. Non-Collection of Ordered Forfeitures

If any amount ordered forfeited is not actually withheld or collected during the period specified by the approved sentence, such amount may be collected involuntarily as an erroneous payment as provided in Volume 16.

480407. Automatic Forfeiture During Certain Court-Martial Confinements and Periods of Parole

A. General Court-Martial. A member automatically forfeits all pay and allowances while in confinement or in a parole status when the member’s sentence includes:

1. Death;
2. Confinement for more than six months; or
3. Confinement of any length and either a dishonorable discharge, a bad conduct discharge, or a dismissal.

B. Special Court-Martial. The forfeiture provisions in subparagraph 480407.A also apply for sentences adjudged by special court-martial. However, automatic forfeitures are limited to two-thirds of all pay. Allowances are not subject to automatic forfeiture in special courts-martial.

C. Waiver of Forfeitures in Favor of Dependents. The convening authority or a person acting under 10 U.S.C., section 860a or 860b may waive any or all of the forfeitures of pay and allowances that were imposed by operation of law (“automatically”) for a period not to exceed six months. The portion waived is payable to the accused member’s dependent(s) as directed by the convening authority or person taking action.
1. **Intent of Waiver and Taxability of Waived Forfeiture Amount.** Direct payments to dependents, of the waived portion of a forfeiture are intended to provide transitional compensation and direct financial assistance. Because the waived portion of the forfeiture remains wages generated by the member’s military status, it is taxable income to the accused member, even though paid to the member’s dependents. Therefore, after appropriate federal, state, and FICA taxes are withheld from the taxable portion of the waived forfeiture amount, the remaining (net) waived amount is paid to the member’s dependent(s), as directed. See Chapter 44, Table 44-1.

2. **Other Deductions and Collections.** The Uniformed Code of Military Justice (UCMJ) contains no provisions for the deduction of any of the items appearing in Chapter 52, Table 52-1 from the waived forfeiture of pay and allowances. Therefore, only applicable taxes listed in subparagraph 480407.C.1, may be deducted from the waived portion of pay and allowances that would otherwise be forfeited, with the remaining amount paid to the member’s dependent(s), as directed by the convening authority. See Chapter 44, Table 44-1 and Chapter 45, Table 45-1.

D. **Effect of Disapproval, Set Aside, or Reduction of Punishment.** If the sentence of a member who forfeits pay and allowances under paragraph 480407 is set aside, disapproved or, as finally approved, does not provide for a punishment listed in subparagraph 480407.A, then pay the member the pay and allowances the member would been paid, except for the automatic forfeiture, for the period during which the automatic forfeiture was in effect. The payment to the member should be reduced by the amount of any payments made to the member’s dependents under subparagraph 480407.C.

**NOTE:** Amounts paid to a member under subparagraph 480407.D, when a punishment has been disapproved, set aside, or reduced, are taxable income in the year they are paid to the member and are subject to appropriate withholding of federal and state taxes.

480408. **No Collection of Forfeitures of Pay During Appellate Leave**

A member who has accrued leave before entering an appellate leave status will use his/her accrued leave for the period of appellate leave, unless the member elects to be paid for such accrued leave in a lump sum. Forfeitures will not be deducted from these leave payments in either situation.

4805 **EFFECTIVE DATES OF FINES AND FORFEITURES**

*480501. Fines*

A fine that is adjudged in a general or special court-martial takes effect when the judgment is entered into the record. A fine adjudged in a summary court-martial takes effect when the convening authority acts on the sentence.
*480502. Forfeitures

A. Forfeitures of pay or pay and allowances begin 14 days after the sentence is announced, except in the case of a summary court-martial. Forfeitures imposed by a summary court-martial begin on the date the convening authority approves the part of the sentence establishing the forfeiture.

B. Upon application by the accused, the convening authority may defer the start of the forfeiture any time after the adjournment of the court-martial and before the entry of the judgment. Deferment of a sentence to forfeiture ends when the judge enters the judgment into the record, except in a summary court-martial. In a summary court-martial, the deferment ends when the convening authority acts on the sentence. The convening authority may rescind a deferment at any time.

4806 COLLECTION

480601. Forfeitures

Since court-martial forfeitures constitute a loss of entitlement to the pay or pay and allowances concerned, they constitute a reduction of pay that takes precedence over all debts. (See Chapter 52, Table 52-1, rule 1).

480602. Fines

Fines constitute indebtedness to the United States. Collect fines as follows:

A. Current Pay. Fines may be collected involuntarily from the current pay of all members. They are collected after all other prior indebtedness for the period involved has been collected. If prior deductions reduce the member’s pay by two-thirds of gross pay for any month, no pay accrues against which fines may be applied. In such case, defer collection of fines until pay accrues against which they may be applied.

B. Final Pay. Fines may be collected involuntarily from a member’s final pay after all other indebtedness is collected. Collections will not reduce pay received by enlisted members of the Army or Air Force to less than one-third of gross pay. Separation travel allowances and donations on discharge will not be used to liquidate an indebtedness for enlisted members. Otherwise, all final pay and amounts due the member at separation may be collected involuntarily. See Volume 16.

C. Appellate Leave. Members on appellate leave are subject to the collection of fines from any lump sum payment of accrued leave paid at the commencement of appellate leave.
480603. Rate of Collection

Charge forfeitures of pay against a member’s pay at the rate required by the sentence until the sentence is fully satisfied. Prorate the monthly rate of forfeiture on a daily basis for a portion of a month. The language of a sentence determines the amount of the fine or forfeiture. Pay cannot be forfeited by implication. For example, a sentence stating, “forfeiture of $20 per month for 6 months” means a forfeiture of $120 to be collected at $20 per month. Conversely, a sentence stating, “forfeiture of $20 for 6 months” means a total forfeiture of $20 is to be collected.

480604. Non-Pay Status

During periods when a member is in a non-pay status, pay does not accrue against which forfeitures can apply. Do not count such periods in computing the time during which pay is forfeited for a specific period.

480605. Restoration to Duty

A member restored to duty following a non-pay status is again entitled to pay against which forfeitures may apply.

480606. Service Beyond Estimated Term of Service (ETS) for Medical Care

The pay and allowances of an enlisted member retained beyond ETS for medical care or hospitalization are subject to forfeitures and fines.

480607. Non-Collection Due to Administrative Error

Collect court-martial forfeitures not collected due to administrative error when the error is discovered. Collection may be made for the court-martial forfeiture or for erroneous payments made during the period covered by the sentence. Indebtedness of this type cannot be remitted under statutes authorizing remission of indebtedness.

480608. Pay Due or Accrued

Forfeitures apply to pay earned on and after the effective date of the forfeiture.

480609. Collection From Members in a Reserve Status

All punishments remaining unserved at the time a member of a Reserve Component is released from active duty or a normal period of inactive duty training may be carried over to subsequent periods of inactive-duty training or active duty.
4807 REMISSION, SUSPENSION, AND CANCELLATION OF FORFEITURES

480701. Death or Separation

A. The death or discharge of a member under a suspended sentence operates as a complete remission of any unexecuted or unremitted part of a sentence.

B. Discharge, release from active duty (except under paragraph 480609), or death of a member under an unsuspended sentence to forfeiture cancels any uncollected portion of the forfeiture which would extend beyond the date of discharge, release, or death.

480702. End of Term of Service, Unauthorized Absence, or Desertion

The end of term of service of a member in military confinement, unauthorized absence or desertion of a member, stops collections of uncollected forfeitures since no pay accrues against which forfeitures can operate. If an unauthorized absentee or deserter is restored to pay status, then resume otherwise proper collections.

*480703. Restoration to Duty

If a member who was sentenced to total forfeitures and confinement is released from confinement after serving the sentence and is restored to duty, the member is entitled to pay and allowances from the date restored to duty, and the forfeiture becomes inoperative thereafter unless the sentence expressly includes partial post-confinement forfeitures. This applies even though no other action may have been taken to suspend, remit, or mitigate the sentence to total forfeiture.

480704. Effective Date

An order remitting, mitigating, or suspending the unexecuted portion of a sentence is effective from the date of the order, except when a later date is specified. An order remitting a sentence to fine or forfeiture relieves the member of the unexecuted portion of the forfeiture or fine on and after the effective date.

*480705. Suspension of a Sentence

Suspension of a sentence grants the accused a probationary period during which the suspended part of the sentence is not executed.

A. Remission

Upon successful completion of the probationary period, the suspended part of the sentence is remitted. Remission cancels the unexecuted part of the sentence to which it applies. When an unexecuted portion of a sentence to forfeiture or fine is remitted, the member is no longer subject to the unexecuted forfeiture or fine.
B. Vacation of Suspension

Suspensions can be vacated if the accused does not successfully complete the probationary period. When a suspension of a forfeiture or fine is vacated, the uncollected forfeiture or fine is revived and proper for collection.

4808 SENTENCES DISAPPROVED OR SET ASIDE

480801. When New Trial or Rehearing Is Not Ordered

When a court-martial sentence is set aside or disapproved and a new trial or rehearing is not ordered, all rights, privileges, and property affected by the executed part of the sentence are restored to the member. Such restoration includes any pay and allowances lost as a result of an adjudged or automatic forfeiture and an adjudged or automatic reduction in grade.

*480802. New Trial or Rehearing Ordered

A. Pay Entitlements While Awaiting New Trial or Rehearing

In accordance with regulations established by the Secretary concerned, for the period after the date on which an executed part of a court-martial sentence is set aside, an accused who is pending a rehearing, new trial, or other trial shall receive the pay and allowances due at the restored grade.

B. Pay Entitlements After Rehearing or New Trial is Completed

1. An accused member is entitled to restoration of all rights, privileges, and property affected by an executed portion of a court-martial sentence that has been set aside or disapproved by proper authority, unless a new trial, other trial, or rehearing is ordered and such executed part is included in the sentence imposed at the new trial, other trial, or rehearing.

2. When a previously executed dishonorable or bad conduct discharge is not imposed by a new trial, the member is entitled to the pay and allowances which the member would have received had the dishonorable or bad conduct discharge not been executed. When a previously executed dismissal of an officer is not imposed by a new trial, an administrative discharge is substituted. The President may reappoint the officer to the grade and rank the officer would have attained if the officer had not been dismissed. The total time between the dismissal and reappointment is considered as actual service for all purposes, including pay and allowances.

*480803 Limits on New Trial or Rehearing Sentences

Generally, a member may not receive a sentence in a new trial or rehearing in excess of or more severe than the approved sentence that was subsequently set aside.
4809 PAY AND ALLOWANCES WHILE ON PAROLE

A member released on parole from a disciplinary barracks is considered to be in an authorized leave status and is entitled to pay and allowances to the extent the member has unused accrued leave to the member's credit, less any fines and forfeitures still remaining in effect. Once the member's accrued leave has been used, the member is considered to be in an excess leave or leave without pay status and is not entitled to pay and allowances during this period unless, upon appellate review, the conviction is completely overturned or set aside. If the member is subject to a new trial or rehearing, however, apply the provisions of paragraph 480802.

*4810 DISPOSITION OF COURT-MARTIAL FORFEITURES AND FINES

Armed Forces (regular and Reserve) court-martial forfeitures and fines of enlisted members, warrant officers, and limited duty officers in excess of government indebtedness and amounts owed any individuals will be transferred to the Armed Forces Retirement Home Trust Fund. For purposes of this section only, the term “government indebtedness” refers to an amount due from the member for reimbursement to the government. For example, the repayment of an advance of pay is a reimbursement but, an amount due to the Internal Revenue Service, while considered a debt to the government, is not a “reimbursement” or “government indebtedness,” for purposes of this section. For the purposes of this section, the term “amounts owed any individuals” refers to amounts owed from a member’s pay by direction of a commanding officer pursuant to Article 139 of the UCMJ.

481001. Separation From Service Not Involved

When enlisted members, warrant officers or limited duty officers have been sentenced by court-martial to forfeit all or part of their pay, no part of the forfeiture is creditable to the Armed Forces Retirement Home Trust Fund until amounts equal to all outstanding indebtedness to the government and amounts owed any individuals have been withheld. Transfer only those amounts forfeited that are in excess of any government indebtedness or amounts owed any individuals.

481002. Members Who Are Being Separated From Service

A court-martial forfeiture of a limited duty officer, warrant officer, or enlisted member is not credited to the Armed Forces Retirement Home Trust Fund when the member has unsatisfied indebtedness at date of separation, except as shown in paragraph 481003. Such forfeitures remain in the military personnel appropriation. If the unsatisfied debt at separation is less than the forfeiture, credit the difference between the aggregate unsatisfied debt and the forfeiture to the Armed Forces Retirement Home Trust Fund. (For example: If the uncollected indebtedness is $500 and forfeiture is $600, credit to the Armed Forces Retirement Home Trust Fund the difference of $100 between the unsatisfied indebtedness and the forfeiture.) Transfer amounts collected afterward to counterbalance the indebtedness not to exceed the aggregate forfeiture, less amounts previously credited to the Armed Forces Retirement Home Trust Fund.
481003. Indebtedness After Forfeiture Becomes Effective

If debts occur to enlisted members, warrant officers or limited duty officers after a court-martial has been executed and before credit of the forfeiture has been made to the Armed Forces Retirement Home Trust Fund, such debts will not affect the disposition of the forfeiture. Credit the forfeiture to the Armed Forces Retirement Home Trust Fund as if the indebtedness did not exist.

481004. Remission of Indebtedness

If a court-martial forfeiture of an enlisted member, warrant officer or limited duty officer is not credited to the Armed Forces Retirement Home Trust Fund due to outstanding debts, and the unliquidated portion of the debts is thereafter remitted or cancelled, do not credit the forfeiture that equals the amount of indebtedness remitted or cancelled to the Armed Forces Retirement Home Trust Fund. That amount remains in the military personnel appropriation.

481005. Commissioned Officers

Credit court-martial forfeitures and fines of commissioned officers (except limited duty officers and warrant officers) to the appropriation to which the member’s pay is properly chargeable.

4811 FORFEITURE SENTENCES CARRIED OVER TO SUBSEQUENT RESERVE COMPONENT DUTY

481101. General

In the case of a forfeiture sentence carried forward according to paragraph 480609, convert the stated amount of forfeiture to a percentage using the monthly rate of basic pay in Chapter 1, Tables 1-7 through 1-10 for the member’s grade and length of service on the date the forfeiture sentence is entered into the record. Apply that percentage to the pay for every period of duty the member actually performs during the stated period of the forfeiture sentence.

481102. Time Restriction

The forfeiture sentence is satisfied by collection from duty performed during the stated period of forfeiture only. If a member performs no duty during the stated period of the forfeiture sentence, no further collection action is necessary.

Example: A. A member, E-4, receives a sentence which includes a forfeiture (either nonjudicial punishment or court-martial sentence) of $200 a month for 2 months ($400).

   B. The member's monthly rate of pay is $912.60.
C. Convert the original forfeiture to a percentage, \( \frac{200}{912.60} = 21.92\% \).

D. For each period of duty performed during the stated period of the sentence (2 months), collect 21.92% of the member's pay from active duty and inactive duty training pay.
CHAPTER 48 – COURT-MARTIAL SENTENCES

4802 – EFFECT OF SENTENCES ON PAY AND ALLOWANCES

Manual for Courts-Martial (MCM) 2019, Appendix 2, Subchapter IX
1 Comptroller General (Comp Gen) 291 (1921)
41 Comp Gen 296 (1961)

4803 – REDUCTIONS IN GRADE

480301 10 U.S.C. § 858a
MCM 2019, Part II, Chapter XI, Rule 1102(b)(1)
480302 MCM 2019, Part II, Chapter XI, Rule 1102(b)(1)

4804 – FORFEITURES

MCM 2019, Appendix 2, Subchapter IX
36 Comp Gen 79
36 Comp Gen 755
480401.B MCM 2019, Part II, Chapter X, Rule 1003(b)(2)
480407.A & B 10 U.S.C. § 858b
480407.C U.S. v. Gorski
480408 63 Comp Gen 341, 344 (1984)
10 U.S.C. § 706(a)

4805 – EFFECTIVE DATES OF FINES AND FORFEITURES

10 U.S.C. § 857
480501 MCM 2019, Part II, Chapter XI, Rule 1102
480502.B MCM 2019, Part II, Chapter XI, Rule 1103
480502.C 42 Comp Gen. 279

4806 – COLLECTION

36 Comp Gen 79
38 Comp Gen 788
36 Comp Gen 755
41 Comp Gen 269
480602.A 37 U.S.C. § 1007(c)
480602.B 37 U.S.C. § 1007(d)
480603 U.S. v. Johnson, 32 C.M.R. 127 (C.M.A. 1962)
480609 MCM 2019, Part II, Rule 204
4807 – REMISSION, SUSPENSION, AND CANCELLATION OF FORFEITURES

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<td>480707</td>
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<td>480802</td>
<td>MCM 2019, Part II, Chapter XI, Rule 1208</td>
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<td>10 U.S.C. § 863</td>
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<td>MCM 2019, Part II, Chapter VIII, Rule 810(d)</td>
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4809 – PAY AND ALLOWANCES WHILE ON PAROLE

|        | 59 Comp Gen 12 |

4810 – DISPOSITION OF COURT-MARTIAL FORFEITURES AND FINES

|        | 24 U.S.C. 419 (a) (4) |
|        | 10 U.S.C. 2772 |

4811 – FORFEITURE SENTENCES CARRIED OVER TO SUBSEQUENT RESERVE COMPONENT DUTY

|        | MCM 2019, Part II, Chapter II, Rule 204 |
VOLUME 7A, CHAPTER 49: “NON-JUDICIAL PUNISHMENT”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated June 2018 is archived.

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<td>490102</td>
<td>Updated the “Authoritative Guidance” paragraph and formatting to comply with current administrative instructions.</td>
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<td>Renamed “Bibliography” to “References” and updated statutes and references.</td>
<td>Revision</td>
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CHAPTER 49

NON-JUDICIAL PUNISHMENT

4901 GENERAL

490101. Purpose

This chapter describes the impact and limitations of non-judicial punishment on a member’s pay.

*490102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 10. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

4902 AUTHORIZED PUNISHMENTS AFFECTING PAY

Non-judicial punishments which affect pay are forfeiture of pay, reduction in grade, or a combination of these. Except as provided in this chapter, provisions of Chapter 48 relating to forfeiture of pay and reduction in grade by courts-martial also apply when such penalties are imposed as non-judicial punishment.

4903 LIMITATIONS

490301. Maximum Forfeiture of Pay


490302. Forfeiture of Pay

When punishment includes both a reduction in grade, whether or not suspended, and a forfeiture of pay, the forfeiture of pay is based on the grade to which the member was reduced. The amount to be forfeited must be expressed in whole dollar amounts only and not in a number of days pay or fractions of monthly pay. If the forfeiture is to be applied for more than 1 month, the amount to be forfeited per month and the number of months should be stated. Forfeiture of pay may not extend to any pay accrued before the date of its imposition.

4904 SUSPENSION, REMISSION, SETTING ASIDE, AND MITIGATION OF NON-JUDICIAL PUNISHMENT

See Table 49-1.
4905 EXECUTION OF PUNISHMENT DURING APPEAL PROCEDURES

A member who incurs non-judicial punishment that the member considers unjust or out of proportion to the offense may, through proper channels, appeal to the next higher authority. The member may be required to undergo the adjudged punishment pending determination of the appeal.

4906 EFFECTIVE DATES

Forfeitures of pay and reductions in grade, if unsuspended, are effective on the date the commander imposes the punishment. (For Navy and Marine Corps members, however, non-judicial forfeitures of pay do not run concurrently. If a forfeiture of pay is imposed by a non-judicial punishment while a prior forfeiture of pay is still in effect, it will not commence until the prior forfeiture of pay is completed.) Pay accrued by a member before the imposition of the punishment is not subject to forfeiture. When a forfeiture of pay is suspended, the suspension takes effect on the date of the action. When a member is restored to a higher grade by suspension of a reduction in grade, the member is entitled to pay of the higher grade only from the date of suspension. If, however, a reduction in grade or forfeiture of pay is set aside and all rights, privileges, and property affected by it are restored, then the member is entitled to pay as though the reduction in grade had never been imposed. When the suspension of a punishment is vacated, the effective date for pay purposes is the date of the vacation.

4907 DISPOSITION OF FORFEITURES OF PAY COLLECTED BY NON-JUDICIAL PUNISHMENT

Disposition of pay forfeited as a result of a non-judicial punishment is treated similar to pay forfeited by court-martial action. Refer to Chapter 48, section 4811 for disposition policies.
Table 49-1. Suspension, Remission, Setting Aside, and Mitigation of Non-Judicial Punishment

<table>
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<tr>
<td>1</td>
<td>forfeiture of pay</td>
<td>not been executed (note 1)</td>
<td>then the officer imposing the punishment, or the successor in command, may suspend the punishment provisionally or</td>
<td>remit or set the forfeiture of pay aside (in whole or in part), or mitigate it to lesser forfeiture of pay (note 2).</td>
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<td>2</td>
<td>reduction in grade</td>
<td>not been executed</td>
<td></td>
<td>remit or set the reduction in grade aside, or mitigate it to a forfeiture of pay (note 2 and 3).</td>
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<td>3</td>
<td>forfeiture of pay</td>
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<td>only within 4 months after execution</td>
<td>set the forfeiture of pay aside (in whole or in part) (note 4).</td>
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<tr>
<td>4</td>
<td>reduction in grade</td>
<td></td>
<td></td>
<td>set the reduction in grade aside in whole or in part, or mitigate it to forfeiture of pay (note 3 and 4).</td>
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NOTES:

1. An uncollected forfeiture of pay is considered to be unexecuted during the period for which it was imposed. Upon the expiration of the forfeiture period all unsuspended forfeitures of pay, whether or not collected, are fully executed.

2. The unexecuted portion of a forfeiture or reduction in grade can be remitted at any time.

3. If mitigated, the amount of forfeiture of pay may not be greater than the amount that could have been imposed initially by the officer who imposed the reduction in grade.

4. The power to set aside an executed punishment should ordinarily be exercised only within a reasonable time after the punishment has been executed. Four months is a reasonable time in the absence of unusual circumstances.
*REFERENCES

CHAPTER 49 – NON-JUDICIAL PUNISHMENT

4901 – GENERAL

10 U.S.C. § 815

4902 – AUTHORIZED PUNISHMENTS AFFECTING PAY

10 U.S.C. § 815

4903 – LIMITATIONS

MCM, United States (2019 Edition), Part V

4904 – SUSPENSION, REMISSION, AND MITIGATION

10 U.S.C. § 815

4905 – EXECUTION OF PUNISHMENT DURING APPEAL PROCEDURES

10 U.S.C. § 815

4906 – EFFECTIVE DATES

10 U.S.C. § 815
MCM, United States (2019 Edition), Part V
Army Regulation 27-10, Chapter 3, section IV, paragraph 3-21
Navy Judge Advocate General Instruction 5800.7F, Part B, section 0113
Air Force Instruction 51-202, Chapter 3, section 3C, paragraph 3.18

4907 – DISPOSITION OF FORFEITURES OF PAY COLLECTED BY NON-JUDICIAL PUNISHMENT

10 U.S.C. § 2772

Table 49-1

MCM, United States (2019 Edition), Part V, paragraph 6
10 U.S.C. § 815
Notes 3 and 4

MCM, United States (2019 Edition), Part V
VOLUME 7A, CHAPTER 50: “BANKRUPTCY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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<td>Updated the “Automatic Stay Provisions” subparagraph to align with Volume 7B, Chapter 17.</td>
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CHAPTER 50

BANKRUPTCY

5001 GENERAL

500101. Purpose

This chapter prescribes the policies to be followed when a Service member files a petition of bankruptcy under Title 11, United States Code (U.S.C.), Chapter 7 or 13.

*500102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with U.S.C., Titles 11 and 31. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in the reference section at the end of the chapter.

5002 BANKRUPTCIES

500201. General Information

A. Filing. A member may file a petition of bankruptcy under 11 U.S.C., Chapter 7 or 13 of the Bankruptcy Code. The law waives the U.S. Government’s sovereign immunity for purposes of compliance with payroll deduction orders issued by the bankruptcy courts. Accordingly, the Defense Finance and Accounting Service (DFAS) will honor the bankruptcy withholding orders.

* B. Automatic Stay Provisions. An amount of indebtedness owed to the United States that was incurred prior to the filing date of the petition, is described as a pre-petition debt. Collecting debts by offset from the member’s pay account is authorized only through the day prior to the date the bankruptcy petition is filed. Continuing deductions from the member’s pay after the filing of a petition in a bankruptcy is improper and violates the automatic stay provisions of the bankruptcy statute. Amounts withheld after the date the bankruptcy petition is filed must be refunded to the member. The automatic stay provisions of the bankruptcy statute do not preclude continued deductions based on court-ordered support obligations or divisions of retired pay unless the bankruptcy court orders otherwise. If there are any questions about collecting a debt when a debtor has filed bankruptcy, coordinate with the DFAS Office of General Counsel, Garnishment Law Directorate, as there may be exceptions that affect the collection of a debt or refund due a debtor.

C. Proof of Claim. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the member has listed the U.S. Government as a creditor, the military pay office will file a proof of claim with the bankruptcy court concerned for all Chapter 13 filings and if requested by the bankruptcy trustee in a Chapter 7 case. The proof of claim is filed with the bankruptcy court on Official Form B 410.
D. Post-Petition Debt. If the bankruptcy is completed and the debtor receives a discharge, then, generally, the listed indebtedness to the United States is discharged with few exceptions. Any new debt that was incurred after the filing of the bankruptcy petition is known as a post-petition debt. The bankruptcy proceedings do not affect post-petition debts. However, prior to taking any collection action on post-petition debts, the matter should be coordinated with the DFAS Office of General Counsel, Garnishment Law Directorate.

E. Dismissal. If the court subsequently dismisses a bankruptcy case, then collection is permitted by offset if otherwise authorized.

500202. Procedures

A. All Bankruptcy Notices and Chapter 13 withholding orders should be submitted or faxed to:

DFAS Office of General Counsel  
Attn: Garnishment Law Directorate  
P.O. Box 998002  
Cleveland, OH 44199-8002  
Toll Free Fax: (877) 622-5930  
Commercial Fax: (216) 367-3675

NOTE: DFAS Office of General Counsel, Garnishment Law Directorate, is the designated agent for service of process for all military members’ bankruptcy notices and bankruptcy withholding orders.

B. The following information should be included with the bankruptcy order: full name, and full Social Security number.

C. The bankruptcy notice is effective when it is filed with the court and the provisions of the automatic stay are effective on that date.

D. When the notice does not sufficiently identify the member, it will be returned directly to the person who submitted the order, with an explanation of the deficiency.

E. Upon receipt of an effective bankruptcy order, together with all the required information, the Garnishment Law Directorate (office of the designated official) will review the case to determine if there are any involuntary allotments or garnishments that need to be terminated as a result of the automatic stay (child support, alimony, child support arrears, and alimony arrears are not terminated unless the bankruptcy order specifically states so). The Garnishment Law Directorate will then establish the withholding against the member’s pay to comply with the bankruptcy order within 30 days. Withholdings will continue until the amount specified in the order is collected, or the order is cancelled or suspended.

1. Within 30 calendar days after the date of receipt of the order, the designated official will send notice to the member stating this fact.
2. The letter will inform the member of the date that the withholding is scheduled to begin and the amount or percentage that will be deducted.

3. When the member identified in the order is found not to be entitled to money due from, or payable by, DFAS, the designated official will return the order to the person who submitted it and advise him or her that no money is due from, or payable by, DFAS to the named individual. When it appears that amounts are exhausted temporarily or are otherwise unavailable, the authorized person will be told why and for how long any money is unavailable, if known.

500203. Chapter 13, Adjustment of Debts of an Individual With Regular Income - The Plan

A. A member may file a petition with the court to enter into a “Chapter 13 Plan” under the Bankruptcy Code. Under Chapter 13, a member must submit a proposed repayment plan to the bankruptcy court that provides, among other things, that all or a specified amount of future income as is necessary to pay claims under the plan will be sent to the control of the bankruptcy trustee.

B. When the plan is confirmed by the court, its provisions are binding upon the member and all creditors of the member, regardless of whether they are affected by the plan or have been included in the plan.

C. Once the bankruptcy court confirms a plan, it usually orders the employer to pay a specific amount of a member’s income to the trustee named in the order.

D. The pay of a member is subject to payment to the trustee appointed by the court, pursuant to Chapter 13 of the Bankruptcy Act. The payment by DFAS of part of the member’s pay in response to a court order issued under a Chapter 13 Wage Earner’s Plan case does not conflict with 31 U.S.C., section 3713 (Priority of Government Claims). Compliance with such a court order gives the Government a valid acquittance against the member since the court order is binding on the member.

E. If the United States is both the employer and creditor when the member files a Chapter 13 Plan, then the Government’s priority under 31 U.S.C. § 3713 (Priority of Government Claims) may be asserted in the absence of a judicial determination to the contrary. This is done through a filing of the proof of claim by the appropriate pay office.
CHAPTER 50 - BANKRUPTCY

5001 – GENERAL


5002 – BANKRUPTCIES

500203.D

31 U.S.C. § 3713

500203.E

31 U.S.C. § 3713
VOLUME 7A, CHAPTER 51: “SAVINGS PROGRAMS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2015 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
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<tbody>
<tr>
<td>510201</td>
<td>Inserted a paragraph on Savings Deposit Program (SDP) eligibility and renumbered the subsequent paragraphs.</td>
<td>Addition</td>
</tr>
<tr>
<td>510202.B</td>
<td>Inserted a definition for SDP area.</td>
<td>Addition</td>
</tr>
<tr>
<td>510205.A.3</td>
<td>Clarified information on deposits after a member has served in a covered geographic area for at least 30 consecutive days.</td>
<td>Revision</td>
</tr>
<tr>
<td>5103</td>
<td>Updated &quot;TSP Guidelines.&quot;</td>
<td>Revision</td>
</tr>
<tr>
<td>5104</td>
<td>Inserted information on TSP as it applies to the Blended Retirement System (BRS) in a section on “TSP for BRS Members.”</td>
<td>Addition</td>
</tr>
<tr>
<td>5105</td>
<td>Inserted information on “TSP for Members not under BRS.”</td>
<td>Addition</td>
</tr>
<tr>
<td>Figure 51-1</td>
<td>Updated &quot;Pay Entitlements Available for TSP Contributions.&quot;</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 51-3</td>
<td>Added a new table for “Automatic and Matching Contributions.”</td>
<td>Addition</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated statutes and supporting references.</td>
<td>Revision</td>
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CHAPTER 51
SAVINGS PROGRAMS

5101 GENERAL

510101. Purpose

The chapter provides policy for the Savings Deposit Program (SDP) and the Thrift Savings Plan (TSP) to include TSP under the Blended Retirement System (BRS).

510102. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

5102 SDP

As prescribed by the Secretaries concerned, a member of the Armed Forces, who is serving in a designated SDP area outside the United States, its possessions, or the Commonwealth of Puerto Rico, may deposit during that tour of duty, not more than the member’s un-allotted current pay and allowances in amounts of $5 or more, with any branch, office, disbursing officer, finance officer, or any other designated officer of the Armed Forces. Amounts so deposited will be deposited in the Treasury and kept as a separate fund, and must be accounted for in the same manner as public funds.

*510201. Eligibility

A. Effective May 1, 2016, any member, serving in an assignment outside of the United States, its possessions, or the Commonwealth of Puerto Rico for at least 30 consecutive days or 1 day for each 3 consecutive months is eligible to participate in SDP if serving:

1. In a Combat Zone (CZ); or

2. While qualified to receive hostile fire or imminent danger pay while in a:

   a. Qualified Hazardous Duty Area (QHDA); or

   b. Designated direct support area of a CZ.

B. Members already contributing to the SDP on May 1, 2016, will be allowed to continue to contribute to the SDP until they depart from the member's SDP-eligible assignment.

NOTE: See Chapter 44 for designated direct support areas of a CZ, designated CZs, and QHDAs. For the most current listings, see designated direct support areas of a CZ, designated CZs, and QHDAs on DFAS.mil.
*510202. Definitions

A. Designated Duty Assignment. A designated duty assignment is a permanent duty or temporary additional duty/temporary duty (TAD/TDY) assignment in an SDP area.

B. SDP area. An SDP area is an area outside the United States, its possessions, or the Commonwealth of Puerto Rico, in a CZ or an area in which members are entitled to receive hostile fire or imminent danger pay while serving in a QHDA or in a designated direct support area of a CZ.

C. Un-allotted Current Pay and Allowances. The amount of money a member is entitled to receive on the payday immediately before the date of deposit, less authorized deductions and allotments (e.g., for dependents or insurance). Pay and allowances include special continuation pay, reenlistment bonus, travel allowance on discharge, or pay and allowances for unused accrued leave. Advance pay and travel allowance for permanent change of station and TAD or TDY travel may not be deposited.

510203. Allotments

Active duty officers and enlisted members may make deposits into the SDP by allotment. Such allotment must be processed in accordance with the procedural instructions of the Military Service concerned. However, the restrictions of this chapter are applicable when starting this type of allotment.

510204. Member in a Missing Status

For a member who is in a missing status (see Definitions), the Secretary of the Military Department concerned may, in the interest of a member or the member’s dependents, initiate, stop, modify, and change allotments for deposit of unpaid pay and allowances accruing in a missing member's pay account, and authorize withdrawal of deposits made under the SDP, even though the member had an opportunity to make deposits and elected not to do so. Interest may be computed from the day the member entered into a missing status, or January 1, 1991, whichever is later. The $10,000 limitation on the amount that interest is payable does not apply to the deposit account of a member in a missing status.

Example 1. A member entered into a missing status on February 1, 2012. Unpaid pay and allowances have been accruing in the member’s pay account at the rate of $100 per month since that date. An account was opened for the member on May 1, 2012, with an initial deposit of $300 (February, March, and April). The member’s account was credited with $100 per month on June 1, 2012, and the first day of each month thereafter while he remains in a missing status, or until modified, stopped, or repaid at the direction of the Secretary of the Military Department concerned. Interest accrued from February 1, 2012.
Example 2. A member entered into a missing status on February 18, 2012. The amount of unpaid pay and allowance due to the member on the payday following February 18, 2012, determined the amount of the initial deposit. The member’s account was opened on March 1, 2012, with the initial deposit, and the member’s account was credited with the member’s un-allotted pay and allowances monthly on the first day of each month thereafter as prescribed in example 1. Interest accrued from February 18, 2012.

*510205. Deposits

A. Amounts. Amounts up to $10,000 may be deposited with interest accrual at the rate of 10 percent per annum.

1. The maximum amount on which 10 percent interest is computed is $10,000 (principal and accrued interest combined). Deposits may not be more than the amount defined as un-allotted current pay and allowances in subparagraph 510202.C. When, however, the member can establish to the satisfaction of the commanding officer that the member was unable to make a deposit in the normal manner, un-allotted pay in excess of current pay and allowances may be deposited.

2. Members may not accumulate back pay prior to departing for a designated duty assignment in an SDP area in order to deposit the back pay once the member becomes eligible for the SDP.

*3. After a member has served in a covered geographic area or duty assignment for at least 30 consecutive days or at least 1 day for each 3 consecutive months, the member is qualified to begin making deposits, see subparagraph 510202.C. The initial deposit is limited to the amount earned beginning with the first day after the 30 consecutive days of arrival in a covered geographic area or duty assignment.

Example 1. A member arrives in Pakistan (a designated direct support area as defined in Chapter 44, Figure 44-1 and an Imminent Danger Pay (IDP) location as defined in Chapter 10, Figure 10-1) on April 1, 2018. The member is authorized to make an initial deposit on June 1, 2018, for the amount accrued beginning May 1, 2018. The member may make additional deposits until departure from Pakistan.

Example 2. A member arrives in Albania (a designated CZ area as defined in Chapter 44, Figure 44-2) on June 19, 2018. The member is authorized to make an initial deposit on August 1, 2018, for the amount accrued beginning July 19, 2018. The member may make additional deposits until departure from Albania.

Example 3. A member is TDY to the Sinai Peninsula of Egypt (a QHDA as defined in Chapter 44, Figure 44-3 and an IDP location as defined in Chapter 10, Figure 10-1) on April 17, May 2, and June 19, 2018. The member is authorized to make
their initial deposit on August 1, 2018 for the amount accrued in the Sinai Peninsula of Egypt beginning June 20, 2018.

4. Members who are paid twice monthly may combine pay accrued at midmonth and pay accrued at end-of-month, or combine end-of-month pay with pay accrued on the following midmonth payday for a single deposit, provided the total amount deposited in a one month period does not exceed the amount they are entitled to be paid for 1 month.

B. Power of Attorney. An agent with a power of attorney from the member may make deposits, either by allotment or by cash, into the SDP on behalf of the member, if the power of attorney states the authority to establish, change, or stop allotments. When accepting a cash deposit from the agent on the member's behalf, the disbursing officer must ensure that the amount deposited does not exceed the member's un-allotted pay and allowances for the period involved.

510206. Interest

A. Accrual of Interest. See Table 51-1.

B. Conditions Under Which Deposits, Plus Interest, Are Repaid. See Table 51-2.

C. Computation of Interest. Deposits made on or before the 10th of the month accrue interest from the 1st of the month. Deposits made after the 10th of the month accrue interest from the first day of the following month. The effective date of deposit is the date the deposit is made to the disbursing officer, finance officer, or any other designated officer of the Uniformed Service. Compute interest at the rate of 10 percent per annum, compounded quarterly, according to the calendar quarter. Compute the quarterly interest on the average quarterly balance on deposit. Ten percent is compounded quarterly on amounts less than $10,000. Once $10,000 is on deposit, simple interest will be computed on the $10,000. No interest is paid on amounts exceeding $10,000, except on amounts for a member who is in a missing status.

D. Taxability of Interest Paid. Interest paid on the amounts deposited into the SDP is taxable.

510207. Computation

A. Computing Average Quarterly Balance

1. If there were no emergency withdrawals during the quarter, determine the average quarterly balance by adding amounts on deposit on the 10th day of each month of the quarter, and divide the total by three.
Example 1.

<table>
<thead>
<tr>
<th>Date</th>
<th>Deposits</th>
<th>Deposit</th>
<th>Day of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 5</td>
<td>$20.00</td>
<td>$20.00</td>
<td>Jan</td>
</tr>
<tr>
<td>Feb 3</td>
<td>20.00</td>
<td>40.00</td>
<td>Feb</td>
</tr>
<tr>
<td>Feb 20</td>
<td>20.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar 10</td>
<td>20.00</td>
<td>80.00</td>
<td>Mar</td>
</tr>
</tbody>
</table>

$140.00 divided by 3 = $46.67 average quarterly balance.

Example 2.

<table>
<thead>
<tr>
<th>Date</th>
<th>Deposits</th>
<th>Deposit</th>
<th>Day of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 1</td>
<td>$0.00</td>
<td>$ 0.00</td>
<td>Jan</td>
</tr>
<tr>
<td>Feb 3</td>
<td>20.00</td>
<td>20.00</td>
<td>Feb</td>
</tr>
<tr>
<td>Feb 20</td>
<td>20.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar 3</td>
<td>20.00</td>
<td>60.00</td>
<td>Mar</td>
</tr>
</tbody>
</table>

$80.00 divided by 3 = $26.67 average quarterly balance.

2. Emergency withdrawals at any time during a quarter reduce the average quarterly balance on which interest accrues.

Example.

<table>
<thead>
<tr>
<th>Date</th>
<th>Deposits</th>
<th>Withdrawals</th>
<th>Deposit</th>
<th>Day of</th>
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</thead>
<tbody>
<tr>
<td>Apr 1</td>
<td>$147.12</td>
<td>$0.00</td>
<td>(BAL FWD)</td>
<td></td>
</tr>
<tr>
<td>Apr 3</td>
<td>20.00</td>
<td>$167.12</td>
<td>Apr</td>
<td></td>
</tr>
<tr>
<td>May 15</td>
<td>10.00</td>
<td>--</td>
<td>May</td>
<td></td>
</tr>
<tr>
<td>Jun 4</td>
<td>30.00</td>
<td>--</td>
<td>Jun</td>
<td></td>
</tr>
<tr>
<td>Jun 15</td>
<td>$80.00</td>
<td>127.12</td>
<td>$461.36</td>
<td></td>
</tr>
</tbody>
</table>

$461.00 divided by 3 = $153.79 average quarterly balance.

3. The maximum amount upon which 10 percent interest is payable is $10,000 (principal and accrued interest combined), except for amounts on deposit in the case of a member who is in a missing status. See paragraph 510204.

Example.

<table>
<thead>
<tr>
<th>Date</th>
<th>Quarterly Interest</th>
<th>Amount on Deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 10</td>
<td>-0-</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Apr 1</td>
<td>250.00</td>
<td>10,250.00</td>
</tr>
<tr>
<td>July 1</td>
<td>250.00</td>
<td>10,500.00</td>
</tr>
</tbody>
</table>
B. Computation of Interest at 10 Percent Rate

Repay deposits, plus interest, under the conditions shown in Table 51-1. Compute interest at the rate of:

- 1 Month-1/12 of 10 percent or .00833
- 2 Months-2/12 of 10 percent or .01666
- 3 Months-(Full Quarter) .025

Example 1. Member's Request. A member has $355 on deposit (principal plus compounded interest as of June 30, 2009). The member requested repayment of the SDP deposit on August 12, 2009. The member was repaid the $355 deposit plus interest of $5.92 for the months of July and August (.01666… x $355) or $360.92.

Example 2. Member Discharged. A member has $355 on deposit (principal plus compounded interest as of June 30, 2009). The member was discharged overseas for the member's convenience on July 15, 2009. The member was repaid the $355 deposit plus interest of $2.96 for the month of July (.00833… x $355) or $357.96, assuming full repayment was in effect in the month of July.

Example 3. Member Dies. On March 8, 2009, the member had on deposit the maximum amount of $10,000 (principal plus simple interest) and made no new deposits. On November 15, 2009, while assigned in the Operation Enduring Freedom area the member dies, and settlement of unpaid pay and allowances was made to member's heir(s) on December 15, 2009. The amount of deposit repaid was $10,000 plus simple interest of $833.33 for period March 1 through December 31, 2009 (.00833… x 10), or $10,833.33.

510208. Payment of Interest Upon Final Settlement of Deposit Account

A. Except when the 90-day limitation discussed in paragraph 510213 applies, interest will stop at the end of the month in which full repayment is made to the member or member's heirs.

B. In no case will interest accrue for a period longer than 90 days (computed on a day-for-day basis of actual elapsed time) after the member's eligibility to make deposits terminates. Should the 90-day limitation period end on any day other than the last day of the month, interest will accrue through the last day of the preceding month. If the 90-day limitation period ends on the last day of the month, interest accrues for that month. In determining when the 90-day limitation period terminates, the last day of the month is February 28 (February 29 in leap year), the 30th of a 30-day month, or the 31st day of a 31-day month.

Example. Ninety-Day Rule. A member has $355 on deposit (principal plus compounded interest as of June 30, 2009). The member requested repayment of the deposit on October 15, 2009. The member was repaid $355 plus interest of $8.88
for the months of July, August, and September (.025 x $355) or $363.88. Interest for October 1-15, 1991, was not allowed since the 90-day limitation period ended on October 12, 2009 (a day other than the last day of the month).

510209. Withdrawal of Deposits - Emergency

Withdrawals may be made in an emergency only when the health or welfare of a member or the member’s dependent(s) would be jeopardized if the withdrawal was not granted. Emergency withdrawals may be authorized by the member's commanding officer.

510210. Withdrawal of Deposits - Members in a Missing Status

Withdrawals may be made when directed by the Secretary of the Military Department concerned when deemed in the best interest of the member, the member's dependent(s), or the U.S. Government.

510211. Discharge While Eligible to Make Deposits

Members eligible to make deposits, who are discharged in order to immediately reenlist or extend their enlistments, or are discharged to accept a commission, may not withdraw their deposits.

510212. Accounts Which Have Reached $10,000

In situations where the member's principal and interest on deposit reaches $10,000, any amounts representing interest accruing in the account subsequent to that time which causes the $10,000 total to be exceeded, may be withdrawn quarterly at the member's request.

510213. Automatic Refund

Accounts will accrue interest no more than 90 days after a member leaves an SDP area. Members should withdraw all funds after the 90-day period. If no withdrawal is made within 120 days after the qualifying duty terminates, the Defense Finance and Accounting Service will automatically transfer the funds to the military pay account of the SDP account owner.

510214. Application to Indebtedness or Forfeiture

Savings deposits and accrued interest are exempt from collection for members’ debts, including debts owed to the U.S. Government or its agencies, except for levies issued by the Internal Revenue Service (IRS). Deposits are not subject to forfeiture by sentence of a court-martial and are not forfeited by desertion.
510215. Liability of Disbursing Officers

A disbursing officer who fails to process a deposit properly into the Savings Deposit Fund account is liable for the amount of the deposit, plus interest, from the effective date of the deposit to date of withdrawal or repayment.

*5103 TSP GUIDELINES

TSP is a Government-sponsored retirement savings and investment plan operated by the Federal Retirement Thrift Investment Board (FRTIB). Members of the Uniformed Services participating in TSP will be governed by statutes and regulations applicable to TSP as set forth by the FRTIB and the IRS. Specific TSP rules for BRS members are discussed in section 5104. Specific TSP rules for members not under BRS are discussed in section 5105. The TSP guidelines under this section apply to both BRS members and members not under BRS.

510301. Contributions

A. A member may make traditional or Roth TSP contributions. Traditional TSP offers tax deferral advantages similar to those offered to employees by private corporations under 401(k) plans. The Roth TSP option offers a member the option of making after-tax contributions.

B. All TSP contributions, traditional or Roth, must be made through payroll deduction.

C. A member may choose to stop contributing to TSP at any time. Any change is effective at the end of the pay period in which that election is accepted by the member's servicing activity. If basic pay contributions are terminated, TSP deductions for bonuses, incentive pays, or special pays will also be terminated with the same effective date.

D. A member may choose the percentage of basic pay to contribute. A member’s contribution election may be limited by the priority of pay deductions set forth in Chapter 52.

E. In order for a member to contribute bonuses, incentive pays, or special pays to TSP, the member must also be contributing a minimum of 1 percent of the member’s basic pay or inactive duty pay. See Figure 51-1.

510302. Contribution Limits

A. Annual Elective Deferral Contribution Limit. Total annual elective deferral contributions, for both Roth and traditional may not exceed the annual limits set forth by the IRS in accordance with Title 26, United States Code (U.S.C.), section 402(g). The annual limits are available on the TSP website.
B. TSP Contributions in a CZ Tax Exclusion (CZTE) Area

1. Roth Contributions. Roth contributions to the TSP are limited to the annual elective contribution deferral limit even if the member is contributing from pay earned in a CZTE Area. See TSP website for annual limits.

2. Traditional Contributions. A member serving in a CZTE area who reaches the annual elective deferral contribution limit may still elect to make traditional contributions from their tax-excludable pay to their TSP fund, which will count against the annual additions limit for the tax year.

3. Annual Additions CZ Limit. Total contributions, including agency (1 percent) contributions, agency matching contributions and individual contributions, for members serving in a CZ may not exceed the annual addition limit set forth by the IRS pursuant to 26 U.S.C. § 415(g). See TSP website for annual limits.

4. Agency Automatic (1 percent) Contributions and Agency Matching Contributions (BRS Participants Only). Agency automatic (1 percent) contributions and agency matching contributions do not count against the annual elective deferral contribution limit, but both agency automatic (1 percent) and agency matching contributions count against the annual additions limit. A member not serving in a CZ who has met the total annual individual elective deferral contribution limit will continue to receive agency automatic (1 percent) contributions. For a member serving in a CZ, all contributions must stop when the total amount of individual and agency contributions reaches the annual additions limit.

510303. TSP Funds

A. Choice of TSP Funds. A member may indicate his or her choice of TSP Funds for the investment of deposits to TSP by making a contribution allocation among the TSP Funds at any time. A BRS Opt-In Member may maintain his or her previous contribution allocation to TSP Funds, but the BRS Opt-In Member is ultimately responsible for ensuring TSP contributions are being properly allocated under BRS.

B. Default Allocation

1. BRS Members

   a. New Accessions. All newly enrolled Uniformed Services TSP members first enrolled in the TSP on or after January 1, 2018, and covered by BRS will have their TSP contributions invested in an age-appropriate Lifecycle Fund (L Fund) until they make a contribution allocation with the TSP.

   b. BRS Opt-In Members. Members who were enrolled in the TSP prior to January 1, 2018 and who do not have a contribution allocation in effect at the time of the election, will have all deposits made after the date of such election invested in the age-
appropriate TSP Lifecycle Fund. Deposits made prior to the date of the election will retain their previous contribution allocations.

c. BRS Members Who Reenter Service On or After January 1, 2018. A BRS Member who reenters service on or after January 1, 2018, who:

1. Has $0.00 balances in their TSP accounts from their previous period of service, will have their TSP contributions invested in an age-appropriate L Fund;

2. Has an existing TSP account with a balance greater than $0.00, will retain the last contribution allocation on file with the TSP; or

3. Has no contribution allocation on file, and who reenters service with a positive account balance will have their future TSP contributions invested in an age-appropriate L Fund.

2. TSP for Members Not Under BRS. If the member does not opt into BRS or was not auto-enrolled in BRS, the default investment fund will remain the Government Securities Fund (G Fund).

NOTE: Members may change the member’s investment elections by contacting TSP.

510304. Default Traditional Individual Contributions

A member’s individual contributions to TSP are treated by default as traditional tax-deferred contributions. A member may elect to designate all or part of his or her individual contributions as Roth. Agency automatic (1 percent) contributions and agency matching contributions are always tax-deferred traditional contributions.

510305. Roth TSP

Members may elect to contribute to a Roth TSP account instead of, or in addition to, a traditional TSP account. Any member eligible to contribute to a traditional TSP account may also contribute to a Roth TSP account. However, traditional TSP contributions will be deducted before Roth TSP if there is a conflict in regard to which contribution has priority.

A. Payroll Deductions. Roth TSP contributions are taken after-tax. However, members serving in a CZ, or in direct support of a CZ, may contribute tax-exempt pay to the member’s Roth TSP account. In the same manner as with the traditional TSP account, payroll deductions will begin the first full pay period after the service accepts the Thrift Savings Plan Election (TSP-U-1). Roth TSP contributions must be made through payroll deductions. Lump-sum contributions for bonuses, incentive pays, or special pays are permitted only through payroll deductions.
B. Maximum Contribution Limits. The same maximum contribution limits that apply to traditional TSP also apply to Roth TSP. If a member elects to contribute to both traditional TSP and Roth TSP, the maximum contribution limits apply to the combined accounts, not to each account separately. See the TSP website for contribution limits.

510306. TSP Loan Program

A member may apply for a TSP loan or hardship withdrawal in accordance with TSP regulations and guidance. Information on loans and hardship withdrawals may be found on the TSP website.

510307. Catch-Up Contributions

A. General. A TSP participant age 50 years or older may make catch-up contributions to both Roth and traditional TSP accounts. Contributions must be made from basic pay. The amount of the catch-up cannot exceed the annual limit established by the IRS. A member must self-certify on the Thrift Savings Plan Catch-Up Contribution Election Form (TSP-U-1-C) that the member expects to contribute the annual IRS limit to the TSP or other eligible employer plans. If a member elects to contribute catch-up contributions to both Roth TSP and traditional TSP, the maximum catch-up contribution limits apply to the combined accounts, not to each account separately. See the TSP website for the IRS catch-up contribution limits.

B. Catch-up Contributions and CZTE. Members may not make traditional catch-up contributions from pay subject to CZTE. However, members may make Roth catch-up contributions from pay subject to CZTE.

510308. Make-Up Contributions

Make-up contributions are individual contributions that should have been deducted from a member’s basic pay, inactive duty pay, bonuses, incentive pays, or special pays; or agency contributions that should have been charged to the agency on an earlier date, but were not deducted or charged and, consequently, are being deducted or charged currently.

A. Make-up Contributions and CZTE. If, while the member was in a CZTE area, contributions were not deducted that should have been deducted, the member may be able to make up those contributions in accordance with FRTIB regulations. If make-up contributions are made when the member is no longer subject to the CZTE, the contributions will be tax-deferred, but not tax-free. No CZTE tax-free contributions may be made from taxable pay.

B. Payroll Deductions. Make-up contributions from basic pay, bonuses, incentive pays, or special pays are permitted only through payroll deductions.

510309. Breakage (Lost TSP Earnings) Due to Agency Error

A. Detailed Information on Breakage. Breakage is the loss incurred or the gain realized on makeup or late contributions. It is the difference between the value of the shares of
the applicable investment fund(s) that would have been purchased had the contribution been made on the “as of” date and the value of the shares of the same investment fund(s) on the date the contribution is posted to the account. For detailed information concerning the breakage, refer to TSP regulations in Title 5, Code of Federal Regulations (CFR), part 1605 or TSP Bulletins. TSP bulletins are available on the TSP Agency/Service Representatives page on the TSP website.

B. Conditions. If a member receives earnings from which member contributions should have been deducted, but as a result of agency error, all or any part of those deductions were not made, even if the member makes up those member contributions, the belated member contributions will not require payment of breakage, except under the following circumstances.

1. Delayed or Erroneous Contributions When Member Received Earnings

   a. If a member receives earnings, but as a result of an agency error all or any part of the agency matching contribution associated with the earnings are not timely received by the TSP record keeper, the agency belated contributions will be subject to breakage.

   b. If a member receives earnings where contributions were properly deducted but, as a result of an agency error, all or any part of the associated agency matching contributions were not timely received by the TSP record keeper, the belated contributions will be subject to breakage.

   c. If a member receives earnings where contributions were properly deducted but, as a result of an agency error all or any part of those member contributions were not timely received by the TSP record keeper, the belated contributions will be subject to breakage.

2. Agency Delay in Basic Pay, Special Pay, Incentive Pay, and Bonus. Where, as the result of an agency error, a member does not timely receive all or any part of pay to which entitled, all such belated member contributions and agency matching contributions will be subject to breakage.

3. Late Payroll Submissions. All contributions contained in a payroll submission received by the TSP record keeper more than one pay period after the pay date associated with that payroll submission will be subject to breakage.

4. Loan Allotments. Loan allotments deducted from the member's pay but not timely received by the TSP record keeper due to agency error will be subject to breakage.

C. Minimum Dollar Amount. Breakage on loan allotments and late contributions will be calculated by the TSP system only for those contributions and loan allotments that are $1 or more.

D. Agency Responsibility. The employing agency that caused the error, or late or erroneous investment of money in the TSP is responsible for payment of any breakage resulting
from that error. The paying office that submitted payment records or loan allotments that are subject to breakage is also responsible for submitting the appropriate payment records relating to those submissions. The amount of breakage that is calculated will be charged to the TSP Deposit Fund Account of the submitting paying office. Where another employing agency caused the late or erroneous submission by the submitting paying office, the paying office that was charged for the amount of breakage calculated should seek reimbursement from the other employing agency.

* E. Member Election. Agency error does not result when TSP contributions are made pursuant to a member’s election, but the member then subsequently elects not to continue/start contributions.

510310. Member Transfers

A. When members transfer between components or branches of the Uniformed Services, the member’s TSP contributions may be continued. The member must notify the member’s gaining servicing organization of his or her existing TSP contribution election in order to continue TSP contributions and/or loan repayments without interruption.

B. If a member separates from the service and rejoins after a break in service of 31 days or more, the member may sign up immediately to contribute to TSP.

C. If a member separates from the service and rejoins after a break in service of less than 31 days, and the member had been contributing to TSP, contributions to TSP will resume the first pay period after rejoining the service.

D. A member of the Uniformed Service who is also a federal civilian employee may contribute under both programs to the TSP. The annual contribution limitations in subparagraph 510301.F apply to the combined accounts and not to each account separately.

*5104. TSP FOR BRS MEMBERS

510401. Eligibility

A. This section describes policy related to TSP changes under the BRS. The BRS is effective January 1, 2018. The Deputy Secretary of Defense memorandum, “Implementation of the Blended Retirement System,” dated January 27, 2017, and Volume 7B, provide comprehensive policy and guidance regarding retirement under the BRS.

B. A member, defined in this section, applies to both Auto-Enrolled and Opt-In Members.

1. Auto-Enrolled BRS Member. A member who is enrolled in BRS by virtue of the member's Date of Initial Entry into Military Service (commonly referred to as DIEMS) on or after January 1, 2018.
2. **BRS Opt-In Member.** A member who elected to enroll in BRS in accordance with procedures outlined in the Deputy Secretary of Defense Memo, dated January 27, 2017.

**510402. Participation and Initial TSP Contribution**

The Secretary concerned will establish a TSP account, if one does not already exist, for both Auto-Enrolled BRS Members and BRS Opt-In Members. The initial individual and agency contributions to TSP will occur no later than as specified in accordance with subparagraphs 510402.A. and B.

A. **Auto-Enrolled BRS Members.** Contributions will begin the pay period following the member’s 60th day of service as calculated from Pay Entry Base Date (PEBD).

B. **BRS Opt-In Members.** Contributions will begin the pay period that begins on or after the date of the member’s election to enroll in BRS. When an election is made on the first day of the month, which is the first day of the pay period, initial individual and agency contributions will be in effect for that month.

Example. BRS Opt-In Member submits election on January 1st. The member will receive matching and individual contributions for the January pay period. A member who elects any other day of the January pay period will have contributions begin for the February pay period.

**510403. BRS Opt-In Member Individual TSP Contribution**

A. **Prior Participation in TSP and Carry Over.** If a BRS Opt-In Member previously contributed to TSP, the balance of any prior TSP contributions will carry over following enrollment in BRS. Individual TSP contributions made prior to BRS will not be matched.

B. **Contribution Election as a BRS Opt-In Member.** BRS Opt-In Members will not be automatically enrolled in TSP. BRS Opt-In Members must affirm their prior contribution election or make a new contribution election. A BRS Opt-In Member may contribute to TSP at the individual contribution percentage or dollar amount the member elects at the time of enrollment in BRS. A contribution election may be changed any time in accordance with TSP regulations.

**510404. Auto-Enrolled BRS Member Individual TSP Contribution**

A. **Default Contribution.** Auto-Enrolled BRS Members will be automatically enrolled in TSP with an individual contribution election of 3 percent of the member’s monthly basic pay or inactive duty pay. This amount will be contributed to the member’s TSP account beginning with the first pay period following the member’s 60th day of service as calculated from the PEBD.

B. **Contribution Changes.** Auto-Enrolled BRS Members may change the individual TSP contribution amount at any time before or after the initial deduction. All members
must follow regulations prescribed by the IRS and the FRTIB when requesting a refund or changing the amount of individual contributions.

C. Annual Re-Enrollment in TSP for Auto-Enrolled BRS Members

1. Annual Re-Enrollment Requirement. Annual TSP re-enrollment, or “annual re-enrollment,” is required for any Auto-Enrolled BRS Member who has stopped his or her automatic TSP contribution by reducing the individual contribution to 0 percent or $0 per pay period. If an Auto-Enrolled BRS Member has stopped TSP contributions and the member’s individual contribution from his or her pay in the final full pay period of the year is 0 percent or $0, the member will be re-enrolled in TSP on January 1 of the following calendar year. The re-enrollment individual contribution rate will be 3 percent of the member’s basic pay. The individual contribution will be deducted in the first full pay period of the year of re-enrollment.

2. Exception. This provision does not apply if the member’s individual contribution is at a percentage or amount greater than zero, but whose contributions may have stopped during the previous year because the member reached the maximum annual contribution limit allowed under IRS regulations.

D. Non-Contribution Periods. Auto-Enrolled Members who are in a non-TSP contribution status at the end of a year will not be auto re-enrolled in TSP in January. However, if the member does not resume contributions when eligible to do so, the member will be auto re-enrolled in TSP in January of the following year.

Example. An Auto-Enrolled BRS Member takes a hardship withdrawal in November 2018. The member should not be re-enrolled in TSP in January 2019 because the member may not contribute to TSP for a period of 6 months after the hardship withdrawal is processed. The member may restart contributions again in May 2019 (6 months after the hardship withdrawal is processed). If the member does not elect to restart TSP contributions by the final pay period of 2019, he or she must be auto re-enrolled in January 2020.

E. No Expiration of Annual Re-Enrollment. Annual re-enrollment in accordance with paragraph 510404 will occur each year of a member’s career in which the criteria are met.

F. Deadline for Declining Annual Re-Enrollment. A member may decline the annual re-enrollment described in paragraph 510404 for the following year no earlier than December 1st of the year in which the member is determined to be subject to annual re-enrollment.

510405. Agency Contributions for Auto-Enrolled BRS Members

A. Agency Automatic (1 percent) Contributions

1. Start Date. Commencing with the pay period that begins on or after the member’s 60th day of service, as calculated from the PEBD, the agency will automatically
contribute to that member’s TSP account, at no cost to the member and without relation to the amount the member contributes, an amount equal to:

a. The equivalent of 1 percent of basic pay earned by that member during that pay period for active service; or

b. The equivalent of 1 percent of inactive duty pay earned by that member during that pay period for Inactive Duty Training (IDT).

2. **End Date.** The agency (1 percent) contribution will continue for each pay period in which a member is entitled to receive either basic pay or inactive duty pay, or both, through the end of the pay period during which the member attains 26 years of service, as calculated from the PEBD.

B. **Agency Matching Contributions**

1. **Start Date.** Commencing with the pay period that follows a member’s completion of 24 months of service, as calculated from the PEBD, the agency will contribute an amount that matches the member’s individual contribution to TSP (up to 4 percent) as prescribed in Table 51-3.

2. **End Date.** No agency matching contributions will be made to a member’s TSP account after the pay period during which the member attains 26 years of service, as calculated from the PEBD.

510406. **Agency Contributions for BRS Opt-In Members**

A. **Agency Automatic (1 percent) Contributions**

1. **Start Date.** Commencing with the pay period that begins on or after the date a member opts into BRS, the agency will automatically contribute to that member’s TSP account, at no cost to the member and without regard to the amount the member contributes, an amount equal to:

a. The equivalent of 1 percent of basic pay earned by that member during that pay period for active service; or

b. The equivalent of 1 percent of inactive duty pay earned by that member during that pay period for IDT.

2. **End Date.** The agency (1 percent) contribution will continue for each pay period in which a member receives either basic pay or inactive duty pay, or both, through the end of the pay period during which the member attains 26 years of service, as calculated from the PEBD.
B. Agency Matching Contributions

1. Start Date. Commencing with the pay period that begins on or after the date a member opts into BRS, the agency will contribute an amount that matches the member’s individual contribution to TSP (up to 4 percent) in accordance with Table 51-3.

2. End Date. No matching agency contributions will be made to a member’s TSP account after the pay period during which the member attains 26 years of service, as calculated from the PEBD.

510407. Vesting of Individual TSP Contributions

Individual contributions made by an Auto-Enrolled BRS Member or a BRS Opt-In Member are immediately vested upon payment to TSP. Subsequent earnings on those contributions are also immediately vested when the earnings accrue.

510408. Vesting of Agency Contributions

The two types of agency contributions to TSP are subject to different vesting rules. The following vesting rules apply to both Auto-Enrolled BRS Members and BRS Opt-In Members:

A. Agency (1 percent) Contributions. The agency automatic (1 percent) contributions described in subparagraphs 510405.A or 510406.A, become fully vested on the first day of the 25th month of service, as calculated from a member’s PEBD. Members who separate from a Uniformed Service before this date forfeit the agency automatic (1 percent) contributions and any earnings on those contributions.

B. Agency Matching Contributions. Any agency matching contributions, as described in subparagraphs 510405.B or 510406.B, are fully vested upon receipt in the member’s TSP account, regardless of accrued service. Any earnings on the agency matching contributions are immediately vested when they accrue.

510409. Carry-Over of Individual TSP Elections for All BRS Members

A. Reenrollment in TSP After Separation. A member covered under the BRS who separates from a component of the Uniformed Services, and later re-affiliates with any component of a Uniformed Service following a break in service, will be re-enrolled in TSP at an individual contribution of 3 percent of the member’s monthly basic pay or 3 percent of inactive duty pay regardless of any previous contribution elections made prior to separation.

B. Start Date for Individual Contributions. A reentrant will be automatically enrolled and the 3 percent individual contribution will begin no later than the first pay period following re-entry.

C. Agency (1 percent) Contributions. A member covered under the BRS who re-enters service after a break in service and who previously qualified for the agency automatic (1
percent) contribution, in subparagraphs 510405.A or 510406.A will resume receiving the agency's 1 percent contribution into the member’s TSP account no later than the first pay period after re-entry.

D. Agency Matching Contributions. A member covered under the BRS who re-enters service after a break in service and who previously qualified for agency matching contributions in subparagraphs 510405.B or 510406.B will resume receiving agency matching contributions into the member’s TSP account concurrent with re-enrollment.

510410. TSP Elections for Transitioning Reserve Component (RC) Members

Members of the RC enrolled in the BRS are considered continuous participants in the BRS while they remain in a paid status. Payroll offices should not submit TSP separation codes for RC members. RC members will not be re-enrolled at the automatic 3 percent individual contribution level each time they transition from a paid status in the Selected Reserve (SELRES) to active duty or from active duty back to a paid status in SELRES. The member’s previously-elected TSP contribution levels will carry-over through transitions related to activation and deactivation, unless and until the member elects to modify the member’s own contribution level. Loan payments, if any, will also carry through. Such RC members are subject to annual auto re-enrollment as set out in paragraph 510404.

510411. BRS Erroneous Enrollment and TSP

BRS enrollment will be voided for any member who is found to be ineligible to be enrolled or to elect to enroll in BRS under the provisions outlined in the Deputy Secretary of Defense Memo, dated January 27, 2017. Such members will be placed under the correct retirement system upon discovery of the error. Any erroneous agency TSP contributions made to the member’s TSP account will be subject to correction in accordance with FRTIB regulations.

510412. Hardship Extension of Enrollment Periods and TSP

If an agency concerned extends the BRS period in accordance with the guidance on hardship extensions of enrollment periods in Service regulations and in accordance with Public Law 114-92, this will not allow for retroactive TSP contributions.

*5105. TSP FOR MEMBERS NOT UNDER BRS

510501. Participation

Any member of the Uniformed Services, not enrolled in BRS as prescribed in section 5104, may elect to participate in TSP. A member choosing to participate in TSP is required to contribute at least 1 percent of the member’s basic pay or inactive duty pay. Members participating, not under BRS, are not eligible for agency automatic and matching contributions. These members, otherwise, remain subject to the contribution limits outlined in section 5103.

NOTE: In order for a member to contribute bonuses, incentive pays, or special pays to TSP, the...
member must also be contributing a minimum of 1 percent of the member’s basic pay or inactive duty pay.

510502. Start Date

The payroll deduction for individual TSP contributions will commence the first full pay period after the Service concerned accepts the Thrift Savings Plan Election Form (TSP-U-1).
*Figure 51-1. Pay Entitlements Available For TSP Contributions

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<tr>
<td>*Accession Bonus (Officer)</td>
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<td>Active Duty Enlisted Members Enlistment, Reenlistment, and Retention Bonuses:</td>
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<td>-- Bonus for Transfer between Components of a Military Service</td>
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<td>-- Critical Skill Retention Bonus;</td>
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<td>-- Enlistment Bonus;</td>
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<tr>
<td>-- Prior Service Enlistment Bonus;</td>
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<td>-- Military Occupation Specialty Conversion Bonus; and</td>
<td></td>
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<tr>
<td>-- Selective Retention Bonus</td>
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<td>Aviation Bonus</td>
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<td>*Incentive for Qualified Members Extending Duty at Designated Locations Overseas</td>
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<td>Nuclear Officer Accession Bonus</td>
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<td>*Nuclear Officer Continuation Bonus</td>
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<td>*Ready Reserve Accession, Affiliation, Enlistment, And Retention Bonuses:</td>
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<td>- Enlistment Bonus;</td>
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<td>- Enlisted Affiliation Bonus</td>
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<td>- Military Occupation Specialty Conversion Bonus;</td>
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<td>- Prior Service Enlistment Bonus;</td>
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<td>- Selective Retention Bonus;</td>
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<td>- Transfer between Components of a Military Service Bonus; and</td>
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<tr>
<td>- Transfer between Military Services Bonus.</td>
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<td>*Retention Bonus (Officer)</td>
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<td>*RC Affiliation Bonus</td>
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<td>*Transfer Bonus (Officer)</td>
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<td>-- AvIP for Aviators in Operational Flying Duty or Proficiency Flying Duty Positions;</td>
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<td>-- AvIP for Aviators not in Operational Flying Duty or Proficiency Flying Duty Positions;</td>
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<td>-- Critical Skill Incentive Pay; and</td>
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<td>-- Hazardous Duty Incentive Pay for Flying</td>
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<td>-- Chemical Munitions Duty;</td>
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<td>-- Dangerous Viruses (or Bacteria) Lab Duty;</td>
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<td>-- Demolition Duty;</td>
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<td>-- Experimental Stress Duty;</td>
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<td>-- Flight Deck Duty;</td>
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<td>-- Maritime Visit, Board, Search and Seizure;</td>
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<td>-- Parachute Duty;</td>
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<td>-- Polar Region Flight Operations Duty;</td>
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<td>-- Toxic Fuels (or Propellants) Duty; and</td>
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<tr>
<td>-- Toxic Pesticides</td>
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Table 51-1. Savings Deposits, Special Determinations on Accrual of Interest

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<thead>
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<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
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<tbody>
<tr>
<td>1</td>
<td>When an eligible member has a saving deposit account in effect and the member is returned to military control</td>
<td>And</td>
<td>then interest</td>
</tr>
<tr>
<td></td>
<td>was in a deserter status</td>
<td></td>
<td>accrues to the end of the month before the month the member entered a deserter status and resumes the first of the month after the month the member returns to military control (note 1).</td>
</tr>
<tr>
<td>2</td>
<td>returns to military control after desertion</td>
<td>has personnel records corrected to remove a mark of desertion</td>
<td>accrues during the period the member was originally considered to be a deserter (note 2).</td>
</tr>
<tr>
<td>3</td>
<td>is separated or discharged</td>
<td>repayment of deposits is delayed for any reason (note 3)</td>
<td>accrues to the end of the month in which repayment is made, not to exceed 90 days after eligibility to make deposits terminates.</td>
</tr>
<tr>
<td>4</td>
<td>does not request repayment after termination of eligibility to make deposits</td>
<td>within 90 days is again entitled to make deposits</td>
<td>continuously accrues.</td>
</tr>
<tr>
<td>5</td>
<td>is in a missing status</td>
<td>the Secretary of the Military Department concerned (or designee) directs repayment of total amount of deposit</td>
<td>accrues to the end of the month in which repayment is directed.</td>
</tr>
<tr>
<td>6</td>
<td>a finding of death is made</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>goes on official TDY or TAD away from the SDP authorized duty assignment or SDP authorized area for a period of 90 days or more</td>
<td></td>
<td>accrues for the first 90 days of TDY or TAD, but not after 90 days (note 4).</td>
</tr>
</tbody>
</table>
Table 51-1. Savings Deposits, Special Determinations On Accrual Of Interest (Continued)

NOTES:
1. Interest does not accrue on deposits during the period a member is in a desertion status.
2. Interest will be computed and retroactively credited.
3. Delays in repayment of deposits include withholding of issued discharge certificates pending release from confinement when sentenced to dishonorable discharge.
4. Interest would again accrue upon return to the SDP authorized duty assignment or the authorized SDP area.
Table 51-2. Savings Deposits, Conditions under Which Deposits, Plus Interest Are Repaid

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td><strong>U</strong></td>
<td><strong>L</strong></td>
</tr>
<tr>
<td></td>
<td>When an eligible member has a savings deposit account and the member</td>
<td>then all deposits, plus interest will be repaid upon</td>
</tr>
<tr>
<td>1</td>
<td>permanently departs the authorized SDP area or has departed the authorized area for more than 90 days</td>
<td>the member's request after departure from the SDP authorized duty assignment or the SDP authorized location. If no request is received after 120 days from the departure from the authorized SDP area, all deposits, plus interest will be automatically repaid to the member.</td>
</tr>
<tr>
<td>2</td>
<td>is discharged or separated overseas (not for reentry into the Military Service)</td>
<td>discharge or separation from the Military Service or not to exceed 90 days thereafter.</td>
</tr>
<tr>
<td>3</td>
<td>is in a missing status</td>
<td>direction of the Secretary concerned or designee.</td>
</tr>
<tr>
<td>4</td>
<td>dies</td>
<td>settlement of member's unpaid pay and allowances as provided in Chapter 36 (note).</td>
</tr>
</tbody>
</table>

**NOTE:**

Interest on deposits stops at the end of the month in which full repayment is made. Do not continue interest beyond 90 days after the date of the member's death, or when a member's SDP authorized duty assignment terminates, whichever is earlier. See Table 51-1, Rule 6, for death cases where a missing status is involved.
**Table 51-3. Automatic and Matching Contributions**

<table>
<thead>
<tr>
<th>Individual Contributions</th>
<th>Agency Automatic Contribution (Note)</th>
<th>Agency Matching Contribution (Note)</th>
<th>Total TSP Monthly Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>1%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>2%</td>
<td>1%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>3%</td>
<td>1%</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>4%</td>
<td>1%</td>
<td>3.5%</td>
<td>8.5%</td>
</tr>
<tr>
<td>5%</td>
<td>1%</td>
<td>4%</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Note:**

The rules for agency automatic contributions and agency matching contributions differ between Auto-Enrolled and Opt-In Members. Specific rules are located in paragraphs 510405 and 510406.
CHAPTER 51 – SAVINGS PROGRAMS

5102 – SDP

10 U.S.C. § 1035(a)

* 510201 Assistant Secretary of Defense Manpower and Reserve Affairs Memo, April 28, 2016
510204 10 U.S.C. § 1035(e)

*5103 – TSP GUIDELINES

Deputy Secretary of Defense Memo, January 27, 2017
5 U.S.C. §§ 8432b-8441

510302 IRS Notice 2018-83
Treasury Regulation 1.402(g)-1
510302.B.3 & 4 26 CFR 1.415(c)-1(b)
510303 5 CFR 1600.14
510305 5 U.S.C. § 8432d
* 510307 26 U.S.C. § 402(g)
5 CFR 1600.23(e) and (f)
510309 5 U.S.C. 8432a
5 CFR 1605

*5104 – TSP FOR BRS MEMBERS

Deputy Secretary of Defense Memo, January 27, 2017
5 U.S.C. §§ 8432b-8441

*5105 – TSP FOR MEMBERS NOT UNDER BRS

5 U.S.C. §§ 8432b-8441

*Table 51-3 – Automatic and Matching Contributions

Deputy Secretary of Defense Memo, January 27, 2017
SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated February 2018 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
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</tr>
</thead>
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<tr>
<td>520102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References.”</td>
<td>Revision</td>
</tr>
</tbody>
</table>
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CHAPTER 52

PRIORITY OF PAY DEDUCTIONS AND COLLECTIONS

5201 GENERAL

520101. Purpose

This chapter guides military service central site pay operations and field military finance/disbursing offices, henceforth referred to as “finance offices”, concerning the sequence order for processing deductions and debt collections from a member’s military pay entitlements when the member does not have sufficient pay. Finance offices must review a member’s military pay entitlements to determine if the member has sufficient pay to offset all deductions and debt collections. If a member does not have enough pay, Table 52-1, Priority of Deductions and Collections, states which deduction/collection will collect first from the current pay. If a member has voluntary deductions for Thrift Savings Plan (TSP) contributions and/or discretionary allotments that prevent the finance office from collecting debts due the United States, or to other entities listed in Table 52-1, the finance office has the authority to stop those voluntary deductions and process the debt collection. The finance office will notify the member that he/she has 30 days to voluntarily change, their TSP contribution, or discretionary allotment amounts. If they fail to make the changes, the finance office will initiate stoppages and specify when the changes will appear on the member’s military pay account. These actions will not substitute for, but may be included in, any indebtedness notification required by Volume 16.

520102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, 11, 26, 31, 37, 38 and 42. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.
Table 52-1. Priority of Deductions and Collections

<table>
<thead>
<tr>
<th>Rule</th>
<th>When the amounts due to a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:</th>
</tr>
</thead>
</table>
| 1    | Reduction of pay entitlement  
                   | Losses of pay entitlement take precedence over all items for deduction or collection:  
                   | a. Forfeiture (note 1)  
                   | b. Reduction for educational benefit under the "Montgomery G.I. Bill" (note 1) |
| 2    | Reimbursement to the United States  
                   | Collected amounts for deposit to the credit of the U.S. Treasury, in the following order:  
                   | a. Federal Insurance Contribution Act tax  
                   | b. Deductions for Armed Forces Retirement Homes  
                   | c. Federal Income Tax Withholding (this includes any amounts voluntarily authorized by member in excess of the minimum withholding required)  
                   | d. Deductions for Servicemembers’ Group Life Insurance (SGLI), Family SGLI, and Traumatic SGLI |
| 3    | State income tax withholding |
| 4    | Involuntary repayment of indebtedness to the United States  
                   | a. Routine pay adjustment as referenced in Volume 16, Chapter 3, subparagraph 030306.D  
                   | b. Repayment of advances of pay/allowances or advances of travel  
                   | c. Other collections (overpayments of pay or allowances outside the scope of a routine pay adjustment)  
                   | d. Repayment of public funds entrusted to an accountable member or funds obtained by any member through fraud, larceny, embezzlement, or other unlawful means  
                   | e. Clothing allowance charges  
                   | f. Transportation charges  
                   | g. Subsistence charges  
                   | h. Government property lost or damaged (note 2)  
                   | i. Telephone or telegraph charges  
                   | j. Damage to assigned housing due to negligence or abuse  
                   | k. Indebtedness to a Commissary, DoD contracted Military Banking Facility overseas, or other appropriated fund activity for an uncollectable check or defaulted loan  
                   | l. Unpaid hospital bills for medical services furnished to a dependent  
                   | m. Compensation or stipend payments received by a medical officer from state, county, municipal, or privately owned hospitals for medical services  
                   | n. Jury duty fees received by a member  
                   | o. Amounts due to other Uniformed Services or departments or agencies outside DoD, including court judgments |
| 5    | Garnishment for alimony and child support payments |
**Table 52-1. Priority of Deductions and Collections (Continued)**

<table>
<thead>
<tr>
<th>R</th>
<th>U</th>
<th>L</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>When the amounts due to a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Statutorily-required child and spousal support allotments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Reimbursement to individuals and agencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remittances to an individual or agency by disbursing officer making deductions as follows:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Deductions for rental of premises occupied by dependents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Deduction for payment for damages to private property</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Court-ordered bankruptcy payments under Chapter 13 of the revised Bankruptcy Act</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Indebtedness to a nonappropriated fund activity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Amounts due Service relief society (Army Emergency Relief, Air Force Aid Society, Navy-Marine Corps Relief Society, or Coast Guard Mutual Assistance) only at final separation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Voluntary repayment of indebtedness to the United States</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In order specified by the Military Service member (note 4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Involuntary allotment for commercial debts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(note 5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>TSP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to TSP in the following order:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. TSP loan repayments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. TSP catch-up deductions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. TSP deductions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Roth TSP deductions</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 52-1. Priority of Deductions and Collections (Continued)

<table>
<thead>
<tr>
<th>R</th>
<th>U</th>
<th>L</th>
<th>E</th>
<th>When the amounts due to a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>Allotments</td>
<td>Payments made to an allottee by the United States will be disbursed in the following order:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>a. Emergency support of dependent</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. Government insurance (discretionary allotment)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>c. Repayment of individual indebtedness or for payment to an individual or financial organization for disposition as authorized by the allotter (discretionary allotment)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>d. Purchase of U.S. Savings bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>e. Donation to charity drives</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>f. Other discretionary allotments (note 5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Internal Revenue Service paper levy for delinquent Federal income taxes</td>
<td>(See Chapter 44, section 4403 and Table 52-1, note 5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Court-Martial fines</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:

1. Gross pay to which the Military Service member would otherwise be entitled must be reduced by the monthly amount of the forfeiture or educational benefit under the Montgomery G.I. Bill. The forfeiture or educational benefit is subtracted to determine a new, reduced monthly gross pay amount. Deductions based on gross pay will be computed on the reduced gross pay.

2. This is a voluntary indebtedness for members of the Navy or Marine Corps, who fall under Volume 16, Chapter 3, Table 3-3, Rule 5.

3. In cases where the U.S. Bankruptcy Court has mandated that a sum be deducted monthly, the court order will be followed as prescribed in Military Service regulations. The order of precedence in Table 52-1 will apply unless otherwise specified in the court order in which case the court’s order prevails.

4. Upon separation, these become involuntary and fall under rule 4.

5. If the date of a tax levy is earlier than the effective date of a voluntary allotment or an involuntary allotment for commercial debts, then the tax levy should be collected before either allotment.
# *REFERENCES*

## CHAPTER 52 – PRIORITY OF PAY DEDUCTIONS AND COLLECTIONS

Table 52-1

<table>
<thead>
<tr>
<th>Rule</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rule 1(a)</td>
<td>36 Comptroller General 79</td>
</tr>
<tr>
<td>Rule 1(b)</td>
<td>38 U.S.C. section 3011(b)(3)</td>
</tr>
<tr>
<td>Rule 2(a)</td>
<td>26 U.S.C. §§ 3102, 3121</td>
</tr>
<tr>
<td>Rule 2(b)</td>
<td>37 U.S.C. § 1007(i)</td>
</tr>
<tr>
<td>Rule 2(c)</td>
<td>26 U.S.C. § 3402</td>
</tr>
<tr>
<td>Rule 2(d)</td>
<td>38 U.S.C. § 1969</td>
</tr>
<tr>
<td>Rule 3</td>
<td>5 U.S.C. § 5517</td>
</tr>
<tr>
<td>Rule 4</td>
<td>37 U.S.C. § 1007(c)</td>
</tr>
<tr>
<td></td>
<td>5 U.S.C. § 5514</td>
</tr>
<tr>
<td></td>
<td>31 U.S.C. § 3716</td>
</tr>
<tr>
<td>Rule 4(n)</td>
<td>5 U.S.C. § 5537</td>
</tr>
<tr>
<td>Rule 5</td>
<td>42 U.S.C. § 659</td>
</tr>
<tr>
<td>Rule 6</td>
<td>42 U.S.C. § 665</td>
</tr>
<tr>
<td>Rule 7(b)</td>
<td>10 U.S.C. § 939</td>
</tr>
<tr>
<td>Rule 8</td>
<td>11 U.S.C. § 1325(c)</td>
</tr>
<tr>
<td>Rule 9</td>
<td>37 U.S.C. § 1007(c)</td>
</tr>
<tr>
<td>Rule 13</td>
<td>5 U.S.C. § 5520a</td>
</tr>
<tr>
<td></td>
<td>DoD Instruction 1344.9, December 8, 2008</td>
</tr>
<tr>
<td>Rule 14</td>
<td>37 U.S.C. §§ 701, 703, 704, 706</td>
</tr>
<tr>
<td></td>
<td>5 U.S.C. § 8432d</td>
</tr>
<tr>
<td>Rule 15</td>
<td>26 U.S.C. §§ 6331, 6334</td>
</tr>
</tbody>
</table>
VOLUME 7A, CHAPTER 54: “TRICARE DENTAL PROGRAM”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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<td>Updated formatting and hyperlinks to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>540102</td>
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<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated supporting references.</td>
<td>Revision</td>
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CHAPTER 54

TRICARE DENTAL PROGRAM

5401 GENERAL

540101. Purpose

The TRICARE Dental Program (TDP), administered by United Concordia Companies, Inc., is a worldwide dental care plan offered to eligible beneficiaries by the DoD through the Defense Health Agency.

*540102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 10. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

5402 TDP

540201. Enrollment Eligibility

The TDP is a voluntary dental plan available to eligible family members of all Active Duty Uniformed Service personnel and to Selected Reserve (SELRES) and Individual Ready Reserve (IRR) Service members and/or their eligible family members. To be eligible for the TDP, the sponsor must have at least 12 months remaining on his or her Service commitment with the parent Service at the time of enrollment. Individuals eligible to enroll in the TDP include the following:

A. SELRES and IRR Service members; and

B. Family members of active duty, SELRES, and IRR Service members. This includes spouses and unmarried children (including stepchildren, adopted children, and wards) under the age of 21. Family members will be eligible up to the end of the month in which they turn 21. Family members may be eligible after 21 if:

1. They are enrolled full-time at an accredited college or university and are more than 50 percent dependent on the sponsor for their financial support. These students are eligible to the end of the month in which they turn age 23. If the student terminates his or her education prior to turning 23, then eligibility ends at the end of the month in which education terminates; or

2. They have a disabling illness or injury that occurred before their 21st birthday or between the ages of 21 and 23 if enrolled as a full-time student at the time of illness or injury, and they were more than 50 percent dependent on the sponsor for financial support.
540202. Individuals Who Are Not Eligible for TDP Coverage

Active duty Service members are not eligible for the TDP. In addition, former spouses, parents, parents-in-laws, disabled veterans, foreign military personnel, Service members in the Transitional Assistance Management Program following activation for a contingency operation, and retirees and their families are not eligible for TDP benefits.

540203. Enrollment Period

All new enrollees must remain enrolled in the TDP for at least 12 months. Enrollment may continue on a month-to-month basis after completing the 12-month minimum enrollment lock-in period. Anyone who fails to pay premiums or disenrolls for other than a valid disenrollment reason is prohibited from reenrolling in the program for 12 months.

540204. Enrollment Form

The sponsor must initiate enrollment by completing a TDP Enrollment Form. If the sponsor is not available to complete and sign the form, an individual with a Power of Attorney (POA) can initiate enrollment, provided the POA allows the individual to enter into contracts. TDP Enrollment Forms are available at the local military dental treatment facility, TRICARE Service Center, Health Benefits Advisor/installation point of contact, TRICARE Dental, or the Beneficiaries Web Enrollment website.

540205. Effective Date of Coverage

In most cases, coverage is effective the first day of the month after the month in which the TDP contractor receives the completed form and 1 month’s premium payment. TDP Enrollment Forms must be received by the 20th of the month for coverage to begin on the first day of the next month. For applications received after the 20th of the month, coverage will not become effective until the first day of the second month.

540206. Disenrollment

New enrollees must remain enrolled in the TDP for a minimum of 12 months. Anyone who fails to pay premiums during the 12-month lock-in period or disenrolls for other than valid reasons will be locked-out of the program for 12 months. The following are valid reasons for disenrolling from the TDP prior to completion of the mandatory 12-month enrollment:

A. When a sponsor or family member loses Defense Enrollment Eligibility Reporting System (commonly referred to as DEERS) eligibility due to death, divorce, marriage of a child, end of entitlement, or when a family member reaches age 21 (or 23 if enrolled full-time at an accredited college or university);

B. When TDP-enrolled members relocate outside the continental United States service area, the Service members may elect (within 90 calendar days of the relocation) to disenroll
their family members and/or themselves from the TDP (TRICARE Service Centers are available to assist with enrollment options.);

C. When an active duty Service member transfers with enrolled family members to a duty station where space-available dental care for the enrolled members is readily available at the local Uniformed Service dental treatment facility, the active duty Service member may elect (within 90 days of the transfer) to disenroll his/her family members from the TDP; or

D. When an active duty, SELRES or IRR member is transferred to the Standby Reserve or Retired Reserve.

540207. Other Disenrollment Situations

The TDP contractor will notify the sponsor of the disenrollment and explain the enrollment/disenrollment options and any associated premium changes and time limitations for the following situations:

A. If one member in a marriage of two Service members leaves the Uniformed Services and has family members assigned to him, then the family members can be reenrolled to the other Service member without incurring a new 12-month lock-in period;

B. When an Active Component Service member transfers to the Reserve Component (SELRES, Guard/Reserves on active duty, or IRR), the enrolled family members are disenrolled from the TDP;

C. When a Service member of the Reserve Component transfers to an Active Component, the enrolled member, and/or family members are disenrolled from the TDP;

D. When the sponsor changes from one branch of service to another;

E. When a Service member of the SELRES or IRR (Special Mobilization Category) changes status to IRR (other than Special Mobilization Category), the enrolled member, and/or family members are disenrolled from their current plan and automatically reenrolled into the appropriate plan. The reenrolled member/family members may elect to disenroll from the TDP if desired; or

F. When a Service member of the SELRES or IRR is called to active duty for more than 30 consecutive days, the member is disenrolled effective on the first day of the active duty orders. Enrolled family members remain enrolled in the current TDP plan until the last day of the month in which the sponsor changes status. Family members are automatically reenrolled in the program as active duty family members with the lower premium rate under the existing lock-in period.
540208. Premium Amounts

The TDP premium rate period runs from May 1 through April 30 of each year. Premium rates are available at TRICARE Dental Costs.

540209. Premium Billing Allotments

If the Service member has a payroll account, and there are sufficient funds available at the time of collection, then the Government will collect the member’s share of the premium, in advance, through a Uniformed Service finance office, or on the TRICARE Dental website under the “Monthly Premiums” section, “Ongoing Recurring Payments” paragraph. Members must verify monthly that the correct dental allotment appears on their Leave and Earnings Statement.

540210. Direct Billing Process

If there are insufficient funds or no payroll account is available at the time of collection, then the Service member must pay the premium costs by means of direct billing. When this occurs, premium collection will transfer, from the Uniformed Service finance office or site payroll allotment, to direct billing by the TDP contractor. Once the TDP contractor direct bills, this payment process will continue, until the member requests the TDP contractor to restart the payroll allotment. The TDP contractor will immediately direct bill for premiums due from IRR Service members and from SELRES and IRR family members.
*REFERENCES

CHAPTER 54 – TRICARE DENTAL PROGRAM (TDP)

5401 – GENERAL

540101 TDP Benefit Booklet, October 2018

5402 – TDP

10 U.S.C., section 1076a
VOLUME 7A, CHAPTER 55: “RESERVE INCOME REPLACEMENT PROGRAM”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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<td>550201</td>
<td>Removed obsolete definitions and renumbered subsequent paragraphs accordingly.</td>
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<tr>
<td>550302</td>
<td>Clarified the current eligibility.</td>
<td>Revision</td>
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<td>550503</td>
<td>Updated the termination of payment date to reflect the amendment to Title 37, United States Code, section 910(g) and moved it to the “Duration of Authority” table on the Defense Finance and Accounting Service website (DFAS.MIL). Added a hyperlink to the table.</td>
<td>Revision</td>
</tr>
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CHAPTER 55

RESERVE INCOME REPLACEMENT PROGRAM

5501 GENERAL

550101. Purpose

This chapter establishes policy pertaining to the Reserve Income Replacement Program (RIRP) for members of the Reserve Components (RC) as defined in Volume 7A Definitions.

550102. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

5502 DEFINITIONS

550201. Involuntary Active Duty

For the purposes of this chapter, involuntary active duty is defined as an order to duty under Title 10, United States Code (U.S.C.), sections 688, 12301(a), 12301(g), 12302, 12304, 12304a, 12304b, or 14 U.S.C. § 3713 without the consent of the member, or is defined as an order to full-time National Guard duty under 10 U.S.C. § 251, 252, 12406, or 32 U.S.C. § 502(f)(1) without the consent of the member.

550202. Monthly Active Duty Income Differential

This differential is the difference between the average monthly civilian income of the member and the member’s total monthly military compensation (TMMC), when the member’s average monthly civilian income exceeds the TMMC.

550203. TMMC

The TMMC is the amount computed on a monthly basis, using the member’s regular military compensation and the amount of any special pays, incentive pays, and allowances (not included in regular military compensation) that are paid on a monthly basis (e.g., Foreign Language Proficiency annual bonus that may be paid in monthly installments). Bonuses paid in a lump sum or anniversary installments, such as enlistments, reenlistment, and affiliation bonuses, will not be included in the TMMC. Cost of living allowances will be included in the TMMC. Per Diem, to include meals and incidental expenses, will not be included in the TMMC.

5503 RIRP ELIGIBILITY

550301. Eligibility
An RC member currently serving on involuntary active duty is eligible for RIRP payments for any entire month of involuntary active duty (referred to in this chapter as a “service month”) that is served after the member completes the requisite eligibility period and for which the member realizes a monthly active duty income differential.

*550302. Eligibility

A member of a reserve component is entitled to a payment under this section for any full month of active duty of the member, when the total monthly military compensation of the member is less than the average monthly civilian income of the member, while the member is on active duty under an involuntary mobilization order, following the date on which the member:

A. Completes 547 continuous days of service on active duty under an involuntary mobilization order;

B. Completes 730 cumulative days on active duty under an involuntary mobilization order during the previous 1,826 days; or

C. Is involuntarily mobilized for service on active duty for a period of 180 days or more within 180 days after the date of the member's separation from a previous period of active duty for a period of 180 days or more.

Example: If continuous service on active duty began on February 1, 2016, the 547 days to establish eligibility would end at midnight on July 31, 2017. The member would meet the eligibility requirement for RIRP on August 1, 2017, and would be entitled to RIRP payment on September 1, 2017, for the month of August 2017, if the member serves on active duty for the entire month of August.

550303. RIRP Entitlement

Payment for RIRP is based on each full month of active duty following the date on which the member meets the eligibility criteria in paragraph 550302. RIRP payments are based on full months of service only. Partial payments are not authorized. Changes in pay grade, longevity, number of dependents, and special pays will be taken into account in calculating the RIRP payment in the month following the change.

550304. Special Conditions

Effective January 29, 2008, the entitlement of an RC member to a RIRP payment will commence, or if previously commenced, will continue if the member satisfies the required number of days on active duty specified in paragraph 550302, or is, following an involuntarily mobilization, retained on active duty under 10 U.S.C. § 12301(h)(1)(A) or (B) because of an injury or illness incurred, or aggravated while assigned to duty in an area for which special pay under 37 U.S.C. § 310 is available.
5504 RESTRICTIONS

A civilian employee of the Federal Government who is also a member of an RC is not entitled to a payment of RIRP for any period for which the employee is entitled to a civilian pay differential payment under 5 U.S.C. § 5538 or Volume 8, Chapter 3, paragraph 030509; or a comparable civilian pay benefit under an administratively established program for civilian employees absent from a position of employment with the Federal Government in order to perform active duty in the Uniformed Services.

5505 PAYMENT

550501. Frequency

After an RC member has completed the requisite eligibility period, the member is entitled to RIRP payment on the first day of the calendar month after performing a preceding full calendar month of involuntary active duty service. See the example in subparagraph 550302.A.1.

550502. Limitation

A member who realizes a monthly active duty income differential greater than $50 is entitled to RIRP. The maximum RIRP payment will not exceed $3,000 per month.

*550503. Termination of Payment

Payment will terminate when one of the conditions in Table 55-1 is met. Unless authorized by Congress, authorization to RIRP will terminate after the date on the Duration of Authority table. No payments will be made after the termination date unless the member’s entitlement to RIRP commenced prior to that date.

5506 TAXABILITY

550601. Federal and State Tax Deduction

RIRP payments are subject to federal and state income tax withholding.

550602. Federal Insurance Contribution Act (FICA)

RIRP payments are not subject to FICA withholding.
Table 55-1. Date to Terminate RIRP Payment

<table>
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<tr>
<th>DATE TO TERMINATE RIRP PAYMENT</th>
<th>A</th>
<th>B</th>
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<tr>
<td>RULE</td>
<td>When the member is released from a qualifying period of active duty</td>
<td>then RIRP payment is terminated effective the last full month of service. A partial month is not pro-rated.</td>
</tr>
<tr>
<td>1</td>
<td>member is released from a qualifying period of active duty</td>
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<tr>
<td>2</td>
<td>member no longer meets eligibility requirements due to changes in the TMMC</td>
<td></td>
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<tr>
<td>3</td>
<td>member’s monthly active duty income differential decreases to $50 or less due to changes in current military compensation</td>
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<tr>
<td>4</td>
<td>member’s orders change his or her duty status from involuntary to voluntary</td>
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REFERENCES

CHAPTER 55 – RESERVE INCOME REPLACEMENT PROGRAM

5501 – GENERAL

Department of Defense Instruction (DoDI) 1241.05
May 15, 2018
37 U.S.C. § 910

550101 37 U.S.C. § 101(24)

5502 – DEFINITIONS

DoDI 1241.05

550201 10 U.S.C. §§ 251, 252, 688, 12301(a), 12301(g), 12302, 12304a, 12304b, 12406
14 U.S.C. § 3713

550202 37 U.S.C. § 910(b)

550203 DoDI 1241.05

5503 – RIRP ELIGIBILITY

37 U.S.C. § 910(b)
DoDI 1241.05

5504 – RESTRICTIONS

37 U.S.C. § 910(b)(3)
5 U.S.C. § 5538

5505 – PAYMENT

550502 37 U.S.C. § 910(c)
DoDI 1241.05

* 550503 37 U.S.C. § 910(g)
VOLUME 7A, CHAPTER 56: “READY RESERVE (RR) ACCESSION, AFFILIATION, ENLISTMENT, AND RETENTION BONUSES”

SUMMARY OF MAJOR CHANGES

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<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
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<tr>
<td>560207</td>
<td>Added “Repayment” paragraph.</td>
<td>Addition</td>
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<tr>
<td>560208</td>
<td>Added hyperlinks to the “Duration of Authority” table on dfas.mil.</td>
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CHAPTER 56

READY RESERVE (RR) ACCESSION, AFFILIATION, ENLISTMENT, AND RETENTION BONUSES

5601 GENERAL

560101. Purpose

The purpose of this chapter is to provide policy guidance pertaining to the accession, affiliation, enlistment, and retention bonuses for members of the RR.

560102. Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), sections 331 and 332, (37 U.S.C. § 331 and 37 U.S.C. § 332). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

5602 OFFICER ACCESSION AND AFFILIATION BONUS

560201. Officer Accession Bonus

A. Conditions of Entitlement. Pursuant to 37 U.S.C. § 332(a)(1), and implemented by DoD Instruction (DoDI) 1304.34, July 11, 2016, the Secretary concerned may pay an accession bonus to an eligible officer who enters into an agreement with the Secretary:

1. To accept an appointment as an officer in the Armed Forces; and

2. To serve in the Selected Reserve (SELRES) of the RR in a designated skill for the period specified in the agreement.

B. Skills Designation. The Secretary will designate the officer skills to which the bonus authority is to be applied. A skill may be designated if it is critical to increase the number of members accessed who are qualified in that skill or are to be trained in that skill, or to mitigate a current or projected significant shortage of personnel who are qualified in that skill.

560202. Officer Affiliation Bonus

A. Conditions of Entitlement. In accordance with 37 U.S.C. § 332(a)(2) and DoDI 1304.34, the Secretary concerned may pay an affiliation bonus to an eligible officer in the Military Department who enters into an agreement with the Secretary to serve, for the specified period in the agreement, in the SELRES of the RR. The officer must enter into an agreement:

1. To serve in a critical officer skill designated by the Secretary; or
2. To meet a manpower shortage in:
   a. A unit of that SELRES; or
   b. A particular pay grade in that Armed Force.

B. Eligibility Criteria. An officer is eligible for an affiliation bonus if the officer either:
   1. Is serving on active duty for a period of more than 30 days; or
   2. Is a member of a Reserve Component (RC) not on active duty (if the member formerly served on active duty but was released from active duty under honorable conditions); and
   3. Is not entitled to retired or retainer pay.

C. Critical Skills Designation. The Secretary concerned will designate the critical officer skills to which the bonus authority is to be applied. A skill may be designated as a critical officer skill if it is critical to have a sufficient number of officers who are qualified in that skill.

560203. Period of Obligated Service

An agreement entered into with the Secretary concerned will require the person entering into that agreement to serve in the SELRES for a specified period. The period specified in the agreement will be any period not less than 3 years that the Secretary determines appropriate to meet the needs of the RC in which the service is to be performed.

560204. Bonus Amounts

A. The maximum accession bonus may not exceed $60,000 for a minimum 4-year period of obligated service, nor may it exceed an annual amount of $15,000.

B. The maximum affiliation bonus may not exceed $10,000 for a minimum 3-year service obligation.

560205. Payment

A. Upon acceptance of a written agreement by the Secretary, the total amount of the bonus payable under the agreement becomes fixed. The agreement will specify whether the bonus is to be paid in one lump sum or installments.

B. A person entitled to a bonus who is called or ordered to active duty will be paid, during that period of active duty, any amount of the bonus that becomes payable to the member during that period of active duty.
560206. Relation to Other Accession Bonus

A person may not receive an affiliation bonus, accession bonus, and financial assistance through a loan repayment program for the same period of service.

*560207. Repayment

A person or officer who receives a bonus in accordance with 37 U.S.C. § 332, and fails to complete the period of obligated service or other conditions of service specified in the written agreement for which the bonus is paid, must repay any unearned portion of the bonus consistent with 37 U.S.C. § 373 and Chapter 2.

*560208. Duration of Authority

An officer accession or affiliation bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

5603 ENLISTMENT BONUS

The Secretaries concerned may pay a bonus under 37 U.S.C. § 331(a)(2) to encourage a person or member to enlist in the RC or affiliate with the SELRES of an Armed Force. The bonus is authorized when the person enlists in or affiliates with the SELRES and agrees to serve for a specified period of obligated service in a designated skill, unit, or pay grade, or to meet some other condition or conditions imposed by the Secretary concerned.

560301. Eligibility

An enlistment bonus is authorized for individuals who enlist in an RC for a specific period and, if applicable, for service in a skill that is experiencing critical personnel shortages as designated by the Secretary concerned. The individual must:

A. Possess a high school diploma, a completion or attendance certificate in lieu of a high school diploma, or a General Educational Development (GED) program certificate; and

B. Be an initial enlistee, a prior Service enlistee, or a reservist not on active duty who enlists in the RC of an Armed Force, as defined in subparagraphs 560301.B.1 and 2.

1. Initial/Non-prior Service Enlistee. An Initial or Non-prior Service Enlistee is a person who has either never served or has served, but was released from such service before completing the basic training requirements of the Service of which the person was a member and the service was characterized as either honorable or uncharacterized.

2. Prior Service Enlistee. A Prior Service Enlistee is a person who has prior experience but has not previously received an enlistment or retention bonus, or who currently is not entitled to a Selective Retention Bonus (SRB) under section 5607.
C. Enlist for at least 2 years in an RC of an Armed Force and serve for a specified period of obligated service in at least one of the following categories:

1. A designated skill;
2. Career field;
3. Unit; or
4. Grade;

D. Execute a written agreement with the Secretary concerned that specifies the:

1. Amount of the bonus;
2. Method of bonus payment;
3. Period of obligated service; and
4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

E. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

F. Not have previously received or be eligible to receive an SRB under section 5607 or a Critical Skills Retention Bonus (CSRB);

G. Successfully complete training and become technically qualified in a designated skill if completion of such training and technical qualification forms the basis under which the bonus is paid; and

H. Meet any additional service specific eligibility criteria and quality standards established by the Secretary concerned.

NOTE: Reservists currently obligated to Military Service under the delayed entry program are not eligible for an enlistment bonus from another Military Service.

560302. Amount

The bonus amount to be paid will:

A. Be fixed upon acceptance of the agreement by the Secretary concerned;
B. Be paid in a lump sum or in periodic installments; and
C. Not exceed $20,000 for a minimum 2-year period of obligated service for an enlistment described in paragraph 560301.

560303. Repayment

A member who enters into an agreement and receives all or part of the bonus under the agreement, but who does not commence to serve in the SELRES or does not satisfactorily participate in the SELRES for the total period of service specified in the agreement, will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

*560304. Duration of Authority

An enlistment bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

5604 ENLISTED AFFILIATION BONUS

560401. Eligibility

The Secretary concerned may pay an affiliation bonus to an enlisted member who:

A. Is currently serving on active duty or has served on active duty and is discharged or released under honorable conditions;

B. Has less than 20 years of total uniformed service;

C. Provides the original DoD (DD) Form 214, Certificate of Release or Discharge from Active Duty (copy 1 or copy 4), or a reproduction with a certified true-copy stamp and the appropriate Federal Government authenticating seal imprinted thereon for each period of prior military service;

D. Executes an agreement to serve as an enlisted member in the SELRES of the RR of an Armed Force for a period of not less than 2 years as specified in subparagraph 560301.B, in a:

1. Skill;

2. Unit; or

3. Pay grade designated after being discharged or released from active duty under honorable conditions;

E. Executes a written agreement with the Secretary concerned that specifies the:
1. Amount of the bonus;

2. Method of bonus payment;

3. Period of obligated service; and

4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

   F. Is not in receipt of an enlistment, retention, or transfer bonus for the same period of time as an affiliation bonus; and

   G. Has not previously received an affiliation bonus in the SELRES.

560402. Amount

The bonus amount to be paid will:

   A. Be fixed upon acceptance of the agreement by the Secretary concerned;

   B. Be paid in a lump sum or in periodic installments; and

   C. Not exceed $20,000 for a minimum 2-year period of obligated service for an affiliation described in paragraph 560401.

560403. Repayment

A member who enters into an agreement and receives all or part of the bonus under the agreement, but who does not commence to serve in the SELRES or does not satisfactorily participate in the SELRES for the total period of service specified in the agreement, will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

*560404. Duration of Authority

An enlisted affiliation bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

5605 PRIOR SERVICE ENLISTMENT BONUS

560501. Eligibility

The Secretary concerned may pay an individual with prior military service who reenlists in an RC of an Armed Force after a break in reserve duty. The individual must:

   A. Enlist in an RC of an Armed Force;
B. Reenlist for a period of at least 2 years or extend the initial period of obligated service;

C. Execute a written agreement with the Secretary concerned to serve as an enlisted member in an RC that specifies the:
   1. Amount of the bonus;
   2. Method of bonus payment;
   3. Period of obligated service; and
   4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

D. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:
   1. A designated skill;
   2. Career field;
   3. Unit; or
   4. Grade;

E. Successfully complete training or retraining and become technically qualified in a designated military skill, when additional training is required;

F. Provide the original DD 214 (copy 1 or copy 4), or a reproduction of the DD 214 with a certified true copy stamp and the appropriate Federal Government authenticating seal imprinted thereon for any period of prior uniformed service, or other official documentation verifying member’s satisfactory participation for all periods of prior service in the Regular Component;

G. Qualify under any additional eligibility criteria prescribed by the Secretary concerned;

H. Possess a high school diploma, a completion or attendance certificate in lieu of a high school diploma, or a GED program certificate; and

I. Be an initial enlistee, a prior Service enlistee, or a reservist not on active duty who enlists in a SELRES of an Armed Force in subparagraph 560501.B.
560502. Limitations

A member may not be paid a Prior Service Enlistment Bonus if he/she:

A. Has previously received an enlistment bonus;

B. Has previously received or is currently entitled to an SRB per DoDI 1304.31 or a CSRB under 37 U.S.C. § 355;

C. Has more than 16 years of total uniformed service and received a less than honorable discharge at the conclusion of any of the prior periods of service;

D. Was released or is being released from active duty for the purpose of enlistment in an RC;

E. Is not projected to occupy a position for which the member previously served successfully and has completed training or retraining in the critical specialty for the position;

F. Does not execute an agreement to serve in the SELRES of the RR for a period of not less than 2 years as specified in subparagraph 560501.D; or

G. Fails to provide the original DD 214 as specified in subparagraph 560501.F.

560503. Amount

The bonus amount to be paid will:

A. Be fixed upon acceptance of the agreement by the Secretary concerned; and

B. Not exceed $40,000.

560504. Method of Payment

A. The Secretary concerned must establish the method of payment for the bonus (lump sum or periodic installments). Payment should be disbursed based on training milestones, amounts, and length of enlistment. The Secretary concerned must not pay a person or member any portion of the bonus prior to completion of basic recruit training.

B. Members with prior uniformed service who do not require formal training to be technically qualified in the skill for which the bonus is being paid will receive their first installment no earlier than 30 days after arrival at the first permanent duty station following entry on active duty.
560505. Repayment

A member who receives all or part of the bonus under the agreement, who does not complete the term of enlistment or who is not technically qualified in the skill for which the bonus was paid, will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

*560506. Duration of Authority

A prior service enlistment bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

5606 NONAVAILABILITY

560601. RR

Members of the RR who incur a period of authorized absence (such as temporary overseas residence, missionary obligation, or overseas employment obligation) will have their incentive suspended, and will not be entitled to incentive payments. The period of authorized absence may be up to 1 year for valid personal reasons as determined by the Secretary concerned. If subsequently assigned to the Reserve status and skill that they had previously contracted for, members may be reinstated in the incentive program if they extend their term of service, or service obligation, to be able to serve the full original incentive contract period. Entitlement to subsequent payments will resume on the adjusted anniversary date of satisfactory and creditable Reserve Service, as appropriate. The date will be adjusted for periods of authorized absence. Failure to meet reinstatement criteria will result in termination of the incentive and recoupment, as appropriate.

560602. SELRES

Members of the SELRES may incur a period of authorized absence of up to 1 year for valid personal reasons as determined by the Secretary concerned. These members will be:

A. Transferred to the Individual RR or the Inactive National Guard, as appropriate, during the period of authorized absence, and will be suspended from their incentive. During the period of authorized absence, the member will not be entitled to subsequent incentive payments or any incentives available to members of the RR, not in the SELRES; and

B. If, within 1 year, members are subsequently reassigned to a SELRES skill or unit type that they had previously contracted for, then the members may be reinstated in the incentives program if they extend their term of service, or contract for service, to be able to serve the full original incentive contract period. Entitlement to subsequent payments will resume on the adjusted anniversary date of satisfactory creditable SELRES service. The date will be adjusted for that period of authorized absence. Failure to meet reinstatement criteria will result in termination of the incentive and recoupment, as appropriate.
An SRB authorized under 37 U.S.C. § 331(a)(3) and implemented in DoDI 1304.31, provides a monetary incentive that may be offered to retain adequate numbers of qualified enlisted personnel in certain reenlistment categories. The bonus may be used to obtain the reenlistment or voluntary extension of an enlistment in exchange for a member’s agreement to serve for a specified period.

560701. Eligibility

The Secretary concerned may pay an SRB to a person, including a member of the Armed Forces who reenlists in a Military Service for a specific period and, if applicable, for service in a military skill that is experiencing critical personnel shortages as designated by the Secretary concerned. The individual must:

A. Serve in pay grade E-3 or higher;

B. Reenlist for a period of at least 3 years or voluntarily extend an enlistment for a period of at least 1 year in an active status in the SELRES in a Military Service;

C. Execute a written agreement with the Secretary concerned that specifies the:
   1. Amount of the bonus;
   2. Method of bonus payment (lump sum amount or periodic installments);
   3. Period of obligated service; and
   4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

D. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:
   1. A designated military skill;
   2. Career field;
   3. Unit; or
   4. Grade;

E. Meet skill qualification prior to payment of an SRB for a member transferring into a designated skill; and
F. Qualify under any additional eligibility criteria prescribed by the Secretary concerned.

560702. Limitations

A. A re-entry or reenlistment must occur no later than 3 months after the date of discharge or release from active duty.

B. Veterans with more than a 3-month but less than a 4-year break in active status may qualify for reentry after a break in service or prior service reentry, subject to the regulations prescribed by the Secretary concerned.

C. The original DD 214 (copy 1 or copy 4), a reproduction of the DD 214 with a certified true-copy stamp and appropriate Federal Government authenticating seal imprinted thereon, or other official documentation verifying the member’s satisfactory participation for all periods of prior service in the active component and SELRES are acceptable documentation of prior active duty service for a break in active duty service greater than 24 hours.

D. Individuals with prior enlisted service and subsequent service as officers who were discharged or released from active duty and who, within 3 months after discharge or release from active duty as an officer, reenlist in the same RC of a uniformed service in which they previously served as an enlisted member may be eligible for an SRB. The individual must meet all other requirements established in paragraph 560701.

E. Members who reenlist or voluntarily extend an enlistment to gain sufficient obligated service to participate in a program leading to commissioned or warrant officer status are not eligible for an SRB.

F. A member is not eligible for an SRB if the member was discharged or released from active duty, or service in an active status based upon a determination of misconduct, substandard duty performance, or moral or professional dereliction.

G. Generally, a member may not use any preexisting period of obligated service to satisfy an obligated service requirement under an SRB agreement, unless such service is determined by the Secretary concerned to be consistent with the requirements of 37 U.S.C. § 371.

1. A preexisting period of obligated service is necessary for the member to qualify for continuous submarine duty incentive pay and is service for which no bonus was previously authorized or payable.

2. A preexisting period of obligated service includes no more than a 2-year period of an unserved voluntary extension of enlistment for which no bonus was previously authorized or payable, and the member agrees to an additional 2-year period of obligated service in connection with an SRB.
H. An SRB may not be paid to an enlisted member who has completed more than 20 years of active duty or service in an active status, or who will complete a total of 24 years of service before the end of the period of active duty or active status for which the bonus is offered. The Deputy Assistant Secretary of Defense for Military Personnel Policy may waive this restriction based upon a request and justification submitted by the Secretary concerned.

560703. Amount

An SRB may not exceed $10,000 for each year of obligated service in an RC. The maximum amount for an SRB is $40,000.

A. The Secretary concerned must determine the amount of an SRB based on a business case model that targets retention of adequate levels of enlisted personnel in a reenlistment or extension category.

B. RC members may receive more than one SRB at a time, but the total combined SRB payments over a career must not exceed $80,000.

C. SRB amounts may be prorated for extension requests greater than 1 year and reenlistments greater than 3 years. The additional service time will be calculated on a monthly basis at a rate equal to 1/12th the annual amount. Total bonus amounts are limited to $40,000 per SRB and $80,000 over a career.

560704. Method of Payment

An SRB may be paid either in installments or in a lump sum. If an SRB is paid in periodic installments:

A. The installment amount will be at the discretion of the Secretary concerned and may be paid at the time of reenlistment, or at the beginning of the member’s service commitment for the voluntary extension of enlistment. All payments must be made before the member completes a total of 24 years of service.

B. The initial payment to a Service member who reenlists after a break in active duty service greater than 24 hours is to be made no earlier than 30 days after arrival at the first permanent duty station following reenlistment.

C. Where there is lost time, the subsequent installment payments will be delayed by the number of days of lost time.

D. Discharge for the purpose of immediate reenlistment does not affect a member’s entitlement to subsequent SRB installment payments.
560705. Repayment

A member who does not complete the term of enlistment within the element of the SELRES for which the bonus was paid to the member under this section will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

*560706. Duration of Authority

An SRB may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

5608 MILITARY OCCUPATIONAL SPECIALTY (MOS) CONVERSION BONUS

560801. Eligibility

Consistent with 37 U.S.C. § 331 the, Secretaries concerned may pay a conversion bonus to a member who agrees to convert to a designated military skill in which there is a shortage of trained and qualified personnel and to serve for a period of not less than 3 years on active duty, or in an active status in the SELRES in that military skill or specialty. In addition to other enlisted bonus program eligibility requirements specified in DoDI 1304.31, a member must:

A. Be serving in a pay grade E-6 or below with no more than 12 years of service as computed in accordance with 37 U.S.C. § 205; and

B. Have completed all service obligations incurred for receipt of an enlistment or retention bonus, in accordance with 37 U.S.C. §§ 331 or 355 for a CSRB at the time of conversion.

560802. Amount

The bonus payment will not exceed $4,000 for a reenlistment or conversion that involves an agreement to convert to a designated military skill.

560803. Payment

The bonus may be payable in a lump sum, upon approval and completion of the conversion training.

560804. Repayment

A member who does not convert and complete the period of service in the MOS specified in the agreement will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.
Duration of Authority

An MOS conversion bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE BONUS

Eligibility

The Secretary concerned may pay a bonus in accordance with 37 U.S.C. § 331(a)(4) to an enlisted member who agrees to transfer from the Regular Component to the RR or vice versa of the same service. The member must:

A. Execute a written agreement with the Secretary concerned that specifies the:
   1. Amount of the bonus;
   2. Method of bonus payment (lump sum amount or periodic installments);
   3. Period of obligated service; and
   4. Designated military skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

B. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:
   1. A designated skill;
   2. Career field;
   3. Unit; or
   4. Grade;

C. Not be in receipt of an enlistment bonus, retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

D. Satisfactorily complete all terms of enlistment within their current component; and

E. Qualify for reenlistment in the Regular Component or RC of the Armed Force to which the member is transferring.
560902. Amount and Method of Payment

The Secretary concerned must establish the method of payment for the bonus (lump sum or periodic installments). The bonus amount may not exceed $10,000 and is payable upon approval of the Secretary concerned.

560903. Repayment

A member who does not complete the terms of the transfer bonus or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

*560904. Duration of Authority

A transfer between components of a military service bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

5610 TRANSFER BETWEEN MILITARY SERVICES BONUS

561001. Eligibility

The Secretary concerned may pay a bonus in accordance with 37 U.S.C. § 331(a)(5) to an enlisted member who agrees to transfer and serve in another uniformed service for a specified period in a designated skill, career field, unit, or grade, or to meet some other condition or conditions imposed by the Secretary concerned. The member must:

A. Execute a written agreement with the Secretary concerned that specifies the:
   1. Amount of the bonus;
   2. Method of bonus payment;
   3. Period of obligated service; and
   4. Designated skill, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

B. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:
   1. A designated skill;
   2. Career field;
   3. Unit; or
4. Grade;

C. Not have failed to satisfactorily complete any term of enlistment in a Military Service;

D. Qualify for reenlistment in the Regular Component of the Armed Force to which the member is transferring;

E. Prior to the transfer, have fulfilled the requirements established by the Secretary with jurisdiction over the Armed Force to which the member is transferring; and

F. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service.

561002. Amount and Method of Payment

The Secretary of the gaining Service may pay the transfer bonus in one $10,000 lump sum amount upon approval of the transfer by the Secretary concerned. Alternatively, the bonus may be paid in annual installments, the total of which may not exceed $10,000.

561003. Repayment

A member who does not complete the terms of the transfer bonus or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

*561004. Duration of Authority

A transfer between military services bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.
CHAPTER 56 – READY RESERVE (RR) ACCESSION, AFFILIATION, ENLISTMENT, AND RETENTION BONUSES

5602 – OFFICER ACCESSION AND AFFILIATION BONUS

560201  DoDI 1304.34, July 11, 2016
560202  DoDI 1304.34, July 11, 2016
560204  DoDI 1304.34, July 11, 2016
560206  DoDI 1304.24, July 11, 2016
560207  DoDI 1304.24, July 11, 2016

5603 – ENLISTMENT BONUS

560302  DoDI 1304.31, March 12, 2013

5604 – ENLISTED AFFILIATION BONUS

5605 – PRIOR SERVICE ENLISTMENT BONUS

560502  DoDI 1304.31, March 12, 2013
560503  DoDI 1304.31, March 12, 2013

5606 – NONAVAILABILITY

5607 – SRB

560703  DoDI 1304.31, March 12, 2013

5608 – MILITARY OCCUPATIONAL SPECIALTY (MOS) CONVERSION BONUS

56-20
5609 – TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE BONUS

37 U.S.C. § 331
DoDI 1304.31, March 12, 2013

5610 – TRANSFER BETWEEN MILITARY SERVICES BONUS

37 U.S.C. § 331
DoDI 1304.31, March 12, 2013
VOLUME 7A, CHAPTER 57: “RESERVE ENTITLEMENTS FOR ACTIVE DUTY (AD) (NOT EXTENDED)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated October 2018 is archived.

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<td>Updated the “Authoritative Guidance” paragraph and formatting to comply with current administrative instructions.</td>
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<td>Updated content for “Allowances” and applicable paragraphs to comply with former Joint Travel Regulations, Chapters 8, 9, and 10 moved to the DoD Financial Management Regulation.</td>
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CHAPTER 57

RESERVE ENTITLEMENTS FOR ACTIVE DUTY (AD) (NOT EXTENDED)

5701 GENERAL

570101. Purpose

This chapter establishes the policy guidance pertaining to reserve entitlements for AD (not extended).

*570102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

5702 PROVISIONS

570201. Entitlements

A. AD With Pay. A member of a Reserve Component (RC) serving on AD with pay is entitled to receive pay according to the member’s years of service and the grade in which the member is serving.

NOTE: The term AD, as used in this chapter includes; AD training, AD for training (ADT), full-time training duty, annual training duty for operational support and attendance while in active service at a school designated as a Service school by law or the Secretary of the Military Department concerned, temporary AD when the pay is chargeable to a Reserve appropriation, or in the case of the National Guard, full-time training, and other full-time duties. It does not mean extended AD (EAD). EAD is defined as AD performed by an RC member when strength accountability passes from the RC to the active military establishment.

B. AD Without Pay. An RC member may, with his or her consent, be ordered to AD without pay when authorized by the Secretary of the Military Department concerned. See section 5705 for entitlement to allowances.

C. Combination AD and Inactive Duty. An RC member may be paid the equivalent total of more than 360 days of pay in a year, when so directed, if this total is based on a combination of AD pay and inactive duty training (IDT) pay.

D. Effective Date of Promotion for Increase in Pay and Allowances, Reserve and National Guard Officers. See Table 57-1.
E. Effective Date of Promotion for Increase in Pay and Allowances, Enlisted Members of the RC. Chapter 1, Table 1-4, rules 8 through 14 apply to these members.

570202. Saved Pay

The provisions of Chapter 1, paragraph 010303 apply to RC members.

570203. Limitation

An RC member cannot be paid inactive duty pay on any day that he or she is entitled to AD pay.

570204. Waiver of Benefits

An RC member who is drawing a pension, disability compensation, retainer pay, or retirement pay from the United States for prior Military Service, and who performs duty for which he or she is entitled to pay, may elect to receive either:

A. The payments for prior Military Service; or

B. If a member specifically waives those payments, then the pay and allowances authorized for the duty the member is currently performing.

1. Department of Veterans Affairs (VA) Disability Compensation. A reservist who is entitled to VA disability compensation must waive the equivalent VA compensation for 1 day for each Reserve AD day or each inactive duty period. Thus, the performance of two inactive duty periods in 1 calendar day requires waiver of the equivalent VA compensation for 2 days. These waiver requirements apply for all days in a calendar month.

2. Retired or Retainer Pay. A reservist who is entitled to retired or retainer pay must waive the equivalent of retired or retainer pay for 1 day for each Reserve AD day or inactive duty performance day. Thus, the performance of two inactive duty periods in 1 calendar day requires waiver of the equivalent retired or retainer pay. These waiver requirements apply for all days in a calendar month.

570205. Allotments of Pay

Except as prescribed in paragraph 570708, an RC member, not on EAD, may not have pay allotted. Members of the RC serving on AD, ADT, or full-time training duty under competent orders that specify periods of duty of more than 180 days, or upon involuntary recall, are excluded from this restriction when prescribed in Military Service regulations and may allot their pay, even though such pay is chargeable to Reserve or National Guard appropriations. Chapter 34, section 3405 applies should a member enter a missing status, and paragraph 570604 applies should a member incur a disability.
NOTE: Due to the Defense Joint Military Pay System – RC (DJMS-RC) system limitations, members of an RC on DJMS-RC are not able to make allotments from their pay.

570206. Leave

An RC member who serves on AD with pay for periods of 30 consecutive days or more accrues leave at the rate of 2.5 calendar days for each month of active service, excluding periods of:

A. Absence from duty without leave;
B. Absence over leave; or
C. Confinement, as a result of a court-martial.

NOTE: The member is entitled to lump-sum settlement of unused accrued leave upon completion of a tour per Table 57-2. When consecutive tours are involved, a member may be reimbursed for unused accrued leave or it may be carried forward, at the member’s option, until completion of the final tour. When computing the length of a period of AD, include allowable travel time. See also Chapter 35, paragraphs 350201 and 350202, and procedural instructions of the Military Services concerned. Refer to Tables 35-1 through 35-4 for specific entitlement criteria.

570207. Allowable Travel Time for Pay Entitlement Purposes

The provisions of Chapter 1, paragraph 010305 apply to RC members.

5703 COMPUTATION OF PAY

570301. Annual Salary

The provisions of Chapter 1, paragraph 010302.C apply to RC members.

570302. Computation of Monthly Pay

A. AD for 30 Days or More. When a member is ordered to AD for 30 days or more, and a tour of duty starts on the first day or an intermediate day of a calendar month, the member is entitled to pay and allowances through the 30th day. Payment is not authorized for the 31st day of a calendar month. This includes a member who is ordered to AD for less than 30 days and is continued on AD for 30 days or more by new orders or an amendment to the original orders. When computing the number of days for which pay is due, include the entire period the member actually serves on AD, including allowable travel time. See Table 57-2, rules 1 and 2.

B. AD for Less Than 30 Days. A member ordered to AD for less than 30 days is entitled to pay and allowances at 1/30 of the monthly rate for each day actually served, including
the 31st day of a calendar month. This includes a member ordered to AD for 30 days or more, but released before performing at least 30 days of AD, including allowable travel time. See Table 57-2 rule 3.

C. AD During February. See Table 57-2, rules 4 through 11.

570303. Absence From Duty

A. AD for Less Than 30 Days. Deduct 1/30 of the monthly rate of pay for each day of unauthorized absence.

B. AD of 30 Days or More. The provisions of Chapter 1, subparagraph 010302.A apply to RC members.

570304. Basic Pay Rates

Reference the Military Pay Tables for the current monthly rates of basic pay.

5704 SPECIAL AND INCENTIVE PAYS

570401. Entitlement

Members of the RC on AD are generally entitled to special and incentive pays under the same conditions as members on EAD and members of the Regular Component. For exceptions, see paragraphs 570402 through 570407.

570402. Career Sea Duty and Hardship Duty Pay

For career sea duty and hardship duty pay, the ship or duty station at which a member is performing AD is considered the member’s permanent duty station.

570403. Aviation Incentive Pay (AvIP) and Hazardous Duty Incentive Pay (HDIP) for the Performance of Aerial Flights

A. Entitlement. An RC officer is entitled to AvIP (continuous or conditional) while performing AD, as defined in subparagraph 570201.A, when the requirements of Chapter 22, section 2203 have been met. AGR aviators on full-time AD on a career basis will be entitled to AvIP (continuous or conditional) under provisions of Chapter 22 on the same basis as officers on EAD.

B. Excess Flying Time. The excess flying time provisions in Chapter 22, for rated officers, flight surgeons, and rated or designated warrant officers entitled to AvIP, and for enlisted crewmembers entitled to Critical Skill Incentive Pay, apply to an RC member only if on continuous AD for a period of 30 days or more.
C. Combined Flight Requirements. When a member performs both AD and inactive duty with pay in the same month, designated flying time earned in that month may be combined to satisfy any AvIP or HDIP flight requirements for that month, as defined in Chapter 58, paragraph 580302.

D. Flying Pay for Allowable Travel Time. A member on AD for 30 days or less is entitled to flying pay (if otherwise entitled) for travel time from duty station to home, even though the period extends into the following calendar month. See Chapter 22, Table 22-6.

E. Entitlement to AvIP While on ADT for Members Who Perform IDT Without Pay. An officer who performs IDT without pay is entitled to AvIP when performing ADT only if member is considered to be performing aviation service on a career basis.

570404. Parachute Duty Pay

Parachute jumps performed during periods of ADT or during IDT periods, if performed per Chapter 24, section 2403, may be used to qualify the member for parachute pay for either type of training. Parachute jumps performed while on EAD do not qualify a reservist for parachute pay in an IDT status.

570405. Weapons of Mass Destruction Civil Support Team Pay

When determined necessary to address recruitment and retention concerns, the Secretary of the Military Department concerned may pay up to $150 per month in special pay to RC members assigned to Weapons of Mass Destruction Civil Support Teams. In order to be eligible for Weapons of Mass Destruction Civil Support Team pay, a member must be:

A. Entitled to basic pay for full-time duty in the National Guard;

B. Fully qualified for Weapons of Mass Destruction Civil Support Team operations; and

C. Serving on an approved AD tour in excess of 139 days in the DoD designated and certified Weapons of Mass Destruction Civil Support Team position.

570406. Foreign Language Proficiency Bonus

An officer or enlisted member on ADT is entitled to Foreign Language Proficiency Bonus if otherwise entitled under Chapter 19.

570407. Assignment Incentive Pay (AIP)

An RC member may be authorized to receive AIP. See Chapter 15 for current programs.
5705 ALLOWANCES

570501. Basic Allowance for Subsistence (BAS)

A. Entitlement – AD With Pay. An RC member ordered to AD with pay is entitled to BAS as prescribed in Chapter 25.

B. Entitlement – AD Without Pay. An RC member ordered to AD without pay is entitled to subsistence in kind or commutation thereof. When a member is ordered to AD without pay and allowances, no payment is authorized.

1. If commutation of subsistence in kind is authorized, then the commutation will be paid at the rate of BAS specified in Chapter 25 that is applicable to the situation.

2. If a military technician (dual status) is performing AD outside the United States without pay while on leave from technician employment as authorized under 5 U.S.C. § 6323, then the Secretary of the Military Department concerned may authorize a per diem allowance in lieu of the commutation for subsistence.

*570502. Basic Allowance for Housing (BAH)

The provisions of Chapter 26 apply to members of the RC.

570503. Family Separation Allowance (FSA)

A. The provisions of Chapter 27 apply to a member of an RC on AD with pay for periods of more than 30 days.

B. An RC member may be entitled to FSA or Family Separation Housing, depending on the length of tour specified in orders and whether or not dependent travel is authorized at government expense under Chapter 26, section 2607.

*570504. Station Allowances Outside the United States

The provisions of Chapter 68 apply to members of the RC.

570505. Clothing Monetary Allowances – Enlisted Members

A. AD for Periods of 6 Months or Less. An enlisted member of the RC ordered to AD for 6 months or less is not entitled to a clothing monetary allowance, except as specified in subparagraphs 570505.C and 570505.D.

B. AD for Periods of More Than 6 Months. See Chapter 29 for specific references to enlisted members of the RC ordered to AD for periods of more than 6 months.
C. **Initial Cash Allowance for Enlisted Member.** An enlisted RC member is entitled to an initial cash allowance for the purchase of items specifically designated by the Secretary of the Military Department concerned to be purchased by the member rather than to be furnished in kind. See Chapter 29, paragraph 290201.

D. **Maternity Clothing.** Pregnant enlisted women of an RC are entitled to a supplemental maternity clothing allowance in accordance with the provisions of:

1. **Army:** *Army Regulation 700-84*, Chapter 4, section 4-9;
2. **Navy:** Chapter 29, Table 29-6;
3. **Air Force:** Chapter 29, Table 29-7; and
4. **Marine Corps:** Marine Corps provides supplemental clothing allowances as a combination of in-kind issues and cash payments: see Chapter 29, Table 29-8 for cash payments.

**NOTE:** Current rates for Tables 29-6, 29-7, and 29-8 are located on the DFAS website; [https://www.dfas.mil](https://www.dfas.mil).

570506. **Officers’ Uniform and Equipment Allowances**

See specific references to Reserve officers in Chapter 30.

5706 **MISCELLANEOUS PAYMENTS**

570601. **Advance Pay**

A. An RC member in receipt of orders for Permanent Change of Station movement (140 days or more) is entitled to advance pay per Chapter 32, paragraph 320201. Army and Air Force enlistees, with no prior service, may be paid an advance pay under the conditions set forth in Table 32-1, rule 4.

B. A member of an RC, the Fleet Reserve, or military retiree who is mobilized or recalled to AD for any period is entitled to advance pay and allowances per Chapter 32, paragraph 320202.

570602. **Payments on Behalf of Mentally Incompetent Members**

A. AD (Not for Training). The provisions of Chapter 33 apply to these members.

B. ADT. Except as provided in subparagraphs 570602.B.1 and 570602.B.2, a member of an RC who becomes mentally incompetent while performing ADT has no entitlement
to pay and allowances beyond the expiration or termination (whichever is earlier) of the orders that called the member to ADT.

1. A member may qualify for disability pay and allowances under the provisions of paragraph 570604.

2. A member may be entitled to miscellaneous payments resulting from separation (that is, travel allowance and accrued leave).

570603. Pay Entitlement of Members Missing, Missing in Action, Interned, and Payments to Dependents

The provisions of Chapter 34 apply to members of the RC.

570604. Incapacitation Pay/Disability Entitlements for RC Service Members

A. RC Service Member Unable to Perform Military Duties

1. Entitlement. In accordance with 37 U.S.C. § 204(g) and DoD Instruction (DoDI) 1241.01, an RC member is entitled to the pay and allowances (incapacitation pay) provided by law or regulation for a member of a Regular Component of corresponding grade and length of service whenever such member is physically disabled as the result of an injury, illness, or disease incurred or aggravated in the line of duty (LOD) while:

   a. Performing AD;

   b. Performing IDT (other than work or study in connection with a correspondence course of an Armed Force or attendance in an inactive status at an educational institution under the sponsorship of an Armed Force or the Public Health Service);

   c. Traveling directly to or from such duty or training;

   d. Remaining overnight immediately before the commencement of IDT, or while remaining overnight between successive periods of IDT, at or in the vicinity of the site of the IDT;

   e. Serving on funeral honors duty;

   f. Traveling to or from the place at which the funeral honors duty was to be performed; or

   g. Remaining overnight at or in the vicinity of the place at which funeral honors duty was to be performed immediately before serving on such duty, if the place is outside reasonable commuting distance from the member's residence.
2. Special Considerations

a. In the case of a member who receives earned income from nonmilitary employment or self-employment performed in any month in which the member is otherwise entitled to pay and allowances under subparagraph 570604.A.1, the total pay and allowances shall be reduced by the amount of such income. In calculating such earned income, income from an income protection plan, vacation pay, or sick leave which the member elects to receive shall be considered.

b. The total amount of pay and allowances (incapacitation pay) for any period may not exceed the amount of pay and allowances provided by law or regulation for a member of a Regular Component of corresponding grade and length of service.

c. Pay and allowances may not be paid for a period of more than 6 months. The Secretary concerned may extend such period in the interest of fairness and equity.

d. A member is not entitled to benefits if the injury, illness, disease, or aggravation of an injury, illness, or disease is the result of the gross negligence or misconduct of the member.

NOTE: Reference Table 57-3 for specific rules regarding disability entitlements for Reserve Forces.

B. RC Service Member Able to Perform Military Duties

1. Entitlement. In accordance with 37 U.S.C. § 204(h) and DoDI 1241.01, an RC member who is physically able to perform military duties is entitled, upon request, to a portion of the monthly pay and allowances provided by law or regulation for a member of a Regular Component of corresponding grade and length of service for each month for which the member demonstrates a loss of earned income from nonmilitary employment or self-employment as a result of injury, illness, or disease incurred or aggravated in the LOD while:

a. Performing AD;

b. Performing IDT (other than work or study in connection with a correspondence course of an Armed Force or attendance in an inactive status at an educational institution under the sponsorship of an Armed Force or the Public Health Service);

c. Traveling directly to or from such duty or training;

d. Remaining overnight immediately before the commencement of IDT, or while remaining overnight between successive periods of IDT, at or in the vicinity of the site of the IDT;

e. Serving on funeral honors duty;
f. Traveling to or from the place at which the funeral honors duty was to be performed; or

g. Remaining overnight at or in the vicinity of the place at which funeral honors duty was to be performed immediately before serving on such duty, if the place is outside reasonable commuting distance from the member's residence.

2. Special Considerations

a. The monthly entitlement may not exceed the member's demonstrated loss of earned income from nonmilitary or self-employment. In calculating such loss of income, income from an income protection plan, vacation pay, or sick leave that the member elects to receive will be considered earned income from nonmilitary or self-employment.

b. The total amount of pay and allowances for any period may not exceed the amount of pay and allowances provided by law or regulation for a member of a Regular Component of a uniformed service of corresponding grade and length of service for that period.

c. Pay and allowances may not be paid for a period of more than 6 months. The Secretary of the Military Department concerned may extend such period in the interest of fairness and equity.

d. A member is not entitled to benefits if the injury, illness, disease, or aggravation of an injury, illness, or disease is the result of the gross negligence or misconduct of the member.

C. Miscellaneous Provisions

1. Duty Without Pay. Duty without pay is considered for all purposes as if it were a duty with pay. The rules in Table 57-3 apply equally to duty with and duty without pay. The rate of pay and allowances applicable is the rate the member would have been entitled to if in a pay status at the time the injury, illness, or disease was incurred or aggravated.

2. Incentive Pay for Hazardous Duty. A member who is entitled to any of the incentive pays identified in Chapters 22 through 24 on the date of disability continues to be entitled through the ending date of the orders and for the disability period beyond, provided the orders to perform the hazardous duty remain in effect, all performance requirements were met, and any other conditions in Chapters 22 through 24 are satisfied.

3. Special Pays. A member who is entitled to any special pays on the date of disability continues to be entitled through the ending date of the orders and for the disability period beyond, provided the special conditions are met.
4. **Disability Not in LOD**
   
a. In the case of ordered to AD, not in LOD determinations will cause pay and allowances to cease on the date of expiration of the ordered AD plus allowable travel time, if any, or on the date the member is relieved from AD by competent authority.
   
b. In the case of inactive duty performance, not in LOD determinations cause pay to cease on the day disability occurs.

D. **Termination of Pay and Allowances.** Subject to the provisions in Table 57-3, a member’s entitlement to pay and allowances while disabled terminates upon:

1. Retirement;

2. Separation for physical disability;

3. Discharge from the RC;

4. For members receiving pay and allowances under subparagraph 570604.A, determination by the Military Service medical personnel that the member has recovered sufficiently to perform normal military duties, or when actually restored to normal military duties, whichever occurs first. The member must submit to timely Service medical examination(s) necessary for the preparation of required medical certificate(s) in order to extend entitlement to pay and allowances beyond the ordered duty or training period; or

5. For members receiving pay and allowances under subparagraph 570604.B, when a member can no longer demonstrate a loss of earned income from nonmilitary employment or self-employment as a result of an in LOD condition.

570605. **Payments on Behalf of Deceased Members**

A. **Death Gratuity.** The eligible beneficiaries of a member of an RC are entitled to payment of death gratuity under the provisions of Chapter 36.

B. **Settling Deceased Members Accounts.** The provisions of Chapter 36, section 3603 apply to members of the RC.

C. **Allowance for Housing to Surviving Dependents.** The provisions of Chapter 26 apply to the surviving dependents of RC members, who were on AD at the time of death.

570606. **Disability Severance Pay**

A. A member called or ordered to AD (other than ADT) for more than 30 days and separated for a physical disability, which was the proximate result of the performance of such duty, is entitled to disability severance pay if otherwise qualified under appropriate personnel regulations.
B. A member on AD for 30 days or less, or a member on AD training for any period (including ADT) and separated for physical disability resulting from injury, is entitled to disability severance pay when injury was the proximate result of performance of such duty, if otherwise qualified under appropriate personnel regulations.

C. Computation of disability severance pay will be as prescribed in Chapter 35.

5707 DEDUCTIONS AND COLLECTIONS

570701. Income Tax Withholding

A. **Federal Income Tax Withholding (FITW).** The FITW provisions of Chapter 44 apply to members of the RC.

B. **State Income Tax Withholding.** A reservist’s taxable income for FITW purposes is also subject to state tax withholding providing the state has entered into a withholding agreement with the Secretary of the Treasury as published within the Treasury Financial Manual (TFM). See also Chapter 44, Figure 44-2 for states that have entered into such an agreement.

C. **Legal Residence.** Each member must designate a legal residence and report any change of legal residence. The provisions of Chapter 44, subparagraph 440206.B apply to members of the RC.

D. **Local Tax Withholding.** Only localities having agreements with the Department of the Treasury, as published in the TFM, are eligible for withholding as follows:

1. When the reservist resides and performs duty in the same city or county covered by the agreement, withholding is mandatory.

2. When the reservist performs duty in a city or county other than where he or she resides, but within the same state of legal residence, withholding is mandatory for all jurisdictions with agreements. This includes the reservist’s city and county of residence, as well as the city and county where duty is performed.

3. When a reservist performs duty in a city or county located in a state where the reservist does not maintain a residency, and assuming all localities have agreements, withholding is voluntary for the city or county of duty and the city or county of residence.

570702. Federal Insurance Contributions Act

The provisions of Chapter 45 apply to members of the RC.

570703. Deductions for Armed Forces Retirement Home (AFRH)

An RC member’s pay is not subject to deductions for AFRH.
570704. Servicemembers’ Group Life Insurance

A. Duty in Excess of 30 Days Specified. The provisions of Chapter 47 apply to members of the RC, who are under a call or order to duty that does not specify a period of 30 days or less.

B. Duty of 30 Days or Less Specified. The provisions of Chapter 58, section 5808 apply to members of the RC, who are under a call or order to duty that specifies a period of 30 days or less.

570705. Court-Martial Sentences

The provisions of Chapter 48 apply to members of the RC.

570706. Non-judicial Punishment

The provisions of Chapter 49 apply to members of the RC.

570707. Stoppages and Collections Other Than Court-Martial Forfeitures

The provisions of Volume 16, Chapter 3, section 0303 apply to members of the RC.

570708. Allotments for National Guard Members

Members of the National Guard who are not on EAD are authorized to make one allotment from pay for the payment of premiums under a group life insurance program sponsored by the state military department in which such member holds a National Guard membership or by the state associations of the National Guard. Details covering the administration of the allotment program for National Guard members are contained in the pay procedural instructions of the Military Services concerned.

NOTE: Due to the DJMS-RC system limitations, members of the RC on DJMS-RC are not able to make allotments from their pay.

570709. TRICARE Dental Program (TDP)

Reserve members on AD with dependents, who meet the eligibility requirements under Chapter 54, paragraph 540201 may enroll their dependents in the TDP. Enrollment forms are available at the local military dental treatment facility or TRICARE Service Center, with the Health Benefits Advisor or installation point of contact, or on TRICARE Dental. Members must intend to be on AD for the minimum period of enrollment set in Chapter 54, paragraph 540203.

570710. Uniformed Services Savings Deposit Program (USSDP)

Members serving on AD who meet the eligibility criteria as set forth in Chapter 51, section 5102 are eligible to participate in the USSDP.
Table 57-1. Increase in Pay on Promotion – Reserve and National Guard Officers

<table>
<thead>
<tr>
<th>RULE</th>
<th>When a Reserve officer is</th>
<th>in the</th>
<th>then the effective date of increase in pay and allowances is the</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>promoted to a higher Reserve grade</td>
<td>Army or Air Force Reserve or National Guard</td>
<td>effective date of the promotion stated in the orders (note 1).</td>
</tr>
<tr>
<td>2</td>
<td>promoted to a grade above lieutenant (junior grade)</td>
<td>Naval Reserve</td>
<td>date on which member became eligible for promotion to the higher grade (see note 2).</td>
</tr>
<tr>
<td>3</td>
<td>promoted to a grade above first lieutenant</td>
<td>Marine Corps Reserve</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>promoted to the grade of lieutenant (junior grade)</td>
<td>Naval Reserve</td>
<td>date given as date of rank.</td>
</tr>
<tr>
<td>5</td>
<td>promoted to the grade of first lieutenant</td>
<td>Marine Corps Reserve</td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
1. For officers serving on AD (other than for training) which is not on the AD list, see Chapter 1, Table 1-4.
2. If an officer has not established the moral and professional qualifications prescribed by the Secretary of the Navy within 1 year after the date on which the President approved the selection board's recommendation for promotion, the officer is entitled to the pay and allowances of the grade to which promoted only from the date appointed to that grade.
Table 57-2. Entitlement to Pay and Allowances for Various Periods of AD

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>31 days</td>
<td>May 1- 31</td>
<td>30 days (note 1) yes</td>
</tr>
<tr>
<td>2</td>
<td>40 days</td>
<td>Jan 2-Feb 10</td>
<td>39 days (note 1) yes</td>
</tr>
<tr>
<td>3</td>
<td>29 days</td>
<td>Jan 4-Feb 1</td>
<td>29 days No</td>
</tr>
<tr>
<td>4</td>
<td>28 days</td>
<td>Feb 1-28 (not leap year)</td>
<td>28 days No</td>
</tr>
<tr>
<td>5</td>
<td>28 days</td>
<td>Feb 1-28 (leap year)</td>
<td>28 days No</td>
</tr>
<tr>
<td>6</td>
<td>29 days</td>
<td>Feb 1-29 (leap year)</td>
<td>29 days No</td>
</tr>
<tr>
<td>7</td>
<td>33 days</td>
<td>Feb 6-Mar 10 (not leap year)</td>
<td>35 days (note 2) yes</td>
</tr>
<tr>
<td>8</td>
<td>29 days</td>
<td>Feb 2- Mar 2 (not leap year)</td>
<td>29 days No</td>
</tr>
<tr>
<td>9</td>
<td>30 days</td>
<td>Feb 2-Mar 2 (leap year)</td>
<td>31 days (note 3) yes</td>
</tr>
<tr>
<td>10</td>
<td>31 days</td>
<td>Feb 1-Mar 2 (leap year)</td>
<td>32 days (note 3) yes</td>
</tr>
<tr>
<td>11</td>
<td>29 days</td>
<td>Feb 1-Mar 1 (not leap year)</td>
<td>29 days No</td>
</tr>
<tr>
<td>12</td>
<td>30 days</td>
<td>Jan 2-Jan 31</td>
<td>29 days (note 1) yes</td>
</tr>
</tbody>
</table>

NOTES:
1. Member is not entitled to pay and allowances for the 31st day of the calendar month.
2. Member is entitled to pay and allowances for the constructive days of February 29 and 30.
3. Member is entitled to pay and allowances for the constructive day of February 30.
Table 57-3. Disability Entitlements for the Reserve Forces

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>If a member is physically disabled in LOD while and the member is not fit for military duty and can show lost civilian income</td>
<td>Yes</td>
<td>No</td>
<td>then the member is entitled to</td>
<td>and</td>
</tr>
<tr>
<td>1</td>
<td>serving on AD, or while traveling directly to or from such AD (notes 1 and 2)</td>
<td>X</td>
<td>AD pay and allowances for the period of the orders, plus authorized travel time. If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances, less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months (notes 3, 4, 5, 6, and 7)</td>
<td>medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS. (note 8).</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>X</td>
<td>AD pay and allowances for the period of orders, plus authorized travel time. Thereafter, the member is entitled, upon request, to a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>X</td>
<td>AD pay and allowances for the period of the orders, plus authorized travel time</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>performing IDT or while, on the day of training, traveling directly to or from such training (notes 1 and 11)</td>
<td>X</td>
<td>IDT compensation for the day (both periods if two had been scheduled). If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances, less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months (notes 3, 4, 5, 6, and 7)</td>
<td></td>
</tr>
</tbody>
</table>
Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>RULE</td>
<td>A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>If a member is physically disabled in LOD while and the member is not fit for military duty and can show lost civilian income</td>
<td></td>
<td>then the member is entitled to and</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>performing IDT or while, on the day of training, traveling directly to or from such training (notes 1 and 11)</td>
<td>X</td>
<td>IDT compensation for the day (both periods if two had been scheduled). Thereafter, the member is entitled, upon request, to a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)</td>
<td>medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS. (note 8)</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>X</td>
<td>IDT compensation for the day (both periods if two had been scheduled)</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>traveling directly to or from IDT on a day(s) other than the training day (notes 1 and 11)</td>
<td>X</td>
<td>beginning on the day of disability, pay and allowances less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months (notes 3, 4, 5, 6, and 7)</td>
<td></td>
</tr>
</tbody>
</table>
Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If a member is physically disabled in LOD while</td>
<td>and the member is</td>
<td>then the member is entitled to</td>
<td>and</td>
</tr>
<tr>
<td></td>
<td>and the member is not fit for military duty</td>
<td>fit for military duty and can show lost civilian income</td>
<td>and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>8</td>
<td>traveling directly to or from IDT on a day(s) other than the training day (notes 1 and 11)</td>
<td>X</td>
<td>beginning on the day of disability, and upon request, a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)</td>
<td>medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS. (note 8)</td>
</tr>
<tr>
<td>9</td>
<td>remaining overnight immediately before the start of IDT, or while remaining overnight between successive periods of IDT, if the site is outside reasonable commuting distance from his or her residence</td>
<td>X</td>
<td>beginning on the day of disability, pay and allowances less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months (notes 3, 4, 5, 6, and 7)</td>
<td></td>
</tr>
</tbody>
</table>
Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>If a member is physically disabled in LOD while and the member is not fit for military duty, then the member is entitled to and&lt;br&gt;remaining overnight immediately before the start of IDT, or while remaining overnight between successive periods of IDT, if the site is outside reasonable commuting distance from his or her residence</td>
<td>X</td>
<td>beginning on the day of disability, and upon request, a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)</td>
<td>medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS. (note 8)</td>
</tr>
<tr>
<td>12</td>
<td>X</td>
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<td></td>
<td></td>
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</table>
Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

NOTES:
1. A member is considered to be traveling to the duty or training site upon departing residence with the intention of going directly to such duty or training site. A member is considered to be traveling from the duty or training site upon direct return to residence after completion of the duty or training.
2. A member who is called to AD to undergo a physical examination, not incident to a call to AD for more than 30 days, becomes entitled to provisions of rules 1, 2, or 3, as applicable, on the day of incurrence of disability.
3. Failure of the member to provide current and sufficient information as established by administrative regulations of the Military Service concerned may result in discontinuation of pay and allowances.
4. A member is entitled to compensation (but not retirement point credit) at the rate of 1/30 of monthly basic pay for each scheduled IDT period he or she is unable to attend because of the disability; however, there is no entitlement if, while traveling to or from the training or duty site, the member was disabled because of his or her gross negligence or misconduct. This entitlement will be factored into the pay and allowances payable so that total payments to the member for the disability period do not exceed the pay and allowances of a member of the Regular Component of a uniformed service of corresponding grade and length of service for that period.
5. The Secretary of the Military Department concerned may extend the period of entitlement beyond 6 months in the interest of fairness and equity.
6. There is no entitlement to pay and allowances beyond the training or duty period if the disability resulted from the member’s gross negligence or misconduct.
7. Earned income is the total amount a member received from civilian employment or self-employment. It includes receipts from an income protection plan, vacation pay, or sick leave the member elects to receive.
8. There is no entitlement to medical and dental care if the member is disabled because of gross negligence or misconduct and the disability occurred while traveling to or from the training or duty site.
9. Lost civilian earned income is the difference between the member’s normal wages or salary or other earnings (including self-employment earnings) that would have been payable for the disability period had the member been fully engaged in civilian employment, less any payments the member received. Civilian earned income does not include retirement income. The member must report all income from an income protection plan, vacation pay, or sick leave that is received during the disability period. If the sum of all these equals or exceeds the member’s usual and customary earned income, then no pay and allowances payments will be made. Any payments to the member will first be paid as the basic pay element and then, if necessary, as allowances (BAH and BAS).
10. Any military duty, which the member performs, will be factored into the pay and allowances payable in note 2 so that the total payments to the member do not exceed the pay and allowances of a member of the Regular Component of a uniformed service of corresponding grade and length of service for that period.
11. Does not include work or study in connection with a correspondence course of an Armed Force or attendance in an inactive status at an educational institution under the sponsorship of an Armed Force or the Public Health Service.
REFERENCES

CHAPTER 57 – RESERVE ENTITLEMENTS FOR ACTIVE DUTY (AD) (NOT EXTENDED)

5702 – GENERAL PROVISIONS

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44 Comptroller General Decision (Comp Gen) 613
570201.C Comp Gen B-207339, February 8, 1983
570202 37 U.S.C. § 907
570203 37 U.S.C. § 206
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Comp Gen B-207370, March 22, 1983
Comp Gen B-179882, December 4, 1974
Comp Gen B-207913, April 15, 1983
570205 Comp Gen B-176604, August 28, 1972
570206 10 U.S.C. § 701
37 U.S.C. § 501
570207 Executive Order (EO) 10153, August 17, 1950, as amended
by EO 10649, December 28, 1955

5703 – COMPUTATION OF PAY

570302.A 5 U.S.C. § 5505
54 Comp Gen 952
45 Comp Gen 395
54 Comp Gen 952
570302.C 47 Comp Gen 515
54 Comp Gen 952
570303 12 Comp Gen 452
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570604.A 37 U.S.C. § 204(g)
570604.B 37 U.S.C. § 204(h)
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37 U.S.C. § 1002
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570604.D.4 36 Comp Gen 692
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570701 5 U.S.C. § 5517
5 U.S.C. § 5520
570708 37 U.S.C. § 707

Table 57-1

Rules 2, 3 37 U.S.C. § 905(a)
10 U.S.C., Chapter 1405
Rules 4, 5 37 U.S.C. § 905(b)
10 U.S.C. § 14308
Note 2 10 U.S.C. § 624

Table 57-2

Rules 1, 2, 7, 10 5 U.S.C. § 5505
Rules 3, 4, 5, 8, 9, 11 37 U.S.C. § 1004

Table 57-3

Rules 1, 4, 7 37 U.S.C. § 204(g)
Rules 2, 3, 5, 6, 8, 9 37 U.S.C. § 204(h)
10 U.S.C. §§ 1074 and 1074a
Rules 10, 11, 12 37 U.S.C. § 204(g) and (h)
Column D 37 U.S.C. § 402
Note 1 58 Comp Gen 232
Note 2 33 Comp Gen 551
       Comp Gen B-181762, July 18, 1975
Note 3 Comp Gen B-195470, November 14, 1979
Notes 4, 5, 9, 10 37 U.S.C. § 204(h) and (i)
Note 6 37 U.S.C. § 204(i)
Note 7 37 U.S.C. § 204(g)
Note 8 10 U.S.C. § 1074a
VOLUME 7A, CHAPTER 58: “PAY AND ALLOWANCES FOR INACTIVE DUTY TRAINING (IDT)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2017 is archived.

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<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
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<tr>
<td>580205.B Table 58-1</td>
<td>Updated the Muster Duty Allowance (MDA) rates and added the “MDA Rates” to a table on DFAS.MIL. Added a hyperlink to the table.</td>
<td>Revision</td>
</tr>
<tr>
<td>580208.D</td>
<td>Updated the Designated Unit Pay termination date and moved it to the “Duration of Authority” table on DFAS.MIL. Added a hyperlink to the table.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated supporting statutes and references.</td>
<td>Revision</td>
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CHAPTER 58

PAY AND ALLOWANCES FOR INACTIVE DUTY TRAINING (IDT)

5801 GENERAL

580101. Purpose

This chapter establishes policy pertaining to the pay and allowances for IDT for members of the National Guard and Reserve Component. For the purpose of this chapter, the term “Reserve Component” includes both National Guard and Reserve members unless stated otherwise.

580102. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

5802 PROVISIONS

580201. Entitlement

A. IDT with Pay. A member of a Reserve Component is entitled to compensation at the rate of one-thirtieth of the basic pay prescribed for grade and years of service for the performance of each authorized period of:

1. Regular IDT (drill or Unit Training Assembly (UTA));
2. Equivalent training, instruction, or duty is specified in Service regulations.

   a. Army. For details and exceptions, see Army Regulation 140-1 and Army Regulation 350-1.


   d. Marine Corps. See Marine Corps Order 1001R.1K;

3. Appropriate duty;

4. Additional flying training period (AFTP);

5. Additional IDT; and
6. Duty or training that resulted in the successful completion of a course of instruction undertaken by the member, using electronic-based distributed learning methodologies, to accomplish training requirements related to unit readiness or mobilization, as directed for the member by the Secretary of the Military Department concerned.

NOTE: To qualify for pay for a period of IDT, each member must engage in such duty or training for the period (not less than 2 hours) as prescribed by the Secretary of the Military Department concerned. Compensation will not accrue for periods of inactive duty performed in excess of the number authorized by the appropriate regulations of the Military Service concerned. A member cannot qualify for pay for more than two periods of IDT during a single calendar day.

B. **IDT Without Pay.** The Secretary of the Military Department concerned may authorize members of a Reserve Component, with their consent, to IDT without pay.

C. **Combination Active Duty (AD) and Inactive Duty.** Members of a Reserve Component may be paid the equivalent total of pay for more than 360 days in a year, when so directed based on the actual entitlement if the total is based on a combination of AD pay and IDT compensation.

580202. **Limitation**

A member cannot accrue compensation for IDT performed on a day on which he or she is also entitled to basic pay for AD or Active Duty for Training (ADT), or on a day on which entitled to Muster Duty Allowance (MDA).

580203. **Waiver of Benefits**

The provisions of Chapter 57, paragraph 570204 apply to members of a Reserve Component who perform IDT in a pay status.

580204. **Allotment of Pay**

Except as prescribed in Chapter 57, paragraph 570205, there is no authorization for members of a Reserve Component to allot IDT compensation.

580205. **MDA for Reservists**

A. **Entitlement.** The Secretary of Defense may order a member of the Ready Reserve who is not a member of the National Guard or Selected Reserve (SELRES), without the member’s consent, to muster duty one-time each year. A member ordered to muster duty will be required to perform a minimum of 2 hours muster duty, as determined by the Secretary of the Military Department concerned, on the day of muster.
B. Amount Payable. The General Services Administration Office of Government-wide Policy, Office of Travel, and Relocation Policy calculates the Average Domestic Per Diem Rate to establish the MDA rate. The MDA is 125 percent of the average per diem rate in effect on September 30 of the calendar year preceding the calendar year in which the muster duty is performed. See Table 58-1 or for the most current rates, see the Muster Duty Allowance table on DFAS.MIL.

C. Payment. A Ready Reservist may be paid the MDA before, on, or after the date on which he or she performs muster duty, but not more than 30 days after that date. The Ready Reservist is not entitled to other payment of any kind, including IDT compensation under paragraph 580201, for the performance of muster duty.

D. Retirement Point Credit. Muster duty will not be credited in determining entitlement to, nor computing, retired pay.

E. Collections. From the MDA, collect:

1. Federal Income Tax Withholdings (FITW) at the authorized rate for one-time payments;

2. State Income Tax Withholdings (SITW) at the authorized rate for one-time payments; and

3. The premium for Servicemembers’ Group Life Insurance (SGLI) program. See Chapter 47, section 4705 for the premium rates and Table 47-1 for coverage effective dates.

NOTE: MDA is not subject to collection of the Federal Insurance Contributions Act (FICA) taxes.

580206. Electronic Screening Allowance (ESA) stipend for Reservists

A. Entitlement. The Secretary of the Military Department concerned may authorize payment of an ESA stipend to a member of the Individual Ready Reserve (IRR) for participating in the screening performed by electronic means. Electronic screening may be performed in lieu of muster duty performed. A maximum of one ESA is paid during a calendar year. The ESA stipend authorized may not be disbursed in kind. Payment of a stipend to a member of the IRR for participation in screening will be made on or after the date of participation in such screening, but not later than 30 days after such date.

B. Maximum Amount Payable. The aggregate amount of the ESA stipend paid to an IRR member, in any calendar year, may not exceed $50, regardless of pay grade.

C. Restriction. ESA stipend is the only monetary compensation authorized to be paid to a member for the performance of electronic screening and will constitute full payment to the member, regardless of the grade or rank in which the member is serving.
D. **Collections.** From the ESA stipend, collect:

1. FITW at the authorized rate for one-time payments;
2. SITW at the authorized rate for one-time payments; and
3. The premium for SGLI program. See Chapter 47, section 4705 for the premium rates and Table 47-1 for coverage effective dates.

NOTE: ESA stipend is not subject to collection of FICA taxes.

580207. **Funeral Honors Duty Allowance (FHDA)**

A. **Entitlement.** The Secretary of the Military Department concerned may authorize payment of FHDA to members of the Ready Reserves and the Retired Reserves. A member is entitled to FHDA for a minimum of 2 hours of funeral honors duty (FHD). A maximum of 1 FHDA may be earned and paid in 1 calendar day.

B. **Amount Payable.** FHDA is payable at $50 for each FHD period regardless of pay grade, or one-thirtieth of the member’s basic pay rate for each FHD period.

C. **Restriction.** Except for expenses reimbursed for travel and transportation incident to FHD, the FHDA is the only monetary compensation authorized to be paid to a member for the performance of FHD and will constitute full payment to the member.

D. **Collections.** From the FHDA, collect:

1. FITW at the rate claimed on the member’s Internal Revenue Service (IRS) Form W-4, “Employee’s Withholding Allowance Certificate.” When a W-4 is not submitted, collect at the rate authorized for one-time payments;
2. SITW at the rate claimed on the member’s W-4. When a W-4 is not submitted, collect at the rate authorized for one-time payments; and
3. The premium for SGLI coverage, if elected by Retired Reserve members when performing FHD. See Chapter 47, section 4705 for the premium rates and Table 47-1 for coverage effective dates.

NOTE: FHDA is not subject to collection of FICA taxes.

*580208. **Designated Unit Pay**

A. A member assigned to a unit designated as a high priority unit of the SELRES by the Secretary of the Military Department concerned is, while performing IDT for compensation, entitled to a maximum of $50 Designated Unit Pay for the performance of each authorized period of:
1. Regular IDT (drill or UTA); or

2. Equivalent training, instruction, or duty, provided each authorized period is not less than 4 hours duration. Authorized periods may be performed on a Sunday or a legal holiday.

B. A member of a designated unit is entitled to Designated Unit Pay for authorized periods of drill or duty performed with a non-designated unit, but members of a non-designated unit may not receive Designated Unit Pay for authorized periods of drill or duty performed with a designated unit.

C. From the Designated Unit Pay, collect:

1. FITW at the rate claimed on the member’s W-4. When a W-4 is not submitted, collect at the rate authorized for one-time payments; and

2. SITW at the rate claimed on the member’s W-4. When a W-4 is not submitted, collect at the rate authorized for one-time payments.

NOTE: Designated Unit Pay is not subject to collection of FICA taxes.

D. No payment of Designated Unit Pay may be made for any period before the date the Secretary of the Military Department concerned designates a unit as a high priority unit, nor may any payment be made for any period of drill or instruction performed after the date on the Duration of Authority table.

5803 INCENTIVE PAY (IP)

580301. Entitlement

Members of a Reserve Component who are in a pay status and under competent orders are entitled to IP for hazardous duty performed during IDT periods if they otherwise meet the requirements of this section. Members entitled to IP for hazardous duty are entitled to an increase in compensation equal to one-thirtieth the applicable monthly rate for each authorized period of IDT of not less than 2 hours.

580302. Aviation IP (AvIP), Continuous or Conditional, or Hazardous Duty IP (HDIP) for Flying Duty

A. Entitlement

1. Members of a Reserve Component who perform IDT in a pay status are entitled to AvIP or HDIP for flying under the conditions of Chapter 22, sections 2202 or 2203. The provisions of Chapter 22, subparagraphs 220203.A.1 or 220302.E, regarding the use of hours flown during the preceding 5 months not already used to qualify for flight pay, are equally applicable to members otherwise eligible who are performing IDT. Exception: Minimum flight
requirements are one-half of those prescribed for a member on AD - that is, 2 hours per month when the calendar month is the unit period. If a fraction of a calendar month is the unit period, then flying time required for such period will be as shown in Chapter 22, Table 22-3 under “Inactive Duty.”

2. A member, who has performed less than the total number of regularly scheduled drills or UTAs during a month or a fractional part of a month, must meet the minimum flight requirements for the month, or fraction thereof, in order to be entitled to any flying pay for the drills or UTAs actually performed. When scheduled IDT was not attended and performed in a subsequent month, flying pay for such period(s) is payable, provided the member met minimum flight requirements for each period involved.

B. Combined Flight Requirements. When a member performs both active and inactive duty with pay in the same month, designated flying time earned in that month may be combined to satisfy any AvIP or HDIP flight requirements for that month.

1. Active and inactive duty flying time may be combined for application to flight requirements only in the month in which the flying is performed. The combined flying time that is in excess of the requirements of the month in which it was performed, or that otherwise cannot be used in the month earned, will be redistributed into active and inactive flying time categories. Combined flying time may be applied only to other monthly flight requirements (see Chapter 22) for the appropriate status category into which redistributed (i.e., AD flying time for AD requirements and inactive duty flying time for inactive duty requirements). Combined flying time will be applied and any excess or unused time will be divided and placed into appropriate categories as set forth in subparagraph 580302.B.1.a-d.

NOTE: Unless the member is performing continuous AD in excess of 30 days, or unless the AD period extends unbroken over parts of 2 months, the excess/unused active flying duty hours may not be banked for potential application to other requirements.

a. When the hours flown while on AD are in excess of the AD flight requirement of the month, and the hours flown during the inactive duty period are also in excess of the inactive duty flight requirement of the month, all excess hours will be retained in their respective categories for application to the requirements for other months, if otherwise allowable.

Example 1: A member performed 15 days of AD and was in an IDT status 15 days in the same calendar month. The member performed 5.0 hours of flying duty while on AD and 1.5 hours while on inactive duty. The 5.0 hours earned while on AD are in excess to the 2 hours required, and the 1.5 hours earned while on inactive duty are in excess to the 1.0 hour required. The 3.0 hours that are in excess of the AD requirement will be “banked” as AD time if the criteria of the note in subparagraph 580302.A.1 are met. The 0.5 hour in excess of the inactive duty requirement will be banked as inactive duty time.
b. When the hours flown while on AD are in excess of the AD flight requirement of the month, and the hours flown during the inactive duty period are insufficient for the inactive duty flight requirement of the month, the excess AD hours will be applied to the inactive duty requirement. Any remaining excess or unused AD hours will be retained for application to the requirements for other months of AD, if otherwise allowable. If the excess AD hours applied to the inactive duty requirement are not sufficient to meet the inactive duty requirement for that month, then any banked inactive hours will also be applied. If the inactive duty requirement is still not satisfied, then all hours revert to their respective categories to be used in meeting the requirements for other months, as allowable.

Example 2: A member performed 15 days of AD and was in an IDT status for 15 days in the same calendar month. The member performed 5.0 hours of flying duty while on AD and 0.5 hour while on inactive duty. The AD flying time is in excess of the AD requirement of 2.0 hours, while the inactive flying time is insufficient for the inactive duty requirement of 1.0 hour. Apply 0.5 of the excess AD hours to the inactive requirement. The remaining 2.5 excess AD hours may be banked as AD time, if the criteria of the note in subparagraph 580302.A.1 are met.

c. When the hours flown while on AD are insufficient for the AD flight requirement of the month, and the hours flown during the inactive duty period are in excess of the inactive duty flight requirement of the month, the excess inactive duty hours will be applied to the AD requirement. Any remaining excess or unused inactive duty hours will be retained for application to inactive duty requirements in a subsequent month. If the excess inactive duty hours applied to the AD requirement are not sufficient for a month’s AD requirement, then any banked AD hours will be applied. If the AD requirement is still not satisfied, then all hours revert to their respective categories for use in meeting requirements for other months, as allowable.

Example 3: A member performed 15 days of AD and was in an IDT status for 15 days in the same calendar month. The member performed 0.5 hour of flying duty while on AD and 1.5 hours while on inactive duty. The member has 0.0 hour of AD flying time and 3.0 hours of inactive flying time banked. The AD flying time is insufficient for the AD requirement of 2.0 hours and the inactive flying time is in excess of the inactive duty requirement of 1.0 hour. Apply the 0.5 excess inactive duty hours to the AD requirement. Combined, the AD and inactive duty flying time is short of the requirement by 1.0 hour. In this case, there are no banked AD hours, and the AD requirement remains unfulfilled. Therefore, the 0.5 unused AD hour may be banked as AD time if the criteria of the note in subparagraph 580302.A.1 are met and the 0.5 hour of unused inactive duty time will be banked as inactive duty time.

d. When the hours flown while on AD are insufficient for the AD flight requirement of the month, and the hours flown during the inactive duty period are also insufficient for the inactive duty flight requirement of the month, the hours will be applied in the following sequence. First, the inactive duty hours flown will be applied to the AD requirement. If the combined active and inactive duty hours flown is not sufficient for the AD requirement, then any banked AD hours will also be applied. If the AD requirement is still not satisfied, then the
AD hours flown will instead be applied to the inactive duty requirement. If the combined active and inactive duty hours flown is not sufficient for the inactive duty requirement, then any banked inactive duty hours will also be applied. If the inactive duty requirement is still not satisfied, then all hours revert to their respective categories for use in meeting requirements for other months, as allowable.

Example 4: A member performed 15 days of AD and was in an IDT status 15 days in the same calendar month. The member performed 0.3 hour of flying duty while on AD and 0.4 hours while on inactive duty. The member has 0.1 hour of AD flying time (because of a period of AD that began near the middle of the previous month and was continuous into the present month) and 0.2 hours of inactive duty flying time banked. The AD flying time is insufficient for the AD requirement of 2.0 hours and the inactive flying time is insufficient for the inactive duty requirement of 1.0 hour.

First, apply the 0.4 hour of the inactive duty flying time to the AD requirement. Combined, the AD and inactive duty flying time is short of the requirement by 1.3 hours. In this case, there is 0.1 of banked AD hours, but that also is insufficient and the AD requirement remains unfulfilled.

Next, apply the 0.3 hour of the AD flying time to the inactive duty requirement. Again, the coverage is not sufficient, being 0.3 hours short of the inactive duty requirement. In this case, there is 0.2 hour of banked inactive duty hours, but that also is insufficient and the inactive duty requirement remains unfulfilled.

Finally, since neither the active nor the inactive requirements could be fulfilled, the unused time will be banked as allowed. The unused 0.3 hour of active flying time may be banked as AD time if the criterion of the note in subparagraph 580302.A.1 is met and the unused 0.4 hour of inactive flying time will be banked as inactive duty time.

2. When AD of less than 1 month covers parts of 2 consecutive calendar months, flights performed on IDT may be combined to satisfy requirements for the whole period of AD if the inactive duty flight requirements for both months have been met.

Example 1: A member performed 3.4 hours of flying while on an IDT status from April 1-23. The member did not fly during AD for the training period of April 24 to May 7, or while in an IDT status May 8-31. A total of 1.1 excess flying hours was accumulated before April 1. Flying time of 3.4 hours is first applied to the IDT flight requirements for April (1.6 hours) and then to AD flight requirements for April (1.0 hour). The 0.8 excess flying hours during April added to the 1.1 excess flying hours accumulated before April results in 1.9 excess flying hours available to apply against May flight requirements. Flight time in May totals 2.6 hours (24 days of inactive duty requires 1.6 hours; 7 days of AD requires 1.0 hour).
See Chapter 22, Table 22-3. Accumulated excess hours first are applied to the IDT flight requirements. Do not credit pay for the period of May 1-7 since only 0.3 unused hour available is less than the 1.0 hour requirement.

Example 2: A member performed the following flights while on active and IDT during parts of 2 calendar months. No excess flying hours were available on March 1.

<table>
<thead>
<tr>
<th>Periods</th>
<th>Time Flown</th>
<th>Flight Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Inactive) March 1</td>
<td>1.8 hours</td>
<td>1.0 hour</td>
</tr>
<tr>
<td>(Active) March 16-31</td>
<td>1.2 hours</td>
<td>2.2 hours</td>
</tr>
<tr>
<td>(Active) April 1-9</td>
<td>1.0 hour</td>
<td>1.2 hours</td>
</tr>
<tr>
<td>(Inactive) April 10-30</td>
<td>1.6 hours</td>
<td>1.4 hours</td>
</tr>
</tbody>
</table>

NOTE: The continuous period of ADT (March 16 to April 9) is a unit period of 25 days, which requires 3.4 hours flying time. For that reason, the 31st day of March imposes required flying time. Since this member is unable to meet the flight requirements for the AD flight period, which covers, parts of 2 calendar months, it is necessary to determine if the member can meet the requirements for a single month. Entitlement for the month of March requires a composite of only 3 hours of flying time, and the month of April requires 2.6 hours. Thus, a member qualifies for flying pay for each inactive duty period and for the ADT periods.

C. **AFTP.** A member, who performs an AFTP in a pay status, if otherwise qualified, is entitled to IP for flying if he or she meets the flight for the month in which the AFTP is performed. Flying time accumulated during an AFTP may be used to satisfy requirements for IDT and the provisions of subparagraphs 580302.A.1 and A.2 may also be used for requirements for periods of AD or ADT.

D. **Operational Flying.** Flying duty required by competent orders and performed by members of a Reserve Component, irrespective of unit of assignment, is considered to be operational flying.

580303. **AvIP**

An officer of a Reserve Component who performs IDT in a pay status is eligible for AvIP under the provisions of Chapter 22, section 2203.

580304. **Submarine Duty Pay**

A member of a Reserve Component, who participates in scheduled drills aboard a submarine during underway operations, while under competent orders and in a pay status, is entitled to IP for Submarine Duty.
580305. HDIP for Parachute Duty

A member of a Reserve Component who performs IDT in a pay status is entitled to IP for Parachute Duty under the provisions of Chapter 24, section 2403.

A. Parachute jumps performed during periods of IDT or ADT qualify a member for IP for either duty.

B. Parachute jumps performed while on EAD do not qualify a member for IP in an IDT status (see Chapter 57, paragraph 570404).

580306. HDIP for Flight Deck Duty, Demolition Duty, and Experimental Stress Duty

A member of a Reserve Component who performs IDT in a pay status is entitled to IP under provisions of Chapter 24.

580307. Unmanned Aerial Systems IP and Career Skills IP

A member of the Air Force Reserve Component who performs IDT in a pay status is entitled to IP under provisions of Chapter 22.

5804 SPECIAL PAY

580401. Entitlement

Members of a Reserve Component are not entitled to special pay for periods of inactive duty except as noted in the following paragraphs.

580402. Foreign Language Proficiency Bonus (FLPB)

The Secretary of the Military Department concerned may pay FLPB to a member of a Reserve Component who is proficient in at least two of the three language modalities of reading, listening and speaking with respect to foreign languages identified on the Strategic Language List. A member of a Reserve Component, who meets the requirements of Chapter 19, section 1902; and any additional requirements of the Military Service concerned, (see applicable Service FLPB Instructions) is entitled to FLPB for each regular period of instruction or period of appropriate duty at which the member is engaged for at least 2 hours. This includes instruction received or duty performed on a Sunday or holiday and each period of performance of such equivalent training, instruction duty, or appropriate duties as the Secretary of the Military Department concerned may prescribe. The total of FLPB for reservists must equal the annual FLPB paid to an AD member with the same certified language proficiency.
580403. Diving Duty Pay

The Secretary of the Military Department concerned may pay a member of a Reserve Component who is entitled to basic pay, a special pay in the amounts set forth in Chapter 11, Tables 11-2 through 11-9 for which the member:

A. Is assigned by orders to the duty of diving;

B. Is required to maintain proficiency as a diver by frequent and regular dives; and

C. Is either:

1. Actually performing diving duty while serving in an assignment for which diving is a primary duty; or

2. Meeting the requirements to maintain proficiency as described in Chapter 11, subparagraph 110201.B while serving in an assignment that includes diving duty other than as a primary duty.

NOTE: A member of a Reserve Component who meets the requirements of Chapter 11 and any additional requirements of the Military Service concerned is entitled to diving duty pay for each regular period of instruction or period of appropriate duty at which the member is engaged for at least 2 hours. This includes instruction received or duty performed on a Sunday or holiday and each period of performance of such equivalent training, instruction duty, or appropriate duties as the Secretary of the Military Department concerned may prescribe. The compensation for each such period will be equal to one-thirtieth of the monthly special pay authorized under Chapter 11, section 1104.

580404. Special Duty Assignment Pay (SDAP)

A. An enlisted member of a Reserve Component who is entitled to basic pay may qualify for SDAP when a member performs duties designated by the Secretary of the Military Department concerned as extremely difficult or involving an unusual degree of military skill. A member entitled to SDAP may receive such pay in addition to any other pay or allowances to which entitled. SDAP status is awarded according to the applicable regulations of the Military Service concerned.

B. An enlisted member of a Reserve Component who meets the requirements of Chapter 8 and any additional requirements of the Military Service concerned is entitled to SDAP for each regular period of instruction or period of appropriate duty at which the member is engaged for at least 2 hours. This includes instruction received or duty performed on a Sunday or holiday and each period of performance of such equivalent training, instruction duty, or appropriate duties as the Secretary of the Military Department concerned may prescribe. The compensation for each such period will be equal to one-thirtieth of the monthly special pay authorized under Chapter 8, paragraph 080301.
580405. **Command Pay**

The Secretary of the Military Department concerned may designate positions of unusual responsibility that are of a critical nature to an Armed Force under his or her jurisdiction and authorize special pay to officers performing the duties of such a position. An officer of a Reserve Component, who meets the requirements of Chapter 3, section 0308, and any additional requirements of the Military Service concerned, is entitled to command pay for each day of the performance of duties in a designated position. This applies to days on which regular periods of instruction or periods of appropriate duty are performed, including periods of instruction received or duty performed on a Sunday or holiday and duties as the Secretary of the Military Department concerned may prescribe. The compensation for each such day will be equal to one-thirtieth of the monthly special pay authorized under Chapter 3, paragraph 030803.

**NOTE:** This is a departure from the usual compensation practice of paying one-thirtieth of a special pay for each inactive duty drill period.

580406. **Hostile Fire Pay (HFP) or Imminent Danger Pay (IDP)**

See Chapter 10.

580407. **Assignment IP (AIP)**

The Secretary of the Military Department concerned may pay AIP to a member of a uniformed service who performs service, while entitled to basic pay, in an assignment designated by the Secretary of the Military Department concerned under the provisions of Chapter 15.

5805 **ALLOWANCES**

580501. **Clothing Monetary Allowances, Enlisted Members**

Except as provided for in subparagraphs 580501.A through C, an enlisted member of a Reserve Component is not entitled to any cash clothing allowances when on IDT.

A. **Special Initial Clothing Monetary Allowance (Navy).** Effective October 1, 2009, Chief Petty Officers of the Naval Reserve who are assigned to SELRES and Voluntary Training Units (VTU) are entitled to a special initial clothing monetary allowance upon first advancement to Chief. Payment will be made in one full prescribed cash portion payment. See Chapter 29, paragraph 290304 and the [Military Clothing Allowances](#) table on DFAS.MIL.

B. **Quarterly Maintenance Clothing Allowance (Navy).** Effective October 1, 2009, Chief Petty Officers of the Naval Reserve who are assigned to SELRES and VTU and who maintain satisfactory reserve participation per current Bureau of Naval Personnel policy in the quarter concerned, are entitled to an annual Reserve Maintenance Clothing Allowance (RMA) in the equivalent amount of 18 percent of the Special Cash Clothing Replacement Allowances (see DFAS.MIL). A Chief Petty Officer who is advanced to that grade or who becomes a member of a pay unit in a pay or non-pay status on other than the first day of a quarter...
is not entitled to a quarterly allowance until the first day of the next quarter. The allowance will not be paid for a fractional part of a quarter. New Chiefs are not entitled to the RMA until the first day of the following fiscal year after advancement.

C. Initial Cash Allowance for Enlisted Members. An enlisted member of a Reserve Component is entitled to an initial cash allowance for the purchase of items specifically designated by the Military Department concerned to be purchased by the member rather than to be furnished in kind. See Chapter 29, paragraph 290201.

580502. Officers’ Initial Uniform Allowance

An officer of a Reserve Component is entitled to an initial uniform allowance upon completing 14 periods of IDT as an officer in the Ready Reserve, provided each period is of at least 2 hours duration. See Chapter 30, section 3002.

580503. Basic Allowance for Subsistence (BAS)

Enlisted members of a Reserve Component may receive subsistence in kind or a cash commutation for meals when not entitled to basic pay if the member’s period of instruction or duty totals at least 8 hours in 1 day. This entitlement is at the discretion of the Secretary of the Military Department concerned who will issue written instructions specifying eligibility criteria. When a cash commutation is authorized, it will be paid at one-thirtieth of the applicable monthly BAS rate from Chapter 25 for each such day authorized, further prorated by meal. Breakfast will be prorated at 20 percent of the daily BAS rate; lunch and dinner will each be prorated at 40 percent of the daily BAS rate.

5806 MISCELLANEOUS PAYMENTS

580601. Pay and Allowances While Disabled

See Chapter 57, paragraph 570604 for entitlements when a member of a Reserve Component is disabled while performing IDT.

580602. Payment on Behalf of Deceased Members

A. Death Gratuity. The eligible beneficiaries of a member of a Reserve Component are entitled to payment of death gratuity, regardless of whether death occurred in the line of duty or was the result of the member’s misconduct, if the member dies:

1. While on IDT;
2. While traveling directly to or from IDT; or
3. Within 120 days after discharge or release from IDT, if the Department of Veterans Affairs (VA) determines that the death resulted from an injury or disease incurred or aggravated while performing, or traveling directly to or from such training.
B. **Eligible Beneficiaries.** The provisions of Chapter 36, Table 36-1 apply to members of a Reserve Component.

C. **Determining Eligible Beneficiaries.** The provisions of Chapter 36, paragraph 360204 apply to members of a Reserve Component.

D. **Determination Affecting Entitlement.** The provisions of Chapter 36, paragraph 360205 apply to members of a Reserve Component.

E. **Amounts Payable.** The provisions of Chapter 36, paragraph 360206 apply to members of a Reserve Component.

F. **Expediting Payments.** The provisions of Chapter 36, paragraph 360207 apply to members of a Reserve Component.

G. **Erroneous Payment.** The provisions of Chapter 36, paragraph 360209 apply to members of a Reserve Component.

H. **Settling Deceased Member’s Accounts.** The provisions of Chapter 36, section 3603, and Chapter 2 apply to members of a Reserve Component.

580603. **Disability Severance Pay**

A. A member who performs IDT, and is separated for physical disability due to injury, which was the proximate result of the performance of such duty, is entitled to severance pay, if otherwise qualified under appropriate personnel regulations.

B. Computation of severance pay will be as prescribed in Chapter 35.

580604. **Reservists’ Special Separation Pay (RSSP)**

A. **Eligibility.** The Secretary of the Military Department concerned may pay RSSP to a reservist who has served more than 20 years of service but who has not reached his/her 60th birthday and meets the following conditions:

1. The member has applied for such pay and requests transfer to the Retired Reserve; and

2. The member will have completed at least 20 years of service, and be qualified to receive non-regular retired pay (except for having reached the age of 60), not later than December 31, 2001.
B. **Limitations**

1. Members who are authorized to receive early (completed at least 15 but less than 20 years of service) non-regular retired pay at age 60, are not authorized to receive RSSP.

2. Members are not eligible to receive RSSP if they are entitled to immediate payment of retired or retainer pay based solely on military service.

C. **Computation of Annual Payment**

1. Using an official statement of service, determine the member’s total years of creditable service as of the date of transfer to the Retired Reserve. (Do not pay RSSP if the member has less than 20 years of service.) Round down total years to the nearest whole year.

2. Using the total years as determined in 580604.C.1, determine the multiplier from the following table:

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Multiplier</th>
</tr>
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<tbody>
<tr>
<td>20</td>
<td>5.0%</td>
</tr>
<tr>
<td>21</td>
<td>5.5%</td>
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<tr>
<td>22</td>
<td>6.0%</td>
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<td>23</td>
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<td>24</td>
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<td>8.5%</td>
</tr>
<tr>
<td>28</td>
<td>9.0%</td>
</tr>
<tr>
<td>29</td>
<td>9.5%</td>
</tr>
<tr>
<td>30 or more</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Example 1: A member who was born June 5, 1961, and who has 23 years, 10 months of creditable service, and who has 28 years total service for pay purposes (includes service not creditable), transfers to the Retired Reserve on June 19, 2017, in the grade of E-8, and the Secretary of the Military Department concerned approves payment of RSSP. Years of creditable service for RSSP purposes is 23 years (the 10 months are rounded down), with a multiplier of 6.5 percent basic pay for an E-8 with 28 years for pay purposes is $2,808.60. The member’s RSSP is $2,190.71 ($2,808.60 x 12 x .065). Pay an initial installment of $2,190.71 on June 19, 2017, with additional installments on June 19, 2018, June 19, 2019, and June 19, 2020. Since the member’s 60th birthday will occur before the next installment date of June 19, 2021, no further payment will be made.

Example 2: On June 30, 2017, a member (who was born on December 5, 1958) transfers to the Retired Reserve with entitlement to two years of RSSP at the rate of $6,000 per year, as determined by the Secretary of the
Military Department concerned. The initial payment is in the full amount. The second installment, however, is due on June 30, 2018, which is after the member’s 59th birthday but before his 60th birthday. Prorate for each full month between the due date and the member’s 60th birthday. In this case, the second installment is 5/12ths of $6,000, or $2,500.

3. Compute annual RSSP installment by multiplying 12 times the monthly basic pay to which the member would be entitled if the member were serving on AD on the date the member transfers to the Retired Reserve times the multiplier.

4. Pay the member a maximum of five installments, or the number of installments as determined by the Secretary of the Military Department concerned. Pay the first installment on the member’s date of transfer to the Retired Reserve. Any additional installments are due on successive anniversary dates. Do not make any payments after a member reaches age 60. For transfers, that occur after October 5, 2013, prorate any installments, including the initial payment, which is due the member after the member’s 59th birthday but before the member’s 60th birthday. Prorate for each full month between the due date and the member’s 60th birthday. See Example 2.

5. Collect FITW and SITW at the appropriate one-time rate from the initial payment. Withhold taxes from any other RSSP installment payments at the rate appropriate for salaries paid on an annual basis, currently set forth for federal withholding purposes in the IRS Publication 15. Give appropriate consideration to any withholding exemptions claimed by the member on the W-4 when withholding tax payments.

6. Receipt of these annual payments does not decrease or otherwise affect the retired pay to which the member is entitled at age 60.

7. In the event of the member’s death, do not make any remaining annual payments.

580605. Reservists’ Involuntary Separation Pay (RISP)

A. Payment. Upon approval by the Secretary of the Military Department concerned, and subject to the restrictions in this paragraph, pay RISP to a member of the SELRES who has at least 6 years but less than 15 years of service as of the date of discharge from a Reserve Component or involuntary transfer from the SELRES.

B. Computation

1. Using an official statement of service, determine years of service, computing to three decimal places and rounding to two decimal places. Do not include in the service any days or points for which the member previously received separation, severance, or readjustment pay.
2. Multiply the number of years of service times 15 percent times 62 times the member’s daily rate of basic pay if serving on AD as of the date of separation or transfer from the SELRES. The product is the RISP.

Example: A member who is an E-5 over 8 years total service for pay purposes (daily rate of pay $47.55) and a total of 1,760 retirement points credit is approved for discharge on August 27, 2016, by the Secretary of the Military Department concerned. Compute RISP as follows: Divide total Retirement Points Credit 1,760 by 360 = 4.89 years (computing to 3 decimal places rounding to 2 decimal places) x 15 percent x 62 x $47.55 (daily rate of pay) = $2,162.43 RISP.

3. Withhold federal and state income taxes. RISP payments are not subject to FICA or Medicare taxes.

4. A recipient of RISP who later receives basic pay, IDT compensation, or retired or retainer pay will have such pay, compensation, or retired pay reduced by 75 percent until the total reductions equal the total RISP received.

5. A member who has received RISP, who later receives disability compensation from the Department of VA, will have deducted from such disability compensation the total amount of RISP. However, there will be no such reduction if the disability compensation is for a disability incurred or aggravated after the period for which the RISP was paid.

6. Members are not authorized to receive RISP when they are authorized to receive early (completed at least 15 but less than 20 years of service) non-regular retired pay at age 60.

5807 DEDUCTIONS AND COLLECTIONS

580701. Income Tax Withholding

See Chapter 44, paragraph 440201 for provisions for members of a Reserve Component who are performing IDT.

580702. FICA

See Chapter 45.

580703. Courts-Martial Sentences

The provisions of Chapter 48 apply to members of a Reserve Component who are performing IDT.
580704. Non-judicial Punishment

A. The provisions of Chapter 49 apply to members of a Reserve Component who are performing IDT.

B. The maximum forfeiture to which a member of a Reserve Component is subject, while in an inactive duty status, is limited to one-half of the IDT compensation to which entitled during the period of the sentence. This applies also to a member who is on ADT when the non-judicial punishment is imposed, and reverts to an inactive duty status during the period of the sentence.

580705. Stoppages and Collections Other Than Courts-Martial Forfeitures

The provisions of Volume 16 apply to members of a Reserve Component who are performing IDT.

580706. Waiver of Claims for Erroneous Payment of Pay and Allowances

See Volume 16.

580707. Legal Process for the Enforcement of Child Support and Alimony Obligations

See Chapter 41, section 4103.

5808 SGLI PROGRAM FOR RESERVE COMPONENTS

580801. Basic Coverage

SGLI automatically insures eligible members against death for $400,000, unless the member elects a reduced coverage or declines coverage. SGLI is payable upon the member’s death while insured.

580802. Periods of Coverage

See Chapter 47, Table 47-1.

580803. Changes in Coverage

See Chapter 47, Table 47-1. A member who is covered for an amount less than the maximum coverage may later apply for increased coverage in writing, with proof of good health, up to the maximum coverage stated in paragraph 580801.
580804. Full-Time Coverage

All members of the Ready Reserve and National Guard, who are assigned or attached to a unit or position that requires performing AD or ADT, and who will be scheduled to perform at least 12 periods (monthly) of IDT annually that is creditable for retirement purposes, are automatically insured for full-time SGLI coverage, unless the member elects in writing to decline the insurance. Additionally, members of the IRR are automatically insured for full-time SGLI coverage, unless the member elects in writing to decline the insurance, if they volunteer to be mobilized involuntarily and if they are selected by the Secretary concerned, based upon the needs of the service and the grade and military skills of the member. These IRR members may not be carried in this status, and therefore will not be entitled to full time coverage, beyond 24 months from their separation date from active duty. Services’ SGLI procedures must provide for timely determination of the effective start dates for eligible members and stop dates whenever a member does not meet the eligibility criteria. When a member ceases to meet the conditions of eligibility for full-time SGLI coverage, the Service must notify the member of the pending termination of benefits. Also, see Chapter 47, paragraph 470201.

A. Member in a Pay Status. SGLI premiums will be collected from the member’s AD pay or drill pay whenever possible. This should apply to members who drill regularly, even if they are not scheduled to drill every month. Even though a member may not drill on a particular month and may not receive any pay, premium due is still included in the monthly transfer of funds to the Department of VA and must be collected from the member as quickly as possible. This can be done by deduction either from pay or direct payment from the member. The Defense Finance and Accounting Service (DFAS) will establish a debt on the member’s pay account and collect the total premium due when pay is due. When a member ceases to meet the conditions of eligibility for SGLI coverage, the member’s parent Service must inform DFAS in a timely manner to allow any final premium liability to be deducted from final pay and to preclude further overpayments.

B. Member in a Non-Pay Status. When a member is insured under an insurance policy purchased by the VA, the Secretary concerned will contribute from the appropriation for AD pay, the share of the cost attributable to insuring the member under this policy during any month in which:

1. The member is in a non-pay status; and

2. The member is assigned to the Ready Reserve of a Uniformed Service which requires the member to perform at least 12 periods of IDT annually that is creditable for retirement purposes. This includes Direct Remitters who are scheduled to drill but don’t attend, in addition to those drilling for points.

Note: Any amounts contributed on behalf of the member must be collected by DoD via direct remittance, if the member has been identified by the Service concerned as a Direct Remitter. Collection may include establishing a debt against the member’s pay account and monies collected must be credited to the appropriation from which the contribution was made.
C. Direct Remitters. Each Service must have clearly established programs to identify members who are required to make a direct remittance of premiums. Services must notify members at least 30 days in advance of the date the direct remittance is due. The notice will include the amount of the payment, the date it is due, and the Service’s address to which the payment should be sent. The member must make remittance within 30 days from the date of the notice.

1. Failure to Make Remittance Within 60 Days. When a member fails to make the direct remittance within 60 days from the due date, the Secretary of the Military Department concerned must notify the member of termination of SGLI coverage unless the member justifies the delinquency to the satisfaction of the Secretary of the Military Department concerned.

2. Termination of SGLI Coverage. When the Secretary of the Military Department concerned determines that the member failed to make direct remittance within 60 days of the due date, the Secretary will send a “Notice of SGLI Termination” to the member’s official address. The notice must clearly state that effective 60 days from the date of such notice, the member’s SGLI will be terminated. If a member fails to justify the delinquency within 60 days, then the Secretary of the Military Department concerned will send the “Final Notice of SGLI Termination” by certified mail to the member’s official address. The Secretary of the Military Department concerned must notify DFAS of the member’s effective date of termination. Once SGLI coverage is terminated, it will remain terminated with reinstatement only as approved by the Secretary of VA.

3. Continuation of Coverage. SGLI coverage may be continued if, and only if, the member remits all required premiums within 60 days from the “Notice of SGLI Termination” and justifies the reason for the late payment (subject to approval by the Secretary of the Military Department concerned). A copy of all requests for continuation of SGLI coverage and the Service’s final determination will be forwarded within 30 days to:

Director of Compensation
Attn: Termination of SGLI Coverage
ODASD(FMP)(MPP)(Comp)
Washington, DC 20301-4000

580805. Part-Time Coverage

Part-time coverage is available to certain eligible members of a Reserve Component who do not qualify for full-time coverage while performing AD or ADT under calls or orders of specified periods of 30 days or less. Members may elect coverage of $400,000 or less in $50,000 increments, or decline coverage. See Chapter 47, section 4705 for premium rates.

A. Election Changes. Amounts deducted for coverage before the effective date of a waiver of coverage or before an election of a lesser amount of coverage are not refunded. When a member elects increased coverage during a year in which a duty period has already been performed, collect the difference (between the higher annual premium and the premium previously
collected) during the first period of duty in which the member is in a pay status that same year, if applicable. A proof of good health is required for any increase of coverage. A member may use the SGLI On-Line Enrollment System or electronic SGLV 8286 if permitted, to make election changes.

B. Continuation of Coverage. Any election made continues in effect during continuous obligation to perform duty in the same Uniformed Service, including any AD for a period of more than 30 days. For mobilization, see Chapter 47, Table 47-1, rule 8.

580806. Appellate Leave

See Chapter 47, section 4704.

580807. Forfeiture of Coverage

See Chapter 47, paragraph 470203.

580808. Refunds

See Chapter 47, section 4706.

580809. Settlement of SGLI Claims

See Chapter 47, section 4708.

580810. Retired Reserve

Reservists with full-time coverage have 240 days to apply to convert their SGLI coverage to Veterans Group Life Insurance (VGLI) without proof of insurability. Reservists have a total of 1 year and 120 days to apply for VGLI following separation, but must meet good health requirements if they apply more than 240 days following separation.

580811. Family Coverage Under SGLI

See Chapter 47, section 4709.
Table 58-1. MDA

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*REFERENCES

CHAPTER 58 – PAY AND ALLOWANCES FOR INACTIVE DUTY TRAINING (IDT)

5802 - PROVISIONS

580201.C 37 U.S.C. § 1002

Comptroller General (Comp Gen) B-207339, February 8, 1983
37 U.S.C. § 204

580202 37 U.S.C. § 433(d)
580203 10 U.S.C. § 12316

Comp Gen B-179882, December 4, 1974
Comp Gen B-207913, April 15, 1983

580205.A 10 U.S.C. § 12319
580205.D 10 U.S.C. § 12319(d)
580206 10 U.S.C. § 10149
10 U.S.C. § 12319
37 U.S.C. § 433a

580208 37 U.S.C. § 355
37 U.S.C. § 206(d)(2)

Public Law 115-232, section 611(9), August 13, 2018

580208.D

5803 – INCENTIVE PAY (IP)

580301 37 U.S.C. § 301(b) and (f)
580302 Executive Order (EO) 11157, June 22, 1964
580302.A EO 11157, June 22, 1964
580302.A.1 Comp Gen B-132283, August 21, 1957 (Example 1)
580302.A.2 EO 11157, June 22, 1964
37 U.S.C. § 301(f)
EO 11157, June 22, 1964

580303 37 U.S.C. §301(a)(2) and (3)
37 U.S.C. § 206
EO 11157, June 22, 1964

580304 37 U.S.C. § 301c(a)(2)
580305 37 U.S.C. § 301(a)(3)
37 U.S.C. § 301(c)(1)
| 580306 | 37 U.S.C. § 301(a)(8) |
| 580307 | 37 U.S.C. § 301(c) |
| 37 U.S.C. § 353 |
| DoD Instruction (DoDI) 7730.67, October 20, 2016 |

5804 – SPECIAL PAY

| 37 U.S.C. § 353 |
| 37 U.S.C. § 352 |

| 37 U.S.C. § 353 |
| DoDI 1340.27, May 21, 2013 |
| 37 U.S.C. § 304(d) |
| 37 U.S.C. § 307 |
| 37 U.S.C. § 306 |
| 37 U.S.C. § 310 |
| 37 U.S.C. § 307a |

5805 – ALLOWANCES

| 37 U.S.C. § 418 |
| 37 U.S.C. §§ 415-417 |
| 37 U.S.C. § 402(e) |

5806 – MISCELLANEOUS PAYMENTS

| 10 U.S.C. §§ 1475-1476 |
| 10 U.S.C. § 1477 |
| 10 U.S.C. § 1477 |
| 10 U.S.C. § 1480 |
| 10 U.S.C. § 1478 |
| 10 U.S.C. § 1479 |
| Comp Gen B-132407, August 22, 1957 |
| 10 U.S.C. § 2771 |
| 37 U.S.C. § 501(d) |
| 10 U.S.C. § 1206 |

* 580604 | 10 U.S.C. § 12731 |

* 10 U.S.C. § 12681 Notes |

5807 – DEDUCTIONS AND COLLECTIONS

| 10 U.S.C. § 12315 |
| 10 U.S.C. § 802 |
580704  10 U.S.C. § 815
    Comp Gen B-165244, October 2, 1968
580705  37 U.S.C. § 1007
    10 U.S.C. § 8271
    10 U.S.C. § 9837(a)

5808 – SGLI PROGRAM FOR RESERVE COMPONENTS

    Title 38, Code of Federal Regulations, PART 9
*  580804  10 U.S.C. § 10144
*  10 U.S.C. § 12304
*  580804.B.2  DoDI 1341.14, January 19, 2017
    Office of Assistant Secretary of Defense Force
   Management Policy Memo, September 1, 1998

Table 58-1  37 U.S.C. § 433
VOLUME 7A, CHAPTER 59: “PAYMENT TO MEMBERS OF THE SENIOR RESERVE OFFICERS’ TRAINING CORPS (SROTC)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated May 2017 is archived.

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<td>590409</td>
<td>Updated and moved the duration of authority date to the “Duration of Authority” table on DFAS.MIL. Added a hyperlink to the table.</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 59-1</td>
<td>Moved the “SROTC Monthly Subsistence Allowance” table to DFAS.MIL. Added a hyperlink to the table.</td>
<td>Revision</td>
</tr>
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<td>References</td>
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CHAPTER 59

PAYMENT TO MEMBERS OF THE SENIOR RESERVE OFFICERS’ TRAINING CORPS (SROTC)

5901 GENERAL

590101. Purpose

This chapter establishes policy pertaining to the pay and allowances for members of the SROTC.

590102. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

5902 ENTITLEMENTS

590201. Pay While Attending Training

Under Title 37, United States Code (U.S.C.), section 203(c), pay for cadets and midshipmen at the U.S. Military, Naval, and Air Force Academies is authorized at a prescribed rate. The rate for a cadet or midshipman, who is a member of the regular component of an Armed Force, will be at the rate of basic pay applicable to the member. These rates apply for:

A. A cadet or midshipman in the SROTC, while attending training or practice cruises, if the training or cruise is of at least four weeks duration and is completed before the cadet or midshipman is commissioned; or

B. An applicant for membership in the SROTC program, while attending field training or practice cruises to satisfy the requirements for admission to advanced training.

NOTE: A member or applicant for membership in the SROTC program is not entitled to longevity increases or basic pay while performing authorized travel to or from a training site.

590202. Advance Pay

See Chapter 32, paragraph 320210.

590203. SROTC Graduates Ordered to Active Duty

A. Officers Ordered to Extended Active Duty. The provisions of Chapters 1 through 55 apply to these officers.

B. Officers Performing Initial Periods of Active Duty Training Under Title 50, War and National Defense. The provisions of Chapter 57 apply to these officers.
590204. Commutation In Lieu Of Uniforms

   A. Army. See Army Regulation (AR) 710-2, Chapter 2, Section V, paragraph 2-27.


NOTE: The Air Force ROTC Cadet Payment Programs (Holm Center Instructions 65-101), is available via the Air Force Portal.

590205. Textbook Allowances, Scholarship Cadets, and Midshipmen

   A. Army. The Commander, U.S. Army Cadet Command prescribes the rates.

   B. Navy. See Naval ROTC (NROTC), NSTC Manual 1533.2C Series.


NOTE: The Air Force ROTC Cadet Payment Programs (Holm Center Instructions 65-101), is available via the Air Force Portal.

590206. Restrictions

   A. Travel Allowances. A member or applicant for membership in the SROTC program is not entitled to travel allowances while performing field training or at-sea training, except as authorized in section 5908.

   B. Special and Incentive Pay. A member or applicant for membership in the SROTC program is not entitled to special or incentive pay, except as provided in section 5904.

   C. Navy Reserve Drill Pay. Drill payments to Navy SROTC members are authorized only for students selected for advanced training in their freshman and sophomore years, and who specifically request continuation in a drill status.

5903 SUBSISTENCE ALLOWANCE

590301. Scholarship Cadets or Midshipmen

   Except as prescribed in paragraph 590307, a member of the SROTC program, selected for advanced training, is entitled to a monthly subsistence allowance, see the SROTC Monthly Subsistence Allowance Table. Entitlement begins on the day the cadet or midshipman starts advanced training and ends upon the completion of their instruction. In no event, however, will any member receive such pay for more than 30 months.
590302. SROTC Members Appointed In Reserves

Except as prescribed in paragraph 590307, a member of the SROTC, enrolled in the first two years of a four-year program, is entitled to a monthly subsistence allowance as provided in the SROTC Monthly Subsistence Allowance Table when appointed for a maximum of 20 months. A member, enrolled in the advanced course, is entitled to subsistence as prescribed in paragraph 590301.

590303. Non-scholarship SROTC Members Not In Advanced Training

A member of the SROTC, who has entered into an agreement under 10 U.S.C. § 2103a, is entitled to a monthly subsistence allowance at the rate provided in the SROTC Monthly Subsistence Allowance Table. That allowance may be paid to the member by reason of such agreement for a maximum of 20 months.

590304. Non-scholarship Cadets or Midshipmen

Non-scholarship cadets and midshipmen are not entitled to subsistence allowance, except as noted in paragraph 590407.

590305. Subsistence Allowance for Marine Corps Platoon Leaders Class

Except while serving on active duty, members of the Marine Corps Platoon Leaders Class program are entitled to subsistence allowance at the rates provided in the SROTC Monthly Subsistence Allowance Table. Only members in the sophomore, junior, and senior class (Levels II, III, and IV) are entitled to a subsistence allowance. Members of the freshman class are not entitled to a subsistence allowance. Detailed instructions, governing the payment of the subsistence allowance, are in the Marine Corps Total Force System Personnel Reporting Instructions Manual.

590306. Accelerated Completion of Military Instruction

A cadet or midshipman participating in advanced training, at an institution that has withdrawn from the program, may complete the third and fourth year (or the fourth and fifth year of a five-year program) of military training in the third year (or the fourth year of a five-year program) and be paid subsistence allowance during the fourth academic year (AY) (or the fifth year of a five-year program), as though enrolled for training in the fourth year (or the fifth year of a five-year program).

590307. Limitations

A. Deduction for Field Training and At-Sea Training. A cadet or midshipman is not entitled to subsistence allowance while performing field training or at-sea training. During the period of field training or at-sea training, the cadet or midshipman is entitled to basic pay as specified in paragraph 590201.
B. Vacation Periods

1. A cadet or midshipman, enrolled in the first 2 years of the program is not entitled to subsistence allowance for any period(s) between academic school years, such as for summer vacations between academic school years. Holiday breaks do not interrupt the entitlement.

2. A cadet or midshipman, enrolled in the advanced course, is entitled to subsistence allowance uninterrupted by any periods between academic school years, subject only to the overall 20 months (30 months in an approved five-year program) of entitlement limitation and subject to deduction for any periods of field training or at-sea training.

C. Government Meals Furnished Without Charge. SROTC members will have deducted from their subsistence allowance, on a per-meal basis, the charge for government meals furnished without charge. The total deduction for any day will not exceed 1/30th of the subsistence allowance. This recoupment provision does not apply, when meals are furnished, while participating in training events conducted during the AY.

590308. Payment Procedures

Detailed instructions governing the payment of subsistence allowance to the respective SROTC members are contained in:

A. Army. See AR 145-1;

B. Navy. See NROTC, NSTC Manual 1533.2A Series; and


NOTE: The Air Force ROTC Cadet Payment Programs (Holm Center Instructions 65-101), is accessible via the Air Force Portal.

5904 SROTC SKILL PROFICIENCY BONUS (SPB)

590401. Eligibility

The Secretary of the Military Department concerned may pay an SROTC SPB under this section and the Department of Defense (DoD) Instruction (DoDI) 1340.27, Military Foreign Language SPB, to a cadet or midshipman of SROTC who:

A. Is enrolled as a cadet or midshipman of SROTC, as determined in accordance with regulations prescribed by the Secretary of Defense;

B. Participates in a language immersion program approved for the purposes of SROTC, or in study abroad, or is enrolled in an academic course that involves instruction in a foreign language of strategic interest. A foreign language of strategic interest includes a language
listed on the DoD Strategic Language List, or other foreign language of strategic interest, which
may be designated by the Secretary of the Military Department concerned as critical for purposes
of foreign language SPB to the DoD, as designated by the Secretary of Defense for purposes of
this section;

C. Enters into a written agreement under paragraph 590403;

D. Pursues a course of study to acquire a critical foreign language as defined
by the Secretary of the Military Department concerned; and

E. Satisfactorily completes the course. To satisfactorily complete the course,
a contracted cadet or midshipmen must attain a letter grade of “B” or higher to warrant the SPB
payment.

NOTE: An SROTC member may be paid an SROTC SPB if the student is enrolled in SROTC,
even though the student may not have completed the first year of a four-year SROTC course or
has become an obligated member under the SROTC program.

590402. Limitations

A. SROTC SPB will not be paid retroactively for courses completed at another
institution in the event a newly contracted cadet or midshipman transfers from that institution to a
ROTC affiliated college, university, or ROTC consortium.

B. SROTC SPB will not be paid to cadets or midshipmen who take the College
Level Examination Program test, distance learning, or on-line courses to receive college credit for
foreign language or cultural studies classes.

590403. Written Agreement

The Secretary of the Military Department concerned will require a contracted cadet or
midshipmen to enter into a written agreement. The written agreement will specify:

A. The required SROTC SPB critical skill course of study;

B. The amount of the SROTC SPB;

C. The academic period(s) in which the SROTC SPB will be paid;

D. The required SROTC SPB course of study; and

E. That the cadet or midshipman will be paid the SPB after satisfactory
completion of the SROTC SPB course.
590404. Amounts

   A. An SROTC SPB will not exceed $3,000 for each 12-month period that follows a qualifying academic period in which a cadet or midshipmen satisfactorily completes a course of study to develop an SROTC SPB critical skill.

   B. Any SROTC SPB payments for summer language immersion or study abroad programs, combined with any previous SPB payments for that AY, must not exceed the 12-month (full AY) SROTC SPB entitlement (summer immersion payment plus previous SPB payments) limit of $3,000.

NOTE: The Secretary of the Military Department concerned may change the start and end dates of this 12-month period, to accommodate different schedules, for their ROTC affiliated colleges, universities, and ROTC consortia, provided that the newly defined 12-month period reflects a minimum of 365 consecutive days.

590405. Method of Payment

   The SROTC SPB, for a qualifying course(s) or immersion training, will only be paid in a lump sum payment, following the satisfactory completion of that course or immersion training.

590406. Certification of Proficiency and Waiver

   The DoD may waive the annual proficiency certification requirement for an SPB. In order for the DoD to waive this requirement, the contracted cadet or midshipman must satisfactorily complete the course of study, during the qualifying academic period or year, preceding the payment of the SPB.

590407. Monthly Subsistence Allowance

   During the period covered by the SROTC SPB, the student is entitled to a monthly subsistence allowance as detailed in section 5903, even though the student has not entered into an agreement under 10 U.S.C. § 2103a. If paid, the monthly subsistence allowance will be as authorized in the SROTC Monthly Subsistence Allowance Table. An SROTC cadet may only receive a single monthly subsistence allowance.

590408. Repayment

   A member, who is paid a proficiency bonus under this section but does not satisfactorily complete participation in the language program or study as described in paragraph 590401 (or does not complete the requirements of the SROTC, as applicable), may be subject to the repayment provisions of Chapter 2. SROTC SPB must not be calculated in the cost of advanced education, should the Secretary of the Military Department concerned choose to exercise his/her written agreement option to seek reimbursement of the cost of a former student’s advanced education.
590409. Duration of Authority

Unless extended by the authority of the Congress, no agreement may be entered into for the SROTC SPB under this section after the date on the Duration of Authority Table.

5905 DEDUCTIONS

590501. General

The basic pay of a member or applicant for membership in the SROTC program is subject to Federal Income Tax Withholding and Federal Insurance Contributions Act taxes. See the Department of the Treasury Internal Revenue Service Publication 15-A and Chapter 45, Table 45-1, for tax withholding rates.

590502. Servicemembers’ Group Life Insurance (SGLI)

SGLI is authorized for SROTC members. Cadets and midshipmen are provided SGLI coverage while proceeding directly to or returning from the place where duty is performed. The following duty conditions apply:

A. Chapter 47 applies to members, cadets, or midshipmen of SROTC performing full-time duty while attending field training or practice cruises under calls or orders for 30 days or more.

B. Chapter 58, section 5808 applies to members, cadets, or midshipmen of SROTC performing full-time duty while attending field training or practice cruises under calls or orders for 30 days or more.

590503. Allotments

A member or applicant for membership in the SROTC program is not authorized to register allotments.

5906 DISABILITY BENEFITS

590601. Entitlements for Cadets and Midshipmen Disabled While En Route To or From Field or At-Sea Training

A cadet or midshipman, who is disabled en route to or from field or at-sea training, and is otherwise entitled to a subsistence allowance described in section 5903, is entitled to a subsistence allowance for the day of incurrence of the disability and continuing thereafter, subject to the provisions of section 5903.
590602. Entitlement for Cadets and Midshipmen Disabled While Attending Field or At-Sea Training

A cadet or midshipman, who is disabled while attending field or at-sea training, is entitled to the monthly cadet rate of pay prescribed in the Military Pay Tables through the last day of the ordered training period. If the disability continues beyond the ordered tour, the cadet or midshipman, if otherwise entitled, is entitled to a subsistence allowance described in section 5903.

5907 PAYMENTS ON BEHALF OF DECEASED MEMBERS

Beneficiaries, of any member or applicant for membership in the SROTC program who dies under the conditions specified in paragraph 590602, are entitled to Death Gratuity under the provisions of Chapter 36, section 3602, and unpaid pay and allowances under section 3603.

5908 TRAVEL AND TRANSPORTATION ALLOWANCES

The travel and transportation allowances payable to SROTC cadets and midshipmen are prescribed in the Joint Travel Regulations.
REFERENCES

CHAPTER 59 – PAYMENT TO MEMBERS OF THE SENIOR RESERVE OFFICERS’ TRAINING CORPS (SROTC)

5902 – ENTITLEMENTS

590201  37 U.S.C. § 203(c)
10 U.S.C., Subtitle A, Part III, Chapter 103
10 U.S.C. § 2104(b)(6)(A) and (B)

590201.A & B  37 U.S.C. § 209(d)

590204  DoDI 1215.08, January 19, 2017, Incorporating Change 1, effective March 7, 2018, paragraph 3.9

5903 – SUBSISTENCE ALLOWANCE

590301  37 U.S.C. § 209(a)
Assistant Secretary of Defense Memo, July 24, 2001
Office of the Under Secretary of Defense (Personnel & Readiness) Memo, August 22, 2005

5904 – SROTC SPB

590401  37 U.S.C. § 353(i)
DoDI 1340.27, May 21, 2013


590409  Public Law 115-232, section 611(d)(8), August 13, 2018

5906 – DISABILITY BENEFITS

590601  10 U.S.C. § 2109

590602  5 U.S.C. § 8140

5907 – PAYMENTS ON BEHALF OF DECEASED MEMBERS

10 U.S.C. §§ 1475-1480

5908 – TRAVEL AND TRANSPORTATION ALLOWANCES

37 U.S.C. § 422
VOLUME 7A, CHAPTER 60: “HEALTH PROFESSIONS SCHOLARSHIP PROGRAM FOR ACTIVE SERVICE”

SUMMARY OF MAJOR CHANGES

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<td>Updated in accordance with the DoD Instruction 6000.13.</td>
<td>Revision</td>
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<tr>
<td>600102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>600202</td>
<td>Updated in accordance with Title 10, United States Code, section 2121(a)(2).</td>
<td>Revision</td>
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<td>Increased the stipend amount to $2,391.60 effective July 1, 2019 in accordance with the Office of the Assistant Secretary of Defense Health Affairs Memo, dated April 4, 2019.</td>
<td>Revision</td>
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<td>Renamed “Bibliography” to “References” and updated statutes and supporting references.</td>
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CHAPTER 60

HEALTH PROFESSIONS SCHOLARSHIP PROGRAM FOR ACTIVE SERVICE

6001 GENERAL

*600101. Purpose

The purpose of this chapter is to establish policy pertaining to the Health Professions Scholarship Program for Active Service. The Secretary of the Military Department concerned may provide for the payment of all educational expenses incurred by a member of the Armed Forces Health Professions Scholarship Program (AFHPSP), including tuition, fees, books, and laboratory expenses. Such payments, however, will be limited to those educational expenses normally incurred by students at the institution and in the health profession concerned. An educational institution cannot charge the government for educational costs that it does not charge to ALL students attending their University in pursuit of the degree in question.

*600102. Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26, 37, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

6002 AFHPSP

600201. Purpose

The purpose of the AFHPSP is to obtain adequate numbers of commissioned officers on active duty who are qualified in the various health professions, including health professionals with specific skills to assist in providing mental health care to members of the Armed Forces.

*600202. Responsibility

The Secretary of the Military Department concerned, under regulations prescribed by the Secretary of Defense, may establish and maintain a Health Professions Scholarship and Financial Assistance Program (FAP) for their department. The Secretary of the Military Department concerned will allocate a portion of the total number of scholarships available in their department to health professionals with specific skills in mental health care. This is to assist such members in pursuing a degree at the master and doctoral level, with obligatory periods of military training, in any of the following disciplines:

A. Social work;

B. Clinical psychology;
C. Psychiatry; or

D. Other disciplines that contribute to mental health care programs in that Military Department.

600203. Eligibility

To be eligible for participation in the AFHPSP, a person must be a citizen of the United States and must:

A. Be accepted for admission to, or enrolled in, an institution in a course of study or selected to receive specialized training, or, if offered, agree to accept residency training in a health profession skill which has been designated by the Secretary of the Military Department concerned as a critically needed wartime skill;

B. Sign an agreement to:

1. Complete the educational phase of AFHPSP;

2. Accept an appropriate reappointment or designation within his or her military service, if tendered, based upon his or her health profession, following satisfactory completion of AFHPSP;

3. Participate in the intern program of his or her service, if selected for such participation;

4. Participate in the residency program of his or her service, if selected, or be released from active duty for the period required to undergo civilian residency, if selected for such training; or

5. Participate in military training while in AFHPSP, under regulations prescribed by the Secretary of Defense; and

C. Meet the requirements for appointment as a commissioned officer.

600204. Active Duty Obligation

A member of AFHPSP incurs an active duty obligation based upon the following conditions:

A. The period of obligation, as prescribed under regulations by the Secretary of Defense, may not be less than 1 year for each year of participation in AFHPSP.

B. A period spent as a military intern or in residency training will not be creditable in satisfying the active duty obligation.
C. A member of AFHPSP, who is dropped from AFHPSP for deficiency in conduct or studies or for other reasons, may be required to perform active duty in an appropriate military capacity in accordance with the active duty obligation imposed in this program.

D. The Secretary of the Military Department concerned may relieve a member of AFHPSP, who is dropped from AFHPSP, from an active duty obligation, but such relief will not relieve the member from any military obligation imposed by any other law.

E. A member of AFHPSP, who is relieved of the member’s active duty obligation before the completion of that active duty obligation, may be given, with or without the consent of the member, any of the following alternative obligations, as determined by the Secretary of the Military Department concerned:

1. A service obligation in another Armed Force for a period of time not less than the member’s remaining active duty service obligation;

2. A service obligation in a component of the Selected Reserve for a period not less than twice as long as the member’s remaining active duty service obligation; or

3. Repayment of a percentage of the total cost incurred pursuant to the repayment provisions of Chapter 2.

F. If a member is relieved of an active duty obligation by reason of separation because of a physical disability, then the Secretary of the Military Department concerned may give the member a service obligation as a civilian employee. The member may be employed as a health care professional, in a facility of the uniformed services, for a period equal to the member’s remaining active duty service obligation.

6003 ACCESSION BONUS (AB)

600301. Eligibility

To be eligible for AFHPSP, an individual must meet the requirements of paragraph 600203.

600302. Amount

The Secretary of Defense may offer a member, who enters into an agreement under subparagraph 600203.B, an AB not to exceed $20,000.

600303. Relationship to Other Payments

An AB paid to a member is in addition to any other amounts payable under the AFHPSP.
600304. Repayment

A member who receives an AB under this section, but fails to comply with the agreement under subparagraph 600203.B, or fails to commence or complete the active duty obligation discussed in paragraph 600204, will be subject to the repayment provisions of Chapter 2.

6004 PAY ENTITLEMENTS

600401. Active Duty

A. Members participating in AFHPSP will be commissioned officers in the Reserve Component of the Armed Forces and will be ordered to active duty for a period of 45 days during each year of participation.

B. Members pursuing a course of study will serve on active duty in pay grade O–1 with full pay and allowances of that grade.

C. Members pursuing specialized training will serve on active duty in a pay grade commensurate with their educational level, as determined by appointment, with full pay and allowances of that grade for a period of 14 days during each year of participation in AFHPSP.

D. Members will be detailed as students at accredited civilian institutions, located in the United States or Puerto Rico, for the purpose of acquiring knowledge or training in a designated health profession. This active duty period may be served at the location where the member is receiving specialized training, if it would otherwise interrupt the member’s residency or fellowship training to serve elsewhere on active duty.

600402. Prior Active Service

Effective January 28, 2008, a member, who has been selected as a medical student and who has prior military service at a pay grade with years of service credited for pay, will be paid basic pay at such prior pay grade and years of service, if this rate of basic pay exceeds the rate of basic pay to which he would be entitled as a medical student. The amount of the basic pay will be increased on January 1 of each year by the percentage of increase established by executive order. The member will continue to receive the higher basic pay of his or her prior pay grade until the basic pay for the member's actual grade and years of service credited for pay exceeds the basic pay he or she is receiving, regardless of whether this occurs before or after the conclusion of his or her participation as a medical student.

*600403. Stipend

Except during periods of active duty (see paragraph 600401), members enrolled in this program are entitled to a monthly stipend of $2,391.60 per month, effective July 1, 2019. These rates are payable during periods of absence. For the most current rates, see the Armed Forces Health Professions Stipend & Financial Assistance Program Grant table on DFAS.MIL.
A. **Payment.** Payment starts on the date of execution of the oath of office, the date of execution of AFHPSP contract, or the date of commencement of the academic curriculum, whichever is latest. Payment normally continues until the date of graduation or completion of specialized training. The stipend is payable during the course of study and during vacation periods when members are not on active duty. The stipend is prorated for portions of a month at the beginning and end of the course of study, and the beginning and end of any active duty period.

B. **Termination.** If a member of AFHPSP is suspended or disenrolled from the designated course of training, stipend payments terminate on that date. Some students complete their professional degree requirements several months before the formal graduation ceremony and conferral of the professional degree. In those cases, where the actual award of a professional degree is a prerequisite to re-commissioning into a professional corps or utilization in the profession, and a lapse of time occurs for administrative reasons, the payment of the stipend should be terminated. The date for termination of the stipend should be the completion of the academic training, if this date precedes the date of graduation by more than 45 days.

C. **Recoupment.** Educational costs of AFHPSP and stipends are subject to recoupment when members of AFHPSP are dropped for deficiency in conduct or studies, or when members, for other reasons, fail to fulfill their contractual agreement as a result of action not initiated by the government. **Recoupment is subject to the repayment provisions of Chapter 2.**

600404. **Advance Pay**

Members may be paid an advance pay when reporting for the 45-day active duty tour. (See Chapter 32, paragraph 320208.)

600405. **Travel Time**

During the active duty period, including allowable travel time under Chapter 1, Table 1-6, members serve in pay grade O–1 and are normally entitled to full pay and allowances (see Chapter 57) for that grade.

600406. **Officer’s Initial Uniform Allowance**

A member of the AFHPSP is entitled to an initial uniform allowance upon reporting for the first period of active duty. (See Chapter 30, section 3002.)

600407. **Servicemembers’ Group Life Insurance (SGLI)**

Members, while under this program, are entitled to SGLI coverage for the 45-day active duty tour. For deductions during active duty periods, see Chapter 47, section 4705.
600408. Tax Withholding

A. Active duty pay paid under this program is subject to federal income tax withholding (FITW), state income tax withholding (SITW) (if applicable), and federal insurance contribution act (FICA) withholding in the same manner as prescribed in Chapters 44 and 45.

B. Monthly stipends paid to students entering AFHPSP are subject to FITW and SITW.

C. Monthly stipends are not subject to FICA.

D. Amounts paid directly to schools on behalf of students for tuition, books, fees, laboratory expenses, and any reimbursements for such items paid to students participating at any time in AFHPSP are not subject to withholding for FITW, SITW, or FICA.

600409. Settlement of Deceased Member’s Accounts

See Chapter 36, section 3603 for authority for payment of any unpaid pay and allowances (includes the amount of unpaid stipend).

600410. Creditable Service

A. Except as provided in subparagraph 600410.B, service performed while a member of AFHPSP will not be counted in:

1. Determining eligibility for retirement, other than by reason of physical disability incurred while on active duty as a member of AFHPSP; or

2. Computing years of service creditable.

B. The Secretary of the Military Department concerned may authorize service performed by a member of AFHPSP, in pursuit of a course of study under this section, to be counted as creditable service, if the member:

1. Completes the course of study;

2. Completes the active duty obligation; and

3. Possesses a specialty designated by the Secretary of the Military Department concerned as critically needed in wartime.

C. Service credited under subparagraph 600410.B counts only for the award of retirement points for the computation of years of service and retired pay.

D. The number of points credited to a member under subparagraph 600410.B.1 for a year of participation in the course of study is 50. The points will be credited to the member
at the end of each year after the completion of the course of study, when the member serves in the Selected Reserve and is credited with at least 50 points.

E. Service may not be counted under subparagraph 600410.B for more than 4 years of participation in the course of study as a member of AFHPSP.

F. A member is not entitled to any retroactive award of, or increase in, pay or allowances by reason of an award of service credit under subparagraph 600410.B.

6005  FAP

600501. Grant

Effective July 1, 2008, a member participating in the AFHPSP specialized training will be paid an annual grant in an amount not to exceed $45,000, in addition to the stipend under paragraph 600403. For the most current rates, see the Armed Forces Health Professions Stipend & Financial Assistance Program Grant table on DFAS.MIL.

A. A grant is paid annually based on the rate in effect on the date of entitlement.

B. A grant is prorated only for partial years of participation, to include the final payment. Subsequent installments are to be issued on the anniversary date of the initial payment.

C. The amount of the grant is reviewed and increased as appropriate in the same manner as provided for the stipend.

D. Payment starts on the date of execution of the oath of office, the date of execution of the FAP contract, or the date of commencement of the academic curriculum, whichever is latest.

E. Payment will continue until the date of graduation or completion of specialized training, unless the program participant is suspended or disenrolled from the designated course of study or specialized training or fails to comply with terms of the program agreement, Service policy, or regulation.

F. The authority to make the grant and stipend payments is not affected by any payments made to the member by the civilian training institution.

600502. Recoupment

A member of the FAP who fails to complete specialty training because of a deficiency in conduct or studies, or who, for other reasons, fails to fulfill the contractual agreement as a result of action not initiated by the government, may be required to reimburse the government for all or a portion of payments received during participation in FAP. Recoupment is subject to the repayment provisions of Chapter 2.
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CHAPTER 60 – HEALTH PROFESSIONS SCHOLARSHIP PROGRAM FOR ACTIVE SERVICE

6002 – AFHPSP

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VOLUME 7A, CHAPTER 61: “BONUS PROGRAM FOR THE INDIVIDUAL READY RESERVE (IRR) AND INACTIVE NATIONAL GUARD (ING)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2017 is archived.

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<td>6102</td>
<td>Updated the “Duration of Authority” date to reflect the amendment to Title 37, United States Code (U.S.C.), section 331(h) and moved it to the “Duration of Authority” table on the DFAS.MIL website. Added a hyperlink to the table.</td>
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<td>610301</td>
<td>Updated the eligibility criteria to reflect 37 U.S.C. § 331.</td>
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<td>610305</td>
<td>Removed the obsolete “Critically Short Wartime Skill” paragraph.</td>
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<tr>
<td>610306</td>
<td>Removed the eligibility waiver while serving in Afghanistan.</td>
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<tr>
<td>6104</td>
<td>Updated to reflect the current authorization in Department of Defense Instruction 1304.31, March 12, 2013.</td>
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<td>6107</td>
<td>Updated obsolete recoupment information.</td>
<td>Revision</td>
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CHAPTER 61

BONUS PROGRAM FOR THE INDIVIDUAL READY RESERVE (IRR) AND INACTIVE NATIONAL GUARD (ING)

6101 GENERAL

610101. Purpose

The Secretary concerned may pay a bonus to an eligible member who enlists, reenlists, or voluntarily extends an enlistment in a Reserve Component (RC) of an Armed Force for assignment to (other than the Selected Reserve (SELRES)) the IRR or the ING.

610102. Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 331. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*6102 DURATION OF AUTHORITY

A bonus may not be paid to any person for a reenlistment, enlistment, or voluntary extension of an enlistment after the date on the **Duration of Authority** table. No payments will be made after the termination date unless the person’s entitlement to the bonus commenced prior to that date.

6103 ELIGIBILITY

*610301. Criteria

The Secretary concerned may pay a bonus to a person, including a member of the IRR or ING, who:

A. Enlists in or affiliates with the IRR or ING;

B. Transfers from a regular component of an Armed Force to an RC of that same Armed Force;

C. Transfers from a regular component or RC of an Armed Force to a regular component or RC of another Armed Force, subject to the approval of the Secretary with jurisdiction over the Armed Force to which the member is transferring; or

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D. Reenlists, voluntarily extends an enlistment, or otherwise agrees to serve for a specified period in a designated career field, skill, or unit of an Armed Force; or under other conditions of service in an Armed Force.

610302. Transfers to Another Military Service

An individual who completes his/her obligation to one Military Service may be accepted by another Military Service for enlistment, provided the individual possesses a skill approved by the gaining Military Service for the payment of the bonus.

610303. Army

Army members who transfer from the ING to the IRR may continue to receive the bonus, provided such members continue to serve satisfactorily.

610304. Called or Ordered to Active Duty

A person entitled to a bonus, who is called or ordered to active duty, will be paid during that period of active duty any amount of the bonus that becomes payable to the member.

*6104 MAXIMUM AMOUNTS PAYABLE AND METHOD OF PAYMENT

*610401. Maximum Amount

The Secretary concerned shall determine the amount of a bonus to be paid under this section, except that:

A. A bonus paid under subparagraph 610301.A may not exceed $20,000 for a minimum two-year period of obligated service;

B. A bonus paid under subparagraphs 610301.B and C may not exceed $10,000; and

C. A bonus paid under subparagraph 610301.D may not exceed $10,000 for each year of obligated service in an RC.

*610402. Lump Sum or Installments

A bonus under this section may be paid in a lump sum or in periodic installments, as determined by the Secretary concerned.

*610403. Fixing Bonus Amount

Upon acceptance by the Secretary concerned of the written agreement, the total amount of the bonus to be paid under the agreement shall be fixed.
6105 OBLIGATION

A member must be contractually obligated to serve satisfactorily, as prescribed by the regulations of the Military Service concerned, in the IRR or ING for the full term of enlistment, reenlistment, or extension. As a condition of receipt of the bonus, recipients must agree to participate in an annual muster of the RC or on active duty for training, as may be required by the Secretary concerned.

610501. Extensions

The use of extensions, in lieu of reenlistments, is authorized and encouraged to:

A. Reduce the administrative burden of the reenlistment process; and
B. Eliminate the need for the oath of enlistment or reenlistment.

610502. Service

Participants must obligate themselves to continue to serve in the same Military Occupation Specialty (MOS) unless excused for the convenience of the Government.

610503. Transfers

A bonus recipient who later transfers to the SELRES is not required to refund the IRR or ING bonus. Bonus recipients who transfer to the SELRES are not eligible for a SELRES reenlistment bonus during the period for which an IRR or ING bonus was paid.

6106 TERMINATION OF BONUS ENTITLEMENT

Entitlement to the IRR and ING bonus will be terminated under the following conditions in paragraphs 610601 through 610605.

610601. Participation

The member fails to participate satisfactorily in the IRR or ING in accordance with the regulations of the Military Service concerned.

610602. Civilian Position

The member accepts a civilian position where membership in the RC is a condition of employment (persons on temporary assignment excluded).

610603. Separation

The member is separated from the IRR or ING as an enlisted member for any reason (including enlistment or voluntary recall into the active forces).
610604. Officer Commissioning Program

The member becomes a simultaneous member of an authorized officer program drawing a stipend.

610605. Non-Qualified MOS

The member moves to a non-bonus-qualified MOS unless at the express direction of the Military Service concerned (through no fault of the member).

*6107 RECOUPMENT OF PAYMENTS

See Chapter 2.
CHAPTER 61 – BONUS PROGRAM FOR THE INDIVIDUAL READY RESERVE (IRR) AND INACTIVE NATIONAL GUARD (ING)

*6102 – DURATION OF AUTHORITY

* 37 U.S.C. § 331(h)
* Public Law 115-232, section 611(d)(1), August 13, 2018

6103 – ELIGIBILITY

* 610301 37 U.S.C § 331(a)

*6104 – MAXIMUM AMOUNTS PAYABLE AND METHOD OF PAYMENT

* 37 U.S.C. § 331(c)
* DoD Instruction (DoDI) 1304.31, March 12, 2013

6105 – OBLIGATION

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* DoDI 1304.31, March 12, 2013

6106 – TERMINATION OF BONUS ENTITLEMENT

DoDI 1205.21, September 20, 1999
* DoDI 1304.31, March 12, 2013
VOLUME 7A, CHAPTER 62: “HEALTH PROFESSIONS STIPEND PROGRAM FOR SELECTED RESERVE SERVICE”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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<td>Increased the stipend amount to $2,391.60 effective July 1, 2019 in accordance with the Office of the Assistant Secretary of Defense Health Affairs Memo, dated April 4, 2019.</td>
<td>Revision</td>
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CHAPTER 62

HEALTH PROFESSIONS STIPEND PROGRAM FOR SELECTED RESERVE SERVICE

6201 GENERAL

620101. Purpose

The chapter establishes policy guidance pertaining to the Health Professions Stipend Program for Selected Reserve service.

620102. Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26, 37, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

6202 PAY COMPUTATION

*620201. Stipend

When a participant has agreed to serve in the Selected Reserve, the amount of a stipend effective July 1, 2019 will be $2,391.60 per month, or one-half of that rate if the participant has agreed to serve in the Individual Ready Reserve. For the most current rates, see the Armed Forces Health Professions Stipend & Financial Assistance Program Grant table on DFAS.MIL.

A. Payment. The stipend is payable during specialized advanced training, during vacation periods, and during periods when officers are participating in annual training with the Selected Reserve. The stipend is prorated for portions of a month at the beginning and end of the course of specialized advanced training.

B. Termination. When an officer’s eligibility for the stipend program is terminated, the officer no longer is entitled to receive a stipend. The effective date of termination is set by program administrators and communicated to the paying activity. Termination is based on criteria set by the DoD.

C. Recoupment. A member of the program who, under regulations prescribed by the Secretary of Defense, is dropped from the program for deficiency in training, or for other reasons, will be required:

1. To perform 1 year of active duty for each year (or part thereof) for which such person was provided financial assistance under this section; or

62-3
2. To comply with the repayment provisions of 37 U.S.C., section 373 and Chapter 2.

NOTE: The Secretary of the Military Department concerned may relieve a member who is dropped from the program from any requirement that may be imposed under subparagraph 620201.C, but such relief will not relieve the member from any military obligation imposed by any other law.

D. Prohibition of Duplicate Benefits. Financial assistance may be provided under this section to a member receiving financial assistance under 10 U.S.C. § 2107.

620202. Servicemembers’ Group Life Insurance

For coverage, see Chapter 47, section 4702. For deductions during active duty periods, see Chapter 47, section 4705.

620203. Tax Withholding

A. Active duty pay paid under this program is subject to Federal Income Tax Withholding (FITW) and Federal Insurance Contribution Act (FICA) withholding in the same manner as prescribed in Chapters 44 and 45.

B. Monthly stipends paid to students entering the program are subject to FITW.

C. Monthly stipends are not subject to FICA withholding.

620204. Settlement of Deceased Members’ Accounts

See Chapter 36, section 3603 for authority for payment of any unpaid pay and allowances (includes the amount of unpaid stipend).

6203 REQUIRED ACTIVE DUTY TRAINING

620301. Selected Reserve

A person who is required under the agreements described in sections 6204 through 6208 to serve in the Selected Reserve will serve not less than 12 days of active duty for training each year during the period of service required by the agreement.

620302. Nonavailability

Members of the Ready Reserve, who incur a period of authorized nonavailability, will be suspended without recoupment from their incentive. If subsequently assigned to the Reserve status and skill originally contracted for, then members may be reinstated in the incentive program if they extend their term of service or contract for service to be able to serve the full original incentive contract period. Entitlement to subsequent payments will resume on the adjusted anniversary date.
of satisfactory and creditable Reserve service, as appropriate. These members are assigned
temporarily to the Standby Reserve or to the Inactive National Guard, as appropriate, during the
period of authorized nonavailability and are required to extend their Selected Reserve service
agreement for a period that equals the period of authorized nonavailability.

A. Members of the Selected Reserve may incur a period of authorized
nonavailability for up to 1 year for valid personal reasons as determined by the Secretary of the
Military Department concerned.

B. During the period of nonavailability, a member is suspended without
concurrent recoupment. A member will not be entitled to subsequent payments or any other
available incentives.

C. An officer is entitled to stipend payments when the anniversary date of
satisfactory and creditable Ready Reserve service is adjusted for the period of authorized
nonavailability.

6204 MEDICAL AND DENTAL SCHOOL STUDENTS

620401. Eligibility

The Secretary of the Military Department concerned may enter into an agreement with a
person who:

A. Is eligible to be appointed as an officer in a Reserve Component (RC);

B. Is enrolled or has been accepted for enrollment in an institution in a course
of study that results in a degree in medicine or dentistry;

C. Signs an agreement that, unless sooner separated, the person will:

1. Complete the educational phase of the program;

2. Accept a re-appointment or re-designation within the person’s RC,
if tendered, based upon the person’s health profession, following satisfactory completion of the
educational and intern programs; and

3. Participate in a residency program; and

D. If required by regulations prescribed by the Secretary of Defense, agrees to
apply for (if eligible) and accept (if offered), residency training in a health profession skill, which
has been designated by the Secretary of Defense as a critically needed wartime skill.
620402. Agreement

A. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in paragraph 620201, for the period or the remainder of the period that the student is satisfactorily progressing toward a degree in medicine or dentistry while enrolled in an accredited medical or dental school.

B. The participant shall not be eligible to receive such stipend before appointment, designation, or assignment as an officer for service in the Ready Reserve.

C. The participant shall be subject to such active duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

D. The participant shall agree to serve in the Selected Reserve, upon successful completion of the program, for the period of 1 year for each 6 months, or part thereof, for which the participant is provided a stipend pursuant to the agreement.

NOTE: In the case of a participant who enters into a subsequent agreement under section 6205 and successfully completes residency training in a specialty designated by the Secretary of Defense as a specialty critically needed by the Military Department in wartime, the requirement to serve in the Selected Reserve may be reduced to 1 year for each year, or part thereof, for which the stipend was provided while enrolled in medical or dental school.

6205 PHYSICIANS AND DENTISTS IN CRITICAL WARTIME SPECIALTIES

620501. Eligibility

Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

A. Is a graduate of a medical school or dental school; and

B. Is eligible for appointment, designation, or assignment as a medical officer or dental officer in the RC of the Armed Force concerned or has been appointed as a medical or dental officer in the RC of the Armed Force concerned; or

C. Is enrolled or has been accepted for enrollment in a residency program for physicians or dentists in a medical or dental specialty designated by the Secretary of the Military Department concerned as a specialty critically needed by that Military Department in wartime.

620502. Agreement

A. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in paragraph 620201, for the period or the remainder of the period of the residency program in which the participant enrolls or is enrolled.
B. The participant shall not be eligible to receive such stipend before appointment, designation, or assignment as a medical officer or dental officer for service in the Ready Reserve.

C. The participant shall be subject to such active duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

D. The participant shall agree to serve, upon successful completion of the program, 1 year in the Selected Reserve for each 6 months, or part thereof, for which the stipend is provided.

6206 REGISTERED NURSES IN CRITICAL SPECIALTIES

620601. Eligibility

Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

A. Is a registered nurse;

B. Is eligible for appointment as a Reserve Officer for service in an RC as a nurse; and

C. Is enrolled or has been accepted for enrollment in an accredited program in nursing in a specialty designated by the Secretary of the Military Department concerned as a specialty critically needed by that Military Department in wartime.

620602. Agreement

A. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in paragraph 620201, for the period or the remainder of the period of the nursing program in which the participant enrolls or is enrolled.

B. The participant shall not be eligible to receive such stipend before being appointed as a Reserve Officer for service in the Ready Reserve as a nurse.

C. The participant shall be subject to such active duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

D. The participant shall agree to serve, upon successful completion of the program, 1 year in the Selected Reserve for each 6 months, or part thereof, for which the stipend is provided.
6207 BACCALAUREATE STUDENTS IN NURSING OR OTHER HEALTH PROFESSIONS

620701. Eligibility

Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

A. Will, upon completion of the program, be eligible to be appointed, designated, or assigned as a Reserve officer for duty as a nurse or other health professional; and

B. Is enrolled, or has been accepted for enrollment, in the third or fourth year of:

1. An accredited baccalaureate nursing program; or

2. Any other accredited baccalaureate program leading to a degree in a health profession designated by the Secretary of the Military Department concerned as a profession critically needed by that Military Department in wartime.

620702. Agreement

A. The Secretary of the Military Department concerned shall agree to pay the participant a monthly stipend in the amount contained in paragraph 620201 for the period or the remainder of the period of the baccalaureate program in which the participant enrolls or is enrolled.

B. The participant shall not be eligible to receive such stipend before enlistment in the Ready Reserve.

C. The participant shall be subject to such active duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

D. The participant shall agree to serve, upon graduation from the baccalaureate program, 1 year in the Selected Reserve for each year, or part thereof, for which the stipend is paid.

6208 MENTAL HEALTH PROFESSIONALS IN CRITICAL WARTIME SPECIALTIES

620801. Eligibility

Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

A. Is eligible to be appointed as an officer in an RC;

B. Is enrolled or has been accepted for enrollment in an institution in a course of study that results in a degree in clinical psychology or social work;
C. Signs an agreement that, unless earlier separated, the person will:

1. Complete the educational phase of the program;

2. Accept a re-appointment or re-designation within the person’s RC, if tendered, based upon the person’s health profession, following satisfactory completion of the educational and intern programs; and

3. Participate in a residency program if required for clinical licensure in a mental health profession skill; and

D. If required by regulations prescribed by the Secretary of Defense, agrees to apply for, if eligible, and accept, if offered, residency training in a mental health profession skill that has been designated by the Secretary of the Military Department concerned as a critically needed wartime skill.

620802. Agreement

A. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in paragraph 620201, for the period or the remainder of the period that the student is satisfactorily progressing toward a degree in clinical psychology or social work while enrolled in a school accredited in the designated mental health discipline.

B. The participant shall not be eligible to receive such stipend before appointment, designation, or assignment as an officer for service in the Selected Reserve.

C. The participant shall be subject to such active duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Selected Reserve.

D. The participant shall agree to serve, upon successful completion of the program, 1 year in the Selected Reserve for each 6 months, or part thereof, for which the stipend is provided.
REFERENCES

CHAPTER 62: HEALTH PROFESSIONS STIPEND PROGRAM FOR SELECTED RESERVE SERVICE

6202 – PAY COMPUTATION

10 U.S.C. § 16201(g)
10 U.S.C. § 16203
10 U.S.C. § 2121(d)

Office of the Assistant Secretary of Defense Health Affairs Memo, April 4, 2019

26 U.S.C. § 117
10 U.S.C. § 2771
37 U.S.C. § 501(d)

6203 – REQUIRED ACTIVE DUTY TRAINING

10 U.S.C. § 16202
DoD Instruction (DoDI) 6000.13, December 30, 2015,
Incorporating Change 1, May 3, 2016

DoDI 1205.21, September 20, 1999

6204 – MEDICAL AND DENTAL SCHOOL STUDENTS

10 U.S.C. § 16201(b)(2)

6205 – PHYSICIANS AND DENTISTS IN CRITICAL WAR TIME SPECIALTIES

10 U.S.C. § 16201(c)(2)

6206 – REGISTERED NURSES IN CRITICAL SPECIALTIES

10 U.S.C. § 16201(d)(2)

6207 – BACCALAUREATE STUDENTS IN NURSING OR OTHER HEALTH PROFESSIONS

10 U.S.C. § 16201(e)(2)

6208 – MENTAL HEALTH PROFESSIONALS IN CRITICAL WARTIME SPECIALTIES

10 U.S.C. § 16201(f)(2)
VOLUME 7A, CHAPTER 63: “ACCESSION AND CONTINUATION BONUSES FOR NURSE OFFICER CANDIDATES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated November 2017 is archived.

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<td>630102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
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<tr>
<td>630401</td>
<td>Added hyperlink to DFAS.MIL for the duration of authority for “Accession Bonus.”</td>
</tr>
<tr>
<td>630402</td>
<td>Increased the stipend amount to $2,391.60 effective July 1, 2019 in accordance with the Office of the Assistant Secretary of Defense Health Affairs Memo, dated April 4, 2019.</td>
</tr>
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<td>Renamed “Bibliography” to “References” and updated statutes and supporting references.</td>
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CHAPTER 63

ACCESSION AND CONTINUATION BONUSES FOR NURSE OFFICER CANDIDATES

6301 GENERAL

630101. Purpose

The Secretary of the Military Department concerned is authorized to provide financial assistance to full-time students enrolled in an accredited baccalaureate degree program in nursing to assist in the completion of degree requirements and acceptance of an appointment as a nurse officer. For the purpose of this chapter, “continuation bonus” and “monthly stipend” are synonymous.

630102. Authoritative Guidance

The Health Professions Scholarship Program for Active Service policies and requirements established by the Department of Defense in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

6302 ELIGIBLE STUDENTS

The Accession and Continuation Bonuses are authorized for nursing students who execute an agreement under each of the following conditions:

630201. Senior Reserve Officers Training Corps (SROTC)

The student is enrolled full-time in an accredited nursing baccalaureate degree program at a civilian educational institution that either does not have an SROTC program established by the Secretary of the Military Department concerned who is selecting the student or has an SROTC for which the student is ineligible.

630202. Baccalaureate Degree Program

The student has completed the second year of an accredited baccalaureate degree program in nursing and has more than 6 months of academic work remaining before graduation.

630203. Officer Appointment

The student meets the qualifications for appointment as an officer of a Reserve Component (RC) of the Army, Navy, or Air Force as set forth in 10 U.S.C., section 12201 and the regulations of the Military Department concerned.
6303 AGREEMENT

The student described in section 6302 will execute a written agreement in which the student agrees to the following four provisions:

630301. Degree Completion

The student will complete the nursing degree program described in paragraphs 630201 and 630202.

630302. Reserve Enlistment

The student will, upon acceptance of the agreement by the Secretary of the Military Department concerned, enlist in an RC of the Armed Forces.

630303. Officer Appointment

The student will accept an appointment as an officer in the Nurse Corps of the Army or the Navy or as an officer designated as a nurse officer in the Air Force, upon graduation from the nursing degree program.

630304. Active Duty Obligation

The member will serve on active duty as an officer described in paragraph 630303 as follows:

A. For a period of 4 years in the case of a person whose agreement was accepted by the Secretary of the Military Department concerned during that person’s fourth year of the nursing degree program; or

B. For a period of 5 years in the case of a person whose agreement was accepted by the Secretary of the Military Department concerned during that person’s third year of the nursing degree program.

6304 AMOUNTS PAYABLE

*630401. Accession Bonus (AB)

The Secretary of the Military Department concerned may, upon acceptance of a written agreement, pay an AB to an eligible person in an amount not to exceed $20,000. The AB will be paid in periodic installments, as determined by the Secretary of the Military Department concerned at the time the agreement is accepted, except that the first installment may not exceed $10,000. Unless authorized by the Congress, no agreement may be entered into after the date on the Duration of Authority table.
630402. Monthly Stipend

In addition to the AB, a person selected into the program shall be entitled to a monthly stipend in an amount not to exceed $2,391.60 (effective July 1, 2019, for the 2019-2020 school year). The stipend is payable for each month the individual is enrolled as a full-time student in an accredited baccalaureate degree program in nursing at a civilian educational institution approved by the Secretary of the Military Department concerned who selected the individual. The continuation bonus may be paid for not more than 24 months. For the most current rates, see the Armed Forces Health Professions Stipend & Financial Assistance Program Grant table on DFAS.MIL.

NOTE: Accession and continuation bonuses are subject to Federal income tax withholding but not subject to Federal Insurance Contributions Act.

6305 REPAYMENT

A person will be subject to the repayment provisions of Chapter 2, section 0203, under any of the following conditions:

630501. Withdraws From Program

The student does not complete a nursing degree program in which the student is enrolled in accordance with section 6303.

630502. Commissioning

Having completed a nursing degree program, the student does not become an officer in the Nurse Corps of the Army or the Navy or an officer designated as a nurse officer of the Air Force.

630503. Fails to Complete Service Obligation

The member does not complete the period of obligated active service required under the agreement.
REFERENCES

CHAPTER 63 – ACCESSION AND CONTINUATION BONUSES FOR NURSE OFFICER CANDIDATES

6302 – ELIGIBLE STUDENTS

10 U.S.C. § 2130a
630203  10 U.S.C. § 12201

6303 – AGREEMENT

10 U.S.C. § 2130a(c)

6304 – AMOUNTS PAYABLE

630401  10 U.S.C. § 2130a(a)(1)
630402  10 U.S.C. §§ 2121(d), 2130a(a)(2)
Office of the Assistant Secretary of Defense Health Affairs Memo, April 4, 2019

6305 – REPAYMENT

10 U.S.C. § 2130a(d)
37 U.S.C. §§ 303(e), 373
### VOLUME 7A, CHAPTER 65: “HIGH-DEPLOYMENT ALLOWANCE”

#### SUMMARY OF MAJOR CHANGES

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<tr>
<td>Table 65-1</td>
<td>Removed the note pertaining to the suspension of reporting of data elements due to limitations of Service personnel data systems. The note is no longer valid.</td>
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CHAPTER 65

HIGH-DEPLOYMENT ALLOWANCE

6501 GENERAL

650101. Purpose

A high-deployment allowance may be paid to members who perform lengthy or numerous deployments or frequent mobilizations. However, in a memorandum dated October 8, 2001, the Deputy Secretary of Defense indefinitely suspended the accumulation of deployment days for purposes of determining eligibility for high-deployment allowance due to national security issues.

*650102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

6502 ENTITLEMENT CRITERIA

650201. General

The Secretary of the Military Department concerned may pay a high-deployment allowance to a member for each month during which the member is:

A. Deployed and at any time during that month:
   1. Has been deployed for 191 or more consecutive days; or
   2. Has been deployed 401 or more days out of the preceding 730 days; or

B. A Reserve member who is on active duty:
   1. Under a call or order to active duty for a period of more than 30 days that is the second (or later) such call or order to active duty for that member in support of the same contingency operation; or
   2. For a period of more than 30 days under the provisions of 10 U.S.C., section 12304b, or a provision of law referred to in 10 U.S.C. § 101(a)(13)(B), if such period begins within one year after the date on which the member was released from previous service on active duty for a period of more than 30 days under a call or order issued under such provision of law.
650202. Payment

A. A member may be paid a monthly rate as determined by the Secretary of the Military Department concerned, not to exceed $1,000 per month.

B. Generally, the high-deployment allowance is taxable income. If the high-deployment allowance is earned while the member is serving within a combat zone, then the allowance is eligible for the Combat Zone Tax Exclusion (CZTE). For more information on CZTE, refer to Chapter 44.

650203. Deployment

There are five categories of deployments that must be tracked and counted towards the established management and pay thresholds. See Figure 65-1 for categories of Personnel Tempo (PERSTEMPO) events.

A. Operations. Operations is a military action or the carrying out of a strategic, tactical, service, training, or administrative military mission; providing support to domestic civil, humanitarian, or counter-drug military mission; and the process of carrying on combat, including movement, supply, attack, defense, and maneuvers needed to gain the objectives of any battle or campaign. Operations are generally named by the Joint Staff.

B. Exercise. An exercise is a named military maneuver or simulated wartime operation involving planning, preparation, and execution. It is carried out for the purpose of training or evaluation. It may be a combined, joint, or single-Service exercise, depending on participating organizations.

C. Unit Training. Unit training consists of all or part of a unit accomplishing a training objective at a location other than the permanent duty location. Unit training includes exercises that have not received an official designation.

D. Home Station Training/Local Operating Area of a Ship or Vessel. Home station training/local operating area of a ship or vessel training is conducted within the limits of an installation/base/local operating area of a ship or vessel. The area must have been predetermined and documented by appropriate authorities.

E. Mission Support Temporary Duty (TDY). Mission support TDY consists of duties that include meetings, conferences, staff visits, staff augmentation, and medical appointments.

650204. Nondeployment

For the purpose of this chapter, a member is not deployed or in a deployment when the member is:

A. A student or trainee at a school (including any government school);
B. Performing administrative, guard, or detail duties in garrison at the member’s permanent duty station; or

C. Unavailable because of:

1. Hospitalization of the member at the member’s permanent duty station or homeport or in the immediate vicinity of the member’s permanent residence; or

2. Disciplinary action taken against the member.

650205. Exceptions to Deployment Time

A. **Suspension.** Pursuant to 10 U.S.C. § 991(d), the Secretary of the Military Department concerned may suspend the management of the PERSTEMPO program when such a suspension is in the “national security interests.”

B. **Day Away.** A day away begins on one day and ends on another day. A day away does not require a full 24 hours to be considered a PERSTEMPO day, and the day of return will not count as a day away. For example, if a member departs on Monday afternoon and returns on Tuesday morning, only Monday counts as a PERSTEMPO day.

C. **Leave While Deployed.** Leave in conjunction with a deployment will not count as deployed time away from home. Exceptions to this may be granted at the discretion of the Secretary of the Military Department concerned for those circumstances under which personnel are required to take chargeable leave in order to be exempted from duty requirements or watch standing requirements. In general, leave that would extend the actual or projected deployed time away from home will not be counted as deployed time.

D. **Hospitalization When Deployed.** When a member is deployed and requires hospitalization away from the permanent duty station, the member is still considered deployed. If a member is deployed and requires hospitalization at the permanent duty station, then the member is no longer considered deployed. If a line of duty investigation determines injuries are due to member’s misconduct, then deployment days do not accrue in the hospital.
### Figure 65-1. PERSTEMPO Events

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CHAPTER 65 – HIGH-DEPLOYMENT ALLOWANCE

6501 – GENERAL

Deputy Secretary of Defense Memo, October 8, 2001

6502 – ENTITLEMENT CRITERIA

10 U.S.C. § 991
37 U.S.C. § 436
VOLUME 7A, CHAPTER 66: “CAREER STATUS BONUS (CSB)/CONTINUATION PAY (CP)”

SUMMARY OF MAJOR CHANGES

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<tr>
<td>660609</td>
<td>Added the “CP and CZTE” paragraph in accordance with Title 26, Code of Federal Regulations, part 1.112-1.</td>
<td>Addition</td>
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CHAPTER 66

CAREER STATUS BONUS (CSB)/CONTINUATION PAY (CP)

6601 GENERAL

660101. Purpose

The purpose of this chapter is to provide policy pertaining to Career Status Bonus (CSB) and the Continuation Pay (CP) bonus, which is payable only to members who are in the Blended Retirement System (BRS).

*660102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

6602 CSB ENTITLEMENT

660201. General

The Military Retirement Reform Act of 1986, (henceforth referred to as REDUX), covered Uniformed Service members who first became members beginning on or after August 1, 1986 and before January 1, 2018. These members could elect, upon completion of 15 years of Active Duty (AD) in the Uniformed Services, to either retire under the High-3 retirement system or receive a $30,000 CSB and remain under the REDUX retired pay system. For details on the REDUX retirement plan, see 10 U.S.C., section 1409.

*Note: After December 31, 2017, CSB could not be elected. Sections 6602 – 6604 are included for historical information only. See section 6605 for discontinuance of the CSB.

660202. Eligibility

To be eligible for the opportunity to elect the CSB/REDUX, when the member completes 15 years of AD service, the member must simultaneously meet all the criteria for eligibility. A member who does not meet all criteria, but subsequently does, may not be given the opportunity to make a CSB/REDUX election, unless otherwise stated or approved by the Secretary of the Military Department concerned. A Uniformed Service member is eligible to make a CSB/REDUX Retirement election only when that member:

A. Is serving on AD;
B. First became a Uniformed Service member on or after August 1, 1986 (has a Date of Initial Entry to Military/Uniformed Service (DIEMS)/Date Initial Entry Uniformed Service (DIEUS) of August 1, 1986 or later);

C. Has completed 15 years of AD in the Uniformed Service; and

D. Is otherwise eligible, as determined by the Secretary of the Military Department concerned, to serve continuously on AD until the completion of 20 years of AD service.

660203. CSB/REDUX Eligibility Notification

The Secretary of the Military Department concerned was required to notify all members with a DIEMS/DIEUS between August 1, 1986 and December 31, 2002, whether they were eligible to make a CSB/REDUX election. Notification letters were to be sent on or shortly before the date individuals completed 14 years and 6 months of AD. If a member was not eligible for the CSB/REDUX election, then the notification was to explain why, and inform the member whether, there was an opportunity to make an election in the future under exceptions established in guidance promulgated by the Secretary of the Military Department concerned if the member’s impediment to eligibility was subsequently eliminated. The Secretary of the Military Department concerned promptly notified members who subsequently became eligible to make a CSB election. Effective July 1, 2017, letters notifying members serving on AD of their eligibility to make a CSB election were discontinued. See section 6605.

660204. CSB/REDUX Election

To make a CSB/REDUX election, a member was required to submit a DoD (DD) Form 2839, Career Status Bonus (CSB) Election Form or Service equivalent form, and any other Service required forms as directed in the eligibility notification no later than the date the member attained 15 years of active military service or 6 months after the eligibility notification was sent, whichever was later. After December 31, 2017, CSB could not be elected.

6603 CSB PAYMENT

660301. Payments

Eligible members may elect to receive the CSB under one of the following options:

A. One payment of $30,000;

B. Two annual installments of $15,000 each;

C. Three annual installments of $10,000 each;

D. Four annual installments of $7,500 each; or
E. Five annual installments of $6,000 each.

660302. Timing of Payment

A. Initial Payment. The initial CSB payment must be paid not earlier than the date the member attains 15 years of active service and not later than the end of the first month that begins on or after the date that is 60 days after the date the election is effective.

Example: A member who will attain 15 years of AD service on October 10, 2002, should be sent the CSB/REDUX notification no later than April 10, 2002. The member may complete the necessary forms and return them as directed by the Service concerned, but the election is not effective until October 10, 2002. The Secretary concerned will pay the member the initial payment no earlier than October 10, 2002, and no later than January 31, 2003. The latter date is determined as follows: the date that is 60 days after the effective date of the election is December 9, 2002 so the first month that begins on or after that date is January 2003 – the member must be paid no later than the end of January 2003.

B. Second and Subsequent Payments. Subsequent annual installments will be paid on or about January 15th of each year following the calendar year of the initial payment. All CSB payments qualify for deposit to the Uniformed Services Thrift Savings Plan (TSP). For more information regarding TSP, see Chapter 51.

660303. Tax Consideration

The CSB, if taxable, is income as of the date on which the payment is made to the member. The CSB/REDUX is considered tax exempt if the effective date of the election falls within the month in which the member is entitled to combat zone tax exclusion (CZTE). See Chapter 44, paragraph 440203, for more information.

6604 CSB RECOUPMENT

660401. Recoupment Computation

A CSB recipient who fails to serve continuously on AD until the completion of 20 years of AD must repay a comparable portion of the CSB received. The amount is calculated by multiplying $30,000 by a factor that is determined by dividing the uncompleted period of AD by the total period of continuous AD required as a result of the CSB/REDUX election. In making the calculation, months and days must be expressed as decimal fractions of a year (to the nearest .00000001). Each month is 1/12th of a year, and each day is 1/360th of a year, rounded to the eighth decimal place. (See Figure 66-1 for computation decimals.) See Examples 1 and 2. Use this same formula to compute the installment repayment amount, except use the completed (vice the uncompleted) time served to determine the bonus amount earned, and deduct the figure from the installment totals to determine the overpayment (See Example 3).
Example 1: A member’s CSB/REDUX election is effective upon attaining 15 years of active service on October 10, 2001. The member is obligated to serve through October 10, 2006 (5 full years). If the member’s last day of AD is December 31, 2002, then the member will have failed to complete 3 years, 9 months and 10 days of required service. The member's repayment is computed as follows:

The period of agreed additional service is: 5 full years.

The service not completed is: 3 years, 9 months, and 10 days, or
\[3 + .75 + .02777778 = 3.77777778 \text{ years.}\]

The required repayment is:
\[(3.77777778 / 5) \times 30,000 = .75555556 \times 30,000 = 22,666.67.\]

Example 2: A member not initially notified of eligibility for a CSB, was later notified and made a CSB/REDUX election that was effective upon attainment of 16 years, 6 months, and 23 days of service. The member thus agreed to complete an additional 3 years, 5 months, and 7 days of service, but later separated, failing to complete 2 years, 3 months, and 11 days of that time. The member's repayment is computed as follows:

The period of agreed additional service is:
\[3 + .41666667 + .01944444 = 3.43611111 \text{ years.}\]

And the service not completed is:
\[2 + .25 + .03055556 = 2.28055556 \text{ years.}\]

The required repayment is: \((2.28055556 / 3.43611111) \times 30,000\)
\[= .66370251 \times 30,000 = 19,911.08.\]

Example 3: A member’s CSB/REDUX election is effective after attaining 15 years of active service on October 10, 2002 and the member received the first installment of $15,000. The member is obligated to serve through October 9, 2007 (5 full years). The member’s last day on AD is December 31, 2003, after completing only 1 year, 2 months and 20 days of required service. The member’s repayment is computed as follows:

The period of agreed additional service is: 5 full years.

The service completed is:

1 year, 2 months, and 20 days, or \[1 + .16666667 + .05555556 = 1.22222223 \text{ years.}\]
The amount earned is: \((1.22222223/5) \times 30,000 = 0.24444444 \times 30,000 = 7,333.33\).

The required repayment is: \(15,000 - 7,333.33 = 7,666.67\).

660402. Waiver of CSB Recoupment

The Secretary of the Military Department concerned may waive, in whole or in part, the required CSB refund if the Secretary determines that recovery would be against equity and good conscience or contrary to the best interests of the United States.

A. The Secretary of the Military Department concerned will waive the required refund if the member:

1. Dies;

2. Is separated or retired as a result of a physical disability under 10 U.S.C., Chapter 61; or

3. Is separated under a Service offer for early retirement such as Temporary Early Retirement Authority (commonly referred to as TERA) or other separation program.

B. The Secretary of the Military Department concerned will not waive repayment if the member's separation is due to misconduct or if a waiver of repayment would be inconsistent with other prescribed law, regulation, or policy.

6605 DISCONTINUATION OF CSB

660501. General


660502. Limitations

An agreement to elect a reduced retirement multiplier in exchange for a CSB made on or prior to December 31, 2017, will remain in effect. Any payments pursuant to a CSB agreement entered into on or before December 31, 2017, may continue to be made on or after January 1, 2018. December 31, 2002 is the last date a member could have the qualifying DIEMS date, achieve 15 years of active military service required for CSB eligibility, and be able to enter into an agreement for CSB.
6606 CP

660601. General

Public Law 114-92, as amended by P.L.114-328 (section 633), established CP as a bonus payable on or after January 1, 2018. CP is a one-time, mid-career bonus payment for Service members of the Uniformed Services covered by the BRS, in exchange for an agreement to perform additional obligated service. CP is only payable to members in the BRS. A CP payment is in addition to any other career field-specific incentives or retention bonuses.

Note: The Deputy Secretary of Defense (DepSecDef) memo, January 27, 2017; the DoD Financial Management Regulation 7000.14-R, Volume 7B; and Service regulations provide comprehensive policy and guidance regarding retirement under the BRS.

660602. Eligibility

A. The following Active Component (AC) members are eligible to receive CP. Any AC member who:

1. Is covered under the BRS;

2. Has completed not less than 8 and not more than 12 years of service (YOS), as computed from the member’s Pay Entry Base Date (PEBD); and

3. Is eligible to enter into an agreement to serve not less than an additional 3 years in the AC.

B. The following Reserve Component (RC) members are eligible to receive CP. Any RC member who:

1. Is covered under the BRS;

2. Has completed not less than 8 and not more than 12 YOS as computed from the member’s PEBD;

3. Is a Service member of the Selected Reserve (SELRES), or otherwise a member of the Ready Reserve in a status in which the member is eligible to receive basic pay or inactive duty pay;

4. Is eligible in accordance with criteria published by the Secretary of the Department concerned; and

5. Is eligible to enter into an agreement to serve not less than an additional 3 years in the SELRES.
660603. CP Amount

The Secretary concerned determines the CP amount, the timing of when CP is offered, and the duration of the associated additional obligated service. The amount of CP payable depends on whether a member is AC or RC.

A. For an AC member, CP will be not less than 2.5 times and not more than 13 times the monthly basic pay of an AC member based on the member’s current paygrade and YOS.

B. For an RC member, CP will be an amount not less than 0.5 times and not more than 6 times the monthly basic pay of a member of the same grade and YOS on AD. An RC member performing active Guard and Reserve service, as defined in 10 U.S.C. § 101(d)(6), will be paid CP at the rate of an AC member subject to agreement to continue serving not less than an additional 3 years in active service as defined in 10 U.S.C. § 101(d)(3).

660604. Obligated Service

A. A Service member who accepts CP and enters into an agreement will serve not less than 3 years of additional service, the length of mandatory service to be determined by the Secretary concerned in the component they were serving in at the time of agreement, commencing upon acceptance by the Secretary concerned of the agreement to continue serving.

B. The obligated service will run concurrently with any other service obligations, unless other service obligations incurred specifically preclude concurrent obligations.

C. RC members will perform obligated service in the SELRES, subject to the conditions and requirements prescribed by the Secretary concerned.

D. RC members performing active Guard and Reserve service, as defined in 10 U.S.C. § 101(d)(6), who receive CP at the rate of an AD member, will perform obligated service on AD unless otherwise prescribed by the Secretary concerned.

660605. Payment

A Service member who qualifies for CP may elect to receive the payment in a single lump sum or elect a series of equal installment payments, not to exceed four annual payments over 4 consecutive years.

660606. Timing

A. Full TSP Members. In accordance with 37 U.S.C. § 356, the Secretary concerned will pay CP to full TSP members (as defined in 5 U.S.C. § 8440e(a)) who meet the eligibility requirements in paragraph 660602 and who have completed not less than 8 and not more than 12 YOS.
B. **CP Multiple.** The CP multiple used in calculating is the actual paygrade and YOS of a member on the day CP is authorized. See subparagraphs 660603.A and B for the AC and RC multiples for calculating CP.

C. **YOS Rate.** For CP payments, the following rates apply:

1. A member with at least 8 YOS but less than 10 YOS will be paid at the rate of over 8 YOS.

2. A member with at least 10 YOS but less than 12 YOS will be paid at the rate of over 10 YOS.

3. A member with exactly 12 YOS but no more than 12 YOS will be paid at the rate of over 12 YOS.

660607. **Non-availability**

Service members who incur a period of extended absence, subject to the approval of the Secretary concerned, which precludes meeting the terms of obligated service must have installment payments suspended during this period. If subsequently re-assigned to the member’s previous status, or a new status at the discretion of the Secretary concerned, CP installment payments may resume and the term of service extended accordingly to ensure fulfillment of the original agreement period. The date of completion of the obligated service must be adjusted for periods of authorized absence. Failure to meet reinstatement criteria will result in termination of the CP and repayment, as appropriate.

660608. **Repayment**

A. A Service member who received CP but who fails to complete the period of obligated service described in paragraph 660604, or fails to maintain the skills for which an amount greater than the minimum amount specified in paragraph 660603 was paid; is subject to full or partial repayment in accordance with 37 U.S.C. § 373, and the repayment provisions in Chapter 2.

B. A Service member who received CP, but is later discovered to be ineligible to enroll or whose enrollment is determined to be erroneous will have their enrollment voided. Such members will be placed under the correct retirement system upon discovery of the error. The Secretary concerned will initiate action to obtain repayment of CP, in accordance with 37 U.S.C. § 373 and Chapter 2.

C. The Secretary concerned may grant an exception to the repayment requirement and requirement to terminate the payment of unpaid amounts of CP if the Secretary concerned determines that the imposition of the repayment and termination requirements with regard to a member of the Uniformed Services would be contrary to a personnel policy or management objective, would be against equity and good conscience, or would be contrary to the best interests of the United States.
Note: The Secretary of the Military Department concerned will not grant the exception for repayment if the member's separation is due to misconduct or if a waiver of repayment would be inconsistent with other prescribed law, regulation, or policy.

*660609. CP and CZTE

Service members, who become entitled to CP while serving in a designated combat zone, are entitled to have the amount of the CP excluded from their gross income for the tax year in which the CP is received, subject to the limitation amount as discussed in Chapter 44.

A Service member must be eligible for CP in accordance with their Service’s eligibility requirements and enter into agreement while serving in the designated combat zone to be eligible to exclude the payment from their taxable income. The CZTE applies to CP when the member becomes entitled to the pay while serving in a combat zone, even if received outside of a combat zone.

The CZTE is not dependent upon when the Service member receives the compensation.

Example 1: The Service member is deployed in a combat zone. Just before departing the combat zone, the member reaches 11 years, 10 months of service and signs an agreement for an additional 4 YOS in return for CP. The Secretary concerned has established that to be eligible for the CP, the member must have 12 YOS. The member reaches 12 YOS two months after returning from the combat zone and receives a lump sum payment of $8,000.

The Service member’s $8,000 CP is not eligible for CZTE and must be included in the member’s gross income for the year in which received. It is not eligible for CZTE because it was not earned in a combat zone. The Service member did not become entitled to the CP until two months after returning from the combat zone, when the member met the eligibility requirements for CP.

Example 2: The Service member is deployed in a combat zone. While in the combat zone, the member enters into an agreement for CP in exchange for an additional 4 YOS. The member also elects to receive CP in annual installment payments. The Secretary concerned has established that to be eligible for the CP, the member must have 12 YOS. The member reaches 12 YOS just before departure from the combat zone. The member receives each of the subsequent annual installment payments of $2,000 outside of a combat zone.

Each of the Service member’s $2,000 annual installment payments for CP are eligible for the CZTE and are not included in the member’s gross income for the year in which received. The member became entitled to the CP while serving in a combat zone. Each of the annual payments relates back to the member’s service in the combat zone, and thus retains the CZTE.
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2B

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* February 2020

Figure 66-1. Recoupment Computational Factors of Fractional Years
Months
(Mos)

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Fractional
Years
0.00277778
0.00555556
0.00833333
0.01111111
0.01388889
0.01666667
0.01944444
0.02222222
0.025
0.02777778
0.03055556
0.03333333
0.03611111
0.03888889
0.04166667
0.04444444
0.04722222
0.05
0.05277778
0.05555556
0.05833333
0.06111111
0.06388889
0.06666667
0.06944444
0.07222222
0.075
0.07777778
0.08055556
0.08333333
0.08333333
0.08611111
0.08888889
0.09166666
0.09444444
0.09722222
0.1
0.10277777
0.10555555
0.10833333
0.11111111
0.11388889
0.11666666
0.11944444
0.12222222
0.125
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Mos Days
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Fractional
Years
0.13055555
0.13333333
0.13611111
0.13888889
0.14166666
0.14444444
0.14722222
0.15
0.15277777
0.15555555
0.15833333
0.16111111
0.16388889
0.16666667
0.16666667
0.16944445
0.17222223
0.175
0.17777778
0.18055556
0.18333334
0.18611111
0.18888889
0.19166667
0.19444445
0.19722223
0.2
0.20277778
0.20555556
0.20833334
0.21111111
0.21388889
0.21666667
0.21944445
0.22222223
0.225
0.22777778
0.23055556
0.23333334
0.23611111
0.23888889
0.24166667
0.24444445
0.24722223
0.25
0.25
0.25277778

See next page for 6 months or more.

66-12

Mos Days
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Fractional
Years
0.25555556
0.25833333
0.26111111
0.26388889
0.26666667
0.26944444
0.27222222
0.275
0.27777778
0.28055556
0.28333333
0.28611111
0.28888889
0.29166667
0.29444444
0.29722222
0.3
0.30277778
0.30555556
0.30833333
0.31111111
0.31388889
0.31666667
0.31944444
0.32222222
0.325
0.32777778
0.33055556
0.33333333
0.33333333
0.33611111
0.33888889
0.34166666
0.34444444
0.34722222
0.35
0.35277777
0.35555555
0.35833333
0.36111111
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0.36666666
0.36944444
0.37222222
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Mos Days
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Fractional
Years
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0.38611111
0.38888889
0.39166666
0.39444444
0.39722222
0.4
0.40277777
0.40555555
0.40833333
0.41111111
0.41388889
0.41666667
0.41666667
0.41944444
0.42222222
0.42499999
0.42777777
0.43055555
0.43333333
0.4361111
0.43888888
0.44166666
0.44444444
0.44722222
0.44999999
0.45277777
0.45555555
0.45833333
0.4611111
0.46388888
0.46666666
0.46944444
0.47222222
0.47499999
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0.48333333
0.4861111
0.48888888
0.49166666
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2B

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* February 2020

Figure 66-1. Recoupment Computational Factors of Fractional Years (Continued)
Mos Days
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Fractional
Years
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0.51388889
0.51666667
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0.52777778
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0.53611111
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Mos Days
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CHAPTER 66 - CAREER STATUS BONUS (CSB)/CONTINUATION PAY (CP)

6601 - GENERAL

37 U.S.C. § 354
Assistant Secretary of Defense (ASD)
Memo, February 2, 2001
P.L. 114-92, section 635, November 25, 2015
DepSecDef Memo, January 27, 2017

6602 – CSB ENTITLEMENT

37 U.S.C. § 354
P.L. 106-65, section 641, October 5, 1999
ASD Memo, February 2, 2001
P.L. 107-107, section 620, December 28, 2001

6604 – CSB RECOUPEMENT

37 U.S.C. § 354(f)
37 U.S.C. § 373
ASD Memo, February 2, 2001

660403

37 U.S.C. § 354
DepSecDef Memo, January 27, 2017

6605 – DISCONTINUANCE OF CSB

37 U.S.C. § 354
DepSecDef Memo, January 27, 2017

6606 – CP

37 U.S.C. § 356
DepSecDef Memo, January 27, 2017

660609

26 U.S.C. § 112(c)
Title 26, Code of Federal Regulations, part 1.112-1
VOLUME 7A, CHAPTER 67: “COST OF LIVING ALLOWANCE (COLA) IN THE CONTINENTAL UNITED STATES (CONUS)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

This is the initial publication.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>This is a new chapter. The policy for Cost of Living Allowance in the Continental United States was relocated from the Joint Travel Regulations, Chapter 8.</td>
<td>New Chapter</td>
</tr>
</tbody>
</table>
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COST OF LIVING ALLOWANCE (COLA) IN THE CONTINENTAL UNITED STATES (CONUS)

6701 GENERAL

670101 Purpose

This chapter identifies the eligibility requirements for a Service member to receive a cost of living allowance (COLA) for an assignment in the continental United States (CONUS). This chapter specifies the rates payable and the effect that a dependent has upon those rates.

670102 Authoritative Guidance

This chapter transitions policy previously cited in the Joint Travel Regulations (JTR), Chapter 8. Title 37, United States Code, section 403b provides the statutory requirements for this chapter.

6702 DEFINITIONS SPECIFIC TO CONUS COLA

670201 Base Period

The 1-year period beginning July 1 and ending the following June 30, during which time data is gathered to provide the basis for designating a location a high-cost area.

670202 Threshold Percentage

The threshold percentage is the limit for determining whether a location is a high-cost area. The Secretary of Defense, in consultation with the other Administering Secretaries, establishes the amount, which by law may not be less than 8%. It must be adjusted when necessary to ensure the total amount of CONUS COLA payments does not exceed the amount available to the Department of Defense (DoD) for paying CONUS COLA that fiscal year.

670203 High-Cost Area

A high-cost area is a location where a Service member’s cost of living is at least 8% higher than the average cost of living in the CONUS. The data gathered during the base period is used to determine the cost of living at that location for the following fiscal year. When a location exceeds the threshold percentage, the CONUS COLA for that area begins on the first day of the new calendar year immediately following the base period.

670204 Service Member With a Dependent

A Service member is with a dependent if he or she is authorized the basic allowance for housing (BAH) or would be authorized BAH at the with dependent rate if Government quarters
were not occupied. This does not include a Service member authorized BAH at the with dependent rate solely based on paying child support. A spouse who is also a Service member on active duty may not be a dependent for CONUS COLA purposes. See Chapter 26 for BAH.

670205 Service Member Without a Dependent

A Service member is considered without a dependent if any of the following conditions are met:

A. The Service member is authorized BAH at the without dependent rate.

B. The Service member would be authorized the without dependent BAH rate if Government quarters were not occupied.

C. The Service member is authorized the with dependent BAH rate solely based on paying child support.

670206 Primary Dependent

A primary dependent is either the Service member’s spouse or, for an unmarried Service member, a dependent as defined in Volume 7A, “Definitions,” excluding the following:

A. A dependent transported outside the CONUS (OCONUS) at Government expense who then returns at Government expense after he or she no longer qualifies as a dependent.

B. A Service member’s or spouse’s parent, stepparent, parent by adoption, or any other person (including a former stepparent) authorized as a dependent.

C. A Service member’s former spouse, former dependents, or former dependent children authorized return transportation to the CONUS.

670207 Unaccompanied Status

A Service member is considered to be in an unaccompanied status during any portion of an assignment to a permanent duty station (PDS) OCONUS while a dependent resides in, or returns to, a location in the CONUS to establish a permanent residence.

670208 PDS for Service Member Assigned to Ship or Afloat Staff

The homeport of the ship or afloat staff to which a Service member is assigned is his or her PDS for CONUS COLA purposes.
6703  CONUS COLA ELIGIBILITY

Table 67-1. CONUS COLA Eligibility

<table>
<thead>
<tr>
<th></th>
<th>CONUS COLA Eligible</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A Service member is assigned to a high-cost area in the CONUS.</td>
</tr>
<tr>
<td></td>
<td>A Service member is in an unaccompanied status OCONUS, if the Service member’s primary dependent resides in a high-cost area in the CONUS.</td>
</tr>
<tr>
<td></td>
<td>A new Service member is ordered to active duty to a high-cost area through accession.</td>
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<tr>
<td></td>
<td>A Service member is married to another Service member. Each is authorized CONUS COLA. This authority exists whether the married Service members maintain a joint residence or separate residences.</td>
</tr>
<tr>
<td></td>
<td>A Service member is assigned to duty in the CONUS and the primary dependent does not reside at the PDS in the CONUS and it is determined through the Secretarial Process that both of the following conditions apply:</td>
</tr>
<tr>
<td></td>
<td>The Service member’s primary dependent resides in a high-cost area in the CONUS because of the Service member’s PDS or other circumstances.</td>
</tr>
<tr>
<td></td>
<td>It would be inequitable for the allowance to be determined on the basis of the Service member’s PDS.</td>
</tr>
<tr>
<td></td>
<td>A Reserve Component (RC) member is authorized CONUS COLA only when the call to active duty is for a period of 140 or more days or is in support of a contingency operation.</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>CONUS COLA Ineligible</th>
</tr>
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<tbody>
<tr>
<td>2</td>
<td>During the travel days a Service member is authorized for a permanent change of station (PCS) between the old PDS and new PDS. If the Service member is receiving CONUS COLA before the PCS, then the CONUS COLA payments stop on the first travel day.</td>
</tr>
<tr>
<td></td>
<td>During the travel days a Service member (including an RC member) is authorized for a PCS (see the JTR) from the place last entered (or called to) active duty (PLEAD) to the first PDS. If the Service member is receiving CONUS COLA before the PCS, then the CONUS COLA payments stop on the day before the first travel day.</td>
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<tr>
<td></td>
<td>For an RC member on active duty under an order for 139 or fewer days, unless the duty is in support of a contingency operation (see Section 6706).</td>
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<td>For more than one location at a time.</td>
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670301. CONUS COLA Rates Payable

A. Rates Based upon Location. CONUS COLA rates are based on the Service member’s PDS, his or her homeport, a designated place, or the primary dependent’s location when authorized or approved through the Secretarial Process or authorized in this chapter. The CONUS COLA rate paid to the Service member does not change when the Service member is on leave.

1. CONUS COLA based on the PDS begins on the day the Service member reports to the new PDS and ends the day before reporting to the next PDS. The CONUS COLA rate applicable to the primary dependent’s permanent residence starts on either the date the primary dependent arrives at the new residence or the date the Service member reports to the new PDS in connection with the transfer, whichever is later. When a Service member is departing from a PDS OCONUS and the new PDS is in the CONUS, then the Service member is authorized CONUS COLA for the new PDS starting on his or her reporting date at the new PDS.
a. The CONUS COLA rate payable based on the primary dependent’s old permanent residence or the Service member’s old PDS continues through the day before the Service member reports to the new PDS or the rate for the new permanent residence begins. CONUS COLA at the old rate ends the day before the rate based on the new permanent residence begins.

b. When a Service member is stationed OCONUS, but the primary dependent is in the CONUS, see paragraph 670407 for exceptions.

2. The Service member may be authorized through the Secretarial Process CONUS COLA at the rate for the dependent’s location instead of the rate for the new PDS when it is necessary for the Service member and dependent to maintain separate residences.

a. If the primary dependent does not relocate, CONUS COLA would continue to be based on the rate payable for the primary dependent’s permanent residence or the Service member’s old PDS.

b. When the primary dependent’s permanent residence is at a location different than the old PDS, and the Service member was paid based on the rate for the old PDS, the rate payable for the primary dependent’s residence begins on the service member’s reporting day to the new PDS.

3. If two married Service members maintain a joint residence with a dependent, CONUS COLA is paid to one spouse at the with dependent rate and to the other spouse at the without dependent rate.

4. When a Service member is on a PCS to a new PDS in the CONUS and has a Temporary Duty (TDY) in route, CONUS COLA at the new PDS rate begins the day after per diem stops provided both of the following occur:

a. The TDY is near but not at the PDS.

b. The Service member commutes to the TDY location from what will become the permanent quarters after reporting to the new PDS.

B. Service Member Assigned to a Ship or Afloat Staff Homeport. Regardless of BAH eligibility, a Service member assigned to a ship or afloat staff is eligible for CONUS COLA unless the Service member is already drawing CONUS COLA for a dependent at another location.

1. The CONUS COLA rate is based on the homeport of the Service member’s assigned ship or afloat staff.

2. For CONUS COLA related to a homeport change:
a. The CONUS COLA rate for the old homeport stops on the day before the effective date of the homeport change, and the rate for the new homeport begins on the effective date of the homeport change.

b. A Service member without a dependent who ordinarily resides onboard the ship is authorized the CONUS COLA rate for the old homeport until the day he or she moves back aboard the ship, under all of the following conditions:

(1) Quarters on board the ship are not available, such as when a ship is in dry-dock.

(2) The ship or afloat staff is delayed at the old homeport after the effective date of the homeport change.

C. Accessions. A new Service member is authorized CONUS COLA at the rate based upon whether he or she has a dependent.

   1. The without dependent rate is based on the duty location. The rate changes on the Service member’s arrival day at each duty location until the Service member arrives at the first PDS.

   2. A Service member may elect the with dependent rate for either the duty location or the primary dependent’s location. If the Service member selects the primary dependent’s location, the rate is based on the primary dependent’s location until the day before the Service member’s arrival day at the first PDS.

D. Service Member Processing for Separation or Retirement. CONUS COLA is paid during separation or retirement processing based on one of the following:

   1. The last PDS rate.

   2. The primary dependent’s location immediately before separation processing, if previously authorized that rate instead of the PDS rate.

   3. The separation or retirement processing station in the CONUS for a Service member who separates in the CONUS from a PDS OCONUS.

   670302. Secretarial Waiver When the Primary Dependent Does not Reside at the PDS in the CONUS

   Ordinarily, CONUS COLA is paid based on the Service member’s PDS or a ship or afloat unit’s homeport. However, the Service may determine through the Secretarial Process that a Service member’s assignment to a PDS or the circumstances of that assignment requires the dependent to reside separately and authorize or approve CONUS COLA payment based on the dependent’s location. If the Secretarial Process determines that it is necessary for the primary dependent to maintain a permanent residence in the CONUS at a location other than the Service
member’s PDS, the Service member may be authorized CONUS COLA at the rate for the primary
dependent’s permanent residence instead of for the Service member’s PDS.

670303. Concurrent Payment of OCONUS COLA and CONUS COLA

A Service member assigned to a PDS OCONUS may be paid OCONUS COLA at the
without dependent rate and a CONUS COLA at the with dependent rate applicable for the high-
cost area in the CONUS where the primary dependent resides only if no command-sponsored
dependent is residing OCONUS with the Service member.

A. Service Member Departs. If, after a Service member departs, the Service
member is authorized an extension of OCONUS COLA for a dependent residing OCONUS
through the Secretarial Process, the Service member may be paid OCONUS COLA at the with
dependent rate, and CONUS COLA at the without dependent rate based on the new PDS. The
specified COLA continues through the date the OCONUS COLA extension ends.

B. Dependent Leaves Residence OCONUS. Beginning the day the dependent
permanently leaves the residence OCONUS, the Service member may be paid CONUS COLA at
the with dependent rate for the PDS in the CONUS.

6704 CONUS COLA AND DEPENDENT CIRCUMSTANCES

670401. Service Member Paying Child Support

A Service member is authorized CONUS COLA at the without dependent rate when he or
she is authorized BAH at the with dependent rate or BAH Differential (see Chapter 26) based
solely on child-support payment.

670402. Effect of Physical Custody of a Child on CONUS COLA

Ordinarily, a divorced or legally separated Service member who is not identified as the
full-time legal custodial parent of a child in the divorce decree or legal separation agreement is not
authorized CONUS COLA at the with dependent rate.

A. Service Member has Physical Custody but not Legal Custody. A Service
member parent who has physical custody, but not legal custody, of at least one child is authorized
CONUS COLA at the with dependent rate if both of the following conditions are met:

1. The Service member is authorized BAH.

2. Physical custody is for a minimum of 90 consecutive days. A break
of 5 or fewer days is not considered an interruption of the 90-day period, even if there are multiple
breaks of 5 or fewer days.

B. Two Service Members Divorce or Separate. When the divorce or separation
is between two Service members, it is possible for both Service members to be authorized CONUS
COLA at the with dependent rate if each Service member has physical custody of one or more children at the same time.

C. Service Member Paying Child Support has Physical Custody. If a Service member paying child support has physical custody of a child for 91 or more consecutive days, excluding any breaks for 5 or fewer days, the Service member does not receive BAH at the with dependent rate solely because of child support payments.

670403. Service Member Acquires a Dependent

A. General Rules. When a Service member acquires a primary dependent, CONUS COLA is paid based on the PDS if the Service member is assigned to a PDS in the CONUS and when he or she meets the conditions in Table 67-2.

Table 67-2. Service Member Acquires a Dependent who is in the CONUS

<table>
<thead>
<tr>
<th>Location of Service Member’s PDS</th>
<th>Basis for CONUS COLA</th>
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</table>
| 1 In the CONUS                   | a. If the dependent is located at or near the PDS, change CONUS COLA to the with dependent rate based on the PDS as of the date the Service member gained the dependent.  
                                     b. If the dependent is not located at or near the PDS, change CONUS COLA to the with dependent rate based on the Service member’s PDS as of the date the Service member gained the dependent or, if the Service member requested and received a Secretarial waiver, based on the dependent’s location as of that date (see par. 670302). |
| 2 OCONUS                         | a. The dependent’s location if the dependent does not reside at or near the PDS OCONUS.  
                                     b. Start CONUS COLA at the with dependent rate based on the dependent’s location as of the date he or she became a dependent. |

B. Dependent Visits or Moves to the PDS. A dependent may visit the Service member for 90 or fewer days at the PDS without changes to the CONUS COLA. When the visit exceeds 90 days, the CONUS COLA rate changes to the rate for the Service member’s PDS location on the 91st day. If the dependent leaves the PDS area after the CONUS COLA changes, the CONUS COLA previously authorized for the dependent’s location is reinstated as of the departure date.

670404. Advance and Delayed Dependent Travel to a PDS OCONUS

When a PCS order is issued, the Service member’s family may perform PCS travel at a different time than the Service member. See paragraph 670302 when a dependent is required to reside away from the Service member’s PDS.
A. CONUS COLA Based on a Dependent’s Location or Old PDS

1. Unless otherwise authorized or approved, a Service member’s CONUS COLA is based on the PDS.

2. If authorized or approved through the Secretarial Process, a Service member may be authorized CONUS COLA based on the dependent’s permanent residence or the old PDS.

B. Applicable Rates. If a dependent relocates, the rate for the dependent’s location starts on the date the primary dependent arrives at the new residence. If the dependent does not relocate, CONUS COLA is based on the primary dependent’s location and continues until the primary dependent departs the authorized or approved location.

Table 67-3. Dependent Performs PCS Travel Before the Service Member

<table>
<thead>
<tr>
<th>If…</th>
<th>And the CONUS COLA for the dependent’s location…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>the old PDS was in the CONUS and the new PDS is in the CONUS</td>
<td>a. was authorized or approved through the Secretarial Process,</td>
<td>(1) stop CONUS COLA based on the old PDS the day before the primary dependent arrives.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) Start CONUS COLA based on the primary dependent’s location on the arrival date or the date specified by the authorizing or approving document, whichever is later.</td>
</tr>
<tr>
<td></td>
<td>b. was not authorized or approved through the Secretarial Process,</td>
<td>(1) continue CONUS COLA based on the current PDS until the Service member arrives at the new PDS.*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) Start CONUS COLA based on the new PDS the day the Service member arrives at the new PDS.</td>
</tr>
<tr>
<td>the old PDS was in the CONUS and the new PDS is OCONUS</td>
<td>a. was authorized or approved through the Secretarial Process,</td>
<td>(1) continue CONUS COLA based on the current PDS until the Service member arrives at the new PDS.*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) Start OCONUS COLA based on the dependent’s location on the arrival date, or the date specified by the authorizing or approving document, whichever is later.</td>
</tr>
<tr>
<td></td>
<td>b. was not authorized or approved through the Secretarial Process,</td>
<td>continue CONUS COLA based on the current PDS until the Service member arrives at the new PDS.*</td>
</tr>
<tr>
<td>the old PDS was OCONUS and the new PDS is in the CONUS</td>
<td>a. was authorized or approved through the Secretarial Process,</td>
<td>start CONUS COLA based on the primary dependent’s location on the arrival date, or the date specified by the authorizing or approving document, whichever is later.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>start CONUS COLA based on the new PDS the day the Service member arrives at the new PDS.*</td>
</tr>
</tbody>
</table>

*COLA is not payable on authorized days of travel.
Table 67-4. Dependent Travel After a Service Member

<table>
<thead>
<tr>
<th>If…</th>
<th>And the CONUS COLA for the dependent’s location…</th>
<th>Then…</th>
</tr>
</thead>
</table>
| 1    | the old PDS was in the CONUS and the new PDS is in the CONUS | a. was authorized or approved through the Secretarial Process, | (1) continue the CONUS COLA based on the old PDS or the primary dependent’s location, whichever has a higher rate.*  
(2) Start CONUS COLA based on the new PDS as of the date the primary dependent departs provided the Service member has arrived at the new PDS.  

| 2    | the old PDS was in the CONUS and the new PDS is OCONUS | a. was authorized or approved through the Secretarial Process, | (1) continue the CONUS COLA based on the old PDS or the primary dependent’s location, whichever has a higher rate.*  
(2) Stop CONUS COLA on the day before the primary dependent departs.  

|     | b. was not authorized or approved through the Secretarial Process, | continue the CONUS COLA based on the current PDS until the Service member arrives at the new PDS.  
(2) Start CONUS COLA based on the new PDS the day the Service member arrives at the new PDS.  

*COLA is not payable on authorized days of travel.

670405. Government Defers Dependent Travel

A. Government Defers Dependent Travel to a PDS OCONUS. Table 67-5 specifies the decision process for CONUS COLA when the Government defers a dependent’s travel to a PDS OCONUS, pending housing availability at the PDS.
Table 67-5. Government Defers Dependent’s Authorized Travel to a PDS OCONUS

<table>
<thead>
<tr>
<th>If the expected travel delay is…</th>
<th>And…</th>
<th>Then…</th>
</tr>
</thead>
</table>
| 1  | a. the dependent arrives within 60 days of being given permission to travel to the PDS OCONUS, | (1) continue CONUS COLA based on the old PDS upon the Service member’s departure.*  
(2) start CONUS COLA for the authorized dependent’s location upon the Service member’s arrival date.  
(3) Stop CONUS COLA on the day before the primary dependent arrives at the new PDS. |
|  | b. the dependent does not arrive within 60 days of being given permission to travel to the PDS OCONUS, | (1) continue CONUS COLA based on the old PDS upon the Service member’s departure.*  
(2) start CONUS COLA for the authorized dependent’s location upon the Service member’s arrival date.  
(3) Stop CONUS COLA on the 60th day. |
| 2  | a. the dependent arrives within 60 days of being given permission to travel to the PDS OCONUS, | (1) continue CONUS COLA based on the old PDS upon the Service member’s departure.*  
(2) start CONUS COLA for the authorized dependent’s location upon the Service member’s arrival date.  
(3) Stop CONUS COLA on the day before the primary dependent arrives at the new PDS. |
|  | b. the dependent does not arrive within 60 days of being given permission to travel to the PDS OCONUS, | (1) continue CONUS COLA based on the old PDS upon the Service member’s departure.*  
(2) start CONUS COLA for the authorized dependent’s location upon the Service member’s arrival date.  
(3) Stop CONUS COLA on the 60th day. |
| 3  | a. the dependent arrives within 60 days of being given permission to travel to the PDS OCONUS, | (1) change the CONUS COLA rate on the date the primary dependent arrives at the designated location from the rate based on the old PDS to the rate based on the designated location.*  
(2) Stop CONUS COLA on the day before the primary dependent arrives at the new PDS. |
|  | b. the dependent does not arrive within 60 days of being given permission to travel to the PDS OCONUS, | (1) change the CONUS COLA rate on the date the primary dependent arrives at the designated location from the rate based on the old PDS to the rate based on the designated location.*  
(2) Stop CONUS COLA on the 60th day. |

*COLA is not payable on authorized days of travel.

B. Government Defers Dependent Travel to a PDS in the CONUS. CONUS COLA payment based on the primary dependent’s location or old PDS continues for up to 60 days after dependent travel is authorized. If the dependent has not arrived at the Service member’s PDS by the end of 60 days, and an extension to, or a waiver of, the 60-day limit has not been granted through the Secretarial Process, CONUS COLA based on the dependent’s location changes to CONUS COLA based on the PDS location.
1. If a dependent is not relocated at Government expense, then Table 67-6 specifies the decision process for CONUS COLA when the Government delays the dependent’s travel to a PDS in the CONUS and the expected travel delay is 139 or fewer days (20 weeks).

Table 67-6. Government Defers Dependent’s Travel to a PDS in the CONUS when the Old PDS is in the U.S. and the Expected Travel Delay is 139 or Fewer Days (20 Weeks)

<table>
<thead>
<tr>
<th>If the dependent…</th>
<th>And the CONUS COLA for the dependent’s location…</th>
<th>Then upon the Service member’s departure, continue CONUS COLA based on the old PDS*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. arrives within 60 days of travel authority,</td>
<td>was authorized or approved through the Secretarial Process,</td>
<td>(1) Upon the Service member’s arrival date, start CONUS COLA for the authorized dependent’s location through the day before the primary dependent arrives at the new PDS.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) Beginning on the primary dependent’s arrival date at the PDS, start CONUS COLA based on the new PDS.</td>
</tr>
<tr>
<td>2. does not arrive within 60 days of travel authority,</td>
<td>was not authorized or approved through the Secretarial Process,</td>
<td>(1) Upon the Service member’s arrival date, start CONUS COLA for the authorized dependent’s location for up to 60 days.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) Beginning on the 61st day, base CONUS COLA on the new PDS.</td>
</tr>
<tr>
<td>3. does not travel</td>
<td></td>
<td>and beginning on the arrival date, start CONUS COLA based on the new PDS.*</td>
</tr>
</tbody>
</table>

*COLA is not payable on authorized days of travel.

2. Table 67-7 specifies the decision process for CONUS COLA when the Government delays a dependent’s travel to a PDS in the CONUS and the expected travel delay is 140 or more days (20 weeks).
Table 67-7. Government Defers Dependent’s Travel to a PDS in the CONUS when the Old PDS is Outside the U.S. or the Old PDS is in the U.S. and the Expected Travel Delay is 140 or More Days (20 Weeks)

<table>
<thead>
<tr>
<th>If the dependent…</th>
<th>And the CONUS COLA for the dependent’s location…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>arrives within 60 days of travel authority and he or she is relocated at Government expense,</td>
<td>(1) change the CONUS COLA basis on the date the primary dependent arrives at the designated location and continue it through the day before the primary dependent arrives at the PDS.* (2) Beginning on the primary dependent’s arrival date at the PDS, change the basis for CONUS COLA to the PDS.</td>
</tr>
<tr>
<td>2</td>
<td>arrives within 60 days of travel authority and he or she is not relocated at Government expense,</td>
<td>(1) continue CONUS COLA through the day before the primary dependent arrives at the new PDS and base it on the old PDS as of the Service member’s departure.* (2) Beginning on the primary dependent’s arrival date at the PDS, change the basis for CONUS COLA to the new PDS.</td>
</tr>
<tr>
<td>3</td>
<td>does not arrive within 60 days of travel authority and he or she is relocated at Government expense,</td>
<td>(1) change the CONUS COLA basis on the date the primary dependent arrives at the designated location from the old PDS to the designated location through the 60th day after travel is authorized to begin.* (2) Beginning on the 61st day after travel is authorized to begin, change the basis for CONUS COLA from the dependent’s location to the new PDS.</td>
</tr>
<tr>
<td>4</td>
<td>does not arrive within 60 days of travel authority and he or she is not relocated at Government expense,</td>
<td>(1) continue CONUS COLA through the 60th day after travel is authorized to begin based on the old PDS. (2) Beginning on the 61st day after travel is authorized to begin, change the basis for CONUS COLA from the old PDS to the new PDS.</td>
</tr>
<tr>
<td>5</td>
<td>does not travel</td>
<td>was not authorized or approved through the Secretarial Process, start CONUS COLA based on the new PDS as of the Service member’s arrival date.</td>
</tr>
</tbody>
</table>

*COLA is not payable on authorized days of travel.
670406. Early Return of Dependents

A. Early Return at Government Expense. When all of a Service member’s dependents are returned from a PDS OCONUS at Government expense for circumstances other than for a PCS (regardless of the reason for the return) the Service member is authorized CONUS COLA based on the primary dependent’s permanent residence starting on the arrival day at that location.

B. Early Return at Personal Expense. When all of a Service member’s dependents are returned early from a PDS OCONUS at personal expense, the Service member is not authorized CONUS COLA.

670407. Service Member Serving in an Unaccompanied Status OCONUS

If a Service member serving in an unaccompanied status OCONUS has dependents in multiple locations, CONUS COLA authority is based on the primary dependent’s residence.

A. Eligibility. When the primary dependent establishes a residence or resides in the CONUS due to a Service member’s transfer to, or while assigned at, an unaccompanied PDS OCONUS, CONUS COLA is authorized in any of the following situations:

1. The primary dependent relocates in the CONUS from a PDS in the CONUS.

2. The primary dependent resides in the CONUS and the Service member is required to perform TDY incident to a transfer to an unaccompanied PDS in the CONUS.

3. The primary dependent establishes a residence in the CONUS due to the Service member’s transfer from an accompanied status at a PDS OCONUS to an unaccompanied status.

B. Allowances. Table 67-8 specifies CONUS COLA for a Service member with a dependent assigned to an unaccompanied tour at a PDS OCONUS.
Table 67-8. Service Member (with a Dependent) Assigned to an Unaccompanied Tour at a PDS OCONUS

<table>
<thead>
<tr>
<th>If the Service member’s dependent…</th>
<th>And…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>retains a permanent residence in the CONUS</td>
<td>a. the primary dependent remains at the old PDS,</td>
<td>continue to pay CONUS COLA, based on the old PDS.</td>
</tr>
<tr>
<td></td>
<td>b. the primary dependent is at a location in the CONUS other than the old PDS and the Service member is receiving CONUS COLA based on a Secretarial waiver,</td>
<td>continue the CONUS COLA previously paid.</td>
</tr>
<tr>
<td></td>
<td>c. the primary dependent is at a location in the CONUS other than either the old PDS or location for which the Service member had a Secretarial waiver,</td>
<td>continue to pay CONUS COLA, based on the old PDS and start CONUS COLA the day the Service member arrives at the new PDS based on the primary dependent’s location.</td>
</tr>
<tr>
<td>relocates the permanent residence from the CONUS to another location in the CONUS at Government expense</td>
<td>a. the primary dependent either travels with or in advance of the Service member,</td>
<td>(1) stop the old CONUS COLA rate the day before the dependent’s arrival day. (2) Start CONUS COLA the day the primary dependent arrives at the new residence location based on the dependent’s location.*</td>
</tr>
<tr>
<td></td>
<td>b. a dependent travels after the Service member,</td>
<td>(1) continue CONUS COLA based on the Service member’s old PDS through the day before the primary dependent’s arrival at the new residence location. (2) Start CONUS COLA on the arrival day based on the dependent’s location.*</td>
</tr>
<tr>
<td>relocates the permanent residence from OCONUS to the CONUS at Government expense</td>
<td>a dependent travels in advance of, with, or after the Service member,</td>
<td>start CONUS COLA based on the dependent’s location the day the primary dependent arrives at the new residence.*</td>
</tr>
<tr>
<td>relocates permanent residence from the CONUS to a location OCONUS at Government expense</td>
<td>a. a dependent travels in advance of the Service member or with the Service member,</td>
<td>continue CONUS COLA based on the old PDS through the day before the Service member’s arrival at the new PDS.</td>
</tr>
<tr>
<td></td>
<td>b. a dependent travels after the Service member,</td>
<td>continue CONUS COLA based on the old PDS through the day before the primary dependent’s arrival.*</td>
</tr>
</tbody>
</table>
Table 67-8. Service Member (with a Dependent) Assigned to an Unaccompanied Tour at a PDS OCONUS (Continued)

<table>
<thead>
<tr>
<th>If the Service member’s dependent…</th>
<th>And…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>relocates the residence at personal expense</td>
<td>a. CONUS COLA is authorized through the Secretarial Process,</td>
<td>continue CONUS COLA based on the rules in this table.*</td>
</tr>
<tr>
<td>5</td>
<td>b. CONUS COLA based on the new location is not authorized through the Secretarial Process,</td>
<td>continue CONUS COLA based on the rules in this table through the day before the primary dependent’s arrival.*</td>
</tr>
<tr>
<td>is not OCONUS</td>
<td>a. the Service member is assigned to an unaccompanied assignment OCONUS or unusually arduous sea duty,</td>
<td>(1) pay CONUS COLA based on the old PDS rate if the dependent does not relocate. (2) pay CONUS COLA based on the dependent’s location if the dependent does relocate.</td>
</tr>
<tr>
<td>continues to reside at same location</td>
<td>a. the Service member is required to perform a TDY, inside or outside the CONUS, due to a transfer to another unaccompanied tour,</td>
<td>continue CONUS COLA based on the primary dependent’s permanent residence.</td>
</tr>
<tr>
<td>7</td>
<td>b. the Service member is required to perform a TDY due to a transfer in the U.S.,</td>
<td>(1) continue CONUS COLA based on the primary dependent’s permanent residence through the day before the day the Service member reports to the new PDS. (2) Start CONUS COLA at the rate for the new PDS on the day the Service member reports at that PDS.</td>
</tr>
</tbody>
</table>

*COLA is not payable on authorized days of travel.
6705 CONUS COLA AND UNUSUAL CIRCUMSTANCES

670501. Service Member in a Missing Status

A. Service Member without a Dependent. A Service member without a dependent who’s PDS is in the CONUS and is in a missing status receives CONUS COLA based on the PDS location.

B. Service Member with a Dependent. A Service member with a dependent continues to receive CONUS COLA at the rate paid when they were placed in a missing status. Pay CONUS COLA based on the dependent’s location when a dependent relocates.

670502. Service Member in Confinement

If a Service member in confinement is authorized allowances, he or she receives the same CONUS COLA rate paid immediately before confinement. If a Service member with a dependent is transferred to a confinement facility, then the CONUS COLA is based on the dependent’s location.

670503. Service Member Requires Prolonged Hospitalization

The hospital where a Service member is transferred becomes his or her PDS for CONUS COLA purposes when he or she requires prolonged hospitalization and is issued an appropriate order. This applies when a Service member is transferred from any PDS to a hospital in the CONUS for observation and treatment.

670504. Service Member Whose PDS is Evacuated

A. Service Member With a Dependent

1. CONUS COLA Continuation at the Service Member’s PDS

   a. A Service member who is authorized CONUS COLA at the with dependent rate based on his or her PDS, and whose dependent is evacuated, continues to receive CONUS COLA on the effective date of the evacuation unless the Service member’s PDS changes.

   b. When a determination is made through the Secretarial Process that it is necessary for a dependent to maintain a permanent residence in an area other than where the PDS is located, CONUS COLA at the with dependent rate is based on the designated place for the primary dependent. The CONUS COLA starts the day after per diem at the designated place ends.

2. CONUS COLA at a Designated Place. When a Service member’s command-sponsored dependent resides at a designated place in the CONUS due to an evacuation from a location OCONUS, the Service member is authorized CONUS COLA at the with dependent
B. Service Member Without a Dependent. A Service member without a dependent who was authorized CONUS COLA at the PDS on the date an evacuation is ordered is authorized CONUS COLA through the day before the Service member reports at the new PDS.

6706 RESERVE COMPONENT (RC) MEMBER

670601. RC Member Called or Ordered to Active Duty

A. Called or Ordered to Active Duty. Table 67-9 specifies CONUS COLA for an RC member called or ordered to active duty for a period of 140 or more days or in support of a contingency operation. A DoD or U.S. Coast Guard retired Service member called or ordered to active duty is authorized the same CONUS COLA as an RC member.

Table 67-9. RC Member CONUS COLA Determination

<table>
<thead>
<tr>
<th>If an RC member is called or ordered to active duty …</th>
<th>And PCS HHG transportation …</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 for 140 or more days</td>
<td>a. is authorized,</td>
<td>(1) start CONUS COLA on the first active-duty day based on the primary residence at the time called or ordered to active duty through the day before arrival at the PDS. (2) Starting the day the Service member reports to the PDS, change the basis for CONUS COLA to the PDS location.</td>
</tr>
<tr>
<td></td>
<td>b. is not authorized,</td>
<td>start CONUS COLA on the first active-duty day based on the primary residence at the time called or ordered to active duty.</td>
</tr>
<tr>
<td>2 for 139 or fewer days for a contingency operation</td>
<td>is not authorized,</td>
<td>(1) start CONUS COLA on the first active-duty day of an assignment that supports a contingency operation and base it on the primary residence at the time called or ordered to active duty. (2) There is no authority to pay CONUS COLA when the assignment is not in support of a contingency operation.</td>
</tr>
</tbody>
</table>

B. Modified or Amended Order. If an RC member receives an order modification or amendment that extends the original assignment, the modification or amendment determines the CONUS COLA.
Table 67-10. RC Member’s Order is Modified or Amended

<table>
<thead>
<tr>
<th>If an RC member’s order is modified or amended…</th>
<th>And PCS HHG transportation …</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>and the days remaining on the existing order plus the number of days added by the extension total 140 or more days</td>
<td>a. is not authorized,</td>
<td>CONUS COLA based on the primary residence continues or would start on the modification or amendment date.</td>
</tr>
<tr>
<td>1</td>
<td>b. is authorized,</td>
<td>CONUS COLA based on the primary residence, if currently authorized, would stop the day before the modification or amendment in CONUS COLA based on the PDS rate would begin on the modification or amendment date or CONUS COLA based on the PDS would continue.</td>
</tr>
</tbody>
</table>

See CONUS COLA
VOLUME 7A, CHAPTER 68: “COST OF LIVING ALLOWANCE OUTSIDE THE CONTINENTAL UNITED STATES (OCONUS COLA) AND TEMPORARY LODGING ALLOWANCE (TLA)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

This is the initial publication.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>This is a new chapter. The policy for Cost of Living Allowance Outside the Continental United States and Temporary Lodging Allowance was relocated from the Joint Travel Regulation, Chapter 9.</td>
<td>New Chapter</td>
</tr>
</tbody>
</table>
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CHAPTER 68

COST OF LIVING ALLOWANCE OUTSIDE THE CONTINENTAL UNITED STATES (OCONUS COLA) AND TEMPORARY LODGING ALLOWANCE (TLA)

6801 GENERAL

680101. Purpose

The OCONUS COLA is a non-taxable allowance that offsets the higher prices of goods and services, excluding housing, in foreign countries, U.S. territories, Alaska, and Hawaii. OCONUS COLA equalizes purchasing power so that a Service member can purchase the same level of goods and services OCONUS as he or she could if stationed inside the continental United States (CONUS). In addition to OCONUS COLA, station allowances in Chapter 68 include the Temporary Lodging Allowance (TLA). The TLA partially offsets the cost of lodging and meals and incidental expenses incurred while occupying temporary lodgings OCONUS.

680102. Authoritative Guidance

This chapter transitions policy previously cited in the Joint Travel Regulations (JTR), Chapter 9. Title 37, United States Code (U.S.C.), section 475 provides the statutory requirements for the chapter.

6802 STANDARD ALLOWANCES

680201. Definitions Specific to OCONUS COLA and TLA

A. Vicinity. The “vicinity” is the entire country, U.S. territory or possession, or state when in Alaska or Hawaii where the Service member’s permanent duty station (PDS) is located. When a Service member resides with a dependent and commutes to the PDS, the dependent is considered to be residing at or in the vicinity of the PDS even if in an adjacent country or state. If the Service member transfers to a new PDS in the same country, state, or U.S. territory or possession as the designated place, and the Service member is required to maintain two separate households (for example, the Service member cannot commute daily from the dependent’s location to the PDS), then a second station allowance may be authorized or approved through the Secretarial Process. In this case, the dependent is not considered to be in or in the vicinity of the Service member’s PDS even though located in the same country, state, or U.S. territory or possession.

B. Government Dining Facility. Government dining facilities operate using appropriated funds and provides meals to Service members with or without charge under an agreement between the facility and the Government. Common terms for Government dining facilities include: Government mess, general mess, dining hall, dining activity, mess hall, galley, field kitchen, flight kitchen, or similar terms. Activities operated by non-appropriated funds, such as an officer’s mess, club, organized mess and other similar terms are not considered Government dining facilities.
C. **Government Quarters.** "Government quarters" include individual quarters provided with or without charge under agreement with the Government. For COLA purposes, barracks are considered Government quarters, including dormitory and quarters aboard a ship. See Definitions for more information.

D. **OCONUS COLA Index.** The OCONUS COLA index represents how much more expensive it is to purchase goods and services OCONUS compared to the same level of goods and services available in an average location within the CONUS. For example, an OCONUS COLA index of 110 indicates that the prices in the area OCONUS are overall 10% more expensive than in the CONUS. An index of 100 indicates that the overall cost of the goods and services surveyed is approximately the same at the location OCONUS as in the CONUS and no COLA is warranted.

E. **Service Member with Dependent.** A Service member is considered with-dependent if any of the following criteria apply:

1. The Service member is authorized to have a dependent reside at or in the vicinity of the Service member’s PDS OCONUS and the dependent resides there.

2. The Service member was married to another Service member on effective date of the permanent change of station (PCS) order. If one Service member is later released from active duty or separated or retired from the Service, then he or she becomes a dependent if he or she remains near the active duty Service member’s former PDS.

3. The Service member is joined by a dependent or acquires a dependent while serving OCONUS and the dependent is one of the following:

   a. Command sponsored dependents reside with a Service member at an OCONUS location at which an “accompanied by dependents” tour is authorized, the Service member is authorized to serve that tour, and the dependents are authorized by the appropriate authority to be at the Service member's PDS.

   b. A bona fide resident of the same area as the Service member’s non-foreign PDS OCONUS.

   c. An Officer or Civilian employee of the United States stationed in the same area as the Service member’s non-foreign PDS OCONUS.

F. **Service Member without Dependent.** A Service member is considered to be without dependent if any of the following criteria apply:

1. The Service member has no dependents.

2. The Service member does not have a dependent who resides at or in the PDS vicinity.
3. The Service member is joined by a dependent or acquires a dependent while serving OCONUS and the Service member is not a Service member with dependent as defined in subparagraph 680201.E.

4. The Service member has a dependent residing at or in the PDS vicinity who is not command sponsored.

5. The Service member does not have legal custody and control of a dependent (B-131142, June 3, 1957). For the purposes of COLA or TLA, a Service member paying child support is without a dependent unless the Service member has a command sponsored dependent at the PDS other than the dependent on whose behalf the Service member pays child support.

680202. Eligibility for OCONUS COLA and TLA

A. Service Member Married to Another Service Member. When a Service member is married to another Service member who is on active duty, the spouse on active duty is not considered a dependent.

B. Unaccompanied Tour and “Unusually Arduous Sea Duty.” When a Service member is assigned to an unaccompanied tour or “unusually arduous sea duty” and a dependent remains at the Service member’s old PDS OCONUS or is at an approved designated place OCONUS, then the Service member is not considered to have a dependent at the unaccompanied or sea-duty PDS. The Service member is eligible for OCONUS COLA or TLA at the with-dependent rate for the dependent’s location.

C. Command Sponsored. A dependent must be command sponsored for the Service member to receive OCONUS COLA or TLA based on the dependent’s presence unless the Service member is eligible for these allowances as specified under subparagraphs 680201.E.2, 680201.E.3 and/or the JTR, Chapter 5, Part B, paragraphs 050809, 050814, 050903, or 050907.

680203. Special Circumstances Affecting OCONUS COLA or TLA

A. Dependents Travel Before or After the Service Member Travels. Authorization or approval by either the Secretary concerned or the Secretarial Process may be made for the following:

1. Advance Travel. When dependents are command sponsored and authorized to travel before the Service member and arrive at the new PDS OCONUS before the Service member, housing allowance changes can be based on the advance arrival at the PDS OCONUS under Chapter 26, paragraph 261007. If advance travel of dependents has been authorized or approved by the selected process, COLA payment is also authorized or approved, without separate action based on the number of dependents at the new PDS.
2. **Delayed Travel.** When dependents are authorized (or required) to travel after the Service member and arrive at the new PDS OCONUS after the Service member, housing allowance continuation can be based on delayed dependents’ travel from the old PDS OCONUS under Chapter 26, paragraph 261007 and also authorizes continuation of COLA for the same time period without separate action.

3. **Deferred Travel.** When dependent travel to the new PDS OCONUS is deferred pending housing availability, COLA at the old PDS OCONUS or designated place continues until the dependents depart or for 60 days after dependent travel to the new PDS is authorized. The Secretarial Process may extend the 60-day period (see Chapter 26, paragraph 261006).

4. **Other Circumstances.** Authorization or approval of housing allowance continuation under Chapter 26, paragraph 261002 (e.g., training or a Service member’s pending retirement), authorizes COLA continuation for the same time period without separate action.

B. **Foreign-Born Dependent Returned to Country of Origin.** If the Secretary concerned authorizes the return of a foreign-born dependent to the country of the dependent’s origin, as specified in the JTR, Chapter 5, Part B, paragraph 050804, including when the Service member is stationed in the same country, the Service member is authorized OCONUS COLA or TLA, as appropriate, at the with-dependent rate based on the dependent’s location OCONUS. OCONUS COLA or TLA payments on behalf of the dependent’s location begin on the day a dependent arrives at that location. See **DoDI 1315.18** (Military Personnel Assignments) for the return of foreign-born dependents.

C. **Observer to United Nations (UN) Peacekeeping Organization on a PCS.** A Service member assigned on a PCS as an observer to a UN peacekeeping organization who receives a UN mission subsistence allowance is also authorized OCONUS COLA or TLA as specified in this chapter. The OCONUS COLA and TLA amount combined with the UN mission subsistence allowance is limited to the OCONUS COLA and TLA of a Service member permanently assigned to other than a UN Peacekeeping Organization in the same area. This paragraph does not authorize a reduction in the UN mission subsistence allowance.

D. **Service Member Assigned to Unaccompanied Tour or “Unusually Arduous Sea Duty.”** The OCONUS COLA or TLA payment for the dependent’s location begins on the day he or she arrives at that location.

1. **Requirements.** Table 68-1 specifies OCONUS COLA and TLA when a Service member with a dependent serves an unaccompanied tour or is on “unusually arduous sea duty.”

   a. If the location is a designated place in a non-foreign area OCONUS and the Service member is assigned to an unaccompanied tour, a dependent-restricted tour, or “unusually arduous sea duty,” one of the following conditions must apply: 
before entering active duty.

(2) The Service member’s spouse was a legal resident of that area when they married.

(3) The Service member was called to active duty from that area.

(4) It is the Service member’s home of record.

(5) The relocation of the Service member’s dependent was authorized or approved through the Secretarial Process.

(6) The dependent remained at his or her current location prior to the Service member’s assignment.

b. If the Service member is scheduled to serve an accompanied tour immediately after completing an unaccompanied tour or “unusually arduous sea duty,” OCONUS COLA or TLA for a location OCONUS may be authorized. The Service member must have sufficient time in Service remaining as specified in the JTR, Chapter 5, Part B, paragraph 050806 for an unaccompanied tour or as specified in the JTR, Chapter 5, Part B, paragraph 050814 for a dependent-restricted tour or “unusually arduous sea duty.”

c. If the Service member is serving a dependent-restricted tour or “unusually arduous sea duty,” a location OCONUS may be justified under unusual conditions or circumstances if authorized or approved by the Secretary concerned.

Table 68-1. OCONUS COLA and TLA for a Service Member with a Dependent Serving an Unaccompanied Tour or on “Unusually Arduous Sea Duty”

<table>
<thead>
<tr>
<th>If…</th>
<th>And…</th>
<th>Then the applicable station allowance is authorized…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>station allowances are authorized or approved by the same level of Secretarial approval as required for dependent travel,</td>
<td>a dependent relocates in connection with the Service member’s PCS,</td>
</tr>
<tr>
<td>2</td>
<td>it is the Service member’s first PDS,</td>
<td>a dependent does not relocate in connection with the PCS,</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>the dependent’s location is approved through the Secretarial Process,</td>
</tr>
</tbody>
</table>
Table 68-1. OCONUS COLA and TLA for a Service Member with a Dependent Serving an Unaccompanied Tour or on “Unusually Arduous Sea Duty” (Continued)

<table>
<thead>
<tr>
<th><strong>If...</strong></th>
<th><strong>And...</strong></th>
<th><strong>Then the applicable station allowance is authorized...</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>a Service member is transferred between unaccompanied tours or “unusually arduous sea duty” assignments, a dependent remains at the Service member’s prior PDS OCONUS or previously designated place and is authorized station allowances,</td>
<td>during the second tour.</td>
</tr>
<tr>
<td>5</td>
<td>a dependent relocates to a new designated place in connection with the Service member’s transfer, a dependent remains at the Service member’s prior PDS OCONUS or previously designated place and is authorized station allowances,</td>
<td>for the new designated place as otherwise specified in this table.</td>
</tr>
<tr>
<td>6</td>
<td>a dependent is residing at or in the Service member’s PDS vicinity (home port for “unusually arduous sea duty”) when the PDS is declared an unaccompanied tour area, a dependent moves to a designated place, the dependent’s initial move from the PDS was under evacuation conditions,</td>
<td>as otherwise specified in this table.</td>
</tr>
<tr>
<td>7</td>
<td>a dependent is residing at or in the Service member’s PDS vicinity (home port for “unusually arduous sea duty”) when the PDS is declared an unaccompanied tour area, the new PDS (or home port for “unusually arduous sea duty”) is declared an unaccompanied tour area,</td>
<td>as specified in paragraph 680303-D.</td>
</tr>
<tr>
<td>8</td>
<td>a dependent is en route to a Service member’s PDS OCONUS or to a designated place to which transportation at Government expense has been authorized, an amendment to the initial order or a new PCS order is issued assigning the Service member to another unaccompanied tour area or “unusually arduous sea duty” assignment,</td>
<td>based on the place to which the dependent is diverted, starting on the dependent’s arrival date and stopping on the dependent’s departure date from that location. A statement from the Service member’s commanding officer, or an officer designated by the commanding officer, should support that the dependent was notified that permission to complete travel was withdrawn and that the dependent was directed to proceed to a specified place to await further instructions.</td>
</tr>
</tbody>
</table>

2. **Payment of Allowances to Service Member at Unaccompanied Tour or “Unusually Arduous Sea Duty” Station.** While a Service member is authorized station allowances for a dependent’s location, the Service member is also authorized the OCONUS COLA and TLA, if any, at the “without dependent” rate at the new PDS.
3. **Subsequent Reassignment to an Accompanied Tour Area.** Upon a subsequent PCS order to an accompanied tour area to which dependent transportation is authorized, OCONUS COLA and TLA stop the day before the Service member departs due to the PCS order or the day before the effective date of the home port change from OCONUS. See paragraph 680302 for OCONUS COLA exceptions.

4. **Dependent Relocates from a Designated Place at Personal Expense.** If a dependent relocates from a designated place at personal expense, station allowances must stop or be reduced by the number of dependents departing the day before the dependent departs the designated place. Station allowances are not authorized at the dependent’s new location because that location is not a designated place.

### 6803 OCONUS COLA

An OCONUS COLA is authorized for a Service member assigned to a PDS OCONUS to help maintain the equivalent purchasing power of the discretionary portion of spendable income as the Service member’s counterparts based in the CONUS. This allowance compensates for the higher cost of goods and services OCONUS. To calculate the OCONUS COLA, the goods and services purchased in an area OCONUS, excluding housing, are compared to the cost of goods and services purchased in the CONUS. See paragraph 680203 for special circumstances affecting OCONUS COLA.

#### 680301. Factors That Affect OCONUS COLA Rates

A. **Geographic Location.** The geographic location of the PDS governs the COLA index payable unless otherwise authorized or approved through the Secretarial Process. See COLA Information for current geographic information.

B. **COLA Indexes.** See COLA index for specific locations OCONUS. COLA rates are based on a Service member’s PDS. Paragraph 680303 provides the rates when any of the following occur:

1. A ship’s home port is the PDS for OCONUS COLA purposes.
2. A dependent resides at a location other than the PDS in connection with an unaccompanied assignment.
3. A dependent is evacuated.

C. **Calculating OCONUS COLA Indexes.** See Calculation of Overseas COLA Index.

D. **Surveys.** The two surveys conducted to determine prices OCONUS are the Living Pattern Survey (LPS) and the Retail Price Schedule (RPS). See Survey Instruments for more detailed information about the LPS and RPS data surveys. Data from these surveys help determine the OCONUS COLA indexes.
E. Foreign Currency Exchange Rates. The Office of the Undersecretary of Defense, Personnel and Readiness (OUSD-PR) reviews and adjusts exchange rates when necessary for countries where Service members are assigned. OUSD-PR adjusts OCONUS COLA based on currency fluctuations as frequently as twice monthly. See currency adjustment for more information.

F. COLA Unique Expenses. In some areas OCONUS, a Service member or dependent incurs mandatory and excessive expenses that a Service member based in the CONUS never incurs. Since the expenses are not incurred in the CONUS, they cannot be a part of the ordinary COLA index calculation. For these expenses, payment is a dollar-for-dollar reimbursement for a specifically authorized expense at a designated authorized location.

1. Submit Requests. All requests to authorize a new COLA Unique Expense must be submitted through the Major Command level, then to OUSD-PR through the applicable Service representative listed at feedback reporting. OUSD-PR does not accept requests from individual Service members for COLA Unique Expense authorization. The Secretary concerned may reimburse a COLA Unique Expense if Table 68-2 authorizes the location and expense. Alternatively, the expense may be reimbursed at the Service’s discretion through the Secretarial Process. The Service concerned is not required to recover any amount refunded to a Service member by a foreign government agency involved. For a Service member to be reimbursed, the expense must be verified by a valid receipt. The expense must meet all of the following criteria to be authorized as a “COLA Unique Expense”:

   a. A clear majority of Service members assigned at a duty station incur the expense.

   b. The item or expense exceeds 1% of spendable income for the typical Service member.

   c. Service members based in the CONUS do not incur the expense.

   d. OUSD-PR specifically authorizes or approves the expense for reimbursement.

2. Authorized Locations and Expenses. Table 68-2 specifies the authorized locations and expenses for a COLA-Unique Expense reimbursement.

Table 68-2. Authorized Locations and Expenses for COLA Unique Expense Reimbursement

<table>
<thead>
<tr>
<th>Location</th>
<th>Expense</th>
</tr>
</thead>
</table>
| Singapore | 1. Mandatory and excessive road tax for one POV.  
           | 2. Mandatory and excessive registration and transfer fees for one POV. |

680302. Start and Stop OCONUS COLA

A. Start OCONUS COLA. Generally, OCONUS COLA starts on the day a Service member reports to a new PDS, the effective day of a home port change, or the day his or her dependent arrives before the Service member at either the new PDS or the new home port, as specified in paragraph 680303. However, if the Service member is authorized a monetary allowance in lieu of transportation (MALT) plus per diem (MALT Plus) on the reporting day, OCONUS COLA starts on the day after the Service member’s reporting day.

B. Stop OCONUS COLA. OCONUS COLA stops the day before a Service member departs from OCONUS on a PCS order or the day before the effective date of a ship’s or unit’s home port change unless any of the following occur:

1. An extension is authorized through the Secretarial Process.

2. OCONUS COLA is authorized during a PCS between PDSs in close proximity, when at the new PDS the member continues to commute from the residence occupied at the old PDS. OCONUS COLA continues during temporary duty (TDY) en route. If the COLA rate differs, the rate for the old PDS is paid through the day prior to the member’s report date. COLA for dependents is paid as specified in paragraph 680303.

3. A Service member without a dependent undergoes a home port change. In that circumstance, the Service member is authorized OCONUS COLA based on the old home port until the day he or she moves back aboard the ship under the following conditions:

   a. The ship does not depart from the old home port before or on the effective date of the home port change and;

   b. Quarters on board the ship are not available, such as when the ship is in dry dock.

680303. OCONUS COLA for Service Member with a Dependent

A Service member with a dependent is authorized OCONUS COLA based on the number of command sponsored dependents at the PDS vicinity, regardless of Government dining facility availability. This includes when the Service member has a dining facility aboard ship available. Table 68-3 specifies exceptions. A Service member is authorized OCONUS COLA for all command sponsored dependents, including a Federal employee who is a spouse or child and eligible for a post allowance in his or her own right. Paragraph 680305 specifies OCONUS COLA authority for a Service member married to another Service member.
Table 68-3. OCONUS COLA for a Service Member with a Dependent

<table>
<thead>
<tr>
<th><strong>If</strong>…</th>
<th><strong>Then</strong>…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. a Service member is on leave away from the PDS vicinity for 31 or more days and is accompanied by all command sponsored dependents,</td>
<td>OCONUS COLA is not authorized beginning on the 31st day.</td>
</tr>
<tr>
<td>2. a command sponsored dependent departs the PDS vicinity for a period of 31 or more consecutive calendar days,</td>
<td>OCONUS COLA payment beginning on the 31st day is reduced to the rate for the number of command sponsored dependents remaining at the PDS.</td>
</tr>
<tr>
<td>3. a command sponsored dependent departs the PDS vicinity to attend school,</td>
<td>OCONUS COLA payment is reduced the day after the dependent’s departure to the rate for the number of command sponsored dependents remaining.</td>
</tr>
<tr>
<td>4. one or more, but not all, command sponsored dependents depart the PDS vicinity for early or advance return,</td>
<td>the Service member becomes a Service member “without a dependent” and the OCONUS COLA at the with-dependent rate terminates the day before the command sponsored dependent departs the Service member’s PDS.*</td>
</tr>
<tr>
<td>5. all the command sponsored dependents depart the PDS vicinity for early or advance return,</td>
<td>OCONUS COLA is authorized only at the rate for the number of command sponsored dependents who continue to reside in the PDS vicinity.</td>
</tr>
<tr>
<td>6. a Service member is in a confinement status due to disciplinary action,</td>
<td>*See paragraph 680203 for early or advance return of a foreign-born, command sponsored dependent authorized to travel to his or her native country.</td>
</tr>
</tbody>
</table>

*See paragraph 680203 for early or advance return of a foreign-born, command sponsored dependent authorized to travel to his or her native country.

A. **Home Port Change.** If a Service member is currently assigned to a ship or other fleet unit with an announced home port change (or receives a PCS order to a ship or other fleet unit with an announced home port change) and a dependent is authorized to travel to the new home port, the new home port is the Service member’s PDS for COLA purposes (*65 Comp. Gen. 888 (1986)*).

B. **PCS Order Amendment Changes the PDS.** When a Service member receives a PCS order amendment that names a different PDS before he or she joins a dependent who has already arrived at or in the vicinity of a new PDS OCONUS, and on whose behalf OCONUS COLA was authorized, OCONUS COLA at the original PDS rate ends on the dependent’s departure day for the newly designated PDS. OCONUS COLA at the initial PDS can extend more than 60 days after the amended order effective date only if specifically authorized or approved through the Secretarial Process. OCONUS COLA at the new PDS rate based on the number of command sponsored dependents begins on the dependent’s arrival day.
C. OCONUS COLA Due to Evacuation of the Service Member’s PDS. If a Service member’s PDS is evacuated, OCONUS COLA at the with-dependent rate stops on the dependent’s departure date due to the evacuation. Until the dependent returns to the Service member’s PDS, the Service member is considered “without a dependent” for OCONUS COLA purposes. When a dependent is evacuated from OCONUS or from a location in the CONUS to reside at an authorized or approved designated place OCONUS, the Service member is authorized OCONUS COLA at the with-dependent rate for the designated place beginning the day after per diem stops. Station allowances are not payable for a dependent who is not command sponsored at the Service member’s PDS OCONUS.

680304. OCONUS COLA for Service Member without a Dependent

A. Reduced OCONUS COLA. When both Government quarters and a Government dining facility are available, a Service member is paid a reduced OCONUS COLA. Reduced OCONUS COLA is calculated using a fixed percentage of the COLA rate for a Service member with no dependents living in private-sector housing.

B. Government Dining Facility Availability. The decision to authorize OCONUS COLA for a Service member without a dependent is based on whether the dining facility is actually available to the Service member, whether he or she is expected to purchase food for preparation in Government quarters, and whether the Government quarters have facilities to keep and prepare meals.

1. For OCONUS COLA purposes, if a permanently assigned Service member purchases meals or receives meals at no cost at a Government dining facility, or receives meals using a Government-provided meal card, then a Government dining facility is available.

2. Table 68-4 specifies the conditions for determining OCONUS COLA authorization for a Service member without a dependent.

Table 68-4. Determining OCONUS COLA for a Service Member without a Dependent

<table>
<thead>
<tr>
<th>If…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. a Service member has Government quarters available but does not have a Government dining facility available for three meals a day at the PDS,</td>
<td>the Service member is authorized OCONUS COLA at the “0 dependent” rate.</td>
</tr>
<tr>
<td>2. the commander authorizing OCONUS COLA expects the Service member to cook and eat meals in Government quarters,</td>
<td></td>
</tr>
<tr>
<td>3. a Service member has Government quarters available, but the commanding officer, installation commander, or delegated designee, provides a statement that using the Government dining facility is impractical due to mission or operational needs,*</td>
<td></td>
</tr>
<tr>
<td>4. an enlisted Service member does not have Government quarters available and is authorized to mess separately,</td>
<td></td>
</tr>
</tbody>
</table>
Table 68-4. Determining OCONUS COLA for a Service Member without a Dependent (Continued)

<table>
<thead>
<tr>
<th>If...</th>
<th>Then...</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 a Service member is authorized to mess separately and maintains a joint residence with a spouse who also is a Service member,</td>
<td>the Service member is authorized OCONUS COLA at the “0 dependent” rate.</td>
</tr>
<tr>
<td>6 a Service member in grade E-7 or higher who has no dependent chooses to occupy private-sector housing instead of Government quarters,</td>
<td></td>
</tr>
<tr>
<td>7 a Service member in grade E-6 who has no dependent chooses to occupy private-sector housing instead of inadequate Government quarters,</td>
<td></td>
</tr>
<tr>
<td>8 a Service member has no dependent, is assigned to permanent duty aboard a ship, and occupies private-sector housing,**</td>
<td></td>
</tr>
<tr>
<td>9 each Service member of a married Service member couple is in grade E-5 or below, has no other dependent, is assigned to permanent duty aboard a ship, and chooses to occupy private-sector housing instead of assigned Government quarters aboard a ship,</td>
<td>the Service member is authorized the reduced OCONUS COLA rate.</td>
</tr>
<tr>
<td>10 the Service member has Government quarters available and eats, or is expected to eat, the majority of meals in a Government dining facility because meal preparation in the Government quarters is not expected or permitted,</td>
<td></td>
</tr>
<tr>
<td>11 a Service member has both a Government dining facility and Government quarters available at the PDS, including aboard a ship,</td>
<td>the Service member is authorized to receive only the reduced OCONUS COLA rate, not the “0 dependent” rate.</td>
</tr>
<tr>
<td>12 a Service member has Government quarters available and routinely eats two or more meals a day in a dining facility,</td>
<td></td>
</tr>
<tr>
<td>13 a Service member has Government quarters available but his or her non-command sponsored dependents live at or near the PDS,</td>
<td></td>
</tr>
<tr>
<td>14 a Service member without a dependent is in a confinement status and serving a sentence due to disciplinary action,</td>
<td></td>
</tr>
</tbody>
</table>

*Personal convenience is not a determining factor.

**If the Service member is in grade E-6 or above, he or she may choose not to occupy assigned Government quarters aboard a ship. A member in grade E-4 or E-5 may be authorized to not occupy assigned Government quarters aboard a ship.

C. **Leave Periods.** If a Service member without a dependent takes leave away from the PDS vicinity OCONUS, OCONUS COLA continues for the first 30 days and stops on day 31. If OCONUS COLA is stopped, it starts again the day the Service member returns to the PDS from leave.
680305. Service Member Married to Another Service Member

Table 68-5 specifies OCONUS COLA for a Service member married to another Service member. See Table 68-4 for COLA when both Service members are grade E-5 or below, are serving on sea duty, and have no other dependents.

Table 68-5. OCONUS COLA for Two Service Members Married to Each Other

<table>
<thead>
<tr>
<th>If two Service members married to each other…</th>
<th>Then…</th>
</tr>
</thead>
<tbody>
<tr>
<td>maintain separate households at or in the vicinity of their PDS or PDSs OCONUS,</td>
<td>each Service member is authorized OCONUS COLA, based on whether the Service member concerned has a dependent at or in the vicinity of the PDS OCONUS.</td>
</tr>
<tr>
<td>maintain a joint household at or in the vicinity of their PDS OCONUS,</td>
<td>one Service member is authorized to receive OCONUS COLA at a rate based on the number of dependents present, if any. The other Service member is authorized to receive OCONUS COLA at the “0 dependent” rate.</td>
</tr>
</tbody>
</table>

680306. Non-Command Sponsored Dependent in PDS Vicinity

A Service member who is serving an unaccompanied tour at a PDS OCONUS is not authorized with-dependent OCONUS COLA when a non-command sponsored dependent accompanies or joins the Service member, even if the Service member chooses not to use an available Government dining facility. The Service member is authorized the same OCONUS COLA as any other Service member without a dependent under the same conditions (see subparagraph 680304-A). If the Service member changes the tour election and agrees to serve the tour as accompanied, with-dependent, OCONUS COLA as specified in paragraph 680303 starts on the day the dependent becomes command sponsored.

680307. Fractional Cost of Living Allowance for a Service Member Without a Dependent

A. Eligibility. This paragraph applies only to a Service member receiving the reduced OCONUS COLA. The PDS includes a ship or other unit having an assigned home port OCONUS as opposed to an assigned PDS OCONUS.

1. The Service member’s duty, as distinguished from a travel status, must require his or her absence from the PDS during one or more meals.

2. The commanding officer, or an officer designated by the commanding officer for that purpose, must validate that the meals are not furnished.
B. **Allowances**

1. The COLA is for the PDS, or in the case of a Service member assigned to a ship or other unit having an assigned home port OCONUS, the place where the Service member takes meals. Calculate the fractional COLA amount payable by applying the percentages specified in Table 68-6 for the meals involved to the daily COLA at the “0 dependent” rate for the PDS.

Table 68-6. Fractional COLA Rates by Meal

<table>
<thead>
<tr>
<th>Meal</th>
<th>Applicable Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Morning</td>
</tr>
<tr>
<td>2</td>
<td>Noon</td>
</tr>
<tr>
<td>3</td>
<td>Evening</td>
</tr>
</tbody>
</table>

2. A Service member without a dependent receiving the reduced OCONUS COLA rate is authorized a percentage of the “0 dependent” COLA rate for each meal not provided in a Government dining facility in addition to the reduced OCONUS COLA.

680308. Service Member Assigned to Ship or Fleet Unit

A. **Delayed Travel.** Secretarial authorization or approval of the housing allowance for a dependent continuing during the delayed departure from a PDS OCONUS, as specified in Chapter 26, also authorizes COLA continuation for the same time period without a separate authorization or approval. Subparagraph 680408.C applies whether the Service member’s new PDS is in the CONUS or OCONUS.

B. **Service Member Assigned to Duty Aboard a Two-Crew Nuclear Submarine.** The ship’s home port is the Service member’s PDS for station allowances.

1. **When a Service Member Reports to the Home Port before Reporting Aboard.** When a Service member is assigned to a two-crew nuclear submarine and reports to the ship’s home port before reporting aboard because the ship is deployed, the Service member is authorized station allowances the day after he or she arrives at the home port, and no further travel is required by the order before reporting aboard the submarine (*57 Comp. Gen. 178 (1977)*).

2. **Service Member without a Dependent Ordered to a TDY at Home Port (OCONUS COLA Only).** OCONUS COLA is authorized for a Service member without a dependent while the Service member is performing a TDY ashore if all of the following conditions are met:

   a. The Service member is assigned to a two-crew nuclear submarine.

   b. The Service member has reported aboard.
c. The training and rehabilitation is for a period of 16 or more
   days at the ship’s home port OCONUS.

   680309. Reserve Component (RC) Member

   A. Eligibility. An RC member called or ordered from a residence OCONUS
to active duty or active duty for training (ADT) may be authorized OCONUS COLA. Command
sponsorship is not required when a Service member is authorized OCONUS COLA at the with-
dependent rate for the place last entered (or called to) active duty (PLEAD). The Service member
must reside permanently in the area concerned at the time called or ordered to active duty
(55 Comp. Gen. 135 (1975)).

   B. Allowances. An RC member is authorized OCONUS COLA for the tour
duration as specified in Table 68-7 unless he or she is called or ordered to active duty for any of
the following reasons:

   1. Training for 140 or More Days. The initial OCONUS COLA rate
ends on the day before the Service member reports at the duty location specified in the active-duty
order. Authority for OCONUS COLA for the PDS location begins the day the Service member
reports at that location. A Service member called or ordered to ADT from a location in the CONUS
for 140 or more days at one location is authorized OCONUS COLA in the same manner as a
Service member already on active duty.

   2. Other than Training for 181 or More Days with PCS Allowances. A
Service member called or ordered to active duty for other than training from a location in the
CONUS for 181 or more days at one PDS location OCONUS is authorized OCONUS COLA as
of the day he or she reports at that location except as in subparagraph 680309-B3. The initial rate
for the primary residence OCONUS stops the day before the Service member reports at the PDS
duty location specified in the active-duty order. OCONUS COLA authority for the PDS location
begins the day the Service member reports at that location.

   3. Other than Training for 181 or More Days but not Authorized HHG
Transportation. When HHG transportation is not authorized, an RC member called or ordered to
active duty for other than training for 181 or more days at one location, away from his or her
primary place of residence OCONUS at the time called or ordered to active duty, is assigned to
duty at that residence and paid OCONUS COLA at that location rate. HHG transportation under
a TDY order does not affect this authority. OCONUS COLA authority begins on the first active-
duty day.
Table 68-7. OCONUS COLA for RC Member Called or Ordered to Active Duty from OCONUS

<table>
<thead>
<tr>
<th>Number of Days Called or Ordered to Active Duty</th>
<th>OCONUS COLA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 31 or More</td>
<td>OCONUS COLA for the primary residence OCONUS at the time called or ordered to active duty, whether for a TDY or a PCS, beginning on the first active-duty day.</td>
</tr>
<tr>
<td>2 30 or Fewer</td>
<td>OCONUS COLA if the call or order to active duty is in support of a contingency operation or whenever there is no per diem authority. The Service member is authorized OCONUS COLA at the rate for his or her principal place of residence at the time called or ordered to active duty (55 Comp. Gen. 135 (1975)).</td>
</tr>
</tbody>
</table>

680310. Calculations for OCONUS COLA

Calculate a Service member’s OCONUS COLA payment using data from three individual sources and tables: the Annual Compensation Table, the Spendable Income Table, and the COLA Index Table. OCONUS COLA is specified as a daily rate. The annual COLA is calculated by multiplying the Service member’s annual spendable income by the authorized COLA index. For OCONUS COLA, spendable income is that portion of the Service member’s annual compensation used to purchase items in the RPS. Use Table 68-8 to calculate annual OCONUS COLA and Table 68-9 to calculate monthly OCONUS COLA. See OCONUS COLA computation example.

Table 68-8. Calculate Annual OCONUS COLA

<table>
<thead>
<tr>
<th>Step</th>
<th>Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Determine the Service member’s annual compensation.</td>
</tr>
<tr>
<td>2</td>
<td>Determine the Service member’s average annual spendable income:</td>
</tr>
<tr>
<td></td>
<td>a. Locate the dollar range for the appropriate annual compensation amount, as determined in Step 1.</td>
</tr>
<tr>
<td></td>
<td>b. Find where this dollar range intersects with the number of command sponsored dependents on the annual spendable income table.</td>
</tr>
<tr>
<td></td>
<td>c. This number is the Service member’s average annual spendable income.</td>
</tr>
<tr>
<td>3</td>
<td>Find the Service member’s COLA index based on the PDS.</td>
</tr>
<tr>
<td>4</td>
<td>Subtract 100 from the prescribed COLA index. Divide the difference by 100 to change it to a percentage (for example, 20 becomes 0.20 or 20%).</td>
</tr>
<tr>
<td>5</td>
<td>Multiply the Service member’s average annual spendable income, in Step 2, by the percentage in Step 4. The result is the Service member’s annual OCONUS COLA.</td>
</tr>
</tbody>
</table>
Table 68-9. Calculate Monthly OCONUS COLA

<table>
<thead>
<tr>
<th>Step</th>
<th>Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Divide the annual OCONUS COLA amount by 360 (days) (see Table 68-8).</td>
</tr>
<tr>
<td>2</td>
<td>Carry the result to five digits to the right of the decimal to get the daily amount.</td>
</tr>
<tr>
<td>3</td>
<td>Multiply the result by the number of days in the month for which the allowance is payable.</td>
</tr>
<tr>
<td>4</td>
<td>Round the amount to the nearest cent to get the monthly OCONUS COLA.</td>
</tr>
</tbody>
</table>

6804 TEMPORARY LODGING ALLOWANCE

TLA is intended to partially pay a Service member for higher than normal expenses incurred by a Service member or dependent while occupying temporary lodging OCONUS. OCONUS TLA is available when it is necessary for a Service member or dependent to occupy temporary lodging upon arrival at, or immediately before leaving, a PDS OCONUS, or during other periods as specified in this section. Personal inconvenience to a Service member or dependent is never a determining factor. TLA is not intended, and must not be used, for the personal enrichment of a Service member, including authorization or approval of TLA Special (see paragraph 680410).

Note: Organization are expected to take appropriate disciplinary action when TLA is provided for inappropriate reasons.

680401. TLA Authority

The senior commander of the Service in the country or area is the TLA Authority. In countries or areas where more than one Service is represented, the senior commander of all of the Services is the TLA Authority. The TLA Authority may delegate authority as determined appropriate to judiciously administer TLA. TLA may be authorized when a Service member or dependent needs to occupy temporary lodging at personal expense. The TLA Authority authorizes or approves TLA only for the number of days needed to prevent undue financial hardship to the Service member during that period.

680402. TLA Authority Responsibilities

The TLA Authority must issue written TLA guidance for the country or area under his or her responsibility. Effective guidance and management at all levels should minimize TLA costs by preventing the need for TLA, shortening the authorized period, and reducing the amount payable.

A. Submit Written Guidance. An electronic (Word) copy of the required written guidance and changes to or re-issuances of the written material implementing this authority must be provided, via the Service Compensation Chief, to the Allowances Branch, OUSD-PR. This written material must be coordinated with the Uniformed Services present in the country or area, consistent with the general payment conditions listed in this chapter, and designed to uniformly authorize TLA to each Service member.
B. Establish Efficient Policies. To ensure economical TLA administration, the OCONUS TLA Authority’s written guidance to help the Service member locate permanent quarters should emphasize all of the following:

1. A Service member and any dependents should use existing Government transient facilities to the fullest extent possible upon PDS arrival or departure. The Service member must be advised of and encouraged to use recommended temporary lodging.

2. A Service member in a TLA status should be given priority over other potential occupants of transient facilities.

3. A Service member uses, when practical, leased quarters furnished and equipped for temporary occupancy by a family.

4. Promote the use of temporary lodging with facilities for preparing and consuming meals.

5. Maintain contact with the local, private-sector market for permanent housing and provide incoming families with reliable, realistic, and current information concerning location, availability, description, and cost.

6. Maintain an up-to-date list of approved, regularly inspected temporary lodging.

7. Inform the Service member of Government furniture available upon arrival at the new PDS for temporary loan while occupying permanent Government quarters or private-sector housing before the household goods (HHG) arrive. Before departure from the PDS, inform the Service member of Government furniture available for temporary loan after the HHG has been picked up for shipment.

8. The Service member should occupy permanent Government quarters or private-sector housing as soon as possible upon arrival and should not vacate sooner than necessary upon departure on a PCS order. This should ensure that TLA ends the day before the Service member could reasonably occupy permanent Government quarters or private sector housing upon arrival at the PDS OCONUS, even if he or she does not occupy permanent Government quarters or private-sector housing.

9. Requirements for dependent travel should contain advice to the Service member about appropriate household items to include in unaccompanied baggage.

10. Any additional TLA period will not be authorized or approved when a Service member is not expected to incur any excess costs or suffer undue financial hardship.

C. Advise Service Members. It is the TLA Authority’s responsibility to ensure that a Service member is advised of all of the following responsibilities and requirements:
1. The Service member must aggressively seek permanent Government quarters or private-sector housing upon arrival. When the Service member will be assigned Government quarters, the provision to seek private-sector housing is not applicable.

2. The Service member must register with an official upon arrival and keep that official informed of progress in obtaining permanent Government quarters or private-sector housing at intervals of 15 or fewer days, as determined by the TLA Authority.

3. The Service member must provide a statement to the official indicating the beginning and end of TLA.

4. The limitations on the number of authorized TLA days for arrival or departure and of any requirement for a written justification to extend TLA to the maximum number of days.

5. The requirement to relocate as soon as practical to other permanent Government quarters or private-sector housing, or to reoccupy the Government quarters or private-sector housing formerly occupied.

6. The amount of the TLA payment depends on the expenses incurred at the temporary lodging.

7. The Service member must obtain and keep receipts for lodging expenses to support TLA payment.

8. Lodging expenses are not allowed while staying with friends or relatives, but the meal and incidental expense rate (M&IE) is payable for the eligible TLA period.

680403. Applicable Situations for a TLA

A. Situations That Require Temporary Housing. TLA may be authorized during any of the following periods:

1. Upon initial arrival or reporting at a PDS OCONUS either while waiting for Government quarters or while completing arrangements for other private-sector housing when Government quarters are not available. This includes reporting for a TDY at an activity within the limits of the new PDS OCONUS (B-208740, January 31, 1983).

2. Immediately preceding departure for a PCS from a PDS OCONUS after a Service member vacates Government quarters or private-sector housing in connection with a PCS order. This includes reporting for a TDY at a location within the limits of the old PDS OCONUS (B-208740, January 31, 1983).

3. When the appropriate official determines that TLA is necessary for a Service member, once he or she is established in, must vacate, or is waiting to reoccupy permanent Government quarters, private-sector housing, or privatized housing for reasons beyond
the Service member’s control. This does not include a ship entering any type of maintenance availability. The appropriate official must base the determination on the OCONUS TLA Authority’s written guidance.

a. TLA begins the day temporary lodging is first used and ends on the day before permanent Government quarters, private-sector housing, or privatized housing is reoccupied, or when the OCONUS TLA Authority determines TLA is no longer justified.

b. TLA does not include any expenses incurred before the TLA period begins or after it ends, except for extra lodging charges authorized as specified in section 6806.

c. TLA ends if the OCONUS TLA Authority determines that TLA is no longer necessary due to any of the following reasons:

   (1) There are no excess costs.

   (2) The Service member failed to accept adequate permanent Government quarters.

   (3) The Service member stopped diligently searching for permanent private-sector housing.

4. While a Service member without a dependent is seeking permanent Government quarters or private-sector housing following a TDY assignment of 90 or more days when he or she vacated permanent Government quarters or private-sector housing before beginning the TDY (59 Comp. Gen. 486 (1980)).

5. During a Service member’s hospitalization when a dependent must use temporary lodging OCONUS because the Service member was hospitalized en route between PDSs.

6. While house hunting after the Service member arrives at the new PDS and reports for duty in connection with a PCS.

B. Additional TLA

1. In addition to the responsibilities in paragraph 680402, the OCONUS TLA Authority’s written guidance is used to determine whether undue financial hardship can result if an additional TLA period is not authorized or approved. The guidance must be used before authorizing or approving additional TLA periods upon initial arrival, delayed departure, or early termination of either permanent Government quarters or private-sector housing.

2. Applications for additional TLA periods must establish the need for TLA.
3. The OCONUS TLA Authority must direct consideration of the daily amount of all of the following payments and expenses before authorizing additional TLA:

a. The amount of TLA the Service member has received or will receive.

b. Current and estimated expenses for temporary lodging.

c. The housing allowance for a Service member. However, the housing allowance is not considered when paid for a dependent at a place other than the Service member’s PDS, or for a Service member receiving TLA at the with-dependent rate for the Service member only.

d. Family Separation Housing.

680404. General Payment Conditions

A. Service Member Responsibilities. The Service member must either meet the requirements in subparagraph 680402.C or submit acceptable reasons for noncompliance before TLA payment. TLA payment or further TLA authority must be denied if the Service member has not complied with those TLA requirements in accordance with the OCONUS TLA Authority’s written guidance or if he or she failed to submit acceptable reasons for noncompliance.

B. Government Quarters. When Government quarters are available and other lodging is used, lodging reimbursement is limited to the cost of Government quarters as specified in the JTR, Chapter 2, subparagraph 020303.C. If Government quarters are not available, the Service member should provide written certification to support any voucher documentation submitted to comply with finance regulations.

C. Non-Occupancy. If the temporary lodging is not occupied during a portion of the TLA period, reimbursement is allowed for the other days when it is occupied during the authorized TLA period.

D. TLA Periods. There may be a break between an initial TLA period and any additional authorized TLA period.

E. Unaccompanied Tour. A Service member serving an unaccompanied tour is not authorized TLA when he or she chooses not to use an available Government dining facility or available Government quarters because a non-command sponsored dependent is in the PDS vicinity.

F. PCS Order Canceled or Revoked. When the Service member’s PCS order is canceled or revoked after he or she occupies temporary lodging, the Service member may receive TLA reimbursement up to the maximum number of days allowed by the OCONUS TLA Authority.
G. **Advance Payment.** An advance may be paid for the number of authorized TLA days, after authority is provided, based on the appropriate directive issued as specified in the OCONUS TLA Authority’s guidance.

H. **Old and New PDS in Close Proximity or in the Same Country.** When a Service member’s old and new PDSs are in close proximity to each other or in the same country, the TLA authority does not change. However, when a Service member’s new PDS is within commuting distance of the Government quarters or private-sector housing occupied while at the old PDS, the Service member may not be authorized TLA unless the Service member’s commanding officer approves temporary lodging based on a necessary residence change for reasons beyond the Service member’s control.

I. **Certification Confirming Military Necessity.** The following situations require that a Service member’s order be annotated with or include an attached certification that retaining TLA lodging was due to military necessity and not due to the Service member’s personal choice or convenience:

1. When a Service member receiving TLA is ordered on a TDY while away from the PDS.

2. When a Service member receiving TLA before his or her PCS departure is ordered on deployment from the PDS, including the home port or permanent duty location of a ship, staff, or afloat unit.

3. When a Service member receiving TLA is hospitalized after arrival at a new PDS or before a PCS departure.

**680405. Receipt of Multiple Allowances**

Duplicate payment for the same expense is not authorized.

A. **COLA and Housing Allowances.** A Service member may be paid a COLA, a Basic Allowance for Housing, or an Overseas Housing Allowance (OHA), if applicable, when paid TLA.

B. **Evacuation Allowances.** TLA is not payable due to an evacuation.

C. **Temporary Quarters Subsistence Expenses (TQSE) or Temporary Quarters Subsistence Allowances (TQSA).** A Service member married to a civilian employee may be authorized TLA while the civilian employee receives TQSE or TQSA, (see JTR, Chapter 5, Section 0542) as long as the TLA and TQSE or TQSA payments cover different expenses.

D. **Dependent Receives Basic Pay.** A Service member may not be paid allowances on behalf of a dependent for any period while that dependent is entitled to basic pay as specified in 37 U.S.C. § 204 and 37 U.S.C. § 421.
680406. TLA for Initial Assignment

A. Authorization Period. TLA authorization for a PDS assignment OCONUS requiring a residence change ordinarily should not exceed 60 days, which do not have to be consecutive. The initial 60-day period begins on the same date as the COLA. The OCONUS TLA Authority’s AO may authorize or approve a period in addition to the initial 60-day maximum to follow immediately after the first 60 days or begin at some later date after the initial period expires. The additional period may be authorized or approved in increments of 15 or fewer days for any of the following reasons beyond the Service member’s or dependent’s control:

1. HHG does not arrive.
2. Service requirements cause a delay in the availability of or assignment to Government quarters.
3. Acts of God, fire, flood, earthquake, riot, civil unrest, or other disturbances that make normally available or anticipated Government quarters or private-sector housing temporarily or permanently uninhabitable or unavailable.
4. A landlord withdraws the private-sector housing from the market.
5. The Service member is unable to secure private-sector housing that the housing officer considers suitable to the Service member’s needs, in an acceptable location, and comparable to and within the price range of housing that other Service members in the area are currently using. The lease cost for housing can exceed the OHA ceiling.
6. Either the Service member or dependent is hospitalized or the Service member’s duties require the Service member to be away from the PDS (or home port, if attached to a ship) limiting opportunities to arrange for permanent Government quarters or private-sector housing.

B. Review of Effort to Find Permanent Housing. At the end of the first TLA period of 15 or fewer days, or a longer period authorized under extenuating circumstances, the OCONUS TLA Authority’s AO should review the Service member’s progress in obtaining permanent housing.

1. If the Service member’s efforts appear deficient, the OCONUS TLA Authority’s Authorizing Official (AO) must remind the Service member of his or her responsibilities. A Service member who does not comply, without an acceptable reason, will lose authorization for TLA unless the Service member is awaiting assignment to Government quarters.
2. The Service member’s absence from the PDS due to a TDY, maneuvers, being aboard ship, sickness, hospitalization, serious illness of dependents, or other acceptable reasons, excuses the Service member from aggressively seeking permanent housing during the absence and postpones the date for submitting the required information. This applies when evaluating the Service member’s progress toward obtaining permanent Government quarters or private-sector housing and in determining TLA authorization or approval during each succeeding period.

C. TLA Authorization. TLA authorization that starts upon initial arrival continues until a Service member occupies permanent Government quarters or private-sector housing unless TLA is terminated earlier for an acceptable reason specified in this chapter. The allowance stops accruing on the day before a Service member occupies the permanent housing. With the exception of allowed extra lodging charges, no expenses incurred on the permanent Government quarters or private-sector housing occupancy day are used in computing TLA (see section 6806). In any case, TLA must stop the day HHG is delivered.

680407. TLA for Initial Assignment when New PDS is a Ship

A. Reporting Day. On the actual reporting day aboard a ship, the lodging cost for lodging jointly occupied by the Service member and a dependent is not divided between the Service member and the dependent. The entire lodging cost is included as a TLA expense.

B. Period while Awaiting the Ship’s Arrival

1. When a Service member is in a TDY status at the home port OCONUS awaiting arrival of his or her assigned ship, he or she is eligible for per diem. Therefore, the Service member is ineligible for TLA during the waiting period. The waiting period begins on the arrival day at the home port and continues through the day before the actual reporting day aboard the ship. During this waiting period, the ship is the Service member’s new PDS for personal travel. For TLA purposes, the Service member has not reached the new PDS until reporting to the ship. TLA can begin after the Service member reports to the ship and meets the other criteria in this chapter.

2. The number of dependents occupying temporary lodging in the PDS area—or the home port when the new PDS is a ship—determines the amount to authorize for meals, which is used to compute the TLA rate payable on behalf of any dependents for days when a Service member is authorized per diem.

3. When a Service member receiving per diem is also receiving TLA for a dependent, and both are at the home port, lodging costs for jointly occupied lodging are apportioned 50% for the Service member and 50% for all dependents combined for all days except on the reporting day to the ship, regardless of the number of family members.
C. **TLA during Home Port Change for Initial Assignment.** If a Service member is currently assigned to a ship or other fleet unit with an announced home port change, or is in receipt of a PCS order to a ship or other fleet unit with an announced home port change, and the dependent is authorized to travel to the new home port as the new home port is the Service member’s PDS for TLA purposes (65 Comp. Gen. 888 (1986)).

680408. Service Member Arrives or Departs at a Different Time than a Dependent

A. **Service Member Arrives before Dependent.** When a Service member arrives at a PDS OCONUS before a dependent, the Service member may be authorized TLA if the conditions specified in section 6804 are met. Upon the dependent’s arrival, TLA may also be authorized or approved for the Service member and dependent. If the dependent arrives after the initial 60-day period expires, an additional TLA period may be authorized as specified in subparagraph 680408.C whether or not TLA was paid during the initial 60-day period.

B. **Dependent Arrives at or in the PDS Vicinity OCONUS before the Service Member.** Authorization or approval through the Secretarial Process is required for the dependent’s arrival in advance of the Service member as specified in Chapter 26 before TLA payment. Once advance travel is authorized or approved, and a dependent arrives at or in the PDS vicinity OCONUS, the dependent’s TLA starts the day TLA is authorized for the Service member provided the dependent is command sponsored.

C. **Dependent Departs the PDS Vicinity OCONUS after the Service Member.** Before TLA payment, authorization or approval through the Secretarial Process is required for the dependent’s delayed travel as specified in Chapter 26. Once delayed travel is authorized or approved, TLA for the dependent is authorized under the same conditions as applicable to a Service member when a dependent departs the PDS vicinity OCONUS after the Service member.

680409. TLA upon Departure

A. **Time Limitation.** The TLA period cannot start more than 10 days before the Service member leaves the PDS in compliance with a PCS order, except in the following situations:

1. One or more dependents remain in the old PDS vicinity as specified in Table 68-10. TLA may be authorized up to 10 days immediately preceding the day the last dependent leaves the PDS. This is regardless of the effective date of the PCS order from that PDS.

2. A longer TLA period is authorized due to delayed departure or the early termination of permanent Government quarters or private-sector housing.

3. The Service member or dependent is hospitalized or the Service member’s duties require the Service member to be away from the PDS or home port, if attached to a ship.
B. **Departure from PDS.** Table 68-10 specifies the TLA authorization upon departure from a PDS under certain circumstances.

Table 68-10. TLA when Departing a PDS

<table>
<thead>
<tr>
<th>Departure</th>
<th>TLA Authorization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Dependent Departures before the Service Member</td>
<td>When a dependent departs a PDS OCONUS before the Service member, TLA may be authorized for the Service member and dependent when eligible. TLA due to the dependent’s departure is limited to 10 days immediately preceding the day the last dependent departs, and must not begin earlier than the issue date of the PCS order or official alert notice. Upon departure of the Service member at a later date, TLA may again be authorized or approved for the Service member.</td>
</tr>
<tr>
<td>2 Delayed Departure</td>
<td>When the authorized TLA period has begun and actual departure is delayed through no fault of the Service member or dependent, TLA may be authorized or approved by the AO, in increments of 10 or fewer days, for the entire period that temporary lodging is required. This includes a dependent’s delay due to the Service member’s death.</td>
</tr>
<tr>
<td>3 Early Permanent Housing Termination</td>
<td>When, for reasons beyond the control of the Service member or dependent, permanent Government quarters or private-sector housing must be relinquished more than 10 days before the estimated departure date, the AO may authorize or approve TLA beginning the day the permanent Government quarters or private-sector housing is relinquished. Acceptable reasons include:</td>
</tr>
<tr>
<td></td>
<td>a. The Transportation Officer determines it necessary to ship HHG after considering anticipated leave; necessary travel time; HHG shipment transit times; compliance with requirements of local packing, crating, and shipping agencies; meeting shipping schedules; and other requirements related to HHG shipments.</td>
</tr>
<tr>
<td></td>
<td>b. Expiration or termination of lease or rental agreement occurs after a Service member receives the PCS order or alert notice.</td>
</tr>
<tr>
<td></td>
<td>c. A landlord withdraws the private-sector housing from the market.</td>
</tr>
<tr>
<td></td>
<td>d. The AO determines that an Act of God, civil unrest, or other disturbance makes occupancy of permanent housing inadvisable.</td>
</tr>
<tr>
<td></td>
<td>e. The Service member is required by lease, custom, or law to surrender housing at a fixed date more than 10 days before the scheduled departure or before a lease’s expiration to permit inspection, finalization of utility bills and deposits, redecoration, or adjudication of damage claims.</td>
</tr>
<tr>
<td></td>
<td>f. Housing authorities require the Service member to vacate permanent Government quarters for the Government’s convenience.</td>
</tr>
<tr>
<td></td>
<td>g. The OCONUS TLA Authority determines that permanent Government quarters or private-sector housing must be relinquished.</td>
</tr>
</tbody>
</table>
Table 68-10. TLA when Departing a PDS (Continued)

<table>
<thead>
<tr>
<th>Departure</th>
<th>TLA Authorization</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Service Member Detaches from a Ship Away from Home Port</td>
<td>When a Service member detaches on a PCS from a ship in a home port OCONUS while the ship is away from its home port and he or she returns to the home port, then TLA may be authorized unless he or she receives per diem. If per diem is authorized at the home port, the Service member can receive TLA only if a dependent occupies temporary lodging at the home port.</td>
</tr>
<tr>
<td>5 TLA before PCS Order Issuance</td>
<td>A Service member may be authorized TLA before a PCS order is issued. The PCS AO, or the designated representative, must provide a written statement that the Service member was advised that the order would be issued before the PCS order is actually issued. The Service member must provide this statement if required by finance procedures. Information, such as the date of eventual release from active duty, expiration of term of service, retirement eligibility, or expected rotation from duty OCONUS, is not notification of intent to issue an order (52 Comp. Gen. 769 (1973)). The length of time between when the Service member receives written advice that a PCS order will be issued and when the order is issued may not exceed the relatively short period between when a PCS order determination is made and when the order is actually issued.</td>
</tr>
</tbody>
</table>

680410. Special TLA Requests (TLA Special)

TLA requests for a higher lodging factor (TLA Special) under special or unusual circumstances may be authorized only before the dates required and by the Allowances Branch Chief’s issued determination. See TLA Special computation example 1, TLA Special computation example 2, TLA Special computation example 3, and TLA Special computation example 4.

A. TLA Special Warranted. When lodging costs escalate due to a special event and TLA is insufficient for lodging, a TLA Special may be warranted for a specific period.

B. Request Requirements. Commands must submit requests before the days that the higher rate is needed. The request must include all of the following:

1. The event dates and the dates when a TLA Special is required.

2. Hotel prices before the event and anticipated prices during the event stated in U.S. currency from at least five and preferably seven different hotels located in the affected area.

3. The number of authorized travelers and the ages of any dependents.

4. Locations affected.
5. Recommended lodging amount.

6. Documentation indicating when the forthcoming special event will occur (47 Comp. Gen. 127 (1967) and B-161396, May 3, 1976).

C. Submission Process. The Service member’s command may request TLA Special authority before the requested dates by email, U.S. mail, or fax to:

Chief, Allowances Branch
4800 Mark Center Drive
Suite 04J25-01
Alexandria, VA 22350-9000

Fax: 571-372-1301
E-Mail: dodhra.mc-alex.dtmo.mbx.allowances-branch

D. Limitations. Allowances Branch, OUSD-PR will not take action on a TLA Special request received after the dates the TLA Special rate was needed, regardless of the circumstances.

1. TLA Special is not authorized for a Service member who is in a TDY status and receiving per diem at a home port OCONUS awaiting arrival of the assigned ship. The Allowances Branch Chief may authorize TLA Special for an accompanying dependent.

2. TLA Special stops the day after a Service member voluntarily refuses adequate Government quarters for personal convenience.

3. TLA Special for a member who has no dependents is limited to 65% of the lodging rate.

6805 OTHER SITUATIONS FOR TLA

680501. Service Member Married to Another Service Member

If two Service members married to each other maintain separate households at or in the vicinity of their PDS or PDSs OCONUS, each Service member is authorized TLA based on whether the Service member concerned has a dependent at or in the vicinity of the PDS OCONUS. See TLA computation example 4, TLA computation example 5, TLA computation example 6, and TLA Special computation example 3.
680502. Period of TDY or Deployment while away from PDS

A Service member receiving TLA who is ordered on a TDY (whether after arrival at the new PDS or before his or her PCS departure) or who is ordered on deployment from the home port of a ship, staff, or afloat unit, is authorized to continue to receive TLA on his or her own behalf. The temporary lodgings must be retained because of the Service member’s military assignment. This may include the lodging cost at the TLA location while the Service member is on TDY.

680503. Converted Tour

A Service member whose tour is converted to an accompanied tour may be eligible for TLA for him or herself and any command sponsored dependent who was a dependent on the effective date of the PCS order to the PDS OCONUS if the conditions specified in the TLA Authority’s written guidance are met. The Service member must make every reasonable effort to find suitable permanent Government quarters or private-sector housing for a dependent before the dependent arrives. TLA may be authorized or approved for the Service member and dependent only if the Service member is unable to find suitable housing before the dependent arrives for reasons beyond the Service member’s control.

680504. Service Member Acquires a Dependent

A Service member serving a tour OCONUS who has no dependents on arrival but who acquires a dependent during that tour is ineligible for TLA for the dependent when the dependent arrives at the PDS because the Service member was without a dependent on the effective date of the PCS order (B-186628, September 17, 1976). A Service member may be authorized TLA for him or herself, when eligible, or for a dependent acquired while serving at a PDS OCONUS if the dependent is command sponsored at the PDS from which the dependent departs.

680505. Hospitalization Period

A Service member receiving TLA who is hospitalized after arrival at a new PDS or before a PCS departure may continue to receive TLA on his or her own behalf. This may include the Service member’s share of the temporary lodging cost as a TLA expense when, due to the hospitalization, temporary lodging must be retained at the PDS. The Service member’s order must be annotated or have certification attached that states the TLA lodging was retained due to military necessity and not due to the Service member’s personal choice or convenience.

680506. Leave or Permissive Travel

A. Leave or Permissive Travel in the PDS Vicinity. After a Service member has reported for duty, TLA may be paid for any day he or she is on leave or permissive travel in the PDS vicinity and seeking private-sector housing or awaiting assignment to Government quarters. This enables a Service member to complete PCS travel and be placed on leave so that station-allowance eligibility is established by reporting to the new PDS.
B. Leave or Permissive Travel Away from the PDS Vicinity. TLA is not payable for any day a Service member is on leave or permissive travel away from the PDS vicinity unless one or more dependents remain in the PDS vicinity to continue to seek private-sector housing or while awaiting assignment to Government quarters. In that case, the number of dependents who continue to occupy temporary lodging determines the rate payable. In either case, postponement of TLA pending return is not authorized. This provision helps ensure that TLA is paid only in connection with the PDS.

680507. Dependent Assigned to Government Quarters

When a dependent is assigned to Government quarters in connection with advance arrival at a Service member’s PDS OCONUS, during delayed departure from a Service member’s PDS OCONUS, or “other circumstances” as specified in Chapter 26, a decision is made by either the Secretary concerned or through the Secretarial Process at the Service’s discretion to pay or continue station allowances. When a dependent resides in Government quarters, a housing allowance is not authorized.

680508. TLA for RC Member

An RC member called or ordered to ADT for 140 or more days or active duty for other than training for 181 or more days who is authorized PCS allowances is authorized TLA as specified in this chapter. When an RC member is authorized TLA at the with-dependent rate for the PLEAD, command sponsorship is not required. The RC member must reside permanently in the area concerned at the time called or ordered to active duty (55 Comp. Gen. 135 (1975)). COLA authorization begins on the first active-duty day.

680509. Retirement or Separation from Service

A Service member who retires or separates from service, stays in the PDS area, and then moves at a later date or moves OCONUS to either a home of record or home of selection chosen by the Service member is ineligible for TLA or TLA Special.

6806 TLA CALCULATIONS

680601. TLA Rates Payable and Calculation Procedures

A. TLA Computation. Apply TLA accrual provisions for the standard TLA computation specified in paragraph 680602 when computing TLA upon arrival and departure. Expenses incurred on the departure day are not considered. However, when lodging expenses are incurred on the day of departure, calculate TLA as specified in this section. See TLA and TLA Special computation examples.
B. **Extra Room-Charge Payment.** When the Service member or a dependent checks into or out of temporary lodging at a time of day that results in the payment of room charges for an extra day, calculate the lodging rate at 1.5 times the percentage rates specified in Table 68-11 for that extra day, except as specified in paragraph 680603-A. M&IE remains at the specified percentages.

C. **Number of Persons Occupying Temporary Lodging.** When determining the number of persons occupying temporary lodging, do not count the Service member for any day that he or she is not authorized TLA on his or her own behalf.

D. **TLA Authorized on the Reporting Day**

1. When TLA is authorized on the reporting day, per diem is 75% of the locality M&IE rate for the new PDS OCONUS as determined in the JTR, Chapter 2, paragraph 020310 when the Service member or dependent travels on a PCS order by commercial air, train, bus, ship, Government transportation, or Government-procured transportation. See the JTR, Chapter 5, paragraph 050202 for reimbursement for commercial transportation and per diem. The lodging expense on the reporting day is reimbursed as TLA. See TLA computation example 8 and TLA computation example 10.

2. TLA is not payable on the reporting day when MALT Plus is payable. The Service member may be authorized TLA when he or she, or a dependent, occupies temporary lodging on the reporting day to the new PDS and MALT Plus is not payable.

680602. **Standard TLA Computation**

A. **Time Limit.** TLA is calculated in increments of 15 days, except when more than one TLA rate applies within the computation period. If, after all 15-day increments are computed, fewer than 15 days still remain, compute the remaining days as one period.

B. **Currency Conversion Fees.** When determining the lodging expense in connection with TLA, add the International Transaction Fees, also known as currency conversion fees, charged by the Government Travel Charge Card (GTCC) to the actual daily lodging cost along with any lodging tax or value-added tax (VAT) relief certificate cost, and other authorized lodging costs. When using a personal charge card instead of the GTCC while not formally exempt from having a GTCC, International Transaction Fees charged by the credit card company are not part of the calculation.

C. **TLA Calculation.** Steps 1-3 explain how to calculate standard TLA using Table 68-11. When calculating TLA, use the actual amount without rounding.
Table 68-11. Daily M&IE and Lodging Percentages

<table>
<thead>
<tr>
<th>Number of Eligible Persons Occupying Temporary Lodging</th>
<th>Percentage Applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Service member or one dependent (total one person)</td>
<td>65</td>
</tr>
<tr>
<td>2 Service member and one dependent, or two dependents (total 2 persons)</td>
<td>100</td>
</tr>
<tr>
<td>3 Each additional dependent age 12 and older</td>
<td>35</td>
</tr>
<tr>
<td>4 Each additional dependent under age 12</td>
<td>25</td>
</tr>
</tbody>
</table>

1. **Step 1**: Calculate the daily M&IE and lodging ceiling by multiplying the percentage specified in Table 68-11 by the applicable locality *per diem rate*. Exceptions to this ceiling are specified in paragraph 680603. Use the percentages specified in Table 68-11 for both lodging and M&IE except when any of the following circumstances apply:

   a. A TLA Special has been authorized for lodging.

   b. Temporary lodging is not available at the PDS.

   c. Permanent Government quarters are being renovated or lack adequate cooking and eating facilities.

   d. Temporary quarters contain adequate cooking facilities.

   e. The Service member or dependent stays with friends or relatives. In that case, reimbursement of lodging cost is not authorized, but the TLA M&IE is paid.

   f. A Service member is authorized a temporary lodging cost at the new PDS as specified in paragraph 680502 as a TLA expense during a TDY or deployment period. In that case, the Service member is included in the number of persons for lodging, but not for M&IE. Determine the TLA amount payable by subtracting the Service member’s share of the meal allowance from the total M&IE. To calculate the Service member’s share, divide the M&IE amount by the total number of persons in the Service member’s family, including the Service member, occupying the temporary lodging.

   g. The applicable percentage is 100% for the Service member and spouse. Add the percentage in Table 68-11 for the rest of the dependents. When calculating the percentage for a family without the spouse, use the Service member and one (the oldest) dependent at the 100% rate. Add the percentages in Table 68-11 for the rest of the dependents.

2. **Step 2**: Determine the payable lodging cost by comparing the actual daily lodging cost, including lodging tax or VAT relief certificate cost, International Transaction Fees charged by the GTCC, and other authorized lodging costs, as specified in subparagraph 680602.B, with the lodging cost ceiling calculated using Table 68-11. Select the lesser amount.
a. Itemized lodging receipts, invoices, or vendor statements are required to verify lodging expenses.

b. When the Service member is in a TDY status at the TLA location—regardless of the per diem amount received—reduce the lodging expense by the lodging cost used to determine the Service member’s per diem rate.

3. Step 3: Determine the daily TLA amount by adding the payable lodging to the M&IE rate calculated as specified in Table 68-11. See TLA computation examples.

680603. TLA Computation in Non-Standard Circumstances

A. TLA for Lodging Contracted by the Government or under Government Jurisdiction. When the Service member or a dependent checks into or out of lodging at a time of day that results in the payment of a lodging, rental, or service charge for an extra day, add the extra amount paid to the daily TLA amount for the check in day or the day before check out. TLA is computed according to standard TLA computations in either of the following situations:


2. The temporary lodging is a guesthouse, exchange hotel, temporary lodging facility, or transient facility (such as visiting officer’s quarters) under Government jurisdiction, whether operated with appropriated or non-appropriated funds.

B. Temporary Lodging not Available at PDS. When neither Government nor commercial temporary lodging is available at the PDS and the Service member must obtain lodging nearby, determine the maximum daily TLA amount by multiplying the lodging location per diem rate by the percentage in Table 68-11. If the per diem rate for the lodging location is lower than that for the PDS, use the PDS locality per diem rate. Finance regulations may require a statement from the Service member’s commanding officer or designee that the lodging used was the nearest suitable accommodations available to the Service member’s PDS.

C. TLA Authorized for Limited Kitchen Facilities

1. A Service member may be authorized TLA to cover the cost of restaurant meals when kitchen facilities are limited and any of the following apply:

   a. The Service member or dependent occupies Government quarters while the kitchen is being renovated.

   b. The Service member or dependent occupies Government quarters or private-sector housing during utility loss.

   c. The Service member or dependent initially occupies permanent Government quarters or private-sector housing without a stove or refrigerator and meals cannot be prepared.
2. Calculate TLA for meals by multiplying the applicable percentage in Table 68-11 by the meals portion of the locality M&IE per diem rate.

D. Temporary Quarters Contain Facilities for Preparing and Consuming Meals. The presence of a stove and oven, work area, refrigerator, sink, water, table, chairs, and cooking and eating utensils is evidence of adequate cooking and eating facilities.

1. When temporary lodging has adequate cooking and eating facilities, the daily TLA rate for lodging does not change, but the M&IE amount is reduced by one half. That reduced M&IE amount based on adequate cooking facilities does not apply when a friend or relative provides lodging or to the first and last days of TLA.

2. When the Service member shows the official designated in the local TLA regulations that the facilities for preparing and consuming meals are inadequate or, for other reasons, may not be used for all or part of the period involved, the Service member may be authorized TLA without the M&IE reduction.
VOLUME 7A, APPENDIX A: “REIMBURSEMENT OF ADOPTION EXPENSES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2018 is archived.

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<td>A00102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated statutes and supporting references.</td>
<td>Revision</td>
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APPENDIX A

REIMBURSEMENT OF ADOPTION EXPENSES

A001 GENERAL

A00101. Purpose

The purpose of this appendix is to prescribe the DoD policy for the reimbursement of adoption expenses to qualified members, as authorized by law.

*A00102. Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 10, United States Code (U.S.C.), section 1052. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

A002 APPLICABILITY AND SCOPE

This appendix applies to the Defense Finance and Accounting Service (DFAS) Cleveland (CL) site, each Military Service personnel activity, and Service members serving on continuous active duty for at least 180 days. This appendix also applies to full-time Active Guard/Reserve members on active duty orders for at least 180 days.

A003 POLICY

The members specified in section A004, whose adoption of a child under 18 years of age has been finalized, may be reimbursed a maximum of $2,000 per child for qualified expenses related to the adoption. In the event of multiple adoptions, the maximum reimbursable amount is $5,000 per calendar year. A benefit may not be paid for any expense paid to or for a member of the Armed Forces under any other adoption benefits program administered by the Federal Government or under any such program administered by a state or local government. The DFAS-CL site is responsible for paying all approved adoption reimbursement claims. DFAS-CL is also responsible for providing primary guidance concerning adoption expense reimbursement procedures. The date the claim is received by DFAS-CL determines the creditable calendar year for determining the maximum reimbursable amount for multiple adoptions.

A004 ELIGIBILITY REQUIREMENTS

A00401. Active Duty Requirements

Service members must serve on continuous active duty for at least 180 days. In addition, members are not entitled to reimbursement expenses if they separate from active duty before the adoption is final. Members are eligible for reimbursement expenses if the adoption is finalized.
before separation from active duty, the claim form has been signed and certified by the member’s
commanding officer, and the claim is submitted to the DFAS-CL site prior to discharge. Members
may request a voluntary extension of assignment beyond their normal expiration of term of service
to complete the adoption process.

A00402. Period of Eligibility

A. A member described in paragraph A00401, who incurs expenses when
adopting a child under 18 years of age, must have the adoption finalized while on active duty to
be eligible for reimbursement. Prior to separation from active duty, members must submit an
application for reimbursement no later than:

1. 2 years after finalization of the adoption; or

2. 2 years after date that documentation of U.S. citizenship is issued
   (in the case of a foreign adoption).

B. If deployment responsibilities impact the member’s ability to comply with
the 2-year deadline, DFAS can make exceptions. In these cases, the verifying official who signs
the DoD (DD) Form 2675, Reimbursement Request for Adoption Expenses, will submit a letter
stating that the member’s deployment impacted the member’s ability to comply with the 2-year
deadline.

A00403. Eligible Members

Adoption expense reimbursements may be paid to married or single members. If both
parents are military members (including members of the Coast Guard when operating as a Military
Service in the Navy), then only one member may be reimbursed for expenses related to the
adoption of the same child.

A00404. Qualifying Adoptions

A. Adoption expenses that may be reimbursed include:

1. Adoption of a child under the age of 18;

2. Adoption by a single person;

3. Infant adoption;

4. Inter-country adoption;

5. Adoption of a child with special needs; and

6. Adoption of stepchildren.
B. Adoptions qualify for reimbursement only if the adoption is arranged by:
   1. A qualified adoption agency; or
   2. Other source authorized to place children for adoption under state or local law.

C. A qualified adoption agency means any of the following:
   1. State or local government agency which has responsibility under state or local law for child placement through adoption;
   2. A nonprofit, voluntary adoption agency that is authorized by state or local law to place children for adoption; or
   3. Any other source authorized by a state to provide adoption placement, if the adoption is supervised by a court under state or local law. (As used in this appendix, “state or local” refers to a state or locality in the United States.)

D. A qualified adoption agency for inter-country adoptions would be a foreign government or an agency authorized by a foreign government to place children for adoption, in any case which:
   1. The adopted child is entitled to automatic citizenship in accordance with 8 U.S.C. § 1431, also known as the Immigration and Nationality Act; or
   2. A certificate of citizenship has been issued for such child under 8 U.S.C. § 1433.

NOTE: In either case, documentation that describes the mission of the foreign agency and the authority delegated from the foreign government should be provided.

A005 RESPONSIBILITIES

A00501. Member Responsibilities

A. A member must submit requests for reimbursement of qualified adoption expenses using a separate DD 2675 for each qualifying adoption. Application assistance is available through Military One Source or installation personnel designated by the Military Service. The completed DD 2675 and substantiating documentation must be submitted no later than:
   1. 2 years after finalization of the adoption; or
   2. 2 years after date that documentation of U.S. citizenship is issued (in the case of a foreign adoption).
B. A member must manually or digitally sign a thoroughly completed application for reimbursement and have it verified by the member’s commander or designated verifying official.

1. When the DD 2675 is manually signed, the member’s command must submit the application via postal mail, or DoD Enterprise (encrypted) email to:

   Defense Finance and Accounting Service - Cleveland  
   Special Actions Team/JFLADA  
   ATTN: Adoption Reimbursement  
   1240 East Ninth Street  
   Cleveland, OH  44199

   Email: dfas.cleveland-oh.jfl.mbx.adoption-reimbursement-cle@mail.mil

2. When the completed DD 2675 is digitally signed, either the member’s command or the member must submit a copy of the application via postal mail or DoD Enterprise (encrypted) email (see subparagraph A00501.B.1).

NOTE: The member must retain the original application, including all supporting documents and proof (e.g., postal tracking receipt or email message) that the application was submitted by the 2-year deadline.

C. If neither the member nor the spouse is able to appear personally at the servicing personnel activity, then the completed claim forms may be mailed to the personnel activity. The spouse of a Service member, who is unable to complete a claim package due to military duty, can sign a claim form under a power of attorney. All claims signed by a spouse must include the power of attorney as a part of the claims package.

D. Service members must substantiate all expenses with documentation. Documentation must include receipts marked “PAID” or canceled checks.

1. If the receipts are from a foreign entity, then they should list the U.S. currency equivalency.

2. Reconstruction of expense records is permissible when the original records are unavailable, and the member submits a notarized affidavit stating the costs.

3. The member must submit a full English translation of any foreign language document, to include the translator’s certification that he or she is competent to translate the foreign language into English, and that his or her translation is complete and correct.

4. The member is responsible for providing the appropriate documentation that establishes the adoption is final and that it was arranged by a qualified adoption agency, as defined in paragraph A00404.
5. With respect to documents originating from a state or other authorized adoption agency, copies of those documents must be certified as true copies of the original by the state or adoption agency. If the original document is filed with the court, then the member must submit a copy of the adoption order certified by the clerk of courts.

NOTE: These documents will not be returned to the member.

E. In determining whether an adoption of a child in a foreign country is final, the member must submit a copy of the final court documents, as well as proof of U.S. citizenship for the child. The following documents are acceptable forms of proof of U.S. citizenship:

   1. A copy of a U.S. court order that recognizes foreign adoption or documents the “re-adopting” of the child in the United States, granting the child U.S. citizenship;

   2. A letter from the U.S. Citizenship and Immigration Services which states the status of the child’s adoption, granting the child U.S. citizenship;

   3. A copy of a U.S. passport (page with personal information only); or


F. The member is responsible for maintaining a file for the reimbursement claim. This file should contain copies of all paperwork related to the claim, including the receipts, agency documentation, and court papers associated with the adoption proceedings or court-certified copies until the claim is paid or denied.

G. The member will submit only one reimbursement claim per adoption.
A00504. Military Services’ Adoption Expense Reimbursement Funding Responsibilities

The Military Services provide funding authorization to DFAS-CL by memorandum each fiscal year. The DFAS-CL site charges the applicable Military Service provided appropriations according to standard cross-disbursing operating procedures.

A006 ADOPTION REIMBURSEMENT PROCEDURES

A00601. Authorized Reimbursable Expenses

The DFAS-CL site will pay documented, reasonable, and necessary adoption expenses, up to $2,000 per adoptive child. Not more than $5,000 will be paid per calendar year to any member. In the case of two married members (including the Coast Guard when operating as a Military Service in the Navy), only one member may claim expenses for each adopted child and the couple is limited to the $5,000 per calendar year maximum. The calendar year is determined by the date the claim is received by DFAS-CL for payment. Reasonable and necessary expenses include the following:

A. Public and private agency fees, including adoptive fees charged by an agency in a foreign country;

B. Placement fees, including fees charged adoptive parents for counseling;

C. Legal fees, including court costs, for services that are unavailable to a member for the Military Services;

D. Medical expenses, including hospital expenses, of the biological mother of the child to be adopted and of a newborn infant to be adopted; and

E. Temporary foster care charges when payment of such charges is required to be made before the adoptive child’s placement.

A00602. Unqualified Expenses

The term “reasonable and necessary expenses” does not include:

A. Travel expenses;
B. Items such as clothing, bedding, toys, and books; or

C. Any costs associated with an adoption arranged in violation of federal, state, or local law.

A00603. Payment Processing Requirements

A. A separate DD 2675 must support each claim.

B. Eligibility for reimbursement is supported by the documentation submitted. If the eligibility for reimbursement cannot be determined from the documents provided or claimed expenses are not properly supported by receipts, then the DFAS-CL site will retain the claim and request the necessary information or documentation.

C. The DFAS-CL site will issue the reimbursement by Electronic Funds Transfer (EFT) to the member’s EFT account as designated on the DD 2675 within 30 days of receipt of a properly prepared and supported claim package. A member without access to an EFT method of payment must submit a request for EFT waiver to receive a check.

D. If the claim is denied, then DFAS-CL will send a letter to the member stating this fact. DFAS-CL will not return documents to the members.

A00604. Appeals

If a member receives a claim denial, they can request reconsideration in writing and add additional explanation or documentation. If, upon reconsideration, the member receives a notice of final action regarding the denial of the claim, the member may appeal to the Defense Office of Hearings and Appeals, in accordance with DoD Instruction (DoDI) 1340.21, Enclosure 7. The request for appeal should include copies of all relevant court documents and statements of the member or other persons in support of the claim and be sent to DFAS at the address listed in subparagraph A00501.B.1.
APPENDIX A – REIMBURSEMENT OF ADOPTION EXPENSES

A003 – POLICY

DoDI 1341.09, July 5, 2016

A004 – ELIGIBILITY REQUIREMENTS

DoDI 1341.09, July 5, 2016


A005 – RESPONSIBILITIES

DoDI 1341.09, July 5, 2016

A00501
A00502

DoDI 1341.09, July 5, 2016

A006 – ADOPTION REIMBURSEMENT PROCEDURES

DoDI 1341.09, July 5, 2016

A00601
A00602
A00604

DoDI 1340.21, May 12, 2004
VOLUME 7A, APPENDIX B: “DISPOSITION OF FORFEITURES AND FINES AS A RESULT OF COURTS-MARTIAL, NONJUDICIAL PUNISHMENT, AND DESERTION”

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APPENDIX B

DISPOSITION OF FORFEITURES AND FINES AS A RESULT OF COURTS-MARTIAL, NONJUDICIAL PUNISHMENT, AND DESERTION

B001 GENERAL

B00101. Purpose

This appendix describes the transfer of certain forfeitures and fines as a result of courts-martial, nonjudicial punishment, and desertion to the Armed Forces Retirement Home Trust Fund (AFRHTF).

B00102. Authoritative Guidance

The policy prescribed in this appendix was prepared in accordance with applicable statutes, regulations, and other guidance referenced throughout the appendix. The primary authoritative source is Title 10, United States Code (U.S.C.), section 2772. To ensure accuracy and completeness, a reference page listing the authoritative sources that support this appendix is provided at the end of the appendix. The references are listed in the order they appear in the appendix.

B002 SCOPE

This appendix applies to each Defense Finance and Accounting Service (DFAS) Site that maintains a military pay system and to limited-duty officers, regular and Reserve warrant officers, and regular and Reserve enlisted members of the Army, Navy, Air Force, and Marine Corps.

B003 GENERAL POLICY

The Chief Operating Officer (COO) for the Armed Forces Retirement Home (AFRH) determines, on the basis of the financial needs of the AFRH, a percentage of forfeitures and fines adjudged by courts-martial and nonjudicial punishment, and amounts forfeited on account of desertion against limited-duty officers, warrant officers, and enlisted members to be transferred to the AFRHTF. The COO has determined that 100 percent of all forfeitures and fines will be transferred to the AFRHTF. Transfer only those amounts that are in excess of any indebtedness to the United States and amounts owed to individuals. For the purpose of this appendix, the term “indebted” or “debt” refers to amounts due from the member for reimbursement to the United States.

Example: An amount due the Internal Revenue Service pursuant to a tax levy, which may ordinarily be thought of as a “debt” to the United States, is not a “reimbursement” or “debt” for purposes of this appendix. The term “amounts owed to individuals” refers to amounts owed from a member’s pay by direction of a commanding officer, pursuant to 10 U.S.C. § 939, or Article 139 of the Uniform Code of Military Justice.

B-3
B004 PROCEDURES

B00401. Transfer of Fines

When a limited-duty officer, warrant officer, or enlisted member is sentenced by a court-martial or nonjudicial punishment to pay a fine, the DFAS Site will transfer the amount to the AFRHTF within 30 days from the end of the month in which the fine was collected.

B00402. Transfer of Courts-Martial and Nonjudicial Punishment Forfeitures

When a limited-duty officer, warrant officer, or enlisted member is sentenced to forfeit all or part of his/her pay, the DFAS Site will transfer the amount to the AFRHTF within 30 days from the end of the month in which the forfeiture is collected. Multiple-month forfeitures, or forfeiture amounts which are collected over 2 or more months, will be transferred on a monthly basis to the AFRHTF. Do not wait until the entire amount of the forfeiture has been collected before making such transfers.

Example: A member is sentenced to forfeiture of pay of $500 per month for 2 months, and the effective date of the forfeiture is November 29. The transfer would be $33.33 ($500 divided by 30 days, times 2 days left in the month) no later than December 30; $500 ($500 divided by 30 days times 30 days) no later than January 30; and $466.67 ($500 divided by 30 days times 28 days left uncollected) no later than March 2, into the AFRHTF.

B00403. Transfer of Courts-Martial and Nonjudicial Punishment Forfeitures When Indebted to the Government

When a limited-duty officer, warrant officer, or enlisted member is sentenced to forfeit all or part of his/her pay, and the member is indebted to the Government, the DFAS Site will not transfer any amounts to the AFRHTF until all known debts have been established. Any forfeiture amounts exceeding the uncollected indebtedness will be transferred to the AFRHTF. All amounts collected thereafter, not to exceed the total amount of the forfeiture, will be transferred to the AFRHTF.

Example 1: A member has a forfeiture of $200 per month for 2 months, with outstanding debts totaling $300. Transfer $100 to the AFRHTF only after the first $300 of forfeitures has been collected.

Example 2: If the debt is $500 and forfeiture is $600, then the DFAS Site will transfer the difference of $100 to the AFRHTF.

Example 3: If the debt is $800 and forfeiture is $500, then no amounts will be transferred to the AFRHTF at this time. If subsequent collection recovers $700, then the first $300 ($800 indebtedness minus $500 forfeiture) collected will be credited to the applicable military personnel appropriation, and the next $400 received will be credited to the AFRHTF.
B00404. Indebtedness After Forfeiture Becomes Effective

Debts incurred by a limited-duty officer, warrant officer, or enlisted member after a sentence has been executed, and before credit of the forfeiture to the AFRHTF, do not affect the disposition of the forfeiture. The forfeiture will be credited to the AFRHTF as if the indebtedness did not exist.

B00405. Remission of Indebtedness

If a forfeiture of a limited-duty officer, warrant officer, or enlisted member is not credited to the AFRHTF due to outstanding debts, and the unliquidated portion of the debts is thereafter remitted or canceled, then the DFAS Site will not credit the forfeiture that equals the amount of indebtedness remitted or canceled to the AFRHTF. It remains in the military personnel appropriation.

B00406. Commissioned Officers

The DFAS Site will credit forfeitures and fines of Regular and Reserve commissioned officers (except warrant and limited-duty officers), to the appropriation to which the member’s pay is properly chargeable.

B00407. Forfeitures as a Result of Desertion

When a limited-duty officer, warrant officer, or enlisted member is declared a deserter, the amount of forfeitures on account of the desertion will be credited to the AFRHTF. For the purpose of this paragraph, the phrase “forfeitures on account of the desertion” refers to all pay and allowances due and unpaid at the time of a member’s desertion that are automatically forfeited when a member is determined to be a deserter.

B00408. Transfer of Desertion Forfeitures

The DFAS Site will transfer desertion forfeitures according to the procedures in paragraph B00402.
REFERENCES

APPENDIX B - DISPOSITION OF FORFEITURES AND FINES AS A RESULT OF COURTS-MARTIAL, NONJUDICIAL PUNISHMENT, AND DESERTION

B003  GENERAL POLICY

10 U.S.C. § 2772(b)

B004 – PROCEDURES

B00401  10 U.S.C. § 2772
B00407  10 U.S.C. § 2772(a)(2)

United States v. Landers, 92 U.S. 77 (1876)
Comptroller General B-145618, May 11, 1961
## VOLUME 7A, APPENDIX C: “IMPLEMENTING PROCEDURES FOR MANDATORY ELECTRONIC FUNDS TRANSFER (EFT) OF MILITARY PAY”

### SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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APPENDIX C

IMPLEMENTING PROCEDURES FOR MANDATORY ELECTRONIC FUNDS TRANSFER (EFT) OF MILITARY PAY

C001 GENERAL

C00101. Purpose

This appendix provides the policy for the administration and delivery of payments to military members, retirees, and annuitants through the EFT method of payment.

*C00102. Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Title 31. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

C002 POLICY

C00201. DoD Method of Payment

The prescribed method of payment within the DoD is the EFT method of payment. DoD considers the requirement to participate in the EFT method of payment as a reasonable condition of service or benefit for personnel including enlistments, commissions, promotions, reenlistments, retirements, and for survivor benefit annuitant recipients. This policy requires payments by the EFT method of payment on all new Active Duty (AD), reserve, retired, and annuitant payments unless the recipient of the new payment certifies in writing that he/she does not have a financial institution or authorized payment agent.

Example: I certify that I do not have a financial institution or authorized payment agent. Signature___________ Date __________

C00202. Applicability and Scope

A. All payments to AD members, reservists, retirees, survivor annuitants, and allotments are paid by the EFT method of payment.

B. Emergency payments (defined in Chapter 32, section 3203) and certification of no account with a financial institution, as described in paragraph C00201, are the only exceptions to the requirement for delivery by the EFT method of payment. All pay for which an exception to the EFT method of payment requirement has not been granted, and for which the
payee has not designated an account for receipt, is held at the servicing Defense Finance and Accounting Service (DFAS) central site until the required financial institution information is provided. Check payments are mailed on payday from the servicing DFAS central site to the member’s mailing address.

C003 PERSONNEL SUBJECT TO EFT PARTICIPATION

C00301. AD Military

AD military personnel and personnel entering or reentering the military service must provide the EFT method of payment information or certify in writing that they do not have a financial institution upon arrival at their respective military processing station. Personnel currently on AD but not enrolled in the EFT method of payment are required to submit EFT method of payment information when they perform Temporary Duty Travel, Permanent Change of Station travel, are promoted, reenlist, become eligible for a new payment, or certify in writing that they do not have a financial institution.

C00302. Reserve and National Guard (NG)

Reserve and NG personnel entering or reentering a Reserve Component, upon processing into their respective component, or upon mobilization or recall to AD must provide the EFT method of payment information or certify in writing that they do not have a financial institution. Mobilized or recalled personnel are also required to continue participation after demobilization or deactivation. Personnel currently affiliated with a Reserve or NG unit, but not enrolled in the EFT method of payment, are required to submit the EFT method of payment information when they become eligible for any new payment, or certify in writing that they do not have a financial institution.

C00303. Military Retirees and Annuitants

All retirees, separated military personnel, and Survivor Benefit Plan annuitants who become eligible for new payments or annuities must provide the EFT method of payment information or certify in writing that they do not have a financial institution. NOTE: Personnel currently receiving payments at a financial institution or address in a foreign country where the EFT method of payment is not available are exempt from this policy until the EFT method of payment becomes available.

C00304. Academy and Reserve Officer Training Corps (ROTC) Cadets and Midshipmen

Military Service Academy, ROTC cadets, and midshipmen are required to participate in the EFT method of payment. Personnel not presently enrolled must enroll immediately or certify in writing that they do not have a financial institution.
C00305. Individual Ready Reservist (IRR)

IRRs and annual muster participants are required to participate in the EFT method of payment. Personnel not presently enrolled must enroll immediately or certify in writing that they do not have a financial institution.

C004 PERSONNEL EXEMPT FROM EFT PARTICIPATION

C00401. Personnel

AD military, retirees, or survivor annuitants receiving payments in an overseas area where the EFT method of payment is not available are exempt from this policy until the EFT method of payment becomes available at a financial institution in their area or until they relocate to an area, where the EFT method of payment is available.

C00402. Written CertificationWaiver

Individuals must certify in writing that they do not have a financial institution as follows:

A. For AD members and reservists, certifications will be submitted in writing to the Unit Commander.

B. For military retirees, certifications will be submitted in writing to:

   DFAS, U.S. Military Retired Pay
   8899 E. 56th Street
   Indianapolis, IN  46249-1200

C. For survivor annuitants, certifications will be submitted in writing to:

   DFAS, U.S. Military Annuitant Pay
   8899 E. 56th Street
   Indianapolis, IN  46249-1300

C005 REIMBURSEMENT FOR DISHONORED CHECK CHARGES

C00501. Reimbursements

Charges resulting from erroneous information provided by the individual or the financial institution to the servicing financial office are not the liability of the government and are not reimbursed. Reimbursement for dishonored check charges is authorized when an administrative or mechanical error on the part of the government causes the pay of a military member to be deposited late or in an incorrect manner or amount. Such reimbursements are limited to overdraft charges, minimum balance, or average balance charges levied by the financial institution.
C00502. DFAS Procedures

The servicing DFAS site contacts the financial institution to explain the error and requests that charges levied against the account holder be reversed. If the financial institution declines to reverse the charges, then government reimbursement of the charges is made via the EFT method of payment, directly to the applicable account involved. Such charges are funded from the appropriation available for the pay of the member concerned.

C006 ALLOTMENTS

C00601. General

The EFT method of payment is the preferred method for paying all allotments and should be used whenever possible. It is DoD’s intention to work with recipients of all allotments, such as courts receiving child support and/or alimony payments, dependents, spouses, insurance companies, and mortgage companies, to accept allotment payment by the EFT method of payment when systems become available for third party EFT method of payment.

C00602. Savings Allotments

The EFT method of payment is required for all savings allotments sent to financial institutions participating in the Federal Reserve System.

C00603. Allotments to Non-Individuals

The EFT method of payment is required for all discretionary allotments to non-individuals.
APPENDIX C - IMPLEMENTING PROCEDURES FOR MANDATORY ELECTRONIC FUNDS TRANSFER (EFT) OF MILITARY PAY

C001 – GENERAL

31 U.S.C. § 3332
Title 31, Code of Federal Regulation, parts 205, 206, 208, 210, and 212
VOLUME 7A, “COMPARABLE GRADES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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The previous version dated April 2018 is archived.

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<tr>
<td>E-9</td>
<td>Command Sergeant Major or Sergeant Major Major</td>
<td>Master Chief Petty Officer</td>
<td>Sergeant Major or Master Gunnery Sergeant</td>
<td>Chief Master Sergeant</td>
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**Note 1:** The W-5 grade is not used by the Coast Guard.

**Note 2:** On December 20, 2019, the President signed the 2020 National Defense Authorization Act and with it, directed the establishment of the U.S. Space Force as the sixth branch of the armed forces. At the time of publication, the titles for U.S. Space Force military personnel were not available. This chapter will be updated and republished as soon as the information becomes available.
VOLUME 7A, “DEFINITIONS”

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DEFINITIONS

A. General

The following list defines general terms of significance or importance relating to military pay entitlement policies for the DoD that are discussed in various chapters in Volume 7A. This list of definitions provides general information. It is by no means an exhaustive list of all financial management terms, and it does not define terms when standard dictionary definitions apply. Authoritative guidance with more detailed explanations or nuances may be found in Volume 7A specific chapters.

B. List of Definitions

**Absence Over Leave**

Absent beyond the period for which leave was authorized.

**Absent Without Leave**

Absence from a place of duty without permission or authorization and without the intention of deserting.

**Active Duty**

Full-time duty in the active service of a uniformed service, including full-time training duty, annual training duty, full-time National Guard duty, and attendance, while in the active service, at a school designated as a Military Service school by law or by the Secretary concerned.

**Active Duty for a Period of More Than 30 Days**

Active duty under a call or order that does not specify a period of 30 days or less.

**Active Duty for Training**

Full-time duty in the active Military Service of the United States for training purposes.

**Active Duty List**

A single list for the Army, Navy, Air Force, or Marine Corps, which contain the names of all officers of that Armed Force who are serving on active duty, other than officers described in Title 10, United States Code (U.S.C.), section 641.

**Active Service**

Active service means service on active duty.
Advance Payment

Payment of pay (pay and allowances in certain cases) before it is earned.

Advanced Leave

Leave authorized before it is accrued.

Aerial Flights

Flights in military aircraft or spacecraft, and also flights in nonmilitary aircraft when required by competent orders to fly in such aircraft. A flight begins when the aircraft or spacecraft takes off from rest at any point of support located on the surface of the earth and terminates when it next comes to a complete stop at a point of support located on the surface of the earth.

Air National Guard

The part of the organized militia of several states, Puerto Rico, Guam, the Canal Zone, the Virgin Islands, and the District of Columbia, active and inactive, that:

a. is an air force;

b. is trained, and has its officers appointed, under the sixteenth clause of section 8, article I, of the Constitution;

c. is organized, armed, and equipped wholly or partly at Federal expense; and

d. is federally recognized.

Allotment

A definite portion of the pay and allowances of a person in the Military Service, which is authorized to be paid to a qualified allottee.

Allottee

The person or institution to whom the allotment is made payable.

Allotter

The person from whose pay the allotment is made.

Allowance

A monetary amount paid to an individual for specific needs, such as food or housing.
Appropriation

An amount of money specifically authorized by Congress against which obligations may be incurred and from which payments may be made.

*Approved

The ratification or confirmation of an act already done.

Armed Forces of the United States

Includes the Army, Navy, Air Force, Marine Corps, Space Force, and Coast Guard, and all components thereof.

Army National Guard

The part of the organized militia of several states, Puerto Rico, Guam, the Canal Zone, the Virgin Islands, and the District of Columbia, active and inactive, that:

a. is a land force;

b. is trained, and has its officers appointed, under the sixteenth clause of section 8, article I, of the Constitution;

c. is organized, armed, and equipped wholly or partly at Federal expense; and

d. is federally recognized.

*Authorized

a. Permission given before an act.

b. Giving through regulations an allowance to an eligible individual requiring no other action.

Example: When the regulation states that a Service member is authorized an allowance, it means that an eligible individual has that allowance without further action by any other activity.

Aviation Accident

An accident in which a member, who is required to participate frequently or regularly in aerial flights, is injured or otherwise incapacitated as the result. The injury or incapacitation, as certified by the appropriate medical authority of the uniformed service concerned, may result from:

a. Jumping from, being thrown from, or being struck by an aircraft or spacecraft, or any part or auxiliary thereof; or
b. Participating in any duly authorized aerial flight or other aircraft or spacecraft operations. This term also means an incapacity incurred as the result, as certified by appropriate medical authority, of performance of flying duty, even though such incapacity is not the result of an actual aviation accident.

Aviation Service and Aviation Skills

Service or skills identified by the Secretary of the Military Department concerned that require the knowledge, skills, or ability to fly or operate flight capable machines.

Basic Allowance for Housing (BAH)

An amount of money prescribed and limited by law which an officer or enlisted member receives to pay for quarters not provided by the Government.

Basic Allowance for Subsistence (BAS)

An allowance payable to officers and enlisted members for the purpose of subsisting themselves. BAS is payable at all times when entitled to basic pay after completion of initial military training, except as otherwise prohibited by law.

Basic Pay

The pay of an officer or enlisted member, according to the rank and longevity, before additional amounts are added for quarters, subsistence, flying status, and/or overseas duty.

Beneficiary

The recipient of certain benefits due as a result of relationship to or designation by a member.

Captive Status

A missing status resulting from a member's involvement in a hostile action. Hostile action is determined by the Secretary of Defense.

Captivity-Related Offense

An offense, committed while in a captive status and related to the status, which is listed in 5 U.S.C. § 8312(b) or (c) or 10 U.S.C., Chapter 47, that is punishable by dishonorable discharge, dismissal, or confinement for a minimum of 1 year.
Certifying Officer

An individual appointed in writing to attest to the correctness of statements, facts, accounts, and amounts appearing on a voucher, and to certify that voucher for payment.

Clothing Monetary Allowance

Refers to the several types of clothing maintenance allowances paid by cash; (for example: standard, basic, or special).

*Command Sponsored Dependent

a. A dependent residing with a Service member at an Outside Continental United States (OCONUS) location at which an accompanied by dependents tour is authorized, the Service member is authorized to serve that tour, and who is authorized by the appropriate authority to be at the Service member’s Permanent Duty Station (PDS).

b. The Service member is authorized to receive station allowances, Cost of Living Allowance (COLA), and Temporary Lodging Allowance (TLA) at the with dependent rate on behalf of a command sponsored dependent as a result of the dependent’s residence at/in the Service Member’s PDS vicinity.

c. Command sponsorship is not required to receive Overseas Housing Allowance (OHA) at the with dependents rate.

Combat Operation

A military action that may involve carrying out a strategic, operational, or tactical mission against a hostile or unfriendly force, to include carrying on combat and any related movement, supply, attack, defense, and maneuvers needed to gain the objectives of a battle or campaign.

Combat Zone

An area designated by Executive Order under 26 U.S.C. § 112 as an area in which U.S. Armed Forces are or have engaged in combat. Generally, an area becomes a combat zone or ceases to be a combat zone on the dates designated by Executive Order.

Commissioned Officer

Unless otherwise qualified, a member of the uniformed services having rank or grade of second lieutenant, ensign, or above, either permanent or temporary, in any of the uniformed services.
Committed Rations

The value of in-kind government subsistence (rations) converted to a cash equivalent payment.

Competent Orders

Orders issued by the Secretary concerned, or such officer or officers as the Secretary may designate, to members of their respective Service or to members of other Services when such latter members are performing duty with a Service other than their own.

Continental United States (CONUS)

Unless otherwise qualified, means the 48 contiguous states and the District of Columbia.

Contingency Operation

Any military operation that:

a. Is designated by the Secretary of Defense as an operation in which members of the U.S. Armed Forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force; or

b. Results in the call or order to, or retention on, active duty of members of the uniformed services under 10 U.S.C. §§ 688, 12301(a), 12302, 12304, 12304a, 12305, or 12406; 10 U.S.C., Chapter 15; 14 U.S.C. § 712; or any other provision of law during a war or national emergency declared by the President or the Congress.

*Cost of Living Allowance (COLA)*

A supplemental allowance designed to offset higher prices in the highest cost locations.

Critical Specialty

A medical specialty that is manned at, or is projected within two fiscal years to be manned at, less than 95 percent of budget authorized allowance with fully qualified physicians.

Dependent

The term dependent means:

a. Spouse;

b. Unmarried child under the age of 21, including an adopted child or a stepchild, but not after the divorce of the member from the stepchild's natural parent;
c. An unmarried illegitimate child under the age of 21 provided the parentage on the part of the member is established by court order, a signed statement of parentage submitted by the member, or in the case of a female member, the birth certificate showing the member as the natural mother of the child;

d. An unmarried child under the age of 21 who has been placed in the member's home by a local, state, or foreign government placement agency, or a government-approved adoption agency as a part of a normal adoption process provided the member produces a document from such agency establishing the fact of relationship and the effective date of relationship;

e. An unmarried child who is at least 21 years of age, but under 23 years of age, who is enrolled in a full-time course of study at an educational institution approved by the Secretary concerned, when the member demonstrates in a statement listing the child's income and expenses that the child is in fact dependent on the member for over one half of the child's support;

f. An unmarried child, 21 years of age or older, who is incapable of self-support because of a mental or physical incapacity and who is in fact dependent upon the member for more than one half of the incapacitated child's support;

g. A parent, including a stepparent, parent by adoption, or any person who has stood in loco parentis at any time for a continuous period of at least five years before the member's 21st birthday, or a parent, a stepparent, or adopted parent of the member's spouse, any of whose dependency on the member has been determined in accordance with the rules and regulations established by the Secretary concerned; and

h. Effective July 1, 1994, a ward, who is an unmarried person who meets each of the following criteria:

1. A court of competent jurisdiction in the United States, Puerto Rico, or a possession of the United States has placed the person in the custody of the member:

   (a) either permanently; or

   (b) for a period which lasts at least 12 months from the date of the order;

2. The person must be:

   (a) Under 21 years of age;

   (b) At least 21 years of age, but under 23, years of age who meets the criteria for a student set forth in item “e” of the dependent definition; or

   (c) Incapable of self-support because of a mental or physical incapacity that occurred while the person was considered a dependent ward of the member;
3. The person must be dependent upon the member for over one half of the person's support;

4. The person must reside with the member unless separated either by the necessity of Military Service to receive institutional care as a result of disability or incapacitation, or under such other circumstances as the Secretary concerned may prescribe;

5. The person may not be a dependent of any member under any other part of this definition; and

6. The person is considered to be in the same class of dependents as a member's other children for the purpose of determining entitlement.

*Designated Place*

a. A place in a CONUS / OCONUS area.

b. The foreign OCONUS places to which dependents are specifically authorized travel at Government expense when a Service member is ordered to an unaccompanied dependent restricted tour. This is limited to the native country of a foreign-born spouse for DoD Services and Coast Guard.

c. The OCONUS place at which a Service member is scheduled to serve an accompanied tour after completing an unaccompanied or dependent restricted tour, and to which dependents are specifically authorized travel at Government expense.

d. The OCONUS place in the old PDS vicinity at which dependents remain while a Service member serves a dependent restricted/unaccompanied tour.

e. The CONUS, non-foreign OCONUS, or foreign OCONUS place to which dependents are specifically authorized travel at Government expense incident to an early return of dependents. This is limited to the native country of a foreign-born spouse for DoD Services and Coast Guard.

f. To receive allowances associated with a designated place move, the Service member must certify that the designated place is the place at which the dependents intend to establish a bona fide residence until authorized further dependent transportation at Government expense.

g. For evacuation allowances, a designated place is a location where a dependent establishes a permanent residence during an evacuation, if conditions are not expected to improve.

**Desertion**

Absence without leave with intent to remain away permanently.
Disbursing Officer

A military member or a civilian employee of a DoD Component designated to disburse monies and render accounts according to laws and regulations governing the disbursement of public money. Disbursing officers must be U.S. citizens.

Dual Status

Enlisted members of the Navy or Marine Corps Reserve on duty as temporary officers under 10 U.S.C. § 5596.

Duty Station

The place at which the member is assigned for regular duty. Also, the place at which the member performs an assigned duty.

Enforced Separation

Involuntary separation of the member from dependents as a result of official orders.

Enlisted Member

A person enlisted, enrolled, or conscripted into a Military Service.

Enlistee

A person who has voluntarily enlisted for Military Service.

Enlistment

The term enlistment refers to:

a. A voluntary entrance into Military Service under enlisted status, as distinguished from induction through Selective Service; or

b. A period of time, contractual or prescribed by law, which enlisted members serve between enrollment and discharge.

Entitlement

The legal right to receive items of pay and/or allowances.

Erroneous Payment

A payment of pay and/or allowances to a member to which he/she is not entitled.
Excess Leave

Leave granted in excess of that accrued or advanced.

Exigencies of the Service

Urgent demands of a Military Service.

Expiration of Term of Service

The end of a required or contracted period of service.

Extension of Enlistment

Contractual agreement, which extends an enlisted member's current enlistment for a stated period beyond normal expiration of that enlistment.

Federal Insurance Contribution Act

The federal statute that requires the withholding of tax from salaries of employees covered by the Social Security Act and the payment of employer's tax by federal agencies.

Field Duty

The term Field Duty refers to:

a. Duty performed by troops participating in:
   1. Maneuvers;
   2. War games;
   3. Field exercises; or
   4. Similar types of operations; and

b. The member is subsisted in a government mess or with an organization drawing field rations, and is quartered in accommodations normally associated with field exercises; or

c. Students are participating in survival training and forage for subsistence and improvise their own shelter. Members furnished quarters and subsistence obtained by contract may also be considered as performing field duty when so declared by a competent official.
Financial Organizations

Any bank, savings and loan association or similar institution, or federal or state chartered credit union.

Flag Officer

A Navy term for an officer comparable to Army, Air Force, and Marine Corps general officer.

Fleet Reserve or Fleet Marine Corps Reserve

A component of the Regular service to which members may be transferred and released from active duty after obtaining 20 or more years of active federal service.

Flight Requirement

The number of hours or minutes of flying time required to qualify for entitlement to incentive pay for a specific period of time.

Former Captive

A member who was held in a captive status.

Full-Time National Guard Duty

Training or other duty, other than inactive duty, performed by a member of the Army or Air National Guard of the United States, as a member of the National Guard of a state or territory, Puerto Rico, or the District of Columbia under 32 U.S.C. §§ 316, 502, 503, 504, or 505, for which the member is entitled to (or has waived entitlement to) pay from the United States.

Fully Qualified

A physician that has completed a residency training program or is board certified or board eligible in a medical specialty and, if involved with independent patient care, is credentialed to practice medicine in that specialty by a credentialing authority.

*Government Dining Facility

A generic term used for Government mess, general mess, dining hall, dining activity, mess hall, galley, field kitchen, flight kitchen, or similar terms describing appropriated funds dining facilities. Includes general or Service organizational dining facility, a state National Guard Camp dining facility, an officers’ wardroom mess, a warrant officers’ and chief petty officers’ mess afloat, and a flight kitchen that furnishes box lunches, in-flight meals, or rations on military aircraft are government dining facilities if used by or made available to Service members. This does not include activities operated with non-appropriated funds such as officer’s club, enlisted club,
squadron mess, organized mess, or similar terms, except when those activities provide meals or rations under contract or agreement with the applicable operating and food costs borne by appropriated funds.

*Government Quarters or Housing Facilities

a. Sleeping accommodations owned, operated, or leased by the U.S. Government, or obtained by contract, at no cost to the traveler;

b. Dormitories or similar facilities operated by cost-plus-a-fixed-fee contractors;

c. Quarters in a state-owned National Guard Camp at no expense to the member; or

d. Any sleeping or housing facilities furnished by a foreign government on behalf of the U.S. Government.

He, His, Him

"He," "his," and "him" include the terms "she," "her," and "hers."

Home

The place recorded as home of record when the member was ordered to active duty.

Hostile Fire

An event including hostile fire, an explosion of a hostile explosive device, or any other hostile action that involves an attack or other use of force perpetrated by a foreign individual(s) or entity against the United States or a member of its uniformed services, or other designated persons or property. It also includes force used directly to impede the mission and/or duties of the uniformed services, such as the recovery of U.S. personnel or vital U.S. Government property.

Inactive Duty Training

The term “inactive duty training” describes:

a. Duty prescribed for members of a Reserve Component by the Secretary concerned under 37 U.S.C. § 206 or any other law;

b. Special additional duties authorized for members of a Reserve Component by an authority designated by the Secretary concerned and performed by them on a voluntary basis in connection with prescribed training or maintenance activities of the units to which they are assigned; and
c. Duties when performed by members of a Reserve Component in their status as members of the National Guard, but (except as provided in 37 U.S.C. § 206) does not include work or study in connection with a correspondence course of a uniformed service.

NOTE: For pay purposes, inactive duty training may be documented on a Service-prescribed form or order covering a specific assignment and prescribed time limit.

Inductee

One who is inducted.

Induction

The act of taking a person into any of the U.S. Armed Services without voluntary action on his or her part.

Initial Residency Training

The period of time spent by an officer in residency training prior to the officer first becoming eligible to take a specialty board examination to qualify for board certification.

In Loco Parentis

A person who stood in place of the natural parent(s) to the Military Service member. (See also "Parent.")

Issue in-Kind

An issue in goods rather than in money.

Legal Process

The term legal process means any writ, order, summons, or other similar process in the nature of garnishment, which:

a. Is issued by:

   (1) A court of competent jurisdiction in any state, territory, or possession of the United States;

   (2) A court of competent jurisdiction in any foreign country with which the United States has entered into an agreement which requires the United States to honor such process; or

   (3) An authorized official pursuant to an order of such a court of competent jurisdiction or pursuant to state or local law; and
b. Is directed to, for the purpose to compel a governmental entity that holds money, which is otherwise payable to an individual, to make a payment from the money to another party in order to satisfy a legal obligation of the individual to provide child support or make alimony payments.

Lost Time

That period of time not included in determining cumulative years of service for all military purposes.

Medical Officer

An officer of the Medical Corps of the Army or Navy, or an officer of the Air Force designated as a medical officer, who is on active duty under a call or order to active duty for a period of not less than 1 year.

Medical or Osteopathic Internship

The first year of graduate medical education, immediately following medical or osteopathic school, whether a formal internship or the first year of a residency. For the purposes of variable special pay, this includes the period during which the active duty medical corps officer is waiting to begin internship training as well as the period in which such an officer is awaiting separation because of failure to complete that training.

Medical or Osteopathic Residency

A formal program of medical or osteopathic specialty or subspecialty training.

Medical or Osteopathic Specialty

Any specialty for which there is a specialty skill identifier number, a naval officer billet classification number, or an Air Force specialty code number.

Member

A person appointed or enlisted in, or conscripted into, uniformed service. (Cadets or midshipmen of the Service academies are considered members only for the purpose of establishing entitlement under the provisions of Chapter 34).

Military Specialty

An element of the enlisted classification structure Military Occupational Specialty, Air Force Specialty Code, Navy Enlisted Classification, career field subdivision, career management field, and occupational field, as appropriate to the Military Service concerned, that identifies an individual position or group of closely related positions on the basis of the similarity of the duties
involved. It is also the primary identifier of members who possess the ability, knowledge and other occupational qualifications required for effective performance in such positions.

A military specialty provides occupational standards for procurement, training, classification, and career development; identifies military skills so closely related that a degree of interchangeability exists between members assigned to the military specialty; and provides a normal career progression pattern for members within that military specialty.

**Missing Status**

Includes missing, missing in action, interned in a foreign country, captured, beleaguered, besieged by a hostile force, or detained in a foreign country against a member's will.

**National Guard**

The National Guard includes the Army and the Air National Guard.

**Non-Foreign OCONUS Area**

The States of Alaska and Hawaii, the Commonwealths of Puerto Rico and the Northern Marianas Islands, Guam, the U. S. Virgin Islands, U. S. territories and possessions.

**Nurse Corps Officer**

An officer of the Nurse Corps of the Army or Navy, or an officer of the Air Force designated as a nurse.

**Outside the Continental United States (OCONUS)**

Locations outside of the 48 contiguous states and the District of Columbia.

**Overseas Housing Allowance (OHA)**

Allowance paid to Service members living in private housing at overseas duty locations.

**Officer**

A commissioned or warrant officer.

**Operational Deployment**

An operational deployment begins when the majority of a unit or detachment, or an individual not attached to a unit or detachment, departs homeport, station, base or departs from an enroute training location to meet a Secretary of Defense-approved operational requirement.
Operational Flying Duty

Flying performed under competent orders by rated or designated members, while serving in assignments in which basic flying skills normally are maintained in the performance of assigned duties, as determined by the Secretary concerned. This duty includes flying performed by members in training that leads to the award of an aeronautical rating or designation.

Overpayment

An amount paid to a member, which is in excess of that to which entitled.

Parachute Accident

An accident, which results in injury to a qualified parachutist or parachute rigger, or to a member in training for such rating during a regular tour of duty. To be considered a parachute accident, the injury must occur while the member is on board an aircraft incident to assigned duties or as a result of jumping from, being thrown from, or being struck by an aircraft or any part or auxiliary thereof.

Parent

The natural father or mother, or father or mother through adoption. It also includes persons who have stood "in loco parentis" to a member. Also see definition for "Dependent."

Permanent Change of Station

The assignment, detail, or transfer of a member or unit to a different duty station under competent orders, which neither specify the duty as temporary, nor provide for further assignment to a new station, nor direct return to the old station. (For a more detailed definition, see the Joint Travel Regulations (JTR), Appendix A.)

Permanent Duty Station

In general, the post of duty or official station to which the member is assigned for permanent duty. (For a more detailed definition, see the JTR, Appendix A.)

*Primary Residence of a Reserve Component (RC) Service Member

a. The dwelling (e.g., house, townhouse, apartment, condominium, mobile home, houseboat, vessel) where the RC member resides before being ordered to active duty.

b. An RC member can have only one primary residence at any given time.

c. The primary residence location determines the RC member’s allowances. The Services’ administrative policy shall ensure this is a known location prior to notification (verbal or written) of the call to active duty or issuance of the travel order.
d. If the RC member relocates the primary residence during the active duty order period, and upon termination of the order is issued a new active duty order, the allowances under the new order are based on the new primary residence on the first active duty day only if there is a break in service or active duty exceeding one full day. The command may request the RC member provide documentation to support the location of their primary residence.

e. The primary residence can only change if there is a break in service or active duty exceeding one full day.

Prisoner of War

A member who was or is held in captivity by another nation's government as a result of hostilities between that nation and the United States (whether or not by declaration of war).

*Privatized Housing

Housing units on or near a military facility in the U.S. and/or its territories and possessions that are acquired/constructed by a private company under the authority of 10 U.S.C. §§ 2871 – 2885. Privatized housing is not Government quarters, Government-controlled quarters, or private sector housing.

Punitive Discharge

A dishonorable or bad conduct discharge ordered as punishment under the Uniform Code of Military Justice (UCMJ).

Rations in-Kind

Meals or rations furnished by or on behalf of the government at no charge when BAS or commuted rations are not otherwise payable to a member in a pay status.

Ready Reserve

The Ready Reserve is comprised of Service members of the Reserve and National Guard, organized in units or as individuals, or both. These Service members are accessible for involuntary order to active duty in time of war or national emergency pursuant to 10 U.S.C. §§ 12301 or 12302 and 14 U.S.C. § 712 in the case of members of the Coast Guard Reserve. The Ready Reserve consists of three sub-categories: the Selected Reserve, the Individual Ready Reserve, and the Inactive National Guard.

Reenlistment Bonus

A monetary incentive offered to an enlisted member who reenlists under provisions of 37 U.S.C. § 308.
Reserve Components

The U.S. Army National Guard, Army Reserve, Navy Reserve, Marine Corps Reserve, U.S. Air National Guard, Air Force Reserve, Coast Guard Reserve, and the Reserve Corps of the Public Health Service.

Reserve Officers’ Training Corps (ROTC)

A student who is enrolled in the senior ROTC of an Armed Force, under 10 U.S.C., Chapter 103.

Retired List

Any one of several lists of military members retired from the Regular or Reserve Components of the U.S. Armed Forces.

Retired Reserve

The Retired Reserve consists of:

a. Reserves who are or have been retired under 10 U.S.C. §§ 3911, 6323, or 8911, or 14 U.S.C. § 291; or

b. Reserves who have been transferred to the Retired Reserve and retain their status as Reserves, if otherwise qualified.

Saved Pay

Special pay provisions that allow military members, under certain circumstances, to retain entitlement to amounts of pay and/or allowances authorized under prior laws or for a lower grade from which promoted.

*Secretarial Process

Action by the Service Secretary or subordinate level specified by the Service Secretary. The Secretarial Process is an administrative and/or procedural issuance under the Service Regulation review process.

Selected Reserves

Within the Ready Reserve of each of the Reserve Components, there is a Selected Reserve. The Selected Reserves consists of units and, as designed by the Secretary concerned, are trained as prescribed in 10 U.S.C. § 10147(a)(1) or 32 U.S.C. § 502(a), as appropriate.
Separation

A general term that includes discharge, release from active duty or active service, release from custody and control of the Military Services, transfer to the Individual Ready Reserve, and similar changes in Active or Reserve status.

Service Academy Cadet or Midshipman

A person in training at one of the Service academies to become a commissioned officer.

*Service Member

A member serving in one of the Uniformed Services including:

a. A commissioned officer, commissioned warrant officer, warrant officer, or enlisted person.

b. A retired Service member and members of the Fleet Reserve and Fleet Marine Corps Reserve who are in receipt of retainer pay.

*Spouse

A spouse is any individual who is lawfully married (unless legally separated), including an individual married to a person of the same sex who was legally married in a state or other jurisdiction (including a foreign country), that recognizes such marriages, regardless of whether or not the individual’s state of residency recognizes such marriages. The term “spouse” does not include individuals in a formal relationship recognized by a state, which is other than lawful marriage. It also does not include individuals in a marriage in a jurisdiction outside the United States that is not recognized as a lawful marriage under U.S. law.

a. A Service member in a common law marriage may have a spouse that is a dependent. State law determines issues of marital status, and the relationship of spouse exists if common law marriage is recognized under the law of the state in which the parties entered into marriage. If valid in one state, it will be valid elsewhere in the absence of state law to the contrary. See GSBCA 14122-RELO and Comptroller General B-260688.

b. A Service Member’s spouse who is also a Service member on active duty is treated as a dependent for travel and transportation only for purposes of travel between the port of overhaul, inactivation or construction, and the home port, or for transportation for survivors of a deceased Service member.

Statutory Limitations

The legal limits or restrictions as provided by law.
Stipend Payment

A fixed sum of money paid periodically for services or to defray expenses, especially payment to medical officers on duty at civilian medical facilities.

*Temporary Lodging Allowance (TLA)

An allowance that partially reimburses a Service member for lodging and meal expenses while staying in temporary lodging.

*Temporary Lodging Facilities

a. Specifically identified, Service-operated interim housing facilities that provide short-term housing accommodations for which there is a charge levied, without direct charge against the occupant’s housing allowance.

b. Includes guesthouses, except transient visiting officer quarters occupied by official visitors to the installation.

c. Does not include facilities used primarily for rest and recuperation purposes, or unaccompanied officer and enlisted quarters.

Temporary Officer Status

A member of the Navy or Marine Corps appointed as a temporary officer under the provisions of 10 U.S.C. § 5596.

*Territories and Possessions of the United States

Territories and Possessions of the United States are incorporated and unincorporated territories over which the United States exercises sovereignty or jurisdiction. These include but are not limited to; American Samoa, Baker Island, Commonwealth of the Northern Mariana Islands, Commonwealth of Puerto Rico, Guam, Howland Island, Jarvis Island, Johnson Atoll, Kingman Reef, Midway Island, Navassa Island, Palmyra Atoll, U.S. Virgin Islands, Wake Island, Petrel Island, and Seranilla Bank.

Total Forfeiture

Forfeiture of all pay and allowances as punishment under the UCMJ.

Uniformed Services

The Army, Navy, Air Force, Marine Corps, Space Force, Coast Guard, and the commissioned corps of the National Oceanic and Atmospheric Administration, and the commissioned corps of the Public Health Service.
United States

The 50 states, and the District of Columbia.

Warrant Officer

A person who is designated an officer by a warrant, as distinguished from a commissioned officer who is designated an officer by a commission, and a non-commissioned officer who is designated an officer, often by virtue of seniority.

*Unusually Arduous Sea Duty

Duty, specified in writing through the Secretarial process, aboard a ship, unit or afloat staff with expected absences from the assigned home port for the major portion of the sea duty assignment.
VOLUME 7B, CHAPTER 1: “INITIAL ENTITLEMENTS – RETIREMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated March 2018 is archived.

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<td>All</td>
<td>Updated this chapter with hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
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<td>All</td>
<td>Updated the re-designation of section numbers to Title 10, United States Code (U.S.C.) pursuant to Public Law 115-232, Part II, sections 806 through 809.</td>
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<td>010101</td>
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<tr>
<td>010102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
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<tr>
<td>010201, 010202, and 010203</td>
<td>Rephased paragraphs for clarification.</td>
<td>Revision</td>
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<tr>
<td>010307.B.3 and 010403.E.3</td>
<td>Updated subparagraphs format for clarification.</td>
<td>Revision</td>
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<tr>
<td>010502</td>
<td>Deleted paragraph due to relevancy of application.</td>
<td>Deletion</td>
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<tr>
<td>010503</td>
<td>Renumbered paragraph 010503 to 010502.</td>
<td>Revision</td>
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<tr>
<td>010902.A</td>
<td>Updated subparagraph for clarification of a member’s entitlement to retirement and retired pay on the basis for physical disability.</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 1-2, Rule 1, and Note 23</td>
<td>Updated Table 1-2 to clarify the requirement for at least 20 years of service for the mandatory retirement at age 62.</td>
<td>Revision</td>
</tr>
<tr>
<td>References</td>
<td>Renamed “Bibliography” to “References” and updated references.</td>
<td>Revision</td>
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CHAPTER 1

INITIAL ENTITLEMENTS – RETIREMENTS

0101  GENERAL

*010101.  Purpose

A.  This chapter provides information for the specific qualifications and entitlement for military retired pay, describes the basic types of retirement (regular, non-regular, and disability), discusses voluntary and involuntary retirements, and explains basic qualifications for the differing military retired pay programs (Final Pay, High-3, Redux, Blended Retirement System (BRS), and Temporary Early Retirement Act (TERA)).

B.  Additionally, this chapter provides guidance for all involuntary (mandatory) retirements, and voluntary retirements for all officers, warrant officers, and Army, Air Force, and Space Force enlisted members.  Chapter 2 of this volume discusses the processes and procedures for voluntarily transferring enlisted members of the Navy and Marine Corps to the Fleet Reserve or Fleet Marine Corps Reserve.

*010102.  Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, 14, 37 and 38.  Due to the subject matter in the chapter, the list of authoritative sources is extensive.  The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

0102  MILITARY RETIRED PAY – INITIAL ENTITLEMENTS

*010201.  Overview

Officers and enlisted members of the military may be retired for voluntary or involuntary reasons.  Military retired pay is divided into three general categories: retired pay for Regular service, retired pay for non-Regular (Reserve/Guard) service, and retired pay for physical disability.  With the exception of retirement for physical disability and certain temporary authorities for early retirement, a member must complete the requisite years of service (generally at least 20 years of service) in order to be eligible for retired/retainer pay.  See section 0103 for determining years of service for retired/retainer pay eligibility.

A.  A warrant officer or an enlisted member of the Army, Air Force, or Space Force may be voluntarily retired after completion of 20 years of creditable service.  Following such a voluntary retirement, an enlisted member of the Army, Air Force or Space Force becomes a member of the Retired Reserve.  See Chapter 2 for rules on an enlisted member of the Navy or Marine Corps.
B. A commissioned officer may be voluntarily retired after completion of 20 years of active service, of which at least 10 years is active commissioned service.

C. Any members who continue on active duty after completion of 20 years of service may be retired for voluntary or involuntary reasons.

D. Members who incur a disability while serving on active duty or while called to active duty for training for 30 days or less may be retired.

E. Various chapters in Volume 7B provide specific details on eligibility, computation, and payment for each type of retirement.

*010202. Retired Pay Base

The retired pay base is usually determined by date the member first entered military service. The specific method for calculating the retired pay base may differ for certain involuntary retirements, but it is always one of the following two methods. Details are in Chapter 3.

A. The Date of Initial Entry into Military Service (DIEMS) determines whether the retired pay base is the monthly basic pay of the member just before retirement or an average of the highest 36 months of basic pay applicable during the member’s career.

1. Final Basic Pay. For members who first entered military service before September 8, 1980, the retired pay base is generally the final basic monthly pay that the member received upon the date of retirement.

2. High-Three Average (High 36 Month Average). For members who entered the military service on or after September 8, 1980, the retired pay base is generally the average of the highest three years (36 months) of monthly basic pay to which the member received for any 36 months of active service whether those months are consecutive or not.

B. For a member entitled to retired pay for non-Regular (Reserve/Guard) service, the final basic pay or the high-36 average is usually determined using the rates to which the member was actually paid or to which the member would have been entitled if serving on active duty immediately before the date when retired pay is to begin.

*010203. Retired Pay Multiplier

There are three methods for computing a retired pay multiplier, depending on the applicable retirement system. For each of these methods, a member retired with a physical disability may alternatively have their retired pay multiplier calculated using their percentage of disability, up to a maximum of 75 percent. The years of service for computing retired pay for Regular retirement are generally the total of years of active service. For non-Regular (Reserve/Guard) members, the years of service are the total of accumulated drill points combined with one point each day of active duty divided by 360. See section 0104 for determining years of service creditable for computing retired pay.
A. For members covered by Final Pay or High-3 legacy retirement plans, the retired pay multiplier is either 2.5 percent times the years of service creditable for computing retired pay or the percentage of disability awarded by the military service at retirement.

B. For members covered by the BRS, the percentage multiplier is either 2.0 percent times the years of service creditable for computing retired pay or the percentage of disability awarded by the military service at retirement.

C. Regular members who have a DIEMS date on or after August 1, 1986, but before January 1, 2018, were allowed the option to elect a reduced retirement (REDUX) accompanied by the Career Status Bonus (CSB). The retired pay multiplier is the same as computed in subparagraph 010203.A, except that it is reduced by one percentage point for each year the member retires short of completing 30 years of service. Section 631 of the NDAA FY 2016, Public Law 114-92, amended Title 37, United States Code (U.S.C.), section 354 amended to discontinue authorization of any new CSB agreements after December 31, 2017. See Volume 7A, Chapter 66 for detailed information on the CSB entitlement and election.

A member who retires for disability may choose a multiplier based on years of service, in accordance with subparagraphs 010203.A, 010203.B, or 010203.C, as applicable, or based on the disability percentage awarded by the Service. However, if the member chooses the Service disability percentage, then the percentage is limited to no more than 75 percent.

010204. Retired Pay Formulae

If a member entitled to retired or retainer pay would otherwise be entitled to retired pay computed under more than one formula, then the member is entitled to be paid under the applicable formula that is most favorable to the member. The retired pay formulae are more fully covered in Chapter 3. The formulae are as follows:

A. For Regular and non-Regular (Reserve/Guard) members covered by the legacy retirement pay plan, monthly retired pay is equal to the retired pay base times 2.5 percent times years of service. For Regular and non-Regular (Reserve/Guard) members covered by the BRS, monthly retired pay is equal to the retired pay base times 2.0 percent times years of service.

B. For disability retirement, the member may elect retired pay computed under subparagraph 010204.A, or monthly pay equal to the retired pay base times military disability percentage.

C. For members retiring for Regular service that elected the REDUX retirement and received the CSB, retired pay is as computed in subparagraph 010204.A, except the multiplier is reduced by one percentage point for each year the member retires short of completing 30 years of service.
010205. Temporary Early Retirement Authority (TERA)

A. TERA provides the Secretary of Defense a temporary force management tool with which to affect the drawdown of military forces and yet maintain an adequate and effective well-trained military force. TERA provides the authority for voluntary retirement of members on active duty with at least 15 years, but less than 20 years of creditable service. An eligible member of the Armed Forces may apply for early retirement under the program and receive an annuity equivalent to 2.5 percent of the retired pay base for each year of service completed and a deduction of 1 percent for each year short of 20 years of service. The request is subject to the approval of the Secretary concerned. Drawdown periods are referenced in subparagraph 010301.B. See Chapter 3 for computation of TERA payment.

B. A member of the Armed Forces approved for early retirement must:

1. Be currently serving on active duty;
2. Complete 15 or more years of active service upon the effective date of retirement;
3. Not be under evaluation for disability retirement under 10 U.S.C., Chapter 61; and
4. Meet grade, skill, years of service, and other eligibility criteria as established by the Secretary of the Military Department concerned.

010206. Survivor Benefit Plan (SBP)

Retiring members may participate in the SBP program. The SBP program pays a lifetime annuity to the designated survivor of 55 percent of a base amount elected by the member not to exceed full retired pay. Upon receiving notice of having completed sufficient service to qualify for retirement, a non-Regular (Reserve/Guard) member (except for not having attained the requisite age) may also participate in the SBP program. Detailed information regarding the SBP program begins in Chapter 42.

010207. Cost of Living Adjustments (COLA)

Both retired pay and survivor annuities are adjusted annually by the change in the Consumer Price Index. See Chapter 8 for detailed information on COLAs.

0103 SERVICE CREDITABLE FOR RETIREMENT ELIGIBILITY

010301. Creditable Service and Service Reduction for Retirement Eligibility

A. Computation of Creditable Service for Determining Retirement Eligibility. A computation of creditable service for determining retirement eligibility may be required at any time during a member’s military career. Generally, a member must complete at least 20 years of service.
creditable service in order to qualify for retired or retainer pay. Upon completion of 20 years of creditable service, a member may request to be transferred to a retired or retainer status.

1. An enlisted member of the Army or Air Force who completes 20 years of creditable active service may request to be retired.

2. An enlisted member of the Navy or the Marine Corps who completes 20 years of creditable active service may request transfer to the Fleet Reserve or Fleet Marine Corps Reserve. See Chapter 2 for details regarding creditable service for transfers to the Fleet Reserve and Fleet Marine Corps Reserve.

3. An enlisted member of the Regular Army, Navy, Marine Corps, or Air Force who completes 30 years of creditable active service or an enlisted member in the Fleet Reserve or Fleet Marine Corps Reserve upon completion of a total of 30 years of combined active and Fleet Reserve service will, upon request, be retired.

4. A Regular or Reserve commissioned officer may voluntarily be retired after completion of 20 years of active service, at least 10 years of which is active commissioned service.

5. A non-Regular member who completes 20 years of creditable qualifying service, but has not yet attained the eligibility age applicable for retired pay, may request transfer to the inactive status list.

6. Members who incur a qualifying disability while serving on active duty, while called to active duty for training for 30 days or less, or while performing inactive duty training may be retired for disability, at which time a service computation is required.

B. Reduction of the 20-Year Creditable Service Requirement. Under TERA, the Secretary of the Military Department concerned may reduce the 20 years of creditable service requirement to as few as 15 years for retirements during the periods of:

1. December 31, 2011 through December 31, 2025, for Regular retirements only; and

2. October 23, 1992 through September 1, 2002, for Regular and non-Regular retirements.

C. Reduction of the 10-Year Active Commissioned Service Requirement. The Secretary of the Military Department concerned may also reduce the 10-year active commissioned service requirement to not less than 8 years for retirements during the following periods:

1. January 7, 2011 through September 30, 2018;

2. January 6, 2006 through December 31, 2008; and

D. **Active Duty Beyond 20 Years of Service.** A member who continues on active duty after completion of 20 years of service may be retired for voluntary or involuntary reasons. Involuntary reasons include court martial sentence, poor performance, failure to qualify for promotion, high year tenure, and age.

E. **Service Creditable for Retirement Eligibility.** Service creditable for the purpose of determining retirement eligibility varies with each type of retirement. For retirement types and the specific service creditable for each type, see paragraphs 010302 through 010308. See paragraph 010309 for service that is not creditable.

010302. **Service Creditable for Regular Voluntary Retirement - Enlisted Members** (Table 1-1)

The following is service creditable for Regular voluntary retirement for enlisted members:

A. All active service in the Uniformed Services; and

B. Service as a cadet or midshipman at Service academy.

010303. **Service Creditable for Voluntary Retirement - Regular and Reserve Commissioned Officers** (Table 1-1)

The following constitutes service creditable for voluntary retirement for Regular and Reserve commissioned officers:

A. Active service in the Uniformed Services;

B. All full-time service performed by an officer of the Regular Army or Regular Air Force in the Medical Corps as:
   1. A contract surgeon;
   2. An acting assistant surgeon; or
   3. A contract physician, under a contract to serve full-time and to take and change station as ordered; and

C. All full-time service performed by an officer of the Regular Army or Regular Air Force in the Dental Corps as:
   1. A contract dental surgeon, or
   2. An acting dental surgeon.
010304. Service Creditable for Voluntary or Mandatory Retirement - Warrant Officers

The following constitutes service creditable for voluntary or mandatory retirement for warrant officers:

A. Active service in the Uniformed Services; and

B. All service as:

1. A contract surgeon;
2. A Reserve nurse;
3. A contract dental surgeon;
4. An acting dental surgeon; and
5. A veterinarian in the quartermaster department, cavalry, or field artillery.

010305. Service Creditable for Mandatory Retirement - Regular Commissioned Officers, Army and Air Force (Table 1-2)

The service creditable for mandatory retirement for Regular commissioned officers of the Army and Air Force includes years of service credited at the time of original appointment in the Regular Army and Regular Air Force. Compute service creditable as stated in subparagraphs 010305.A through 010305.G to determine eligibility for promotion, except service in subparagraph 010309.C, plus all years of active commissioned service in the Regular Army and Regular Air Force after that appointment, or the applicable years of service.

A. A Reserve judge advocate appointed in the Regular Army is credited service after becoming 21 years of age, after December 7, 1941, and before the date of that appointment, or the number of the days, months and years by which the member’s age at the time of appointment exceeds 25 years, whichever is greater, plus years of active commissioned service in the Regular Army or Regular Air Force after that appointment.

B. An officer appointed in the Regular Army, except the Army Nurse Corps or Army Medical Specialist Corps before December 31, 1947, other than an officer covered by subparagraph 010305.A, or appointed in the Regular Army under the Act of December 28, 1945, is credited the sum of:

1. Years of active commissioned service in the Regular Army after that appointment, and
2. Years of active commissioned service in the Army after becoming 21 years of age and after December 7, 1941, under any earlier appointment.

C. An officer appointed in the Regular Army, except the Army Nurse Corps or Army Medical Specialist Corps after December 31, 1947, other than an officer appointed in the Women’s Army Corps, Regular Army, under section 108 of the Women’s Armed Services Integration Act of 1948, is credited the sum of:

1. Years of active commissioned service in the Regular Army after that appointment, and

2. Years of active commissioned service in the Army after becoming 21 years of age and after December 31, 1947, under any earlier appointment.

D. An officer of the Regular Air Force appointed in the Regular Army or Regular Air Force after December 31, 1947, under section 506 of the Officer Personnel Act of 1947, is credited the sum of:

1. The years of active commissioned service in the Regular Army or Regular Air Force after that appointment; and

2. The years of active commissioned service in the Armed Forces after becoming 21 years of age and after December 6, 1941, under any earlier appointment.

E. An officer of the Air Force who was appointed in the Regular Army or Regular Air Force after December 31, 1947, other than an officer covered by subparagraphs 010305.D or 010305.F, is credited the sum of:

1. The years of active commissioned service in the Regular Army or Regular Air Force after that appointment; and

2. The years of active commissioned service in the Air Force after becoming 21 years of age and after December 31, 1947, under any earlier appointment.

F. An officer of the Regular Air Force who was appointed in the Regular Air Force after July 19, 1956, other than an officer covered by subparagraph 010305.D, or who is designated as a medical or dental officer, is credited the sum of:

1. The years of active commissioned service in the Regular Air Force after that appointment;

2. The years of active commissioned service in the Armed Forces after becoming 21 years of age and before appointment; and

3. The years credited for the purpose of determining grade, position on a promotion list, seniority, and eligibility for promotion under one of the following conditions:
a. Three years, if appointed in the Regular Air Force with a view to designation as a medical service officer, and if holding a degree of doctor of philosophy or comparable degree in science allied to medicine;

b. Not more than 8 years, if one of not more than 100 persons in any calendar year who are appointed from civil life or from Reserves of the Air Force who have qualifications not otherwise available from members of the Air Force on active duty; or

c. Not more than 2 years, if appointed while on active duty in the Air Force.

G. An officer of the Army or Air Force under the Defense Officer Personnel Management Act (DOPMA) is credited with the sum of:

1. The years of active service; and

2. The years of service, other than active service in subparagraph 010305.G.1, with which the member was entitled to be credited on May 31, 1958, in computing basic pay.

010306. Service Creditable for Mandatory Retirement - Regular Officers, Navy and Marine Corps (Table 1-2)

The following constitutes service creditable for mandatory retirement of Regular officers of the Navy and Marine Corps:

A. The total commissioned service of an officer on the active list in the line of the Navy or of the Marine Corps is computed from June 30 of the fiscal year in which the officer accepted that appointment. The computation applies when the officer has served continuously on the active list since appointment in the grade of ensign or second lieutenant, either upon graduation from the Naval Academy or under 10 U.S.C. §§ 2106 or 2107.

B. Every other officer on the active list in the line of the Navy or Marine Corps is considered to have the same service as in subparagraph 010306.A, who:

1. Has not lost numbers or precedence; and

2. Is, or at any time has been, junior to the other officer for the purposes of eligibility for promotion and selection for promotion during the other officer's latest period of continuous service on the active list.

C. The total commissioned service of each officer on the active list of the Navy in the Supply Corps or the Civil Engineer Corps who originally was appointed as a Regular or as a Reserve in the grade of ensign in the line, or any staff corps, or in the grade of lieutenant (junior grade) in the Civil Engineer Corps, and who has served continuously on active duty since that
appointment, is computed from June 30 of the fiscal year in which the officer accepted that appointment, beginning August 7, 1947.

D. The total commissioned service of each officer originally appointed in the grade of lieutenant (junior grade) or ensign in any staff corps of the Navy, except the Supply Corps and the Civil Engineer Corps, who since that appointment has served continuously on the active list of the Navy, is computed from June 30 of the fiscal year in which the officer accepted that appointment. This provision does not apply, however, to officers appointed under the Act of April 18, 1946.

E. Every other commissioned officer on the active list of the Navy in any staff corps is considered to have the same total commissioned service as the officer in the same corps described in subparagraphs 010306.C and D, having the maximum total commissioned service who:

1. Has not lost numbers or precedence; and
2. Is, or at any time has been, junior to the other officer for the purposes of eligibility for promotion and selection for promotion during that other officer’s latest period of continuous service on the active list.

F. Notwithstanding the provisions of subparagraph 010306.E, officers on the active list of the Navy in the Medical Service Corps, appointed under the Act of April 18, 1946, are considered to have total commissioned service equivalent to that of their running mates.

G. Officers on the active list of the Navy in the Nurse Corps are credited with:

1. Active service in the Nurse Corps and the Nurse Corps Reserve; and
2. Active service in the Nurse Corps and the Nurse Corps Reserve, which was abolished by the Army-Navy Nurses Act of 1947.

H. An officer of the Navy or Marine Corps under the DOPMA is credited with:

1. The years of active service; and
2. The years of service, other than the service included in subparagraph 010306.H.1, with which member was entitled to be credited on May 31, 1958, in computing basic pay.

*010307. Service Creditable for Disability Retirement (Table 1-3)

A. A member of a Regular Component of the Armed Forces is credited with the greater of all service he or she is considered to have for the purpose of separation or mandatory elimination from the active list, or the sum of:
1. All active service as a member of the Armed Forces as a nurse, Reserve nurse after February 2, 1901, contract surgeon, contract dental surgeon, or acting dental surgeon;

2. Active service as a commissioned officer of the National Oceanic and Atmospheric Administration (NOAA), or the Public Health Service (PHS). Active service as a member of the NOAA includes active service as a member of the Environmental Science Services Administration and of the Coast and Geodetic Survey, the predecessor organizations to NOAA and PHS; and

3. Active service while participating in exercises or performing active duty training and drills in the National Guard, under 32 U.S.C. §§ 502, 503, 504, and 505.

B. A member who is not a member of a Regular Component of the Armed Forces is credited with service calculated as the sum of subparagraphs 010307.B.1 through 010307.B.3, and divided by 360:

1. All days of active service;

2. All days of full-time service while performing annual training duty or attending prescribed periods of instruction at a school designated as a military service school by law or by the Secretary concerned; and

3. One day for each point for attendance at drills or periods of equivalent instruction prescribed for that year by the Secretary concerned that conform to requirements by law or are credited as service in the Health Professions Scholarship and Financial Assistance Program under 10 U.S.C. § 2126, but not more than:

   a. 130 days for any one year of service that includes October 30, 2007, and in any subsequent year of service;

   b. 90 days in any one year of service between October 30, 2000 and October 29, 2007;

   c. 75 days in any one year of service between September 23, 1996 and October 29, 2000; or

   d. 60 days in any one year of service before the year of service that includes September 23, 1996.

The credit includes points at the rate of 15 per year for membership in a Reserve Component of an Armed Force, in the Army or the Air Force without component, or service before July 1, 1949 in the categories provided in 10 U.S.C. § 12732.
Service Creditable for Age and Service Retirement - Non-Regular Member

A. Creditable service for age and service retirement of non-Regular member includes:

1. Service performed in the Uniformed Services;

2. Years of service before July 1, 1949, pursuant to 10 U.S.C. § 12732;

or

3. Each 1-year period after July 1, 1949, in which the member earned at least 50 points on the following basis:

   a. One point for each day of active service. Service as a cadet or midshipman at a Service academy is active service for non-Regular enlisted members only;

   b. One point for each day of full-time service while performing annual training or attending a prescribed course of instruction at a school designated as a Service school by law or by the Secretary concerned;

   c. One point for each attendance at a drill or period of equivalent instruction prescribed for that year by the Secretary concerned;

   d. Points at the rate of 15 per year for membership in a Reserve Component of the Armed Forces, in the Army or Air Force without component, or in any other category covered by 10 U.S.C. § 12732(a)(1), except a Regular Component; and

   e. Points credited as service in the Health Professions Scholarship and Financial Assistance Program under 10 U.S.C. § 212.

B. For the purpose of subparagraphs 010308.B.1 through 010308.B.3, all service in the National Guard is treated as if it were service in a Reserve Component if the member was later appointed in the U.S. National Guard or U.S. Air National Guard, or as a Reserve of the Army or Air Force and served continuously in the National Guard from date of Federal recognition to date of that appointment. A member of the Reserve Component of an Armed Force, including the National Guard is entitled to retired pay computed under Chapter 3, Table 3-1, Rule 13 for non- Regular service upon application if he or she:

   1. Has attained the eligibility age applicable to that member under subparagraph 010308.F;

   2. Has performed at least 20 years of service (see subparagraph 010308.E), as shown in subparagraph 010308.A;
3. Has completed at least 20 years of service as described in subparagraph 010308.B.2 before April 25, 2005, and performed the last 6 years of qualifying service while a member of any category named in 10 U.S.C. § 12732(a)(1) (but not while a member of a Regular Component, the Fleet Reserve, or the Fleet Marine Corps Reserve); however, in the case of a member who completed 20 years of service before October 5, 1994, the number of years of such qualifying service must be 8; and

4. Is not entitled under any other provision of law to retired pay from the Armed Forces or retainer pay as a member of the Fleet Reserve or the Fleet Marine Corps Reserve, except as provided in Chapter 7, section 0701.

C. A member who has been notified that the years of service requirement has been met for eligibility for retired pay may not have that eligibility denied or revoked on the basis of any error, miscalculation, misinformation, or administrative determination of years of service performed, unless it resulted directly from fraud or misrepresentation of the member.

1. The notification of eligibility, which is based on the member’s completion of the service requirement, conforms to applicable Military Department regulations. A nonconforming written notice, administratively issued, which shows completion of service requirements of eligibility for retired pay, may not result in the denial of retired pay unless evidence shows that the member caused the service record to be altered or confused.

2. The number of years of creditable service upon which retired pay is computed may be adjusted to correct any error, miscalculation, misinformation, or administrative determination. When a correction is made, the retiree is entitled to retired pay in accordance with the number of years of creditable service, as corrected, from the date the retiree is granted retired pay.

3. Notwithstanding subparagraph 010308.C.2, the granting of retired pay to a retiree under 10 U.S.C., Chapter 1223 is conclusive as to that retiree’s entitlement to such pay only if the payment of retired pay began after October 14, 1966. A notification that a member has completed the years of service required for eligibility for retired pay under 10 U.S.C., Chapter 1223 is conclusive as to that member’s subsequent entitlement to such pay only if the notification is made after October 14, 1966.

D. Under 10 U.S.C. § 12731, members of a Reserve Component who have reached age 60 and have at least 20 years of qualifying Federal service are qualified for retired pay. A member who has qualified for retired pay, but is retained under 10 U.S.C. § 12308, with member’s consent, may be credited with that service for all purposes. A member, however, who elects to receive retired pay under 10 U.S.C. § 12731, may not be retained simultaneously on active duty or in active service under 10 U.S.C. § 12308.

E. A temporary special retirement qualification authority, 10 U.S.C. § 12731a, provides for the Secretary of the Military Department concerned to allow certain members with at least 15 years of creditable service to retire during the period beginning on October 23, 1992, and ending on December 31, 2001.
F. Subject to subparagraph 010308.F.1, the eligibility age for purposes of subparagraph 010308.B.1 is 60 years of age.

1. After January 28, 2008, the eligibility age for purposes of subparagraph 010308.F will be reduced, subject to subparagraph 010308.F.5, below 60 years of age in the case of a member who, as a member of the Ready Reserve, serves on active duty or performs active service described in subparagraph 010308.F.2. The reduction will be 3 months for each aggregate of 90 days on which the member serves on such active duty or performs such active service in any fiscal year after January 28, 2008, or in any two fiscal years after September 30, 2014. A day of duty may be included in only one aggregate of 90 days for purposes of this subparagraph.

2. Service on active duty is pursuant to a call or order to active duty under a provision of law referred to in 10 U.S.C. § 101(a)(13)(B) or under 10 U.S.C. §§ 12301(d) or 12304b. Such service does not include a call or order to active duty under 10 U.S.C. § 12310.

3. Active service is also service under a call to active service authorized by the President or the Secretary of Defense under 32 U.S.C. § 502(f) for purposes of responding to a national emergency declared by the President or supported by Federal funds.

4. If the member is wounded, otherwise injured, or becomes ill while serving on active duty pursuant to a call or order to active duty under subparagraph 010308.F.2, and the member is ordered to active duty under 10 U.S.C. § 12301(h)(1) to receive medical care for the wound, injury, or illness, then each day of active duty under that order for medical care will be treated as a continuation of the original call or order to active duty for purposes of reducing the eligibility age of the member under this subparagraph.

5. The eligibility age for purposes of subparagraph 010308.F may not be reduced below 50 years of age for any member under subparagraph 010308.F.1.

010309. Service Not Creditable for Determining Retirement Eligibility

A. Enlisted Member’s Lost Time. The following periods of absence from duty during a term of enlistment are not creditable to an enlisted member unless they are made up by the member upon return to full duty so as to complete the term for which the member was enlisted. The periods of absence from duty are:

1. Desertion;

2. Absence from organization, station, or duty for more than 1 day without proper authority, as determined by competent authority;

3. Confinement by military or civilian authorities for more than 1 day in connection with a trial, whether before, during, or after the trial; and
4. The member’s inability for more than 1 day, as determined by competent authority, to perform assigned duties because of intemperate use of drugs or alcoholic liquor, or because of disease or injury resulting from the member’s misconduct.

B. Officer’s Lost Time. Prior to February 11, 1996, a commissioned or warrant officer was entitled to credit for every day in a commissioned or warrant status, without regard to absence of any kind, whether authorized or unauthorized, and including confinement prior to and during trial. In addition, absence during which a member was serving on active duty as an enlisted member was creditable if the enlisted member also held a commission as a Reserve officer. After February 10, 1996, a commissioned or warrant officer may not count the following periods of absence for any purpose other than the computation of length of service for basic pay:

1. Desertion;

2. Absence from organization, station, or duty for more than 1 day without proper authority, as determined by competent authority;

3. Confinement by military or civilian authority for more than 1 day in connection with a trial, whether before, during, or after the trial; or

4. Inability to perform assigned duties for more than 1 day, as determined by competent authority, because of intemperate use of drugs or alcoholic liquor, or because of disease or injury resulting from the member’s misconduct. The period of such desertion, absence, confinement, or inability to perform duties may not be counted in computing, for any purpose other than basic pay under 37 U.S.C. § 205, the officer’s length of service.

C. Constructive Service. Constructive service, credited under 10 U.S.C. § 3287(a)(2)(A) or (B) (repealed), 10 U.S.C. § 3294(b) (repealed), or section 506(c) of the Officer Personnel Act of 1947, is not included in the service computation under subparagraph 010305.A. Constructive service creditable may be:

1. Three years, if appointed as a chaplain, or for service in the Judge Advocate General’s Corps or in the Veterinary Corps of the Regular Army;

2. Three years, if appointed in the Medical Service Corps and if holding the degree of doctor of philosophy or comparable degree recognized by the Surgeon General; or

3. Four years (five, if member completed a 1-year internship) credited at the time of appointment in the Medical or Dental Corps for the purpose of determining grade, position on a promotion list, seniority in grade in the Regular Army, and eligibility for promotion.

D. Other Non-creditable Service. This service may not be counted for the purpose of determining retirement eligibility under paragraph 010307:
1. Service, other than active service, in an inactive section of the Organized Reserve Corps or Army Reserve, or inactive section of the officer’s section of the Air Force Reserve;

2. Service, other than active service, after June 30, 1949, while on the Honorary Retired List of the Naval Reserve or of the Marine Corps Reserve;

3. Service in the inactive National Guard or in a non-federally recognized status of the National Guard;

4. Inactive service in the Fleet Reserve or Fleet Marine Corps Reserve; and

5. Service in any status other than that as a commissioned officer, warrant officer, nurse, flight officer, aviation midshipman, appointed aviation cadet, or enlisted member, and that is described in paragraph 010301 as creditable.

0104 SERVICE CREDITABLE FOR COMPUTING RETIRED PAY

010401. Service for Percentage Multiple

Service authorized to be used as a percentage multiple is specified in each law section authorizing computation of retired pay for each type of retirement. Information on retirement types and service for percentage multiple are provided in this section.

010402. Voluntary Retirement - Enlisted Members

Service is credited under paragraph 010302.

*010403. Voluntary Retirement Commissioned Officers

A. Active service is creditable in the Uniformed Services.

B. Crediting of constructive service for medical and dental officers or an internship is not authorized after September 14, 1981, unless a member was already enrolled in such a program and later graduated, and was commissioned as a medical or dental officer; however, post-September 14, 1981, time is creditable in computing retired pay provided the officer is retirement eligible.

C. Service creditable in computing retired pay should include time an officer served in the Uniformed Services University of Health Sciences (USUHS). For an officer of the Medical Corps or Dental Corps of the Army or Navy, an officer of the Air Force designated as a medical or dental officer, or an officer of the PHS commissioned as a medical or dental officer, credit actual time served in the program. Any credit otherwise accrued during the same period by reason of Reserve membership would not be used in determining the multiplier for computing retired pay.
Example: An O-6 with 20 years and 6 months service under 37 U.S.C. § 205 (excludes time at USUHS) is receiving basic pay for an O-6 over 20 years. If this member served 4 years and 6 months at USUHS, then, upon retirement, the member is to receive retired pay computed at 62.5 percent of basic pay as an O-6. The 62.5 percent is computed as 2.5 percent times 25 (20.5 plus 4.5) years of service as this computation will include the USUHS time.

D. The years of service, not included in subparagraphs 010403.A or B, with which the member was entitled to be credited on June 1, 1958, in computing basic pay is stated in Volume 7A, Chapter 1, section 0102.

E. Years of service not included in subparagraphs 010403.A, B, or C, with which the member would be entitled to be credited under 10 U.S.C. § 12733, are:

1. Days of active service;

2. Days of full-time service under 32 U.S.C. § 316 and 32 U.S.C. §§ 502 through 505, while performing annual training duty or attending a prescribed course of instruction at a school designated as a Service school by law or by the Secretary of the Military Department concerned (or designee); or

* 3. One day for each point for attendance at drills or periods of equivalent instruction prescribed by the Secretary concerned for that year, which conform to requirements by law or are credited as service in the Health Professions Scholarship and Financial Assistance Program under 10 U.S.C. § 2126, but not more than:

a. 130 days for any one year of service that includes October 30, 2007, and in any subsequent year of service;

b. 90 days in any one year of service between October 30, 2000 and October 29, 2007;

c. 75 days in any one year of service between September 23, 1996 and October 29, 2000; or

d. 60 days in any one year of service before the year of service that includes September 23, 1996.

The credit includes points at the rate of 15 per year for membership in a Reserve Component of an Armed Force, in the Army or the Air Force without component, or service before July 1, 1949 in the categories named in 10 U.S.C. § 12732.

010404. Voluntary Retirement - Warrant Officers

See service credited under paragraph 010403.
010405. Mandatory Retirement

A. Army and Air Force service credited is the same as under paragraphs 010305 or 010403, whichever is more favorable.

B. Navy and Marine Corps service credited is the same as under paragraphs 010306 or paragraph 010403, whichever is more favorable.

010406. Disability Retirement

Service credited is the same as under paragraph 010307.

010407. Age and Service Retirement - Reservist

Total days of service, as stated in subparagraphs 010403.D.1 through 010403.D.3, divided by 360 equals equivalent years and any fraction of a year of service.

0105 UNIFORM RETIREMENT DATE ACT (URDA), TITLE 5, UNITED STATES CODE (U.S.C.), SECTION 8301

010501. Authority

A. Retirement is effective on the first day of the month after that in which retirement would otherwise be effective, except as otherwise specifically provided by statute.

B. Notwithstanding subparagraph 010501.A, the rate of pay is computed as of the date retirement would have occurred but for the provisions of subparagraph 010501.A. See Table 1-5. Members who enter a Uniformed Service after September 7, 1980 receive the retired pay based on an average of basic pay rates for the period actually served, not to exceed a 36-month period. See Chapter 3 for gross pay computation.

010502. Special Provisions

Under specific circumstances, computation may be based on another basic pay rate that may provide greater pay. See Chapter 3, sections 0302, 0303, and 0304.

0106 RANK AND PAY GRADE

010601. General Determination

A. Grade at Retirement. Unless entitled to a higher grade under some other provisions of law, those Regular and Reserve members who retire other than for disability will retire in the Regular or Reserve grade they hold on the date of retirement. See Volume 7A, Comparable Grades.
B. **Time in Grade Requirement.** A commissioned officer, other than a commissioned warrant officer of the Army, Navy, Air Force, or Marine Corps, who voluntarily retires in a grade above major or lieutenant commander, must serve on active duty in that grade for not less than 3 years. The President may waive this requirement in cases of hardship or exceptional or unusual circumstances. The Secretary of the Military Department concerned (or designee) may reduce the service-in-grade requirement to 2 years. This authority was made permanent under *Public Law 108-136, section 506*, dated November 24, 2003.

C. **Retirement to the Next Lower Grade.** An officer who does not meet the service-in-grade requirement retires in the next lower grade in which the member served on active duty satisfactorily for at least 6 months.

D. **Officers in Grades 0-9 and 0-10**

1. An officer in the grade of general or admiral, or lieutenant general or vice admiral, may retire in that grade if the Secretary of Defense certifies, in writing, to the President and the Congress that the officer served on active duty satisfactorily in that grade.

2. The 3-year service-in-grade requirement cannot be reduced or waived if the officer is under investigation for alleged misconduct or if an adverse personnel action is pending against the officer for alleged misconduct.

E. **Reserve Officers**

1. Unless entitled to a higher grade, or to credit for satisfactory service in a higher grade under some other provision of law, a member who becomes entitled to a non-Regular Reserve retirement will, upon application, receive credit for satisfactory service in the highest grade held in the Armed Forces, as determined by the Secretary of the Military Department concerned (or designee).

2. To receive credit for satisfactory service in a grade below lieutenant colonel or commander, other than a warrant officer grade, a member must serve satisfactorily in that grade, as determined by the Secretary of the Military Department concerned (or designee) as a Reserve commissioned officer in an active status, or in a retired status on active duty, for at least 6 months.

3. To receive credit for satisfactory service in a grade above major or lieutenant commander, a member must serve satisfactorily in that grade, as determined by the Secretary of the Military Department concerned (or designee), as a Reserve commissioned officer in an active status, or in a retired status on active duty, for at least 3 years.

   a. A member who completes at least 6 months of satisfactory service in grade, upon transfer from an active status or upon discharge as a Reserve commissioned officer for mandatory age or years of service, receives credit for satisfactory service in the grade in which serving at time of transfer or discharge in that grade.
b. If a member completes at least 6 months of satisfactory service in grade while serving as adjutant general under 32 U.S.C. § 314 or as assistant adjutant general to such adjutant general, and the member is unable to complete 3 years of service in such grade because the appointment is terminated or vacated under 32 U.S.C. § 324(b), then the member may be credited with satisfactory service in that grade.

c. The Secretary of the Military Department concerned (or designee) may allow credit in a higher grade to a member who has been recommended for promotion but before promotion to the recommended grade. Such credit may be allowed when a member who is in the next lower grade serves in a position after recommendation where the minimum authorized grade for the position the member is serving in is the higher grade to which the member is recommended for promotion. The period of service credit may not include any period before the date that the Senate provides advice and consent for the appointment in the recommended grade.

d. A member who qualifies for Federal recognition in a higher grade and then serves in that grade in a position for which the higher grade is the minimum authorized grade may receive credit for having served in that grade. The credit, determined by the Secretary of the Military Department concerned (or designee), is contingent upon the member being appointed as a Reserve officer in that grade. The service credit is allowed only for the period the member served in the position after Senate advice and consent for the appointment.

e. A member who completes at least 6 months of satisfactory service in a grade above colonel (or, in the case of the Navy, in a grade above captain), and while serving in an active status is involuntarily transferred (other than for cause) from active status, may be credited with satisfactory service for the grade in which serving even though he or she does not complete 3 years of service in that grade.

4. When a member’s length of service in the highest grade held does not meet the service-in-grade requirements, the member receives credit for satisfactory service in the next lower grade in which the member serves satisfactorily for at least 6 months as determined by the Secretary of the Military Department concerned (or designee).

5. The Secretary of Defense may authorize the Secretary of a Military Department concerned (or designee) to reduce the 3-year period required in subparagraph 010601.E.3 for an officer above major or lieutenant commander, to a period of not less than 2 years. However, in the case of an officer who, upon transfer to the Retired Reserve or discharge, is to be credited with satisfactory service in a general or flag officer grade, the authority provided by the Secretary of Defense to the Secretary of a Military Department concerned (or designee) may be exercised with respect to that officer only if approved by the Secretary of Defense or another civilian official in the Office of the Secretary of Defense appointed by the President, by and with the advice and consent of the Senate.

F. Grade on Retirement for Physical Disability. Unless entitled to a higher grade under some other provision of law, members of the Armed Forces who retire for disability are entitled to the highest of:
1. The grade or rank in which serving when placed on the Temporary Disability Retired List or, if not carried on that list, on date of retirement;

2. The highest temporary grade or rank in which member satisfactorily serves, as determined by the Secretary of the Armed Force from which he or she retired;

3. The permanent Regular or Reserve grade to which the member would have been promoted had it not been for the disability for which the member is retired that was found upon physical examination; or

4. The temporary grade to which the member would have been promoted had it not been for the disability for which the member is retired, if eligibility for that promotion was required based on the cumulative years of service or years of service-in-grade, and the disability was found upon physical examination.

010602. Special Provisions

A. Commissioned officers of the Regular or Reserve Component of the Army or Air Force and Regular officers of the Navy or Marine Corps may, at the discretion of the President, be retired by and with the consent of the Senate, in the highest grade held at any time on the active list if they have served as:

1. Chief of Staff to the President;

2. Chief of Staff of the Army;

3. Chief of Naval Operations;

4. Chief of Staff of the Air Force;

5. Senior member of the Military Staff Committee of the United Nations;

6. General or lieutenant general in a position of importance and responsibility designated by the President;

7. Admirals or vice admirals in positions of great importance and responsibility designated by the President under 10 U.S.C. § 601;

8. Chief or assistant chief of a branch of the Regular Army for at least 4 years;

9. Surgeon General of the Army or Air Force in the grade of lieutenant general;
10. Permanent professor of the U.S. Military Academy (USMA) or U.S. Air Force Academy (USAFA). If the grade is below brigadier general and service as professor is long and distinguished, then the professor may, at the discretion of the President, be retired in the grade of brigadier general; or

11. Chiefs of Bureaus and Judge Advocate General.

B. Regular and Reserve commissioned officers of the Army and Air Force are entitled to the grade equal to the highest temporary grade in which they served on active duty satisfactorily for not less than 6 months. See exception in subparagraph 010601.B.

C. Where an existing statute authorizes computation of pay based on a grade in which the member served satisfactorily that is higher than the pay of the grade otherwise entitled, computation is based on the higher grade:

1. Without regard to whether that grade was temporary or permanent, and

2. Even though the military service in which the member held that higher grade is not the military service in which retired.

D. Retired warrant officers of the Army and Air Force, and enlisted members of the Regular Army and Regular Air Force, are entitled to be advanced on the retired list to the highest grade in which they served on active duty satisfactorily, when their active service plus time on the retired list equals 30 years.

E. Unless otherwise entitled to a higher grade, officers of the Regular Navy or Regular Marine Corps holding a permanent grade of W-1 or above, retired with 30 or more years of service, are retired in the grade in which they are serving at the time of retirement.

F. Unless otherwise entitled to a higher grade, members of the Navy and Marine Corps retired while serving in a temporary grade to which they were appointed in time of war or national emergency that terminates on date of detachment are retired in the grade they would hold if they had not received such appointment.

G. Warrant officers of the Navy and Marine Corps who retire after completion of 20 years of service may elect to be retired in the highest grade entitled under any provision of law.

H. Unless otherwise entitled to a higher grade, members, other than retired members of the Navy or Marine Corps, when retired, are advanced on the retired list to the highest officer grade in which they served satisfactorily under a temporary appointment.

I. A courtesy title is not to be used for computation of pay. The grade for pay purposes is determined under the criteria of general determinations and special provisions as
prescribed in this paragraph, with specific reference to the section of law that authorizes the grade for pay purposes.

J. Members promoted while missing in action, whose status is changed to killed in action, are exempted from the 6-month time-in-grade requirement since promotions received while in a missing status are “fully effective for all purposes” under 37 U.S.C. § 552(a). Note: This provision is applicable only to members of the Army and Air Force.

K. A member who enters a Uniformed Service after September 7, 1980, and who later retires, may receive retired pay computed from a retired pay base made up of active duty pay rates from more than one grade.

010603. Satisfactory Service

The determination as to what constitutes satisfactory service for the purpose of retirement in the highest grade is within the discretionary power of the Secretary of the Military Department concerned (or designee).

0107 NON-CITIZENS

010701. Philippine Constabulary/Philippine Scout

The Act of February 2, 1901, as amended by the Act of May 16, 1908, authorized the President of the United States to organize a Military Component to be known as the Philippine Scouts and make it a part of the Regular Army. Retirement eligibility was the same as for enlisted men of the Regular Army. Officers were entitled to the same pay, privileges, and retirement benefits as authorized officers of like grade and service of the Regular Army. The Philippine Constabulary/Philippine Scouts are no longer maintained as a continuing part of the Army.

010702. Insular Force

The Insular Force of the U.S. Navy was established by Executive Order on April 5, 1901, as amended on June 25, 1901. The Secretary of the Navy was authorized to enlist 500 natives of the Islands of the Philippines and Guam. Members of the Insular Force were eligible for transfer to the Fleet Reserve or to the retired list. The Insular Force is no longer maintained as a continuing part of the Navy.

010703. Payment

A. Philippine Scouts. Adjustments of retired pay of Philippine Scouts will be made to reflect changes in the Consumer Price Index as provided by 10 U.S.C. § 1401a.

B. Change in Citizenship of Non-Regular Retirees. If a member’s citizenship status changes after retirement, then it may have an impact on the member’s retired pay. See Chapter 6 for additional information on change or loss of U.S. citizenship.
0108 HEROISM PAY

010801. Entitlement

A. Regular Retirement. Enlisted members of the Army, Air Force, Navy, and Marine Corps, retired after the completion of 20 or more but less than 30 years of active service for Regular retired pay computation purposes, who are credited by the Secretary concerned with extraordinary heroism in the line of duty, will receive a 10 percent increase to retired or retainer pay. Enlisted members of the Army and the Air Force, with 20 or more, but less than 30, years of service may not exceed a retired pay multiplier of 75 percent, including any heroism pay. Enlisted members of the Navy, Marine Corps, and Coast Guard with 20 or more, but less than 30, years of active service are eligible to have retired or retainer pay increased by 10 percent without restriction to a final multiplier of 75 percent.

B. Non-Regular Retirement. Enlisted members of the Reserve Component retired after the completion of less than 30 years of service for non-Regular retired pay computation purposes, who are credited by the Secretary concerned with extraordinary heroism in the line of duty, will receive a 10 percent increase to their retired pay. Enlisted members so entitled may not exceed a retired pay multiplier of 75 percent. Entitlement to increased Reserve retired pay for heroism became effective October 1, 2002 and applies with respect to retired pay for months beginning on or after that date.

C. Disability Retirement. Enlisted members retired for disability who otherwise are eligible for voluntary retirement for 20 or more, but less than 30, years of service, and who are entitled to a 10 percent increase in pay for certified acts of extraordinary heroism, are entitled to an additional computation under the computation for a length-of-service retirement. However, in no case may the retired pay multiplier for a disability retirement based upon less than 30 years of service exceed 75 percent.

010802. Determination of Entitlement

The Secretary of the Military Department concerned (or designee) has the authority to grant 10 percent of additional retired pay to an individual who has performed an act of extraordinary heroism in the line of duty. The Secretary’s determination as to extraordinary heroism is conclusive for all purposes.

010803. Special Provisions

A. Advancement on the Retired List. Retired enlisted members of the Regular Army or Air Force receiving the 10 percent additional increase in pay for extraordinary heroism are not entitled to the 10 percent increase when advanced to a higher grade on the completion of 30 years of service. See Chapter 9.

B. Recomputation After a Period of Active Duty. For detailed information on recomputation after subsequent active duty, see Chapter 7, section 0702.
1. Retired enlisted members of the Army and Air Force are entitled to the 10 percent increase in retired pay for extraordinary heroism when pay is recomputed to reflect active service performed after the date of retirement. The retired pay may not exceed 75 percent of the monthly basic pay upon which retired pay is based. Regardless of when the member’s retired pay was recomputed, benefits will not accrue under this provision for any period prior to November 1, 1992.

2. Enlisted members of the Navy and Marine Corps who elected to receive retainer pay are entitled to the 10 percent increase in their pay for extraordinary heroism when that pay is recomputed to reflect active service performed after date of transfer.

0109 PAYMENT

010901. Effective Date of Payment

Pay accrues on a day-to-day basis from and including the date on which retirement is effective, except members who are transferred to the Fleet Reserve/Fleet Marine Corps Reserve. These members become entitled to pay on the day after the date of transfer. Amounts of retired pay and retainer pay due a retired member of the uniformed services will be paid on the first day of each month beginning after the month in which the right to such pay accrues. When the payment date falls on a Saturday, Sunday, or legal holiday, the Director of the Defense Finance and Accounting Service may authorize the payment of retired pay and retainer pay on the preceding workday but not more than three days before the last day of the pay period. See also Chapter 14.

A. Regular Retirement. Except as otherwise provided by law, the effective date of retirement eligibility is the first day of the month after the month in which service requirements are fully met.

B. Disability Retirement. Placement on the Temporary and Permanent Disability Retired Lists may become effective on any day of the month as specified by the Secretary of the military service concerned (or designee).

C. Mandatory Retirement for Age and Service. Members attaining age and service requirements for involuntary retirements are retained on active duty through the last day of the month in which age and service requirements are met.

D. Non-Regular Retirement. Reservists are entitled to pay effective on the date on which the requirements for age and service have been met, or on the first day of any later month that the retiree may elect.

*010902. Revocation of Retirement and/or Transfers

* A. Where proper officials have made a determination that a member is entitled to retirement and retired pay on the basis of physical disability, after the effective date of retirement, the retirement orders are final and can be reopened only upon a showing of fraud, substantial new evidence, mistake of law, or mathematical miscalculation. Subsequent
information showing that the decision may have resulted from the exercise of poor judgement alone does not provide a basis to cancel or modify the prior order. However, the initial retiring action may be cancelled or revoked before the date that it is legally effective because the individual concerned has not yet acquired any rights or become entitled to any retirement benefits under the revoked retiring order.

B. Transfer of members to the Fleet Reserve/Fleet Marine Corps Reserve and to the retired list of the Regular Navy or Marine Corps or the Retired Reserve is conclusive for all purposes. The Secretary may correct any error or omission in the determination as to the member’s grade and years of creditable service.

C. Payment of active duty pay and allowances may be permitted after the first of the month in which retirement is effective until retirement orders are actually delivered to the member later in the same month, provided prior notice of retirement orders had not been received.

D. Where advance notice of retirement orders is given, but orders are not delivered, an attempt may be made to revoke them after they become effective and replace them with orders directing retirement at a later date. When it is apparent that the member had no knowledge of the lack of legal authority for this action, and active duty pay and allowances were received “under color of authority,” the “de facto rule” permits repayment of active duty pay and allowances paid for the period and later collected.

010903. Computation

For detailed information on gross pay computation, see Chapter 3.

A. Monthly Pay. Compute monthly pay as if each month had 30 days. The daily rate is 1/30 of the monthly rate.

B. Intermediate Day. When retirement begins on an intermediate day of the month, compute pay at the rate of 1/30 for the actual number of days after date of retirement but only through the 30th day of that month. If pay begins on February 28, then pay accrues for 3 days. If the pay begins on February 29, then pay accrues for 2 days.
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Table 1-1. Voluntary Retirement

A person who is of the and years of service total including at least may retire under 10 U.S.C. § with retired pay computed under Chapter 3, Table 3-1.
Table 1-1. Voluntary Retirement (Continued)

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<td>18</td>
<td>an officer or enlisted member</td>
<td></td>
<td>30 (note 2)</td>
<td></td>
<td>8327 (note 7)</td>
<td>rule 8.</td>
</tr>
<tr>
<td>19</td>
<td></td>
<td></td>
<td>20 (note 2)</td>
<td>10 years of active service served in the 11 years immediately before retirement</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:


5. Members mandatorily retired under Public Law 86-155 thereafter are considered as having retired voluntarily pursuant to 10 U.S.C. § 8323. See Public Law 86-155, section 3. There are no officers processed under Public Law 86-155 after June 1, 1966.

6. Include Regular enlisted members holding temporary appointment as commissioned officer or warrant officer.

7. See 10 U.S.C. § 8327. This section applies only to persons who were members of the Navy Reserve or the Marine Corps Reserve on January 1, 1953. This section terminates on January 1, 1973.
Table 1-2. Mandatory Retirement - Commissioned Officers and Warrant Officers

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A person who is a and has at least the Regular grade of and time in grade is and is age is retired by Secretary of the Military Department concerned under 10 U.S.C. § with retired pay computed under Chapter 3, Table 3-1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Regular commissioned officer of the Army, Air Force, Navy, or Marine Corps</td>
<td>20 years below Brigadier General or Rear Admiral (lower half) (note 1)</td>
<td>62 (note 23)</td>
<td>1251</td>
<td>1251</td>
<td>1251</td>
<td>1251</td>
</tr>
<tr>
<td>2</td>
<td>Regular commissioned officer of the Army or Air Force</td>
<td>20 years below Major General (note 1)</td>
<td>60</td>
<td>3883 (note 2)</td>
<td>8883 (note 3)</td>
<td>rule 10 or 12.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Officer of the Army or Air Force</td>
<td>35 years (note 3) Major General</td>
<td>5 years</td>
<td>60</td>
<td>3884 (note 2)</td>
<td>8884 (note 2)</td>
<td>rule 10 or 12.</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>62</td>
<td>3885 (note 2)</td>
<td>8885 (note 2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>64</td>
<td>3886 (note 2)</td>
<td>8886 (note 2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Regular officer of the Army, Air Force, Navy, or Marine Corps</td>
<td>20 years any grade (note 5)</td>
<td></td>
<td>3913 (note 2)</td>
<td>8913 (note 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Officer of the Army, Air Force, Navy, or Marine Corps</td>
<td>28 years (note 3) Lieutenant Colonel (note 6)</td>
<td></td>
<td>3916 (note 2)</td>
<td>8916 (note 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>30 years (note 3) any grade (note 7)</td>
<td>5 years</td>
<td>3919 (note 2)</td>
<td>8919 (note 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Officer of the Army, Air Force, Navy, or Marine Corps</td>
<td>35 years (note 3) Rear Admiral (notes 9 and 11)</td>
<td></td>
<td>3921 (note 2)</td>
<td>8921 (note 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Officer of the Army, Air Force, Navy, or Marine Corps</td>
<td>3922 (note 2)</td>
<td>8922 (note 2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Officer of the Army, Air Force, Navy, or Marine Corps</td>
<td>3923 (note 2)</td>
<td>8923 (note 2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Officer of the Army, Air Force, Navy, or Marine Corps</td>
<td>35 years of total commissioned service (note 3) Rear Admiral (notes 9 and 11)</td>
<td></td>
<td>6371 (notes 2 and 10)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>13</td>
<td>Officer of the Army, Air Force, Navy, or Marine Corps</td>
<td>Rear Admiral (notes 11 and 12)</td>
<td>7 years</td>
<td>6372 (notes 2 and 13)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Officer of the Army, Air Force, Navy, or Marine Corps</td>
<td>Major General (notes 11 and 14)</td>
<td>5 years</td>
<td>6373 (note 2)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>A person who is a Regular officer of the Navy or Marine Corps and has at least 35 years of total commissioned service (note 3)</td>
<td>Rear Admiral (Navy), - Brigadier General (USMC) (note 9)</td>
<td>and time in grade is 5 years</td>
<td>and is age</td>
<td>is retired by Secretary of the Military Department concerned under 10 U.S.C. §</td>
<td></td>
<td>6374 (note 2)</td>
</tr>
<tr>
<td>16</td>
<td>Rear Admiral (Navy), Brigadier General (USMC) (notes 11 and 14)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6375 (note 15)</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>30 years of total commissioned service (note 3)</td>
<td>Captain (Navy), Colonel (USMC) (notes 9 and 16)</td>
<td></td>
<td></td>
<td></td>
<td>6376 (note 2)</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>31 years of total commissioned service (note 3)</td>
<td>Captain (Navy), Colonel (USMC) (notes 11 and 17)</td>
<td></td>
<td></td>
<td></td>
<td>6377 (notes 2 &amp; 18)</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>30 years of total commissioned service (note 3)</td>
<td>Captain (Navy), Colonel (USMC) (notes 12 and 16)</td>
<td></td>
<td></td>
<td></td>
<td>6377 (notes 2 &amp; 18)</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>31 years of total commissioned service (note 3)</td>
<td>Captain (Navy), Colonel (USMC) (notes 11, 12, and 17)</td>
<td></td>
<td></td>
<td></td>
<td>6377 (notes 2 &amp; 18)</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>26 years (note 3)</td>
<td>Commander (Nurse Corps) (notes 11, 12, and 16)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>A person who is a Regular officer of the Navy or Marine Corps</td>
<td>35 years (note 3)</td>
<td>Captain (Navy), Commander (Nurse Corps) (notes 7 and 12)</td>
<td>and is age 62</td>
<td>is retired by Secretary of the Military Department concerned under 10 U.S.C. § 6378 (notes 2 &amp; 19)</td>
<td>with retired pay computed under Chapter 3, Table 3-1</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>26 years of total commissioned service (note 3)</td>
<td>Commander, Lieutenant Colonel (note 16)</td>
<td>6379 (note 2)</td>
<td>rule 11.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>20 years of total commissioned service (note 3)</td>
<td>Lieutenant Commander, Major (note 16)</td>
<td>6380 (note 2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>30 years of active naval service</td>
<td>any grade (note 20)</td>
<td>8372</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Lieutenant Commander, Major (notes 16 and 20)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>any grade below Fleet Admiral</td>
<td>62</td>
<td>6390 (note 2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Rear Admiral, Major General, and Brigadier General</td>
<td></td>
<td>6394 (note 2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
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<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td>A person who is a Regular officer of the Navy or Marine Corps</td>
<td>20 years of active commissioned service (note 3)</td>
<td>Lieutenant Commander, Major and below (Nurse Corps)</td>
<td>and is age 6396 (note 2)</td>
<td>with retired pay computed under Chapter 3, Table 3-1</td>
<td>rule 11.</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>female Regular officer of the Navy or Marine Corps</td>
<td>26 years of active commissioned service</td>
<td>Commander, Lieutenant Colonel</td>
<td>6398 (note 2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Regular officer of the Army or Marine Corps</td>
<td>30 years of active commissioned service</td>
<td>Captain Colonel (note 21)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>20 years of active commissioned service</td>
<td>Lieutenant Commander, Major (note 5) and below</td>
<td>6400 (note 2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>commissioned officer of the Army</td>
<td>More than 30 years of commissioned service (note 22)</td>
<td>permanent professor, USMA</td>
<td>7320</td>
<td>rule 10.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>commissioned officer of the Air Force</td>
<td>More than 30 years of commissioned service (note 22)</td>
<td>permanent professor, USAFA</td>
<td>9320</td>
<td>rule 12.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>commissioned officer of the Army, Air Force</td>
<td>30 years of commissioned service (note 22)</td>
<td>permanent professor, USMA or USAFA</td>
<td>64 1251 1251</td>
<td>rule 9.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>36</td>
<td>A person who is a permanent Regular warrant officer of the Armed Forces and has at least 20 years (note 23) who holds the Regular grade of Warrant Officer 1, Warrant Officer 2, and Warrant Officer 3 (note 16) and is age 64</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Army 0564 (repealed), 580</td>
<td>rule 9.</td>
</tr>
<tr>
<td>37</td>
<td>20 years (note 23) Warrant Officer 1, Warrant Officer 2, Warrant Officer 3, and Warrant Officer 4 and is age 55 (note 24)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Air Force 1255 (repealed)</td>
<td>rule 9.</td>
</tr>
<tr>
<td>38</td>
<td>30 years of service Warrant Officer 3, and Warrant Officer 4 and is age 62</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Navy or Marine Corps 1263</td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>30 years of service Warrant Officer 3, and Warrant Officer 4 and is age 62</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Marine Corps 1305</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>Regular officer of the Army, Air Force, Marine Corps, or Navy, who is at least 28 years of commissioned service Lieutenant Colonel, Commander (Navy) and is age 633</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Armed Forces 633</td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>30 years of commissioned service Colonel, Captain (Navy) and is age 634</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>634</td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>30 years of commissioned service Brigadier General, Rear Admiral (Navy) and is age 5 years 635</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>635</td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>35 years of commissioned service Major General, Rear Admiral (Navy) and is age 636</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>636</td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>38 years commissioned service Lt General, Vice Admiral (Navy)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>635</td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>40 years commissioned service General, Admiral (Navy)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>636</td>
<td></td>
</tr>
</tbody>
</table>
Table 1-2. Mandatory Retirement - Commissioned Officers and Warrant Officers (Continued)

NOTES:

1. Member is exempt from mandatory retirement, if a professor or registrar of U.S. Military Academy or U.S. Air Force Academy.


3. Army or Air Force service is computed under paragraph 010305 (10 U.S.C. §§ 3927 and 8927 were repealed by Public Law 96-513).

4. Member is exempt from mandatory retirement, if a permanent professor, Director of Admissions, or Registrar of U.S. Military Academy or U.S. Air Force Academy or a commissioned warrant officer, effective September 15, 1981.

5. Member was not recommended for promotion.

6. Member was on the lieutenant colonel promotion list.

7. Member was excessive number in any grade.

8. Member was on the colonel promotion list.

9. Member was not restricted in performance of duty.


11. Member was not recommended for continuation on active duty.

12. Member is restricted in performance of duty.


14. Member who served as Commandant of the U.S. Marine Corps.

15. Title 10, U.S.C. § 6375 was repealed by Public Law 87-123, August 3, 1961.

16. Member failed selection for promotion twice to next higher grade and was not on promotion list.

17. Member was not on promotion list and retirement subject to completion of 5 years of service-in-grade.

18. Title 10, U.S.C. § 6377(c) was repealed by Public Law 90-130, November 8, 1967.

19. Any Navy captain or commander who will complete 35 years of total commissioned service or who will become age 62 in the fiscal year in which the selection board is convened is ineligible for consideration for retention.

20. This is designated for limited duty.

21. Except female officers on promotion list or serving as assistant to Chief of Naval Personnel with rank of captain, or assistant to Commandant of the U.S. Marine Corps with rank of colonel.

22. Compute service under paragraph 010303.

*23. Compute service under paragraphs 010305 and 010306. Title 10, U.S.C. § 1251 allows a retirement for age (at age 62), but only if the member already has 20 years of service. See also 10 U.S.C. § 12731.

24. The statute, which pertained to female Regular warrant officers, was repealed by Public Law 90-130, November 8, 1967 (81 Statute 374).
Table 1-3. Disability Retirement

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A person who is</td>
<td>of the</td>
<td>ordered to active duty for</td>
<td>and is determined</td>
<td>may retire under 10 U.S.C. §</td>
<td>with retired pay computed under Chapter 3, Table 3-1</td>
</tr>
<tr>
<td>1</td>
<td>an enlisted member, warrant officer, or commissioned officer</td>
<td>Armed Forces entitled to basic pay</td>
<td>30 days or less (note 1)</td>
<td>unfit to perform duties of his or her office, grade, rank, or rating because of physical disability (note 2)</td>
<td>1204</td>
<td>rule 1.</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1205</td>
<td>rule 2.</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td>more than 30 days (note 1)</td>
<td></td>
<td>1201</td>
<td>rule 1.</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1202</td>
<td>rule 2.</td>
</tr>
</tbody>
</table>

NOTES:

2. Disability rating must be at least 30 percent unless the member has 20 years of service (10 U.S.C. §§ 1201, 1202, 1204, and 1205).
Table 1-4. Age and Service, Non-Regular Retirement

<table>
<thead>
<tr>
<th>RULE</th>
<th>A person who is</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>an enlisted member, warrant officer, or commissioned officer</td>
<td>Armed Forces, Reserve, or National Guard (note 1)</td>
<td>20 years of service (note 2)</td>
<td>60 or is otherwise eligible (note 3)</td>
<td>10 U.S.C. § 12731 (note 4)</td>
<td>Chapter 3, Table 3-1, rule 13.</td>
</tr>
</tbody>
</table>

NOTES:

1. Who performed the last 6 years of qualifying service as a member of a Reserve Component, except that in the case of a member who completed 20 years of service computed under 10 U.S.C. § 12732 before October 5, 1994, the number of years of such qualifying service will be 8 years.


3. The eligibility will be reduced below 60 years of age by 3 months for each aggregate of 90 days on which the member so performs active duty or active service pursuant to a call or order under 10 U.S.C. §§ 101(a)(13)(B) or 12301(d) or 32 U.S.C. § 502(f) in any fiscal year after January 28, 2008. The eligibility age may not be reduced below 50 years of age.

4. Member is not entitled to retired or retainer pay under any other provision of law.
Table 1-5. Rate of Basic Pay for Retired Pay Computation (Title 5, United States Code (U.S.C.), section 8301(b)) (note 1)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A member who retires on other than the first day of an active duty basic pay rate change</td>
<td>an enlisted member, warrant officer, or commissioned officer</td>
<td>at any time</td>
<td>voluntary, mandatory, disability, Reservist (age and service)</td>
<td>the first day of retirement (notes 2 and 3).</td>
</tr>
<tr>
<td>2</td>
<td>retires on the first day of an active duty basic pay rate change</td>
<td>an enlisted member (note 3)</td>
<td>voluntary</td>
<td>the first day of retirement (note 2).</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>a warrant officer</td>
<td></td>
<td></td>
<td>the day before the first day of retirement (notes 2 and 3).</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>a commissioned officer</td>
<td>before the month immediately preceding the active duty basic pay rate change date (note 4)</td>
<td></td>
<td>the first day of retirement (note 2).</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>at any time prior to the active duty basic pay rate change date</td>
<td>voluntary (note 4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>during the month immediately preceding the active duty basic pay rate change date</td>
<td>voluntary</td>
<td></td>
<td>the day before the first day of retirement unless the member specifically requests retirement on a day later than the first day of eligibility for voluntary retirement under the applicable statute; in which case, use active duty pay rates in effect on the first day of retirement (notes 2 and 6).</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>a warrant officer</td>
<td>any time</td>
<td>mandatory</td>
<td>the day before the first day of retirement (note 2).</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>a commissioned officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 1-5. Rate of Basic Pay for Retired Pay Computation (Title 5, United States Code (U.S.C.), section 8301(b)) (note 1) (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>A member who retires on the first day of an active duty basic pay rate change</td>
<td>and is an enlisted member, warrant officer, or commissioned officer</td>
<td>who fully qualified or met requirements to be retired</td>
<td>and retirement is during the month immediately preceding the active duty basic pay rate change date without Secretarial action designating an earlier retirement date</td>
<td>will have retired pay computed using active duty basic pay rates in effect on the day before the first day of retirement (note 2).</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>any time</td>
<td>Reservist (age and service)</td>
<td></td>
<td>the date the member is granted retired pay (note 2).</td>
</tr>
</tbody>
</table>

NOTES:
1. A retired pay base is used in lieu of a basic pay rate in the computation of retired pay for members who enter the Uniformed Services after September 7, 1980.
2. For members who qualify for retirement on an earlier computation date under the same or some other provision of law, compute under rates in effect on that earlier date based on grade and service credited at that time, if that rate is greater (10 U.S.C. § 1401a(f)).
3. Not applicable to Navy and Marine Corps enlisted members transferred to the Fleet Reserve or Fleet Marine Corps Reserve.
4. Applicable only to retirements under 10 U.S.C. § 8323.
5. If otherwise retirement eligible, then follow rule for that retirement.
6. This rule is effective for retirements on or after December 1, 2000. For retirements prior to that date, compute retired pay using active duty basic pay rates in effect on the day before the first day of retirement, regardless of the date on which the member requested to be retired. See section 0105.
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10 U.S.C. §§ 1406, 1407, 1409
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010202  
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Public Law 114-92, sections 631-635, November 25, 2015
Public Law 114-328, sections 631-634, December 26, 2016

010203  
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010203.C  
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10 U.S.C. § 1447(6)(A)

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0103 – SERVICE CREDITABLE FOR RETIREMENT ELIGIBILITY

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010301.B  
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010308.D.5
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010701 Section 36, Act of February 2, 1901, 31 Stat 757,
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Section 22a, Act of June 4, 1920, 41 Statute 770

010702 Executive Order, April 5, 1901 and June 25, 1901

010703 10 U.S.C. § 1401a

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37 Comp Gen 207

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1-45
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* TERA REFERENCES:
  - P.L. 112-81, section 504, December 31, 2011
  - OUSD (MPP) Memo, April 12, 2012
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VOLUME 7B, CHAPTER 2: “INITIAL ENTITLEMENTS - FLEET RESERVE/FLEET MARINE CORPS RESERVE”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated January 2018 is archived.

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<td>All</td>
<td>Updated hyperlinks and formatting to comply with administrative instructions.</td>
<td>Revision</td>
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<tr>
<td>020101.A</td>
<td>Updated subparagraph to clarify information for Fleet Reserve and Fleet Marine Corps Reserve enlisted members.</td>
<td>Revision</td>
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<tr>
<td>020102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>020201 and References</td>
<td>Renumbered Title 10, United States Code (U.S.C.), section 6330 to 10 U.S.C. § 8330.</td>
<td>Revision</td>
</tr>
<tr>
<td>020202.C</td>
<td>Updated subparagraph to clarify service as a cadet or midshipman at a Service academy pertains to enlisted members transferring to the Fleet Reserve or Fleet Marine Corps Reserve.</td>
<td>Revision</td>
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CHAPTER 2

INITIAL ENTITLEMENT-FLEET RESERVE/
FLEET MARINE CORPS RESERVE

0201  GENERAL

*020101.  Purpose

This chapter provides information for the entitlement to military retirement pay when an enlisted member transfers, at his or her request, to the Fleet Reserve/Fleet Marine Corps Reserve. Pursuant to the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016, as amended by the NDAA FY 2017, the Department of Defense (DoD) established the Modernized Retirement System, commonly known as the Blended Retirement System (BRS). The BRS is the retired pay system for all Service members who enter military service on or after January 1, 2018. Service members who were already in uniformed service before January 1, 2018, were grandfathered under the applicable legacy retirement system. The law permitted active duty Service members with less than 12 years of service on December 31, 2017, or Service members in the Reserve Component who were in a paid status and had accrued fewer than 4,320 retirement points as of December 31, 2017, the option to elect to be covered under the BRS or to remain with their applicable legacy retirement system. The law provided a 1-year election period for those Service members who were eligible to opt into BRS from January 1, 2018, and ending on December 31, 2018. The decision to opt into BRS was irrevocable.

*  A.  Fleet Reserve and Fleet Marine Corps Reserve.

The Fleet Reserve and Fleet Marine Corps Reserve are composed of enlisted members of the naval service transferred to that status under 10 U.S.C. § 8330. They were established to provide an available source of experienced former members of the Regular Navy or Navy Reserve and the Regular Marine Corps or Marine Corps Reserve. These members could be organized without further training to fill billets requiring experienced personnel in the first stages of mobilization during an emergency or in time of war.

1. Members of the Fleet Reserve and Fleet Marine Corps Reserve may be ordered to active duty without their consent in time of:
   a. War or national emergency declared by the Congress, for the duration of the war or national emergency and for 6 months thereafter; or
   b. National emergency declared by the President or when otherwise authorized by law.

2. In time of peace, any member of the Fleet Reserve or Fleet Marine Corps Reserve may be required to perform not more than 2 months’ active duty for training during each 4-year period.
B. Retirement for Physical Disability.

If a member of the Fleet Reserve or Fleet Marine Corps Reserve is found physically unfit for duty, the member will be transferred to the Regular retired list or Reserve retired list of the Navy or Marine Corps, as appropriate. Such retirement is by reason of physical disability.

C. Retirement After 30 Years of Service.

1. Upon completion of 30 years of active and inactive service, a member of the Fleet Reserve or Fleet Marine Corps Reserve is transferred to the Regular retired list or the Retired Reserve of the Navy or Marine Corps, as appropriate.

2. Unless otherwise entitled to higher pay, each member transferred to the retired list or the Retired Reserve is entitled to retired pay at the same rate as the retainer pay to which he was entitled at the time of his transfer to the retired list or the Retired Reserve.

3. Upon placement on the retired list, a member may be advanced to the highest officer grade in which the member served satisfactorily under a temporary appointment with retired pay based on that grade. See Chapter 9, section 0903 for advancement on the retired list.

*020102. Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

0202 TRANSFER ELIGIBILITY-SERVICE FOR PERCENTAGE MULTIPLE PURPOSES

*020201. Minimum Required Service

Upon completion of at least 20 years of active service in the Armed Forces (to include service as a cadet or midshipman), enlisted members of the Regular Navy, Regular Marine Corps, Navy Reserve, or Marine Corps Reserve may request transfer to the Fleet Reserve or Fleet Marine Corps Reserve under Title 10, U.S.C., section 8330(d). In this section, service as a cadet or midshipman refers to service as a cadet at the U.S. Military Academy, U.S. Air Force Academy, or U.S. Coast Guard Academy; or service as a midshipman at the U.S. Naval Academy. This service is not creditable service for any Officer.

A. Prior to December 31, 1977, a member became eligible for transfer upon completion of 19 years and 6 months of active service since that part of a year that is 6 months or more was creditable as a whole year. If service is creditable to the member for such purpose before December 31, 1977, then:

1. A completed minority enlistment of the member is counted as 4 years of active service, and
2. An enlistment of the member terminated within 3 months before the end of the term of enlistment is counted as active service for the full term.

B. On or after December 31, 1977, a member must complete a total of 20 years of active service to be eligible for transfer to the Fleet Reserve or Fleet Marine Corps Reserve. For such members, service creditable under subparagraph 020201.A, which was not actually served by the member, may not be counted in determining eligibility for transfer.

*020202. Service Creditable for Transfer to the Fleet Reserve or Fleet Marine Corps Reserve

The following service is creditable for transfer eligibility and percentage multiple purposes if performed in an active duty (and active duty for training) status after August 9, 1956:

A. Service in the Army, Navy, Air Force, Marine Corps, and Coast Guard;

B. Service as an appointed or enlisted aviation cadet in the Navy Reserve or Marine Corps Reserve; or

* C. Service as a cadet or midshipman at a Service academy (this pertains to only the credit for enlisted members transferring to the Fleet Reserve or Marine Corps Reserve). See paragraphs 010302 and 010303 for rules pertaining to cadet/midshipman credit for officers.

020203. Service Not Creditable for Transfer to the Fleet Reserve or Fleet Marine Corps Reserve

The following service is not creditable for transfer eligibility and percentage multiple purposes:

A. Service in the Philippine Constabulary;

B. Furlough without pay (FWOP);

C. Inactive service as a member of a Reserve Component;

D. Inactive service while on the Temporary Disability Retired List (TDRL); and

E. Time lost in excess of 1 day (24 consecutive hours) because of:

1. Sickness due to misconduct (SKMC) before June 17, 1955, the Bureau of Naval Personnel credited time lost due to SKMC for transfer purposes;

2. Nonperformance of duty before July 24, 1956, due to imprisonment because of a general court-martial sentence and while under arrest awaiting trial and during trial that results in conviction as finally approved;
3. Nonperformance of duty after July 23, 1956, due to confinement under a sentence by any court-martial, as finally approved, before, during, and after trial. If the member is acquitted or sentence is set aside and charges dismissed, the period of confinement is not considered time lost;

4. Absence while the member is in civil arrest (while in custody of civil authorities), unless the member is acquitted or released without making restitution or reparation; or

5. Unauthorized absence, which includes absence without leave (AWOL), absence over leave (AOL), and desertion (the latter of which previously was shown as AOL or AWOL and now is shown as Unauthorized Absence).

020204. Constructive Service

Constructive service is service for which credit is given although not actually performed. Constructive service earned prior to December 31, 1977, is creditable as service for transfer eligibility and percentage multiple purposes. Constructive service is not creditable for determining basic pay rate upon which retainer pay is computed. No constructive service is creditable after December 31, 1977.

A. Minority Enlistments. A minority enlistment is the enlistment of a male between the age of 14 and 18 or female between the age of 18 and 21 who enlists with the consent of his or her parents or guardians to serve in the Navy or Marine Corps until reaching the age of 21. (The Navy policy is to accept members for enlistment at 17 years of age with written parental consent or 18 years of age without parental consent.) A completed minority enlistment, or a minority enlistment which terminates within 3 months of the expiration date of the enlistment, is counted as 4 years of active service when actual day-for-day service performed totals at least the period constituting the member’s minority status upon enlistment, less 3 months. After December 31, 1977, time which is not actually served by the member may not be counted.

B. Short-Term Enlistment. A short-term enlistment refers to an enlistment that is terminated within 3 months before the end of the term of enlistment. This enlistment is counted as active service for the full term when the actual day-for-day active service performed amounts to at least the full term of the enlistment, less 3 months. After December 31, 1977, time which is not actually served by the member may not be counted.

C. Involuntary Extension. An involuntary extension is when an enlistment (including a minority enlistment) is extended involuntarily for a specific period. Compute service based on the constructive service principle for short-term enlistments, which applies equally for computing service for transfer by the Bureau of Naval Personnel on and after March 15, 1966, and by the Commandant of the Marine Corps on and after January 1, 1968.

D. Voluntary Extension. A voluntary extension is when the member agrees to serve beyond the scheduled term, modify the original minority or term enlistment contract by increasing the period agreed to by the member. The same rule established for crediting constructive service for short-term enlistments applies for voluntary extensions.
E. Lost Time and Inactive Service. Before crediting constructive service for a period of service, deduct any lost time and any inactive service from the member’s day-for-day service. After these deductions, if the member is eligible to receive constructive service for the period of enlistment, credit it. If, after deductions, the member is not eligible for constructive service for a period of enlistment, give credit only for the actual day-for-day service. For the definition of lost time, see Chapter 1, subparagraphs 010309.A and B.

F. Waiver of Recoupment of Time Lost for Confinement. The circumstances under which the Secretary concerned may waive recoupment of time lost for confinement are provided in 10 U.S.C. § 972(c).

020205. Conclusiveness of Transfer

All transfers of members to the Fleet Reserve or Fleet Marine Corps Reserve, when effected, are conclusive for all purposes, except that the Chief of Naval Personnel or the Commandant of the Marine Corps, acting for the Secretary of the Navy, may correct any error or omission in the determination as to a member’s grade and years of creditable service. When such a correction is made, the member is entitled, when not on active duty, to retainer pay based on the grade and number of years of creditable service, as corrected, from the effective date of transfer.

0203 SERVICE FOR BASIC PAY PURPOSES

The total service for basic pay purposes follows the same principle as service for percentage multiple purposes. For an explanation of service creditable for basic pay purposes, see Volume 7A, section 0102.

0204 DATE OF TRANSFER

020401. Effective Date of Transfer

Members are transferred to the Fleet Reserve and Fleet Marine Corps Reserve only by the authority of, and on the date specified by, the Chief of Naval Personnel or the Commandant of the Marine Corps. Commanding officers may defer transfers to the Fleet Reserve up to 30 days beyond the date authorized when urgent operational commitments demand the member’s service. Transfers to the Fleet Marine Corps Reserve may not be made on a date other than the date specified in the authority for release. The Commandant of the Marine Corps must authorize any change in this date prior to the effective date of transfer. The date of transfer is the member’s last day of active duty and the member is entitled to active duty pay and allowances for that date.

020402. Application of Uniform Retirement Date Act

Since a transfer to the Fleet Reserve or Fleet Marine Corps Reserve is not considered a retirement, the Uniform Retirement Date Act (URDA), 5 U.S.C. § 8301, does not apply. Once the member has completed a total of 30 years of active service and is eligible for retirement, the member’s date of retirement comes under the URDA. A transfer to the Fleet Reserve may be made on any intermediate day of a month as approved by the Chief of Naval Personnel. Transfers to the
Fleet Marine Corps Reserve are made on the last day of the month except where transfer has been requested on the effective date of an expiration of enlistment. Except in time of war or national emergency, personnel transferred to the Fleet Marine Corps Reserve are released from active duty on the date of such transfer, unless an order to the contrary is received.

020403. Modification of “Not Earlier Than Date”

The Chief of Naval Personnel normally does not approve a requested change of authorized date for transfer to the Fleet Reserve. In case of hardship, meritorious circumstances, or unusual conditions, a member may submit a request for a change of authorized date for the transfer to the Chief of Naval Personnel through the commanding officer and appropriate personnel distribution. If an earlier date of transfer is requested, the commanding officer’s endorsement must state whether the member’s services can be spared. If approved, the Chief of Naval Personnel issues a message to the commanding officer and sends a copy to the Defense Finance and Accounting Service-Cleveland, Retired and Annuitant Pay.

020404. Effective Date of Retainer Pay

Members transferred to the Fleet Reserve and Fleet Marine Corps Reserve receive “retainer” pay versus “retired” pay, as they are considered to have their services retained for possible use. A member becomes entitled to retainer pay starting on the day after the effective date of transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

020405. Retainer Pay Effective on the First Day of New Active Duty Pay Rates

A. When a member is transferred to the Fleet Reserve or Fleet Marine Corps Reserve, compute retainer pay using the rate of active-duty pay received at the time of transfer. For example, if a member is transferred on December 31, 1991, with retainer pay effective on January 1, 1992, compute the member’s retainer pay using the January 1, 1991, active-duty pay rates. If a member transferred on January 1, 1992, with retainer pay effective on January 2, 1992, compute retainer pay using the January 1, 1992, active-duty pay rates.

B. If a member of the Fleet Reserve or Fleet Marine Corps Reserve first became entitled to a monthly retainer pay on or after January 1, 1971, that pay may not be less than the monthly retainer pay to which the member would be entitled if he or she had become entitled to retainer pay at an earlier date. Adjust this monthly retainer pay to reflect any applicable increase in such pay under 10 U.S.C. § 1401a(f). In computing the amount of retainer pay to which the member would have been entitled on that earlier date, base the computation, subject to 10 U.S.C. § 1401a(f), on the member’s grade, length of service, and the rate of basic pay applicable at that time. This subparagraph does not authorize any increase in the monthly retainer pay to which a member was entitled for any period before October 7, 1975.

0205 RANK AND GRADE

A member transferred to the Fleet Reserve or Fleet Marine Corps Reserve has retainer pay computed based on the pay grade in which serving on the date of transfer.
020501. Pay Grade

A member who served as a temporary officer but holds permanent enlisted status will revert to a permanent enlisted pay grade upon transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

020502. Retainer Pay

A member who has served as the Master Chief Petty Officer of the Navy or as Sergeant Major of the Marine Corps is entitled to retainer pay at the highest basic pay rate to which the member was entitled while so serving, if that rate is higher.

0206 GROSS PAY COMPUTATION

020601. Computation

See Chapter 3, section 0302 for basic computation.

020602. Extraordinary Heroism

See Chapter 1, section 0108 for guidance. See Chapter 3, subparagraph 030203.C and paragraph 030506 for computation rules.

020603. Good Conduct (Markings)

For members retired and being paid under laws in effect before October 1, 1949, a 10 percent credit for good conduct may apply. To qualify for this credit, a member must have been retired under the specific citation that contains the authority for this increase, and the member’s average marks for conduct for 20 or more years must not have been less than 95 percent of the maximum.

A. Section 203 of the Naval Reserve Act of 1938, which authorized the 10 percent “good conduct” increase added to retired pay of enlisted members of the Coast Guard who retire from the Coast Guard after 20 years of service, was repealed by Public Law 88-114, dated September 6, 1963.

B. The saving provision of Public Law 88-114 retained the 10 percent increase for members on active duty with the Coast Guard on or before September 6, 1963. The provision may apply to retired enlisted members of the Coast Guard who served on active duty in the Regular Coast Guard on or before September 6, 1963. Members who served in the Regular Coast Guard before September 6, 1963, but who were not serving in the Coast Guard on September 6, 1963, and who later retired from the Coast Guard, are entitled to the 10 percent good conduct increase, if otherwise qualified.
020604. Insular Force

Members of the Insular Force were eligible for transfer to the Fleet Reserve or to the retired list. The Insular Force is no longer maintained as a continuing part of the Navy. See Chapter 1, paragraph 010702 for guidance.

0207 PAYMENT DATE

See Chapter 1, section 0109.
*REFERENCES

CHAPTER 2 – INITIAL ENTITLEMENT – FLEET RESERVE/FLEET MARINE CORPS RESERVE

0201 – GENERAL

020101 10 U.S.C. §§ 1401, 1406, 1407, 1409
Public Law 114-328, sections 631-634,
December 26, 2016
Public Law 114-92, sections 631-635,
November 25, 2015
Deputy Secretary of Defense, Memorandum,
Subject: Implementation of the Blended Retirement System, January 27, 2017

* 020101.A.1 10 U.S.C. § 8385(a)
* 020101.A.2 10 U.S.C. § 8385(b)
* 020101.B 10 U.S.C. § 8331
* 020101.C 10 U.S.C. § 8331
* 020101.C.3 10 U.S.C. § 8262(a)

0202 – TRANSFER ELIGIBILITY – SERVICE FOR PERCENTAGE MULTIPLE PURPOSES

* 020201 10 U.S.C. § 8330(b) and (d)
Manuscript Comptroller General (MS Comp Gen)
B-195448, April 3, 1980

020203 10 U.S.C. § 972
MS Comp Gen B-195448, April 3, 1980
020204 43 Comp Gen 826

* 020204.A & B 10 U.S.C. § 8330(d)
020204.F 10 U.S.C. § 972(c)
* 020205 10 U.S.C. § 8332

0203 – SERVICE FOR BASIC PAY PURPOSES

* 0203 10 U.S.C. § 8330(d)

0204 – DATE OF TRANSFER

* 020402 5 U.S.C. § 8301
44 Comp Gen 584
020405.A 44 Comp Gen 584
020405.B 10 U.S.C. § 1401a(f)
## REFERENCES (Continued)

### 0205 – RANK AND GRADE

| * | 020501 | 10 U.S.C. § 8330(c) |
|   |       | 49 Comp Gen 800 |
| * | 020502 | 10 U.S.C. § 8330(c) |
|   |       | 10 U.S.C. § 1406(i) |

### 0206 – GROSS PAY COMPUTATION

| 020603 | Naval Reserve Act of 1938, section 203 |
|        | 34 U.S.C. § 854(b)(repealed) |
|        | Public Law 88-114, September 6, 1963 |
|        | MS Comp Gen B-193199, Apr 11, 1979 |
VOLUME 7B, CHAPTER 3: “GROSS PAY COMPUTATION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2018 is archived.

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<tr>
<td>All</td>
<td>Updated chapter and formatting to comply with administrative instructions.</td>
<td>Revision</td>
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<tr>
<td>All</td>
<td>Updated the re-designation of section numbers to Title 10, United States Code pursuant to Public Law 115-232, Part II, sections 806 through 809</td>
<td>Revision</td>
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<tr>
<td>030102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 3-1, Note 8</td>
<td>Updated to clarify the requirement for at least 20 years of service for the mandatory retirement at age 62.</td>
<td>Revision</td>
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CHAPTER 3

GROSS PAY COMPUTATION

0301  GENERAL

030101.  Purpose

This chapter establishes the standard way of computing basic retired pay, which includes the application of saved pay, impact of the Tower Amendment, impact of other special provisions related to retired pay, and calculations and payment of a lump sum of retired pay. This update introduces guidance for the Modernized Retirement System, known as the Blended Retirement System (BRS). BRS is authorized by the Fiscal Year (FY) 2016 National Defense Authorization Act (NDAA), Public Law (P.L.) 114-92, sections 631 through 635. BRS was further modified in the FY 2017 NDAA, P.L. 114-328, sections 631 through 633 and FY 2018 NDAA, P.L. 115-91, section 622. BRS became effective January 1, 2018. Unless specifically stated in P.L. 114-92, P.L. 114-328, or P.L. 115-91, all existing provisions in statute, regulation, and policy related to retired pay, retainer pay, and survivor benefits remain in effect under the BRS.

*030102.  Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 37, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

0302  BASIC COMPUTATION

030201.  Overview

In most cases, retired or retainer pay is the product of multiplying the retired pay base by the years of service multiplier. In some military disability retirement cases, retired pay is the product of multiplying the retired pay base by the percentage of disability determined by the military service.

A.  Retired Pay Base. The retired pay base is determined by using the active duty basic pay entitlement of the member.

1.  Pre-September 8, 1980 Member. For individuals who first became members before September 8, 1980, the retired or retainer pay base is the basic pay of the member on the day before retirement. See paragraphs 030202 through 030206 for exceptions.

2.  Post-September 7, 1980 Member. For individuals who first became members after September 7, 1980, the retired or retainer pay base is the average of the highest-36 months of basic pay received.
a. The retired pay base for a member with 36 or more months of active service is the average monthly basic pay the member received over their highest earning 36 months. In the case of a Reserve component member, this is the total amount of basic pay to which the member was entitled during the member’s high-36 months or to which the member would have been entitled if the member had served on “active duty” during the entire period of the member or former member’s high-36 months. Only months during which the individual was a member of a uniformed service may be used. Starting with the highest rate of pay, add together the monthly basic pay amounts until the total number of months equals 36 months. Divide the total pay derived from the sum of months by 36, and round to the nearest cent to obtain the retired pay base applicable to the member. Any lost time the member had is not to be included in the computation.

b. The retired pay base for a member with less than 36 months of active service is the member’s basic pay for the entire period of the member’s active service added together divided by the number of months (including any fractions thereof) of the member’s active service. In the case of a Reserve component member, this is the total amount of basic pay to which the member was entitled or to which the member would have been entitled if the member had served on active duty during the entire period before being retired. Divide the total pay by the total time expressed as months and days, count days that are less than 30 as 1/30th of a month. Round the result to the nearest cent.

c. A full month served counts as 1 month regardless of any interruption by a pay rate change and regardless of the number of days in that month. Service for an entire calendar month at a single rate of basic pay counts as 1 month under that rate of basic pay, regardless of the number of days in the month, i.e., 28, 29, 30, or 31 days. For a calendar month that has multiple rates of basic pay, compute service for an entire calendar month, for the number of days paid at each rate. For example, if a member has a longevity pay increase effective February 11, the old rate is applicable for 10 days and the new rate is applicable for 20 days (regardless of leap year). If a month has 31 days, ignore the 31st. For example, if the member has a longevity pay increase effective August 11, the old rate is applicable for 10 days and the new rate is applicable for 20 days. Allocate the computation of pay for a 30 day month in a straightforward manner.

d. When a member serves less than a full month, count only the number of days actually paid so that each total of 30 days equals 1 month. If a member serves less than a full month and one or more rates of basic pay apply, compute each rate as applicable for the number of days paid to the member at the particular rate. For example, assume the member had a break in service and returned to active duty on February 8, but has a longevity increase effective February 11. When a member serves through the end of February, consider the month to have 30 days. This member receives 3 days at one rate and 20 days at the new rate or 23 days of pay.
Example: A member receives monthly basic pay of $17,658.30 over 14 months and 11 days:

\[
\frac{\$17,658.30}{14 \text{ months} + 11 \text{ days}} = \frac{\$17,658.30}{14.36667} = \$1,229.12 \text{ Retired Pay Base}
\]

\[
\$1,229.12 \times \% \text{ Retired Pay Multiplier} = \$\text{}xxx.xx \text{ Retired Pay Rounded}
\]

3. Consider an individual to have first become a member of a uniformed service when that individual is first appointed or is enlisted in the uniformed services. A member who first enlists under the delayed entry program; in a Reserve Component as part of the Senior Reserve Officers’ Training Corps (ROTC) or ROTC Financial Assistance programs; as a student at the Uniformed Services University of Health Sciences; or as a participant in the Armed Forces Health Professions Scholarship Program, is considered to have first become a member on the date of enlistment or entry into those programs.

Example 1: A member who first enlists before September 8, 1980 under the delayed entry program; in a Reserve Component as part of the Senior Reserve Officers’ Training Corps (ROTC) or ROTC Financial Assistance programs; as a student at the Uniformed Services University of Health Sciences; or as a participant in the Armed Forces Health Professions Scholarship Program, is considered to have first become a member before September 8, 1980.

Example 2: A member who first enlists before January 1, 2018 under the delayed entry program; in a Reserve Component as part of the Senior ROTC or ROTC Financial Assistance programs; as a student at the Uniformed Services University of Health Sciences; or as a participant in the Armed Forces Health Professions Scholarship Program, is considered to have first become a member before January 1, 2018.

4. The Defense Finance and Accounting Service (DFAS) may use a saved pay rate under the provisions of the Tower Amendment to compute retired pay when it is to the member’s advantage. See paragraph 030401 for eligibility. The Tower Amendment authorizes the use of the basic pay rates in effect on the day before the effective date of the rates of monthly basic pay on which the member’s retired pay would otherwise be based.

B. Retired Pay Multiplier

1. In computing retired or retainer pay, other than for disability or non-regular service retirement, the retired pay or retainer pay multiplier is the product of the applicable percentage and the member’s years of creditable service. The percentage varies according to the member’s retirement program. See Table 3-4 (pre-BRS - 2.5 percent) and Table 3-5 (BRS - 2.0 percent). The term “years of creditable service” means the number of years of service that are creditable to a member in computing the member’s retired or retainer pay, including credit for each
full month of service in addition to full years of service. See Chapter 1, section 0104 for determining creditable years of service for computing retired pay.

a. Pre-January 1, 1980 Member. The retired pay or retainer pay multiplier for a member with a Date of Initial Entry into Military Service (DIEMS) before January 1, 1980, is the product of 2.5 percent and the member’s years of creditable service unless that member elected to enroll in the BRS.

b. Post-January 1, 1980 Member. The retired pay or retainer pay multiplier for a member with a DIEMS on or after January 1, 1980, is the product of 2.5 percent and the member’s years of creditable service, unless that member accepted the Career Status Bonus (CSB) or elected to enroll in the BRS.

2. The retired pay or retainer pay multiplier for a regular member with a DIEMS on or after August 1, 1986, but before January 1, 2018, who has accepted the CSB and who retires with less than 30 years of creditable service is:

a. The product of 2.5 percent times the member’s years of creditable service;

b. Minus 1 percentage point for each full year of creditable service less than 30; and

c. One twelfth of 1 percentage point for each full month of creditable service less than a full year.

NOTE: See subparagraph 030210.B for the restoring of retired pay at age 62.

3. The retired pay or retainer pay multiplier for a member with a DIEMS on or after January 1, 2018, or a member with a DIEMS before January 1, 2018, who elected to enroll in the BRS, is 2 percent times the years of creditable service.

a. For a regular retirement, under the BRS, the years of service multiplier is determined by multiplying 2 percent times the member’s years of creditable service, as computed in accordance with Title 10, U.S.C., sections 1208 and 1405. The term “years of creditable service” means the number of years of service that are creditable to a member in computing the member’s retired or retainer pay, including credit for each full month of service in addition to full years of service.

b. For a non-regular retirement, under the BRS, the years of service multiplier is determined by multiplying 2 percent times the years of service credited for percentage purposes. In accordance with DoD Instruction (DoDI) 1215.07, as determined under 10 U.S.C. § 12733, the formula for converting retirement points into years of service credited for percentage purposes is total number of retirement points divided by 360.
c. For a disability retirement under the provisions of 10 U.S.C., Chapter 61, the years of service multiplier is determined by multiplying 2 percent times the member’s years of creditable service, as computed in accordance with 10 U.S.C. §§ 1208 and 1405. However, a member may elect to receive retired pay equal to their retired base pay multiplied by the member’s rated percent of disability in accordance with 10 U.S.C. § 1401. All other provisions of 10 U.S.C., Chapter 61 apply.

4. If retired before January 1, 2007, the retired pay or retainer pay multiplier is limited to 75 percent for a member with more than 30 years of creditable service. If retired after December 31, 2006, for other than disability, there is no restriction on the retired pay multiplier.

030202. Disability Retirement (Table 3-1, Rules 1 and 2)

A. The retired pay base pay for a disability retirement is determined based on when a member entered service.

1. Pre-September 8, 1980. For a member who entered service before September 8, 1980, the retired pay base is the monthly basic pay of the grade or rank in which the member was serving when placed on the Temporary Disability Retired List (TDRL), or the highest temporary grade or rank in which the member served satisfactorily or to which the member was entitled on the day before retirement or placement on the TDRL, whichever is the higher.

2. Post-September 7, 1980. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraph 030201.A.

B. The retired pay multiplier for a disability retirement is determined as follows:

1. A member permanently retired for disability receives retired pay that is equal to the retired pay base under Table 3-1, Rule 1, multiplied by the member’s election of either:

   a. The applicable percentage described in subparagraph 030201.B times the years of service credited for percentage purposes, except as provided in subparagraph c;

   b. Percentage of disability, not to exceed 75 percent, on date retired;

   c. The retired pay multiplier may not exceed 75 percent for a member with 30 or more years of service, retiring on or before January 7, 2011. The retired pay multiplier is not limited for members with 30 or more years of service who retire on or after January 8, 2011; or
d. The retired pay multiplier is 2 percent times the years credited for percentage purposes for a member who was enrolled in BRS or the percentage of disability, not to exceed 75 percent, on date retired for those who elected to enroll in the BRS.

2. A member placed on the TDRL receives retired pay that is equal to the retired pay base under Table 3-1, Rule 2, multiplied by the member’s election of either:

   a. The applicable percentage described in subparagraph 030201.B times the years of service credited for percentage purposes; or,

   b. Percentage of disability, not to exceed 75 percent, on the date when the concerned military department concerned places the member’s name on the TDRL.

3. If neither multiplier as described under subparagraphs 030202.B.1 and 030202.B.2 is at least 50 percent, DFAS will pay a minimum of 50 percent of the retired pay base while the member is on the TDRL.

4. For a member placed on the TDRL on or before January 7, 2011, the retired pay multiplier may not exceed 75 percent. The retired pay multiplier is not limited for members with 30 or more years of service who retire on or after January 8, 2011.

C. If a member is retired for disability and is eligible under another provision of law, follow the rule in Table 3-1 applicable to the section of law that is more advantageous to the member.

D. Prior to November 25, 2015, an adjustment under paragraph 030210 was not necessary since disability retired pay was not computed using a retired pay multiplier that is determined under 10 U.S.C. § 1409. However, effective November 25, 2015, pursuant to P.L. 114-92, section 631(c)(1)(A), an adjustment under paragraph 030210 is necessary since disability retired pay is computed using a retired pay multiplier in accordance with 10 U.S.C. §§ 1401 and 1409.

030203. Voluntary Retirement (Table 3-1, Rules 3 through 8)

A. The retired or retainer pay base pay for a voluntary retirement is determined based on when a member entered service.

1. **Pre-September 8, 1980.** For a member who entered service before September 8, 1980, the retired or retainer pay base is the monthly basic pay rate applicable on the date of the member’s retirement for the grade or rank in which the member was retired or to which the member advances on the retired list. Compute the retired pay base as shown in Table 3-1, Rules 3 through 8, subject to subparagraphs a through d.

   a. A Reserve enlisted member, who is retired in the highest enlisted grade satisfactorily held on active duty (or in which the member served on full-time
National Guard duty satisfactorily) after being administratively reduced in grade not as the result of the member’s misconduct, may use the basic pay rate of the retired grade.

b. For Army and Air Force Reserve enlisted personnel, the basic pay applicable on the member’s date of retirement for the retired grade is the retired pay base, in lieu of the retired pay base under 10 U.S.C. § 1406(c) or (e).

c. For Navy and Marine Corps Reserve enlisted personnel transferred to the Fleet Reserve/Fleet Marine Corps Reserve (FR/FMCR) in the highest grade satisfactorily held on active duty after being administratively reduced in grade not as the result of the member’s misconduct, use the basic pay rate of the grade in which the member transferred for the retired or retainer pay base. This subparagraph applies to the member who entered a uniformed service before September 8, 1980 and who retired (or transferred to the FR/FMCR) after September 30, 1996.

d. For warrant officers, compute the retired pay base on the monthly basic pay to which the member would be entitled if serving on active duty in the retired grade on the day before retirement. If the member, however, is entitled to a higher rate of pay using any other warrant officer grade satisfactorily held by the member on active duty, retired pay may be computed using the basic pay for that warrant officer grade.

2. Post-September 7, 1980. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraphs 030201.A.2.a and b.

a. An Army or Air Force enlisted member with less than 30 years of service who is retired under 10 U.S.C. § 7314 or § 9314 will have the retired pay base computed using only the rates of basic pay for months of active duty as an enlisted member.

b. A Navy and Marine Corps enlisted member who is transferred to the FR/FMCR in accordance with 10 U.S.C. § 8330 will have the retired pay base computed using only the rates of basic pay for months of active duty as an enlisted member.

B. The retired or retainer pay multiplier for a voluntary retirement is determined in accordance with subparagraph 030201.B.

1. For service credited for percentage purposes of enlisted members, see Chapter 1, paragraph 010402.

2. For service credited for percentage purposes of commissioned officers, see Chapter 1, paragraph 010403.

3. For service credited for percentage purposes of warrant officers, see Chapter 1.
4. The retired pay multiplier for a member who enters a uniformed service after July 31, 1986, and who has accepted the CSB, is determined under subparagraph 030201.B.2.

5. See paragraph 030211 for retired pay computation for a member retired under the Temporary Early Retirement (TERA).

C. DFAS may increase retired or retainer pay by 10 percent of retired pay for extraordinary heroism in the line of duty. See paragraph 030506.

030204. Involuntarily Retirement (Table 3-1, Rules 9 through 12)

A. The retired pay base pay for a mandatory retirement is determined as follows:

1. For a member who entered service before September 8, 1980, the retired pay base is the basic pay rate of member’s grade that is applicable on member’s date of retirement. Do not use the grade of brigadier general if the member was a permanent professor at a military academy and was conferred such a title upon retirement. If a warrant officer is entitled to a higher rate of pay, using any other warrant officer grade satisfactorily held by the member on active duty, retired pay may be computed using the basic pay for that warrant officer grade.

2. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraph 030201.A.

B. The retired pay multiplier for a mandatory retirement is determined in accordance with subparagraph 030201.B.

1. For service credited for percentage purposes of Army and Air Force retirees, see Chapter 1.

2. For service credited for percentage purposes of Navy and Marine Corps retirees, see Chapter 1.

3. The retired pay multiplier for a member who enters a uniformed service after July 31, 1986, and who has accepted the CSB, is determined under subparagraph 030201.B.2.

030205. Reservist (Meets Age and Service Requirements) (Table 3-1, Rule 13)

A. The retired pay base pay for a non-regular retirement is determined as follows:

1. For a member who entered service before September 8, 1980, the retired pay base is the monthly basic pay at the rate applicable on the date granted retired pay, at the highest grade held satisfactorily at any time in the Armed Forces.
2. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraph 030201.A. The high-36 months of such a member are the 36 months for which the pay was the highest, whether or not consecutive, out of all the months before the member became entitled to retired pay or would have become entitled to retired pay. This will be the 36 months immediately preceding receipt of retired pay even though the member may not have been in an active status during such time. However, DFAS may only use months during which the individual was a member of a uniformed service for this purpose.

B. The retired pay multiplier for a non-regular retirement is determined by multiplying the applicable percentage in accordance with subparagraph 030201.B times the years of service credited for percentage purposes. See Chapter 1 for service credited for percentage purposes.

NOTE: Pursuant to 10 U.S.C. § 12733, the formula for converting retirement points into percentage years is the total number of retirement points divided by 360. Carry the result to three decimal places; round to two decimal places. Example: 4,735 retirement points divided by 360 equals 13.152 years or 13.15 years for percentage purposes.

030206. Fleet Reserve/Fleet Marine Corps Reserve (FR/FMCR) Transfer (Table 3-1, Rule 14)

When not on active duty, a member transferred to the FR/FMCR is entitled to retainer pay computed by multiplying the retainer pay base times the applicable percentage in accordance with subparagraph 030201.B times the years of service credited for percentage purposes. In lieu of the retainer pay base computed in accordance with 10 U.S.C. § 1406(d), a Reserve enlisted member may use the monthly basic pay for the highest enlisted grade in which the member served satisfactorily, as determined by the Secretary of the Navy. This paragraph applies to an individual who first became a member of the uniformed service before September 8, 1980, and who at the time of transfer is serving on active duty in a grade lower than the highest enlisted grade held by the member while on active duty not as a result of the member’s misconduct.

A. Pre-September 8, 1980 Member. The retainer pay base is the basic pay that the member received at the time of transfer to the FR/FMCR. The retainer pay base is multiplied by the applicable percentage in accordance with subparagraph 030201.B times the number of years of active service (as adjusted in subparagraph 030201.A) in the Armed Forces.

B. Post-September 7, 1980 Member. The retainer pay base is the person’s high-three average. The high-three average is the total amount of monthly basic pay for the highest 36 months of member’s active service, whether or not consecutive, divided by 36. When a member transfers to the FR/FMCR with less than 30 years of service, DFAS computes the high-36 average using only rates of basic pay applicable to months of active duty as an enlisted member.
030207. Historical Pay Computations

A. The laws that governed the computation of retainer pay for a member transferred to the FR/FMCR from its inception in 1916, through June 30, 1938, are of no value since assimilated in the Naval Reserve Act of 1938, effective July 1, 1938. Therefore, the earlier computations are not included since they were restated effective July 1, 1938. See Table 3-2 for the pay computations.

B. A member transferred to the FR/FMCR was administratively placed in a class to differentiate between laws and conditions governing the computation of these pay entitlements. The following classes are applicable to these members:

<table>
<thead>
<tr>
<th>COMPONENT</th>
<th>CODE</th>
<th>APPLICABLE TO</th>
</tr>
</thead>
<tbody>
<tr>
<td>FR/FMCR</td>
<td>F-4c</td>
<td>Member who is in the Naval service on July 1, 1925, and later transferred to the FR/FMCR after completion of 16 years but less than 20 years of active service.</td>
</tr>
<tr>
<td>FR/FMCR</td>
<td>1-b</td>
<td></td>
</tr>
<tr>
<td>FR/FMCR</td>
<td>F-4d</td>
<td>Member who was in the Naval service on July 1, 1925, and later transferred to the FR/FMCR after completion of 20 years but less than 30 years of active service.</td>
</tr>
<tr>
<td>FR/FMCR</td>
<td>1-c</td>
<td></td>
</tr>
<tr>
<td>FR/FMCR</td>
<td>F-5</td>
<td>Member who first enlisted in the Naval service after July 1, 1925, and later transferred to the FR/FMCR before August 10, 1946, after completion of 20 years but less than 30 years of active service.</td>
</tr>
<tr>
<td>FR/FMCR</td>
<td>H-1</td>
<td></td>
</tr>
<tr>
<td>FR/FMCR</td>
<td>F-6</td>
<td>Member who first enlisted in the Naval service after July 1, 1925, and later transferred to the FR/FMCR on or after August 10, 1946, after completion of 20 years but less than 30 years of active service.</td>
</tr>
<tr>
<td>FR/FMCR</td>
<td>1-d</td>
<td></td>
</tr>
</tbody>
</table>

C. Longevity is the length of service performed by each member.

1. Before October 1, 1949, longevity pay was a significant factor in computing retainer pay. Certain pay laws contained provisions for computing longevity pay based on the member’s length of service. During this period, base pay and longevity fit into the framework of pay formulas to arrive at retainer pay. The computation for the longevity pay changed several times before being superseded by basic pay. The various computations and the periods applicable are:

   a. Until May 31, 1942, for Navy members, the computation was 10 percent of base pay for the first increment of 4 years of Naval service, plus 5 percent of base pay for each 4-year increment thereafter, not to exceed 16 years, or 25 percent. For example, a member who served 18 years; on transfer to the FR, the longevity pay credit computed as:
(1) 10 percent – 4 years;
(2) 5 percent – 4 years;
(3) 5 percent – 4 years;
(4) 5 percent – 4 years; and
(5) 0 percent – 4 years.

b. From June 1, 1942 to September 30, 1949, the computation was 5 percent of base pay for each 3 years of service up to 30 years; a maximum of 50 percent.

2. On October 1, 1949, when basic pay became an important factor, longevity pay was not computed separately but was included in the rate of basic pay.

a. A member who transferred to the FR/FMCR on or after October 1, 1949 was required to elect the formula under which DFAS would compute their pay. The two formulas were the fractional (under which a member would receive one third or one-half of base pay) and the percentage (2.5 percent times years of active Federal service times basic pay). The authorization for transfer to the FR indicates such election.

b. Under P.L. 1028, effective August 10, 1956, a member who transfers to the FR/FMCR receives retainer pay computed on the formula included in the codification of the military pay laws under Title 10 U.S.C. The prior computations were still in effect for the members to whom they applied. A member who enters a uniformed service before September 8, 1980 receives retainer pay computed under this formula.

c. A member who enters the uniformed service after September 7, 1980 receives retainer pay under the formula codified in 1956, except the retainer pay base is used instead of a monthly basic pay rate.

030208. Service Credit Rounding of Months

For percentage purposes in computing retired or retainer pay:

A. A member who retired before January 1, 1982 receives credit for any fractional part of a year that is 6 months or more as an additional year. Disregard any portion of a year that is less than 6 months. See Table 3-3. This applies to any member who, before January 1, 1982:

1. Applied for retirement;
2. Applied for transfer to the FR/FMCR;
3. Was being processed for retirement under the provisions of 10 U.S.C., Chapter 61; or
4. Was on the TDRL and thereafter retired under the provisions of 10 U.S.C. § 1210(c) or (d).

B. Unless covered by subparagraph 030201.A, a member who became entitled to retired or retainer pay January 1, 1982 through September 30, 1983, inclusive, received credit on a month-by-month basis for each full month served of 6 months or more. Disregard any fraction of a year less than 6 months. See Table 3-3.

C. A member who became entitled to retired or retainer pay on or after October 1, 1983 receives credit for each full month served. Disregard less than full months. See Table 3-4.

NOTE: If a member retires October 1, 1983 or later and the member is entitled to retired pay under 10 U.S.C. § 1401a(f) using a hypothetical retirement date which is before January 1, 1982, service credit of 6 months or more was rounded to a full year. However, funding limitations each FY prohibited payment for months in excess of whole months actually served until permanent codification was effective July 1, 1986.

D. In calculating the percentage factor under subparagraphs 030208.B or C, round the percent to the nearest 1/100 of 1 percentage point. For example, 20 years, 7 months (20.58 years) time’s 2.5 percent equals 51.45 percent. See Table 3-4. This rounding method will also be used if the member is entitled to retired pay computed under the saved pay provision in paragraph 030303 or under 10 U.S.C. § 1401a(f) in section 0304.

030209. Rounding Retired Pay

Under P.L. 98-94, the 1984 DoD Authorization Act, round the monthly retired or retainer pay entitlement as initially computed and as subsequently adjusted.

A. Effective October 1, 1983, the initial computation of gross retired pay, if not a multiple of $1, round down to the next lower multiple of $1. Make all further reductions, deductions, withholdings, and allotments from this rounded figure. When retired pay is subsequently increased under 10 U.S.C. § 1401a by cost of living adjustment (COLA), the retired or retainer pay, if not a multiple of $1, is rounded down to the next lower multiple of $1.

B. The retired or retainer pay for a member already retired on September 30, 1983 was not rounded until the next COLA, December 1, 1984. If not a multiple of $1, round the retired or retainer pay to the next lower multiple of $1. The same rounding procedure applies to all subsequent COLA.
030210. Special Computations for Career Status Bonus With Reduced Retirement (CSB/REDUX)

A. The retired pay or retainer pay multiplier of members who elected the CSB with REDUX retirement will be reduced 1 percentage point for each full year of creditable service less than 30 and 1/12th of 1 percent for each full month of creditable service less than a full year.

B. Effective on the first day of the month following the member’s 62nd birthday, DFAS will recompute the retired pay of members who elected the CSB with REDUX to equal the amount of retired pay to which the member would have been entitled on that date if the member had not taken the CSB with REDUX retirement and had no reduction in their multiplier or COLA. Following the restoration discussed in the preceding sentence, DFAS will continue to apply the annual COLA reduction to the member’s retired pay each year throughout the member’s retirement.

C. Members who elected the CSB/REDUX retirement and accepted early retirement under the TERA program will have their retired pay recomputed as discussed in subparagraph 030210.A; however, they will be subject to the TERA reduction factor from Table 3-6 for the entirety of their retirement with no restoration of that reduction at age 62 or at any other time.

030211. Temporary Early Retirement Authority (TERA)

The TERA legislation provided the Secretary of Defense a temporary additional force management tool with which to affect the drawdown of military forces from October 23, 1992 through September 1, 2002. Congress amended that legislation and reinstated certain TERA provisions for the period beginning December 31, 2011 and ending on December 31, 2025. DFAS will compute the basic TERA retired pay entitlement for members of the Army, Navy, Marine Corps and Air Force as described in this paragraph.

A. Computation of Retired Pay. DFAS will multiply the applicable reduction factor from Table 3-6 to compute the amount of retired pay otherwise prescribed for a retiring member using years of creditable service, high-36 month average basic pay, and the applicable retired pay percentage factor. The resulting reduced amount of retired pay, if not a multiple of $1, round to the next lower multiple of $1. This rounded amount is the initial gross monthly retired pay entitlement.

B. Reduction Factor. To determine the appropriate reduction factor from Table 3-6, take the difference between 240 months (20-year career) and the number of months of active service as of the date of the member’s retirement or transfer to the FR/FMCR under TERA.

1. Round up to the next whole month any portion of a month of active service in excess of a whole month. For example, round up the total active service of 15 years, 7 months, and 13 days to 15 years, 8 months. Then compute the reduction factor based on 15 years and 8 months as: \((15 \times 12) + 8 = 188\) months and the applicable reduction factor corresponds to
the Table 3-6 entry for 240 less 188 or 52 months. The applicable reduction factor for 52 months from Table 3-6 is .95667.

NOTE: In computing the retired pay, disregard the 13 days in excess of 187 months of service. Compute retired pay based on 187 months. The rounding up is applied only to determine the TERA reduction factor.

2. As an example, the retired pay for a member retired under TERA as an E-7, with 15 years, 7 months, 13 days of creditable service and a high-36 month average basic pay of $3,783.50 would be computed as follows:

\[
\text{RPB} \times \left( \frac{\text{AS}}{\text{MO}} \times \text{RPF} \right) \times \text{TRF} = \\
$3,783.50 \times \left( \frac{187}{12} \times .025 \right) \times .95667 = \\
$3,783.50 \times (15.5833 \times .025) \times .95667 = \\
$3,783.50 \times .3896 \times .95667 = \$1,410.18 \text{ (round down to } \$1,410.00) \\
\]

RPB - Retired Pay Base (i.e., high-36 month average basic pay)
AS - Active Service (in months)
MO - Months in a year
RPF - Retired Pay Percentage Factor
TRF - TERA Reduction Factor (Table 3-6)

C. TERA Computation Modified for CSB/REDUX. DFAS must modify the basic TERA retired pay entitlement if a member has elected to receive a CSB and is subject to the REDUX retirement plan. In such case, the normal retired pay multiplier must first be reduced by 1/12th of 1 percentage point for each month that the member’s creditable service is less than 30 years (360 months) under the REDUX computation before the application of the TERA reduction factor from Table 3-6.

Using the example in subparagraph 030211.B.2, compute the TERA retired pay for a member who has elected to receive a CSB as follows:

\[
\text{RPB} \times \left( \frac{\text{AS}}{\text{MO}} \times \text{RPF} \right) - \left( \frac{(360 - \text{AS})}{\text{MO}} \times \text{RRF} \right) \times \text{TRF} = \\
$3,783.50 \times \left( \frac{187}{12} \times .025 \right) - \left( \frac{(360 - 187)}{12} \times .01 \right) \times .95667 = \\
$3,783.50 \times (15.5833 \times .025) - (173 \times .01) \times .95667 = \\
$3,783.50 \times (.3896 - (14.42 \times .01)) \times .95667 = \\
$3,783.50 \times (.3896 - .1442) \times .95667 = \\
$3,783.50 \times .2454 \times .95667 = \$888.24 \text{ (round down to } \$888.00) \\
\]

RPB - Retired Pay Base
AS - Active Service (in months)
MO - Months in a year
RPF - Retired Pay Percentage Factor
360 - 30 Years (360 months)
RRF - REDUX Reduction Factor (1%)
TRF - TERA Reduction Factor (Table 3-6)
NOTE: The amount determined in subparagraph 030211.C will be increased by the annual COLA as determined for other members who have elected the CSB and REDUX retirement. This will result in a COLA that is reduced by 1 percentage point whenever the standard military retirement COLA is greater than 1 percent and the same COLA whenever the standard is 1 percent or less.

D. Unlike the prior TERA eligibility period from 1992 through 2002, under the new TERA authority, commencing on December 31, 2011, members may not earn additional credit for purposes of re-computing retired pay for any employment by a public service or community service organization.

E. Persons retired under the TERA provisions have all the same entitlement rights, privileges and responsibilities of participation in the Survivor Benefit Plan (SBP), as retired members of their respective branch of service.

1. Full coverage under SBP means coverage on the amount of retired pay computed in subparagraph 030211.A which is the initial computation of TERA retired pay as reduced by the applicable reduction factor from Table 3-6.

2. For a CSB/REDUX member, the base amount for full SBP coverage is the amount computed using the TERA formula in subparagraph 030211.A including the reduction from Table 3-6. The SBP full base amount for a CSB recipient does not include the REDUX retirement reduction in subparagraph 030211.C. If the member elects a reduced base amount, with spouse concurrence, at the time of retirement, even if based on the REDUX re-computation in subparagraph 030210.C, no increase will be made in that base amount as a result of the re-computation at age 62 other than an increase to restore the elected base amount to what would have been in effect had full COLAs been in effect. No increase will be made in that base amount as a result of the re-computation at age 62 for the restoration of the retired pay multiplier.

030212. Exception to High-36 Month Retired Pay Computation for Members Retired Following a Disciplinary Reduction in Grade

Members or former members who entered the uniformed services on or after September 8, 1980 will have their retired pay base computed using the high-36 month average, except for the members described as follows, whose retired pay base is based on the final basic pay of the grade prescribed under 10 U.S.C. § 1406, rather than the highest-36 month average of basic pay.

A. Affected Members. A member or former member subject to the exception in 030212 is one who, by reason of conduct occurring after October 30, 2000:

1. In the case of an enlisted member retired or transferred to the FR/FMCR, is reduced in grade as a result of court-martial sentence, nonjudicial punishment, or an administrative action, unless the member was subsequently promoted to a higher enlisted grade or appointed to a commissioned or warrant grade, in which case see subparagraph 030212.B.
2. In the case of an officer, retired in a grade lower than the highest grade in which the officer served by reason of denial of a determination or certification under 10 U.S.C. § 1370 that the officer served on active duty satisfactorily in that grade, apply this determination only in those circumstances where such determination is the result of conduct occurring after October 30, 2000. Conduct for the purposes of this subparagraph will not include failure to complete the time necessary for certification under 10 U.S.C. § 1370, absent any other conduct bearing on such certification.

B. Special Rule for Enlisted Members. In the case of an enlisted member retired within 3 years after having been reduced in grade as prescribed in subparagraph 030212.A.1, and who was not subsequently promoted to a higher enlisted grade (or appointed to a warrant or commissioned grade), the retired pay base will be computed using the final basic pay rather than the high-36 month average. If, however, the member is subsequently promoted to a higher enlisted grade (or appointed to a warrant or commissioned grade), the member’s retired pay will be computed using a high-36 month average computation. The computation will use the final 36 months of basic pay, except for the months in which the member served in a grade higher than the grade in which retired. The basic pay for such months will be the rates that would have applied to the member at that time if serving in the grade in which retired such as:

1. An E-7 is reduced to an E-5 and retired as an E-5. This member comes under subparagraph 030212A.1, with retired pay base computed under the pre-September 1980 system, which is final pay rules using the pay of an E-5.

2. An E-7 is reduced to an E-5 two years before retirement, is promoted 1 year later to an E-6 and retired as an E-6. This member uses the “Special Rule” and computes a high-36 average as specified in subparagraph 030211.B rather than using the final pay of an E-6. In computing the high-36 average, it would include 12 months as an E-7, 12 months as an E-5, and 12 months as an E-6. The “Special Rule” requires that the time as an E-7 will be replaced in the high-36 formula with pay rates of an E-6.

0303 APPLICATION OF SAVED PAY

A. An officer retired for disability before October 1, 1949 who failed to elect within a 5-year period to receive pay under the 1949 Act, or who did not qualify for pay under the 1949 Act, continued to receive pay under laws in effect before October 1, 1949, computed at 75 percent of the basic pay of the grade authorized.

B. A member who, on October 1, 1949, was a hospital patient and who, before January 1, 1951, retired for disability as the result of the disease or injury for which hospitalized could elect to receive retired pay:

1. Computed under laws in effect on September 30, 1949 at 75 percent of the basic pay of the grade authorized; or
2. Computed under section 402(d) of P.L. 81-351.

C. A member, who on October 1, 1949, was receiving or was entitled to receive retired pay under any provision of law, was authorized to continue the entitlement to receive the pay to which entitled under the laws in effect on September 30, 1949.

030302. Military Pay Act, Effective June 1, 1958

A. A member who:

1. Retired or transferred to the FR/FMCR on or after June 1, 1958 and before April 1, 1963; and

2. Was receiving active duty basic pay under the April 1, 1955 saved pay rates will continue to receive pay computed under the 1955 rates, based upon service credited for basic pay purposes as of June 1, 1958.

B. A member who retired or transferred to the FR/FMCR on June 1, 1958 was entitled to pay computed on the June 1, 1958 active duty basic pay rates, or on the April 1, 1955 active duty basic pay rates plus 6 percent, whichever was greater.

C. A member retired or transferred to the FR/FMCR after June 1, 1958, who was receiving active duty saved pay, was entitled to retired pay computed on the April 1, 1955 active duty basic pay rates, but was not entitled to the additional 6 percent increase.

030303. Military Pay Act, Effective October 1, 1967

A. With respect to a member entitled to retired pay computed under this paragraph, the retired or retainer pay may not be less than it would have been if the member had become entitled to that pay based on the same basic pay grade, years of service for basic pay and percentage purposes, and percent of disability (if any) on the day before the effective date of the rates of monthly basic pay on which retired or retainer pay is based. Such members receive pay:

1. Computed under the current basic pay rates in effect on the date of retirement or transfer, or

2. Computed under the rates of basic pay in effect immediately before the current rates, whichever is greater.

B. The computations in paragraph 030303 were, in some instances, subject to the provisions of the Uniform Retirement Date Act.

C. The “1-year look-back” provision codified at 10 U.S.C. § 1401a(e) was repealed by section 921 of the DoD Authorization Act, FY 1984. Under the provisions of that repeal, this paragraph now applies only to:
1. A member retired or transferred to the FR/FMCR October 1, 1967, through September 24, 1983, inclusive; and

2. A member eligible for retirement or transfer on or before September 24, 1983, provided the member retires or transfers on or before September 24, 1986. If the member retires or transfers after September 24, 1986, the retired or retainer pay may not be less than it would have had the member actually retired or transferred on September 23, 1986.

0304  TOWER AMENDMENT

030401. Basic Provisions

A. A member, who retires or transfers to the FR/FMCR on or after January 1, 1971, and who fully qualifies for retirement on a date earlier than the actual retirement date, receives the most favorable rate of pay as though the member had actually retired or been transferred on the earlier date:

1. After becoming retirement-eligible on or after January 1, 1971 (see Chapter 1, section 0102);

2. Based upon the grade and the service creditable on the earlier computation date. (For retirements on or after October 5, 1994, the grade used in the computation cannot be higher than the grade in which the member is retired);

3. Using the rate of basic pay applicable to the member on the earlier computation date in determining the retired pay base; or

4. Subject to the provisions of paragraph 030303.

B. A member, who retired or transferred to the FR/FMCR before October 7, 1975, the effective date of the Tower Amendment, is entitled to pay adjusted from October 7, 1975. No adjustment is authorized under the provisions of the amendment for any period before October 7, 1975.

C. A member who retired between October 1, 1988 and October 4, 1994 and who is reduced in grade under sentence of court-martial after initially becoming eligible for retired pay is not entitled to computation on a grade higher than the grade in which retired.

D. See subparagraph 030503.A for provision concerning an officer who served in a special position as Chairman or Vice Chairman of the Joint Chiefs of Staff or as a Chief of Service.

E. See paragraph 030505 for the provision concerning an enlisted member who served in a special position as a senior enlisted member.
030402. Earlier Computation Dates

A. Predetermined earlier computation dates are established for uniformity in computing the pay of a member who qualifies under 10 U.S.C. § 1401a(f), and the Tower Amendment, as amended. Generally, the day immediately preceding an active duty basic pay rate change is the earlier date of voluntary retirement eligibility, unless the computation is more favorable based on the first day of the month preceding an active duty basic pay rate change.

B. A member of the FR/FMCR may transfer on any intermediate day of a month. Therefore, the earlier computation date for this member is the day before new active duty basic pay rates are effective.

C. A warrant officer retired under provisions of 10 U.S.C. § 1293 (see Table 3-1, rule 3), on the effective date of a change in the active duty pay rates, receives retired pay computed by using the rate of basic pay in effect on the day before the date of retirement. Thus, the earlier retirement eligibility date under 10 U.S.C. § 1401a(f) computation would be one year earlier with retired pay based upon rates in effect on the day before the earlier eligibility date. If the member is entitled to use the saved pay rate under paragraph 030303, the rate in effect immediately prior to the rate in effect on the day before the earlier retirement eligibility date is used.

030403. Computation at the Time of Retirement or Transfer to the FR/FMCR

A. A member receives the most favorable retired pay, as adjusted by applicable COLA, computed by using:

1. The active duty basic pay rate applicable on the actual retirement or transfer date;

2. One prior active duty basic pay rate at the same grade and service applicable on the actual retirement or transfer date if the provisions of paragraph 030203 apply; or

3. Any active duty basic pay rate in effect on or after January 1, 1971, at the grade and service credited on the earlier computation date, if retirement-eligible on the earlier date. After this rule is used, apply subparagraph 030403.A.2 without further loss of grade and service.

B. A member retiring for disability who is eligible for voluntary retirement or transfer to the FR/FMCR on an earlier date may have gross retired pay entitlement computed in accordance with the provisions of 10 U.S.C. § 1401a(f) when more favorable; however, the basic pay rate applicable for an earlier retirement date under this condition for gross pay computation cannot be used for computing pay based upon the disability rating. DFAS calculates the rate of pay based upon degree of disability only on the basic pay rate applicable under subparagraph 030403.A.1 or A.2 (if applicable).
0305 SPECIAL PROVISIONS

030501. Entitlement Under More Than One Pay Formula

A member who is entitled to pay computed under more than one pay formula or provision of law is entitled to be paid under the formula that is most favorable.

030502. Commissioned Officer With More Than Four Years of Active Enlisted and/or Warrant Officer Service

A member, who at the time of retirement, is in pay grade O1E, O2E, or O3E, having served more than 4 years of active duty as an enlisted member and/or warrant officer, receives pay computed on the special basic pay rate that is authorized.

030503. Commissioned Officer Serving in a Special Position

A. Joint Chief of Staff and Chief of Service. An officer who serves as Chairman or Vice Chairman of the Joint Chiefs of Staff or as a Chief of the Service may receive retired pay which is computed on the highest rate of basic pay applicable to the member while serving in the special position, if that rate is higher than the rate otherwise authorized as a retired pay base for a member who first became a member before September 8, 1980. Except as provided in paragraph 030509, effective January 1, 2007, the rate of basic pay cannot exceed Level II of the Executive Schedule. The term “Chief of Service” refers to one of the following:

1. Chief of Staff of the Army;
2. Chief of Naval Operations;
3. Chief of Staff of the Air Force;
4. Commandant of the Marine Corps; or
5. Commandant of the Coast Guard.

NOTE: The member may not use the rate of the special position for computation of retired pay if, during or after serving in the special position, and by the member’s conduct after October 16, 1998, the officer is not certified as having served satisfactorily in the grade of general or admiral while serving in that position.

B. Special Rule for Computation of Retired Pay Base for Commanders of Combatant Commands. An officer who serves as a Commander of a Unified or Specified Combatant Command may receive retired pay that is computed on the highest rate of basic pay applicable to the member while serving in that position. The member may not use the rate of the special position for computation of retired pay if, during or after serving in the special position and by the member’s conduct after October 16, 1998, the officer is not certified as having served satisfactorily in the grade of general or admiral while serving in that position. Except as provided
in paragraph 030509, effective January 1, 2007, the rate of basic pay cannot exceed Level II of the Executive Schedule. This special rule will apply with respect to officers who first become entitled to retired pay on or after November 23, 2004.

030504. Officer in Grade O-9 or O-10

A. An officer who served in grade O-9 or O-10 for not less than 3-years is entitled to retired pay based on that grade if the Secretary of Defense certifies in writing to the President and the Congress that the officer served on active duty satisfactorily. DFAS may reduce the 3-year requirement to not less than 2 years for retirements effective during a specified period (see Chapter 1, subparagraph 010601.E.5). DFAS may not reduce or waive the 3-year time in grade requirement if the officer is under investigation for alleged misconduct or while an adverse personnel action is pending against the officer for alleged misconduct.

B. An officer who served in grade O-9 or O-10 for a period of less than 3-years before retirement will have retired pay based on the next lower grade, unless a waiver of the time in grade requirement has been granted by the appropriate authority. The granting of the waiver will affect only the pay computation for the date of retirement. Computations for earlier dates on which eligible to retire must be based on the next lower grade.

C. Section 601(e) of P.L. 106-65, October 5, 1999, provides that retired pay be recomputed effective January 1, 2000, for certain members who retired during the period April 30, 1999 through December 31, 1999. As a result, DFAS will recompute the retired pay of members’ grade O-9 with over 26 years of service and O-10s with over 16 years of service. The new rates will be for months beginning on or after January 1, 2000 and will be computed as if the Level II limit had applied at the time of a qualified member’s retirement. No increased amount is payable for any period before January 1, 2000, as a result of this subparagraph. DFAS will recompute retired pay rates for affected members as though the following rates of basic pay had been applicable at the time of retirement:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Years of Service</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>O-9</td>
<td>Over 26 years of service</td>
<td>$9,528.00</td>
</tr>
<tr>
<td>O-10</td>
<td>Over 16 years of service</td>
<td>$9,528.00</td>
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<tr>
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</tbody>
</table>

030505. Enlisted Member Serving in a Special Position

The senior enlisted member of an Armed Force may receive retired pay, which DFAS computes on the highest rate of basic pay applicable to the member while serving in that special position, if that rate is higher than the rate otherwise authorized as a retired pay base for a member who first became a member before September 8, 1980. The term “senior enlisted member” refers to one of the following:
A. Sergeant Major of the Army;
B. Master Chief Petty Officer of the Navy;
C. Chief Master Sergeant of the Air Force;
D. Sergeant Major of the Marine Corps; or
E. Master Chief Petty Officer of the Coast Guard.

NOTE: The member may not use the rate of the special position for computation of retired pay if, during or after serving in the special position, and by member’s conduct after October 16, 1998, the member is reduced in grade by court-martial, nonjudicial punishment, or other administrative process.

030506. Heroism Pay

An enlisted member retired after 20 years of service, to include an enlisted member retired due to disability, may be entitled to an additional 10-percent retired pay for extraordinary heroism, if authorized. See Chapter 1, section 0108.

030507. Computation Under the Uniformed Services Pay Act, October 2, 1963

A. Beginning October 1, 1963, a member retired between October 1, 1949 and May 31, 1958, including a member retired before October 1, 1949, receiving pay under the 1949 Act, received the greater of:

1. An increase of 5 percent in the retired pay to which entitled on September 30, 1963; or

2. Pay computed on the basic pay rates established under the June 1, 1958 Act without a 5-percent increase.

B. Beginning October 1, 1963, a member retired for service before October 1, 1949 and being paid under laws in effect on September 30, 1949 receives the greater of:

1. An increase of 5 percent in the retired pay to which entitled on September 30, 1963; or

2. Pay recomputed on the basic pay rates established by the Military Pay Act of 1958 without a 5-percent increase, based on actual active service creditable.

A. The Military Pay Act, May 20, 1958, authorizes a member who first became entitled to retired pay on June 1, 1958, to receive pay computed on the new June 1, 1958 basic pay rates or on the April 1, 1955 active duty basic pay rates plus 6 percent, whichever is greater.

B. A member retired after June 1, 1958 who was receiving active duty saved pay was entitled to retired pay computed on the April 1, 1955 active duty basic pay rate, but was not entitled to the additional 6-percent increase.

C. The basic pay rate used in the computation of pay was increased by increments of $200 for generals and admirals and $100 for lieutenant generals and vice admirals before the 6-percent increase on June 1, 1958 for a retired officer who:

1. Served in that grade for at least 180 days, and

2. Was entitled to retired pay on the day before the effective date of the Military Pay Act of 1958.

030509. Retired Pay Base for Officers Retired in General or Flag Officer Grades

A. The retired pay base of a general or flag officer who retires between October 1, 2006 and December 31, 2014 will not be restricted by the requirement in 37 U.S.C. § 203(a)(2) to reduce basic pay in excess of Level II of the Executive Schedule. The retired pay base will be determined using the rate of basic pay for such period provided by law, rather than such rate reduced.

B. A general or flag officer who retires on or after January 1, 2015 and who served at any point between October 1, 2006 and December 31, 2014 has partial preservation of the computation of the retired pay base using the rate of basic pay for such period provided by law, rather than such rate reduced with the following guidance as stated in 10 U.S.C. § 1407a:

1. The retired pay base amount for a general or flag officer under the Final Pay retirement system is based upon the higher of the following:

   a. The basic pay rate in effect for the highest grade in which the general or flag officer satisfactorily served and his or her years of service as of the date of retirement, as limited by the Executive Level II ceiling, or

   b. The basic pay rate in effect on December 31, 2014, not limited by the Executive Level II ceiling, for the grade and years of service for which the general or flag officer had satisfactorily served as of December 31, 2014.
2. The retired pay base amount for a general or flag officer under the high-36 retirement system may include the monthly basic pay rate for the general or flag officer’s grade and years of service for:

   a. All months served during this period of October 1, 2006 and December 31, 2014, not limited by the Executive Level II ceiling, or

   b. A combination of months served during this period not limited by the Executive Level II ceiling and months served after January 1, 2015, now limited by the Executive Level II ceiling.

   C. A general or flag officer who retires on or after January 1, 2015 and did not serve at any point between October 1, 2006 and December 31, 2014 will be restricted by the requirement in 37 U.S.C. § 203 (a)(2) to reduce basic pay in excess of Level II of the Executive Schedule. The retired pay base will be determined using the reduced rate of basic pay provided by law. NOTE: This subparagraph pertains only to the computation of the retired pay base for Officers Retired in General or Flag Officer Grades. It does not pertain to the retired pay multiplier.

All service creditable on the date of retirement is included for purposes of computing the retired pay multiplier for a general or flag officer who retires on or after January 1, 2015.

0306 LUMP SUM PAYMENTS OF RETIREMENT ANNUITY

030601. Eligibility

   Public Law 114-92, section 633 enacts 10 U.S.C. § 1415, affording a member of a uniformed service covered by the BRS at retirement the option to elect to receive a discounted portion of his or her retired pay as a lump sum. To be eligible to elect the lump sum a member must be covered under the BRS, and qualify for a regular retirement or a non-regular retirement. Members who are retired for a physical disability under provisions of 10 U.S.C., Chapter 61 are not eligible for the lump sum option. A member who is not eligible for the BRS or who does not elect to enroll in the BRS is not eligible to elect a lump sum payment of his or her retirement annuity.

030602. Election

   A. A member, covered by the BRS, who elects to receive a portion of his or her retired pay as a lump sum must make this election not later than 90 days before:

      1. The date upon which the member retires and receives a regular retirement; or

      2. The date upon which the member first reaches eligibility age required to receive retired pay under the non-regular retirement program, in accordance with DoDI 1215.07.
B. A member’s decision to elect the lump sum must be recorded on a DoD (DD) Form 2656, “Data for Payment of Retired Personnel,” in Part II, “Lump Sum Election.”

1. The member will indicate the lump sum percentage, either 25 percent or 50 percent, and the number of equal lump sum payments, up to 4, on the DD 2656.

2. The DD 2656 must be signed and dated no later than 90 days prior to the date of retirement, or the date the member is eligible to receive retired pay.

3. The lump sum election must be transmitted to DFAS no less than 30 days prior to the date of retirement, or the date the member is eligible to receive retired pay.

C. An election of a lump sum of retired pay may not be revoked on or after the date of retirement, or on or after the date the member is first eligible to receive retired pay. To revoke a previous lump sum election prior to retirement, the member must submit a signed, notarized statement rescinding the previous election, dated prior to the date of retirement, acknowledging that this decision to refuse the lump sum is final, and must complete a new DD 2656.

030603. Amount

A member who elects to receive a portion of his or her retired pay as a lump sum may elect to receive the discounted present value of either 25 percent or 50 percent of the gross estimated retired pay. Pursuant to 10 U.S.C. § 1415(b)(2), the lump sum amount takes into account the projected COLA applicable to that member on the day that member elected the lump sum option. The amount is calculated for the period from the day that member is eligible to begin receiving retired pay to the first day of the month following the month during which the retiree attains the age that was the full social security retirement age.

030604. Discount Rate

The discount rate applied in computing the amount of the lump sum described in paragraph 030603 will be determined and published in accordance with procedures specified in subparagraphs 030604.A and 030604.B.

A. In computing the amount of the lump sum described in paragraph 030603, the discounted present value will be:

1. The 7-year average of the 23-year maturity monthly average spot rate taken from the “Treasury High Quality Market (HQM) Corporate Bond Yield Curve;”

2. The 7-year average rate is adjusted for inflation using the 7-year average rate of the 23-year maturity monthly average rate taken from the “Treasury Breakeven Inflation (TBI) Curve.” The inflation adjustment is a multi-step procedure:
a. Annualize the 7-year average HQM rate;

b. Geometrically back out inflation using the 7-year average TBI rate; and

c. Transform the result to a semi-annual rate.

3. The resulting inflation-adjusted rate is increased by an additional 4.28 percentage points; and

4. The result is rounded to the nearest 0.01 percentage point.

B. The Chief Actuary, DoD Office of the Actuary, calculates the discount rate and the Deputy Assistant Secretary of Defense for Military Personnel Policy promulgates the discount rate annually no later than June 1 of each year to be effective as of January 1 of the succeeding year. The rate promulgated on June 1 of each year will be the Department of Treasury published yield curves as of March of that year averaged with the preceding 83 months plus the adjustment factor of 4.28 percentage points. Accordingly, the initial discount rate used for 2018, as described in subparagraph 030604.A, was published on June 1, 2017 at 6.99 percent.

030605. Installment Payments

A member who elects to receive a lump sum payment of his or her retired pay may elect to receive this payment in up to four annual installments over no more than 4 years.

030606. Timing of Payments

A member who elects installment payments in accordance with paragraph 030605 will receive equal lump sum distributions payable each year on the anniversary of the first installment; the first installment of which will be paid no later than 60 days after:

A. The date on which that member retires if eligible for a regular retirement; or

B. The date on which the member first becomes eligible to begin receiving retired pay if eligible for a non-regular retirement.

030607. Restoration of Full Annuity Payment

The retired pay of a member who elects to receive a lump sum payment of their retired pay in accordance with paragraph 030602 will be restored to its full monthly annuitized amount as of the first day of the month following the month in which the member attains the full retirement age that was applicable to that member on the day that the member elected the lump sum option, in accordance with 10 U.S.C. § 1415.
030608. Relationship to Disability Compensation

Public Law 114-92, section 633, modified 38 U.S.C. § 5304, “Prohibition against duplication of benefits,” to establish that a member electing to receive a portion of his or her retired pay as a lump sum may not concurrently receive Department of Veteran Affairs (VA) disability compensation, except under specified circumstances. Accordingly:

A. DFAS will report the amount of any lump sum election to the VA.

B. Pursuant to 38 U.S.C. § 5304, the VA will withhold disability payments to any retiree who elects to receive a portion of their retired pay as a lump sum until the amount withheld (i.e., not paid to the retiree on a monthly basis) equals the gross amount of the lump sum payment received by that retiree. Once the amount of VA disability compensation withheld equals the amount previously received as a lump sum, the retiree is considered to have fully offset the lump sum distribution. The retiree must then agree to waive a portion of each month’s future retired pay, equal to the amount of the VA disability compensation to which he or she is now entitled, to begin receiving that VA disability compensation in accordance with 38 U.S.C. §§ 5304 and 5305.

C. A retiree who is eligible for Concurrent Retirement and Disability Payment (CRDP) due to a service-connected disability rating of 50 percent or more, is entitled to be paid both his or her VA disability compensation and his or her retired pay without regard to the required offsets described in 38 U.S.C. § 5304 and subparagraph 030608.B. Accordingly, retirees who qualify for CRDP and who elect to receive a portion of their retired pay as a lump sum are not subject to withholding of VA disability compensation upon receipt of a lump sum payment. See also 10 U.S.C. § 1414.

D. A retiree who would otherwise be eligible for Combat-Related Special Compensation (CRSC) in accordance with 10 U.S.C. § 1413a, remains subject to the provisions of 38 U.S.C. §§ 5304 and 5305, requiring a waiver of retired pay before a retiree can receive VA disability compensation, as discussed in subparagraph 030608.B. Specific policies and procedures for payment of CRSC to members who elect a lump sum of retired pay follows:

1. In order to be eligible for CRSC, a retiree must first be determined to have a service-connected, compensable disability in accordance with regulations prescribed by the Secretary of the VA.

2. The Secretary concerned will determine what, if any, portion of that member’s service-connected, compensable disability meets the criteria for CRSC eligibility in accordance with existing guidance. The Secretary concerned will notify DFAS of the percentage of the retiree’s disability related to combat in accordance with existing CRSC guidance.

3. DFAS will determine the resulting value of CRSC entitlement for which the member would otherwise have been eligible, but for the withholding of
disability compensation as required by section 633 of P.L. 114-92, such that the member will receive VA disability compensation only for disabilities determined to be CRSC eligible.

4. DFAS will report to the VA which disabilities have been determined to be CRSC eligible, the associated rating, and the resulting value of the CRSC for which the member would otherwise have been eligible, but for receipt of the lump sum.

5. Prior to receiving disability compensation from the VA, the retiree must agree to waive receipt of retired pay, equal to the amount of VA disability compensation payable from that retiree’s actual monthly retired pay received.

6. By agreement, the VA will pay disability compensation only for the disabilities determined by the Secretary concerned to be eligible for CRSC utilizing information provided by DFAS for such determination.

7. DFAS will pay CRSC to the retiree in an amount equal to the amount of the retired pay waived. VA will continue to withhold any amount of disability compensation to which the retiree is eligible in excess of the amount related to combat until such time as the amount withheld equals the gross amount of the lump sum payment received by that retiree.

030609. Lump Sum Payment Effect on Survivor Benefit Plan

Pursuant to 10 U.S.C. §§ 1447(6)(A) and 1452, as amended by P.L. 115-91, section 622, for FY 2018 NDAA, a member of a uniformed service who elects a lump sum of retired pay, in accordance with 10 U.S.C. § 1415, and is a participant in SBP or Reserve Component – SBP (RC-SBP) will have coverage at the full base amount, unless the member elects or previously elected, with spousal concurrence if required, to reduce the base amount.

A. The full base amount for a retiree who elects to receive a lump sum of retired pay is the amount equal to the amount of his or her unreduced monthly retired pay, without regard to the required reduction in monthly retired pay pursuant to the lump sum.

B. If electing to reduce coverage less than the full base amount, the reduced base amount may be any whole dollar amount that is greater than or equal to $300, but less than the amount of the unreduced retired pay.

C. All retiring uniformed service members, including those who elect a lump sum of retired pay, are considered full participants in SBP or RC-SBP having maximum coverage unless:

1. For members retiring with a regular retirement, or members retiring with a non-regular retirement who previously declined to make an election until reaching the age of eligibility for retired pay, an election for less than full SBP coverage is made prior to the first day of entitlement to retired pay, with spousal concurrence if required; or
2. For members qualifying for a non-regular retirement, an election for less than full RC-SBP coverage is made, with spousal concurrence if required, prior to the completion of the 90-day period immediately following notification to the member that he or she has completed the years of service required to be eligible for a non-regular retirement pursuant to 10 U.S.C., Chapter 1223.

D. The requirements of 10 U.S.C. § 1450(f)(3), regarding former spouse elections remain applicable to members who elect a lump sum of retired pay.

030610. Disputes

Members who accept the lump sum distribution may not seek review of, or otherwise retrospectively challenge, the amount of the lump sum, particularly in regards to discount rate, actuarial assumptions, or other factors used in computing this amount.

030611. Division of Retired Pay

Any lump sum payment of retired pay remains subject to the conditions of 10 U.S.C. § 1408, with consideration to court orders.
Table 3-1. Computation of Retired Pay

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
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<th>D</th>
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<th>F</th>
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<tbody>
<tr>
<td></td>
<td>A member of the</td>
<td>who is</td>
<td>under provisions of 10 U.S.C.</td>
<td>receives the retired pay base</td>
<td>multiplied by</td>
<td>plus</td>
<td>minus (note 1)</td>
</tr>
<tr>
<td>1</td>
<td>Armed Forces</td>
<td>retired for disability</td>
<td>§ 1201 § 1204</td>
<td>computed under 10 U.S.C. § 1406(b) or § 1407 (note 2)</td>
<td>the percentage of disability assigned, not to exceed 75 percent or the retired pay multiplier referenced by 10 U.S.C. §§ 1401 and 1409 times the years of service credited for percentage purposes, except for a member retiring on or before January 7, 2011, the multiplier is limited to 75 percent (note 3)</td>
<td>the amount necessary to increase the product of columns D and E to 50 percent of retired pay base.</td>
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<tr>
<td>2</td>
<td></td>
<td></td>
<td>§ 1202 § 1205</td>
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</tr>
<tr>
<td>3</td>
<td>voluntarily retired</td>
<td></td>
<td>§ 1293</td>
<td></td>
<td></td>
<td></td>
<td>excess over 75 percent of retired pay base upon which computation is based if member retires before January 1, 2007 (note 5).</td>
</tr>
<tr>
<td>4</td>
<td>Army or Air Force</td>
<td></td>
<td>§ 7314 § 7317 § 9314 § 9317</td>
<td>computed under 10 U.S.C. § 1406(c) for Army, § 1406(e) for Air Force, or § 1407 (notes 2 and 6)</td>
<td>10 percent of the product of Columns D and E, if applicable (note 4)</td>
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<tr>
<td>5</td>
<td></td>
<td></td>
<td>§ 7311 § 7318 § 7320 § 7324 § 9311 § 9318 § 9324</td>
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<tr>
<td>6</td>
<td>Navy or Marine Corps</td>
<td></td>
<td>§ 8321 § 8323</td>
<td>computed under 10 U.S.C. § 1406(d) or § 1407 (note 2)</td>
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</tbody>
</table>
Table 3-1. Computation of Retired Pay (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A member of the</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Navy or Marine Corps</td>
<td>voluntarily retired</td>
<td>§ 8322</td>
<td>§ 8326</td>
<td>computed under 10 U.S.C. § 1406(d) or § 1407 (note 2)</td>
<td>retired pay multiplier from 10 U.S.C. § 1409 for years of service credited for percentage purposes (note 3)</td>
<td>10 percent of columns D and E if applicable (note 4)</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>§ 8327</td>
<td></td>
<td>50 percent (note 7)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Armed Forces</td>
<td>Involuntarily retired</td>
<td>§ 580</td>
<td>§ 633</td>
<td>§ 634</td>
<td>§ 635</td>
<td>§ 636</td>
</tr>
<tr>
<td>10</td>
<td>Army</td>
<td>§ 7320</td>
<td>§ 7321 (note 5)</td>
<td>computed under 10 U.S.C. § 1406(c) or § 1407 (note 2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Navy or Marine Corps</td>
<td></td>
<td>§ 8371</td>
<td>§ 8372 (note 5)</td>
<td>computed under 10 U.S.C. § 1406(d) or § 1407 (note 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Air Force</td>
<td>§ 9320</td>
<td>§ 9321 (note 5)</td>
<td>computed under 10 U.S.C. § 1406(e) or § 1407 (note 2)</td>
<td>retired pay multiplier for the years of service credited for percentage purposes (note 3)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 3-1. Computation of Retired Pay (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A member of the</th>
<th>who is</th>
<th>under provisions of 10 U.S.C.</th>
<th>receives the retired pay base</th>
<th>multiplied by</th>
<th>plus</th>
<th>minus/add (note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Armed Forces, Reserve, or National Guard</td>
<td>a reservist (meets age and service requirement)</td>
<td>§ 12731</td>
<td>computed under 10 U.S.C. § 1406(b)(2) or § 1407 (note 2)</td>
<td>2.5 percent (or 2.0 percent for members covered by BRS) times the years of service credited for percentage purposes, (notes 3 and 10)</td>
<td>10 percent of the product of columns D and E (note 4)</td>
<td>excess over 75 percent of retired pay base upon which computation is based if member retired before January 1, 2007 (note 5).</td>
</tr>
<tr>
<td>14</td>
<td>Navy or Marine Corps transferred to the FR/FMCR</td>
<td>§ 8330</td>
<td>computed under 10 U.S.C. § 1406(d) or § 1407 (notes 2 and 9)</td>
<td>the retainer pay multiplier for the years of service credited for percentage purposes (note 3)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
1. If a member was initially retired on or after October 1, 1983, the amount computed, if not a multiple of $1, must be rounded to the next lower multiple of $1. Any future adjustments to such pay must be made on the rounded figure. Retired pay of members retired on September 30, 1983 will not be rounded until there is an adjustment under 10 U.S.C. § 1401a; then, and with each subsequent adjustment, the amount as adjusted, if not a multiple of $1, must be rounded to the next lower multiple of $1. The rounded amount becomes the member’s entitlement and any future adjustments must be based on this rounded entitlement.
2. For applicable active duty basic pay rate, see sections 0304 and 0305, Chapter 1, paragraph 010502, and paragraph 030301. For a person who first became a member of a uniformed service after September 7, 1980, use the high-36 month average. For exception to high-36 months retired pay computation for members retired following a disciplinary reduction in grade, refer to paragraph 030212.
3. See Chapter 1 for service creditable for percentage purposes:
   - **Voluntary retirement:**
     - Paragraph 010302—Enlisted members
     - Paragraph 010303—Commissioned Officers
     - Paragraph 010304—Warrant Officers
   - **Mandatory retirement:**
     - Subparagraph 010305.A—Army and Air Force
     - Subparagraph 010305.B—Navy and Marine Corps
   - **Disability retirement:**
     - Paragraph 010306
   - **Reservist age and service retirement:**
     - Paragraph 010307
4. For enlisted members credited with an act of extraordinary heroism in the line of duty. For Army and Air Force enlisted members, the total retired pay to include the 10 percent increase, may not exceed the maximum pay of 75 percent. For Navy and Marine Corps enlisted members, the total maximum retired pay is 75 percent plus the 10 percent increase. Members with more than 30 years of creditable service should also have retired pay computed without the 10 percent add-on and awarded the higher of the two calculations. All members who retire under the provisions of 10 U.S.C. § 12731 with credit for extraordinary heroism are restricted to a maximum pay of 75 percent.
5. For members who retired on or after January 1, 2007, the retired pay multiplier is the sum of 75 percent for 30 years of service plus 2.5 percent for every year over 30 years.
Table 3-1. Computation of Retired Pay (Continued)

NOTES:
6. For a Reserve enlisted member retired under 10 U.S.C. § 7314 or § 9314 after September 30, 1996, the retired pay base is the monthly basic pay of the member’s retired grade (based on rates applicable on date of member’s retirement) in lieu of the retired pay base under 10 U.S.C. § 1406(e).
7. Members retired under 10 U.S.C. § 8327 are authorized to receive retired pay at 50 percent of the active duty basic pay of their grade when not on active duty. This provision applies only to persons who were members of the Naval Reserve or Marine Corps Reserve on January 1, 1953. The provisions of 10 U.S.C. § 8327 terminated on January 1, 1973. However, termination of the section did not affect any accrued rights to retired pay.
*8. Section 564 repealed by P.L. 102-190, December 5, 1991. Section 1255 repealed by P.L. 90-130, November 8, 1967. An officer who was on active duty on September 15, 1981 and who is retired under 10 U.S.C. § 1251 is entitled to retired pay of at least 50 percent of the basic pay upon which the retired pay is based. Title 10, U.S.C. § 1251 allows a retirement for age (at age 62), but only if the member already has 20 years of service. See also 10 U.S.C. § 12731.
9. In lieu of the retainer pay base computed under 10 U.S.C. § 1406(d), a Reserve enlisted member may be entitled to retainer pay computed by using the monthly basic pay for the highest enlisted grade in which the member served satisfactorily, as determined by the Secretary of the Navy. This provision applies to an individual who first became a member of the uniformed service before September 8, 1980 and who, at the time of transfer, is serving on active duty in a grade lower than the highest enlisted grade held by the member while on active duty not as a result of the member’s own misconduct.
10. Total number of retirement points divided by 360. Carry the resultant figure to three decimal places, round to two decimal places. EXAMPLE: 4735 retirement points divided by 360 = 13.152 or 13.15 years of service for percentage purposes (for the 10 U.S.C. § 12731 retiree only) to be multiplied by the applicable percentage rate described at subparagraph 030201.B.
Table 3-2. Historical Pay Computations – FR/FMCR

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>F-4c 1-b</td>
<td>pre-1938 to May 31, 1942</td>
<td>16; less than 20</td>
<td>1/3 x base pay rating in which transferred (note 1)</td>
<td>longevity pay (25 percent maximum), extraordinary heroism (10 percent)</td>
<td>52 Stat 1179, section 203, 34 U.S.C. § 854b.</td>
</tr>
<tr>
<td>2</td>
<td>F-4d 1-c</td>
<td>20; less than 30</td>
<td>1/2 x base pay rating in which transferred (note 1)</td>
<td>longevity pay (25 percent maximum), extraordinary heroism (10 percent), or good conduct (10 percent)</td>
<td>52 Stat 1179, section 204, 34 U.S.C. § 854c.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>F-5 H-1</td>
<td>June 1, 1942 to August 9, 1946</td>
<td>16; less than 20</td>
<td>1/3 x base pay rating in which transferred (note 1)</td>
<td>longevity pay (50 percent maximum), extraordinary heroism (10 percent)</td>
<td>56 Stat 359, P.L. 607, June 6, 1942.</td>
</tr>
<tr>
<td>4</td>
<td>F-4c 1-b</td>
<td>August 10, 1946 to September 30, 1949</td>
<td>16; less than 20 (note 2)</td>
<td>1/3 x base pay rating in which transferred (notes 1 or 2)</td>
<td>longevity pay (50 percent maximum), extraordinary heroism (10 percent)</td>
<td>60 Stat 993, P.L. 720, August 10, 1946.</td>
</tr>
<tr>
<td>5</td>
<td>F-4d 1-c</td>
<td>20; less than 30</td>
<td>1/2 x base pay rating in which transferred (note 1)</td>
<td>longevity pay (50 percent maximum), extraordinary heroism (10 percent), or good conduct (10 percent)</td>
<td>60 Stat 993, P.L. 720, August 10, 1946.</td>
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</tr>
<tr>
<td>6</td>
<td>F-5, H-1</td>
<td>20 years</td>
<td>1/2 x base pay rating in which transferred (note 1) or 2.5 percent x years of active federal service multiplied by base pay of rating in which transferred (note 2)</td>
<td>longevity pay (75 percent maximum), extraordinary heroism (10 percent)</td>
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</table>
Table 3-2. Historical Pay Computations – FR/FMCR (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
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</tr>
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<tbody>
<tr>
<td>10</td>
<td>all classes</td>
<td>transferred before</td>
<td>20 years</td>
<td>pay received on 9/30/49 (saved pay) or</td>
<td></td>
<td>P.L. 351, 81st Congress, October 1, 1949.</td>
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<tr>
<td></td>
<td>if member retires in</td>
<td>October 1, 1949, effective</td>
<td></td>
<td>2.5 percent x years of active service =</td>
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<td></td>
<td>class</td>
<td>on October 1, 1949</td>
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<td>percent; percent x basic pay of highest</td>
<td></td>
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<td>federally recognized rating satisfactorily</td>
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<td></td>
<td>held (note 4)</td>
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<tr>
<td>11</td>
<td>F-4c 1-b</td>
<td>on or after October 1,</td>
<td></td>
<td>1/3 x basic pay receiving at transfer</td>
<td></td>
<td>extraordinary heroism (10 percent)</td>
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<td></td>
<td></td>
<td>1949</td>
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<td>(note 5)</td>
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<td>or</td>
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Table 3-2. Historical Pay Computations – FR/FMCR (Continued)

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<td>extraordinary heroism (10 percent)</td>
<td>P.L. 1028, August 10, 1956, 10 U.S.C. § 8330.</td>
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NOTES:
1. Fractional year of 6 months or more not creditable as 1 year for longevity or transfer.
2. Fractional year of 6 months or more creditable equals full year for transfer and longevity, effective August 10, 1946.
3. Effective August 10, 1946, class F-5 changed to class F-6.
4. Six months or more equals 1 year for active service; 6 months or more does not equal 1 year for basic pay; nor good conduct or extraordinary heroism.
5. Six months equals 1 year for basic pay and not for computing years of Naval service for transfer.
6. Six months or more equals 1 full year for active service and basic pay.
7. Six months equals 1 year for active service (include constructive service in active service). Six months equals 1 year for basic pay (do not include constructive service in service for basic pay).
8. If member entered a uniformed service after September 7, 1980, substitute the retainer pay base for the base or basic pay.
Table 3-3. Pre-1982 Retirement Percentage Multiple Conversions

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NOTE: This Table applies to members retired before January 1, 1982, with several exceptions covered in paragraph 030208.
Table 3-4. Post-1981 – Pre-2018 Retirement Percentage Multiplier Conversions

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Table 3-4. Post-1981 – Pre-2018 Retirement Percentage Multiplier Conversions (Continued)

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Table 3-4. Post-1981 – Pre-2018 Retirement Percentage Multiplier Conversions (Continued)

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### Table 3-4. Post-1981 – Pre-2018 Retirement Percentage Multiplier Conversions (Continued)

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**NOTE:** To derive multipliers for service in excess of 43 years and 11 months, divide the number of whole months by 12, compute the quotient to three digits, round to two digits, and add this to the number of years. Then, multiply by .025.

**Example 1:**
20 years, 7 months, 13 days
7 months ÷ 12 = .583 (.58)
20.58 × .025 = 51.45%

**Example 2:**
44 years, 8 months, 28 days
8 months ÷ 12 = .667 (.67)
44.67 × .025 = 111.68%

**Exception:** Members who retire between January 1, 1982 and September 30, 1983 and meet requirements of paragraph 030207 will round service credit of 6 months or more, as shown on the Table.
Table 3-5. Effective January 1, 2018 BRS Percentage Multiplier Conversions

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Table 3-5. Effective January 1, 2018 BRS Percentage Multiplier Conversions (Continued)

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Table 3-5. Effective January 1, 2018 BRS Percentage Multiplier Conversions (Continued)

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BRS PERCENTAGE MULTIPLIER CONVERSIONS - EFFECTIVE JANUARY 1, 2018
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**Note:** To derive multipliers for service in excess of 43 years and 11 months, divide the number of whole months by 12, compute the quotient to three digits, round to two digits, and add this to the number of years. Then, multiply by .02.

**Example 1:**
20 years, 7 months, 13 days
7 months ÷ 12 = .583 (.58)
20.58 x .02 = 41.16%

**Example 2:**
44 years, 8 months, 28 days
8 months ÷ 12 = .667 (.67)
44.67 x .02 = 89.34%
Table 3-6. Reduction Factors Applicable to TERA

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**NOTE:** Mathematically, the reduction factor (RF) is one minus one twelve hundredth of the difference between 240 and the number of months or remaining portion of a month of active service of such member. Thus, for 188 months the reduction factor is computed as:

\[
RF = 1.0 - \left[\frac{(240-188)}{1200}\right] = 1.0 - \left[\frac{52}{1200}\right] = 1.0 - .04333 = .95667
\]
CHAPTER 3 – GROSS PAY COMPUTATION

0301 – GENERAL

030101 10 U.S.C. §§ 1401, 1406, 1407, 1409
P.L. 114-92, sections 631-635,
November 25, 2015
P.L. 114-328, sections 631-634,
December 26, 2016
P.L. 115-91, section 622, December 12, 2017
Office of the Deputy Secretary of Defense, memo,
Subject: Implementation of the Blended
Retirement System, January 27, 2017

0302 – BASIC COMPUTATION

030201.A.1 10 U.S.C. § 1406
030201.A.2.a 10 U.S.C. § 1407
030201.A.2.b 10 U.S.C. § 1407(c)(2)
030201.A.2.c 10 U.S.C. § 1407(d)(2)
10 U.S.C. § 1409(b)
10 U.S.C. § 8333(a)
030201.B.4 10 U.S.C., Chapter 61
10 U.S.C. § 1208
10 U.S.C. § 1401
10 U.S.C. § 1405
10 U.S.C. § 1409
10 U.S.C. § 12733
DoDI 1215.07, January 24, 2013, Incorporating
Change 2, May 24, 2016
030202.A.1 10 U.S.C. § 1406(b)(1)
10 U.S.C. § 1372
030202.A.2 10 U.S.C. § 1407
REFERENCES (Continued)

10 U.S.C. § 1401(a)
10 U.S.C. § 1402(d)
10 U.S.C. § 1402a(d)

10 U.S.C. § 1401(a)
10 U.S.C. § 1402(d)
10 U.S.C. § 1402a(d)

030202.D  P.L. 114-92, section 631(c)(1)(A),
November 25, 2015
10 U.S.C. § 1401
10 U.S.C. § 1409

030203.A.1  10 U.S.C. § 1406(b)(1)
10 U.S.C. § 1372

030203.A.2  10 U.S.C. §§ 1407, 7314, 8330, and 9314

030204.A.1  10 U.S.C. § 1406(b)(1)

030204.A.2  10 U.S.C. § 1407

030205.A.1  10 U.S.C. § 1406(b)(2)
10 U.S.C. § 1370(d)

030205.A.2  10 U.S.C. § 1407

030205.B  10 U.S.C. § 12733
10 U.S.C. § 12739

10 U.S.C. § 1412

030210  10 U.S.C. §§ 1401a(b), 1409, and 1410
DoD Office of the Actuary Memo, May 5, 1987
Office of the Under Secretary of Defense (OUSD) (Military Personnel Policy (MPP)) Memo, April 12, 2012
REFERENCES (Continued)

030211  P.L. 102-484, sections 4403 and 4417, October 23, 1992
10 U.S.C., Chapter 67
10 U.S.C. § 1293 note
P.L. 112-81, section 504, December 31, 2011
OUSD (MPP) Memo, April 12, 2012
P.L. 114-328, section 508, December 23, 2016
10 U.S.C. § 1293 note

030211.A  10 U.S.C. § 1401
10 U.S.C. § 7361(a)
10 U.S.C. § 8333(a)
10 U.S.C. § 9361(a)
10 U.S.C. § 12739

10 U.S.C. § 1409

030211.D  P.L. 112-81, section 504, December 31, 2011
10 U.S.C. § 1293 note
OUSD (MPP) Memo, April 12, 2012

030211.E  OUSD (MPP) Memo, April 12, 2012

030212  P.L. 106-398, section 651, October 30, 2000
10 U.S.C. § 1406
10 U.S.C. § 1407


0304 – TOWER AMENDMENT

030401  10 U.S.C. § 1401a(f)

030401.C  P.L. 100-456, section 622, September 29, 1988
10 U.S.C. § 1401a(f)

030402.A  Manuscripts Comptroller General (MS Comp Gen) B-189029, September 2, 1980
REFERENCES (Continued)

030403  P.L. 103-337, section 633, October 5, 1994
10 U.S.C. § 1401a(f)
MS Comp Gen B-189029, September 2, 1980
70 Comp Gen 398
MS Comp Gen B-231406, March 22, 1989
66 Comp Gen 425
MS Comp Gen B-204120, March 25, 1982

0305 – SPECIAL PROVISIONS

030503.A  10 U.S.C. §§ 601(b), 1406(i), 7361, 8325, 8333, and 9361
37 U.S.C. § 203

10 U.S.C. § 1406
37 U.S.C. § 203

030504  10 U.S.C. § 1370

030505  10 U.S.C. § 1406(i)
DoD General Counsel Opinion, April 21, 1998

030506  10 U.S.C. §§ 7361(a), 8330(c), and 9361(a)
55 Comp Gen 701
MS Comp Gen B-259559, June 6, 1995
10 U.S.C. § 1402

030507  P.L. 88-132, section 5, October 2, 1963
10 U.S.C. § 1402

030509  P.L. 109-364, section 641, October 17, 2006
P.L. 113-291, section 622, December 19, 2014
10 U.S.C. § 1407a
37 U.S.C. § 203(a)(2)

0306 LUMP SUM PAYMENTS OF RETIREMENT ANNUITY


030601  10 U.S.C. § 1415

030603  10 U.S.C. § 1415(b)(2)
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|               | 10 U.S.C. § 1414  
|               | 38 U.S.C. § 5304  
|               | 38 U.S.C. § 5305  |
| 030609         | 10 U.S.C. § 1415  
|               | 10 U.S.C. § 1447(6)(A)  
|               | 10 U.S.C. § 1450  
|               | 10 U.S.C. § 1452  |
| 030611         | 10 U.S.C. § 1408  |

Table 3-1, Rule 1 and 2  
10 U.S.C. § 1401(a)  
10 U.S.C. § 1402(d)  
10 U.S.C. § 1402a(d)  

Table 3-1, Note 4  
10 U.S.C., Chapter 1223  

Table 3-1, Note 7  
P.L. 96-342, September 8, 1980  
10 U.S.C. § 1406(d)  

Table 3-2, Note 8  
P.L. 96-342, September 8, 1980  
10 U.S.C. § 1401(a)  

Table 3-5  

Table 3-6  
Assistant Secretary of Defense/Force Management and Personnel, Manpower Management and Personnel Policy Memo, April 22, 1993
VOLUME 7B, CHAPTER 4: “RECOUPMENT OF SEPARATION PAY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated March 2018 is archived.

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<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<td>Added information for the collection of Disability Severance Pay – Board for Correction of Military Record cases pursuant to Title 10, U.S.C § 1552(a) and (e).</td>
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CHAPTER 4
RECOUPEMENT OF SEPARATION PAYMENTS

0401 GENERAL

040101. Purpose

This chapter provides guidance for the recoupment of payments made to members whose status transitions from involuntary discharge, release from active duty, disability separation, or voluntary separation, to retiree.

*040102. Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 14, and 38. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

0402 DEFINITIONS

040201. Readjustment Pay

Readjustment Pay is a lump-sum payment to members of a Reserve Component of any Military Service, members of the Army or Air Force without component, and Regular Army commissioned officers below the grade of O-4 who were on active duty (other than for training) on September 14, 1981, and were involuntarily released after completing at least 5 years of continuous active duty and who did not qualify for retirement. Separation Pay superseded Readjustment Pay.

040202. Nondisability Severance Pay

Nondisability Severance Pay is a lump-sum payment to certain commissioned and warrant officers, who were on active duty (other than for training) on September 14, 1981, and involuntarily discharged from active duty under certain conditions. Separation Pay superseded Nondisability Severance Pay. Note: This chapter uses the term “Nondisability Severance Pay” when referring to what is commonly known as “Severance Pay”, as a mechanism to distinguish severance pay from disability severance pay.

040203. Separation Pay

Separation Pay is a lump-sum payment to a member of the Uniformed Services who is discharged involuntarily or released from active duty and who does not qualify for retired pay. For more information, see Volume 7A, Chapter 35.
040204. Disability Severance Pay (DSP)

The DSP is a lump-sum payment to a member of the Uniformed Services involuntarily separated from the military service for minor physical disability and who does not qualify for disability retired pay.

040205. Voluntary Separation Incentive (VSI)

The VSI is an annual payment to members who separated voluntarily from service before December 31, 2001, under conditions prescribed by the Secretary of the Military Department concerned (or designee). Voluntary Separation Pay (VSP) superseded VSI.

040206. Special Separation Benefit (SSB)

The SSB is a lump-sum payment to members who separated voluntarily from service before December 31, 2001, under conditions prescribed by the Secretary of the Military Department concerned (or designee). VSP superseded SSB.

*040207. Voluntary Separation Pay (VSP)

The VSP is an annual or lump-sum payment to certain members to encourage them to leave active duty voluntarily. The authority to separate a member in conjunction with VSP applies for the period of October 17, 2006 through December 31, 2025.

040208. Recoupment

To align entitlement to retirement benefits with applicable active service, this chapter uses the term recoupment in conjunction with the recovery of readjustment pay, nondisability severance pay, separation pay, DSP, VSI, SSB, or VSP previously received.

040209. Reserve Special Separation Pay (RSSP)

The RSSP is payable to Reserve members who had completed more than 20 years of service but who had not reached age 60. Payment of RSSP is not subject to recoupment from retired pay. For more information, see Volume 7A, Chapter 58.

0403 READJUSTMENT PAY

040301. General Provisions

A. A member who received readjustment pay before September 15, 1981, because of involuntary discharge or release from active duty after June 28, 1962, and who later qualifies for retired pay under Titles 10 or 14, U.S.C. upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. For this purpose, consider a member who transferred to the Fleet Reserve or the Fleet Marine Corps Reserve to have “qualified for retired
pay under a statute authorizing retirement upon completion of 20 years of active service,” even though such transfer may have occurred after completion of less than 20 years of actual service. See Table 4-1.

B. A Regular Army commissioned officer in the grade of O-1, O-2, or O-3 who received readjustment pay from December 30, 1974 through December 30, 1977, and who later qualifies for retired pay upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. See Table 4-1.

C. A member of the Uniformed Services who served on active duty as a temporary officer and held a Reserve officer status upon release from active duty, and received readjustment pay after June 28, 1962, but before September 15, 1981, and who, later qualifies for retired pay upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. See Table 4-1.

D. A member who received readjustment pay on September 15, 1981 or later, and who later qualifies for retired pay, must have the retired pay reduced until the recovery of the full amount of the readjustment pay. See subparagraph 040302.B.

040302. Recoupment of Readjustment Pay

A. Readjustment Pay Received Before September 15, 1981.

1. The Defense Finance and Accounting Service (DFAS) will deduct a total of 75 percent of the gross readjustment pay without interest immediately from retired pay.

2. There is no entitlement to retired pay until the recovery of 75 percent of the lump-sum readjustment pay. During the period that the member is not entitled to retired pay, the member must pay the cost for coverage under the SBP by direct remittance to:

   Defense Finance and Accounting Service, DFAS-CL
   SBP and RSFPP Remittance
   P.O. Box 979013
   St. Louis, MO 63197-9000

B. Readjustment Pay Received September 15, 1981 or Later. A member who received readjustment pay on September 15, 1981 or later, and who subsequently qualifies for retired pay will have the retired pay reduced in accordance with section 0410 until the recovery of the full amount of the readjustment pay.
0404 NONDISABILITY SEVERANCE PAY

040401. General Provisions

Before September 15, 1981, certain provisions of law governing separation from the active list required recoupment of nondisability severance pay upon a member’s retirement. See Table 4-2 for conditions governing recoupment of nondisability severance pay received before September 15, 1981. Members who receive nondisability severance pay on September 15, 1981 or later, and who subsequently qualify for retirement, are subject to recoupment under paragraph 040402.

040402. Recoupment of Nondisability Severance Pay

The DFAS must recoup lump-sum nondisability severance pay by deducting from retired pay each month an amount as specified in section 0410 until the total deducted equals the amount of the nondisability severance pay received.

0405 SEPARATION PAY

040501. General Provisions

Separation pay has replaced readjustment pay and nondisability severance pay for involuntary separation of all members of the active and reserve forces other than those separated for disability. For information on eligibility requirements for separation pay, see Volume 7A, Chapter 35.

040502. Recoupment of Separation Pay

A. A member who received separation pay and who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., will have a monthly installment deducted from payment of such retired or retainer pay. See section 0410.

B. A member who receives separation pay, and who also is eligible for disability compensation from Department of Veteran Affairs (VA), will have an amount, equal to the total amount of separation pay received, deducted by the VA from the disability compensation awarded. The VA will not deduct separation pay from disability compensation if disability is based on service performed after receiving separation pay.

0406 DISABILITY SEVERANCE PAY (DSP)

040601. General Provisions

Upon determination by the Secretary concerned that a member of the Armed Forces is unfit to perform the duties of his office, grade, rank or rating because of physical disability rated less than 30 percent, the department may separate the member with disability severance pay. For information on eligibility requirements for disability severance pay, see Volume 7A, Chapter 35.
040602. Recoupment of DSP

When the Secretary concerned approves a recommendation from the Physical Disability Board of Review (PDBR) to award military disability retirement, the DFAS must take action to recoup any disability severance pay previously paid to that member. Recoupment will be consistent with the parameters established in section 0410, except as noted in paragraph 040603 and subparagraphs 040602.A and B.

A. In most cases, members entitled to disability severance pay will also qualify for the VA disability compensation. In order to avoid duplicate collection, the DFAS will reduce the recovery amount of disability severance pay by any amount already separately recovered by the VA through reduction of the VA disability compensation. In such cases, the amount deducted by the VA from the disability compensation will reduce the gross amount of disability severance pay to be recouped by the DoD.

1. To determine the retroactive entitlement of retired pay that is payable to the member, offset the entire VA disability compensation amount that is awarded (prior to any reduction of such VA disability compensation to offset the collection of disability severance pay) from the total retroactive retired pay entitlement. This will result in an amount of the VA disability compensation plus military retired pay paid to the member that is equal to that which the member would have been entitled to had he/she originally been retired instead of separated.

2. The DFAS will first apply the entire amount of any retroactive retired pay and/or Combat-Related Special Compensation (CRSC) entitlement to any required recoupment of disability severance pay without regard to the percentage limitations specified in section 0410. In determining the retroactive entitlement to retired pay, service members must be treated as though they were retired on the original date of separation, without regard to any disability severance payment received or any reduction in the VA disability compensation to recoup previously paid disability severance pay. In order to determine the amount subject to recoupment, as well as any amount payable to a member, the DFAS will determine the amount of retired pay that would have been available had the member originally been retired instead of separated. The total amount to recoup will be the full gross amount of disability severance pay originally paid to the member.

3. As stated in subparagraph 040602.A, the VA deducts disability severance compensation from any VA compensation for the same disability to which the member or member’s dependents become entitled under any law administered by the VA. There are two exceptions:

a. The VA will make no deduction in the case of disability severance pay received by a member for a disability incurred in the line of duty in a combat zone or incurred during performance of duty in combat-related operations as designated by the Secretary of Defense.
b. The VA will make no deduction from any death compensation to which a member’s dependents become entitled after the member’s death.

B. Members must be promptly notified that future payments of disability retired pay will be subject to reduction until the gross amount of the disability severance pay has been recovered.

*040603. Collection of DSP – Board for Correction of Military Record Cases

The Secretary concerned may change a military record pursuant to the authority at 10 U.S.C. § 1552 in order to award military disability retirement to a member who has previously received DSP. If this occurs, any DSP previously paid to the member must be established as a debt and collected from the member. The DSP amount must first be offset from any military retired pay or CRSC payments due the military retiree as a result of the record correction. If the DSP debt cannot be fully collected from retroactive amounts due, then collection of the remainder of the debt must be made pursuant to the authority under Volume 16.

040604. Survivor Benefit Plan (SBP) Participation

A. Members whose record is corrected to a military disability retirement under the PDBR process, and who were married on the retirement effective date, will receive automatic full spouse coverage under the SBP, unless the member makes an affirmative election on a DoD (DD) DD Form 2656, Data for Payment of Retired Personnel, for less than full spouse coverage within 90 days of being provided a DD Form 2656. If the member elects less than full spouse coverage, including an election not to participate in SBP program or an election for child-only coverage, the election must include a spousal concurrence signed by the person who was the member's spouse on the effective retirement date, as determined by the PDBR, unless such person is deceased. If the member was married on the effective retirement date, but has since divorced that spouse, the member must still submit a concurrence to elect less than full spouse coverage signed by the person who was the member's spouse on the effective retirement date, unless the whereabouts of the member's now former spouse are unknown and the member submits an affidavit verifying that the former spouse's whereabouts are unknown, along with a copy of the parties' divorce decree. The spouse's concurrence on the DD Form 2656 must be signed on or after the date of the member's signature and otherwise conform to an election regarding spouse coverage.

B. A spouse who was married to the member on the effective date of retirement, who was subsequently divorced from the member and who has not signed the spousal concurrence on DD Form 2656, has 1 year from the date of the approved PDBR recommendation authorizing disability retirement to make a deemed former spouse SBP election, provided there is already in effect a court-approved written agreement or court order requiring the member to elect to provide such an annuity to the former spouse.

C. If the member had a former spouse on the effective retirement date, the member may elect former spouse SBP coverage. There is no requirement for spousal concurrence for a former spouse election, although the member’s current spouse should be
provided written notice of the former spouse election. A member who was not married and had no dependent child on the effective date of retirement, who remarryes or acquires a dependent child subsequent to the effective date of retirement, may elect to participate in the SBP. The member has 1 year from either the date of acquiring a spouse or dependent child or the date of the approved PDBR recommendation authorizing disability retirement, whichever is later.

D. If the member had no spouse or dependent child on the effective retirement date and is not otherwise required to provide former spouse coverage, the member may elect to provide an annuity for an insurable interest person if such individual would have been qualified on the effective date of retirement.

E. Monthly SBP premiums for automatic or properly elected coverage must be charged from the effective retirement date, with the exception that no SBP premiums will be due if the member elects not to participate in the SBP program with proper spousal concurrence within 90 days of the PDBR action awarding a disability retirement or 90 days of the date that the member has been provided a DD Form 2656 to elect SBP participation.

F. If a member, who is retired for disability as a result of an approved PDBR action, had previously made a Reserve Component Survivor Benefit Plan (RCSBP) election, that RCSBP election will be considered of no effect if the PDBR action is approved prior to the date that the member would have become eligible for reserve retired pay under 10 U.S.C., Chapter 1223.

0407 VOLUNTARY SEPARATION INCENTIVE (VSI)

040701. General Provisions

Certain members who voluntarily separated before December 31, 2001, received annual payments of VSI based on their grade or rank at separation and number of years of service creditable for retirement purposes. See Volume 7A, Chapter 35 for eligibility requirements.

040702. Beneficiary Payment Procedures

Upon the death of the member, the DFAS Cleveland Site will pay all remaining VSI installments to the designated beneficiaries. The DFAS will distribute VSI installment payments according to the legal order of precedence if there is no valid designation on file and maintained at the DFAS Cleveland Site. See Chapter 23 for more information regarding beneficiary payment procedures.

040703. Recoupment of VSI

A. A member who has received VSI, who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., must have the amount of VSI deducted from each payment of such retired or retainer pay by a monthly installment not to exceed 40 percent of the member’s gross retired pay as specified in paragraph 041004. The gross retired pay amount paid does not include any amounts offset because of the member’s receipt of military compensation.
between the date of separation which caused the VSI to begin and the date that he or she became eligible for receipt of retired pay.

B. In a case in which a member is receiving simultaneous VSI and retired pay, the member may elect to terminate the receipt of VSI. Such election is permanent and irrevocable. Under these circumstances, effective after such election to terminate VSI, the DFAS will reduce the rate of monthly recoupment from retired pay of VSI received in accordance with subparagraph 040703.A. The rate of recoupment will be reduced in accordance with the following formula: Divide the total number of months that would not be paid as a result of the member’s election to terminate the VSI by the number of months that the VSI was scheduled to be paid. Multiply the resulting fraction, which is a percentage rate of reduction, by the percentage in subparagraph 040703.A to compute a percentage that is the proportionate rate of reduction; and, subtract the proportionate rate of reduction from the original rate of reduction in subparagraph 040703.A to determine the reduced rate of recoupment from retired pay.

C. A member who is receiving VSI payments will not be deprived of this incentive by reason of entitlement to disability compensation under the laws administered by the VA, but there will be deducted from VSI payments an amount equal to the amount of any such disability compensation concurrently received. Notwithstanding the preceding sentence, the DFAS will make no deduction from VSI payments for any disability compensation received because of an earlier period of active duty if the member receives VSI because of discharge or release from a later period of active duty.

1. Any reduction in VSI as a result of receipt of the VA disability compensation will reduce the gross amount of VSI paid, as described in subparagraph 040703.A, and will not be recovered through recoupment from retired pay.

2. In a case in which a member is receiving simultaneous VSI and retired pay, the DFAS will reduce the VSI payment by the amount of any VA disability compensation. In addition, the member’s election to waive retired pay, as described under Chapter 12, subparagraph 120101.A.1, will also still apply. Furthermore, the DFAS will reduce the member’s retired pay as described in subparagraph 040703.A.

0408 SPECIAL SEPARATION BENEFIT (SSB)

040801. General Provisions

Under conditions prescribed by the Secretary of the Military Department concerned (or designee), a member who separated voluntarily from a Military Service before December 31, 2001, could elect to receive an SSB.

040802. Recoupment of SSB

If a member who has received an SSB payment later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., the DFAS will recoup the gross amount of SSB received
through a monthly installment from each payment of such retired or retainer pay as specified in section 0410.

0409 VOLUNTARY SEPARATION PAY (VSP)

*040901. General Provisions

Certain members who voluntarily separate between October 17, 2006 and December 31, 2025, may receive a lump-sum VSP in an amount up to four times the full amount of the separation pay a member may receive. See Volume 7A, Chapter 35 for more information on separation pay.

040902. Recoupment of VSP

A. A member who is paid VSP and who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., will have deducted from each payment of such retired or retainer pay a monthly installment specified by the Secretary of the Military Department concerned (or designee). The total amount of retired or retainer pay deductions will equal the total amount paid to the member.

B. The requirement to repay VSP following retirement from the Armed Forces does not apply to an officer who was eligible to retire at the time the officer applied and was accepted for VSP benefits.

C. The Secretary of the Military Department concerned (or designee) may waive the requirement to repay VSP if it is determined that recovery would be against equity and good conscience and would be contrary to the best interests of the United States. Upon approval, the Military Department concerned will forward a copy of all waivers to the Deputy Under Secretary of Defense, Military Personnel Policy.

D. Waivers by the Secretary of the Military Department concerned (or designee) must be determined on a case-by-case basis, which requires identification of the individual member, the amount of debt, and the circumstances of each case. The Principal Deputy Under Secretary of Defense, Personnel and Readiness, will review, in coordination with the DoD Office of General Counsel, any waiver by a Secretary of the Military Department (or designee) that applies to more than one individual. This review process will ensure a consistent consideration of the equities in such cases throughout DoD.

0410 RECOUPMENT OF SEPARATION PAY, NONDISABILITY SEVERANCE PAY, READJUSTMENT PAY, OR DISABILITY SEVERANCE PAY

041001. Members Affected

Service members who received separation pay, nondisability severance pay, readjustment pay, or DSP under any provision of law based on service in the Armed Forces, or a member awarded disability retirement from the PDBR, as described in paragraph 040602, who
subsequently qualify under Titles 10 or 14 of the U.S.C. for retired or retainer pay will have
deducted an amount equal to the total amount of separation pay, nondisability severance pay,
readjustment pay, or DSP, without regard to any withholding for taxes. The DFAS will make such
deductions from each payment of retired or retainer pay until the total amount recouped is equal
to the total amount of separation pay, nondisability severance pay, readjustment pay, or DSP. The
member may authorize a deduction in an amount greater than that required by law.

041002. Veterans Administration (VA) Disability Compensation

A. In some cases, members entitled to disability retired pay will also
qualify for the VA disability compensation. In such cases, the amount deducted to recoup the
separation payment by the VA will reduce the gross amount of separation, severance or
readjustment pay to be recouped by DoD.

B. The DFAS will subtract the gross monthly amount of the VA
disability compensation from the gross monthly amount of the retired pay subject to recoupment.
The DFAS will then use this adjusted gross retired pay in place of gross retired pay for members
with a VA waiver. In cases where the amount of the VA disability compensation award is greater
than military retired pay, recoupment of disability severance pay will be suspended until, when or
if, the amount of gross retired pay exceeds the monthly VA disability compensation except as
provided in paragraph 041003.

041003. Concurrent Receipt Programs

Members who meet all the eligibility criteria for the CRSC program or the Concurrent
Retired and Disability Pay (CRDP) program must have their CRSC or CRDP entitlement
computed based on the full amount of retired pay and the full amount of the applicable VA
disability compensation (i.e., before any reductions for recoupment of separation, nondisability
severance, readjustment pay, or DSP). In other words, the DFAS must compute the CRSC or
CRDP entitlement amount without regard to the recoupment of separation, severance, or
readjustment pay. The DFAS must add the CRSC or CRDP entitlement to the adjusted gross
retired pay remaining after the VA disability compensation offset in determining the amount of
the monthly disability severance pay recoupment and must be, along with the adjusted gross retired
pay, available for reduction.

041004. Recoupment Rates

The maximum rate of recoupment will be no more than an amount equal to 40 percent of
the member’s gross retired pay.

A. The DFAS will re-compute the monthly recoupment rate when there
is an increase in gross or adjusted gross retired pay for cost-of-living adjustments, except when the
member has authorized withholding at a higher monthly rate.

B. The DFAS will make no income tax withholding from retired pay
used for satisfying the recoupment of separation pay, nondisability severance pay, readjustment
pay, or DSP. Neither is such pay included on Internal Revenue Service Form 1099-R, Distribution from Pensions, Annuities, Retirement Profit Sharing Plans, IRAs, Insurance Contracts, nor is it reported as taxable income. The gross taxable income is the difference between the amount of the recoupment and adjusted gross retired pay.

C. The DFAS will provide written notification to members subject to recoupment. The DFAS sends this notice 90 days in advance of the initial collection from the member’s retired pay. The written notification will provide the current outstanding balance and the proposed monthly recoupment amount and explain the options of a more lenient repayment request if the member asserts that the maximum rate of recoupment imposes a financial hardship. See paragraph 041006. The written notification will also explain the requirement for concurrent recoupment of the separation or nondisability severance pay by both the DFAS and the VA.

041005. Exceptions

A. Those members whose recoupment rates were suspended in May 2009, by the direction of the Office of the Under Secretary of Defense (Comptroller) memorandum, dated May 18, 2009, and whose recoupment rates under the previous formula were less than the new maximum percentage will be reinstated at the previously established lower rate.

B. Members may, at their personal discretion, request to increase their recoupment to a rate greater than the maximum, in order to shorten the term of recoupment.

041006. Financial Hardship

A member whose retired pay is subject to recoupment based on paragraph 041001 may, at any time, request a review of the amount recouped based upon materially changed circumstances such as disability, divorce, or illness that results in the imposition of undue financial hardship on the member and the member’s dependents. A member requesting such a review will submit the basis for claiming that the current rate of recoupment results in an undue financial hardship along with supporting documentation. The DFAS will consider any information submitted and make a determination in accordance with the following procedures and standards.

A. A rate of recoupment results in an undue financial hardship for a member and his dependents if the recoupment amount prevents the member from meeting the costs necessarily incurred for essential subsistence expenses of the member and the member’s dependents. These essential subsistence expenses include costs incurred for food, housing, necessary public utilities, clothing, transportation and medical care.

B. In determining whether the recoupment amount prevents the member from meeting the essential subsistence expenses described in subparagraph 041006.A, the DFAS will consider the following:

1. The income from all sources of the member, the member’s spouse, and dependents;
2. Whether these essential subsistence expenses have been minimized to the greatest extent possible; and

3. The extent to which the member and the member’s spouse and dependents have other exceptional expenses that the DFAS should take into account and whether these expenses have been minimized to the greatest extent possible.

C. If there is an undue financial hardship, the DFAS will reduce the recoupment rate based on the member’s financial condition. Any reduction of the recoupment rate will be effective for 1 year. Upon the expiration of 1 year, the recoupment rate will revert back to 40 percent unless the member has reapplied for a reduction in rate and can again demonstrate financial hardship.

D. The DFAS will adjust the rate of recoupment based on the following formula:

1. Subtract the total monthly living expenses from the total monthly income. The result is the net income available for monthly recoupment.

2. The net income available for monthly recoupment will be divided by the gross monthly retired pay to determine the actual recoupment percentage. If the result is 40 percent or greater, the recoupment is limited to 40 percent. A result of 10 percent or less limits the recoupment to 10 percent. The DFAS will apply any factor within the range of 10 to 39 percent as the actual percentage with any fractional portions of a percentage point rounded down to the lower whole percentage point.

Figure 4-1 provides two typical calculation examples.
Figure 4-1. Financial Hardship Calculation Examples

**EXAMPLE A:**

<table>
<thead>
<tr>
<th>Gross Monthly Income:</th>
<th>Actual Monthly Expenses:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired Pay</td>
<td>Rent/Mortgage</td>
</tr>
<tr>
<td>$ 3,000.00</td>
<td>$ 1,500.00</td>
</tr>
<tr>
<td>Other income</td>
<td>Electric</td>
</tr>
<tr>
<td>$ 460.00</td>
<td>$ 80.00</td>
</tr>
<tr>
<td>Spouse's income</td>
<td>Natural Gas</td>
</tr>
<tr>
<td>$ 500.00</td>
<td>$ 125.00</td>
</tr>
<tr>
<td>Total Income</td>
<td>Telephone</td>
</tr>
<tr>
<td>$ 3,960.00</td>
<td>$ 35.00</td>
</tr>
<tr>
<td></td>
<td>Water</td>
</tr>
<tr>
<td></td>
<td>$ 20.00</td>
</tr>
<tr>
<td></td>
<td>Food</td>
</tr>
<tr>
<td></td>
<td>$ 400.00</td>
</tr>
<tr>
<td></td>
<td>Car Payment</td>
</tr>
<tr>
<td></td>
<td>$ 280.00</td>
</tr>
<tr>
<td></td>
<td>Health Care</td>
</tr>
<tr>
<td></td>
<td>$ 500.00</td>
</tr>
<tr>
<td></td>
<td>Total Expenses</td>
</tr>
<tr>
<td></td>
<td>$ 2,940.00</td>
</tr>
</tbody>
</table>

Total Income $ 3,960.00  
Total Expenses $ 2,940.00  
Net Income $ 1,020.00 (Available for recoupment)

Divide the member's Net Income ($1,020.00) by the gross retired pay ($3,000.00) which equals .34 or a recoupment rate of 34%.

**EXAMPLE B:**

<table>
<thead>
<tr>
<th>Gross Monthly Income:</th>
<th>Actual Monthly Expenses:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired Pay</td>
<td>Rent/Mortgage</td>
</tr>
<tr>
<td>$ 2,000.00</td>
<td>$ 800.00</td>
</tr>
<tr>
<td>Spouse's income</td>
<td>Electric</td>
</tr>
<tr>
<td>$ 500.00</td>
<td>$ 80.00</td>
</tr>
<tr>
<td>Total Income</td>
<td>Natural Gas</td>
</tr>
<tr>
<td>$ 2,500.00</td>
<td>$ 125.00</td>
</tr>
<tr>
<td></td>
<td>Telephone</td>
</tr>
<tr>
<td></td>
<td>$ 35.00</td>
</tr>
<tr>
<td></td>
<td>Water</td>
</tr>
<tr>
<td></td>
<td>$ 20.00</td>
</tr>
<tr>
<td></td>
<td>Food</td>
</tr>
<tr>
<td></td>
<td>$ 200.00</td>
</tr>
<tr>
<td></td>
<td>Car Payment</td>
</tr>
<tr>
<td></td>
<td>$ 280.00</td>
</tr>
<tr>
<td></td>
<td>Health Care</td>
</tr>
<tr>
<td></td>
<td>$ 900.00</td>
</tr>
<tr>
<td></td>
<td>Total Expenses</td>
</tr>
<tr>
<td></td>
<td>$ 2,440.00</td>
</tr>
</tbody>
</table>

Total Income $ 2,500.00  
less: Total Expenses $ 2,440.00  
Net Income $ 60.00 (Available for recoupment)

Divide the member's Net Income ($60.00) by the gross retired pay ($2,000.00) which equals .03. In this case, it defers to the minimum recoupment rate of 10% or $200.00 as referenced in subparagraph 041006.D.2.
Table 4-1. Recoupment of Readjustment Pay Received Before September 15, 1981 (Note 1)

<table>
<thead>
<tr>
<th>RULE</th>
<th>If a member was a</th>
<th>and received before September 15, 1981 (note 1)</th>
<th>and later qualifies for retirement</th>
<th>then readjustment pay is</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reserve member (or member of the Army or Air Force without component (temporary))</td>
<td>readjustment payment upon involuntary release after at least 5 years of continuous active service after June 28, 1962</td>
<td>after 20 years of active service (note 2)</td>
<td>recouped immediately upon retirement at the rate of 75 percent of the gross readjustment pay (note 3).</td>
</tr>
<tr>
<td>2</td>
<td>regular Army officer below the grade of O-4</td>
<td>readjustment payment upon involuntary release after at least 5 years of continuous active service because of a reduction in force for the period December 30, 1974 through December 30, 1977</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>temporary officer on active duty and held a Reserve officer status</td>
<td>readjustment payment upon involuntary release after at least 5 years of continuous active service after June 28, 1962</td>
<td>for disability after a period of enlisted service and also qualifies for retirement for 20 years of active service</td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
1. For recoupment of readjustment pay received September 15, 1981, or later, see subparagraph 040302.B.
2. Includes transfer to Fleet Reserve or Fleet Marine Corps Reserve with less than 20 years of active service if otherwise qualified.
3. Payment of readjustment pay before June 28, 1962 is not recouped from retired pay.
Table 4-2. Recoupment of Nondisability Severance Pay Received Before September 15, 1981 (Note)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>If a member was and was discharged and received before September 15, 1981 (note) and later qualifies for then</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>a Regular commissioned Air Force or Army officer because of failure of selection for promotion to grade O-3 or above nondisability severance pay retired pay do not deduct nondisability severance pay.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>because of moral or professional dereliction, or unsatisfactory performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>a Regular commissioned officer of the Navy, Marine Corps, or Coast Guard because of unsatisfactory performance with less than 20 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>because of failure of selection for promotion to grade O-3 or above</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>a Regular warrant officer of any Military Service because of unfitness or unsatisfactory performance of duty and did not reenlist</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>because of failure of selection for promotion and did not reenlist or was not retained on active duty as a regular warrant officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>an officer of the Navy or Marine Corps because found not qualified from causes arising from own misconduct upon reexamination for promotion do not deduct nondisability severance pay.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4-2. Recoupment of Nondisability Severance Pay Received Before September 15, 1981 (Note) (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>If a member was and was discharged and received before September 15, 1981 (note) and later qualifies for nondisability severance pay</td>
<td>retired pay</td>
<td>do not deduct nondisability severance pay.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>a female officer of the Regular Navy or Regular Marine Corps in grade O-3 because she is not on a promotion list and has completed 13 years of active service in the Navy or Marine Corps</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>an ensign in the Navy or a second lieutenant in the Marine Corps because found not professionally qualified upon reexamination for promotion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>a Reserve member of any Military Service without the member’s consent before active duty agreement under 10 U.S.C. § 12311(a) expired</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>a Regular commissioned officer of the Coast Guard because performance is below standard or because of moral or professional dereliction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** For recoupment of nondisability severance pay received September 15, 1981 or later, see paragraph 040402.
CHAPTER 4 – RECOUPEMENT OF SEPARATION PAYMENTS

0402 – DEFINITIONS

040201 Public Law 96-513, section 631, December 12, 1980
10 U.S.C. § 611 note

040202 Public Law 96-513, section 631, December 12, 1980
10 U.S.C. §611 note

040203 10 U.S.C. § 1174

040204 10 U.S.C. § 1212

040205 10 U.S.C. § 1175

040206 10 U.S.C. § 1174a

040207 Public Law 114-328, section 508, December 23, 2016
10 U.S.C. § 1175a(k)

040208 Public Law 102-484, section 4416, October 23, 1992
10 U.S.C. § 1331
10 U.S.C. § 12732

0403 – READJUSTMENT PAY

040301.A 10 U.S.C. § 687(f) (repealed)
Public Law 96-513, section 109, December 12, 1980
10 U.S.C. § 611 note
50 U.S.C. § 1016 (repealed)
43 Comptroller General (Comp Gen) 402

040301.B Public Law 96-513, December 12, 1980
10 U.S.C. § 611 note

040301.C 46 Comp Gen 107
Public Law 96-513, December 12, 1980
10 U.S.C. § 611 note

040301.D Public Law 96-513, section 631, December 12, 1980
10 U.S.C. § 611 note
10 U.S.C. § 1174(h)(1)

040302.A.2 10 U.S.C. § 1452

040302.B 10 U.S.C. § 1174(h)

0404 – NONDISABILITY SEVERANCE PAY

040402 53 Comp Gen 921, id: 923
0405 – SEPARATION PAY

040501 10 U.S.C. § 1174
040502.A Public Law 96-513, section 631, December 12, 1980
  10 U.S.C. § 611 note
040502.B 10 U.S.C. § 1174(h)(2)

0406 – DISABILITY SEVERANCE PAY (DSP)

040601 10 U.S.C. § 1212
Deputy Under Secretary of Defense, Military Personnel Policy ((DUSD (MPP))
Policy Memorandum, August 10, 2010
040602 10 U.S.C. § 1554a(e)(2)
DUSD (MPP) Policy Memorandum, August 10, 2010
040602.A.2 10 U.S.C. § 1413a
  10 U.S.C. § 1554a
DUSD (MPP) Policy Memorandum, August 10, 2010
040602.A.3 10 U.S.C. § 1212(d)(1)
040602.A.3.a 10 U.S.C. § 1212(d)(2)
040603 10 U.S.C. § 1552(a) and (e)
040604 DUSD (MPP) Policy Memorandum, August 10, 2010
040604.F 10 U.S.C., Chapter 1223
DUSD (MPP) Policy Memorandum, August 10, 2010

0407 – VOLUNTARY SEPARATION INCENTIVE (VSI)

040701 10 U.S.C. § 1175(d)(3)
040702 10 U.S.C. § 1175(f)
  10 U.S.C. § 2771(a)
040703.C 10 U.S.C. § 1175(e)(4)
  38 U.S.C. § 5305

0408 – SPECIAL SEPARATION BENEFIT (SSB)

040801 10 U.S.C. § 1174a(g)
  10 U.S.C. § 1174(h)
REFERENCES (Continued)

0409 – VOLUNTARY SEPARATION PAY (VSP)

040901  Public Law 114-328, section 508, December 23, 2016
        10 U.S.C. § 1175a(k)
        Principal Deputy Under Secretary of Defense for
        Personnel and Readiness ((PDUSD) (P&R)) Policy
        Memorandum, April 14, 2008

040902  PDUSD (P&R) Policy Memorandum, April 14, 2008

0410 – RECOUPMENT OF SEPARATION PAY, NONDISABILITY SEVERANCE
        PAY, READJUSTMENT PAY, OR DISABILITY SEVERANCE PAY

041001  10 U.S.C. § 1174(h)(1)
        DUSD (MPP) Policy Memorandum, March 19, 2010

041002  10 U.S.C. § 1174(h)(2)
        DUSD (MPP) Policy Memorandum, March 19, 2010
        Public Law 111-32, section 318, June 24, 2009
        DUSD (MPP) Policy Memorandum, August 17, 2010

041003  DUSD (MPP) Policy Memorandum, March 19, 2010
        OUSD (Compt) Memo, May 18, 2009
        DUSD (MPP) Policy Memorandum, August 17, 2010

041004  DUSD (MPP) Policy Memorandum, March 19, 2010
        Public Law 111-32, section 318, June 24, 2009

041005  DUSD (MPP) Policy Memorandum, March 19, 2010
        DUSD (MPP) Policy Memorandum, August 17, 2010

041006  DUSD (MPP) Policy Memorandum, March 19, 2010
        DUSD (MPP) Policy Memorandum, August 17, 2010

Table 4-1

<table>
<thead>
<tr>
<th>Rule</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10 U.S.C. § 687(f) (repealed)</td>
</tr>
<tr>
<td></td>
<td>Public Law 96-513, section 631, December 12, 1980</td>
</tr>
<tr>
<td></td>
<td>10 U.S.C. § 611 note</td>
</tr>
<tr>
<td>2</td>
<td>10 U.S.C. § 3814a (repealed)</td>
</tr>
<tr>
<td></td>
<td>Public Law 96-513, December 12, 1980</td>
</tr>
<tr>
<td>3</td>
<td>46 Comp Gen 107</td>
</tr>
<tr>
<td></td>
<td>Public Law 96-513, December 12, 1980</td>
</tr>
<tr>
<td>1</td>
<td>43 Comp Gen 402</td>
</tr>
</tbody>
</table>

Table 4-2

<table>
<thead>
<tr>
<th>Rules</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 &amp; 2</td>
<td>10 U.S.C. § 3303 (repealed), 3786 (repealed), 3796 (repealed), 8303, 8786, 8796</td>
</tr>
</tbody>
</table>

4-22
REFERENCES (Continued)

Rules 3 & 4 10 U.S.C. § 6382(c) (repealed), 6383(f), 6384(b) (repealed)

14 U.S.C. § 286

Rules 5 & 6 10 U.S.C. § 564 (repealed), 1166, 1167(b)
Rule 7 10 U.S.C. § 5864
Rule 8 10 U.S.C. § 6401 (repealed)
Rule 9 10 U.S.C. § 6402 (repealed)
Rule 10 10 U.S.C. § 5865
Rule 11 10 U.S.C. § 12312
Rule 12 14 U.S.C. § 327
VOLUME 7B, CHAPTER 5: “EMPLOYMENT”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated December 2018 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Updated hyperlinks, statutes, and formatting in compliance with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>050102</td>
<td>Updated language for “Authoritative Guidance” to comply with new instructions.</td>
<td>Revision</td>
</tr>
</tbody>
</table>
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CHAPTER 5

EMPLOYMENT

0501 GENERAL

050101. Purpose

This chapter addresses employment of personnel who are drawing military retired pay. This includes, but is not limited to foreign government employment, service in military forces of newly democratic nations, conflict-of-interest issues, and convictions of crimes affecting retired pay.

*050102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, 18, 37, and 42. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in reference section at the end of the chapter.

0502 CONFLICT-OF-INTEREST

050201. Statutes

A. Conflict-of-interest statutes are intended to safeguard the integrity of public administration and prevent government officials from using their positions and influence for personal gain.

B. Conflict-of-interest statutes are applicable, in general, to those whose government service has ended, and their purposes are accomplished by:

1. Imposing limitations in some cases upon the employment of former DoD procurement personnel by Defense contractors;

2. Requiring the employment of former DoD procurement personnel by Defense contractors in other instances be reported; or

3. Restricting the activities of former DoD officers and employees in representing or assisting their employers in claims-related matters or becoming personally involved in the process of “selling” to the government.

C. A comprehensive digest of laws, including conflict-of-interest laws applicable to retired military personnel, is set forth in the DoD Regulation 5500.7-R, Joint Ethics Regulation (JER), Chapters 5 and 9, and Appendix A.
Military retired pay may be withheld or forfeited when the employment falls under certain categories of activities prohibited under conflict-of-interest laws.

0503 CONVICTION FOR CRIMES AFFECTING RETIRED PAY

050301. Entitlement

Entitlement to military retired pay is directly affected when a retired member is convicted of violating the law under 5 U.S.C., sections 8311 through 8322.

050302. Violation of Title 5 U.S.C. § 8312

The receipt of military retired pay by the retired member, or receipt of the annuity by the retired member’s survivor or beneficiary is prohibited, subject to certain exceptions described in 5 U.S.C. § 8311(2) or (3):

A. If a retired member is convicted of any crime as described in 5 U.S.C. § 8312(b) after September 1, 1954, payment is prohibited.

B. If a retired member is convicted of any crime as described in 5 U.S.C. § 8312(c) after September 26, 1961, payment is prohibited.

C. If an individual, who was convicted of an offense named by 5 U.S.C. § 8312, or an offense constituting a violation of 5 U.S.C. § 8314 or § 8315, is pardoned by the President, in accordance with 5 U.S.C. § 8318, the right of the individual and his survivor or beneficiary to receive annuity or retired pay previously denied under this paragraph is restored as of the date of the pardon or the effective date of restoration prescribed by the President.

D. After January 6, 1996, the spouse of an individual, whose annuity or retired pay is forfeited under 5 U.S.C. § 8312 or § 8313, may have his or her rights to a spousal survivor benefit plan restored, if the U.S. Attorney General determines that the spouse fully cooperated with the Federal authorities in the conduct of a criminal investigation and subsequent prosecution of the individual which resulted in the forfeiture. In no event will the spousal survivor benefit plan benefits be paid to the spouse before the retired member has passed away.

050303. Convictions Under Other Statutes

A. An individual, or his or her survivor or beneficiary, may not be paid annuity or retired pay on the basis of the service of the individual which is creditable toward the annuity or retired pay, subject to the exceptions in 5 U.S.C. § 8311 (2) and (3), if the individual before, on, or after September 1, 1954:
1. Refuses, or knowingly and willfully fails to appear, testify, or produce documents relating to his or her service as an employee, before a Federal grand jury, U. S. court, court-martial, or congressional committee, in a proceeding concerning:

   a. Past or present relationship with a foreign government; or

   b. A matter involving or relating to a plan or attempt to interfere with or endanger, the national security or defense of the United States, according to 5 U.S.C. § 8314; or

2. Knowingly and willfully makes false, fictitious, or fraudulent statements or representations, concealing material facts concerning his or her past or present membership, affiliation, association with, or support of the Communist Party, chapter, branch, or subdivision, in or outside the United States, or other organization, party, or group advocating:

   a. The overthrow, by force, violence, or other unconstitutional means, of the Government of the United States;

   b. The establishment, by force, violence, or other unconstitutional means, of a Communist totalitarian dictatorship in the United States; or

   c. The right to strike against the United States; as stated in 5 U.S.C. § 8315.

B. The prohibition on payment of annuity or retired pay under subparagraph 050303.A.1, applies to the period after the date of the failure or refusal of the individual, or after September 1, 1954, whichever is later.

C. Fines levied for convictions under other statutes may result in debts to the United States. However, they do not affect a convicted member’s entitlement to receive retired pay.

050304. Repayment of Annuity or Retired Pay Properly Paid; Waiver

An individual, to whom payment of retired pay is denied due to a conviction under 5 U.S.C. §§ 8311 through 8322, is not required to repay amounts received before the date of conviction. Any amounts of retired pay paid in error after the conviction that, but for the conviction, were otherwise proper, may be subject to repayment.

0504 FOREIGN GOVERNMENT EMPLOYMENT

050401. Background

A. Employment of retired members by a foreign government is restricted. The primary restriction is in Article I, section 9, clause 8 of the Constitution of the United States, which reads: “No Title of Nobility shall be granted by the United States: And no Person holding any Office of Profit or Trust under them, shall, without the Consent of Congress, accept any present,
Emolument, Office, or Title, of any kind whatever, from any King, Prince, or foreign State.” The Comptroller General interpreted this to prohibit employment of all retired personnel, including members of the Fleet Reserve or Fleet Marine Corps Reserve, by a foreign government unless congressional consent is granted.

B. The conditions for accepting foreign employment were modified by Public Law *(PL) 95-105, section 509(a)(1) and (2).* The Congress granted consent for retired members to accept employment or compensation from foreign governments if the members obtain the approval of the Secretary of the Military Department concerned (or designee) and the Secretary of State before accepting employment or compensation.

1. The approval by the Secretary of the Military Department concerned (or designee) and Secretary of State for a retired member to accept foreign employment is only effective prospectively from the date the approval is granted and may not be made retroactively to authorize foreign employment and compensation received before approval is granted.

2. The compensation received from the foreign government without approval is considered received by the retired member for the United States. A debt in favor of the government is created which is to be collected by withholding from military retired pay. The debt is an amount equal to the compensation received from the foreign government. When the compensation earned during the period of unauthorized employment exceeds the amount of military retired pay accrued during the same period, only the retired pay amount may be collected.

050402. Legislative History

A. The history of the constitutional provisions under consideration indicates that the condition intended to be avoided is the exercise of undue influence by a foreign government upon retired members of the United States.

B. In determining the existence of an employer-employee relationship between a retired member and a foreign government, or instrumentality thereof, the common law rules of agency are applied to determine whether such instrumentality has the right to control and direct an employee in performance of his or her work and the manner in which the work is done.

C. When determining whether the relationship of employer and employee exists, there are at least five criteria that may be considered:

1. The selection and engagement of the employee;
2. The payments of wages;
3. The power to discharge;
4. The power to control the employee’s conduct; and
5. The relationship of the work to the employer’s business, whether the work is a part of the regular business of the employer.

D. The decisive test to determine the existence of an employer-employee relationship is whether the employer has the right to control and direct the employee in the performance of his or her work and in the manner in which the work is to be done. Additionally, the Comptroller General has ruled that a corporation incorporated in the United States, which maintains a separate identity and appears to be a separate legal entity from its dominant shareholder, does not necessarily become an instrumentality of a foreign government when its principal shareholder is a foreign corporation substantially owned by a foreign government.

050403. Types of Employment

A. Employment by educational or commercial institutions that are owned, operated, or controlled by a foreign government is included within the scope of this restriction.

B. Employment with a foreign government which requires acquisition of foreign citizenship results in forfeiture of entitlement to retired pay. See Chapter 6 for additional information.

C. Employment by international agencies, such as the United Nations, is not prohibited.

050404. Adjustment to Retired Pay

A. Retired pay is withheld in an amount equal to the amount of compensation received from the foreign government. Compensation includes salary, free transportation, household goods shipments at employer’s expense, housing allowances, and gifts. To determine the amount to be withheld from a retired member because of the non-military elements of compensation, the value should be set fairly, considering the actual value or estimates of the compensation received. A gift of more than minimal value is deemed to have been accepted on behalf of the United States. It is deposited by the donee for use and disposal as property of the United States.

B. Amounts of retired pay withheld from members of the uniformed services who accept foreign employment without congressional consent, as required by the United States Constitution, should be treated as though the retired member has no entitlement to them and should not be “held in trust” for them pending possible future congressional consent to their receipt.

0505 SERVICE IN MILITARY FORCE OF NEWLY DEMOCRATIC NATIONS

050501. Determination of Newly Democratic Nation

The Secretary of the Military Department concerned (or designee) and the Secretary of State jointly determine whether a nation is a newly democratic nation.
050502. Consent of Congress

A. Consent. Congress consents to a retired member of the uniformed services accepting:

1. Employment by, or holding an office or position in, the military forces of a newly democratic nation; and

2. Compensation associated with such employment, office, or position.

B. Approval Required. The consent provided for a member of the uniformed services to accept employment or hold an office or position applies to a retired member only if the Secretary of the Military Department concerned (or designee) and the Secretary of State jointly approve the employment or the holding of such office or position.

050503. Continued Entitlement to Retired Pay and Benefits

The eligibility of retired members to receive retired or retainer pay and other benefits, arising from the retired member’s status as a retired member of the uniformed services, may not be terminated by reason of employment or holding of an office or position consented to in paragraph 050502. The eligibility of such retired member’s dependents to benefits may not be terminated based on the retired member’s status consented to in this section.
REFERENCES

CHAPTER 5 – EMPLOYMENT

0502 – CONFLICT-OF-INTEREST

050201.A 39 Comptroller General Decision (Comp Gen) 366, B-140581, November 9, 1959
PL 104-106, section 4304(b)(3), February 10, 1996
PL 100-180, December 6, 1987
PL 103-335, section 5001, October 13, 1994

050201.B DoD Regulation 5500.07-R, August 1993

0503 – CONVICTION OF CRIMES AFFECTING RETIRED PAY

050302 5 U.S.C. §§ 8311 - 8322
18 U.S.C. §§ 2151 - 2156
42 U.S.C. §§ 2272 - 2276

050303 5 U.S.C. §§ 8311 - 8318
10 U.S.C. § 1450

050304 5 U.S.C. § 8317

0504 – FOREIGN GOVERNMENT EMPLOYMENT

050401.B.2 58 Comp Gen 487, B-193562, December 4, 1979
69 Comp Gen 220, B-220860, February 2, 1990

050402.A 53 Comp Gen 750, B-180419, April 8, 1974

050402.C Maloof v. United States,
242 F. Supplement 175, 181 (1965)

050402.D 41 Comp Gen 715, B-147777, May 1, 1962
44 Comp Gen 130, B-154213, September 11, 1964
53 Comp Gen 750, B-180419, April 8, 1974
62 Comp Gen 432, B-210346, June 2, 1983

050403.A Comp Gen, B-152844, December 12, 1963

050404 5 U.S.C. § 7342
Comp Gen, B-178538, October 13, 1977

050404.B 58 Comp Gen 487, B-193562, December 4, 1979

0505 – SERVICE IN MILITARY FORCE OF NEWLY DEMOCRATIC NATIONS

10 U.S.C. § 1060
VOLUME 7B, CHAPTER 6: “FOREIGN CITIZENSHIP AFTER RETIREMENT”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated March 2019 is archived.

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<tr>
<td>060103</td>
<td>Updated language for “Authoritative Guidance” to comply with new instructions.</td>
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FOREIGN CITIZENSHIP AFTER RETIREMENT

0601 GENERAL

060101. Overview

The right to retired pay based on years of active service or disability for Regular or Reserve officers and Regular enlisted personnel, is generally contingent upon the continuation of their military status.

A. Article I, section 9, clause 8 of the Constitution of the United States prohibits any person "holding any Office of Profit or Trust" under the United States from accepting any present, emolument, office or title, "of any kind whatever," from a foreign government without the consent of Congress. This provision prohibits employment by a foreign government of retired personnel with a continuing military status, including Fleet Reserve or Fleet Marine Corps Reserve, unless prior congressional consent is granted. Without prior congressional consent, it also subjects such persons to withholding of their retired pay in an amount equal to the amounts received from the foreign government. This constitutional provision also considers retired regular officer and enlisted members of regular components to hold an office under the U.S. military.

B. While receiving retired pay, a retired member remains subject to rules, regulations, and recall to active duty as required. A retired member of the armed forces who becomes a citizen of a foreign country by naturalization and who voluntarily renounces his or her U.S. citizenship loses the right to retired pay when entitlement to the retired pay depends upon the retiree’s continued military status.

C. The effect of a retired member’s loss of U.S. citizenship upon payment of retired pay must be determined by reviewing each case according to individual circumstances, governing laws, and regulations.

060102. Purpose

The purpose of this chapter is to provide guidance to retired members who have lost their citizenship, have dual citizenship, or who are retired alien enlisted members living in foreign countries.

*060103. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 8, 10, 18, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.
0602 FOREIGN RESIDENCE

A citizen of the United States may live outside the United States indefinitely without losing U.S. citizenship.

0603 LOSS OF U.S. CITIZENSHIP

060301. Loss of Citizenship

Generally, loss of U.S. citizenship requires a measure of voluntary positive action. A retired member cannot renounce U.S. citizenship on behalf of their minor child(ren) (see subparagraphs 060301.E and F). After having attained age 18 years or older, a person who is a citizen of the United States loses that citizenship by voluntarily taking one of the following actions with the intention of relinquishing U.S. citizenship:

A. Obtaining citizenship in a foreign state upon the retired member’s application or upon an application filed on his or her behalf by a duly authorized agent;

B. Taking an oath or making an affirmation or other formal declaration of allegiance to a foreign state or a political subdivision thereof;

C. Entering, or serving in, the armed forces of a foreign state if:
   1. Such armed forces are engaged in hostilities against the United States, or
   2. Such persons serve as a commissioned or non-commissioned officer;

D. Accepting, serving in, or performing the duties of any office, post, or employment under the government of a foreign state or a political subdivision thereof if:
   1. The retired member has or acquires the nationality of such foreign state, or
   2. The acceptance of the office, post, or employment requires the retired member to take an oath, affirmation, or declaration of allegiance thereof;

E. Making a formal renunciation of nationality before a diplomatic or consular officer of the United States in a foreign state, in such form as may be prescribed by the Secretary of State;

F. Making a formal written renunciation of nationality in such form as may be prescribed by, and before such officer as may be designated by, the Attorney General, whenever the United States is in a state of war and the Attorney General approves such renunciation as not contrary to the interests of national defense; or
G. Committing any act of treason against, or attempting by force to overthrow, or bearing arms against, the United States, violating or conspiring to violate any of the provisions of Title 18, United States Code (U.S.C.), section 2383, or willfully performing any act in violation of 18 U.S.C. § 2385, or violating 18 U.S.C. § 2384, by engaging in a conspiracy to overthrow, put down, or to destroy by force the Government of the United States, or to levy war against them, if and when convicted thereof by a court martial or by a court of competent jurisdiction.

060302. Loss of Citizenship at Issue

If the loss of U.S. citizenship is put at issue in any action or proceeding commenced on or after September 26, 1961, the burden of proof is upon the person or party stating the claim. Any person who has renounced his or her citizenship or performs any act of expatriation under the provisions of this section or any other Act, is presumed to have done so voluntarily unless it can be proven otherwise by a preponderance of the evidence.

060303. Comptroller General (Comp Gen) Decisions on Loss of Citizenship

See Table 6-1 for decisions of the Comptroller General pertaining to loss of U.S. citizenship upon acquisition of foreign citizenship.

0604 CONDITIONS NOT SUBJECT TO LOSS OF U.S. CITIZENSHIP AND/OR LOSS OF ENTITLEMENT TO RETIRED PAY

060401. Retired Pay for Non-regular Service

Retired pay benefits authorized for non-regular members of the uniformed services in 10 U.S.C., Chapter 1223 are viewed as a pension and entitlement to retired pay under 10 U.S.C. § 12731 is not dependent on the continuation of military status.

A. A military member entitled to receive retired pay under 10 U.S.C. § 12731(a)(1), who acquires foreign citizenship and/or status in a foreign military service prior to becoming eligible to receive retired pay does not lose entitlement to retired pay at the age of eligibility. See Chapter 1, for information regarding entitlements to retired pay under 10 U.S.C. § 12731.

B. A retired member who receives retired pay, pursuant to 10 U.S.C. § 12731, is not required to forfeit such pay upon becoming a citizen of a foreign country. Further, if the retiree enters the armed forces of the foreign country, then the retiree’s entitlement to retired pay continues if:

1. The foreign country is not one that is engaged in hostile military operations against the United States, or

2. The retired member is not serving as a commissioned or non-commissioned officer of the foreign services.
C. A right to retirement pay for non-regular members retired for disability under the provisions of the Act of August 27, 1940 is not conditioned on their remaining in military service. Therefore, these non-regular members are entitled to retirement pay without regard to whether they remain citizens of the United States, since that retired pay is viewed in the nature of a pension.

060402. Retired Alien Enlisted of the Armed Forces

A retired alien enlisted member of a Regular Component of the armed forces who lives in a foreign country does not lose the right to retired pay in the absence of some provision of law or regulation affecting the member’s right in such circumstances.

0605 DUAL CITIZENSHIP AND/OR SERVICE IN THE ARMED FORCES OF A FOREIGN COUNTRY

060501. Dual Citizenship

A retired member of a Regular Component, who resides in a foreign country and acquires foreign citizenship by operation of that country’s law, and who does not relinquish U.S. citizenship is considered to have dual citizenship. Dual citizenship alone does not require a member to lose entitlement to retired pay.

060502. Service in the Armed Forces of a Foreign Country

A. Service in the military force of a foreign country by a retired member of the Regular Component is inconsistent with the obligations of a regular retired status, as well as being prohibited without congressional consent under article I, section 9, clause 8 of the Constitution. Conditional congressional consent to accept foreign government “civil employment” granted by 37 U.S.C. § 908 does not apply to foreign military service.

B. Retired pay must be discontinued when a retired member becomes a member of a foreign military service without legislation indicating congressional consent. The eligibility of a retired member to receive retired or retainer pay and other benefits arising from the retired member's status as a retired member of the uniformed services, and the eligibility of dependents of the retired member to receive benefits based on the retiree’s status, may not be terminated by reason of employment or holding of an office or position consented to by Congress. See Chapter 5, for provisions regarding service in military forces of newly democratic nations.
Table 6-1. Comp Gen Decisions—Foreign Citizenship

<table>
<thead>
<tr>
<th>Decision Number</th>
<th>Synopsis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 37 Comp Gen 207</td>
<td>The right of a retired member of Regular Navy to receive retired pay is contingent upon continuation of a status in the Regular Navy and loss of U.S. citizenship by a member is inconsistent with continuation of military status. Therefore, the right to retired pay terminates if a member of the Regular Navy becomes a citizen of a foreign country.</td>
</tr>
</tbody>
</table>
| 2. 41 Comp Gen 715 | a. Retired Reserve officers, receiving retired pay under laws other than 10 U.S.C. § 12731, who lose U.S. citizenship by acquiring foreign citizenship are no longer eligible for involuntary recall to active duty in times of war or national emergency, and the acquisition of foreign nationality would be inconsistent with the oath prescribed for Reserve officers to support and defend the Constitution of the United States. Therefore, in the absence of any law authorizing continuation of an officer’s membership in a Reserve organization after the officer becomes a citizen of a foreign country, payment of retired pay may not be approved.  
  b. A Reserve officer may not terminate retired status through resignation or other means, then acquire foreign citizenship and continue to receive retired pay.  
  c. Retired enlisted members of the Regular Components remain a part of the armed forces, and their right to retired or retirement pay is dependent on continuation of their military status. |
| 3. 44 Comp Gen 51 | a. A retired enlisted member of a Regular Component of the armed forces who loses U.S. citizenship when the retired member acquires citizenship in a foreign country has taken a voluntary action so inconsistent with the oath of allegiance to the United States and status as a member of the armed forces to warrant termination of retired pay.  
  b. U.S. citizenship is not a prerequisite to receipt of retired pay; however, if a citizen of the United States by birth acquires foreign citizenship, then his or her retired pay may be terminated |
| 4. 44 Comp Gen 227 | A retired member who voluntarily loses U.S. citizenship by becoming a citizen of a foreign country is regarded as having taken a voluntary action inconsistent with an oath of allegiance to the United States to warrant termination of retired pay. |
| 5. 48 Comp Gen 699 | Retired pay benefits authorized non-Regular service members under 10 U.S.C. § 12731, viewed as a pension, are not dependent on continuation of military status. Member acquiring foreign citizenship and/or status in a foreign military service before age 60 does not lose entitlement to retired pay at age 60. Neither is retired pay forfeited upon becoming a citizen of a foreign country, and/or entry in the armed forces of a foreign country, provided that country is not one engaged in hostile military operations against the United States. |
| 6. 50 Comp Gen 269 | Payment of retired pay to an alien who chooses to live outside the United States after retirement would not constitute a bar to the receipt of retired pay in the absence of some provision of law or regulation affecting retiree’s right in such circumstances. |
| 7. Manuscript (MS) Comp Gen B-144694, February 14, 1961 | An enlisted member of the Regular Air Force: An alien who had met the statutory requirement for enlistment by filing a legal intention to become a citizen of the United States when retired is entitled to receive retired pay. In the absence of a provision of law barring the payment of retired pay to an alien or indicating the lack of citizenship is consistent with status as a retired member of the Regular Air Force, it would appear that so long as member’s allegiance status remains unchanged after retirement, the fact that the retired member chooses to live outside the United States after retirement would not in and of itself constitute a bar to the receipt of retired pay. |
| 8. MS Comp Gen B-157646, October 5, 1965 | A naturalized citizen retired for disability under 10 U.S.C. § 1201, who returned to the country of birth and resumes former nationality because of employment, loses retired status. Member receives retired pay, as distinguished from a grant of retirement pay, and upon transfer to the retired Reserve is subject to recall to active duty. |
Table 6-1. Comp Gen Decisions—Foreign Citizenship (Continued)

<table>
<thead>
<tr>
<th>Decision Number</th>
<th>Synopsis</th>
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| 9. 58 Comp Gen 566 | a. A retired Regular Army officer residing in Israel acquired Israeli citizenship by operation of Israeli law, but also remains a U.S. citizen. While the loss of U.S. citizenship is inconsistent with status as a retired Regular officer and thus results in loss of status as an officer and loss of entitlement to retired pay, dual Israeli/U.S. citizenship alone does not require loss of entitlement to retired pay.  
   b. A retired Regular Army officer residing in Israel who has dual Israeli/U.S. citizenship is subject to service in the Israel Defense Forces, the Israeli armed force. Such service in a foreign armed force by a retired Regular officer appears inherently inconsistent with the position as a Regular Army officer, as well as being prohibited (without congressional consent) by Article I, section 9, clause 8 of the Constitution of the United States. Thus, service in the foreign armed force would make the status as a retired Army officer very doubtful. Retired pay may not be paid without authorizing legislation. |
| 10. MS Comp Gen B-212481, February 2, 1984 | A retired member of the armed forces who becomes a citizen of a foreign country by naturalization and who voluntarily renounces U.S. citizenship, loses the right to retired pay since entitlement to retired pay depends upon the continuation of the individual’s status as a retired member of the military service available for service as required, and that status is incompatible with renunciation of U.S. citizenship. Such a person, however, who elected to participate in the Survivor Benefit Plan and from whose retired pay the required deductions were being made for coverage under the plan when U.S. citizenship is renounced, may continue coverage under the plan by making the required payments into the Treasury. |
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CHAPTER 06 – FOREIGN CITIZENSHIP AFTER RETIREMENT

0601 – General

060101.A  Comp Gen (B-212481) February 2, 1984
58 Comp Gen 487 (B-193562) May 3, 1979
65 Comp Gen 382 (B-220860) March 10, 1986
40 Comp Gen 541 (B-120533) March 23, 1961

060101.B  37 Comp Gen 207 (B-132458) September 24, 1957
41 Comp Gen 715 (B-147777) May 1, 1962

060101.C  Comp Gen (B-159945) January 30, 1957
United States v. Tyler, 105 U.S. 244 (1882)
MS Comp Gen (B-157646) October 5, 1965
48 Comp Gen 699 (B-166142) April 24, 1969

0602 – Foreign Residence

United States v. Gay, 264 U.S. 353 (1924)
Schneider v. Rusk, 377 U.S. 163 (1964)

0603 – Loss of U.S. Citizenship

060301  8 U.S.C. § 1481(a)
18 U.S.C. §§ 2383, 2384, and 2385
Comp Gen (B-212481) February 2, 1984

060302  8 U.S.C. § 1481(b)

0604 – Conditions Not Subjected to Loss of U.S. Citizenship and/or Loss of Entitlement to Retired Pay

060401  48 Comp Gen 699 (B-166142) April 24, 1969
10 U.S.C., Chapter 1223
10 U.S.C. § 12731
37 Comp Gen 207 (B-132458) September 24, 1957

060402  44 Comp Gen 51 (B-154218) August 4, 1964
MS Comp Gen (B-144694) February 14, 1961

0605 – Dual Citizenship and/or Service in the Armed Forces of a Foreign Country

060502  37 U.S.C. § 908
VOLUME 7B, CHAPTER 7: “ACTIVE/RESERVE DUTY AFTER RETIREMENT”

SUMMARY OF MAJOR CHANGES

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</tr>
<tr>
<td>070303.C</td>
<td>Updated information to reflect “Revised Retired Pay Multiplier” based on the member’s applicable retirement system.</td>
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<tr>
<td>070501</td>
<td>Added information for clarification.</td>
<td>Addition</td>
</tr>
<tr>
<td>070502</td>
<td>Added information for clarification.</td>
<td>Addition</td>
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<td>Revision</td>
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CHAPTER 7

ACTIVE/RESERVE DUTY AFTER RETIREMENT

0701  GENERAL

070101. Purpose

The purpose of this chapter is to provide information for retired members who subsequently perform additional active/reserve duty and their entitlement to retired or retainer pay recomputation.

*070102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Title 10. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

0702  ENTITLEMENT AND ELIGIBILITY

070201. Entitlement to Recomputation of Retired Pay

A member of the Armed Forces who has become entitled to retired or retainer pay, and later serves on active duty (other than for training) is entitled to have retired or retainer pay recomputed upon his release from active duty to take into account any additional service. A retiree or member eligible for retired pay who serves in an active status in the Selected Reserve may be entitled to recomputation of their Reserve (non-regular) pay, if certain criteria described in paragraph 070202 or 070203 are met. The term "active duty" is defined under 10 U.S.C., section 101(d)(1) to mean “full-time duty in the active military service of the United States. Such term includes full-time training duty, annual training duty, and attendance, while in the active military service, at a school designated as a service school by law or by the Secretary of the military department concerned. Such term does not include full-time National Guard duty.” As used here, it does not include training.

070202. Active Reserve (Non-Regular) Service After Regular Retirement or Eligibility for Regular Retirement

A member who served in an active status in the Selected Reserve of the Ready Reserve after becoming eligible for regular retired or retainer pay based on years of service, without regard to whether the member actually retired or received retired or retainer pay for regular service, may apply for Reserve (non-regular) retired pay if the member:

A. Has attained the Reserve (non-regular) pay eligibility age of 60 years or such other reduced eligibility age as provided for in 10 U.S.C. §12731(f);
B. Has performed at least 20 years of service for a Reserve (non-regular) retirement; and

C. After October 28, 2009, has completed two or more years of satisfactory service, as determined by the Secretary concerned, in an active status (excluding any period of active duty service) subsequent to the date upon which he or she previously became eligible for regular retired or retainer pay. The term "active status" means the status of a member of a reserve component who is not in the inactive Army National Guard or inactive Air National Guard, on an inactive status list, or in the Retired Reserve. See 10 U.S.C. § 101(d)(4). A member who was eligible for regular retired or retainer pay on or before October 27, 2009, whose service was determined to be satisfactory by the Secretary concerned, is not subject to the 2-year service requirement. See paragraph 070204 for exceptions to the 2-year requirement subsequent to the date upon which he or she previously became eligible for regular retired or retainer pay.

070203. Active Reserve Service After Reserve (Non-regular) Retirement

The following subparagraphs address members of the Retired Reserve recalled to an active status in the Selected Reserve:

A. A member of the Retired Reserve serving in an active status in the Selected Reserve on October 28, 2009, or who thereafter serves in an active status in the Selected Reserve is entitled to recomputation of Reserve (non-regular) pay if the member serves in such status for not less than 2 years; or

B. A commissioned officer of the Retired Reserve who is recalled to an active status under 10 U.S.C. § 10145(d) and completes not less than 2 years of service in such active status is entitled to an adjustment in the retired grade, subject to service requirements.

070204. Exception to 2-Year Active Status Service

The Secretary concerned may reduce the minimum 2-year service requirement specified in subparagraph 070202.C and paragraph 070203 in the case of an officer of the National Guard who:

A. Completes at least 1 year of service in a position of adjutant general or assistant adjutant general; and

B. Fails to complete the minimum 2 years of service solely because the appointment of the person to such position was terminated or vacated as provided by:

1. The laws of the State of whose National Guard he or she is a member; or

2. The laws of the Commonwealth of Puerto Rico, or the District of Columbia, Guam, or the Virgin Islands, of whose National Guard he or she is a member.
0703 RECOMPUTATION FOR ACTIVE DUTY SERVICE OR ACTIVE STATUS IN THE SELECTED RESERVE AFTER RETIREMENT

070301. Basic Recomputation Formula

A retired member who subsequently serves on active duty is generally entitled, after completion of that active duty, to retired pay recomputed by multiplying a revised retired or retainer pay base by a revised retired pay multiplier.

070302. Revised Retired or Retainer Pay Base

The retired or retainer pay base for a recomputation of retired pay differs depending on the date the member first became a member of the uniformed services and whether the recomputation is for subsequent service in the Selected Reserve or subsequent active duty in a Regular Component.

A. Service in an Active Status in the Selected Reserve. A member, who after retirement or eligibility for retired or retainer pay serves in an active status in the Selected Reserve, subject to paragraph 070202 or 070203, is entitled to recomputed retired pay using the retired pay base.

1. Before September 8, 1980. If the member first became a member of the uniformed service before September 8, 1980, the retired pay base is the monthly basic pay determined at the rates applicable on the date the member completes the qualifying active Reserve service.

2. After September 7, 1980. If the member first became a member of the uniformed service after September 7, 1980, the retired pay base used is the average of the member’s high-36 months (whether or not consecutive) out of all the months before the member became entitled to retired pay by reason of election of retired pay under the provisions of this paragraph.

B. Service on Active Duty. A member entitled to retired or retainer pay, who subsequently serves on active duty, other than for training, is entitled to recomputed retired or retainer pay using the retired pay base.

1. Before September 8, 1980. For a member who first became a member of the uniformed service before September 8, 1980, the revised retired or retainer pay base is the monthly basic pay of the grade determined as follows. If the member served:

   a. Less than 2 continuous years on subsequent active duty, the member’s revised retired or retainer pay base is the rate of basic pay under which the member's previous retired or retainer pay was computed upon entrance to subsequent active duty; increased by any applicable cost-of-living adjustment (COLA) issued during that period of active duty; or
b. At least 2 or more continuous years on subsequent active duty, the member’s revised retired or retainer pay base is the appropriate rate of basic pay of the grade and years of service to which eligible if retired (or transferred to the Fleet Reserve (FR) or Fleet Marine Corps Reserve (FMCR)) upon release from this period of active duty. The revised retired or retainer pay base is computed using the pay tables in effect immediately prior to the tables under which the member was paid during the period of that active duty, increased by any applicable COLA issued during this period of active duty. In the rare case when a member serves for two or more continuous years of subsequent active duty under the same pay table and that table is in effect at the time of reversion to retired status, use the appropriate basic pay from that table.

2. **After September 7, 1980.** For a member who first became a member of the uniformed service after September 7, 1980, the revised retired or retainer pay base is the high-36 month average of all service, including subsequent active duty, as though retiring or transferring to the FR or the FMCR for the first time.

3. **Optional Pay Base.** A retired member entitled to recomputation of retired pay (for other than disability) after subsequent active duty, may elect to substitute the retired pay base in use upon entry to such active duty which is increased by any applicable COLA issued during the period of the subsequent active duty.

*070303. Revised Retired Pay Multiplier*

A. The years of service for determining the revised retired or retainer pay multiplier are those already credited in computing the original retired or retainer pay, plus all years of active service after having become entitled to retired or retainer pay.

1. Increase the years of service as follows:

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<thead>
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<th>Event</th>
<th>Year</th>
<th>Month</th>
<th>Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date released from active duty</td>
<td>2014</td>
<td>05</td>
<td>28</td>
</tr>
<tr>
<td>Date recalled to active duty</td>
<td>2011</td>
<td>09</td>
<td>09</td>
</tr>
<tr>
<td>Additional time on active duty</td>
<td>02</td>
<td>08</td>
<td>19 + 1</td>
</tr>
<tr>
<td>(1 day added for inclusive dates)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service credited upon retirement</td>
<td>22</td>
<td>06</td>
<td>03</td>
</tr>
<tr>
<td>Plus additional active duty</td>
<td>02</td>
<td>08</td>
<td>20</td>
</tr>
<tr>
<td>Service credited for recomputation</td>
<td>25</td>
<td>02</td>
<td>23</td>
</tr>
</tbody>
</table>

2. After computing, convert to years and fraction of years by crediting each full month of service that is in addition to the number of full years of service creditable to the member as one-twelfth of a year and disregard any remaining fractional part of a month.

B. A member described in paragraph 070301 will have the years of service computed in accordance with **10 U.S.C., Chapter 1223**, pertaining to Reserve (non-regular) retirement.
C. The percentage to apply to the years of service for determining the revised or retainer pay multiplier is determined by the member’s applicable retirement system. For members who first entered service on or before December 31, 2017, and who did not opt to enroll in the Blended Retirement System (BRS), the retired pay multiplier is 2.5 percent for each year of service. However, such a member who accepted the post July 31, 1986, reduced retirement (REDUX) and Career Status Bonus (CSB) remains subject to a 1 percent reduction in the final multiplier for each year less than 30 years of service. This reduction to the final multiplier will be decreased as a result of the additional active service credited. For members who first entered service on or after January 1, 2018, or who opted to enroll in the BRS, the retired pay multiplier is 2.0 percent for each year of service.

070304. Special Considerations for Recomputation

The following subparagraphs address special considerations for recomputation of retired pay for members who first became a member of the uniformed services before September 8, 1980 (Final Pay Members).

A. A retiree advanced in grade on the retired list while serving on active duty after retirement may decline advancement to the higher grade upon release from active duty if advancement results in a reduction in retired pay entitlement. The retiree is entitled to recomputation using either:

1. The higher grade based on the basic pay rates applicable at the time of retirement increased by the applicable COLA in that pay (see Chapter 8); or

2. The grade held before advancement based on the basic pay rates replaced by those in effect upon release from active duty if active duty after retirement was for a continuous period of at least 2 years.

B. It is not mandatory that a retiree be advanced on the retired list. Once advanced, the retiree has retired pay rights determined under the section governing such advancement.

C. A retired officer recalled to active duty (other than for training) in the grade held on the retired list, under any law that authorized advancement on the retired list based on a special commendation for the performance of duty in actual combat, may have retired pay recomputed upon release from active duty based on that grade as prescribed in Table 7-1, rule 1 and on the basis of the rate:

1. In effect upon release from active duty if the retiree received these rates for a continuous period of at least 3 years; or

2. Replaced by those in effect upon release from active duty if the retiree did not receive the current rates for a continuous period of at least 3 years.
D. A retiree recalled to active duty after retirement and promoted in grade while on active duty may elect, upon release from that active duty, to have retired pay recomputed based on either:

1. The higher grade to which promoted in which the retiree served satisfactorily, if the member met service time-in grade requirements; or

2. The lower grade held at initial retirement.

E. A retiree recalled to active duty after retirement and demoted in grade while on active duty may elect, upon release from that active duty, to have retired pay recomputed based on either:

1. The grade to which demoted; or

2. The retired pay to which entitled in the grade held at initial retirement; increased by the applicable COLA.

070305. Special Considerations for Disability Retirees

A. A member who reverts to retired pay after active duty with a new or aggravated physical disability rated at 30 percent or more may elect to receive:

1. The retired pay to which they became entitled when previously retired, increased by any applicable subsequent COLA; or

2. Retired pay recomputed using a revised pay base and revised retired pay multiplier. The revised pay base for a member under high-36 rules is described in subparagraph 070302.A. The revised pay base for a member under final pay rules is the highest monthly basic pay received while on active duty after retirement or after the date when placed on the Temporary Disability Retired List (TDRL). The revised retired pay multiplier is as the member elects either 2.5 percent for each year of service creditable for a disability retirement or the highest percentage of disability, not to exceed 75 percent, attained while on active duty after retirement or after the date when placed on the TDRL.

B. A member who was retired for physical disability or whose name is on the TDRL who reverts to the retired list after subsequent active duty, but who did not incur a new or aggravate any existing physical disability while on the subsequent active duty, may elect to receive either:

1. Retired pay to which they became entitled when previously retired, increased by any applicable COLA; or

2. Retired pay as computed for a non-disability reversion under the provisions of paragraphs 070302 and 070303.
C. A member who retired or became eligible to retire due to a physical disability on the Permanent Disability Retired List, or TDRL, on or before January 7, 2011, may not have a retired pay multiplier in excess of 75 percent. A member who first becomes eligible to retire or retires for a physical disability on or after January 8, 2011, will not have their multiplier reduced if it is in excess of 75 percent.

D. A member placed on the TDRL may not have a retired pay multiplier less than 50 percent.

0704 COST-OF-LIVING ADJUSTMENT (COLA)

070401. Application of COLA Increases

Apply the COLA increases to recomputed retired pay in the same manner as for initial retirement. The first COLA after reversion to retired pay following a period of active duty may be a partial COLA depending upon the reversion date. When the recomputed retired pay is based on the original retired pay or the original retired pay base, apply all COLA increases from the date of initial retirement. See Figure 7-1 for application of the COLA increases to recompute retired pay. Chapter 8 contains the annual COLA rates.

070402. Compare Basic Pay Rates to Tower Amendment Provisions

The Tower Amendment authorizes the use of the basic pay rates in effect on the day before the effective date of the rates of monthly basic pay on which the member’s retired pay would otherwise be based. See the provisions in Chapter 3, regarding the Tower Amendment to determine if basic pay rates authorized under that provision afford greater retired pay entitlement than those computed under this chapter.

0705 HEROISM PAY

*070501. Extraordinary Heroism

An enlisted member who has been credited by the Secretary concerned with extraordinary heroism in the line of duty during any period of active service in the armed forces and who is entitled to recomputation of retired pay based on subsequent active duty will have the recomputation of retired pay increased by 10 percent, subject to the limits listed in Chapter 1.

*070502. Extraordinary Heroism and the Retired Pay Multiplier

The addition of heroism pay is limited to certain maximum retired or retainer pay percentages. For details on heroism pay refer to Chapter 1.
0706 RETIRED PAY AND ACTIVE SERVICE

A retired member who elects to receive compensation for periods of active duty or inactive duty training must waive 1 day of retired pay for each calendar day while serving on active duty, inactive duty training, or in an active Reserve status. See Chapter 12.
### Figure 7-1. Recomputation After Recall to Active Duty

#### Examples of Retired Pay Recomputation After Recall to Active Duty

1. **Final Basic Pay Method**

   **E-7 retired 8/1/2006 with exactly 27 years of service**

<table>
<thead>
<tr>
<th>Retired Pay Entitlement</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4,113.60 (E-7 over 26/2006 pay rates)</td>
<td>X 67.5% (27 years X 2.5%)</td>
<td>$2,776.00 (initial retired pay)</td>
</tr>
</tbody>
</table>

   **Recalled to active duty 6/1/2008 and released 5/31/2010**

   **Pay Recomputation:**

   - **10 U.S.C. § 1402(a)** E-7 with 29 years (Notes 1, 2, and 5)
     
     $4,521.00 (E-7 over 28/2009 pay rates (Note 2))
     
     X 72.5% (29 years X 2.5%) = $3,277.00 (recomputed retired pay)

   - **10 U.S.C. § 1402(e)** E-7 with 29 years (Notes 2, 3, and 5)
     
     $4,113.60 (E-7 over 28/2006 pay rates)
     
     X 72.5% (29 years X 2.5%) = $2,982.00

   | 12/2006 COLA 2.8% | $3,065.00 (2.8% X $2982.00 = $3,065.50) (partial COLA) |
   | 12/2007 COLA 2.3% | $3,135.00 (2.3% X $3065.00 = $3,135.50) |
   | 12/2008 COLA 5.8% | $3,316.00 (5.8% X $3135.00 = $3,316.83) |
   | 12/2009 COLA 0.0% | $3,316.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008) |

   **Saved Pay (Notes 2, 4, and 5)**

   | 12/2006 COLA 2.8% | $2,776.00 (initial retired pay) |
   | 12/2007 COLA 2.3% | $2,853.00 (2.8% X $2776.00 = $2,853.73) (partial COLA) |
   | 12/2008 COLA 5.8% | $3,087.00 (5.8% X $2918.00 = $3,087.24) |
   | 12/2009 COLA 0.0% | $3,087.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008) |

**Notes:**

1. The 1402(a) recomputation utilizes a more current active duty pay table and the new total years of service.
2. Use the active duty pay rates in effect on date of release only if the member received pay from that rate table for at least 2 years. If recalled for over 2 years, but did not receive pay from the same table for 2 years, the immediately preceding rates of active duty pay are utilized. If recall is less than 2 years, utilize the pay table in effect upon original retirement.

7-11
Figure 7-1. Recomputation After Recall to Active Duty (Continued)

Notes (Continued):
3. The 1402(e) recomputation utilizes the pay table in effect at retirement, but uses the new service totals and updated by applicable COLAs. See Chapter 8 for the COLA rates.
4. Saved Pay is the member’s original retired pay entitlement, as updated by the COLA.
5. The highest option is paid.
Figure 7-1. Recomputation After Recall to Active Duty (Continued)

2. High-36 Average Method

E-7 retired 10/1/2006 with exactly 22 years of service

Retired Pay Entitlement $3,408.08 (high-36 average base)
X 55% (22 years X 2.5%) = $1,874.00 (initial retired pay)

Recalled to active duty 6/1/2008 and released 5/31/2010

Pay Recomputation:

10 U.S.C § 1402a(a) E-7 with 24 years (Note 1)
$3,963.75 (new high-36 with recall service)
X 60% (24 years X 2.5%) = $2,378.00

10 U.S.C § 1402a(e) E-7 with 24 years (Note 1)
$3,408.08 (original high-36 pay base)
X 60% (24 years X 2.5%) = $2,044.00

12/2006 COLA 0.0% $2,044.00 (partial COLA)
12/2007 COLA 2.3% $2,091.00 (2.3% X $2044.00 = $2,091.01)
12/2008 COLA 5.8% $2,212.00 (5.8% X $2091.00 = $2,212.28)
12/2009 COLA 0.0% $2,212.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008)

Note:
1. The higher option is paid.
### 3. High-36 Average with REDUX/CSB Method

**E-7 retired 10/1/2006 with exactly 20 years of service**

<table>
<thead>
<tr>
<th>Pay Entitlement</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3,351.03 (high average base)</td>
<td>$1,340.00 (40% x 20 years x 2.5% less 10% (Note 1))</td>
<td></td>
</tr>
</tbody>
</table>

**Recalled to active duty 6/1/2008 and released 5/31/2010**

**Pay Recomputation:**

1. **10 U.S.C. § 1402a(a) E-7 with 22 years (Note 1)**
   - $3,816.61 (recomputed high-36 average base using the 24 months of subsequent service)
   - $1,793.00 (47% x 22 years x 2.5% less 8% (Note 2))

2. **10 U.S.C. § 1402a(e) E-7 with 22 years (Note 1)**
   - $3,351.03 (original high-36 pay base)
   - $1,574.00 (47% x 22 years x 2.5% less 8% (Note 2))

<table>
<thead>
<tr>
<th>Year</th>
<th>COLA</th>
<th>Pay Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/2006</td>
<td>0.0%</td>
<td>$1,574.00 (partial COLA)</td>
</tr>
<tr>
<td>12/2007</td>
<td>1.3%</td>
<td>$1,594.00 (1.3% x $1,574.00)</td>
</tr>
<tr>
<td>12/2008</td>
<td>4.8%</td>
<td>$1,670.00 (4.8% x $1,594.00)</td>
</tr>
<tr>
<td>12/2009</td>
<td>0.0%</td>
<td>$1,670.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008)</td>
</tr>
</tbody>
</table>

**Notes:**
1. The higher option is paid.
2. Reduced by 1% for each year less than 30 years.
Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>If and take multiply by add subtract (Notes 4 &amp; 5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a member previously retired for other than disability, reverts to retired status without a disability retirement (Note 1)</td>
<td>the member first became a member before September 8, 1980</td>
<td>monthly basic pay (note 2) of the grade in which member would be eligible: (1) to retire if retiring upon that release from active duty; or (2) to transfer to the FR or FMCR if transferring to either upon that release from active duty</td>
<td>2.5 percent of the sum of: (1) the years of service that may be credited to the retiree in computing retired pay or retainer pay; and (2) years of active service after becoming entitled to retired pay or retainer pay (Note 3)</td>
<td>the excess over 75 percent of pay upon which the computation is based, only if the member originally retired before January 1, 2007, with more than 30 years of service and did not serve at least 2 years on the recall to active duty.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>the member first became a member after September 7, 1980</td>
<td>retired pay base or retainer pay base to which member would be entitled to use if: (1) retiring upon release from that active duty; or (2) transferring to the FR or FMCR upon that release from active duty</td>
<td>the retired pay multiplier or the retainer pay multiplier for a high-36 retiree (with reduction described under paragraph 070303 for post-August 1, 1986 members who elected the CSB with REDUX retirement) for the sum of: (1) the years of service that may be credited to the retiree in computing retired pay; and (2) years of active service after becoming entitled to retired or retainer pay</td>
<td>the excess over 75 percent of retired or retainer pay based upon computation only if the member originally retired before January 1, 2007, with more than 30 years of service and did not serve at least 2 years on the recall to active duty.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>a member reverts with a new or aggravated disability rating that qualifies for disability retirement (Note 6)</td>
<td>member first became a member before September 8, 1980</td>
<td>highest monthly basic pay that member received while on active duty after retirement or after date when member’s name was placed on TDRL</td>
<td>as a member elects: (1) 2.5 percent of years of service credited under 10 U.S.C. § 1208 (Note 3); or (2) the highest disability percentage, not to exceed 75 percent, attained while on active duty after retirement or after the date member’s name was placed on TDRL</td>
<td>the amount necessary to increase product of columns C and D to 50 percent of pay upon which computation is based, if member is on TDRL.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>a member previously retired for disability, reverts to retired status without incurring any additional or aggravating disability that would qualify for disability retirement (Note 6)</td>
<td>member first became a member after September 7, 1980</td>
<td>the retired pay base</td>
<td>either the highest monthly pay they received on active duty or the retired pay base as appropriate under rule 3 or 4</td>
<td>2.5 percent of years of service credited under 10 U.S.C. § 1208 (Note 3).</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If and take multiply by add subtract (Notes 4 &amp; 5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>a member entitled to or receiving regular retired pay based on years of service that has attained Reserve Retired pay eligibility and age and has performed at least 20 years of service qualifying for a Reserve retirement served in an active status as a member of an RC on or after October 28, 2009, completing 2 or more years of satisfactory service after becoming eligible for regular retired pay based on years of service without regard to whether the member actually retired or received retired or retainer pay for regular service (Notes 7 &amp; 8)</td>
<td>either the basic pay for the highest grade held while serving in the active status or the retired pay base computed through the new retirement date</td>
<td>2.5 percent times the years of service credited for percentage purposes (Note 9).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>a member of Retired Reserve serves in active status in Selected Reserve on or after October 28, 2009 serves for not less than 2 years in such active status</td>
<td>either the basic pay for the highest grade held while serving in the active status or the retired pay base computed through the date of release from duty</td>
<td>2.5 percent times the years of service credited for percentage purposes (Note 9).</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay (Continued)

Notes:
1. Alternatively, members eligible under rules 1 or 2 may elect to substitute the rate of basic or monthly retired pay base (high-36 average) under which the original retired pay was computed at the time of entering on this period of active duty (increased by any applicable adjustments in the COLA) for the amount in column C of the table.
2. For a member who has been entitled, for a continuous period of at least 2 years, to basic pay under the rates of basic pay in effect upon release from active duty, compute under those rates. For a member who has been entitled to basic pay for a continuous period of at least 2 years upon that release from active duty, but who is not covered by the preceding sentence, compute under the rates of basic pay replaced by those in effect upon that release from active duty. For any other member, compute under the rates of basic pay under which the member’s retired pay or retainer pay was computed when member entered on that active duty.
3. Before applying percentage factor, credit each full month of service that is in addition to the number of full years of service creditable to the member as one-twelfth of a year. Disregard any remaining fractional part of a month.
4. The amount computed, if not a multiple of $1, is rounded to the next lower multiple of $1. Any future adjustments to such pay must be made on the rounded figure. The rounded amount becomes the member’s entitlement and any future adjustments is based on this rounded entitlement.
5. The reduction only applies to a member who retired before January 1, 2007, with more than 30 years of creditable service who is recalled to active duty and serves on active duty for a continuous period of less than 2 years that ends after January 1, 2007.
6. Alternatively, members eligible under rules 3, 4, or 5 may elect to substitute the retired pay to which entitled when originally retired increased by any applicable adjustments in the COLA.
7. A member who was eligible for regular retired or retainer pay on or before October 27, 2009, whose service was determined to be satisfactory, is not subject to the 2-year requirement.
8. The 2-year service requirement may be reduced by the Secretary concerned if an officer of the National Guard completes at least 1 year of service in a position of adjutant general or assistant adjutant general and fails to complete the minimum years of service solely because the appointment to such position is terminated or vacated under applicable State or territorial law.
9. Total number of retirement points divided by 360. Carry the resultant figure to three decimal places, then round to two decimal places. Example: 4,735 retirement points divided by 360 = 13.152 or 13.15 years of service for percentage purposes (for the 10 U.S.C. § 12731 retiree only) to be multiplied by 2.5 percent.
*REFERENCES*

CHAPTER 07 — ACTIVE/RESERVE DUTY AFTER RETIREMENT

0702 – ENTITLEMENT AND ELIGIBILITY

070201 10 U.S.C. § 1402

070202 10 U.S.C. § 12731(a)
10 U.S.C. § 12741(a)
10 U.S.C. § 10145(d)


070202.C 10 U.S.C. § 12741

070203.A 10 U.S.C. § 1402

070203.B 10 U.S.C. § 12771(b)
10 U.S.C. § 10145(d)

070204 10 U.S.C. § 12739(e)
10 U.S.C. § 12771(b)(2)

0703 – RECOMPUTATION FOR ACTIVE DUTY SERVICE OR ACTIVE STATUS IN THE SELECTED RESERVE AFTER RETIREMENT

070302.A 10 U.S.C. §12741
10 U.S.C. § 1406
10 U.S.C. § 1407

070302.B 10 U.S.C. § 1402
10 U.S.C. § 1402a
10 U.S.C. § 1407(b)
10 U.S.C., Chapter 1223

070302.B.1 10 U.S.C. § 1402

070302.B.1.a Comptroller General (Comp Gen), B-234888, July 16, 1990

070302.B.1.b 69 Comp Gen 141, B-236552, December 18, 1989

070302.B.2 10 U.S.C. § 1402a
10 U.S.C. § 1407

070302.B.3 10 U.S.C. § 1402(e)
10 U.S.C. § 1402a(e)

070304.A.2 51 Comp Gen 137, B-173293, August 31, 1971

070304.B 44 Comp Gen 510, B-155940, February 23, 1965

070304.C 10 U.S.C. § 1402(a)

070304.D 47 Comp Gen 289, B-162676, November 22, 1967

070304.D.2 10 U.S.C. § 1402(e)

070304.E.2 10 U.S.C. § 1402(d)

070305.A 10 U.S.C. § 1402(b)
<table>
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<tr>
<td>070305.B</td>
<td>Comp Gen 178, B-204055, May 17, 1982</td>
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<td>10 U.S.C. 1401(a)(1)</td>
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<td>070305.D</td>
<td>10 U.S.C. 1402(d)</td>
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0705 – HEROISM PAY

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<tr>
<td>070501</td>
<td>10 U.S.C. § 1402(f), 1402a(f), 7361(a)(2), 8330(c)(3), 9361(a)(2), and 12739(b)</td>
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0706 – RETIRED PAY AND ACTIVE SERVICE

Comp Gen B-179882, December 4, 1974
VOLUME 7B, CHAPTER 8: “BASIC PAY RATES, LEGISLATIVE CHANGES, AND COST-OF-LIVING ADJUSTMENTS (COLA) TO RETIRED PAY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2018 is archived.

<table>
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<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Updated the hyperlinks and revised the chapter to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>080101</td>
<td>Added hyperlink to the COLA memorandums beginning with Fiscal Year 2018.</td>
<td>Addition</td>
</tr>
<tr>
<td>080401 through 080412</td>
<td>Deleted paragraphs to streamline COLA rate information. Deleted COLA rates are archived in the former Chapter 8.</td>
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<tr>
<td>080511.A</td>
<td>Added COLA rates for retired pay, effective December 1, 2018.</td>
<td>Addition</td>
</tr>
<tr>
<td>080511.B</td>
<td>Added Executive Order 13856 which provided monthly basic pay increase for members of the uniformed services, effective January 1, 2019.</td>
<td>Addition</td>
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<tr>
<td>Table 8-1</td>
<td>Updated Table 8-1, Full COLA Percentage Table.</td>
<td>Revision</td>
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<tr>
<td>References</td>
<td>Updated “References.”</td>
<td>Revision</td>
</tr>
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CHAPTER 8

BASIC PAY RATES, LEGISLATIVE CHANGES, AND COST-OF-LIVING ADJUSTMENTS (COLA) TO RETIRED PAY

0801 GENERAL

*080101. Overview

Historical information on legislative actions for the application of special provision in determining the accuracy of retired pay from October 1949 to Fiscal Year (FY) 2009 is located in the archived Chapter 8, dated July 2013, to include COLA rates for the period. Additionally, beginning with FY 2018 the COLA Memorandums are located at https://militarypay.defense.gov/Pay/Retirement/Cola.aspx.

080102. Purpose

This chapter provides information on legislative actions for the application of special provision in determining the accuracy of retired pay. Pursuant to Title 10, United States Code (U.S.C.), section 1401a(b), COLA rates are listed in this chapter for the periods from FY 2010 to present.

A. Accuracy of Retired Pay

The member’s retired pay is determined through a history of basic pay rates, retired pay increases, and the application of special provisions. Retired pay for members who have entered a uniformed service after September 7, 1980 is computed using a retired or retainer pay base. See Chapter 3 for gross pay computation. This chapter explains the effect of legislation and COLA on retired pay that has been computed using a retired or retainer pay base.

B. The Use and Effect of Active-Duty Pay Rate Increases on Retired Pay

Before June 1, 1958, all members (except the pre-October 1, 1949 “saved pay” accounts) received a direct percentage of the active-duty basic pay rates in effect October 1, 1949 through May 31, 1958. With the enactment of Public Law 85-422, effective June 1, 1958, it became increasingly more difficult to prepare and maintain tables reflecting the pay of members on the retired rolls and, eventually, preparing such tables was no longer feasible. Public Law 85-422 prohibited the recomputation of retired pay based on changes in the active-duty basic pay rates after retirement. The date of retirement was a factor in computing retired pay because the retired member’s pay was fixed to the basic pay rate in effect on the date of retirement. The exceptions permitting members to use another basic pay rate under certain conditions and circumstances are outlined in later paragraphs. The applicable active-duty pay tables now serve as the basis for determining the rate of retired pay.
C. Service After September 7, 1980

For members who have entered a uniformed service after September 7, 1980:

1. The amount of retired pay is individualized. Members who retire with the same grade and years of service for percentage and basic pay purposes may not receive the same amount of retired pay.

2. The member’s current retired pay can be verified from the retired or retainer pay base, years of service for percentage purposes or percentage of disability, retired pay increases, and the application of any special provisions in retired pay identified in this chapter.

080103. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

0802. DEFINITIONS

080201. Base Index

The base index is the price index for the base quarter for the most recent adjustment under 10 U.S.C. § 1401a(b).

080202. Base Quarter

Base Quarter is the calendar quarter ending on September 30 of each year.

080203. Burchinal Decision

The Burchinal Decision is a Comptroller General (Comp. Gen.) decision 53 Comp. Gen. 698 (1974) that retired pay is computed only under the current pay rates or the pay rates in effect immediately before the current rate pursuant to 10 U.S.C. § 1401a(e). Public Law 90-207, effective October 1, 1967, added subsection (e) under 10 U.S.C. § 1401a as a method to prevent pay inversion. See also paragraph 080304. On October 7, 1975, Public Law 94-106 added subsection (f) under 10 U.S.C. § 1401a, which superseded 10 U.S.C. § 1401a(e).

080204. COLA

Percentage change increases are applied to retired pay based on laws using the Consumer Price Index (CPI), Urban Wage Earners and Clerical Workers–U.S. City Average (commonly referred to as CPI-W), as published by the Bureau of Labor Statistics, to determine the amount of the increase. Full COLA percentages appear in Table 8-1.

A. Full COLA. Members on the retired rolls receive the full COLA if their retired pay is computed using the basic pay rates, which were effective before the previous COLA.
B. Partial COLA. Members whose retired pay is computed using the basic pay rates that become effective at the same time, or after the previous COLA, receive a partial COLA. This increase is effective from the later of the date of the full COLA or date of retirement.

080205. Legislative Increase

A legislative increase refers to any adjustment in retired pay authorized by legislation that identifies a percentage increase rather than based on the CPI.

080206. Otherwise Qualified

This term refers to members, retired under a particular law, who are eligible for retirement under another law that may provide greater benefits. It pertains primarily to disability retirees when members have enough service to be retired for nondisability.

080207. Pay Table Code

Pay table code refers to the designation by number (or other means) used by the Defense Finance and Accounting Service to identify active-duty pay rates in effect during various time periods.

080208. Price Index

Price index refers to the CPI (all items, U.S. city average) published by the Bureau of Labor Statistics.

080209. Price Index for a Quarter

For purposes of this chapter, the price index for a calendar quarter is the arithmetical mean (average) of the price index for the three months comprising that quarter.

080210. Recomputation

Recomputation is the provision for recomputing retired pay using a pay table other than that used in the first computation of retired pay.

080211. Retired Pay

The term "retired pay" includes retainer pay.

080212. Retired Pay Base

The retired pay base is an average of the highest monthly basic pay rates applicable to a member, determined by the length of time the member was a member of a uniformed service (less than or at least 36 months) and/or the type of retirement (e.g., disability or voluntary). The retired pay base or retainer pay base applies to members who entered a uniformed service after
September 7, 1980. It replaced the monthly basic pay rate formerly used to compute retired or retainer pay. See Chapter 3 for Pre-September 8, 1980 members.

080213. Uniform Retirement Date Act (URDA)

Pursuant to 5 U.S.C. § 8301, the URDA: provides, under certain retirement laws, that members cannot be retired before the first day of the month after the date of first eligibility; and determines the pay table used in computing retired pay. This provision is especially significant when the retirement date coincides with the effective date of an active-duty basic pay rate increase. The additional requirement to compute pay on the rates in effect as of the date retirement would have occurred except for this restriction.

080214. Years of Service for Basic Pay

Computation of service years creditable in determining the basic pay rate upon which retired pay is based may vary depending upon retirement law. See Volume 7A, Chapter 1.

080215. Years of Service for Percentage Multiplier

The years of service for percentage multiplier refers to service years creditable in determining the percentage multiplier factor (applicable percentage rate described in Chapter 3, subparagraph 030201.B times years of creditable service) in retired pay computation. Computation of years of service may vary depending upon retirement law. For reserve retirements under 10 U.S.C., Chapter 1223, reserve service points are converted to years of service (i.e., total points divided by 360 equal years of service). See Chapter 1.

0803 MAJOR CHANGES IN THE USE OF BASIC PAY RATES AND CONDITIONS APPLICABLE TO COMPUTATION OF RETIRED PAY

080301. Retired Pay Based on the Consumer Price Index (CPI)

Effective October 1, 1963, 10 U.S.C. § 1401a, as added by Public Law 88-132, stipulated that future adjustments to retired pay would be based on the CPI. Each January the Secretary of Defense was to review the CPI from the previous calendar year and, if it had increased 3 percent or more, then would affect a percentage increase in retired pay as of April 1 using the percentages of increase in the CPI.

080302. Effects of Public Law 90-207 on Retired Pay Computation

Public Law 90-207, effective October 1, 1967, added subsections (c) through (e) under 10 U.S.C. § 1401a. Subsections (c) and (d) stipulated that retired pay, when computed from the current basic pay rates, would increase at the later of the next COLA or retirement date by a partial adjustment. The partial adjustment represented the percent by which the new base index exceeded the index in effect on the day before the basic pay increase. Subsection (e), a saved-pay provision, permitted computation of retired pay on the basic pay rates in effect immediately preceding those
in effect on retirement date if they were more favorable because of a COLA. Public Law 98-94, section 921, effective September 24, 1983, repealed the 1-year look-back provision that was under 10 U.S.C. § 1401a(e).

NOTE: For additional information on the repealed section, see paragraph 080213 in archived Chapter 8. Section 8(a) of Public Law 90-207 provided that, effective January 1, 1968, whenever the General Schedule of Compensation for Federal classified employees increased, an adjustment in the monthly basic pay to authorized members of the uniformed services immediately would become effective.

080303. One Percent Increase to COLA

Public Law 91-179, effective October 31, 1969, stipulated that 1 percent would be added to the percentage increase each time there was a general COLA to retired pay. Partial COLA increases did not include the 1 percent. The add-on was provided to make up for the 3-month time lag between the rise in the CPI and the actual increase in retired pay. Public Law 94-440, effective October 1, 1976, eliminated the 1 percent increase.

080304. Pay Inversion

Public Law 85-422, effective June 1, 1958, prohibited recomputation of retired pay each time active-duty pay was increased. Therefore, it was assumed that members of the same pay grade and years of service who retired under later active-duty pay increases would receive a greater retired pay. Beginning in 1971, there were instances where the cumulative COLA applied to retired pay was greater than the increases in the active-duty pay rates, which was known as “pay inversion.” Pay inversion created some retention problems because, through early retirement, members could increase their retired pay rather than remaining on active duty. Under 53 Comp. Gen. 698 (1974), known as the “Burchinal Decision,” members were restricted to the greater amount of pay, based on two computations of retired pay, computed on the active-duty pay rates in effect:

A. At the time of retirement using the pay grade and years of service for both basic pay and percentage multiplier at the time of retirement, or

B. Immediately before the active-duty basic pay rates in effect on the date of retirement, plus the COLA in retired pay applicable to those basic pay rates. For this computation, the same pay grade and years of service for both basic pay and multiplier at the time of retirement were used even though the computation used the earlier basic pay rates.

080305. Tower Amendment

A. Public Law 94-106, dated October 7, 1975, added subparagraph (f) to 10 U.S.C. § 1401a. The new provision stipulated another method to offset, in part, the effect of “pay inversion.” This method involved computing pay based “on any previous basic pay rates, on and after January 1, 1971, plus COLA, if the member was eligible for retirement at the time those rates were in effect.” The computation was restricted to the pay grade and years of service at that
earlier time (for retirements on October 5, 1994 or later, the computation may not be based on a grade higher than that held at the time of retirement). The statute applies to all members retired on or after January 1, 1971. There were no retroactive pay adjustments for the period before October 7, 1975.

B. Pursuant to Public Law 113-66, dated December 26, 2013, for a retired member who first became a member of a uniformed service on or after September 8, 1980, and whose retired pay is computed using the high-three method, the Tower Amendment applies only at the time of retirement and not when the first COLA is announced. A member recalled to active duty after retirement is not entitled to recomputation of retired pay under the Tower Amendment upon release from that active duty. Pay recomputation upon that release is restricted to the methods prescribed in 10 U.S.C. § 1402 and covered in Chapter 7. The Tower Amendment did not repeal nor modify those provisions.

080306. Basic Pay Average

Public Law 96-342, dated September 8, 1980, as codified at 10 U.S.C. § 1407, established a retired pay base for use in computing retired or retainer pay. Title 10, U.S.C. § 1407 applies to members who have entered a uniformed service after September 7, 1980. The percentage of cost-of-living increases is determined by the most recent basic pay rate used in the computation of the retired or retainer pay base.

080307. Modification of COLAs Applicable to Military Retired and Retainer Pay

Public Law 98-270, dated April 18, 1984, amended 5 U.S.C. § 8340(a) and (b) to modify COLAs that also applied to military retired and retainer pay under 10 U.S.C. § 1401a(b). The effective date for COLAs was changed from March 1 to December 1. The COLA equaled the percentage change in the price index for the base quarter of the year over the price index for the base quarter of the preceding year. Price index is defined at paragraph 080208. The partial COLA equaled the percentage increase of the average CPI for July, August, and September over the CPI for the preceding December.

080308. The Military Retirement Reform Act of 1986

The Military Retirement Reform Act of 1986, Public Law 99-348:

A. Reduced the retired pay multiplier for any member who first became a member of a uniformed service after July 31, 1986, and who retired before age 62 with less than 30 years of creditable service (excluding retirements under 10 U.S.C., Chapters 61 and 1223). The multiplier was reduced by:

1. One percentage point for each full year that the member’s years of creditable service were less than 30; and
2. One-twelfth of 1 percentage point for each month by which the member’s years of creditable service (after counting all full years of such service) was less than a full year.

B. Stipulated cost-of-living increases for any member who first became a member of a uniformed service on or after August 1, 1986, when the increase in the CPI exceeded 1 percent. The cost-of-living increase was 1 percentage point less than the increase in CPI.

C. Restored the reduction in retired pay multiplier under subparagraph 080308.A at age 62 and provided a one-time restoral at age 62 for the reduction in cost-of-living increase under subparagraph 080308.B.

*0804 PROVISIONS OF PAY CHANGES, EXCEPTIONS, AND SPECIAL COMPUTATIONS BETWEEN DECEMBER 1, 1949 AND DECEMBER 1, 2005

For historical information on legislative actions affecting retired pay from October 1949 to December 2005, see archived Chapter 8, dated July 2013 and July 2018.

*0805 PROVISIONS OF PAY CHANGES, EXCEPTIONS, AND SPECIAL COMPUTATIONS STARTING DECEMBER 2005

For historical information on legislative actions affecting retired pay from December 2005 to December 2008, see archived Chapter 8, dated July 2018.

080501. COLA and Basic Pay Rates FY 2010

A. A COLA, effective December 1, 2009, provided:

1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2009</td>
<td>0.0 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – December, 2009</td>
<td>0.0 percent</td>
<td>1401a(c) &amp; 1401a(f)</td>
</tr>
</tbody>
</table>

2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2009</td>
<td>0.0 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – March 31, 2009</td>
<td>0.0 percent</td>
<td>1401a(d) &amp; 1401a(f)</td>
</tr>
<tr>
<td>April 1 – June 30, 2009</td>
<td>0.0 percent</td>
<td>1401a(d) &amp; 1401a(f)</td>
</tr>
<tr>
<td>July 1 – September 30, 2009</td>
<td>0.0 percent</td>
<td>1401a(d) &amp; 1401a(f)</td>
</tr>
<tr>
<td>October 1 – December 31, 2009</td>
<td>0.0 percent</td>
<td>1401a(d) &amp; 1401a(f)</td>
</tr>
</tbody>
</table>
3. For those who first became members of the uniformed service on or after August 1, 1986, and who elected to receive a CSB under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2009</td>
<td>0.0 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>January 1 – March 31, 2009</td>
<td>0.0 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
<tr>
<td>April 1 – June 30, 2009</td>
<td>0.0 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
<tr>
<td>July 1 – September 30, 2009</td>
<td>0.0 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
<tr>
<td>October 1 – December 31, 2009</td>
<td>0.0 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
</tbody>
</table>

B. For basic pay rates effective January 1, 2010, *Public Law 111-84* and *Executive Order 13525* provided for:

1. Increased basic pay rates;

2. No increase for members retired before January 1, 2010; and

3. No entitlement to pay computed on the January 1, 2010 basic pay rates for members who retired on January 1, 2010, and who were:

   a. Warrant officers;

   b. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2009 transfers); or

   c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080502. COLA and Basic Pay Rates FY 2011

A. A COLA, effective December 1, 2010, provided:

1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2010</td>
<td>0.0 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – December 31, 2010</td>
<td>0.0 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
</tbody>
</table>

2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:
### DoD 7000.14-R Financial Management Regulation Volume 7B, Chapter 8

* May 2019

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2010</td>
<td>0.0 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – March 31, 2010</td>
<td>0.0 percent</td>
<td>1401a(d) &amp; 1401a(f)</td>
</tr>
<tr>
<td>April 1 – June 30, 2010</td>
<td>0.0 percent</td>
<td>1401a(d) &amp; 1401a(f)</td>
</tr>
<tr>
<td>July 1 – September 30, 2010</td>
<td>0.0 percent</td>
<td>1401a(d) &amp; 1401a(f)</td>
</tr>
<tr>
<td>October 1 – December 31, 2010</td>
<td>0.0 percent</td>
<td>1401a(d) &amp; 1401a(f)</td>
</tr>
</tbody>
</table>

3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2010</td>
<td>0.0 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>January 1 – March 31, 2010</td>
<td>0.0 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
<tr>
<td>April 1 – June 30, 2010</td>
<td>0.0 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
<tr>
<td>July 1 – September 30, 2010</td>
<td>0.0 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
<tr>
<td>October 1 – December 31, 2010</td>
<td>0.0 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
</tbody>
</table>

B. For basic pay rates effective January 1, 2011, Executive Order 13561 provided for:

1. Increased basic pay rates;

2. No increase for members retired before January 1, 2011; and

3. No entitlement to pay computed on the January 1, 2011 basic pay rates for members who retired on January 1, 2011, and who were:

   a. Warrant officers;

   b. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2010 transfers); or

   c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080503. Removal of the 75 Percent Cap Subject to Provision

A member who retired, or became entitled to retired pay, due to physical disability on or before January 7, 2011, may not have a retired pay multiplier in excess of 75 percent. Under Public Law 111-383, a member with more than 30 years of creditable service who first becomes entitled to retired pay due to physical disability, on or after January 8, 2011, will not have their multiplier reduced if it is in excess of 75 percent.

8-12
80504. COLA and Basic Pay Rates FY 2012

A. A COLA, effective December 1, 2011, provided:

1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2011</td>
<td>3.6 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – December 31, 2011</td>
<td>3.6 percent</td>
<td>1401a(c)</td>
</tr>
</tbody>
</table>

2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2011</td>
<td>3.6 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – March 31, 2011</td>
<td>3.6 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>April 1 – June 30, 2011</td>
<td>2.4 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>July 1 – September 30, 2011</td>
<td>0.4 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>October 1 – December 31, 2011</td>
<td>0.0 percent</td>
<td>1401a(d)</td>
</tr>
</tbody>
</table>

3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2011</td>
<td>2.6 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>January 1 – March 31, 2011</td>
<td>2.6 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>April 1 – June 30, 2011</td>
<td>1.9 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>July 1 – September 30, 2011</td>
<td>0.1 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>October 1 – December 31, 2011</td>
<td>0.0 percent</td>
<td>1401a(e)</td>
</tr>
</tbody>
</table>

B. For basic pay rates effective January 1, 2012, Executive Order 13594 provided for:

1. Increased basic pay rates;

2. No increase for members retired before January 1, 2012; and

3. No entitlement to pay computed on the January 1, 2012 basic pay rates for members who retired on January 1, 2012, and who were:

   a. Warrant officers;
b. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2011 transfers); or

c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

NOTE: Members retiring in 2012 may be entitled to more retired pay using the 2011 pay rates increased by a partial COLA, instead of using the increased pay rates with more service credit. Under 10 U.S.C. § 1401a(f)(1), inversions to retired pay entitlements are prevented by allowing computation of retired pay based on retirement at an earlier date. In such computations, the grade and service credit must be those applicable on the earlier date being used. Also, the retiree must meet the retirement eligibility requirements as of the earlier date.

080505. COLA and Basic Pay Rates FY 2013

A. A COLA, effective December 1, 2012, provided:

1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2012</td>
<td>1.7 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – December 31, 2012</td>
<td>1.7 percent</td>
<td>1401a(c)</td>
</tr>
</tbody>
</table>

2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2012</td>
<td>1.7 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – March 31, 2012</td>
<td>1.7 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>April 1 – June 30, 2012</td>
<td>1.0 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>July 1 – September 30, 2012</td>
<td>0.2 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>October 1 – December 31, 2012</td>
<td>0.0 percent</td>
<td>1401a(d)</td>
</tr>
</tbody>
</table>

3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2012</td>
<td>0.7 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>January 1 – March 31, 2012</td>
<td>0.7 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>April 1 – June 30, 2012</td>
<td>0.5 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>July 1 – September 30, 2012</td>
<td>0.0 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>October 1 – December 31, 2012</td>
<td>0.0 percent</td>
<td>1401a(e)</td>
</tr>
</tbody>
</table>
B. For basic pay rates effective January 1, 2013, Executive Order 13641 provided for:

1. Increased basic pay rates;

2. No increase for members retired before January 1, 2013; and

3. No entitlement to pay computed on the January 1, 2013 basic pay rates for members who retired on January 1, 2013, and who were:
   a. Warrant officers;
   b. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2012 transfers); or
   c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

A. A COLA, effective December 1, 2013, provided:

1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2013</td>
<td>1.5 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – December 31, 2013</td>
<td>1.5 percent</td>
<td>1401a(c)</td>
</tr>
</tbody>
</table>

2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2013</td>
<td>1.5 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – March 31, 2013</td>
<td>1.5 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>April 1 – June 30, 2013</td>
<td>0.9 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>July 1 – September 30, 2013</td>
<td>0.4 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>October 1 – December 31, 2013</td>
<td>0.0 percent</td>
<td>1401a(d)</td>
</tr>
</tbody>
</table>
3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2013</td>
<td>0.5 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>January 1 – March 31, 2013</td>
<td>0.5 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>April 1 – June 30, 2013</td>
<td>0.4 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>July 1 – September 30, 2013</td>
<td>0.0 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>October 1 – December 31, 2013</td>
<td>0.0 percent</td>
<td>1401a(e)</td>
</tr>
</tbody>
</table>

B. For basic pay rates effective January 1, 2014, Executive Order 13655 provided for:

1. Increased basic pay rates;

2. No increase for members retired before January 1, 2014; and

3. No entitlement to pay computed on the January 1, 2014 basic pay rates for members who retired on January 1, 2014, and who were:
   a. Warrant officers;
   b. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2013 transfers); or
   c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080507. COLA and Basic Pay Rates FY 2015

A. A COLA, effective December 1, 2014, provided:

1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2014</td>
<td>1.7 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – December 31, 2014</td>
<td>1.7 percent</td>
<td>1401a(c)</td>
</tr>
</tbody>
</table>

2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:
3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2014</td>
<td>0.7 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>January 1 – March 31, 2014</td>
<td>0.7 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>April 1 – June 30, 2014</td>
<td>0.7 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>July 1 – September 30, 2014</td>
<td>0.0 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>October 1 – December 31, 2014</td>
<td>0.0 percent</td>
<td>1401a(e)</td>
</tr>
</tbody>
</table>

B. For basic pay rates effective January 1, 2015, Executive Order 13686 provided for:

1. Increased basic pay rates;

2. No increase for members retired before January 1, 2015; and

3. No entitlement to pay computed on the January 1, 2015 basic pay rates for members who retired on January 1, 2015, and who were:

   a. Warrant officers;

   b. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2014 transfers); or

   c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080508. COLA and Basic Pay Rates FY 2016

A. A COLA, effective December 1, 2015, provided:

1. Retired pay COLA for those who first became members of a uniformed service before September 8, 1980 is specified according to the effective date of their retirement as follows:
2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is set out according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2015</td>
<td>0.0 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – December 31, 2015</td>
<td>0.0 percent</td>
<td>1401a(c) &amp; 1401a(f)</td>
</tr>
</tbody>
</table>

2. For those who first became members of a uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 354 is specified according to the date of their retirement, as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2015</td>
<td>0.0 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – March 31, 2015</td>
<td>0.0 percent</td>
<td>1401a(d) &amp; 1401a(f)</td>
</tr>
<tr>
<td>April 1 – June 30, 2015</td>
<td>0.0 percent</td>
<td>1401a(d) &amp; 1401a(f)</td>
</tr>
<tr>
<td>July 1 – September 30, 2015</td>
<td>0.0 percent</td>
<td>1401a(d) &amp; 1401a(f)</td>
</tr>
<tr>
<td>October 1 – December 31, 2015</td>
<td>0.0 percent</td>
<td>1401a(d) &amp; 1401a(f)</td>
</tr>
</tbody>
</table>

3. The retired pay COLA for those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 354 is specified according to the date of their retirement, as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2015</td>
<td>0.0 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>January 1 – March 31, 2015</td>
<td>0.0 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
<tr>
<td>April 1 – June 30, 2015</td>
<td>0.0 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
<tr>
<td>July 1 – September 30, 2015</td>
<td>0.0 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
<tr>
<td>October 1 – December 31, 2015</td>
<td>0.0 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
</tbody>
</table>

B. For basic pay rates effective January 1, 2016, *Executive Order 13715* provided for:

1. Increased basic pay rates;
2. No increase for members retired before January 1, 2016; and
3. No entitlement to pay computed on the January 1, 2016 basic pay rates for members who retired on January 1, 2016, and who were:
   a. Warrant officers;
   b. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2015 transfers); or
   c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.
080509. COLA and Basic Pay Rates FY 2017

A. A COLA, effective December 1, 2016, provided:

1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2016</td>
<td>0.3 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – December 31, 2016</td>
<td>0.3 percent</td>
<td>1401a(c)</td>
</tr>
</tbody>
</table>

2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2016</td>
<td>0.3 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – March 31, 2016</td>
<td>0.3 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>April 1 – June 30, 2016</td>
<td>0.3 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>July 1 – September 30, 2016</td>
<td>0.3 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>October 1 – December 31, 2016</td>
<td>0.0 percent</td>
<td>1401a(d)</td>
</tr>
</tbody>
</table>

3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2016</td>
<td>0.3 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>January 1 – March 31, 2016</td>
<td>0.3 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
<tr>
<td>April 1 – June 30, 2016</td>
<td>0.3 percent</td>
<td>1401a(e) &amp; 1401a(f)</td>
</tr>
<tr>
<td>July 1 – September 30, 2016</td>
<td>0.0 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>October 1 – December 31, 2016</td>
<td>0.0 percent</td>
<td>1401a(e)</td>
</tr>
</tbody>
</table>

B. For basic pay rates effective January 1, 2017, Executive Order 13756 provided for:

1. Increased basic pay rates;
2. No increase for members retired before January 1, 2017; and
3. No entitlement to pay computed on the January 1, 2017 basic pay rates for members who retired on January 1, 2017, and who were:
   a. Warrant officers;
b. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2016 transfers); or

c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080510. COLA and Basic Pay Rates FY 2018

* A. A COLA, effective December 1, 2017, provided:

1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2017</td>
<td>2.0 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – December 31, 2017</td>
<td>1.8 percent</td>
<td>1401a(c)</td>
</tr>
</tbody>
</table>

2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2017</td>
<td>2.0 percent</td>
<td>1401a(b)(2)</td>
</tr>
<tr>
<td>January 1 – March 31, 2017</td>
<td>1.8 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>April 1 – June 30, 2017</td>
<td>1.0 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>July 1 – September 30, 2017</td>
<td>0.4 percent</td>
<td>1401a(d)</td>
</tr>
<tr>
<td>October 1 – December 31, 2017</td>
<td>0.0 percent</td>
<td>1401a(d)</td>
</tr>
</tbody>
</table>

3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

<table>
<thead>
<tr>
<th>Retirement Effective</th>
<th>Percent Increase</th>
<th>10 U.S.C. Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before January 1, 2017</td>
<td>1.0 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>January 1 – March 31, 2017</td>
<td>1.0 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>April 1 – June 30, 2017</td>
<td>0.5 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>July 1 – September 30, 2017</td>
<td>0.2 percent</td>
<td>1401a(e)</td>
</tr>
<tr>
<td>October 1 – December 31, 2017</td>
<td>0.0 percent</td>
<td>1401a(e)</td>
</tr>
</tbody>
</table>

B. For basic pay rates effective January 1, 2018, Executive Order 13819 provided for:

1. Increased basic pay rates;

2. No increase for members retired before January 1, 2018; and
3. No entitlement to pay computed on the January 1, 2018 basic pay rates for members who retired on January 1, 2017, and who were:

   a. Warrant officers;

   b. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2017 transfers); or

   c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

   *080511. COLA and Basic Pay Rates FY 2019

   * A. A COLA, effective December 1, 2018, provided:

   1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

      | Retirement Effective | Percent Increase | 10 U.S.C. Authority |
      |----------------------|-----------------|--------------------|
      | Before January 1, 2018 | 2.8 percent    | 1401a(b)(2)       |
      | January 1 – December 31, 2018 | 2.4 percent | 1401a(c)           |

   2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

      | Retirement Effective | Percent Increase | 10 U.S.C. Authority |
      |----------------------|-----------------|--------------------|
      | Before January 1, 2018 | 2.8 percent    | 1401a(b)(2)       |
      | January 1 – March 31, 2018 | 2.4 percent | 1401a(d)           |
      | April 1 – June 30, 2018  | 1.5 percent    | 1401a(d)           |
      | July 1 – September 30, 2018  | 0.3 percent   | 1401a(d)           |
      | October 1 – December 31, 2018  | 0.0 percent  | 1401a(d)           |

   3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

      | Retirement Effective | Percent Increase | 10 U.S.C. Authority |
      |----------------------|-----------------|--------------------|
      | Before January 1, 2018 | 1.8 percent    | 1401a(e)           |
      | January 1 – March 31, 2018 | 1.6 percent | 1401a(e)           |
      | April 1 – June 30, 2018  | 1.0 percent    | 1401a(e)           |
      | July 1 – September 30, 2018  | 0.1 percent   | 1401a(e)           |
      | October 1 – December 31, 2018  | 0.0 percent  | 1401a(e)           |
B. For basic pay rates effective January 1, 2019, Executive Order 13856 provided for:

1. Increased basic pay rates;

2. No increase for members retired before January 1, 2019; and

3. No entitlement to pay computed on the January 1, 2019 basic pay rates for members who retired on January 1, 2018, and who were:
   a. Warrant officers;
   b. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2018 transfers); or
   c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.
Table 8-1. Full COLA Percentage Table

<table>
<thead>
<tr>
<th>No.</th>
<th>Date of COLA</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sep 1, 1965</td>
<td>4.4</td>
</tr>
<tr>
<td>2</td>
<td>Dec 1, 1966</td>
<td>3.7</td>
</tr>
<tr>
<td>3</td>
<td>Apr 1, 1968</td>
<td>3.9</td>
</tr>
<tr>
<td>4</td>
<td>Feb 1, 1969</td>
<td>4.0</td>
</tr>
<tr>
<td>5</td>
<td>Nov 1, 1969</td>
<td>4.3</td>
</tr>
<tr>
<td>6</td>
<td>Aug 1, 1970</td>
<td>5.6</td>
</tr>
<tr>
<td>7</td>
<td>Jun 1, 1971</td>
<td>4.5</td>
</tr>
<tr>
<td>8</td>
<td>Jul 1, 1972</td>
<td>4.8</td>
</tr>
<tr>
<td>9</td>
<td>Jul 1, 1973</td>
<td>6.1</td>
</tr>
<tr>
<td>10</td>
<td>Jan 1, 1974</td>
<td>5.5</td>
</tr>
<tr>
<td>11</td>
<td>Jul 1, 1974</td>
<td>6.3</td>
</tr>
<tr>
<td>12</td>
<td>Jan 1, 1975</td>
<td>7.3</td>
</tr>
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NOTES:

1. Effective April 1, 1983, COLA provided a 3.3 percent or 3.9 percent adjustment for members whose pay was computed on basic pay rates in effect before October 1, 1982. Members under age 62 on March 1, 1983, were entitled to a 3.3 percent increase. Members who are age 62 or older on March 1, 1983, or who retired by reason of physical disability under 10 U.S.C., Chapter 61, were entitled to a 3.9 percent increase. There is no entitlement to a partial COLA on April 1, 1983 for members whose pay was computed on the basic pay rates effective October 1, 1982. (The CPI declined from 292.8 in September 1982 to 290.0 in December 1982.)

2. See the associated COLA paragraph in section 0804 to determine whether member’s COLA is delayed.

3. Separate retired pay COLA is applicable for those who first became members of a uniformed service on or after August 1, 1986, who elected to receive a CSB. See Volume 7A, Chapter 66 for information on CSB.
REFERENCES

CHAPTER 8 - BASIC PAY RATES, LEGISLATIVE CHANGES, AND COST-OF-LIVING ADJUSTMENTS (COLA) TO RETIRED PAY

0801 – GENERAL

080102  10 U.S.C. § 1401a(b)
         Public Law 85-422, June 1, 1958

0802 - DEFINITIONS

080201  10 U.S.C. § 1401a(b)
080203  53 Comp. Gen. 698
         Public Law 94-106, October 7, 1975
080210  10 U.S.C. § 1401a(h)
080213  5 U.S.C. § 8301
080215  10 U.S.C., Chapter 1223

0803 - MAJOR CHANGES IN THE USE OF BASIC PAY RATES AND CONDITIONS APPLICABLE TO COMPUTATION OF RETIRED PAY

080301  10 U.S.C. § 1401a
         Public Law 88-132, October 2, 1963
080302  10 U.S.C. § 1401a
         10 U.S.C. § 1401a(c) through (e)
         Public Law 90-207, October 1, 1967
         10 U.S.C. § 1401a(e)
         Public Law 98-94, section 921, September 24, 1983
080303  10 U.S.C. § 1401a
         Public Law 91-179, October 31, 1969
         Public Law 94-440, October 1, 1976
080304  10 U.S.C. § 1401a
         Public Law 85-422, June 1, 1958
         53 Comp. Gen. 698
080305  10 U.S.C. § 1401a(f)
         Public Law 94-106, October 7, 1975
         10 U.S.C. § 1402
         Public Law 113-66, section 631, December 26, 2013
080306  10 U.S.C. § 1407
         Public Law 96-342, September 8, 1980
080307  5 U.S.C. § 8301(a) and (b)
         Public Law 98-270, April 18, 1984
080308  10 U.S.C., Chapters 61 and 1223
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0805 – PROVISIONS OF PAY CHANGES, EXCEPTIONS, AND SPECIAL COMPUTATIONS STARTING DECEMBER 2005

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REFERENCES (Continued)

OUUSD (P&R) Memo, October 29, 2008
OUUSD (P&R) Memo, November 17, 2009
OUUSD (P&R) Memo, November 12, 2010
OUUSD (P&R) Memo, November 22, 2011
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OASD (M&RA) Memo, November 14, 2013
OASD (M&RA) Memo, November 13, 2014
OASD (M&RA) Memo, November 5, 2016
OASD (M&RA) Memo, November 21, 2015
OASD (M&RA) Memo, November 21, 2016
OASD (M&RA) Memo, November 27, 2017

* OASD (M&RA) Memo, November 1, 2018
VOLUME 7B, CHAPTER 9: “ADVANCEMENTS ON RETIRED LIST”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated February 2017 is archived.

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0901  GENERAL

090101.  Overview

Enlisted Service members and warrant officers who held a higher grade than their retired grade can be advanced on the retired list. Title 10, United States Code (U.S.C.), sections 7344, 8334, and 9344 entitle certain retired members who retired with less than 30 years of active service to be advanced to the highest grade satisfactorily held when their active service plus service on the retired list totals 30 years.

090102.  Purpose

This chapter provides an overview of the requirements for advancements on the retired list of:

A.  Retired members;

B.  Fleet Reservists, and Fleet Marine Corps Reservists, who are retired and whose active service, inactive service (Navy or Marine Corps members only), and service on the retired list or in the Fleet Reserve or Fleet Marine Corps Reserve totals 30 years; and

C.  Members who are found not physically qualified for retention in the Fleet Reserve or Fleet Marine Corps Reserve.

090103.  Authoritative Guidance

The authoritative references are listed at the end of this chapter.

0902  RETIREMENT GRADE AND PLACEMENT

090201.  Retired From Active Service

Chapter 1 covers members retired from active service in:

A.  A higher grade because of serving on active duty in special positions;

B.  The highest grade or rating held while serving on active duty; and

C.  The grade to which members would have been promoted had it not been for the physical disability for which they retired and was found to exist as a result of physical examination for promotion.
090202. Grade at Placement on the Retired List

Chapter 1 provides guidance for members retired from active service in a higher grade at the time of initial placement on the retired list.

0903 ADVANCEMENTS

090301. Air Force

A member of the Air Force who retires with less than 30 years of active service is entitled, when his active service plus his service on the retired list totals 30 years, to be advanced on the retired list to the highest grade in which the member served satisfactorily (or in the case of the National Guard, in which he served on full-time duty satisfactorily), as determined by the Secretary of the Air Force. This applies to:

A. Warrant officers of the Air Force;

B. Enlisted members of the Air Force; and

C. Reserve enlisted members of the Air Force who, at the time of retirement, are serving on active duty (or, in the case of members of the National Guard, on full-time duty).

090302. Army

A. A member of the Army who retires with less than 30 years of service is entitled, when his active service plus service on the retired list totals 30 years, to be advanced on the retired list to the highest grade served on active duty satisfactorily, as determined by the Secretary of the Army.

B. The Army Grade Determination Review Board (AGDRB) will convene prior to a current active duty member’s retirement and make a determination of the highest grade served on active duty satisfactorily, unless a reduction in grade was the result of misconduct, inefficiency or for cause.

C. Members who retired prior to July 12, 2002, without a grade determination review by the AGDRB, must apply to the AGDRB to initiate the grade determination process. Advancements will not occur until the member reaches the 30 year mark, in accordance with Army Regulation 15-80. If an application is submitted after the 30 year mark, then the effective date of advancement and pay is retroactive to the date of the application to the AGDRB. This applies to:

1. Warrant officers of the Army;

2. Enlisted members of the Regular Army; and
3. Reserve enlisted members of the Army, who at the time of retirement, were serving on active duty (or, in the case of members of the National Guard, on full-time duty).

090303. Navy and Marine Corps

A. A member of the naval service who retires with less than 30 years of active service, or who is transferred to the Fleet Reserve or Fleet Marine Corps Reserve, is entitled to be advanced on the retired list to the highest grade in which he served on active duty satisfactorily when:

1. The member’s active service plus their service on the retired list; or

2. The member’s service in the Fleet Reserve or the Fleet Marine Corps Reserve totals 30 years as determined by the Secretary of the Navy.

B. This applies to:

1. Warrant officers of the naval service;

2. Enlisted members of the Regular Navy and Regular Marine Corps;

and

3. Reserve enlisted members of the Navy and Marine Corps who, at the time of retirement or transfer to Fleet Reserve or Fleet Marine Corps Reserve, are serving on active duty.

C. When a member of the Fleet Reserve or Fleet Marine Corps Reserve has completed 30 years of service, or when the member is found not physically qualified for retention in the Fleet Reserve or Fleet Marine Corps Reserve, as a result of the required quadrennial (every 4 years) physical examination, the member is transferred to the retired list.

0904 EFFECTS ON PAY

090401. Reduction in Pay Due to Advancement

There is no absolute requirement that a member of the armed forces be advanced on the retired list. If advancement and recomputation results in a reduction of retired pay for the member and is based solely on administrative determination, then, prior to the advancement, the member should be consulted by the military service and advised that the member’s retired pay would be reduced if advanced.

A. If an enlisted member is advanced on the retired list, the retired pay must be recomputed even though a reduction of retired pay would result.
B. Warrant officers advanced on the retired list are entitled to use only years of active service in determining the percentage multiplier used in computing retired pay for the advanced grade.

090402. Computation of Retired Pay

Retired pay may be computed at the higher grade in which a member had served satisfactorily without regard to whether the higher grade was temporary or permanent, or if the Military Service in which the member held the higher grade is not the Military Service from which the member retired. Where required by statute, the Secretary of the Military Department (or designee) in which the member performed service at the higher grade must provide an administrative approval confirming the member’s satisfactory performance at the higher grade.

090403. Extraordinary Heroism

An enlisted member who was awarded a 10 percent increase in retired pay because of extraordinary heroism performed in the line of duty, is no longer eligible to continue receiving the additional 10 percent upon advancement to officer rank.

090404. Recomputation of Retired Pay

A member of the armed forces advanced on the retired list is entitled to a recomputation of retired pay by:

A. Using the rate of monthly basic pay for the grade on the initial date of retirement or transfer or using the high 36 months retired pay base if the member entered a Uniformed Service after September 7, 1980;

* B. Multiplying the appropriate percentage under 10 U.S.C. § 1409 by the total number of years of active service using whole months actually served, in excess of whole years, as 1/12 of a year;

C. Reducing the percentage determined under subparagraph 090404.B, in the case of a member who first entered a uniformed service after July 31, 1986, has elected to receive a bonus under 37 U.S.C. § 354, has less than 30 years of creditable service, and is under the age of 62 at the time of retirement by:

1. One percentage point for each full year that the member’s years of creditable service are less than 30; and

2. One-twelfth of 1 percentage point for each month by which the member’s years of creditable service (after counting all full years of such service) are less than a full year; and

D. Applying all applicable cost-of-living adjustments from the date of initial retirement or transfer
0905  RESTORATION OF FORMER GRADE

   Each retired warrant officer, enlisted member of the Regular Army or Air Force, or enlisted member retired from the Fleet Reserve or Fleet Marine Corps Reserve who has been advanced on the retired list to a higher commissioned grade, within 3 months after advancement, may apply to the Secretary of the Military Department concerned (or designee) for restoration to the former warrant officer or enlisted grade. If the Secretary of the Military Department concerned (or designee) approves the request, then the member may be restored to the former warrant officer or enlisted grade. A member so restored thereafter is considered for all purposes to be a warrant officer or an enlisted member, as applicable.
*REFERENCES

CHAPTER 9 – ADVANCEMENTS ON RETIRED LIST

0901 – GENERAL

10 U.S.C. § 7344
10 U.S.C. § 8334
10 U.S.C. § 9344

0902 – RETIREMENT GRADE AND PLACEMENT

090201 10 U.S.C. § 8262

0903 – ADVANCEMENTS

090301 10 U.S.C. §§ 7344 and 9344
090302 10 U.S.C. § 7344
Army Regulation 15-80
090303 10 U.S.C. §§ 8331 and 8334
10 U.S.C. § 8262(a)

0904 – EFFECTS ON PAY

090401 Comptroller General (Comp Gen)
B-155940, February 23, 1965
Comp Gen B-156576, July 22, 1965
090402 Comp Gen B-164281, March 23, 1970
090403 10 U.S.C. § 12739
10 U.S.C. § 8991
090404 10 U.S.C. §§ 8992 and 8262
090404.A and B Public Law 96-342, section 813, September 8, 1980
10 U.S.C. § 1402a
090404.B 10 U.S.C. § 1409
090404.C and D 10 U.S.C. § 1409
10 U.S.C. § 1401a(f)

0905 – RESTORATION OF FORMER GRADE

10 U.S.C. §§ 3965 and 8262
VOLUME 7B, CHAPTER 10: “CORRECTION OF RECORDS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated April 2017 is archived.

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CHAPTER 10

CORRECTION OF RECORDS

1001  GENERAL

100101.  Purpose

This chapter provides guidance on the payment of claims resulting from the correction of military records. The Boards for Correction of Military Records are the highest level of administrative review within the Department of Defense (DoD) with the mission to correct errors or remove injustices from military records.

100102.  Authoritative Guidance

The authoritative references are listed at the end of this chapter.

1002  BACKGROUND

The Secretary of a Military Department concerned may correct any military record of the Secretary’s department when the Secretary considers it necessary to correct an error or remove an injustice. The Secretary will establish procedures for the correction of a military record as approved by the Secretary of Defense. The Secretary of a Military Department, acting through a panel comprised of civilians (Board) of the executive part of that Military Department, will make such corrections. The responsibilities for the Correction of Records can be found under the DoD Directive (DoDD) 1332.41, “Boards for Correction of Military Records (BCMRs) and Discharge Review Boards (DRBs).”

100201.  Final and Conclusive

Corrections of military records are final and conclusive on all officers of the United States except when such corrections were obtained through fraud.

100202.  Reaffirmation of Existing Facts

A reaffirmation of existing facts already in the original record does not constitute a proper correction of that record. A proper correction and a right to the payment of money must be a result of a change of facts from those already in the original record, or an addition or deletion of a fact. A recounting of existing facts does not avoid the application of the statute of limitations.

100203.  Statute of Limitations

If a payment is due as a result of a correction of record, the claim for such payment accrues on the date of the correction. A claimant has 6 years from the date of the correction of record to claim the payment owed as a result of the correction of record.
Example: A member of the Navy is transferred to the Fleet Reserve or the Fleet Marine Corps Reserve on May 1, 1999, with 21 years and 3 months of service. On January 2, 2008, his or her record is corrected to show that at the time of transfer the member had 22 years and 3 months of service. Upon correction, the member is entitled to additional retainer pay from the date of transfer in accordance with his or her grade and corrected number of years of creditable service. The claim for the additional payment begins accruing on the date of the Board’s decision (January 2, 2008), not on May 1, 1999. The statute of limitation period starts from the date of the record correction rather than from the date of transfer.

1003 PAY COMPUTATION

100301. Amounts

Payments based on a correction of military records must be made in the amounts determined to be due by applying pertinent laws and regulations to all the material facts shown in the corrected record. Generally, the payments resulting from the correction of military records are based on the:

A. Pay entitlement the member had before the correction;

B. Actual payments made for these entitlements; or

C. New pay entitlements that accrue as a result of the correction. For specific computation, see Chapter 3 concerning the entitlement to and computation of retired or retainer pay, Chapter 37 for participation in and payment of survivor annuities under the Retired Serviceman’s Family Protection Plan (RSFPP), and/or Chapter 46 for the Survivor Benefit Plan (SBP).

100302. Settlement

The settlement of retired pay, retainer pay, or survivor annuities due as a result of the correction of a military record must be reduced, as applicable, by:

A. Any previous settlements of active duty pay and allowances involving the same periods;

B. Prior payments of readjustment pay or disability severance pay;

C. Prior payments of disability compensation, pensions, or Dependency and Indemnity Compensation made by the Department of Veterans Affairs;

D. Federal income tax;

E. Cost of participation in the RSFPP and/or SBP;

F. Dual compensation, if a retired Regular officer was employed by the United States Government prior to October 1, 1999; or
G. Prior payments of the mother’s benefit received from Social Security and the amount of the spouse’s Social Security entitlement, if any, resulting from the retiree’s active military service.

100303. Deductions from Pay and Allowance

Earnings received from civilian employment, self employment, or any income protection plan for such employment during any period for which active duty pay and allowances are payable will be deducted from the settlement. To the extent authorized by law and regulation, amounts found due must be reduced by the amount of any existing indebtedness to the government arising from military service.

100304. Demand for Payment

When payment cannot be made to the member because of member’s death, payment may be made to member’s legal representative. In the absence of a demand for payment by the legal representative, payments are made:

A. To the surviving spouse, heir, or beneficiaries, in the order prescribed by the law applicable to that kind of payment; or

B. In the order of precedence in Chapter 30, subparagraph 300204.A.

100305. Claimants Acceptance

A claimant’s acceptance of settlement fully satisfies the claim concerned. Settlement of this claim does not preclude payment of a separate and distinct claim and acceptance of settlement does not preclude recomputation and adjustment when there is a mutual mistake. Payments are not authorized for any claim compensated by private law before October 25, 1951.

1004 TAX ADJUSTMENT

See Chapter 24, section 2410.

1005 APPROPRIATION CHARGES

Any amounts of retired pay, retainer pay, combat related special compensation, concurrent retirement and disability pay, and SBP annuities that are due in the future as a result of the correction are charged to the DoD Military Retirement Fund. Any other amounts due and payable for past periods as a result of the correction (for a time period before the date of approval by the Secretary of the Military Department) are paid utilizing an applicable appropriation.
1006 RESTRICTIONS

No payment resulting from a correction of records may be made for a benefit to which the claimant might later become entitled under the laws and regulations administered by the Secretary of Veterans Affairs.
CHAPTER 10 – CORRECTION OF RECORDS

1002 – BACKGROUND

Title 10, United States Code (U.S.C.), section 1552(a)(2)
DoDD 1332.41, April 23, 2007

100201 10 U.S.C. § 1552(a)(4)
100202 B-179467, May 2, 1974
39 Comptroller General 178 (1959)
Defense Office of Hearing and Appeals Claims
Case Number 04090713,
(December 8, 2004)

100203 10 U.S.C. § 1552(a) and (b)

1003 – PAY COMPUTATION

100304 10 U.S.C. § 1552(c)
10 U.S.C. § 2771

100305 10 U.S.C. § 1552(c)(3)

1005 – APPROPRIATION CHARGES 10 U.S.C. § 1552(c)(1)

1006 – RESTRICTIONS 10 U.S.C. § 1552(e)
VOLUME 7B, CHAPTER 11: “REMOVAL FROM THE TEMPORARY DISABILITY RETIRED LIST (TDRL)”

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<td>Addition</td>
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CHAPTER 11

REMOVAL FROM THE TEMPORARY DISABILITY RETIRED LIST (TDRL)

1101 GENERAL

110101. Purpose

The purpose of this chapter is to provide information and guidance for the Secretary concerned and members who are on the TDRL or become eligible for placement on the TDRL because of physical disability in accordance with Title 10, United States Code (U.S.C.), Chapter 61. A Service member may be placed on the TDRL when the member meets the requirements for permanent disability retirement, except that the member's disability is not determined to be stable. A disability must be determined to be stable when the preponderance of medical evidence indicates the severity of the condition will probably not change. A determination on whether a disability is stable must occur within 5 years of the member being placed on the TDRL prior to January 1, 2017, or within 3 years for members placed on the TDRL on or after January 1, 2017. The TDRL must be managed to meet the requirements under 10 U.S.C., Chapter 61 for periodic physical examination, suspension of retired pay, and prompt removal from the TDRL.

*110102. Authoritative Guidance

The pay policies and requirements established by Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with Title 10 of the U.S.C. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1102 TEMPORARY DISABILITY RETIRED LIST (TDRL)

110201. Placement on the TDRL

If the Secretary concerned determines that a member is unfit to perform the duties of his or her office, grade, rank, or rating because of physical disability that would qualify for disability retirement, except that the member’s disability is not determined to be stable, the member may be placed on the TDRL. For retired pay computations, see Chapter 3.

110202. Members Eligible to be Placed on the TDRL

The following members are eligible upon determination by the Secretary concerned for placement on the TDRL:
A. A member of a regular component of the Armed Forces entitled to basic pay;

B. Any other member of the Armed Forces entitled to basic pay who has been called or ordered to active duty (other than for training under 10 U.S.C., section 10148(a)) for a period of more than 30 days; or

C. Any other member of the Armed Forces who is on active duty but is not entitled to basic pay by reason of 37 U.S.C. § 502(b) due to authorized absence to participate in an educational program, or for an emergency purpose, as determined by the Secretary concerned.

110203. Requirements While on the TDRL

A member may be placed on the TDRL upon a determination by the Secretary concerned that the member meets the requirements for permanent disability retirement, except that the member’s disability is not determined to be stable. The following requirements under 10 U.S.C. § 1210 must be met by the member and/or the Secretary of the Military Department concerned (or designee), as applicable, in maintaining the TDRL.

A. A member on the TDRL must be given a physical examination at least once every 18 months to determine whether there has been a change in the disability, for which the member was temporarily retired.

B. The maximum period a member may be carried on the TDRL is:

1. Five years after the date the member’s name was placed on the TDRL, if the member was placed on the TDRL prior to January 1, 2017; or

2. Three years after the date the member was placed on the TDRL, if the member was placed on the TDRL on or after January 1, 2017.

C. The Secretary of the Military Department concerned (or designee) may make a final determination as to the member’s disability after a periodic physical examination and will make a final determination no later than the expiration date of the member’s eligibility to be on the TDRL. If, at the time of that determination, the physical disability for which the member's name was carried on the TDRL still exists, it is considered to be of a permanent nature and stable.

1103 TERMINATION DATE OF TEMPORARY DISABILITY RETIRED PAY

110301. Final Determination by the Secretary of the Military Department Concerned

The Secretary concerned makes a final determination that a member on the TDRL is either fit for duty or unfit for duty. A qualified member found fit for duty may be returned to active duty, appointed, reappointed, enlisted or reenlisted in a reserve component, transferred to the inactive reserve, or transferred to the Fleet Reserve or the Fleet Marine Corps Reserve. If the member declines these options and is otherwise eligible, he or she may be retired or discharged without
disability. A qualified member found unfit for duty will be separated with either a disability severance or transferred to the Permanent Disability Retired List (PDRL).

110302. Termination of Disability Retired Pay

Unless immediately transferred to the PDRL, the disability retired pay of a member terminates on the earlier of the following:

A. The date of recall to active duty;

B. The date of resumption of status in Fleet Reserve or Fleet Marine Corps Reserve;

C. The date of appointment, reappointment, enlistment, or reenlistment in the reserve forces, including the inactive reserve;

D. The date of discharge, if a qualified member declines any offer in subparagraphs A through C;

E. The date a member’s disability is determined to be less than 30 percent, if the member will be separated for physical disability;

F. Any date specified by the Secretary concerned in the event the member fails to report for a periodic physical examination; or

G. If a member is not otherwise removed from the TDRL for any of the reasons stated in subparagraphs 110302.A through F, the member’s disability retired pay will terminate upon expiration of:

   1. The 5-year period after the date the member was placed on the TDRL, if the member was placed on the TDRL prior to January 1, 2017, or

   2. The 3-year period after the date the member was placed on the TDRL, if the member was placed on the TDRL on or after January 1, 2017.

110303. Notification to Department of Veterans Affairs (VA)

If a total or partial VA waiver of retired pay is in effect on the date of the retiree’s discharge from the TDRL, Defense Finance and Accounting Service, Cleveland (DFAS-CL) must notify the appropriate VA office of the effective date of discharge. The notification, if applicable, should include the amount of disability severance pay entitlement, and whether the disability resulting in that pay incurred in the line of duty in a combat zone or from performance of duty in combat-related operations. When available, DFAS-CL will also provide the VA with the DoD assigned disability codes for which the disability severance pay was paid.
1104 FOUND FIT FOR DUTY

110401. Determined to be Physically Fit for Duty

If, as a result of the physical examination or determination by the Secretary of the Military Department concerned (or designee), as referenced in section 1102, it is determined that the member is physically fit to perform the duties of the office, grade, rank, or rating, the member will be removed from the TDRL. See Table 11-1.

110402. Available Options for Member Found Fit for Duty

Any member removed from the TDRL may, with his or her consent, be recalled to active duty, appointed, reappointed, enlisted, or reenlisted; resume status in the Fleet Reserve or Fleet Marine Corps Reserve; or be placed on the non-disability retired list, if eligible. A member found fit for duty, who does not consent to recall, appointment, reappointment, enlistment, reenlistment, resumption of status, or placement on a retired list, must be discharged without disability as soon as practicable.

1105 FOUND UNFIT FOR DUTY

110501. Determined to be Physically Unfit for Duty

If it is established by the physical examination or determination by the Secretary of the Military Department concerned that the member is physically unfit to perform the duties of the office, grade, rank, or rating, and that the disability is of a permanent nature, the member will be removed from the TDRL (referenced in section 1103). Except for members approved for permanent limited duty, a member who is found to be unfit will be retired, if eligible for retirement, or if not eligible for retirement, separated. Disability severance pay is described in Volume 7A, Chapter 35. See Table 11-1.

110502. Physical Disability of at Least 30 Percent

If the member’s physical disability is determined to be at least 30 percent under the standard schedule of rating disabilities in use by the VA at the time of the determination, the member will be retired by reason of permanent physical disability.

110503. Physical Disability Less Than 30 Percent

A. If the member’s physical disability is determined to be less than 30 percent under the standard schedule of rating disabilities in use by the VA at the time of the determination, and the member has at least 20 years of service, the member will be retired by reason of permanent physical disability.
B. If the member’s physical disability is determined to be less than 30 percent under the standard schedule of rating disabilities in use by the VA at the time of the determination, and the member has less than 20 years of service, the member may be separated by reason of permanent physical disability with disability severance pay.

1106 DISABILITY SEVERANCE PAY

110601. Disability Severance Pay

A member removed from the TDRL under subparagraph 110503.B may be separated with disability severance pay as described in Volume 7A, Chapter 35.

110602. Service Requirement for Disability Severance Pay

There is no minimum amount of service time required to be eligible for disability severance pay. The maximum number of years of service for computing the disability severance pay will be 19 years. The minimum number of years for computation purposes will be:

A. Six years in the case of a member separated from the Armed Forces for a disability incurred in the line of duty in a combat zone (as designated by the Secretary of Defense) or incurred during the performance of duty in combat-related operations as designated by the Secretary of Defense; or

B. Three years in the case of any other member.

110603. Tax Requirement

To determine the taxability of the disability severance pay, see Volume 7A, Chapter 35.

110604. Severance Pay and VA Disability Compensation

The amount of disability severance pay received under 10 U.S.C. § 1212 may be subject to recoupment by the VA. The member should contact the applicable VA office for more information. Effective January 28, 2008 and later, no deduction is made in the case of disability severance pay received by a member for a disability incurred in the line of duty in a combat zone or incurred during performance of duty in combat-related operations as designated by the Secretary of Defense. No deduction is made from any death compensation to which the former member’s dependents become entitled after the member’s death.

*110605. Subsequent Entitlement to Retired Pay

In the event a member is separated due to physical disability and is paid severance pay, and then subsequently becomes entitled to military retired pay due, for example, to a change to his military record to show that he was retired rather than separated, the payment of disability severance pay becomes erroneous and subject to collection as a debt. The full amount of the
member's debt will be deducted from any retroactive retired pay entitlements that become due as a result of the retirement. The debt is subject to consideration for waiver under 10 U.S.C. § 2774.
Table 11-1. Removal From the TDRL

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<td>3</td>
<td>is 30 percent or more</td>
<td>with his or her consent, recalled to active duty, appointed, reappointed, enlisted, or reenlisted</td>
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<td>4</td>
<td>no longer exists and member is found fit for duty and is a member of the Army or Air Force (Note 3)</td>
<td>with his or her consent, recalled to active duty, appointed, reappointed, enlisted, or reenlisted</td>
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<td>5</td>
<td>no longer exists and member is found fit for duty and is a member of the Navy, Marine Corps, or Coast Guard (Note 3)</td>
<td>with his or her consent, recalled to active duty, appointed, reappointed, enlisted, or reenlisted, or resume status in the Fleet Reserve or Fleet Marine Corps Reserve</td>
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<td>6</td>
<td>no longer exists and member is found fit for duty (Note 3)</td>
<td>discharged without disability severance pay if member does not consent to be recalled, appointed, reappointed, enlisted, or reenlisted</td>
</tr>
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Notes:
1. The date the member completes 5 years on the TDRL supersedes this effective date. See subparagraph 110203.B.1.
2. Effective January 1, 2017, this is the date the member completes 3 years if placed on the TDRL. See subparagraph 110203.B.2.
3. If the member is fit, there is no disability percentage. See 10 U.S.C. § 1210(f).
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10 U.S.C., Chapter 61
DoD Instruction (DoDI) 1332.18,
August 5, 2014 (Incorporating Change 1,
May 17, 2018)

1102 – TEMPORARY DISABILITY RETIREMENT LIST (TDRL)

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1104 – FOUND FIT FOR DUTY

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VOLUME 7B, CHAPTER 12:  “WAIVER OF RETIRED PAY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2018 is archived.

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<td>Updated this chapter with hyperlinks and formatting to comply with current administrative instructions.</td>
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<tr>
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CHAPTER 12

WAIVER OF RETIRED PAY

1201  GENERAL

120101.  Purpose

This chapter provides guidance for the waiver of retired pay. It includes the member’s rights to retired pay, explains the exception provisions as authorized by law to waive retired pay and the impact of Veterans benefits on retired pay.

A.  Retired pay is a statutory right and, as such, cannot be waived except as authorized by law. The following statutes and regulations authorize a member to waive entitlement to retired pay:

1.  Title 38, United States Code (U.S.C.), section 5305 permits a member to waive military retired pay in order to receive compensation or pension from the Department of Veterans Affairs (VA).

2.  Title 5, U.S.C., §§ 8332(c), 8411, and Title 5, Code of Federal Regulations (CFR), section 831.301 permit a member to include creditable military service in computing a civil service retirement annuity.

B.  A member may not waive his or her right to retired pay. Even if retired pay is not being sent to a member on a monthly basis (for example, the member’s whereabouts are unknown), the retired pay continues to accrue. Since, for income tax purposes, such retired pay is deemed to have been constructively received by the member once it is made available and can be drawn upon, it is subject to the tax withholding and reporting requirements of ordinary wages.

C.  VA benefits are nontaxable income for federal, state, and local income taxation. See Chapter 24 for computation of taxable pay and Chapter 25 for federal income tax withholding.

D.  VA benefits may exceed the retired pay entitlement.

*120102.  Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 5, 10, 22, 31, 37, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.
1202 DEPARTMENT OF VETERANS AFFAIRS (VA) BENEFITS

120201. Dual Benefits

A retiree receiving retired pay who is also eligible to receive disability compensation/pension from the VA is barred from receiving concurrent payments of both retired pay and the VA benefit, unless the member elects to waive the portion of retired pay that is equal to the amount of the VA benefit awarded. However, the retiree may qualify to receive both retired pay and the VA benefit under the Concurrent Retirement and Disability Pay (CRDP) program. For information regarding the CRDP program, see 10 U.S.C. § 1414.

120202. Improved VA Pension

A retiree receiving retired pay who also is eligible to receive an improved VA pension from the VA is not required to waive any retired pay, effective October 1, 1980.

120203. Initial Award of VA Disability Compensation

A. The time frame for processing the initial waiver of military retired pay in favor of an initial award of VA disability compensation is in accordance with agreements set forth in the “Memorandum of Understanding (MOU) between the Department of Veterans Affairs (VA) and the Defense Finance and Accounting Service (DFAS) – Cleveland” for Retired Pay and Survivor Annuities, hereinafter referred to as “MOU”.

B. Responsibility between the DFAS and the VA for recouping overpayments is in accordance with the MOU.

C. The Dual Compensation Act, 5 U.S.C. § 5532, which required a reduction in retired pay for military retirees employed in civil service positions, was repealed effective October 1, 1999. Prior to the repeal, when a regular retired officer employed by the Federal Government or instrumentality thereof waived his or her retired pay in lieu of VA benefits during the period of a retroactive initial award of VA benefits, all amounts classified as retired pay were subject to reduction under the dual compensation formula. Disability compensation payable by the VA is not retired pay. Payments equal to the VA compensation entitlement, and received after the effective date of the waiver, are classified as disability compensation and have never been subject to reduction under the Dual Compensation Act. If a member executes a retroactive waiver of retired pay for a period prior to October 1, 1999, then the DFAS Cleveland site must recompute any dual compensation reduction as of the retroactive effective date of the waiver. The member must authorize the VA in writing to pay any additional compensation due after deducting any retired pay overpayment. The VA will forward new pay data to the DFAS Cleveland site in accordance with the MOU.
120204. Change in VA Disability Compensation Awards

A. For increased or reduced awards, or a statutory increase, see the MOU.

B. If a retiree is receiving Federal Employee Compensation Act benefits and is receiving VA benefits, the member will continue to receive both benefits unless the benefits are payable for the same injury.

120205. Withdrawal of Waiver

A retiree who has waived retired pay in favor of VA benefits may withdraw the waiver and elect to receive retired pay at any time. The retiree must submit a notification of the withdrawal of the previous waiver of retired pay to the VA on VA Form 21-526, Veteran’s Application for Compensation and/or Pension. The retiree will check the box on VA Form 21-526, Part V, Item 25, under the statement, “NO, I DO NOT WANT VA COMPENSATION IN LIEU OF MILITARY PAY.” This renouncement of VA benefits does not preclude the retiree from filing a new waiver of retired pay at a later date, enabling the retiree to receive VA benefits again. The effective date or reinstatement of retired pay is determined by the VA procedures outlined in subparagraphs 120205.A and B.

A. When the VA is the initial recipient of the request or withdrawal, the VA will notify the DFAS retired pay activity of the effective date of termination of VA benefits. The effective date is the first of the month after the month of the request for withdrawal or termination of VA benefits, whichever is later. See the MOU.

B. When the DFAS retired pay activity is the first recipient of the request for withdrawal, it will send the request to the appropriate VA office by a cover letter indicating the monthly gross retired pay. Upon receipt, the VA follows the procedure in subparagraph 120205.A.

120206. Withdrawal When the Retiree is Ruled Incompetent

The trustee or guardian may request withdrawal of a previously executed waiver of retired pay of a retired member who has become incompetent. The VA will terminate VA benefits and the DFAS will restore retired pay. The effective date for the restoration of retired pay will be the first day of the month following the month of the termination of VA benefits. See the MOU.

120207. Survivor Benefit Plan (SBP)

Any retiree participating in SBP who waives retired pay in favor of VA benefits may:

A. Authorize the VA to withhold the cost of the SBP from the benefits awarded and remit that amount to the cognizant retired pay activity (see Chapters 45 and 54);

B. Be subject to involuntary collection action by DFAS. Such collection action is subject to the provisions of 31 U.S.C. §§ 3701(a)(1) and 3716; or
C. Directly remit the cost of the SBP to the cognizant retired pay activity.

1203 CIVIL SERVICE RETIREMENT AND FEDERAL EMPLOYMENT RETIREMENT SYSTEM

120301. Credit of Military Service for Computing Civil Service Annuity

A retiree receiving retired pay, pursuant to any provision of law authorizing such payments, who applies for a retirement annuity under the laws administered by the Office of Personnel Management (OPM), or the Foreign Service, may elect to waive the retired pay in order to credit military service for computing civil service annuity. To avoid a delay in adjudicating a civil service retirement claim, the member should execute a waiver and send it to the DFAS at least 60 days before the anticipated starting date of the annuity.

120302. Creditable Service

If a member waives retired pay, then all periods of military service before the date of separation on which entitlement to military retired pay is based are creditable.

A. A member will receive credit for military service without waiver of retired pay, if the member was awarded retired pay:

1. On account of a service connected disability:
   a. Incurred in combat with an enemy of the United States; or
   b. Caused by an instrumentality of war and incurred in the line of duty during a period of war as defined by 38 U.S.C. § 1101. The term “period of war” includes, in the case of any veteran, any period of continuous service performed after December 31, 1946 and before July 26, 1947, if such period began before January 1, 1947.

2. For non-regular (reserve) service under 10 U.S.C., Chapter 1223.

B. A member who was awarded retired pay because of military service other than service described in subparagraph 120302.A will be required to waive retired pay in order to receive credit for military service for Civil Service Retirement.

120303. Initial Waiver

A retiree may request waiver of retired pay so that military service may be used in establishing eligibility for and/or computation of civil service retirement annuity. The retiree must submit the request for waiver of retired pay over the retiree’s signature and should contain the effective date of the waiver of retired pay. Certain civil service annuities, starting on or after October 1, 1982, commence the first day of the month after separation from civil service or pay ceases and the service and age requirements for title to annuity are met. Individuals retiring during the first 3 days of a month are excluded; their annuities begin the following day. Also excluded
are survivor annuities, disability annuities, or discontinued service annuities based on involuntary separation, death, or last day of pay. The member should also authorize the OPM to withhold amounts necessary from the civil service retirement annuity to repay amounts of retired pay paid beyond the effective date of the waiver. The retired pay activity notifies the OPM of the date retired pay is waived. The OPM, in turn, advises the retired pay activity of the actual date a member’s retirement annuity started, enabling the retired pay activity to make any final settlement that might be due the retired member.

120304. Dual Waivers

A. Federal law prohibits the credit of military service for civil service retirement annuity purposes if the retiree is receiving retired pay based on any period of military service, except retired pay awarded in accordance with subparagraph 120302.A.

B. A retiree who is in receipt of retired pay which bars credit for military service may elect to waive the retired pay and have the military service added to civilian service for civil service annuity computation purposes subject to deposit requirements established by civil service law.

C. Individuals whose civilian retirement is not based on disability need not renounce VA benefits to receive credit for military service if they waive their military retired pay for civil service annuity computation purposes.

120305. Withdrawal of Waiver

The waiver of military retired pay to receive an increased civil service retirement annuity may be withdrawn and military retired pay reinstated under these conditions:

A. The waiver of military retired pay may be withdrawn when the member becomes a reemployed annuitant and the civil service annuity terminates.

B. Civil service retirement retiree, who becomes eligible for Social Security benefits based on the member’s wages and/or self-employment income, must exclude their military service performed after 1956 from the computation of civil service annuity. The waiver may be withdrawn, and retired pay must be reinstated, but only if the military service was not used to establish eligibility for a civil service retirement annuity.

C. A member may revoke a waiver of military retired pay at any time providing this will not produce dual retirement benefits based on the same period of service.

120306. Relationship of Civil Service Survivor Annuity to Military SBP

When a retiree, who is participating in the survivor annuity program, elects to waive retired pay in favor of civil service retirement, the retiree is required to pay the SBP cost during the period the waiver is in effect unless the OPM notifies the DFAS that the member elected to provide spouse coverage under the civil service annuity program.
120307. Addresses

The correspondence addresses for the OPM and the Foreign Service are:

U.S. Office of Personnel Management
Retirement Operations Center
Post Office Box 45
Boyers, PA  16017

Office of Retirement
Department of State, SA-1, H-620
2401 E. Street NW
Washington, DC  20522

1204 WAIVER OF PAY FOR RESERVE DUTY AFTER RETIREMENT

120401. Definitions

A. Retired member, as used in this section refers to a member of the Army, Navy, Air Force, Marine Corps or Coast Guard who because of earlier military service is entitled to pension, retired or retainer pay, or disability compensation.

B. Active duty, as used in this section, does not include extended active duty (more than 30 days) where strength accountability passes from the Reserve Components to the active military establishment.

120402. Reserve Training Category

Each Armed Forces Reserve Component is divided into three categories: Ready (active status), Standby (inactive status), and Retired (retired status).

A. Ready Reserve

1. A member of the Ready Reserve may, without consent, be ordered to active duty by the Secretary of the Military Department concerned (or designee) during a period of war or national emergency, or when otherwise authorized by law.

2. Retired personnel having Ready Reserve status may participate in active duty for training or inactive duty training required by virtue of their assignment in a Reserve Component. Each period of training must be at least 2 hours with a maximum of two training periods in 1 calendar day. Compensation for each regular period of instruction or period of appropriate duty is at the rate of 1/30 of the member’s authorized monthly pay and allowance, including that performed on a Sunday or holiday. Where the duty performed is for a continuous period of less than 1 month, compensation for each day of the period is at the rate of 1/30 of the monthly pay and allowances. The 31st day may not be excluded from the computation. A member may perform inactive duty training without pay.
12-9

a. **Active Duty for Training.** This duty may include full-time training, annual training tours, or attendance at a school designated as a Military Service school by the Secretary of the Military Department concerned.

b. **Inactive Duty Training.** This training may include assemblies, additional flying training periods, and other additional duties as authorized by the Secretary of the Military Department concerned.

B. **Standby Reserve.** A member of the Standby Reserve may be called to active duty only in time of war or national emergency declared by the Congress or when otherwise authorized by law. This member does not participate in the duty referred to in subparagraph 120402.A.2.a or b.

C. **Retired Reserve.** A member of the Retired Reserve who is entitled to retired pay may not be placed in the Ready Reserve unless the Secretary of the Military Department concerned (or designee) makes a special finding that the member’s services in the Ready Reserve are indispensable. The Secretary or designee may not delegate authority in this instance.

120403. **Entitlement**

Except during a period of war or national emergency, a reservist entitled to retired pay who performed Reserve training for compensation may elect to receive for that duty:

A. The retired pay to which entitled because of earlier military service; or

B. The pay and allowances authorized for the duty being performed, if the member specifically waives retired pay.

For periods of war or national emergency, see 10 U.S.C. § 12316.

120404. **Effect on Pay**

A retired member who elects to receive compensation for periods of active duty for training or inactive duty training must waive 1 day of retired pay for each calendar day on which the Reserve training is performed. Performance of more than one drill in one calendar day requires the withholding of only 1 day of retired pay for that calendar day.

A. **Waiver of Pay.** The member must prepare in advance a waiver of retired pay for the entire or remainder of the fiscal year in which the training is to be performed. The waiver form should show, by month, the number of training periods for inactive duty and the inclusive dates of each anticipated active duty tour. Timely preparation of the waiver will help prevent a possible overpayment of pay.

B. **Supplemental Certificate of Waiver.** The certificate is required when a member performs active or inactive duty not covered by the first declaration. This certificate shows the additional days of duty performed by month and is added to the first declaration.
C. **Certificate of Recoupment.** The certificate recovers previously waived benefits that exceed active or inactive duty training performed. This request for recoupment must be signed by the unit commander and may not be submitted earlier than the last day of the fiscal year involved. The schedule for both the active and inactive duty for training may be shown on the same waiver form or certificate.

D. **Adjustment of Pay.** Pay is adjusted on an individual basis. Procedures for liquidating an outstanding debt or for collecting cash payment for SBP coverage are the same as for all other retired members.
REFERENCES

CHAPTER 12 – WAIVER OF RETIRED PAY

1201 – GENERAL

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1202 – DEPARTMENT OF VETERANS AFFAIRS (VA) BENEFITS

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1203 – CIVIL SERVICE RETIREMENT & FEDERAL EMPLOYMENT RETIREMENT SYSTEM

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28 Comp Gen 367
43 Comp Gen 551
46 Comp Gen 404

120302

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5 U.S.C. § 8411 (FERS)
10 U.S.C., Chapter 1223
38 U.S.C. § 1101

120303

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5 U.S.C. § 8342 and note
5 U.S.C. § 8348
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December 21, 1982
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120304

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55 Comp Gen 684

120305.A

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120305.B

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120305.C

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REFERENCES (Continued)

1204 – WAIVER OF PAY FOR RESERVE DUTY AFTER RETIREMENT

120401.A 10 U.S.C. § 12316(a)
120402 10 U.S.C. § 10141(a) and (b)
32 CFR 64.4
32 CFR 101.5
120402.A.2 10 U.S.C. § 12301
Volume 7A, Chapter 57
37 U.S.C. §§ 206, 1002, and 1004
120402.B 10 U.S.C. § 12301
10 U.S.C. §§ 10145, 10146, and 12301
10 U.S.C. § 12316(a)
120404 MS Comp Gen, B-179882,
December 4, 1974
MS Comp Gen, B-207370,
March 22, 1983
**VOLUME 7B, CHAPTER 13: “SUSPENSION OF PAY”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

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<tr>
<td>130102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
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<tr>
<td>130202 C and D and Table 13-1, Rule 6 and 7</td>
<td>Updated expiration period from 5 years to 3 years for a member whose name is on the disability retired list, pursuant to Title 10, United States Code, section 1210(b) and (h).</td>
<td>Revision</td>
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<tr>
<td>130503</td>
<td>Added the deduction of Survivor Benefit Plan premiums from Combat Related Special Compensation when deductions from the member’s retired pay is insufficient, pursuant to 10 U.S.C. § 1452(d)(2).</td>
<td>Addition</td>
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<td>Renamed “Bibliography” to “References.”</td>
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CHAPTER 13

SUSPENSION OF PAY

1301    GENERAL

130101.    Purpose

The pay account of a retiree may be placed in a suspended (nonpayment) status for a definite or indefinite period of time. The pay may be suspended to comply with statutory or regulatory requirements or Defense Finance and Accounting Service (DFAS) retired pay procedures. Such suspension may not necessarily affect continued or future entitlement when the requirements or procedures that were the basis for the suspension no longer apply. When a retired member is missing and there is no information concerning his or her whereabouts, the member’s retired pay must be suspended from the date that he or she was last known to be alive.

130102.    Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, 37 and 38. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1302     STATUTORY REQUIREMENTS

130201.    Failure to Comply With Statutes

As specified herein, applicable statutes may prohibit the retiree’s receipt of concurrent payments, payments after a specific period of time, or payments if a member fails to comply with statutory requirements.

130202.    Retired Pay Suspended

A retiree’s pay is suspended (see Table 13-1) if he or she:

A.    Is recalled to active duty;

B.    Requests waiver of retired pay because of:

1.    An award of Department of Veterans Affairs disability compensation or pension payments, or

2.    Military service being used for purposes of qualifying for a U.S. civil service retirement annuity;
*  
C. Completes 5 years on the Temporary Disability Retired List (TDRL), subject to placement on the Permanent Disability Retired List, if placed on the TDRL prior to January 1, 2017;  

*  
D. Completes 3 years on the Temporary Disability Retired List (TDRL), subject to placement on the Permanent Disability Retired List, if placed on the TDRL on or after January 1, 2017;  

E. Fails to report for a required physical examination while on the TDRL or while a member of the Fleet Reserve/Fleet Marine Corps Reserve;  

F. Is employed by a foreign government (to include local government units within a foreign country, as well as the national government itself) without applicable congressional or secretarial approvals; or  

G. Is found to be mentally incapable of managing his or her personal affairs, and no guardian, trustee, or other legal representative has been appointed. See Chapter 16 for further information.  

130203. Retired Pay Suspended by Secretary of the Military Department Concerned  

A. The Secretary of the Military Department concerned may order a retiree’s pay suspended after determining that:  

1. A felony warrant has been issued against the absent member by the United States:  

   a. Under the authority of Title 18, U.S.C., section 1073, “Flight to avoid prosecution or giving testimony,” and the Department of Justice has sought extradition; or  

   b. For violation of the International Parental Kidnapping Act, 18 U.S.C. § 1204, or for a crime stated in 5 U.S.C. § 8312; and  

2. The member is outside the United States and has willfully remained outside the United States to avoid criminal prosecution for 30 or more consecutive days subsequent to the date of issue of the felony warrant.  

B. Upon receipt of an order issued by the Secretary of the Military Department concerned (or designee) that a retiree’s pay be suspended:  

1. The DFAS Cleveland site must immediately suspend retired pay. Payment of any amounts subject to involuntary withholding or paid as insurance premiums by previously established allotments must not be suspended, but must continue to be paid from the member’s pay unless otherwise directed by the Secretary of the Military Department concerned (or designee).
2. Suspension continues until DFAS Cleveland site receives orders from the Secretary of the Military Department concerned (or designee) to resume monthly payments and to pay the balance of suspended payments. No interest may be paid on any suspended amounts.

1303 REGULATORY REQUIREMENTS

Retired pay may be suspended if certain situations exist where regulations prohibit making payments. For example, retired pay is suspended if the retiree requests that their check be mailed to addresses outside the United States listed in Title 31, Code of Federal Regulations (CFR), part 211.1. Retiree requests for international Electronic Fund Transfer (EFT) receive specialized processing. The DFAS Cleveland site will send an inquiry to the Federal Reserve Bank to ascertain if the EFT is permitted to the foreign country. The retiree will be advised if the EFT is not permitted.

1304 ADMINISTRATIVE REQUIREMENTS

130401. Failure to Provide Timely Administrative Actions and Declines Further Payments

In accordance with the requirements of the DoD Financial Management Regulation and DFAS Cleveland site, Office of Retired Pay procedures, the head of the retired pay activity may suspend retired pay if the retiree fails to take necessary administrative actions on time, or if the retiree declines further payments.

130402. Failure to Provide Proof of Existence and Address

Retired pay may be suspended if the retiree:

A. Fails to furnish the required proof of existence. See Chapter 15 for further information;

B. Fails to notify DFAS Cleveland site, Office of Retired Pay, of an address change and the retiree’s current address is unknown; or

C. Refuses to accept further payments.

1305 EFFECT OF SUSPENSION ON TAXABLE INCOME, FEDERAL INCOME TAX WITHHELD, AND OTHER ACTIONS

130501. Taxable Income and Federal Income Tax Withheld

The suspension of a retiree’s pay account for any reason cited in sections 1302 through 1304 may result in the suspension of any other reporting of taxable income and income taxes withheld. The reporting of taxable income and taxes withheld, if applicable, resumes upon removal of the suspension of pay. See Chapter 24 regarding taxable income, tax withheld, and issuance of Internal Revenue Service Form 1099R, “Distribution From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.”
130502. Allotment Deductions

Voluntary allotments of retired pay or retainer pay for military retirees are limited to discretionary and nondiscretionary allotments. General provisions governing allotments of retired pay and administrative procedures are located in Chapter 19.

*130503. Survivor Annuity Deductions

Generally, the retiree’s cost for participation in the Retired Serviceman’s Protection Plan and/or the Survivor Benefit Plan (SBP), while the retired pay is suspended, will be deducted from the accumulated retired pay or Combat Related Special Compensation (CRSC) (when deductions from the member’s retired pay are insufficient to pay the full amount of the SBP premium) upon reinstatement of retired pay or CRSC, pursuant to 10 U.S.C. § 1452(d)(2). See Chapter 63, paragraph 630803. For special rules regarding SBP, also refer to Chapter 45, Table 45-4.
### Table 13-1. Suspension of Pay Statutory Requirements

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
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<tbody>
<tr>
<td></td>
<td>If a member of the</td>
<td>has pay suspended for</td>
<td>then authority is</td>
</tr>
<tr>
<td>1</td>
<td>Army</td>
<td>recall to active duty</td>
<td>10 U.S.C. §§ 688 and 688a</td>
</tr>
<tr>
<td>3</td>
<td>Navy or Marine Corps</td>
<td></td>
<td>38 U.S.C. § 5305.</td>
</tr>
<tr>
<td>4</td>
<td>Armed Forces</td>
<td>waiver of retired pay in favor of Veterans Administration compensation or pension</td>
<td>5 U.S.C. § 8332.</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>waiver of retired pay in favor of civil service annuity</td>
<td></td>
</tr>
<tr>
<td>*6</td>
<td></td>
<td>completion of 5 years on TDRL, if prior to January 1, 2017</td>
<td>10 U.S.C. § 1210(b) and (h).</td>
</tr>
<tr>
<td>*7</td>
<td></td>
<td>completion of 3 years on TDRL, if on or after January 1, 2017</td>
<td>10 U.S.C. § 1210(b) and (h).</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>failure to report for periodic physical for TDRL or while a member of the Fleet Reserve/Fleet Marine Corps Reserve</td>
<td>10 U.S.C. § 1210(a).</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>employment by a foreign government without congressional or secretarial approvals</td>
<td>Article 1, section 9, clause 8, United States Constitution, 37 U.S.C. § 908.</td>
</tr>
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<td>10</td>
<td></td>
<td>being mentally incapable of managing own affairs</td>
<td>37 U.S.C., Chapter 11.</td>
</tr>
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<td>11</td>
<td></td>
<td>flight to avoid prosecution or giving testimony</td>
<td>18 U.S.C. § 1073.</td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>being absent from the United States to avoid prosecution</td>
<td>Public Law 104-201, section 633, September 23, 1996.</td>
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CHAPTER 13 – SUSPENSION OF PAY

1301 - GENERAL

130101  62 Comptroller General (Comp Gen) 211 (1983)
        71 Comp Gen 107 (1991)

1302 - STATUTORY REQUIREMENTS

              10 U.S.C. § 688a
              10 U.S.C. § 8385

130202.B.1  38 U.S.C. § 5305

130202.B.2  5 U.S.C. § 8332

130202.C  10 U.S.C. § 1210(b) and (h)

130202.D  10 U.S.C. § 1210(a)

130202.E  10 U.S.C. § 908
              Article 1, Section 9, Clause 8, United States Constitution
              Comp Gen Decision B-251084, October 12, 1993

130202.F  37 U.S.C., Chapter 11

130203  Office of the Under Secretary of Defense, Personnel and Readiness, Directive-Type Memorandum, issued May 29, 1997
        Public Law 104-201, section 633, September 23, 1996

              5 U.S.C. § 8312
              18 U.S.C. § 1204

1303 - REGULATORY REQUIREMENTS

            31 CFR 211
VOLUME 7B, CHAPTER 14: “PAYMENT RESTRICTIONS”

SUMMARY OF MAJOR CHANGES

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CHAPTER 14

PAYMENT RESTRICTIONS

1401 GENERAL

140101. Purpose

This chapter provides information for certain payment restrictions to military retirement pay. Amounts of retired pay and retainer pay due to a retired member of the uniformed services will be paid on the first day of each month beginning after the month in which the right to such pay accrues.

A. Payment Date Falls on Saturday, Sunday, or Legal Holiday

When the payment date falls on a Saturday, Sunday, or legal holiday, the Director of Defense Finance and Accounting Service (DFAS) may authorize the payment of retired pay and retainer pay on the preceding workday but not more than three days before last day of the pay period.

B. Payrolls Paid On October 1

For payrolls otherwise payable on October 1, the Department of Defense (DoD) Comptroller will determine if the payroll may be dated in September.

*140102. Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, 31, and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1402 CHECKS

140201. Mailing of Checks to Foreign Countries

The Secretary of the Treasury has determined that the mailing of checks is prohibited to the countries listed in Title 31, Code of Federal Regulations (CFR), section 211.1 because postal, transportation, and banking facilities in general, or local conditions, are such that there is not a reasonable assurance that a retiree or annuitant in listed countries will actually receive checks drawn against funds of the United States, or negotiate checks for full value. Powers of attorney for receipt or collection of checks, or for the proceeds of checks included within the determination of the Secretary of the Treasury, are not recognized.
140202. Claims

Claims for the release of checks withheld from delivery, or for proceeds thereof, are filed with the DFAS site that originally authorized issuance.

1403 ELECTRONIC FUNDS TRANSFER (EFT)

The prescribed method of payment within the DoD is EFT. See Volume 7A, Appendix C, for implementing DoD policy on EFT procedures for retirees and annuitants.

1404 LOSS OF ENTITLEMENT TO RETIRED PAY

140401. Conditions

Each of the following may result in a loss of entitlement to retired pay. See appropriate corresponding chapter for additional information.

A. Expiration of Allowable Duration on the Temporary Disability Retired List. See Chapter 11.


C. Employment by Foreign Government. See Chapter 5.

D. Conflict of Interest. See Chapter 5.


NOTE: The Hiss Act, codified as 5 U.S.C. §§ 8311-8322 as amended, prohibited the payment of retired pay to military personnel who were convicted of any criminal offense enumerated in the statute. The Act did not prohibit the payment of retired pay if both the criminal offense and the award of retired pay occurred before September 1, 1954. Retired pay awarded on or after September 1, 1954, however, could not be paid regardless of the date on which the offense or conviction occurred. If the individual involved received a presidential pardon or later was cleared by decision of a higher court, the right to retired pay was restored. **Public Law 87-299**, September 26, 1961, amended the Hiss Act and limited provisions to cases involving national security. Members convicted by court-martial or by Federal civil court of felony offenses or the equivalent of felonies but not involving national security, were no longer subject to the provisions of the Hiss Act.

F. Denial Upon Certain Punitive Discharges or Dismissals. The non-Regular service retired pay entitlement of a member is denied when his or her court-martial sentence includes death or separation by dishonorable discharge, bad conduct discharge, or dismissal effective with court-martial sentences adjudged after February 10, 1996.
140402. Recall to Active Duty

A retiree who receives orders, issued by proper authority, for recall to active duty for an indefinite or definite period is not entitled to retired pay for the period of active duty. Members on active duty for training are covered in Chapter 12, section 1204.
*REFERENCES

CHAPTER 14 – PAYMENT RESTRICTIONS

1401 – GENERAL

Public Law 111-383, section 632, January 7, 2011
10 U.S.C. § 1412
37 U.S.C. § 1006(h)
59 Comptroller General 219, B-193772,
January 22, 1980
DoD Directive 5118.05, April 20, 2012

1402 – CHECKS

140201

31 U.S.C. § 3329
31 CFR 211.1

140202

31 U.S.C. § 3329
31 CFR 211.2

1403 – ELECTRONIC FUNDS TRANSFER (EFT)

31 U.S.C. § 3332

1404 – LOSS OF ENTITLEMENT TO RETIRED PAY

140401.A

10 U.S.C. § 1210(b), (h) and note
Public Law 114-328, section 525, December 23, 2016

140401.B

10 U.S.C. § 12731

140401.E

Public Law 103-337, section 639, October 5, 1994
Public Law 87-299, September 26, 1961
5 U.S.C. §§ 8311-8322

140401.F

Public Law 104-106, section 632, February 10, 1996
10 U.S.C. § 12740
VOLUME 7B, CHAPTER 15: “PROOF OF EXISTENCE”

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<td>Revision</td>
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<tr>
<td>150102</td>
<td>Updated language for “Authoritative Guidance” to comply with new instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>150201</td>
<td>Added a note to highlight that this policy does not apply to United States residents with direct deposit retired military pay.</td>
<td>Addition</td>
</tr>
<tr>
<td>150203</td>
<td>Added paragraph for “Exceptions” and renumbered subsequent paragraphs.</td>
<td>Addition</td>
</tr>
<tr>
<td>150302</td>
<td>Deleted the section requiring representatives receiving payments on behalf of mentally incompetent retired and annuitant members as Retired Pay Operations and Defense Finance and Accounting Service Office of General Counsel changed this requirement.</td>
<td>Deletion</td>
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*150302.  Legal Representative Requirement ...................................................................... 4
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1504  MAILING OF RETIRED MILITARY PAYCHECKS ......................................................... 5

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CHAPTER 15

PROOF OF EXISTENCE

1501 GENERAL

150101. Purpose

For the protection of the U.S. Government, certain safeguards are required for retired military paychecks mailed through the international postal system. The proof of existence protects the U.S. Government from continuing to issue payments to deceased retirees. Military retired pay, Combat-Related Special Compensation and/or Concurrent Retired and Disability Pay payment instruments may not be negotiated after the retiree's death.

*150102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 31 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in reference section at the end of the chapter.

1502 COMPETENT RETIREE

*150201. Semiannual Submission of Report of Existence (ROE)

In order to receive a paper military paycheck in a foreign country, through the international postal system, a retiree must submit semiannual ROEs to the Defense Finance and Accounting Service (DFAS) Indianapolis site. The ROE may be submitted either electronically or by mail.

Note: ROEs are not required for military retirees who reside in the United States and whose military pay is directly deposited by electronic funds transfer.

A. Electronic Submission. To submit the ROE electronically, the retiree must log in to the myPay system with his or her assigned login ID and password (https://mypay.dfas.mil/#). If the retiree does not have a myPay account, he or she may utilize the instructions on the website to create one.

B. Mail Submission. The fully executed paper ROE should be mailed to the following address:

DFAS
U. S. Military Retired Pay
8899 East 56th Street
Indianapolis, IN 46249-1200
150202. ROE Not Required

An ROE is not required when:

A. A retiree resides in the United States and his or her retired military paycheck is mailed to an address other than that of a financial institution;

B. The retiree’s military paycheck is mailed to an Army/Air Post Office, Fleet Post Office, or a finance or disbursing officer at an overseas address; or

C. The retiree’s military paycheck is mailed to a financial institution in the United States. The financial institution's endorsement constitutes proof of existence for the retiree.

*150203. Exceptions

The Director, DFAS, or designee may suspend ROE requirements when a Federal or State disaster, a pandemic, or any other natural emergency is declared. The Director, DFAS, or designee may also determine the amount of time of the suspension, not to exceed 90 days. Upon expiration of the 90-day term, the suspension may be reviewed for further extension, but in no instance may the suspension exceed one year. The action to suspend the ROE requirement should take into consideration audit and risk management protocols including the ability to validate the identity of the annuitant from other government sources.

150204. Restriction

Retired military paychecks must not be addressed to a U.S. Consulate, Embassy, or Military Attaché unless the retiree is employed by that particular agency.

1503 MENTALLY INCOMPETENT RETIREE

150301. Checks to Mentally Incompetent Retirees

Forwarding checks directly to retirees who are found mentally incompetent to manage their affairs is prohibited. In the case of a mentally incompetent retiree, checks may be made payable to a legal guardian, trustee, or other legal representative after receipt of proper documentation verifying the authority of the guardian, trustee, or other legal representative to receive such payments. See Chapter 16 for appointment or designation of legal representatives.

*150302. Legal Representative Requirement

The retired military paycheck may be mailed to the legal representative or to a financial institution established by the legal representative for the retiree (ward).
150303. Department of Veterans Affairs (VA) Hospital Authority

In the absence of the appointment of a guardian, trustee, or other legal representative for an incompetent retiree, payment may be made to the Administrator of the VA hospital to provide the retiree with health and comfort items. See Chapter 16.

1504 MAILING OF RETIRED MILITARY PAYCHECKS

Retired military paper paychecks are normally mailed at the end of each month, provided a signed ROE, when required, has been received and certifies the retiree's continued existence. Failure to return the required ROE will result in suspension of retired pay.
REFERENCES

CHAPTER 15 – PROOF OF EXISTENCE

1501 – GENERAL

Comptroller General (Comp Gen) B-206129, June 28, 1982
Title 31, Code Federal Regulations (CFR), part 240.15

1502 – COMPETENT RETIREE

150201 Comp Gen B-206129, June 28, 1982

1503 – MENTALLY INCOMPETENT RETIREE

150301 31 CFR 240.14
31 CFR 240.15
44 Comp Gen 208, October 12, 1964

150302 37 U.S.C. § 602

1504 – MAILING OF RETIRED MILITARY PAYCHECKS

44 Comp Gen 208, October 12, 1964
Comp Gen B-206129, June 28, 1982
37 U.S.C. § 602
Comp Gen A-3551 Decisions, April 6, 1931;
June 23, 1931; October 24, 1946;
March 9, 1951; and February 3, 1964
VOLUME 7B, CHAPTER 16: “PHYSICAL OR MENTAL INCAPACITATION”

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<td>160304.B</td>
<td>Zip code corrected from 44199-8021 to 44199. Zip code extension &quot;8021&quot; was designated for an old lockbox which is no longer used.</td>
<td>Revision</td>
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CHAPTER 16

PHYSICAL OR MENTAL INCAPACITATION

1601 GENERAL

160101. Purpose

This chapter provides information and guidance on the duties and responsibilities performed on behalf of a retiree determined to be mentally and/or physically incapable of managing his or her affairs. This chapter applies to members of a uniformed service who are on a retired list of that Service and members of the Fleet Reserve or Fleet Marine Corps Reserve. Federal law provides legal authority for the payment of amounts due incompetent retirees of the uniformed services to designated persons for their use and benefit, and for the use and benefit of their dependents where the state court has not appointed a committee, guardian, or legal representative.

160102. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

1602 DEFINITIONS

160201. Physically or Mentally Incapacitated Retiree

A physically or mentally incapacitated retiree is an individual who is impaired by physical disability, mental illness, mental deficiency, advanced age, chronic use of drugs or alcohol, or other causes that prevent sufficient understanding or capacity to manage his or her own affairs competently.

160202. Committee

A committee is a person, assembly, or board of persons to whom (or which) the consideration or management of any matter is committed or referred by some court as a person or persons having guardianship of the person and property of an insane person.

160203. Competency Board

The competency board consists of at least three qualified medical officers or physicians, one of whom is specially qualified in the treatment of mental disorders. The Secretary of the department having jurisdiction of the member appoints the board.

160204. Conservator

A conservator is a guardian, protector, or preserver; a maintainer.
160205. Court of Competent Jurisdiction

A court of competent jurisdiction has the power and authority of law at the time of acting to do the particular act; has jurisdiction both of the person and of the subject matter; is provided for in the Constitution of the United States; or created by the legislature and has jurisdiction of the subject matter and of the person.

160206. Guardian

A guardian is a person who legally has the care of the person or property (or both) of another person who is incompetent to act for himself or herself.

160207. Trustee

A trustee, as used in the legal sense, is:

A. A person who takes and holds the legal title to the trust property for the benefit of another,

B. One to whom another’s property is legally committed in trust, or

C. A person holding the legal title to property under an expressed or implied agreement to apply it and the income arising from it, for the use and benefit of another person.

Note: As referenced in this chapter, a trustee is a person appointed by the Defense Finance and Accounting Service (DFAS) Cleveland (DFAS-CL) to receive payment of retired or retainer pay on behalf of a retiree determined to be mentally incapable of managing his or her affairs. The term “trustee” does not include an agent holding a valid and legally executed durable power of attorney pursuant to Title 37, United States Code (U.S.C.), section 602(a)(2).

160208. Durable Power of Attorney

The term “Durable Power of Attorney” means a writing or other record that grants authority to an agent to act in the place of the principal, where the authority of the agent is not terminated by the principal’s incapacity. A durable power of attorney is distinctive from a regular power of attorney and allows the agent to act on the principal’s behalf beyond the incapacity of the principal. There are two types of durable powers of attorney which are immediate and springing.

A. Immediate. The immediate power of attorney starts immediately after the durable power of attorney has been executed.

B. Springing. The springing power of attorney goes into effect after a specific event occurs (for example, when the person granting the power of attorney becomes mentally incapable of managing his or her affairs).
Note: DFAS-CL will accept either the immediate or a springing durable power of attorney, but will only honor either upon a showing of mental incompetency.

160209. Principal

A principal is an individual who grants authority to an agent in a power of attorney.

160210. Agent

An agent is a person granted authority to act for a principal under a power of attorney.

1603 MENTAL INCAPACITY

160301. Legally Appointed Representative

   A. Legally Appointed Representative. When a court of competent jurisdiction appoints a legal committee, guardian, or other representative for the retiree, DFAS will normally accept such appointment and will not appoint a trustee or recognize an agent holding a durable power of attorney. For more information regarding court appointments see section 1605.

   B. Agent Holding a Valid and Legally Executed Durable Power of Attorney. Amounts due a retiree for retired or retainer pay, who is mentally incapable of managing his or her own affairs, may be paid for that retiree’s use or benefit to an agent who presents a valid and legally executed durable power of attorney and also presents evidence showing that the retiree (principal) is incapable of managing his or her affairs in accordance with the process provided in paragraph 160302.

   C. No Legally Appointed Representative or Agent Holding a Valid and Legally Executed Durable Power of Attorney. When there is no legally appointed representative and no agent holding a durable power of attorney, amounts due a retiree for retired or retainer pay who, according to a board of medical officers or physicians, is mentally incapable of managing his or her own affairs, may be paid for that retiree’s use or benefit to any person designated by the Director, DFAS-CL under paragraph 160305 without the appointment in judicial proceedings of a committee, guardian, or other legal representative.

160302. Effectiveness of a Durable Power of Attorney

In order for an agent holding a durable power of attorney to receive amounts due a retiree (principal) who is mentally and/or physically incapable of managing his or her own affairs, evidence of the retiree’s (principal’s) incapacity must be provided. Pursuant to Public Law 114-328, section 645, the evidence DFAS will accept to show that a member is incapable of managing his or her affairs must reflect the following:

   A. A durable power of attorney, either immediate or springing; and
B. A medical statement with a current evaluation (within the past 4 months) prepared and signed by a Doctor of Medicine or Psychiatrist, i.e., not a Psychologist, Doctor of Osteopathic Medicine, Nurse, Physician Assistant, Registered Nurse, or Clinical Social Worker. The statement must include:

1. A statement that the retiree is (at the time of evaluation) medically incapable of managing his or her affairs;
2. A description of the condition afflicting the retiree which led to this diagnosis;
3. A statement regarding the retiree’s prognosis for possible improvement; and
4. A statement that the determination of incapacity was made based on both a physical examination and mental evaluation of the retiree.

Note: Upon presentation of the evidence as described in subparagraph 160302.A and 160302.B, the amounts due to the retiree may be paid to the agent. Amounts due may only be used for the use and benefit of the retiree. Neither accounting reports nor a surety bond will be required unless, in the discretion of the Director, DFAS-CL, special circumstances warrant. DFAS will not normally allow an agent holding a durable power of attorney to receive amounts due an incompetent retiree in a case in which a court of competent jurisdiction has appointed a legal committee, guardian, or other representative.

160303. Authorized Mental Health Determination (in cases where there is no agent holding a durable power of attorney)

Federal agencies authorized to make determinations of the mental competency of a retired service member hospitalized in a facility under its jurisdiction are the:

A. Department of the Army,
B. Department of the Navy,
C. Department of the Air Force,
D. Department of Health and Human Services, and
E. Department of Veterans Affairs (VA).

*160304. Competency Board Determination

When there is no agent qualifying under paragraph 160302, upon receipt of information that a retiree may be mentally incapacitated, a board of no fewer than three medical officers or physicians (including one specially trained in the treatment of mental disorders) is convened to
determine whether the retiree is competent. The board also convenes when requested to do so by proper authority.

A. The convening authority ensures that three members of the board certify the board’s findings.

B. The convening authority of the appropriate Military Service must send one copy of the board’s findings, as applicable, to:

Defense Finance and Accounting Service
Retired and Annuitant Pay Department
1240 East 9th Street, Room 1599
Cleveland, OH 44199

*160305. Appointment of Trustee (in cases where there is no agent holding a durable power of attorney)

A. Appointed Trustee Authority. The authority of the Secretaries of the Military Departments to appoint trustees under 37 U.S.C. § 602 has been delegated to the Director, DFAS-CL.

B. Persons Eligible for Appointment as Designated Trustee

1. If a competency board finds a retiree mentally incapacitated and the retiree has no court appointed legal committee, guardian, or other representative, when there is no agent qualifying under paragraph 160302, the Director, DFAS-CL, may appoint a trustee to act on the retiree’s behalf. The Director, DFAS-CL, may designate one of the following persons as trustee for all incompetent military retirees if the trustee is 21 years of age or over:

   a. Lawful spouse (not subject to the age requirement);

   b. Legitimate son or daughter or legally adopted son or daughter;

   c. Parents;

   d. Head of an institution, if the retiree is a patient; or

   e. Any other person or persons if in the best interest of the retiree.

2. While next of kin or other relatives of the retiree ordinarily are preferred for designation as trustee, DFAS may designate any other person, willing and suitable to act as such, as a temporary or permanent trustee unless a court of competent jurisdiction appoints a committee, guardian, or other legal representative. If more than one qualified person applies to
be trustee for a mentally incompetent retiree, then the Director, DFAS-CL, will determine which applicant is the more appropriate trustee.

C. Submitting Application and Documentation for Appointment of Trustee

Submit all applications to appoint a trustee and related documentation to:

Defense Finance and Accounting Service  
Retired and Annuitant Pay Department  
1240 East 9th Street, Room 1599  
*Cleveland, OH 44199

160306. Bond Requirement for Appointed Trustee

The trustee designated to receive monies on behalf of the incompetent retiree must furnish a suitable bond in all cases when the amounts may exceed $25,000. The bond so required and furnished must have, as the surety, a company approved by the U. S. Government and must be in such amount as required by the Retired Pay Department, DFAS-CL. The person designated as trustee acts in this capacity without remuneration; however, if a bond is required, the trustee may pay the premium fee charged by the bonding company from the funds received on behalf of the mentally incompetent retiree. The trustee may not pay any other expenses incurred in securing the bond from the amount payable to the incompetent retiree.

160307. Defense Finance and Accounting Service-Cleveland Appointed Trustee Authority

The trustee appointed by the Retired Pay Department, DFAS-CL, has the authority only to receive, expend, and account for monies received from the military. The appointment does not convey authority to act as a trustee in a civilian capacity without prior authority from a court of competent jurisdiction. The trustee must use the monies received for the benefit of the incompetent retiree. Payment made to a person so designated under 37 U.S.C. § 602 discharges the obligation of the United States as to the amount paid. The Government may not appoint a trustee in any case in which a court of competent jurisdiction has appointed a legal committee, guardian, or other representative.

160308. Required Reports and Documents

The designated trustee submits accounting reports annually or at such times as directed by the Retired Pay Department, DFAS-CL. The reports must show all funds received, all expenditures made on behalf of the incompetent retiree, and a statement of the condition of the trustee account. The trustee also may be required to provide all receipts, canceled checks, voucher accounts, savings account passbooks or statements, and/or other records concerning the trustee account. If the trustee fails to report promptly at the end of the accounting period, then the appointing authority may either temporarily suspend or terminate further payments to the trustee and may designate a successor trustee.
1604  PHYSICAL INCAPACITY

160401. Physical Infirmity

A. Physical infirmity alone does not warrant the appointment of a guardian for the estate of a person. In some cases, incompetence to manage an estate or property has been found primarily from evidence of advanced age and physical infirmity, and a guardian or conservator has been appointed. In some jurisdictions, there are statutes, held to be constitutional, which authorize the appointment of guardians of the estates of those who, because of old age or physical incapacity, are incapable of managing their property.

B. In the case of a retiree suffering from a physical condition that renders him or her mentally incapable of managing his or her affairs, see section 1603 for guidance regarding the use of a durable power of attorney to receive amounts due the retiree, guidance in preparing and submitting the application for trustee in the absence of a durable power of attorney, and the DFAS-CL requirements in establishing and appointing a trustee.

160402. Conservator or Guardian

In several states, statutes authorize persons who, although of sound mind, believe themselves incapable of managing their own estates or of caring for their own property, to apply for, request, or consent to the appointment of a conservator or guardian of the estate or of their persons, or both. The conservator or guardian, when appointed, possesses over the estate substantially the same power and is subject to substantially the same duties as a guardian of an incompetent person. The following are examples for determining whether the appointment of a conservator may be necessary for a physically incapacitated retiree:

A. A person who is bedfast and physically incapacitated as the result of two strokes is not necessarily incompetent so as to require the appointment of a guardian.

B. A 77-year-old woman suffering from complete paralysis of the left side was unable to speak except for an occasional word, could not swallow, and could write only with difficulty and very briefly, but could hear, read, watch television, walk with assistance, and could be out of bed and sit up for short periods of time. According to medical testimony, she was mentally competent, but the evidence was sufficient to support a finding that she was physically incompetent and unable to manage her property.

C. When an adult person has sufficient mental capacity to understand the nature and consequences of the application for a conservator, that person’s wishes, if conducive to welfare and contentment of mind may properly be given great weight in determining whether a conservator (rather than a guardian) should be appointed.

D. The physical condition of the person for whom a conservator is required can be considered only insofar as it may affect the person’s mental condition.
160403. Court Orders

Because of the variety of county and state statutes regarding the appointment of legal representatives for physically incapacitated retirees, DFAS-CL accepts and processes court orders appointing such representatives. It is not the responsibility of DFAS-CL to authenticate each order.

1605 COURT APPOINTMENT OF GUARDIAN OR OTHER LEGAL REPRESENTATIVE FOR PHYSICALLY OR MENTALLY INCAPACITATED RETIREE

160501. Request for Incapacity Determination

The incapacitated retiree or any person interested in the welfare of the retiree may petition a court of competent jurisdiction for a finding of incapacity and appointment of a guardian or other legal representative.

160502. Certification of Court Appointment

A copy of the appropriate court order certifying the appointment of the guardian, committee, or conservator is required before DFAS may make payments to the appointee.

160503. No Requirement for Accounting Reports

Accounting reports, similar to those identified in paragraph 160307, are not required. Such reports, if required by the court, are matters of concern between the court-appointed guardian or legal representative and the court.

1606 TERMINATION OF PAYMENTS AND DISCHARGE OF TRUSTEE

160601. Conditions for Termination of Payments

DFAS will terminate payments that are due an incompetent retiree and paid to a trustee appointed under paragraph 160304 or an agent recognized under paragraph 160302 upon notification receipt of:

A. Death of the incompetent retiree;
B. Death or disability of the trustee or agent;
C. Appointment of a committee, guardian, or other legal representative for the incompetent retiree by a court of competent jurisdiction;
D. Failure of a trustee (or agent if required) to render required accounting reports;
E. Probable cause to believe that there is improper use of monies received on behalf of the incompetent retiree;

F. Findings from a board of medical officers or other appropriate medical authorities indicating that the retiree is capable of managing his or her own affairs. The appointing authority may accept, at his or her discretion, the findings of a VA or Public Health Service medical facility, or the findings of other public or private medical facilities that a person formerly found incompetent is now competent; or

G. Failure of an agent or trustee to return a completed Report of Existence. See Figure 16-1.

160602. Discharge of Trustee Duties

A. When payments to the trustee terminate as described in paragraph 160601, the trustee files a final accounting report with the Retired Pay Department, DFAS-CL. Upon approval of the final accounting report, the trustee is discharged and the surety is released of its bond.

B. If payment terminates for reasons described under subparagraph 160601.B, D, or E, then the Retired Pay Department, DFAS-CL, may appoint a successor trustee. Upon death or disability of a trustee, the trustee’s legal representative makes the final accounting report.

160603. Death of Incompetent Retiree

Upon the death of the incompetent retiree, any funds remaining in the fiduciary account, maintained on behalf of the incompetent retiree by the trustee or agent, must be made payable to the deceased retiree’s estate. A notification of death from any source is sufficient to suspend payments of retired pay to the trustee or agent. To settle (pay) the arrears of the member’s retired pay, the following documentation must be on file:

A. A copy of the death certificate;

B. Completed Standard Form 1174, Claim for Unpaid Compensation of Deceased Member of the Uniformed Services, from the beneficiary; and

C. Proof of recoupment of outstanding payments. All outstanding checks or direct deposits (not negotiated before the annuitant’s death or forwarded past the date of entitlement) or the proceeds thereof must be returned to DFAS-CL before a settlement of arrears of military retired pay may be made.
1607   COMFORT ITEMS DURING HOSPITAL STAY

160701. Hospital Stay of Mentally or Physically Incompetent Retiree

The commanding officer of any military hospital or the director of a VA hospital may designate an officer under the command to receive and receipt for a sum of money from the accrued pay of a retiree who, as a patient at the hospital, is found physically or mentally incapacitated in a report of medical officers.

160702. Money Received For Comfort Items

During the retiree’s hospital stay, the designated officer may use the sum of money received from the accrued pay of a retiree only for the purchase of comfort items for the use and benefit of that retiree when all of the following conditions exist:

A. DFAS did not designate a trustee and a court of competent jurisdiction did not appoint a guardian or other legal representative;

B. There are no other funds available for use on behalf of the retiree; and

C. Competent medical authority agrees that the purchase of items will serve the comfort of the retiree.
**DEPARTMENT OF DEFENSE**

DEFENSE FINANCE AND ACCOUNTING SERVICE  
US MILITARY RETIRED PAY  
8899 E 56th Street  
Indianapolis, IN 46249-1200

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**OFFICIAL BUSINESS**

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**THIS REPORT STATES THAT MY WARD, WHOSE NAME APPEARS ABOVE, IS AVAILABLE AND ELIGIBLE TO RECEIVE MILITARY RETIRED/RETAINER PAY.**

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REFERENCES

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1601 – GENERAL

160101  37 U.S.C. § 601

1602 – DEFINITIONS

37 U.S.C. § 602
15A Corpus Juris Secundum (C.J.S.) Committee
15A C.J.S. Conservator
21 C.J.S. Courts 22
39 C.J.S. Guard and W2
89 C.J.S. Trusts 3

1603 – MENTAL INCAPACITY

160301  37 U.S.C. § 602
160302  Public Law 114-328, section 645, December 23, 2016
160303 – 160304  37 U.S.C., Chapter 11
160305   37 U.S.C. § 602
160306 – 160308  37 U.S.C. § 602(c) and (e)

1604 – PHYSICAL INCAPACITY

160402  39 American Jurisprudence (Am Jur) 2d, Guardian and Ward, 21 and 22
160402.A  In re (Latin for “In the matter of”) Cass/Guardianship 155 Neb 792, 54 NW 2d 68, 1952
160402.B  Loss vs. Loss, 251 12d 515, 185 NE 2d 228, 1962
160402.D  Shapter vs. Pillar, 28 Col 209, 63P 302, 1900
160403  39 Am Jur 2d, Guardian and Ward, 21 and 22

1606 – TERMINATION OF PAYMENTS AND DISCHARGE OF TRUSTEE

160601 – 160602  37 U.S.C. § 602(e)

16-15
VOLUME 7B, CHAPTER 17: “BANKRUPTCIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated May 2019 is archived.

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<td>Updated “Authoritative Guidance” to comply with administrative guidance.</td>
<td>Revision</td>
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<td>Added note to provide information on current monthly income pursuant to Title 11, United States Code, section 101(10A)(B)(ii)(IV), which excludes any monthly compensation, pension, pay, annuity, or allowance paid in connection with a disability, combat-related injury or disability, or death of a member of the uniformed services.</td>
<td>Addition</td>
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CHAPTER 17

BANKRUPTCIES

1701 GENERAL

170101. Purpose

This chapter applies to military retirees who have filed a bankruptcy petition under *Title 11, United States Code (U.S.C.), Chapter 7* or *11 U.S.C., Chapter 13* of the Bankruptcy Code. (Note: When hyperlinks to 11 U.S.C., Chapters 7 or 13 are opened, scroll down to access more information on bankruptcy). The law waives the U.S. Government’s sovereign immunity for purposes of compliance with payroll deduction orders issued by the bankruptcy courts. Accordingly, the Defense Finance and Accounting Service (DFAS) will honor the bankruptcy withholding orders.

A. **Voluntary Bankruptcy.** Military retirees may seek protection of voluntary bankruptcy as “debtors.”

B. **Automatic Stay Provisions.** Continued deduction from the retiree’s pay of most types of debts, including debts owed to the United States, after the filing of a petition in a bankruptcy is improper and violates the automatic stay provisions of the bankruptcy statute. Such amounts withheld after the date the bankruptcy petition is filed must be refunded to the retiree’s pay account. The automatic stay provisions of the bankruptcy statute do not preclude continued deductions based on court-ordered support obligations or divisions of retired pay unless the bankruptcy court orders otherwise. Coordinate with the DFAS Office of General Counsel, Garnishment Law Directorate if there are any questions about collecting a debt when a debtor has filed bankruptcy as there may be exceptions that affect the collection of a debt or refund due a debtor.

C. **Proof of Claim.** Upon notice or actual knowledge of the filing of a bankruptcy petition, when the retiree has listed the U.S. Government as a creditor, DFAS-Cleveland, Retired and Annuitant Pay Operations will file *Official Form 410*, Proof of Claim, with the bankruptcy court concerned.

D. **Post-Petition Debt.** A new item of indebtedness incurred after the filing of the bankruptcy petition is known as a post-petition debt. Post-petition debt collection should be coordinated with the DFAS Office of the General Counsel, Garnishment Law Directorate prior to taking any action.

*170102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 11 and 31. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes,
regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1702 ADJUSTMENT OF DEBTS OF AN INDIVIDUAL WITH REGULAR INCOME, BANKRUPTCY, TITLE 11, UNITED STATES CODE (U.S.C.), CHAPTER 13 (THE PLAN)

170201. Repayment Plan

A retiree may file a petition with the court to enter into a “Chapter 13 plan” under the Bankruptcy Code (11 U.S.C., Chapter 13). Under 11 U.S.C., Chapter 13, a retiree must submit a proposed repayment plan to the bankruptcy court that provides, among other things, that all or a specified amount of future income, as is necessary to pay claims according to the plan, are under the control of the bankruptcy trustee. The plan will provide for the submission of such earnings or wages to the supervision and control of the court for the purpose of enforcing the plan.

170202. Provisions

When the plan is confirmed by the court, its provisions are binding upon the debtor and all creditors of the debtor, whether they are affected by the plan, they have accepted it and have filed their claims, or their claims have been scheduled or allowed, or are allowable.

170203. Authority

The court has authority to issue orders needed to implement the provisions of the plan including orders directed to an employer of the debtor.

*170204. Retired Pay

The retired pay of a retiree may be used to pay the Chapter 13 plan and is payable to the trustee appointed by the court. The payment by DFAS of part of the retiree’s pay in response to a court order issued in a Chapter 13 plan does not conflict with 31 U.S.C., section 3713 (Priority of Government Claims). Compliance with such a court order gives the government a valid acquittance against the retiree since the court order is binding on the retiree.

Note: See 11 U.S.C. § 101(10A)(B)(ii)(IV), for the definition of current monthly income which excludes any monthly compensation, pension, pay, annuity, or allowance paid under Titles 10, 37, or 38 in connection with a disability, combat-related injury or disability, or death of a member of the uniformed services. However, any retired pay excluded shall include retired pay paid under chapter 61 of Title 10 only to the extent that such retired pay exceeds the amount of retired pay to which the debtor would otherwise be entitled if retired under any provisions of Title 10 other than chapter 61 of that title. Additionally, the current monthly income in the definition section affects the income that is used for determining the amount of payment for the plan. Once DFAS receives the court order issued in a Chapter 13 plan, DFAS will withhold from all available sources to satisfy the court order obligation as the retiree voluntarily entered into the plan.
170205. Judicial Determination

If the U.S. Government is a creditor when the retiree files a Chapter 13 plan, the Government’s priority under 31 U.S.C. § 3713 may be asserted in the absence of a judicial determination to the contrary.

170206. Delinquent Taxes

A retiree who is participating in a Chapter 13 plan must pay the delinquent taxes which he or she owes that had not been assessed before the date of confirmation of the plan. The retiree also is responsible for all taxes that may become due. The United States may accept the provisions of any plan that includes the assumption, settlement, or payment of any such delinquent taxes.

A. When DFAS-Cleveland, Retired and Annuitant Pay Operations sends the entire amount of the retiree’s pay to the court-appointed trustee, the Internal Revenue Service (IRS) Notice of Levy should be forwarded to the court-appointed trustee for disposition.

B. When DFAS-Cleveland, Retired and Annuitant Pay Operations sends part of the pay due the retiree to the court-appointed trustee, the IRS Notice of Levy should be processed in the normal manner against the amount due the retiree. The court-appointed trustee is provided a copy of the IRS Notice of Levy and notified of the action taken in establishing the liquidation procedures on a continuing Notice of Levy.

1703 PROCEDURES

170301. Bankruptcy Notices and Withholding Orders

A. All bankruptcy notices and withholding orders should be submitted or faxed to:

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
P.O. Box 998002
Cleveland, OH 44199-8002

Toll Free Fax: (877) 622-5930
Commercial Fax: (216) 367-3675

B. DFAS Office of General Counsel, Garnishment Law Directorate is the designated agent for service of process for all military retiree bankruptcy notices and withholding orders.

C. The following information should be included with the withholding order:

1. Full name and
2. Full social security number.

D. The notice is effective when it is received in the office of the designated official.

E. When the notice does not sufficiently identify the retiree, it will be returned directly to the person who submitted the order with an explanation of the deficiency.

170302. Case Review and Execution of Bankruptcy Withholding Order

Upon receipt of notice of a bankruptcy, together with all the required information, the office of the designated official will review the case to determine if there are any garnishments or debt collections that must be terminated as a result of the automatic stay (child support, alimony, child support arrears, alimony arrears, and division of property awards are not terminated unless the bankruptcy order requires it). If a bankruptcy withholding order is submitted, the office of the designated official will establish the withholding against the retiree’s pay to comply with the bankruptcy order within 30 days. Withholdings will continue until the amount specified in the order is collected, or the order is modified or terminated, or the bankruptcy case is dismissed or discharged.

A. Within 30 calendar days after the date of receipt of the order, the designated official will send notice to the retiree.

B. The letter will inform the retiree the date that the bankruptcy withholding is scheduled to begin and the amount or percentage that will be deducted.

C. When the retiree identified in the order is found not to be entitled to money due from or payable by DFAS, the designated official will return the order to the person who submitted it and advise him or her that no money is due from or payable by DFAS to the named individual. When it appears that amounts are exhausted temporarily or otherwise unavailable, the authorized person must be told why and for how long any money is unavailable, if known.
*REFERENCES

CHAPTER 17 – BANKRUPTCIES

1701 – GENERAL


1702 – ADJUSTMENT OF DEBTS OF AN INDIVIDUAL WITH REGULAR INCOME, BANKRUPTCY, CHAPTER 13 (THE PLAN)

170201  11 U.S.C. §§ 1301-1330
170202  11 U.S.C. § 1327
170203  11 U.S.C. § 105
      11 U.S.C. § 1326
      31 U.S.C. § 3713
170205  31 U.S.C. § 3713
        47 Comptroller General (Comp Gen) 522, United States vs. Shannon, 342 US 288, 1951
170206  31 U.S.C. § 3713
        47 Comp Gen 522
VOLUME 7B, CHAPTER 18: “RELEASE OF INFORMATION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated June 2017 is archived.

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CHAPTER 18

RELEASE OF INFORMATION

1801 GENERAL

180101. Purpose

This chapter provides regulatory policy on the Freedom of Information and Privacy Acts. Guidance references are from United States Code (U.S.C.), Public Law (PL), Department of Defense (DoD) and agency regulations.

180102. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

1802 FREEDOM OF INFORMATION ACT

PL 89-554, enacted September 6, 1966, commonly known as the Freedom of Information Act (FOIA) and codified in Title 5, U.S.C., section 552, as amended, provides for openness in government and making information available to the public. DoD Directive (DoDD) 5400.07, DoD Freedom of Information Act Program, provides guidance on 5 U.S.C. § 552, as amended, and prescribes uniform policies and procedures for the DoD implementation of the FOIA.

1803 PRIVACY ACT

PL 93-579, enacted December 31, 1974, commonly known as the Privacy Act of 1974 and codified in 5 U.S.C. § 552a, as amended, safeguards individual privacy by governing the collection, safeguarding, maintenance, public notice, use, access, amendment, and dissemination of personal information. DoDD 5400.11, DoD Privacy Program, provides guidance on 5 U.S.C. § 552a, as amended, and prescribes uniform procedures for implementation of the DoD Privacy Program.

1804 ADMINISTRATION

Administration of the FOIA and the Privacy Act must be in accordance with the respective Component regulations and instructions.

180401. Army

Army administration of the FOIA and the Privacy Act must be in accordance with Army Regulations (AR) AR 25-55, AR 25-22, and Title 32, Code of Federal Regulations (CFR), part 518.
180402. Air Force

Air Force administration of the FOIA and the Privacy Act must be in accordance with *DoD 5400.7-R Air Force Manual 33-302* and *Air Force Instruction 33-332*.

180403. Navy

Navy administration of the FOIA and the Privacy Act must be in accordance with Secretary of the Navy Instructions (SECNAVINST) *5720.42F* and SECNAVINST *5211.5E*.

180404. Marine Corps

Marine Corps administration of the FOIA and the Privacy Act must be in accordance with SECNAVINST 5720.42F and SECNAVINST 5211.5E.
*REFERENCES

CHAPTER 18 – RELEASE OF INFORMATION

1802 – FREEDOM OF INFORMATION ACT

PL 89-554, September 6, 1966
PL 90-23, June 5, 1967
PL 93-502, November 21, 1974
PL 94-409, September 13, 1976
PL 95-454, October 13, 1978
PL 98-620, November 8, 1984
5 U.S.C. § 552, as enacted by PL 89-554,
thereafter, amended by PL 90-23, PL 93-502,
PL 94-409, PL 95-454, and PL 98-620
DoDD 5400.07, January 2, 2008
DoD 5400.7-R, July 13, 2016

1803 – PRIVACY ACT

PL 93-579, December 31, 1974
5 U.S.C. § 552a, as amended
DoDD 5400.11, October 29, 2014
DoD 5400.11-R, May 14, 2007

1804 – ADMINISTRATION

AR 25-55
AR 25-22
32 CFR, part 51
DoD 5400.7-R_Air Force Manual 33-302
Air Force Instruction 33-332
SECNAVINST 5720.42F
SECNAVINST 5211.5E
VOLUME 7B, CHAPTER 19: “GENERAL PROVISION GOVERNING ALLOTMENTS OF RETIRED PAY”

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CHAPTER 19

GENERAL PROVISIONS GOVERNING ALLOTMENTS OF RETIRED PAY

1901 GENERAL

190101. Purpose

A. Allotments are designed for the convenience and privilege of retirees and are not to be exploited or abused. The retired pay activity acts solely as an agent of the retiree in the payment of the allotments and assumes no liability concerning any contract between the retiree and the allottee. Allotments paid erroneously through administrative error must be recovered from the allottee, if possible, or may be collected from the retiree if such payment provided a benefit to that retiree.

B. Voluntary allotments of retired pay or retainer pay for military retirees are limited to discretionary and nondiscretionary allotments. To aid personnel in the transition from active duty to retired status, all existing authorized allotments of members on active military service may be continued as approved allotments. Authorized allotments include a maximum of six discretionary allotments, as outlined in paragraph 190201 and Volume 7A.

190102. Authoritative Guidance

The pay policies and requirements established by Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1902 DISCRETIONARY ALLOTMENTS

190201. Discretionary Allotments

Retirees are authorized no more than six discretionary allotments. A retiree may start a new allotment as long as the total number of discretionary allotments does not exceed six. Discretionary allotments are identified as “class D” allotments. The retiree must certify that the allotment is within the limits of the law (e.g., allotments may not be used to repay gambling debts in a state where gambling is not permitted). Discretionary allotments include, but are not restricted to, the allotments described in this section. A retired member may terminate a discretionary allotment upon request using the procedures set out in paragraph 190402.

190202. Allotments for Insurance Premiums

Allotments are authorized for paying various types of commercial insurance premiums. This includes payment for life, dental, health, and vehicle insurance. Premium payments are combined when a retiree has more than one life insurance allotment within the same company. All payments
to an insurer are made via Electronic Funds Transfer (EFT). The insurer is responsible for establishing an account for these payments. The start, change and stop dates for the insurance allotments are set out in Tables 19-1, 19-2, and 19-3.

*  
A. **Cash Deposit for Insurance.** If a retiree’s retired pay account is in a nonpay status due to full waiver of pay, failure to report for periodic physical examination, or the expiration of 3 years after the date the member’s name was placed on the Temporary Disability Retired List, the member may request the Department of Veterans Affairs (VA) pay VA insurance premiums by deduction from disability compensation benefits, or the member may pay premiums by sending remittances directly to:

Department of Veterans Affairs  
P.O. Box 7787  
Philadelphia, PA 19101

B. **Eligible Allottees.** Eligible allottees include:

1. U.S. Government Life Insurance/National Service Life Insurance (USGLI/NSLI);
2. Navy Mutual Aid Association;
3. **American Armed Forces Mutual Aid Association (AAFMAA);**
4. Dental and Health Insurers;
5. Vehicle Insurers; and

190203. **Allotments to Dependents or Relatives**

Voluntary payment may be made by allotment to a spouse, other dependent(s), or to a relative(s) not legally designated as a dependent(s). Allotments must be made payable to the allottee through a financial institution for credit to the account of the allottee. An allottee can be a state agency, court trustee, welfare agency, former spouse, or a child’s guardian or custodian. The member or allottee must make satisfactory arrangements with the financial institution to accept EFT payment before starting the allotment.

190204. **Allotment Deposits to Financial Organizations**

Retirees may authorize allotments of pay to financial organizations for credit to the account of the member. Allotments may be deposited to:

A. A financial organization for credit to a savings, checking, or trust account of the allotter; or
B. A mutual fund or other company or investment firm.

190205. Allotments for Payment of Mortgage or Rent

Retirees may authorize allotments for mortgage or rent payment to a financial institution, mortgage company, realtor, or landlord.

190206. Other Allotments

Retirees may authorize an allotment for payment of personal loans; however, the restrictions in paragraph 190408 apply. Personal loans may include, but are not limited to the following:

A. Payment of a car loan; and

B. Payment of a loan to repay consumer credit, such as to a finance company.

190207. Air Force Retired Members Only

Only retired Air Force members may authorize allotment payments to the Air Force Enlisted Members Widow’s Home.

1903 NONDISCRETIONARY ALLOTMENTS

190301. Nondiscretionary Allotments

Nondiscretionary allotments of retired and retainer pay are limited to those described in this section.

190302. Voluntary Liquidation of Indebtedness

An allotment for repayment of indebtedness to the United States is registered for a definite period required to liquidate the indebtedness. Retired members may make allotments for payment of:

A. Indebtedness incurred due to defaulted notes insured by the Federal Housing Administration or guaranteed by the VA;

B. Any other indebtedness to any department or agency of the U.S. Government (except DoD) debts), to include those assigned to a collection agency;

C. Delinquent Federal income taxes. A member may execute an agreement with the Internal Revenue Service (IRS) to pay delinquent taxes by monthly deductions from retired pay. Agreements are made by executing an IRS Form 2159, Payroll Deduction Agreement;

D. Delinquent state or local income or employment taxes; and
E. Loan debt to Navy-Marine Corps Relief Society, Army Emergency Relief, Air Force Aid Society, or American Red Cross.

190303. Charitable Contributions

Retirees are authorized to establish an allotment for making charitable contributions to any of the Service Relief Organizations including the Army Emergency Relief, Navy-Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund. Payment of pledges for these specified charities is authorized. These payments are for a definite period. Individual organizations are responsible for identifying an account for receipt of payment.

190304. Savings Bonds Allotments

A. Purchasing and Establishment of Savings Bonds by Nondiscretionary Allotment. As of October 1, 2010, the U.S. Treasury no longer issues paper savings bonds to federal employees (military, retired, and civilian personnel members) through payroll deduction. Retired members may purchase electronic savings bonds by establishing a personal TreasuryDirect account with the Treasury through TreasuryDirect. This account can be used to purchase multiple bonds. Members are authorized one nondiscretionary allotment for the purchase of bonds. For information on TreasuryDirect, go to www.treasurydirect.gov.

* B. Establishment of Savings Bonds Nondiscretionary Allotment. To establish an allotment to their TreasuryDirect account, members must either contact the Defense Finance and Accounting Service (DFAS) Retired and Annuitant Pay or create the allotment through myPay. The following information is required to initiate the allotment:

1. The routing transit number for TreasuryDirect: 051736158;
2. The TreasuryDirect account number provided by Treasury; and
3. The specific dollar amount to be deducted monthly.

NOTE: The myPay system also requires that the member designate the account type, either checking or savings, even though that designation is not applicable to an allotment to a TreasuryDirect account. Send written requests to begin Savings Bonds Allotments to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 East 56th Street
Indianapolis, IN 46249-1200
1904 ALLOTMENT ADMINISTRATION

190401. Excluded Amounts in Retired Pay Allotment

The amount of retired pay which may be allotted can be limited administratively to exclude amounts required to be withheld for:

A. Tax purposes;
B. Liquidation of an indebtedness determined under applicable provisions of law to be chargeable against the member’s retired pay account;
C. Cost of participation in the Retired Serviceman’s Family Protection Plan and/or Survivor Benefit Plan;
D. Garnishments;
E. Continuing tax levies;
F. VA compensation; and
G. Payments to a former spouse.

190402. Establishment, Discontinuance, and Changes to Existing Allotments

A properly executed DoD (DD) Form 2558, Authorization to Start, Stop or Change an Allotment), a written request, or an automated data exchange (from specific organizations) may be used to establish, discontinue, or change an allotment. Automated computer programs that allow members to establish, discontinue, or change an allotment using a personal identification number are also permitted. In addition, requests may be accepted telephonically from members without written documentation, but only after the member’s identity has been validated. Requests for allotment actions should be provided to DFAS, Retired and Annuitant Pay. Normally, allotments are not established retroactively.

190403. Administrative Changes

A. Changes beyond the control of the retiree are considered administrative in nature. These are dictated by events incidental to the purpose of the allotment. Examples include changes to the name, address, account number, and financial institution of the allottee. Other examples include amount changes due to contractual obligations existing at the time the allotment was executed (such as a mortgage payment changed because of variable rate mortgage or change in escrow requirement). Administrative changes may be made without the allottee’s consent.

B. In addition to the situations described in subparagraph 190403.A, upon notice and request from the insurance allottee, administrative changes may be made without the member’s consent under the following circumstances:
1. Death of retired member;
2. Policy terminated;
3. Policy has been surrendered;
4. Policy changed;
5. Policy paid up, no premiums due;
6. Policy not in force; or
7. Lapsed policy.

The allotment will be terminated or reduced at the insurance allottee’s request; refund and notification of the returned premium must be forwarded to the retired member.

190404. Duration of Allotments

Allotments are registered for an indefinite period except in the following circumstances:

A. Repayment of indebtedness to the United States, to include payment of delinquent Federal income taxes; and

B. Charitable contributions as specified in paragraph 190303.

190405. Allotment Overpayment Responsibilities

Any check issued and mailed to a recipient or transmitted via EFT to the recipient’s financial institution for which an entitlement does not exist must be recovered immediately by the issuing office. If an allotment is made after deductions from retiree’s retired pay have stopped, and the recipient does not return the amount of that payment, then the office of issuance must start a recovery action of an equal amount from the recipient, or the retiree, if that office determines that the retiree benefited from the payment. If the retiree is liable, then the overpayment must be recovered through deductions from the retired pay due the retiree.

190406. Definitions

A. Allotment. An allotment is a definite portion of the retired pay of a person retired from a Military Service, which the retiree authorizes to be paid to a person, institution, or agency. This payment may be for the purpose of supporting relatives or for any other purpose that the Secretary of the military department concerned considers proper.

B. Allottee. An allottee is a person, institution, or agency to whom the allotment is made payable.
C. **Allottee.** An allottee is the person from whose retired pay the allotment is made.

D. **Financial Institution.** A financial institution is a bank (to include a military banking facility), credit union, or thrift association.

190407. **Method of Payment**

EFT is the method of payment required for all individual allotments. For a list of exceptions to this requirement see Title 31, Code of Federal Regulations (CFR), part 208.4 (31 CFR 208.4) and Volume 8, Chapter 1.

190408. **Restrictions**

The following restrictions apply to allottees:

A. **Minors.** Allotments (except to purchase U.S. Savings Bonds) may not be made payable to children under 16 years of age. Allotments may be made payable to the child’s guardian or custodian. Spouses of retirees may be named as allottees regardless of age.

B. **Mental Incompetents.** Allotments are not payable to mentally incompetent persons. Such allotments are payable to a guardian or the institution where confined.

C. **Multiple Allotments.** See restrictions in paragraphs 190101 and 190201.

D. **Special Power of Attorney.** A special power of attorney may be used to establish, change, or stop an allotment. This special power of attorney must specifically grant the authority to establish, change or stop allotments. A general power of attorney is not acceptable to establish, change, or stop an allotment.

E. **Reduced Retired Pay of Allotter.** When a stoppage or reduction of retired pay does not leave enough funds for deduction of allotments in force, then those allotments are stopped administratively by the disbursing officer without the signature of the retiree, as described in section 1904 and Figure 19-1.

F. **Administrative Stops.** Allotments may be stopped because of the required deductions from retired pay listed in paragraph 190401. When possible, the retiree is allowed to determine the allotments to be stopped. However, if the retiree involved refuses or is unable, to identify which allotments should be stopped, then the allotments of that retiree will be stopped involuntarily in accordance with the order of precedence contained in Figure 19-1.
1905 RIGHT TO ALLOTMENTS IN CASE OF DEATH

190501. Death of Retiree

Entitlements to allotments end with the death of the member. No further allotment payments may be made after receipt of notice of the allottee’s death. Deductions made from the retiree’s pay, but not paid to the allottee, become part of the arrears of retired pay. Allotments paid after the retiree’s death may not be collected from the allottee, except:

A. Allotments erroneously established after notice of death of the retiree; and

B. Unearned insurance premiums (insurance premiums are paid 1 month before the day payment is actually due).

190502. Death of Allottee

An allotment check, even though endorsed, does not become part of an allottee’s estate if it is not cashed or negotiated before the allottee’s death. Allotment checks are not subject to expenses incurred by or on behalf of the allottee before or after death. All unnegotiated allotment checks must be returned to the office that issued the check. The returned checks are then credited to the retiree’s account.
Figure 19-1. Order of Precedence

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<td>8</td>
<td>Commercial life insurance/American Armed Forces Mutual Aid Association</td>
<td>D</td>
</tr>
<tr>
<td>9</td>
<td>Navy Mutual Aid Insurance</td>
<td>M</td>
</tr>
<tr>
<td>10</td>
<td>Government life insurance</td>
<td>N</td>
</tr>
<tr>
<td>11</td>
<td>Veterans Group Life Insurance</td>
<td>See Table 19-1</td>
</tr>
<tr>
<td>12</td>
<td>Deductions for court-ordered support</td>
<td>D</td>
</tr>
<tr>
<td>13</td>
<td>Repayment of indebtedness to the United States</td>
<td>T</td>
</tr>
<tr>
<td>14</td>
<td>Payment of delinquent Federal income taxes</td>
<td>T</td>
</tr>
</tbody>
</table>
Table 19-1. Effective Dates for Starting Insurance Allotments (D, M, V, or N)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>any Military Service</td>
<td>N allotment</td>
<td></td>
<td>before the month in which insurance premium is due (note).</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td>insurance policy is dated back</td>
<td>in which application is made. Retiree must pay the Reserve to</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>to save age</td>
<td>cover previous months by direct payments to VA.</td>
</tr>
<tr>
<td>3</td>
<td>the Army or Air Force</td>
<td>D allotment</td>
<td></td>
<td>specified by retiree, if authorization reaches the servicing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>finance center before the date specified in Military Service</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>procedural regulations.</td>
</tr>
<tr>
<td>4</td>
<td>the Navy or Marine Corps</td>
<td>D or M allotment</td>
<td></td>
<td>submitted by the Veterans Group Life Insurance through the</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>automated data exchange process.</td>
</tr>
<tr>
<td>5</td>
<td>any Military Service</td>
<td>D or V allotment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** A U.S. Government or NSLI allotment deducted for 1 month pays the premium for the succeeding month. For example, if premium for July is paid by allotment, then allotment must be effective June 1.
Table 19-2. Effective Dates for Changing Insurance Allotments (D, M, V, or N)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>the Army or Air Force</td>
<td>D or N allotment</td>
<td>the retiree, fiduciary, or guardian requests a change in allotment</td>
<td>then stop the present allotment effective the last day of the month</td>
<td>and start the new allotment effective the first day of the month</td>
</tr>
<tr>
<td>2</td>
<td>the Navy or Marine Corps</td>
<td>D, M, or N allotment</td>
<td>the allotment was authorized with an incorrect amount or effective date</td>
<td>before its effective date</td>
<td>specified in the original request or the date requested by the VA.</td>
</tr>
<tr>
<td>3</td>
<td>any Military Service</td>
<td>N allotment</td>
<td>the Office of Servicemembers’ Group Life Insurance (OSGLI) automated data exchange provides a change in the allotment</td>
<td>specified by the automated data exchange process</td>
<td>specified by the automated data exchange process.</td>
</tr>
<tr>
<td>4</td>
<td>D or V allotment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 19-3. Effective Dates for Stopping Insurance Allotments (D, M, V, or N)

<table>
<thead>
<tr>
<th>RULE</th>
<th>CLASS</th>
<th>ALLOTMENT</th>
<th>REASON</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A</td>
<td>D or N</td>
<td>the retiree requests the allotment be stopped</td>
<td>the last day of the month specified by the retiree, if authorization reaches the servicing DFAS Site before the date specified in the procedural regulations of the Military Service concerned.</td>
</tr>
<tr>
<td>2</td>
<td>B</td>
<td>D, M, or N</td>
<td>the application for insurance is disapproved by the VA</td>
<td>month before the effective start date of the allotment.</td>
</tr>
<tr>
<td>3</td>
<td>C</td>
<td>N</td>
<td>has insufficient “net” pay to satisfy an IRS Notice of Levy for delinquent income tax, and is determined by the IRS to be a “problem case”</td>
<td>month before the month in which the IRS levy is received (stop insurance allotments only if discontinuance of other voluntary allotments will not satisfy the levy).</td>
</tr>
<tr>
<td>4</td>
<td>D</td>
<td>D or M</td>
<td>has pay suspended (note 1) or insufficient pay</td>
<td>last month in which enough pay accrues to satisfy the deduction. Avoid stopping the allotment unnecessarily or earlier than required.</td>
</tr>
<tr>
<td>5</td>
<td>E</td>
<td>D or M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>F</td>
<td>D or N</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>G</td>
<td>D, M, or N</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>H</td>
<td>D or N</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>I</td>
<td>D, M, or N</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 19-3. Effective Dates for Stopping Insurance Allotments (D, M, V, or N) (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>If a retired member of</td>
<td>has a class</td>
<td>and</td>
<td>then stop the allotment effective the last day of the</td>
</tr>
<tr>
<td>U</td>
<td>any Military Service</td>
<td>D or V allotment</td>
<td>the retiree or OSGLI requests the allotment be stopped</td>
<td>month specified by the retiree, if authorization reaches the servicing DFAS Site before the date specified in Military Service procedural regulations. If OSGLI, stop specified by the automated data exchange process (note 2).</td>
</tr>
<tr>
<td>L</td>
<td>E</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
1. See procedural regulations of Military Service concerned.
2. Advise OSGLI immediately of reason for stoppage of allotment if it was discontinued by the automated data exchange process.
Table 19-4. Allotments of Retired Pay – General

<table>
<thead>
<tr>
<th>R U L E</th>
<th>When the purpose of allotment is for</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>purchase of U.S. Savings Bonds</td>
<td>B</td>
<td>B</td>
<td>B</td>
<td>X</td>
</tr>
<tr>
<td>2</td>
<td>payment to dependents (note 5)</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>X</td>
</tr>
<tr>
<td>3</td>
<td>repayment of home loans</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>X</td>
</tr>
<tr>
<td>4</td>
<td>commercial life insurance/</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>American Armed Forces</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mutual Aid Association (note 3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>repayment of loans to Navy-Marine</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Corps Relief Society, Army</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Emergency Relief, American Red</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cross, or Air Force Aid Society</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Navy Mutual Aid Insurance (note 2)</td>
<td>None</td>
<td>M</td>
<td>None</td>
<td>X</td>
</tr>
<tr>
<td>7</td>
<td>USGLI and/or NSLI (note 4)</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>X</td>
</tr>
<tr>
<td>8</td>
<td>repayment of loans on VA insurance</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(note 4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>payment to financial institution or</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>credit to account of retiree (note 6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>payment of delinquent Federal</td>
<td>T</td>
<td>T</td>
<td>T</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>income taxes and/or payment of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>indebtedness to the United States</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(note 7)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>charitable contributions to the</td>
<td>L</td>
<td>C</td>
<td>F</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Army Emergency Relief, Navy-Marine</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Corps Relief Society, or affiliates</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>of the Air Force Assistance Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 19-4. Allotments of Retired Pay - General (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>When the purpose of allotment is for</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>payment of delinquent state or local income or employment taxes (note 8)</td>
<td>T</td>
<td>T</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>13</td>
<td>Veterans Group Life Insurance</td>
<td>D</td>
<td>D,V</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

NOTES:
1. Includes members of the Fleet Reserve or Fleet Marine Corps Reserve when not on active duty.
2. In addition to allotments authorized, member may continue any other allotments in effect (except Combined Federal Campaign and aviation premiums payable to the Navy Mutual Aid Association) at the time of retirement.
3. On the life of the allotter, spouse, and/or child(ren).
4. Payment of allotments for insurance premiums and repayment of insurance loans are made by one NSLI or class N allotment.
5. Authorized to a spouse, former spouse, and/or child(ren) of the retired member having a permanent residence other than that of the retired member.
6. Includes credit unions within the United States, its possessions, Puerto Rico, and Panama Canal Zone operating under a Federal or state charter. Also includes credit unions authorized under Volume 12, Chapter 33 to operate on an overseas U.S. military installation.
7. Delinquent Federal income taxes are payable to the applicable District Director, IRS.
8. Delinquent state or local and employment taxes are payable to the applicable state or local tax authorities.
*REFERENCES*

CHAPTER 19 – GENERAL PROVISIONS GOVERNING ALLOTMENTS OF RETIRED PAY

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<tr>
<th>Section</th>
<th>Description</th>
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<td>Title 37, United States Code (U.S.C.), section 701</td>
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<td>1902</td>
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<tr>
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<td>NONDISCRETIONARY ALLOTMENTS</td>
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<tr>
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<td>31 CFR 363</td>
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<tr>
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</tr>
<tr>
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</tr>
<tr>
<td>190407</td>
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</tr>
<tr>
<td>1905</td>
<td>RIGHT TO ALLOTMENTS IN CASE OF DEATH</td>
</tr>
<tr>
<td>190501</td>
<td>Comptroller General B-225873.2</td>
</tr>
<tr>
<td></td>
<td>31 U.S.C. § 3727(e)(2)</td>
</tr>
</tbody>
</table>
VOLUME 7B, CHAPTER 22: “FUNERAL HONORS DETAIL STIPEND FOR RETIREES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated November 2017 is archived.

<table>
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<td>All</td>
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<tr>
<td>220103</td>
<td>Updated language for “Authoritative Guidance” to comply with new instructions.</td>
<td>Revision</td>
</tr>
<tr>
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<td>Changed the name from “Bibliography” to “References” to comply with new requirements, also updated references.</td>
<td>Revision</td>
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</tbody>
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CHAPTER 22

FUNERAL HONORS DETAIL STIPEND FOR RETIREES

2201 GENERAL

220101. Overview

The Secretary of a Military Department is authorized to provide support for persons participating in a funeral honors detail, including retired military members, in the form of either transportation allowances (or reimbursement for transportation allowances) and expenses, or a daily stipend as prescribed by the Secretary of Defense. The prescribed daily stipend must be set at a single rate designed to defray the typical costs of transportation and other miscellaneous expenses for persons participating in a funeral honors detail who are members of the Armed Forces in a retired status and other persons who are not members of the Armed Forces or employees of the United States. See Volume 9, Chapter 4 for information regarding reimbursement for transportation allowances and expenses.

220102. Purpose

This chapter provides policy for the entitlement, funding, and amount payable for funeral honors detail stipends.

*220103. Authoritative Guidance

The pay policies and requirements established by Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2202 ENTITLEMENT TO STIPEND

Secretaries of Military Departments are asked to authorize stipend payments for retirees under 10 U.S.C., section 1491(d) in lieu of authorizing an allowance under 37 U.S.C. § 495(a). These stipends ensure uniform payments to all volunteers who assist in providing funeral honors. A member of the Armed Forces in a retired status, including a member of the Retired Reserves without pay, may receive a daily stipend payment, in addition to any payment of retired or retainer pay or other compensation to which they are entitled, for performing funeral honors detail. Only one daily stipend may be earned and paid for 1 calendar day.

220201. Amount Payable

The Secretary of Defense is required to prescribe annually a flat rate daily stipend for certain individuals who volunteer to assist the active military in the delivery of funeral honors.
The daily stipend payable to a member receiving retired or retainer pay, or a member of the Retired Reserves without pay, is currently $50.

220202. Taxability

The daily stipend payment under 10 U.S.C. § 1491(d) is not reported as taxable income.

220203. Funding

The approving Military Department must make the payment under this chapter from Operation and Maintenance funds for the fiscal year in which the payment is made.

220204. Payments

A. Retirees considered for the stipend must be an authorized provider to participate in the specific honor detail and perform the honors as anticipated. The retirees that perform funeral honors should be a provider under the Authorized Provider Partnership Program (AP3). The DoD established the AP3 for the benefit of commanders who have the responsibility to provide funeral honors to active duty Service members, retirees, and veterans.

B. The Military Department concerned is responsible for processing claims for authorized providers (retirees). The authorized provider (retiree) must complete Optional Form 1164, Claim for Reimbursement for Expenditures on Official Business, and submit to the parent Service of the honored veteran.
*REFERENCES

CHAPTER 22—FUNERAL HONORS DETAIL STIPEND FOR RETIREES

2201 — GENERAL
DoD Instruction (DoDI) 1300.15, December 27, 2017
10 U.S.C. § 1491(d)

2202 — ENTITLEMENT TO STIPEND
10 U.S.C. § 1491(d)

220201
10 U.S.C. § 1491(d)(2)

220202
Office of the Under Secretary of Defense Personnel and Readiness Memorandum, February 10, 2014

220204
DoDI 1300.15, December 27, 2017
VOLUME 7B, CHAPTER 23: “SPECIAL AND VOLUNTARY SEPARATION INCENTIVE (VSI) PAY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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<td>Updated to include an alternative method to submit a request for direct deposit.</td>
<td>Revision</td>
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<tr>
<td>230504</td>
<td>Deleted paragraph due to change of policy in Retired Pay Operations.</td>
<td>Deletion</td>
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<td>Updated references where applicable.</td>
<td>Revision</td>
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<td>Section</td>
<td>Title</td>
<td>Page</td>
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<td>3</td>
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</tr>
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<td>230203</td>
<td>Secretary of the Treasury</td>
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</tr>
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</tr>
<tr>
<td>2303</td>
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<td>4</td>
</tr>
<tr>
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<td>4</td>
</tr>
<tr>
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<td>Withholding Requirements for Members</td>
<td>5</td>
</tr>
<tr>
<td>230304</td>
<td>Recoupment of SSB or VSI</td>
<td>5</td>
</tr>
<tr>
<td>2304</td>
<td>DEBT COLLECTION</td>
<td>5</td>
</tr>
<tr>
<td>2305</td>
<td>BENEFICIARY PAYMENT</td>
<td>6</td>
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<td>Designation of Beneficiaries</td>
<td>6</td>
</tr>
<tr>
<td>230502</td>
<td>Notification of Death and Beneficiary Claim</td>
<td>6</td>
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<tr>
<td>230503</td>
<td>Beneficiary Payment</td>
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CHAPTER 23

SPECIAL AND VOLUNTARY SEPARATION INCENTIVE (VSI) PAY

2301 GENERAL

230101. Purpose

The purpose of this chapter is to provide policy for the authorization, administration, and payment of the Special Separation Benefits (SSB) and VSI programs to mid-career Service members of the military services in over-strength inventories. The applicable period for SSB and VSI was January 1992 through December 2001. Both programs required member affiliation with a Reserve Component.

*230102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 31. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2302 RESPONSIBILITIES

230201. Defense Finance and Accounting Service (DFAS), Cleveland (CL)

DFAS-CL will:

A. Maintain the VSI account until all annual installments are paid, or until the death of the VSI member recipient. A member’s entitlement to VSI is not transferable, except that the member may designate beneficiaries to receive the payments in the event of the member’s death, in accordance with paragraph 230501; and

B. Make all VSI annual beneficiary payments. Following the death of a VSI member recipient, DFAS-CL will provide customer service support for designated beneficiaries and be the primary source for VSI member beneficiary account assistance and maintenance.

230202. Defense Manpower Data Center (DMDC)

DMDC will:

A. Maintain a personnel database that identifies and tracks participation in the VSI programs; and

B. Provide information concerning Reserve participation to DFAS-CL due to the requirement of Reserve affiliation.
230203. Secretary of the Treasury

The Secretary of the Treasury administers the VSI Fund (hereafter referred to as the “Fund”). All VSI payments made by the Secretary of Defense after December 31, 1992, pursuant to 10 U.S.C. § 1175, are to be paid out of the Fund. The Fund is classified as a trust fund and has been designated as account number 97X8335. This fund consists of a receipt and expenditure account.

230204. DoD Board of Actuaries

For each fiscal year (FY) after September 30, 1999, the Board:

A. Carries out an actuarial valuation for the Fund and determines any new unfunded liabilities arising from gains and losses to the Fund;

B. Determines an amortization schedule for liquidating these new unfunded liabilities; and

C. Determines for the upcoming FYs the amount of DoD contributions to the Fund necessary to comply with the amortization schedules for the Fund’s original and new unfunded liabilities in sufficient time to be included in the FY budget requests.

2303 PAYMENT PROCESSING

*230301. VSI Payments

A. Upon Separation. A Service member completed a DoD (DD) Form 2058, State of Legal Residence Certificate, and Internal Revenue Service (IRS) Form W-4, Employee’s Withholding Allowance Certificate at the time of separation and a DD 2864, VSI Beneficiary Designation in order to designate any beneficiaries if desired.

B. Annual Payments. DFAS-CL issues annual payments on the anniversary of the member’s separation. In the event that the anniversary date falls on a weekend or holiday, DFAS-CL will make the payment according to the same rules followed for regular active duty paydays. DFAS-CL will send annual VSI payments to the VSI recipient’s bank via Electronic Funds Transfer (EFT). The Service member should complete an updated Standard Form (SF) 1199A, Direct Deposit Sign-Up Form, as information changes. If an SF 1199A is not available, the VSI recipient must submit a signed and dated request with the address of the bank and a canceled check that shows account number and routing transit number.

230302. Effect of Disability Compensation

A member receiving VSI must not be deprived of the VSI by reason of entitlement to disability compensation under the laws administered by the Department of Veterans Affairs (VA).
A. **Deduction.** The amount of any such disability compensation concurrently received must be deducted from VSI payments.

B. **No Deduction.** No deduction is made from VSI for any disability compensation received because of an earlier period of active duty if the VSI is received because of discharge or release from a later period of active duty.

230303. **Withholding Requirements for Members**

A. **Federal Income Tax Withholding (FITW)** is withheld from VSI payments based upon the annual Percentage Method of Withholding Table. A valid IRS Form W-4 is required to compute the proper withholding amount under this method. If the member has not submitted an IRS Form W-4, the tax withholding is computed as if the member is single, with no withholding exemptions.

B. **State Income Tax Withholding.** VSI payments are subject to state income tax withholding for residents of states that have entered into an agreement with the Secretary of the Treasury. State withholding and reporting for the SSB and the initial VSI payment is based on the member’s legal residence at the time of separation from active duty. For annual VSI payments, state income tax is withheld based upon the state of legal residence claimed on the member’s DD Form 2058. See Volume 7A, Chapter 44 for those states that have entered into an agreement with the Secretary of the Treasury.

C. **Withholding of Federal Insurance Contributions Act (FICA).** FICA (or any other payroll taxes) is not withheld from VSI payments.

230304. **Recoupment of SSB or VSI**

A member who has received SSB or VSI and who later qualifies for retired or retainer pay will have the amount of the SSB or VSI received deducted from each payment of such retired or retainer pay. SSB will also be deducted from disability compensation under the laws administered by the VA. See Chapter 4 for detailed information on recoupment.

2304 **DEBT COLLECTION**

SSB and VSI initial payments were subject to offset for debt collection. If a Service member separated from active duty with debts due to the United States (including non-appropriated fund instrumentalities and non-DoD debts), the amount of the debt was subject to offset from the SSB and initial VSI entitlement. In the case of VSI, if the debt was greater than the initial payment, the remaining debt will be collected from subsequent installments. Collections are made according to the administrative offset provisions contained in [31 U.S.C. § 3716](https://www.gpo.gov/fdsys/lookup/.../pdf) and are subject to standard debt collection procedures and policies in Volume 16. Garnishment orders remain in effect for VSI recipients and must be transferred to DFAS-CL for administration.
2305 BENEFICIARY PAYMENT

230501. Designation of Beneficiaries

A. Service members may designate beneficiaries to receive VSI installments that remain unpaid after the death of the member using a DD Form 2864. The VSI recipient may designate different percentages for multiple recipients to receive. In the event percentage elections are not made, payments are divided evenly among the designated beneficiaries. The VSI recipient may change his/her beneficiary information by sending a signed and dated DD Form 2864 to DFAS-CL at any time after separation.

B. DFAS-CL will maintain beneficiary forms for all VSI accounts until the end of the VSI entitlement period, or until the person’s death.

230502. Notification of Death and Beneficiary Claim

A. DFAS-CL requires notification of a VSI recipient’s death. Proof of death, such as a civil death certificate, is required. Upon receipt of proof of death, DFAS-CL will close out the member account and establish the beneficiary account. If the beneficiary is responsible for the death of the retiree, the annuity may not be paid to that person unless evidence is received which clearly absolves the beneficiary of any felonious intent.

B. No specific form is required for making claim for beneficiary payments. A statement signed by the beneficiary claiming future VSI payments will be sufficient. The statement should include the beneficiary’s social security number. Mail beneficiary claims to DFAS-CL, Retired and Annuitant Pay (R&A):

DFAS Indianapolis
Attn: Uniques
8899 East 56th Street
Indianapolis, IN  46249-1300

230503. Beneficiary Payment

A. Death of the Member. Upon the death of the member, DFAS-CL will make all remaining annual payments to the member’s designated beneficiaries for the remainder of the deceased VSI recipient’s entitlement period. If a valid designation was not made or received, payments will be distributed to the person highest on the list, living on the date of death (see 10 U.S.C. § 2771) as follows:

1. The Beneficiary designated by the member in writing, if the designation is received by the Military Department concerned before the member’s death;

2. The surviving spouse;

3. The children and their descendants, by representation:
a. **Adopted Child.** An adopted child is a legal heir in every state and, therefore, is entitled to payment of unpaid pay and allowances, if otherwise proper. If others adopt the deceased member’s child, the child is a beneficiary only in those states where an adopted child inherits from its natural parent.

b. **Stepchild.** A stepchild is not an eligible beneficiary unless adopted by the deceased retiree.

Note: In certain instances, evidence of paternity may be required to determine eligibility.

4. The father and mother in equal parts or, if either is dead, the survivor;

5. The legal representative; or

6. The person entitled under the law of the domicile of the deceased retiree.

B. **Death of the Beneficiary.** Payments will be distributed to a beneficiary’s estate in the event a beneficiary dies after a VSI recipient’s date of death. DFAS-CL will make such payments according to the laws governing the beneficiary’s state of legal residence.

C. **Withholding Requirements**

1. A payment to beneficiary is subject to FITW. The FITW is based upon the [IRS Form W-4P](https://www.irs.gov/w4p), Withholding Certificate for Pension or Annuity Payments, submitted by the recipient. If an IRS Form W-4P is not submitted, the DFAS site will calculate withholding as for a married person claiming three withholding allowances.

2. State income taxes or FICA will not be withheld from beneficiary payments.

3. DFAS-CL will issue an IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., to each beneficiary recipient.

D. **Garnishment of Beneficiary Payments.** DFAS-CL will not honor garnishment orders against beneficiary payments.

E. **Offset of Beneficiary Payments.** Beneficiary payments generally are not subject to offset. For instance, VSI beneficiary payments are not offset even though the beneficiary is entitled to receive Social Security on behalf of the deceased VSI recipient. However, if a beneficiary is indebted to the government, the debt may be collected from VSI installment payments.
CHAPTER 23 – SPECIAL AND VOLUNTARY SEPARATION INCENTIVE (VSI) PAY

2301 – GENERAL

10 U.S.C. §§ 1174a and 1175

2302 – RESPONSIBILITIES

230201 10 U.S.C. § 1174a(h)(2)
10 U.S.C. § 1175

230202.A 10 U.S.C. § 1175(f)
230202.C and D 10 U.S.C. § 1175(h)

2303 – PAYMENT PROCESSING

230301 Comptroller General Decision, B-187743, July 7, 1977
230302 10 U.S.C. § 1175(e)(4)
230304 10 U.S.C. § 1175(e)(3)(A)
10 U.S.C. § 1174a(g)
10 U.S.C. § 1174(h)(1)
10 U.S.C. § 1175(e)(3)
10 U.S.C. § 1174(g) and 1174(h)

2304 – DEBT COLLECTION

31 U.S.C. § 3716

2305 – BENEFICIARY PAYMENT

230503.A 10 U.S.C. § 2771
VOLUME 7B, CHAPTER 24: “COMPUTATION OF WAGES SUBJECT TO FEDERAL INCOME TAX WITHHOLDING (FITW)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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<td>240202.C</td>
<td>Added note to subparagraph for clarification.</td>
<td>Addition</td>
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<tr>
<td>240202.D</td>
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<td>Addition</td>
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<tr>
<td>240401.B</td>
<td>Rephrased subparagraph for clarity.</td>
<td>Revision</td>
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<tr>
<td>2409</td>
<td>Updated section to clarify tax implications on premium payments made for the Survivor Benefit Plan and the Retired Serviceman's Family Protection Plan.</td>
<td>Revision</td>
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CHAPTER 24

COMPUTATION OF WAGES SUBJECT TO FEDERAL INCOME TAX WITHHOLDING (FITW)

2401 GENERAL

240101. Purpose

The purpose of this chapter is to provide information on retired pay subject to FITW. FITW is based on payments actually or constructively paid, regardless of the date on which they are earned. Retired pay is paid constructively when it is credited to the account or set apart for a retiree so that he or she may draw on it at any time, although it is not actually reduced to possession. It must have been credited to or set apart for the retiree without any substantial limitation or restriction as to the time or manner of payment or condition under which it is to be made and brought within the retiree’s control and disposition.

240102. Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 26. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2402 RETIRED PAY SUBJECT TO FITW AND NOT SUBJECT TO FITW

240201. Gross Retired Pay Subject to FITW

Retired pay is income and constitutes wages subject to FITW, except as otherwise indicated in this chapter.

*240202. Gross Retired Pay Not Subject to FITW

The gross retired pay of a member may not be subject to FITW if the member is on the Temporary Disability Retired List (TDRL) or Permanent Disability Retired List (PDRL), receiving disability retired pay and if:

A. On or before September 24, 1975, the member was entitled to receive retired pay computed on the basis of percentage of disability pursuant to Title 26, U.S.C., sections 104(a)(4) and 104(b)(2)(A);

B. On September 24, 1975, he or she was a member of the Armed Forces (or Reserve Component thereof) or under a binding written commitment to become such a member (26 U.S.C. §§ 104(a)(4) and 104(b)(2)(B));
C. The member is receiving disability retired pay because of a combat-related injury. The term “combat-related injury” means personal injury or sickness incurred as a direct result of armed conflict, or while engaged in extra hazardous service, or under conditions simulating war, or caused by an instrument of war, pursuant to 26 U.S.C. §§ 104(a)(4) and 104(b)(2)(C). This determination is made by the applicable Service at the time of discharge. See DoD Instruction (DoDI) 1332.18, or

NOTE: The amount of disability retired pay described in subparagraph 240202.C not subject to FITW is the amount related to the combat-related injury, but in no circumstances will the nontaxable amount be less than the amount the member would be entitled to receive from the Department of Veterans Affairs (VA) for that injury.

D. The member would be entitled to disability compensation from the VA pursuant to 26 U.S.C. §§ 104(a)(4) and 104(b)(2)(D). For those members who have waived all or a portion of their retired pay in order to receive an award from VA, subtract the VA waiver from the gross retired pay to compute the member’s taxable income. Subtract the VA waiver prior to subtracting other income reducing amounts, such as Survivor Benefit Plan (SBP) premiums. For members who are receiving retired pay based upon their years of service but who have a portion of their retired pay that is tax exempt due to their retirement for disability under Chapter 61 of Title 10, taxable pay is determined by reducing the gross retired pay by the VA entitlement or the retired pay that would be exempt due to the percentage of disability, whichever is greater.

2403 EFFECT OF DISABILITY COMPENSATION AWARD ON FITW

A member is entitled to exclude the disability compensation, additional amount, and retroactive disability compensation from the taxable portion of retired pay.

240301. Disability Compensation

Disability compensation is the maximum amount that a member would be entitled to receive upon application to the VA.

240302. Additional Amount

An additional amount is the difference between a prospective VA disability compensation award and the amount excluded under section 2402.

240303. Retroactive Disability Compensation

The retroactive disability compensation is the amount of a VA disability compensation award not previously excluded from retired pay.

2404 GROSS PAY PARTIALLY TAXABLE

For members who are entitled to have their retired pay computed based on both percentage of disability and years of service, a portion of their retired pay may be subject to FITW. Any
reduction of wages subject to FITW for disability retired pay must meet one of the conditions set forth in paragraph 240202.

*240401. Post September 30, 1949

Compute the wages subject to FITW for members retired for disability on or after October 1, 1949, as follows:

A. If the member is placed on the PDRL, subtract retired pay based on the percentage of disability from retired pay based on the years of service. The result of such subtraction is the amount of wages subject to FITW.

B. If the member is placed on the TDRL, use one of these methods:

1. If the member’s disability rating is 50 percent or more, compute as in subparagraph 240401.A.

2. If the member’s disability rating is less than 50 percent on the TDRL and the member is receiving retired pay computed based on years of service, subtract the amount of retired pay the member would have received if retired pay were computed solely on the basis of the member’s actual percentage of disability from the gross retired pay the member is receiving. The result of the subtraction is the amount of wages subject to FITW.

3. If a member with 20 years or less of service is placed on the TDRL and the member’s disability rating is less than 50 percent and the member elects to receive disability retired pay based on the percentage of disability, the retired pay received is not subject to FITW.

240402. Before October 1, 1949

The wages subject to FITW for members who retired before October 1, 1949, fell into two categories. Such retired pay was either based on years of service and was fully taxable or it was based on disability and was nontaxable. Members retired for physical disability before October 1, 1949, were assigned a disability rating for purposes of computing retired pay entitlement under the provisions of the Career Compensation Act. These members could either continue to receive the nontaxable retired pay they were receiving on September 30, 1949, or elect to receive retired pay computed under the provisions of the Career Compensation Act based on the percentage of disability assigned or years of active service. If members chose to have their pay computed based on the Career Compensation Act, their wages subject to FITW were computed as described in paragraph 240202 or subparagraph 240401.A.

2405 FITW WAGE REDUCTIONS FROM DEDUCTIONS AND COLLECTIONS

Deductions and collections that reduce the amount of wages subject to FITW include participation in Retired Serviceman’s Family Protection Plan (RSFPP), participation in SBP, and VA Disability Compensation.
240501. Participation in Retired Serviceman's Family Protection Plan (RSFPP)

The amount of the member’s retired pay subject to FITW is reduced by the full amount of the RSFPP costs deducted from the member’s retired pay in order to participate in the RSFPP. This deduction did not reduce taxable income until the tax laws were changed to permit a dollar-for-dollar reduction effective January 1, 1966. The tax implication for a member who pays for this protection by direct remittance is discussed in section 2409.

240502. Participation in Survivor Benefit Plan (SBP)

The amount of the member’s retired pay subject to FITW is reduced by the full amount of the SBP costs deducted from the member’s retired pay in order to participate in the SBP. The tax implication for a member who pays for this protection by direct remittance is discussed in section 2409.

240503. Veterans Affairs (VA) Disability Compensation

There is a waiver of military retired pay when a member receives disability compensation or a pension from the VA.

Note: If a member is entitled to concurrent retirement and disability pay on or after January 1, 2014, the waiver provision does not apply.

A. If the member’s gross retired pay is fully subject to FITW, subtract the amount of the VA waiver applied to wages. The VA waiver reduces the member’s retired pay entitlement.

B. In the case of a member retired because of physical disability, reduce wages subject to FITW, if any, by the amount of the VA waiver applied or the portion of the member’s retired pay based on the actual percentage of disability, whichever is greater.

2406 U.S. CITIZENS ABROAD

The retired pay of members who temporarily or permanently reside in a foreign country is subject to FITW as if they resided in the United States or its possessions. Thus, apply the withholding rules in section 2402.

2407 ARREARS OF PAY

See Chapter 30 for taxation policies that apply to deceased members and their beneficiaries.
2408 COLLECTION OF DELINQUENT TAXES

240801. Voluntary Withholding

A retiree may, with the consent of the Internal Revenue Service (IRS), have deductions made from his or her retired pay to satisfy a debt due to tax delinquency. The class T allotment has been designated to allow a member to make payments to the IRS in this manner.

240802. Involuntary Withholding

If a retiree neglects or refuses to pay his or her Federal income tax liability within 10 days after receiving notice of liability, the cognizant IRS District Director can collect the amount by placing a levy on the member’s retired pay. The IRS is required to give the member 10 days’ notice that a levy will be executed. This notice normally is included with the notification of liability. See Chapter 28.

*2409 TAXABILITY OF SBP/RSFPP PREMIUMS

240901. Premiums

SBP/RSFPP premiums are deducted from retired pay which reduces the retiree’s taxable income.

240902. Premiums Paid by Direct Remittance

SBP/RSFPP premiums paid by direct remittance will be deposited into the Treasury as miscellaneous receipts and will not reduce the retiree’s taxable income.

2410 PROCESSING CORRECTION OF RECORDS CASES

If payment is made as the result of a correction of military records, that payment is processed as follows:

241001. Amounts Previously Paid and Reported

When amounts previously paid and reported as FITW wages are not subject to FITW as a result of the correction, the member is provided either a corrected IRS Form 1099-R, Distributions From Pension, Annuities, Retirement or Profit-Sharing Plans, Individual Retirement Accounts, Insurance Contracts, etc., for the 3 calendar years before the year that the correction action is made or a letter citing the “before” and “after” amounts for each calendar year involved. The member may obtain a tax refund, if any is due, from the IRS based on his or her total tax liability for 3 years. In accordance with 52 Comptroller General 420 (1973), a claim for the refund of income taxes paid in years prior to the 3-year period may be treated as a claim for pecuniary benefits under 10 U.S.C. § 1552 and paid pursuant to the record correction.
241002. Retired Pay Subject to FITW

When the member’s retired pay is subject to FITW, the payment is reported as FITW wages from applicable current year appropriations reserved for such payment.

2411 TAXABILITY AND WITHHOLDING OF DISABILITY SEVERANCE PAY

See Volume 7A, Chapter 35.

2412 TAXABILITY OF RETIRED PAY FOR FLEET RESERVIST/FLEET MARINE CORPS RESERVIST NOT PHYSICALLY QUALIFIED FOR RETENTION IN THE FLEET RESERVE/FLEET MARINE CORPS RESERVE (FR/FMCR)

The retired pay of a member of the FR/FMCR who is transferred to the retired list, when found not physically qualified for retention in the FR/FMCR (as stated in Chapter 2, subparagraph 020101.B), is subject to FITW.
CHAPETR 24 - COMPUTATION OF WAGES SUBJECT TO FEDERAL INCOME TAX WITHHOLDING (FITW)

2402 – RETIRED PAY SUBJECT TO FITW AND NOT SUBJECT TO FITW

240201 Title 26, Code of Federal Regulations (CFR), part 31.3401(a)-1(b)

26 U.S.C. § 104(b)
26 U.S.C. § 104(b)(2)(A)

26 U.S.C. § 104(b)(2)(B)

240202.C DoDI 1332.18, August 5, 2014

240202.D 26 U.S.C. §§ 104(a)(4) and 104(b)(2)(D)

2403 – EFFECT OF DISABILITY COMPENSATION AWARD ON FITW

240303 Strickland v. Commissioner of Internal Revenue, 540 F2d 1196(1976)

2404 – GROSS PAY PARTIALLY TAXABLE

240401 26 CFR 1.104-1

240402 Career Compensation Act of 1949, Public Law 351, 81st Congress, 63 Stat 802

2408 – COLLECTION OF DELINQUENT TAXES

240802 26 U.S.C. § 6331

2409 TAXABILITY OF SBP/RSFPP PREMIUMS

10 U.S.C. § 1448(g)(5)
REFERENCES (Continued)

2410 – PROCESSING CORRECTION OF RECORDS CASES

52 Comptroller General, 420 (1973)
10 U.S.C. § 1552
VOLUME 7B, CHAPTER 25: “COMPUTATION OF FEDERAL INCOME TAX WITHHOLDING (FITW)”

SUMMARY OF MAJOR CHANGES

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<td>Revision</td>
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<td>250204</td>
<td>Provided references for the computation of withholding tax to nonresident aliens.</td>
<td>Revision</td>
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<td>250204</td>
<td>Deleted the phrase, “and the Director of International Operations, IRS, Washington, DC 20225” to comply with instructions to Form W-8BEN.</td>
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<td>250301</td>
<td>Consolidated the former paragraphs 250301 and 250302 for clarity.</td>
<td>Revision</td>
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<td>250301.B.2</td>
<td>Updated the FITW flat rate from 25 percent to 22 percent in accordance with Internal Revenue Service Publication 15, section 7.</td>
<td>Revision</td>
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<td>250302</td>
<td>Added tax implication on Blended Retirement System Lump Sum Payments.</td>
<td>Addition</td>
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CHAPTER 25

COMPUTATION OF FEDERAL INCOME TAX WITHHOLDING (FITW)

2501 GENERAL

250101. Purpose

This chapter provides information pertaining to pay that is subject to FITW and how to compute the amount of FITW to withhold.

250102. Authoritative Guidance

The pay policies and requirements established by the Department of Defense in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 26. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2502 RATES FOR REGULAR AND ADDITIONAL WITHHOLDING OF FEDERAL INCOME TAX

250201. FITW

Federal income tax will be withheld in accordance with the Department of the Treasury, Internal Revenue Service (IRS), Publication 15 (Circular E) Employer's Tax Guide. Taxable pay, as computed under provisions of Chapter 24, is subject to FITW.

250202. Request Additional FITW

A member may authorize an additional monthly amount of Federal income tax to be withheld.

250203. FITW for an Annuitant

The gross monthly amount of the annuity, or the monthly amount of the Survivor Benefit Plan annuity remaining after it has been reduced by a Dependency and Indemnity Compensation award and/or Social Security offset, is taxable income and is subject to FITW unless the annuitant elects no withholding. See Chapter 37 and Chapter 46.

250204. Nonresident Alien

Federal income tax is withheld for a nonresident alien pursuant to Title 26, U.S.C., section 871 and Title 26, Code of Federal Regulations (CFR), section 1.861-4. Taxable retired pay, as determined under Chapter 24, is subject to FITW at the rate of 30 percent, without being reduced by withholding allowances of personal exemptions, unless the member is a citizen of a
country that has a tax treaty with the United States. Use the withholding rate specified in the treaty if the member files Form W-8BEN, “Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals),” with the Defense Finance and Accounting Service, U.S. Military Retirement Pay, 8899 E. 56th Street, Indianapolis, IN 46249-1200. Note that when the member files an income tax return, the IRS will refund any excess tax withheld. A member in this status is responsible for reporting the income to the country of the member’s citizenship and paying any tax owed on this income.

2503 RATES OF FITW FOR ONE-TIME PAYMENTS

*250301. One-Time Payments

When DFAS Retired Pay pays a one-time payment concurrently with a regular monthly payment, it separately identifies the one-time payment from the regular payment. As such, the same FITW computation rules apply if the one-time payment is made concurrently with or separately from the regular monthly payment. There are two computation methods, and the method that may be used depends upon whether Federal income tax was withheld from regular monthly payments of retired pay made to the member during the current or immediately preceding calendar year.

A. When Federal income tax was not withheld from regular payments during the current or preceding calendar year, the one-time payment must be combined with the wages paid for the last pay period (in the same calendar year) or with the wages paid for the current pay period. The amount of withholding is then computed as if this was a single payment, taking into consideration the member’s claimed withholding exemptions. Compute the aggregate withholding amount. Subtract the amount of Federal income tax previously withheld or the amount scheduled to be withheld from the regular wages for the current period. The excess amount then would be deducted from the one-time payment.

B. When Federal income tax was withheld from regular monthly payments made during either the current or immediately preceding calendar year, there are two alternatives:

1. Use the procedure described in subparagraph 250301.A; or

* 2. Withhold a flat 22 percent of the taxable portion of the one-time payment without regard to the withholding exemptions claimed. (See Revenue Ruling 66-190, 1966-2 CB 457.)

*250302. Blended Retirement System (BRS) Lump Sum Payments

BRS lump sum payments made under 10 U.S.C. § 1415(b) are treated as supplemental wages for tax purposes. Federal income tax is withheld from BRS lump sum payments in the manner described in paragraph 250301.
*REFERENCES

CHAPTER 25 – COMPUTATION OF FEDERAL INCOME TAX WITHHOLDING (FITW)

2502 – RATES FOR REGULAR AND ADDITIONAL WITHHOLDING OF FEDERAL INCOME TAX

250201 Department of the Treasury, IRS, Publication 15 (Circular E) Employer’s Tax Guide

250204 26 U.S.C. § 871
26 CFR § 1.861-4

2503 – RATES OF FITW FOR ONE-TIME PAYMENTS

250301 Department of the Treasury, IRS, Publication 15 (Circular E) Employer’s Tax Guide, Section 7
26 CFR § 31.3402(g)-1
Revenue Ruling 82-200

250302 26 CFR § 31.3402(g)-1
Revenue Ruling 66-190, 1966-2 CB 457
VOLUME 7B, CHAPTER 26: “STATE TAXES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2018 is archived.

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</tr>
<tr>
<td>260102</td>
<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
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CHAPTER 26

STATE TAXES

2601  GENERAL

260101.  Purpose

The state taxing authority of a member’s residence(s) may tax the member’s retired or retainer pay. The designated state must have a signed standard written agreement with the Department of Defense (DoD) for the voluntary withholding of state income tax. This agreement will provide the Secretary concerned the authority to withhold state income tax from the member’s monthly retired or retainer pay.

*260102.  Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 10. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2602  WITHHOLDING

260201.  State Income Tax Withholding (SITW)

A retiree may request voluntary SITW from their retired or retainer pay. The request must include the member’s full name, signature, Social Security number, the fixed amount withheld monthly from retired pay, the state designated to receive the withholding, and the member’s current address of residence. The retiree may submit the request via letter, email, or fax to the address in section 2604 or submit the request through the member’s myPay account. If using myPay, the member’s signature is not required. In the case of mental incompetence, the member’s guardian or trustee must sign the request.

260202.  Amount

The withholding amount requested must be in a whole dollar amount and at least $10, or the state’s minimum, if that amount is higher.

2603  PAYMENTS AND REPORTS

260301.  Amounts Withheld

The Defense Finance and Accounting Service (DFAS) will disburse amounts withheld to the states in the month following the month of collection. Payment procedures and state income tax withholdings will follow the usual fiscal practices of the uniformed services.
260302. Internal Revenue Service Form 1099-R

The DFAS will provide each retiree a Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., that indicates the total tax withheld for each state, following each calendar year end.

2604 UNIFORMED SERVICES’ RETIRED PAY OFFICE ADDRESSES

260401. U.S. Military

The address and web sites for the U.S. Military Retired Pay office follows:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 East 56th Street
Indianapolis, IN 46249-1200

Phone: (800) 321-1080
Fax: (800) 469-6559

Web site for general tax information:
https://www.dfas.mil/retiredmilitary/manage/taxes.html

Web site for state withholding tax:

260402. U.S. Coast Guard (USCG), National Oceanic Atmospheric Administration (NOAA), and Public Health Service (PHS)

Submit change requests (mail, email, telephone, or fax) for retired members of the USCG, NOAA, and PHS to:

Commanding Officer (RAS)
U.S. Coast Guard
Pay & Personnel Center
444 S.E. Quincy Street
Topeka, Kansas 66683-3591

Email: PPC-DG-RAS@uscg.mil
Phone: (800) PPC-USCG or (800) 772-8724
Commercial: (785) 339-3415
Fax: (785) 339-3770

USCG web site: https://www.dcms.uscg.mil
NOAA web site: http://www.wfm.noaa.gov/benefits/retirement.html
PHS web site: https://dcp.psc.gov/ccmis/
REFERENCES

CHAPTER 26 - STATE TAXES

2601 - GENERAL

Title 10, U.S.C., section 1045

2602 - WITHHOLDING

10 U.S.C. § 1045

2603 - PAYMENTS AND REPORTS

260301 Public Law 109-163, section 661, January 6, 2006
10 U.S.C. § 1045(a)
VOLUME 7B, CHAPTER 27: “GARNISHMENTS”

SUMMARY OF MAJOR CHANGES

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The previous version dated December 2018 is archived.

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<td>270202</td>
<td>Updated paragraph to provide clarification of child abuse as used in Chapters 27 and 29.</td>
<td>Revision</td>
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<tr>
<td>2703</td>
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<td>Revision</td>
</tr>
<tr>
<td>270404.C</td>
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Chapter 27

GARNISHMENTS

2701 GENERAL

270101. Purpose

The purpose of this chapter is to provide information unique to the collection of child support and/or alimony from military retired pay. The provisions of Title 42, United States Code (U.S.C.), section 659 (42 U.S.C. § 659) and Title 5, Code of Federal Regulations (CFR), part 581 (5 CFR 581) take precedence when in conflict with this chapter.

A. Pursuant to 42 U.S.C. § 659(h)(1)(A) and 5 CFR 581.103, remuneration for employment includes retired and retainer pay, including disability retired pay. These entitlements are hereafter referred to as “retired pay.”

B. The processing of garnishment orders for child support and/or alimony from the pay of individuals receiving remuneration for employment from the United States is governed by 42 U.S.C. § 659 and 5 CFR 581.

*270102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 15, 26, and 42. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2702 DEFINITIONS

270201. Alimony

Alimony is defined as periodic payments of funds for the support and maintenance of a spouse or former spouse. Subject to and in accordance with state law, alimony includes separate maintenance, alimony pending legal process, maintenance, and spousal support. It also includes attorney fees, interest, and court costs when, and to the extent that they are, expressly made recoverable as such by a decree, order, or judgment issued in accordance with applicable state law by a court of competent jurisdiction. Alimony, as used in Chapters 27 and 29, excludes payments or transfers of property made in compliance with any community property settlement, equitable distribution of property, or other division of property between the spouse(s) or former spouse(s).

*270202. Child Support

Child support is defined as periodic payments of funds for the support and maintenance of a child or children. Subject to and in accordance with state law, child support includes (but is not
limited to) payments to provide for health care, education, recreation, clothing, or other specific needs. It also includes related attorney fees, interest, court costs, and other relief. Child Support, as used in Chapters 27 and 29, excludes payments made in compliance with the satisfaction of child abuse garnishments under the DoD Financial Management Regulation (FMR), Volume 7B, Chapter 29, paragraph 290306.

270203. Disposable Earnings

Disposable earnings is defined as an individual’s gross retired pay less deductions for the following items:

A. Amounts withheld in payment of debts owed to the United States, except that an indebtedness based on a levy for income tax under 26 U.S.C. § 6331 will not be excluded in complying with legal process for the support of minor children if the legal process was entered prior to the date of the levy;

B. Deductions required by law (e.g., Survivor Benefit Plan and Retired Serviceman’s Family Protection Plan cost deductions and deductions for Department of Veterans Affairs waivers); and

C. Regular Federal income tax withholding (FITW) and state income tax withholding, if required or authorized by law and amounts withheld are not greater than would be the case if the individual claimed all dependents to which he/she were entitled. A deduction for additional FITW is authorized when the individual presents evidence of a tax obligation, which supports the additional withholding.

270204. Legal Process

Legal process is defined as any writ, order, summons, or other similar process in the nature of garnishment. Legal process may be issued by:

A. A court of competent jurisdiction within any state, territory, or possession of the United States;

B. A court of competent jurisdiction in any foreign country with which the United States has entered into an agreement that obligates the United States to honor such process; or

C. An authorized official according to an order of such a court of competent jurisdiction or pursuant to state or local law.

*2703 DESIGNATED AGENT

The Defense Finance and Accounting Service (DFAS), Office of General Counsel, Deputy General Counsel of Garnishment Law Directorate, or his or her representative, is responsible for
receiving and implementing all legal process concerning retired members. Legal process may be served by regular mail or by fax to:

<table>
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<th>DFAS Office of General Counsel</th>
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<tr>
<td>Attn: Garnishment Law Directorate</td>
</tr>
<tr>
<td>P.O. Box 998002</td>
</tr>
<tr>
<td>Cleveland, OH 44199-8002</td>
</tr>
<tr>
<td>Fax: 216-367-3675; Toll-Free Fax: 877-622-5930</td>
</tr>
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Any legal process served on DoD entities other than the designated agent, for the purpose of enforcing payment of child support and/or alimony, will be forwarded to the designated agent for processing. For additional information or assistance call:

<table>
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<tr>
<th>Garnishment Law Directorate Customer Service</th>
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<tr>
<td>Toll-Free: 888-DFAS411 (888-332-7411)</td>
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2704 IMPLEMENTING LEGAL PROCESS

270401. Legal Review

Once legal process has been served on the designated agent, the designated agent will review the legal process to determine that it is regular on its face, appears to conform to the laws of the jurisdiction from which it was issued, was issued to enforce a member’s legal obligation to provide child support and/or alimony, and contains sufficient information to accurately identify the member.

270402. Written Notification

The designated agent will notify the member within 15 days after valid service of legal process. The written notification will explain the potential effect of the legal process on the member’s pay, including allotments, and advise the member that the member has the burden of raising any available defenses, such as violation of the member’s rights under the Servicemembers Civil Relief Act or lack of personal jurisdiction over the member, in the appropriate court. A copy of the legal process will be included with the written notice. The notice will be sent to the member’s address of record in the retired pay system. Where the designated agent has the capability to make notification through electronic means such as email, the notice will be made using those electronic means.

270403. Response

Within 30 days of effective service, or such longer period as may be allowed by applicable state law, the designated agent will:

A. Determine the amount of the member’s disposable earnings, as defined in paragraph 270203;
B. Where required, file an answer to the legal process with the court in which the proceeding was brought and answer any interrogatories regarding the disposable earnings due the member (the designated agent may use its standard answer form for this purpose); and

C. Establish deductions from the member’s disposable earnings in an amount sufficient to satisfy legal process. In accordance with 5 CFR 581.305(f), governmental agencies, including DoD agencies, are not required to vary their pay or disbursing cycles to comply with the legal process.

*270404. Maximum Amount of Pay Subject to Garnishment

Unless a lower maximum garnishment limitation is provided by applicable state or local law, the maximum part of disposable earnings for any pay period which is subject to legal process will not exceed:

A. Fifty percent of disposable earnings if the member concerned asserts by affidavit or other acceptable evidence that he or she is providing over half of the support for a spouse or dependent child (other than a spouse or dependent child with respect to whose support the legal process is issued);

B. Sixty percent if the member concerned is not supporting a spouse or dependent child as stated in subparagraph 270404.A; or

* C. If it appears from the face of the legal process that the member is in arrears for a period that is 12 weeks or greater, the maximum percentage under subparagraph 270404.A is 55 percent and under subparagraph 270404.B is 65 percent.

270405. Allotments to be Discontinued

If the member does not have enough net pay available to comply with the legal process, then one or more of the member’s allotments will be stopped in accordance with the order of precedence for items 1 through 14 in Figure 19-1 of DoD FMR Volume 7B, Chapter 19.

270406. Priority of Legal Obligation

If the designated official is served with legal process concerning more than one legal obligation owed by the same member, then the legal obligations will be satisfied from the available funds in the following order of priority:

A. Legal process to enforce current support will have priority over legal process to enforce support arrearages;

B. Legal process to enforce current child support will have priority over legal process to enforce current alimony; and
C. If the legal process is to enforce more than one child support obligation, and there are not enough funds available to fully satisfy all legal process served, then the available funds will be allocated among the obligations in proportion to the amounts of current child support due. Alimony obligations will be satisfied on a first-come, first-served basis.

2705 APPEALS

Where notice is received that the member has appealed either the legal process or the underlying alimony and/or child support order, payment of money subject to the legal process will be suspended, i.e., money will continue to be withheld, but these amounts will be retained until the Government is ordered by the court, or other authority, to resume payments or otherwise disburse the suspended amounts. However, no suspension action will be taken where the applicable law of the jurisdiction wherein the appeal is filed requires compliance with the legal process while an appeal is pending.

2706 GARNISHMENT OF RENOUNCED RETIRED PAY

270601. Retired Pay Subject to Garnishment

Legal process, as defined in paragraph 270204, must be honored even though the member has renounced receipt of retired pay. The member’s refusal to receive retired pay does not permit the Government to deny satisfying a writ, order, summons, or other similar process in the nature of a garnishment. The entitlement to retired pay, even if renounced, continues to be treated as an amount “due from or payable by” the United States, which accrues to a member’s retired pay account and is subject to garnishment.

270602. Waiver of Retired Pay

The right to accrue retired pay may not be waived, except as authorized by law. See DoD FMR, Volume 7B, Chapter 12 concerning the waiver of retired pay.

2707 INDEMNIFICATION

270701. Liability for Payment

Neither the DoD, nor any disbursing officer or employee, will be liable for any payment made from money due from, or payable by, the DoD to any individual pursuant to the legal process, if such payment is made in compliance with 42 U.S.C. § 659, 5 CFR 581, and this chapter.

270702. Disciplinary Action, Civil or Criminal Liability, or Penalty for Disclosure of Information

DoD employees, whose duties include responding to relevant interrogatories, will not be subject to any disciplinary action, civil or criminal liability, or penalty for any disclosure of information made in connection with answering such interrogatories.
270703. Liability for Failure to Comply With Legal Process

Neither the DoD, nor any disbursing officer or employee, will be liable to pay monetary damages for failure to comply with legal process.
REFERENCES

CHAPTER 27 – GARNISHMENTS

2701 GENERAL

5 CFR 581
42 U.S.C. § 659

2702 DEFINITIONS

* 270203 26 U.S.C. § 6331

2704 IMPLEMENTING LEGAL PROCESS

270403.C 5 CFR 581.305(f)
270404 15 U.S.C. § 1673(b)
42 U.S.C. § 659(h)
42 U.S.C. § 666(b)

2706 GARNISHMENT OF RENOUNCED RETIRED PAY

Manuscripts Comptroller General B-196839, April 24, 1980

2707 INDEMNIFICATION

270701 5 CFR 581
42 U.S.C. § 659
VOLUME 7B, CHAPTER 28: “COLLECTION OF NON-DEPARTMENT OF DEFENSE (DoD) DEBT AND DELINQUENT FEDERAL TAXES BY TAX LEVY”

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CHAPTER 28

COLLECTION OF NON-DEPARTMENT OF DEFENSE (DoD) DEBT AND DELINQUENT FEDERAL TAXES BY TAX LEVY

2801 GENERAL

280101. Purpose

The purpose of this chapter is to provide guidance on the collection of non-DoD debt from the retired pay of members. Non-DoD debt discussed in this chapter include debts owed to other non-DoD federal creditor agencies and debt owed to the United States as a result of a civil judgment against a member. This chapter also provides guidance on tax levies issued by the Internal Revenue Service (IRS) in order to collect delinquent income tax debt from members. See Volume 16 for the collection of DoD debts from members.

*280102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 26, 31, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2802 INVOLUNTARY COLLECTION

280201. Recovery of Debt

Current pay is available for repayment of indebtedness without the member’s consent only if such recovery is expressly authorized by statute.

280202. Offsetting Retired Pay to Collect Debts Owed to Non-DoD Federal Creditor Agencies

Title 5, U.S.C., section 5514 provides authority to offset retired pay in order to collect debts owed to non-DoD federal creditor agencies.

A. Non-DoD Federal Creditor Agencies. A non-DoD federal creditor agency is a non-DoD federal agency to which an employee owes a debt. Examples of non-DoD federal creditor agency debts include debts owed by members for overpayments of civilian pay the member earned as an employee of a non-DoD federal agency or federal loan debts from non-DoD agencies. See section 2803 for collection of delinquent federal tax by levy. See paragraph 280204 for court judgments.

B. Offset Authority. Non-DoD federal creditor agency debts may be collected by offset of retired pay under 5 U.S.C. 5514. When non-DoD federal creditor agencies identify members as having outstanding debts, those agencies must address their salary offset requests to
the Secretary of Defense designee for such collection, which is the Defense Finance and Accounting Service (DFAS). The following designated agent is responsible for receiving these collection requests:

Defense Finance and Accounting Service (DFAS)-AHADC
1240 E. 9th Street
Cleveland, OH  44199-8002

C. Due Process. A request for offset must include certification that due process rights have been afforded to an indebted employee by the non-DoD creditor agency. A federal tax levy takes precedence over other pay or salary offset deductions, pursuant to 5 U.S.C. § 5514. See also Volume 16, Chapter 3, paragraph 030404.

D. Deduction Limitation. Collection may be made in monthly installments or at established pay intervals not to exceed 15 percent of disposable pay for any pay period, unless a greater percentage is authorized by written consent of the member. Unsatisfied debts at retirement must be deducted from subsequent payments of any nature due the member. See Volume 16, Chapter 3, paragraph 030304.

280203. Administrative Offset of Debts Owed to Non-DoD Federal Creditor Agencies

Debts owed to non-DoD federal creditor agencies may be collected by administrative offset under 31 U.S.C. § 3716. See also Volume 16, Chapter 3, paragraph 030404.

280204. Collection of Other Debts

A member’s retired pay may be subject to garnishment, tax levy, or a court judgment.

A. Garnishment or Levy

A retired member may not be deprived of pay by the civil process of garnishment or tax levy except as set out in Chapter 27 (garnishment of child support and alimony) or section 2803 ( levy of delinquent federal taxes).

B. Judgments in Favor of the United States

Court judgments against a member, or retired member, in favor of the United States may not be collected under Public Law (P.L.) 97-276, section 124. However, such judgments in favor of the United States may be collected under 5 U.S.C. § 5514.

C. Judgments in Favor of Private Individuals

Court judgments ordered to be collected to pay private individuals are not debts owed to the United States government and cannot be collected by offset under 5 U.S.C. § 5514 or 31 U.S.C. § 3716.
2803 COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

280301. General

When a member does not pay any federal income taxes due within 30 days after the IRS has issued a notice and demand for payment to the member, the IRS may collect the tax by levy on the member’s salary or other income, including retired or retainer pay. IRS tax levies are requests on IRS Form 668-W, Notice of Levy on Wages, Salary, and Other Income, for a continuous levy from a member’s retired pay to collect taxes owed. The effect of a levy on wages, salary, or other income payable to or received by the member will be continuous from the date such levy is first made until such levy is released by the IRS on Form 668-D, Release of Levy. Medal of Honor recipients are exempt from tax levy.

280302. IRS Form 668-W

The IRS will transmit IRS Form 668-W or 668-W(c), in five parts (the letter “c” designates a computer-generated form which is the same as the version of the form without the “c”). The IRS Form 668-W will identify the member, specify the amount of the tax liability, give instructions for providing due process, show how to compute the levy based on input from the taxpayer, and give the payment address. The DFAS Retired and Annuitant Pay Office (hereinafter “Office”) must follow the instructions on the IRS Form 668-W. In general, the Office must notify the taxpayer (see Figure 28-1 for an example of a sample letter), compute the amounts available for payment to the IRS, and make the payment. Currently, the IRS Form 668-W requires the employer to send to the IRS all of the taxpayer’s net pay less what is exempt from levy. Net pay is gross retired pay less all deductions and allotments in effect as of the date of receipt of IRS Form 668-W. The Office must follow the instructions on IRS Form 668-W when computing exemptions.

280303. Problem Cases

When the IRS has determined the taxpayer’s case is a problem case, the taxpayer will be furnished with the IRS Form 668-W, a statement of the amount of delinquent taxes and a statement that “net pay” is not enough to pay the levy and that all available accrued pay should be sent to the IRS. Available accrued pay is gross retired pay less:

A. Withholding for current Federal taxes (statutory amounts only);

B. Amounts required to satisfy prior overpayments of pay;

C. Amounts waived in favor of compensation from the Department of Veterans Affairs;

D. United States Government Life Insurance/National Service Life Insurance premiums;

E. Deductions for Retired Serviceman’s Family Protection Plan and/or Survivor Benefit Plan costs;
F. Voluntary child-support allotments to satisfy court orders, provided the court order is dated prior to the date of the levy from the IRS;

G. Pay attached or garnished for child support or alimony; and

H. The levy exemptions calculated under normal levy procedures.

NOTE: The main difference between a regular levy and a problem case levy is that, under the latter, the Office must stop the member’s voluntary allotments of retired pay to satisfy the levy. If it is not necessary to stop all allotments, the Office should request the member elect which allotments to stop. If the member does not respond to the request, the Office must stop such allotments as are necessary, stopping any commercial insurance allotments last. See Chapter 19, Figure 19-1 for the order of precedence.
Defense Finance and Accounting Service  
Retired and Annuitant Pay

December 1, 20XX

CMSGT John Doe, U.S. Air Force (Retired)  
1240 East 97th Street  
Cleveland, OH 44199-2055

Dear CMSGT Doe,

The IRS has sent us the attached IRS Form 668-W, (Notice of Levy on Wages, Salary, and Other Income). Please read the IRS Form 668-W carefully, as it may be advisable to discuss it with your attorney or other tax adviser.

Complete the attached form and return it to us within 3 working days to claim your partial exemption. If we do not receive the completed form, we will compute your exemption for you, using the exemption for a married person filing separately with one personal exemption. Please note that the exemptions you claimed for tax withholding purposes are NOT the same and we will not use them to compute your exemption from levy.

This is a continuous levy against your retired pay to collect delinquent federal taxes. We will deduct the levy from your (month/year) retired pay. We will make a specified collection from your retired pay and continue the collection until the levy has been satisfied. This levy remains in force and effect until the IRS serves our office with IRS Form 668-D, (Release of Levy).

If you have been awarded the Medal of Honor, you are exempt from levy. Send us a copy of the citation awarding you the Medal of Honor to prevent the levy of your retired pay.

Please contact the IRS office that issued the levy for questions that you may have concerning the levy.

Sincerely,

Military Pay Technician  
Retired and Annuitant Pay

Attachment:  
As stated
REFERENCES

CHAPTER 28 – COLLECTION OF NON-DEPARTMENT OF DEFENSE (DoD) DEBT AND DELINQUENT FEDERAL TAXES BY TAX LEVY

2802 – IN VOLUNTARY COLLECTION

280201  37 U.S.C. § 1007(c)
         5 U.S.C. § 5514
         31 U.S.C. § 3716

280202  37 U.S.C. § 1007(c)
         5 U.S.C. § 5514

280203  31 U.S.C. § 3716

280204  5 U.S.C. § 5514
         31 U.S.C. § 3716

P.L. 97-276, section 124, October 2, 1982
Comptroller General, B-230865 (1990),
United States v. Tafoya, 803 F.2d 140 (5th Cir 1986)

2803 – COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

26 U.S.C. § 6321(a)
26 U.S.C. §§ 6331 and 6334
VOLUME 7B, CHAPTER 29: “FORMER SPOUSE PAYMENTS FROM RETIRED PAY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2017 is archived.

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CHAPTER 29
FORMER SPOUSE PAYMENTS FROM RETIRED PAY

2901 GENERAL

290101. Purpose

This chapter explains how a former spouse can apply for direct payments from a military member’s military retired pay and how the former spouse’s payments will be administered.

*290102. Authoritative Guidance

The pay policies and requirements established by Department of Defense in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 15, 28, 31, 38, 42 and 50. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2902 DEFINITIONS

290201. Alimony

Alimony is a legal obligation where a member is ordered to pay an amount for the support and maintenance of a spouse or former spouse. This definition includes attorney’s fees, interest, and court costs. Alimony does not include child support, property settlement, equitable distribution of property, or any other division of property.

290202. Child Support

Child support is a legal obligation where a member is ordered to pay an amount for the support and maintenance of a child. This definition includes costs for health care, arrearages, attorney’s fees, interest, penalties, and other related relief.

290203. Court

Court means any court of competent jurisdiction of any state (in the United States), the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands and any court of the United States, as defined in 28 U.S.C., section 451. Court also includes a court of a foreign country with which the United States has an agreement requiring the United States to honor any court order of such country.
290204. Court Order

Court order means a final decree of divorce, dissolution, annulment, or legal separation issued by a court, or a property settlement incorporated into such an order. Court order also includes orders issued incident to a divorce, such as an order dividing military retired pay or a qualified domestic relations order (QDRO) that divides military retired pay. NOTE: A QDRO is not required but will be accepted. A court order also includes a support order as defined in section 453 of the Social Security Act (42 U.S.C. § 653(p)).

290205. Creditable Service

Creditable service means years and full months of military service creditable for the purpose of computing a member’s retired pay entitlement if the member is on active duty or the Reserve retirement points creditable if the member is a Reserve component member. See 10 U.S.C. §§ 1405 and 12733, Chapter 1, and Chapter 3.

290206. Designated Agent

Designated agent is the agent authorized to review applications for direct payments made. See paragraph 290403 for specific designations.

290207. Disposable Retired Pay

Disposable retired pay is defined in paragraphs 290701 and 290802.

290208. Entitlement

Entitlement is the legal right of a military member to receive military retired pay. The term refers to members who actually receive retired pay rather than those who qualify by completing the required years of service.

290209. Final Decree

A final decree is an order from which no appeal may be taken or from which no appeal has been taken within the time allowed for taking such appeals under the laws applicable to such appeals, or a decree from which timely appeal has been taken and such appeal has been finally decided under the laws applicable to such appeals.

290210. Former Spouse

Former spouse is the former husband or wife, or if the parties are legally separated, the current husband or wife, of a military member.
290211. Formula Award

A formula award computes a former spouse’s property interest in a military member’s retired pay based on the relationship of the length of the parties’ marriage during the member’s creditable service (numerator) to the member’s total service that is creditable toward retirement (denominator). A formula award is stated as a marital fraction in which the numerator and denominator are multiplied by a given percentage.

A. For members qualifying for an active duty (i.e., regular service) retirement, the numerator is typically the number of months the parties were married while the member was performing creditable military service and the denominator is the number of months of the member’s total creditable military service. The former spouse’s award is usually calculated by multiplying the marital fraction by one-half or 50 percent, or any other given percentage amount. See paragraph 290607 for acceptable active duty formula award language.

B. For members qualifying for a Reserve (i.e., non-regular service) retirement, the numerator is typically the number of Reserve retirement points earned during the parties’ marriage, and the denominator is the member’s total number of Reserve retirement points. The former spouse’s award is usually then calculated by multiplying the marital fraction by one-half or 50 percent, or any other given percentage amount. See subparagraph 290607.B for acceptable Reserve formula award language.

*290212. Garnishment Order

A garnishment order is an order directing the designated agent to issue payments from a member’s pay to satisfy a legal obligation for child support, alimony, or division of property other than a division of military retired pay, or a monetary judgment rendered against a member for the physical, sexual, or emotional abuse of a child. See Public Law (PL) 115-91, section 534.

290213. Hypothetical Retired Pay Award

Hypothetical retired pay award is an award based on a percentage of retired pay that is calculated using variables provided in a court order that are different from the member’s actual retirement variables. The retired pay calculated using the court ordered variables is called the member’s hypothetical retired pay. A hypothetical award typically attempts to define the property interest in the retired pay as if the member had retired at the time the court divided the member’s military retired pay based upon the member’s rank, or high-3 amount, and years of service accrued to that point in time. Thus, the former spouse does not benefit from the member’s pay increases due to promotions or increased service time after the divorce.

290214. Member

A member is an individual who is on active duty, one who is a reservist, or one who is retired from military service.
290215. Renounced Pay

Renounced pay is military retired pay to which a member is entitled, but which the member has waived receipt.

290216. Retired Pay

Retired pay is the statutory entitlement due a member based on conditions of the retirement law, pay grade or high-3 pay amount, years of service, and the date of retirement. Retired pay includes “retainer pay.”

290217. Retired Pay Award

Retired pay award is a portion of a member’s disposable military retired pay awarded to a former spouse or current spouse by a court of competent jurisdiction as a property division.

290218. Standard Retired Pay Multiplier

The standard retired pay multiplier used to compute retired pay for members with a Date of Initial Entry into Military Service (DIEMS) prior to January 1, 2018 who have not elected to participate in the Blended Retirement System (BRS) is 2.5 percent times the member’s years of creditable service. See Chapter 3. The retired pay or retainer pay multiplier for a member with a DIEMS on or after January 1, 2018, or a member with a DIEMS before January 1, 2018, who elected to enroll in the BRS, is 2 percent times the years of creditable service. See Chapter 3.

290219. Uniformed Services Former Spouses’ Protection Act (USFSPA)

PL 97-252, enacted on September 8, 1982, states that the section of Title 10 addressing former spouse protection may be cited as the “USFSPA.” Therefore, USFSPA is used throughout and refers to the provisions of 10 U.S.C. § 1408.

2903 AWARDS THAT CAN BE COLLECTED UNDER THE USFSPA

290301. Child Support

A former spouse can collect child support if there is a court order that awards child support, and the former spouse and military member have ever been married to each other.

290302. Child Support Arrearages

To collect child support arrearages, a former spouse must submit a recent court order that lists the total arrearages. The order cannot be older than two years from the date the designated agent receives it.
290303. Alimony

A former spouse can collect current alimony under the USFSPA, but not alimony arrearages.

290304. Retired Pay Award

A former spouse can collect current retired pay award payments, but not retired pay award arrearages.

290305. Property Other Than a Division of Retired Pay

A former spouse can collect a property division, other than a retired pay award, by garnishment if an order awards it to the former spouse and if the former spouse was also awarded alimony, child support, or a division of retired pay. See subparagraph 290401.B for more information.

*290306. Child Abuse Garnishments

Garnishment of a military retiree’s retired pay in satisfaction of a judgment for physical, sexual or emotional abuse of a child under 18 years of age.

A. Subject to a court order, any payment of retired pay that would otherwise be made to a member shall be paid (in whole or in part) by the Secretary concerned to another person if and to the extent expressly provided for in the terms of a child abuse garnishment order. The total amount of the disposable retired pay of a member payable under a child abuse garnishment order can not exceed 25 percent of the member's disposable retired pay.

B. A court order providing for the payment of child support or alimony or, with respect to a division of property, specifically providing for the payment of an amount of the disposable retired pay from a member to the spouse or a former spouse of the member, is given priority over a child abuse garnishment order.

*290307. Blended Retirement System (BRS) Lump Sum Awards

A. A member who retires under the BRS has the option of electing to receive a lump sum of a portion of their retired pay (either 25 or 50 percent) as a “discounted present value of his or her retired pay.” The lump sum amount is classified as retired pay and therefore is subject to division between a member and a spouse or former spouse pursuant to the provisions of a court order. A member has several options of how to receive the lump sum, including a number of annual payments. A spouse or former spouse who is entitled to receive a portion of those payments will be paid at the time the member receives each payment.

B. In order for a spouse or former spouse to receive a portion of lump sum payments made to a member pursuant to the member’s election under the BRS, the designated agent must have received and approved the application for former spouse payments prior to the
member’s receipt of the lump sum amount. Lump sum payments will not be divided retroactively if the application for former spouse payments was not received prior to the members’ receipt of the lump sum payment. For example, if the retiree elects to receive the lump sum amount in four annual payments, (June 2026, 2027, 2028 and 2029) but the former spouse does not submit an application for former spouse payments until January 2028, if the designated agent approves the application, they will only divide the June 2028 and June 2029 annual lump sum payments. See 10 U.S.C. § 1415 and Chapter 3 for complete information on the BRS.

2904 APPLICATION BY FORMER SPOUSE

290401. Application Process

A. The former spouse must submit a completed Department of Defense, (DD) Form 2293, Application for Former Spouse Payments From Retired Pay, and a certified copy of the court order awarding alimony, child support, or military retired pay. A court order for child support arrearages cannot be older than 2 years from the date the designated agent receives it. The court order must be certified by the clerk of the court that issued the order.

B. If the former spouse is applying for a property division other than a retired pay award, the former spouse must submit a garnishment order in addition to the DD Form 2293 and the court order.

C. The former spouse may mail the application to the appropriate designated agent given in paragraph 290403, or may fax it to the number provided in paragraph 290403. Please read the instructions and certification on the DD Form 2293 carefully.

290402. Additional Documentation

A former spouse may need to provide additional documentation if the designated agent cannot determine whether the former spouse is eligible for USFSPA payments based solely on the DD Form 2293 and the court order.

290403. Where to Send an Application for USFSPA Payments

The former spouse should send the application and all supporting documents to the following designated agent for the appropriate Uniformed Service.

A. For Army, Navy, Air Force, and Marine Corps mail to:

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
P.O. Box 998002
Cleveland, OH 44199-8002
Fax: 877-622-5930
290404. When to Apply for USFSPA Payments

A former spouse may apply for payments any time after the court has issued a court order enforceable under the USFSPA. Although payments will not start under the USFSPA until after the member starts to receive retired pay, the designated agent can conditionally approve a former spouse’s application prior to that, and retain the application pending the member’s retirement.

290405. Conditional Preapproval

A. If the former spouse applies prior to the member receiving retired pay, the designated agent will perform a legal review of the application, and may conditionally approve it based on information available at the time of the review concerning the member’s duty status (active or Reserve).

B. At the time the member begins to receive retired pay, the designated agent will perform a second review prior to establishing the former spouse’s direct payments. If the former spouse’s award was based on a formula or hypothetical retired pay amount, and the member’s status has changed since the initial legal review, it may be necessary to reject the application and require the former spouse to submit a clarifying order providing the necessary information. For example, if the formula or hypothetical award lists the Reserve retirement points, but the member retires from active duty, the designated agent would need a new court order that lists the active duty formula. See paragraph 290607 concerning formula awards and paragraph 290608 concerning hypothetical retired pay awards.

2905 NOTIFICATION

290501. Notification to Former Spouse of Approval or Disapproval

Within 30 days of the date of receipt of a former spouse’s application, the designated agent will notify the former spouse if his or her application has been approved or disapproved. If approved, the designated agent will state the month the former spouse’s payments will tentatively begin. If the designated agent cannot approve the application, the notice will include an explanation regarding the reason(s) why.
290502. Notification to the Member of Approval of an Application

If a former spouse’s application is approved, the designated agent will notify the member affected within 30 days of the date of receipt of the application. The member will not be notified if the application is not approved.

290503. Second Notice

If the designated agent notified the member as part of a conditional preapproval more than 90 days prior to the member’s becoming entitled to receive retired pay, the designated agent will provide a second notice to the member when the designated agent establishes the former spouse’s payments at the time the member begins to receive retired pay.

290504. Contents of Notice to Member

A. The notice will explain that payments issued under the USFSPA cannot exceed 50 percent of the member’s disposable retired pay (or 65 percent of the member’s disposable pay when also withholding for an income withholding order issued pursuant to 42 U.S.C. § 659), and will contain the month that the payments will tentatively begin.

B. The notice will inform the member that he or she must notify the designated agent if the court order has been amended, superseded, or set aside.

C. The notice will inform the member that if he or she submits information in response to this notice, he or she consents to the disclosure of that information.

D. The notice will include a copy of the court order.

E. The notice will advise that the member’s failure to respond within 30 days of the date that the notification is mailed may result in the payment of a portion of the member’s retired pay to a spouse or former spouse as set out in the notice to the member.

290505. How to Prevent USFSPA Payments From Starting

The member must provide documentary evidence that a former spouse’s court order is legally defective or has been appealed, amended, or set aside. If the designated agent determines that the documentary evidence is sufficient to bar payments to a former spouse, the designated agent will not start the payments. The designated agent will then inform the former spouse that payments will not start, and provide copies of the documentary evidence to the former spouse.
2906  COURT ORDERS

290601. Contents of Court Order

A. The court order must be regular on its face. This means that a court of competent jurisdiction issued the order and nothing on its face provides reasonable notice that it was issued without authority of law.

B. If the court order awarding child support or alimony appears on its face to conform to the laws of the jurisdiction from which it was issued, the designated agent will not be required to ascertain whether the court had obtained personal jurisdiction over the member.

C. The court order must award former spouse alimony, child support, or a retired pay award. There is no requirement in Federal law that specifies how military retired pay is to be divided.

D. If the order contains a retired pay award, that award must be expressed as a fixed dollar amount or as a percentage of disposable retired pay. A retired pay award expressed as a percentage will automatically receive a proportionate share of the member’s cost-of-living adjustments (COLA), while one expressed as a fixed amount will not. There is no authority for a retired pay award to state a fixed dollar amount and also order COLAs. Retired pay awards phrased in that manner will be construed as a fixed dollar amount.

E. The designated agent will construe all percentage awards (such as a percentage of gross retired pay) as a percentage of disposable retired pay, regardless of the language in the order.

F. If the former spouse and the member were divorced before the member became entitled to receive military retired pay, the retired pay award may be expressed as a formula or hypothetical retired pay award in accordance with paragraphs 290607 and 290608. Since the computation of formula and hypothetical retired pay awards result in a percentage, they are considered a type of percentage award, and would automatically receive a proportionate share of the member’s retired pay COLAs.

290602. Divorces Finalized While the Member is Still on Active Duty

A. For court orders issued prior to December 19, 2003, the court order must show that the member’s rights under the Soldiers’ and Sailors’ Civil Relief Act of 1940 (50 U.S.C. Appendix 501 et. seq.) were complied with.

B. For court orders issued on or after December 19, 2003, the court order must show that the member’s rights under the Servicemembers Civil Relief Act 50 U.S.C. § 3901 et. Seq. (formerly cited as 50 U.S.C. Appendix 501 et. seq.) were complied with.
290603. Qualified Domestic Relations Order (QDRO)

There is no requirement in USFSPA that a former spouse submit a QDRO, but the designated agent will accept one if it is submitted and if it meets the requirements of the USFSPA.

290604. Requirements Specific to a Retired Pay Award

A. In the case of a retired pay award, the designated agent must be able to determine from the court order that the court dividing military retired pay had jurisdiction over the member in one of the following ways:

   1. The member resided in the territorial jurisdiction of the court at the time of the legal proceeding due to other than military assignment;

   2. The court finds that member’s domicile was in the territorial jurisdiction of the court at the time of the legal proceeding; or

   3. The member consented to the jurisdiction of the court. If the court order does not “explicitly” state that the member consented to the court’s jurisdiction, the designated agent will regard the member’s participation in the legal proceeding, other than to contest the court’s jurisdiction, as evidence of the member’s consent to the court’s jurisdiction in the proceeding dividing the member’s military retired pay.

B. Also, in the case of a retired pay award, the designated agent must be able to determine from the application that the former spouse and the member were married for at least 10 years during which the member performed 10 years or more of service creditable toward retirement eligibility (the “10/10” requirement). The 10 years of creditable service is determined upon the effective date of the divorce, dissolution, legal separation, or annulment. There is no “10/10” requirement for payment of alimony, child support awards, or child abuse garnishments under USFSPA.

290605. State Law Jurisdiction

The satisfaction of state law jurisdictional requirements is not sufficient alone to satisfy the additional jurisdictional requirement stated in paragraph 290604. If the court states that it has USFSPA jurisdiction, it must state the basis for the finding, i.e., member’s residence, member’s domicile or member’s consent.

290606. Member’s Consent to a Separation Agreement

If the member signed a separation agreement, the designated agent will presume that the member consented to the jurisdiction of any court that at any time incorporates the agreement into a court order.
290607. Acceptable Formula Awards

A. If the former spouse’s award is expressed in terms of a formula, all the variables needed to calculate the formula must be included in the court order, with the exception of a member’s total number of months of creditable service or total number of Reserve retirement points, which the designated agent will provide in accordance with subparagraphs 290607.B and C. If the order provides all the variables needed to do the calculation, including total months of military service or total Reserve retirement points, the designated agent will calculate the formula using the variables provided, even if the figure is different from the member’s actual total. If the member disagrees with the number listed in the court order (i.e., the denominator), the member will have to petition the court to get the order corrected to show the member’s actual total months or points of military service. If any needed variable besides the total number of months of creditable service or total number of Reserve retirement points is not provided in the order, the applicant will have to provide the designated agent with a clarifying court order, which provides the necessary variable. The designated agent will carry out any percentages derived from formulas to four decimal places.

B. If the court order requires the designated agent to supply the denominator of a marital or coverture fraction, and the member qualifies for an active duty (i.e., regular service) retirement, the formula award must be expressed in terms of whole months. Typically, the numerator of the formula fraction is the number of months of marriage during military service. This number must specifically be provided in the court order. The denominator of the formula is typically the member’s total number of months of creditable military service. The designated agent will provide the denominator if needed to compute the formula. Any days or partial months of service will not be considered. If the award is expressed in terms of years instead of months, the designated agent will convert years into whole months by rounding down to the nearest month.

C. If the court order requires the designated agent to supply the denominator of a marital or coverture fraction, and the member qualifies for a Reserve (i.e., non-regular service) retirement, the formula award must be expressed in terms of Reserve retirement points. In the case of a Reserve retirement, the numerator of the formula typically is the number of Reserve retirement points earned during the marriage. This number must be provided in the court order. The denominator of the formula is typically the member’s total number of Reserve retirement points at the time of retirement. The designated agent will provide the denominator if needed.

D. The sample Military Retired Pay Division Orders (see Figures 29-1 and 29-2) provide examples of acceptable formula award language. All the blanks in the sample awards represent variables that must be provided in the court order. The sample language is not required, but any award expressed using the applicable sample language will be acceptable.

Example of active duty formula: The court order awarded the former spouse a percentage of the member’s disposable retired pay calculated by multiplying 50 percent times a fraction, where the numerator is 144 months of marriage during military service, and the denominator is the member’s total months of active duty service. The member later retired after 20 years (or 240 months) of creditable service. The former spouse’s award would be computed as follows: 50% x 144
*290608. Hypothetical Retired Pay Awards

A. Military retired pay is computed at the time the member retires and it is based on two possible methods depending on when the member initially enters service. It will either be computed by using the member’s rank and total years of service at the time of retirement, or the member’s high-3 (highest 3 years of earnings) and total years of service at the time of retirement. For member’s who entered military service before September 8, 1980, the member’s rank is used. For member’s who entered military service on or after September 8, 1980, the member’s high-3 is used.

B. A hypothetical retired pay award determines the amount awarded to a former spouse by using retirement information different than what will exist at the time a member actually retires. Typically, the court will use variables to determine the retired pay award as though the member had retired at the time of the court order dividing military retired pay or some other date prior to the member’s actual retirement. In this manner, the former spouse is awarded a portion of the member’s retirement without accounting for promotions or service completed after the date of the order.

C. The hypothetical retired pay amount is calculated by multiplying the hypothetical retired pay multiplier (see subparagraph 290608.D) times the hypothetical retired pay base (i.e., the member’s active duty pay based on their rank and years of service or the average of their monthly pay for their highest 36 months of pay; their “high-3”). If the initial retired pay computation is not a multiple of $1, it is rounded down to the next lower multiple of $1. See Chapter 3 for retired pay calculations.

D. Retired Pay Multiplier

1. The standard retired pay multiplier is 2.5 percent multiplied by the member’s years of creditable service. For example, the retired pay multiplier for an active duty member who serves 20 years will be 50 percent (2.5% x 20 years = 50%). In the case of a hypothetical retired pay award, the hypothetical retired pay multiplier is determined by multiplying 2.5 percent times the hypothetical years of creditable service provided in the court order. The resulting percentage is rounded to two decimal places. See Chapter 3 for retired pay calculations.

2. For members who retire under the BRS, the retired pay multiplier is 2 percent multiplied by the member’s years of creditable service.

3. A hypothetical retired pay award for a reservist must be expressed in terms of Reserve retirement points rather than years of creditable service. The Reserve retirement points are converted into years of creditable service by dividing the Reserve retirement points on which the award is based by 360. The resultant figure is carried to three decimal places; then rounded to two. (See Chapter 3.) This resultant figure is used to compute the hypothetical
retired pay multiplier. For example: 5,258 Reserve retirement points would convert to 14.61 years of service for multiplier purposes (5,258 points/360 = 14.61 years).

E. Retired Pay Base

1. For members entering military service before September 8, 1980, the retired pay base is the member’s basic pay at retirement based on the member’s rank and years of service for basic pay purposes. See Chapter 3. When computing a hypothetical award for one of these members, their hypothetical retired pay base would usually be their basic pay as of the hypothetical retirement date.

2. For members entering military service on or after September 8, 1980, the retired pay base is the average of the member’s highest 36 months of basic pay at retirement (high-3 amount). See Chapter 3. For these members, their hypothetical retired pay base would usually be their average basic pay for the most recent 36 months prior to the hypothetical retirement date. If the court order provides the annual amount of retired pay base, the designated agent will convert it to a monthly amount by dividing the yearly amount by 12 to arrive at the monthly average.

F. In order to enable the designated agent to calculate the hypothetical retired pay amount, the court order must provide:

1. The percentage the former spouse was awarded;

2. The hypothetical years of creditable service, or, in the case of a reservist, the Reserve retirement points on which the hypothetical retired pay is to be based;

3. The hypothetical retired pay base. In the case of members entering military service before September 8, 1980, the court order may provide either the member’s hypothetical retired pay base or the member’s hypothetical rank and years of service for basic pay purposes; and

4. The hypothetical retirement date.

G. For members whose divorce, dissolution, legal separation, or annulment was effective on or before December 23, 2016 (the effective date of the National Defense Authorization Act (NDAA) 2017), if the court intends that the hypothetical retired pay be calculated based on the pay tables in effect at the time the member becomes entitled to receive military retired pay, the designated agent will use as the retired pay base either the basic pay for the hypothetical rank and years of service as of the date the member becomes eligible to receive retired pay, or the member’s actual retired pay base, whichever is lower. The court order must provide:
1. The percentage the former spouse is awarded;

2. The hypothetical years of creditable service, or, in the case of a reservist, the Reserve retirement points on which the hypothetical retired pay is to be based and the member’s years of service for basic pay purposes;

3. The member’s hypothetical rank; and

4. An unequivocal statement that the calculation is to be made as of the member’s actual retirement date.

H. If the award language is missing any necessary variables, the court will have to clarify the award. See the sample Military Retired Pay Division Order (Figures 29-1 and 29-2) for examples of acceptable hypothetical retired pay award language.

I. All percentage hypothetical retired pay awards will be converted into a percentage of a member’s actual disposable retired pay according to the following example:

The court order awarded the former spouse 50 percent of the disposable retired pay the member would have received had the member retired with 17 years of creditable service, a retired pay base of $2,200.00 per month, and a hypothetical retirement date of June 1, 1999. The member actually retired on June 1, 2002, with 20 years of creditable service, a retired pay base of $2,400.00 per month, and an initial gross retired pay of $1,200.00 per month (2.5% x 20 years = 50%; 50% x $2,400.00 = $1,200.00).

First, the designated agent will calculate the member’s hypothetical retired pay multiplier, which in this example is 42.5 percent (2.5% x 17 years = 42.5%).

Next, the designated agent will calculate the hypothetical retired pay amount, which in this example is $935.00 per month (42.5% x $2,200.00 = $935.00).

Then, the designated agent will apply retired pay COLAs to the hypothetical retired pay amount from the hypothetical retirement date to the date the member became eligible to receive retired pay, unless the court order directs otherwise.

This calculation will determine the present value of the hypothetical retired pay as of the member’s actual retirement date. In this case, if the member had become eligible to receive retired pay on June 1, 1999, the hypothetical retirement date, the hypothetical retired pay, after adding the COLAs, would have been $1,008 per month on June 1, 2002, the actual retirement date.
In these examples, the addition of the partial annual COLAs would be as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>COLA</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/1/1999</td>
<td>1.7 percent</td>
<td>$935.00 x 1.017 = $950.00 (rounded down)</td>
</tr>
<tr>
<td>12/1/2000</td>
<td>3.5 percent</td>
<td>$950.00 x 1.035 = $983.00 (rounded down)</td>
</tr>
<tr>
<td>12/1/2001</td>
<td>2.6 percent</td>
<td>$983.00 x 1.026 = $1,008.00 (rounded down)</td>
</tr>
</tbody>
</table>

Finally, the designated agent will convert the former spouse’s percentage of hypothetical retired pay to a percentage of the member’s actual disposable retired pay as follows: $50\% \times \frac{1,008.00}{1,200.00} = 42\%$. (All percentages derived from hypothetical computations will be carried out to four decimal places if applicable without rounding). In this example, 42 percent is the amount that the designated agent would enter into the retired pay system as the spouse/former spouse’s retired pay award.

J. The military retired pay of a post-July 1986 member who has accepted a Career Status Bonus (CSB) is calculated using a reduced multiplier. (See Chapter 3.) However, when computing a retired pay award based on a hypothetical, the CSB member’s hypothetical retired pay will be calculated using the standard multiplier. The retired pay of a member who has accepted a CSB will be recomputed using a standard multiplier effective the first day of the month after the member attains age 62. The former spouse’s percentage will also be adjusted at the same time in accordance with subparagraph 290608.H, using the member’s recomputed retired pay in the denominator of the conversion fraction. This adjustment will result in a lower percentage being applied to a higher disposable pay figure, and will ensure that the former spouse continues to receive the amount intended in the court order.

K. When computing hypothetical awards for member’s under the BRS the former spouse’s hypothetical award (percentage) will be calculated in accordance with subparagraph 290608.H. However, since the actual military retired pay for members who retire under the BRS is calculated using the 2 percent multiplier, the BRS member’s hypothetical retired pay will also be calculated using the 2 percent multiplier. Additionally, the designated agent will use the unreduced gross retired pay in the denominator of the conversion fraction, even if the member elects to receive a lump sum payment. Using the unreduced gross retired pay for the denominator ensures that the numerator and denominator are computed in an equalized manner (i.e., the same variables are used and one is not reduced).

290609. Orders Issued Before June 26, 1981 That Did Not Divide Retired Pay

Any court order that contains a retired pay award, which was issued before June 26, 1981 will be honored if it otherwise satisfies the requirements and conditions shown in this chapter. If a pre-June 26, 1981 decree or property settlement incident to the decree did not divide the member’s military retired pay, and did not reserve jurisdiction to divide it, the designated agent cannot honor an application for payment based on a subsequent order issued on or after June 26, 1981, dividing retired pay as property.
290610. Survivor Benefit Plan (SBP) Premium

A. Pursuant to 10 U.S.C. § 1452, the SBP premium must be deducted from the member’s retired pay. The SBP premium cannot be deducted from the former spouse’s portion of the member’s retired pay. Any provision in a court order stating that the premium should be deducted from the former spouse’s portion is unenforceable by the designated agent. Any adjustments between the parties for the SBP premium payment will need to be made outside of the stated procedures. However, those adjustments will not be considered by the designated agent when computing the retired pay award.

B. SBP premiums for members who elect a lump sum payment or payments will not be collected from the lump sum payment. Premiums will be deducted from the portion of retired pay that the member receives as regular retired pay after the lump sum payment. For more information on SBP premiums and BRS see Chapters 3, 42, and 45.

290611. Conflicting Retired Pay Awards

A. If the designated agent is served with court orders issued by different jurisdictions which contain conflicting awards enforceable under the USFSPA, the designated agent will deduct an amount equal to the largest amount required to be paid to the former spouse by either order, but will pay to the former spouse the least amount directed to be paid. The designated agent will retain the difference between the upper and lower ordered amounts until served with an order certified by the member and former spouse to be valid, and then pay the retained funds in accordance with the order.

B. If the designated agent is served with a court order containing conflicting retired pay award language within the same court order, or two orders issued on the same date that do not contain a time stamp, the designated agent will pay the former spouse the lower award amount; if the orders contain a time stamp, the order issued last controls. If one of the parties disagrees with the amount being paid, that party must provide the designated agent with a new court order stating the correct amount.

290612. Court Orders Modifying Retired Pay Awards

A. If the designated agent is served with a court order modifying or clarifying a retired pay award, the designated agent will implement the order issued most recently. The order issued most recently supersedes all prior orders.

B. If the designated agent is served with a court order modifying or clarifying a retired pay award that was issued by a court of a state other than the state that issued the prior court order, the designated agent may implement the new order only if the court issuing this order had jurisdiction over both the member and former spouse in the manner specified in subparagraph 290604.A.
290613. Conditional Awards

The designated agent cannot honor a court order that makes the former spouse’s payments conditional on the occurrence of some other event. There is no authority for the designated agent to ascertain whether a condition in a court order has been satisfied. The former spouse will need to obtain a modified court order without the condition.

290614. Awards Based on Retired Pay Accrued During Marriage

The designated agent cannot honor awards based on the value of the member’s retired pay that has “accrued” during the marriage because military retired pay does not accrue over time. Military retired pay is not a pension. Rather, it is a statutory entitlement computed at the time the member retires and it is based on the member’s rank and total years of service at the time of retirement, or member’s high-3 and total years of service.

290615. Awards of a Percentage of the Marital Portion

The designated agent cannot honor an award of a percentage of the “marital portion” of a member’s retired pay unless the court order also provides all variables necessary for the calculation of the marital portion. See paragraphs 290607 and 290608 for examples.

290616. Factual Errors in Court Orders

If a party submits documentary evidence that shows a factual error in a court order, this will not be sufficient to modify or stop payments being made pursuant to the court order. The party asserting the error must petition the court to correct the order. The designated agent does not have the authority to correct errors in court orders.

2907 DISPOSABLE RETIRED PAY

290701. Disposable Retired Pay

A. Disposable retired pay is defined by the USFSPA as a member’s total monthly retired pay (gross pay) entitlement minus authorized deductions. See 10 U.S.C. § 1408(a)(4).

B. If the former spouse and member were divorced on or before February 2, 1991, then USFSPA authorizes the following deductions:

1. Amounts owed to the United States;

2. Amounts withheld as Federal and state income tax withholding, consistent with the member’s current actual tax liability;

3. Fines and forfeitures ordered by a court-martial;
4. Amounts waived in order to receive compensation under Titles 5 or 38 of the U.S.C.;

5. SBP premiums paid, but only if the former spouse applying for a retired pay award payment under USFSPA is the beneficiary of the SBP; and

6. The amount of retired pay for a member retired under Title 10, Chapter 61 computed based on percentage of disability.

C. If the former spouse and member were divorced on or after February 3, 1991, then the USFSPA authorizes the following deductions:

1. Amounts owed to the United States due to the overpayment of retired pay, or amounts required to be recouped due to the member’s entitlement to retired pay;

2. Fines and forfeitures ordered by a court-martial;

3. Amounts waived in order to receive compensation under Titles 5 or 38 of the U.S.C.;

4. SBP premiums paid but only if the former spouse applying for a retired pay award payment under USFSPA is the beneficiary of the SBP; and

5. The amount of retired pay for a member retired under Title 10, Chapter 61 computed based on percentage of disability.

290702. Other Deductions Included in Court Order

If a court order directs the use of deductions other than those authorized in paragraph 290701 to compute the former spouse’s award, that provision of the court order is unenforceable. The designated agent will use only the deductions authorized in paragraph 290701 for the computation of disposable retired pay.

2908 DISPOSABLE RETIRED PAY UNDER NATIONAL DEFENSE AUTHORIZATION ACT (NDAA)

*290801. Application of the NDAA

The provision of the NDAA FY 2017, section 641, applies to divorces, dissolutions, annulments, and legal separations effective after December 23, 2016, that award the former spouse a retired pay award and:

A. That occur prior to an active duty member receiving military retirement pay, or

B. That occur prior to a reserve member receiving retired pay (generally 60).
290802.  NDAA FY 2017 Disposable Pay Limits

In addition to the definition of Disposable Retired Pay in paragraph 290701, and the authorized deductions in subparagraph 290701.B, the NDAA also limits disposable retired pay as follows:

A. The amount of retired pay is limited to that which the member would have been entitled using the member’s retired pay base (rank or high-3) and years of service on the date of the final decree of divorce, dissolution, annulment, or legal separation; and

B. Increased by any COLA awards added from the effective date of divorce, dissolution, annulment, or legal separation to the member’s date of retirement. COLAs will also be applied to the former spouse payment after the member retires in a proportionate share.

290803. Variables Required to Calculate the NDAA FY 2017 Disposable Retired Pay

In order to enable the designated agent to calculate the NDAA FY 2017 disposable retired pay amount, the court order must provide the three variables listed in subparagraphs 290803.A or 290803.B:

A. If the member entered the service before September 8, 1980:
   1. The fixed amount, the percentage, the formula, or the hypothetical award that the former spouse is granted;
   2. The member’s pay grade (rank) at the time of divorce, dissolution, legal separation, or annulment; and
   3. The member’s years of creditable service, on the date of divorce, dissolution, annulment, or legal separation. In the case of a reservist, the Reserve retirement points, on the date of divorce, dissolution, annulment, or legal separation and years of creditable service for basic pay purposes.

B. If the member entered the service on or after September 8, 1980:
   1. The fixed amount, the percentage, the formula, or the hypothetical award that the former spouse is granted;
   2. The member’s retired pay base (high-3) amount at the time of divorce, dissolution, legal separation, or annulment (the actual dollar figure); and
   3. The member’s years of creditable service, on the date of divorce, dissolution, annulment, or legal separation. In the case of a reservist, the Reserve retirement points, on the date of divorce, dissolution, annulment, or legal separation.
290804. Clarification

If the award language in the court order is missing any of the listed variables in paragraph 290803, then the applicant will need to obtain a clarifying court order that provides the variables as described in paragraph 290803.

2909 STARTING PAYMENTS

290901. Starting Payments

If the former spouse’s application is approved, payments will start no later than 90 days after the date the designated agent received the former spouse’s complete application, or no later than 90 days after the date the member becomes entitled to receive military retired pay, whichever is later.

290902. Timing of Payments

Payments will be issued in conformity with normal pay and disbursement cycles, which mean that payments will be issued monthly. Payments will be deducted from the month’s pay and paid on the first business day of the following month. For example, a payment issued for the month of March would be sent at the beginning of April.

2910 PAYMENT AMOUNT

291001. Limitations

A. If the spouse or former spouse applies for payments under the USFSPA only, the maximum amount a former spouse can receive is 50 percent of the member’s disposable retired pay.

B. If the spouse or former spouse applies for payments under the USFSPA and there is also a garnishment order for support, the maximum amount that can be paid toward both obligations is 65 percent of the member’s disposable earnings calculated in accordance with 42 U.S.C. § 659 (child and spousal support statute) and its implementing regulation.

C. For garnishments for property other than a retired pay award, the maximum amount payable is 25 percent of disposable earnings in accordance with 15 U.S.C. § 1673.

*291002. Cost-of-Living Adjustment (COLA)

If a retired pay award is expressed as a percentage of disposable retired pay, the former spouse will automatically receive a proportionate share of the member’s COLAs unless the court order states otherwise. Formula and hypothetical retired pay awards are considered a type of percentage award, and thus will automatically include a proportionate share of the member’s COLAs. If a court order on a non-NDAA 2017 case awards a percentage, formula, or hypothetical retired pay award and specifically states that COLAs are not to be added, we will calculate the award and setup as a fixed amount to avoid COLAs. If the retired pay award is a fixed amount,
COLAs cannot be added, even if awarded in the court order, and the former spouse’s payments will remain fixed. In an NDAA applicable case, COLAs will be added to the disposable income calculation on all awards regardless of what the court order states. Also, the former spouse will automatically receive a proportionate share of the member’s COLAs on all NDAA applicable cases in which the award is a percentage, formula, or hypothetical regardless of what the court order states.

291003. Offset of Former Spouse’s Payment for Garnishment or Other Obligation

A former spouse’s payment cannot be offset or garnished by the designated agent for any legal obligation, including child support owed to the member.

2911 PRIORITY OF PAYMENTS

291101. Multiple Awards

If a court order includes multiple types of awards to a former spouse, the former spouse may designate the priority of payments on the DD Form 2293. If the former spouse does not specify otherwise, the designated agent will pay the retired pay award first, child support second and spousal support third.

291102. Multiple Former Spouses

If the designated agent is served with applications from more than one former spouse, the designated agent will honor the applications on a first-come, first-served basis. Subsequently served USFSPA applications shall be satisfied out of the disposable retired pay that remains after the satisfaction of all previously served court orders, subject to the limitations of paragraph 291001.

291103. Garnishment Orders for Support and Applications Under USFSPA

If the designated agent is served with both a garnishment for support and an application under USFSPA, the designated agent will pay whichever is served first. If the garnishment is served first and is payable directly to the former spouse, the former spouse may reverse the priority of payments by instructing the designated agent to terminate deductions pursuant to the garnishment, and then later requesting that garnishment deductions be reestablished. The designated agent will not change the priority of payments between a retired pay award and a support garnishment if the garnishment was served by an IV-D agency unless the agency agrees to withdraw (terminate) the support order in order to allow the retired pay award to have priority over the support order.
2912 STOPPING PAYMENTS

291201. Erroneous Payment Information From Former Spouse

The former spouse has a continuing duty to provide the designated agent with correct payment instructions and current contact information. If a former spouse’s payments are returned due to erroneous payment instructions (i.e., invalid address or incorrect account number for direct deposit payments), the designated agent will send notice to the last known correspondence address that, unless new payment instructions are received within 30 days of the date of the notice, payments will stop. If the former spouse submits new payment instructions after the payments have terminated, the designated agent will restart the payments on a current basis, and will not make up any missed payments.

291202. Termination and Suspension of Retired Pay Award Payments

A. Unless the court order specifies otherwise, payments will stop upon the designated agent’s receipt of notice of the death of either party. Payments will be prorated for the month of the death of either party.

B. Unless the court order specifies otherwise, retired pay award payments will not stop upon the designated agent’s receipt of notice of the former spouse’s remarriage.

C. If the designated agent is served with an order staying payments, the designated agent will stop the payments until served with an order indicating that the former spouse’s payments are to resume.

D. If the designated agent has already started payments and is served with documentation showing that an appeal of the order has been filed within the forum state’s appeal timeframe, payments will stop. The designated agent will not recoup any payments already issued.

E. A former spouse may stop payments under USFSPA by sending the designated agent a letter with his or her signature notarized withdrawing their application for payments under the USFSPA. A former spouse can later reapply for payments by submitting a new DD Form 2293 and a certified copy of the court order that awards him/her the division of military retired pay.

291203. Termination of Child Support Payments Under USFSPA

Child support payments will stop in accordance with the provisions of the court order. If the court order is silent as to when the payments should stop, payments will stop in accordance with the law of the state that issued the court order. The member has the burden of providing sufficient documentation to justify stopping payments on or before a child’s age of majority. The former spouse has the burden of providing sufficient documentation to justify continuing payments after a child’s age of majority.
291204. Termination of Alimony Payments Under USFSPA

Alimony payments will stop in accordance with the provisions of the court order. If the court order is silent as to when the payments should stop, payments will stop in accordance with the law of the state that issued the court order, or upon receiving a court order terminating the alimony payments. (NOTE: The law of some states does not provide that an alimony obligation automatically terminates upon a former spouse’s remarriage. For such states, a court order terminating the alimony will need to be provided.) If the designated agent does not already have sufficient documentation to stop payments, additional evidence such as a marriage certificate will be required.

291205. Payments and Bankruptcy

Absent a court order, there is no authority to stop a former spouse’s retired pay award, current and arrearage child support payments, and current spousal support payments, if a member files bankruptcy.

291206. Certification of Eligibility

The designated agent may request that a former spouse submit a signed certification of continued eligibility to receive payments under USFSPA. The certificate of eligibility should include notice of a change in status or circumstance that affects eligibility, if any such change exists. If the former spouse fails or refuses to comply with the certification requirement, the designated agent may stop the payments after notice to the former spouse.

2913 RETIRED PAY ARREAR OWED A DECEASED FORMER SPOUSE

291301. Applicability

This section applies to the settlement of arrears of a retired pay award that may be due a deceased former spouse pursuant to a previous application for direct payment completed under section 2904. Arrears of a retired pay award may result from prorating a member’s disposable retired pay for the month of the former spouse’s death, from checks not negotiated before the former spouse’s death, or the designated agent’s failure to establish and/or make payments to the former spouse in the correct amount prior to the former spouse’s death for a period that the former spouse was entitled to a property division.

291302. Documentation

To settle the arrears of retired pay owed a deceased former spouse, the following documentation must be on file:

A. Copy of Death Certificate. A notification of death from any source (next of kin, post office, or neighbor) is sufficient to suspend future payment of the retired pay award. However, an official copy of a certificate of death for the former spouse is required before the arrears of a retired pay award are paid under this section.
B. **Written Claim.** A written claim must contain the claimant’s signature and address, or that of the claimant’s authorized agent or attorney. A *Standard Form 1174, Claim For Unpaid Compensation of Deseased Member of the Uniformed Service*, is not required, but may be used for this purpose, as long as the claim specifies the claimant’s relationship to the deceased former spouse and documents other living relatives of the deceased former spouse.

C. **Additional Documentation as Required.** A claimant may be required to submit any additional documentation the designated agent deems necessary to establish the claimant’s status and entitlement to the retired pay award arrears including, but not limited to, marriage certificates, birth certificates, divorce decrees, or other documentation that validates the living beneficiaries of a former spouse in any class of persons entitled to the arrears pursuant to paragraph 291304.

291303. **Recoupment of Outstanding Payments**

All outstanding checks or direct deposits (not negotiated before the former spouse’s death or made after the former spouse’s death) or the proceeds thereof must be returned to the designated agent before a settlement of arrears may be made.

291304. **Payment of the Arrears**

Former spouse payments from retired pay are prorated for the month of the former spouse’s death. When all documentation has been received and all outstanding payments have been recouped, payment of the arrears is made to the person living on the date of the former spouse’s death who is highest on the order of precedence set forth in Chapter 30. For the purpose of payment of arrears under this paragraph, the provisions of Chapter 30, subparagraphs 300204.C, D, and E apply, and all references to a “retiree” in subparagraphs 300204.A.2 through A.6, C, D, and E should be considered as referring to a deceased former spouse rather than a retiree.

291305. **Indebtedness Resulting From Overpayment to a Former Spouse**

Any indebtedness resulting from overpayment to a deceased former spouse must be liquidated before retired pay award arrears can be settled.

291306. **Claim for Arrears**

A claim for arrears must be filed within the 6-year statute-of-limitation restriction. See *31 U.S.C. § 3702(b)(1)*. Any claim received 6 years after the date of the former spouse’s death is barred.

291307. **Taxability**

In the case of deceased former spouses, one or more Treasury Department (TD) Forms *1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, may be used. If no former spouse arrears are paid, one TD 1099-R will

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be issued in the former spouse’s name to cover any entitlement through date of death. If arrears are paid, an additional TD 1099-R is issued to each claimant to whom the arrears were paid.

2914 ADMINISTRATIVE APPEAL PROCESS

291401. Either Party Disagrees

If either party disagrees with the designated agent’s determination concerning a former spouse’s entitlement to payments under the USFSPA, that party may request reconsideration by writing to the designated agent. If the party requesting reconsideration asserts that the designated agent has erroneously overpaid the other party, the request for reconsideration will be considered a claim against the designated agent. An attorney will review the request and issue a decision in writing.

291402. Party Requesting Reconsideration Disagrees

If the party requesting reconsideration disagrees with the attorney’s determination, that party may submit an appeal to the designated agent, which must be received within 30 days of the date of the initial determination. The designated agent will forward the appeal to the Defense Office of Hearings and Appeals for their decision.

291403. Additional Information

Parties are referred to Department of Defense Instruction (DoDI) 1340.21 for additional information concerning the submission of claims and appeals.

2915 LIABILITY

291501. Payments Made In Accordance With the USFSPA

Neither the United States nor any employee of the United States shall be liable regarding any payment made from retired pay to a retiree or former spouse pursuant to a court order that is regular on its face, if such payment is made in accordance with the USFSPA.

291502. Designated Agent Liability

If the designated agent processes a former spouse’s USFSPA application and administers the former spouse’s payments in accordance with the USFSPA and in accordance with all documentation in its files, the designated agent is not liable for any former spouse payments issued after a former spouse’s eligibility to receive payments has ended. Nor is the designated agent liable for any payments that the former spouse may have been entitled to prior to the designated agent’s beginning direct payments pursuant to the former spouse’s USFSPA application.
Figure 29-1. Military Retired Pay Division Order (on or before December 23, 2016)

STATE OF _______________             COURT OF ________________
COUNTY OF _______________             Case No. __________

Petitioner

Respondent

MILITARY RETIRED PAY DIVISION ORDER

(For Decree of Divorce, Dissolution, Annulment, or Legal Separation that occurs on or before December 23, 2016)

This cause came before the undersigned judge upon the petitioner/respondent’s claim for a distribution of the respondent/petitioner’s military retired pay benefits. The court makes the following:

FINDINGS OF FACT:

The Petitioner’s Social Security Number is _____________ and current address is __________________________________________________________.

The Respondent’s Social Security Number is ____________ and current address is __________________________________________________________.

The Parties were married on __________. Their marital status was terminated on ___________ pursuant to a(n) ____________________________ entered in __________ __ County, State of _________ . This current order is entered incident to the aforementioned order.

The parties were married for a period of ten or more years during which time the Petitioner/Respondent performed at least ten years of service creditable for retirement eligibility purposes.

If the military member was on active duty at the time of this order, Respondent/Petitioner’s rights under the Service Members’ Civil Relief Act, 50 U.S.C. App. 501-548 and 560-591, have been observed and honored.

This court has jurisdiction over the Respondent/Petitioner by reason of [choose those that apply] (A) his or her residence, other than because of military assignment, in the territorial jurisdiction of the court, during the [divorce, dissolution, annulment, or legal separation] proceeding, (B) his or her domicile in the territorial jurisdiction of the court during the [divorce, dissolution, annulment, or legal separation] proceeding, or (C) his or her consent to the jurisdiction of the court.

CONCLUSIONS OF LAW:

1. This court has jurisdiction over the subject matter of this action and the parties hereto.

2. Petitioner/Respondent is entitled to a portion of Respondent/Petitioner’s U.S. military retired pay as set forth herein.

[Please note that all awards expressed as a percentage of disposable retired pay, including hypothetical awards, will automatically include a proportionate share of the member's COLA unless this order states otherwise. Also, hypothetical retired pay amounts will be adjusted for all retired pay COLA from the hypothetical retirement date to the member's actual retirement date, unless this order states otherwise.]
All of the blanks in the samples below represent variables that MUST be provided in the court order. Choose and complete ONE of the following:

<table>
<thead>
<tr>
<th>IT IS THEREFORE ORDERED THAT:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired member: “The former spouse is awarded ___ percent (or dollar amount) of the member’s disposable military retired pay.”</td>
</tr>
<tr>
<td>Active duty formula: “The former spouse is awarded a percentage of the member’s disposable military retired pay, to be computed by multiplying ____ percent times a fraction, the numerator of which is _______ months of marriage during the member’s creditable military service, divided by the member’s total number of months of creditable military service.”</td>
</tr>
<tr>
<td>Reservist formula: “The former spouse is awarded a percentage of the member’s disposable military retired pay, to be computed by multiplying ____ percent times a fraction, the numerator of which is _______ Reserve retirement points earned during the period of the marriage, divided by the member’s total number of Reserve retirement points earned.”</td>
</tr>
<tr>
<td>Active duty hypothetical calculated as of time of division, for all members regardless of service entry date: “The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member retired with a retired pay base (high-3) of _______ and with ______ years of creditable service on ________.”</td>
</tr>
<tr>
<td>Active duty hypothetical calculated as of time of division; may only be used for members entering service before September 8, 1980: “The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member retired with the rank of ________ and with _______ years of creditable service on ________.”</td>
</tr>
<tr>
<td>Active duty hypothetical calculated as of member’s actual retirement date: “The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member retired on his actual retirement date with the rank of ________ and with _______ years of creditable service.”</td>
</tr>
<tr>
<td>Reservist hypothetical calculated as of time of division, for all members regardless of service entry date: “The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member become eligible to receive military retired pay with a retired pay base (high-3) of _______ and with ______ Reserve retirement points on ________.”</td>
</tr>
<tr>
<td>Reservist hypothetical calculated as of time of division; may be used for members entering service before September 8, 1980: “The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member become eligible to receive retired pay on ____________, with the rank of ________, with ______ Reserve retirement points, and with _______ years of service for basic pay purposes.”</td>
</tr>
<tr>
<td>Reservist hypothetical calculated as of the date the member becomes eligible to receive retired pay: “The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member become eligible to receive retired pay on the date he or she attained age 60, with the rank of ________, with ______ Reserve retirement points, and with _______ years of service for basic pay purposes.”</td>
</tr>
</tbody>
</table>

This _______ day of _____________, 20__. ____________________________

JUDGE
Figure 29-2. Military Retired Pay Division Order (after December 23, 2016)

STATE OF ___________________  COURT OF ___________________
COUNTY OF _________________  Case No. ____________

Petitioner

Respondent

MILITARY RETIRED PAY DIVISION ORDER
(For Decree of Divorce, Dissolution, Annulment, or Legal Separation that occurs after December 23, 2016)

This cause came before the undersigned judge upon the petitioner/respondent’s claim for a distribution of the respondent/petitioner’s military retired pay benefits. The court makes the following:

FINDINGS OF FACT:

The Petitioner’s Social Security Number is ___________ and current address is __________________________________________________________.

The Respondent’s Social Security Number is ___________ and current address is ____________________________________________________.

The Parties were married on __________. Their marital status was terminated on ___________ pursuant to a(n) ____________________ entered in ___________ County, State of ____________. This current order is entered incident to the aforementioned order.

The Parties were married for a period of ten or more years during which time the Petitioner/Respondent performed at least ten years of service creditable for retirement eligibility purposes.

If the military member was on active duty at the time of this order, Respondent/Petitioner’s rights under the Service Members’ Civil Relief Act, 50 U.S.C. App. 501-548 and 560-591, have been observed and honored.

This court has jurisdiction over the Respondent/Petitioner by reason of [choose those that apply] (A) his or her residence, other than because of military assignment, in the territorial jurisdiction of the court, during the [divorce, dissolution, annulment, or legal separation] proceeding, (B) his or her domicile in the territorial jurisdiction of the court during the [divorce, dissolution, annulment, or legal separation] proceeding, or (C) his or her consent to the jurisdiction of the court.

CONCLUSIONS OF LAW:

This court has jurisdiction over the subject matter of this action and the parties hereto.

Petitioner/Respondent is entitled to a portion of Respondent/Petitioner’s U.S. military retired pay as set forth herein.

[Please note that all awards expressed as a percentage of disposable retired pay, will automatically include a proportionate share of the member’s COLA after the date the member retires, unless the court order states otherwise.]
Figure 29-2. Military Retired Pay Division Order (after December 23, 2016) (Continued)

All of the blanks in the sample below represent variables that MUST be provided in the court order. Choose and complete ONE of the following:

IT IS THEREFORE ORDERED THAT:

Award When the Member Has Already Retired from Active or Reserve Duty and is eligible to receive retired pay

“The former spouse is awarded __________ percent (or) $___________ (dollar amount) of the member’s disposable military retired pay.”

Active Duty Awards

Complete only one of the following:

1. Fixed Award: “The former spouse is awarded $_____________ (dollar amount) of the member’s disposable military retirement pay.”

2. Percentage Award: “The former spouse is awarded ____________percentage of the member’s disposable military retirement pay.”

3. Formula Award: “The former spouse is awarded a percentage of the member’s disposable military retired pay, to be computed by multiplying _______ percent times a fraction, the numerator of which is _______months of marriage during the member’s creditable military service, divided by the member’s total number of months of creditable military service.”

4. Hypothetical Retired Pay Award for members entering military service:
   A. BEFORE September 8, 1980: “The former spouse is awarded ______ percent of the disposable military retired pay the member would have received had the member retired with the rank of _________ and with ________ years of creditable service on ______.”
   B. ON OR AFTER September 8, 1980: “The former spouse is awarded _______ percent of the disposable military retired pay the member would have received had the member retired with a retired base (high-3) of ______ and with ________ years of creditable service on ______.”

AND (ONE OF THE BELOW SECTIONS MUST ALSO BE COMPLETED)

1. If the member entered the service BEFORE September 8, 1980

On the date of the decree of divorce, dissolution, annulment, or legal separation _______ (list the date), the member’s military pay grade (rank) was ______, and the member had ________ years of creditable service (list amount of years and months).

2. If the member entered the service ON OR AFTER September 8, 1980:

On the date of the decree of divorce, dissolution, annulment, or legal separation _______ (list the date), the member’s military retired pay base (high-3) was $________ (must provide a dollar amount) and the member had _____ years of creditable service (list amount of years and months).
Reserve Awards

1. Fixed award: “The former spouse is awarded $______ (dollar amount) of the member’s disposable military retirement pay.”

2. Percentage award: “The former spouse is awarded _____ percentage of the member’s disposable military retirement pay.”

3. Formula award: “The former spouse is awarded a percentage of the member’s disposable military retired pay, to be computed by multiplying _____ percent times a fraction, the numerator of which is _____ Reserve retirement points earned during the period of the marriage, divided by the member’s total number of Reserve retirement points earned.”

4. Reservist hypothetical retired pay award as of time of division;
   A. May be used for members entering service BEFORE September 8, 1980: “The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member become eligible to receive retired pay on _____, with the rank of _____, with _____ Reserve retirement points, and with _____ years of service for basic pay purposes.”
   B. May be used for members entering service ON OR AFTER September 8, 1980: “The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member become eligible to receive military retired pay with a retired pay base (high-3) of _______ and with ______ Reserve retirement points on ______.”

AND (ONE OF THE BELOW SECTIONS MUST ALSO BE COMPLETED)

1. If the member entered the service BEFORE September 8, 1980:

On the date of decree of divorce, dissolution, annulment, or legal separation_______ (list the date), the member’s pay grade (rank) was _____ and the member had Reserve retirement points _______ (enter amounts), and the member had _____ years of service for basic pay purposes __________ (list amount of years and months).

2. If the member entered the service ON OR AFTER September 8, 1980:

On the date of the decree of divorce, dissolution, annulment, or legal separation_______ (list the date), the member’s military retired pay base (high-3) was $________, (must provide a dollar amount) and the member had ______ Reserve retirement points (enter amount).

This _______ day of _____________, 20____.

________________________________________
JUDGE
*REFERENCES

CHAPTER 29 – FORMER SPOUSE PAYMENTS FROM RETIRED PAY

All

USFSPA
10 U.S.C. § 1408
NDAA FY 2017, section 641
10 U.S.C. § 1415
31 U.S.C. § 3702
DoDI 1340.21

290212
PL 115-91, section 534

290306
10 U.S.C. § 1408
PL 115-91, section 534

290307
10 U.S.C. § 1415
**VOLUME 7B, CHAPTER 30: “DEATH OF A RETIRED MEMBER”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue and underlined font*.

The previous version dated March 2019 is archived.

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<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Updated hyperlinks, statutes, and formatting in compliance with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>All</td>
<td>Changed the chapter title from “Death of Retiree” to “Death of a Retired Member.”</td>
<td>Revision</td>
</tr>
<tr>
<td>300102</td>
<td>Updated language for “Authoritative Guidance” to comply with new instructions.</td>
<td>Revision</td>
</tr>
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CHAPTER 30

DEATH OF A RETIRED MEMBER

3001 GENERAL

300101. Purpose

This chapter provides policy on the death of a retired member. This includes but is not limited to: required documentation, arrears of pay (AOP), death gratuity, and taxable income.

300102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26, 31, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

3002 ARREARS OF PAY

300201. Basic Information

Entitlement to retired pay terminates on the date of the retired member’s death. The AOP is the retired member’s final month of prorated retired pay and all unencumbered amounts due the deceased retired member. If the retired member waived retired pay in favor of a civil-service annuity, there is no AOP due. A retired member who waived retired pay in order to receive disability compensation from the Department of Veterans Affairs (VA) may be due retired pay for the month of death because VA disability compensation entitlement terminates on the last day of the month before death. Upon the Defense Finance and Account Service (DFAS) being notified of a retired member’s death, a retired member’s account is placed in a suspended status until the date of death can be verified. The DFAS must attempt to obtain proof of death before closing an account. Acceptable forms of proof of death documentation include:

A. Death certificate;
B. *DoD (DD) Form 1300*, Report of Casualty;
C. Funeral Director's Report;
D. VA Cemetery Files;
E. The Defense Enrollment Eligibility Reporting System;
F. Social Security Reports; or
G. Other forms of official notification of death.

300202. Related Inquiries

The Military Department concerned advises the surviving spouse to contact the VA or the Social Security Administration on matters relating to entitlement benefits payable by those agencies.

300203. Responsibilities

When the Military Department concerned receives notification of the death of a retired member, they will notify DFAS-Cleveland. The DFAS-Cleveland site:

A. Terminates payment of retired pay,
B. Reclaims outstanding retired pay checks or direct deposit payments,
C. Discontinues and collects overpayments of allotments,
D. Pays death gratuity if applicable,
E. Collects debts,
F. Provides claim forms to prospective beneficiaries, and
G. Prepares vouchers and tax statements for final account settlement.

300204. Eligible Beneficiaries

Each Military Service and DFAS periodically advise retired members of their right to designate a beneficiary or beneficiaries to receive any AOP amount that may be available upon the retired member’s death, and the disposition of AOP when no beneficiary or beneficiaries have been designated. Any person or persons, or legal entity, including the estate or trust of the retired member, may be designated. In order for the retired member’s estate to be an eligible beneficiary, the estate must be established, pursuant to the laws of the retired member’s domicile after the retired member’s death. If the estate is not established, the designation to the estate will fail.

A. Pursuant to 10 U.S.C., § 2771, upon presentation of a Standard Form (SF) 1174, Claim for Unpaid Compensation of Deceased Member of the Uniformed Services, arrears of retired pay are to be paid to the person highest on the following list, living on the date of the retired member’s death in the following order of precedence:

1. Beneficiary designated by the retired member in writing, if received by DFAS-Cleveland or the Military Department concerned before the retired member’s death;

2. Surviving spouse;
3. Children and their descendants, by representation:
   
   a. Natural Child;

   b. Adopted Child. An adopted child is a legal heir in every state and, therefore, is entitled to payment of unpaid pay and allowances, if otherwise proper. If another person(s) adopts the deceased retired member’s natural child, the child is a beneficiary only in those states where an adopted child may still inherit from a natural parent;

   c. Stepchild. A stepchild is not an eligible beneficiary unless adopted by the deceased retired member;

4. Father and mother in equal parts or, if either is dead, the survivor;

5. Legal representative; or

6. Person entitled under the law of the domicile of the deceased retired member.

B. The retired member may change a designated beneficiary either in writing or electronically via myPay as long as the change is received by DFAS-Cleveland before the retired member’s death.

C. Where payment is to be made to the person entitled under the law of the domicile of the deceased individual in subparagraph 300204.A.6, DFAS may require the claimant(s) to submit evidence of entitlement under state law. This includes, but is not limited to funeral expense receipts, small estate affidavit, trust documents, court orders granting summary administration and where necessary, the deceased person’s will.

D. If the beneficiary killed the retired member, the arrears are not paid to that person unless evidence is received which clearly absolves the beneficiary of any felonious intent.

E. If the beneficiary dies after the retired member but before receiving final settlement, upon presentation of a SF 1174 claim form, the AOP may be paid to the beneficiary’s estate. If the beneficiary does not have an estate established and the AOP is $3,000 or less, the AOP may be paid to the deceased beneficiary’s survivors in the order of precedence set out in subparagraph 300204.A.2 through 5. If the AOP is greater than $3,000, DFAS may pay the AOP in accordance with laws of the domicile of the deceased beneficiary. If doubt exists as to entitlement, the DoD will settle the claim.
300205. Substantiating Documents and Collection of Overpayments

A. Substantiating Documents. To effect settlement of AOP, the following documents must be a matter of record:

1. Completed SF 1174, Claim for Unpaid Compensation of Deceased Member of the Uniformed Services, from the beneficiary;
2. DD 1300 or a copy of the death certificate;
3. Retirement orders; and
4. Miscellaneous documentation (e.g., adoption papers, court orders of appointment, custodianship papers, Internal Revenue Service Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals) (for individuals who are not United States citizens or resident aliens) as required.

B. Collection of Overpayments. Every attempt should be made to recover all outstanding checks or direct deposits (not negotiated before the retired member’s death or outstanding checks forwarded past the date of entitlement) or the proceeds thereof. Unrecovered funds are treated as erroneous payments to the retired member or the withdrawer of funds with the indebtedness subject to the debt collection authority.

1. If the funds are not recovered, there is no AOP due until the arrears due to the retired member exceed the erroneous payment. In situations where the recipient of the retired member’s erroneous payment is also the beneficiary for the AOP, the amount of arrears due the individual is offset administratively by the erroneous payments received by the individual. The remaining erroneous payment, if any, is still subject to the debt collection authority.

2. If there has been an erroneous payment of AOP made to an individual not entitled to the retired member’s AOP, and another individual is entitled to the retired member’s AOP, the payment of the amount due as arrears must be made to the appropriate payee, regardless of whether collection has been made from the recipient of the erroneous pay.

300206. Questionable Date of Death

A. When the date of death is shown as a “found date,” DFAS-Cleveland will verify whether an autopsy was performed. If an autopsy was performed, the date of death determined by the coroner is used. If the results of the autopsy are reported on the death certificate, a copy of the autopsy report is not required. If an autopsy was not performed, but the state has certified the date of death on the death certificate, that date is used. If two dates are shown, such as the retired member died between 11:00 p.m. June 10, 2008, and 4:00 a.m. June 11, 2008, use the earlier date since that was the last date the retired member was known to be alive. If neither is available, obtain a statement from one or more disinterested persons attesting to the last known date that the retired member was alive. When this statement is received, the AOP is settled based on that date.
B. In claims involving missing persons, provided there is no evidence to the contrary, assume the date of death to be the presumed date established by state court decree.

C. If evidence exists that a retired member died on a particular date several years before the date of presumptive death declared by a state court, the AOP is payable only through the earlier date of suspected death.

D. A judicial decree is not necessary to establish Retired Serviceman’s Family Protection Plan or Survivor Benefit Plan annuity payments if a person has been missing for more than 30 days under circumstances from which a reasonably prudent person would conclude that such person is dead and the Secretary of the Military Department concerned (or designee) makes a determination that presumes the retired member is deceased. See Chapters 37 and 42.

300207. Doubtful Claims

In accordance with Title 32, Code of Federal Regulations (CFR), part 282.5, cases involving questions of fact or law are submitted to the Defense Office of Hearings and Appeals (DOHA) for resolution. These include cases when:

A. Doubt exists as to the amount or validity of the claim, or

B. Doubt exists as to the person or persons properly entitled to the payment.

Upon receipt of a doubtful claim, notify the claimant that the claim has been forwarded to DOHA for approval of settlement.

300208. Six Year Statute of Limitations

A. Title 31 U.S.C. § 3702 provides general authority for settling claims against the United States. Section 3702 provides that any claim against the U.S. Government is barred forever unless such claim, bearing the signature and address of the claimant or authorized agent or attorney is received by the responsible agency within 6 years after the date such claim first accrued. Under authority delegated from the Secretary of Defense, the Director, DOHA, may waive the time limitation for late claims involving the pay, retired pay, and survivor benefits of military personnel. Any claim that became payable as a result of waiver of time limitation is limited to $25,000.

B. In any case where two or more beneficiaries are entitled to share a retired member’s AOP equally, each claimant/beneficiary will become entitled to their own proportional share upon presentation of a timely claim. In the event that one (or more) of the claimant/beneficiaries fails to make a timely claim within 6 years, such claimant/beneficiary’s claim will be barred under 31 U.S.C. § 3702 as untimely; however the time limitation may be waived by DOHA if appropriate. In no event will the share of the untimely claimant/beneficiary be paid to the claimant/beneficiary who submitted a timely claim.
300209. Death of Mentally Incompetent Retired Member

If retired pay was waived in favor of VA compensation, but compensation was withheld because the retired member’s estate exceeded $1,500, contact the VA to ascertain periods and reasons for nonpayment of VA compensation and verify whether withdrawal of the waiver was made by guardian or trustee before the retired member’s death. See Chapter 12 regarding withdrawal of waiver.

Note: Nonpayment of compensation could occur at any time from the effective date of VA waiver through the month of death and is not limited to the month of death.

3003 DEATH GRATUITY

300301. Basic Information

A. Death gratuity is payable when the military member’s death occurs within the 120-day period which begins on the day after release from active duty or active duty for training. The VA must certify entitlement to death gratuity. The Secretary of the VA must determine that the decedent was discharged or released under conditions other than dishonorable from the last period of the duty of training that he or she performed. The Secretary of the VA must also determine that death resulted from an injury or disease that was incurred or aggravated during the period of service of active duty, inactive-duty training or travel directly to or from such duty. See 10 U.S.C. § 1476.

B. Death gratuity is not payable for a member who retires for non-Regular service (age and service) unless the member was on active duty the day before retirement.

C. Submit the application for Death Gratuity on a DD 397, Claim Certification and Voucher for Death Gratuity Payment.

Note: For detailed information on Death Gratuity, see Volume 7A, Chapter 36.

300302. Eligible Beneficiaries

A. Eligible Beneficiaries Prior to July 1, 2008. Before May 25, 2007, payment of a death gratuity was made to or on behalf of the deceased member’s living survivors as prescribed by the statute in effect at the time. Beginning on May 25, 2007, and ending on June 30, 2008, a qualified member was able to designate another person to receive not more than 50 percent of the death gratuity payable upon the death of the member with any remaining amount not designated paid in the order prescribed by statute. The designated amount of the death gratuity had to be specified in increments of 10 percent. Death gratuity payments were made to the deceased member’s living survivors as prescribed by the statute at the time. (For order of precedence prior to July 1, 2008, please see the archived version of Chapter 30, paragraph 300204).
B. Eligible Beneficiaries On and After July 1, 2008. Effective July 1, 2008, a qualified member may designate up to 100 percent of their death gratuity entitlements, in 10 percent increments, to any person(s) of their choosing. If the qualified member has a spouse, but designates a person other than the spouse to receive all or a portion of the amount payable, the Secretary concerned must provide notice of the designation to the spouse. If a qualified person does not make a designation or designates only a portion of the amount payable, then pay the amount of the death gratuity not covered by a designation as follows:

1. To the surviving spouse of the person, if any;

2. If there is no surviving spouse, any surviving children of the person and the descendants of any deceased children by representation. Surviving children without regard to age or marital status include:
   a. Legitimate children,
   b. Adopted children,
   c. Stepchildren who were a part of the decedent's household at the time of death, or
   d. Illegitimate children of the decedent (see subparagraph 300303.A.4);

3. If there is no surviving spouse or children, the decedent’s surviving parents in equal shares or the survivor of them. Surviving parents as prescribed by the following:
   a. Parents include fathers and mothers through adoption;
   b. Only one father and one mother may be recognized in any case;
   c. Those who exercised a parental relationship on the date, or most nearly before the date of the member’s death are given preference;

4. If there is no surviving spouse, child, or parent of the decedent, the duly appointed executor or administrator of the estate of the decedent; or

5. If there are no survivors as prescribed in subparagraphs 300302.B.1 through 300302.B.4, other next of kin of the person entitled under the laws of domicile of the person at the time of the person’s death.

300303. Documentary Evidence

A. In some cases, the beneficiary must furnish proof of relationship:
1. **Lawful Spouse.** Documentation may be required to substantiate the marriage or proof of termination of prior marriages entered into by the beneficiary or deceased member;

2. **Legally Adopted Child.** A copy of adoption papers;

3. **Stepchild.** Information to prove that the child was a member of the deceased member’s household;

4. **Illegitimate Child.** Documentation is required as proof that the member was the parent of the child and must include one of the following:
   a. An acknowledgement in writing signed by the decedent;
   b. A judicial determination made before the decedent's death that the claimant is a child of the decedent;
   c. Evidence that the Secretary of VA has determined the claimant to be the child of the decedent; or
   d. A copy of the court order that ordered the parent to contribute to the child’s support; or

5. **Designated Relative**
   a. Designated relative must provide documentary evidence that any marriage entered into by the deceased member has been terminated and a notarized statement that there are no living children.
   b. Persons in loco parentis must furnish satisfactory evidence of the relationship as deemed necessary by the Military Department concerned.

B. Custodianship documents or court orders of guardianship appointments must support all payments made for minor children.

300304. **Death of Eligible Survivor Before Receipt of Death Gratuity**

If a person entitled to all or a portion of a death gratuity under subparagraph 300302.B dies before the person receives the death gratuity, it will be paid to the living survivor next in the order prescribed in subparagraph 300302.B.

300305. **Determinations Affecting Entitlement**

A. **Death as Lawful Punishment.** No death gratuity is payable in the case of a military member whose death is the result of a lawful punishment for a crime or military offense, except when such death was inflicted by any hostile force with which the armed forces of the United States was engaged in armed conflict.
300306. Amount Payable

A. **Deaths On or After October 7, 2001.** For deaths on or after October 7, 2001, the amount of death gratuity is $100,000.

B. **Debt Collection.** Do not collect debts from death gratuity payments.

300307. Erroneous Payment

An erroneous payment of death gratuity is one made because of administrative error to a person clearly not entitled to that payment, rather than a payment made reliant on statements of record made by the member about matters such as marital status and dependency status. Make a second payment to the rightful beneficiary when the error resulted from improper maintenance of records or administrative negligence. This payment should not be delayed pending recovery of the erroneous payment from the ineligible recipient. The respective DFAS site will follow the prescribed collection procedures in an attempt to recover an erroneous payment.

3004 TAXABLE INCOME

300401. Taxability of AOP

A. **The AOP due the deceased retired member at time of death is taxable to the beneficiary who receives payment if the AOP was taxable to the retired member.** The tax liability is in accordance with the Internal Revenue Code of 1986, as amended.

B. **If AOP is paid,** a Treasury Department (TD) Form 1099-R is issued to each beneficiary using the tax identification number of the beneficiary. If no AOP is paid, the retired pay activity issues one TD Form 1099-R in the decedent’s name.

300402. Taxability of Death Gratuity

A. **Death Occurred Between August 20, 1996 and September 10, 2001.** The amount of death gratuity payments made to survivors of military members who died after August 20, 1996, that is excludable from income may not exceed $3,000, regardless of the number of beneficiaries. If there are multiple beneficiaries, apply proportionately the $3,000 exclusion. All death gratuity payments are reported separately, using TD Form 1099-R. The total amount of the gross distribution is entered in Box 1. The appropriate taxable amount is entered in Box 2a. For members who died on or before August 20, 1996, the maximum exclusion amount is $5,000.

B. **Death Occurred On or After September 11, 2001.** The total amount of death gratuity is excludable from gross income for tax purposes.
REFERENCES

CHAPTER 30 – DEATH OF RETIREE

3002 – ARREARS OF PAY

300204
10 U.S.C. § 2771
300204.A.4
Comp Gen B-113031, July 6, 1960
Comp Gen B-113240, October 5, 1961
Comp Gen B-59917, May 31, 1961
Comp Gen B-93772, December 2, 1963
300204.A.5
Comp Gen B-151337, October 7, 1963
300204.B
10 U.S.C. § 2771
300204.D
Comp Gen B-187743, July 7, 1977
300204.E
Comp Gen B-69787-O.M.
300205
31 U.S.C. § 3716
Comp Gen B-132407, 37 Comp Gen 131
300206.A
Comp Gen A-58284, 14 Comp Gen 411
Comp Gen A-80384, 16 Comp Gen 384
Comp Gen B-148485, 43 Comp Gen 503
300206.B
Comp Gen B-243829, December 13, 1991
300206.C
Comp Gen B-251968, July 22, 1993
300206.D
10 U.S.C. § 1437
10 U.S.C. § 1450
300207
32 CFR 282, Appendix C, Submitting a Claim
300208
31 U.S.C. § 3702(b) and (e)(3)
300209
32 CFR 282, Appendix D, Processing a Claim
31 U.S.C. § 3702(e)(2)
38 U.S.C. § 5306
Comp Gen B-156553, October 31, 1967

3003 – DEATH GRATUITY

300301.A
10 U.S.C. § 1476
300302.A
10 U.S.C. § 1477
300302.B
10 U.S.C. § 1477
Volume 7A, Chapter 36
300304
10 U.S.C. § 1477
300305.A
10 U.S.C. § 1480
300305.B
Comp Gen B-172014, August 25, 1971
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300306.A
10 U.S.C. § 1478

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300307  Comp Gen  B-132407, 37 Comp Gen 131
         August 22, 1957

3004 – TAXABLE INCOME

300402.A  Public Law 104-188, section 1402, August 20, 1996
          26 U.S.C. § 134
          Internal Revenue Service, Publication 3,
          Armed Forces' Tax Guide
VOLUME 7B, CHAPTER 31: “DEATH OF A SURVIVOR ANNUITANT”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated May 2018 is archived.

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<td>Revision</td>
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CHAPTER 31

DEATH OF A SURVIVOR ANNUITANT

3101  GENERAL

310101.  Purpose

This chapter addresses the settlement of the arrears of an annuity where the annuitant is a spouse (or former spouse) with no eligible child annuitant, the last remaining child annuitant, or a natural person with an insurable interest. In accordance with the procedures in section 3102, the Defense Finance and Accounting Service (DFAS) pays the arrears of the annuity under Retired Serviceman’s Family Protection Plan, Survivor Benefit Plan (SBP), and minimum income widow provisions of the SBP law.

310102.  Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26 and 31. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

3102  SETTLEMENT OF THE ARREARS

310201.  Documentation

A notification of death from any source is sufficient to suspend future payment of the annuity. To settle (pay) the arrears of an annuity, the following documentation must be on file:

A.  A copy of the death certificate;

B.  A written claim containing the signature and address of the claimant or of the claimant’s authorized agent or attorney; and

C.  Proof of recoupment of outstanding payments. All outstanding checks or direct deposits (not negotiated before the annuitant’s death or forwarded past the date of entitlement) or the proceeds thereof must be returned to DFAS Cleveland before a settlement of arrears of annuity may be made.

Note:  For more information on how to report an SBP Annuitants Death, refer to the DFAS website.

310202.  Payment of the Arrears

The annuity is not prorated for the month of the annuitant’s death. Entitlement stops as of the last day of the month before the date of the annuitant’s death. When all documentation is
received, payment of the arrears is made to the person living on the date of the annuitant’s death who is highest on the order of precedence set forth in Chapter 30. For the purpose of payment of the arrears of an annuity under this section, the provisions of Chapter 30, subparagraphs 300204.C, D, and E apply, and all references to a “retiree” in Chapter 30, subparagraphs 300204.A.2 through A.6, D, and E should be considered as referring to the deceased annuitant rather than a retiree.

310203. Claim for Arrears

A claim for arrears of an annuity must be filed within the 6-year statute-of-limitation restriction. Any claim received 6 years after the date of the annuitant’s death is barred.

3103 TAXABILITY

In the case of deceased annuitants, one or more Department of the Treasury - Internal Revenue Service (IRS) Form(s) 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., may be used. If no arrears of an annuity are paid, then one Form 1099-R will be issued in the annuitant’s name to cover any payments received by the annuitant before death. If arrears of an annuity are paid, then an additional Form 1099-R is issued to each claimant to whom the arrears were paid.
*REFERENCES

CHAPTER 31 – DEATH OF A SURVIVOR ANNUITANT

3101 – GENERAL

310101 Title 10, U.S.C. § 1450(b)(2)

3102 – SETTLEMENT OF THE ARREARS

310203 Title 31, U.S.C. § 3702(b)

3103 – TAXABILITY

310301 Title 26 U.S.C. § 3405
VOLUME 7B, CHAPTER 32: “RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION”

SUMMARY OF MAJOR CHANGES

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The previous version dated January 2018 is archived.

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CHAPTER 32

RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION

3201 GENERAL

320101. Purpose

This chapter provides information regarding the accountability of a financial organization for direct deposit payments returned to the Defense Finance and Accounting Service (DFAS) because of the death of a retiree or annuitant. By accepting a recurring benefit payment from the government, a receiving financial institution agrees to the provisions of Title 31, Code of Federal Regulations (CFR), Part 210, including the reclamation actions and debiting of the financial institution’s Federal Reserve Bank account for any reclamation for which it is liable. The government's right to reclaim funds is established in 31 CFR 210, section 210.10(a).

320102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 12, and 31. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

3202 LIABILITY OFFINANCIAL INSTITUTIONS FOR DIRECT DEPOSIT PAYMENTS

320201. Liability of Financial Institution

A financial institution is liable for all benefit payments received after the death or legal incapacity of a recipient, or death of a beneficiary, unless the financial institution meets the qualifications for limiting its liability under paragraph 320203.

320202. Reclamation

Upon the notification of the death of a military retiree or annuitant, the DFAS Cleveland Disbursing Officer (DO) will contact the decedent’s financial institution to request the return of all payments made since the retiree’s or annuitant’s death.

A. The DO must initiate reclamation within 120 days after constructive receipt of notification of the death of a retiree or annuitant. The financial institution is not liable for payments made more than 6 years prior to date of reclamation.
B. Effective January 2, 2008, the Department of the Treasury, Financial Management Service (FMS) established a policy for the reclamation of federal payments disbursed electronically through the Automated Clearing House. On October 7, 2012, the FMS and the Bureau of the Public Debt were consolidated into the Bureau of the Fiscal Service. See the Department of the Treasury’s Green Book for detailed instructions on the reclamation procedures.

320203. Limiting Liability

A financial institution may qualify to limit its liability by full compliance with the regulations if it:

A. Had no actual or constructive knowledge of the death at the time of the deposit of any post-death benefit payments;

B. Returns all post-death benefit payments it receives after it learns of the death of a retiree or annuitant; and

C. Responds to the reclamation to ensure that the appropriate amount is received by the DO within 60 days of the date on the reclamation.

320204. Calculating Limited Liability Amount

If a financial institution qualifies for limited liability, the amount which can be debited from the financial institution is the amount of the account balance at the time it first receives notice of death plus the lesser of the outstanding balance due (after any collection from the withdrawers) or the 45-day amount. The 45-day amount is the dollar amount of the post-death benefit payments received within 45 calendar days following the death. See the Department of the Treasury’s Green Book for examples of calculating the limited liability amount.

3203 LIABILITY OF DISBURSING OFFICER

The accountability of the financial institution does not affect the liability of the DO for any amounts not recovered. The DO may be relieved of liability for amounts not recovered when the officer has shown that he or she did not know and could not have known of a retiree’s or annuitant’s death prior to making payments after the date of death.
CHAPTER 32 – RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION

3202 - LIABILITY OF FINANCIAL INSTITUTIONS FOR DIRECT DEPOSIT PAYMENTS

31 CFR 210
Department of the Treasury, Green Book,
January 2016 Revision

3203 - LIABILITY OF DISBURSING OFFICER

59 Comptroller General 597 (1980)
VOLUME 7B, CHAPTER 37: “RETIRED SERVICEMAN’S FAMILY PROTECTION PLAN (RSFPP) - ANNUITIES”

SUMMARY OF MAJOR CHANGES

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The previous version dated July 2017 is archived.

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<td>370101</td>
<td>Added information for to include the date the Survivors Benefit Plan replaced RSFPP.</td>
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<td>370102</td>
<td>Added new “Authoritative Guidance” statement.</td>
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CHAPTER 37

RETIRED SERVICEMAN’S FAMILY PROTECTION PLAN (RSFPP) – ANNUITIES

3701 GENERAL

*370101. Purpose

The purpose of the RSFPP was to permit members of the uniformed services who retired on or before September 20, 1972, to elect to receive a reduced amount of any retired pay in order to provide an annuity payable to the widow(er), child(ren) upon that member’s death. This election was subject to certain limitations specified in the law and elaborated in the regulations in this chapter. The RSFPP was replaced by the Survivor Benefit Plan (SBP) (see Chapters 42 through 49) as the primary military retired pay annuity protection plan on September 21, 1972. An annuity payable under the RSFPP is not assignable or subject to execution, levy, attachment, or garnishment, except for child support or alimony, or to collect a debt caused by an overpayment described in section 3709. A debt to the United States or its instrumentalities incurred by the annuitant may be offset from the annuity. The annuity may be paid to a trustee through bankruptcy court proceedings.

*370102. Authoritative Guidance

The pay policies and requirements established by Department of Defense in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 11, 26, 31, and 42. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

3702 EFFECTIVE DATE OF ANNUITY

370201. Annuity Accrual

Each annuity payable normally accrues as of the first day of the month in which the member dies. If the Secretary concerned makes a determination that a participating member is presumed dead, the annuity accrues from the first day of the month in which retired or retainer pay was suspended on the basis of the member’s missing status. For members who elected coverage for spouse and children (often referred to as “Option 3”), an annuity is payable to the eligible children on the first day of the month in which the widow or widower becomes an ineligible annuitant. For a child who is at least age 18, but under age 23, and pursuing a full-time course of study at a recognized educational institution (see section 3715 for more information), the annuity accrues:

A. As of the first day of the month in which the retired member dies, if the eligible child’s 18th birthday occurs in the same or a preceding month; or
B. As of the first day of the month in which the child’s 18th birthday occurs, if the retired member died in the preceding month; or

C. As of the first day of the month in which the child becomes or again becomes eligible, if that child’s 18th birthday and the retired member’s death occurred in a preceding month or months.

370202. Application

A. A completed application is required for payment of the annuity.

B. Payments are made in equal monthly installments thereafter as long as entitlement exists. If a properly completed application was received, the first payment must be made not later than:

1. The 15th of the month after the month in which the retired member dies, or

2. The 15th of the month after the month in which the Secretary of the Military Department concerned (or designee) has made a determination that the member is presumed dead.

370203. Annuitant Eligibility

No annuity accrues or is paid for a month in which all annuitants lose eligibility.

370204. Special Circumstance

If a member retires and dies during the same month, the annuity is payable for the full month.

3703 ANNUITY PAYMENTS

370301. Upon Death or Presumption of Death

Upon official notification of death or Secretarial determination that a participating member is presumed dead, annuity accounts are established in accordance with the provisions of the election made by or on behalf of the member. A Department of Defense (DD) Form 2656-7, Verification for Survivor Annuity, validates the annuity account. Payment of annuity is barred when the member is retired for disability before completing 19 years of service (18 years of service before October 1968) if beneficiaries are eligible for Veterans Affairs (VA) Dependency and Indemnity Compensation (DIC). Payments for a representative payee of an RSFPP annuitant follow the same requirements as payment under the Survivor Benefit Plan. See Chapter 46 for more information.
370302. Additional Annuity Information

Annuities payable are in addition to any pension(s) or other payment(s) to which the beneficiaries may now or later be entitled by law, and may not be considered income under any law administered by the VA, except when the annuitant is entitled to DIC as a parent of a veteran. For additional information affecting annuity payments, see Table 37-1.

370303. Settlement of Arrears

For information concerning the settlement of arrears of annuities, see Chapter 31.

3704 CLAIMS FOR ANNUITY

The claim for annuity payments must be properly completed and signed by the person or persons authorized to receive the annuity.

370401. Power of Attorney

An individual holding a valid power of attorney may complete (including the signature element) and file the annuity application form on behalf of an annuitant provided:

A. The payments are to be made directly to the annuitant; and

B. The annuitant has not been determined to be incompetent of managing his or her own affairs by a state court, physician, or psychologist.

NOTE: For additional information on annuity payments, see Chapter 46. An annuitant whose application is signed with an “X” must be witnessed (by two disinterested persons), notarized, or countersigned by the person holding the power of attorney. A copy of the power of attorney and explanation why the annuitant required assistance must be submitted with the annuity application.

370402. Court Order

A claim signed by a legal representative must be accompanied by a copy of the court order of appointment.

370403. Custodianship

A claim signed by the custodian of a minor child or children must be accompanied by a document evidencing custodianship.

370404. Doubtful Claim

A doubtful claim must be submitted to the Defense Office of Hearings and Appeals (DOHA) for certification before payment.
370405. Limitation

A. The Barring Act. This act bars payment of any claim not received within 6 years from the date it accrues. See 31 U.S.C. section 3702.

B. Denial of Claim. A claim not received within 6 years of the member’s death must be denied as untimely pursuant to the Barring Act and Department of Defense Instruction 1332.42

3705 ANNUITY AMOUNTS

370501. Single Option

A. Retirements Before November 1, 1968. The monthly annuity payable, as elected by the retiree, is one-eighth, one-quarter, or one-half of the retiree’s reduced retired pay as computed on the date of retirement or effective date of election, whichever is later.

B. Retirements From November 1, 1968 Through September 20, 1972. The monthly annuity payable as elected by the retiree is:

1. One-eighth, one-quarter, or one-half of the retiree’s gross retired pay on date of retirement; or

2. A specific dollar amount of not more than 50 percent, nor less than 12.5 percent of the retiree’s gross retired pay on date of retirement, but in no case less than $25.

370502. Multiple Options

A. Retirements Before November 1, 1968. The monthly annuity payable for each option, as elected by the retiree, is one-eighth or one-quarter of the retiree’s total reduced retired pay as computed on the date of retirement or effective date of election, whichever is later. The combined amount of annuities cannot exceed 50 percent of the retiree’s total reduced retired pay.

B. Retirements From November 1, 1968 Through September 20, 1972. The monthly annuity payable for each option, as elected by the retiree, is:

1. One-eighth or one-quarter of the retiree’s gross retired pay on date of retirement; or

2. A specific dollar amount of not more than 25 percent, nor less than 12.5 percent of the retiree’s gross retired pay on date of retirement, but in no case less than $25.
370503. **Rounding**

All monthly annuities to which a survivor becomes entitled on or after October 1, 1983, if not a multiple of $1, is rounded to the next lower multiple of $1. Annuities to which survivors were entitled on September 30, 1983 were not rounded until there was an adjustment made in accordance with **10 U.S.C. § 1401a**; then, and with each subsequent adjustment, the amount as adjusted, if not a multiple of $1, is rounded to the next lower multiple of $1. All subsequent adjustments are based on the rounded amount.

3706 **PAYMENTS TO WIDOW OR WIDOWER**

For unique conditions affecting entitlement of annuity payments to widow or widower, see Table 37-2 for Comptroller General (Comp Gen) decisions.

3707 **PAYMENT TO CHILDREN**

370701. **Whom Payable**

Annuities for a minor child or children are paid to the legal guardian or, if there is no legal guardian, to the natural parent who has care, custody, and control of the child or children as the custodian, or to a representative payee of the child or children.

370702. **Majority Age**

Annuities may be paid directly to the child when the law governing the state of residence stipulates the child to be majority age. The child is considered an adult for annuity payment purposes, and a custodian or legal fiduciary is not required. See Appendix H for majority age.

370703. **Equal Shares**

The annuity is payable in equal shares to or on behalf of all eligible children. If there are no other eligible children, the annuity entitlement terminates when the youngest child becomes an ineligible annuitant.

370704. **Unique Conditions**

For unique conditions affecting entitlement and payment of annuities for a child or children, see Table 37-3 for Comp Gen decisions.
3708 COST-OF-LIVING ADJUSTMENT (COLA)

370801. Annuities Payable On or After September 30, 1978

Annuities payable on September 30, 1978 to a spouse or child of a member who died on or before March 20, 1974 were increased by 66.1 percent, effective October 1, 1978. The 66.1 percent increase was the percentage change in retired and retainer pay authorized by 10 U.S.C. § 1401a from September 21, 1972 to September 30, 1978.

370802. Rounding

Whenever retired pay is increased through a COLA, each annuity payable on the day before the effective date of that increase to a spouse or child, or to a member who dies on or before March 20, 1974, is increased at the same time by the same percentage. Beginning October 1, 1983, after each COLA, the annuity as adjusted, if not a multiple of $1, is rounded to the next lower multiple of $1. All subsequent adjustments are based on the rounded amount.

3709 CAUSES OF OVERPAYMENTS

One or more of the following situations may cause overpayments in annuity payments:

370901. Failure to Notify

Failure of the annuitant, custodian, or guardian to notify the Secretary of the Military Department concerned (or designee) of:

A. Remarriage of the annuitant, before age 60 or death;
B. Youngest child reaching age 18;
C. Marriage or death of a child annuitant;
D. Recovery of an incapacitated child;
E. Termination of student status;
F. Erroneous computation; or
G. Correction of member’s military records.

370902. Concurrent Payment

Concurrent payment of RSFPP annuity and DIC if the RSFPP was payable based on the service of a member who retired for disability before completing 18 years of service after October 5, 1961, or before completing 19 years of service after November 1, 1968.
370903. Presumption of Death

A Secretarial determination that a member is alive after the Secretary of the Military Department concerned (or designee) previously determined that the member was presumed dead. The member is liable for any indebtedness created where the annuity payments were made based on the presumption of such member’s death. The member’s indebtedness cannot be considered for waiver under 10 U.S.C. § 2774 or 10 U.S.C. § 1442. If the member dies before those payments are fully recovered, the annuitant may be liable for the indebtedness if the annuitant was the recipient of the annuity payments made under the presumption of death. (See Volume 16, Chapter 3 and Table 3-7, for collection of indebtedness from retired or retainer pay.)

3710 RECOVERY OF OVERPAYMENTS

Upon discovery of an overpayment, recovery action will begin immediately. The annuitant will be advised of the debt and the method in which the overpayment is being, or may be, recovered, in accordance with Volume 16.

3711 METHOD OF RECOVERY

One of the following methods will be used to liquidate the debt resulting from an annuity overpayment:

371101. Direct Remittance

Send a direct remittance to the Defense Finance and Accounting Service (DFAS), Cleveland (CL) Center.

371102. Future Payment Amounts

The DFAS-CL Center reduces the later RSFPP annuity payments, or withholding of future annuity payments until debt has been liquidated.

3712 WAIVER OF INDEBTEDNESS

When applicable, the DFAS-CL Center advises the annuitant of the right to request a waiver of indebtedness.

371201. Overpayment Recovery

Recovery of an overpayment of the RSFPP annuity is not required if, in the judgment of the DFAS Director or the Director’s designee, there was no fault by the person to whom the amount was erroneously paid and recovery would be contrary to the purpose of the plan or against equity and good conscience. Proof of hardship is not required if the waiver otherwise is in order. Suspension of collection action may be authorized on receipt of a waiver request. Refund of an amount withheld before receipt of a request for waiver is not authorized. When a waiver is granted, refund amounts collected after receipt of the waiver request.
371202. Failure to Withhold

Failure to withhold the cost of coverage from retired pay of a member cannot be considered an overpayment of annuity to a designated beneficiary to authorize waiver of recovery of the overpayment.

371203. Correction of Records

RSFPP annuitants who obtain a correction of records for entitlement to additional survivorship annuity under a second election may not retain the benefits of the original election. A correction made under 10 U.S.C. § 1552, except when procured by fraud is final and conclusive on all officers of the United States. Recovery of overpayments that occur in these instances may not be waived under 10 U.S.C. § 1442. Repayment may be made over a reasonable period-of-time as determined by the retired pay activity.

3713 TERMINATIONS

371301. Time of Termination

Entitlement to the RSFPP annuity terminates as of the end of the month that precedes the month in which eligibility ceases.

371302. Reasons for Termination of the RSFPP Annuity

A. Death of Widow or Widower. Payments are terminated the last day of the month that precedes the month in which widow or widower dies. If children are involved, see paragraph 371402 for further information.

B. Remarriage of Widow or Widower Before Age 60. Payments are terminated the last day of the month that precedes the month in which widow or widower, younger than age 60, remarries. If children are involved, see paragraph 371402 for further information.

C. Loss of Eligibility by Child Annuitant. Reasons for loss are:

1. The youngest child reaching age 18 and not incapable of self-support (applicable to children of members who retired before November 1, 1968);

2. The youngest child reaching age 18 and not pursuing a full-time course of study nor incapable of self-support (applicable to children of members retiring on or after November 1, 1968);

3. The youngest child who is pursuing full-time course of study, reaching age 23 and not incapable of self-support (applicable to children of members who retired on or after November 1, 1968);

4. The marriage or death of child annuitant;
5. The recovery of an incapacitated child over age 18. Annuity may be suspended if the annuitant becomes independently capable of earning amounts sufficient for his or her own particular personal needs through substantial and sustainable gainful employment. The annuitant will receive advance written notice from DFAS prior to suspension. The annuitant will be given an opportunity to submit rebutting evidence. The annuity may be reinstated (see subparagraph 371402.B);

6. The termination of student status of a child over age 18 and under age 23 (applicable only to retirees who retired on or after November 1, 1968); or

7. The reinstatement to widow or widower of annuity previously terminated.

D. Secretarial Determination. Payments are terminated the last day of the month preceding the month in which the Secretary of the Military Department concerned (or designee) determines that a participating member previously presumed to be dead is now alive.

371303. Due and Unpaid Annuity

If, upon death of the annuitant, an amount remains payable to the annuitant but is unpaid because the annuity checks were not negotiated or because payments had not been established, the account is settled in accordance with Chapter 31. There is no designated beneficiary for settlement of arrears of an annuity.

3714 REINSTATEMENTS

371401. Remarriage Before Age 60

The RSFPP annuity is not reinstated.

371402. Reinstatement on Behalf of Children

A. If an annuity was terminated because of the death or remarriage of the widow or widower before age 60, and the member’s election also included coverage for children, then the full annuity is reestablished in equal shares in favor of the eligible children (see section 3707). The effective date is the first day of the month in which the death or remarriage of the widow or widower occurred.

B. An annuity to an incapacitated child over 18 years of age may be reinstated upon either a recurrence of the original disability that rendered the annuitant incapable of self-support or upon receipt of evidence from the annuitant that, although engaged in substantial and sustainable gainful employment, wages are not sufficient to cover his or her particular needs.
371403. Annulment

A. Annulment of a Void Marriage

1. The annuity may not be reinstated for any period earlier than the date of separation after the discovery that the marriage was void. A void marriage is invalid and never existed therefore, it requires no formal termination.

2. The annuity may not be reinstated for any period in which annuity payments were made on behalf of children under paragraph 371402. When notice is received that the widow or widower’s remarriage was void, payment to these children is suspended pending resolution of the issues involved.

3. In the absence of a judicial decree terminating the marriage as void, the case be sent to the DOHA for a decision.

B. Annulment of a Voidable Marriage. The annuity may not be reinstated when a voidable marriage is annulled.

371404. Reinstatement After Age 60 Remarriage

If the annuity was terminated because of remarriage, and the widow or widower was 60 years of age or older, the annuity may be reinstated not earlier than October 1, 1978. The annuity will be increased by the COLA, if appropriate, in accordance with paragraph 370802.

3715 ANNUAL CERTIFICATE OF ELIGIBILITY (COE)

371501. Purpose

The certificate validates the continued eligibility of annuitants, whether widow or widower, or eligible child. Only the following persons are eligible to be made the beneficiaries of, or to receive payments under, an annuity elected by a member of the Armed Forces:

A. The spouse of the member on the date when the member is retired or becomes entitled to retired or retainer pay, or if the member was already retired or entitled to retired or retainer pay on November 1, 1953, the spouse on that date;

B. The children, living on November 1, 1953, of the member already retired or entitled to retired or retainer pay on that date, or the children who are living on the date the member retires with pay, and who:

1. Are unmarried;

2. Fall in one of the following age categories:

   a. Under the age of 18;
b. At least 18, but under 23, years of age and pursuing a full-time course of study or training in a high school, trade school, technical or vocational institute, junior college, college, university, or comparable recognized educational institution. A child is considered to be pursuing a full-time course of study or training during an interval between school years that:

(1) Does not exceed 150 days and

(2) He or she has demonstrated to the satisfaction of the Secretary concerned to have a bonafide intention of commencing, resuming, or continuing to pursue a full-time course of study or training in a recognized educational institution immediately after that interval.

NOTE: This applies only to children of members who retired on or after November 1, 1968; or

c. More than 18 years of age and incapable of self-support because of being mentally defective or physically incapacitated, if that condition existed before they reached age 18;

3. Are legitimate or adopted children of the member, or step-children dependent upon the member for their support; or

4. Have not been adopted by a third person before the parent-member's death. See 36 Comp Gen 325.

NOTE: A child’s eligibility for an annuity under the plan is not affected if a third person adopts the child after the parent-member’s death.

371502. Certification Frequency

A. Annually. A COE must be sent to the DFAS-CL Center each year by either of the following:

1. Widow or Widower of Any Age. The widow or widower must sign the form. An electronic signature may be used provided access to the Defense Retiree and Annuitant Pay System was gained using both the Social Security number and a personal identification number via myPay. The legal fiduciary must sign the form or use the electronic signature if the annuitant is mentally incompetent. If the electronic signature is used, it must include the annuitant’s name.

2. Custodian or Legal Fiduciary for Minor Children. The COE form signed by the custodian or legal fiduciary must be accompanied by a document evidencing custodianship.
B. Biennially. A medical certification must be submitted every 2 years for any incapacitated child over 18 years of age, unless a medical prognosis indicates that the disability is permanent.

C. Other. A student between ages of 18 and 23 must provide evidence of intent to continue study or training at a recognized educational institution. The certificate is required for the school semester or other period in which the school year is divided.

1. Payments to students continue during any interval between school years that does not exceed 150 days if the students have demonstrated to the satisfaction of the DFAS-CL Center that they have a bona fide intention of starting, resuming, or continuing a full-time course of study or training in a recognized educational institution immediately after that interval.

2. An eligible student annuitant under the RSFPP who is properly enrolled in a recognized educational institution employing the usual quarter or semester system and who becomes ill or requires non-elective surgery during the school term retains the student status for the rest of that term.

D. COE Not Required

1. Effective August 1, 2013. As of August 1, 2013, all annuitants over age 55, not mentally incompetent, living in the United States, or living outside the United States and receiving their pay by direct deposit will not be required to submit an annual COE.

2. Effective November 23, 2016. As of November 23, 2016, child annuitants under the age of 14 will not be required to submit an annual COE.

371503. Failure to Return COE

The annuity payment is suspended if the annuitant, custodian, or legal fiduciary fails to furnish the certificate as required. Payments will be restarted only after receiving satisfactory proof of eligibility.

3716 REPORT OF EXISTENCE (ROE)

371601. Purpose of ROE

The ROE fulfills the requirement for proof of existence for the following:

A. Annuity checks mailed to an Army Post Office, Fleet Post Office, finance officer, or disbursing officer at an overseas address does not require submission of an ROE. See Title 31, Code of Federal Regulations (CFR), section 211.1 for specific conditions for withholding the delivery of checks to addresses outside the United States;
B. Mentally incompetent annuitants who receive payments through a legal fiduciary; or

C. Annuitants whose payments are sent to a third party, other than a financial institution for negotiation under a power of attorney.

NOTE: Checks will not be mailed to an annuitant living in currency-blocked countries.

371602. ROE Requirement

An ROE is required on a semi-annual basis for those annuitants that meet the criteria of paragraph 371601. Receipt of the certificate within the prescribed timeframe verifies the annuitant’s existence. Under no circumstances may the ROE be signed by other than the annuitant, custodian, or legal fiduciary; however, electronic signature as referenced in paragraph 371502 is authorized.

371603. Failure to Return ROE

The annuity payment is suspended if the annuitant, custodian, or legal fiduciary fails to return the ROE as required. Payments will be restarted only after receiving satisfactory proof of existence.

3717 FEDERAL INCOME TAX

Annuities paid under the RSFPP are taxable for Federal income tax purposes. Refunds for coverage premiums are taxable income to the annuitant. The refund of premiums may result from administrative error, corrections of record, late receipt of withdrawal request, or youngest child attaining age 18.

3718 FEDERAL INCOME TAX WITHHOLDING (FITW)

371801. General Provisions

RSFPP annuity payments are subject to FITW. An annuitant has the right to elect no withholding. In the absence of such an election, or if the annuitant does not otherwise submit a withholding certificate, the DFAS-CL Center will withhold on a “married-three exemptions” basis. See Internal Revenue Service (IRS) Publication 15.

371802. Notice Requirements

The DFAS-CL Center must advise the annuitant of the withholding requirement and the right to elect “no withholding” when making the first payment to the annuitant. Thereafter, the DFAS-CL Center must send an annual notice to the annuitant of the right to elect no withholding, to revoke an election, or to submit a new withholding certificate. An annuitant also may submit a withholding certificate at any time to elect no withholding, revoke such election, or request any rate of withholding.
371803. One Time Payments

RSFPP annuity payments, other than the regular monthly entitlement, are subject to FITW at the rate of 20 percent unless the annuitant has elected no withholding.

3719 INCOME EXCLUSION

371901. Gross Income Exclusion

The annuitant may exclude from gross income:

A. Premiums for coverage deducted from retired pay before January 1, 1966 not previously excluded from the member’s retired pay; and

B. The amount of direct remittance for any RSFPP premiums not previously excluded from the member’s retired pay.

371902. Special Exclusion

In addition, the annuitant may exclude from the RSFPP annuity gross income an amount not to exceed $5,000 if the member retired on disability and dies prior to attaining retirement age (Public Law (PL) 89-365). As of August 20, 1996, PL 104-188, section 1402(a) repealed the $5,000 exclusion.

3720 FEDERAL ESTATE TAX

The value of the annuity at the time of the member’s death may be subject to Federal estate tax if any portion of the cost was paid by direct remittance, or if the value of the annuity exceeds the amount that may be excluded from the gross estate. The DFAS-CL Center may furnish the annuitant the current annuity amount and/or a summary of annual payments, and total cost paid (separate totals for deductions and direct remittances). For more information on the computation of the amount of an annuity that will be subject to the tax, if any, the executor of the member’s estate may go to the IRS website.

3721 STATE TAXATION

Whether RSFPP annuities are subject to state inheritance or income tax and the method of calculating such tax depends upon the laws of the state concerned; however, the IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., information is furnished to the appropriate state tax authority.
3722  FURTHER TAX INFORMATION

Survivors should be advised that further information concerning taxation of RSFPP annuities may be obtained from the District Director of Internal Revenue or the state tax authority (see Appendix J, for state tax reporting addresses).
### Table 37-1.  Comp Gen Decisions – Annuity Payments, General

<table>
<thead>
<tr>
<th>Decision Number</th>
<th>Synopsis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 35 Comp Gen 12 B-123191, July, 13, 1995 and 41 Comp Gen 500 B-147403, February 1, 1962</td>
<td>Unpaid Cost for Coverage. Any unpaid RSFPP cost at time of a retiree’s death, including nonpayment of direct remittance or erroneous computation of cost, must be collected before payment of any annuities.</td>
</tr>
<tr>
<td>2 34 Comp Gen 664 B-123189, June 8, 1995</td>
<td>Retired Pay Status Relinquished. Personnel who relinquish retired status (either voluntarily or involuntarily) are not permitted to pay RSFPP costs to entitle beneficiaries to annuities.</td>
</tr>
<tr>
<td>3 43 Comp Gen 125 B-151843, August 5, 1963</td>
<td>Effective Date of Payment. Annuity payments are paid under provisions of the RSFPP law as amended effective Oct 4, 1961, even though the election was made on Oct 4, 1961, before the hour in which the President signed the bill which amended the law.</td>
</tr>
<tr>
<td>4 34 Comp Gen 151 B-121144, October 4, 1954 and 38 Comp Gen 146 B-113387, August 25, 1958</td>
<td>Annuity Payment Adjustments. Annuity payments must be adjusted based on proper retired pay at the time the election became effective as though the member had actually been receiving such pay at that time. This applies to elections by members who elected while in a &quot;saved pay&quot; status, who later elected and received pay under the Career Compensation Act retroactive to Oct 1, 1949.</td>
</tr>
<tr>
<td>5 Comp Gen B-156862, June 30, 1965</td>
<td>Failure to Submit Valid Election Form. After a member’s death, a copy of the RSFPP election is found in his personal effects. If it is not attested or notarized, and neither the original nor duplicate is located, it cannot be established that the member made an election. Based on information available, no annuity is payable.</td>
</tr>
<tr>
<td>6 43 Comp Gen 418 B-152520, October 25, 1963</td>
<td>Allocations of Annuity. The allocation of annuity payable under option 3 between the present spouse and the children of a former marriage applies to elections made before and after the October 4, 1961 RSFPP amendment. PL 90-485, August13, 1968.</td>
</tr>
<tr>
<td>7 Comp Gen B-139217, June 29, 1959 and August 12, 1960</td>
<td>Withholding Annuity to Satisfy Members Indebtedness. Annuity payments may not be withheld to satisfy the member’s indebtedness for overpayment of retired pay since the annuitant is under no obligation to the United States. However, the annuitant may voluntarily agree to repay the indebtedness by withholding from the annuity.</td>
</tr>
</tbody>
</table>
Table 37-1.  Comp Gen Decisions – Annuity Payments, General (Continued)

<table>
<thead>
<tr>
<th>Decision Number</th>
<th>Synopsis</th>
</tr>
</thead>
</table>
| 8               | 39 Comp Gen 481 B-141131, December 30, 1959  
Valid Intent of Member to Elect Spouse and Child Coverage. Both the spouse and children are covered when it can be established that the member intended to cover the children listed on the election certificate even though the election was checked to show spouse only. |
| 9               | 65 Comp Gen 621 B-221545, June 3, 1986  
Annuity Payments. Should not be made payable to an agent acting under power of attorney when the annuitant is mentally incompetent even if a state statute had preserved the validity of a power of attorney executed before the annuitant was declared to be incompetent. |
| 10              | 66 Comp Gen 340 B-226018, March 18, 1987  
In the Absence of a Determination of Incompetence. Made by a state court, physician, or psychologist that an annuitant is incapable of managing his or her own affairs, payments may be made directly to the annuitant. An individual, in accordance with a valid power of attorney, may assist the annuitant in completing and filing the annuity application form. (65 Comp Gen 621, clarified). |
Table 37-2. Comp Gen Decisions – Annuity Payments, Widow or Widower

<table>
<thead>
<tr>
<th>Decision Number</th>
<th>Synopsis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Comp Gen B-158906, June 7, 1966</td>
</tr>
<tr>
<td>2</td>
<td>44 Comp Gen 480 B-155792, February 16, 1965</td>
</tr>
<tr>
<td>3</td>
<td>43 Comp Gen 567 B-153183, February 14, 1964</td>
</tr>
<tr>
<td>4</td>
<td>Comp Gen B-154387, July 16, 1964</td>
</tr>
<tr>
<td>5</td>
<td>42 Comp Gen 112 B-149378, August 10, 1962</td>
</tr>
<tr>
<td>6</td>
<td>38 Comp Gen 208 B-136499, September 16, 1958</td>
</tr>
</tbody>
</table>
### COMP GEN DECISIONS - ANNUITY PAYMENTS, CHILD OR CHILDREN

<table>
<thead>
<tr>
<th>Decision Number</th>
<th>Synopsis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 47 Comp Gen 270 B-160939, November 14, 1967</td>
<td>Custodianship of Minor Child. Payment of RSFPP Annuity. May be made to a natural parent having care and custody of minor child or children, without the appointment of a legal guardian, even though such payments might eventually exceed the sum of $1,000.</td>
</tr>
<tr>
<td>2 35 Comp Gen 521 B-126138, March 21, 1956</td>
<td>Custodianship of Minor Children. Payment. Can also be made to an adopting parent, as custodian of minor child since all rights and duties were acquired with the adoption.</td>
</tr>
<tr>
<td>3 47 Comp Gen 371 B-163102, January 18, 1968</td>
<td>Child Physically Incapacitated. A chiropractor’s statement attesting to a child’s physical incapacity is sufficient to substantiate eligibility as a beneficiary under RSFPP.</td>
</tr>
<tr>
<td>5 Comp Gen, B-160876, April 18, 1967</td>
<td>Incapacitated Child. An incapacitated child does not have to meet that condition as of member’s retirement date of Nov 1, 1953, if later (as required by Department of Defense Directive 1332.17, section 102c) to qualify as an eligible RSFPP beneficiary. In addition, proof of continued incapacitation of a child annuitant is required at least every 2 years after age 18.</td>
</tr>
<tr>
<td>6 Comp Gen B-158411, March 10, 1966</td>
<td>Mentally Incapacitated Child. Mentally incapacitated child who married and whose marriage was annulled is considered unmarried and an eligible contingent beneficiary.</td>
</tr>
<tr>
<td>7 44 Comp Gen 280 B-154831, November 10, 1964</td>
<td>Unmarried Child. The term &quot;unmarried child&quot; is defined as not having a husband or wife at time of member’s retirement, and without regard to the fact that the child may have been previously married.</td>
</tr>
<tr>
<td>8 Comp Gen B-131677, June 3, 1957</td>
<td>Legitimate Child. Children born from illegal marriage (one spouse not legally divorced from prior marriage) may be considered legitimate children for RSFPP annuity payments.</td>
</tr>
<tr>
<td>9 Comp Gen B-132012, June 17, 1957</td>
<td>Clarification of Election Fraction. A member who elected option 2 with both 1/2 and 1/8 factors checked, who failed to clarify the fraction desired, and who later stated a wish not to participate in the plan, must be assumed to have elected the minimum of 1/8 rate.</td>
</tr>
<tr>
<td>10 36 Comp Gen 325 B-129194, October 18, 1956</td>
<td>Adoption of Child. Child of deceased retired member receiving annuity under option 2 who is adopted after death of a retired member, is entitled to continue receiving the annuity. An adoption before death of retired member, or divorce from wife in which member elected option covering stepchild constitutes basis for terminating reduction of retired pay if option 4 included, and likewise voids entitlement to annuity upon later death of retiree.</td>
</tr>
</tbody>
</table>
Table 37-3. Comp Gen Decisions – Annuity Payments, Child or Children (Continued)

<table>
<thead>
<tr>
<th>Decision Number</th>
<th>Synopsis</th>
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<tr>
<td><strong>11</strong></td>
<td>35 Comp Gen 521 B-126138, March 21, 1956</td>
</tr>
<tr>
<td><strong>12</strong></td>
<td>62 Comp Gen 193 B-207764, February 8, 1983</td>
</tr>
<tr>
<td><strong>13</strong></td>
<td>62 Comp Gen 302 B-207626, April 13, 1983</td>
</tr>
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</table>
*REFERENCES

CHAPTER 37 – RETIRED SERVICEMAN’S FAMILY PROTECTION PLAN (RSFPP) – ANNUITIES

3701 – GENERAL

PL 98-525, October 19, 1984
11 U.S.C., Chapter 13

370101

66 Comp Gen 260
42 U.S.C. § 659
26 U.S.C. § 105
PL 83-239, section 9, August 8, 1953

3702 – EFFECTIVE DATE OF ANNUITY

PL 98-525, October 19, 1984

370201.C

10 U.S.C. § 1437
32 CFR 48.504(b)(3)

370202

PL 83-239, section 10, August 8, 1953
10 U.S.C. § 1437

370204

Comp Gen B-134298, November 27, 1957

3703 – ANNUITY PAYMENTS

PL 90-485, August 13, 1968
PL 98-525, October 19, 1984
PL 102-190, December 5, 1991
10 U.S.C. § 1444a

3704 – CLAIMS FOR ANNUITY

370401

66 Comp Gen 340 B-226018, March 18, 1987

370403

4 CFR 338

370405

31 U.S.C. § 3702

3705 – ANNUITY AMOUNTS

370501.A

PL 83-239, August 8, 1953
370501.B.2

PL 90-485, August 13, 1968
370502.A

PL 83-239, August 8, 1953
PL 87-381, October 4, 1961
370502.B.2

PL 90-485, August 13, 1968
370503

10 U.S.C. § 1401a
PL 98-94, September 24, 1983
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3707 – PAYMENT TO CHILDREN

370702 PL 90-485, August 13, 1968

3708 – COST-OF-LIVING ADJUSTMENT (COLA)

370801 and 370802 PL 95-397, September 30, 1978

3709 – ANNUITY OVERPAYMENTS

PL 98-525, October 19, 1984

370901 PL 95-397, September 30, 1978

370903 10 U.S.C. § 2774

10 U.S.C. § 1442

370904 10 U.S.C. § 1446

3712 – WAIVER OF INDEBTEDNESS

371201 Comp Gen B-184532, September 16, 1975

Comp Gen B-185545, March 18, 1976

55 Comp Gen 1238 B-182704, July 2, 1976

10 U.S.C. § 1442

371202 41 Comp Gen 28 B-145943, July 13, 1961

371203 42 Comp Gen 98 B-149364, August 9, 1962

10 U.S.C. § 1552

3713 – TERMINATIONS

371302 PL 98-525, October 19, 1984

371302.A PL 83-239, August 8, 1953

PL 90-485, August 13, 1968

371302.B PL 83-239, August 8, 1953

PL 90-485, August 13, 1968

PL 95-397, September 30, 1978

371302.C.5 62 Comp Gen 193 B-207764, February 8, 1983

3714 – REINSTATEMENTS

371401 PL 95-397, September 30, 1978

371402 PL 95-397, September 30, 1978

62 Comp Gen 193 B-207764, February 8, 1983

62 Comp Gen 302 B-207626, April 13, 1983
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371403.A.3  44 Comp Gen 269 B-152506, November 6, 1964
            43 Comp Gen 531 B-152506, January 30, 1964
371403.B    42 Comp Gen 500 B-147403, February 1, 1962
            43 Comp Gen 531 B-152506, January 30, 1964
371404      PL 95-397, September 30, 1978

3715 – ANNUAL CERTIFICATE OF ELIGIBILITY

371502.C.1    10 U.S.C. § 1435
371502.F      36 Comp Gen 325

3716 – REPORT OF EXISTENCE

371601 31 CFR 211.1
        Treasury Fiscal Requirements Manual 2090.10
371602 54 Comp Gen 285 B-178270, October 17, 1974

3718 – FEDERAL INCOME TAX WITHHOLDING (FITW)

26 U.S.C. § 3402(o)(3)

3720 – FEDERAL ESTATE TAX

26 CFR 20.2039-2(c)(1)
26 U.S.C. § 2039(c)
VOLUME 7B, CHAPTER 42: “SURVIVOR BENEFIT PLAN (SBP) – APPLICATION OF THE PLAN”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated June 2017 is archived.

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<th>PURPOSE</th>
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<tr>
<td>All</td>
<td>Updated hyperlinks, references, and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
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<tr>
<td>420202</td>
<td>Added information for additional coverage for SBP.</td>
<td>Addition</td>
</tr>
<tr>
<td>420204</td>
<td>Added paragraph for “Effects of Lump Sum Retirement Payment on SBP” based on the new blended retirement system.</td>
<td>Addition</td>
</tr>
<tr>
<td>420307.B</td>
<td>Added information for clarification.</td>
<td>Addition</td>
</tr>
<tr>
<td>420401</td>
<td>Added clarifying language and information concerning the election of the payment of lump sum retirement and Career Status Bonus after December 31, 2017.</td>
<td>Addition</td>
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<tr>
<td>420405</td>
<td>Updated information for “Cost of Coverage” to include Combat-Related Special Compensation.</td>
<td>Addition</td>
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<tr>
<td>420410</td>
<td>Added information for members who elect lump sums under the blended retirement system.</td>
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<tr>
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<td>Added information for insurable interest for active duty or IDT deaths.</td>
<td>Addition</td>
</tr>
<tr>
<td>420414</td>
<td>Added information for clarification.</td>
<td>Addition</td>
</tr>
<tr>
<td>420417</td>
<td>Deleted definition for “Recognized Educational Institute,” this term is not used in Volume 7B.</td>
<td>Deletion</td>
</tr>
<tr>
<td>(previous)</td>
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<td></td>
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<tr>
<td>420422</td>
<td>Added 2019 threshold amount.</td>
<td>Addition</td>
</tr>
<tr>
<td>References</td>
<td>Changed “Bibliography” to “References” to comply with new requirements.</td>
<td>Revision</td>
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CHAPTER 42

SURVIVOR BENEFIT PLAN (SBP) - APPLICATION OF THE PLAN

4201 GENERAL

420101. Purpose

This chapter provides an overview of the establishment of the SBP (referred to as the Plan), eligibility and benefits, and specialized terminology and definitions used when referring to the Plan.

420102. Authoritative Guidance

The pay policies and requirements established by Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

4202 SURVIVOR BENEFIT PLAN (SBP) OVERVIEW

420201. Establishment of SBP

On September 21, 1972, Public Law (PL) 92-425 established the SBP to provide a survivor benefit program for military personnel in retirement to complement the survivor benefits under Social Security laws. The Plan gives all retiring uniformed services retirees an opportunity to elect to have their retired pay reduced by a designated amount in order to provide their survivors an annuity payable after the retiree’s death.

A. Under the Plan, a member who retired before September 21, 1972, and who had previously elected to participate in the Retired Serviceman’s Family Protection Plan (RSFPP) had the option to retain or cancel the RSFPP coverage when electing to participate in the SBP.

B. The Plan provides, without cost, a minimum guarantee to an unmarried widow or widower of a member who died before March 21, 1974. For additional information, see Chapter 46. A surviving spouse of a member who died before November 1, 1953, is entitled to an annuity, which may be in addition to the annuity payable under the minimum income annuity provisions.

*420202. Additional Coverage

The Plan also includes:

A. Survivor benefits for the child, limited insurable interest, surviving spouse, or former spouse of a member who dies on active duty;
B. A Reserve Component (RC) annuity on behalf of a member who is eligible to provide a Reserve Component Survivor Benefit Plan (RCSBP) Annuity and dies:

1. Before notification of retirement eligibility;

2. During the 90-day period following notification of retirement eligibility if the member had not made an election; or

3. After electing to participate in RCSBP following notification of retirement eligibility but before reaching the age of eligibility to receive retired pay; and

C. An annuity calculated in the same manner as an annuity based on an active duty death paid to the qualified survivors of a member who, under certain circumstances, dies in the line of duty during inactive duty training (IDT) (see Chapter 54); or

D. An annuity calculated in the same manner as an annuity based on an RC death paid to the qualified survivors of a member who, under certain circumstances, dies during IDT but not in the line of duty (see Chapter 54).

420203. Death Presumption Authority

A. The Plan provides for annuity payments under a determination by the Secretary of the Military Department concerned (or designee) that a participating member is presumed dead. Upon application of the beneficiary of a participant in the Plan who is missing, the Secretary of the Military Department concerned may determine that the participant is presumed dead.

B. A determination of presumed death is a determination by the Secretary of the Military Department concerned (or designee) that a participating member is presumed dead if:

1. The member’s retired or retainer pay has been suspended or would have been suspended had the member been in receipt of pay; and

2. The member has been missing at least 30 days under circumstances that lead to a reasonable conclusion that the member is dead.

*420204. Effects of Lump Sum Retirement Payment on SBP

SBP premiums for members who elect lump sums under the blended retirement system will be equivalent to what they would have been without the lump sum, and consequently, the survivors’ annuities will be equivalent to what they would have been without the lump sum. Premiums are to be deducted from the portion of retired pay that the member continues to receive after the lump sum payment. For more information about SBP premiums, see Chapter 45.
4203 ELIGIBLE MEMBERS

420301. Members Eligible to Participate in the Plan

The following members are eligible to participate in the Plan:

A. Members entitled to retired pay; and

B. Members who would be eligible for non-regular retired pay, but have not yet become entitled to receive retired pay because of age. See Chapter 54.

420302. Participants in the Plan

A. Standard Annuity Participants. The Plan applies to a person who is eligible to participate in the Plan under subparagraph 420301.A and who is married or has a dependent child when the member becomes entitled to retired pay, unless the member elects (with the spouse’s concurrence, if required) not to participate in the Plan.

B. RCSBP Annuity Participants. The Plan applies to a person who is eligible to participate in the Plan under subparagraph 420301.B and is married or has a dependent child when the member is notified that he or she has completed the years of service required for eligibility for RC retired pay, unless the member elects (with spousal concurrence, if required) not to participate in the Plan. Note: If such member elects not to participate in the Plan (chooses option “A”) upon becoming entitled to retired pay, the member may elect to participate in the Plan as a Standard annuity participant under subparagraph 420302.A.

420303. Exceptions

A member otherwise eligible according to subparagraph 420302.A or B, except that:

A. The member does not have a spouse or dependent child and did not elect coverage for a former spouse (if applicable) at the time of eligibility for the program, may elect coverage for a person who has an insurable interest in the member; or

B. The member does not have a spouse or dependent child at the time of eligibility for the program, may elect SBP or RCSBP coverage upon notification to the Secretary concerned within the 1-year period after acquiring a spouse or dependent child. Such an election must be written, signed by the person making the election, and received by the Secretary concerned. An election is effective as of the first day of the first month following the month in which the Secretary concerned receives the election.

420304. Member on the Temporary Disability Retired List (TDRL)

A member’s eligibility ends when the member is removed from TDRL without further entitlement to retired pay. The coverage continues when the member is transferred from TDRL to Permanent Disability Retired List (PDRL). If the member’s retired pay is reduced to an amount
less than the base amount originally elected, the full retired pay to which the member is entitled thereafter is considered the base amount.

420305. Mentally Incompetent Member

If a person to whom the Plan applies is determined to be mentally incompetent, the Secretary of the Military Department concerned, upon request, may act on behalf of the member and elect other than the maximum automatic coverage. In the absence of an eligible spouse or children, the Secretary of the Military Department concerned, upon request, may elect coverage for a natural person with an insurable interest. The person applying to have an election made is not given preference in designation as the beneficiary.

420306. Qualifying Member During an Open Enrollment Period

The Plan applies to any member who qualifies during an open enrollment period according to the provisions established by law. Open enrollment periods typically occur when there are major changes to the SBP program and must be specifically prescribed by law.

420307. Retired Member After a Record Correction

A. A member whose military record is corrected on or after September 20, 1972, to show retirement before September 21, 1972, is not automatically covered under the Plan. Coverage may be established upon request of the member if the election is received within 18 months from the date of notification of the correction action.

* B. A member who retroactively becomes entitled to retired pay on a date on or after September 20, 1972, generally will be given automatic full coverage, unless the member elects reduced coverage or declines participation, with proper concurrence of the eligible spouse, if applicable within 18 months of the correction to show retirement unless directed by the individual’s Service Secretary within 12 months of the military records correction or directed by the Service’s Board for Correction of Military Records.

4204 DEFINITIONS

420401. Base Amount

The base amount is the money amount selected by the member, with the concurrence of the member’s spouse if required, or the amount selected on behalf of a member by the Secretary of the Military Department concerned (or designee), on which the annuity is based. The base amount may range from a $300 minimum up to full gross retired pay entitlement. The base amount is adjusted consistent with the cost-of-living increases in retired pay. For a member entitled to retired pay under a regular retirement, non-regular retirement, or disability retirement, the full base amount is the amount of money to which the member:

A. Was entitled to when he or she became eligible for retired pay without regard to any reduction in retired pay pursuant to:
1. An election of a lump sum of retired pay in accordance with 10 U.S.C. § 1415; or

2. An election of a Career Status Bonus (CSB) in accordance with 10 U.S.C. § 1409(b)(2) and 37 U.S.C. § 354. NOTE: After December 31, 2017, CSB could not be elected. For more information concerning the selection of CSB refer to Volume 7A, Chapter 66; or

B. Later became entitled to by being advanced on the retired list, performing active duty subsequent to eligibility for retired pay, being transferred from the TDRL to the PDRL, or having his or her retired pay re-computed at age 62 due to credit for community service under Temporary Early Retirement Authority or a reduced retirement.

420402. Change in Coverage

A change in coverage is an action taken because of a change in the member’s family status that requires a change in beneficiaries.

420403. Change in Election

A change in election is an authorized change in the type of beneficiary eligible for survivor coverage because of a change in the retiree’s family status.

420404. Consideration for Contract

The total amount of premiums paid by the participant member for the type of SBP selected is known as consideration for contract.

*420405. Cost of Coverage

The cost of coverage is the cost for coverage under the Plan paid by deductions from retired pay, from the retired member’s Combat-Related Special Compensation (CRSC), or by direct remittance when member is not receiving retired pay.

NOTE: Beginning April 2018, if a premium cannot be deducted in the full amount required and the retired member has been awarded CRSC pay under 10 U.S.C. § 1413a the deduction that would otherwise have been made from the retired pay will be taken from the retired member’s CRSC for that period. See 10 U.S.C. § 1452(d)(2). This new deduction is due to a change in the law (PL 114-328, section 643) which requires SBP premiums to be deducted from CRSC.

420406. Cost Refund

A cost refund is the difference between cost paid by the member and the recalculated cost of the annuity after Dependency and Indemnity Compensation (DIC) reduction.
420407. Date of Receipt

The date of receipt is the day of receipt of an election or election change by the office administering payment of retired pay. The postmarked date of an election may be considered as date of receipt when the validity of such election might be prejudiced because of a limited time factor.

420408. Dependency and Indemnity Compensation (DIC) Offset

DIC offset is the reduction of the SBP annuity due to compensation entitlement from the Department of Veterans Affairs to the widow or widower of a member who dies from a service-connected or comparable disability.

420409. Former Spouse

A former spouse is the surviving former husband or wife of a person who is eligible to participate in the Plan. For more information about former spouses, see Chapter 29.

*420410. Maximum Level

The maximum level is the full, gross retired pay used as a base amount for coverage. For members who elect lump sums under the blended retirement system, the full base amount will be equivalent to what full retired pay would have been without the lump sum. A member who elected to receive a CSB prior to January 1, 2018 will, at the time of program election, have the maximum base amount computed as if that member had not been subject to the Military Retirement Reform Act of 1986 (referred to as REDUX) under 10 U.S.C. § 1409(b)(2).

420411. Minimum Income Widow

A minimum income widow is a person who on September 21, 1972 was, or during the period beginning on September 22, 1972 and ending on March 20, 1974 became, the widow of a person who was entitled to retired or retainer pay when they died. This individual must have income below the threshold and meet the eligibility criteria in Chapter 46.

*420412. Natural Person With an Insurable Interest

A natural person with an insurable interest is a person who has a reasonable and lawful expectation of pecuniary benefits from the continued life of the participating member. For further information, see Chapter 44. Insurable interest for active duty or IDT death is limited to someone not otherwise covered by the law as an SBP beneficiary who has a Military Dependent Identification Card as the deceased member’s dependent or would have qualified as the member’s dependent in accordance with 10 U.S.C. § 1072(2).
420413. Pre- and Post-September 21, 1972 Retiree

A pre-September 21, 1972 retiree is a member who retired before September 21, 1972; a post-September 21, 1972 retiree is a member who retired on or after September 21, 1972.

*420414. Reduced Base Amount

The reduced base amount is an amount less than the member’s full gross retired pay or what the full retired pay would have been if the CSB or lump sum retired pay had not been elected but not less than $300 unless the full gross retired pay (or what the full retired pay would have been) is less than $300.

420415. Reduction Factor

The reduction factor is a four-digit actuarially determined decimal used to compute the monthly cost for reservists who become entitled to receive retired pay before age 60.

420416. Reserve Component Survivor Benefit Plan (RCSBP) Annuity

The RCSBP Annuity is the annuity provided to the survivor(s) of a reservist, who completed the years of service required for eligibility for RC retired pay or was a member of an RC and died in the line of duty during IDT. For additional information about the RCSBP, see Chapter 54.

420417. Retired Pay

Retired pay includes retainer pay.

420418. Social Security Offset

Social Security offset means a reduction from the SBP annuity due to the widow’s or widower’s Social Security entitlements. Social Security offset was eliminated effective April 1, 2008.

420419. Standard Annuity

The standard annuity is the annuity provided to a survivor(s) by virtue of eligibility of persons entitled to retired pay.

420420. Supplemental Survivor Benefit Plan (SSBP)

An SSBP annuity is the annuity provided to a spouse or former spouse. SSBP was repealed effective April 1, 2008.
420421. Surviving Spouse

A surviving spouse applies to:

A. The surviving husband or wife of a retired member:
   1. Married to the member at the time the member became eligible for retired pay. Members of the RC become eligible for retired pay upon completion of the requisite years of service necessary to become entitled to retired pay at a later age; or
   2. If not married to the member at the time the member became eligible for retired pay:
      a. Was married to the member for at least 1 year before the member's death, or
      b. Is the parent of issue by that marriage;

B. The surviving spouse of a member who dies while on active duty or IDT:
   1. While in the line of duty,
   2. After becoming eligible to receive retired pay,
   3. After qualifying for retired pay except that the member has not applied for or been granted that pay, or
   4. After completing 20 years of active service but before the member is eligible to retire as a commissioned officer, because the member has not completed the required years of active commissioned service (usually 10 years);

C. The surviving spouse of a member who is eligible to provide an RCSBP Annuity and dies:
   1. Before being notified under 10 U.S.C. § 12731(d) that the member has completed the years of service required for eligibility for RC retired pay, or
   2. During the 90-day period beginning on the date the member receives notification under 10 U.S.C. § 12731(d) that they have completed the years of service required for eligibility for RC retired pay if an election to participate in the Plan was not made, provided:
      a. That the parties were married at the time the member became eligible for retired pay; or

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b. If not married at the time the member became eligible for retired pay, was married to the member for at least 1 year before the member's death, or is the parent of issue by that marriage.

D. The surviving spouse of a member of an RC not described in subparagraphs 420421.B.1, 2, or 3 who dies before being eligible to elect to participate in the Plan from an injury or illness incurred or aggravated in the line of duty during IDT.

*420422. Threshold

The threshold amount is an alternative to the base amount that may be used to calculate the reduction in retired pay described in basic premiums. The original threshold amount was established on October 1, 1985, in the amount of $300. This amount has been increased by the same percentage as the annual increase in basic military pay for each year subsequent to 1985. The threshold increases at the same time and by the same percentage as the average increase in basic pay. As of January 1, 2019, the threshold amount is $843. For example, using the cost formula of 2.5 percent of the first $XXX.XX, plus 10 percent of the remainder of the base amount (see paragraph 420401), the portion of the base amount upon which the member is charged 2.5 percent cost is the threshold. See Chapter 45, section 4503, subparagraphs 450301.A and B for more information.
CHAPTER 42 - SURVIVOR BENEFIT PLAN (SBP) - APPLICATION OF THE PLAN

4202 - SBP OVERVIEW

420201 DoD Instruction 1332.42,
       June 23, 2009
       10 U.S.C., Chapter 1223
       10 U.S.C. § 1448
       10 U.S.C. § 1448a
       10 U.S.C. § 1449
       10 U.S.C. § 1450
       10 U.S.C. § 1451
       10 U.S.C. § 1452
       53 Comptroller General (Comp Gen) 847,
       B-179018, May 10, 1974
       53 Comp Gen 971, B-179018, June 18, 1974
       10 U.S.C. § 1448(f)

420203 10 U.S.C. § 1450(l)(1)

420204 PL 115-91, Section 622, December 12, 2017,
       National Defense Authorization Act (NDAA) for
       Fiscal Year 2018

4203 - ELIGIBLE MEMBERS

420301 - 420304 10 U.S.C. § 1448
       53 Comp Gen 971, B-179018, June 18, 1974

420305 10 U.S.C. § 1449

420306 10 U.S.C. § 1448

420307 54 Comp Gen 116, B-180050, August 14, 1974

*4204 - DEFINITIONS

420401 10 U.S.C. § 1447(6)

420404 26 U.S.C. § 122(b)(2)

420405 10 U.S.C. § 1452(d)(2)
       PL 114-328, section 643, December 23, 2016,
       NDAA for Fiscal Year 2017

420408 10 U.S.C. §§ 1450(c) and 1451(c)(2)

420409 10 U.S.C. § 1447(6)(A)

420411 10 U.S.C. § 1448

420415 10 U.S.C. § 1447

420416 10 U.S.C. § 1447

420417 10 U.S.C. § 1447

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VOLUME 7B, CHAPTER 43: “SURVIVOR BENEFIT PLAN (SBP) - ELECTIONS AND ELECTION CHANGES”

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2017 is archived.

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CHAPTER 43

SURVIVOR BENEFIT PLAN (SBP) - ELECTIONS AND ELECTION CHANGES

4301 GENERAL

430101. Purpose

The purpose of this chapter is to provide information for SBP election options, changes to elections, coverage, and termination of coverage.

430102. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

4302 ELECTION OPTIONS

430201. Base Amount

A member who participates in SBP must elect a base amount of maximum coverage or reduced coverage. The base amount at any level is adjusted with each cost-of-living increase after retirement. See Chapter 49. The annuity amount is 55 percent of the base amount elected.

430202. SBP Elections

In the case of a member electing a standard SBP annuity, the member must make such election before retired pay becomes payable, or if there is no eligible beneficiary at that time, within 1 year of acquiring an eligible beneficiary.

430203. Reserve Component SBP (RCSBP) Elections

In the case of a member electing a Reserve Component annuity, the member must designate either an immediate or deferred annuity. The beneficiary of a Reserve Component member who elects an immediate annuity or who dies while eligible to make such an election will have that annuity commence the day following the death of the member. In the case of a member electing a deferred annuity, the annuity commences the later of the day following the member’s death, or the date the member would have been age 60.

430204. Special Rules Concerning Elections

A. In the case of a member electing SBP or RCSBP coverage for a spouse who was not married to the member at the time the member became eligible for retired pay, the surviving spouse must have been married to the member for at least 1 year immediately prior to the member’s death or be the parent of issue by that marriage to be an eligible beneficiary.
B. A member who did not elect child coverage for a dependent child, either at the time of becoming eligible for retired pay (if applicable) or within 1 year of acquiring the first dependent child, may not elect child coverage for subsequently acquired child or children unless otherwise provided by law.

C. A member who elected insurable interest coverage under Chapter 42 may upon death of such beneficiary, elect to cover a new beneficiary who is a natural person with an insurable interest in the member. Such an election must be made prior to the end of the 180-day period beginning on the date of the death of the previous beneficiary. The member is required to pay, if applicable, an additional amount and interest. The additional amount is equal to the difference in the amount of the reduction in the member’s retired pay for the previous beneficiary and the reduction in retired pay that would have been made had the previous beneficiary not died and been a covered beneficiary through the date of the new election. The interest on the additional amount is computed from the date on which the retired pay would have been reduced and charged at such rate or rates as determined by the Secretary of Defense.

D. In the case of a member who is already participating in the SBP and elects to change spouse coverage or spouse and child coverage to former spouse coverage or former spouse and child coverage, any such election terminates any previous coverage under the SBP.

430205. Beneficiaries

Coverage may be provided for:

A. Spouse and/or child;

B. Former spouse and/or child; or

C. Natural person with an insurable interest (at maximum level of coverage only).

4303 ELECTION DATA

430301. Elections by the Member

Department of Defense (DD) Form DD 2656, Data for Payment of Retired Personnel, DD 2656-1, Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage, DD 2656-2, Survivor Benefit Plan (SBP) Termination Request, DD 2656-6, Survivor Benefit Plan Election Change Certificate, when available, are recommended for use by the member. Elections in writing signed by the member, other than a request for termination, which contain all information necessary for establishing or declining coverage, are acceptable. Spousal concurrence of certain elections has been required since March 1, 1986.

A. Former Spouse Elections (Retiring Members). A member who is retiring and is electing former spouse coverage should complete the former spouse election on a
DD 2656. In addition to the former spouse election, the member must also provide a separate written statement on a DD 2656-1 (when applicable), that is signed by the member and the former spouse certifying whether the former spouse election is pursuant to court order or a voluntary written agreement. Information concerning content of the separate written statement and the proper court order appears in paragraph 430504.

B. Change in Election Coverage Spouse to Former Spouse (Retired Members). Members who are already retired should complete changes from spouse coverage to former spouse coverage on a DD 2656-1.

430302. Deemed Elections Requested By the Former Spouse

A former spouse or former spouse’s legal representative requesting the Secretary concerned to deem on his/her behalf must request the deemed election by completing the DD 2656-10, Survivor Benefit Plan (SBP)/Reserve Component (RC) SBP Request for Deemed Election, and must be accompanied by a court order or a statement from the clerk of the court. Both the DD 2656-10 and court order must be provided. Information concerning content of the request by the former spouse or the former spouse’s legal representative and the statement from the clerk of the court, where necessary, appears in subparagraph 430504.C.

430303. Election Data Requirements

The election data requirements are:

A. Identification. Enter the member’s name, social security number, birth date, and date of retirement.

B. Base Amount. The election form must specify full coverage, in lieu of a dollar amount, when maximum coverage is selected. When a reduced base amount is chosen, the dollar amount must be specified on the election form. The reduced base amount must not be less than $300. When retired pay is less than $300, the election form must indicate full coverage.

C. Beneficiary. Provide the name, birth date, and social security number for each beneficiary named.

1. If coverage includes spouse, or former spouse, the member must provide the date of marriage and divorce, as applicable.

2. When the beneficiary is a natural person with an insurable interest, the address and relationship must be shown. For the natural person with an insurable interest, the member must provide a signed statement to show proof of financial benefit if the person designated is a first cousin or anyone more distantly related than a first cousin if such statement is requested.

3. If the beneficiary designation is for a former spouse, then, in addition to the former spouse election, the member must set forth in writing whether the election is being made pursuant to a written agreement previously entered into voluntarily by the member.
as a part of or incident to a proceeding of divorce, dissolution, or annulment and (if so), whether that voluntary written agreement has been incorporated in, ratified or approved by, a court order. This information should be provided on a DD 2556-1.

D. **Signature.** The member must sign and date the election. If the document is signed with an “X”, two impartial persons must witness the signature. NOTE: An election made on behalf of the member through a power of attorney is not valid. Such an election is not binding and is without force or effect of law.

E. **Spousal Concurrence.** Written spousal concurrence is required when the member elects to decline coverage or provide the spouse with less than the maximum SBP coverage available, to include electing child-only coverage, and when a member eligible for RCSBP declines coverage or elects coverage that provides less than a maximum immediate spouse annuity. The signature of the spouse must be notarized. The requirement to have the spouse’s signature notarized is not to suggest that the spouse has received additional counseling regarding the option being selected. It simply provides certification that the spouse signed the form and acknowledges the election made on the form.

1. If all requirements for an election needing the spouse’s concurrence have not been satisfied prior to retirement, for whatever reason, full spouse costs and coverage will be implemented, regardless of any request by the member to do otherwise. In such cases, when the member has requested any form of child coverage, full spouse and child coverage will be implemented. A spouse’s concurrence with, or request for, an election other than that requested by the member, will be disregarded. Any change in SBP election subsequent to retirement will be done through an administrative correction of records as permitted by law. The requirements for spousal concurrence do not affect any obligation or right of the member to provide coverage for a former spouse. If former spouse coverage is elected or deemed, the spouse’s concurrence is not required; however, the spouse will be notified of that election.

2. The Secretary concerned may waive the requirement for spousal consent when the spouse’s whereabouts cannot be determined or, when due to exceptional circumstances, requiring the member to seek the spouse’s consent would otherwise be inappropriate. Exceptional circumstances, such as mental or physical incapacitation of the spouse, require appropriate documentation such as a physician’s statement attesting to the spouse’s incapacity. Exceptional circumstances will be evaluated on a case-by-case basis.

3. The Secretary concerned notifies the member’s current spouse when a member who is eligible to provide an annuity to that spouse elects former spouse or former spouse and dependent child coverage.

4. The Secretary concerned notifies the affected beneficiary when a member elects to discontinue coverage for a former spouse or insurable interest beneficiary.
4304 IRREVOCABLE ELECTIONS, CORRECTIONS AND DISCONTINUED PARTICIPATION

430401. Election Exceptions

An election is irrevocable, except under the following circumstances:

A. A member retired March 1, 1986, or later, who elected and received less than maximum SBP coverage without the spouse’s concurrence, will have such coverage changed to full coverage if the Secretary concerned later determines that the spouse’s concurrence in such election was appropriate, but not obtained;

B. A member may voluntarily discontinue SBP participation during the 1-year period beginning on the second anniversary of the date of commencement of retired pay under paragraph 430701;

C. The Secretary concerned may revoke an election when necessary to correct an administrative error. Revocation or correction based on administrative error is a Secretarial prerogative and, except when procured by fraud, is final and conclusive on all officers of the United States;

D. A member may voluntarily discontinue participation as a totally disabled member, as rated by the Department of Veteran Affairs (VA), under paragraph 430704;

E. A member may voluntarily terminate SBP coverage for a natural person with an insurable interest (not a former spouse) under paragraph 430702; or

F. A mentally incapacitated member who is later determined to be mentally competent may revoke or change the SBP election within 180 days after such determination of judgment.

430402. Election Changes

The SBP election may be changed as explained in sections 4306 and 4307.

4305 ELECTION COVERAGE

430501. Spouse and/or Child

A. A member may elect coverage at the maximum level or at a reduced amount with spouse’s concurrence, if required, for:

1. An eligible spouse only;

2. An eligible spouse and dependent child(ren); or
3. Dependent child(ren) only.

B. Every retiring member who is married at retirement is automatically enrolled in SBP for full coverage unless the spouse consents in writing to reduced coverage or no coverage before the first day of eligibility to retired pay. See subparagraph 430501.D.

C. A member with an eligible spouse and dependent child on the date of retirement who:

1. Declines coverage is prohibited from electing into the SBP, except under section 4308;

2. Refuses coverage for an eligible spouse, and chooses to elect coverage for child only, is prohibited from electing spouse coverage at a later date, except under section 4308; or

3. Refuses coverage for the member's dependent child, and elects coverage for spouse only, is barred from electing child coverage at a later date.

D. A married member who is eligible to provide SBP may not, without the concurrence of their spouse, decline participation in SBP, elect a reduced annuity for the spouse, or elect an annuity for a dependent child, but not for a spouse, unless the member establishes to the satisfaction of the Secretary concerned that:

1. The spouse’s whereabouts cannot be determined; or

2. Due to exceptional circumstances, a requirement that the member seek the spouse’s consent would otherwise be inappropriate.

E. A member with a dependent child, who was unmarried on the date of retirement, may elect spouse coverage upon subsequent marriage regardless of whether coverage was elected for their dependent child. The election must be received by the Secretary concerned within 1 year of the marriage date.

F. A member with an eligible spouse who did not have a dependent child on date of retirement later may elect coverage for a dependent child. The election must be received by the Secretary concerned within 1 year of the date of acquiring their first dependent child.

G. If a member elects to provide an SBP annuity for a former spouse or a former spouse and child and the member has remarried, the member’s spouse must be notified of that election. The member may make this election without spousal concurrence.
430502. Same-Sex Spouses

A. Any claims to SBP spouse coverage for same-sex spouses of eligible SBP participants for periods before June 26, 2013, are not valid as the Defense of Marriage Act was still the law and in effect prior to June 26, 2013. As a result, no SBP premiums for such coverage will be charged prior to June 26, 2013. Further, no SBP annuity payments for such coverage will be paid for deaths occurring before June 26, 2013.

B. Effective on June 26, 2013, a person who becomes eligible to participate under Title 10, United States Code (U.S.C.), section 1448(a)(1) and is married to a same-sex partner has the SBP program applied as for any other married couple under 10 U.S.C. § 1448, including the requirements for spousal consent for less than full annuity coverage of the spouse.

C. A person who was married to a same-sex partner upon becoming eligible to participate in the plan prior to June 26, 2013, and who had married that same-sex partner before June 26, 2013, had 1 year from June 26, 2013, to make a spouse election under 10 U.S.C. § 1448(a)(3). Such person may not participate at less than maximum coverage described in 10 U.S.C. § 1448(a)(3) without the concurrence of the person’s spouse unless they already had provided an annuity for a dependent child. If an election was not received on or before June 25, 2014, full spousal coverage was entered and the member was responsible for payment of premiums effective from June 26, 2013.

D. A person who was not married upon becoming eligible to participate in the plan, but who married a same-sex partner before June 26, 2013, had 1 year from June 26, 2013, to make a spouse election under 10 U.S.C. § 1448(a)(5). The election must have been received on or before June 25, 2014, or the person was prohibited by law from making such election.

E. Generally, a person who is a participant in the plan and is providing coverage under SBP for a spouse, who later does not have an eligible spouse beneficiary may, under 10 U.S.C. § 1448(a)(6), elect not to provide coverage for a new spouse in the event of a remarriage.

1. For a person who enters into a same-sex marriage after June 26, 2013, the election to discontinue participation under 10 U.S.C. § 1448(a)(6) must be made within 1 year of the remarriage. If a member does not discontinue participation, pursuant to 10 U.S.C. § 1448(a)(6), spouse coverage will resume effective on the first anniversary of the marriage.

2. If the remarriage took place prior to June 26, 2013, the participant has 1 year from June 26, 2013, to elect out of SBP. If a member does not make such an election within 1 year of June 26, 2013, pursuant to 10 U.S.C. § 1448(a)(6), spouse coverage will resume effective no earlier than June 25, 2014.

3. Any such person falling within the parameters of 10 U.S.C. § 1448(g), had 1 year from June 26, 2013, or the date of any marriage subsequent to June 26, 2013, to elect to increase the level of coverage under 10 U.S.C. § 1448(g).
F. A person who is married to a same-sex partner on June 26, 2013, and has insurable interest coverage under 10 U.S.C. § 1448(b) may terminate the insurable interest coverage as provided for in that section and, if eligible, elect spouse coverage under 10 U.S.C. § 1448(a)(5) as described in subparagraph 430504.C.

430503. Natural Person With Insurable Interest

An election for a natural person with an insurable interest may be made only when the member is not married and does not have any dependent children upon becoming eligible to participate. The Secretary concerned must receive the election before the first day of eligibility for retired pay. A member must elect full coverage when electing for a natural person with an insurable interest. If the member is retired for reasons of disability under 10 U.S.C. Chapter 61, refer to paragraph 430703.

430504. Former Spouse or Former Spouse and Child

When a member elects former spouse coverage, the member and the former spouse must complete an election statement indicating whether the election is being made pursuant to the requirements of a court order or by a voluntary written agreement. If the member entered into a voluntary written agreement as a part of, or incident to, a proceeding of divorce, dissolution or annulment, the member must indicate on the written statement whether the agreement has been incorporated in, ratified or approved by, a court order. If the member has a spouse or child, a former spouse election prevents an annuity to that spouse or child (other than the child beneficiary under an election for a former spouse and child). If there is more than one former spouse, the member must designate which former spouse is to receive the annuity:

A. Upon Retirement (Retiring Members)

1. If a member becomes eligible to participate and has a former spouse and dependent child, who resulted from that marriage, they may elect former spouse or former spouse and child coverage.

2. If the former spouse is the member’s former spouse at the time the member becomes eligible to participate in SBP, an election for former spouse must take place at or before the member’s retirement.

3. If the former spouse is the member’s former spouse at the time the member becomes eligible to participate in RCSBP (date of Notice of Eligibility (NOE)), an election for former spouse must take place at or before the end of the 90-day period following receipt of the NOE.

4. If a member has a former spouse upon becoming eligible to participate, but is not required by a court order or court-approved agreement to provide former spouse coverage, any subsequent court order that requires former spouse coverage will not be honored.
B. Following Retirement (Retired Members)

1. A member with spouse or spouse and child coverage may, within 1 year of date of the decree of divorce, dissolution, or annulment, whichever is later, change that election to provide an annuity to a former spouse or to a former spouse and child.

2. A member may elect coverage for a former spouse who the member acquired after becoming eligible for retired pay. The member and former spouse must have been married at least 1 year or the former spouse must be the parent of a child or children born of that marriage in order for the former spouse to be an eligible beneficiary. For provisions regarding the effective date of former spouse coverage, see subparagraph 430504.D.

C. Deemed Elections. Deemed elections are applicable in cases where a member enters, incident to a proceeding of divorce, dissolution, or annulment, into a written agreement to elect to provide an SBP annuity to a former spouse, and such agreement has been incorporated in, or ratified or approved by a court order, or has been filed with the court of appropriate jurisdiction in accordance with applicable State law, or in cases where the member is required by a court order to make a former spouse election. If such member fails or refuses to make such election, the member is deemed to have made such election if the Secretary concerned receives a completed DD 2656-10 from a former spouse or the former spouse’s attorney on behalf of the former spouse. A copy of the pertinent court order or agreement referring to the SBP coverage must accompany the DD 2656-10. See subparagraph 430504.C.1. Effective September 27, 2008, use of the DD 2656-10 to make a deemed election is mandatory.

1. The former spouse will provide a copy of the court order, regular on its face, which requires such election, or incorporates, ratifies, or approves the written agreement of the member; a statement from the clerk of the court (or other appropriate official) that such agreement has been filed with the court in accordance with applicable state law; or for a deemed SBP election only, a copy of the court order which requires the SBP election. A court order which requires the member to elect SBP for a former spouse or former spouse and child or an agreement to provide former spouse or former spouse child coverage must be issued on or after November 14, 1986. If the member was ordered by a court to elect former spouse coverage before November 14, 1986, a second court order, issued on or after November 14, 1986, enforcing the original order which requires a former spouse election, constitutes a modification of the previous order and establishes a new 1-year period during which a request for a deemed election may be filed.

2. The Secretary concerned must receive the request from the former spouse within 1 year of the date of the court order or filing involved. If an election of former spouse coverage was agreed to or ordered by an earlier court order, a subsequent order or modification that merely restates the previous provision and imposes no new obligation on the member does not begin a new 1-year period. A subsequent court order holding a member in contempt of court for failing to fulfill the prior agreement is not the type of court order that can be used to begin a new 1-year period to deem an election.
3. No election may be deemed to have been made which could never have been made by the member concerned.

4. If a member dies before making an election, a former spouse’s request, which is otherwise qualified, must be honored even if the date of the request is after the date of the member’s death. However, if the request for a court order was initiated with the court after the member’s death, the order will not be honored.

5. If a member has more than one former spouse, the first request for a deemed election received with complete documentation must be the one honored.


1. Married on the Date of Death of Former Spouse. The following applies when a person who is married at the time of the death of the former spouse beneficiary and elects to provide coverage to their spouse:
   a. The election must be received by the Secretary concerned within one year after the date of the death of the former spouse beneficiary;
   b. The effective date of election will be the first day of the first calendar month following the death of the former spouse beneficiary;
   c. The level of coverage on the annuity base amount cannot be changed; and
   d. The election under this paragraph is irrevocable.

2. Marriage After Death of Former Spouse Beneficiary. The following applies when a person who married after the death of the former spouse beneficiary and elects to provide coverage to their spouse:
   a. The election must be received by the Secretary concerned within 1 year after the date on which that person marries;
   b. The effective date of the election will be the first day of the first calendar month following the month in which the election is received by the Secretary concerned;
   c. The level of coverage on the annuity base amount cannot be changed; and
   d. The election under this paragraph is irrevocable.
430505. Federal Civil Service Retiree

A. A member with SBP coverage who: (1) retires under the civil service retirement program; (2) waives military retired pay to combine civilian and military service credits; and (3) elects survivor coverage, at any level, under the civil service retirement, has SBP coverage suspended while the waiver is in effect. If the waiver is terminated for any reason, SBP coverage resumes concurrent with the resumption of retired pay. The type of coverage and level of participation, as adjusted by any changes in retired pay during the period of waiver, is as first elected. If the retired service member dies while the waiver of military retired pay is in effect, no SBP annuity becomes due and payable to either the surviving spouse and/or child.

B. An election in SBP with concurrent cancellation of previous Retired Servicemen Family Protection Plan (RSFPP) coverage is without force or effect if retired pay previously was waived for civilian retirement and survivor coverage from the civilian annuity was elected.

C. A member who elects SBP coverage, and who does not waive military retired pay for civil service retirement, may have survivor coverage under both retirement plans.

D. Provisions in subparagraph 430505.A do not apply to a member who retired under 10 U.S.C. § 12731 or who retired due to a combat-incurred disability as determined by the service.

E. The survivor of a federal civil service employee who was awarded military retired pay based on any period of military service and whose death occurs before separation from civil service, will receive a survivor annuity computed using military service. The survivor annuity from civil service will be reduced by any military survivor benefits payable. The survivor may elect not to be covered by this provision, which automatically uses military service credit in computing the federal survivor annuity.

F. Except for participation in federal service survivor annuity programs, SBP coverage does not terminate when a member participates in other survivor benefit plans administered by the United States Government such as under the Foreign Service or Federal Judges Retirement systems.

4306 CHANGES IN ELECTION AND COVERAGE

430601. Later-Acquired Spouse and/or Child

A member who acquires a new spouse and/or child after retirement must make an election within 1 year of the event with the exception that there is no time restriction on the election period for a change under subparagraph 430601.B.5.

A. A member who is participating with spouse or spouse and child coverage and who does not have an eligible spouse beneficiary may, upon remarriage: resume coverage, increase the level of coverage up to and including full retired pay, or elect not to have spouse
coverage resumed. Unless a member elects not to cover the new spouse within 1 year after the marriage, spouse coverage automatically resumes at the first anniversary of the marriage.

1. The member may not add child coverage by virtue of this remarriage alone if child coverage was previously bypassed; and

2. The level of SBP coverage may not be reduced nor may child coverage be eliminated.

3. SBP elections become effective when the new spouse becomes an eligible beneficiary, and any increase in premium, plus interest, has been paid. When the level of SBP coverage is increased, the member must pay the difference between the present premium and the premium that would have been incurred had the higher level of coverage been elected originally, plus interest. Interest is compounded monthly using a factor equal to the 12th root of one plus the current annual interest rate approved by the DoD Board of Actuaries to calculate the retirement accrual costs. Interest is to be compounded monthly on the accumulated difference existing prior to any computation month. If payment of cost plus interest is not completed before the spouse becomes an eligible beneficiary, the election becomes null and void and a refund of cost and interest and reinstatement of original election coverage occurs. Cost plus interest will be paid to member’s estate should the member die before refund is completed.

4. If a member has spouse or spouse and child coverage and elects not to resume SBP participation for the spouse, the spouse must be notified. An election to terminate spouse coverage is irrevocable. If the member elects to increase the level of spouse coverage to an amount less than full retired pay, the spouse must be notified.

B. If, on date of retirement the member:

1. Has no eligible beneficiaries and does not elect to participate; the member may, within 1 year of the acquisition of a spouse or child, elect for that spouse and/or child;

2. Has no eligible spouse and elected for child only; the member may, within 1 year after marriage or remarriage, include the spouse with coverage previously elected for the child;

3. Has no eligible child and elected for spouse only; the member may, within 1 year of acquisition of a child, include the child with coverage previously elected for the spouse;

4. Has no eligible spouse and declines coverage for an eligible child; the member may, within 1 year of the acquisition of a spouse, elect for that spouse; or

5. Has elected coverage for a former spouse or former spouse and child, or has elected coverage for a natural person with an insurable interest; the member may later change the election to spouse and/or child, if not otherwise prohibited. See paragraph 430602.
The member is not required to change the election to spouse and/or child; however, if such a change is made, it permanently terminates the eligibility of the former spouse or the natural person with insurable interest. It is not necessary that maximum level coverage be elected for the spouse and/or child. See subparagraph 430602.B and paragraph 430603, for additional information concerning changes in former spouse coverage.

430602. Change From Spouse or Spouse and Child

A member who elected spouse or spouse and child coverage may terminate that election for that spouse or spouse and child and provide an SBP annuity for a former spouse or former spouse and child, provided the child resulted from the member’s marriage to that former spouse. If the member is married when the former spouse election is made, that spouse must be notified. See subparagraph 430501.G. A former spouse may request that an election be deemed by the Secretary concerned (or designee).

A. Notification

The Secretary concerned must notify the former spouse of any changes in the former spouse election.

B. Changes to a Former Spouse Election

1. If a member was required to elect former spouse coverage by a court order, incident to a proceeding of divorce, dissolution, or annulment, the member may change to spouse or child coverage if the member furnishes, to the Secretary concerned (or designee) a certified copy of a court order that permits such a change. The court order, regular on its face, must modify the provisions of all previous court orders relating to the former spouse election so that the member is permitted to change the election. The member must certify to the Secretary concerned that the court order is valid and in effect. These same restrictions apply to the member who elected former spouse coverage pursuant to a written agreement that was incorporated in, or ratified or approved by, a court order.

2. In the case of a written agreement that has not been incorporated or ratified or approved by a court order, the member must furnish, a statement signed by the member and the former spouse that evidences the former spouse’s agreement to an election change to the Secretary concerned in a format prescribed by that Secretary. The member must certify that the statement is current and in effect.

430603. Change to Former Spouse Coverage Under Insurable Interest

A member was allowed to change an election for former spouse coverage under the insurable interest category to former spouse coverage under the spouse category during the period November 8, 1985, through November 7, 1986. A member also could add child coverage to former spouse coverage provided the child was the result of the member’s marriage to that former spouse and if the member is providing coverage for the former spouse under the spouse category. These election changes apply to elections effective before March 1, 1986.
430604. Changed Retirement Eligibility

If a member elects the RCSBP coverage and subsequently becomes eligible for retirement under another law, thereby losing eligibility under 10 U.S.C. § 12731, the RCSBP election remains effective until the member actually retires. A member may make a new election as any other retiring member.

430605. Mental Incompetency

The Secretary of the Military Department concerned may make an SBP or RCSBP election on behalf of a member who is declared incompetent by medical officers of the armed force concerned, or of the VA, or by a court of competent jurisdiction. In the event the member is later declared competent by one of these authorities, the member may elect to revoke that election within the 180-day period following a determination of competency. There are no refunds of premiums paid for coverage during a period of declared incompetence.

430606. Correction of Administrative Error

The Secretary of the Military Department concerned (or designee) may correct any election or any change or revocation of an election when the Secretary considers it necessary to correct an administrative error. See Chapter 42.

4307 DISCONTINUANCE OF PARTICIPATION

430701. Discontinuance of SBP Participation on Second Anniversary

A. An SBP participant may choose to voluntarily discontinue SBP participation during a 1-year period which begins on the second anniversary of the date of commencement of retired pay. The date of commencement of retired pay is defined as the date that the retiree becomes entitled to retired pay. A recall to active duty following retirement will not alter this date.

B. An SBP participant who is eligible to discontinue participation must send a written request to the Defense Finance and Accounting Services (DFAS) on a DD 2656-2. A request for information or a request for termination that is not on a DD 2656-2 is not considered a valid request to discontinue.

1. A married participant may not discontinue spouse coverage without the spouse’s written concurrence, unless it is established that the spouse’s whereabouts cannot be determined, or that, due to exceptional circumstances, obtaining the spouse’s consent would be inappropriate. In exceptional circumstances, such as mental or physical incapacitation of the spouse, DFAS requires the appropriate documentation such as a physician’s statement, which attests to the spouse’s mental or physical incapacitation. Additionally, the incapacity must exist continuously since the date of the member’s request.
2. If the SBP participant is providing former spouse coverage based on a court order, an amended court order should accompany the request, even if the former spouse concurs with the request.

C. If termination is not otherwise prohibited by 10 U.S.C. § 1448, a spouse or former spouse who concurs in the request for termination is considered notified in accordance with the law. A spouse or former spouse who changes his/her mind after concurrence has 30 days from the date of the first request to submit a letter withdrawing their concurrence. If concurrence is withdrawn within 30 days, the request to withdraw from SBP participation is void. The concurrence of the former spouse is applicable even though the coverage may be currently in a suspended status due to the former spouse’s remarriage. Child concurrence is not required when a member elects to discontinue SBP participation for child coverage.

D. DFAS must ensure that a natural person or former spouse who is not required to concur in the request for termination is notified of the termination of SBP coverage by sending a letter to such beneficiary at the address in the retired member’s file.

E. A member’s participation terminates on the first day of the month following the month in which DFAS receives a request for discontinuance. Any premiums deducted for periods on or after the effective date must be refunded and the member notified of the final action concerning termination of coverage.

F. A member may withdraw the request to discontinue participation within 30 days of having submitted such request to DFAS. The 30-day period begins on the date that DFAS considers the withdrawal request received. Generally, this is the received date stamped on the DD 2656-2 by DFAS.

1. To withdraw the request to discontinue SBP participation, the member must notify DFAS by a legible, signed, written notice. The request must identify the member by name and social security number and state that the member no longer wants to discontinue SBP participation. When available, the request should include a photocopy of the original DD 2656-2.

2. If the member withdraws a request to discontinue participation within the prescribed 30-day period, the member’s participation will not be discontinued. If the withdrawal notice is received after the prescribed date, it will have no effect and the member must be so notified within 30 days. If the member provides proof of the date of mailing and such date is favorable to honoring the member’s withdrawal request, the date of mailing serves as the date submitted.

3. If the member effectively withdraws a request to discontinue participation, that member must be so notified within 30 days. If participation had already been discontinued, it must be reinstated as though no break in coverage existed. Premiums not collected or paid, or that were refunded will be collected from the member’s retired pay and the member notified of the final action concerning participation.
G. Once participation is discontinued under this provision, no benefits may be paid in conjunction with the member’s previous participation. No refund of any premiums properly collected will be made.

H. A member who discontinues SBP participation pursuant to this paragraph may not later resume coverage or elect SBP coverage upon acquisition of another class of beneficiary.

430702. Voluntary Termination of Coverage

A. A member who is participating in SBP with coverage for a natural person with an insurable interest (not a former spouse) may voluntarily terminate their participation in SBP.

B. A member considering termination of insurable interest coverage under RCSBP should contact the responsible agent at DFAS, or the Military Service Reserve Component Personnel Center (or an appropriately determined office for non-DoD Uniformed Services).

C. A member who is eligible and wants to terminate coverage may send a written request to the responsible agent identified in subparagraph 430702.B. The request, signed by the member, must identify the member and state that the member wants to terminate SBP participation. A request for information is not a request to terminate SBP participation.

D. When the responsible agent receives a request from an SBP participant eligible to terminate coverage, the agent will determine whether the request is for information or actually is a request to terminate participation. In either case, the member will be mailed two fact sheets that explain the procedures for terminating participation and the advantages and disadvantages of participation; and, the disadvantages of terminating participation. If the request is determined to be a request for termination, the member will be advised in the cover letter that a request for termination can be withdrawn within 30 days of the date of that letter.

E. No premiums are refunded as a result of terminating coverage. No premiums will be charged after the effective date of termination unless the member had RCSBP coverage. See Chapter 54, for recomputation of the original “add-on” portion of the RCSBP premium when member terminates coverage before age 60.

F. A member who wishes to withdraw the request to terminate participation must notify the Secretary concerned (or designee) using a legible, signed written notice to the member’s responsible agent in subparagraph 430702.B. The notice must identify the member’s name and social security number and state that the member no longer wants to discontinue SBP participation. Such requests are handled in accordance with the provisions of subparagraphs 430701.F.2 and 3.

G. The member may only resume SBP participation by electing coverage for a spouse or dependent child within 1 year of acquiring the family member.
430703. Invalidation of Certain SBP Elections Made by Disability

A. The SBP elections for a natural person with an insurable interest, other than for a person who is a qualified dependent, is void for members who retired for reasons of disability under 10 U.S.C., Chapter 61, if they die within 1 year after the disability retirement date, with the cause of death being related to the disability for which the member retired.

B. For voided election, SBP deducted from the member's retired pay is refunded to the person to whom the SBP annuity would have been paid pursuant to such election.

430704. Withdrawal by a Totally Disabled Member

A. Any person who elects to participate in SBP with a service-connected disability rated by the VA as totally disabling and is so rated for 10 or more continuous years (or, if so rated for a lesser period, at least 5 years from the date of last discharge or release from active duty) may request to discontinue participation in the Plan by submitting a request to the Secretary concerned (or designee). The initial date for determining the 5- or 10-year period is the effective date of the VA rating of total disability. Validation must be obtained from the VA if not available from the individual.

1. The request for discontinuance must be with the written consent of the beneficiary or beneficiaries under the Plan. Should that beneficiary be a dependent child, written consent may be accepted from a parent, stepparent, foster parent, guardian, or an individual appointed by a court of competent jurisdiction.

2. The Secretary concerned must furnish to each person requesting discontinuance, a written statement of the advantages of participating and the possible disadvantages of discontinuing participation in the plan. Such statement should include the criteria for the Special Survivor Indemnity Allowance, the ability to receive both SBP and Dependency and Indemnity Compensation (DIC) without offset for remarriage of an annuitant over age 57, and the possibility that legislative action could either partially or fully remove the SBP-DIC offset.

3. A person may withdraw the discontinuance request within 30 days of submission to the Secretary concerned.

4. Participation in the Plan and cost of SBP coverage is discontinued on the first day of the month after receipt of the request by the Secretary concerned.

5. If a member dies after the date that the request for withdrawal has been received by the Secretary concerned, but before the effective date of that request, the beneficiary is entitled to the annuity.

B. Upon the death of a person who has discontinued participation in the Plan, who is a totally disabled member, a refund of SBP amounts deducted from retired or retainer pay without interest will be made to the widow or widower.
C. Any person who has discontinued participation in the Plan may again elect to participate if the VA reduces the disability rating to less than total and the person applies within 1 year to participate in the Plan and includes the required information determined by the Secretary concerned.

1. Participation in the Plan and reduction in pay is effective the first day of the month after receipt of the application to the Secretary concerned on the DD 2656. Documentation attesting to the less than total disability rating must accompany the application.

2. If the member applies for resumption of participation, but dies before the effective date, the beneficiary is entitled to an annuity on the date the election would have been effective.

3. Resumption of participation is limited to the type and level of coverage initially elected allowing for beneficiary changes as otherwise provided for in Chapters 42 through 54.

4308 OPEN ENROLLMENT PERIODS

430801. Regular Recurring Open Enrollment

There are no regular recurring open enrollment periods. Open enrollment periods occur only when there are major changes to the SBP program and must be specifically prescribed by law. The last SBP open enrollment, which was authorized by PL 108-1375, began October 1, 2005, and ended September 30, 2006, under 10 U.S.C 1448. In the absence of such a legislatively prescribed period, members may only enroll or disenroll as specified in this chapter.

430802. Former Spouse SBP Coverage Open Enrollment

The NDAA FY 2016 amended the SBP statute to give a member, who had made an election to provide SBP or RCSBP coverage for a former spouse, the ability to cover a subsequent spouse if the former spouse dies. The enactment of this legislation included provisions for an open enrollment period (November 25, 2015 through November 24, 2016) to accommodate members whose covered former spouse beneficiaries were already deceased when the legislation was enacted. This former spouse SBP coverage open enrollment did not apply if the member was not currently married or if the former spouse SBP coverage was discontinued for any reason other than the death as of November 25, 2015. See subparagraphs 430504.D and E.
REFERENCES

CHAPTER 43: SURVIVOR BENEFIT PLAN (SBP) - ELECTIONS AND ELECTION CHANGES

4301 - GENERAL

DoD Instruction 1332.42, June 23, 2009

4302 - ELECTION OPTIONS

10 U.S.C. § 1447(2)
10 U.S.C. § 1448(a) and (b)
DoD Directive 1332.27, paragraphs 201a, c, and d, January 4, 1974

430203 10 U.S.C. § 1451
430204.C 10 U.S.C. § 1452(c)(5)

4303 - ELECTION DATA

PL 98-525, section 644, October 19, 1984
10 U.S.C. § 1458(c)

430301 10 U.S.C. § 1448(a)
430303.E DoDI 1332.42, June 23, 2009

4304 - IRREVOCABLE ELECTIONS, CORRECTIONS, AND DISCONTINUED PARTICIPATION

10 U.S.C. §§ 1452(g), 1449
10 U.S.C. §§ 1448(a), 1454


4305 - ELECTION COVERAGE

430501.A 10 U.S.C. § 1448(a)
430501.B 10 U.S.C. § 1448(a)
10 U.S.C. § 1454
430501.D 10 U.S.C. § 1448(a)
10 U.S.C. § 1458(a)
430501.F 10 U.S.C. § 1448(a)(5)
430501.E 10 U.S.C. § 1448
430501.G 10 U.S.C. § 1448(b)(3)
430503 10 U.S.C. § 1448(b)
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## VOLUME 7B, CHAPTER 44: “SURVIVOR BENEFIT PLAN (SBP) - BENEFICIARIES”

### SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated February 2018 is archived.

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<td>Added information for clarification. Added information to include eligible children who enter active duty, serve as a cadet or midshipman at a service academy or scholarship student.</td>
<td>Addition</td>
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<tr>
<td>440204.C.</td>
<td>Added information to include eligibility of former spouses because the member dies on active duty.</td>
<td>Addition</td>
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<td>Changed the name from “Bibliography” to “References” to comply with new requirements and updated some references.</td>
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CHAPTER 44

SURVIVOR BENEFIT PLAN (SBP) – BENEFICIARIES

4401  GENERAL

440101.  Purpose

The eligible beneficiaries under the SBP (also referred to as the Plan) are the spouse and/or dependent children, a former spouse and/or dependent children, or a natural person with an insurable interest, providing they meet certain eligibility requirements. The election, if required, must be received within the time period allowed. An individual may not receive more than one annuity as the surviving spouse or former spouse of different members (see Chapter 46); however, an individual may be the recipient of two or more annuities concurrently, as long as only one is a spouse or former spouse annuity. For example, the child of two members could receive an annuity from each parent, or an individual who was a spouse beneficiary of one member could also be a beneficiary of another member under the insurable interest category.

*440102.  Authoritative Guidance

The pay policies and requirements established by Department of Defense in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

4402  ELIGIBLE BENEFICIARIES

440201.  Spouse (Including the Spouse of a Common-Law Marriage)

A.  If the spouse is married to a retiree on date of retirement, the spouse is an eligible beneficiary. The spouse is automatically designated as the beneficiary even if the beneficiary data is not received before date of retirement. However, the spouse is not automatically the beneficiary if prior to retirement the member elects, with spouse's concurrence, to not provide coverage for the spouse and/or children.

B.  If the member elected spouse coverage at retirement and the member’s previous spouse has become ineligible for SBP due to death or divorce, the spouse who marries the member after the date of retirement is the eligible beneficiary. Spouse coverage is resumed upon the first anniversary of remarriage or birth of a child of that remarriage, whichever is earlier, unless the member elects not to resume spouse coverage within 1 year of the remarriage.
C. If the spouse marries the member after the date of retirement, and the member did not have a spouse at retirement and did not elect insurable interest coverage, the spouse is an eligible beneficiary only if the member elects to provide spouse SBP coverage within 1 year of the marriage. The spouse coverage is effective on the first anniversary of the marriage or birth of a child of that marriage, whichever is earlier.

D. If the spouse is married to a retiree at the time of retirement and the member elected spouse coverage, then divorced (and no former spouse coverage is established), and later remarried the same spouse, the spouse becomes eligible immediately upon remarriage provided spouse coverage was resumed. However, the member has up to 1 year after remarriage to decide whether to resume spouse coverage.

E. If the spouse is married to a retiree after date of retirement (and spouse coverage is elected), then divorces (and no former spouse coverage is established), and later remarries the member, the spouse becomes eligible upon the first anniversary of remarriage or date of the birth of a child of that remarriage. The election must be received within 1 year of the remarriage.

F. A spouse who is married to a member who dies in the line of duty while on active or inactive duty, or to a retirement eligible member regardless of the line of duty determination, is an eligible SBP beneficiary. See Chapters 46 and 54.

G. A member may change election coverage from a natural person with insurable interest to coverage for a spouse within 1 year of marriage. The spouse becomes an eligible beneficiary upon the first anniversary of the marriage or the date of birth of a child of that marriage, whichever is earlier, provided the member changes to spouse coverage. Until the spouse and/or child are eligible, the previously elected class of beneficiary remains eligible.

H. A member may change election coverage from former spouse to coverage for a spouse in accordance with Chapter 43, paragraph 430602 at any time following remarriage, provided the former spouse is still living at the time the Secretary concerned receives the member’s election. The spouse becomes an eligible beneficiary on the date of the election receipt and the associated premium is effective on the first day of the month following receipt of election.

*440202. Children (Including Children of a Common-Law Marriage)

A. Child Is An Eligible Beneficiary. The child is an eligible beneficiary only if the child is:

1. Unmarried and:
   a. Under age 18 (including a child serving on active duty in the Uniformed Services);
   b. At least 18 but under 22 and pursuing a full-time course of study in a recognized educational institution; or
c. Incapable of self-support because of physical or mental incapacity, which existed before the child’s 18th birthday or was incurred before age 22 while pursuing a full-time course of study; and

2. A child of the member, which includes:

a. A child determined by paternity test or a court of competent jurisdiction to be a child of the member (documentation will be required to substantiate a claim);

b. An adopted child; or

c. A stepchild, foster child, or recognized natural child, if that stepchild, foster child, or recognized natural child lived with the retiree in a regular parent-child relationship.

* B. Special Eligibility Rules for Child Seeking Full-Time Course of Study.

1. A child whose 22nd birthday occurs before July 1st or after August 31st of a calendar year, and while regularly pursuing such a course of study or training, is considered to have become 22 years of age on the first day of July after that birthday.

2. The eligibility of a child over the age of 18 terminates if the child does not maintain a certified program of full-time course of study or training in a high school, trade school, technical or vocational institute, junior college, college, university or comparable recognized educational institution. If the child resumes schooling as described, eligibility is reinstated (see Chapter 46).

C. Special Eligibility Rules for Foster Child. A foster child must have resided with the retiree at time of death, received over one-half of his or her support from the retiree, and not be cared for under a social agency contract.

D. Relatives or Grandchildren. A relative of the member (such as a grandchild) may qualify as an eligible child beneficiary if a foster parent/foster child relationship exists. Adoption of a grandchild is not required for the member to designate that child as an eligible child beneficiary.

E. Child of Former Spouse. A child of the member and the former spouse is an eligible child beneficiary, if the member elects former spouse and child coverage. If a member who elected spouse and child coverage later divorces, the child coverage continues after the divorce. However, if the coverage is changed to provide coverage for the former spouse only, the child coverage will not continue. The election of former spouse coverage will terminate the child coverage unless the new coverage elected is includes both former spouse and child coverage.
F. **Active or Inactive Duty.** A child of a member who died on active or inactive duty is an eligible beneficiary provided:

1. There is no eligible former spouse established by a court order;

2. There is no eligible surviving spouse; or

3. The Service Secretary has determined the annuity is payable to the child(ren) in lieu of the surviving spouse. See Chapters 46 and 54.

G. **Termination by Marriage.** Child eligibility terminates by marriage of the child, regardless of whether the child is an incapacitated child entering into a valid marriage with another incapacitated individual. The termination of a child’s marriage by death or divorce does not serve as a basis for reinstating child coverage, regardless of age or school attendance. An annulment of the child’s marriage which renders the marriage void or invalid, or a judicial decree by a court of competent jurisdiction declaring the marriage void, may serve as a basis for reinstating child coverage.

H. **Child Entering Active Duty.** The child of a deceased member who is under 18 years of age and serving on active duty in a uniformed service is an eligible beneficiary until their 18th birthday even though they are provided pay, quarters, and subsistence by the Government.

I. **Child Serving as a Cadet or Midshipman at Service Academy or Scholarship Student.** The child of a deceased member who is under age 22 and serving as a cadet or midshipman at a service academy, or are enrolled in an institute of higher learning under a military scholarship program, is an eligible beneficiary even though they provided pay, quarters, and subsistence by the Government.

440203. **Spouse and Children**

Eligibility requirements are as shown in paragraphs 440201 and 440202.

A. **General.** The spouse is the primary beneficiary with coverage passing to the children if the spouse remarries before age 55, dies, or otherwise becomes ineligible. If the spouse again becomes eligible due to a remarriage ending in death or divorce, the annuity to the spouse resumes.

B. **Death on Active or Inactive Duty.** If the annuity is payable because the member dies on active or inactive duty, and there is no eligible spouse or former spouse, the annuity will be paid to any dependent children. In the case of a surviving spouse and children, the Service Secretary may pay the annuity to the member's dependent children in lieu of an annuity to the spouse. See Chapters 46 and 56 and 440202.F.
440204. Former Spouse

A former spouse is an eligible beneficiary if:

A. The former spouse was the member’s former spouse when the member became eligible to participate in the Plan and the member elected the former spouse as beneficiary or the former spouse submits a valid deemed election (see Chapter 43); or

B. The former spouse was not the member’s former spouse at the time the member became eligible to participate in the Plan, and the prior spouse election is changed to provide coverage for the former spouse or the former spouse submits a valid deemed election pursuant to Chapter 43. A former spouse acquired after the member became eligible to participate in the Plan may only be an eligible beneficiary if married to the member for at least 1 year or the parent of an issue of the marriage.

C. See paragraph 460302 if the annuity is payable because the member dies on active or inactive duty.

440205. Former Spouse and Child

If coverage includes child, then the former spouse is the primary beneficiary with coverage passing to the children if the former spouse remarries before age 55, dies, or otherwise becomes ineligible. The child is an eligible beneficiary provided the conditions in subparagraph 440202.A are met and the child resulted from the member and former spouse’s marriage.

440206. Natural Person with Insurable Interest

An eligible natural person with insurable interest is:

A. A person who has a reasonable and lawful expectation of pecuniary benefit from the continued life of the member. This category may include parents, stepparents, grandparents, grandchildren, aunts, uncles, sisters, brothers, half-sisters, half-brothers, dependent or non-dependent child or stepchild, or any other person more closely related than cousin;

B. Any individual having a reasonable and lawful basis, founded upon the relationship of parties to each other, either pecuniary or of blood or affinity, to expect some benefit or advantage from the continuance of the life of the retiree. Proof of financial benefit from the continuance of the life of the member is required for persons other than those listed in subparagraph 440205.A; or

C. In the case of a member who dies on active or inactive duty and no other beneficiary is eligible to receive an annuity, a person who is, as determined by the Secretary concerned, a dependent of that member as defined in Title 10, U.S.C. section 1072(2).
440207. Special Needs Trust (SNT)

Service members and retirees who elect child coverage may direct payment of a SBP annuity for a dependent child to a SNT. If a SNT was not designated as a beneficiary prior to the death of the Service member or retiree who had previously elected child coverage, the disabled dependent child’s surviving parent, grandparent, or court-appointed legal guardian or fiduciary may irrevocably elect to designate a SNT as beneficiary. A SNT is also known as a supplemental needs trust. A SNT is a legal instrument that can be established by certain individuals in order to ensure that assets are retained that can be used for the supplemental needs of a certain disabled individual, without disqualifying that individual from other Federal or State benefits which that person may be entitled to receive. To be an eligible beneficiary, the SNT must be for the benefit of a person considered disabled under 42 U.S.C. § 1382c(a)(3) and in accordance with the SBP statute. The SNT must also comply with 42 U.S.C. § 1396p(d)(4). See Chapter 46 for further information regarding qualifying a SNT as a beneficiary.

440208. Exception

If the beneficiary is responsible for the death of the retiree, the annuity may not be paid to that person unless evidence is received which clearly absolves the beneficiary of any felonious intent.
CHAPTER 44 – SURVIVOR BENEFIT PLAN (SBP) – BENEFICIARIES

4401 – GENERAL

440101 10 U.S.C. § 1447
10 U.S.C. § 1450(a) and (b)

4402 – ELIGIBLE BENEFICIARIES

440201.A 10 U.S.C. § 1448(a)(2)
440201.B Department of Defense Instruction (DoDI)1332.42, June 23, 2009
440201.C 10 U.S.C. § 1447(7) and (8)
10 U.S.C. § 1448(a)(6)
10 U.S.C. § 1447(7) and (8)
53 Comptroller General (Comp Gen) 470
B-180407, January 16, 1974
53 Comp Gen 847, B-179018, May 10, 1974
10 U.S.C. § 1448
440201.G 10 U.S.C. § 1447(7) and (8)
10 U.S.C. § 1448(a)(6)
440202.B DoDI 1332.42, June 23, 2009
10 U.S.C. § 1447(11)
440202.F NDAA, FY 2017, PL 114-328, section 642
10 U.S.C. § 1448
440202.H 53 Comp. Gen. 420, B-178966, December 6, 1973
440202.I 53 Comp. Gen. 420, B-178966, December 6, 1973
440203 38 U.S.C. § 103
10 U.S.C. § 1448(d)
10 U.S.C. § 1448(f)
440203.B NDAA, FY 2017, PL 114-328, section 642
10 U.S.C. § 1448
440204 10 U.S.C. § 1408
38 U.S.C. § 103
10 U.S.C. § 1448(b)
440205 10 U.S.C. § 1448(b)(4)
440206 Comp Gen, B-179465, July 19, 1974
52 Comp Gen 973, B-178270, June 26, 1973
10 U.S.C. § 1448(d)(6)(A)
440207 NDAA for FY 2015, PL 113-291, section 624
10 U.S.C. §§ 1448 and 1450

440208 Comp Gen B-187743, July 7, 1977
VOLUME 7B, CHAPTER 45: “SURVIVOR BENEFIT PLAN (SBP) PREMIUMS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated December 2018 is archived.

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<tr>
<td>All</td>
<td>Updated hyperlinks, statutes, and formatting in compliance with current administrative instructions.</td>
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<td>Updated language for “Authoritative Guidance” to comply with new instructions.</td>
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<td>Relocated from section 4505 to better align with common themes.</td>
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<td>Revision</td>
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<td>450402</td>
<td>Relocated from paragraph 450305 to better align with common themes.</td>
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</tr>
<tr>
<td>4505</td>
<td>Relocated from section 4507 to better align with common themes.</td>
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<td>4508</td>
<td>Redesignated from section 4509 and reordered paragraphs for easier readability.</td>
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<td>Deletion</td>
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CHAPTER 45
SURVIVOR BENEFIT PLAN (SBP) PREMIUMS

4501 GENERAL

450101. Purpose

The purpose of this chapter is to provide information on premiums for SBP coverage based on the type of coverage, as well as the computation and payment of these premiums.

*450102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 10. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in the reference section at the end of the chapter.

4502 PREMIUM

450201. Premium Coverage

The premium for SBP coverage is based on the type of coverage natural person with an insurable interest, (also referred to as natural interest person (NIP)), spouse and/or child, former spouse or former spouse and child and the base amount, maximum or reduced, as elected by or on behalf of the retired member. The SBP premium increases at the same time and by the same percentage as do increases for retired or retainer pay.

450202. Premiums Not Specified

All premiums not specified in this chapter are calculated by the Department of Defense (DoD) using assumptions (as to mortality and economic conditions) consistent with those approved by the DoD Board of Actuaries for the Valuation of the Military Retirement Fund. The Director of Military Compensation approves these calculations and resulting premiums. For more information refer to the Office of the Actuary site.

*450203 Effective Date of Premium

See Table 45-2 or 45-3 as applicable.

*450204 Cost of Living Adjustment (COLA)

SBP premiums normally increase at the same time, and by the same percentage, that retired pay increases by COLA. When the payment of increased retired pay resulting from a COLA is delayed, the increase to SBP premiums will occur at the same time the retired pay is increased.
rather than the effective date of the COLA increase (or the date that the retired pay would have increased if the retired member were currently in receipt of retired pay).

4503  BASIC SPOUSE/FORMER SPOUSE PREMIUM CALCULATION

450301. Initial Premium Calculation

There are two methods for calculating the initial premium for the standard SBP annuity coverage for a spouse or former spouse. These methods are:

A. An amount equal to 6.5 percent of the base amount (see Chapter 42, paragraph 420401), and

B. An amount equal to 2.5 percent of a threshold-amount plus 10 percent of the difference between the base amount and the threshold-amount. The threshold-amount is adjusted at the same time and by the same percentage as the average increase in basic pay. See paragraph 450304. The original threshold-amount of $300 has been increased by the same percentage increase as basic pay since October 1, 1985.

450302. Premium Calculation Before March 1, 1990

A. A person who became a member before March 1, 1990 or who is entitled to disability or non-regular (Reserve) retirement, is entitled to whichever method is more favorable as described in subparagraphs 450301 A and B.

B. For a person who first participates in SBP for spouse or former spouse coverage before March 1, 1990, the initial premium was computed on a standard cost formula of 2.5 percent of the threshold-amount, plus 10 percent of the base amount in excess of the threshold-amount. The threshold-amount is increased as set out in paragraph 450304.

C. If the individual first became a member of a uniformed service before March 1, 1990, is providing spouse coverage, and the SBP premium exceeds 6.5 percent of the base amount, the SBP premium was recomputed effective March 1, 1990, on the flat-rate reduction formula of 6.5 percent.

450303. Premium Calculation On or After March 1, 1990

Effective March 1, 1990, the initial SBP premium formula for spouse or former spouse coverage for a member who did not have a disability or non-regular (Reserve) retirement became 6.5 percent of the base amount as described in subparagraph 450302.C.

450304. Threshold-Amount Increase

The threshold-amount is increased by:
A. The same percentage as the increase in basic pay effective on or after October 1, 1985. The increase occurs at the same time. This applies to a retired member whose retired pay is computed on the basic pay rate in effect or after the effective date of such increase in basic pay; or

B. The same percentage as a cost-of-living adjustment (COLA) applied to the retired member’s retired pay on or after October 1, 1985, if the retired member first participates in the SBP after the effective date of the COLA increase and after the effective date of the basic pay rates on which the retired member’s retired pay is computed. This is in addition to the increase in subparagraph 450302.A and the increase occurs at the same time as the COLA increase.

4504 COMPUTATION OF PREMIUMS

450401. Spouse Only or Former Spouse Only

See Table 45-1, Rule 1.

*450402. Spouse and Child, Former Spouse and Child, or Child Only

If the SBP coverage is for spouse and child, former spouse and child, or child only, a formula must be applied against the base amount (or base amount times 55 percent before April 1983) to determine the charge for coverage of the child. The age of the youngest child is used to determine the premium. If there is an incapacitated child over 18 years of age and there also is a competent child over age 18 but younger than the incapacitated child, or there is an incapacitated child over age 22 who is eligible for SBP benefits and there are no other eligible children, then age 17 is used to determine the premium. The premium can be determined from the SBP Factor Tables by contacting Defense Finance and Accounting Service-Cleveland (DFAS-CL), Retired and Annuitant Pay Directorate. A cost computation can be obtained by contacting an SBP counselor at the nearest military installation. See Table 45-1, Rules 2 and 3.

A. The following steps are used to compute the premium:

1. Determine the age of the:
   a. Retired member, spouse, and child for spouse and child coverage;
   b. Retired member, former spouse, and child for former spouse and child coverage; or
   c. Retired member and child for child coverage;

2. Determine the cost factor from the appropriate SBP Factor Tables;

3. Multiply the base amount by the factor to determine the child premium; then
4. Add the child premium to the spouse (or former spouse) premium.

B. The following are examples of computing premiums:

Example 1: A member retires on February 1, 2018, with 20 years of active service. The gross retired pay is $1,000.00. The retired member elects maximum coverage for spouse and child. Birth dates are: February 1, 1979 (retired member); June 2, 1983 (spouse); and May 1, 2009 (child).

Step 1. Compute ages. Six months or more is considered a full year. Note: Months are computed in 30 day increments for pay purposes only.

<table>
<thead>
<tr>
<th>Retired Member</th>
<th>Spouse</th>
<th>Child</th>
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</thead>
<tbody>
<tr>
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<td>80900</td>
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<tr>
<td>(39)</td>
<td>(35)</td>
<td>(9)</td>
</tr>
</tbody>
</table>

Step 2. Using the SBP Factor Table as determined by the Department of the Actuary to locate the combination of a retired member age 39, spouse age 35, and child age nine. A cost computation can be obtained by contacting the DFAS-CL, Retired and Annuitant Pay Directorate or by contacting an SBP counselor at the nearest military installation.

Steps 3 and 4. Determine total premium:

Spouse premium:
(Flat-rate formula) $1,000.00
$1,000.00
x .065
$ 65.00
$65.00

Child premium:
$1,000.00
x .00001
$ .01
+$ .01

Total Premium:
$65.01

Example 2: The spouse in Example 1 becomes an ineligible beneficiary on March 3, 2019. Coverage changes to child only.

Step 1. Recompute the ages for retired member and child.

<table>
<thead>
<tr>
<th>Retired member</th>
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<tr>
<td>20190303</td>
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45-7
Step 2. The SBP Factor Table is used to locate the combination of a retired member age 40 and child age 10. The resulting factor is .0016.

Step 3. Determine total premium: $1,000.00 x .0016 = $1.60

Example 3a: The retired member elects spouse and child coverage (Example 1) at retirement on February 1, 2018. The spouse becomes an ineligible beneficiary (dies or divorces) and coverage changes to child only (Example 2) on March 3, 2019. The retired member marries a different spouse on May 14, 2019. The birth date for the new spouse is October 12, 1982. Spouse and child coverage resumes on May 14, 2020 unless the retired member elects not to resume spouse coverage. The new premium for spouse and child is effective on May 14, 2020. See Table 45-3, Rule 9 and Note 8.

Step 1. Recompute ages for retired member, spouse, and child.

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<th>Retired</th>
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</table>

Step 2. The SBP Factor Table is used to locate the combination of a retired member age 41 spouse age 38, and child age 11.

Steps 3 and 4. Determine the total premium:

Spouse premium:
(Flat-rate formula) $1,000.00 x .065
$ 65.00 $ 65.00

Child premium: $1,000.00 x .00001
$.01 + $.01

Total Premium $ 65.01

Example 3b: The member elects spouse and child coverage at retirement on February 1, 2018 (Example 1). The spouse becomes an ineligible beneficiary and coverage changes to child only (Example 2) effective March 3, 2019. The retired member remarries on May 14, 2019. The birth date for the new spouse is October 12, 1982. Coverage would have resumed for the spouse and child on May 14, 2020, the first anniversary of the marriage; however, the spouse becomes the parent of issue by that marriage before the first anniversary. Coverage changes to spouse and child on the date the child is born of that marriage. The new premium is effective the first day of the month following the birth. See Table 45-3, Rule 9 and Note 8. Assume that the child is born March 27, 2019.
Step 1. Recompute ages for retired member, spouse, and child.

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Step 2. The SBP Factor Table is used to locate the combination of a retired member age 40, spouse age 36, and child age 0.

Steps 3 and 4. Determine total premium:

**Spouse premium:**
(Flat-rate formula) $1,000.00 x .065 = $65.00

**Child premium:** $1,000.00 x .00001 = $.01

Total Premium $65.01

Example 4: The retired member elects spouse and child coverage at retirement on February 1, 2018 (Example 1). The retired member divorces on March 3, 2019, and coverage changes to child only. See Example 2 for recomputation. The retired member elects coverage for former spouse and child based on a court order dated June 2, 2019, and received June 28, 2019. The premium for the former spouse and the child is effective July 1, 2018. The ages are recomputed on the date the election is received.

Step 1. Recompute ages.

<table>
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<tr>
<td>19790201</td>
<td>19830602</td>
<td>20090501</td>
<td></td>
</tr>
<tr>
<td>390427</td>
<td>350026</td>
<td>090127</td>
<td></td>
</tr>
<tr>
<td>(40)</td>
<td>(35)</td>
<td>(10)</td>
<td></td>
</tr>
</tbody>
</table>

Step 2. Use The SBP Factor Table to locate the combination of a retired member age 40, spouse age 35, and child age 10.

Step 3. Determine the premium as in Example 1.
450403. Natural Interest Person (NIP)

In some cases, the insurable interest category may include former spouse. The premium formula for the insurable interest category is 10 percent of retired pay plus 5 percent for each full 5 years the individual designated is younger than the retired member. However, the total insurable interest premium cannot exceed 40 percent and must be based on full retired pay. Refer to Table 45-1, Rule 4.

*4505 COLLECTION AND PAYMENT OF PREMIUM

Members electing SBP coverage must pay a premium for such coverage. Premiums are collected either through reduction of retired pay, deductions from the retired member’s Combat-Related Special Compensation (CRSC), or direct remittance.

450501. Payments

A. When Retired Pay is Sufficient. A retired member who receives enough retired pay to cover the premiums for SBP has those premiums withheld from his or her retired pay.

B. When Retired Pay is Not Sufficient or Not Paid

1. Not Sufficient. In the case of a person who has elected to participate in SBP and who has been awarded both retired pay and CRSC under 10 U.S.C. § 1413a, if a deduction from the person's retired pay for any period cannot be made in the full amount required, there shall be deducted from the person's CRSC in lieu of deduction from the person's retired pay the amount that would otherwise have been deducted from the person's retired pay for that period. (See paragraph 420205).

2. Not Paid. If a person who has elected to participate in SBP has been awarded retired pay and is not entitled to that pay for any period, that person must remit the premium in the amount that would otherwise have been deducted from his pay for that period, except to the extent that the required deduction is made pursuant to subparagraph 450501.B.1.

450502. Waiver of Retired Pay

A. For any period in which the retired member is not receiving retired pay because of non-entitlement to or waiver of such pay or the pay received is not enough to cover the total cost of coverage, the payments are to be deducted from the retired member’s CRSC or the retired member must remit the amount due to DFAS-CL. Premiums are due on the effective date of coverage. For example, member retires June 1; the first payment is due June 1, for the period June 1-30. A retired member who waives full retired pay for Veterans Affairs (VA) disability compensation may pay the premium by direct remittance or by deduction from the VA disability compensation payments (see Chapter 12, subparagraph 120207.A).
B. If the retired member waives participation in the military SBP and elects participation in the civil service SBP, and the civil service waiver later becomes ineffective for any period for any reason, previous participation in the military SBP is resumed and military SBP premium is due from the retired member.

450503. Emergency Officer’s Retired List (EORL)

A retired member on the EORL may pay premiums by direct remittance or by deduction from EORL payments.

450504. Active Duty Recall

If a retired member is recalled to active duty for more than 30 days after a break in service, the retired member does not pay the premium while on active duty.

450505. Active Judicial Duty

The retired member remains an SBP participant while on active judicial duty and is required to pay the SBP premiums while military retired pay is suspended.

4506 SUSPENSION, CHANGE, AND TERMINATION OF PREMIUM

450601. No Eligible Beneficiary

Premiums are suspended for spouse or former spouse coverage when there is no longer an eligible beneficiary. Premiums are also suspended for child coverage when there is no eligible child beneficiary (see Chapter 54 for Reserve Component Survivor Benefit Plan (RCSBP) child coverage).

450602. School Nonattendance

If the SBP premium was adjusted or discontinued based on school nonattendance of the child beneficiary, the premium is adjusted retroactively to the first day of the month after the child resumed school attendance.

450603. Premium Changes

The premium changes when:

A. Coverage is for spouse and child (or former spouse and child) and the last dependent child is no longer an eligible beneficiary. The premium for coverage is changed to spouse (or former spouse) only. The child coverage is suspended. See Table 45-3, Rule 8; or

B. Coverage is for spouse only and the spouse is no longer eligible and the retired member remarries. Within 1 year after retired member’s remarriage, the retired member may:
1. Resume coverage;

2. Elect not to resume spouse coverage; or

3. Increase the base amount up to and including full retired pay for spouse or spouse and child coverage. The retired member may increase the base amount at any increment up to full coverage. An increase in level of coverage will result in an increased premium. When level of coverage is increased upon remarriage, a retired member must pay for premiums as if that level of spouse coverage had always been in effect. The retired member must pay for premiums which would have been charged had this level of coverage always been in effect less the amount of premiums already paid by the retired member. In addition, this amount owed will be charged with interest. Full coverage is based on full retired pay which means the spouse will receive 55 percent of the retirement pay. If lesser coverage is selected then the spouse will receive 55 percent of the elected base amount. See Table 45-3, Rule 6;

Note: If no action is taken, coverage will resume at the same amount on the first day of the month following the first anniversary of the new marriage.

C. Coverage is for spouse and child and the spouse is no longer eligible or the coverage is for former spouse and child and the former spouse is no longer eligible. See Table 45-3, Rule 7, for computation for the child premium.

D. Coverage is for spouse at the time of the retired member’s retirement (on or before March 21, 1974 for a pre-September 21, 1972 retired member), and the retired member subsequently divorces and then remarries that former spouse. The premium is effective the first day of the month following the remarriage, unless the remarriage is the first day of the month, then the premium is effective on the date of marriage;

E. Coverage is for spouse after date of retirement and the retired member subsequently divorces and then remarries that former spouse. The premium of coverage is resumed the first day of the month following the first anniversary unless the remarriage is the first day of the month, then the premium resumes on the first day of the first anniversary;

F. Coverage is for spouse or spouse and child and is changed to former spouse under Chapter 43. In the case of a person required to make the election by reason of a court order or the filing of which is after October 16, 1998, then the premium is effective the first day of the month after the date of that court order or filing. See Table 45-3, Rule 10; or

G. Coverage for spouse begins after the death of a covered former spouse. Upon electing coverage for a spouse after the death of a covered former spouse, the retired member may not increase or decrease the amount of coverage. The retired member must have been:

1. Married for at least 1 year on the date of former spouse’s death. If the retired member had been married for at least 1 year on the former spouse’s date of death, and the retired member makes a spouse election within 1 year of the former spouse’s death, premiums will resume on the first day of the month following the death of the former spouse.
2. Married within the 1 year period preceding the date of death of the former spouse. If the retired member married within the 1 year period preceding the date of death of the former spouse and the retired member makes a spouse election within 1 year of the former spouse’s death, premiums will resume on the first day of the month following the first anniversary of the marriage; or

3. Married after the death of the former spouse. If the retired member marries after the former spouse’s date of death, and the retired member makes a spouse election within 1 year of the marriage, premiums will resume on the first day of the month following the first anniversary of the marriage.

450604. Premium Termination

The SBP premium terminates for a NIP under the following circumstances:

A. When the beneficiary dies;

B. When the retired member terminates coverage for the NIP; or

C. On the date a spouse or child acquired after retirement becomes the eligible beneficiary if the retired member elected coverage for such spouse or child. The SBP premium is terminated as of the date shown in Table 45-4. See Chapter 43, section 4307 for more information on termination procedures.

450605. Voluntary Termination

If a retired member voluntarily discontinues SBP participation under Chapter 43, the premium terminates on the effective date of the election which is the first day of the month following the date of the receipt of the request. Any premium deducted for periods on or after such effective date must be refunded and the retired member notified of the final action concerning termination of coverage.

450606. Other Suspension and Termination Situations

See Table 45-4 for other suspension and termination of premium situations.

*4507 DELINQUENT SBP PREMIUMS

Interest is owed for any delinquent SBP premiums. The interest rate is a percentage that is compounded annually and based on assumptions approved by the DoD Board of Actuaries for the Valuation of the Military Retirement Fund. Any delinquent Retired Serviceman’s Family Protection Plan (RSFPP) premiums existing on date of conversion to SBP continue with interest, until paid. Upon the death of a retired member, any delinquency, plus interest, is collected from the annuitant’s benefits before payment of any annuity will commence.
450801. Paid-Up Premiums

A. Premiums for SBP participation are permanently paid up (no further reductions to retired pay or remittances) when a retired member attains age 70 and has paid 360 months of premium payments.

B. A retired member who became an SBP participant or increased the base amount coverage during April 1, 1992 through March 31, 1993 was required to pay the basic SBP premium and an additional premium, which was a percentage of the basic premium determined by the actuary. The additional premium accounted for the premiums the retired member would have paid if the retired member had elected SBP at the earliest possible date. A retired member who paid the additional premium received credit towards the paid-up 360 months based upon the additional premium paid.

450802. Coverage In Effect October 2008

Effective with the retired pay entitlement and SBP coverage in effect for the month of October 2008, SBP premium reductions will no longer be made if the retired member is a qualified SBP participant described in paragraph 450803. Deposits of monthly SBP premiums made by an SBP participant during a period when the participant is not entitled to retired pay qualify as premium reductions.

450803. Birthday Month

A retired member is a qualified participant for purposes of paid-up SBP coverage if the retired member is age 70 or older whose retired pay has been reduced for SBP coverage for 360 months or more. If the retired member’s 70th birthday occurs later than the 360th month for which the retired member paid SBP premiums, no SBP premiums will be required for the month in which the member reaches age 70, regardless of the day on which that occurs in the month.

450804. Effective Date

The first payment that can be affected is the payment for the period of retired pay entitlement beginning October 1, 2008 (due November 3, 2008).

450805. Buy-In Premium

A retired member who elected or changed SBP coverage during the open enrollment periods March 1, 1999 through February 29, 2000 and October 1, 2005 through September 30, 2006 was charged a one-time buy-in premium in addition to the prospective monthly premium. The buy-in premium was due and payable in a lump sum payment at the time the retired member filed the election. A retired member who paid the lump sum, buy-in premium received credit toward the 360 months as if the retired member’s retired pay had been reduced monthly for SBP premiums.
4509 TAXABILITY OF PREMIUMS

A retired member whose pay is subject to tax reporting will, while in a pay status, receive the tax benefit through a reduction in the taxable income reported to the Internal Revenue Service (IRS). No reduction against the taxable income can be given for interest paid on the delinquent premiums.

4510 INCOME EXCLUSION

For federal income tax purposes, premiums for SBP/RSFPP coverage are excluded from taxable income when they are directly withheld from the retired member’s gross retired pay. Only premiums directly withheld from the retired member’s pay qualify for this exclusion.
Table 45-1. Computation of SBP Premium on Establishment

<table>
<thead>
<tr>
<th>RULE</th>
<th>If beneficiary is</th>
<th>the formula is</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>spouse or former spouse (spouse category)</td>
<td>6.5 percent of the base amount (Note 1) or 2.5 percent of the threshold-amount (Note 2), as adjusted, plus 10 percent of the remaining base amount. If gross retired pay is less than the threshold-amount, use 2.5 percent of gross retired pay.</td>
</tr>
<tr>
<td>2</td>
<td>spouse (former spouse-spouse category) and child (Notes 3 and 4)</td>
<td>determined under Rule 1, plus an additional premium for child computed by applying the factor from the SBP Factor Table against the base amount. See section 4504 for examples.</td>
</tr>
<tr>
<td>3</td>
<td>child only (Notes 3 and 4)</td>
<td>shown in the SBP Factor Table, based on the ages of the retired member and youngest dependent child, against the base amount. See section 4504 for example.</td>
</tr>
<tr>
<td>4</td>
<td>NIP or former spouse (NIP category)</td>
<td>10 percent of the retired member’s gross retired pay if the age of the beneficiary is equal to or greater than retired member’s age. If the beneficiary’s age is less than retired member’s age, the formula is 10 percent of the retired member’s gross retired pay, plus an additional 5 percent of the gross retired pay for each full 5 years that the beneficiary is younger than retired member. Six months or more is not counted as an additional year. Total premium may not exceed 40 percent of gross retired pay.</td>
</tr>
</tbody>
</table>

NOTES:
1. Retired members who first became a member of a uniformed service on or after March 1, 1990, and receive a regular retirement will have their spouse premium computed under the flat rate formula of 6.5 percent of the base amount. The following retired members are entitled to spouse premium computation under the formula that provides the lesser premium:
   a. A retired member who is entitled to retired pay based on disability;
   b. A retired member who is entitled to retired pay based on a non-Regular service retirement; or
   c. A retired member who first became a member of a uniformed service before March 1, 1990.
2. The threshold-amount is subject to indexing equal to the percentage increases for active duty basic pay rates.
3. Do not recalculate premiums when a child different from the child first established as the youngest child becomes the youngest eligible child.
4. For a dependent child the age of the youngest child is used in the formula. Exception: Use age 17 for an incapacitated child over 18 years of age when there is a competent child also over 18, but younger than the incapacitated child, or there is an incapacitated child over age 22 who is eligible for SBP benefits and there are no other eligible children.
Table 45-2. Effective Date of Premium - Initial Election

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If on the date of election (pre-September 21, 1972 retired member) or date of retirement (post-September 21, 1972 retired member), the retired member has</td>
<td>the effective date of premium is first day of the month following election by the Secretary of the Military Department concerned receipt of the election the first anniversary of the marriage</td>
</tr>
<tr>
<td>1</td>
<td>spouse, spouse and child, child only, or NIP (pre-September 21, 1972 retired member)</td>
<td>X</td>
</tr>
<tr>
<td>2</td>
<td>spouse, spouse and child, child only, or NIP (post-September 21, 1972 retired member)</td>
<td>X</td>
</tr>
<tr>
<td>3</td>
<td>no dependents, later marries (Note 1)</td>
<td>X</td>
</tr>
<tr>
<td>4</td>
<td>no dependents, later acquires dependent child (Note 1)</td>
<td>X</td>
</tr>
<tr>
<td>5</td>
<td>no dependents, later marries and acquires dependent child (Note 1)</td>
<td>X</td>
</tr>
<tr>
<td>6</td>
<td>been declared mentally incompetent (Secretary may make election)</td>
<td>X</td>
</tr>
<tr>
<td>7</td>
<td>former spouse (post-September 7, 1982 retired member) or former spouse and child (post-February 28, 1986 retired member)</td>
<td>X</td>
</tr>
</tbody>
</table>

Notes:
1. Retired member must elect within 1 year of marriage or acquiring dependent child.
2. Compute the child premium using the ages of the retired member and the youngest child as of date of receipt of the election.
3. The child only premium is established and continues until the first of the month following the first anniversary of the marriage. Compute child only premium using the ages of the retired member and youngest child on date of receipt of the election. When the spouse becomes an eligible beneficiary, child only coverage is changed to spouse and child coverage and compute the new premium using the ages of the retired member, spouse, and the youngest child on the date the spouse becomes an eligible spouse beneficiary.
4. If the first anniversary is on the first day of the month, the premium is charged for that month.
5. If a child is born of that marriage before the first anniversary, the premium for spouse and child coverage is effective the first of the month following the birth of the child. If the birth or anniversary is the first day of the month, the premium is charged for that month.
6. The effective date of the premium for an election for a former spouse election made from September 8, 1982 through January 31, 1983 is February 1, 1983.
Table 45-3. Effective Date for Change of Premium

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If on the date of election (pre-September 21, 1972 retired member) or date of retirement (post-September 21, 1972 retired member), the retired member has</td>
<td>the effective date of premium is first day of the month following receipt of election.</td>
</tr>
<tr>
<td>1</td>
<td>spouse, no child, later acquires child (Notes 1 and 2)</td>
<td>X</td>
</tr>
<tr>
<td>2</td>
<td>no spouse, child only, later acquires spouse (Notes 1, 7 and 8)</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>NIP (or former spouse), later marries (Notes, 1, 7, 8 and 11)</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>NIP (or former spouse), later acquires child (Notes, 1, 3, 8 and 11)</td>
<td>X</td>
</tr>
<tr>
<td>5</td>
<td>NIP (or former spouse), later acquires spouse and child (Notes 1, 4, 7, 8 and 11)</td>
<td>X (child)</td>
</tr>
<tr>
<td>6</td>
<td>spouse, loses spouse, remarries (Notes 1, 7, 8 and 9)</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>spouse and child (or former spouse and child), loses spouse (or former spouse), premium is recomputed for child (Notes 5 and 9)</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>spouse and child (or former spouse and child), loses child (Note 6)</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>(a) Spouse and child, loses spouse, premium recomputed for child, retired member later marries (Notes 4, 7, 8 and 11)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) Spouse or spouse and child, divorces and changes to former spouse and child, loses former spouse, premium recomputed for child, retired member later marries (Note 12)</td>
<td>X (child only until first anniversary)</td>
</tr>
<tr>
<td></td>
<td>(c) Former spouse and child, loses former spouse, premium recomputed for child, retired member later marries and was not married at retirement (Note 13)</td>
<td></td>
</tr>
</tbody>
</table>
Table 45-3. Effective Date for Change of Premium (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If on the date of election (pre-September 21, 1972 retired member) or date of retirement (post-September 21, 1972 retired member), the retired member has</td>
<td>the effective date of premium is first day of the month following receipt of election.</td>
</tr>
<tr>
<td>10</td>
<td>spouse and/or child, acquires former spouse, changes coverage to former spouse or former spouse and child</td>
<td>X</td>
</tr>
<tr>
<td>11</td>
<td>former spouse or former spouse and child, loses former spouse, changes coverage to spouse or spouse and child</td>
<td>X</td>
</tr>
<tr>
<td>12</td>
<td>elected former spouse deemed by Secretary concerned (Note 14).</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>been declared mentally incompetent but later adjudged competent may, within 180 days, change a Secretarial election</td>
<td>X</td>
</tr>
</tbody>
</table>

Notes:
1. Retired member must elect within 1 year of (re)marriage or acquiring the dependent child or child. If the election change is from former spouse coverage to spouse coverage, there is no time limitation on the election period so long as the former spouse is still living. If the retired member elects to change from former spouse to spouse coverage after 1 year of remarriage, the coverage is effective on the date of election receipt and the associated premium is effective on the first day of the month after election receipt.
2. Compute premium for additional child using ages of retired member, spouse, and youngest child as of date of receipt of election.
3. Compute premium for child using ages of retired member and youngest child as of date of receipt of election.
4. Child only premium is effective until the first of the month following the first anniversary of the (re)marriage. Compute child only premium using ages of retired member and youngest child on the date of receipt of the election or on the day after the date spouse eligibility is lost (Rules 5 and 8). When spouse becomes an eligible beneficiary, child only coverage is changed to spouse and child coverage and compute child premium using ages of retired member, spouse, and youngest child on date spouse becomes an eligible spouse beneficiary.
5. Compute child only premium using ages of retired member and youngest child as of the first date following the date the spouse (or former spouse) became an ineligible beneficiary or October 1, 1976, whichever is later. If eligibility was lost the first day of the month, the child only premium begins the following month.
6. If the retired member gives exact date of loss of last dependent child, the change in premium is effective the first of the month following date provided. If the exact date is not given, use first day of the month after receipt of notification.
Table 45-3. Effective Date for Change of Premium (Continued)

7. The premium for spouse coverage is effective on the first day of the month following the birth of the child of that marriage if earlier than first anniversary of the marriage.
8. If birth or anniversary is the first day of the month, the premium is effective that month.
9. Before enactment of PL 94-496, October 14, 1976, the deduction for spouse premium continued past the date spouse became an ineligible beneficiary.
10. The retired member must make election within 1 year of the date of a decree of divorce, dissolution, or annulment of marriage to spouse. Election for former spouse only may not be effective before September 24, 1983 (earliest day for premium is October 1, 1983). Election for former spouse and child may not be effective before March 1, 1986 (earliest date for premium is March 1, 1986).
11. An election to terminate coverage for a NIP premium, a former spouse, a spouse or spouse and child must be done in accordance with Chapter 43.
12. If a retired member elects former spouse (or former spouse and child) coverage, and if the retired member is married at the time the former spouse dies, the retired member may elect spouse coverage within 1 year of the death of the former spouse (10, U.S.C. § 1448(a)(7)(B)(ii)).
13. If a retired member elects former spouse or former spouse and child coverage at the time the retired member becomes eligible to participate (10 U.S.C. § 1448(b)(2)), but is not married when the retired member becomes eligible to participate and remarries after the former spouse dies, the retired member may elect spouse coverage within 1 year of the marriage to that spouse (10 U.S.C. § 1448(a)(5)).
14. The effective date of premium and coverage is on the later of: (a) retired member’s retirement date; (b) the first day retired member could have voluntarily made such an election; or (c) the first day of month after the effective date of court order involved.
### Table 45-4. Suspension and Termination of Premium

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SUSPENSION AND TERMINATION OF PREMIUM</strong></td>
<td>If a retired member</td>
<td>the premium is terminated</td>
<td>with an effective date of the</td>
<td>and the retired member is</td>
</tr>
<tr>
<td><strong>1</strong></td>
<td>is deceased</td>
<td>date of the retired member’s death.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>is recalled to active duty for more than 30 days</td>
<td>day before entry on active duty</td>
<td>not required to remit premium for coverage while on active duty.</td>
<td></td>
</tr>
<tr>
<td><strong>3</strong></td>
<td>waives retired pay for a civil service retirement</td>
<td>waiver as furnished by retired member</td>
<td>provided coverage elected under civil service retirement.</td>
<td></td>
</tr>
<tr>
<td><strong>4</strong></td>
<td>is removed from the Temporary Disability Retired List (TDRL) and retired pay is terminated (Note 1)</td>
<td>removal from the TDRL</td>
<td>not entitled to a refund of prior premiums.</td>
<td></td>
</tr>
<tr>
<td><strong>5</strong></td>
<td>elected for child and the last dependent child is no longer an eligible beneficiary (Note 2)</td>
<td>first of the month after loss of eligibility (Notes 3 and 4)</td>
<td>due a refund from first of month after loss of eligibility (Note 5).</td>
<td></td>
</tr>
<tr>
<td><strong>6</strong></td>
<td>who has been declared mentally incompetent is restored to competency and, within 180 days, revokes election made on his or her behalf</td>
<td>first of month after receipt of election</td>
<td>not due a refund for period of coverage.</td>
<td></td>
</tr>
<tr>
<td><strong>7</strong></td>
<td>elected for spouse (or former spouse) and spouse (or former spouse) becomes an ineligible beneficiary</td>
<td>first day of month after that in which spouse (or former spouse) became an ineligible beneficiary.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>8</strong></td>
<td>elected coverage for a NIP (or former spouse in NIP category) who dies before the retired member</td>
<td>last day of month in which beneficiary dies.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>9</strong></td>
<td>elected coverage for a NIP (not a former spouse) and retired member discontinues participation from the Plan (see Chapter 54, paragraph 541003 for the Reserve Component Survivor Benefit Plan participant).</td>
<td>first day of month after receipt of request.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>10</strong></td>
<td>discontinues participation between the second and third anniversary of the date of retirement</td>
<td>first day of month after receipt of request.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 45-4. Suspension and Termination of Premium (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>If a retired member is age 70 and has paid 360 monthly premiums</td>
<td>terminated</td>
<td>later of: (a) The premium for October 2008; (b) First day of the month after the 360th monthly premium; or, (c) The first day of the month after the retired member reaches age 70.</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>elected former spouse coverage (or former spouse coverage was deemed) after retirement or eligibility to participate and former spouse dies and retired member did not change former spouse to spouse coverage while former spouse was still living (Note 6)</td>
<td>terminated</td>
<td>last day of the month in which the beneficiary dies</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>discontinues SBP participation due to a qualifying VA disability rating</td>
<td>terminated</td>
<td>first day of the month following receipt of the retired member’s request</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. If the retired member returns to active duty and is subsequently retired, a new election must be made. Any election in effect while on TDRL is void.
2. A child is no longer an eligible beneficiary when he or she dies, marries, is between age 18 and 22 and not attending school, or has reached age 22 (see Note 3).
3. A student whose 22nd birthday occurs before July 1st or after August 31st of any calendar year is considered age 22 on July 1st after that birthday and the premium is discontinued.
4. When the birthday is the first day of the month, the premium terminates the first day of that month.
5. If the retired member gives the exact date of loss of last dependent child, the cost is terminated the first of the next month. If the exact date is not given, use the first day of month after receipt of notification.
Table 45-4. Suspension and Termination of Premium (Continued)

6. Once an election from spouse or spouse and child is changed to former spouse or former spouse and child, all previous coverage under the Plan terminates (10 U.S.C. § 1448(b)(3)). In that instance, if the retired member remarries, an election from former spouse coverage to spouse coverage can only be made while the former spouse is still living. However, if a retired member elects former spouse or former spouse and child coverage at the time the retired member becomes eligible to participate (10 U.S.C. § 1448(b)(2)), but is not married when the retired member becomes eligible to participate and remarries after the spouse dies, the retired member may elect spouse coverage within 1 year of the marriage to that spouse (10 U.S.C. § 1448(a)(5)).
CHAPTER 45 - SURVIVOR BENEFIT PLAN (SBP) PREMIUMS

4501 - GENERAL

450101  10 U.S.C. § 1452(h)
450102  10 U.S.C. § 1452
         DoD Instructions (DoDI) 1332.42, 
         June 23, 2009
         Office of the Under Secretary of Defense (OUSD) 
         Personnel and Readiness (P&R) Memorandum 
         (Memo), June 1, 2005

4502 - PREMIUM

10 U.S.C. § 183
10 U.S.C. § 1465
         DoD Directive (DoDD) 1332.27, 
         June 26, 2003
         DoDI 1332.42, June 23, 2009
         PL 102-190, section 653, December 5, 1991
         OUSD P&R Memo, June 1, 2005
         OUSD P&R Memo, August 1, 2005

4505 – COLLECTION AND PAYMENT OF PREMIUM

10 U.S.C. § 1452
10 U.S.C. § 1452(d)(1)
10 U.S.C. § 1452(d)(2)
PL 114-328, section 643
450501  DoDI 1332.42, June 23, 2009
450502 & 450503  10 U.S.C. § 1452(d)
10 U.S.C. § 1452(e)
         Comp Gen B-212481, February 2, 1984
         Comp Gen B-244827, September 9, 1992
450505  Comp Gen B-252391, October 22, 1993

4506 - SUSPENSION, CHANGE, AND TERMINATION OF PREMIUM

450601  10 U.S.C. § 1452(a)(3), (b)(2)
         DoDI 1332.42, June 23, 2009
450602  10 U.S.C. § 1452
         65 Comptroller General (Comp Gen) 767, 
         B-221945, August 4, 1986
450603  10 U.S.C. § 1448(a)(6)
REFERENCES (Continued)

10 U.S.C. § 1448(a)(7)
10 U.S.C. § 1448(b)(3)
10 U.S.C. § 1450(f)(3)
10 U.S.C. § 1452

450603.D. & E Comp Gen B-195349, January 10, 1980
Defense Office of Hearings and Appeals, Case No. 96070219

450604 10 U.S.C. § 1452(c)(3)
450608 10 U.S.C. § 1452(a)(4)(B)
10 U.S.C. § 1452(h)
PL 104-201, section 635, September 23, 1996
DoDI 1332.42, paragraph 13.L, June 23, 2009

4507 - DELINQUENT SBP PREMIUMS

DoDI 1332.42, June 23, 2009

4508 – PAID-UP SBP PREMIUMS AFTER 30 YEARS AND AGE 70

PL 105-261, section 641, October 17, 1998
10 U.S.C. § 1436a
PL 108-375, section 645, October 28, 2004
PL 106-65, section 654, October 5, 1999

450805 10 U.S.C. § 1452(j)
OUSD P&R Memo, November 6, 2006

Table 45-1 Computation of SBP Premium on Establishment

Rules 1-4 10 U.S.C. § 1452
DoDD 1332.27, January 4, 1974, Chapter 5
Notes 1-4 10 U.S.C. § 1452
62 Comp Gen 553, B-210053, July 13, 1983

Table 45-2 Effective Date of Premium - Initial Election

Rule 1 10 U.S.C. § 1448
Rule 2 10 U.S.C. § 1448
Rule 3 10 U.S.C. § 1448
Rule 6 Comp Gen B-226018, March 18, 1987
Rule 7 10 U.S.C. § 1448(b)(4)
Note 1 10 U.S.C. § 1448(a)(5)
Note 3 57 Comp Gen 847, B-192127, September 25, 1978
Note 4 57 Comp Gen 847, B-192127, September 25, 1978
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Note 6    Comp Gen B-226018, March 18, 1987

Table 45-3    Effective Date for Change of Premium

<table>
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<th>Rule</th>
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<td>Rules 7-9</td>
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Table 45-4    Suspension and Termination of Premium

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<td>Rule 7</td>
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<td>PL 99-661, section 645, November 14, 1986</td>
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<td>PL 94-496, October 14, 1976</td>
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<tr>
<td>Rule 8</td>
<td>10 U.S.C. § 1452</td>
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<td>PL 94-496, October 14, 1976</td>
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<td>Rule 10</td>
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VOLUME 7B, CHAPTER 46: “SURVIVOR BENEFIT PLAN (SBP) – ANNUITIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated March 2018 is archived.

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<th>PARAGRAPH</th>
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<th>PURPOSE</th>
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<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<tr>
<td>460101.B-C</td>
<td>Deleted “Overview” subparagraphs B and C and redesignated all other subparagraphs in the section as it is properly represented in Chapter 44.</td>
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<tr>
<td>460101.E</td>
<td>Added information on Dependency Indemnity Compensation reduction phase out over three years beginning in 2021.</td>
<td>Addition</td>
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<tr>
<td>460103</td>
<td>Updated language for “Authoritative Guidance” to comply with new requirements.</td>
<td>Revision</td>
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<tr>
<td>460502</td>
<td>Added information on Dependency Indemnity Compensation reduction phase out over three years beginning in 2021.</td>
<td>Addition</td>
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<tr>
<td>461002</td>
<td>Deleted a section as it relates to the suspension and not to termination of the Survivor Benefit Plan due to Dependency Indemnity Compensation offset.</td>
<td>Deletion</td>
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<td>References</td>
<td>Changed the name from “Bibliography” to “References” to comply with current instructions.</td>
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CHAPTER 46
SURVIVOR BENEFIT PLAN (SBP) – ANNUITIES

4601 GENERAL

460101. Overview

A. The SBP provides a monthly annuity of up to 55 percent of the annuity base amount with a cost-of-living adjustment (COLA), to an eligible spouse or children. The monthly annuity for a natural person with an insurable interest, which also includes a COLA, is 55 percent of the amount of the gross retired pay after the cost of participation is subtracted.

B. Effective December 23, 2016, Public Law (PL) 114-328, Section 642 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2017, amended Title 10, United States Code (U.S.C.), sections 1448, 1450, and 1451. The amendments expanded entitlement to the Special Survivor Indemnity Allowance (SSIA) and updated the amount of the annuity payable and the processes for paying an annuity to the survivors of Reserve Component (RC) members who die in the line of duty and RC members who die after completing the years of service to be eligible for a non-regular retirement. See Chapter 54.

C. Public Law (PL) 116-92, Section 622 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2020, signed into law on December 20, 2019, amended 10 U.S.C. §1450(c). This legislation created a multi-year phase out of the SBP-Dependency Indemnity Compensation (DIC) offset, beginning in FY 2021, as follows:

1. For amounts payable for all periods prior to and including the period ending on December 31, 2020, the full amount of DIC paid by the VA to the surviving spouse and former spouse will continue to offset the SBP. The spouse or surviving spouse will continue to receive SSIA, if eligible.

2. For amounts payable for the period beginning on January 1, 2021, but ending on December 31, 2021, two-thirds of the amount of DIC paid by the VA to the surviving spouse or former spouse will offset the SBP annuity amount. The spouse or surviving spouse will continue to receive SSIA, if eligible.

3. For amounts payable for the period beginning on January 1, 2022, but ending on December 31, 2022, one-third of the amount of DIC paid by the VA the surviving spouse or former spouse will offset the SBP annuity. The spouse or surviving spouse will continue to receive SSIA, if eligible.

4. For amounts payable for all periods beginning on or after January 1, 2023, there will be no reduction.
Example, a surviving spouse who is entitled to a $1200 SBP annuity and $1500 DIC paid by VA, will continue to have his or her SBP fully offset in 2020. Because DIC is greater than the amount of SBP, it results in a net SBP payment of $0 after offset for all months of 2020. Beginning in 2021, this same spouse would receive a $200 SBP payment, because only $1000 of the $1500 DIC paid by VA (i.e., two-thirds of the $1500 amount of DIC) would be counted against the SBP. In addition, this spouse would receive SSIA because he or she remains subject to the SBP-DIC offset. In 2022, this same surviving spouse would receive $700 for SBP, because only $500 DIC paid by VA (i.e., one-third of the $1500 amount of DIC) would be counted against the SBP. This spouse would remain eligible for SSIA. In 2023, the offset is lifted and the surviving spouse receives both SBP and DIC in full. In 2023, SSIA is no longer payable.

5. The SBP annuity is restored on January 1, 2023, to any eligible surviving spouse who previously elected to transfer the annuity to a child following the death of a member who died on active duty or inactive duty, in accordance with paragraph 460302C of this chapter.

6. Effective January 1, 2023, SSIA is discontinued.

460102. Purpose

The purpose of this chapter is to provide information for those eligible to receive annuities, how they are paid, and the amounts to be paid.

*460103. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

4602 ANNUITIES

460201. Eligible Annuitants

A. Spouse or Former Spouse Only. The SBP annuity for an eligible spouse or former spouse may be reduced by a percentage of Dependency and Indemnity Compensation (DIC) if the annuity is payable on behalf of the same member. See paragraph 460101.E, section 4605 and Table 46-1.

B. Child Only. If there is more than one eligible child, the annuity is paid in equal shares. The annuity for children is not subject to DIC offset.

C. Spouse and Child or Former Spouse and Child. The annuity is paid to the spouse or former spouse as long as eligibility exists. If the surviving spouse or former spouse dies, remarries before age 55, or otherwise loses eligibility, the annuity is paid to the child annuitant(s).
An election for the former spouse and child includes only the children that resulted from the member/former spouse marriage. The annuity amount for the spouse or former spouse is shown on Table 46-l. The annuity for children is divided into equal shares.

D. Natural Person With an Insurable Interest. The annuity is payable only to the natural person with an insurable interest as designated by, or on behalf of, the member. The initial annuity amount is 55 percent of the member’s gross retired pay less the SBP premium cost at the time of member’s death.

460202. Payment of Annuity

A. Payments in General. The SBP annuity is paid monthly to the eligible annuitant. The SBP payment is effective the first day after the death of a member unless death occurs on the 30th day of a 31-day month. In that case, the annuity starts on the first day of the next month. Annuity payments end effective the last day of the month before the month in which the annuitant becomes ineligible.

1. Payments subject to offset:

a. When the payment of premiums is in arrears, no annuity may be paid until the unpaid premiums, with interest accrued at the rate approved by the Department of Defense (DoD) Board of Actuaries under 10 U.S.C. § 1465 for the purpose of determining the retirement accrual cost, has been recovered. See Office of the Actuary and subparagraph 460602.C. For the establishment and collection of a debt for unpaid SBP premiums, see Volume 16, Chapter 2.

b. Debts to the United States or any of its instrumentalities incurred by the annuitant may be offset from the annuity.

2. Debts of a deceased member, other than for delinquent premiums, are not the responsibility of the annuitant and may not be offset involuntarily against the annuity.

3. The annuity is neither assignable nor subject to execution, levy, attachment, or garnishment (except for alimony or child support).

4. If the Secretary of the Military Department concerned (or designee) determines that a participating member is presumed dead, the annuity accrues from the first day after retired or retainer pay was suspended or would have been suspended had the member been in receipt of pay on the basis that the member is missing.

5. Checks are not mailed to an annuitant living in a currency-blocked country. See Title 31, Code of Federal Regulations (CFR), section 211.1 for specific conditions for withholding the delivery of checks to addresses outside the United States.

B. Third Party Payees
1. **Trustees in Bankruptcy.** The annuity may be paid on behalf of an annuitant to a trustee in bankruptcy pursuant to an order of the bankruptcy court in a proceeding under **Chapter 13** of the Bankruptcy Code since such proceeding is voluntary.

2. **Incapacitated Annuitants.** An annuity may be paid to a third party on behalf of an incapacitated annuitant only if the third party has been appointed as guardian, custodian, or other fiduciary pursuant to a state court order or has been designated a representative payee under subparagraph 460202.C. Otherwise, the annuity may be paid only to the annuitant unless the annuitant has been determined to be incompetent of managing his or her own affairs by a state court, physician, or psychologist. If the annuity cannot be paid directly to the annuitant or to a third party, amounts will remain unpaid and credited on account until the annuitant is determined to be competent or until a third party has been properly appointed to receive the annuity on behalf of the annuitant. The annuity payment will still be treated as income to the annuitant. Regardless of whether the Representative Payee is a trustee (unless a trustee of Special Needs Trust as described in subparagraph 460202.B.6.), an Internal Revenue Service (IRS) Form 1099, Miscellaneous Income, will be issued in the annuitant’s name.

3. **Power of Attorney.** An eligible annuitant who is physically or mentally incapacitated (but who has not been determined to be mentally incompetent by a state court, physician, or psychologist) may accept assistance from a person holding a power of attorney in completing (including the signature element) and filing the annuity application form. Benefit payments based on an annuity application signed by the person holding the power of attorney must be made payable directly to the annuitant.

4. **Minor Child Annuitants.** An annuity for a minor child is paid to the legal guardian or, if there is no legal guardian, to the natural parent who has care, custody, and control of the child as the custodian, or to a representative payee of the child. An annuity may be paid directly to the child when the child is considered to be of majority age under the law in the state of residence. The child is considered an adult for annuity purposes and a custodian or legal fiduciary is not required. See Appendix H for age of majority by state.

5. **Surety Bonds.** In cases where it appears necessary to protect the annuitant, the Secretary of the Military Department concerned may require a person receiving payments on behalf of the annuitant to provide a surety bond in an amount sufficient to protect the interests of the annuitant. The payee may pay for such bond(s) out of the SBP annuity. This is part of the periodic financial accounting by the payee. The Secretary of the Military Department concerned will determine the amount necessary in the surety bond(s) based on the amount of the SBP annuity payable. A surety bond ordinarily will not be required if the payee is a close family member or a government or financial institution.

6. **Special Needs Trusts (SNT).** A special needs trust is also known as a supplemental needs trust. An SNT is a legal instrument that can be established in order to ensure that assets are retained that can be used for the supplemental needs of a certain disabled individual, without disqualifying that individual from other Federal or State benefits that the disabled individual may be entitled to receive. The NDAA for FY 15, PL 113-291, amended 10 U.S.C. §§ 1448, 1450, and 1455, to give Military Service members and retirees the option to direct payment
of an SBP annuity for a dependent child to an SNT. An SNT is a legal instrument specifically designed for the benefit of a person considered disabled under 42 U.S.C. §1382c(a)(3). State law governs an SNT. In accordance with the SBP statute, an SNT must also comply with 42 U.S.C. § 1396p(d)(4). If an SNT was not designated as a beneficiary prior to the death of the Service member or retiree who had previously elected child coverage, the disabled dependent child’s surviving parent, grandparent, or court-appointed legal guardian or fiduciary may irrevocably elect to designate an SNT as beneficiary. The following documentation is required to establish an SNT as beneficiary:

1. A written statement of the decision to have the annuity paid to the SNT;
2. An attorney’s SNT Certification; and
3. The name and tax identification number for the SNT by or before the time the beneficiary applies for their annuity. Certified SNT paperwork must be submitted to the following Defense Finance and Accounting Service (DFAS) address:

   DFAS
   U.S. Military Retired Pay
   8899 East 56th Street
   Indianapolis, IN 46249-1200

There are two types of SNTs that comply with 42 U.S.C. § 1396p(d)(4), a “First-Party SNT” prepared in compliance with 42 U.S.C. § 1396p(d)(4)(A), and a “Pooled Trust” prepared in compliance with 42 U.S.C. § 1396p(d)(4)(C).

a. First-Party SNT. A First-Party SNT is a type of SNT that is established by the disabled dependent child’s parent, grandparent, legal guardian, or a court for the benefit of the disabled dependent child. Transfers into a First-Party SNT do not prevent a person with special needs from accessing government benefits. See 42 U.S.C. § 1396p(d)(4)(A).

b. Pooled Trust. A pooled trust is a type of SNT established by a non-profit organization, with individual beneficiaries creating accounts within the larger trust. Thus, the assets of many people with special needs are "pooled." Transfers into a pooled trust, like transfers into a First-Party SNT, do not prevent a person with special needs from accessing government benefits. See 42 U.S.C. § 1396p(d)(4)(C).

7. Accounting. Any person receiving payment on behalf of the annuitant, except as stated in subparagraph 460202.C, is required to maintain and, upon request by the Secretary of the Military Department concerned, provide a periodic accounting of expenditures and investments of amounts paid to the payee. If the payee is a close family member or a government or financial institution, a periodic accounting will not be required, but may be requested. In situations where a periodic accounting is required, it ordinarily will be submitted annually, unless the Secretary of the Military Department concerned determines that a more frequent submission is required.
a. Final financial reporting will be required upon the loss of a beneficiary’s eligibility, a change of representative payee, or the determination later that an annuitant is competent to manage their financial affairs.

b. Major expenditures (i.e., those in excess of $1,000 or the value of the annuity for 1 year, whichever is less) from the payee’s bank account for the annuitant require prior written approval by the Secretary of the Military Department concerned.

c. If the Secretary of the Military Department concerned has evidence to suggest that the annuity funds have been or are being misused by the payee, the annuity may be suspended. An investigation will be conducted to determine if a new payee should be appointed or if payments may be resumed to the payee.

C. Representative Payee. The SBP annuity due a minor who is a mentally incompetent, or otherwise legally disabled person for whom a guardian or other fiduciary has not been appointed may be paid to a representative payee who, in the judgment of the Secretary of the Military Department concerned, is responsible for the care of the annuitant. The representative payee is required to spend or invest the amount paid on behalf of the annuitant solely for the benefit of the annuitant. The representative payee must certify that SBP payments received on the annuitant’s behalf are used for the annuitant’s benefit.

1. An annuitant is determined to be incompetent if the Secretary of the Military Department concerned receives an actual determination of incompetency made either by a state court or by a physician or psychologist. A representative payee will not be established solely on the basis of a letter from a third party that an annuitant is incapable of handling financial affairs. The annuitant will be notified of actions being taken to make a determination of incompetency and will be provided an opportunity to review the evidence being considered. The annuitant will also have the opportunity to submit additional evidence before a determination is made.

2. If a court order provides for payment of a fee to the representative payee, or if the Secretary of the Military Department concerned determines that payment of a fee is necessary in order to obtain the fiduciary services of a representative payee, a monthly fee will be allowed. In such circumstances, a fee of 4 percent of the monthly SBP annuity will be allowed, unless a court order dictates a lesser fee. In the case of a spouse or former spouse annuitant, the fee will be no more than 4 percent of the adjusted annuity (gross annuity less any DIC offset). Any court order that provides for a fee in excess of 4 percent will be limited to 4 percent. The representative payee will be notified of the fee percentage allowed. The fee is not a separate payment mailed to a representative payee, but can be withheld by the representative payee from the monthly annuity payment. The fee is part of the periodic financial accounting by the representative payee.

3. The selection of a representative payee will be made on the basis of the individual annuitant’s circumstances. Generally, the order of preference for appointing a representative payee is:
a. Spouse,
b. Son or daughter or legally adopted son or daughter,
c. Brother or sister,
d. Parents,
e. Head of federal or state institution,
f. Trustee of a private trust, or
g. Any other individual whose appointment appears to be in the best interest of the annuitant.

Note: If more than one person or institution requests to be named the representative payee of the annuitant, the Secretary of the Military Department concerned will determine which applicant is a more appropriate payee.

4. In addition to SBP annuity payments (including payments to Minimum Income Widows covered under section 4615), annuity payments under the Uniformed Services Contingency Option Act Retired Serviceman Family Protection Plan (RSFPP), and RCSBP may also be made to a representative payee.

5. The representative payee will be required to submit a Report of Existence (ROE) and a Certificate of Eligibility (COE) as specified in section 4612 or 4613.

6. An annuity paid to a person on behalf of the annuitant in accordance with these provisions discharges the obligation of the United States for the payment to the annuitant in the amount of the annuity paid.

D. Rounding. Monthly annuities, if not a whole dollar, are rounded to the next lower whole dollar (for example, if a monthly annuity is calculated to be $500.99 the annuity paid will be $500).

E. COLA

1. Normally, SBP annuities increase at the same time and by the same percentage that retired pay increases. Exception: When the payment of increased retired pay due to a COLA is delayed by law, the increased annuity due to a COLA is not delayed. The COLA applies to the monthly gross annuity amount before any reductions, such as DIC.

2. See subparagraph 461502.A regarding COLA for the minimum income widow annuity.
460203. Provisional Annuity Payments

A. In cases involving delayed receipt of an annuity application, the Director, Retired and Annuitant Pay Operations, DFAS-Cleveland (DFAS-CL) may authorize provisional annuity payments for 2 consecutive months, provided that all of the following conditions are met:

1. The Military Service has verified that the member is deceased;
2. The annuitant has been contacted;
3. The SBP election confirms the beneficiary’s identity and eligibility; and
4. The Military Service has verified school attendance for a dependent child annuitant age 18 to 22.

B. Upon receipt of the annuity application, there will be an adjustment for the difference between the actual annuity entitlement due and the provisional annuity payments made.

C. Annuity payments will be suspended if a completed annuity application is not received within 60 days of the first provisional payment.

4603 DEATH OF MEMBER ON ACTIVE DUTY

460301. Active Duty Deaths

A. SBP Benefits. SBP benefits under this section may be payable as provided in section 4601 for:

1. A member who dies while on active duty after:
   a. Becoming eligible to receive retired pay;
   b. Qualifying for retired pay, except that the member has not applied for or been granted that pay; or
   c. Completing 20 years of service but before the member is eligible to retire as a commissioned officer, because the member has not completed the required years of active commissioned service (usually 10 years); or

2. A member who dies on active duty in the line of duty on or after September 10, 2001. Active duty includes members on active duty for annual training. Reserve members on active duty are included whether or not their orders specify a period of more than 30 days. Limited benefits may be payable under this section when the death is not in the line of duty in the case of a member who is eligible to receive retired pay prior to the date of death.
B. **Death in the Line of Duty.** If the member was on active duty at the time of death and death is in the line of duty, the death qualifies for SBP benefits under this section.

C. **Death is Not in the Line of Duty**

1. If the member was on active duty and retirement eligible at the time of death, as described in paragraph 460301 and death is not in the line of duty, the SBP base amount is equal to the member’s retired pay. The retired pay is computed as if the member were retired for length of service under applicable law of the respective service of the deceased member.

2. If the member was not on active duty, or was on active duty but was not eligible for retired pay and death is not in the line of duty, the member’s death does not qualify for SBP benefits.

460302. **Qualified Annuitants**

The annuity payment will be made based on the following priority:

A. **Former Spouse Based on the Court Order.** The annuity is payable to a former spouse if the member is required by a court order or spousal agreement and has made an election to provide such coverage or if the former spouse has deemed an election in accordance with 10 U.S.C. § 1450(f)(3). If there are multiple court orders ordering the member to elect former spouse SBP coverage, the court order with the earliest date will take precedence.

B. **Current Spouse.** The annuity is payable to a surviving spouse unless the annuity is payable to a former spouse.

C. **Child.** The annuity is payable to the dependent children of the member when:

1. There is no eligible former spouse and either there is no eligible surviving spouse or the surviving spouse later dies; or

2. For a member who dies on or after October 7, 2001, but before January 1, 2023, the Secretary of the Military Department concerned, in consultation with the surviving spouse, determines it appropriate to provide an annuity for the dependent children instead of paying an annuity to the surviving spouse.

3. Effective January 1, 2023, if the annuity was payable to an eligible surviving spouse, who, in consultation with the Secretary of the Military Department concerned, previously elected to transfer the annuity to a surviving child or children under the provisions of 10 U.S.C. § 1448(d)(2)(B), will have their eligibility restored. If the surviving spouse is ineligible to receive SBP, the annuity shall continue to be paid to the eligible child or children, unless and until the spouse regains SBP eligibility.
D. **Insurable Interest Deemed Election.** If no annuity is payable under subparagraphs 460302.A, 460302.B, or 460302.C, the Secretary of the Military Department concerned may pay an annuity to a natural person with an insurable interest in the member, if the person is a dependent of the member as defined in *10 U.S.C. § 1072(2)*.

460303. **Annuity Amount**

A. **Qualified Death in the Line of Duty.** The SBP base amount is equal to the higher of the retired pay of the member based on length of service, or the retired pay as if the member retired with a total (100 percent) disability equal to 75 percent of the appropriate retired pay base. The annuity is computed at 55 percent of the SBP base amount. For members of the RCs who die while serving on active duty, the retired pay base will be computed as if the member had been entitled to basic pay for the 36 months preceding retirement or the entire period the member was a member of a uniformed service (if less than 36 months), regardless of whether the member served the entire period on active duty.

B. **Qualified Death Not in the Line of Duty.** The SBP base amount will be computed as if the member retired for length of service based on the final basic pay or high-36 average as applicable. However, for members who elected to receive the Career Status Bonus (see Volume 7A, Chapter 66), the SBP base will be computed using the Reduced Retirement (REDUX) method with the prescribed reduced COLA. The annuity is computed at 55 percent of the SBP base amount.

C. **Insurable Interest Deemed Election.** If an annuity is payable pursuant to subparagraph 460302.D., the SBP base amount is equal to retired pay computed as if the member retired with a total (100 percent) disability, which is equal to 75 percent of the appropriate retired pay base, less the cost of participation. The annuity is computed at 55 percent of the SBP base amount.

460304. **Line of Duty Determination**

A. **Purpose.** For the purpose of determining eligibility for SBP benefits, a member’s death will generally be considered to have occurred in the line of duty unless the death:

1. Occurred while the member was not serving on active duty;

2. Was the result of the member’s own intentional misconduct or willful negligence; or

3. Occurred during a period of unauthorized absence.

B. **Investigation to Determine the Cause of Death.** The Military Services will conduct an investigation and make a written finding as to whether a member’s death was in the line of duty while the member was on active duty. The written finding must describe the circumstances under which the member died, and it also must address whether the death was...
caused by the member’s own intentional misconduct or willful negligence, or whether the death occurred during a period of unauthorized absence.

460305. Responsibilities

A. Military Services. The Military Services must review the death of each member who died on active duty to ascertain whether the death was in the line of duty and whether there are any qualified survivors entitled to an SBP annuity. The Military Services will inform DFAS-CL of their line of duty determinations using the DoD (DD) Form 1300, Report of Casualty; section 10 of the DD 261, Report of Investigation Line of Duty and Misconduct Status; or any other form authorized under individual Service regulations. All in the line of duty determinations must be supported by a written finding describing the circumstances of death that support the line of duty determination.

B. DFAS-CL. DFAS-CL does not require a copy of the written finding, only an official communication from the Military Service to indicate the Military Service’s determination that death is in the line of duty, i.e., “YES” or “NO.” Once DFAS-CL receives the determination, they will compute and pay SBP annuities to qualified survivors for qualified deaths.

4604 DEATH OF MEMBER ON INACTIVE DUTY TRAINING (IDT)

An RC member who dies from injuries or illness incurred or aggravated while performing IDT is entitled to coverage under the SBP program if the death is determined to have occurred in the line of duty. See Chapter 54.

4605 DEPENDENCY AND INDEMNITY COMPENSATION (DIC) OFFSETS AND SPECIAL SURVIVOR INDEMNITY ALLOWANCE (SSIA)

460501. When Required

The gross SBP annuity payable to a surviving spouse may be offset by an award of DIC, unless the eligible surviving spouse remarries after age 57, and thereby, retains entitlement to DIC. A surviving spouse who receives DIC due to remarriage after age 57 becomes entitled to the full SBP annuity unreduced by DIC, as well as the full DIC entitlement. A multi-year phase out of the DIC offset of SBP annuities begins January 1, 2021. See subparagraph 460101.E (1-4) for details regarding the phase out periods and corresponding offset amounts.

* 460502. DIC Offset

The Department of Veterans Affairs (VA) determines entitlement to and the amount of the DIC award. DIC rates are listed in Appendix L. DIC rates were based on pay grade of member until January 1, 1993. Effective January 1, 1993, DIC is payable at a flat rate, with COLA. The survivors of members who died before January 1, 1993 continue to receive DIC rates based on pay grade if it exceeds the flat rate. The award is effective the first day of the month in which the retiree dies. The DIC payment begins on the first day of the month after the effective date of the award. Except as provided in subparagraph 460502.C, the SBP annuity is reduced as of the date
on which the DIC payment begins. For offset purposes, the DIC entitlement does not include any amount attributable to child entitlement or aid and attendance. Payment of the SBP annuity is not withheld or delayed pending verification of the DIC award if the annuitant signs a statement authorizing the VA to collect any overpayment that may result. A multi-year phase out of the DIC offset of SBP annuities begins January 1, 2021. See subparagraph 460101.E (1-4) for details regarding the phase out periods and corresponding offset amounts.

A. Premium Refund Due to DIC Award

1. Partial Refund. When an annuity is reduced due to DIC entitlement, a refund of SBP premiums is made based on the difference between the actual premiums paid and the premiums that would have been needed to provide the annuity payable after the DIC reduction. If DIC entitlement is lost due to remarriage of the surviving spouse after age 55, but prior to age 57, SBP may be reinstated in full. See subparagraph 460502.C.

2. Full Refund. For periods prior to January 1, 2020, when DIC is equal to or greater than the annuity, a portion of the SBP annuity is withheld, except under the conditions shown in subparagraph 460502.C. The SBP premium is then refunded after any annuity debt is liquidated. If the annuitant dies before a refund of SBP premium is made, the refund must be made to the annuitant’s beneficiaries in the order of precedence. See Chapter 31 for further information.

3. Surviving spouses of retired members who received a refund of SBP or RC-SBP premiums, whether in part or in full, due to the DIC offset prior to January 1, 2020 will not be required to repay such premiums when SBP or RC-SBP payments are adjusted in accordance with subparagraph 460101.E (1-4).

4. Surviving spouses of retired members who died on or after January 1, 2020, but before January 1, 2023, will receive a prorated refund of SBP or RC-SBP premiums for the period of time that the surviving spouse is subject to the DIC offset. Surviving spouses of retired members who die on or after January 1, 2023, will not receive a refund of SBP or RC-SBP premiums.

5. Supplement Survivor Benefit Plan (SSBP). SSBP premiums are not refunded. SSBP was repealed effective April 1, 2008.

B. Sample Computation of Refund. See Tables 46-2 and 46-3 for a sample computation of a refund. SSBP was repealed effective April 1, 2008.

C. Reinstatement of SBP Annuity Upon Loss of Entitlement to DIC Because of Remarriage Between Ages 55 and 57

1. If the spouse whose SBP annuity entitlement was adjusted under subparagraph 460502.A subsequently loses entitlement to DIC because of remarriage occurring on or after the beneficiary's 55th birthday, but before age 57, the annuity is reinstated under
conditions specified in subparagraph 460502.C.2 on the effective date of the loss of DIC entitlement. The annuity is adjusted to reflect all authorized COLAs.

2. The surviving spouse who loses entitlement to DIC must repay all amounts refunded under subparagraphs 460502.A.1 and 2, in either a lump sum or installments. If the repayment is in installments, the installment payments are deducted from the SBP annuity payable. The installment will be 50 percent of the DIC amount or 50 percent of the gross annuity, whichever is less. When annuity is increased by a COLA, the same percentage increase will be applied to the installment deduction. Thereafter, interest accumulates on any unpaid balance until the full amount has been repaid. Thus, the remaining amount on the date of each installment deduction will be increased by a monthly factor based on the 12th root of 1 plus the current annual interest rate approved by the DoD Board of Actuaries under 10 U.S.C. § 1465 for the purpose of determining the retirement accrual cost. For the establishment and collection of a debt for refunded SBP premiums, see Volume 16, Chapter 2.

D. Late Award of DIC. When a claim for DIC is not filed within 1 year after the member’s death, and the spouse received an SBP annuity, no cost refund is made when DIC is later awarded. The effective date of the reduced annuity is the date that the VA received the claim.

E. Special Survivor Indemnity Allowance (SSIA). A surviving spouse who is entitled to DIC under 38 U.S.C. § 1311 and who is not collecting the full amount of SBP due to receipt of DIC may be entitled to SSIA. SSIA is a separate fixed monthly entitlement, but may not exceed the amount of the annuity in any month that is subject to offset by the DIC. See 10 U.S.C. § 1450(m). Receipt of the SSIA is conditional upon the requirements enumerated in the law. See subparagraph 460101.E (1-4) for details on the DIC offset phase out period.

460503. Social Security Offset

Effective April 1, 2008, the Social Security Offset Method was eliminated permanently for all annuitants.

4606 CAUSES OF OVERPAYMENTS AND SUSPENSION OF PAYMENT

460601. General Causes of Overpayment

Generally, SBP annuity overpayments are caused by:

A. Failure to reduce an annuity by the amount of DIC;

B. Non-termination of annuity because of ineligibility;

C. Erroneous computation;

D. Insufficient or untimely information; or
E. A determination by the Secretary of the Military Department concerned (or designee) that a participating member is alive after the Secretary of the Military Department concerned previously determined that the member was presumed dead.

460602. General Reasons for Suspension of Payment

Generally, payments are suspended for:

A. Non-receipt of a COE or ROE;

B. Non-receipt of verification of school attendance;

C. An annuitant will not receive annuity payments while there are still premiums owed on the SBP account. Once all premiums (with interest accrued at the rate approved by the DoD Board of Actuaries under 10 U.S.C. § 1465 for the purpose of determining the retirement accrual cost) that are owed have been recouped, payment of the annuity will commence/recommence;

D. Adjustment of the annuity due to administrative error; and/or

E. An incapacitated child over age 18 becomes independently capable of earning amounts sufficient for his or her own particular personal needs through substantial and sustainable gainful employment. Once suspended, payments can be reinstated. See paragraph 461102.

4607 LIABILITY

460701. Overview

The annuitant is liable for debts created from the overpayment of an annuity. The member is liable for any indebtedness created because annuity payments were made based on the presumption of such member’s death. The member’s indebtedness cannot be considered for waiver under 10 U.S.C. § 2774 or 10 U.S.C. § 1453. If the member dies before such payments are fully recovered, the annuitant may be liable for the indebtedness if such annuitant was the recipient of the annuity payments made under the presumption of death. See Volume 16, Chapter 2 for the collection of member’s indebtedness.

460702. Frequency of Certification

A. Annually. A COE must be submitted annually for a spouse or former spouse annuitant under age 55, and custodian, or legal fiduciary for a minor child. After the spouse/former spouse has reached age 55, the certificate is no longer required.

B. Biennially. A medical certification must be submitted to DFAS-CL every 2 years for an incapacitated child over 18 years of age, unless medical prognosis indicates the disability is permanent.
C. Other. A student between the ages of 18 and 22 must submit evidence of intent to continue study or training at a recognized educational institution. The certificate is required for the school semester or other period in which the school year is divided.

1. A payment to a student continues during any interval between school years that does not exceed 150 days if the student demonstrates, to the satisfaction of DFAS-CL, that the student has a bona fide intention of resuming or continuing a full-time course of study or training in a recognized educational institution immediately after that interval.

2. An eligible student annuitant under SBP properly enrolled in a recognized educational institution employing the usual quarter or semester system, who becomes ill or requires non-elective surgery during the school term, retains his or her student status for the rest of that term.

4608 LIQUIDATION OF DEBT

460801. Debt Liquidation

Upon discovery of an overpayment, the annuitant must be provided with due process notice in accordance with Volume 16, Chapter 2, or in other regulations pertaining to debt collection found elsewhere. The due process notice must include the amount of the debt and the method in which the overpayment is being, or may be, liquidated.

460802. Direct Remittance

The annuitant may liquidate the overpayment by making direct remittance to DFAS-CL.

460803. Reduced DIC

The VA may reduce DIC and remit the amount collected to DFAS-CL.

460804. Reduced SBP Annuity

DFAS-CL may reduce later SBP annuity payments.

4609 WAIVER OF INDEBTEDNESS

460901. Request a Waiver of Indebtedness

When applicable, DFAS-CL advises the annuitant of the right to request a waiver of indebtedness. The right to request a waiver does not constitute removal of the responsibility for repayment of the debt. If a waiver request is granted, repayment of the debt is not required.

460902. Receipt of Waiver Request
Suspension of collection action may be authorized upon receipt of a waiver request. Refund of an amount withheld before receipt of a request for a waiver is not authorized. When a waiver is granted, any amount collected after the receipt of the waiver request is refunded to the annuitant.

4610 TERMINATION OF ANNUITY

461001. Time of Termination

Entitlement to an SBP annuity terminates effective as of the first day of the month in which eligibility is lost. The annuity is terminated immediately if a determination is made by the Secretary of the Military Department concerned (or designee) that a participating member is alive after it was previously determined that the member was presumed dead.

* 461002. Reasons for Termination

The SBP annuity is terminated when:

A. The spouse or former spouse (spouse category) annuitant remarries before age 55 or dies. If the member also provided coverage for children, the full annuity is payable, in equal shares, to the remaining eligible dependent children effective on the first of the month in which the spouse or former spouse dies or remarrys;

B. The child annuitant(s) lose eligibility because of:

1. Child’s attaining age 18 and not pursuing a full-time course of study;

2. Marriage or death of child annuitant;

3. An incapacitated child over age 18 becomes independently capable of earning amounts sufficient for his or her own particular personal needs through substantial and sustainable gainful employment. This termination is not automatic; an annuitant will be given an opportunity to submit rebutting evidence. This annuity may be reinstated; see paragraph 461102;

4. Termination of student status (child over age 18 and under age 22). If the student reaches age 22 before July 1 or after August 31 of a calendar year, the child’s annuity terminates on the first of July after the student’s 22nd birthday. If a student reaches age 22 between July 1 and August 31 (inclusive) of a calendar year, the student loses eligibility and the annuity terminates on the first day of the month in which the age of 22 was reached; or

5. Reinstatement of a spouse or former spouse (spouse category) annuity following divorce or annulment;

C. A natural person with an insurable interest dies. The termination is final because there are no provisions for designating a contingent survivor annuitant; or
D. The Secretary of the Military Department concerned (or designee) determines that a participating member is alive after it was previously determined that the member was presumed dead.

461003. Death of Annuitant

For the payment of any unpaid annuity amounts, see Chapter 31.

4611 REINSTATEMENT OF ANNUITY

461101. Reinstatement of Spousal Annuity

A. Remarriage Before Age 55 Terminated by Death of Spouse. Reinstatement of the annuity is effective the first day of the month in which the death occurs. If annuity entitlement from the terminated marriage exists, the spouse or former spouse may not receive both annuities but must elect the one desired. If the spouse or former spouse elects to receive the annuity that had formerly been terminated, the annuity is updated by any COLA increases that occurred after termination.

B. Remarriage Terminated by Divorce or Annulment. Reinstatement of the SBP annuity is effective the first day of the month in which the marriage terminated by divorce or annulment. Legal review is appropriate if discrepant information or annotations result in doubt or if the divorce or annulment was granted by a court in a foreign country. If the spouse or former spouse elects to receive the annuity that had formerly been terminated, the annuity is updated by any COLA increases that occurred after termination.

C. Loss of DIC Entitlement Because of Remarriage Between Ages 55 and 57. The annuity is reinstated effective as of the date of the loss of the DIC entitlement, adjusted to reflect all COLAs. See subparagraph 460502.C.

461102. Reinstatement of Child Annuity

A. Reinstatement of Annuity to Incapacitated Annuitant. An annuity to an incapacitated child over 18 years of age may be reinstated upon the recurrence of the original disability rendering the annuitant incapable of self-support, or if the annuitant furnishes evidence that, although engaged in substantial and sustainable gainful employment, wages are not sufficient to cover his or her particular personal needs.

B. Child Resumes School Attendance. The child’s eligibility for an annuity that was terminated for school nonattendance is reinstated effective the first day of the month that the child resumes school attendance.

C. Child’s Marriage Terminated by Annulment. An annulment of a child’s marriage which renders the marriage void or invalid, or by a judicial decree by a court of competent jurisdiction declaring the marriage void, would serve as a basis for reinstating a child’s eligibility
for annuity prospectively from the date of the judicial decree. The termination of a child’s marriage by death or divorce does not serve as a basis for reinstatement of annuity eligibility.

4612 CERTIFICATE OF ELIGIBILITY (COE)

461201. Purpose

The certificate validates continued eligibility of annuitants, whether eligible spouse, former spouse, or children. The spouse, former spouse, and the child must meet the eligibility requirements as outlined in Chapter 44.

461202. Failure to Furnish Certificate

Annuity payments are suspended if the annuitant, custodian, or legal fiduciary fails to furnish the certificate as required. Payments are restarted only after receiving satisfactory proof of eligibility.

461203. Method of Completing COEs

The annuitant as identified in paragraph 460201 may submit the required certification in writing or by electronic signature via myPay. A valid electronic signature must include the annuitant’s Social Security number (SSN) and personal identification number. If annuity payments are made to a representative payee or other third party on behalf of the annuitant, the third party may submit the required COE by electronic signature via myPay, but the annuitant’s name must also accompany the electronic signature. An electronic signature is not authorized for medical certifications or intent to attend school.

461204. COE Not Required

A. Effective August 1, 2013. As of August 1, 2013, all annuitants over age 55, not mentally incompetent, living in the United States, or living outside the United States and receiving their pay by direct deposit will not be required to submit an annual COE.

B. Effective November 23, 2016. As of November 23, 2016, child annuitants under the age of 14 are not required to submit an annual COE.

4613 Report of Existence (ROE)

461301. Purpose

The ROE fulfills the requirement for:

A. An annuitant who receives payment through foreign postal channels.

Note: The ROE is not required when the payment is addressed to a U.S. Consulate, American Embassy, military attaché, Fleet Post Office, or Army Post Office address.
B. A mentally incompetent annuitant who receives payments through either a court-ordered legal representative or representative payee.

461302. Frequency

The ROE is required on a semiannual basis for an annuitant described in paragraph 461301. Receipt of the certificate semiannually verifies the annuitant’s existence. Under no circumstances may the ROE be signed by other than the annuitant, custodian, or legal fiduciary; however, an electronic signature is authorized via myPay. A valid electronic signature must include the annuitant’s SSN and personal identification number. If annuity payments are made to a representative payee or other third party on behalf of the annuitant, the third party may submit the required certification by electronic signature via myPay, but the annuitant’s name must also accompany the electronic signature.

461303. Failure to Return ROE

Annuity payments are suspended if the annuitant, custodian, or legal fiduciary fails to return the ROE as required. Payments held in suspension are released and future payments are resumed only after receiving satisfactory proof of existence.

4614 TAXABILITY OF ANNUITIES

461401. Taxability of SBP Annuity Payments

SBP annuity payments are taxable for Federal income tax purposes. See IRS Publication 525 for exceptions. In the case of a representative payee receiving an annuity payment on behalf of an annuitant, the income is attributable to the annuitant and an IRS Form 1099 will be issued in the annuitant’s name.

461402. Taxability of SBP Cost Refunds

A refund of SBP costs (i.e., SBP premiums), resulting from an administrative error, correction of records, or award of DIC may or may not be taxable income to the member or the annuitant. The taxability of an SBP cost refund depends on the source from which it is made, as discussed in this section (also see Table 46-3). The SBP cost refund:

A. Constitutes taxable gross income to the retired member or the annuitant when it includes premium deductions taken from the retired member’s taxable retired pay in order to pay for the cost of SBP coverage;

B. Does not constitute taxable gross income to the retired member or the annuitant when it is made from the retired member’s direct remittance payments (by check or electronic mechanism, i.e., Pay.gov or Electronic Fund Transfer) to pay for the cost of SBP coverage; and
C. Does not constitute taxable gross income to the retired member or the annuitant when it is made from the retired member’s VA disability compensation or by deduction from nontaxable military disability retired pay.

461403. Federal Income Tax Withholding (FITW)

A. Monthly or Periodic Payments. Monthly or periodic SBP annuity payments are treated as income for FITW purposes. An annuitant, however, may elect no withholding of Federal income tax. In the absence of an annuitant election, or if the annuitant does not otherwise submit a withholding certificate, DFAS-CL will withhold on the basis of “married, three exemptions.” The annuitant may use Form W-4P, Withholding Certificate for Pension and Annuity Payments, or any substitute form furnished by DFAS.

B. Notice Requirements. DFAS-CL must advise the annuitant of the withholding requirement, as well as the right to elect that no tax be withheld, when making the first monthly or periodic payment to the annuitant. Thereafter, DFAS-CL must provide annual notice to the annuitant of the right to elect no withholding, to revoke an election, or to submit a new withholding certificate. An annuitant also may submit a withholding certificate at any time to elect no withholding, revoke an election, or request any rate of withholding.

C. Lump-Sum (One-Time) or Non-Periodic Distribution Payments

1. SBP Cost Refunds. An SBP cost refund is a refund of premiums rather than a distribution of benefits. As a non-periodic distribution, an SBP cost refund is subject to FITW at the rate of 10 percent. The annuitant, however, may elect no withholding of FITW. The annuitant has the right to make an FITW election for this refund separately from any election already in operation for all other SBP annuity payments.

2. Other. Retroactive SBP annuity payments paid in a lump sum constitute periodic distributions and are subject to the tax withholding rules of subparagraph 461403.A. Likewise, if the lump sum payment of an SBP annuity is the result of administrative error or delay in the start of an annuity, the payment is treated as a periodic payment subject to the withholding rules of subparagraph 461403.A.

461404. Income Exclusion

A. Consideration for Contract. The SBP annuitant is entitled to an income exclusion when, upon the death of the participant member, the “consideration for contract” has been excluded in whole from the member’s gross income. The member’s survivor receiving the annuity may exclude from gross income such annuity payments received until the total exclusion equals the portion of the “consideration of contract” not previously excluded from the member’s taxable income. DFAS-CL will accomplish the applicable direct reduction in taxable income for the annuitant and report the residual amount as taxable income on the annuitant’s IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc. Contact the IRS for further assistance.
Example: When a member dies, and $1,000 of the total “consideration for contract” was not excluded from the member’s non-disability retired pay, DFAS-CL will report the taxable annuity less $1,000, and the surviving spouse will use this reported residual amount in his or her income-tax computation for the calendar year.

B. Direct-Cost Payments. The tax-free benefit on SBP premiums is not available to members who waived military retired pay to receive disability compensation from the VA. See Chapter 12. Instead, upon the member’s death, the annuity paid to the member’s survivor may qualify to be exempt from Federal income tax until the amount excluded equals the total of the member’s direct cost payments, as explained in paragraph 461402.

461405. Amount of Annuity Subject to Federal Estate Tax

The value of the annuity at the time of the member’s death may be subject to Federal estate tax if any portion of the cost was paid by direct remittance, or if the value of the annuity exceeds the amount that may be excluded from the gross estate. DFAS-CL may furnish the annuitant the current annuity amount and/or a summary of annual payments, and total cost paid (separate totals for deductions and direct remittances). For a computation of the amount of an annuity that will be subject to the tax, if any, the executor of the member’s estate can contact the IRS for further assistance.

461406. State Taxation

The IRS Form 1099-R information is furnished to the appropriate state tax authority regardless of whether SBP annuities are subject to state inheritance or income tax. The method of calculating such tax depends upon the laws of the state concerned.

4615 MINIMUM INCOME WIDOW/SURVIVING SPOUSE

461501. Eligibility Criteria

An annuity under the minimum income widow/surviving spouse provision of the SBP law (see Chapter 42) is payable to surviving spouses who meet all of the following conditions:

A. The surviving spouse is not otherwise entitled to an annuity under other provisions of the SBP, or to DIC from the VA;

B. The surviving spouse is eligible for a widow’s non-service connected death pension from the VA;

C. The surviving spouse has annual income from all sources (including amount of RSFPP annuity entitlement, but excluding the amount of VA pension), as determined by the VA, that is less than the annual income rate in Appendix R. If the surviving spouse previously was denied an annuity because of income in excess of income limitations, entitlement
may exist upon notice from the widow or from the VA that his or her current yearly income, as determined by the VA, is less than the income limitation; and

D. The surviving spouse is a person who, on September 21, 1972, was, or during the period beginning on September 22, 1972, and ending on March 20, 1974 became, a surviving spouse of a person who was entitled to retired or retainer pay when he or she died. Remarriage by the surviving spouse bars entitlement to an annuity under this provision of law unless the remarriage is terminated by an annulment. If there are questions as to whether an annuity should be reinstated after an annulment, refer the matter to the appropriate legal office.

Note: The DD 1885, Survivor Benefit Plan – Minimum Income Claim, and DD 1895, Request for Veterans Administration Pension and Annual Income Information, are used in administering the minimum income widow annuity. These forms are not currently available electronically. Hardcopies may be obtained by contacting the DoD Forms Management Program office.

461502. Amount of Annuity

The maximum annuity payable is shown in Appendix R. The VA determines the yearly entitlement and advises DFAS-CL. This amount is prorated by DFAS-CL and is paid on a monthly basis.

A. The amount of the annuity is neither rounded nor increased to reflect retired pay COLA however, the annual income rates (Appendix R) is increased by the same amount and has the same effective date whenever there is an increase in the limitation on annual income for the purposes of eligibility for pension benefits.

B. The annuity is subject to Federal income tax.

C. The annuity is neither assignable nor subject to execution, levy, attachment, or garnishment (except for alimony or child support).

461503. Effective Date of Entitlement

The effective date of entitlement is the date on which the requirements of law are met, subject to the 6-year statute of limitations.

461504. Annuitant, Mentally or Physically Incapacitated

A. If, for any reason, a minimum income surviving spouse is mentally or physically incapable of applying for or negotiating the payment of the annuity, a court-appointed guardian may act on his or her behalf. If no guardian has or will be appointed, the person having care, custody, and control of the incapacitated annuitant is authorized to act on his or her behalf.

B. An ROE is required when the annuitant receives payments through foreign postal channels, or through a third party if the annuitant is incapacitated. See section 4613.
C. The yearly certificate of continued eligibility is not required.

461505. Changes and Termination

Changes in the amount of the annuity payable or termination of the annuity must be in accordance with the effective date of change or termination as shown by the VA. If termination is due to death of the annuitant, entitlement ceases as of the first day of the month in which death occurs. Any amounts that are due and payable at the time of annuitant's death may, upon receipt of a properly executed and documented claim, be paid to the person living on the date of the annuitant’s death who is the highest in the order of precedence. See Chapters 30 and 31.

461506. Reopened Claim

DFAS-CL will reestablish an annuity that has been temporarily suspended because of the excessive income or net worth of the surviving spouse as of the first day of the month in which the surviving spouse meets the income level for an annuity as determined by the VA. Notification of any change in income is the responsibility of the surviving spouse.

461507. Causes of Overpayment

The following are possible causes of overpayments of an annuity, but such list is not exhaustive:

A. The minimum income annuity for the surviving spouse was not timely terminated when his or her annual income exceeded the applicable rates shown in Appendix R;

B. Erroneous computation; or

C. Insufficient or untimely information.

461508. Liability

The annuitant is liable for debts caused by overpayment of the annuity. The annuity may not be used as an offset against an indebtedness incurred by the member. The debt may be liquidated by:

A. The annuitant by making direct remittance to DFAS-CL;

B. The annuitant authorizing the VA to reduce the pension and remitting the amount collected to DFAS-CL; or

C. DFAS-CL by reducing later annuity payments to minimum income widows.

461509. Waiver of Indebtedness

The request for waiver consideration is handled under the provisions of section 4609.
### Table 46-1. Annuity for Surviving Spouse or Former Spouse

<table>
<thead>
<tr>
<th>RULE</th>
<th>ANNUITY FOR SURVIVING SPOUSE OR FORMER SPOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
</tr>
<tr>
<td>1</td>
<td>If member dies or is declared dead and the annuitant then the annuity is (Notes 2 and 6) and is offset by (Notes 9, 10 and 11) 55 percent of base amount of coverage on date of member’s death DIC.</td>
</tr>
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<td></td>
<td>1</td>
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<tr>
<td>2</td>
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46-28
Table 46-1. Annuity for Surviving Spouse or Former Spouse (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>on active duty and was entitled to retired or retainer pay,</td>
<td>the member's death was found to be NOT in the line of duty</td>
<td>is married to member on member’s date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate</td>
<td>55 percent of retired pay to which the member would have been entitled at date of death based upon the member's years of active service</td>
<td>DIC.</td>
</tr>
<tr>
<td>7</td>
<td>on active duty and qualified for retired pay but had not yet applied for or been granted such pay or after completing 20 years of active service, but before member is able to retire as a commissioned officer because member has less than 10 years of active commissioned service (Note 7)</td>
<td>the member's death was found to be NOT in the line of duty</td>
<td>is married to member on member’s date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate</td>
<td>55 percent of retired pay to which the member would have been entitled at date of death based upon the member's years of active service, in the case of a member who first became a member before September 8, 1980, use the rate of basic pay in effect for the grade in which serving at time of death, unless, as determined by the Secretary of the Military Department concerned, the member would have been entitled to be retired in a higher grade</td>
<td>DIC.</td>
</tr>
</tbody>
</table>
Table 46-1. Annuity for Surviving Spouse or Former Spouse (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
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<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
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</thead>
<tbody>
<tr>
<td>8</td>
<td>If member dies or is declared dead and the annuitant then the annuity is (Notes 2 and 6) and is offset by (Notes 9, 10 and 11)</td>
<td></td>
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<tr>
<td></td>
<td>and</td>
<td>is married to member on member’s date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate</td>
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<td></td>
<td>the member had not made an RCSBP election</td>
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<tr>
<td>9</td>
<td>before becoming eligible to provide an RC annuity</td>
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<td></td>
<td>the member’s death is in the line of duty from injuries or illness incurred or aggravated while performing IDT (Note 9)</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>is married to member on member’s date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate</td>
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<tr>
<td></td>
<td></td>
<td>55 percent of retired pay to which the member would have been entitled on the date of death based upon the member's years of creditable service</td>
<td></td>
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<td></td>
<td></td>
<td>DIC.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>DIC.</td>
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</tbody>
</table>
### ANNUITY FOR SURVIVING SPOUSE OR FORMER SPOUSE

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>55 percent of base amount of coverage on date of member’s death</td>
<td>DIC.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>55 percent of base amount of coverage on date of member’s death</td>
<td>DIC.</td>
<td></td>
<td></td>
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</tbody>
</table>

#### Notes:
1. For a member married to the same spouse at time of retirement and date of death, the statute does not require that an intervening divorce be followed by 1 year of remarriage immediately before date of death.
2. An annuity ends for a spouse of former spouse if remarried before age 55. If the annuity is terminated because of remarriage, it is be reinstated if the new marriage ends.
3. Minimum requirement for a marriage is 1 year.
4. “Living issue” means the “issue by that marriage” or a child of such marriage who dies shortly after birth (such child’s birth is the criterion, not the duration of the child’s life).
5. If member is required under a court order or spousal agreement to provide an annuity to a former spouse upon becoming eligible to participate in the SBP or if a member has made an election to provide former spouse annuity, the Secretary of the Military Department concerned may not pay the annuity to the surviving spouse.
6. All SBP monthly annuities if not a multiple of $1, is rounded to the next lower multiple of $1.
7. If the “forgotten widow” is entitled to an SBP annuity resulting from a subsequent marriage to a member, the individual may not receive the two annuities, but must elect in writing which to receive. The annuity for a “forgotten widow” is effective December 1, 1980.
8. An offset for DIC must be removed if an annuitant remarries subsequent to their 57th birthday.
9. The Secretary of the Military Department concerned may determine, after consulting with the surviving spouse, if it is more advantageous to pay the annuity to the child instead of the spouse due to the DIC offset of spouse SBP. See 10 U.S.C. § 1448(f)(1) and (2), and Chapter 54 for additional information. Effective January 1, 2023, the option for a surviving spouse of a member who dies on active or inactive duty, in consultation with the Secretary concerned to transfer the annuity to a surviving child will be discontinued. An eligible surviving spouse, who previously elected to transfer the annuity to a surviving child or children under the provisions of 10 U.S.C. § 1448(d)(2)(B), will have their eligibility restored. If the surviving spouse is ineligible to receive SBP, the annuity shall continue to be paid to the eligible child or children, unless and until the spouse regains SBP eligibility.
10. See 10 U.S.C. § 1448(f) for additional information.

11. Per the NDAA for FY 2020, SBP-DIC offset will be phased out over multiple years beginning in FY 2021. See subparagraph 460101.E (1-4) for specific details regarding the phase out.
Table 46-2. Refund of Monthly Premium for SBP Effective January 4, 1994

<table>
<thead>
<tr>
<th>REFUND OF MONTHLY PREMIUM FOR SBP EFFECTIVE JANUARY 4, 1994 (See Note)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The refund of premiums due a spouse or former spouse is determined using the following defined values:</td>
</tr>
<tr>
<td>Current Basic Premium (CBP): The actual current premium amount for the basic SBP spouse coverage elected by the member. This does not include premiums for child coverage, SSBP premiums, open-enrollment premium additions, or any interest charges.</td>
</tr>
<tr>
<td>Current Recalculated Premium (CRP): The implied current premium associated with recalculated SBP basic annuity as reduced due to receipt of DIC. This does not include premiums for child coverage, SSBP premiums, open-enrollment premium additions, or any interest charges.</td>
</tr>
<tr>
<td>Total Premiums (TP): The Total Premiums paid by the member for basic SBP. (Lump sum open enrollment buy-in premiums are not refundable). This does not include any premiums for child coverage, SSBP premiums, or interest charges. This amount may be obtained from historical pay files pertaining to the member and/or from a file of total spouse premiums to be produced under the Director of Compensation, Office of the Deputy Assistant Secretary of Defense (Military Personnel Policy) by the DoD Actuary and the Defense Manpower Data Center in coordination with DFAS-CL.</td>
</tr>
<tr>
<td>Premium Refund (PR): This is the premium refund amount. The premium refund is determined according to the following formula:</td>
</tr>
<tr>
<td>[ PR = (1 - \frac{CRP}{CBP}) \times TP ]</td>
</tr>
</tbody>
</table>

For example: Member is a retired O-5, deceased July 1, 1993.
Data is for June 1994.

| Retired Pay: | $2,297.00 |
| Current Basic Premium (CBP): | 149.31 |
| SBP Spouse Annuity: \(.55 \times 2,297 = 1,263.00\) | (Note 1) |
| DIC Annuity: | 750.00 (Note 2) |
| Recalculated SBP Annuity | 1,263.00 - 750.00 = 513.00 |
| Implied Base Amount = \(\frac{513.00}{.55}\) | = 932.73 |
| Current Recalculated Premium (CRP) | = 60.63 |
| Total Premiums (TP) from Data Files | = 10,153.08 |
| Premium Refund (PR) is: |
| \[ PR = (1 - 60.63/149.31) \times 10,153.08 \] |
| \[ = (1 - .4060679) \times 10,153.08 \] |
| \[ = .5939321 \times 10,153.08 = 6,030.24 \] |

Table 46-2 is effective January 4, 1994 for deaths which occurred on or after January 1, 1993.

Note:
1. SBP Spouse Annuity amount is rounded down.
2. DIC Offset will be phased out over three years, see subparagraph 460101.E(1-4) for specific details.
Table 46-3. Taxability of SBP Cost Refunds

<table>
<thead>
<tr>
<th>TAXABILITY OF SBP COSTS REFUND</th>
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<tbody>
<tr>
<td><strong>R</strong></td>
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</table>

Note:
1. Under 26 U.S.C. § 122, amounts deducted from military retired pay to fund an SBP annuity are excluded from income. Had the deducted amount been paid directly to the member instead, it would have been fully taxable. Consequently, refunded costs that were taken from military retired pay constitute gross income to the member.

2. Under 26 U.S.C. § 691, the refund is income in respect of a decedent. The tax status of the refund is the same to the annuitant as it would have been had it been refunded to the member. Since the refund of costs deducted from military retired pay would have been gross income to the member, it is also gross income to the annuitant.

3. VA disability compensation is exempt from taxation, as shown in 38 U.S.C. § 5301. Under certain circumstances, military disability retired pay is also nontaxable, as shown in 26 U.S.C. § 104. If the deducted amount had been paid directly to the member instead, it would have been exempt from taxation. Consequently, refunded costs that were taken from VA disability compensation or nontaxable military disability retired pay are also exempt from taxation.

4. Under 26 U.S.C. § 691, the refund is income in respect of a decedent. The tax status of the refund is the same to the annuitant as it would have been had it been refunded to the member. Since the refund of costs deducted from VA disability compensation or from nontaxable military disability retired pay would have been excluded from the gross income of the member, it is excluded from the gross income of the annuitant.

5. Amounts paid directly by the member to fund the SBP annuity were subject to tax before they were paid by the member. Direct payments by the member do not result in any tax benefit to the member. Consequently, refunds of premiums that were directly paid by the member constitute a nontaxable return of capital and do not constitute gross income.

6. Because the refund would have been a return of capital in the hands of the decedent (and would not have been includible in the decedent’s gross income), it is also a return of capital to the decedent’s beneficiary (and is not includible in the gross income of the beneficiary of the decedent).
CHAPTER 46 SURVIVOR BENEFIT PLAN (SBP) – ANNUITIES

4601 – GENERAL

460101.A  10 U.S.C. § 1451(a)
460101.B  10 U.S.C. § 1448
  10 U.S.C. § 1450(m)
  10 U.S.C. § 1451
  PL 114-328, Section 642, NDAA FY 2017
460101.C  PL 116-92, Section 622, NDAA FY 2020

4602 – ANNUITIES

460201  10 U.S.C. § 1450
460201.C  10 U.S.C. § 1447(7)-(10)
  10 U.S.C. § 1450(b)
460201.D  DoD Instruction (DoDI) 1332.42, June 23, 2009
460202  10 U.S.C. §1450(b)
  DoDI 1332.42, June 23, 2009
460202.A.4  65 Comptroller General (Comp Gen) 260, B-222190, February 17, 1987
460202.A.5  61 Comp Gen 245, B-205176, February 8 1982
  31 CFR 211.1
460202.B.1  10 U.S.C. § 1455
  DoDI 1332.42, June 23, 2009
460202.B.2 & 3  66 Comp Gen 340, B-226018, March 18, 1987
460202.B.6  10 U.S.C. §§ 1448, 1450, and 1455
460202.C  10 U.S.C. § 1455(d)
460202.D  10 U.S.C. § 1451(g)(2)

4603 – DEATH OF MEMBER ON ACTIVE DUTY

460301  10 U.S.C. § 1448(d)
460302  10 U.S.C. § 1448(d)
460302.C3  PL 116-92, Section 622, NDAA FY 2020
460303  10 U.S.C. § 1451(c)
460303.A  10 U.S.C. § 1407(c)(3)
  10 U.S.C. § 1451(c)
REFERENCES (Continued)

460303.B  10 U.S.C. § 1401a(b)(3)

4604 – DEATH OF MEMBER ON INACTIVE-DUTY TRAINING (IDT)

DoDI 1332.42, paragraph 3, June 23, 2009,

4605 – DEPENDENCY AND INDEMNITY COMPENSATION (DIC) OFFSETS AND SPECIAL SURVIVOR INDEMNITY ALLOWANCE (SSIA)

460501  10 U.S.C. § 1450(c)
38 U.S.C. § 1311(e)
Office of the Under Secretary of Defense, Personnel and Readiness, October 22, 2009
460502  38 U.S.C. § 1311
38 U.S.C. § 5110(d)
38 U.S.C. § 5111(a)
10 U.S.C. § 1450(c)
63 Comp Gen 536, B-21446, August 20, 1984
10 U.S.C. § 1451(c)
PL 116-92, Section +622, NDAA FY 2020
DoDI 1332.42, paragraph 10.e, June 23, 2009
460502.B  10 U.S.C. § 1450(e)
10 U.S.C. §1450(k)
61 Comp Gen 287, B-203380, March 2, 1982
460502.C.1  10 U.S.C. § 1450(k)
61 Comp Gen 287, B-203380, March 2, 1982
54 Comp Gen 838, B-181712, April 7, 1975
460502.C.2  10 U.S.C. § 1450(k)
31 CFR 901.2
460502.D  56 Comp Gen 482, B-186504, April 6, 1977
460502.E  10 U.S.C. § 1450(m)
460503  PL 108-375, section 644, October 28, 2004

4606 – CAUSES OF OVERPAYMENTS AND SUSPENSION OF PAYMENT

460601.E  10 U.S.C. § 1450(l)(3)

REFERENCES (Continued)

4608 – LIQUIDATION OF DEBT

460801  31 CFR 901

4609 – WAIVER OF INDEBTEDNESS

460901  10 U.S.C. § 1453
460902  10 U.S.C. § 1453
54 Comp Gen 249, B-182704, July 2, 1976
Comp Gen B-185466, August 19, 1976

4610 – TERMINATION OF ANNUITY

461002.B  10 U.S.C. § 1450
461002.C.1 & 2  10 U.S.C. § 1447(11)
461002.C.4  10 U.S.C. § 1447(11)
461002.C.5  DoDI 1332.42, June 23, 2009
10 U.S.C. § 1450(b)
461002.E  10 U.S.C. § 1450(1)(3)

4611 – REINSTATEMENT OF ANNUITY

461101 thru 461103  10 U.S.C. § 1450(b) and (k)
38 U.S.C. § 103

4612 – CERTIFICATE OF ELIGIBILITY (COE)

461202.B  DoDI 1332.42, June 23, 2009

4613 – REPORT OF EXISTENCE (ROE)

461302 & 461303  44 Comp Gen 208, A-3551, October 12, 1964

4614 – TAXABILITY OF ANNUITIES

461401  26 U.S.C. § 3405
461402  26 U.S.C. § 3402(o)(3)
461403  26 U.S.C. § 3405(a)(1) and (2)
26 CFR 35.3405-1T(b-8)
461404  26 U.S.C. § 101
26 CFR 1.122-1(b)
26 CFR 1.122-1(d)
IRS Publications 575 and 939

46-37
461405 IRS Publication 950

4615 – MINIMUM INCOME WIDOW/SURVIVING SPOUSE

<table>
<thead>
<tr>
<th>Reference</th>
<th>Citation</th>
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<tbody>
<tr>
<td>461501.D</td>
<td>10 U.S.C. § 1448</td>
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<td>461502</td>
<td>10 U.S.C. § 1448</td>
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<td>10 U.S.C. § 1450(i)</td>
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<tr>
<td>461502</td>
<td>42 U.S.C. § 659</td>
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<tr>
<td>461503</td>
<td>31 U.S.C. § 3702</td>
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<td>461505</td>
<td>10 U.S.C. § 1450(b)</td>
</tr>
<tr>
<td>461506</td>
<td>54 Comp Gen 493, B-180545, December 17, 1974</td>
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<tr>
<td>461508</td>
<td>54 Comp Gen 493, B-180545, December 17, 1974</td>
</tr>
</tbody>
</table>

Table 46-1

<table>
<thead>
<tr>
<th>Rule</th>
<th>Citation</th>
</tr>
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<tbody>
<tr>
<td>Rule 1</td>
<td>10 U.S.C. § 1447</td>
</tr>
<tr>
<td>Rule 2</td>
<td>10 U.S.C. § 1448(a)</td>
</tr>
<tr>
<td>Rule 4</td>
<td>10 U.S.C. § 1448</td>
</tr>
<tr>
<td>Rule 6</td>
<td>10 U.S.C. § 1451(c)(1)(A)(ii)</td>
</tr>
<tr>
<td>Rule 7</td>
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VOLUME 7B, CHAPTER 54: “RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated February 2018 is archived.

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<td>Updated subparagraph to correct survivor’s premium computation.</td>
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CHAPTER 54

RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP)

5401  GENERAL

540101.  Purpose

This chapter provides information for RCSBP. RCSBP extends eligibility to the Survivor Benefit Plan (SBP) to Reserve Component members who completed the years of service to be eligible to receive retired pay but have not yet reached retirement age. RCSBP allows members to provide an annuity based on their retired pay to qualified survivors.

*540102.  Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

5402  DEFINITIONS OF SPECIALIZED TERMS

540201.  Base Amount

The dollar amount selected by the member upon which the SBP premium and the annuity are calculated. A member may elect a full base amount or a reduced base amount. See paragraph 540403 for base amount elections.

540202.  Date of Receipt of Election for RCSBP

The date of the receipt of the election by the member’s records custodian, or the date of postmark on the envelope in which the records custodian received the election when the election intent may be prejudiced.

540203.  Date of Retirement

The first day the member is entitled to receive retired pay or the first day the member would have received pay if alive at retirement age.

540204.  The 90-Day Period

The 90-day period in which the member must complete an election for RCSBP begins on the date that the member receives notification that the member has completed the requisite years of service to be eligible for retired pay at a later age (usually age 60).
540205. Eligible for Retired Pay

A member becomes eligible for non-regular retired pay upon completion of 20 qualifying years of satisfactory service. Often notification is provided by letter referred to as the “20-year letter” because it notifies the member that he or she has served the requisite years of service to be eligible for retired pay, but is not yet entitled to receive the pay because of his or her age. See Chapter 1, subparagraph 010208.F.

540206. Eligible to Participate in RCSBP

The date the member receives notice of eligibility for retired pay except for not having reached the age for entitlement to retired pay (usually age 60).

540207. Entitled to Retired Pay

A person who has completed the requisite service and reached the requisite age (usually age 60) is entitled to receive retired pay for non-regular service.

540208. Member

A member of a Reserve Component.

540209. RCSBP

The RCSBP is a benefit plan that enables members who served in the Reserve Components to leave a benefit called an “annuity.” An annuity is a monthly payment that normally lasts the lifetime of the beneficiary after the member passes away. The amount of the monthly payment is a percentage of the retired pay, and that percentage depends upon the election the member made when the member signed up for RCSBP.

540210. SBP

The SBP is for members of the Uniformed Services. NOTE: SBP (see Chapter 42) and RCSBP share many of the same terms. Chapter 42, section 4202 provides additional terms not specifically defined in this section.

540211. SBP Premium

SBP Premium is the combination of the “Standard Premium,” the “Reserve Component Premium,” and the “Survivor’s Annuity Premium Deduction.”

540212. Standard Premium

Standard Premium is the reduction in retired pay made to provide the member with SBP coverage for the period after a member becomes entitled to retired pay. The Standard Premium is
described in Chapter 45. It is distinct and separate from the Reserve Component Premium and the Survivor’s Annuity Premium Deduction which are described in paragraphs 540213 and 540214.

540213. Reserve Component Premium

When a Reserve member participates in the RCSBP after first becoming eligible based on 20 qualifying years of satisfactory service, coverage for the member’s survivors commences but premiums are not paid until the member first becomes actually entitled to retired pay (usually age 60). Note: See also Chapter 1, subparagraphs 010208.F.1 through 5 which reduces the eligibility age below 60 years of age for a reservist to receive retirement pay. At that time, reductions in the member’s retired pay are made that are specifically related only to the RCSBP coverage that was already provided while the member awaited the requisite age of entitlement to retired pay. These reductions are the Reserve Component Premium. They are made after the member begins receiving retired pay for the RCSBP coverage that was provided before the member received retired pay. They are distinct from the Standard Premium (in paragraph 540212) which are reductions made for the SBP coverage that is provided after the member becomes entitled to retired pay. They are also distinct from the Survivor’s Annuity Premium Deduction.

540214. Survivor’s Annuity Premium Deduction

When an RCSBP participant dies, any annuity payable to a survivor is reduced for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. This reduction is unique to RCSBP coverage. The DoD Office of the Actuary, herein referred to as the Actuary, sets the rate of the reduction of the survivor’s annuity and the rate is currently set at .0001 of the base amount. The reduction in the annuity is known as the Survivor’s Annuity Premium Deduction. The Survivor’s Annuity Premium Deduction is distinct from the Standard Premium and Reserve Component Premium described in paragraphs 540212 and 540213.

540215. Reserve Components

The following is a listing of the Reserve Components:

A. The Army National Guard of the United States,
B. The Army Reserve,
C. The Navy Reserve,
D. The Marine Corps Reserve,
E. The Air National Guard of the United States,
F. The Air Force Reserve, and
G. The Coast Guard Reserve.
5403 ELIGIBLE BENEFICIARIES

Eligible beneficiaries under the RCSBP include spouse, child, former spouse, and natural person with an insurable interest. Members eligible to participate in RCSBP may elect coverage in one of the following coverage categories: spouse; spouse and child; child only; former spouse; former spouse and child; natural person with an insurable interest; or Special Needs Trust (SNT).

540301. Spouse (Including the Spouse of a Common-Law Marriage)

The spouse is an eligible beneficiary if:

A. Married to the member on the date that the member became eligible to participate in RCSBP and was continuously married to the member through the date when the member died;

B. Married to the member for at least one year after the date that the member became eligible to participate in RCSBP and met both of the following two conditions:
   1. The member’s election to provide spouse coverage was received within one year of the marriage; and
   2. The spouse was continuously married to the member from the date of the election through the date when the member died;

C. Married to the member after the date that the member became eligible to participate in RCSBP, and married for less than one year before member’s death, but is a parent of a living child from that marriage, and member’s election for spouse (or spouse and child) coverage was received within one year of the marriage;

D. Married to a member who is eligible to provide a Reserve Component annuity and who dies before notified of eligibility of retired pay for non-regular service retirement or during the 90-day period if the member had not made an RCSBP election; or

E. Married to a member after the date that the member became eligible to participate in RCSBP, and was married to the member for at least one year or is a parent of a living child from that marriage and meet the following two conditions:
   1. Member previously elected former spouse or former spouse and child coverage under Title 10, U.S.C., section 1448(b) for a person the member divorced after becoming eligible to participate in RCSBP; and
   2. After a subsequent remarriage, the member changed the prior former spouse or former spouse and child election to cover the newly acquired spouse, or spouse and child under 10 U.S.C. § 1450(f).
540302. Children (Including Children of a Common-Law Marriage)

Children are eligible beneficiaries if they are:

A. Children of a member who elected child coverage when he or she initially became eligible to participate in RCSBP. Note: Child age requirements are described in Chapter 44, paragraph 440202;

B. Children of a member who elected child coverage within one year of first acquiring such dependent child(ren) after initially becoming eligible to participate in RCSBP;

C. Children of a member who died after becoming eligible for retired pay, but before being notified of retirement eligibility or during the 90-day period immediately following such notification; or

D. Children of a member who elected spouse and child or former spouse and child coverage, if the spouse or former spouse dies, remarries before age 55 or otherwise becomes ineligible. If former spouse coverage is in place, only the child(ren) who resulted from the marriage to the former spouse are eligible beneficiaries.

540303. Former Spouse

The former spouse is an eligible beneficiary if he or she:

A. Is the member’s former spouse when the member becomes eligible to participate in RCSBP and elected the beneficiary by the member or deemed as the beneficiary by the Secretary concerned upon request by the former spouse;

B. Was not the member’s former spouse when the member became eligible to participate in RCSBP and a prior spouse election is changed to provide coverage for a former spouse in accordance with subparagraph 540702.C. A former spouse must have been married to the member for at least one year or be a parent of a child born of the marriage; or

C. Was the former spouse for whom coverage was provided under the insurable interest category for an election made before November 8, 1985. The former spouse will remain an eligible beneficiary following a remarriage, unless the remarriage is to a member who is providing the former spouse coverage.

540304. Natural Person With Insurable Interest

The natural person with an insurable interest is an eligible beneficiary if the beneficiary that member designated is:
A. A person who has a reasonable and lawful expectation of pecuniary benefit from the continued life of the member. This may include parents, stepparents, grandparents, grandchildren, aunts, uncles, sisters, brothers, half-sisters, half-brothers, a dependent or non-dependent child or step-child, or any other person more nearly related than a cousin; or

B. Any individual having a reasonable and lawful basis, founded upon the relationship of parties to each other, either pecuniary or of blood or affinity, to expect some benefit or advantage from the continuance of the life of the retiree.

NOTE: Proof of financial benefit from the continuance of the life of the member may be required for other than persons listed in subparagraph 540304.A.

540305. Special Needs Trust (SNT)

The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2015, Public Law (PL) 113-291, amended 10 U.S.C. §§ 1448, 1450, and 1455, to give Military Service members and retirees the option to direct payment of an annuity for a dependent child to an SNT. See Chapter 46.

5404 ELECTION TO PARTICIPATE

540401. 90-Day Period

Any member who is notified of his or her completion of the years of service required for retired pay eligibility for non-regular retirement may elect to participate in RCSBP before the end of the 90-day period. A member who is married or has a dependent child, and who receives notice of eligibility for retired pay, after January 1, 2001, is automatically an immediate participant in RCSBP unless the member elects (with spousal concurrence, if required) not to participate or to defer the decision or delay coverage before the end of the 90-day period. See subparagraph 540502.G.

540402. Annuity Options

A member electing to participate must designate an immediate election, a deferred election, or indicate a decision to delay the election until reaching retirement age. These are described as Options A, B, or C.

A. Option A. The member defers a survivor annuity election or declines coverage until retirement age. There is no coverage for the years between becoming eligible for retirement and reaching retirement entitlement age. If a member dies before reaching retirement age, no survivor annuity is payable. At retirement age, regardless if that age is before age 60, the member may elect to participate in SBP as any other member becoming entitled to retired pay. If a married member chooses Option A, spousal concurrence is required. See subparagraph 540502.G.
**B. Option B.** The member elects to provide a deferred survivor annuity that begins on the date that the member would have attained the age of 60, or on the day after the member’s death, whichever is later. If a married member chooses Option B, spousal concurrence is required. See subparagraph 540502.G.

**C. Option C.** The member elects to provide an immediate survivor annuity beginning on the day after the member’s death, whether before or after reaching retirement age.

540403. **Base Amount**

A member who receives a 20-year notification of eligibility and who elects to participate in RCSBP must elect to cover:

A. One hundred percent of retired pay or a given dollar amount which is greater than or equal to $300, but less than 100 percent of retired pay;

B. One hundred percent of retired pay, if member’s full retired pay computed as of the effective date of election, is less than $300.00;

C. One hundred percent of retired pay, if the member elects to cover a dollar amount greater than 100 percent of his or her retired pay as of the effective date of election; or

D. An elected dollar amount of retired pay, but which is not less than $300.00. However, any dollar election is converted to a percentage of retired pay as of the effective date of the election. A member who elects less than full base amount should be advised that his or her election will be converted to a percentage of retired pay as would be payable if he or she were of retirement age on the date the RCSBP election becomes effective. The base amount is that same percentage of retired pay regardless of the changes in the retired pay that may occur because of pay rate increases, additional points accumulated, promotion or longevity step increases. Note: Spousal concurrence is required when member elects spousal coverage for less than the maximum coverage. See subparagraph 540502.G.1.

540404. **RCSBP Participation Within One Year of Acquiring Eligible Beneficiary**

Any Reserve member who does not have an eligible beneficiary when becoming eligible to participate in the RCSBP, who later marries or acquires a dependent child, may elect to participate in the RCSBP, if the election is completed within one year of acquiring a spouse or dependent child. See paragraph 540601 for specific rules.

540405. **Natural Person With Insurable Interest**

Pursuant to 10 U.S.C. § 1448(b), any Reserve member who is not married and does not have a dependent child, may elect to provide RCSBP coverage for a natural person with an insurable interest. Additionally, a member who is unmarried but who has one dependent child may provide coverage for that child under the insurable interest provision.
5405 ELECTION DATA

540501. RCSBP Election Certificate

The DoD (DD) Form 2656-5, Reserve Component Survivor Benefit Plan (RCSBP) Election Certificate, is required for making an RCSBP election and is also required if the member defers the election under Option A in subparagraph 540402.A.

540502. Contents of DD 2656-5

The contents of the election document should show:

A. The member’s name, Social Security number, date of birth, and date of retirement (if known);

B. If participating, the member has elected coverage for:

1. Spouse and/or children,

2. Former spouse or former spouse and children, or

3. Natural person with an insurable interest (at maximum level of coverage only);

C. If participating, the member has elected coverage amount or percentage;

D. If participating, the member’s election must contain an election for Option B or Option C. See subparagraphs 540402.B or C;

E. If participating, the member’s designated beneficiary. Show the name, birth date, and Social Security number for each beneficiary named. If the coverage includes spouse, the member must furnish the date of marriage. Show the address and relationship when the beneficiary is a natural person with an insurable interest. For a natural person with an insurable interest, the member must provide a signed statement to show proof of financial benefit if the person designated is more distantly related than cousin;

F. The member must sign and date the election. The member’s signature must be witnessed. The witness may not be the member’s spouse or beneficiary. The witness should not be a minor, but minority of a witness will not necessarily invalidate the member’s election. In the event a member is unable to complete his signature and instead makes his mark (such as an “X”), two disinterested persons must witness the election form. An addendum to DD 2656-5 will suffice in such situations. NOTE: An election made on behalf of the member through a power of attorney is not valid. Such an election is not binding and is without force or effect of law; and
G. Spousal concurrence in certain elections is a requirement. The spouse signature must appear on DD 2656-5, the spouse’s signature must be notarized, and the spouse must sign after the member has signed the form.

1. A retirement eligible Reserve member who elects RCSBP spouse coverage for less than maximum coverage when the member becomes eligible to participate must obtain the concurrence of the spouse in writing. With respect to members who receive notification of retired pay eligibility pursuant to 10 U.S.C., Chapter 1223 after January 1, 2001, a retirement eligible Reserve member must obtain the concurrence of the spouse in writing. Spousal concurrence is required if the member declines coverage (Option A), elects deferred coverage (Option B), elects coverage for spouse at less than the maximum level, or elects coverage for a dependent child but not for the spouse. Without spousal concurrence, an election for less than maximum coverage is invalid.

2. If a member marries during the 90-day period (see paragraph 540401), spousal concurrence is not required, but the spouse must be notified of the member’s election. Note: The failure to retain evidence that the spouse was notified of the member’s election will not invalidate the member’s election.

3. If former spouse coverage is elected or deemed, the spousal concurrence is not required; however, the spouse must be notified of the former spouse coverage. Note: The failure to retain evidence that the spouse was notified of an election for coverage for a former spouse will not invalidate the former spouse election.

   a. To elect former spouse coverage, the member must complete a DD 2656-1, Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage. If the member elects former spouse coverage, the election must include information setting forth whether the election was made pursuant to the requirements of a court order, or a voluntary written agreement previously entered into by the member as part of, or incidental to, a proceeding of divorce, dissolution, or annulment, and, if so, whether such agreement was incorporated, ratified, or approved by a court order.

   b. In order for a former spouse to deem an election, the former spouse must, within one year of the date of the court order involved, complete and send a DD 2656-10, Survivor Benefit Plan (SBP)/Reserve Component (RC) SBP Request for Deemed Election, and a copy of the court order, regular on its face, which requires the former spouse SBP election, or which incorporates, ratifies, or approves the voluntary, written agreement of such a person or a statement from the clerk of the court (or other appropriate official) that such agreement has been filed with the court in accordance with applicable State law. A deemed election will fail unless both the DD 2656-10 and a copy of the court order or written agreement are received in accordance with the applicable instructions in the form.
5406  CHANGES IN ELECTION AND COVERAGE

540601. Later-Acquired Spouse and/or Child

This election must be received within one year of the event.

A. If a member has no eligible beneficiary at the end of the 90-day period, the member may later elect for an eligible class of beneficiary, if the election is completed within one year of acquiring a spouse or dependent child.

B. If a member with spouse or spouse and child coverage loses the spouse beneficiary through death or divorce, the member may, upon remarriage, increase the level of coverage up to and including full-retired pay, or elect not to resume spouse coverage. If a member takes no action, spouse coverage will automatically resume upon the one year anniversary of the remarriage at the coverage amount originally elected.

C. The member may not add child coverage by virtue of this marriage if child coverage was previously declined.

D. The member may not reduce the level of RCSBP coverage nor may child coverage be eliminated.

E. If the member elects not to resume spouse coverage or provides coverage at less than the maximum level, the spouse must be notified. Note: The failure to retain evidence that the spouse was notified of the member’s election will not invalidate the member’s election.

F. If the member has former spouse coverage, an election for a newly acquired child must be made within one year of acquiring a child.

G. If a member has insurable interest coverage, he or she may elect coverage for the newly acquired spouse and/or child if the member completes the election within one year of the marriage or acquisition of a dependent child. This election terminates the insurable interest coverage.

540602. Former Spouse or Former Spouse and Child Elections

A. General Rules.

1. A former spouse election prevents an annuity to the member’s current spouse and child (other than a child beneficiary under a former spouse and child election).

2. If the member is married at the time of the former spouse election, the current spouse must be notified of the member’s election for the former spouse. Note: The failure to retain evidence that the spouse was notified of an election for coverage for a former spouse will not invalidate the former spouse election.
3. The provisions for deemed former spouse elections shown in Chapter 43, paragraph 430302 under SBP apply to RCSBP deemed former spouse elections.

B. Former Spouse Elections When the Member Becomes Eligible to Participate.

1. A member who has a former spouse and/or dependent child when becoming eligible to participate may elect former spouse or former spouse and child coverage provided the child is the result of the member-former spouse marriage.

2. If there is no court order or voluntary written agreement requiring the member to elect former spouse coverage in place at the time the member makes his election, the former spouse’s ability to retain former spouse coverage could be affected at a later date.

C. Former Spouse Elections After the Member Becomes Eligible to Participate but Before the Member Meets Age Requirements.

1. A member who elected spouse or spouse and child coverage when becoming eligible to participate in the RCSBP, may within one year of the date of the decree of divorce, dissolution, or annulment of that marriage, change that election to provide the RCSBP annuity to the former spouse or the former spouse and child.

2. An election of former spouse coverage may be deemed to have been elected for the former spouse under the following conditions:

   a. The Secretary concerned may deem an election when a member is ordered by a court or voluntarily enters into a written agreement, incidental to a proceeding of divorce, dissolution, or annulment, to elect former spouse SBP coverage, and the agreement has been incorporated in, or ratified or approved by the court, and the member fails or refuses to make the election.

   b. The former spouse or former spouse’s attorney must request, that the Secretary concerned deem an election for former spouse coverage within one year of the date of the relevant court order.

540603. Natural Person With Insurable Interest

A member may make an election for a natural person with an insurable interest only when there is no eligible spouse or dependent child(ren). See paragraph 540405 for exceptions. A member must elect gross retired pay as the base amount under an election for a natural person with an insurable interest.
5407 IRREVOCABLE ELECTIONS AND DISCONTINUED PARTICIPATION

540701. 90-Day Period

Elections filed during the 90-day period referred to in paragraph 540401 are generally irrevocable unless revoked before the expiration of the 90-day period.

540702. Exceptions

Exceptions to the general rule on irrevocability occur under the following circumstances:

A. The member discontinues participation as a totally disabled member as described in Chapter 43, paragraph 430704;

B. The mentally incapacitated member is later determined to be mentally competent and revokes or changes the RCSBP election within 180 days after such determination of judgment. See Chapter 43, subparagraph 430401.F;

C. The member elected less than maximum coverage without spousal concurrence and the member fails to establish to the Secretary of the Military Department concerned (or designee) that spousal concurrence was not required, either because the spouse’s whereabouts cannot be determined or other exceptional circumstances prevent obtaining the spouse’s consent. In this instance, the member’s election is invalid. See subparagraph 540502.G.1;

D. The Secretary concerned revokes an election when necessary to correct an administrative error. Revocation or correction based on administrative error is a Secretarial prerogative and, except when procured by fraud, is final and conclusive on all officers of the United States;

E. A member may change the beneficiary election to provide former spouse coverage or to remove former spouse coverage as shown in Chapter 43, section 4306 and section 5406; or

F. The member voluntarily terminates RCSBP coverage for a natural person with an insurable interest who is not a former spouse.

540703. Changed Retirement Eligibility

If a member elects RCSBP coverage and subsequently becomes eligible for retirement under another law, thereby losing eligibility, the RCSBP election remains effective until the member actually retires. A member may make a new election as any other retiring member.
5408 PREMIUMS

The Government does not subsidize the cost of providing RCSBP coverage under the immediate or deferred annuity option, but the members and beneficiaries who potentially will benefit from the coverage share the cost. The cost to the retiree, known as the Reserve Component Premium, is in the form of an additional deduction from his or her retired pay beyond the Standard Premium. The RCSBP, unlike SBP, requires a reduction in the survivor annuity. That reduction, known as the Survivor’s Annuity Premium Deduction, begins when the survivor begins to receive an annuity. The Reserve Component Premium and the Survivor’s Annuity Premium Deduction increase at the same time and by the same percentage that retired pay increases by cost-of-living adjustments.

5409 RCSBP COST RATE TABLES

The Actuary provides RCSBP rate tables to reflect military-specific death rates, to include remarriage and divorce rates and to incorporate dynamic actuarial assumptions. The tables are built on a “years younger or older than member” concept. The ages at the nearest birthday to date of election receipt are used. When ages expressed in years are the same, the table is determined by comparing months and days. Note: The tables for child only rates use the ages of the member and child; not years younger or older. If a member elects spouse and child or former spouse and child, the premium is based only on the member and spouse ages in the RCSBP cost tables; i.e., there is no cost for the child coverage.

5410 CALCULATION OF THE RESERVE COMPONENT PREMIUM AND THE SURVIVOR’S ANNUITY PREMIUM DEDUCTION

541001. Premium Description

The SBP Premium consists of a Standard Premium, Reserve Component Premium, and a Survivor’s Annuity Premium Deduction. The Standard Premium is the reduction in retired pay made to provide coverage for the period after a member becomes entitled to retired pay. The Reserve Component Premium is the reduction in retired pay made for the RCSBP coverage that was already provided while the member awaited the requisite age of entitlement to retired pay. The Survivor’s Annuity Premium Deduction is a further premium applied to the survivor’s annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. The premiums described in paragraph 541002 pertain only to the Reserve Component Premium and the Survivor’s Annuity Premium Deduction. The method to compute the Standard Premium may be found in Chapter 45. The amount of the Reserve Component Premium depends on the type of beneficiary option elected, the annuity type elected, and the ages of the member and the beneficiary.

*541002. Calculating the Premiums Based on RCSBP Coverage Amount

A. The member must elect a given dollar amount or full retired pay as the base amount. Convert any dollar election to a percentage of gross retired pay as of the effective date of an election to guarantee full indexing in proportion to member’s retired pay.
B. Address questions to the Actuary about the methods and assumptions used to determine the RCSBP rate in calculating the Reserve Component Premium. Go to http://actuary.defense.gov/ and select “Contact Us” and then “Survivor Benefit Plan.”

C. The following table serves as an example for calculating the premium based on the RCSBP coverage amount:

<table>
<thead>
<tr>
<th>Information at RCSBP election:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Member’s age =</td>
<td>52</td>
</tr>
<tr>
<td>Spouse’s age =</td>
<td>45</td>
</tr>
<tr>
<td>Member’s elected monthly base amount = $300.00</td>
<td></td>
</tr>
<tr>
<td>Member’s estimated current monthly retired pay = $1,000.00</td>
<td></td>
</tr>
<tr>
<td>Ratio =</td>
<td>300/1000 = .30 (30 percent)</td>
</tr>
</tbody>
</table>

Eight years later:

| Member’s monthly retired pay at age 60 = $2,000.00          |       |
| Member’s base amount at age 60 = .30 (30 percent) x $2,000.00 | $600.00 |
| RCSBP rate from RCSBP table = .0161                        |       |
| Reserve Component Premium at age 60 = $9.66 ($600.00 x .0161) |       |
| Survivor’s Premium rate (determined by Actuary) = .0001    |       |
| Survivor’s Annuity = $330.00 (.55 x $600.00)               |       |
| Survivor’s Annuity Premium = $0.03 (.0001 x $330.00)       |       |

1. If the given dollar amount exceeds 100 percent of the member’s retired pay on the effective date of the election, the base amount is 100 percent of the monthly retired pay. If the given dollar amount is less than 100 percent of gross retired pay, but greater than $300.00 when computed against the retired pay, use the ratio against the gross retired pay entitlement at age 60, assuming the member has met age and service requirements.

2. To calculate the Reserve Component Premium, multiply the member’s base amount at age 60 by the ratio of the elected base/retired pay of .30 (30 percent) and then by the rate from the RCSBP tables of 1.61 percent. See also subparagraph 541002.B. The example in subparagraph 541002.C provides the member’s base amount at age 60 as $600.00 ($2,000.00 x .30). Therefore, the Reserve Component Premium would be computed as follows: $600.00 x .0161 = $9.66.

3. To calculate the Survivor’s Annuity Premium Deduction, first multiply the member’s base amount by .55 to compute the Survivor’s Annuity, next multiply the Survivor’s Annuity amount by the rate of .0001. The example in subparagraph 541002.C provides the calculation for the survivor’s annuity and the survivor’s annuity premium. Therefore, the survivor's annuity would be $600 x .55 = $330 and the Survivor’s Annuity Premium would be $330.00 x .0001 = $0.03.
5411 INITIAL PREMIUM AND EFFECTIVE DATE OF THE RESERVE COMPONENT PREMIUM

541101. Beginning Date

If a member has eligible beneficiaries, the Reserve Component Premium begins on the first day of the month after the member meets the age and service requirements necessary to be entitled to non-regular retired pay even if the member meets those age and service requirements before age 60. The payment of premiums will be required if the member chose Option B or Option C from paragraph 540402. If the member meets the age and service requirements on the first day of the month, the premium is effective that month. If the member specifies a retirement date which is after the date the member meets age and service requirements, or if the member delays application for retirement, the premium is retroactive to the date that the member meets age and service requirements.

541102. Member’s Death

If a member who elected RCSBP (Option B or Option C) dies before he or she meets the age and service requirements, the Survivor’s Annuity Premium Deduction for the pre-age 60 coverage begins with the immediate or deferred annuity as an actuarial reduction of the survivor’s annuity.

541103. Coverage Change

In some instances, a member may change the type of coverage before premiums begin. The initial premium for election changes is effective on the first day of the month after the member meets age and service requirements (or, if the member meets age and service requirements on the first day of the month, the premium is effective that month). Such elections include:

A. A member has no spouse beneficiary when first becoming eligible to participate in RCSBP and acquires a spouse beneficiary effective before the member meets age and service requirements and elects to establish coverage for the newly acquired spouse within one year of the marriage;

B. An unmarried member elects child coverage when first becoming eligible to participate in RCSBP and later acquires a spouse beneficiary before the date member meets age and service requirements and elects to establish coverage for the newly acquired spouse within one year of the marriage;

C. A member has no child beneficiary when first becoming eligible to participate in RCSBP and later elects child coverage within one year of acquiring a child, which is before the member meets age and service requirements;

D. A member elects former spouse or former spouse and child when first becoming eligible to participate in RCSBP, later marries and requests change to spouse or spouse and child coverage effective before the member meets age and service requirements;
E. A member has no coverage and coverage is changed to a former spouse under a deemed election by the Secretary concerned; and

F. A member elects insurable interest coverage when first becoming eligible to participate in RCSBP, acquires a spouse and/or child before the date member meets age and service requirements and elects to establish coverage for the newly acquired spouse and/or child within one year of the marriage or acquisition of the dependent child.

5412 RESERVE COMPONENT PREMIUM

541201. Changes in Reserve Component SBP Coverage

A change in the type of Reserve Component SBP coverage elected can impact the Reserve Component Premium that will be deducted from a member’s retired pay. There are an extensive number of possible changes available under the law depending on changes to a member’s individual family circumstances. The most prevalent election options and changes, and the impact of those elections and changes are reflected in Tables 54-1 and 54-2. Note: The premium deduction rules reflected on those tables pertain only to the Reserve Component Premiums.

541202. RCSBP Premium Deductions

The Reserve Component Premiums are the deductions from the member’s retired pay that are made for RCSBP coverage provided while the member waits to attain the requisite age necessary to become entitled to retired pay. The tables do not reflect the Standard Premium which is the reduction in the member’s retired pay made to provide coverage for the period after a member becomes entitled to retired pay. Chapter 45 provides the method to compute the Standard Premium. The tables also do not reflect the Survivor’s Annuity Premium Deduction which is a further premium applied to the survivor’s annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay.

*541203. RCSBP Premium Deductions for Qualifying Reservist Retired Pay Before Age 60

Pursuant to 10 U.S.C. § 12731(f), after January 28, 2008, the eligibility age for non-regular retiree’s to receive retired pay may be reduced below 60 years of age. When this happens, a reduction factor at Figure 54-1 is applied to the RCSBP premium. See also subparagraph 010308.F.

5413 DEATH OF MEMBER ON INACTIVE DUTY TRAINING (IDT)

Effective December 23, 2016, section 642 of the NDAA for FY 2017 amended 10 U.S.C. §§ 1448, 1450, and 1451. The amendments changed the calculation of SBP annuities paid to the survivors of Reserve Component members who die in the “line of duty” while performing IDT to align that benefit with the annuity paid to the survivors of Reserve Component members who die on active duty. Additionally, the amendments allow the payment of an RCSBP annuity in certain circumstances to dependent children of
covered Reserve Component members who die in the line of duty on IDT or after completing the years of service required for a non-regular retirement and clarifies how retired pay is calculated for those Reserve Component members who die after completing the years of service but prior to notification or prior to electing RCSBP coverage. See also Table 54-3 and Table 54-4.

541301. Entitlement

A Reserve Component member who dies from injuries or illness incurred or aggravated while performing IDT in which the death is determined to have occurred in the line of duty is entitled to automatic coverage under the SBP program whether or not the member is retirement eligible.

A. Death in the Line of Duty

1. The Secretary concerned will make a written determination as to whether the member's death occurred while in the line of duty while performing IDT. A member who is determined to have died in the line of duty is one who is in an authorized duty status and whose death is determined not to be the result of his or her own intentional misconduct or willful negligence. Line of duty is defined in 37 U.S.C. § 204(g)(1). The finding must describe the circumstances under which the member died.

2. In accordance with PL 114-328, the survivor of a Reserve Component member who died in the line of duty while performing IDT will receive an RCSBP annuity calculated as if the member was a fully-disabled retiree on the date of his or her death. Survivors of Reserve Component members who died in the line of duty on IDT prior to December 23, 2016, are entitled to prospective recalculation of future benefits beginning December 23, 2016, or the date the survivor annuity commenced, whichever is later. Note: These calculations are not retroactive for any payments made prior to December 23, 2016.

B. Not in the Line of Duty Death Prior to Retirement Eligibility. The death of a Reserve Component member who is not retirement eligible and whose death is determined to have occurred “not in the line of duty” does not qualify under this section.

C. Not in the Line of Duty Death After Retirement Eligibility. The survivor of a Reserve Component member whose death is determined to have occurred “not in the line of duty” but after completing 20 qualifying years of satisfactory service is eligible for an RCSBP annuity. The annuity is computed based upon that member's or former member's years of service in accordance with 10 U.S.C. § 12731 and paid to the survivor of a member whose death is not in the line of duty and who died or who dies after:

1. Completing the years of service requirement to be eligible for a non-regular retirement, but
2. Before being notified of such completion as required under 10 U.S.C. § 12731(d).

D. Not in the Line of Duty Death Within 90 Days of Notification. The survivor of a Reserve Component member whose death is determined to have occurred “not in the line of duty” after completing 20 qualifying years of satisfactory service, but prior to notification of eligibility, or during the period that is 90 days from notification, is eligible for an SBP annuity. The annuity is computed based upon that former member's years of service and paid to the survivor of a member who died or who dies after he or she is notified of:

1. Having completed the years of service required to be eligible for a non-regular retirement, but within 90 days of that notification and before the member has made an election to participate in the RCSBP, and

2. Having died not in the line of duty.

541302. Qualified Annuitants

In order of precedence, qualified annuitants are former spouse by court order, current spouse, and children.

A. Former Spouse by Court Order. The annuity is payable to the former spouse if the member was required under a court order or spousal agreement to provide an annuity to the former spouse upon becoming eligible to participate in the RCSBP or if the member has made an election to provide an annuity to the former spouse.

B. Current Spouse. The annuity is payable to the current surviving spouse unless the annuity is payable to the former spouse.

C. Children

1. In the case the surviving spouse becomes ineligible to receive an annuity, the Secretary concerned may pay an annuity to the dependent children of that person under 10 U.S.C. §§ 1448(f)(2) and 1450(a)(2).

   a. For deaths occurring prior to December 23, 2016, dependent children were not considered eligible annuitants if a surviving spouse lost entitlement to an annuity for a reason other than death. Note: Pursuant to NDAA FY 2017 and PL 114-328, December 23, 2016, dependent children became eligible annuitants if the surviving spouse lost entitlement to an annuity for reasons other than death.

   b. For deaths occurring on or after December 23, 2016, if the annuity was suspended because the spouse became ineligible due to remarriage, that annuity may resume and be paid to a dependent child or children, if any. These payments may resume no sooner than December 23, 2016, or the date the annuity suspended, whichever is later.
2. If, in consultation with an eligible surviving spouse who has an eligible dependent child or children, the Secretary concerned determines it is more appropriate for the dependent child or children to receive the RCSBP annuity rather than the surviving spouse, the RCSBP annuity may be paid directly to a dependent child or children in lieu of payment to the eligible spouse.

541303. Line of Duty Determination

The Secretary concerned will make a written determination as to whether the member's death occurred while in the line of duty while performing IDT. For the purpose of determining eligibility for SBP benefits, a service member’s death will be generally considered being in the line of duty unless:

A. The death occurred while the member was not serving on IDT;

B. The death was the result of the member’s own intentional misconduct or willful negligence; or

C. The death occurred from injuries or illness incurred or aggravated during a period of unauthorized absence.

5414 ANNUITY AMOUNT

541401. General

A. RCSBP Annuity. Compute the amount of RCSBP annuity payable to a surviving spouse or former spouse beneficiary in the same manner as the SBP (see Chapter 46) except that the base annuity amount is 55 percent of the difference between the base amount and the cost of the Survivor’s Annuity Premium Deduction. Compute the monthly annuity for a dependent child on the base annuity amount less the Survivor’s Annuity Premium Deduction, multiplied by 55 percent. Compute the monthly annuity for a natural person with an insurable interest or former spouse (insurable interest category) as 55 percent of the difference between the member’s retired pay and the sum of the premium reduction and cost of the Survivor’s Annuity Premium Deduction. The Actuary determines amount of the Survivor’s Annuity Premium Deduction. See section 5410. Round monthly RCSBP annuities, if not a multiple of $1.00, to the next lower multiple of $1.00.

1. If a member dies before attaining the eligibility age applicable to that member to begin receiving retired pay and elected the immediate annuity option, Option C, the initial annuity amount is payable beginning immediately following death and is computed on the basis of what the member’s retired pay would have been on the date of the member’s death using the basic pay rates on that date. Note: If a member retires before age 60 pursuant to 10 U.S.C. § 12731, and subsequently dies before what would have been his 60th birthday, the initial annuity amount is payable beginning immediately following death.
2. If a member dies before attaining the eligibility age applicable to that member to begin receiving retired pay and elected the deferred annuity option, Option B, the initial annuity amount is payable beginning the first day of the month following the date the member would have attained the age of 60. Compute the initial annuity amount based on the retired pay the member would have initially received.

B. RCSBP Annuity - Death in Line of Duty. An annuity paid to the survivor of a member who died or who dies in the line of duty while performing IDT will be 55 percent of the retired pay the member was or would have been entitled to on the day the member died, computed as if the member was retired with a total (100 percent) disability under 10 U.S.C. § 1201.

C. Age 62 Offset. Prior to March 31, 2008, a spouse or former spouse incurred a reduction of RCSBP at age 62 because of entitlement to Social Security benefits. The age 62 offset was eliminated effective April 1, 2008.

541402. Eligible Annuitants and Amounts

A. Spouse or Former Spouse. See Chapter 46, Table 46-1. The RCSBP annuity may be less than 55 percent, depending on the Survivor’s Annuity Premium Deduction, which is deducted in determining the annuity amount.

B. Children Only. If there is more than one eligible child, pay the annuity in equal shares. The annuity for children is not subject to Dependency and Indemnity Compensation (DIC) offset.

C. Spouse and Child or Former Spouse and Child. Pay annuity to the spouse or former spouse, as long as eligibility exists. If the surviving spouse or former spouse loses eligibility due to death or remarriage before age 55, or otherwise become ineligible, pay the annuity to the child annuitants. A former spouse and child election includes only the children of the member’s marriage to the former spouse. See also Chapter 42 for definition of a surviving spouse.

D. Natural Person With an Insurable Interest. The annuity is payable only to the natural person with an insurable interest as designated by or on behalf of the member. The annuity is not transferable to another person.

541403. Payment of Annuity

The provisions in Chapter 46 for making annuity payments to representative payees also apply to the RCSBP program.

5415 OFFSETS TO THE ANNUITY

See Chapter 46 for DIC offsets paid to a surviving spouse by the Department of Veteran Affairs. Note: The information in Chapter 46, excluding the minimum-income annuitant material, applies to the RCSBP annuitant.
5416 TAXABILITY OF ANNUITY

The provisions of Chapter 46 regarding the taxability of annuities also apply to annuities under RCSBP.
*Figure 54-1. RCSBP Reduction Factors

<table>
<thead>
<tr>
<th>Age</th>
<th>Spouse</th>
<th>Child</th>
</tr>
</thead>
<tbody>
<tr>
<td>59</td>
<td>.8516</td>
<td>.8739</td>
</tr>
<tr>
<td>58</td>
<td>.7216</td>
<td>.7635</td>
</tr>
<tr>
<td>57</td>
<td>.6080</td>
<td>.6657</td>
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<td>56</td>
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</tr>
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<td>.3554</td>
<td>.4402</td>
</tr>
<tr>
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<td>.3835</td>
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<td>52</td>
<td>.2477</td>
<td>.3340</td>
</tr>
<tr>
<td>51</td>
<td>.2066</td>
<td>.2904</td>
</tr>
<tr>
<td>50</td>
<td>.1722</td>
<td>.2516</td>
</tr>
</tbody>
</table>
Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage

The Premium deduction rules reflected on this table pertain only to the Reserve Component Premiums. The Reserve Component Premiums are the deductions from the member’s retired pay that are made for RCSBP coverage provided while the member waited to attain the requisite age necessary to become entitled to retired pay. This table does not reflect the Standard Premium which is the reduction in the member’s retired pay made to provide coverage for the period after a member becomes entitled to retired pay. The method to compute the Standard Premium may be found in Chapter 45. This table also does not reflect the Survivor’s Annuity Premium Deduction which is a further premium applied to the survivor’s annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. The method to compute the Survivor’s Annuity Premium Deduction may be found in section 5410.

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>then the below listed Reserve Component Premium deductions will be made from the member’s retired pay:</td>
</tr>
<tr>
<td>1.</td>
<td>Spouse Coverage</td>
<td>the spouse upon whom the initial election was based is still an eligible spouse beneficiary</td>
<td>full spouse premium deductions will be made until the earlier of: (a) the first day of the month in which the spouse is no longer eligible due to death, divorce, or annulment; or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.</td>
</tr>
<tr>
<td>2.</td>
<td>Spouse Coverage</td>
<td>the spouse upon whom the initial election was based is no longer an eligible beneficiary due to death</td>
<td>no spouse premium deductions will be made for the period that RCSBP spouse coverage was previously provided before the spouse died. Note 1.</td>
</tr>
</tbody>
</table>
Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP for</td>
<td>and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:</td>
<td>then the below listed Reserve Component Premium deductions will be made from the member’s retired pay:</td>
</tr>
<tr>
<td>3</td>
<td>Spouse Coverage</td>
<td>the spouse upon whom the initial election was based is no longer an eligible spouse beneficiary due to divorce or annulment</td>
<td>no spouse premium deductions will be made for the period that spouse RCSBP coverage was previously provided before the marriage ended. Notes 1 and 2.</td>
</tr>
</tbody>
</table>
| 4    | Former Spouse Coverage                                           | the former spouse upon whom the initial election was based is still an eligible former spouse beneficiary | full former spouse premium deductions will be made until the earlier of:
|      |                                                                  |                                                                   | (a) the first day of the month in which the former spouse is no longer eligible due to death, |
|      |                                                                  |                                                                   | (b) the first day of the month in which the former spouse coverage is suspended due to remarriage before age 55, or |
|      |                                                                  |                                                                   | (c) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 3. |
| 5    | Former Spouse Coverage                                           | the former spouse upon whom the initial election was based is no longer an eligible beneficiary due to death | no former spouse premium deductions will be made for the former spouse coverage previously provided before the former spouse died. Note 4. |
Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP for and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:</td>
<td>then the below listed Reserve Component Premium deductions will be made from the member’s retired pay:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Former Spouse Coverage</td>
<td>coverage for the former spouse upon whom the initial election was based was suspended due to remarriage before age 55</td>
<td>former Spouse premium deductions for the period that former spouse coverage was previously provided are suspended. No premium deductions are made during the period of suspension. Note 5.</td>
<td></td>
</tr>
<tr>
<td>*7. Spouse and Child or Former Spouse and Child</td>
<td>the spouse or former spouse upon whom the initial election was based is no longer an eligible beneficiary</td>
<td>no spouse premium will be deducted. Child premiums will be deducted. Child premiums will be deducted based on the ages of the member and youngest child at the time the spouse coverage was suspended until the earlier of: (a) the first day of the month in which all children for whom RCSBP child only coverage was previously provided are no longer eligible due to death, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 6.</td>
<td></td>
</tr>
</tbody>
</table>
Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP for and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed: then the below listed Reserve Component Premium deductions will be made from the member’s retired pay:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Child Only Coverage</td>
<td>the member has any child who is still an eligible child beneficiary</td>
<td>child premium deductions will be made until the earlier of:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(a) the first day of the month in which all of the children for whom RCSBP child only coverage was previously provided are no longer eligible due to death, or</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 6.</td>
<td></td>
</tr>
<tr>
<td>9. Child Only Coverage</td>
<td>the member has no living children for whom RCSBP coverage was provided</td>
<td>no child premium deductions will be made for the RCSBP child only coverage previously provided before the child(ren) died.</td>
<td></td>
</tr>
</tbody>
</table>
Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP for</td>
<td>and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:</td>
<td>then the below listed Reserve Component Premium deductions will be made from the member’s retired pay:</td>
<td>child premium deductions will be made until the earlier of:</td>
</tr>
<tr>
<td>10. Child Only Coverage</td>
<td>all of the member’s children have lost eligibility due to age or marriage</td>
<td>(a) the first day of the month in which all of the children for whom RCSBP child only coverage was previously provided are no longer eligible due to death, or</td>
<td>(b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 6.</td>
</tr>
</tbody>
</table>

NOTES:

1. If the member subsequently remarried (i.e. acquired a subsequent spouse) before meeting the age and service requirements to become actually entitled to receive retired pay and spouse coverage was established for the subsequent spouse, full spouse premium deductions will be made in accordance with Rule (1) in Table 54-1. The premium rate is based on the ages of the member and the spouse for whom the initial election is made. **If the base amount was increased, the premium rate is applied against the increased base amount.**

2. If, after the divorce from the spouse upon whom the initial election was based, former spouse coverage is elected by the member (or deemed to be elected by the former spouse) before the member meets the age and service requirements to become actually entitled to receive retired pay, full former spouse premium deductions will be made from the member’s retired pay in accordance with Rule (4) in Table 54-1.
Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

NOTES: (Continued)

3. If premiums are suspended because the former spouse loses eligibility due to remarriage before age 55, in the event that marriage ends due to death or divorce, the former spouse regains eligibility and deductions will be restarted and made until the earlier of (a) the first day of the month in which the former spouse is no longer eligible due to death; (b) the first day of the month that the former spouse coverage is suspended again due to remarriage before age 55; or (c) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

4. If, after the former spouse died and before the time the member met the age and service requirements to become actually entitled to receive retired pay, the member had a spouse for whom and spouse coverage was established, full spouse premium deductions will be made from the member’s retired pay for the spouse coverage until the earlier of (a) the first day of the month in which the spouse is no longer eligible due to death, divorce, or annulment; or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

5. If premiums are suspended because the former spouse lost eligibility due to remarriage before age 55, in the event that the former spouse’s marriage ends due to death or divorce, the former spouse regains eligibility and deductions will be started and made until the earlier of (a) the first day of the month in which the former spouse is no longer eligible due to death; (b) the first day of the month that the former spouse coverage is suspended again due to remarriage before age 55; or (c) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

6. As long as one of the children for whom RCSBP coverage was provided is still living, premium deductions will be made until member has retired pay reduced for a total of 360 months. The child only deductions are made even after the child(ren)’s eligibility is lost due to age or marriage. See the “Special Rule for Certain RCSBP Participants” in 10 U.S.C. § 1452(b)(3). If a member acquires a new youngest child, the original Reserve Component Premium will remain.
Table 54-2. Reserve Component Premiums for Insurable Interest Coverage

The Premium deduction rules reflected on this table pertain only to the Reserve Component Premiums. The Reserve Component Premiums are the deductions from the member’s retired pay that are made for RCSBP coverage provided while the member waits to attain the requisite age necessary to become entitled to retired pay. This table does not reflect the Standard Premium which is the reduction in the member’s retired pay made to provide coverage for the period after a member becomes entitled to retired pay. The method to compute the Standard Premium may be found in Chapter 45. This table also does not reflect the Survivor’s Annuity Premium Deduction which is a further premium applied to the survivor’s annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. The method to compute the Survivor’s Annuity Premium Deduction may be found in section 5410.

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP</td>
<td>and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:</td>
<td>and after the member started to receive retired pay, the below listed condition occurs:</td>
<td>then the below listed Reserve Component Premium deductions will be made from the member’s retired pay:</td>
</tr>
<tr>
<td>1.</td>
<td>Insurable Interest Coverage</td>
<td>the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary</td>
<td>no changes are made to the insurable interest coverage</td>
<td>full insurable interest premium deductions will be made until the earlier of:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(a) the first day of the month in which the insurable interest beneficiary dies, or</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.</td>
</tr>
</tbody>
</table>
Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:</td>
<td>and after the member started to receive retired pay, the below listed condition occurs:</td>
<td>then the below listed Reserve Component Premium deductions will be made from the member’s retired pay:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurable Interest Coverage</td>
<td>the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary</td>
<td>the insurable interest beneficiary dies</td>
<td>full insurable interest premium deductions will be made until the earlier of: (a) the first day of the month in which the insurable interest beneficiary dies, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.</td>
<td></td>
</tr>
</tbody>
</table>
Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP</td>
<td>and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:</td>
<td>and after the member started to receive retired pay, the below listed condition occurs:</td>
<td>then the below listed Reserve Component Premium deductions will be made from the member’s retired pay:</td>
</tr>
<tr>
<td>3.</td>
<td>Insurable Interest Coverage</td>
<td>the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary</td>
<td>the member voluntarily elected to terminate/discontinue insurable interest coverage under 10 U.S.C. § 1448(b)(1)(B)</td>
<td>full insurable interest premium deductions will be made until the earlier of: (a) the first day of the month in which the insurable interest beneficiary dies, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.</td>
</tr>
</tbody>
</table>
Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:</td>
<td>and after the member started to receive retired pay, the below listed condition occurs:</td>
<td>then the below listed Reserve Component Premium deductions will be made from the member’s retired pay:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Insurable Interest Coverage</td>
<td>the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary</td>
<td>the member voluntarily elects to change the insurable interest election to provide an annuity to a spouse or dependent child under 10 U.S.C. § 1450(f).</td>
<td>full insurable interest premium deductions will be made until the earlier of:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) the first day of the month following the month in which the member voluntarily elects to change the insurable interest election to provide an annuity to a spouse or dependent child under 10 U.S.C. § 1450(f), or</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td>Insurable Interest Coverage</td>
<td>If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:</td>
<td>and after the member started to receive retired pay, the below listed condition occurs:</td>
<td>then the below listed Reserve Component Premium deductions will be made from the member’s retired pay:</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td>the insurable interest beneficiary upon whom the initial election was based is no longer an eligible beneficiary due to death</td>
<td>no subsequent changes are made to the insurable interest coverage</td>
<td>no insurable interest premium deductions will be made for the RCSBP insurable interest coverage previously provided before the insurable interest beneficiary died.</td>
</tr>
</tbody>
</table>
Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>RULE</td>
<td>If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP</td>
<td>and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:</td>
<td>and after the member started to receive retired pay, the below listed condition occurs:</td>
<td>then the below listed Reserve Component Premium deductions will be made from the member’s retired pay:</td>
</tr>
<tr>
<td>6. Insurable Interest Coverage</td>
<td>the insurable interest beneficiary upon whom the initial election was based is no longer an eligible beneficiary because the member voluntarily elected to terminate/discontinue insurable interest coverage under 10 U.S.C. § 1448(b)(1)(B)</td>
<td></td>
<td></td>
<td>prorated insurable interest premium deductions will be made until the earlier of:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(a) the first day of the month in which the insurable interest beneficiary dies, or</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The deductions will be prorated based on the number of months that coverage was in effect in accordance with the Note.</td>
</tr>
</tbody>
</table>
Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed: and after the member started to receive retired pay, the below listed condition occurs: then the below listed Reserve Component Premium deductions will be made from the member’s retired pay:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurable Interest Coverage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the insurable interest beneficiary upon whom the initial election was based is no longer an eligible beneficiary because the member voluntarily elected to change the insurable interest election to provide an annuity to a spouse or dependent child under 10 U.S.C. § 1450(f) premiums will be deducted for the spouse or dependent child coverage that was elected under 10 U.S.C. § 1450(f). The premiums will be established in accordance with Table 54-1 and will be based on the ages of the member, spouse and/or child at the time the coverage is elected. Additionally, deduction for Insurable Interest coverage will be deducted and prorated based on the number of months that coverage was in effect in accordance with the Note.</td>
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</tbody>
</table>
Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

Note: An RCSBP participant who voluntarily terminates coverage for a natural person with an insurable interest (not a former spouse) before the member meets the age and service requirements to become actually entitled to receive retired pay, will pay a prorated Reserve Component Premium based on the number of months for which coverage was effective. To calculate the prorated premium, multiply the original RCSBP rate by the number of full months during which the member had coverage, dividing the result by the number of full months the member would have had coverage if coverage had not terminated before age 60. The result, rounded to 4 decimal places, will serve as the member’s prorated Reserve Component Premium.

<table>
<thead>
<tr>
<th>Revised RCSBP Rate</th>
<th>Original RCSBP Rate</th>
<th>No. of months member had coverage</th>
<th>No. of months member would have had pre-age 60 coverage</th>
</tr>
</thead>
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<td>=</td>
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</tbody>
</table>


Table 54-3. RCSBP – General Information

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>A reservist who is and dies in the line of duty, then</td>
<td>dies not in the line of duty, then</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>serving on Active Duty with fewer than 20 creditable years of service</td>
<td>the RCSBP annuity is calculated as if the member is totally disabled in accordance with 10 U.S.C. § 1201, or</td>
<td>the member is not eligible to participate in the RCSBP.</td>
</tr>
<tr>
<td>2.</td>
<td>serving on Active Duty with more than 20 creditable years of service</td>
<td>the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 1451 (c)(1)(A)(ii).</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>serving on Inactive Duty with fewer than 20 creditable years of service</td>
<td></td>
<td>the member is not eligible to participate in the RCSBP.</td>
</tr>
<tr>
<td>4.</td>
<td>serving on Inactive Duty with more than 20 creditable years of service</td>
<td></td>
<td>the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 12733.</td>
</tr>
</tbody>
</table>
Table 54-4. Reservist Who Dies not in the Line of Duty or not in a Duty Status

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>after completing 20 years of service</td>
<td>has not yet received a letter of notification of eligibility to retire,</td>
<td>the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 12733.</td>
</tr>
<tr>
<td>2.</td>
<td>within 90 days of receiving a letter of notification of eligibility to retire, has not yet elected RCSBP coverage,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>received a letter of notification of eligibility to retire and elected to participate in RCSBP,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>having not yet completed 20 years of service</td>
<td></td>
<td>the member is not eligible to participate in RCSBP.</td>
</tr>
</tbody>
</table>
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CHAPTER 54 - RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP)

5402 - DEFINITIONS OF SPECIALIZED TERMS

540201  10 U.S.C. § 1447(6)(B)
         10 U.S.C. § 101(c)
         10 U.S.C. Chapter 1223

5403 - ELIGIBLE BENEFICIARIES

      10 U.S.C. § 1450

540301.A  Manuscript (MS) Comptroller (Comp) General (Gen)
          B-195349, January 10, 1980
          Defense Office of Hearings and Appeals
          Claims Case No. 96070219 (1997)
          MS Comp Gen B-229248, December 19, 1989

540301.B  10 U.S.C. § 1447(7),(8)
         10 U.S.C. § 1448(a)(5)

540301.C  10 U.S.C. § 1447(7),(8)

540302  10 U.S.C. § 1448(a)(5)
        10 U.S.C. § 1448(a)(2)(B)
        10 U.S.C. § 1450(f)(1)

540303.A  10 U.S.C. § 1448(b)(2)


540303.C  10 U.S.C. § 1448, Note

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5404 - ELECTION TO PARTICIPATE

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        PL 106-398, section 655, October 30, 2000

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         Paragraph 6.b, June 23, 2009

540403  10 U.S.C. § 1447(6)(B)

540404  10 U.S.C. § 1448(a)(5)

540405  10 U.S.C. §1448(b)
        Comp Gen, B-179465, July 19, 1974

5405 - ELECTION DATA

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540502.D  10 U.S.C. § 1448

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PL 106-398, section 655, October 30, 2000
540502.G.(3)(a)  DoDI 1332.42, paragraph 9(c), June 23, 2009
540502.G.(3)(b)  DoDI 1332.42, paragraph 9(d), June 23, 2009

5406 - CHANGES IN ELECTION AND COVERAGE

540601  10 U.S.C. § 1448(a)(5)
DoDI 1332.42, paragraph 6a, June 23, 2009
PL 99-145, section 715, November 8, 1985
540601.E  10 U.S.C. § 1448(a)(6)
540601.F  10 U.S.C. § 1450(f)
540601.H  10 U.S.C. § 1450(f)
540602  10 U.S.C. § 1450(f)(2)
540604  10 U.S.C. Chapter 1223

5407 - IRREVOCABLE ELECTIONS AND DISCONTINUED PARTICIPATION

540607.B  10 U.S.C. § 1449
540607.D  10 U.S.C. § 1454

5408 - PREMIUMS

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June 23, 2009
10 U.S.C. § 1452(h)

5409 - RCSBP COST RATE TABLES

540901  DoDI 1332.42, paragraph 13, June 23, 2009

5410 - CALCULATION OF THE RESERVE COMPONENT PREMIUM AND THE SURVIVOR’S ANNUITY PREMIUM DEDUCTION

541001  10 U.S.C. §§ 1451, 1452
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5411 - INITIAL PREMIUM AND EFFECTIVE DATE OF THE RESERVE COMPONENT PREMIUM

DoDI 1332.42, June 23, 2009

5412 - RESERVE COMPONENT PREMIUM

DoDI 1332.42, June 23, 2009
10 U.S.C. § 1448(b)
10 U.S.C. § 1450(b)
10 U.S.C. § 1452(a)
10 U.S.C. § 12731(f)

5413 - DEATH OF MEMBER ON INACTIVE DUTY TRAINING (IDT)

PL 114-328, section 642, December 23, 2016
10 U.S.C. § 1448
10 U.S.C. § 1450
10 U.S.C. § 1451
Assistant Secretary of Defense Memorandum,
April 26, 2017, Subject: Amendments to Survivor Benefit Plan for Reserve Component Members

541301.D 10 U.S.C. § 12731

5414 - ANNUITY AMOUNT

541401 DoDI 1332.42, paragraph 11, June 23, 2009
10 U.S.C. § 1451(f)

541402 DoDI 1332.42, paragraph 11, June 23, 2009
10 U.S.C. § 1447(7)(A)
10 U.S.C. § 1451

5415 - OFFSETS TO THE ANNUITY

10 U.S.C. § 1450(c)
10 U.S.C. § 1450(e)
REFERENCES (Continued)

Table 54-1  RESERVE COMPONENT PREMIUMS FOR SPOUSE, FORMER SPOUSE, AND CHILD ONLY COVERAGE

DoDI 1332.42, June 23, 2009
10 U.S.C. § 1448(b)
10 U.S.C. § 1450(b)
10 U.S.C. § 1452(a)

Table 54-2.  RESERVE COMPONENT PREMIUMS FOR INSURABLE INTEREST COVERAGE

DoDI 1332.42, subparagraph 13.h, June 23, 2009
10 U.S.C. § 1448(b)
10 U.S.C. § 1450(a)(4)
10 U.S.C. § 1452(c)(3)

Table 54-3  RCSBP – GENERAL INFORMATION

PL 114-328, section 642, December 23, 2016
10 U.S.C. § 1448
10 U.S.C. § 1450
10 U.S.C. § 1451
Assistant Secretary of Defense Memorandum,
April 26, 2017, Subject: Amendments to Survivor Benefit Plan for Reserve Component Members

Table 54-4  RESERVIST WHO DIES NOT IN THE LINE OF DUTY OR NOT IN A DUTY STATUS

PL 114-328, section 642, December 23, 2016
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10 U.S.C. § 1450
10 U.S.C. § 1451
Assistant Secretary of Defense Memorandum,
April 26, 2017, Subject: Amendments to Survivor Benefit Plan for Reserve Component Members
VOLUME 7B, CHAPTER 59: “VICTIMS OF ABUSE – RETIREMENT-ELIGIBLE MEMBERS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated January 2017 is archived.

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<thead>
<tr>
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<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>590101</td>
<td>Added overview paragraph with the narrative formerly located in authoritative guidance paragraph.</td>
<td>Addition</td>
</tr>
<tr>
<td>590103</td>
<td>Updated authoritative guidance paragraph to the standard reference statement.</td>
<td>Revision</td>
</tr>
<tr>
<td>590203</td>
<td>Added a note, pursuant to Public Law 114-328, section 641 December 23, 2016, (National Defense Authorization Act, Fiscal Year 2017), which authorized a new definition for disposable pay that applies to divorces that occur after December 23, 2016, where the court awards the former spouse a division of property and the member has not yet retired.</td>
<td>Addition</td>
</tr>
<tr>
<td>590303</td>
<td>Updated paragraph to clarify when eligibility to receive retired pay is terminated if a member receives a sentence by court-martial.</td>
<td>Revision</td>
</tr>
</tbody>
</table>

Bibliography

Renamed “Bibliography” to “References.”

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CHAPTER 59

VICTIMS OF ABUSE - RETIREMENT-ELIGIBLE MEMBERS

5901 GENERAL

*590101. Overview

Title 10, United States Code (U.S.C.), section 1408(h) authorizes various benefits for the spouses, former spouses, and dependent child(ren) of retirement-eligible members who lose eligibility for retired pay because of misconduct involving abuse of dependents. Generally, the spouses and former spouses are provided the same rights and benefits that they would have received had there been no abuse and the member had retired under normal circumstances.

590102. Purpose

This chapter provides policy on benefits and payments of retired pay in compliance with a court order for spouses, former spouses, and dependent child(ren) of the retirement-eligible member or former member. A member or former member, while in the armed forces and after becoming eligible to retire from the armed forces on the basis of years of service, may have his or her eligibility to receive retired pay terminated as a result of misconduct involving abuse of the spouse or dependent child.

*590103. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

5902 DEFINITIONS

590201. Court Order

A court order is:

A. A final decree of divorce, dissolution, annulment, or legal separation issued by a court;

B. A court ordered, ratified, or approved property settlement incident to such a decree (including a final decree modifying the terms of a previously issued decree of divorce, dissolution, annulment, or legal separation); or

C. A court ordered, ratified, or approved property settlement incident to such previously issued decree, or a support order, as defined in the Social Security Act, section 453 and 42 U.S.C. § 653(p), which:

   1. Is issued in accordance with the laws of the jurisdiction of that court; and
2. Provides for:
   a. Payment of child support (as defined in 42 U.S.C. § 659(i)(2));
   b. Payment of alimony (as defined in 42 U.S.C. § 659(i)(3)); or
   c. Division of property, which specifically provides for the payment of an amount, expressed in dollars or as a percentage of disposable retired pay, from the disposable retired pay of a member to the spouse or former spouse of that member.

590202. Dependent Child

In this chapter, dependent child means an unmarried legitimate child, including an adopted child or stepchild, of the member or former member who is:

A. Under 18 years of age;

B. Incapable of self-support because of a mental or physical incapacity that existed before 18 years of age and is dependent on the member or former member for over one-half of the child’s support; or

C. Enrolled in a full-time course of study in an institution of higher education recognized by the Secretary of Defense for the purposes of this subparagraph, is less than 23 years of age and is dependent on the member or former member for over one-half of the child’s support.

*590203. Disposable Retired Pay

Disposable retired pay is the total monthly retired pay to which a member is entitled, less amounts which:

A. Are owed by that member to the United States for previous overpayments of retired pay and for recoupments from entitlement to retired pay as required by law;

B. Are deducted from the retired pay of such member as a result of forfeitures of retired pay ordered by a court-martial or as a result of a waiver of retired pay required by law in order to receive compensation under Titles 5 or 38 of the U.S.C.;

C. Are equal to the amount of the member’s retired pay under 10 U.S.C., Chapter 61, computed using the percentage of the member's disability on:

1. The date when the member was retired; or
2. The date on which the member's name was placed on the temporary disability retired list; and

D. Are deducted because of an election under 10 U.S.C., Chapter 73 to provide an annuity to a spouse or former spouse to whom payment of a portion of such member's retired pay is being made pursuant to a court order under section 5902.

*Note: Public Law (PL) 114-328, section 641, (National Defense Authorization Act, Fiscal Year 2017) and 10 U.S.C. § 1408(a)(4)(B), authorized a new definition of disposable retired pay which applies to divorces that occur after December 23, 2016, where the court awards the former spouse a division of property and the member has not yet retired. The disposable retired pay for these cases will be computed in accordance with Chapter 29, paragraphs 290802 and 290803. Since members under Chapter 59 would have been considered retirement eligible but for the court martial and revocation of retired pay, Public Law (PL) 114-328, section 641 will not apply.

590204. Spouse or Former Spouse

The term spouse or former spouse means the husband or wife, or former husband or wife, respectively, of a member who, on or before the date of a court order, was married to that member.

590205. Retired Pay

The term retired pay includes retainer pay.

5903 ELIGIBILITY

590301. Eligibility

The following individuals are eligible for payments by the Defense Finance and Accounting Service (DFAS):

A. **Spouse or Former Spouse.** A spouse or former spouse is eligible if the spouse or former spouse was married to the member for a period of 10 years or more, during which the member performed at least 10 years of service creditable in determining the member’s eligibility for retired pay; and

1. Was the victim of the abuse and married to the member or former member at the time of that abuse; or

2. Is a natural or adopted parent of a dependent child of the member or former member who was the victim of the abuse.

B. **Dependent Child.** A dependent child is considered eligible if the other parent of the child died because of misconduct that resulted in the termination of the member’s retired pay.
590302. Court Order

A. The court order must specifically provide for the payment of an amount, expressed in dollars or as a percentage, from the disposable retired pay of a member to the spouse or former spouse of that member. The court order must satisfy the requirements of 10 U.S.C. § 1408(a)(2).

B. If a court order provides for the payment of child support from the disposable retired pay of a member or former member to an eligible dependent child of the member or former member, then the Secretary of the Military Department concerned (or designee) will:

1. Ensure payment of such amount is made to the dependent child; and

2. Ensure payments to the dependent child begin upon effective service of such court order.

590303. Court-Martial

If a member of the armed forces receives a sentence by a court-martial that will terminate the member’s eligibility to receive retired pay, then the member’s eligibility to receive retired pay, as determined by the Secretary of the Military Department concerned (or designee), is terminated effective upon entry of judgment under 10 U.S.C. § 860c (Article 60c of the Uniform Code of Military Justice).

590304. Civilian Court Conviction

If a member of the armed forces is convicted by a civilian court of a crime involving abuse of a spouse or dependent child(ren), after becoming eligible for retirement on the basis of years of service, and the Secretary of the Military Department concerned (or designee) discharges the member from the armed forces as a result of that civilian court conviction, then the member's eligibility to receive retired pay is terminated effective upon the member’s discharge from the armed forces.

5904 APPLICATION FOR PAYMENT

An eligible spouse or former spouse must apply for payment from the supporting DFAS site in the same manner as an application for former spouse payments from retired pay, as described in Chapter 29, section 2904.

5905 CONDITIONS FOR PAYMENT

590501. Payment

A. The court or an eligible spouse or former spouse, or an eligible dependent child, of a member or former member of the armed forces, may request the Secretary of the Military Department concerned (or designee) to provide certification of the amount of the monthly
retired pay in connection with a civil action for the issuance of a court order. The Secretary of the Military Department concerned (or designee) will determine and certify the amount of the monthly retired pay (including any cost-of-living increases to retired pay through the date of certification) to which the member or former member would have been entitled on the date of the certification if:

1. The member or former member’s eligibility for retired pay had not been terminated as a result of misconduct involving abuse of a spouse or dependent child; and

2. In the case of a member or former member not receiving retired pay immediately before termination of eligibility for retired pay, the member or former member had retired on the effective date of that termination of eligibility.

B. When certifying retired pay of a member separated for misconduct involving abuse of a dependent, the Secretary of the Military Department concerned (or designee) will ignore reductions in grade and forfeitures of pay or retired pay resulting from the administrative separation or court-martial for the misconduct.

C. The amount certified by the Secretary of the Military Department concerned (or designee) will be deemed to be the disposable retired pay of the member for the purposes of this provision. The total amount payable under this provision may not exceed 50 percent of such disposable retired pay.

D. A court order may provide that whenever retired pay is increased under 10 U.S.C. § 1401a (or any other provision of law), the amount payable under the court order to the spouse or former spouse will be increased at that time and by the percent retired pay would have increased if the member or former member were receiving retired pay.

E. Payments will not be made more frequently than once a month, and the Secretary of the Military Department concerned (or designee) will not be required to vary normal pay and disbursement cycles for retired pay in order to comply with a court order.

F. If a member’s eligibility for retired pay is terminated as described in paragraph 590303, then the effective date for computing retired pay will be the date that the sentence terminating eligibility for retired pay is approved by the appropriate official. If a member’s retired pay eligibility is terminated as described in paragraph 590304, then the effective date for computing retired pay will be the effective date of the member’s discharge.

G. Payments made to an eligible spouse based on being the natural or adopted parent of a dependent child, who was the victim of abuse, will not cease solely because the dependent child is no longer considered a dependent child. Payment requires only that the child was dependent at the time of the abuse, and not necessarily at the time of payment.

H. Payments will be made from funds in the Department of Defense Military Retirement Fund or, in the case of the Coast Guard, out of funds appropriated to the Department of Homeland Security for payment of retired pay for the Coast Guard.
I. Payments under this chapter must be coordinated with Transitional Compensation benefits payable to an eligible spouse under Chapter 60, paragraph 600401.

590502. Termination of Payment

A. Payments from the disposable retired pay of a member will terminate pursuant to the terms of the applicable court order, on the date of death of the member or former member, or on the date of death of the spouse or former spouse to whom payments are made, whichever occurs first.

B. If a former spouse who is receiving payments under these conditions marries again after the payments begin, then his or her eligibility to receive further payments terminates on the date of the marriage. In the event of termination of that marriage by death, annulment, or divorce, payments resume as of the first day of the month in which the marriage is terminated. The monthly amount will be the amount that would have been paid if the continuity of the payments had not been interrupted by the marriage.

C. If the punishment that results in the termination of eligibility to receive retired pay is later remitted, set aside, or mitigated to a punishment that does not result in termination of eligibility, then benefits to the eligible dependent based on that punishment will cease. Such benefits cease on the first day of the first month after the month in which the Secretary of the Military Department concerned (or designee) notifies the recipient in writing that benefits will cease. The recipient will not be required to repay the benefits received prior to that effective date, excluding any erroneous payments.

590503. Other Entitlements

A. A spouse or former spouse, while receiving payments under this chapter, will be entitled to receive medical and dental care, commissary and exchange privileges, and any other benefits a spouse or former spouse of a retired member may be entitled as if the member or former member was entitled to retired pay. This entitlement includes the right to the Survivor Benefit Plan if the spouse or former spouse is an eligible beneficiary pursuant to 10 U.S.C. § 1448.

B. A dependent child, who was a member of the household of the member or former member at the time of the misconduct, is entitled to receive medical and dental care, commissary and exchange privileges, and any other benefits provided to dependents of retired members of the armed forces in the same manner as if the member or former member was entitled to retired pay.

590504. Accrual of Payments

No payments under this chapter will accrue for periods before October 23, 1992.
590505. Taxability

The spouse or former spouse who receives payment under this chapter will be responsible for the tax liability. DFAS will withhold taxes and will issue the appropriate annual tax form, Form 1099-R, “Distribution From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRA's, Insurance Contracts, etc.”
*REFERENCES

CHAPTER 59 – VICTIMS OF ABUSE – RETIREMENT-ELIGIBLE MEMBERS

5901 – GENERAL 10 U.S.C. § 1408

5902 – DEFINITIONS

590201 10 U.S.C. § 1408(a)(2)
590202 10 U.S.C. § 1408(h)(11)
590203 10 U.S.C. § 1408(a)(4)
* PL 114-328, section 641, December 23, 2016
* 10 U.S.C. § 1408(a)(4)(B)
590204 10 U.S.C. § 1408(a)(6)

5903 – ELIGIBILITY

* 590303 10 U.S.C. § 860c
10 U.S.C. § 1408(h)(10)(A)

5905 – CONDITIONS FOR PAYMENT

590501.D 10 U.S.C. § 1408(h)(5)
VOLUME 7B, CHAPTER 60: “VICTIMS OF ABUSE – NONRETIREMENT ELIGIBLE MEMBERS (TRANSITIONAL COMPENSATION)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2018 is archived.

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<td>Updated the chapter with hyperlinks and formatting to comply with current administrative instructions.</td>
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<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
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<td>Added the expansion of eligibility for exceptional transitional compensation for dependents of current members.</td>
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CHAPTER 60

VICTIMS OF ABUSE – NONRETIREMENT ELIGIBLE MEMBERS
(TRANSITIONAL COMPENSATION)

6001 GENERAL

600101. Purpose

This chapter covers transitional compensation that may be payable to abused dependents or former dependents of nonretirement eligible members of the Armed Forces for a period of not less than 12 and not more than 36 months. Transitional Compensation is a congressionally authorized program pursuant to Title 10, United States Code (U.S.C.), section 1059 which provides temporary monetary payments and benefits to dependent family members or former dependents of Service members or former Service members who are separated from the military due to dependent-abuse offenses. For information on benefits for spouses and former spouses of retirement-eligible members who lose eligibility for retired pay because of misconduct involving abuse of dependents, see DoDFMR Volume 7B, Chapter 59.

A. Transitional compensation provisions apply to members who, on or after November 30, 1993:

1. Separate from active duty under a court-martial sentence resulting from a dependent-abuse offense;

2. Separate from active duty for administrative reasons if the basis for separation includes a dependent-abuse offense; or

3. Are sentenced to forfeiture of all pay and allowances by a court-martial that has convicted the member of a dependent-abuse offense.

B. Transitional compensation is payable to dependents who qualify on or after November 30, 1993. No payment will be made for any period before November 30, 1993. In cases where a spouse or former spouse is receiving payments and there is an eligible dependent child or children not residing in the same household as the spouse, former spouse, or member, transitional compensation is payable to the dependent children for periods on or after November 1, 1998. See paragraph 600401 for detailed explanation.

*600102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 10 and 38. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.
6002 DEFINITIONS

600201. Dependent-Abuse Offense

A dependent-abuse offense is conduct by a member of the Armed Forces, while on active duty for more than 30 days, that involves the abuse of the spouse or dependent child of the member and is a criminal offense defined by 10 U.S.C. §§ 801-940 or other criminal code applicable to the jurisdiction where the act of abuse is committed. Crimes that may qualify as dependent-abuse offenses are sexual assault, rape, sodomy, assault, battery, murder, and manslaughter. The aforementioned offenses are not an exhaustive or exclusive listing of dependent-abuse offenses.

600202. Punitive or Other Adverse Actions

Punitive or other adverse actions are actions in which a member of the Armed Forces who has been on active duty more than 30 days and who, on or after November 30, 1993, is:

A. Convicted of a dependent-abuse offense that results in separation from active duty under a court-martial sentence or forfeiture of all pay and allowances under a court-martial sentence; or

B. Administratively separated, voluntarily or involuntarily, from active duty according to applicable Military Service regulations, if the basis for separation includes a dependent-abuse offense.

600203. Cohabitation

Cohabitation is when the spouse, former spouse, or dependent child is residing in the same household as the former member after punitive or other adverse action is executed against the member or former member.

600204. Dependent Child

A dependent child:

A. Is an unmarried child, including:

1. An adopted child or a stepchild residing with the member or eligible spouse at the time of the dependent–abuse offense resulting in the separation of the former member; or

2. A child who was carried during pregnancy at the time of the dependent-abuse offense resulting in the separation of the former member, and was subsequently born alive to the eligible spouse or former spouse (as defined in 10 U.S.C. § 1059(l)); and

B. Meets one of the following age requirements:
1. Is under age 18;

2. Is age 18 or older and incapable of self-support, due to a mental or physical incapacity that existed before age 18, and is (or, at the time a punitive or other adverse action was carried out in the case of the former member, was) dependent on the former member for over one-half of the child’s support; or

3. Is age 18 or older, but less than age 23 and enrolled in a full-time course of study in an institution of higher learning approved by the Secretary of Defense, and is (or, at the time a punitive or other adverse action was carried out in the case of the former member, was) dependent on the former member for over one-half of the child’s support.

600205. Spouse or Former Spouse

The term spouse or former spouse refers to the husband or wife, or former husband or former wife, respectively, of the member or former member at the time of the commission of the dependent-abuse offense resulting in separation from military service.

6003 ELIGIBILITY FOR TRANSITIONAL COMPENSATION

600301. Eligibility for Transitional Compensation Payment

The dependents of a member, or former member, who separated on or after November 30, 1993, and the basis for the separation includes a dependent-abuse offense, are eligible for transitional compensation payments. Payments begin on or after December 1, 1993, for eligible dependents. If a recipient is incapable of handling his or her affairs, then payments are made only to a court-appointed guardian. In the case of a dependent child under 18 years of age, payments are made only to a court-appointed guardian or a natural parent (who is not a spouse of the member) if the natural parent has legal custody of the dependent child.

A. Spouse or Former Spouse. In the case of a separation from active duty under punitive or other adverse action, payments are made to the person who was the member’s spouse at the time of the offense. The spouse or former spouse does not have to be the victim in order to receive transitional compensation.

B. Dependent Child. Effective November 1, 1998, a dependent child of the member who does not reside in the same household as the member’s spouse or former spouse may be paid transitional compensation benefits. Payments may be made to such dependent child as prescribed in paragraph 600401. A dependent child’s eligibility is determined as of the date on which the member is convicted of the dependent-abuse offense or the date on which the member is administratively separated. Prior to November 1, 1998, there was no provision mentioned for the member’s dependent children who did not reside in the same household as the eligible spouse or former spouse.
*600302. Exceptional Eligibility Authority

A. The Secretary of the Military Department concerned may authorize eligibility for transitional compensation benefits for dependents and former dependents of a member or former member of the Armed Forces for cases in which the dependents are not otherwise eligible for such benefits if the Secretary of the Military Department concerned determines that:

1. The member or former member engaged in conduct that is a dependent-abuse offense; and

2. The member or former member was separated from active duty in a manner other than those described in paragraph 600202, on or after November 24, 2003.

B. Benefits authorized under this section will be provided in the same manner as if the member or former member was an individual separated as described in paragraph 600202. The Secretary of the Military Department concerned will adjust the commencement and duration of payment provisions of paragraph 600401, as the Secretary considers necessary according to the circumstances, in order to provide benefits equivalent to those provided in the case of an individual separated in a manner described in paragraph 600202.

C. For the purposes of the provision of benefits under this paragraph, a member shall be considered separated from active duty upon the earliest of:

1. The date an administrative separation is initiated by the commander of the member;

2. The date the court-martial sentence is adjudged if the sentence, as adjudged, includes a dismissal, dishonorable discharge, bad conduct discharge, or forfeiture of all pay and allowances; or

3. The date the member’s term of service expires.

D. Exceptional eligibility authority by the Secretary of the Military Department concerned may not be delegated.

600303. Application

An individual can request transitional compensation through a Military Service representative. The Military Service representative may:

A. Approve payment;

B. Assist applicant in filling out the of DD Form 2698, Application for Transitional Compensation;
C. Have the applicant submit a Standard Form 1199A, Direct Deposit Sign-up Form, completed by the applicant and the financial institution or a voided check/deposit slip with a written authorization for direct deposit of payments; and

D. Provide the Operation and Maintenance fund citation, and forward the application and information for direct deposit to the Defense Finance and Accounting Service (DFAS) at the following address:

Defense Finance and Accounting Service
Attn: R&A Uniques
1240 East 9th Street
Cleveland, OH 44199-2055

Facsimile Numbers:
DSN: 580-6470
Commercial Number: (216) 522-6470

6004 PAYMENT

600401. Recipients of Payments

Transitional compensation will be paid as follows:

A. If the member or former member was married at the time of the dependent-abuse offense, then compensation will be paid to the spouse or former spouse to whom the member or former member was married to at that time. An amount will be included for each, if any, dependent child of the member or former member, provided the child resides in the same household as the spouse or former spouse.

B. If a spouse or former spouse has forfeited his or her entitlement for reasons described in paragraph 600405, then compensation will be paid to each eligible dependent child who does not reside in the household of the member or the ineligible spouse or former spouse.

C. If there is no eligible spouse or former spouse, then such compensation will be paid to the dependent children of the member or former member.

600402. Commencement and Duration of Payment

A. In the case of a member convicted by a court-martial of a dependent-abuse offense, payments begin:

1. As of the date that the court-martial sentence is adjudged if the sentence, as adjudged, includes a dismissal, dishonorable discharge, bad-conduct discharge, or forfeiture of all pay and allowances; or
2. If there is a pretrial agreement that provides for disapproval or suspension of the dismissal, dishonorable discharge, bad-conduct discharge, or forfeiture of all pay and allowances, as of the date the court-martial sentence was approved by the person acting under 10 U.S.C. § 860(c), only if the sentence as approved, includes an unsuspended dismissal, dishonorable discharge, bad-conduct discharge, or forfeiture of all pay and allowances.

B. In the case of a member administratively separated based on a dependent-abuse offense, payment begins as of the date that the separation action was initiated by the commander under regulations determined by the Secretary of the Military Department concerned.

C. Payments are made for a period of not less than 12 months, but cannot exceed 36 months, based on policies established by the Secretary of the Military Department concerned.

1. When the unserved portion of the member’s obligated active duty service, as of the starting date of payment, is greater than 12 months and less than or equal to 36 months, the duration of payments will be no less than the unserved portion.

2. For enlisted members, the obligated active duty service is the time remaining on their term of enlistment. For officers, the obligated active duty service is indefinite unless the officer has a date of separation established, in which case it is the time remaining until the date of separation.

D. A dependent child who was carried during pregnancy at the time of the dependent-abuse offense resulting in the separation of the former member, who was subsequently born alive to the eligible spouse or former spouse (as defined in 10 U.S.C. § 1059(l)), will not receive payment until after the child is born. Payments to a child under this paragraph will not cover any period prior to the birth of the child. Payments under this provision are effective January 2, 2013. There is no authority for payments prior to January 2, 2013.

*600403. Amount of Payment

Use the monthly Dependency and Indemnity Compensation (DIC) rates to pay transitional compensation. The Veterans Affairs (VA) website provides information on DIC rates at http://benefits.va.gov/Compensation/current_rates_dic.asp. DIC rates for prior years are located at the end of the VA webpage under “Historical Rate Tables.”

A. A spouse or former spouse receives transitional compensation rates as annotated at the VA website for DIC. See Table 60-1 for transitional compensation rates paid to spouse or former spouse.

B. If the spouse or former spouse has custody of a dependent child or children of the member who resides in the same household as that spouse or former spouse, then transitional compensation is increased for each child by an amount equal to the monthly DIC amount payable
for dependent children. See Table 60-2 for additional transitional compensation rates paid to spouse or former spouse with an eligible dependent child or children.

C. If transitional compensation is payable to a dependent child under subparagraph 600101.B, then payments are made in equal shares, in an amount equal to the monthly DIC amount payable for dependent children. See Table 60-3 for transitional compensation rates paid to an eligible child or children.

D. Payments will be prorated for months when payments start or stop in the middle of a month (e.g., if the former spouse receiving transitional compensation remarries, then compensation terminates effective as of the date of the marriage).

E. When paying multiple children and the payment amount does not divide equally, the youngest child will receive the odd cent(s).

F. Transitional compensation payments will stop effective the date of death of the recipient. Arrears of compensation will not be paid.

G. Advance payment of transitional compensation benefits is not authorized.

600404. Effect of Continuation of Military Pay

In the case of payment of transitional compensation by reason of a total forfeiture of pay and allowances pursuant to a sentence of a court-martial, payment of transitional compensation will not be made for any period for which an order, in whole or in part:

A. Suspends that part of a sentence that includes forfeiture of the member’s pay and allowances; or

B. Otherwise results in the continuation of the member’s pay and allowances.

600405. Forfeiture Provisions

A. The following will result in the forfeiture of transitional compensation payable to the spouse or former spouse:

1. If, after a punitive or other adverse action has been executed, the former member resides in the same household as the spouse or former spouse or child who is receiving transitional compensation, compensation terminates as of the date the former member begins residing in the household. Any compensation paid before the member resides in the household will not be recouped. Once terminated for cohabitation, the payments do not resume.

2. If the former spouse receiving compensation remarries, then compensation terminates effective as of the date of the former spouse’s remarriage. Payments do not resume if the subsequent marriage is terminated. If the payments to the spouse terminate due to
remarriage and there are dependent children not living in the same household as the spouse or member, payment will be made to each of those dependent children.

3. If the victim was a dependent child, and the competent authority designated by the Secretary of the Military Department concerned has found that the spouse was an active participant in the conduct constituting the criminal offense, or actively aided or abetted the member in such conduct against that dependent child, then the spouse or former spouse may not be paid transitional compensation.

B. Annual certification is the certificate provided by the spouse or former spouse that certifies annually to the DFAS Cleveland site that he or she has not remarried and has not been cohabiting with the offender. The form to be used is a Certificate of Eligibility (COE).

1. **DFAS Cleveland Site Notification.** The spouse or former spouse must notify the DFAS Cleveland site within 30 days of the date of remarriage or the date the member begins residing in the same household as the spouse, former spouse, or dependent child.

2. **Parent or Court-Approved Guardian COE Requirement.** The parent or court-approved guardian will certify annually that the dependent child or children are not residing with the offender or ineligible spouse via the COE process. If the COE is not received within 60 days of the date of the COE, then payments will be suspended until verification of eligibility is received.

600406. **Termination of Payments**

Transitional compensation is not payable when a member’s court-martial sentence, which includes a dismissal, dishonorable discharge, or bad-conduct discharge, is remitted, set aside, or mitigated to a lesser punishment that does not include such punishment, or the administrative separation is disapproved. Any payment of transitional compensation that has started will stop effective the first day of the month after the Secretary of the Military Department concerned notifies the recipient in writing that payment will cease for such reason. The recipient is not required to repay transitional compensation received before the effective date of termination, excluding erroneous payments.

600407. **Taxability**

Transitional compensation payments are considered benefits that are excludable from taxation and should not be reported on Internal Revenue Service Form 1099R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

6005 **OTHER BENEFITS**

600501. **Coordination of Benefits**

A. **Election of Benefits.** A spouse or former spouse may not concurrently receive both payments of transitional compensation under 10 U.S.C. § 1059 and payments under
10 U.S.C. § 1408(h)(1) (see Chapter 59 for spouses and former spouses of retirement-eligible members who lost eligibility for retired pay as a result of misconduct involving abuse of dependents). If a spouse or former spouse has obtained a court order awarding compensation pursuant to 10 U.S.C. § 1408(h)(1), then the spouse or former spouse will elect which benefit to receive. An application for payment under 10 U.S.C. § 1408(h), pursuant to the requirements of Chapter 59, will be considered an election to receive 10 U.S.C. § 1408(h) payments. See Chapter 59, section 5904 for application requirements.

B. Effective Date. The election to receive benefits under 10 U.S.C. § 1408(h) is effective on the date that a complete application is received. If the applicant is not eligible to receive benefits under 10 U.S.C. § 1408(h) on the date the application is received, then the effective date will be the date the applicant becomes eligible for payments under 10 U.S.C. § 1408(h). Payments of transitional compensation under 10 U.S.C. § 1059 will be terminated and payments under 10 U.S.C. § 1408(h) will commence on the first day of the first month after the date the election to receive payments under 10 U.S.C. § 1408(h) is effective.

600502. Commissary and Exchange Benefits

A. A dependent or former dependent entitled to payment of monthly transitional compensation will, while receiving payments in accordance with 10 U.S.C. § 1059, be entitled to use commissary and exchange stores to the same extent and manner as a dependent of a member of the Armed Forces on active duty for a period of more than 30 days.

B. If a dependent or former dependent is eligible or entitled to use commissary and exchange stores under another provision of law, then the eligibility or entitlement of that dependent or former dependent to use commissary and exchange stores will be determined under the other provision of law rather than under this paragraph.

600503. Medical and Dental Care

A. Eligible dependents may, while receiving transitional compensation, receive dental and medical care, including mental health services, through military facilities as TRICARE beneficiaries. Pursuant to the approval of the Secretary of the Military Department concerned, eligible dependents of a member or former member are entitled to medical and or dental care for problems associated with the abuse.

B. The Secretary of the Military Department concerned may furnish medical care in facilities of the uniformed services to the dependent for the treatment of any adverse health condition resulting from such dependent's knowledge of the abuse, or any injury or illness suffered by the abused person because of such abuse.

C. Medical and dental care furnished to a dependent of a former member of the uniformed services in facilities of the uniformed services will be limited to the health care prescribed by 10 U.S.C. § 1077, and subject to the availability of space, facilities, and the capabilities of the medical and dental staff.
**Table 60-1. Spouse or Former Spouse Transitional Compensation Rate**

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>DIC Rate</th>
</tr>
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<tbody>
<tr>
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<td>$1,154.00</td>
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<tr>
<td>December 1, 2011</td>
<td>$1,195.00</td>
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<tr>
<td>December 1, 2012</td>
<td>$1,215.00</td>
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<td>December 1, 2013</td>
<td>$1,233.23</td>
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<td>December 1, 2014</td>
<td>$1,254.19</td>
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<tr>
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<td>December 1, 2016</td>
<td>$1,257.95</td>
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<td>December 1, 2017</td>
<td>$1,283.11</td>
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<td>$1,319.04</td>
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<td>December 1, 2019</td>
<td>$1,340.14</td>
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**Table 60-2. Spouse or Former Spouse with Dependent Child Transitional Compensation Rate**

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<tr>
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<td>$332.00</td>
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*Table 60-3. Dependent Child Transitional Compensation Rate

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<tr>
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<th>1 Child</th>
<th>2 Children</th>
<th>3 Children</th>
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<tr>
<td>December 1, 2010</td>
<td>$488.00</td>
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</tr>
<tr>
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<td>$726.00</td>
<td>$947.00</td>
<td>$947.00 plus $180.00 for each child over 3</td>
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<td>$977.45 plus $185.75 for each child over 3</td>
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<td>December 1, 2014</td>
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<td>$994.07 plus $188.91 for each child over 3</td>
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<td>December 1, 2015</td>
<td>$529.55</td>
<td>$761.80</td>
<td>$994.07</td>
<td>$994.07 plus $188.91 for each child over 3</td>
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<td>$1,045.47 plus $198.68 for each child over 3</td>
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</table>
| December 1, 2019 | $565.84 | $814.01 | $1,062.20 | $1,062.20 plus $201.95 for the fourth child. Refer to rate table for additional children over four located at: http://benefits.va.gov/compensation/current_rates_dic.asp.
CHAPTER 60: VICTIMS OF ABUSE – NONRETIREMENT ELIGIBLE MEMBERS
(TRANSITIONAL COMPENSATION)

6001 – GENERAL

600101  10 U.S.C. § 1059
DoD Instruction 1342.24, May 23, 1995
Office of the Assistant Secretary of Defense/Force
Management Memorandum, October 19, 1994

6002 – DEFINITIONS

600201-600205  10 U.S.C. § 1059
600204  10 U.S.C. § 1059(l)
Public Law 112-239, section 564, January 2, 2013
Public Law 113-181, section 2, November 13, 2014

6003 – ELIGIBILITY FOR TRANSITIONAL COMPENSATION

600302  10 U.S.C. § 1059(m)

* Public Law 116-92, section 621,
   December 20, 2019
* Fiscal Year 2020 National Defense Authorization
   Act, section 621, December 20, 2019

6004 – PAYMENT

600401  10 U.S.C. § 1059(d)
600402  10 U.S.C. § 1059(e)
600402.C Principal Deputy Under Secretary of Defense for
   Personnel and Readiness Policy Memorandum,
   June 14, 2004
600403  38 U.S.C. § 1114
38 U.S.C. § 1115
38 U.S.C. § 1311
38 U.S.C. § 1313
38 U.S.C. § 1314
Public Law 112-53, sections 2(a) – (e),
   November 9, 2011
Public Law 112-198, sections 2(a) – (d) and 3,
   November 27, 2012
Public Law 113-52, sections 2(a) – (e),
   November 21, 2013
REFERENCES (Continued)

Public Law 113-181, sections 2(a) – (e),
September 26, 2014

Public Law 114-197, sections 2(a) – (d) and 3,
July 22, 2016

Public Law 115-75, sections 2(a) – (d) and 3,
November 2, 2017

* Public Law 115-258, sections 2(a) – (d) and 3,
October 9, 2018

* Public Law 116-58, sections 2(a) – (d) and 3,
September 26, 2019

* 600403.A and B  38 U.S.C. § 1114
   38 U.S.C. § 1115
   38 U.S.C. § 1311
   38 U.S.C. § 1314

600403.C  38 U.S.C. § 1313
   10 U.S.C. § 1059(g)
600406  10 U.S.C. § 1059(e)(3)(C)
600407  Armed Forces Tax Council Memorandum,
        December 16, 1994

6005 – OTHER BENEFITS

600501  10 U.S.C. § 1059(i)
600502  10 U.S.C. § 1059(j)
600503  10 U.S.C. § 1076(e)
VOLUME 7B, CHAPTER 61: “ANNUITIES FOR CERTAIN MILITARY SURVIVING SPOUSES (ACMSS)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated May 2018 is archived.

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<th>PURPOSE</th>
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<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<tr>
<td>610501</td>
<td>Revised wording for clarity.</td>
<td>Revision</td>
</tr>
<tr>
<td>610601</td>
<td>Revised section to include hyperlink to annual Cost of Living Adjustment Memorandum.</td>
<td>Revision</td>
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<td>Bibliography</td>
<td>Changed the name from “Bibliography” to “References” to comply with new requirements and updated where applicable.</td>
<td>Revision</td>
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<tr>
<td>References</td>
<td>Updated to include the memorandum from the Office of the Assistant Secretary of Defense for the “Fiscal Year 2019 Adjustments to Military Retired and Retainer Pay, Annuities and Premiums.”</td>
<td>Revision</td>
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</table>
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CHAPTER 61

ANNUITIES FOR CERTAIN MILITARY SURVIVING SPOUSES (ACMSS)

6101 GENERAL

610101. Purpose

The purpose of this chapter is to provide guidance, policy, delegation of authority, and assignment of responsibilities, as they apply to ACMSS.

610102. Authoritative Guidance

The authoritative references are listed at the end of this chapter.

6102 ELIGIBILITY FOR PAYMENT

610201. General

Effective November 18, 1997, ACMSS was established under Public Law (PL) 105-85 to provide annuity payments to certain qualified surviving spouses.

610202. Payment

An annuity is paid to the qualified surviving spouse of each retired member of the uniformed services who meets the criteria listed in paragraph 610401.

6103 ANNUITY APPLICATION

610301. General

An annuity application is required before payment will be made.

610302. Application Procedure

A. Application. A Department of Defense (DD) Form 2769, Application for Annuity Certain Military Surviving Spouses, must be submitted to the Military Service concerned.

B. Documentation. If information is unavailable from existing records, such as the Defense Enrollment Eligibility Reporting System, the applicant may be required to submit the following documentation to the Military Service concerned:

1. Certified copies of the retired member’s death certificate and/or marriage certificate;

2. DD 214, Certificate of Release or Discharge from Active Duty;
3. Retirement order;
4. Retired pay statement; and
5. Any additional information needed to substantiate the claim.

C. Review and Approval. The Military Service concerned will then:
   1. Review the claim and determine whether the applicant is qualified for an ACMSS annuity;
   2. Notify the applicant on the disposition of the claim within 60 days; and
   3. Forward approved claims to the Defense Finance and Accounting Service Cleveland site (DFAS-CL) for payment.

6104 QUALIFIED SURVIVING SPOUSE AND DECEASED RETIRED MEMBER

610401. Qualified Surviving Spouse

Only an individual who meets the following criteria qualifies for these annuity payments.

A. Is a surviving spouse of a deceased retired member, as defined in paragraph 610402, who:
   1. Was married to the retired member at the time the member became eligible for retired pay;
   2. Had been married to the retired member for at least 1 year before the date of death; or
   3. Is the parent of a child born of the marriage; and

B. Has not remarried.

610402. Deceased Retired Member

A deceased retired member for the purpose of this annuity is one who:

A. Became entitled to retired or retainer pay before September 21, 1972, died before March 21, 1974, and was entitled to retired or retainer pay on the date of death; or
B. Died before October 1, 1978, and at the time of death, would have been entitled to retired pay under Title 10, United States Code (U.S.C.), Chapter 67 (renumbered to 10 U.S.C., Chapter 1223 by PL 103-337, effective December 1, 1994), but for the fact that he or she was under 60 years of age.

6105 PAYMENT OF ANNUITY

*610501. Payment Effective Date

Payment to a qualified surviving spouse begins within 30 days upon receipt by DFAS-CL of a validated claim endorsed by the Military Service. The monthly payments begin not earlier than December 1, 1997, except where entitlement is under subparagraph 610402.B, in which case entitlement begins not earlier than October 1, 1999.

610502. Representative Payee

ACMSS payments due to a mentally incompetent or otherwise legally disabled person, for whom a guardian or other fiduciary has not been appointed, may be paid to a representative payee the same as the Survivor Benefit Plan (SBP). See Chapter 46.

610503. Report of Existence (ROE) and Certificate of Eligibility (COE)

The procedures for ROE and COE on SBP annuity payments also apply to ACMSS payments. See Chapter 46.

610504. Debt Collection

Overpayments of an annuity are subject to the same collection action as SBP. See Chapter 46.

610505. Taxability

The taxability of ACMSS payments is similar to an SBP annuity. See Chapter 46.

610506. Death of Annuitant

The annuity terminates the last day of the month before the date the annuitant dies. Any amounts that are due and payable at the time of the annuitant’s death may be paid in accordance with the provisions of Chapter 31. The unpaid annuity will only be paid upon receipt of a properly executed and documented claim, approved by the Secretary of the Military Department concerned (or designee).

610507. Remarriage

The annuity terminates the first day of the month in which the annuitant remarries, without regard to the age of the annuitant.
6106 ANNUITY AMOUNT AND OFFSET

*610601. Amount

The annuity to a qualified surviving spouse was initially established at $165 per month. The amount is subject to the same cost-of-living adjustment (COLA) and effective at the same time as military retired pay increases. The first COLA was effective December 1, 1997, as shown on Table 61-1. The annual COLA memorandums are published to the Military Pay and Benefits Website that is sponsored by the Office of the Under Secretary of Defense for Personnel and Readiness. The provision for rounding monthly SBP annuity is not applicable.

610602. Offset

The amount of annuity to which a surviving spouse is entitled under this section for any period is reduced (but not below zero) by any amount paid to the surviving spouse for the same period under any of the following:

A. Retired and Reserve Component SBP;

B. Retired Serviceman’s Family Protection Plan;

C. Minimum Widows Income-SBP; or

D. Dependency and Indemnity Compensation.

6107 FUNDING

The approving Military Service must fund the annuities from operations and maintenance funds for the fiscal year in which the payment is made.
**Table 61-1. ACMSS ANNUITY AMOUNT**

Table Revision Effective Date: December 1, 2019

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<th>Date of Increase</th>
<th>Percent</th>
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*REFERENCES

CHAPTER 61 – ANNUITIES FOR CERTAIN MILITARY SURVIVING SPOUSES (ACMSS)

6102 Eligibility for Payment

10 U.S.C., Chapter 1223
10 U.S.C. § 12731

6103 Annuity Application


6104 Qualified Surviving Spouse and Deceased Retired Member


610401.A 10 U.S.C. § 1447(7)-(9)

6105 Payment of Annuity

Public Law (PL) 105-85, November 18, 1997

610501 PL 106-65, October 5, 1999

6106 Annuity Amount and Offset

610601 10 U.S.C. § 1401a
610602.A 10 U.S.C., Chapter 43, Subchapter II
610602.B 10 U.S.C., Chapter 43, Subchapter I
610602.C PL 92-425, section 4, September 21, 1972
610602.D 38 U.S.C. § 1311

Table 61-1 PL 105-85, section 644, November 18, 1997
Office of the Undersecretary of Defense (OUSD), Personnel and Readiness (P&R) Memorandum (Memo), December 8, 2003
OUSD (P&R) Memo, November 9, 2007
OUSD (P&R) Memo, October 29, 2008
OUSD (P&R) Memo, November 17, 2009
OUSD (P&R) Memo, November 12, 2010
OUSD (P&R) Memo, November 22, 2011
REFERENCES (Continued)

Office of the Assistant Secretary of Defense
(M&RA) Memo, November 8, 2012
OASD (M&RA) Memo, November 14, 2013
OASD (M&RA) Memo, November 13, 2014
OASD (M&RA) Memo, November 5, 2015
OASD (M&RA) Memo, November 21, 2016
OASD (M&RA) Memo, November 27, 2017
OASD (M&RA) Memo, November 01, 2018
OASD (M&RA) Memo, October 30, 2019
VOLUME 7B, CHAPTER 63: “COMBAT-RELATED SPECIAL COMPENSATION (CRSC)”

SUMMARY OF MAJOR CHANGES

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<td>Added subparagraph to provide CRSC relationship to Survivor’s Benefit Plan.</td>
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<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
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<td>Corrected date from January 1, 2004 to June 1, 2003, pursuant to Title 10, United States Code, section 1413a.</td>
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<tr>
<td>630801.C</td>
<td>Revised subparagraph to provide clarity for the entitlement to CRSC for retired members who qualify for the Individual Unemployability.</td>
<td>Revision</td>
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<tr>
<td>630904</td>
<td>Added paragraph to provide the impact to Uniformed Services Former Spouse’s Protection Act payments when a military retiree is retroactively awarded disability compensation or CRSC.</td>
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6301 GENERAL

*630101. Purpose

CRSC provides special compensation to members of the Uniformed Services who have retired pay reduced because of receiving U.S. Department of Veterans Affairs (VA) disability compensation where a portion of such VA disability compensation is the result of disabilities that are combat-related as determined by the Military Department.

A. Effective Date. The CRSC program became effective May 31, 2003. Payments are made on the first day of the first month following the month in which the compensation accrued, provided the member is receiving VA disability compensation for a disability that has been determined to be combat-related by the Military Department. No CRSC is payable for any month prior to June 2003.


2. For an eligible member whose disability percentage is less than 60 percent, compensation is effective January 1, 2004.

3. For an eligible member who is retired under Title 10, United States Code (U.S.C.), Chapter 61 with less than 20 years of active duty or with less than sufficient service and age to qualify for retirement under 10 U.S.C., section 12731, compensation is effective January 1, 2008.

4. For a member who did not meet the qualifications on June 1, 2003, January 1, 2004, or January 1, 2008, but who later meets the qualifications, entitlement accrues the first day of the following month.

B. Funding and Payment. CRSC is not military retired pay. It is a monthly entitlement that is paid only in whole-month increments. Prior to October 1, 2003, CRSC was payable from funds appropriated for pay and allowances payable by the Secretary of the Military Department concerned (or designee) for that fiscal year (FY). Effective October 1, 2003, the source of funding is the Department of Defense (DoD) Military Retirement Fund.

C. Relationship to Other Provisions.

1. CRSC is not retired pay, and it is not subject to the provisions of 10 U.S.C. § 1408 relating to payment of retired or retainer pay in compliance with court orders.
2. CRSC is subject to a Treasury offset to recover a debt owed to the United States as well as to garnishment for child support or alimony. In addition, debts due the government may be collected from CRSC, including overpayments of retired pay or erroneous payments of CRSC, by means of an administrative offset. An administrative offset of CRSC to collect a debt due the government is subject to the due process requirements of 31 U.S.C. § 3716 and 31 Code of Federal Regulations (CFR), part 901. Claims for overpayments of CRSC may be considered for waiver in accordance with 10 U.S.C. § 2774. Finally, CRSC payments are not subject to Chapter 13 bankruptcy court orders to pay a Chapter 13 trustee.

3. CRSC is subject to a deduction of Survivor’s Benefit Plan (SBP) premium, when retired pay is not adequate, for a person who has elected to participate in the SBP. See paragraph 630803.

D. Tax Consideration.

CRSC payments are considered tax exempt from Federal income tax under provisions of 26 U.S.C. § 104.

*630102. Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 10, 31, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

6302 ENTITLEMENT

630201. Monthly Entitlement

CRSC is a monthly entitlement. A retiree is entitled to CRSC for each month during which, for the entire month, the member:

A. Has applied for and elected CRSC under these provisions (section 6303),

B. Meets preliminary CRSC criteria (section 6304), and

C. Meets final CRSC criteria (section 6305).

630202. Expanded Eligibility in 2008

As of January 1, 2008, section 641 of the FY 2008 National Defense Authorization Act and 10 U.S.C. § 1413a provide special rules for CRSC-eligible retirees with fewer than 20 years of service, to include members who have waived their retired pay in order to receive VA disability compensation. This expanded authority includes both 10 U.S.C., Chapter 61 (10 U.S.C. §§ 1201-1222) disability retirees and Temporary Early Retirement Authority (TERA) retirees. However, a
Reserve Component retiree who receives retired pay for early retirement with physical disabilities under 10 U.S.C. § 12731b is specifically excluded from entitlement to CRSC by 10 U.S.C. § 1413a(c)(1).

6303 APPLICATION AND ELECTION

630301. Application and Election

A member may not be paid CRSC unless he or she has applied for and elected to receive compensation under the CRSC program by filing an application on DoD (DD) Form 2860, Claim For Combat-Related Special Compensation (CRSC), with the Military Department from which he or she retired. A member may submit an application for CRSC at any time and, if otherwise qualified for CRSC, compensation will be paid for any month after May 2003 for which all conditions of eligibility were met, subject to any legal limitations.

630302. Election of CRSC or Concurrent Retirement and Disability Payments (CRDP)

The law states that a member eligible for both CRSC, under 10 U.S.C. § 1413a, and CRDP, under 10 U.S.C. § 1414, may not receive both, but must elect which compensation to receive. The Defense Finance and Accounting Service (DFAS)-Cleveland site will advise the member which of the two payments is being paid pursuant to such election. In addition, the DFAS-Cleveland site will provide an annual notice to the member of their entitlements under both programs. If the gross amounts payable change under either program, a member may then change their election during the annual open season period (normally between January 1 and January 31) as set forth by DFAS each year. The member will have one opportunity annually to reverse the current election. This will allow the member to assess the impact of annual adjustments to retired pay, VA disability compensation, CRSC, and CRDP. The DFAS-Cleveland site will advise members of their options and the procedures to make such elections. See also Chapter 64 for more information.

6304 PRELIMINARY CRITERIA

A retired member of the Uniformed Services must satisfy the following applicable conditions to meet the preliminary criteria to receive CRSC.

*630401. Years of Service Requirement

* A. On or After June 1, 2003. A retired member must have had 20 or more years of service for the purpose of computing retired pay.

B. January 1, 2004 Through December 31, 2007. Beginning January 1, 2004, and prior to January 1, 2008, a retired member must have had 20 or more years of service for the purpose of computing retired pay or have been entitled to Reserve Component retired pay under 10 U.S.C. § 12731 (other than by reason of § 12731b) to be eligible for CRSC.
C. Before January 1, 2008. For the purposes of both subparagraphs 630401.A and 630401.B the following apply:

1. The 20 years of service required for computing retired pay may be inferred from the retired pay multiplier. Thus, a member who retired for years of service (not for disability under 10 U.S.C., Chapter 61) who has a retired pay multiplier of not less than 50 percent, or a member retired under the Military Retirement Reform Act of 1986 (referred to as REDUX) who is still under age 62 with a retired pay multiplier of not less than 40 percent, may be presumed to have at least 20 years of service for retired pay computation purposes. A member who retired under 10 U.S.C., Chapter 61 should be evaluated in terms of what the multiplier would be if the member had not retired for disability. See subparagraph 630401.C.4.

2. A member retired under the provisions of section 4403 of Public Law 102-484, October 23, 1992, as amended, and by section 504 of Public Law 112-81, December 31, 2011 (commonly known as the TERA program) is generally not eligible unless the member is credited with sufficient service for a 50 percent multiplier or has been recalled to active duty long enough to accumulate 20 years or more of service in the Uniformed Services for the purpose of computing retired pay. Service in Public and Community Service positions under the provisions of section 4403 of Public Law 102-484, October 23, 1992, that is creditable for recomputation of retired pay at age 62 does not count for these purposes. A TERA retiree who has a retired pay increase of 10 percent granted on the basis of extraordinary heroism is not eligible under these provisions if the retired pay multiplier would otherwise be less than 50 percent.

3. Prior to January 1, 2004, a retired reservist had to have at least 7,200 points to be eligible for CRSC. Effective January 1, 2004, a retired Reservist with retired pay computed under 10 U.S.C. § 12731 is eligible for CRSC unless retired for disability under 10 U.S.C. § 12731b with more than 15 but less than 20 years as required under 10 U.S.C. § 12731(a)(2). Specifically, those retired under the Reserve TERA provisions, as prescribed in 10 U.S.C. § 12731a, who served fewer than 20 years, but were considered to meet the criteria of 10 U.S.C. § 12731(a)(2) are eligible under these provisions.

4. CRSC is payable to otherwise qualifying applicants receiving retired pay based on the DoD-assigned percentage of disability under 10 U.S.C., Chapter 61. For such members, the CRSC payment is subject to reduction as explained in paragraph 630805.

D. On or After January 1, 2008. A retired member who meets the criteria of paragraphs 630402 through 630404 satisfies the preliminary criteria to receive CRSC, without regard to having 20 or more years of creditable service for computing retired pay.

1. A member retired for disability under 10 U.S.C., Chapter 61, with less than 20 years of service is eligible to receive CRSC, subject to reduction under subparagraph 630805.B.

2. A member retired under the provisions of section 4403 of Public Law 102-484, October 23, 1992, as amended, and by section 504 of Public Law 112-81, December 31, 2011, (commonly known as the TERA program) is entitled to CRSC. The monthly
amount of CRSC payable to qualifying TERA retirees will not be reduced under the special rules for CRSC-entitled disability retirees with less than 20 years of service that are applicable only to Chapter 61 retirees.

630402. Retired Status

A member must be in a retired status (i.e., on the retired rolls), or have been transferred to the Fleet Reserve or Fleet Marine Corps Reserve. A member who is recalled to, or retained on, active duty is not in a retired status and therefore is not entitled to CRSC for such period of active duty.

630403. Entitled to Retired Pay

A. A member must be entitled to retired pay, notwithstanding that such retired pay may be reduced due to receipt of VA disability compensation. A reservist who has not reached the requisite age to receive retired pay (generally age 60) is not eligible to receive CRSC payments. See Chapter 1, subparagraph 010308.F, for when the eligibility age of a reservist will be reduced below 60 years of age and become eligible for retired pay.

B. A member who waives retired pay in order to credit military service for the purposes of establishing eligibility for a civil service retirement, or for any reason other than to receive disability compensation from the VA, is not eligible to receive CRSC payments. A member who combines his military time with his civil service time for the sole purpose of enhancing his civil service retirement may be eligible for CRSC if the member is still eligible to receive military retired pay. Members should consult the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) Handbook for Personnel and Payroll Offices for further information on eligibility.

630404. Qualifying Disability Ratings (Percentages)

A. A member must be entitled to compensation for service-connected disabilities under 38 U.S.C., as rated by the VA. The rating must be awarded prior to the member’s date of death.

B. Disability ratings by the Secretary of the Military Department concerned (or designee), as of the date on which the member retired, may be used to help make determinations of whether the member meets preliminary CRSC criteria. The actual computation of the amount of CRSC payable to an eligible retiree is based solely on VA disability determinations and the amount of VA compensation paid, without regard to any disability that is not combat-related. Military retirement decisions may be used to determine whether such disabilities are combat-related.

6305 FINAL CRITERIA

In order for the member to be entitled to CRSC, the member must meet all four preliminary CRSC criteria (as prescribed in paragraphs 630401 through 630404), and the appropriate Service
must determine that the member has a combat-related disability or disabilities, as defined by paragraphs 630501 and 630502, that are compensated by the VA.

630501. Purple Heart Disability

A. Purple Heart Disability is a disability with an assigned medical diagnosis code from the VA Schedule for Rating Disability (VASRD) that was attributed to injuries for which the member was awarded a Purple Heart.

B. If the member meets the preliminary CRSC criteria and has been awarded a Purple Heart, then the Military Department must determine which disabilities of the member, if any, are attributed to Purple Heart injuries. If the member was not awarded a Purple Heart, then no such determination will be made.

C. Determination that a disability is a Purple Heart Disability requires documentary information that there is a sufficient causal relationship between the disability and injury for which a Purple Heart was awarded to conclude that the disability is attributable to such injury. Such a disability will be classified as a Purple Heart Disability and will be included in any other CRSC determinations based on combat-related disabilities.

630502. Other Combat-Related Disabilities

A combat-related disability is a disability with an assigned medical diagnosis code from the VASRD. The Military Departments will determine whether a disability is combat-related based on the following criteria:

A. As a direct result of armed conflict,

B. While engaged in hazardous service,

C. In the performance of duty under conditions simulating war, or

D. Through an instrumentality of war.

NOTE: The Department will record for each disability determined to be combat-related which of the circumstances provided qualifies the disability as combat-related. A determination of combat-relatedness (see section 6306) will be made concerning each separate disability with an assigned medical diagnosis code from the VASRD. A retiree may have disabilities that are not combat-related. Such disabilities will not be considered in determining eligibility for CRSC or the amount of CRSC payable. An uncorroborated statement in a record that a disability is combat-related will not, by itself, be considered determinative for purposes of meeting the combat-related standards for CRSC prescribed herein. CRSC determinations must be made based on the program criteria.
6306 DETERMINATIONS OF COMBAT-RELATEDNESS

The following criteria, terms, definitions, and explanations will apply to making combat-related determinations in the CRSC Program.

630601. Direct Result of Armed Conflict

A. The disability is a disease or injury incurred in the line of duty as a direct result of armed conflict. To support a combat-related determination, it is not sufficient to only state the fact that a member incurred the disability during a period of war, in an area of armed conflict, or while participating in combat operations. There must be a definite causal relationship between the armed conflict and the resulting disability.

B. Armed conflict includes a war, expedition, occupation of an area or territory, battle, skirmish, raid, invasion, rebellion, insurrection, guerilla action, riot, or any other action in which Service members are engaged with a hostile or belligerent nation, faction, force, or with terrorists.

C. Armed conflict may also include incidents involving a member while interned as a prisoner of war, while detained against his or her will in the custody of a hostile or belligerent force, or while escaping or attempting to escape from such confinement, prisoner of war, or detained status.

630602. While Engaged in Hazardous Service

Hazardous service is service that includes, but is not limited to, aerial flight, parachute duty, demolition duty, experimental stress duty, and diving duty. A finding that a disability is the result of hazardous service requires that the injury or disease be the direct result of actions taken in the performance of such service. Travel to and from such service, or actions incidental to a normal duty status not considered hazardous, are not included.

630603. In the Performance of Duty Under Conditions Simulating War

In general, performance of duty under conditions simulating war covers disabilities resulting from military training, such as war games, practice alerts, tactical exercises, airborne operations, leadership reaction courses, grenade and live fire weapon practice, bayonet training, hand-to-hand combat training, repelling, and negotiation of combat confidence and obstacle courses. It does not include physical training activities such as calisthenics, jogging, formation running, or supervised sport activities.

630604. Instrumentality of War

A. There must be a direct causal relationship between the instrumentality of war and the disability. It is not required that a member’s disability be incurred during an actual period of war. The disability must be incurred incident to a hazard or risk of the service.
B. An instrumentality of war is a vehicle, vessel, or device designed primarily for Military Service and intended for use in such Service at the time of the occurrence or injury. It may also include such instrumentality not designed primarily for Military Service if use of or occurrence involving such instrumentality subjects the individual to a hazard peculiar to Military Service. Such use or occurrence differs from the use or occurrence under similar circumstances in civilian pursuits.

C. A determination that a disability is the result of an instrumentality of war may be made if the disability was incurred in any period of service as a result of such diverse causes as wounds caused by a military weapon, accidents involving a military combat vehicle, injury or sickness caused by fumes, gases, or explosion of military ordnance, vehicles, or materiel.

D. For example, if a member is engaging in a sporting activity while on a field exercise and falls and strikes an armored vehicle, the injury would not be considered the result of an instrumentality of war (armored vehicle) because it was the sporting activity that was the cause of the injury, not the vehicle. On the other hand, if the individual was engaged in the same sporting activity and the armored vehicle struck the member, then the injury would be considered the result of an instrumentality of war.

6307 SPECIAL MONTHLY COMPENSATION (SMC)

630701. General

SMC, under 38 U.S.C. § 1114, is payable for anatomical loss or loss of use of specific organs or parts of the body as a result of service-connected disabilities. SMC is payable in addition to the basic rate of compensation otherwise payable on the basis of degree of disability, provided that the combined rate of compensation does not exceed the monthly rate set forth in 38 U.S.C. § 1114(k).

630702. Special Determination

Each Military Department will make a special determination regarding whether a member entitled to CRSC who also receives SMC from the VA under 38 U.S.C. § 1114(k) through (s) could receive increased CRSC as a result of an SMC determination. The Military Department will first determine whether all the member’s VA-compensated disabilities have been determined to be combat-related disabilities under the CRSC program. For members with VA-compensated disabilities that are both combat-related and non-combat-related, the Military Department will classify each award of SMC as either Combat-Related SMC (CR-SMC) or Non-Combat-Related SMC (Non-CR-SMC), consistent with the corresponding determination of the diagnostic codes on which the SMC is based. The DFAS-Cleveland site will be notified of all such determinations and will include any CR-SMC in CRSC computations.
630703. Grades Not Requiring SMC Determinations

The Military Department need not make a combat-related determination for any member who would not receive added compensation even if SMC was determined to be combat-related. Any SMC on such member will be passed to DFAS as “undetermined combat-relatedness.”

6308 CRSC AMOUNT

The monthly amount of CRSC is equal to the full monthly amount prescribed in paragraph 630801, reduced as prescribed in paragraph 630805 and limited in accordance with paragraph 630802.

*630801. Gross Monthly Amount

The monthly amount of disability compensation the member would be paid by the VA under the provisions of 38 U.S.C. if compensated solely for the disabilities determined to be attributable to an injury for which the member received the Purple Heart or determined to be otherwise combat-related. See section 6305. Applicable compensation is set forth in 38 U.S.C., Chapter 11.

Example: A member with a spouse and two children has qualifying combat-related disabilities rated at 100 percent by the VA. The member’s current monthly VA benefit amount is $3,264 which is the prescribed rate for a 100 percent disability for a veteran with a spouse and two children as of December 1, 2012. The gross monthly amount for CRSC purposes is based on this full rate and not just the veteran-alone amounts as applied to CRSC for periods on or after January 1, 2004.

A. Compensation of Dependents. Additional compensation for dependents is to be included as part of any applicable CRSC compensation. DFAS will use the same dependency rates for the combat-related compensation as VA uses to determine the member’s full disability compensation. For example, if a member is compensated by VA at the 100 percent disability rate for a veteran with spouse and one child and the combat-related percentage is 60 percent, then the gross CRSC will be determined as the 60 percent rate for a veteran with a spouse and one child. The rates of such compensation are set forth in 38 U.S.C. § 1115.

B. SMC. The amount of SMC will be considered as part of gross CRSC compensation only if the SMC is paid on the basis of disabilities determined by the Military Department to be combat-related. See section 6307.

* C. Retired Members Considered Unemployable. Under the laws governing the VA, members who qualify for the Individual Unemployability supplement to VA Disability Compensation under the provisions of 38 CFR 4.16 are entitled to receive monthly VA disability compensation payment equal to the amount that they would receive if rated by the VA as 100 percent disabled. In such cases, DFAS will coordinate with VA to determine the amount of VA Disability compensation actually provided to the member, irrespective of the VA schedule rating percentage. CRSC entitlement will be determined based on the amount of VA Disability
compensation actually paid by the VA and the amount of military retired pay waived to receive VA Disability compensation, subject to the other criteria and limitations found in this chapter. See paragraphs 630802 and 630805.

630802. Adjusted Amount

The CRSC payment may not exceed the current reduction in retired pay applicable to the retiree under 38 U.S.C. §§ 5304 and 5305. Thus, CRSC is not payable if there is no reduction because the member is not receiving any monthly disability compensation from VA, or because the member is not receiving retired pay (such as a reserve member before reaching retirement age at 60 or other reduced retirement age), or for other reasons (such as a member who waives military retired pay in order to credit military service for a civil service retirement). The amount of a member’s CRSC entitlement will be adjusted to be the lesser of the gross CRSC from paragraph 630801 or the reduction to the retired pay entitlement.

Example: The member, described in paragraph 630801 is retired after 22 years of service with a high-three pay base of $3,000, resulting in retired pay of $1,650 monthly (55 percent of $3,000). The potential retired pay of $1,650 is reduced to $0 by receipt of the VA disability compensation. Thus the adjusted amount of CRSC is the $1,650 reduction in retired pay since it is less than the gross amount of $3,264 determined in the example in paragraph 630801.

630803. Deduction From CRSC When Retired Pay Not Adequate

Pursuant to 10 U.S.C. § 1452(d)(2), if a deduction from the member's retired pay for any period cannot be made in the full amount required to satisfy the SBP premium, the premium will be deducted from the retiree's CRSC in lieu of deduction from the member's retired pay in the amount that would otherwise have been deducted from the member's retired pay for that period.

630804. SBP Premium Deduction From CRSC When Dependency and Indemnity Compensation (DIC) Offset is Applicable

Pursuant to 10 U.S.C. § 1450(e), the SBP premium deducted from CRSC of the deceased will be refunded to the surviving spouse when DIC offset is applicable. See Chapter 46.

630805. CRSC Payment Reduction for 10 U.S.C., Chapter 61 Disability Retirees

The adjusted monthly amount specified in paragraph 630802 will be reduced according to the provisions of subparagraph 630805.A or 630805.B, whichever is applicable.

A. Reduction for Periods Prior to January 1, 2013.

1. Members retired for disability under 10 U.S.C., Chapter 61 with 20 or more years of creditable service computed under section 10 U.S.C. § 1208 will have the maximum CRSC payment reduced by the amount, if any, by which the amount of the member’s gross retired pay under Chapter 61 exceeds the applicable retired pay to which the member would
otherwise have been entitled under any other provisions of law. A retiree who accepted the Career Status Bonus will have the reduced amount calculated based on retired pay that would otherwise have been computed under 10 U.S.C. § 1409(b)(2).

Example: The member described in paragraph 630802, who would have received $1,650 in retired pay had he retired for his years of service, was retired under 10 U.S.C., Chapter 61 with a disability rated at 60 percent. Thus, the member receives retired pay of $1,800 monthly (60 percent of $3,000). However, in this case, the member has a combined VA rating of 100 percent, but combat-related disabilities rated at 60 percent. The member’s current monthly VA benefit amount is $3,264, of which $1,365 is combat-related. The member has a total offset of retired pay. The maximum CRSC entitlement under paragraphs 630801 and 630802 is $1,365. The maximum CRSC entitlement will be reduced by the difference in the Chapter 61 retirement and the longevity retirement amounts, or $150 ($1,800 less $1,650). This reduction reflects the amount by which the member’s disability retired pay exceeds his or her longevity retired pay. The member’s CRSC benefit of $1,365 is reduced by $150 to $1,215. In this case, the member will receive $3,264 from the VA and $1,215 in CRSC from DoD.

2. Members retired for disability under 10 U.S.C., Chapter 61 with less than 20 years of creditable service computed under 10 U.S.C. § 1208 and who initially qualify for CRSC on or after January 1, 2008, will have the maximum CRSC payment reduced by the amount, if any, by which the amount of the member’s gross retired pay under Chapter 61 exceeds the amount that is equal to 2½ percent of the member’s years of creditable service multiplied by the member’s retired pay base under 10 U.S.C. § 1406(b)(1) or 10 U.S.C. § 1407, whichever is applicable to the member.

NOTE: A retired reserve member, retired under the provisions of 10 U.S.C., Chapter 61 is entitled to CRSC. The gross amount of CRSC determined under paragraph 630801 will be adjusted as required under paragraph 630802 and then further reduced under paragraph 630805. For Reserve Component members with less than 20 years of service as determined under 10 U.S.C. § 12733, reduce the adjusted CRSC amount by the amount, if any, by which the disability retired pay exceeds the amount equal to 2½ percent times the years of creditable service determined under 10 U.S.C. § 12733 multiplied by the member’s applicable retired pay base. For Reserve Component members with 20 or more years of service as determined under 10 U.S.C. § 12733, reduce the adjusted CRSC amount by the amount, if any, by which the disability retired pay exceeds the retired pay to which the member would be entitled if the member were 60 years old.

B. Reductions for Periods On or After January 1, 2013.

1. Members retired for disability under 10 U.S.C., Chapter 61 with 20 or more years of creditable service computed under section 10 U.S.C. § 1208 will have the maximum CRSC payment restricted to the amount, which when combined with any remaining retired pay after VA offset, will not exceed the applicable retired pay to which the member would otherwise have been entitled under any other provisions of law. A retiree who accepted the Career
Status Bonus will have the reduced amount calculated based on retired pay that would otherwise have been computed under 10 U.S.C. § 1409(b)(2).

Example: The same member, as described in paragraph 630802, was retired under 10 U.S.C., Chapter 61, with a disability rated at 60 percent. Thus, the member receives retired pay of $1,800 monthly (60 percent of $3,000). However, in this case, the member has a combined VA rating of 100 percent, but combat-related disabilities rated at 60 percent. The member’s current monthly VA benefit amount is $3,264, of which $1,365 is combat-related. The member has a total offset of retired pay. Since there is no residual retired pay after offset of the full VA benefit amount, the member’s CRSC entitlement of $1,365, is fully payable as it does not exceed the applicable retired pay to which the member would otherwise have been entitled under any other provisions of law. In this case, the member will receive $3,264 from the VA and $1,365 in CRSC from DoD.

2. Members retired for disability under 10 U.S.C., Chapter 61, with less than 20 years of creditable service computed under 10 U.S.C. § 1208, and who are qualified for CRSC, on or after January 1, 2013, will have the maximum CRSC payment restrictions. The CRSC payment amount, which when combined with any remaining retired pay after VA offset, will not exceed the amount that is equal to 2½ percent of the member’s years of creditable service multiplied by the member’s retired pay base under 10 U.S.C. § 1406(b)(1) or 10 U.S.C. § 1407, whichever is applicable to the member.

NOTE: A retired reserve member, retired under the provisions of 10 U.S.C., Chapter 61, is entitled to CRSC. The gross amount of CRSC determined under paragraph 630801 will be adjusted as required under paragraph 630802. For Reserve Component members with less than 20 years of service as determined under 10 U.S.C. § 12733, the CRSC amount when combined with the amount of retired pay payable to the retiree after reduction for the full VA disability compensation, if any, may not exceed the disability retired pay amount that is equal to 2½ percent times the years of creditable service determined under 10 U.S.C. § 12733 multiplied by the member's applicable retired pay base. For Reserve Component members with 20 or more years of service as determined under 10 U.S.C. § 12733, the CRSC amount when combined with the amount of retired pay payable to the retiree after reduction for the full VA disability compensation, if any, may not exceed the disability retired pay to which the member would be entitled if the member were 60 years old.

C. Chapter 61 Disability Retiree Out-Year Deductions. In all cases, once established (based on date the member was first placed on either the Permanent or Temporary Disability Retirement List), the CRSC reduction amount will be increased by each increase in the retired pay cost of living allowance. It will not be re-computed using current pay tables unless the member otherwise qualifies for re-computation of retired pay by reason of recall to duty or correction of official records.
COMBINED DISABILITY RATING PERCENTAGE

The VA Combined Ratings Table

The combined disability rating table combines multiple disability ratings as set forth in 38 CFR 4.25. The table is based on the consideration of an individual’s efficiency, as affected by the most disabling conditions, if any, in the order of severity. Thus, a person having a 60 percent disability is considered 40 percent efficient. Proceeding from this 40 percent efficiency, the effect of a further 30 percent disability is to leave only 70 percent of the efficiency remaining after consideration of the first disability (70 percent of 40 percent), leaving 28 percent efficiency altogether. The individual is thus 72 percent disabled.

Multiple Combined Disability Ratings

When a retiree has two or more disability ratings, use the following formula to determine the combined rating of multiple disabilities:

A. Subtract each disability percent from 100 percent to obtain the remaining efficiency,

B. Multiply the remaining efficiencies together,

C. Subtract the result from 100 percent, and

D. Round to the nearest 10 percent (round upward for 5 percent and up, down for 4 percent and below) to determine the combined disability rating.

Example 1: Consider a retiree having three disabilities from VA, rated 50 percent, 40 percent, and 30 percent. If added together, then the total would be 120 percent. Instead, the member’s combined rating is determined as follows:

1. The three disabilities leave efficiencies of 50 percent, 60 percent, and 70 percent respectively;

2. Multiply the three efficiencies together:

   \[ .50 \times .60 \times .70 = .21 \text{ or } 21 \text{ percent}; \]

3. The disability is 100 percent less 21 percent = 79 percent; and

4. Adjust the result upward to a combined disability rating of 80 percent.
Example 2: Now consider what happens if the Military Department determines that only the 40 percent and 30 percent disabilities are combat-related, then the member’s combined disability rating for CRSC would be:

1. The two disabilities of 40 percent and 30 percent leave efficiencies of 60 percent and 70 percent;

2. Multiply the two efficiencies together:

\[ 0.60 \times 0.70 = 0.42 \text{ or } 42 \text{ percent}; \]

3. The disability is 100 percent less 42 percent = 58 percent; and

4. Adjust the result upward to a combined disability rating of 60 percent.

630903. VA Retroactive Increase

When VA makes a retroactive increase in a member’s VA disability compensation pertinent to a member’s combat-related disabilities under CRSC, DFAS and VA will exchange data to determine the additional retroactive amount that the member is entitled to receive as the result of CRSC. DFAS will compute the additional entitlement and advise VA in order for VA to pay the member the appropriate additional authorized VA disability compensation. Any increase affecting CRSC qualified disabilities in the current month requires that CRSC be re-computed.

630904. Impact to Uniformed Services Former Spouse's Protection Act Payments When a Military Retiree is Retroactively Awarded Disability Compensation or CRSC

CRSC payments that become payable to a retiree as a result of a retroactive VA or CRSC award will be reduced by all amounts of the retired pay and CRDP previously paid from the retiree’s account, including payments to his or her former spouse. Payments of retired of retired pay to a former spouse pursuant to a valid court order, but prior to a retroactive VA or CRSC award, were not and do not become erroneous overpayments.

6310 REVIEW PROCESS

631001. Basis for Determination

A. Determinations of whether a disability is combat-related will be based on the preponderance of available documentary information where quality of information is more important than quantity. All relevant documentary information is to be weighed in relation to known facts and circumstances, and determinations will be made on the basis of credible, objective documentary information in the records as distinguished from personal opinion, speculation, or conjecture.
B. The burden of proof that a disability is combat-related rests with the applicant, who is required to provide copies of documents in his or her possession to the best of his or her ability. A record submitted by a member may be used in support of his or her application if that record appears regular on its face and is consistent with Military Service documents and procedures in use at the time, based on the best information available. Military Departments may compile a list of typical documents used in various time periods. If necessary, the Military Departments, under agreement with VA may request copies of certain documents (i.e., DD 214, “Certificate of Release or Discharge From Active Duty”, medical records, final VA ratings) from VA to support CRSC determinations.

631002. Processing of Applications

Each Military Department will receive and process applications submitted by members retired from that Military Department on DD 2860, Claim For Combat-Related Special Compensation (CRSC). Applications will be reviewed, and an application will be approved only if the applicant satisfies both preliminary and final CRSC criteria. An application must be received by the military department prior to the member’s death in order to be considered. An application for CRSC submitted by a member’s survivors will not be considered. The DFAS-Cleveland site will be notified of each approved application for payment.

A. Initial Review. Each Service Department will review the member’s application to determine if the member meets the preliminary criteria in section 6304. If a member does not satisfy each of the preliminary CRSC criteria, then the application will be denied and no further consideration is necessary. The member may reapply when his or her ratings satisfy the specified thresholds and meet all four preliminary CRSC criteria in section 6304.

B. Final Review. If the member meets all four preliminary criteria in section 6304, then the Military Department will determine whether the member’s disabilities are qualifying combat-related disabilities, as prescribed in section 6306. The Military Department will record each disability determined to be combat-related with assigned medical diagnosis code from VASRD. The Military Department will forward the approved claims with VASRD codes categorized as either combat or Purple Heart to the DFAS-Cleveland site for payment.

631003. Denial and Appeal

A. Denial. When a Military Department denies a CRSC application, they will provide a letter to the member specifying the reasons(s) for the denial. The Military Department will inform the member that he or she may seek reconsideration by submitting additional, clarifying, or new documentary information to the Military Department in support of his or her claim. The Military Department will review the additional or new information and will inform the member of the results of the review. The Military Department will also inform the member that CRSC is subject to the same appeals and correction processes applicable to military pay and allowances, including application to the appropriate Board for Correction of Military Records (BCMR) under the provisions of 10 U.S.C. § 1552.
B. Appeal. The Military Department will provide the member a DD 149, Application for Correction of Military Record Under the Provisions of Title 10, U.S. Code, section 1552, and the address of the BCMR, including its website. In considering an application where the issue of whether a disability is combat-related for the purposes of CRSC, BCMR shall seek an advisory opinion from the Director of Compensation Policy, Office of the Deputy Assistant Secretary of Defense (Military Personnel Policy), and comply with the requirements of 10 U.S.C. § 1556. The BCMR will provide the Director of Compensation a copy of any final decision concerning any application involving a determination as to whether a disability is combat-related.
CHAPTER 63 – COMBAT-RELATED SPECIAL COMPENSATION (CRSC)

6301 – GENERAL

Public Law 107-314, section 636, December 2, 2002
Public Law 108-136, section 642, November 24, 2003
Principal Director for the Under Secretary of Defense (PDUSD) Personnel and Readiness (P&R) Memo, May 21, 2003
PDUSD (P&R) Memo, April 27, 2004
Public Law 110-181, section 641, January 28, 2008
10 U.S.C. § 1413a

630101

10 U.S.C. § 1413a
OUSD (P&R) Memo, June 3, 2008

630101.A

10 U.S.C., Chapter 61
10 U.S.C. § 12731
OUSD (P&R) Memo, June 3, 2008

630101.C

10 U.S.C. § 1408
10 U.S.C., Chapter 73
10 U.S.C. § 2774
31 U.S.C. § 3716
31 CFR, part 901

630101.D

26 U.S.C. § 104

6302 – ENTITLEMENT

630202

Public Law 110-131, section 641, January 28, 2008
10 U.S.C. § 1413a
10 U.S.C., Chapter 61
10 U.S.C. § 12731(b)(1)

6303 – APPLICATION AND ELECTION

630302

10 U.S.C. § 1414
10 U.S.C. § 1413a
REFERENCES (Continued)

6304 – PRELIMINARY CRITERIA

630401.B  10 U.S.C. § 12731
            OUSD (P&R) Memo, June 3, 2008

630401.C.1  10 U.S.C., Chapter 61

630401.C.2  Public Law 102-484, section 4403, October 23, 1992
            10 U.S.C. § 1293, note
            Public Law 112-81, section 504, December 31, 2011

630401.C.3  10 U.S.C. § 12731
            10 U.S.C. § 12731a
            10 U.S.C. § 12731b
            10 U.S.C. § 12731(a)(2)

630401.C.4  10 U.S.C., Chapter 61

630401.D.1  10 U.S.C., Chapter 61

630401.D.2  Public Law 102-484, section 4403, October 23, 1992
            10 U.S.C. § 1293, note
            Public Law 112-81, section 504, December 31, 2011

630403.A  38 U.S.C. § 5305


630404  38 U.S.C.

6307 – SPECIAL MONTHLY COMPENSATION (SMC)

630701  38 U.S.C. § 1114
            38 U.S.C. § 1114(k)

630702  38 U.S.C. § 1114(k) through (s)

6308 – CRSC Amount

630801  10 U.S.C. § 1413a
            38 U.S.C., Chapter 11

630801.A  38 U.S.C. § 1115

63-21
REFERENCES (Continued)

630801.C 38 U.S.C. § 1114(j)
38 CFR 4.16 and 4.18

630802 38 U.S.C. § 5304
38 U.S.C. § 5305
OUSD (P&R) Memo, June 3, 2008

630803 10 U.S.C. § 1452(d)(2)

630804 10 U.S.C. § 1450(e)

630805.A 10 U.S.C., Chapter 61
10 U.S.C. § 1208
10 U.S.C. 1409(b)(2)
Public Law 112-239, section 643, January 2, 2013
10 U.S.C. § 1413a(b)(3)

630805.B 10 U.S.C., Chapter 61
10 U.S.C. § 1208
10 U.S.C. § 1406(b)(1)
10 U.S.C. § 1407
10 U.S.C. § 12733
Public Law 112-239, section 643, January 2, 2013
10 U.S.C. § 1413a(b)(3)

6309 – COMBINED DISABILITY RATING PERCENTAGE

630901 38 CFR 4.25

* 630904 DoD Office of the General Counsel (Fiscal)
Memorandum, August 6, 2019

6310 – REVIEW PROCESS

631003 10 U.S.C. § 1552
10 U.S.C. § 1556
VOLUME 7B, CHAPTER 64: “CONCURRENT RETIREMENT AND DISABILITY PAYMENT (CRDP)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated October 2018 is archived.

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<td>Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Revision</td>
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**CONCURRENT RETIREMENT AND DISABILITY PAYMENT (CRDP)**

6401 GENERAL

640101. Purpose

Effective January 1, 2004, eligible military retirees are entitled to concurrent receipt of both retired pay and Department of Veterans Affairs (VA) disability compensation. The CRDP program provided for a 10-year phase-out of the offset to retired pay due to receipt of VA disability compensation. The CRDP program provides a restoration of monthly retired pay calculated on the circumstances of each entitled individual.

6402 ELIGIBILITY

640201. Qualified Retiree

A qualified retiree must be a member or former member of the Uniformed Services who is entitled for any month to both retired pay and VA disability compensation that is based on a qualifying service-connected disability.

640202. Qualifying Service-Connected Disability

A qualifying service-connected disability is a service-connected disability (or combination of service-connected disabilities) that the VA rates at 50 percent or higher.

640203. Physical Disability Retirement

Members retired for physical disability who have less than 20 years of service creditable for the purposes of computing retired pay are not eligible for CRDP.
640204. Non-Regular Retired Pay

Members eligible for retirement for non-regular service are not eligible to receive CRDP until they reach retirement age and have applied for and have become entitled to receive retired pay.

640205. Retired Pay Waived

A member who waives retired pay in order to credit military service for the purpose of establishing eligibility for a civil service retirement, or for any reason other than to receive VA disability compensation, is not eligible to receive CRDP payments. A member who combines his military time with his civil service time for the sole purpose of enhancing his civil service retirement may be eligible for CRDP. Members who are in receipt of a civil service retirement and believe they may be eligible for CRDP should consult the Civil Service Retirement System and Federal Employees Retirement System Handbook for Personnel and Payroll Offices for further information on eligibility. See also http://www.opm.gov/retire/pubs/handbook/hod.htm.

6403 APPLICATION

A member is not required to submit an application to receive CRDP payments. The Defense Finance and Accounting Service (DFAS) will establish procedures to ensure that qualified retirees receive CRDP to which they are entitled pursuant to Title 10, U.S.C., section 1414. Members who believe they are entitled to CRDP, but are not receiving it, should submit a written claim to DFAS to ascertain the reason they are not currently receiving CRDP. The claim should be sent to DFAS, U.S. Military Retired Pay, 8899 East 56th Street, Indianapolis, IN 46249-1200. Any survivors seeking retroactive CRDP, owed a deceased member as arrears of pay, must submit a written claim on a completed Standard Form 1174. See Chapter 30, paragraph 300205 for additional information.

6404 MONTHLY PAYMENT AMOUNT

Subject to the provisions of paragraphs 640401 and 640402, the monthly amount of retired pay restored under CRDP will be the amount of the offset imposed by receipt of VA disability compensation.

640401. Special Rule for Disability Retirement

Members retired for disability under 10 U.S.C., Chapter 61, §§ 1201 through 1222 remain subject to the offset required under 38 U.S.C. §§ 5304 and 5305 for any retired pay they receive that is in excess of the amount of retired pay to which they would be entitled under any other provision of law based on service in the Uniformed Services, had they not retired for disability. Since retired pay in excess of the amount calculated for years in service is still subject to offset under the CRDP program, a member with an amount of retired pay remaining after offset of VA disability compensation, that is greater than the amount calculated for years of service, is not eligible for any increase in payment of retired pay under the CRDP program.
640402. Phase-in Period

During the phase-in period of January 1, 2004 through December 31, 2013, payments were limited to the amounts determined as described in subparagraphs 640402.A-E. Effective January 1, 2014, qualified retirees receive full concurrent payments of both retired pay and VA disability compensation subject only to the restriction in paragraph 640401.

A. Restored retired pay computed under CRDP will be determined monthly. The values that determine the amount of retired pay to be restored are dynamic and may change from one month to another depending on a number of factors that cause retired pay and VA disability compensation payments to change. Therefore, CRDP will be recomputed for any month of the phase-in period in which changes to retired pay or VA disability compensation occur.

B. The formula for computing retired pay under the CRDP program during the phase-in period is:

\[ (\text{GRP} - \text{CBO}) + ((\text{CBO} - \text{2004 Base}) \times \text{Phase-in \%}) + \text{2004 Base} \]

Where:

- \text{GRP} = \text{Gross Retired Pay before any offset for VA Disability Compensation.}
- \text{CBO} = \text{Current Baseline Offset which is the lesser of ARP and VADC.}
- \text{ARP} = \text{Applicable Retired Pay which is that portion earned for years of service.}
- \text{VADC} = \text{VA Disability Compensation is the monthly disability compensation received.}
- \text{VADP} = \text{VA Disability Percentage as currently assigned by VA.}
- \text{Phase-in \%} = \text{The cumulative percentage for a specific calendar year during the phase-in.}
- \text{2004 Base} = \text{The value assigned by law for a specific VADP.}

C. The 2004 CRDP base amounts are as follows:

<table>
<thead>
<tr>
<th>VADP</th>
<th>2004 CRDP Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>$750</td>
</tr>
<tr>
<td>90%</td>
<td>$500</td>
</tr>
<tr>
<td>80%</td>
<td>$350</td>
</tr>
<tr>
<td>70%</td>
<td>$250</td>
</tr>
<tr>
<td>60%</td>
<td>$125</td>
</tr>
<tr>
<td>50%</td>
<td>$100</td>
</tr>
</tbody>
</table>
D. The phase-in percentage rates for calendar years 2004 to 2013 are as follows:

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Phase-in Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>00.00%</td>
</tr>
<tr>
<td>2005</td>
<td>10.00%</td>
</tr>
<tr>
<td>2006</td>
<td>28.00%</td>
</tr>
<tr>
<td>2007</td>
<td>49.60%</td>
</tr>
<tr>
<td>2008</td>
<td>69.76%</td>
</tr>
<tr>
<td>2009</td>
<td>84.88%</td>
</tr>
<tr>
<td>2010</td>
<td>93.95%</td>
</tr>
<tr>
<td>2011</td>
<td>98.18%</td>
</tr>
<tr>
<td>2012</td>
<td>99.64%</td>
</tr>
<tr>
<td>2013</td>
<td>99.96%</td>
</tr>
</tbody>
</table>

E. Calendar year 2004 is the baseline year for the phase-in. In calendar year 2004, the phase-in percentage is zero; therefore, a qualified retiree will be paid monthly CRDP that is equal to the amount, if any, of their GRP in excess of their CBO plus the 2004 CRDP baseline amount based on their VADP. The CRDP amount determined payable may not exceed the amount of retired pay to which the member would otherwise be entitled after the phase-in period. For calendar years 2005 to 2013, a qualified retiree will be paid monthly retired pay in accordance with the calculation in subparagraph 640402.B. Use the 2004 CRDP base amount applicable to the retired member’s current VADP for the current month of entitlement being calculated, regardless of the VADP applicable in 2004. Use the phase-in percentage for the calendar year applicable to the current month of entitlement being calculated.

640403. Exception to Phase-in Period

In the case of a qualified retiree receiving VA disability compensation for a disability rated at 100 percent, or 100 percent by reason of a determination of individual unemployability (IU), payment of retired pay is subject to the phase-in only during the period beginning on January 1, 2004 and ending on December 31, 2004. Subsequently, qualified retirees who received VA disability compensation at 100 percent may be entitled to restoration of the full CRDP entitlement from the date of qualification, if the retiree’s 100 percent disability compensation was payable by reason of an IU rating and, if prior to October 1, 2008, it was subject to the phase-in.

6405 RELATION TO OTHER PROVISIONS

640501. Relation to Combat-Related Special Compensation (CRSC)

A member entitled to both CRDP and CRSC may receive either one, but not both. An approved application for CRSC will cause the member’s CRDP payments to be reconsidered. Unless the member elects otherwise, CRSC will be paid instead of CRDP, if the member has applied for and been approved for such benefits and the gross CRSC entitlement is found to exceed the gross CRDP entitlement.
A. All members entitled to both CRDP and CRSC will be provided an annual open season period during which the member may elect to change between the two programs.

B. Eligible members will be notified of the opportunity to elect to change between CRDP and CRSC. The notification will be based on the entitlement information available at the time the notice is provided, and will specify the date that an election change will be effective.

C. Changes in the amount of a member’s entitlement to either CRDP or CRSC, which occur after the close of an annual open season period, will not be the basis to alter a current election between CRDP and CRSC prior to the next annual open season. This limitation includes changes in a member’s VA disability rating, which have a retroactive effective date prior to the date that DFAS is notified of the change. Note: The limitation in the prior sentence does not apply if maintaining the member’s most recent CRDP or CRSC open season election would result in the member incurring a retired pay debt or losing the CRDP or CRSC entitlement altogether.

640502. Relation to Regular Retired Pay

As a restoration of retired pay, CRDP remains subject to the requirement to make direct payment of retired or retainer pay as property of a former spouse in compliance with court orders. Receipt of CRDP does not alter or affect any coverage under the Survivor Benefit Plan (SBP) but is available for deduction of any SBP premiums otherwise due. If a member has sufficient CRDP to cover SBP premiums, then SBP premiums will be deducted from CRDP. CRDP is also subject to a Treasury offset to recover a debt owed to the United States, as well as garnishment for child support or alimony. CRDP is subject to any other action or process, such as allotments, that applies to retired pay generally.

640503. Taxability

The CRDP entitlement represents the ability of an eligible military retiree to receive both retired pay and VA disability compensation without regard to the waiver and offset requirement in 38 U.S.C. §§ 5304 and 5305. Accordingly, payments of CRDP are payments of retired pay and are taxable.
REFERENCES

CHAPTER 64 – CONCURRENT RETIREMENT AND DISABILITY PAYMENT (CRDP)

6401  General

Public Law 108-136, section 641,
November 24, 2003
10 U.S.C. § 1414
38 U.S.C. § 5304
38 U.S.C. § 5305

6402  Eligibility

10 U.S.C. § 1414

640203  10 U.S.C. § 1201(b)(3)(A)
10 U.S.C. § 1208
10 U.S.C. § 1405
10 U.S.C. § 12732

640204  10 U.S.C. § 12731

640205  5 U.S.C. § 8332
5 U.S.C. § 8411

6404  Monthly Payment Amount

38 U.S.C. § 5304
38 U.S.C. § 5305

640401  10 U.S.C. §§ 1201 through 1222
10 U.S.C. § 12732
38 U.S.C. §§ 5304 and 5305

640403  Public Law 108-375, section 642, October 28, 2004
10 U.S.C. § 1414(a)(1)
10 U.S.C. § 1414(c)
Public Law 110-181, section 642, January 28, 2008

6405  Relation to Other Provisions

640501  10 U.S.C. § 1413a
10 U.S.C. § 1414(d)

640502  10 U.S.C. § 1408
10 U.S.C. § 1452

640503  Title 26, Code of Federal Regulations,
        section 31.3401(a)-1(a)(2)

64-8
VOLUME 7B, APPENDIX F: “SURVIVOR BENEFIT PLAN (SBP)/RETIRED SERVICEMAN’S FAMILY PROTECTION PLAN (RSFPP) COMPOUND INTEREST TABLE”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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<td>Revision</td>
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<tr>
<td>All</td>
<td>Added “General”, “Overview”, “Purpose”, and “Authoritative Guidance” sections.</td>
<td>Addition</td>
</tr>
<tr>
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<td>Added “SBP/RSFPP Compound Interest Table” reference source based on memorandum dated October 5, 2018, from the Department of Defense Office of the Actuary.</td>
<td>Addition</td>
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APPENDIX F

SURVIVOR BENEFIT PLAN (SBP)/RETIRED SERVICEMAN’S FAMILY PROTECTION PLAN (RSFPP) COMPOUND INTEREST TABLE

*F001 GENERAL

F00101. Overview

In some circumstances, a retiree can become responsible for past SBP costs plus accrued interest. For example, when the level of Survivor Benefit Plan (SBP) coverage is increased, the retired member becomes responsible for the costs that would have been incurred had the higher level of coverage been elected originally, plus compounded interest.

F00102. Purpose

Annually, the Department of Defense (DoD), Office of the Actuary (OACT) releases a memorandum establishing the premium annuity factors that are to be used to determine how much a retiree owes for past SBP premiums when accrued interest is an additional cost as shown on Table F-1. The OACT memorandum may be found on OACT website under SBP Determining Past and Delinquent Premiums with Interest.

F00103. Authoritative Guidance

The authoritative reference is listed at the end of this chapter.
## APPENDIX F

*Table F-1.  SBP/RSFPP COMPOUND INTEREST TABLE  
(Period October 1, 2017 – Current Date) 
Table Revision Effective Date: October 1, 2019*

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*REFERENCES

**APPENDIX F – SURVIVOR BENEFIT PLAN (SBP)/RETIRED SERVICEMAN’S FAMILY PROTECTION PLAN (RSFPP) COMPOUND INTEREST TABLE**

**F001 – GENERAL**

DoD, OACT Memo, October 5, 2018
DoD, OACT Memo, February 11, 2020
VOLUME 7B, APPENDIX H: “AGE OF MAJORITY BY STATE AND UNITED STATES POSSESSIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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H-1
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VOLUME 7B, APPENDIX J: “STATE TAX REPORTING”

SUMMARY OF MAJOR CHANGES

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## APPENDIX J

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VOLUME 7B, APPENDIX L: “DEPENDENCY AND INDEMNITY COMPENSATION (DIC) RATES”

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<td>Added “Overview,” “Purpose,” and “Authoritative Guidance” paragraphs.</td>
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<td>Tables L-1 and L-2</td>
<td>Updated DIC rates.</td>
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*L001 GENERAL ........................................................................................................... 3
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*Table L-2 DIC Rates: For Deaths on or After January 1, 1993 (Note 6) ............... 5

*REFERENCES .................................................................................................................. 7
APPENDIX L

DEPENDENCY AND INDEMNITY COMPENSATION (DIC) RATES

*L001 GENERAL

*L00101. Overview

The Survivor Benefit Plan (SBP) annuity for a spouse must be reduced by the amount of the DIC that is payable to the spouse if the DIC paid is due to the service connected death of the same member for which the spouse is receiving the SBP annuity. DIC is compensation paid by the Department of Veterans Affairs (VA) to the eligible survivors of Military Service members who died after December 31, 1956, from a service-connected or compensable disability.

*L00102. Purpose

The DIC rates used to determine the SBP annuity reduction amounts are in Table L-1. The VA determines entitlement to and the amount of a DIC award. In accordance with Title 38, United States Code (U.S.C.), section 1311, VA establishes annual DIC rates which are required to be published in the Federal Register.

*L00103. Authoritative Guidance

The pay policies and requirements established by the Department of Defense in this chapter are derived primarily from, and prepared in accordance with Titles 10 and 38, U.S.C. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.
## APPENDIX L

### DEPENDENCY AND INDEMNITY COMPENSATION (DIC) RATES

*Table L-1*  
DIC Rates: For Deaths Before January 1, 1993 (Notes 1 and 6)  
Table Revision Effective Date: December 1, 2019

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### Table L-2 DIC Rates: For Deaths on or After January 1, 1993 (Note 6)

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**Notes:**
1. If the current year is not listed in the table, see the *Dependency and Indemnity Compensation Rates* at the Department of Veterans Affairs (VA) website. Additionally, see the VA website for any rate effective prior to December 1, 2007.
2. The DIC rates remained unchanged from December 1, 2008 through November 30, 2011.
3. The DIC rates remained unchanged from December 1, 2014 through November 30, 2016.
4. These are E9 pay grade veterans who served as a Sergeant Major of the Army or Marine Corps, Senior Enlisted Advisor of the Navy, Chief Master Sergeant of the Air Force, or Master Chief Petty Officer of the Coast Guard.

DEPENDENCY AND INDEMNITY COMPENSATION (DIC) RATES (Continued)

5. These are O-10 pay grade veterans who served as a Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army or Air Force, Chief of Naval Operations, or Commandant of the Marine Corps.

6. An additional amount may be payable if at the time of death the veteran was entitled to receive (or, but for the receipt of retired pay or retirement pay, was entitled to receive) compensation for Service-connected disability that was rated totally disabling for a continuous period of at least 8 years immediately preceding death. In determining the period of a veteran's disability for purposes of the preceding sentence, only periods in which the veteran was married to the surviving spouse will be considered. See 38 U.S.C. § 1311(a)(2). If a veteran died before January 1, 1993, then DIC was payable based on the pay grade of the veteran. Effective January 1, 1993, DIC was payable at the flat rate of $750 (including $165, if applicable according to 38 U.S.C. § 1311(a)(2)) if it is more favorable than the DIC amount based on the veteran’s pay grade.
APPENDIX L – DEPENDENCY AND INDEMNITY COMPENSATION (DIC) RATES

L001 – GENERAL

38 U.S.C. § 1311
38 U.S.C. § 5110(d)
38 U.S.C. § 5111(a)
10 U.S.C. § 1450(c)
63 Comp Gen 536, B-21446, August 20, 1984
10 U.S.C. § 1451(c)
Department of Defense Instruction 1332.42,
June 23, 2009

Tables L-1 and L2 84 Federal Register 10392
VOLUME 7B, APPENDIX P: “DATA FOR PAYMENT OF RETIRED PERSONNEL”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated May 2018 is archived.

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<td>P00201</td>
<td>Establishing Retired/Retainer Pay Account</td>
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APPENDIX P

DATA FOR PAYMENT OF RETIRED PERSONNEL

P001 GENERAL

P00101. Purpose

This appendix provides for the administration and completion of the Department of Defense (DD) Form 2656, Data for Payment of Retired Personnel, and DD 2656-1, Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage, if appropriate.

*P00102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), Title 10. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

P002 APPLICABILITY AND SCOPE

P00201. Establishing Retired/Retainer Pay Account

Those Service members requesting retirement or members transferring to the Fleet Reserve, Retired Reserve, or Inactive Reserve, and former members who qualify to retire under 10 U.S.C. Chapter 1223, must complete the DD 2656 and DD 2656-1, if appropriate. The DD 2656 is the most important financial related document to complete in preparing for military retirement. The Defense Finance and Accounting Service Cleveland Site (DFAS-CL) will establish the Service member’s retired/retainer pay account based on the data provided on the form(s) and retirement/transfer orders.

P00202. Required Data

The Service member’s personnel office and SBP counselor will assist them in the proper completion and submission of the DD 2656 and DD 2656-1, if appropriate. See section P003. The data provided is required to establish a retired/retainer pay account, including:

A. The retirement plan under which the Service member is covered;
B. Direct deposit/electronic funds transfer information;
C. Designation of beneficiaries for unpaid retired pay;
D. Federal and state tax withholding information;
E. Information on dependents;
F. An election of SBP coverage; and

G. Lump sum payment election, when applicable.

Note: The DD 2656 replaced Navy Comptroller Form 2272, Department of Army Form 4240, and Air Force Forms 1266, 1267, and 1268.

P003 RESPONSIBILITIES

P00301. Defense Finance and Accounting Service Cleveland Site (DFAS-CL) Responsibilities

DFAS-CL is the primary source for information and technical guidance concerning the DD 2656 and DD 2656-1. DFAS-CL processes the documents for military retirement submitted by the Military Services.

P00302. Military Service Responsibilities

Each respective personnel activity will provide pre-retirement counseling to prospective retirees. As part of the counseling process, each personnel activity will ensure that the prospective retirees properly complete the DD 2656 and DD 2656-1, if appropriate. The personnel activity will forward the forms and appropriate documentation to DFAS-CL electronically, or mail to:

DFAS
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

P00303. Service Member Responsibilities

Members requesting retirement or transfer to the Fleet Reserve, Retired Reserve, or Inactive Reserve, and former members who qualify under 10 U.S.C. Chapter 1223, will complete the DD 2656 and DD 2656-1, if appropriate. Completion of these forms is necessary to establish the retired/retainer pay account. See paragraph P00202.
*REFERENCES

APPENDIX P – DATA FOR PAYMENT OF RETIRED PERSONNEL

P001 – GENERAL

10 U.S.C., Chapter 73, subchapter II

P002 – APPLICABILITY AND SCOPE

10 U.S.C., Chapter 1223
DoD Instruction 1332.42
VOLUME 7B, APPENDIX R: “ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated March 2018 is archived.

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R00102. Purpose ................................................................................................................. 3
R00103. Authoritative Guidance ........................................................................................ 3

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*REFERENCES .......................................................................................................................... 6
APPENDIX R

ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP)

*R001 GENERAL

R00101. Overview

A minimum income widow (MIW) is a person who on September 21, 1972 was, or during the period beginning on September 22, 1972 and ending on March 20, 1974 became, the widow of a person who was entitled to retired or retainer pay when they died. This individual must have income below the threshold and meet the eligibility criteria in Chapter 46. The widow’s annual income from all sources (including the amount of Retired Serviceman’s Family Protection Plan annuity entitlement, but excluding the amount of disability pension), as determined by the Department of Veterans Affairs (VA), must be less than the annual income rate reflected in the SBP/MIW Annuity Limitation table as determined by the VA.

R00102. Purpose

Annually, the Department of Veterans Affairs (VA) will publish the most current SBP/MIW Annuity Limitation to the VA website. This amount, divided by 12, represents the maximum monthly payable to MIW annuitants. See Chapter 46.

R00103. Authoritative Guidance

The authoritative references are listed at the end of this chapter.
APPENDIX R

Table R-1. ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP) (See Notes 1 and 2)

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ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP) (Continued)

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Notes:
1. The rate remained unchanged from December 1, 2008 through November 30, 2011.
2. The rate remained unchanged from December 1, 2014 through November 30, 2016.
APPENDIX R – ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP)

R001. GENERAL

R00101    Department of Defense (DoD) Instruction 1332.42, June 23, 2009

10 U.S.C. § 1448
VOLUME 7B, “DEFINITIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated September 2017 is archived.

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<tr>
<td>Annuity Base Amount</td>
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<td>Military Department</td>
<td>Added definition to reflect current policy.</td>
<td>Addition</td>
</tr>
<tr>
<td>National Defense Authorization Act</td>
<td>Added definition to reflect current policy.</td>
<td>Addition</td>
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<tr>
<td>Office of the Actuary</td>
<td>Added definition to reflect current policy.</td>
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DEFINITIONS

A. General

The following list defines general terms of significance or importance relating to military 
etired pay policies for the Department of Defense (DoD) that are discussed in various 
chapters. These definitions are provided for general information; it is by no means an 
exhaustive list of all financial management terms, and it does not define terms when 
standard dictionary definitions apply.

B. List of Definitions

Active Duty

Full-time duty in the active service of a Uniformed Service, including full-time training 
duty, annual training duty, and attendance while in the active service at a school designated as a 
Military Service school by law or by the Secretary of the Military Service concerned (or designee).

Active Duty List

A single list for the Army, Navy, Air Force, or Marine Corps which contains the names of 
all officers of that Armed Force, other than officers described in Title 10, United States Code 
(U.S.C.), section 641, who are serving on active duty.

*Active Service

Service on active duty or full-time National Guard duty.

*Active Status

The status of a member of a Reserve Component (RC) who is not in the inactive Army 
National Guard or inactive Air National Guard, on an inactive status list, or in the Retired Reserve.

*Actuarial

Relating to actuaries or their work of measuring and managing risk.

*Actuary

A professional who measures and manages risk using a thorough understanding of 
mathematics, statistics, and business management.
Amendatory Birth Certificate

A birth certificate that has been corrected, changed, or revised.

Annuitant

The person receiving a monthly payment as a result of a Service member’s specific survivorship plan.

Annuity

A monthly payment made to a person as a result of a specific survivorship plan.

*Annuity Base Amount

The amount of retired pay that determines annuity payable to Survivor Benefit Plan (SBP) beneficiaries.

Armed Forces of the United States

A term used to denote collectively all components of the Army, Marine Corps, Navy, Air Force, and the Coast Guard when mobilized to augment the Navy.

Basic Pay

The active duty pay rates prescribed for an officer or enlisted member according to pay grade and years of service.

Beneficiary

The term beneficiary means the recipient of certain benefits due as a result of a relationship to or designation by a member.

Common-Law Marriage

A marriage recognized by state law that is not solemnized by religious or civil ceremony as defined in pertinent state law.

Combat Related Special Compensation (CRSC)

CRSC is special compensation to members of the Uniformed Services who have their retired pay reduced by reason of receiving Department of Veterans Affairs (VA) disability compensation where a portion of such VA compensation is the result of disabilities that are combat-related as determined by the Service.
Concurrent Retirement and Disability Pay (CRDP)

Regular or reserve members who are entitled to retired pay based on either length of service or disability, and who are also entitled to VA disability compensation based on a combined VA disability rating of 50 percent or greater, may receive both retired pay and disability pay concurrently. Members retired under military disability provisions under 10 U.S.C., Chapter 61 must have at least 20 years of creditable service and otherwise be entitled to receive retired pay under another provision of law in order to be eligible for CRDP.

Cost-of-Living Adjustment

The percentage change applied to retired pay and SBP annuities based on laws using the Consumer Price Index, Urban Wage Earners, and Clerical Workers-U.S. City Average, as published by the Bureau of Labor Statistics.

Currency-Blocked Country

A country specified by the Treasury Department to which dollar instruments may not be transmitted.

Dependency and Indemnity Compensation

Compensation paid by the VA to the eligible survivors of Military Service members who died after December 31, 1956, from a service-connected or compensable disability.

Entitlement

Legally established benefits available to any person meeting eligibility requirements established by law.

Fiduciary

A person, legally designated, who holds something in trust for another person.

Fleet Reserve or Fleet Marine Corps Reserve

A Component of the Regular Service to which members may be transferred and released from active duty after obtaining 20 or more years of active Federal service.

Foreign Address

An address outside of the United States, its possessions and territories is a foreign address.
Inactive Duty Training

Inactive duty training refers to:

1. Duty prescribed for members of an RC by the Secretary of the Military Service concerned (or designee); or

2. Special additional duties authorized for members of an RC by an authority designated by the Secretary of the Military Service concerned and performed by them on a voluntary basis in connection with prescribed training or maintenance activities of the units to which they are assigned.

*Military Departments

The Department of the Army, the Department of the Navy, and the Department of the Air Force.

Military Retired Pay (Includes Fleet Reserve and Fleet Marine Corps Reserve Retainer Pay)

The gross entitlement for a member based on conditions of the retirement law, pay grade, years of service for basic pay, years of service for percentage multiplier, percentage of disability, if applicable, and date of retirement (transfer).

Missing Status

Includes missing, missing-in-action, interned in a foreign country, captured, beleaguered, besieged by a hostile force, or detained in a foreign country against a member’s will.

*National Defense Authorization Act (NDAA)

The NDAA authorizes appropriations each fiscal year for military activities of the DoD, for military construction, and for defense activities of the Department of Energy, to prescribe military personnel strengths for such fiscal year, and for other purposes.

*Office of the Actuary

The Office of the Actuary provides actuarial expertise on matters relating to military compensation and benefits.

Overpayment

An amount paid to a retiree, annuitant, or legal fiduciary, which is more than that to which entitlement exists.
Parent of Issue

The biological parent, other than the member, of a child or other lineal descendants (direct bloodline) such as grandchildren and great-grandchildren.

Pay Grade

The step or degree in a graduated scale to which members of the Uniformed Services are assigned or distributed for military pay and allowances purposes. See Volume 7A, “Comparable Grades.”

Reserve Component

With respect to the Armed Forces, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, the Air Force Reserve, the Coast Guard Reserve, the National Guard of the United States, and the Air National Guard of the United States.

Retainer Pay

Pay received by a member of the Fleet Reserve/Fleet Marine Corps Reserve.

Retired List

Any one of several lists of military members retired from active duty or an RC of the Armed Forces.

Retired Saved Pay

Special pay provisions that allow retired members, under certain conditions, to retain entitlement to pay under prior laws when beneficial to the member.

Retirement Date

The first day of entitlement to retired pay, not a day of active duty.

Service Connected

With respect to disability or death, such disability was incurred or aggravated or the death resulted from a disability incurred or aggravated in the line of duty in the active military, naval, or air service (VA definition only).

Surviving Spouse

A person who was legally married to the decedent on the date of the decedent’s death and who survived the decedent is the surviving spouse. There may be additional requirements in order to qualify as a surviving spouse for certain entitlements.
Tower Amendment

The law provided that a member retiring after January 1, 1971, may not receive less retired pay than the monthly retired or retainer pay to which he or she would be entitled if the member had become entitled to retired or retainer pay at an earlier date. A member who fully qualifies for retirement on a date earlier than the actual retirement date receives the most favorable rate of pay as though the member actually retired on the earlier date.

Transfer Date (Fleet Reservists, Fleet Marine Corps Reservists)

Date of release from active duty (a day of entitlement to active duty pay and allowances).

Uniformed Services

The Army, Navy, Air Force, Marine Corps, Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service comprise the Uniformed Services.

United States

The United States includes the 50 states and the District of Columbia.
# VOLUME 8, CHAPTER 1: “INTRODUCTION AND OVERALL REQUIREMENTS”

## SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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CHAPTER 1

INTRODUCTION AND OVERALL REQUIREMENTS

0101 GENERAL

010101. Purpose

This chapter prescribes the principles, objectives, and related requirements for Department of Defense (DoD) employee pay operations and systems. The regulations provided in this chapter apply to payments made by the Defense Civilian Pay System (DCPS) to employees who are paid from appropriated, revolving, or trust funds. The Under Secretary of Defense (Comptroller)/Chief Financial Officer has determined DCPS is DoD’s only approved standard payroll system. These requirements apply to the processes related to computing payments, leave, deductions, and maintaining records for permanent, temporary, full-time, part-time, irregular, and special category employees.

010102. Authoritative Guidance

The authority of DoD to establish payroll procedures is derived from Title 5, United States Code (U.S.C.), Chapters 53, 55, and 81. Other responsibilities, duties, and liabilities are established under 31 U.S.C., sections 3527, 3528, 3529, and 3541. Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

010103. Additional Guidance

Additional guidance referenced in this volume includes, but is not limited to, the following:

A. Title 5, Code of Federal Regulations (CFR). Final rules pertaining to civilian pay operations are typically published in Title 5 of the CFR. Title 5 may be updated by interim changes published in the Federal Register (FR). Both publications must be read together to determine the latest version of any rule.

B. FR. The FR is the official journal of the Federal Government that makes publicly available all government agency rules, proposed rules, and public notices. The FR is published daily, except on Federal holidays. The final rules posted by a Federal agency and published in the FR are then organized by topic or subject matter and codified in the CFR. See 1 CFR, part 2.

C. Executive Order. An executive order is an order or regulation issued by the President in order to implement, interpret, or give effect to a Federal law, treaty or provision of the Constitution. To have the effect of law, an executive order must be published in the FR.

D. Public Laws. After the President signs a bill into law, it is delivered to the Office of the FR where it is assigned a public law number. The public laws are compiled, indexed
and published in the United States Statutes at Large, the permanent bound volume of the laws for each session of Congress.

E. **DoD Instruction (DoDI) 1400.25.** The DoDI 1400.25, Civilian Personnel Management, is comprised of several volumes. The purpose of the Instruction is to establish and implement policy, establish uniform procedures, provide guidelines, provide model programs, delegate authority, and assign responsibilities regarding civilian personnel management within the DoD.

F. **Policy and Guidance from the Office of Personnel Management (OPM).** OPM provides leadership to other agencies on pay and leave administration policies and programs. OPM maintains pay tables for General Schedule employees, manages the Federal Wage System, and develops and provides government-wide regulations and policies on other pay and leave authorities. Each agency is responsible for complying with the law and regulations and following OPM's policies and guidance to administer pay policies and programs for its own employees. OPM issues policies and guidance in the following publications:

1. **Benefits Administrative Letters (BALs)** provide guidance to agencies on various aspects of benefits administration;

2. **Handbooks** provide information on various topics pertaining to employee pay, leave, and work schedules; and

3. **Memoranda** are provided by the Chief Human Capital Officers Council (CHCOC), a forum of senior agency management officials who support OPM. The CHCOC memoranda are issued to agencies to advise and coordinate on matters such as legislation affecting human resources operations and organizations.

0102 OVERALL REQUIREMENTS

010201. Overview

A. The Defense Finance and Accounting Service (DFAS) is responsible for maintaining system requirements in compliance with all applicable laws and regulations, guidance issued by OPM, the Department of the Treasury (Treasury), the Department of State, the Department of Labor, and taxing authorities (federal, state, and/or local).

1. Any approved unique payroll system must be integrated or interfaced with other applicable systems, such as DCPS, general ledger systems, or installation-level general accounting systems.

2. The Director, DFAS must approve continued operation of any such unique payroll system.

B. DoD payroll operations and systems must meet the following objectives:
1. Make timely and accurate payments to employees entitled to be paid, in compliance with appropriate statutes and regulations, with consideration being given to all authorized deductions from gross pay;

2. Account for and disposition of all authorized deductions from gross pay;

3. Control, retention, and disposition of all payroll related documents;

4. Prepare adequate and reliable payroll records to support managerial responsibilities;

5. Plan, prepare, execute, and review the budget;

6. Prepare required internal and external reporting;

7. Support effective communication between employing activities and employees on payroll matters in addition to timely, accurate, and responsive customer service action to resolve payroll related inquiries from employees;

8. Control all phases of processing pay, leave, entitlements, and allowances;

9. Interface the payroll function with general ledger, cost accounting, and personnel functions, with provisions for reconciling common data elements in DCPS and these interrelated systems;

10. Provide capability to query current, historical, and/or archived data;

11. Provide audit trails to permit the tracing of transactions through DCPS;

12. Comply with accounting system development criteria specified in Volume 1;

13. Comply with internal control requirements, including data security and prevention of data disclosure, as specified in Volume 1; and

14. Comply with DoD direction to standardize data elements to promote cross-functionality and integration efforts.

010202. Funds Control

A. Funds used to pay DoD employees are appropriated by Congress and apportioned to the Department by the Office of Management and Budget. At least monthly, an
estimate of obligations must be made for the payroll. As the payments are made, estimates must be adjusted to reflect actual payment data.

B. DCPS must be integrated, or interfaced with, and support the accounting systems. DCPS must consist of detailed accounts and records that are kept as a subsidiary to, or support for, controlling or summary accounts in the general ledger of the accounting systems. DCPS must produce required obligation and accrual data needed by accounting systems.

010203. Requirements

The Director, DFAS, is responsible for the overall planning and general direction of the pay, leave, and allowance functions along with system requirements. This responsibility necessitates that adequate written procedures are established and implemented, that all personnel are adequately trained in their functions, and that sufficient internal controls are installed and management oversight is established and implemented to ensure compliance with DCPS objectives. See DoD Directive 5118.05. The Director, DFAS must also ensure that DCPS meets legal criteria and the following requirements.

A. Payroll procedures must be:

1. Clearly written and be in accordance with applicable laws, regulations, and legal decisions;
2. Amended to reflect changes in applicable laws, regulations, and legal decisions;
3. As uniform as possible throughout DoD;
4. Distributed to payroll staff and be available to individual employees as needed to ensure efficient and effective operations; and
5. Reflective of clear assignments of responsibility, delegation of authority, and separation of duties for personnel who compute the payroll, certify payments, record payroll data in the accounts, distribute pay, review payroll transactions, and develop, test and maintain supporting computer systems.

B. Personnel engaged in pay, leave, and allowance activities must:

1. Be adequately trained and kept informed about the requirements of laws, regulations, and legal decisions;
2. Be adequately supervised to help prevent any unauthorized, fraudulent, or other irregular act;
3. Perform operations effectively, efficiently, and economically in accordance with laws, regulations, and legal decisions;
4. Review the operations, including internal controls, on an ongoing basis to ensure such performance; and

5. Identify and resolve inconsistencies in information submitted, processed, and reported during the various payroll cycles.

C. DCPS must be integrated or interfaced with:

1. Personnel systems to obtain current information on which to process pay entitlements, leave, and allowances. Timely information is needed to minimize the possibility of fraud, waste, and mismanagement and maximize the accuracy of employee payments;

2. The general ledger systems to provide information to prepare various financial statements;

3. Cost accounting systems to distribute and charge payroll labor cost data to appropriations, jobs, projects, programs, and departments. This also helps in properly evaluating operations and management; and to support budget formulation and execution; and

4. Other financial management systems to meet reporting and management objectives.

D. The interfaces discussed in subparagraph 010203.C must be used to assist in timely reconciliation of data elements and discrepancies noted between systems.

E. Transactions recorded in the pay, leave, and allowance records must be adequately supported by properly authorized documents.

F. Continuity of Operations Plans and associated procedures will be established and maintained to back-up data properly in the event of power failure, equipment malfunction, terrorist threat, natural disasters, or other hazards.

G. External audits and internal examinations of payroll operations must be made by persons not engaged in those operations to determine whether such operations are efficient, effective, economical, and are in accordance with laws, regulations, and legal decisions.

H. The frequency with which payrolls must be prepared has considerable bearing upon the cost of carrying out the payroll functions. So that payroll operations are performed without incurring undue cost, payroll must be computed on a biweekly basis, unless the law requires a different timeframe. Special payments are prohibited except as addressed in Chapter 8, paragraph 080202. Advances of pay are covered in Chapter 3, section 0309. All employees will be informed of the designated payday. Pay should be made available to the employees on the day designated as the payday. The payday lag between the close of the pay period and payday must not exceed 12 calendar days. When a payday falls on a holiday or an “in lieu of” holiday, the payday will be on the first preceding business day.
010204. Privacy Act Requirements

A. Privacy Act Statements. All forms used to collect personal information covered by the Privacy Act of 1974 (codified at 5 U.S.C. § 552a), must have a Privacy Act statement either incorporated in the body of the document, at the top of the form, or in a separate statement accompanying each form. See DoD 5400.11-R for information on what is included in the Privacy Act statement. A Privacy Act statement must be provided to an employee when they are required to furnish personal information such as name, date of birth, or Social Security Number (SSN) for inclusion in a system of records. Refer to the Office of the Secretary of Defense and Joint Staff Privacy Program or the Defense Privacy, Civil Liberties, and Transparency Division for the Privacy Act system of records information pertaining to DCPS.

B. Access and Accountability. Refer to DoD 5400.11-R for guidance on employee access to records in accordance with the Privacy Act. Agencies responsible for maintaining Privacy Act information must maintain records of information released and process requests for correction of records in accordance with the DoD 5400.11-R.

0103 ELECTRONIC FUNDS TRANSFER (EFT) FOR FEDERAL CIVILIAN SALARY PAYMENTS

010301. General

A. Authority. All Federal payments must be made by EFT, with the exception of tax refunds. See 31 U.S.C. § 3332 and corresponding regulations published by Treasury, Financial Management Service at 31 CFR 208.

B. Policy. The Treasury Financial Manual, Part 4A, section 2035 requires participation in EFT unless a waiver applies. The policy covers all categories of DoD personnel including civilians, military, military retirees, non-appropriated fund (NAF) personnel, and annuitants. See Volume 5, Chapter 7, subparagraph 070204.A.

C. Agency Responsibilities. An agency must put into place procedures that allow recipients to provide the information necessary for the delivery of payments to the recipient by EFT to an account at the recipient's financial institution. See 31 CFR 208.7.

1. The Director, DFAS, in conjunction with the Office of the Deputy Chief Financial Officer, must:

a. Publish EFT payment policy and implementation procedures for payment of all DoD civilian personnel,

b. Coordinate the presentation of issues and proposed exceptions in DoD's mandatory EFT policy to Treasury for approval,

c. Prepare appropriate reports for submission to Treasury,
d. Provide quarterly reports that reflect the level of EFT participation to DoD and non-DoD agencies serviced by DFAS (hereinafter referred to as “serviced agencies”), and

e. Furnish a report of employees paid by DFAS, who do not participate in EFT, to employing agencies at the end of each quarter.

2. DoD Component Personnel Directors must:

   a. Ensure all employees are informed of the conditions under which participation in the EFT program is required, and

   b. Promote EFT enrollment by providing a report containing a list of employees that are not enrolled in EFT to the employing activity after the end of each fiscal year quarter.

3. Directors or Commanders of all DoD Activities must:

   a. Ensure that all personnel are made aware of, and comply with, the mandatory EFT provisions;

   b. Monitor EFT participation;

   c. Ensure that waivers for all eligible employees are on file;

   d. Ensure reimbursements are made to employees who incur charges due to the government's failure to accurately and timely deposit pay in their EFT accounts; and

   e. Provide information for reporting purposes to DFAS sites when so requested including NAF personnel.

D. Waivers

1. Authorized Waivers. Payment by EFT is not required in all cases and may be waived under certain circumstances. See 31 CFR 208.4.

2. Waiver Submission. An employee who requests a waiver must provide Treasury with a certification supporting that request, in such form that the Treasury may prescribe. The employee must attest to the certification before a notary public or otherwise file the certification in such form that Treasury may prescribe. See 31 CFR 208.4.

010302. Reimbursement of Financial Institution Charges

Charges by financial institutions resulting from erroneous information provided by the individual or the financial institution to the civilian payroll office (PRO) are not the liability of
the government and will not be reimbursed. Reimbursement is authorized and limited to overdraft charges or minimum balance or average balance charges levied by the financial institution because of an administrative or mechanical error on the part of the government that causes pay to be deposited late, or in an incorrect manner or amount. See *10 U.S.C. § 1594*.

010303. Reporting Requirements

Each quarter, the PROs will provide EFT participation and non-participation reports to the serviced agencies for managing EFT participation. See Chapter 9, subparagraph 090304.F.

010304. Payments Other than EFT

A. The disbursing officer mails checks to the non-work address provided by the employee. On an exception basis, checks may be delivered to designated agents in the employing offices for delivery to the employees at the work locations.

B. In those situations when delivery of paychecks to individuals by designated agents is authorized, persons designated to deliver these paychecks must not participate in the following activities: preparing, approving, or certifying vouchers and personnel action documents; maintaining the payroll; time and attendance (T&A) records; and leave records. Each employee must be known by, or identified by, the person who delivers the employee's paycheck. Checks not delivered within the time specified by the disbursing officer must be returned to the disbursing or issuing officer. All checks must be kept in a safe or locked fireproof cabinet, pending distribution to the employee or return to the disbursing or issuing officer. See Volume 5, Chapter 7.

C. If, under extraordinary circumstances, payments must be made in cash, then employees must properly identify themselves and must acknowledge payment by signing a receipt form when payments are received. Requiring receipts in advance of actual cash payments are prohibited. All payments must be made only by persons who have been authorized to perform disbursing functions and who are not part of the pay computation process. See Volume 5, Chapter 9, section 0904.

0104 ESTABLISHMENT AND CONTROL OF EMPLOYEES’ PAY RECORDS

010401. Use of the SSN for Identification

A. The SSN will be used to identify all employees paid by DFAS.

B. The SSN has nine digits, with hyphens as separators before the fourth and sixth digits. The Social Security Administration (SSA) does not issue SSNs containing alpha characters. Therefore, adding a prefix or suffix is not authorized for reporting purposes. Only the nine digits are used in internal computer processing; however, the hyphens may or may not be printed on output documents.

C. Employees who do not have and are not eligible to obtain a SSN from the SSA are issued an Individual Taxpayer Identification Number (ITIN).
Civilians who are concurrently employed in more than one position must use the same identifier (SSN or ITIN) across every position. Person identifier data will support the capability to correct and update a person’s identity information. See DoDI 1444.02, Volume 1.

010402. Individual Employee Pay Records

A. Each employee must have an individual pay record maintained as part of the master pay record. Except in the case of multiple appointments, only one pay record must be active at any given time for each authorized position. If more than one pay record is maintained, then the rationale must be thoroughly documented and an audit trail maintained. Sufficient information on active pay records must be retained or be accessible at the servicing PRO to facilitate manual input, payment, and/or performance of other required administrative functions.

B. The pay record must contain all transaction information related to payments and deductions with an audit trail to the authorizing source document, subject to paragraph 010405. The pay record must contain information on rates of pay pertaining to:

1. All earnings separately identified by type (e.g., overtime, night differential, or danger pay);

2. All deductions separately identified by type (e.g., charity, union, Federal Employees Health Benefits (FEHB), Federal Employees’ Group Life Insurance (FEGLI), income taxes, payroll taxes, or retirement);

3. Subject-to amounts for computation of applicable deductions (e.g., subject-to income taxes, subject-to payroll taxes, subject-to Thrift Savings Plan (TSP), or subject-to retirement);

4. All government contribution amounts separately identified by type (e.g., FEHB, basic FEGLI, or TSP matching); and

5. Gross and net pay amounts.

C. The pay records must be supported by T&A, leave records, and personnel records. T&A records contain all hours for a pay period based on the effective work schedule. All hours worked (regular and premium) and leave taken (paid and unpaid) are used in the computation of pay. Leave records include annual, sick, and any other leave earned, taken, lost, forfeited, restored, or advanced, including appropriate unused leave balances. The pay record must contain other information, such as year-to-date and quarter-to-date totals, as necessary, for computing pay and preparing reports.

D. Year-to-date information must be maintained for the current and prior pay years. Disposition of pay records must be in accordance with the National Archives and Records Administration (NARA), General Records Schedule (GRS) 2.4.
010403. Payroll Substantiating Document File

A. With a centralized civilian payroll function, separate document files are required and maintained for each employee. The servicing PRO must maintain those documents applicable to the PRO functions and responsibilities. The Customer Service Representative (CSR)/employing activity must maintain those documents applicable to CSR responsibilities.

B. All source documents that substantiate the employee's entitlement to compensation, leave, benefits, and authorizations or support deductions, whether maintained in hardcopy or electronic format, must be safeguarded from improper, unauthorized access or use. Disposition of payroll related documents, whether maintained by the PRO or the CSR, must be in accordance with the NARA, GRS 2.4. Each agency may establish a specific document retention policy, however, the policy must not impose a lesser retention requirement than the NARA requirements.

C. Other records incidental to the payroll process, such as employee requests for tax withholding, TSP deductions, savings bond records, and other records not pertaining to individuals, but rather to the general administration of the PRO and the payroll function, are addressed in the NARA, GRS 2.4. Employee separation records are addressed in the NARA, GRS 2.5.

D. All source documents must be readily available for research. The disposition of active and inactive files must be in accordance with NARA, GRS 2.4 for current employees and the NARA, GRS 2.5 in the case of separated employees.

E. All documents, manual and electronic, must be protected in accordance with Privacy Act requirements.

010404. Document Control

Retention sites control source documents in order to ensure timely processing of payroll documents, auditing, and reconciling individual pay accounts. Local document control procedures may be used as long as appropriate control and access are maintained.

010405. Personnel Actions

A. DCPS is integrated or interfaced with the personnel system used by the employee’s agency. DCPS must use the information authorized by the personnel system as the basis for pay, leave entitlements, and some deduction calculations.

B. Source documentation for actions originating with the Human Resources Office (HRO) must be maintained by the servicing HRO. For those instances where the systems do not permit interface of the actions, the servicing HRO must provide the servicing PRO a hardcopy or electronic copy of the document, which also must be maintained by the servicing PRO.
010406. Payroll Controls

Appropriate controls must be established for all payroll functions.

A. The controls must ensure the timely, correct, complete, accurate, and properly authorized processing of payroll documents, which include, but are not limited to, the following:

1. Corrections and Adjustments. An authorized official must approve in writing or through electronic signature (made by entering designated codes into an automated system under safeguards to prevent unauthorized use) corrections and other adjustments to data in official records, as follows:

   a. Records of all changes made after records have been approved or certified must be generated and maintained,

   b. Manual corrections to documents made after the documents have been approved or certified must be made in a way that does not obliterate the original entries. Corrections must be approved by a designated authorizing official, and

   c. Automated system changes to data must be made in such a way that an audit trail is maintained to show or provide a reference to documents which show the original and new data and the authorization for the change. Such changes may be made only based on properly approved documents authorizing the changes.

2. Separation of Duties. Separation of duties refers to the PRO and system development personnel. In order to minimize opportunities for unauthorized, fraudulent, or otherwise irregular acts, the following list of payroll duties must be separated to ensure that no one person performs all phases of a transaction without the possibility of intervention or review by some other person or persons:

   a. Certification of payments,

   b. Payroll computation,

   c. Recording of data to the employee’s payroll account,

   d. Distribution of pay,

   e. Review of payroll transactions,

   f. Automated system development,

   g. System testing,

   h. System implementation, and
i. System maintenance.

3. **Access Restrictions.** The following access must be restricted to authorized personnel:
   a. Personnel, payroll, and disbursement records or data files;
   b. Forms used in authorizing special entitlements, allowances, and pay rates; and
   c. Payroll processing equipment and related software.

4. **Employee Access.** Employees must not maintain or service their own payroll and/or personnel records. This internal control must be incorporated into security system software that governs access to DCPS records. Employees may provide authorizing source documentation to the servicing CSR or input data using an electronic self-service application. Types of employee transactions maintained by the CSR or input by the employee through such an application are:
   a. Distribution of net pay election and voluntary allotments;
   b. Routine deductions, such as withholding elections for federal, state, and local tax purposes; and
   c. T&A as provided for in Chapter 2.

5. **CSR Access.** Examples of transactions that the servicing CSRs have access to are:
   a. Authorizations for charity contributions,
   b. Authorizations for employee organization dues withholding,
   c. Leave transferred-in for a new employee based on the employee’s latest Leave and Earnings Statement, and
   d. Restored annual leave.

6. **Computerized Access.** To detect inappropriate data at the earliest time and to the extent practical, data entered into DCPS must be subjected to computerized edits at the time of entry.

   B. Controls that help ensure that computerized payroll operations process transactions and produce reports accurately include but are not limited to the following techniques:
1. Employing generally accepted testing procedures for computer programs and changes to programs prior to placing them in the production/operation environment. Testing procedures must include testing the various data elements and computational procedures as needed to ensure that all are operating as intended;

2. Certifying acceptance of software changes by the DCPS acceptance team;

3. Performing periodic preventive maintenance on hardware, noting and promptly resolving problems;

4. Including the following techniques in the tests performed:
   a. Ensure that the most current personnel data is available for verification and pay computations,
   b. Use proper security authorization protocol by all authorized system users,
   c. Accept data entry from authorized sources only,
   d. Verify data entry using batch control procedures, when applicable, and
   e. Provide system-generated research tools useful in the resolution of any detected anomalies.

5. Providing audit trails for the detection and systematic correction of errors by enabling the system to trace or replicate transactions (including system-generated transactions) from the source to the resulting record or report and from the record or report back to the source.

010407. Reconciliation with the HRO

The PROs must ensure that payroll data is complete and accurate. DCPS and the HRO must each perform a reconciliation of employee records to ensure that shared data matches.

A. Reconciliation of common data (for example, work schedule, salary, and date of birth) between the human resources system and DCPS must be accomplished at least every 4 months. The servicing HRO reviews the reconciliation and annotates any mismatches. The servicing HRO resolves mismatches where possible and provides supporting documentation to the servicing PRO for resolution in the cases of payroll record errors. The servicing PRO must ensure thorough reviews of and necessary corrections to the DCPS database. The servicing PRO must accomplish the payroll portion of the reconciliation within 10 workdays after receipt of the annotated reconciliation documentation from the servicing HRO. The servicing PRO must maintain historic records to ensure timely compliance with this reconciliation requirement.
B. Based on the predetermined schedule, DCPS will generate and transmit reconciliation files to the appropriate personnel system host. The schedule is established and published by the DCPS manager in conjunction with the personnel system manager.
VOLUME 8, CHAPTER 2: “TIME AND ATTENDANCE (T&A)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2017 is archived.

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CHAPTER 2

TIME AND ATTENDANCE (T&A)

0201 GENERAL

020101. Overview

This chapter sets out T&A policy and requirements for the Department of Defense (DoD) agencies. It contains established policies, defines responsibilities, and prescribes internal controls in support of T&A recording and reporting requirements for the Defense Civilian Pay System (DCPS).

020102. Purpose

This chapter provides guidance on DoD civilian employee T&A policy and requirements.

020103. Authoritative Guidance

Statutes, regulations, and other guidance are referenced throughout each section of this chapter. For additional guidance, see General Accounting Office (GAO)-03-352G, Maintaining Effective Control over Employee Time and Attendance Reporting.

*0202 RESPONSIBILITIES OF EMPLOYING AGENCY, APPROVING OFFICIALS, AND TIMEKEEPERS

020201. Employing Agency Responsibilities

A. Administration of Absence and Leave. The head of an agency is responsible for the proper administration of absence and leave as it pertains to employees under his or her jurisdiction, and for maintaining an account of leave for each employee in accordance with methods prescribed by the GAO. See Title 5, Code of Federal Regulations, section 630.101. An employing activity must ensure compliance with T&A functions as prescribed by the agency policies.

B. Internal Controls. It is important that agencies implement and maintain well-defined internal control activities that provide management with the confidence that the system is working as designed. Consistent with the internal control standards set forth within GAO-03-352G, agency development of control activities over T&A information should:

1. Have a well-defined organizational structure and flow of T&A information with clearly written and communicated policies and procedures,

2. Apply available technology and concepts to achieve efficient and effective T&A system processes and controls in accordance with applicable legal and other requirements, and
3. Review and test all aspects of the T&A systems’ processing procedures and controls.

020202. Approving Official’s Responsibilities

An approving official, usually the employee’s supervisor, maintains the primary responsibility for authorizing and approving T&A transactions.

A. Certifying. When approving T&A, all supervisors, other equivalent officials, or higher-level managers must certify, to the best of their knowledge, that work schedules are accurately recorded. An employee’s supervisor should be aware of an employee’s work schedule, leave taken, and any absence from duty and must review and approve the T&A to ensure its accuracy. Supervisors must ensure that exceptions to the employee’s normal tour of duty are recorded in a timely and accurate manner.

B. Recording and Reporting T&A. The supervisor may assign responsibility for observing daily attendance or accurately recording T&A data to a timekeeper (if applicable) or, in limited circumstances, to the individual employee. However, the supervisor is still ultimately responsible for the timely and accurate reporting of the T&A in accordance with applicable policies, regulations, instructions, and bargaining agreements. The supervisor must inform the timekeeper when an employee is on leave or has worked any type of premium work. The supervisor may assign an alternate timekeeper to maintain T&A during the absence of the primary timekeeper.

020203. Timekeeper Responsibilities

The traditional T&A system normally involved a timekeeper who is/was responsible for assisting supervisors in recording and verifying employees’ work time and absences. However, new T&A systems have reduced or even eliminated timekeepers’ duties and shifted the responsibilities to the employees or supervisors. Regardless of the changes made, the internal control objectives in the GAO guidance remain the same.

*0203 GENERAL T&A REQUIREMENTS

020301. Recording Time

A proper record of the time an employee works should be retained as an official agency record available for review or inspection. Traditionally, daily arrival and departure times were required to be recorded. Although it is not required that daily records be maintained, agency management may choose to do so by using sign-in/sign-out sheets or other means.

020302. Time Period

The time period shown on the T&A must correspond to the length of a pay period. For example, if payment is made for a 2-week period, then the T&A must cover a 2-week period.
020303. T&A Information

Controls over T&A information should provide reasonable assurance that such information:

A. Is recorded completely, accurately, and as promptly as practicable;

B. Relates to authorized individuals; and

C. Reflects actual work performed and leave taken or other absences during authorized work-hours and periods.

020304. Accounting for Time and Leave

Where T&A information supports amounts appearing in financial reports, an audit trail should exist between the T&A information and the accounting records underlying the financial reports to allow for verification of reported amounts.

020305. Work Schedules and Alternate Work Schedules (AWS)

A. Work Schedules. The work schedule defines the basic work requirement as the number of hours, excluding overtime hours, an employee is required to work or to account for by charging leave. Generally, a full-time employee’s basic work requirement is 80 hours in a pay period. Attendance and absence must be consistent with the employment status for the individual. An approved work schedule for each employee will be maintained showing the planned arrival and departure for each day. When an employee’s work schedule differs from the agency-wide schedule established by management or reflects an AWS, the supervisor, or the official most knowledgeable of the employee’s schedule in advance of the period when the plan takes effect should approve the employee’s work schedule. If the schedule is not approved in advance, the plan should be approved as soon after the start of the pay period as possible.

B. AWS. An AWS includes both flexible work schedules (FWS) and compressed work schedules. Although the decision to establish an AWS program is at the discretion of the agency head, this discretion is subject to the obligation to negotiate with the exclusive representative(s) of bargaining unit employees. For additional guidance on AWS, refer to the Office of Personnel Management (OPM) Handbook on Alternative Work Schedules. Refer also to DoD Instruction (DoDI) 1400.25-V610.

C. Flexible Work Schedule (FWS)

Under certain FWS, DoD civilian employees may work longer or shorter hours, including credit hours on any given workday, without taking leave or being paid overtime, so long as their basic biweekly work requirements are met. See Title 5, United States Code (U.S.C.), section 6121, DoDI 1400.25-V610 and OPM’s FWS Fact Sheet. By electing to work hours in excess of their tour of duty, employees may also complete the biweekly basic work requirements in fewer than 10 workdays without being paid overtime or being charged leave for the non-workdays.
1. **Material Variances or Deviations.** Material variances or deviations, as determined by the FWS, must be approved by the supervisor before the change occurs, or promptly after occurring, if not feasible prior to the change. Supervisors must verify that the dates and the material variances or deviations have been recorded in the T&A.

2. **Types of FWS.** Full-time employees with an 80-hour biweekly work requirement may determine their own schedule within the limits set by the employing activity. A part-time employee may determine his or her own schedule for a biweekly work requirement of less than 80 hours. According to the OPM Handbook of Alternative Work Schedules, the FWSs include the following:

   a. **Flexitour.** Flexitour is a work schedule in which an employee is allowed to select starting and stopping times within the flexible hours. Once starting and stopping times are selected, the employee continues to adhere to these times until the employing activity provides further opportunities to select different starting and stopping times.

   b. **Gliding Schedule.** Gliding schedule is a FWS in which an employee has a basic work requirement of 8 hours in each day and 40 hours in each week. Employees may select an arrival time each day and may change that arrival time daily as long as it is within the established flexible hours.

   c. **Maxiflex.** Maxiflex is a FWS that contains core hours on fewer than 10 workdays in the biweekly pay period and in which an employee has a basic work requirement of 80 hours for the biweekly pay period. The employee may vary the number of hours worked on a given workday or the number of hours each week, within the limits established for the organization.

   d. **Variable Day Schedule.** Variable day schedule is a FWS that contains core hours on each workday in the week. Under the variable day schedule, a full-time employee has a basic work requirement of 40 hours in each week of the biweekly pay period. The employee may vary the number of hours worked on a given workday within the week as long as the variation remains within the limits established for the organization.

   e. **Variable Week Schedule.** Variable week schedule is a FWS that contains core hours on each workday in the biweekly pay period. Under the variable week schedule, a full-time employee has a basic work requirement of 80 hours for the biweekly pay period. The employee may vary the number of hours worked on a given workday or the number of hours each week, as long as the variation remains within the limits established for the organization.

D. **Compressed Work Schedule.** A compressed schedule is a fixed schedule that enables a full-time employee to complete the basic work requirements of 80 hours in fewer than 10 full workdays in each biweekly pay period by increasing the number of hours in the workday. See 5 U.S.C. § 6121 and OPM’s Fact Sheet on [Compressed Work Schedules](#).
1. **Set Time and Days of Work.** There is no flexibility in a compressed schedule. An employee’s time of arrival and departure from work is set, as are the days on which the employee is to complete the basic work requirement.

2. **Overtime.** For employees working under compressed schedules, overtime pay will continue to be paid for work in excess of the compressed schedule. See **5 U.S.C. § 6128**.

3. **Absences.** For employees working under compressed schedules, the recording of absences is treated in the same manner as for employees working a regular or alternative work schedule. Employees working a compressed work schedule must be charged leave in accordance with their basic work schedule.

4. **Variations of the Compressed Work Schedule.** Compressed work schedules are determined either by management or through negotiations with exclusive employee representatives. The following are variations of the compressed work schedule:

   a. **4-10 Schedule.** On the 4-10 schedule, employees work 10 hours a day for 4 days each workweek;

   b. **5-4/9 Schedule.** On the 5-4/9 schedule, employees work 9 hours a day for 8 days, 8 hours for 1 day, and record 1 non-working day each pay period; and

   c. **3-day Workweek Schedule.** On the 3-day workweek schedule, employees work 13 hours and 20 minutes a day for 3 days each workweek.

*020306. Approval of Leave

Approval of leave should be made by the employee’s supervisor, or other designated approving official, before the leave is taken. If leave is not approved in advance, because of an unusual or emergency situation, it should be reviewed for approval or disapproval as soon as reasonably possible after the leave is taken.

*020307. Overtime, Compensatory Time Earned, and Credit Hours Authorizations

A. **Overtime or Compensatory Time Earned.** Approval should be obtained from the employee’s supervisor for overtime before the work has been performed when feasible and, when not feasible, then as soon as possible after the work has been performed. T&A codes should distinguish between regular overtime and irregular overtime or occasional overtime (or compensatory time in lieu of overtime, where allowed) in order for the agency to properly document and calculate an employee’s overtime pay entitlements.

B. **Credit Hours.** When agency work schedule programs allow for credit hours to be earned, employee requests to work such hours should be reviewed by the supervisor to determine if work demands warrant the employee working the additional hours and, if so, approved before the work has been performed when feasible.
020308. Temporary Assignment (TDY)

A. Recording T&A. When an employee is on TDY, the hours worked and hours of leave must be recorded on the T&A. All time actually spent away from the permanent duty station during the basic workweek must be recorded at the employee’s permanent duty station as time worked or leave taken. The travel order must support entries on the T&A for regular time.

B. Extended TDY. When an employee is on extended TDY (official Government-directed travel exceeding three weeks), the supervisor may require the employee to submit the T&A. Overnight mail, electronic mail, facsimile machine, or other acceptable means of communication may be used.

*020309. Data Integrity

Agencies using an electronic signature system to input T&A data should identify and document the criteria used in the selection of the signature system and how the criteria and the selected system comply with the Government Paper Elimination Act definition of an electronic signature. See GAO-03-352G, footnote 9.

0204 T&A RECORDING

020401. Requirements

Scheduled starting and ending times of the day for each employee or for groups of employees must be established and recorded. The day that an employee’s shift begins is designated as the day of work for night and shift differential purposes. These requirements are modified for employees working a flexible or compressed work schedule under the AWS plans. See paragraph 020305.

A. Control Objectives. Information in T&A records should be promptly and properly recorded to meet control objectives. It should be complete, accurate, valid, and comply with legal requirements.

B. Accountability. Agency policy should establish accountability for recording T&A information and for the maintenance of and access to T&A and supplementary records.

C. Audit Ready. T&A information that supports financial reporting or cost reporting should be auditable.

020402. Certification and Approval of Absences

T&A approvals should be such that management has assurance that supervisors or other authorized officials know they are accountable for the approval of an employee’s work time and absences. Employees either must initial or sign for indicated absences, or submit an approved application for leave. A supervisor may require a medical certificate or other evidence of illness from an employee when granting sick leave. Such certification will be retained by the employing activity in accordance with section 0208.
020403. Attestation and/or Verification

A. Attestation. Attestation refers to an employee affirming T&A information to be proper. Employees should affirm each leave charge, except for administrative leave, absent without leave charges, suspension, or holiday absences.

B. Verification. Verification is a confirmation, usually by the timekeeper or supervisor that, to the best of his or her knowledge recorded information is proper.

NOTE: GAO guidance does not require such attestations and/or verifications. However, if management requires such attestations and/or verifications, they should be performed as close to the end of the pay period as possible.

020404. Leave Charges

All leave types are charged to the employee by days, hours, or fractions of hours.

NOTE: Timecards must clearly indicate whether annual leave taken is to be charged against the employee’s current leave account or to a separate leave account established for restored leave. The employee’s regular leave account will be charged unless the annual leave taken is identified as being charged to the employee’s restored leave account.

020405. Recording Daylight Savings Time

A. Hour Lost. Civilian employees working on a tour of duty when Daylight Savings Time goes into effect are credited with the actual number of hours worked on the tour of duty. The hour lost because of the change is charged to annual leave, compensatory time used, credit hours used, or leave without pay, as requested by the employee. Employees may also be allowed to work 1 hour beyond the end of their shift.

B. Hour Gained. Civilian employees working on a tour of duty when standard time goes into effect are credited with the actual number of hours worked. Time worked in excess of 8 hours, or the regular tour of duty hours, must be paid as overtime, compensatory time earned, or recorded as credit hours.

020406. Recording Clock

A recording clock may not be used to record time of an employee of an executive department in the District of Columbia. See Title 5, United States Code (U.S.C.), section 6106.

0205 T&A CERTIFICATION

020501. Responsibility

All T&A and supporting documents must be reviewed and approved by the supervisor or designated alternate certifier. The supervisor or designated alternate certifier must be aware of his
or her responsibilities for ensuring accuracy of the reports and must have knowledge of the time worked and absence of employees for whom approval is given.

020502. Certification, Controls and Approval of T&A

A. Certification. The certification of T&A constitutes authorization for the expenditure of government funds. Each employee’s T&A must be certified correct by the employee’s supervisor, acting supervisor, other equivalent official, or a higher-level manager authorized to act as an alternate certifier at the end of the pay period. Certification ordinarily must not be made earlier than the last workday of a pay period. In some circumstances, such as when a legal holiday falls on a Friday or Monday, it is not practical to operate without an early cutoff. In such cases, additional controls, which must be demonstrated in the system design, must be in place and operating. The supervisor or designated alternate certifier must have a reasonable basis for relying on systems of internal control to ensure accuracy and legal compliance if he or she does not have personal knowledge of the presence and absence of, or other information concerning employees whose T&A are being approved. This basis must involve periodic testing of internal controls to ensure they are working as intended. Certification of T&A documents must be based on:

1. Knowledge from personal observation, work output, or timekeeper verification;
2. Checking data against other independent sources such as validating starting and ending times of work, using sign-in and sign-out sheets or time clock entries;
3. Reliance on other internal controls; or
4. A combination of controls.

B. Controls. In some circumstances the additional controls must ensure that any change in attendance or absence certified by a supervisor that occurs after the cutoff date is identified and reported before pay computation, or is reported for the next pay computation. The employee may initial the corrected entry(ies) or submit an OPM Form 71, Request for Leave or Approved Absence, or locally approved electronic leave request, for such absence, as appropriate.

020503. Approval

A. Approval of T&A. Approvals must be made individually for each employee, and a handwritten or automated signature must be provided for each T&A.

B. Approval of Multiple T&As. A single supervisory or designated alternate certifier signature for a multiple employee T&A report may be made to approve the information recorded for all employees listed on the report. There are three prerequisites for a single signature:

1. The data elements required by the agency must appear on the report for each employee listed on the report,
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2. Supporting documents required for the information on the report must be reviewed by the supervisor or designated alternate certifier, and

3. The supervisor or designated alternate must initial or sign each page of the report and either sign the last page of the report or enter an approval code into an automated system.

C. Electronic Approval. When a computerized (“paperless”) T&A system is used and T&A data is contained in a computer file and displayed on a terminal, a single automated code may be entered by the supervisor to approve the information contained in the file. Prior to approving the T&A, the supervisor or designated alternate certifier must review supporting documents or computerized files. A record of changes made to a file, once approved by someone other than the original approving official, must be generated and sent to either the original approving official, or a designated person other than the one who made the changes.

020504. Delay of Certification

Certification of the T&A may not be delayed for obtaining the employee’s initials or signature for requested leave when the employee is not available. The employee must submit a request for leave (OPM Form 71 when required) upon return to duty to confirm the requested leave.

020505. Maintenance and Approval of T&A by Employee

A. When Maintenance of T&A by Employee is Appropriate. Situations in which employees may maintain their own official T&A are as follows:

1. The employee is the timekeeper,

2. Employees work flexible hours outside the hours of the timekeeper and supervisor,

3. An employee is working alone at a remote site,

4. Employees are based at the same location as their supervisors and timekeepers but are frequently away during working hours, or

5. The employing organization determines that individual timekeeping by all employees is warranted. The employing organization must maintain documentation demonstrating that the T&A reporting system has sufficient capacity and internal controls to ensure timely and accurate recording of T&A by these individual employees.

B. When Approval of T&A by Employee is Appropriate. Employees are generally prohibited from approving their own T&A. Exceptions to this general prohibition apply only when it is not feasible for employees to have their T&A approved by a supervisor. In such instances, the Component head, or his or her designee, must grant an official authorization in writing
in order for the employee to approve his or her own T&A. An employee may be authorized to approve his or her own T&A under the following circumstances:

1. The employee works alone at a remote site for long periods;
2. The employee is based at, but frequently away from, the location of their supervisor and timekeeper during working hours; or
3. The employee is the head of an organization within an agency that has no supervisor on site.

C. Controls. To provide reasonable assurance that employees are working when scheduled, supervisors must take reasonable measures, such as occasional telephone calls during employees scheduled work times, or an assessment of the reasonableness of output for the time spent, to determine the accuracy of T&A data submitted by individuals who maintain their own T&A. The supervisor is responsible for the accuracy of the T&A data submitted by the individual.

020506. Prior Approval

When it is not practical for the supervisor to approve a T&A prior to the receipt of supporting documents, the employee may be paid and a subsequent review performed of the documents by the supervisor.

0206 T&A REPORTING

020601. Methods

T&A data must be transmitted to the payroll system, as required, by using positive (100 percent) reporting or exception reporting. Under positive reporting, all T&A data is reported to the payroll system for each employee. Under exception reporting, only exceptions to the employee’s scheduled tour of duty are reported to the payroll system. When reporting to the payroll system by source data automation, positive reporting must be required for each employee.

020602. Controls

Regardless of the reporting method, controls must ensure that all required T&A data, including current period corrections and prior period adjustments, are properly reviewed and approved by the supervisor and reported in a timely and accurate manner.

020603. Generating a Charge to Annual Leave

If any required T&A data is missing for an employee, then the civilian PRO will generate a charge against the employee’s annual leave balance. If the annual leave balance is not sufficient to support the employee’s regularly scheduled tour of duty, any remainder must be charged to another leave category in order to fulfill the employee’s scheduled tour of duty. The employee’s pay and leave record must be corrected upon submission of the certified T&A data.
0207  ADJUSTMENTS OR CORRECTIONS

020701. Adjustments After T&A Approval

Adjustments or corrections required because of changes after T&A information was approved should be processed promptly and be traceable to the pay period for which the correction applies. Electronic corrections for current period corrections and prior period adjustments must be made in accordance with the DCPS user manual. T&A corrections for pay periods no longer held in DCPS (offline records) require a hard copy of the certified T&A signed by the supervisor and forwarded to the PRO. The PRO will process the manual correction within DCPS in accordance with established procedural guidance. An authorizing official should approve all changes.

020702. Corrected Time Cards When Awarding Back Pay

If an appropriate authority corrects or directs the correction of an unjustified or unwarranted personnel action under the provisions of the Back Pay Act at 5 U.S.C. § 5596, time card corrections may be requested by the servicing payroll office for the period covered by the corrective action. Corrected time cards ensure the proper award of any pay, allowances, and differentials owed to the employee, including leave or other monetary employment benefits to which an employee is entitled by statute or regulation.

0208  RETENTION OF RECORDS

020801. Storage Location

Management may require employees and timekeepers, if any, to attest or verify T&A information. T&A information that supports financial reporting or cost reporting should be auditable. Employing activities must establish a uniform practice to be followed as to the locations at which the T&A reports and related supporting documentation are to be maintained. T&A reports, together with approved applications for leave, overtime approvals, military orders, jury duty certification, or other supporting documents, may be retained by the timekeeper, supervisor, or sent to a designated storage location.

020802. Internal Controls for Records

Sufficient internal controls must be established to prevent unauthorized changes to completed T&A, regardless of where they are retained.

020803. Retention Period

T&A records, to include leave application files, source records, input records, and leave records, must be retained by the employee’s supervisor or activity in accordance with records retention requirements as set forth in the National Archives, General Records Schedule 2.

NOTE: There are different retention requirements for these four types of records.
020901. **Controls Over T&A.** Information that is used to support cost reporting should ensure the information is captured in sufficient detail, such as by appropriation, organizational code, work activity, or other unit as necessary to meet the cost reporting objectives and be auditable.

020902. **Accounting and Internal Controls.** The head of each executive agency should establish and maintain systems of accounting and internal controls that provide:

A. Complete disclosure of the financial results of the activities of the agency;

B. Adequate financial information the agency needs for management purposes;

C. Effective control over, and accountability for, assets for which the agency is responsible, including internal audit;

D. Reliable accounting results that will be the basis for:

1. Preparing and supporting the budget requests of the agency;

2. Controlling the carrying out of the agency budget; and

3. Providing financial information the President requires under 31 U.S.C. § 1104(e) of this title; and

VOLUME 8, CHAPTER 3: “PAY ADMINISTRATION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated May 2020 is archived.

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<td>All</td>
<td>Revised hyperlinks and formatted chapter to comply with current administrative instructions.</td>
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<td>030102</td>
<td>Updated the “Authoritative Guidance” paragraph in accordance with current guidance.</td>
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<tr>
<td>030506.B</td>
<td>Removed procedural guidance from paragraph of December 1 deadline for employers to submit home to work transportation information to the Payroll Office.</td>
<td>Deletion</td>
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<td>030604</td>
<td>Added new section for the Student Loan Repayment Program.</td>
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<td>030901</td>
<td>Updated information on advance of pays for consistency with the United States Code and Department of Defense Instructions.</td>
<td>Revision</td>
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<tr>
<td>031101.B.1</td>
<td>Added information concerning time limits to use time off awards.</td>
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CHAPTER 3

PAY ADMINISTRATION

0301 GENERAL

030101. Purpose

This chapter provides guidance on Department of Defense (DoD) civilian employee pay and entitlements.

*030102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the Office of Personnel Management’s (OPM) Pay and Leave, Title 5, United States Code (U.S.C.), Title 5, Code of Federal Regulations (CFR), and the DoD Instruction (DoDI) 1400.25, Civilian Personnel Management. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of this chapter.

0302 GENERAL PROVISIONS ON PAY

This section provides general information on computing pay and transmitting pay data to the servicing payroll office (PRO). This section also provides guidance on statutory limits on pay (“pay caps”) and general information on computing pay for General Schedule (GS), Senior Executive Service (SES) and other categories of employees.

030201. Pay and Payroll Data

A. Computing Pay. Payroll computations must be based on statutorily authorized entitlements in accordance with Title 5, U.S.C. and 5 CFR, Parts 530, 531, 532, 534, 550, 551, 575, 581, 591, 595, 610, and 630 and other statutory or regulatory requirements as stated herein. The payment of any entitlement must be supported by one or more of the following source documents, as appropriate:

1. Standard Form (SF) 50, Notification of Personnel Action and/or other similar personnel documents;

2. Certified copies of travel orders;

3. Time and attendance reports, including any necessary supporting documents such as sign-in and sign-out registers or the OPM Form 71, Request for Leave or Approved Absence; and
4. Authorizations or approvals of overtime and compensatory time worked.

B. Transmitting Documents to the Servicing PRO. If the servicing Human Resources Office (HRO) electronically transmits the pay entitlement data from source documents to the servicing PRO, the servicing HRO is not also required to send the source documents to the servicing PRO unless requested to do so. The servicing HRO must monitor feedback to ensure the integrity and accuracy of the data used in the pay computation process and must establish effective controls to ensure that all data transmits successfully. The servicing HRO must retain source documents, along with transmittal and control data, for audit purposes in accordance with the National Archives General Records Schedule 2.4.

C. PROs Must Ensure Payroll Data is Accurate. The PROs must ensure that payroll data is complete and accurate. Specifically, the PROs must ensure that an employee’s compensation is consistent with his or her grade, position classification, other entitlements, and employment location. For example, an agency may not pay any foreign area allowances, regardless of authorizing documents, to an employee assigned to stateside duties. In this example, the servicing PRO must request the servicing HRO that issued such entitlement documents clarify and/or correct the documents.

D. Time and Attendance Records. The servicing PRO must ensure pay computations are based on the completed time and attendance records maintained for each employee. The servicing PROs must complete computations as soon as possible after the close of the pay period.

E. Reconciliation. The servicing PRO, the servicing HRO, and the customer service representative (CSR) must communicate to ensure that all appropriate entitlement information is considered for each pay computation and that the computations are supported by the appropriate documentation. At least every 4 months, personnel and pay data must be reconciled and discrepancies corrected. The functional area that entered the incorrect data has primary responsibility for reconciling discrepancies in common data. For additional information, see Chapter 1.

030202. Notification of Changes to Pay

The servicing HRO is responsible for notifying the servicing PRO of changes to an employee’s pay. The servicing PRO must adequately inform each employee in writing as to the nature and amount of the changes in gross pay from one pay period to the next. This information may be included on the employee’s Leave and Earnings Statement (LES) rather than a separate written advisory. The notification must be in sufficient detail to show total pay, allowances, deductions, and net pay.

030203. Statutory Limits on Compensation (“Pay Caps”)

A. Premium Pay Limits
1. **Biweekly Premium Pay Cap.** Premium pay includes night pay, the dollar value of compensatory pay, overtime pay, premium pay on an annual basis, and pay for Sunday and holiday work. See 5 CFR 550.103. Except as explained in subparagraphs 030203.A.2 and 3, the sum of an employee’s basic pay and premium pay for any pay period may not exceed the greater of the biweekly rate of basic pay payable for: GS-15, step 10 (including any applicable locality pay under 5 U.S.C. § 5304 or special rate of pay under 5 U.S.C. § 5305); or Level V of the Executive Schedule. See 5 U.S.C. § 5547(a), 5 CFR 550.105, and the OPM Pay and Leave. When GS employees are receiving a locality-based comparability payment, the OPM GS Locality Pay Tables should be used to determine the maximum GS-15, step 10 rate payable for the employee’s locality. Employees in established special rate occupations and/or locations may have a higher biweekly limitation equal to the special rate for GS-15, step 10. The biweekly limitation does not apply to the following:

   a. Overtime pay earned by employees who are nonexempt from (covered by) the Fair Labor Standards Act (FLSA);
   
   b. Hazardous duty pay (HDP);
   
   c. Pay earned by Federal Wage System (FWS) employees, who are excluded from coverage under 5 U.S.C. § 5547; or
   
   d. Compensatory Time for National Guard Technicians. National Guard technicians are not paid for overtime work pursuant to 32 U.S.C. § 709(h). Therefore, compensatory time earned by National Guard technicians will not be paid and computation of the biweekly statutory pay limits for the technicians should not include compensatory time worked.

2. **Types of Pay Subject to Biweekly Cap When an Annual Premium Pay Cap Applies.** In certain emergency or mission critical situations, an agency may apply an annual premium pay cap in lieu of a biweekly premium pay cap, subject to the conditions provided in law and regulation. See 5 U.S.C. § 5547(b) and 5 CFR 550.106-550.107. However, the following types of premium pay, as listed in 5 CFR 550.107, remain subject to the biweekly limitation while other premium payments are subject to an annual limit under 5 CFR 550.106:

   a. Standby duty pay under 5 U.S.C. 5 § 5545(c)(1);
   
   b. Administratively uncontrollable overtime (AUO) pay under 5 U.S.C. § 5545(c)(2);
   
   c. Availability pay for criminal investigators under 5 U.S.C. § 5545(a);
   
   d. Overtime pay for hours in the regular tour of duty of a firefighter under 5 U.S.C. § 5545(b); and
e. An overtime supplement for regularly scheduled overtime hours within a border patrol agent’s regular tour of duty under 5 U.S.C. § 5550.

3. **Annual Premium Pay Cap.** When the head of an agency, his or her designee, or OPM determines that an emergency exists, the biweekly caps on premium pay described in subparagraph 030203.A.1 will not apply to employees who are paid premium pay for work in connection with that emergency. However, such employees remain subject to an annual maximum earnings limitation. In these circumstances, the total basic pay and premium pay for most GS employees is limited to the annual rate for GS-15, step 10 (including locality-based comparability or special salary rates) or a Level V of the Executive Schedule for the calendar year. Pay exceeding the cap is forfeited and is not deferred for payment in the next calendar year. The cap does not apply to overtime earned by FLSA nonexempt (FLSA covered) employees. For more information on the annual maximum pay limits, refer to 5 U.S.C. § 5547(b) and 5 CFR 550.106.

4. **Increased Annual Premium Pay Limitation**

   a. In 2005, Congress authorized the Secretary of Defense to waive the annual premium pay limitation under certain circumstances. Eligible DoD employees are authorized an increase to the annual premium pay limitation under 5 U.S.C. § 5547, not to exceed the annual rate of salary payable to the Vice President under 3 U.S.C. § 104. To be eligible, employees must perform work in response to an emergency declared by the President or in direct support of, or directly related to, a military operation. Waiver authority applies to eligible employees who perform work while in an overseas area of responsibility of the Commander of the U.S. Central Command (CENTCOM) or an overseas location that has been moved from the U.S. CENTCOM area of responsibility to the area of responsibility of the Commander of the U.S. Africa Command.

   b. Eligible DoD employees who are granted a waiver of the annual premium pay limitation are entitled to premium payments as provided in yearly guidance published by the Office of the Under Secretary of Defense (OUSD), Personnel and Readiness (P&R) based on *Public Law (P.L.)*:

   (1) Calendar Year 2005 authorized by [P.L. 109-13](#);
   
   (2) Calendar Year 2006 authorized by [P.L. 109-163](#);
   
   (3) Calendar Year 2007 authorized by [P.L. 109-364](#);
   
   (4) Calendar Year 2008 authorized by [P.L. 110-181](#);
   
   (5) Calendar Year 2009 authorized by [P.L. 110-417](#);
   
   (6) Calendar Year 2010 authorized by [P.L. 111-84](#);
   
   (7) Calendar Year 2011 authorized by [P.L. 111-383](#);
(8) Calendar Year 2012 authorized by *P.L. 112-81*;

(9) Calendar Year 2013 authorized by *P.L. 112-239*;

(10) Calendar Year 2014 authorized by *P.L. 113-66*;

(11) Calendar Year 2015 authorized by *P.L. 113-291*;

(12) Calendar Year 2016 authorized by *P.L. 114-92*;

(13) Calendar Year 2017 authorized by *P.L. 114-328*;

(14) Calendar Year 2018 authorized by *P.L. 115-91*;

(15) Calendar Year 2019 authorized by *P.L. 115-232*; and

(16) Calendar Year 2020 authorized by *P.L. 116-92*.

B. **Aggregate Limitation on Pay**

1. **Aggregate Limitation.** The Federal Employees Pay Comparability Act (*FEPCA*) of 1990 and 5 CFR 530, Subpart B established an aggregate limitation on pay. The aggregate limitation applies to most federal employees, including most members of the SES who were previously covered by an aggregate limitation applied on a fiscal year basis under *5 U.S.C. § 5383(b)*. Under *5 U.S.C. § 5307*, a covered employee may not receive any allowance, differential, bonus, award, or other payment in any calendar year to the extent that such payment, in combination with the employee’s basic pay, would cause the employee’s aggregate compensation to exceed the rate payable for Level I of the Executive Schedule at the end of that calendar year.

2. **Aggregate Compensation.** Aggregate compensation is the total of basic pay, premium pay, allowances, differentials, bonuses, awards, incentives, and other similar cash payments. Certain payments are excluded from aggregate compensation such as overtime pay under FLSA, severance pay, lump-sum payment for accrued annual leave, back pay awards, student loan repayments, and nonforeign area cost-of-living allowances (COLAs). See 5 CFR 530.202.

3. **Payments of Excess Amounts.** Amounts in excess of the aggregate limitation must be deferred and are generally paid in a lump-sum payment at the beginning of the next calendar year. See 5 CFR 530.204. If an employee transfers to another agency, the gaining agency is responsible for this payment. If an employee separates from federal service, the entire excess amount is payable following a 30-day break in service. If an employee dies, the agency must pay the entire excess amount as part of the deceased employee’s unpaid compensation. See *5 U.S.C. § 5582* and 5 CFR 530.204.
4. **Deferring Payments.** An agency must defer payment of any portion of a discretionary payment that would cause an employee’s aggregate compensation to exceed the aggregate limitation. After deferring discretionary payments, all nondiscretionary payments (other than basic pay) must be deferred if continuing to pay the nondiscretionary payments would cause the employee’s aggregate compensation to exceed the aggregate limitation for the calendar year. See 5 CFR 530.203(d) and (e) and 5 CFR 530.204.

   a. **Discretionary Payments.** A discretionary payment is an optional payment that an agency has discretion to pay an employee (e.g., retention allowances, supervisory differentials, and physicians’ comparability). See 5 CFR 550.202.

   b. **Nondiscretionary Payments.** Nondiscretionary payments are payments made to an employee under the terms of a service agreement or preauthorized to be paid at a regular fixed rate each pay period (e.g., basic pay, locality-based comparability payments, COLAs, post differentials, and remote worksite allowances). An agency may not defer a nondiscretionary payment to make a discretionary payment. Basic pay may not be deferred or discontinued under any circumstances.

   030204. **Multiple Appointments**

   An employee is not entitled to receive pay from more than one position for more than an aggregate of 40 hours of work in one calendar week (Sunday through Saturday). See 5 U.S.C. § 5533(a). Generally, there is no restriction on the number of appointments, only the number of hours, for which an employee may be paid. An employee may hold more than one simultaneous part-time or intermittent appointment, or an employee on leave without pay may accept another federal appointment. However, the employee may not receive pay for more than 40 hours a week, unless the employee’s regular tour of duty is for more than 40 hours a week under an authorized alternative work schedule (AWS) or from two sources for the same hours. The HRO will notify the servicing PRO of multiple appointments via SF 50 data.

   030205. **General Schedule (GS) Employees**

   A. **Basic Pay.** Basic pay for GS employees is defined in 5 CFR 531.203 as the rate of pay fixed by law or by administrative action for the position held by a GS employee prior to withholding any deductions and excludes additional pay of any kind.

   B. **Pay Computation.** Computations of salaries are based on the rates contained in the OPM, Pay and Leave, OPM Salary Table.

   C. **Determining Basic Rates**

      1. The hourly basic rate is determined by dividing the annual rate by 2,087 hours, with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. See 5 U.S.C. § 5504.
2. The biweekly rate is determined by multiplying the hourly rate by 80 hours for full-time employees.

3. A daily rate is determined by multiplying the hourly basic rate by the number of daily hours of service.

4. For any employee whose pay is monthly or covers one calendar month, rules for division of time and computation of pay are governed by 5 U.S.C. § 5505.

D. Interim Geographic Adjustment (IGA). On February 1, 1996, OPM issued final regulations at 61 Federal Register 3539 to address the termination of IGAs. Locality-based comparability payments replaced the IGAs effective August 2, 1996.

E. Special Higher Minimum Base Rates for Law Enforcement Officers (LEO) at Grades GS-3 Through GS-10. Special base rates for LEOs at grades GS-3 through GS-10 are authorized under section 403 of the FEPCA of 1990 and 5 CFR 531.204 and are used in lieu of a GS rate. OPM publishes the special base rates for LEOs in a special salary table. These rates are the basis for computing locality payments under 5 CFR 531, Subpart F. Special geographic adjustments for LEOs under section 404 of the FEPCA of 1990 have been eliminated because they have been surpassed by regular locality payments under 5 U.S.C. § 5304.

F. Locality-Based Comparability Payments. Title 5, CFR 531, Subpart F and 5 U.S.C. § 5304 govern locality payments for GS employees and other employment positions in locality pay areas. Locality pay is considered as basic pay for retirement, Federal Employees’ Group Life Insurance (FEGLI), premium pay, advance pay, severance pay, lump-sum leave, and workers’ compensation purposes. The HRO bases locality pay eligibility on where an employee’s official duty station is, and not where he or she lives. Locality pay does not transfer with an employee from one pay locality to another. Employees must receive whatever rate of pay applies at his or her new duty station. Employees on temporary assignment in a different pay locality must continue receiving their current salary. Locality pay does not apply overseas. The official worksite for an employee covered by a telework agreement must be determined on a case-by-case basis using criteria established by the OPM.

030206. Employees in Performance Management and Recognition System (PMRS)

A. General. The PMRS Termination Act of 1993 terminated the PMRS effective November 1, 1993. The provisions of this law applied to any employee covered by a PMRS position on October 31, 1993, and provided for the transition of former PMRS employees into their agency’s Performance Management System and the GS pay plan. See OPM Performance Reference Materials, Instructions: How to Comply with P.L. 103-89.

B. Identification of PMRS Employees. In order to identify all employees covered by the provisions of this law, OPM retained the General Merit (GM) pay plan code. The step for all employees using the GM pay plan code will continue to be zeros (“00”).
C. Within-Grade Increases. All GS employees, including those still designated GM after October 31, 1993, will be eligible for within-grade increases according to the waiting periods established in the statute. The last PMRS merit increase received, including one for zero dollars, is an equivalent increase for the purpose of calculating and completing the prescribed waiting periods. Within-grade increases have the dollar value of one-ninth of the pay range. Employees will have the within-grade increase added to their basic pay rate, including an off-step rate, upon completion of the appropriate waiting period, provided performance has been at an acceptable level of competence.

D. Termination. An employee’s coverage under the PMRS will end and his or her rate of basic pay will be adjusted to the designated GS step rate that meets or exceeds the current rate of pay, not to exceed step 10, if any of the following actions occur:

1. Promotion;
2. Change to a lower grade;
3. Break in service of more than 3 days;
4. Transfer to another non-DoD agency; or
5. Reassignment to a non-supervisory or non-management position.

030207. Senior Executive Service Positions

A. Definition. In accordance with 5 U.S.C. § 3132(a)(2) and 5 CFR 317, an SES position is any position within an agency above a GS-15 grade level under 5 U.S.C. § 5108, or in Level IV or V of the Executive Schedule, or an equivalent position, which is not required to be filled by an appointment by the President with Senate confirmation. The SES includes managerial, supervisory, and policy positions classified above a GS-15 or equivalent in the Executive Branch. Non-supervisory positions are not covered unless they carry significant policymaking responsibilities.

B. Rate of Pay. The SES pay range has a minimum rate of basic pay equal to 120 percent of GS-15, step 1, and a maximum rate equal to that of a Level III of the Executive Schedule. See 5 U.S.C. § 5382 and 5 CFR 534.403. The maximum rate of basic pay for an SES employee covered by a performance appraisal system is set at the rate for Level II of the Executive Schedule. Minimum rates of basic pay for the SES rate range are adjusted by Executive Order issued by the President to allow for consistency with any increase in the minimum rate of basic pay for these positions. See 5 U.S.C. § 5376.

030208. Senior Level (SL) Positions

A. Definition. SL positions are non-SES positions classified above GS-15 pursuant to 5 U.S.C. § 5108 and 5 CFR 319.102. These positions do not include administrative law judges or board of contract appeals positions that have their own pay schedules.
B. Rate of Pay. Title 5, U.S.C. § 5376 and 5 CFR 534, Subpart E govern the rates of pay for SL positions and are located in the OPM Pay Tables, see section 030205.B. The Senior Professional Performance Act of 2008 established a new pay system for SL employees, effective April 12, 2009, providing pay ranges comparable to those available under the SES pay system. See 5 U.S.C. § 5304. The minimum rate of basic pay is set at 120 percent of GS-15, step 1, and the maximum rate equal to Level III of the Executive Schedule. The maximum rate of basic pay for an SL employee covered by a performance appraisal system is set at the rate for Level II of the Executive Schedule. Under the new pay system, locality pay is no longer paid in addition to the basic rate. There are no grades or steps under 5 U.S.C. § 5376; therefore, employees may be paid at any rate between the minimum and maximum rates.

030209. Scientific or Professional (ST) Positions

A. Definition. ST employees are those in non-executive positions classified above GS-15 who are engaged in high-level research and development in the physical, biological, medical or engineering sciences established under 5 U.S.C. § 3104 and 5 CFR 319.103.

B. Rate of Pay. The rates of pay for ST level positions are governed by 5 U.S.C. § 5376 and 5 CFR 534, Subpart E, and are located in the OPM Pay Tables, see section 030205.B. The Senior Professional Performance Act of 2008 established a new pay system for ST level employees, effective April 12, 2009, providing pay ranges comparable to those available under the SES pay system. The minimum rate of basic pay is set at 120 percent of GS-15, step 1, and the maximum rate equal to Level III of the Executive Schedule. The maximum rate of basic pay for a ST position employee covered by a performance appraisal system is set at the rate for Level II of the Executive Schedule. Under the new pay system, locality pay is no longer paid in addition to the basic rate. There are no grades or steps under 5 U.S.C. § 5376; therefore, employees may be paid at any rate between the minimum and maximum.

030210. Executive Schedule Positions

A. Definition. The Executive Schedule is, as defined in 5 U.S.C. § 5311, divided into five pay levels (Level I through Level V) and is the basic pay schedule for senior management positions described at 5 U.S.C. §§ 5312 to 5316. SES positions are not included.

B. Rate of Pay. The rate of pay for Executive Schedule positions is contained in the OPM Salary Table.

030211. Federal Wage System (FWS) Positions

A. Definition. The FWS was established for federal trade, craft, and laboring employees to allow for the payment of wages comparable to prevailing private sector rates in each local wage area. These positions are also referred to “wage grade” or “wage board” positions. Title 5, U.S.C. § 5342 defines an FWS employee as a prevailing rate employee who is in a recognized trade or craft, other skilled mechanical craft, or in an unskilled, semi-skilled, or skilled manual labor occupation. Individuals in positions having trade, craft or laboring experience and knowledge as a paramount requirement, such as a supervisor or foreman, may be FWS employees.
See the OPM Fact Sheet: FWS Overview and 5 CFR 532. FWS employees are hourly rate employees who receive annual wage adjustments based on a review of comparability pay by wage area. Each area pay scale is divided into the following five parts or classes: wage grade, wage leader, wage supervisor, non-supervisory and supervisory employees covered by the production facilitating pay plan.

B. Rate of Pay. OPM adjusts the rates from time to time for comparable work within a local wage area. Basic pay for FWS employees means the scheduled rate of pay plus any night shift or environmental differential.

030212. Administratively Determined (AD) Pay Plans

Pay rates may be established under an AD pay system that was created under a separate statutory authority. An agency must have independent authority to administratively determine the rates of pay for any group or category of employees. See the OPM Pay and Leave, Pay Administration, Fact Sheet: Pay Plans.

0303 PREMIUM PAY

030301. General

Premium pay consists of certain types of pay, such as overtime, night, and holiday pay for employees not in receipt of annual premium pay for standby duty, Sunday pay, annual premium pay for regularly scheduled standby duty, annual premium pay for administratively uncontrollable work, availability pay for LEOs, environmental pay for FWS employees, and hazard pay for GS employees. Rates and authorization for these various types of pay are contained in 5 U.S.C. §§ 5542, 5543, 5544, 5545, 5545a, 5545b, 5546a, 5547, 5549, and 5 CFR 550, Subpart A. SES employees, Teaching Position (TP) Pay Plan employees, and other employees identified under 5 CFR 550.101 are not entitled to premium pay under any circumstances. However, the premium pay provisions apply to SL and ST positions. For information on statutory limits on premium pay, also referred to as biweekly and annual premium pay caps, see paragraph 030203.

030302. Overtime

Each employing activity is responsible for controlling overtime. Supervisors must ensure funds targeted for their employing activity will cover overtime worked. Approval or disapproval of overtime must be consistent with direction from the Deputy Secretary of Defense. The employee is only paid approved overtime as certified on the employee’s time and attendance report. Normally, employees must request approval to work overtime in writing in advance of performing the work. See 5 U.S.C. § 5542.

A. Overtime Pay

1. Regularly Scheduled. Title 5, CFR 550, Subpart A sets out regulations on premium pay for overtime. Regular overtime work is overtime work that has been
scheduled prior to the beginning of an employee’s regularly scheduled administrative workweek. For a GS employee whose rate of pay does not exceed a minimum applicable rate for a GS-10, the overtime-hourly rate is one and one-half times the employee’s hourly rate of pay. For an employee whose rate of basic pay exceeds the minimum rate for a GS-10, the overtime-hourly rate is equal to the greater of one and one-half times the applicable minimum hourly rate of basic pay for a GS-10 or the employee’s hourly rate of basic pay. Agencies may authorize regular overtime for full-time, part-time, and intermittent GS employees. An intermittent work schedule is appropriate when work is unpredictable and sporadic and therefore, repetitive regularly scheduled overtime should seldom occur. See 5 CFR 340.403.

2. Irregular/Occasional. Irregular or occasional overtime work is overtime work that is not part of an employee’s regularly scheduled administrative workweek.

B. Overtime Pay for FLSA Nonexempt (Covered) Employees

1. General. Generally, the servicing PRO must compensate a nonexempt FLSA employee pursuant to the provisions of 29 U.S.C. § 207 and 5 CFR 551, Subpart E for all hours of work in excess of 8 hours a day or 40 hours in a workweek at a rate equal to one and one-half times the employee’s hourly regular rate of pay. The “hourly regular rate” of pay for all nonexempt employees is computed by adding all includible payments for the week, then dividing by the total hours of work and paid leave. See 5 CFR 551.511 and 551.512 for complete instruction on overtime pay computation. The biweekly and annual premium pay caps discussed in paragraph 030203 do not apply to FLSA nonexempt employees.

   a. Flexible Work Schedule. Overtime, when worked under a flexible work schedule pursuant to 5 U.S.C. §§ 6122-6126, consists of hours officially ordered in advance and in excess of 8 hours per day or 40 hours per week. Pursuant to 5 U.S.C. § 6121(6), overtime hours do not include credit hours worked voluntarily under a flexible work schedule.

   b. Compressed Work Schedule. For a full-time employee, overtime work consists of all hours of work in excess of the established compressed work schedule. For a part-time employee, overtime work consists of hours in excess of the compressed work schedule for the day (more than at least 8 hours) or for the week (more than at least 40 hours).

2. Calculation of Overtime After FEPCA. Under section 210 of the FEPCA, effective May 4, 1991, overtime pay computations for FLSA nonexempt (covered) employees must be made solely in accordance with FLSA regulations at 5 CFR 551, as amended. Agencies are no longer required to compare overtime pay entitlements for nonexempt employees under 5 CFR 550 and 551 and pay whichever amount is greater. Entitlements prior to May 3, 1991, must be calculated using the previous rules. FLSA nonexempt employees continue to be covered by other premium pay provisions of 5 U.S.C., Chapter 55, Subchapter V for night, Sunday, or holiday and annual premium pay for regularly scheduled standby duty or AUO work.

3. Other. According to 5 U.S.C. § 5544(a), hours of work, as defined under 5 U.S.C. § 5542, in excess of 8 hours in a day are deemed to be overtime hours for the purposes of Section 7 of FLSA. See 29 U.S.C. § 207(e)(7). The excess hours are considered
overtime only if an employee is not receiving annual premium pay for regularly scheduled standby
duty 5 U.S.C. § 5545(c)(1) or annual premium pay for AUO work under 5 U.S.C. § 5545(c)(2),
or 5 U.S.C. § 5544(a) for FWS employees. Under FLSA, such hours are overtime hours regardless
of the total number of hours of work in the workweek. For example, an employee on a flexible
work schedule who works 10 hours on the first day of the workweek and is on Leave Without Pay
(LWOP) for the remainder of the workweek is entitled to 2 hours of overtime pay under FLSA,
even though the employee has worked a total of only 10 hours in the workweek. However, an
employee working a compressed work schedule of eight 10-hour days would not receive overtime
pay until they work in excess of 10 hours on a scheduled day.

C. Callback Overtime. Pursuant to 5 CFR 550.112(h), a minimum of two
hours of overtime will be paid if an employee is required to return to the place of employment for
unscheduled overtime work or to work unscheduled overtime on a nonscheduled workday. If the
callback occurs on a holiday during the employee’s regular schedule, then a minimum of two hours
holiday premium pay is paid. Pursuant to 5 CFR 551.401(e), when an FLSA nonexempt employee
performs unscheduled overtime work on a day when work was not scheduled for the employee, or
for which the employee is required to return to the place of employment, the employee is paid for
two hours of work or the actual number of hours worked, whichever is greater. In all cases, the
employee must record the actual time worked.

D. Excluded Employees. The provisions of 5 U.S.C. § 5541
exclude SES employees from premium pay. See 5 CFR 534.408 and 5 CFR 550.101. Certain GS and all
Executive Schedule employees are also excluded because premium pay may be paid only to the
extent that aggregate pay does not exceed the maximum rate of pay for a GS-15 employee. See 5
U.S.C. § 5547. National Guard technicians are not entitled to premium pay for overtime; instead,
they may earn compensatory time.

E. Compensatory Time Off

employees, including FWS and FLSA nonexempt employees, may request compensatory time off
from their scheduled tour of duty instead of payment for an equal amount of time spent in irregular
or occasional overtime work. Mandatory compensatory time off is required only for FLSA exempt
employees (who are not prevailing rate employees) whose rate of basic pay is greater than the rate
for GS-10, step 10. See 5 CFR 550.114(c). An agency may not require FWS and FLSA nonexempt
employees to take compensatory time off instead of being paid overtime pay, unless the employee
requests compensatory time. See 5 CFR 532.504 and 551.531.

2. Dollar Value of Compensatory Time Off and Premium Pay Cap
Limitations. An employee must receive advanced written approval for compensatory time worked.
Such approval must be made in accordance with Chapter 2. Compensatory time off is an
alternative form of payment for overtime work. For the purpose of applying pay cap limitations
or liquidating compensatory time, the dollar value of the compensatory time equals the amount of
overtime pay the employee would otherwise have received for performing the same number of
hours of overtime work. Pay limitations apply as follows:
a. Biweekly Premium Pay Cap. If invoking the biweekly cap, an employee cannot receive credit for compensatory time worked if the basic rate of pay equals or exceeds the maximum rate for grade GS-15, step 10, or Level V of the Executive Schedule. An employee whose basic rate is less than the maximum rate of GS-15, step 10, or Level V of the Executive Schedule, may earn compensatory time. However, it may only be credited to the extent that the monetary value of the compensatory time does not cause the total rate of pay to exceed the maximum earnings limitations under 5 CFR 550.106(c).

b. Annual Premium Pay Cap. If invoking an annual premium pay cap, an employee may only receive credit for compensatory time to the extent that the monetary value of the compensatory time does not cause the total rate of pay to exceed the maximum earnings limitations. See 5 CFR 550.106(c).

c. FLSA Considerations. The granting of compensatory time off in lieu of overtime pay under 5 U.S.C. § 5542 must not violate the overtime pay requirements of FLSA. For instructions on compensatory time off for nonexempt employees, refer to 5 CFR 551.531. For FLSA exempt employees, refer to 5 CFR 550.114.

3. Occasional or Irregular Overtime Work. FWS, FLSA nonexempt and FLSA exempt GS employees may choose to earn compensatory time in place of payment for an equal amount of time spent in occasional or irregular overtime work, i.e., overtime work not scheduled in advance of the employee’s workweek. Compensatory time off may be approved in lieu of regularly scheduled overtime work for FLSA exempt employees who are ordered to work overtime hours under a flexible work schedule under 5 U.S.C. § 6122. Additionally, an FWS or FLSA nonexempt employee may request compensatory time off if the employee is on a flexible work schedule under 5 U.S.C. § 6122. In this situation, the compensatory time off is granted instead of payment under 5 CFR 532.504 and 5 CFR 551.501 for an equal amount of time spent in overtime work, without regard to whether the overtime work was irregular or occasional in nature.

4. Time Limits. Pursuant to 5 CFR 550.114 and 551.531, the limit for the use of compensatory time off is the end of the 26th pay period after that in which the overtime was worked.

a. FLSA/FWS Employees. Compensatory time off must be granted to an FLSA exempt or non-exempt employee within a reasonable time after the overtime is worked. If an FLSA exempt employee fails to take earned compensatory time off within 26 pay periods, the unused compensatory time worked pays out at the overtime rate earned or is forfeited based off the employing agency’s discretion. See the OPM Fact Sheet: Compensatory Time Off.

b. National Guard Employees. National Guard employees are not entitled to overtime and may not receive payment for unused compensatory time worked.
National Guard employees must use their compensatory time by the end of the 26th pay period after it is earned or the compensatory time will be forfeited.

5. **AWS.** Employees on a flexible work schedule or compressed work schedule may earn compensatory time off in lieu of overtime pay.

   a. **Flexible Work Schedule.** An agency may approve compensatory time off in lieu of overtime pay for non-SES employees under a flexible work schedule at the employee’s request. See 5 U.S.C. § 6123(a)(1).

   b. **Compressed Work Schedule.** Compensatory time off may be approved in lieu of overtime pay only for irregular or occasional overtime work by an employee as defined in 5 U.S.C. § 5541(2) or by an FWS prevailing rate employee as defined in 5 U.S.C. § 5342(a)(2), but may not be approved for an SES member. Mandatory compensatory time off is limited to FLSA exempt employees, who are not prevailing rate employees, whose rate of basic pay is greater than the rate for GS-10, step 10.

6. **Compensatory Time Off in Relation to Night Pay.** When a GS employee takes compensatory time off during his or her scheduled tour of duty that includes night pay, the employee is still entitled to night pay for that time only if the scheduled tour of duty is between 6 p.m. and 6 a.m. and the employee’s leave total is less than 8 hours in a pay period. See 5 CFR 550.122.

7. **Compensatory Time Off in Relation to Annual Leave.** Compensatory time off may be granted before annual leave is approved except when annual leave would otherwise be forfeited. If the use of earned compensatory time off or credit hours that are about to expire results in the forfeiture of excess annual leave, the forfeited leave cannot be restored. See the OPM Pay and Leave, Pay and Leave Administration, Fact Sheet: *Restoration of Annual Leave.*

8. **Payment for Unused Compensatory Time**

   a. **Separation or Transfers.** When an FLSA exempt or nonexempt employee separates, dies, or transfers to another DoD Component (e.g., from Army to Navy, or Air Force to the Defense Logistics Agency) or the employee moves to a non-DoD agency (e.g., Army to Department of the Treasury), the losing Component must pay for any unused compensatory time balances. The agency must pay the balance at the overtime rate in effect when the employee earned the compensatory time. National Guard employees are not paid for unused compensatory time. See the DoD Instruction (DoDI) *1400.25, Volume (V)550*, 5 CFR 550.114 and 551.531.

   b. **Uniformed Service or Injury-on-the-Job.** Agencies must pay an FLSA exempt or nonexempt employee for compensatory time off not used by the end of the 26th pay period after the pay period earned. Payment is at the overtime rate in effect when earned when the employee is unable to use the compensatory time off because of separation or placement in a leave without pay status because of:
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(1) Performing service in the uniformed services (5 CFR 550.114(f)) or

(2) An on-the-job injury with an entitlement to injury compensation under 5 U.S.C., Chapter 81.


Time off for religious reasons is recorded in a special leave account. Religious compensatory time off may be earned within 13 pay periods in advance of the pay period in which it is intended to be used, or within 13 pay periods following the pay period in which it was used. Time off balances do not transfer. When an employee separates, dies, or transfers to another Federal agency, any unused time off balance must be paid by the losing activity at the basic hourly rate in effect when the time was worked. If the employee has an advanced time off balance at the time of separation, death, or transfer, a debt must be created. Compensatory overtime worked in this manner is exempt from maximum pay limitations and all other provisions of overtime and premium pay contained in 5 CFR 550.1001-1002, 5 U.S.C., Chapter 55, Subchapter V, and 29 U.S.C. § 207. For additional information, see Chapter 5.

030303. Night Pay Differential (GS) and Night Shift Differential (FWS)

A. GS Employees. Under 5 U.S.C. § 5545(a), night pay differential, at the rate of 10 percent of the hourly basic rate, is payable to employees for regularly scheduled work performed between 6 p.m. and 6 a.m. Accordingly, the hourly basic rate is multiplied by 10 percent, with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. Night pay differential is not included in the rate of basic pay used to calculate overtime, Sunday, or holiday pay. Night pay differential is in addition to overtime, Sunday, or holiday pay. The head of a department may designate another time between 6 p.m. and 6 a.m., as the beginning and end of the night work for activities outside of the U.S. See 5 CFR 550.121. Employees are not entitled to night pay differential while engaged in training, except where the situation they are learning to handle occurs only at night. An employee is entitled to night pay differential under the following circumstances:

1. For the hours actually worked between 6 p.m. and 6 a.m. when such hours are part of the employee’s regularly scheduled work;

2. For overtime work performed between the hours of 6 p.m. and 6 a.m. if the overtime is regularly scheduled in advance of the administrative workweek;

3. For a period of paid leave during night work hours, only when the total amount of leave in a pay period, including both night and day hours, is less than 8 hours. Exceptions to this rule are employees on court leave; military leave; including leave for law enforcement and encampment purposes; time off with pay for a holiday; official travel status; administrative leave; compensatory time used; credit hours used; continuation of pay (COP) and time off awards;
4. When excused from night work during a tour of duty while on official travel status, whether performing actual duty or not. See 5 CFR 550.122(a);

5. When temporarily assigned during the administrative workweek to a daily tour of duty that includes night work. See 5 CFR 550.122(d); or

6. When excused from night work on a holiday or other non-workday. See 5 CFR 550.122(a).

B. Part-Time Employees. Part-time GS employees are eligible for night pay differential for work performed between 6 p.m. and 6 a.m. as part of their regularly scheduled administrative workweek.

C. Intermittent Employees. Intermittent GS employees who have no regularly scheduled tour of duty are not eligible for night pay differential. These employees are eligible for night pay differential during temporary assignment to a regular tour of duty with night work.

D. FWS Employees. Under 5 U.S.C. § 5343(f), FWS employees receive night shift differential at one of the two following rates: the rate of 7.5 percent of their hourly rate for non-overtime work when a majority of their scheduled hours occur between 3 p.m. and midnight; or 10 percent of their hourly rate for non-overtime work when the majority of scheduled hours occur between 11 p.m. and 8 a.m. For additional information, see 5 CFR 532.505. Night shift differential is considered as part of basic pay in the calculation of overtime pay, Sunday pay, holiday pay, and deductions for retirement and FEGLI. An employee regularly assigned to a night shift is entitled to night shift differential under the following circumstances:

1. For all non-overtime hours worked during an entire shift when the majority of hours fall within the specified periods;

2. On paid leave, such as court leave, holiday leave, compensatory time used, and administrative leave. See 5 CFR 532.505(e);

3. During a tour of duty while on official travel status, whether performing actual duty or not. See 5 CFR 532.505(c);

4. When temporarily assigned to a different tour of duty. See 5 CFR 532.505(d); or

5. When excused from night work on a holiday or other non-workday. See 5 CFR 532.505(b).

E. National Guard Technicians. Army and Air National Guard technicians are not entitled to payment of night differential or premium pay for overtime pay during periods of overtime worked. National Guard technicians earn compensatory time.
030304. Sunday Premium Pay

Additional pay at a rate of 25 percent of the hourly basic rate is payable to full and part-time employees whose regularly scheduled workweek, which does not include overtime hours, includes Sunday. Part-time employees are eligible for Sunday premium pay. See December 8, 2009, OPM Memorandum: Fathauer v. U.S. 566 F.3d 1352 (Fed. Cir. 2009). Sunday premium pay is payable for the entire period of non-overtime work during an employee’s regularly scheduled daily tour of duty, not to exceed 8 hours, that begins or ends on a Sunday. Employees who do not actually perform work on Sunday do not earn Sunday premium pay. See 5 U.S.C. § 5546. Therefore, employees who are regularly scheduled to work on Sunday and who are on paid leave, excused absence, taking compensatory time off, using credit hours, or not working because Sunday is a holiday, are not entitled to Sunday premium pay. Intermittent employees are not entitled to Sunday premium pay. See 5 U.S.C. §§ 5544 and 5546. FWS employees are entitled to Sunday premium pay under 5 U.S.C. § 5544(a).

A. Flexible Work Schedule. A full-time or part-time employee on a flexible work schedule who performs regularly scheduled non-overtime work during a period of duty, a part of which is performed on Sunday, is entitled to Sunday pay for the entire period of duty, not to exceed 8 hours.

B. Compressed Work Schedule. A full-time or part-time employee on a compressed work schedule who performs non-overtime work during a period of duty, a part of which is on Sunday, is entitled to Sunday pay for the entire period of duty on that day, even if the hours worked exceeded 8 hours. See 5 U.S.C. § 6128.

C. First 40-Hour Tour of Duty. A first 40-hour tour of duty is regularly scheduled work. An employee under a first 40-hour schedule is entitled to up to 8 hours of Sunday premium pay when performing non-overtime work on a Sunday. See 5 CFR 610.111 and OPM, Pay and Leave, Work Schedules. Any additional hours over 8 hours in a day are paid as overtime unless the employee is: engaged in professional or technical engineering or scientific activities for whom the first 40 hours of duty in an administrative workweek is the basic workweek; or the employee’s basic pay exceeds the minimum rate for GS-10, step 1 (including any applicable locality-based comparability payment under section 5304 or similar provision of law and any applicable special rate of pay under section 5305 or similar provision of law) for whom the first 40 hours of duty in an administrative workweek is the basic workweek. An employee on a first-40 tour who does not fall under one of these two exceptions is entitled to overtime pay for hours worked in excess of 8 hours in a day or 40 hours in an administrative workweek. See 5 U.S.C. § 5542 and 5 CFR 550.111(d)(2).

D. Maximum Hours. The maximum number of hours of Sunday premium pay that an employee is paid for one Sunday is 16 hours. The 16 hours would include two 8-hour tours: one starting on Saturday night and ending on Sunday morning, and the next tour starting Sunday night and ending on Monday morning.
E. **Rate of Payment.** The hourly basic rate is multiplied by 25 percent with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. See OPM Operating Manual, Federal Wage System - Appropriated Fund, *Subchapter S8-4e*.

030305. **Holiday Premium Pay**

In accordance with 5 U.S.C. § 5546 and 5 CFR 550.131, an employee who performs non-overtime work on a holiday designated by federal statute or executive order is entitled to holiday premium pay. Holiday premium pay is equal to the employee’s rate of basic pay. An employee receives basic pay, plus holiday premium pay, for each hour of holiday work that is not in excess of their regularly scheduled non-overtime basic tour of duty, not to exceed 8 hours. Overtime work on a holiday is paid in accordance with paragraph 030302. An employee required to perform any work on a designated holiday is entitled to pay for at least 2 hours of holiday work. Holiday premium pay is in addition to overtime pay, night pay differential, or Sunday pay. See also OPM Fact Sheet: Federal Holidays – Work Schedules and Pay.

A. **Flexible Work Schedule.** For an employee working a flexible work schedule, holiday pay for non-overtime work is limited to 8 hours in a day. A part-time employee, scheduled to work on a day designated as an “in lieu of” holiday for full-time employees, is not entitled to a premium for work performed on that day. See 5 U.S.C. § 6123.

B. **Compressed Work Schedule.** For an employee working a compressed work schedule, holiday pay for non-overtime work is limited to the number of hours normally scheduled for that day. A part-time employee, scheduled to work on a day designated as an “in lieu of” holiday for full-time employees, is not entitled to a premium for work performed on that day. See 5 U.S.C. § 6128.

C. **GS Employees.** GS employees receive their basic pay, including any night differential, for holidays on which they are not required to work. Employees are entitled to additional holiday premium pay for work performed on a holiday not to exceed 8 hours, during the hours of their regularly scheduled tour of duty.

D. **FWS Employees.** FWS employees who have a regular tour of duty and are not required to work due to a holiday are entitled to the same rate of pay for that day as if they had worked. For work performed on a holiday, FWS employees are entitled to their basic rate plus premium pay at a rate equal to their basic pay for holiday work that is not more than 8 hours or is not overtime work. For additional information, see 5 CFR 532.507.

E. **Callback.** Unscheduled overtime work performed by an employee on a day when work was not scheduled, or for which the employee is required to return to the place of employment is deemed to be at least 2 hours in duration. See 5 U.S.C. § 5542. If the callback occurs on a holiday during the employee’s regular schedule, an agency must pay a minimum of 2 hours holiday premium. The employee must record the actual time worked for time and attendance purposes. Employees working more than 2 hours are entitled to pay for the actual number of hours worked.
F. Training. An employee is not entitled to holiday premium pay while engaged in training, except under limited circumstances set out at 5 CFR 410.402.

030306. Annual Premium Pay for Standby Duty

Employees may receive premium pay on an annual basis when working in a position regularly requiring them to remain at, or within the confines of, their station during longer than ordinary periods of duty, and a substantial part of which consists of remaining in a standby status rather than performing work. See 5 U.S.C. § 5545(c) and 5 CFR 550.141-550.144. Annual premium pay for standby duty is in lieu of premiums for regularly scheduled overtime, night, holiday, and Sunday work.

A. Irregular or Unscheduled Overtime. Additional hours of irregular or unscheduled overtime duty in excess of the regularly scheduled weekly tour are not compensated by standby premium pay, but are eligible for overtime pay consideration under 5 U.S.C. § 5542 or the FLSA overtime provisions at 29 U.S.C. § 207.

B. Rate of Payment. Premium pay is determined as an appropriate percentage, not in excess of 25 percent, of the rate of basic pay for the position not exceeding the minimum applicable rate of basic pay for GS-10, including any applicable locality-based comparability payment or similar provision of law, and any applicable special rate of or similar provisions of law. See 5 CFR 550.141 and 5 U.S.C. § 5304.

030307. Annual Premium Pay for Administratively Uncontrollable Overtime (AUO)

A. Eligibility Criteria. Premium pay may be paid on an annual basis instead of other premium pay (except premium pay for regular overtime work and work at night, on Sundays, and on holidays) when an employee is in a position in which the hours of duty cannot be controlled administratively. The position must require substantial amounts of irregular, unscheduled overtime work, with the employee generally responsible for recognizing, without supervision, circumstances that require an employee to remain on duty. The circumstances under which payment of AUO is appropriate are extremely limited; in particular, AUO is not appropriate for FLSA nonexempt employees.

B. Rate of Payment. Title 5, U.S.C. § 5545(c)(2) provides that premium pay for AUO is an appropriate percentage, not less than 10 percent nor more than 25 percent, of the employee’s rate of basic pay. This includes any special rate of pay for LEOs, or special pay adjustment for LEOs under section 302 and 403 of the FEPCA, a locality-based comparability payment under 5 U.S.C. § 5304, and any applicable special rate of pay under 5 U.S.C. § 5305, or similar provision of law. See 5 CFR 550.151. The servicing PRO pays AUO according to the rate information provided by the servicing HRO via SF 50 data. AUO for law enforcement personnel, which includes the office of special investigations agents, is subject to retirement and FEGLI deductions. See 5 U.S.C. §§ 8331(3)(D) and 8704(c)(2). The AUO for Open Mess/Club Managers is not subject to retirement or FEGLI deductions. See 5 U.S.C. § 8331(3)(C) and (D), and 5 U.S.C. § 8704(c)(1) and (2). For additional information, see Civilian Personnel Manual (CPM) Guidance on AUO (CPM 97-5).
Hazardous Duty Pay (HDP) and Environmental Differential Pay (EDP)

A. HDP

1. General. Under 5 U.S.C. § 5545(d) and 5 CFR 550.901-907, GS employees who are assigned hazardous duty or duty involving physical hardship may be entitled to premium pay in the form of HDP. The servicing PRO pays HDP according to information provided by the servicing HRO. Hazardous duty means duty performed under conditions in which an accident could result in serious injury or death. Duty involving physical hardship means duty that may not be hazardous, but may cause extreme physical discomfort or distress that is not adequately alleviated by protective or mechanical devices. Some examples of duty involving physical hardship include duties involving exposure to extreme temperatures for a long period, arduous physical exertion, or exposure to fumes, dust, or noise that causes nausea, skin, eye, ear, or nose irritation.

2. Rate of Pay. The amount of HDP is determined by multiplying the percentage rate authorized for the exposure, found in 5 CFR 550, Subpart I, by the employee’s hourly rate of pay. That amount is multiplied by the number of HDP hours to be paid. HDP is paid for overtime hours based on the employee’s hourly rate of basic pay, not the hourly overtime rate.

3. Other

   a. HDP is not included as part of the employee’s basic rate of pay for computation of overtime, holiday pay, Sunday premium, or the amount of retirement, Thrift Savings Plan (TSP), and FEGLI deductions.

   b. HDP is paid for all hours in a pay status the day on which the exposure occurs.

   c. Payment of HDP is not subject to the biweekly pay cap placed on other premium pay as discussed in subparagraph 030203.A. However, HDP is included in the aggregate limitation on pay as discussed in subparagraph 030203.B.

   d. HDP may not be more than 25 percent of the employee’s rate of basic pay.

   e. TP Pay Plan employees are not authorized HDP.

   f. Agencies may not pay HDP for hours of work during which an employee is paid annual premium pay for standby duty, AUO work, or availability pay.

B. Environmental Differential Pay

1. General. Under 5 U.S.C. § 5343(c)(4), an FWS employee is entitled to an environmental differential when exposed to a working condition or hazard that falls within
one of the categories approved by OPM. Pursuant to 5 CFR 532.511, EDP is included as part of an FWS employee’s basic rate of pay for computation of overtime, holiday pay, Sunday premium, and the amount of retirement, TSP, and FEGLI deductions. It is not part of basic pay for purposes of lump-sum leave payments and severance pay. The servicing HRO determines when EDP is payable and obtains approval from OPM for additional categories not listed in Appropriated Fund Operating Manual, Appendix J, Federal Wage System. TP pay plan employees are not authorized EDP.

2. Pay Rate. EDP is payable on an actual exposure basis and is payable for all hours the employee is in a pay status on the day on which exposure to the situation occurs, including overtime hours. The amount that is payable is determined by multiplying the percentage rate authorized for the exposure by the basic hourly rate of a Wage Grade 10, step 2, then multiplying that amount by the number of EDP hours to be paid. When EDP is payable for actual exposure, each exposure is separately considered. Hours posted must not exceed the hours of active duty on the day of exposure. If the exposure is less than 1 hour, agencies must pay a minimum of 1 hour. If the exposure is longer than 1 hour, the actual amount of time exposed is payable in 15 minute increments. See 5 CFR 532.511.

0304 FOREIGN AND NONFOREIGN ALLOWANCES AND DIFFERENTIALS

030401. General

A. Foreign Area. Allowances and differentials payable to employees officially stationed in foreign areas are established by the Secretary of State and published in the Department of State Standardized Regulations (DSSR). See 5 U.S.C. §§ 5921 - 5928. The DoDI 1400.25, V1250 sets forth additional rules regarding foreign allowances and differentials for DoD civilian employees. Foreign differentials and allowances are paid upon receipt through the interface of a properly completed and signed SF 1190, Foreign Allowances Application, Grant, and Report.

B. Nonforeign Area. Allowances and differentials payable to employees officially stationed in nonforeign areas and the 50 states are established by OPM. See 5 U.S.C. § 5941 and 5 CFR 591. The servicing HRO will interface SF 50 data to inform the servicing PRO when an employee is eligible for a nonforeign differential or allowance.

030402. Foreign Area Allowances and Differentials

A. Quarters Allowances. Quarters allowances are intended to reimburse an employee substantially for all costs associated with either temporary or residence quarters whenever government-owned or government-rented quarters are not provided to the employee without charge. See 5 U.S.C. § 5923(a)(1) and (2) and the DoDI 1400.25, V1250.

1. Living Quarters Allowance (LQA). The LQA entitlement is intended to reimburse an employee for rent and any costs not included in the rent amount for heat, light, fuel, gas, electricity, and water. Employees receiving LQA may not receive the Temporary Quarters Subsistence Allowance (TQSA) for the same period except under special circumstances as specified in the DSSR, Chapter 100 sections 124.1 and 132.41.
3-25

a. **LQA Rate.** The daily LQA rate is determined by dividing the annual amount by the number of days in a calendar year. This daily rate is paid for all applicable days in a pay period. LQA is paid on a biweekly basis. LQA is not paid to an employee who is Absent Without Leave (AWOL) or on a suspension.

b. **LQA Advance.** LQA may be advanced for a period of not less than 3 months or more than 1 year (unless specifically approved by the officer designated to authorize allowances). Advanced LQA must not exceed the lesser of the total rent advanced to the lessor, or the employee’s maximum LQA rate as authorized in the DSSR, Chapter 900, section 920.

2. **TQSA.** TQSA is an allowance granted to an employee for the reasonable cost of temporary quarters, meals, and laundry expenses incurred by the employee and/or family members. See 5 U.S.C. § 5923, the DSSR, Chapter 100, section 120, and the DoDI 1400.25, V1250. TQSA is payable: for a period not to exceed 90 days after first arrival at a new post in a foreign area, or for a period ending with the occupation of residence (permanent) quarters, if earlier; or for a period not to exceed 30 days immediately preceding final departure from the post when the employee must vacate residence quarters. Receipts are required for lodging and laundry expenses, and the employee must submit a certified statement for the daily cost of meals. TQSA is based on the maximum per diem rate for the foreign location found in the DSSR, Chapter 900, at *Foreign Per Diem Rates by location* in accordance with the DSSR, Chapter 100, section 120.

a. **Travel.** TQSA may continue during periods of official travel which authorize per diem, if the head of the agency determines the employee acted responsibly in retaining temporary quarters during the period of travel. See the DSSR, Chapter 100, section 126.2.

b. **Extension.** The 90 and 30 day TQSA period may be extended up to 60 additional days if it is determined by the head of the agency that compelling reasons beyond the control of the employee require continued occupancy of temporary quarters. See the DSSR, Chapter 100, section 122.2.

c. **Post Allowance.** Employees are not authorized post allowance while receiving TQSA. See the DSSR, Chapter 100, section 127.

d. **Payments.** Payment of TQSA may be made:

   (1) In advance for up to 30-day increments,

   (2) In biweekly payments, or

   (3) Upon completion of the TQSA period at the request of the employee and as authorized by the HRO.
e. Prior to Termination of LQA. TQSA may be authorized for up to 5 days prior to the termination of LQA when it is necessary to vacate permanent quarters in order to meet lease requirements for heavy cleaning, painting, or repairs when preceding final departure from the post. See the DSSR, Chapter 100, section 124.1.

B. COLAs. COLAs are intended to reimburse an employee for certain excess costs, exclusive of any quarters cost, which result from being officially stationed in a foreign area. COLAs include post allowance, the foreign transfer allowance (FTA), the home service transfer allowance (HSTA), the separate maintenance allowance (SMA), the education allowance, and the educational travel reimbursement. See the DSSR, Chapter 200 and 5 U.S.C. § 5924.

1. Post Allowance. Post Allowance is a COLA granted to an employee officially stationed at a post in a foreign area where the cost-of-living, exclusive of the cost of quarters, is substantially higher than in Washington, District of Columbia (D.C.). See the DSSR, Chapter 200, section 220 and the DoDI 1400.25, V1250.

a. Pay Rate. The amount paid is a flat rate varying only by basic salary, size of the family, and location of the assigned post. The daily rate is determined by dividing the annual amount by the number of days in a calendar year, then multiplying the daily rate by the number of days involved to obtain the biweekly amount. The daily rate is paid for all applicable days in a pay period, with the exception of days on AWOL or a suspension. Post allowance is not authorized to be paid at the same time an employee is receiving TQSA.

b. Payment Upon Separation. Post allowance is included in the computation of lump-sum leave payments upon separation from federal service if the employee’s official duty station is in the foreign area when the employee becomes eligible for the lump-sum payment.

2. Foreign Transfer Allowance (FTA). FTA is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, that the employee incurs incident to being established at any post of assignment in a foreign area. The subsistence expense portion of FTA reimburses an employee for allowable expenses incurred prior to departure from a post in the U.S., its territories, possessions, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands to a post in a foreign area. FTA consists of four elements of which the following three are authorized within DoD for payment: the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. The wardrobe expense portion is not authorized for payment within DoD. See the DSSR, Chapter 200, section 240 and the DoDI 1400.25, V1250.

3. Home Service Transfer Allowance (HSTA). HSTA is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, incurred by an employee in connection with a transfer to a post of assignment in the U.S. The employee must sign a certification indicating he or she agrees to complete 12 months of government service following the effective date of transfer. HSTA consists of four elements of which the following three are authorized within DoD for payment: the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. The wardrobe expense portion is not
authorized for payment within DoD. See the DSSR, Chapter 200, *section 250* and the DoDI 1400.25, V1250.

4. **Separate Maintenance Allowance (SMA)**. SMA is an additional COLA paid to assist an employee to maintain a separate household other than at the employee’s foreign post of assignment for the employee’s family or a member of the family. The agency must determine the employee is compelled to obtain separate family quarters for reasons such as: dangerous, notably unhealthy, or excessively adverse living conditions, for the convenience of the government, or because of special family needs. The rate is determined by the number of dependents maintained other than at the post of assignment and is computed at an annual rate. Agencies pay SMA for all applicable days in a pay period. The daily rate is determined by dividing the annual amount by the number of days in a calendar year. The biweekly amount is determined by multiplying the daily rate by 14. If any other period is involved, the amount payable is determined by multiplying the daily rate by the number of days involved. See the DSSR, Chapter 200, *section 260* and the DoDI 1400.25, V1250.

5. **Education Allowance**. The education allowance assists the employee with the extraordinary and necessary expenses incurred because of service in a foreign area in providing adequate elementary and secondary education for a child or children. The education allowance covers expenses for which the employee is not otherwise compensated. The education allowance is not authorized for payment within DoD. However, reimbursement is authorized for transportation costs of dormitory student family members of eligible employees between the employee’s overseas duty station and the DoD Education Activity (DoDEA) approved school. See the DSSR, Chapter 200, *section 270*, 5 U.S.C. § 5924, and the DoDI 1400.25, V1250.

6. **Educational Travel**. Educational travel is reimbursement for travel to and from a school in the U.S. for purposes of attending a full-time course for secondary or college education. Reimbursement will be limited to one annual roundtrip. An annual roundtrip is defined as one roundtrip at any time within any one 12-month period. Any portion of the roundtrip not taken in the 12-month period does not accrue to a subsequent period. See the DSSR, Chapter 200, *section 280*, the DoDI 1400.25, V1250, and 5 U.S.C. § 5924.

C. **Representation Allowance**. Representation allowances are intended to cover allowable items of expenditure by employees, including foreign national employees, whose official positions entail responsibility for establishing and maintaining relationships of value to the U.S. in foreign countries and by adult family members acting with, or on behalf of, these employees. Examples of allowable items are those of an entertainment or protocol nature, tips and gratuities, flowers and wreaths, or other representational expenses, which the head of an agency may authorize or approve as being of the type to promote the interest of the U.S. The employee’s position first must be designated by the Deputy Under Secretary of Defense for Civilian Personnel Policy as eligible for the allowance. A voucher of expenses incurred will be the basis for payment. See the DSSR, Chapter 300 and the DoDI 1400.25, V1250.

D. **Official Residence Allowance**. The defraying of official residence expenses is intended to make possible the operation and maintenance of official residences in which a principal representative can properly represent the U.S. abroad. Such representation includes
extending official (as distinct from personal) hospitality to foreign dignitaries and important visitors, receiving official deputations and callers, and holding requisite and appropriate ceremonies smoothly and with dignity. This representation also includes keeping the residence appropriately staffed and operating. The Secretary of State must designate eligible employees. See the DSSR, Chapter 400, 5 U.S.C. § 5913, and the DoDI 1400.25, V1250.

E. Post Hardship Differential. Post hardship differential is additional compensation paid as an established percentage over basic compensation ranging from 5 to 35 percent. Post hardship differential is paid on an employee living in a location with extraordinarily difficult living conditions, excessive physical hardship, or notably unhealthful conditions, as determined by the Secretary of State. Living costs are not considered in the determination. Post hardship differential is paid on a biweekly basis with regular salary and only for hours for which basic compensation is paid. Post hardship differential is included in gross income and is subject to Social Security (Old Age, Survivors, and Disability Insurance (OASDI)) and/or Medicare, federal, state, and local tax withholding. For employees with tours of duty commencing on or after October 28, 1991, post hardship differential is excluded from the lump-sum leave payment. See the DSSR, Chapter 500, 5 U.S.C. § 5551, 5 U.S.C. § 5925, and the DoDI 1400.25, V1250.

1. Post hardship differential is granted to full-time employees and temporary employees who are appointed on a full-time basis and who are U.S. citizens permanently assigned or on extended detail to a post where the differential is granted.

2. Post hardship differential for employees permanently assigned to a post commences on the latest of the following dates:
   a. The date the employee arrives at the post or the date the employee enters on duty if recruited locally,
   b. The effective date of assignment, if the employee is already at the new post on detail or leave, or
   c. The effective date a post is classified for a differential.

3. Post hardship differential for employees temporarily assigned to a post commences after the employee has spent 42 cumulative days at one or more differential locations without returning to a non-differential permanent post of assignment. The servicing PRO pays the differential starting on day 43.

F. Danger Pay Allowance (DPA) and Imminent Danger Pay (IDP). Two forms of danger pay are available to eligible civilian employees:

1. DPA. DPA under the DSSR, Chapter 650, section 652(f) may be paid to an employee serving in a foreign area or post where certain conditions exist, as established by the Secretary of State. Conditions include civil insurrection, civil war, terrorism, or wartime conditions that threaten physical harm or present imminent danger to the health or well-being of
the employee. DPA is additional compensation of up to 35 percent of the basic pay of the employee.

a. DPA is paid to full-time, temporary, part-time, and intermittent employees assigned for a minimum of 4 cumulative hours in 1 day to a danger pay post or area. All periods of leave taken while present at the danger pay post or areas may be included to meet the 4 hour requirement, but days of absence away from the post or area may not be included. When the employee is detailed to a danger pay post or area for 4 hours or more, he/she may receive DPA for the full day.

b. For full-time employees and temporary employees, the DPA is computed at the percentage of basic compensation established for the post or area. For part-time regularly scheduled employees and intermittent employees, DPA is computed at the prescribed percentage of basic compensation earned during the applicable period. DPA is not subject to any ceiling that would provide less than the full percentage rate authorized for the post or area. DPA is paid only for those hours for which basic compensation is paid and is subject to OASDI and/or Medicare, federal, state, and local tax withholding. Where there is no duplication of benefits for the same living condition, a civilian employee may receive DPA and post hardship differential pay for the same period. DPA is not included as part of the lump-sum leave payment. See the DSSR Chapter 650, section 656.

2. IDP. IDP is paid to a civilian employee who accompanies U.S. military forces in areas designated by the Secretary of Defense as being subject to hostile fire or imminent danger. See 5 U.S.C. § 5928, the DSSR, Chapters 650 and 652(g) and the DoDI 1400.25, V1250. On October 1, 1995, the State Department, at DoD’s request, added section 652(g) to the DSSR concerning IDP. The monthly amount of IDP is the same as the monthly flat rate paid to uniformed military personnel.

a. An employee may not receive IDP and a post hardship differential that would duplicate political violence credit. Nor may an employee receive IDP and DPA at the same time.

b. IDP is calculated as a daily rate and paid on a monthly basis. Daily rates are determined by dividing the monthly amount by the number of days in a month. This rate will change based on the number of days in a month. For periods of less than a month, an employee is entitled to the daily rate times the number of days in the month the employee is in the eligible area. IDP is subject to OASDI and/or Medicare, federal, state, and local tax withholding. The IDP is not included as part of the lump-sum leave payment.

3. Commencement of DPA or IDP. DPA or IDP commences on the date of designation by the Secretary of State for employees already present at the post on assignment or detail. DPA or IDP commences on the date of arrival at the post or detail for subsequently assigned or detailed employees, or for employees returning after a temporary absence.
4. Receiving Both DPA/IDP and a Post Hardship Differential. If authorized by the agency, an employee may receive both DPA/IDP and the post hardship differential. Extra pay from either an allowance or a differential is limited to no more than 35 percent of the employee’s rate of basic pay. When both an allowance and a differential are authorized, the total pay for the allowance and the differential may not exceed 70 percent of the employee’s rate of basic pay.

G. Employees in a Non-Pay Status. All allowances granted under the DSSR may continue during periods when the employee is in a non-pay status not in excess of 14 calendar days at any one time. If a non-pay status lasts longer than 14 calendar days, allowances are suspended as of the day the employee enters the non-pay status, and payment is not to be made for any part of such period, unless otherwise specifically provided under the DSSR. See the DSSR, Chapter 000, section 051.2. For information on the continuation of living quarters allowances during periods of a non-pay status, see the DSSR, Chapter 100, section 132.2.b(2).

030403. Nonforeign Area Allowances and Differentials

A. Nonforeign COLA. Nonforeign COLA is an allowance that OPM established at a location in a nonforeign area where living cost is substantially higher than the living cost in the area of Washington, D.C. Rates are available on the OPM’s, Pay and Leave, Nonforeign Area Cost-of-Living Allowances.

1. Nonforeign areas are the states of Alaska and Hawaii, the Commonwealths of Northern Marianas Islands and Puerto Rico, and territories and possessions of the U.S. and any additional areas as designated by the Secretary of State. See 5 U.S.C. § 5941.

2. The Nonforeign Area Retirement Equity Assurance Act transitioned the nonforeign area COLA authorized under 5 U.S.C. § 5941(a)(1) to locality pay authorized under 5 U.S.C. § 5304 in the nonforeign areas as listed in 5 CFR 591.205. The Act also extended locality pay to American Samoa and other nonforeign territories and possessions of the U.S. where no COLA rate applied. OPM phased in locality pay over a 3-year period beginning in January 2010. Under the law, COLA rates issued under 5 CFR 591 were frozen on October 28, 2009, the date of enactment. As locality pay increased under the Act, payable COLA rates were reduced as specified in CPM Memorandum 2010-23, Retained Rate Adjustments in Nonforeign Areas. Consequently, covered employees may have received both locality pay and a reduced COLA for a number of years.

B. Nonforeign Post Differential. Nonforeign post differential is payable under 5 U.S.C. § 5941(a)(2), if conditions of the duty station’s environment differ substantially from the conditions of the environment in the continental U.S. and warrant an allowance as a recruitment incentive. Nonforeign post differentials are designed to attract persons from outside the nonforeign area to work for the Federal Government in the post differential area. Rates and locations are available on the OPM, Pay and Leave, Nonforeign Areas website. Agencies must make these payments to all eligible civilian employees in the area whose basic pay is fixed by statute. Generally, allowances and differentials are not paid during periods an employee does not receive basic pay. The pay of FWS employees is based on the wages paid in the locality and is not covered under this section.
C. Processing Nonforeign COLA and Nonforeign Post Differentials

1. Limitation. Extra pay from an allowance or a differential, or both, may not exceed 25 percent of the employee’s rate of basic pay. In areas where OPM has authorized both a nonforeign COLA and a nonforeign post differential, the employee receives the full COLA and a partial post differential so as not to exceed the 25 percent of the employee’s hourly rate of basic pay. See 5 CFR 591.238.

2. Computation. Employees receive nonforeign COLA and nonforeign post differential as a percentage of the employee’s hourly rate of basic pay, including a retained rate of pay under 5 U.S.C. §§ 3594(c) or 5363, for those hours during which the employee receives basic pay. This includes all periods of paid leave, detail, or travel status outside COLA or nonforeign post-differential area. See OPM, Pay and Leave, Nonforeign Areas website for rates.

3. Taxation. Nonforeign COLA is not included in gross income for OASDI and/or Medicare, federal, or state income tax withholding. Nonforeign post differential is included in gross income for OASDI and/or Medicare, federal, state, and local income tax withholding. See Table 4-2 of Chapter 4.

4. Treatment for the Purposes of Overtime and Other Entitlements. Nonforeign COLA and nonforeign post differential may not be included as part of an employee’s rate of basic pay for the purpose of computing entitlements to overtime pay, retirement, TSP, FEGLI or any other additional pay. See 5 CFR 591.239. The allowance or differential is included in an employee’s regular rate of pay for computing overtime pay for FLSA nonexempt employees. See 5 CFR 591.239. The allowance or differential is included in the computation of lump-sum leave payments if the employee’s official duty station is in the nonforeign area when he or she becomes eligible for a lump-sum payment under 5 CFR 550.1203. See 5 CFR 550.1205(b)(8).

0305 OTHER PAY, DIFFERENTIALS, AND ALLOWANCES

030501. Physicians’ Comparability Allowance

A. Eligible federal physicians who enter into service agreements with their agencies may be authorized a physician comparability allowance. See 5 CFR 595 and 5 U.S.C. § 5948. The allowances are paid only for certain categories of physicians that are the subject of recruitment and retention problems for the agency. The allowance is fixed at the minimum amounts necessary. Unless otherwise provided in the agreement, if the physician fails to complete at least 1 year of service, either voluntarily or because of misconduct, the physician must refund the total amount received (unless the head of the agency determines that the failure was beyond the control of the physician). If the physician completes more than 1 year of service, but fails to complete the full period of service specified in the agreement, the physician must refund the amount of allowance he or she received under the agreement for the 26 weeks of service immediately preceding the termination (or longer if specified in the service agreement).
B. The amount received must not exceed:

1. $14,000 per annum if, at the time the agreement is entered into, the government physician had served as a government physician for 24 months or less; or

2. $30,000 per annum if the government physician has served as a government physician for more than 24 months. See 5 U.S.C. § 5948(a).

C. A physician may not receive an allowance pursuant to this section if the physician:

1. Is employed less than 20 hours per week or on an intermittent basis,

2. Is employed in an internship or residency training position,

3. Is a reemployed annuitant, or

4. Is fulfilling a scholarship obligation to the U.S. Government.

D. Any allowance paid under this section is not considered basic pay for the purposes of 5 U.S.C. §§ 5551 (lump-sum leave payments), 5552 (lump-sum leave on entering active duty), and 5595 (severance pay), 5 U.S.C., Chapters 81 (compensation for work injuries), and 87 (FEGLI), or other benefits related to basic pay. See also 5 U.S.C. § 5948(h)(1). However, this allowance is included as basic pay for computing Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS) and TSP contribution amounts, and for computing disability retirement benefits and survivor benefits for death-in-service. See OPM Benefits Administration Letter (BAL) 04-102.

E. Any allowance under this section for a government physician is paid in the same manner and at the same time as the physician’s basic pay is paid. This allowance is subject to retirement and TSP deductions. This allowance is subject to OASDI and/or Medicare, federal, state, and local income tax withholding. The allowance is subject to the aggregate limitation on pay discussed in subparagraph 030203.B.

030502. Supervisory Differential

A. The authority to approve payment of supervisory differentials under 5 U.S.C. § 5755 and 5 CFR 575, Subpart D is delegated through, and subject to, the authority of the head of the DoD Component and the Component chain of command to the official(s) who exercises personnel-appointing authority (normally, the head of an installation or activity). Only the Secretary or Deputy Secretary of Defense may approve a supervisory differential for an individual appointed to a Schedule C position, as defined by 5 CFR 213. The DoDI 1400.25, V575 contains additional detailed guidance on the supervisory differential entitlement. The agency authorizes payment of a supervisory differential to a GS employee who has supervisory responsibility for one or more non-GS employees. The differential may be authorized if one or
more of the subordinate civilian employees would be paid more than the supervisory employee in the absence of such a differential.

B. The servicing HRO will provide a dollar amount equal to the value of the authorized percentage by submission of SF 50 data. The servicing PRO calculates the supervisory differential as a percentage of the supervisor’s rate of basic pay. The servicing PRO pays the supervisory differential in the same manner and at the same time as basic pay. The supervisory differential is not considered part of basic pay for any purpose, including retirement, FEGLI, or TSP. This differential is subject to OASDI and/or Medicare, federal, state, and local income tax withholding. The supervisory differential is subject to the aggregate limitation on pay discussed in subparagraph 030203.B.

030503. Remote Site Allowance

The remote site allowance is paid to an employee who is assigned to duty, except temporary duty, at a site so remote from the nearest established community or suitable place of residence as to require an appreciable degree of expense, hardship, and inconvenience in commuting. Such hardships and inconveniences must extend beyond those normally encountered in metropolitan commuting. When so assigned, the employee is entitled to an allowance not to exceed $10 per day, in addition to pay otherwise due to the employee. See 5 U.S.C. § 5942 and 5 CFR 591, Subpart C.

030504. Uniform Allowance

Defense agency employees required by law or regulation to wear uniforms during the performance of official duties may be reimbursed a uniform allowance in accordance with the rates posted in the DoDI 1400.25, V591. The agency’s authorized management official must approve the payment of a uniform allowance. Uniform allowances are not considered wages.

030505. Qualified Transportation Fringe Benefits

A. Title 5, U.S.C. § 7905 authorizes federal agencies to offer transportation fringe benefits to employees in accordance with 26 CFR 1.132-9. Pursuant to 26 U.S.C. § 132, qualified transportation fringe benefits provided to employees, including transit passes, qualified parking, and transportation in commuter highway vehicles, is not included in gross income for federal tax purposes. The DoDI 1000.27 implemented the Mass Transportation Benefit Program (MTBP) on October 28, 2008, for eligible DoD employees. The MTBP provides benefits for qualified means of transportation, such as commuter bus or train, subway or light rail, ferry or vanpool. A DoD employee who receives subsidized parking is not eligible to participate in the MTBP. Each DoD Component implements policy and procedures in accordance with the MTBP. Agencies may offer qualified federal employees transit-pass-transportation fringe benefits in the National Capital Region as described in Executive Order 13150. See 26 U.S.C. § 132 (f).

B. Each year, the Internal Revenue Service (IRS) sets limits on the amount that may be excluded from an employee’s taxable wages each month for the total value of qualified transportation fringe benefits. See IRS Publication 15-B, Employer’s Tax Guide to Fringe
Benefits. Amounts within the monthly limit are not considered wages and therefore, are paid through the servicing commercial accounts office. If the value of the benefit for any month is in excess of the qualified published limits, the amount over the limit is includible as gross income and is subject to OASDI and/or Medicare, federal, state, and local income tax withholding. The value of the benefit is not subject to retirement, FEGLI, or TSP deductions. See Chapter 9 for reporting information.

*030506. Government-Provided Home-to-Work Transportation

A. Title 26, CFR, section 1.61-21 provides detailed rules for determining the employer-provided home-to-work benefit that is reported on an eligible employee’s Form W-2, Wage and Tax Statement. The DoD 4500.36-R requires the OUSD Comptroller, in coordination with the OUSD P&R, provide annual guidance concerning the valuation methods for home-to-work transportation. Employers are responsible for determining the value of the employer-provided benefit and reporting it to the Defense Finance and Accounting Service (DFAS) for the employee’s Form W-2. The benefit is subject to OASDI and/or Medicare, federal, state, and local income tax withholding. The benefit is not subject to retirement, FEGLI, or TSP deductions.

* B. DoD employing activities will not report on a calendar year basis. Rather, they will report for the 12-month period from November 1 through October 31. The value of the benefits received in November and December will be considered paid in the next year as authorized by the IRS Publication 15-B.

030507. Foreign Language Proficiency Pay (FLPP)

Under 10 U.S.C. § 1596 and 1596a, the Secretary of Defense is authorized to pay FLPP to eligible DoD employees who are performing intelligence or non-intelligence duties requiring proficiency in foreign languages. FLPP is not considered basic pay for any purpose and does not count toward retirement, TSP, FEGLI or any other benefit related to basic pay. FLPP is not pay for the purposes of lump-sum payments for leave under 5 U.S.C. §§ 5551 or 5552. FLPP is considered a discretionary, continuing payment for calculation of the aggregate limitation on pay. See information regarding aggregate limitation on pay in subparagraph 030203.B. FLPP is not to be paid if the employee is in a LWOP or other unpaid status in excess of 10 consecutive work days, or in an extended paid absence in excess of 30 consecutive work days.

A. FLPP for Intelligence Interests Under 10 U.S.C. § 1596. The annual rate of special pay under 10 U.S.C. § 1596 is determined by the Secretary of Defense. FLPP may be paid in addition to pay under 10 U.S.C. § 1602. See the DoDI 1400.25, V2016. The Secretary of Defense has the authority to pay special pay to an employee of DoD who:

1. Has been certified as being proficient in a foreign language identified by the Secretary of Defense as being a language in which proficiency by civilian personnel of the DoD is important for the effective collection, production, or dissemination of foreign intelligence information; and
2. Is serving in a position, or is subject to assignment to a position, in which proficiency in that language facilitates performance of officially assigned intelligence or intelligence-related duties.

B. FLPP for Non-intelligence Interests Under 10 U.S.C. § 1596a. Special pay for an employee under 10 U.S.C. § 1596a may be prescribed by the Secretary of Defense, but may not exceed 5 percent of the employee's pay. Special pay under 10 U.S.C. § 1596a is in addition to any other pay or allowances to which the employee is entitled. See the DoDI 1400.25, V2016. Pursuant to 10 U.S.C. § 1596a the Secretary of Defense has the authority to pay special pay to a DoD employee who:

1. Has been certified by the Secretary of Defense to be proficient in a foreign language identified by the Secretary of Defense as being a language in which proficiency by civilian personnel of the DoD is necessary because of national security interests,

2. Is assigned duties requiring proficiency in that foreign language, and


030508. Market Pay

A. Purpose. Under 10 U.S.C. § 1599c, each physician and dentist covered by the DoDI 1400.25, V543, is eligible for market pay in lieu of locality pay. Market pay is an element of annual pay (base pay rate plus market pay) intended to reflect the recruitment and retention needs for the specialty or assignment of a particular DoD physician or dentist.

B. Payment Determinations. A compensation panel must make a recommendation to an authorized management official regarding the appropriate market pay amounts for individual physicians and dentists according to guidelines established by the Health Professions Civilian Compensation Standing Committee (HPCCSC). Market pay is based on criteria such as level of experience, need for medical specialty practice, the healthcare labor market, board certifications, and personal accomplishments. See the DoDI 1400.25, V543.

1. The authorized management official determines the amount of market pay for the physician or dentist, which may require additional approval of the HPCCSC. Once set, market pay for an individual may not be reduced unless the physician or dentist changes assignment. The compensation panel must review the market pay of each physician or dentist upon changes in assignment and not less than once every 24 months.

2. The agency must approve market pay for newly appointed physicians or dentists within 30 days following their appointment; all payments are retroactive to the effective date of the appointment.

C. Limitations. Physicians or dentists who receive market pay are not eligible for the physicians’ comparability allowance under paragraph 030501, or premium pay (such as overtime, night pay, compensatory time off) under paragraph 030301. A physician or dentist
receiving market pay may not receive grade or pay retention under 5 U.S.C., Chapter 53. The sum of all payments paid to the physician or dentist including base pay, but excluding market pay, is subject to the Executive Level I annual limitation. The sum of all payments subject to the Executive Level I annual limitation and market pay cannot exceed the annual salary of the President, excluding expenses. Pay over the annual salary of the President is forfeited and is not deferred until the next calendar year.

030509. Reservist Differential

A. Purpose. Under 5 U.S.C. § 5538, effective March 15, 2009, federal agencies are required to make reservist differential payments to eligible federal civilian employees who are members of the Reserve or National Guard called or ordered to active duty under certain specified provisions of law. A reservist differential is payable to an employee during a qualifying period in the amount of basic pay which would have been payable had they not been called or ordered to active duty in the uniformed service. Additional information on this topic is provided in OPM’s Reservist Differential, Agency Implementation Guidance and OPM Frequently Asked Questions.

B. Payment. Reservist differential is payable when an eligible employee’s projected civilian basic pay for a covered pay period exceeds actual military pay and allowances allocable to that pay period. See 5 U.S.C. § 5538. Payments are made from the same appropriation that is used when the employee is in a pay status. Reservist differential is considered due no later than 8 weeks after the normal scheduled civilian pay date, unless the necessary information is not received 4 weeks prior to that date. Reservist differential is not considered as basic pay for any purposes; it is a supplemental payment based on a comparison of projected civilian basic pay and military pay and allowances. Payments are not subject to OASDI, and/or Medicare tax withholding for periods of active duty of more than 30 days. However, reservist differential is subject to:

1. Federal tax (must appear in box 1 of the Form W-2), and

2. OASDI and/or Medicare tax withholding for periods of active duty 30 days or less.

C. Leave and LWOP. An employee receiving reservist differential is still considered to be on LWOP unless on paid leave or paid time off (including military leave). An employee may not receive reservist differential for a period for which the employee receives basic pay for time worked, the use of any type paid leave, or other paid time off.

0306 RECRUITMENT, RELOCATION, AND RETENTION INCENTIVES

Recruitment, relocation, and retention incentives are compensation flexibilities available to help federal agencies recruit and retain employees. See 5 U.S.C. §§ 5753 and 5754 and 5 CFR part 575, Subparts A, B, and C.
030601. Recruitment Incentive

A. Purpose. Payment of recruitment incentives is authorized by 5 U.S.C. § 5753 and 5 CFR 575, Subpart A. An agency may pay a recruitment incentive to an eligible newly appointed employee, under the conditions specified in the regulations, provided the agency has determined that the employee’s position is likely to be difficult to fill in the absence of an incentive. The total amount of recruitment incentive payments paid to an employee in a service period may not exceed 25 percent of the annual rate of basic pay of the employee at the beginning of the service period multiplied by the number of years (including fractions of a year) in the service period, not to exceed 4 years. The OPM may waive the 25 percent limitation based on critical agency need. The agency must document the justification for paying a recruitment incentive.

B. Service Agreement. Before a recruitment incentive may be paid, the employee must sign a written agreement to serve a specified period of employment with the agency. The service period may not be less than 6 months or more than 4 years. See 5 CFR 575.110.

C. Payment Options. The agency authorizes and establishes payment options. See 5 CFR 575.109. An agency may pay the recruitment incentive by any of the following methods, or combination thereof, as specified in the service agreement:

1. An initial lump-sum payment at the commencement of the service period, or before the start of the service period once the employee has signed the agreement;

2. Installment payments throughout the service period; or

3. A lump-sum payment upon completion of the full service period.

D. Payment of Recruitment Incentive. Recruitment incentives are not considered part of the employee’s basic pay for any reason.

1. An incentive may only be paid to an employee who has received a written offer of employment and signed a written service agreement.

2. The recruitment incentive is subject to OASDI and/or Medicare, federal, state, and local income tax withholding. This incentive is not subject to retirement, FEGLI, or TSP.

3. The recruitment incentive is included in the aggregate limitation on pay as discussed at subparagraph 030203.B. See 5 CFR 530, Subpart B.

4. The incentive will be included with regular salary payments and separately identified on the LES.
E. **Termination of a Service Agreement.** An agency must notify an employee in writing when it terminates the service agreement. The employee may not grieve or appeal the termination of a service agreement.

1. **Mandatory Termination.** A demotion or separation for cause, or a less than “Fully Successful” or equivalent rating terminates the service agreement. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must repay any portion of the incentive attributable to uncompleted service. The servicing PRO prorates the full amount of the authorized recruitment incentive across the length of the service period to determine the amount attributable to completed and uncompleted service. The PRO must recover the amount owed by the employee in accordance with provisions established by debt collection regulations. See Volume 16. The servicing HRO must notify the servicing PRO of the recruitment incentive repayment/debt via SF 50 data.

2. **Discretionary Termination.** An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or insufficient funds. An employee who does not fulfill a service agreement due to a termination based on management needs is entitled to all incentive payments already received.

F. **Documentation and Recordkeeping.** The servicing HRO must document each recruitment incentive via information derived from an SF 50.

030602. **Relocation Incentive**

A. **Purpose.** Payment of relocation incentives is authorized by 5 U.S.C. § 5753 and 5 CFR 575, Subpart B. An agency may pay a relocation incentive to a current eligible employee who must relocate, without a break in service, to accept a position in a different geographic area that is likely to be difficult to fill in the absence of an incentive. See 5 CFR 575.205(b). The total amount of relocation incentive payments paid to an employee in a service period may not exceed 25 percent of the annual rate of basic pay of the employee at the beginning of the service period multiplied by the number of years (including fractions of a year) in the service period, not to exceed 4 years. OPM may waive the 25 percent limitation based on critical agency need. Agencies must document the justification for paying a relocation incentive.

B. **Service Agreement.** Before a relocation incentive may be paid, the employee must sign a written agreement to serve a specified period of employment with the agency. The service period may not be more than 4 years. See 5 CFR 575.210.

C. **Group Relocation Incentives.** An authorized management official may make a determination to approve group relocation incentives rather than on a case-by-case basis. The determination is appropriate if a group of employees is subject to a mobility agreement and relocation incentives are necessary to ensure continuation of operations, or when a major organization unit is relocating to a new duty station and the incentive will ensure continued operations of that unit without disruption. The group incentive is supported by written determinations that specifies the group and the period of time during which the authorization is valid.
D. **Payment Options.** The agency authorizes and establishes the payment options for relocation incentives. See 5 CFR 575.209. An agency may pay the relocation incentive by any of the following methods as specified in the service agreement:

1. An initial lump-sum payment at the commencement of the service period, or before the start of the service period once the employee has signed the agreement;
2. Installment payments throughout the service period; or
3. A lump-sum payment upon completion of the full service period.

E. **Payment of Relocation Incentive.** The relocation incentive must not be considered a part of the employee’s basic pay for any reason.

1. The relocation incentive is subject to OASDI and/or Medicare and federal, state, and local income tax withholding. This incentive is not subject to retirement, FEGLI, or TSP.
2. The relocation incentive is included in the aggregate limitation on pay as discussed at subparagraph 030203.B. See 5 CFR 530, Subpart B.
3. The incentive will be included with regular salary payments and separately identified on the LES.
4. The agency will not pay the incentive until the employee establishes a residence in the new geographic location.

F. **Termination of a Service Agreement.** An agency must notify an employee in writing when it terminates the service agreement for the relocation incentive. The employee may not grieve or appeal the termination of a service agreement.

1. **Mandatory Termination.** If the employee is demoted for cause, separates for cause, or the employee receives a less than “Fully Successful” or equivalent rating, the service agreement will terminate. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must reimburse DoD for the amount of all benefits received under the agreement that is in excess of the amount attributable to completed service. The servicing PRO must prorate the full amount of the authorized relocation incentive across the length of the service period to determine the amount of the relocation incentive attributable to completed service and uncompleted service. The servicing PRO must recover the amount owed by the employee in accordance with agency debt collection regulations. See Volume 16. The servicing HRO must notify the servicing PRO of the relocation incentive repayment/debt via SF 50 data.

2. **Discretionary Termination.** An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or
insufficient funds. An employee who does not fulfill a service agreement due to the termination based on management needs is entitled to all incentive payments already received.

G. Documentation and Recordkeeping. The servicing HRO must document each relocation incentive via an SF 50.

030603. Retention Incentive

A. Purpose. Title 5, U.S.C. § 5754 and 5 CFR 575, Subpart C authorizes a payment of retention incentives. An agency may offer a retention incentive of up to 25 percent of basic pay to a current eligible employee who has unusually high or unique qualifications or when the agency has a special need for the employee’s services making it essential to retain the employee. See 5 CFR 575.305. The OPM may waive the 25 percent limitation based on critical agency need. Agencies must document justification for paying retention incentives.

B. Service Agreement. The employee must sign a written agreement to serve a specified period of employment with the agency before a retention incentive is paid. However, a service agreement is required for biweekly installment payments only when the incentive is granted under special provisions by the DoD or the employee receives a reduced percentage for each installment made prior to the final payment.

C. Group Retention Incentives. An authorized management official may make a determination to approve group retention incentives rather than on a case-by-case basis. The determination is appropriate if a group of employees has unusually high or unique qualifications or the group’s services make it essential to retain the employees in that group. Additionally, there must be a high risk that a significant number of the employees in the group would be likely to leave federal service without the retention incentive. Unless the OPM authorizes a higher rate, group retention incentives may be up to 10 percent of an employee’s rate of basic pay. Agencies may not pay group retention incentives to employees in SL, ST, or Executive Schedule positions or other employees with approved recruitment incentives from the OPM.

D. Payment Options. Title 5, U.S.C. § 5754 and 5 CFR 575.309 set out payment options for retention incentives. Agencies may not pay retention incentives as an initial lump-sum payment at the start of a service period or as an installment paid in advance. An agency may pay retention incentives using the following methods as specified in the service agreement:

1. Installments after the completion of specified periods of service, or

2. A single lump-sum payment after completion of the full service period.

E. Payment of Retention Incentive. Retention incentives are not considered a part of the employee’s basic pay for any purpose.
1. The retention incentive is subject to OASDI and/or Medicare and federal, state and local income tax withholding. This incentive is not subject to retirement, FEGLI or TSP.

2. The retention incentive is included in the aggregate limitation on pay as discussed at subparagraph 030203.B. See 5 CFR 530, Subpart B.

3. The incentive will be included with regular salary payments and separately identified on the LES.

F. Termination of a Service Agreement

1. Mandatory Termination. If an employee is demoted for cause, separates for cause, or the employee receives a less than “Fully Successful” or equivalent rating, the service agreement will terminate. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must reimburse DoD for the amount of all benefits received under the agreement that are in excess of the amount attributable to completed service. The employee is entitled to retain any retention incentive payments attributable to completed service and is entitled to receive any portion of a retention incentive payment owed by the agency for completed service. The amount owed by the employee must be recovered in accordance with agency debt collection regulations. See Volume 16, Chapter 3. The servicing HRO must notify the servicing PRO of the retention incentive repayment/debt via SF 50 data.

2. Discretionary Termination. An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or insufficient funds. An employee who does not fulfill a service agreement due to a termination based on management needs is entitled to all incentive payments already received.

3. Decisions to Terminate. Employees may not grieve or appeal decisions to terminate the service agreement.

G. Documentation and Recordkeeping. The servicing HRO documents each retention incentive via an SF 50.

*030604. DoD Student Loan Repayment Program

A. Purpose. Title 5, U.S.C. § 5379 and 5 CFR 537 authorizes the establishment of student loan repayment programs for the purpose of recruiting and retaining highly qualified personnel. An agency may pay a maximum of $10,000 per employee for any one calendar year, and $60,000 in aggregate for any one employee. See the DoDI 1400.25, V537.

B. Service Agreement. The minimum service agreement is three years. Employees who fail to complete the period of service specified in the service agreement must reimburse the DoD for the amount of all benefits received under the existing agreement unless:
1. The employee is involuntary separated for reasons other than misconduct or performance;

2. The employee leaves voluntarily to enter into service in another agency outside of DoD, and reimbursement of DoD is not specified in the employee’s service agreement; or

3. An authorized loan-approving official determines that recovery would be against equity and good conscience, or against the public interest, and waives, in whole or in part, the DoD’s right to recover.

C. Payment Options. The servicing PRO remits the student loan repayment directly to the lender under the terms, limitations, and conditions of the written service agreement. The incentive is paid in either lump sum, periodic, or in biweekly installments, and is in addition to basic pay or any other form of compensation payable to the employee.

D. Student Loan Repayment Program Payments. Student Loan Repayment Program payments are not considered a part of the employee’s basic pay for any purpose.

1. The Student Loan Repayment Program payment is subject to OASDI and/or Medicare and federal, state and local income tax. The Student Loan Repayment Program payment is not subject to retirement, FEGLI or TSP. See Section II of the April 13, 2001, Chief Human Capital Officers Council Memorandum, Student Loan Repayment.

2. The Student Loan Repayment Program payment is not included in the aggregate limitation on pay as discussed at subparagraph 030203.B. The aggregate limitation on pay applies to direct payments made to the employee, whereas student loan payments are paid to the loan holder on behalf of the employee. See the OPM Fact Sheet, Student Loan Repayment.

3. The DoD is not responsible for any late fees or penalties assessed by loan holders before, during, or subsequent to the student loan repayment agreement.

E. Documentation and Recordkeeping. The servicing HRO documents each retention incentive via an SF 50. The servicing HRO must transmit the SF 50 and a copy of the service agreement to the servicing PRO to begin payments.

0307 LUMP-SUM LEAVE PAYMENTS

030701. Lump-Sum Payments for Annual Leave

Lump-sum payments for unused annual leave are generally payable when an employee separates from federal service, dies, transfers to a position not under a leave system under 5 U.S.C. Chapter 63, Subchapter I, or enters active duty in the Armed Forces. See 5 U.S.C. §§ 5551, 5552, 6306 and 5 CFR 550, Subpart L.
Lump-sum payments for accumulated and accrued annual leave are paid as follows:

A. Payment to Separated Employees. An employee, as defined by \(5\text{ U.S.C. § 2105}\), who separates or retires from federal service is paid in a lump-sum for all unused annual leave through the last full pay period before separation. If the employee is separated or has a break in service (from one agency to another) and is reemployed in a position before a lump-sum is paid, then payment is made for the days the employee was not in the federal service (less withholding tax). The remainder of the annual leave is transferred to the gaining agency.

B. Payment to Certain Other Employees. An employee is entitled to a lump-sum payment for accumulated and accrued annual leave when he or she:

1. Transfers to a position not under a leave system to which annual leave may be transferred;

2. Moves to a position as an intermittent employee with no established regular tour of duty or to a position as a temporary employee engaged in construction work at hourly rates;

3. Enters active duty in the Armed Forces, provided the employee does not elect to retain the annual leave to his or her credit. See 5 U.S.C. § 5552. However, leave previously restored under \(5\text{ U.S.C. § 6304(d)}\) must be liquidated by lump-sum payment when the employee enters active duty. The agency may not re-credit the previously restored leave when the employee returns to federal service. See 5 U.S.C. § 6304(d)(2); or

4. Transfers to a public international organization, provided the employee does not elect to retain the annual leave to his or her credit. See \(5\text{ U.S.C. § 3582}\). However, leave previously restored under 5 U.S.C. § 6304(d) must be liquidated by lump-sum payment when an employee transfers to the public international organization. The agency may not re-credit the previously restored leave under these circumstances. Additionally, only employees who the agency reemploys within 6 months after the transfer are required to refund the lump-sum payment.

C. Payment to Beneficiary. The balance of the annual leave of a deceased employee must be paid in a lump-sum to his or her designated beneficiary. If an employee has not designated a beneficiary, a lump-sum is paid in the established order of precedence under 5 U.S.C. § 5582(b).

The servicing PRO may not make a lump-sum payment to an employee for accumulated annual leave when he or she is:
A. An employee transferring to another federal position to which annual leave is transferable without a break in service of one workday or more;

B. A DoD or non-appropriated fund employee who moves without a break in service of more than 3 days to an appropriated fund position within DoD. See 5 U.S.C. § 6308(b);

C. A student trainee placed in an intermittent status between full-time tours of duty when no separation actually takes place;

D. An employee who transfers to the government of Washington D.C. or the U.S. Postal Service;

E. An employee employed in more than one part-time position who separates from one of the part-time positions. The former employing agency must transfer the accumulated and accrued leave to the current agency if the positions are in different agencies. If the positions are in the same agency, credit the accumulated and accrued leave to the employee’s current leave account in the current position; or

F. An employee who elects to retain his or her leave upon accepting a Presidential appointment. See 5 U.S.C. 3392(c).

030704. Computation of Lump-Sum Payment

A. General. The servicing PRO calculates the lump-sum payment for annual leave, including restored and reinstated annual leave, and includes all pay changes the employee would have received had he or she remained in a duty status throughout the projected leave period. See the OPM Leave Administration Fact Sheet on Lump-Sum Payments for Annual Leave and 5 U.S.C. § 5551. Holidays count as workdays in projecting the lump-sum leave period. For example, an employee whose retained pay is scheduled to terminate during the projected leave period should have the lump-sum leave payment computed based on the pay received at the time of separation for the period covered by the retained rate, with the remainder computed at the scheduled reduced rate. An employee is entitled to an adjustment in the lump-sum leave payment when a statutory change in pay becomes effective on a date that occurs during the projected leave period. Pay included in a lump-sum payment is as follows:

1. Rate of basic pay;
2. Locality pay or other geographic adjustment;
3. Within-grade increases (if waiting period met on date of separation);
4. Across-the-board annual pay adjustments;
5. AUO pay, availability pay, and standby duty pay;
6. Night shift differential (FWS employees only, see 5 U.S.C. § 5343(f));

7. Regularly scheduled overtime pay under FLSA for employees on uncommon tours of duty;

8. Supervisory differentials;

9. Nonforeign area COLAs and post differentials; and

10. Foreign area post allowances.

B. FWS Employees. The lump-sum payment for an FWS employee is adjusted if the separation occurs after the issue date of a wage schedule or after a wage survey was ordered, but before the effective date of the wage increase, as follows:

1. When an FWS employee separates before the effective date of a wage increase and his or her accrued annual leave extends beyond the effective date, the employee is entitled to have his or her lump-sum annual leave payment paid at the higher rate for the leave that extends beyond the effective date of the increase.

2. When an FWS employee separates after a wage survey is ordered, but before the date of the order granting the wage increase is issued, the employee is entitled to have the lump-sum annual leave payment paid at the higher rate for the leave that extends beyond the effective date of the increase. The order that grants the new wage rate must be issued before the effective date set by 5 U.S.C. § 5344(b)(1) and (2).

C. Projecting the Leave. Lump-sum payments must equal the pay an employee would have received had he or she remained in federal service and used this leave. Non-workdays, except holidays, do not count against the leave when projecting the period for payment of lump-sum leave. The period covered by a lump-sum leave payment is not counted as federal civilian service. See 5 U.S.C. § 6103 and 5 CFR 550.1204.

D. Reemployed Annuants. The lump-sum payment for reemployed annuitants upon separation from the service is based on the full pay rate without any reduction by the amount of the annuity. See 5 CFR 550.1203

E. Temporary Promotions. If the temporary promotion is not terminated prior to, or as of, the employee’s separation date, the lump-sum leave will be paid at the rate of the temporary promotion through the not to exceed date. After that time, the rate will revert to the employee’s permanent rate of pay.

F. Payment. DFAS pays lump-sum leave at the end of the pay period in which it receives the separation transaction. Thus, lump-sum leave may or may not be included with any regular pay earned, depending on when DFAS receives the separation transaction. DFAS identifies payments separately, allowing for taxation of the lump-sum leave at a flat 25 percent for
federal withholding, except when the employee’s exemptions claimed on the Form W-4, Employee’s Withholding Certificate, exceed the regular pay. In the latter situation, the lump-sum leave and the regular pay for the pay period are combined and the taxes will be computed as if the total were a single payment. Lump-sum annual leave payments are not subject to deductions for FEHB, FERS, FEGLI or TSP. Payments are subject to offset for debts owed to the United States. See 5 CFR 550.1205.

030705. Refunds

When an employee receives a lump-sum leave payment, and subsequently returns to the federal service in a position subject to a formal leave system, the employee is required to refund the unexpired portion of the period covered by the lump-sum leave payment. The refund amount is equal to the payment covering the period between the date of reemployment and the expiration of the lump-sum period. This refund is required because all such unexpired leave is subject to re-credit even though transfer to a different leave system is involved. Re-credit of leave will be determined subject to the following subparagraphs.

A. Regular Annual Leave

1. If reemployment is in the same leave year, any part of the refund (which is for a period of leave in excess of the employee’s formerly established leave ceiling for the year) is subject to the regular procedures regarding forfeiture or possible restoration at the end of the leave year. The servicing PRO may pay excess leave in another lump-sum payment if another separation occurs before the end of the leave year.

2. If reemployment is in a subsequent leave year, and any part of the refund is for a period exceeding the leave ceiling (e.g., 240 hours for stateside and 360 for overseas), a refund will be required of the unexpired portion. However, only a maximum of the leave ceiling hours may be credited to the regular leave account and any hours in excess of the leave ceiling are considered forfeited, unless it can clearly be established that the excess would have become restored in a separate account if the separation had not occurred.

B. Restored Annual Leave. A period of restored leave under 5 U.S.C. § 6304(d) is not subject to refund if the agency reemploys the employee prior to the expiration of the lump-sum leave period. The servicing PRO subtracts such leave from the lump-sum leave period before calculating the refund. If the employee is reemployed, the agency will not credit restored annual leave to an employee prior to the expiration date of the lump-sum leave period.

030706. Payment for Restored Leave for Base Realignment and Closure (BRAC)

Title 5, U.S.C. § 5551 requires payment of restored annual leave under 5 U.S.C. § 6304(d)(3) in certain situations. A lump-sum payment must be made to any DoD employee moving to a position in any non-DoD federal agency or to any position within DoD that is not located at an installation being closed or realigned under 5 U.S.C. § 6304(d)(3). The servicing HRO must notify the servicing PRO via SF 50 data when the employee is no longer authorized the
restored leave under this authority. The lump-sum payment calculation is the rate of pay at the time of the separation or transfer to the non-BRAC installation.

0308 SEVERANCE

030801. Qualifications

An employee who qualifies under 5 U.S.C. § 5595 is entitled to severance pay in regular pay period intervals and amounts equal to that paid immediately before separation. Title 5, U.S.C. § 5595(i) allows for the heads of DoD Components to authorize payment of severance pay in a lump-sum rather than on a biweekly basis for separations taking effect before October 1, 2018. An employee separated within a pay period rather than at the end of the pay period receives an initial payment of severance pay for the remainder of that pay period. Severance pay for employees with variable work schedules or rates of basic pay are computed using the average rate of basic pay for the last position held during the 26 biweekly pay periods immediately preceding separation. See 5 CFR 550.707(b).

030802. Payments

A. Severance Payments. Authorized severance payments are paid based on the information processed on an SF 50. Severance payments for employees are subject to appropriate withholding for income and OASDI/Medicare taxes. See 5 CFR 550.709(b).

B. Severance Payments Upon Death of Employee. If an employee dies prior to the end of the period covered by severance pay, then the severance pay will continue to be paid as if the employee were still living (5 U.S.C. § 5595(e)), and must be paid to the employee’s beneficiary in accordance with 5 U.S.C. § 5582(b). Appropriate withholding will be made for OASDI and/or Medicare and federal, state, and local income taxes. Payments made to beneficiaries are not subject to federal tax withholding requirements. However, if a beneficiary receives payment in the year in which the employee dies, the payment is subject to the withholding of OASDI and/or Medicare taxes.

C. Debt Collection and Garnishment. Collection of indebtedness from an employee’s severance pay is permissible under 31 U.S.C. § 3716. These payments are subject to collection for any outstanding debts owed to the Government. Additionally, under 5 CFR 581.103, severance pay is subject to court-ordered garnishments for alimony, child support, and commercial debts. Court-ordered garnishments are cancelled upon the death of the employee.

030803. Withholding Tax Reporting

Severance pay is taxable in the year that the employee receives the pay. This amount is included on the employee’s Form W-2 and appropriate government and state taxes are withheld. If an employee dies, the servicing PRO must report any severance pay paid to the beneficiaries on Form 1099-MISC.
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030804. Termination of Severance Pay

If an agency reemploys a former employee in federal service, severance pay is discontinued. Discontinuation of payments is effective on the date of reemployment. The losing agency must report the total of amounts paid to the gaining activity or agency. The agency uses this information to determine future entitlement to severance pay since total severance pay during an employee’s lifetime cannot exceed one year’s pay at the rate received immediately before separation. See 5 U.S.C. § 5595(c).

0309 ADVANCED PAY

*030901. Foreign Post Assignment Advances

Advances of pay for DoD civilian employees proceeding to or arriving at a post of assignment in a foreign area are authorized, when applicable. An advance of pay is a prepayment made available to an employee in a pay status. Upon the assignment of an employee to a post in a foreign area, an employee may be authorized a single, lump-sum pay advance of up to 3 months of base pay. The purpose of advances is to finance unusual employee expenses associated with overseas assignments and to aid foreign assignment recruitment and retention. Such expenses may include transportation, storage of household goods, shipping costs, deposits on living quarters overseas, and purchase of household items. See 5 U.S.C. § 5927 and the DoDI 1400.25, V1250. For additional information pertaining to advances of LQA and TQSA, see subparagraphs 030402.A.

A. Eligibility. For purposes of this section, a DoD civilian employee is defined as a full-time DoD employee who is a U.S. citizen paid from appropriated, revolving, or trust funds. New hires that are in a pay status and traveling to a foreign area on travel orders are also included.

B. Foreign Areas. A foreign area is an area located outside the U.S., exclusive of the Commonwealth of Puerto Rico, territories of the U.S., and other areas designated by the Secretary of State.

C. Payment Procedures. Advances of pay for overseas transfers will be paid only by the disbursing officer (or the disbursing officer’s overseas agent) who supports the servicing PRO servicing the overseas area, or Outside the Continental U.S. from a disbursing officer who is a deputy to the Continental U.S. office. Payment may be included in the next regular biweekly pay or made in a single lump-sum. An employee may request an advance of pay 3 weeks before the estimated departure date for an assignment to a foreign duty post or up to 2 months after arrival. The employee must request an advance on the SF 1190 for employees proceeding to or arriving at a post of assignment in a foreign area. The form serves as the request, authorization, and voucher document.

D. HRO Duties. The HRO responsible for the employee must verify the eligibility for an advance by confirming the travel orders and the appropriate pay grade and step at the foreign post. If the HRO does not provide confirmation of the foreign pay grade or step, the
servicing PRO may use the current gross pay at the time of the advance. The HRO counsels each employee eligible for an advance concerning authorized purposes of the advance, repayment requirements, anticipated expenses at the foreign assignment, and application procedures.

030902. Advance Payments to Evacuees

Guidance on advance payments for DoD civilians ordered to evacuate can be found in 5 U.S.C. § 5522, 5 CFR 550.403, and 5 CFR 550.404. For more information concerning emergency evacuation, see Chapter 6.

030903. Collection of Advance Payments

A. Repayment is collected by payroll deduction over a maximum of 26 pay periods. Deductions must begin the first pay period after receipt of the advance or following arrival at the foreign post, whichever is later. The losing agency must forward a copy of the SF 1190 to the gaining PRO for collection.

B. Partial or lump-sum repayments, in addition to payroll deductions, may be accepted.

C. When an employee separates or transfers, the outstanding balance is due in full. Advances of pay are recoverable from the employee or the employee’s estate by deduction from accrued pay, amount of retirement credit, other amounts due the employee from the Government, or by other methods as provided by 5 U.S.C. § 5514, 31 U.S.C. § 3716, and corresponding regulations.

D. The Defense Debt and Claims Management Office, DFAS Indianapolis Center, may waive, in certain cases, the Government’s right of recovery of an erroneous pay advance in accordance with the requirements in the DoDI 1340.23, Waiver Procedures for Debts Resulting from Erroneous Pay and Allowances and 5 U.S.C. § 5584.

030904. Other Requirements or Conditions for Advances

A. An employee is authorized only one outstanding advance at a time, regardless of the frequency of assignments to a foreign area. If an employee becomes eligible for a second advance, the employee must liquidate the first advance before the employee requests the first payment of the second advance.

B. More than one member of a household may be eligible for an advance.

C. Allotments and assignments of advances are not authorized.

D. Advances are paid to employees of another federal agency on a reimbursable basis provided there is an agreement between the other agency and DFAS to make similar payments to DoD employees.
E. Submission of statements and documents from the employee establishing the need for, and the use of, an advance may be required.

F. Management must develop controls to ensure only authorized employees obtain an advance and that complete accountability procedures exist for the disbursement and collection of pay advances. Accounting records must include current, accurate, and complete records of obligations, receivables, and collections.

030905. Additional Advance Payments

Agencies may authorize an additional advance payment when circumstances warrant and the employee has not received the full amount of the maximum possible advance consistent with the employee’s pay grade. Examples of exceptional circumstances warranting a second payment include: a substantial underestimation of the maximum advance authorized, inadequate or inappropriate counseling on the purpose of the advance, and unforeseeable events leading to a significant increase in the cash outlay requirements of an employee at the foreign assignment location.

030906. Advances in Pay for Newly Hired Employees

The head of an agency has the authority to provide for the advance payment of basic pay to an employee who is newly appointed to a position in the agency. See 5 CFR 550.203. The authority to advance pay is delegated to officials who exercise personnel-appointing authority (normally the head of an installation or activity). This authority is delegated through and subject to the authority of the DoD Component heads to be used on a case-by-case basis. See the DoDI 1400.25, V550.

030907. Advances in Pay for Employees Relocating Within the United States or its Territories

Section 1134 of the 2017 National Defense Authorization Act allows the head of an agency to authorize on a case-by-case basis, an advance of pay covering no more than 4 pay periods to employees relocating within the United States and/or its territories to a location outside the employee’s current commuting area. See 5 U.S.C. § 5524a. The employee must repay the advance through payroll deductions over a maximum of 14 pay periods, although partial or lump-sum payments may be accepted. If the employee accepts employment with another organization, including one within DoD or another federal agency, or if the employee is terminated, the entire balance will be due in full. See 5 CFR 550.205. Any remaining balance of an advance of pay will be recovered through the debt collection process outlined in Volume 16, Chapter 3.

0310 SPECIAL PAYMENTS

Special salary payments (e.g., beneficiary payments, employees erroneously omitted from the payroll) are made in accordance with Chapter 8.
AWARDS

*031101. General

*Title 5, U.S.C., Chapter 45* is the legal basis for the government wide incentive awards program for civilian employees. OPM regulations regarding agency award programs are published at *5 CFR Part 451*. The DoDI 1400.25, *V451* prescribes award policies governing the award program for DoD civilian employees.

A. Incentive Awards. The DoDI 1400.25 delegates to the heads of the DoD Components the authority to pay cash awards, grant time off as an award, and incur the necessary expense for the honorary recognition of an employee (either as an individual or as a member of a group) based on:

1. Suggestions, inventions, superior accomplishments, productivity gains, or other personal efforts that contribute to the efficiency, economy, or other improvements of Government operations;

2. A special act or service in the public interest in connection with or related to official employment; or

3. Performance as reflected in the employee’s most recent record of rating.


* 1. An employee must use the time off granted as an incentive award within 1 year from the effective date. Supervisors and employees are responsible for scheduling the use of this leave within 1 year. If an employee does not use the time off award within the one-year timeframe, the employee will forfeit the incentive leave. There is no provision for restoring time off awards. For time off awards given from March 19, 2019 through September 30, 2020, the 1 year time limit to use a time off award is lifted. An employee must use a time off award given from this time frame prior to using any time off award given after September 30, 2020. See *DCPAS Memorandum, Removal of Expiration Date for Certain Time Off Awards*.

2. Provisions should be made to accommodate employees who are on long-term training, extended sick leave, called to active duty, or similar situations so that the employee does not forfeit his or her time off award. Agencies may approve sick leave if an employee is unable to perform duty during a period of time off.

3. The maximum amount of time off granted to any one individual for a single achievement should not exceed 40 hours. The maximum amount of time off granted to any one individual within one leave year should not exceed 80 hours. Agencies may grant part-time employees or those with uncommon tours of duty a maximum of one-half the average number
of hours in their biweekly tour of duty for a single achievement. The maximum amount of time off which can be granted to part-time employees and employees with uncommon tours of duty during any one leave year is the average number of hours of work in the employee’s biweekly scheduled tour of duty.

4. A time off award cannot be transferred between DoD Components or outside of the DoD. Managers and supervisors should make every effort to ensure that the employee is able to use the time off award before he or she leaves the granting Component. DoD Components may establish procedures to accommodate the transfer of time off awards within their respective Components. Time off awards cannot be converted to a cash award under any circumstances. Unused time off awards will be lost when an employee separates or transfers to another agency or component. See 5 CFR 451.104(f) and DoD 1400.25, V451.

5. Awards are processed on an SF 50 and issued by the servicing HRO to the servicing PRO as authorization for payment of cash awards or granting of time off awards. The award is paid to the employees in the same manner as their net pay. Incentive award payments are not distributed to the worksite.

6. Time off awards must be posted to the employee’s record and reduced when the time off is taken and/or forfeited. Usage of a time off award by an employee reported prior to the receipt of notification of the award must be reflected as a negative balance in the civilian payroll system. If the servicing HRO does not post a time off award to the employee’s record within two pay periods of a negative balance being reflected in the civilian payroll system, then the employee’s use of a time off award will be assumed to be a time and attendance error.

C. Foreign Language Awards. An agency may pay a cash award, up to five percent of basic pay, to any law enforcement officer employed in or under such agency that possesses and makes substantial use of one or more foreign languages in the performance of official duties. Additional information is in 5 U.S.C., Chapter 45, Subchapter III.

D. Presidential Rank Awards for SES Employees. The President may award the rank of Distinguished Executive and Meritorious Executive Service to an SES career appointee in accordance with the guidance in 5 U.S.C. § 4507 and 5 CFR 451.301. To be eligible for a rank award, an SES must:

1. Hold a career appointment as defined by 5 U.S.C. § 3132(a)(4);

2. Be an employee of the agency, as defined at 5 U.S.C. § 3132(a)(1);

and

3. Have at least three years of career or career-type federal civilian service at the SES level.

E. Presidential Rank Awards for Senior Career Employees. The President may award the rank of Distinguished Senior Professional and Meritorious Senior Professional to a
senior career employee as set forth in 5 U.S.C. § 4507 and 5 CFR 451.302. To be eligible for a rank award, a senior career employee must:

1. Hold a career appointment in a SL or ST position as defined by 5 CFR 319, Subpart A and paid under 5 U.S.C. § 5376 on the nomination deadline;

2. Be employed by the agency on the nomination deadline; and

3. Have at least three years of career or career-type federal civilian service above a GS-15 level.

F. Referral Bonus Awards. A referral bonus award was established for agency heads to authorize award payments to employees, as defined by 5 U.S.C. § 2105, for referring new employees who are subsequently selected and employed in hard-to-fill positions in accordance with 5 U.S.C. § 4503 and 5 CFR 451. Referral bonus awards are granted at management’s discretion and are not considered an entitlement.

031102. Payment of Awards

A. Cash Awards. Cash award payments are subject to the withholding provisions of federal, state, and local income tax laws. The payroll system will deduct 22 percent federal tax automatically on special earnings of this nature. See IRS Publication 15, Employer’s Tax Guide. The servicing PRO computes the applicable state and local tax and OASDI and/or Medicare withholding based on tax information in the employee’s current master record. The servicing PRO will not withhold state and local taxes for employees assigned to overseas duty locations unless requested by the employee.

B. Payment of Awards to Separated Employees. The agency must reestablish the employee on the payroll using the last known information on the employee’s master account record for applicable deductions and mailing address.

C. Reporting Awards. Cash award payments must be included on an employee’s LES as well as the Form W-2.
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| 031102.A | IRS Publication 15 |
## VOLUME 8, CHAPTER 4: “MANDATORY DEDUCTIONS”

### SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated March 2018 is archived.

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<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instruction.</td>
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<td>Revised information for clarity.</td>
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<td>040504</td>
<td>Removed references to Department of Defense (DD) Form 592, Payroll for Personal Services Certification and Summary.</td>
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<td>040506</td>
<td>Deleted noted historical information on “Panama Social Security System” since it remains in archives.</td>
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<td>Revised section to include provisions made by the Tax Cuts and Jobs Act of 2017 and redesigned Internal Revenue Service Form W-4, Employee’s Withholding Certificate, for Calendar Year (CY) 2020.</td>
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<td>Renamed paragraph from “General” to “Withholding Authority.”</td>
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<td>Renamed paragraph from “Procedures” to “Civilian Payroll Office (PRO) Responsibilities.” Removed references to DD Form 592.</td>
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<td>Renamed paragraph from “Procedures” to “PRO Responsibilities.”</td>
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CHAPTER 4

MANDATORY DEDUCTIONS

0401 GENERAL

040101. Overview

This chapter sets out policy and requirements pertaining to mandatory payroll deductions the Department of Defense (DoD) must make from a DoD employee’s pay. It contains established policies, defines responsibilities, and prescribes direction in support of processing mandatory deductions.

040102. Purpose

This chapter provides guidance regarding mandatory payroll deductions as they apply to an employee’s gross pay.

040103. Authoritative Guidance

Each section of this chapter references specific statutes, regulations and other guidance applicable to that section.

0402 MANDATORY DEDUCTIONS

040201. General

Mandatory payroll deductions are those deductions required by law, regulation, or by court order and include federal or state income tax, Old Age, Survivors and Disability Insurance (OASDI), Medicare, and child support. Voluntary deductions are at the employee’s request and require written authorization from the employee prior to withholding the deduction. Voluntary deductions include health and life insurance premiums, flexible spending account program contributions, and Thrift Savings Plan (TSP) contributions. See Chapter 11 for information on voluntary deductions and allotments.

040202. Mandatory Deductions

Mandatory payroll deductions withheld from a DoD employee’s pay must include:

A. Sufficient information to establish the deduction;

B. Adequate documentation and certification;

C. Payment to the appropriate recipient for the correct amount; and

D. A provision of law or court order, which supports the deduction.
040203. Deduction Authorizations

The Defense Finance and Accounting Service (DFAS) must retain deduction authorizations in the Civilian Payroll Office (PRO) or at a designated storage site in accordance with General Records Schedule 2.

0403 ORDER OF PRECEDENCE

040301. Deductions

The Office of Personnel Management (OPM) issued policy guidance to standardize the order of precedence for processing mandatory and voluntary deductions when gross pay is not sufficient to permit all deductions. See OPM Memorandum; “PPM-2008-01, Order of Precedence When Gross Pay Is Not Sufficient To Permit All Deductions” (July 30, 2008).

A. When Gross Pay is Not Sufficient. If a DoD employee’s gross pay is not sufficient to permit all required deductions, the order of precedence under which deductions must be withheld according to the order of precedence as indicated in Table 4-1.

B. Priority of Deductions vs. Net Pay Exclusions. The order of precedence determines which authorized deductions apply first in the event that the employee’s gross pay is not sufficient to cover all deductions. This issue is separate from determining the net amount of an employee’s pay subject to a particular deduction. Pay applied toward certain other deductions may be excluded in determining the net amount of pay for which a given deduction is made; however, that does not necessarily mean that any of the other deductions listed are applied first. For example:

1. Federal income tax withholdings are deducted from the net amount of pay subject to federal income taxes (taxable pay). An employee’s deduction for TSP contributions is pre-tax, meaning the contribution is excluded from the net amount of taxable pay. However, the TSP deduction is lower in the order of precedence than federal income taxes.

2. Court-ordered alimony payments are deducted from the net amount of pay subject to garnishment (garnishable pay). An employee’s TSP deduction is excluded from the net amount of garnishable pay. See Title 5, Code of Federal Regulations (CFR), section 581.105(e). However, the TSP deduction is lower in the order of precedence than the alimony garnishment.

040302. Available Pay

An employee's available gross pay is reduced by the amount of each deduction withheld in the specific order of precedence listed in paragraph 040301. After an authorized deduction is withheld, if an employee’s remaining pay is not sufficient to allow for the deduction next in the order of precedence to be withheld in its entirety, the following applies:
A. Mandatory Deduction. If the deduction next in the order of precedence is a mandatory deduction, the PRO will use the remaining available pay to make a partial deduction. When this situation occurs, the employee’s net pay is zero.

B. Voluntary Deduction. If the deduction next in the order of precedence is a voluntary deduction, the PRO will not make the next voluntary deduction or any other deductions thereafter. The employee’s remaining available pay is paid to the employee as net pay.

0404 RETIREMENT DEDUCTIONS

040401. Civil Service Retirement System (CSRS), CSRS-Offset, and Federal Employees Retirement System (FERS) Administration and Recordkeeping

A. General. The OPM’s CSRS and FERS Handbook for Personnel and Payroll Offices guidance is necessary for the PRO to report:

1. The withholding of mandatory deductions from employees enrolled in the CSRS; and

2. The withholding of mandatory deductions under FERS. Employees hired after January 1, 1987 are under the FERS program. Employees hired during calendar year (CY) 2013 are FERS Revised Annuity Employees (FERS-RAE). For more information, see Title 5, United States Code (U.S.C.), section 8401 (37). Employees hired on or after January 1, 2014, are FERS Further Revised Annuity Employees (FERS-FRAE). See also 5 U.S.C. § 8401 (38).

B. Phased Retirement. Employees eligible for phased retirement work a part-time schedule while beginning to draw CSRS or FERS retirement benefits. During phased employment, retirement deductions for CSRS or FERS will continue to be withheld from pay the employee receives from the employing agency. The deductions are made at the normal rates and are based on the pay the employee actually receives during phased employment, not on the amount the employee would have received had the employee continued to work full-time. See 5 U.S.C. § 8336a, 5 CFR Part 848, the Chief Human Capital Officers Council’s Phased Retirement Guidance, the OPM’s Phased Retirement, and Chapter 10 for additional information.

C. Coverage. For employees subject to retirement deductions, the Standard Form (SF) 50, Notification of Personnel Action, will reflect the correct retirement system for each employee. See Table 4-2 for pay subject to retirement deductions. For current deduction rates and employer contributions, refer to the CSRS and FERS Handbook and the OPM Benefits Administration Letter (BAL) 15-303.

D. PRO Responsibilities for Retirement Deductions. The PRO must fulfill the responsibilities relating to CSRS, CSRS-Offset and FERS retirement contributions listed in the CSRS and FERS Handbook, Chapter 1, section 1C3.1-D.
E. Communication With OPM. Forward records of separated employees to:

1. Office of Personnel Management
   CSRS Retirement Records
   P.O. Box 45
   Boyers, PA 16017

2. Office of Personnel Management
   FERS Retirement Records
   P.O. Box 200
   Boyers, PA 16017

F. Maintaining the Individual Retirement Record (IRR) SF 2806/3100

1. General. The PRO maintains an IRR for each employee subject to CSRS, CSRS-Offset, or FERS, according to the CSRS and FERS Handbook, Chapter 81, part 81A2. Since the OPM uses the IRR to adjudicate the retirement rights of separated employees or their survivors, it is important that each IRR is complete, accurate, clearly detailed, and properly certified. Timely and accurate maintenance of each IRR expedites closeout when an employee separates or transfers to the paying jurisdiction of another agency.

2. Required Information. Certain information is required on the IRR for all employees. There are additional requirements for law enforcement officers, firefighters, foreign nationals, customs officers, and employees who have any periods of active duty service. Data should be taken from the SF 50 and posted to the IRR as it occurs. The OPM’s Operating Manual, The Guide to Data Standards, includes the standard abbreviations and remarks required for completing the IRR. Examples of how to post the service history are located in the CSRS and FERS Handbook, Chapter 81, section 81A2.2-2. Each IRR should be reviewed to ensure complete service history and that all dates and types of appointments are accurately reflected for each period of service.

   a. Sick Leave. When an employee dies, retires, converts to FERS with a CSRS annuity component, has an uncommon tour of duty, or applies for disability retirement, the amount of unused sick leave must be recorded on the IRR. An employee who has had a break-in-service is entitled to a recredit of sick leave (without regard to the date of his or her separation) if he or she returns to federal employment on or after December 2, 1994. However, sick leave is not recertified to employees who were reemployed in the federal service before December 2, 1994, and who previously forfeited sick leave under the former rules. See 5 CFR 630.502(b). For examples, see the CSRS and FERS Handbook, Chapter 81, section 81A2.3-1.

   b. Health Benefits Data. All IRRs sent to the OPM for regular retirement, disability retirement, or deceased employees must be annotated with the status of health benefits. See examples in the CSRS and FERS Handbook, Chapter 81, subchapter 81B.
c. **Federal Employees Group Life Insurance (FEGLI).** FEGLI must be shown on the IRR as specified in the CSRS and FERS Handbook. For further information, see the *FEGLI Program Handbook*.

d. **Additional Reportable Items for Separations, Removals, or Resignations.** All IRRs sent to the OPM regarding a separation, removal, or resignation must include the following employee’s information: Last Day of Pay, Unused Sick Leave, Federal Employees Health Benefits plan code, Federal Employees Group Life Insurance enrollment code, and Service Computation Date. For further information, see BAL 15-102.

3. **Closing Out the IRR.** For information on the closing out, certification and forwarding to the OPM of an IRR upon an employee’s separation, see the CSRS and FERS Handbook, Chapter 81, section 81A2.2-4.

   a. **Employee Death.** When the PRO receives notification of an employee’s death, the PRO must send the IRR to the OPM within 5 days of the date that final pay is computed. The OPM must receive the deceased employee's records and associated applications within 30 days from the date of death. For information on retirement deductions and matching agency contributions in final pay, see the CSRS and FERS Handbook, *Chapter 80*.

   b. **Separation and Application for Refund of Retirement.** A refund is the lump-sum payment (to a former employee or an employee no longer covered by CSRS or FERS) for the amount of his or her retirement contributions. An individual seeking a refund must meet eligibility requirements. The PRO is responsible for sending the employee’s IRR to the OPM with the employee’s refund application *SF 2802*, Application for Refund of Retirement Deductions CSRS; or *SF 3106*, Application for Refund of Retirement Deductions FERS. See the CSRS and FERS Handbook, *Chapter 32*, subchapters 32A (CSRS) and 32B (FERS). A refund payment may include any of the following:

   1. Retirement contributions deducted from basic pay, including CSRS-Offset contributions for employees covered under CSRS-Offset, or FERS basic annuity deductions from pay;

   2. Deposits and/or redeposits;

   3. Military service credit deposits;

   4. Voluntary contributions; or

   5. Interest payable under law.

   c. **Disability Retirement Separations.** Disability cases require different close out procedures due to the approval or denial of the application submitted by the employee for disability retirement. Agencies must execute both a preliminary and final IRR. See the CSRS and FERS Handbook, *Chapter 60* for Disability Retirements. See the CSRS and FERS Handbook, Chapter 81, section 81A.2.3-2 for examples on closing out a disability retirement IRR.
d. Non-disability Retirement Separations. When a separation occurs for reasons other than a disability retirement, the PRO must close out, certify, and forward the IRR to the address in subparagraph 040301.E. Information and examples on the process required to close out an IRR are located in the CSRS and FERS Handbook, Chapter 81, section 81A2.3-1.

e. Service Credit Deposits for Post-1956 Military Service. For the preparation of the IRR for deposits of creditable post-1956 military service, see the CSRS and FERS Handbook, Chapter 23. For additional information, see Chapter 11.

G. Storing, Safeguarding and Disposing of the IRR

1. Any IRRs not maintained in a mechanized manner must be stored in a lockable metal file cabinet or in a secured facility with limited access provided only to employees whose official duties require access. Manually maintained IRRs must be stored electronically (after being manually posted), and kept separately from the record itself, in accordance with the OPM requirements.

2. Retirement claims, life insurance, health benefits, and tax withholdings are permanent records and maintained in either paper or electronic imaged format. Medical records used to determine suitability are maintained for 18 months. Requests for review of health benefits claims should be maintained for up to 3 years.

3. Manual records should be disposed of by shredding.

H. Register of Separations and Transfers (SF 2807/3103)

1. The SF 2807 (CSRS) and SF 3103 (FERS), Register of Separations and Transfers, serve to authenticate the IRR for transmittal to other PROs and to the OPM. In addition to other fiscal and accounting data available to the OPM, the SF 2807/3103 is an essential document for controlling retirement monies. For information on how to prepare and maintain the SF 2807/3103, see the CSRS and FERS Handbook, Chapter 81, part 81A3.

2. More than one IRR may be submitted with an SF 2807/3103. However, transmitting completed retirement records should not be delayed while other IRRs are being prepared for forwarding to the OPM.

I. Adjustments and Corrections. When possible, adjust and correct any errors detected on the IRR before submission to the OPM. If an error is detected after the IRR is sent to the OPM, prepare an SF 2806-1 (CSRS) or SF 3101 (FERS), Notice of Correction of Individual Retirement Record. See the CSRS and FERS Handbook, Chapter 81, section 81A2.3-3.
1. Current Employees
   a. Over-deduction. If an over-deduction occurs for retirement from the pay of a current employee, the PRO must make an adjustment during the next payroll cycle. The PRO must decrease the current retirement deductions from the employee's current pay period earnings, and make a corresponding adjustment in the employer's contributions.
   
   b. Under-deduction. If an under-deduction occurs, or if deductions were not made for a period when an employee was covered by CSRS or FERS, then that employee must be afforded due process rights before being indebted for the erroneous pay received because of the under-deduction. If deductions were made for a nonappropriated fund (NAF) retirement plan when deductions are required for CSRS or FERS, then the PRO must adjust the NAF retirement deductions and contributions and the Social Security deductions and contributions in the next pay period. These amounts should be offset against the amounts that should have been submitted for CSRS or FERS to determine the net amount that must be withheld from the employee's current period pay.

2. Separated Employees
   a. Over-deduction
      (1) When excess retirement amounts have been deducted from a former employee's pay and the IRR SF 2806 (CSRS) or SF 3100 (FERS) has not yet been forwarded to the OPM, the PRO must correct the amount in the current calendar year and correct the accumulated deductions posted on the SF 2806/3100 prior to forwarding to the OPM.
      
      (2) If an over-deduction for retirement is found after the SF 2806/3100 was sent to the OPM, the PRO must prepare and submit the SF 2806-1/3101 to the OPM.
      
      (3) If an over-deduction from a former employee's pay results in excess employer contributions for retirement, the PRO must deduct the amount of the excess from the next pay period's submission of the Retirement and Insurance Transfer System (RITS) file.
   
   b. Under-deduction
      (1) When an insufficient amount for retirement has been deducted from a former employee's pay and the SF 2806/3100 has not yet been submitted to the OPM, the PRO must note the amount of the deficiency on the SF 2806/3100. If the SF 2806/3100 has been submitted, then another SF 2806/3100 must be prepared and annotated "Supplemental" in the upper left margin.
      
      (2) When an under-deduction from a former employee's pay results in insufficient employer retirement benefits contributions, the insufficient amount will normally be included in the RITS file for the next pay period.
3. Transferred Employees
   
a. Over-deduction
   
   (1) When excess retirement amounts have been deducted from a transferred employee's pay and the SF 2806/3100 has not been forwarded to the OPM, the PRO must correct the amount in the current calendar year and correct the total accumulative deductions posted on the SF 2806/3100 prior to forwarding.
   
   (2) If the over-deduction for retirement is found after the SF 2806 was forwarded to another PRO within the DoD, an SF 2806-1 must be prepared and submitted to the gaining PRO.
   
   (3) When an over-deduction from a transferred employee's pay results in excess employer retirement contributions, the PRO must deduct the amount of excess employer contributions from the RITS file for the next pay period.

   b. Under-deduction. When an insufficient retirement amount has been deducted from a former employee's pay and the SF 2806 has not yet been forwarded to another PRO within the same Component, the losing PRO must note the amount of under-deductions on the SF 2806. The losing PRO must prepare and forward a supplemental SF 2806 to the gaining PRO, if the SF 2806 was previously submitted.

   c. Service History Corrections. The PRO must correct the “Service History” portion of the SF 2806 if the error is detected before the record is sent to another PRO within the same Component. If the error is detected after the record is submitted, the losing PRO must prepare and submit an SF 2806-1 to the gaining PRO.

4. Retroactive Payments

   a. The PRO must report CSRS or FERS deductions withheld from a retroactive salary payment for a separated employee by preparing a supplemental SF 2806/3100, and forwarding it to the OPM using an SF 2807/3103.

   b. For a current employee, the PRO must include CSRS or FERS deductions withheld from a retroactive salary payment in the current year salary deduction on the SF 2806/3100 being maintained for the employee.

   c. A losing PRO must report CSRS or FERS deductions withheld from a retroactive salary payment for an employee transferred to another PRO within the same Component by preparing a supplemental SF 2806/3100. The losing PRO must send the SF 2806 to the gaining PRO using an SF 2807. The losing PRO must send the SF 3100 to the OPM using an SF 3103.
J. Availability of Retirement Funds for Loans, Garnishments, and Indebtedness

1. Loans and Garnishments. See the CSRS and FERS Handbook, Chapter 5 for Court Orders. An employee cannot borrow from the retirement fund or use money credited to his or her account as security for a loan or any other purpose. Additionally, an employee's retirement account is not subject to the execution of levies, attachments, garnishments, or other legal processes except as follows:

   a. The OPM will comply with a garnishment or attachment order issued to enforce child support or alimony obligation; and

   b. The OPM will comply with the assignment of retirement benefits in a qualifying state court order, decree, or community property settlement agreement in connection with a divorce, annulment of marriage, or legal separation of a federal employee or retiree.

2. Indebtedness. The PRO may request the OPM to use administrative offset to collect a debt owed to the United States by offsetting any money due and payable to a separated employee from his or her CSRS or FERS benefits. See Volume 16, Chapter 3 for guidance on recovering debts from retirement funds. The PRO must ensure the former employee receives due process as specified in Volume 16. See also the CSRS and FERS Handbook, Chapters 4 and 5.

K. Submission of Deductions and Contributions. Employee deductions and employer contributions for CSRS or FERS must be reported separately to the OPM each pay period. The PROs reporting to the OPM via the RITS must report deductions and contributions using procedures described in Chapter 9. Employer contributions must be charged to the appropriation(s) from which the employee's salary is paid. See the CSRS and FERS Handbook, Chapter 80.

040402. State Retirement Programs for National Guard Technicians

Effective January 1, 1969, pursuant to 32 U.S.C. § 709, all National Guard Technicians appointed in a position not excluded from coverage are considered federal employees who are automatically covered by CSRS or FERS. However, technicians employed on December 31, 1968, had the option of irrevocably electing to remain covered by a state retirement system. The DoD negotiated agreements with states for federal employee contributions to a state or state-sponsored contributory retirement program. For further information, see the CSRS and FERS Handbook, Chapter 12.

040403. DoD Employees Covered by Retirement Systems for Nonappropriated Fund Instrumentalities

A. General. NAF employees are federal employees within DoD. However, NAF employees are not subject to many of the personnel laws administered by the OPM for appropriated fund (APF) employees. The status of NAF employees is explained at 5 U.S.C. § 2105(c). NAF employee retirement benefits are not subject to the same requirements as that of civil service positions. Each NAF employer administers its own retirement program pursuant
B. Portability. If a NAF employee moves to an APF position, unless specifically provided by law, the employee’s NAF service is not creditable for civil service benefits. Likewise, service in an APF position is not creditable for NAF benefits unless DoD policy provides such credit. Laws and regulations regarding service credit and portability of benefits for employees who move between NAF and APF positions are discussed in this section and in the *Portability of Benefits Reference Guide* published by the Defense Civilian Advisory Service. See also 5 CFR Part 847 and 5 CFR Part 1620, *subpart D*.

C. DoD Components Offering NAF Retirement Plans. The following DoD Components offer NAF retirement plans for eligible DoD NAF employees:

1. Department of the Army,
2. Department of the Air Force,
3. U. S. Marine Corps,
4. Bureau of Naval Personnel,
5. Navy Exchange Service Command, and

D. History of Public Laws Relating to Portability of Retirement Benefits for NAF Employees.

1. **NAFI Employee’s Retirement Credit Act of 1986.** Public Law (P. L.) 99-638, (5 U.S.C. § 8332). The Act was the first to permit CSRS credit for former NAF service. The law required that NAF service be provided in certain morale, welfare, and recreation (MWR) positions after June 18, 1952, and before January 1, 1966. Covered employees were primarily Army NAF employees in recreation, youth activities, or arts and crafts positions which were not covered with a NAF retirement system.

2. **The Portability of Benefits for NAF Employees Act of 1990.** P. L. 101-508, section 7202, (5 U.S.C. § 8332). The law provides pay and benefit portability for employees who move between NAF and APF positions. The law covers moves between DoD NAF and DoD APF positions made on or after January 1, 1987. An employee who moves with a break-in-service of no more than 3 days between such positions may be eligible for pay, leave, reduction-in-force, and retirement benefit protection. An employee who moves between positions may remain in his or her civil service or NAF retirement plan, if vested.

the area of retirement coverage. Retirement election provisions were expanded to include moves to APF positions outside of DoD and to cover moves on or after August 10, 1996, with a break-in-service of not more than 1 year. Employees must be vested in the losing employment system’s retirement plan in order to elect to retain coverage. The law provided eligible FERS or NAF employees the opportunity to combine FERS and NAF service credit retroactively if the move occurred on or after January 1, 1966, but before August 10, 1996, with an election deadline of August 11, 1997. Waivers of this deadline are authorized for employees who did not receive notice and counseling from their Human Resources Office (HRO).

4. FY 2002 NDAA. P.L. 107-107, sections 1131 and 1132, (5 U.S.C. § 8332). The law further expanded the retirement election opportunity making it easier for employees who have performed service with a DoD or Coast Guard NAFI to continue retirement coverage after moving between NAF and APF positions. Section 1131 permits employees moving between NAF and APF positions on or after December 28, 2001, to continue coverage in the retirement plan under which they were covered immediately before the move, even if they were not vested in that retirement plan. Employee moves between retirement covered positions must not involve a break of more than 1 year. Additionally, section 1132 permits employees in CSRS or FERS to use prior NAF service to qualify for an immediate retirement on or after December 28, 2001. Credit for NAF service under section 1132 will not result in higher CSRS or FERS annuity benefits.

E. Elections to Continue Retirement Coverage After a Qualifying Move From a NAF Position. In accordance with 5 CFR 847.202, NAF employees must meet the requirements of a qualifying move in order to be eligible to retain NAF retirement coverage after moving to a civil position covered by CSRS or FERS. The criteria requirements for a qualifying move may vary by the date(s) of when the move actually occurred.

1. Qualifying Move Between January 1, 1987, and August 9, 1996. A qualifying move occurring between January 1, 1987, and August 9, 1996, that would allow a NAF employee the opportunity to elect to continue retirement coverage under a NAF retirement system must meet all the following criteria:

   a. Employee must not have had a prior opportunity to elect to continue NAF retirement system coverage;

   b. Employee must have been a vested participant in the NAF retirement system prior to the move to the civil service;

   c. Employee must have moved from an NAF to a CSRS or FERS covered position within DoD or the U.S. Coast Guard; and

   d. Employee must be appointed to a CSRS or FERS covered position no later than 4 days after separation from retirement covered NAF employment.

allow a NAF employee an opportunity to elect to continue retirement coverage under a NAF retirement system must meet all the following criteria:

a. Employee must not have had a prior opportunity to elect to continue NAF retirement system coverage;

b. Employee must have been a vested participant in the NAF retirement system prior to the move to a CSRS or FERS covered position;

c. Employee must have moved from a NAF to a civil service position subject to CSRS or FERS coverage; and

d. Employee must be appointed to a CSRS or FERS covered position no later than 1 year after separation from retirement covered NAF employment.

3. Qualifying Move After December 28, 2001. A qualifying move occurring on or after December 28, 2001, that would allow a NAF employee an opportunity to elect to continue retirement coverage under a NAF retirement system must meet all the following criteria:

a. Employee must not have had a prior opportunity to elect to continue NAF retirement system coverage;

b. Employee must have moved from a NAF to a civil service position subject to CSRS or FERS coverage; and

c. Employee must be appointed to a CSRS or FERS covered position no later than 1 year after separation from retirement covered NAF employment.

F. Electing NAF Retirement System Coverage After a Qualifying Move

1. Employees who elect to retain coverage under a NAF retirement system will have their SF 50 annotated as "5-Other" for the retirement code. The SF 50 will state that the employee has elected to retain coverage under a NAF retirement system.

2. Employees who elect to remain covered by a NAF retirement plan are excluded from coverage under CSRS or FERS during that and all subsequent periods of employment, including periods of service as a reemployed annuitant.

3. Employee retirement deductions, employer contributions, employee contributions to applicable 401(k) plans, and loan repayments will be made biweekly and submitted to the appropriate NAF employee benefit system. Federal Insurance Contribution Act (FICA) contributions must be withheld and reported in accordance with the U.S. Department of the Treasury’s current guidance.
4. Employees who elect to retain coverage under a NAF retirement system are eligible to contribute to the applicable NAF 401(k) plan, but are not eligible to participate in TSP.

5. Employees who elect to retain NAF retirement coverage will continue coverage with the NAF retirement plan in effect at the time of election.

040404. Uniformed Services University of the Health Sciences (USUHS) Faculty Retirement

A. The USUHS has established a policy on granting of retirement benefits for faculty and staff covered under the Administratively Determined (AD) pay plan. See 10 U.S.C. §2113 and USUHS Instruction 1418, Civilian Faculty Benefits Plan. All full-time civilian faculty members of the USUHS appointed to an AD position with an appointment of more than 1 year may elect coverage under one the following plan options:

1. Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). This is a tax-deferred retirement plan offering both fixed and variable annuity distributions, which allows employees to enroll in a variety of available funds. Remit collected amounts to the following address:

   TIAA-CREF
   8500 Andrew Carnegie Blvd
   Charlotte, NC  28626

   Any offline collections are deposited and disbursed from deposit fund –X6875 and remitted to the same address. For additional information, see TIAA-CREF.

2. Fidelity Investments. This is a tax-deferred investment program through which the employee may enroll in a variety of available funds. Remit collected amounts to the following address:

   Fidelity Retirement Services
   P. O. Box 770002
   Cincinnati, OH  45277-0089

   B. A total of 15 percent of the employee's total salary will be contributed to either TIAA-CREF or Fidelity Investments. The employer (USUHS) will contribute 10 percent and the employee will contribute a mandatory 5 percent through payroll deduction.

   C. Part-time AD employees, visiting employees who carry a J-1 visa, faculty whose titles have the prefix Visiting and Postdoctoral Fellows are not eligible to participate in TIAA-CREF or Fidelity Investments.
0405 FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA) TAX

040501. Authority

The FICA provides for a federal system of OASDI and hospital insurance. See 26 U.S.C. § 21. The OASDI program is financed by the Social Security tax, and the Hospital Insurance program is financed by the Medicare tax. Wages for covered employment are taxable regardless of the worker's age or whether the worker is receiving Social Security or Medicare benefits. Employers must match the taxes withheld from employee wages. The term FICA applies to the combined amount of the deductions withheld for both Social Security and Medicare. However, each of the taxes is reported separately. For purposes of this guidance, taxes withheld under FICA will be referred to separately as Social Security tax and Medicare tax. The guidance applies to both Social Security and Medicare withholding. For additional information, see the Social Security Handbook.

A. Coverage. Federal employees are generally subject to both Social Security and Medicare tax withholding, but some employees are subject to only Medicare tax. Prior to 1984, most federal civilian employment was exempt from Social Security coverage. However, for federal employees hired on or after January 1, 1984, most services are covered by Social Security. Whether an employee is covered under Social Security is based on the type of appointment and is determined by the HRO and reflected on the SF 50. Federal employees became subject to Medicare withholding the first pay period in CY 1983. See the Social Security Handbook, section 940. Social Security and/or Medicare taxes are withheld on the same wages, but only Social Security taxes have a wage base limit (i.e. the maximum wage amount subject to Social Security tax for the year). The deductions are shown separately on the IRS Form W-2, Wage and Tax Statement. The DoD is considered one employer for purposes of determining the maximum wages subject to Social Security and/or Medicare withholding. Employees who are exempt from the Social Security and/or Medicare withholding are:

1. Noncitizens employed outside the United States, the U.S. Virgin Islands, and Puerto Rico;

2. Interns, (except medical and dental interns and residents), student nurses, and other student employees of federal hospitals (26 U.S.C. § 3121(b)(6));

3. Employees hired temporarily to handle fires, storms, earthquakes, floods, and other similar emergencies and disasters (26 U.S.C. § 3121(b)(6));

4. If a civilian chaplain wants to be covered under Social Security and/or Medicare, he or she must apply as a self-employed person. Social Security and/or Medicare may also cover the chaplain if the order under which the chaplain belongs has elected its members to be covered;

5. Employees of instrumentalities of the U.S. Government that are specifically exempt from Social Security and/or Medicare by law (26 U.S.C. § 3112); and
6. Title 32 National Guard technicians in Massachusetts and Nevada who elected to remain in the state employees retirement systems.

B. Transfers Between DoD Components. Beginning January 1, 1984, based on FICA, the OPM directed that all newly hired federal employees be subject to Social Security and Medicare withholding, as well as retirement deductions. If an employee transfers between DoD Components, then the gaining PRO must count those Social Security and/or Medicare taxes already deducted by the losing PRO in order not to exceed the maximum Social Security and/or Medicare tax liability due for that payroll year. When an employee transfers, the PRO must include Social Security and/or Medicare year-to-date wages, and Social Security and/or Medicare year-to-date taxes on the SF 1150, Record of Leave Data.

040502. Compensation Subject to Social Security and/or Medicare Tax

A. Current Earnings and Allowances. For employees covered under FICA, compensation subject to federal income tax (without regard to exemption status) is generally subject to Social Security and Medicare deductions (see Table 4-2). Employees covered under CSRS are subject only to Medicare withholding. The basis for Social Security and/or Medicare tax deductions is the employee's gross pay for each pay period.

B. Back Pay Awards. Employee and employer portions of Social Security and/or Medicare tax computed for back pay awards must be calculated at the rate in effect at the time the payment of back pay is made.

040503. Tax Amounts

Social Security and Medicare tax have different tax rate percentages, and Social Security is subject to a wage base limitation. Therefore, Social Security and/or Medicare tax must be computed and reported separately.

A. Employee Deductions. For each pay period, deduct the appropriate Social Security and/or Medicare tax amount from the gross pay of each employee covered by Social Security and/or Medicare. With respect to the Social Security wage base limit, when the employee's earnings reach the applicable maximum limitation in a taxable year, discontinue the deductions for Social Security for the remainder of that tax year. Refer to the Internal Revenue Service (IRS) Publication 15, Circular E, Employer’s Tax Guide, for the yearly update. Maximum limitations for prior years are in Table 4-3 and Table 4-4.

B. Employer’s Social Security and/or Medicare Tax. The U.S. Government must pay the employer's contribution equal to the same tax rate used for employees.

C. Official Social Security and Medicare Tax Tables. Tax tables are published in Circular E.
*0406  FEDERAL INCOME TAX WITHHOLDING (FITW)

040601. General


B. Employer's Identification Number (EIN). An EIN is assigned by the appropriate District Director of the IRS to identify the tax accounts of employers. Only one identification number per PRO is authorized for use in reporting all federal and Social Security and/or Medicare taxes. The PRO must collect federal and Social Security and/or Medicare taxes from employee wages and report all taxes using the IRS Form 941, Employer’s Quarterly Federal Tax Return. For guidance on withholding and reporting federal income tax and Social Security and/or Medicare, consult the current Circular E.

C. Tax Reform. The Tax Cuts and Jobs Act (TCJA) of 2017 (P.L. 115-97) signed into law on December 22, 2017, amended several provisions of the Internal Revenue Code of 1986. Specifically, the TCJA legislation resulted in the IRS Form W-4, Employee’s Withholding Certificate, being redesigned. Previously, the value of a withholding allowance was tied to the value of the personal exemption. The TCJA eliminates personal exemptions claimed by taxpayers for themselves, their spouse, and dependents through CY 2025.

D. Method of Withholding. The two most common methods for withholding tax provided by the IRS are the percentage method and the wage bracket method. Beginning in CY 2020, employers with automated payroll systems are to withhold taxes based on the percentage method. Refer to the IRS Publication 15-T, Federal Income Tax Withholding Methods.

040602. Form W-4, Employee’s Withholding Certificate

The IRS Form W-4 was revised for CY 2020. The PRO must use the W-4 to support statutory deductions for federal income taxes from each employee. Therefore, an employee must complete the W-4 and any additional forms required for withholding state or local taxes at the start of employment. If an employee fails to submit the W-4, the PRO must treat the employee as a single filer with a standard deduction and no other adjustments. Once filed, the W-4 remains in effect until the employee amends it or files a new withholding certificate. Employees may obtain the W-4 from their servicing HRO. Employees may also process tax changes through an automated computer program, such as myPay, by using a personal identification code.

A. Additional Withholding. An employee may also specify that a fixed dollar amount is withheld from pay in addition to the amount of required withholdings. The amount of additional withholding remains in effect until changed by the employee.
B. Reporting the W-4 to the IRS.

1. Employers may be directed by a written notice from IRS to send a specific W-4 to the IRS for review. If the PRO receives a written notice, then the PRO will obtain a copy of the requested W-4 and follow the guidance for submitting the W-4 to the IRS.

2. If the IRS determines that an employee does not have enough withholding, then the IRS may send the PRO a letter commonly called a lock-in-letter. The lock-in-letter will specify the filing status, multiple job adjustments, and maximum amount of credit or deductions permitted for a specific employee for purposes of calculating the required withholding. The PRO must furnish a copy of this letter to the employee within 10 business days of receipt of the letter. The PRO will begin the withholding based on the date specified in the letter.

040603. Withholding Status Change

If an employee submits a new W-4, the PRO will change the withholding effective the next pay period. Retroactive adjustments are not permissible, even if an employee claims the W-4 on file is erroneous and submits a corrected one.

040604. Compensation Subject to Income Tax

See Table 4-2 for taxability of particular types of compensation.

040605. Exemption From Withholding

An employer is not required to deduct and withhold any federal income tax from wages paid to an employee who has certified to the employer (as prescribed by IRS) that the employee incurred no income tax liability for the preceding year and that the employee expects no liability for the current year. A W-4 claiming exemption from withholding is effective when it is given to the employer and only for that calendar year. To continue to be exempt from withholding, an employee must submit a new W-4 by February 15. If the employee fails to file the W-4 claiming exemption from withholding by February 15, the PRO will treat the employee as a single filer with no adjustments when withholding tax. If the employee provides a new W-4 on February 16 or later, the PRO will apply it to future wages but will not refund any taxes already withheld.

040606. Retained Copies of Form 941 and Related Reports

As forms become superseded or obsolete, the PRO should remove them from the active file and place in an inactive file. The Treasury’s forms (e.g., the 941 or W-4) do not have to be sent to the IRS District Director. However, if requested, the PRO must show that the information is on file as a supporting record.

040607. Adjustments in Tax Withheld

A. Under-Withheld Taxes. If the PRO does not withhold income, Social Security, or Medicare taxes, or if less than the correct amount is withheld from the employee’s
wages, the adjustment to the employee’s pay may be made in a later pay period of the same calendar year. The underpayment must be paid to the IRS by the employer. Under-withheld income tax should be recovered from the employee on or before the last day of the calendar year that the tax was due. See Chapter 8 and Circular E for information on collection of a prior year tax debts. Make no adjustment if the error occurred in a prior calendar year or the employee is no longer on the payroll.

B. Refunding Taxes Incorrectly Withheld. If more than the correct amount of income, Social Security, or Medicare tax is withheld from employee’s wages, the excess amount must be refunded to the employee before the end of the 3-year statute of limitations that applies to tax refunds. For example, if excess Social Security taxes were withheld from an employee’s pay in CY 2019, the excess Social Security taxes could be refunded to the employee through April 15, 2022.

040608. Tax Payments - Payment of Withheld Tax

A. Tax Collection. The PRO remits all federal income, Social Security, and Medicare taxes collected by the PRO directly to IRS through the Electronic Federal Tax Payment System (EFTPS). The EFTPS is a service offered by the Treasury that allows an agency to electronically file and make payments for the 941 taxes each quarter.

B. Accounting. The PRO making the tax collection is responsible for preparing and issuing the W-2 to the employee.

C. Disbursement. The disbursing office will disburse all taxes withheld based on the information provided by the PRO and the frequency of the payroll involved. The taxes are remitted for amounts withheld from wages for federal income, Social Security and/or Medicare taxes, and employer's contributions for Social Security and/or Medicare via the EFTPS.

040609. Resident and Nonresident Aliens

A. Withholding Tax. Wages paid to both resident and nonresident aliens for services performed in the United States are subject to the withholding of federal income tax. The same regulations, procedures, and rates that govern U.S. citizens apply to resident and nonresident aliens. Generally, resident aliens are taxed in the same manner as U.S. citizens. However, for nonresident aliens, employers may be instructed to withhold an additional amount from a nonresident alien’s wages. See Circular E for any additional withholding adjustments.

B. Withholding Allowances and Exemptions. Resident aliens may claim the full number of withholding allowances to which they would be entitled if they were U.S. citizens. Generally, nonresident aliens may claim one withholding allowance on the W-4. Nonresident aliens who are residents of Canada, Mexico, or South Korea, or a student/business apprentice from India, or a U.S. National may be able to claim additional withholding allowances. See IRS Publication 519, U.S. Tax Guide for Aliens, for additional information. In general, federal income taxes on the wages of nonresident alien employees must be withheld. See IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, for exemptions to wage withholding.
C. Payment of Taxes and Tax Return. Federal income and Social Security/Medicare taxes withheld for resident and nonresident aliens covered in this chapter will be included with the total tax deposit payment and reported on the 941.

040610. Lump-Sum Leave Payment Refunds From Reemployed Individuals

A. General. When a separated employee who received a lump-sum payment for annual leave is reemployed in federal service prior to the end of the period covered by the lump-sum payment, the employee must refund an amount equal to the pay covering the period between the date of reemployment and the expiration of the lump-sum period. See 5 U.S.C. § 6306. Refer to Chapter 8 regarding procedures on corrections of overpayments and underpayments.

B. Refunded Payments. See Chapter 8, section 0807 regarding pay corrections and tax reporting on refunded lump sum leave payments.

040611. Advance Earned Income Credit (EIC)


0407 STATE INCOME TAX WITHHOLDING (SITW)

*040701. Withholding Authority

The withholding of state and territorial income taxes from the compensation of federal employees is allowed if an agreement has been entered into between the Secretary of the Treasury and the proper official of the state or territory. See 5 U.S.C. § 5517. Agreements exist between the Secretary of the Treasury and many of the states for withholding income tax from the compensation of federal employees whose regular place of employment is within the state. See Treasury Financial Manual (TFM), Volume 1, Part 6, Chapter 5000, Appendix 2 for a list of states with existing agreements. If there is no existing agreement between a state and the Secretary of Treasury, then the employee may elect to have discretionary withholding for a state.

A. Wages Subject to State Withholding. Wages and salaries subject to federal income tax withholding are generally subject to state withholding. Cost-of-living allowances paid to employees in Hawaii are included as taxable income. Severance pay paid in accordance with 5 U.S.C. § 5595 is included; however, state income tax should not be withheld from severance pay paid to the survivor of a deceased employee.

B. Withholding Requirements. When a state statute provides for the collection of a tax by the employer, withholding is required for any DoD employee who is subject to the tax and whose regular place of federal employment is within the state (if the state has entered into an agreement). Generally, the employee’s official duty station is where the employee reports regularly to perform services. For an employee whose duties are performed at a place other than his or her
official duty station, the regular place of federal employment is the place where the employee actually and normally performs their duties.

C. **Withholding Certificate.** The DoD requires employees to complete a withholding certificate as the basis to properly withhold state taxes. The certificate should specify if the employee is subject to the tax, the employee’s residence and regular place of employment, exemptions, allowances **(if applicable)**. This certificate remains in effect until the employee submits a new certificate. If an employee does not furnish a withholding certificate for a designated state, the maximum amount applicable to the employee’s annual compensation **is** withheld.

D. **Methods for Withholding.** The amount of state, city, or county income or employment tax withheld from the compensation of an employee or member of the armed forces must, at a minimum, approximate the tax required to be withheld. Withholding may be accomplished based on one of the following methods:

1. Applicable tax withholding rate(s) specified in the state, city, or county instructions;

2. Any other percentage or formula method; or

3. A calculated, fixed amount to be deducted each pay period from the compensation of the employee.

E. **Reciprocal Agreements.** The state requirements for withholding income tax may be modified by reciprocal agreements between states. The effect of reciprocal agreements generally is to relieve nonresident employees of their tax liability to the state in which they are employed. Reciprocal agreements also relieve the employer of the duty to withhold such taxes. To comply with Treasury-state withholding agreements, agencies must conform to the withholding provisions of reciprocal agreements. If an employee is subject to withholding in more than one state, use separate deduction codes to identify tax remittance for each state.

1. Employees usually are subject to withholding for the state in which their duty station is located. The employee’s SF 50 shows the duty location. The duty station also governs withholding for employees in continual travel status. For an employee who performs duties at a place other than the official duty station, the place where the employee regularly performs his or her duties is considered the regular place of employment for state tax withholding purposes.

2. Reciprocal agreements between states may affect automatic withholding according to the duty station. In all disputed cases, the PRO will:

   a. Withhold tax; and

   b. Advise the employee to negotiate the tax liability directly with the proper taxing authority.
F. Nonresident Employees

1. Some states permit nonresident employees to certify their compensation is not subject to that state's income tax. When the agreement or state law contains such a provision, the employee's signed statement is accepted as justification to discontinue withholding of state income tax. The statement is filed with the employee's W-4.

2. Nonresident employees, who under the state income tax law are required to allocate at least three-fourths of their compensation to the state, are subject to withholding on their entire compensation. Nonresident employees, who under the state income tax law are required to allocate less than three-fourths of their compensation to the state, may elect to:
   a. Have state income tax withheld on their entire compensation; or
   b. Have no state income tax withheld on their compensation (31 CFR 215.10(a)).

G. State Income Tax Discretionary Deductions

1. When a state provides for discretionary allotment withholdings, the PROs will withhold state taxes only for those employees who have a legal obligation to pay and who elect such withholding. This applies whether or not the Treasury has a withholding agreement with the state.
   a. Employees must request the allotment on a proper withholding certificate.
   b. Employee tenure does not affect the allotment.

2. Employees located in foreign areas must assume the responsibility for determining the need for state and local taxes. However, before submitting a request, an employee must be advised to:
   a. Obtain assistance from the employing activity legal staff available to him or her; or
   b. Contact the appropriate state or local income tax office as to the applicability of withholding taxes while on an overseas assignment. Preferably, this should be completed prior to an employee's departure from the continental United States (CONUS). If the employee determines a withholding liability applies, then the PROs will honor the request.
3. The PRO must comply with the agreement, regulations, and instructions of the state concerned.

   a. The PRO will base the allotment amount on either:
      
      (1) The amount (in whole dollars) set by an employee; or
      
      (2) The withholding certificate filed by an employee and the state withholding tables or formulas.

   b. The PRO will pay withheld state income taxes to each state concerned as prescribed for that state.

H. State Exemption Certificates. Employees are subject to mandatory withholding under Treasury-state withholding agreements. However, an employee may claim exemption from withholding under certain conditions. The PROs must:

   1. Require the use of state-furnished tax exemption certificates, if available; and

   2. Give the designated official of the taxing state the following information (on request) about employees claiming exemption;

      a. Name,
      
      b. SSN, and
      
      c. The basis for the claimed exemption.

I. Military Spouses Residency Relief Act (MSRRA)

   1. The MSRRA (P.L. 111-97), enacted November 11, 2009 (50 U.S.C. § 571), allows for an employee, who is also a spouse of a military service member, to claim an exemption from state withholding on wages because:

      a. The employee’s spouse is a member of the Armed Forces assigned to duty in the state of the employee’s employment in compliance with military orders;
      
      b. The employee is present in the state of employment solely to be with the employee’s military spouse; and
      
      c. The employee maintains a residence or domicile in another state.

   2. Under the MSRRA, employees must establish that they have a residence or domicile in a state other than the state of employment. An employee who is a military
spouse is still liable for income taxes imposed by his or her state of legal residence or domicile. Once an employee establishes that he or she has a residence or domicile in a state other than the state of employment, the employee may claim an exemption from state tax in the state of employment.

*040702. PRO Responsibilities

The PRO will send copies of the W-2 to states that have negotiated agreements with the Secretary of the Treasury with respect to employees who are subject to mandatory state withholding, or who may elect withholding under a state law. See the TFM, Volume 1, Part 6, Chapter 5000, Withholding of District of Columbia, State, City, and County Income or Employment Taxes.

A. Accounting for Withheld Taxes

1. Employee Pay Records. The PRO will record the amounts withheld each pay period on an employee's pay record when a special payment occurs; otherwise, the system will automatically update an employee's records.

2. Deposit Accounts. The PRO will:
   a. Compute the total of withheld state taxes; and
   b. Deposit the total in deposit fund account –X6275 for withheld state income taxes and in accordance with Treasury’s Federal Account Symbols and Titles (FAST) Book II. Credit the deposit account regardless of the employing activity of the employee.

3. Error Corrections. The PRO should correct a clerical error made in the prior pay period to the current calendar year if the employee is still on the payroll. If the error resulted in the under-deduction of taxes, the PRO must follow due process procedures to collect the taxes paid on behalf of the employee. If the error resulted in the over-deduction of withheld taxes, the PRO must refund the amount of the over-deduction to the employee on the next regular payroll cycle. The PRO will not make any adjustment if:
   a. The employee is no longer on the payroll; or
   b. The error was in a prior calendar year.

4. Paying Out Withheld Taxes

   a. Frequency. The PROs will comply with the state's current tax law, whether payment is required biweekly, monthly, or quarterly. The PROs will not make payments more often than required under state tax law.

   b. Payment Identification. The disbursing officer will issue checks based on an approved voucher prepared by the PRO. The PRO must prepare required tax payment documents.
5. **Balancing State Wage and Tax Information.** The PRO will balance the amounts reported on the W-2 to each state with year-to-date control totals for state taxes withheld and state taxable wages. These amounts must balance before the W-2s are distributed to employees and forwarded to the states.

6. **Collection of Delinquent Taxes.** The collection of a tax levy from a state or local government is authorized by 5 CFR *Part 582*. The DFAS Cleveland (DFAS-CL/L) has been designated as the agent to accept legal process for DoD civilian employees for state or local tax levies. Send all state income tax liens to the following address:

   DFAS-CL/L  
   Attention: OGC  
   P.O. Box 998002  
   Cleveland, OH 44199-8002

7. **Notice to Employees.** The DoD Components should advise their employees that information returns will be sent to state and other taxing authorities of the employee's place of employment (and, in some cases, place of residence) where such authorities have requested the information. Only information properly releasable under *The Privacy Act of 1974 (5 U.S.C. § 552a)* or the applicable notice of routine use may be released.

B. **Recordkeeping**

1. The PROs must retain the following records of state tax deductions:
   a. EIN assigned by the state;
   b. Amounts and dates of all payments and wages subject to state tax withholding;
   c. Names, addresses, and Social Security Numbers (SSNs) of employees; and
   d. Dates and amounts of tax deposits made.

2. The HROs will retain the following:
   a. The employee's state withholding allowance certificate, which will be kept until superseded or canceled; and
   b. Dates of employment.

C. **Official State and Territory Codes and Abbreviations.** The official abbreviations and state codes for the United States (including D.C.) and U.S. possessions and territories are listed in Table 4-5. No other abbreviations or codes may be used.
040703. Guam or the Commonwealth of Northern Mariana Islands Federal Income Taxes

The total amount of federal income taxes withheld from employee salaries creditable to Guam or the Commonwealth of Northern Mariana Islands must be certified and submitted each calendar quarter to the IRS. The certifications must include the employer identification number, the quarter covered by the certifications, and the dollar amount withheld. The submission may contain one certification, but amounts attributable to Guam and the Commonwealth of Northern Mariana Islands must be reported separately. Refer to the IRS Publication 80, Circular SS, Federal Tax Guide for Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

0408 CITY AND LOCAL INCOME TAX WITHHOLDING

040801. Withholding Authority

Withholding of city, county, or employment tax from compensation of federal employees who are subject to tax and whose regular place of federal employment is within the city or county which has entered into a proper agreement with the Secretary of the Treasury is authorized by 5 U.S.C. § 5520. Withholding is also required if the employee is a resident of the city or county. Each DoD employee must complete a withholding certificate for city or local taxes as a basis for proper withholding. An out-of-state employee's consent to have city or local taxes withheld is also required when applicable.

A. Treasury Agreements. An agreement must be reached between the Secretary of the Treasury and the applicable city, county, or local taxing authority before withholding is required. See TFM, Volume 1, Part 6, Chapter 5000. The agreement provides for mandatory withholding of income or employment tax from the compensation of federal employees whose regular place of employment is within the city or county or who are residents of the city or county. Generally, this is where employees report for work. In the case of employees who perform their services other than where they report, the regular place of employment is where the employee regularly performs his or her services.

B. Wages Subject to City and County Withholding. The PROs must apply policies and follow procedures as prescribed for each state in the determination of employee wages subject to mandatory city and county withholding.

1. Basic Wages. All wages and salaries subject to federal income tax withholding are normally subject to city and county withholding. Severance pay paid to an employee is generally included. However, when paid to the survivor of a deceased employee, exclude severance pay.

2. Mandatory Withholding

   a. The PRO must withhold tax from wages of federal employees who reside in cities or counties that have entered into withholding agreements.
b. The PRO must withhold tax from the wages of federal employees whose regular place of federal employment is within a city or county where they are subject to tax. If employees reside in a state other than the state in which the city or county is located, then they are exempt from mandatory withholding.

c. The federal employee's regular place of employment usually is the employee's official duty station that is on the SF 50. If an employee actually performs service at a location other than the official duty station, that alternate location becomes the regular place of employment.

d. Many local ordinances tax only wages for services performed within the city or county; in most cases, this applies only to nonresident employees. Employees eligible to exclude part of their annual income under such provisions must submit a withholding certificate that specifies the amount or percentage. The PRO must reduce withholding accordingly. If the employee does not file a certificate, the PRO must withhold tax based on the employee’s total compensation. The PROs must not make an adjustment in withholding if employees perform less than 25 percent of their services outside the city or county.

C. Withholding Certificates

1. Employees must submit withholding certificates and provide all the information needed to deduct city or county income taxes. If employees do not provide a certificate, then the PRO must withhold tax at the highest level that applies to their annual wages. However, the PRO must not withhold any tax from wages of out-of-state employees until they present a form consenting to withholding.

2. Employing activities may use a withholding or exemption certificate furnished by a city or county only if it contains all required information. If the form does not contain all needed information, then employing activities may use Treasury’s Fiscal Service (FS) Form 7311, Employee Withholding Certificate for Local Taxes. See TFM, Volume 1, Part 6, Chapter 5000.

3. Agencies may provide copies of completed withholding forms to the city or county when requested by the taxing authority for which the tax was withheld.

D. Discretionary Withholding of City or Local Tax

1. Nonresident Employees. An employee who does not reside in the state in which the city or county (place of employment) is located is exempt from mandatory withholding; however, the PRO may withhold tax with the employee's consent. The employee must submit a withholding certificate.

2. Allotment for Discretionary Deduction. Employees have the option of making discretionary allotments for the payroll deduction of taxes of their city or county of residence if employed outside that location. The fact that taxes are withheld for the city or county of employment does not affect the employee's discretionary allotment.
a. An employee may make a discretionary allotment for withholding even though the city or county does not have a withholding agreement.

b. The PRO must set the allotment amount on the city or county withholding method or deduct a whole dollar amount set by the employee. The employee must submit a proper withholding certificate.

3. Accounting for Discretionary Withholding. The PRO must account for discretionary tax deductions as prescribed for mandatory withholdings.

4. Methods for Withholding. The PRO must withhold tax based on one of the following methods:

   a. The proper city or county tax withholding rate set in the city or county instructions;
   b. The prescribed percentage or formula method; or
   c. Computation of a set amount to be deducted from the employee's pay each pay period.

5. Minimum Withholding. The PRO must deduct an amount, at a minimum, nearly equal to the tax required by the city or county.

*040802. PRO Responsibilities

The PRO must record amounts withheld each pay period in the employee’s pay record when a special payment occurs. Otherwise, the system will automatically update an employee’s record.

A. Deposits. The PRO must:

1. Compute withheld city (or county) income tax below state or territorial tax and the total amount withheld each pay period; and

2. Credit the withheld tax to deposit fund account –X6275 for city and county tax.

B. Correcting Errors. The PROs must apply the same instructions applicable to the withholding of state taxes.

C. Paying Out Withheld Taxes. The PROs must apply instructions for state tax.
040803. Recordkeeping

A. The PROs must keep all records of city or county income tax deductions. Records should include the following:

1. EIN assigned by the city or county;
2. Amounts and dates of all wages subject to city or county tax withholding;
3. Names, addresses, and SSN of employees;
4. Dates and amounts of city or county tax paid; and
5. Copies of all returns filed.

B. The employing activity must retain withholding authorization certificates for city tax deductions for each employee until superseded or canceled.
Table 4-1: Order of Precedence for Processing Mandatory and Voluntary Deductions

<table>
<thead>
<tr>
<th>Order</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>RETIREMENT DEDUCTIONS</td>
</tr>
<tr>
<td></td>
<td>a. Civil Service Retirement System (CSRS)</td>
</tr>
<tr>
<td></td>
<td>b. Federal Employees Retirement System (FERS)</td>
</tr>
<tr>
<td></td>
<td>c. Civil Service Retirement System - Offset (CSRS-Offset)</td>
</tr>
<tr>
<td></td>
<td>d. Title 32 National Guard</td>
</tr>
<tr>
<td></td>
<td>e. Nonappropriated Fund Instrumentality (NAFI) Employee Retirement Contributions</td>
</tr>
<tr>
<td>2.</td>
<td>OASDI (Social Security) (collected under the authority of FICA)</td>
</tr>
<tr>
<td>3.</td>
<td>MEDICARE TAX (collected under the authority of FICA)</td>
</tr>
<tr>
<td>4.</td>
<td>FEDERAL INCOME TAX</td>
</tr>
<tr>
<td>5.</td>
<td>HEALTH INSURANCE PREMIUMS (may be pre-tax)</td>
</tr>
<tr>
<td>6.</td>
<td>BASIC GROUP LIFE INSURANCE PREMIUMS</td>
</tr>
<tr>
<td></td>
<td>a. Federal Employees Group Life Insurance (FEGLI)</td>
</tr>
<tr>
<td></td>
<td>b. State Life Insurance Premiums</td>
</tr>
<tr>
<td>7.</td>
<td>STATE INCOME TAX</td>
</tr>
<tr>
<td>8.</td>
<td>LOCAL INCOME TAX</td>
</tr>
<tr>
<td>9.</td>
<td>COLLECTION OF DEBTS OWED TO THE UNITED STATES</td>
</tr>
<tr>
<td></td>
<td>a. Continuous Levy under the Federal Payment Levy Program (tax debt)</td>
</tr>
<tr>
<td></td>
<td>b. Salary Offsets</td>
</tr>
<tr>
<td>10.</td>
<td>COURT-ORDERED COLLECTION/DEBT</td>
</tr>
<tr>
<td></td>
<td>a. Child Support</td>
</tr>
<tr>
<td></td>
<td>b. Alimony</td>
</tr>
<tr>
<td></td>
<td>c. Bankruptcy</td>
</tr>
<tr>
<td></td>
<td>d. Commercial Garnishments</td>
</tr>
</tbody>
</table>
Table 4-1: Order of Precedence for Processing Mandatory and Voluntary Deductions (Continued)

<table>
<thead>
<tr>
<th>11.</th>
<th>OPTIONAL BENEFITS (see Chapter 11)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Health Care/Limited-Expense Health Care Flexible Spending Accounts (pre-tax benefit under Federal Flexible Benefits Plan or cafeteria plan)</td>
</tr>
<tr>
<td>b.</td>
<td>Dental (pre-tax)</td>
</tr>
<tr>
<td>c.</td>
<td>Vision (pre-tax)</td>
</tr>
<tr>
<td>d.</td>
<td>Health Savings Account (pre-tax)</td>
</tr>
<tr>
<td>e.</td>
<td>Optional Life Insurance Premiums</td>
</tr>
<tr>
<td>f.</td>
<td>Long-Term Care Insurance Premiums</td>
</tr>
<tr>
<td>g.</td>
<td>Dependent Care Flexible Spending Accounts (pre-tax)</td>
</tr>
<tr>
<td>h.</td>
<td>TSP</td>
</tr>
<tr>
<td></td>
<td>(1) Loan Payments</td>
</tr>
<tr>
<td></td>
<td>(2) Basic Contributions (pre-tax)</td>
</tr>
<tr>
<td></td>
<td>(3) Catch-up Contributions (pre-tax)</td>
</tr>
<tr>
<td>i.</td>
<td>Other Optional Benefits</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>12.</th>
<th>OTHER VOLUNTARY DEDUCTIONS/ALLOTMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Military Service Deposits</td>
</tr>
<tr>
<td>b.</td>
<td>Professional Associations</td>
</tr>
<tr>
<td>c.</td>
<td>Union Dues</td>
</tr>
<tr>
<td>d.</td>
<td>Charities</td>
</tr>
<tr>
<td>e.</td>
<td>Bonds</td>
</tr>
<tr>
<td>f.</td>
<td>Personal Account Allotments (to savings or checking accounts)</td>
</tr>
<tr>
<td>g.</td>
<td>Additional Voluntary Deductions (on first-come, first-served basis)</td>
</tr>
</tbody>
</table>

| 13. | INTERNAL REVENUE SERVICE (IRS) PAPER LEVIES |
Table 4-2: Mandatory Deductions Withheld From Civilian Pay for CSRS and FERS Employees

<table>
<thead>
<tr>
<th>Description</th>
<th>FED. TAX</th>
<th>SOCIAL SECURITY</th>
<th>MEDI-CARE</th>
<th>STATE</th>
<th>CITY/LOCAL</th>
<th>RET</th>
<th>TSP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Premium pay: Sunday, Holiday and Overtime; Standby Duty, Availability Pay, and Administratively Uncontrollable Overtime</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>2. Basic Pay</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>3. Differentials include Night, Hazardous, Post (Non-foreign &amp; foreign), Staffing, Supervisory</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>4. Other Differentials: Shift, Environmental, and Tropical</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>5. Lump-Sum Leave</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>6. Severance Pay</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>7. Awards</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>8. Allowances include Living Quarters, Temporary Quarters Subsistence, Post, Foreign Transfer, Home Service Transfer, Separate Maintenance, Official Residence, Representation, Cuba Benefit</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>9. Other Allowances:</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>*</td>
<td>*</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>a. Non-foreign Cost-of-Living</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>*</td>
<td>*</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>b. Physicians Comparability</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>*</td>
<td>*</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>c. Remote Site</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>*</td>
<td>*</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>d. Danger Pay</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>*</td>
<td>*</td>
<td>NO</td>
<td>NO</td>
</tr>
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<td>10. Recruitment, Relocation, and Retention Incentives</td>
<td>YES</td>
<td>YES*</td>
<td>YES</td>
<td>YES</td>
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<td>NO</td>
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<td>YES</td>
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<td>YES</td>
<td>YES</td>
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*Varies by state and city/local taxing authority. See also Chapter 3 for additional guidance.
Table 4-3: 1963 - 1993 FICA Percent Rates: Social Security, Medicare, and Total Maximum Tax

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<tr>
<th>CALENDAR YEAR</th>
<th>MAXIMUM GROSS PAY</th>
<th>SOCIAL SECURITY</th>
<th>MEDICARE</th>
<th>TOTAL TAX RATE APPLIED TO MAXIMUM GROSS PAY</th>
<th>MAXIMUM TAX PAYABLE*</th>
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<tbody>
<tr>
<td>1963-1965</td>
<td>$4,800</td>
<td>3.625%</td>
<td>0.00%</td>
<td>3.625%</td>
<td>$174.00</td>
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<td>1966</td>
<td>6,600</td>
<td>3.85%</td>
<td>0.35%</td>
<td>4.20%</td>
<td>277.20</td>
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<td>1967</td>
<td>6,600</td>
<td>3.90%</td>
<td>0.50%</td>
<td>4.40%</td>
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<td>1968</td>
<td>7,800</td>
<td>3.80%</td>
<td>0.60%</td>
<td>4.40%</td>
<td>343.20</td>
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<tr>
<td>1969-1970</td>
<td>7,800</td>
<td>4.20%</td>
<td>0.60%</td>
<td>4.80%</td>
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<tr>
<td>1971</td>
<td>7,800</td>
<td>4.60%</td>
<td>0.60%</td>
<td>5.20%</td>
<td>405.60</td>
</tr>
<tr>
<td>1972</td>
<td>9,000</td>
<td>4.60%</td>
<td>0.60%</td>
<td>5.20%</td>
<td>468.00</td>
</tr>
<tr>
<td>1973</td>
<td>10,800</td>
<td>4.85%</td>
<td>1.00%</td>
<td>5.85%</td>
<td>631.80</td>
</tr>
<tr>
<td>1974</td>
<td>13,200</td>
<td>4.95%</td>
<td>0.90%</td>
<td>5.85%</td>
<td>772.20</td>
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<tr>
<td>1975</td>
<td>14,100</td>
<td>4.95%</td>
<td>0.90%</td>
<td>5.85%</td>
<td>824.85</td>
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<td>1976</td>
<td>15,300</td>
<td>4.95%</td>
<td>0.90%</td>
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<td>16,500</td>
<td>4.95%</td>
<td>0.90%</td>
<td>5.85%</td>
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<td>1978</td>
<td>17,700</td>
<td>5.05%</td>
<td>1.00%</td>
<td>6.05%</td>
<td>1,070.85</td>
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<td>1979</td>
<td>22,900</td>
<td>5.08%</td>
<td>1.05%</td>
<td>6.13%</td>
<td>1,403.77</td>
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<td>1980</td>
<td>25,900</td>
<td>5.08%</td>
<td>1.05%</td>
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<td>1.30%</td>
<td>6.65%</td>
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<td>1982</td>
<td>32,400</td>
<td>5.40%</td>
<td>1.30%</td>
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<td>5.40%</td>
<td>1.30%</td>
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<td>1984</td>
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<td>5.70%</td>
<td>1.30%</td>
<td>**</td>
<td>6.70%</td>
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<td>1985</td>
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<td>1.35%</td>
<td>**</td>
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<td>1986</td>
<td>42,000</td>
<td>5.70%</td>
<td>1.45%</td>
<td>7.15%</td>
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<tr>
<td>1987</td>
<td>43,800</td>
<td>5.70%</td>
<td>1.45%</td>
<td>7.15%</td>
<td>3,131.70</td>
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<tr>
<td>1988</td>
<td>45,000</td>
<td>6.06%</td>
<td>1.45%</td>
<td>7.51%</td>
<td>3,379.50</td>
</tr>
<tr>
<td>1989</td>
<td>48,000</td>
<td>6.06%</td>
<td>1.45%</td>
<td>7.51%</td>
<td>3,604.80</td>
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<td>1990</td>
<td>51,300</td>
<td>6.20%</td>
<td>1.45%</td>
<td>7.65%</td>
<td>3,924.45</td>
</tr>
<tr>
<td>1991</td>
<td>53,400</td>
<td>6.20%</td>
<td>0.00%</td>
<td>***</td>
<td>6.20%</td>
</tr>
<tr>
<td>1992</td>
<td>125,000</td>
<td>0.00%</td>
<td>1.45%</td>
<td>1.45%</td>
<td>1,812.50</td>
</tr>
<tr>
<td>1993</td>
<td>55,500</td>
<td>6.20%</td>
<td>0.00%</td>
<td>***</td>
<td>6.20%</td>
</tr>
<tr>
<td></td>
<td>130,200</td>
<td>0.00%</td>
<td>1.45%</td>
<td>1.45%</td>
<td>1,887.90</td>
</tr>
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<td>1993</td>
<td>57,600</td>
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<td>0.00%</td>
<td>***</td>
<td>6.20%</td>
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<td>0.00%</td>
<td>1.45%</td>
<td>1.45%</td>
<td>1,957.50</td>
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*The OASDI program sets the limits on the amount of earnings subject to be taxed in any given year. Beginning in 1994, the limitation on maximum gross wages subject to Medicare tax was removed. Therefore, from 1963 to 1993, the “Maximum Tax Payable” column in Table 4-3 refers to the maximum amount of tax payable for both Social Security tax and Medicare tax. Beginning in 1994, the “Maximum Tax Payable” column refers only to the maximum amount of Social Security tax payable. The “Total Tax Rate Applied to Maximum Gross Pay” is a sum total of the Medicare tax rate and the Social Security Tax rate until 1993.

**Beginning in 1984 the Social Security/Medicare rate was a combined total of 7% and employees were given a 0.3% credit applied to the portion.

***From 1991 to 1993, the maximum gross wages subject to FICA tax were separated for Social Security and Medicare tax purposes. For 1991 to 1993, the maximum gross taxable wages subject to Social Security tax is listed on the chart first followed by the maximum amount of taxable wages for Medicare in the row below.
### Table 4-4: 1994 - 2020 FICA Percent Rates: Social Security and Total Maximum Tax

<table>
<thead>
<tr>
<th>CALANDER YEAR</th>
<th>MAXIMUM GROSS PAY (applies to Social Security tax after 1994)</th>
<th>SOCIAL SECURITY</th>
<th>MEDICARE ****</th>
<th>MAXIMUM TAX PAYABLE (Refers Social Security tax only after 1994)*</th>
</tr>
</thead>
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<tr>
<td>1994</td>
<td>60,600</td>
<td>6.20%</td>
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<td>1996</td>
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<td>1997</td>
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<td></td>
<td>4,054.80</td>
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<td>1998</td>
<td>68,400</td>
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<td>1999</td>
<td>72,600</td>
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<td>2000</td>
<td>76,200</td>
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<tr>
<td>2001</td>
<td>80,400</td>
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<td>87,000</td>
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<td>2004</td>
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<td>90,000</td>
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<td>94,200</td>
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<td>2007</td>
<td>97,500</td>
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<td>102,000</td>
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<tr>
<td>2009-2010</td>
<td>106,800</td>
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<tr>
<td>2011******</td>
<td>106,800</td>
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<td>118,500</td>
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</table>

**** From 1994 to 2011, the Medicare tax is 1.45% with no limit on the maximum amount of taxable wages for Medicare. Beginning in 2013, the employee’s portion of the Medicare tax is increased by an additional 0.9% (for a total of 2.35%) for wages in excess of $200,000.

*****For 2011, the employee’s portion of the Social Security tax is 4.2%. The employer’s portion of the Social Security tax in 2011 remains 6.2% for the employee’s first $106,800 of taxable earnings. In addition to the Social Security tax, an employee is subject to a Medicare tax of 1.45%, with no limit on the maximum amount of taxable wages for Medicare. The employer must pay a Medicare tax of 1.45% and the combined Medicare tax for 2011 remains at 2.9% on all employee earnings.

******For 2012, the employee’s portion of the Social Security tax remained at 4.2%.

See the Social Security Administration’s [OASDI and SSI Program Rates & Limits](https://www.ssa.gov/OASDI/index.html) for further information regarding rates and limits in Tables 4-3 and 4-4.
Table 4-5: State Abbreviations and Numeric Codes

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Table 4-5:  State Abbreviations and Numeric Codes (Continued)

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AREAS OUTSIDE THE UNITED STATES

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<td>Guam</td>
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VOLUME 8, CHAPTER 5: “LEAVE AND OTHER ABSENCES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2017 is archived.

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<td>050102</td>
<td>Added references and hyperlinks for authoritative guidance.</td>
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<tr>
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<td>Added information for clarity.</td>
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<tr>
<td>051005</td>
<td>Added information concerning new rules for “Religious Compensatory Time.”</td>
<td>Addition</td>
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<tr>
<td>0514</td>
<td>Changed title of section from “Excused Absence (Administrative Leave)” to “Administrative Leave” since the terms are no longer interchangeable.</td>
<td>Revision</td>
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<td>051401</td>
<td>Updated information on Administrative Leave.</td>
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0501 GENERAL

050101. Purpose

The Office of Personnel Management (OPM) provides government-wide information on Federal leave policies and programs. Each Federal agency is responsible for administering leave policies and programs for its employees. The purpose of this chapter is to provide information on leave policies specific to Department of Defense (DoD) employees as they apply to the various types of leave, including annual leave, sick leave, various forms of family friendly leave, leave sharing, leave under the Family and Medical Leave Act (FMLA), and time off for special circumstances, such as weather emergencies. The type, amount, and nature of leave benefits are dependent on the type and length of employment, military status, and other eligibility requirements.

*050102. Authoritative Guidance

Specific statutes, regulations, and other guidance are referenced throughout each section of this chapter. General leave information can be found at OPM’s Pay and Leave, Title 5, United States Code (U.S.C.), Chapter 63, Title 5, Code of Federal Regulations (CFR), Part 630, and the DoD Instruction (DoDI) 1400.25, V630.

0502 GENERAL REQUIREMENTS AND RESPONSIBILITIES

050201. Objectives

Civilian Payroll Offices (PRO) and payroll systems areas are responsible for meeting the following objectives:

A. Maintaining leave records and balances for each employee as provided in paragraph 050203,

B. Recording accrued and accumulated leave. Accrued leave is leave earned by an employee during the current leave year that is unused at any given time in that year. Accumulated leave means unused leave remaining to the credit of an employee at the beginning of the leave year,

C. Reporting all leave taken, and

D. Reporting accurate data on leave use and accruals in order to simplify the collection of leave related debts and preparation of financial reports.

050202. Maintaining Leave Records

A leave record must be maintained for each employee in order to show:
A. Rate of accrual for each type of leave,

B. Hours or days accrued and type of leave used,

C. Hours or days of leave advanced by leave type, and

D. Leave balances.

050203. Rate of Leave Accrual

A. Leave Year. The leave year begins on the first day of the first full biweekly pay period in a calendar year. A leave year ends on the day immediately before the first day of the first full biweekly pay period in the following calendar year (or first complete pay period in the following calendar year). See the leave years for 2002 through 2020 at the OPM Fact Sheet, Leave Year Beginning and Ending Dates.

B. System Requirements for Accurate Leave Records. To ensure proper accrual rates, the civilian payroll system must contain accurate information on the type of appointment for each employee and the types of leave hours or days to which the employee is entitled. Leave earned for each type of leave using the correct rates effective for the proper times must be accurately recorded.

C. Reductions in Leave Credits. Reductions in the leave balances are made at the beginning of each leave year for any accumulated leave that exceeds statutory limits. Reductions in leave credits must be made in accordance with 5 CFR 630.208.

D. Reductions Resulting in a Debit. When a reduction in leave credits results in a debit to an employee's annual leave account at the end of a leave year, the agency must:

1. Carry the debit forward as a charge against the annual leave to be earned by the employee in the next leave year; or

2. Require the employee to refund the amount paid him for the period covering the excess leave that resulted in the debit.

E. Recording Leave Credits and Usage. Annual and sick leave earned for each pay period must be posted to the employee’s leave record. The leave record must also reflect all leave used during the same pay period.

F. Prorating the Accrual of Leave. When an employee's service is interrupted by a non-leave-earning period, leave is earned on a pro rata basis for the portion of the pay period that the employee is in a pay status. See 5 CFR 630.204. See Table 5-1 for proration of leave.
050204. Approval

To support the time and attendance record, employees must request approval of leave. Supervisors designated to approve leave must document leave used in writing. Documentation for leave used must show the dates, times, and types of leave taken.

050205. Minimum Charge

Heads of DoD Components and their designees have the authority to establish minimum charges for leave as outlined in the DoDI 1400.25, V630. The minimum charge for leave will be 1 hour unless an agency determines a need to establish a minimum charge for leave of less than 1 hour or establishes a different minimal charge through negotiations. In any case, the agency may not charge for leave in increments of less than 6 minutes. See 5 CFR 630.206.

0503 ANNUAL LEAVE

050301. General

Annual leave is an approved leave of absence from duty with pay for personal, emergency, or other reasons. An employee may use annual leave for vacations, rest and relaxation, and personal business or emergencies. Annual leave may be used for pregnancy, childbirth and recovery, bonding with or caring for a baby, or for other childcare responsibilities. An employee has a right to take annual leave, subject to the right of the supervisor to schedule the time at which annual leave may be taken. An employee will receive a lump-sum payment for accumulated and accrued annual leave when he or she separates from Federal service. An employee may also elect to have a lump-sum payment at the time they enter on active duty in the Armed Forces. See 5 CFR 630, subpart C and the OPM Handbook on Leave and Workplace Flexibilities for Childbirth, Adoption, and Foster Care.

A. Creditable Service for Annual Leave Accrual. When a new employee is hired, the hiring agency establishes a Service Computation Date (SCD) at the time of the appointment. The SCD is used to determine the rate that the employee accrues annual leave (4, 6, or 8 hours per pay period for most employees). See subparagraph 050302.B and OPM's Creditable Service for Leave Accrual.

B. Charging Annual Leave Accrued During the Same Pay Period. To ensure the proper documentation of leave, any annual leave earned should be posted in a pay period to the employee’s record before charging the leave taken during the same pay period.

C. Substituting Annual Leave for Sick Leave. If requested by an employee (and approved by a supervisor), any absence that is otherwise chargeable to sick leave may be charged to annual leave. Retroactively substituting annual leave for sick leave is not authorized except to liquidate advanced sick leave indebtedness. The substitution of annual leave for sick leave may not be made retroactively for the purpose of avoiding a forfeiture of annual leave at the end of the leave year.
D. **Scheduling of Annual Leave.** Employees and their supervisors are mutually responsible for planning and scheduling the use of employees' annual leave throughout the leave year. Employees should request annual leave in a timely manner, and supervisors should provide timely responses to employees' requests.

050302. **Annual Leave Accrual**

A. **General.** Most employees earn leave based on their work schedule, status, and time in service. Paragraph 050302 does not apply to employees who are Senior Executive Service (SES), Senior Level (SL)/Scientific or Professional (ST) employees. See paragraph 050303 for leave accrual for SES, SL/ST employees.

B. **Eligibility for Annual Leave.** Generally, most employees are eligible to take authorized absences from work using accrued annual leave, subject to the following requirements:

1. **Uncommon Tour of Duty.** Full-time, part-time, temporary, and employees on uncommon tours of duty are eligible to accrue annual leave. Employees with an uncommon tour of duty accrue leave directly proportional (based on the number of hours in the biweekly tour of duty and the accrual rate of the corresponding leave category) to the standard leave accrual rates for employees who accrue and use leave on the basis of an 80-hour biweekly tour of duty. When an employee is converted to a different tour of duty for leave purposes, his or her leave balances must be converted to the proper number of hours based on the proportion of hours in the new tour of duty compared to the former tour of duty. See 5 CFR 630.210(b).

2. **Temporary Employees.** Temporary employees with an appointment of less than 90 days are entitled to accrue annual leave only after being employed for a 90-day continuous period under successive appointments with no break in service. After completing the 90-day period of continuous employment, the employee is entitled to be credited with the leave that would have accrued during that period.

3. **Intermittent and Seasonal Employees.** Employees without an established scheduled tour of duty during the administrative workweek are not eligible to accrue annual leave. See 5 CFR 340, subpart D.

C. **Accrual Rates.** Employees must be employed for the full pay period to accrue leave for that pay period. An employee is considered to be employed for a full pay period if they are employed during the days falling within that period, exclusive of holidays and non-workdays established by Federal statute, Executive Order, or administrative order. See 5 U.S.C § 6302(b). The amount of annual leave earned is based on the length of Federal service, including creditable military service or service credit for prior non-Federal service under 5 U.S.C. § 6303(c). Leave for full-time employees is earned as follows (see Table 5-1):

1. Full-time employees with less than 3 years of service earn 4 hours of annual leave per pay period or a total of 13 days per year.
2. Full-time employees with over 3 years, but less than 15 years of service, earn 6 hours per pay period or a total of 20 days per year. These employees earn an additional 4 hours in the last full pay period of the calendar year.

3. Full-time employees with 15 or more years of service earn 8 hours per pay period or a total of 26 days per year.

D. Nonpay Status and Annual Leave Accrual. The accumulation of nonpay status hours during the leave year may affect the accrual of annual leave. Each time the number of hours in a nonpay status in a full-time employee’s leave year equals the number of base pay hours in a pay period, the civilian payroll system reduces leave credits by the amount of leave the employee earned during the pay period. When an employee’s accumulated nonpay hours do not require a reduction of leave credits, the civilian payroll system drops the nonpay hours at the end of the employee’s leave year. Annual leave does not accrue for employees who are in a nonpay status and who are receiving compensation from the Office of Workers’ Compensation Program (OWCP). Therefore, for such employees, no reduction in leave credits is required. See 5 CFR 630.208.

E. Part-Time Employee Annual Leave Accrual

1. Under 5 CFR 630.303, part-time employees with regularly scheduled tours of duty earn annual leave on a pro rata basis for the time they are in a pay status. Leave is earned as follows:

   a. Part-time employees with less than 3 years of service earn 1 hour of annual leave for each 20 hours in a pay status.

   b. Part-time employees with 3 years but less than 15 years of service earn 1 hour of annual leave for each 13 hours in a pay status.

   c. Part-time employees with 15 or more years of service earn 1 hour of annual leave for each 10 hours in a pay status.

2. Hours in a pay status that exceed the activity’s basic work hours in a pay period (normally 80 hours) are disregarded when computing the leave earnings for part-time employees. See 5 CFR 630.202(b).

3. Part-time employees may carry forward from one pay period to the next those excess hours that are not evenly divisible by 10, 13, or 20 hours; as applicable, These hours must be added to the next pay period work hours for leave accrual.

4. Part-time employees who work concurrently in two part-time Federal positions may earn annual leave on the same pro rata basis for the hours worked in each part-time position. Only the leave earned in the given part-time position may be used for absences from that position.
F. Uncommon Tours of Duty and Annual Leave Accrual. An uncommon tour of duty means an established tour of duty that exceeds 80 hours of work in a pay period. See 5 CFR 630.201. Employees working uncommon tours of duty accrue leave in direct proportion to the standard leave rates for employees who accrue and use leave based on an 80-hour biweekly tour of duty. See 5 CFR 630.210(a). See the Application of the Directionally Proportional Table in DoDI 1400.25, V630 to determine the appropriate amount of leave to credit an employee working an uncommon tour of duty. For employees on uncommon tours of duty, 1 hour of leave is charged for each hour of absence from the uncommon tour of duty.

050303. Annual Leave Accrual Rates for SES, SL/ST, or Defense Intelligence Senior Level (DISL) Employees

A. General. Section 202(b) of the Federal Workforce Flexibility Act of 2004, effective October 30, 2004, provides a higher annual leave accrual rate of 1 full day (8 hours) per pay period, without regard to the length of service with the Federal Government. This act affects members of the SES (5 U.S.C. § 5383), SL and ST positions (5 U.S.C. § 5376), and DISL employees (10 U.S.C. § 1607(a)), hereinafter SES members. See 5 U.S.C. § 6303(f) and 5 CFR 630.301.

B. OPM Approval of Additional Categories of Employees. The head of an agency may request that OPM authorize an annual leave accrual rate of one full day (8 hours) for each pay period for additional categories of employees covered by 5 U.S.C. § 6301. The positions must be determined by OPM to be equivalent to positions subject to the pay systems under 5 U.S.C. § 5383 or 5376. Such requests must include an explanation of the rationale for considering the affected pay system to be equivalent to the SES member pay system. See 5 CFR 630.301(b). Once OPM approves an agency’s request to cover additional categories of employees, the higher annual leave accrual rate will become effective for the pay period that OPM approves the agency’s request. Agencies must credit annual leave at the 8-hour accrual rate for affected employees employed for the full pay period.

C. SES Members Who Change Positions

1. Revising Accrual Rates. SES members who move to a position not covered by the higher annual leave accrual rate will no longer be entitled to the higher rate. Upon movement to a non-covered position, an SES member’s annual leave accrual rate must be determined based on his or her years of creditable service, as provided in 5 U.S.C. § 6303(a) and 5 CFR 630.301(d).

2. Crediting Accumulated Annual Leave. An SES member moving from a position not covered by the higher annual leave accrual rate to a new position that is covered by the higher accrual rate retains any annual leave accumulated prior to the move and the leave remains to the employee’s credit. See 5 CFR 630.301(f).

   a. Forfeited Leave. Annual leave accumulated before an employee moves to a position covered by the higher annual leave accrual rate that exceeds the amount allowed under 5 U.S.C. § 6304(a) or (b), and that is not used by the beginning of the first full pay period in the next leave year, is subject to forfeiture under 5 U.S.C. § 6304(c).
b. **Special Circumstances.** If an employee serves less than a full pay period in a position covered by the higher annual leave accrual rate, then the annual leave accrued for that portion of the pay period will be subject to the 720 hour (90 day) limitation on accumulation of annual leave. Annual leave accrued during the remainder of the pay period that the employee was not covered by the higher annual leave accrual rate is subject to the limitations under 5 U.S.C. § 6304 (a), (b), and (c), as appropriate.

**D. Presidential Appointees.** Executive Schedule employees appointed by the President do not accrue leave, and therefore, an absence from work is not charged as leave. See 5 U.S.C. § 6301(2)(x) and 5 CFR 630.211.

1. **Lump-Sum Payments of Accrued Annual Leave for Presidential Appointees.** A current Federal employee who receives a Presidential appointment is not entitled to a lump-sum payment for his or her unused annual leave. See 5 CFR 550.1203(e) and Chapter 3. Maintain the unused annual leave credit on the employee’s record in the event the employee is reemployed in a position covered by the Federal leave system. However, if the employee separates from Federal service while under a Presidential appointment, the employee will receive a lump-sum payment for unused annual leave based on the rate of pay in effect for the position the employee held immediately before the employee accepted the appointment. See 5 U.S.C. § 5551(b).

2. **Exceptions for Certain SES Career Appointees.** An SES career appointee appointed at a rate of basic pay equal to or greater than the rate payable for Level V of the Executive Schedule may elect to retain certain SES benefits, including annual and sick leave accrual, upon accepting the Presidential appointment. If the appointee elects to continue their leave benefits, then the liquidation of leave by lump-sum payment would not apply. See 5 U.S.C. § 3392(c), 5 CFR 550.1203(e), and 5 CFR 317.801.

**050304. Advanced Annual Leave**

**A. General.** Under 5 U.S.C. § 6302(d), annual leave may be advanced to an employee in the amount not to exceed the total amount the employee would accrue within the leave year. A supervisor must have reasonable assurance the employee will be in a duty status long enough to earn the advanced leave. Leave must not be advanced to an employee when it is known or expected that the employee will not return to duty, such as when the employee has applied for disability retirement. Annual leave should be advanced to the maximum extent practicable for purposes related to pregnancy and childbirth.

**B. Refunding Advanced Annual Leave**

1. **General.** Advanced leave is liquidated with any subsequently earned annual leave. An employee who separates from Federal service must refund the amount of the advanced leave, or the agency may deduct the amount from any pay due the employee. See 5 CFR 630.209(a).

2. **Exceptions.** An employee who dies or retires for a disability is not required to refund the amount of advanced leave due. An employee who has been determined by
the employing office as having separated or resigned because of a disability is not required to refund
the amount of advanced leave. However, medical evidence may be required by the employing office
in order to determine if the disability prevents his or her return to duty or continued service. See
**5 CFR 630.209(b)**.

3. **Military Service.** An employee who enters active military service
with a right to restoration is not considered separated and is not required to refund the advanced
annual leave when entering military service. The employee must liquidate the advanced annual leave
after the employee returns to duty or refund the advanced leave if the employee is separated from
Federal service. See 5 CFR 630.209(a).

4. **Transfers to Another Federal Agency.** If an employee has been
indebted for advanced annual leave and transfers to another Federal agency without a break in
service, the losing agency must certify the annual leave account to the new agency for charge. An
employee is not required to refund the advanced annual leave in order to achieve a zero balance
before the time of transfer. In such cases, a negative annual leave balance will transfer with the
employee to the employee’s new agency. See **5 CFR 630.501** and the OPM Fact Sheet, *Advanced
Annual Leave*.

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**050305. Annual Leave Ceilings**

A. **General.** Under **5 U.S.C. § 6304**, Federal employees are subject to a limit, or
annual leave ceiling, on the maximum amount of annual leave that may be carried forward into the
next leave year. Most employees may carry 240 hours (30 days) of annual leave from one year to
the next. See 5 CFR 630.302.

B. **“Use or Lose” Annual Leave.** “Use or lose” annual leave is the amount of
leave in excess of the employee’s annual leave ceiling. The employee forfeits excess leave not used
by the final day of the leave year. Forfeited annual leave may be restored under certain
circumstances. See paragraph 050306. “Use or lose” annual leave must be scheduled in writing
before the start of the third pay period prior to the end of the leave year. The employee forfeits any
annual leave not scheduled by that date and not used by the final day of the leave year.

C. **Thirty-Day Annual Leave Ceiling for Federal Employees Stationed Within
the United States.** The maximum carried forward from one leave year to another is usually 240 hours
(30 days). See paragraph 050306 regarding annual leave carryover for DoD employees who are
employed at installations that are facing planned base closures. See 5 U.S.C. § 6304.

D. **Forty-Five Day Annual Leave Ceiling for Federal Employees Assigned
Outside of the Continental United States (OCONUS)**

1. **Forty-Five Day Limit and Effective Date.** Employees stationed
OCONUS, who meet the conditions for eligibility established by 5 U.S.C. § 6304(b) and 5 CFR
630.302, may carry forward a maximum of 360 hours (45 days). The effective date that an employee
becomes subject to 5 U.S.C. § 6304(b) is the:
a. Date of entry on duty when employed locally,

b. Date of arrival at a post of regular assignment for duty, or

c. Date on which the employee begins to perform duty in an area OCONUS when the employee is required to perform duty en route to his post of regular assignment for duty.

2. Returning From OCONUS Assignment. Employees returning from an OCONUS assignment may carry forward the balance of leave to their credit at the end of the pay period, including the date the employee departs for reassignment (not to exceed 360 hours). If detailed to another OCONUS assignment, the date they cease to perform duty at the detailed post is considered the date of departure for reassignment. Annual leave in excess of 240 hours that was accumulated under 5 U.S.C. § 6304(b), by an employee who becomes subject to the 240-hour maximum carry forward, remains to the credit of the employee until used. Excess annual leave at the beginning of the first full pay period occurring in a leave year is reduced by the amount of annual leave the employee used during the preceding year that is in excess of the amount that accrued during that year. This process continues until the employee’s accumulated leave does not exceed 240 hours.

E. Annual Leave Ceiling for Part-Time Employees. Part-time employees may not carry forward more than 240 hours of annual leave if serving in the United States or 360 hours of annual leave if serving OCONUS. See 5 CFR 630.304.

F. Ninety-Day Annual Leave Ceiling for SES Members

1. General. Under 5 U.S.C. § 6304(f), the annual leave ceiling for SES members is 720 hours (90 days). Unused annual leave accrued by SES members must accumulate for use in subsequent years until the leave totals not more than 720 hours at the beginning of the first full pay period, or corresponding period for an employee whose pay is not based on a pay period, occurring in a calendar year. See 5 CFR 630.301(e).

2. Personal Leave Ceiling for SES Members. There is a 90-day (720-hour) maximum limitation on the amount of annual leave that an SES member may carry forward from one leave year to the next. The 720-hour limit became effective October 13, 1994, under Public Law 103-56. Prior to this date, there was no limit. Effective October 13, 1994, any SES member who had accumulated annual leave that exceeded 720 hours was permitted to carry the balance forward as a personal leave ceiling. See 5 CFR 630.301(h).

   a. The amount of annual leave credited to an SES member’s personal leave ceiling will be based on the amount of annual leave accumulated by the employee as of the end of the pay period preceding the first applicable pay period beginning after October 13, 1994.

   b. Annual leave accrued is prorated for any pay period during which only a portion the employee served under an appointment to the SES.
c. The personal leave ceiling is reduced by the number of hours used in excess of the number of hours earned during the previous year.

d. When the personal leave ceiling falls below 720 hours, the personal ceiling is eliminated, and the SES member becomes subject to the regular 720-hour limit. See 5 CFR 630.301(h).

3. Changing Positions

a. Partial Pay Periods. If an employee serves less than a full pay period in an SES appointment, only that portion of accrued annual leave that is earned while serving in that position must be subject to the 720-hour limitation. Annual leave accrued during the remainder of the pay period is subject to the limitations in 5 U.S.C. § 6304(a), (b), and (c), as appropriate. See 5 CFR 630.301(f)(2).

b. Moving to an SES Appointment. If an employee moves from a non-SES appointment to an SES appointment, any annual leave accumulated in the non-SES position that exceeds the amount allowed for that position under 5 U.S.C. § 6304(a), (b), and (c) that is not used by the beginning of the first full pay period in the next leave year is subject to forfeiture. See 5 U.S.C. § 6304(c) and 5 CFR 630.301(f)(1). Although an employee serving in an SES position may not accumulate credit hours, credit hours earned in a prior non-SES appointment may remain in the employee’s account for use.

c. Moving From an SES Appointment. When the SES member moves to a non-SES position, any annual leave accumulated while serving in the SES position that is in excess of the amount allowed for the non-SES position under 5 U.S.C. § 6304(a), (b), and (c) remains to the employee's credit. Any excess annual leave must be subject to reduction as described under 5 U.S.C. § 6304(c) and 5 CFR 630.301(g).

050306. Restoring Forfeited Annual Leave

A. General. Agencies may restore annual leave that was forfeited due to being in excess of the maximum leave ceilings (e.g., 30, 45, or 90 days) if the leave was forfeited because of administrative error, exigency of the public business, or sickness of the employee.

1. The agency makes the determination as to what constitutes an administrative error.

2. Exigency of the public business means there is an urgent need for the employee to be at work such that excess annual leave cannot be used. An employee’s use of earned compensatory time off or credit hours does not constitute an exigency of the public business. If the use of earned compensatory time off or credit hours that are about to expire results in the forfeiture of excess annual leave, the forfeited leave may not be restored.
3. An employee’s sickness or injury must occur late in the leave year or be of such duration that it prevented the scheduling of the excess annual leave before the end of the leave year. See the OPM Fact Sheet, Restoration of Annual Leave.

B. Requirements for Restoring Annual Leave. One of the following requirements must be met before consideration for restoration of forfeited leave:

1. An agency may consider for restoration annual leave that was forfeited due to an exigency of the public business or sickness of the employee only if the annual leave was scheduled in writing before the start of the third pay period prior to the end of the leave year; and

2. If restoration is based on exigency of the public business, the determination that an exigency is of major importance and that annual leave may not be used must be made by the head of an activity no lower than a major field headquarters or major field installation. See 5 CFR 630.305.

C. Time Limit for Using Restored Annual Leave

1. General. Under 5 CFR 630.306, and except as otherwise authorized by regulation, annual leave restored under 5 U.S.C. § 6304(d) must be scheduled and used not later than the end of the leave year ending 2 years after:

   a. The date of restoration of the annual leave forfeited because of administrative error,

   b. The date fixed by the agency head, or his or her designated official, as the termination date of the exigency of the public business that resulted in forfeiture of the annual leave, or

   c. The date the employee is determined to be recovered and able to return to duty if the leave is forfeited because of sickness or injury.

2. Time Limits for SES Members. To avoid forfeiture of restored leave, the time limit established under 5 CFR 630.306 must be met. The time limit is not changed when the employee receives an SES appointment.

3. Extended Exigency of the Public Business. For an extended exigency of the public business, the time-period for use of restored leave is 2 years for each calendar year, or part thereof, during which the exigency existed. This time-period starts at the beginning of the leave year following the leave year in which the exigency is declared to be ended. Under 5 CFR 630.309, an extended exigency is one that threatens the national security, safety, or welfare; lasts more than 3 calendar-years; affects a segment of an agency or occupational class; and precludes subsequent use of both restored and accrued annual leave within the time limit specified in 5 CFR 630.306.
4. **National Emergency by Reason of Certain Terrorist Attacks.** On March 4, 2002, OPM issued final regulations that permit "use or lose" annual leave to be restored to employees whose services are determined to be necessary for the current national emergency. Such employees are entitled to have their excess annual leave restored without the administrative burden of scheduling and canceling such leave. In addition, the time limitations for using restored annual leave are suspended for the entire period during which employees' services are determined to be essential for activities associated with the national emergency. A new time limit for using all restored leave available to the employee will be established at the end of the national emergency, or when the services of the employee no longer are determined to be necessary. See 5 CFR 630.311.

D. **Separate Leave Account for Restored Annual Leave.** The payroll system must maintain separate restored leave accounts for each calendar year. The servicing HRO identifies the reason for restoration as well as the category of leave being restored. The servicing HRO then provides the information to the CSR in writing. Credit restored annual leave to a separate leave account identifying the date of restoration, the date of forfeiture, the amount credited for use, the amount of usage, and the unused balance. Restored annual leave is not included in, and does not increase, the maximum annual leave carryover for an employee. See 5 U.S.C. § 6304(d)(2).

E. **Time and Attendance Reports.** Timekeeping instructions in Chapter 2 specify the method used to identify the leave account to be charged.

F. **Forfeiture of Restored Annual Leave.** If restored leave is unused by the employee at the expiration of the time limitation, the leave is forfeited with no further right to restoration. This is the case even if the employee’s failure to use the leave was due to an agency error. Administrative error may not serve as the basis to extend the time limit in which to use the restored leave. Administrative error includes failing to establish a separate leave account, failing to fix the date for the expiration of the time limit, or failing to properly advise the employee regarding the rules for using the restored annual leave.

G. **Lump-Sum Payment.** Upon separation, the servicing PRO will pay employees entitled to lump-sum payment for their unused restored annual leave, excluding forfeited leave. If the leave is forfeited because of an administrative error, the employee must file a claim within 3 years of the discovery of the administrative error leading to the forfeiture. See 5 U.S.C. § 6304(e). Employees entering active duty in the Armed Forces may elect to have leave remain to their credit until their return from active duty. See 5 U.S.C. § 5552 and Chapter 3, section 0307.

H. **Restored Annual Leave Resulting from Correction of Unjustified or Unwarranted Personnel Action Under the Back Pay Act.** Annual leave that is restored to an employee resulting from the correction of an unjustified or unwarranted personnel action in excess of the maximum leave accumulation authorized by law must be credited to a separate leave account for use by the employee. See 5 C.F. R. 550.805(g). The restored leave, also referred to as reinstated leave, must be scheduled and used as provided in subparagraphs 050306.H.1 and 050306.H.2. Any unused restored leave, also referred to as reinstated leave, will be forfeited if not used within the prescribed timeframe. See 5 U.S.C. § 5596(b)(1)(B). The restored leave must be scheduled and used as follows:
1. **Full-Time Employees.** Excess annual leave of 416 hours or less must be scheduled and used by the end of the leave year ending 2 years after the date on which the leave is credited to the separate account. This period is extended by 1 leave-year for each additional 208 hours of excess annual leave or any portion thereof. See Table 5-2.

2. **Part-Time Employees.** These employees must schedule and use excess annual leave in an amount equal to or less than 20 percent of the employee’s scheduled tour of duty over a period of 52 calendar weeks by the end of the leave year ending 2 years after the date that the annual leave credits to the separate account. This period is extended by one leave year for each additional number of hours of excess annual leave, or any portion thereof, equal to 10 percent of the scheduled tour of duty over a period of 52 calendar weeks. See Table 5-2.

I. **Base Realignment and Closure (BRAC) Restored Leave.** In accordance with 5 U.S.C. § 6304(d)(3), employees assigned to DoD activities designated by the BRAC Commission for closure or realignment, deemed to create an exigency of the public business, are entitled to have forfeited annual leave restored. Leave in excess of the statutory maximum (normally 240 hours) will be restored and placed in a separate leave account. There is no requirement for an employee to use restored leave prior to using other available annual leave. Lump-sum payment of annual leave in a BRAC restored leave account is required under certain situations. Under 5 U.S.C. § 5551(c), lump-sum payments are made to eligible DoD employees upon their being assigned to a position in any other Federal agency or department outside the DoD, or to any DoD position at an installation that is not being closed or realigned. If it is determined that the required lump-sum payment was not processed at the time of transfer, then see DoDI 1400.25, V1705 for additional information on liquidating leave and computing any interest due.

050307. **Lump-Sum Payments of Annual Leave Upon Retirement or Separation.**

Lump-sum payments for unused annual leave are generally payable when an employee separates from Federal service, dies, or transfers to a position under a different leave system. Employees who enter active duty in the Armed Forces are entitled to elect to have their leave remain to their credit until they return from active duty. See 5 U.S.C. §§ 5551, 5552, and 6306; and 5 CFR 550, subpart L. For details on requirements regarding lump-sum payments for accumulated and accrued annual leave, see Chapter 3.

0504 **SICK LEAVE**

050401. **General**

Under 5 U.S.C. § 6307 and 5 CFR 630, subparts B and D, sick leave is authorized for personal medical needs, care of a family member, care of a family member with a serious health condition, adoption-related purposes, and bereavement. See paragraph 050404 for authorized uses for sick leave.

A. **Expanded Family and Medical Leave Policies.** The Federal Employees Family Friendly Leave Act, October 22, 1994, expanded the use of accrued sick leave for family
care or bereavement purposes. See subparagraph 050404.B. In addition, employees may be entitled to unpaid leave under FMLA to care for a family member or covered Service member. See section 0505. There is no certain order for using various family friendly leave policies. See Table 5-3 for information on leave flexibilities available to care for a family member or a covered Service member. See section 0506 for information on leave flexibilities for childbirth, adoption, and foster care.

B. Substituting Sick Leave for Annual Leave. Employees may substitute sick leave for annual leave if they become ill during a period of annual leave. See 5 CFR 630.406.

C. Charging Sick Leave. Earned sick leave is posted to an employee’s record each pay period before any sick leave taken in that period is charged against the employee’s sick leave balance.

050402. Sick Leave Accrual

A. General. Full-time employees earn 4 hours of sick leave for each full pay period. Other employees accrue sick leave at different rates as follows:

1. Uncommon Tours of Duty. Employees working uncommon tours of duty accrue leave in direct proportion to the standard leave rates for employees who accrue leave based on an 80-hour biweekly tour of duty. See 5 CFR 630.210(a). To determine the appropriate amount of sick leave to credit an employee working an uncommon tour of duty, see the Application of the Directionally Proportional Table in DoDI 1400.25, V630. For example, employees on uncommon tours of duty accrue 7 hours and 12 minutes of sick leave per pay period for a 72-hour workweek and 5 hours and 36 minutes of sick leave per pay period for a 56-hour workweek.

2. Part-Time Employees. Part-time employees earn 1 hour of sick leave for each 20 hours in a pay status. Part-time employees may not earn more than 4 hours of sick leave for 80 hours in a pay status during any pay period.

3. Other Employees. SES members and SL/ST employees earn sick leave at the same rate as non-SES employees. Employees without a regularly scheduled tour of duty do not earn sick leave.

B. Nonpay Status and Sick Leave Accrual. The accumulation of nonpay status hours during the leave year may affect the accrual of sick leave. Each time the number of hours in a nonpay status in a full-time employee’s leave year equals the number of base pay hours in a pay period, the civilian payroll system reduces the employee’s credits for sick leave by an amount equal to the amount of sick leave the employee earns during the pay period. When the employee’s accumulated nonpay hours do not require a reduction of leave credits, the civilian payroll system drops the nonpay hours at the end of the employee’s leave year. An employee in a nonpay status due to receiving compensation from the OWCP, or in a nonpay status due to absence while in Uniformed Service, does not accrue sick leave and a reduction in leave credits is not required. See 5 CFR 630.208.
C. **Limitation on Sick Leave Accrual.** An employee may accumulate an unlimited amount of sick leave. See 5 U.S.C. § 6307.

D. **Presidential Appointees.** Executive Schedule employees appointed by the President do not accrue leave. See 5 U.S.C. § 6301(2)(x) and 5 CFR 630.211. When an employee moves to an appointment under the Executive Schedule, the employee’s sick leave balance is certified on a *Standard Form (SF) 1150*, Record of Leave Data. The SF 1150 is sent to the servicing Human Resources Office (HRO) for retention in the Official Personnel Folder in the event the employee is reemployed in a leave accruing position or separated from the Executive Schedule position. SES Members appointed at a rate of basic pay equal to or greater than the rate payable for Level V of the Executive Schedule may elect to retain certain SES benefits, including annual and sick leave accrual. See 5 CFR 317.801.

050403. **Recrediting Sick Leave After Transfer or Break in Service**

A. **Transferring Employees.** When an employee transfers to a different Federal agency using the same leave system under 5 U.S.C., Chapter 63, the losing agency must certify the employee’s sick leave account to the gaining agency for credit or charge. If the employee is transferred to an agency operating under a different leave system, see 5 U.S.C. § 6308 and 5 CFR 630.502.

B. **Recredit After a Break in Service.** Prior to 1994, regulations provided that an employee was entitled to a recredit of sick leave only if he or she was reemployed in another Federal position within 3 years after separation. On December 2, 1994, the 3-year break in service limitation on the recredit of sick leave for former employees was removed for those who were reemployed on or after December 2, 1994. Sick leave may not be recrated to employees who were reemployed in the Federal service before December 2, 1994, and who previously forfeited sick leave under the former rule. Therefore, under 5 CFR 630.502, an employee who has a break in service and returns to work for the Federal Government on or after December 2, 1994 is entitled to the recredit of sick leave, regardless of the length of the break in service, unless:

1. The employee was reemployed in the Federal Government before December 2, 1994 and the employee forfeited the sick leave under the previous regulation; or

2. For reemployed annuitants, the sick leave was used in the computation of an annuity for the employee. See 5 CFR 630.407.

050404. **Authorized Uses for Sick Leave**

A. **Granting Sick Leave.** Pursuant to 5 CFR 630.401, an agency must grant sick leave to an employee when the employee:

1. Is unable to perform duties because of physical or mental illness, injury, pregnancy, or childbirth;

2. Is receiving medical, dental, or optical examination or treatment;
3. Must provide care for a family member:
   a. Who is incapacitated by a medical or mental condition, or attends to a family member receiving medical, dental, or optical examination or treatment;
   b. With a serious health condition; or
   c. Who would jeopardize the health of others by that family member’s presence in the community because of exposure to a communicable disease (as determined by the health authorities having jurisdiction or by a health care provider);

4. Must make arrangements due to a death in the family or attend the funeral of a family member;

5. Would jeopardize the health of others by his or her presence on the job because of exposure to a communicable disease; or

6. Must be absent from duty for purposes relating to the adoption of a child.

B. Using Accrued Sick Leave to Care for Family Members

1. General. An employee is entitled to use accrued sick leave to care for a family member. A family member includes spouse, parents, parents-in-law, children, siblings, grandparents, and other family members as defined under 5 CFR 630.201. An employee may be requested to document their relationship with the family member. An employee must request advanced approval for sick leave, to the extent possible, for caring for a family member, making arrangements necessitated by the death of a family member, attending the funeral of a family member, or for absence related to the adoption of a child. See 5 CFR 630.404. In addition to using paid sick leave to care for a family member, an employee may be entitled to unpaid leave under the FMLA. See Table 5-3.

2. Limits Per Year
   a. General Care of Family Member and/or Bereavement. A covered full-time employee may use a total of up to 104 hours (13 days) of accrued sick leave each year for general family care or for bereavement. For part-time employees and employees with an uncommon tour of duty, the amount of sick leave permitted for family care and bereavement purposes is the number of hours of sick leave the employee normally accrues during the leave year. See 5 CFR 630.401(b).

   b. Care of a Family Member With a Serious Health Condition. Most Federal employees may use a total of up to 480 hours (12 administrative workweeks) of accrued sick leave each leave year to care for a family member with a serious health condition. A serious health condition includes cancer, stroke, severe injuries, Alzheimer’s disease, pregnancy,
and other conditions as defined under 5 CFR 630.1202. An employee is entitled to a total of 12 weeks of sick leave each year for all family care purposes. See 5 CFR 630.401(c) and (d).

(1) For a part-time employee or an employee with an uncommon tour of duty, the amount of sick leave is equal to 12 times the average number of hours in the employee’s scheduled tour of duty each week.

(2) For an employee who has previously used any portion of the 13 days of sick leave for family care or bereavement purposes in a leave year, that amount is subtracted from the 12-week entitlement.

(3) For an employee who has already used 12 weeks of sick leave to care for a family member with a serious health condition, the employee cannot use an additional 13 days in the same leave year for general family care purposes.

C. Sick Leave for Adoption. An employee may use accrued sick leave for purposes related to the adoption of a child including appointments with adoption agencies, social workers, attorneys, court proceedings, required travel, and any other activities necessary to allow the adoption to proceed. This includes the time the employee is ordered by a court, or required by the adoption agency, to take time off from work to care for the child. There is no limit on the amount of sick leave that may be used for adoption-related purposes. The sick leave for adoption-related purposes does not count toward the 104-hour limit of sick leave for family care and bereavement purposes, or the overall limit of 12 weeks of sick leave for all family care purposes. The agency may advance up to 240 hours (30 days) of sick leave for adoption-related purposes. See 5 CFR 630.401 and section 0505 regarding FMLA leave for adoption-related purposes.

D. Sick Leave for Exposure to a Communicable Disease. An employee is authorized to use accrued sick leave if health authorities or a health care provider determines that the employee's presence on the job would jeopardize the health of others because of exposure to a communicable disease. An employee may also use sick leave to care for a family member who has been similarly exposed. The agency determination as to what constitutes a communicable disease is based on guidance issued by the Center for Disease Control (CDC). The Secretary of Health and Human Services publishes a list of communicable diseases for which Federal isolation and quarantine are authorized. The communicable diseases currently listed include, but are not limited to cholera, diphtheria, infectious tuberculosis, plague, smallpox, Severe Acute Respiratory Syndrome and influenza viruses that cause or have the potential to cause a pandemic. The current list of communicable diseases is available on the CDC website for use in the authorization of this type of sick leave. See 5 CFR 630.401.

050405. Advanced Sick Leave

A. General. In cases of serious disability or illness, employees may be advanced sick leave. Before granting advanced sick leave, the approving authority must consider whether the employee expects to return to duty, the need for the employee’s services, and the benefits to the agency of retaining the employee. Advanced sick leave is not available to an employee when it is known, or reasonably expected, that the employee will not return to duty. For example, advanced
sick leave is not appropriate if the employee has applied for disability retirement. Advanced sick leave may be granted regardless of an employee’s annual leave balance. Employees should submit requests in writing for advanced sick leave to the approving official. Employees must liquidate the advanced sick leave indebtedness as discussed in subparagraph 050405.C. See 5 CFR 630.402.

B. Limitations. The maximum amount of advanced sick leave a full-time employee may have to their credit at any one time is 240 hours (30 days). Prorate the amount of advanced sick leave for part-time employees and employees on uncommon tours of duty based on the number of hours in the employee’s biweekly work schedule. An agency may grant advanced sick leave in the amount of:

1. Up to 240 hours (30 days) to a full-time employee for the following reasons pursuant to 5 CFR 630.402(a)(1):
   a. The employee is unable to perform work duties due to incapacitation by physical or mental illness, injury, pregnancy, or childbirth;
   b. The employee or a family member has a serious health condition;
   c. The employee’s presence on the job would jeopardize the health of others by his or her presence on the job because of exposure to a communicable disease;
   d. The employee adopts a child; or
   e. The employee cares for a covered Service member with a serious injury or illness, provided the employee is exercising his or her entitlement to FMLA leave to care for the covered Service member; or

2. Up to 104 hours (13 days) to a full-time employee for the following reasons (5 CFR 630.402(a)(2)):
   a. To receive medical, dental, or optical examinations or treatment;
   b. To provide care for a family member incapacitated by a medical or mental condition, or to attend to a family member receiving medical, dental, or optical examination or treatment;
   c. To provide care for a family member who would jeopardize the health of others by their presence in the community because of exposure to a communicable disease; or
   d. To make arrangements necessitated by the death of a family member or attend the funeral of a family member.
C. **Liquidating Advanced Sick Leave Indebtedness**

1. **General.** Advanced sick leave indebtedness is liquidated by subsequently earned sick leave, by charges against annual leave, or by a refund upon separation. An employee who is a participant in the agency’s Voluntary Leave Transfer Program (VLTP) or Voluntary Leave Bank Program (VLBP) may liquidate the advanced sick leave by substituting donated annual leave for sick leave that was advanced on or after the date of the medical emergency. See 5 CFR 630.906. The agency may also allow an employee to refund advanced sick leave in cash, at the pay rate in effect at the time the employee used the advanced sick leave.

2. **Transferring Employees.** If an employee with a debt for advanced sick leave transfers to another Federal agency without a break in service, the losing agency must certify the employee’s sick leave account to the receiving agency for charge. An employee is not required to refund the advanced sick leave in order to achieve a zero balance before transfer. A negative sick leave balance transfers to the gaining agency. See Chapter 9, section 0903 for instructions on preparing the SF 1150 to transfer sick leave balances.

3. **Separated Employees.** If an employee indebted for advanced sick leave separates from Federal service, the employee must refund the amount of advanced sick leave, or the agency may deduct the amount from any pay due the employee upon separation. If the employee dies, retires for disability, or separates or resigns because of disability as determined by the agency, the repayment requirement does not apply. An employee who enters active military service with a right of restoration is not considered separated for refund purposes, and advanced sick leave should be liquidated either after the employee returns to duty or is separated from Federal service. See 5 CFR 630.209.

050406. **Unused Sick Leave Upon Separation**

Employees are not paid for unused sick leave upon separation. Unused sick leave is used in the calculation of an employee or survivor's annuity based on retirement with an immediate annuity or a death in service. The unused sick leave balance upon retirement or death is annotated in the remarks column of the **SF 2806**, Service History on the Civil Service Retirement System (CSRS) Individual Retirement Record, or the **SF 3100**, Federal Employees Retirement System Individual Retirement Record. See 5 CFR 630.209. Sick leave used in the computation of an annuity is charged against an employee’s sick leave account and may not thereafter be used, transferred, or recrgred. See **5 U.S.C. § 8415(l)(2)**, **5 U.S.C. § 8339(m)**, and 5 CFR 630.407.

0505 **FMLA**

050501. **General**

FMLA provides eligible Federal employees with up to 12 administrative workweeks of leave without pay (LWOP) during any 12-month period for family and medical needs. See **5 U.S.C. §§ 6381 to 6387** and **5 CFR 630, subpart L** (Note: OPM is responsible for the regulations for Title II of the FMLA that govern Federal employees. The Department of Labor (DOL) is
A. **Entitlement.** To qualify for FMLA leave, an employee must have completed at least 12 months of Federal service. See 5 CFR 630.1201(b). FMLA leave is available to full and part-time employees; however, temporary employees serving under an appointment of 1 year or less and employees without a regularly scheduled tour of duty are not entitled to FMLA leave. A total of up to 12 administrative workweeks of unpaid leave, or 26 administrative workweeks if the leave is to care for a covered Service member, are available during any 12-month period. The 12-month period begins when FMLA leave is first used and ends 12 months later. An employee may elect to substitute annual leave, sick leave, educator leave, or leave made available to the employee under VLTP or VLBP for LWOP. See 5 CFR 630.1205. The normal leave year limitations on the use of sick leave to care for a family member still apply, except when substituting sick leave to care for a covered Service member.

B. **Calculating the FMLA Entitlement.** FMLA leave is available in direct proportion to the number of hours in the employee’s regularly scheduled administrative workweek. The 12 administrative workweeks of FMLA is calculated on an hourly basis, which equals 12 times the average number of hours in the regularly scheduled administrative workweek. For example, an 80-hour full-time employee will have 480 hours available for FMLA leave (40 hours per week x 12 weeks = 480 hours). If the employee’s administrative workweek varies from week to week, a weekly average of the hours scheduled over the 12 administrative workweeks prior to the date FMLA leave begins is used for the calculation. Holidays and non-workdays that occur during the period that the employee is on FMLA do not count toward the 12 administrative workweek entitlement. See 5 U.S.C. § 6382 and 5 CFR 630.1203.

C. **Regular FMLA Leave.** Under 5 CFR 630.1203(a), an eligible employee may take 12 workweeks of FMLA leave in a 12-month period for one or more of the following reasons:

1. The birth of a child, or to care for the newborn child within 1 year of birth (may not be taken intermittently);

2. Placement of a child adopted, or foster care, and to care for the newly placed child within 1 year (may not be taken intermittently);

3. Care of a spouse, son, daughter, or parent with a serious health condition (may be taken intermittently);

4. Serious health condition that makes the employee unable to perform their duties (may be taken intermittently); or

5. A qualifying exigency arising out of the fact that the employee’s spouse, son, daughter, or parent is a covered military member on covered active duty (or notified of an impending call or order) in the Armed Forces under 10 U.S.C. §101. Leave may be taken intermittently. Employees must provide notice as soon as practicable if the need for leave is foreseeable. An employee may be requested to provide certification for the leave as provided...
under 5 CFR 630.1209. See the OPM Fact Sheet, FMLA Qualifying Exigency Leave. Under 5 CFR 630.1204, qualifying exigencies include:

a. Addressing issues associated with short-notice deployment,
b. Attending military events and related activities,
c. Arranging and attending childcare and school activities,
d. Making financial and legal arrangements,
e. Attending counseling,
f. Spending time with a Service member on rest and recuperation,
g. Attending post-deployment activities, or
h. Addressing other events that arise out of the military member’s covered active duty that qualify as exigencies.

D. FMLA Leave to Care for a Covered Service Member. An employee is eligible for 26 workweeks of unpaid leave during a single 12-month period to care for a covered Service member, who is a current member or veteran of the Armed Forces as defined under 5 U.S.C. § 6381, with a serious injury or illness. The covered Service member must be the employee’s spouse, son, daughter, parent, or next of kin. See the OPM guidance in Compensation Policy Memoranda 2010-06, issued March 5, 2010, for additional information regarding the following:

1. The injury or illness incurred by the Service member was in the line of duty while on active duty in the Armed Forces.

2. During a single 12-month period, an employee is entitled to a combined total of 26 weeks of regular FMLA leave and FMLA leave to care for a covered Service member. For example, if during the 12-month period the employee takes 6 weeks of regular FMLA leave for the birth of a child, the employee would have 20 weeks of FMLA leave to care for a covered Service member.

3. Use of FMLA leave to care for a covered Service member in one 12-month period does not limit the use of regular FMLA leave during any other subsequent 12-month period.

4. The normal leave year limitations on the use of sick leave to care for a family member do not apply. Specifically, the 480-hour (12 weeks) limitation per leave year on the use of sick leave to care for a family member with a serious health condition does not apply. The employee may substitute accrued sick leave or annual leave for any or all of the 26 workweeks...
of FMLA leave to care for a covered Service member. See 5 CFR 630.403. An eligible employee may potentially take leave for up to 38 weeks of leave. For example, an employee may take 12 weeks of sick leave to care for a family member with a serious illness in addition to 26 weeks of FMLA leave to care for a covered Service member.

E. Intermittent FMLA Leave or Reduced Leave Schedule. Under certain conditions, FMLA leave may be taken intermittently, or the employee may work under a work schedule that is reduced by the number of hours of leave taken as FMLA leave. FMLA leave is in addition to other paid time off available to an employee. See 5 CFR 630.1205.

050502. Advance Notice of FMLA Leave and Medical Certification

If FMLA leave is foreseeable, based on an expected birth, placement for adoption or foster care, or planned medical treatment, the employee must provide notice to the agency of his or her intention to take leave not less than 30 calendar days before the date the leave is to begin. See 5 CFR 630.1207. An agency may require that a request for leave under certain circumstances be supported by evidence that is administratively acceptable to the agency. See 5 CFR 630.1208.

0506 LEAVE FLEXIBILITIES FOR CHILDBIRTH, ADOPTION, AND FOSTER CARE

050601. General

A. On January 15, 2015, the President issued memorandum, Modernizing Federal Leave Policies for Childbirth, Adoption and Foster Care to Recruit and Retain Talent and Improve Productivity, a memorandum directing all Federal agencies to:

1. Offer 240 hours of advanced sick leave, at the request of an employee and in appropriate circumstances, in connection with the birth or adoption of a child, or for other sick leave eligible uses (see paragraph 050405); and

2. Offer the maximum amount of advanced annual leave, at the request of an employee, for foster care placement in their home or bonding with a healthy newborn or newly adopted child (see paragraph 050304).

B. Agencies have been directed to provide this advanced leave for purposes specified in law and regulation irrespective of existing leave balances.

050602. OPM Handbook

A. General. OPM has published a Handbook on Leave and Workplace Flexibilities for Childbirth, Adoption, and Foster Care. The handbook contains guidance on the use of advanced sick and annual leave policies as required by the President’s memorandum, and provides information on the various leave entitlements and flexibilities available to assist employees.
B. Utilization of Leave Flexibilities. The Handbook is divided into three sections; each section addresses the specific circumstance of the employee related to:

1. Pregnancy and childbirth,
2. Adoption and foster care,
3. Information on the interaction of the various leave programs and workplace flexibilities and how they can be used together.

0507 BONE MARROW OR ORGAN DONOR LEAVE

The use of up to 7 days (56 hours) of paid leave in a calendar year, in addition to sick or annual leave, to serve as a bone marrow donor, or up to 30 days (240 hours) of paid leave in a calendar year to serve as an organ donor is authorized under 5 U.S.C. § 6327. The directly proportional rule applies to an employee whose leave is administered on other than an 80-hour pay period. See DoDI 1400.25, V630. An individual having bone marrow removed and stored for their future personal use is not considered a donor and the benefit of 7 days of paid time off does not apply. In such a case, the employee must use sick leave, annual leave, or advanced annual and sick leave.

0508 FEDERAL LEAVE SHARING PROGRAMS

The VLTP allows Federal employees to donate annual leave to other employees who have personal or other family medical emergencies and who have exhausted their own leave. Alternatively, the VLBP allows members with medical emergencies to withdraw leave from the bank if they exhaust their own leave. Each agency has established its own method of administering these programs and employees may participate in both programs. Additionally, an Emergency Leave Transfer Program (ELTP) has been established to transfer annual leave from donors to employees in other agencies who are adversely affected by disasters or emergencies.

050801. VLTP

In accordance with 5 U.S.C. § 6332 and 5 CFR 630, subpart I, Federal employees may donate unused accrued annual leave directly to a specified employee (leave recipient) who needs leave because of a medical emergency and who has exhausted his or her available paid leave. Medical emergency is defined as a medical condition of an employee or a family member of an employee that is likely to require the employee to be absent from duty for a prolonged period, of at least 24 work hours, and result in a substantial loss of income to the employee because of the unavailability of paid leave. See 5 CFR 630.902.

A. Leave Donors

1. General. A leave donor is an employee who makes a request to transfer annual leave to the annual leave account of a leave recipient. Leave donors may not
contribute to an immediate supervisor. The annual leave donated must be accrued and available at the date of donation.

2. Maximum Donation Amount. Maximum limitations exist for the amount of leave an employee may donate in any one leave year. See 5 CFR 630.908. Each agency shall establish written criteria for waiving the limitations on donating annual leave. In the case of the donor, having annual leave projected which:

   a. Will not be forfeited at the end of the leave year (i.e., does not have “use or lose”), the maximum amount of annual leave that may be donated is one-half of the amount of annual leave the leave donor would be entitled to accrue during the leave year the donation is made; or

   b. Will be forfeited at the end of the leave year (i.e., has “use or lose”), the maximum amount of annual leave that may be donated is:

      (1) The lesser of one-half of the amount of annual leave the donor would be entitled to accrue during the leave year the donation is made, or

      (2) The number of hours remaining in the leave year, as of the date of the transfer, for which the donor is scheduled to work and receive pay.

B. Leave Recipients

1. General. A leave recipient is a current employee approved by the employing agency to receive annual leave from the annual leave accounts of one or more leave donors. There is no limit on the amount of donated annual leave a leave recipient may receive.

2. Limits on Use of Donated Leave. A leave recipient may use the donated leave transferred to his or her annual leave account under 5 CFR 630.906 only for the purpose of a medical emergency for which the leave recipient was approved. See 5 CFR 630.909. Substitution of donated leave is permitted for a prior period of LWOP or to liquidate a debt for advanced annual or sick leave. Donated leave may not be included in a lump-sum payment for annual leave. Donated leave may not be recredited to a former employee who returns to Federal service. See 5 CFR 630.906 and 630.909.

3. Requirement to Exhaust Accrued Annual and Sick Leave. Except for leave placed in a separate leave account (set aside leave account), any annual or sick leave accrued or accumulated by the leave recipient and available for the medical emergency must be exhausted before any donated leave may be used. See 5 CFR 630.909. However, this does not apply to a recipient who:

   a. Sustains a combat-related disability while a member of the Armed Forces, including a reserve component of the Armed Forces; and
b. Is undergoing medical treatment for that combat-related disability (see 5 U.S.C. § 6333(b)(2)); or

c. Exhausts a total of 12 weeks of sick leave for family care purposes. If an employee applies to receive donated leave for a medical emergency affecting a family member and the employee has already exhausted the 12 weeks of sick leave for family care purposes in that leave year, he or she would not be required to exhaust his or her sick leave balance before being eligible for donated leave.

4. Leave Recipient’s Accrual of Annual and Sick Leave. A leave recipient may earn annual and sick leave while using donated leave, but only up to 40 hours of each type. In the case of a part-time employee or employee with an uncommon tour of duty, the employee may earn up to the average number of hours in the employee’s weekly scheduled tour of duty.

   a. Set Aside Leave Account. Any accrued annual or sick leave earned by the leave recipient must be placed in a separate leave account, referred to as a set aside leave account. The accrued annual or sick leave in the set aside leave account is available for transfer to the leave recipient’s regular leave account after the leave recipient either exhausts all donated leave or the medical emergency ends. Leave in a set aside leave account is not available for use until transferred to the leave recipient’s regular leave account. See 5 CFR 630.907.

   b. Intermittent Use of Donated Leave and Accrued Leave. Leave accruals for an employee who uses donated leave intermittently must be prorated between the regular leave account and the set-aside leave account until it reaches the maximum accrual or the medical emergency ends. Accruals are prorated based on the number of hours of donated leave used within the pay period.

C. Interagency Transfers of Donated Leave. Under 5 CFR 630.906(f), an agency must accept the transfer of annual leave from the leave donors employed by other agencies when any of the following conditions are met:

1. A family member of a leave recipient is employed by another agency and requests the transfer of annual leave to the leave recipient;

2. If, in the judgment of the leave recipient’s employing agency, the amount of annual leave transferred from leave donors employed by the leave recipient’s employing agency may not be sufficient to meet the needs of the leave recipient; or

3. If, in the judgment of the leave recipient’s employing agency, acceptance of leave transferred from another agency would further the purpose of the VLTP.

D. Restoring Transferred Leave to the Donor. Upon termination of the medical emergency, any unused donated leave must be transferred pro rata back to each donor. See 5 CFR 630.911. The leave is not restored if the leave donor retires, dies, or separates from Federal service before the date the unused transferred annual leave can be restored. If returned to the leave donor’s account, the leave is treated the same as other annual leave and becomes subject to the “use or lose”
carryover limitations. Each donor may elect how the leave is to be recredited from the following options:

1. Crediting the donated annual leave to the donor’s annual leave account in the current leave year;

2. Crediting the donated annual leave to the donor’s annual leave account effective as of the first day of the first leave year beginning after the date of election; or

3. Donating it, in whole or part, to another leave recipient.

050802. VLBP

Under the VLBP at 5 U.S.C. § 6361 and 5 CFR 630, subpart J, employees may contribute unused accrued annual leave to their agency’s leave bank for use by other leave bank members who are experiencing a personal or family medical emergency and who have exhausted all available paid leave. Each agency establishes a leave bank board to administer the VLBP. See 5 CFR 630.1003. An employee may participate in both the VLTP and the VLBP in the same agency for the same medical emergency if his or her agency has established both programs. See 5 U.S.C. § 6373 and 5 CFR 630.1013.

A. Leave Bank Members and Minimum Donations. An employee must make an application to become a leave bank member and must contribute a minimum amount of annual leave to the leave bank each year. The minimum donation may not be less than the amount of annual leave the employee normally accrues in a pay period (e.g., 4, 6, or 8 hours). See 5 CFR 630.1004(g) through (i). An employee must make the donation to establish leave bank membership during the annual open enrollment period, or within 30 days of the employee’s appointment to the agency or return from extended absence.

B. Leave Bank Recipients

1. Application and Approval by Leave Bank Board. A leave bank member, or a personal representative on behalf of the employee, who is affected by a personal or family medical emergency must make a written application to the leave bank board in order to become a leave bank recipient. See 5 CFR 630.1006. The board must find that the leave recipient’s absence from duty without paid leave is expected to be at least 24 work hours for a full-time employee, this leave may be intermittent. A part-time employee or employee with an uncommon tour of duty expects to be absent without available paid leave at least 30 percent of the average number of hours in the employee’s biweekly scheduled tour of duty. See 5 CFR 630.1007.

2. Limits on Use of Leave From the Leave Bank. Donated annual leave withdrawn from the leave bank may be used only for the approved medical emergency. A leave recipient may use donated leave retroactively to substitute for a period of LWOP or to liquidate the advanced annual or sick leave that began on or after the date fixed by the leave bank board at the start of the medical emergency. Donated leave may not be included in a lump-sum payment for
annual leave. Donated leave may not be recredited to a former employee who returns to Federal service. See 5 CFR 630.1009.

3. **Requirement to Exhaust Accrued Annual and Sick Leave.** The leave bank recipient must use any available paid leave, but not leave from a set aside leave account, before using any donated leave. See 5 CFR 630.1009.

4. **Leave Bank Recipient’s Accrual of Annual and Sick Leave.** A leave bank recipient may earn annual and sick leave while using donated leave, but only up to 40 hours of each type. In the case of a part-time employee or employee with an uncommon tour of duty, the employee may earn up to the average number of hours in the employee’s weekly scheduled tour of duty. See 5 CFR 630.1008.

   a. **Set Aside Leave Account.** Any accrued annual or sick leave earned by the leave bank recipient must be placed in a separate leave account, referred to as a set aside leave account. The accrued annual or sick leave in the set aside leave account is available for transfer to the leave recipient’s regular leave account after the leave recipient either exhausts all donated leave or the medical emergency ends. Leave in a set aside leave account is not available for use until transferred to the leave recipient’s regular leave account. See 5 CFR 630.1008.

   b. **Intermittent Use of Donated Leave and Accrued Leave.** Leave accruals for an employee who uses donated leave intermittently must be prorated between the regular leave account and the set-aside leave account until the maximum accrual is reached or the medical emergency ends. Accruals are prorated based on the number of hours of donated leave used within the pay period.

C. **Termination of the Medical Emergency.** Any unused leave withdrawn from the leave bank and not used before the termination of the leave recipient’s medical emergency must be returned to the leave bank. The medical emergency of the leave recipient terminates when the following occurs:

1. The leave recipient’s Federal service is terminated;

2. The leave recipient leaves the agency or participating organization, unless determined otherwise by the leave bank board;

3. At the end of the pay period in which the leave recipient provides written notice that the medical emergency is over;

4. At the end of the pay period in which the leave bank board determines, after written notice to the leave recipient and opportunity for response, that the medical emergency is over; or

5. At the end of the pay period in which the agency receives notice that the leave recipient has been approved for disability retirement.
D. Transferring Between Agencies

1. If an employee moves between an agency operating a leave bank to another agency operating a different leave bank, the following procedures apply:
   a. On the date the employee moves to the new agency, the employee will become subject to the policies and procedures of the new agency’s leave bank.
   b. The employee’s right to submit an application to become a leave contributor or leave recipient in accordance with the new agency’s policies and procedures of the leave bank must not be restricted by 5 CFR 630.1010(a)(2) or (b).

2. See 5 CFR 630.1015 for similar procedures for transfers between an agency covered by a VLBP and an agency covered by a VLTP.

050803. ELTP

A. Authority. Title 5, U.S.C. § 6391 and 5 CFR 630, subpart K provide that in the event of a major disaster or emergency, as declared by the President, resulting in severe adverse effects for a substantial number of Federal employees, the President may direct OPM to establish an ELTP. Such disasters or emergencies involve loss of life or property, serious injury, or mental illness because of a direct threat to life or health. Under the ELTP, an employee in an executive agency may donate annual leave for transfer to employees of the employing agency or to employees in other agencies adversely affected by such disaster or emergency.

B. Establishing ELTP Program. OPM will notify agencies of the establishment of an ELTP for a specific disaster or emergency, as declared by the President. Immediately after a disaster or emergency, agencies can typically grant excused absence or advanced annual leave or sick leave as appropriate to affected employees. Once notified, each agency affected by the disaster or emergency is authorized to:
   1. Determine the amount of donated annual leave needed by affected employees;
   2. Approve emergency leave donors and/or emergency leave recipients within the agency, as appropriate;
   3. Facilitate the distribution of donated annual leave from approved emergency leave donors to approved emergency leave recipients within the agency; and
   4. Determine the period of time that donated annual leave may be accepted for distribution to approved emergency leave recipients.

C. ELTP Leave Donor. An employee may voluntarily submit a written request to transfer a specified number of hours of their accrued annual leave to the employing agency’s ELTP using OPM Form 1638, Request to Donate Annual Leave Under the ELTP. The donor may
not contribute less than 1 hour nor more than 104 hours of annual leave in a leave year. Each agency may establish written criteria for waiving the 104-hour limitation per employee for donating annual leave in a leave year. After the initial 1-hour donation, leave may be donated in 15-minute increments. A donor may not donate annual leave for transfer to a specific emergency leave recipient; rather it goes to the ELTP bank. Annual leave donated to an ELTP is not applied against limits on donations of annual leave to a VLBP or VLTP. See 5 CFR 630.1109 and 630.1110.

D. ELTP Leave Recipient

1. Eligibility. An employee, as defined in 5 U.S.C. § 6331(1), who has been adversely affected by a major disaster or emergency may receive donated leave under the ELTP. An employee who has a family member adversely affected by a disaster or emergency and does not have reasonable access to other forms of assistance may receive donated leave under the ELTP. An employee is considered adversely affected if the disaster or emergency has caused severe hardship to the employee or family member to such a degree that the employee’s absence from work is required. See 5 CFR 630.1105.

2. Limitation on Amount of ELTP Leave Received. The ELTP recipient may receive a maximum of 240 hours of donated annual leave at any one time for each disaster or emergency. See 5 CFR 630.1111 for exceptions.

3. Application and Notification of Approval/Disapproval. An employee, personal representative, or the agency on the employee’s behalf must make a written application to become an ELTP recipient using OPM Form 1637, Application to Become a Leave Recipient Under the ELTP. Agency written notification of approval or disapproval must be issued to the employee within 10 calendar days (excluding Saturdays, Sundays, and legal public holidays) after the receipt of the application (or a date established by the agency if that date is later). If disapproved, the agency must state the reason(s) for the disapproval. If approved, the agency must specify the major disaster or emergency for which the recipient was approved.

4. Leave Recipient’s Accrual of Annual and Sick Leave. An ELTP recipient is not required to exhaust his or her accrued annual or sick leave before receiving donated leave under the ELTP. Annual and sick leave will continue to accrue to the credit of the recipient at the same rate as if the recipient were in a paid leave status.

5. Limitations on Use of ELTP Leave. Donated leave must be used only for the purposes related to the approved disaster or emergency for which the leave recipient was approved. Donated ELTP leave may be substituted retroactively by the recipient for any period of LWOP used because of the adverse effects of the disaster or emergency. ELTP leave may be used to liquidate indebtedness incurred by the ELTP recipient for any advanced annual or sick leave used due to the adverse effects of the disaster or emergency. If the recipient transfers to another agency without a break in service the leave must be transferred. The ELTP leave transferred to a recipient may not be included in a lump-sum payment upon separation or entry into active duty, recycled to a former employee reemployed by a Federal agency, or used to establish eligibility for immediate retirement or to continue health benefits into retirement. See 5 CFR 630.1113 and 630.1114.
E. **Insufficient Agency ELTP Donated Leave.** If a Federal agency does not have sufficient donated leave to meet the needs of its approved emergency leave recipients, then the agency must notify OPM. OPM will coordinate a government-wide transfer of annual leave from donating agencies to affected agencies for crediting to their emergency leave recipients. The OPM Form 1639, Transfer of Donated Annual Leave To or From the ELTP, is used for the purpose of donating or receiving annual leave from other agencies. OPM will facilitate the transfer of donated leave to/from agencies. See 5 CFR 630.1112. In addition, an agency’s VLBP under 5 U.S.C., Chapter 63, with the concurrence of the leave bank board, may also donate annual leave to the employing agency’s ELTP or another agency’s ELTP. See 5 CFR 630.1104.

F. **Procedures Upon Termination of Disaster or Emergency**

1. **Determining Termination of Disaster or Emergency.** The disaster or emergency ends when OPM or the agency determines the termination or the recipient’s Federal service terminates. See 5 CFR 630.1116. The emergency terminates at the end of the pay period when:

   a. The recipient or his or her personal representative notifies the agency that the recipient is no longer affected by the disaster or emergency,

   b. The agency determines that the emergency leave recipient is no longer affected by such disaster or emergency (see 5 CFR 630.1116(d) for notice requirements), or

   c. The recipient’s agency receives notice that OPM has approved an application for disability retirement.

2. **Recrating Donated Leave to Donors and Leave Banks.** When a disaster or emergency affecting an emergency leave recipient terminates, any unused ELTP leave must be returned to the emergency leave donors, or to the leave bank if donated by a leave bank. The ELTP administrator will determine the amount of remaining annual leave to be restored to each emergency leave donor who, on the date of the leave restoration, is employed by a Federal agency. The unused ELTP leave returned must be proportional to the amount of annual leave donated by the employee (or leave bank) to the ELTP for such disaster or emergency. Annual leave donated to an ELTP for a specific disaster or emergency may not be transferred to another ELTP established for a different disaster or emergency. An emergency leave donor may request the agency restore unused donated annual leave by crediting the leave to the leave donor’s annual leave account in either the current leave year, or on the first pay period of the following leave year. See 5 CFR 630.1117.

0509 NON-APPROPRIATED FUND (NAF) TRANSFER OF LEAVE UNDER EMPLOYEE BENEFITS PORTABILITY PROGRAM

050901. General

In accordance with 5 U.S.C. §§ 5551(a), 6308(b), and 6312, an employee who transfers from a NAF position to an appropriated fund (APF) position, or the reverse, without a break in service of more

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than 3 days, must transfer their entire annual and sick leave balances to the gaining employment office. The employee must not be paid for any accrued hours of annual leave. Leave will be administered in accordance with the rules of the gaining employment system (APF or NAF). The employee is credited with the full amount of leave even in those cases where the employee may receive a higher rate of pay from the gaining employment system (APF or NAF). See DoDI 1400.25, V1401, Personnel Policy for NAF Instrumentalities, and the OPM Benefits Officers Center.

050902. Annual Leave Accrual Rates

Employees who move between DoD NAF and civil service positions without a break in service of more than 3 days receive service credit for annual leave purposes. Service in the losing employment system (civil service or NAF) is credited when determining the appropriate leave accrual rate. The employee’s leave accrual rate is applied in exactly the same manner, regardless of whether the move is voluntary or involuntary, and regardless of the direction of the move, civil service to NAF or NAF to civil service.

0510 COMPENSATORY TIME

051001. General

Compensatory time off means time off in lieu of overtime pay for irregular or occasional overtime work. One hour of compensatory time off is granted for each hour of overtime. At the request of an employee, the head of an agency may grant an eligible employee compensatory time off from the employee’s scheduled tour of duty instead of payment for an equal amount of time spent in irregular or occasional overtime work. Compensatory time off must be granted to an employee within a reasonable time after the overtime is worked. See 5 U.S.C. §§ 5542, 5543, 5544, 6122, 6123, 6127, and 6128; 5 CFR 550.114 and 5 CFR 551.531.

051002. Eligible Employees

A. Fair Labor Standards Act (FLSA) Exempt and Nonexempt Employees. Compensatory time off may be approved in lieu of overtime for irregular or occasional overtime work for both FLSA exempt and FLSA nonexempt (i.e. FLSA covered) employees who meet the definition of employee under 5 U.S.C. § 5541(2). An agency may require that an FLSA exempt employee with a rate of basic pay the rate of General Schedule-10, step 10 receive compensatory time off for irregular or occasional overtime.

B. Prevailing Rate Employees. Compensatory time off may be approved for prevailing rate employees (wage employees), as defined at 5 U.S.C. § 5342(2). There is no requirement to compensate a prevailing rate employee irregular or occasional overtime by granting compensatory time off.

C. Flexible Work Schedules. Compensatory time off may be approved (but not required) in lieu of regularly schedule overtime only for employees (including prevailing rate employees) who are ordered to work overtime hours under flexible work schedules. See 5 U.S.C. § 6123(a)(1).
051003.  Forfeiture of Unused Compensatory Time Off

A.   FLSA Exempt Employees.  The time limit for using compensatory time is the end of the 26th pay period after the pay period during which it was earned.  An agency may provide that an FLSA exempt employee who fails to take the compensatory time within 26 pay periods, or who transfers to another agency or separates from service before the compensatory time expires, must:

1.  Receive payment for unused compensatory time at the overtime rate in effect when earned; or

2.  Forfeit the unused compensatory time unless failure to use the compensatory time is due to an exigency of the service beyond the employee’s control.  An FLSA employee whose compensatory time off was forfeited due to an exigency of service beyond the employee’s control must receive payment for the unused compensatory time at the overtime rate in effect when earned.  See 5 CFR 550.114.

B.   FLSA Nonexempt (FLSA Covered) Employees.  The time limit for using compensatory time is the end of the 26th pay period after the pay period when it was earned.  If the FLSA nonexempt employee fails to take the compensatory time within 26 pay periods, or the employee transfers to another agency or separates from Federal service before the compensatory time expires, pay the earned compensatory time off at the overtime rate in effect when earned.  See 5 CFR 551.531.

C.   National Guard Technicians.  National Guard technicians are not paid for unused compensatory time worked.  Compensatory time must be used by the end of the 26th pay period after it is earned or it will be forfeited.  See 32 U.S.C. § 709 (h).

051004.  Separation or Transfer

When a DoD employee separates or transfers to another DoD Component or Federal agency before the expiration of the 26th pay period time limit, unused compensatory time balances must be paid at the overtime rate in effect when the compensatory time was earned.  Title 32 National Guard technicians forfeit any unused compensatory time when they separate or transfer to another DoD Component or Federal agency.

*051005.  Compensatory Time Off for Religious Observances

A.   General.  An employee whose personal religious beliefs require not working during certain periods may elect to work compensatory time for the time lost to meet those religious requirements.  See 5 U.S.C. § 5550a and 5 CFR 550, subpart J.  Religious compensatory time off differs from other forms of compensatory time off in that the sole purpose is to adjust an employee’s work schedule to accommodate a religious observance.  An employee who works compensatory time for religious reasons must be granted equal compensatory time off from the scheduled tour of duty.  The employee must work the compensatory overtime not earlier than 13 pay periods before or not later than 13 pay periods after the grant of compensatory time off.  Compensatory overtime
must be credited to the employee on an hour for hour basis, or authorized fraction thereof. See Chapter 3 for additional information regarding compensatory time off for religious reasons.

B. **Employee Responsibilities.** An employee must request to work and use religious compensatory time in accordance with his or her agency’s established policies. The employee must provide the agency with the name and/or description of the religious observance, the dates and times the employee plans to be absent, and the dates and times the employee plans to work overtime to earn religious compensatory time.

C. **Agency Responsibilities.**

1. The agency must approve the employee’s request for taking off religious compensatory time unless the request would interfere with the agency’s ability to efficiently carry out its mission.

2. The agency must provide the employee with the opportunity to earn the compensatory religious time off before the deadline of 13 pay periods. The specific timing of when the employee can work overtime to earn the religious compensatory time off is at the agency’s discretion.

D. **Scheduling Time To Earn and Use Religious Compensatory Time Off.**

1. The scheduling of time to earn and use religious compensatory time off by employee is subject to the employing agency’s approval.

2. For an employee who earns religious compensatory time off prior to using it, religious compensatory time off may be earned up to 13 pay periods in advance of the pay period in which the targeted religious observance commences and must be linked to specific dates and times for future use, as compatible with agency mission requirements.

3. An employee who uses religious compensatory time off prior to earning it must fulfill his or her obligation to perform overtime work in exchange for the advanced religious compensatory time off. The overtime must be worked within 13 pay periods after the pay period in which the employee used religious compensatory time off, or the agency may take action as described in subparagraph 051005.D.4.

4. The 13 pay periods are calculated beginning with the first pay period beginning after the date on which the religious compensatory time off was used. If the employee fails to earn religious compensatory time off within 13 pay periods after taking religious compensatory time off, the agency may take corrective action to eliminate or reduce the negative balance. The employee’s balance of annual leave, credit hours, compensatory time off in lieu of regular overtime pay, compensatory time off for travel, or time-off awards can be reduced in order to offset the negative balance. An agency may determine the order of precedence for applying the various types of paid time off to offset the negative balance. Any negative balance of religious compensatory time off remaining after any charging of these types of paid time off must be resolved.
by charging the employee LWOP, which would result in an indebtedness that is subject to the
agency’s internal debt collection procedures.

E. Effective May 29, 2019. Employees who have a positive balance of earned,
but unused religious compensatory time off hours, must direct these hours to future religious
observances. The agency must confirm and document that the hours are connected to one or more
specific religious observances requiring the employee’s absence from work in order to meet the
employee’s personal religious requirements. The agency must give the employee the opportunity to
direct all unused hours to such a future religious observance. If the employee does not direct all of
the unused hours, the employee may not earn any additional religious compensatory time hours until
the employee establishes a need to earn such time off hours. See 5 CFR 550, subpart J.

051006. Compensatory Time Off for Travel

An employee may earn compensatory time off for travel for time spent in travel status away
from the employee’s official duty station. An employee may earn compensatory time off for travel
only for hours that are not otherwise compensable. Because an employee is entitled to their rate of
basic pay for travel during basic (non-overtime) holiday hours, an employee may not earn
compensatory time off for travel during holiday hours. See 5 CFR 550, subpart N; the OPM Fact
Sheet, Compensatory Time Off for Travel; and 5 U.S.C. § 5550b.

A. Eligible Employees. Compensatory time off for travel may be earned by an
employee, as defined in 5 U.S.C. § 5541(2), who is employed in an Executive agency, as defined in
5 U.S.C. § 105, without regard to whether the employee is exempt from or covered by the overtime
pay provisions of the FLSA of 1938, as amended. The definition includes employees in SL and ST
positions, but not members of the SES. Prevailing rate (wage) employees are eligible for
compensatory time off for travel.

B. Employees Who Receive Availability Pay. Availability pay is premium pay
paid to Federal law enforcement officers who are criminal investigators required to work substantial
amounts of unscheduled duty. See 5 CFR 550.181.

1. When Travel Hours Are Not Eligible. For availability pay recipients,
travel hours are not eligible for compensatory time off if the hours are compensated by basic pay,
regularly scheduled overtime hours creditable under 5 U.S.C. §§ 5542 or 5543, or unscheduled duty
hours. Unscheduled duty hours means either irregular overtime hours, or the first 2 overtime hours
on a day containing part of the employee’s basic 40-hour workweek without regard to whether the
hours are unscheduled or regularly scheduled, or any approved non-work availability hours. See
5 CFR 550.182(a), (c), and (d). An availability pay recipient may not earn compensatory time off
for travel during unscheduled duty hours because the employee is entitled to availability pay for
those hours. Compensatory time off for travel is earned only for hours not otherwise compensable.

2. When Travel Hours Are Eligible. For availability pay recipients,
travel hours are eligible for compensatory time off for travel when the employee is required to travel
on a non-workday or on a regular workday (in excess of the basic workday) and the travel does not
meet one of the four criteria listed under 5 U.S.C. § 5542(b)(2)(B) and 5 CFR 550.112(g)(2). In
such cases, since the travel time is not compensable as overtime hours of work for regular overtime or availability pay, the employee may earn compensatory time off subject to the exclusions specified in 5 CFR 550.1404(b)(2) and the requirements in 5 CFR 550.1404(c), (d), and (e). See 5 U.S.C. § 5542(b)(2)(B) and 5 CFR 550.112(g)(2) for information regarding when travel time is compensable as overtime hours of work.

C. Creditable Travel Time. To be creditable, travel time must be for work purposes and must be approved by an authorized agency official or otherwise authorized under agency policy. Once the employee arrives at a temporary duty station, the employee is not considered to be in a travel status just because he or she is away from the official duty station. In other words, do not credit the time spent at a temporary duty station between arrival and departure as time in a travel status. Time in travel status includes:

1. Time an employee actually spends traveling between the official duty station and a temporary duty station;

2. Time an employee spends traveling between two temporary duty stations; and

3. The usual waiting time that precedes or interrupts such travel, such as waiting at an airport or train station for departure. This does not include any extended or unusual waiting time between actual period of travel when the employee is free to rest, sleep, or otherwise use the time for his or her own purposes.

D. Deducting Commuting Time

1. Travel Between Home and Temporary Duty Station (or Transportation Terminal) Outside of Official Duty Station Limits. Time spent traveling directly between home and a temporary duty station (or transportation terminal) outside the limits of the employee’s official duty station is creditable as travel time. However, the agency must deduct from such travel hours the time the employee would have spent in normal home-to-work or work-to-home commuting (the commuting time offset). See 5 CFR 550.1404.

2. Between Home and Transportation Terminal Within Official Duty Station Limits. Time spent traveling outside of regular work hours between home and to or from a transportation terminal that is within the official duty station as part of travel away from that duty station is considered equivalent to commuting time and is not creditable travel time. See 5 CFR 550.1404(d).

3. Between Worksite and Transportation Terminal Within Official Duty Station Limits. Time spent traveling outside of regular work hours between the employee’s worksite and a transportation terminal is creditable travel time, and no commuting time offset applies.

E. Crediting Compensatory Time Off for Travel. An employee must comply with the procedures for requesting credit of compensatory time off for travel. Within five workdays after returning to the official duty station, the employee must submit his or her travel itinerary, or
any other documentation acceptable to the employee’s supervisor, in support of a request for credit for the compensatory time off. Upon receipt of a proper and complete request from the employee, the agency must credit the employee with compensatory time off for creditable time in a travel status. The agency may authorize credit in increments of one-tenth of an hour (6 minutes) or one-quarter of an hour (15 minutes). There is no limit on the amount of compensatory time off for travel an employee may earn. Agencies must track and manage compensatory time granted for time in a travel status separately from other forms of compensatory time off.

F. Use of Accrued Compensatory Time Off for Travel. An employee must request permission from his or her supervisor to schedule the use of his or her accrued compensatory time off in accordance with agency-established policies and procedures. Compensatory time off for travel may be used when the employee is granted time off from scheduled tour of duty established for leave purposes. An employee must use earned compensatory time off in increments of one-tenth of an hour (6 minutes) or one-quarter of an hour (15 minutes). If the employee elects to use earned compensatory time off for travel instead of using excess annual leave, there is no legal authority to restore an employee’s forfeited annual leave.

G. Forfeiture of Unused Compensatory Time Off for Travel


   a. Not Used Within 26 Pay Periods. Compensatory time off for travel is forfeited unless it is used by the end of the 26th pay period after the pay period it was credited.

   b. Upon Transfer or Separation. When an employee voluntarily transfers to another agency or separates from Federal service, any unused compensatory time off for travel is forfeited. Agency means an Executive agency as defined in 5 U.S.C. § 105 (e.g., DoD). An employee does not receive a lump-sum payment for accrued compensatory time off for travel upon separation from an agency.

   c. Upon Movement to Non-Covered Position. Compensatory time off for travel is forfeited when the employee transfers to a non-covered position (such as to the U.S. Postal Service).

2. Exceptions to the 26 Pay Period Limit

   a. LWOP. Special circumstances apply when an employee has unused compensatory time off for travel and the employee separates from Federal service or is placed on LWOP status under the following circumstances. If the employee later returns to service with the same agency, the employee must use all of the compensatory time off by the end of the 26th pay period following the pay period that the employee returns to duty, otherwise the compensatory time off is forfeited. See 5 CFR 550.1407(a)(2). LWOP status under this provision is as follows:
(1) LWOP to Perform Uniformed Service. The employee separates or is placed on LWOP status to perform service in the Uniformed Services, as defined in 38 U.S.C. § 4303 and 5 CFR 353.102, and later returns to service through the exercise of a reemployment right provided by law, Executive order, or regulation.

(2) LWOP for Work Injury. The employee separates or is placed on LWOP status because of an on-the-job injury with entitlement to injury compensation under 5 U.S.C., Chapter 81 and later recovers sufficiently to return to work.

b. Exigency. If an employee fails to use compensatory time off for travel within 26 pay periods after earned due to an exigency of the service beyond the employee’s control, an authorized agency official may extend the time limit for using such compensatory time off for up to an additional 26 pay periods. See 5 CFR 550.1407(e).

H. Prohibition Against Payment for Unused Compensatory Time Off for Travel. As provided by 5 U.S.C. § 5550b(b), an individual must not receive payment under any circumstances for any unused compensatory time off for travel earned under 5 CFR 550, subpart N. This prohibition against payment also applies to surviving beneficiaries of deceased employees.

I. Inapplicability of Premium Pay and Aggregate Pay Caps. Accrued compensatory time off for travel is not considered when applying the premium pay limitations established under 5 U.S.C. § 5547 and 5 CFR 550.105 through 550.107 or the aggregate limitation of pay established under 5 U.S.C. § 5307 and 5 CFR 530, subpart B. There is no pay cap limitation on the amount of compensatory time off for travel an employee may earn.

0511 HOLIDAY LEAVE

051101. General

Employees must be in a pay status or a paid time off status (e.g., leave, compensatory time off, compensatory time off for travel, or using credit hours) on their scheduled workdays either before or after a holiday in order to be entitled to regular pay for a holiday. Employees in a nonpay status for the workdays immediately before and after the holiday may not receive compensation for that holiday.

051102. Work Schedules

A. Full-Time Employees. Regular full-time employees who are not required to work on a holiday receive their regular straight-time pay, including night and shift differential.

1. Flexible Work Schedule. A full-time employee on a flexible work schedule, who is prevented from working on a holiday, or an in lieu of holiday, is entitled to 8 hours of holiday leave for each holiday. See 5 U.S.C. § 6124. Employees under flexible work schedules are credited with 8 holiday hours even if they would otherwise work more hours on that day.
2. **Compressed Work Schedule.** A full-time employee on a compressed work schedule who is prevented from working on a holiday, or an in lieu of holiday, is entitled to holiday leave for the number of hours of the compressed work schedule for the employee on that day. See *5 U.S.C. § 6121(5)*. For example, if a holiday falls on a 9 or 10-hour basic workday, the employee's holiday is 9 or 10 hours, respectively. See *5 CFR 610.406*.

B. **Part-Time Employees.** Part-time employees receive their regular pay for holidays that fall on their regularly scheduled workdays; this does not include overtime work. When a holiday falls on a part-time employee’s non-workday, there is no entitlement to pay for an in lieu of holiday. When prevented from working because the activity is closed due to an in lieu of holiday, the part-time employee may either be placed in an appropriate leave category or be excused, placed on administrative leave, without loss of pay for the number of hours they are regularly scheduled to work on that day. See *DoDI 1400.25, V610*. For more information on part-time employees, see the OPM Fact Sheet, *Federal Holidays - Work Schedules and Pay*.

1. **Flexible Work Schedule.** A part-time employee on a flexible work schedule who is prevented from working on a holiday is entitled to leave for the number of hours they would have worked but for the holiday, not to exceed 8 hours. See *5 CFR 610.405*.

2. **Compressed Work Schedule.** A part-time employee prevented from working on a holiday is entitled to leave for the number of hours of the compressed work schedule on that day. See 5 CFR 610.406.

C. **Intermittent Employment.** Intermittent employees, including experts and consultants, means employees without a regularly scheduled tour of duty. Intermittent employees receive compensation only when work is actually performed.

0512 **CREDIT HOURS**

051201. **General**

Credit hours are any hours within a flexible schedule established under 5 U.S.C. § 6122 that are in excess of an employee’s basic work requirement and that the employee elects (consistent with agency policy) to work to vary the length of a workweek or a workday. Credit hours are distinguished from overtime hours in that they are not officially ordered and approved in advance by management. See *5 U.S.C. §§ 6121-6126*.

051202. **Requirements for Earning and Using Credit Hours**

A. **Earning Credit Hours.** Only full-time and part-time employees under flexible work schedules may earn credit hours. SES members may not earn credit hours. See *5 C.F.R. 610.408*. Credit hours may be earned only within the flexible time bands established by the agency or union agreement. Work hours that count toward the employee’s basic work requirement should not be considered credit hours. Credit hours are those hours that are in excess of the employee’s basic work requirement (8 hours in a day, 40 hours in a week, or 80 hours in the
B. **Using Credit Hours.** Credit hours must be used within the tour of duty. Credit hours must be earned and used in the same increments as other absences with pay.

051203. Accumulation

A full-time employee may accumulate up to 24 credit hours to be carried forward for credit against a later pay period. The 24 credit hours carried forward must be accounted for the same as other types of absences with pay. See 5 U.S.C. § 6126.

051204. Part-Time Employees

A part-time employee under a flexible work schedule may earn credit hours. A part-time employee may carry forward credit hours from one pay period to a subsequent pay period, in an amount equal to 25 percent of the biweekly scheduled hours of work. See 5 U.S.C. § 6126(a).

051205. Payment for Credit Hours

Generally, an employee receives no additional pay for credit hours. When used by the employee, credit hours are considered a part of the basic work requirement (non-overtime work) in the pay period that they are applied. An employee is entitled to his or her basic rate of pay for any credit hours used. However, upon separation from Federal service, or when an employee is no longer subject to a flexible work schedule program or transfers to another employing activity (provided the agency and Major Claimant/Command changes), any accumulated credit hours must be liquidated/paid at the employee’s current hourly rate. For full-time employees, not more than 24 accumulated credit hours may be paid. For part-time employees, accumulated credit hours may be paid in an amount that is not more than 25 percent of the employee’s scheduled hours. See 5 U.S.C. § 6126(b). Premium pay limitations under 5 U.S.C. § 5547 do not apply to payment for credit hours even though the limits apply to payments for unused compensatory time off.

051206. Entitlement

A. **Overtime.** An employee must not use credit hours to increase the entitlement of overtime pay. No overtime pay or compensatory time off will be paid when employees earn credit hours or when credit hours are liquidated when Federal service ends. See 5 U.S.C. §§ 6123(b) and 6126.

B. **Sundays.** An employee will not be paid Sunday pay when earning credit hours on a Sunday. Sunday premium pay is limited to 8 hours for each regularly scheduled basic tour of duty that begins or ends on Sunday. Since credit hours may only be earned when employees work in excess of their regularly scheduled basic work requirement, Sunday premium pay may not be paid when employees earn credit hours on Sunday. Neither may employees receive Sunday premium pay if they use credit hours in order to be absent from regularly scheduled Sunday work. Employees may not receive Sunday premium pay for any period of time they do not actually perform work on a Sunday.
C. **Nights.** An employee must not be paid night pay when credit hours are earned at night. Night pay is authorized for work performed at night during an employee’s regularly scheduled tour of duty. See 5 U.S.C. § 5545(a). Since employees who earn credit hours are not performing regularly scheduled work, they may not be paid night pay for credit hours earned at night. Neither may employees be paid for credit hours used at night to be absent from the employee’s basic tour of duty. There is no provision of law or regulation permitting night pay to be paid when credit hours are used to be absent from regularly scheduled night work. Credit hours are considered as daytime hours. For example, when an employee’s schedule includes daytime and nighttime hours, credit hours are applied only to the daytime portion of the schedule. See 5 U.S.C. § 6123(c). For requirements on entitlement to night differential when credit hours are earned by prevailing rate (wage) employees and employees under 38 U.S.C (Title 38 employees), see 5 U.S.C. § 6123(c)(2).

D. **Holidays.** An employee may not earn additional compensation or credit hours for voluntarily working during holiday hours. If permitted by agency policy or negotiated agreements for union members, supervisors may approve requests from employees working under flexible work schedules to earn credit hours for work in excess of their basic work requirement on a holiday. Full-time employees under flexible work schedules are excused from 8 hours of their basic work requirement because of a holiday. See 5 U.S.C. § 6124. If an employee is scheduled to complete 9 or 10 hours of basic work requirement on a holiday, the agency may permit the employee to use previously accrued credit hours or annual leave in order to be absent with pay during the ninth and tenth hours.

E. **Excused Absences.** An employee may not earn credit hours during excused absences, such as a weather emergency. If employees work during the hours of their basic work requirement, despite being excused from work, they are not entitled to additional compensation or credit hours. However, if permitted by policy or negotiated agreements, a supervisor may approve a request from an employee to earn credit hours for work in excess of their basic work requirement on a day when an excused absence is granted.

F. **Training.** An employee cannot earn credit hours for training required by an agency.

051207. **Biweekly Pay Period**

There is no limit on the accumulated number of credit hours during the biweekly pay period, subject to a supervisor’s approval. Any credit hours worked in a pay period that exceeds the 24-hour maximum carryover will be forfeited if not used during that pay period. Credit hours must be earned before they are used. Employees may carry forward only 24 credit hours into the succeeding pay period. Credit hours under a maxi-flex schedule may be used during the pay period that they are earned.

0513 **TIME OFF AS AN INCENTIVE AWARD**

As authorized by 5 U.S.C. § 4502(e), a time-off award may be granted in lieu of cash. See 5 CFR 451.101 through 451.107. A time-off award is an absence with pay without charge to leave. See Chapter 3, section 0311.
*0514 ADMINISTRATIVE LEAVE

*051401. General

Administrative leave is an absence from duty, administratively authorized, without loss of pay and without charge to leave. Periods of administrative leave are considered part of an employee’s basic workday even though the employee does not perform regular duties. The following are some of the more common situations in which agencies generally permit absence from duty without a loss of pay and without charge to leave. See DoDI 1400.25, V630.

051402. Blood Donation

Employees serving as blood donors may be excused from work without charge to leave for the time necessary to donate the blood, for recuperation following blood donation, and for necessary travel to and from the donation site. This provision does not cover an employee who gives blood for his or her personal use or receives compensation for giving blood.

*051403. Weather and Safety Leave

The National Defense Authorization Act for Fiscal Year (FY) 2017, section 1138 (P.L. 114-328) granted agencies authority to authorize weather and safety leave to employees due to an act of God, a terrorist attack, or any other condition that prevents employees from traveling safely to work or to safely perform work at an approved location. Employees who are participating in a telework program may not be eligible for weather and safety leave depending on their agency’s telework policies. An employee may not receive weather and safety leave for hours in which they have preapproved leave (paid or unpaid) or paid time off. See 5 CFR 630, subpart P.

*051404. Tardiness and Brief Absence

If an employee is unavoidably or necessarily absent for less than one hour, or tardy, the agency, for adequate reason, may excuse the employee without charge to leave. The time excused should be notated in the payroll system as administrative leave. See 5 CFR 630.206.

051405. Registering and/or Voting

Excusal from duty for a reasonable period of time is authorized for registering and/or voting in any election. Generally, excuse employees from duty to permit them to report for work 3 hours after the polls open or to leave work 3 hours before the polls close, whichever results in the lesser amount of time off. Employees on flexible work schedules may only be excused for those hours that are not accommodated by their flexible schedules.

051406. Taking Examinations

This applies only to examinations given by or taken at the request of the employing activity. Excuse employees, without charge to leave or loss of pay, for all examinations required for
converting to career-conditional appointments or for required noncompetitive examinations within the same employing activity.

051407. Attending Conferences or Conventions

Employees may be excused to attend conferences or conventions when it is determined that the attendance will serve the best interest of the Federal service. Such absences may be restricted to those situations that the employee is an official representative of the organization involved or is a contributor on the agenda. Employees may not be excused to attend conferences or conventions of political parties or partisan political groups or committees.

*051408. Representing Employee Organizations

Representative leave hours must be reported using 4 separate categories. The categories are term negotiations, mid-term negotiations, dispute resolution, and general labor-management relations. Absence charged as representative leave may be subject to the provisions of local negotiated agreements and/or supervisory approval. See 5 CFR 551.424 and OPM's Official Time Usage in the Federal Government, FY 2016, Appendix A.

051409. Official Duty Status Funerals of Fellow Federal Law Enforcement Officers or Federal Firefighters

A Federal firefighter or Federal law enforcement officer may be excused from duty without charge to pay or leave in order to attend the funeral of a fellow Federal firefighter or Federal law enforcement officer who was killed in the line of duty. See 5 U.S.C. § 6328. When excused from duty, attendance at the funeral service is considered as official duty for the firefighter or officer. Under 31 U.S.C. § 1345, an agency may pay the expenses of an official or employee of the United States carrying out an official function.

051410. Absence of Veterans to Attend Funeral Services

An eligible employee may be excused from duty to participate as an active pallbearer, a member of a firing squad, or a guard of honor in a funeral ceremony for a member of the Armed Forces whose remains are returned from abroad for final interment in the United States (not to exceed 4 hours in any 1 day). See 5 U.S.C. § 6321.

051411. Excused Absence for Employees Returning From Active Military Duty

A. Entitlement. Pursuant to a Presidential Memorandum of November 14, 2003, a Federal employee is entitled to 5 days of excused absence after he or she returns from active military service in connection with the continuing Overseas Contingency Operations (OCO). Upon receiving notification from a returning employee of his or her intent to return to civilian duty on a specific date, an agency must grant an eligible employee 5 days of excused absence immediately prior to the employee's actual resumption of his or her duties. See the OPM Fact Sheet, 5 Days of Excused Absence for Employees Returning from Active Military Duty.
B. **Usage.** The commencement of the 5 days of excused absence represents a return to Federal employment, and the employee is obligated to report for work at the end of the 5-day period. The excused absence is intended to provide returning employees with continuous paid time off to spend with their families before returning to Federal service; therefore, the 5 days must be used consecutively. If the employee does not use all 5 days at once, the remaining days may not be carried over for later use.

C. **Eligibility**

1. **Minimum Service Requirement.** An employee must be on active duty in support of the OCO for at least 42 consecutive days to qualify for 5 days of excused absence. An employee does not qualify if the period of active duty is less than 42 days. The 42 days must be consecutively served, and an accumulation of 42 or more nonconsecutive days of active duty does not meet the requirement.

2. **Multiple Deployments.** An employee deployed on multiple occasions is entitled to receive 5 days of excused absence for each deployment as long as the deployment meets the 42-day requirement and the employee has not received 5 days of excused absence during the previous 365 days.

3. **New Employees.** A new employee who was not a Federal employee at the time of his or her activation does not qualify for the 5 days of excused absence.

4. **Employees With an Uncommon Tour of Duty.** The period of excused absence for an employee on an uncommon tour of duty or an employee on a part-time work schedule will be prorated according to the number of hours in the employee's regularly scheduled workweek.

0515 COURT Leave AND JURY DUTY

051501. **General**

Employees are authorized paid time off (court leave) when summoned to serve as a juror or as a witness in a nonofficial capacity on behalf of any party in connection with any judicial proceeding that the United States, the District of Columbia, or a state or local government is a party. See 5 U.S.C. §§ 6322, 5537, and 5515, and the OPM Fact Sheet, *Court Leave*.

051502. **Summoned While on Annual Leave**

If an employee is on annual leave when called for jury duty or witness service, court leave will be charged. No charge should be made to annual leave for the court service.

051503. **Requirements**

An employee who is under summons from a court to serve on a jury should be granted court leave for the entire period, regardless of the number of hours per day or days per week, the employee
actually serves on the jury during the period. However, jury service for which an employee is entitled to court leave does not include periods when the employee is excused or discharged by the court, subject to call by the court, for an indefinite period or for a definite period in excess of 1 day. Therefore, an employee may be required to return to duty or be charged annual leave if excused from jury service for 1 day or even a substantial part of a day. However, the employee should not be required to return to work if it will cause a hardship.

051504. Intermittent Employment

Employees hired with no scheduled tour of duty are not eligible for court leave. See 5 U.S.C. § 2105.

051505. FLSA Nonexempt Employees

FLSA nonexempt (e.g., FLSA covered) employees must not have their pay reduced under FLSA due to court leave for jury duty or witness service during their regularly scheduled tour of duty. See 5 U.S.C. § 6322.

051506. Documentation Required

When an employee is called for court service (as a witness or juror), the court order, subpoena, or summons, if one was issued, must be presented to the supervisor as far in advance as possible.

051507. Jury Duty Service Payment

Employees may not retain fees paid for jury duty service. If an employee performs jury duty service for a state or local court and the employee is paid jury duty fees, the fees must be collected from the employee as provided under subparagraph 051510. Employees who perform jury duty service for the United States or the District of Columbia governments are not paid jury duty fees. See 5 U.S.C. § 5537.

051508. Official Capacity Witness

Employees who perform witness service in an official capacity on behalf of the United States or the District of Columbia government, a state or local government, or a private party must not be paid witness fees, nor must the time served as a witness be charged to court leave or annual leave. The time must be recorded as official duty. If any fees are paid, they must be turned in to the employing activity.

051509. Nonofficial Capacity Witness

An employee is not entitled to court leave if the employee testifies as a witness in a nonofficial capacity on behalf of a private party in a matter that the United States, the District of Columbia, a state, or local government is not a party. The employee must take annual leave or
LWOP to serve in such a capacity. Employees are entitled to the fees and expenses related to such witness service.

051510. Certificate of Attendance and Collection of Fees Paid

A. Amounts Subject to Collection

1. Fees for Jury Duty or Witness Services. Unless otherwise allowable under this section, an employee in a pay status may not retain fees received for jury duty or witness services. The employee must submit any fees received to their employing activity in the form of a money order or personal check.

2. Certificate of Attendance. A certificate of attendance from the clerk of the court must also be submitted to the employing activity. The certificate of attendance should show the dates of jury duty or witness service and any amount of fees the court paid to the employee. The certificate of attendance should separately identify fees and other allowances or expenses. If the certificate of attendance does not identify allowances separately, then all monies received are considered fees for jury duty or witness services and must be collected.

3. Employee Waiver or Refusal of Fees. An employee serving on a jury in a state or local court who waives or refuses to accept jury fees is still liable to the U.S. Government for the fees they would have received. Under 5 U.S.C. § 5515, the Federal government is entitled to be reimbursed for any fees available and the employee has no discretion to waive payment of the fees on the government’s behalf. The amount of any waived or refused fees must be collected from the employee as a salary overpayment.

B. Amounts Not Subject to Collection.

1. Allowances or Reimbursement. The employee may keep reimbursements for expenses received from the court, authority, or party that summoned the employee. Allowances or reimbursement for expenses includes transportation or parking expenses.

2. Fees That Exceed Compensation. An employee may keep fees that exceed the employee’s compensation for the days of service.

051511. Collection of Fees Paid Incorrectly

If fees are paid incorrectly to an employee who is serving in a nonofficial capacity, then the employee may not retain the fees. The fees must be turned in to the Customer Service Representative (CSR) at the employing activity.

051512. Holiday

When a holiday occurs during the time an employee is on jury duty or witness service, the employee may keep the jury duty or witness service fee paid for the holiday.
051513. Non-Workday

If called to jury duty on a non-workday, then the employee may keep the fees paid.

051514. Submission and Crediting of Fees Collected

Monies submitted to the CSR for fees collected by employees for jury duty or witness service must be accounted for on a DoD (DD) Form 1131, Cash Collection Voucher. The servicing PRO must credit the appropriation and accounting classification that paid the employee’s salary while the employee was on jury duty or serving as a witness with these monies. See 5 U.S.C. § 5515.

051515. Employee Absence

See Table 5-4 for employee absences for court or court-related services.

051516. Payroll Deduction

Fees not submitted in a timely manner are subject to payroll deduction. Payroll deductions to collect the fees will be made in the next regular pay period. See 5 U.S.C. § 5515.

0516 SHORE LEAVE

051601. General

Shore leave means paid leave authorized under 5 U.S.C. § 6305(c) and 5 CFR 630, subpart G that is earned by an employee who is regularly assigned to duties onboard an oceangoing vessel. The employee appointed in the civil service can be an officer, crewmember, or other employee serving aboard an oceangoing vessel on an extended voyage. An employee is considered to be regularly assigned when his or her continuing duties are such that all or a significant part of them require that they serve aboard an oceangoing vessel. Temporary assignments of a shore-based employee, such as for limited work projects or for training, do not constitute a regular assignment. An eligible officer, crew member, or other employee serving onboard an oceangoing vessel on an extended voyage earns shore leave (5 U.S.C. § 6305(c) and 5 CFR 630.701-704) at a rate not to exceed 1 day for each 15 calendar days of absence on one or more extended voyages.

051602. Extended Voyage

Shore leave is earned by eligible employees who are on an extended voyage. An extended voyage must be at least 7 consecutive calendar days in duration, including voyage-preparation time on board the vessel. See 5 CFR 630.701.

051603. Computing Shore Leave

An employee earns shore leave at the rate of 1 day of shore leave for each 15-calendar days of absence on one or more extended voyages. The master of the vessel will keep a record of the accrual of shore leave for each employee. See 5 CFR 630.703.
A. Officer and Crewmembers. For an employee who is an officer or crewmember, a voyage begins either on the date the employee assumes duties aboard an oceangoing vessel to begin preparation for a voyage or on the date the employee comes aboard when a voyage is in progress. The voyage terminates on the earliest of the following dates:

1. The employee ceases to be an officer or crewmember of the oceangoing vessel, or

2. The employee is released from assigned duties relating to the voyage aboard the oceangoing vessel at the port of origin or port of final discharge.

B. Other Employees. For an employee, other than an officer or crewmember, a voyage begins on the date of sailing and terminates on the earliest of the following dates:

1. The oceangoing vessel returns to a port where the employee will disembark in completion of his or her assignment aboard the vessel, or

2. The employee is released from the assignment aboard the vessel.

051604. Computing Days of Absence

The master of the vessel keeps a record on the use of shore leave for each employee. When computing the days of absence, an agency must use the guidance set out at 5 CFR 630.703(c).

051605. Granting Shore Leave

An employee has an absolute right to use shore leave, subject to the right of the head of the agency to fix the time when shore leave may be used. Shore leave may be granted during a voyage at the written request of the employee. If so requested and denied, the denial must also be in writing. See 5 CFR 630.704.

051606. Minimum Charge

The minimum charge for shore leave is 1 day; additional charges are in whole days.

051607. Time and Attendance Report

The time and attendance report must reflect shore leave taken.

051608. Limitation

Shore leave is in addition to annual leave, and it may be accumulated for future use without limitation.
051609. Lump-Sum Leave Payment

Shore leave is not included in a lump-sum leave payment.

051610. Terminal Leave

An agency must not grant shore leave to an employee as terminal leave. Terminal leave is an approved absence immediately before an employee’s separation when an agency knows the employee will not return to duty before the date of their separation. The exception to this rule is that an agency must grant shore leave as terminal leave when the employee’s inability to use shore leave was due to circumstances beyond their control and not due to his or her own act or omission.

051611. Forfeiture

Shore leave is forfeited if not granted before:

A. Separation from the service, or

B. An official assignment, other than by temporary detail, to a position in which the employee does not earn shore leave. To the extent administratively practicable, the employing activity must give an employee an opportunity to use the shore leave to their credit either before the reassignment or not later than 6 months after the date of their reassignment when the employing activity is unable to grant the shore leave before the reassignment.

051612. Transfer

At the time of an employee’s transfer to a position at another employing activity or agency, accumulated shore leave must be transferred if:

A. The employee is entitled to shore leave in the new position, and

B. There is no break in service.

0517 HOME LEAVE

051701. General

Home leave means leave authorized by 5 U.S.C. § 6305(a) and 5 CFR 630.601 and earned by service abroad. Home leave can be earned and granted to eligible employees who have been recruited for overseas duty and who meet the requirements of 5 U.S.C. § 6304(b) for the accumulation of a maximum of 45 days of annual leave. There is no maximum accumulation of home leave. Balances are posted on the SF 1150 for future use.
051702. Earning Home Leave

To determine the rate of accrual for home leave, the computation of service abroad must be completed. When computing service abroad full credit is given for the day of arrival and the day of departure.

A. Computation of Service Abroad. Service abroad means service on or after September 6, 1960, at a post of duty OCONUS and outside the employee's residence if it is in the Commonwealth of Puerto Rico or a territory or possession of the United States. Computation of service abroad:

1. Begins on the date of the employee's arrival at a post of duty OCONUS, or on the date of his entrance on duty when recruited abroad;

2. Ends on the date of the employee's departure from the post for separation or for assignment in the United States, or on the date of his separation from duty when separated abroad; and

3. Includes:

   a. Absence in a nonpay status up to a maximum of 2 workweeks within each 12 months of service abroad,

   b. Authorized leave with pay,

   c. Time spent in the Armed Forces of the United States which interrupts service abroad (but only for eligibility, not leave-earning, purposes), and

   d. A period of detail.

B. Earning Rates. For each 12 months of service abroad, an employee earns home leave at the following rate:

1. An employee who accepts an appointment to, or occupies, a position for which the agency has prescribed the requirement that the incumbent accept assignments anywhere in the world as the needs of the agency dictate earns 15 days.

2. An employee serving with a U.S. mission to a public international organization earns 15 days.

3. An employee serving at a post that payment of a foreign or non-foreign (but not a tropical) differential of 20 percent or more is authorized by law or regulation earns 15 days.
4. An employee not included in subparagraphs 051702.B.1, 2, or 3, who is serving at a post that payment of a foreign or territorial (but not a tropical) differential of at least 10 percent (but less than 20 percent) is authorized by law or regulation, earns 10 days.

5. An employee not included in subparagraphs 051702.B.1, 2, 3, or 4 of this section earns 5 days.

6. An employee not included in subparagraphs 051702.B.1 through 051702.B.5, whose service abroad is interrupted by a tour of duty in the Armed Forces of the United States, for the duration of such tour earns 0 days.

C. Home Leave Earning Table. The employee earns home leave under the rates fixed by 5 CFR 630.604 for each month of service abroad. An agency must credit home leave to an employee’s leave account, as earned, in multiples of 1 day as set forth in the table under 5 CFR 630.605.

D. Varying Rates. When a change in the employee’s earning rate occurs, the agency must credit the employee with the amount of home leave for the month at the rate that they were entitled to prior to the change.

051703. Home Leave Usage

A grant of home leave is at the discretion of the employee’s agency. An agency may grant home leave in combination with other leaves of absence in accordance with established agency policy.

A. Entitlement. Except as otherwise authorized by statute, an employee is entitled to home leave only when they have completed a basic service period of 24 months of continuous service abroad. The 24 months of continuous service abroad is a one-time requirement. This basic service period is terminated by a break in service of 1 or more workdays or an assignment (other than a detail) to a position that an employee is no longer subject to 5 U.S.C. § 6305(a). An employee is entitled to home leave upon completion of 12-month overseas assignments in certain areas affected by OCO. See 22 U.S.C. § 4083(a).

B. Limitations. An agency may grant home leave only under the following circumstances:

1. For use in the United States, the Commonwealth of Puerto Rico, or a territory or possession of the United States; and

2. During an employee’s period of service abroad, or within a reasonable period after his or her return from service abroad when it is contemplated that the employee will return to service abroad immediately or on completion of an assignment in the United States. See 5 U.S.C. § 6305(a)(1) and 5 CFR 630.606.
051704. Charging of Home Leave

The minimum charge for home leave is one day and additional charges are in multiples thereof.

051705. Indebtedness

An employee is indebted for the home leave used when the employee fails to return to service abroad after the period of home leave or after the completion of an assignment in the United States. However, a refund for this indebtedness is not required when:

A. The employee has completed at least 6 months service in an assignment in the United States following the period of home leave;

B. The agency determines the employee’s failure to return was due to compelling personal reasons of a humanitarian or compassionate nature, such as physical or mental health issues, or circumstances of which the employee has no control; or

C. The agency that granted the home leave determines that it is in the public interest not to return the employee to their overseas assignment.

051706. Transfer and Recredit of Home Leave

An employee is entitled to have their home leave account transferred or recredited to his or her account when the employee moves between agencies or is reemployed without a break in service of more than 90 days. Home leave is not included in lump-sum leave calculations.

0518 FUNERAL LEAVE

051801. General

Funeral leave is granted to allow an employee to arrange for or to attend the funeral or memorial service for an immediate relative who died of wounds, disease, or injury incurred while serving as a member of the Armed Forces in a combat zone. Title 5, U.S.C. § 6326 and 5 CFR 630, subpart H require an activity to grant an employee funeral leave as is needed and requested, not to exceed 3 workdays. The granting of funeral leave should not cause the employee to lose leave the employee is otherwise entitled to, or lose credit for time or service. The 3 days need not be consecutive, but if not, the employee must furnish the approving authority with satisfactory reasons justifying a grant of funeral leave for nonconsecutive days. Combat zone means those areas determined by the President under the authority of 26 U.S.C. § 112. An activity may grant funeral leave only from a prescribed tour of duty, including regularly scheduled overtime. An immediate relative is an individual with any of the following relationships to the employee:

A. Spouse and their parents;

B. Sons and daughters (including adopted, step, or foster) and their spouses;
C. Parents and their spouses;
D. Brothers and sisters, and their spouses;
E. Grandparents and grandchildren, and their spouses;
F. Domestic partner and their parents, including domestic partners of any individual in subparagraphs 051801 B. through E; or
G. Any person related by blood or affinity whose close association with the employee was the equivalent of a family relationship. See 5 CFR 630.801-804 and 5 U.S.C. § 6326.

051802. Official Duty Status

Under 31 U.S.C. § 1345, an agency is authorized to pay the expenses of an official or employee of the United States carrying out an official function as part of the funeral or memorial service. See paragraph 051409 for information concerning the official duty status of an employee in connection with funerals of fellow Federal law enforcement officers or Federal firefighters under 5 U.S.C. § 6328.

0519 CONTINUATION OF PAY (COP) AND OWCP

051901. General

The Federal Employees’ Compensation Act, 5 U.S.C., Chapter 81, provides for the payment of workers’ compensation benefits and authorized medical care for all civilian employees of the United States for disability due to personal injury sustained while in the performance of duty. For information on placing employees who are eligible for COP in a leave status for time lost from work due to injury in excess of the 45 days of COP, see Chapter 6. See also 20 CFR 10 and the DoDI 1400.25, V810.

051902. Use of Leave

An employee may use annual, sick, or advanced leave to cover all or part of an absence due to an injury.

0520 MILITARY LEAVE

052001. Four Types of Military Leave

Eligible employees are entitled to time off with full pay for certain types of active or inactive duty in the National Guard or as a Reserve of the Armed Forces. See 5 U.S.C. § 6323. The four types of military leave are as follows:
A. Leave under 5 U.S.C. § 6323(a) provides employees with 120 hours (15 days) of leave per FY for active duty, active duty training, and inactive duty training. See paragraph 052002.

B. Leave under 5 U.S.C. § 6323(b) provides 22 workdays per calendar year for employees who perform military duties in support of civil authorities in the protection of life and property, or who perform full-time military service as a result of a call or order to active duty in support of a contingency operation. See paragraph 052003.

C. Leave under 5 U.S.C. § 6323(c) provides unlimited military leave to members of the National Guard of the District of Columbia for certain types of duty. See paragraph 052004.

D. Leave under 5 U.S.C. § 6323(d) provides that military reserve technicians are entitled to 44 workdays of military leave for duties overseas under certain conditions. See paragraph 052005.


Military leave is available for active duty, active duty training, inactive duty training, funeral honors duty, or engaging in field or coast defense training. See 5 U.S.C. § 6323(a). Eligible employees are entitled to 120 hours (15 days) of military leave on a FY rather than a calendar year basis. Unused military leave must carry forward to the next FY, not to exceed a maximum balance of up to 30 days. Eligible part-time employees are entitled to military leave on a prorated basis. See 5 U.S.C. § 3401(2). Employees with temporary appointments of 1 year or less or intermittent work schedules are not entitled to military leave, even if the appointments are extended in 1 year increments without a break in service. Employees with appointments exceeding 1 year are entitled to military leave.

A. Receipt of Both Military Pay and Civilian Pay. Employees using military leave under 5 U.S.C. § 6323(a) keep both their military and civilian pay.

B. Crediting Military Leave. At the beginning of each FY (October 1), eligible full-time employees must be credited with 120 hours (15 days) of military leave. Eligible part-time employees must be credited with leave on a prorated basis. The prorated percentage is determined by dividing 40 into the number of hours in the employee’s regularly scheduled workweek during that FY. Any portion of military leave unused at the end of the FY, not to exceed 120 hours (15 days), must be carried forward to the next FY (not to exceed a maximum balance of 240 hours (30 days)). Newly eligible employees and new members of Reserve Components must be credited with the full 120 hours (15 days) (prorated if employed part-time) when entering upon duty or upon joining the Reserve unit. The 120 hours must not be prorated for a partial year for newly eligible employees or new members of the Reserve unit.

C. Crediting Military Leave After Change in a Tour of Duty. If a civilian employee changes their tour of duty from part-time to full-time in the middle of the FY, the
servicing PRO must determine the number of days of military leave used by the employee during that FY. The days of used leave are subtracted from the days authorized under the current tour of duty in the case of an employee who increases the hours in their workweek.

1. Example. An employee worked a 32 hour workweek and was entitled to 96 hours of military leave (120 hours x (32/40 = .8) = 96 hours). The employee used 40 military leave hours before the tour of duty was changed to full-time in the middle of the FY. The employee had a balance of 56 hours. After changing to full-time, the employee's available military leave hours would equal the number of hours on the current full-time tour of duty (120) minus the number of used hours, on the previous tour of duty (40 hours) or 120-40 = 80 remaining hours of military leave.

2. Formula. The formula is as follows:

(military leave hours authorized in current tour) - (military leave hours used from previous tour) = military leave hours available for the remainder of the FY.

D. Charging Leave. Military leave under 5 U.S.C. § 6323(a) is charged on a daily basis, and the minimum charge is 1 hour. Military leave may be taken intermittently, a day at a time, or all at one time, regardless of the number of training sessions. Hours in the regularly scheduled workday that are not chargeable to military leave must be worked or charged to another leave category such as annual leave, LWOP, or compensatory time. No charge is made for non-workdays at the beginning and end of a period of absence on active military duty. Military leave is not charged for weekends and holidays that occur within the period of service. Under 5 CFR 353.208, an employee performing military service must be permitted to also use any accrued annual leave, earned compensatory time off for travel, or accrued sick leave (consistent with requirements for using sick leave) during military service. An employee may use annual leave, military leave, and earned compensatory time off for travel or sick leave intermittently with LWOP while on active duty or active/inactive duty training.

E. Weekend Drills. Civilian employees whose regular workweek includes Saturday and Sunday may take military leave under 5 U.S.C. § 6323(a) to attend weekend drills.

F. Inactive Duty Training (Drills). Inactive duty training means authorized training performed by members of a Reserve component, not on active duty and performed in connection with the prescribed activities of the Reserve component. It consists of regular scheduled unit training periods, additional training periods, and equivalent training.

G. Using Carryover Leave. A maximum of 240 hours (30 days) of military leave may be used in any FY. The military leave may be used during one or more periods of military duty during the FY. Employees may take the full 120 hours (15 days) of military leave immediately at the beginning of a FY, even if up to a maximum of 240 hours (30 days) had been taken during the prior FY, and even if the military duty is continuous.

A. Entitlement. There are two conditions under which employees are entitled to an additional 22 workdays of military leave under the provisions of 5 U.S.C. § 6323(b).

1. Military Service In Support of a Contingency Operation. Employees who perform full-time military service as a result of a call or order to active duty in support of a contingency operation as defined in 10 U.S.C. § 101(a)(13) are eligible for an additional 22 workdays of military leave.

2. Military Duty In Support of Civil Authorities. Reservists or National Guard members who perform military duty in support of civil authorities in the protection of life and property are eligible for an additional 22 workdays of military leave.

B. Reduction of Civilian Pay for Leave Under 5 U.S.C. § 6323(b). An employee’s civilian pay is reduced (offset) by the amount received by the employee for military service as a member of the Reserves or National Guard for the period the employee is granted military leave under 5 U.S.C. § 6323(b). The military pay to be offset against the civilian pay does not include travel, transportation or per diem paid by the military. If the military pay exceeds the employee’s civilian pay, the employee retains that portion of military pay that exceeds the civilian pay. If the employee uses annual leave or compensatory time, the offset rules do not apply, and the employee receives full military pay and full civilian pay. See 5 U.S.C. § 5519.

C. Crediting Leave. Military leave must be credited to the employee upon each eligible occurrence. Leave remaining at the end of the calendar year may not be carried over into the next calendar year.

D. Charging Leave. The 22 workdays (176 hours) are charged on the same basis as annual and sick leave. An employee working an uncommon tour of duty must have this additional leave entitlement adjusted on a pro rata basis. Leave may also be charged to the employee's accrued annual leave or to accrued compensatory time instead of being charged as leave to which the employee is entitled under this subsection. The period of absence may not be charged to sick leave.

Leave for National Guard of the District of Columbia Under 5 U.S.C § 6323(c)

Employees who are members of the National Guard of the District of Columbia are entitled to unlimited military leave without loss of pay or leave for each day of a parade or encampment ordered or authorized under Title 49, District of Columbia Code. This leave covers each day of service or a portion thereof the National Guard is ordered to perform by the commanding general. See 5 U.S.C. § 6323(c).
A. Reduction of Civilian Pay for Leave Under 5 U.S.C. § 6323(c). Under the provisions of 5 U.S.C. § 5519, an employee’s civilian pay is reduced (offset) by the amount received by the employee for military service as a member of the Reserve or National Guard for the period for which the employee is granted military leave under 5 U.S.C. § 6323(c). The military pay to be offset against the civilian pay does not include travel, transportation, or per diem paid by the military. If the military pay exceeds the employee’s civilian pay, the employee may retain that portion of military pay that exceeds the civilian pay. If the employee uses annual leave or compensatory time, the offset rules do not apply and the employee receives full military pay and full civilian pay.

B. Crediting Leave. This leave must be credited to the employee upon each eligible occurrence. The balances at the end of each calendar do not carry into the next calendar year.

C. Charging Leave. The 22 workdays (176 hours) are charged on the same basis as annual and sick leave. An employee working an uncommon tour of duty must have this additional leave entitlement adjusted on a pro rata basis.

052005. Leave for Military Reserve Technicians (Military Technicians (Dual Status)) Under 5 U.S.C. § 6323(d)

Under 5 U.S.C. § 6323(d), employees who are defined by 5 U.S.C. § 8401(30) as military reserve technicians are entitled an additional 44 workdays (352 hours) of military leave in a calendar year. This military leave is in addition to the military leave already available under 5 U.S.C. §§ 6323(a), (b), and (c). To be eligible, the military reserve technician must be on active duty without pay under 10 U.S.C. §§ 12315, 12301(b), or 12301(d) for participation in noncombat operations OCONUS, its territories, and its possessions. This military leave does not apply to active duty during a war or national emergency declared by the President or the Congress. A copy of the military orders or a statement by the employee’s commanding officer that shows either 10 U.S.C. §§ 12301(b) or 12301(d) authority is required as acceptable evidence that the military duty was performed and was without military pay.

A. No Offset of Civilian Pay. The compensation of an employee granted leave under 5 U.S.C. § 6323(d) will not be reduced by reason of such absence since the employee will be on active duty without pay. An employee will receive the same civilian pay they would have received for regularly scheduled work.

B. Charging Leave. There is no charge for holidays and non-workdays. At the employee’s request, the period the employee is absent to perform service may be charged to the employee’s accrued annual leave or available compensatory time. The period may not be charged to sick leave. See 5 U.S.C. § 6323(d)(2) for additional information. The unused portion of the 44 workdays may not be carried forward to the next calendar year.

052006. Substantiating All Military Leave Charges

To substantiate all types of military leave charges, the employee is required to submit a copy of their military orders or substantiating documentation directing them to report to active military
duty. Upon return to civilian status from military leave, the employee is required to submit a certified verification of attendance. If an employee has separate sets of orders or orders that cover separate periods with return to civilian status between the periods covered in the orders, then the military leave must not be charged for the time the employee is returned to civilian status.

052007. Separation From Federal Service and Military Leave

Before a Reservist or National Guard member separates from civilian employment, they are given the chance to use any accrued military leave. If a member takes military leave and then separates, the date the separation is effective must be the date the military leave expires.

052008. FLSA Nonexempt Employees

FLSA nonexempt (e.g., FLSA covered) employees may not have their customary and regular pay, including overtime pay under the FLSA, reduced during periods of military leave. Thus, if overtime pay is a part of the employee's regularly scheduled administrative workweek (not irregular or occasional) the employee is entitled to receive the overtime pay even for pay periods in which military leave is used by the employee. In such a case, the employee's civilian pay will still be offset by the amount received by the employee for military service as provided under 5 U.S.C. § 5519. For example, an employee with a regularly scheduled tour of duty of 144 hours per biweekly pay period (106 hours plus 38 hours of overtime) is entitled to receive pay for all 144 hours while on military leave, provided the civilian pay is offset by military pay pursuant to 5 U.S.C. § 5519.

052009. Additional Information Regarding Absence During Uniformed Service

A. Deemed to be on Leave of Absence. The Uniformed Services Employment and Reemployment Rights Act (USERRA) at 38 U.S.C. § 4316(b)(1) provides that when an employee is absent from employment due to service in the Uniformed Services, the employee is deemed to be on furlough or leave of absence. Service includes:

1. Active duty, active duty for training, initial active duty for training, or inactive duty training;
2. Full-time National Guard duty;
3. A period in which an employee is absent from duty for the purpose of an examination to determine the employee’s fitness to perform any such duty; and

B. Provisions Under 5 U.S.C., Chapter 83 (CSRS). An absence from work to perform military duty for purposes of 5 U.S.C., Chapter 83 ordinarily should be processed as a military separation except during a period of war or national emergency when the provisions of 5 U.S.C. § 8332(g) have been explicitly invoked. Under 5 U.S.C. § 8332(g), an employee who enters
on military duty will be granted a leave of absence unless the employee has applied for and received a lump-sum credit under 5 U.S.C., Chapter 83. See 38 U.S.C., Chapter 43 and 5 CFR, part 353.

C. Use of Other Leave. Regulations under 5 CFR 353.208 implementing the USERRA provide that an employee performing service with the Uniformed Services must be permitted, upon request, to use any accrued annual leave, military leave, earned compensatory time off for travel, or accrued sick leave (consistent with the statutory and regulatory criteria for using sick leave) during such service. An employee is entitled to use these types of leave intermittently with LWOP while on active duty or active/inactive duty training.

0521 FURLOUGH

052101. General

There are two types of furloughs, shutdown and administrative. In a furlough situation, the servicing PRO must rely on the detailed guidance issued by OPM and the Defense Civilian Personnel Advisory Service. See the OPM Pay and Leave Furlough Guidance. Furloughs of 30 calendar days or less are covered under adverse action procedures found under 5 CFR 752, subpart D. Furloughs of more than 30 calendar days are covered under reduction in force procedures found under 5 CFR 351, subpart B. Furloughs for SES members are covered in 5 CFR 359, subpart H.

052102. Shutdown Furlough

A. General. A shutdown furlough (also referred to as an emergency furlough) occurs when funds are not available through an appropriations law or continuing resolution, and an agency no longer has the necessary funds to operate. Unlike an administrative furlough, agencies will not prepare an SF 50 for submission to the servicing PRO at the outset of a shutdown furlough. At the conclusion of a shutdown furlough, OPM will release specific guidance on how to prepare an SF 50 for each individual subject to furlough. See the OPM Guidance For Shutdown Furloughs. During a shutdown furlough, the agency must shut down any activities that are not excepted pursuant to the Antideficiency Act. See 31 U.S.C. § 1341. A furloughed employee cannot volunteer to do their job on a nonpay basis. See 31 U.S.C. § 1342. An employee scheduled for training during a furlough must be placed in furlough status and ordered not to attend the scheduled training. Excepted and exempt employees may continue to work during a shutdown furlough as follows:

1. Excepted Employees. Excepted employees are employees who are funded through annual appropriations but who are excepted from the furlough because they are performing work that, by law, may continue to be performed during a lapse in appropriations. Each agency must determine which employees are excepted employees.

2. Exempt Employees. Employees are exempt from furlough if not affected by the lapse in appropriations. This includes employees not funded by annually appropriated funds. Employees performing such functions will generally continue to be governed by the normal pay, leave, and other civil service rules.

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B. Pay During a Shutdown Furlough

1. Furloughed Employees. Congress determines whether furloughed employees receive pay for the furlough period. Furloughed employees receive pay for any hours worked prior to the lapse in appropriations. If a furlough occurs in the middle of a pay period and an employee receives a partial paycheck, the servicing PRO must use the order of precedence listed under Chapter 4, Table 4-1 in applying deductions.

2. Excepted Employees. Excepted employees who perform services during a furlough period will be paid when Congress passes and the President signs a new appropriation or continuing resolution. Excepted employees are permitted to earn premium pay in accordance with applicable rules and subject to relevant pay limitations.

3. Holidays. Furloughed employees and excepted employees who do not work on a holiday do not receive pay for a holiday that occurs during a shutdown furlough.

C. Previously Approved Leave During a Shutdown Furlough. The Antideficiency Act at 31 U.S.C. § 1341 does not allow for the authorization of any expenditure or obligation before an appropriation is made, unless authorized by law. Paid time off creates a debt that is not authorized by the Act. Therefore, all paid time off during a shutdown furlough must be cancelled. Any unpaid leave under the FMLA that was scheduled to be taken during a shutdown furlough does not count toward the employee’s 12-week FMLA leave entitlement. Military leave under 5 U.S.C. § 6323 must be cancelled for days covered by the furlough. Excepted employees:

1. Must either be performing excepted activities or be furloughed during any absence from work,

2. May not take previously approved paid time off or be granted new requests for paid time off during a shutdown furlough,

3. May be permitted to earn compensatory time off and credit hours during the shutdown furlough, and

4. Are not permitted to use the compensatory time off or credit hours during the shutdown period.

052103. Administrative Furlough

A. General. An administrative furlough is a planned event by an agency, which is designed to absorb reductions necessitated by downsizing, reduced funding, lack of work, or any budget situation other than a lapse in appropriations. Furloughs resulting from sequestration would generally be considered administrative furloughs. See the OPM Guidance for Administrative Furloughs.

B. Covered Employees. Agencies are responsible for identifying the employees affected by administrative furloughs based on budget conditions, funding sources,
mission priorities (including the need to perform emergency work involving the safety of human 
life or protection of property), and other mission-related factors.

1. All political appointees who are covered by the leave system in 
   5 U.S.C., Chapter 63, or an equivalent formal leave system, are subject to administrative furlough.

2. Individuals appointed by the President, with or without Senate 
   confirmation, who are not covered by the leave system in 5 U.S.C., Chapter 63, or an equivalent 
   formal leave system, are not subject to furlough. A leave-exempt Presidential appointee cannot 
   be placed on non-duty status.

C. Pay During an Administrative Furlough

1. Ordered to Work. If an employee is ordered to work during the 
   furlough hours, the assignment of work cancels the employee’s furlough status for the duration of 
   the order and such work is subject to normal compensation requirements.

2. Work Outside of Basic Workweek. Employees who are required to 
   work hours outside of a basic workweek during which they have been furloughed are compensated 
   with their rate of basic pay if overtime thresholds have not been met, and/or with overtime pay or 
   compensatory time off in lieu of overtime pay, as appropriate, once the thresholds have been met.

3. Post Allowance. Post Allowance continues without interruption 
   while the employee is in nonpay status not in excess of 14 consecutive calendar days, including 
   periods outside the employee’s regular tour of duty (e.g., weekends).

4. Living Quarters Allowance (LQA). LQA continues without 
   interruption while the employee is in nonpay status not in excess of 30 consecutive calendar days 
   at any one time. For periods in nonpay status longer than 30 consecutive calendar days, LQA 
   payment must be suspended as of the day the employee enters such status, and payment is not to 
   be made for any part of such period.

D. Voluntary Services. An employee on administrative furlough may not 
   volunteer to do his or her job on a nonpay basis. See 31 U.S.C. § 1342.

LWOP is a temporary nonpay status and absence from duty that, in most cases, is granted 
at the employee's request. In most instances, granting LWOP is a matter of supervisory discretion 
and limited by agency internal policy.
052202. Employee Request

An employee’s request for paid leave of absence, such as for annual or sick leave, will convert to a request for LWOP if annual or sick leave is insufficient.

052203. Authorization

Authorizing LWOP is a matter of administrative discretion. An employee generally cannot demand LWOP as a matter of right. However, in some instances, employees may have an entitlement to LWOP.

A. FMLA. Employees may be entitled to unpaid leave under the FMLA to care for a family member or covered Service member. See section 0505.

B. Disabled Veterans. Disabled veterans are entitled to LWOP if required for medical treatment under Executive Order 5396, July 17, 1930.

C. Reserve and National Guard Members. Reserve and National Guard members are entitled to LWOP if required to perform military duties under 38 U.S.C. § 4316(b)(1). See paragraph 052002.

D. Workers’ Compensation. For limited periods, employees are entitled to LWOP if receiving injury compensation under 5 U.S.C., Chapter 81. Generally, when receiving workers’ compensation from the DOL, employees may not be in a pay status.

052204. Leave Conversion

LWOP that has been granted to an employee will not be converted to annual or sick leave except in the case of:

A. Administrative error,

B. Participation in the VLTP or VLBP,

C. Disability retirement and employee compensation cases in which claims are disallowed, or

D. When there has been a settlement or an order of an arbitrator, Administrative law judge, or Federal judge in an employee dispute.

052205. Reduction of Leave Accrual

When the number of LWOP status hours in a full-time employee’s leave year equals the employee’s biweekly tour of duty (e.g., 80, 112, or 144 hours), the employee’s leave accrual is reduced by an amount equal to the amount of leave (sick and annual) earned during the pay period. For example, when reduction of accrual is required during the last pay period in the calendar year
for an employee in the 6-hour accrual category (entitled to accrue 10 hours of leave in such period), leave accrual for that period reduces by 10 hours. When an employee has one or more breaks in service during the leave year, the servicing PRO will include all hours in a LWOP status (other than nonpay status during a fractional pay period when no leave accrues). When an employee’s number of LWOP hours at the end of the leave year is less than his or her biweekly tour of duty, the LWOP hours are dropped. See 5 CFR 630.208.

0523  ABSENCE WITHOUT LEAVE (AWOL)

052301.  General

If an employee who is required to work fails to report for duty without adequate reason for their absence, the agency may choose to place the employee on AWOL, and the employee may potentially be disciplined for the AWOL at the agency’s discretion. The agency makes the determination as to whether the employee has adequate reason for his or her absence. An absence from duty which is not authorized or approved, or for which a leave request has been denied, is properly charged as AWOL.

052302.  Reduction of Leave Accrual

The reduction of leave accrual is the same as for LWOP.

0524  SUSPENSION

Suspension is the placement of an employee in a temporary nonpay and non-duty status for disciplinary reasons. An SF 50 must be issued for all suspensions. See 5 U.S.C., Chapter 75 and 5 CFR, part 752.

0525  DISABLED VETERAN LEAVE (DVL)

052501.  Purpose

The Wounded Warriors Federal Leave Act of 2015, passed on November 5, 2015, establishes a new leave category for newly hired veterans of military service with a service-connected disability rating of 30 percent or more from the Veterans Benefits Administration (VBA). The intent of the law was to grant newly-hired veterans immediate access to up to 13 days (104 hours) of paid leave so that the employee does not need to take unpaid leave for the treatment of their service connected injuries. An employee can use up to 104 hours of DVL to attend medical appointments related to their service connected disability during a 12-month period of eligibility beginning on their first day of employment, as defined under subparagraph 052502.B. DVL is a one-time benefit provided to an eligible employee. See 5 U.S.C. § 6329; 5 CFR 630, subpart M; and the OPM Fact Sheet, Disabled Veteran Leave.
052502. Eligibility and Submission of Certifying Documentation

A. Eligible Employees. An employee, hired on or after November 5, 2016, who is a veteran with a qualifying service-connected disability is eligible for disabled veteran leave. See 5 CFR 630.1304. For the purposes of DVL, hired after November 5, 2016, means the following:

1. Receiving an initial appointment to a civilian position qualifying for DVL,
2. Receiving a qualifying reappointment to a civilian position qualifying for DVL, or
3. Returning to duty status in a civilian position qualifying for DVL when the return immediately follows a break in civilian duty to perform military service. Employee must be in a continuous civilian leave status during the break.

B. Eligibility Period. An employee may use disabled veteran leave during the 12-month eligibility period beginning on their first day of employment. For purposes of determining the 12-month period, the first day of employment means the later of:

1. The earliest date an employee is hired (after the effective date of the employee’s qualifying service-connected disability as determined by the VBA), or
2. The effective date of the employee’s qualifying service-connected disability as determined by the VBA.

C. Certifying Documentation. The employee must provide their employing agency with documentation from the VBA certifying the employee has a service-connected disability rating of at least 30 percent or more. The certifying documentation must be provided to the employing agency as follows:

1. Upon the first day of employment, if the employee has already received certifying documentation from the VBA; or
2. If the employee has not yet received certifying documentation from the VBA, as soon as practicable after the employee receives the documentation.

D. Eligibility Period if Certifying Documentation is Submitted Late. If the employee submits the certifying documentation on a date later than required under subsection 052502.C, the 12-month eligibility period is not affected and is still based on the first day of employment.

E. Changes in Eligibility. The employee must notify the agency if the disability rating is decreased below a 30 percent rating or discontinued in the 12-month eligibility period.
052503. Crediting and Offsetting DVL

After confirming the employee’s eligibility for DVL, the servicing PRO must credit the employee with the appropriate amount of DVL. The number of hours credited is based on the employee’s work schedule. The total number of DVL hours initially credited must be offset by certain sick leave or “equivalent” disabled veteran leave as described in subparagraphs A-F. See 5 CFR 630.1305 and the OPM Fact Sheet for examples.

A. Full-Time Employees. Full-time nonseasonal employees may receive a credit of 104 hours of DVL.

B. Part-Time Employees. The 104 hours is prorated based on the number of hours in the part-time schedule (as established for leave charging purposes) relative to a full-time schedule. For example, 52 hours of DVL is given to a half-time employee.

C. Seasonal Employees. The 104 hours is prorated based on the total projected hours to be worked in an annual period of 52 weeks relative to a full-time work year of 2,080 hours (for example, 52 hours for a seasonal employee who works full-time for half a year).

D. Uncommon Tour of Duty. The 104 hours is proportionally increased based on the number of hours in the uncommon tour of duty relative to the hours in a full-time tour (for example, 187 hours for an employee with a 72-hour weekly uncommon tour of duty).

E. Tour of Duty Change. If an employee’s tour of duty is converted to a different tour of duty, the employee’s balance of DVL must be converted to the proper number of hours based on the proportion of hours in the new tour of duty. See 5 CFR 630.1305.

F. Offsetting DVL Credits. When determining the initial number of hours of DVL credit, the servicing PRO must offset the credit for the following:

1. Sick Leave. Any hours of sick leave the employee has credited to their account as of the first day of employment (for example, if the employee is being reappointed and will have recredited sick leave, the DVL must be reduced by the recredited sick leave).

2. Equivalent Disabled Veteran Leave. Any hours of equivalent disabled veteran leave used by an employee in a position not covered under 5 U.S.C. 6329 (for example, if the employee has equivalent disabled veteran leave granted under other statutory authority such as for personnel with the Federal Aviation Administration, the DVL must be reduced by the equivalent leave hours). See 5 CFR 630.1305(e).

052504. Requesting and Using DVL

An employee may only use DVL only for medical treatment of a qualifying service-connected disability. The medical treatment may include a period of rest if so directed by a medical provider for treatment of the service-connected disability. See 5 CFR 630.1306.
A. **Application for Leave.** The application for leave may be a written, electronic, or oral request. The application must state the DVL will be used for medical treatment of the qualifying disability. The leave application must include the days and hours required of absence for treatment. The application must be submitted according to the employing agency’s leave submission requirements.

B. **Retroactive Substitution of DVL Leave.** If an employee does not provide the agency with certification for the service-connected disability prior to having to take leave connected to treatment of the service-connected disability, the employee is entitled to substitute approved DVL retroactively for such absences in the 12-month eligibility period (excluding periods of suspension or AWOL). The DVL may be retroactively substituted for LWOP, sick leave, annual leave, compensatory time off, or other paid time off in the 12-month eligibility period. Upon substituting the DVL, the servicing PRO must make appropriate adjustments to leave balances. If the employee retroactively substitutes DVL for advanced annual or advanced sick leave, the substitution will liquidate any leave indebtedness.

052505. **Medical Certification**

A. **Required Documentation.** In addition to the employee’s request to utilize DVL as described in subparagraph 052504.A, an agency may require a signed written medical certification issued by a health care provider. The agency may request any of the following:

1. A statement by a health care provider affirming the medical treatment is for the service-connected disability that resulted in 30 percent or more disability rating;

2. The dates and times of treatment (if the treatment extends over several days, then the beginning and ending dates of treatment);

3. If the leave was not requested in advance, a statement that the treatment required was urgent or there were other circumstances that made advance scheduling impossible; and

4. Any additional information the agency deems necessary to verify the employee’s eligibility.

B. **Time Limit for Submission of the Medical Certification.** An employee must provide any required written medical certification to the agency within 15 calendar days after the date requested by the agency. If the agency determines it is not practicable for the employee to provide the requested medical certification within 15 calendar days (despite the employee’s diligent and good faith efforts), the employee may be allowed to provide the medical certification within a reasonable period of time under the circumstances involved. The medical certification should be provided no later than 30 calendar days after the date the agency requests such documentation. If the employee does not provide the appropriate documentation within the allotted time, the employee is not entitled to use DVL. In such cases, the agency may charge the employee as AWOL or allow the employee to request that the absence be charged to LWOP, sick leave, annual leave, or other forms of paid time off. See 5 CFR 630.1307.
052506.  DVL Forfeiture, Transfer, and Reinstatement and Lump-Sum Payments

A.  Forfeiture

DVL not used during the 12-month eligibility period, may not be carried over to the next year and must be forfeited. If an employee’s disability rating is decreased under 30 percent during the 12-month eligibility period, any unused DVL on the employee’s leave account is forfeited effective the date of the change in rating.

B.  Transfer or Reinstatement

When an employee transfers between agencies or is reinstated to civilian service after a break in service, the following actions must be taken:

1.  Transfer Between Agencies With No Break in Service.  When an employee with DVL transfers or moves from a position in one agency to a different agency during the 12-month eligibility period without a break in service, the losing agency must certify the number of DVL hours available for credit by the gaining agency. The losing agency must also certify the expiration date of the employee’s 12-month eligibility period. Any remaining unused DVL at the end of the 12-month eligibility period is forfeited.

2.  Reinstatement After a Break in Service.  When an employee with DVL has a break in service of at least 1 workday and is reemployed in a position covered by 5 U.S.C. 6329 within the same 12-month eligibility period, the employee is entitled to a recredit of the unused balance. The losing agency must certify the number of unused DVL hours available for recredit by the gaining agency. The losing agency must certify the expiration date of the 12-month eligibility period. In absence of such certification by the losing agency, the recredit may be supported as set out under 5 CFR 630.1308(d)(3). Any remaining unused DVL at the end of the 12-month eligibility period must be forfeited.

C.  Lump-Sum Leave Payments

An employee will not receive a lump-sum payment for unused DVL under any circumstance.
Table 5-1. Leave Proration for Fractional Pay Periods

<table>
<thead>
<tr>
<th>Pay Period Workdays</th>
<th>Hourly Accrual Rate</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Category 1</td>
<td>Category 2</td>
<td>Category 3</td>
<td>4-hour accrual</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
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<tr>
<td>4</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
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<tr>
<td>5</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>4</td>
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<tr>
<td>6</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>5</td>
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<td>7</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>6</td>
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<tr>
<td>8</td>
<td>3</td>
<td>5</td>
<td>6</td>
<td>6</td>
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<tr>
<td>9</td>
<td>3</td>
<td>5</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>10</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

Note: Use Category 1 for sick leave purposes.
Table 5-2. Time Limitations for Use of Reinstated Leave

<table>
<thead>
<tr>
<th>Hours in excess of maximum accumulation</th>
<th>Time limitation for use of reinstated leave (end of the leave year in progress after)</th>
</tr>
</thead>
<tbody>
<tr>
<td>416 or less</td>
<td>2 years</td>
</tr>
<tr>
<td>417 – 624</td>
<td>3 years</td>
</tr>
<tr>
<td>625 – 832</td>
<td>4 years</td>
</tr>
<tr>
<td>833 – 1040</td>
<td>5 years</td>
</tr>
<tr>
<td>1041 – 1248</td>
<td>6 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hours in excess of maximum accumulation</th>
<th>Time limitation for use of reinstated leave (end of the leave year in progress after)</th>
</tr>
</thead>
<tbody>
<tr>
<td>If 208 or less multiply tour of duty by 20% (1040 × 20% = 208)</td>
<td>2 years</td>
</tr>
<tr>
<td>If 209 – 312 multiply tour of duty by 10% (1040 ×10% = 104)</td>
<td>3 years</td>
</tr>
<tr>
<td>313 – 416</td>
<td>4 years</td>
</tr>
<tr>
<td>417 – 520</td>
<td>5 years</td>
</tr>
<tr>
<td>521 – 624</td>
<td>6 years</td>
</tr>
</tbody>
</table>
Table 5-3. Leave Flexibilities Available to Care for a Family Member and/or a Covered Service Member

<table>
<thead>
<tr>
<th>Entitlement</th>
<th>Amount of Hours</th>
<th>Purpose</th>
<th>Family Members for Whom Leave May be Taken</th>
</tr>
</thead>
</table>
| Accrued Sick Leave for General Care of a Family Member and Bereavement | 13 days (104 hours) of paid leave | 1-Provide care for a family member who is incapacitated by medical or mental condition.  
2-Provide care for a family member with a serious health condition.  
3-Provide care for a family member receiving medical, dental, or optical examination or treatment.  
4-Make arrangements necessary due to a death of a family member or attend the funeral of a family member.  
5-Who would, as determined by the health authorities having jurisdiction or by a health care provider, jeopardize the health of others by that family member’s presence in the community because of exposure to a communicable disease. | See definition of a family member at 5 CFR 630.201(b). Family members include:  
1-Spouse and their parents  
2-Sons/daughters and their spouses  
3-Parents and their spouses  
4-Siblings and their spouses  
5-Grandparents/grandchildren and their spouses  
6- Domestic partners and their parents (including domestic partners of any individual in 2-5)  
7-Any individual related by blood or whose relationship with the employee is equivalent of a family. |
| Accrued Sick Leave for Care of a Family Member With a Serious Health Condition | 12 weeks (480 hours) of paid leave | To care for a family member with a serious health condition as defined by 5 CFR 630.1202. | See the definition of a family member at 5 CFR 630.201(b). |
| Advanced Sick Leave                                   | up to 30 days (240 hours) of paid leave | To care for a family member with a serious disability or ailment. (Agency discretion) | See the definition of a family member at 5 CFR 630.201(b). |
| FMLA (Basic/Regular)                                  | 12 weeks (480 hours) of unpaid leave during a 12-month period | To care for a family member with a serious health condition.  
For the birth or adoption/foster care of a child  
For a qualifying exigency arising out the fact that the spouse, son, daughter or parent of the employee is on covered active duty. | Spouse, son, daughter or parent with a serious health condition. The son or daughter must be under 18, or over 18 but incapable of self-care due to a mental or physical disability (5 CFR 630.1203(a)(3) and 630.1202).  
Newborn child within 1 year of birth or child placed with employee for adoption or foster care within 1 year of placement.  
Employee’s spouse, son, daughter or parent. |
| FMLA to Care for a Covered Service Member             | 26 weeks (1,040 hours) of unpaid leave in a 12-month period | To care for a covered Service member with a serious injury or illness. | Spouse, son, daughter, parent, or next of kin of a covered Service member. Next of kin means the nearest blood relative of that individual. |
Table 5-4. Employee Absences for Court or Court-Related Services

<table>
<thead>
<tr>
<th>Nature of Service</th>
<th>Type of Absence</th>
<th>Fees</th>
<th>Government Travel Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Court Leave</td>
<td>Official Duty</td>
<td>Annual Leave or LWOP</td>
</tr>
<tr>
<td></td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. JURY SERVICE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. United States or District of Columbia.</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>B. State or local court</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II. WITNESS SERVICE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. On behalf of the United States or District of Columbia court.</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>B. On behalf of state or local:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Official capacity, or</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>2. Nonofficial capacity</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. On behalf of a private party:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Official capacity, or</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>2. Nonofficial capacity:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. When party is the United States, District of Columbia, or local government</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. When party is not United States, District of Columbia, or local government</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

*Note: Offset to the extent paid by the court, authority, or party that caused the employee to be summoned.*
VOLUME 8, CHAPTER 6 “MISCELLANEOUS ACTIONS (SPECIAL ACTIONS)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2017 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>All</td>
<td>Removed procedural guidance throughout to comply with current administrative instructions and modernizations efforts.</td>
<td>Deletion</td>
</tr>
<tr>
<td>Previous 0603</td>
<td>Moved previous section 0603, “Employee Insurance for Canadian Employees” to Chapter 10. Subsequent sections renumbered.</td>
<td>Deletion</td>
</tr>
<tr>
<td>0605</td>
<td>Added in Continuation of Pay information from Chapter 2.</td>
<td>Revision</td>
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CHAPTER 6
MISCELLANEOUS ACTIONS (SPECIAL ACTIONS)

0601 GENERAL

060101. Purpose

This chapter prescribes the policy for miscellaneous actions, which occur outside of normal payroll processing.

060102. Authoritative Guidance

Statutes, regulations, and other guidance are referenced throughout each section of this chapter.

0602 UNEMPLOYMENT COMPENSATION FOR FEDERAL EMPLOYEES (UCFE)

060201. General

A. Purpose. The UCFE program provides eligible former federal civilian employees with unemployment compensation benefits during periods of unemployment. The Department of Labor (DOL) is responsible for implementing the UCFE Program.

B. UCFE Program Administration. UCFE is administered by the states as agents of the federal government under Title 5, United States Code (U.S.C.), Chapter 85 and Title 20, Code of Federal Regulations (CFR), Part 609. UCFE operates under the same terms and conditions as those that apply to regular state unemployment insurance programs. Generally, UCFE benefits are determined under the law of the state where the employee’s last official duty station as a federal civilian employee was located. State laws are not uniform and may vary in eligibility requirements. Each Department of Defense (DoD) component is responsible for managing its respective UCFE. The employing agency is responsible for the payment of these benefits; therefore, there is no payroll deduction from a federal employee’s wages for UCFE protection. See DoD Instruction (DoDI) 1400.25-V850 for additional information.

060202. UCFE Claim-Related Forms

There are two primary claim forms pertaining to UCFE. Various State Employment Security Agencies (SESA) may require other claim forms. See DoDI 1400.25-V850 for other UCFE claim forms.

A. Standard Form (SF) 8, Notice to Federal Employees About Unemployment Insurance. The Human Resources Office (HRO) must issue the SF 8 to the employee when the employee separates from federal civilian service, transfers, or is placed in a non-pay status for 7 consecutive days or more. The form explains eligibility requirements for UCFE and provides general information on how to file a claim. The HRO should explain the form during an employee’s out-processing. For additional information on the SF 8, see DoDI 1400.25-V850.
B. **Employment Security (ES) Form 931, Request for Wage and Separation Information.** The SESA generates an ES 931 when a former federal employee files an initial claim for unemployment compensation. The state forwards the ES 931 to the servicing HRO to obtain wage information for specific work-year quarters. **The HRO must complete and return the ES 931 to the SESA within 4 workdays of receipt. For additional information, see 20 CFR 609.21-22 and UCFE Instructions for Federal Agencies, Chapter VI.**

060203. **Employing Activity Responsibilities**

A. **Provide Accurate Wage Data.** The Civilian Payroll Office (PRO) must provide exact wage data through the HRO to the SESA in order for the SESA to determine the former employee’s weekly and maximum unemployment benefit amounts. The PRO must accurately report all monetary information affecting the claim, such as lump-sum annual leave payments, severance pay, annuity pay, or incentive pay.

B. **Respond Timely to SESA Requests.** The HRO must complete and return the ES 931 to the SESA within 4 workdays of receipt. If the PRO is unable to provide the requested information within a 4-workday period, the PRO must notify the HRO immediately and the HRO must follow the procedures in 20 CFR 609.21(b).

C. **Refer All Inquiries to HRO.** The central point of contact for all UCFE matters is the servicing HRO. All inquiries received by the PROs (such as state queries, telephone calls, and requests for UCFE documentation) will be referred to the servicing HRO. The servicing HRO must contact the PRO for any additional information.

060204. **Base-Period Wages and Annual Leave Information**

A. **Base-Period.** Each state sets the amount and duration of unemployment compensation under UCFE that is payable to individuals. A “base-period” is defined by state law and used for determining the amount payable. A base-period is comprised of either 4 consecutive quarters or 52 weeks. Most states use a base-period that includes the first 4 of the last 5 completed calendar quarters. The amount of unemployment compensation benefits is based on the gross federal wages paid to or earned by an employee during the base-period preceding the date of claim.

B. **Reportable Base-Period Federal Wages.** Federal wages for purposes of UCFE means all allowances and pay in cash or in kind (including cash allowances and remuneration in any medium other than cash) for federal civilian service. See 5 U.S.C. § 8501.

1. **Report Gross Amount of Base-Period Federal Wages.** The amounts reported as base-period wages are gross wages before deductions for Social Security/Medicare, Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS), Thrift Savings Plan (TSP), and federal, state, and local taxes. Gross wages also include allowances and pay in a medium other than cash. Expenses for official business, such as taxi fares, per diem, or mileage, and payments for uniform allowances should not be included.
2. Types of Wages Included in Base-Period Wages. The DOL has determined the following specific types of wages are to be included in the amount reported as gross (base-period) wages:

a. Foreign and Non-foreign Differentials and Allowances. Federal wages include cost-of-living differentials paid at various foreign posts and cash allowances for quarters and subsistence. An exemption from federal income tax for any such item does not exclude the payment from gross wages for the purposes of UCFE.

b. Back Pay. Federal wages include back pay awards. Back pay awards are counted as wages in the period for which they are paid. Include wages paid during the base-period, even though earned prior to that period. For additional information, see section 0604.

c. Salaries Paid by DoD to Reemployed Annuitants. In the case of a civil service annuitant, who receives the difference between the salary rate and the amount of annuity, only the amount paid by the employing agency is federal wages. Thus, federal wages for UCFE is the amount equal to the difference between the salary of the position and the annuity received. The annuity paid by the Office of Personnel Management (OPM) is not federal wages for UCFE purposes.

d. Increases in Rates of Compensation Authorized by Acts of Congress. Such increases must be reported as wages for the pay period in which the increases are paid. This is required even if the first payment covers a retroactive period. If the base-period begins or ends during the pay period in which this payment was made, then the entire payment should be allocated to the second week of the pay period.

3. Reporting Methods for Base-Period Wages. The PRO reports wages the same way the records are kept. Adjustments are not made for wages earned by the employee for any days before the beginning of the quarter or the remaining days between the last payroll cutoff date and the end of the quarter. For example, if the pay period ends March 28, do not include March 29 through 31 in the wages reported for the January 1 to March 31 quarter. Do not report wages for periods other than those periods requested. If the claimant had no base-period wages, then indicate it on the report.

C. Other Wages Reported, but not Included in Base-Period Wages

1. Lump-Sum Annual Leave. All lump-sum annual leave payments are federal wages for purposes of UCFE, but not reported as base-period wages. Report lump-sum leave payments separately from gross wages (base-period wages).

a. If the employee received a lump-sum payment for annual leave after the beginning date of the base-period, the PRO must furnish the following:

(1) Amount of payment,

(2) Date(s) of payment,
(3) Amount of annual leave (days and hours), and

(4) Period of lump-sum annual leave.

b. If lump-sum annual leave is payable but has not been paid, then report “annual leave payment due but not paid,” and provide details (period covered, amount of payment, when it will be paid) if known.

2. Severance Pay. Severance payments are reported separately from base-period wages. If the employee receives or entitled to receive severance pay, the PRO must report the information to the HRO. States with laws that require an offset of severance pay from UCFE benefits must be advised whether the former employee is receiving or will receive severance pay. The SESA obtains severance pay details from the employee’s copy of the SF 50, Notification of Personnel Action, and/or the ES 931, if appropriate.

3. Voluntary Early Retirement Authority (VERA) or Voluntary Separation Incentive Payment (VSIP). If the employee received authorization for VERA or VSIP, report the information in accordance with subparagraph 060204.C.2.

060205. Employees on Leave Without Pay (LWOP)

Upon the HRO’s receipt of the ES 931, the HRO must report the non-pay status of an employee to the SESA. The HRO must report LWOP from the starting date through the ending date and must include any other pertinent data. If the employee is in a non-pay status for more than 30 days, then the SF 50 provides the LWOP information. For LWOP of 30 days or less, the biweekly interface extract provides this information to the HRO. The HRO must indicate whether employees on LWOP are awaiting an on-the-job injury approval or disability retirement from the Office of Workers’ Compensation Programs (OWCP). If an employee is awaiting an OWCP determination, then the SESA is responsible for contacting the OWCP for any necessary data it needs.

060206. Obtaining Data from the National Personnel Records Center (NPRC)

If the necessary records required to furnish wage data to the HRO have already been forwarded to the NPRC, the records must be requested via written authorization. This information is subject to the Privacy Act of 1974. Therefore, records must be handled in accordance with the provisions of the Act. Authorized representatives of federal personnel offices may request records by mailing the SF 127, Request for Official Personnel Folder, to the following address:

**NPRC-Annex**
1411 Boulder Boulevard
Valmeyer, IL 62295
0603 CLAIMS FROM EMPLOYEES FOR ADDITIONAL COMPENSATION

060301. General

A. Authority to Settle Claims. Employees may file claims involving compensation or leave under 31 U.S.C. § 3702. The General Accounting Office Act of 1996, Public Law 104-316, transferred the claims settlement functions previously performed by the Government Accountability Office (GAO) to certain executive branch agencies. For additional information, see Transferred Functions. Therefore, both former and current employees must submit claims for additional compensation to the DoD employing activity in accordance with Volume 5, Chapter 12. Claims are individually processed and an administrative determination must be made as to whether or not the employee is entitled to the amount claimed. If the claim relates to the determination of an entitlement or similar matter that is the responsibility of the HRO, then the claim should be negotiated and documented through the employing activity’s personnel channels.

B. Review of Denied Claims. If a claim for payment is denied and the employee wishes to request further review, then the PRO must assemble all documentation pertaining to the claim, including documents from any review process, and forward the file to the Defense Finance and Accounting Service (DFAS).

DFAS Indianapolis
Debt and Claims Management Office (DCMO)
Department 3300, ATTN: COR/Claims
8899 East 56th Street
Indianapolis, IN 46249-3300

The OPM Office of Merit Systems Oversight and Effectiveness (OMSOE) maintains the final authority to settle claims involving federal employees' compensation and leave and deceased employees' compensation. See 5 CFR 178 and Volume 5, Chapter 12.

C. Fair Labor Standards Act (FLSA) Claims. If an employee is not required to file an FLSA claim using a negotiated grievance procedure, he or she may file a claim with either the employing agency during the claim period or the OPM, but not with both at the same time. An employee, whose claim is denied by the agency, may file the claim with the OPM. See 5 CFR 551.703 and 5 CFR 551.705.

D. Statute of Limitations for Filing a Claim. Under 31 U.S.C. § 3702, a claim for payment must be filed within 6 years of the date the right to payment accrued. Claims for overtime pay under the FLSA are generally subject to a 2-year statute of limitations (3 years for willful violations). See 5 CFR 178.104 and 5 CFR 551.702.

060302. Claims Submission

A. Filing a Claim. Claims should be filed with the activity at which the individual was/is employed during the period for which the additional compensation is claimed.
When civilian pay claims cannot be resolved at the employing activity or major command level, the fully documented claim should be sent to the DCMO at the address listed in subparagraph 060301.B.

B. Processing Claims

1. Approved Claims

   a. Paying Unquestionable Claims. Claims received by the PRO from the claimant may be approved and paid when there is no question of law or fact.

   b. Claims Subsequently Approved by OPM. Any claim received by the PRO from the OPM, including those originally received by the DCMO and forwarded to the OPM for final review, must be acted upon in accordance with instructions in the letter or order transmitting the claim to the PRO. When payment is made by the PRO, the claim must be paid as part of the regular payroll.

2. Disapproved Claims. Claims not received through the OPM that are denied administratively by the PRO must be returned to the claimant with a letter providing a detailed explanation concerning why the claim was disapproved. If the employee appeals the denial of the claim, then the PRO must forward the claim with a transmittal letter (prepared by the PRO) to the OPM via the DCMO. See subparagraph 060301.B.

C. Content of Claims. All claims submitted by the claimant/employee to the employing activity must be in writing and signed by the claimant or his/her representative. While no specific form is required, the request should describe the basis for the claim and state the monetary amount sought.

D. Submission of Disapproved/Denied Claims to OPM for Review. If a denied claim is submitted at the claimant’s request for final review by the OPM, the claim should include:

   1. Claimant’s name, address, telephone number, and facsimile number, if available;

   2. Name, address, telephone number, and facsimile number of the agency employee who denied the claim;

   3. A copy of the agency’s denial of the claim; and

   4. Any other information the claimant wants the OPM to consider.

E. Administrative Report. At the OPM’s request, the PRO/DCMO will submit an administrative report, which will include:

   1. Factual findings;

   2. Conclusions of law with relevant citations;
3. Recommendation for the claims disposition;

4. Copy of any supporting regulations or policy memorandums;

5. A statement that the claimant is or is not a member of a collective bargaining unit and, if so, a statement that the claim is or is not covered by a negotiated grievance procedure that specifically excludes the claim from coverage; and

6. Any other information that the OPM should consider.

060303. Advance Decisions

The OPM maintains the authority to issue advance decisions for claims settlement.

0604 BACK PAY UNDER 5 U.S.C. § 5596 (THE BACK PAY ACT)

060401. General

A. Authority. The Back Pay Act at 5 U.S.C. § 5596 provides the authority for the payment of back pay, interest, and reasonable attorney fees for the purpose of making a federal employee financially whole (to the extent possible) after an unwarranted or unjustified personnel action. See also 5 CFR 550, subpart H.

B. Introduction. Back pay is appropriate when, based on a timely appeal or an administrative determination (including a decision relating to an unfair labor practice or a grievance), an appropriate authority finds that the employee was affected by an unjustified or unwarranted personnel action. Such action must have resulted in the withdrawal, reduction, or denial of all or part of the pay, allowances, and differentials otherwise due the employee under an applicable law, rule, regulation, or provision of a collective bargaining agreement. The HRO will determine an employee’s entitlement to back pay and document the determination in the “Remarks” section of the SF 50.

C. Invoking the Back Pay Act. Some settlement agreements or orders may not directly invoke the requirements of the Back Pay Act by citing 5 U.S.C. § 5596. Generally, if an agreement or order uses an undefined term of art like “back pay” without defining it, DFAS will apply the regulatory or statutory definition of the term. In such cases, back pay will be processed pursuant to the Back Pay Act unless the agreement or order expresses a contrary intent.

D. Equal Employment Opportunity Commission Cases under Title VII. Title VII of the Civil Rights Act provides authority for agencies to award back pay to employees in discrimination cases. Such cases are independent of the Back Pay Act and back pay is authorized under Title VII without the finding of an unjustified or unwarranted personnel action. An award of back pay under Title VII is computed in the same manner as under the Back Pay Act regulations pursuant to 29 CFR 1614.501. See 42 U.S.C. § 2000e and 42 U.S.C. § 1981a.
E. Non-Appropriated Fund (NAF) Employees. The Back Pay Act does not apply to NAF employees. NAF employees may receive back pay, but such payments are not made under the Back Pay Act and interest is not payable.

F. Lump Sum Payments in lieu of Back Pay. A lump sum payment “in lieu of back pay” is a payment offered in settlement of a case and not considered back pay processed under the Back Pay Act. See paragraph 060414 for information on processing lump sum payments and proper tax reporting and withholding.

060402. Correcting an Unjustified or Unwarranted Personnel Action

A. Back Pay May Not Exceed Originally Owed Entitlements. When an unjustified or unwarranted personnel action is corrected or awaiting correction, the employee may receive credit for performing federal service during the period covered by the corrective action (back pay period). The PRO must compute, for the back pay period, the employee’s pay, allowances, and differentials as if the improper personnel action had never occurred. In no case, can the amount of pay, allowances, or differentials (including leave benefits) paid under the Back Pay Act exceed the amount that the employee would have been entitled to had the unwarranted personnel action not occurred. See 5 CFR 550.805.

B. Employees Who Return to Duty or Resign from Duty. When an employee has been separated, corrective action will be completed on the date the DoD has reasonably set for the employee’s return to duty. The DoD will notify the employee of the return date in writing. Until that date, the erroneous action remains in effect. Failure by the employee to report for duty on the date set by the DoD may result in the employee being charged annual leave, LWOP, or absence without leave for the period from the date set for return to duty until the date the employee actually returns to work. An employee who resigns instead of returning to duty is still entitled to back pay since there is no requirement that the employee return to duty. In that event, the employee will receive back pay up to the date that he or she is considered separated from federal service, which may or may not be the date that he or she is requested to report for duty.

060403. Statute of Limitations

A. Six-Year Limitation. Under the Back Pay Act, an agency may not authorize pay, allowances, and differentials for a period beginning more than 6 years before the date of the filing of a timely written claim, or absent such filing, the date of the administrative determination that the employee is entitled to back pay. See 5 CFR 550.804.

B. FLSA Claims. If a back pay claim involves an entitlement under the FLSA at 29 U.S.C. § 207, then an agency must apply a 2-year statute of limitations (3 years for willful violations). This applies to all FLSA claims filed on or after June 30, 1994. See 5 CFR 551, subpart G.

C. Back Pay Act vs. Barring Act. The Barring Act statute of limitation under 31 U.S.C. § 3702 sets a time limit on how long an individual has to file a claim against the
United States (within 6 years after the claim accrues). The Back Pay Act statute of limitation sets a time limit on the remedy received (no more than 6 years of back pay).

060404. Gross Back Pay Computations

A. General. When computing the amount of gross back pay due an employee, the agency must compute all pay, allowances, and differentials the employee would have received if the unjustified or unwarranted personnel action had not occurred. This includes pay, leave, and other monetary employment benefits the employee would have been entitled to receive during the back pay period. The PRO must include premium pay and any changes that would affect the amount of pay owed. See 5 CFR 550.805.

B. Periods Excluded from Back Pay Computations. The following periods are not included in the computation of back pay. See 5 CFR 550.805(c) and (d).

1. Periods of Incapacitating Illness. Back pay is not paid for any period during which the employee was not ready, willing, and able to perform his or her duties because of an incapacitating illness. However, the employing agency must grant, upon request of the employee, any accrued sick or annual leave to cover the period of incapacity due to illness or injury.

2. Periods of Unavailability. Back pay is not paid for any period during which the employee was unavailable for performance of his or her duties for reasons not related to, or caused by, the unjustified or unwarranted personnel action.

C. Within-Grade Increases (WGI). When computing an employee’s pay, the PRO must include any WGI to which the employee became entitled during the back pay period. If the grant or denial of a WGI requires an acceptable level of competence determination under 5 CFR 531, the requirements for such a determination, including the right of reconsideration and appeal, must be followed before the WGI may be included in the computation of the amount of back pay due the employee. This also applies to determinations made retroactively. Regulations governing WGIs allow for a waiver of the requirement of an acceptable level of competence determination when the employee has not served in any position for the minimum period during the final 52 calendar weeks of the waiting period because the employee received service credit under the Back Pay Act.

D. Overtime the Employee Would Have Earned. When computing the back pay of an employee who is restored to duty, any overtime the employee would have earned during the period of wrongful suspension or separation should be included in the back pay even though the overtime was not actually scheduled. The method of computing overtime incident to a back pay award due an employee may be based on the average number of overtime hours worked by fellow employees occupying similar positions during the same period.

E. Overtime Under a Collective Bargaining Agreement or Regulation. An employee who should have been selected for overtime work because a regulation or a collective bargaining agreement provided for assignment of overtime work in a prescribed manner is entitled
to back pay for the overtime if the regulation or nondiscretionary provision of the agreement was violated. The appropriate authority must find that the action taken was unjustified or unwarranted, and direct corrective action. The overtime will be computed based on the number of hours worked by an employee who was actually selected to perform the overtime work during the same period.

F. Allowances or Differentials. The PRO must include in the back pay owed to the employee any allowances or differentials that the employee would have received if the improper personnel action had not occurred. This is true even though the employee did not physically remain in the location upon which the entitlement is based.

G. Hazardous Duty Pay. General Schedule employees that also meet the requirements in 5 CFR 550.904, may be eligible to receive irregular or intermittent pay for physical hardship or hazard duty. The PRO may assist the HRO to determine the number of days per week the employee performed the irregular or intermittent hardship or hazard duty during the 52 weeks preceding the wrongful suspension or separation for which the employee would have been compensated. The PRO may use an average of the amounts to make the necessary computations as authorized by the HRO.

H. Environmental Differentials. Federal Wage System (FWS) prevailing rate (wage) employees may be eligible to receive environmental differential pay under the separate provisions of 5 U.S.C. § 5343(c)(4). Payment of environmental differentials on an actual exposure basis, or based on hours in a pay status, must be computed in accordance with the OPM regulations and instructions. The DoD determines entitlement to such differentials based on the 52 weeks preceding the wrongful suspension or separation for which the FWS employee would have been compensated. See 5 CFR 532.511.

I. Intermittent Employees. When the DoD is not able to determine with certainty the number of hours that the intermittent employee would have worked during the back pay period, the HRO may estimate the amount of back pay due. This estimate is determined by taking an average of the number of hours worked by other DoD employees under the same type of appointment and performing the same kind of work that the employee would have been assigned to during this period. Alternatively, the HRO also may determine the average number of hours a week the employee actually worked to obtain a representative period preceding the unjustified or unwarranted personnel action (such as 26 or 52 weeks, whichever would represent a fairer approximation of the employee’s earnings if he or she had actually worked). The HRO may use the average weekly hours to make the necessary computations.

J. Cash Awards. Back pay includes any cash award the employee would have been entitled to if the unjustified or unwarranted personnel action had not occurred. The award must be supported by the appropriate personnel action.

060405. Adjusted Gross Back Pay

A. General. Adjusted gross back pay means gross back pay less the offset for outside earnings under 5 CFR 550.805(e)(1), but before adding interest. See Figures 6-1 and 6-2
for examples showing various entitlements, deductions for erroneous payments, and other authorized deductions in the computation of back pay.

B. **Outside or Interim Earnings**

1. **Interim Earnings Defined.** Under 5 CFR 550.805(e)(1), interim or outside earnings refer to gross earnings, less any associated business losses or expenses, received by an employee for any employment or business enterprise undertaken to replace the employment from which the employee was separated due to the unjustified or unwarranted personnel action. However, deductions for losses sustained in a venture unrelated to the separation are not allowable.

2. **PRO Duties.** The PRO must determine the adjusted gross back pay by offsetting (deducting) any outside earnings that were earned by an employee from other employment during the period of wrongful suspension or separation. The amount of back pay entitlement is the difference between the amount of compensation the employee would have earned in government service, and the amount actually earned in other employment undertaken by the employee to replace the government employment. Overtime earned during the period of wrongful suspension or separation that is in excess of that overtime, which would have been earned in the position from which the employee was separated, should not be offset. When an employee’s total outside earnings (including those from other federal employment) exceed the total amount of back pay, the employee may retain the excess amount.

3. **Outside Earnings Exceed Back Pay.** When an employee’s outside earnings exceed the back pay award, the employee does not owe the difference to the government. The employee must be indebted for any amounts owed for retirement contributions or health care premiums. See paragraph 060411 for TSP contributions.

C. **Exception for Additional or “Moonlight” Employment.** The only earnings from other employment that are not deducted from back pay are earnings from outside employment the employee already had before the period of wrongful suspension or separation. For example, if an employee usually worked 20 hours at a second part-time job (“moonlighting”) prior to separation from government employment, and during the period of separation worked 40 hours at the outside job, then the amount representing the extra 20 hours worked would be offset against the back pay computation. To determine whether the pay for outside employment increased substantially during the period of separation, the DoD should obtain a statement or an affidavit from the employee covering his or her outside earnings.

060406. **Interest on Back Pay Awards**

A. **General.** Under 5 U.S.C. § 5596, interest is paid on all back pay awards that are finalized on or after December 22, 1987. Interest begins to accrue on the effective date on which the employee would have received the pay, allowances, and differentials if the unjustified or unwarranted personnel action had not occurred. As a result, most computations will involve a series of effective dates, one for each date (usually, a pay date) on which the employee failed to receive an amount of pay, allowances, and differentials due him or her because of the unjustified or unwarranted personnel action. See 5 CFR 550.806.
B. **Outside Earnings Offset.** Interest is paid on the adjusted gross pay amount (gross back pay less any offset for outside earnings). Interest is computed before making any deductions for erroneous payments. For purposes of computing back pay interest, an outside earnings offset is applied as a constant percentage offset to each payment of back pay for each pay period during the period covered by the corrected action. This percentage offset is determined by dividing the employee’s outside earnings under 5 CFR 550.805(e)(1) by the total amount of back pay owed to the employee prior to any deductions. See 5 CFR 550.806(b).

C. **Date Interest Accrual Ends.** The DoD must issue interest within 30 calendar days of the date on which accrual of interest ends. If issuance of the interest payment is delayed, more than 30 calendar days after the date on which accrual of interest ends, then interest must be recomputed based on a new ending date meeting the 30-day requirement. Back pay and interest should be paid simultaneously whenever possible. When the interest payment is issued after the payment of the back pay, see 5 CFR 550.806(g) for calculation on any interest on interest owed.

D. **Interest Rate.** The applicable interest rate is the “overpayment rate” adjusted quarterly by the Secretary of the Treasury and published in an Internal Revenue Service (IRS) bulletin issued before the beginning of each quarter.

E. **OPM Interest Calculator and Taxation of Interest.** The PRO must compute interest in accordance with the formula or computer software provided to the PROs by the OPM. The PRO may not withhold taxes from interest payments on back pay awards. The PROs will provide employees with the IRS **Form 1099-INT**, Interest Income, for all interest payments.

060407. **Deductions of Erroneous Payments from Back Pay**

A. **General.** In the context of back pay, erroneous payments are payments that were received by an employee from the government as a result of the unjustified or unwarranted personnel action. Erroneous payments must be returned to the appropriate government agency or pay system. Such payments must be recovered from the back pay award. If the back pay award is insufficient to satisfy the full recovery, then a debt must be established against the employee. See 5 CFR 550.805(e)(2).

1. **Retirement Annuity Payments**

   a. An erroneously separated employee, who received retirement annuity payments (either special payments or regular annuity payments) as a result of the separation, is indebted to the United States Federal Government for the gross amount of retirement annuity payments paid to the employee during the period of wrongful separation.

   b. Because the gross amount of annuity payments was previously reduced by required health and life insurance premiums, the PRO will recover an annuity amount from the back pay award that equals the gross annuity less health and life insurance premiums.
c. The PRO must transfer the recovered annuity amount to the retirement system.

d. The government will recover amounts paid from the CSRS or FERS gross annuity for health and life insurance premiums from the respective carriers for those programs in order to settle the retired employee’s account.

e. The PRO then must collect from the back pay any required health insurance premiums for coverage during the period following restoration and transfer that amount, plus the agency’s share, to the OPM.

2. Refund of Retirement Contributions. *Title 5, U.S.C. § 8342(a)* authorizes a refund of an employee’s retirement contributions only upon absolute separation from the service or transfer to a position not subject to the law. An employee must be separated, or transferred, for at least 31 consecutive days to be eligible for this refund. Therefore, a refund of retirement contributions paid to an employee based on a separation, which subsequently is found erroneous and canceled by restoring the employee to duty retroactively so that there was no break in service, removes the legal basis for the refund. A refund paid in error represents a debt due the retirement fund and must be deducted from any back pay entitlement. If the restored employee is entitled to back pay, then the PRO must contact the OPM to determine if the employee received such a refund and then offset the amount from the back pay entitlement. The PRO must remit the appropriate amount to the OPM.

3. Severance Pay. The gross severance pay paid to an erroneously separated employee at the time of his or her removal must be deducted from the back pay award upon restoration to duty.

4. Lump-Sum Payment for Annual Leave. Any erroneously separated employee who receives a lump-sum payment under *5 U.S.C. § 5551(a)* prior to separation, must repay the lump-sum payment upon reinstatement to duty. The PRO must restore the employee to duty and cancel the separation, thereby making the lump-sum payment erroneous. The PRO must offset any lump-sum payment received by the employee against the employee’s back pay award and credit the leave to the employee’s leave account. No authority exists that would permit an employee to retain the lump-sum payment in lieu of receiving credit for the leave.

B. Order of Precedence. The order of precedence for deducting erroneous payments from back pay awards when the net amount of back pay is insufficient to cover all the deductions is as follows:

1. Retirement annuity payments,
2. Refunds of retirement contributions,
3. Severance pay, then
4. Any lump-sum payment for accrued annual leave.
C. Waiver of Erroneous Payments

1. Retirement Fund Payments. Employees may request OPM waive recovery of erroneous payments from the Civil Service Retirement and Disability Fund (CSRDF). Requests for waiver should be submitted to the following address:

U.S. Office of Personnel Management
Office of Retirement Programs
Reconsideration and Debt Collection Division
1900 East Street NW, Room 3H30
Washington, D.C. 20415

Employees may also submit requests to the same address to repay debts owed to the CSRDF by installment deductions from salary.

2. Waiver of Lump-Sum Annual Leave and Severance Payments. For severance pay and lump-sum annual leave payments, any net indebtedness remaining after liquidation of back pay may be eligible for a waiver of repayment (by the GAO or DFAS, as applicable) under the authority of 5 U.S.C. § 5584.

060408. Other Authorized Deductions from Back Pay

Authorized deductions that would have been made from the employee’s pay (if paid when due) should be made by the PRO in accordance with the normal order of precedence for deductions from pay. See 5 CFR 550.805(e)(3). Authorized deductions include the following:

A. Mandatory Employee Retirement Contributions. The PRO must compute the employee retirement contributions on the employee’s gross back pay subject to retirement, and deduct the contributions after subtracting the earnings from outside employment. Even if no amount of back pay is due because of excessive outside earnings, the employee must be indebted for the appropriate amount of retirement fund contributions. See 5 U.S.C. § 8334(c). If an employee is retroactively placed in an LWOP status under the terms of a settlement agreement or order and no back pay is due, both the employee and agency contributions for the LWOP period must still be submitted to the OPM. Title 5, CFR 842.304(a)(4), which grants retirement credit during periods of LWOP without requiring employee contributions, does not apply to situations involving retroactively applied LWOP granted under a settlement agreement or order.

B. Social Security and Medicare Taxes. The PRO must compute and deduct the Social Security taxes, also known as Old Age Survivor Disability Insurance (OASDI), and Medicare taxes on the adjusted gross back pay.

C. Federal Income Tax Withholding. The PRO must compute income tax withholdings on the adjusted gross back pay less any part of back pay not subject to income tax deductions. Therefore, if the back pay amount includes any amount not subject to income tax deductions, such as non-foreign area cost-of-living allowances and contributions to TSP, the PRO must compute the taxes after reducing the adjusted gross back pay by these nontaxable amounts.
D. Insurance Premiums and TSP. If applicable, health and life insurance premiums and TSP contributions may be made from the remaining back pay due the employee. Health insurance premiums for an employee restored to duty following an erroneous separation for retirement must be deducted if coverage under the health benefits program continued without interruption during the erroneous retirement. The PRO must withhold any additional premiums the employee owes due to a retroactive increase in basic pay.

E. Flexible Spending Accounts (FSA). At the request of the employee, FSA contributions may be deducted from the back pay award in the amount that would have been allotted to the employee’s FSA if the unjustified or unwarranted personnel action had not occurred. The FSA contributions may be used to cover eligible medical expenses incurred during the corresponding back pay period.

060409. Restoration of Leave

A. Annual Leave. Annual leave that is restored to an employee as a result of the correction of an unjustified or unwarranted personnel action in excess of the maximum leave accumulation amount authorized by law must be credited to a separate leave account for use by the employee. See 5 CFR 550.805(g). The restored leave must be scheduled and used as provided in this section. If restored leave is not used within the prescribed periods, it is forfeited. Refer to 5 U.S.C. § 5596(b)(1)(B) for additional information.

1. Full-Time Employees. For a full-time employee, excess annual leave of 416 hours or less must be scheduled and used by the end of the leave year in progress 2 years after the date on which the annual leave is credited to the separate account. This period is extended by 1-leave year for each additional 208 hours of excess annual leave or any portion thereof.

2. Part-Time Employees. A part-time employee must schedule and use excess annual leave in an amount equal to or less than 20 percent of the employee’s scheduled tour of duty over a 52 calendar week period by the end of the leave year in progress 2 years after the date on which the annual leave is credited to the separate account. The agency will extend this period by 1-leave year for each additional number of hours of excess annual leave, or any portion thereof, equal to 10 percent of the employee’s scheduled tour of duty over a period of 52 calendar weeks.

3. Time Limitations

a. For both part-time and full-time employees, the ending date of the time limit for use of excess annual leave may not be exactly 2 years from the date on which the annual leave is credited to the separate account (or exactly at the end of any additional year added to the 2-year period). Rather, the time limit ends at the end of the leave year ending 2 years after the restoration. For example, if the 2-year period ends in July, an employee would have until the end of the current leave year (December or January) to use the restored annual leave.
b. To determine the time limitations for use of restored leave, see Chapter 5.

B. Sick Leave. If an employee is reinstated to an agency as a result of an appeal, the agency must reestablish the employee’s sick leave account as a credit or charge as it was at the time of separation. See 5 CFR 630.502. Upon request of an employee, the PRO may grant any sick or annual leave available to the employee for a period of incapacitation if the employee can establish that the period of incapacitation was the result of illness or injury. See 5 CFR 550.805(d).

060410. Health Insurance and Life Insurance Coverage

A. Health Insurance. Under 5 U.S.C. § 8908, an employee who was removed or suspended without pay, and who was restored to duty on the grounds that the removal or suspension was unjustified, may elect one of the following options:

1. The employee may have the prior enrollment reinstated retroactive to the termination date, with appropriate adjustments made in contributions and claims, as if no removal or suspension had occurred. If the employee elects to have the enrollment retroactively reinstated, then payroll deductions for the period of suspension or removal must be made from the back pay award and the government premium contributions should be made as though the suspension or removal had not occurred.

2. The employee may enroll in the same manner as a new employee.

B. Health Insurance Provision for Erroneous Retirement. The statutory provisions of 5 U.S.C. § 8908 do not apply to an employee separated erroneously for retirement under conditions entitling him or her to continued enrollment. In such cases, there is no need to restore health benefits coverage since coverage transfers to the retirement system and continues automatically. For additional information, refer to the Federal Employees Health Benefits (FEHB) Program Handbook.

C. Life Insurance

1. Withholding for Employees with Coverage at the Time of Removal. If an employee is retroactively restored to duty with back pay after a period of wrongful suspension or separation, no life insurance premium withholding is made from the retroactive pay adjustment for the period of suspension or separation. However, if death or dismemberment occurred during the period of wrongful suspension or separation, premiums are withheld from the back pay. Additionally, if the employee maintains Option C coverage and a covered family member dies during the period of separation or removal, Option C premiums should be withheld from the back pay award. See 5 CFR 880.304 and the Federal Employees Group Life Insurance (FEGLI) Handbook for additional information.

2. Employees with Coverage Who Missed Open Season. If an employee had life insurance coverage prior to a wrongful suspension or removal, and the employee
is restored to duty after the closing date of an open season for life insurance that occurred during the employee’s period of wrongful suspension or separation, the employee is entitled upon restoration to elect additional life insurance coverage as permitted during the open season. The effective date is the first day in a pay-and-duty status on or after the date that the employing office receives the SF 2817, Life Insurance Election.

3. **Employees Who Had No Coverage Prior to Removal.** If an employee had no life insurance coverage prior to a wrongful suspension or separation, and the employee is restored to duty after the closing date of open season for life insurance that occurred during the employee’s period of wrongful suspension or separation, the employee is entitled upon restoration to elect life insurance coverage as permitted during the open season. Since coverage for basic life insurance is automatic, the effective date is the first day in a pay-and-duty status. For options A, B, and C, the effective date is the first day in a pay-and-duty status on or after the date the SF 2817 is received by the employing office.

060411. **TSP**

A. **TSP Contributions from Back Pay Award.** An erroneously separated employee may request that any employee TSP contributions not made during the period of erroneous separation be deducted from his or her back pay award. The makeup contributions may be elected by reinstating the employee’s contribution election on file at the time of separation. Alternatively, the employee may submit a new contribution election if he or she would have been eligible to make such an election but for the erroneous separation. Unless otherwise specified by the agency or reinstatement order, breakage or “lost earnings” is paid on all makeup contributions and calculated in accordance with 5 CFR 1605.2. The employee will receive the tax benefit in the year the contributions are made. The PRO must calculate the TSP amount using the gross basic pay amount of the back pay award prior to any offset for outside earnings. For additional information, see 5 CFR 1605 and Chapter 11.

B. **TSP Contributions when Back Pay is Insufficient.** An employee’s outside earnings may offset the total amount of back pay owed, or the employee may otherwise have insufficient back pay to deduct TSP contributions. Basic pay is the only allowable source for TSP contributions. See 5 U.S.C. § 8432 and 5 CFR 1605.11. An employee’s makeup contributions may only be made through payroll deductions. TSP contributions may not be made by check, money order, cash, or other form of payment directly from the employee to TSP, or from the employee to DFAS for deposit to TSP. If no back pay is available for TSP contributions, a current or reinstated employee may only make up TSP contributions through future payroll deductions.

060412. **Payment of Reasonable Attorney Fees**

Title 5, U.S.C. § 5596(b)(1)(A)(ii) provides for payment of reasonable attorney fees in accordance with the standards established under 5 U.S.C. § 7701(g), under certain conditions. Under 5 CFR 550.807, an employee, or an employee’s personal representative, may request payment of reasonable attorney fees related to an unjustified or unwarranted personnel action that resulted in the withdrawal, reduction, or denial of all or part of the amount due the employee.
060413. Back Pay and Offsetting UCFE

A. If a reinstated employee is entitled to back pay, then the HRO must determine if the employee applied for unemployment compensation via the UCFE program within the last 52 weeks. If the employee applied for or received unemployment compensation, then the HRO must promptly notify the SESA of the date of the back pay payment, the amount, and the period covered.

B. The DoD will not deduct the amount of unemployment compensation paid during the back pay period from the back pay award unless state law requires the employer (rather than the employee) to reimburse the state for overpayments. In some cases, a state agency may also determine that an overpayment has occurred and notify the federal government as the employing agency. See DOL’s *Comparison of State Unemployment Insurance Laws*, Chapter 5, Table 5-15 and *65 Comp. Gen 865 (1986)*. See also DoDI 1400.25-V850.

060414. Tax Withholding and Reporting in Back Pay Matters

A. General. For information on proper tax withholding and reporting in back pay matters, refer to IRS Memorandum *PMTA 2009-035*, Income and Employment Tax Consequences and Proper Reporting of Employment-Related Judgments and Settlements (October 22, 2008). For income tax purposes, the IRS treats back pay as wages in the year paid. See also IRS *Publication 957*, Reporting Back Pay and Special Wage Payments to the Social Security Administration (SSA).

B. Lump Sum Payments. A settlement or order may require an employing agency to issue a lump sum payment be paid to the employee in lieu of back pay or as an award of damages. To ensure proper tax reporting and withholding, employing agencies should make every effort to identify the nature of lump sum payment(s) awarded as being wages or non-wages. The PRO must review the nature of the payment before processing and should contact the agency if there is a question as to the identity or apportionment of a lump sum payment.

1. Wages. Generally, if a settlement or order requires an employing agency to pay the employee a lump sum payment, the payment should be considered wages for tax purposes if the payment is not clearly identified as damages or attorney fees. A lump sum representing wages must be submitted to the PRO as an individual award to ensure proper processing. Federal and state taxes, OASDI, and Medicare taxes are withheld from wage payments. A wage payment is reported on the IRS *Form W-2*, Wage and Tax Statement.

2. Non-Wages. Lump sum payments of damages are processed by the DFAS Vendor Pay (or other appropriate vendor pay office) and are reported on the IRS *Form 1099-MISC*, Miscellaneous Income, with no taxes withheld.

C. Attorney Fees. Payments to attorneys are generally taxable to the employee. An employee must include in their gross income the entire amount of the judgment or settlement, including the amount paid to the attorney. Depending on how the payment is made, there may be tax reporting to both the attorney and the employee.
D. Judgment Fund Payments. The U.S. Department of Treasury operates the Judgment Fund under 31 U.S.C. § 1304. Back pay awards may be paid out of the Judgment Fund. Treasury regulations require the agency that submits a request for payment from the Judgment Fund issue the tax reporting. Therefore, for employees paid by DFAS, DFAS will issue the tax reporting on behalf of the employing agency even when the award of back pay or damages is made from the Judgment Fund. See 31 CFR 256.51.

*0605 CONTINUATION OF PAY (COP) (INJURY COMPENSATION)*

060501. General

The Federal Employees’ Compensation Act (FECA), 5 U.S.C. Chapter 81, provides for the payment of workers’ compensation benefits and authorized medical care for all civilian employees of the United States for disability due to personal injury sustained while in the performance of duty. The U.S. DOL OWCP administers FECA through district offices. Each HRO maintains the address of the district office servicing its region. The regulations governing injury compensation are contained in 20 CFR 10. For additional information, see Injury Compensation in DoDI 1400.25-V810. See also the DOL’s Division of Federal Employees' Compensation (DFEC) Procedure Manual.

060502. 45 Calendar Days of COP

Civilian employees are entitled to medical care and compensation for absences due to traumatic on-the-job injuries and disease sustained while in the performance of duty. Traumatic injury is not the same as disability from occupational disease. Eligible employees are entitled to the continuation of regular pay, or COP, for a period not to exceed 45 calendar days per occurrence. The pay is subject to OASDI and/or Medicare, federal, state, and local tax, retirement, and all other normal deductions. For a separated employee (unless the date of termination has been established prior to the injury), COP will be subject to OASDI and/or Medicare, federal, state, and local tax, where appropriate. The PRO may not take any additional deductions. The injured employee’s pay will continue unless the DOL denies the claim.

060503. Calculation of COP

A. Computation of COP Days

1. Calendar Days. Days are counted on a calendar basis. If an employee is charged COP on Friday and the disability continues through the weekend, then the employee is charged COP for Saturday and Sunday. Holidays, weekends, and regular days off following a COP day count as COP days. If 1 hour is used to see a physician and 7 hours are worked, the day is still counted as 1 full day of COP. The employee’s time and attendance must reflect the actual hours worked to accurately reflect the employee’s work record.

2. Period Charged to COP. Unless the injury occurs before the beginning of the workday, time lost on the day of injury must be charged to administrative leave. The period charged to COP begins with the first day or shift of disability or medical treatment.
following the date of injury, provided the absence began within 45 days after the injury. COP must be charged for weekends and holidays if the medical evidence shows the employee was disabled on the days in question. For example, if the physician indicates that disability will continue only through Saturday for an individual who has Saturday and Sunday off, then COP will be charged only through Saturday.

3. **Full Days Charged to COP.** If work stoppage occurs for only a portion of a day or shift other than the date of injury, then a full day of COP will be counted against the 45 calendar day entitlement, even though the employee is not entitled to COP for the entire day or shift. For example, if an employee who has returned to work uses 3 hours in order to receive physical therapy for the effects of the injury, then the employee is entitled only to 3 hours of COP, even though 1 full calendar day will be charged against the 45-day limit. If an employee is absent for all or part of the same remaining workday, then the time lost must be covered by leave, as appropriate, since absence beyond the time needed to obtain the physical therapy must not be charged to COP.

4. **Full Days Charged when Employee Works Partial Days.** If the employee is partially disabled following the injury and continues to work several hours each workday, then each day or partial day of absence from work is chargeable as a full day of COP against the 45-day period.

B. **Recurrence of Disability.** If an employee returns to work and then becomes disabled again and stops work, the PRO may continue COP only if the 45 calendar days of entitlement to COP were not completely used during the initial period of disability. For COP to be continued, the employee must have experienced the recurrence of the disability and stopped working within 45 days of the time the employee first returned to work following the initial period of disability. When a recurrence happens after the 45-day window has expired, the PRO must discontinue the regular pay, even if some of the 45 days of COP eligibility may remain unused. In this event, the employee is only entitled to compensation payable by the OWCP and is not entitled to COP. See 20 CFR 10.207.

C. **Weekly Pay Rate for COP.** Standby premium, night or shift differential, holiday pay, or other extra pay should be included in regular pay in all instances. Overtime pay is not a part of COP, except in the case of firefighters and law enforcement officers. If a salary increase or decrease (e.g., promotion, demotion, and WGI increases) occurs during the 45-day period, then the PRO will use the new salary rate as of the effective date of the change for computing the remaining COP. See 20 CFR 10.216. For COP purposes, weekly pay rate is determined as follows:

1. **Full-Time and Part-Time Employees.** For a full-time or part-time employee who works the same number of hours per week, the weekly pay rate must be equal to the number of hours regularly worked each week times the hourly pay rate on the date of injury including premium pay, night or shift differential, holiday pay, and other extra pay, exclusive of overtime.
2. **Part-Time Employees Only.** For a part-time employee who does not work the same number of hours per week, the weekly pay rate will be the average weekly earnings for the 1-year period before the date of injury, exclusive of overtime.

3. **Intermittent Employees.** For an intermittent or part-time employee, either permanent or temporary, who does not work each week of the year (or the period of appointment), the weekly pay rate equals the average of the employee’s weekly earnings during the 1-year period before the injury. It is computed based on the total earnings divided by the number of weeks worked (partial weeks worked are counted as whole weeks). The annual earnings used for this computation must not be less than 150 times the average daily wage earned within 1 year before the date of injury.

**D. Light-Duty Status.** When a determination has been made that an injured employee may return to duty in a light duty status within the first 45 days of disability following an injury, each day or portion of a day in light duty status may be counted as 1 day of COP. This also includes any day or portion of a day worked while under injury-related work restrictions imposed by a physician.

1. **Official Personnel Actions.** An employee performing light duty because of an on-the-job injury normally is not charged COP. However, COP must be charged if an employee has been assigned light duty by the SF 50 and pay loss results. The employee must be furnished with documentation of the personnel action before the effective date of the action. When a determination is made that an employee is capable of performing light-duty after an on-the-job injury, COP is still chargeable against the 45-day entitlement if a personnel action has been issued to:

   a. Assign or detail the employee to an identified position for which a position description exists which is classified at a lower salary level than that earned by the employee when injured,

   b. Change the employee to a lower grade or to a lower rate of basic pay, or

   c. Change the employee to a different schedule of work that results in loss of salary or premium pay (other than Sunday premium) authorized for the employee’s normal administrative workweek.

2. **Loss of Night Differential Pay.** When an employee is detailed to a work schedule involving the loss of night differential pay earned before the injury, COP days will be charged, even though the employee is working. The cost of COP is calculated as the difference between the employee’s normal pay and pay earned in the detail position.

3. An employee placed in light-duty who refuses to work after the offer of suitable work is not entitled to COP. See 20 CFR 10.217 and 10.517.
E. **Return to Duty.** The injury compensation program administrator may contact the attending physician in writing to inquire about the employee’s estimated return to light duty and/or contact the servicing OWCP office for an expected date of return to duty.

060504. **Conversion and Termination of COP**

A. **Denial of COP.** Absences charged to COP and later disapproved by the DOL will require conversion to sick or annual leave. If sick or annual leave is not available, then COP will be converted to LWOP and reimbursements to the government must be made for any gross earnings paid while in a COP status. Due process procedures apply to the collection of any such debt owed by an employee. The amount collected must include payments made on behalf of the employee and any adjustments to the deposit fund accounts by the PRO. COP is not payable when one of the following occurs (see 20 CFR 10.220):

1. A traumatic injury is not the cause of the employee’s disability;
2. The employee is not a U.S. or Canadian citizen;
3. The employee does not file a written claim within 30 days of the date of injury;
4. The injury was not reported until after separation from employment;
5. The employee received the injury away from the activity’s premises and the employee was not performing his or her official duties;
6. The injury was due to the employee’s own willful misconduct, intent to injure himself/herself or another person, or the injury was proximately caused by intoxication by alcohol or illegal drugs; or
7. The work did not stop until more than 45 calendar days after the injury.

B. **Controverting a Claim.** An agency may object to paying a claim for COP in a process referred to as “controverting a claim.” The employing activity may controvert a claim by completing the indicated portion of **Form CA-1**, Federal Employee’s Notice of Traumatic Injury and Claim for COP/Compensation, and submitting detailed information in support of the objection to the OWCP. See 20 CFR 10.221.

C. **Termination of COP Already Begun.** Generally, COP should continue after the employee stops work due to a disabling injury. Pay may be stopped only when at least one of the following circumstances is present (see 20 CFR 10.222):

1. The employee does not provide prima facie medical evidence of a work-related injury within 10 calendar days after he/she submits a claim for COP;
2. The treating physician provides medical information to the activity indicating that the employee is not disabled from his or her regular position;

3. The treating physician provides medical information to the activity indicating the employee is not totally disabled, and the employee refuses a written offer of a suitable alternative position;

4. The OWCP provides notification to the activity to terminate COP;

5. COP has been paid for 45 calendar days;

6. The employee’s scheduled term of employment expires, and the date of termination is prior to the date of injury; and/or

7. The employee returns to work with no loss of pay.

D. Disciplinary Actions and COP. If a preliminary notice regarding a disciplinary action was issued to the employee before the date of the injury and the action becomes final or otherwise takes effect during the COP period, COP may be interrupted or stopped. See 20 CFR 10.222.

E. COP Suspended When Employee Obstructs a Medical Examination. If an employee or his or her representative refuses or obstructs a medical examination, the right to receive COP is suspended until the refusal or obstruction ceases. COP already paid or payable for the period of suspension is forfeited. If COP has already been paid, then COP may be charged to annual or sick leave or considered an overpayment of pay in accordance with 5 U.S.C. § 5584. See 20 CFR 10.223.

060505. Use of Annual or Sick Leave Instead of COP

A. Application of the 45-Day COP Period. An employee may use annual, sick, or advanced leave to cover all or part of an absence due to an injury. If an employee elects to use leave, then count each full or partial day the employee takes leave against the 45 days of COP entitlement. If an employee uses COP intermittently along with sick or annual leave, the COP entitlement period is still limited to 45 days. An employee may not use annual or sick leave to delay or extend the 45-day COP period.

B. One-Year Limitation to Elect COP in Lieu of Annual or Sick Leave. There are times when the employee may elect sick, annual, or advanced leave and the election is irrevocable. However, if an employee who has elected to use annual or sick leave for the period is otherwise eligible to elect COP instead, then the employing activity must make that change on a prospective basis from the date of the employee’s request. The employee may receive COP in lieu of previously requested annual or sick leave if the employee makes the request within 1 year of either the date the leave is used or written approval of the claim was granted, whichever is later. To authorize a change from annual or sick leave to COP, a corrected time and attendance report is required.
C. Leave Status of Employees

1. Leave Status When Injury Exceeds 45 Days. Employees who are eligible for COP must be placed in a leave status for time lost from work due to injury that is in excess of the 45-day COP period. During this period, an employee may take annual leave, sick leave, advanced leave, or LWOP until the OWCP approves the employee’s claim for compensation. The employee should be in an LWOP status if the employee is receiving the OWCP compensation after the 45-day period.

2. Leave Status of Employees Who Are Ineligible for COP. Employees who are ineligible for COP must be in a leave status during an absence due to injury. Employees may take annual leave, sick leave, advanced leave, or LWOP while awaiting a decision from the OWCP on their claims. Employees must be in an LWOP status while receiving the OWCP compensation. These employees may buy back, and have reinstated, annual and sick leave used for time lost from work due to injury if the OWCP approves their claims for compensation.

060506. Buy Back of Leave

A. General. If an employee is found eligible to receive OWCP compensation and the employee used sick, annual or a combination of both types of leave during a period of disability extending beyond the 45-day COP period, the employee may arrange with the PRO to buy back the leave used (referred to as “leave buy back”). An employee may not receive dual compensation for pay and leave plus the OWCP compensation for lost time due to injury. Leave will be reinstated when bought back. See 20 CFR 10.425.

B. Time Limit for Submitting a Claim for Leave Buy Back and Payment Arrangements. The Form CA-7, Claim for Compensation, for leave buy back must be submitted within one year of the date the leave was used or the claim was accepted, whichever is later. The PRO will arrange with the OWCP to have compensation for the buy back period paid directly to that office. After receipt, the PRO will notify the employee of the repayment amount and method of repayment.

C. Effect of Leave Buy Back. Leave buy back will reduce an employee’s earnings. An employee is placed in LWOP status, which may result in leave accrual reduction, reduced retirement contributions, and reduced TSP contributions. Employees may be required to pay health insurance and income taxes.

D. Leave that is Not Eligible for Buy Back. Employees who are eligible for COP who take annual, sick, or advanced leave for time lost due to injury instead of COP during the 45-day COP period are not eligible for the OWCP compensation for that leave. These employees may not buy back the annual or sick leave and have it reinstated.

E. Computation. The PRO must recover any gross amount paid for leave used during a period retroactively covered by the OWCP compensation. Certain deductions are recoverable by payroll adjustment. The amount recovered from the employee and/or the OWCP
will depend on whether payment for leave is paid in the current or prior year. See Figures 6-3 and 6-4 for buy back of sick leave computation examples.

F. Current Year Recovery

1. Deductions. The amount collected for leave payments made in the current calendar year will be the net pay plus deductions for the following:

   a. Bonds,
   b. Savings allotments,
   c. Alimony/Child support,
   d. Rent,
   e. Indebtedness to the United States, and
   f. Other deductions the employee received value but not otherwise collected.

2. Reversed Deductions. Current deductions that will be reversed (if applicable and if the moneys are recovered) in the payroll system are:

   a. CSRS or FERS;
   b. OASDI and/or Medicare;
   c. Federal, state, and local taxes;
   d. FEHB (if the OWCP payment is for more than 28 days);
   e. FEGLI (basic and optional);
   f. TSP;
   g. Union dues;
   h. Charitable contributions; and
   i. Military service credit deposits and civilian service credit deposits.

3. Other. The PRO must make adjustments in the payroll system to earnings-to-date for those items other than the reversed deductions. Amounts collected from the
employee and/or the OWCP must be identified as a cash refund on a voucher for disbursement and/or collection.

G. Prior Year Recovery

1. Amount Collected. The amount to be collected for leave payments made during a prior year will be the gross amount less CSRS/FERS, OASDI and/or Medicare, TSP, FEHB (if the OWCP payment is for more than 28 days), and FEGLI (basic and optional). The PRO must post the credit to the CSRS/FERS as a separate credit line item on the SF 2806, Individual Retirement Record CSRS, or the SF 3100, Individual Retirement Record FERS, fiscal side indicating the year of the adjustment along with an explanation in the “Remarks” column. Adjustments are unauthorized for federal, state, and local income taxes.

2. Separating Employees. When an employee separates or at the end of the payroll year, the PRO must prepare a W-2, as appropriate, but may not include any tax adjustments for a prior year. The PRO must prepare a certified statement to go with the current year’s W-2 stating that a refund for prior year was paid in the amount of $XX.XX, but that the gross wages shown on the current year W-2 were not reduced by the amount of the refund.

H. Partial Payroll Deductions. If circumstances permit, the employee may repay the amount due (after recovery of the amount repaid by the OWCP) through partial payroll deductions. The PRO will not reverse deductions under subparagraph 060506.F.2 until the full amount is paid.

I. Recreditng of Leave. Credit the full amount of leave used during the buy back period to the employee’s leave account. The PRO will not recredit leave bought back until the total amount is repaid.

0606 EMERGENCY EVACUATION PAYMENTS

060601. Purpose

The DoD Joint Travel Regulations, Chapter 6, identifies the responsibilities of the PRO in the event the proper authorities declare an official emergency evacuation of civilian employees. The PROs will use the guidelines to determine whether it is appropriate to make advance payments to employees based on an ordered evacuation for military actions, natural disasters or other reasons that create imminent danger to lives and property. This section applies to areas located within the United States based on the provisions of 5 CFR 550, subpart D and outside of the United States based on the provisions of the Department of State Standardized Regulations (DSSR), Chapter 600.

A. Eligibility. This guidance pertains to civilian DoD and DoD component employees when an official evacuation is ordered.

B. Forms. The DoD (DD) Form 2461, Authorization for Emergency Evacuation Advance and Allotment Payments for DoD Civilian Employees, authorizes and
records emergency payments to employees and dependents. The PRO is responsible for maintaining this record of payments on the employee’s permanent pay account. In appropriate cases, information on this form may be disclosed to other federal agencies (i.e., the SSA, the IRS, and the OPM), to state and local taxing/welfare authorities, and to certain private organizations for crediting payments to the employee’s account. The PRO must receive DD 2461 before making payment of amounts due the evacuated civilian employees or family members.

C. Determining Entitlements and Payee. Determine specific rates of entitlement, duration of evacuation/departure payments, and eligible payees as follows:

1. For employees at foreign installations, see the DSSR, Chapter 600.
2. For employees within the United States, see 5 CFR 550, subpart D.

D. Payments. Compute employee’s payments at the rate they are entitled to immediately before the order of evacuation/departure. Adult family members or designated representatives may receive payments in the form of allotments. The PRO must make all advance payments (and any necessary adjustments) in accordance with the DoD component’s procedures.

060602. Transmission of Data to Safe-Haven Post

A. Methods of Transmission. After authorities issue an evacuation order, the PRO must immediately forward all significant payroll data from the evacuated installation to the safe-haven post.

B. Considerations. The physical conditions and circumstances at the evacuation installation will determine the method and timing for transmitting data. Safeguarding and preserving payroll leave, and travel records are matters of primary concern because of the continuing need for the records after the conditions, which gave rise to the emergency evacuation have been resolved. Take all necessary steps to safeguard and preserve the records at the safe-haven post.

060603. Action Upon and During Evacuation

To the extent possible and practicable, the PRO must pay employees and dependents remaining at the evacuated installation in accordance with the normal fiscal procedures of that installation. A special advance payroll may be prepared in accordance with normal payroll procedures and charged against the appropriate funds available to the evacuated installation for authorized advance payments.

060604. Actions After Evacuation

A. Review of Accounts. The PRO with jurisdiction over the employee’s account will review the account for necessary adjustments at the earliest possible date after the evacuation is terminated (or earlier if circumstances apply), or after the employee returns to his or her duty station, or when the employee is officially reassigned. See 5 CFR 550.408.
B. Reconcile Amounts Paid. The PRO will adjust the employee’s pay based on the rates of pay, allowances, or differentials, if any, to which he or she would otherwise be entitled. Adjustments will reflect any advance payments the employee may have received. If the employee is indebted for any part of the advance payment(s) made to him or her, or to his or her dependent(s), or designated representative, the PRO with jurisdiction over the account must recover the debt, unless there is an approved waiver. See 5 CFR 550.408.

060605. Evacuation Payments During a Pandemic Health Crisis

An agency may direct an employee to work from home or a mutually agreed upon alternative location during a pandemic health crisis. The designated location is the safe-haven location during a pandemic health crisis and used as an alternate worksite during the pandemic crisis. The agency may make special allowance payments to the employee, as determined on a case-by-case basis, to help cover additional expenses caused by the crisis. See 5 CFR 550.409.
Figure 6-1. Example 1 - Format of Back Pay Computation

An employee’s gross back pay computation is $32,420, as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic pay</td>
<td>$31,000.00</td>
</tr>
<tr>
<td>Overtime pay</td>
<td>$300.00</td>
</tr>
<tr>
<td>Holiday pay</td>
<td>$120.00</td>
</tr>
<tr>
<td>On-call pay</td>
<td>$1,000.00</td>
</tr>
</tbody>
</table>

The employee received lump-sum payments in the amount of $1,000, and net retirement payments (gross retirement less the amounts withheld for health insurance premiums and for post-retirement basic life insurance premiums) amounting to $10,000. During the period covered by the corrective action, the employee earned $11,000 from outside employment (interim earnings).

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross back pay</td>
<td>$32,420.00</td>
</tr>
<tr>
<td>Less outside earning</td>
<td>($11,000.00)</td>
</tr>
<tr>
<td>Subtotal (Adjusted Gross Back Pay)</td>
<td>$21,420.00</td>
</tr>
</tbody>
</table>

Less erroneous payments

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erroneous Retirement Annuity payments</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Erroneous lump-sum payments for annual leave</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>Total</td>
<td>($11,000.00)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$10,420.00</td>
</tr>
</tbody>
</table>

Less other authorized deductions

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement deductions (CSRS) computed on gross basic pay ($31,000)</td>
<td>$2,170.00</td>
</tr>
<tr>
<td>TSP computed on gross basic pay ($31,000 - if applicable)</td>
<td>0.00</td>
</tr>
<tr>
<td>Federal tax computed on adjusted gross back pay ($21,420)</td>
<td>$5,355.00</td>
</tr>
<tr>
<td>State tax computed on adjusted gross back pay ($21,420)</td>
<td>$856.80</td>
</tr>
<tr>
<td>Medicare computed on adjusted gross back pay ($21,420)</td>
<td>310.59</td>
</tr>
<tr>
<td>Health Insurance Premiums</td>
<td>$1,116.00</td>
</tr>
<tr>
<td>Total</td>
<td>($9,808.39)</td>
</tr>
</tbody>
</table>

Net back pay $611.61
Figure 6-2. Example 2 - Format of Back Pay Computation

An employee’s gross back pay computation (based on basic pay only) is $10,000. During the period covered by the corrective action, the employee earned $7,000 from outside employment (interim earnings).

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross back pay</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Less interim earning</td>
<td>($7,000.00)</td>
</tr>
<tr>
<td>Subtotal (Adjusted Gross Back Pay)</td>
<td>$3,000.00</td>
</tr>
<tr>
<td>Less authorized deductions</td>
<td></td>
</tr>
<tr>
<td>Retirement deductions (CSRS) computed on gross back pay ($10,000)</td>
<td>$700.00</td>
</tr>
<tr>
<td>Federal tax computed on adjusted gross back pay ($3,000)</td>
<td>$750.00</td>
</tr>
<tr>
<td>State tax computed on the adjusted gross back pay ($3,000)</td>
<td>$120.00</td>
</tr>
<tr>
<td>Medicare computed on the adjusted gross back pay ($3,000)</td>
<td>43.50</td>
</tr>
<tr>
<td>Total deductions</td>
<td>($1,613.50)</td>
</tr>
<tr>
<td>Net back pay</td>
<td>$1,386.50</td>
</tr>
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</table>
Figure 6-3. Example 1 - Buy Back of Sick Leave Computation – Full Pay Period

<table>
<thead>
<tr>
<th>PP#</th>
<th>HRS</th>
<th>GROSS</th>
<th>CSRS</th>
<th>FICA/</th>
<th>TAX</th>
<th>FEHB</th>
<th>FEGLI</th>
<th>OPT</th>
<th>FEGLI</th>
<th>CHARITY</th>
<th>UNION</th>
<th>DUES</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>80</td>
<td>$680.80</td>
<td>47.66</td>
<td>9.87</td>
<td>120.57</td>
<td>31.50</td>
<td>5.50</td>
<td>16.00</td>
<td>2.00</td>
<td>1.75</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ALLOT** | **TSP** | **NET** | $385.95

**Current Year Recovery:**

Net Pay | $385.95
Allotment | 50.00
Charity | 2.00
Amount of repayment | (437.95)
Amount of OWCP check (75% X 680.80) | 510.60
Amount due employee | $ 72.65

**Prior Year Recovery:**

Net Pay | $385.95
Allotment | 50.00
Tax | 120.57
Charity | 2.00
Health Insurance Premiums | 31.50
Union dues | 1.75
Amount of repayment | (591.77)
Amount of OWCP check (75% X 680.80) | 510.60
Amount due from employee | ($81.17)
Figure 6-4. Example 2 - Buy Back of Sick Leave Computation – Less Than Full Pay Period

<table>
<thead>
<tr>
<th>PP#</th>
<th>HRS</th>
<th>GROSS</th>
<th>CSRS</th>
<th>FICA</th>
<th>MED</th>
<th>TAX</th>
<th>FEHB</th>
<th>FGLI</th>
<th>OPT</th>
<th>FEGLI</th>
<th>CHARITY</th>
<th>UNION</th>
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<th>NET</th>
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<tbody>
<tr>
<td>20</td>
<td>80</td>
<td>$680.80</td>
<td>47.66</td>
<td>9.87</td>
<td>120.57</td>
<td>31.50</td>
<td>5.50</td>
<td>16.00</td>
<td>2.00</td>
<td>1.75</td>
<td>50.00</td>
<td></td>
<td></td>
<td>50.00</td>
<td>$395.95</td>
</tr>
<tr>
<td>Worked</td>
<td>47</td>
<td>$399.97</td>
<td>28.00</td>
<td>5.80</td>
<td>71.14</td>
<td>31.50</td>
<td>5.50</td>
<td>16.00</td>
<td>2.00</td>
<td>1.75</td>
<td>50.00</td>
<td></td>
<td></td>
<td>50.00</td>
<td>$188.28</td>
</tr>
<tr>
<td>Sick Lv</td>
<td>33</td>
<td>$280.83</td>
<td>19.66</td>
<td>4.07</td>
<td>49.43</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$207.67</td>
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<tr>
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<td>80</td>
<td>$680.80</td>
<td>47.66</td>
<td>9.87</td>
<td>120.57</td>
<td>31.50</td>
<td>5.50</td>
<td>16.00</td>
<td>2.00</td>
<td>1.75</td>
<td>50.00</td>
<td></td>
<td></td>
<td>50.00</td>
<td>$395.95</td>
</tr>
<tr>
<td>Worked</td>
<td>12</td>
<td>$102.12</td>
<td>7.15</td>
<td>1.48</td>
<td>18.09</td>
<td>31.50</td>
<td>5.50</td>
<td>16.00</td>
<td>2.00</td>
<td>1.75</td>
<td>-</td>
<td></td>
<td></td>
<td>-</td>
<td>$18.65</td>
</tr>
<tr>
<td>Sick Lv</td>
<td>68</td>
<td>$578.68</td>
<td>40.51</td>
<td>8.39</td>
<td>102.48</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>50.00</td>
<td>$377.30</td>
</tr>
</tbody>
</table>

**Current Year Recovery:**

| Net Pay  | $584.97 |
| Allotment | 50.00   |
| Amount of repayment | ($634.97) |
| Amount of OWCP check (75% X $859.51) | 644.63 |
| Amount due employee | $ 9.66 |

**Prior Year Recovery:**

| Net Pay  | $584.97 |
| Allotment | 50.00   |
| Tax      | 151.91  |
| Amount of repayment | ($786.88) |
| Amount of OWCP check (75% X $859.51) | 644.63 |
| Amount due from employee | ($142.25) |
VOLUME 8, CHAPTER 7: “DEPARTMENT OF DEFENSE EDUCATION ACTIVITY (DoDEA) EMPLOYEES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated February 2018 is archived.

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<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instruction.</td>
<td>Revision</td>
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<tr>
<td>All</td>
<td>Revised information for clarity.</td>
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<tr>
<td>All</td>
<td>Removed procedural guidance throughout in order to comply with modernization efforts.</td>
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<tr>
<td>All</td>
<td>Replaced Area/Regional Director titles with updated Director for Student Excellence title.</td>
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<tr>
<td>070201.D</td>
<td>Added email addresses for overseas calendar submissions.</td>
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<td>070205</td>
<td>Removed “Daily/Biweekly Pay” paragraph used previously as a placeholder. Renumbered subsequent paragraphs.</td>
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<tr>
<td>070206</td>
<td>Combined late and early arrival paragraphs for formatting consistency. Renumbered subsequent paragraphs.</td>
<td>Revision</td>
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<td>070507</td>
<td>Removed all instances of dormitories since no longer relevant or operated by DoDEA. Renumbered subparagraphs.</td>
<td>Deletion</td>
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<td>0706</td>
<td>Deleted section 0706, “DoD Domestic Dependent Elementary and Secondary Schools,” since content not applicable to DoDEA financial management or civilian payroll policies.</td>
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CHAPTER 7

DEPARTMENT OF DEFENSE EDUCATION ACTIVITY (DoDEA) EMPLOYEES

0701 GENERAL

070101. Purpose

This chapter establishes policy and procedures for the pay and leave of the DoDEA employees employed under the Teaching Position (TP) Pay Plan. These employees include teachers, principals, administrators, instructional systems specialists (ISS), guidance counselors, social workers, nurses, and school psychologists.

070102. Authoritative Guidance

Title 20, United States Code (U.S.C.), Chapter 25, sections 901-907 govern the salaries and personnel practices applicable to educators employed overseas by the DoDEA on a school year basis. The pay and personnel practices are implemented by policies and regulations issued by the DoDEA under the authority and direction of the Secretary of Defense. The regulations on pay include DoDEA Regulation 1400.13, Salaries and Personnel Practices Applicable to Teachers and Other Employees of the Department of Defense Dependents Schools (DoDDS), and the Dependent Schools (DS) Regulation 5301.4, DoDDS Salaries and Personnel Practices Applicable to Principals and Assistant Principals, as amended. These policies and regulations differ considerably from those applicable to other federal civilian employees paid under Title 5, U.S.C. or other statutes.

0702 TP PAY PLAN

Individuals, such as educators and administrators who hold a TP (hereinafter referred to as educators, administrators, and ISS employees) as defined in 20 U.S.C. § 901 are governed by the policies and regulations prescribed by the DoDEA. Educators including teachers, social workers, guidance counselors, school psychologists, and nurses earn a school year salary based on 190 duty days (also referred to as working days) and typically receive compensation over 21 pay periods. Administrators including school principals and assistant principals earn a school year salary based on 222 duty days and are paid out over 26 pay periods. ISS employees (educator positions that support the DoDEA schools above the school level, rather than at the school level) earn a school year salary based on 222 duty days and are paid out over 26 pay periods. Educators, administrators, and ISS employees do not earn annual, sick, or home leave under Title 5, U.S.C., but instead, are entitled to “educator’s leave” under 20 U.S.C. § 904.

070201. School Year Duty Days

A. Educators. The school year for educators consists of 190 duty days and includes no less than 175 days of classroom instruction. The 190 duty days include the days required before and after the first and last day of school when educators must prepare for the opening and closing of school. The school year calendar may be adjusted after the school year
begins with no change in school year salary, as long as 190 duty days are required and no less than 175 days of classroom instruction are provided. If the school year extends beyond 190 duty days, the educator receives compensation at the appropriate daily rate as of the 191st working day. Should an emergency preclude completion of a full school year at one or more schools, the educators must be furloughed, separated, or salary continued until the full school-year salary has been paid out.

B. Administrators. The school year requirement for administrators consists of 222 duty days and includes no less than 175 days of classroom instruction. Also, included in the 222 duty days is any time when the services of a majority of educators at the school are required. The school year calendar may adjust after the school year begins with no change in school year salary as long as the required 222 duty days for principals and assistant principals and no less than 175 days of classroom instruction remain. If the school year extends beyond 222 duty days during a given school year, the administrator receives compensation at the appropriate daily rate as of the 223rd working day. Should an emergency preclude completion of a full school year at one or more schools, the administrators must be furloughed, separated, or salary continued until the full school-year salary has been paid out.

C. ISS Employees. The school year for an ISS employee consists of 222 duty days, the same schedule as administrators. ISS employees coordinate their 222-day schedule with their supervisors at the start of the school year.

D. Overseas School Year Calendars. Overseas school year calendars issued by the DoDEA may vary due to local customs and holidays. The calendars identify the first and last duty days of the school year, instructional days, and exception days for educators and students. The DoDEA provides a copy of school calendars to the servicing Civilian Payroll Office (PRO) and to the Defense Finance and Accounting Service (DFAS) Information and Technology (I&T) Office no later than 4 weeks prior to the first duty day of the new school year. If changes are necessary, submit updated calendar(s) via email to the PRO (dfas.indianapolis-in.jfv.mbx.dodea@mail.mil) and DFAS I&T (dfas.indianapolis-in.ztb.list.cin-dcps-dodea@mail.mil) as soon as possible.

070202. Work Schedules

Educators, administrators, and ISS employees work in full or half day increments and work either a seasonal part-time or seasonal full-time schedule. Substitute teachers work an intermittent work schedule. See also DoDEA Administrative Instruction 1422.01, DoDEA Work Schedule Program, for additional information.

070203. Salary Schedules

The DoD Wage and Salary Division (WSD) establishes the rates of basic compensation for teachers and TP in the DoD. The DoD WSD issues Pay Plan salary schedules in April or May of the current school year. The schedules are effective retroactive to August 1 of the current school year (i.e., the prior calendar year). Use prior school year salary schedules until WSD issues salary schedules for the current school year. There are separate salary schedules issued for educator,
management, specialist, and administrator overseas school year positions. Salary schedules are further differentiated by step and academic salary lane (i.e., Bachelor’s, Bachelor’s plus 15, Bachelor’s plus 30, Master’s, Master’s plus 15, Master’s plus 30, and Doctorate).

070204. Retroactive Pay Adjustment

After the DoD WSD issues the salary schedule in April or May of the current school year, the servicing Human Resources Office (HRO) processes a retroactive pay adjustment effective August 1 of the current school year (i.e., prior calendar year) using the Standard Form (SF) 50, Notification of Personnel Action. When the retroactive adjustment processes, biweekly payments for foreign post allowance and foreign post differential adjust accordingly. The servicing PRO then reconciles educator, administrator, and ISS employee pay and makes any necessary “retro payments” based on increases in salary. The gross amount of the retroactive adjustment computed under the new salary schedules are subject to applicable withholdings (e.g., Civil Service Retirement System (CSRS) or Federal Employee Retirement System (FERS), federal income tax, Social Security tax, Medicare tax, and state income tax). When the retroactive adjustment processes, biweekly deductions adjust accordingly. The biweekly deductions adjust as follows:

A. Basic and Optional Federal Employees Group Life Insurance (FEGLI),

B. Thrift Savings Plan (TSP), and

C. TSP basic one percent and matching employer contributions for FERS employees.

*070205. Step Increases

Step increases for educators, administrators, and ISS employees are similar to step increases for General Schedule (GS) employees. Generally, steps 1 through 14 are regular step increases and steps 15 through 18 are longevity steps. Substitute teachers are not eligible for step increases.

A. Eligibility.

1. A full-time educator assigned to a 190-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least 150 duty days during their last previous school year as an educator.

2. A full-time educator assigned to a 190-day position may receive a longevity step increase (steps 15 through 18) provided they have been in a pay status at least 150 duty days during each of the previous 4 school years as an educator.

3. A half-time educator assigned to a 190-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least one-half of 150 duty days during each of the previous 2 school years. A half-time educator may receive a
longevity step increase (steps 15 through 18) after they have been in a pay status at least one-half of the 150 working day minimum during each of the previous 8 school years.

4. A full-time administrator assigned to a 222-day position may receive a step increase (steps 1 through 10) provided they have been in a pay status at least 175 duty days during their last previous school year as an administrator.

5. A full-time ISS employee assigned to a 222-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least 175 duty days during their last previous school year as an educator.

6. A full-time ISS employee assigned to a 222-day position may receive a longevity step increase (steps 15 through 18) provided they have been in a pay status at least 175 duty days during each of the previous 4 school years as an educator.

7. A half-time ISS employee assigned to a 222-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least one-half of 175 duty days during each of the previous 2 school years. A half-time educator may receive a longevity step increase (steps 15 through 18) after they have been in a pay status at least one-half of the 175 working day minimum during each of the previous 8 school years.

8. A full-time educator assigned to a 190-day position may receive an annual step increase (or service credit towards a longevity step) for the last satisfactory year of service, plus an additional annual step (or service credit) for the first year of absence, only upon return to duty after successfully completing a program of study or employment of one or more years under the Administrative Reemployment Rights Program.

B. Effective Date. Step increases take effect August 1 of each school year following completion of the school year. However, the step increase is not payable until the educator returns to duty for the subsequent year. When moving to a higher or lower salary schedule, there is no change to the effective date of step increases.

*070206. Arrival at Post

A. Late Arrival. Educators newly recruited from the Continental United States are appointed with the understanding that they will serve for an entire school year or a specified partial month. When an educator, who through no personal fault and due to transportation or processing delays, arrives late to the post of assignment, then, administratively excuse the absence, and pay the educator as though he/she arrived on time and served during the lost time. The DoDEA dates the offer letter 14 days prior to the reporting date. Educators, other than described, who arrive late at the post of assignment after the start of the school year, do not receive compensation for the duty days prior to the day of arrival unless granted paid leave by a supervisor.

B. Early Arrival. Educators who arrive at their post of assignment prior to the start of the school year normally are not entitled to compensation until the start of the school year. However, educators who are required to report at their post of assignment and perform work prior
to the start of the school year receive compensation at the daily salary rate from the prior school year salary schedule for each day worked. Note: This salary is not subject to retroactive adjustment.

070207. Departure from Post

Educators who are unable to depart promptly after the end of the school year for personal reasons or because of circumstances beyond their control (e.g., lack of available transportation), are not entitled to compensation for the period between the end of the school year and the date of departure.

070208. During Travel

While en route during a permanent change of station (PCS) between school years, an educator is in a non-pay status and not paid basic compensation. While en route during a PCS between school years, a principal or assistant principal (otherwise in a non-pay, non-duty status) remains in a non-pay status and receives appropriate per diem payments as provided in the Joint Travel Regulations.

070209. Work at More than One Post of Assignment

A. When educators PCS during the school year, action will be taken to ensure that, after working the scheduled duty days during the remaining pay periods at the new post of assignment, the educator receives the full school year salary as entitled. If the total number of days actually worked during the school year (to include paid leave at the former duty station and the new duty station) exceed 190 days, the educator receives compensation at the daily rate for any days worked in excess of 190 days.

B. When administrators or ISS employees PCS during the school year, action will be taken to ensure that, after working the scheduled duty days during the remaining pay periods at the new post of assignment, the administrator or ISS employee receives the full school year salary as entitled. If the total number of days actually worked during the school year (to include paid leave at the former and new duty stations) exceed 222 days, the employee receives compensation at the daily rate for any days worked in excess of 222 days.

070210. Substitute Teachers

A. School Year Substitute Teachers. A substitute teacher receives the flat daily rate prescribed under Salary Schedule A. The minimum increment paid for substitute work is one-half day.

B. Summer School Substitute Teachers. The Salary Schedule for “Other Compensation” provides the daily rate for a summer school substitute teacher and is two-thirds of the regular school year substitute teacher rate established for the prior school year. This salary is not subject to retroactive adjustment. For example, the prior school year rate for a 2019 summer school substitute teacher is published in the 2018-2019 salary schedules. The minimum increment
earned and paid is one-half day the equivalent of one-third of the regular substitute teacher rate. Substitute teachers who teach an academic enrichment K-8 program during the summer recess period receive a stipend as authorized by the memorandum of understanding (MOU).

070211. Allowances and Differentials

Educators, administrators, and ISS employees may be entitled to certain allowances and differentials such as government quarters, living quarters allowance (LQA), temporary quarters subsistence allowance (TQSA), separate maintenance allowance (SMA), post allowance, post differential and/or storage of household goods. See section 0705 for payment information on post allowances and foreign post differentials for TP Pay Plan employees. See Chapter 3 for payment information on LQA, TQSA, and SMA. An educator employed as a substitute is not entitled to government quarters, quarters allowance, post allowance, post differential, or storage of household goods.

0703 LEAVE

070301. Accrual of Leave

A. Educators. Under 20 U.S.C. § 904, educators (excluding substitute teachers) are entitled to cumulative leave with pay, also referred to as educator leave. If the school year consists of less than 8 months, the leave accrues at the rate of 1 day for each calendar month worked or partial month. When the school year includes more than 8 months, an employee who serves the entire school year is entitled to 10 days of cumulative educator leave with pay for the school year. The full school year accumulation of leave is credited to the employee’s leave record when the school year begins (normally, in August) or whenever the employee enters on duty under DS Regulation 5630.4, DoDDS Absence and Leave.

B. Administrators and ISS Employees. Administrators and ISS employees may earn 13 days of cumulative educator leave with pay under 20 U.S.C. § 904 and DS Regulation 5301.4. The credit reflects on the employee’s leave record each year on August 1.

C. Liquidation of Unused Leave Upon Separation. If the educator, administrator, or ISS employee separates for any reason before the school year ends, any leave credited, but not earned, will be subtracted from the leave balance. If already used, a debt will be established and appropriate collection action taken.

D. Leave Accrual for Part-Time Educators and Part-Time ISS Employees. Educators and ISS employees regularly employed on a part-time basis earn leave in an amount proportionate to the amount of leave earned as compared to full-time. Part-time ISS employees, such as those in a job-sharing arrangement, earn 6.5 days per year (or one-half day (4 hours) per pay period, if less than 8 months remain in the school year).

Example 1: A part-time educator appointed to a part-time position for the full school year. The educator is scheduled to work one-half day on each duty day
during the regular school year. The educator is entitled to accrue 10 half days (or 5 days) of educator leave.

Example 2: A part-time educator appointed to a part-time position for the full school year. The educator is scheduled to work each Tuesday and Thursday during the regular school year. The educator is entitled to accrue two-fifths (4 days) of the 10 days of educator leave that would be earned during full-time employment.

Example 3: A part-time educator appointed to a part-time position for the last semester (one-half) of the school year. The educator is scheduled to work one-half day on each scheduled duty day during the semester. The educator is entitled to accrue one-fourth (2.5 days) of educator leave.

E. **Substitute Teachers.** Substitute teachers employed in positions on a temporary intermittent basis and are not entitled to earn leave.

F. **Summer Recess Period.** Educators and administrators who perform activities during the summer recess period do not earn leave.

070302. **Leave Usage**

A. **Minimum Charge.** The minimum charge for educator leave is one-half day, and additional charges are in multiples thereof. An administrative authority may use discretion and excuse an occasional absence from duty of less than one-half day for adequate reasons without charge to educator leave. Report leave charges to the PRO and record on the employee’s timecard.

B. **Authorized Absences.** An educator, administrator, or ISS employee may use accrued educator leave during the school year for the following:

1. Maternity purposes;

2. Illness of the educator;

3. Illness, contagious disease, or death in the immediate family of the educator that requires his or her absence;

4. Any personal emergency; or

5. Any purpose.

With the appropriate advance notice and prior approval of the supervisor, an educator, administrator, or ISS employee may use up to 3 days of leave in a given school year for any purpose. Educator leave used for any purpose normally may not be used during orientation week or the first or last week of the school year. An exception may be made when an employee is accepted for an educational program and must report prior to the end of the school year.
C. **Summer Recess Period.** Using accrued educator leave during any summer recess period is not permissible. An absence during a summer recess period is without pay.

D. **Non-work Days.** Except for unique tours of duty established by the host nation (e.g., Bahrain), Saturdays, Sundays, regularly scheduled holidays including U.S. holidays and host nation holidays and other administratively authorized non-work days are not normally days of leave. See 20 U.S.C. § 904(b). Therefore, Leave Without Pay (LWOP) is not charged to an educator, administrator, or ISS employee, who is in a non-pay status immediately preceding or following a scheduled holiday.

070303. **Advances of Leave**

Under unusual circumstances, an educator, administrator, or ISS employee may receive up to 30 days of advanced educator leave (above the amount already credited for the current school year) for use on any scheduled duty day within the school year. Such an advance is subject to subsequent earning of educator leave, or repayment upon separation for leave advanced but not earned. The immediate supervisor may approve requests for up to 10 days of advance educator leave. Submit requests in excess of 10 days of advance educator leave to the Director for Student Excellence or District Superintendent, as appropriate. Submit approved requests to the PRO upon receipt from the approving official.

070304. **Leave Without Pay (LWOP)**

The immediate supervisor of an educator or ISS employee may approve an LWOP request of up to 3 days. The Director for Student Excellence or District Superintendent may approve LWOP requests in excess of 3 days, but less than 30 days. The Director for Student Excellence may approve LWOP requests of 30 days or more. The District Superintendent must approve LWOP requests in excess of 3 days, but less than 30 days for administrators. The Director for Student Excellence or their delegate must approve LWOP requests in excess of 30 days by administrators.

070305. **Conversion of Leave for Federal Employees Transferring to the DoDEA**

A. **Sick Leave.** An employee of the federal government or the District of Columbia, who transfers without a break in service from a position under a different leave system to an educator, ISS employee or administrator position, receives credit for sick leave immediately prior to the effective date of their conversion, transfer, promotion, or reappointment. Sick leave so credited is included in the employee’s balance of educator leave.

B. **Annual Leave.** There is no annual leave credited to an educator, ISS employee, or administrator’s balance of educator leave when he or she transfers without a break in service from a position under a different leave system. The employee will receive a lump-sum payment for accrued annual leave from the previous employer. However, administrators who converted from GS or General Merit positions to Salary Schedules K and L on October 11, 1987, received credit for annual leave during the initial conversion.
070306. Transfer and Recredit of Educator’s Leave

A. Reappointed to Another Educator, Administrator, or ISS Employee Position. When an educator, administrator, or ISS employee is separated from their current position and reappointed in another educator, administrator, or ISS employee position without a break in service of more than 3 years, the employee’s educator leave is certified to the employing agency for credit as sick leave on the SF 1150, Record of Leave Data.

B. Reappointed to Federal Position. When an educator, administrator, or ISS employee is separated from their position and reappointed (without a break in service to another federal position subject to another leave act), the leave account is certified to the employing agency for credit in accordance with Title 5, Code of Federal Regulations 630.501.

C. Temporary Employment During Recess. If an educator, administrator, or ISS employee accepts temporary employment with the federal government in a non-educator position during a recess period, their educator’s leave account will not be transferred to the leave account of the summer position. Any sick leave earned during the temporary summer employment will be credited and any unused sick leave balance will be transferred to the educator’s leave account when they return to duty in their regular educator or administrator position.

070307. Liquidation of Leave Upon Separation

A. Any annual leave earned under a different leave system and remaining to the credit of an educator, administrator, or ISS employee upon their separation will be liquidated by a lump-sum payment in accordance with 5 U.S.C. § 5551 and 20 U.S.C. § 904(f).

B. Liquidation of educator leave upon separation through lump-sum payment is prohibited. Educator leave that may not be liquidated includes leave earned by an educator, administrator, ISS employee, or the leave balance pursuant to subparagraph 070305.A.

070308. Sabbatical Leave

A. Authority. Yearlong educator leave at half-pay (sabbatical leave) may be authorized for an educator, administrator, or ISS employee, and for educational purposes, when the course of study is determined to be appropriate by the Director for Student Excellence. An SF 50 is not required. The approved request for training should reflect that the educator, administrator, or ISS employee will be in an LWOP status one-half of each day during the yearlong period.

B. Benefits and Entitlements During Sabbatical Leave. Educators and administrators granted sabbatical leave at half-pay will continue to receive life insurance and health benefits coverage in the same manner as if they were in full-pay status. Retirement contributions will be deducted for only one-half year; however, the employee is entitled to credit for a full year toward retirement. Educator leave is not earned, nor should it be deducted from the employee’s leave account during the training period. Any pay step increase that would have been authorized should be processed as if the educator or administrator had worked a full school year.
C. Pay Status Reporting During Sabbatical Leave. The educator or administrator’s work schedule should not change during sabbatical leave. The time and attendance report for each pay period should reflect that the employee is in an LWOP status one-half of each day.

0704 PAY STATUS DURING SCHOOL YEAR AND SUMMER RECESS

070401. School Year

An educator’s school year consists of 190 duty days. In most overseas locations, these duty days fall on days during the normal workweek (i.e., Monday through Friday). An educator, however, does not work every Monday through Friday during the school year because of exception days (e.g., winter and spring recess, federal holidays, and certain host nation holidays). As a result, the school year may include 22 pay periods with approximately 213 days, Monday through Friday, between the educator’s first and last duty day of the school year. There are typically 21 full pay periods, plus 3 additional days in the 22nd pay period in a given school year.

070402. Summer Recess

During the summer recess period, while school is not in session, educators ordinarily are in a non-pay status. Educators who are returning to duty for the following full school year are entitled to have LQA payments continued during the summer recess period while they are in a non-pay status. See the Department of State Standardized Regulation (DSSR), Chapter 100, Quarter Allowances, and Chapter 700, DoD Teachers. The servicing HRO will notify the servicing PRO of any change (e.g., transfer, resignation, or retirement) in the status of educators.

0705 COMPENSATION

070501. Educators with a 190-Day School Year

A. Daily/Biweekly Rate. Educators earn pay at a rate that differs from the typical rate used to pay employee salaries. If one used the usual pay calculations, the educator’s seasonal work schedule, in conjunction with recess periods, would cause pay to fluctuate during each pay period of the school year. Therefore, in order to provide consistency, calculate the biweekly pay for educators using the following information and formulas:

1. Duty Days and “Daily Rate” or “190 Rate” for Educators. The number of duty days in the school year is 190. The educator’s daily rate, or “190- Rate,” is the school year salary divided by 190 days.

2. School Year Days and “School Year Rate” or “213-Rate” for Educators. For most school years, the school year days will total 213, 214, or 215 days, depending on the calendar year. School year days equal the total number of days (Monday through Friday) falling within an educator’s first through last duty day during the school year. School year days include 190 duty days, as well as all other non-work recess days that occur on Monday through Friday during the regular school year. Non-work (or exception) days include federal holidays...
(e.g., Labor Day) and school recess days (e.g., spring recess) when educators are normally not scheduled to work. Use the number of school year days to determine an educator’s school year rate, or “213-Rate.” The school year rate is the daily rate used to provide a uniform payment for each biweekly pay period. Multiply the school year rate by 10 days to determine the educator’s biweekly basic pay amount. Educators may elect biweekly payments over 260, 261, or 262 days (depending on how many workdays are in the fiscal year). Determine the school year rate by dividing the school year salary by either 260, 261, or 262 days.

3. **Formula for Educator’s Biweekly Pay.** An educator’s salary normally pays out over 21 full and 1 partial pay periods. To calculate the biweekly pay, use the following formula:

   a. \( \text{School Year Salary} \div (213, 214, 215, 260, 261, \text{or } 262 \text{ School Year Days}) = \text{School Year Rate} \), and

   b. \( \text{School Year Rate} \times 10 \text{ Days} = \text{Biweekly Pay} \).

B. **Educator Post Allowance.** In computing the post allowance for educators paid on a 190-day school year basis, divide the total annual amount of post allowance payable by the number of calendar days in the school year (i.e., school year days plus weekend days) to obtain the daily rate. Multiply the daily rate by the number of calendar days in the pay period (normally, 14 days). See also paragraph 070506 regarding post allowances.

C. **Reducing Pay for Absences Without Pay.** For educators on non-paid absence (e.g., LWOP or absence without leave (AWOL)), the biweekly pay is reduced by \( 1/190 \)th of the school year salary for each scheduled duty day that the educator is in a non-paid status. Since educators do not receive pay for federal holidays or recess periods, there is no reduction in biweekly pay when the educator is in a non-paid status before or after an exception day.

D. **Biweekly Pay for Educators Beginning Work After Start of School Year.** When an educator’s appointment begins after the start of the school year, the school year salary adjusts according to the number of duty days remaining in the school year. Multiply the daily rate (“190-Rate”) by the number of duty days remaining in the school year to obtain the adjusted school year salary. To determine the biweekly pay, divide the adjusted school year salary by the remaining number of school year days, and then multiply by 10 days. To calculate the biweekly pay for educators who begin work after the start of the school year, use the following formula:

1. \( \text{“190-Rate”} \times \text{Duty Days Remaining} = \text{Adjusted School Year Salary} \),

2. \( \text{Adjusted School Year Salary} \div \text{School Year Days Remaining} = \text{Adjusted School Year Daily Rate} \), and

3. \( \text{Adjusted School Year Daily Rate} \times 10 \text{ Days} = \text{Biweekly Pay} \).

Example: An educator reports for work after the beginning of the school year and receives a salary of $38,000 for working a full school year (i.e., 190 duty
The educator would have a “190-Rate” (daily rate) of $200.00 ($38,000 ÷ 190). This salary normally would be paid out over 213 school year days. However, the educator in this example begins work on October 1. Due to the late start, 23 duty days (August through September) will not be worked. The school year calendar indicates that 167 (190 - 23) duty days remain in the school year. Thus, the “adjusted school year salary” would be $33,400 ($200.00 × 167). To determine how the adjusted school year salary of $33,400 will be paid biweekly, the remaining school year days must be identified. In this example, 188 school year days remain (167 duty days + exception days). The adjusted school year daily rate is computed as follows: $33,400 ÷ 188 = $177.66. The biweekly pay equals the adjusted school year daily rate multiplied by 10: $177.66 × 10 = $1,776.60.

E. Educators Who Separate Before the End of the School Year. When an educator separates (i.e., resigns, retires, or dies) before the end of a school year, the school year salary adjusts according to the number of duty days worked. Determine the adjusted school year salary by multiplying the daily rate (“190-Rate”) by the number of duty days worked (include any days in a paid leave status). To calculate the adjusted school year salary for educators who separate before the end of the school year and to reconcile difference(s) in the salary actually paid, use the following formula:

1. “190 Rate” × Duty Days Worked = Adjusted School Year Salary, and

2. Adjusted School Year Salary ÷ School Days Completed (Duty Days + Exception Days) = Adjusted School Year Daily Rate.

Example: An educator separates before the end of the school year. The educator has been receiving a school year salary of $38,000 at the “190-Rate” (daily rate) of $200.00 ($38,000 ÷ 190). This salary normally would be paid out over 213 school year days at the school year daily rate of $178.40 ($38,000 ÷ 213). Should the educator resign after working only 120 of the scheduled 190 duty days in the school year, the adjusted school year salary would be $24,000 ($200.00 × 120). In this example, the number of school days completed by the educator (duty days worked + exception days) for the school year was 123 (120 duty days worked + 3 exception days). The adjusted school year daily rate would be $195.12 ($24,000 ÷ 123). Any difference between the adjusted school year salary and the salary actually paid to date must be reconciled. Reconcile the adjusted school year salary and the salary actually paid by recomputing the entire school year using the adjusted school year daily rate to determine what the educator should have been paid from the start of the school year to the date of separation. In this example, the employee was actually paid $21,900 ($178.40 × 123). The educator should have been paid $24,000 ($195.12 × 123).
Administrators with a 222-Day School Year.

A. Daily/Biweekly Rate. Administrators earn pay at a rate that differs from the typical rate used to pay employee salaries. If the usual pay calculations were used, the administrator’s seasonal work schedule, in conjunction with recess periods, would cause pay to fluctuate during each pay period of the school year. Therefore, to provide consistency, the biweekly pay for administrators is calculated using the following information and formulas:

1. Duty Days and “Daily Rate” or “222 Rate” for Administrators. The number of duty days in the school year for administrators is 222. The administrator’s daily rate, or “222-Rate,” is the school year salary divided by 222 days.

2. School Year Days and “School Year Rate” or “260 Rate” for Administrators. The school year days for administrators will total between 260 and 262 days, depending on the calendar year. The days during the school year include days that fall within and outside of the school year for educators. School year days for administrators include 222 duty days and all other exception days that occur on Monday through Friday during the school year. Exception days include federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when administrators are not normally scheduled to work. Use the number of school year days to determine an administrator’s school year rate, or “260-Rate.” The school year rate is the daily rate used to provide a uniform payment for each biweekly pay period. Multiply the school year rate by 10 days to determine the administrator’s biweekly basic pay amount.

3. Formula for Administrator’s Biweekly Pay. Administrator’s typically receive compensation over 26 pay periods. Use the following to calculate biweekly pay:

   a. School Year Salary ÷ (260, 261, or 262 School Year Days) = School Year Rate, and

   b. School Year Rate × 10 Days = Biweekly Pay.

B. Administrator Post Allowance. In addition to basic pay, administrators are entitled to a post allowance for employees assigned to foreign areas where the cost of goods and services is substantially higher. See 20 U.S.C. § 906. To compute the foreign post allowance for an administrator, divide the total annual amount of post allowance payable by 365 calendar days (366 days for a leap year). See paragraph 070506 for information regarding post allowance.

C. Reducing Pay for Absences Without Pay. For administrators in a non-paid absence (e.g., LWOP or AWOL), reduce the biweekly pay by 1/222th of the school year salary for each scheduled duty day in a non-paid status. Since administrators do not receive pay for exception days, there is no reduction in biweekly pay when the administrator is in a non-paid status before or after a federal holiday or recess day.

D. Biweekly Pay for Administrators Beginning Work After Start of School Year. When an administrator’s appointment begins after August 1 and will not work 222 duty days by July 31, the school year salary adjusts according to the number of actual duty days
remaining in the school year. Multiply the daily rate (“222-Rate”) by the number of duty days remaining in the school year in order to obtain the “adjusted school year salary.” To determine the biweekly pay, divide the adjusted school year salary by the remaining number of school year days and then multiply by 10 days. To calculate biweekly pay for administrators who begin work after the start of the school year, use the following formula:

1. “222-Rate” × Duty Days Remaining = Adjusted School Year Salary,

2. Adjusted School Year Salary ÷ School Year Days Remaining = Adjusted School Year Daily Rate, and

3. Adjusted School Year Daily Rate × 10 Days = Biweekly Pay.

Example: An administrator reports for work after the beginning of the school year and receives a salary of $55,500 for working a full school year (i.e., 222 duty days). The administrator has a “222-Rate” (daily rate) of $250.00 ($55,500 ÷ 222). This salary would be paid out in even payments over 26 pay periods. However, the administrator in this example begins work on September 15. Due to the late start, 33 duty days are not worked. The administrator will work only 189 of the duty days remaining by July 31. Thus, the adjusted school year salary is $47,250 ($250.00 × 189). To determine how the adjusted school year salary of $47,250 will be paid biweekly, the remaining school year days must be identified. In this example, 228 school year days remain (189 duty days + exception days). The adjusted school year daily rate is computed as follows: $47,250 ÷ 228 = $207.24. The biweekly pay equals the adjusted school year daily rate multiplied by 10 days: $207.24 × 10 = $2,072.40.

E. Administrators Separating Before End of School Year. When an administrator separates (i.e., resigns, retires, or dies) before the end of a school year, the school year salary must be adjusted according to the number of duty days already worked. The adjusted school year salary is determined by multiplying the daily rate (“222-Rate”) by the number of duty days worked (including days in a paid leave status). To calculate the adjusted school year salary for administrators who separate before the end of the school year, use the following formula:

(School Year Salary ÷ 222 Days) × Duty Days Worked = Adjusted School Year Salary for Separated Administrators

Example: An administrator separates before the end of the school year. The administrator has been receiving a school year salary of $55,500 at the “222-Rate” (daily rate) of $250.00 ($55,500 ÷ 222). This salary normally would be paid out over 26 pay periods. Should the administrator resign after working only 120 of the scheduled 222 duty days in the school year, the adjusted school year salary would be $30,000 ($250.00 × 120). Any difference between the adjusted school year salary and the salary actually paid to date must be reconciled.

7-17
070503. ISS Employees with a 222-Day School Year

A. Daily/Biweekly Rate. ISS employees build their own calendar to schedule 222 duty days out of the 260 to 262 school year. The remaining 38 (or 39) days in the school year are considered non-work days for the purposes of this regulation. The ISS employee establishes the schedule; then, receives supervisor approval. If the ISS employee schedules work on a federal holiday, then the employee will not receive holiday pay and will still have the same number of non-work days (either 38 or 39) in the school year. However, if the employee schedules work on a holiday or a Sunday when normal school operations are in session, the employee is entitled to the appropriate premium pay. For example, if school is in session on Sundays due to local custom and the ISS employee’s approved schedule allows for Sunday as a workday, the employee is entitled to Sunday premium pay. However, if Sunday is not normally a workday for school staff and the ISS employee schedules Sunday as a workday, the employee is not entitled to Sunday premium pay. To provide consistency, calculate biweekly pay as follows:

1. Duty Days and “Daily Rate” or “222 Rate” for ISS Employees. The number of duty days in the school year to ISS employees is 222. The ISS employee’s daily rate, or “222-Rate,” is the school year salary divided by 222 days.

2. School Year Days and “School Year Rate” or “260 Rate” for ISS Employees. The school year days for ISS employees will total between 260 and 262 days, depending on the calendar year. Thus, the days during the school year include days that fall within and outside of the school year for educators. The school year days for ISS employees include 222 duty days and exception days that occur on Monday through Friday during the regular school year. Exception days include federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when ISS employees are not normally scheduled to work. However, due to the schedule flexibility, ISS employees may elect to work on a federal holiday (but will not receive holiday pay) and schedule non-work days on days that other educators generally work. Use the number of school year days to determine an ISS employee’s school year rate, or “260-Rate.” The school year rate is the daily rate used to provide uniform payment for each biweekly pay period. Multiply the school year rate by 10 days to determine the ISS employee’s biweekly basic pay amount.

3. Formula for ISS Employee’s Biweekly Pay. ISS employees typically receive compensation over 26 pay periods. Use the following to calculate the biweekly pay:

\[
\text{School Year Salary} ÷ (260, 261, \text{or } 262 \text{ School Year Days}) = \text{School Year Rate, and}
\]
\[
\text{School Year Rate} \times 10 \text{ Days} = \text{Biweekly Pay.}
\]

B. ISS Employee Post Allowance. In addition to basic pay, ISS employees are entitled to a post allowance under 20 U.S.C. § 906. To compute the foreign post allowance for an ISS employee, divide the total annual amount of post allowance payable by 365 calendar days (366 days for a leap year).
C. Reducing Pay for Absences Without Pay. For ISS employees on non-paid absence (e.g., LWOP or AWOL) the biweekly pay reduces by 1/222th of the school year salary for each scheduled duty day that the ISS employee is in a non-paid status. Since ISS employees do not receive compensation for scheduled non-work days, no reduction of biweekly pay is necessary when the ISS employee is in a non-paid status before or after an exception day.

D. Biweekly Pay for ISS Employees Beginning Work After Start of School Year. When an appointment is after August 1 and the ISS employee will not work 222 duty days by July 31, the school year salary must adjust according to the number of actual duty days remaining in the school year. Multiply the daily rate (“222-Rate”) by the number of duty days remaining in the school year in order to obtain the adjusted school year salary. To determine the biweekly pay, divide the adjusted school year salary by the remaining number of school year days. Then, multiply by 10 days. To calculate biweekly pay for ISS employees who begin work after the start of the school year, use the following formula:

1. “222-Rate” × Duty Days Remaining = Adjusted School Year Salary,

2. Adjusted School Year Salary ÷ School Year Days Remaining = Adjusted School Year Daily Rate, and

3. Adjusted School Year Daily Rate × 10 Days = Biweekly Pay.

Example: An ISS employee reports for work after the beginning of the school year and receives a salary of $55,500 for working a full school year (i.e., 222 duty days). The ISS employee has a “222-Rate” (daily rate) of $250.00 ($55,500 ÷ 222). This salary normally pays out in even payments over 26 pay periods. However, the ISS employee in this example begins work on September 15. Due to the late start, it may be difficult to schedule all 222 duty days by July 31 (in this example, the employee can only schedule 189 duty days for the rest of the school year). The adjusted school year salary equals the daily rate multiplied by the total number of scheduled duty days remaining. Thus, the adjusted school year salary is $47,250 ($250.00 × 189). To determine how the adjusted school year salary of $47,250 is paid biweekly, the remaining school year days must be identified. In this example, 228 school year days remain. The adjusted school year daily rate is computed as follows: $47,250 ÷ 228 = $207.24. The biweekly pay equals the adjusted school year daily rate multiplied by 10 days: $207.24 × 10 = $2,072.40.

E. ISS Employee Separating Before End of School Year. When an ISS employee separates (i.e., resigns, retires, or dies) before the end of a school year, the school year salary must be adjusted according to the number of actual duty days already worked. The adjusted school year salary is determined by multiplying the daily rate (“222-Rate”) by the number of duty days worked including any days in a paid leave status. To calculate the adjusted school year salary for ISS employees who separate before the end of the school year, use the following formula:
(School Year Salary ÷ 222 Days) × Duty Days Worked = Adjusted School Year Salary for Separated ISS Employees

Example: An ISS employee separates before the end of the school year. The ISS employee has been receiving a school year salary of $55,500 at the “222-Rate” (daily rate) of $250.00 ($55,500 ÷ 222). This salary would normally be paid out over 26 pay periods. Should the employee resign after working only 120 of the scheduled 222 duty days in the school year, the adjusted school year salary would be $30,000 ($250.00 × 120). Any difference between the adjusted school year salary and the salary actually paid to date must be reconciled.

F. ISS Step Increases. While ISS employees work a 222-day school year, step increases are similar to regular school year appointments for classroom educators. ISS employees have 18 steps, of which the first 14 are similar to step increases for GS employees and provided the employee works at least 175 days. Steps 15 through 18 are longevity steps. See paragraph 070205 for other rules on step increases that apply to ISS employees.

070504. Premium Pay, Sunday Work, and Holiday Work

A. Overtime and Compensatory Time. Educators and administrators are ineligible for overtime pay or compensatory time off.

B. Work Performed on Sunday. Educators appointed to a 190-day position whose regular tour of duty requires them to work on a Sunday are entitled to basic pay, plus a premium of 25 percent of the daily rate (“190-Rate”). Administrators on a 222-day position whose regular tour of duty requires them to work on a Sunday (providing that is part of the 190-duty day school year or within summer school session) are entitled to basic pay, plus premium pay at a rate equal to 25 percent of the regular daily rate (“222-Rate”). If an ISS educator works on a Sunday when normal school operations are in session, the employee is entitled to the appropriate premium pay. See paragraph 070503.

C. Work Performed on a Federal Holiday. Educators appointed to a 190-day position whose regular tour of duty requires them to work on any of the federal holidays are entitled to basic pay, plus premium pay at a rate equal to the daily rate. Administrators on a 222-day position whose regular tour of duty requires them to work on any of the federal holidays (providing that is part of the 190-duty day school year or within summer school session) are entitled to basic pay, plus premium pay at a rate equal to the daily rate. If an ISS employee schedules work on a federal holiday, then the employee typically will not receive holiday pay. However, if the ISS employee schedules work on a federal holiday when normal school operations are in session, the ISS employee is entitled to the appropriate premium pay. See paragraph 070503.

070505. Employment during the Summer Recess Period

A. Educators. Educators are in a non-pay/non-duty status during the summer recess period. However, educators may receive pay for certain duties performed during the summer recess period. An educator who participates in a non-summer school related activity
(e.g., agency sponsored and approved training, early return, and late departure) during the summer recess period receives compensation at a daily rate of 1/190th of the prior school year salary. An educator who participates in a summer school related activity (e.g., teaching) typically receives two-thirds of the daily rate of their prior school year salary. However, exceptions are possible, and the educator may receive a different salary amount as stated on the employee’s notification for teaching summer school. The minimum increment earned and paid for summer recess activities is one-half day. Educators who work an academic enrichment K-8 program during the summer recess period receive a stipend as authorized by the MOU. An educator receives payment for participating in summer recess activities via the submission of a memorandum by the DoDEA to the PRO, similar to the one used to authorize payment for extra duty assignments. This period of employment is exempt from dual pay provisions, as provided by 5 U.S.C. § 5533(d)(7)(D) and is not subject to CSRS, FERS, FEGLI, or TSP deductions.

B. Administrators and ISS Employees. An administrator or ISS employee who participates in a non-summer school related activity (e.g., agency sponsored and approved training) during the summer recess period that is in excess of the 222-day work year, receives compensation at a daily rate of 1/222nd of the prior school year salary. An administrator or ISS employee who participates in a summer school related activity receives two-thirds of the daily rate of the prior school year salary. The minimum increment earned and paid for summer recess activities is one-half day. An administrator or ISS employee receives payment for participating in summer recess activities via the submission of a memorandum by the DoDEA to the PRO, similar to the one used to authorize payment for extra duty assignments. This period of employment is exempt from dual pay provisions, as provided by 5 U.S.C. § 5533(d)(7)(D) and is not subject to CSRS, FERS, FEGLI, or TSP deductions.

070506. Post Allowance and Foreign Post Differential

Payment of allowances and/or differentials is determined in accordance with the DSSR, and the DoD Instruction 1400.25-V1250, DoD Civilian Personnel Management System: Overseas Allowances and Differentials.

A. Post Allowance. In addition to basic pay, under 20 U.S.C. § 906 full-time educators, administrators, and ISS employees are eligible to receive a post allowance for employees assigned to a foreign area where the cost of goods and services is substantially higher. The amount paid is a flat rate based on the employee’s basic salary, family size, and post assignment. The amount of the annual foreign post allowance is located on the SF 1190, Foreign Allowances Application, Grant and Report. If an employee’s annual salary is adjusted, the post allowance may also be adjusted and if so, the daily rate should be recomputed. Compute daily rates as follows:

1. Educator Post Allowance Daily Rate. To compute the post allowance for educators paid on a 190-day school year basis, divide the total annual amount of post allowance payable (as shown on the SF 1190) by the number of calendar days in the school year (i.e., school year days plus weekend days) to obtain the daily rate. Multiply the daily rate by the number of calendar days in the pay period (normally, 14 days).
2. Administrator Post Allowance Daily Rate. To compute the foreign post allowance for an administrator, divide the total annual amount of post allowance payable (as shown on the SF 1190) by 365 calendar days (366 days for a leap year).

3. ISS Employee Post Allowance Daily Rate. To compute the foreign post allowance for an ISS employee, divide the total annual amount of post allowance payable (as shown on the SF 1190) by 365 calendar days (366 days for a leap year).

B. Foreign Post (Hardship) Differential. An educator, administrator, or ISS employee may receive compensation for a foreign post (hardship) differential under DSSR, Chapter 500. The foreign post differential is additional compensation paid to an eligible employee in a foreign area where conditions of the environment differ substantially from conditions in the United States and additional compensation is available as a recruitment and retention incentive. The foreign post differential is 5 to 35 percent over basic compensation. The Department of State periodically reviews and updates rates based on changes in living conditions at various foreign posts. Rates are subject to change at any time. Additionally, any adjustment in an employee’s annual salary may cause adjustments to foreign post differential.

*070507. Extra Duty Program for Educators

A. Eligibility. This program applies to certain DoDEA employees who are employed under the pay plan who are assigned extra duty assignments, such as coaching, or activity sponsorship, in addition to regular school duties. See DS Regulation 5550.9, Compensation for Extra Duty Assignments. Educators receive extra duty compensation for extra duty assignments conducted and completed outside the educator’s duty day. When a selected educator performs an extra duty assignment, the educator and school principal will sign an MOU. The MOU identifies the extra duty assignment, and includes a description of duties, hourly range, amount of compensation, and a statement that prohibits performing duties during regular duty hours. Administrators are not eligible for extra-duty assignments and any extra-duty activities performed by an administrator will be considered voluntary. Compensatory time and holiday pay are not authorized forms of extra duty compensation.

B. Compensation.

1. Requirements for Pay. The DoD WSD publishes the compensation rate for completing an extra duty assignment as part of the yearly DoDEA salary schedules (Schedule for Other Compensation). Before receiving extra duty compensation, the educator must complete the activity and perform the minimum number of established hours for the activity. The administrator certifies satisfactory completion of the extra duty assignment and authorization for compensation. The administrator forwards a memorandum to the PRO as soon as possible, no later than May 31, to facilitate payment by the end of the school year.
2. **Hourly Range of Assigned Duties.** The Director of DoDEA determines an appropriate hourly range for the completion of each type of authorized extra duty activity. Hourly ranges established by the DoD WSD for extra duty compensation are as follows:

   a. 1 - 19 hours,
   b. 20 - 39 hours,
   c. 40 - 79 hours,
   d. 80 - 119 hours,
   e. 120 - 159 hours,
   f. 160 - 199 hours, and
   g. 200 hours and over.

3. **Reducing Compensation for Fewer Hours Worked.** If the administrator determines the extra-duty assignment has been completed satisfactorily in less time than identified in the approved MOU, compensation must be reduced and the educator should be compensated at the rate established for the appropriate lower hourly range. The educator receives compensation at the rate established for the appropriate lower hourly range. When the hours worked fall short of the original range, or completion of an extra duty assignment is less than acceptable to the administrator, a lesser payment, than the amount indicated in the approved MOU pays on a pro rata basis. To compute a lesser payment, divide the mid-point hour of the appropriate hourly range by the hours actually worked. Then, multiply by the dollar value assigned to the regular hourly category. (For 200 hours and over, the mid-point is 220 hours.)

   Example: An educator works 10 hours towards a 20-39 hourly range extra-duty assignment ($910 for school year 2016-2017). When the mid-point (30 hours) is divided into the hours worked (10 hours), and the results rounded to 2 decimal places (.33) and is multiplied by the dollar value of the hourly range for the duty (.33 × $910), the payment due will be $300.30.

4. **Substitutes.** Substitute teachers receive compensation for completing an extra duty assignment at the rate of compensation published by the DoD WSD.

070508. **Accelerated Deductions of Premiums and Allotments for Educators**

A. **FEGLI and Federal Employees Health Benefits (FEHB) Accelerated Premium Deductions.** Deductions for FEGLI and FEHB premiums from an educator working a 190-day work schedule accelerate to allow the total annual premiums to pay in 22 pay periods, rather than 26 pay periods. Accelerated premium deductions over the course of 22 pay periods allow the employee to maintain coverage and pay no additional premiums during the summer recess when the educator is in non-pay status. The coverage period typically runs from the first
duty day of the school year until the day prior to the first duty day of the next school year. Accelerated premium deductions are not required for an administrator or ISS employee assigned to a 222-day work schedule.

B. Calculation of Accelerated Premium Deduction for FEGLI and FEHB.

1. FEGLI. To determine the amount of the accelerated biweekly premium deduction for FEGLI, first determine the normal (i.e., 26 pay periods) biweekly premium rate deducted for other federal employees in the same salary bracket. Convert the biweekly rate to an annual rate by multiplying the biweekly rate by 26 (to arrive at the amount paid over the entire calendar year). Second, divide the annual rate by 22 (or the number of pay periods over which the educator is normally paid) in order to determine the accelerated premium deduction for each pay period for the educator. The calculation applies to both basic and optional insurance. For optional insurance, use the age band rate to convert the biweekly rate to an annual rate. Use the following to calculate the accelerated premium deduction amount:

   a. Biweekly Premium Rate × 26 Pay Periods = Annual Premium Rate, and

   b. Annual Premium Rate ÷ 22 Pay Periods = Accelerated Premium Deduction.

2. FEHB. To determine the accelerated biweekly premium amount deducted from an educator’s pay for FEHB, first determine the normal (i.e., 26 pay periods) biweekly premium rate deducted for other federal employees. Convert the biweekly rate to an annual rate by multiplying the biweekly rate by 26 (to arrive at the amount paid over the entire calendar year). Second, divide the annual rate by 22 (or the number of pay periods over which the educator is normally paid) in order to determine the accelerated premium deduction for each pay period for the educator.

3. Accelerated Deductions Beginning After the Start of the School Year. If the educator begins work after the first scheduled duty day of the school year, the total annual premium rate for FEGLI and FEHB must be reduced by a proportionate amount for the coverage period remaining (i.e., through the day prior to the first scheduled duty day of the next school year). Divide the reduced annual premium rate by the number of pay periods remaining to determine the accelerated premium deduction amount. To calculate the accelerated premium deduction amount, use the following:

   Reduced Annual Premium Rate ÷ Pay Periods Remaining = Accelerated Premium Deduction.

C. Coverage Upon Separation or Movement Under FEGLI and FEHB. If an educator resigns at the close of the school year and he or she has elected coverage under FEGLI and/or FEHB, the actual date of separation will be delayed. The delayed separation date provides the employee with FEGLI and/or FEHB benefits throughout the period covered by accelerated premium deductions. Thus, the period of coverage for an educator employed for a full school year
continues until the day prior to the first duty day of the next school year. If the educator separates earlier than the end of the school year, the resignation will specify an earlier date for termination of coverage, and require employee acknowledgement that FEGLI and/or FEHB coverage will continue for only 31 days after the date of separation. An educator who separates before the end of the school year will be reimbursed proportionately if the separation date is earlier than the end of the extended period of prepaid FEHB coverage. If an educator converts to or is appointed to a 222-day or calendar year work schedule, accelerated premium deductions may need refunded, if the effective date of the conversion or appointment occurs during the prepaid coverage period and withholding for the employee’s new position results in duplicate premium payments.

D. Deductions for Federal Flexible Spending Account (FSAFEDS) and Long Term Care (LTC). Educators, enrolled in the FSAFEDS Program and paid over 21 pay periods, may elect the option to accelerate these allotments. The Federal LTC Program does not offer accelerated payments to educators paid over 21 pay periods. For periods of non-pay status, the educator receives a “Bill for Uncollected Payroll Premium.”

070509. Other Deductions

A. Allotments of Pay.

1. Labor Organization Dues

a. Allotments of pay for labor organization dues are effective the second pay period in October of each school year for an educator who is a bargaining unit member. The amount of the allotment will be the dues amount identified by the employee on the SF 1187, Request for Payroll Deductions for Labor Organization Dues, or the amount identified on a list issued by each local or regional bargaining unit, divided by 12 full pay periods unless otherwise agreed to by all parties.

b. Educators who enter the dues withholding agreement at a time when less than 12 full pay periods remain in the school year will have their dues allotments prorated over the remaining full pay periods within the dues withholding period.

c. An SF 1187 authorization for dues withholding remains in effect when a “Not-to-Exceed” (NTE) employee converts to an excepted service position in the bargaining unit prior to the expiration of the NTE appointment.

d. After each pay period, the PRO will prepare and forward the remittance to the designated labor organization electronically. A report that lists names and amounts withheld accompanies each remittance.

e. An educator’s authorization for dues withholding is carried forward automatically to the next school year unless notification to stop the deduction is received from the employee. No later than September 1, educators may request cancellation of labor organization dues deductions by submitting a SF 1188, Cancellation of Payroll Deductions for Labor Organization Dues, to the PRO. Proper completion and timely submission of the SF 1188
is the employee’s responsibility. If the SF 1188 is late (received after September 1), it processes for the next school year.

f. No later than 2 weeks prior to the date withholding is to begin, the local or area units of the labor organization will forward a list of employees who have requested dues withholding. The list will identify the bargaining unit name or number, location, address, point(s) of contact and phone number(s). The list will also include the following employee information: name, Social Security Number, location assigned, and amount of dues to withhold for that school year.

2. Savings Allotments and Allotment Allowed for 190-Day Educators Assigned in Overseas Areas. Savings and other allotments, as authorized in Chapter 11, deduct over the number of full pay periods in the school year.

B. TSP. An educator, administrator, or ISS employee may elect to have either a percentage or a dollar deduction for TSP in accordance with guidelines in Chapter 11. If the educator, administrator, or ISS employee specifies a percentage withholding, the employee receives TSP deductions taken from the annual retroactive salary adjustment each year.

070510. Educators Appointed as Junior Reserve Officer Training Corps (JROTC)

The DoDEA employs retired military officers and noncommissioned officers as educators in its JROTC overseas program. The school year salary of JROTC instructors is set using the comprehensive Schedule for Educators and Specialist (Schedule C).

070511. Waiver of Erroneous Payments of Pay and Allowances

DoDEA employees may apply for a waiver of erroneous payments of pay and allowances by following procedures outlined in Chapter 8. However, the PRO forwards DoDEA employee applications to the DoDEA Human Resources Regional Service Center for adjudication rather than to the Defense Debt and Claims Management Office at DFAS.
VOLUME 8, CHAPTER 8: “UNDERPAYMENTS, COLLECTION OF NON-DEPARTMENT OF DEFENSE (DoD) DEBTS, GARNISHMENTS, BANKRUPTCY ACTION, AND TAX LEVIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated December 2018 is archived.

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CHAPTER 8

UNDERPAYMENTS, COLLECTION OF NON-DEPARTMENT OF DEFENSE (DoD) DEBTS, GARNISHMENTS, BANKRUPTCY ACTION, AND TAX LEVIES

0801 GENERAL

080101. Purpose

This chapter establishes policy pertaining to underpayments, special payments, collection of non-DoD debts, processing garnishments, bankruptcy actions, tax levies, and processing and tax reporting on pay corrections. For regulations governing the collection of debts owed to the DoD, see Volume 16.

*080102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 11, and 31. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of this chapter.

0802 UNDERPAYMENTS

080201. General

Salary underpayments to employees or former employees may result from computation or time and attendance errors. Current or former employees who believe they have not been credited with the proper amount of pay or leave should contact their timekeeper to make time and attendance corrections or personnel office to make pay or allowance changes. Employees may also file a claim for additional earnings. For more information on the process for filing a claim, see Chapter 6.

A. Computation Errors. Underpayments may be the result of computation errors involving federal withholding tax, retirement or other employee benefit deductions, Social Security/Medicare tax, or the rate of pay. Every effort should be made to correct the underpayments by increasing or decreasing the pay factors affected on the first payroll prepared after the error is discovered.

B. Time and Attendance Errors. Underpayments may also be the result of time and attendance errors. All salary payments to employees must be paid in accordance with the time and attendance reported and certified by the employee's supervisor. Reported time and attendance, which is less than an employee's normal work schedule, is presumed to accurately reflect the employee’s hours of work and non-work. Any errors in time and attendance must be corrected and certified in order to adjust underpayments.
Special payments are defined as payments made outside of the normal payroll-processing schedule and are used to correct salary underpayments. Special payments are processed manually. Employees do not receive a Leave and Earnings Statement (LES) at the time of the special payment, but the Civilian Payroll Office (PRO) should notify the employee that the payment is being made. After the special payment is processed through the payroll system, an LES will reflect the gross amount of the special pay and all applicable deductions.

**A. Guidelines for Issuing Special Payments**

An employing activity must submit a request to the PRO for a special payment. The PRO may receive special payment requests via interfaced action(s). The PRO must request copies of substantiating and supporting documentation in order to process the special payment. The PRO makes the final determination on whether a special payment is appropriate and will process a special payment only under the following circumstances:

1. **Employee Receives Less Than 90 Percent of Pay.** A special payment may be issued to correct a salary underpayment when an employee has received less than 90 percent of their regular biweekly pay and allowances. The request for the special payment must be made by the commanding officer/director and must include a certified time and attendance report (or corrected time and attendance report). The PRO Directors may waive the 90 percent rule for making special payments when extenuating circumstances exist.

2. **Employee Erroneously Omitted From Payroll.** A special payment may be issued to pay an employee erroneously omitted from the payroll. Before the special payment is processed, the PRO must verify an individual’s employment using the Standard Form (SF) 50, Notification of Personnel Action. The request for the special payment must be made by the commanding officer/director and must include a certified and corrected time and attendance report and any necessary source documents to support deductions.

3. **Employee on Leave Without Pay (LWOP).** A special payment may be issued to pay an employee placed in an LWOP status for payroll processing when LWOP is approved for conversion to advanced annual, sick, and/or donated leave. The commanding officer/director may request a special payment after determining a financial hardship exists for the employee and that the employee has received less than 90 percent of their regular biweekly pay and allowances. The request must include a certified and corrected time and attendance report.

4. **Special Payments to Beneficiaries.** A special payment may be issued to pay a beneficiary entitled to receive a deceased employee’s unpaid compensation under 5 U.S.C. § 5582. Beneficiaries of deceased employees may request a special payment by sending a letter to the PRO identifying the need for payment to defray expenses. The PRO may issue the special payment only after the employing activity’s human resources office submits sufficient documentation to support the payment. For more information on deceased employee unpaid compensation and the computation of such payments, see Chapter 10.
B. Special Payments Not Authorized

Special payment requested for the following reasons will not be processed:

1. Partial Payment of Salary. The PRO will not honor a request for partial payment of salary before the regular pay date.

2. Special Payments of Premium Pay. The PRO will not process a request for special payments for overtime or other premium pay earned but not reported and, therefore, not paid in the corresponding pay period. However, authorization for a special payment for other reasons will include the payment of any unpaid premium pay for the corresponding pay period.

C. Computation of Special Payments to Employees

The PRO must compute the special payments to current and former employees using the “gross-to-net” method. Gross-to-net payments represent the regular biweekly pay and allowances normally due the employee (plus unpaid premium pay for the corresponding pay period, if applicable), less required deductions and withholdings withheld from the employee’s biweekly pay. Gross-to-net special payment computations should be applied as follows:

1. Biweekly Payment of Less Than 90 Percent. If the employee received less than 90 percent of their biweekly pay, the employee is entitled to the difference between what was paid and what should have been paid. The PRO will deduct additional amounts for applicable items, such as those identified in subparagraph 080202.F, unless previous payroll processing has satisfied those deductions. The employee is responsible for existing voluntary allotments not deducted during the previous processing. All deductions and withholdings must resume the following pay cycle, including voluntary allotments.

2. No Pay Received. If the employee received no biweekly pay, the gross entitlements, less applicable deductions and withholdings, are payable to the employee. The PRO must exclude deductions for voluntary allotments. The employee is responsible for existing voluntary allotments. All deductions and withholdings must resume on the following pay cycle, including voluntary allotments.

3. Final Pay as Special Payment. An employee’s final pay may be issued as a special payment. The gross entitlements, less required deductions and withholdings in subparagraph 080202.E, is payable to the employee. The employee is responsible for voluntary allotments. Under 5 U.S.C. § 5514, when an employee separates by resignation, retirement, death, or termination of appointment, the employee’s final pay (including lump-sum leave payments) will be applied to the extent necessary to liquidate any previously established debt. See Volume 16, Chapter 3.
D. Disbursement of Special Payments

Employees will receive special payment disbursements in the same manner as their net pay, by electronic funds transfer (EFT). If the employee has received a waiver of the EFT requirement for payroll disbursements, the PRO will send the employee a Treasury check via express mail to the employee’s address of record. Payments are normally issued within 3 business days following the PRO’s receipt of the special payment request and required supporting documentation.

E. Processing Special Payments Made After the Last Regular Pay Period of the Tax Year, But Prior to the End of the Calendar Year

1. Federal, State, and Local Taxes and Social Security/Medicare. For special payments made after the last regular pay period of the tax year, but prior to the end of the calendar year, the PRO must withhold federal, state, and local taxes, and Social Security/Medicare from the special payments. When computing or making deductions for Social Security, the PRO must ensure the employee has not reached maximum withholdings for the year. The PRO must forward the withholdings to the applicable offices as soon as possible. The PRO will include all deductions and contributions for Social Security/Medicare, federal, state, and local taxes for canceled checks or special payments.

2. Internal Revenue Service (IRS) Form W-2, Wage and Tax Statement. The PRO will process updates to ensure special payments or canceled checks are included in the history totals. After the final pay period of the tax year, if the PRO identifies incorrect reporting on the W-2, the PRO will issue the W-2c and the IRS Form 941-X, Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund, in accordance with the IRS Publication 15 (Circular E), Employer’s Tax Guide.

3. Thrift Savings Plan (TSP). Special payments for TSP participants are subject to TSP deductions provided the employee has not reached the maximum contribution level established by law. TSP deductions withheld from special payments after the last regular pay period in the tax year, but before the end of the calendar year, will be combined with the next pay cycle for reporting and submission to the Federal Retirement Thrift Investment Board.

F. Tax Rates for Special Payments

1. Tax Rate. The PRO must use the tax rate associated with the current IRS Form W-4, Employee’s Withholding Certificate, when processing all time and attendance retroactive transactions. The PRO must combine the retroactive wages with the wages from the last pay period (i.e., the pay period prior to the current pay period) to determine the basis for recomputing tax withholdings. The PRO must recompute the taxes and determine the retroactive tax withholdings by subtracting the taxes withheld during the last pay period from the recomputed taxes.

2. Retroactive Wage Increases. In accordance with Circular E, retroactive wage increases are supplemental wages, not regular wages. The amount of federal tax withheld will depend on how the supplemental wages are paid. For prior year retroactive payments, the amount of federal tax withheld is calculated using the supplemental tax rate, which
is updated by the IRS annually. For current year retroactive payments, the amount of federal tax withheld is calculated using the employee’s current tax rate.

*0803 COLLECTION OF NON-DOD DEBTS BY SALARY OFFSET; JUDGMENTS AGAINST EMPLOYEES FOR DEBTS OWED TO THE FEDERAL GOVERNMENT

080301. Non-DoD Federal Creditor Agencies

A. Request for Salary Offset. A non-DoD federal creditor agency is a non-DoD agency to which an employee owes a debt. When non-DoD federal creditor agencies (except the IRS or U.S. Courts) identify DoD employees as having outstanding debts, those agencies must address their salary offset requests to the Secretary of Defense designee for such collection, which is the Defense Finance and Accounting Service (DFAS) Cleveland (CL):

DFAS-AHADC/CL
1240 East 9th Street
Cleveland, OH  44199-8002

A request for offset must include certification that due process rights have been afforded to an indebted employee by the non-DoD creditor agency. Debts established in the payroll system for collection from non-DoD employees serviced by DFAS, who later transfer and become DoD employees, should be transferred systematically to the employing DoD agency for continued collection.

B. Statute of Limitations. There is no statute of limitations for collection of a debt by salary or administrative offset. Debts more than 10 years delinquent as of December 31, 2009, that were previously ineligible for collection may now be collected by administrative offset. Additional notice and due process requirements must be met. For further information, see Volume 16, Chapter 2.

080302. Government Travel Charge Card (GTCC) Contractor

A. Authority. Public Law (P.L.) 105-264 authorizes federal agencies to collect undisputed delinquent amounts incurred on an individually billed GTCC from the DoD employee’s disposable pay. The amount deducted may not exceed 15 percent of an employee’s disposable pay for each pay period, unless the employee has provided written consent for a greater amount. For further information, see the Federal Travel Regulation (FTR), Part 301-54; and Part 301-76; and Title 41, Code of Federal Regulations (CFR), Part 301-76.

B. Request for Collection. After undisputed debts become 90 days delinquent, the travel charge card contractor must send a 90-day demand letter to the employee that includes all due process requirements for initiating salary offset. If the debt is not disputed or paid, or arrangements are not made for payment by installment agreement within the 30-day period following the final debt letter, then the travel charge card contractor may request initiation of the salary offset process through payroll deduction.
C. Responsibilities

1. Travel Charge Card Contractor

   a. Request for Offset. The travel charge card contractor must forward delinquent debts to the Salary Offset Project Office:

   DFAS-AHADC/CL
   1240 E. 9th Street
   Cleveland, OH  44199-8002

   b. Record of Charges, Late Fees, and Costs. The undisputed 120-day old delinquent accounts referred for salary offset must contain the full balance of the account, regardless of whether some of the individual charges relate to an official travel document. In addition to the delinquent charges, the amount referred for salary offset must include any late fees assessed and costs of collection.

   c. Financial Institution Information. The file must include the travel charge card contractor’s financial institution and account routing information to facilitate electronic transmission of delinquent amounts collected.

   d. Private Collection Agency Referrals. Any delinquent debt the travel charge card contractor has already forwarded to a private collection agency for collection must not be included in the salary offset process. Likewise, a travel charge card contractor must not refer any delinquent debt already submitted to DFAS for collection by salary offset to a private collection agency.

2. Salary Offset Project Office

   a. Processing Requests. The Salary Offset Project Office (DFAS-AHADC/CL) must process the request for initiation of travel charge card delinquent debt salary offset in the same manner as is done for federal salary offset requests from other federal agencies.

   b. Debt Balance. The Salary Offset Project Office (DFAS-AHADC/CL) must manage the debt balance during the salary offset process. If for any reason changes to the debt balance occur, the travel charge card contractor must immediately advise the Salary Offset Project Office of those changes.

   c. Reports From the PRO. The PROs must provide reports listing the collection transactions to the Salary Offset Project Office for each collection file in order to monitor amounts collected and remaining debt balances due.

3. Due Process - Inquiries, Disputes, and Hearing Process. Any inquiries or disputes regarding the debt and the 90-day demand notice, which are received by the travel charge card contractor prior to forwarding the debt to DFAS for collection, will be handled
and resolved by the travel charge card contractor. If the employee wants to negotiate an installment agreement prior to the referral of the debt for salary offset, the employee will make any such agreement with the travel charge card contractor. If the employee is not satisfied with the travel charge card contractor’s disposition of the dispute, he or she may submit a petition to the travel charge card contractor for a debt hearing.

080303. Collection of State Debts

Under 31 U.S.C. § 3716(h) and 31 CFR 285.6, a state may enter into a reciprocal agreement with the Department of Treasury to collect unpaid state debt by offset of federal non-tax payments. DFAS does not offset non-tax state debts from federal employee salaries.

*080304. Judgment Against an Employee

When a court of the United States determines that a federal employee is indebted to the United States and enters a judgment against the employee, section 124 of P.L. 97-276 (published as a note to 5 U.S.C. § 5514), allows collection of the debt by deduction from the employee's current pay account. The employee's consent is not required. Any federal agency requesting salary offset under this authority must send a request for offset to the PRO with a copy of the judgment entered against the employee. The PRO may request the DFAS Office of General Counsel (OGC) to review the judgment if questions arise. After confirmation of the validity or interpretation of the judgment, the PRO will:

A. Compute the amount to be collected each pay period using the percentage specified in the offset request. The maximum amount deducted for a pay period may not exceed 25 percent of the employee's disposable pay, unless a greater percentage is necessary to recover the amount owed within the time of the anticipated employment. Deductions may be made from basic pay, special pay, incentive pay, or in the case of an individual not entitled to basic pay, other authorized pay.

B. Collect the total unpaid balance as specified in the offset request. This amount may include accumulated interest and administrative charges. The agency requesting offset should notify the PRO approximately 90 days before completion of the judgment offset with the final judgment amount, which includes the balance of accrued interest charges.

C. Forward a copy of the offset request to the employee with written notification advising the employee of the deduction amount and pay period the deduction will start.

D. Apply final pay (salary and lump-sum leave) to any unliquidated debt balance if the employee retires, resigns, dies, or if employment otherwise ends.

E. Forward payment each pay period to the agency requesting salary offset.
*0804 CHILD SUPPORT, ALIMONY AND COMMERCIAL GARNISHMENTS

*080401. General

The DFAS serves as the paying agency for the DoD, as well as non-DoD federal agencies, including the Department of Energy, the Department of Health and Human Services, and the Department of Veterans Affairs. In this capacity, the DFAS OGC, Garnishment Law Directorate is the designated agent for service of personal bankruptcy cases and garnishment legal process for agencies paid by DFAS.

Submit court orders for child support, alimony, commercial garnishments, and bankruptcies to the Garnishment Law Directorate.

DFAS Office of General Counsel  
Attn: Garnishment Law Directorate  
PO Box 998002  
Cleveland, OH 44199-8002

Toll free fax   (877) 622-5930  
Commercial fax   (216) 367-3675

Upon review of the court order, DFAS will process the garnishment deduction in the payroll system. A cancellation to the order will be automatic on the date of separation from DoD, upon death of the employee, or upon notification from the court that the garnishment is terminated. The employee cannot voluntarily stop court-ordered deductions.

*080402. Child Support and Alimony Garnishments

A. Authority. Title 42, U.S.C. § 659 provides consent by the United States to garnishment and similar proceedings for enforcement of child support and alimony obligations against employees. The PRO must deduct court-ordered garnishment under this section from the employee's pay in accordance with 5 CFR Part 581.

B. Pay Subject to Garnishment. All moneys due employees, the entitlement to which is based upon “remuneration for employment,” are subject to court-order garnishment. The term “remuneration for employment” means all compensation paid or payable for personal services performed by an individual, whether such compensation is denominated as wages, salary, commission, bonus pay, or otherwise, and includes, but not limited to, those items as defined in 5 CFR 581.103.

C. Pay Not Subject to Garnishment. Moneys paid as reimbursement (normally defined by law or regulations as allowances, awards paid for making suggestions, and injury compensation payments) are not deemed “remuneration for employment” and, therefore, are not subject to garnishment. Amounts not subject to garnishment are defined in 5 CFR 581.104. Other exclusions to pay subject to garnishment are deductions, as defined in 5 CFR 581.105.
D. Maximum Garnishment Limitations. Aggregate disposable earnings means the amount of any pay that is due or payable to an employee as “remuneration for employment” minus the deductions that are listed as exclusions. Unless a lower maximum garnishment limitation is provided by applicable state or local law, the maximum part of the aggregate disposable earnings subject to garnishment to enforce a support order (5 CFR 581.402) will not exceed the percentages specified in the following subparagraphs:

1. Up to 50 percent of the employee’s aggregate disposable earnings for any workweek if the employee is supporting a spouse, a dependent child, or both, other than the former spouse, child, or both for whose support is required by the garnishment order. An additional 5 percent of the employee’s disposable earnings is subject to garnishment in each case if the outstanding arrearages are over 12 weeks old; or

2. Up to 60 percent of the employee’s aggregate disposable earnings for any workweek if the employee is not supporting a spouse, dependent child, or both, other than the former spouse, child or both for whose support is required by the garnishment order. An additional 5 percent of the employee’s disposable earnings are subject to garnishment in each case if the outstanding arrearages are over 12 weeks old.

*080403. Commercial Garnishments

A. Authority. The public law, as codified in 5 U.S.C. § 5520a and enabled by 5 CFR Part 582, authorizes the pay of federal civilian employees to be garnished for commercial obligations in accordance with state law. Commercial obligations and garnishments do not include those for child support or alimony.

B. Pay Subject to Commercial Garnishment. Pay due to employees, as defined in 5 U.S.C. § 5520a, is subject to commercial garnishment.

C. Pay Not Subject to Commercial Garnishment. Suggestion awards and injury compensation payments are not subject to garnishment. Other amounts excluded from pay subject to garnishment are payroll deductions as defined in 5 CFR 582.103.

D. Maximum Garnishment Limitations. Under 15 U.S.C. § 1673(a)(1), involuntary withholding for the collection of a commercial debt is limited to a maximum of 25 percent of the employee's disposable earnings. However, state law prevails when it provides a maximum collection percentage less than 25 percent. If the employee already has a child support or alimony withholding order in effect, and the total deduction for child support and alimony equal or exceeds 25 percent of an employee's disposable pay, then do not process a deduction for a commercial debt. Further, limitations on the amount to be garnished are found in 5 CFR 582.402. There is no limit on the percentage amount for garnishment for federal, state, or local tax obligations, or for bankruptcy court orders.

*E. Administrative Fee. For each commercial garnishment received and processed, an administrative fee may be added to the garnishment amount and collected from the
employee in full before any payments are remitted to the creditor. In accordance with 5 CFR 582.301(k), the agency may retain administrative fees as offsetting collections.

080404. State Tax Levies

Involuntary state tax levies will be processed similar to commercial garnishments. Involuntary state tax levies are submitted to the Garnishment Law Directorate to begin legal process, whereas the PRO can establish voluntary state tax levies as allotments.

0805 BANKRUPTCIES

080501. General

This section applies to DoD employees who have filed a bankruptcy petition under either Chapter 7 or Chapter 13 of Title 11 of the U.S.C. (Bankruptcy Code). The law waives the U.S. Government's sovereign immunity for purposes of compliance with payroll deduction orders issued by the bankruptcy courts (11 U.S.C. § 106). Therefore, collections will be processed in accordance with the court order. Submit bankruptcy notices and Chapter 13 withholding orders to the Garnishment Law Directorate.

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
PO Box 998002
Cleveland, OH 44199-8002

Toll free fax (877) 622-5930
Commercial fax (216) 367-3675

A. Automatic Stay Provisions. Collecting an amount of indebtedness owed to the United States that incurred prior to the filing date of the petition is described as a prepetition debt. Collecting debts by offset from the employee’s pay account is authorized only through the day prior to the date the bankruptcy petition is filed. Continuing deductions from the employee’s pay after the filing of a petition in a bankruptcy is improper and violates the automatic stay provisions of the bankruptcy statute. Amounts withheld after the date the bankruptcy petition is filed must be refunded to the employee. Child support and alimony garnishments are not terminated unless the bankruptcy order specifically directs termination. Coordinate with the DFAS OGC, Garnishment Law Directorate, if there are questions about collecting a debt when a debtor has filed bankruptcy, as there may be exceptions that affect the collection of a debt or refund due a debtor.

B. Proof of Claim. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the employee has listed the United States as a creditor, the PRO files a proof of claim with the bankruptcy court concerned for all Chapter 13 filings and, if requested by the bankruptcy trustee, for Chapter 7 cases.

C. Post-Petition Debt. If the bankruptcy is completed and the employee receives a discharge, then generally, the listed indebtedness to the United States for pre-petition debts is
discharged with few exceptions. Any new debt incurred after the filing of the bankruptcy petition is known as a post-petition debt. Typically, the bankruptcy proceedings do not affect post-petition debts. However, prior to taking any collection action on post-petition debts, the PRO should coordinate with the Garnishment Law Directorate.

D. **Court Dismissal.** If the court dismisses the bankruptcy case, all debt collection and garnishments should resume because there is no longer a valid bankruptcy case.

080502. Chapter 13 Bankruptcies (The Plan)

A. Under the Chapter 13 Bankruptcy Code, an employee may file a petition with the court to enter into a Plan. *Title 11, U.S.C. § 1325* permits an indebted individual who has a regular income to file a Plan with the bankruptcy court designed to liquidate all or part of the creditor's claim. When a Plan has been approved, the court may order DoD to pay all or part of the employee’s wages to a trustee for the employee.

B. When the court confirms the Plan, its provisions are binding upon the employee and all creditors of the employee, regardless of whether they are affected by the Plan or have been included in the Plan.

C. Once the bankruptcy court confirms a Plan, it usually orders the employer to pay a specific amount of an employee’s income to the trustee named in the order. Payment to the trustee will be made in accordance with your normal pay cycle. Bankruptcy law authorizes us to withhold up to 100 percent of the employee’s disposable earnings, as directed by court-ordered, wage order.

D. The pay of an employee is subject to payment to the trustee appointed by the court pursuant to Chapter 13 of the Bankruptcy Code. Compliance with the court order gives the government valid acquittance against the employee since the court order is binding on the employee.

E. If the United States is both the employer and creditor when the individual files bankruptcy under Chapter 13, then the government’s priority under *31 U.S.C. § 3713* may be asserted in the absence of a judicial determination to the contrary. An [Official Form 410](#), Proof of Claim, should be filed with the appropriate PRO and the bankruptcy court.

0806 TAX LEVY FOR UNPAID FEDERAL INCOME TAX

080601. **Authority**

The IRS District Directors are authorized under *[26 U.S.C. § 6331]* to collect delinquent federal income taxes by levy on the salary or wages of any United States or Washington, D.C. employee. When the employee fails to pay federal income tax due within 30 days after the IRS issues a notice and payment demand, a levy against the employee’s wages may be issued. The levy is served against the take home pay of the employee and attaches only to the salary check or cash disbursement the employee would receive on payday if it were not for the levy.
A. **Allotments.** After the PRO receives a levy, the PRO must not allow employees to increase or add any voluntary allotments. Changes that increase existing voluntary allotments are only authorized after the total tax liability is paid or arrangements are made with the IRS.

B. **Time Limits.** The IRS has the authority to collect outstanding federal taxes for 10 years from the date the tax liability was assessed. However, the 10-year collection period can be suspended and the amount of time the suspension is in effect will be added to the time remaining in the 10-year period. For example, if the 10-year period is suspended for 6 months, the time left in the period the IRS will have to collect will increase by 6 months.

080602. **Procedures**

When the IRS serves Form 668-W, Notice of Levy on Wages, Salary, and Other Income, the PRO will take immediate action to implement the levy. Once the PRO processes the levy, the levy will continue in effect until the collection is complete or until the IRS releases the levy.

A. **Notice to Employee.** The PRO must follow instructions as indicated on the 668-W and provide notice to the employee that a levy has been received.

B. **Claiming of Exemptions.** Employees may claim a biweekly personal exemption and a biweekly exemption for each dependent. The IRS updates exemption amounts annually. The PRO must use the IRS *Publication 1494*, Tables for Figuring Amount Exempt from Levy on Wages, Salary, and Other Income, along with the 668-W for the current exemption amounts.

1. **Employee Responsibilities.** The employee must certify exemptions and provide the information to the PRO on the 668-W under “Statement of Exemptions and Filing Status.” The employee must return the completed form to the PRO for processing. If the employee fails to provide exemption information to the PRO, a dependency exemption will not be allowed and only the minimum personal exemption for each pay period will be allowed. An employee may provide a new statement to the PRO at a later date to have the exempt amount recomputed. The employee does not have to return the form if they have no dependency exemptions to claim.

2. **Court Judgment.** If the employee is required by a court judgment (made before the date of the levy) to contribute to the support of minor children, that amount of salary, wages, or other income is already exempt from the levy and the employee may not claim the minor children as exemptions.

C. **Computing Take Home Pay.** The levy attaches to the employee’s take home pay minus the allowable exceptions. Unless otherwise instructed by the IRS, the employee’s payroll deductions in effect at the time the levy was received will be allowed when determining the employee’s take home pay. However, a voluntary allotment may be disallowed if the deduction is so large it defeats the levy. The IRS may notify the PRO when different procedures should be followed for specific employees. To determine the employee’s take home pay, the levy attaches to the gross amount of the employee’s accrued wages or salary, less the following specified deductions:
1. Social Security/Medicare;
2. Retirement;
3. Federal Employees’ Health Benefits;
4. Federal Employees’ Group Life Insurance;
5. Pay attached or garnished for child support or alimony;
6. Overpayments due the U.S. Government; and
7. Allowable personal exemptions on the 668-W.

D. Return the 668-W to the IRS. After the PRO makes the first deduction for the levy against the employee’s pay, the PRO must follow the instructions on the 668-W and return Part 3 of the form to the IRS.

E. Employee Transfers or Separation

1. Transfers Within DoD. If the employee has been reassigned to an organization serviced by another PRO, then the losing PRO must inform the IRS District Director of the employee's new address. The losing PRO must mail the complete levy package to the new PRO for processing.

2. Other Employee Transfers or Separation. If the employee has moved from overseas, transferred to another federal agency, separated or retired, then the PRO will return the levy to the IRS District Director and provide the employee's new address on the 668-W.

F. No Employee Record Found. If the PRO receiving the levy has no record that payroll service has been furnished for the employee, the PRO must annotate that fact on the bottom of the levy and return the levy to the IRS District Director.

080603. Voluntary Deductions for Unpaid Federal Income Tax

An employee may arrange with the IRS to liquidate a delinquent federal income tax debt through voluntary biweekly payroll deductions. The IRS Form 2159, Payroll Deduction Agreement, must be submitted to the PRO to initiate the deduction process.
0807 PAY CORRECTIONS AND TAX REPORTING

080701. General

A. Purpose. This section provides guidance on correcting tax reporting for underpaid or overpaid earnings.

B. Authoritative Guidance. The authority used to derive procedures for this section includes Circular E and corresponding statutes and regulations.

080702. Tax Reporting for Underpayment of Earnings

A payment made to correct an underpayment of earnings (“corrective payment”) is reported as wages in the year the corrective payment is issued, even if the underpayment occurred in a prior calendar year. The PRO must process the corrective payment in the current pay cycle. The PRO must report the corrective payment as gross wages subject to Social Security/Medicare taxes on the employee’s current year IRS Form W-2, Wage and Tax Statement. Social Security/Medicare tax should be withheld from the corrective payment. The gross wages must be reported as current quarterly earnings on the IRS Form 941, Employer’s Quarterly Federal Tax Return. For separated employees, the PRO may be required to prepare the IRS Form W-2c, Corrected Wage and Tax Statement, if a W-2 was previously issued.

080703. Tax Reporting for Overpayment of Earnings

If an employee has been overpaid earnings, the earnings are reported in the year the employee was overpaid (see paragraph A for adjustments to tax reporting if the employee repays the debt in the same year as the overpayment). If the employee repays a debt for an overpayment of earnings, the procedures for correcting tax reporting depend on whether the repayment was made in the same year as the overpayment, or in a subsequent year.

A. Repayment of Current Year Overpayments

If the employee was overpaid earnings and repaid the debt in the same year as the overpayment, the following applies:

1. Active Employees. For active employees, the PRO must follow debt collection procedures in Volume 16 in order to establish a debt for the overpaid earnings. If the employee repays the debt, in whole or in part, in the same year the overpayment occurs, the PRO will need to record the repaid amount as a reversal in the base pay, gross pay, net pay, or other pay as applicable. Such action is required to recover income tax withholding and Social Security and Medicare taxes for the repaid wages and to correct the yearly gross income. If the entire debt is not repaid in the same year in which the overpayment occurred, see paragraph B.

2. Separated Employees. The PRO must follow the same procedures for active employees outlined in subparagraph 080703.A.1, but must reestablish the employee on the payroll prior to processing the required reversals. If a W-2 was previously issued to the separated
employee, the PRO must prepare a W-2c. If the entire debt is not repaid in the same year in which the overpayment occurred, see paragraph B.

B. Repayment of Prior Year Overpayments

If the employee was overpaid earnings and repaid the debt in a year subsequent to the year of the overpayment, the following applies:

1. Active Employees.
   a. Tax Reporting. If an active employee repays an overpayment of earnings paid in a prior year, Social Security/Medicare wages and taxes may need to be corrected. If the year of repayment is still within the 3-year statute of limitations for Social Security and/or Medicare tax refunds, the PRO must prepare a W-2c and W-3c for the prior year to reduce the gross wages subject to Social Security/Medicare (box 3). Wages reflected in box 1 of the W-2c should not be corrected. Additionally, no adjustments are made for income tax withholding or additional Medicare tax withholding. In accordance with the Circular E, the PRO will prepare the 941-X to correct errors on the 941 and retain copies of the corrected forms. If the repayment is beyond the 3-year statute of limitations, then the PRO will not make corrections to the prior year W-2 and the 941.

   b. Tax Certificate. The PRO should prepare a tax certificate for the employee representing the repaid wages in the year of repayment. The amount entered on the certificate is the total amount of the reverse deductions plus the amount the employee repaid. The employee may be entitled to a deduction (or a credit, in some cases) for the repaid wages on the employee’s income tax return for the year of repayment. For additional information, also see 26 U.S.C. § 1341 and IRS Publication 525, Taxable and Nontaxable Income.

2. Separated Employees. For separated employees, the PRO will follow the procedures outlined for active employees, but will retain copies of the W-2c and the 941-X to balance annual federal tax deposits.
REFERENCES

CHAPTER 8 – UNDERPAYMENTS, COLLECTION OF NON-DEPARTMENT OF DEFENSE (DoD) DEBTS, GARNISHMENTS, BANKRUPTCY ACTION, AND TAX LEVIES

0801 – GENERAL

0802 – UNDERPAYMENTS

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<tbody>
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<td>080201</td>
<td>DoD FMR Volume 8, Chapter 6</td>
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<td>080202.A.4</td>
<td>5 U.S.C. § 5582</td>
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<td>080202.C.3</td>
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<td>080202.E.2</td>
<td>5 U.S.C. § 5514</td>
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0803 – COLLECTION OF NON-DOD DEBTS BY SALARY OFFSET; JUDGMENTS AGAINST EMPLOYEES FOR DEBTS OWED TO THE FEDERAL GOVERNMENT

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0804 – CHILD SUPPORT, ALIMONY AND COMMERCIAL GARNISHMENTS

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0805 – BANKRUPTCIES

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0806 – TAX LEVY FOR UNPAID FEDERAL INCOME TAX

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0807 – PAY CORRECTIONS AND TAX REPORTING

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VOLUME 8, CHAPTER 9: “RECORDS, FILES, AND REPORTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2018 is archived.

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<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
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<td>Removed procedural guidance throughout to comply with current administrative instructions and modernizations efforts.</td>
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<td>Removed references to the Department of Defense 592, Payroll for Personal Services Certification and Summary throughout section due to this form no longer being used.</td>
<td>Deletion</td>
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0901 GENERAL

090101. Purpose

This chapter provides guidance on records, files, and reports kept by the Civilian Payroll Offices (PRO).

090102. Authoritative Guidance

Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

0902 RECORDS AND FILES

090201. Payroll Documentation

A. Disbursement Documentation. Documentation in the form of a voucher must be prepared for each disbursement or group of disbursements authorized to be paid by any Department of Defense (DoD) Component. A voucher is the authority for payment and must be correctly prepared in accordance with all legal and regulatory guidance, supported with proper documentation, and certified by an authorized certifying official prior to disbursement submission. DoD agencies are not permitted to give an employee the authority to certify his or her own disbursements.

1. Disbursements to the Office of Personnel Management (OPM). Deductions for the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), life insurance, and health benefit programs with employer contributions are routinely paid to OPM each pay period. The automated Standard Form (SF) 2812-A, Report of Withholdings and Contributions for Health Benefits by Enrollment Code, is used to report these deductions to OPM. A consolidated SF 2812-A must be submitted biweekly to OPM through the Retirement and Insurance Transfer System (RITS). For additional information on RITS, see subparagraph 090303.C.

2. Disbursements to Taxing Authorities. Federal income, Social Security, and Medicare taxes withheld must be paid to the Internal Revenue Service (IRS) as provided by the IRS Publication 15 (Circular E), Employer’s Tax Guide. State or city/local income taxes withheld must be paid to the appropriate taxing authority in accordance with the Treasury Financial Manual (TFM), Volume I, Part 6, Chapter 5000 and Title 31, Code of Federal Regulations (CFR), part 215.
3. **Disbursements to Thrift Savings Plan (TSP).** Employee and employer contributions for traditional or Roth TSP accounts, and deductions for TSP loan repayments must be paid to the TSP Record Keeping Service Provider. See *TSP PRO Tools*.

4. **Other Disbursements.** All other amounts withheld must be paid in accordance with applicable regulations or instructions furnished by the employee.

**B. Deduction Documentation.** Payments to those for whom deductions are authorized to be paid must be reconciled on a cyclical basis, at least annually, with the amounts withheld plus the related employer contributions, if any, as shown by the pay or other records. This procedure is necessary to determine whether the correct amounts are reported to those authorized to receive deductions and contributions withheld from the employee’s pay. Payroll records must provide a clear audit trail from the gross pay calculation to the net pay received by the employee by pay period and by year-to-date totals.

1. **Tax Withholding.** The amounts reported on the annual *IRS Form W-2*, Wage and Tax Statement must match the total amounts withheld during the year as shown by the PRO records.

2. **Individual Retirement Record (IRR).** A related control account and an *SF 2806*, IRR (CSRS), or an *SF 3100*, IRR (FERS), must be maintained in accordance with OPM requirements for each civilian employee for whom retirement deductions are made. For information on items reported on the IRR refer to the CSRS/FERS Handbook, *Chapter 81* and Benefits Administration Letter *15-102*.

3. **Federal Employees’ Group Life Insurance (FEGLI).** Each DoD PRO must keep a record of the total amounts withheld from employees’ salaries and the total amount of the employer’s contributions for FEGLI for each calendar year. These records must be kept in a ledger or other appropriate form or represented by file copies of vouchers that were used to report information to OPM.

4. **Federal Employees Health Benefit (FEHB).** A record of employee deductions and the employer’s contributions for health benefits must be kept by each enrollment code number. The PRO and the health benefit carrier must submit the enrollee data included in this record to the National Finance Center’s (NFC) FEHB Centralized Electronic Enrollment Reconciliation Clearinghouse (*CLER*) system on a quarterly basis. The Human Resources Office (HRO) and the PRO must review any error codes identified in the CLER system and resolve the discrepancies. The discrepancies are resolved by comparing the health benefits coverage reported by the PRO, the health benefits coverage reported by the carriers, the *SF 2809*, Health Benefits Election Form, and the *SF 2810*, Notice of Change in Health Benefits Enrollment, sent in support of the coverage.

5. **TSP Deductions.** The HROs must maintain a record of traditional and/or Roth TSP deductions and agency contributions for each employee.
090202. Retroactive Computations Involving Former PROs

A. General. When retroactive payroll computations are required that involve one or more former PROs, the consolidated PRO maintains overall responsibility for the adjustment process. If it is determined that a former PRO is involved, the consolidated PRO is responsible for contacting each former PRO to obtain the necessary information.

B. Documentation Requests. If the consolidated PRO is unable to obtain the documentation necessary to perform the retroactive calculation, the consolidated PRO may take one or more of the following steps:

1. Request Archived Documents From the National Personnel Records Center (NPRC). When copies of the SF 135, Records Transmittal and Receipt, are unavailable at the employee’s former office, the current PRO must complete a National Archives and Records Administration (NARA) Optional Form 11, Reference Request - Federal Records Centers, with all available information. The employee’s name, Social Security number (SSN), known places of employment, names and PRO numbers of applicable PROs, and year(s) for which the records are requested must be included in the description and remarks section of the form.

2. Contact the Appropriate HRO. If the NPRC cannot locate the records, the PRO must prepare a memorandum to the appropriate HRO requesting copies of the SF 50, Notification of Personnel Action, or other related pay and/or leave information. Since there may have been consolidations of both the PRO and the appropriate HRO prior to the Defense Civilian Pay System (DCPS) consolidations, it is imperative that both offices work together to obtain information that will assist in the determination of pay and leave adjustments for the employee.

3. Contact the Employee. If the PRO cannot locate documentation from the NPRC or the appropriate HRO, the PRO must contact the employee for the necessary documentation. If the employee has copies of the SF 50 and/or the Leave and Earnings Statement (LES), the PRO may accept this information and use it to reconstruct the pay and/or leave records.

4. Contact OPM. If the transmittal letters to OPM and/or copies of the retirement records cannot be located, the PRO may submit a request to OPM in writing to procure the necessary copies of the records. The PRO may use the information on the retirement records for reconstruction of pay information for adjustments.

0903 REPORTS

090301. General

DoD civilian payroll systems must conform to various legal and regulatory requirements by generating reports at regular intervals, on an as-needed basis or by producing reports to meet special requirements. The PRO must support management by generating reports that provide the necessary information to ensure the system’s integrity. Individuals who create reports are responsible for correcting errors due to inaccurate reading or entering of data. Discrepancies in reporting, transmitting, or depositing funds must be resolved promptly. Pursuant to the provisions
of the Government Accountability Office (GAO) publication Maintaining Effective Control Over Employee Time and Attendance Reporting, *GAO-03-352G*, reports must be:

A. Prepared accurately, promptly, and distributed to the appropriate recipients to ensure receipt when the information will be of maximum benefit;

B. Based on, supported by, and periodically validated against appropriate detailed information in the payroll system;

C. Sent in a timely manner to officials who authorized, or were responsible for, processing payroll transactions, and reviewed by those officials for completeness and accuracy;

D. Discussed periodically with users and modified or eliminated as appropriate to meet user needs; and

E. Retained and disposed of in accordance with NARA General Records Schedule 2.0, Human Resources, which includes: Schedule 2.4, Employee Compensation and Benefits Records, and Schedule 2.5, Employee Separation Records, with sensitive data handled in accordance with the provisions of the Privacy Act. See 5 CFR 2606.

090302. As-Required Reports

A. Income and Employment Tax Reports. Income and employment tax reports are submitted to cities/localities that have an agreement with the Secretary of the Treasury and to cities/localities where voluntary deductions have been taken from employees. Reports are sent to the city/local taxing authorities based on the frequency prescribed by each municipality. See TFM, Volume I, Part 6, Chapter 5000.

B. State Income Tax Reports. These reports are required by states that have reached an agreement with the Secretary of the Treasury. These reports are submitted to the state taxing authorities based on the frequency prescribed by each state. See TFM, Volume I, Part 6, Chapter 5000.

C. Report on Transfer of Employee

1. **SF 1150, Record of Leave Data.** The losing PRO must prepare an **SF 1150** at the time of the employee’s separation if the employee transfers within DoD to another PRO or to another Federal agency. All blocks on the SF 1150 must reflect accurate data. In addition to reporting transferred leave data, the form contains other pertinent information for the employee in the Remarks section. This includes, but is not limited to: year-to-date wages for Social Security and/or Medicare tax purposes, year-to-date TSP deductions, last deduction for FEHB and FEGLI, date through which the insurance deductions were made, and overseas or territorial differential data.

   a. The losing PRO forwards the completed SF 1150 to the losing HRO.
b. The losing HRO includes it in the employee’s Official Personnel Folder (OPF) and forwards it to the gaining HRO.

c. The gaining HRO then forwards the SF 1150 to the gaining PRO.

2. **Delayed Receipt of SF 1150.** If there is a delay of the OPF containing the SF 1150 reaching the appropriate gaining HRO, and the employee is taking leave, the leave balances from the employee’s latest LES may be entered into DCPS. Once the gaining PRO receives the SF 1150, any transferred-in leave balances will be overridden if the SF 1150 data differs.

3. **OPM Form 630, Application to Become a Leave Recipient Under the Voluntary Leave Transfer Program (VLTP).** Use version A, B, or C as appropriate for the VLTP action requested. This form records the transfer of leave for leave recipients covered by the VLTP. The **OPM 630** is used when a current leave recipient transfers to another PRO or Federal agency without a break in service and will be attached to the SF 1150.

D. **Request for Wage and Separation Information.** The PRO must report wage data to the appropriate HRO in accordance with Chapter 6. The appropriate HRO maintains a file copy of all data furnished for 2 years in accordance with the General Records Schedule 2.0, and then the file copy is destroyed.

E. **SF 2806 (IRR, CSRS) and SF 3100 (IRR, FERS).** The PRO will prepare and maintain the SF 2806 and the SF 3100 in accordance with Chapter 4.

F. **IRS Form W-2c, Corrected Wage and Tax Statement, IRS Form W-3c, Transmittal of Corrected Wage and Tax Statements, and IRS Form 941-X, Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund (formerly 941c).** The Defense Finance and Accounting Service (DFAS) is responsible for:

1. Preparing a **W-2c** in accordance with Circular E to correct prior year wages and tax withholdings as applicable;

2. Providing copies to the employee and copy A to the Social Security Administration (SSA);

3. Sending a separate **W-3c** with the corrected W-2c to the SSA upon completion of the correction;

4. Retaining the employer’s copy of the W-2c in the PRO;

5. Preparing a 941-X to adjust the gross wages subject to Social Security and/or Medicare taxes;
6. Attaching a 941-X to the current quarterly *IRS Form 941*, Employer’s Quarterly Federal Tax Return, and entering the amount of the adjustment on the 941. The PRO must maintain copies of both forms;

7. Retaining a copy of the W-2c and the 941-X in the current year quarterly tax folder to balance annual Federal tax deposits;

8. Preparing the IRS *Form 1095-C*, Employer-Provided Health Insurance Offer and Coverage, for the IRS and the employee for the previous tax year; and

9. Preparing the IRS *Form 1094-C*, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns. This form is sent to the IRS in conjunction with the 1095-C.

*090303. Biweekly Reports

A. Civilian Leave and Earnings Statement (LES). The LES must show gross pay, deductions, net pay, and employer contributions for the current pay period and cumulative totals for the current year. The LES must reflect the accrued and used leave balances for the pay period and year-to-date values. The LES must be made available electronically by accessing *myPay* or mailed to the employee’s non-work address every pay period.

B. SF 2812-A, Report of Withholdings and Contributions for Health Benefits by Enrollment Code. The amount collected for employee retirement (CSRS and FERS), FEHB, and FEGLI deductions, military service deposits, reemployment offsets, and the agency’s contributions for retirement (CSRS and FERS), FEHB, and FEGLI are transferred to OPM. As prescribed by OPM, the PRO uses a “no-check-issue” as the means of payment to OPM. Funds are transferred to OPM using the SF 2812-A. The SF 2812-A reports the total employee deductions and agency contributions for health benefits by health benefits plan enrollment code for the pay period (see subparagraph 090201.A.1).

*  C. RITS.

1. RITS is part of the Intra-Governmental Payment and Collection (IPAC) system developed by OPM and the Department of the Treasury (Treasury) to report civilian retirement and insurance contributions. The automated RITS interface with the payroll system replaces the manual reporting to OPM of the SF 2812-A.

*  2. To process the RITS transactions, the PRO must provide the disbursing office with the payroll system generated hardcopy of the payroll for personal services certification and summary, the SF 2812-A and any disbursement vouchers for cash payments.

*  a. Cash payments received from employees, such as military deposits and health benefits payments, are considered current transactions. The funds are collected and disbursed from a holding account. The total of the payroll for personal services certification and summary and cash disbursement vouchers must equal the total of the SF 2812-A. Cash collections
for health benefit indebtedness received from pay accounts not carried forward from former PROs must be reported to OPM separately on a supplemental SF 2812-A using the Off-Line Bulk Data Transfer RITS software.

b. The disbursing office must ensure the voucher amounts agree and the vouchers contain proper certifying signatures before authorizing the transmission of the file to OPM. The delay between the creation of the system file and transmission is a necessary step in the process to establish adequate internal controls for the disbursement of Government funds. If the file is transmitted before the payment date, OPM must warehouse the data until the settlement date.

c. The IPAC transaction is a direct payment to OPM. Report the transaction on the SF 1219, Statement of Accountability.

3. RITS provides the capability to report on a regular biweekly basis, as well as to report adjustments in a supplemental off-cycle mode. Reporting during the regular biweekly cycle is the preferred method and automated capabilities of the payroll system must be fully utilized in order to do so. Use of a supplemental reporting cycle must be limited to the greatest extent possible.

4. Consolidated PROs using RITS may find it necessary to report adjustments related to former PROs as well as adjustments related to the consolidated office. In these situations, the following may be applicable:

a. Adjustments for Accounts That Have Not Been Transferred to the Consolidated PRO. These accounts were inactive on former PRO records and did not convert to the consolidated office. Responsibility for these adjustments is now with the consolidated payroll operation and is under the DFAS PRO operations. These adjustments could involve correction of a retirement plan, cash collection for military deposits, or health benefit indebtedness.

(1) Retirement Plan Correction. These adjustments must be reported to OPM via a hard copy SF 2812-A citing the PRO number that originally reported the deductions and contributions. Corrected retirement records and registers citing the former PRO must be prepared and forwarded to OPM. Copies of the SF 2812-A, registers, and records must be forwarded to the departmental reporter for the former PRO so that cumulative balances may be adjusted.

(2) Cash Collections for Military Deposits. The PRO must report cash collections for military deposits via a hard copy SF 2812-A citing the PRO number that originally reported the deductions and contributions. Corrected retirement records and registers citing the former PRO must be prepared and forwarded to OPM. Copies of the registers, records, and SF 2812-A must be forwarded to the departmental reporter for the former PRO so that cumulative balances may be adjusted.

(3) Cash Collections for Health Benefit Indebtedness. Cash collections for health benefit indebtedness must be reported via RITS as a supplemental SF 2812-A from the consolidated PRO using the consolidated PRO Number.
b. **Adjustments for Accounts That Have Been Transferred to the Consolidated PRO.** These accounts were active on former PRO records and converted to the consolidated office. Adjustments may be for accounts that have become inactive since consolidation or for those still in an active status. As part of the consolidated payroll operation, DFAS PRO is responsible for these adjustments. Records for both the former and consolidated PROs may need to be corrected, depending on the effective date of the correction involved.

(1) **Retirement Plan Correction.** The adjustment may involve both hard copy reporting via the SF 2812-A and reporting via RITS. Adjustments that are effective prior to the transfer to the consolidated office must be reported to OPM via the SF 2812-A citing the former PRO number. Corrected retirement records and registers for that portion applicable to the former PRO must be prepared and forwarded to OPM. A copy of the SF 2812-A, registers, and records must be forwarded to the departmental reporter for the former PRO so that cumulative balances may be adjusted. That portion of the adjustment applicable to the consolidated PRO must be corrected through the payroll system and reported via the RITS regular biweekly cycle. Adjustments for accounts that have become inactive since consolidation must be corrected through the payroll system by reactivating the account.

(2) **Cash Collections for Military Deposits.** Cash collections for military deposits must be reported via RITS during the regular reporting cycle. Collections for accounts that have become inactive since consolidation must be corrected through the payroll system by reactivating the account. Correction through the payroll system is necessary in order to maintain the proper sequencing of system-assigned register numbers.

(3) **Cash Collections for Health Benefit Indebtedness.** Cash collections for health benefit indebtedness must be reported via RITS during the regular biweekly reporting cycle.

D. **TSP Form TSP-2, Certification of Transfer of Funds and Journal Voucher.** A “no-check-issue” procedure is used to transfer the amount collected for employee TSP deductions as well as the agency contributions to NFC. Funds are transferred to NFC using the **TSP-2.**

* E. **Payroll for Personal Services Certification and Summary.** The payroll for personal services certification and summary provides total payroll costs and detailed accounting data by appropriation and accounting activity in connection with the civilian payroll.

F. **Reports of Salary Offsets for Non-DoD Federal Agencies**

1. **Report of Collections.** The PRO must forward a biweekly report to each creditor agency of the collections made for the pay period. This report must include, at a minimum, the non-DoD agency to which the collections apply, the PRO name and address, the employee’s name, the amount collected for each employee, the period for which the collection applies, and the total amount of collections remitted to the non-DoD agency.

2. **Report of Employees With Salary Offset.** The PRO forwards a biweekly report of employees with salary offsets for non-DoD Federal agencies to the DFAS site
that originally forwarded the salary offset request to the PRO. This report must include, at a minimum, the employee’s name, SSN, creditor agency, amount of the last biweekly collection amount, pay date of the last collection, and the debt balance amount. In the case of employees with more than one debt to a non-DoD Federal agency, the information required in this paragraph must be provided for each debt.

F. **Reporting Union Dues to Labor Organizations or Associations of Management Officials or Supervisors.** Each pay period, the PRO must prepare a listing for each recipient of withheld dues. At a minimum, the listing must include the name and address of the PRO, the labor organization or association for which the listing pertains, employee names and amount of dues deducted for each, total amount collected and system-generated remarks that explain the lack of deductions.

G. **Combined Federal Campaign (CFC) Report.** The PRO must provide a transmittal report to the Central Campaign Administrator to include:

1. The employing agency, e.g., Army, Navy, Air Force;

2. The employee names and deduction amounts per individual employee;

3. The pay period number; and

4. The pay period date of the CFC data. See 5 CFR 950.801.

090304. **Quarterly Reports**

A. **Continuation of Pay (COP) for Disabling, Job-Related Traumatic Injuries Sustained by Federal Employees.** The Department of Labor requires a quarterly report on COP. The requirement applies to all PROs including National Guard units. See 20 CFR 10.200.

B. **Employment Statistics Program.** Upon request, the PRO furnishes feeder data to the appropriate HRO on total wages paid to civilian employees for specific calendar quarters. The appropriate HRO must prepare and submit the final report.

C. **IRS 941, Employer’s Quarterly Federal Tax Return.** Each PRO must report tax payment information to the IRS on the 941. The report must be completed and filed by the due date established by the IRS. This is normally the end of the month following the close of the quarter. If all taxes for the quarter are deposited when due, the PRO must file the 941 by the 10th day of the second month following the close of the quarter. The tax payment information required under *Schedule B (Form 941)*, Report of Tax Liability for Semiweekly Schedule Depositors, must be derived from the payment records. The total amount of tax payments during a quarter must agree with the total taxes reported on the 941.

1. The PRO forwards the system generated IRS disbursement voucher, “In Lieu of SF 1049, Public Voucher for Refunds,” to the disbursing office at an agreed upon time
preceding the payment date for transmitting the voucher data through the Electronic Federal Tax
Payment System (EFTPS). EFTPS is a service offered by Treasury, which allows an agency to
electronically file and make tax payments reported on the 941 each quarter. See the IRS information on
EFTPS.

2. The DFAS Cleveland Disbursing Office makes the daily tax
deposits that are reported on the 941 through the EFTPS. The tax deposit information is entered
on the 941, using a fillable form available from the IRS website. After the 941 is prepared, it is
reviewed and signed by a supervisor then e-faxed to the IRS point of contact.

3. The disbursing office returns the 941 printout to the PRO the day
following each IRS disbursement. This printout reflects the cumulative totals for the quarter.

4. The PRO must correct any discrepancies.

D. Health Benefits Reconciliation Data File. Each quarter, the OPM FEHB
CLER data must be reported to NFC, which implements a system to reconcile health benefits data
for government agencies. The quarterly report of enrollees must include enrollee names, the total
amount for employee deductions, and the total amount for employer contributions. The quarterly
report must include enrollment data for all health plans for the payroll paid during the 1st through
the 15th of March, June, September, and December. If there are two payrolls paid during that period,
the PRO reports only the enrollment data for the last payroll paid. The data in this report is first
sorted by FEHB enrollment code and then SSN. The report must provide a subtotal for each
enrollment code and a grand total for each plan.

E. Transportation Fringe Benefit Report. A fringe benefit is a form of pay for
the performance of services that is in addition to the employee’s regular salary or wages. Examples
of transportation fringe benefits include the use of a business vehicle, transit passes, and the value of
parking.

1. Employers are required to report the value of transportation fringe
benefits as taxable income for amounts that exceed the established IRS threshold.

2. The parking fringe benefit valuation must be reported by the
employing activity directly to the servicing PRO on a quarterly basis to ensure proper reporting of
income and collection of taxable wages on the W-2.

3. The monthly value of the transportation fringe benefits and the
reportable taxable benefit must be included in the report.

4. Certain qualified transportation fringe benefit amounts may be
excluded from an employee’s wages each month. See Chapter 3 for information on qualified

F. Civilian Direct Deposit Participation Report. When directed, the PRO must
furnish data to the appropriate functional organization on civilian employees participating in Direct
Deposit/Electronic Funds Transfer (EFT). This feeder-type information is used by DoD managers to report payment volumes and the percentage of payments made by EFT to the Bureau of the Fiscal Services within 25 days after the end of each quarter.

G. Reporting Workforce Information. OPM collects data from agencies relating to civilian employees in a manner and at times prescribed by OPM. See 5 CFR 9.2. The data reported is primarily used by the Office of Management and Budget (OMB) as a baseline for making policy decisions on personnel budget requests.

1. SF 113-A, Monthly Report of Federal Civilian Employment. The PRO must submit this report to OPM on a quarterly basis covering 3 months for the quarter or on a pay period basis covering the quarter. If the PRO submits data on a pay period basis, the PRO must report total employment “as of” September 30 for their September (fiscal year) submission. The report must reflect lump sum payments, wages, and salaries earned during the reporting period. The turnover data must include accessions and separations when the effective data occurs during the period covered. See SF 113-A.

2. SF 113-G, Monthly Report of Full-Time Equivalent/Work-Year Civilian Employment. The PRO must provide feeder data to the Defense Manpower Data Center for reporting to OMB. See SF 113-G.

090305. Semiannual Reports

A. Semiannual Headcount Report. OPM requires that a report of the withholdings and contributions for retirement, FEGLI, and FEHB be sent in the form of a semiannual headcount report. This report is required for the last pay period paid during the 1st through the 15th of March and September, in conjunction with the quarterly reporting of enrollment in all health benefits plans.

B. Report of Work Years and Personnel Cost. This report provides information required by OMB to estimate the cost of proposed Federal pay increases, evaluate the financial effects of proposed legislation on civilian personnel compensation and benefits, and prepare analysis of pay and personnel benefits of Federal employees. The consolidated PRO provides feeder-type data on the leave data for part C of this report.

090306. Annual Reports

A. Wage and Tax Statements

1. Wage and Tax Statements to SSA. A W-2 is used to report taxable income to the SSA and the IRS. The PRO must issue a W-2 to employees no later than January 31 of the year following the applicable tax (calendar) year. This also applies to employees who died or separated during the year. Individuals may request the form at an earlier date by making their request in writing to the PRO. In such instances, the form is to be issued within 30 calendar days of receipt of the request or of the final payment, whichever is later. The DoD PROs are required to use the DFAS approved standardized W-2 each year.
2. Wage and Tax Statements to States

   a. The PRO provides this information to states that have entered into a Standard Agreement with Treasury or as authorized pursuant to a published routine use statement. See *TFM Vol. 1, Part 6, Section 5070*. The PRO will issue returns with respect to those employees who:

   (1) Are employed in the state and subject to mandatory withholding of state income tax; or

   (2) Have established voluntary allotments for the state’s income tax.

   b. The PRO provides annual information returns on a W-2. Other forms prescribed by states must not be used.

   c. The PRO must include only the information on a W-2.

   d. The PRO must submit the W-2 to the states in print or electronically. The PRO must file all returns in accordance with regulations issued by the state taxing authorities. A list of state taxing authority contacts is available at the IRS website.

   e. The PRO may need to report information to more than one taxing authority for the same employee. If so, it must supply a copy of a W-2 to the proper state, city, or local taxing authorities on request. Those authorities will decide if the employee is liable for any tax.

   f. A state requirement to file information returns monthly does not affect existing arrangements to submit the W-2 only once a year.

3. Wage and Tax Statements to Cities or Other Localities

   a. In the case of an agreement with the city or locality, the PRO will issue returns with respect to those employees who are:

   (1) Employed in the city or locality and subject to the tax (whether or not tax is withheld); or

   (2) Residents of the city or locality and are subject to the tax (whether or not tax is withheld). If the city or locality has not entered into a Standard Agreement, with the prior written consent of the employee, or if authorized pursuant to a published routine use statement, the PRO will issue returns to the taxing authority with respect to an employee who has voluntary deductions for the city or locality’s income tax.

   b. The PRO provides annual returns on a W-2. Other forms prescribed by cities or localities must not be used.
c. The PRO must include only the information on a W-2.

d. The PRO must submit a W-2 in accordance with regulations issued by the city or locality taxing authorities.

e. A city or locality requirement to file information returns monthly does not affect existing arrangements to submit a W-2 only once a year.

4. Wage and Tax Statements to Employees

a. If the employee has not yet transitioned to an electronic W-2 format, the PRO must mail a paper W-2 to each employee’s non-work address by January 31 of the next year. The W-2 must include the:

   (1) Employee’s name, SSN, and address;

   (2) Wages subject to Social Security/Medicare, federal, state, city, or local withholding;

   (3) Social Security and/or Medicare, federal, state, or local tax withheld, if any;

   (4) Name of state, city, or county; and

   (5) City and/or county assigned Employer Identification Number.

b. The PRO must mail corrections to the annual wage and tax statement(s) to an employee’s non-work address as soon as an error is discovered. Refer to subparagraph 090302.F for information on the W-2c and W-3c.

c. The PRO must issue the 1095-C to employees no later than January 31 of the year following the applicable tax (calendar) year.

B. Student Loans. Agencies are required to report annually to OPM on their use of the student loan repayment authority. Before March 31 of each year, agencies must submit their reports for the previous calendar year. See 5 CFR 537.110. The reports must contain:

1. The number of employees, who received student loan repayment benefits;

2. The job classifications of the employees who received student loan repayment benefits; and

C. **Telework.** The Telework Enhancement Act of 2010, codified at Title 5, United States Code (U.S.C.), *Chapter 65*, requires that agencies report an annual telework participation goal. OPM issues an annual report to Congress summarizing information provided by agencies on the status of their telework programs. See Status of Telework in the Federal Government *Report for Congress*. The report provides a baseline for measuring each agency's progress toward meeting the requirements of the Telework Enhancement Act. Agencies are required to make an annual assessment of progress towards meeting participation goals. In cases where agencies do not meet goals, they must detail actions to be taken to identify and eliminate barriers to maximizing telework opportunities for the next reporting period. See 5 U.S.C., section 6506 and *Telework.gov*. Each report submitted must include:

1. The total number of employees in the agency;

2. The number and percent of employees in the agency who are eligible to telework; and

3. The number and percent of eligible employees in the agency who are teleworking:
   a. Three or more days per pay period;
   b. One or two days per pay period;
   c. Once per month; or
   d. Occasional, episodic, or short-term basis.

D. **Child Development Programs.** Agencies initiating a child care subsidy program are required to track and report the utilization of their funds to OPM annually on a *DD Form 2605*, Department of Defense Child Development Program Annual Summary of Operations. See *5 CFR 792.204*.

E. **Experts and Consultants.** Each agency that used and paid experts and consultants is required to submit an annual report to OPM. See *5 U.S.C. § 3109* and *5 CFR 304.107*. This report must cover the entire agency for the year ending December 31st and be submitted by February 28th of the following year. See *OPM Form 1623*, List of Experts and Consultants Hired Under 5 U.S.C. 3109. This report must contain:

1. The number of days the agency employed each paid expert or consultant; and

2. The total amount paid by the agency to each expert and consultant, not including payments for travel and related expenses.

F. **Affordable Care Act Reporting.** Applicable Large Employers (ALE) must report to the IRS whether the employer has made an offer of coverage to their full-time employees.
An ALE is an employer with 50 or more employees. Reporting is made using the 1095-C and the 1094-C for the previous tax year. See the IRS Information Reporting by *Applicable Large Employers*.

G. **Foreign Language Pay Reporting.** Each DoD Component with Defense Civilian Intelligence Personnel System (DCIPS) positions must submit to the Under Secretary of Defense for Intelligence through the Director, Human Capital Management Office a report on its foreign language pay program. See DoD Instruction 1400.25-V2016. These annual reports must:

1. Include a copy of the Component’s current foreign language pay policy or guidance, and copies of any related documents or communications issued on foreign language pay since the previous report was submitted;

2. Identify the total number of language-coded authorizations and official tasking that requests language and proficiency in support of mission requirements;

3. Identify the total number of DCIPS employees receiving foreign language pay, and whether or not they are assigned to designated foreign language positions. Include a breakout of the number of DCIPS employees identified as receiving foreign language pay by each language;

4. Identify the total amount of foreign language payments made in the past calendar year and a breakout of the amounts by language;

5. Identify for Interagency Language Roundtable Level 3 proficiency and above (combined), the percentage of recipients paid, by language; and

6. Discuss the current state of recruitment and fill of foreign language positions, including overages, trends, shortfalls, recommendations regarding foreign language pay policy, trends in payments (by language and amount of payment) from the previous year, and a brief statement reflecting the effectiveness of incentive pay in the recruitment.
VOLUME 8, CHAPTER 10: “SPECIAL CATEGORY EMPLOYEES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated March 2018 is archived.

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<td>All</td>
<td>Updated hyperlinks, references, and formatting to comply with current administrative instructions.</td>
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<td>Added information for the calculation of holiday pay for clarification.</td>
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<td>100802</td>
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<td>101002</td>
<td>Added information for deductions for employees who transfer to International Organizations.</td>
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<tr>
<td>101006</td>
<td>Deleted information for an equalization allowance which ended October 21, 1998.</td>
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1001 GENERAL

100101. Purpose

This chapter provides guidance on special category employees. Special category employees include those whose retirement, leave, or pay may be specific to an occupational series or tour of duty. Special category employees also include employees deemed legally incompetent, missing or deceased, and de facto employees.

100102. Authoritative Guidance

Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

1002 OVERSEAS EMPLOYEES

100201. General

The general pay provisions for General Schedule (GS) employees who work stateside also apply to GS employees stationed overseas. The Department of Defense (DoD) Instruction (DoDI) 1400.25, Volume (V)1250, Overseas Allowances and Differentials, authorizes and governs the payment of allowances and differentials to DoD civilian employees who are citizens of the United States and located in a foreign area. The Department of State Standardized Regulations (DSSR) prescribe eligibility requirements, the applicable rates to be paid, and the provisions to be observed in paying overseas foreign area allowances and differentials to employees.

100202. Foreign Nationals

A. Authority. Title 22, United States Code (U.S.C.), section 3968 establishes the pay for foreign national employees. Delegation of authority is established by DoDI 1400.25, V1231, Employment of Foreign Nationals. Authority is delegated to each military department to re-delegate to its Service Component Commanders the authority to establish salaries, wages, fringe benefits, related compensation items, and other terms of employment for foreign national employees. Additional guidance can be found in the DoD Manual 1416.08, DoD Manual for Foreign National Compensation, which prescribes procedures and instructions for the development of compensation programs for foreign nationals employed by the U.S. Forces in foreign areas.
B. **Entitlements.** The Wage and Salary Division of the Defense Civilian Personnel Advisory Service (DCPAS) establishes wage schedules for foreign national employees based on locality wage surveys, or other available data, as provided by the activity labor agreement between the United States and the foreign country. The basis for salary determinations and deductions are contained in the employing activity’s applicable inter-country agreements and personnel regulations.

**100203. Canadian Employees**

A. **General.** Canadian national direct-hire employees receive compensation comparable to that paid to Canadian government employees in the same locality and performing essentially the same work with relatively the same degree of responsibility.

B. **Authority.** DoDI 1400.25, V1231 contains the authority for the administration of foreign nationals, including Canadians.

C. **Entitlements**

* 1. **Holidays.** Canadian legal holidays are observed with no charge to leave. If an emergency requires work on a Canadian holiday, the employee must be paid premium pay at a rate of 1.5 times the employee’s regular rate of pay (for example, if an employee is paid $16 per hour, the employee will be paid premium pay of $24 per hour for work on a Canadian holiday), in addition to receiving either holiday pay equal to regular wages earned by the employee in the four weeks before the Canadian holiday divided by 20 (for example, if an employee works a 5 day week and earns $120 per day, the employee earns regular wages of $600 per week; $600 per week x 4 weeks = $2,400 ÷ 20 = $120 holiday pay), or compensatory time off (subject to local labor laws pursuant to DoDI 1400.25, V1231). The following are the legal Canadian holidays:
   a. New Year’s Day (January 1),
   b. Good Friday (March-April),
   c. Easter Monday (March-April),
   d. Victoria Day (May 24),
   e. Canada Day (July 1),
   f. Civic Holiday (1st Monday in August),
   g. Labor Day (1st Monday in September),
   h. Thanksgiving Day (2nd Monday in October),
   i. Remembrance Day (November 11),
j. Christmas Day (December 25), and
k. Boxing Day (December 26).

2. Absence and Leave. Canadian employees accrue sick leave at a rate of 4.25 hours each pay period except for the last pay period of the leave year. During the last pay period, 6.25 hours accrue. The total annual accumulation is 112.5 hours or 15 days of sick leave.

3. Work-Related Injury or Illness. The Federal Employees' Compensation Act covers work-related injuries or illness.

D. Pay. Salaries are based on rates in approved agreements between the Treasury Board of Canada and the Public Service Alliance of Canada for Canadian Civil Service Employees. The effective dates are the same as in the basic Canadian agreements. Pay is in Canadian Dollars on a biweekly basis.

E. Hours of Duty. The workday is 7.5 hours, and the workweek is 37.5 hours.

F. Step Increases. Employees receive step increases until they reach the top step. Step increases require written certification by the supervisor that an employee has demonstrated an acceptable level of competence during the waiting period. Certification is completed and forwarded to the Human Resources Office (HRO) for processing prior to the effective date of the step increase. Step increases are effective at the beginning of the first pay period following the effective date of the anniversary.

G. Retroactive Pay. Retroactive pay adjustments are made based on agreements covering Canadian Civil Service employees. These adjustments are payable to employees separated during the retroactive period.

H. Leave Without Pay (LWOP). Aggregate periods of LWOP of more than 80 hours during the waiting period for a step increase will delay the increase. Extended periods of LWOP also affect leave accruals.

I. Awards. Canadian National employees generally are eligible for all awards, except quality step increases.

J. Canada Pension Plan. Employee contributions for the Canada Pension Plan are deducted from employee salaries. The U.S. Government pays the employer's contribution.

K. Registered/Retirement Pension Plan. The U.S. Government pays an amount equivalent to the employees' contributions up to a legal maximum of annual salaries.

L. Severance Pay. Employees are paid a lump-sum amount according to the following:

1. Lay-Off. Two weeks of pay for the first complete year of continuous
employment and 1 week of pay for each complete additional year of continuous employment with a maximum benefit of 28 weeks of pay.

2. **Resignation.** When an employee resigns with 10 or more years of continuous employment, they will be paid one-half week of pay for each complete year of continuous employment up to a maximum of 26 years with a maximum benefit of 13 weeks of pay.

3. **Retirement.** Upon retirement, when an employee would be entitled to an immediate annuity, or to an immediate annual allowance had the employee been under the Canadian Government Public Service Superannuation Act, an employee is paid 1 week of pay for each complete year of continuous employment with a maximum benefit of 28 weeks of pay.

4. **Death.** Upon death, the employee’s estate will be paid 1 week of pay for each complete year of continuous employment, with a maximum benefit of 28 weeks of pay.

M. **Ontario Health Insurance Plan.** Employees enrolled in the Ontario Health Insurance Plan are reimbursed an amount equivalent to the Canadian government contributions under the plan. Claims for reimbursement, supported by receipts, are submitted annually by the end of the calendar year.

* N. **Employment Insurance.** The U.S. Government participates in the [Canadian Employment Insurance Program](#) for Canadians employed in Canada by the DoD. Any DoD installation that employs personnel in Canada should follow the guidance issued by the [Canada Revenue Agency](#). The U.S. Government contributes an amount equal to that paid by a Canadian government employer to the Canadian fund. The employee’s contributions are deducted from his or her salary.

1. **Deductions and Remittances.** The PRO must use the Canada Revenue Agency T4001 [Employer’s Guide - Payroll Deductions and Remittances](#) to determine insurable employment and earnings for withholding.

   a. **Employee’s Share.** Funds must be withheld from the pay of all insurable employees at the rate set in the Canada Revenue Agency T4001 Employer’s Guide.

   b. **Employer’s Share.** The employer’s share must equal 1.4 times the amount withheld from the employee’s pay on each payroll voucher. The contribution is charged to the fund from which employees’ salaries are paid.

2. **Retroactive Payments.** The DoD may not make retroactive payments of deductions to the Canada Revenue Agency if the employee concerned has not given correct information to the employing installation. This includes cases that have been adjudicated.

3. **Audits and Record Retention.** The DoD records of deductions, contributions, and remittances are subject to audit by Canadian authorities. The audit requirements
may be met by sending copies of records of covered personnel and insurance remittance documents to the proper Canada Revenue Agency district office. The PRO must send copies of records required by Canadian authorities on request.

O. Canadian Income Tax. The employee’s income tax contributions are deducted from his or her biweekly salary.

P. Accidental Life Insurance. This is a voluntary contribution deducted from the employee’s biweekly salary at the employee’s request.

1003 OTHER THAN FULL-TIME CAREER EMPLOYEES

100301. General

This section provides guidance regarding employees who do not work the typical 40-hour workweek established under Title 5, Code of Federal Regulations (CFR), section 610.111. Such employees include part-time, intermittent, seasonal, and piecework employees.

100302. Part-Time Employment

Part-time employment generally is no less than 16 hours and no more than 32 hours per week under a schedule consisting of an equal or varied number of hours per day. Agencies may permit employees to work less than the minimum 16 hours per week based on guidance provided in 5 CFR 340.202(b). Employment may be between 32 and 64 hours in a biweekly pay period in the case of a flexible or compressed work schedule. See 5 U.S.C. § 3401(2). Part-time employment does not include employment on a temporary or intermittent basis. A part-time employee must have a regular schedule of at least 1 hour, set in advance, in each administrative workweek in each biweekly pay period. See 5 CFR 340 and 5 U.S.C. §§ 3401-3408.

A. Benefits. Part-time permanent employees are eligible to receive the same benefits as full-time employees. On a prorated basis, part-time employees are eligible to receive leave, retirement, and health and life insurance coverage. See the Office of Personnel Management’s (OPM) Hiring Authorities.

1. Leave

   a. Annual Leave. Part-time employees, who have a regular tour of duty established in advance of one or more days during each administrative workweek, earn annual leave on a prorated basis based on the total number of hours in a pay status in each biweekly pay period, excluding overtime hours. See 5 U.S.C. § 6302. Hours in a pay status include straight time and additional hours worked, up to a total 80 hours in the biweekly pay period. Maximum carryover at the end of the leave year is the same as for a full-time employee. Leave is charged for an absence during the hours an employee is regularly scheduled to work. See Chapter 5.
b. **Sick Leave.** Part-time employees with a regularly scheduled tour of duty will earn and be credited with 1 hour for each 20 hours in a pay status. See *5 U.S.C. § 6307*.

c. **Other Leave.** Part-time employees are eligible for other leave categories (e.g., absent without leave (AWOL), LWOP, court leave, funeral leave, or excused absence) on the same basis as full-time employees. The rules governing the Family and Medical Leave Act of 1993 and the Federal Employees Family Friendly Leave Act also apply to part-time employees. See Chapter 5.

d. **Military Leave.** Each member of a Reserve Component who is an employee of the United States is entitled to a leave of absence from his or her duties without loss of pay, time, or efficiency rating for each day, but for no more than 15 days in any fiscal year in which he or she is on active duty or training. Eligible part-time employees accrue military leave that is prorated based on the tour of duty. See *5 U.S.C. § 6323(a)(2)* and Chapter 5.

e. **Holiday Leave.** When a holiday falls on a scheduled workday, a part-time employee is entitled to basic pay for the number of hours the employee is regularly scheduled to work on that day, not to exceed 8 hours, unless covered by a compressed work schedule. A part-time employee is not entitled to pay for a holiday that falls on a day the employee is not normally scheduled to work.

f. **In Lieu of Holiday.** An in lieu of holiday is granted to replace the day designated as a holiday by federal statute or executive order when the holiday falls on a full-time employee’s non-work day. Under *DoDI 1400.25, V610*, Hours of Duty, part-time employees are not entitled to in lieu of holidays. However, if a part-time employee is prevented from working because the activity is closed, he or she may either be placed in an appropriate leave category or be excused (placed on administrative leave at the agency’s discretion) without loss of pay for the number of hours that he or she is regularly scheduled to work on that day.

2. **Retirement.** Part-time employees are subject to deductions for retirement benefits on the same basis as full-time employees.

3. **Federal Employees Health Benefits (FEHB).** Part-time employees are eligible to participate in the FEHB Program. See the *FEHB Handbook*. The cost to the employee is the total cost of health benefits (both the employee and the employer’s share) less the prorated government contribution. See Chapter 11 for more information on FEHB for part-time employees.

4. **Federal Employees’ Group Life Insurance (FEGLI)**

   a. **Part-time Eligibility.** A part-time employee is eligible to participate in the FEGLI Program. Participation is voluntary and eligible part-time employees are automatically covered under the basic insurance option unless they waive the insurance coverage. The part-time employee’s basic insurance amount is the greater of their annual rate of basic pay rounded up to the next even $1,000 plus $2,000, or a flat $10,000. Basic life insurance coverage
is effective from the first day the employee is in an official duty status. Employees may elect additional optional insurance within 31 days from their appointment date. All new employees must complete a *Standard Form (SF) 2817*, Life Insurance Election, to cancel basic insurance or to elect additional optional insurance. If a part-time employee becomes a full-time employee in the middle of a pay period, the amount withheld for basic life insurance is based on the amount of insurance last in force for the employee during the pay period (that is, the full-time rate). See the *FEGLI Program Handbook*.

b. Nonpay Status. FEGLI coverage continues for up to 12 months when an employee enters nonpay status. FEGLI ends at the end of the 12 months with a 31-day extension of coverage and a right to convert to an individual policy. If the employee is in nonpay status for part of the pay period, withholding for premiums and the government contribution is still required. The employee is not required to pay premiums while on LWOP unless they are receiving benefits from the Department of Labor (DOL), Office of Workers’ Compensation Program (OWCP). See the FEGLI Program Handbook for special nonpay situations during which the employee must continue to make premium payments.

c. Part-Time Annual Rate of Basic Pay. For life insurance purposes, the annual pay for a part-time employee is the annual rate of basic pay applicable to his or her tour of duty in a 52-week work year. For example, an employee whose pay is $56,282 per annum, employed half-time, would have an annual pay for insurance purposes of $28,141.

d. Concurrent Part-Time Employment. An employee may be employed on a part-time basis in more than one Federal agency and eligible for FEGLI coverage in one or both of the positions. However, an employee may not maintain more than one FEGLI election even if he or she is serving in more than one position. See the FEGLI Program Handbook (under Concurrent Employment) for exceptions including guidance concerning part-time employees in nonpay status at one of the agency positions. The amount of insurance is based on the sum of annual pay for all positions including annual pay for a position excluded from life insurance coverage. The agency must take the following steps to ensure that the correct premiums are applied:

1. The agency that pays the greater of the two salaries withholds and pays the government contribution;

2. The agency must contact the other employing office, confirm the salaries paid, and assume responsibility for withholding all of the required premiums from the salary; and

3. The agency that pays the greater salary to the individual must also provide the government contribution for basic insurance based on the aggregate amount of basic coverage the employee has from all covered positions. This eliminates the need for the other employing office to make partial withholdings and government contributions.
B. **Pay.** Gross basic pay is computed by multiplying the employee’s hourly rate of pay by the total number of hours worked and the hours of paid leave during the pay period.

1. **Overtime Pay.** Under *5 U.S.C. § 5542*, overtime pay for eligible part-time employees is authorized only for work over 8 hours a day or 40 hours in a week.

2. **Compensatory Time Off.** Under *5 U.S.C. § 5543*, part-time employees may elect to take compensatory time off in lieu of overtime pay. Under *5 U.S.C. § 5550(a)*, part-time employees may elect to perform compensatory overtime work to replace time taken off for religious observances (see Chapter 5).

3. **Sunday Premium Pay.** Under *5 U.S.C. §§ 5544(a) and 5546(a)*, a part-time employee is entitled to pay at his or her rate of basic pay plus premium pay at a rate equal to 25 percent of his or her basic pay for each hour of Sunday work. Up to 8 hours of Sunday premium pay may be paid to a part-time employee who has Sunday as part of his or her non-overtime regularly scheduled tour of duty (i.e., Sunday through Thursday basic workweek). An employee with a tour of duty of Monday through Friday who works either regularly scheduled overtime or irregular or occasional overtime work on a Sunday is entitled to overtime pay and is not entitled to Sunday premium pay. An employee must perform actual work to receive Sunday premium pay. Employees who do not work during their Sunday tour of duty because they are on paid leave or excused absence, using compensatory time off or credit hours, or because Sunday is a holiday, are not entitled to Sunday premium pay. See the OPM Memorandum for *Administrative Claims for Sunday Premium Pay*. Additional information pertaining to Sunday premium pay is located in Chapter 3.

4. **Night Differential Pay.** Under *5 U.S.C. § 5545*, GS part-time employees are entitled to night pay for work performed between 6:00 p.m. and 6:00 a.m. as part of their regularly scheduled administrative workweek. See Chapter 3.

5. **Night Shift Differential Pay.** Under *5 U.S.C. § 5343(f)*, Federal Wage System (FWS) part-time employees who work a regular scheduled shift of 8 hours or less are entitled to night shift differential. A majority of the hours worked, however, must be on the second or third shift. For information on pay for the second and third shifts, see Chapter 3.

6. **Holiday Premium Pay.** Under *5 U.S.C. § 5546*, a part-time employee who works on a holiday that falls during his or her regularly scheduled hours is entitled to holiday premium pay only for those scheduled hours. However, part-time employees who are excused from work on a holiday may only receive their rate of basic pay for the hours they are regularly scheduled to work on that day. Additionally, part-time employees do not receive holiday premium pay for working on an in lieu of holiday that is scheduled for full-time employees. Part-time employees are not entitled to an in lieu of holiday and, therefore, they are not entitled to holiday premium pay for work performed on that day.
100303. Intermittent Employment

A. General. The term intermittent relates to an employee’s work schedule and not the appointment type. Intermittent employees can be either permanent or temporary employees. Intermittent employees work sporadically and have no fixed or guaranteed schedules. This is other than full-time employment in which employees serve under an excepted or competitive service appointment without a regularly scheduled tour of duty. See 5 CFR 340.403. An intermittent work schedule is appropriate for a position involving work that is sporadic and unpredictable such that a regular tour of duty cannot be scheduled in advance.

1. Pay. Intermittent employees are paid only for hours of work performed while in a duty status. The gross basic pay is computed by multiplying the employee’s hourly rate of pay by the total of the hours worked during the pay period. Because employees working on an intermittent basis do not maintain a regularly scheduled workweek as defined in 5 CFR 610.102, intermittent employees are not eligible for pay for holiday work, night pay or night shift differential, or Sunday premium pay. See 5 CFR 532.509, 550.121, and 550.103. Intermittent employees are entitled to overtime when appropriate. Intermittent employees receive their normal salary for working holidays, Sundays, or during a night shift. An exception exists for an FWS intermittent employee assigned to a regularly scheduled shift of fewer than 8 hours. The FWS employee in this situation is entitled to night shift differential pay if a majority of the hours are worked during the period when night shift differential is payable. See the OPM Appropriated Fund Operating Manual for FWS Employees, subchapter S8-4. A GS intermittent employee is not eligible for night pay differential unless temporarily assigned to a regular tour of duty with night work.

2. Leave. Intermittent employees do not earn annual or sick leave.

3. Sick Leave Recredit Upon Transfer. When a full or part-time employee transfers to an intermittent job to which he or she cannot transfer previously earned sick leave, the sick leave must be held in abeyance until the employee returns to the original leave system under which the leave was earned. The sick leave is recredited if the employee returns to the original leave system on or after December 2, 1994, without regard to the original date of transfer. See 5 CFR 630.502.

4. Lump-Sum Annual Leave Payment. When a full-time or part-time employee is changed to an intermittent employee, any unused annual leave is paid as lump-sum. A lump-sum payment is not required when the employee is part of a continuing program under which employees are required to return to full-time or part-time employment after a period of intermittent employment (e.g., student trainee). See 5 CFR 550.1203.

C. Deductions

1. Retirement. Intermittent employees are not eligible for retirement coverage except when the intermittent employment follows employment in a covered position, and there has not been a break in service of more than 3 days. Intermittent employees are subject to Social Security and Medicare deductions. See 5 CFR 831.201.
2. **FEHB.** Intermittent employees who are expected to work 130 hours per month for at least 90 days are eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See 5 CFR 890.102(c)(6) and Benefits Administration Letter (BAL) 14-210.

3. **FEGLI.** Intermittent employees are excluded from FEGLI coverage by regulation, except when intermittent employment follows, with a break in service of no more than 3 days, a position in which the employee was eligible to be insured and to which the employee is expected to return. The agency makes this determination, not OPM. See the FEGLI Program Handbook. For insurance purposes, the annual pay for intermittent employees is the annual rate that they were receiving at the end of the pay period or, in the event of death or dismemberment, the annual rate they were receiving at the time of the death or accident. For example, if an intermittent employee is paid $17.84 per hour, his or her rate of pay fixed by law is $37,232 ($17.84 per hour x 2,087 hours per year = $37,232/year). If this employee works only 2 days or 16 hours during a particular pay period, the annual rate of pay for insurance purposes is based on actual time worked during that pay period. In this example, $7,421 is the annual rate of pay for insurance purposes ($17.84 per hour x 16 hours during the pay period x 26 pay periods per annum = $7,421/year). However, insured employees whose annual pay is $8,000 or less are covered for the minimum $10,000 of basic insurance. See the FEGLI Program Handbook.

100304. Seasonal Employment

The term “seasonal” relates to an employee’s work schedule and not the appointment type. Seasonal employment was established to allow agencies to recruit and train employees for duty that occurs on a predictable yearly basis and is expected to last less than 12 months each year. See 5 CFR 340.402. As with other career employees, seasonal employees are entitled to receive full benefits. At the end of the season, the employee is placed into a non-duty/nonpay status and will be recalled at the onset of the next season in accordance with a pre-established agreement between the agency and the employee. Because there is no difference in on-call employment and seasonal employment, OPM has eliminated the use of the term “on-call employment.”

A. **Pay.** Gross basic pay is computed by multiplying the employee’s hourly rate of pay by the total of the hours worked and the hours of paid leave during the pay period.

B. **Leave.** Employees in a seasonal position earn leave during the time in pay status and during the first 80 hours in nonpay status each year. A seasonal employee earns leave on the same basis as any other employee eligible to earn leave. See 5 CFR 630.208 for information on leave during nonpay status.

C. **Deductions**

1. Regularly scheduled seasonal employees under career or career-conditional appointments and who are expected to work at least 6 months per year are subject to FEGLI and retirement deductions. These deductions are made on the same basis as those of full-time employees.
2. Employees in a seasonal position who are expected to work 130 hours per month for at least 90 days are eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See 5 CFR 890.102 and BAL 14-210.

100305. Piecework Employees

When Executive Agency employees are hired on a piecework basis, the employee’s earnings are determined based on the amount of work produced. The general authority for entitlement of pay, scheduling of work, and excusing absences for piecework employees are granted under 5 U.S.C. § 6104 and 5 CFR 610.301-306. Employees working limited appointments of 1 year or less and being paid piecework rates are excluded from retirement coverage unless they are covered by an exception. See 5 CFR 831.201(a)(5). To determine rates payable for piecework, see 5 CFR 532.241.

A. FEGLI. For life insurance purposes, the annual pay for a piecework employee is the total basic earnings for the previous calendar (52-week) year, not counting premium pay for overtime or holidays. See 5 CFR 870.204(d).

B. FEHB. Piecework employees are excluded from FEHB coverage except for those with a work schedule that provides for full-time or part-time service with a regularly scheduled tour of duty. See 5 CFR 890.102(c)(6).

1004 REEMPLOYED ANNUITANTS

100401. General

A retired federal employee may be rehired in federal service as a reemployed annuitant. The retired employee’s annuity may continue to be paid upon reemployment, or may be terminated or suspended. Reemployment may result in an increase in the employee’s retirement and death benefits. Special provisions apply to annuitants reemployed by DoD on or after November 25, 2003, and to former members of Congress.

A. Employees Retired from Competitive Service


2. Treatment of Annuity Upon Reemployment. As a general rule, if a CSRS or FERS annuitant is reemployed, the annuity continues to be paid, but the annuity payment is offset from the reemployed annuitant’s salary. Certain exceptions apply which may result in the CSRS or FERS annuity being terminated or suspended upon reemployment. The Director of OPM
may waive the reemployment provisions for CSRS or FERS annuitants on a case-by-case basis for a position where there is exceptional difficulty in recruiting or retaining a qualified employee.

a. Termination of a Disability Annuity. A CSRS or FERS disability annuitant may be reemployed in a temporary or permanent position and given the same type of appointment that would be given to any other person appointed to the position. Reemployment may cause the disability annuity to terminate if OPM determines the annuitant has recovered or been restored to earning capacity prior to reemployment. Additionally, reemployment may terminate the annuity of a CSRS or FERS disability annuitant who was medically disqualified for continued membership in the National Guard.

b. Termination of an Annuity Based on Involuntarily Separation. When involuntary separation such as for reduction-in-force and lack of funds is the basis for a CSRS annuitant’s retirement, and the new appointment is subject to retirement coverage, the annuity payment is terminated upon reemployment and retirement deductions must be taken from the salary.

c. Termination Upon Presidential Appointment or Election to Congress. When a CSRS annuitant receives a Presidential appointment subject to retirement deductions, or is elected as a member of Congress, payment of the annuity terminates upon reemployment.

d. Suspension Upon Judicial Appointment. When a CSRS or FERS annuitant is appointed as a justice or a judge of the United States, payment of the annuity is suspended.

e. Suspension Upon Interim Appointment by Merit System Protection Board (MSPB). When a CSRS or FERS annuitant receives an interim appointment under 5 U.S.C. § 7702 by the MSPB, payment of the annuity is suspended.

3. Reemployment of Law Enforcement Officers (LEOs), Firefighters, and Air Traffic Controllers (ATCs). A retired LEO or firefighter mandatorily separated is generally barred from reemployment in a primary position involving law enforcement or firefighting duties after reaching age 57. However, he or she is not barred from reemployment in a secondary position or any other position. Similarly, a retired ATC is generally barred from reemployment in the same position after reaching age 56. He or she is not barred from reemployment in any other position not covered by the special retirement provisions for ATCs. The agency must withhold the required deductions from the reemployed annuitant’s pay (.5 percent higher than the regular deduction rate). See 5 U.S.C. §§ 8335 and 8425.

4. Supplemental Annuity or Redetermined Annuity. A reemployed annuitant may earn future benefits either in the form of a supplemental annuity or a redetermined annuity.
a. **Supplemental Annuity.** A supplemental annuity is an annuity added to the reemployed annuitant’s present annuity. An employee who works as a reemployed annuitant on a full-time basis for at least 1 year, or on a part-time basis for a proportionately longer period, may be entitled to a supplemental annuity. For a reemployed annuitant who qualifies for a supplemental annuity, the **SF 2806**, Individual Retirement Record CSRS, or **SF 3100**, Individual Retirement Record FERS, typically prepared for a new employee, is prepared at the time of separation rather than at the time of appointment.

b. **Redetermined Annuity.** A redetermined annuity is recomputed and takes the place of the employee’s present annuity. A reemployed annuitant who completes at least five years of actual continuous full-time service and/or part-time service that is equivalent may elect to have their annuity redetermined under the law in effect at the time of separation from reemployment, in lieu of a supplemental annuity.

c. **Exception.** The special retirement provisions for LEOs, firefighters, and ATCs do not apply to service from reemployment. Therefore, any service credit from reemployment that is used to calculate a supplemental or redetermined annuity is treated as regular service, even if the employee is reemployed in an approved LEO, firefighter, or ATC position.

**B. Annuitants Reemployed by DoD on or After November 25, 2003.** The Secretary of Defense was granted the authority to reemploy annuitants without a reduction in pay or of the annuity (see 5 U.S.C. § 9902). Instructions governing annuitants who are reappointed by DoD on or after November 25, 2003, are found in the **DoDI 1400.25, V300**, Employment of Federal Civilian Annuitants in the DoD. Generally, annuitants hired by DoD prior to November 25, 2003, are subject to salary offset unless an exception is approved by OPM or DoD. However, reemployed annuitants hired by DoD after November 25, 2003, may continue to receive their full annuity and salary upon appointment and will not have their salary offset by their annuity or further retirement deductions. An exception applies for certain discontinued service retirement (DSR) annuitants who are receiving annuities based on involuntary separation for reasons other than for cause based on misconduct or delinquency. A DSR annuitant hired by DoD after November 25, 2003, may elect retirement contributions and earn further retirement credit in lieu of receiving their full salary plus annuity. See CSRS/FERS Handbook **Chapter 44**.

**C. Former Members of Congress**

1. **Suspension of Annuity Upon Reemployment.** The CSRS annuity of a retired Member of Congress is generally suspended when the annuitant becomes reemployed or accepts an appointment. See 5 U.S.C. § 8344(d). Contact OPM Retirement and Insurance Programs, Annuitant Services Division, Washington, DC 20415 for further guidance regarding reemployment of Members.

2. **Supplemental or Redetermined Annuities.** Members of Congress are not covered under the provisions for supplemental or redetermined annuities. The agency retirement counselor should contact OPM concerning the benefits for reemployed former Members.
100402. Prorating Annuities for Appropriate Reductions of Wage and GS Salaries

A. General. Upon reemployment, HRO provides the SF 50, Notification of Personnel Action, data to the servicing payroll office (PRO) as to the amount of annuity paid to a reemployed annuitant.

B. Employees Retired From the Competitive Service. A reemployed annuitant, who retains his or her annuity, must have their salary reduced by a sum equal to the retirement annuity allocable to the period of actual employment. The appropriate reduction and adjusted salary must be determined as follows:

1. An annuitant reemployed on an annual pay basis must have his or her per annum salary reduced by the amount of the annual annuity. The remainder of the salary is computed in amounts payable on a biweekly pay period basis. Payment for overtime worked is based on an annuitant’s full rate of basic pay before any reduction by the amount of their annuity.

2. An annuitant reemployed on an hourly pay basis must have his or her daily or hourly rate of pay converted to the per annum equivalent. The per annum rate is reduced by the total amount of the annuity being received by the employee. The remainder converts to a per diem or per hour rate, as appropriate.

3. The reimbursement to OPM is adjusted following increases in an annuity as provided in the CSRS and FERS Handbook and any OPM instructions issued with periodic cost-of-living adjustments.

C. Former Members of Congress. A former Member of Congress who is employed in an appointive position on an intermittent service basis, and who retains his or her annuity, must have his or her salary reduced by a sum equal to the retirement annuity allocable to the period of actual employment. The amount of annuity allocable to each pay period must be processed as a payroll deduction rather than as a reduction in pay period earnings, as is the case with reemployed competitive service annuitants. Therefore, annuities withheld must not reduce earnings for tax and other purposes. Annuities withheld in the case of former Members of Congress must be remitted to OPM.

100403. Processing

Retirement deductions are optional for CSRS reemployed annuitants, and there is no requirement for a matching government contribution. Retirement deductions are required for FERS reemployed annuitants, as are government contributions. These deductions are computed on the reemployed annuitant’s basic pay before any offset due to receipt of an annuity. Deductions for Medicare (CSRS employees) or Social Security/Medicare (FERS employees) are computed on the amount remaining after subtracting the annuity offset, in accordance with Social Security Administration guidance. Federal, state, and local taxes are computed on the amount remaining after subtracting the annuity offset. A reemployed annuitant may not be credited with sick leave that was reported to OPM for use in the calculation of the employee’s annuity. Sick leave used in
the annuity computation is charged against an employee's sick leave account and is considered used. The sick leave may not thereafter be used, transferred, or recredited. See 5 CFR 630.407.

100404. Computation of Lump-Sum Leave Pay

Under the provisions of 5 U.S.C. § 8344, the lump-sum payment for unused annual leave payable to a reemployed annuitant upon separation will be computed on the basis of the employee’s wage or salary rate fixed for his or her position or occupation without reduction for the amount of annuity received by the employee. This includes reemployed annuitants who are retired from the competitive service or who are former Members of Congress.

*1005 DECEASED EMPLOYEES

100501. General

Procedures governing the settlement of accounts of deceased civilian employees are set in 5 U.S.C. §§ 5581-5583 and 5 CFR 178.201-208. An employee may designate a beneficiary or beneficiaries to receive his or her unpaid compensation using an SF 1152, Designation of Beneficiary Unpaid Compensation of Deceased Civilian Employee. If no beneficiary has been designated by the employee, payment is made pursuant to the order of precedence set out in 5 U.S.C. § 5582(b). Deceased civilian employees also include former employees who die after separation from the employing installation, but prior to receiving final pay and allowances. The procedures do not apply to the settlement of accounts for deceased Members of Congress or to the employees of certain federal banks. For death gratuity payments, refer to paragraph 100509.

100502. Unpaid Compensation

The settlement of a deceased employee’s account includes payment of any unpaid compensation due the employee in the form of pay, allowances, or other amounts due at the time of death including, but not limited to:

A. Current salary (including any retroactive salary), including cost-of-living allowances, overtime and premium pay;
B. Unclaimed or unnegotiated checks;
C. Cash awards;
D. Foreign and non-foreign area differentials and allowances;
E. Lump-sum annual leave payment;
F. Travel reimbursement; or
G. Severance pay.
100503. **Payment of Unpaid Compensation Due a Deceased Employee**

When the HRO is notified of the death of an employee they forward a copy of the employee’s SF 1152 (if available) and all SF 1153s, Claim for Compensation of Deceased Civilian Employee, submitted by the claimants to the servicing PRO. Claimants must provide supporting documentation as requested by the PRO. Upon notice of the death of a civilian employee, an SF 1154, Public Voucher for Unpaid Compensation Due a Deceased Civilian Employee, is prepared to permit prompt payment of the amounts due. If undisputed, the unpaid compensation due a deceased employee may be paid directly by the agency to the designated beneficiary/beneficiaries or, if none, to the person or persons eligible for payment under the order of precedence set out in 5 U.S.C. § 5582 and 5 CFR 178.204. Disputed claims for unpaid compensation due to a deceased employee are submitted to the OPM Office of Merit Systems Oversight and Effectiveness (OMSOE) for settlement.

**A. Undisputed Claims for Unpaid Compensation.** As soon as practicable after the death of an employee, the agency in which the employee was last employed will request the appropriate person or persons execute an SF 1153. See 5 CFR 178.205. Direct payment is permitted to the claimant(s) who is legally entitled to an employee’s unpaid compensation. When paying more than one beneficiary, percentages are applied due each beneficiary as specified by the deceased employee on the SF 1152. If the SF 1152 does not specify percentages, the total amount of unpaid compensation should be divided equally among the eligible claimants. The SF 1152 must be signed by the employee and filed with the employee’s employing activity prior to his or her death. **Money due an employee at the time death is paid to the person or persons surviving at the date of death, in the following order of precedence, and the payment bars recovery by another person of amounts so paid:**

1. First, to the beneficiary or beneficiaries designated by the employee in writing (SF 1152) received in the employing agency before his or her death;

2. Second, if there is no designated beneficiary, to surviving spouse of the employee;

3. Third, if none of the above, to the child or children of the employee, and descendants of deceased children by representation;

4. Fourth, if none of the above, to the parents or surviving parent of the employee;

5. Fifth, if none of the above, to the duly appointed legal representative of the estate of the employee; and

6. Sixth, if none of the above, to the person or persons entitled under the laws of the domicile of the employee at the time of his or her death.
B. Disputed Claims. Disputed claims include those claims where doubt exists as to the amount or validity of the claim or as to the person properly entitled to payment. Disputed claims may also include unnegotiated or undelivered checks for money due to the decedent. Disputed claims are submitted to OMSOE in accordance with 5 CFR 178.102 and 178.207 either by the claimant or by the agency on the claimant’s behalf. After the OMSOE settles the dispute and certifies the SF 1154, the claim will be paid.

100504. Computation of and Deductions From Final Pay

The employee’s pay earned and applicable deductions are computed through the date of death.

A. Retirement. If the employee was covered by a retirement system, the retirement contributions are deducted from the unpaid salary earned through the date of death.

B. Social Security and Medicare Portions of the Federal Insurance Contributions Act (FICA) Tax. If the employee was subject to Social Security/Medicare, deduct for Social Security/Medicare tax from unpaid salary paid in the same calendar year as the employee’s death. See Internal Revenue Service (IRS) Circular E. Gross wages paid in the calendar year through the date of death, subject to the statutory limitation, are subject to Social Security/Medicare. Social Security/Medicare taxes must be withheld from wages paid to a beneficiary or to the estate of the deceased employee in the same calendar year that the employee died. If the payment is made after the calendar year of employee’s death, wages are exempt from Social Security/Medicare taxes.

C. Federal Income Tax. A deceased employee’s unpaid wages are not subject to federal income tax withholding in either the calendar year in which the employee died or afterward. Federal income tax withholding is not deducted from unpaid salary earned by an employee through the date of death. See IRS Circular E.

D. State Tax. State, territory, or District of Columbia income tax is not deducted from the unpaid salary and lump-sum leave earned by an employee through the date of death.

E. Local Tax. Local taxes are not deducted from the unpaid salary and lump-sum leave earned by an employee through the date of death.

F. FEHB. If a survivor is eligible to continue enrollment, withholding for premiums are made using the daily proration rule according to Chapter 11. If there is no eligible survivor, or the employee self-only enrollment, a full premium deduction is withheld for the pay period during which the employee died.

G. FEGLI. If the employee was subject to FEGLI, premiums for the periods for which pay is due, must be withheld, including the pay period during which death occurred.
H. **Thrift Savings Plan (TSP).** Deductions for TSP contributions and any TSP loans outstanding must be withheld.

I. **Allotments.** Allotment deductions for the pay period in which death occurred are not withheld.

J. **Other Deductions.** Any other required deductions must be taken, such as for any indebtedness owed by the employee.

100505. **Lump-sum Payment for Accrued Leave**

The PRO does not deduct retirement, federal, state, or local income tax, health benefits, or life insurance from the lump-sum payment.

100506. **Tax Reporting**

A. **Decedent IRS Form W-2, Wage and Tax Statement.** Gross amounts of final pay for the pay period of death plus any lump-sum annual leave payments must be reported as Social Security wages (box 3) and Medicare wages (box 5) only if these amounts are paid to the estate or beneficiary in the same year that the death of the employee occurs. The Social Security and Medicare taxes withheld are reported in boxes 4 and 6. These amounts are not included as wages, tips, or other compensation in box 1. Payments made after the year of death on a W-2 and will not withhold Social Security and Medicare taxes.

B. **Miscellaneous Income.** The PRO will take the following actions:

1. Prepare an IRS Form 1099-MISC, Miscellaneous Income, for amounts payable to the decedent’s estate or to beneficiary(s) whether the PRO makes the payment in the year of death or after the year of death;

2. Report the payment in box 3, “Other income”;

3. Include the gross amounts of final pay for the pay period of death, lump-sum annual leave, and other moneys such as travel reimbursements; and

4. Enter the name and Social Security Number (SSN) of the individual if the recipient of the payment is an individual beneficiary. Enter the name and federal tax identification number for the estate if the recipient of the payment is the Employee’s estate.

100507. **Transfer of Funds**

The unpaid compensation is placed in the deposit fund account pending receipt of a claim for the compensation. If after one year, a claim has not been paid out from the deposit fund account, the funds should be transferred according to the Treasury guidelines. Subsequent payment of claims from this account is made by preparing an SF 1154. See Department of Treasury Financial Manual, Chapter 3000.
100508. Life Insurance Status for Employee Death Cases within the Department

When an employee dies, the SF 2821, Agency Certification of Insurance Status, is processed according to the guidance in the FEGLI Program Handbook.

100509. Death Gratuity Payments for Federal Employees

A. $10,000 Death Gratuity. Public Law (PL) 104-208 (codified at 5 U.S.C. § 8133) authorizes agencies to pay a death gratuity payment not to exceed $10,000 to the personal representative of any federal employee who dies from an injury sustained in the performance of duty on or after August 2, 1990. The gratuity is also payable if the employee died after separating from service and the death was a direct result of injuries received in the line of duty on or after August 2, 1990. The following information should be considered when making the $10,000 death gratuity payment:

1. The gratuity payment, when combined with certain other payments, may not exceed $10,000. Other payments include the $200 payable under 5 U.S.C. § 8133(f) for reimbursement of the cost of termination of the decedent’s status as an employee of the United States and up to $800 payable under 5 U.S.C. § 8134(a) for funeral and burial expenses. Pursuant to DCPAS guidance, the death gratuity is payable only if the death claim is approved by OWCP.

2. The gratuity payment is not considered wages for the purpose of Social Security, Medicare, or federal, state, or local tax withholding. An IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., must be prepared by the Defense Finance and Accounting Service (DFAS) and forwarded to the personal representative.

B. Death Gratuity Under 5 U.S.C. § 9904. Under the provisions of 5 U.S.C § 9904, DoD civilian employees who are assigned to certain activities outside the United States determined to be hazardous to life or health or that involve specialized security requirements may be eligible for benefits comparable to those provided under 22 U.S.C. § 3973 by the Secretary of State to members of the Foreign Services. Pursuant to 22 U.S.C. § 3973, a death gratuity is paid when an employee dies as a result of injuries received in the performance of duties. The amount of the gratuity is equal to Level II of the Executive Schedule under 5 U.S.C. § 5313, at the time of an employee’s death. This gratuity payment must be made as follows, regardless of other beneficiaries designated to receive any other benefits:

1. First, to the widow or widower, as defined under 5 U.S.C. § 8101(6) and (11);

2. Second, to the child, or children as defined under 5 U.S.C. § 8101(9), in equal shares, if there is no widow or widower; or

3. Third, to the dependent parent, or dependent parents, as defined under 5 U.S.C. § 8101(7), in equal shares, if there is no widow, widower, or child. If there are no survivors as indicated in subparagraph 100509.B, the death gratuity must not be paid. For
additional information, see DoD DCPAS Memorandum, December 27, 2011, Continuation of Certain Benefits, Allowances and Gratuities.

C. Death Gratuity for Service With Armed Forces in a Contingency Operation. Title 5, U.S.C. § 8102(a) provides a death gratuity of up to $100,000 to the survivors of a federal employee who dies from injuries received in connection with services performed with an Armed Force in a contingency operation. The gratuity is reduced by the amount of any death gratuity payments that have been paid under any other law of the United States based on the same death. See 20 CFR 10.916. OWCP is responsible for administering and adjudicating all claims under this authority. For additional information, see 20 CFR 10, Subpart J. See also DOL Death Gratuity Page.

1006 EXPERTS AND CONSULTANTS

100601. General

An agency may make excepted service appointments to hire experts and consultants. Agencies may appoint experts and consultants on a temporary basis (i.e., not to exceed 1 year) or an intermittent basis (i.e., without a regularly scheduled tour of duty) under 5 U.S.C. § 3109 and 5 CFR 304. Experts and consultants are paid based on the SF 50 data received from the HRO. See also the Office of the Deputy Chief Management Officer, Administrative Instruction Number 2, Employment of Experts and Consultants. Experts and consultants appointed under 5 U.S.C. § 3109 are considered to be federal civil service employees under 5 U.S.C. § 2105. See 5 CFR 304.101. Unless expressly provided otherwise, they are covered by laws applicable to federal employees, including pay and leave requirements.

100602. Setting Pay on Initial Appointment

Determining the appropriate rate of basic pay for experts and consultants, including a decision to pay no salary, is made on an individual case basis. The rate of basic pay may be an hourly or daily rate. Normally, pay is set equal to a GS rate in grades GS-13 through GS-15. Unless specifically authorized by an appropriation or other statute, the highest payable rate is the daily rate for GS-15, step 10, or if paid on a biweekly basis, the biweekly rate for GS-15, step 10 (both excluding locality pay or any other additional pay). See 5 CFR 304.105 for daily and biweekly basic pay limitations.

100603. Overtime and Premium Pay

A. Overtime. Experts and consultants paid on a daily rate basis are not normally entitled to overtime pay under 5 U.S.C. § 5542, regardless of the number of hours worked. Nevertheless, the designation of a regular tour of duty in the appointment documents does not necessarily preclude receipt of compensation at the agreed daily rate for work performed outside of that tour of duty. For example, if such an employee works 6 days a week, the 6th day is paid at the straight time rate rather than the overtime rate. Experts and consultants employed on a daily basis may be paid the rate of basic compensation for work on days outside the prescribed tour of duty, provided the compensation within any biweekly pay period does not exceed the rate
of basic pay for Level V of the Executive Schedule. Experts and consultants who are nonexempt under the Fair Labor Standards Act (FLSA) may be entitled to overtime pay. Overtime must be authorized and approved in advance by an appropriate official.

B. Holiday Pay. Experts and consultants with a regularly scheduled tour of duty (i.e., not intermittent) are entitled to pay for any holiday occurring on a workday on which they perform no work, provided that workday is part of the basic workweek. Those employed on an intermittent basis do not earn leave and are not entitled to paid holidays. See 5 CFR 304.106.

100604. Salary Increases

Experts and consultants are not automatically entitled to an equivalent pay increase when the GS is adjusted under 5 U.S.C. § 5303 unless noted in an appointment document. However, agencies may adjust expert or consultant pay on an ad hoc basis, subject to the limitations of 5 CFR 304.105, with an SF 50 action.

100605. Exception From Dual Pay Restriction

Generally, an individual is prohibited by statute from receiving basic pay from more than one position for more than an aggregate of 40 hours of work in 1-calendar week. An exception to this restriction is provided for an individual who earns pay for service on an intermittent basis from more than one consultant or expert position, provided the pay is not received for the same hours of the same day. See 5 U.S.C § 5533(d)(1).

100606. Annual and Sick Leave

A. An expert, consultant, or other employee who serves on an intermittent or other basis without a prearranged regular tour of duty does not earn annual and sick leave. See 5 U.S.C. § 6301(2)(B)(ii).

B. An expert or consultant who serves on a regularly prescribed tour of duty, full-time or part-time, earns annual and sick leave. HRO must determine the regular tour of duty in advance and annotate the appointment document specifically to show whether the employee earns leave. The accrual rate is the same as for other full-time and part-time federal employees as discussed in 5 CFR 630. See 5 CFR 304.106.

100607. Retirement

Experts and consultants are appointed on a temporary or an intermittent basis and therefore, they are not covered under the federal retirement systems. See 5 CFR 831.201 and 842.105. However, coverage is continued for an employee who is currently covered by a federal retirement system and who is later appointed as an intermittent or temporary (full-time or part-time) expert or consultant without a break in service or after a separation from the service of 3 days or less.
100608. Federal Employees’ Group Life Insurance (FEGLI)

Experts and consultants are ineligible for FEGLI due to their temporary or intermittent appointment status. However, coverage is continued if an employee currently covered by FEGLI is appointed as an intermittent or temporary appointment (full-time or part-time) expert or consultant without a break in service or after a separation from the service of 3 days or less. To continue life insurance coverage for an intermittent employee, there must be an expectation that the employee will return to the previous position on a full-time basis.

100609. Federal Employees Health Benefits (FEHB)

Employees in an expert or consultant position who are expected to work 130 hours per month for at least 90 days will be eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See 5 CFR 890.102 and BAL 14-210.

1007 LEGALLY INCOMPETENT EMPLOYEES

100701. General

An SF 50 action showing the employee’s separation because of mental incompetence is initiated by the servicing HRO. The agency may also place the employee on an extended leave of absence by means of an SF 50 action. No payments will be made to the employee once the servicing PRO has been notified that the employee is declared legally incompetent. A claim must be filed on the employee’s behalf before the pay account can be settled. No specific form is required to file a claim for amounts due mentally incompetent or former employees. The claim must be filed in writing over the signature of the person claiming on behalf of the legally incompetent employee. If the claim is from a claimant other than a guardian or committee, the servicing PRO’s OGC should be consulted prior to making payment.

A. Guardian or Committee. The initial claim filed by the guardian or committee of the estate of a legally incompetent employee must be accompanied by a certificate of the court showing the appointment and qualification of the claimant as guardian or committee. After making the first payment, subsequent recurring payments may be made to the same payee without further claim as long as the appointment as guardian or committee remains in effect and the matter is otherwise free from doubt. Each subsequent payment voucher must include a citation to the voucher upon which the initial claim was paid.

B. Other Than Guardian or Committee. If a guardian or committee has not been appointed and will not be appointed, a sworn statement that includes the following information to support the initial claim:

1. The claimant’s relationship to the legally incompetent employee, if any;
2. The name and address of the person having care and custody of the legally incompetent employee;

3. A remark that any amount paid to the claimant must be applied only to the use and benefit of the legally incompetent employee; and

4. A remark that no appointment of a guardian or committee is contemplated.

100702. Claim Action

Upon receipt of a claim, the proposed date of separation is considered to determine whether compensation is due currently or a payroll voucher for final settlement should be processed. To avoid invalid payments when the employee is on extended paid leave, the HRO monitors the case for any changes in the employee’s condition and immediately advises the servicing PRO.

100703. Claims

Claims for unpaid amounts owed to legally incompetent employees may be paid once the claim and claimant’s entitlement have been verified.

A. Any unclaimed, undelivered, or uncashed salary checks drawn in favor of the employee must be returned to the disbursing officer for cancellation and credited to the appropriation fund originally charged.

B. The net amount of any returned check must be posted to the appropriate pay record. Adjustment of the items originally deducted from the gross pay is not required if the proceeds of the check are due the employee. If the proceeds of the check are not due an SF 1098, Schedule of Canceled or Undelivered Checks to cancel the check and must adjust entries for the deductions from gross pay.

C. The amount to be paid to the claimant must be computed and must include any further payments due to the employee for each pay period in the regular payroll cycle, such as payments due when the employee is carried on sick leave.

100704. Doubtful Claims

Doubtful claims are submitted to OPM for certification.

1008 MISSING PERSONS, CAPTURED OR INTERNED

100801. General

Civilian personnel who are determined officially to be missing are entitled to continued pay and allotments from their pay under the Missing Persons Act (5 U.S.C. §§ 5561-5568) and the Terrorism Compensation Act (5 U.S.C. § 5569). Missing status includes persons:
A. Missing;
B. Missing-in-action;
C. Interned in a foreign country;
D. Captured, beleaguered, or besieged by a hostile force; or
E. Detained in a foreign country against the employee’s will.

*100802. Pay, Allotments, and Leave Accounts

An employee in a missing status is entitled to receive or have credited to his or her account, for the period while in that status, the same pay and allowances to which he or she was entitled at the beginning of that period or may become entitled thereafter. The servicing PRO retains responsibility for the employee’s pay, leave, and retirement records. See 5 U.S.C. § 5562.

A. Pay. The employee’s pay account is maintained on a pay-period basis. Standard deductions are applied for retirement, FICA, federal and state income tax withholding, FEHB, and FEGLI in the totals for the regular payroll voucher. Upon receipt of an official determination that a civilian employee is in a missing status, any unclaimed or uncashed checks must be returned to the disbursing office.

B. Allotments. The initiation, continuance, discontinuance, increase, decrease, suspension, or resumption of an allotment from the pay and allowances of an employee in a missing status, is authorized when that action is in the interest of the employee, the dependents, or the United States. See 5 U.S.C. § 5563.

1. Allotments authorized by an employee before the missing status began normally continue for the period of absence.

2. The missing employee’s dependents may receive an allotment of the employee’s pay. Dependent payments cannot exceed the employee’s net pay. The needs of the dependents, the number of dependents and their relationship to the employee, however, should be considered when determining the payment amount. If possible, reserve a reasonable amount each pay period to ensure that the employee will have funds available upon return.

3. The pay and allowances of a missing employee in a captive status may be allotted to an interest bearing savings fund established by the Secretary of the Treasury. See 5 U.S.C. § 5569. Captive status means a missing status, which, as determined by the President, arises, because of a hostile action and is a result of the individual’s relationship with the government. All or any portion of the employee’s pay and allowances may be allotted to the extent that such pay and allowances are not subject to an allotment under 5 U.S.C. § 5563 as outlined in subparagraph 100802.C.
C. Leave. A special leave account should be established to restore any annual leave forfeited by an employee while in a missing status. Notwithstanding any other provision of law, an employee in a missing status on or after January 1, 1965, is entitled to:

1. Payment for annual leave which accrued to his or her account on or after January 1, 1965, but which was forfeited under 5 U.S.C. § 6304 because he or she was unable to use that leave by virtue of the missing status; or

2. Have all of that leave restored and credited to a separate leave account in accordance with the provisions of 5 U.S.C. § 6304(d)(2).

100803. Termination of Absence

Employees should not be separated from federal service while they are entitled to pay and allowances under the Missing Persons Act (see 5 U.S.C. §§ 5561-5568).

A. If an employee returns from a missing status, future salaries are paid using normal payroll procedures.

B. If the employee returns from missing status, a statement of the special leave account balance must be furnished to his or her HRO. The employee must elect, in writing, to receive either a payment or credit for the leave. If the employee requests payment, the payment is made using the employee’s rate of pay in effect at the time of the forfeiture of the leave.

C. If the HRO receives an official notice of the employee’s death or presumed death, the servicing PRO will take action as outlined in section 1005.

D. If the employee returns from missing status, the agency must charge the pay adjustment or final settlement, including local allotment payments to dependents, to the employee’s appropriated fund account.

1009 AUTHORITY FOR TEMPORARY ASSIGNMENTS

The authority for temporary assignments of employees between executive agencies and State, local, and Indian Tribal governments, institutions of higher education, and other eligible organizations is found in 5 U.S.C. §§ 3371-3376 and 5 CFR 334. An employee’s pay and leave provisions will be included in the employee’s written assignment agreement as required by 5 CFR 334.106.

1010 EMPLOYEES TRANSFERRED TO INTERNATIONAL ORGANIZATIONS

101001. General

An agency may detail or transfer an employee to any organization that the Department of State has designated as an International Organization (IO). See 5 U.S.C. §§ 3581-3584 and 5 CFR 352, Subpart C. A detail or transfer may not exceed 5 years; however, this may be
extended 3 additional years upon the approval of the head of the agency. A detail or combination of details and transfers must not exceed 8 years in the aggregate throughout an employee's Federal career. See 5 CFR 352.306. An employee who transfers is entitled to be reemployed in his or her former position, or one of like status, within 30 days of his or her application for reemployment.

*101002. Deductions

Under 5 U.S.C. § 3582, an employee who transfers to an IO may elect to keep coverage for retirement, FEGLI, and FEHB. The agency continues to make the agency contributions to the funds, and the employee’s coverage continues as long as the employee’s share of the payments remains current. At the time an employing Federal agency consents to the transfer of an employee, the agency must advise the employee in writing of the employee's right to continue retirement, health benefits, and group life insurance coverage, as applicable, for the duration of the assignment or transfer. The notice must explain the conditions for continued coverage and the employee's obligations and responsibilities with regard to continued coverage. The notice must also explain that, if the employee elects to retain coverage, the agency will continue to make the agency contributions to the funds, and the employee's coverage will continue as long as employee payments are currently deposited in the respective funds. See 5 CFR 352.309(a).

A. Retirement and FEGLI. Contributions must be based on the salary that the employee would have received had he or she remained in the position from which he or she transferred. If these amounts are changed by law, regulation, or a change in basic pay while an employee is serving with an IO, the amounts will be recomputed and the IO will be notified (if applicable) of the effective date and new amount. For regulations on retirement and FEGLI, refer to 5 CFR 352.309

B. FEHB. Deductions are based on the cost of the plan of the employee’s choice. If the enrollment cost changes while the employee is serving with an IO, the amount is recomputed based on notification from the HRO.

C. Thrift Savings Plan (TSP). An employee who transfers to an IO is not eligible to participate in the TSP while employed by the IO even if he or she elects to retain Federal retirement coverage. However, upon reemployment, an employee who elected to retain Federal retirement coverage while employed by the IO and has made all deposits required for such coverage may make contributions to the TSP which he or she missed as a result of the service with an IO, and receive make-up agency contributions and lost earnings on the agency contributions, as provided under 5 CFR 352.311(e).

D. FICA. Effective January 1, 1995, PL 103-296, Section 319, the Social Security Independence and Program Improvements Act of 1994, required that FERS and CSRS Offset employees who transfer to an IO continue their FICA coverage (including the Old-Age, Survivors, and Disability Insurance and Medicare taxes), if both of the following conditions are met:

1. The transferring employee must have been employed at a Federal agency and subject to FICA immediately prior to the transfer; and

Note: FICA tax is required for these transferred employees even if they are not continuing CSRS Offset or FERS coverage during the transfer. While employed by an IO, an employee's FICA tax is based on the amount of pay the employee would have received had he or she remained at the transferring agency.

101003. Payments From Transferred Employees

The agency advises transferred employees to make payments for retirement, FEHB, and FEGLI promptly for each pay period. Payments are current if received within 3 months after the end of the pay period covered by the payment. See 5 CFR 352.309(d). If payments are not timely, coverage terminates on the last day of the pay period for which the required payment was timely, subject to a 31-day extension of FEGLI and FEHB as provided in Chapter 11.

101004. Accounting for Payments

A DD 1131, Cash Collection Voucher, is used to deposit amounts received from either the individual or the employing organization into a deposit fund established for such purposes. An SF 1080, Voucher for Transfers Between Appropriations and/or Funds, or SF 1081, Voucher and Schedule of Withdrawals and Credits, is used to transfer the employer’s contribution, if required, from the appropriation which would have been charged for the employee’s pay to the proper deposit fund account. Total amounts (employee payments and government contributions) are included on the SF 2812-A, Report of Withholdings and Contributions for Health Benefits by Enrollment Code, submissions to OPM through the Retirement and Insurance Transfer System (RITS). RITS calculates and tracks obligation due dates and payment timeliness.

101005. Leave Account

Employees who are transferred to an IO may elect to receive payment for accumulated annual leave or have it remain to their credit until they return to federal employment. Employees also may request payment at any time before reemployment. Upon reemployment, sick and annual leave will be recredited to the employee when applicable. If the employee is paid the balance of his or her leave and is reemployed within 6 months after transfer, he or she must refund to the agency the amount of the lump-sum payment. See 5 U.S.C. § 3582(a)(4) and Chapter 3.

*101006. Pay Upon Reemployment

Agencies are required to provide an employee who is reemployed after transfer to an IO with the rate of basic pay to which the employee would have been entitled had the employee remained in the civil service. See PL 105-277, Section 2504 and 5 U.S.C. 3582(b).
An employee who transfers from a position covered by CSRS, CSRS-Offset, or FERS to a public IO may continue retirement coverage for up to 5 years of such service or up to 8 years if authorized by the Secretary of State. See CSRS and FERS Handbook, Chapter 12, § 12A3.1-4.

1011 TEMPORARY AND TERM EMPLOYMENT

101101. General

Temporary and term appointments are used to fill positions when there is not a continuing need for the job to be filled. Employees occupying either category of appointment are not entitled to competitive status or reinstatement eligibility. Because temporary and term employees do not have status, they may not apply for permanent appointments while employed in these positions through merit promotion. See 5 CFR 316.

101102. Temporary Employment

A. Appointments. Pursuant to 5 CFR 316, Subpart D, an agency may make a temporary appointment to:

1. Fill a short-term position that is not expected to last more than 1 year;

2. Meet an employment need that is scheduled to be terminated within 1 year (or at most, 2 years) for reasons such as reorganization, abolishment, or contracting out of the function, anticipated reduction in funding, or the completion of a specific project or peak workload; or

3. Fill positions on a temporary basis when the positions are expected to be needed for placement of permanent employees who would otherwise be displaced from other parts of the organization.

B. Benefits. Temporary employees are eligible to earn annual and sick leave and are covered by Social Security and unemployment compensation, but do not receive the other benefits provided to career civil service employees. Employees in a temporary position who are expected to work 130 hours per month for at least 90 days are eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See 5 CFR 890.102 and BAL 14-210. Temporary employees are generally ineligible for coverage under FEGLI or FERS.

101103. Term Employment

A. Appointments. An agency may make a term appointment for more than 1 year but not more than 4 years to positions where the need for an employee's services is not
permanent. Agencies may extend term appointments up to the 4-year limit in increments as determined by the agency. See 5 CFR 316, subpart C.

B. Benefits. Term employees are eligible to earn annual leave and sick leave. Term employees are also eligible for coverage under FERS, FEHB, and FEGLI. Term employees can work full or part-time work schedules and are eligible for promotions and within-grade increases upon satisfying the required waiting period.

1012 EMPLOYEES WHOSE WHEREABOUTS ARE UNKNOWN

In the event an employee’s whereabouts are unknown and payment cannot be made to the employee, refer to Volume 5, Chapter 7 for guidance.

1013 AIR TRAFFIC CONTROLLERS (ATC)

101301. General

ATCs are employees in an ATC facility (i.e., tower, ground-controlled approach, and approach control), actively engaged in the separation and control of air traffic or in providing preflight, in-flight, or airport advisory service to aircraft operations, or the immediate supervisor of any such employee. See DoDI 1400.25, V331.

101302. Overtime

All overtime work scheduled in advance of the administrative workweek on a day containing part of an ATC’s basic 40-hour workweek must be compensated under 5 CFR 550.111.

101303. Premium Pay

Differential pay is authorized for certain DoD employees. The Secretary of Defense has authorized five percent ATC premium pay under 5 U.S.C. § 5546a(a)(1). The payment of the premium is mandatory for DoD ATCs who are in the GS-2152 occupational series and occupy a position no lower than GS-9 at air traffic control centers, terminal or flight service stations. The HRO provides this information to the servicing PRO via an SF 50.

101304. Leave

Leave accruals are based on guidelines published in 5 CFR part 630.

101305. Mandatory Separation

Generally, under 5 U.S.C. § 8335(a) for CSRS employees and 5 U.S.C. § 8425(a) for FERS employees, an ATC who is otherwise eligible for immediate retirement must be separated from the federal service on the last day of the month in which the employee becomes 56 years of age. However, if the ATC has been granted a waiver of the mandatory separation age based on exceptional skills and experience, an ATC may delay separation until the day he or she becomes
age 61. Additionally, an ATC who has received a waiver of the maximum entry age under 5 U.S.C. § 3307(b) may delay separation until the last day of the month he or she completes 20 years of service.

101306. Retirement

ATCs have unique retirement deduction percentages for CSRS and FERS coverage. OPM publishes the rates in the CSRS and FERS Handbook, Chapter 30.

1014 PERSONNEL ON LONG-TERM FULL-TIME TRAINING

101401. General

Long-term, full-time training is defined as a training period of 120 consecutive workdays or more. See 5 U.S.C. Chapter 41 and 5 CFR 410. Employees on long-term, full-time training are authorized payment of salary.

101402. Leave

If salary payments continue during the training period, annual and sick leave regulations apply. Leave is reported via the time and attendance reporting mechanism and is administered as specified for the following leave types:

A. Annual Leave. Personnel on long-term, full-time training will continue to accrue annual leave. Ordinarily, an employee will be charged with annual leave during school vacation periods that fall on government workdays unless he or she returns to the work site or has made documented arrangements with his or her DoD point of contact to be actively involved in academic work. These documented arrangements should be accomplished well in advance of the vacation periods. Annual leave charges are reported on the employee’s time and attendance report. See OPM Training and Development Policy.

B. Sick Leave. Personnel on long-term, full-time training continue to accrue sick leave. The agency should charge sick leave on the time and attendance report when the employee is unable to attend classes due to illness.

1015 EMERGENCY MEDICAL TECHNICIAN (EMT)

101501. General

This section applies to EMTs or paramedics who are not classified as firefighters.

101502. Tour of Duty

EMTs and paramedics work various schedules including the basic 40-hour workweek, compressed work schedules, and uncommon tours of duty. An uncommon tour of duty means an established tour of duty that exceeds 80 hours of work in a biweekly pay period. See
5 CFR 630.201. Schedules and changes to tours of duty for an EMT or paramedic working uncommon tours must be on file in the employing activity/timekeeper site. Sleep and meal time also must be documented. The EMT’s hourly rate is multiplied by 40 hours, and the base pay and premium pay is based on this weekly rate regardless of the hours in the scheduled tour of duty for that week.

101503. Overtime Computation

A. Standby Duty Pay

1. FLSA nonexempt EMTs and paramedics are compensated for regularly scheduled overtime hours in excess of 40 hours in a week by the payment of annual premium pay for standby duty plus .5 times the employee’s hourly regular rate for all overtime hours worked. If an EMT performs an additional 24-hour shift during a pay period, and the shift is scheduled in advance of the workweek, standby duty pay covers all regularly scheduled overtime hours, but the employee is entitled to .5 times the employee’s hourly regular rate for all overtime hours worked. Sleep and meal periods during regularly scheduled tours of duty are hours of work for EMTs who receive annual premium pay for regularly scheduled standby duty. EMTs and paramedics are compensated for irregular or occasional hours of work in excess of 40 hours in a week by payment of the straight-time rate of pay for all irregular or occasional overtime hours of work plus .5 times the employee’s hourly regular rate of pay times the overtime hours. When an employee works an additional 24-hour shift, which is irregular or occasional overtime work, the two-thirds rule will apply. Up to 8 hours of sleep and meal time (a shift of 24 hours or more) are excluded from irregular overtime hours providing all regulatory conditions under 5 CFR 551.432 are met.

2. FLSA exempt EMTs and paramedics are compensated for regularly scheduled overtime hours in excess of 40 hours in a week by the payment of annual premium pay for standby duty. If an EMT performs an additional 24-hour shift during a pay period and the shift is scheduled in advance of the workweek, standby duty pay covers all regularly scheduled overtime hours. When an employee works an additional 24-hour shift that is irregular or occasional overtime work, overtime is paid in accordance with 5 CFR 550.113 or 114. The two-thirds rule will apply providing all regulatory conditions under 5 CFR 550.112(m) are met.

3. On-duty sleep and meal periods during regularly scheduled hours for which standby duty premium pay under 5 U.S.C. § 5545(c)(1) are payable may not be excluded from hours of work. See 5 CFR 551.432(e).

B. Compressed Work Schedule. The customary FLSA standard of compensating an employee with overtime pay for all hours of work in excess of 8 hours in a day and 40 hours in a week does not apply to an employee covered by a compressed work schedule under 5 U.S.C. § 6128. For example, an EMT with a 12-hour day in their schedule will not be entitled to FLSA overtime until they work over the 12-hour schedule for the day.
101504. Charging Leave

One hour (or an appropriate fraction thereof) of leave must be charged for each hour (or an appropriate fraction thereof) of absence from the uncommon tour of duty. For additional guidance on leave accruals for EMTs refer to DoDI 1400.25, V630, Leave, and 5 CFR 630.210. When an employee takes 24 hours of leave, 8 hours of sleep and meal time for that employee are deducted from actual hours of work under FLSA. Sleep and meal time for days of partial leave must be documented on the time and attendance report so that actual hours of work are shown. Sleep and meal time scheduled during leave periods must be added to total sleep and meal time so that total hours of actual work and total hours of sleep and meal time will be shown. Employees with uncommon tours of duty, established under 5 CFR 630.201 and 210, may be charged leave for regularly scheduled overtime hours outside the 40-hour basic workweek. Thus, such employees may receive applicable premium pay and FLSA overtime pay during hours of paid leave.

101505. Accruing Leave

Employees on uncommon tours of duty accrue and use leave on the basis of that uncommon tour. Accrual rates for such employees are directly proportional to the standard leave accrual rates for employees on an 80-hour biweekly tour of duty. See 5 CFR 630.210(a). The number of hours in the uncommon tour is multiplied by the accrual rate divided by 80 ((uncommon tour of duty hours) x (accrual rate/80) = uncommon accrual rate). See table in DoDI 1400.25, V630. Employees on uncommon tours of duty repeating a cycle of more than 1 biweekly pay period (e.g., a 3 biweekly pay period cycle) accrue leave based on the average hours in the biweekly tour. For example, an emergency medical technician on a tour of duty of 96 hours for 1 biweekly pay period and 120 hours for each of the following 2 biweekly pay periods works an average tour of 112 hours per pay period, and accrues leave based on a 112-hour tour of duty.

101506. Premium Pay

The HRO determines the amount of the premium pay for the irregular tour of duty and reports it on the SF 50. An EMT employed as an intermittent employee is not entitled to premium pay on an annual basis, nor is he or she entitled to paid leave. An EMT is paid under regular overtime rules. Refer to 5 CFR 551 for additional guidance on pay administration for EMTs under FLSA.

1016 FIREFIGHTERS

101601. General

Firefighter pay is governed under 5 U.S.C. §§ 5542(f), and 5545(b), and 5 CFR 550, subpart M. A firefighter is an employee classified in the GS-0081, Fire Protection and Prevention Series, which includes line firefighters, supervisory firefighters, and fire inspectors whose regular tour of duty averages at least 106 hours per biweekly pay period. Newly hired firefighters going through initial basic training with a 40-hour basic workweek are covered by the GS classification and pay system and classified in the GS-0099 General Student Trainee Series (as required by 5 CFR 213.3202(b)). Uniform allowances may be authorized for firefighters, refer to Chapter 3.
101602. Regular Tour of Duty

The term “regular tour of duty” means a firefighter’s official work schedule as established by the employing agency on a regular recurring basis. The regular tour of duty may consist of a fixed number of hours each week or a fixed recurring cycle of work schedules in which the number of hours per week varies in a repeating pattern. The regular tour of duty includes only those overtime hours that are part of the fixed recurring work schedule. However, irregular hours are deemed included in a firefighter’s regular tour of duty if those hours are substituted for hours in the regular tour of duty for which LWOP is taken, as provided in 5 CFR 550.1303(d). There are generally two types of official work schedules for firefighters:

A. **24-Hour Shift Firefighters.** Most commonly, firefighters work a 72-hour workweek consisting of three 24-hour shifts. These shifts include periods of actual work and substantial periods of time during which firefighters are in a standby status. In standby status, firefighters are free to eat, sleep, and engage in personal activities, but are confined to the worksite and remain in a state of readiness to perform actual work as required.

B. **40-Hour Plus Firefighters.** Other firefighters, (most commonly supervisors) have a regular 40-hour workweek consisting of five 8-hour days in addition to regularly scheduled standby duty (e.g., an extra 16-hour standby shift).

101603. Uncommon Tour of Duty

An agency must establish an uncommon tour of duty for each firefighter compensated under 5 CFR part 550, subpart M, for the purpose of leave use and accrual. The uncommon tour of duty must correspond directly to the firefighter’s regular tour of duty so that each firefighter accrues and uses leave based on that tour. See 5 CFR 630.210.

101604. Hourly Rate of Basic Pay

The firefighter’s regular tour of duty is used in determining the appropriate pay computation method. Firefighters are paid on an hourly rate basis. A firefighter’s daily, weekly, or biweekly rate of basic pay must be computed using the applicable hourly rates derived under 5 CFR 550.1303(a) and (b). Premium pay caps apply to the additional nonovertime pay received by firefighters with schedules exceeding the basic 40-hour workweek. Nonovertime pay is considered as basic pay and is not subject to reduction, but is included in the aggregate pay when determining the overtime pay cap. See 5 CFR 550.1305 and 5 CFR 550.107.

A. **24-Hour Shift Firefighters.** For firefighters with a regular tour of duty that does not include a basic 40-hour workweek (firefighters whose schedules generally consist of 24-hour shifts with a significant amount of designated standby and sleep time), the hourly rate of basic pay is computed by dividing the applicable annual rate of basic pay by 2,756 hours.

B. **Basic 40-Hour-Plus Firefighters.** For firefighters with a regular tour of duty that includes a basic 40-hour workweek plus additional nonovertime hours, the hourly rate of basic pay is computed by dividing the applicable annual rate of basic pay by:
1. 2,087 hours, for hours within the basic 40-hour workweek (or an 80-hour biweekly pay period); and

2. 2,756 hours, for any additional nonovertime hours.

C. Training. Firefighters are entitled to pay for their regular tour of duty during training. A firefighter should receive basic pay and overtime pay for the firefighter’s regular tour of duty in any week in which attendance at agency-sanctioned training reduces the hours in the firefighter’s regular tour of duty. This guidance does not pertain to student trainee employees in the GS-0099 series. A firefighter is not prohibited from receiving a higher amount of pay if he or she is entitled to that higher amount based on hours of actual work. See 5 CFR 410.402(b)(6).

101605. Meal and Sleep Time

For firefighters compensated under 5 U.S.C. § 5545(b), meal time and on-duty sleep time may not be excluded from hours of work.

101606. Overtime Computation

Under 5 U.S.C. § 5542, for firefighters compensated under 5 CFR 550, subpart M, overtime work means officially ordered or approved work in excess of 106 hours in a biweekly pay period, or in excess of 53 hours in an administrative workweek if the agency establishes a weekly basis for overtime pay computations. See 5 CFR 550.111(g). Overtime pay is considered part of continuation of pay (COP) for firefighters. Overtime hourly rates of pay are calculated as follows:

A. FLSA-exempt (FLSA non-covered). For a firefighter who is exempt from FLSA, the overtime hourly rate is computed as provided in 5 CFR 550.113(e). Generally, the overtime hourly rate is capped at 1-1/2 times the GS-10 minimum rate, but the rate may not fall below the firefighter’s own hourly rate of basic pay.

B. FLSA-nonexempt (FLSA covered). For a firefighter who is covered by nonexempt from the overtime provisions of FLSA, the overtime hourly rate of pay equals 1-1/2 times the firefighters hourly rate of basic pay for that particular firefighter as established under 5 CFR 550.1303(a) or 1303(b)(2).

101607. Premium Pay

Except for overtime pay in accordance with paragraph 101606, a firefighter is barred from being paid any other premium pay including night pay, Sunday premium pay, holiday pay, and hazardous duty pay. Premium pay for overtime in the firefighter’s regular tour of duty covered by 5 U.S.C. § 5545(b) is subject to a biweekly limitation rather than an annual limitation. See 5 CFR 550.107.
101608. Leave Accrual

The leave accrual rates for firefighters are established based on an uncommon tour of duty. See paragraph 101603. Leave accrual for firefighters is directly proportional based on the number of hours in the biweekly tour of duty and the accrual rate of the corresponding leave category to the standard leave accrual rates for employees who accrue and use leave on the basis of an 80-hour biweekly tour of duty. One hour or an appropriate fraction thereof of leave is charged for each hour or appropriate fraction thereof of absence from the uncommon tour of duty. See 5 CFR 630.210(c).

101609. Mandatory Separation

A firefighter, who is otherwise eligible for immediate retirement under 5 U.S.C. §§ 8336(c) (CSRS) and 8412(d) (FERS), must be separated from the federal service on the last day of the month in which the employee becomes 57 years of age unless he or she has not yet completed 20 years of service. In that case, the employee must be separated on the last day of the month in which he or she completes 20 years of service. See 5 U.S.C. § 8335(b) and 5 U.S.C. § 8425(b).

101610. Retirement

Firefighters have a unique retirement deduction percentage for CSRS and FERS employees. These rates are published by OPM in the CSRS and FERS Handbook, Chapter 30. Percentages of basic pay for withholding and contributions for FERS employees are described in 5 U.S.C. § 8422(a)(2)(B) and § 8423(a)(1)(B). Percentages of basic pay for withholdings and contributions for CSRS employees are described in 5 U.S.C. § 8334(a). Additionally, a firefighter’s special retirement coverage provides for an enhanced annuity formula and reduced age/service requirements as follows:

A. CSRS Coverage. Under 5 U.S.C. § 8336(c) once an employee reaches 50 years of age and completes 20 years of service as a firefighter or LEO, or any combination of such service totaling at least 20 years, they are entitled to a special annuity computation as provided under 5 U.S.C. § 8339(d).

B. FERS Coverage. Under 5 U.S.C. § 8412(d), an employee is entitled to a special annuity computation as provided under 5 U.S.C. § 8415(d) after:

1. Completing 25 years of service as an LEO or a firefighter, or any combination of such service totaling at least 25 years; or

2. Reaching the age of 50 and completing 20 years of service as an LEO or firefighter, or any combination of such service totaling at least 20 years.
1017 JUDGES

101701. Administrative Law Judges (ALJs)

A. Authority. Under § 3105, the Department may appoint ALJs for proceedings conducted in accordance with administrative procedures under §§ 556-557. These employees may not perform duties inconsistent with their duties and responsibilities as administrative law judges.

B. Pay for ALJs. There are three levels of basic pay for ALJs (designated as AL-1, AL-2, and AL-3, respectively), and each ALJ is paid at one of the levels as established under § 5372. The ALJ positions are (lowest to highest): AL-3, Rate A; AL-3, Rate B; AL-3, Rate C; AL-3, Rate D; AL-3, Rate E; AL-3, Rate F; AL-2; and AL-1. The minimum rate for an ALJ (AL-3, Rate A) is set at 65 percent of Level IV of the Executive Schedule. The maximum rate for an ALJ (AL-1) is set at 100 percent of Level IV of the Executive Schedule.

101702. Judges of the U.S. Court of Appeals for the Armed Forces

The U.S. Court of Appeals for the Armed Forces (formerly the U.S. Court of Military Appeals) is established under §§ 941-946. See DoDI 1400.25, V805, Special Retirement and Survivor Benefits for Judges of the U.S. Court of Appeals for the Armed Forces. The President, with the advice and consent of the U.S. Senate, appoints the judges for a term of 15 years. The court, consisting of five judges, is located within the DoD for administrative purposes. Washington Headquarters Services (WHS) is the employing office for the judges. For pay purposes, the judges are civilian employees as defined in 5 CFR 213. The judges are entitled to the same salaries and travel allowances provided to the judges of the U.S. Courts of Appeals (GS Salary Table, Schedule 7, for Judicial Salaries). The maximum annual salary is that of Level I of the Executive Schedule.

A. Entitlements. Judges are entitled only to regular base pay. Judges are excluded from the leave provisions of § 6301(2). As federal judges under § 5541(2)(i), they also are excluded from the provisions of premium pay under § 55, subchapter V.

B. Deductions

1. Judges under CSRS are required to contribute eight percent of basic pay for retirement. Judges under FERS have the same deduction rate as other FERS employees. See the CSRS and FERS Handbook, Chapter 30.

2. The FEGLI for the judges is based on Level II of the Executive Schedule.

3. Judges are subject to the Social Security tax wage base limit as published yearly by the IRS. There is no wage base limit for Medicare tax, and all covered wages are subject to Medicare tax.
C. Special Retirement and Survivor Benefits for Judges of the U.S. Court of Appeals for the Armed Forces. Upon becoming eligible for retirement, judges may elect to receive a retirement annuity from the DoD Military Retirement Fund (MRF) in lieu of an annuity under CSRS or FERS. See 10 U.S.C. § 945. Survivor and former spouse annuities may also be elected. The DFAS Indianapolis site serves as the PRO for retiree and survivor entitlements. DFAS must perform functions such as:

1. Maintaining individual retirement records of individuals who elect annuity benefits under 10 U.S.C. § 945;

2. Issuing annuity payments from moneys in the DoD MRF, including the collection of applicable federal and state income taxes, and collections of debts owed the U.S. Government;

3. Arranging with OPM for transfer of moneys, including interest payments authorized under 10 U.S.C. § 945(a)(3)(A), from the Civil Service Retirement and Disability Fund (CSRDF) to the DoD MRF;

4. Withholding, as appropriate, contributions from the annuity for payment of FEHB, FEGLI, making correct agency contributions, and transmitting these moneys to the CSRDF;

5. Readjusting the annuity payment when events change the retiree or survivor entitlements;

6. Accounting for retirement moneys received from OPM and disbursing to benefit recipients, insurance carriers, and federal and state tax entities; and

7. Ceasing annuity payment if the employee elects judiciary retirement benefits under 10 U.S.C. § 945(g).


E. Dual Compensation. PL 114-328, December 23, 2016 (2017 National Defense Authorization Act (NDAA)) removed the dual compensation prohibition for retired judges. As of December 27, 2016, a retired judge who returns to federal service in a position other than that of a senior judge, may receive both their retirement annuity and any pay he or she earns as a federal employee.

F. Senior Judges of the U.S. Court of Appeals for the Armed Forces. Under 10 U.S.C. § 942(e), a retired judge who formerly served on the Court of Appeals for the Armed Forces may be called upon to perform judicial duties for the court as a senior judge. When performing duties, a senior judge is considered an employee or official of the government. Senior judges receive their full retirement annuity. Senior judges are also paid an additional amount equal to the difference between the sitting judge’s pay and the senior judge’s annuity pay for each day.
judicial duties are performed. The additional amount is calculated using the difference between the daily equivalent of the annual rate of pay for a sitting judge and the daily equivalent of the retired judge's annuity. See 10 U.S.C. 942(e)(2) and PL 114-328 (2017 NDAA). A senior judge may also continue to receive his or her retired and annuity pay if the senior judge performs non-judicial duties for the court and receives no pay other than per diem and travel expenses. See U.S. Court of Appeals for the Armed Forces *Rules of Practice and Procedure*.

1018 AUXILIARY CHAPLAINS AND WEST POINT MILITARY ACADEMY CHAPLAINS

101801. Auxiliary Chaplains

Civilian clergy may be assigned to perform essential religious services of the chapel program that are beyond the staffing capabilities of the commissioned officer Armed Forces chaplains. Auxiliary chaplains normally perform their services on military installations. To serve as auxiliary chaplains, civilian clergy must be ordained or accredited by a faith group recognized by the *Armed Forces Chaplains Board*. They must meet any additional qualifications required by the Armed Forces.

101802. Appointing and Paying Auxiliary Chaplains

A. Auxiliary chaplains may be appointed by the HRO on an intermittent basis. They are paid on a fee basis from the employing activity’s appropriated funds for civilian personnel such as Operation and Maintenance funds. The HRO may appoint auxiliary chaplains under the excepted service authority in 5 CFR 213.3101.

B. **Work Schedules.** Auxiliary chaplains employed on an intermittent basis have no work schedule. They are paid for religious services performed.

C. **Absence and Leave.** There is no entitlement for leave.

D. **Entitlements.** The pay scale for auxiliary chaplains is determined by the employing activity’s HRO. Social Security, Medicare, federal and state income tax withholdings are made in accordance with the tax documents filed by the chaplain. Social Security, Medicare, federal and state income tax withholdings do not apply to chaplains under non-personal service contracts.

101803. West Point Military Academy Chaplain

Under *10 U.S.C. § 4337*, the President may appoint a chaplain to serve at the United States Military Academy at West Point. The civilian chaplain is entitled to a monthly housing allowance, in the same amount as the basic allowance for housing (BAH) allowed to a lieutenant colonel and to fuel and light for quarters. However, because utility costs are already factored into the BAH rate, no separate allowance for fuel and light should be paid. The chaplain’s salary is taxable and is subject to the withholding of income, Social Security, and Medicare taxes. The BAH is not
subject to the withholding of income taxes under 26 U.S.C. § 107 which excludes from a minister’s gross income the value of rental allowances he or she receives for a home. However, Social Security and Medicare taxes must be withheld from the BAH.

1019 SERVICE SECRETARIES

101901. General

Effective the pay period beginning November 30, 2003, 5 U.S.C. § 5504 was amended to allow the Cabinet Secretaries (e.g., the Secretary of Defense) and the Secretaries of the Military Departments to be paid on a biweekly basis.

101902. Time and Attendance

Time and attendance is not reported for Service Secretaries. Accrual or usage of annual and sick leave is not authorized. Military Department Secretaries are not eligible for premium pay.

1020 ADDITIONAL PAY FOR CERTAIN HEALTHCARE PROFESSIONALS

102001. General

OPM has delegated to DoD the discretionary use of certain Title 38 provisions that are primarily available to the Department of Veterans Affairs (VA). If DoD uses one of these authorities in the delegation agreement, the comparable authority in Title 5 is waived. The following Title 38 provisions as provided in 5 U.S.C. § 5371 have been delegated:

A. Special Salary Rate Authority (38 U.S.C. § 7455(a)(2)(A) and (B), (b), (c), and (d));

B. Baylor Plan and Alternate Work Schedules (38 U.S.C. § 7456 and 7456A);

C. Premium Pay (38 U.S.C. § 7454 and 38 U.S.C. § 7456(a) and (b));

D. Authority to Establish Qualifications (38 U.S.C. § 7402(a), (b), (d), and (f));

E. Qualification-based Grading System (38 U.S.C. § 7403(a), (b)(4), (c), (e), and (f)(1));

F. Head Nurse Pay and Nurse Executive Special Pay (38 U.S.C. § 7452(a)(2) and (g));

G. Hours of Employment (38 U.S.C. § 7421(a));

H. Pay for Physicians and Dentists (38 U.S.C. § 7431(a), (b), (c), (d)(1)-(5), (e)(2)-(4), (f) and (h); 38 U.S.C. § 7432 and § 7433(a));
I. Nurse Locality Pay System (38 U.S.C. § 7451(a), (b), (c), (d), (e), and (f));

and

J. Special Incentive Pay for Pharmacist Executives (38 U.S.C. § 7410(b)).

102002. Premium Pay

The authority to compensate certain DoD healthcare professionals with additional pay is used to recruit and retain qualified employees in specific medical fields. For additional guidance, see DoDI 1400.25, V540, Pay Pursuant to Title 38—Additional Pay for Certain Healthcare Professionals.

102003. Baylor Plan Nurses

Baylor Plan nurses work at DoD Health facilities and are hired to work a Baylor workweek consisting of two regularly scheduled 12-hour tours of duty. The tours are worked entirely between the last day and the first day of the administrative workweek (Friday midnight to Sunday midnight) authorized under 38 U.S.C. § 7456. The Baylor workweek is considered to be a full 40-hour workweek for pay and leave accrual purposes. For additional guidance on Baylor Plan nurses see DoDI 1400.25, V541, Pay Pursuant to Title 38—Special Rules for Nurses Pursuant to the Baylor Plan.

102004. On-Call Employees

Health care professionals are eligible to receive on-call pay when assigned to a work unit that has been officially designated as requiring employees to be on-call. On-call pay is a premium paid to certain professionals for working under circumstances or conditions authorized by 38 U.S.C. § 7457. The employee must be officially scheduled to be on-call outside of his or her regular duty hours. An employee, who is excused from regular duty on a holiday, or in-lieu-of holiday, may be scheduled to be on-call and receive on-call pay.

102005. Physicians and Dentists Pay Plan (PDPP)

A. General. The DoDI 1400.25, V543, Pay Plan for DoD Civilian Physicians and Dentists Covered by the General Schedule, establishes policy and provides guidance to establish the PDPPs for eligible DoD civilian physicians and dentists who:

1. Work full-time or part-time with tours of at least 20 hours per pay period at grade GS-15 equivalent or below, and

2. Provide direct patient care and services.

B. Pay. Every 2 years, the VA publishes the minimum and maximum amounts of annual pay for the PDPP in the Federal Register. Under the PDPP, a physician or dentist’s annual pay is the sum of base pay plus market pay. Base pay is the GS rate for the physician or dentist before any deductions and without additional pay of any kind. Market pay reflects the
recruitment and retention needs for the specialty or assignment of a particular physician or dentist. Annual pay is basic pay for all purposes, including the computation of retirement benefits, lump-sum annual leave payments, life insurance, TSP, and other benefits. See 38 U.S.C. § 7431(f).

C. Pay Limitation. Title 38, U.S.C. § 7431(e) provides that in no instance should the total amount of compensation paid in any year to a physician or dentist under Title 38 exceed the salary of the President of the United States as in effect on the last day of that calendar year. Section 7431 does not allow pay over the cap to be deferred and paid the next calendar year. Payments that exceed the salary of the President may not be made at any time. For further information and a discussion of limitations on market pay, see DoDI 1400.25, V543 and Chapter 3.

1021 LAW ENFORCEMENT OFFICERS (LEOs)

102101. General

LEOs as defined by 5 U.S.C. § 8331(20), are employees whose primary responsibility is the investigation, apprehension, or detention of individuals suspected or convicted of offenses against the United States.

102102. Premium Pay

The majority of LEOs are covered by the standard premium pay provisions established in 5 U.S.C. Chapter 55, subchapter V (including provisions that reflect overtime pay entitlements under FLSA for covered nonexempt employees). Premium pay with specific implications for LEOs includes:

A. Availability Pay. LEOs, as defined by 5 U.S.C. § 8331(20) and 5 CFR 550.103, are authorized to receive premium pay in the form of availability pay in accordance with 5 U.S.C. § 5545a and 5 CFR 550.185. Availability pay was established to compensate the employee for unscheduled duty in excess of a 40-hour workweek based on the needs of the employing agency. An exception under 5 CFR 550.181(b) allows any Office of Inspector General employing less than five investigators to elect not to cover their employees under the provisions of 5 U.S.C. § 5545(a). Availability pay recipients are not covered by FLSA. Availability pay is subject to a biweekly limitation under 5 CFR 550.107. Under 5 CFR 550.186, LEOs receiving availability pay are not entitled to other types of premium pay based on unscheduled duty hours.

B. Annual Premium Pay for Standby Duty. The rate of annual premium pay for standby duty is determined by the HRO and sent via SF 50 to the servicing PRO. (See Chapter 4, Table 4-1 for a list of deductions withheld). Standby duty pay is generally not used for federal law enforcement employees however, for more information concerning standby duty pay, refer to Chapter 3. Standby duty pay under 5 CFR 550.141 may not be paid to an LEO, who is receiving availability pay. See 5 CFR 550.163.
C. Overtime Computation. Overtime work scheduled in advance of the administrative workweek on a day containing part of a criminal investigator's basic 40-hour workweek must be compensated under 5 CFR 550.111.

D. Administratively Uncontrollable Overtime (AUO). Information concerning AUO for LEOs is located in Chapter 3 and on the OPM Fact Sheet: Guidance on Applying FLSA Overtime Provisions to Law Enforcement Employees Receiving AUO Pay.

102103. Leave Accrual

Leave accrual guidance for LEOs is based on the guidelines published in 5 CFR 630.

102104. Mandatory Separation

LEOs eligible for immediate retirement must separate from the federal service on the last day of the month in which the employee becomes 57 years of age unless he or she has not yet completed 20 years of service. In that case, the employee separates on the last day of the month in which he or she completes 20 years of service. See 5 U.S.C. §§ 8335(b), 8425(b), 8336(c), and 8412(d).

102105. Retirement

LEOs have a unique retirement deduction percentage rate for CSRS and FERS employees, which are published by OPM in the CSRS and FERS Handbook, Chapter 30.

1022 MILITARY SEALIFT COMMAND (MSC)

The pay of officers and members of crews of vessels shall be fixed and adjusted from time-to-time as nearly as is consistent with the public interest in accordance with prevailing rates and practices in the maritime industry. See 5 U.S.C. § 5348. Hours of work and premium pay policy for MSC civil service mariners are covered by Department of the Navy Civilian Marine Personnel Instruction 610, Hours of Work and Premium Pay, which has been approved by the Department of the Navy's Office of Civilian Human Resources. Base wage and premium pay scales for MSC civil service mariners are approved by the DoD Wage Setting Authority, in coordination with OPM.

1023 DE FACTO EMPLOYEES

102301. General

A de facto employee is an individual who, in good faith, renders services to the government but who was never properly appointed or never actually appointed as an employee. There are four common de facto employment situations:
A. When an individual performed services, but was not recorded as an employee in the pay system because either the record was not yet established or the individual began working prior to their official starting date,

B. When a current employee received pay for an erroneous promotion,

C. When an employee performed services after their official separation date or after the end date of their service appointment, or

D. When an individual was hired and performed services under an erroneous appointment, but is not expected to receive a legal appointment.

102302. Payment of De Facto Employees

A. **General.** Under the principles of quantum meruit (i.e., the actual value of services performed) an individual whose appointment is found to be improper or erroneous is entitled to receive compensation earned, service credit for purposes of accrual of annual leave, and lump-sum payment for unused leave upon separation, unless:

1. The appointment was made in violation of an absolute statutory prohibition, or

2. The employee was guilty of fraud in regard to the appointment or deliberately misrepresented or falsified a material matter. See 58 Comptroller General (Comp. Gen.) 734 B-191977, August 17, 1979 and 61 Comp. Gen. 127 B-197400, December 10, 1981.

B. **De Facto Determination and Payment Processing.** Payment of de facto employees for services rendered to the government will depend on the facts of each individual’s situation. The employing agency must make a determination identifying the employee as a de facto employee who acted in good faith and must convey that determination to DFAS. The employing agency must submit a payroll processing request to initiate the payment of a de facto employee. A de facto determination from the agency will invalidate any debt that may have been established for wages paid.

C. **De Facto Guidance.** The payment of de facto employees has been addressed in the following Comptroller General opinions:

1. **Individual Serving Before Appointment.** Individuals serving in a de facto status before officially appointed should be compensated for the reasonable value of their services performed during that period. Payment is established at the rate of basic compensation set for the positions to which they are ultimately appointed. See Comp. Gen. B-191397, September 6, 1978 and B-189741, April 4, 1978.
2. **Individual Never Appointed.** The reasonable value of the services of an individual who was never in fact appointed to the position which the individual purportedly filled, should be established at the rate of basic compensation for the position that was ultimately advertised and filled. See Comp. Gen. *B-193605, January 8, 1979.*

3. **Premium Pay.** The rule that a de facto employee is entitled to the reasonable value of his or her services does not limit the employee to receipt of basic compensation only. The reasonable value of his services includes premium pay, including holiday pay. See Comp. Gen. *B-188574, December 29, 1977.*

4. **Termination and Reemployment.** In the event an individual is terminated from employment after the appointment was found to be erroneous and is then reemployed after a break in service, the individual is entitled to compensation earned, lump-sum payment for accrued annual leave, service credit for annual leave accrual purposes, and recredit of accrued sick leave. If OPM denies service credit for the period of the improper appointment, the employee would be entitled to a refund of the retirement deductions made from his or her salary during the period of the erroneous appointment, less any necessary Social Security deductions. See Comp. Gen. *B-197400, December 10, 1981.*

5. **Dual Compensation Prohibition.** De facto status may not be applied to nullify the effect of a statutory provision that prohibits dual compensation. See Comp. Gen. *B-157983, December 13, 1965.*

6. **Erroneous Promotions.** A current employee who receives an erroneous promotion may be regarded as a de facto employee. For example, an employee is regarded as a de facto employee if the employee is promoted but it is later determined the employee did not meet the general requirements of the higher position. The employee is entitled to retain the compensation received for the services performed in good faith as a de facto employee during the period of the erroneous promotion unless there is a statutory bar prohibiting such payment. See Comp. Gen. *B-221745, April 28, 1986.*

D. **Tax Reporting.** Pay to a de facto employee should be reported as if the individual had been a correctly appointed employee during the de facto period. De facto status has no impact on how pay is reported. Any pay that includes wages should be reported on a W-2 form for the year in which payment is made.

1. Example: An employee was erroneously promoted and performed duties and received pay associated with the erroneous promotion in 2013. The error was not discovered until 2014. The payments for the de facto employment were reported as taxable income on the 2013 W-2. There should be no adjustment to the 2013 W-2 even though the error was discovered in 2014.

2. Example: An employee was erroneously promoted and performed duties and received pay associated with the erroneous promotion in 2013. The error was discovered in 2013 and the full amount paid was collected as a debt from the employee in 2013. A de facto determination was submitted in 2014, which authorized the employee to be paid for the
services performed as a de facto employee. The wages for the de facto period were repaid to the employee in 2014. The wages for the de facto period are reported in the year actually paid, or 2014.

E. FEHB and FEGLI Deductions

1. **FEHB.** Under the Affordable Care Act, health insurers may not cancel coverage retroactively if premiums have already been paid, even when an employer has erroneously allowed an ineligible employee to enroll in FEHB. Premiums should not be refunded to the de facto employee.

2. **FEGLI.** If the error is discovered before 2 years have passed, incontestability does not apply and the erroneous coverage is not valid. Any erroneous coverage should be voided and the premiums should be refunded. See FEGLI Program Handbook and Chapter 11.

F. **TSP.** The regulations at 5 CFR 1605.12 set out procedures for removing erroneous contributions received by TSP from employees and employers.

G. **Retirement Credit.** The question of whether a de facto employee is entitled to service credit for retirement purposes should be referred to OPM. If OPM denies service credit for the period the de facto employee worked, the de facto employee is entitled to a refund of retirement contributions made during the de facto period, less any Social Security deductions. See 61 Comp. Gen. 127 (1981).

102303. **Variations**

OPM assists Federal agencies with correcting errors made during the competitive hiring process. Variations are used to correct errors made in the competitive hiring process when no other remedy exists within the regulation. See OPM Guidance, Hiring Authorities and 5 CFR 5.1.

1024 HIGHLY QUALIFIED EXPERTS (HQEs) AND HIGHLY QUALIFIED EXPERTS-SENIOR MENTORS (HQEs-SMs)

102401. **General**

Employees appointed as an HQE must possess an uncommon level of expertise and recognition. Such expertise, with the exception of HQE-SMs, is generally not available within the federal workforce at the time of need, nor is it typically gained within the civil service or uniformed services. HQE-SMs, by nature, have the expertise and experience required to fulfill their intended roles, having been recruited from former or retired civil service or uniformed service personnel. See 5 U.S.C. § 9903; DoDI 1400.25, V922.
102402. Appointments

Employees hired as HQEs will be given “Excepted Not-to-Exceed” appointments (up to 5 years) under an Experts Other (EE) pay plan. The HQE or HQE-SM must sign a written service agreement.

102403. Pay

Compensation for an HQE or HQE-SM should reflect the salary paid in the labor market for comparable positions, taking into account such factors as applicant’s skills, professional and educational accomplishments, and the complexity of the work the applicant is asked to perform. See DoDI 1400.25, V922 for other relevant factors. Basic pay for an HQE or HQE-SM typically will be within the range from GS-15, step 1 (or equivalent) up to the statutory limit of Level IV of the Executive Schedule. In addition to basic pay, HQEs and HQE-SMs may receive locality-based comparability payments applicable to the geographic location of their position of record as prescribed by 5 U.S.C. § 5304. When added to the rate of basic pay, locality-based comparability payments may not exceed Level III of the Executive Schedule as described in 5 U.S.C. § 5304(g)(2)(C). See DoDI 1400.25, V922 for additional pay information.

102404. Performance Awards

HQEs and HQE-SMs are not eligible to receive performance awards.

102405. Leave

HQEs and HQE-SMs are subject to the annual leave accrual provisions of 5 U.S.C. § 6304(a), which sets the maximum number of annual leave hours carried forward from one leave year to another at 240 hours. Full-time HQEs and HQE-SMs accrue 8 hours of annual leave per pay period and at a prorated rate for other eligible part-time employees.
VOLUME 8, CHAPTER 11: “ALLOTMENTS AND VOLUNTARY DEDUCTIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated August 2018 is archived.

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<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<tr>
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<td>Revised information for clarity.</td>
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<td>Updated the “Authoritative Guidance” paragraph in accordance with current guidance.</td>
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<tr>
<td>110202.E.1</td>
<td>Added information regarding the Financial Management Service (FMS) 2231, Fast Start Direct Deposit Form.</td>
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<td>110202.E.2</td>
<td>Added information regarding the FMS 2231, Fast Start Direct Deposit Form.</td>
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<td>110302.F.4.a(2)</td>
<td>Removed references to the Department of Defense Form 592, Payroll for Personal Services Certification and Summary throughout section due to this form no longer being used.</td>
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<td>111005</td>
<td>Added subparagraphs to address elimination of suspending employee contributions for 6 months.</td>
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<td>111101.D</td>
<td>Added the option of pay.gov for making POST-56 military deposit payments.</td>
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CHAPTER 11

ALLOTMENTS AND VOLUNTARY DEDUCTIONS

1101 GENERAL

110101. Overview

Allotments and voluntary payroll deductions are made from an employee’s gross pay. Both allotments and voluntary deductions are executed at the employee’s request and require written authorization from the employee prior to withholding the deduction. Authorized deductions may be made through automated computer programs, such as myPay, using a personal identification code. See Chapter 4 for information on mandatory deductions.

110102. Purpose

The purpose of this chapter is to provide guidance on mandatory, discretionary, and voluntary deductions as they may be applied to an employee’s gross pay.

*110103. Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, 31, and 38. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of this chapter.

1102 ALLOTMENTS

110201. Overview

An allotment is a recurring deduction from an employee’s pay that is authorized by the employee. An allotment is paid to a specific person or institution as directed by the employee. An agency must permit an employee to make certain mandatory allotments as discussed in paragraph 110202. Additionally, an agency may permit an employee to make additional discretionary allotments that have been deemed appropriate by the agency. For additional information, see Title 5, U.S.C. section 5525, Title 5, Code of Federal Regulations (CFR), Part 550, subpart C, and paragraph 110203. For information concerning the order of precedence for processing both mandatory and voluntary deductions and allotments, see Chapter 4.

A. Allotment Processing. An allotment must be requested in writing by the employee. The request may be made electronically or by regular mail. The allotment request must identify the authority under which the allotment is permitted, the specified amount to be deducted, the period of time over which the deduction is to be made, and the name and address of the person or institution to whom the allotment is payable.
B. **General Limitations on Allotments.** Any allotment is subject to the following limitations:

1. The employee must designate the amount of the allotment and the person or institution to whom the allotment is made payable,

2. The total amount of allotments may not exceed the pay due to the employee for a particular pay period,

3. The employee must personally authorize a change or cancellation of an allotment,

4. The agency has no liability in connection with any authorized allotment disbursed by the agency in accordance with the employee’s request, and

5. Any disputes regarding any authorized allotment are a matter between the employee and the allottee.

C. **Allotments Not Authorized.** The following allotments are not authorized:

1. Collection of debts to private creditors and nongovernmental agencies;

2. Contributions to charities, except as authorized in subparagraph 110202.C and 110203.B;

3. Payment of insurance premiums, except as authorized in subparagraph 110202.G; and

4. Payment of dues to civic, fraternal or other organizations, except as authorized in subparagraphs 110202.A, 110202.B, and 110203.B.

*110202. Mandatory Allotments*

Mandatory allotments are those allotments an agency must permit an employee to make as authorized under 5 CFR 550.311(a).

A. **Allotments for Labor Organization (Union) Dues.** An allotment for dues payable to a labor organization is authorized under 5 U.S.C. § 7115. Any eligible employee has the right to make a voluntary allotment for the payment of dues to labor organizations. Employees must submit a Standard Form (SF) 1187, Request for Payroll Deductions for Labor Organization Dues, to request and authorize the allotment of pay. The allotment is effective the first pay period beginning after receipt of the properly executed SF 1187.

1. **Deductions for Dues.** Unless the negotiated collective bargaining agreement states otherwise, the amount of the dues deduction indicated on the SF 1187 will remain
the same until the appropriate official in the labor organization certifies the dues amount has changed. When an employee is in a nonpay status for an entire pay period, the Payroll Office (PRO) will not deduct a missed allotment for that pay period from future earnings. The PRO will not take a partial deduction if an employee is in a nonpay status for part of a pay period and the employee’s earnings are not sufficient to cover the full deduction. An employee’s biweekly deductions for labor organization dues should be calculated as follows:

a. If the amount stated on the SF 1187 refers to a total annual deduction for a 12-month period, then divide the total annual deduction by 26 to determine the biweekly deduction.

b. If the amount stated on the SF 1187 refers to a monthly deduction, then multiply the monthly deduction by 12 to determine the total annual deduction. Divide the total annual deduction by 26 to determine the biweekly deduction.

2. Cancellation of Dues Allotment by Employee. An employee may submit a request to cancel the allotment for payment of labor organization dues at any time.

a. Written Cancellation Required. An employee may file an SF 1188, Cancellation of Payroll Deductions for Labor Organization Dues, to cancel an allotment. However, any written request signed by the employee for the cancellation of an allotment that contains sufficient information may be acceptable. Unless the collective bargaining agreement states otherwise, the employing activity is responsible for furnishing the SF 1188 to employees upon request.

b. Effective Date. Under 5 U.S.C. § 7115(a), an employee may cancel a union dues allotment at yearly intervals (or as negotiated in a collective bargaining agreement as long as the intervals are consistent with section 5 U.S.C. § 7115(a)). An employee may not be prevented from cancelling a dues allotment for a period of greater than one year.

3. Automatic Termination of Allotment. An allotment for payment of labor organization dues is automatically terminated pursuant to 5 U.S.C. § 7115(b) when any of the following events occurs:

a. The collective bargaining agreement between the agency and the labor organization ceases to be applicable to the employee. For example:

(1) When an employee is no longer a member of the bargaining unit due to separation from the employing activity, the termination of the allotment will be effective with the employee’s final pay from the activity;

(2) When an employee is no longer eligible to be a member of the bargaining unit due to a promotion or reassignment to a supervisory position, the termination of dues will be effective at the beginning of the first pay period after the employee loses eligibility to be a member; or
(3) When the labor organization loses eligibility for exclusive recognition, the termination of the allotment will be effective at the beginning of the first pay period after notification is received concerning the loss of recognition.

b. The employee is suspended or expelled from membership in the labor organization. Termination of dues will be effective the first pay period after the Defense Finance and Accounting Service (DFAS) receives the written notification from the labor organization indicating that an employee was suspended or expelled from membership.

4. **Erroneous Deduction of Dues After Automatic Termination of Allotment.** The agency must automatically terminate an allotment for labor organization dues when the employee ceases to be a member of the bargaining unit. There is no additional requirement for the employee to submit a cancellation form or to take any other action to terminate the allotment. If the agency does not terminate the allotment for labor organization dues in a timely manner, the PRO must refund any erroneously deducted labor organization dues, without interest, to the employee. The agency has a claim against the labor organization for the overpayment amount.

B. **Allotments for Association of Management Officials and/or Supervisors Dues.** An allotment for dues payable to an association of management officials and/or supervisors is authorized under 5 CFR 550.331. An employee is eligible to make a voluntary allotment for the payment of dues if the employee is a supervisor or management official and is a member of the association. The agency and the association of management officials and/or supervisors must maintain a written agreement allowing for the deduction of allotments for the payment of dues.

C. **Allotments for Charitable Contributions.** An agency must permit an employee to make an allotment for charitable contributions through the Combined Federal Campaign (CFC) under 5 CFR 550.341. For additional information, see Department of Defense Instruction (DoDI) 5035.01 and DoDI 5035.05. The CFC is a charitable fundraising program established and administered by the Office of Personnel Management (OPM) and is the only authorized solicitation for charitable contributions from employees in the Federal workplace. OPM designates a Local Federal Coordinating Committee (LFCC) to conduct the CFC in a particular community. For additional information, see 5 CFR 950 and Executive Orders 12353 and 12404.

1. **Geographic Boundaries of the Local Campaign.** An employee may participate in a particular CFC only if that employee’s official duty station is located within the geographic boundaries of that CFC. The Director, OPM may grant permission for solicitations of Federal employees, outside the CFC, in support of victims in cases of emergencies and disasters. Any special solicitations will be managed through a Disaster Relief Program developed by OPM. See 5 CFR 950.102(a)(2) and 79 Federal Register 21581.

2. **CFC Pledge Form.** The CFC Pledge Form, in conformance with 5 CFR 950.402, is the only form an employee may use to authorize a CFC payroll allotment. Agencies will make the form available to employees electronically, along with other campaign materials including the official charity list, when the charitable contributions are solicited. The electronic
pledge is completed by the employee and transmitted to the employee's servicing PRO in real time via the centralized pledge system in order to establish a CFC payroll allotment. Employees may also submit a paper pledge form. Paper pledge forms may be given to the campaign manager or mailed directly to: CFC Processing Center, P.O. BOX 7820, Madison, WI 53707-7820. The CFC Processing Center will input the pledge into the centralized pledge system which then will be transmitted to the employee's servicing PRO. An agency must conduct a campaign during the period determined by the LFCC, which will not begin before September 1 and will not extend beyond January 15. New employees may make pledges within 30 days of entry on duty, if outside of the campaign period. See 5 CFR 950.102 and 950.601.

3. **CFC Allotments Are Voluntary.** A CFC allotment is voluntary and based on the employee's authorization. See 5 CFR 950.701(c).

4. **1-Year CFC Allotment Term.** A CFC allotment term begins with the first full pay period after January 15 and ends with the last pay period that includes January 15 of the following year. See 5 CFR 950.701(d).

5. **Central Campaign Administrator (CCA).** OPM has established that a CCA will administer the CFC donor pledging system. Any pledges made must be pledged through the centralized administrator. See [OPM Memorandum: 2017 Combined Federal Campaign](https://www.opm.gov/2017combinedfederalcampaign/) dated August 3, 2017 and 5 CFR 950.106.

6. **CFC Allotment Amount.** Employees specify an allotment amount to be deducted each pay period during the year. Allotments will not be less than $1 per biweekly pay period. There is no restriction on the size of the increment above the minimum amount. The amount of the allotment may not be adjusted during the 1-year term. See 5 CFR 950.701(e).

7. **Discontinuance of CFC Allotments.** Allotments discontinue automatically after the expiration of the 1-year term, or upon the death, retirement, or separation of the employee from Federal service. CFC payroll deductions may be cancelled at any time via the centralized pledge system, but this is the only change permitted outside the official solicitation period. If a pledge is cancelled during the official solicitation period, a new pledge cannot be submitted. See 5 CFR 950.701(f).

8. **Transfer of CFC Allotment Authorization.** If an employee transfers during the 1-year term of the allotment, the allotment authorization must be transferred to the new PRO. See 5 CFR 950.701(g).

D. **Allotments for Income Tax Withholding.** An employee may make an allotment for income tax withholding when the employee has a legal obligation to pay, but the agency has no legal obligation to withhold taxes. The allotment for payment of taxes authorized by [5 CFR 550.351](https://www.opm.gov/2017combinedfederalcampaign/) applies to State, District of Columbia, and local income or employment taxes.

E. **Allotments for Personal Accounts at Financial Organizations.** An employee may authorize two or more allotments for a personal account(s) at a financial organization. The
All allotment deductions must be a fixed amount for each biweekly pay period and will continue until canceled by the employee.

1. **Initiation.** To initiate an allotment to a personal account at a financial organization, an employee submits an **SF 1199A**, Direct Deposit Sign-Up Form and a **Financial Management Service (FMS) 2231**, Fast Start Direct Deposit Form. Employees may also initiate an allotment to a financial organization through an automated computer program that allows employees to process allotments using a personal identification code. To initiate the allotment, the employee must provide a routing transit number, the employee’s account number, account type, and the biweekly amount.

2. **Changes.** To change the amount of the allotment or the financial organization or account, the employee must submit a new SF 1199A and an FMS 2231. The employee may also make a change through an available automated computer program.

3. **Cancellations.** An employee may cancel an allotment to a financial organization at any time by submitting the appropriate form to the Customer Service Representative (CSR) for processing. The employee may also cancel the allotment through an available automated computer program.

4. **Deductions**
   a. If the salary is sufficient to cover the deduction, the PRO will deduct the full allotment amount each pay period even if an employee is in a pay status for only part of a pay period. No deductions will be made if the salary amount is insufficient to cover the full allotment deduction.

   b. Retroactive deductions will not be made for a period during which the employee's net pay was insufficient to cover the allotment. The PRO will not make adjustments during future pay periods for amounts it failed to deduct during a current pay period.

5. **Child Support and/or Alimony Payments.** Employees are permitted to make an allotment for child support and/or alimony when he or she voluntarily elects to do so as authorized by **5 CFR 550.361**. This provision for a voluntary allotment does not apply to garnishment orders issued to enforce child support or alimony obligations.

6. **Flexible Benefits Plan Allotments.** The PRO permits eligible employees to make an allotment as part of a flexible benefits plan established by OPM. The Federal Flexible Benefits Plan (FedFlex) is OPM’s cafeteria plan that offers pretax benefits to employees in accordance with Internal Revenue Service (IRS) regulations. The FedFlex offers the following options:

   1. **Premium Conversion.** Premium conversion for medical, dental, and vision plans allows employees to pay premiums using pretax dollars. See subparagraph 110302.H.
2. **Flexible Spending Accounts (FSAs).** FedFlex offers employees the opportunity to participate in the Federal Flexible Spending Accounts Program (FSAFEDS). See section 1105.

3. **Health Savings Accounts (HSAs).** Eligible employees enrolled in a high deductible health plan (HDHP) may establish an HSA with an HSA trustee or custodian and may request allotments to fund the HSA. An HSA is funded with pretax monies and may be used to cover current and future qualified medical expenses. The allotment continues until the employee revokes or modifies the allotment election. An employee may modify an HSA allotment at any time in order to effect a prospective change. Any balance remaining in an HSA at the end of a plan year automatically carries forward in the account and no HSA account is subject to forfeiture. Employees are responsible for ensuring their enrollment and contributions are in accordance with IRS rules and within annual limits. Payroll providers are not responsible for verifying employee eligibility or checking to ensure employee contributions are within annual limits.

110203. Discretionary Allotments

In addition to the mandatory allotments that an agency is required to accept from employees, an agency may also permit employees to authorize discretionary allotments made at the employee’s request for any legal purpose deemed appropriate by the head of the agency (or designee). The authority to accept discretionary allotments does not constitute independent authority by an agency to permit pretax allotments in addition to those authorized by OPM under subparagraph 110202.G. See 5 CFR 550.311(b).

A. **Purchase of Savings Bonds.** The United States (U.S.) Department of Treasury has discontinued the issuance of paper savings bonds through federal agency payroll savings plans. Savings bonds may be purchased in the following manner:

1. An employee must open a *TreasuryDirect* account. As instructed by the TreasuryDirect payroll savings plan, the employee must submit a request to the civilian PRO for a payroll deduction in the form of an allotment. The employee’s request must include the TreasuryDirect account and the amount to be deducted biweekly.

2. Savings bonds purchased in TreasuryDirect post to the employee’s account one business day after the scheduled purchase date.

B. **Foreign Affairs Agency Organizations.** An employee may elect to make an allotment to pay dues to a foreign affairs agency organization in accordance with 5 CFR 550.371.

1. The employee is allowed to revoke the authorization at least every 6 months; and

2. The allotment terminates when the dues withholding agreement between a foreign affairs agency and the organization is terminated or ceases to be applicable to the employee.
C. Military Welfare Societies (MWSs). An employee may elect to contribute voluntarily to the MWSs as an authorized charitable campaign. The MWSs include, Army Emergency Relief Society, Navy-Marine Relief Society, and the Air Force Aid Society. With the exception of CFC (see subparagraph 110202.C), MWSs are prohibited from soliciting Federal civilian employees.

1103 FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB)

110301. General

The FEHB Program was originally authorized in 1960 and is governed under 5 U.S.C., Chapter 89 and 5 CFR 890. FEHB is an employer-sponsored group health insurance program for eligible Federal civilian employees, retirees, former employees, family members, and former spouses. In January 2016, the Self Plus One enrollment type became available. See Benefits Administration Letter (BAL) 15-210. Employees are eligible to enroll themselves and eligible family members in a health plan offered by FEHB. An employee's participation in the program is voluntary. OPM sets the amount that the government contributes toward an employee’s health plan cost, and the employee is responsible for paying the remaining balance of the premium cost through salary withholding. OPM designates a three-digit enrollment code to identify health plans. The first two digits identify the plan and the third digit identifies the option (high or standard) and the type of enrollment (self only, self and family, or self plus one). For more information, visit FEHB Facts.

A. Authorized FEHB Forms

1. The SF 2809, Health Benefits Election Form, must be completed by the employee in order to:
   a. Switch designated eligible family member,
   b. Enroll or reenroll in the FEHB Program,
   c. Elect not to enroll in the FEHB Program,
   d. Change FEHB enrollment,
   e. Cancel FEHB enrollment, or
   f. Suspend FEHB enrollment (only annuitants or former spouses).

2. The SF 2810, Notice of Change in Health Benefits Enrollment, must be completed by the employee for the purpose of:
   a. Termination,
   b. Transfer in,
c. Reinstatement, or

d. Change in name of an enrollee.

B. Effective Dates. Except for open season, or unless otherwise provided, most enrollments and changes to enrollments are effective the first day of the pay period after the employing office receives the SF 2809 enrollment or SF 2810 change request. An employee must be in a pay status at least part of the pay period preceding the effective date of enrollment or change request. If an employee was not in a pay status during the pay period preceding the request, the enrollment or change becomes effective on the first day of the pay period after the employee returns to pay status. Open season begins the Monday of the second full workweek in November and ends the Monday of the second full workweek in December. OPM sets the effective date for enrollments and changes made during the annual open season.

*110302. FEHB Premium Contributions and Withholdings*

Information concerning government employer contributions (Government contribution) and employee withholdings for FEHB premiums can be found in 5 CFR 890, subpart E. See the FEHB Handbook. Premium contributions and withholdings begin the first pay period that the enrollment is effective. The PRO forwards the contributions and withholdings to OPM using the Retirement and Insurance Transfer System (RITS) on the same date payroll is paid.

A. Government Premium Contributions. The Government’s contribution must be paid every biweekly pay period during which an employee's enrollment continues, whether the employee is in a pay or nonpay status. The Government contribution for eligible employees is paid out of agency appropriations or other funds available for payment of salaries.

B. Full-Time Employee Premium Withholding. Unless otherwise provided, full-time employees are responsible for paying their share of the premium for every pay period that enrollment continues. The PRO deducts the withholding amount each pay period from the employee’s pay. The amount is determined by the rate applicable to the plan, option, and coverage selected by each employee. The plan brochure describes the benefits, biweekly deduction, and other major features of each participating plan. If the withholding is insufficient, the employee incurs a debt to the United States in the amount of the proper withholding required for each pay period. Employees must check their Leave and Earnings Statements (LES) to verify the premium withholding is correct and must report discrepancies to their employing office immediately.

C. Part-Time Employees Premium Withholding and Contributions. Part-time employees, as defined in 5 U.S.C. § 3402, may elect coverage under FEHB and must pay the employee share of the FEHB premium. The agency pays the employer contribution in whole or in part depending on the following, as determined by the Human Resources Office (HRO).

1. A part-time career employee hired after April 8, 1979, who works 16 to 32 hours a week (or 32 to 64 hours biweekly) is entitled to a partial Government contribution toward the FEHB premium that is in proportion to the number of hours scheduled to work in a pay period. The partial contribution is determined as follows:
a. The prorated share of the Government’s contribution is determined by dividing the number of scheduled hours the part-time employee works as indicated on the *SF 50*, Notification of Personnel Action, by the number of hours worked by a full-time employee serving in the same or comparable position (normally 80 hours per biweekly pay period).

b. The resulting percentage is applied to the Government contribution made for full-time employees enrolled in that plan.

c. The amount of the Government contribution is deducted from the total premium (Government contribution plus employee share), and the remaining amount is withheld from the employee’s pay. See *5 U.S.C. § 8906(b)(3)* and refer to the FEHB Handbook.

2. Employees who served on a part-time basis before April 8, 1979, and who have continued to serve on a part-time basis without a break in service, are eligible for the full Government contribution.

D. Temporary Employee Premium Withholdings and Contributions.

1. Effective November 17, 2014, employees on temporary appointments, employees on seasonal schedules who will be working a schedule of less than six months per year, and intermittent employees who are expected to work 130 hours per month or more for at least 90 days will be eligible to enroll in an FEHB plan. These newly eligible employees will receive the same government contribution as full-time permanent employees. See BAL 14-210. Temporary employees who had worked for 12 consecutive months, were already eligible to enroll in the FEHB Program, and who were expected to work for 130 hours per month for at least 90 days also became eligible to receive the same government contribution as full-time permanent employees.

2. The Federal Employees Health Benefits Amendments Act of 1988 provides FEHB coverage for certain temporary employees excluded from coverage under subparagraph 110302.D.1. To be eligible for coverage, a temporary employee must have completed 1 year of current continuous employment, excluding any break in service of 5 days or less. See 5 U.S.C. § 8906a(a). The employee must pay both the employee and the government share of the FEHB premium.

E. Withholding and Contributions Under Certain Conditions

1. Withholding From Lump-Sum Leave (LSL) Payment. The PRO will not deduct the regular biweekly withholding for FEHB premiums from an employee’s LSL payment. However, the PRO may collect from the LSL payment any previously established debt that is the result of an employee’s underpayment or failure to pay premiums.

2. Withholdings and Contributions Upon Transfer. An employee's health plan enrollment and coverage continue without change when the employee transfers from one PRO to another without a break in service of more than 3 days. Each PRO is responsible for FEHB premium withholdings and contributions during the time the employee was in a position serviced by
the PRO. The PRO will prorate the withholdings and contributions using the Daily Proration Rule if the employee transfers to a different PRO at any time other than the first day of the pay period. See subparagraph 110302.G.

3. **Withholding and Contributions Upon Retirement.** If an employee retires and is eligible to continue enrollment in a health plan as an annuitant, the PRO’s responsibility for FEHB premium withholdings and contributions is based on the date the annuity starts. If the annuity starts after the end of the employee’s final pay period, the PRO makes withholdings and contributions for the entire final pay period. If the annuity starts before the end of the employee’s final pay period, the PRO makes withholdings and contributions through the day before the starting date of the annuity using the Daily Proration Rule discussed in subparagraph 110302.G. OPM will make withholdings beginning with the effective date of the annuity.

4. **Withholding and Contributions Upon Death.** If an employee dies and there is no survivor annuity, or if the employee maintained self only enrollment, the PRO must make full FEHB premium withholdings and contributions for the pay period in which the employee dies. If a survivor annuitant is eligible to continue enrollment, the PRO will prorate the calculation using the Daily Proration Rule and the employee’s date of death.

5. **Withholding and Contributions Upon Retroactive Reinstatement.** An employee who is restored to duty retroactively after an erroneous suspension or removal may elect to have his or her enrollment retroactively reinstated, or may enroll in the plan and option of their choice in the same manner as a new employee. If the employee elects to have the enrollment retroactively reinstated, the PRO must take deductions for the period of suspension or removal from the retroactive pay adjustment (i.e., back pay award) and the Government premium contributions should be made as though the suspension or removal had not occurred.

6. **Withholding and Contributions Upon Termination or Reinstatement for Military Service.** If enrollment is terminated or reinstated because of an employee’s entry into or return from military service, the Daily Proration Rule is applied. The effective date of the action is the date the employee entered into or returned from military service.

* F. **Withholding and Contributions During Leave Without Pay (LWOP) or Insufficient Pay Status**

1. **365-Day Limit.** Enrollment may continue while an employee is in a nonpay status for up to 365 days. The 365 days of continuous enrollment is not considered to be broken by any period of less than 4 consecutive months in pay status. If an employee has 4 consecutive months in pay status after a period of nonpay status, the employee is entitled to begin a new 365-day period of continuous enrollment. See 5 CFR 890.303(e).

2. **PRO Forwards Premium Payments Each Pay Period.** An employee is responsible for continuing to pay the employee’s share of the FEHB premium during periods of LWOP or insufficient pay, unless the employee terminates the enrollment. The PRO will not withhold the employee’s share of premiums for a pay period when an employee is on LWOP or has insufficient pay to cover the full FEHB premium. However, the PRO must continue to forward the
full FEHB premium (both the Government contribution and the employee’s share) to OPM each pay period. The PRO must advance salary to cover the employee’s share of the FEHB premium and the employee will incur a debt for the advance payments.

3. Notification to Employee. The payroll system must be capable of identifying all employees on LWOP or who have insufficient pay to cover premiums. Written notice must be provided to an employee by the PRO as soon as the PRO becomes aware that premium payments cannot be withheld from the employee’s salary. Notice should be provided in accordance with instructions in the FEHB Handbook and 5 CFR 890.502(b) and sent by first-class mail or delivered in person. If mailed, the notice is considered to be received 5 days after the date of the notice. The notice must advise the employee of the following:

a. Options for continuing or terminating enrollment;

b. Effect of termination;

c. If the employee decides to continue coverage, the employee must agree to pay the premium directly, incur a debt, or pre-pay premiums;

d. If the employee elects to incur a debt or fails to pay the entire amount due, the employee thereby agrees to repay the debt in full and allow the debt to be collected by salary offset. The notice should indicate that if the debt cannot be collected by salary offset, it will be recovered from a LSL payment, income tax refunds, retirement payments, or any other source available for the recovery of a debt due the government; and

e. If the employee does not complete the election indicating whether the employee chooses to continue or terminate enrollment and return the notice within 31 days after receipt (45 days if the employee lives overseas), enrollment will automatically terminate.

4. Employee Must Continue or Terminate Enrollment. If the employee enters LWOP or pay is insufficient, the employee must either terminate enrollment or agree to pay the premium (or incur a debt) in order to continue enrollment. See the FEHB Handbook for additional information.

a. Terminating Enrollment

(1) Coverage. If the employee elects to terminate enrollment, the termination is effective at the end of the last pay period in which the PRO withheld the premiums from pay. Upon termination, FEHB coverage continues for an additional 31 days at no cost to the employee. During the 31-day period, the employee and covered family members may convert to an individual contract with the insurance carrier (commonly referred to as the “conversion right”).

(2) Reenrollment. If the employee returns to a pay status, or at the end of the first pay period that pay becomes sufficient to cover premiums, the employee
must reenroll within 60 days if the employee wishes to elect FEHB coverage again. If the PRO has forwarded the Government contribution to OPM using RITS and an adjustment is required in a subsequent pay period due to the late receipt of the FEHB cancellation, appropriate changes must be made to the payroll for personal services summary and the **SF 2812-A**, Report of Withholdings and Contributions for Health Benefits by Enrollment Code. See the CSRS and FERS Handbook.

b. **Continuing Enrollment.** If the employee elects to continue coverage, the employee may pay premiums directly to the employing agency while on leave ("pay-as-you-go" option), incur a debt for the unpaid premiums while on leave ("catch-up" option), or pre-pay the premiums before the employee goes on LWOP. The PRO must notify the employee of choices available (using the notification discussed at subparagraph 110302.F.3) and provide the employee with a method to make direct premium payments. If the employee elects to incur a debt, the employee must repay the debt in full or the employee will be subject to debt collection action. If the employee pre-pays the premiums, the amount may be deducted from pay or may be paid out-of-pocket. Out-of-pocket payments are after-tax monies.

c. **Employee Takes No Action.** If the employee does not sign and return the written notice within 31 days of receiving the notice (45 days for overseas employees), the PRO must terminate the enrollment on the SF 2810, Notice of Change in Health Benefits Enrollment. The effective date of enrollment termination is retroactive to the end of the last pay period that premiums were withheld from pay.

5. **Coordinating Withholding From Disability Retirement or Workers’ Compensation**

a. **Pending Applications**

(1) **General.** An employee’s period of LWOP may be associated with an employee’s pending application for disability retirement or workers’ compensation benefits. Generally, if the employee’s application is approved, the disability retirement annuity or workers’ compensation benefits will be payable from the day following the last day of pay.

(2) **PRO Actions.** If the employee does not continue to make premium payments during LWOP, the PRO must recover the employee’s share of the FEHB premium from the annuity or workers’ compensation benefits payment. If the employee paid his or her share of FEHB premiums during LWOP and withholding is also made from the annuity or workers’ compensation benefits for the same period, the PRO will refund the amounts to the employee to avoid double premium payments. If the disability retirement annuity does not begin on the day following the last day of pay, the PRO will not refund premium payments until the office receives a notice from OPM indicating the disability retirement application has been approved.

b. **Withholding While Receiving Workers’ Compensation.** Health benefits enrollment continues while an employee is receiving compensation through the Office of Workers’ Compensation Programs (OWCP). Historically, if compensation lasted fewer than 29 days, FEHB enrollment remained with the PRO. In August of 2010, OWCP discontinued
the practice of delaying deductions for the 28-day period and began making the FEHB deductions effective the first day of LWOP to prevent interruptions in insurance deductions. See Federal Employees Compensation Act (FECA) Circular No. 09-04 and FECA Circular No. 12-05. Enrollment continues during the first 365 days in LWOP status while an employee is receiving compensation. After 365 days, an employee must meet certain participation requirements (see FEHB Handbook) and enrollment eligibility is determined by OWCP.

* 6. Special Circumstances Involving Employees on LWOP. An employee may elect to continue their benefits and pay the employee share of their premiums under the following special circumstances:

a. Student Trainees on LWOP. Enrollment for student trainees with a career or career conditional appointment continues during LWOP as long as the student is participating in the Pathways Program under 5 CFR 362. The student must continue to pay the employee share of FEHB premiums during LWOP status.

b. Part-Time Employees on LWOP. During LWOP, a part-time career employee who receives a prorated Government contribution toward FEHB premiums must continue to pay the same amount of health benefits premiums that were withheld from the employee’s pay when the employee was in pay status.

c. Temporary Employees on LWOP. A temporary employee enrolled in FEHB must pay both the employee share and the Government share of premiums during periods of LWOP. An employee who accepts a temporary position with another employing office must have the enrollment transferred from their original employing office to the new employing office. If the employee is still in LWOP status when the temporary position at the new employing office ends, enrollment must be transferred back to the original employing office. The original employing office must determine the remaining time the employee is entitled to continue FEHB coverage under LWOP. If the employee’s temporary position in the original employing office has expired, the FEHB enrollment must be terminated. Both offices must coordinate the action so that withholdings and contributions are made in a timely manner.

d. Employees on Family and Medical Leave. An employee is entitled to 12 weeks of unpaid leave under the Family and Medical Leave Act (FMLA). See 5 U.S.C. § 6382. The 12 weeks of FMLA leave usually runs concurrently with the 365-day period for FEHB coverage during LWOP status. During the 12 weeks of FMLA leave, the general requirements for premium withholding and contributions described in paragraph 110302 apply. During any FMLA leave period that extends beyond 365 days (for example, if the employee has used an extensive amount of LWOP before beginning FMLA leave), the employee must pay the employee’s share of FEHB premiums directly to the PRO on a current basis.

e. Employees Appointed to Employee Organizations

(1) Eligibility. An employee who is authorized LWOP status in order to serve as a full-time officer/employee of an employee organization may continue health benefit coverage if elected within 60 days from the start of LWOP. Coverage continues for
the entire length of the appointment, even if LWOP lasts longer than 365 days. The employee pays the full cost of the health plan premium (both the employee and Government share). The employee must make the premium payment to the PRO before, during, or within 3 months after the end of each pay period.

(2) Termination. Coverage terminates if the employee does not pay premiums within this timeframe (subject to the 31-day extension of coverage and conversion right). Coverage will not resume until the employee enters pay and duty status in Federal service. Coverage may be restored retroactively if the employing agency finds that the employee was unable to make premium payments for reasons beyond the employee’s control and payment is made at the first opportunity.

f. Appointments to State or Local Governments, Institutions of Higher Education, Indian Tribal Government, or Other Organizations. An employee granted LWOP for the purpose of an appointment to a State or local government, an institution of higher education, Indian tribal government, or certain other organizations specified in 5 CFR 334, may elect to continue health benefits coverage for the duration of the assignment. Employees are entitled to continue coverage even if LWOP lasts longer than 365 days. The employee must pay the employee’s share of the premiums to the PRO before, during, or within 3 months after the end of each pay period. The employing office must continue to pay the Government share of the premiums as long as the employee continues to make premium payments. If the employee does not make premium payments in a timely manner, coverage:

(1) Terminates if the employee does not pay premiums in a timely manner (subject to the 31-day extension of coverage and conversion right);

(2) Will not resume until the employee enters pay and duty status in Federal service; and

(3) May be restored retroactively if the employing agency finds that the employee was unable to make premium payments for reasons beyond the employee’s control and payment is made at the first opportunity.

g. Transfer to International Organization. An employee who is transferred to an international organization under 5 U.S.C. § 3582 may elect to continue health benefits coverage and must pay the employee share of premiums to the employing office before, during, or within 3 months after the end of each pay period. The employing office must continue to pay the Government contribution as long as the employee pays their share of the premium. Coverage terminates if the employee does not pay premiums within this timeframe (subject to the 31-day extension of coverage and conversion right). Coverage will not resume until the employee enters pay and duty status in Federal service. Coverage may be restored retroactively if the employing agency finds that the employee was unable to make premium payments for reasons beyond the employee’s control and payment is made at the first opportunity. See 5 CFR 352.309.

h. Employee Salary Paid in Less Than 12 Months. If an employee’s salary is paid over a period of less than 12 months (for example, a teacher who is paid over 10 months), the employing office should prorate the annual premium installments over the
number of salary installments during the year so that the employee does not owe additional premiums during the nonpay period. If the employee is on LWOP status during the normal work period, the employee must pay premiums for that period.

G. **Daily Proration Rule**

1. **General.** The Daily Proration Rule is a formula used to calculate partial employee withholdings and Government contributions for FEHB premiums. Unless otherwise provided, the full withholding and contributions must be made for each pay period even if the employee is in pay status for only part of the period. The PRO uses the Daily Proration Rule to compute partial withholdings and contributions under the following circumstances:

   a. The employee transfers to a position serviced by a different PRO other than at the beginning of a pay period;

   b. The employee retires other than at the end of a pay period and is eligible to continue FEHB enrollment;

   c. The employee dies, and there is a survivor annuitant eligible to continue FEHB enrollment; or

   d. The employee terminates or reinstates enrollment because of entry into or return from military service.

2. **Application of the Daily Proration Rule.** The FEHB Handbook provides examples for computing a prorated amount of withholdings and contributions using the Daily Proration Rule. Each PRO (gaining and losing) is responsible for FEHB withholdings and contributions for the actual time the employee occupied a position serviced by the PRO. The PRO must compute daily FEHB premium withholdings and contribution rates as follows:

   a. **Daily Withholding Rate.** To determine the daily withholding rate for partial employee withholding, multiply the employee’s biweekly withholding rate by 26 and divide by 364; the result will equal the daily withholding rate. Multiply the daily withholding rate by the number of days on the payroll, the result will equal the amount of withholding for which the PRO is responsible. Use the denominator of 364 even during a leap year.

   b. **Daily Contribution Rate.** To determine the daily contribution rate for partial Government contributions, multiply the biweekly Government contribution rate by 26 and divide by 364; the result will equal the daily contribution rate. Multiply the daily contribution rate by the number of days on the payroll, the result will equal the amount of contributions for which the PRO is responsible. Use the denominator of 364 even during a leap year.

H. **FEHB Premium Conversion.** Premium conversion is a method for reducing taxable income by the amount of an employee’s contribution to his or her FEHB premium. Premium conversion reduces the employee’s taxable income thereby lowering the employee’s Federal income tax, Social Security and Medicare taxes, and state and local taxes. See 5 CFR 892.102. The HRO
automatically enrolls eligible employees in premium conversion. Before the effective date of coverage, an employee may waive participation in the premium conversion benefit by filing an FEHB *Premium Conversion Waiver/Election Form*. Thereafter, an employee may file a waiver of participation in premium conversion only under the limited circumstances set out at 5 CFR 892.205. See 5 CFR 892, subpart B for additional information.

I. Collection of Unpaid FEHB Premiums Debt

1. Debt Collection. Debt collection actions will be made pursuant to the debt collection authority in Volume 16. If the employee received a salary advance to cover FEHB premiums (using the “catch-up option”) and the employee signed a statement agreeing that the debt may be withheld from future pay, then the agency is not required to offer the employee a hearing before beginning salary offset, but notice of the intent to collect the debt must be provided. See 5 CFR 550.1102(b).

2. Payments and Offsets. The PRO will note payments received or payroll deductions withheld and record those payments in the OPM deposit fund for FEHB withholdings. If the employee separates, the amount owed must be offset against any entitlements due. If the employee retires and final pay is not sufficient to cover the debt, then the OPM Form 1522, Request for Offset for Health Benefits Premiums from Monies Payable Under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), must be used to offset against a CSRS or FERS annuity. In addition, note on the SF 2806, Individual Retirement Record, or SF 3100, Individual Retirement Record (FERS), that the separating employee has been indebted. There is no minimum amount subject to offset. If the employee has made any duplicate payments that are later offset, the duplicate payments must be refunded.

3. Debt Collection After Transfer to a Different PRO. The date of last withholding and amount due must be shown on the SF 1150, Record of Leave Data, when an employee has a debt for unpaid FEHB premiums and transfers to a different PRO. Amounts due from employees transferring to another PRO should be collected by the gaining PRO and paid to the former employing office and reported to OPM by the gaining PRO.

4. Employees Erroneously Allowed to Continue FEHB Coverage Beyond 365 Days of Leave Without Pay. The Affordable Care Act does not allow a health insurer to cancel coverage retroactively if premiums have been paid, including if an employer has erroneously allowed an ineligible employee to enroll. Where an employee who was on LWOP elected to incur a debt for the employee portion of the premium, and the employee’s enrollment was erroneously allowed to continue for an extended period of time beyond the 365th day, the premium debt incurred by the employee for coverage may be significant. Therefore, OPM has directed agencies that in such a case, the agency must allow the employee to choose whether to:

a. Terminate the enrollment prospectively effective last day of the pay period in which the error was discovered and keep the coverage during the erroneous enrollment period. This means, if the employee incurred a debt, the employee owes the employee share of the premiums to the agency for that period, however the employee is entitled to full benefits during the period of the erroneous enrollment; or
b. Terminate the enrollment retroactively back to the date the FEHB enrollment should have terminated (meaning the employee owes no premiums for the erroneous enrollment period, but was not covered during that period and is responsible for any claims paid). This will allow the employee to avoid a large premium debt if little or no services were used due to the agency’s error.

110303. FEHB for Employees Entering Active Military Service

A. General. Federal law allows up to 24 months of continued FEHB benefits for Federal employees, and their covered dependents, who separate or enter into nonpay status to serve in the uniformed services, referred to as Absent-Uniformed Service (AUS). See 38 U.S.C. § 4317(a)(1)(A) and 5 U.S.C. § 8905a.

1. Active Duty 30 Days or Less. If the employee is on active duty for 30 days or less and is in pay status, the employee’s FEHB enrollment continues without change to the employee withholding or Government contributions.

2. Active Duty Over 30 Days. An employee who enters active duty for more than 30 days may continue enrollment for up to 24 months unless the employee terminates enrollment.

3. Cost of FEHB Coverage. As discussed in subparagraph 110303.B, the cost of FEHB is dependent upon the nature and length of the employee’s active duty. Eligible DoD employees called to active duty in support of a contingency operation receive an enhanced benefit that results in the agency paying both the employee and government shares of the premiums for up to 24 months. However, if status changes to non-contingency during the employee’s active duty service, a debt will incur. See also 5 CFR 890.303(i), 5 CFR 890.304, and 5 CFR 890.502(f).

B. Premium Payments General Information

1. First 365 Days. For the first 365 days AUS (12 months), the employee must pay the employee share of the FEHB premium (the employee may elect to postpone payment using the “catch up option”).

2. After 365 Days. After 365 days on AUS, the employee must pay both the employee share and the government share of the FEHB premium, plus an administrative charge of 2 percent of the total plan premiums. Payment is made directly to the PRO on a current basis (each pay period). See 5 CFR 890.502(f). As discussed in subparagraph 110303.C, DoD Components pay both the employee and government’s share of the FEHB premium if the employee is called or ordered to active duty in support of a contingency operation.

3. Enrollment Termination and Reenrollment. An employee’s enrollment ends 24 months after absence for military service began, or 90 days after service ends, whichever is earlier. At the end of the 24 months, FEHB coverage will continue for an additional 31 days during which the employee and covered family members may convert to an individual
contract with the insurance carrier. If the employee has terminated enrollment during active duty, they may enroll again within 60 days after returning to civilian employment.


C. Premium Payments When Service is in Support of a Contingency Operation. Eligible Federal employees called to active duty in support of a contingency operation, as defined in 10 U.S.C. § 101(a)(13), on or after September 14, 2001, are allowed an extension of coverage under the FEHB Program for up to 24 months. See 5 U.S.C. § 8905a and 5 CFR 890.502(f). DoD agencies may pay both the employee’s share and the government’s share of the FEHB premiums (in addition to any administrative charges the employee may otherwise be required to pay) for up to 24 months for eligible employees. See 5 U.S.C. § 8906(e)(3). When an employee moves from a contingency to non-contingency operation, the agency is required to cease paying the employee share of premiums.

1. Eligibility Requirements. To be eligible for continued FEHB coverage and payment of the employee’s share of the FEHB premium under these authorities, the employee must be:
   a. Enrolled in FEHB and elect to continue that enrollment;
   b. A member of a Reserve component of the Armed Forces, which includes the Army National Guard, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, the Air National Guard, the Air Force Reserve, and the Coast Guard Reserve;
   c. Called or ordered to active duty (voluntarily or involuntarily) in support of a contingency operation as defined in 10 U.S.C. § 101(a)(13);
   d. Placed on AUS or separated from civilian service to perform active duty; and
   e. On active duty for a period of more than 30 consecutive days.

2. Effective Date. Continued coverage and agency full premium payment for eligible employees will be effective the date the employee is initially placed on AUS or separated from civilian service to perform active duty. Eligibility continues for up to 24 months while the employee is on active duty. The 24-month period will not be extended by the employee’s intermittent use of paid leave during a period of military service.

D. Historical Information

1. Service in Support of a Contingency Operation on or After December 8, 1995, but Before September 14, 2001. Title 5 U.S.C. § 8906(e)(3) provided an extension of coverage under FEHB for no longer than 18 months for eligible employees. Under the law, agencies were authorized to pay the full FEHB premium (employee share and government
share) for a period no longer than 18 months for eligible employees. The period of continued FEHB coverage began on the date of the employee’s absence from their civilian position. The agency paid full FEHB premiums during periods of AUS or separation, but not during any pay period the employee used paid leave.

2. Service Not in Support of a Contingency Operation on or After December 12, 1994 and Before December 10, 2004. The Uniformed Services Employment and Reemployment Rights Act (USERRA) protects all employees serving on active duty in the uniformed services, including those serving under non-contingency orders. See 38 U.S.C. § 4317(a)(1)(A). Under USERRA, employees called to active duty under Title 32 or Title 10 between the aforementioned dates, were entitled to continued coverage of FEHB for 18 months. The period of continued FEHB coverage began on the date of the employee’s absence from their civilian position.

a. First 12 Months. The employee was responsible for payment of the employee’s share of the FEHB premium for the first 12 months.

b. 12 to 18 Months. The employee was responsible for the full FEHB premium (employee share and government share) plus an administrative charge of 2 percent of the total plan premiums after 12 months and up to the 18-month limitation.

110304. Retroactive Changes and Adjustment of Errors

A. Retroactive Changes in Enrollment. If the employee does not participate in premium conversion, the employee may change enrollment from self and family to self plus one or from self and family or self plus one to self only at any time. An employee who participates in premium conversion is limited to changing their enrollment from self and family to self plus one or from self and family or self plus one to self only during open season, or within 60 days after the employee has a qualifying life event. Generally, a qualifying life event is an increase or decrease in the number of eligible family members as described in the FEHB Handbook.

1. The HRO may make enrollment changes retroactively to the first day of the pay period that began after the employing office received the employee’s enrollment change request.

2. The retroactive change, and corresponding adjustments to health benefits withholdings and contributions, may be made only upon the employee’s written request. The request must identify the event and date when the employee became the only person covered by family enrollment.

3. If an employee retroactively changes from self and family to self only, the PRO must make corrective adjustments to refund premiums back to the beginning date of the change in coverage provided by the employing agency. The Barring Act (Statute of Limitations) under 31 U.S.C. § 3702 (b)(1) does not apply to these specific changes.
B. Adjustment of Errors

1. Underdeduction. An underdeduction of FEHB withholding represents an overpayment of the employee’s pay. Collection of the overpayment is exempt from due process if the amount was accumulated over four pay periods or less immediately preceding the current pay period. See \(5\text{ CFR 550.1104(c)}\). Collection is subject to due process procedures when the amount accumulated is for a period of more than four pay periods. The PRO must collect the overpayment from a separated employee’s final pay. See Volume 16, section 030207 for additional information.

2. Overdeduction. If the PRO overdeducts the FEHB premium amount owed by the employee, the PRO must refund the overdeduction to the employee and adjust the Government contribution on a subsequent pay period.

110305. Temporary Continuation of Coverage (TCC)

A. General. An employee who loses FEHB coverage because he or she separates from Federal service may enroll under the TCC of FEHB. TCC allows an employee to continue health benefits coverage for up to 18 months from the date of separation. An employee’s family member (child or former spouse) who loses coverage because he/she is no longer eligible may also enroll under TCC and may continue coverage for up to 36 months from the date of their change in status as a family member. HRO provides the employee with a notification of TCC election rights. For specific details regarding TCC, see 5 CFR 890, subpart K.

B. Notification. Once the employee’s HRO establishes TCC eligibility, the HRO will forward the election form to the National Finance Center (NFC), which administers the TCC program for the DoD. The NFC will notify eligible individuals and provide further information on benefits, and will process enrollment changes and cancellations. NFC will collect premiums and send them to OPM.

C. Premium Payments. Individuals eligible for TCC must pay the full premium for the health benefit plan, which includes the employee withholding amount and the Government contribution plus a an administrative charge of 2 percent of the total plan premiums. However, if the individual has TCC based on a separation due to a reduction in force under 5 U.S.C. § 8905A(d)(4), the employee only pays their share, and the agency continues to pay the Government contribution amount plus the administrative charge of 2 percent of the total plan premiums.

1104 FEDERAL EMPLOYEES DENTAL AND VISION INSURANCE PROGRAM (FEDVIP)

110401. General

FEDVIP provides dental and vision insurance to Federal employees at competitive group rates. While FEDVIP enrollment occurs during the annual Federal benefits open season process, FEDVIP is separate from the FEHB Program. For additional information, see \(5\text{ CFR 894}\).
110402. FEDVIP Eligibility and Participation

A. Eligibility. Generally, in order to be eligible to enroll in FEDVIP, employees must be eligible for enrollment in the FEHB Program however; enrollment is not required. Certain employees, such as some temporary employees or intermittent employees, are not eligible for FEDVIP even though they may be eligible for FEHB. Enrollees in the FEHB TCC are not eligible for FEDVIP. Coverage of FEDVIP continues each year, and employees do not need to re-enroll each year to continue current coverage. Employees may enroll in FEDVIP through BENEFEDS, which administers enrollment for the FEDVIP program. Employees can utilize the secure enrollment site BENEFEDS, or by calling the BENEFEDS customer service at 1-877-888-3337.

B. Enrollment. Employees may enroll in FEDVIP:

1. During the annual open season;
2. Within 60 days after first becoming eligible as a new employee, or a previously ineligible employee who transfers to a covered position;
3. Within 60 days after returning to work following a break in service of at least 30 days; or
4. From 31 days before the employee (or eligible family member) loses other dental/vision coverage to 60 days after a qualifying life event allowing the employee to enroll. See 5 CFR 894.502 and BENEFEDS for information on qualifying life events.

C. Types of Enrollment. Under the FEDVIP, employees may select from the following types of enrollment:

1. Self only, which covers only the employee;
2. Self plus one, which covers the employee plus one eligible family member as specified by the employee; or
3. Self and family, which covers the employee and all eligible family members.

D. Cancellation, Termination and Extension of Enrollment

1. Cancellation of Enrollment. Generally, an employee may only cancel FEDVIP participation during open season. An employee may cancel FEDVIP participation outside of open season only under the following two circumstances and the cancellation is effective at the end of the pay period in which the employee submits the cancellation request:

   a. When the employee or employee’s spouse is called to active military duty; or
b. When the employee transfers to an eligible position with another Federal Agency that provides dental and/or vision coverage and the employer pays 50 percent or more of the premium.

2. Ineligibility. When an employee who no longer meets the definition of an eligible employee, FEDVIP coverage stops at the end of the pay period in which the employee was last eligible.

3. Extension of Coverage and TCC. Upon termination, there is no extension of coverage or right to convert to an individual contract with the insurance carrier. There is no TCC for employees or family members when FEDVIP coverage stops or family members become ineligible.

110403. FEDVIP Premiums

A. General. Employees who elect to participate in FEDVIP pay the entire premium, as there is no Government contribution for FEDVIP. Part-time employees pay the same premium as full-time employees.

B. Premium Conversion. The PRO withholds FEDVIP premiums from the employee’s biweekly salary on a pre-tax basis using premium conversion, the method for reducing taxable income by the amount of the employee’s contribution to their FEDVIP premium. Unlike the FEHB program, an employee may not opt out of premium conversion for FEDVIP. Premiums are not paid on a pre-tax basis if the employee has insufficient pay to cover the premium or is in a nonpay status. An employee who pays a premium directly to the FEDVIP administrator is not eligible for premium conversion. When an employee’s enrollment is retroactively changed and additional premium withholding is required, the employee is not eligible for premium conversion unless the change is the result of a birth or adoption of a child.

C. Insufficient Pay or Nonpay Status. If an employee misses a premium payment for FEDVIP, they must make up the payment in subsequent pay periods or FEDVIP coverage will stop on the last day of the pay period in which FEDVIP received an allotment. An employee who is in a nonpay status, or who has insufficient pay to cover premiums, may also arrange to pay premiums directly to the FEDVIP administrator. If the employee stops making direct premium payments, FEDVIP coverage stops at the end of the pay period in which the employee last made a payment. If FEDVIP coverage stops, the employee will not be able to reenroll until the next open season after the employee is in pay status or the employee’s pay is sufficient to pay the premium.

1105 ALLOTMENTS FOR FEDERAL FLEXIBLE SPENDING ACCOUNT PROGRAM (FSAFEDS)

110501. General

FSAFEDS offers three different Flexible Spending Accounts (FSAs). Eligible employees under this program open a FSA and make an annual election to deposit a portion of
their pay into the account for the upcoming benefit period. The PRO withholds allotments from the employee’s biweekly salary on a pretax basis and deposits the funds into the FSA. Employees may request to accelerate allotments over fewer pay periods. The employee may use their FSA for reimbursement of out-of-pocket costs for health care (such as co-payments and expenses not covered by insurance). Employees may also set up an account for dependent care expenses for a qualifying dependent. FSAFEDS is not a part of the FEHB program.

A. Open Season. Eligible employees must enroll in FSAFEDS each year during the Federal Benefits Open Season. Open season enrollments are effective January 1 of the following year. Enrollment does not carry forward year-to-year, and an employee must reenroll each year. New and newly eligible employees must enroll in the program within 60 days (but no later than October 1) of their entry on duty.

B. Enrollment. Employees must enroll directly with FSAFEDS either through [FSAFEDS](https://www.fsafeds.com) online or by calling FSAFEDS at 1-877-372-3337.

110502. Types of Flexible Spending Accounts

A. Health Care Flexible Spending Account (HCFSA). An eligible employee may make an allotment to an HCFSA to pay for qualified health care costs not covered by FEHB. If an employee maintains an HCFSA and enrolls in an HDHP, the employee may not maintain a HSA.

B. Dependent Care Flexible Spending Account (DCFSA). An eligible employee may make an allotment to a DCFSA to pay for qualified dependent care (such as day care) expenses.

C. Limited Expense Health Care Flexible Spending Account (LEX HCFSA). The LEX HCFSA is only available to employees who enroll in an FEHB HDHP with an HSA. Eligible expenses are limited to dental and vision care services.

110503. Allotments for FSAs

A. Payment of Allotments. Allotments withheld from the employee’s pay are forwarded to BENEFEDS on the same date payroll is paid.

B. Carryover

1. Prior to 2015. Any unused FSA allotments were forfeited if the employee did not incur an eligible expense and file a timely claim for reimbursement.

2. After 2015. In October 2013, the Treasury and the IRS modified the forfeiture (“use-or-lose”) rule for health care FSAs. Effective January 1, 2015, FSA programs allowed participants to carry over up to $500 of unused health care FSA funds to the next plan year (as long as they re-enroll in health care FSAs). Each year, by January 15, a carryover account will be established with their remaining funds from the prior calendar year, up to $500. Any
amount over $500 will remain in the prior year account and will be forfeited if prior year claims are not submitted by the April 30 deadline. The carryover funds can be used for prior year expenses that are submitted by April 30 or current year expenses. The carryover balance will be set to a “secondary priority” for claim reimbursement; this means that the carryover balance will be used only if the prior and/or current year balances have been depleted. See BAL 14-801. For additional information on carry over rules, see FSAFEDS website.

C. LWOP and Nonpay Status

1. Effect of Nonpay Status. The Government will not make up the employee’s allotments to an FSA if the employee is on LWOP or in a nonpay status. However, the employee may prepay allotments for periods of LWOP. If allotments are not prepaid, the HCFSA or LEX HCFSA account will be frozen. The employee will not be eligible for reimbursement of expenses incurred during LWOP or while in a nonpay status until the employee returns to pay status and allotments have restarted (even if the government continues to pay the employee’s FEHB premiums for medical coverage). If an employee maintains a DCFSA during nonpay status, certain dependent care expenses that meet IRS guidelines for eligible expenses may continue to be reimbursed up to the account balance.

2. Return to a Pay Status. Upon the employee’s return to pay status, the PRO will restart the allotment. FSAFEDS will recalculate any future allotment amounts based on the number of pay dates remaining in the benefit period to ensure the employee reaches their annual election amount.

D. Separation From Employment and Termination of FSAFEDS Participation. Participation in FSAFEDS stops as of the employee’s separation date, or the last day of the pay period in which FSAFEDS received an allotment. HCFSA or LEX HCFSA expenses incurred after participation ends are not eligible for reimbursement. Reimbursement is only available for expenses incurred prior to the date of termination. However, the employee may continue to use the remaining balance in a DCFSA for eligible dependent care expenses until the end of the Benefit Period or until the depletion of the account balance, whichever comes first. Termination may be due to a change in employment status causing the employee to lose eligibility, separation from Federal employment, or transfer to a Federal agency not covered by FSAFEDS.

1106 FEDERAL EMPLOYEES GROUP LIFE INSURANCE (FEGLI) PROGRAM

110601. General

The FEGLI Program is a term life insurance program that provides life insurance coverage for Federal employees and their families. See 5 U.S.C., Chapter 87. The FEGLI Act of 1954, P.L. 83-598, created the FEGLI Program. OPM administers the Program and sets the amounts for employee withholdings and Government contributions. For additional information, see 5 CFR Part 870 or the FEGLI Handbook. FEGLI benefits are payable regardless of the cause of death. The employee’s SF 50 (in block 27) reflects the employee’s current FEGLI enrollment code. See SF50 Insurance Code Translator for a description of the FEGLI code.
*110602. Types of Life Insurance

There are two types of life insurance coverage under the FEGLI Program, Basic and Optional. The employee and the government share the cost of Basic insurance. The employee pays the entire cost for any of the three additional types of Optional insurance. Additionally, accidental death and dismemberment coverage is an automatic part of Basic and Option A insurance at no additional cost to employees.

* A. Basic Insurance. On the date the eligible employee is initially placed in pay and duty status, the HRO automatically enrolls the employee in Basic insurance, unless the employee specifically waives Basic insurance coverage. A new employee may opt out of Basic insurance by filing a waiver of Basic insurance with the employing office before the end of the first pay period. A transferred employee or an employee who returns after 12 months in a non-pay status may also use a previously filed waiver from earlier employment which remains in effect. See 5 CFR 870.501.

1. Basic Insurance Amount (BIA). The amount of an employee’s Basic insurance coverage is equal to their BIA multiplied by a factor based on the employee’s age. An employee's BIA is either the annual rate of basic pay, rounded to the next higher thousand (plus $2,000) or $10,000, whichever is higher. An employee’s BIA automatically changes whenever an employee’s pay changes. Effective October 30, 1998, there is no maximum BIA. Note: if the employee’s salary is limited or “capped” by law, the amount of Basic insurance is based on the capped amount, not on the amount of pay without the cap. See 5 CFR 870.202.

2. Annual Rate of Basic Pay for Determining BIA. BIA is based on the employee’s annual pay as fixed by law or regulation. See 5 CFR 870.204. An employee’s annual pay for life insurance purposes includes the following pay:

   a. Interim geographic adjustments and locality-based comparability payments;

   b. Premium pay for standby duty under 5 U.S.C. § 5545(c)(1);

   c. For a law enforcement officer as defined under 5 U.S.C. § 8331(20), 5 CFR 831.902, and 5 CFR 842.802, premium pay for administratively uncontrollable overtime is authorized under 5 U.S.C. § 5545(c)(2);

   d. Night Shift differential pay for wage employees;

   e. Environmental differential pay for employees exposed to danger or physical hardship;

   f. Special pay adjustments for law enforcement officers;

   g. Availability pay for criminal investigators under 5 U.S.C. § 5545a;
h. Market pay for physicians and dentists of the Department of Veterans Affairs under 38 U.S.C. § 7431; and

i. Straight-time pay for regular overtime hours for firefighters.

3. Annual Rate of Pay for Employee Paid Multiple Rates. An employee may be paid for work using different pay rates. The annual rate of pay for such employees for life insurance purposes is based on their work schedule as follows:

a. Regular Schedule. Annual pay for employees regularly scheduled to work at different pay rates, such as day and night rates or two positions at different rates for each position, is the weighted average of the rates at which the employees are paid, projected to an annual basis. A regular schedule may exist even though the schedule varies within a year or even within a pay period.

b. No Regular Schedule. The annual pay of employees, who work at different pay rates but not on a regular schedule, is the annual rate the employee was receiving at the end of the pay period. In the event of death or dismemberment, it is the annual rate at the time of the death or accident.

4. Annual Rate of Pay for Part-Time Employees. A part-time employee’s annual pay for life insurance purposes is the employee’s basic pay applied to the tour of duty on record, based on the most recent SF 50, in a 52-week work year.

5. Annual Rate of Pay for Employees Serving in More Than One Position at the Same Time. If the employee legally services in more than one position at the same time and the employee is entitled to FEGLI for at least one of the positions, the annual rate of basic pay for life insurance purposes is the sum of the annual rate of basic pay fixed by law or regulation for each position. Certain exceptions apply. See 5 CFR 870.204(g) and 110605.G.

B. Optional Insurance. An employee who has not waived Basic insurance may elect additional Optional life insurance. Optional insurance is not automatic, and employees must specifically elect coverage within 60 days after becoming eligible for coverage, unless a previous election or waiver from earlier employment remains in effect. The cost of Optional coverage depends on the employee’s age and is based on 5-year age bands beginning at age 35. Changes in rates based on age are effective on the first day of the first pay period following the pay period during which the employee’s birthday occurs. See 5 CFR 870.504.

1. Eligibility to Elect Optional Insurance. An employee may elect one or more types of Optional life insurance coverage provided that:

a. The employee is enrolled in Basic life insurance coverage;

b. The employee does not have a waiver of that type of Optional insurance still in effect (or a waiver of that number of Option B or Option C multiples still in effect); and
c. The employee’s pay, after all other deductions, covers the full cost.

2. **Types of Optional Life Insurance.** There are three types of optional insurance. See 5 CFR 870.201.

   a. **Option A (Standard Optional Insurance).** Option A coverage is available only for the employee and is fixed in the amount of $10,000.

   b. **Option B (Additional Optional Insurance).** Option B coverage is available only for the employee and is an amount equal to 1, 2, 3, 4 or 5 times the employee’s annual basic pay after rounding to the next higher thousand if not an even thousand. The amount of coverage under this option automatically changes whenever the employee’s annual pay increases or decreases by an amount sufficient to raise or lower pay to a different $1,000 bracket.

   c. **Option C (Family Optional Insurance).** Option C provides coverage for the death of an employee’s spouse or eligible dependent children. Eligible family members are automatically covered. The employee elects either 1, 2, 3, 4 or 5 multiples of coverage. Each multiple is equal to $5,000 for the spouse and $2,500 for each eligible dependent child. Payment is made to the insured employee.

110603. **Effective Dates for Withholding Premiums and Coverage**

Withholding of premiums for new employees begins with the same pay period during which coverage begins as follows:

   A. **Basic Insurance.** Coverage is effective on the first day the employee enters on duty in pay status. See 5 CFR 870.501(a)(1).

   B. **Optional Insurance (all options).** Coverage is effective the first day the employee enters on duty in pay status on or after the date the HRO receives the election. See 5 CFR 870.504(d).

110604. **Effective Date of Waiver or Cancellation of FEGLI**

At any time, an employee may waive Basic insurance, cancel any or all Optional insurance, or reduce the number of multiples under additional Optional insurance. Cancellation of Basic insurance automatically cancels all forms of Optional insurance. Coverage and deductions stop or are reduced effective the last day of the pay period in which the employee files an **SF 2817, Life Insurance Election: Federal Employees’ Group Life Insurance Program.** See 5 CFR 870.502 to 870.505.

110605. **FEGLI Premium Withholdings and Contributions**

   A. **General.** The cost of Basic insurance is shared between the insured employee and the Government. The employee pays two-thirds of the cost, and the government
pays one-third. See 5 CFR 870.401. The employee pays the full cost of all Optional insurance. OPM periodically reviews the cost of insurance and notifies agencies of premium rate changes.

B. **Amount of FEGLI Premium Withholding.** During each pay period in which an insured employee is in pay status for any part of the period, the PRO must withhold the employee's share of the FEGLI premium from their biweekly pay. Premium withholding is subject to the following requirements.

1. The amount of premium withholding is based on the amount of insurance last in force during the pay period.

2. If the employee dies or separates during a pay period, the PRO bases the withholding on the amount of insurance in force on the date of death or separation.

3. If the employee’s BIA changes during the pay period, the PRO bases the withholding amount on the BIA last in force during the pay period.

4. If an employee works only a partial pay period, there is no pro-rated premium withholding.

5. If the employee works less than 52 weeks per year, the PRO must convert the biweekly rate to an annual rate. The PRO then prorates the annual rate over the number of pay periods in the year to determine the withholding amount.

6. The PRO must report withholdings and contributions for FEGLI to OPM each pay period as described in Chapter 9. See 5 CFR 870, subpart D.

C. **Withholding FEGLI Premiums During Periods of Insufficient Pay**

1. **Short-term Periods of Insufficient Pay.** Withholdings will be made from an employee's salary when the employee is in pay status for any part of a pay period. If the salary is insufficient to permit all payroll deductions, the PRO must use the order of precedence for deductions in Chapter 4. After all other required deductions are made, if pay for a particular period is not enough to cover the full withholdings for life insurance premiums, the amount withheld must first be applied to Basic insurance. Any balance of pay remaining must then be applied to Optional insurance (first to Option B, then Option A, then Option C). See 5 CFR 870.404(f).

2. **Extended Periods of Insufficient Pay.** A review and determination of insufficient pay must be made by the HRO when it is expected that an employee’s pay, after all other applicable deductions, is insufficient to cover the cost of the premiums for a period of 6 months or more. The HRO must notify the employee if an employee’s pay will be insufficient to cover FEGLI premiums over the course of 6 months or more. See FEGLI Handbook. The employee may wish to reduce or cancel other deductions from pay or may reduce FEGLI coverage in order to increase pay to cover the withholdings. An employee may elect to make direct payments to the employing office for periods when the pay is insufficient to cover the cost of the
premiums. If the employee does not make direct payments, adjust, or cancel coverage, the HRO will terminate coverage as follows:

a. The HRO will terminate all coverage if pay is not sufficient for any premium withholding.

b. If the employee has pay available to cover part of the premiums, the HRO will administratively terminate as much coverage as necessary to allow for premium withholdings in the following order:

(1) Multiples of Option C,
(2) Option A,
(3) Multiples of Option B, then
(4) Basic insurance.

c. Coverage terminates at the end of the last pay period during which premiums were withheld.

3. Reinstating FEGLI Premium Withholding When Pay is Sufficient. If the HRO terminated coverage administratively, the HRO will automatically reinstate FEGLI coverage when the employee’s pay becomes sufficient to cover the withholdings. If an employee paid premiums directly, the employing office must start withholding premiums from the employee’s pay as soon as the pay becomes sufficient.

D. Withholding FEGLI Premiums and FEGLI Coverage During Nonpay Status

1. Twelve Months of Free Coverage. When an employee enters a nonpay status, the employee is entitled to 12 months of free FEGLI coverage from the last date of pay. No premium payments are required if the employee is in a nonpay status for an entire pay period (unless the employee is receiving benefits from OWCP). See subparagraph 110605.F. Make-up withholdings from future salary payments are not required.

a. The employee’s coverage stops on the date the employee completes 12 months in a nonpay status, subject to the 31-day extension of coverage and right of conversion under subparagraph 110605.C. The 12 months in a nonpay status may be broken by periods of less than 4 consecutive months in a pay status.

b. The employee is entitled to begin a new period of 12-month coverage if the employee has at least 4 consecutive months in pay status after a period of nonpay status.

c. If the employee has exhausted the 12 months of FEGLI coverage while in a nonpay status and returns to duty for less than 4 consecutive months, the Basic
insurance stops 32 days after the last day of the last pay period in a pay status. See 5 CFR 870.601(d).

2. **Partial Pay Period.** If an employee is in a nonpay status for part of a pay period, the full premium (for both Basic and Optional coverage) is withheld, and the Government contribution is paid.

3. **Withholding Premiums From Back Pay Awards.** Except under the circumstances described at subparagraph 110610.A, no FEGLI premium withholdings are made by the PRO from back pay awarded to an employee who was determined to be erroneously suspended or terminated from employment.

4. **Withholding Premiums When Employee on LWOP Accepts Temporary Employment in Another Position.** If an employee, who is entitled to 12 months of free coverage while in a nonpay status, accepts a temporary appointment to another position, in which he or she normally would be excluded from insurance coverage, insurance (Basic and Optional) continues.

   a. The amount of Basic insurance is based on whichever position’s salary is higher. The PRO takes withholdings from pay earned in the temporary position.

   b. When the employee has completed the 12 months of nonpay status from the first position that entitled the employee to free coverage, FEGLI coverage will terminate, even if the employee remains in the temporary position. If the temporary position ends before the 12-month period and the employee is still on LWOP from the first position, the free coverage under the first position continues until the employee is separated or until the end of the 12-month nonpay status. After the 12-month period, an employee is eligible for the 31-day extension period and the right to convert to private insurance. See 5 CFR 870.508(b).

5. **Special Nonpay Situations.** Special nonpay situations involve employees appointed to employee organizations, state or local government, Indian tribal organizations, institutions of higher education, or when an employee transfers to an international organization. Employees in these special nonpay situations may elect to continue their FEGLI coverage for the duration of their appointment. If elected, coverage continues even if the employee remains in a nonpay status for more than 12 months.

   a. **Payment of Premiums.** If the employee elects to continue coverage, the employee must pay the premiums from the beginning of the nonpay status, and the employee is not eligible for 12 months of free coverage. Whether the government continues contributing depends on the appointment. See FEGLI Handbook and 5 CFR 870.508.

   b. **Continued Coverage Not Elected.** If the employee does not elect to continue coverage, the employee is still eligible for 12 months of free coverage and coverage will terminate at the end of the 12-month period, the same as for any other employee in a nonpay status.
E.  **Withholding FEGLI Premiums From LSL Payments Upon Separation.** No insurance premium is withheld from the LSL payment when the employee separates from Federal service. However, if the employee has an established debt that is being collected due to the underpayment of premiums, the agency may collect the debt from the LSL payment.

F.  **Withholding FEGLI Premiums While Employee is Receiving Office of Workers’ Compensation Program (OWCP) Payments**

1.  **Twelve Months of Coverage as Employee.** If an employee is in a nonpay status while receiving workers’ compensation benefits, the employee receives 12 months of coverage. HRO must notify OWCP of the type and amount of life insurance the employee has in effect. OWCP will make withholdings from workers’ compensation benefits when compensation begins, even during the first 12 months of nonpay status, at the same rate that was withheld from the employee’s salary. OWCP deductions for FEGLI will begin effective the first day of LWOP. See FECA Circular No. 12-05. The employing agency continues to pay the Government contribution until the employee separates from service or completes 12 months in nonpay status, whichever happens first. Thereafter, OPM pays the Government contribution. See FEGLI Handbook.

2.  **Continuing Coverage as an OWCP Compensationer.** If FEGLI coverage stops after 12 months in a nonpay status or due to separation, under 5 CFR 870.701, an OWCP compensationer may be eligible to continue Basic coverage (but not accidental death or dismemberment) and may continue or reinstate Optional insurance if:

   a.  The compensationer was insured during the 5 years of service immediately before the date of entitlement to compensation, or for the full period of service during which the employee was eligible to be insured if less than 5 years; and

   b.  The compensationer has not converted to an individual policy.

3.  **Requesting Continuation of Coverage.** The compensationer must complete an **SF 2818**, Continuation of Life Insurance Coverage, as an Annuitant or Compensationer. The HRO must provide the compensationer with a copy of the **SF 2819**, Notice of Conversion Privilege, Federal Employee’s Group Life Insurance Program. The HRO must complete an **SF 2821**, Agency Certification of Insurance Status. The HRO must send the SF 2818 and SF 2821, a copy of the SF 2819, and all pertinent life insurance information from the employee’s file to OPM for verification of eligibility to continue coverage. If eligible, OPM’s Retirement Operations Center will serve as the “employing office” and will maintain the compensationer’s life insurance file. See 5 CFR 870, subpart F.

4.  **Notice of Ineligibility.** If the employee does not meet the requirements for continuation of life insurance (subparagraph 110605.F.2), HRO must notify OWCP by completing a “Notice of Life Insurance Ineligibility” and issue a copy to the employee. OWCP will stop withholding at the end of the 12 months of free coverage. If the employee separates before the end of the 12 months, the agency must notify OWCP so that withholdings will end. See FEGLI Handbook.
G. Withholding FEGLI Premiums for Employees in Concurrent Employment Positions. An employee who legally serves in more than one position at the same time, in either the same agency or different agencies, is eligible for coverage if at least one position is a covered position. The amount of Basic and Option B insurance is based on the sum of annual pay for both positions (salaries are added together before rounding up to the next even thousand and before adding the additional $2,000 for Basic insurance). The agency paying the higher salary withholds the employee’s premium share and pays the Government contribution. If the employee goes into a nonpay status in an excluded position, at the end of 12 months in nonpay status, the amount of coverage is no longer based on the combined salary but is based solely on the salary from the covered position. If one of the positions is excluded from coverage, see the FEGLI Handbook.

110606. FEGLI Daily Proration Rule

A. General. The FEGLI Daily Proration Rule is a formula used to calculate partial employee withholdings and Government contributions for FEGLI premiums. Unless otherwise provided, the PRO deducts full withholdings and contributions for each pay period even if the employee is in pay status for only part of the pay period. The PRO uses the FEGLI Daily Proration Rule to compute partial withholdings and contributions under the following circumstances:

1. The employee transfers to a position serviced by a different PRO other than at the beginning of a pay period or, the transfer involves two agencies that are on different pay schedules; or

2. The employee retires other than at the end of a pay period.

B. Application of the FEGLI Daily Proration Rule. The FEGLI Handbook provides examples for computing a prorated amount of withholdings and contributions using the Proration Rule. Each PRO is responsible for withholdings and contributions for the actual time the employee occupied the position that the PRO serviced. Each PRO (gaining and losing) must compute daily FEGLI premium withholding and contribution rates as follows:

1. Determine the Daily Rate. To determine the Daily Rate for partial employee withholdings and Government contributions (for Basic insurance), multiply the biweekly employee withholding and Government contribution rates by 26, then divide by 364, the results will equal the daily rate. Use the denominator of 364 even during a leap year. The formula is as follows:

   Biweekly Employee Withholdings x 26 ÷ 364 = Daily Rate, and

   Biweekly Government Contributions x 26 ÷ 364 = Daily Rate.

2. Apply the Daily Rate to Formulas for Insurance Types. The PRO computes the Daily Rate using the formula discussed in subparagraph 110606.B.1. Once computed, the PRO must use the following formulas to determine the amount of withholdings and contributions (for Basic insurance) for which losing and gaining PROs are responsible:

   a. For Option A, the formula is:
Daily Rate x Days on Payroll.

b. For Basic Insurance and Option B the formula is:

Daily Rate x Coverage Amount ÷ $1,000 x Days on Payroll.

c. For Option C, the formula is:

Daily Rate x Number of Multiples x Days on Payroll.

C. **Active Employees.** Use the FEGLI Daily Proration Rule to determine the PRO’s (gaining and losing) responsibility for withholdings and contribution.

D. **Retiring Employees.** Withholdings and contributions depend on the employee's age at the time of retirement.

1. If the employee is under 65 years of age on the starting date of the annuity, the PRO will make Basic insurance withholdings and contributions and Optional insurance withholdings based on the following:

   a. If the annuity starts after the end of the pay period, the PRO will make full withholdings and contributions for the entire pay period. Withholdings and contributions are not required for the period between the end of the pay period in which the employee separates and the date the annuity begins. See 5 CFR 870.404(b).

   b. If the annuity starts before the end of the pay period, the PRO will make withholdings and contributions through the day before the annuity commencement date using the FEGLI Daily Proration Rule.

2. If the employee is 65 or older on the starting date of the annuity, the PRO will make Basic insurance withholdings and contributions and Optional insurance withholding based on the post-65 election chosen by the employee.

   a. If the employee elects Basic insurance with the 75 percent reduction, the PRO will make withholdings and contributions through the end of the pay period in which the employee separates for retirement without any proration.

   b. If the employee elects Basic insurance with the 50 percent reduction, or no reduction, the PRO will make withholdings and contributions based on the starting date of the annuity, the same as for retiring employees under age 65.

   c. If the employee has Option A, the PRO will make the withholdings through the end of the pay period in which the employee separates for retirement without any proration.
d. If the employee has Option B or Option C and elects full reduction, the PRO will make withholdings through the end of the pay period in which the employee separates for retirement without any proration. If the employee elects no reduction for Option B or Option C, the PRO will make the withholdings based on the starting date of the annuity, the same as for retiring employees under age 65.

110607. FEGLI Termination, Cancellation, Extension or Conversion

A. Termination. Termination of FEGLI coverage is an involuntary action. An employee whose life insurance terminates receives a 31-day extension of coverage and a right to convert coverage. Termination does not affect an employee’s eligibility to continue coverage into retirement. Life insurance terminates when the following occurs:

1. The employee separates from service (see FEGLI Handbook for exceptions);
2. Pay is insufficient to make any premium withholdings, and the employee does not elect to make direct payments;
3. The employee completes 12 months in nonpay status, and the employee is not eligible to continue coverage;
4. The employee moves to a position that is excluded by law from FEGLI coverage; or
5. Upon the death of the employee.

B. Cancellation of FEGLI Coverage. Cancellation of life insurance coverage is voluntary. Employees who cancel coverage are not eligible to receive the 31-day extension of coverage or a right to convert the coverage. Cancellation of life insurance may affect an employee’s eligibility to continue life insurance coverage after retiring. See also section 110604.

1. Cancellation of Basic Insurance. An employee may cancel Basic insurance at any time by filing a waiver of Basic insurance coverage with their HRO. Coverage is canceled at the end of the pay period in which the waiver is properly filed. Cancellation of Basic insurance automatically cancels all forms of Optional insurance.

2. Cancellation of Optional Insurance. An employee may cancel Optional life insurance, or reduce the number of multiples under Option B, at any time by filing a waiver of Optional insurance coverage with their HRO. An employee will not receive a refund of premiums paid prior to the effective date of cancellation. Coverage terminates at the end of the pay period in which the employee files the waiver. Exception: If Option C is canceled because there are no eligible family members, the effective date is retroactive to the end of the pay period in which there were no longer any eligible family members. See 5 CFR 870.505(b). Cancellation of Optional insurance does not cancel Basic insurance. The Barring Act (Statute of Limitations) at 31 U.S.C. § 3702 (b)(1) does not apply to retroactive refunds for Option C.
3. **Reinstating Insurance.** For detailed information concerning cancelling a waiver of coverage, see the FEGLI Handbook and *5 CFR 870.503 - 870.505*.

C. **31-Day Extension of Coverage and Conversion.** When Basic and Optional insurance terminates, except by an employee’s waiver or cancellation, coverage automatically continues without cost for an additional 31 days. No withholding or Government contributions are required during the 31-day extension. An employee may convert to an individual policy and may convert any or all of his or her Basic and Optional coverage. Conversion is effective at the end of the 31-day extension of coverage. The employing agency must notify the employee of the loss of coverage and the right to convert to an individual policy either before or immediately after the event causing loss of coverage. See *5 CFR 870.603*.

### 110608. Office of Federal Employees' Group Life Insurance (OFEGLI) Requests for Pre-Payment Verification

PROs must cooperate with the OFEGLI when it requests pre-payment verification. The OFEGLI is required to obtain verification before making payment to beneficiaries of enrollees with $200,000 or more of FEGLI coverage. OFEGLI will request the insured's current salary, annual salary (if different) and details on enrollment in Optional insurance, if applicable.

### 110609. Continuation of Coverage for Federal Employees Called to Active Duty

Effective January 28, 2008, for Federal employees called to active duty or active duty for training, FEGLI coverage continues for up to 24 months. See *5 CFR 870.601(d)(3)*. Coverage applies to a member of a Reserve component of the Armed Forces called or ordered to active duty for greater than 30 days and is on approved AUS to perform active duty or active duty for training.

A. **Months 1 through 12.** An employee called to active duty maintains continued FEGLI coverage for up to 12 months just as any other employee in a nonpay status. Employees do not pay for coverage during this 12-month period.

B. **Months 13 through 24.** An employee called to active duty must elect to have life insurance continue for an additional 12 months and must pay the employee and agency share of the premium from the beginning of the additional 12 months of coverage. An employee may cancel some or all of the coverage during this period. See *5 U.S.C. § 8706 (d)(1)*.

C. **Termination.** At the end of the first 12 months, or 90 days after the military service ends, whichever is earlier, coverage will terminate unless the employee elects to continue coverage for the additional 12 months, subject to the 31-day extension of coverage and right to convert to an individual policy. An employee may cancel an election at any time, in which case insurance will stop upon receipt of notice of cancellation.

D. **Return to Federal Service.** When the employee returns to active Federal service after military duty, the employee is afforded the same level of life insurance that was in place before the employee entered nonpay status or separated for military service, as long as the position is not excluded from coverage. HRO reinstates the same type of insurance even if the
employee declined to continue coverage for the additional 12 months, reduced some or all of the coverage, or allowed coverage to terminate due to nonpayment.

*110610. Increasing Coverage for Employees Deployed in Support of a Contingency Operation

Civilian employees eligible for FEGLI, who are deployed in support of a contingency operation, as defined at 10 U.S.C. § 101(a)(13), or DoD employees eligible for FEGLI, who are designated as emergency essential under 10 U.S.C. § 1580, may elect Basic, Option A and Option B, up to 5 multiples, within 60 days after the date of notification of deployment. See 5 CFR 870.503(e) and (f).

110611. Retroactive Changes and Adjustment of Errors

A. Retroactive Changes to Pay

1. **Erroneous Suspension/Removal and Back Pay Awards.** If an employee is retroactively restored to duty with back pay after an erroneous suspension or removal, no life insurance premium withholding is made from the back pay award. However, if death or dismemberment occurred during the period of suspension or separation, the PRO must withhold premiums from the back pay. Additionally, if the employee had Option C coverage and a covered family member dies during the period of separation or removal, the PRO must withhold Option C premiums from the back pay award. See 5 CFR 870.404(e) and the FEGLI Handbook.

2. **Retroactive Pay Increase.** If an employee receives a retroactive pay increase that was delayed beyond the effective date due to administrative error or oversight, and the pay increase resulted in higher life insurance premiums, deductions for the increased premium adjustment must be applied retroactively.

B. Adjustment of Errors for Overdeductions and Underdeductions of FEGLI Premiums

1. **Current Employees**

   a. **Overdeduction of FEGLI Premiums Owed.** When the PRO erroneously overwithholds premiums from the salary of an employee, the PRO must refund the erroneous withholding to the employee the next pay period. This automatically corrects the excess Government contribution.

   b. **Underdeduction of FEGLI Premiums Owed.** When less than or none of the proper amount of FEGLI premiums are withheld from the salary of the employee, the underdeduction represents an overpayment to the employee that must be collected as a debt. The collection of the debt may be exempt from due process requirements under 5 CFR 550.1104(c). See Volume 16, section 030207 for additional information. The agency must submit the uncollected amount due, including the Government contributions, to OPM within 60 calendar days after the date the agency discovers the underdeduction, regardless of whether collection from the
employee has been made. Government contributions must be adjusted when payment is received from the employee.

c. **OWCP Compensationers.** The procedures for refunding overdeductions and collecting underdeductions are the same for employees who are receiving compensation from the OWCP.

2. **Separated Employees.** When it is necessary for the PRO to make an adjustment in withholdings for a separated employee, the adjustment is withheld from the final salary payment to the employee (or if deceased, to the employee's beneficiary or estate).

### C. Incontestability

1. **General.** Incontestability is a provision of law that allows erroneous coverage to remain in effect under certain conditions. See 5 CFR 870.104. Coverage allowed to stand due to incontestability becomes valid coverage. Erroneous coverage always involves more coverage than an employee is entitled to receive or more than the employee elected. Incontestability does not apply to premiums being withheld for less coverage than an employee elected since such underwitholding is considered an overpayment of salary, annuity, or compensation. For purposes of incontestability, erroneous coverage may occur under the following circumstances:

   a. The employee was allowed to elect coverage when not entitled to do so;

   b. The SF 50 was coded incorrectly, giving the employee more coverage than he or she elected;

   c. The PRO collected premiums for a coverage that the employee did not elect on the election form; or

   d. OPM erroneously continued an employee’s coverage beginning when the employee became an annuitant or compensationer.

2. **Requirements of Incontestability.** An employee becomes insured under the provision of incontestability only if both of the following conditions are met:

   a. The erroneous coverage was in effect for at least 2 years between the time the error was made and the time the error is discovered, and

   b. The employee paid the applicable premiums for the erroneous coverage while it was in effect.

3. **If Incontestability Applies and the Individual Does Not Want Coverage.** When incontestability applies, an employee may cancel the coverage, but only prospectively. The PRO will not refund the premiums for the erroneous coverage period unless the employee had erroneous Option C coverage and did not have any eligible family members.
An employee may cancel erroneous Option C coverage retroactively and the PRO must refund any erroneous Option C premiums retroactive to when the employee ceased having eligible family members. The Barring Act does not apply.

4. When Incontestability Does Not Apply. If the erroneous coverage is discovered before 2 years, incontestability does not apply and the coverage is not valid. The PRO must void the coverage and refund the premiums.

1107 FEDERAL LONG TERM CARE INSURANCE PROGRAM (FLTCIP)

110701. General

The Long-Term Care Security Act authorized OPM to design a long-term care insurance program for Federal employees and their families. See 5 U.S.C., Chapter 90. OPM created the FLTCIP and contracted with the John Hancock Life Insurance Company as the carrier that provides Long Term Care (LTC) insurance. Long Term Care Partners, LLC (LTCP), a subsidiary of John Hancock, is the exclusive administrator of FLTCIP. See 5 CFR Part 875 for additional information. LTC insurance provides coverage for eligible employees, annuitants, and qualified family members. Coverage applies to those who can no longer perform activities of daily living without assistance due to a chronic illness, injury, disability or the aging process as determined by the LTCP. LTC insurance pays a portion of the cost of covered services, such as home health care, adult day care, or nursing home or assisted living facility costs.

A. Duties of LTCP. The LTCP administers all aspects of the program. Eligible employees must submit their application directly to the LTCP for approval of coverage. The LTCP is responsible for:

1. Accepting and approving employee applications,
2. Answering employee questions about the program,
3. Maintaining their web site to include current information, and
4. Transmitting applicable payroll data for automatic payroll deductions.

B. Duties of Federal Agencies. Federal agencies are responsible for the following:

1. Providing access to information about the FLTCIP to eligible employee,
2. Responding to questions from the LTCP including questions on the employment status of an applicant or enrollee,
3. Providing reports as OPM requires,
4. Complying with BALs and other OPM issuances, and

5. Deducting premiums as authorized by employees and remitting those payments on a biweekly basis to the LTCP.

110702. Eligibility and Cost

A. Eligibility. Participation is voluntary and elections must be made through LTCP. Most Federal civilian employees are eligible to apply for the LTC coverage. If an employee is eligible for the FEHB program, the employee is also eligible to apply for LTC insurance through FLTCIP, even if not enrolled in FEHB. Retirees are eligible to apply. Eligibility also extends to qualified relatives including spouses and adult children of eligible employees and retirees, as well as parents, parents-in-law, and stepparents of current employees. Qualified relatives may apply for coverage even if the employee does not apply.

B. Cost of Coverage. The employee pays the full cost of LTC insurance and there are no Government contributions toward LTC insurance premiums. LTC premiums are based on both the employee’s age and the cost of options that the employee selects.

110703. Coverage and Payment Options

A. Effective Date of Coverage. If LTCP approves the employee’s application for coverage, the LTCP will send approval notification to the employee and provide the employee with an effective date of coverage. If enrollment occurs during open season, the effective dates of coverage are announced. If enrollment occurs any time outside of open season, coverage is effective the first day of the month after the approval date of the application. Additional requirements apply for active workforce members who apply for coverage under abbreviated underwriting and for those employees whose eligibility changes prior to their announced effective date of coverage. See 5 CFR 875.404.

B. Payment of Premiums

1. Payment Options. An employee who qualifies for participation in the LTCIP may choose from three payment options:
   a. Payroll deduction,
   b. Automatic bank withdrawal, or
   c. Direct billing.

2. Payroll Deductions. If premiums are paid through payroll deductions, deductions begin on the first full pay period on or after the effective date of coverage. Payroll deductions for LTC premiums occur each biweekly pay period until the employee separates, transfers, or elects a different payment option.
3. Correcting Underpayments and Overpayments. If the carrier determines that the employee has underpaid premiums, the employee will pay retroactive premiums to the carrier for the amount due. If the Carrier determines that the employee has overpaid premiums, the Carrier will reimburse the employee or reduce future premium payments by the amount of the overpayment. See 5 CFR 875.303.

C. Transferring Employees. Employees transferring to a new agency must notify LTCP regarding where and when the transfer will occur. The employee’s current payroll deductions will continue until the separation action processes. An employee will automatically receive a direct bill from the LTCP for any premiums not collected through payroll deduction due to the transfer. Payroll deductions are not adjusted to “catch-up” uncollected premiums.

1108 DISABILITY INSURANCE FOR EMPLOYEES OF THE UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES (USUHS)

Full-time civilian faculty members appointed to an Administratively Determined (AD) position of the USUHS School of Medicine receive mandatory coverage under a long-term disability insurance plan. In order to participate in the long-term disability insurance plan, the employee must be covered under the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) or the Fidelity Investments program. The employer and employee share the cost of the disability insurance and each contributes 50 percent of the premium. USUHS AD employees covered under FERS or CSRS are not eligible for the long-term disability insurance plan.

1109 NATIONAL GUARD ASSOCIATION OF UNITED STATES (NGAUS) INSURANCE TRUST (IT) PROGRAM

Army and Air National Guard Technicians (Title 32 Technicians) may choose to participate in the NGAUS-IT, which provides disability and life insurance products through its underwriter, ReliaStar Life Insurance Company. Technicians should contact their HRO or NGAUS-IT for enrollment instructions and forms. Technicians who participate agree to have premiums deducted from their biweekly pay on the NGAUS-IT enrollment form. CSRs work closely with ReliaStar Life Insurance Company, which confirms the approval of enrollment and provides the CSR with start dates and amounts of payroll deductions. ReliaStar will notify CSRs of any revisions to premium deductions due to age or salary changes. CSRs enter the appropriate premium deduction information into the Defense Civilian Pay System. PRO deducts premiums for the entire pay period, regardless of the day of termination, and proration is not required.

1110 THRIFT SAVINGS PLAN (TSP)

111001. General

The Federal Employees' Retirement System Act of 1986 established the TSP, a retirement savings and investment plan for Federal employees. See 5 U.S.C., Chapter 83, Chapter 84, and 5 CFR Part 1600. TSP offers eligible employees traditional tax deferral advantages as well as a Roth-TSP option. The Federal Retirement Thrift Investment Board administers the plan. FERS, CSRS, and CSRS-Offset employees are eligible to participate in the TSP. TSP benefits depend on
an employee’s retirement system. If the employee’s coverage is under CSRS, TSP is a supplement to the CSRS annuity. If the employee’s coverage is under FERS, TSP is part of the three-part retirement package that includes the FERS basic annuity and Social Security. See also TSP for additional information.

*111002. Establishing a TSP Account, Contribution Elections, and Automatic Enrollment

* A. Employees Hired Between August 1, 2010 and September 30, 2020. Employees (including FERS or CSRS rehired employees) hired after July 31, 2010, are automatically enrolled in TSP. The PRO deducts 3 percent of the employee’s basic pay each pay period and deposits the funds into the employee’s TSP account. The employee must make a contribution election to stop or change the contribution. FERS employees also receive contributions from the Government. TSP invests all contributions in the age appropriate Lifecycle (L) Fund until the employee changes the contribution allocation with the TSP. See TSP Bulletins 10-7, 15-2, and 19-4.

* B. Employees Hired on or After October 1, 2020. Employees (including FERS or CSRS rehired employees) hired after October 1, 2020 are automatically enrolled in TSP. The PRO deducts 5 percent of the employee’s basic pay each pay period and deposits the funds into the employee’s TSP account. This change will not affect the contribution rates for existing employees who were enrolled in TSP prior to October 1, 2020. See TSP Bulletin 19-4.

* C. FERS Employees Hired Before August 1, 2010. The agency establishes a TSP account accruing Agency Automatic (1 percent) Contributions for FERS employees hired before August 1, 2010. Employees must make a contribution election in order to begin employee contributions and to receive Agency Matching Contributions.

* D. CSRS Employees. CSRS employees may make a TSP contribution election at any time through their HRO in order to establish a TSP account. CSRS employees do not receive Agency Automatic (1 percent) Contributions or Agency Matching Contributions.

* E. Contribution Elections. A contribution election is used by an employee to start, stop, or change employee contributions. The employee may elect to contribute at any time as instructed by the employing agency, by submitting a paper election form or by using electronic media (such as the Employee Benefits Information System). An election may not exceed the maximum contribution limit under 5 CFR 1600.22. The contribution election may be a percentage of basic pay or a dollar amount that is deducted each biweekly pay period. Percentages and dollar amounts must be expressed in whole numbers. Contribution elections are effective the first full pay period after the agency receives the election. For more information on TSP forms, visit the Civilian Forms section on the TSP’s website.

*111003. TSP Contributions

* A. General. TSP contributions come from three sources: employee contributions, Agency Automatic (1 percent) Contributions, and Agency Matching Contributions.
Additional information on employee contribution elections, contribution allocations, and agency automatic and matching contributions can be found in 5 CFR 1600 and 1601 or on the TSP website.

*B. Employee Contributions. Employee Contributions are payroll deductions taken from an employee’s basic pay before taxes are withheld. The PRO withholds contributions each pay period in the amount directed by the employee (or the automatic enrollment amount if no election is made). See 5 CFR 1600.34. An employee is immediately vested in his or her own contributions and any accrued earnings on such contributions. Maximum contribution limits are as follows:

1. Internal Revenue Service (IRS) Limits. Contribution amounts are subject to the Internal Revenue Code (IRC) limitations on the maximum dollar amount of contributions. The limits set by the IRS may change annually and are published on the TSP website. See 5 CFR 1600.22 and TSP’s Contribution Limits.

2. Contribution Limits Through 2005. The maximum employee contribution for FERS, CSRS and CSRS-Offset participants was limited through 2005 to a percentage of basic pay. After 2005, the IRS began setting contribution limits. Additional information regarding FERS limits for 2005 and before can be found at 5 U.S.C. § 8432(a)(2), 5 U.S.C. § 8351(b)(2)(B), and 5 CFR 1600.22.

*3. Catch-up Contributions. A TSP participant age 50 or older may be eligible to make tax-deferred or Roth catch-up contributions from basic pay that are separate from the participant’s regular contribution election. Except as provided in subparagraph 111003.B.3.d, catch-up contributions for FERS employees are not eligible for Agency Matching Contributions. Catch-up contributions may be made at any time during the calendar year if the employee is:

   a. At least age 50 by the end of the calendar year,

   b. Making regular TSP contributions at a rate that will result in the participant making the maximum regular contributions permitted under the IRC, and

   c. The catch-up contribution does not exceed the contribution catch-up annual limit. See 5 CFR 1600.23.

*   d. Beginning the first pay period of calendar year 2021, the Spillover Method will take over for catch-up contributions. Eligible employee’s will no longer need to make a separate contribution election for catch-up contributions. Once the contribution limit has been reached, the employee’s contributions will “spill over” toward the catch up limit. Contributions spilling over toward the catch-up limit are eligible for Agency Matching Contributions, but only up to the 5 percent of pay to which participants are already entitled under subparagraph 111003.D. See TSP Bulletins 19-5 and 20-1.

C. Agency Automatic (1 Percent) Contributions. Beginning with an employee’s first pay period, an agency contributes an amount equal to 1 percent of the employee’s basic pay to the employee’s TSP account each pay period. For employees hired on or after
December 1, 2008, The TSP Enhancement Act of 2009 (established with *Public Law 111-31*) eliminated the waiting period for FERS employees to receive the Agency Automatic Contributions. See TSP Bulletin 10-7. The agency contribution is not deducted from the employee’s pay, nor is it used to determine tax owed by the employee. CSRS employees do not receive an agency contribution. Generally, most FERS employees become vested and entitled to the Agency Automatic Contributions, and associated earnings, after completing 3 years of service.

If an employee:

1. Dies before separating from service, he or she is automatically vested in all of the money in the employee’s TSP account; or

2. Separates from Federal service, the employee must meet the TSP vesting requirement in order to keep Agency Automatic Contributions and associated earnings.

D. **Agency Matching Contributions.** Employees covered under FERS will receive Agency Matching Contributions on the first 5 percent of pay that the employee contributes each pay period to their TSP account. The agency matches the first 3 percent of pay the employee contributes dollar for dollar. The agency matches the next 2 percent of pay at 50 cents per dollar. The agency does not match the employee contributions above 5 percent. Employees covered under CSRS do not receive Agency Matching Contributions.

E. **Contribution Allocations.** Employees may make a contribution allocation directing how money deposited into the employee’s TSP account is to be invested. This applies only to future deposits and does not affect funds already in the account (an Interfund Transfer reallocates existing investments). The allocation directs the investment of employee contributions, Agency Automatic (1 percent) Contributions, and Agency Matching Contributions. The allocation remains in effect until superseded by a subsequent contribution allocation submitted by the employee. Allocations must be in 1 percent increments and the sum of the percentages elected must equal 100 percent. An employee may change an allocation using the TSP website or using ThriftLine (the automated system or speaking to a TSP Participant Service Representative). Employees may allocate investments among any of the following *TSP investment funds*:

1. Government Securities Investment (G) Fund,
2. Fixed Income Index Investment (F) Fund,
3. Common Stock Index Investment (C) Fund,
4. Small Capitalization Stock Index Investment (S) Fund,
5. International Stock Index Investment (I) Fund, and
6. Lifecycle (L) Funds.
111004. TSP Loan Program

A. General. The TSP Loan Program allows employees to borrow money from their TSP account while actively employed by the Federal government. TSP participants must apply for a TSP loan and must meet the eligibility criteria set forth in 5 CFR 1655.2. Employees may not have more than two outstanding loans (one general purpose and one residential loan) at any time and must set-up loan payments through payroll deduction. Repayment must restore the original loan amount, plus interest. Deductions for repayment each pay period is in the amount set out in the Loan Agreement. An employee may make additional payments and may pay off the loan early by making payment directly to TSP.

B. Types of TSP Loans. There are two types of TSP loans authorized under the TSP loan program, the general purpose loan and the residential loan.

1. General Purpose Loans. General purpose loans may be used for any purpose. Obtaining the loan requires no documentation. The repayment term is 1 to 5 years.

2. Residential Loans. Residential loans may be used only for the purchase or construction of a primary residence. Residential loans require documentation regarding the cost of purchasing or constructing the residence and other documentation as requested by TSP. The repayment term is 1 to 15 years.

C. Borrowing Limits for TSP Loans

1. Minimum Loan Amount. The initial principal amount of any loan cannot be less than $1,000.

2. Maximum Loan Amount. The principal amount of a new loan must be less than or equal to the smallest of the following:

   a. The employee’s own contributions and earnings on those contributions in the employee’s TSP account balance, not including any outstanding loan balance;

   b. Fifty percent of the employee’s vested account balance, including outstanding loan balance or $10,000, whichever is greater, minus any outstanding loan balance; or

   c. $50,000 minus the employee’s highest outstanding loan balance, if any, during the last 12 months.

*111005. In-Service Hardship Withdraw

Employees who meet eligibility requirements may make a financial hardship withdrawal from their TSP account. An employee cannot return or repay the money removed from the TSP account. See 5 CFR 1650.32, TSP In-Service Withdrawal Basics, and In-Service Withdrawals.
Prior to September 15, 2019. After making the withdrawal, the employee cannot make employee contributions to their TSP account for 6 months. FERS participants will not receive any Agency Matching Contributions for the period during which the employee is not making employee contributions. However, Agency Automatic (1 percent) Contributions will continue.

On or After September 15, 2019. The rule requiring employee contributions to be suspended for 6 months is eliminated. A financial hardship withdrawal will have no effect on an employee’s contributions. After making the withdrawal, restarting the TSP contributions is the employee’s responsibility. See TSP Bulletin 19-9.

Correction of Late Contributions.

A. Late Contributions. A late contribution is a contribution that is timely deducted from an employee’s basic pay, but is not timely reported to the TSP for investment. A late contribution may also result from an employee contribution that was timely reported to TSP, but was not timely posted to the participant’s account by TSP because the payment record submitted contained errors. See 5 CFR 1605.2.

B. Corrections. The PRO must submit late contributions to TSP as soon as the error is discovered. The PRO must show the “as of” date for the contributions. Breakage for both the employee and agency contributions is calculated by TSP. See 5 CFR 1605.15.

Correction of Employing Agency Errors

A. General. Agency errors occur when an agency either erroneously submits less contributions to a TSP participant’s account than it should have or more than it should have. An error is an act or omission by TSP or the employing agency that is not in accordance with applicable statues, regulations, or administrative procedures. It does not mean an act or omission caused by events that are beyond the control of TSP or the employing agency. It is the responsibility of the employing agency to determine whether it has made an error that entitles a TSP participant to a correction for missed or insufficient contributions. See 5 CFR 1605, subpart B.

B. Missed or Insufficient Contributions. Types of errors resulting in missed or insufficient contributions include, but are not limited to, when the agency actions prevent an employee from making an election to contribute, when the agency fails to implement an election properly submitted, or when the agency fails to make agency automatic or matching contributions. See 5 CFR 1605.11. If, as a result of an agency error, a participant does not receive all of the TSP contributions to which he or she is entitled, the following applies:

1. Employer Makeup Contributions. An agency is required to correct any agency automatic (1%) contributions and agency matching contributions it failed to make. The PRO should promptly submit all missed contribution to TSP. TSP will calculate breakage due the participant and post the contributions and breakage to the participant’s account. See 5 CFR 1605.11. See subparagraph 111006.B for information concerning breakage.
2. **Employee Makeup Contributions.** Missed or insufficient contributions that are the result of an agency error are corrected prospectively. The agency must notify the TSP participant if he or she is eligible to make up the missed contributions and receive matching agency contributions (if applicable). Employee contributions may only be made through future payroll deductions from basic pay. Contributions by check, money order, cash or other form of payment directly from the participant to TSP or to the employing agency for deposit into TSP are not permitted. There is no payment of breakage on makeup employee contributions for missed or insufficient contributions. The employee will receive the tax benefit in the year the contributions are made up.

3. **Notification to Employee.** The PRO should issue a written notification to the employee indicating that the agency acknowledges that an error has occurred which has caused a smaller amount of employee contributions to be made to the participant’s account than should have been made. The agency must advise the employee that he or she may, but is not required, to elect to establish a schedule to make up the deficient contributions through future payroll deductions. An employee has 30 days from the date the notification was received to set up a schedule to make up any deficient contributions.

4. **Repayment Schedule.** An agency may not require a TSP participant to make up contributions in less than twice the number of pay periods over which error occurred. The maximum length of the repayment schedule may not exceed four times the number of pay periods over which the error occurred.

C. **Removal of Excess or Erroneous Contributions.** Generally, an agency must submit a negative adjustment record to TSP in order to identify and remove excess or erroneous contributions for each pay date. TSP will credit the agency with the actual value of the adjusted contribution. The agency must return the original amount of the employee contribution to the participant if applicable. Any positive earnings on employee contributions remain in the participant’s account. Positive earnings on agency contributions are forfeited to TSP. Excess or erroneous contributions submitted to TSP before January 1, 2000, may not be returned and remain in the participant’s account. See 5 CFR 1605.12.

111008. **Corrections Following an Award of Back Pay or Retroactive Pay Adjustment**

A. **Erroneously Separated Employee.** An erroneously separated employee may request that any employee contributions not made during the period of erroneous separation be deducted from his or her back pay award. See 5 CFR 1605.13. If the employee elects to make up contributions for the back pay period, the HRO will either reinstate the employee’s contribution election on file at the time of separation, or the employee may submit a new contribution election if he or she would have been eligible to make such an election but for the erroneous separation. The TSP makeup contributions are subject to the following requirements:

1. Breakage is paid on all makeup contributions, both employee and agency. Unless otherwise required by the employing agency or the court or other tribunal with jurisdiction over the back pay case, breakage will be invested according to the participant's
contribution allocation on the posting date. If there is no contribution allocation on file, breakage will be calculated using the share prices for the default investment fund in effect for the participant. See 5 CFR 1605.2.

2. The employee will receive the tax benefit in the year the contributions are made. The PRO must annotate retroactive employee contributions by year on the IRS Form W-2, Wage and Tax Statement.

3. TSP will not accept retroactive contributions for erroneous separations directly from the Department of Justice Judgment Fund or by check, money order, cash or other form of payment directly from the participant or agency.

4. If, by error, back pay is paid to an employee prior to making TSP contribution deductions, an individual who is still employed with the agency may make up the missed contributions through future payroll deductions.

B. Other Retroactive Pay Adjustments. The agency must deduct TSP contributions from the pay adjustment using the employee’s election on file for the period of the pay award. Breakage is calculated based on the contribution allocation on file when the contribution would have been made. See 5 CFR 1605 and subparagraph 111010.

111009. Corrections Due to Misclassification of Retirement System Coverage

An employee that has his or her retirement system coverage misclassified by the employing agency is entitled to have their record corrected.

A. Misclassified as FERS. When the CSRS employee is misclassified as a FERS participant, the following applies to the corrected record:

1. Employee contributions that exceed any applicable contribution percentage for the pay periods involved may remain in the employee’s account. The employee may request the return of excess employee contributions made on or after January 1, 2000, but contributions made before January 1, 2000, must remain in the employee’s account.

2. TSP will forfeit agency contributions made to the CSRS employee’s account.

B. Misclassified as CSRS. When the HRO misclassifies a FERS employee as a CSRS participant, the following applies to the corrected record:

1. The employee may not elect to have the contributions made while misclassified as a CSRS participant removed from the account.

2. The employee may elect to make up contributions that he or she would have been eligible to make as a FERS employee during the period of misclassification.
3. The employing agency must make Agency Automatic (1 percent) Contributions and Agency Matching Contributions on employee contributions made while the employee was misclassified.

4. If the misclassified coverage is a Federal Erroneous Retirement Coverage Corrections Act (FERCCA) correction, the employing agency must submit makeup employee contributions on late payment records. The employee is entitled to breakage on employee contributions, Agency Automatic (1 percent) Contributions, and Agency Matching Contributions.

5. If the misclassification coverage is not a FERCCA correction, the employing agency must submit makeup employee contributions on current payment records. The employee is not entitled to breakage on employee contributions, but breakage is required for retroactive agency contributions.

6. If employee contributions were made up before OPM implemented regulations on FERCCA corrections and the correction is considered to be a FERCCA correction, an amount to replicate TSP lost earnings will be calculated by OPM and provided to the employing agency for transmission to the TSP record keeper.

C. Misclassifications That are Corrected to Federal Insurance Contribution Act (FICA) Only. If the HRO misclassifies the employee as either FERS or CSRS and later corrects the retirement coverage to FICA only, the employee is no longer eligible to participate in TSP. For regulations regarding employee and agency contribution in the employee’s account, see 5 CFR 1605.14(c).

D. Misclassified as FICA Only. If the HRO misclassifies the employee as FICA only and later corrects the retirement coverage to either FERS or CSRS, the employee may elect to make up contributions that he or she would have been eligible to make as a FERS or CSRS employee during the period of misclassification.

111010. Breakage

A. General. Breakage, also referred to as “lost earnings,” is the loss incurred or the gain realized on makeup or late contributions. Breakage for both the employee and agency contributions is calculated, posted and charged to the agency or forfeited to TSP in accordance with 5 CFR 1605.2. This includes breakage on late contributions, makeup agency contributions, and loan payments. When breakage is payable, breakage calculations are subject to the following requirements:

1. The contribution is submitted to TSP for deposit more than 30 days from the original pay date.

2. The net contribution (employee and agency combined) is at least $1.00.

B. Posting of Multiple Contributions. If the TSP posts multiple makeup or late contributions, or late loan payments with different “as of” dates for a participant on the same
business day, the amount of breakage charged to the employing agency or forfeited to the TSP will be determined separately for each transaction, without netting any gains or losses attributable to different “as of” dates. In addition, gains and losses from different sources of contributions or different TSP Funds will not be netted against each other. Instead, breakage will be determined separately for each “as of” date, TSP Fund, and source of contributions. This is done to provide clarity due to multiply occurrences and to provide the employee complete information in order to make accurate and sound decisions.

111011. Contributions Missed as a Result of Military Service Under USERRA

A. Employee Contributions. Upon their return to service, FERS and CSRS Employees who separated from Federal civilian service or who were on AUS in order to perform military service may be eligible to make up employee contributions (including any catch-up contributions for employees age 50 or older) missed because of their military service. FERS employees are eligible to receive matching agency contributions.

1. The PRO must deduct employee contributions from future pay. Employees must meet conditions specified in 5 CFR 1620.40. The allowable amount of any makeup contributions will be offset by the dollar amounts an employee contributed to TSP while performing military service. Total contributions may not exceed the IRS limit in effect the year the contribution would have been made.

2. Upon reemployment or return to a pay status after military service, an employee has 60 days to elect to make up any missed contributions. Missed employee contributions are made up in accordance with 5 CFR 1605.11(c). Employees who wish to makeup contributions under this authority should review the information on the TSP website regarding Resuming and Making Up Contributions and 5 CFR 1605.31.

B. Agency Automatic (1 percent) Contributions. The agency must deposit the Agency Automatic (1 percent) Contribution a FERS employee would have been eligible to receive during the period of AUS or separation. The contribution is based on the basic pay the employee would have earned and is entitled to breakage.

C. Agency Matching Contributions. The agency must deposit matching contributions based on the amount a FERS employee contributed to the uniformed services account from his or her military basic pay. Amounts contributed from other sources (such as uniformed services incentive, special, or bonus pay) are not used to determine Agency Matching Contributions. The agency pays matching contributions on any makeup employee contributions made after the employee returns from military service (unless the maximum matching has already been received). Agency Matching Contributions are entitled to breakage.
1111 POST-56 MILITARY DEPOSIT

*111101. General

A. Background. On January 1, 1957, Social Security began using military service in the computation of Social Security benefits. As a result, Federal (employee) retirees with an annuity that included credit for military service performed after 1956 lost credit for time spent in military service when they became entitled to Social Security benefits. In 1982, Congress enacted a law allowing Federal employees who were also veterans with post-1956 military service to pay a deposit into FERS or CSRS to avoid the loss of their military service credit.

B. Post-56 Military Deposit. An employee must pay a deposit prior to retirement for military service performed after December 31, 1956, or the military service will not count toward the CSRS or FERS retirement annuity. This deposit is referred to as the Post-56 Military Deposit. Making the Post-56 Military Deposit allows an employee to receive credit for military service under both Social Security and CSRS or FERS.


* D. Post-56 Deposit Payments. The employee may make a Post-56 Military Deposit in installment payments or a lump sum payment. Installment payments must be in whole dollar amounts not less than $25 per pay period, except for the last payment that may be in any amount to complete repayment. Unpaid balances are subject to interest calculations, and OPM issues BALs concerning the rate of interest to use. The employee must submit payments, other than payroll deductions, directly to either pay.gov or:

DFAS-Cleveland
ATTN: J3DCBB/559
1240 E. 9th Street
Cleveland, OH 44199

The payment must be in the form of a negotiable instrument made payable to “Disbursing Officer.” Mailed payments must be received by the disbursing officer by the close of business on the last regular business day before the interest accrual date. The date of receipt by the disbursing officer will constitute the date of payment, not the date of the postmark. The PRO computes interest on the unpaid balance on the employee’s interest accrual date.

1. Timing of Payment. Employees must complete the deposit for military service prior to separation from service. If an employee dies, but was eligible at the time of death to make a deposit, the employee's survivor may make the deposit in one lump sum to the former employing agency before OPM completes adjudication of the survivor annuity application.

2. Administrative Errors. An employee, who was eligible to make a deposit for military service but failed to complete the deposit prior to separation due to an administrative error may complete the deposit in a lump sum if OPM determines an agency error
occurred. If, after separation, a retiree requests to make a deposit and OPM determines that an agency error occurred, OPM will issue a letter to the agency. This letter will explain the administrative error in detail and advise the agency to compute and accept the Post-1956 Military Service Deposit. See *BAL 13-103*.

111102. FERS Post-56 Military Deposit (“Buy Back”)

A. General. A FERS employee may receive credit for post-1956 military service under FERS rules only if he or she makes a Post-56 Military Deposit equal to the applicable percentage rate based on the period of service and the military basic pay he or she earned during the period of military service, plus interest. (See *Credit for Military Service*.) The deposit is required in order to receive credit for military service performed after December 31, 1956. The deposit is necessary to get credit for both FERS eligibility and annuity computation purposes. No deposit is due for military service performed before January 1, 1957. The employee is not charged interest if the deposit is paid in full before the first interest accrual date (IAD). Interest accrual starts and is compounded annually beginning 2 years from the date of the first employment under FERS.

B. IAD. For FERS employees first employed prior to January 1, 1987, interest started to accrue on January 1, 1989. Therefore, the initial IAD for these employees is January 1, 1990. For employees first employed on or after January 1, 1987, interest began to accrue 2 years from the date the employee was first employed and subject to FERS. Therefore, the initial IAD for these employees is 1 year after the 2-year interest free grace period ends.

111103. CSRS Post-56 Military Deposit (“Buy Back”)

A. General. A CSRS employee first employed on or after October 1, 1982, will receive credit for post-1956 military service only if he or she makes a Post-56 Military Deposit equal to 7 percent of the military basic pay earned during the post-1956 military service, plus interest. Employees first employed under CSRS before October 1, 1982, have the option of making deposits for post-1956 military service and avoiding a possible annuity reduction.

B. Interest Accrual Dates. For CSRS employees, interest begins to accrue on the military service deposits on October 1, 1985, or 2 years after an employee is first employed or reemployed after a period of military service in a position subject to CSRS. The IAD is the date each year when the PRO adds the accrued interest to the amount owed by the employee. The initial IAD is the date 1 year after the end of the interest free grace period. Thereafter, the IAD falls on the anniversary of the first IAD until the employee pays the deposit in full. The employee is not charged interest if the deposit is paid in full before the first IAD.
*REFERENCES

CHAPTER 11 – ALLOTMENTS AND MANDATORY DEDUCTIONS

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VOLUME 8, “DEFINITIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated February 2018 is archived.

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DEFINITIONS

Absent Without Leave (AWOL)

Absence from a place of duty without permission or authorization.

*Absent-Uniformed Service (AUS)

An employee is absent (whether in pay or non-pay status) to perform duty with the uniformed services and has reemployment rights under Uniformed Services Employment and Reemployment Rights Act (USERRA). See Title 38 United States Code (U.S.C.), Chapter 43.

*Administrative Offset

Withholding funds payable by the United States (including funds payable by the United States on behalf of a state government) to, or held by the United States for, a person to satisfy a claim. See 31 U.S.C. § 3701(a)(1). This includes offset from disposable pay (salary).

Administrative Workweek


Advance of Pay

Single lump-sum payment authorized for payment in advance of an employee’s scheduled pay date in accordance with Chapter 3 of this Volume.

Agency

See Federal Agency.

Advanced Compensatory Time for Religious Reasons

Compensatory time requested by the employee and granted by the supervisor for the employee to meet religious requirements. See 5 U.S.C. § 5550a.

Allotment

A recurring, specified deduction from pay, authorized by a civilian employee, paid to an allottee.

Allottee

A person or institution to whom an allotment is made payable.
Alternative Work Schedule (AWS)

An arranged tour of duty that varies from a regular tour of duty and includes flexible and compressed work schedules. See the U.S. Office of Personnel Management’s (OPM) Handbook on AWS for more information.

Annuitant

A retired federal employee or his/her survivor who is receiving payments from OPM.

Appropriated Fund

The amount that agencies may obligate during the period of time specified in a particular appropriation act.

Availability Pay

Premium pay provided for criminal investigators in job series 1811 and 1812 who are required to work, or be available to work, substantial amounts of unscheduled overtime duty based on the needs of the employing activity.

Base Realignment and Closure (BRAC)

The congressionally authorized process under 10 U.S.C. § 2687 that gives the Secretary of Defense the authority to reorganize the base structure to more efficiently and effectively support the forces, increase operational readiness, and facilitate new ways of doing business.

Basic Pay

Also referred to as “base pay.” Basic pay is the total amount of pay received at a rate fixed by law or administrative action for the position held by the employee. Basic pay does not include certain types of pay, for example: bonuses, allowances, overtime or holiday pay.

Basic Work Requirement

The number of hours, excluding overtime hours, which an employee must work or otherwise account for by leave, credit hours, holiday hours, excused absences, compensatory time off, or time off as an award. See 5 U.S.C. § 6121.

Basic Workweek

For a full-time employee, a basic workweek is the 40-hour workweek established in accordance with 5 CFR 610.111. Unless specifically designated, a basic workweek for full-time employees is five 8-hour days, Monday through Friday. See 5 CFR 610.121.
Beneficiary

For purposes of Volume 8, a beneficiary is the person or persons authorized by law to receive the employee’s unpaid compensation. Person or persons may include a legal entity, or the estate of the deceased employee. See 5 CFR 178.203 and 5 U.S.C. § 5582.

Buy-Back of Leave

The process by which an employee makes arrangements with the civilian payroll office (PRO) to repurchase sick or annual leave that was used by the employee, prior to the approval of his or her claim for compensation under the Federal Employees’ Compensation Act at 5 U.S.C., Chapter 81.

Calendar Year (CY)

The period starting January 1 and ending December 31.

Civil Service Retirement System (CSRS)


Civil Service Retirement System Offset (CSRS-Offset)

The plan for federal employees whose service is subject to CSRS deductions and Social Security taxes, as described under 5 U.S.C. § 8349. CSRS-Offset employees are covered by Social Security because they were separated from CSRS covered federal employment for more than 1 year and returned to a position in which they were covered by CSRS after 1983. Old-Age, Survivors, and Disability Insurance (OASDI) withholdings are offset from their CSRS contributions so that the combined Social Security and CSRS contributions are the same as for employees who have CSRS coverage only.

Commercial Garnishment

For purposes of Volume 8, a commercial garnishment is the process by which a federal agency withholds pay from a federal civilian employee pursuant to 5 U.S.C. § 5520q in order to honor a garnishment order or similar legal process issued by a court of competent jurisdiction in the enforcement of a commercial debt against the employee.

Compensatory Time Off

Time off granted in lieu of pay for an equal amount of time spent in irregular or occasional overtime work. See 5 U.S.C. § 5543.
Compressed Work Schedule

For a full-time employee, consists of an 80-hour biweekly basic work requirement scheduled by an agency for less than 10 workdays. For a part-time employee, denotes a biweekly basic work requirement of less than 80 hours scheduled by an agency for less than 10 workdays. See 5 U.S.C. § 6121(5).

Continental United States (CONUS)

The 48 contiguous states and the District of Columbia.

Continuation of Pay (COP)

Payment made to an employee during an absence from the job due to a traumatic on-the-job injury.

Core Hours

Designated hours and days during which an employee covered by a flexible work schedule is required to be present for duty. See 5 U.S.C. § 6122(a)(1).

Credit Hours

Hours an employee elects to work with supervisory approval that are in excess of the employee’s basic work requirements under a flexible work schedule. See 5 U.S.C. § 6121(4).

Customer Service Representative (CSR)

The liaison between the employee and the PRO and/or the HRO that provides assistance in resolving payroll and leave issues.

Data Element

A named identifier and attributes for each of the entities represented within the Defense Civilian Pay System (DCPS).

Debt

Any amount of money or any property owed to a Department of Defense (DoD) Component or another federal agency by any person, organization, or entity except another federal agency. Debts include insured or guaranteed loans and any other amounts due from fees, leases, rents, royalties, services, sales of real or personal property, or overpayments; penalties, damages, interest, fines and forfeitures; and all other claims and similar sources. Delays in processing employee-elected coverage or a change in coverage under federal benefits programs are not normally debts if processing delays did not exceed 2 monthly or 4 biweekly pay periods. Amounts
due a non-appropriated fund instrumentality are not debts owed the United States unless specifically included by this Regulation. See 31 U.S.C. § 3701(b)(1).

Deductions

Monies withheld, by law (mandatory deductions) or voluntarily (voluntary deductions), from an employee’s pay (salary). The three basic types of deductions are:

a. Those required by law, regulations, or decision issued by a court or administrative body;

b. Those for benefits specifically authorized by law, such as health and life insurance; and

c. Voluntary personal allotments to a designated allottee.

Defense Civilian Pay System (DCPS)

The standard DoD civilian pay system approved by the Under Secretary of Defense (Comptroller) Chief Financial Officer to pay employees from appropriated, revolving, or trust funds.

Departmental Reporter

The Defense Finance and Accounting Service (DFAS) organizational entity serving as the focal point for a Military Service, when dealing with the OPM and the Thrift Investment Board concerning retirement or Thrift Savings Plan (TSP) reporting.

Disposable Pay

The amount that remains after pay (salary) reduced by amounts that are:

a. Required by law for deduction;

b. Properly withheld for federal, state, and local income taxes;

c. Deducted as health insurance premiums;

d. Deducted as normal retirement contributions; and

e. Deducted as normal life insurance premiums.

Disabled Veteran Leave (DVL)

Leave granted to a newly hired civilian employee who is a military veteran with a service-connected disability rated at 30 percent or more. Such leave may be used in the first year of civil
service duty to receive treatment for service-connected injuries. See Chapter 5 of this Volume; 5 U.S.C. § 6329; 5 CFR 630, subpart M; and the OPM Fact Sheet, Disabled Veteran Leave.

Due Process

For purposes of Volume 8, due process refers to legal proceedings carried out in accordance with established law and regulations in connection with the collection of debts due the United States.

Emergency Medical Technician (EMT)

A specialist in the technical details of medical treatment responding to an urgent need for assistance requiring immediate action.

Employee

An employee refers to an individual appointed to a position in DoD and paid from appropriated, revolving, or trust funds. See 5 U.S.C. § 2105.

Employer Identification Number (EIN)

A nine-digit number the Internal Revenue Service assigns to identify the tax accounts of employers, sole proprietors, corporations, partnerships, non-profit associations, trusts, estates, government agencies, and other business entities pursuant to 26 U.S.C. § 6109.

Entitlement

Legally established benefit available to any person or unit of the federal government meeting eligibility requirements established by law.

Environmental Differential Pay (EDP)

Pay for duty involving unusually severe hazards or working conditions. See 5 U.S.C. § 5343(c)(4).

Executive Schedule (EX) Employees

Position is appointed and paid to a federal employee according to the Executive Schedule under 5 U.S.C. §§ 5311 to 5318.

Fair Labor Standards Act (FLSA)

The federal law, codified at 29 U.S.C., Chapter 8, establishes minimum wage, overtime pay, recordkeeping, and child labor standards for full-time and part-time workers in the private sector and in federal, state, and local governments.
Family and Medical Leave Act (FMLA)

Sets an entitlement for a total of 12 administrative workweeks of unpaid leave for family and medical needs during any 12-month period. FMLA allows employees to use or substitute up to 26 weeks of accrued or accumulated sick leave for unpaid FMLA leave to care for a seriously injured/ill covered Service member as authorized by the fiscal year (FY) 2008 National Defense Authorization Act (NDAA) including up to 30 days (240 hours) of advance sick leave. See 5 CFR 630, subparts D and F.

Federal Agency

Any executive agency as defined by 5 U.S.C. § 105, including the U.S. Postal Service and the Postal Rate Commission; a Military Department as defined by 5 U.S.C. § 102; an agency of the legislative branch, including the U.S. Senate and U.S. House of Representatives; and an agency or court of the judicial branch.

Federal Employees’ Retirement System (FERS)

The retirement plan for employees, described in 5 U.S.C., Chapter 84, and effective January 1, 1987.

*Federal Wage System (FWS)

The FWS is a uniform pay-setting system that covers federal appropriated fund and non-appropriated fund blue-collar employees paid by the hour. “Wage grade” is the term used to describe non-supervisory FWS employees. “Wage supervisors” are supervisory FWS employees.

*Flexible Hours

The times during the workday, workweek, or pay period within the tour of duty during which an employee covered by a flexible work schedule may choose to vary his or her times of arrival to and departure from the work site consistent with the duties and requirements of the position. See 5 U.S.C. § 6122(a)(2).

*Flexible Work Schedule (FWS)

A work schedule established under 5 U.S.C. § 6122. In the case of a full-time employee, has an 80-hour biweekly basic work requirement that allows an employee to determine his or her own schedule within the limits set by the agency. In the case of a part-time employee, has a biweekly basic work requirement of less than 80 hours that allows an employee to determine his or her own schedule within the limits set by the agency.

Financial Institution

Bank, savings association, or credit union eligible under 31 CFR 210 to serve as a government depository.
**Fiscal Year (FY)**

For the federal government, a fiscal year refers to the customized, 12-month period, starting October 1 and ending September 30, used for accounting purposes and preparing financial statements.

**Foreign Areas**

Geographical locations defined in the Department of State Standardized Regulations (DSSR) as any area situated outside of the United States, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, and the possessions of the United States.

**Foreign National**

A foreign national is a person who is not a citizen or national of the United States.

**Foreign National Employee**

For the purposes of Volume 8, a foreign national employee is an individual employed by or performing work for U.S. forces outside the United States, its territories, and possessions in a system of employment. See DoD Instruction (DoDI) 1400.25, *Volume 1231*.

**Garnishment**

Written notification concerning the attachment of monies to satisfy a debt that results in the withholding of a specified amount from the employee’s pay (salary).

**General Schedule (GS)**

The classification and most common pay scale for the majority of federal government employees, especially employees in professional, technical, administrative, or clerical positions. Administered by the OPM, the system consists of 15 grades, from GS-1, the lowest level, to GS-15, the highest level. There are 10 pay steps within each grade.

**Holiday Work**


**Human Resource Office (HRO)**

For the purposes of Volume 8, a federal agency’s HRO includes any entity, department, or personnel responsible for managing human resource activities related to its employees. These activities may include recruiting and hiring of new employees, orientation and training of current employees, employee benefits, and retention.
Intermittent Work Schedule

Employment on an irregular or occasional basis, without a regularly scheduled tour of duty. See 5 CFR 340.401.

Involuntary Repayment

Recovery of debt owed to the federal government by means of salary offset under 5 U.S.C. § 5514 by deduction from the current pay of employee without his or her consent.

Irregular or Occasional Overtime Work

Overtime work that is not part of an employee’s regularly scheduled administrative workweek. See 5 CFR 532.501.

Leave and Earnings Statement (LES)

A document provided to each employee showing gross pay, deductions, net pay for a pay period and cumulative totals for the year to date, along with leave balances at the end of the pay period.

Leave Record

The amounts of leave earned and used, and the balance available.

Leave Without Pay (LWOP)

A temporary non-pay status and absence from duty and, in most cases, granted at the employee’s request.

Leave Year

The period beginning with the first complete pay period in a calendar year and ending with the day immediately before the first day on the first complete pay period of the following calendar year.

Limitations on Premium Pay or Pay Caps

The maximum biweekly and aggregate limitations for premium pay. See 5 CFR 550.105.

Locality Payment

Lump-Sum Leave Pay

Payment for accumulated annual leave upon separation or change to a nonconvertible leave system.

Military Leave


National Guard

The Army or Air National Guard of a state.

National Guard Technician

A federal employee of the National Guard hired under 32 U.S.C. § 709 and does not include National Guard Bureau employees hired under Title 5 of the U.S. Code or other authority.

Net Pay

The remaining amount of wages or salary due after all payroll deductions.

Non-appropriated Funds (NAFs)

Monies that are not appropriated by the Congress to incur obligations and make payments out of the U.S. Treasury. NAFs come primarily from the sale of goods and services to DoD military and civilian personnel and their family members.

Non-appropriated Fund (NAF) Employee

A civilian employee who is paid from non-appropriated funds of the Army and Air Force Exchange Service, Navy Exchanges, Marine Corps Exchanges, Coast Guard Exchanges, or any other instrumentality of the United States under the jurisdiction of the Armed Forces which is conducted for the comfort, pleasure, contentment, or physical and mental improvement of members of the Armed Forces. See 5 U.S.C. § 2105(c) and DoDI 1400.25, Volume 1401.

Non-foreign Areas

The states of Alaska and Hawaii, the Commonwealths of Northern Mariana Island and Puerto Rico, territories and possessions of the United States that the Secretary of State has designated as being within the scope of Part II of Executive Order 10000.

*Overtime Hours

For flexible work schedule, refers to all hours in excess of 8 hours in a day or 40 hours in a week officially ordered in advance and excludes credit hours. For compressed work schedules,
overtime hours refers to any hours in excess of those specified hours for full-time employees that constitute the compressed work schedule. For part-time employees, overtime hours are hours in excess of the compressed work schedule for a day (must be more than 8 hours) or, for a week (must be more than 40 hours).

**Pay (Salary)**

Pay and salary have the same meaning. They include basic, premium, and any other authorized pay and allowances other than travel and transportation expenses.

**Pay Period**

A segment of time during which employees perform work and receive pay. For most federal civilian employees, a pay period covers 14 consecutive days, which normally begins on Sundays.

**Pay Record**

Part of each civilian employee’s master pay record that contains all transaction information on payments and deductions with an audit trail to the authorizing documents. The pay record includes information such as pay grade, record of payments, all earnings separately identified by type (e.g., basic pay, bonuses, premium pays, and allowances), allotments, any deductions, year-to-date gross earnings, taxable earnings, and taxes withheld.

**Payroll Certifying Officer**

A person appointed to certify the accuracy and propriety of payroll for compensation for personal services.

**Permanent Change of Station (PCS)**

The assignment, detail, or transfer of an employee to a different permanent duty station (PDS) under a competent travel authorization that does not specify the duty as temporary, provide for further assignment to a new PDS, or direct the employee to return to the old PDS.

**Premium Pay**

The dollar value of earned hours of compensatory time off and additional pay authorized by 5 U.S.C., Part III, subpart D, *Chapter 55, subchapter V*, and includes pay for overtime, night, Sunday, or holiday work, stand by duty, administratively uncontrollable overtime work or availability duty. See 5 CFR 550.103.

**Prevailing Rate Employee**

An individual employed in a particular trade or craft, or other skilled mechanical craft; or in an unskilled, semiskilled, or skilled manual labor occupation; or any other individual in a
position having trade, craft or laboring experience and knowledge as the paramount requirement. Also referred to as “federal wage employees.” See 5 U.S.C. § 5342.

Rate of Basic Pay

The rate of pay fixed by law or administrative action for the position held by the employee, to include locality pay, and special pay adjustments for law enforcement officers, but does not include any other types of pay. See 5 CFR 531.203.

Reemployed Annuitant

A person who is receiving a CSRS or FERS retirement annuity and, at the same time, is earning a paycheck as a federal government employee.

Regularly Scheduled Work

Work scheduled in advance of an administrative workweek under an agency’s procedures for establishing workweeks in accordance with 5 CFR 610.111, excluding any such work to which availability pay under 5 CFR 550.181 applies. See 5 CFR 550.103.

Salary Offset

An administrative offset under 5 U.S.C. § 5514 to collect a debt owed by a federal government employee through deductions, at one or more officially established pay intervals, from the current pay account of the employee without his or her consent.

Scheduled Overtime Work

Overtime work scheduled and approved prior to the beginning of the employee’s regularly scheduled administrative workweek.

Severance Pay


State

A state or territory of the United States, including the Commonwealth of Puerto Rico.

Thrift Savings Plan (TSP)

TSP Loan

Funds borrowed by employees and members of the Uniformed Services from their individual TSP accounts in accordance with the requirements at 5 U.S.C. § 8433(g).

*Tour of Duty

The hours of a day (a daily tour of duty) and the days of an administrative workweek (a weekly tour of duty) that creates an employee’s regularly scheduled administrative workweek. See 5 CFR 610.102. Under a flexible work schedule means the limits set by an agency within which an employee must complete his or her basic work requirement. Under a compressed work schedule or other fixed schedule, tour of duty is synonymous with basic work requirement.

United States (U.S.)

The 50 states and the District of Columbia, unless otherwise qualified.

Voluntary Deduction

Deductions from an employee’s pay requiring written authorization from the employee to affect withholding.

*Waiver

In the context of debt collection, the cancellation, forgiveness, or non-recovery of a debt owed by an employee to an agency as permitted or required by law. See Volume 16 for waiver standards.
# VOLUME 9, CHAPTER 1: “GENERAL INFORMATION”

## SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated June 2017 is archived.

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<td>All</td>
<td>This instruction has been reviewed by the Per Diem, Travel, and Transportation Allowance Committee (PDTATAC) staff in accordance with Department of Defense Directive 5154.31, Volume 5, dated October 16, 2015 as PDTATAC Case RR19007. Any conflict between this publication and the Joint Travel Regulations (JTR) is resolved based on the JTR and not this publication.</td>
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CHAPTER 1

GENERAL INFORMATION

0101 PURPOSE

The policies addressed in Volume 9 apply to all personnel traveling under orders funded by the Department of Defense (DoD). This includes military members, civilian employees, members of the Reserve Components, dependents on official orders, and travelers on DoD invitational travel authorizations. Individual DoD Component travel implementing guidance remains in use to provide direction for travel order preparation, administration and accounting.

0102 AUTHORITY GUIDANCE

Volume 9 provides supplemental instructions on the payment of allowances authorized by the Joint Travel Regulations (JTR). The DoD chartered Per Diem, Travel and Transportation Allowance Committee (PDTATAC) publishes the JTR. The JTR directly implements the travel and transportation allowances authorized by law for members of the Uniformed Services, and also implements guidance from the General Services Administration’s (GSA) Federal Travel Regulation (FTR) for DoD civilian employees.

010201. Additional Guidance

A. Additional guidance pertinent to the U.S. Army is in the DFAS-IN 37-1 Regulation, Chapter 10, Travel and Transportation Allowances.

B. Additional guidance pertinent to the U.S. Air Force is in the Air Force Instruction 24-602, Volume 1, Passenger Movement.

C. Additional guidance pertinent to the U.S. Navy is available in the Navy Passenger Transportation Manual (OPNAVINST 4650.15C).

D. Additional guidance pertinent to the U.S. Marine Corps is in the Marine Corps Assignment, Classification, and Travel System Manual (ACTS Manual).

010202. Exceptions

The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) is the approving authority for exceptions to policy. Requests for exceptions must include a justification(s), a recommendation(s) and approval from the appropriate DoD Component command channel at or above the level of the Deputy Chief Financial Officer (DCFO), OUSD(C). Send requests through the appropriate DoD Component to the Defense Finance and Accounting Service (DFAS), Director, Strategy, Policy and Requirements, Finance Policy Division (DFAS-ZPF), 8899 E. 56th Street, Indianapolis, IN, 46249, for review and recommendation for approval/disapproval, and will be forwarded to the DCFO, OUSD(C), for a final decision.
0103 EFFECTIVE DATE OF JTR CHANGES

See the information on “EFFECTIVE DATE OF REGULATION CHANGES” in the Introduction to the JTR for explanations of JTR effective dates. The DFAS-ZPF may release policy memorandums affecting Volume 9 that implement PDTATAC determinations, if necessary. These policy memorandums remain in effect until published in a change to Volume 9.

0104 RESPONSIBILITIES

The OUSD(C) has ultimate responsibility for the policies contained in Volume 9. The DoD Components may submit requests for changes to DFAS-ZPF. The DFAS-ZPF will review requests and initiate recommended changes to Volume 9 if necessary.

0105 ROUTING AND FORMAT FOR RECOMMENDING CHANGES

Recommendations for changes should include a full explanation regarding the need and rationale for the proposed change. Provide details when the proposal is the result of an actual situation. Addresses for submission of proposed changes are:

Army: Assistant Secretary of the Army
(Financial Management and Comptroller)
109 Army Pentagon
Washington, DC 20310-0109

Navy: Senior Civilian Official
Office of the Assistant Secretary of the Navy
(Financial Management and Comptroller)
1000 Navy Pentagon
Washington, DC 20350-1000

Air Force: Assistant Secretary of the Air Force
(Financial Management and Comptroller)
1130 Air Force Pentagon
Washington, DC 20330-1130

U.S. Marine Corps: Commandant of the Marine Corps
Headquarters, U.S. Marine Corps
Programs & Resources Department
3000 Marine Corps Pentagon
Washington, DC 20350-3000

Defense Agencies: Defense Finance and Accounting Service
Attention: DFAS-ZPF
8899 East 56th Street, Column 326E
Indianapolis, IN 46249
NOTE: DFAS-ZPF will return recommendations from the Military Services if they have not passed through the specified organization.

0106 REQUIREMENTS FOR REPORTING EMPLOYEE TRAVEL

Federal agencies are required by the GSA to report the use of government aircraft to carry senior Federal officials and non-Federal travelers, on a semi-annual basis in accordance with (IAW) the FTR 301-70.906 and 301-70.907. Agencies must also report all instances of premium class travel when an individual’s transportation accommodations are anything other-than-coach class (OTCC), on an annual basis IAW the FTR 300-70, Subpart B.

NOTE: DoD Service Components/Agencies must be mindful of any additional Office of Management and Budget travel-specific reporting requirements, which often originate from Executive Orders (EO).

010601. Report for Travel on Government Aircraft by Senior Federal Officials

Except when a trip is classified, the following information must be reported to the GSA:

A. The person’s name with indication that he/she is either a senior Federal official or a non-Federal traveler, whichever is appropriate;

B. The traveler’s organization and title or other appropriate descriptive information (e.g., dependent or press);

C. Name of the authorizing agency;

D. The official purpose(s) of the trip;

E. The destination(s);

F. For personal or political travel, the amount that the traveler must reimburse the government (i.e., the full coach fare or appropriate share of that fare);

G. For official travel, the comparable city-pair fare (if available to the traveler) or the full coach fare if the city-pair fare is not available; and

H. The cost to the government to carry this person (i.e., the appropriate allocated share of the Federal or Close Air Support aircraft trip costs).

NOTE: Additional information concerning the GSA’s requirement to report travel on government aircraft by senior Federal officials and non-Federal travelers, to include the Senior Federal Travel Reporting tool and submitting negative reports is available at Senior Federal Travel Reporting Tool.
010602. Premium Class Accommodations That Must be Reported

“OTCC”, or “Premium Class,” is any class of accommodations above coach-class, (i.e., first-class/business class). When reporting OTCC accommodations to GSA, agencies are required to separate Business Class from First Class. An agency must submit a negative report when it has no OTCC accommodations to report. All instances of premium class accommodations paid by the government, which includes any premium class accommodations used as part of a multi-leg or multi-segmented trip paid by the government must be reported. Beginning in fiscal year 2015, GSA requires agencies to report premium class travel by ticket, rather than segments as in previous years. If any portion of the ticket purchased involves OTCC, the entire cost of the ticket must be reported.

010603. Premium Class Accommodations That Do Not Require Reporting

A. Any premium class accommodation(s) paid by the traveler,
B. Those acquired by the traveler through frequent flier points or benefits,
C. Those which are considered a free upgrade, or
D. When the Federal Government pays coach class fares for premium class accommodations.

010604. Negative Reports and Exceptions to Reporting Premium Class Travel

A. Negative Reports. DoD Components that have no premium class accommodations to report must still submit a negative report to GSA annually.

B. Exceptions to Reporting Premium Class Travel. Agencies are not required to report data protected from public disclosure by statute or EO; however, they must submit, in a cover letter to the GSA the following aggregate information:

1. Aggregate number of authorized OTCC trips protected from disclosure,
2. Total cost of actual OTCC fares paid that exceeded coach class fare, and
3. Total cost of coach class fares that would have been paid for the same travel.

NOTE: Additional information concerning the GSA requirements for reporting Premium Class Travel, to include gaining access to the on-line reporting tool, may be found at Premium Class Travel Report Guidelines.
VOLUME 9, CHAPTER 4: “TRANSPORTATION ALLOWANCES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated **August 2018** is archived.

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CHAPTER 4

TRANSPORTATION ALLOWANCES

0401 GENERAL

040101. Purpose

This chapter provides general policy guidance to official travelers on transportation allowances.

040102. Authoritative Guidance

This chapter provides guidance under authorities contained in statute, the Joint Travel Regulations (JTR), and the Federal Travel Regulations (FTR).

0402 TRANSPORTATION MODE

The Authorizing Official (AO) should direct or authorize the transportation mode for official travel. If the AO does not direct a specific transportation mode, air transportation is ordinarily the authorized mode. The traveler must use the Travel Management Company (TMC). (See the JTR, paragraph 010201.) The Transportation Office(r) (TO) is responsible for issuing policy on the use and procurement of transportation. Travelers should contact the TO for information regarding available transportation services and costs.

0403 TRAVEL BY PRIVATELY OWNED VEHICLE (POV)

040301. Use of POV

An AO may authorize, but cannot direct a traveler to use a POV in connection with travel on official Government business. This limitation also applies to travel as a passenger in a POV. (See the JTR, paragraph 020210.) NOTE: An employee may not be prohibited from using a POV on official travel. See FTR 301-70.105 on administering the authorization and payment of employee POV travel expenses.

040302. When POV Use is More Advantageous to the Government

POV use on a temporary duty assignment (TDY) trip is to the Government’s advantage for locations within 800 miles round-trip (400 miles one-way) between authorized locations, versus travel by commercial air. Commands may authorize POV use for TDY travel of such distances without completing a cost comparison. (See the JTR, paragraph 020210, Table 2-10.)

040303. When POV Use is Not More Advantageous to the Government

If an employee elects to use a POV instead of the transportation mode authorized, then:
A. Reimbursement must be limited to the constructed cost of the authorized transportation mode, which is the sum of per diem and the transportation cost the Government would have incurred when traveling by the authorized transportation mode; and

B. Charge leave in accordance with personnel regulations for any duty hours missed during POV travel. (See the JTR, paragraph 020302.)

040304. Allowable Travel Time Policy

The standard Department of Defense (DoD) procedure for administering travel time for all DoD travelers is based on the traveler’s required period of duty at the TDY point. For periods in excess of the allowed travel time, the approving official determines whether to charge leave in accordance with DoD Component leave procedures. (See the JTR, paragraph 020302.)

A. Day of Arrival at the TDY Point. When the traveler is required to perform duty at the TDY point on the day of arrival, that day is a day of duty. Travel time is granted prior to that first duty day. When the traveler performs no duty at the TDY point on the day of arrival, that day is a travel day.

EXAMPLE: POV travel is authorized as advantageous to the Government. The authorized travel time is two days. The traveler performs duty on the day of arrival at the TDY point. For this example, Departure/Arrival is D/A, Permanent Duty Station is PDS, Private Automobile is PA and Mission Complete is MC.

<table>
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NOTE: Refer also to DoD (DD) Form 1351-2, Travel Voucher or Subvoucher, for explanation of codes.

In this example, October 3 is a day of duty and October 1 and 2 are travel days. Using the same example, if the traveler did not perform duty on October 3 at the TDY point, October 2 and 3 are the travel days. The AO must determine if October 1 should be charged as leave in accordance with DoD Component procedures.

B. Day of Departure From the TDY Point. When a traveler is required to perform duty at the TDY point on the day of departure, that day is a day of duty. Travel time is granted after that last day. When a traveler is not required to perform duty at the TDY point on the day of departure from the TDY point, that day is a travel day.

EXAMPLE: POV travel is authorized as advantageous to the Government. The authorized travel time is two days. The traveler performs duty on the day of departure from the TDY point.
In this example, October 8 is a day of duty and October 9 and 10 are travel days. Using the same example, if a traveler performs no duty on October 8 at the TDY point, October 8 and 9 are travel days. The AO must determine if October 10 should be charged as leave in accordance with DoD Component procedures.

0404 BUSINESS/FIRST CLASS (PREMIUM) ACCOMMODATIONS

Travelers are not entitled to reimbursement for premium accommodations unless properly authorized or approved. (See the JTR, paragraph 020206.) It is DoD policy that travelers using commercial air carriers for official travel must use economy or coach accommodations. This does not preclude the traveler from accepting a complimentary seating upgrade offered by the carrier.

0405 UNUSED/LOST/STOLEN TRANSPORTATION REQUESTS OR TICKETS

040501. Unused/Lost/Stolen Transportation Requests or Tickets

If a traveler does not use the ticket (paper or electronic) for Government-procured transportation, the traveler must return that ticket to the TO/TMC. Travelers utilizing electronic tickets for which they do not have an issued boarding pass must return a copy of their itinerary to the TO/TMC. The traveler must complete and have the issuing authority (i.e., TO/TMC) sign an original and one copy of a DD 730, Receipt for Unused Transportation Requests and/or Tickets, Including Unused Meal Tickets. The Standard Form (SF) 1170, Redemption of Unused Tickets, may also be used if its use is in accordance with Service regulations. The traveler must attach a copy of the DD 730/SF 1170 (or other receipt) to the travel claim. If a traveler loses a paper ticket or transportation request, the traveler must contact the TO/TMC for assistance. A traveler remains financially responsible to the Government for the cost of a lost or stolen paper ticket or transportation request, regardless of fault or negligence. If the travel order directs use of Government-procured transportation, do not reimburse the traveler for personally procured transportation unless the AO provides a statement to allow reimbursement. (See the JTR, paragraph 020206.)

040502. Involuntarily Relinquished Airline Accommodations

Penalty payments or credits issued by air carriers under certain provisions of their tariffs for failing to furnish accommodations for confirmed reserved space belong to the U.S. Government, and not the traveler, when the payments result from travel on official business and the traveler was involuntarily denied boarding. In accordance with the JTR, paragraph 020206, travelers must request that the transportation carrier show “Treasurer of the United States” as the payee on the compensation check and forward the payment according to Service/DoD Agency directives.
0406 RENTAL VEHICLES

An AO must authorize or approve use of a rental vehicle. It is mandatory that travelers use an available TMC to obtain a rental vehicle. When a TMC is available, but not used, reimbursement is limited to what the cost would have been if a TMC made the arrangements. (See the JTR, paragraph 020209, Table 2-8.) Only the individual(s) authorized a rental vehicle on their travel order(s), and named on the rental agreement/contract, may receive reimbursement for authorized rental car expenses. (See the JTR, paragraph 020209.)

040601. Receipts

When a traveler is authorized and uses a commercial rental vehicle, a receipt from the rental agency must be attached to the claim for costs of $75.00 or more. (See the JTR, paragraph 010301.)

040602. Mileage Charges

When a mileage charge is included in the cost of a rental vehicle, the total cost of which is $75.00 or more, a statement showing the official distance driven must be attached to the claim.

040603. Leisure Use With Official Use

A traveler who is on official travel with an authorized rental vehicle will only be reimbursed for the use of a rental car while on official travel. The Defense Travel Management Office (DTMO), U.S. Government Rental Car Agreement, only covers official travel. Rental car vendors have different procedures and the traveler must check with the rental car vendor to determine if the rental car must be returned after the official business portion of TDY in order to obtain another rental car for personal use.

040604. Reimbursement for the Cost of Damages to Commercial Rental Vehicles

Rental cars covered by the DTMO rental car agreement include full liability and vehicle loss, and damage insurance coverage in the Government rate. Reimbursement or payment to the rental agency for damages must be made by the Government, or by the traveler if it is determined that the traveler was not within the scope of employment when the loss occurred. When Government reimbursement is approved, and extra collision insurance is not purchased or included in the basic rental contract (e.g., in accordance with DTMO negotiated agreements), the traveler may be reimbursed for personal funds paid to the rental agency for the full amount of damage sustained, or the deductible amount (when contained in the rental agreement), for a vehicle properly rented and damaged in the performance of official business. The JTR, paragraph 020209 defines official purposes. The traveler submits a claim for reimbursement through the AO to the claims office of the supporting Staff Judge Advocate for adjudication. Supporting documentation must include, but is not limited to:

A. Police accident reports and traffic citations;
B. Statements from witnesses; and

C. Statements and itemized bills from the traveler and rental agency to ensure that the claim is valid, not settled, and in an amount commensurate to the actual damage.

NOTE: The inclusion of an accident report assists legal authorities in establishing fault on the part of the party not employed by the Government, which may enable the Government to recoup its loss when the negligence of that party can be established without costly investigation. Reimbursement is prohibited for damage sustained to a rental vehicle while being used on other than official business, or by willful and wanton negligence on the part of the traveler.

040605. Damage Claims Received From Rental Agencies

Rental agencies may submit a damage claim directly to the Government. To be considered for payment, these claims must be supported by appropriate documentation. Claims for reimbursement or payments made directly to the rental agency may be made in the full amount of damage sustained or the deductible amount (when contained in the rental agreement). At a minimum, include documentation provided in paragraph 040604.

0407 LOCAL TRAVEL IN AND AROUND PERMANENT OR TEMPORARY DUTY STATIONS

040701. General

The AO should make sure local directives clearly define the local area in which transportation expenses may be authorized or approved for conducting official business. (See the JTR, paragraph 0206.) When two or more installations are in close proximity, the senior commander or senior Service commander should determine the local area. When travelers perform TDY in the local area and require lodging, travel orders are necessary to support the claim.

040702. Prohibition on Self-Approval

Appointed AOs and approving officials may not approve their own vouchers for payment of local travel.

040703. Permanent Duty Station

Travelers performing local travel in a POV must provide a trip-by-trip accounting of all travel performed on official business. When like trips between the same points occur on a repeated basis, one entry on the claim suffices, provided that it reflects the distance or costs between these points and the dates on which the trips occurred.

040704. Temporary Duty Station

Travelers performing local travel in a POV at the TDY site may be authorized/approved reimbursement for transportation expenses necessarily incurred for conducting official business in
the local area of their TDY stations using the TDY mileage rates for local and TDY travel. (See the JTR, paragraphs 020210 and 020212.)

0408 TRAVEL AND TRANSPORTATION FOR FUNERAL HONORS DETAIL

040801. General

A person not employed by the Government, who participates in a funeral honors detail for a veteran in accordance with Title 10, United States Code, section 1491, (10 U.S.C. 1491) may be authorized transportation or transportation reimbursement and expenses. (See the JTR, paragraph 032004.)

040802. Transportation Mode

The transportation mode used should be the least costly mode available that adequately meets the needs of the detail. When a POV is the authorized mode, actual expenses rather than a mileage allowance may be paid. Reimbursement for POV actual expenses are limited to fuel, oil, parking, ferry fares, and road, bridge, and/or tunnel tolls.

040803. Lodging and Meals

The actual cost of lodging and meals may be reimbursed up to the per diem rate prescribed for the area concerned. If individuals serving on the funeral honors detail incur costs to include per diem, an invitational travel authorization will be used.

040804. Reimbursable Expenses

Reimbursable expenses, in accordance with the JTR, paragraph 0204, may be authorized or approved.
VOLUME 9, CHAPTER 5: “TEMPORARY DUTY TRAVEL (TDY) AND TRAVEL ADVANCES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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CHAPTER 5

TEMPORARY DUTY TRAVEL (TDY) AND TRAVEL ADVANCES

0501 GENERAL

050101. Purpose

This chapter identifies the Department of Defense (DoD) financial management policies and guidance governing travel administration for travelers performing Temporary Duty (TDY) travel, and for travel advances.

050102. Authoritative Guidance

Guidance in this chapter is provided under authorities contained in statute, the Joint Travel Regulations (JTR), the Federal Travel Regulation, and the DoD Financial Management Regulation. It does not include every condition in which travel and transportation allowances are either authorized, or limited by, the JTR. Information contained in this volume does not supersede the JTR.

0502 RESPONSIBILITIES

050201. Departmental Accountable Official (DAO) Responsibilities

DAO’s involved in the travel management process must serve as control points within the organization. Individuals that may be officially appointed as DAO’s for the travel process may include reviewing officials, approving officials, and authorizing officials (AO). If appointed, DAO’s may be held pecuniarily liable under guidance contained in Volume 5, Chapter 5, section 0507, subparagraph 050701.C, for illegal, improper or incorrect payments resulting from information, data, or services they negligently provide to certifying officers; and upon which the certifying officers relied to certify payment vouchers. DAO’s must be appointed and terminated using a DoD (DD) Form 577, Appointment/Termination Record-Authorized Signature.

A. General Responsibilities

1. Acknowledge appointment and responsibilities as a DAO by signature.

2. Implement, maintain, and enforce system internal procedures and control points within an organization to minimize opportunities for erroneous payments.

3. Comply with all applicable DoD regulations, policies, and procedures.

4. Respond in a timely manner to inquiries by reviewing officials.
B. Reviewing Officials. The person appointed as a reviewing official may not serve concurrently as a certifying or disbursing officer. Except where impracticable within afloat or tactical operating forces, persons appointed as reviewing officials must not be in the supervisory chain of command of a certifying or disbursing officer.

1. Conduct prepayment review of travel claims.

2. Conduct post-payment review of travel payments certified by Certifying Officers.

C. Approving Officials.

1. Approve TDY orders.

2. Approve travel claims.

3. If required by the DoD Component, approve claims by signing and dating the DD Form 1351-2, Travel Voucher or Subvoucher, and forward approved vouchers to the appropriate travel computation office. If a voucher is disapproved, annotate the reason and return to the traveler for correction or clarification as necessary.

4. If an allowance or itinerary changes, approve after-the-fact allowable expenses and itinerary or status changes by signing and dating the DD 1351-2 and forwarding the approved voucher to the travel computation office.

D. Authorizing Officials.

1. Authorize all appropriate travel allowances except when a higher authority is required such as for premium-class travel.

2. Review lines of accounting for accuracy.

3. Assign travel order control numbers.

4. Determine if travel was performed as authorized.

5. Approve appropriate travel claims when there is a change from the written travel order involving allowances, itinerary, or reimbursable expense, such as a rental car. NOTE: The act of signing and dating the traveler’s DD 1351-2 in block 21A, with remarks in block 29, negates the need for amendments.

6. Sign and date all appropriate travel claims when required by the DoD Component.

7. Ensure the claim is forwarded to the appropriate liaison office or travel computation office within 2 working days following the traveler’s submission.
050202. Certifying Officers

Certifying Officers are pecuniarily liable under Title 31 United States Code (U.S.C.), section 3528. Also, see Title 41 Code of Federal Regulations (CFR) section 301-71.203 and Volume 5, Chapter 5. Responsibilities for individuals appointed as Certifying Officers are applicable to both Defense Travel System (DTS) and non-DTS travel claims. They must:

1. Be appointed by appropriate authority as prescribed in Volume 5, Chapter 5;
2. Acknowledge by signature their appointment as a certifying officer;
3. Complete a DD 577;
4. Certify travel claims for validity and reasonableness;
5. Certify claims for payment as outlined in Volume 5, Chapter 5;
6. Forward certified claims to the supporting disbursing office;
7. Compare pre-trip and post-trip estimate of expenses;
8. Review all lodging receipts; and
9. Review individual reimbursable expense receipts of $75 or more.

050203. Responsibilities of Others Involved in the Travel Process

A. Government Travel Charge Card (GTCC) Agency Program Coordinators (APCs). APCs implement and execute the GTCC program. See DoD Instruction (DoDI) 5154.31, Volume 4 for additional information and APC responsibilities.

B. Resource Managers/Fundholders.

1. Ensure proper assignment of funding.
2. Maintain funds control.
3. Certify fund availability.

C. Supervisor Review.

1. Review, sign, and date all appropriate travel claims for military and civilian personnel.
2. Submit the travel claim to the appropriate travel computation office for processing prior to payment.

D. Travel Computation Offices.

1. Establish adequate internal controls to process travel claims.

2. Notify traveler if voucher is incorrect, incomplete, or missing required documentation; and request correction.

3. Notify the submitting office or person if travel claim is received at the wrong office for computation.

4. Compute and determine the travel allowance.

5. Forward the computed travel claim and supporting documents to the disbursing office for payment or interface with the disbursing system for payment.

E. Automated Information System (AIS) Administrators. The AIS administrators operate and maintain systems to support travel management. They support the allowance, certifying, and disbursing systems.

F. Travelers. Travelers must:

1. Prepare the DD 1351-2 after travel has been completed, to include identifying the duration of the TDY in block 17;

2. Attach all supporting documentation including the original or legible copies of orders and receipts for all lodging expenses, as well as, claimed reimbursable expense of $75 or more;

3. Ensure that current electronic funds transfer (EFT) information is on file with the travel computation office. If not, identify EFT information using a Standard Form *(SF)* 1199A, Direct Deposit Sign-Up Form including account and financial institution routing transit number and account type;

4. Ensure that GTCC information is on record and indicate the mandatory split-disbursement dollar amount to be sent to the GTCC account;

5. Sign, date, and include home or unit address and unit telephone number on travel claim;

6. Forward or fax the original DD 1351-2 and supporting documents to the AO or travel computation office as appropriate; and
7. Provide copies of all receipts for lodging expenses and individual reimbursable expenses of $75 or more to the AO.

**050204. Suspected False Claims**

Travelers are liable under 18 U.S.C. §§ 287 and 1001, and the False Claims Act 31 U.S.C. §§ 3729 through 3731, if they knowingly submit false, fictitious, or fraudulent claims. When a suspected fraudulent claim is presented for payment, certifying officers or disbursing officers must follow the policies and procedures outlined in Volume 5, Chapter 12, section 1204.

**0503 TRAVEL ORDERS**

Travel orders are prepared in accordance with DoD Component management guidance and administrative instructions including the JTR, Chapter 1, paragraph 010206 for Service members and civilian employees, and the JTR, Chapter 3, paragraph 030501 for invitational travel authorizations. The travel order establishes in writing the conditions for official travel and transportation at government expense. To ensure proper reimbursement, the actual TDY duty location must be listed on the travel orders (i.e., if going TDY to Ft. Bliss, TX, the travel orders must explicitly state “Ft. Bliss, TX” not “El Paso, TX”). Travel orders must identify the traveler as either a GTCC cardholder or non-cardholder. This statement authorizes alternative payment methods (e.g., transportation tickets being charged to a centrally billed account). The TDY travel orders must include the travel computation unit (location/address) to which travel vouchers must be forwarded (faxed/mailed).

**050301. Funding**

A. All orders, wherever possible, must be funded by the traveler’s organization unless group orders or alternative methods are more efficient. If funding is to be provided by another office, the traveler’s organization must obtain a fund cite from that office in an amount sufficient to pay for the travel prior to issuing travel orders.

B. In the event of a split-year funded trip, the traveler must return to his or her official duty station if no DoD Appropriation Act has been signed or continuing resolution has been enacted. Expenses incurred in returning to the traveler’s duty station will be posted in the new fiscal year as necessary costs to close down operations.

**050302. Itinerary Variations**

A. **Variations Authorized.** The authorization of travel variations should not be used in place of adequate advance planning, nor must they be used to grant an open travel authorization. Variations must be authorized in the order and are permitted only when considered mission essential in accordance with Per Diem, Travel, and Transportation Allowance Committee AP-TO-01. “Variations Authorized” permit:

1. Omission of travel to a place, or places, stated in the travel order;
2. Change in the order of travel to places shown; and
3. Travel to places not shown.

B. Verbal Variations. Confirmation of a verbal order is required, and may not be delegated, when the AO gives the traveler a verbal order to:

1. Change the order of places to be visited,
2. Change the time at each location, or
3. Add or omit locations.

C. No Amendments Needed. No amendments are needed if:

1. The traveler departs within a period of 7 days before or after the specified date of departure; or
2. The TDY is extended by 100 percent of the original time or 7 days, whichever is less. For example, if a TDY of 5 days is authorized, then the traveler could be extended for 5 additional days (100 percent) without amendments (the lesser of 7 days and 100 percent is 5 days). On the other hand, if a TDY is authorized for 14 days, then the traveler could extend 7 additional days without amendments (the lesser of 7 days and 100 percent is 14 days).

050303. Issued in Advance

A written travel order is issued before travel is performed unless an urgent or unusual situation prevents prior issuance. Travel orders may not be revised or modified retroactively after the effective date to increase or decrease the rights and benefits that have been fixed under the applicable statutes or regulations. Note: This does not prohibit confirmation of verbal orders.

050304. Basis for Reimbursement

The travel order is the basis for the traveler’s reimbursement. Reimbursement for travel is not authorized when travel is performed in anticipation of verbal orders. The right to allowances is established when travel expenses are incurred under orders. Travelers are entitled to travel and transportation allowances only while in a travel status.

050305. Object Classification

Accounting for TDY travel is accomplished through the use of a single object classification code. All TDY orders must be issued using the single object classification code of 21, “Travel and Transportation of Persons.” Temporary exemptions to the mandatory use of the two-digit (21) object classification code to accommodate component-unique accounting requirements may be permitted only with the advance approval of the Under Secretary of Defense (Comptroller) or designee.
050306. Registration Fees

All registration fees incurred while DoD travelers are on TDY travel must be charged to object classification code 21, “Travel and Transportation of Persons.”

050307. Errors on Travel Orders

A. Personal Data. When travel orders contain erroneous data (e.g., misspelled names, incorrect Social Security numbers, or incorrect grades), claims may be paid without amending the orders. The traveler may make and initial any necessary changes.

B. Appropriation Data. When the accountable (funding) station is the disbursing station, the incorrect accounting classification data may be corrected without an amendment. If the accountable (funding) station is different than the disbursing station, then changes to the incorrect accounting classification data must be supported by one of the following:

1. Separate funding documents,

2. A letter from the accountable disbursing official/comptroller, or

3. A documented telephone call to the accountable disbursing official or comptroller.

050308. Retroactive Amendments to Orders

A. Amendment Required. Travel orders cannot be amended to increase or decrease a travel allowance after travel is performed. The original order, however, may be amended after travel is performed when issued in error or travel requirements change en route. A written amendment confirming a verbal order is not included in this category provided the verbal order was issued on or before the effective date of the directed change.

B. Amendment Not Required. Some provisions of the JTR provide for after-the-fact approval (e.g., rental cars). In this case, the approval is not a retroactive amendment. Such expenses are claimed on the voucher and approved by the AO. An AO’s signature on a DD 1351-2 constitutes approval of the claim.

0504 TRAVEL ADVANCES

050401. Policy

Cash travel advances must not be authorized unless an exception is granted. Annotate the maximum advance amount authorized on the travel order. The standard practice is for the traveler to use his or her GTCC to obtain cash from an automated teller machine (ATM) for expenses that cannot be charged to the GTCC. Also, annotate on the travel order the maximum ATM cash advance amount that may be withdrawn using the GTCC. Personnel who are not eligible for GTCC may obtain travel advances only via EFT. The Commander or supervisor, in coordination
with the disbursing officer, may authorize cash advances in limited situations where no other process is available to accomplish the mission. See DoDI 5154.31, Volume 4 for additional guidance on the GTCC program.

050402. Managing Financial Resources

To manage financial resources more effectively for travel expense purposes, DoD Components must:

A. Hold to a minimum the amounts of cash advances for travel purposes as provided in section 0505;

B. Ensure that travelers submit vouchers within established time frames, as provided in paragraph 050405; and

C. Process travel vouchers promptly to assure timely payment to employees or Service members or to recover any excess travel advances. DoD Components must establish internal policies and procedures to ensure travel vouchers are paid within 25 working days after the end of a trip or travel period.

050403. Cadets and Midshipmen

Cadets and midshipmen travel in accordance with the policies of the respective service academy. If a cadet or midshipman requires a travel advance or seeks settlement at a disbursing office, the following offices must be contacted for authorization:

U.S. Military Academy:

Defense Finance and Accounting Service
ATTN: Travel Operations
325 Brooks Road
Rome, NY 13441
DFAS-TRAVELADVANCE@MAIL.MIL

U.S. Naval Academy:

Midshipman Disbursing Office
100 Cooper Road USNA-Bancroft Hall
Annapolis, MD 21402-5024
Commercial Phone: (410) 267-3297
DSN: 281-3297/3298
U.S. Air Force Academy:

10 ABW/FMFPPP  
2304 Cadet Drive Suite 220  
U.S. Air Force Academy  
Colorado Springs, CO  80840-5040  
Commercial Phone: (719) 472-2649  
DSN:  333-2649

050404. Invitational Travel Authorizations

Travel advances may be authorized for travelers using invitational travel authorizations. The amount of the advance must be approved by the orders AO and included on the invitational travel authorization. Limit advances to the authorized amount (see paragraph 050401).

050405. Monitoring Advances

A. General. When a travel advance is authorized, it must be monitored to ensure that a corresponding travel claim is filed within 5 working days of the traveler’s return to or arrival at the permanent duty station (PDS), or immediately when the orders are canceled. Travelers whose TDY extends beyond 30 days may file travel claims within 5 working days after the end of every 30 calendar day period or travel accrual payments may be provided in accordance with Service-specific regulations.

B. Failure To Submit Travel Claim. If a traveler has not submitted a claim within 15 days after the estimated date of return/arrival (provisions for separatees/retirees are in paragraph 050515), then the following action will be taken.

1. Marine Corps Members. Fifteen days after the Service member’s estimated date of arrival-return, recoup the total amount of the advance through pay account deduction (see Headquarters Marine Corps - Personnel & Readiness (Resources, Fiscal and Finance) 7220.31S, Automated Pay Systems Manual). System acceptance of this transaction activates the delayed deduction program. The Service member is notified of the impending deduction on the next leave and earnings statement. The amount then is deducted from the Service member’s pay the following month.

2. Other Travelers. Each DoD Component must ensure that it has a process to monitor travelers’ advances. Issue a letter advising travelers of his or her responsibility to submit travel claims and/or repay advances. On the 46th day after the traveler’s estimated date of return/arrival, if no response to the letter has been received, then collect from the traveler’s pay account. See Volume 16, Chapter 2 regarding administrative offset procedures.
0505 TRAVEL ADVANCE LIMITATIONS

050501. General

Except as provided in paragraph 050503, DoD Components must limit travel advances to those estimated expenses that a traveler is expected to incur for authorized travel including travel incident to permanent duty travel/civilian employee temporary change of station (PDT/TCS) that ordinarily would be paid using cash (see “cash transaction expenses” as defined in paragraph 050502). This limitation applies to all advances. Advances issued for travel under single trip, as well as open travel authorizations, are limited to the estimated cash transaction expenses for no more than a 45-day period.

050502. Cash Transaction Expenses

Cash transaction expenses are those travel expenses that, as a general rule, cannot be charged and, therefore, must be paid using cash, personal checks, or traveler’s checks. Travelers must use the GTCC for all authorized travel expenses. If the card cannot be used to charge the expense, the card should be used to withdraw cash from an ATM to pay for those expenses. The following are cash transaction expenses:

A. Meals, when the GTCC is not accepted, and incidental expenses covered by the per diem rate, or Actual Expense Allowance (AEA); or

B. Other authorized miscellaneous expenses which cannot be charged using a charge card and for which a cost reasonably can be estimated before travel.

050503. Exceptions to Travel Advance Limitations

A. Authorized Exceptions. The limitation in paragraph 050501 does not apply to any of the following civilian employee PDT/TCS expenses:

1. Temporary quarters subsistence,

2. Transportation and temporary storage of household goods (HHG), or

3. Mobile home transportation.

B. Discounted Conference or Training Registration Fee  
   Advance payment of discounted conference or training registration fee may be paid as indicated in paragraph 050507. See the JTR, Chapter 3, subparagraph 030201.D.

C. Order-Issuing Official's Discretion. The order-issuing/authorizing official may, under limited circumstances, increase the travel advance amount paid to a traveler. Those circumstances are as follows:
1. **Use of GTCC Precluded.** When travel circumstances are expected to preclude the use of a GTCC to purchase transportation, lodging, car rental, or other travel expenses that ordinarily are charged;

2. **GTCC Not Offered.** When the employee is not offered a GTCC in accordance with DoDI 5154.31, Volume 4; or

3. **PDT/TCS.** When use of a GTCC is not feasible for PDT/TCS travel or a house hunting trip incident to a transfer between official stations, particularly a transfer between agencies.

**D. Allowable Amount for Meals and Incidental Expenses (M&IE).** Unless a different amount is prescribed in the travel order/AEA, the amount advanced for meals and incidental expenses must not exceed the M&IE allowances prescribed in the JTR, Chapter 2, paragraph 020304.

**E. Amount Allowed.** Travel advances should not exceed 80 percent of the estimated lodging and transportation costs in the event that a GTCC is not accepted at the TDY location; a Service/Agency does not authorize use of the GTCC for PDT or TCS travel; or the employee has not been offered the GTCC. This information must be shown in block 16 of the travel order and will serve as the basis for authorizing an advance up to 80 percent. If the 80 percent limitation results in a financial hardship on the employee, then the order-issuing official may authorize an advance for up to 100 percent of the estimated expenses for:

1. An individual trip, or

2. An open travel authorization not to exceed a 45-day period.

**F. Travel Under a Reduced Per Diem Rate.** When a reduced per diem rate is prescribed in accordance with the JTR, paragraph 020308, employees or Service members may be authorized a cash travel advance of 100 percent of the authorized per diem rate for no more than a 45-day period, provided that the following three conditions are all met:

1. The period of TDY exceeds 60 days,

2. Travel vouchers will be filed at least every 30 days, and

3. The GTCC cannot be used.

**050504. Per Diem Amount**

**A. TDY or AEA.** An advance based on the per diem allowance is limited to a period of 45 days under an individual travel order unless the employee is:

1. Assigned to TDY for a period in excess of 45 days at a place where there are no facilities available for processing travel vouchers, or
2. Performing extended TDY aboard a Navy ship.

   B. **Civilian Employee PDT/TCS.**

      1. **Travel Between Old and New PDSs.** An advance for the employee and/or dependents, based on the applicable per diem allowance, must be limited to the amount payable for the allowable travel time.

      2. **Round Trip Travel to Seek Permanent Residence.** An advance for the employee and/or spouse, based on the per diem allowance, must be limited to the amount payable for the actual number of days authorized in the travel orders.

050505. **Mileage Amount**

   A. **TDY.** An advance based on the mileage allowance must be limited to the official distance between the PDS and the TDY location.

   B. **Civilian Employee PDT/TCS.**

      1. **Travel Between Old and New PDSs.** An advance, based on the mileage allowance of the Service member/civilian employee and/or dependents, must be limited to the official distance between the old PDS and new PDS.

      2. **Round-Trip Travel to Seek Permanent Residence.** An advance, based on the mileage allowance of the civilian employee and/or spouse, must be limited to the official distance between the old PDS and new PDS.

050506. **Commercial Transportation Amount**

When an employee who does not have a GTCC is authorized to perform travel by commercial transportation, an advance may be paid based on the estimated cost of the required transportation, not to exceed 80 percent for each trip authorized under the travel orders. If the 80 percent limitation results in a financial hardship on the employee, then the order-issuing official may authorize an advance for up to 100 percent.

050507. **Advance Payment of Discounted Conference or Training Registration Fee**

   A. **General.** Travelers may be permitted to register early and be reimbursed for an advanced discounted payment for a conference or training registration fee as soon as they are approved for the event and they submit a proper claim for the expenses incurred.

   B. **Traveler is Unable to Attend an Event for Which Reimbursement Was Made.** If the advance payment was made in accordance with subparagraph 050507.A and the traveler is unable to attend the event, the traveler must seek a refund of the registration fee and repay the advance with any refund received. If no refund is made, the DoD Component concerned must absorb the advanced payment as a preparatory travel expense if the traveler's failure to attend
the event was caused either by a decision of the DoD Component concerned or for reasons beyond
the traveler's control that are acceptable to the DoD Component concerned, (e.g., unforeseen illness
or emergency). The traveler must repay the amount advanced if no refund is made, and the
traveler’s failure to attend the scheduled event is due to reasons deemed inexcusable by the DoD
Component concerned.

050508. HHG Amount

An advance for the cost of HHG transportation must be limited to the cost of shipping the
estimated weight of the employee’s HHG within the maximum weight for which an employee is
eligible at the applicable rate and distance shown in the commuted rate schedule. An advance for
the cost of temporary storage must be limited to the applicable commuted rate for the weight of
HHG and period of storage, not in excess of 90 days and not in excess of the maximum HHG
weight for which an employee is eligible. A request for an advance by an employee should be
accompanied by a written statement designating the points of origin and destination, the estimated
HHG weight to be shipped, and any anticipated temporary storage not to exceed 90 days. The
estimate of weight required in support of an advance may consist of a statement of the estimated
weight signed by the carrier selected to handle the shipments.

050509. Temporary Quarters Subsistence Expense (TQSE) Amount

Advances may be paid in 30-day increments for subsistence expenses covered in the JTR,
Chapter 5, Table 5-84. The initial advance of funds for TQSE must not exceed the maximum
amount allowable under the JTR, Chapter 5, Table 5-85 for the first authorized period of 30 days
or less. Thereafter, advances for subsequent 30-day periods may be paid as authorized by the DoD
Component. When an advance is needed for the second and subsequently authorized 30-day
periods, DoD Components should advise employees to submit the request for advance in sufficient
time to allow for processing, approval, and issuance of the advance.

050510. Mobile Home Transportation Amount

A. Within the Continental/Contiguous United States (CONUS). When the
point of origin and the PDS to which movement is authorized are both located within CONUS, an
advance for the cost of transportation of a mobile home moved by a commercial transporter must
be limited to an amount computed at the applicable rates for transportation for the official distance
and 90 days temporary storage prescribed in the commuted rate schedules for the maximum weight
of HHG for which an employee is eligible. When a civilian employee tows a mobile home by a
Privately Owned Vehicle (POV), an allowance of $.11/mile is paid to cover the transportation
costs listed in the JTR, subparagraph 054406-B.

B. Between CONUS and Alaska. For travel between the CONUS and Alaska
involving movement through Canada, limit the advance to the constructive cost for transportation
and temporary storage of HHG under a Government bill of lading, subject to the provisions and
limitations prescribed in subparagraph 050510.A.
050511. Group or Charter Arrangements

When payment for transportation under group or charter arrangements cannot be made to a carrier with Government-procured transportation documents, an advance may be paid based on the estimated cost of the transportation to be furnished.

050512. Requesting an Advance

Subject to the conditions in subparagraph 050512.A an advance must, upon request, be paid to an employee. The appropriate office must compute the amount paid. An exception to this requirement is authorized when individual travel orders are received via the Department of the Navy certified Automated Travel Order delivery system. Do not pay an advance more than 10 days before travel begins unless specifically authorized by the authority directing the travel as necessary because of early departure incident to leave and Service exigencies. An advance is subject to the conditions stated in the following subparagraphs:

A. Number of Advances Authorized. Ordinarily, only one advance may be paid for a specific purpose under the same travel order. An exception to this rule may be made for employees or Service members on TDY in excess of 45 days aboard Navy ships or employees or Service members on other TDY assignments under an individual travel order in excess of 45 days at a place where there are no facilities available for processing travel vouchers. The total of the amounts advanced during the TDY assignment may not exceed the total amount authorized to be advanced in the traveler’s orders.

B. Prior Advance Outstanding. No advances will be paid to personnel who failed, for reasons unacceptable to the approving official, to submit a reimbursement voucher on a previous travel authorization/order in which an advance was paid, or have not made arrangements to settle an outstanding advance. This requirement may be waived when personnel have not had reasonable time to prepare and submit vouchers between successive travel assignments.

C. HHG Shipments. Advances for transportation or temporary storage of HHG or mobile home movement must not be paid if such expenses are not expected to be incurred by the employee concerned within 30 days from the authorizing date. In such cases, the advance may be paid later.

050513. Obtaining an Advance Payment

A. Document Submission.

1. Department of the Navy. Prepare and submit to the disbursing office one copy of the original travel order after it is signed. The travel order must indicate the amount of the advance authorized.

2. Marine Corps. Prepare and submit to the appropriate paying office an original and three copies of the DD 1351, Travel Voucher, accompanied by three copies of the employee’s travel order; or other requirements as provided by the appropriate paying office.
3. **All Others.** Prepare and submit to the appropriate paying office an original and three copies of the DD 1351 accompanied by three copies of the employee’s travel order.

**B. Payment.** The disbursing office pays an advance. Necessary records of advances paid to employees or Service members are maintained by the appropriate office as specified in paragraph 050514.

**050514. Advance Repayment**

**A. General.** An employee or Service member who has received an advance must submit a travel claim voucher within 5 working days of the employee’s or Service member’s return after the end of each trip so that settlement of the advance account can be made. The responsible settlement office that accounts for funds against which the advance is charged is responsible for settlement or collection action in accordance with the applicable Component’s accounting or disbursing regulation. The DoD Components must implement internal controls to assure that:

1. Travelers with outstanding travel advances are notified of any delinquencies in filing vouchers and repaying outstanding travel advances,

2. Travelers are paid amounts owed them within 15 working days after receipt of claims in the paying office, and

3. Outstanding travel advances and unpaid travel vouchers are reviewed and settled prior to an individual’s separation.

**B. Deduction From Vouchers.** The settlement office must ensure that the amount previously advanced is deducted from the total expenses allowed or otherwise is recovered. In instances where a traveler is in a continuous travel status, or where periodic reimbursement vouchers are submitted on individual trip authorizations, the full amount of travel expenses allowed may be reimbursed to that traveler without any deduction of the advance until such time as the final voucher is submitted. If the amount advanced is less than the amount of the voucher on which the advance is deducted, pay the traveler the net amount. If the advance exceeds the reimbursable amount, then the traveler immediately must refund the excess.

**C. Delayed Use of Advance Funds.** In the event of cancellation or indefinite postponement of authorized travel, the traveler must promptly notify the finance office and refund any advance for the authorized travel. If a traveler does not refund the advance promptly, the finance office must take immediate steps to collect the advance from the traveler.

**D. Outstanding Advances.** An employee or Service member must be informed that any over-advanced amount indicated in a travel claim settlement voucher must be immediately repaid. If a traveler does not make voluntary settlement of the indebtedness, take action to collect the outstanding advance from money due the employee or Service member.
E. **Recovery of Advances.** Outstanding travel or transportation advances that have not been fully recovered by deductions from reimbursement vouchers or voluntary refunds by the traveler must be collected promptly in accordance with applicable debt collection laws and regulations. In the event that an employee or Service member dies before settling a travel advance, any travel advance in excess of earned allowance is subject to collection. In the event the amount due is not refunded within a reasonable period, effect collection by salary offset, retired pay, or otherwise from the person to whom advanced, or the traveler’s estate, by deduction from any amount due from the U.S. Government or by such other legal recovery method as may be necessary. Salary or other amounts due must be used to settle the advance before set-off against the retirement credit. In view of these protections, a traveler is not required to furnish a bond in order to obtain a travel advance.

F. **Accounting for Advances.** Accounting for cash advances for travel purposes, recovery, and reimbursements must be in accordance with procedures prescribed by the Government Accountability Office (GAO). See the [GAO Policy and Procedures Manual](#) for Guidance of Federal Agencies, Title 7, Fiscal Guidance.

050515. **Advances for Service Member Separatees or Retirees**

A. **General.** A Service member who is separating or retiring may be paid an advance through EFT incidental to separation/retirement no more than 10 days prior to the Service member and/or dependent(s) actual travel dates. Upon completion of the travel, a Service member who has received an advance must submit the travel claim to the appropriate settlement office.

B. **Late Travel Claim.** If the claim is not received within the required time frame, the travel official responsible for settling the advance must prepare a letter to the Service member advising that: he or she is responsible for submitting the travel claim to the appropriate travel settlement office; a response is required within 30 days; and if the travel claim is not received within this required time, the total amount of the advance becomes a debt (Volume 16, Chapter 2). For retirees, refer the debt for offset against the retired pay account. For separated Service members, refer the debt for collection action to include possible offset against future Federal income tax returns. If no response is received within the 30-day time frame, then the responsible disbursing official holding the debt must forward the debt and necessary documentation to:

DFAS-IN/Debt and Claims  
Dept. 3300 ATTN: Debt Establishment  
8899 East 56th Street  
Indianapolis, IN 46249-3300

0506 **TRAVEL STATUS**

050601. **General**

Travel status begins when a traveler departs the home or office and ends when the traveler returns to the office or home. See the JTR, paragraph 010203, and Appendix A.
050602. Aircrew

Generally, aircrew travel status begins with take-off from the PDS and ends with landing at the PDS. See the JTR, subparagraph 010203-D.

0507 FURNISHED MEALS

050701. Complimentary Meals Furnished by a Hotel

When a traveler is furnished a complimentary meal by a commercial lodging establishment for which a charge is not added in the lodging cost, that meal is not a deductible meal. There is no deduction from the M&IE rate regardless of whether the meal is consumed by the traveler. For rules concerning lodgings and meals furnished by Government contract, see the JTR, paragraph 020304. Additional information on what constitutes deductible/non-deductible meals can be found in the JTR, paragraph 020304, Table 2-18.

050702. Meals Furnished at Conferences

When some but not all meals are included in conference fees, the proportional meal rate applies on each day one or two meals are provided, except on travel days to and from the PDS. Light refreshments, including a continental breakfast, are a deductible meal when served at a mealtime (e.g., breakfast 0600-0800). Light refreshments served during a break (not at a mealtime) are not a deductible meal. See the JTR, subparagraph 030201-B.

0508 GOVERNMENT QUARTERS AND GOVERNMENT DINING FACILITY AVAILABILITY

050801. Non-availability Statements

Travelers are not required to obtain written non-availability statements before obtaining reimbursement for commercial lodging costs and the local M&IE rate. The availability of Government quarters, contract quarters, and dining facilities must be confirmed when a reservation request is made. The traveler must obtain the confirmation by using the following procedures:

A. **Lodging Reservations.** A traveler on TDY must reserve lodging through the electronic travel system, the servicing Travel Management Company (TMC), or by contacting the Government quarters facility directly for availability of quarters. A DoD traveler must use the **Integrated Lodging Program Pilot (ILPP)** facilities if available. See the JTR, paragraph 020303. If quarters are confirmed as not available, then the Government quarters facility is required to give the TMC or the traveler a confirmation or non-availability number, or the name and phone number of the person contacted. The traveler enters the confirmation or non-availability number on the travel order or voucher. If the TMC or the traveler is not able to obtain a confirmation or non-availability number from the billeting office, the traveler must note on the travel order or voucher the date and time the attempt was made. The commercial lodging and per diem rate, not to exceed the locality per diem rate (unless AEA is authorized or approved) must then be paid.
B. Dining Facility Availability. If the AO directs use of a Government dining facility while the traveler is quartered on-base, the traveler should obtain information on the availability of a Government dining facility through the responsible office at the destination U.S. installation office. If not available, the M&IE rate for commercial meals is authorized. For Service members attending courses of instruction at a school or installation, the schoolhouse commander determines the availability of meals. When a travel authorization directs the use of a Government dining facility for TDY travel, and it is not available, a traveler must provide a statement of non-availability explaining which meals were not available and why, to receive reimbursement. The reason for non-availability must be acceptable to and approved by the AO. Once approved, the travel authorization must be modified to document the change in meal rate. See the JTR, paragraph 020304-D.3

050802. Government Dining Facility

A. Government Dining Use Required. If the AO directs use of a government dining facility while the traveler is quartered on-base but, during the trip, no such facility is available, the Service member may be reimbursed the full M&IE rate if all three meals are not available. Note: The dining facility and on-base government quarters must be on the same installation. If one or two meals are not available (provided the AO accepts the Service member’s certification of non-availability), the traveler must be reimbursed the proportional meal rate or the full M&IE rate as determined by the AO. The appropriate government facility rate must be paid when civilian travelers consume all three meals in a government mess or the proportional rate on any day in which one or two, but not all three, meals are consumed in a government mess. See the JTR, paragraphs 020304 and 032901.

B. Government Dining Use Impractical. The use of a government dining facility is impractical on any day in which the Service member is traveling between or among locations, except for meals incident to special status as outlined in section 0509. See the JTR, paragraph 020304.

050803. TDY Not at an Installation

Travelers on TDY to an ILPP site must use approved DoD Preferred lodging accommodations when Government quarters or Public-Private Venture lodging are not available. The Defense Travel Management Office website lists approved properties. See the ILPP Approved Vendor List. A traveler must book preferred commercial lodging through the DTS or the contracted TMC. When the TDY location is not at an installation, the Service member is not required to use a nearby Government facility. If the Service member chooses to use Government quarters at a nearby installation, however, a Government dining facility is “not available” for M&IE purposes. See the JTR, paragraphs 020303 and 020304.

050804. TDY at an Installation

A. Military Personnel TDY to an Installation. Service members are required to check for Government quarters availability when TDY to a U.S. installation. Availability/non-availability documentation must be obtained per the JTR, paragraph 020303. Service members
should use adequate available Government quarters when TDY to a U.S. installation; however, when adequate Government quarters are available on that U.S. installation and other lodgings are used, lodging reimbursement is limited to Government quarters cost. See the JTR, paragraph 020303.

B. Civilian Personnel TDY to an Installation. A civilian employee is encouraged, but not required, to use available Government quarters unless traveling to an ILPP site. A civilian employee is required to use Government quarters at an ILPP site. If the electronic reservation system cannot reserve Government quarters, then make reservations through Department of Defense Lodging, or by contacting the Government quarters facility directly. In compliance with the requirement to exercise prudence when incurring expenses, employees should exercise the same care in incurring expenses for Government travel that a prudent person would exercise if traveling at personal expense. An AO should request reduced per diem when a per diem rate is more than the amount necessary, based on known lodging or meal cost reductions in effect due to prearrangements, special discounts, or other reasons. The AO must request and authorize reduced per diem before travel occurs. Only a DoD Component head may authorize a reduced per diem rate for a civilian employee, except as otherwise specified in the JTR. See the JTR, paragraphs 010102, 020303, and 020308.

0509 SPECIAL STATUS AND PER DIEM RATES

Reduced or zero per diem rates for a special status, such as field duty, sea duty, hospitalization, rehabilitation, and essential unit dining, take effect at 12:01 a.m. the day after the traveler enters the status and ends at 12:00 a.m. the day preceding the day the traveler leaves that status. See the JTR, paragraph 020315.

050901. Departure From and Return to PDS

Seventy-five percent of the appropriate M&IE rate is paid to travelers on the day of departure from and return to the PDS when entering or exiting a special status providing all meals.

050902. Other Changes in Status

For all other days of travel when the traveler enters or exits a special status providing all meals, those meals provided before entering and after exiting the status are available and the proportional meal rate applies on those days. For all days of travel, meals are not available unless traveling within the Area of Operation (AOR). See the JTR, paragraph 032901, for information on meals within the AOR. If no travel is involved and the traveler goes from a zero per diem status directly into another zero per diem status, no per diem is paid for that day. Otherwise, apply normal per diem computations, at the special status rates, for that day.

050903. Occasional Meals or Lodging

Occasional meals or occasional lodging may be authorized or approved when a traveler must either purchase meals from commercial or nonappropriated funds (NAF) sources, or obtain lodging through commercial, Government, or NAF sources when per diem is not otherwise
authorized. The reimbursement may be made not to exceed the proportional meal rate for the meal or lodging portion of the locality per diem allowance. This does not include payment of the basic food cost for officers, employees, or Service members in field duty, sea duty, or under essential unit messing. See the JTR, paragraph 020305. Note: Employees may be reimbursed expenses for occasional meals or occasional lodging expenses that the civilian employee must incur at a time when the meals or lodging are furnished without cost (or at nominal cost) for TDY of more than 12 hours.

050904. Travel Orders

Travel orders must identify the reduced per diem rates, availability or non-availability of Government quarters, authorization for Government or proportional meal rate as applicable, identification of special status, and reference to the letter or message in which they were established.

0510 CONSECUTIVE TDY

051001. Per Diem

Per diem is payable for the interval between two periods of TDY if the interval exists through no fault of the traveler and the traveler either remains at the first TDY location or travels to the next TDY location within the allowable travel time.

EXAMPLE: The traveler completes the first TDY on October 5 and the next TDY starts October 8. The traveler is paid per diem during the delay at an authorized delay (AD) point in between the first and second TDY point. Note: Privately owned Automobile (PA), Temporary Duty (TD), Mission Complete (MC).

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051002. Authorized Delay En Route

A traveler may receive per diem if awaiting transportation at an authorized delay point between TDY locations. To attain savings to the Government, combine what would have been two separate TDY trips into one longer trip and provide for authorized delay (AD) at an intermediate location. Per diem is payable for the interval between the two periods of TDY. The amount of per diem paid is based on the location of the AD. Note: Commercial Plane (CP).
0511 LEAVE, PERMISSIVE TDY, OR ADMINISTRATIVE ABSENCE IN CONJUNCTION WITH FUNDED TDY

051101. Permissive/Administrative Travel Time

A traveler who takes leave, permissive travel, or an administrative absence before or after a funded TDY is entitled to travel allowances from the PDS to the funded TDY location and return to PDS. If the traveler takes leave, permissive travel, or an administrative absence between two TDY locations, the traveler is entitled to allowances for direct travel between the two TDY locations.

051102. Travel Time When Using a POV

Permissive or administrative travel time is authorized when a traveler is authorized to travel by POV for personal convenience on funded TDY and reimbursement is based on a constructive schedule. Compute the allowable travel time based on the provisions of the JTR, paragraph 020302. Permissive or administrative travel time is not authorized when the orders direct a mode of transportation and that mode is available but not used. Per diem is not authorized for the additional period.

051103. Leave and Overtime in Conjunction With Official Travel

The unit commander, designated representative, or employee’s supervisor must make and document determinations regarding leave and duty status, to include overtime. The granting, accounting for, and associated reporting procedures are organizational responsibilities made in accordance with DoD Component instructions.

0512 RETURN TO THE PDS DURING TDY

051201. Authorized Return
When a travel order authorizes return to the PDS, the traveler is authorized travel, transportation allowances, and per diem for travel from the TDY site to the PDS and return to the TDY site. When the AO has authorized or approved the lodging costs maintained at the TDY site as mission essential, the incurred expenses are paid as a reimbursable expense. In making the decision to authorize or approve, the AO must determine that the reasons for retaining the lodging are reasonable and necessary and not strictly for the convenience of the traveler. This determination is made after considering the traveler’s efforts to obtain lodging on a weekly or monthly basis or other long-term rental agreement. When the lodging retained is charged on a daily basis, the AO should consider such factors as the length of the TDY, the amount of personal belongings, the capability of the establishment to store those belongings, and the ability of the traveler to secure a room upon return. The AO must state the reason for authorizing or approving reimbursement of the retained lodging. For this authorization, the permanent quarters from which the traveler normally commutes to the PDS are the same as the PDS. If the traveler goes to another location, then no allowances are authorized for the travel and per diem is computed as if the traveler remained at the TDY location.

051202. Voluntary Return

When a traveler voluntarily returns to the PDS during a TDY period, limit his or her allowance to the lesser of the actual travel cost for the roundtrip to the PDS and what it would have cost had he or she remained at the TDY site. The factors included in determining actual travel costs are: per diem for the travel days; roundtrip transportation for the mode used; and cost for quarters retained at the TDY site. See the JTR, paragraph 020312.
VOLUME 9, CHAPTER 6: “PERMANENT DUTY TRAVEL”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated May 2017 is archived.

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<td>All</td>
<td>Verified and updated references, updated hyperlinks and formatting to comply with current administrative instructions, and made clarifying editorial changes.</td>
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<td>060302.B</td>
<td>Deleted civilian employee mailing address for personally procured move (PPM) monetary allowance claims. Civilian employees are not authorized PPM monetary allowance payments.</td>
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<tr>
<td>060302.C.4</td>
<td>Added state income tax withholding instructions for PPM monetary allowance claims.</td>
<td>Addition</td>
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<tr>
<td>0612</td>
<td>Added “Civilian Employee Income Tax Withholding” section addressing Federal, state and local tax withholding requirements for civilian employees. Renumbered remaining paragraphs accordingly.</td>
<td>Addition</td>
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<td>061202</td>
<td>Deleted “Tax Withholding” paragraph from the “RITA” section and renumbered paragraph accordingly.</td>
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<td>This instruction has been reviewed by the Per Diem, Travel, and Transportation Allowance Committee (PDTATAC) staff in accordance with Department of Defense Directive 5154.31, Volume 5, dated October 16, 2015 as PDTATAC Case RR19004. Any conflict between this publication and the Joint Travel Regulations (JTR) is resolved based on the JTR and not this publication.</td>
<td>Revision</td>
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CHAPTER 6

PERMANENT DUTY TRAVEL

0601 GENERAL

060101. Purpose

This chapter provides general policy for the preparation, submission, and processing of permanent duty travel (PDT) claims for travelers. There are a number of PDT benefits or allowances that Department of Defense (DoD) members and civilian employees may be authorized when traveling from one Permanent Duty Station (PDS) to another at the direction of the Service or agency for which they are working. Some relocation allowances must be paid to the employee, while other allowances are paid at the discretion of the DoD component. An employee’s specific PDT allowances may not include all of the allowances identified and described in this chapter. To determine what is actually allowable, employees must work with the agency sponsoring the travel/move.

060102. Authoritative Guidance

This chapter provides guidance under authorities contained in the Joint Travel Regulations (JTR), and the General Services Administration (GSA) Federal Travel Regulation (FTR).

0602 DEFENSE TRAVEL SYSTEM (DTS)

The DTS does not currently support PDT, and should not be used by DoD travelers for arranging travel or settling claims involving PDT.

0603 TRANSPORTATION AND STORAGE OF HOUSEHOLD GOODS (HHG)

Ordinarily, the government arranges for the shipment of HHG. When DoD personnel arrange for the shipment themselves and a government bill of lading (GBL) is the authorized method, the Transportation Office(r) (TO) provides information concerning the traveler’s allowable expenditures and computes the amount the shipment would have cost the government. Civilian employee reimbursement is limited to the actual cost incurred not to exceed the government cost computed by the TO. When the commuted rate is the authorized method of shipment for a civilian employee, payment must be computed based on the GSA Commuted Rate Table regardless of the actual cost of the move. Service members may be paid a monetary allowance equal to 95 percent of the government’s constructed cost. If the TO instructs a Service member in writing to personally arrange HHG transportation, or if a TO is not available, payment must be made for the actual costs incurred to procure authorized services up to the maximum allowable weight allowance. See the JTR, Chapter 5, Part C, for Service members, and Chapter 5, Part F, section 0543, for civilian employees.
060301. Commuted Rate Method

When a DoD employee is authorized to ship HHG at the commuted rate, the payment must be computed using the GSA Commuted Rate Table in effect on the date the carrier picked up the HHG, or the date that the employee actually moved the HHG without regard to government cost. Certified weight tickets or a constructed weight must support the claim in accordance with JTR Chapter 5, Part F, subparagraph 054305.E.4.

060302. Personally Procured Move (PPM) Monetary Allowance

A Service member or a deceased member’s next of kin may elect to personally procure HHG transportation and be paid a monetary allowance of 95 percent of the Government’s “Best Value” cost for the actual HHG weight transported up to the maximum authorized weight allowance. The member must have orders authorizing PDT, temporary duty (TDY) with HHG entitlement, or a short distance move in accordance with JTR Chapter 5, Part C, section 0519. The TO will provide the member with a DoD (DD) Form 2278, Application for Do-It-Yourself Move and Counseling Checklist. This form shows the constructive GBL or contract cost for moving the HHG, based on a weight estimate provided by the traveler. A Service member, or next of kin who personally arranges for HHG transportation without going through a Government transportation office is responsible for all issues and costs related to circumstances outlined in the JTR, Chapter 5, Part C, subparagraph 051502-A.

A. Impact on Other PDT Allowances. Service members and/or dependents traveling to their destination in a rental or privately owned vehicle (POV) used for a PPM are authorized both a PPM monetary allowance and PDT allowances. The PDT allowances are not part of the PPM monetary allowance program and are separately processed.

B. Claims. No PPM monetary allowance claim can be computed without valid weight tickets or an approved constructive weight by the TO. Claims for PPM monetary allowances must be supported with:

1. The Service member’s statement of expenses actually incurred,

2. Certified weight tickets (original or copy) for gross and empty weights, or a record of the approved constructive weight by the TO, and

3. A record of the weight shipped with any other record of shipment or storage under the same travel order.

C. Payment Procedures. Pay PPM monetary allowance claims in accordance with each Service’s procedures. Service addresses for PPM monetary allowance claims are found in subparagraph 060302.D. Compute the personally procured monetary allowance claim as follows:

1. Obtain the GBL cost or local contract cost from the TO. Multiply this cost by 95 percent to obtain the maximum entitlement dollar amount,
2. Deduct the expenses actually incurred by the Service member from the maximum entitlement dollar amount. The resulting dollar amount is the member’s incentive payment,

3. Multiply the member’s incentive payment by the applicable Federal tax withholding percentage. This amount is withheld for Federal Income Tax Withholding (FITW),

* 4. If the member’s state of legal residence has an agreement with the Secretary of the Treasury, multiply the member’s incentive payment by the applicable withholding percentage. This amount is withheld for State Income Tax Withholding (SITW) (Title 5, United States Code (U.S.C.), sections 5517 and 5520 and Title 31, Code of Federal Regulations (CFR), part 215). The Treasury Financial Manual (TFM) Volume 1, Part 6, Chapter 5000, Appendix 2 lists states with an agreement.

5. Deduct the FITW and SITW amounts from the incentive payment amount to determine the amount payable to the member,

6. Deduct any advance operating allowance paid to the member. The amount remaining after deducting the advance is the dollar amount payable to the member for settlement, and

7. Prepare Internal Revenue Service (IRS) Form W-2, Wage and Tax Statement. Insert the incentive portion of the personally procured monetary allowance move payment in the earned income block, insert the FITW in the FITW block and insert the SITW in the state income tax block.

NOTE: If the actual expenses are more than 95 percent of the government’s cost, it may be advantageous for the Service member to claim actual expense reimbursement rather than the monetary allowance. The actual expense method allows reimbursement up to 100 percent of what it would have cost the government to move the HHG. Do not withhold income taxes from the actual expense payment, since the member does not receive an incentive payment.

D. Service Addresses for PPM Monetary Allowance Payments

**Army**
Defense Finance and Accounting Service – Rome Site
ATTN: Travel Pay, Permanent Change of Station (PCS) Travel
325 Brooks Road
Rome, NY 13441
060303. Actual Expense Reimbursement for Personally Procured Shipment or Storage of HHG

A. **Claims.** Travelers may claim actual expense reimbursement for personally procured shipment or storage of HHG and unaccompanied baggage. The claims must include the traveler’s certification as follows: “I certify that this shipment (including drayage, storage, packing, and crating) consisted of household goods and personal effects. These items belonged to me and were used by me (or my dependents) before the effective date of my orders. They were not intended directly or indirectly for any other person or persons, or for sale. The following shipments were previously made at government expense under the same travel orders that support this claim (if no previous shipments show “NONE”). I certify that I did not request payment under the monetary allowance or any other program. I further certify that the declared professional books, paper, and equipment belong to me and are necessary in the performance of my official duties.”

B. **Supporting Documents.** The traveler must submit the following documents to support a claim for actual expense reimbursement:

1. A statement provided by the TO on the constructive cost of shipment by GBL, accessorial services, or storage which states that the charges claimed are reasonable and that the member was instructed personally to arrange the shipment (if applicable);

2. Receipts for expenses of $75 or more;
3. When applicable, copies of a time extension certificate, powers of attorney or written authorizations;

4. The claimant’s statement showing the necessity for any storage:
   a. Over 90 days for a Service member, or
   b. Over 90 days for a civilian employee making a PCS move to/from Outside the Continental United States (OCONUS), or
   c. Over 60 days for a civilian employee making a PCS move within the Continental United States (CONUS);

NOTE: Non-availability of government storage is not an acceptable reason for requesting storage over the 90/60 day limit.

5. For shipments by van carriers, provide a certified weight ticket. In place of certified weight tickets, where charges are based on cubic measure, the owner may obtain a certificate from the carrier stating: “No scale within 10 miles. Shipment used _____ cubic feet of properly loaded van”;

6. An itemization of packing charges that shows size, type, and number of containers used with the charge for each container;

7. Receipts for packing, crating, drayage, unpacking, and uncrating that are itemized and supported with a statement by the TO for the area on availability of government facilities;

8. A bill of lading. If no bill of lading is available, the traveler must obtain other evidence showing point of origin and destination;

9. An itemization of costs incurred if the TO performs or procures the services. This is not required for accessorial services itemized on a GBL for line-haul van shipment; and

10. Copies of all applicable orders.

C. Claim Submission. Submit the travel settlement voucher, **DD Form 1351-2**, Travel Voucher or Subvoucher, within 5 working days of arrival at the new PDS.

D. Payment. If the claim is proper and supported by the appropriate documentation, the disbursing office must pay the claim.
TRANSPORTATION AND STORAGE OF POV

060401. Concurrent Travel Transportation

If overseas travel with a POV was concurrent, a traveler must include travel to the vehicle port of embarkation (POE) and the vehicle port of debarkation (POD) with the PDT claim. See the JTR, Chapter 5, Part E, section 0530 for Service members, and Chapter 5, Part F, section 0547 for civilian employees, for POV transportation and storage guidance.

060402. Nonconcurrent Travel Transportation

If travel is not concurrent, travelers must submit a separate claim. A TDY order is not required for a separate trip to pick up or deliver a vehicle to the POE and/or the POD. (NOTE: The PDT orders provide entitlement.) Ordinarily, a DD Form 788, Private Vehicle Shipping Document for Automobile, supports the claim. However, when a traveler performs PDT and has a commercial shipping firm process the vehicle for shipment at government expense, the DD 788 usually is not in the traveler’s possession at the time that the claim is processed. A statement from the traveler, accompanied by a copy of the billing from the commercial firm, is acceptable.

060403. Storage

Service members ordered to a foreign location OCONUS PDS to which transportation of a POV is prohibited, sent TDY on a contingency operation for more than 30 days, or other reason(s) listed in the JTR, Chapter 5, Part E, section 0532, may be eligible to store one POV.

TRANSPORTATION OF MOBILE HOMES

060501. Employee Allowances

A. General. A DoD employee may be authorized mobile home transportation in lieu of transportation of HHG’s, but may not be authorized both mobile home and HHG transportation. The constructed cost to transport a mobile home, any HHG removed from the mobile home, and unaccompanied baggage and additional HHG to the new PDS for the civilian employee’s use is limited to the Government’s “Best Value” cost of the civilian employee’s maximum PCS HHG weight allowance between authorized points. See the JTR, Chapter 5, Part F, section 0544. The TO determines what the authorized and unauthorized costs are incident to a mobile home shipment. See the JTR, Chapter 5, Part F, section 0544.

B. Claims. When movement of a mobile home is made by self-procured commercial transportation, a statement of authorization is issued by the TO. An original or legible copy of the paid bill from the commercial transporter is required and the bill must be completely itemized to preclude any payment of unauthorized costs.
060502. **Member Allowances**

A. **General.** A Service member directed to perform PDT is entitled to transportation and mobile home allowances. A member also may be entitled to movement of a mobile home under unusual or emergency circumstances, even though not related to PDT allowances. When a member performs TDY en route, the authorized shipment of a TDY weight allowance does not preclude the entitlement to transportation of a mobile home. The transportation entitlements, as well as the conditions of eligibility, are contained in the JTR, Chapter 5, Part D.

B. **Claims.** The preparation of claims and submission of supporting documentation is as required by Service procedures.

0606 **DISLOCATION ALLOWANCE (DLA)**

DLA is paid to members as specified in the JTR, Chapter 5, Part A, section 0505. If a change of grade occurs between the issue date of orders and the effective date of orders, a copy of the promotion/demotion orders may be submitted with the claim versus an amended order.

060601. **Effect of Assignment to Quarters**

A member without dependents, who is above the pay grade of E-5, may receive DLA if the member elects not to occupy assigned quarters of the United States or a housing facility under the jurisdiction of a uniformed service, and the quarters or facility do not meet the minimum adequacy standards established by the Secretary of Defense for members in such grade. Do not advance or pay DLA to a member under these circumstances without a statement from the gaining organization that assigned quarters do not meet the minimum adequacy standards.

060602. **Sea Duty**

The senior spouse of a member married to member couple without dependents in a pay grade below E-6 who elect not to occupy assigned shipboard quarters may be advanced or paid DLA based on guidance contained in the JTR, Chapter 5, Part A, paragraph 050506.

0607 **CIVILIAN MISCELLANEOUS EXPENSE ALLOWANCE (MEA)**

The flat payment MEA amounts for civilian employees do not require receipts or itemized statements. When a DoD civilian employee claims MEA expenses in excess of the flat payment MEA amount, the approving official may approve them and the civilian personnel office assists in the determination of the allowable expenses. See the JTR, Chapter 5, Part F, section 0541.

0608 **CIVILIAN TEMPORARY QUARTERS SUBSISTENCE EXPENSE (TQSE)**

A DoD employee's PDT orders must authorize the initial TQSE period and specify whether the Actual Expense (AE) method or the Lump Sum (LS) method is authorized. Additional periods of TQSE (AE) require amended orders. The employee must provide a statement in advance selecting TQSE (LS), which certifies that TQSE expenses will be incurred. The disbursing office

6-10
does not determine the number of TQSE days authorized. For TQSE (AE), expenses must be itemized on a per meal and per item basis. Receipts are required for all TQSE (AE) expenses as specified in the JTR, Chapter 5, Part F, subparagraph 054206.C. Additionally, the DoD employee can claim grocery costs for at-home meals when in a TQSE (AE) status. Divide the total cost of consumable groceries by the number of at-home meals consumed. The proration of groceries is authorized so long as the cost of the groceries consumed is reasonable. The approving official makes the final determination on any question(s) concerning the reasonableness of expenses during a TQSE (AE) period. Advances and payments for TQSE are based on the provisions of the JTR, Chapter 5, Part F, paragraph 054207.

0609  CIVILIAN HOUSE HUNTING TRIPS

If authorized in their travel orders, DoD employees may make house hunting trips, not to exceed 10 consecutive days. The employee and spouse may travel separately or together; however, the cost cannot exceed one round trip for travel together. The number of days for house hunting that the employee uses does not limit the number of days for the spouse (e.g., the employee can take 4 consecutive days and the spouse still could use up to a total of 10 days). Advances and payment for house hunting trips are based on the prescribed locality per diem rate, when paid under the lump sum method. Under the lodgings plus method, the standard CONUS per diem rate applies. For more information on house hunting trips, see the JTR, Chapter 5, Part F, section 0540.

0610  CIVILIAN REAL ESTATE TRANSACTIONS

061001. Reimbursement Due to the Sale and Purchase of a Residence or for Settling an Unexpired Lease

DoD employees may be reimbursed for expenses required for the sale and purchase of a residence, or for the settlement of an unexpired lease, in connection with PDT. Settlement claims for transactions regarding a sale, purchase, or lease termination, must be submitted following completion of these transactions. See the JTR, Chapter 5, Part F, section 0545.

A.  Reimbursement of Expenses for the Sale and Purchase of a Residence. The employee must file a DD Form 1705, Reimbursement for Real Estate Sale and/or Purchase Closing Cost Expenses. Separate DD 1705’s are required for expenses at the old duty station and at the new duty station. Copies of the supporting documentation showing costs incurred must be attached. The approval authority must approve the appropriate DD 1705 in accordance with Component regulations for real estate transactions at the old and new stations. The claim must be submitted in accordance with the JTR, Chapter 5, Part F, section 0545.

B.  Reimbursement of Expenses When Settling an Unexpired Lease. The employee files a claim using the DD 1351-2. The following documentation must be provided when filing a claim for reimbursement of an unexpired lease:

1. A copy of the lease prescribing the penalties or other costs that are payable if occupancy is terminated prior to the lease expiration date;
2. A statement of the extent of legitimate attempts made to avoid penalty costs if the lease includes a savings provision for subleasing, or making other arrangements to avoid penalty costs; and

3. An itemized list of expenses along with the paid receipts for each expense item, and any necessary explanations for clarification of penalty costs.

061002. Home Marketing Incentive Payment (HMIP)

These procedures apply to all DoD Components. The document submitted for payment of HMIP may be a locally-developed form used as an attachment to the travel settlement claim, DD 1351-2. The form, at a minimum, must contain the following information:

A. Employee’s name (last, first, middle initial);
B. Employee’s Social Security Number;
C. Employee’s present position, title, grade;
D. Employee’s current organization;
E. Employee’s current duty phone;
F. Computation of HMIP to include the final payment amount (the relocation services company must complete the amended sale transaction and submit the employee’s real estate invoice for payment before the computation can be completed);
G. Traveler’s signature; and
H. Order approving official’s signature.

061003. HMIP Income Tax Considerations

HMIP is considered income, and a W-2 must be processed showing the taxes withheld and the employee income. No authority exists to pay either a withholding tax allowance (WTA), or a relocation income tax allowance (RITA) to offset the Federal, state, and local income taxes on the incentive payment. Payment offices must obtain an approved document (as described in paragraph 061002) with a DD 1351-2 and a valid copy of PDT orders for payment.

0611 PAYMENT OF TRAVEL VOUCHERS INVOLVING OCONUS PERMANENT DUTY ASSIGNMENT FOR DOD CIVILIAN EMPLOYEES

061101. Proceeding To, or Round Trip Travel From, an OCONUS PDS

Reimbursement vouchers for travel to an OCONUS PDS under an original agreement, or for round trip travel from an OCONUS PDS under a renewal agreement, must be prepared upon
completion of the travel and submitted to the travel computation office servicing the OCONUS station for payment.

061102. Transfer From OCONUS PDS

When employees transfer from OCONUS duty stations, they must submit reimbursement vouchers to the travel computation office that supports the new duty station.

061103. Returning From OCONUS Employment for Separation from the Service

A. General. Prior to departure from an OCONUS duty station, an employee who is being returned for separation for any reason must be furnished written instructions by the releasing activity on the following:

1. How to record trip itinerary,
2. Which travel expenses are reimbursable,
3. How to keep a record of these items, and
4. How to complete and sign documents that are to be forwarded for the purpose of finalizing pay and reimbursement of travel claims.

NOTE: Except as provided in subparagraph 061103.B, the OCONUS releasing activity, in conjunction with the servicing travel computation office, must process final pay and settlement of travel claims for employees who are returned for separation.

B. Navy Employees. Travel claims of the following Navy employees must be submitted to the office that supports the location to which the employee returns:

1. Employees who are returned from OCONUS for separation under overseas agreements or for purposes of retirement; and
2. Foreign nationals who are returned to their places of residence in foreign countries for separation under employment agreements or for purposes of retirement.

061104. Agreement Violation

An employee is responsible to carry out the mission for which travel is undertaken. If an employee does not report to the designated PDS, refuses to perform the mission, or resigns, the employee must reimburse the government for all travel, transportation, and relocation expenses paid based on that service agreement including WTA and RITA. See the JTR, Chapter 5, Part G, paragraph 054913.

A. Allowance Determination. The appropriate finance office must determine an employee’s travel, transportation, and relocation allowances. The entitlement determination
must occur prior to processing the employee’s separation. Travel, transportation, and relocation allowances previously furnished and/or to be furnished are computed by the activity where the violation occurred.

B. Statement of Liability or Credit. For each transportation agreement violation, the finance office must provide the employee with a statement of the employee’s liability or credit that indicates in detail the liabilities, obligations, and credits (and an explanation of how the credits are used or applied). A copy is sent to the civilian personnel officer for inclusion in the employee’s personnel folder. The employee must also be informed of the right to file a claim if he or she disagrees with the statement of liability or credit.

C. Collection. If the finance office determines that an employee is indebted to the government, the office must immediately initiate collection action.

*0612 CIVILIAN EMPLOYEE INCOME TAX WITHHOLDING

061201 Federal Withholding

IRS Publication 15 states payments to employees for nondeductible moving expenses are considered supplemental wages and subject to FITW, Social Security and Medicare withholding. For more information about nondeductible moving expenses, see FTR Chapter 302, Part 302-17, GSA Bulletin FTR 18-05 and GSA Bulletin FTR 19-02.

061202 State, City, and County Withholding

Agencies must withhold state, city, and county income taxes from the taxable compensation of employees whose regular place of Federal employment is within a state, city, or county that has an agreement with the Secretary of the Treasury (5 U.S.C. §§ 5517 and 5520 and 31 CFR 215). The TFM, Volume 1, Part 6, Chapter 5000, Appendix 2 lists states with an agreement. The TFM, Volume 1, Part 6, Chapter 5000, Appendix 3 lists cities and counties with an agreement.

0613 RELOCATION INCOME TAX ALLOWANCE (RITA)

061301 Allowance

The RITA is a 2-year, two-process calculation intended to reimburse many civilian employees for substantially all of the additional Federal, state and local tax burden associated with their relocation. See the FTR, Chapter 302, Part 302-17 for more information including eligibility criteria.

A. Year One WTA. The WTA is an estimated partial payment of the final RITA payment designed to cover FITW from the PDT moving expense reimbursement. It is intended to provide an immediate offset to the tax withheld on the payment, and is also subject to withholding. As a result, payment of WTA allows the employee to receive the same reimbursement had the withholding not been required. Federal Insurance Contributions Act
(FICA) deductions are not reimbursed to the employee. To receive WTA, an employee must agree in writing to repay any excess WTA amount paid in year one. The agreement may be written on the settlement voucher or may be a separate statement. The statement must read as follows:

“I agree to repay any excess amount of WTA paid to me in year one and submit the required certified tax information. I understand failure to comply with this requirement will preclude payment of WTA. I also understand that the entire WTA is an excess payment if the RITA claim is not submitted within 120 days.”

Compute the WTA in the following manner:

1. Determine amount of covered reimbursable expense,
2. Multiply Step 1 amount by .3333 to arrive at the WTA amount,
3. Add Step 2 amount to Step 1 amount to determine the total income subject to tax,
4. Multiply Step 3 amount by .22 to determine FITW amount. Enter this amount in the appropriate block on W-2, and
5. Subtract the Step 4 amount from the Step 3 amount. This result is the net payment or net income for the employee.

B. Year Two RITA. The RITA payment must occur in the calendar year following the calendar year in which WTA is paid. An employee who does not elect WTA may still claim RITA in the calendar year following payment of travel claims. RITA is based on employee’s gross compensation, tax filing status, and marginal tax rates. RITA reconciles WTA payments with the employee’s personal tax liability. The employee must file a claim for RITA; it is not automatic. If an employee does not file for RITA in year two, he or she is liable for the additional federal income tax incurred as a result of the additional income. RITA does not cover any moving expense for which the IRS allows a deduction. In some instances, when an employee files the RITA final claim in the second year, he or she is in a lesser tax bracket because of lower earned income. If the calculation of RITA results in a negative amount, do not adjust prior year or current year income. The employee is obligated to repay this amount as a debt due to the government. A negative W-2 is not issued. NOTE: Year two is the calendar year in which RITA payment is made. The dollar value of the payment must appear on the employee’s W-2 as additional income.

061302. Funding

RITA is a PDT allowance. Therefore, the reimbursable expenses of an employee transferred in the interest of the government must be charged against the appropriation current when valid travel orders are issued. The organization responsible for the original funding of the move also has the responsibility to secure adequate funds in order to pay the adjustment vouchers.
VOLUME 9, CHAPTER 7: “EVACUATION ALLOWANCES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

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CHAPTER 7

EVACUATION ALLOWANCES

0701 GENERAL

070101. Purpose

This chapter provides general financial policy for evacuated military/uniformed member dependents and civilian employees and/or their dependents. Personnel evacuations require special handling by finance officers at the evacuation point, safe haven, and designated places. The processing of evacuees requires patience, tact, and expeditious service.

070102. Authoritative Guidance

This chapter provides guidance under authorities contained in statute, Joint Travel Regulations (JTR), Department of State Standardized Regulations (DSSR), and Office of Personnel Management regulations codified in Title 5, Code of Federal Regulations (CFR), sections 550.401 through 550.409. The Office of the Under Secretary of Defense (Personnel and Readiness) or another designated responsible official will announce the evacuation and identify the safe haven locations.

0702 EVACUATION ADVANCES AND PAYMENTS

070201. Orders

Copies of the departure orders support evacuation advances and payments. If departure orders are not available, evacuees must be referred to the local personnel organization. Evacuees requiring advances should use an available automated teller machine (ATM) or electronic funds transfer (EFT) once they have departure orders. If no ATM is available and/or EFT cannot be used, the supporting disbursing office may use an alternate payment method.

070202. Evacuation From Foreign Locations

A. Military Member Dependents. The JTR, Chapter 6, paragraphs 0602 and 0603 cover allowances for the dependents of Service members authorized or ordered to evacuate from locations outside the continental United States. Uniformed members are not evacuated; however, they may be issued orders for temporary duty (TDY) travel as required.

B. Department of Defense (DoD) Civilian Employees and/or Families. Title 5, United States Code (U.S.C.), section 5725 provides authority for transportation at the Government’s expense for an employee’s dependents and household goods to a safe haven location when an evacuation is authorized or ordered. The JTR, Chapter 6, paragraph 0604 addresses regulations governing evacuations from foreign areas. Title 5, U.S.C. § 5522 provides authority for advance pay, allowances, and differentials when an employee and/or their dependents are authorized or ordered to evacuate the employee’s permanent duty station. The DSSR, Chapter 600
relates to the evacuation of civilian employees of the United States from or within any foreign area.

070203. Evacuations in the United States (Including Evacuations During a Pandemic Health Crisis) Under Authority Cited in 5 CFR 550.401 through 550.409

A. Authorized Management Officials. Authorized management officials must announce a safe haven when ordering an evacuation. A safe haven is defined as the area to which an employee or dependent will be or has been evacuated. In the case of a pandemic health crisis, an agency may order employees to evacuate their worksites and perform work from home or a mutually agreeable alternative location. During this time, the agency may designate the employee’s home or alternative location as a safe haven. After determination and announcement of the safe haven, and the authorized management official has provided their approval, evacuation payments may be provided to evacuated employees. Evacuation payments cover the period of time during which the evacuation order remains in effect, unless terminated earlier for failure to perform work or for reasons listed in 5 CFR 555.407, but must not exceed 180 days.

B. Allowances for Evacuations Within the United States

1. Employees in the United States ordered to evacuate their official duty stations and perform work from their homes (or alternative locations mutually agreeable to the agency and the employees) may receive special allowance payments to offset the direct added expenses incidental to travel (e.g., travel expenses and per diem) outside the limits of their official duty station under 5 CFR 550.403.

2. Determination of special allowances is made in accordance with (IAW) 5 CFR 550.405. En route travel expenses and per diem for an evacuated employee and the transportation expenses for the dependents are as prescribed for TDY travel in the JTR, Chapter 2. Per diem is authorized for dependents of an evacuated employee at a rate equal to the rate payable to the employee as determined IAW the JTR, except that the rate for dependents under age 12 is one-half of this rate. Per diem for both the employee and dependents is payable from the departure date from the evacuated area through the arrival date at the safe haven, including any en route delay period that is beyond an evacuee’s control or that may result from evacuation travel arrangements.

3. Pursuant to 5 CFR 550.405, subsistence expenses for an evacuated employee and/or dependents must be determined at applicable per diem rates for the safe haven or for a station other than the safe haven that has been approved by the responsible official designated by the Secretarial process. See also JTR, Chapter 6, paragraph 060103. Subsistence expenses are to be paid beginning on the date following arrival and may continue until terminated. The subsistence expenses are computed on a daily rate basis pursuant to the guidelines contained in 5 CFR 550.405(b). Payment of subsistence expenses is decreased by the applicable per-person amount for any period for which the employee is authorized regular travel per diem IAW the JTR.
070204. Finance Office Guidance

The finance office that supports the evacuation point or safe haven area must assist any evacuated traveler with all financial matters. The assistance provided may include the following:

A. A briefing sheet that includes the finance office’s phone number(s), mailing address, and hours of operation;

B. A description of evacuation entitlements;

C. A listing of documentation required for advances and payments. The finance office should advise dependents to submit a photocopy of the front and back of their identification (ID) card with each claim submission; and

D. Information on when, where, and how to submit claims for advances and payments. If problems are encountered, the finance office should contact the appropriate DoD component.

070205. Claims

All claims for payment of evacuation allowances should be submitted to the appropriate supporting DoD component. The supporting finance office must assist evacuees with claim preparation. Each evacuee must be asked about advances or previous payments received. All advances or previous payments associated with an evacuation claim paid by any or all Government agencies must be disclosed upon submission of the claim. This is to avoid duplicate payments IAW the JTR, paragraph 010302. Any duplicate payments must be repaid to the government. Initial evacuation advance payments are usually mass evacuation payments. Finance offices are encouraged to use DoD (DD) Form 1351-6, Multiple Payments List, as a supplement to DD Form 1351-2, Travel Voucher or Subvoucher, to expedite payments. However, this alternative payment method does not lessen the need for proper documentation. Payments to dependents must be made only upon presentation of a valid travel order issued by a competent authority.

0703 ID OF EVACUEES

070301. ID Available

DD Form 1173, United States Uniformed Services ID and Privilege Cards; DD Form 2750, Senior Executive Service ID Card; DD Form 2765, ID and Privilege Card; DD Form 2764, Civilian Geneva Convention Card; passports; or other forms of picture ID are acceptable forms of identification to process payments to evacuees.

070302. ID Not Available

If the evacuee has no picture ID available, two witnesses may vouch for the evacuee by signing a statement verifying the identity of the evacuee. Each witness must show acceptable ID
as indicated in paragraph 070301 and provide their permanent address. The lack of adequate ID delays service to an evacuee; however, every reasonable effort must be made to accommodate an evacuee lacking adequate identification.
**VOLUME 9, CHAPTER 8: “PROCESSING TRAVEL CLAIMS”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

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<tr>
<td>080401.E</td>
<td>Deleted reference to the Joint Travel Regulation (JTR) paragraph 020210 due to changes in JTR verbiage.</td>
<td>Deletion</td>
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<td>080402</td>
<td>Deleted requirement to show the old permanent duty station (PDS) as the origin during permanent duty travel. JTR 050408 and 053902 both allow travel to begin at locations other than the PDS, but limits reimbursement to the cost between official locations.</td>
<td>Deletion</td>
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<tr>
<td>080606.B</td>
<td>Added requirement to split disburse payments for a deceased traveler with a balance on their Government Travel Charge Card.</td>
<td>Addition</td>
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<tr>
<td>All</td>
<td>This publication has been reviewed by the Per Diem, Travel and Transportation Allowance Committee (PDTATAC) in accordance with Department of Defense Directive 5154.31, Volume 5, dated October 16, 2015, as PDTATAC Case RR20001. Any conflict between this publication and the JTR is resolved based on the JTR and not this publication.</td>
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CHAPTER 8

PROCESSING TRAVEL CLAIMS

0801 GENERAL

080101. Purpose

This chapter provides general policy to travelers for the preparation, submission, and processing of travel claims for electronic submission through the Defense Travel System (DTS) and for Permanent Duty Travel (PDT) and Temporary Duty Travel (TDY) forms for hard-copy submission.

080102. Authoritative Guidance

This chapter provides guidance under authorities contained in statute, Joint Travel Regulations (JTR), the Federal Travel Regulation (FTR), and the Department of Defense (DoD) Financial Management Regulation. It does not include every condition in which the JTR either authorizes or limits travel and transportation allowances. Information contained in this volume does not supersede the JTR.

0802 ADDITIONAL GUIDANCE

080201. Disbursing Officer (DO) and Certifying Official Responsibilities

The DO is accountable for all travel payments and the DO’s responsibilities are in Volume 5, Chapter 2. The certifying officer is responsible for the accuracy and propriety of payments to include ensuring that travel statements and claims are accurate and properly supported (see Volume 5, Chapter 5). Additionally, the disbursing office is responsible for ensuring that random audits are conducted.

080202. Payment Method

Electronic funds transfer (EFT) is the mandatory means by which a travel claim is settled within DoD. Split disbursement, which permits direct payment via EFT to the Government Travel Charge Card (GTCC) contractor for charges incurred on the GTCC and to the cardholder for any residual amount, is mandatory. Supervisors may authorize alternate methods of payment in limited situations in which the traveler does not have access to an account at a financial institution that can receive EFT transmissions.

080203. Adjustments of $10 or Less

The DO must pay the traveler all amounts due on the original settlement claim. The DO, however, is not required to make collections of $10 or less on a final settlement or on an overpayment of $10 or less that the DO subsequently detects. Conversely, the DO must process supplemental payments for $10 or less only when specifically requested by the traveler.
080204. Over Advances

If upon settlement of the travel claim the DO determines that a traveler received an excessive travel advance greater than $10, the official must forward a letter of indebtedness and give the traveler an opportunity to immediately repay the excess advance. If immediate payment is not made, initiate collection action as required in accordance with (IAW) Volume 16, Chapter 2.

080205. Overpayments

If the DO detects an overpayment greater than $10, the DO must forward a letter of indebtedness to the traveler that requests remittance. The traveler is required to pay the indebtedness within 30 calendar days after the date of notification; otherwise, initiate collection action as outlined in Volume 16, Chapter 2.

080206. Income Taxation of Reimbursable TDY Allowances

A civilian employee who performs a TDY assignment at one location for more than a year is considered by the Internal Revenue Service (IRS) to be permanent and any reimbursement (e.g., per diem) is considered taxable income (see 26 United States Code (U.S.C), section 162(a) and Internal Revenue Ruling 99-7). The IRS may consider a TDY assignment at one location for less than a year to be permanent, depending upon the specific criteria. Travel Authorizing Officials (AOs) must determine, IAW the JTR, paragraph 010206, that the assignment is not a Temporary Change of Station (TCS) or a Permanent Change of Station (PCS) move before authorizing a long term TDY assignment away from the permanent duty station (PDS) for more than 180 days. When TDY reimbursements are taxable income, the travel office must compute all applicable taxes deducted from the travelers claim(s), and issue an IRS Form W-2, Wage and Tax Statement, to the traveler. The IRS W-2’s must include income and the tax deducted amounts. Employees who perform long-term TDY assignments for which TDY allowances are taxable are also authorized an Extended TDY Tax Reimbursement Allowance (ETTRA) IAW the FTR, Part 301-11, Subpart F. At a minimum, travelers will submit a DoD (DD) Form 1351-2, Travel Voucher or Subvoucher, a copy of their travel orders, and the W-2 issued from the travel settlement office to claim the ETTRA. NOTE: The traveler must submit travel claims involving taxable TDY allowances on a DD 1351-2 to the appropriate travel settlement office. DTS does not compute claims involving income taxes; do not use DTS in these instances.

0803 FORMS

Travelers, in conjunction with official travel may use the following forms:

**DD 730** Receipt for Unused Transportation Request and/or Tickets, Including Unused Meal Tickets
**DD 788**  
Private Vehicle Shipping Document for Automobile

**DD 1351**  
Travel Voucher  
NOTE: Multiple use form.

**DD 1351-2**  
Travel Voucher or Subvoucher  
NOTE: Used to claim PDT/TDY travel allowances for official travel performed, including dependents' travel and other PDT allowances.

**DD 1351-2C**  
Travel Voucher or Subvoucher Continuation Sheet  
NOTE: Used when the DD 1351-2 does not provide sufficient space.

**DD 1351-3**  
Statement of Actual Expenses  
NOTE: Used to claim actual subsistence expenses when the traveler performs TDY on an actual expense basis.

**DD 1351-5**  
Government Quarters and/or Mess

**DD 1351-6**  
Multiple Payments List  
NOTE: Used to make multiple payments for travel and TDY performed under like conditions and circumstances.

**DD 1610**  
Request and Authorization for TDY Travel of DoD Personnel  
NOTE: Used to support travel claim payments.

**DD 1614**  
Request/Authorization for DoD Civilian Permanent Duty or Temporary Change of Station (TCS) Travel  
NOTE: Used to support PDT travel payments.

**DD 1705**  
Reimbursement for Real Estate Sale and/or Purchase Closing Cost Expenses

**DD 2278**  
Application for Do-It-Yourself Move and Counseling Checklist

**DD 2461**  
Authorization for Emergency Evacuation Advance and Allotment Payments for DoD Civilian Employees

**DD 2912**  
Claim for Temporary Quarters Subsistence Expense (TQSE) (Sub-Voucher)
Optional Form (OF) 1164

Claim for Reimbursement for Expenditures on Official Business

NOTE: Used to claim reimbursement for expenses incurred for recruiting duty and expenses incurred within and around a PDS station.

Standard Form 1199A

Direct Deposit Sign-Up Form

0804 CLAIM PREPARATION

080401. Completion

The traveler is responsible for preparing their DD 1351-2 to claim reimbursement for official travel. Even when someone else prepares the claim, the traveler remains responsible for the truth and accuracy of the information. When the traveler or a legally appointed designee signs the form, the traveler attests that the statements are true and complete and that the traveler is aware of the liability for filing a false claim. All claims and attached statements must be completed using ink, typewriter, or computer-generated forms.

A. General. Travelers must use the DD 1351-2 to submit travel claims requesting reimbursement for expenses incurred while on official travel. The claim is prepared and submitted, with required attachments and approvals, to their servicing travel computation office. The traveler must carefully review expenses claimed on the DD 1351-2 and sign the original claim. Electronic certifications (digital signatures) may be submitted and accepted for payment on a travel claim, in addition to those signed in ink, only if all of the requirements listed in, Volume 5, Chapter 1, subparagraph 010305.C, are met.

B. Erasures and Alterations. The traveler must initial erasures and alterations on totals of reimbursement claims. The person who issued or signed the receipt must initial alterations, such as erasures and alterations in totals on receipts.

C. Leave of Absence. When the traveler takes leave while in a travel status or at the TDY point(s), the traveler must show the number of hours, type of leave, and dates for civilian employees, or dates for military members, on the reimbursement claim along with the scheduled hours of duty if the traveler takes leave of absence. See the JTR, paragraph 033301 for the impact of leave on per diem at TDY locations for civilian employees.

D. Return to PDS or Home on Non-workdays. If return to the PDS or home from which the traveler commutes daily to the PDS occurs over a weekend or on any non-workday, the following information must be entered on the claim:

1. Date of arrival at PDS (or home),

2. Roundtrip ticket cost or roundtrip distance traveled by privately owned vehicle (POV), and
3. Date of return to TDY location.

NOTE: Per diem is not payable for time spent at the PDS or home.

E. **Travel by POV.** When travel is by POV, the traveler must show the points between which the traveler performs travel on the travel claim. The traveler must explain any unusual conditions or circumstances that may affect allowances on the settlement claim, or attached on a separate sheet as supporting documentation. When two travelers on official duty ride together in the same POV, the travelers must identify the name of the owner-operator of the POV and the name of the passenger, along with the name of the department or agency for whom they work. The traveler responsible for POV operating expenses (ordinarily the POV operator/owner) is authorized TDY mileage for the official distance. A traveler not responsible for POV operating expenses (ordinarily a passenger) is not authorized TDY mileage.

F. **Travel by Rental Vehicle.** When the AO determines it is advantageous to the Government IAW the JTR, paragraph 020203, a rental vehicle may be authorized or approved under the provisions of the JTR, paragraph 020209. When a traveler utilizes commercial transportation to a TDY site, the AO may authorize or approve the use of taxi fares, public transit fares or a rental vehicle for transportation in and around the TDY location. See the JTR, paragraph 020212. Taxi transportation between home or hotel and transportation terminals is a usual item of reimbursable expense. Such usual items must be stated on the claim and do not require special authorization or approval.

G. **Foreign Currency.** IAW the JTR, paragraph 0204, a traveler who pays with a credit card for Outside the Continental United States (OCONUS) expenses should check with the credit card vendor to determine the final bill in U.S. currency prior to travel claim submission. Travelers may use the currency exchange rate at which the credit card vendor settles the credit card bill to determine OCONUS expenses charged to the card. Travelers must report reimbursable expenditures in the foreign currency of the country actually paid. To receive proper reimbursement, the traveler must report the following information on their travel claim: The amount of the expense in foreign currency; the exchange rate on the day the item was purchased in cash or the exchange rate at which the credit card was billed if paid with a credit card; and the bank commission(s) charged for conversion of U.S. dollars to foreign currency. The traveler must show the rates of conversion and the commission(s) charged. If the traveler does not show the conversion rate(s), the activity settling the claim must use an appropriate exchange rate for the date the expense was paid. NOTE: Travelers are not authorized reimbursement for losses, and are not liable for repayment to the Government for gains, resulting from currency conversions.

H. **Reimbursements for Other Travelers Expenses.** Reimbursements to travelers who pay for other traveler’s expenses are strictly forbidden. Travelers are only reimbursed for expenses, which they themselves incur, and not for expenses incurred by, or on behalf of, any other government personnel. Approving Officials, Authorizing Officials, and Certifying Officers must deny approval of all travel claims in which travel expenses of other personnel are claimed. Approval of this type of claim will subject Approving Officials, Authorizing Officials, and Certifying Officers to potential pecuniary liability (see Chapter 5,
paragraphs 050201 and 050202 for information on pecuniary liability for Departmental Accountable Officials and Certifying Officers).

I. Items Denied Reimbursements. The travel computation office must deny claims for items in vouchers that are not reimbursable under this volume and the JTR, or not properly supported by receipts where required. The claimant must be notified and informed of the reason(s) and required corrective action, if any. If the traveler later reclaims these items, the traveler must itemize them in a subsequent regular or supplemental claim and supported by the original or copy of the denial notice.

J. Supporting Documents. In addition to expense statements or other declarations, when required, support the claim by including the following documents.

1. Travel Orders. Travel orders and issued amendments to the claim for TDY and two copies for PDT.


3. Unused Government-Procured Transportation Documents. The traveler obtains receipts for the unused portion of travel when they return the unused portion of the ticket to a Transportation Officer (TO). This is not applicable to the Navy.

4. Statements for Common Carrier Reimbursement. When a traveler claims reimbursement for common carrier transportation paid by cash, the following statement must be included on the claim: “I hereby assign to the United States any rights I may have against other parties in consideration with any reimbursable carrier transportation charges described herein.”

5. Unused Tickets. When itineraries are changed or trips are canceled after tickets have been issued to the traveler, the traveler must write and initial a statement on the travel claim that all tickets have either been used for official purposes, and/or all unused tickets, or portions thereof, have been properly accounted for and turned in to the TO or Travel Management Company (TMC). The traveler must attach receipts issued by TO/TMC for unused tickets to the travel settlement claim.

6. Actual Expense Authorization (AEA). When AEA is authorized or approved in connection with TDY and the travel order does not reflect it, the traveler must attach three copies of the AEA to the claim.

080402. Itinerary

Claims must contain a complete itinerary for the entire period of travel. This includes return to the PDS during TDY and any type of leave taken and the periods the leave is used. On claims for TDY travel, the first entry must be the traveler’s residence or office, as applicable, except for an aircrew traveler, or extended TDY (i.e., TDY in excess of 30 days). See the JTR,
paragraph 010203. The traveler does not need to list travel from the residence or office to a carrier terminal in the itinerary; the traveler claims the mileage or taxi as a reimbursable expense. This also applies to travel from a carrier terminal to the place of lodging or TDY site. The claimant must list the dates of departure from and arrival at a port of embarkation/port of debarkation.

080403. Reimbursable Expenses

The traveler must enter all allowable reimbursable expenses. Tax on lodging is a separate reimbursable expense from the room charge and the traveler must claim it separately on the travel claim for travel within Continental United States and non-foreign OCONUS areas. Travelers may find information regarding specific State exemptions for lodging taxes at GSA-Smartpay State Tax Letters.

080404. Recruiting Expenses

Recruiters must claim reimbursement using the OF 1164.

080405. Other Instructions

A. The traveler must attach all lodging receipts regardless of amount and any other receipts for expenses of $75 or more to the claim. The traveler must furnish a statement explaining the circumstances if a receipt is impracticable to obtain or it has been inadvertently lost/destroyed.

B. Travelers must receive 75 percent of the meals and incidental expense rate for the first and on the last day of travel.

0805 RESPONSIBILITIES

080501. Authorizing Official (AO)

Refer to Chapter 5, section 0502 for additional AO responsibilities.

A. Reviewing Travel Claims. The AO confirms the authorized travel and must ensure the following when reviewing and signing travel claims:

1. The traveler properly prepared the claim using ink or computer-generated forms;

2. All amounts claimed are accurate;

3. The traveler attached required orders, receipts, statements, and justifications to the travel claim;

4. All expenses claimed are authorized and allowable;
5. Any deviation from the travel order is in the Government’s best interest;

6. Claimed items requiring approval after the fact, but not approved in the order, were necessary in the conduct of official business;

7. Reimbursement, as appropriate, is approved (in whole or in part) or reimbursement is revised;

8. The claim is on an original travel voucher with an original/electronic signature and date;

9. Advance and partial payments are annotated, or "NONE" is entered in block 10 of the DD 1351-2; and

10. When the traveler used foreign currency for reimbursable expenses, the appropriate blocks of the DD 1351-2 must include the expense in foreign currency and U.S. dollars, the exchange rate, and commission charges for the foreign currency at the time of the transaction.

B. Approving Items. Before an AO may approve an item involving use of a transportation mode not authorized in a travel order, the traveler must explain the necessity for that mode on the claim. When a traveler claims a POV expense under orders that authorize travel by common carrier or Government vehicle, and a travel-approving official does not determine that such use is in the Government’s best interest, reimbursement is limited per the JTR, paragraphs 020210 and 020302. An AO also may approve:

1. Excess accompanied baggage expenses;

2. Miscellaneous reimbursable expenses;

3. Minor deviations in TDY duration or location; and

4. Additional travel expenses incurred by an employee with a disability or special needs. See the JTR, paragraphs 020206, 020207, and 020209.

C. Items Requiring Advance Authorization. The following require advance authorization and may not be approved on the claim after the fact:

1. Use of reduced fares for group or charter arrangements,

2. Payment of a reduced rate of per diem for subsistence expenses,

3. Acceptance of payment from a nonfederal source for travel expenses, and
4. Travel expenses related to attendance at a conference.

080502. Review of Travel Claims

An AO or supervisor that has knowledge of the purpose and conditions of the travel claim prepared by the traveler conducts the review of the claim by ensuring that:

A. The claim is properly prepared;
   1. The traveler used the correct travel claim forms (printed in ink, computer-generated or typewritten form).
   2. The claim is on an original travel voucher with an original/electronic signature and date.
   3. The traveler annotates any advances or partial payments authorized on the travel claim or “NONE” in the appropriate block.
   4. When foreign currency is used while traveling on official business, the traveler includes the expense in both foreign currency and U.S. dollars, indicating the exchange rate and commission charges for the foreign currency at the time of the transaction if paid with cash, or the rate at which the credit card bill was settled if paid with a credit card.

B. The amounts claimed are accurate and reasonable;

C. The traveler attached the required orders authorizing the travel, receipts, statements, and any justifications to the travel claim; NOTE: For the definition of what constitutes a valid receipt, see Volume 9, Definitions;
   1. The traveler has submitted original lodging receipts regardless of the dollar amount.
   2. The traveler has submitted receipts for all single items of expense of $75 or more.

D. The claimed expenses were authorized and allowable, and that any deviations from the authorized travel were in the best interest of the Government; and

E. The AO or supervisor has reviewed, signed, and dated all travel claims and forwarded them to the travel office for computation.

080503. Travel Computation Office

Refer to Chapter 5, subparagraph 050203.D for the travel computation office’s responsibilities.
080504. Traveler

Refer to Chapter 5, subparagraph 050203.F for the traveler’s responsibilities.

0806 SUBMISSION OF TRAVEL CLAIMS

080601. Temporary Duty (TDY) and Permanent Duty Travel (PDT) Claims

The traveler must submit all claims within five working days of return to or arrival at the PDS. In cases of extended TDY (over 45 days), and reservists on Annual Training, Active Duty Training, or Inactive Duty Training that is known to be greater than 45 days, the traveler must submit a claim for each 30-day period. The traveler must submit the claim within five working days after each 30-day period.

080602. Local Travel at Permanent Duty Station (PDS)

A. General. The traveler must submit claims for reimbursement of expenditures for official business using the OF 1164. This form is used for such expenses as taxicabs, public carriers, or POVs while transacting official business in the locality of the PDS. The traveler must submit claims as soon as practical after expense has occurred. Travelers may submit claims for each individual trip or by combining recurring trips on one claim. The OF 1164 is not used for reimbursement of fares or mileage for use of a POV in connection with TDY travel involving per diem allowance.

B. Claim Submission. The OF 1164 must identify the date, point of origin and destination, and the amount of fare and tips or distance for each trip. The traveler need not complete the point of origin column, when the point of destination of one trip is identical to the point of origin of the next trip. When the traveler claims identical trips on a voucher, only the first trip must show the points of origin, destination, and date for the trip. Subsequent trips may be annotated with a statement such as “Same trip made on date(s).” Unless required by local authority, it is not necessary to compute mileage reimbursement for each trip. The traveler may add the “number of miles” in column (Block 6(e)) and the total multiplied by the mileage rate. The claimant must sign the form and must submit as provided in applicable Component policy.

080603. Non-medical Attendants

A. Nonmedical Attendant for Specialty Care Over 100 Miles. If a patient meets the travel requirements in the JTR, paragraph 033007, roundtrip transportation and travel expenses for one necessary attendant are authorized. The attendant must be a parent, guardian, or another adult member of the patient’s family who is at least 21 years of age. An individual traveling as an attendant is authorized travel and transportation allowances or reimbursement for expenses prescribed as follows:

1. Military Member as Attendant. A member who is a family member, and ordered to be an attendant, is authorized TDY travel and transportation allowances while acting as an attendant.
2. **Civilian Employee as Attendant.** A U.S. Government civilian employee who is a family member, and assigned as an attendant, is authorized the TDY travel and transportation allowances prescribed in regulations issued by the employee’s agency or department funding the travel.

3. **Other Person as Attendant.** A person other than a military member or U.S. Government civilian employee who is at least 21 years of age and a family member, who is designated to travel as an attendant, is issued an Invitational Travel Authorization (ITA) or be included in the patient’s travel order and identified as an attendant. This person is authorized reimbursement of reasonable travel expenses contained in the JTR, paragraph 033007. NOTE: The patient and attendant cannot both be reimbursed for the same travel expense (e.g., both cannot be paid mileage when traveling by POV).

B. **Claims.** The traveler must submit claims for reimbursement of expenditures for military members/civilian employee attendants using the DD 1351-2. Travelers must submit claims for reimbursement of expenditures for other persons as an attendant using the OF 1164 when they do not incur overnight lodging and/or meals. When travelers incur overnight lodging and/or meals, the traveler must file the claim on a DD 1351-2. The OF 1164 form may be used for such expenses as occasional meals, taxicabs, public carriers, or POVs while performing as an attendant for specialty care patients referred to a specialty care provider more than 100 miles away. The traveler submits the claim to the claims office at the medical facility as soon as practicable after they incur the expense.

C. **Claim Submission.** The OF 1164 must identify the date, point of origin and destination, and the actual expense to perform as a nonmedical attendant for specialty care patients. The traveler submits the claim to the claims office at the medical facility as soon as practicable. A mileage allowance is paid when a POV is used and reimbursement is authorized for parking, ferry fares, and road/bridge/tunnel tolls. The traveler must use a DD 1351-2 for reimbursement for actual cost of lodging and meals up to the per diem rate prescribed for the area concerned.

D. **Nonmedical Attendant for Very Seriously and Seriously Wounded, Ill, or Injured Member.** A nonmedical attendant of a member may be provided transportation and per diem as described in and determined by appropriate authority under the JTR, paragraph 033202. An individual traveling as an attendant is authorized travel and transportation allowances or reimbursement for expenses prescribed as follows:

1. **Military Member as Attendant.** The member is authorized TDY travel and travel allowances while acting as an attendant.

2. **Civilian Employee as Attendant.** A U.S. Government civilian employee is authorized the TDY travel and transportation allowances in the regulations used by the agency or department funding the travel.

3. **Other Person as Attendant.** An ITA must be issued to a person other than a military member or U.S. Government civilian employee designated to travel as an attendant.
This person is authorized reimbursement of travel allowances as prescribed in the JTR, paragraph 033202.

E. Claims. Submit claims for reimbursement of expenditures for military members/civilian employee attendants using the DD 1351-2. Submit claims for reimbursement of expenditures for other persons as an attendant using the OF 1164 when they do not incur overnight lodging and/or per diem. When travelers incur overnight lodging and/or per diem, the traveler must file the claim must on a DD 1351-2.

F. Claim Submission. The OF 1164 must identify the date, point of origin and destination. The traveler must use the DD 1351-2 for reimbursement for per diem.

080604. Travel and Transportation for Funeral Honors Detail

A. General. Claims for the Funeral Honors Duty Allowance $50.00 stipend authorized in Volume 7A, Chapter 58, and Volume 7B, Chapter 22, are not travel allowances and must be submitted to and paid through the appropriate Military Pay office.

1. Military Members

   a. Must use the OF 1164 for reimbursement of expenditures for funeral honors detail when they do not incur overnight lodging and/or per diem.

   b. Must use the DD 1351-2 when they incur overnight lodging and/or per diem. Authorized allowances for military members performing funeral honors duty are contained in the JTR, paragraph 032004. Reserve Component members performing funeral honors duty at a location 50 or more miles from the member’s residence are authorized TDY travel and transportation allowances contained in the JTR, Chapter 2.

2. Individuals Not Employed by the Government

   a. Must use the OF 1164 for reimbursement for expenditures for funeral honors detail when they do not incur overnight lodging and/or per diem.

   b. Must use an ITA and the DD 1351-2 when they incur overnight lodging and/or per diem. Allowances for individuals not employed by the Government performing funeral honors detail are contained in the JTR, paragraph 032004.

B. Claim Submission. The OF 1164 or DD 1351-2 must identify the date, point of origin and destination, and the actual expense to perform the Funeral Honors Detail. The traveler submits the claim to the military unit augmented for approval. A mileage allowance may not be paid. Reimbursement for POV expenses is limited to fuel, oil, parking, ferry fares, road, bridge, and tunnel tolls. The traveler must use an ITA for reimbursement for actual cost of lodging and meals up to the per diem rate prescribed for the area concerned. Reimbursements may be authorized and approved for miscellaneous expenses contained in the JTR.
080605. Separated or Retired Members

A. General. A separated or retired member who has not received an advance must forward the claim to the disbursing office responsible for that person’s pay accounts prior to separation or retirement. The DO must pay all claims submitted within one year of separation or retirement. The disbursing office that supports U.S. Marine Corps separatees or retirees must pay all claims submitted within 60 days of the month of separation or retirement. Claims received after the stated time periods for filing must be forwarded to the following designated Service address:

Army: Defense Finance and Accounting Service (DFAS)
ATTN: Travel Pay, MilPCS
325 Brooks Road
Rome, NY 13441-4501

Navy: Personnel Support Detachment (PSD) or servicing DO at separatees or retirees separation point

Air Force: Member’s last servicing
Financial Services Office (FSO)

Marine Corps: Member’s last servicing
Finance/Disbursing Office (FO/DO)

1. Officers. Travel allowances payable to a separating or retiring officer must be used to offset indebtedness to the Government when paid as an advance or settlement.

2. Enlisted Personnel. Travel allowances payable in advance to separating or retiring enlisted personnel for personal travel home may not be used to offset any debts to the Government. Travel allowances payable to enlisted members after they have returned home must be withheld and applied against their debts.

3. Dependents and Household Goods Claims. Advances and settlements of dependent travel allowances and household goods allowances must be withheld and applied to indebtedness to the Government.

B. Travel to Specialty Care Over 100 Miles. When a retired member with a combat-related disability, who is not a TRICARE Prime enrollee, is referred by a primary care provider for follow-on specialty care, services, and supplies, for that particular disability, more than 100 miles from the primary care provider’s office, the patient must be reimbursed for reasonable travel expenses. See the JTR, paragraph 033007.

080606. Deceased and Next of Kin

A. Attendance at a Deceased Member’s Memorial Ceremony. In addition to
round trip travel and transportation allowances to attend burial ceremonies, an eligible family member as described in the JTR, paragraph 032002, may be authorized travel and transportation allowances for one round-trip to an installation/home port/unit memorial service, if that memorial service, for a deceased member who dies while on active duty, occurs at a location other than the burial ceremony location. See the JTR, paragraph 032005.

1. **Claims.** ITA’s must be issued to eligible family members attending a memorial service. The traveler must complete this trip within 2 years following the member’s death, unless the Service Secretary waives the time limitation.

2. **Claim Submission.** The traveler must use an OF 1164 for reimbursement of expenditures when they do not incur overnight lodging and/or per diem. The OF 1164 must identify the date(s), point of origin and destination, and the actual expense in attending the memorial service. The traveler must use a DD 1351-2 when they incur overnight lodging and/or per diem.

**B. Unsettled Claims for Deceased Travelers.** The individual designated by the Service to settle a deceased member’s affairs is responsible for the preparation of the travel claim for the travel of the deceased member. The finance official computes and forwards all claims to the supporting Defense Finance and Accounting Service (DFAS)/Service site (see subparagraph 080606.D for address) for payment or collection. For deceased employees, the surviving spouse or legal representative, the executor, or administrator must sign any outstanding travel claims. The travel office computes these claims locally. Travel settlements for travel cardholders who paid for expenses using a GTCC, are subject to split disbursement (see 10 U.S.C. § 2784a and DoD Instruction (DoDI) 5154.31, Vol. 4, paragraphs 040701, 041007 and 041106). Following payment to the GTCC issuer, any remaining expense reimbursement will be forwarded to the member’s or employee’s pay activity for inclusion in the death claim payment. Similarly, all reimbursements for non-card holders will be forwarded to the appropriate pay activity for inclusion in the death claim payment.

**C. Claims for Dependents of Deceased Members.** Two copies of DD Form 1300, Report of Casualty, support travel performed under the provisions of the JTR, paragraph 032001.

1. If the claim is for travel to a member’s home of record, as shown on DD 1300, no further documentation is required.

2. If the claim is for travel to the official residence of a relative, the claimant must furnish a statement to that effect showing the name and relationship of the person to whose residence they traveled.
D. Forward these claims to the following applicable address:

Army: DFAS Indianapolis  
Systems Liaison and Procedures Division,  
Military Pay  
ATTN: DFAS-IN/JFLAKD  
8899 East 56th Street  
Indianapolis, IN 46249-0885  
dfas.indianapolis-in.jfl.mbx.dfas-in-systems@mail.mil

Navy: DFAS Cleveland  
Federal Office Bldg.  
1240 East 9th Street  
Cleveland, OH 44199-2055

Air Force: Members last servicing  
Financial Services Office (FSO)

U.S. Marine Corps: FO/DO responsible for the deceased Marine

080607. Travel Under Classified Orders

If classification of a TDY order is necessary, classify, mark, and handle the special order according to the applicable DoD Component security regulation.

A. Statement Substitute. The approving official may withdraw such orders and substitute the following certificate:

“I certify that the travel upon which allowances on this voucher are claimed was authorized by SECRET (or CONFIDENTIAL) travel orders issued on (date); the travel so ordered was performed; that where travel by private conveyance is involved, the official distance so covered is as stated on the claim; that where per diem is involved, the days and times of departure are as stated; that no Government quarters or meals were furnished except as stated thereon; the transportation mode and basis for reimbursement are correct; the time for which reimbursement is claimed was the minimum necessary; and I have shown or mailed to the paying disbursing official a copy of the travel orders upon which the voucher is based.”

B. Voucher Support. Distribute classified orders only to persons who have the proper clearance and who require a copy of the order. An unclassified extract from a classified order may be used to support the payment voucher if it furnishes enough information. This permits filing an unclassified travel claim. For classified locations, the traveler must indicate in the itinerary of the travel claim the location by showing site 1, site 2, and so forth. The DO must pay the claim if they can apply the per diem rate. If, however, the disbursing official does not have knowledge of the location or the traveler insists on not showing the location, process the travel claim and documentation per Service instructions.
080608. Multiple Payment Procedures in Connection With Sea Trial Trips

When more than one traveler participates in sea trial trips at the same time, between the same points, and the same accounting data is chargeable, submit a travel claim on a DD 1351-6, Multiple Payments List, to cover the entire group. Enter the notation “See Attached” in the appropriate blocks for the claimant’s name and the certifying official. A DD 1351-2 must support the claim.

080609. Navy Oceanographic Office

The disbursing office of the ship pays travel claims of employees of the Navy Oceanographic Office for travel aboard survey ships if presented for payment before completion of travel. The disbursing office of the traveler’s duty station pays travel claims filed after return to the traveler’s duty station.

080610. U.S. Coast Guard

A. U.S. Coast Guard Travel Using DoD Appropriations. Coast Guard members who travel on orders citing DoD appropriations should file travel claims the same as active-duty DoD members using the procedures applicable at the disbursing office of the unit whose funds are involved. Disbursing offices will settle these vouchers like those of any other member. If any excess travel time is involved, then forward a copy of the settlement voucher to:

Commanding Officer (TVL)
U.S. Coast Guard Pay and Personnel Center
444 SE Quincy Street
Topeka, KS  66683-3591

B. U.S. Coast Guard Travel on Other Than DoD Appropriations. When a Coast Guard member requests a travel advance or settlement payment on orders citing other than a DoD appropriation, the disbursing officer may provide payment and seek reimbursement from:

Commanding Officer
U.S. Coast Guard Finance Center
1430A Kristina Way
Chesapeake, VA  23326-1000

080611. Travel and Living Allowance (T&LA) for International Military Students and Guest Instructors

International Military Students and Guest instructors who are paid T&LA, as defined in Chapter 10 of Defense Security Cooperation Agency (DSCA) Manual 5105.38-M, Security Assistance Management Manual, must submit travel claims along with copies of their travel orders/authorization and required receipts for reimbursement to the appropriate travel settlement office (see DSCA Manual, Chapter 10, Section C10.13).
0807  COLLECTIONS AND INDEBTEDNESS FOR EMPLOYEES

080701.  Collections

The employee is billed in writing with a demand for payment. If the employee does not remit payment, the DO must initiate collection through salary deductions, set-off from final salary and allowances, lump-sum leave payment, the employee’s retirement account, or other amounts due the employee IAW with controlling debt collection regulations.

080702.  Uncollectible Cases

If the actions prescribed in paragraph 080701 do not result in full reimbursement to the Government, forward a record of all collection efforts and transactions to the same office as for an agreement violation claim in Chapter 6, paragraph 061104, except for delinquent indebtedness cases of former civilian employees of the Military Services. Forward debts for former civilian employees of the Military Services to:

DFAS-IN/Debt and Claims
Department 3300
8899 East 56th Street
Indianapolis, IN 46249-3300

0808  ADVANCE DECISIONS, DOUBTFUL CLAIMS AND RECLAIM/RECONSIDERATION REQUESTS

080801.  Request for Advance Decision

A DoD DO or certifying officer may request an advance decision on any questionable claim presented for payment. Additionally, accountable officials and others with final responsibility for adjudicating claims may request advance decision on doubtful claims (claims involving doubtful questions of law or fact) prior to preparation or presentment of a claim. The request must be prepared and submitted as required in Volume 5, Chapter 12. Submit the original request package and two copies to the DFAS Indianapolis office through the supporting DFAS site for the DoD Component that funds the travel order. An accountable officer desiring an advance decision on an issue involving the interpretation of the JTR must forward the request through the Per Diem Travel and Transportation Allowances Committee. Forward requests to the following addresses, as applicable:

Army, DFAS Indianapolis
Marine Corps, Travel Mission Area
Navy, and all ATTN: DFAS-IN/JJFKB
Defense Agencies 8899 East 56th Street
Indianapolis, IN 46249

Air Force Member’s last servicing
Financial Services Office (FSO)
A. Amounts Over $250. The supporting DFAS site must review each request and contact the DO to resolve any questions. Requests for amounts over $250 require advance decisions by the Defense Department Office of Hearing and Appeals (DOHA) for Service members and the Civilian Board of Contract Appeals (CBCA) for DoD civilian employees. Forward all requests for advance decisions through the General Counsel of the requesting Component or the DFAS to the General Counsel, DoD, before referral to any authorized official outside the DoD (see Volume 5, Chapter 12, paragraph 120301).

B. Amounts Under $250. If the advance decision request is for $250 or less, the General Counsel, DoD, may refer the request to the General Counsel, DFAS. The General Counsel, DFAS must review the request and issue an advance decision (see DoDI 1340.21, Procedures for Settling Personnel and General Claims and Processing Advance Decision Requests, Enclosure 8, paragraph E8.5.3.).

080802. Reconsideration Requests and Reclaims

When the travel office makes a decision concerning an allowance determination that the traveler disagrees with, that travel office must issue the traveler a written explanation and advise the traveler of the right to have the claim reconsidered. If the traveler does not accept the explanation of the DO, the DO must assist with the resubmission of the claim. To have a claim reconsidered (see exceptions in paragraph 080804), send:

A. A copy of the claim;

B. A letter of explanation from the traveler;

C. An endorsement from the approving officer; and

D. A letter of position from the travel computation office, through the major Command, to the appropriate DFAS site. The DFAS site must respond to the DO or traveler. If the traveler does not accept the decision, the DFAS site may forward the claim as a reclaim or appeal to DOHA or the CBCA. A reclaim or appeal is forwarded because the claimant is unwilling to accept the decision, and not because the travel office or accountable official has doubts as to whether the claim should be paid. The travel office or accountable official forwards such claims through the appropriate DFAS site to DOHA for Service members and the CBCA for DoD civilian employees at the following addresses.

Defense Office of Hearings and Appeals
Claims Division
PO Box 3656
Arlington, VA 22203-1995

Civilian Board of Contract Appeals
ATTN: Clerk of the Board
1800 F Street, NW.
Washington, DC 20405
080803. Waivers

Travelers or Components must submit waiver requests resulting from erroneous travel payments and transportation allowances to the DFAS Indianapolis site. See Volume 16, Chapter 4.

080804. Unions and Third-Party Review

When covered by a collective bargaining agreement, neither the Department, the Office of Personnel Management, the CBCA, nor the DOHA, has jurisdiction over the claimants claim unless the matter of travel claims is explicitly excluded from grievance under the collective bargaining agreement.

0809 CLAIM FOR LATE PAYMENT FEE

The Travel and Transportation Reform Act of 1998 (Public Law 105-264), governs the claim for late payment fees for late processing of a traveler’s travel claim.

080901. Submission of Travel Claim

Travelers must submit a properly prepared travel claim to their supervisor/approving official within five working days after completion of travel. The disbursing office pays the travel claim within 30 calendar days after the claim is signed and dated as received by the supervisor/approving official. The supervisor/approving official or the travel computation office has seven calendar days to notify the traveler if the travel claim is not proper or complete for payment.

080902. Late Payment Fee and Charges

If the disbursing office does not pay a travel claim within 30 calendar days after it is received by the office with responsibility to approve the claim, that office may be required to pay a late payment fee. This fee is payable, using the Prompt Payment Act interest rate, beginning on the 31st day after the submission of a proper travel claim and ending on the date that the Government disburses the payment. The only exception is that no payments are required for amounts less than $1.00. Interest payment funding instructions are located in Volume 10, Chapter 7. In addition, the Government must pay the traveler an amount equal to any late payment charge that the card contractor would have been able to charge had the traveler not paid the bill. The IRS has determined that the late payment fee is reportable as interest and that the Government reports payment equal to the late payment charge as additional wages. In addition, travelers must be reimbursed for late fees imposed by the bank if the nonpayment that caused the late fee was a result of the Government’s untimely processing of the travel claim. The bank does not assess late fees until 75 days following the billing statement.
Systems Modifications

As necessary, modifications are made to DoD Component travel systems to capture the date of submission of a proper travel claim and compute entitlement for late payment fees due as a result of untimely settlements.

Claims for Late Payment Fees

Payment of late fees must be calculated and paid at the time the claim is processed. Travelers who believe that late payment fees were not included in the calculation of their travel claim may submit supplemental travel claims for late payment fees. Claimants must submit each such supplemental travel claim through the office where the claim is reviewed/approved. That office must annotate the claim with the date of receipt of the original travel claim.

Receipt of Travel Claim for Late Payment Fee

Upon receipt of a travel claim for a late payment fee, the travel computation office must review the claim. That office must calculate the number of elapsed calendar days beginning with the signature and date of receipt by the supervisor/approving official and the date the claim was paid. The date the supervisor/approving official receives the proper travel claim counts as the first day and the payment date of the travel claim counts as the last day. If the number of days exceeds 30 calendar days, the travel computation office multiplies the amount paid on the delayed travel claim by the daily Prompt Pay Act interest rate by the number of days in excess of 30 days. Pay the traveler by EFT, or check if the previous payment was by check. The disbursing office must use the accounting classification used for the original travel claim for the amount charged to the supplemental travel claim. When required, prepare an IRS Form 1099-INT, Interest Income, for the traveler IAW IRS regulations.

Travel Claim Forwarded to Another Activity

If the traveler submits a travel claim and the travel computation office requires a review by another activity, such as for doubtful claims, the 30-day clock continues to run. If the travel computation office disallows a claim, the claimant earns no late payment fee. If the travel computation office allows part of the claim, that amount is subject to the late payment fee and that portion of the payment earns interest from the original submission date. Claims returned to the traveler for errors or incomplete travel claims do not earn interest. Start the 30-day clock when a corrected claim is submitted to the supervisor/approving official.
VOLUME 9, “DEFINITIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated September 2017 is archived.

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DEFINITIONS

Accountable Officials

Individuals appointed in writing to ensure the adequacy of system internal procedures, and serve as control points within an organization, focusing on minimizing opportunities for erroneous or improper payments.

Actual Expense Allowance

Payment of authorized actual expenses incurred, up to the limit prescribed by the Joint Travel Regulations (JTR), as appropriate. Entitlement to reimbursement is contingent on entitlement to per diem and is subject to the same definitions and rules governing per diem. See the JTR, Appendix A, and Chapter 2, paragraph 020307.

Actual Travel Time

The travel time from physical departure to arrival at the traveler’s temporary duty (TDY) location or permanent duty station (PDS).

Agency Program Coordinator (APC)

The individual who administers the Government travel card program and acts as the liaison between the travel card vendor and agency cardholders. APCs are responsible to the respective Department of Defense (DoD) Component Program Manager (CPM) for program execution and management at hierarchy levels determined by the DoD CPM.

Allowable Travel Time

The number of days allowed for official travel. See the JTR, Chapter 2, paragraph 020302.

Approve

As defined in the JTR, Appendix A, the ratification or confirmation of an act already done. Its use, with respect to official travel, applies equally to military and civilian personnel.

Approving Official

Individuals who direct and approve/disapprove travel requests and vouchers prior to claim settlement. They ensure the necessity and justification for travel orders. See the JTR, Appendix A.
Authorize

As defined in the JTR, Appendix A, the term ‘authorize’ is defined as the giving of permission before an act. Its use, with respect to official travel, applies equally to military and civilian personnel.

Authorized Travel Time

The maximum allowable travel time, determined before travel begins, and based on the mode of travel authorized in the orders.

Authorizing Official (AO)

The designated representative to whom final authority to issue travel orders is delegated in writing by a DoD Component, by organizational title, and/or by name. He or she directs travel and is responsible for funding. This is the same as Authorizing/Order-Issuing Official.

Authorizing Official (AO) (Defense Travel System (DTS))

An individual appointed in writing that is responsible for authorizing travel and approving travel claims by determining the necessity of trips and funds availability, assigning the proper line of accounting (LOA) prior to authorization, and approving travel claims for validity after completion of travel. The AO is the individual who controls the mission, authorizes the trip, and controls funds for TDY travel.

Cardholder

The cardholder is the legal agent of the government-issued travel card. The cardholder holds primary liability for the card’s proper use and payment.

Centrally Billed Accounts (CBA)

A card or account established by the travel card vendor at the request of a federal agency. Through a CBA, the travel card vendor bills the Government and payments are made directly to the travel card vendor by the federal agency responsible for the reconciliation of the account. CBA’s are issued directly to the Government and the Government retains liability for the CBA’s.

Certifying Official

An individual, designated in writing, who is responsible for the certification of travel vouchers for payment and the verification that payments made by the Government are legal, proper, and correct.
Component Program Manager (CPM)

The designated headquarters program manager for each agency using the General Services Administration (GSA) SmartPay contract. CPMs are responsible for establishing the hierarchies for their agency and distributing program management information from the Defense Finance and Accounting Service, the Defense Travel Management Office, and the GSA.

Concurrent Travel

Travel under which the traveler is accompanied or immediately followed by the traveler’s spouse and/or dependents.

Contiguous United States

The 48 contiguous states of the United States and the District of Columbia, which do not include Alaska (AK) and Hawaii (HI).

Continental United States (CONUS)

The 48 contiguous states of the United States and the District of Columbia. This definition specifically excludes the states of AK and HI as they are not part of the contiguous states and are included in the definition of Non-Foreign, Outside the Continental United States (OCONUS) locations. See Title 37, United States Code (U.S.C.), section 101.

Defense Travel System (DTS)

An efficient, flexible system for electronically creating travel authorizations, vouchers, orders, and pre-audit documents and for completing the post-travel claims processes. DTS provides for paperless electronic routing, review, and approval of the travel and associated documentation.

Dependent

The term ‘dependent’ is defined in the JTR, Appendix A. Dependents of uniformed members can be acquired, command sponsored, or non-command sponsored.

Designated Place

See the JTR, Appendix A and Chapter 6, in reference to evacuation allowances.

Digital Signature

An electronic analogue of a written signature. A digital signature can be used in proving to the recipient or a third party that a document or message was, in fact, signed by the originator.
Directed

An order to do something in a specific way.

Disbursing Office

An activity, or that organizational unit of an activity, whose principal function consists of the disbursement and collection of official funds for the Government.

Dislocation Allowance

An allowance paid to military members to partially reimburse them for expenses incurred in relocating their households. See the JTR, Chapter 5, Part A, section 0505.

Foreign Area

Any area or country outside the 50 states of the United States, District of Columbia, the Commonwealths of Puerto Rico and the Northern Mariana Islands, Guam, and U.S. territories and possessions. See the JTR, Appendix A.

Funeral Honors Detail

A group of individuals not employed by the Government who participate in a funeral honors detail for a veteran and may be authorized transportation or transportation reimbursement, and expenses. See 10 U.S.C. § 1491.

Government Bill of Lading

A government document used for the procurement of commercial transportation (moving) services.

Government Dining Facility or Government Mess

A government-owned facility, funded by appropriated funds. See the JTR, Appendix A.

Government Travel Charge Card (GTCC)

A charge card used by authorized individuals to pay for official travel and transportation related expenses for which the card contractor bills the Government (CBA) or individual (Individually Billed Account (IBA)). See the JTR, Appendix A.

Group Movement

As defined in the JTR, Appendix A, group movement is the movement of two or more travelers as a group, under the same orders (either Permanent Change of Station (PCS) or TDY travel) for which transportation is furnished by government-owned/procured means from the same
origin to the same destination. Movement may include locations en route as specified in the orders.

NOTE: Personnel, traveling together under orders directing no reimbursement or limited reimbursement, may be between any points en route, provided that the order specifically indicates the points between which the status applies.

Household Goods (HHG)

Items associated with the home and all personal effects belonging to a member/employee and dependents on the member’s order effective date/employee’s effective date of transfer/appointment that legally may be accepted and transported by an authorized commercial transporter. See the JTR, Appendix A, which states what HHG includes.

Individually Billed Account (IBA)

A type of account whereby a GSA SmartPay contractor-issued charge card is issued to a traveler to pay for official travel and transportation-related expenses for which the traveler is liable to pay. The traveler has liability for the use and payment of the account. See the JTR, Appendix A.

Invitational Travel Authorization (ITA)

A term applied to the authorized travel of individuals who are: not employed by the Government; employed intermittently by the Government under 5 U.S.C. § 5703 as consultants or experts and paid on a daily basis (when actually employed); or serving without pay or at $1 a year, or a volunteer covered by 10 U.S.C. § 1588. ITAs are not authorized for individuals merely to attend a meeting or conference, even if hosted by a DoD Component on a matter related to the Component’s official business. The traveler must be an actual “participant” in the proceedings of the gathering, and not there only for attendance. See the JTR, Chapter 3, section 0305.

Joint Travel Regulations (JTR)

The travel regulations that prescribe travel and transportation allowances authorized for members of the Uniformed Services, DoD civilian employees, and their dependents. The JTR is the Department’s implementing guidance for the Federal Travel Regulation (FTR), issued by the GSA.

Line of Accounting (LOA)

A data structure representing a DoD account that may be used to track travel funding (i.e., transportation, per diem, meals, and incidental expenses) associated with an organization’s budget and to ensure accurate accounting transactions.

Meals and Incidental Expenses (M&IE)

The term ‘Meals and Incidental Expenses’ is defined in the JTR, Appendix A, under Per Diem Allowance.
Non-Concurrent Travel

Travel under which the traveler is not accompanied or immediately followed by the traveler’s spouse and/or dependents.

Non-Foreign Outside the Continental United States (OCONUS) Area

The states of AK and HI; the Commonwealths of Puerto Rico and the Northern Mariana Islands; Guam; the U.S. Virgin Islands, and U.S. territories, and possessions (excluding the former Trust Territories of the Pacific Islands, which are foreign areas for JTR purposes.) See the JTR, Appendix A.

Object Classification

A code that classifies transactions according to the nature of the travel services performed rather than their purpose.

Open Travel Authorization

A written document issued or approved by an AO for the purpose of performing official government travel for a continuous period of time. Also commonly known as a “blanket” or “repeated” travel authorization. See the JTR, Appendix A, definition of “Order.”

Outside the Continental United States (OCONUS)

The area outside of the 48 states of the United States and the District of Columbia. See the JTR, Appendix A.

Payment Review Official

An individual who conducts random pre-payment or post-payment reviews in accordance with (IAW) Volume 5, Chapter 5.

Permanent Change of Station (PCS)

The term ‘Permanent Change of Station’ is defined in the JTR, Appendix A.

Permanent Duty Station (PDS)

The term ‘Permanent Duty Station’ is defined in the JTR, Appendix A. It is also referred to as “official station.”
Permissive/Administrative Travel Time

An authorized administrative absence not chargeable to leave and for which per diem and transportation allowances are not payable.

Personally-Procured Household Goods (HHG) Transportation

The transport and/or storage (Storage-in-Transit and/or Non-Temporary Storage) of HHG arranged by a member/employee and/or the member’s/employee’s agent.

Premium Class

Any class of transportation service above coach, such as business class or first class.

Privately Owned Vehicle (POV) for Transporting People

Any transportation mode actually used for the movement of persons from place to place, other than a Government conveyance or common carrier. Included is a conveyance loaned for a charge to, or rented at personal expense by the Service member or civilian employee for transportation on PCS or TDY travel, when such rental conveyance has not been authorized or approved as a special conveyance IAW the JTR, Chapter 2, paragraph 020209. A common carrier or a Government-owned conveyance is not a POV.

Privately Owned Vehicle (POV) for Shipment

Any motor vehicle owned by or leased (12 or more months) to a member/employee or dependents for the primary purpose of providing personal transportation. The vehicle must be self-propelled, licensed to travel on the public highways, designed to carry passengers or HHG; and must have four or more wheels. See the JTR, Appendix A.

Proportional Meal Rate

The average of the standard government meal rate and the meals portion of the applicable M&IE rate, rounded up to the nearest dollar. See the JTR, Appendix A. This meal rate is used as prescribed in the JTR, Chapter 2, Table 2-17.

Public Key Infrastructure

The framework and services that provide for the generation, production, distribution, control, accounting and destruction of public key certificates. Public key certificates provide digital signature and encryption capabilities, and certify the person’s identity, key authenticity, and permit use of digital signature in the DTS.
Receipt

A legibly written/printed/electronic document (or facsimile thereof) provided by a service provider or vendor to a customer, which provides documentary evidence that the service provider or vendor has been paid for services or goods, provided to the customer. To be considered valid, a receipt must contain the name of the entity providing the good(s)/service, the date(s) that the good(s)/service was/were provided/purchased, the price of the good(s)/service, any tax levied, the total monetary amount due, and must indicate that the total monetary amount due was paid.

Relocation Income Tax Allowance (RITA)

Reimburses an eligible transferred employee for the additional Federal, State, and local income taxes incurred by the employee (or by an employee and spouse if a joint tax return is filed) as a result of reimbursement, or payment, of certain travel and transportation expenses and relocation allowances that are not excludible from gross income for Federal income tax purposes. See the JTR, Chapter 5, Part F, section 0536, paragraph 053611, and the FTR, Part 302-17. A domestic partner is not a spouse and the employee cannot be reimbursed for additional Federal, State, and local income taxes incurred by the employee’s domestic partner if a joint tax return is filed.

Safe Haven

A designated area to which an employee and dependents and/or military dependents are ordered or authorized to evacuate. See the JTR, Chapter 6.

SmartPay

A GSA program that provides users with card-based tools to simplify procuring needs in three operational areas. The fleet card allows users to efficiently fuel and maintain vehicles, boats, planes, or equipment. The travel card allows users to purchase common carrier transportation, car rentals, lodging, and meals for official travel and travel-related expenses. The purchase card enables users to make day-to-day purchases of goods and services to satisfy official business needs.

*Special Conveyance

A commercially rented or hired vehicle; such as a taxi or cab. A POV or Government-owned/contracted vehicle is not a special conveyance. See the JTR, Appendix A.

Split Disbursement

Divides a travel voucher reimbursement between the GTCC vendor and the traveler. Specifically, it is a payment option whereby the traveler can designate a specified amount of his or her travel entitlement be sent directly to the SmartPay travel card vendor to pay down his or her account balance, and the remainder of the entitlement sent to his or her personal direct deposit account.
Supervisor Review

A review conducted by a person who has supervisory responsibilities over the person whom he or she directs to travel. The supervisor has knowledge of the basis for the traveler’s temporary duty travel claim. The supervisor reviews the travel claim to ensure that it is valid and accurate. He or she signs and dates the travel claim prior to submitting it to the proper travel computation office.

Temporary Change of Station

The relocation of an employee to a new PDS for a temporary period to perform a long-term temporary assignment, and subsequent return of the employee to the previous PDS upon completion of that assignment. See the JTR, Appendix A.

Temporary Duty (TDY)

Duty at one or more locations, away from the PDS, under an order providing for further assignment, or pending further assignment, to return to the old PDS or to proceed to a new PDS. For the purposes of Volume 9, temporary duty includes temporary additional duty (TAD) for those DoD Components that use TAD. See the JTR, Appendix A.

Temporary Quarters Subsistence Expense (TQSE)

A discretionary allowance, that is intended to partially reimburse employees for reasonable subsistence expenses to pay for lodging, food, and other necessities incurred when they and/or their dependents must occupy temporary quarters due to a PCS to a new PDS in the CONUS or non-foreign OCONUS. See the JTR, Chapter 5, Part F, section 0542.

Temporary Quarters Subsistence Expense-Actual Expense Reimbursement (TQSE(AE))

An allowance based on the standard CONUS per diem rate for temporary lodging occupied in CONUS localities; or the PDS locality per diem rate for temporary lodging occupied in OCONUS localities. The rates may be found at Per Diem Rates and Allowances. See the JTR, Chapter 5, Part F, section 0542, paragraph 054206.

Temporary Quarters Subsistence Expense-Lump Sum Reimbursement (TQSE(LS))

A fixed amount payment based on the PDS location’s maximum per diem that is in effect on the date that the fixed offer was accepted. Apply the per diem for the season in which the employee travels that is in effect on the day the employee accepts the fixed rate offer (e.g., offer accepted in November for travel the following June - uses the per diem rate in effect for the following June). See the JTR, Chapter 5, Part F, section 0542, paragraph 054208.
Transportation Officer (TO)

A person appointed or designated by the commander of a DoD activity to perform traffic management functions. This person may also be designated as “installation TO,” “traffic manager,” “traffic management officer,” or “passenger TO.”

Travel Authorization (Also Referred to as a Travel Order)

A written or electronic instrument issued or approved by a person(s) to whom authority has been delegated, that directs an individual or group of individuals to travel. See the JTR, Appendix A.

Traveler

A military member(s)/dependent(s), DoD civilian employee(s)/dependent(s), and invitational traveler(s) who travel in an official capacity.

Travel Management Company

A commercial activity providing a full range of commercial travel and ticketing services for official travel under a contract with the Government. This was formerly referred to as a Commercial Travel Office in the JTR.

Travel Status

The Service member’s/civilian employee’s status for the elapsed period of time from the beginning to the end of official travel in compliance with the authority in an order, including time en route awaiting transportation connections and delays en route beyond the traveler’s control. See the JTR, Appendix A.

U.S. Installation

As defined in the JTR, Appendix A, a base, post, yard, camp, or station under the local command of a uniformed service, with permanent or semi-permanent-type troop shelters and a Government Dining Facility/Mess, and at which there are U.S. Government operations. This includes only that area actually occupied by those operations (plus the minimum surrounding area necessary for close-in security) and excludes contracted hotels not contained on and operated by the Installation.

Withholding Tax Allowance (WTA)

An estimated partial payment that acts as an advance on the final RITA payment.

Year One (RITA)

The calendar year in which the WTA payment is made to a civilian employee.
Year Two (RITA)

The calendar year in which the RITA payment is made to a civilian employee.
VOLUME 10, CHAPTER 1: “FINANCIAL CONTROL OF VENDOR AND CONTRACT PAYMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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<td>All</td>
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<td>010403</td>
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CHAPTER 1

FINANCIAL CONTROL OF VENDOR AND CONTRACT PAYMENTS

0101 GENERAL

010101. Purpose

This chapter sets forth policy necessary to ensure internal controls are adequately established per stated laws and regulations for the entitlement and payment of goods and services. In addition, contract clauses have been outlined that may impose limitations on entitlement to financing or invoice payments. DoD officials are responsible for ensuring DoD organizations maintain control of payments made to vendors and contractors. Internal control and limitation requirements are necessary to ensure payments are based on terms and conditions contained in accepted purchase orders, contracts, and unilateral and bilateral modifications.

010102. Authoritative Guidance

The importance of internal controls is addressed in many statutes, regulations, and DoD executive documents, which include: the Federal Managers’ Financial Integrity Act (FMFIA); Office of Management and Budget (OMB) Circular A-123; Volume 1, Chapter 3; and DoD Instruction 5010.40.

0102 INTERNAL CONTROLS

010201. Statutory Compliance

The FMFIA establishes overall requirements with regard to internal controls, whereas the DoD Component Head is charged with establishing controls to reasonably ensure that:

A. Obligations and costs are in compliance with applicable laws;

B. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

C. Revenues and expenditures, applicable to DoD operations, are properly recorded and permit the preparation of reliable financial and statistical reports to maintain accountability over assets.

010202. Federal Standards

The FMFIA requires the Government Accountability Office (GAO) to issue standards for internal control in Government. Refer to GAO Standards for Internal Control in the Federal Government. These GAO standards provide the overall framework for establishing and maintaining internal control and for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse, and mismanagement. In
implementing these standards, financial managers are responsible for developing the detailed policies, procedures, and practices for contract and vendor pay entitlement operations and ensuring they are built into, and are a continuous and integral part of, ongoing operations. The OMB prescribes policies and standards for executive departments and agencies to follow in developing, operating, maintaining, evaluating, and reporting on financial management systems (see OMB Circular A-123, Appendix D).

010203. Regulatory Compliance

It is DoD policy to make payments and collections that are timely and accurate in accordance with applicable laws and regulations. These laws and regulations include requirements for identification, reporting, and reduction of improper payments (refer to Volume 4, Chapter 14 and Volume 5, Chapter 6). In addition, financial managers with responsibilities for ensuring internal controls are established and functioning properly to comply with this policy must:

A. Create, document, and maintain an organizational structure and business processes that appropriately segregate assigned duties, emphasize adherence to policies and procedures, and employ sound internal accounting and system access controls;

B. Implement finance and accounting systems that comply with the federal financial management systems requirements, maintain accurate and complete accounting and entitlement records from contract execution through closeout, and monitor the causes of late payments and interest penalties. The complete listing of financial management system requirements is in the Business Enterprise Architecture, maintained by the Chief Management Officer. Efforts to develop or modify a critical financial management system must be subject to the compliance process (see Volume 1, Chapter 3);

C. Establish systematic controls that provide adequate audit trails to allow the tracing of financial events from source documents to general ledger account balances through successive levels of summarization and financial reports/statements. Ensure all transactional data is processed using accurate coding, and errors are researched and corrected;

D. Utilize electronic processes and digital signatures, as prescribed by OMB Circular A-130, Appendix II, whenever possible and in the best interest of the Government;

E. Employ systems that ensure the authenticity of electronically transmitted data, including the electronic signature. Such controls must provide reasonable assurance that deliberate or inadvertent manipulation, modification, or loss of data during transmission is detected;

F. Ensure prevalidation and payment documentation to vendors and contractors is retained in accordance with Volume 1, Chapter 9 and is readily available to support future audit efforts. Original payment documentation, and associated supporting documentation, must also be retained in accordance with Chapter 8, paragraph 080401. The documentation must be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the prevalidation and the payments. Electronic record storage
requires adequate controls to ensure that integrity of the digital images accurately represents the corresponding paper documentation and detects changes to an original digital image. The retention of documentation, both paper and electronic records, is the responsibility of the certifying officer; and

G. Implement finance and accounting data structures that comply with the Standard Financial Information Structure and the Standard Line of Accounting (see Volume 1, Chapter 4).

010204. Periodic Reviews

Managers with responsibilities for determining entitlements, authorizing, or executing payments and collections must:

A. Periodically (minimum annually) validate cash management and payment performance quality and effectiveness; and

B. Periodically (minimum annually) test effectiveness of internal controls, document results of testing, and take necessary corrective actions (see OMB Circular A-123).

0103 PREVALIDATION

010301. General

Prevalidation, as described in Public Law 104-61 Sec. 8102, is the process of matching the planned disbursement with a recorded obligation before the financing or invoice payment is made, and is intended to minimize the occurrence of problem disbursements and Antideficiency Act violations (see Volume 14, Chapter 2).

A. Obligations (and any adjustments) must be established and recorded for the amounts of orders placed and contracts awarded that will require payment in the current or some future accounting period, as prescribed in Volume 3, Chapters 8 and 15.

B. Liabilities for payment, including accounts payable, must be established as prescribed in Volume 4, Chapters 8 and 9.

C. Prior to payment, the undisbursed balance of each applicable obligation must be sufficient to cover the amount of the planned disbursement, as well as all previously scheduled disbursements (see Volume 3, Chapter 11).

D. Situations may occur when an entitlement office receives a payment request before fund managers have recorded the obligation in the accounting system, resulting in the inability to accomplish prevalidation. Policy addressing this situation exists in Volume 3, Chapter 8 (section 0814), and it directs the accounting office to immediately record an obligation based upon valid and proper obligation documents in its possession for amounts that are $2,500 or less.
If the dollar amount is greater than $2,500, the accounting office must take the actions required to remedy the unrecorded obligations as prescribed in Volume 3, Chapter 8, subparagraph 081403.B.

E. Prevalidation must ensure validation of the line of accounting associated with the planned disbursement with the line of accounting on the obligating document before the financing or invoice payment is made.

010302. Thresholds

The following thresholds have been established for Non-Mechanization of Contract Administration Services (non-MOCAS) and MOCAS payments.

A. All non-MOCAS payments must be prevalidated.

B. The following prevalidation thresholds must be used for MOCAS payments:

1. All dollar value payments made on contracts awarded after fiscal year (FY) 2004 must be prevalidated; and

2. For contracts issued during FY 2004 and prior, payments greater than $5,000 must be prevalidated.

0104 PAYMENT LIMITATIONS

The following contract clauses, when applicable, may impose limitations on entitlement to financing or invoice payments.

010401. Limitation on Undefinitized Contracting Actions

A. According to Defense Federal Acquisition Regulation Supplement (DFARS) 217.7401, “definitization” means the agreement on, or determination of, contract terms, specifications, and price, which converts the undefinitized contract action to a definitive contract. Also, DFARS 217.7401 states an “undefinitized contract action” means any contract action for which the contract terms, specifications, or price are not agreed upon before performance is begun under the action. Examples are letter contracts, orders under basic ordering agreements, and provisioned item orders for which the price has not been agreed upon before performance has begun.

B. In accordance with Federal Acquisition Regulation (FAR) 16.603-4, letter contracts must include FAR 52.216-24 among others. Under the terms stated in this clause, the maximum amount of the Government’s obligation is the amount specified in the clause. However, if a contractor submits a qualifying proposal before 50 percent of the not-to-exceed price has been obligated by the Government, then the limitation on obligations before definitization may be increased to no more than 75 percent (see DFARS 217.7404-4 and DFARS 252.217-7027).
However, some exceptions apply for purchases of initial spares and contingency operations, as well as humanitarian or peacekeeping operations. See **DFARS 217.7404-5** for additional information.

010402. Limitation of Cost or Funds

A. The basic requirements for contract funding are described in FAR 32.7, and supplemented by **DFARS 232.7**. No officer or employee of the Government may create or authorize an obligation in excess of the funds available, or in advance of appropriations, unless otherwise authorized by law (see Volume 14, Chapter 2). Before executing any contract, the contracting officer must obtain written assurance from the responsible fiscal authority that adequate funds are available, or expressly condition the contract upon availability of funds, in accordance with **FAR 32.703-2**.

B. Fully-funded, cost-type contracts may include **FAR 52.232-20**, or incrementally funded, cost-type contracts may include **FAR 52.232-22**. Under the terms stated therein, the Government’s obligation to the contractor (and the contractor’s obligation to perform) is generally limited to the funds allotted to the contract. Both FAR contract clauses require the contractor to notify the contracting officer 60 days (or as otherwise directed by the contract) prior to the date when it is expected that incurred costs will exceed 75 percent (or 85 percent if specified by the contract) of contract estimated costs for fully-funded cost contracts, or amounts allotted to the contract for incrementally-funded cost contracts.

*010403. Limitation on Withholding of Payments

In accordance with **FAR 32.111(b)(2)**, supply; research and development; service; time and materials; or labor hour contracts, that include two or more terms that authorize temporary withholding of amounts otherwise payable, must include a clause substantially the same as **FAR 52.232-9**. Under the terms stated therein, the total amount that may be withheld at any one time must not exceed the greatest amount that may be withheld under any one clause or the contract schedule term amount at the time. This limitation does not apply to withholding under any clause related to employee wages, the recovery of overpayments, withholdings not specifically provided for by the contract, or any withholding for which the contracting officer determines the limitation would not be appropriate.

010404. Limitation of Government’s Obligation

In accordance with **DFARS 232.705-70**, incrementally funded, fixed-price contracts (one or more incrementally funded contract line items) must include **DFARS 252.232-7007**. Under the terms stated therein, the Government’s obligation to the contractor for the incrementally funded contract line item number(s) (and the contractor’s obligation to perform) is limited to the funds allotted. The contract clause requires the contractor to notify the contracting officer 90 days (or as otherwise directed by the contract) prior to the date when the work will approximately reach 85 percent of the amount then allotted.
VOLUME 10, CHAPTER 2: “DISCOUNT OFFERS AND REBATES/REFUNDS”

SUMMARY OF MAJOR CHANGES

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<tr>
<td>020302.A</td>
<td>Clarified the supporting documentation requirement for Rebates/Refunds.</td>
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CHAPTER 2

DISCOUNT OFFERS AND REBATES/REFUNDS

0201 GENERAL

020101. Purpose

This chapter prescribes the policy for payment discounts and government purchase card (GPC) rebates. This chapter also provides information on determining if discounts should be taken and provides information on rebates offered by GPC issuers to encourage early payment.

*020102. Authoritative Guidance

The Department of Defense (DoD) will follow the supporting guidelines for taking discounts and rebates found in Title 5, Code of Federal Regulations (CFR), part 1315; Federal Acquisition Regulation (FAR), Subpart 32.906(e); and Office of Management and Budget (OMB) Circular A-123, Appendix B, Chapter 7. Travel card rebates are addressed in DoD Government Travel Card Regulations, promulgated under the authority of DoD Instruction 5154.31, Volume 4, Commercial Travel Management: “DoD Government Travel Charge Card Program.” The OMB, Circular A-130, Appendix II prescribes the use of electronic processes and digital signatures whenever it is possible and in the best interest of the Government.

0202 DEFINITIONS

020201. Discount Date

As prescribed by 5 CFR 1315.2(o), the discount date is the date by which a specified payment reduction, or discount, may be taken in accordance with the discount terms.

020202. Discount Period

The discount period is the period during which a discount may be taken. The discount period begins from the invoice date placed on a proper invoice by the vendor. If the vendor did not include the invoice date on the invoice, the discount period would begin on the date a proper invoice is actually received and date stamped or otherwise annotated by the designated agency office in accordance with 5 CFR 1315.7(d) and 5 CFR 1315.9(b). See Chapter 7, paragraph 070204 for guidance on determining the invoice receipt date. The discount period ends on the discount date. When the discount date falls on a weekend or legal holiday, the discount may be taken if payment is made on the next business day as prescribed in FAR, Subpart 32.906(e).

020203. Effective Annual Discount Rate

The effective annual discount rate is the annualized value of the discount offered during the discount period. The DoD will take the discount when this rate equals or exceeds the Treasury Current Value of Funds Rate (CVFR). Use the Bureau of the Fiscal Service (Fiscal Service)
Discount Calculator to determine if it is economically justified to accept a discount offered by a vendor.

020204. Entitlement Office

The entitlement office is the designated activity to authorize the release of funds or other benefits to those with legally established rights granted by law or by agreement through contract. The entitlement office may also be referred to as the payment office.

020205. Liquidated Damages

As provided for in FAR, Subpart 11.5, an agency may establish in a contract a predetermined rate of liquidated damages to be paid in the event of an unexcused delay in performance or delivery, or a breach of contract. Liquidated damages are paid by the contractor and are used to compensate the agency for probable damages associated with the unexcused delay or breach. Liquidated damages are not punitive or negative performance incentives.

020206. Rebate/Refund

A. As defined by 5 CFR 1315.2(aa), a rebate is a monetary incentive offered to the DoD by GPC issuers to pay monthly GPC billing statements early. A corrective rebate is done to correct improper or erroneous payments or for an invoice adjustment. The terms “rebate” and “refund” are used interchangeably throughout the CFR, OMB guidance, and existing legislation.

B. The current General Services Administration contract offers productivity refunds based on timeliness and/or frequency of payments and sales refunds based on the dollar volume during a specified period. As stated in OMB Circular A-123, Appendix B, Chapter 7, a refund is a monetary payment provided by a charge card issuer to the agency/organization as stated in the contract. The three types of refunds are:

1. Sales refunds, which represent payments from the charge card issuer to the agency/organization based on the dollar or “spend” volume during a specified time period;

2. Productivity refunds, which represent payments from the charge card issuer to the agency/organization based on the timeliness and/or frequency of payments made to the contractor; and

3. Corrective refunds, which are payments from the charge card issuer to the agency/organization to correct improper or erroneous payments or an invoice adjustment.

020207. Trade-in

Merchandise accepted as partial payment for a new purchase is referred to as trade-in property.
020208. Treasury Current Value of Funds Rate (CVFR)

The CVFR is used to assess interest charges for outstanding debts owed the government, to evaluate the cost-effectiveness of a cash discount or sales/productivity refund, and to determine when agencies should pay purchase card invoices when a rebate is offered by the card issuer. Use the Fiscal Service CVFR to view current and historical CVFRs.

0203 POLICY

020301. Discounts

A. As prescribed by 5 CFR 1315.7(a), if a DoD Component is offered a discount by a vendor, whether stipulated in the contract or offered against an invoice, a DoD Component must take the discount if economically justified, but only after acceptance of the goods or services has occurred. FAR, Subpart 32.111(b) requires FAR, clause 52.232-8, “Discounts for Prompt Payment,” be included in all fixed-price supply and service contracts. The contractor may extend the discount period or increase the discount percentage beyond a previous offer. The offer may be in writing, or it may be oral for specific invoices. If the offer is oral, then the entitlement office must attach a conversation record to the invoice with the name and position of the person offering the discount, the discount terms, the person’s telephone number, and the date of the offer. The entitlement office has the option of requiring written confirmation of the verbal offer.

B. Entitlement offices must schedule discounted payments as close to, but not later than, the last day of the discount period. Payment is considered to be made on the date printed on the check, or on the electronic funds transfer settlement date, per 5 CFR 1315.4(h). If the payment office cannot apply the discount, payments must be made in accordance with the payment due date guidelines prescribed in 5 CFR 1315.4(g).

C. A discount is advantageous to the DoD when the discount terms yield an effective annual discount rate that equals or exceeds the CVFR, calculated using the Fiscal Service Discount Calculator cited in paragraph 020203. DoD Component payment systems must incorporate processes that take advantage of cash discounts as a matter of routine, which eliminates any need for special handling. Such discounts must be taken when the discount terms applied in the conversion formula result in an effective annual discount rate equal to or greater than the CVFR.

D. Discounts must not be taken when the payment is made after the discount date. As prescribed by 5 CFR 1315.7(b), when an agency takes a discount after the discount date, interest must be paid on the amount of the discount taken. Interest will be calculated for the period beginning the day after the specified discount date through the payment date of the discount erroneously taken, as prescribed in 5 CFR 1315.10(a)(6).

E. When the discount terms in the contract and the invoice differ, DoD Components must take the most cost effective discount.
F. Compute discounts on the approved gross amount of the invoice, except as follows:

1. Deduct taxes or freight charges that are separately listed.

2. Deduct taxes that are not proper charges under international or status of forces agreements.

3. Compute the discount on the actual cash balance due when there is a trade-in.

4. When the entitlement system has the capability to trace and pay individual line items on an invoice, the invoice may be split into multiple payments. Each line item must meet the receipt and acceptance requirements to take advantage of the discount offered against the invoice.

5. Contract or purchase order modifications may change or add discount terms. Take the discount on any subsequent payment that is made by the new or revised discount date when new or revised discount terms apply.

G. Discounts may be taken on amounts legally withheld and later released if related amounts were paid in accordance with the discount terms. The discount period for the released payment will begin when the entitlement office receives notification of the release.

H. The following requirements are used when liquidated damages apply and a contract for supplies, services, research and development, or construction includes FAR, clause 52.211-11 or 52.211-12 or Defense Federal Acquisition Regulation Supplement, clause 252.217-7009.

1. When liquidated damages apply, and the contract or invoice contains an offer of a discount for early payment, compute the discount on the gross contract price without regard to the amount of liquidated damages.

2. When liquidated damages apply to a price that is modified, and the contract contains an offer of a discount for early payment, compute the discount based on the modified price without regard to the liquidated damages.

I. After a progress payment has been made, the government is entitled to a discount on any part of delivery payments applied in liquidation of progress payments.

1. When the discount terms have been met, take the discount against the gross amount of the invoice. If the discount date is not met, only take the discount against the amount of the liquidation. The discount still applies to the liquidation portion of the payment even in instances in which the discount period has expired on the balance due on the partial delivery.
2. If the contractor has had the use of these progress payments, the payment office is entitled to take a prompt payment discount on them at the time they are recouped.

3. If the discount is offered for the first time on an invoice and the contract does not have a discount clause, then do not take the discount on the progress payment liquidation portion of the invoice.

J. In rare instances, the contractor may offer a voluntary discount after a contract is completed, including final payment. These discounts are distinguished from early payment and volume discounts in that voluntary discounts are discretionary with the contractor and do not reduce the amount obligated against the paying appropriation. Do not treat discounts received after contract completion as rebates. Such discounts must be deposited in the Miscellaneous Receipts Account of the U.S. Treasury.

K. When contracts have Free On Board Origin terms, payments made prior to the delivery of supplies to the carrier or delivery to the destination are entitled to the discount offered on the contract.

L. Components need to be cognizant of the amount of discounts lost, or not taken, as part of their overall payment operations. Tracking discounts lost can provide additional insight into the efficiency and effectiveness of payment operations, and identify opportunities to take advantage of limited budgetary resources by increasing the amount of discounts received. Entitlement or disbursement system capabilities must be in place to identify and periodically report discounts lost to management for assessment and appropriate corrective actions.

M. Components must ensure that documentation supporting the discount transactions is retained in accordance with Volume 1, Chapter 9 and is readily available to support audit efforts. The documentation must be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the entitlement and the determination of a discount.

*020302. Rebates/Refunds

A. Components must have internal controls and procedures in place to allow them to maximize the sales and productivity refunds, and to identify and collect the corrective rebates. Components must ensure that documentation supporting the rebate/refund transactions is retained in accordance with Volume 1, Chapter 9 and is readily available to support audit efforts. The documentation must be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the rebates/refunds.

B. GPC billing statements must be paid as soon as administratively possible when the rebate offered is greater than the cost of funds as defined in 5 CFR 1315.8. The Defense Finance and Accounting Service must determine and make available, as needed, GPC payment data that compares the Current Value of Funds to the rebate discount points, for the payment cycle day. This data must be used to assist Components in performing a cost and benefit analysis as part of their consideration of the cost of early payment. This cost is the interest amount the DoD will
earn at the CVFR for each day the payment is not made. Specifically a comparison will be made between the basis points offered by the card issuer and the corresponding basis points of the Treasury’s CVFR. DoD Components must forward their approved GPC billing statements to allow sufficient time to process the payment, receive a rebate for early payment, and avoid interest penalties per 5 CFR 1315.8.

C. DoD Components may use the Fiscal Service Rebate Spreadsheet, which automatically calculates the net savings to the government and whether the DoD Component must pay earlier than the normal contractual payment terms. The only variables required for input to this spreadsheet are the CVFR, the maximum discount rate (that is, the rate from which basis points offered by the card issuer are derived), and the amount of money owed. If the DoD Component elects not to use the spreadsheet, a manual computation can be performed as described in 5 CFR 1315.17.

D. The charge card issuer is required to calculate the rebate and return that amount to the DoD customer designated in the contract. DoD Component entities subject to the receipt and use of the rebates/refunds must employ the necessary internal controls and procedures to ensure that rebates are received when due as per the terms of their GPC contract, and that the rebates received from the charge card issuer are calculated properly.

E. Pursuant to Title 10, United States Code, section 2784, DoD rebates attributable to the use of the GPC may be credited to operation and maintenance, and/or research, development, test, and evaluation accounts which are current when the rebates are received. For example, if a rebate is received in the new fiscal year against a bill that was paid in September of the previous fiscal year, the rebate may be credited to the operation and maintenance and/or research, development, test, and evaluation account(s) current after October 1 of the new fiscal year. This includes the operational portion of a nonappropriated or working capital fund account.
## VOLUME 10, CHAPTER 3: “CONTRACTUAL CLAIMS”

### SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated March 2018 is archived.

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<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<tr>
<td>030102</td>
<td>Added Federal Acquisition Regulation (FAR) part 33 to the authoritative guidance as it is referenced throughout the chapter.</td>
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<tr>
<td>030401.A</td>
<td>Clarified language to mirror the statute by changing “any” financing institutions to “other” financing institutions.</td>
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<td>030401.C</td>
<td>Changed “when” to “if” to properly describe the assignment of rights under the contract.</td>
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<tr>
<td>030401.E.2</td>
<td>Changed “will” to “must” to emphasize the requirement to initiate collection against the payee for any erroneous payment.</td>
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<tr>
<td>030402.A.1</td>
<td>Clarified that a true copy of the instrument of assignment includes a photostat copy as prescribed by FAR 32.805(b).</td>
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<td>030406.D</td>
<td>Clarified the special considerations for the assignments of claims to ensure consistency with the statute and the exception authorized.</td>
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<td>030501.C</td>
<td>Clarified contract transfers to mirror the statute by noting that they are allowable when it is in the best interest of the Government.</td>
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<td>030502</td>
<td>Clarified novation and change of name agreement responsibilities by providing the specific FAR citation.</td>
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<td>030602</td>
<td>Clarified the reimbursement of the judgment fund by including the statutory authority.</td>
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CHAPTER 3

CONTRACTUAL CLAIMS

0301 GENERAL

030101. Purpose

This chapter prescribes financial management policy relating to contractual claims against the United States, which must be adjudicated by the responsible party before payment is made or denied. This chapter also addresses the assignment of claims, name change agreements, and claims that fall under the Contract Disputes Act (CDA). It also includes the regulatory authority, required documentation, and the responsibilities of the agencies involved.

*030102. Authoritative Guidance

*Title 31, United States Code (U.S.C.), section 3727 provides statutory requirements concerning the assignment of claims, and 41 U.S.C. § 7101-7109 provide statutory requirements for contracts in dispute. The *Federal Acquisition Regulation (FAR) part 32, Contract Financing, and FAR part 42, Contract Administration and Audit Services, govern claims for monies due, or to become due, under Government contracts. The FAR part 33, Protests, Disputes, and Appeals, provides statutory requirements for filing protests and for processing contract disputes and appeals. Specific criteria and required documentation for payment of valid claims are identified in these provisions and included in this chapter.

0302 INTERNAL CONTROLS

Internal controls must be in place to ensure that duplicative or erroneous payments do not occur (for regulatory compliance, refer to Chapter 1). Managers with responsibilities for determining entitlements, authorizing or executing payments, and performing collections must perform periodic (minimum annual) risk assessments to ensure that sufficient management control mechanisms are in place to ensure that Department of Defense (DoD) funds are spent appropriately, and in accordance with all applicable laws and regulations. Refer to Volume 4, Chapter 14 for additional guidance related to improper payments and related risk assessments.

0303 RETENTION

The retention of payment documentation, both paper and electronic records, is the responsibility of the certifying officer. Electronic record storage requires adequate controls to ensure that integrity of the digital images accurately represents the corresponding paper documentation and detects changes to an original digital image. Refer to Volume 1, Chapter 9, Figure 9-1 for DoD financial records retention policy. *Title 44, U.S.C. § 2909 prescribes the authority to retain records for a longer period than specified in the U.S. National Archives and Records Administration, General Records Schedules.
0304 ASSIGNMENT OF CLAIMS

*030401. Conditions for Assignment of Claims

The FAR subpart 32.8 prescribes requirements for the assignment of contractual claims, which refers to the transfer by the contractor of its right to be paid by the Government for contract performance to a bank, trust company, or other financing institution, as security for a loan made to the contractor.

A. The authorization to assign claims to banks, trust companies, or other financing institutions (including federal lending agencies) of monies due, or to become due, under Government contracts totaling $1,000 or more is prescribed by 41 U.S.C. § 6305 and 31 U.S.C. § 3727, if not prohibited in the contract.

B. A contract may prohibit the assignment of claims if the agency determines the prohibition to be in the Government’s interest prescribed by FAR 32.803(b).

C. When a contractor receives payment by the Government Purchase Card, the contractor may not assign their rights under the contract if the contract is for commercial items and includes the FAR clause 52.212-4.

D. Unless otherwise expressly permitted in the contract, the assignment must:

1. Cover all amounts payable under the contract not already paid; and

2. Not be made to more than one party, except that it may be payable to a party acting as the agent or trustee for more than one party participating in the financing.

E. If an agency pays a party other than the assignee when a properly filed and approved assignment of claims is on record, it may result in Government liability to the assignee.

1. When such an error occurs, the agency remains liable to the assignee for the amount of the payment, subject to potential defenses; and

2. The agency must initiate collection against the payee for any erroneous payment.

F. Refer to the Defense Federal Acquisition Regulation Supplement (DFARS) subpart 232.8 for additional guidance concerning the assignment of claims.

*030402. Actions Required for Assignment of Claims

A. As prescribed by DFARS 232.8 and FAR 32.805(b), the assignee will:
1. Forward to the Administrative Contracting Officer (ACO) a true copy of the instrument of assignment, which is a certified duplicate or photostat copy of the original, and an original and three copies of the notice of assignment;

2. Forward to the surety or sureties, if any, a true copy of the instrument of assignment, and an original, and three copies of the notice of assignment. The surety will return three acknowledged copies of the notice to the assignee, who will forward two copies to the disbursing officer of the payment office designated in the contract; and

3. Forward to the disbursing officer of the payment office cited in the contract a copy of the instrument of assignment and an original and copy of the notice of assignment.

B. The ACO will acknowledge receipt by signing and dating all copies of the notice of assignment and will:

1. File the true copy of the instrument of assignment and the original of the notice in the contract file;

2. Forward two copies of the notice to the disbursing officer of the payment office cited in the contract;

3. Return a copy of the notice to the assignee; and

4. Advise the contracting officer of the assignment.

C. If the ACO determines that the assignment is valid, the disbursing officer of the designated payment office must acknowledge the notice of assignment and take the required actions as follows:

1. Acknowledge and return a signed copy of the notice of assignment to the assignee and file the true copy of the instrument of assignment and the original notice of assignment;

2. Authorize payment to assignees only after receipt of the following assignment documents:

   a. A copy of the notice of assignment acknowledged by the contracting officer;

   b. A copy of the signed notice and a true copy of the instrument of assignment from the assignee; and

   c. A copy of the notice acknowledged from the surety or sureties, if any, or a copy received from the surety or sureties via the assignee; and
3. Ensure the payment office designated in the contract is provided a copy of the instrument of assignment and the signed notice of assignment.

D. If the ACO rejects the assignment, the disbursing officer of the designated payment office returns the acknowledged notice, and copy of the assignment, to the assignee. The ACO advises the assignee that the assignment cannot be recognized for the reasons stated by the contracting officer.

E. Components and agencies must maintain procedures to ensure the appropriate payment office is provided a copy of the instrument of assignment and the signed notice of assignment.

030403. Letter Contracts

When entering into an assignment of claims under letter contracts, notices (with copies of assignments) are forwarded, by the assignee, to the contracting officer and the designated disbursing officer of the payment office cited in the contract.

A. If a letter contract is assigned, that assignment is not voided by a subsequent definitization of the contract.

B. Contracting officers, and the disbursing officer of the designated payment offices, accept receipt for, and honor the assignment of, the proceeds of a definitive contract superseding a letter contract.

030404. Open-End, Call-Type, or Indefinite-Delivery-Type Contracts

Assignment of claims under open-end, call-type, or indefinite-delivery-type contracts are authorized, provided orders of $1,000 or more are placed prior to the assignment, or the basic contract imposes a minimum obligation of $1,000 or more. When the designated payment office cannot determine whether an assignment of claims applies to an individual call or order under indefinite-delivery-type contracts, the designated payment office must withhold payments until the ACO determines the status and validity of the assignment. Refer to FAR subpart 16.1 for information concerning contract types.

030405. Basic Ordering Agreements

Basic ordering agreements require a notice of assignment for each delivery order/supplemental procurement identification number. A notice of assignment will not be acknowledged, based solely on a basic ordering agreement, because the basic ordering agreement is not a contract between the Government and contractor (FAR 16.703(a)). The contracting officer must return the notice, and a copy of the assignment, to the assignee and advise that assignments may be acknowledged on individual orders of $1,000 or more. Consult the agency legal office for determination if there is any doubt on any of these types of contracts.
*030406. Special Considerations for Assignments of Claims

The following are special considerations:

A. Two assignments of the same contract cannot exist without a release from the first assignment (41 U.S.C. § 6305). An authorization of a second assignment may only occur upon releasing the first assignment and notifying the original parties. Refer to FAR 32.805 for further guidance;

B. If the amount of the contract is increased, it is not necessary to execute an additional assignment;

C. The date of assignment cannot be before the date of the contract;

D. Except as authorized by 41 U.S.C. § 6305(b), the transfer of contracts, or any interest in the contract to another party, is prohibited (41 U.S.C. § 6305(a)); and

E. Payments to the assignee are not subject to reduction or setoff for an assignor's liability, unless departments/agencies decide it is in the Government's interest, or if the contracting officer makes a determination prescribed by DFARS 232.803(d).

030407. Release of Assignment of Claims

A release of an assignment is required prior to a further assignment or reassignment. A release of an assignment is also required when the contractor wishes to establish a right to receive payments after the contractor’s obligations to the assignee have been satisfied, and a balance remains due on the contract.

A. If the assignee releases the contractor from an assignment of claims under a contract, the contractor must file a written notice of release together with a true copy of the release of assignment notice to the same offices noted in subparagraph 030402.A.

B. The ACO:

1. Signs and returns a copy of the release notice to the contractor;

2. Files the true copy of the instrument of the release of assignment and the original release notice with the contracting office’s copy of the contract. The ACO and surety's acknowledgment are required. Refer to FAR 32.805(e) for additional guidance; and

3. Signs, dates, and returns the release notices to the assignee.

C. The designated payment office makes remaining payments to the contractor once it receives the following release documents:

1. A true copy of the instrument of release of assignment, and
2. The original and two copies of the release notice.

030408. Electronic Funds Transfer

If a contractor attempts to change the identity of the payee by changing Electronic Funds Transfer (EFT), or other information, in System for Award Management (SAM), without complying with the rules governing novation agreements and assignment of claims, the payment information will be incorrect within the meaning of the “Suspension of Payment” paragraph of the EFT clause in the contract (FAR 4.1102(d)). Assignees must be registered separately in SAM to ensure the financial institution identified in the assignment meets the requirement for EFT.

0305 NOVATION AND CHANGE OF NAME AGREEMENTS

*030501. Legal considerations

A. A novation agreement is a legal instrument executed by all of the following: the contractor (transferor), the successor in interest (transferee), and the U.S. Government. The transferor guarantees the performance of the contract, the transferee assumes all obligations under the contract, and the Government recognizes the transfer of the contract and related assets. Refer to FAR subpart 42.12 for additional information.

B. A change of name agreement is a legal instrument executed by the contractor and the Government that recognizes the legal name change of the contractor without affecting the original contractual rights and obligations of the parties.

C. Title 41 U.S.C. § 6305 prohibits the transfer of Government contracts. However, as prescribed by FAR 42.1204(a), the Government may, when it is in its interest, recognize another party as the successor in interest to a Government contract when the third party’s interest in the contract arises out of the transfer of all the contractor’s assets, or the entire portion of the assets involved in performing the contract. Examples include, but are not limited to:

1. Sale of the assets with a provision for assuming liabilities;
2. Transfer of the assets incident to a merger or corporate consolidation; or
3. Incorporation of a proprietorship or partnership, or formation of a partnership.

*030502. Contractor and Contracting Officer Responsibilities

The contractor provides evidence to the contracting officer responsible for processing and executing novation and change of name agreements, as prescribed by FAR 42.1203(a-g).

A. The contracting officer enters into a bilateral modification to the contract, which changes the name of the contractor, as prescribed by FAR 42.1203(h).
B. Refer all questions regarding the novation and change of name agreements to the contracting officer.

030503. Transfer of Contractual Obligation

When a contracting officer approves the transfer of a contractual obligation to another contractor, the transferor guarantees the performance of the contract by the transferee (a satisfactory performance bond may be accepted instead of the guarantee).

A. A transferee assumes all the transferor’s obligations under the contract, and the transferor waives all rights under the contract with the Government. Refer to the FAR 42.1204 for additional guidance.

B. When it is in the Government’s interest not to concur with the transfer of a contractual obligation from one company to another company, the original contractor remains under contractual obligation to the Government.

0306 CONTRACT DISPUTES

030601. Contractor Claims

The CDA waives the Government's sovereign immunity, permitting contractors to appeal a contracting officer’s final decision to the appropriate board of contract appeals, or file suit in the Court of Federal Claims.

A. The Armed Services Board of Contract Appeals is an independent tribunal that presides over disputes under the CDA of 1978, codified at 41 U.S.C. §§ 7101-7109, which allows Federal Government contractors to file a claim with the DoD for monetary damages, and other legal remedies related to their contractual dealings.

B. Routine submissions for payment are not considered claims under the CDA. The submission may be converted to a claim by written notice to the contracting officer as provided in FAR 33.206(a).

C. All claims by contractors against the U.S. Government must be a written demand or assertion submitted to the contracting officer for a decision. A contractor asserting a claim exceeding $100,000 must provide a certification as required by, FAR 33.207(c).

*030602. Claims Settlement and Final Judgement

030603. Interest Penalties

Interest on amounts due the contractor, on claims under the CDA, are payable to the contractor from the date the contracting officer receives the claim, or the date payment would otherwise be due, whichever is later, to the date paid (FAR 33.208(a)). Title 41 U.S.C. § 7109 provides the authority for the Secretary of the Treasury to establish the interest rate. Refer to the Department of the Treasury’s website for applicable interest rates. Under the CDA, only simple interest is paid, as noted in FAR 33.208(b); compound interest (interest on interest) is not payable under the CDA.

030604. Questionable and Fraudulent Claims

A. If any part of a claim is attributable to misrepresentation of fact or fraud on the part of the contractor, the contracting officer will refer the matter to the agency official responsible for investigating fraud in accordance with FAR 33.209.

B. Fraudulent and questionable claims should not be paid. For additional information concerning fraudulent and questionable claims refer to Volume 5, Chapter 12.
VOLUME 10, CHAPTER 4: “MISCELLANEOUS ADVANCE PAYMENTS”

SUMMARY OF MAJOR CHANGES

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0401 GENERAL

040101. Purpose

This chapter prescribes policy for the entitlement and payment of miscellaneous advance payments. Advances do not include payments for which performance has occurred. Miscellaneous advance payments addressed in this chapter represent a current outlay of funds to Department of Defense (DoD) employees, other Federal Government agencies, or non-Federal entities before receipt of the items or services for which the payments were advanced.

040102. Authoritative Guidance

Advance payments, in general, are prohibited by Title 31, United States Code (U.S.C.), section 3324. Exceptions to the advance payment prohibition are located in specific appropriation acts or other laws, or granted by the President as outlined in 31 U.S.C. § 3324.

A. Miscellaneous advance payments in this chapter include many of those identified as exclusions in the Federal Acquisition Regulation (FAR), Subpart 32.4. Refer to Chapter 10 for the entitlement and payment of advances to contractors under contract financing arrangements governed by the FAR Subpart 32.4 and the Defense Federal Acquisition Regulation Supplement (DFARS), Subpart 232.4. Refer to Volume 4, Chapter 5 for the accounting and reporting of advances and prepayments for cash or other assets disbursed under a contract, grant, or cooperative agreement. Refer to Volume 11A, Chapters 3 and 18 for goods or services procured from other Federal agencies where the DoD is specifically authorized by a specific appropriation or law to advance funds.

B. Use of electronic submissions is preferable when requesting payment in advance. The electronic request for payment must contain all elements of a proper invoice (Title 5, Code of Federal Regulations (CFR), section 1315.9(b)(1)). See Chapter 8, Section 0802 for additional policy concerning electronic invoicing and payment requirements.

C. All claimants that are subject to the U.S. Internal Revenue Service code must provide a Taxpayer Identification Number (TIN) in accordance with 31 U.S.C. § 3325(d). Refer to Chapter 6, subparagraph 060204.B for contractor, vendor, or individual payee requirements to provide a valid TIN as part of a proper invoice prior to payment.

D. All advance payment requests must be submitted to the designated payment office in accordance with the DoD and Component’s submission policies and procedures using a vendor invoice; Standard Form (SF) 1034, Public Voucher for Purchases and Services Other Than Personal; or an electronic equivalent.
E. Personnel may use electronic and digital signatures to approve and certify financial documents processed through automated information systems (Volume 5, Chapter 1, subparagraph 010305.C).

F. All advance payments must be approved by a designated approving official, and a properly appointed certifying officer, prior to disbursement to ensure the information on the vouchers agrees with all supporting documentation. A properly appointed certifying officer also certifies that the vouchers are correct and proper for payment from the appropriation(s) or other funds cited on them or on supporting vouchers, and the proposed payments are legal, proper, and correct (Volume 5, Chapter 5).

G. To ensure auditability, and to validate entitlement systems’ payment records, a copy of all supporting documentation must accompany each advance payment request. Refer to Volume 1, Chapter 9, Figure 9-1 for financial records retention policy. Refer to 44 U.S.C. § 2909 for authorization to retain records for a longer period than specified in disposal schedules. Certifying officers are responsible for retention of all payment documentation (Volume 5, Chapter 5).

H. A prevalidation process must occur that matches the proposed advance payment to the obligation of funds recorded in the accounting records prior to the disbursement of the advance payment (Volume 3, Chapter 8). Refer to 31 U.S.C. § 1501 for documentation required to record the obligation. Refer to 31 U.S.C. § 1502 and 31 U.S.C. § 1552, which establish limitations of periods available for expenditure.

I. Agencies/organizations requesting and approving miscellaneous advance payments must ensure the advance payment does not exceed the value of the items/services being procured.

J. Components must ensure controls are in place for the liquidation of advance payments and assign responsibility for the performance of follow-up action. Internal controls must ensure that validation and documentation exists showing that the items or services were actually received and met the organization’s requirements. This effort is required before the advance payment can be liquidated. Discrepancies encountered must be resolved as soon as possible upon identification and may include the establishment and collection of debts from members, employees, or commercial, Federal, or state entities.

0402 STATUTORY ADVANCE PAYMENTS

040201. General

Specific legislation authorizes statutory advance payments.

040202. Child Care

Amounts may be paid in advance to licensed or regulated child care providers for services to be rendered during an agreed period (40 U.S.C. § 590(g)(4) and 10 U.S.C. § 1791-1800). Authorized
advance payments for child care services in an approved program, in areas where DoD-provided child care is not available, must include a copy of a signed contract between the family and the child care provider outlining the establishment of fees to support the payment (DoD Instruction 6060.02).

040203. Subscriptions to Periodicals

Advance payment is authorized for subscriptions or other charges for newspapers, magazines, periodicals, microfilm libraries, and other publications for official use (31 U.S.C. § 3324(d)(2)). The total cost of the subscription is a valid charge to the appropriation for the fiscal year (FY) current at the time the subscription is ordered. Subscriptions may extend beyond the current FY. The subscription may cover deliveries extending into the subsequent year; however, the authorization of payments may not cover more than 1-year’s (i.e., 12 months) subscription from the same FY appropriation.

040204. Tuition

Tuition payments may be paid in advance. Title 5 U.S.C. § 4109 provides general authority for advance tuition payments for civilian and military personnel, and 10 U.S.C. § 2396(a)(3) authorizes advance tuition payments for military personnel of friendly foreign countries. Advance tuition payments are payable when an educational institution requires payment at the time of enrollment.

A. Advance Payment. The SF 182, Authorization, Agreement and Certification of Training, must identify the training facility by name and address, the amount payable to the facility for the advance of tuition, and the amount payable to the trainee for the purchase of books and fees for library and laboratory services. The SF 182 must be submitted to the entitlement office to support the advance payment and must be signed by an approving official and certifying officer prior to being paid.

B. Liquidation of the Advance Payment. As stated in subparagraph 040102.J, certain controls must be in place to liquidate the advance payment. Part of those controls involving tuition payment advances must include obtaining documentation that demonstrates and documents that the student successfully completed the training previously paid in advance. In the event the student owes the DoD, the Component must collect any outstanding amount due, and prepare and forward a DoD (DD) Form 1131, Cash Collection Voucher, to the designated disbursing office to complete liquidation of the advance payment.

040205. Advance Payment Authority for Other Type Payments

Title 10, U.S.C. § 2396 authorizes advances of Federal monies for compliance with foreign laws, rent in foreign countries, tuition, public utility services, pay and allowances, and supplies and services of Armed Forces of friendly countries.
0403 INTRA-GOVERNMENTAL ADVANCE PAYMENTS

040301. General

A. Agencies may make intra-governmental payments in advance of the performance in the areas identified in this section. Unless the DoD Component is specifically authorized by law, legislative action, or Presidential authorization, funds are not to be advanced to non-DoD Federal entities or used to pay for advance billings without the receipt of goods or services. Volume 4, Chapter 5 covers the conditions and requirements for reporting and accounting related to advances and prepayments. For those few exceptions where DoD is authorized by a specific appropriation or law to advance funds, the specific appropriation or law authorizing the advance must be cited on the obligating and/or interagency agreement documents and orders (Volume 11A, Chapter 18).

B. DoD Components must submit an SF 1080, Voucher for Transfers Between Appropriations and/or Funds, or its electronic equivalent, that is certified by an appointed certifying officer. See Chapter 10 for additional guidance on the use of SF 1080s. The servicing agency must process the advance payments using the Intra-Governmental Payment and Collection (IPAC) system (Treasury Financial Manual, Volume 1, Part 6, Chapter 4000). Refer to the Department of the Treasury (Treasury) Interagency Agreement Guide for more IPAC guidance. Components must establish follow-up actions and controls to ensure receipt and acceptance for the items/services to liquidate the advance payment as prescribed by Treasury Interagency Agreement Guide and subparagraph 040102.J.

040302. Leased Office Space

The Federal Management Regulation, Subchapter C, section 102-73.10 prescribes policy for Federal agencies to seek space in Government-owned and Government-leased buildings. With approval from General Services Administration (GSA), one Federal agency can lease from another Federal agency a portion of its leased office space (Federal Management Regulation, Subchapter C, section 102-73.60). The parties may enter into an agreement to include a lease payment made in advance, or on any other basis agreed upon, for the proportionate cost of the space, utilities, and services furnished (40 U.S.C. § 585).

040303. Printing and Binding and Deposit Accounts

Title 44 U.S.C. § 310 authorizes advance payments for printing, binding, or supplies ordered from the U.S. Government Publishing Office (GPO). The requesting agency must process the advance payments using IPAC to establish GPO deposit accounts. The GPO website provides instructions on how to create a deposit account by submitting a GPO Form 4045, Deposit Account (Printing and Binding). For a listing of GPO forms, refer to the GPO Forms website to place orders or download a Portable Document Format file.
040304. Advances to General Services Administration for Special Purpose Leased Space

Title 40 U.S.C. § 581(g) authorizes GSA to bill tenants for building rent in advance. The charge is a fixed rate per square foot of space assigned based on costs of building operation and maintenance. There is no requirement to itemize separate cost factors for utilities, rent, or elevator service on the bill.

040305. Rental of Post Office Boxes

The DoD authorizes advance payments to the U.S. Postal Service (USPS) for post office box rental on an annual basis (DoD 4525.8-M, "DoD Official Mail Manual"). All fees for post office box service are for a six-month period. A fee is payable for two periods at a time, not to exceed two consecutive six-month periods. Federal Agencies whose payment period coincides with the Federal FY may pay their box fees during the first quarter. The USPS will refund a portion of the rental when the box is surrendered before the end of the rental period. In complying with the requirements of 41 CFR 102-192.50, the following methods are available when processing advance payments for box rentals:

A. The Bureau of the Fiscal Service (Fiscal Service) IPAC payment process associated with the Official Mail Accounting System;

B. The USPS Centralized Account Processing System associated with commercial payments;

C. Another Fiscal Service approved means of paying the USPS; or

D. Payments made to service providers other than USPS must be made by Fiscal Service payment methods such as automated clearing house electronic funds transfer, or another Fiscal Service approved means of paying the vendor.

0404 OTHER ADVANCE PAYMENTS

040401. General

Other advance payments not prohibited by 31 U.S.C. § 3324 are identified in the following paragraphs.

040402. Attendance at Meetings and Conferences

A. Components may authorize payment of registration fees prior to attendance at meetings of technical, scientific, professional, or similar organizations. Refer to the DoD Conference Guidance Version 4.0 for the administration and oversight of all conferences, including those conferences hosted by the DoD, and those attended by DoD personnel.

B. DoD civilian employees and uniformed service members may attend and participate in conferences or meetings, and recognized professional organizations, to maintain and
improve professional competency at the Government’s expense, subject to the availability of funds, specific management approvals, and the employee’s or member’s work responsibilities. Conference attendance expenditures, which contribute to improved conduct, supervision, or management of the DoD Components’ functions and activities, may be authorized as prescribed by the Joint Travel Regulations, Uniformed Service Members and DoD Civilian Employees, Chapter 3, Part B. Documentation supporting the approval must accompany the request for advance payment (SF 1034 or electronic equivalent). The request for advance payment must be approved by a management official prior to submission to the certifying officer.

C. If the payment is non-refundable, and the individual fails to attend for reasons beyond their control, then do not collect registration fees from the individual. If an individual’s failure to attend the event is due to a reason deemed inexcusable by the DoD Component concerned, the individual must repay the amount advanced. If an individual does not make a voluntary settlement of indebtedness, the Component must take action to collect the outstanding advance from money due the employee or member. Policy for salary offset to collect debts owed to DoD by military members or civilian employees is in Volume 16, Chapter 3.

040403. Payments to State and Local Governments

Advance payments to state and local governments for goods and services are authorized on the basis that the established responsibility of these governmental units reduces the possibility of a loss to the Federal Government. The FAR Subpart 32.409-3(e) states that in an advance payment agreement to a state or local government, the contracting officer may omit the requirement for deposit of the advances in a special account, if the approving official determines that other adequate security exists to protect the Government’s interest.

040404. Petition Fees

When submitting a petition for immigrant status for a person whose services are required, the fee must accompany the petition. In this case, the fee is payable in advance to the U.S. Department of State (22 CFR 22.1 - 22.7). Title 22, CFR 22.3 prescribes remittances in the United States and 22 CFR 22.5 prescribes remittances to Foreign Service posts.

040405. Professional Societies

When approved, membership dues or fees in professional societies or associations acquired for the benefit of the DoD Component are payable in advance. Appropriated funds expended for membership must be to acquire services that will benefit the Component, not an individual. The head of an agency or designee must make the determination of the membership requirement. The individual employee must provide verification of membership to validate the advance payment.

040406. Purchase of Copyrights or License to Use Patent for its Life

Components may authorize an advance payment for a license to use a patent or to purchase the copyright. The FAR Part 27 and DFARS Part 227 prescribe policies, procedures, solicitation provisions, and contract clauses pertaining to patents, data, and copyrights. The subject matter of the purchase must be within the authorization of the current FY appropriation (10 U.S.C. § 2386).
040407. Utility Connection Charges

As prescribed by FAR Subpart 41.1, FAR Subpart 41.2, and FAR clause 52.241-9, payment for a utility service account activation fee or connection charge is allowable. Connection charges, whether refundable or non-refundable, are to be paid by the U.S. Government to the utility supplier for the required connecting facilities, which are installed, owned, operated, and maintained by the utility supplier. If the connection charges are refundable, they are considered an advance payment, and the U.S. Government recovers the connection charges through reimbursements by a specified monthly refund or a credit on the service billings for utility charges.

040408. Foreign Country-Related Advances and Requirements

A. Postage. Components may authorize the purchase of foreign postage stamps for contingency or classified operations from imprest funds or by an SF 1034. See Volume 5, Chapter 2 and FAR Subpart 13.305 for additional guidance on imprest funds. When using an SF 1034, the originating office prepares the voucher, which requires the approval by the appropriate approving official and certifying officer, and forwards it to the disbursing office. The disbursing office prepares a check and sends it to the originating office. The originating office purchases the stamps and provides the disbursing office with a receiving report. No proof of purchase or sales receipt is necessary as the check endorsement acknowledges payment.

B. Motor Vehicle Operator Permit Fees Overseas. Some foreign countries require personnel to obtain motor vehicle driver permits to perform their official duties. The fees for the permits may require an advance payment. A tour of duty in a foreign country justifies the expenditure.

C. Counsel Fees and Other Expenses in Foreign Courts

1. Payment of counsel fees and other service-related expenses in foreign courts may require an advance payment (32 CFR 845).

2. Requests for payment of counsel, bail, or other expenses are ordinarily made by the defendant or the accused through appropriate channels, to the officer (or designee) exercising general court-martial jurisdiction. The officer (or designee) must determine if the request meets the proper criteria and take final approval or disapproval action.

3. When appropriate, contracts or letters of commission and understanding are instruments that obligate the U.S. Government for payment of counsel fees, court costs, bail, and other expenses for obtaining copies of records, printing and filing fees, interpreter fees, witness fees, and other necessary and reasonable expenses. The payment of fines or civil damages is not an authorized expenditure (32 CFR 845.5). Payment for bail is a requirement when stated in an authorizing letter or message issued by the responsible officer and citing 10 U.S.C. § 1037 as the authority. Members must sign an agreement to refund the U.S. Government the amount of the bail prior to posting of bail (32 CFR 845.10). In the event the defendant forfeits bail, the individual will be held liable to reimburse the DoD either in cash or by payroll deduction via a DD Form 139, Pay Adjustment Authorization.
4. When the responsible officer certifies an acceptance for legal services and related expenses necessary for the representation of the defendant (32 CFR 845.8), an SF 1034, or electronic equivalent, must be prepared for the advance payment of authorized charges. Payment will be in local currency of the foreign government.


**VOLUME 10, CHAPTER 6: “FEDERAL, STATE, LOCAL, AND FOREIGN TAXES”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated September 2017 is archived.

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<td>Clarified that taking the maximum advantage of exemptions from excise taxes is a requirement.</td>
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<td>Added reference for IRS reporting due dates in place of specific dates to allow reader access to the most current dates.</td>
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CHAPTER 6

FEDERAL, STATE, LOCAL, AND FOREIGN TAXES

0601  GENERAL

060101.  Purpose

This chapter prescribes the financial management policy for payment of federal, state, local, and foreign taxes associated with the various types of payments addressed in this volume. It also provides the tax information reporting requirements, and associated Departmental policy, that apply to certain contract, vendor, and miscellaneous payments (including miscellaneous payments made to military and civilian employees). Tax-related policy and requirements involving Nonappropriated Fund Instrumentalities are covered in Volume 13, Chapter 7.

060102.  Authoritative Guidance

A.  Tax Information Sources. The Federal Government’s right to tax exemptions depends on the applicability of federal, state, local, and foreign tax law; tax agreements with foreign countries; items being acquired; the nature of the tax; and the type of transaction. Federal Acquisition Regulation (FAR) Part 29 identifies the general tax applications on U.S. purchases, the rights to exemptions, and the methods of claiming exemptions. More specialized information regarding the applicability of various taxes not obtainable locally may be obtained from the taxing authorities themselves or through discussions with the Component’s general counsel.

B.  Exemptions from Certain Federal Taxes

1.  Pursuant to Title 26, United States Code (U.S.C.), section 4293, the Secretary of the Treasury has exempted the Federal Government from the communications excise tax imposed by 26 U.S.C. § 4251 when the supplies and services are for the exclusive use of the United States, as prescribed in FAR 29.203(a). This does not include facilities furnished to a Government contractor. Exemptions can be made with or without the use of an exemption certificate. The installation (or issuing) contracting office is responsible for preparing tax exemption certificates.

2.  Pursuant to 26 U.S.C. § 4483(b), the Secretary of the Treasury has exempted the Federal Government from the Federal highway vehicle use tax imposed in 26 U.S.C. § 4481. As stated in FAR 29.203(b), the exemption applies whether the vehicle is owned or leased by the Federal Government.

3.  FAR 29.202 identifies other circumstances in which Federal manufacturers’ or special-fuels excise taxes may not be imposed in contracting situations that should be recognized by the contracting officer, who then shall furnish the seller an exemption certificate.
C. **Policy Hierarchy.** Internal Revenue Service (IRS)-published regulations take precedence over Department of Defense (DoD) policy for the resolution of tax-related issues. Components should consult with their designated legal counsel if there are legal questions or apparent conflicts between the policy provided in this chapter and the IRS regulations. The Defense Finance and Accounting Service (DFAS) Tax Office (dfas.cco-1099@mail.mil) may also be consulted.

0602 **RESPONSIBILITIES**


DLA-Energy is responsible for:

A. Any application for tax refunds applicable to DLA-Energy programs. If DLA-Energy supports a Federal civilian agency, then that civilian agency is responsible for collecting data needed to apply for tax refunds; and

B. Contracting for fuels, to include the use of the proper clauses concerning local tax provisions as provided in **FAR 29.4**.

*060202. Military Departments and Defense Agencies

DoD Components are required to take maximum advantage of exemptions from excise taxes.

060203. Contracting Officer

As outlined in FAR Part 29, the contracting officer is responsible for:

A. Inserting the appropriate tax clauses in contracts;

B. Soliciting prices on a tax-exclusive basis when it is known that the Federal Government as a whole, or the Armed Forces within DoD, are exempt from these taxes;

C. Contacting local and/or state taxing authorities to verify acceptance of tax exemption certificates;

D. Working with fleet card issuers to maximize excise tax reclamations (recoupment);

E. Ensuring that contractors are aware of and understand duty-free entry clause requirements; and

F. Resolving tax liability or tax exemption disputes associated with DoD contracts.
060204. Contractors, Vendors, and Individual Payees

A. In accordance with FAR 29.304, contractors, vendors, and individual payees requesting payment from a DoD Component may be required to take certain action regarding payment, nonpayment, refund, protest, or other treatment of state and local specified taxes. This action will be taken in consultation with the contracting officer and will be varied depending on the tax consequences, nature of the purchases, and applicable contract clauses. Any entitlement or disbursing office concerns regarding any contractor tax-related payment requests or refunds should be elevated to the contracting officer for resolution.

B. Title 31, U.S.C. § 7701(c) and FAR 4.902 require all payees, subject to the U.S. Internal Revenue Code, doing business with the DoD to furnish their Taxpayer Identification Number (TIN) as defined by 26 U.S.C. § 6109 (which may be a Social Security Number (SSN) for individuals). Payments are not to be authorized without a TIN or SSN on record for the required payee, except as described in paragraph 060605.

C. If the contractor or another payee believes the IRS Form 1099-MISC, Miscellaneous Income, IRS Form 1099-INT, Interest Income, or IRS Form 1099-C, Cancellation of Debt, was improperly issued or had incorrect information, they must provide written evidence for a correction to the appropriate tax office.

060205. Fleet Card Issuer

The Fleet Card issuer (third-party payor) is responsible for working with DLA-Energy and DFAS to maximize excise tax reclamations, as rules and procedures vary by state. Generally, states require that tax reclamations be completed after payment is made. Refer to the GSA SmartPay website for additional Fleet Card tax information.

060206. DFAS

For those entitlement systems managed by DFAS and Enterprise Resource Planning (ERP)-managed systems that have coordinated with DFAS (except for Defense Health Agency and U.S. Army Corps of Engineers, where responsibility has otherwise been assigned), DFAS is responsible for:

A. Computing all appropriate tax withholdings, making deposits to the U.S. Department of the Treasury (Treasury), and filing the appropriate tax documents with the IRS;

B. Paying excise taxes as appropriate;

C. Performing reclamation of Federal and state excise tax related to fuel purchases, based on data provided by either DLA-Energy or Fleet Card issuers. DFAS responsibilities for performing reclamation will include filing for the National Guard;

D. Recording any taxes recovered in the applicable accounting systems;
E. Reviewing payment information to determine if a payment is reportable under current IRS guidelines; and

F. For those entitlement or ERP systems not managed by DFAS, for which DFAS is the responsible disbursing activity, DFAS is responsible for:

1. Issuing annual instruction on requirements for submitting necessary tax reports to DFAS for distribution to the recipients; and

2. Coordinating the issuance of the hardcopy or electronic tax statements by the IRS-mandated timelines.

060207. Office of the Staff Judge Advocate or General Counsel

These offices are responsible for providing available payment data related to all settlements of personnel cases. The document forwarded to the paying office must identify the type of payment(s) represented by the settlement (for example, compensatory damages, attorney fees, or interest), as well as the dollar amount attributed to each type of payment. This information will be used to determine the proper tax reporting of the payments. These offices must also provide the information required to properly report payments to attorneys under 26 U.S.C. § 6045(f), separate from the claims settlement payment.

060208. Third-Party Payors

Third-party payors are responsible for preparing and filing IRS Form 1099 K, Payment Card and Third-Party Network Transactions, for certain payments they made, even if the item(s) procured were delivered to DoD. Further, the DoD is not responsible for filing an IRS Form 1099-MISC when the covered payments are made by third-party payors.

*060209. Convenience Check Account Holder

A. The convenience check account holder is responsible for tax reporting for the convenience checks they issue and for obtaining a signed IRS Form W9, Request for Taxpayer Identification Number and Certification. Refer to IRS Instructions for Form 1099-MISC for more detail regarding payment types that are not reportable to DFAS. As the checks are written, the account holder must capture the following check recipient data:

1. Payee’s legal name (merchant, vendor, or individual name by which taxes are filed);

2. Payee’s business name. If the business is classified as a sole proprietorship, then report the business (merchant) information and provide the sole proprietor’s name;

3. Payee’s legal mailing address (the address used to file their taxes);
4. Employer Tax Identification Number (SSN or TIN);
5. Check number;
6. Check amount;
7. Payment date (date the check is written, not the date the check is cashed);
8. A brief description of the purchase;
9. Telephone number and/or email address of the merchant; and
10. Convenience check account number.

B. DFAS has tax reporting responsibilities for the DoD, and thus is responsible for reporting to the IRS miscellaneous income paid to vendors/contractors. Additional policy concerning the use of convenience checks is contained in Chapter 23.

C. The convenience check account holder is responsible for all backup withholding actions required based on the receipt of an IRS CP2100 notice (See IRS website – backup withholding). Also see paragraph 060605 for additional information regarding backup withholding.

0603 FEDERAL EXCISE TAX (FET)

060301. General

Except for exemptions provided by the Internal Revenue Code as set out in FAR Part 29, the Government must pay FET on fuel purchases. If a contract does not specify that the contract price excludes FET, then assume the contract price includes the tax and pay only the contract price. If the contract price specifically excludes the tax, then FET for fuel purchases must be billed on the invoice as a separately identified item from the contracted fuel price.

060302. Exemptions

Tax exemptions or refunds are available for DoD purchases of aviation fuel and off-highway use of gasoline and road diesel fuels. Whether or not an exemption is available, or a refund application is required, depends on where in the distribution chain the purchase was made and the IRS status of the seller of the fuel. See IRS Publication (Pub) 510 for additional IRS guidance.

060303. Refunds

Requests for refunds must be filed on an IRS Form 8849, Schedule 1, Nontaxable Use of Fuels.
060304. Quarterly FET Return

A. Unless notified differently by the IRS District Director, the accounting office responsible for reporting DLA-Energy activity must prepare and submit quarterly FET returns. DLA-Energy must submit a monthly report to DFAS containing the sales to taxable customers. A return must be made using **IRS Form 720**, Quarterly Federal Excise Tax Return, for the first calendar quarter when the tax liability is incurred and each subsequent calendar quarter until a final return is filed. Final returns must be marked “FINAL” and are applicable only when no FET is owed and reportable in future quarters. See IRS Pub 510 for additional IRS guidance.

B. IRS Form 720 contains a list of the commodities and services subject to the tax and the tax rate. This form also serves as a return for all excise taxes for which quarterly reporting is required.

C. The accounting office is responsible for preparing IRS Form 720. Instructions for preparing this form are in **IRS Instructions for Form 720**.

   1. The IRS Form 720 is due on or before April 30, July 31, October 31, and January 31.

   2. Submit the original IRS Form 720 to the appropriate IRS Center; include the amount of taxes collected.

060305. Collections for FET

A. Collections for FET are made to deposit fund accounts. Excise taxes collected must be transferred using the most current instructions received from the IRS. Generally, transfers of excise taxes are required semi-monthly and must be made electronically to the Treasury.

B. Report the amounts of FET collected and deposited for the sale of aviation fuel other than for the exclusive use of the DoD.

0604 STATE AND LOCAL TAXES

060401. State and Local Taxes

A. In accordance with **FAR 29.302(b)**, DoD Components shall assert the Government’s immunity or exemption from taxes whenever it is available, and economically feasible to do so. State statutes identify whether the tax is levied on the seller or the purchaser. The process for seeking refunds differs from state to state. Some states accept Standard Form **1094**, United States Tax Exemption Form, some states have their own required forms, and other states require payment of the tax at the time of purchase and provide a means for seeking refunds of the tax. The contracting officer will contact the local state taxing authority to verify if they accept tax exemption certificates. A blanket-type tax exemption certificate is used to obtain a U.S. Government
exemption from state or local taxes in the case of continuing or numerous purchases from contractors. Payments of state and local taxes are supported under the following conditions:

1. When the tax is levied on the seller, the Federal Government must pay the tax as part of the purchase price unless the taxing authority provides otherwise; or

2. When the Government has, by contract, agreed to reimburse the contractor for taxes paid to a state or municipality.

B. Unless specifically stated otherwise in the contract, it is presumed that state and local taxes are included in the contract price. When there is a valid and binding contract covering the furnishing of supplies or services at fixed unit prices, and the contract contains no provision for the adjustment of such prices in the event of the imposition on the contractor of state taxes applicable thereto, there is no authority for the payment of any taxes over and above the unit price stipulated in the contract.

060402. Taxes Involving Fuel Purchases

DLA-Energy is responsible for supplying applications for tax refunds on fuel purchases for both service station and bulk purchases of fuel. Contracting officers should coordinate with DLA-Energy on the applicability and reimbursement of state and local taxes pertaining to diesel fuels and gasoline purchases.

060403. Leases and Purchases

In accordance with FAR 29.302(a), generally, purchases and leases are immune from various state and local taxes. This determination is a legal question and requires consultation with agency counsel. FAR Subpart 29.4 references the different contract clauses concerning state and local taxes that may be included in contracts on leases and rentals.

0605 CUSTOMS DUTIES

060501. U.S. Customs Duties on Foreign Purchases

A. Duty-Free Purchases. The DoD Components can make emergency purchases of war materials abroad. This material will be admitted free of duty. The applicability of customs duties is governed by the contract and actions of the contractor and contracting officer in accordance with FAR 25.9. Federal acquisition policy in FAR 25.9 states that agencies must pursue and use any exemptions allowed when the anticipated savings to appropriated funds will outweigh the administrative cost associated with processing the required documentation. Defense Federal Acquisition Regulation Supplement 225.9 provides more specific Departmental policy and requirements of the administrative contracting officer (ACO) in issuing duty-free entry certificates, identifying exempted supplies, and performing other formal entry and release procedures for the foreign items procured under a prime contract.
B. Payment of Custom Duties. If the importation is not determined to be duty-free, then the duty must be charged to the same appropriation/fiscal year used to fund the purchase, even though the importation and purchase may be in different fiscal years. Expired funding is available for such obligation "adjustments" as stated in Volume 3, Chapter 10. The amount due will be generated based on the classification of imports by Customs and Border Protection. Payment vouchers must be prepared to show the payment amount, annotated with the source and calculated amount of the duty, with remittance addressed to the Collector or Deputy Collector at the port of entry. However, prior to payment, the entitlement office must obtain the ACO’s approval to ensure the amount of the customs duties is not already covered in the price of the contract or exemption certifications have been issued to exempt the procured items from customs duties.

060502. Customs Exemptions for American Imports and Purchases in Canada for Joint Defense Program

A. General. The Government’s imports and purchases from other countries are exempt from Canadian import duties and taxes when used for joint defense projects in Canada.

B. Refund or Remission of Taxes. Goods purchased in Canada by or for the United States, or by the Canadian Commercial Corporation, are governed by concessions when U.S. funds expended are intended for joint Canadian–U.S. projects in Canada or when the goods will become and remain U.S. property. See Defence Production and Development Sharing Remission Order Consolidated Regulations of Canada, c. 755. The concessions permit refund or remission in certain circumstances, including:

1. Sales taxes paid on goods other than those for resale to members of the U.S. Armed Forces or civilian personnel for private use;

2. Excise taxes, including the stamp tax on checks. Items for resale to members of the U.S. Armed Forces or civilian personnel for private use are not exempt from stamp taxes or excise taxes; and

3. Customs duties paid on import goods when used, directly consumed, processed, or attached to items or goods manufactured in Canada and sold to the U.S. Government for use with joint Canadian–U.S. projects.

0606 MISCELLANEOUS

060601. Payments in Lieu of Taxes

Issues involving the payment of taxes are complex and should be referred to the activity’s servicing legal office.

A. Charges by state or local governments for services levied on Federal Government entities or their contractors, which are not imposed on residents or nonfederal tax-exempt entities, where the cost of service is borne by the general tax revenues, are the nature of a tax to which the DoD is immune.
B. A reasonable charge by a political subdivision based on the “quantum” of direct service furnished, and which is applied equally to all property tax exempt entities, is not considered a tax against the DoD, even though the services are furnished to taxpayers without a direct charge, provided the political subdivision is not required by law to furnish the service involved without a direct charge to all located within its boundaries.

C. Payments are permitted in lieu of taxes to municipalities that have lost tax revenue due to the transfer of plants to Government Components, only when authorized by the Congress. Payments in lieu of taxes are not authorized if the property transferred was never on municipality tax rolls and municipal services had never been furnished.

060602. Foreign Taxes

U. S. Government purchases in a foreign country are not exempt, in general, from taxes and custom duties when imposed by the foreign country. The Status of Forces or other government tax or trade agreements may provide exemptions. The Component’s legal counsel should be consulted regarding the applicability of these agreements to their individual circumstances. FAR 29.402 provides specific clauses pertaining to foreign taxes that may be in contracts.

060603. Taxes on Arms and Ammunition

In accordance with 10 U.S.C. § 2385, Federal taxes may not be imposed on the sale or transfer of firearms, pistols, revolvers, shells, or cartridges when such articles are purchased with funds appropriated for a military department.

060604. Environmental Assessments

If an environmental assessment is levied by a local government, and it represents a fee, then the payment is authorized. If the assessment appears to be a tax, and its legality is questionable, then the payment is not authorized. The Component’s legal counsel should be consulted to determine whether payment should be made.

060605. Backup Withholding

A. In most instances, pursuant to 31 U.S.C. § 3325, DoD may not make a payment without a valid TIN and a signed IRS Form W9. If payment is appropriate without a TIN and a signed IRS Form W9, and no exception to backup withholding applies, backup withholding must occur. Backup withholding requirements are enforced on a payment-by-payment basis, regardless of payment size. When an individual or entity has not provided a TIN and a signed IRS Form W9 as described above, the backup withholding requirements, as described in 26 U.S.C. § 3406, are applicable. Because of the TIN requirement imposed by 31 U.S.C. § 3325, backup withholding within DoD should be extremely rare.

B. Backup withholding requirements are separate from the reporting thresholds that apply to most IRS Form 1099 reporting. Backup withholding is applied to the principal payment only, to exclude such charges as transportation charges or interest. Payments
that are not subject to reporting on the IRS Form 1099, as set forth in subparagraph 060703.B, are not subject to backup withholding.

C. The backup withholding is reported to the IRS. The paying office will generate both an IRS Form 1099-MISC, with the reporting tax withheld to the payee in box 4, and IRS Form 945, Annual Return of Withheld Federal Income Tax, for the IRS. Additional guidance is available in IRS instructions for Form 945, IRS Pub 15, (Circular E), “Employer’s Tax Guide,” and IRS Pub 1281, “Backup Withholding for Missing and Incorrect Name/TIN(s).”

D. DoD activities must perform backup withholding on reportable payments when the following conditions exist:

1. The IRS informs the paying office that the payee provided an incorrect TIN and reportable payments to the payee total $600 or more during the calendar year,

2. An information return was required concerning the payee for the preceding calendar year, or

3. Backup withholding was required from the payee for the preceding year.

0607 FEDERAL TAX REPORTING

*060701. General

A. At the end of each calendar year, payment or entitlement offices are required to report certain payments to the IRS. The reporting requirements are established by 26 U.S.C. § 6041, 26 U.S.C. § 6041A, 26 U.S.C. § 6045(f), FAR 4.904, and current IRS instructions/guidelines. Payment or entitlement offices must provide the recipients (payees) with an IRS Form 1099 by the date specified by the IRS (See IRS reporting due dates).

* B. There are various payments made to military members and civilian employees that are subject to IRS Form W-2, Wage and Tax Statement, reporting (e.g., military award payments and medical health service providers paid under individual set-aside contracts), as prescribed in Chapter 12, paragraph 1207. Some of these payment types may require tax withholding and will be reported on the IRS Form W-2. These payments are required to be paid by the appropriate system for accurate withholdings to be applied and reported on the annual IRS Form W-2 by the date specified by the IRS (See IRS reporting due dates). Payment through a vendor pay office is only authorized if the appropriate withholdings are computed, included, and presented for payment to the vendor pay office. At the end of each calendar year, payment or entitlement offices are required to report these payments via Form W-2 according to current Social Security Administration/IRS guidelines.
060702. Tax Reporting

A. Each DoD Component is responsible for the preparation of an IRS Form 1099 on its contract or vendor payments for applicable services (specified in paragraph 060703) that total $600 or more, or royalties of $10 or more in a calendar year to a single person or business entity (partnership, sole proprietor, or corporation), unless an exception applies. For DFAS-serviced Components, DFAS will prepare, print, and distribute the hard copy of the IRS Form 1099 to the vendor/contractor/payee and forward the same information to the IRS. If an IRS Form 1099 is required to be corrected, then the paying office that maintains the underlying payment record provides the information necessary to effect the correction. If the vendor/contractor/payee believes the IRS Form 1099 was improperly issued or had incorrect information, then the recipient must provide the written evidence needed for correction.

B. Payment data in various payment systems, for the same contractor, must be consolidated to determine if an entity was paid more than $600 for reportable payments.

C. IRS Form 1099-MISC is not required for purchase cards and centrally-billed travel paid using a government credit card.

D. DFAS will not make a determination of independent contractor or employee status for tax purposes when payments are made to individuals. That determination is at the discretion of the contract-issuing activity. If there is a question, then the contract-issuing activity, through its chain of command, will submit an IRS Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding, to the IRS Associate Chief Counsel (tax exempt and government entities) for a determination. See IRS Pub 1779, “Independent Contractor or Employee,” for additional information.

060703. IRS Form 1099 Information Reporting

A. Payments Subject to Reporting. Certain contract and vendor payments are subject to IRS Form 1099 reporting in accordance with IRS regulations/guidelines.

1. General Rule. Payments are aggregated for the taxable year for:

a. Business entities: sole proprietors, partnerships, and corporations, with some exceptions;

b. Corporations providing medical and health-care services that are not otherwise exempt from taxation under 26 U.S.C. § 501(a);

c. Canceled debts; and

d. Interest (including Prompt Payment Act) to individuals, sole proprietors, and partnerships. Corporations are exempt from reporting interest.
2. **Payment for Services.** Payment or compensation for services rendered, including medical or health-care services and contractual legal services, is subject to IRS Form 1099 reporting, unless the payment should be reported on an IRS Form W-2. This reporting requirement applies regardless of whether payment is issued to an individual, a sole proprietorship, a partnership or corporation. The requirement does not apply when a payment is made to a hospital or extended health-care facility that is exempt from taxation under 26 U.S.C. § 501(a) or to a hospital or extended health-care facility owned and operated by the U.S. or an agency or instrumentality of the U.S. This reporting rule also applies to payments issued to U.S. corporations, paid in U.S. dollars, for service contracts executed in foreign countries.

3. **Payments for Taxable Settlements**
   
a. Generally, payments for personnel claims, Equal Employment Opportunity actions, and grievances represent taxable income and should be reported on an IRS Form 1099, but may be reported on an IRS Form W-2 depending on the classification of the settlement categories. This includes amounts paid in settlement, damages for nonphysical injuries or sickness (such as employment discrimination or defamation), liquidated damages, and punitive damages. Amounts paid on account of personal physical injury or physical sicknesses, however, are not taxable and are not reported on an IRS Form 1099.

b. Compensatory damages received based on emotional distress or injury that are attributable to a physical injury or physical sickness are not taxable and not reported on an IRS Form 1099, to the extent that the amount paid does not exceed the amount paid for medical care for the emotional distress. Damages paid on account of emotional distress, including physical symptoms such as insomnia, headaches, and stomach disorders, which are not attributable to a specific physical injury or physical sickness, are reportable.

c. In cases where the amount to be paid to the complainant represents back pay, and the claim originates with a DoD activity whose civilians are paid by DFAS, the claim must be forwarded to a civilian pay office for payment and issuance of an IRS Form W-2. DoD activities must forward claims representing back pay to their supporting payroll office.

d. The office forwarding personnel claims as described in Chapter 12 for payment, such as taxable settlement awards, is responsible for providing information with the settlement documents that are required for tax reporting. All settlement payments are presumed to be taxable unless otherwise indicated in the settlement agreement or meet one of the specific categories that are nontaxable.

4. **Gross Proceeds Paid to an Attorney.** The total amount paid to an attorney for legal services, other than contractual legal services, must be reported on an IRS Form 1099 as required by 26 U.S.C. § 6045(f). The term “attorney” includes a law firm or other providers of legal services, such as a corporation. This reporting requirement applies, regardless of whether or not legal services are provided to the Government and if the attorney is the sole payee. In the case of payment by check, payment is considered to be made to the attorney or law firm if the attorney or law firm is named the sole, joint, or alternate payee. A need to issue two
IRS Form 1099s on a single payment may occur. In this case, issue an IRS Form 1099 to the complainant and another IRS Form 1099 to the attorney. Information that must be provided by the office forwarding the claim for payment includes, but is not limited to: payee name(s), payee TIN, amount paid, payee address(es), and settling activity identification.

5. **Vendors in U.S. Territories.** Service payments to vendors located in Puerto Rico, Guam, American Samoa, Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands are subject to IRS information reporting.

B. **Payments Not Subject to Reporting.** The following classes of contract and vendor payments are not subject to IRS Form 1099 reporting:

1. Payment of bills for merchandise, transportation, freight charges, telegrams, telephone, storage, and similar charges;

2. Payments subject to reporting on an IRS Form W-2 related to compensation paid to DoD employees or service members;

3. Payments of rent, if made to a real estate agent;

4. Payments to Government employees as an allowance or reimbursement for traveling or associated expenses, including claims for damaged household goods;

5. Payments made as an award to an informer or similar payments;

6. Payments made to a Government agency, political subdivision, or instrumentality thereof; and

7. Payments to organizations that are exempt from taxation under 26 U.S.C. § 501(a).

060704. **Debt Actions Subject to IRS Form 1099-C**

A. Federal agencies are required to report the cancellation of each debt to an individual, sole proprietor, partnership, or corporation. The term “debt” includes the principal owed, interest, penalties, administrative costs, and fines. If, however, interest is included in the amount reported on the IRS Form 1099-C, then it must be listed separately on the form. A debt is considered to be canceled on the date that the authorized individual approves the termination of the debt-collection process.

B. The cancellation of the debt is reported on IRS Form 1099-C, regardless of whether the debtor is required to report the debt as income. A copy of the IRS Form 1099-C must be provided to the debtor by the date specified by the IRS (See IRS reporting due dates). If payment is received on a previously canceled prior year debt, then there is no requirement to file an additional or corrected IRS Form 1099-C.
060705. Payments to Individuals Subject to IRS Form W-2 Reporting

A. General. As discussed in Chapter 12, various payments are issued by DFAS to, or on behalf of, DoD employees and military members. Payments may be subject to tax withholding and tax reporting (Federal and state) on an IRS Form W-2.

B. Cash Awards to Military Members

1. Cash awards to military members for disclosures, suggestions, inventions, and scientific achievements are subject to the withholding of Federal and state income taxes, as cited in Volume 7A, Chapter 44, paragraph 440201. In accordance with Volume 7A, Chapter 45, paragraph 450202, cash awards are not subject to Federal Insurance Contributions Act (Old Age, Survivors, and Disability Insurance/Medicare) withholding. Certain Combat Zone Tax Exclusions (CZTE) may apply. Information on the CZTE is available in IRS Pub 3, “Armed Forces’ Tax Guide,” and Volume 7A, Chapter 44, Withholding of Income Tax.

2. For purposes of issuing an IRS W-2, DFAS will withhold taxes and will issue an IRS Form W-2 by the date specified by the IRS (See IRS reporting due dates). See subparagraph 060701.B for additional information.

060706. Filing Information Returns with the IRS

A. Filing Requirements

1. Forms Required

a. When filing manual (paper) IRS Form 1099s, the IRS Form 1096, Annual Summary and Transmittal of U.S. Information Returns, must be used to transmit and summarize payment information. It serves as a cover sheet for one or more individual reports. IRS Form 1096 is obtained through the IRS Forms, Instructions and Pubs website.

b. A separate IRS Form 1099 must be completed for each entity concerned, and all are covered by one IRS Form 1096. IRS Form 1099s are obtained through the IRS Forms, Instructions and Pubs website.

2. Distribution of Report. The IRS Form 1096 is to be filed using the address listed on the form and the IRS Form 1099 is to be filed according to IRS Pub 1220, “Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G.”

3. Electronic Filing. The IRS Form 4419, Application for Filing Information Returns Electronically (FIRE), must be used to receive IRS approval to transmit electronically. When filing 250 or more IRS Form 1099 returns in a single report, filings are done electronically and are required to be filed by the date specified by the IRS (See IRS reporting due dates). These electronic filing procedures are published annually in IRS Pub 1220.
B. Records Retention

1. Activities preparing information returns must have the ability to reconstruct the data or records used to prepare the IRS Form 1099. The data or records shall be retained for at least three calendar years, plus the current calendar year, after filing the information return. See IRS General Instructions for Certain Information Returns. These records permit an audit trail that will substantiate the amount(s) reported by showing all relevant payments, to include payments from multiple contracts. The retention period for IRS Form 1099-C or backup withholding data is four calendar years after filing the information return. The issuing location must maintain a copy of information returns or be able to recreate the tax document.

2. Documentation supporting tax-related financial transactions reported in the Component’s financial statements needs to be retained in accordance with Volume 1, Chapter 9. The documentation retained must be of sufficient quality to allow an independent third party, such as an auditor, to confirm the computation of the tax-related transaction posted in the accounting system and reported on the financial statements.
VOLUME 10, CHAPTER 7: “PROMPT PAYMENT ACT”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated October 2018 is archived.

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CHAPTER 7

PROMPT PAYMENT ACT

0701 GENERAL

070101. Purpose

This chapter prescribes the financial management policy for payments to vendors and contractors and primarily focuses on timely payment, determination of appropriate due dates, penalty for late payment, required documentation, receipt dates, acceptance dates, and payment discounts.

070102. Authoritative Guidance

The policies prescribed throughout this chapter pertaining to prompt payment are based primarily upon the Prompt Payment Act (PPA), Title 31, United States Code (U.S.C.), Chapter 39 as implemented under Title 5, Code of Federal Regulations (CFR), part 1315. Acquisition policy implementing the PPA provisions at 5 CFR 1315 is in the Federal Acquisition Regulation (FAR), Subpart 32.9, and the Defense Federal Acquisition Regulation Supplement (DFARS), Subpart 232.9. The Office of Management and Budget (OMB), Circular A-130, Appendix II, prescribes the use of electronic processes and digital signatures whenever it is possible and in the best interest of the Government.

0702 PROMPT PAYMENT ACT POLICY

070201. Application

The payment terms ordinarily imposed by contract, or the PPA and its implementing regulations, may be replaced by the payment terms imposed by another governmental authority, such as utility tariffs. For the purposes of this chapter, days refer to calendar days unless stated differently. The PPA applies to the following, unless these payments meet one of the exemptions in paragraph 070202:

A. Procurement Contracts. All payments for contracts for the procurement of goods or services;

B. Vendor Payments. All vendor payments and payments to persons, organizations, or business concerns engaged in a profession, trade, or business and any not-for-profit entity operating as a vendor; and

C. Utility Payments. All utility payments, including payments for telephone service, are subject to the PPA. Where state, local, or foreign authorities impose late payment rates for utility payments, those rates must take precedence, and thus, PPA interest rates will not apply.
070202. Exemptions

A. In accordance with 5 CFR 1315.1(a)(1)(ii) and (b)(1), the following payments are exempt from the PPA:

1. Payments directed by military authority exercised in the field in time of war or in occupied territory as stated in 5 U.S.C. § 551(1)(G); and

2. Contract financing payments, as defined in 5 CFR 1315.2(h).

B. In accordance with 5 CFR 1315.1(b)(2), the following payments may be exempted from the PPA:

1. Payments related to declared states of emergency directing any federal agency to utilize its resources in support of state and local disaster assistance efforts, as defined in the Robert T. Stafford Disaster Relief and Emergency Assistance Act;

2. Payments related to the release, or threatened release, of hazardous substances, as defined in 42 U.S.C. § 9601; and

3. Certain payments related to military contingency operations, as defined in 10 U.S.C. § 101(a)(13).

C. While payments identified in 070202.B.1, B.2, and B.3 are usually exempted per 5 CFR 1315.1, the head of the contracting activity (HCA) (when authorized), in consultation with the cognizant comptroller supporting their contracting activity, will make the determination of whether a contract and related payment will be subject to the requirements of FAR 32.9. DFARS 232.901 defines conditions where emergencies or contingency operations affecting normal business processes will dictate a determination to exempt payments from FAR 32.9 requirements. This determination, and all subsequent determinations, will be clarified by the specific clause in the individual contract. Chapter 8 contains additional policy on certifying payments made in support of emergencies and contingency operations, a matrix tool to assist certifying officials in identifying the critical data elements, and the documentation necessary for proper certification.

070203. Required Documentation Type, Function, and Purpose

Before making an invoice and/or interest payment, and in support of future financial audits, DoD Components must ensure that appropriate payment documentation is established and matched. This documentation includes the contract, receipt/acceptance report, and a proper invoice, unless not required by the contract. Subparagraphs 070203.B and 070203.C identify unique circumstances when an invoice and/or receipt/acceptance report may not be required. Acquisition policy in DFARS 232.70 prescribes DoD policies and procedures for submitting and processing payment requests and receiving reports in electronic form. It also specifies exceptions and prescribes Wide Area Workflow as the accepted electronic form for submission of payment requests and receiving reports. It further permits the use of TRICARE Encounter Data System as
the electronic format for receiving reports for rendered health care services. Ensure payment
documentation is retained in accordance with Volume 1, Chapter 9 and is readily available to
support future audit efforts. Original payment documentation, and associated supporting
documentation, must also be retained in accordance with Chapter 8, paragraph 080401.

A. Contract. The contract is an enforceable agreement between the agency and
the contractor or vendor that provides the necessary information to support payment of invoices
and interest penalties. Contracts must contain the data elements required under 5 CFR 1315.9(a)
as part of the payment documentation. If errors exist in a contractual document that affect payment
processing, the entitlement office must notify the contracting office to request corrective action.
The payment office must not change contract terms. Contract terms may only be changed through
a formal modification to the contract.

B. Proper Invoice. DoD payments must be based on the receipt of a proper
invoice, unless an invoice is not required by the contract (e.g., monthly rental payments), and
satisfactory contract performance. FAR 32.905(b) provides details on the information required
for a proper invoice. As stated in FAR 32.905.b.2, an interim payment request under a cost-
reimbursement contract for services constitutes a proper invoice if it includes all of the information
required by the contract. Note that payment requests under cost-reimbursement service contracts
are deemed proper when they conform to the contract. The office designated by the purchase
order, agreement, or contract first to receive and review invoices, hereafter referred to as the
designated activity, will immediately annotate the receipt date and review invoices within 7 days
after receipt. If an invoice is improper, then the designated activity will return the invoice to the
vendor/contractor.

1. Notice of an Improper Invoice. When the designated activity returns
an invoice as improper, they must provide details on why the invoice is being returned and why it
is improper. The designated activity’s request to the vendor/contractor for a corrected invoice
must be clearly marked as such. Notification must be within 7 days of receipt of the invoice (5
days for perishable agricultural commodities, dairy products, edible fats or oils, and food products
prepared from edible fats and oils; and 3 days for meat, meat food, fish, and seafood products). If
a DoD Component fails to provide notification of an improper invoice within the prescribed
timeframes, the computation of the payment due date will be affected, in that the number of days
allowed for payment of the corrected proper invoice will be reduced by the number of days delayed
beyond the allowable invoice return notification requirement. For example, a typical invoice
payable in 30 days is returned as improper on the 11th day after receipt, minus 7 days allowed,
equaling a 4-day delay and reducing the payment due date of the corrected/resubmitted invoice by
4 days. As a result of the 4-day delay, the corrected invoice is now payable in 26 days upon receipt
before interest begins to accrue. In accordance with FAR 32.906(b)(4), if a designated activity
erroneously rejects a proper invoice, then the original invoice receipt date will be used to compute
the payment due date and any interest penalties due.

2. Delivery Ticket as an Invoice. A delivery ticket may be used as an
invoice when allowed by the contract. When used as an invoice, the delivery ticket must contain
the information required by FAR 32.905(b) unless otherwise stipulated in the contract.
C. Receipt and Acceptance Report

1. A receiving report performs two functions. It provides evidence of the date goods are received, and it provides evidence of the date goods or services are accepted. Receiving reports are written or electronic evidence of the receipt of goods or services by a government official. Receiving reports must minimally contain the information stated in FAR 32.905(c) unless otherwise stipulated in the contract.

2. Receipt of goods does not ordinarily provide a basis for payment. Payment must be based upon acceptance of the goods or services as authenticated by the signature of the government official. Acceptance must occur as a condition of payment except in the following instances.

   a. Interim Payments on Cost-Reimbursement Contracts for Services as Stated in FAR 32.905(c). Contract terms for interim payments may still require receipt and acceptance documentation, or stipulate other related requirements be met before a request for payment for services can be certified and disbursed.

   b. Contracts Incorporating the “Fast Payment Procedure” clause at FAR 52.213-1. For contracts with this clause, payment offices may use the contractor’s submission of an invoice as certification of the delivery of supplies and as the basis for authorizing payment. Payment of these invoices must be made within 15 days after the receipt of the invoice. Component policies and controls must be in place to follow up after payment to ensure receipt of acceptance documentation for the payment and contract files. The acquisition requirements and rules governing the fast payment procedure are found in FAR 13.4 and DFARS 213.4. Refer to section 1007 of Chapter 10 for additional fast payment procedure financial management policy.

3. The agency receiving official must forward the receiving report, or other government documentation, to the designated payment office by the 5th working day after government acceptance or approval, unless other arrangements have been made.

4. Government acceptance is commonly deemed to occur constructively on the 7th day after the contractor delivers supplies or performs services in accordance with the terms and conditions of the contract, unless there is a disagreement over quantity, quality, or contractor compliance with a contractual requirement. A longer acceptance period can be specified in the contract, in which case the date of the actual acceptance or the date on which such acceptance period ends will substitute for the commonly applied 7th day after the delivery date (refer to DFARS 232.904). The date on which the designated acceptance period ends is referred to as the constructive acceptance date. Constructive acceptance is used to calculate PPA interest and applies to both destination acceptance and source acceptance contract terms. Regardless, government proof of acceptance must be forwarded to the designated payment office.

   a. If actual acceptance occurs within the constructive acceptance period, the determination of any interest penalty must be based on the actual date of acceptance.
b. If actual acceptance occurs after the constructive acceptance period, the determination of any interest penalty must be based on the constructive acceptance date.

c. The constructive acceptance requirement does not compel DoD Components to accept supplies or services or make payment prior to fulfilling their designated responsibilities and internal control activities.

D. Follow up for Required Documents. If payments cannot be made due to the non-receipt of receiving reports, copies of contracts, contract modifications, or other required documentation, the entitlement office will follow up with the contracting or receiving office to ensure these documents are forwarded in a timely manner. These follow-up requests should be made in time to prevent the possible loss of economically justified discounts (if possible) and avoid the unnecessary payment of late payment interest penalties.

E. Emergency and Contingency Operations. When authorized, the HCA of an operational area, in consultation with the cognizant comptroller supporting their contracting activity, will make the determination of whether a contract and related payment will be subject to the requirements of FAR 32.9 and include the applicable payment clause in the contract.

1. For payments that have been determined to be exempt from FAR 32.9, certifying officers involved in supporting contingency operations may use Appendix 1 of Chapter 8 to identify the documents and information needed to ensure the entitlement to payment is valid prior to certification. Certification guidelines for these payments are contained in paragraph 080706 of Chapter 8.

2. For payments that are subject to the requirements of FAR 32.9, PPA interest payments will be made only as specified in the contract clause.

F. Progress Payments on Construction Contracts. Progress payments may be made if the payment request meets the requirements specified in the contract clause FAR 52.232-5(b) and any other applicable terms of the contract. These payments are made monthly, or at more frequent intervals, as determined by the contracting officer. According to FAR 52.232-5(d), payment of any portion, or all, of a certified request for progress payment that fails to conform to the specifications, terms, and conditions of the contract is referred to as an “unearned amount.” FAR 52.232-5(d) also requires that if the contractor, after being paid upon submitting a certified request for progress payment, discovers that a portion, or all of such payment, involves an unearned amount, the contractor is then obligated to notify the contracting officer of the performance deficiency and is required to pay DoD interest on any unearned amount from the 8th day after the date of receipt of the unearned amount until:

1. The date the contractor notifies the contracting officer that the performance deficiency has been corrected; or

2. The date the contractor reduces the amount of any subsequently certified request for progress payment by an amount equal to the unearned amount.
G. Payment for Partial Deliveries on Fixed-Priced Supply, Fixed-Priced Services, or Non-Regulated Communication Service Contracts. FAR 32.906(c) instructs contracting officers, if the nature of the work permits, to write contract statements of work and pricing arrangements that allow contractors to deliver supplies or services and receive invoice payments for discrete portions of the work as soon as completed and found acceptable by the Government. The inclusion of the payment clause at FAR 52.232-1 in the contract, unless specifically prohibited elsewhere in the contract, allows the contractor to be paid for accepted partial deliveries of supplies or partial performance of services that comply with all applicable contract requirements, and for which prices can be calculated from the contract terms. The contract clause may stipulate additional payment requirements; however, a proper invoice and documentation of government receipt and acceptance are required before the payment can be made.

070204. Determining the Invoice Receipt Date

The date the contractor’s invoice or payment request is received must be recorded on the invoice immediately upon receipt by the billing office designated in the contract to receive the invoice. This annotation must be clearly identifiable to the designated activity that will be processing the payment. The receipt date is an integral part of determining the payment due date, the date by which an improper invoice must be returned, and the date on which interest will begin to accrue if a payment is late. If the designated activity fails to annotate the receipt date, then the invoice receipt date is the date placed on the invoice by the contractor. For invoices electronically transmitted, the invoice received date is the date a readable transmission is received by the designated activity, or the next business day if received after normal working hours.

070205. Determining the Payment Due Date

For payments subject to the requirements of FAR 32.9, the payment due date is the date on which payment must be made to avoid paying PPA interest.

A. If the payment due date is not specified in the contract, the date by which a proper invoice must be paid is the later of:

1. Thirty days after the date on which the designated activity receives the proper invoice; or

2. Thirty days after government acceptance of supplies delivered, services performed, or the applicable date of constructive acceptance, whichever is earlier.

B. An example of applying subparagraph 070205.A in determining the payment due date is as follows: Supplies are received on April 20th and accepted on April 29th, and a proper invoice is received on May 1st. The payment period will begin by using the later date of when a proper invoice is received (May 1st), or the constructive acceptance date (April 27th, which is the 7th day after receipt). In this example, the payment period begins on May 1st and ends 30 days later on May 31st. The interest penalty begins accruing on June 1st. Refer to FAR, 32.904 for additional policy on determining the payment due date.
C. A contract modification may be required in order to determine when a payment is to be made (the payment due date), e.g., an award fee. If a payment cannot be entitled without a contract modification, the payment clock will start with the effective date of the modification.

D. If the contract does not require an invoice, then the due date is the date designated in the contract (\textit{FAR 32.904(b)(2)}).

*070206. Timely Payment*

The PPA requires both timely and proper cash management of government resources. DoD will make payments no more than 7 days prior to the payment due date, but as close to the due date as possible, unless the Secretary of Defense or designee has determined, on a case-by-case basis for specific payments, that earlier payment is necessary (\textit{FAR 32.906}). This authority must be used cautiously, weighing the benefits of making a payment early against good stewardship inherent in effective cash management practices (\textit{5 CFR 1315.4(j)}).

A. When the conditions in \textit{5 CFR 1315.5} are met, a DoD Component may use an accelerated payment method.

B. For interim payments under cost-reimbursement service contracts, DoD may make payments at the standard due date of 14 days after the receipt of a proper invoice (\textit{DFARS 232.906(a)(i)}) when the contract specifies the use of \textit{FAR 52.232-25}, Alternate I. For purposes of computing late payment interest penalties that may apply, the due date for payment is the 30th day after the designated billing office receives a proper invoice (refer to FAR 52.232-25).

C. In accordance with \textit{10 U.S.C. § 2307(a)(2)(A)}, for a prime contractor that is a small business concern, DoD must, to the fullest extent permitted by law, establish an accelerated payment date with a goal of 15 days after receipt of a proper invoice for the amount due if a specific payment date is not established by contract.

D. In accordance with \textit{10 U.S.C. § 2307(a)(2)(B)}, for a prime contractor that subcontracts with a small business concern, DoD must, to the fullest extent permitted by law, establish an accelerated payment date with a goal of 15 days after receipt of a proper invoice for the amount due if:

1. A specific payment date is not established by contract; and

2. The prime contractor agrees to make payments to the subcontractor in accordance with the accelerated payment date, to the maximum extent practical, without any further consideration from or fees charged to the subcontractor.

E. Payment is considered to be made on the date printed on the check, or on the Electronic Funds Transfer (EFT) settlement date. In order to avoid late payment interest fees, the EFT settlement date (the date funds are credited to the vendor’s financial institution) must be no later than the calculated due date.
F. Checks will be mailed or transmitted on the same day the check is dated.

G. Payments due (including discount periods) on Saturday, Sunday, or legal holidays may be paid on Monday, or the next working day, without interest; however, this does not change the official payment due date as specified in 070205.

070207. Discounts

If a vendor/contractor offers a DoD Component a discount, whether stipulated in the contract or offered on an invoice, the Component should take the discount if economically justified, but only after acceptance has occurred.

A. When a discount is taken, payment will be made as close as possible to, but no later than, the discount date.

B. The Bureau of the Fiscal Service’s website contains a discount calculator to assist in determining whether the discount is economically justified.

C. In accordance with FAR 32.907(b), if a DoD Component takes the discount after the deadline, an interest penalty on any amount remaining unpaid will be due.

D. Refer to Chapter 2 for additional financial management policy concerning discounts.

070208. Interest Penalties

When DoD Components fail to make payment by the payment due date, interest accrues from the day after the payment due date through the payment date.

A. Automatic Interest. In accordance with FAR 32.907(a), the designated payment office will pay an interest penalty automatically, without request from the contractor, when all of the following conditions, if applicable, have been met:

1. The designated billing office received a proper invoice;

2. The Government processed a receiving report or other government documentation authorizing payment, and there was no disagreement over quantity, quality, or contractor compliance with any contractual requirement;

3. In the case of a final invoice, the payment amount is not subject to further contract settlement actions between the Government and the contractor;

4. The designated payment office paid the contractor after the due date; and
5. In the case of interim payments on cost-reimbursement contracts for services, when payment is made more than 30 days after the designated billing office receives a proper invoice.

B. **Incorrect Banking Information.** If the vendor/contractor provides incorrect banking information, then interest does not begin to accrue until 7 days after the correct information is received (provided the vendor has been given notice of the incorrect banking information within 7 days after the agency is notified that the information is incorrect). Refer to [5 CFR 1315.10](#) for additional regulations.

C. **Late Payment.** Interest will be accompanied with a notice stating the amount of the interest penalty, the number of days late, and the rate used ([5 CFR 1315.10(b)(2)](#).

D. **Interest Penalty Requirements.** The specific interest rate will be applied to the total penalty period (maximum 1 year interest) regardless of whether the interest period carries over into different interest rate periods. No further interest will accrue after 1 year beyond the original due date or after the contractor files a claim for such penalties under the Contract Disputes Act of 1978 ([5 CFR 1315.10(a)(5)](#)). Interest calculations are to be based on a 360-day year.

E. **Additional Penalties.** Vendors/contractors may be entitled to an additional penalty payment when the vendor/contractor is owed a late payment interest penalty by DoD of $1.00 or more, the contractor receives a contract payment dated after the due date that does not include the interest penalty also due, and the interest penalty is not paid within 10 days after the actual contract payment date ([5 CFR 1315.11](#)). The vendor/contractor entitlement to additional penalties is also dependent upon, among other things, its timely submission of a claim for the additional penalty. For further information on additional penalties, refer to [5 CFR 1315.11 and FAR 32.907(c)](#).

F. **Interest Penalties Due Under Construction Contracts.** Title 5 CFR [1315.14(c)](#) provides for interest penalties to be paid on payments under construction contracts when a progress payment request has been approved as payable by the designated agency office, and remains unpaid for a period of more than 14 days, or longer if specified in the contract, after receipt of the payment request by the designated agency office. Interest penalties may also be applicable to final payments, based on completion and acceptance of work, and payments for partial performance that has been accepted by the agency. Refer to [5 CFR 1315.14](#) for additional details on payments and interest penalties under construction contracts.

G. **Exceptions to Interest Penalties Due.** Title [5 CFR 1315.10(c)](#) identifies exceptions to when interest penalties are due. These exceptions generally include instances such as when interest penalties due are less than $1.00, the contractor provided incorrect EFT information, payments are solely for financing purposes, or contract payments are delayed due to disputes between the Government and contractor over the payment amount or compliance with the terms of the contract. More detailed information regarding these, and other exceptions, is contained in [5 CFR 1315.10(c)](#).
H. Computation of Interest Penalties. The Government will compute interest penalties in accordance with the OMB prompt payment regulations at 5 CFR 1315.10 and FAR 32.907. The Bureau of the Fiscal Service website contains both a simple daily interest calculator and a monthly compounding interest calculator to assist in interest calculations.

070209. Interest Payment Funding

DoD will pay any late payment interest penalties from either the funds available for the administration of the program for which the penalty was incurred (refer to 5 CFR 1315.10(b)(5)), or from funds financing the operation of the Military Department or Defense Agency with which the invoice or contract payment is associated (refer to 31 U.S.C. § 3902). All interest payments will be charged to the fiscal year(s) in which they accrue. If the interest is accrued at the end of the fiscal year, but not paid until the beginning of the next fiscal year, the prior year’s funds will be cited. If interest is accrued at the end of the fiscal year, and additional interest is accrued in the new fiscal year, the total interest penalty will be funded citing each respective fiscal year’s funds where the interest was accrued, thus ensuring the interest fund cite represents the bona fide need of the year in which the obligation arises. If the appropriation to which the interest would otherwise be charged is cancelled, the appropriation current on the date of payment will be charged pursuant to 31 U.S.C. § 1553(b)(1).

A. Entitlement offices are required to maintain detailed records in support of their determinations, and are to make these records available upon request of any activity determined to have caused a late payment.

B. A contractor may waive interest entitlement by returning the amount of interest paid by separate check or by returning the government check and requesting payment only in the amount invoiced. In addition to returning interest penalties already received, a contractor may waive their right to PPA interest by either express written statement or by acts and conduct which indicate intent to waive. All requests made in writing must be submitted to the applicable payment office established in the contract, be specific to each invoice/payment, and be for interest that is already earned/accrued. A contractor may not request a waiver of interest for potential interest not yet accrued, or a blanket waiver for a group of contracts/invoices. Interest waiver request documentation must be retained with payment supporting documentation.

C. Interest retained or waived is collected as a refund to the appropriation originally cited for the payment of interest. All refunds of interest or penalties from contractors will be credited to the same line of accounting classification (including fiscal year) that was charged at the time interest was paid. If the appropriation is cancelled or closed, then refunds will be applied to Miscellaneous Receipts of the Treasury.

D. The Foreign Military Sales (FMS) Trust Fund will fund late payment interest penalties pertaining to procurements financed by a FMS contract. Refer to Volume 15, Chapter 7 for additional information concerning FMS pricing.
VOLUME 10, CHAPTER 8: “COMMERCIAL PAYMENT VOUCHERS AND SUPPORTING DOCUMENTATION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2018 is archived.

<table>
<thead>
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<th>PARAGRAPH</th>
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<tbody>
<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>080202.B, 080303.A.2, and 080304.A</td>
<td>Revised the name of the electronic invoicing application from the Invoicing, Receipt, Acceptance, and Property Transfer module to the Wide Area Workflow module of the Procurement Integrated Enterprise Environment to incorporate the recent name change.</td>
<td>Revision</td>
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<tr>
<td>080302.D</td>
<td>Added the Standard Form 1442, Solicitation, Offer, and Award (Construction, Alteration or Repair), as a form that can be used as a contract award.</td>
<td>Addition</td>
</tr>
<tr>
<td>080303.A.1</td>
<td>Revised the reference regarding fast payment policy from a Chapter 7 reference to a more appropriate Chapter 10 reference.</td>
<td>Revision</td>
</tr>
<tr>
<td>080303.B.4</td>
<td>Clarified the use of the Bill of Lading as a receiving report, as prescribed by Federal Acquisition Regulation 47.302(c)(2).</td>
<td>Revision</td>
</tr>
<tr>
<td>080706</td>
<td>Removed the list of detailed data elements for emergency and contingency payments that was redundant of the information contained in Appendix 1.</td>
<td>Deletion</td>
</tr>
<tr>
<td>Appendix 1</td>
<td>Clarified that for payments on fixed-price service contracts, the item quantity and item price are required data elements.</td>
<td>Revision</td>
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CHAPTER 8

COMMERCIAL PAYMENT VOUCHERS AND SUPPORTING DOCUMENTS

0801 GENERAL

080101. Overview

Commercial payment vouchers, and the related processing requirements addressed in this chapter, apply to payments made to contractors and vendors (used interchangeably throughout the chapter) as part of the contract and vendor payment environments covered by the Federal Acquisition Regulation (FAR), Defense Federal Acquisition Regulation Supplement (DFARS), and other authorities identified in paragraph 080103. The preparation and certification of a payment voucher by the entitlement office based on the proper supporting documentation, as well as those externally certified, advises the disbursing officer (DO) that the contractual conditions for payment have been met.

080102. Purpose

This chapter prescribes policy for the entitlement and preparation of commercial payment vouchers and the documentation required to support the payment vouchers. It also identifies the forms most often used for contracts, receiving reports, and vouchers; the document retention requirements; and the related electronic submission and processing requirements.

080103. Authoritative Guidance

The policies prescribed throughout this chapter pertaining to the entitlement and preparation of commercial payment vouchers, including supporting documentation, are based primarily upon the FAR Parts 13, 16, 32, 43, and 52; FAR Subparts 2.1, 4.1, 4.5, and 4.9; the DFARS Parts 204, 213, 225, 232, 243, and 252; Titles 15, 31, and 41 of the United States Code (U.S.C.); and Titles 5, 31, and 48 of the Code of Federal Regulations (CFR).

0802 POLICIES AND REQUIREMENTS

080201. Federal Acquisition Regulation (FAR)

Title 41, U.S.C., Section 1302 establishes the Federal Acquisition Regulatory Council. Pursuant to 41 U.S.C. § 1303, the Council issues and maintains a single Government-wide procurement regulation known as the FAR. The FAR is the primary regulation used by all Federal executive agencies for the acquisition of supplies and services with appropriated funds.

A. FAR 4.5 provides policy for the establishment and use of electronic commerce in federal acquisition as required by 41 U.S.C. § 2301.

B. FAR 32.11 requires contract financing and delivery payments to contractors be made by Electronic Funds Transfer (EFT). FAR 32.1103 and 31 CFR 208.4 prescribe limited
exceptions to the EFT requirement. Volume 5, Chapter 11 provides additional EFT policy information concerning disbursements and collections.

080202. Defense Federal Acquisition Regulation Supplement (DFARS)

The DoD implementation and supplementation of the FAR is issued in the DFARS.

A. **DFARS subpart 232.70** prescribes DoD acquisition policies requiring the submission and processing of contractor payment requests and receiving reports in electronic form to comply with **10 U.S.C. § 2227**.

* B. Acceptable electronic submission forms prescribed in DFARS 232.7002(b)(1) include, but are not limited to:

1. The Wide Area Workflow (WAWF) module within the Procurement Integrated Enterprise Environment (PIEE);

2. DoD-approved electronic third party payment systems, or other exempted vendor payment/invoicing systems, which have been determined to be acceptable for commercial transportation services provided under a Government rate tender or contract for transportation services; and

3. TRICARE Encounter Data System for rendered health care services.

080203. Prompt Payment Act (PPA)

The PPA (**31 U.S.C. Chapter 39** and **5 CFR Part 1315**) requires DoD Components to pay their bills on time and pay interest penalties when payments are made late. Regulations promulgated under the PPA state that federal agencies should take discounts only when payments are made by the discount date and the discount is economically justified. Refer to Chapter 7 for additional policy specific to the PPA.

080204. Payment Prevalidation

**Public Law 104-61 Sec. 8102**, DoD Appropriations Act, 1996, requires certain disbursements be matched to a particular obligation before the disbursement is made (prevalidation). Refer to Chapter 1, Section 0103, for additional policy specific to prevalidation.

080205. Requirements for Disbursing Transactions

Volume 5, Chapter 9 prescribes policy and requirements pertaining to disbursing transactions. Additionally, the Treasury Financial Manual (TFM), **Volume 1, Part 4** prescribes requirements for disbursing payment vouchers.
080206. Payment Certification Requirements

Title 31 U.S.C. § 3325 authorizes a DO to disburse money only when provided a voucher certified by a properly appointed certifying officer.

A. Certifying officers are individuals designated in writing (appointed) who are required to perform their duties in accordance with Volume 5, Chapter 5. DoD Directive (DoDD) 5118.03 delegates authority to appoint certifying officers under 31 U.S.C. § 3325(a)(1) and (b), to the Under Secretary of Defense (Comptroller). Refer to Volume 5, Chapter 5 for additional policy concerning re-delegation authority.

B. All certifying officers must be appointed using a Department of Defense (DD) Form 577, Appointment/Termination Record-Authorized Signature. As prescribed by Volume 5, Chapter 5, certifying officers who certify electronic vouchers must submit an electronic DD 577. Certifying officers who certify manual vouchers, or submit manual certifications of electronic payments, must submit an original, manually-signed DD 577. By certifying a voucher, the certifying officer attests that the payment is legal, correct, and proper. As prescribed by 31 U.S.C. § 3528 and Volume 5, Chapter 5, certifying officers are pecuniarily liable for payments they certify that do not meet these requirements. For specific policy related to the successive certification of an externally certified voucher received by the payment office, refer to Volume 5, Chapter 5, paragraph 050504.

C. The Secretary of Defense has delegated authority to the Director, Defense Finance and Accounting Service, or designee, to make the required determinations and grant or deny relief on all requests for relief of liability. Refer to Volume 5, Chapter 6, Section 0607 for policy regarding decisions of liability.

080207. Taxpayer Identification Number (TIN)

Title 31 U.S.C. § 7701(c) requires all payees, subject to the U.S. Internal Revenue Code, doing business with the DoD to furnish their TIN (which may be a Social Security Number (SSN) for individuals). Payments are not to be authorized without a TIN or SSN on record for required payees (FAR 4.902).

080208. System for Award Management (SAM)

In accordance with FAR 4.11, contractors and vendors doing business with the Federal Government must register in SAM, except as noted in FAR 4.1102. Contractors and vendors are responsible for keeping all SAM information current.

080209. Electronic and Digital Signatures

080210. Contract Payments Using the Government Purchase Card (GPC)

The FAR 13.301 authorizes the use of the GPC to make payments on contracts.

A. Pursuant to FAR 32.1110(d), contracting officers must insert the clause at FAR 52.232-36, Payment by Third Party, if payment under a written contract will be made by a charge to a Government account with a third party such as a Government-wide commercial purchase card. However, pursuant to FAR 32.1108(b)(1), payment by a purchase card may also be made under a contract that does not contain the clause to the extent the contractor agrees to accept that method of payment.

B. When it is contemplated that the Government-wide commercial purchase card will be used as the method of payment, and the contract or order is above the micro-purchase threshold, contracting officers are required to verify (by reviewing the SAM) whether the contractor has any delinquent debt, subject to collection under the Treasury Offset Program (TOP), prior to order placement and contract award. In accordance with FAR 32.1108(b)(2)(ii), contracting officers must not authorize the Government-wide commercial purchase card as a method of payment during any period the SAM indicates that the contractor has delinquent debt subject to collection under the TOP.

C. The Department of Defense Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs provides additional policy and procedures pertaining to the uses and limitations of the GPC in paying contracts.

0803 SUPPORTING DOCUMENTS REQUIRED TO PROCESS PAYMENTS

As part of entitling and certifying a payment, DoD Components must ensure that appropriate payment documentation is established and retained to support payment of invoices and interest penalties. This documentation normally includes the contract/purchase order, receipt/acceptance report, and a proper invoice. Refer to 5 CFR 1315.9 for additional information on required documentation. Paragraph 080303 defines the exceptions in which receiving reports are not required prior to payment.

080301. Follow-up for Required Documents

If the entitlement and certification of contractor/vendor invoices cannot be accomplished due to the non-receipt of receiving reports, copies of contracts, contract modifications, or other required documentation, the entitlement office must follow up with the contracting or receiving office to ensure that these documents are forwarded in a timely manner. The entitlement office, contracting office, and receiving activity must address these actions timely to prevent the potential loss of economically justified discounts and to avoid the unnecessary payment of late payment interest penalties.
080302. Contract

A. **Definition.** As defined by *FAR 2.101*, a contract is a mutually-binding, legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. Contracts must contain the information prescribed by 5 CFR 1315.9(a) in order to support payment of contractor/vendor invoices. If the entitlement office discovers an error in a contractual document, they must notify the contracting office to request corrective action. The entitlement office may not change contract terms. Contract terms may only be changed through a formal modification to the contract. FAR 4.5 requires the use of electronic commerce in Federal acquisition whenever practicable or cost effective.

B. **Contract Types.** *FAR 16* describes the types of contracts that may be used in acquisitions.

C. **Contract Clauses.** *FAR 52* and *DFARS 252* contain:
   1. Instructions for using provisions and clauses in contracts, and
   2. Contract clauses prescribed in specific FAR and DFARS provisions.

D. **Contract Award.** Forms commonly used for contract award include, but are not limited to:
   1. *Standard Form (SF) 26, Award/Contract*,
   2. *SF 33, Solicitation, Offer and Award*,
   4. *SF 1449, Solicitation/Contract/Order for Commercial Items*,
   5. *DD 1155, Order for Supplies or Services*,
   6. *SF 1442, Solicitation, Offer, and Award (Construction, Alteration or Repair)*, and
   7. *Optional Form 307, Contract Award*.

E. **Contract Modifications**
   1. *FAR 43* and *DFARS 243.2* contain the policy and requirements for preparing and processing contract modifications.
   2. *SF 30, Amendment of Solicitation/Modification of Contract* is a form that may be used for contract modifications.
F. Contract Distribution. *FAR 4.201* and *DFARS 204.201* prescribe distribution procedures for contracts and contract modifications that include the requirement to make distribution to the appropriate accounting and payment offices.

080303. Receiving Report

A. Definition. As defined by FAR 2.101, a receiving report is written evidence documenting the Government’s acceptance of supplies delivered or services performed.

1. Acceptance must occur as a condition of payment in all cases except contract financing payments, interim payments on cost-reimbursement contracts for the acquisition of services, and use of the fast payment procedure as defined in Chapter 10, Section 1007. These requirements for payment processing do not negate the documentation requirements established in Volume 4, Chapter 9, paragraph 090201.

2. As stated in *DFARS 232.7002*, contractors must submit payment requests and receiving reports in electronic form. DFARS 232.7002(b)(1) identifies the acceptable electronic submission forms, which includes the WAWF module of the PIEE (or other limited authorized electronic means as indicated in DFARS 232.7002(b)(1)(i)). The WAWF module of PIEE, Enterprise Resource Planning systems, and third-party payment systems accomplish electronic receipt and acceptance of materials or services with the use of an electronic signature.

B. Forms. If approved by the contracting officer and stated in the contract, non-electronic forms that may be used as a receiving report include, but are not limited to the following:

1. **DD 250, Material Inspection and Receiving Report.** The form used for documenting receipt and acceptance of goods and services is the DD 250. The DFARS, Appendix F, *Part 3* contains preparation instructions for the DD 250.

2. **DD 1155.** The verification of receipt by an authorized Government representative constitutes a valid receiving report.

3. **SF 44.** General procedural instructions governing the form’s use are printed on the form and on the inside front cover of each book of forms. For additional policy, including conditions that must be satisfied in order to use the SF 44, see paragraph 080704.

4. **Bill of Lading.** In accordance with FAR 47.302(c)(2), when the Government accepts title of supplies at origin, and the contract specifies transportation terms of free on board to destination (contractor bears the expense of transportation), the contractor may be paid upon acceptance of title at origin, provided the invoice is supported by a copy of a signed commercial bill of lading or other document containing the carrier’s signature, indicating the goods were received by the carrier. If the contractor fails to provide this documentation, return the invoice to the contractor as an improper invoice.
5. **SF 1449.** The SF 1449 is prescribed for use in solicitations and contracts for commercial items.

C. **Follow-up for Receiving Report.** If payment cannot be made due to non-receipt of a receiving report, the entitlement office must follow up with the contracting officer and/or receiving office to ensure the documentation is forwarded in a timely manner.

D. **Receiving Report Not Required.** In certain situations, such as contract financing and the fast payment procedure, a receiving report may not be required prior to payment.

1. **Contract Financing Payments.** As defined in *5 CFR 1315.2(h)*, contract financing payments provide for an authorized disbursement of monies prior to acceptance of goods or services.
   a. As defined by *FAR 32.001*, contract financing payments include advance payments, progress payments based on cost, progress payments (other than under construction contracts) based on a percentage or stage of completion, performance-based payments, and interim payments on cost-type contracts (other than under cost-reimbursement contracts for the acquisition of services). *Title 5, CFR 1315.4(d) and (e)* provide for an exception, whereby interim payments under a cost-reimbursement service contract are treated like contract financing payments in that they are also excluded from requiring a receiving report and acceptance prior to payment authorization.
   b. Contract financing payments do not include invoice payments, payments for partial deliveries, lease and rental payments, progress payments under construction contracts based on a percentage or stage of completion, or interim payments under cost-reimbursement service contracts.

2. **Contracts Incorporating the Fast Payment Procedure.** Use of the fast payment procedure allows payment prior to verification that supplies have been received and accepted, under the limited conditions listed in *FAR 13.402* and *DFARS 213.402*. Refer to Chapter 10, Section 1007 for additional fast payment procedure policy.

E. **Variation in Quantity.** Quantity variations in contracts may be authorized for both supply contracts and construction contracts as cited in *FAR 11.7*. Variations result when total quantities delivered for a line item deviate from contracted quantities. The contract will cite permissible variations as a percentage of contracted quantity and may be defined as an increase, a decrease, or a combination of both (e.g., plus or minus 10% variance).

1. When a shipment is short of the quantity ordered, the entitlement office will pay, in compliance with the PPA (5 CFR 1315), the amount of the invoice that supports the quantity received and accepted, unless specifically prohibited by the contract.

2. When the receiving report or invoice indicates that the shipment is final, but there are undelivered items remaining per the contract terms, the entitlement office will pay, in compliance with the PPA (5 CFR 1315) and the variation authorized in the contract, the
amount of the invoice that supports the quantity received and accepted. The entitlement office must also collaborate with the contracting officer, as needed, to advise and assist in resolving the differences.

080304. Invoice

* A. Definition. As defined by FAR 2.101, an invoice is a contractor/vendor’s bill, or written request for payment under the contract, for supplies delivered or services performed. In accordance with DFARS 232.70, contractors/vendors, with few exceptions (refer to DFARS 232.7002(a)), are required to invoice electronically using the WAWF module of the PIEE.

B. Submission Requirements

1. When using contracting officer approved/designated electronic techniques for submission of invoices and electronically certified vouchers, it is not necessary to transfer paper documentation to the payment office for examination if the same supporting data are readily available and accessible in electronic media or through an electronic process.

2. The certifying officer must further ensure that the transmitted data relied upon in entitling and certifying a payment contains the necessary PPA information required by 5 CFR 1315.9 and FAR 32.905(b). As prescribed by Chapter 1, Section 0102, processes, controls, and routine testing must be established to ensure the completeness, accuracy, authorization, and validity of the electronic data received via system interfaces/transmission.

3. When contractors/vendors are permitted to invoice in a non-electronic manner, they may submit invoices on any type of form, provided all required items of a proper invoice are included on the document, unless their contract prescribes a specific form of invoicing.

C. Proper Invoice. DoD payments must be based on satisfactory contract performance and the receipt of a proper invoice, unless an invoice is not required by the contract (e.g., monthly rental payments). Title 5, CFR 1315.9(b)(1) and FAR 32.905(b) identify the items that must be included on a proper invoice.

D. Improper Invoice. If an invoice is improper, or does not meet the contract requirements prescribed by FAR 32.905(b), then the designated activity must return the invoice to the contractor/vendor and provide all details regarding invoice deficiencies.

1. An invoice must be returned as improper if the entitlement office has not been provided a valid TIN for any designated payee subject to the U.S. Internal Revenue Code. If the TIN is not in the SAM, Corporate Electronic Funds Transfer, or within the supporting documentation (to include the invoice or contract), then the contracting officer must provide the contractor’s TIN to the appropriate payment office (FAR 4.203(e)(2)).

2. An electronically-transmitted payment request is treated the same as a paper payment request and must contain identical data elements as a proper, paper payment
request (FAR 32.905(b)). Electronically-transmitted payment requests that are returned to the contractor will be returned in the same manner that they were received, or in a manner practical for the entitlement system. An electronic message reporting the reason for the return must accompany the returned electronically-transmitted payment request.

E. Forms. Non-electronic forms that may be used as an invoice, if approved by the contracting officer and included in the contract, include, but are not limited to:

1. DD 250;
2. SF 44;
3. Delivery Ticket, refer to Chapter 7 (070203.B.2); and
4. SF 1449.

F. Recurrent Payments/Fixed Amounts. Payments for services of a continuing nature (e.g., rents, janitorial services), which are performed under agency-vendor contracts providing for payments of definite amounts at fixed periodic intervals, may be made without submission of invoices or bills by the vendor if allowed by the contract.

1. The contract must specify the payment due date. The voucher prepared by the payment office to support payments of this nature must show, at a minimum, the contract number, the period covered by the payment, the name of the vendor, the amount of the payment, and the account/appropriation to be charged. The payment voucher must be certified for payment the same as are the vouchers for all other types of payments.

2. To comply with TFM Volume 1, Part 4A, Chapter 2000, Section 2055, internal controls must be established, and periodically tested, to ensure that recurrent payments being made are: on unexpired contracts or agreements, for correct amounts, for services actually received or leased space actually under contract, and are not duplications of previous payments made for the same goods or services.

G. Lost or Destroyed Invoices. If an original invoice has been lost or destroyed, then a duplicate must be obtained from the original submitter of the invoice to support the voucher. Mark the invoice obtained as a duplicate. A full explanation of the loss or destruction of the original invoice, and a statement that steps have been taken to prevent duplicate payments, must be placed on, or attached to, the duplicate invoice. If the information has already been input from the invoice into the entitlement system, payment can be made from the information contained in the entitlement system prior to obtaining a duplicate invoice. In those situations where a duplicate invoice cannot later be obtained from the contractor, an annotation must be made documenting that payment was made based on existing records, a hardcopy duplicate invoice could not be obtained, and the original invoice was lost or destroyed. The specific existing records relied upon must be identified and documented, and management review and approval of such payment must occur and be documented prior to the disbursement. Refer to TFM Volume 1, Part 4A, Chapter 2000, Section 2045.05.
H. Invoices Requiring Administrative Contracting Officer (ACO) Approval.
The Defense Contract Audit Agency (DCAA) is the authorized representative of the ACO for approving interim contract payment vouchers for provisional payment, including interim vouchers for non-commercial and commercial Time and Material (T&M) and Labor Hour (LH) contracts, subject to final audit. In accordance with **DFARS 242.803**, DCAA utilizes sampling methodologies to select interim vouchers for review prior to sending them to the payment office. Interim vouchers not selected for pre-payment review will be considered to be provisionally approved and will be sent directly to the payment office. All provisionally-approved interim vouchers are subject to later audit of actual costs incurred. DCAA does not provisionally approve the contractor’s final voucher on a contract. Approval of final vouchers is required to be performed by the contracting officer. Refer to DoDD **5105.36** for additional information regarding DCAA’s roles and responsibilities in this process. The following invoices and vouchers require ACO approval before payment:

1. Completion vouchers under cost-plus, fixed-fee, or other cost-reimbursement type contracts;
2. Vouchers and invoices for termination costs under supplemental agreements, unless the termination modification specifies the costs to be paid;
3. Completion vouchers under T&M and LH contracts;
4. Invoices for progress and performance-based payments under fixed-price type contracts;
5. Vouchers and invoices where the contract requires approval by the ACO before payment;
6. Invoices for the release of "withhold" amounts previously instituted by the ACO; and
7. Any payment request where a DO requires an ACO signature.

080305. Payment Voucher

For specific policy and requirements concerning payment vouchers, refer to Volume 5, Chapter 9. TFM Volume 1, Part 4A, Chapter 2000 contains policy related to scheduling payments and required payment voucher data. Forms that may be used as a payment voucher include, but are not limited to:

A. **SF 44**,  
B. **SF 1034**, Public Voucher for Purchases and Services Other than Personal, and  
C. **DD 1155**.
0804  DOCUMENT RETENTION

080401.  Period of Retention

Original payment documentation and associated documents must be retained as Government records in a format readily accessible to the entitlement office. Refer to Volume 1, Chapter 9, Figure 9-1, for specific policy and timeframes regarding record retention. Electronic record storage requires adequate controls to ensure that the digital images accurately represent the corresponding paper documentation and prevent changes to an original digital image (FAR 4.805(a)). The retention of documentation, both paper and electronic records, is the responsibility of the certifying officer.

080402.  Electronic Document Access (EDA)

EDA is a mandatory DoD-centralized repository of all unclassified contracts, orders, and modifications in accordance with the DFARS, Procedures, Guidance, and Information (PGI) 204.201. The system is also used as a repository for Contract Deficiency Reports, Government Bills of Lading, vouchers, and receiving reports.

0805  FOREIGN LANGUAGE DOCUMENTS

080501.  Documents Prepared in a Foreign Language

A.  Invoices and supporting documents prepared in a foreign language must be translated before payment to ensure their contents satisfy requirements of the contractual document. Refer to DFARS 225.1103 for additional policy related to contracts that may involve documentation written in a foreign language.

B.  The documents must be translated in enough detail (contract number, item identification, unit of measure, price, and extension) to enable someone unfamiliar with the language to determine that receipts (material or services) satisfy the contract terms.

1.  Documents containing technical terms that cannot be translated by entitlement office personnel should be forwarded to the ordering or requiring activity for translation.

2.  If terms are so technical that a translation cannot be made, then a descriptive translation is adequate, provided the ordering or requiring activity certifies receipt and acceptance of the items, and provides the names and contact information, along with the signature accompanying this translation certificate if not performed electronically.

3.  If not properly translated, return the invoice to the vendor as improper. Refer to paragraph 080304.D and Chapter 7, for information on improper invoice policy.
080502. Multiple Invoices

If several invoices contain basically the same format and wording, then a single translation is adequate provided like invoices support the same payment voucher, and:

A. The required certification shows that all data not translated on other identified documents are the same as that translated,

B. All non-common data on all invoices are identified and translated in enough detail to allow an audit by persons not familiar with the language, and

C. A separate translation is attached for each group of different invoices.

080503. Translation Certificate

The translation can be entered over or under the corresponding foreign wording or in its entirety on any available space on the document. If space is not available, then the English translation may be copied on a separate sheet. The translator completes and signs the following translation certificate on each translated document found satisfactory for payment: “I certify that I am familiar with the ____ language, and that I have made a true and correct translation of the____.” (Printed Name, Signature, Date, and Contact Information). This certification, which pertains only to the translation, may be inscribed on a separate sheet and attached if space is not available on the foreign language document. A duly appointed (via a DD 577) certifying officer must ensure payment requirements are satisfied based upon the translation.

0806 PROCESSING ALTERED DOCUMENTS

The following policy applies to pen and ink changes associated with contractual documents, requests for payment, receiving reports, and invoice documents.

080601. Prohibited Pen and Ink Changes

A. Pen and ink changes are prohibited from being made on all contractual documentation. FAR 43.301(a) prescribes the use of the SF 30 to make changes to contractual documentation.

B. Entitlement office personnel are prohibited from making pen and ink changes on requests for payments, receiving reports, and invoices for the following information:

1. Payee Identification. Payee identification includes, but is not limited to: name, address, banking information, Commercial and Government Entity code, and TIN.

2. Order Numbers. Order numbers include, but are not limited to: contract, modification, call, task, and delivery order numbers.
3. Monetary Amounts. Monetary amounts include any dollar value on any of the documents.

4. Line of Accounting (LOA) Data. LOA data includes all information pertaining to the LOA on any of the documents.

5. Names of Officials and Officers. Officials and officers include, but are not limited to: the certifying officer, approving official, contracting officer, and all other related information as typed or printed on the documents.

6. Dates. Dates include any dates impacting PPA interest or discounts.

080602. Allowable Pen and Ink Changes

A. Entitlement offices can make pen and ink changes for administrative type errors not described in paragraph 080601.B on requests for payment, receiving reports, and invoice documents.

B. Entitlement office personnel may accept pen and ink changes on supporting documentation attached to an externally-certified payment request, certified and submitted by an appointed certifying officer. When submitting a certified payment voucher with accompanying manually altered supporting documents such as requests for payments, invoices, and other documents, a properly certified SF 1034 must be provided to the entitlement office identifying the correct total amount and fund citations.

0807 EMERGENCIES AND CONTINGENCY OPERATIONS

080701. Definitions

A. Emergencies. The Robert T. Stafford Disaster Relief and Emergency Assistance Act defines emergencies as any occasion or instance for which, as determined by the President, federal assistance is needed to supplement state and local efforts and capabilities to save lives and to protect property and public health and safety, or to lessen or avert the threat of a catastrophe in any part of the United States.

B. Contingency Operations. A contingency operation, as defined by FAR 2.101(b), is a military operation that either:

1. Is designated by the Secretary of Defense as an operation in which members of the armed forces are, or may become, involved in military actions, as evidenced by the execution of an operations plan (operations order) by a Combatant Commander; or

2. Results in the call or order to, or retention of, active duty of members of the uniformed services, or any other provision of law during a war or during a national emergency declared by the President or Congress. For additional information on contingency operations, refer to Volume 12, Chapter 23.
080702. Prompt Payment Act (PPA) Exemption

Certain payments made during contingency operations, an emergency, or the release or threatened release of hazardous substances (as defined in 42 U.S.C. § 5170 – 5195c) may not be subject to the requirements of FAR 32.9. Refer to DFARS 252.232-7011 and Chapter 7 for the policy detailing these exemptions.

080703. Simplified Acquisition Threshold

Title 41, U.S.C. § 1903 provides detailed policy involving the simplified acquisition thresholds to support contingency operations and special emergency procurements. The contracting community is primarily responsible for ensuring the conditions for invoking 41 U.S.C. § 1903 are met.

080704. Standard Form (SF) 44

The SF 44 is designed for on-the-spot, over-the-counter purchases of supplies and non-personal services while away from the purchasing office or at isolated activities. The amount of the purchase must be at or below the micro-purchase threshold defined in FAR 13.2, except for purchases made under unusual and compelling urgency or in support of contingency operations. The simplified acquisition threshold applies to the SF 44 for overseas transactions by contracting officers in support of contingency operations. Refer to FAR 13.306 and DFARS 213.306 for the conditions that must be satisfied in order to use the SF 44.

080705. Government-wide Purchase Card

A contracting officer supporting a contingency operation may use the Government-wide commercial purchase card to make a purchase that exceeds the micro-purchase threshold but does not exceed the simplified acquisition threshold. Refer to DFARS 213.301(3) for information concerning the conditions that must be met.

* 080706. Certification Guidelines

In addition to a contract, receiving report, and an invoice, certifying officers involved in supporting emergencies and contingency operations must ensure specific information is contained within the entitlement package. This is to ensure that the entitlement to payment is valid for certification and payment in those situations when the payment is exempt from the PPA. Payments subject to the PPA would fall within the requirements contained in Chapter 7. For payments made in support of an emergency or contingency operation that are not subject to the PPA requirements, Appendix 1- Matrix for Payments in Support of Emergencies and Contingency Operations provides a matrix tool to assist in identifying the critical data elements necessary to perform a proper certification of a payment.
080707. Written Justification

In circumstances where information identified in Appendix 1 is not present on all of the documents (i.e., contract, receiving report, and the invoice), the certifying officer may certify the payment if they can make a reasonable linkage among the documents. Additionally, the certifying officer may, in certain circumstances as explained in Appendix 1, certify a payment that does not contain a critical data element identified in the Appendix 1 matrix, however, they must justify in writing why they certified the payment.

080708. Transportation Cost

If transportation costs are claimed, or shipment damage occurs or is expected to occur, then shipping terms should be considered as a critical element.

080709. Control of Funds

All accounting offices that support emergencies or contingency operations must ensure that accounting and document retention requirements are in place within 30 days of declaration of the operation. Adherence to these requirements is critical to DoD financial stewardship and control of funds.
APPENDIX 1 MATRIX FOR PAYMENTS IN SUPPORT OF EMERGENCIES AND CONTINGENCY OPERATIONS

This appendix provides a matrix tool to assist certifying officers in identifying the critical data elements necessary to properly certify a payment made in support of emergencies and contingency operations. The matrix does not apply to contract financing payments since contract terms stipulate the invoicing and related documentation requirements.

When authorized, the head of the contracting activity, in consultation with the cognizant comptroller supporting their contracting activity, will make the determination of whether a contract and related payment will be subject to the prompt payment requirements of FAR 32.9 and are in accordance with the criteria outlined in DFARS 232.901. This determination will be reflected in a specific payment clause in the individual contract.

- Emergencies and contingency operations payments made subject to the Prompt Payment Act (PPA) requirements must adhere to the payment documentation requirements contained in 5 CFR 1315.9.

- Emergencies and contingency operations payments that are not subject to the PPA requirements must adhere to the documentation requirements contained in the following matrix.

The data elements contained in the matrix, in addition to other requirements that may be imposed by the contract terms, or those deemed necessary by the certifying officer, are critical requirements for ensuring proper certification. While it is desirable that all elements identified in 5 CFR 1315 for a proper invoice, receiving report, and contract are available for review by the certifier and subsequent processing of the payment, they are not required if the payment is not subject to FAR 32.9.

The matrix in this appendix identifies the types of payments (e.g., construction, goods or services) that can be exempt from the PPA and the data elements that are required for each type of payment. The matrix is not intended to be all-inclusive as it is very difficult to predict all types of payments that will be made during emergencies and contingency operations. Many payments fall under the category of miscellaneous payments, and each miscellaneous payment may have different data element requirements associated with it.

The certifying officer must use professional judgment to determine if a payment request and supporting documentation is sufficient to demonstrate that the payment is legal, correct, and proper.

- Critical data element not on all documents. A critical data element may be missing from one document, but present somewhere in the payment package. While all critical, required data elements identified in the matrix for a specific type of payment must be present on the supporting documentation, these data elements do not have to be present on all the documents. In other words, if a required data element is contained on the contract (e.g., Taxpayer Identification Number (TIN)) but not the invoice, and the certifying officer can make a reasonable linkage between the two documents, then the certifying officer may certify that payment.
- **Critical data element completely omitted.** When a payment package does not contain a critical data element as reflected in the matrix, the certifying officer must be confident that: (1) there is a legal obligation to pay, (2) the payee has fulfilled any prerequisites to payment, (3) the amount of the payment and identity of the payee are correct, and (4) the payment is legal under the appropriation or fund involved. For any payment package missing any required critical data element, the certifying officer must justify in writing why they certified the payment. This justification can either be on the voucher or on a separate attachment provided with the voucher.
CRITICAL ITEMS REQUIRED FOR EMERGENCIES AND CONTINGENCY OPERATION PAYMENTS CERTIFICATION MATRIX

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<th>Data Element</th>
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<th>Services (Fixed Price)</th>
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CRITICAL POLICY COMPLIANCE REQUIREMENTS:

1. A contract, receiving report, and invoice are required documents. The elements identified in the matrix must be present on at least one of the documents. Refer to paragraph 080707 for justified exceptions under emergencies and contingency operations.

2. Cash payments require the seller’s signature of receipt attached to the voucher.

3. For payments for services of a recurring nature, if the contract does not require submission of an invoice for payment, then the contract must specify the payment due date.

4. An interim payment request under a cost-reimbursement contract for services constitutes a proper invoice if it correctly includes all of the information required by the contract.

5. Progress payments based on the percentage of completion must be certified by the prime contractor.

6. The TIN is required for all payees subject to the U.S. Internal Revenue Code. Payees not required to provide the TIN include: court-ordered payments, foreign companies, foreign visitors, and U.S. Government agencies. Refer to paragraph 080207 and subparagraph 080304.D.

7. Documentation for miscellaneous payments varies, based on the specific type of payment. Refer to Chapter 12 and the Department of Defense Guidebook for Miscellaneous Payments for additional policy.

8. A certifying officer must justify in writing when a payment is made that is missing any required critical data element. This justification can either be made on the voucher or on a separate attachment provided with the voucher.

9. If transportation costs are claimed, or shipment damage occurs or is expected to occur, shipping terms are considered a critical element.
VOLUME 10, CHAPTER 10: “PAYMENT VOUCHERS – SPECIAL APPLICATIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated September 2018 is archived.

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<th>PURPOSE</th>
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<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<tr>
<td>100201</td>
<td>Added a reference to Volume 4, Chapter 9, for accounting policy related to intragovernmental transactions.</td>
<td>Revision</td>
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<tr>
<td>100202.B</td>
<td>Revised the reference to the Treasury Financial Manual (TFM) and also added information pertaining to the G-Invoicing platform for creating and managing intragovernmental transactions, as prescribed by the TFM.</td>
<td>Revision</td>
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CHAPTER 10

PAYMENT VOUCHERS – SPECIAL APPLICATIONS

1001  GENERAL

100101. Overview

The DoD uses payment vouchers to document the payment of billings for services and supplies. Payment voucher processing described in this chapter relates to vouchers with unique entitlement or execution features. This chapter includes policy for executing intragovernmental payments and entitling partial payments, contract financing, advance payments, fast payments, and payments against cost reimbursement contracts. Disbursement processing requirements are described in Volume 5, Chapter 9.

100102. Purpose

This chapter prescribes the DoD policy for handling payment vouchers with special requirements in accordance with the laws and regulations cited herein.

100103. Authoritative Guidance

This chapter establishes policies based on the statutory and regulatory requirements spelled out in specific sections of the Treasury Financial Manual (TFM), Title 31, United States Code (U.S.C.), Title 10, U.S.C., Title 41, Code of Federal Regulations (CFR), Federal Acquisition Regulation (FAR), Part 32, and the Defense Federal Acquisition Regulation Supplement (DFARS) referenced throughout the chapter. Standard processing forms include the Standard Form (SF) 1080, Voucher for Transfers Between Appropriations and/or Funds, SF 1081, Voucher and Schedule of Withdrawals and Credits, SF 1034, Public Voucher for Purchases and Services Other Than Personal, and the General Services Administration’s (GSA) Form 789, Statement, Voucher and Schedule of Withdrawals and Credits.

1002  INTRAGOVERNMENTAL PAYMENTS

*100201. General

Intragovernmental payments result from transactions between federal entities for sales, services, or transfers between such entities. See Volume 4, Chapter 3 and Chapter 9 for intragovernmental accounting policy. For DoD, these transactions can be:

A. Between DoD and Non-DoD entities,

B. Between DoD Components, or

C. Within a DoD Component.
100202. Billing Processes

A. Interfund Billings. Intragovernmental transactions between or within DoD Components for the purchase of goods will be processed through the interfund billing system when supported by the supply and accounting systems (also see Volume 4, Chapter 3, Section 0305 for additional policy on intragovernmental receivables). As prescribed by the Defense Logistics Management Standards (DLMS), Defense Logistics Manual (DLM) 4000.25, Volume 4, Chapter 5, Interfund Billing System Procedures, the GSA, Federal Aviation Administration, and the National Oceanic and Atmospheric Administration are authorized federal agencies that may also bill DoD through the interfund billing system for goods purchased. The interfund billing system allows suppliers to reimburse themselves at the time of the billing from appropriations designated by the customer. The supplier forwards an automated billing to the billed office and reports to the U.S. Department of the Treasury (Treasury) a reimbursement of the supplier’s funds with an offsetting charge to the customer’s funds. Interfund bills, therefore, serve as both a billing and a notice to the customer that its funds have been charged and the bill has been paid. Only the billing office or the Central Accounts Office is authorized to adjust, or otherwise reverse, reimbursements reported to the Treasury on behalf of the billing office. See the DLM 4000.25, Volume 4 for detailed interfund billing system procedures.

* B. Non-Interfund Billings. Intragovernmental transactions between DoD Components that are not supported by the supply and accounting systems and are unable to be processed through the interfund billing system (described in 100202.A), are classified as non-interfund transactions. This includes intragovernmental transactions between a DoD Component and a non-DoD entity, which are not authorized for interfund billing in accordance with the DLM 4000.25, Volume 4, Chapter 5. The TFM, Volume 1, Part 2, Chapter 4700, Appendix 6, Section 9, provides policy and guidance on the use of the Intragovernmental Payment and Collection (IPAC) system by federal entities, including the DoD, to electronically bill and pay for non-interfund intragovernmental transactions. Section 9 of the referenced TFM also provides guidance and information related to the development and use of G-Invoicing as the platform for creating and managing intragovernmental transactions. G-Invoicing is not an accounting system or a procurement system; instead, it serves as a gateway for federal entities to agree upon the funding terms and the accounting treatment of their reimbursable activity, and exchange that data with one another for consistent financial reporting. IPAC will continue to operate as the application for the settlement of funds between federal entities, even in a G-Invoicing environment, per the TFM. The IPAC system communicates to the Treasury and the trading partner agency that the online billing and payment for services and supplies has occurred. Refer to TFM, Volume 1, Part 2, Chapter 4700, Section 9.2 and Section 9.3 for additional information on G-Invoicing and IPAC respectively. See Volume 5, Chapter 11 for disbursing policy related to IPAC processes and Volume 4, Chapter 3 for accounting policy related to non-interfund receivables policy.

C. Advance Payments. Unless the DoD Component is specifically authorized by law, legislative action, or Presidential authorization, funds are not to be advanced to non-DoD federal entities, or be used to pay for advance billings without the receipt of goods or services. The constructive delivery and drop from inventory methods described in section 100204 are exceptions to this prohibition of advances prior to receipt. Volume 11A, Chapter 3 contains
additional policy pertaining to advances to non-DoD entities via Economy Act Orders. Also see Volume 4, Chapter 5 for general policy concerning advance payments.

100203. Completion of Intragovernmental Reimbursement and Transfer Vouchers

A. Vouchers. In accordance with DLM 4000.25, Volume 4, Chapter 2, C2.2.7, when an activity is unable to utilize electronic data interchange methods, the SF 1080 is an authorized voucher that may be used to entitle, execute, and support non-interfund intragovernmental payments. See Volume 5, Chapter 9 for detailed guidance regarding disbursement vouchers for non-interfund intragovernmental transactions.

1. **SF 1080.** Components will use the SF 1080 as support for bills to other DoD Components and non-DoD federal agencies for non-interfund, intragovernmental transactions.

2. **SF 1081.** Components may use the SF 1081 when a manual process is required to generate interagency payments and collections between DoD and other agencies of the U.S. Federal Government. In addition, the SF 1081 is used for correcting prior expenditure or collection transactions, as well as for processing expenditure transactions not requiring payment by check.

3. **Valuation/Cost Conditions.** The following conditions may apply when using either the SF 1080 or SF 1081.

   a. Surplus articles, for which payment is to be made, are listed on the voucher or supporting documents at their appraised values. Surplus articles refer to any items provided by the seller to the buyer over and above what was originally requested/agreed to.

   b. Work and shop orders indicate the unit prices of articles or services furnished, or the actual value of personal services, materials, or other direct charges and overhead. When vouchers cover expenses related to the use of equipment, the following certification is placed upon the itemized statement: “I hereby certify that the amount billed herein represents cost as determined under 31 U.S.C. § 1535 and 1536.” In cases where the account is billed based on unit costs (e.g., per hour, day, or mile) rather than by itemization of supplies and services, such unit costs will include all expenses of operation and maintenance except depreciation. The billing method should be identified in, and determined by, the purchase agreement between the entities.

   c. The services of an employee performed for another federal department or agency may be reimbursed to the providing agency if an agreement for reimbursement was made before the rendering of such services. Copies of such agreements are attached to the transfer voucher (i.e., SF 1080, 1081, or 1034) in support of the payment.

   d. Articles issued from stock on hand, or stock due in, are listed on the vouchers or supporting documents. The unit prices of such items are at the standard average cost, or are computed on such basis as to ensure proper reimbursement to the agency. Refer to Volume 4, Chapter 4, for additional details concerning valuation methodologies for inventory items.
4. **GSA 789.** The GSA 789 is an authorized payment voucher for purchases from GSA (DLM 4000.25, Volume 4, Chapter 2, C2.2.7).


1. The entitlement office examines intragovernmental payment vouchers and supporting documentation to verify amounts, ensure required information is present, and validate that any required certifications are present; such as that described in 100203.A.3.b for the use of equipment. The entitlement office also verifies accessorial charge rates when levied by non-DoD government activities for issues, sales, and transfers of material, supplies, and equipment.

2. This verification must ensure that charges do not take into account recurring reimbursement issues (sales) and non-reimbursable transfers of material to other DoD Components, except for sales and transfers pursuant to the military assistance grant aid program and Foreign Military Sales (FMS) programs. After the review and examination for propriety, the entitlement office cites the accounting classification and verifies the voucher is ready for payment.

C. **Receipt and Acceptance Documentation.** Evidence of receipt and acceptance is required to support all intragovernmental and interfund transactions. The accurate and timely recording of receipts is critical to ensure financial statements are materially correct. DoD financial reporting entities must develop and implement internal controls to ensure receipt and acceptance is properly accomplished and documented to support all intragovernmental transactions. Refer to Chapter 1 for additional details concerning internal control requirements of federal agencies. Refer to Volume 4, Chapter 9 (090201) for additional details concerning receipt and acceptance requirements.

100204. **Constructive Delivery or Drop from Inventory**

A. **General.** Components can place orders with another major organization within DoD, or another agency, for goods or services under the Economy Act, 31 U.S.C. § 1535. Refer to Volume 11A, Chapter 3 for policy on Economy Act orders. Payments from the ordering agency are made promptly upon the written request of the agency or unit filling the order. Payment is made in advance or upon providing the goods or services ordered, for any part of the estimated or actual cost as determined by the agency or unit filling the order. A bill submitted, or a request for payment, is not subject to audit or certification in advance of payment. Adjustments of amounts paid prior to receipt of the goods or services are made in accordance with prior agreement by appropriate Component personnel on the basis of the actual cost of goods or services provided. DoD billings are based on constructive delivery or drop from inventory as follows.

1. **Constructive Delivery.** Constructive delivery is the delivery of material by the providing entity to a commercial carrier, freight forwarder, the U.S. or an international post office, or customer at the point of production, storage, or test.
a. Delivery is evidenced by completed copies of shipping documents, material shipment status of shipping documents, or a list of deliveries to a post office. Constructive delivery also applies to billings for goods accepted by an authorized inspector of another DoD Component providing direct shipment to the consignee. Such billings must be supported with a DoD *(DD) Form 250*, Material Inspection and Receiving Report, or other authorized documents received from the inspector showing shipment. Under constructive delivery, bills are issued when the carrier accepts the goods for transport.

b. Payment under constructive delivery differs from the actual delivery or drop from inventory concept. Constructive delivery bills are accepted and paid without waiting for delivery of the goods to the final destination. However, Components must perform follow-up procedures to ensure the goods have been received and accepted, and obtain the documentation to support the receipt and acceptance for subsequent audit purposes.

2. **Drop from Inventory.** Drop from inventory is the reduction of the quantitative inventory balance. Billing for shipments from stock must be billed at the standard price in effect at the time the stock is dropped from inventory. Refer to Volume 11B, Chapter 15 for pricing policy of inventory items.

**B. Non-interfund Billings from DoD**

1. **General.** Following a supply activity requisition, reimbursable sales of material are billable after the material has been transferred using the drop from inventory method. Billing will occur on the basis of the drop from inventory or performance of services. Sales of bulk petroleum, oil, lubricants, and perishable subsistence, as well as FMS and military assistance grant aid shipments, are noted exceptions to this billing policy. Refer to DLM 4000.25, Volume 4, *Chapter 2* for billing guidelines.

2. **Responsibility of Supplying Activity.** The supplying activity initiates a request for payment for items supplied to the DoD. Billings must, at a minimum, be supported by the following information: document order number, description of the article or services, delivery or other performance date, quantity, and price. The document order number will normally be satisfied by the requisition document number, and the description will normally be satisfied by the National Stock Number. The delivery or performance date is the same date established in the detailed billing record, as appropriate for the issue or service. The supplying activity notifies the requisitioning activity of item substitutions and price or quantity changes. To facilitate the resolution of billing or payment disputes involving bills, billing offices should also include electronic contact information on the bill. Refer to DLM 4000.25, Volume 4, Chapter 2 for further details regarding billing procedures.

3. **Responsibility of Requisitioning Activity.** The requisitioning activity records the amounts and quantities of items approved for payment. The requisitioning activity adjusts the billing for unacceptable items or for items unfilled by the supplying activity and provides reimbursement for the adjusted amount. The requisitioning and supplying activities determine subsequent disposition of the unfilled items through mutual agreement.
4. **Billing Adjustments for Short, Damaged, or Defective Shipments within the DoD.** The requisitioning activity initiates action to obtain billing adjustments. When the DoD Component shipping the items is responsible for an adjustment, a Supply Discrepancy Report (SDR) (an electronic equivalent to the **SF 364**, Report of Discrepancy (ROD)), is prepared by the receiving activity and submitted under DLMS procedures. The Transportation Management Office or Transportation Office initiates the **DD Form 361**, Transportation Discrepancy Report (TDR), when the shortage or damage is attributed to the commercial carriers. For procedural instructions regarding these reports, see the Defense Transportation Regulation (**DTR**), Part II, Chapter 210 and DLM 4000.25, Volume 2, *Chapter 17*.

5. **Other Billing Adjustments or Allowances.** The requisitioning activity is responsible for initiating requests to the billing activity to grant adjustments or allowances that do not arise from shortages, damages, or defects in shipments. These adjustment and allowance requests are submitted via the SDR for discrepancies such as overages (to be retained by the receiving activity), unacceptable substitutes, or erroneous material received. Approved requests are applied as an adjustment or allowance to the customer account included in the billing document.

6. **Billing and Credit for Material Diversions Using Military Standard Requisitioning and Issue Procedures (MILSTRIP)/Military Standard Transaction Reporting and Accounting Procedures.** If the requisitioning activity cancels requisitions, then the requisitioning activity is credited the amount billed, including accessorial charges. Accessorial costs represent certain expenses incident to issues, sales, and transfers of materiel. Accessorial costs include costs incurred for packing, crating, and handling; transportation; and port loading and unloading (See Volume 11A, Chapter 1, for additional details on accessorial charges). Refer to DLM 4000.25, Volume 4, Chapter 2 for further details regarding MILSTRIP cancelation procedures. The alternate consignee for material diverted is billed for the standard price and accessorial charges. If the Defense Logistics Agency (DLA) places an order for direct shipment of non-stocked items and the requisitioning activity cancels the order, then the requisitioning activity is billed via the SF 1080 for contract termination costs arising from cancelation of the requisition. DLA notifies the “bill to” activity cited in the canceled requisition of impending termination costs.

100205. **Payments to Defense Working Capital Funds (DWCFs)**

Payment for services rendered by DWCF activities is based on the prescribed rates, tariffs, and billing procedures. DWCF payments are made with the same policy as constructive delivery and drop from inventory payments described in section 100204.

100206. **General Services Administration (GSA)**

The majority of GSA billing is accomplished via the interfund process utilizing the Simplified Interagency Billing and Collection system. When the interfund process is not used, the GSA Form 789 is used for purchases from GSA.

A. **Non-interfund Billings (GSA)**

1. GSA provides selected supplies, equipment, services, space, communications, motor vehicle rental, and other miscellaneous items on a reimbursable basis. These
supplies and services are financed from revolving, management, or working capital funds, and reimbursement from the Components is obtained through periodic billings and collections. Periodic billings and collections allow GSA to operate these programs with a minimum amount of appropriated funds.

2. The ordering activities receive bills from GSA biweekly, monthly, or quarterly, after the fact, or in advance (e.g., rental payments) on the GSA billing forms. This will be determined in the purchase agreement between the entities. As prescribed by DLM 4000.25, Volume 4, Chapter 2, when activities are unable to use electronic methods, the SF 1080 or the GSA 789 may be used for billing. GSA is not required to certify such bills. Except for those bills that are rendered in advance, bills are sent to the Components only after there is evidence of actual delivery of material or services or after receipt of evidence of shipment (constructive delivery). GSA furnishes bills and supporting documentation containing the data necessary to permit identification of the requisition, purchase order, or other obligating documents. GSA may process requisitions of $1 or less without billing.

B. Adjustments. GSA adjusts bills for transportation type discrepancies attributable to the common carrier, when the difference in shipment is caused by the shipper (GSA), or results from a lost or damaged parcel post shipment. See DLM 4000.25, Volume 4, Chapter 4 for additional policy regarding requesting or processing billing adjustments or refunds.

1. For lost, damaged, or defective shipments, when the discrepancy is attributable to the common carrier, the receiving activity prepares a TDR. The GSA processes these claims within the Continental United States (CONUS), since they are designated on the government bill of lading to make payment of transportation charges to the common carrier.

2. When a discrepancy in shipment is either caused by the shipper (GSA) or results from a lost or damaged parcel post shipment, the receiving activity prepares the SDR. The receiving activity sends the SDR, under DLMS procedures, to the GSA National Customer Service Center (NCSC). The NCSC will accept reports of discrepancies sent by mail or via e-mail at NCSCCustomer.service@gsa.gov, or through online account access at GSA ADVANTAGE.

3. Errors in GSA non-interfund billings, other than shipping errors, are corrected by GSA based on an electronic request for billing adjustment, if possible, or a letter or email from the billed office. The billed office sends the request for adjustment to the GSA NCSC, including a copy of the bill and explanation of the error.

4. GSA processes the SDR or TDR, replies to the receiving activity, and when applicable, sends an adjusted bill to the billed office. The GSA may also initiate communication advising the billed office of erroneous billings and, when applicable, submit an adjusted bill to the billed office.

a. If GSA fails to reply to an SDR or TDR, then the receiving activity is responsible for following up with the GSA NCSC. Refer to DTR, Part II, Chapter 210, and DLM 4000.25, Volume 2, Chapter 17 for follow-up instructions. When the reply to an SDR or
TDR indicates a billing adjustment will not be made, the issue may be elevated within the organization’s management chain for resolution. When the reply indicates a billing adjustment will be made, the receiving activity provides a copy of the reply to the billed office.

b. If the billing adjustment that GSA stated was forthcoming is not received within 60 calendar days of the date of the reply to the SDR or TDR, the SDR/TDR submitter should consult the billed office for verification. When non-receipt of credit is confirmed, the billed office will submit a request for billing adjustment as prescribed by MILSBILLS procedures contained in DLM 4000.25, Volume 4, Chapter 4.

C. Transportation. GSA pays transportation costs on stock items to all CONUS activities and to U.S. ports of embarkation for overseas shipments. These costs are included in the GSA standard stock item prices.

D. Non-interfund Payments

1. Payment is made for material through the IPAC system within 15 days after receipt of the GSA invoice. Bills are paid as rendered without preaudit or receipt verification, subject only to availability of funds and adjustments for obvious significant errors in dollar amount. If items are deleted from the billing, then fully explain on the GSA billing forms. A follow-up process must be established to ensure the material paid for has been received and accepted. Documentation obtained in support of the receipt and acceptance must be retained as part of the support for the billing for future audit purposes. Documentation must be retained in accordance with the timeframes and requirements identified in Volume 1, Chapter 9 and the General Records Schedules of the National Archives and Records Administration’s disposal authorization guidance.

2. As prescribed by DLM 4000.25, Volume 4, Chapter 2, GSA billings for material shipped overseas contain a special surcharge for packing, packaging, and preservation of material. These costs are not included in the standard unit prices of the items but are separately billed. GSA billings for these charges cite the appropriation fund code shown in the MILSTRIP requisition.

3. Surcharge rates apply when unique DoD marking/packing requires the shipment to be physically handled by a GSA export packing facility. Surcharge rates are computed by applying an authorized percentage of the value of the material ordered and shipped to customers overseas from GSA wholesale distribution centers and vendors. These rates are subject to change each fiscal year based on an annual review of actual costs by GSA (DLM 4000.25, Volume 4, Chapter 2).

4. GSA Accounting Services is responsible for GSA Motor Pool transactions incurred by the local Transportation Officer. Travel Pay sections process payments to GSA or contractors for vehicle rentals authorized by travel orders. Use the data on the documented detailed billing cards to identify the requisition, purchase order, travel order, or other obligating documents. The billing information must be compared to the obligation document; if an error is found, then follow instructions in subparagraph 100206.B. Payment is due within 30 days of the billing date (see 100203.C for requirements regarding receipt and acceptance). GSA supports each
transaction listed with detailed billing cards for use with either mechanized systems or for manual processing.

5. GSA has exclusive multiyear contracting authority for telecommunications resources. However, GSA may delegate this authority in certain instances (see 41 CFR 101-35.6 and DFARS 239.7405). GSA bills for federal telecommunication services are submitted monthly and paid in advance using the IPAC system, without preaudit or receipt verification and subject only to the availability of funds (see 10 U.S.C. § 2396 and 40 U.S.C. § 581(g)). These bills should be paid within 15 days after receipt of the GSA invoice. Components must perform follow-up procedures to ensure the services have been received and obtain the supporting documentation (receipt verification) for subsequent audit purposes.

E. Billing and Credit for Material Diversions Using MILSTRIP. Activities seeking credit resulting from canceled requisitions for a material diversion must provide confirmation of the amount billed, including accessorial charges. The alternate consignee for material diverted is billed for the standard price and accessorial charges. Activities canceling requisitions for material for which GSA placed an order for direct shipment of non-stocked items are billed by SF 1080 for contract termination costs arising from cancelation of the requisition. GSA will promptly provide the bill to the activity cited in the canceled requisition of impending termination costs.


A. General. The DLA Document Services is the single DoD focal point for GPO ordering and management of document services in accordance with DoD Instruction 5330.03. An invoice is submitted to the requisitioning activity upon the furnishing of printing services or supplies. The office billed prepares and processes the SF 1080 for payment and must attach an invoice to the SF 1080. Instead of transcribing the details of the transactions, each invoice can be listed under the caption “per attached invoice” according to date, number, and other identifying data as appropriate.

B. Payments to GPO. GPO reimburses the contractor for commercial printing services acquired through that agency.

1003 PARTIAL PAYMENTS

In accordance with FAR 32.906(c) and 5 CFR 1315.4(k), unless prohibited by the contract, partial payments are authorized invoice payments for partial delivery of contractual quantities that have been accepted by the Government. Partial payments are payments made to the contractor after the work has been completed, or goods provided, and are based on items accepted on the receiving report. Per FAR 32.102(d), payments for accepted supplies and services that are only a part of the contract requirements (i.e., partial deliveries) are authorized by 10 U.S.C. § 2307. When appropriate, contract statements of work and pricing arrangements must permit acceptance and payment for discrete portions of the work as soon as accepted (FAR 32.906(c)).
100301. Invoicing and Tracking

When partial payments are made on purchase orders, contracts, or delivery orders, a partial payment record is maintained by the entitlement office. A separate partial payment record is maintained for each purchase order, contract, or other obligation document requiring partial payments. Contractors will submit payment requests and receiving reports in electronic form, utilizing the Wide Area Workflow (WAWF) module within the Procurement Integrated Enterprise Environment (PIEE), as prescribed by DFARS 232.7002 and DFARS 232.7003, with noted limited exceptions. When payment requests and receiving reports are not submitted in electronic form, the contracting officer will consult with the payment office and the Administrative Contracting Officer (ACO) regarding the preferred method for submission.

100302. Discounts Offered

Partial payment requests may contain discount provisions per the contract, or on the invoice, that must be considered. See Chapter 2 for discount policy.

100303. Ordering Agreements and Blanket Delivery Orders

Payments made against blanket purchase agreements, call-type contracts, and blanket delivery orders, as defined by FAR Part 16, are not considered partial payments, except when more than one payment is required on an individual call or order.

1004 CONTRACT PAYMENT ALLOCATIONS

100401. General

In accordance with DFARS, Subpart 204.7108, contracting officers must follow the procedures at DFARS 204.7108, Procedures, Guidance, and Information (PGI), for inclusion of payment instructions in contracts. The payment instructions provide guidance to the payment office to assign payments to appropriate accounting classification reference numbers (ACRNs) based on the anticipated contract work performed (regulatory guidance for establishing ACRNs is contained in DFARS PGI 204.7107). Payment instructions are required for any contracts or separately priced orders that:

A. Include deliverable line items or subline items that are funded by multiple accounting classifications;

B. Contain cost reimbursement or time-and-materials/labor-hour line items; or

C. Authorize financing payments.

100402. Application

The DFARS PGI payment instructions provide for a specific allocation methodology based on the type of payment request being submitted and the type of effort being procured. The
contracting officer must insert the specific instructions, or a link to the table at DFARS PGI 204.7108(b)(2), into Section G of the contract. The DFARS PGI payment instructions include an authorization for the contracting officer to utilize an alternative “Other” allocation methodology if none of the specific payment type instructions apply. However, this methodology may only be used if:

A. It provides a significantly better reflection of how funds will be expended in support of contract performance; and

B. It is agreed to by the payment office and the contract administration office. A copy of the agreement will be kept in the contract file.

1005 CONTRACT FINANCING PAYMENTS

100501. General

A contract financing payment, as defined in FAR 32.001 and DFARS Subpart 232, is an authorized Government disbursement of monies to the contractor prior to acceptance of supplies or services by the Government. Contract financing payments relieve the contractor from responsibility for the total financing of a contract that extends over a long period, or is for a large amount of money. These payments must be authorized by the contracting officer within the contract terms and conditions.

A. Contract financing payments include:

1. Progress payments based on cost (FAR 32.5 and DFARS 232.5);

2. Progress payments based on a percentage or stage of completion (FAR 32.102);

3. Performance-based payments (FAR 32.10 and DFARS 232.10);

4. Advance payments (FAR 32.4 and DFARS 232.4);

5. Commercial advance and interim payments (FAR 32.2 and DFARS 232.206); and

6. Interim payments under a cost-reimbursement-type contract, except for a cost-reimbursement contract for services when Alternate I of the clause at FAR 52.232-25 is used. See section 1006 for policy pertaining to payments on cost-reimbursement-type contracts.

B. In accordance with DFARS 232.102-70, the contracting officer may establish provisional delivery payments to pay contractors for the costs of supplies and services delivered to and accepted by the Government under certain contract actions. This may take place if the contract is undefinitized, whereby the contract terms, specifications, or prices are not agreed upon before performance begins.
C. Contract financing payments do not include:

1. Invoice payments,
2. Payments for partial deliveries,
3. Lease and rental payments, or
4. Interim payments under a cost-reimbursement-type contract for services when Alternate I of the clause at FAR 52.232-25 is used.

100502. Progress Payments

Progress payments are made to the contractor when requested, as work advances.

A. Progress Payments Based on Costs. These payments, authorized by the inclusion of FAR contract clause 52.232-16, are made to the contractor when requested, but not more frequently than monthly and only in amounts approved by the ACO in accordance with FAR 32.5 and DFARS 232.5. Progress payment requests are processed in sequential order.

1. Per FAR clause 52.232-16, the total amount of progress payments shall not exceed 80 percent of the total contract price, as defined by FAR 32.501-3.

2. Each contractor request for progress payment must be prepared and submitted through the WAWF module of PIEE, as a separate progress payment document/SF 1443, Contractor’s Request for Progress Payment, in accordance with DFARS 252.232-7003, with noted limited exceptions. The FAR and DFARS links provided herein discuss the computation, liquidation, reduction, suspension, and limitations of progress payments.

3. DFARS 252.232-7004 provides for special liquidation rates pertaining to small businesses (90%) and small disadvantaged businesses (95%). However, the limitation/ceiling of 80% of total contract price specified by FAR clause 52.232-16 still applies.

4. Progress payments may have different liquidation rates. For example, a contract may have different liquidation rates for payments pertaining to the U.S. effort versus FMS. In this example, the liquidation rate could be 80 percent for the U.S. work versus 90 percent for the FMS, and two separate progress payment requests are required to be prepared and submitted by the contractor. In addition, as prescribed by DFARS 252.232–7002, if more than one FMS country is involved, the contractor is required to attach a supporting schedule to the progress payment request identifying the countries and the requested distribution of the payment. Unless directed otherwise in the contract, or by the contracting officer, the contractor submits the progress payment requests, with supporting information, to the entitlement office designated in the contract when requesting a progress payment.
5. *FAR 32.102(b)* states that progress payments based on costs do not include:

a. Payments based on the percentage or stage of completion when the contract contains either FAR clause *52.232-5* or *52.232-10*.

b. Payments for partial deliveries accepted by the Government.

c. Partial payments for a contract termination proposal, or

d. Performance-based payments (FAR 32.10).

B. Progress Payments for Fixed-Price Construction Contracts. The Government may make progress payments on fixed-price construction contracts containing FAR clause 52.232-5 based on estimates of work accomplished that meet the standards of quality established under the contract. These progress payments, whether disbursed monthly or at more frequent intervals as determined by the contracting officer, should be processed by the entitlement office as partial payments as described in paragraph 100301.

C. Progress Payments Based on a Percentage of Completion. *FAR 32.102(e)(1)* references the statutory authority to use progress payments based on a percentage or stage of completion. These are authorized only for contracts for construction (as defined in FAR *36.102*), shipbuilding and ship conversion, alteration, or repair. However, percentage or stage of completion methods of measuring contractor performance may be used for performance-based payments in accordance with *FAR 32.10*. Agency procedures must ensure that payments are commensurate with work accomplished, which meets the quality standards established under the contract. Furthermore, progress payments may not exceed 80 percent of the eligible costs of work accomplished on undefinitized contract actions.

D. Progress Payment Allocations to Accounting Classifications

1. DFARS PGI 204.7108 identifies the methodologies for allocation (payment instructions) that contracting officers must include in contracts when financing payments are authorized. The DFARS PGI provide instruction to the payment office to assign payments to the ACRN citation(s).

2. When allocating progress payments across ACRNs, controls must be established to ensure disbursements do not exceed obligations at the ACRN level. In order to incorporate these necessary controls, progress payments, performance-based payments, and commercial item financing will ordinarily be charged to an ACRN so that the outstanding financing payment balance for each ACRN does not exceed the Unliquidated Obligation (ULO) for that ACRN multiplied by the contractual liquidation rate. This internal control ensures contracts are not overliquidated at the ACRN level, potentially causing a negative ULO condition, prior to final delivery. For ACRNs that fund both fixed-price and cost-type line items, the allocation methodology of contract financing applies only to the fixed-price portions (in accordance with FAR 32.501-3).
a. If the ACRN allocation instructions within the contract, based on the incorporation of DFARS PGI payment instructions, deviates from the allocation process described in 100502.D.2, allocations in entitlement and accounting systems may be established to reflect payment instructions that direct liquidation of contract finance payments from ACRNs with a shorter remaining period of availability for expenditure. This may facilitate liquidation of obligations pursuant to 31 U.S.C. § 1553 prior to closure of the appropriation account by operation of section 1552 of such title. If payment instructions direct liquidation of ACRN balances in excess of the ULO balance multiplied by the contractual liquidation rate, controls must be established to ensure that ACRNs with mixed-type funding (fixed and cost) are not over liquidated, and that the overall contract ceiling of 80% of contract price (FAR clause 52.232-16) is not exceeded.

b. If the contracting officer determines an alternate ACRN allocation methodology is to be used to liquidate payments for a specific contract, as described in 100502.D.2.a, then the contracting officer must incorporate the DFARS PGI payment instruction of “Other” (prescribed by DFARS PGI 204.7108(d)(12)) and negotiate a written agreement to such an alternate methodology with the payment office before that alternate allocation methodology may be used. A copy of the written agreement, or the contractual modification identifying the specific payment instruction, must be maintained in the contract file and the payment office files for audit support purposes.

3. There are occasions when work is shifted from one contract to another for the same contractor. The shifting of work between contracts must be in compliance with DoD progress payment policy of taking offsets whenever possible. When shifts occur, it is noted that a disbursement adjustment between contracts is a bookkeeping entry and not a payment transaction. Accordingly, when work is shifted between contracts of the same contractor, a progress payment is the net amount of the transactions involved on the contracts. Any transfers of work from one contract to another contract are ordered by a modification to each affected contract.

4. If the progress payment is for FMS requirements, then the portion of the amount approved for payment is charged to each customer country. For the FMS customer to receive a correct billing statement, the long line fund citation must include the country code, implementing agency, country code designator, and the case line number. If each country code contains only one ACRN, then payment is made to the ACRN representing the country code, implementing agency, and case line item. If there is more than one ACRN for each country code, the amount charged to each country code is prorated to the ACRNs identified to that country code, or allocated in a manner identified by, or acceptable to, the ACO (in accordance with DFARS PGI 204.7108 and DFARS 252.232-7002). Proration is based on the ratio of the ACRN obligation to the total obligation for a particular country code.

E. Progress Payment Recoupment

Progress payments are recouped (liquidated) either by voucher deductions from amounts otherwise due the contractor on payments for fixed-price delivered and accepted items, or in extremely rare cases, by cash refunds. Recoupments must be based on the DFARS PGI payment instruction requirements contained in the contract, as described in 100502.D.1. If the contract contains the FAR clause 52.232-16, progress payment financing shall be liquidated by deducting from any payment under this contract, other than advance or progress payments, the
unliquidated progress payments, or 80 percent of the amount invoiced (or an alternate liquidation rate established in accordance with FAR 32.503-9), whichever is less.

1. Deduction from Vouchers

   a. Disbursement vouchers are prepared for the gross amount of work completed by the contractor and charged to the applicable accounts, based on the contractual payment instructions. From this gross amount, the deduction for the liquidation amount will occur to recoup the prior progress payment financing.

   b. The recouped amount is determined by multiplying the gross amount of the invoice by the liquidation rate stated in the contract. If this amount is greater than the outstanding progress payment balance on the contract, then the outstanding progress payment balance becomes the amount recouped.

   c. The recoupment is computed and applied, utilizing the DFARS PGI payment instructions contained in the contract, against the outstanding progress payment balances of the ACRNs to which the delivery is applicable.

   d. If an insufficient outstanding balance of progress payments exists on the ACRNs applicable to the delivered items, then any remaining outstanding progress payment balance on other ACRNs must be recouped, up to the liquidation rate established in the contract, which is ordinarily 80%.

      (1) If sufficient schedule information is available, then any remaining recoupment is applied against the outstanding progress payment balance of the ACRN. The recoupment is against the ACRN representing the delivery furthest into the future within the same service as the deliverable ACRN. If sufficient liquidation is not available within the deliverable service ACRN, then liquidation from the ACRNs of other services should occur against the delivery furthest into the future.

      (2) If sufficient schedule information is not available, then the remaining liquidation is prorated against those ACRNs with an outstanding progress payment balance within the service of the deliverable first, and then from other service ACRNs when necessary. The basis for the proration is the ratio of the individual ACRN progress payment balances to the total contract progress payment balance.

   e. Recoupments are not accomplished involving both U.S. and FMS funds unless both are involved with the payment of the deliverable item. If there is a deliverable payment against U.S.-funded ACRNs, then progress payments are recouped only against the U.S. ACRNs. For a deliverable payment against FMS-funded ACRNs, progress payments are recouped against only those countries involved with the FMS deliverable.

   f. For invoices offering discounts on contracts with unrecouped (unliquidated) progress payments, see Chapter 2.
2. **Cash Repayment.** Cash repayments may be required by the provisions of the contract.

100503. **Performance-Based Payments**

As prescribed by FAR 32.10, performance-based payments are a form of contract financing that is authorized for use by the inclusion of FAR clause 52.232-32 in solicitations that may result in contracts providing for performance-based payments, and fixed-price contracts under which the Government will provide performance-based payments. Performance-based payments and progress payment financing may not be authorized on the same contract, or individual order (for indefinite delivery contracts) per FAR 32.1003.

A. **Payment.** Performance-based payment financing differs from progress payments, which are based on costs incurred, in that they are based on objective quantifiable performance, the accomplishment of defined events, or some other quantifiable method. Two different types of performance-based payments may be included in a contract. The inclusion of DFARS clause 252.232-7012 authorizes performance-based financing payments on a whole contract basis, whereas DFARS clause 252.232-7013 authorizes the payments on a deliverable line-item basis. As prescribed by FAR 32.1004(b)(2)(ii), total performance-based payments shall not exceed 90 percent of the contract price if on a whole contract basis, or 90 percent of the delivery item price if on a delivery item basis.

B. **Recoupment.** Performance-based financing payment amounts shall be recouped (liquidated) by deducting a percentage, or a designated dollar amount, from the delivery payments in accordance with FAR clause 52.232-32. The contracting officer must specify the liquidation rate or designated dollar amounts in the contract. The method of liquidation must ensure complete recoupment no later than final payment. As prescribed by FAR 32.1004, the methodology for liquidating performance-based financing payments must be stated in the contract and will be on the same basis as they were paid, whole contract basis or line item basis.

100504. **Advance Payments for Non-commercial Items**

Advances are payments made to contractors in anticipation of performance on the contract. Advances are often made prior to the associated costs being accumulated and summarized in the contractor’s accounting system. Contracts must include FAR clause 52.232-12 authorizing these payments before payment may be made. In accordance with FAR clause 52.232-12, these payments will be made payable to the contractor marked for deposit only in the contractor’s special bank account designated for this purpose. For more details, see FAR 32.4, DFARS 232.4, and Chapter 4.

A. **Reconciliation and Tracking.** Subsidiary records of individual advances must be maintained to support the amount recorded in the general ledger account. The subsidiary record must include the amount advanced, the date advanced, the applicable contract number, and the disposition of the advance. At least quarterly, the subsidiary record must be reconciled with the general ledger balance; see Volume 4, Chapter 3.
B. Advance Payment Pool Agreements. Advance payments may be used for financing the performance of more than one contract. This is accomplished under a single advance payment agreement called an advance payment pool agreement, under the authority of FAR 32.408 and DFARS 232.470.

1. Advance payment pool agreements are used for the financing of cost-type contracts with nonprofit educational or research institutions, for experimental or research and developmental work, when several contracts or a series of contracts require financing by advance payments. The educational institution uses the advance to pay expenses that will be reimbursed under performance of the contracts. The advance remains outstanding as long as there are: contracts remaining in the pool, the need for the amount exists, and there is contract value (unliquidated value on the contract) greater than the amount of the advance.

2. Contracts may cite the funds of more than one agency or department when the contract is part of a pooling agreement. When more than one contract is involved in the pooling agreement, one or more of the contracts is designated as the contract for which the advance payments are applied. This is usually a large dollar value contract.

3. The following policies apply to DoD Components operating under advance payment pool agreements.

   a. The contractor request for an advance payment must be submitted to, approved, and certified for payment by the office(s) specified in the contract. The advance payment must cite a specific appropriation associated with the advance payment pool agreement. The approved payment request is then forwarded to the payment/entitlement office cited in the contract to be paid.

   b. Upon receipt of a properly approved advance payment voucher in the entitlement office, it must be reviewed for accuracy. If proper, the voucher is entitled and forwarded to the disbursing office to be paid.

      (1) The payment must cite the appropriations identified on the contracts listed on the reimbursement voucher.

      (2) A record must be maintained of all contract financing payments made by the entitlement office.

      (3) Total payments must not exceed the total amount authorized on the contract.

      (4) Payments are to be made within 5 to 10 workdays after receipt of a properly approved reimbursement voucher, but not earlier than the date specified in the pool agreement. These payments are considered a form of contract financing and are not subject to Prompt Payment Act (PPA) interest.
4. Controls must be established (e.g., manual or electronic ledgers) by the payment office to ensure cumulative payments, plus the amount advanced, do not exceed the ULO of all contracts awarded under the pooling agreement. This condition may result from:

   a. Failure to receive obligating documents, or
   b. Nearing completion of the pool contracts.

5. Do not make a (non-advance) contract payment when it causes the ULO to fall below the advanced amount. If this condition occurs, notify the designated DoD Component and request further instructions. The Component will advise whether obligating documents are in transit or whether the payment must be processed to liquidate the amount advanced.

C. Recoupment of Advance Payments

The methodology for recoupment of advance payments should be stated in the contract. In accordance with FAR clause 52.232-12, at any time, the contractor may repay all or any part of the funds advanced by the Government. Whenever requested in writing to do so by the administering office, the contractor must repay to the Government any part of unliquidated advance payments considered by the administering office to exceed the contractor’s current requirements. If the contractor fails to repay the amount requested by the administering office, all or any part of the unliquidated advance payments may be withdrawn from the special account established for deposit of the advanced payments, by check signed by only the countersigning agent and applied to reduce the unliquidated advance payments under this contract. If the agency considers a more rapid liquidation appropriate, the contracting officer may use the clause with its Alternate III.

1. When the advance is recouped, or repaid by the contractor, charge the appropriate contracts in the pooling agreement and reduce the amount recorded against the designated contract as advance payments.

2. When a contract is terminated, the disbursing office will collect any balances due for advance payments not liquidated, as well as accrued interest if applicable (see FAR 32.407).

1006 COST-REIMBURSEMENT-TYPE CONTRACTS

Cost-reimbursement-type contracts provide for payment of allowable costs incurred, to the extent prescribed in the contract. These contracts establish an estimate of the total cost for purposes of obligating funds, and contain a cost limitation that the contractor may not exceed (except at its own risk) without the approval of the contracting officer (See FAR 16.3). Interim payments under a cost reimbursable type contract are considered contract financing and are governed by the requirements of FAR, Part 32, except for cost reimbursement contracts for services, when Alternate I of the clause at FAR 52.232-25 is used.
100601. Recording of Payments

The general ledger posting requirements, for those interim cost reimbursement payments that are considered contract financing, are contained in Volume 4, Chapter 5.

100602. Authority to Review and Approve Vouchers

The Defense Contract Audit Agency (DCAA) has sole authority for verifying claimed costs and provisionally approving interim payment requests under cost-reimbursement, non-commercial and commercial time and materials, and labor-hour type contracts. This authority may include, upon request, cost verification and provisional approval for state and local government-submitted claims that fall under the provisions contained in the Office of Management and Budget Circular A-87. In accordance with DFARS 242.803, DCAA utilizes sampling methodologies to select interim vouchers for review prior to sending them to the payment office. Interim vouchers not selected for pre-payment review will be considered to be provisionally approved and will be sent directly to the payment office. All provisionally approved interim vouchers are subject to later audit of actual costs incurred. A Contracting Officer’s Representative (COR) may not be delegated authority to approve these types of payments. The COR may review contractor billings, but is expected to coordinate with DCAA when any cost verification of data is necessary for support of their surveillance responsibilities. Therefore, DCAA provisionally approves interim payment requests subject to final audit, the ACO approves the final payment request on the contract, and the COR coordinates with DCAA if any cost verification is needed.

100603. Invoice Submission

Contractors must submit payment requests and receiving reports in electronic form, utilizing the WAWF module of PIEE, as prescribed by DFARS 232.7002 and DFARS 232.7003, with noted limited exceptions. When payment requests and receiving reports are not required to be submitted in electronic form, the contracting officer will consult with the payment office and the ACO regarding the preferred method for submitting payment requests.

100604. Special Provisions for Foreign Military Sales (FMS) - Funded Contracts

Special payment techniques are required in some cases when the contract includes requirements under the FMS program for more than one country, or one or more countries and the United States. Further policy regarding FMS-funded contracts is contained in Volume 15.

1007 FAST PAYMENT

The fast payment policies authorize payment prior to verification that supplies have been received and accepted on contracts containing FAR clause 52.213-1, under the limited conditions listed in FAR 13.402 and DFARS 213.402. When a purchase is made using fast payment procedures, payment is made based on the supplier's submission of an invoice, which constitutes a certification that the contractor has delivered the supplies to a post office, common carrier, or point of first receipt by the Government, and that it will repair, replace, or correct nonconforming items. Contractors must submit payment requests in electronic form, utilizing the WAWF module
of PIEE, as prescribed by DFARS 232.7002 and DFARS 232.7003, with noted limited exceptions (see Chapter 8 for additional policy regarding electronic submission requirements).

100701. Payment Timelines and Requirements

Payment is to be made no later than 15 days after receipt of a proper fast pay invoice. However, if the payment office does not meet the 15-day requirement for payment, PPA interest will begin to accrue in accordance with procedures applicable to invoices to which the fast payment procedure clause does not apply. See Chapter 7 for additional PPA policy and requirements.

A. Both manual and electronic invoices will be prominently marked as “FAST PAY” and processed using fast payment procedures. Invoices not prominently marked “FAST PAY” may be accepted for payment. If the contract contains FAR Clause 52.213-1, then the invoice may be paid using fast payment procedures.

B. If the fast payment procedure clause is not incorporated into the contract, the invoice will be paid in accordance with the procedures for invoices to which fast payment procedures do not apply. The contracting officer should be provided timely feedback concerning contractor performance (including deficiencies and any history of abuse) under fast payment purchases.

100702. Controls

The entitlement office, together with the contracting officer, must ensure the following conditions are in place when using the fast payment procedures.

A. A closed loop process exists that matches payments to material receipts and resolves non-receipt or other discrepancies. This should consist of a management control/audit program by the entitlement office for the post-payment examination of payments made under fast pay.

1. Authorized personnel with direct knowledge of the receipt must document receipt of goods and services. This documentation, whether hardcopy or systemic, must be made available within the timeframe prescribed by a post-payment examiner when requested during audits. The audit must confirm receipt and acceptance and include matching with payment documents.

2. The first attempt to obtain missing receiving reports will be initiated no later than 45 days after payment is made. If the receiving report is not received within 45 days from the date of the initial follow up, the entitlement office will contact the contracting officer to verify receipt and acceptance; or issue a contract deficiency report to the contracting officer for noncompliance with contract terms so the entitlement office and the contracting officer can start collection actions.

B. Auditable evidence of receipt and acceptance of the goods/services exists and is accessible. Audit evidence of receipt must have the date the items were delivered or when
the services were rendered, the printed authorizing official’s name, and authorizing signature or electronic/digital approval. Audit evidence of acceptance is the authorization that the receipt of goods/services matches the criteria identified on the originating order and acknowledges the items/services are of acceptable condition/quality.

C. An information flow exists that links consignee (the post office, common carrier, or point of first receipt by the Government) receipt and discrepancy information to both the purchasing and bill entitlement offices. The information flow documents contractor performance and provides timely feedback to contracting/bill entitlement offices.

D. A prevalidation process exists that matches expenditures and obligations for fast pay transactions (See Chapter 1 for additional information on prevalidation requirements).
VOLUME 10, CHAPTER 11: “PAYMENT AS REIMBURSEMENT FOR PERSONAL EXPENDITURES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated February 2018 is archived.

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<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<td>110201.D, 110202.B, and 110221</td>
<td>Clarified that claims for reimbursement must be certified by a properly appointed Certifying Officer.</td>
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<tr>
<td>110212</td>
<td>Added a reference to the DoD Guidebook for Miscellaneous Payments for additional policy concerning the use of appropriated funds for official representation purposes.</td>
<td>Revision</td>
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<td>110222</td>
<td>Revised the name of the Defense Security Service (DSS) to the Defense Counterintelligence and Security Agency (DCSA), in accordance with the Office of the Secretary of Defense memorandum dated June 20, 2019.</td>
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CHAPTER 11

PAYMENT AS REIMBURSEMENT FOR PERSONAL EXPENDITURES

1101  GENERAL

110101.  Purpose

This chapter prescribes policy for reimbursement to civilian personnel, military members, and others who have used personal funds to pay for Federal Government obligations. The Department of Defense (DoD) Guidebook for Miscellaneous Payments, prepared by the Defense Finance and Accounting Service, assists DoD officials in identifying mandatory requirements prescribed for DoD miscellaneous payments. It provides a high-level overview of policies and processes, with a goal of consolidating and streamlining miscellaneous payment procedures across the Components.

110102.  Authoritative Guidance

The policies prescribed throughout this chapter pertaining to claims for personal expenditures are based primarily upon Titles 5, 10, 31, and 41 of the United States Code (U.S.C.); Titles 5 and 32 of the Code of Federal Regulations (CFR); Chapters 2, 3, and 5 of the Joint Travel Regulations (JTR); and DoD Instructions (DoDI) 1000.30, “Reduction of Social Security Number (SSN) Use Within DoD,” and 7250.13, “Use of Appropriated Funds for Official Representation Purposes.”

1102  PERSONAL EXPENDITURES

*110201.  General

It is the Department's policy that military and civilian personnel follow standard personnel reimbursement procedures established by their Component or activity, and avoid using personal funds to pay for Federal Government obligations. However, personnel will be reimbursed if the underlying expense was authorized, or if there was an urgent and unforeseen public necessity, and the claim is legally payable. Personnel will not use this policy to avoid the use of standard personnel reimbursement procedures established by their command or agency, or to circumvent other laws or regulations.

A.  Use of electronic submissions is preferable when requesting reimbursement for personal expenditures. The electronic claim must contain all the elements of the Optional Form (OF) 1164, Claim for Reimbursement for Expenditures on Official Business, unless the Component’s system captures the same data elements through some other system functionality that can be directly linked to the claim, and support both internal and external audit requirements.

B.  In lieu of electronic submissions, the OF 1164 is the authorized form used in requesting reimbursement for personal expenditures outlined in this chapter.
C. All payments require claimants subject to the U.S. Internal Revenue Service code to provide a Tax Identification Number (TIN) in accordance with 31 U.S.C. § 7701, § 3325(d), and Federal Acquisition Regulation, subpart 4.9. For personnel, the TIN must be the claimant’s Social Security Number (26 U.S.C. § 6109(d)). However, an alternative identification number should be used whenever possible in accordance with DoDI 1000.30. In accordance with DoD Directive 5400.11, “DoD Privacy Program,” Components must safeguard the privacy of all individuals and the confidentiality of all personally identifiable information (PII), and take action to ensure any PII contained in a system of records used to conduct official business will be protected so the security and confidentiality of the information is preserved.

* D. All claims for reimbursement must be submitted in accordance with the DoD and Component’s submission policies and procedures (electronic or manual). All claims must be signed by the claimant, appropriate approving official, and a properly appointed certifying officer prior to being paid.

E. Personnel may use electronic and digital signatures to approve and certify financial documents processed through automated information systems (Volume 5, Chapter 1, subparagraph 010305.C).

F. Certifying officers must approve the claim prior to disbursement to ensure the information on the vouchers agrees with all supporting documentation. Certifying officers certify that the claims/vouchers are correct and proper for payment from the appropriation(s) or other funds cited on them or on supporting vouchers, and the proposed payments are legal, proper, and correct (Volume 5, Chapter 5, Sections 0504 and 0505).

G. To ensure auditability, and to validate entitlement systems’ payment records, all claims for reimbursement require supporting documentation for proof of receipt, approval by a designated approving official, and certification by a properly appointed certifying officer prior to the disbursement, as prescribed by the DoD Guidebook for Miscellaneous Payments. Volume 1, Chapter 9, Figure 9-1 prescribes DoD policy regarding the retention period for financial records in support of these payments. Refer to 44 U.S.C. § 2909 for authorization to retain records for a longer period than specified in disposal schedules. Supporting documentation includes, but is not limited to, receipts, tickets, and invoices.

*110202. Claim for Reimbursement for Expenditure on Official Business

A. Military Personnel and Civilian Employees. Military and civilian personnel claiming reimbursement for expenditure of personal funds without pre-approval must show there was an urgent and unforeseen public necessity. The claimant must prepare a claim for reimbursement and place the following statement on the claim, or attach to the claim: "I certify this claim is true and correct. There was an unforeseen and urgent reason to spend my funds, and I have not received credit or payments." The claimant must sign and date the claim. An official designated in the Component or activity procedures must approve the claim prior to forwarding to the certifying officer.
B. **Non-Government Personnel.** Claims submitted for reimbursement require signatures by the claimant, an approving official, and a properly appointed certifying officer. A certified copy of the document requesting the person to perform services, or documentation showing personally paid items, must support the claim.

C. **Supporting Documents.** The documents supporting certified vouchers must show the goods or services were received and essential. Mission-related expenses incurred while in a travel status are not payable on a travel voucher and/or by using the Defense Travel System. The JTR, Chapters 2, 3, and 5, prescribes items allowable for reimbursement while in travel status for military uniformed Service members and DoD civilian personnel. Refer to **5 U.S.C. § 5562** for employee payments while they are in a missing status as defined in **5 U.S.C. § 5561**.

110203. **Civil Air Patrol Expenses**

Reimbursement is authorized to members of the Civil Air Patrol for supplies, including fuel, lubricants, and other items required for vehicle and aircraft operations, through Air Force appropriations. Reimbursement of expenses is also authorized to place into serviceable condition, improve, and maintain equipment (including aircraft, motor vehicles, computers, and communications equipment) owned or leased by the Civil Air Patrol. Refer to **10 U.S.C. § 9444**.

110204. **Conference Attendance**

A. **General.** Members may attend conferences of recognized professional organizations to maintain and further their professional competency at Government expense, subject to the availability of funds, specific management approvals, and the member’s work responsibilities. Conference attendance expenditures, which contribute to improved conduct, supervision, or management of the DoD Components’ functions and activities, may be authorized as prescribed by Volume 9, Chapters 5, 8, and Definitions. Refer to the DoD Conference Guidance, **Version 4.0** for DoD policy concerning the administration and oversight of all conferences.

B. **Attendance at Technical, Scientific, Professional, or Similar Organizations.** The DoD requires specific approval for authorization and reimbursement of expenses associated with attending meetings for technical, scientific, professional, or similar private membership non-Federal societies or organizations (JTR, Chapter 3, Sections 0302 and 0321). Documentation supporting that approval must accompany the claim for reimbursement.

110205. **Notary Public Commission Expenses**

An employee required to serve as a notary public in connection with the performance of official duties is entitled to repayment of the expenses incurred in obtaining a notarial commission as authorized by **5 U.S.C. § 5945**. Reimbursable expenses include the cost of seals, embossing devices, recording and filing fees, and surety bonds required for notaries by state laws. DoD Components will not make reimbursements for claims related to dues for notarial professional associations or other non-essential services. The claim for reimbursement of commission expenses must include a statement that the notary commission is required in the performance of official duties as designated in Component or activity procedures. The claimant’s statement must be
approved by a management official prior to submission to the certifying officer. There is no statutory authority for payment of these expenses to military members.

110206. Professional Credentials and Specialty Board Examinations

Reimbursement of expenses to obtain professional credentials may be authorized for fees for the application, examination, certification, and other related expenses. The authority for reimbursement of professional accreditation fees is prescribed by 5 U.S.C. § 5757.

110207. Passports and Visas

Reimbursement is authorized for costs related to obtaining a visa or passport when required for official travel by DoD employees and their dependents, in accordance with JTR, Chapter 2, section 0204, Table 2-24. Also see the Foreign Clearance Manual (C3.2.2.1.2) for additional information.

110208. Personnel Held Captive

A. U.S. military personnel held captive, who barter personal valuables during escape and evasion, may file a claim for reimbursement. The claim submitted for reimbursement must list the value of each article and show its age and condition at the time of barter. The appropriate commander or management official must approve the claim prior to submission to the certifying officer.

B. Civilian personnel held captive, who barter personal valuables during escape or evasions, should consult with their Component’s legal counsel in preparation of the claim. The claim must be approved by the designated Component official prior to submission to the certifying officer.

110209. Room and Board for Dependent Children

In limited circumstances, the cost of room and board is reimbursable to sponsors of dependent children who require room and board away from their domicile (not within commuting distance) as prescribed by 20 U.S.C. § 926(b). Also see DoD Education Activity Regulation 1342.13 for more information regarding eligibility requirements for education of dependent children in overseas areas or attendance at non-DoD schools. A receipt covering the actual payment of room and board by the sponsor is required to support the claimed amount. Additionally, a signed statement is required from the school superintendent or principal that room and board charges are reasonable for the area, and there was nothing available as a less expensive alternative for providing adequate education at a school within the same comparable distance.

110210. Travel for Dependent Children

When DoD-operated schools are unavailable overseas, the DoD-dependent school system will coordinate the placement of students in local public or private schools, or in boarding schools. In limited circumstances, reimbursement for the education travel of student family members is
authorized by 5 U.S.C. § 5924(4). The claim for reimbursement must be supported with a travel receipt.

110211. Continuing Medical Education Program

Title 10, U.S.C. § 1094a prescribes policy for continuing medical education requirements. Individuals enrolled in approved medical correspondence courses may be reimbursed for course costs prior to course completion. Refer to 5 U.S.C. § 4109 and Chapter 4, paragraph 040204 for additional guidance. The claimant must timely provide satisfactory proof of course completion, through appropriate Component channels, to the certifying officer to avoid debt collection procedures being initiated for perceived non-completion of the course.

*110212. Official Representation

The use of appropriated funds for official representation purposes is authorized as prescribed in DoDI 7250.13. The Heads of DoD Components may authorize the expenditure of Official Representation Funds by authorized individuals, or their designees, only for official purposes. The claim for reimbursement must be supported by receipts for personal expenditures, and approved by the officials designated in accordance with Enclosure 4 of DoDI 7250.13, prior to forwarding to the certifying officer for certification. Also see the DoD Guidebook for Miscellaneous Payments (type payment codes OREV, ORGV, OREE, and ORGE) for additional policy.

110213. Awards Ceremony Fees

Fees paid by award nominees, award recipients, their supervisors, and managers attending ceremonies may be reimbursed by the Government when those expenditures fall within the scope of the Government Employees Incentive Awards Act (5 U.S.C. § 4501-4506 and 10 U.S.C. § 1124). Fees may cover items such as meals, refreshments, plaques, and awards. The DoD will not authorize advance payments. Individuals will request reimbursement on travel vouchers. However, to obtain reimbursement in the event travel orders are not issued, the claimant must submit a claim with applicable receipts, approved by the designated management official, to the certifying officer.

110214. Defense Attaché Payments

Expenses are authorized and reimbursable for military attaché officers to maintain suitable official residence, and may vary by location. The claimant must submit a DoD (DD) Form 281, Voucher for Emergency or Extraordinary Expense Expenditures, to request and receive reimbursement. The Head of the DoD Component must approve claims submitted for reimbursement prior to submission to the certifying officer. Title 10 U.S.C., Section 127 prescribes policy for emergency and extraordinary expenses.
110215. Payment for Contract Quarters for Foreign Military Sales (FMS) Travelers

Payment for the use of contract quarters is reimbursable for personnel traveling on official orders in connection with FMS. Refer to the Defense Security Cooperation Agency, Security Assistance Management Manual, Chapter 10, Section C10.13; the JTR, Chapter 2, Section 020303; and DoD Component regulations for travel reimbursements.

110216. Reimbursement for Use of Local Special Conveyances

The JTR, Chapter 2, Section 0206 prescribes allowable reimbursements for commonly incurred expenses associated with public or special conveyances used for transportation in and around duty stations. The claim for reimbursement must be supported by receipts, and approved by the Component’s designated approving official, prior to submission to the certifying officer.

110217. Official Recruiting Duty

Military members assigned to a recruiting organization, or assigned recruiting duties as either a primary or an additional duty, are authorized reimbursement for actual and necessary expenses paid from personal funds. The JTR, Chapter 2, Section 020605 prescribes policy for reimbursement for actual and necessary costs. The claim for reimbursement must be supported by receipts, and approved by the Component’s designated approving official, prior to submission to the certifying officer.

110218. Reimbursement for Local Movement of Household Goods

When local moves of household goods of military personnel are authorized in accordance with the JTR, Chapter 5, and the moves are made at personal expense, the claimant must submit a claim for reimbursement to the designated entitlement office. The claimant must provide a copy of the order directing the move, a copy of the authorization to move household goods at personal expense, and a copy of the paid receipt to support the claim. The claimant will be reimbursed for documented receipts and expenses claimed in accordance with the JTR.

110219. Expenses Incident to Death of Personnel

A. General. Specific Component regulations authorize and prescribe the services and expenses for the care of deceased personnel. Title 10, U.S.C. § 1482 authorizes payment for services, supplies, transportation, and other expenses incurred by the next of kin. The claimant must submit a claim for reimbursement supported by receipts for personal expenditures. The claim must be approved by the Component’s designated approving official prior to submission to the certifying officer. Title 10, U.S.C. § 1482 establishes limitations regarding the amount of reimbursement. The payment of expenses incident to the recovery, care, and disposition of remains of a decedent are covered by 10 U.S.C. § 1481.

B. Primary Expenses. A contract with a local mortuary can cover primary expenses for active duty military. Payments for primary expenses, covered by the Prompt Payment Act (5 CFR 1315), are paid directly to the mortuary by the Government.
C. Secondary Expenses. Secondary expenses may be assigned to a mortuary, or made as a reimbursement to the next of kin for expenses incurred. Secondary expense payments, whether assigned or not, should be expedited.

110220. Reimbursement for Civilian Medical and Dental Treatment Paid from Personal Funds

A. Members. The cost of authorized civilian medical and dental treatment is ordinarily paid directly to doctors and hospitals by each Military Service. However, individuals who have paid the expense of authorized care must submit a claim for reimbursement. The claim must include paid, itemized invoices from the service provider, and signatures of the claimant, approving official, and certifying officer.

B. Dependents of Members and Retired Personnel. Title 32, CFR, Part 199 prescribes policy for civilian non-Federal medical and dental care for dependents and retired personnel. The Defense Health Agency is responsible for contracting and paying for necessary medical care from civilian sources received by eligible dependents and retired personnel. When medical and health care treatments are beyond the Military Treatment Facility’s (MTF) capability, payment is authorized by the managing MTF for dependents and retired personnel to receive supplemental care at civilian facilities. The claimant who paid the expense of authorized care must submit a claim for reimbursement. The claim must include paid, itemized invoices from the service provider, and signatures of the claimant, approving official, and certifying officer.

C. Civilian Personnel. Title 5, CFR, Subpart 339.203 prescribes policy for the authorization of physical examinations to determine an employee's fitness for duty, when directed by the commanding officer or supervisor. Examinations may be procured through an approved agency purchasing method, or the employee can make their own arrangements including direct payment for the physical examination. Procured examinations are processed in the same manner as other contractor invoices, or the employee may submit a claim for reimbursement. The employee must submit a claim for reimbursement to the appropriate official for approval prior to submission to the certifying officer. The claim must contain a chargeable line of accounting and the amount payable, supported by a paid statement from the physician or other evidence of payment. The activity requiring the physical examination must charge the request for reimbursement to their operating funds.

*110221. Reimbursement Expenses under Government Employees Training Act

Title 5, U.S.C. § 4109 authorizes reimbursements for necessary expenses such as tuition and matriculation fees, library and laboratory services, and other services or facilities directly related to training. The claim for reimbursement must include receipts for each payment of $25 or more, details of the expenditures such as services received and dates rendered, signatures of the claimant and approving official, and be certified by a properly appointed certifying officer prior to payment.
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*110222. Reimbursement of Miscellaneous Expenses to Defense Counterintelligence and Security Agency (DCSA)

DCSA agents are authorized reimbursement for investigative costs, such as parking fees, police and court record checks, transcripts, photographs, or miscellaneous investigative fees. The DCSA Headquarters must provide the servicing entitlement office the accounting classification citation for the reimbursement. The citation of the appropriate legal, statutory, or other authority providing for the authorization of the reimbursement must appear on the claim for reimbursement. The claimant must submit a claim for reimbursement supported by receipts and approval signatures from designated DCSA management officials.
VOLUME 10, CHAPTER 12: “MISCELLANEOUS PAYMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font.**

The previous version dated July 2017 is archived.

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<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
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<tr>
<td>120102.E</td>
<td>Clarified the language regarding the use of current funds to pay miscellaneous claims.</td>
<td>Revision</td>
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<tr>
<td>120205</td>
<td>Clarified policy and updated the hyperlink regarding awards made to bid protesters.</td>
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<tr>
<td>120213.C</td>
<td>Clarified policy and updated the hyperlink regarding cash awards to military members.</td>
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<tr>
<td>120310.D</td>
<td>Clarified policy to require any determination or clarification received from the base regarding emergency notification (9-1-1) service charges and/or taxes must be included as part of the payment and certification documentation.</td>
<td>Revision</td>
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<td>120319.C.3</td>
<td>Clarified policy to require the originating office to retain copies of vouchers for reimbursement of investigative expenses.</td>
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<td>120322.C.2</td>
<td>Clarified policy to require the responsible component office to retain the detailed listings and schedules supporting telephone bills.</td>
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<tr>
<td>120322.D</td>
<td>Clarified policy to require charges for teletypewriter services to be processed in the same manner as telephone charges.</td>
<td>Revision</td>
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<tr>
<td>120322.G.2.b</td>
<td>Clarified policy to require an Activity’s controls and procedures to be designed to ensure duplicative payments for telephone and television reconnection charges are not paid to a service member subsequent to payment directly to the vendor.</td>
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CHAPTER 12

MISCELLANEOUS PAYMENTS

1201 GENERAL

120101. Overview

This chapter prescribes policy for certain miscellaneous payments. The Department of Defense (DoD) Guidebook for Miscellaneous Payments (hereafter referred to as the Guidebook) provides additional mandatory requirements prescribed for DoD miscellaneous payments not specifically addressed in this chapter, due to the varied types of miscellaneous payments. The Guidebook also provides a high-level overview of policies and processes, with the goal of consolidating and streamlining miscellaneous payment guidance across the DoD.

*120102. Purpose

A miscellaneous payment occurs as a result of a claim for payment or reimbursement of a valid, non-recurring, non-contractual expense of the DoD, that is not payroll related for a military or civilian member, and when use of the Government Purchase Card is not feasible or appropriate.

A. The Standard Form (SF) 1034, Public Voucher for Purchases and Services Other Than Personal, or an electronic equivalent, is the most common authorized form used when claiming payment or reimbursement for miscellaneous expenses. Refer to the Guidebook for specific information related to other authorized forms, depending on the type of miscellaneous expense, as well as the documentation requirements to support the request for payment. Chapter 8, and Volume 5, Chapters 5 and 9 prescribe policy addressing payment vouchers.

B. To establish auditability and to validate entitlement systems and payment records, a copy of all supporting documentation must accompany each payment request. Components must ensure the documentation is of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the entitlement, to include the authority for the reimbursement as a liability of the DoD, as well as its value, timing, and funding source. The supporting documentation must clearly identify the parties approving and certifying the payment.

C. A designated approving official is the individual appointed by the commanding officer, director or designee, with oversight responsibility to ensure all payments or requests for reimbursement transactions are necessary and for official Government purposes only. Components may also assign fiduciary responsibility to these approving officials in accordance with Volume 5, Chapter 5. Approving officials are responsible for providing information and data to certifying officers or disbursing officials in support of the payment by attesting to the accuracy of information and data provided. Approving officials will review all claims and verify the request for payment, or request for reimbursement of miscellaneous expenses, has been received in accordance with Component procedures.
D. All payment requests require supporting documentation for proof of receipt, approved by a designated approving official and certified by a properly appointed certifying officer prior to the disbursement of the payment. Refer to Volume 5, Chapter 5 for policy regarding the appointment of certifying officers via the Department of Defense (DD) Form 577, Appointment/Termination Record – Authorized Signature, as well as the proper distribution of the form to the appropriate disbursing office. Certifying officers are responsible for making supporting documentation available for review by authorized personnel, as stated in Volume 5, Chapter 5.

E. Components must ensure all miscellaneous claims are paid from funds current and available to the accountable activity at the time the claim accrues, unless specifically authorized and noted otherwise. All requests for payment or reimbursement of miscellaneous expenses must contain a valid line of accounting with funds obligated as specified in Volume 3, Chapter 8. Processing of the request for payment through a DoD payment system may require the configuration of unique standard document numbers.

F. All payments require payees subject to the U.S. Internal Revenue Service (IRS) code to provide a Taxpayer Identification Number in accordance with Title 26, United States Code (U.S.C.), section 6109 (Also see 31 U.S.C. § 3325(d) and § 7701(c), and Federal Acquisition Regulation (FAR) 4.902). In accordance with DoD Directive 5400.11, Components must safeguard the privacy of all individuals and the confidentiality of all personally identifiable information (PII), and take action to ensure any PII contained in a system of records used to conduct official business will be protected so the security and confidentiality of the information is preserved.

G. Volume 1, Chapter 9, Figure 9-1 prescribes DoD policy regarding the retention period of financial records in support of these payments. Refer to 44 U.S.C. § 2909 for authorization to retain records for a longer period than specified in disposal schedules.

H. Miscellaneous payments pertaining to awards and judgments that are wage-related must be submitted and paid through the civilian payroll office to ensure proper withholding of mandatory deductions. Refer to Volume 8, Chapter 4 for mandatory payroll deductions.

120103. Authoritative Guidance

Policy contained in this chapter pertains to various types of miscellaneous payments, and is based primarily upon Titles 5, 10, 28, 31, 41, and 44 of the U.S.C.; Titles 5, 19, 28, 29, 40, and 44 of the Code of Federal Regulations (CFR); the Treasury Financial Manual (TFM), Volume 1, parts 2 and 6; the FAR parts 5, 33, and 52; and the Defense Federal Acquisition Regulation Supplement (DFARS) subparts 205 and 241. Refer to each individual miscellaneous payment subject for the specific authoritative reference.
1202 FEES, CLAIMS, AND AWARDS

120201. Attorney Fees Awarded under Freedom of Information Act (FOIA)

*Title 5 U.S.C. § 552* requires the release of agency records requested under the authority of the statute, unless a specific exemption authorizes its withholding.

A. Under the provisions of the FOIA, a federal district court judge may award attorney fees and litigation costs to a party that substantially prevails in litigation against the Government (5 U.S.C. § 552a(4)(E)). The Openness Promotes Effectiveness in Our National Government Act of 2007 stipulates that fees assessed in FOIA litigation are no longer payable from the Judgment Fund, which is administered by the U.S. Department of the Treasury (Treasury), Bureau of the Fiscal Service (Fiscal Service). Such fees are payable from appropriated funds of the agency or agencies from which the plaintiff has obtained relief by judgment of the court, or substantial change in agency position (see the note concerning “Limitation on Amounts Obligated or Expended from Claims and Judgment Fund” of 5 U.S.C. § 552).

B. It is DoD funding policy that the attorney fees, and other costs assessed in the FOIA litigation, are payable from operating funds of the Military Department, Defense Agency, Field Activity, or Combatant Command responsible for administering the initial FOIA determinations or contested record searches that are the subject of the litigation. The funding organization will not necessarily be the organization named as a defendant in the litigation. Components must make payments from funds current at the time of awarding attorney fees.

C. Litigation involving record or FOIA determinations of multiple organizations may require funding responsibility allocation among such organizations. Counsel that is responsible for defending the litigation is ordinarily in a position to identify the organization that should fund a portion of the attorney fee assessments, and consultation should occur accordingly.

120202. Attorney Fees Awarded by Court

The Department of Justice (DOJ), in most cases, is the federal agency designated to represent DoD in litigation. The Judgment Fund was established to pay court judgments and DOJ-compromise settlements of actual or imminent lawsuits against the Government (31 U.S.C. § 1304). Additionally, the DOJ, with the approval of the Fiscal Service, is able to make payments of properly awarded attorney fees. Fees awarded in discrimination cases are exceptions. See paragraph 120309 for policy on discrimination cases. Awarding of attorney fees must be by a court of competent authority, and these fees are normally payable from the Judgment Fund. If such fees are not payable from this appropriation, the DOJ provides guidance on a case-by-case basis for payment of these fees.

120203. Attorney Fees Awarded under the Equal Access to Justice Act

A. The Equal Access to Justice Act (EAJA), as amended by the Equal Access to Justice Reform Act of 2005 (5 U.S.C. § 504), authorizes payment of attorney fees and other
expenses incurred by the prevailing party (other than the United States) in civil actions and administrative proceedings. The party prevailing against the DoD in the adversary adjudication, or a court action, may obtain an award of attorney fees and other expenses incurred in connection with the proceeding.

1. In adversary adjudications, the application for the amount sought must be submitted to the DoD activity involved within 30 days of final disposition in the adversary adjudication (5 U.S.C. § 504).

2. In court actions, the application for an award of attorney fees and other expenses must be submitted to the court within 30 days of final judgment in the action (28 U.S.C. § 2412(d)(1)(B)).

3. In both cases, the application must be supported by an itemized statement from the attorney, agent, or expert witness stating the actual time spent and the rate at which fees and other expenses were computed.

B. Attorney fees and other expenses awarded to claimants under EAJA are payable from funds available to the DoD activity at the time of the award. Attorney fees payable under EAJA are limited to $125 per hour (5 U.S.C. § 504), unless the adjudicating officer (deciding official), or the court in civil actions, determines a higher rate may be allowed under the law. Other expenses include those for expert witnesses and any study, analysis, engineering report, test, or project necessary for the preparation of the party's case. The amount payable is the amount approved by the adjudicating officer, or by the court in civil actions, based on documentation from the adjudicating officer or the court.

120204. Attorney Fees Awarded under Contract Disputes

Payments made by the Fiscal Service to the contractor will not include attorney fees payable in connection with an action filed by a contractor under the Contract Disputes Act of 1978 (41 U.S.C. § 7101-7109). Attorney fees awarded in these cases are payable from funds current at the time the award is made and available to the activity accountable for the contract obligation (28 U.S.C. § 2412(d)(4)).

* 120205. Awards Made to Bid Protesters

The FAR subpart 33.1 prescribes policies and procedures for filing and processing bid protests. Protests can be submitted to the contracting agency, Comptroller General, or the United States Court of Federal Claims. The FAR 33.102(b)(1) stipulates the head of the agency may take any action that could have been recommended by the Comptroller General had the protest been filed with the Government Accountability Office, and award certain costs to the bid protester (FAR 33.102(b)(2)), if it is determined a solicitation for a contract, proposed award, or award of a contract did not comply with the requirements of law or regulation. These costs may include costs associated with filing and pursuing the protest, consultant and expert witness fees, bid/proposal preparation, and reasonable attorney fees. The agency must use funds available for the
procurement to pay the costs awarded (FAR 33.104(h)(1)). Refer to 31 U.S.C. § 3554(c)(2) for cost and fee reimbursement limitations.

A. Payment of the costs must occur within 30 days of their determination and acceptance by the contracting office. A copy of the decision, along with a statement of costs incurred, approved by the contracting officer, must be used to support the certification of payment.

B. A successful bid protester must provide a certification when submitting a claim exceeding $100,000 in accordance with FAR 33.207.

120206. Claims under the Federal Tort Claims Act and Other Non-Contractual Claims

A. The Secretary of Defense, or designee, is authorized to pay claims against the United States for monetary damages. The Federal Tort Claims Act (28 CFR part 14) permits private parties to file a claim against the United States. Claims include damages to or loss of property, or personal injury or death, caused by the negligent or wrongful act or omission of an employee of the United States acting within the scope of his office or employment, under circumstances where the United States, if a private person, would be liable to the claimant in accordance with the law of the place where the act or omission occurred. When an award is in excess of $25,000, or in excess of the authority delegated to the agency by the Attorney General pursuant to 28 U.S.C. § 2672, whichever is greater, an SF 1145, Voucher for Payment Under Federal Tort Claims Act, must be accompanied by evidence that the award, compromise, or settlement has been approved by the Attorney General or his designee (28 CFR, section 14.10).

B. A list of persons designated to approve or disapprove claims cited under this regulation, or other applicable statutes, can be obtained from the local office of counsel or judge advocate office. For claims approved by the Secretary of a Military Department, or by designated approving authorities in the office of counsel or judge advocate general, the public voucher must be sent to the appropriate office for payment. Claims approved by other designees should be forwarded to the local entitlement office that supports the approving authority for payment of the public voucher.

C. Awards are payable from the DoD’s appropriations. Refer to 28 CFR, section 14.10 for the required claim documentation, threshold amounts, and execution requirements of the claimant. In accordance with 28 CFR, section 14.10, when an attorney represents a claimant, the voucher for payment must designate both the claimant and his attorney as payees, and the check will be delivered to the attorney, whose address must appear on the voucher.

120207. Claims under the Foreign Claims Act

A. The Foreign Claims Act (10 U.S.C. § 2734) authorizes the Secretaries of the Military Departments, or their designee, to appoint claims commissions to approve or disapprove claims cited under the Act. The composition of a claims commission may include one or more officers, employees, or combination of officers or employees of the armed forces. The
commission may settle and pay an amount not more than $100,000 for a claim against the United States. Title 10, U.S.C. § 2734 covers claims for damage to or loss of real property, damage to or loss of personal property, and personal injury to or death of any inhabitant of a foreign country.

B. These commissions may also approve or disapprove claims under international agreements in accordance with 10 U.S.C. § 2734b. Commanders, directors, or other designated officials of the DoD should contact the local office of counsel or their Judge Advocate General office for the regulations governing the preparation, submission, adjudication, and payment of these claims. Claims approved must be forwarded to the Component’s nearest designated payment office or the nearest Defense Finance and Accounting Service (DFAS) payment office. Use the DoD Activity Address Code (DoDAAC) Customer Service tab on the DFAS.mil website to access the DFAS payment office and DoDAAC customer service information.

C. Military Service personnel should consult with their respective Judge Advocate General office to identify the requirements for the investigation and adjudication of foreign claims to ensure approved local procedures are followed for processing these claims.

120208. Payment to Contractor When Contracting Officer Approves Claim under the Contract Disputes Act of 1978

A. If funds for the claim are available, and the contractor does not appeal the contracting officer’s decision, settlement of the claim is to be made by the responsible entitlement office from funds cited on the contract (41 U.S.C. § 7108 and 31 U.S.C. § 1304).

1. After final agreement with the contractor, the contracting officer must modify the contract, accomplished with an SF 30, Amendment of Solicitation/Modification of Contract, to obligate the funds and document support for the payment. The execution of the contract modification must take place prior to entitlement of the contractor’s invoice.

2. Upon receipt of the contractor’s invoice and the SF 30, payment can be made, including interest from the date the claim was received by the contracting officer to the date of payment. Claims involving disputes, and any interest due, are payable upon resolution in accordance with FAR 33.208 and the FAR Disputes clause (52.233-1).

B. If funds to pay the claim are not available, the contracting officer may refer the claim to the Armed Services Board of Contract Appeals (ASBCA) and request the ASBCA approve a settlement of the claim from the Judgment Fund. Reimbursement to the Judgment Fund will subsequently be required upon receipt of a bill from the Fiscal Service. This reimbursement may come from current and available funds or by obtaining additional funds (41 U.S.C. § 7108) as stated in paragraph 120210. The policy for payment of amounts under the Contract Disputes Act by the ASBCA or the Court of Federal Claims is in section 120209.
120209. Payment to Contractors Based on Decisions of Board of Contract Appeals or Court of Federal Claims

A. Court action may result as identified in 28 U.S.C. § 2412 and 28 U.S.C. § 2414 when the DoD terminates a contract. While settlement of the contractor’s termination claim falls within section 120208, a separate payment may be due the contractor when a final judgment occurs from a separate court action against the DoD. When settlements have been rendered, the transcript of the court judgment against the DoD must be forwarded by the DoD organization directly to the Fiscal Service. The DoD organization must use the methods prescribed by TFM Volume 1, part 6, chapter 3100, section 3125.10 (except for claims settled under the Contract Disputes Act of 1978, as noted in paragraph 120208.B).

B. The Fiscal Service administers and certifies payments from the Judgment Fund for the settlement and final judgment by the U.S. District Courts and on final judgments by the Court of Federal Claims (TFM, Volume 1, part 6, chapter 3100, 28 U.S.C. § 2517, and 31 U.S.C. § 1304). Reimbursement of the Judgment Fund is payable from funds current at the time the award is made and available to the activity accountable for the contract obligation.

C. Title 41, U.S.C. § 7108 covers payment of claims filed under the Contract Disputes Act of 1978 (41 U.S.C. § 7101-7109, FAR subpart 33.2, and FAR clause 52.233-1). Judgments against the United States by the Court of Federal Claims, and monetary awards to a contractor from the ASBCA, are authorized to be paid and charged to the Judgment Fund when certain conditions are met, as established by 31 U.S.C. § 1304. Amounts owed may include interest from the date the claim was received by the contracting officer to the date of payment. Reimbursement of the Judgment Fund is payable from funds current at the time the award is made and available to the activity accountable for the contract obligation.

D. Payment of attorney fees claimed by the contractor may not be included in amounts paid from the Judgment Fund. Attorney fees awarded in these cases will be payable out of funds current at the time the award is made and available to the activity accountable for the contract obligation (28 U.S.C. § 2412(d)(4)).

120210. Payments to Reimburse the Fiscal Service for Payments in Settlement of Contractor Claims

Upon certification by the Fiscal Service (TFM, Volume 1, part 6, chapter 3100), the amounts of contractor claims settled under the Contract Disputes Act of 1978 may be paid to the contractor by the Fiscal Service from the Judgment Fund. Amounts paid to contractors are reimbursable to the Fiscal Service from the appropriation available for the purpose of the contract or by obtaining additional funds for such purpose. If funds are not available in the proper account to cover invoices received from the Fiscal Service, the Component must request additional funds through appropriate channels. Amounts reimbursed to the Fiscal Service are not charged to the original fiscal year appropriation that funded the contract, unless the original appropriation was still current at the time of the judgment (Volume 3, Chapter 8).
120211. Interest Awarded Contractor by the Armed Services Board of Contract Appeals

A. Interest rates are established and reported by the Secretary of the Treasury (31 U.S.C. § 3902) in January and July of each year on the Treasury website.

B. In accordance with FAR 33.208, the Government will pay interest on the amount due from the date the contracting officer receives the claim, or the date the payment is due, if that date is later.

C. If claims involve antecedent liability, interest payments are chargeable to the appropriation(s) current at the time the basic contract was executed (Volume 3, Chapter 8), or by obtaining additional appropriations for purposes of reimbursement (41 U.S.C. § 7108).

D. Claims covered by this section exclude interest penalty claims related to the Prompt Payment Act (PPA) cited in 5 CFR, part 1315. Pursuant to 31 U.S.C. § 3902, PPA interest must be paid from the funds available for the administration of the program for which interest was incurred, or from funds financing the operation of the Military Department or the defense agency with which the invoice or contract payment is associated. All interest payments will be charged to the fiscal year(s) in which they accrue. In a case of cancelled appropriations, the current fiscal year will be charged any interest payment (31 U.S.C. § 1553(b)(1)).

120212. Return of Absentees

The DoD Instruction (DoDI) 1325.02 provides policy to authorize payment of claims for rewards or expenses (but not both) associated with apprehending, detaining, or delivering absentees, deserters, or escaped military prisoners to military control.

A. Rewards. Receipt of any authorized communication, oral or written, from a military or federal law-enforcement officer or agency requesting active cooperation in the apprehension or delivery to military control of an absentee or deserter wanted by the Military Services, will constitute the basis for a reward. Payment of a reward will not exceed the amount cited in 10 U.S.C. § 956 for apprehending absentees, deserters, or parole and mandatory supervised release violators.

B. Expense Reimbursements. The DoDI 1325.02 authorizes reimbursements for reasonable and actual expenses incurred in the apprehension, detention, or delivery to military control of an absentee, deserter, or parole and mandatory supervised release violators. The cost of detention expenses, furnished to military personnel placed in their custody for safekeeping at the request of military authorities, may be reimbursable to civil authorities. These expenses may be reflected in a per day or daily room and board charge the detention facility normally charges other legal jurisdictions for similar prisoner custody services.

C. Charging of Expenses. Authorized payments and cost of travel of the guards assigned to absentees or deserters will be charged to the parent Military Service’s military personnel appropriation (DoDI 1325.02).
D. **Condition for Payment.** Before a reward is payable, there must be a notification issued for the return to military control of the absentee, deserter, or escaped military prisoner. Receipt of **DD Form 553**, Deserter/Absentee Wanted by the Armed Forces, oral or written communication from military or federal law enforcement officials, or entering the individual's name in the **National Crime Information Center**, constitutes notification.

E. **Voucher Preparation and Support.** After the apprehended member’s release from civilian detention to military control, an SF 1034, or an electronic equivalent, must be prepared and certified by the personnel officer or other certifying officer designated by the commanding officer of the activity. In addition to the other routinely required data items on an SF 1034, the following information must also be shown on the voucher or attached:

1. The member’s name, Social Security Number, organization from which the member is absent, and the date and place military authorities resumed control;
2. A statement stipulating the payee apprehended and detained, or apprehended and delivered the member;
3. The military appropriation of the parent military service of the person apprehended;
4. A copy of a DD Form 553, a certificate from the organization of the absentee, or written notification from military or federal law enforcement officials stating the absentee’s return to military control was desirable; and
5. An itemized statement of allowable expenses if reimbursement of actual expenses is being claimed.

F. **Payment.** Upon receipt of the SF 1034 or electronic equivalent, the entitlement office will review the voucher for its propriety and, if proper, approve the voucher for disbursement by the designated disbursing official.

* 120213. Cash Awards to Military Members

A. Military personnel may receive cash awards for suggestions, inventions, and scientific achievements as authorized by Military Service regulations.

B. Upon approval of the award, the Executive Secretary of the Suggestion Awards Committee, or designee, must prepare, sign, and submit a claim on an SF 1034, an electronic equivalent, or other Component-established form (plus a copy of the Suggestion Award Certificate) to the entitlement office.

* C. The award payment will be payable against current funds available to the activity primarily benefiting, or the several funds or appropriations of the various activities benefiting (10 U.S.C § 1124(g)). Refer to paragraph 120102.H for requirements pertaining to submission, payment, and mandatory payroll deductions. The claim for payment requires
submission on an SF 1034, or electronic equivalent, and must provide the Home of Record of the military member for state tax reporting. The only exception to the requirement for withholding taxes on cash awards is when payment is made to an enlisted member serving in a combat zone. See Combat Zone Tax Exclusions discussed in Publication #3 Armed Forces Tax Guide.

120214. Rewards for Recovery of Lost DoD Property

Under 10 U.S.C. § 2252, certain rewards are authorized and paid as follows:

A. Commanders may offer rewards for recovery of lost property; and

B. The reward payment may be made to persons or organizations for the return of lost property, or information leading to its recovery.

1. Conditions for payment of reward include:

   a. The persons or organizations must know a reward is being offered, or it is a general practice to offer rewards for the return of particular DoD property, or information leading to its recovery;

   b. The claimant is not a member of the U.S. Armed Forces or an officer, employee, or agency of the U.S. Government; and

   c. The payment is consistent with local laws, prevailing customs or practices, treaties, or international agreements.

2. A Military Department will not pay a reward of more than $500 in any case. Rewards are payable from the current funds available for the Component concerned. The voucher submitted for payment must be supported with a copy of the offer of reward, and a statement by the commanding officer or designated representative that all conditions for payment of reward and accountability for the property have been met.

1203 PURCHASES OF SPECIAL ITEMS AND SERVICES

This section provides policy for various special items and services for non-recurring and non-contractual purchases.

120301. Advertising

A. Newspapers. In accordance with 44 U.S.C. § 3702 and FAR 5.502, contracting officers must obtain written authorization from the DoD Component head, or from a person who has received written delegation of authority from the head of a DoD Component, prior to advertising in newspapers, trade journals, and similar publications (5 U.S.C. § 302(b)). Such delegation of authority cannot be re-delegated. Newspaper advertisements are not payable unless the claim includes the advertising bill and a copy of the written authority. Requirements for payment and retention of documents are as follows:
1. **Providing Substantiating Documentation.** All invoices submitted to the purchasing office must be supported by an affidavit of publication or a copy of the publication or advertisement (known as a "tear sheet"). The officer placing the advertisement will attach evidence of authority to advertise to the invoice and forward the invoice to the designated entitlement office.

   a. Except in cases of blanket authority to advertise, heads of contracting activities are delegated authority to approve the publication of paid advertisements in newspapers as prescribed by [DFARS subpart 205.5](https://www.acq.osd.mil/dpap/dtic/doc/dfars_subpart_2055.html).

   b. If advertising was authorized by a delegated officer, a copy of the delegation must be attached to the first voucher paid under such delegation and can be referenced on subsequent vouchers.

   c. When the authority to advertise is given to several activities in the form of a notice or instruction issued by the head of a DoD Component based on the official's delegated authority, a reference to the authorizing notice or instruction on the advertisement order is acceptable in lieu of a copy of the authority.

2. **Retention of Supporting Documents.** Every account for official advertising rendered must include a copy of a tear sheet in which the advertisement appeared as a proof of publication. If tear sheets are not available, an affidavit or a copy of the advertised publication may be furnished in lieu thereof. The affidavit must include the signature of an official of the publishing firm or advertising agency where the order was placed and, in the case of advertising in newspapers or periodicals, must identify the issues in which the advertisement appears. Tear sheets or affidavits submitted as proof of publications must be attached to the voucher. Volume 1, Chapter 9, Figure 9-1 prescribes policy for the retention period of vouchers and documentation.

**B. Radio Advertising.** The requirement of written authority for advertising from the head of a DoD Component, or from a person who has received written delegation of authority, does not apply to radio advertising ([FAR 5.502(b)](https://www.acquisition.gov/far/5.502(b))) unless required per Component policy. The other restrictive provisions contained in 44 U.S.C. § 3702 pertaining to advertising do not relate to radio advertising. There are no statutory restrictions upon the use of appropriated funds for radio advertising in the promotion of objectives. Payment for claims must be submitted on an SF 1034, or other approved Component form, accompanied by a copy of the invoice and an affidavit of publication furnished by the advertising agency ([FAR 5.503(d)](https://www.acquisition.gov/far/5.503(d))).

120302. **Arbitrator Fees**

The use of arbitrator services under negotiated grievance procedures of management and labor union agreements is authorized. These services normally are acquired by issuance of a [DD Form 1155](https://www.acq.osd.mil/dpap/dtic/doc/dd_form_1155.html), Order for Supplies or Services, which specifies payment terms and conditions, and requires coordination between the civilian personnel office and the contracting support office. Reservation and obligation of funds is a requirement prior to executing the ordering/contracting action. Upon completion of the services, the civilian personnel office, or a
designated official, must certify receipt of services. This certification will represent the receiving report required for payment. Payment will then be made using this certification, the arbitrators’ billing statement, and the terms specified in the completed DD Form 1155. These payments are governed by the terms cited in the PPA (5 CFR, part 1315), unless the DD Form 1155 contains a specific payment due date.

120303. Automobiles

The use of appropriated funds to buy or lease passenger motor vehicles must be specifically authorized by an annual appropriation act or other law (see 31 U.S.C. § 1343). The purchase cost limitation identified in 31 U.S.C. § 1343 does not include articles used with a car but not permanently attached to it, or not an integral part thereof (e.g., tire chains, fire extinguishers, safety flares, removable seat covers, transportation of the vehicle, and taxes). The acquisition of motor vehicles should be from the most cost-effective source, which may be by purchase or commercial lease through the General Services Administration (GSA), or by any other method less costly to the Government as validated by a cost-comparison (DoD Manual 4500.36).

120304. Blood Purchases

Appropriated funds may be used for the purchase of blood supplies from donors (24 U.S.C. § 30) or through civilian contracts (DoDI 6480.04) in accordance with the policies of the respective Military Services for persons entitled to medical treatment at Government expense.

120305. Civilian Uniform Allowances

The Component’s designated personnel must prepare and certify payment of civilian uniform allowances on an SF 1034 or electronic equivalent. The DoDI 1400.25, Volume 591, prescribes the amount payable for uniform allowances per year and other related uniform allowance policies. The voucher for payment may include more than one employee. The payment must be charged to the same appropriation and subsidiary accounting data normally charged for the salary of the personnel concerned. See the Guidebook for additional information and policy.

120306. Confinement of Prisoners in Civil Detention

A. Prisoners may be confined in civilian facilities used by the U.S. Marshals Service when DoD confinement facilities are not available, or do not provide for the separation of male and female prisoners in accordance with DoDI 1325.07. The transferring commanders must determine if a military confinement facility, including military/security police detention cells, is not reasonably available. If a facility used or approved by the U.S. Marshals Service is not reasonably available, a military prisoner may be transferred to a facility accredited by the American Correctional Association, or a facility accredited by the State for confinement.

B. The Provost Marshal’s Office, which transfers prisoners, must provide the entitlement office with a certified voucher and supporting documents containing an itemized list
of expenses of the confinement (10 U.S.C. § 956). After entitlement, the disbursement office will remit payment to the civil confinement facility. Supplies necessary for personal hygiene and maintenance of good health will be provided to all military prisoners. The Military Services may also provide supplies for a prisoner’s comfort, establish monetary or quantity limitations on any supplies, and establish other limitations as deemed appropriate by Service corrections headquarters. Supplies issued to persons in a non-pay status will be paid from appropriated funds. The cost of health and comfort supplies provided to persons in a pay status will be charged against their pay accounts or paid from their personal funds.

120307. Copies of Official Records or Documents

Fees required by local laws for certified copies or photocopies of public records, or documents required by a court or board, may be paid to the performing officials or legal entities. Current operation and maintenance funds may be used to purchase death certificates for deceased retired personnel. The claimant must sign a statement attesting all resources have been exhausted attempting to find beneficiaries, and none were found.

120308. Demurrage on Cylinders

A. Vouchers covering demurrage charges on reusable gas cylinders or drums retained beyond the contracted free loan period must state size, type and quantity. Often, demurrage charges are not funded through the contract due to variables such as a free loan period, the daily rental charge, and delivery shipping point. In computing the period involved, establish the free loan period to commence on the first day after date of delivery of each container without regard to any particular cylinder. In such cases, the contractor’s claim must explain the method of calculating demurrage.

B. The contractor’s claim must cover the preceding demurrage payment and other identifying data such as the cylinder number(s), date of delivery of cylinder(s), date rental starts, date of return of cylinder(s), and the actual number of days and rate per day on which the charges were computed. The Component causing the delay must attach an SF 1034 or an electronic equivalent to support the contractor’s claim by identifying the voucher upon which payment was originally made for the filled containers, and citing an appropriate line of accounting. Coordination with the contracting officer or ordering official may be necessary to ensure demurrage costs are not already covered as part of the price(s) negotiated for the cylinder(s) and/or their contents.

120309. Discrimination Complaints

A. General. Costs incurred in processing discrimination complaints may include travel expenses, attorney fees, investigation expenses, costs of administrative judges, and court reporters (5 CFR, part 1201 and 29 CFR, part 1614).

B. Attorney Fees. In cases involving complaints of discrimination, attorney fees may be awarded pursuant to a no-fault settlement agreement, an informal adjustment, the decision of the Service director of Equal Employment Office (EEO), the Equal Employment
Opportunity Commission (EEOC), the Merit Systems Protection Board, an arbitrator, a Federal court, or other appropriate authority. After review and approval of the award letter by the legal counsel, the EEO manager of the legal office must initiate or authorize the claim for reimbursement. The Component’s request for reimbursement of these fees must be as a joint payment to the complainant and complainant's representative supported by an award letter and approval. The claim must cite current operating funds. Policy pertaining to allowable and reasonable attorney fees is in 29 CFR, part 1614.

C. **Investigation Expenses.** Most complaint investigations are conducted by an investigator assigned to the appellate review agency. The EEO manager is responsible for arranging for the investigator's visit and submitting a claim for expenses. The chief EEO counselor will initiate a purchase request for expenditures of miscellaneous purchases. An SF 1034, electronic alternative, or a DD Form 1155 supported by the investigator’s expense receipts, approved by the chief EEO manager, and certified by an authorized certifying officer, will be used to make payment. The claim must cite operating funds current at the time of investigative services.

D. **EEO Administrative Judge.** The EEOC assigns an EEO Administrative Judge to hold hearings on formal complaints of discrimination and otherwise process individual and class complaints for the EEOC. Expenses associated with these complaints where the alleged discrimination took place must be funded using operating funds current at the time of requesting the services. The EEOC will bill the activity for any authorized and required expenses (29 CFR, part 1614). The chief EEO manager at the activity, or assigned designee, must review and approve the EEOC billing.

E. **Court Reporter.** The chief office of counsel typically arranges for the services of a court reporter by submitting a request to the DoD Component contracting office. Costs for court reporter services must be paid by the activity where the alleged discrimination took place, using funds current at the time services are requested. The chief EEO manager at the activity, or assigned designee, must review and approve the requests for payment.

F. **Interest.** Interest payments related to discrimination cases (when permitted by statute) are to be charged to funds current at the time of the award. The IRS establishes the rate to be used. This interest rate is not the same as when computing interest under PPA.

* 120310. Emergency Notification Service (9-1-1)

A. Emergency notification is a service allowing a telephone subscriber to dial one number, often 9-1-1, for any emergency. A central control desk takes the call and notifies the appropriate local government agencies. This service often is provided by a state or local government and is funded by charges collected from telephone subscribers. In many cases, this charge is a tax levied by the providing agency, and the telephone company merely acts as a billing and collection agent.

B. If 9-1-1 fees are imposed by the telephone company for its own service, and duly permitted by the tariff to which all utility customers are subject, the charge is proper and payable by the DoD. The DoD does not have immunity from such fees. If, however, a state or
local government is imposing the charge and merely using the telephone company as its agent, then the charge amounts to a tax from which the DoD is exempt.

C. If a military installation receives an invoice for a 9-1-1 charge imposed by a state or local government, the tax is not payable. If fees were improperly paid, refer to the collection policy in Volume 16, Chapter 5 to recover them.

D. If it is unclear whether such charges are taxes or service charges, the designated entitlement office, or responsible certifying officer, must contact the base communications officer or higher authority. This clarification must be included as part of the entitlement and certification documentation used to support the payment request.

E. Telephone service provided to on-base residents is a private contract between the resident and the local telephone company. If residents receive charges for 9-1-1 services, they may not claim exemption based on immunity. If a resident of the base housing lives in an area where all fire, police, and other emergency services are provided by the base, the charge may be for services the resident does not receive, and a challenge may be possible. Regardless of the basis a resident of base housing uses to challenge a 9-1-1 charge, it remains a private matter between the subscriber and the telephone company and is not a DoD reimbursable expense.

120311. Hospital Accreditation

Hospital accreditation fees associated with the requirements contained in the DoD Manual 6025.13, *Enclosure 3* for medical facilities accredited by the Joint Commission on Healthcare Organization may be reimbursable. A deposit may be required to be paid for an initial customer and, therefore, may be reimbursable. Accreditation and certification on-site fees are invoiced 1 to 5 days following the survey event completion and would be reimbursable for those requiring accreditation. Accreditation annual fees may also be payable and are subject to the programs, services, volumes, and sites where service is provided.

120312. Lost or Damaged Clothing Payments to Military Personnel

If the loss was not caused by any fault or negligence of the Service member, reimbursement is authorized to compensate military personnel for clothing items destroyed, damaged, lost, abandoned, captured, or otherwise rendered unusable, incident to military training or service (*DoDI 1338.18*). Personnel must submit an approved Service-specific Personal Clothing Claim form, or electronic equivalent. The Service member’s activity billing office must prepare an SF 1034 or electronic equivalent for payment to the member.

120313. Medical Services Provided by Civilian Non-Federal Sources

A. Members. The military medical treatment facility (MTF) can refer members to civilian health care providers for diagnostic services, treatment, or both. Upon receipt of an itemized invoice from the civilian health care provider, the claimant must submit a request for reimbursement to their designated Component. The Component must prepare an SF 1034, or electronic equivalent, within 30 days from the later of receipt of an invoice or the date of
acceptance of the care. The same standards apply to an approved claim for services rendered in connection with care of a deceased member.

B. Dependents and Retired Personnel. Dependents and retired personnel are authorized certain medical care and diagnostic services as established by 10 U.S.C. § 1071-1085. When a MTF is managing the care of dependent and retired personnel, and must refer those personnel to civilian facilities for the care beyond the MTF’s capability, payment for related supplemental care is authorized. The claimant must submit an itemized invoice from the health care provider to their designated billing Component. The Component must prepare an SF 1034, or electronic equivalent, within 30 days from the later of receipt of an invoice or the date of acceptance of the care.

120314. Security and Firefighting Services

The DoD may not make payments for any service required to be provided by the local government when such service is financed from revenues raised by state or local taxation from which the Federal Government is exempt. Common examples are police and fire protection (10 U.S.C. § 2465(a)). Refer to 10 U.S.C. § 2465(b) for exceptions of authorized payments.

120315. Municipal Services

In accordance with the DFARS subparts 241.1 and 241.2, the DoD may pay on the same basis as private users of services, based on the quantity of direct services received, e.g., water and sewage. The general rule is the DoD will not pay for municipal services, unless private citizens and businesses also pay a charge for the same services.

120316. Patents, Copyrights, and Designs

Appropriated funds available for making or procuring supplies may be used to acquire the following, if the acquisition relates to supplies or processes produced, or used by or for, or useful to the DoD (10 U.S.C. § 2386):

A. Copyrights, patents, and applications for patents;

B. Licenses under copyrights, patents, and applications for patents;

C. Design and process data, technical data, and computer software; and

D. Releases for past infringement of patents or copyrights or for unauthorized use of technical data or computer software (10 U.S.C. § 2386).

120317. Pollution Control Permits or Fees

In the absence of express Presidential exemption, DoD facilities must abide by state or local laws for abatement and control of pollution. These facilities may incur costs related to compliance with these laws for obtaining permits and paying the associated fees for the
management of natural resources. Submit an SF 1034, or electronic equivalent, to pay these expenses. The request for payment must include supporting documentation identifying the permit application fee and other related fees, approved by the base civil engineer or assigned designee.

120318. Reciprocal Mutual Aid Agreements for Fire Protection

A. Claims for reciprocal mutual aid agreements for fire protection, as required by 44 CFR, part 151, are to be submitted to the Administrator, U.S. Fire Administration, Federal Emergency Management Agency (FEMA), Washington DC 20472, by non-DoD firefighting organizations. If approved, such claims are paid by the Treasury, subject to reimbursement by the DoD installation under whose jurisdiction the fire occurred.

B. If the claims affect current funding for fire protection, then FEMA will contact the installation as a part of its claim processing and adjudication procedures. The DoD installation must provide information requested, in coordination with the civil engineer, fire protection unit, and staff judge advocate. The DoD installation must provide the complete name and address of the disbursing office, including the Disbursing Station Symbol Number, and an appropriation fund cite for fire protection funding so the Treasury can bill for reimbursement for approved claims paid.

C. All sums received as reimbursements for costs incurred by any DoD activity for fire protection will be credited to the same appropriation or fund from which the expenses for fire protection were paid. If the period of availability for obligation of that appropriation has expired, credit the fund or appropriation currently available for the same purpose (42 U.S.C. § 1856d(b)).

* 120319. Representation and Contingencies Fund Use

A. General. The policy in this paragraph applies to disbursements made against funds separately appropriated in the contingencies program. These include representation, special expenses, and contingencies. For each fiscal year, the Congress appropriates funds in the contingencies program under the statutory authority in 10 U.S.C. § 127 for use by the head of each DoD Component. Funding documents provide authority to obligate and expend contingency funds as approved, or as adjusted later during the fiscal year.

B. Representation Funds. The head of a DoD Component must authorize the expenditure of Official Representation Funds by commanders for official entertainment or other official purposes in accordance with 10 U.S.C. § 127 and DoDI 7250.13.

* C. Emergency and Extraordinary Expenses (10 U.S.C. § 127). The language in the Appropriation Act for contingencies usually reads: “For emergencies and extraordinary expenses, to be expended on the approval of the Secretary of the cognizant Military Service, and payments may be made on their certificate of necessity for confidential military purposes.” The following policies apply, depending on the type of payment involved.
1. **Miscellaneous Current Expenses.** Claims for these expenses must be submitted using an SF 1034 or electronic equivalent with attached receipts or other supporting documentation, depending on security protocols.

2. **Intelligence Contingency Funds (ICF).** Expenses incurred using these funds are for confidential military purposes and are normally made based on a DD Form 281, Voucher for Emergency or Extraordinary Expense Expenditures. The original vouchers (i.e., DD Form 281), must be returned to the originator. Refer to Volume 5, Chapter 9 for additional information on vouchers related to contingency funds.

3. **Investigation Expenses.** Requests for reimbursement of expenses for other than confidential military purposes must be submitted on an SF 1034 or electronic equivalent. The originating office will retain a copy of the voucher and ensure the supporting documents are submitted to the entitlement office. Request for classified investigation expenses for confidential military purposes must be submitted on a DD Form 281. Refer to Volume 5, Chapter 9 for additional information on the handling of classified vouchers and documentation.

120320. **Special Drinking Water**

In situations where water supply systems providing service to DoD organizations do not meet the standards prescribed in 40 CFR, part 141, subpart C, special drinking water may be purchased with appropriated funds only when it is necessary from the Government's standpoint. The claim for reimbursement requires a statement attesting the drinking water is non-potable, along with a public announcement or a copy of the water testing results. Some examples are:

A. The public water is unsafe for human consumption;

B. There is an emergency failure of the water source on the installation;

C. There is a temporary facility with no drinking water available within a reasonable distance; or

D. There is no water fit for drinking purposes available without cost or at a lower cost to the Government.

120321. **Support of Armed Forces Personnel in Confinement**

A. Purchase of health and comfort items for personnel confined on base is authorized to all military prisoners, subject to the provisions of DoDI 1325.07. Reimbursement for the purchase of these items must be claimed using an SF 1034 or electronic equivalent. Supplies issued to persons in a non-pay status will be paid from appropriated funds. The cost of health and comfort supplies provided to persons in a pay status will be charged against their pay accounts or paid from their personal funds.

B. A prisoner confined without essential clothing will be provided suitable clothing, on a temporary loan basis, by the Military Confinement Facility commander. Permanent
issue items, except for distinctive prisoner clothing, will be subject to personal funds withdrawal if the prisoner is in a pay status. All necessary items of clothing for a prisoner confined in a non-pay status will be provided at Government expense.

* 120322. Telephone and Television Service

A. Statutory Provisions

1. Appropriated funds should normally not be used to pay for telephone service to private residences, except in those instances identified in 31 U.S.C. § 1348 and DoDI 1100.21. Long distance calls from private residences for official business may be paid from appropriated funds when supported by properly certified vouchers.

2. Charges for official telephone service, and charges for metered services, for a period beginning in one fiscal year and ending in another fiscal year may be paid from the appropriation current at the end of the period covered by the service (31 U.S.C. § 1308). This rule also applies to leased wire and teletypewriter services.

3. Telephone services provided for Service clubs, motion picture service, military Exchange store activities, and officers' and non-commissioned officers' messes within the United States are subject to federal communications taxes (26 U.S.C. § 4251 and § 4252).

B. Increased Rates. The contract for telephone service may provide for payment of telephone charges at legally established rates. Under such contracts, rate increases approved by rate-setting authorities may be paid. Increased rates billed in advance of pending approval by rate-setting authorities may be payable, but will be subject to adjustment if the increase does not receive approval.

* C. Payment Policy.

1. The office designated to receive the telephone bills from the telephone company must coordinate the preparation and certification of the SF 1034, or an electronic equivalent, for payment. Local Component procedures must be in place to confirm the number and active statuses of the phone lines/numbers being billed, and ensure the related costs reflect charges for official or other authorized use.

2. The SF 1034 must be forwarded to the designated payment office, together with the telephone company’s summary billing statement, which includes totals for the monthly plan and long distance charges. The detailed listings, and schedules supporting the telephone company's bill, must be retained by the responsible office and not be attached to the payment voucher, unless required by local procedures. Components must follow established local ethical conduct and related personnel policies and procedures in addressing the reimbursement of costs associated with unauthorized use. Any funds collected must be handled in accordance with the Component’s appropriation and fund deposit rules and regulations.
D. Teletypewriter Service. If telephone companies provide teletypewriter services, the charges, based on time used, will be processed in the same manner as the telephone charges identified in this section.

E. Satellite Communications Service. Government communication systems and equipment are only for official use and authorized purposes. The use of Navy communication systems and equipment for other than official use is at the commanding officers’ discretion, as long as the Navy does not incur additional cost or the use does not degrade mission readiness (Operations Navy Instruction (OPNAVINST) 2060.8B). The communications officer must collect for unauthorized or unofficial charges on a DD Form 1131, Cash Collection Voucher, (Volume 8, Chapter 10) from personnel using the ships’ communication service in an unauthorized manner. The communications officer must immediately turn over the amounts collected to the disbursing office. When the telephone company bills the ship for the service, payment must be made to the telephone company by the designated payment office using an SF 1034 to substantiate the payment.

F. Reimbursement for Telephone Wiring Maintenance. Charges paid by the tenant for telephone wiring maintenance necessary in base housing may be reimbursable in accordance with 31 U.S.C. § 1348. Charges for internal wiring repair in family housing will be reimbursable from maintenance funds and charges for unaccompanied personnel housing from current base funds.

G. Telephone and Television Reconnection Charges

1. Payment using appropriated funds is authorized for reconnection expenses where a move is the result of Government action over which the member has no control, and the move is directed at Government expense. Exclude expenses incurred during permanent change of station (PCS) that may be reimbursable under the PCS orders or other related regulations.

   a. Payment is authorized for the following moves as directed by the base commander:

      (1) Mandatory assignment to Government-owned housing facilities,

      (2) Involuntary relocation to Government or non-Government facilities because of base renovation or condemnation proceedings, or death of qualifying dependents.

      (3) The termination of assigned quarters because of

   b. Members are not authorized reimbursement for moves involving:

      (1) Voluntary termination of assigned quarters,
(2) The termination of assigned quarters due to demotion to ineligible grade or adverse conduct by a member,

(3) The termination of assigned quarters due to family separation (no hardship involved), or

(4) Member's voluntary movement from off base to on-base quarters.

2. Reimbursement of the member’s claim or a direct payment to the contractor is chargeable against the appropriation covered by the service.

   a. Reimbursement to Member. A Service member may pay for reconnection charges when billed and then file a claim for reimbursement. The member must submit the invoice, letter, or special order directing the move, and a letter request to the billeting officer for bachelor quarters or to the base civil engineer for military family housing for approval and certification.

   b. Direct Payment Method. A Service member may submit the same documentation through the billeting officer or base civil engineer to the entitlement office for a direct payment to the contractor. These payments are not subject to the PPA. The payment voucher must contain the statement, "Payment is being made for the following individual(s) for reconnection services on the following dates." Activity controls and procedures must be designed to ensure a duplicate reimbursement is not paid to the Service member at a subsequent time.

3. Support the reimbursement or direct payment to the contractor with the following:

   a. The special order or letter directing the move;

   b. The letter from the member requesting reimbursement for reconnection charges already paid or a direct payment to the contractor for charges not yet paid. The member must certify the amount invoiced includes only those charges incurred in restoring telephone or television services previously provided at their old location and does not include charges for any new services or equipment; and

   c. A copy of the telephone or television company invoice certified by the chief of services or base civil engineer showing only reconnection charges. All other charges are the responsibility of the member and must be paid separately.

120323. Tuition and Training

A. Authorized Reimbursements. Tuition and training reimbursements to employees are miscellaneous payments. Title 5 U.S.C. § 4109 provides the authority to reimburse employees for necessary training expenses (e.g., tuition and matriculation fees; library and laboratory services; purchase or rental of books, materials, and supplies; and other services or
facilities directly related to employee training). Refer to the *DoDI 1322.25* for additional tuition and training guidance.

**B. Military Personnel.** Tuition assistance for military personnel must be paid directly to the academic institution in accordance with the contract terms with that institution. Reimbursement to the member for other related reimbursable expenses requires a properly certified *SF 182*, Authorization, Agreement and Certification of Training, or other Component approved form. Component procedures must ensure specified annual and per course hour reimbursements do not exceed allowable limits and prevent duplication of payments.

**C. Civilian Employee Training.** A miscellaneous payment request is required for direct reimbursements to employees for necessary training expenses, such as books and supplies. Employees submitting requests for these reimbursements must use an SF 182 or other Component-approved form. Refer to *DoDI 1400.25, Volume 410* for additional policies and procedures regarding training education, and professional development activities for civilian employees.

1. The training must be a regularly scheduled, off-the-shelf course, training conference, or instructional service available to the public and priced the same for everyone in the same category (i.e., price per student, course, program, service, or training space). To minimize the need for reimbursing the employee, the preference is to pay the training provider.

2. Prohibitions against the payment of tuition or other expenses for training include overtime, holiday, and night differential pay, or membership fees as outlined in the *DoDI 1400.25, Volume 410* and 5 U.S.C. § 4109.

3. The *Joint Travel Regulations, chapter 3, part B* contains travel and transportation policy involving attendance at training.

**D. Advance Payment.** Advance payment of tuition and other expenses is authorized (5 U.S.C. § 4109 and 31 U.S.C. § 3324) either when the training facility renders, or refuses to render, a billing. The SF 182 will identify the training facility by name and address, the amount payable to the facility for the advance of tuition, as well as the amount payable to the trainee for purchase of books, library, and laboratory services. The SF 182 must be submitted to the entitlement office to support payment of the advance as a miscellaneous payment.

**E. Liquidation of Advance.** Within five workdays after completion of the training, the trainee will prepare an SF 182 itemizing the training expenses, attach receipts when obtainable, and submit the original agency finance copy of the SF 182 endorsing the advance payment information. The disbursing office will liquidate the advance payment in the same manner as prescribed for travel advances.

120324. Tuition Refunds

**A.** When the DoD Education Activity (DoDEA) determines refunds are payable to sponsors of tuition-paying students attending DoD operated schools, refunds will
normally be a prorated amount of tuition when enrollment is terminated prior to the end of the grading period (DoDEA Administrative Instruction 7200.1). A refund of advance tuition payment is only authorized based on a full grading period. A grading period is considered to be any one of the four periods established by the school, and covered by student report cards.

B. The school administrator must ensure deposit funds are available and prepare an SF 1034, which must include the name of the student, date of enrollment termination, and the amount authorized for refund.

C. The entitlement office will pay the voucher after reviewing it for propriety and ensuring related funds are available in deposit fund accounts (DoDEA Procedural Guide 14-PGRMD-013).

120325. Payment for Contract Quarters for Foreign Military Sales (FMS) Travelers

Contract quarters are reimbursable to the contractor for personnel traveling on official orders in connection with FMS. Chapter 10 of the DoD 5105.38-M (Security Assistance Management Manual); Volume 15, Chapter 8; and other appropriate DoD Component regulations prescribe the travel policy under which this payment would occur. The claimant must prepare an Optional Form (OF) 1164, Claim for Reimbursement for Expenditures on Official Business, SF 1034, or other Component-approved form, or electronic equivalent, and submit it along with a copy of the official orders to obtain reimbursement.

1204 PROFESSIONAL LIABILITY INSURANCE (PLI)

120401. Civilian Employees

Certain civilian employees (law enforcement officer, supervisor, management official, or temporary fire line manager) may be eligible for PLI reimbursement up to one-half of the insurance premium costs incurred annually (5 U.S.C., chapter 59, subchapter IV).

120402. Conditions for Payments of PLI

An employee must submit an insurance policy and proof of payment to their servicing Human Resource Office/Civilian Personnel Office (HRO/CPO). The employee also must submit a completed OF 1164, SF 1034, or other Component-approved form, or electronic equivalent, certified by the HRO/CPO approving official and an invoice from the insurance carrier. The insurance carrier invoice must include the issuing company’s name, the policy number, and proof of payment. If it is not evident to the paying office that the carrier’s invoice, or the policy itself, is a qualified professional liability policy, the invoice will be returned to the employee, requesting they provide evidence the sole purpose of the policy presented for reimbursement is to provide liability insurance. The reimbursement is not reportable as taxable income and not subject to IRS Form W-2, Wage and Tax Statement, reporting.
1205 GOVERNMENT CHARGE CARDS CENTRALLY BILLED ACCOUNTS (CBAs)

120501. Government Charge Cards CBAs

This section provides financial management policy for CBA billings (hereafter referred to as “invoices” for the purposes of this policy). The GSA’s Government-wide SmartPay3 contract and applicable DoD-tailored task orders authorize the use of CBA programs for the DoD. The Government Travel Charge Card program has two types of travel cards: the Individual Billed Account (IBA) and the CBA. The financial management policy associated with IBAs is contained in Chapter 23. CBA transportation accounts are issued to DoD activities and are restricted to the purchase of air, rail, and bus tickets only for travelers who are not eligible for an IBA. Mission requirements of the unit determine credit limits on CBAs. There are two types of CBAs:

A. A transportation account is a cardless account issued to a Government transportation office for use in purchasing transportation, to include airline, bus, and rail tickets.

B. A unit travel card is a card that may be issued to an individual or unit for group travel only when it is cost-effective and in the interest of the mission. Unit cards are designed to accommodate groups of travelers such as new recruits, prisoners, and foreign nationals participating in an official DoD-sponsored program or activity.

120502. Policy

A. The Office of Management and Budget Circular A-123 Appendix B, Improving the Management of Government Charge Card Programs, provides policy for Federal Government charge card programs.

B. The DoD Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs is a consolidated guide that provides policies, unique business rules and procedures for DoD charge card programs.

C. Government centrally billed travel card policies are prescribed by DoDI 5154.31, Volume 4, Commercial Travel Management: DoD Government Travel Charge Card (GTCC) Program. Payment provisions are available in DoD Component regulations and Standard Operating Procedures.

120503. CBA Billing Statements

CBA contractors will furnish a monthly invoice or statement of account, showing charges made during the billing cycle. The invoice must contain the elements specified in Chapter 8. The date of receipt of the invoice in the Billing Office starts the PPA clock.

120504. Roles and Responsibilities

Officials must work together to ensure accuracy, propriety and legality over centrally billed accounts and related payments. Volume 5, Chapter 5 provides roles and responsibilities of
accountable officials for CBA programs. The certifying officer ensures that only certified payment packages are forwarded for payment.

120505. Documentation

Accountable officials must ensure maintenance of documentation, at all levels, to support the integrity of the Government CBA programs and facilitate the reconciliation and payment of CBA transactions. Accountable officials must establish clear audit trails for CBA transactions by maintaining documentation to support each purchase such as travel orders/authorizations; requisitions, including cross references to any related Blanket Purchase Agreements; telephone and mail order logs; receipt records; and credit slips (DoDI 5154.31, Volume 4, Commercial Travel Management: DoD Government Travel Charge Card (GTCC) Program). Certifying officers must review the payment packages to ensure the information agrees with all supporting documentation before certification and submission to the entitlement office for payment. Volume 5, Chapter 15 prescribes responsibility for certifying officers to make records and supporting documents accessible to authorized users.

120506. Disputed Transactions

Government CBA owners must dispute, or report as fraud, questionable transactions with the issuing bank in accordance with the timetable and provisions contained in the contract with the issuing bank and local procedures. Approving officials must notify the entitlement office by annotating the invoice or the invoice package to show reductions for disputed charges and must maintain records to track disputed transactions to full resolution.

120507. Designated Entitlement Office

The designated entitlement office personnel rely on the certifying officer to ensure the validity, legality, and accuracy of certified invoice packages. The designated entitlement office must ensure all certified invoice payment packages undergo prevalidation to ensure the availability of funding. They must also ensure a DD Form 577 is on file to verify all manually and electronically certified payment packages.

120508. Records Retention

Approving officials in the billing offices submitting CBA Billing Statements must ensure proper audit trails exist, and documentation is available to support all charges and CBA payments. The retention of documentation, both paper and electronic records, is the responsibility of the certifying officer. Refer to Volume 1, Chapter 9, Figure 9-1 for statutory retention requirements.

1206 PAYMENTS UNDER REAL PROPERTY LEASES

120601. General

Leases are subject to the statutory and regulatory provisions applicable to DoD contracts, as well as the specific statutory provisions pertinent to leases themselves. A lease is a contract, which
conveys the use of land or buildings for a specified time at a specified rate of compensation. Leases describe the premises, the specific period involved, purpose for which used, the amount of rent, method of payment, special or operational services included (such as heat, light, water, and janitorial services), and any restoration provisions. If the lessor fails to provide the services called for in the lease, then the lessee (DoD) may pay the cost and deduct the amount from the lease rental payments.

120602. Rent

A. Fractional Parts of a Month. The calculation to determine payment for part of a month for leased premises must include the actual number of days involved. In computing the time between two dates, the general rule is to exclude the first and include the last date, except when the lease is for a specified term and begins on the date of occupancy.

B. Monthly Installment Payments of Annual Rent. A lease generally begins on the first of the month. For leases that begin on a date other than the first, the monthly rent installments become due and payable on the date of each month numerically corresponding to the date the term began, less one day. The amount of each installment should be one-twelfth of the annual rate, regardless of the number of days in any calendar month.

C. Recurring Rental Charges. Processing payment for these charges occurs without requiring individual invoices from the vendor. At the end of each rental period, the using activity or the designated payment office must prepare an SF 1034 or an electronic equivalent. The claim must identify the lease, confirm the use or availability of the property during the rental period, include all relevant documentation supporting the payment, and be processed in accordance with the provisions of the lease. Refer to the Guidebook for preparation instructions of an SF 1034. Lease or rental payment transactions between intra-Governmental entities must be processed using the Intra-Governmental Payment and Collection (IPAC) System (TFM, Volume 1, Part 2, Chapter 4700, Appendix 6, Section 9.6.4).

D. Reporting Rental Payments Made to Civilian Landlords. At the end of each calendar year, report yearly rental payments of $600 or more to the IRS. Do not report payments to real estate agents. See the DFAS Tax Office website for additional information. Also refer to Chapter 6 for additional policy concerning 1099 reporting.

120603. Party Entitled to Rental Payment

A. If DoD occupies land under a lease, the rental payment cannot be avoided because of any defect in the title of the lessor at the time of entering into a lease agreement.

B. If DoD occupies land owned by several tenants-in-common under an agreement with one of them, and without objection by the others, such tenant-in-common is entitled to receive the rent.

C. If property leased to DoD sells on one day and the deed of conveyance is executed on another day, the grantee is entitled to receive the rental from the property only from and after the date of execution of the deed.
D. Liability for rent due does not become payable day-by-day. It becomes due in total on the dates set forth in the lease. There will be no proration of the payment for several owners, who may have owned the premises for a portion of the rental period. When leased property changes ownership through a sale, a copy of the deed of sale is furnished for association with the lease contract. If proper notification is provided to the lessee, payment is made to the titleholder on the due date.

120604. Payment for Leased Land

Payment for leased land is not payable in advance. Payment for leases in foreign countries for periods of time is by direction of laws and ministerial regulations of foreign countries or local customs (10 U.S.C. § 2396).

120605. Payment for Cost of Improvement of Rented Premises

DoD lease agreements must be clearly written regarding provisions for laying conduit and wires, making alterations, performing repairs, or making other improvements. Thus, unless the lease clearly provides for making such improvements at DoD expense, the payment of any cost associated with this type of improvement effort is not authorized.

120606. Payment of Taxes on Property

Although taxes are not payable by DoD as the owner of real property, such taxes are properly payable as part of the rent when specifically included in the terms of the lease.

120607. Payment of Rent in Connection with Termination of Lease

The terms of the lease determine the basis of payment. Leases containing the standard U.S. Army Corps of Engineer’s termination clause require payment for the day after the notice of termination mailing plus 29 days. Leases containing other termination provisions should be analyzed on an individual basis, in consultation with local legal counsel to determine the correct amount of rent due upon termination of the lease.

1207 PAYMENTS UNDER INDIVIDUAL SET-ASIDE CONTRACTS (ISAs)

Reimbursements made to medical health service providers serving under ISAs are subject to Federal tax and the Federal Insurance Contributions Act. Payments made under ISAs will be reported by DoD at the end of the year to the IRS on a Form W-2 in accordance with Social Security Administration/IRS guidelines (IRS Publication 15, Circular E). The DoD Tax Reporting Office will perform the W-2 reporting requirements. Refer to Volume 8, Chapter 9 for disbursements to taxing authorities.

1208 PAYMENTS OF FEES FOR GUEST SPEAKERS, LECTURERS, AND PANELISTS

Payment for expenses associated with honoraria (guest speaker fees) is allowable for individuals who are not Government personnel. Honoraria are ex gratia payments and are made
to a speaker who has discretion concerning the content of the speech, presentation, or panel discussion on the general topic. In contrast, honoraria limitations do not restrict payment for presentation of materials under a training contract involving a program of instruction. To avoid excessive payment of honoraria, the Deputy Secretary of Defense has established a policy for honoraria amounts greater than $2,000 must have approval by the next higher organizational echelon. Such approvals will be in accordance with the Component’s established procedures.

1209 INTRA-GOVERNMENTAL TRANSACTIONS

The TFM, Volume 1, Part 2, Chapter 4700, Appendix 6, Section 9.6.4 prescribes policy for agencies to process intra-Governmental expenditure transactions through the IPAC system. IPAC is an electronic internet-based collections and payment system. Refer to Volume 5 for additional policy regarding IPAC.

120901. Border Clearance Inspectors Overtime Expenses

A. If border clearance inspectors are required to work overtime, or on Sundays and holidays, at a DoD installation, the DoD installation must pay the overtime expenses incurred, including travel and subsistence in accordance with 19 CFR, sections 24.16 and 24.17. Border clearance officials regularly assigned to DoD installations will not receive payment for travel and subsistence. When additional inspectors are required to supplement the regularly assigned inspection staff, the DoD installation pays for their overtime, travel, and subsistence.

B. If a DoD aircraft lands at a site other than a DoD installation, the home station of the aircraft must pay the charges. When a DoD aircraft lands at another DoD installation, the installation providing the landing clearance services must accept the border clearance and inspection expenses. Financial managers must ensure funds are reserved to pay for these claimed expenses. The DoD official designated to make the necessary arrangements must maintain accurate records, submit requests for overtime, certify receipt and acceptance of services, and forward the billings for payment. Invoices received from one agency may be consolidated and processed for payment by using a single IPAC transaction.

120902. GSA Payments, Where DoD Liability Exists for Damages to GSA Motor Pool Vehicles

A. Except for normal wear and tear, the DoD is pecuniarily liable for loss of or damages to GSA motor pool vehicles caused by negligence, misconduct, abuse, or inattention of military or DoD civilian personnel.

B. The operator of the vehicle is responsible for notifying the GSA fleet management center, his/her supervisor, and the state, county, or municipal authorities as required by law (41 CFR, section 101-39.401) when damages occur to a GSA vehicle. GSA will charge DoD for all costs resulting from damage, including vandalism, theft and parking lot damage to a GSA vehicle on a case-by-case basis after a review of the documentation required by 41 CFR, section 101-39.406. Upon receipt of GSA’s assessment of damages, use the IPAC system (the preferred method) or an SF 1080, Voucher for Transfers Between Appropriations
and/or Funds, to process the payment to GSA. The DoD Component to which the vehicle was assigned must provide the fund cite for the payment. The SF 1080 must identify the damaged vehicle involved, and include the vehicle registry number, date of damage, register number of the SF 91, Motor Vehicle Accident Report, and, when applicable, include an SF 94, Statement of Witness.

C. Provide one copy of the voucher, without supporting papers, with the IPAC payment to GSA. Support the original voucher, and other copies of vouchers, (when required) with a copy of the Report of Survey, and the cost of repairs statement prepared by GSA.
VOLUME 10, CHAPTER 13: “COMMERCIAL TRANSPORTATION PAYMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2018 is archived.

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<td>All</td>
<td>Updated hyperlinks and formatting to comply with current guidance.</td>
<td>Revision</td>
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<td>130301</td>
<td>Removed descriptions of the United States Transportation Command sub-organizations as the reader can access them via the hyperlink.</td>
<td>Deletion</td>
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<td>130306</td>
<td>Clarified policy regarding the return of invoices.</td>
<td>Revision</td>
</tr>
<tr>
<td>130402.D</td>
<td>Clarified that statistical sampling is permitted by providing reference to the Government Accountability Office's Policy and Procedures Manual for Guidance of Federal Agencies: Title 7, and Volume 5, Chapter 5.</td>
<td>Revision</td>
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<tr>
<td>131003</td>
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CHAPTER 13

COMMERCIAL TRANSPORTATION PAYMENTS

1301 GENERAL

130101. Purpose

This chapter establishes policies and responsibilities within the DoD for the financial management of various types of transportation payments. It outlines the policies and responsibilities for payment of transportation documents, including bills of lading (BOL) and third-party transportation invoices. It also includes requirements for prepayment and post-payment audits, reviews, claims, and related General Services Administration (GSA) procedures. The policies in this chapter also apply when the Transportation Working Capital Fund pays the commercial Transportation Service Provider (TSP).

130102. Authoritative Guidance

The following laws and regulations comprise the current requirements for the efficient and effective use of Government and commercial transportation resources. This policy includes the roles, responsibilities, and authority in applying these requirements, to include policy pertaining to payment of transportation and transportation-related services for the DoD.

A. *Title 10, United States Code (U.S.C.), Chapter 157* and 31 U.S.C. § 3726 provide information concerning the laws surrounding the transportation of both personnel and supplies and the general conditions under which a carrier may submit claims for payment. Title 31, U.S.C. § 3726 also establishes the role of GSA in settling claims, identifies when claims must be filed with GSA, and identifies requirements for conducting and funding prepayment and post-payment audits.

B. *DoD Directive 5158.04* and *DoD Directive 4500.09* govern the worldwide movement of passengers, cargo, and personal property for DoD.

C. *Defense Transportation Regulation (DTR) 4500.9-R* provides policy to DoD Components for efficient and effective use of Government and commercial transportation resources.

D. *Federal Acquisition Regulation (FAR), Part 47* prescribes policies for applying transportation and traffic management considerations in the acquisition of supplies, and it prescribes policy for acquiring transportation or transportation-related services by contract methods.

E. *Defense Federal Acquisition Regulation Supplement, Part 247* contains additional transportation guidance as a supplement to FAR, Part 47 provisions.

F. *Title 41, Code of Federal Regulations (CFR), Part 102-118*, codifies statutes and other policies that assure transportation services are uniform and appropriate. It also
defines authority for GSA to conduct prepayment and post-payment audits, and establishes agency prepayment audit requirements.

G. The following laws and regulations provide guidance for payment of Non-Temporary Storage (NTS) and local drayage of Household Goods (HHG):

1. **Title 5, U.S.C. § 5726**;
2. **Title 41, CFR 302-8**; and
3. **Joint Travel Regulations (JTR)**.

1302 POLICY

130201. Valid Line of Accounting (LOA)

Every transportation shipment, when initiated, must have a valid LOA to include the Standard Document Number, or in its place, an associated Transportation Account Code (TAC) representing a valid LOA, prior to processing shipment requests, automation of obligation recording, and invoice certification and payment.

A. The Transportation Officer (TO) or the Traffic Management Officer (TMO) will not provide transportation services without first obtaining proper supporting documentation. At a minimum, this documentation must include an authorization to use, and a citation of, a valid and funded LOA provided by a designated Fund Manager (FM) or financial management official.

B. If funding data supporting the shipment request fails validation when processed, the TO/TMO will suspend further processing efforts until the shipping customer provides written (electronic or hardcopy) verification indicating the LOA is valid.

C. For further guidance and exceptions regarding the LOA and TAC, please refer to **DTR 4500.9-R, Part II**, Appendix V and attachments.

130202. Funded Line of Accounting (LOA) and Associated Transportation Account Code (TAC)

Shipping customers requesting transportation services will provide the TO/TMO with the FM’s written or electronic verification of a funded LOA (funding document), or the associated TAC, before entering the Government into a contract with a carrier. The FM verification may be annotated on the Movement Request Order, usually a DoD **(DD) Form 1348-1A**, Issue Release/Receipt Document, or **DD 1149C**, Requisition and Invoice/Shipping Document.
130203. Anti-Deficiency Act (ADA)

Any transportation shipment request processed without an authorized, valid, and funded LOA, resulting in an obligation on behalf of the Federal Government, could result in a violation of the ADA under \textit{31 U.S.C. § 1341}. See Volume 14, Chapters 2 and 3 for additional information concerning appropriations and violations of the ADA.

130204. Internal Controls

Internal controls must be in place to ensure that duplicative or erroneous payments do not occur. These controls will ensure that sufficient management control mechanisms are available so that DoD funds are spent appropriately and in accordance with all applicable laws and regulations. Refer to Chapter 1 for additional policy specific to internal controls.

1303 RESPONSIBILITIES

*130301. United States Transportation Command (USTRANSCOM)

Per DoD Directive 5158.04, the Secretary of Defense has designated \textit{USTRANSCOM} as the single manager within the DoD for transportation, other than Service-unique or theater-assigned assets. USTRANSCOM operates three component commands: Surface Deployment and Distribution Command, Military Sealift Command, and Air Mobility Command. USTRANSCOM operates two subordinate commands: Joint Transportation Reserve Unit and Joint Enabling Capabilities Command.

130302. Defense Finance and Accounting Service (DFAS)

DFAS maintains the software/database support for the Transportation Global Edit Table (TGET).

A. TGET is a centralized repository that contains established transportation LOAs formatted in accordance with Service/Agency LOA requirements and associated TACs.

B. Each Component is responsible for updating the TGET and ensuring it contains valid LOAs and TACs.

130303. Shipping Customers

Shipping customers can be individuals (Service members or civilian employees), units, or organizations within the Military Services, Defense Agencies and other Government (non-DoD) agencies (federal, state, or local) requesting shipment of freight or personal property. The shipping customer will obtain and present to the TO/TMO, in written or electronic form, a valid and funded LOA from a designated FM.
130304. Transportation Officer (TO) and Traffic Management Officer (TMO)

TOs and TMOs are individuals who are designated to process approved shipment requests for transportation or storage of military goods and other items entitled to be transported or stored at Government expense and related accessorlial or special services. The TO/TMO responsibilities include:

A. Preparing and editing shipment documentation to ensure quality electronic data and timely submission to support total movement shipment processes;

B. Reviewing shipment requests presented by the shipping customer to ensure that the approved funding and shipping documents fully support each shipment request;

C. Ensuring that any shipment request that is found to be incomplete or is not fully supported by the proper funding authorization will be suspended and not be accepted for shipment; and

D. Resuming the shipment request process when written or electronic verification of a corrected LOA, or other required shipping and supporting documents, is received.

130305. Fund Manager (FM)

FMs are individuals legally responsible for managing the appropriate use of funds and will assist and provide advice to the TO/TMO on all financial related matters. The FM will:

A. Maintain and issue authorizations to use LOAs, based on requests, to ensure their appropriate use and the availability of sufficient funding;

B. Coordinate and administer changes and modifications to LOAs and ensure updated data is uploaded to the TGET when necessary;

C. Provide a properly formatted LOA and associated TAC for input into the shipper system when utilizing electronic processing and third-party billing;

D. Coordinate with the appropriate finance and accounting office to resolve edit exceptions encountered in the obligation and accrual recording and invoice payment processes;

E. Work with the TO/TMO and/or certifying officer to correct fund citation edit exceptions;

F. Provide the shipping customer with documentation supporting funds availability and record the commitment/obligation appropriately. Documentation must include a valid, appropriate, and funded LOA, as well as the point of contact information of the FM (e.g., name, phone number and, e-mail address);
G. Monitor execution of transportation costs and make adjustments as needed; and

H. Coordinate with the contracting officer and/or TO/TMO in addressing any issues associated with transactions that have not yet been certified for payment.

*130306. Certifying Officer

Certifying officers within the responsible transportation offices are properly qualified and trained individuals designated in writing by the activity commander and will perform their duties in accordance with Volume 5, Chapter 5. All certifying officers will be appointed using a DD 577, Appointment/Termination Record – Authorized Signature. Certifying officers are responsible for:

A. Ensuring the accuracy of facts stated on a voucher to include the supporting documents and records, pursuant to 31 U.S.C. § 3528;


C. Ensuring the legality of a proposed payment under the appropriation or fund involved, pursuant to 31 U.S.C. § 3528;

D. Ensuring that when a manual, electronic, or digital signature is affixed to a voucher, the certifying officer certifies to a disbursing officer that the items listed therein are correct and proper for payment from the appropriation(s) or other funds designated thereon or on supporting vouchers, and that the proposed payment is proper, correct, and not prohibited by law;

E. Ensuring the use of and certifying a Standard Form (SF) 1113, Public Voucher for Transportation Charges, and ensuring the form includes the correct amount and fund cites when processing documents such as requests for payments, invoices, and other transportation documents;

F. Forwarding the certified SF 1113, with the attached supporting documents, to the proper payment office for recording into the accounts payable system and disbursement of payment to the provider;

G. Returning, and not certifying, vouchers which are inaccurate, inadequate, improper, incorrect, impermissible by law, or contain invalid or inadequate funding information; and

H. Performing additional duties and responsibilities of certifying officers concerning the review, reconciliation, and certification of the DoD Third Party Payment System (TPPS) monthly summary invoices as discussed in paragraph 131003.
130307. Payment Office

Each payment office will:

A. Provide finance and accounting support to designated shipping customers, FMs, TOs/TMOs, and certifying officers;

B. Ensure that a valid electronic record of the transportation obligation is posted in the accounting system prior to disbursing funds;

C. Record accruals, if appropriate, and then disburse payment upon receipt of the certified request for payment or electronic data feeds. See Volume 4, Chapter 9 for additional information;

D. Ensure that commitment, obligation, accrual, and expense transactions are reconciled and processed into the appropriate accounting systems. See Volume 3, Chapter 8, and Volume 4, Chapter 9 for additional information;

E. Send electronic funds transfer disbursement to the vendor or third-party payer with an accompanying remittance advice; and

F. Collect any overpayments, as required. See Volume 16 for additional information.

130308. General Services Administration (GSA)

GSA is the executive agent for the Federal Government and is responsible for oversight of prepayment and post-payment audits and associated collection actions. GSA also handles payment claims and disputes that cannot be resolved between the TSP and the payment office. See sections 1304 and 1309 for additional policy concerning transportation audits, reviews, and TSP claims.

130309. Transportation Service Provider (TSP)

The TSP is the commercial provider of transportation services for either freight or HHG.

A. The TSP certifies that the shipment has been delivered in good condition and submits certified invoices for payments of services rendered.

B. The certified invoice is sent to the activity designated in the shipping request.

130310. Contracting Officer

A contracting officer is a U.S. military officer or civilian employee who has been properly appointed on a SF 1402, Certificate of Appointment.
A. A contracting officer has the authority to enter into, administer, and/or terminate contracts, and make related determinations and findings. See definition of contracting officer in FAR 2.1.

B. Within the context of this chapter (for transportation charges falling outside of TPPS processes) the contracting officer:

1. Prepares solicitations and contracts for transportation and/or transportation-related services;

2. Specifies authorization of prepaid freight in contracts;

3. Ensures that the requirements of the DTR 4500.9-R are included in appropriate contracts for all applicable shipments and enforces these requirements concerning shipments under their control; and

4. Includes in the solicitation and contract all applicable services, provisions, clauses, and instructions concerning first destination transportation charges and electronic invoicing. The solicitation and contract must also identify a separate LOA for prepaid freight.

1304 PAYMENT, AUDITS, AND COLLECTIONS

130401. Request for Payment

The payment office will process a request for payment in accordance with the applicable commercial rates, fares, or charges for transportation by any common carrier of any property for the United States, or on its behalf, as approved by the TO/TMO, or designee, and certified by the certifying officer. Transportation payments will be made by the payment office designated in the contract.

130402. Prepayment Audit

Title 31 U.S.C. § 3726 establishes that each agency that receives a bill from a carrier or freight forwarder for transporting an individual or property for the U.S. Government must verify its correctness (to include transportation rates, freight classifications, or proper combinations thereof) using a prepayment audit, in accordance with regulations prescribed by the GSA. Meal tickets and meal checks are not subject to audit since they do not represent bills from a TSP. Implementing instructions are in 41 CFR 102-118, which provides responses to the most frequently asked questions concerning transportation payments and audit.

A. GSA has complete oversight of the prepayment audit process; however, it can further delegate that authority to the DoD Components if the delegation is determined to be cost-effective or otherwise in the public’s best interest, as prescribed in 31 U.S.C. § 3726(g).
B. The GSA Transportation Audits Division keeps a central repository of electronic transportation billing records for legal and audit purposes. Therefore, the DoD must forward all relevant electronic transportation billing documents to GSA as soon as possible following the end of the month; this is accomplished by the TPPS contractor which provides all shipping and payment data available in support of DoD transportation payments (FAR 47.103-1 and 41 CFR 102-118.80).

C. The payment office must ensure, during its prepayment audit of a hardcopy (non-TPPS) TSP bill, that the TSP filled out the SF 1113 completely, including the taxpayer identification number and standard carrier alpha code. An SF 1113 must accompany all hardcopy (non-TPPS) billings (41 CFR 102-118.100).

* D. In accordance with 41 CFR 102-118.280, 31 U.S.C. § 3521(b), and GAO's Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, statistical sampling is permitted on TSP bills under $2,500. See Volume 5, Chapter 5, section 0506 for additional details concerning statistical sampling.

E. In accordance with 31 U.S.C. § 3726(a)(3), expenses for prepayment audits must be funded by DoD appropriations used for the transportation services.

130403. Prompt Payment Act (PPA)

Transportation payments are subject to the PPA. PPA regulations require that agencies pay transportation bills within a certain time period and pay interest penalties when payments are late.

A. Unless specified differently in the contract, transportation charges must be paid within 30 days after the original completed BOL reaches the designated billing office, and the carrier certification, as described in paragraph 130404, is completed on the document.

B. If an invoice or accompanying documentation is determined to be incomplete or incorrect, the agency must provide the TSP with written notice of an apparent error, defect, or impropriety within 7 days of receipt of the bill. See FAR 32.905 for additional information.

C. Refer to Chapter 7 for additional PPA policy.

130404. Certified Invoice

Transportation invoices must be certified by the carrier that the shipment has been delivered in good order and condition. A TSP cannot demand advance payment for transportation charges submitted on a BOL, per 41 CFR 102-118.200.
130405. General Services Administration (GSA) Post-Payment Audit

A carrier’s BOL and the supporting documents, which represent payments made by agency payment offices for freight and passenger transportation services, must be forwarded to GSA for a post-payment audit (41 CFR 102-118.415 and 41 CFR 102-118.425).

A. GSA reviews the carrier’s transportation rates, freight classification, and other information for correctness during the audit and has a number of applicable actions it can take based on post-payment review outcomes (41 CFR 102-118.430 and 41 CFR 102-118.435).

B. Expenses of post-payment audit contract administration and audit-related functions are financed from overpayments collected from the TSP’s bills previously paid by the DoD and similar type refunds (41 CFR 102-118.440).

130406. Overpayments

If the agency conducts prepayment audits of its transportation bills, agency transportation certifying and disbursing officers are liable for any overpayments made. If GSA has granted a waiver to the prepayment audit requirement, and the agency performs a post-payment audit (31 U.S.C. § 3528 and 31 U.S.C. § 3322), neither the certifying nor disbursing officers are liable based on the reasons listed in these two cited statutes (41 CFR 102-118.160).

A. If an overpayment results from the use of improper transportation rates, classifications, or from the failure to deduct the proper amount, the disbursing officer or certifying officer will normally not be held liable for overpayments.

B. Relief of liability may normally be granted when the certification was based on official records and the certifying officer did not know, and by reasonable diligence and inquiry could not have discovered, the correct information, or the obligation was incurred in good faith, and diligent collection actions were undertaken in accordance with established procedures. Refer to Volume 5, Chapter 6.

130407. Collection / Offset of Overcharges

The Director of the GSA Transportation Audits Division has the authority and responsibility to audit and settle all transportation-related accounts (31 U.S.C. § 3726). When instructed to do so by GSA, the payment office will offset, as appropriate, any overcharge amounts due the United States from an unpaid carrier’s bill.

A. The payment office will inform GSA if they do not have, and are not likely to have, a subsequent voucher to collect an overcharge.

B. GSA then handles the collection as a U.S. claim against the payee (41 CFR 102-118.640). If GSA collects the overcharged amount, the collection is retained by GSA.
C. The payment office must report all voluntary refunds to the GSA Transportation Audits Division (so that no Notice of Overcharge or financial offset occurs), unless other arrangements are made (41 CFR 102-118.500(a)).

D. Once a Notice of Overcharge is issued by the GSA Transportation Audits Division, then any refund is no longer considered voluntary and the payment office must forward the refund to the GSA Transportation Audits Division (41 CFR 102-118.500(b)).

E. Title 31, U.S.C. § 3726(d) states that not later than 3 years (excluding time of war) after the time a bill is paid, the Government may deduct from an amount subsequently due a carrier or freight forwarder an amount paid on the bill that was greater than the rate allowed.

1305 TRANSPORTATION PAYMENT DOCUMENTATION

130501. Prescribed Forms

The DoD may receive payment requests for transportation and related services in various forms, such as paper or electronic BOLs, or periodic billing statements. Transportation offices will use commercial payment practices and electronic processing to the maximum extent possible in accordance with DoD policy set forth in the DTR 4500.9-R.

130502. Commercial Bills of Lading (BOL)

The Commercial BOL (the industry-wide form used by transportation carriers) is the preferred document used for the transportation of property per 48 CFR 53.247. This document will be used for the receipt of goods, as documentary evidence of title, and as documentary evidence of delivery. The use of the commercial BOL is the initial step in satisfying the GSA’s and DoD’s ongoing initiatives to maximize electronic processing of transportation documents. In its electronic form (i.e., without the issuance of a hard-copy Government BOL), the commercial BOL is referred to as a "virtual" Government BOL.

1306 TRANSPORTATION DELIVERY TERMS

130601. Delivery Terms

Delivery terms are listed in the contract indicating the point at which title and risk of loss of merchandise pass from the seller to the buyer. They define the obligations and the responsibilities of the buyer and seller during the delivery of goods. See FAR 47.3 for additional details.

A. Free on Board (FOB) Origin. If the shipping contract states FOB origin, the ownership of the cargo is passed on to the buyer when the goods are placed on the conveyance by which they are to be transported. Unless the contract states otherwise, the cost of shipping and risk of loss are borne by the buyer (Government), per FAR 47.303-1.

B. FOB Destination. If the shipping contract states FOB destination, the supplier owns the goods until they arrive at their destination. Unless the contract states otherwise,
the cost of shipping and the risk of loss are borne by the seller (contractor). Pursuant to FAR 47.303-6, transportation costs that are included in contracts for material delivered FOB destination must not be paid.

C. Most Advantageous Delivery Point. If the shipping contract includes both FOB origin and FOB destination delivery terms, the payment office will process each payment in accordance with the assigned contract terms for the goods being shipped. Refer to FAR 47.304-1(b) when the contracting officer includes both options to obtain the most advantageous delivery point.

130602. Prepaid Freight

Contractor prepaid freight is any type of transportation amount authorized to the point specified in the contract, which is to be prepaid at (FOB) origin by the contractor and later submitted for reimbursement on the contractor’s invoice, per FAR 47.303-4.

A. When providing goods, the TSP can be authorized reimbursement for prepaid freight within their contracts.

B. Contractors will support the prepaid transportation freight charges with a copy of the carrier’s receipted freight bill or evidence of receipt from the carrier. Evidence of payment is a receipted freight bill or BOL stamped or marked "To Be Prepaid" showing the charges receipted for by the carrier. If this is not present, then the BOL must bear a notation of the contractor’s check number, the date paid, and proof of shipment.

1. If a receipted freight bill is not available, then the contractor can provide other support for the claim for reimbursement of freight charges. The contractor must furnish a copy of the transportation company’s pickup record or a copy of the contractor’s internal business document showing the contractor turned the material over to a particular shipper. The contractor then must support either of these documents with a copy of the transportation company’s invoice and a statement that the charges have been paid.

2. For cost reimbursement contracts, the contractor must send freight bills to the contracting officer for a pre-payment audit, per FAR 47.103-2.

3. Per FAR 47.303-17(d)(1), the Government may determine that receipted freight bills or other evidence of receipt are not required for transportation charges of $100 or less if the following conditions are met:

   a. The underlying contract specifies retention by the contractor of all records for at least 3 years after final payment under the contract;

   b. The contractor agrees to furnish evidence of payment when requested by the Government; and
c. Per FAR 47.303-17(e), shipments and invoices will not be split to reduce transportation charges to $100 or less per transaction as a means of avoiding the required documented support for the charges.

4. Per FAR 47.303-17(d)(2), a Government agency may pay an invoiced, but unsupported, transportation charge of $250 or less per transaction if the following conditions exist:

   a. The contractor cannot reasonably provide a receipted bill; and

   b. The agency has determined that the charges are reasonable.

Determination of reasonableness may be based on the following: past experience (authenticated transportation charges for similar shipments); rate checks; copies of previous bills submitted by the contractor; or other information submitted by the contractor to substantiate the amount claimed.

C. When deliveries are made at points other than the designated FOB point, the contracting officer will make an adjustment in the contract price that corresponds to the resulting increase or decrease in the amount of freight charges.

D. The payment office will not make an adjustment on the amount of the freight charges if deliveries are made to places other than the FOB point.

E. The payment office will not make an adjustment to freight charges when a contractor contends that it paid transportation expenses, which the Government was obligated to pay.

F. The payment office cannot deduct for potential excessive freight charges paid by the Government. Such adjustments must be submitted to the respective legal counsel for referral to the GSA for direct settlement as claims.

130603. Reimbursable Prepaid Freight

Reimbursement to a contractor for prepaid freight covers the cost of transporting the material being shipped from the designated FOB origin point to the designated destination(s).

A. The contractor may be authorized by the contracting officer to pay transportation costs subject to the terms and conditions of the BOL on behalf of the Government. The contractor pays for shipping on a commercial BOL, other commercial form, or through the postal system.

1. If a contractor is directed by a contracting officer to ship FOB origin via parcel post, then postal charges are reimbursable.

2. The contractor must list this expense as a separate item on the invoice.
3. Charges are included in accounting records as a part of the cost of material.

B. The contractor will bill the DoD Component for the cost of the transportation. This billing is shown as a line item on the contractor’s invoice and is supported by a receipt, per FAR 47.303-17(d).

C. Contractor prepaid freight is not authorized within overseas areas. A contractor, however, may be reimbursed for prepaid freight within the United States to a stateside port of embarkation for further shipping by Government means to the overseas area.

D. Contractor prepaid freight costs are obligated as a cost of the contract.

E. If it is advantageous to the Government, the contracting officer may authorize the contractor to ship supplies, which have been acquired FOB origin, to domestic destinations, including DoD air and water terminals by common carriers on commercial BOLs. Such shipments must not exceed 150 pounds by commercial air, or 1,000 pounds by other commercial carriers, and must not have a security classification, per FAR 47.303-17(a).

F. GSA does not audit fixed price contractor prepaid freight charges.

G. Contractors directed to prepay freight may maintain charge accounts with companies specializing in delivery of small parcels.

130604. Excessive Freight Charges

Excessive freight charges are freight costs incurred by a contractor that exceed costs from the FOB point specified in the contract, and they are not reimbursable costs. The contracting officer will need to make a determination whether to pay excessive freight charges and provide that determination to the payment office before any approved adjustments to payments can be made by the payment office.

A. If a contractor prepays freight for a shipment contrary to the current contract terms, payment of shipment charges may be made to the contractor after receipt of contract modification authorizing the prepaid shipment. The payment may not exceed the cost that would have been incurred by the Government. The prepaid freight receipt will be attached to the contractor’s request for payment.

B. Any premium freight (e.g., overnight delivery, first class mail, or airfreight) to be paid by the Government must be authorized by the contracting officer, per FAR 47.304-1(c)(4).

C. Where the original contract was FOB origin, and the TO/TMO changes the destination point, the Government may be held liable for all additional freight costs.
D. If the contractor changes the location from where the item is being shipped from, thereby increasing the freight costs, then the contractor is liable for any increased freight costs.

E. Shipment of perishable or medical supplies that are subject to in-transit deterioration is an example of a situation when solicitations will normally be on an FOB destination-only basis because it is advantageous to the Government per FAR 47.304-1(g)(4).

130605. Funding Determination Guidelines

When Government property is shipped from one point to another, specific guidelines will be applied to determine the appropriation or fund to be charged for transportation.

A. Transportation charges are applied to the fiscal year and the appropriation in which they accrue, as stated in the contract.

B. The transportation (movement) of cargo can have multiple segments (e.g., base to shipping port, then receiving port to base). Each segment may have a different fund citation, depending on the type of shipment.

C. Transportation charges for material shipped from one U.S. Government installation to another are not considered part of the contract expense in buying the material.

D. Transportation charges incurred for transporting exchange or commissary supplies are charged to the applicable exchange fund or to the Defense Commissary Agency.

E. If freight is damaged in shipment, regardless of which entity is responsible for the damaged goods, transportation funds will not to be used to pay for the replacement or repairs of damaged goods.

1. For FOB origin shipments, destination sites will furnish procurement officials with any available information to support the shipper’s claim for damage(s).

2. If freight is damaged in shipment, then follow the requirements of the DTR 4500.9-R, Part II, Chapter 209 for reporting damages.

130606. Property Loss or Damage

The Government generally retains the risk of loss and/or damage to its property that is not the legal liability of the commercial carriers. In addition, the Government generally does not buy insurance coverage for its property in the possession of commercial carriers per FAR 47.102. However, in cases where loss or damage risk does reside with the carrier based on contractual agreement, deductions can be made from amounts due the carrier using the following guidance, per 10 U.S.C. § 2636 (a)(1) and (2):
A. If deducted due to loss of, or damage to, material in transit for a military
department, the amount must be credited to the proper appropriation, account, or fund from which
the same or similar material may be replaced; or

B. If deducted as an administrative offset for an overpayment previously made
to the carrier under any DoD contract for transportation services, or as liquidated damages due
under any such contract, the amount must be credited to the appropriation or account from which
payments for the transportation services were made.

130607. Non-Department of Defense (DoD) Funding

Non-DoD agencies that wish to use DoD transportation services must provide funds with
the appropriate LOAs to the sponsoring DoD Component. Non-DoD funding is required before
services can be provided. The sponsoring Component may set up a reimbursable account where
the third-party billing system can continue to pay the TSP, and the sponsoring Component can
establish a Service/DoD LOA/TAC for the paying office to process. See Volumes 11A and 11B
for additional reimbursable policy.

1307 NON-TEMPORARY STORAGE (NTS) AND LOCAL DRAYAGE OF HOUSEHOLD
GOODS (HHG)

130701. Definitions and Guidelines

An authorized DoD official will determine if local drayage and storage of HHG is
authorized when it provides the best value to the Government. The TO/TMO responsibilities
include obtaining these transportation services to meet operational needs.

A. NTS. NTS of HHG is all storage other than temporary (e.g., storage in transit)
or special storage (e.g., access-controlled environment). NTS includes any shipment, movement,
packing/unpacking, and crating/uncrating necessary to transport the HHG to and from the designated
storage facility.

1. NTS authority is normally included in the permanent change of
station (PCS) travel authorization/order and must be obligated against the appropriation current at
the time of the contract award, or against the appropriation current at the time the service is
rendered, per Volume 3, Chapter 8 (section 0811). Follow these same obligational criteria for
storage of a privately owned vehicle (POV).

2. Where the contracting officer acquires these storage services (NTS
or POV) as non-severable services, obligations are applied to the appropriation current at the time
of the contract award. Where storage services are designated as severable, obligations are applied
against the appropriation current at the time the services are rendered unless under authority of
10 U.S.C. § 2410a. A contract that crosses fiscal years must have a period of performance not to
exceed 1 year. Refer to Volume 3, Chapter 8 (080304.B) for additional information regarding
distinctions between severable and non-severable services in the context of a contracting activity
procuring services on behalf of customer organizations.
3. All Invoices for NTS services are processed electronically through a TPPS using the policy provided in section 1310.

B. Local Drayage. Local Drayage includes hauling HHG to a designated storage facility.

1. The TO/TMO responsibilities include the following actions concerning the processing of invoices pertaining to local drayage of HHG:
   a. Receiving and verifying invoices with supporting documents from the ordering officer;
   b. Documenting the service for local drayage has been performed and determining the entitlement pertaining to beginning and ending periods of storage and excess weight;
   c. Certifying the invoiced services have been performed;
   d. Verifying with the Family Housing Management Office or Billeting Office regarding entitlement to local drayage incident to assignment of Government quarters; and
   e. Preparing, approving, and certifying the SF 1034, Public Voucher for Purchases and Services Other Than Personal, and forwarding it to the proper payment office with documents to support these entitlements for recording into the accounts payable system and for disbursement of the payment to the provider.

2. When moving HHG to or from storage locally (drayage), the TO/TMO will:
   a. Provide to the payment office a copy of the invoice containing a certificate of performance signed by both the contractor and ordering officer; a copy of the DD 1164, Service Order for Personal Property; a copy of the DD 1299, Application for Shipment and/or Storage of Personal Property; and a copy of any special orders or other authority; and
   b. Provide to the ordering office a copy of the paid removal from storage voucher.

3. The payment office responsibilities include the following actions concerning the processing of invoices pertaining to local drayage of HHG:
   a. Certifying funds availability on the basis of a purchase order request and record obligations based on receipt of a DD 1155, Order for Supplies or Services, with the coordination of the FM;
b. Obtaining evidence of receipt of services before paying a contractor's invoice. This may be accomplished by a TO/TMO statement on the invoice that states the date the services ordered were received, with the TO/TMO official’s printed name, signature, and contact information placed on that invoice; and

c. Obtaining a copy of the obligating document and the contractor's invoice to support the payment voucher.

130702. Military Members

A. As stated in the JTR, Chapter 5, Part C, Section 0513, the total HHG weight transported, plus the weight of HHG in NTS at Government expense on the same PCS order, must not exceed the weight allowance in JTR, Chapter 5, Part C, Section 0514. If the weight allowance of the HHG in NTS, plus the weight of the HHG transported on the same order, exceeds the weight allowance, the member is financially responsible for the excess cost. The Government may pay the total transportation cost, and other charges applicable to any excess weight that exceeds the HHG weight allowance, and collect reimbursement for the excess cost from the Service member.

B. As stated in the JTR, Chapter 5, Part C, Section 0518, NTS is authorized incident to occupancy of Government/Government-controlled quarters or privatized housing, and vacating local private sector housing for moves directed on the basis of a Service requirement. There are no weight restrictions incident to this NTS. Necessary packing, crating, unpacking, and uncrating is authorized.

C. The housing office issues assignment and reassignment orders for movement of member's personal property placed in NTS incident to occupancy of Government or Government-controlled quarters.

130703. Civilian Employees

A. As stated in 5 U.S.C. § 5726 (b), the maximum combined weight for HHG transported and/or stored for civilian employees is 18,000 pounds. The Government may pay the total transportation cost, and other charges applicable to any excess weight that exceeds the HHG weight allowance, and collect reimbursement for the excess cost from the civilian employee.

B. As stated in the JTR, Chapter 5, Part B, Section 5658, civilian expenses for NTS are authorized for PCS travel, or new appointee travel, to a designated isolated Continental United States (CONUS) permanent duty station (PDS). A signed service agreement for 12 months is required for each individual CONUS PCS. The period of NTS under these conditions may not exceed 3 years, per 5 U.S.C. § 5726(c).

C. As stated in the JTR, Chapter 5, Part B, Section 5660, a traveler’s HHG are placed in NTS when there is no authority to transport some items, or the HHG cannot be used at the Outside of the Continental United States (OCONUS) PDS. The traveler may request authority from the employer for HHG withdrawal from NTS, and transportation at Government expense, when the situation requiring NTS no longer exists, and the HHG are needed for the current tour of
duty, or when a removal agreement is signed. The period of NTS, at Government expense, may be authorized for a period not to exceed the tour of duty.

1308 MISCELLANEOUS TRANSPORTATION PAYMENTS

130801. Drive-away and Tow-away Service

DoD vehicles may be moved by drive-away or tow-away carrier service. Authorized en route expenses may be incurred for which the carrier is not liable. Drive-away service is the movement of a vehicle under its own power by a driver of an authorized motor carrier. Tow-away service is when any motor vehicle, or combination of motor vehicles coupled together, has one or more sets of wheels on the roadway during the course of transportation. This method also includes the movement of one or more vehicles, including other than self-propelled vehicles, when towed or mounted (either full or saddle mount) upon a vehicle. See DTR 4500.9-R, Part II, Chapter 202 for additional information concerning drive-away service.

130802. Meal Checks

Meal checks are used by DoD recruits, including the Department of Homeland Security Coast Guard recruits, while in transit from the Military Entrance Processing Stations (MEPS), under the command of the U.S. Military Entrance Processing Command (USMEPCOM), to the Service training centers. Meal checks will be issued only by an appointed MEPS Transportation Assistant (TA), or designated alternate, to DoD recruits traveling under provisions of the JTR.

A. During the transportation briefing, the MEPS TA will inform the recruit on the authorized use of the meal check, the procedures for completing the meal check, their responsibility to use the check for authorized meals, the locations that will accept meal checks, and their responsibility for safeguarding their meal check.

B. The MEPS will use the USMEPCOM’s automated USMEPCOM Integrated Resource System (USMIRS) to issue computer-generated meal checks.

1. The MEPS USMIRS will print the allowable amount on the meal check depending on the type of meal authorized. The rates per meal for members are in the JTR, Chapter 2, Section 0203.

2. The MEPS TA will inform the recruit that he/she cannot write meal checks for amounts that exceed the applicable amount authorized in the JTR. Meals may be acquired at a lower cost. The recruit will be responsible for any costs that exceed the authorized amount published in the JTR, Chapter 2, Paragraph 020306.

3. Meal checks are valid at all airport restaurants owned, operated, or contracted by Host Marriott Services Corporation and most other food vendors.

4. The vendors will not give the recruits any change if the cost is less than the amount stated on the meal check.
C. Meal checks must not be used:

1. To buy alcoholic beverages;

2. When travel is by commercial aircraft, and passage rates include meal service;

3. When an advance allowance of per diem has been received;

4. When any portion of travel is OCONUS; or

5. For payment of a gratuity.

D. A contracted private sector bank will pay the restaurants electronically, within 48 hours, through the normal banking process. After the bank pays the restaurants, the payment office will reimburse the bank by electronic funds transfer.

E. See DTR 4500.9-R Part I, Appendix M for additional information concerning meal checks.

130803. Meal Tickets

Meal tickets may be issued to all authorized users under the JTR provisions, with the exception of recruits assigned to MEPS. Meal tickets may be issued only as specifically authorized in the DTR 4500.9-R for members traveling together with no/limited reimbursement directed in the authorization/order, on a commercial airline flight on which courtesy meals are not served, and prior arrangements have been made for the airline to serve meals in exchange for meal tickets. See DTR 4500.9-R, Part I, Passenger Movement, Appendix M for details concerning meal tickets.

A. Meal tickets must not be used:

1. To buy alcoholic beverages;

2. When travel is by commercial aircraft, and passage rates include meal service;

3. When an advance allowance of per diem is received;

4. For travel of civilian employees;

5. For travel of military dependents, except when a dependent is authorized per diem for the purpose of escorting a deceased military sponsor; or

6. For payment of a gratuity.
B. Reimbursement of contractors accepting meal tickets will be accomplished in the following manner:

1. The contractor submits the original meal ticket(s), DD 652, attached to an invoice;

2. Payment will be made based on a SF 1034. Payment cannot exceed the number of meals nor the price set forth on each meal ticket. Each meal ticket is shown on the SF 1034;

3. Before payment is made, verify the meal ticket has a properly completed contractor’s certification and ensure that it agrees with the certification made by the Service member who received the meal or the Service member in charge of the party;

4. Anyone who alters a meal ticket after it has been issued must initial and date the alteration and include their printed name and contact number;

5. Charge the appropriation and allotment cited on the meal ticket with the payment amount; and

6. These payments are due 30 days after they reach the designated billing office. Interest is due on late payments, as these transactions are subject to PPA.

1309 CLAIMS BY TRANSPORTATION SERVICE PROVIDER (TSP)

130901. Filing Claims

A TSP may file a claim for the following reasons (41 CFR 102-118.450):

A. Amounts considered to be owed to the TSP but were not included in the original billing;

B. Amounts that were deducted or offset by the payment office that are disputed by the TSP;

C. Amounts that were previously refunded by the TSP in error; or

D. Amounts unpaid on original bills resulting from a dispute by the entitlements office when the billings are of a questionable nature (e.g., when bankruptcy or fraud may be involved).

130902. Claims Resolution /Appeals

If a claim is sent by a TSP to a payment office, they must make every effort to resolve the dispute directly with the TSP.
A. If resolution is not possible by the original payment office, the claim must be forwarded to the GSA Transportation Audits Division.

B. Claims forwarded to the GSA Transportation Audits Division for resolution must arrive at GSA within 3 years (excluding time of war) after the later of the following dates (31 U.S.C. § 3726 and 41 CFR 102-118):

1. The date of receipt of the invoice by the payment office when the demand for payment is refused by the payment office;

2. The date of payment; or

3. The date of deduction on subsequent amounts paid (if the payment office offsets subsequent bills submitted by the TSP).

C. If the TSP does not agree with the decision of the GSA Transportation Audits Division, then the TSP may appeal to the Civilian Board of Contract Appeals or file a claim with the U.S. Court of Federal Claims.

D. Appeals of GSA Transportation Audits Division decisions to the Civilian Board of Contract Appeals must be made within 6 months (excluding time of war) of the date of the decision or within the periods of limitation specified in 31 U.S.C. § 3726, as amended, whichever is later. Refer to 41 CFR 102-118.580.

130903. Certificate of Settlement

When the claim has been adjudicated by GSA, and it is determined the TSP is owed money, GSA will issue a "Certificate of Settlement" indicating the amount to be paid.

A. Once a decision is made, interest may accrue beginning 30 days from the date of settlement.

B. Similarly, if a TSP appeals the decision of an agency to the GSA Transportation Audits Division or to the Civilian Board of Contract Appeals, then interest penalties do not accrue until 30 days after a decision is rendered.

C. When a dispute arises between the agency and a TSP over an amount billed by the TSP (either in whole or part), the amount in dispute is not subject to interest penalties during the period of resolution, per 41 CFR 102-118.465.

1310 DoD THIRD PARTY PAYMENT SYSTEM (TPPS)

131001. Background

The DoD uses a TPPS for transportation payment processing of CONUS freight, HHG shipments, and NTS services. The TPPS collects shipment and financial data from both shippers
and carriers. Transportation transactions are entered into the TPPS electronically, and carriers are reimbursed for their services by a bank. A monthly TPPS summary invoice is forwarded electronically by the bank to the designated billing office for review and approval by an authorized certifying officer. The payment office will compute and pay interest based on payment terms specified in the TPPS contract.

131002. Internal Control and System Access

All DoD Components utilizing the TPPS service must implement local internal controls to prevent, detect, and report unauthorized transactions as outlined in Chapter 1, Section 0102. All managers will ensure adequate separation of duties and limit system access to only those individuals necessary to accomplish their assigned tasks.

*131003. Certification, Reconciliation, and Payment Processing

Refer to the DTR 4500.9-R, Part II, Chapter 212 for additional detailed information and procedures concerning payment documentation requirements, correcting invalid LOAs and TACs, and the monthly summary invoice certification and payment process.

A. The certifying officer is responsible for reviewing and certifying the monthly invoices. As part of this review, they must ensure the invoices contain valid and adequate funding information, are accurate, correct, and permissible by law, and must identify any transactions that do not belong to their TPPS account. Certification criteria outlined in paragraph 130306, the DTR 4500.9-R, Part II, Chapter 212, and Volume 5, Chapter 5 must be applied.

B. The certifying officer, in conjunction with the payment office, must reconcile the account activity section of each TPPS monthly summary invoice in a timely manner to identify any carrying balance discrepancies, resolve any past due amounts, and review and verify that all fees and adjustments cited on each invoice are correct. The certifying officer will communicate any reconciliation issues to the payment office in a timely manner, as appropriate.

C. The certifying officer is responsible for returning, and not certifying, invoices that do not contain valid and adequate funding information, or are not accurate, correct, or permissible by law.

D. In addition to assisting the certifying officers when necessary, the payment office must ensure that the TPPS monthly invoice is paid in a timely manner. Any late payments will be assessed the proper PPA interest penalty. All interest penalties paid will appear in the subsequent month's fees and adjustment section of the monthly summary invoice and must be reconciled with the total and interest payments previously made.
VOLUME 10, CHAPTER 16: “PAYMENT FOR POSTAL SERVICES AND SMALL PACKAGE DELIVERY COSTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated March 2018 is archived.

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<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions, and added source references throughout.</td>
<td>Revision</td>
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<tr>
<td>160101</td>
<td>Added a reference to Chapter 8 for general payment policies due to the deletion of redundant detailed references from section 1602 (previous version).</td>
<td>Revision</td>
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<td>160102.C</td>
<td>Updated the regulatory reference for appointing Official Mail Managers (OMM) to the DoD Instruction (DoDI) 4525.09, “Military Postal Service,” which canceled and replaced DoDI 4525.08.</td>
<td>Revision</td>
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<tr>
<td>1602 (Previous Version)</td>
<td>Removed section 1602 (previous version), as it was redundant of general payment policies contained in Chapter 8.</td>
<td>Deletion</td>
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<tr>
<td>160201.B</td>
<td>Revised policy concerning the methods of payment for postage, to incorporate the U.S. Postal Service’s transition from the Centralized Account Processing System to the Enterprise Payment System, for eligible products.</td>
<td>Revision</td>
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<td>160301</td>
<td>Updated the minimum General Schedule (GS) grade level for OMM appointments for DoD civilians from GS-6 to GS-9 in accordance with DoDI 4525.09.</td>
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CHAPTER 16

PAYMENT FOR POSTAL SERVICES AND SMALL PACKAGE DELIVERY COSTS

1601 GENERAL

*160101. Purpose

This chapter provides DoD policy on processing payments to the U.S. Postal Service (USPS) for various types of postal services, to non-Government service providers, and for commercial small package delivery costs. Refer to Chapter 8 for additional information concerning general payment policies such as electronic invoicing requirements, prevalidation, the use of electronic and digital signatures, supporting documentation requirements, and the requirement for tax identification numbers. Volume 5, Chapter 5 provides policy concerning payment certification requirements.

160102. Authoritative Guidance


* B. Title 39, CFR 501.15 provides policy on the Computerized Meter Resetting System (CMRS).


1602 PAYMENTS

160201. Methods of Payment for Postage

A. Title 41, CFR, Subpart B, § 102-192.50 establishes the following payment policy and methods for paying the USPS:

1. The U.S. Department of Treasury (Treasury) Intragovernmental Payment and Collection (IPAC) process associated with the Official Mail Accounting System (OMAS);

2. The USPS Centralized Account Processing System (CAPS) associated with commercial payments; or

3. Another Treasury approved means of paying the USPS.

* B. Effective April 1, 2019, the USPS required the migration of eligible mail services and products from CAPS to their new Enterprise Payment System (EPS) (see USPS.com).
Products not currently supported by the EPS will continue to be supported through CAPS. See *USPS PostalPro* for additional information on supported products, as well as User Guides, Frequently Asked Questions, and fact sheets.

C. Payments made to service providers other than USPS must be made by Treasury payment methods such as automated clearing house (ACH) electronic funds transfer (EFT), or another Treasury approved means of paying the vendor.

160202. Payment to Service Providers

Metered or permit-mail payments must be made using EFT transactions to commercial banks designated by the USPS as their financial agents (DoD 4525.8-M, Chapter 2, paragraph C2.7.2). Payments for postage may not be held in postal vendor accounts unless the DoD Component has statutory authority to do so, or it has received prior written approval from Treasury.

1603 INSTALLATION OFFICIAL MAIL MANAGERS (OMM)

*160301. OMM Appointment*

The DoDI 4525.09 prescribes policy for installations, units, staff elements, and the DoD Components to appoint OMMs. Such appointment must be in writing, and the function is inherently Governmental. OMM appointments are reserved for commissioned, warrant, and noncommissioned officers (Enlisted-6 or higher), or DoD civilians (General Schedule-9 or higher). This requirement may be granted a waiver when the activity concerned has no personnel in the grades specified. Since the OMM function is inherently Governmental, those duties will not be contracted out.

160302. OMM Responsibilities

Each installation has an OMM who is responsible for planning and coordinating outgoing postal and delivery purchases. The OMM must work closely with facility personnel to minimize postage requirements, and with managers to ensure that the person who makes the decision to send any significant number of pieces of mail is the same person who controls the funds for postage. OMMs are responsible for interpreting and carrying out the Private Express Statutes (*USPS Publication 542*) within their organization; acquisitioning use or disposition of supplies and property; budgeting for and the expenditure of appropriated funds for postage and fees; providing oversight for the monthly reconciliation of trust and debit accounts; and reporting requirements (General Services Administration (GSA) Federal Management Regulation, Subchapter G, *Part 102-192*).

160303. DoD OMM Reporting

The DoD OMM must provide an annual Mail Management Report to GSA when the Agency’s collective total payments for mail service expenditures equal or exceed $1 million per fiscal year (GSA Federal Management Regulation, Subchapter G, §102-192.85).
1604 CENTRALIZED TRUST AND DEBIT ACCOUNTS

160401. CAPS and Centralized Trust Accounts

DoD Components can establish a centralized trust account with the USPS by enrolling in CAPS prescribed by DoD 4525.8-M, Chapter 2, section C2.7. The CAPS is an electronic postage payment system designed to make payment for all classes of mail easier and more cost effective. The CAPS provides electronic alternatives to making manual transactions and will enable the OMM to charge postal services at multiple locations, eliminating the need for trust accounts at numerous post office locations. Electronic reports are available to CAPS users that provide the capability to consolidate reports by types of mailing transactions, account, and defined date ranges. Reports are available in printed form and are import-compatible with most electronic reporting systems. Commercial pre-paid postage procurement options are:

A. Centralized trust account. DoD Components deposit funds electronically via standard ACH banking mechanisms, or Fed Wire, to the CAPS bank prior to mailing. The CAPS account is then reduced automatically as local offices process postage statements.

B. Centralized debit account. DoD Components designate a debit-enabled bank account for postage charges. The bank debits the account for the total day's postage on the next bank business day.

C. Government Purchase Card. The GSA Smart Pay credit card may be used for all transactions for which the USPS accepts the card. Use the CAPS or CMRS trust account instead of a GSA Smart Pay card when there is a choice (DoD 4528.8-M, paragraph C2.7.1.2.2).

D. Advance Deposit Trust Accounts. Advance deposit trust accounts at local post offices may be used when one of the preceding methods are not available. The use of advance deposit trust accounts is not authorized at military post offices (DoD 4528.8-M, Appendix 1, Part III.10).

160402. Availability of CAPS Accounts

The use of CAPS accounts is a local decision. CAPS accounts are not available at overseas military post offices. CAPS accounts are established to include customer meter advance deposits, business reply mail (BRM) advance deposits, and permit imprint advance deposits. A payment into a centralized trust or debit account is an advance deposit payment to the post office. The OMM must monitor and reconcile the established centralized trust or debit account to ensure receipt of services that were paid in advance. If the OMM establishes one or more centralized trust or debit accounts, then the OMM maintains a record of all transactions in each account and is responsible for each account balance.

160403. Centralized Trust and Debit Account Payment Process

A. The OMM must request funds to set up or replenish each centralized trust or debit account by preparing and submitting a Standard Form (SF) 1034, Public Voucher for Purchases
and Services Other Than Personal. The OMM must ensure funds are available and approved by the designated approving official and a properly appointed certifying officer.

B. The OMM charges postal services against a trust or a debit account as required. Each time there is a charge to a centralized trust account or debit account, the USPS issues a receipt. The OMM verifies services received on the postal receipt and reduces the advance based on the amount shown on the receipts. The OMM must identify receipts to each trust or debit account.

C. One SF 1034 can establish or replenish more than one trust or debit account. The SF 1034 must identify the amount to be deposited into each particular centralized trust account or debit account. Once the designated finance and accounting office makes a deposit into an account, the OMM has limited authority from the USPS to transfer funds between trust or debit accounts. If a transfer between accounts is necessary, then the OMM must coordinate the transaction with the designated finance and accounting office and the USPS. The designated finance and accounting office must use an *Optional Form 1017-G*, Journal Voucher, or equivalent to record the transfer between accounts.

D. The OMM must reconcile the trust accounts monthly with the USPS transactional documentation as required by DoD 4525.8-M, Chapter 2, paragraph C2.7.5. The designated finance and accounting office confirms the balance in each centralized trust account or debit account monthly with the OMM. The OMM must provide documentation to support any unexplained difference and report those findings to the Comptroller of the designated finance and accounting office. Any unresolved discrepancy must receive a joint review by the OMM and the designated finance and accounting office. Service specific, or locally developed, automated or manual worksheets must be used to assist with the reconciliation process to provide a greater tracking capability of postal expenditures. All Official Mail and Distribution Centers must maintain this information. The OMM must submit a written letter to the USPS to correct account errors.

E. Advance payments for any centralized trust account or debit account are limited to the postal requirements of the current quarter. The designated finance and accounting office, and the OMM, must review balances versus the postal requirements on a monthly basis. When required, the OMM must adjust the balances by allowing the trust account or debit account to decrease with subsequent use, or by the OMM submitting a request (SF 1034) to designated finance and accounting office to deposit more funds to support the quarterly postal requirements.

F. There are cases where the USPS refunds cash for unused services in a trust or debit account. The OMM mail manager must provide a written request to the USPS to process the refund to the appropriate DoD Component account via IPAC or EFT. If the USPS cannot send the refund via IPAC or EFT, then the OMM must request a reimbursement by check from the USPS using a *Postal Service (PS) Form 3533*, Application for Refund of Fees, Products and Withdrawal of Customer Accounts. Every copy of this form is uniquely barcoded and is no longer available online at the USPS website. The OMM must contact the local Post Office to secure a PS 3533 for each refund transaction. The OMM will submit the USPS refund check to the designated disbursing office with a DoD *(DD) Form 1131*, Cash Collection Voucher, for deposit as a collection.
1605  POSTAL METERS

160501.  CMRS Agreements

DoD customers must enter into an agreement with the USPS for authorization to use postage evidencing systems (e.g., via electronic click-through or contract signature), in conjunction with executing a separate agreement with an authorized provider for rental, lease, or use of a postage evidencing system as prescribed by the Domestic Mail Manual, section 604.4.0, “Postage Meters and PC Postage Products (“Postage Evidencing Systems”).” The PS Form 3615, Mailing Permit Application and Customer Profile, must be completed and submitted to the USPS if the DoD mailer will be using a postage evidencing system.

160502.  Commercial Meter Settings

In accordance with 39 CFR 501.15, the USPS accepts payment through ACH transfers, EFT, and check for resetting postal meters. For overseas check payments, the mail manager requests an EFT payment by submitting an SF 1034 with appropriate supporting documentation. The designated payment office must make the EFT payable to the USPS licensed vendor. The designated disbursing office releases the funds to the USPS Accounting Service Center, and upon validation and verification, the USPS forwards the funds to the licensed vendor. Upon receipt of the funds by the USPS Accounting Service Center, the postage meter vendor will reset the metering account over an analog line or internet secure line. For guidelines on preparing the SF 1034 for payment and additional information on postal meters, refer to DoD 4525.8-M, Chapter 2, sections C2.7 and C2.11.

160503.  Refunds for Spoiled Meter Tapes

The OMM may receive refunds from the USPS for spoiled meter tapes, or other types of unused services previously paid. The USPS will issue a refund in the amount remaining in a customer's CMRS account, after the customer provides a written request to the provider. The refund request must meet the USPS approved minimum amount and time frame (39 CFR 501.15(h)). Subparagraph 160403.F contains the guidelines for requesting refunds. The DoD 4525.8-M, Chapter 2, paragraph C2.11.3 provides additional information about refunds.

160504.  Remote Meters

DoD Components can reset postal meters using a remote method. Title 39, CFR 501.15 provides the legal authority for using the CMRS and contains details about this payment process.

1606  MISCELLANEOUS PAYMENTS

160601.  Official Business Envelopes

The Defense Logistics Agency (DLA) Document Services serves as the DoD single manager for printing services (DoDI 5330.03). All DoD Components must procure official business envelopes, and other document services, from DLA at the Document Services link.
160602. Postage Stamps

All DoD activities must use only prepaid postage (DoD 4525.8-M, Chapter 2, paragraph C2.7.1). In instances where the environment will not support the electronic processes, the OMM that purchases postage stamps for official use from the local post office may use a Government purchase card. All working postal accounts advanced by the USPS must be audited at least once monthly by responsible commanders or their designated representatives, postal officers, and Military Post Office supervisors, as required by DoD standards outlined in DoD 4525.6-M, “Department of Defense Postal Manual,” Chapter 12, paragraph C12.3.5.1.

160603. BRM

A. Specially printed postcards, envelopes, cartons, and labels may be mailed without postage prepayment. Postage and fees are collected when the mail is delivered back to the original sender. This domestic service enables authorized mailers to receive First-Class Mail, without prepaid postage, from customers by paying the postage and a fee upon return receipt of the mail pieces. The OMM obtains a new commercial BRM permit by submitting a PS 3615 to the local post office. The OMM uses a copy of the completed PS 3615 to support the SF 1034. Attach a postal receipt certified by the OMM to the SF 1034. For information on BRM, refer to the Domestic Mail Manual, section 505 and the DoD 4525.8-M, Chapter 1, paragraph C1.11.3.

B. A permit holder may choose to pay an annual account maintenance fee and establish an advance deposit account, which qualifies returned BRM pieces for the high-volume per piece charge. The account maintenance fee must be paid once each 12-month period at each post office where a permit holder holds an advance deposit account and only during the last 60 days of the current 12-month period. Refer to the Domestic Mail Manual, section 505.1.1.9 for the conditions in which an advance deposit account can be used.

160604. Postage Due Costs

A. Under normal circumstances, postage due mail is not accepted by DoD mail rooms. Postage due mail is returned to the sender at the sender's expense.

B. An exceptional circumstance is when DoD Components are engaged in a hostile environment, or operating under arduous conditions. Those units can send official matter through the USPS when postage is not available. The addressee will not refuse the postage due penalty mail received from military units engaged in hostile operations, and is obligated to pay the cost of postage. Refer to DoD 4525.8-M, Chapter 2, section C2.14 for additional details on penalty due postage.

C. Government agencies using penalty mail must pay postage due through an OMAS postage due account. Government agencies may no longer use penalty meter strips, or penalty mail stamps to pay postage due (Domestic Mail Manual, section 604.6.3).
160605. Address Correction Costs

In accordance with the DoD 4525.8-M, Chapter 2, Figure C2.F1, costs for address correction in CAPS is an ancillary service and must be paid by EFT. Supporting documentation must accompany each payment request for processing.

160606. Express Mail

Payment for express mail is made with stamps, metered postage, or through an express mail corporate account (DoD 4525.8-M, Chapter 1, paragraph C1.10.4). This account is similar to a trust account officially authorized by the OMM. Payments into an express mail account are advances to the USPS, and these deposits are controlled similarly to trust account payments; refer to section 1604. The OMM submits PS Form 5639, USPSCA Application and Payment Authorization Form, to establish the account. The USPS provides the OMM with a statement each month. The OMM must reconcile this account with the USPS at least once a month. The designated finance and accounting office confirms the balance in the account with the OMM monthly.

1607 SMALL PACKAGE DELIVERY COSTS

160701. Commercial Service

DoD Components may elect to use commercial bills of lading or commercial procedures, and payment practices to the maximum extent possible (41 CFR 102-118.130), rather than Government Bills of Lading, to procure express transportation services for small package shipments weighing up to 150 pounds.

160702. Terms and Conditions

Commercial shipments are subject to the terms and conditions set forth in 41 CFR 102-118, and any other applicable contract or agreement of the carrier for the transportation of shipments for the United States. Freight loss and damage claims against commercial carriers using these procedures are processed according to 41 CFR 102-118.450 through 41 CFR 102-118.540.

160703. Method of Payment

The approved method for billing and payment of commercial small package express shipments is the authorized electronic processes used by DoD for transportation. In instances where the environment will not support the electronic processes, or business reasons preclude the use of these processes, a waiver may be requested from the Office of the Secretary of Defense (Transportation Policy) in accordance with Defense Transportation Regulation, Part II, Chapter 212, section C.3. Waiver requests must contain detailed justification as to why electronic means cannot be used, and a proposed future date when the electronic requirement will be met.
VOLUME 10, CHAPTER 19: “PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE”

SUMMARY OF MAJOR CHANGES

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<td>Revised references to Title 32, Code of Federal Regulations (CFR), Part 22 and 2 CFR, Part 200, in accordance with changes made via Federal Registers 85 FR 51238 (August 19, 2020) and 85 FR 49506 (August 13, 2020).</td>
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<td>190302</td>
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CHAPTER 19  
PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE

1901  GENERAL

190101.  Purpose

This chapter provides policy for the proper administration and payment of funds under DoD grants, cooperative agreements, and other instruments of assistance. Policy is also included for cash management, financial reporting, and debt collection associated with these instruments. Refer to Volume 3, Chapter 8 for policy when recording obligation of funds for grants or agreements and Volume 12, Chapter 5 for accounting policy concerning these instruments.

190102.  Authoritative Guidance

A.  **Title 31, United States Code (U.S.C.), Chapter 63** provides criteria for agencies to use in determining when a grant or cooperative agreement is the appropriate legal instrument between the U.S. Government and a state, local government, or other recipient.

B.  **Title 32, Code of Federal Regulations (CFR), Part 22** outlines grants officers’ and DoD Components' responsibilities related to the award and administration of grants and cooperative agreements.

C.  **Title 2, CFR, Subtitle A and Subtitle B** prescribe Office of Management and Budget (OMB) guidance and Federal agency regulations for grants and agreements.

D.  **DoD Directive 3210.06**, “Defense Grant and Agreement Regulatory System (DGARS),” assigns the Assistant Secretary of Defense for Research and Engineering the responsibility for developing and implementing DGARS policies and procedures through the issuance of the DoD Grant and Agreement Regulations (DoDGARs). The DoDGARs is codified at **2 CFR, Subtitle B, Chapter XI** and **32 CFR, Subchapter C, Parts 21-37** and, as necessary, DoD instructions and other issuances.

1902  SUBMISSION AND PAYMENT RESPONSIBILITY

190201.  Administering Office

A.  The office that issues the grant or cooperative agreement (grants officer) distributes a copy of the award to the office designated to administer the instrument of assistance, and will also promptly distribute award documents, modifications, and electronic funds transfer (EFT) information to the designated payment office **(32 CFR 22.605)**. If the DoD awarding office is using a grant payment system in which the awarding office must enter the relevant details of the award into the payment system (e.g., Automated Standard Application for Payments), then this distribution is not required.
B. The award recipient will certify and forward payment requests for the performance period to the administering grants office or required payment request system. The responsibilities of the administering grants office related to payment requests are specified in 32 CFR 22.810. When the DoD awarding office is not using a grant payment system as described in 190201.A, payment requests are required to be submitted and authorized in accordance with section 22.810 and the administering grants office must review and certify that the payment request or electronic equivalent is legal, proper, and correct (Volume 5, Chapter 5). The administering grants office also ensures the request for payment complies with the award terms and the recipient will not have excess cash on hand, based on expenditure patterns.

C. See www.grants.gov for additional information and guidance on managing and administering grants.

190202. Designated Payment Office

The award must designate the specific payment office that will make payment (typically the Defense Finance and Accounting Service (DFAS)). The payment office must verify the propriety, adequacy, and completeness of any required documentation to substantiate amounts to be paid by the DoD. The payment office must retain all hardcopy award documentation, and have access to electronic award documentation, supporting the payment file.

190203. Electronic Payment Process

Electronic commerce is the preferred method to submit and process payment requests in accordance with 32 CFR 22.810(b)(3). Payment by EFT is a requirement of 32 CFR 22.810(b)(2) and 31 CFR 208.3. Title 2, CFR, Part 25 requires the recipient to maintain current information about itself in the System for Award Management (SAM). The SAM is the primary Government repository for prospective Federal awardees and Federal awardee information and is the centralized Government system to support certain contracting, grants, and other assistance-related processes.

1903 INTERNAL CONTROLS

190301. Internal Controls - Grant Awards

OMB Circular A-123, “Management’s Responsibility for Enterprise Risk Management and Internal Control,” states that statutory requirements should be considered as part of the agency’s internal control framework that includes the Single Audit Act (31 U.S.C., sections 7501-7507). Title 32 CFR, Part 22, subpart H provides post-award administration responsibilities between the grants office and the designated payment office regarding specific requirements for timely and accurate handling of financial transactions for grants and cooperative agreements (payments and debt collection). The agency head must establish controls that ensure obligations and costs comply with applicable laws. Safeguards must be in place to ensure DoD’s grants comply with the purpose awarded, are adequate to pay the request, and are expended within the constraints reflected in the grant. The Single Audit process, and an agency’s procedures for
resolving audit findings related to those audits, are controls that assist in assuring achievement of these objectives.

*190302. Audits

Refer to 2 CFR, Part 200, Subpart F, 200.501 for single audit threshold requirements. The Single Audit Act requires financial statement audits of non-Federal entities that receive or administer grant awards of Federal funds. These audits also include testing the effectiveness of internal controls and determining whether the recipients’ Federal expenditures comply with laws and regulations. Each DoD agency that provides Federal awards will review the audits of the recipients to determine whether corrective actions require implementation with respect to audit findings and perform follow up procedures to ensure that the corrective actions are implemented (2 CFR, Part 200, Subpart F, 200.513(c)(3) and 200.514(e)).

A. For additional information, see the Single Audit Act information prescribed in DoD Instruction (DoDI) 7600.10, “Follow-Up and Oversight on Single Audits.” The DoDI 7600.10 establishes DoD policy for the implementation of single audit requirements in 2 CFR 200, subpart F, which was issued pursuant to 31 U.S.C.§ 7501-7507. The DoD Inspector General provides audit policy guidance and direction to the DoD Components and other Federal agencies on single audit matters related to states, local governments, Indian tribes, institutions of higher education, and non-profit organizations.

B. The DoD will rely on and use single audits. Independent auditors will conduct audits in the oversight of Federal awards provided to states, local governments, Indian tribes, institutions of higher education, and non-profit organizations. The Department may request additional audits of such Federal awards when required by regulation or as needed to ensure effective use of such Federal awards. Any additional audit effort will be planned and implemented to avoid duplication and must be separately funded.

1904 PAYMENT REQUEST

190401. Types of Payment Requests

The OMB guidance in 2 CFR 200.305(b)(1) states that, provided certain standards are met, recipients must be paid in advance. Reimbursement is the method of payment to be used when the standards for advance payments cannot be met or when the grants officer includes specific conditions in the award terms and conditions that require its use (2 CFR 200.305(b)(3)).

190402. Payment Request Forms

Except as noted, the following forms are authorized for use by the recipients in requesting advances and reimbursements from the grants office.

A. For non-construction programs with states, local governments, institutions of higher education, and other non-profit organizations, requests for advance payments or reimbursements must be made on Standard Form (SF) 270, Request for Advance or
Reimbursement, or electronic equivalent (32 CFR, Subtitle A, Chapter I, Part 32, Subpart C, 32.22(d)). DoD Components may use other forms if authorized by OMB (2 CFR, Chapter II, Part 215, Subpart C, 215.22(d)). A DoD Component must also obtain approval for any variation from OMB-approved forms or formats, including the use of additional or electronic data elements, or modification of the associated instructions for recipient entities submitting the information.

B. For construction programs, each Federal awarding agency will use the SF 271, Outlay Report and Request for Reimbursement for Construction Programs, as the standard form, or electronic equivalent (41 CFR, Subpart 105-72.302(m)(2) and 2 CFR, Chapter II, 215.22(m)(2)). The DoD may use the SF 270 in lieu of the SF 271 when the DoD-awarding agency determines that it provides adequate information to meet Federal needs.

190403. Commercial Recipients

For payments to commercial recipients, the grants office may authorize recipients to use SF 270 or SF 271, or prescribe other forms or formats as necessary (32 CFR 34.12(d)).

190404. Accounting for Award Payments

Refer to Volume 12, Chapter 5 for information concerning accounting for advance payments made to the award recipients and accounting for the expenditure until the recipient has performed under the award. Payments to award recipients as reimbursements for work performed, or costs incurred, must be accounted for as expenditures and as expenses incurred, or as reductions of liabilities if the expenses were previously accrued. Title 2 CFR, Part 200, Subpart E, 200.400(d) requires the recipient to maintain adequate documentation to support the accumulation of costs charged to the Federal award. The recipient is not required to provide documentation for accumulated cost when submitting payment requests to the grants office, unless otherwise specified in a form or format approved by OMB in accordance with the Paperwork Reduction Act (44 U.S.C. § 3501).

190405. Payment Submission Timelines

When payment requests must be authorized by the administrative grants office in accordance with 32 CFR 22.810, the administrative grants office will review each payment request to ensure the request complies with award terms, available funds are adequate to pay the request, and the recipient will not have excess cash on hand based on expenditure patterns. In these circumstances, to ensure timely payments, the administrative grants office must certify and forward the request to the designated payment office at least 3 working days before the end of the following specified periods:

A. No more than 7 calendar days after receipt of the recipient’s request at the administering office whenever electronic commerce is used, e.g., Electronic Data Interchange to request the payment and EFT to make the payment;
B. No more than 30 calendar days after receipt of the recipient’s request at the administering office when it is not possible to use electronic commerce; and

C. No more than 7 calendar days after each date specified by the award when payments are authorized in advance, on a predetermined payment schedule, provided the payment schedule was received in the designated payment office at least 30 calendar days in advance of the date of the scheduled payment.

190406. Prompt Payment Interest Penalties

In accordance with 5 CFR 1315.15, prompt payment interest penalties do not apply to Federal grants and cooperative agreements.

190407. Cash Management Policy

The Cash Management Improvement Act, implemented by 31 CFR, Part 205 and Part 206, sets rules, including interest liabilities and procedures, concerning the transfer of funds for Federal financial assistance programs between Federal agencies and the states.

1905 DEBT COLLECTION FOR GRANTS AND COOPERATIVE AGREEMENTS

190501. Collection Policy

Any funds paid to the recipient in excess of the amount to which the recipient is entitled constitutes a debt to the DoD. Grants officers are responsible for post-award administration of grants and cooperative agreements in accordance with the DoDGRs. Primary responsibility for collecting debt resulting from a grant or cooperative agreement rests initially with the grants office (see 32 CFR 22.820 for additional detailed policy). DoD awarding offices should use the Debt Collection Office (DCO) of the designated payment office as the primary debt collection option. If DFAS is not the designated payment office, DoD awarding offices may utilize the Debt Management Office of DFAS for further debt collection and administrative offset opportunities, after first utilizing the DCO. Refer to Volume 16, Chapters 1, 2, and 5 for additional detailed policy.

A. The grants officer will attempt to resolve, by mutual agreement, any claim of a recipient's indebtedness. In the absence of such mutual agreement, any claim of a recipient's indebtedness will be the subject of a grants officer decision, in accordance with 32 CFR 22.815(b)(2). The grants officer will prepare and transmit to the recipient a written notice providing all relevant data supporting the debt determination (32 CFR 22.820). The notice will inform the recipient that within 30 calendar days of the grants officer's decision, the recipient must either pay the amount owed, in accordance with instructions in the notice, or inform the grants officer of the recipient's intention to appeal the decision.

B. If the recipient has neither paid the amount due, nor provided notice of intent to file an appeal, within 30 days of the grants officer’s decision, the grants officer will send
a demand letter to the recipient, with a copy to the DCO (see Volume 16, Chapter 2 for general policy requirements of debt letter notifications).

C. The DCO of the designated payment office will be responsible for any further debt collection activity, including any additional issuance of demand letters (32 CFR 22.820). The DCO will follow collection policy in Volume 16, Chapter 5 unless the DoDGARs, or the applicable grant or cooperative agreement, explicitly prescribes a different procedure.

D. Grants offices will obtain each grant recipient’s Taxpayer Identification Number (TIN) via the SAM for the purpose of collecting and reporting delinquent debts.

190502. Offset Policy

In accordance with the provisions of OMB Circular A-129, “Policies for Federal Credit Programs and Non-Tax Receivables,” the collection of delinquent debts owed by the recipient may require the use of administrative offsets. When taking an administrative offset, the DCO will follow the due process as provided in 31 CFR 901.2, Demand for Payment, and 31 CFR 901.3, Collection by Administrative Offset (also see Volume 16, Chapter 2 and 5 for additional policy concerning offsets). Use of administrative offset is not required in every instance in which there may be an available source of funds. Either the payment office or the accounting office will make a determination on a case-by-case basis, in conjunction with the grants officer responsible for the award against which the offset will be applied. In accordance with 32 CFR 22.820(e), the following examples are when an offset will not be taken.

A. Recovery of debt by an administrative offset will not be performed when the grants officer determines that the offset will substantially interfere with, or defeat the purpose of, the program for which the offset is contemplated.

B. Generally, grants and cooperative agreements paid in advance are not subject to offset. If deemed to be in the best interest of the Government, then the payment office may request the issuing grants officer to convert the agreement to a reimbursable method of payment that would enable the use of an administrative offset.

190503. Collection Office

The office responsible for collecting the debt will apply interest, penalty, and administrative charges to delinquent debts according to policy in Volume 16, Chapter 7.

190504. Uncollectible Debts

Volume 4, Chapter 3 and Volume 16, Chapters 2, 5, and 7 prescribe policy for writing off debts that are determined uncollectible.
VOLUME 10, CHAPTER 20: “CONTRACT RECONCILIATION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated November 2017 is archived.

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<td>200102</td>
<td>Clarified guidance by including contract line items based on Defense Federal Acquisition Regulation Supplement (DFARS) 204.703-1; and added a reference to DFARS 204.804, authority for streamlined contract closeout.</td>
<td>Revision</td>
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<tr>
<td>200202.E</td>
<td>Revised the Systems Support Office-Defense Finance and Accounting Service Columbus helpdesk email address.</td>
<td>Revision</td>
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<tr>
<td>200302</td>
<td>Clarified the requirement to perform a preliminary review by the Responsible Contract Reconciliation Agent when discrepancies exist within payment and accounting records, and the requirement to post adjustments in a timely manner.</td>
<td>Revision</td>
</tr>
<tr>
<td>200303.C</td>
<td>Clarified the situation in which progress payment balances could cause a condition for contract reconciliation.</td>
<td>Revision</td>
</tr>
<tr>
<td>2004</td>
<td>Clarified the purpose and function of the Standard Contract Reconciliation Tool.</td>
<td>Revision</td>
</tr>
<tr>
<td>2005</td>
<td>Deleted policy on unreconcilable contracts as this policy was superseded by the Deputy Chief Financial Officer (DCFO) policy memorandum, “National Defense Authorization Act Contract Closeout Authority (FPM 19-06),” dated May 14, 2019.</td>
<td>Deletion</td>
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<tr>
<td>Policy Memo</td>
<td>This revision incorporated relevant information from the DCFO memorandum, FPM 19-06. The procedural information from the memorandum remains available on the DCFO Financial Management Policy and Reporting web page under the “Dual Purpose Policy Memos and Other Information” section.</td>
<td>Revision</td>
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CHAPTER 20

CONTRACT RECONCILIATION

2001 GENERAL

200101. Purpose

This chapter prescribes Department of Defense (DoD) policy for contract reconciliation and the requirements necessary to maintain complete, consistent, and accurate data for contract files and related entitlement and accounting records. It defines the DoD Components’ roles and responsibilities for efficiently identifying differences, conducting research, performing reconciliations, approving recommended adjustments, processing corrections, and maintaining appropriate supporting records.

*200102. Authoritative Guidance

The maintenance of complete and accurate contract files and related entitlement and accounting records is necessary to reduce the potential for Anti-Deficiency Act (ADA) violations, minimize the amount of negative unliquidated obligations, and minimize the number and dollar value of unmatched disbursements. Paying office contract files will include the information specified in the Federal Acquisition Regulation (FAR) paragraph 4.803(c). The use of accounting classification reference numbers (ACRN) and contract line items is described in the Defense Federal Acquisition Regulation Supplement (DFARS) 204.7101, 204.7103-1, and 204.7107. The streamlined closeout of contract files is described in DFARS 204.804 and section 2005. Disbursements will be authorized, classified, processed, and promptly posted and reported, as discussed in Volume 5, Chapter 9.

2002 RESPONSIBILITIES

200201. Responsible Contract Reconciliation Agent (RCRA)

RCRAs manage the daily operations of contract reconciliation and are responsible for the completion of contract reconciliations. The RCRA is responsible for reviewing the reconciliation request, determining the appropriate level of effort, setting the priority, coordinating assistance, accepting or rejecting reconciliation results, approving adjustments, and ensuring that refunds or demands for payment are initiated. Instructions and guidance on the RCRA’s role in contract reconciliation are contained in the User Manual for the Standard Contract Reconciliation Tool (SCRT).

200202. Director, Defense Finance and Accounting Service (DFAS)

The Director, DFAS, is the principal DoD executive for the finance and accounting requirements and procedures as prescribed by DoD Directive 5118.05. The Director, DFAS has the following responsibilities:
A. Assist with providing specific instructions and computer-based tools necessary to identify, analyze, reconcile, track, and correct differences between written contracts, entitlement, disbursement, and related accounting systems. The instructions will include criteria for determining the nature and scope of required analyses;

B. Provide entitlement and accounting system information to individuals participating in negotiating settlements;

C. Train and maintain a core group of individuals who meet the qualification requirements to perform responsibilities prescribed by the SCRT manual (to include RCRAs, reconcilers, and assistants);

D. Designate qualified DFAS personnel to be trained as part of the core group, and assign RCRA personnel to oversee and perform contract reconciliations; and

E. Ensure that the Systems Support Office-DFAS Columbus will provide support to the RCRAs and maintain the SCRT, which is a DoD-wide database that contains a listing of RCRAs, core group members, and contracts being reconciled. SCRT users will receive support from the help desk at disa.global.servicedesk.mbx.application-ticket-request@mail.mil.

200203. Enterprise Resource Planning (ERP) Systems

Heads of DoD Components utilizing ERP systems will assume responsibilities to provide data for the support and coordination of contract reconciliation functions performed under the direction of DFAS. The roles and responsibilities of DFAS and the ERP Components may change as the interfaces between SCRT and the ERPs are developed.

200204. Reconciliation Partners

All RCRA reconciliation partners (procurement contracting officers (PCOs), administrative contracting officers (ACOs), resource managers, and program managers) will perform their respective or combined duties as they relate to the following:

A. Participate in contract reviews and reconciliations, and assist in the identification and resolution of differences between written contracts and entitlement, disbursement, and accounting systems;

B. Compare the ACRNs of the contract with data in the entitlement and accounting systems. When discrepancies occur, the appropriate entitlement and accounting office will be notified of any significant difference(s), and the appropriate office will provide required supporting documentation;

C. Respond in a timely manner to reasonable requests for action, information, and/or documentation on a contract or modification;
D. Modify the contract to correct any disclosed discrepancies in accordance with *FAR part 43*; and

E. Designate personnel to be trained as part of the core group of individuals from the DoD Components who oversee and perform contract reconciliations.

### 2003 CONTRACT RECONCILIATION

#### 200301. Reconciliation Referrals

Normally, at the end of the contract, the total payments made to the contractor should match the total of funds obligated on the contract. Cost underruns, payment errors, unearned incentives, or withheld fees may be some of the causes that can result in unliquidated obligations at the completion of the contract. When remaining or excess fund balances exist that cannot be explained, reconciliation may be required to compare all source documents with the entitlement and accounting systems. Mechanization of Contract Administration Services (MOCAS) contracts will be forwarded to DFAS Columbus to perform reconciliations. Non-MOCAS contract reconciliations will be performed by the designated entitlement office administering payments for those contracts. See the SCRT manual for reconciliation request guidance.

#### 200302. Discrepancy Identification

When a discrepancy between contract payments and accounting records is identified, a preliminary contract review must be performed by the appropriate RCRA, or designated entitlement office, to determine what corrective action is needed. Recommended adjustments will be reviewed and approved by qualified personnel before distribution to the appropriate location(s) for processing. Approved adjustments must be posted in a timely manner. Reconciled records will be based on a reconciliation registration as prescribed in paragraph 200305. All actions of contract reconciliation will support the timely completion of funds review, deobligation of excess funds, and contract closeout procedures found in *FAR subsection 4.804-5*. The related requirements for researching and correcting negative unliquidated obligations, unmatched disbursements, disbursements in suspense accounts, and disbursements in-transit are covered in Volume 3, Chapter 11.

#### 200303. Conditions for Contract Reconciliation

The following circumstances may indicate discrepant conditions that require preliminary contract review or contract reconciliation:

A. Incomplete contract, payment, or accounting information;

B. Insufficient funds;

* C. Un-recouped progress payment balances at or near contract completion;
D. Possible overpayments;
E. Unmatched disbursements; and
F. Negative unliquidated obligations.

200304. Prioritization Concerns

DoD Components will prioritize the analyses of discrepant conditions in view of applicable time limitations and other circumstances. High priority conditions include those that involve congressional or senior DoD management interest, potential ADA violations, prevalidation problems, insufficient funds for payment, suspected or identified overpayments, transactions with the highest dollar value, and cancelling/closing-year appropriations.

200305. Registration in the SCRT

Each contract nominated for reconciliation must be registered in the SCRT database of contracts being reconciled. By registering a formal reconciliation request into the DoD contract reconciliation system, the opportunity for duplicated efforts by other DoD Components is greatly reduced or eliminated. Resources, procedural guidance, forms, and other reconciliation tools used to obtain vital information for the contract reconciliation registration process can be obtained from DFAS Columbus Accounts Payable – MOCAS, Reconciliation Division at dfas.dssc.jai.mbx.recon-maillog@mail.mil. For more information on reconciliation tools used in the contract reconciliation process, refer to section 2004.

200306. Required Actions

The individual assigned to perform contract reconciliation, whether a Government employee or contractor, will compare databases, research differences, identify root cause(s), and recommend adjustment(s) needed to correct differences between contract, entitlement, and accounting records. Differences among systems will be researched to determine whether errors exist, where they exist, and the extent of such errors, as well as the required corrective actions. Every effort should be made to complete contract reconciliations within 90 days after initiation.

A. Contract reconciliations should include, as applicable, a review and analysis of:

1. The basic contract, including any modifications, and all obligation actions in all systems;
2. Payment vouchers;
3. Contract payment system records;
4. Official accounting system(s) records for all funds on the contract;
5. Adjustments, including any collection actions or expenditure transactions, to the contract payment and accounting system(s) records that have been processed.

B. Differences that require adjustment generally are identified as:

1. Contractual documents that require correction by the ACO or PCO; and

2. Obligation posting documents (omissions or corrections) that require initiation or correction by the responsible funds holder or responsible accounting office.

C. If the accounting system records require correction, and the entitlement records are correct, then a correction (internal adjustment) is required for the accounting system records to balance with the corresponding entitlement system.

D. If entitlement office payment system records require a correction, and the accounting system records are correct, then a correction (internal adjustment) is required for the entitlement office payment records to balance with the corresponding accounting system.

E. If identical correcting adjustments are required by both the entitlement office payment system records and the accounting system records, then corrections (external adjustments) are required to be processed by the responsible entitlement office, and they must flow to the corresponding accounting system.

200307. Documentation and Review

Documents accumulated during a contract reconciliation must be retained, made available for, and be subject to, internal review and audit.

A. The DoD Component responsible for the review and acceptance of the recommended adjustments must retain adequate documentation to support any adjustment that is processed. Each completed adjustment file will include the preparer’s identity, approval, and confirmation of the posting of the adjustment.

B. The retention of adjustment files by the DoD Component will be in accordance with the financial record retention requirements in Volume 1, Chapter 9. Foreign Military Sales retention requirements are in Volume 15, Chapter 6.

200308. Internal Controls

Internal Controls will be incorporated into the operations of all stakeholders to maintain complete, consistent, and accurate data for contract files and related entitlement and accounting records throughout the life of the contract, as discussed in Chapter 1.
*2004 RECONCILIATION TOOL

The SCRT is a DoD-wide registration database and reconciliation tool. In cases where SCRT is not interfaced with an accounting system, other existing tools may be used to identify discrepant conditions and aid in their resolution. Further details on SCRT capabilities and instructions for system access and use can be found in the comprehensive DFAS guide, User Manual for the SCRT.

*2005 STREAMLINED CONTRACT CLOSEOUT

200501. Criteria

In accordance with DFARS 204.804, which implemented streamlined contract closeout authority contained in the Fiscal Year (FY) 2017 and FY 2018 National Defense Authorization Acts (NDAA), contracting officers may close out contracts or groups of contracts through issuance of one or more modifications to such contracts without completing a reconciliation audit or other corrective action in accordance with FAR 4.804-5, as appropriate, if each contract:

A. Was entered into on a date that is at least 17 FYs before the current FY;

B. Has no further supplies or services due under the terms of the contract; and

C. Has been determined by a contracting official, at least one level above the contracting officer, to be not otherwise reconcilable, because:

1. The contract or related payment records have been destroyed or lost;

or

2. Although contract or related payment records are available, the time or effort required to establish the exact amount owed to the U.S. Government or amount owed to the contractor is disproportionate to the amount at issue.

200502. Identification and Documentation

Agencies and DoD Components must partner closely to identify potential contracts for closeout under the NDAA legislative authority and must maintain a documented record of all contracts closed under the authority. The Deputy Chief Financial Officer policy memorandum, “National Defense Authorization Act Contract Closeout Authority (FPM 19-06),” dated May 14, 2019, contains critical procedural implementation guidance and can be accessed on the Office of the Deputy Chief Financial Officer/Financial Management Policy and Reporting website under Dual Purpose Policy Memos & Other Information (Common Access Card-enabled).
200503. Remaining Balances – Same Contract

Modifications issued under this authority may offset remaining contract balances with balances in other contract line items within the same contract, regardless of the year or type of appropriation obligated to fund each contract line item and regardless of whether the appropriation obligated to fund such contract line item has closed/canceled.

200504. Remaining Balances – Other Contracts

Modifications issued under this authority may offset remaining contract balances with balances on other contracts meeting the legislative criteria, regardless of the year or type of appropriations obligated to fund each contract and regardless of whether such appropriations have closed/canceled.

200505. Adjust and Close

After closeout of any contract by the issuance of a negotiated settlement modification, the payment or accounting offices concerned must adjust and close any open finance and accounting records related to the contract(s).

200506. Liability

As prescribed by Section 836 of the FY 2017 NDAA, no liability will attach to any accounting, certifying, or payment official, or any contracting officer, for any adjustments or closeouts made pursuant to the authority under the DFARS 204.804.
# VOLUME 10, CHAPTER 21: “JUNIOR RESERVE OFFICER TRAINING CORPS (JROTC) INSTRUCTOR PAY”

## SUMMARY OF MAJOR CHANGES

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<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<tr>
<td>210102</td>
<td>Clarified Military Services to include Space Force.</td>
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CHAPTER 21

JUNIOR RESERVE OFFICER TRAINING CORPS (JROTC)
INSTRUCTOR PAY

2101 GENERAL

210101. Overview

This chapter prescribes the financial management policies applicable to the reimbursement of the DoD portion of JROTC Instructor Pay worldwide to public and private secondary educational institutions and Department of Defense Dependent Schools (DoDDS).

*210102. Purpose

This chapter applies to all Military Services. The term “Military Services” refers to the Army, Navy, Air Force, Marine Corps, and Space Force.

210103. Authoritative Guidance

DoD Instruction (DoDI) 1205.13, Junior Reserve Officers’ Training Corps (JROTC) Program, and Title 10, United States Code (U.S.C.), section 2031 provide policy and guidance regarding the JROTC program. The Office of Management and Budget, Circular A-130, Appendix II prescribes the use of electronic processes and digital signatures whenever it is possible and in the best interest of the Government.

2102 DEFINITIONS

210201. Academic Year

An academic year is the period of time necessary to complete one JROTC course, normally consisting of not less than 7,200 minutes of instruction.

210202. Active Duty Pay and Allowances

For calculating JROTC instructor pay, active duty pay and allowances are limited to the types described in subparagraphs 210202.A through 210202.G. See DoDI 1205.13, Enclosure 1, paragraph E.1.1.2 for guidance on active duty pay and allowances.

A. Basic Pay. Basic pay is the pay of an officer or an enlisted member according to grade and longevity, before additional amounts for quarters, subsistence, and overseas duty. See Volume 7A, Chapter 1 for computing creditable service at the time of retirement.

B. Basic Allowance for Housing (BAH). The rate of BAH entitlement is based on the instructor’s current dependent status and permanent duty station zip code. The permanent duty station for an instructor is the employing school. Dependency determination requirements...
are the same as when the instructor was on active duty. See Volume 7A, Chapter 26 for guidance on BAH.

C. Continental United States (CONUS) Cost Of Living Allowance (COLA). CONUS COLA is designed to serve as a temporary reimbursement for instructors employed in high-cost areas in CONUS to partially offset additional expenses incurred. The rate of entitlement is based on the instructor’s grade, dependent status, and the zip code of the employing school, as specified in Volume 7A, Chapter 67.

D. Overseas COLA. The overseas COLA is designed to assist instructors employed at schools outside CONUS. The rate of entitlement is based on the instructor’s grade, number of dependents claimed, and the geographic COLA location applicable to the employing school located overseas, as specified in Volume 7A, Chapter 68.

E. Overseas Housing Allowance (OHA). OHA is payable to instructors working at schools located overseas to assist in defraying excess costs incurred incident to these locations. OHA is calculated by comparing the member’s monthly rent to the prescribed locality rental allowance, selecting the lesser of the two, and then adding the appropriate utilities/recurring maintenance allowance. See Volume 7A, Chapter 26 for guidance on OHA.

F. Clothing Replacement Allowance (CRA). The entitlement to CRA is limited to enlisted instructors only and amounts depend on the branch of service and service member gender. The CRA is normally an annual entitlement based on 12 consecutive months of active duty. An applicable monthly rate will be used for instructors since their contracts are for a period of less than 12 months. See Volume 7A, Chapter 29 for guidance on CRA.

G. Basic Allowance for Subsistence. This entitlement is payable to individuals officially allowed to eat their meals (for various reasons) outside a military dining facility. The monthly rate of entitlement is based on the instructor’s pay status (enlisted or officer). See Volume 7A, Chapter 25 for guidance on the basic allowance for subsistence.

210203. Department of Defense Dependent Schools (DoDDS)

DoDDS are a network of schools, both primary and secondary, that serve dependents of the U.S. military and dependents of U.S. Government employees. The schools themselves are operated by the Department of Defense Education Activity.

210204. Domestic Dependent Elementary and Secondary Schools (DDESS)

A DDESS special arrangement is an agreement between the Secretary of Defense, or designee, and a local public education agency whereby a school or a school system operated by the local public education agency provides educational services to eligible dependent children of U.S. military personnel and federally employed civilian personnel. Arrangements result in partial or total federal funding for the local public education agency for the educational services provided.

210205. Gross Retired Pay (or Retainer Pay)
The gross retired pay, or retainer pay, is the entitlement that is computed under 10 U.S.C. chapters 61, 71, or 1223, whichever chapter is applicable to the member. For Navy and Marine Corps members retired with more than 20 years of service but less than 30, pay received following retirement is referred to as retainer pay until the member reaches the 30-year mark. Pay received following the 30-year mark is referred to as retired pay.

210206. Instructor Management Division (IMD)

The IMD is the office within a Military Service responsible for certifying instructors.

210207. JROTC Instructor Reimbursement Office (JIRO)

The JIRO is the office within a Military Service responsible for maintaining instructor accounts for reimbursement to a school or school district.

210208. JROTC Unit

A JROTC unit is an organized group of JROTC students and faculty members at one secondary school.

210209. Minimum Instructor Pay (MIP)

The MIP is the minimum salary that a school or school system hosting a JROTC unit is required to pay an instructor for instructor duties in direct support of the JROTC program. MIP is the difference between the active duty pay and allowances the instructor would receive when recalled to active duty and the instructor’s retired pay entitlement.

2103 PRESCRIBED FORMS

210301. Department of Defense (DD) Form 2767

Paragraphs 210702, 210801, and 210802 discuss the use of DD 2767, JROTC Instructor Annual Certification of Pay and Data Form.

210302. DD Form 2754

Paragraphs 210503, 210703, 210704, and 210802 discuss the use of DD 2754, Junior Reserve Officer Training Corps (JROTC) Instructor Pay Certification Worksheet for Entitlement Computation.
210303. Standard Form (SF) 3881

Paragraph 210503 discusses the use of SF 3881, ACH Vendor/Miscellaneous Payment Enrollment Form.

2104 REIMBURSEMENT RESPONSIBILITIES

210401. Military Services

The Military Services will reimburse each JROTC program school for JROTC instructor pay at the rate of one-half the amount of the difference between the instructor’s retired or retainer pay and the amount of active duty pay and allowances (excluding hazardous and special duty pays) the instructor would receive when ordered to active duty.

210402. Schools

Schools meeting specific criteria of need, if determined to be in the national interest by the appropriate Secretary of the Military Department (or designee), may receive additional instructor funds when either of the following applies:

A. On-site visits by representatives of JROTC headquarters elements determine the neighborhood in which the school is located has a substandard quality of life, with family incomes below the poverty level and a high incidence of violent crime; or

B. Additional criteria, as determined by the appropriate Secretary of the Military Department or designee concerned, whereby the school is in an educationally and economically deprived area to meet a compelling need of the community or national interest.

2105 REIMBURSEMENT REQUIREMENTS AND PROCESS

210501. Requirements for Authorizing Reimbursement

The JIRO authorizes reimbursement to the schools only for those instructors:

A. Who are certified as qualified instructors by the cognizant Military Service;

B. For whom funding has been authorized by the Military Service; and

C. Who are filling positions authorized by the Military Service.

210502. JROTC Units in DoDDS and DDESS Schools

A. DoDDS JROTC instructors will be employed under provisions of 20 U.S.C. § 901-907.
B. DDESS JROTC instructors will be employed under provisions of 10 U.S.C. § 2164.

C. Pay and allowances for both DoDDS and DDESS JROTC instructors will be in accordance with 10 U.S.C. § 2031.

210503. School Reimbursement Process

A. The amount of the reimbursement to the school generally is equal to 50 percent of an instructor’s MIP. The Secretary of the Military Department concerned may pay to the school more than 50 percent of the amount paid to the member by the school if the specific criteria of needs in paragraph 210402 are met, as prescribed in 10 U.S.C. § 2031(e)(2). The JIRO must ensure that documentation supporting these reimbursements is retained in accordance with Volume 1, Chapter 9 and is readily available to support future audit efforts. The documentation should be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the reimbursement.

B. The amount is calculated based on the information and documentation required on the DD 2754, adjusted to reflect the agreed-upon reimbursement rate/amount between the Military Service and the school.

C. Monthly statements of the reimbursements are forwarded by the JIRO to the school and the school district. These statements will show the total amount paid to each instructor working at the school.

D. An electronic funds transfer (EFT) for the reimbursement to the school is sent to the financial institution designated by the public and private educational institutions. DoDDS schools are reimbursed based on the JIRO approval of amounts cited on the DD 2754 by funds transfer via the Intragovernmental Payment and Collection (IPAC) system.

E. Schools must provide the financial banking information via the SF 3881, or by using the System for Award Management when the school is new to the JROTC program or when there is a change to its previously provided banking information.

2106 JROTC UNIT ESTABLISHMENT AT SCHOOLS

210601. School Verification

An authenticated copy of the countersigned contract between a school and the Military Service must be provided to the JIRO in order to verify and provide documented support that schools requesting payment are active participants in the JROTC program.
210602. Addresses

Authorized officials occupying the positions stated in the contract between a school and the Military Service are responsible for supplying the current address of the school employing each instructor.

2107 JIRO

210701. JIRO Reimbursement Requirements

The school is the employing organization and pays the full amount due the JROTC instructor. This amount is not less than the MIP referenced in paragraph 210209. Each JROTC instructor negotiates his or her own contract with the school. The Military Service JIRO will authorize reimbursement to the school for up to 12 months per academic year, but only for the period of time the instructor is under a valid contract and is receiving a salary equal to, or greater than, the MIP. The amount of the reimbursement to the school generally is equal to 50 percent of an instructor’s MIP as identified in subparagraph 210503.A.

210702. JIRO Employment Verification Process

Each school must forward to the JIRO a copy of the DD 2767 within 30 days of the instructor’s employment. Reimbursements for that instructor will be held in abeyance until this form is received by the JIRO.

A. Each school must submit a DD 2767 annually for those JROTC instructors continuing employment at the school in the upcoming academic year.

B. The form must be received prior to the end date of an instructor’s current contract to ensure uninterrupted reimbursement.

C. Schools are reimbursed only when there is a current form on file at the JIRO.

210703. Entitlement Computation

For each new instructor, reimbursement to the school will be computed using the DD 2754, and as stated in paragraph 210503.

210704. Entitlement Recertification

Instructors must recertify dependent status and permanent duty station (school) zip code for entitlement to BAH and OHA (as applicable). A DD 2754 is used to fulfill the recertification requirement.

A. Recertification is required upon request of the servicing JIRO, or upon a change in the instructor’s dependent status or employment zip code.

B. OHA recertification is required each year.
2108  SEPARATIONS, TRANSFERS, DECERTIFICATIONS, AND DISESTABLISHMENTS

210801. Separations

Each employing school must forward a DD 2767, or termination letter, containing the applicable date to the JIRO immediately upon the separation or death of an instructor. Separation of an instructor occurs when that instructor resigns his or her position at a specific school. If notification is not received in a timely manner, then future reimbursement to the school must be adjusted by the JIRO to reflect the actual period of time the instructor performed duties as a JROTC instructor and to collect any over reimbursement.

210802. Transfers

A transfer of an instructor occurs when he or she resigns the position at one school and accepts a position at another school. Transfers must be processed as a separation from one school and a new hire at another school. Both the losing and gaining schools must forward to the JIRO a DD 2767. The instructor must immediately forward an updated DD 2754, as stipulated in paragraph 210704, to the JIRO.

210803. Decertification

A Military Service may, for cause, decertify a JROTC instructor for employment eligibility. The IMD must immediately notify the JIRO of those instructors who have been decertified and currently are under contract with a school. Future reimbursement to the school must be adjusted by the JIRO to reflect the actual period of time the instructor performed duties as a JROTC instructor and to collect any over reimbursement.

210804. Disestablishment of JROTC Units

Disestablishment of a JROTC unit normally occurs upon determining that the unit will not meet the standards specified by the Military Service, or the unit cannot maintain the statutory minimum student enrollment. The disestablishment of a unit voids the contract between the Military Service and the school. Therefore, instructor pay reimbursements to the school are terminated, and the JIRO must authorize final reimbursement to, or initiate collection action from, the school.

2109  FINANCIAL MANAGEMENT

210901. Military Service Responsibilities

Each Military Service will be the holder and manager of its JROTC funds. The JIRO concerned must authorize and assign the funds to the proper line of accounting, verify each JROTC instructor’s pay computation and associated reimbursement amount for each school for accuracy prior to disbursement by the designated paying office. The JIRO also monitors the budget execution throughout the assignment of the JROTC instructor.
210902. Military Pay Operations Responsibilities

Based on the authorization received from the JIRO and verification of fund availability, military pay operations certifying officers will perform payment certification and submit to the designated paying office for all school disbursements. Certifying officers must be appointed in accordance with Volume 5, Chapter 5. Reimbursement to DoDDS must be made via a separate IPAC transfer that cites the applicable appropriation provided for DoDDS.

210903. Designated Paying Office Responsibilities

Reimbursement to the school must be made only after the JIRO concerned has verified the payroll data, authorized fund availability, and received concurrence from the appropriate accounting office, and after military pay operations has provided certification. The Defense Finance and Accounting Service (DFAS) designated paying office will disburse funds for school reimbursements based upon an SF 1034, Public Voucher for Purchases and Services Other Than Personal, for each of the Military Service’s payments to the school districts. Funds must be sent via EFT to the financial institution of the school, with the exception of reimbursements to the DoDDS schools, which are transferred via the IPAC system.

2110 IDENTIFICATION AND COLLECTION OF JROTC-RELATED DEBTS

211001. Debt Identification

The JIRO is responsible for debt identification. A debt accrues when a school or school district is over-reimbursed for the pay of an instructor(s). The following are examples of when debts might accrue:

A. Instructor transferred to another school. This possibly results in the losing school being over-reimbursed and the gaining school being under-reimbursed;

B. Instructor separated from instructor program;

C. Instructor dies; or

D. Instructor’s contract ending date changed, thereby shortening the contract period.

211002. Debt Collection Process

Collection of a debt is accomplished by a fully documented adjustment to the amount of reimbursement paid to the school for the next calendar month, with one exception. When a debt is owed by a school that no longer has JROTC instructor(s) and is not due any further reimbursements, collection action will be in accordance with Volume 16, Chapter 5.

A. In those instances in which a school does not have a future reimbursement to adjust/offset, the JIRO must initiate collection action from the school directly via the use of a
demand letter. See Volume 16, chapter 5 for the policy requirements and guidance. Amounts collected must be forwarded to the JIRO as the debt collection office.

B. After the JIRO has completed all related actions specified in Volume 16, Chapter 5, paragraph 050502, uncollected debts 90 days delinquent must be referred to the DFAS Debt Management Office and uncollected debts 120 days delinquent must be referred to the Bureau of the Fiscal Service for further collection action, as prescribed in 31 U.S.C. § 3716(e)(6)(A).
VOLUME 10, CHAPTER 22: “PAYMENT RECAPTURE AUDITS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated November 2015 is archived.

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CHAPTER 22

PAYMENT RECAPTURE AUDITS

2201 GENERAL

220101. Overview

All programs or activities, as defined by *Office of Management and Budget (OMB) Circular A-123, Appendix C*, with annual payments that exceed $1 million must utilize cost-effective payment recapture audits (PRA) to recover improper payments. PRA requirements apply to all types of payments, except for intra-governmental transactions.

220102. Purpose

This chapter establishes the Department of Defense (DoD) policy for implementation of PRAs in accordance with the laws and regulations cited herein.

220103. Authoritative Guidance

This chapter establishes policies and requirements based on the Improper Payments Elimination and Recovery Improvement Act (*IPERIA*) of 2012 (Title 31, United States Code (U.S.C.) 3321 note) and the Improper Payments Elimination and Recovery Act (*IPERA*) of 2010 (31 U.S.C. 3301 note). This chapter also incorporates associated implementing guidance found in OMB Circular A-123, Appendix C.

2202 DEFINITIONS

220201. Cost-Effective PRA Program

A cost-effective PRA program is one in which the benefits (i.e., recaptured amounts) exceed the costs (e.g. staff, time, resources, or payments for the PRA contractor) associated with implementing and overseeing the program.

220202. Improper Payment

An improper payment is any payment that should not have been made, or that was made in an incorrect amount, under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients. An improper payment also includes any payment that was made to an ineligible recipient, for an ineligible good or service, or for goods or services not received (except for such payments authorized by law). See Volume 4, Chapter 14 for additional details on improper payments and reporting requirements.
220203. PRA

A PRA is a review and analysis of a Component’s or program’s accounting and financial records, supporting documentation, and other pertinent information supporting its payments, that is specifically designed to identify overpayments. It is not an audit in the traditional sense. Rather, it is a detection and correction control activity designed to identify and recapture overpayments. As such, it is a management function and responsibility.

220204. PRA Contingency Contract

This type of contract is for PRA services in which the contractor is paid for its services as a percentage of overpayments actually collected. Clear evidence of overpayments must be provided by the contractor to the appropriate Component official.

220205. PRA Program

This is a Component’s overall plan for risk analysis and the performance of PRAs and recovery activities. These activities should include a management improvement program, if appropriate. A copy of this program must be provided to the Component’s Inspector General (IG) annually.

220206. Post-Award Audit

A post-award audit refers to a post-award examination of the accounting and records of a payment recipient that is performed by a Component official, or an authorized representative of a Component official, pursuant to the audit and records clauses incorporated into the contract or award. An audit is normally performed by an internal or external auditor that serves in an advisory capacity to the Component official. A post-award audit, as distinguished from a PRA, is normally performed for the purpose of determining if amounts claimed by the recipient are in compliance with the terms of the award or contract, and with applicable laws and regulations. Such reviews involve the recipient’s accounting records, including the internal control systems.

2203 DoD PRA PROGRAM

220301. Applicability

A. As prescribed by OMB Circular A-123, Appendix C, the Component head will determine the manner and/or combination of payment recapture activities to use within the agency’s PRA program that are expected to yield the most cost-effective results.

B. If a Component concludes that implementing this type of review for a program or activity is not cost-effective, then it must submit a quantitative justification to the Office of Under Secretary of Defense (Comptroller) (OUSD(C)), Office of the Deputy Chief Financial Officer (ODCFO), Accounting & Finance Policy (A&FP) Directorate, for approval.

C. When determining the cost-effectiveness of the use of PRA contingency
contracts, any Defense Finance and Accounting Service (DFAS) resources used to assist the payment recapture auditing contractor must be taken into consideration. This includes the cost of providing government records, researching claims, and recovering amounts due the government. See the OMB Circular A-123, Appendix C, for additional information concerning specific criteria agencies are to consider in determining the cost effectiveness of a PRA.

D. PRAs will be implemented in a manner designed to ensure the greatest financial benefit to the Component.

E. Components will report the results of their PRA program to OUSD(C)/ODCFO/A&FP in accordance with OMB Circular A-136, Financial Reporting Requirements. See section 2204 for requirements.

220302. Annual Plan Submission

A. All Components that expend $1 million or more annually for each program and activity must submit an annual PRA plan, not later than August 31 of each year, for use during the upcoming fiscal year to:

OUSD(C)/ODCFO/A&FP
1100 Defense Pentagon – Suite 3D150
Washington, DC 20301-1100

B. At a minimum, this plan must include:

1. A cost-effectiveness analysis;

2. The estimated total dollar amount of payments by program or activity for the current fiscal year;

3. Any additional collection/recovery audits and/or risk mitigation activities the Component plans to use in addition to its current DoD PRA Program;

4. The dollar amount of payments the Component plans to review using these additional activities or audits;

5. What entity will perform the PRA (internal, external, or contractor resources);

6. The proposed methodology; and

7. The period of review.
C. In addition, if the Component head should determine that performing PRA activities is not cost-effective for certain categories of disbursements, as further described in paragraph 220502, the quantitative justification must be included in this plan.

220303. Establishing Targets for PRA Programs

For each PRA program established, annual recapture targets must be set. Agencies are required to establish annual targets for their PRA programs that will drive their annual performance. Targets will be based on the rate of recovery (i.e., the amount of improper contract overpayments recovered divided by the amount of improper contract overpayments identified) and are expected to be set to show an increase in recoveries over time. Each Component will provide their annual recapture targets for review and approval by OUSD(C)/ODCFO/A&FP (see paragraph 220302). The OUSD(C)/ODCFO/A&FP, in turn, will submit targets to OMB for review as part of the annual approval process of draft Agency Financial Reports (AFR) and Performance and Accountability Reports.

2204 REQUIRED REPORTING

220401. Annual Reporting

Components must report annually on their PRA programs. Components must consult with the DFAS Directorate for Enterprise Solutions & Standards (ESS), Post Pay Review and Analysis Office (JJI), 8899 East 56th Street, Indianapolis, IN 46249 to ensure proper coverage of improper payments and payment recapture actions and to prevent duplicate reporting. Components must inform OUSD(C)/ODCFO/A&FP, and also report in their AFR submission, if suspension or limitation occurs in the Component monitoring/oversight activities. In order to meet the AFR reporting schedule, fiscal year-end reporting for PRA programs is due not later than the 10th business day in September.

220402. OMB Circular A-136 Required Reporting

Components must report in accordance with the annual update to OMB Circular A-136, Financial Reporting Requirements. The following is normally required:

A. A general description, evaluation of the steps taken, and the methodology applied to carry out their cost-effective recapture audit program;

B. The total cost of the Component’s recapture activities and audits;

C. The total amount of payments subject to review, including a description and justification of the classes of payments excluded from the PRA contractors, with an explanation of why recapture audits were not performed on all programs and activities (i.e., if not cost-effective);

D. The actual dollar amount of payments reviewed;
E. The amounts actually recaptured during the current fiscal year. The amounts recaptured must be separated between current year and prior years. Voluntary or unsolicited refund amounts must be separated from amounts identified through payment recapture activities. In addition, recoveries must also be separated between internal and external PRA activities;

F. To the extent possible, any underpayments identified through the PRA process should be corrected by the Component. Components may include provisions that authorize payments to payment recapture auditors for underpayments identified;

G. A summary of the disposition of recaptured funds in accordance with OMB Circular A-123, Appendix C and OMB Circular A-136;

H. The amounts outstanding and determined to not be collectible, including the percent each category represents of the total overpayments identified for recapture, to include:

1. An aging schedule of the amounts not currently recovered or not under a repayment agreement; and

2. Justification for any amounts that have been determined to be uncollectible;

I. A corrective action plan that addresses and links directly to the root causes of errors identified, as required by paragraph 220902;

J. A general description and evaluation of any management improvement program carried out pursuant to this guidance; and

K. Instances of potential fraud discovered through PRA and recovery activities must be reported in accordance with Volume 5, Chapter 6, section 0605.

2205 SCOPE OF DoD PRA's AND ACTIVITIES

220501. Dollar Threshold

All programs and activities that expend $1 million or more annually, including grant, benefit, loan, and contract programs, must be considered for PRAs. Subject to the exceptions in paragraph 220502, all classes of contracts and contract payments, as well as all other types of payments (excluding intra-governmental transactions) must be considered for PRA activities. Components that disburse payments must review the different types of payment categories and identify those categories that have a higher potential for recoverable payment errors that will ensure the greatest financial benefit to the government. Once this assessment is performed, the Component must then determine the overall cost-effectiveness of performing PRAs as explained in paragraph 220201.
220502. Possible Exclusions

Components may exclude certain payment classes from their PRA activities if the Component head determines that payment recapture activities and audits are not a cost-effective method for identifying and recovering improper payments. If the Component head elects to exclude a class of payments or contracts from payment recapture activities or audits, the justification for this exclusion must be included in their annual plan and annual report (see sections 2203 and 2204). The following possible exclusions are also described in OMB Circular A-123, Appendix C:

A. Cost-type contracts that have not been completed where payments are interim, provisional, or otherwise subject to further adjustment by the government in accordance with the terms and conditions of the contract;

B. Cost-type contracts that have been completed and subjected to a final contract audit if, prior to payment of the contractor’s final voucher, all prior interim payments made under the contract have been accounted for and reconciled;

C. Other contracts that provide for contract financing payments or other payments which are interim, provisional, or otherwise subject to further adjustment by the government in accordance with the terms and conditions of the contract;

D. Recent payments (made less than 180 days prior to the review) in order to allow the Component’s normal post-payment processes to identify and correct any overpayments; and

E. Other types of payments based on cost-effectiveness. For example, if the use of a pre-payment tool demonstrates that it is preventing most, if not all, duplicate payments, then these payments may be excluded from the Component’s PRA effort. Agencies must conduct a PRA program in a manner that will ensure the greatest financial benefit for the government.

220503. Non-replication of Existing Audits

Components must take steps to ensure that the implementation of their PRA activities does not result in duplicate audits of payee records. In this regard, actions to follow up with payees on potential overpayments identified through PRAs of Component records do not constitute audits of contractor records. However, PRA activities should not duplicate other audits, to include other post-payment reviews or Defense Contract Audit Agency audits, of the same payee records that specifically employ PRA techniques to identify and recover payment errors.
2206 ROLE AND RESPONSIBILITIES OF THE COMPTROLLER’S OFFICE OF PRIMARY RESPONSIBILITY

220601. Role

To facilitate compliance with OMB Circular A-123, Appendix C, the ODCFO assigned reporting responsibility for this function to the OUSD(C), A&FP Directorate. This reporting function is part of the OUSD(C) oversight responsibility for DoD’s annual PRA reporting in the AFR.

220602. Responsibilities

The Comptroller’s A&FP Directorate is responsible for:

A. Reviewing the Components’ annual PRA plan submissions as described in paragraph 220302 to ensure completeness;

B. Reviewing the annual submission of PRA reports described in section 2204 to ensure the reporting requirements are met; and

C. Preparing and submitting Department-wide PRA results and mandatory reports as described in OMB guidance, and any related information for submission to OMB, publication in the AFR, and other required reporting.

2207 ROLE AND AUTHORITY OF THE OFFICE OF THE INSPECTOR GENERAL (IG)

220701. No Impairment of Inspectors General Authority

Nothing in this policy should be construed to impair the authority of an IG under the Inspector General Act of 1978, as amended, or any other law. However, because the PRA program required by this policy is an integral part of Components’ internal control over payments, and therefore a management function, independence considerations would normally preclude the IG and other Component external auditors from carrying out management’s PRA program.

220702. Effectiveness Assessment

The IG, as well as other authorized auditors, are encouraged to assess the effectiveness of Components’ PRA programs as part of their internal control assessment on existing audits (e.g., the annual financial statement audit, or as a separate audit).

2208 SOURCES TO PERFORM PRAs

PRAs may be performed by employees of the Components, by any other Component, department, or agency of the U.S. Government acting on behalf of the Component, or by private
sector contractors performing PRA services under contracts awarded by the Component, or any combination of these options.

2209 PRA SERVICES PERFORMED BY CONTRACTORS

220901. Use of External Contractors

When Components have determined that using external post-payment recapture audit contractors (i.e. recapture audit contingency contract) is the most cost-effective plan, these private sector firms may, with the consent of the employing Component, communicate with the Component’s contractors for the purpose of verifying the validity of potential payment errors they have identified. In addition, to avoid confusion with established accounts receivable/debt management processes, Components must coordinate with the DFAS, ESS Accounting Mission Area, Accounts Receivable Office (JJA) at 8899 East 56th Street, Indianapolis, IN 46249 to determine whether direct communication with the Component’s contractors is authorized.

220902. Required Root Cause Analysis

In addition to identifying and documenting specific overpayments resulting from payment errors, any entity performing PRAs must also analyze the reasons why payment errors occurred and, where appropriate, recommend cost-effective controls to prevent such overpayments in the future. These results must be presented to management on a regular basis. The results of such analysis, and related recommendations, should be considered by the Component as part of its management improvement program. These submissions must be timely and cover a period not to exceed 12 months. The Component should provide such information to DFAS, the DoD IG, and where applicable, the IG of the Military Service.

220903. Contingency Fee Requirement

Contracts entered into by Components to obtain PRA services from the private sector are limited to contingency contracts that pay the contractor an amount equal to a negotiated percentage of the total amount collected by the United States for valid claims of overpayment. Components may allow contracted PRA auditors to establish a presence on, or visit, the property, premises, or offices of any subject of PRAs. Such physical presence is not prohibited, and may allow the PRA auditor to perform a more thorough review of the subject’s payments and related documentation.

220904. External Contractor Prohibitions

In addition to provisions that describe the scope of PRAs (and any other provisions required by law, regulation, or Component policy), any contract with a private-sector firm for PRA services will include contract provisions that prohibit the PRA contractor from:

A. Requiring production of any additional records or information from the Component’s contractors. Only duly authorized employees of the Component can compel the
production of information or records from the Component’s contractors, in accordance with applicable contract terms and DoD regulations;

   B. Acting as an agent for the Federal Government in the recovery of funds improperly paid to contractors;

   C. Using or sharing sensitive financial information with any individual or organization, whether associated with the Federal Government or not, that has not been officially released for use by the general public, except for the purpose of fulfilling the PRA contract; or

   D. Disclosing any information that identifies an individual, or could reasonably be used to identify an individual, for any purpose other than performing the PRA responsibilities.

220905. Safeguarding Confidentiality

Components will require the PRA contractor to take steps to safeguard the confidentiality of sensitive financial information that has not been released for use by the general public and any information that could be used to identify a person.

220906. Actions of External Contractors

The PRA contractor may, with the consent of the contracting Component, notify vendors of potential overpayments made to the vendors, respond to questions concerning potential overpayments, and take other administrative actions with respect to overpayment claims made, or to be made, by the Component. However, the PRA contractor will not have the authority to make final determinations related to whether any overpayment occurred and whether to compromise, settle, or terminate overpayment claims.

220907. Minimum Contract Requirements

At a minimum, each contract for PRA services will require the contractor to:

   A. At least quarterly, provide reports to the DoD disbursing Component on the root cause conditions causing the overpayments identified and recommendations on how to mitigate such conditions;

   B. Notify the DoD disbursing Component of any overpayments identified by the contractor pertaining to any Component that is beyond the scope of the contracts; and

   C. Report potential instances of fraud immediately to the DoD disbursing Component for which it is performing the contract. The Component will further review and refer to its IG, if appropriate. Contractors and all personnel performing PRAs must be trained to recognize evidence of fraud and vulnerability to fraud.
2210 PRA COLLECTION ACTIVITY

Actual collection activity must be carried out by federal employees, or nonfederal entities expending federal awards, as appropriate. However, Components or nonfederal entities may use another private sector entity, such as a private collection agency, to perform this function if this practice is permitted by applicable laws and regulations governing collection of amounts owed to the Federal Government.

2211 DISPOSITION OF RECAPTURED AMOUNTS AFTER IPERA

221101. Amounts Collected

IPERA provides that amounts collected under a PRA program from expired discretionary fund accounts are available to reimburse the actual expenses incurred by a Component in administering the program, and to pay contractors in accordance with applicable law and regulation, if appropriate. As prescribed by OMB Circular A-123, Appendix C, any recaptured overpayments that pertain to canceled appropriations must be credited to Treasury Miscellaneous Receipts.

221102. Uses of Amounts Collected

Except as provided in paragraph 221103, section 2(h)(3) of the IPERA requires that any expired discretionary amounts collected (recaptured) through PRAs, that were appropriated after the date of IPERA’s enactment (July 22, 2010), and that are not used to reimburse expenses of the Component or pay PRA contractors under paragraph 221101, may be used in the following manner:

A. Up to 25 percent of the recaptured funds may be used to supplement (but not supplant) any other amounts available to support the Component’s financial management improvement program, and will remain available until expended. Such funds can be passed to nonfederal entities, such as state and local governments, if the agency determines that is the best disposition of the funds to support its financial management improvement program;

B. Up to 25 percent of the recaptured funds may be used for the original purpose of the fund. The funding will be credited to the appropriation or fund, if any, available for obligation at the time of collection for the same general purposes as the same appropriation or fund for which the overpayment was made, and will remain available for the same period of availability and purposes as the appropriation or fund to which it is credited;

C. Up to 5 percent of the recaptured funds may be made available to the Component’s IG. The IG may use this funding to carry out the law’s requirements, and perform other activities relating to investigating improper payments or auditing internal controls associated with payments. This funding will remain available for the same period of availability and purpose as the appropriation or fund to which it is credited; or

D. The remainder of the recaptured, expired discretionary funds that were appropriated after the enactment of IPERA, and that are not used for the purposes described in
subparagraphs 221102.A, 221102.B, and 221102.C, or used under otherwise available authorities, including recaptured overpayment amounts from trust fund and special fund accounts, must be credited to the expired account from which the overpayment was made.

221103. Return of Collections to Original Appropriation

As prescribed by OMB Circular A-123, Appendix C, and section 2(h)(3) of IPERA, recaptured overpayments from unexpired discretionary fund accounts (still available for obligation) that were appropriated after enactment of IPERA (July 22, 2010) must be credited to the account from which the overpayments were made without using it for any purposes outlined in paragraphs 211101 or 211102. Recovered overpayments from revolving funds, working capital funds, non-appropriated funds, and appropriations with indefinite periods of availability must be refunded to such accounts.

221104. Collections to Mandatory and Trust Fund Accounts

Any overpayments from mandatory fund accounts and trust fund accounts must be credited back to those accounts.

221105. Other Uses of Collections

When required or authorized by other provisions of law, any funds remaining after reimbursing the actual expenses for the administration of the program and paying PRA contractors may be credited to the non-appropriated fund instrumentality, revolving fund, working capital fund, trust fund, or other fund or account from which the improper payments were made. For example, a PRA contractor may identify an improper payment during its review of a Defense Agency’s working capital fund. Upon recovery of the payment, the Component could use the proceeds recovered to reimburse the Department’s administration expenses and pay the PRA contractor’s contingency fee. The remaining balance, if any, could then be credited back to the Component’s working capital fund.

221106. Contingency

Contingency fee contracts will preclude any payment to the contractor performing PRA services until the recoveries are actually collected by the Component.

221107. Accounting for and Reporting Collections

All funds collected and all direct expenses incurred as part of the PRA program will be accounted for specifically. The identity of all funds recovered must be maintained to facilitate the crediting of recovered funds to the correct appropriations, to identify applicable time limitations associated with the appropriated funds recovered, and to allow for required reporting in compliance with OMB Circular A-136.
221108. Unconfirmed Overpayments

Overpayments that are identified by the payment recapture auditor, but that are subsequently determined not to be collectable or not to be improper, will not be considered “collected” for disposition purposes outlined in this section.

221109. Separate Statutory Authorities

Programs and payments that have separate statutory authority and requirements to conduct PRAs are not required to follow the disposition of recovered funds outlined in section 2211 or 2212 (in accordance with OMB Circular A-123, Appendix C). As an example, the General Services Administration audits transportation payments for improper payments. Reference Chapter 13 for additional details.

2212 DISPOSITION OF RECAPTURED AMOUNTS BEFORE IPERA

Components may review payments made from appropriations that were enacted before IPERA was signed into law (July 22, 2010), and have the same authorities to credit collections as existed before IPERA was enacted. OMB Circular A-123, Appendix C, provides detailed guidance for the disposition of recovered amounts prior to IPERA enactment. For recoveries of funds appropriated prior to IPERA’s enactment, Components may use the recovered funds for reimbursement of Component expenses and to pay the PRA contractor. For those funds appropriated prior to IPERA’s enactment which have expired, and after reimbursement of Component expenses and payment to the PRA contractor, any remainder of the recovered funds must be returned to the expired account(s). If the appropriation is canceled, the funds must be credited to Treasury Miscellaneous Receipts.

2213 GRANT PROGRAMS

Components whose grant programs fund significant contract activity by grant recipients may consider including contracts at the grant recipient level in their PRA program. Components can engage contractors on a contingency basis to the extent otherwise authorized by law.
VOLUME 10, CHAPTER 23: “PURCHASE CARD PAYMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2017 is archived.

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<tr>
<td>230201.C</td>
<td>Added a section to provide policy references to the Federal Acquisition Regulation, subpart 2.101; Title 10, United States Code, section 2338; and the Department of Defense (DoD) Government Charge Card Guidebook (Guidebook) concerning revised micro-purchase thresholds for the DoD. The Guidebook implements revised thresholds authorized by the fiscal year (FY) 2018 National Defense Authorization Act (NDAA) (Section 806(b)), FY 2019 NDAA (Section 821), and Class Deviation 2018-O0018, dated August 31, 2018.</td>
<td>Addition</td>
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<tr>
<td>230605</td>
<td>Revised the micro-purchase threshold for convenience checks to $5,000 as prescribed by the Guidebook, which implements Class Deviation 2018-O0018, dated August 31, 2018.</td>
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CHAPTER 23

PURCHASE CARD PAYMENTS

2301 GENERAL

230101. Purpose

This chapter provides Department of Defense (DoD) command, supervisory, and personal policy for financial management related activities within the purchase card program. This chapter supplements general payment policy described in other chapters, as well as the DoD Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs (hereafter referred to as the Guidebook), and Office of Management and Budget (OMB) Circular A-123, Appendix B. These documents assist DoD officials in establishing and managing purchase card programs.

230102. Authoritative Guidance

A. This chapter establishes policy based on the statutory and regulatory requirements spelled out in Title 10, United States Code (U.S.C.), section 2784; 41 U.S.C. § 1909; the Federal Acquisition Regulation (FAR), Part 13; the Defense Federal Acquisition Regulation Supplement (DFARS), Part 213; the Guidebook; and the current General Services Administration (GSA) master contract and applicable task order.

B. The Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD(A&S)) (formerly OUSD, Acquisition and Technology) is responsible for oversight of the purchase card program, to include policy formulation, procedural guidance, and operational oversight of the purchase card program administered by DoD Components.

2302 PURCHASE CARD POLICY

*230201. General

A. Through task orders issued on the GSA master contract, the DoD uses third party, card-issuing banks to support the purchase card program. The card-issuing banks provide a commercial purchase and payment service that replaces the paper-based, time consuming purchase order process, thereby eliminating procurement lead time, providing transaction cost savings, reducing procurement office workload, and facilitating payment. The suite of services offered by the card-issuing banks also includes web-based electronic invoicing and statement review, approval, and certification processes. Cardholders use purchase cards to make and/or pay for authorized government purchases, subject to established limitations on transaction amount, billing cycle amount, and Merchant Category Codes (MCCs) which are defined in paragraph 230304 and Appendix I of the Guidebook.

B. A purchase card charge authorizes the card-issuing bank to make payment to the vendor or contractor consistent with the GSA master contract and these regulations. An
authorized purchase is defined as a purchase that satisfies a bona fide need at a fair and reasonable price that meets all legal and regulatory requirements. Any misuse of the purchase card is subject to administrative and disciplinary actions, as described in the Guidebook and Component personnel policies and procedures.

* C. Purchase card transactions are limited to the micro-purchase thresholds prescribed by FAR 2.101, 10 U.S.C. § 2338, and DFARS 213.201(g) for the applicable transaction being made. See the Guidebook for specific guidance related to the application of current DoD micro-purchase thresholds, which incorporates the OUSD(A&S) Class Deviation 2018-O0018, dated August 31, 2018, concerning appropriate thresholds. Additionally, the class deviation delegates the authority to the head of the contracting activity to determine whether an acquisition supports a humanitarian or peacekeeping effort, or supports a contingency operation, thereby warranting an increased micro-purchase threshold. Any increase to a cardholder’s delegated authority must be authorized by issuance and acceptance of a new Government Purchase Card Delegation of Procurement Authority Letter.

230202. Audits

Pursuant to 10 U.S.C. § 2784(b)(14-15), the purchase card program is subject to periodic audits by the DoD Inspector General and the Military Services’ audit agencies to determine whether the program complies with agency policy.

*230203. Terminology for Fraud, Abuse, or Misuse of Government Purchase Card

The following terminology describes types of unauthorized or inappropriate purchase card transactions. See the Guidebook for additional information on these types of transactions and the associated OMB reporting requirements.

A. Internal and External Fraud. A fraudulent transaction is any felonious act of corruption or attempt to cheat the Government, made by either an unauthorized individual (i.e. noncardholder) or an authorized individual (i.e. cardholder), by using the purchase card for a transaction that is not sanctioned, not authorized, not in one’s official government capacity, not for the purpose for which the card was issued, or not as part of official government business (10 U.S.C § 932). Fraudulent transactions can be classified either as internally or externally committed depending on whether a DoD Charge Card Program official or cardholder commits fraud (internal), or whether a noncardholder commits fraud (external).

B. Abuse. Abuse occurs when a cardholder intentionally uses the Government-issued charge card in violation of applicable regulations (the FAR, DFARS, Agency procedures and supplements, or activity Purchase Card policies/procedures). Evidence of intentionality shall be inferred from repeat offenses of the same violation, following administrative and/or disciplinary action taken for this violation. Examples include, but are not limited to, intentionally: failing to purchase from mandatory sources, exceeding the applicable micro-purchase threshold, purchasing items such as a day planner costing $300 rather than one costing $45, or splitting requirements to avoid card thresholds.
C. **Misuse.** Misuse occurs when a cardholder unintentionally uses a Government-issued charge card in violation of the FAR, DFARS, Agency procedures and supplements, or activity Purchase Card policies/procedures. These actions are the result of ignorance and/or carelessness, lacking intent. Examples include, but are not limited to unintentionally: purchasing excessive quantities of an item with limited shelf life; violating a specific-use policy such as an agency that requires headquarters to buy all furniture; or failing to certify “Purchase Card Certification Statements” on time, costing the Government maximum rebates and/or incurrence of prompt payment interest. These transactions are not disputable with the card-issuing bank in cases of purchases made by a formally appointed cardholder. If the transaction is not disputable, then the matter must be annotated in the purchase card records and immediately investigated. When the ordering activity does not have funds available for the particular transaction, but available funds exist elsewhere in the DoD, the approving official will obtain assistance of the Resource Manager (RM) to secure necessary funds.

D. **Administrative Discrepancy.** Administrative discrepancies are actions that violate operational polices/procedures but do not violate federal law or regulation. Specifically: supplies/services acquired with the purchase card fulfill a valid government need at a fair and reasonable price, at no additional cost to the Government, but required policy/procedures were not followed. Examples include, but are not limited to: maintaining incomplete forms or documentation, or failure to maintain required documentation for the required timeframe.

E. **Reportable Transaction.** The cardholder, approving official, certifying officer, Agency/Organization Program Coordinator (A/OPC), and personnel at all levels must report fraudulent or abusive transactions, and other instances of misuse, in accordance with the Guidebook, related Component policies, and bankcard agreements/contracts.

230204. **Purchase Card Accountable Officials**

A. Within DoD, purchase card accountable officials are military members or civilian employees who are appointed in writing as cardholders, approving officials, and certifying officers. Such appointments, made in accordance with Volume 5, Chapter 5 (10 U.S.C. § 2773a and 31 U.S.C. § 3528), are necessary to establish pecuniary liability under the law governing accountable officials other than those potentially liable under 10 U.S.C. § 2784(c). Accountable officials are responsible for providing information, data, or services to certifying or disbursing officers in support of the payment process, and are responsible for attesting to the accuracy of information and data in support of the payment to the card-issuing bank.

B. Foreign national employees cannot serve as purchase card accountable officials unless they are direct hire employees of the United States Government. However, prior to making such appointments, commanders must consider the potential consequences when the Status of Forces Agreements or other treaties do not subject direct hire local nationals to the same pecuniary liability as other DoD employees. If such appointments are necessary, commanders must consider implementing other management controls to compensate for the lack of pecuniary liability. Refer to Volume 5, Chapter 1 for policy regarding accountable officials and foreign national personnel.
230205. Submission of Billing Statements

Policies, standards, and controls concerning the electronic submission, receipt, and processing of billing statements and transactions are contained in Chapter 8.

230206. Delegation

As prescribed by 31 U.S.C. § 3325, the head of an executive agency may delegate the authority to assign personnel to perform the purchase card invoicing, reviewing, approving, and certifying responsibilities at the accountable official level. When authority is delegated, DoD Components will:

A. Designate each billing office and approving official within the Component’s activities to receive the official purchase card billing statements; and

B. Delegate the authority to certify official purchase card billing statements in accordance with Volume 5, Chapters 1 and 5.

230207. Purchase Card Rebates

A. Timely payment of a purchase card billing statement is a rebate computation factor. Purchase card billing statement payments must occur as soon as administratively possible when the rebate offered is greater than the cost of funds as defined in Title 5, Code of Federal Regulations (CFR), subpart 1315.8. The DoD will take advantage of rebate offers only when it is economically justified and advantageous to the DoD. The DoD will follow the guidelines for taking discounts and rebates found in 5 CFR 1315; FAR, section 32.906(e); and OMB Circular A-123, Appendix B, Chapter 7. Billing statements will be paid for the amount certified. See Chapter 2 for additional information and policy concerning rebates.

B. Rebates attributable to the use of the purchase card may be credited to operation and maintenance; and research, development, test and evaluation accounts of the DoD which are current when the rebates are received (see 10 U.S.C. § 2784, “Crediting of Refunds”). In accordance with OMB Circular A-123, Appendix B, Chapter 7, rebates/refunds can be used for any legitimate purchase by the appropriation or account to which they were returned, or as otherwise authorized by statute.

230208. Compromised Account Numbers

If an account number is compromised, or if a card has been lost or stolen, the cardholder, approving official, certifying officer, or A/OPC must notify the card-issuing bank to close the account immediately.
2303 INTERNAL CONTROLS

230301. General

All DoD Component purchase card program policies and implementing procedures must ensure the inclusion of internal controls to prevent, detect, and report unauthorized purchase card transactions (41 U.S.C. § 1909). Refer to paragraph 230203 for a description of fraudulent, abusive, or inappropriate transactions.

230302. Monthly Review

The monthly review checklist (Figure 23-1) is intended as a reference tool for use in examining the cardholder purchase card statement from the card-issuing bank. Refer to Section 2305 for cardholder, approving official, and certifying officer responsibilities in the monthly statement review and reconciliation process.

230303. Separation of Duties

Managers at all levels will maintain the effective operation of internal controls within the purchase card program and ensure adequate separation of duties of participants under their control. The management accountability and internal control requirements prescribed by the Guidebook, along with those outlined in Chapters 1 and 8, will apply to the operation of a DoD Component purchase card program.

230304. Merchant Category Codes

MCCs are used to categorize each merchant according to the type of business in which the merchant is engaged and the kinds of supplies or services they provide. These codes are used to limit unauthorized transactions on a card account by blocking purchases from merchants identified by OUSD(A&S) as inappropriate sources for government purchases. DoD policy concerning MCCs is contained in the Guidebook.

230305. Data and System Access

Cardholder, approving official, certifying officer, A/OPC, and RM access to government and card-issuing bank’s purchase card data and processing systems will be limited to that necessary to accomplish required tasks while maintaining proper separation of duties. Refer to the Guidebook for specific requirements when such personnel transfer to other duties or depart from the organization.

230306. Penalties for Unauthorized Use of the Purchase Card

Commanders and supervisors at all levels must ensure compliance with this chapter and the requirements of the Guidebook. Military and civilian personnel who violate the provisions of this chapter or the Guidebook, or misuse the purchase card, are subject to administrative and disciplinary action. The misuse of the purchase card may be an offense that is punishable by a
fine, imprisonment, or both. In instances when an official directs a cardholder to purchase items or services that are subsequently determined to be fraudulent or abusive, the official who directs the purchase may be subject to reimbursing the government and to disciplinary action in accordance with OMB Circular A-123, Appendix B, Chapter 4, sections 4.8 and 4.9. See the Guidebook for specific policies and requirements pertaining to disciplinary actions within the Government Charge Card Program.

230307. Documentation

In accordance with 10 U.S.C. § 2784(b)(7), this Regulation, and the Guidebook, documentation, preferably electronic, will be maintained at all levels to support the integrity of the purchase card program and to facilitate the reconciliation and payment of purchase card transactions. Supporting documentation may include copies of cardholder statements, charge tickets, credit slips and receipts, the cardholder purchase log, invoices, delivery orders, approvals, requisitions, cross references to any related blanket purchase agreements, and telephone and mail order logs.

A. Cardholders will establish clear audit trails for purchase card transactions by maintaining a purchase log and other documentation, preferably electronic, to support each purchase and will make cardholder statements and supporting documentation available to the approving official and certifying officer.

B. Volume 1, Chapter 9, Figure 9-1 provides the policy regarding document retention requirements for financial transaction records related to procuring goods and services, paying bills, collecting debts, and accounting.

1. On a case-by-case basis, and when determined the records are necessary to complete reconciliation of payment, collection discrepancies, audit readiness requirements, or for other necessary purposes, an extension beyond the record retention period may be warranted. Refer to 44 U.S.C. § 2909 for authorization to retain records for a longer period than specified in disposal schedules.

2. In the event of account termination for both a cardholder and/or approving official, management must ensure safeguards are in place to meet retention requirements.

2304 RESPONSIBILITIES

230401. General

The certification process for billing statements received from the card-issuing bank involves a coordinated responsibility between the cardholder, approving official, and the certifying officer. Every individual involved in the purchase card process must report suspected fraudulent, abusive, or inappropriate use of the purchase card through the proper chain of command and in accordance with Component policies. Refer to paragraph 230203 for definitions of these transactions.
A. Commanders and supervisors at all levels have the authority and the responsibility to ensure that military and civilian personnel under their supervision do not abuse assigned purchase cards. Commanders and supervisors are responsible for addressing unauthorized use of the purchase card.

B. Purchase card disbursing and certifying officers are pecuniarily liable for illegal, improper, or erroneous payments, unless granted relief. Purchase card accountable officials may also be held pecuniarily liable. Policy concerning liability and relief of liability is available in Volume 5, Chapter 6.

230402. Head of DoD Component

The Heads of DoD Components (or their designees) may delegate their authority in writing for the appointment of cardholders, review officials, approving officials, and certifying officers (see Volume 5, Chapter 5 for additional policy concerning appointments). In addition, Heads of DoD Components are responsible for managing commanders, directors, or other designated officials and their delegated authority for carrying out their duties and responsibilities as prescribed in the Guidebook.

230403. Commanding Officer or Director

A. The military officer in command or the civilian director in charge of an activity has overall responsibility for implementing the purchase card financial management policies of this chapter. They have disciplinary authority over cardholders and approving/certifying officials and must investigate all allegations of fraudulent, abusive, or inappropriate transactions. The commanding officer or director must establish procedures for the activity that will permit rapid investigation and resolution of fraudulent or abusive transactions, or other instances of purchase card misuse. They will convene or order an investigation in accordance with Volume 5, Chapter 6 and take all appropriate actions resulting from each investigation.

B. When authority has been delegated by the Head of the DoD Component, the commanding officer or director will appoint accountable officials in accordance with Volume 5, Chapter 5.

230404. Review Official

The review official is an individual appointed by the commanding officer or director to perform pre- and/or post-payment reviews of payments and perform other duties in accordance with Volume 5, Chapter 5. The A/OPC may not be appointed as the review official.

230405. Agency/Organization Program Coordinator

A/OPCs serve as the Agency’s functional representatives and have oversight to manage and ensure the integrity of the purchase card program. The A/OPC is the individual appointed, as identified in the Guidebook, with responsibilities associated with the management, administration, and day-to-day operation of the purchase card program. The A/OPC will jointly work with the
RM in setting and maintaining cardholder spending limits based on estimates of purchase requirements for the period or a budgetary limit. They may also assist the RM in providing guidance to the cardholder on any legal or regulatory restrictions on the funds provided.

230406. Purchase Card Certifying Officer

The certifying officer is the individual responsible for the accuracy of payments, including designation of the proper appropriation(s) or other funds, certified to the disbursing office and disbursing officer. The certifying officer is liable for any illegal, improper, or erroneous payment processed by the DoD resulting from an inaccurate or misleading certification. The certifying officer’s appointment must meet minimum qualifications and eligibility requirements as discussed in Volume 5, Chapter 5. While it is desirable to maintain the greatest separation of duties, it is not always practical or possible. The certifying officer and approving official duties may be performed by the same appointed person as discussed in Volume 5, Chapter 1. Purchase card certifying officers’ responsibilities identified in the Guidebook include, but are not limited to the following:

A. Ensuring transactions meet the legal requirements for authorized purchase card purchases;

B. Ensuring adequate documentation is available for individual transactions and cardholders have reconciled all transactions with purchase log entries;

C. Ensuring the facts presented in documents for payment are complete and accurate to include designation of the proper appropriation(s) or other funds;

D. Verifying the line item detail on the invoices matches the amount certified for payment;

E. Taking action to prevent submission of duplicate invoices for the same transaction;

F. Ensuring all items and services have been received and procedures are in place to ensure transactions for items or services not received by the next billing cycle are disputed within the designated dispute timeline;

G. Implementing dispute procedures when warranted. Refer to paragraph 230507 regarding disputed transactions;

H. Reviewing and certifying the billing statement (preferably electronic) and forwarding it to the designated entitlement and/or disbursing office for payment processing. Figure 23-2 contains the language for the certifying officer’s certification statement;

I. Ensuring billing statement transactions are reallocated to other accounting classifications, if necessary, prior to the actual certification of the invoice; and
J. Ensuring the billing statement and all original supporting documentation (e.g., receipts, logs, invoices, delivery orders, and approvals) is retained, preferably in an electronic repository, to comply with the requirements for record retention. This retention must capture and leverage origination of electronic data contained in automated systems so that it may be shared across the DoD’s various platforms.

230407. Approving Official

The approving official is the individual, appointed by the commanding officer, director, or designee, with oversight responsibility for a number of cardholders to ensure that all purchase card transactions are necessary and for official government purposes only.

A. Approving officials are responsible for providing information and data to certifying or disbursing officers in support of the payment process. A purchase card approving official is responsible for attesting to the accuracy of information and data provided to a purchase card certifying officer in support of a payment to the card-issuing bank. Purchase card approving officials are accountable and may be held pecuniarily liable for any erroneous payments that result from inaccurate information and data, including designation of the proper appropriation(s) or other funds, provided to a purchase card certifying officer, if the erroneous payment is the result of negligence relative to the performance of assigned duties.

B. The approving official will review each cardholder’s billing statement every month to verify the cardholder was authorized to purchase the items; the government has received the items; and all accountable property (including pilferable items as defined by the DoD Component) has been properly recorded on government property accountability records in accordance with Component procedures. The capitalization threshold and accountability requirements for property, plant, and equipment purchased are provided in Volume 4, Chapter 6. Each approving official will have a reasonable span of control over cardholders in accordance with the Guidebook. The approving official’s responsibilities referenced in the Guidebook include, but are not limited to the following:

1. Recommending purchase card dollar limits and MCC exclusions to the A/OPC for cardholders under their purview;

2. Ensuring each cardholder fulfills his or her responsibilities as identified in the Guidebook;

3. Reviewing/reconciling his or her cardholder’s statements and approving the statement when the cardholder cannot perform this function. A purchase card checklist, included as Figure 23-1, may be used as a tool by approving officials and certifying officers to document due diligence in billing statement reviews;

4. Verifying all transactions are necessary government purchases in accordance with the FAR, DFARS, and DoD policies and regulations;
5. Forwarding the billing statement and all original supporting documentation, preferably in an electronic repository (e.g., receipts, logs, invoices, delivery orders, and approvals), to the certifying officer, who will be responsible for ensuring compliance with the requirements for record retention;

6. Tracking purchases paid for, but not received, along with monitoring related disputes cited in paragraph 230507 until the transaction at issue is resolved;

7. Signing and dating the billing statement (preferably electronic) and forwarding it to the certifying officer (if not the same as the approving official). Figure 23-2 contains the language for the approving official’s certification statement;

8. Resolving any questionable purchases with the cardholder;

9. Notifying the A/OPC to close the account of any cardholder who has transferred, terminated, or retired, or is in absent-without-leave status, and informing the certifying officer of these actions;

10. Notifying the A/OPC and certifying officer (if not the approving official) of any planned approving official reassignment to other duties or departure from the installation or activity;

11. Notifying the A/OPC and certifying officer (if not the approving official) of any lost/stolen cards (in addition to the cardholder notifying the card-issuing bank); and

12. Completing required initial and refresher training in accordance with the Guidebook and Volume 5, Chapter 5.

230408. Authorized Cardholder

The cardholder is the individual appointed in accordance with the policies contained in the Guidebook. The Guidebook addresses the responsibilities of cardholders, their required use of a purchase log, and the responsibilities of others charged with cardholder and cardholder account management and oversight. From a financial management perspective:

A. A cardholder will ensure funds are available prior to making the purchase;

B. A cardholder will perform a review of the monthly cardholder statement as described in paragraph 230502;

C. When a cardholder uses the card to make unauthorized transactions, as defined in paragraph 230203, the cardholder may be liable for any illegal, improper, or erroneous payment resulting from those transactions, and be subject to adverse personnel actions; and
D. In cases where an erroneous charge is not disputed timely, the cardholder may also be held accountable.

230409. Convenience Check Account Holder

The convenience check account holder is a military member or civilian employee appointed as prescribed in the Guidebook. The convenience check account holder is responsible for ordering, receiving, storing, inventorying, reconciling, and disposing of check stock. Convenience check account financial management policy is addressed in section 2306. The convenience check account holder is required to obtain and report tax data to the responsible tax office so that an *Internal Revenue Service (IRS) Form 1099-MISC* can be issued to the convenience check payee. Data reporting requirements are set forth at paragraph 230603. The convenience check account holder will not perform the functions of approving officials or certifying officers. The commanding officer, director, or designee with oversight responsibility will cancel the convenience check privileges of cardholders who improperly use convenience checks.

230410. Resource Manager

The RM is the individual designated by an agency to record formal commitments and obligations into the accounting system. The RM will establish commitments in advance in amounts no less than the periodic purchase limits authorized for commercial purchase cards or at the purchase requisition level. Advance reservations of funds are established by the RM (or equivalent), in conjunction with the assigned A/OPC, and must be considered when setting office, managing account, and/or cardholder purchase limits. The use of advance reservations of funds or commitments for purchase requisitions will also ensure positive funds control, precluding expenditures from exceeding obligations. Policy for recording obligations for the transactions in this chapter is contained in Volume 3, Chapter 8. The RM responsibilities associated with the purchase card program, referenced in the Guidebook, include, but are not limited to the following:

A. Coordinating funding and spending limits with approving officials and A/OPCs, to include providing advice on legal or regulatory constraints on the use of funds;

B. Providing approving officials and cardholders official notification of funding;

C. Assigning default and alternate lines of accounting (LOAs), and ensuring they are entered into the card-issuing bank’s system for electronic invoicing, receipt, and processing;

D. Providing reallocation authority to cardholders and approving officials, when necessary. The process of reallocation, which gives the cardholder the capability to select different LOAs for a transaction rather than the default line, is set up by the cardholder’s supporting RM;

E. Receiving and correcting invoice rejects with the A/OPC’s assistance;
F. Assisting with resolving accounts in a delinquent status and providing payment information when requested; and

G. Coordinating with the responsible officials to ensure any unrecorded purchases are recorded in the period in which they occur and the miscellaneous obligation is reversed timely as referenced in Volume 3, Chapter 8.

230411. Entitlement Office

For the purpose of this chapter, the term “entitlement office” is defined as the office that processes the card-issuing bank’s payment request (i.e., billing statement) after certification by the certifying officer. Responsibilities of the entitlement office include, but are not limited to the following:

A. Verifying the amount certified for payment on the invoice matches the amount certified per the certified disbursement voucher;

B. Validating sufficient funds have been obligated in the accounting records;

C. Notifying the installation A/OPC and RM within one business day of invoices rejected, including a detailed reason for the rejection. Upon resubmission of the rejected transactions, processing will include the Standard Document Number/contract number of the original transaction; and

D. Computing late payment interest penalties in accordance with Chapter 7 and provisions of the card-issuing bank’s contract, if applicable.

230412. Disbursing Office

The disbursing office receives the certifying officer Appointment/Termination Record (DoD Form 577) for file retention and disburses payments to the card-issuing bank. The disbursing office will not replicate the reconciliation process before making payment on certified purchase card billing statements. The disbursing office makes an advice of payment available to the bank. See Volume 5, Chapter 9 for additional disbursing policy.

2305 STATEMENT RECONCILIATION AND CERTIFICATION

230501. Receipt and Acceptance

The cardholder will ensure receipt and acceptance and perform proper documentation of all purchases made. Independent receipt and acceptance by an individual, other than the cardholder, is required for accountable property purchases and self-initiated purchases (i.e., purchases lacking a documented requisition/request from someone other than the cardholder). Accountable property, as identified in the Guidebook, includes sensitive, classified, and pilferable property type items. Refer to the Guidebook for additional circumstances that may require independent receipt and acceptance and the use of Wide Area Workflow (formerly the Invoicing,
Receipt, Acceptance, and Property Transfer system) when the purchase card is used as a method of payment against a contract.

A. To verify proof of delivery, record the date received, along with the signature (or electronic alternative when supported by internal controls), printed name, telephone number, and office designator or address of the receiving official on the sales invoice, packing slip, bill of lading, or other shipping or receiving document. Record the name of the independent individual confirming receipt in the cardholder purchase log.

B. Local procedures may specify additional circumstances (e.g., based on cost) requiring evidence of receipt by an individual other than the cardholder. The approving official will verify the existence of receipt and acceptance documentation (e.g., hand receipts for accountable property). The approving official also may physically verify receipt and acceptance. Cardholders must timely notify the property accountability official of pilferable, sensitive, or high valued property obtained with the purchase card, in accordance with established property accountability policy.

230502. Cardholder Review

The cardholder’s statement from the card-issuing bank details all the transactions posted against his or her account through the end of the billing cycle.

A. Each cardholder must reconcile his or her statement against supporting documentation and the purchase card log to ensure accurate and timely payments. The cardholder will review the statement for billing errors and unauthorized transactions, and dispute such transactions with the merchant in accordance with paragraph 230507.

1. Under the billing discrepancy provisions of the GSA master contract, the cardholder must report cases of fraud to the card-issuing bank, the A/OPC, the commanding officer or director, and the local procurement fraud investigative authority for investigation and adjudication. The cardholder must also comply with the bank’s fraud reporting procedures.

2. Known or suspected fraudulent transactions not authorized by the cardholder must not be approved for payment. The electronic invoice will be “short paid” by the amount of the transaction(s) in question and then electronically certified for payment. Cardholders must identify the reason the transactions are deemed fraudulent and the date the fraudulent transactions were reported to the bank in the system. In all instances, the cardholder will attempt to review/reconcile all transactions during the billing cycle within which they occur so that these fraudulent transactions are never included in the corresponding billing statement.

B. If the cardholder cannot obtain a credit for a disputed item from the merchant, then the cardholder will officially dispute the transaction with the card-issuing bank following the procedures in paragraph 230507. The cardholder will annotate instances of non-receipt for recently ordered goods or services on each statement.
C. The cardholder will sign and date the billing statement (preferably electronically) and forward it, with the necessary supporting documentation, to the approving official for action. Figure 23-2 contains the language for the cardholder’s certification statement.

D. If the cardholder cannot review the statement upon receipt (e.g., due to leave or business travel), then he or she will make his or her cardholder statement and supporting documentation available to the approving official or certifying officer for timely review.

230503. Approving Official (as Accountable Official) Review

The approving official must review each transaction made by cardholders under their managing account to ensure all supporting documentation is available and correct. The approving official will ensure cardholder reviews have been completed properly, ensure transactions have been disputed as necessary, ensure receipt and documentation of all accountable property, verify all transactions were necessary government purchases, and perform any other administrative function required by the purchase card program and other Component policies and procedures.

A. Under billing discrepancy provisions of the GSA master contract, known or suspected fraudulent transactions not authorized by the cardholder must not be certified for payment and must be reported to the card-issuing bank, A/OPC, commanding officer or director, and the local fraud investigative authority for investigation and adjudication. The invoice will be “short paid” by the amount of the transaction(s) in question. Refer to subparagraph 230502.A. for additional guidance concerning the cardholder’s review and handling of fraudulent transactions. If not done so by the cardholder, the approving official should ensure fraudulent transactions are disputed in accordance with applicable card-issuing bank procedures, and reported as fraudulent in accordance with the card-issuing bank fraud reporting procedures, as well as those of the Component.

B. For abusive and fraudulent transactions, or other instances of misuse as described in paragraph 230203, made by an authorized cardholder, the government is contractually obligated to pay the card-issuing bank. Every purchase made by an authorized cardholder using an authorized card creates a contractual obligation of the government to pay the card-issuing bank. Report these types of fraudulent and abusive transactions to the A/OPC, appropriate authorities, and/or management officials for investigation and corrective action in accordance with Component policies and procedures.

C. For abusive transactions, the approving official will authorize payment for any items that cannot be returned and pursue corrective action by reporting the matter to the A/OPC and management officials in accordance with Component policies and procedures.

D. For transactions that may be questionable, the approving official will determine as rapidly as possible whether there is potential fraud or whether the transaction is otherwise disputable. The mere lack of supporting documentation will not trigger a finding of fraud or impropriety unless the identity of the item or service, or other facts, would lead a reasonable person to believe that this was a fraudulent or unauthorized transaction. If the transaction is determined not to be fraudulent or otherwise disputable, then it must be approved.
for payment. The approving official will continue to follow up to obtain sufficient documentation to support that the transaction is no longer categorized as questionable. The follow-up work should involve the cardholder, appropriate management, and bank officials as necessary.

E. When the approving official is appointed collaterally as the certifying officer, he or she will also complete the requirements in paragraph 230504.

230504. Certifying Officer Review

The certified billing statement is the official invoice for payment purposes.

A. The certifying officer will review and certify the billing statement (preferably electronic) and forward it to the designated entitlement and/or disbursing office for timely payment processing. Figure 23-2 contains the language for the certifying officer’s certification statement. See Volume 5, Chapter 5 for additional policy concerning certification requirements.

B. The certifying officer must not certify a known or suspected fraudulent transaction that was not authorized by the cardholder. The certifier must not certify payments if the card or the card number applies to transactions generated by an unauthorized user, such as a vendor entering the wrong card number, or the transaction occurs after reporting the card or card number lost or stolen. The certifying officer will follow agency procedures for addressing all fraudulent or abusive transactions, or other instances of purchase card misuse.

C. Pursuant to 31 U.S.C. § 3528, a certifying officer certifying a voucher (purchase card billing statement) is responsible for the information, computation, and legality of a proposed payment under the appropriation or fund. A certifying officer will ensure all transactions are legal, proper, correct, and satisfy a bona fide need in accordance with government policies, rules, and regulations. Since payments are to the financial institution, the certifying officer is responsible for certifying the legality and accuracy of the information pertaining to the amount owed the financial institution.

230505. Payment without Receipt and Acceptance

In accordance with the Guidebook, the DoD is authorized to certify invoices for payment of micro-purchases prior to the verification that all items billed have been received and accepted. Each approving official is required to establish a system and related procedures to flag and track all transactions certified for payment without verification of receipt and acceptance. These procedures will ensure that all transactions that have been reconciled and approved for payment will have their receipt verified no later than 45 days after the invoice date. If there is no documented evidence verifying receipt and acceptance after the 45-day period, the cardholder must protect the government’s rights by disputing the transaction. The cardholder must file a formal dispute in accordance with paragraph 230507.
230506. Payment of the Certified Billing Statement

The designated entitlement office will pay purchase card invoices (preferably electronic) upon receipt of the certified billing statement. Attention must be paid to the prompt payment clock, which starts when the invoice is made available to the DoD on the card-issuing bank’s website versus when invoices are transmitted to the entitlement office. The entitlement office will ensure that only the amount certified for payment by the certifying officer is processed for payment.

230507. Disputed Transactions

Disputable transactions include but are not limited to those related to cards reported lost or stolen, incidences of compromised card numbers, or transactions initiated by unauthorized third parties. These transactions must be placed into the dispute process and will not be paid while in dispute. The cardholder must dispute the transaction as soon as possible in accordance with the timetable and provisions contained in the bank card contract, the Guidebook, and local procedures.

A. For instances where items appear on the billing statement, but have not been received, the cardholder will contact the vendor to validate that shipment has been made. For cases of non-shipment, items will be officially disputed only if the merchant fails to credit the account in the next billing cycle, or the items are not ultimately received.

B. Approving officials will monitor cardholder items billed versus receipt discrepancies to ensure any remaining discrepancies are disputed.

230508. Summary Accounting

To reduce transaction processing fees, DoD activities will summarize accounting data, where systems capabilities are available to preclude any duplication of LOAs, before submitting certified billing statements and accounting data to the designated entitlement office. Specifically, DoD activities will “roll up” disbursing data by LOA to eliminate duplicate LOAs on one certified billing statement.

A. Approving officials and certifying officers will ensure complete summarization of billing statements with no duplicate LOAs prior to certification and submission of the billing statements for payment. The level of appropriation data summarization will be consistent with the advance reservation of funds and the data for entry into the accounts payable, disbursing, and accounting systems in order to maintain positive funds control, match each planned disbursement with a recorded obligation (as described in Chapter 1 and Volume 3, Chapter 8), and prevent unmatched disbursements.

B. The following methods will be used to facilitate summary-level accounting:

1. Use the minimum number of LOAs per purchase card to satisfy mission requirements;
2. Establish approving official and cardholder relationships, to the maximum extent possible, which will support summary-level billing statements which are comprised of multiple purchase cards citing the same LOA; and

3. Use the object class that is most appropriate for the types of micro-purchases made with the card.

2306 CONVENIENCE CHECKS

230601. General

Use of convenience checks must be minimized and designated as a purchase instrument of last resort. They will only be used if the vendor offering the goods or services does not accept or does not have the ability to process the purchase card, no other vendor can reasonably be located, and it is not practical to pay for the items using the traditional procurement method.

A. A discrete account must be set up in order to issue convenience checks. Convenience check and normal purchase card accounts may be issued under a single managing account, but they must not be commingled. The transactions reported during the billing cycle for the convenience check and purchase card accounts will appear on the cardholder’s account of the approving official’s monthly billing statement.

B. Convenience check accounts are provided by the card-issuing bank in accordance with the terms of the contract. The card-issuing banks operate a convenience check writing system that allows DoD activities, including overseas locations, to make selected minor purchases and payments using checks to replace cash for official expenses, when card products and other alternatives have been determined unusable. The card-issuing banks offer “help desk” assistance and reporting capabilities with a variety of reporting media and frequencies to assist with performing oversight activities.

C. Each Component will issue instructions concerning the use of convenience checks. Individuals delegated as convenience check account holders will be appointed in writing. At a minimum, the appointment letter will state the specific duties of the check writer, any limitations on the scope of authority (including dollar limitations), and an acknowledgement of the check writer’s duties and responsibilities. Convenience checks will not be used for employee reimbursements, cash advances, cash awards, travel-related transportation payments, meals, or payroll/salary payments. For additional information concerning convenience check requirements and restrictions on their use, refer to the Guidebook.

230602. Printed Convenience Checks and Issuing Bank Requirements

The GSA contract provides responsibilities of the issuing bank for convenience check accounts. The issuing bank will ensure convenience checks are sequentially pre-numbered duplex documents (one copy for the cardholder’s records and the original for the merchant).
230603. IRS Form 1099 Requirements for Convenience Check Account Holders

A. The Defense Finance and Accounting Service (DFAS) has tax reporting responsibilities for the DoD and is responsible for reporting to the IRS miscellaneous income paid to vendors/contractors.

B. DFAS created the 1099-MISC Tax Reporting Process that convenience check account holders must use to report payments for “services” and other reportable payments (i.e., rentals, maintenance fees, speakers and interpreters, royalties, attorneys, medical, and health) to DFAS for subsequent reporting to the IRS. Convenience checks written for the purchase of products/goods and/or to tax exempt agencies such as state and local governments, state universities, and the United States Postal Service do not require reporting to DFAS. Refer to the DFAS 1099 Tax Reporting Program Convenience Check User’s Manual for more detail regarding payment types that are and are not reportable to DFAS. Convenience check account holders will need to obtain from vendors, and report to DFAS, the following data via the DFAS 1099 Tax Reporting Program:

1. Payee’s name (merchant, vendor, individual) and legal name (the name by which taxes are filed);

2. Payee’s business name. If the business is classified as a Sole Proprietorship, then report the business (merchant) information and the Sole Proprietor’s name must be provided;

3. Payee’s legal mailing address (the address used to file their taxes);

4. Employer Tax Identification Number (Social Security Number or Employer Identification Number);

5. Check number;

6. Check amount;

7. Payment date (date the check is written, not the date the check is cashed);

8. A brief description of the purchase;

9. Telephone number of the merchant; and

10. Convenience check account number.

230604. Authorizing and Establishing Convenience Check Accounts

Requests to establish an account for convenience checks must be justified in writing and in accordance with the provisions established in the Guidebook. A specific individual must be
designated as the account holder responsible for that account via the proper application forms and, when completed, those forms will be submitted through the DoD activity’s existing purchase card hierarchical structure. Additional convenience check account(s) may be established following a written determination by the Commander that another account is necessary to meet mission requirements as prescribed by the Guidebook.

*230605. Conditions for Using Convenience Check Accounts

The authorized micro-purchase threshold for convenience checks is $5,000. See the Guidebook for alternative thresholds pertaining to situations involving declared contingencies or emergencies either within the United States or outside the United States. In order to maintain effective internal controls, approving officials, review officials, and certifying officers will not perform the functions of convenience check custodian or cashier. Additional conditions on the use of convenience checks are as follows:

A. Convenience checks will be issued for the exact payment amount, with a prohibition on splitting purchases, payments, or other amounts among more than one check in order to keep amounts below the micro-purchase threshold or other assigned limits.

B. Convenience checks will be used for official government purposes only.

C. Convenience checks will not be issued as an “exchange-for-cash” vehicle to establish cash funds.

D. If convenience checks are mailed to payees, then local internal controls must be in place to avoid duplicate payments being made to them.

E. The issuing activity is responsible for all administrative costs associated with the use of convenience checks. Fees associated with the use of convenience checks are specified in the GSA contract. At DoD Component election, the costs associated with the purchase of convenience checks may be expressed as: (a) percentage; (b) number of basis points; or (c) fixed fee.

F. Convenience checks are negotiable instruments and will be stored in a locked container, such as a safe, where only the account holder has access. Checks will be accounted for by recording transactions as they occur in the check register and/or purchase log to maintain control of number sequence. Local policies and procedures must be implemented to provide safeguards to prevent physical loss, theft, or potential forgery.

230606. Reconciliation of Convenience Check Accounts

The convenience check account holder will reconcile the billing statement as part of the monthly billing cycle against his or her retained records of issuance in accordance with the standard payment practices established for the purchase card in section 2305.
A. Local policies and procedures must ensure an annual review of each convenience check account. This effort will include a sample of convenience check transactions, to include the review of all supporting documentation. It will also include examinations to determine the propriety of convenience checks written to individuals. Any suspected cases of fraud, abuse, or misuse will be reported to the appropriate management and investigative authorities in accordance with established policies.

B. The dispute process is not available for convenience checks. Any concerns over a purchase made with a check will be resolved directly with the merchant. The account holder is solely responsible for securing restitution and/or credit on disputed purchases.

C. Stop payments may have an effect on convenience checks, provided the convenience checks have not been posted to the account. The card-issuing bank will provide the ability to stop payment on a convenience check within 24 hours. The stop payment fee will be charged directly to the account.

2307 EMERGENCY AND CONTINGENCY OPERATIONS

Appendix B to the Guidebook provides the relevant regulatory and related Departmental policies regarding the use of purchase cards in support of contingency contracting operations. The financial management policies related to purchase cards, as previously identified in this chapter, remain in place for emergency and contingency operations unless otherwise noted.
FIGURE 23-1 APPROVING OFFICIAL AND CERTIFYING OFFICER MONTHLY REVIEW CHECKLIST

This checklist is for approving official and certifying officer use in completing the cardholder billing statement reconciliation, receipt and acceptance, and dispute procedures prior to certification. The checklist is intended as a reference tool for use in examining the cardholder’s purchase card statement received from the card-issuing bank.

Account Number: _____________________  Account Type: _____________________

Approving Official Name and Date: _________________________________________

Billing Statement Date: _______________________

<table>
<thead>
<tr>
<th>Review Steps</th>
<th>Date Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtain the cardholder statement, supporting documentation, and certification from the cardholder.</td>
<td></td>
</tr>
<tr>
<td>Review purchases for each cardholder to determine whether all transactions were authorized government purchases in accordance with the FAR, DFARS, and all other government agency policy and procedures as applicable.</td>
<td></td>
</tr>
<tr>
<td>Reconcile supporting documentation with details on the billing statement. Also, review for adequacy the purchase log entries for those transactions.</td>
<td></td>
</tr>
<tr>
<td>Resolve any questionable purchases with the cardholder and, if necessary, advise the cardholder to dispute transactions with the card-issuing bank. Annotate disputed transactions on the billing statement.</td>
<td></td>
</tr>
<tr>
<td>Review past transactions that were certified for payment without proof of receipt and acceptance to confirm acceptance and receipt with the cardholder. If receipt cannot be confirmed, then direct the cardholder to dispute the transaction.</td>
<td></td>
</tr>
<tr>
<td>Annotate suspected cases of fraudulent or abusive purchases, or suspected cases of purchase card misuse, on the billing statement and report such matters to the A/OPC so the transaction can be disputed or investigated as appropriate, and in cases of suspected fraud report the matter to the appropriate investigative office.</td>
<td></td>
</tr>
<tr>
<td>In the case of suspected fraud by government personnel (e.g., cardholder/receiver), document the suspected fraud and notify the appropriate investigative office and the A/OPC so the transaction(s) can be investigated.</td>
<td></td>
</tr>
<tr>
<td>Retain a copy of the billing statement and originals of supporting documentation (e.g., approvals, receipts, logs, invoices, and delivery orders).</td>
<td></td>
</tr>
<tr>
<td>Sign or execute electronically the approving official and certifying officer certification statements, and forward the certified statements to the payment office.</td>
<td></td>
</tr>
</tbody>
</table>
FIGURE 23-2 PURCHASE CARD CERTIFICATION STATEMENTS

- The Cardholder (as Accountable Official) certification statement will read:

  “I certify that, except as may be noted herein or on supporting documents, the purchases and amounts listed on this account statement:

  (1) Are correct and required to fulfill mission requirements of my organization.
  (2) Do not exceed spending limits approved by the Resource Manager.
  (3) Are not for my personal use or the personal use of the receiving individual.
  (4) Are not items that have been specifically prohibited by statute, by regulation, by contract, or by my organization.
  (5) Have not been split into smaller segments to avoid dollar limitations.”

  __________________________________________
  Authorized Cardholder Signature and Date (or electronic signature)

- The Approving Official (as Accountable Official) certification statement will read:

  “I certify that the items listed herein are correct and proper for payment from the appropriation(s) or other funds designated thereon or on supporting vouchers, and that the payment is legal, proper, and correct, except as may be noted herein or on supporting documents.”

  __________________________________________
  Authorized Approving Official Signature and Date
  (or electronic signature)

- The Purchase Card Certifying Officer certification statement will read:

  “Pursuant to the authority vested in me, I certify that this invoice (billing statement) is correct and proper for payment, except as may be noted herein or on supporting documents.”

  __________________________________________
  Authorized Purchase Card Certifying Officer Signature and Date (or electronic signature)
VOLUME 11A, CHAPTER 1: “GENERAL REIMBURSEMENT POLICY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated November 2014 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>010101</td>
<td>Added an Overview paragraph.</td>
<td>Addition</td>
</tr>
<tr>
<td>010102</td>
<td>Changed this to new Purpose paragraph.</td>
<td>Revision</td>
</tr>
<tr>
<td>010103</td>
<td>Added an Authoritative Guidance paragraph.</td>
<td>Addition</td>
</tr>
<tr>
<td>010204.F and 010204.H</td>
<td>Added exceptions provided by Title 10, United States Code, section 2571 and, for services provided by U.S. Army Corps of Engineers and Nonappropriated Fund Instrumentalities.</td>
<td>Addition</td>
</tr>
<tr>
<td>010204.I</td>
<td>Added Treasury’s Bureau of the Fiscal Service online interest calculator.</td>
<td>Addition</td>
</tr>
<tr>
<td>010204.K</td>
<td>Clarified asset use charge calculations for depreciation and interest expense.</td>
<td>Revision</td>
</tr>
<tr>
<td>010205</td>
<td>Added guidance for Treasury’s Fiscal Service Forms 7600A/B and, Standard Forms 1080 and 1081; and removed the Universal Order Format since this is no longer supported for use by DoD Components.</td>
<td>Addition/Deletion</td>
</tr>
<tr>
<td>Addendums, 1, 2 and 3</td>
<td>Removed since the pertinent information is captured in the chapter contents.</td>
<td>Deletion</td>
</tr>
<tr>
<td>Note</td>
<td>This chapter aligns with the guidance in the DoDI 4000.19 and will be updated to reflect the revised policy when the DoDI 4000.19 is reissued later in 2020.</td>
<td>Notification</td>
</tr>
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CHAPTER 1

GENERAL REIMBURSEMENT POLICY

0101 GENERAL

*010101. Overview

DoD reimbursable authority is authorized by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), through budget formulation and statutory authorization of the budget in accordance with Title 10, United States Code, section 2205 (10 U.S.C. § 2205).

*010102. Purpose

This chapter supplements the standards for financial accounting for receivables, in Volume 4, Chapter 3, and for budgetary accounting for reimbursements, in Volume 3, Chapters 8 and 15. It provides guidance on the amounts that must be recouped when DoD Components perform work or sell property within the Department, to other Federal Agencies and to private parties that do not involve the Defense Working Capital Fund (DWCF) or other DoD Revolving Funds. It does not provide authority to sell to private parties, since specific legal authority must be identified to make such sales.

*010103. Authoritative Guidance

A. U.S. Department of the Treasury (Treasury) authorized accounts are to be credited for reimbursements made to DoD appropriations in accordance with 31 U.S.C. §§ 1535 and 1536. Refer to 10 U.S.C. § 2205 for further guidance.

B. Statutory authority on project order agreements for work or material or for the manufacture of material pertaining to approved projects placed with a separately managed DoD-owned establishment is given in 41 U.S.C. § 6307. 31 U.S.C. § 1535 governs Economy Act orders placed with an agency or major organizational unit within an agency. Chapters 2 and 3 provide detailed guidance on the use of these orders within the Department.

C. According to DoD Instruction (DoDI) 4000.19 “Support Agreements,” DoD Components are responsible for programming, budgeting, and funding for the reimbursable support agreements into which they enter. These include agreements which a DoD Component enters into with another DoD Component, a Federal Agency or Federally-recognized Indian Tribe, a State or local government and a State or local government for support of the National Guard. DoDI 4000.19 uses the term Intra-agency support agreements to refer to agreements between DoD Components. Also, DoDI 4000.19 uses the term Inter-agency support agreements to refer to agreements between DoD Components and Federal Agencies.

D. The requirements in Treasury Financial Manual (TFM) Volume I, Part 2, Chapter 4700, Appendix 8 “Section 1—Buy/Sell Transactions,” provides guidance on Buy/Sell activity that involve reimbursable activity between Federal Program Agencies (FPAs) and, between FPAs and third-party providers. These buyers and sellers are also known as trading
partners. The TFM provides the business rules and processes to properly record, report, reconcile and measure intragovernmental transactions (IGTs), including the process for dispute resolution. The TFM differentiates between two types of IGTs, intradepartmental and intragovernmental. Intradepartmental transactions result from activity between trading partners within the same department. Intragovernmental transactions result from activity between Federal Agencies not within the same department. The Volume 5, “Definitions” Chapter defines an FPA as a department, instrumentality, office, commission, board, service, or other establishment of the U.S. Government.

E. The guidance in this chapter is applicable unless a specific DoD issuance authorizes alternative reimbursement policies. The most significant of these alternative reimbursement policies include:

1. **10 U.S.C. § 2571** allows for the interchange of supplies and services between DoD Components without compensation. Transfers of supplies between military departments must have the permission of the Service Secretaries involved. In addition a DoD Component may perform work, services or issue supplies to another DoD Component with the permission of the respective component heads. Furthermore, costs of DoD military or civilian pay and allowances (along with dependent and household goods transportation) for detail or other assignments, may be charged to an appropriation with the approval of the receiving DoD Component head.

2. Volume 11B establishes the DoD guidance for the recovery of cost for products and services provided by the DWCF or other applicable DoD Revolving Fund activities. Reimbursable orders placed with the DWCF or other DoD Revolving Fund activities may fall under any number of authorities (e.g. Project Orders for depot maintenance). The basic transactional authority for the DWCF is derived from **10 U.S.C. § 2208(a)**. This authority for buyer-seller transactions is not dependent on the Economy Act or Project Order Act statutes. See Volume 11B, for additional information regarding DWCF authorities.

3. Volume 13 establishes the DoD accounting guidance for DoD Morale, Welfare, and Recreation (MWR) functions performed by Nonappropriated Fund instrumentalities (NAFs). DoD Components must not commingle Nonappropriated Funds (NAFs) with Appropriated Funds (APFs), even when used to support a common program. **DoDI 1015.15 “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources,”** provides further guidance.

4. Volume 15 establishes the DoD guidance for the Foreign Military Sales (FMS) of defense articles, defense services and for providing military training to allied and partner foreign governments and multinational organizations.

5. **DoD Directive (DoDD) 3025.13** “Employment of DoD Capabilities in Support of the U.S. Secret Service (USSS), Department of Homeland Security (DHS),” provides the DoD policy for the use of DoD resources for reimbursable support of the USSS, a DHS entity.
6. **DoDD 3025.18** “Defense Support of Civil Authorities,” provides the DoD policy for providing reimbursable military support when requested by civil authorities in order to save lives, prevent human suffering or, mitigate property damages within the U.S. Refer to Chapter 19 for further guidance.

7. **DoDI 3025.21** “Defense Support of Civilian Law Enforcement Agencies,” provides the DoD policy for reimbursable support provided to civilian law enforcement officials.

0102 REIMBURSEMENT GUIDANCE

*010201. General Guidance

A. A seller’s reimbursements are amounts earned and collected for materials sold or services furnished as a result of a reimbursable agreement. A seller’s reimbursable obligations are financed by offsetting collections. Components are to credit these offsetting collections to an expenditure account in payment for goods and services provided by that account. Refer to Office of Management and Budget (OMB) Circular A-11, section 20 for further details. Credit the specific appropriation or fund account for the collection only when it authorized by law.

B. Activities performing reimbursable operations must be able to identify the statutory authority for the work they perform for others. The TFM in Volume I, Part 2, Chapter 4700, Appendix 8 provide the requirements for accounting, reporting, and reconciliation of IGTs between FPAs and their trading partners. The five IGT categories are Fiduciary, Buy/Sell, Transfers, Custodial, and General Fund transactions. Buy/Sell IGTs involve transactions where goods or services are purchased by one Federal Agency from another Federal Agency. Buy/Sell IGTs are exchange transactions impacting assets and liabilities; revenue and expenses; and advances/prepayments and deferred credits. Two Federal Agencies will usually execute a reimbursable agreement to formally document this agreement. Trading partners must have appropriate statutory authority, such as the Economy Act, prior to engaging in an agreement for Buy/Sell transactions. For Buy/Sell IGTs the receiving agency is the buyer and the servicing agency is the seller. Trading partners must reconcile completed performance transactions at a minimum, on a quarterly basis to ensure both parties are in agreement. The TFM provides the requirements for using the standard Interagency Agreement (IAA) containing Fiscal Service (FS) Form 7600A “General Terms and Conditions (GT&C)” and FS Form 7600B “Order Requirements and Funding Information (Order).” Treasury requires the use of these two IAA forms to ensure the proper recording and reporting on IGT buy/sell transactions unless, other guidance (such as OMB policy) require a completed agreement. All DoD Components must use the latest versions of FS Forms 7600A/B. Refer to 010205 for specific guidance.

C. Non-Economy Act orders for intragovernmental work and services should be executed in accordance with the detailed guidance provided in Chapter 18.
010202. Disposition of Collections

A. Collections must be credited to the appropriation that procured the services or materiel being sold when specifically authorized by law.

B. Collections for unfunded costs such as labor of military personnel, depreciation of capital assets and interest, must be deposited into the General Fund of the Treasury as miscellaneous receipts unless otherwise provided for in this chapter or by other DoD issuances.

C. Disposition of collections for FMS must be in accordance with Volume 15.

010203. Billing Standard

A. The price to be charged for goods and services furnished by the Department depends on whether that good or service is provided to, or for the benefit of a DoD Component, a non-DoD Federal Agency, a private party, or an FMS customer. Therefore, the ordering DoD Component activity that requisitions or orders a good or service must inform the performing DoD activity of the identity of the intended recipient for the requisitioned goods or services. The ordering activity must review all charges from the performing activity to ensure that amounts due are in agreement with the reimbursable order and are supported with a copy of the order or contract and evidence of performance as provided in Volume 4, Chapter 3.

B. DoD Components performing work or services on a customer order must bill the ordering DoD Component, other Federal Agency, or the public for earned reimbursements (performance of work or services, or delivery from inventory) within 30 calendar days after the month in which performance occurred. The payment due date must not be more than 30 calendar days from the date of the invoice. Bills rendered are not subject to audit by the customer prior to payment as required under 31 U.S.C. § 1535.

C. The accurate reporting of reciprocal balances, and proper elimination of reciprocal activity between trading partners, requires accurate documentation of accounting events. Imbalances occur when Federal entities or trading partners are unable to account for and reconcile differences when buying and selling goods and services. Volume 6B, Chapter 13 provides guidance for adjustments, eliminations, and other special intragovernmental reconciliation adjustments.

*010204. Determining Amounts to be Reimbursed

DoD Components must adhere to the guidance in the following 14 categories (subparagraphs 010204.A – N) when determining amounts to be collected as reimbursements. Components may use alternative reimbursement rules described in this volume and in other DoD issuances as applicable.

A. According to DoDI 4000.19, reimbursement support charges must not include costs already provided for in the seller’s budget. In other words, support is reimbursable to the extent that in providing the specified support for a buyer, this effort increases the seller’s
direct support costs. While indirect costs are not normally reimbursable between DoD Components they are reimbursable in agreements with Federal Agencies.

B. An order placed or agreement made under the Economy Act obligates an appropriation of the ordering entity. The amount obligated is deobligated to the amount of costs incurred and billed by the performing entity before the end of the period of availability of the appropriation. According to OMB Circular A-11 “Section 20—Terms and Concepts,” the Economy Act allows Federal Agencies or DoD Components to do work for each other. As the costs for this work are incurred, the Economy Act authorizes the collections to be credited directly to the expenditure account that provided the goods and services for reimbursement. Refer to Chapter 3 for further details.

C. A project order placed with, and accepted by a separately managed DoD-owned entity for services, material, or the manufacture of material, provide support for a valid and recordable obligation of the ordering entity. Project order appropriations remain available to pay an obligation in the same manner as appropriations remain available to pay an obligation to a commercial manufacturer or private contractor. Refer to Chapter 2 for further details.

D. As provided in Volume 13, Chapter 5, the two mechanisms for providing APF support to NAFIs are via two MWR functions. The first is the Utilization Support and Accountability (USA), and the second is the Uniform Funding and Management (UFM). MWR USA enables NAFIs to use NAFs to execute such expenses, subject to subsequent APF reimbursement. Record in the cash account with a contra entry to an Unearned Income (liability) account any MWR UFM funds received in advance. Reduce the Unearned Income account for the amount of MWR UFM expenses recorded.

E. Direct Civilian Labor.

1. A DoD Component must be reimbursed for direct civilian labor costs when performing a service or furnishing materials to another entity. If the performing Component has appropriated funds for that purpose then reimbursement is not required.

2. DoD Components, other Federal Agencies, and the public must be charged for civilian labor performed for their benefit. Calculate the costs by multiplying the actual hourly pay rates by the number of actual hours worked or assigned (detailed). Charge full-time assignments (details) using annual rates. Otherwise apply the hourly rate in accordance with Chapter 6, Appendix D.

3. Civilian personnel fringe benefit rates must be computed in accordance with Chapter 6, Appendix C. These rates are updated annually and published by OUSD(C), Deputy Comptroller Program/Budget (P/B) on the Financial Management Reports web page, listed by fiscal year (FY) under the DoD Reimbursable Rates heading. Refer to the Civilian Personnel Fringe Benefit (Tab D).
F. Direct Military Labor

1. A DoD Component must fund the cost of direct (and indirect) military labor incurred in the performance of a service for, or the furnishing of materials to, another DoD Component via applicable military personnel appropriations. Therefore, the performing DoD Component must not charge the receiving DoD Component for reimbursement of the cost of military labor. 10 U.S.C. § 2571 authorizes this exception to typical reimbursement requirements as outlined in 010103.E.1. DoD Components must reimburse DWCF activities for the cost of military labor as prescribed in Chapter 6, Appendix B and Volume 11B, Chapter 12. U.S. Army Corps of Engineers (USACE) military labor provided in support of civil works activities of the USACE via reimbursable agreement with DoD organizations, and to non-DoD organizations through the Support for Others Program must be charged in the same manner as military labor provided to non-DoD organizations. The Support for Others Program is a reimbursable financing source that is reported each year in the USACE Annual Financial Report. As an example, refer to the USACE FY 2019 Annual Financial Report, Note 1, section 1.D “Financing Sources.”

2. DoD Components must charge non-DoD organizations for military labor on the basis of the actual hours worked or assigned (detailed), using the annual military composite standard pay rates. Compute the military personnel composite standard pay and reimbursement rates in accordance with Chapter 6, Appendix G. OUSD(C), P/B annually updates and published these rates online at Tab K under the subsection DoD Reimbursable Rates.

3. Military labor charged using the annual DoD composite rate for military labor includes a Medicare-Eligible Retiree Health Care accrual to cover the cost of health benefits for current officer and enlisted personnel after they retire and become Medicare-eligible, as well as such costs for their dependents and annuitants. The annual composite rate charged to non-DoD organizations includes an acceleration factor to cover medical health care costs of active duty personnel and their dependents. Military Services will furnish data in accordance with Chapter 6, Appendix G.

G. Temporary Duty Costs. Travel costs incurred by DoD civilian employees and military personnel incurred in performance of a reimbursable work order must be charged as a direct cost when such travel can be identified specifically to the order. Costs of supplies and other directly relatable expenses are also chargeable.

H. DoD Personal Property and Inventory

1. According to DoDI 5000.64 “Accountability and Management of DoD Equipment and Other Accountable Property,” personal property includes systems, equipment, materials, and supplies. This does not include records of the Federal Government and real property (land and improvements to facilities). Personal property normally expected to have a period of service of a year or more after being put into use meets the OMB Circular A-11 equipment definition. This equipment must be without material impairment of its physical condition or functional capacity. Personal property either held for sale, produced for sale, or used to produce goods for sale, or to provide a service for a fee, meets the OMB Circular A-11 inventory definition.
2. **Reutilization and Marketing Materiel (Surplus)**


   b. The general rules for the disposition of proceeds from the sale of scrap or excess personal property must be in accordance with Chapter 5.

3. **Non-DWCF Materiel.** The pricing of personal property for non-DWCF materiel depends on whether the item(s) being transferred or sold will be transferred to another DoD Component and would normally be replaced. DoD Components make this determination in accordance with the approved acquisition objective, according to *OMB Circular A-25* “User Charges.” If the sale will reduce assets required to meet the approved acquisition objective, then replacement is required.

   a. Issues within or to another DoD Component with the exception of issues in support of NAFI Category C activities and USACE civil works activities, must be on a non-reimbursable basis as provided in 10 U.S.C. § 2571. Such issues will require an accounting entry to reflect the transfer from the losing to the gaining activity. The accounting entry must reflect original acquisition cost and any accumulated depreciation. Issues in support of NAFI Category C activities and USACE civil works activities must be priced in the same manner as issues to other Federal Agencies and private parties as provided in 010204.H.3.b.

   b. Issues to other Federal Agencies or private parties must be priced as follows:

      (1) **Materiel to be Replaced.**

         a. Materiel, including equipment, for which replacement (i.e., similar, but not exact) or replacement in kind (i.e., exact) is required, must be transferred or sold at the estimated replacement cost, including the contract or production costs of the article less an adjustment for age and condition of the item being sold. This price is determined in three steps. First, determine the normal useful peacetime life of the item or equipment to be sold. Second, determine the percentage of useful life remaining on the item. Third, apply the percentage to the estimated (or actual) cost of the replacement item. The resultant amount is the base cost to be used in the sale price calculation. Under no condition must the sale price be less than the scrap value plus the cost of the last major overhaul or outfitting accomplished within 24 months before the sale.

         b. If it is imperative that the item be replaced through accelerated procurements and normal pricing policies will not adequately recoup replacement costs, an exception to DoD pricing policies must be requested from OUSD(C), P/B.
Normally, the exception would be to either add a replacement factor or delay final pricing until the contract for replacement items is financially complete.

(2) Materiel Not to be Replaced. A DoD Component that transfers or sells material, including equipment, to other Federal Agencies and private parties must do so at their original acquisition cost, net of any accumulated depreciation/amortization (i.e., net book value). If the DoD Component cannot reasonably ascertain those amounts, the cost of the material will be its fair value at the time of transfer as provided in Volume 4, Chapter 25.

I. Contracts.

1. Contract costs incurred for contracts awarded as part of a reimbursable agreement must be billed to the benefiting organization.

2. Government-furnished materiel must be billed in addition to contract costs in accordance with subparagraph 010204.H.

3. If the contract is provided to meet the requirements of a non-Federal organization, the contractor must be required to pay rent (at fair market value) to the Department for the costs incurred for the use of plant or production equipment utilized in manufacturing the item being sold.

4. The Federal Acquisition Regulation Subpart 52.232-17, “Interest,” provides that all amounts that become payable under the contract must bear simple interest from the due date until paid, unless paid within 30 days of becoming due. The Treasury’s Bureau of the Fiscal Service provides an online “Simple Daily Interest Calculator” for payments less than 31 days old and a monthly compounding interest calculator for payments more than a month late.

5. Contract administration charges must be charged to other Federal Agencies and private parties, in accordance with statutory or policy requirements. As allowed in 10 U.S.C. § 2571 contract administration costs are not to be charged within a DoD Component or to another DoD Component (with the exception of support to NAFI Category C activities and support provided to USACE civil works activities) when funding for such costs is included in the mission funding of the performing DoD entity. Contract administration charges for support to NAFI Category C activities and support provided to USACE civil works activities must be priced in the same manner as charges to other Federal Agencies and private parties.

6. DoD personnel services in support of contracts must be costed in accordance with subparagraphs 010204.E and 010204.F.

J. Accessorial Charges.

1. The “Glossary” Chapter defines these as costs incurred for packing, crating, and handling related to sales or shipments of property. Accessorial charges may be incurred by the DoD for direct delivery of items from contractor facilities or by DoD Components for items furnished from DoD stocks. Accessorial charges incurred by contractors for direct delivery items are normally included in the contract price. If accessorial charges of direct delivery
items are billed separately by the contractor, they must be reimbursed in accordance with DoDI 4000.19, Enclosure 3. Accessorial expenses incurred by one DoD Component are not reimbursable from another DoD Component, (with the exception of support provided to USACE civil works activities) when funding for such costs is included in the mission funding of the performing DoD entity in accordance with DoDI 4000.19, Enclosure 3. Accessorial expenses for support provided to USACE civil works activities must be priced in the same manner as charges to other Federal Agencies and private parties.

2. Unless otherwise provided by law or regulation, accessorial charges must be billed to the following:
   
   a. Non-DoD Federal departments, agencies, or instrumentalities.
   
   b. Non-Federal entities, including DoD contractors.
   
   c. NAFIs when property is transported for DoD MWR activities unless reimbursement has been waived by DoDI 1015.15.
   
   d. USACE for civil works projects or activities.

3. Accessorial charges must be reimbursed by non-DoD activities for the actual cost incurred and billed.

K. Asset Use Charge. A charge for the use of DoD assets (facilities and equipment, or both) is required to recoup depreciation and interest on investment. In accordance with OMB Circular A-25 section 9.A, amounts collected must be returned to the Treasury as miscellaneous receipts, unless otherwise provided for by statute or other DoD guidance. An asset use charge is a factor added to the base rate to recoup depreciation and interest on investments for use of DoD facilities and equipment. A four percent charge may be used. This rate is published annually by OUSD(C), P/B. Refer to the DoD Reimbursable Rates (Tab E) for details. Alternatively, the following calculations may be performed:

1. Depreciation is the systematic and rational allocation of the recorded cost of facilities and equipment (less its estimated salvage or residual value), as an operating expense over the period in which these assets are expected to provide benefits or the estimated useful life, whichever is shorter. Depreciation must be charged using the straight-line method of depreciation. A general equipment or real property item with a recorded cost that equals or exceeds the applicable capitalization threshold and has a useful life of at least two years must be capitalized as an asset and depreciated over its useful life. See Volume 4, Chapter 25. The depreciation calculation is illustrated in Table 1-1.

2. Interest expense must be included in reimbursement billings to private parties to recognize the interest on investment in fixed assets when such assets are acquired or manufactured for the purpose of, or prepared for use in, providing materiel to private parties. The calculation of interest on investment is illustrated in Table 1-2.
L. **Repair and Maintenance.** When repair and/or maintenance of items occurs, costs from a cost accounting system or, in its absence, equivalent costs developed through cost-finding techniques **must** be billed.

1. Labor cost **must** be computed in accordance with subparagraphs 010204.E and 010204.F.

2. Materiel and Supplies cost **must** be computed in accordance with subparagraph 010204.H.

3. Transportation and Related Costs **must** be computed in accordance with subparagraph 010204.J.

4. Overhead Cost **must** be computed in accordance with subparagraph 010204.N.

M. **Leased or Loaned DoD Equipment.** When determining the charge for leased or loaned equipment, the following elements **must** be billed:

1. Depreciation is not applicable to Federal Agencies unless the billing activity is a DWCF. Depreciation **must** be based on cost-finding techniques for sales to private parties unless actual rates are known. Calculations **must** be in accordance with subparagraph 010204.K.

2. Interest on investment in assets **must** be computed in accordance with subparagraph 010204.K and as designated within the lease agreement.

3. Value of equipment not returned to the owning DoD Component **must** be a sale to the using organization. This sale **must** be priced in accordance with subparagraph 010204.H.

4. Accessorial expenses **must** be recognized in accordance with subparagraph 010204.J.

5. Repair costs to restore equipment or property to its condition at the time leased or loaned **must** be collected from the using organization. The amounts **must** be based on either actual job order cost accumulations or estimates of the cost to be incurred based upon past repair and maintenance experience for similar equipment. The amounts collected **must** be returned to the appropriation that financed the repair and maintenance in accordance with 10 U.S.C. § 2667.

6. Direct labor costs **must** be computed in accordance with subparagraphs 010204.E and 010204.F; materiel and supply costs **must** be computed in accordance with subparagraph 010204.H; and overhead **must** be computed in accordance with subparagraph 010204.N.
N. Overhead.

1. Overhead involve expenses necessary to run a business that are not directly tied to the production and delivery of goods or services, according to OMB Circular A-11.

2. Overhead is typically referred to as general and administrative (G&A) costs or some combination of G&A and indirect costs which cannot readily or directly be identified to the performance of a specific customer order for reimbursable costing. Examples of such costs include central management, rent for office space, human resources, sales, building maintenance, office supplies and utility costs. As provided by the Federal Accounting Standards Advisory Board (FASAB) in *FASAB Technical Release 15* that clarifies Statement of Federal Financial Accounting Standards 6, when accumulated indirect costs are not identified as costs incurred to bring facilities and equipment to a form and location suitable for its intended use, they should be expensed.

3. DoD Components may use materiality to determine whether overhead costs should be included in reimbursable billings. This determination must be justified, documented, and be able to stand up to audit scrutiny. If an organization has a material amount of reimbursable effort, overhead costs are accumulated in a cost pool and allocated to customers. In the absence of a cost accounting system, applicable costs may be estimated.

4. Overhead charges *may not be* applied to reimbursable customer orders received from APF activities within the Department. However, APF activities will charge overhead on sales to other Federal Agencies, NAFI Category C activities, USACE civil works activities and private parties.

*010205. Documentation Standards*

A. General. Orders must be supported by documented evidence of a formal offer and acceptance between the grantor and grantee of the order. Each party to a reimbursable support agreement will annually review the agreement for financial impacts. DoD Components will review each of their support agreements triennially in its entirety, and document each review in accordance with Component procedures. The maximum nine year expiration period starts on the date the support agreements are signed both parties involved. A party to a reimbursement support agreement may unilaterally terminate that agreement prior to the expiration date only with sufficient advance notification. A Component must submit the termination notification at least 180 days in advance. This will allow sufficient time for appropriate resource adjustments to be made during the budget formulation process. Refer to DoDI 4000.19 for additional guidance. In the absence of such documentation, there can be no assurance that there is a meeting of the minds on the material or services to be provided nor that payment is required.

B. *FS Forms 7600A/B.* The TFM defines a trading partner as a Federal entity that is party to intragovernmental transactions with another Federal entity. Components must use FS Forms 7600A/B for intragovernmental transactions. FS Form 7600A should cover the broadest categories of goods and services agreed to by both trading partners and, where practical, consolidate requirements to reduce the agreement workload until DoD Enterprise Resource
Planning financial systems are capable of processing FS Form 7600B or equivalent. DoD trading partners should continue to accept current order forms such as the DoD (DD) Form 448, “Military Interdepartmental Purchase Request (MIPR)” or electronic equivalent. Goods or services must be discretely defined for each order.

C. Principal Documents. The DoD Financial Statement Audit Guide published May 2018 allow these Key Supporting Documents for Reimbursable Work Orders:

1. FS Form 7600A, GT&C, (refer to the TFM, Volume I, Part 2, Chapter 4700, Appendix 8 “Section 1—Buy/Sell Transactions,” for further guidance).

2. FS Form 7600B, Order Requirements and Funding Information (refer to the TFM, Volume I, Part 2, Chapter 4700, Appendix 8 “Section 1—Buy/Sell Transactions,” for further guidance).

3. DD Form 448, MIPR (also included in DoDI 4000.19).

4. DD Form 448-2, Acceptance of MIPR.

5. DD Form 1144, Support Agreement (see DoDI 4000.19 for further guidance).

6. The Memorandum of Agreement (MOA) (see DoDI 4000.19 for further guidance).

7. Standard Form (SF) 1080, Voucher for Transfers Between Appropriations and/or Funds.

8. SF 1081, Voucher and Schedule of Withdrawal and Credits.

D. Preparation Standards. The following apply to document preparation:

1. FS Forms 7600A/B. To begin the agreement process, either a buyer or seller may originate a GT&C (Form 7600A) that must be completed and approved to create an Order. The Order must reference an open GT&C, however Federal Agencies do not have to complete a GT&C each time they do a related Order. Federal Agencies may complete just one GT&C for multiple years to cover multiple Orders. A Buy/Sell agreement that defines the terms, conditions, scope, and responsibilities for trading partners during the exchange is referred to as the GT&C. Data is exchanged for approval and a broad range of transactions; in general no funds are transferred and no accounting entries are created. The Order section of the Buy/Sell agreement (Form 7600B) specifies the terms, quantities and prices, accounting data, and actions of each trading partner under the overarching GT&C. It serves as the funding section of the agreement that creates a fiscal obligation and details the necessary products/services requirements. Funding information is provided for both trading partners, and all required points of contact sign to authorize the Order. It communicates the Treasury Account Symbol/Business Event Type Code for each Order Schedule Line and contains unique lines of accounting or other accounting data.
The Order will also identify the specific requirements of the buyer for the expected delivery of products or services by the seller. In addition, the Order identifies the roles and responsibilities for both trading partners to ensure effective management of the Order and use of the related funds. Treasury’s Fiscal Service will eventually require all FPAs to use G-Invoicing under the authority of 31 U.S.C. §§ 3512(b) and 3513, and in accordance with the TFM. G-Invoicing serves as a gateway for Federal entities to agree upon the funding terms and the accounting treatment of their reimbursable activity, and exchange that data for consistent financial reporting. The Volume 5, “Definitions” Chapter defines G-Invoicing as an online portal that supports the exchange of information in IGT activity by Federal trading partners. FPAs must implement G-Invoicing for New Orders by October 2022 and for “In-Flight” Orders by October 2023. Refer to the TFM, Volume I, Part 2, Chapter 4700, Appendix 8 for details.

2. DD Forms 448 and 448-2. The MIPR must clearly show the basis for the amount recorded. For material it should include a description of the good, quantity and amount. For services it should include a description of the service, labor hours and amount. The MIPR and MIPR Acceptance forms must also allow internal reviewers and external auditors to understand and verify the basis, value, and rationale for the recorded amounts. See Volume 4, Chapter 9.

3. DD Form 1144, Support Agreements or MOA. Document reimbursable support for inter-agency and intra-agency contracts or orders using support agreements via a DD Form 1144, or civilian agency equivalents when necessary. The parties to an agreement can use an MOA to document the specific terms and responsibilities to which they agree. Either the DD Form 1144 or MOA establishes the estimated total requirement. Figure 1 in DoDI 4000.19, titled “Sample MOA Template,” provides an MOA model. The DD Form 1144 or MOA should be coordinated with appropriate program, comptroller, and legal offices. This is a fundamental control technique to demonstrate and document the legality and propriety of the arrangement. When a DoD activity is the ordering organization, the DD Form 1144 or MOA must contain language that clearly sets forth the fact that the document is subject to the availability of funds unless, the agreement itself is to be an obligating document. Certify fund availability and record the obligation promptly if, the agreement is to be an obligating document.

4. SF 1080. Intragovernmental payments result from transactions between Federal entities for sales, services, or transfers between such entities. DoD Components may use the SF 1080 voucher as support for bills to other DoD Components and non-DoD Federal Agencies when unable to utilize electronic data interchange methods. See Chapters 2, 9, 16 and Volume 10, Chapter 10.

5. SF 1081. DoD Components may use the SF 1081 voucher when a manual process is required to generate inter-agency payments and collections with non-DoD Federal Agencies. See Volume 10, Chapter 10.
Table 1-1 STRAIGHT-LINE METHOD OF DEPRECIATION

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<tr>
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Estimated useful life in years  

20

The annual depreciation expense of $45,000 is computed by dividing the $900,000 depreciable basis by the 20-year useful life.

Hourly charge is computed by dividing the annual depreciation expense of $45,000 by 2,080 (standard yearly hours) to arrive at $21.63 per hour.

Note: the standard 40 hour work week x the standard 52 weeks in a year = standard yearly hours.

Multiply the hours used to complete the customer order by the hourly charge. For example, 500 hours x $21.63 = $10,815 depreciation expense to be charged.

Table 1-2 INTEREST ON INVESTMENT CALCULATION

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<td>Acquisition cost of the asset</td>
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<td>Less: Accumulated depreciation (5 years at $45,000 per year)</td>
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<td>Net Book Value</td>
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Annual interest (assume a rate of 10 percent per annum in this instance)  

$77,500

Hourly charge is computed by dividing the annual interest of $77,500 by 2,080 (standard yearly hours) to arrive at $37.26 per hour.

Note: the standard 40 hour work week x the standard 52 weeks in a year = standard yearly hours.

Multiply the hours used to complete the customer order by the hourly charge. For example, 500 hours x $37.26 = $18,630 interest on investment to be charged.
VOLUME 11A, CHAPTER 2: “PROJECT ORDERS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated August 2017 is archived.

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<th>PURPOSE</th>
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<td>Date change made to extend G-Invoicing implementation period to accommodate software updates.</td>
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CHAPTER 2

PROJECT ORDERS

0201  GENERAL

020101.  Purpose

This chapter prescribes the financial management guidance and policy involving project orders issued pursuant to the authority in Title 41, United States Code (U.S.C.), section 6307. Chapter 1 provides the overall guidance and discussion of general reimbursement procedures and related supporting documentation.

020102.  Authoritative Guidance

A “project order” is a specific, definite, and certain order issued under the authority contained in 41 U.S.C. § 6307. The United States Coast Guard (USCG) has similar project order authority contained in 14 U.S.C. § 151 to accept orders from, and enter into reimbursable agreements with establishments, agencies, and departments of the Department of Defense (DoD). When placed with, and accepted by, a separately managed DoD-owned establishment or the USCG, the project order serves to obligate an appropriation(s) in the same manner as an order or contract with a commercial enterprise.

0202  DEFINITIONS

020201.  DoD-owned Establishment

A “DoD-owned establishment” for the purpose of this chapter is any DoD-owned and operated activity (that is, not contractor owned or operated). Such activities include working capital fund activities; other revolving fund activities; and those appropriated fund activities engaged in reimbursable operations that reasonably are not severable into fiscal year segments and where such operations can be forecasted with reasonable accuracy. Examples of such activities include: Equipment overhaul or maintenance shops, manufacturing or processing plants or shops, research-and-development laboratories, computer software design activities, testing facilities, proving grounds owned and operated by the Department, and engineering and construction activities.

020202.  Contractual Relationship and Commercial Contracts

Terms such as “contractual relationship,” and “commercial contracts,” are used to indicate the close relationship between project orders and commercial contracts in the particular circumstances involved. The use of these and similar terms neither must be construed as requiring project orders to be subject to the provisions of the Federal Acquisition Regulation nor as imposing upon the parties to a project order agreement, responsibilities (legal or otherwise) not provided for in this chapter.
020203. Allotment

The term “allotment” includes approved operating budgets for the operation of the U.S. Armed Forces.

020204. Approved Projects

As used in the referenced authority, the term “approved projects” simply refers to projects approved by officials having legal authority to do so.

0203 GENERAL POLICY

020301 Department of the Treasury Guidance

A. **Section 4706 "Intragovernmental Requirements"** of the Treasury Financial Manual (TFM) discusses the requirements necessary to properly report intragovernmental transactions resulting from business activities (i.e., buy/sell transactions) between two federal government entities, called trading partners. It further references the Intragovernmental Transaction Guide (Appendix 10 to the TFM) as containing the business rules and processes to properly record, report, and reconcile intragovernmental transactions, including the processes for dispute resolution.

B. Within these business rules in Appendix 10, Section 9 provides the standard **Interagency Agreement (IAA) Form** containing two sections: the General Terms and Conditions (GT&C) Section (**Form 7600A**) and the Order Requirements and Funding Information (Order) Section (**Form 7600B**). Treasury has established the use of both these forms as necessary to ensure the proper recording and reporting on intragovernmental buy/sell transactions, and to eliminate the federal-wide reporting deficiencies impacting the Financial Report of the United States Government.

C. The **Treasury's G-Invoicing** system (formerly named the Invoice Processing Platform) will be used to negotiate, broker, and electronically store the GT&Cs between buyers and sellers for all inter- and intra-governmental reimbursable transactions as appropriate system capabilities come online. This requirement is for IAAs established during or after Fiscal Year (FY) 2018, and whose terms extend beyond FY 2018.

020302. Recordable Obligation

A. A project order is a valid and recordable obligation of the issuing entity when the order is placed with and accepted by a separately managed DoD-owned establishment or the USCG, providing the obligation otherwise meets the criteria for recordation of an obligation contained in **31 U.S.C. § 1501**.

B. All orders or contracts for work or material or for the manufacture of material pertaining to approved projects placed with DoD-owned establishments or the USCG must be considered as obligations in the same manner as prescribed for similar orders or contracts.
placed with commercial manufacturers or private contractors. The appropriations must remain available for the payment of the obligations so created as in the case of contracts or orders with commercial manufacturers or private contractors.

020303. Project Order Forms

A. As stated in paragraph 020301.B, Treasury has established a standard agreement form (the IAA form) containing the GT&Cs (Form 7600A) and the Order (Form 7600B) for federal-wide use in carrying out buy/sell transactions between trading partners. These forms must be issued by an authorized DoD or USCG entity and accepted for performance in a DoD-owned and operated establishment.

B. To properly document that the order for goods or services is a project order, the trading partners must ensure the proper statute (41 U.S.C. § 6307) is cited on the form(s) for DoD project orders, and 14 U.S.C. § 151 is cited for USCG-related project orders.

020304. Work Description

A project order must include an adequate description of the work to be performed. Otherwise, the order is not sufficient to create a recordable obligation. (Note: There may be repeat orders for which the performing installation has detailed and definite specifications available. Thus, if the performing activity has on file those elements that make a project order specific, definite, and certain, and those elements are in sufficient detail to enable the performing installation to proceed in carrying out the work ordered, then it is not necessary to also include those elements within the project order itself. In such cases, reference may be made on the project order that specification documentation is retained on file by the performing activity.)

020305. Use of Standard Line of Accounting (SLOA)

In accordance with Volume 1, Chapter 4 “Standard Financial Information Structure”, buyers and sellers must ensure the SLOA is adhered to and properly annotated when generating or accepting a reimbursable order, as applicable. Refer to Volume 1 Chapter 4 for additional details and requirements.

0204 ADVANCE PLANNING

020401. Work Estimates to Performing DoD Establishments

Ordering DoD Components or the USCG must give performing DoD-owned establishments advance-planning data covering the work estimated to be placed with the performing DoD-owned establishment. A performing DoD-owned establishment, in the development of its operating budget, must use this advance planning data. An operating budget is subject to revision as subsequent specific work requirements, including significant revisions thereof, are determined.
020402. Cost Estimates

At the appropriate time during project order negotiations, performing DoD-owned establishments must give ordering DoD Components cost estimates for each item to be produced or work to be performed under the project order.

0205 CONDITIONS GOVERNING ISSUANCE AND ACCEPTANCE OF PROJECT ORDERS

020501. Contractual Relationship

A contractual relationship must exist (i.e., be created by the project order) between the parties involved.

020502. Under the Same Activity Commander

Consistent with the concept that one entity cannot enter into a formal contract with itself, a project order must not be used by one organizational unit to order work from another organizational unit under the same activity commander.

020503. Expiration

Expiration dates of project orders must not extend beyond the point in time in which the appropriation funding the order cancels (generally five years after the appropriation expires for new obligations).

020504. DoD-Owned Establishment

Project orders must be issued only to DoD-owned establishments (see definition in paragraph 020201) that have been given the authority to operate a reimbursable program in an amount equal to or exceeding the project order amount(s). Those issued to the USCG under 14 U.S.C. § 151 would be issued in accordance with USCG established regulations. To determine whether the project order statute provides the statutory authority for an intra-DoD order, determine whether the order is being placed with a DoD-owned establishment. Also, determine whether the order is “entire” under paragraph 020509 and satisfies the other requirements identified in this chapter.

020505. Payments

All payments made by an ordering DoD Component to a performing DoD-owned establishment must be based upon either an approved payment schedule in the order or upon billings made to the ordering entity in accordance with established agreement(s).
020506. Specific, Definite, and Certain

Project orders are analogous to contracts placed with commercial concerns and, similar to such contracts, must be specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself. A project order must be accepted by the performing entity as a basis of obligation by the issuer.

020507. Certification of Availability for Purpose

Project orders are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. On the other hand, the performing entity may not be aware of all such appropriation limitations. Therefore, an official of the issuing entity must offer a certification on or attached to the project order stating that the funds cited on the project order are properly chargeable for the purposes cited in the project order.

020508. Bona Fide Need

The issuing activity’s project order must serve a bona fide need that exists in the fiscal year in which the project order is issued; otherwise, a valid obligation is not accomplished. It is not intended that the bona fide need of the fiscal year rule be construed to preclude procurement lead-time. Thus, where materials, for example, cannot be obtained in the same fiscal year in which they are needed and contracted for, a provision for delivery in the subsequent fiscal year does not violate the bona fide need rule so long as the time intervening between contracting and delivery is not excessive and the procurement is not for standard commercial items readily available from other sources. Bona fide need generally is a determination of the requesting activity and not that of the performing activity. A performing activity must refuse to accept a project order if it is obvious that the project order does not serve a need existing in the fiscal year in which issued.

020509. “Entire” Versus “Severable”

A. To be eligible for project order financing, the need must be present in the fiscal year in which the project order is issued, require a series of actions over a period of time which may cross a fiscal year, and call for work or services that are reasonably not severable between fiscal years. For instance, an order for an “entire” end-item or service would call for a single or unified outcome or product and would be one in which few, if any, benefits would accrue if the work were terminated without completion at the end of the fiscal year in which it was placed.

B. The distinction between “entire” and “severable” may not be evident readily and, therefore, requires some judgment. The objective desired by the requesting customer must be used in the determination. For example, if the customer supplies an item (for example, an aircraft) for overhaul or renovation and wants the entire item returned in a serviceable state, then a repair of a single component (for example, avionics, landing gear, electronics) of the item when the item consists of many components needing repair, would not be a “severable” action. Conversely, if a customer desires an automated system that consists of multiple modules and some (or all) modules can be used independent of the entire system, then each module that can be used independent of the entire system is severable.
C. The following are examples of efforts that ordinarily are severable and, therefore, not eligible for procurement as a project order:

1. Custodial or housekeeping services;

2. Security or fire protection services;

3. Refuse collection;

4. Routine maintenance in general, including: grounds or surfaced-area maintenance, heating and air conditioning systems operation and maintenance, and other real and personal property maintenance;

5. Services such as: education, training, subsistence, storage, printing, laundry, welfare, transportation (including port handling), travel, utilities or communications when any of these purposes is the primary purpose of the request; and

6. Efforts where the stated or primary purpose of the order is to acquire a level of effort (for example, 100 hours, 20 weeks, or one year) rather than a specific, definite, and certain end-product.

D. The following are examples of efforts in which an entire need generally exists and, therefore, are eligible for project order financing:

1. Manufacture, production, or assembly of items including experimental prototypes or items manufactured and assembled for test. “Items” include ships, aircraft, guided missiles, other weapons, vehicles of all kinds, ammunition, clothing, machinery and equipment for use in such operations, and other military and operating supplies and equipment (including components and spare parts);

2. Renovation, rebuild, rehabilitation, reconditioning or overhaul of items, including such operations as are necessary to restore an item to a condition of serviceability equivalent to its original state;

3. Alteration or modification in design or assembly of an item to meet revised specifications or to correct defects;

4. Construction or conversion of items (including buildings and other structures), utility and communication systems, and other public works;

5. Development of software programs and automated systems when the purpose of the order is to acquire a specific, definite, and certain nonseverable end-product that is achievable reasonably with the resources (financial, human, and plant) available to the provider rather than a level of effort over an extended period; and
6. Production of engineering and construction related products and services.

020510. Commencement of Work

The work to be performed under project orders must be expected to begin within a reasonable time after its acceptance by the performing DoD-owned establishment or the USCG.

A. Although work on a project order is not required to commence in the year of project order acceptance, as a minimum requirement, evidence must exist at the time of project order acceptance showing the intention that work (or procurement if required prior to the beginning of work) must (1) begin without delay (usually within 90 days) and (2) be completed within the normal production period for the specific work ordered.

B. If work (or procurement if required prior to the beginning of work) financed from an appropriation that expired for obligation on September 30 on a project order does not begin, or is not expected to begin, before January 1 of the following calendar year, then the project order must be returned by the performing activity for cancellation. If it is documented that the delay is unavoidable and could not have been foreseen at the time of project order acceptance, and that documentation is retained for audit review, then the project order can be retained and executed.

020511. Contingent Event Prohibition

A project order must not be issued if commencement of work is contingent upon the occurrence of a future event or authorizing action by the ordering entity.

020512. Lawful Purpose

Project orders must not be used to contravene provisions of the law or accomplish by means of this device what regulations do not permit under commercial contracts.

020513. Authorized Purpose

Project orders must not be issued for the primary (or secondary) purpose of continuing the availability of appropriations.

020514. Project-Order Modifications

A. The project order statute differs from the Economy Act at 31 U.S.C. § 1535 because it permits agencies to account for obligations for orders in the same manner as orders for similar work placed with commercial manufacturers and private contractors. Project orders, similar to commercial contracts, may contain special provisions and may be modified. Unlike procurement contracts with commercial concerns where competition requirements limit permissible contract modifications, project orders may be changed or increased at any time to accommodate new or additional work so long as proper funding is available, and so long as the
new work otherwise meets the general conditions governing issuance and acceptance of project orders.

B. If the appropriation used to fund the initial order remains available for new obligation, then use it to fund all modifications that are a bona fide need of that appropriation, even if the modification changes the scope of the project order.

C. If the appropriation used to fund the initial order has expired, then use it to fund only those amendments and modifications that are within the general scope of the initial project order.

D. All modifications that increase or change the general scope of work of the original order must be charged to a current appropriation. In cases where the original appropriation has expired and no longer is available for new obligations, and the modification or amendment changes the general scope of the original order, the amendment or modification must be funded from a current appropriation.

E. The appropriation cited on the project order must remain available for price increases and changes that are within the scope of the original order. These obligational rules apply equally to fixed-price and cost reimbursable project orders.

F. Limitation of cost clauses in commercial cost-reimbursement contracts that are the obligational basis for the requirement to charge current appropriations for all ceiling increases, including those within the general scope of such contracts, are not applicable to cost-reimbursement project orders. Limitation of cost clauses govern the legal liability of the United States to third parties, whereas transactions within or between agencies are governed by principals of comity. Whether to structure such project orders on a fixed-price or reimbursable basis is a matter of agency discretion and convenience, but not obligational relevance. Whether the work changes the general scope of the original order, or otherwise satisfies an emergent bona fide need of the current fiscal period, governs whether current funds must be charged. Subject to the provisions of paragraph 020708, amendments to project orders which have the effect of partial or complete termination of such orders must provide for the inclusion of the costs of termination.

020515. Ability to Perform

Project orders must be issued only to those DoD-owned establishments that are capable of performing substantially the work ordered. “Substantially” as used in this paragraph, means that the project order recipient must incur costs of not less than 51 percent of the total costs attributable to rendering the work or services ordered. Total costs to render the work or services ordered include the costs of goods or services obtained from or provided by contractors.

020516. Subsidiary Ordering

The provisions of this chapter are not intended in any way to authorize one DoD-owned establishment to act as a general contracting or purchasing agent for another entity.
A. Subsidiary ordering (within the government) and contracting (with commercial firms) pursuant to a project order is authorized, given such subsidiary ordering and contracting is incident to, and is for use in, carrying out the purpose of the project order.

B. Project orders must contemplate the use of personnel and facilities (and may include the use of other resources) on the part of the project order recipient, but beyond those incident to contract procurement. In this connection, it is not improper for a project-order recipient to subcontract for component parts when the recipient later assembles those parts into the end-product ordered. The assembly operation includes the use of personnel whose technical skills are essential to completion of the job. In addition, the work expended in the assembly operation must be of such an extent that it avoids a perception of the project order being used for contract procurement.

C. If a project order cannot be placed with another DoD-owned establishment because that establishment would fill the order by contracting with a commercial concern for performance of substantially the entire order, then it is possible the order could be placed pursuant to the Economy Act. This Act permits the agency or agency unit filling the order to provide or procure by contract the goods and services necessary to perform the order.

020517. Project Order Default

A. Where a recipient of a project order defaults or fails to perform work or services specified in the order, and a replacement project order is required as the result of such default, the following apply:

1. Defaulted work or services may be procured from another DoD-owned establishment or the USCG to the extent of any unobligated balance in the appropriation thus obligated.

2. Similarly, a project order also may be issued to a DoD-owned establishment or the USCG under an appropriation obligated by contracts with outside contractors when such contract is terminated for default or failure on part of the contractor to perform work or services specified in the contract.

3. Replacement project orders resulting from defaults may be issued and obligated subsequent to the period of availability of the appropriation for obligation if the replacement project order is made without undue delay after the termination of the original contract or project order.

B. A replacement project order fulfills a bona fide need of the appropriation that had funded the contract or project order that was terminated for default. The replacement project order must be awarded on the same basis and be similar substantially to the original project order in its scope and size. The replacement project order must not extend beyond the point in time in which the ordering appropriation cancels (generally five years after the appropriation expires for new obligation).
020518. Project Order Financing

A project order must be financed fully by the ordering DoD Component from obligational authority current at the time the project order is issued and accepted. Project orders may be issued for a research, development, test and evaluation project which is not financed to completion (i.e., prepared on an incrementally programmed basis). A research, development, test and evaluation appropriation project or program financed on an incrementally programmed basis is one that is funded for the remainder of the funding appropriation’s period of current availability or the current fiscal year vice a fully-funded-to-completion basis.

020519. Direct-Cite Prohibition

A DoD-owned establishment may only accept project orders on a reimbursable basis. Orders must not be made a subdivision of funds, similar to an allotment; nor the appropriations of the ordering entity be cited by the performing DoD-owned establishment when incurring and recording obligations incurred in performance of the order.

020520. Reimbursement of Costs Incurred in Performance of a Project Order

Reimbursement of costs incurred by a performing activity may be accomplished in the manner ordinarily used by that performing activity. Volume 5 Chapter 9 “Disbursement” recognizes that a disbursement may result from a transfer of funds from one appropriation or fund to another by a “no check drawn” transaction using a Standard Form (SF) 1080, Voucher for Transfers Between Appropriations and/or Funds; SF 1081, Voucher and Schedule of Withdrawals and Credits; or by the Department of the Treasury’s Intra-governmental Payment and Collection (IPAC) system. Volume 5, Chapter 11 provides additional information on the IPAC system and also identifies general requirements and technical specifications prescribed by the Treasury on the use of IPAC.

0206 CONDITIONS GOVERNING PERFORMANCE OF PROJECT ORDERS

020601. Timeliness

After acceptance, project orders must be performed as expeditiously as possible according to the terms as accepted. (See paragraph 020510 for additional information.)

020602. Notification of Delivery Schedule

Performing DoD-owned establishments are responsible for promptly advising ordering DoD Components concerning changes in delivery schedules.

020603. Summary of Costs

For cost-reimbursement project orders, performing DoD-owned establishments must give ordering DoD Components a summary of costs incurred to date and estimates of costs to complete the order only when specifically requested by the ordering DoD Component. The ordering DoD
Component must not request the submission of this cost information any more frequently than once a month. No special report forms are authorized for this purpose.

020604. Expiration Dates

Expiration dates of project orders may be extended with the approval of the ordering DoD Component. Expiration dates of project orders may not extend beyond the point in time in which the ordering appropriation cancels.

02077 REIMBURSEMENTS TO PERFORMING DOD-OWNED ESTABLISHMENTS

020701. Reimbursement

Performing DoD-owned establishments must be reimbursed for work covered by project orders based upon fixed prices or costs incurred.

020702. Fixed-Price Project Orders

A. A fixed-price project order must establish a firm price for purposes of reimbursement for the work or services ordered. A fixed-price basis may be used when all of the following conditions are present.

1. Work specifications are stable, specific, and definite; and they are made part of the order (or incorporated by reference) for each item when the project order is accepted for performance on a fixed-price basis or amended for any changes in the scope of the work. This requirement is critical especially for project-order-accepting activities financed by a direct appropriation. An activity financed by a direct appropriation must not accept a fixed-price project order unless the activity can predict with a high degree of certainty the actual cost to complete the project order. Otherwise, the activity may violate the prohibition against inappropriately augmenting an appropriation and/or using an appropriation for a purpose not authorized.

2. When there is more than one item of work or service in a project order, including amendments for changes in scope, each item is made the subject of a separate price as shown by the order or in a list incorporated therein by reference. When the work to be performed is the subject of a work list (e.g., equipment overhaul) each entry on the work list must be considered to be an item.

3. No substantial contingencies are included in the price, nor considered to be involved in performance, so that cost variations in performance reasonably can be expected to be minor.

4. There is a satisfactory system of cost estimating used as a basis for establishing fixed prices. When cost standards are used in cost estimating for the purpose of pricing, they must be adjusted for this purpose to include expected cost variances.
5. The same cost elements are used in cost estimating and establishing fixed prices as would be required for use if reimbursements were based upon actual cost incurred.

B. The requirement to establish a firm price for purposes of reimbursement for the work or services ordered does not preclude the issuance of amendments/modifications to cover changes in scope of any item in the order.

020703. Cost-Reimbursement Project Orders

A. The amount stated in a cost-reimbursement project order must be a sound estimate of the costs to be incurred in performance of the work or services ordered. Such estimates must be determined based upon the specific work to be performed. The estimate of costs must be the ceiling amount for purposes of reimbursement for the work or services ordered.

B. The performing DoD-owned establishment and the ordering DoD Component must undertake timely renegotiations for revisions of the ceiling amount of cost-reimbursement project orders. Such renegotiations must take place whenever cost performance indicates the need for adjustment of the ceiling amount upward or downward, but before the cost of performance has exceeded 75 percent, when compared with the current ceiling amount. Renegotiations need not be conducted when the probable cost of renegotiation is greater than the adjustment amount. In such cases, the performing establishment must absorb the difference, upward or downward.

C. Cost-reimbursement project orders may be converted to a fixed-price basis provided all conditions governing the use of fixed-price project orders are present. (See paragraph 020702). In addition, the conversion must occur prior to incurring either 50 percent of the total cost of the work, or 50 percent of the period of performance, whichever comes first.

020704. Unfunded Costs

For purposes of this paragraph, “unfunded costs” are costs that are not funded in the account or appropriation that funds the performing activity. (Examples of unfunded costs are not universal. Some performing revolving fund accounts, primarily the working capital fund accounts, may fund costs that are unfunded by appropriated funds. Unfunded costs of an appropriated-funded performing activity normally include labor of military personnel and depreciation of capital assets.) When an ordering DoD Component places an order on behalf of persons or agencies outside the U.S. Government (including reimbursable transactions pursuant to Foreign Military Sales discussed in Volume 15), the ordering DoD Component must identify this circumstance on the project order. Under this circumstance, the amount of unfunded costs must be specifically identified and included in the amounts contained in the:

A. Project orders issued to performing activities;

B. Billings made by the performing activity to the ordering activity;

C. Reimbursements by the ordering activity to the performing activity; and
D. Reimbursements obtained by the ordering activity from the non-federal customer.

020705. Working Capital Fund

In the case of a performing DoD-owned establishment operating under a working capital fund, reimbursable costs must be determined in accordance with Volume 11B.

020706. Non-Working Capital Fund

When the performing DoD-owned establishment is not operating under a working capital fund, a reimbursable agreement negotiated prior to the placement of a project order must be executed in accordance with the policy requirements contained in Chapter 1.

020707. Reimbursable Costs

Reimbursable costs include the cost of machinery or equipment acquired specifically for the performance of a single project order. Such costs must be specifically approved in the following circumstances:

A. In advance by the ordering DoD Component,

B. When the machinery or equipment legally could be acquired directly by the ordering fund or appropriation, or

C. Approval is incorporated into the terms of the project order agreement or amendments thereto. When this is the case, the approved costs must be segregated from other costs and shown as a separate item in the reimbursable billing. Such machinery and equipment are the property of the ordering DoD Component and must be disposed of in accordance with instructions from the ordering DoD Component.

020708. Termination Costs

Costs incurred in the termination of a project order must be reimbursable to the performing DoD-owned establishment when the order is terminated by the ordering DoD Component, to the extent that such costs do not exceed the amount of the fixed price or the current ceiling amount specified in the case of cost-reimbursement project orders. When ordering DoD Components and performing DoD-owned establishments cannot agree on the costs of termination, the case must be referred through Component financial management channels for settlement by the Under Secretary of Defense (Comptroller).

020709. Billing

To the extent feasible, performing DoD-owned establishments must bill ordering DoD Components for work performed upon the basis of jobs completed or services rendered in accordance with the terms of the project order. Whenever a long period of time is required in the
performance of a project order, periodic progress payments approximating costs incurred may be provided for in the order. Progress payments may be made to the performing DoD-owned establishment to cover the accrued cost (and other direct obligations incurred) of performance to the end of the fiscal year under an uncompleted project order. Reimbursement to a working capital fund activity for work performed prior to completion of the project order must be accomplished normally on either a progress payment or a percentage-of-completion basis.

0208 ACCOUNTING FOR COST OF PERFORMANCE

020801. Administration

Project orders are reimbursable orders and must be administered and accounted for as such. Project orders, therefore, neither must be administered nor accounted for by performing DoD-owned establishments as separate subdivisions of appropriations or funds similar to an allotment. The appropriation-type accounting for project orders must be performed by the ordering DoD Component in a manner similar to that performed for commercial contracts.

020802. Working Capital Fund

The operations of performing DoD-owned establishments financed under a working capital fund must be accounted for in accordance with Volume 11B.

020803. Obligation Authority

Project orders received and accepted are the source of obligational authority, in the amount of the project order, for the performance of the work requested.

020804. Costs Accounts

A cost account or other device must be used to accumulate the costs of performance for all project orders. Those cost accounts serve as a basis for determining the amount reimbursable for cost-reimbursement project orders and as a basis of determining a fixed price for similar future fixed-price project orders.

020805. Billings

Billings covering reimbursements must identify costs by each item listed in the project order.

0209 EXEMPTIONS

Requests for exemptions, along with appropriate justification, must be submitted to the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller).
### VOLUME 11A, CHAPTER 3: “ECONOMY ACT ORDERS”

#### SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font. Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated March 2012 is archived.

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<tr>
<td>030102</td>
<td>Added an authoritative guidance paragraph and included references contained in the Federal Acquisition Regulation (FAR) or the Defense Federal Acquisition Regulation Supplement (DFARS) applicable to Economy Act orders.</td>
<td>Addition</td>
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<tr>
<td>030103.E</td>
<td>Deleted the definition for Fiscal Year Appropriation since the specific terminology is not used within the chapter.</td>
<td>Deletion</td>
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<tr>
<td>0302</td>
<td>Aligned definition terminologies with the FAR and DFARS to be consistent with acquisition policy since an Economy Act order is an acquisition vehicle.</td>
<td>Addition/Deletion</td>
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<td>030301</td>
<td>Deleted this paragraph since it reiterates policy that is stated earlier in the chapter.</td>
<td>Deletion</td>
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<tr>
<td>030302.B</td>
<td>Deleted the specific details associated with determinations and findings (D&amp;F) requirements since they are part of acquisition policy covered in FAR 17.502-2.</td>
<td>Deletion</td>
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<tr>
<td>030303</td>
<td>Deleted the paragraph since it represented acquisition-related policy, which is not under the purview of the Under Secretary of Defense (Comptroller) (USD(C)). Acquisition policy is covered in the FAR and DFARS and other acquisition-related publications.</td>
<td>Deletion</td>
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<td>Deleted the paragraph since it represented acquisition-related policy which is not under the purview of the USD(C). Acquisition policy is covered in the FAR and DFARS and other acquisition-related publications.</td>
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<tr>
<td>030501</td>
<td>Added DFARS 217.503 as another acquisition policy source with specific D&amp;F requirements.</td>
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<tr>
<td>030502</td>
<td>Added references to the relevant FAR and DFARS provisions that address the acquisition policy ordering procedures that apply to Economy Act orders. Deleted the paragraph content that is duplicative of the content existing within the cited FAR and DFARS provisions.</td>
<td>Addition/Deletion</td>
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<tr>
<td>030503</td>
<td>Added reference to United States (U.S.) Department of the Treasury's Interagency Agreement containing two Fiscal Service (FS) Forms: FS Form 7600A, U.S. Government General Terms and Conditions and FS Form 7600B, U.S. Government Order. These forms are for federal-wide use in carrying out buy/sell transactions between trading partners.</td>
<td>Addition</td>
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<tr>
<td>030604.A.5</td>
<td>Added clarification that severable services can be procured under incrementally funded fixed-priced contracts using research and development appropriations as stated in DFARS 232.703-1.</td>
<td>Addition</td>
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<tr>
<td>030906</td>
<td>Revised the paragraph to reference Volume 10, Chapter 10 for the Department of Defense (DoD) policy for executing intragovernmental payments.</td>
<td>Revision</td>
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<tr>
<td>030907</td>
<td>Added a paragraph to reference Volume 6B, Chapter 13 for DoD policy and guidance for adjusting, eliminating and other special intragovernmental reconciliation procedures.</td>
<td>Addition</td>
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<tr>
<td>Multiple</td>
<td>Revised hyperlinks throughout the chapter.</td>
<td>Revision</td>
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CHAPTER 3

ECONOMY ACT ORDERS

0301 GENERAL

030101. Purpose

This chapter prescribes the financial management policy applicable to orders placed for goods and services within the authority provided for in Title 31, United States Code, section 1535 (31 U.S.C. § 1535) (the Economy Act of 1932, as amended). Chapter 1 provides overall guidance on general reimbursement procedures and supporting documentation.

*030102. Authoritative Guidance

A. 10 U.S.C. § 2410a provides statutory authority for severable service contracts for periods crossing fiscal years.


C. 31 U.S.C. § 1502 stipulates the bona fide needs rule.

D. 31 U.S.C. § 1535 provides the authority for Federal agencies to order goods and services from major organizations within the same agency or other Federal agencies.

E. 31 U.S.C. § 1536 provides the authority for crediting payments received on orders executed under 31 U.S.C. § 1535. Payments may be credited to the appropriation or fund against which charges were made to fill the order, or to replace stocks on hand used to fill the order, unless another law authorizes the amount to be credited to some other appropriation or fund; or the head of the performing agency decides that replacement is not necessary, in which case, the amount received is deposited in the United States (U.S.) Department of the Treasury (Treasury) as miscellaneous receipts.

F. DoD Instruction 4000.19, “DoD Agreements,” establishes policy, assigns responsibilities, and provides direction for agreements within the DoD and between DoD and other entities.

H. Federal Acquisition Regulation (FAR) Subpart 17.5, “Interagency Acquisitions,” provides federal-wide acquisition policy related to interagency acquisitions. Under this Subpart, FAR 17.502-2 provides additional acquisition policy specifically related to Economy Act orders.


*0302 DEFINITIONS

030201. Assisted Acquisition

FAR Subpart 2.1 defines an assisted acquisition as a type of interagency acquisition where a servicing agency performs acquisition activities on a requesting agency’s behalf, such as awarding and administering a contract, task order, or delivery order. DFARS 217.701 defines assisted acquisition similarly as the type of interagency contracting through which acquisition officials of a non-DoD agency award a contract, task, or delivery order for the acquisition of supplies or services on behalf of DoD.

030202. Direct Acquisition

Per FAR Subpart 2.1, a direct acquisition is a type of interagency acquisition where a requesting agency places an order directly against a servicing agency’s indefinite-delivery contract. The servicing agency manages the indefinite-delivery contract but does not participate in the placement or administration of an order. DFARS 217.701 defines direct acquisition as a type of interagency contracting through which DoD orders a supply or service from a Governmentwide acquisition contract maintained by a non-DoD agency.

030203. Interagency Acquisition

As defined in FAR Subpart 2.1, an interagency acquisition is an action by which an agency needing supplies or services (the requesting agency) obtains them from another agency (the servicing agency) by an assisted acquisition or a direct acquisition. The term includes acquisitions under the Economy Act (31 U.S.C. § 1535) and Non-Economy Act acquisitions completed under other statutory authorities.

030204. Multiple Year Appropriation

As used in this chapter, a multiple year appropriation means an appropriation that is available for obligation for a definite period of time in excess of one fiscal year.

030205. Non-Severable Service

A non-severable service represents a single undertaking that cannot be feasibly subdivided. If the service produces a single or unified outcome, product, or report, the service is considered non-severable.
030206. Requesting Agency

The requesting agency is defined in FAR Subpart 2.1 as the agency that has the requirement for an interagency acquisition.

030207. Servicing Agency

The servicing agency is defined in FAR Subpart 2.1 as the agency that will conduct an assisted acquisition on behalf of the requesting agency.

030208. Severable Service

A severable service represents a service that is continuing and recurring in nature where the agency realizes a benefit at the time that the service is provided even if the contract has not been performed to completion. A service is considered severable if it can be separated into a component that independently provides value to meet an agency’s need.

0303 LEGAL AUTHORITY

030301. Statutory Conditions on Use

31 U.S.C. § 1535 establishes four basic conditions on the use of Economy Act authorities. In accordance with the statute, the head of an agency or major organizational unit within an agency may place an order with a major organizational unit within the same agency or another agency for goods or services if:

A. Funds are available;

B. The head of the requesting agency or unit decides the order is in the best interest of the U.S. Government;

C. The agency or unit to be asked to fill the order is able to provide or obtain by contract the ordered goods or services; and

D. The head of the requesting agency decides that ordered goods or services cannot be provided by contract as conveniently or economically by a commercial enterprise.

030302. Reimbursements to Appropriations

As stated in 10 U.S.C. § 2205, reimbursements made to DoD appropriations under 31 U.S.C. §§ 1535 and 1536 for services rendered or supplies furnished may be credited to the appropriation or fund of the activity performing the reimbursable work.
030303. Limitations

Economy Act orders may not be used by an agency to:

A. Circumvent conditions and limitations imposed on the use of funds, including extending the period of availability of the cited funds;

B. Contravene provisions of the law or accomplish what regulations do not permit under commercial contracts;

C. Make acquisitions conflicting with any other agency’s authority or responsibility (see *FAR 17.501*) or for which the servicing agency is required by law to provide and for which it received appropriations; or

D. Order work or services from another organizational unit under the same activity commander where the activity commander is in a position to fund the required goods or services through the use of direct funds.

0304 USES OF ECONOMY ACT ORDERS

Economy Act orders may be used for any required goods, supplies or services that are appropriate and legal. Acquisition policies contained in the FAR, DFARS, and within individual DoD Component’s implementation guidance govern the potential uses of Economy Act orders. Typical uses include, but are not limited to, base support (host-tenant) services such as administrative services, civilian personnel services, community services, environmental compliance, fire protection, food service, health service, mail service, police service, security/guard services, and warehousing.

0305 INITIATING AN ECONOMY ACT ORDER

*030501. Determinations and Findings Requirement

*FAR 17.502-2(c)* requires each Economy Act order to be supported by a determinations and findings (D&F) that must be furnished to the servicing agency with the order. Specific D&F requirements are stated in FAR 17.502-2(c) and *DFARS 217.503*.

*030502. Ordering Procedures and Requirements

*FAR 17.503*, DFARS Subpart 217.5, and DFARS Subpart 217.7 address the procedures that apply to all interagency acquisitions, including those made under the authority provided within the Economy Act.

*030503. Treasury Guidance

A. The TFM Volume I, Part 2, Chapter 4700, Section 4706, “Intragovernmental Quarterly and Year-End Requirements,” discusses the requirements necessary to properly report intragovernmental transactions resulting from business activities (i.e., buy/sell
transactions) between two Federal government entities, called trading partners. It further references the Intragovernmental Transaction Guide (Appendix 6) as containing the business rules and processes to properly record, report, and reconcile intragovernmental transactions, including the processes for dispute resolution.

B. The guidance in TFM, Volume I, Part 2, Chapter 4700, Appendix 6, Section 9 provides the standard Interagency Agreement (IAA), containing two Fiscal Service (FS) Forms: **FS Form 7600A**, General Terms and Conditions (GT&C) and **FS Form 7600B**, Order Form. Treasury has mandated the use of these two forms to ensure the proper recording and reporting on intragovernmental buy/sell transactions, and to eliminate the federal-wide reporting deficiencies impacting the Financial Report of the U.S. Government. Accordingly, all DoD Components must use the latest published versions of FS Forms 7600A/B when completing an Economy Act Order and these must comply with the Federal Intragovernmental Data Standards when using the Treasury's **G-Invoicing** system, DoD Ordering systems, Enterprise Resource Planning, or when completing the FS Forms 7600 A/B manually.

C. The Treasury's G-Invoicing system must be used to negotiate, broker, and electronically store the GT&Cs and associated transactions between buyers and sellers for all inter- and intragovernmental reimbursable transactions as appropriate system capabilities come online for individual DoD Components. This requirement is for all IAAs with a performance period extending to June 30, 2021 or later. In instances where G-Invoicing is not available, such as remote deployments or other austere conditions, DoD Components must use hardcopies of FS Forms 7600A/B. DoD Components must establish internal policies and procedures for designating signature authority for GT&Cs.

D. The requesting scope of work on the FS Form 7600A should cover relatively broad categories of goods or services when feasible. However, the FS Form 7600B must discretely describe the goods or services ordered with the associated FS Form 7600A. When practical and legally permissible, the agreement period on the FS Form 7600A should cover multiple years.

0306 POLICY

030601. Specific, Definite, and Certain

Economy Act orders must be specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself.

030602. Certification of Availability for Purpose

Economy Act orders are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. However, the performing entity may not be aware of all such appropriation limitations. Therefore, the requesting official must provide a certification, on or attached to the Economy Act order, stating that the funds cited on the Economy Act order are properly chargeable for the purposes cited in the order.
030603. Bona Fide Need

Economy Act orders citing an annual or multiple year appropriation must serve a bona fide need arising, or existing, in the fiscal year(s) for which the appropriation is available for obligation (refer to 31 U.S.C. § 1502). Otherwise, a valid obligation is not accomplished. Bona fide need generally is a determination of the requesting activity and not that of the servicing activity. A servicing activity should, however, refuse to accept an Economy Act order if it is obvious that the order does not serve a need existing in the fiscal year for which the appropriation is available.

030604. Appropriation Policy

A. Obligation. An Economy Act order obligates the applicable appropriation of the requesting agency or unit upon acceptance of the order by the servicing agency. Thus, the requesting agency should obligate the entire amount of a reimbursable order when the order is accepted by the servicing agency.

1. Annual appropriations are not available for requirements that are bona fide needs of a subsequent fiscal year, except pursuant to statutory authority. DoD Components that enter into Economy Act agreements with other organizations to satisfy requirements for severable services, non-severable services, and supplies must ensure that obligations for the Economy Act agreements constitute a bona fide need of the annual appropriation charged. Consequently, any supply or service contract entered into by the servicing agency must be entered into before the end of the period of availability of the annual appropriation.

2. To constitute a bona fide need of the requesting activity’s annual appropriation, any resultant contract for supplies or services entered into by the servicing agency must satisfy the same obligational requirements set forth in Volume 3, Chapter 8, as would any contract directly entered into by the requesting activity. For example, an Economy Act agreement for severable services may be performed by issuance of a contract that crosses fiscal years only if the awarded contract satisfies the requirements of 10 U.S.C. § 2410a, the contract period does not exceed 1 year, and the contract period commences during the period of availability for the requesting agency’s appropriation(s).

3. Multiple year appropriations may be obligated for requirements that constitute bona fide needs of the multiple year period of availability of the appropriation. Multiple year appropriations obligated for Economy Act orders are subject to the same bona fide need standards as would a contract directly entered into by the requesting activity. Resultant supply and service contracts must be entered into during the period of availability of the appropriation funding the Economy Act order, and are subject to the same budgetary full funding or incremental funding policies prescribed in Volumes 2A and 2B.

4. Resultant contracts for non-severable services that cross fiscal years must be supported entirely by the requesting agency’s appropriations available for new obligations at the time the contract is awarded.
5. Because Research, Development, Test and Evaluation (RDT&E) requirements are iterative in nature, RDT&E programs, projects and activities are not subject to full funding policies. For example, DFARS 232.703-1 permits DoD organizations to incrementally fund a fixed-price contract for severable services if the contract is funded with research and development appropriations. Refer to DFARS 232.703-1 for additional guidance and restrictions. Similarly, DoD budgetary policy in Volume 2A, Chapter 1 provides that RDT&E budget estimates are prepared on an incrementally funded basis and only those funds required for work in a given fiscal year must be included in the RDT&E request for that fiscal year. DoD Components are encouraged to fully fund RDT&E contracts for non-severable services.

6. Obligating funds for an Economy Act order where the resultant fixed-length severable services contract will exceed the 1-year limit set forth in 10 U.S.C. § 2410a or will not commence until a subsequent fiscal year, may result in an Antideficiency Act violation under 31 U.S.C. § 1341.

B. Deobligation. Transactions undertaken in reliance on authority conferred by the Economy Act are subject to statutory requirements imposed by 31 U.S.C. § 1535(d) governing when excess funds must be deobligated. The amount obligated by the requesting agency or unit must be deobligated to the extent that the servicing agency has not incurred obligations before the end of the period of availability of the ordering appropriation. It is critical that activities reconcile the obligation status of Economy Act orders and deobligate unused funds, as needed, before the end of the funds availability. Funds must be deobligated by both the requesting and servicing agency to the extent that the servicing agency or unit filling the order has not (1) provided the goods or services, or (2) entered into an authorized contract with another entity to provide the requested goods or services before the end of the period of availability (fiscal year or multiple year period, as applicable) of the appropriation of the requesting or ordering agency.

030605. Commencement of Work

The work to be performed under Economy Act orders must be expected to begin within a reasonable time after its acceptance by the servicing agency.

030606. Contingent Event Prohibition

Economy Act orders must not be issued if commencement of work is contingent upon the occurrence of a future event or authorizing action by the requesting agency.

0307 PAYMENT PROCEDURES

030701. Payments

A. Payment must be made promptly upon the written request (or billing) of the agency or unit filling the order. Unless the DoD Component is specifically authorized by law, legislative action or Presidential authorization, funds are not to be advanced to non-DoD Federal entities or be used to pay for advance billings without the receipt of goods or services. Refer to Volume 4, Chapter 5 for the conditions and requirements related to advances and prepayments.
B. For those few exceptions where DoD is specifically authorized by a specific appropriation or law to advance funds, the specific appropriation or law authorizing the advance must be cited on the obligating and/or interagency agreement documents and orders. Advance payments, when authorized, are based on estimated costs, but the final payment amount must be adjusted to account for actual costs. Any unused amounts of the advance must be collected from the performing agency immediately and returned to the fund from which originally made.

C. The requesting official must be fully aware of the non-DoD Federal agency’s billing practices and methods. If an advance of funds is permitted, the DoD agency requesting official must ensure that the written agreement with the servicing agency requires it to specifically account for the funds advanced. The requesting official must also take appropriate action to ensure DoD funds are not disbursed in advance of contract performance. Additionally, DoD Components must work with their servicing disbursement sites to ensure trading partner agreements restrict other Federal agencies’ ability to withdraw funds prior to the delivery of goods or performance of services.

030702. Small Amounts

A. DoD working capital funds, the Corps of Engineers Civil Works Revolving Fund, and other DoD revolving funds may not waive reimbursement of any amount. This does not preclude identification of a central payment office by a DoD Component to pay small bills. Guidance on financial management of working capital funds is in Volume 11B.

B. When an appropriated fund activity is the perform and the amount to be billed within the same DoD Component or to another DoD Component is less than $1,000, the billing may be suspended by the billing organization until the end of the fiscal year, or until the total billed exceeds $1,000. However, no later than the end of the fiscal year, all suspended amounts must be billed even though the amount to be billed is less than $1,000.

C. When the amount to be billed to a non-DoD U.S. Government activity is less than $1,000, the billing may be suspended by the billing organization until the end of the fiscal year, or until the total billed exceeds $1,000. However, no later than the end of the fiscal year, all suspended amounts must be billed to non-DoD U.S. Government activities even though the amount to be billed is less than $1,000.

0308 REIMBURSEMENTS

030801. Appropriated Funds

Reimbursement under the Economy Act is to be made on the basis of actual cost as determined by the servicing agency. The requesting agency must pay the servicing agency the actual costs of the goods or services provided. Actual costs include all direct costs attributable to providing the goods or services, regardless of whether the servicing agency's expenditures are increased. Actual costs also include indirect costs (overhead) to the extent they have a significant relationship to providing the goods or services and benefit the requesting agency. Indirect costs (overhead) must be computed in accordance with Chapter 1. DoD activities not funded by working
capital funds normally do not charge indirect costs to other DoD activities. In accordance with FAR 17.502-2.d.(4), the servicing agency may not require a payment of, or the requesting agency pay, any fee or charge in excess of the actual cost (or estimated cost if the actual cost is not known) of entering into and administering the contract or other agreement under which the order is filled. Chapter 1 provides the general rules that DoD Components must follow when determining amounts to be collected as reimbursements.

030802. Working Capital Fund Activities

Reimbursable costs in the case of servicing DoD activities operating under a working capital fund must be determined in accordance with Volume 11B.

0309 ACCOUNTING

030901. Direct Fund Cite Orders

Economy Act orders may be issued as direct fund cite orders where the requesting unit identifies the appropriate fund citation for the servicing unit to place on the requested contract or reimbursable order. Economy Act orders must neither be administered nor accounted for by servicing DoD activities as separate subdivisions of appropriations or funds similar to an allotment. Appropriation-type (e.g., annual, no-year, multiyear) accounting for an Economy Act order must be performed by the requesting DoD Component in accordance with Volume 3, Chapter 15.

030902. Working Capital Fund

The operations of servicing DoD activities financed under a working capital fund must be accounted for in accordance with Volume 11B.

030903. Obligation Authority

Economy Act orders received and accepted are the source of obligational authority in the amount of the order for the performance of the work requested.

030904. Cost Account

A cost account, or other device, must be used to accumulate the costs of performance for all Economy Act orders. The cost account serves as a historical basis for determining the amount reimbursable for cost-reimbursement Economy Act orders and as a basis of determining a fixed-price for similar future fixed-price Economy Act orders.
030905. Records

The servicing DoD Component must establish procedures that identify and retain a record of the requestor’s appropriation accounting classification(s) for each order received. Establishment and compliance with these procedures will facilitate auditability of the requestor’s source of funding.

*030906. Billings

Billings covering reimbursements must identify costs by each item listed in the Economy Act order. Volume 10, Chapter 10 contains the DoD policy for executing intragovernmental payments.

*030907. Reconciliation and Elimination of Intragovernmental Transactions

Volume 6B, Chapter 13 contains DoD policy and guidance for adjustments, eliminations, and other special intragovernmental reconciliation procedures.
VOLUME 11A, CHAPTER 4: “USER FEES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated July 2016 is archived.

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<td>Removed “NOTE: For more information on user fees applicable to specific services or activities (e.g. information resources, recurring services, or lease or sale of property) please refer to 32 C.F.R. 204.5”, due to the repeal of 32 CFR 204 in connection with the Regulatory Reform Task Force effort.</td>
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0401  GENERAL

040101. Overview

A user fee is a fee charged for goods or services provided by the Federal Government. User fees generally apply to federal activities that provide special benefits to identifiable recipients above and beyond what is normally available to the public. Collections are credited to the General Fund of the United States (U.S.) Department of the Treasury (hereafter referred to as Treasury) as miscellaneous receipts as required by Title 31, United States Code, section 3302 (31 U.S.C. § 3302), “Custodians of Money”, or if specific statutory authority is available, may be retained by the Component for a specific purpose (e.g., Agriculture and Grazing (10 U.S.C. § 2667), Forestry (10 U.S.C. § 2665), Recycling (10 U.S.C. § 2577), Royalties (10 U.S.C. § 3710c), and Licensing of Intellectual Property (10 U.S.C. § 2260) revenue programs). In many instances, Congress has provided specific authority to federal agencies to assess user fees in agency authorization or appropriations legislation. Where statutory authority is not available to assess specific user fees, the User Charge Statute (31 U.S.C. § 9701) authorizes agencies to assess user charges, with amounts collected to be credited to the Treasury as miscellaneous receipts. The User Charge Statute is a codification of a provision in Title V of the Independent Offices Appropriation Act of 1952, which provided broad authority to assess user fees or charges on identifiable beneficiaries by administrative regulation, such as those identified in paragraph 040103.

040102. Purpose

This chapter promulgates Department of Defense (DoD) policy regarding establishment and assessment of appropriate fees for authorized goods or services supplied by DoD Components. It provides information on the scope and types of activities subject to user charges and the basis upon which user charges are to be calculated. In addition, it provides guidance on Component implementation of user charges and the disposition of collections. This chapter does not apply to user fees associated with the Freedom of Information Act (FOIA) or the Privacy Act of 1974. For DoD policies regarding FOIA (5 U.S.C. § 552), “Public Information; Agency Rules, Opinions, Orders, Records, and Proceedings”, refer to Regulation DoD 5400.7-R, “DoD Freedom of Information Act Program”. For DoD polices regarding the Privacy Act of 1974, refer to Regulation DoD 5400.11-R, “DoD Privacy Program”.

040103. Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

A. 31 U.S.C. § 9701, “Fees and Charges for Government Services and Things of Value.” This statute authorizes the head of each agency to prescribe regulations establishing the charge for a service or thing of value provided by an agency.
B. **31 U.S.C. § 3302, “Custodians of money.”** This statute details the Federal Government’s custodial responsibilities of public money. Subsection (b) is the basis for the requirement that unless authorized by law, an agency may not retain and use money received from sources other than congressional appropriations; the money must instead be deposited in the Treasury.

C. **10 U.S.C. § 2667, “Leases: non-excess property of military departments and Defense Agencies.”** This statute provides authority to the Secretary of Defense to lease non-excess real or personal property and accept either cash or an in-kind consideration as payment.

D. Office of Management and Budget (OMB) Circular No. A-25, “User Charges.” This Circular establishes Federal policy regarding fees assessed for Government services and sale or use of Government goods or resources.

0402 RESPONSIBILITIES

040201. Under Secretary of Defense (Comptroller).

The Under Secretary of Defense (Comptroller) (USD(C)) will promulgate financial management policy governing user fees.

040202. DoD Components

Heads of DoD Components, or designees, will:

A. Identify the services and activities that will adopt and charge a user fee or accept an in-kind consideration.

B. Determine the extent of the special benefits provided as specified in paragraph 040301.C.

C. Apply the principles specified in paragraph 040303 in determining full cost or market price.

D. Publish user fees to be charged for services on schedules, lists, or tables posted on publicly available websites.

E. Review user fees biennially in accordance with OMB Circular No. A-25, to include:

1. Assurance that existing fees are adjusted to reflect unanticipated changes in costs or market values; and

2. A review of all other programs where fees are not being assessed to determine whether special benefits are being provided and whether fees should be charged for Government services or goods.
F. Publish and describe the results of the biennial review of user fees and any resulting proposals, such as adjustments to fee schedules, in the annual DoD Agency Financial Report required by the *Government Management and Reform Act of 1994* and the *Chief Financial Officers Act of 1990*.


H. Maintain readily accessible records of:

1. The services or activities charging user fees or accepting in-kind considerations;
2. The extent of special services provided;
3. The exceptions to the general policy;
4. The cost information used to establish or calculate fees and the specific methods used in their determination. This information must be provided upon request to OMB for the evaluation of the fee schedules in accordance with the requirements in OMB Circular *No. A-11*, “Preparation, Submission and Execution of the Budget”; and
5. The collections (i.e., cash or in-kind consideration) from each user fee imposed.

I. Initiate exception actions outlined in paragraph 040306. All such actions must be coordinated with the USD(C) prior to forwarding to OMB.

J. Develop legislative proposals as outlined in section 0404 when there are statutory prohibitions, restrictions, or limitations on the implementation, assessment or retention of user fees.

0403 USER FEES

040301. General Policy

A. The User Charge Statute establishes that it is the sense of Congress that each service or thing of value provided by a Federal agency (except a mixed-ownership Government corporation) to a person (except a person on official business of the U.S. Government) is to be self-sustaining to the extent possible. Accordingly, the Head of each DoD Component or designee may prescribe regulations establishing the charge for a service or thing of value provided by the Component.
B. User fees should only be established and implemented if mandated by specific statutory authority, or when implemented under the authority of the User Charge Statute, the monetary benefits to the Federal Government of receipts collected significantly exceed the costs of collecting the fees. Since generating and maintaining reliable cost data is expensive, consideration must be given to the cost of personnel and related data gathering requirements, and the costs of implementing, maintaining, and using financial management systems when determining the level of cost detail required and whether or not monetary benefits exceed costs.

C. It is DoD policy not to compete unfairly with available commercial facilities in providing special services or in the sale or lease of property to private parties and agencies outside the Federal Government. However, when a service (or privilege) provides special benefits to an identifiable recipient, beyond those that accrue to the general public, a fee should generally be imposed to recover the full cost to the Federal Government for providing the special benefit (or the market price) except as otherwise approved by the USD(C) and authorized by the Director of the OMB. A special benefit will be considered to accrue, and a user fee should be imposed, when a Government service:

1. Enables the beneficiary to obtain more immediate or substantial gains or values (which may or may not be measurable in monetary terms) than those which accrue to the general public (e.g. receiving a patent, insurance, or guarantee provision, or a license to carry on a specific activity or business of various kinds of public land use), or

2. Provides business stability or contributes to public confidence in the business activity of the beneficiary (e.g., insuring deposits in commercial banks), or

3. Is performed at the request of or for the convenience of the recipient, and is beyond the services regularly received by other members of the same industry or group or by the general public (e.g., receiving a passport, visa, airman's certificate, or a Custom's inspection after regular duty hours).

040302. Applicability

None of the provisions in this chapter should be construed as giving authority for the sale or lease of property, or the rendering of special services. Actions to convey such special benefits must be authorized by separate authority. This user fee policy is applicable except when other statutes or directives specifically direct other practices or procedures, such as for:

A. Services to military personnel and civilian employees of the DoD provided in accordance with section 0405.
B. Products and services provided to military personnel, their families, and civilian DoD employees by DoD Nonappropriated Fund Instrumentalities (i.e., morale, welfare, and recreation (military and civilian), Military Services exchanges, lodging, supplemental mission funds, and special purpose central funds). Fees for such services are governed by DoD Instruction (DoDI) 1015.15, “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources,” and other Office of the Secretary of Defense policy.

C. Sale or disposal of surplus property under specifically approved programs (please refer to Chapter 5).

D. Services furnished the general public relating to, or in furtherance of, the Armed Forces recruiting program.

E. Services furnished to representatives of the public information media in the interest of public understanding of the Armed Forces.

F. Armed Forces participation in public events. Fees for such participation are governed by the provisions of DoDI 5410.19, “Public Affairs Community Relations Policy Implementation”.

G. Records made available to the public, under FOIA, pursuant to DoD 5400.7-R, “DoD Freedom of Information Act Program.” Fees for searches and copies of records are governed by Chapter 6 of DoD 5400.7-R.

H. Services furnished to non-Federal audio-visual media. Fees for such services are governed by the provisions of DoDI 5410.15, “DoD Public Affairs Assistance to Non-Government, Non-Entertainment-Oriented Print and Electronic Media”.

I. Pricing of performance by DoD Working Capital Fund activities which must be in accordance with Volume 11B.

J. Foreign Military Sales of Defense articles and services which must be in accordance with Volume 15.

K. Records made available to requesters under the Privacy Act of 1974, pursuant to DoD 5400.11-R.

040303. Calculation of User Fees

All fees must be based on the full cost to the U.S. Government or market price, whichever applies. Additionally, whenever possible, fees must be set as rates rather than fixed dollar amounts in order to adjust for changes in costs to the Government or changes in market prices of the good, resource, or service provided.
A. Except as provided in paragraph 040306 and section 0405, a user fee should be imposed to recover the full cost to the Federal Government of providing the service, resource, or good when the Government is acting in its capacity as sovereign. “Full cost” includes all direct and indirect costs associated with providing a good, resource, or service. Full cost must be determined or estimated from the best available records, and new cost accounting systems should not be established solely for this purpose. These costs are outlined in Chapter 1, paragraph 010203 and include, but are not limited to, an appropriate share of:

1. Direct and indirect personnel costs, including salaries and fringe benefits such as medical insurance and retirement. Retirement costs should include all (funded or unfunded) accrued costs not covered by employee contributions as specified in OMB Circular No. A-11.

2. Physical overhead, consulting, and other indirect costs including material and supply costs, utilities, insurance, travel, and rents or imputed rents on land, buildings, and equipment. If imputed rental costs are applied, they should include:
   a. Depreciation of structures and equipment (based on guidance contained in Volume 4, Chapter 6); and
   b. An annual rate of return (equal to the average long-term Treasury bond rate) on land, structures, equipment and other capital resources used.

3. The management and supervisory costs.

4. The costs of enforcement, collection, research, establishment of standards, and regulation, including any required environmental impact statements.

B. User fees should be based on market prices when the Government is not acting in its capacity as sovereign and is leasing or selling goods or resources, or is providing a service (e.g., leasing space in federally owned buildings). Under these business-type conditions, user fees need not be limited to the recovery of full cost, must be based on market prices, and may yield net revenues. “Market price” means the price for a good, resource, or service that is based on competition in open markets, and creates neither a shortage nor a surplus of the good, resource, or service.

1. When a substantial competitive demand exists for a good, resource, or service, its market price will be determined using commercial practices, for example:
   a. by competitive bidding; or
   b. by reference to prevailing prices in competitive markets for goods, resources, or services that are the same or similar to those provided by the Government (e.g., campsites or grazing lands in the general vicinity of private ones) with adjustments as appropriate that reflect demand, level of service, and quality of the good or service.
2. In the absence of substantial competitive demand, market price will be determined by taking into account the prevailing prices for goods, resources, or services that are the same or substantially similar to those provided by the Government, and then adjusting the supply made available and/or price of the good, resource, or service so that there will be neither a shortage nor a surplus (e.g., campsites in remote areas).

C. Fees established in advance of performance should be based on the estimated cost of performance. Projected amounts must be reviewed the earlier of biennially or whenever significant changes in cost or value occur.

D. Internal management controls must be established in accordance with OMB Circular No. A-123, GAO’s GAO-14-704G, and DoDI 5010.40 to ensure that user fees are developed, published on a publicly available website, and adjusted using current, accurate, and complete data. These controls must also ensure compliance with cash management and debt collection policies promulgated in Volume 5.

040304. Collection of User Fees

DoD Components should make every effort to keep the costs of collection to a minimum and collect fees electronically, via electronic funds transfer (EFT), and utilize, as applicable, the collection services provided by the Treasury’s Bureau of the Fiscal Service (Fiscal Service) as described in Volume 5, Chapter 8 and outlined in the Treasury Financial Management, Volume 1, “Federal Agencies,” Part 5, Deposit Regulations.

A. In accordance with OMB Circular No. A-25, user fees must be collected in advance of, or simultaneously with, the rendering of services unless appropriations and authority are provided to allow for services to be provided on a reimbursable basis.

B. Although fees must be collected in advance absent statutory authority to provide services or special benefits on a reimbursable basis, Components may collect advance fee payments incrementally if variable costs such as personnel or utility costs are incurred incrementally over time and if the services or special benefit is susceptible to being provided on a severable basis.

040305. Disposition of User Fees

As required by 31 U.S.C. § 3302, an official or agent of the Government who receives money for the Federal Government from any source must deposit the money in the Treasury as soon as practicable. This law is generally referred to as the “Miscellaneous Receipts Statute”. Accordingly, unless another statute provides otherwise, user fees collected under the authority of the User Charge Statute must be credited to the General Fund of the Treasury as miscellaneous receipts.
040306. Exceptions or Waiving of User Fees

A. The Head of each DoD Component or designee may make exceptions to the general policy if the provision of a free service is an appropriate courtesy to a foreign government or international organization; or comparable fees are set on a reciprocal basis with a foreign country.

B. The Head of each DoD Component or designee may recommend to OMB that exceptions to the general policy be made when:

1. The cost of collecting the fees would represent an unduly large part of the fee for the activity; or

2. Any other condition exists that, in the opinion of the agency head or his designee, justifies an exception.

C. All exceptions must be for a period of no more than four years unless renewed by the Head of each DoD Component or designee for exceptions granted under paragraph 040306.A. or OMB for exceptions granted under paragraph 040306.B after a review to determine whether conditions warrant their continuation.

D. Requests for exceptions and extensions under paragraphs 040306.B and 040306.C must be submitted to the Director of OMB.

0404 LEGISLATIVE PROPOSALS TO RETAIN AND USE FEES

040401. General Policy

If Components require modification of statutory prohibitions on assessment of user fee charges, they may propose remedial legislation to repeal the assessment prohibition or to authorize an exception. Similarly, Components may propose legislative authority to retain and use amounts collected as user charges. Such proposals are subject to requirements for preparation and submission established in DoD Directive (DoDD) 5500.01, “Preparing, Processing, and Coordinating Legislation, Executive Orders, Proclamations, Views Letters, and Testimony”. For additional guidance on submitting legislative proposals for approval or authorization to implement or modify a user fee program or to authorize retention and use of user fee collections, refer to OMB Circular No. A-25, paragraph 7.

040402. Authorities

Under the User Charge Statute, a statutory authority is required for DoD Components to retain and use user fees. Proposals requesting such authority may be appropriate when a user fee is levied in order to finance a service that is intended to be provided on a substantially self-sustaining basis and thus is dependent upon adequate collections.
A. The authority to use fees credited to an appropriation is generally subject to limits set in annual appropriations language. However, it may be appropriate to request exemption from annual appropriations control, if a provision of the service is dependent on demand that is irregular or unpredictable (e.g., a fee to reimburse an agency for the cost of overtime pay of inspectors for services performed after regular duty hours).

B. Legislative proposals that permit fees to be credited to accounts must be consistent with the full cost recovery guidelines contained in paragraph 040303. Any fees collected in excess of full cost recovery (i.e., under business-type conditions in which user fees are calculated based on market prices) are to be credited to the General Fund of the Treasury as miscellaneous receipts.

040403. Procedures

Legislative proposals must be submitted to OMB in accordance with the requirements of DoDD 5500.01 and OMB Circular No. A-19, “Legislative Coordination and Clearance”. To ensure the proper placement of user fee initiatives in the budget account structure, DoD Components are encouraged to discuss proposals with OMB at an early stage of development. Further guidance may be obtained from the DoD General Counsel Office of Legislative Counsel’s website at: https://ogc.osd.mil/olc/index.html. Proposals to remove user fee restrictions or retain collections must:

A. Define, in general terms, the services for which fees will be assessed and the pricing mechanism that will be used.

B. Specify whether fees will be collected in advance of, or simultaneously with, the provision of service unless appropriations and authority are provided in advance to allow reimbursable services.

C. Specify where collections will be credited. Legislative proposals should not normally specify precise fees. The user fee schedule should be set by regulation to allow for the administrative updating of fees to reflect changing costs and market values.

0405 BENEFITS FOR WHICH NO FEE MUST BE ASSESSED

Military and Civilian Benefits

A. Documents and information requested by members of the U.S. Armed Forces as required by such personnel in their capacity as Service members.

B. Documents and information requested by members of the U.S. Armed Forces who are in a casualty status, or requested by their next of kin or legal representative.
C. The provisions of the address of record of a member or former member of
the U.S. Armed Forces when the address is readily available through a directory (locator) service,
and when the address is requested by a member of the U.S. Armed Forces or by a relative or a
legal representative of a member of the U.S. Armed Forces or when the address of record is
requested by any source for the purpose of paying monies or forwarding property to a member or
former member of the U.S. Armed Forces.

D. Services requested by, or on behalf of, a member or former member of the
U.S. Armed Forces and civilian personnel of DoD (where applicable) or, if deceased, his or her
next of kin or legal representative that pertain to the provision of:

1. Information required to obtain financial benefits regardless of the
terms of separation from the Service.

2. Documents showing membership and military record in the Armed
Forces if discharge or release was under honorable conditions.

3. Information related to a decoration or award or required for
memorialization purposes.

4. Information related to the review or change in type of discharge or
correction of records.

5. Personal documents, such as birth certificates, when such
documents are required to be furnished by the member.

6. Services that are furnished free in accordance with statutes or
Executive Orders.

7. Information from or copies of medical and dental records or x-ray
films of patients or former patients of military medical or dental facilities, when such information
is required for further medical and dental care, and requests for such data are (a) submitted by an
accredited medical facility, physician, or dentist; or (b) requested by the patient, his or her next of
kin, or legal representative. Other requests subject to the Privacy Act of 1974 must be in
accordance to Regulation DoD 5400.11-R.

8. Services requested by, and furnished to, a member of Congress for
official use.

9. Services requested by state, territorial, county, or municipal
government, or an agency thereof, that is performing a function related to or furthering a DoD
objective.

10. Services requested by a court, when such services will serve as a
substitute for personal court appearance of a military or civilian employee of DoD.
11. Services requested by a nonprofit organization that is performing a function related to or furthering an objective of the Federal Government or that is in the interest of public health and welfare, including education.

12. Services requested by donors in connection with the conveyance or transfer of a gift to DoD.

13. Occasional and incidental services (including requests from residents of foreign countries), that are not requested often, when it is determined administratively that a fee would be inappropriate for the occasional and incidental services rendered.

14. Administrative services offered by reference or reading rooms to inspect public records, excluding copies of records or documents furnished.

15. Services rendered in response to requests for classification review of DoD classified records, submitted under *Executive Order 13526*, “Classified National Security Information”, and implemented by *DoD Manual 5200.01-R*, “Information Security Program”. Such services consist of the work performed in conducting the classification review or in granting and completing an appeal from a denial of declassification following such review.

16. Services of a humanitarian nature performed in such emergency situations as life-saving transportation for non-U.S. Armed Forces patients, search and rescue operations, and airlift of personnel and supplies to a disaster site. This does not mean that inter- and intra-governmental agreements to recover all or part of costs should not be negotiated. Rather, it means the recipient or beneficiary will not be assessed a “user fee.”
VOLUME 11A, CHAPTER 5: “DISPOSITION OF PROCEEDS FROM DEPARTMENT OF DEFENSE SALES OF SURPLUS PERSONAL PROPERTY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated February 2012 is archived.

<table>
<thead>
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<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tbody>
<tr>
<td>All</td>
<td>Revised the chapter format and structure in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.</td>
<td>Revision</td>
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<tr>
<td>0501</td>
<td>Renamed the first section to “General” and incorporated the required “Purpose” and “Authoritative Guidance” paragraphs to comply with standard operating procedures.</td>
<td>Revision</td>
</tr>
<tr>
<td>050201</td>
<td>Clarified general rules for deposit and use of proceeds in accordance with United States Code, Titles 10 and 40.</td>
<td>Revision</td>
</tr>
<tr>
<td>050202.D</td>
<td>Added additional guidance to the Sales of Recyclable Material on Military Installations per Department of Defense Instruction 4715.23.</td>
<td>Addition</td>
</tr>
<tr>
<td></td>
<td>Revised the name of receiving agency from Defense Reutilization and Marketing Service to Defense Logistics Agency Disposition Services.</td>
<td>Revision</td>
</tr>
<tr>
<td>050302.C.2</td>
<td>Revised the definition of Card Acquiring Service (CAS) in accordance with the Treasury Bureau of the Fiscal Service program guidance.</td>
<td>Revision</td>
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<tr>
<td>Policy Memo</td>
<td>The Deputy Chief Financial Officer policy memorandum, “Treasury Account Symbols for Licensing of Intellectual Property and Recycling Activities (FPM19-11),” dated August 30, 2019, was incorporated into the chapter and cancelled.</td>
<td>Cancellation</td>
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CHAPTER 5

DISPOSITION OF PROCEEDS FROM DEPARTMENT OF DEFENSE SALES OF SURPLUS PERSONAL PROPERTY

*0501  GENERAL

050101.  Purpose

This chapter provides the policy for the collection and disposition of cash and cash equivalents received by Department of Defense (DoD) Components for the DoD sale of surplus personal property.

050102.  Authoritative Guidance

The financial management policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of the following sources, and apply to all proceeds resulting from sales of surplus personal property:

A.  Title 10, United States Code, section 2210 (10 U.S.C. § 2210), “Proceeds of Sales of Supplies: Credit to Appropriations”;

B.  10 U.S.C. § 2605, “Acceptance of gifts for defense dependent’s school”;

C.  10 U.S.C. § 2608, “Acceptance of contributions for defense programs, projects, and activities; Defense Cooperation Account”;


F.  22 U.S.C. § 2355(d), “Retention and use of certain items and funds”;


0502 POLICY

*050201. General Rules for Deposit and Use of Proceeds

A. In accordance with 40 U.S.C. § 571, net proceeds from sales of surplus property must be deposited in the U.S. Department of the Treasury (Treasury) as miscellaneous receipts unless deposit into an alternate appropriation is authorized by law. The law also requires that the expenses of the sale of old material, condemned stores, supplies and other public property are paid from the proceeds of the sale, so that only the net proceeds are deposited in the Treasury or other applicable appropriation authorized by law.

B. 10 U.S.C. § 2210 states that proceeds of disposals of property that are necessary to recover the expenses incurred in disposing of that property may be retained by a working capital fund responsible for the disposal. Accordingly, the Defense Logistics Agency (DLA) Disposition Services will retain amounts sufficient to offset all expenses incurred in the disposition of excess/surplus personal property, out of the proceeds of sales of such property (see Table 5-1). Legal exceptions to this policy affecting the Department are contained at paragraphs 050202.

050202. Legal Exceptions to the General Rules

The following authorizations permit the crediting of the proceeds of the sale to appropriations and/or funds of the Department. Additional guidance on specific types of exceptions is located in Table 5-2.

A. Supplies, Material, Equipment, and Other Personal Property Not Financed by Stock Funds. In accordance with 10 U.S.C. § 2210, the net proceeds from the sale or disposal
of surplus property in excess of amounts necessary to recover expenses may be credited to current applicable appropriations of DoD. Thus, any proceeds that remain after disposal expenses are recovered are to be credited to the current applicable appropriations of the Department (i.e., the appropriation currently available for the purchase of such property).

B. Revolving Fund and Non-Appropriated Fund Property. In accordance with 40 U.S.C. § 574, when property is acquired with amounts either (a) not appropriated from the general fund of the Treasury; or (b) appropriated from the general fund of the Treasury but by law reimbursable from assessment, tax, or other revenue or receipts, the net proceeds of such a disposition or transfer of the property must be:

1. Credited to the applicable reimbursable fund or appropriation; or

2. Paid to the federal agency that determined the property to be excess.

C. Contractor Sales of Surplus Government Property in the Possession of Contractors. The DFARS subpart 245.604, implements 40 U.S.C. § 574(c) and provides overall direction for crediting proceeds from contractor conducted sales of surplus government property in the possession of contractors.

1. The contractor making the sale may follow normal company policy on bid deposits and form of payment. However, any loss associated with a dishonored payment is the contractor’s responsibility.

2. The plant clearance officer appointed by the contracting administration office, consistent with DFARS subpart 245.70, is responsible for notifying the appropriate accounting office of the amounts collected by the contractor. The plant clearance officer also must notify the accounting office of the disposition of such collections. Specifically, collections may:

   a. Represent an increase in the dollar value of the applicable contract(s).

   b. Be applied in place of disbursements on the applicable contract(s).

   c. Be returned to the applicable Component’s Working Capital Fund (097X4930, where 097 is the agency identifier code for DoD and X represents a no-year fund) in the case of inventory purchased with Working Capital Funds, or deposited in the miscellaneous receipt account, “Sale of Scrap and Salvage Materials, Defense,” (097_2651).

3. The accounting office for the contract is identified in the accounting citation. That office must prepare the source documents necessary to account properly for the transaction.
D. Sales of Recyclable Material on Military Installations.

Distribution of proceeds, by DoD installations or DLA Disposition Services, from direct sales of installation qualified recycling programs (QRP) is covered by 10 U.S.C. § 2577 and DoDI 4715.23.

1. The Director, DLA and DLA Disposition Services (under the Under Secretary of Defense for Acquisition and Sustainment) must establish procedures and controls to ensure that when recyclable materials are consigned for disposal to DLA Disposition Services on behalf of a qualified recycling program, 100 percent of any proceeds, less the costs of sales and handling, are returned to installations in accordance with established accounting procedures.

2. An accounting and control system must be established for recycling programs that provides detailed management and audit information, tracks material quantity handled, calculates sales and handling costs for recycled material, and tracks expenditures made for appropriate projects and Morale, Welfare and Recreation (MWR) programs. Integrity of the audit trail must be a priority concern.

3. If after such funds are credited and a balance remains available to a military installation and such installation has a QRP (as determined by the Secretary of the Military Department concerned or the Secretary of Defense), not more than 50 percent of that balance may be used at the installation for projects for pollution abatement, pollution prevention, energy conservation, alternative-fueled vehicle infrastructure support, and occupational safety and health activities. In accordance with 10 U.S.C. § 2577, a project may not be carried out under the preceding sentence for an amount greater than 50 percent of the amount established by law as the maximum amount for a minor construction project.

4. All recycling proceeds received by DoD Components must be promptly deposited and recorded in the United States Standard General Ledger account 426600, which provides direct budgetary authority on line 1800 of the Standard Form (SF) 132, Apportionment and Reapportionment Schedule, and SF 133, Report on Budget Execution and Budgetary Resources. DoD Components must obligate and disburse from the designated Treasury Account Symbol only for the purposes specifically authorized in 10 U.S.C. § 2577. The use of suspense accounts is prohibited and any remaining balances must be transferred to the designated Treasury account.

5. The remaining balance available to a military installation may be transferred to the non-appropriated morale and welfare account of the installation to be used for any morale or welfare activity. If the balance available to a military installation at the end of any fiscal year is in excess of $10 million, the amount of that excess must be deposited into the Treasury as miscellaneous receipts, 020R3210, or other as appropriate.

E. Lost, Abandoned and Unclaimed Privately-Owned Personal Property. DoD may dispose of lost, abandoned, or unclaimed personal property after diligent effort has been made to find the owner (or the heirs, next of kin, or legal representative of the owner) as prescribed by 10 U.S.C. § 2575.
1. **Military Installations.** In the case of lost, abandoned, or unclaimed personal property found on a military installation, the net proceeds from the sale of the property **must** be credited to the operation and maintenance account of that installation and used:

   a. To reimburse the installation for any costs incurred by the installation to collect, transport, store, protect, or sell the property; and

   b. To the extent that the amount of the proceeds exceeds the amount necessary for reimbursing all such costs, to support morale, welfare, and recreation activities under the jurisdiction of the armed forces at such installation.

2. The net proceeds from the sale of all other lost, abandoned and unclaimed privately-owned personal property **must** be deposited into the Proceeds of Sales of Lost, Abandoned or Unclaimed Personal Property (X6001). After **five** years, any unclaimed net proceeds **must** be transferred from X6001 to Forfeitures of Unclaimed Money and Property (1060).

3. The owner(s) of personal property disposed of as described in this section may file a claim with the Secretary of Defense for the amount equal to the proceeds less the costs incurred by the installation to collect, transport, store, protect, or sell the property. The claim must be filed within **five** years of the date of disposal of the property.

   a. For property found on military installations, in which the proceeds were deposited into the installations MWR account, the amounts to pay claims must be drawn from the installations MWR account.

   b. For all other property, amounts to pay the claim **must** be from the Proceeds of Sales of Lost, Abandoned or Unclaimed Personal Property account (X6001).

4. See Tables 5-1 and 5-2 to identify, by type of surplus property, the collection and disposition of proceeds from the sale of surplus property.

**0503 COLLECTION AND DISPOSITION OF BID DEPOSITS**

**050301. Types of Bid Deposits**

When a DoD sale of surplus personal property conducted by a DoD Component provides for a bid deposit with subsequent removal of the surplus personal property, the following definitions **must** be applied:

A. **Term Bid.** This type of bid deposit is applicable when the sale involves the purchase of scrap or disposable material that will be generated over time with periodic removal by the successful bidder. The normal amount of the bid deposit required to accompany such bids is the average estimated quantity of such material to be generated during a **three**-month period multiplied by 20 percent of the bid price.
B. Other Than Term Bid. With the exception of term bids, payment in the normal amount of 20 percent of the bid must accompany the bid.

C. Immediate Pickup Terms. When a sale conducted by a DoD Component provides for immediate pickup, the entire amount of the sales price must be collected from the buyer at the conclusion of the sale. If the sale provides for a bid deposit, the balance of the bid price must be paid before removal of the property.

050302. Forms of Payment

A. Cash and Cash Equivalents. Cash or cash equivalents in the prescribed amounts must accompany the bid, if required by the sales solicitation. For one-time contracts, cash or cash equivalents for the balance due must be received by the DoD Components or, in authorized cases, by contractors before the transfer of physical possession to the successful bidder. Cash equivalents are guaranteed negotiable instruments, such as cashiers’ checks, certified checks, traveler’s checks, or postal money orders.

B. Personal Checks. Personal checks may be accepted by a DoD Component only when a bank guarantee, bid bond or a bank letter of credit is on hand that will cover the amount due. If the check is dishonored, amounts due must be collected from the issuer of the guarantee, bond, or letter of credit.

1. If a bidder intends to use a bond or letter of credit without an accompanying personal check (permitted for bid deposits only), the claim against the performance bond or letter of credit must be made for any amounts due.

2. If personal checks are used, the bond or letter of credit must be returned intact after the applicable personal checks are honored, unless other instructions have been received from the bidder.

C. Credit Cards/Debit Cards. As specified herein, credit or debit cards may be accepted by a DoD Component for payment.

1. Policies governing acceptance under the Card Acquiring Service (CAS) by DoD Components are established in Volume 5, Chapter 11, “Electronic Commerce and Deposit of Public Funds.” Transaction limits do apply in these instances, for further guidance see Volume 5, Chapter 11.

* 2. CAS is a Treasury, Bureau of the Fiscal Service program that provides federal agencies payment card acceptance capabilities. Federal agencies can collect most remittance obligations through debit and credit cards. CAS is also a card neutral program that accepts cards from all the major network brands. Changes or additions to approved credit or debit cards are announced in Office of the Under Secretary of Defense (Comptroller) memoranda, or in changes to the TFM. Except for equipment and communication costs, Treasury pays any fees normally charged to sellers.
3. If a credit or debit card is used for the bid deposit, and authorization is declined, the bid may be rejected as nonresponsive and other bidders considered.

050303. Disposition of Bid Deposits

A. If the sale provides for a bid deposit, cash collected from bidders initially must be deposited by a DoD Component to account 097X6501, “Small Escrow Amounts,” until such time as a successful bidder has been determined and a contract has been awarded.

B. Unsuccessful Bidders

1. A check must be drawn on account 097X6501, “Small Escrow Amounts,” to reimburse unsuccessful bidders for their cash bid deposits.

2. Normally, noncash bid deposits must be returned to unsuccessful bidders by DoD Components through the mail. There are some exceptions such as:
   a. When a bidder appears in person, normally the noncash instrument may be released to the bidder or an agent designated for this purpose.
   b. When a bidder has requested expedited return and has provided the name of a carrier and a charge account number, the designated carrier must be called to pick up the deposit with the explicit condition that applicable carrier costs will be charged to the bidder’s account.

C. Successful Bidder

1. A bid deposit of the successful bidder must be transferred promptly from the account 097X6501, “Small Escrow Amounts,” to the account(s) prescribed in accordance with this chapter.

2. The DLA Disposition Services either must retain the bid deposit or charge a specific penalty for buyer defaults on sales contracts.

050304. Disposition of Proceeds Received from Successful Bidders

If the account, ultimately to be credited with the proceeds of a sale reasonably can be determined at the time funds are collected from the successful bidder and by law can receive reimbursement, the amounts collected must be deposited immediately to that account. The use of suspense accounts is prohibited.
Table 5-1. Costs Associated with Disposal and Sale of Surplus Personal Property

<table>
<thead>
<tr>
<th>TYPE OF SURPLUS PROPERTY</th>
<th>DISPOSITION OF PROCEEDS</th>
</tr>
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<tbody>
<tr>
<td>1. All property types turned over to DLA Disposition Services for disposal.</td>
<td>Proceeds of disposals of property that are necessary to recover the expenses incurred in disposing of that property may be retained by DLA Disposition Services to recover the expenses incurred in disposing of that property and must be deposited into the DLA Disposition Services working capital fund (097X4930.005) to offset costs.</td>
</tr>
<tr>
<td>Authority: 10 U.S.C. § 2210</td>
<td></td>
</tr>
</tbody>
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Table 5-2. Disposition of Net Proceeds from the Sale of Surplus Personal Property

<table>
<thead>
<tr>
<th>TYPE OF SURPLUS PROPERTY</th>
<th>DISPOSITION OF PROCEEDS</th>
</tr>
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<tbody>
<tr>
<td>1. Scrap and usable personal property purchased with working capital funds and turned in</td>
<td>The net proceeds are to be credited to the applicable working capital fund.</td>
</tr>
<tr>
<td>to the DLA Disposition Services. (For more details, see paragraphs 050201 and 050202)</td>
<td></td>
</tr>
<tr>
<td>Authority: 10 U.S.C. § 2577</td>
<td></td>
</tr>
<tr>
<td>2. Working capital fund supply management excess inventory items turned in to the DLA</td>
<td>The net proceeds are to be credited to the applicable working capital fund.</td>
</tr>
<tr>
<td>Disposition Services. (For more details, see subparagraph 050202.C.2.c.).</td>
<td></td>
</tr>
<tr>
<td>Authority: 40 U.S.C. § 574</td>
<td></td>
</tr>
<tr>
<td>3. Property (equipment) purchased with funds from the Surcharge Collections, Sales of</td>
<td>The net proceeds must be deposited into 097X8164, “Surcharge Collections, Sales of Commissary Stores, Defense Commissary Agency.”</td>
</tr>
<tr>
<td>Commissary Stores (097X8164) trust fund account to include property downgraded to scrap</td>
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<tr>
<td>at turn-in, such as shopping carts, shelving units, and similar material. Scrap material,</td>
<td></td>
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<tr>
<td>such as cardboard, is not reimbursable under this rule. (For more details, see</td>
<td></td>
</tr>
<tr>
<td>subparagraph 050202.C.2.c.)</td>
<td></td>
</tr>
<tr>
<td>Authority: 40 U.S.C. § 574</td>
<td></td>
</tr>
<tr>
<td>4. Bones, fats, and meat trimmings generated by a commissary store.</td>
<td>The net proceeds must be deposited into the commissary store working capital fund (097X4930.004).</td>
</tr>
<tr>
<td>Authority: 40 U.S.C. § 574</td>
<td></td>
</tr>
<tr>
<td>5. Property owned by non-appropriated fund instrumentalities, excluding garbage</td>
<td>The net proceeds must be provided to the applicable non-appropriated fund instrumentality.</td>
</tr>
<tr>
<td>suitable for animal consumption that is disposed of under a multiple-pickup contract.</td>
<td></td>
</tr>
<tr>
<td>Authority: 40 U.S.C. § 574</td>
<td></td>
</tr>
</tbody>
</table>
Table 5-2. Disposition of Net Proceeds from the Sale of Surplus Personal Property (Continued)

<table>
<thead>
<tr>
<th>TYPE OF SURPLUS PROPERTY</th>
<th>DISPOSITION OF PROCEEDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Lost, abandoned or unclaimed privately-owned personal property turned in to the DLA Disposition Services. (For more details, see subparagraph 050203.E).</td>
<td>On military installations, the net proceeds must be credited to the operation and maintenance account of that installation to reimburse for: 1) any costs to collect, transport, store, protect, or sell the property, and 2) the amount necessary for reimbursing all such costs, to support morale, welfare, and recreation activities under the jurisdiction of the armed forces at such installation. Any remaining proceeds may be transferred to the non-appropriated MWR account. For all other, the net proceeds must be deposited into the “Proceeds of Sales of Lost, Abandoned or Unclaimed Personal Property” account (X6001). After five years, any unclaimed net proceeds must be transferred from X6001 to the “Forfeitures of Unclaimed Money and Property” account (1060).</td>
</tr>
<tr>
<td>Authority: 10 U.S.C. § 2575</td>
<td></td>
</tr>
<tr>
<td>7. Property owned by a country (other than the United States) or international organization. (For more details, see Volume 15, Chapter 2, “Finance.”)</td>
<td>The net proceeds must be provided to the applicable foreign country or international organization.</td>
</tr>
</tbody>
</table>
| 8. Security Assistance Property  
   a. Military Assistance Program and Foreign Military Financing (FMF) property returned to the U.S. Government by a recipient country or international organization as no longer needed for the purpose for which furnished. (For more details, see Volume 15, Chapter 1” General Information” & Chapter 4 “Cash Management.”) | The net proceeds must be deposited into the “FMF Program, Funds Appropriated to the President” account (011_1082). |
| Authority: 22 U.S.C. § 2355(d) | |
| b. Special Defense Acquisition Fund (SDAF) property. | The net proceeds must be deposited into the “Special Defense Acquisition Fund (SDAF), Funds Appropriated to the President” account (011X4116). |
| Authority: 22 U.S.C. § 2795 | |
| c. Security Assistance Office property purchased with Foreign Military Sales (FMS) Trust Fund funds. | The net proceeds must be deposited into the “Advances, Foreign Military Sales (FMS), Funds Appropriated to the President” account (011X8242). |
| Authority: 22 U.S.C. § 2761 | |
Table 5-2. Disposition of Net Proceeds from the Sale of Surplus Personal Property (Continued)

<table>
<thead>
<tr>
<th>TYPE OF SURPLUS PROPERTY</th>
<th>DISPOSITION OF PROCEEDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>d. Property purchased with FMS Contract Administration Services (CAS) funds.</td>
<td>The net proceeds <strong>must</strong> be deposited into the FMS Trust Fund CAS account (011X8242).</td>
</tr>
<tr>
<td>Authority: 22 U.S.C. § 2761</td>
<td></td>
</tr>
<tr>
<td>9. Recyclable material.</td>
<td>The net proceeds <strong>must</strong> be credited to funds available for operations and maintenance at that installation in amounts sufficient to cover the cost of operations, maintenance, and overhead for processing recyclable materials at the installation (including the cost of any equipment purchased for recycling purposes).</td>
</tr>
<tr>
<td>Authority: 10 U.S.C. § 2577</td>
<td></td>
</tr>
<tr>
<td>10. U.S. Government property in the possession of contractors sold by contractors or DoD selling activities. (For more details, see subparagraph 050202.C.)</td>
<td>The net proceeds may be credited to the price or cost of the contract or otherwise credited or applied pursuant to the terms of the contract. Otherwise, net proceeds <strong>must</strong> be deposited into the applicable Component’s working capital fund (097X4930) (in the case of inventory purchased with working capital funds) or deposited into the “Sale of Scrap and Salvage Materials, Defense” account (097_2651) (in the case of items not purchased with working capital funds).</td>
</tr>
<tr>
<td>Authority: 40 U.S.C. § 574(c)</td>
<td></td>
</tr>
</tbody>
</table>
Table 5-2. Disposition of Net Proceeds from the Sale of Surplus Personal Property (Continued)

<table>
<thead>
<tr>
<th>TYPE OF SURPLUS PROPERTY</th>
<th>DISPOSITION OF PROCEEDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>11. U.S. Army Corps of Engineers property under the physical control of the U.S. Army Corps of Engineers at the time of sale. (For more details, see Volume 4, Chapter 11 “Component Debt.”)</td>
<td>The net proceeds must be deposited into the Treasury fund designated for DoD or the Military Department, and transferred to the U.S. Army Corps of Engineers using the Intra-Governmental Payment and Collection (IPAC) System. Authority: OMB Circular A-11, section 20.11(e) and TFM Volume 1, Part 2, Chapter 1500</td>
</tr>
<tr>
<td>12. Automatic data processing equipment owned by the General Services Administration (GSA) and leased to a DoD Component.</td>
<td>The net proceeds must be deposited into the Treasury fund designated for DoD or the Military Department, and transferred to GSA using the IPAC System. Authority: OMB Circular A-11, section 20.11(e) and TFM Volume 1, Part 2, Chapter 1500</td>
</tr>
<tr>
<td>13. U.S. Coast Guard property under the physical control of the U.S. Coast Guard at the time of sale.</td>
<td>The net proceeds must be deposited into the Treasury fund designated for DoD or the Military Department, and transferred to the U.S. Coast Guard using the IPAC System. Authority: OMB Circular A-11, section 20.11(e) and TFM Volume 1, Part 2, Chapter 1500</td>
</tr>
<tr>
<td>14. General Gifts – Gifts and bequests of property made on the condition that it be used for the benefit of, or in connection with the establishment, operation, or maintenance of a school, hospital, library, museum, cemetery, or other institution, or organization under the jurisdiction of the Secretary. (For more details, see Volume 12, Chapter 30 “Operation and Use of General Gift Funds.”) Authority: 10 U.S.C. § 2601</td>
<td>The net proceeds must be deposited into the Treasury fund designated for DoD or the Military Department as applicable: 021X8927 - Department of the Army General Gift Fund, 017X8716 - Department of the Navy General Gift Fund, 057X8928 - Department of the Air Force General Gift Fund, or 097X8163 - Department of Defense General Gift Fund.</td>
</tr>
</tbody>
</table>
Table 5-2. Disposition of Net Proceeds from the Sale of Surplus Personal Property (Continued)

<table>
<thead>
<tr>
<th>TYPE OF SURPLUS PROPERTY</th>
<th>DISPOSITION OF PROCEEDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>15. Gifts for wounded warriors – Gifts and bequests of property made on the condition that it be used for the benefit of (A) members of the armed forces, including members performing full-time National Guard duty, who incur a wound, injury, or illness while in the line of duty; (B) civilian employees of DoD who incur a wound, injury, or illness while in the line of duty; (C) dependents of such members or employees; and (D) survivors of such members or employees who are killed. (For more details, see Volume 12, Chapter 30 “Operation and Use of General Gift Funds.”)</td>
<td>The net proceeds must be deposited into the Treasury fund designated for DoD or the Military Department as applicable: 021X8927 - Department of the Army General Gift Fund, 017X8716 - Department of the Navy General Gift Fund, 057X8928 - Department of the Air Force General Gift Fund, or 097X8163 - Department of Defense General Gift Fund</td>
</tr>
<tr>
<td>Authority: 10 U.S.C. § 2601</td>
<td></td>
</tr>
<tr>
<td>16. Gifts for Defense Dependents Education System - Any gift (including any gift of an interest in real property) that is to be used in connection with the operation and/or administration of the DoD dependent’s education system. (For more details, see Volume 12, Chapter 30 “Operation and Use of General Gift Funds.”)</td>
<td>The net proceeds must be deposited into the DoD Dependent’s Education Gift Fund Account (097X8096).</td>
</tr>
<tr>
<td>Authority: 10 U.S.C. § 2605</td>
<td></td>
</tr>
<tr>
<td>17. Any contribution of money, real property, or personal property made by any person, business, foreign government, or international organization for use by the DoD. (For more details, see Volume 12, Chapter 3 “Contributions for Defense Programs, Projects, and Activities.”)</td>
<td>The net proceeds must be deposited into the Defense Cooperation Account, Defense (097X5187).</td>
</tr>
<tr>
<td>Authority: 10 U.S.C. § 2608</td>
<td></td>
</tr>
</tbody>
</table>
Table 5-2. Disposition of Net Proceeds from the Sale of Surplus Personal Property (Continued)

<table>
<thead>
<tr>
<th>TYPE OF SURPLUS PROPERTY</th>
<th>DISPOSITION OF PROCEEDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>18. Supplies, material, equipment, and other personal property personal (to include</td>
<td>The net proceeds must be deposited into the current applicable DoD appropriation (i.e.,</td>
</tr>
<tr>
<td>demilitarized/scrapped end items) turned in by DoD Components. (For more details, see</td>
<td>the appropriation currently available for the purchase of such items).</td>
</tr>
<tr>
<td>Volume 12, Chapter 14 “Transferring, Disposing, and Leasing of Real Property and Personal Property.”)</td>
<td></td>
</tr>
<tr>
<td>Authority: 10 U.S.C. § 2210</td>
<td></td>
</tr>
<tr>
<td>19. All other personal property, to include demilitarized/scrapped end items, turned in</td>
<td>The net proceeds must be deposited into Miscellaneous Receipts account (097_2651).</td>
</tr>
<tr>
<td>by DoD and other federal government activities where the disposition of the proceeds is</td>
<td></td>
</tr>
<tr>
<td>not otherwise provided by law. (For more details, see Volume 12, Chapter 14 “Transferring, Disposing, and Leasing of Real Property and Personal Property.”)</td>
<td></td>
</tr>
<tr>
<td>Authority: 40 U.S.C. § 571</td>
<td></td>
</tr>
</tbody>
</table>
**VOLUME 11A CHAPTER 6: “ANNUAL REIMBURSABLE RATES”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated January 2011 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>060501</td>
<td>Removed Food Service (Appendix F) from Table</td>
<td>Revision</td>
</tr>
<tr>
<td>060502</td>
<td>Update Appendix I for Blended Retirement System</td>
<td>Revision</td>
</tr>
<tr>
<td>Appendix E</td>
<td>Combined guidance contained in Appendix E (Fixed Wing) and Appendix G (Rotary Wing) under Appendix E, Collections for Reimbursements of DoD-Owned Aircraft (Fixed / Rotary Wing).</td>
<td>Revision</td>
</tr>
<tr>
<td>Appendix F</td>
<td>Deleted Appendix F (Food Service) and Instructions</td>
<td>Deletion</td>
</tr>
<tr>
<td>Appendix G</td>
<td>Combined guidance contained in Appendix E (Fixed Wing) and Appendix G (Rotary Wing) under Appendix E, Collections for Reimbursements of DoD-Owned Aircraft (Fixed / Rotary Wing).</td>
<td>Revision</td>
</tr>
<tr>
<td>Appendix H</td>
<td>Appendix H, Medical and Dental Services Rate Computation moved to Appendix F. Updated Inpatient, Outpatient, Pharmacy, and Cosmetic Surgery Rate Computation procedures to current (FY19 Inpatient, CY18 Outpatient).</td>
<td>Revision</td>
</tr>
<tr>
<td>Appendix I</td>
<td>Appendix I, Military Composite Standard Pay and Reimbursement Rates moved to Appendix G. Updated Miscellaneous Expense, Annual DoD Composite Standard Rate, and Amount Billable to Other Federal Agencies. Added Amount Billable to DoD Entities and Amount Billable to Foreign Military Sales Entities.</td>
<td>Revision</td>
</tr>
<tr>
<td>Appendix J</td>
<td>Appendix J, Reimbursement Cost for Contract Administration and Related Support Services Furnished to the NNSA moved to Appendix H.</td>
<td>Revision</td>
</tr>
</tbody>
</table>
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CHAPTER 6

ANNUAL REIMBURSABLE RATES

0601 GENERAL

The Department of Defense (DoD) provides goods and services to meet military mission requirements. The Economy Act allows the Department to provide certain goods not only to DoD Components, but also to other government agencies and the private sector, under specified conditions. Reimbursable rates, published by the Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer, provide a basis for the Department and its Components to be reimbursed for such goods and services provided.

0602 PURPOSE

The purpose of this chapter is to provide guidance relative to the preparation of specific exhibits, and due dates for the submission of such exhibits, used to develop and support those reimbursable rates published by the DoD Deputy Comptroller (Program/Budget).

0603 APPLICABILITY

This guidance applies to all DoD Components and goods or services encompassed by or subject to reimbursable rates approved by the DoD Chief Financial Officer.

0604 RESPONSIBILITY

060401. Deputy Comptroller (P/B)

The Office of the Under Secretary of Defense (Comptroller) is responsible for reviewing, coordinating, and publishing reimbursable rates for the Department. Where feasible, applicable reimbursable rates will be published prior to the beginning of each new fiscal year, allowing sufficient lead time for the distribution of rates and the updating of billing systems.

060402. DoD Components

DoD Components are required to:

A. Maintain systems that use generally accepted cost accounting procedures to formulate proposed rates. Each such DoD Component is responsible for maintaining, in conjunction with the Defense Finance and Accounting Service, an appropriate cost accounting system enabling the accumulation of data needed to formulate reimbursable rates to be charged to consumers of such goods or services. Generally accepted cost accounting procedures will be the basis for such proposed rates.

B. Submit to the DoD Deputy Comptroller (P/B), reimbursable rate exhibits that propose reimbursable rates for the upcoming fiscal year. Such exhibits shall be prepared and
submitted in accordance with the time frames specified in section 0605 and use the formats specified in the appendices to this chapter.

C. Bill using rates approved by the DoD Deputy Comptroller (P/B). Goods or services provided in an academic year or a fiscal year, as applicable, will be billed at the approved academic or fiscal year rate, respectively, effective with the beginning of the academic year, or October 1 of the fiscal year, as appropriate, irrespective of whether the rates have been established in the billing system.

D. Ensure that rates different from those approved by the DoD Chief Financial Officer are not issued or changed without the prior written approval of that official or the Deputy Chief Financial Officer.

0605 EXHIBITS

060501. Reimbursable Rate Exhibits

The following reimbursable rate exhibits are to be submitted in support of the President’s Budget submission each year. Detailed instructions are included with each exhibit and specific due dates are identified below:

<table>
<thead>
<tr>
<th>TYPE OF REIMBURSABLE RATE</th>
<th>APPENDIX</th>
<th>DUE DATE</th>
<th>SUBMITTING COMPONENT</th>
<th>Reviewing OUSD(C) COMPONENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academy Foreign Cadet</td>
<td>A</td>
<td>March 1</td>
<td>All Military Depts and OASD (Health Affairs)</td>
<td>Operations</td>
</tr>
<tr>
<td>Civilian/Military Equivalency, DoD Working Capital Funds</td>
<td>B</td>
<td>March 1</td>
<td>OUSD(C)</td>
<td>Operations</td>
</tr>
<tr>
<td>Civilian Personnel Fringe Benefit</td>
<td>C</td>
<td>March 1</td>
<td>OUSD(C) Operations</td>
<td>Operations</td>
</tr>
<tr>
<td>Contract Administration Services</td>
<td>D</td>
<td>March 1</td>
<td>DCMA, DCAA, All Military Depts</td>
<td>Operations</td>
</tr>
<tr>
<td>Fixed Wing Aircraft</td>
<td>E</td>
<td>March 1</td>
<td>All Military Depts</td>
<td>Operations</td>
</tr>
<tr>
<td>Helicopter</td>
<td>G</td>
<td>March 1</td>
<td>All Military Depts</td>
<td>Operations</td>
</tr>
<tr>
<td>Medical and Dental Services</td>
<td>H</td>
<td>March 1</td>
<td>OASD(Health Affairs)</td>
<td>Military Personnel and Construction</td>
</tr>
<tr>
<td>Military Composite Pay</td>
<td>I</td>
<td>March 1</td>
<td>All Military Depts</td>
<td>Military Personnel and Construction</td>
</tr>
<tr>
<td>NASA</td>
<td>J</td>
<td>March 1</td>
<td>DCMA, DCAA, All Military Depts</td>
<td>Operations</td>
</tr>
</tbody>
</table>
060502. Exhibits Submissions

Exhibits should be submitted to the attention of the corresponding reviewing component above in both electronic format and hard copy to the DoD Deputy Comptroller (P/B), The Pentagon, Washington, DC 20301-1100. Spreadsheet and text files provided in electronic format should be compatible with Microsoft Excel.
APPENDIX A: SERVICE ACADEMIES’ FOREIGN CADET/MIDSIPMAN REIMBURSABLE RATE CALCULATION

<table>
<thead>
<tr>
<th>Rate Calculation</th>
<th>FY 20CY (1)</th>
<th>FY 20BY (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Element:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PE 0804721 Service Academies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>($actuals)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>O&amp;M,F</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>MPF</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>OPF</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total U.S. Air Force Academy</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cadet/Midshipman Workyears/Average Strength (3)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Medical Support Costs per capita (4)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Medical Costs (5)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Costs (6)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost per Cadet/Midshipman (7)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1/3 of 20CY Cost per Cadet/Midshipmen
2/3 of 20BY Cost per Cadet/Midshipmen
Academic Year Reimbursable Rate (8)
GENERAL

Department of Defense Service Academies’ Foreign Cadet Reimbursable Rate is to be used when billing foreign cadets and midshipmen instruction cost. Title 10, United States Code, Section 347 requires a Foreign Government to reimburse instruction costs to the United States for cadets and midshipmen permitted to attend one of the military academies to include the United States Military Academy, the Naval Academy, and the Air Force Academy. Each Service Department calculates its internal Service Academies’ Foreign Cadet Reimbursable Rate using the rate calculation in the instructions. OUSD(C) calculates the Department of Defense Service Academies’ Foreign Cadet Reimbursable Rate from the Services’ submissions and publishes on the OUSD(C) public website prior to the commencement of the academies’ academic year.

Instructions:

Instruction costs include faculty, staff, learning material, housing, basic pay and allowance, subsistence (meals), and medical expenses of a cadet/midshipman. The instruction costs are identified in the Operations and Maintenance (O&M), Military Personnel (MILPER), and Other Procurement (OP) appropriations. Detailed instructions for calculating the Services’ foreign cadet and midshipman reimbursable rate follows:

1. Insert the applicable current year (CY) and budget year (BY) for the fiscal year being calculated. For example, when computing the FY 2020 Budget Year rate, the current year would be FY 2019 and the budget year would be FY 2020.

2. Include all budgeting and programming data in the Service Academies Program Element (PE) 804721 for all appropriations. The Service Academy PE shall be exclusively used for cadet and midshipman instruction cost. The O&M appropriation must include the PE, budget activity, and subactivity group for instruction cost. For the O&M and OP accounts the current year reflects the enacted appropriation and the budget year reflects the President’s Budget. In the MILPER accounts CY shall reflect the CY Estimate (i.e., not the enacted) in the FY President's Budget and BY shall reflect the BY in the FY President's Budget. When there is no enactment of an appropriation, the CY is an estimate for all appropriations.

3. Insert the Cadet/Midshipman workyears/average strength which includes Foreign Cadets (Basic Pay, Average Number) shown in the Military Personnel justification books for budget activity 3, Pay and Allowances for Cadets/Midshipmen submitted to the Congress in support of the President’s Budget. The workyears/average strength CY column shall reflect the CY Estimate in the FY President’s Budget and BY shall reflect the BY in the FY President’s Budget.

4. Obtain the Cadet/Midshipman medical support cost from the OUSD(C). The Service Academies’ Cadet/Midshipman medical support costs include both clinic and hospital costs. The Office of the Assistant Secretary of Defense (Health Affairs) shall provide a cost per capita for the CY and BY, by Academy to the Director, for Operations Directorate, OUSD(C), Room 3C749, the Pentagon, 30 days after the submission of the President’s Budget to the Congress.
This amount will be calculated by multiplying the per capita cost provided by the OASD(HA) by the sum of the cadet/midshipman workyears/average strength included in the President’s budget.

(5) Multiply the number of cadet workyears/average strength by the medical support costs per capita rate to get the total Medical charge for the academy.

(6) Sum the Service Academies PE (804721) cost, the total medical charge Program Element cost, and medical support cost.

(7) Divide the Total Costs (6) by Cadet/Midshipman workyears/average strength (3).

(8) Sum 1/3 of the cost per cadet/midshipman for the CY and 2/3 of the CY cost per cadet/midshipman for the BY.
APPENDIX B: DoD WORKING CAPITAL FUNDS CIVILIAN/MILITARY EQUIVALENCY RATE

Fiscal Year _________________

The cost of military personnel assigned to activities financed by a Defense Working Capital Fund (DWCF) is included in the total cost of operations of the Working Capital Fund activities at civilian equivalent rates. Military personnel assigned to DWCF activities are to be costed at civilian equivalent rates, using the rates in the table below.

<table>
<thead>
<tr>
<th>MILITARY GRADE</th>
<th>CIVILIAN GRADE EQUIVALENT Based on GS Pay Scales</th>
<th>CIVILIAN EQUIVALENT RATE BY(s) 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-9</td>
<td>ES Level III</td>
<td></td>
</tr>
<tr>
<td>0-8</td>
<td>ES Level IV</td>
<td></td>
</tr>
<tr>
<td>0-7</td>
<td>ES Level V</td>
<td></td>
</tr>
<tr>
<td>0-6</td>
<td>GS-15</td>
<td></td>
</tr>
<tr>
<td>0-5</td>
<td>GS-14</td>
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<tr>
<td>0-4</td>
<td>GS-13</td>
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<td>0-3</td>
<td>GS-12</td>
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</tr>
<tr>
<td>0-2</td>
<td>GS-11</td>
<td></td>
</tr>
<tr>
<td>0-1</td>
<td>GS-09</td>
<td></td>
</tr>
<tr>
<td>WO-5</td>
<td>GS-12</td>
<td></td>
</tr>
<tr>
<td>WO-4</td>
<td>GS-12</td>
<td></td>
</tr>
<tr>
<td>WO-3</td>
<td>GS-11</td>
<td></td>
</tr>
<tr>
<td>WO-2</td>
<td>GS-09</td>
<td></td>
</tr>
<tr>
<td>WO-1</td>
<td>GS-09</td>
<td></td>
</tr>
<tr>
<td>E-9</td>
<td>GS-08</td>
<td></td>
</tr>
<tr>
<td>E-8</td>
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<td></td>
</tr>
<tr>
<td>E-7</td>
<td>GS-06</td>
<td></td>
</tr>
<tr>
<td>E-6</td>
<td>GS-05</td>
<td></td>
</tr>
<tr>
<td>E-5</td>
<td>GS-05</td>
<td></td>
</tr>
<tr>
<td>E-4</td>
<td>GS-04</td>
<td></td>
</tr>
<tr>
<td>E-3</td>
<td>GS-03</td>
<td></td>
</tr>
<tr>
<td>E-2</td>
<td>GS-02</td>
<td></td>
</tr>
<tr>
<td>E-1</td>
<td>GS-01</td>
<td></td>
</tr>
</tbody>
</table>

Stabilized customer rates and reimbursement to the Military Personnel accounts are not based on the above rates. Rather, such amounts are based on the absolute total dollar amount specified in the President’s budget (rather than based on the number, or military composite rate, of individuals actually assigned). Guidance on calculating, paying (reimbursing), recording and reporting DWCF military personnel costs is contained in Volume 2B, Chapter 9, Section 090103 and Volume 11B, Chapter 12, Section 1202 of the DoD Financial Management Regulation (FMR) (DoD 7000.14-R).
INSTRUCTIONS

The Department of Defense Working Capital Funds civilian/military equivalency rate will be calculated as follows:

1. Use the generic (Rest of U.S.) pay amount for Step 5 of each appropriate General Schedule (GS) civilian grade, or the applicable Executive Service (ES) pay level, as applicable, from the current civilian pay schedules.

2. Add as required, the applicable portion (pro-rata) of the proposed pay raise, if any, for civilians (GS/ES) that was effective for the budget fiscal year, and

3. Add the average civilian personnel fringe benefits factor applicable to the Military Services and Defense Agencies. The amount for unfunded civilian retirement is not to be included in the fringe benefits percentage factor. Civilian personnel fringe benefit rates are provided by the OUSD (Comptroller) and published on the Comptroller website.
APPENDIX C: CIVILIAN FRINGE BENEFIT RATE COMPUTATION

DOD COMPONENT (1)

<table>
<thead>
<tr>
<th></th>
<th>Prior Year (2,3)</th>
<th>Current Year (2,3)</th>
<th>Budget Year (2,3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Object Class 12.1 Civilian Personnel Benefits (4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Object Class 11 Civilian Personnel Compensation (5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.1 Full-time Permanent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.3 Other Than Full-Time Permanent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.5 Other Personnel Compensation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.8 Special Personal Services Payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Total Personnel Compensation (Total of 11.1, 11.3, 11.5, 11.8) (6)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Civilian Fringe Benefit (Interagency) Rate (7)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E. Office of Personnel Management (OPM) Unfunded Retirement Factor (8)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. Public, and Private Activities (9)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(See footnoted instructions on following page)
INSTRUCTIONS

(1) Insert the name of the applicable DoD Component submitting the exhibit. A separate exhibit is required from each Military Service (including the U.S. Marine Corps) and from all Defense Agencies.

(2) Insert the applicable fiscal year.

(3) Insert the applicable amounts for each fiscal year. A brief description should be provided to explain changes of 10 percent or more between (a) previously budgeted and actual amounts for the prior fiscal year, (b) previously budgeted and currently budgeted amounts for the current year, and (c) the currently budgeted amounts for the budget year.

(4) Insert the applicable amounts shown in the current President’s Budget for Object Class 12.1, Civilian Personnel Benefits.

(5) Insert on the applicable lines, the applicable amounts shown in the current President’s Budget for Object Class 11.1, 11.3, 11.5 and 11.8.

(6) Enter the total of personnel compensation from Object Class 11.1, 11.3, 11.5 and 11.8, shown above.

(7) Divide the amount reported in line A. by the amount reported in line C. The resultant percentage is the percentage rate to be applied to civilian labor costs for billings to other Federal Agencies. This is DoD’s funded rate.

(8) The civilian fringe benefit rate--to be used in this calculation--will be obtained annually from the Directorate for Accounting and Finance Policy.

(9) Add lines D. and lines E. to determine the percentage to be applied on billings to the public and private activities.
APPENDIX D: CONTRACT ADMINISTRATION SERVICES

Contract administration services (CAS) hourly reimbursable billing rates should be applied to direct labor hours incurred in support of CAS efforts. These CAS rates are to be used in billing other Federal Agencies, the public, and Foreign Military Sales (FMS) customers. FMS customers are to be billed in accordance with subsections 070406 and 080601 of Volume 15, “Security Assistance Policy and Procedures,” of this Regulation. Waivers and exclusions are to be granted in accordance with subsection 070104 of Volume 15.

<table>
<thead>
<tr>
<th>Performing DoD Component</th>
<th>Other Federal Agencies Rate (1)</th>
<th>FMS Rate (2)</th>
<th>Public Rate (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Navy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Force</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defense Logistics Agency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defense Contract Audit Agency</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
(1) Use the Budget Year “Gross Cost Per Direct Hour” amount from page 2.
(2) Sum Budget Year lines C, E, and G from page 2 and multiply the resultant amount by .167 (obtained from OMB Circular No. A-76 Revised Supplemental Handbook, “Performance of Commercial Activities”). That product then is divided by the applicable total direct work-hours (line V from page 2) to derive an hourly unfunded civilian retirement cost. The resultant hourly unfunded civilian retirement cost is added to the “Other Federal Agencies Rate” (column 1) to yield the FMS rate.
(3) Use the FMS Rate plus 4% for asset use charge. This is achieved by multiplying the FMS rate by 1.04.
## REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES

### DoD COMPONENT _____________

<table>
<thead>
<tr>
<th>Gross Workyear Cost</th>
<th>Prior Year (PY)</th>
<th>Current Year (CY)</th>
<th>Budget Year (BY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Total Salaries of Direct Labor Personnel (5)</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs) (5)</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>C. Average Salary of Direct Labor Personnel [(A)÷(B)]</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>D. Total Salaries of Indirect Supervision &amp; Administrative Personnel (5)</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>E. Indirect Supervision &amp; Administrative Salaries per FTE [(D)÷(B)]</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>F. Total Salaries of Regional, District and Headquarters Personnel (5)(6)</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>G. Regional, District and Headquarters Salaries per FTE [(F)÷(B)]</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>H. Personnel Benefits (5)</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>I. Average Personnel Benefits Costs per FTE [(H)÷(B)]</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>K. Total Travel Costs (6)(7)</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>L. Average Travel Costs per FTE [(K)÷(B)]</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>M. Other Support Costs (6)(8)</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>N. Average Support Costs per FTE [(M)÷(B)]</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>O. Total Gross Work-Year Cost [(J) + (L) + (N)]</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
</tbody>
</table>

### Direct Work-Hours

| P. Work-Hours Available (see OMB Circular No. A-11, Section 85) |
|-------------------|-------------------|-------------------|
| Q. Less Holidays | 80 | 80 | 80 |
| R. Less Annual Leave (6) | $_______ | $_______ | $_______ |
| S. Less Sick Leave (6) | $_______ | $_______ | $_______ |
| T. Less Other Leave (e.g., Military, Jury and Administrative) (6) | $_______ | $_______ | $_______ |
| U. Less Training Time (6) | $_______ | $_______ | $_______ |
| V. Total Direct Work-Hours [(P) - (Q) - (R) - (S) - (T) - (U)] | $_______ | $_______ | $_______ |

### Gross Cost Per Direct Hour [(O)÷(V)]

<table>
<thead>
<tr>
<th>Prior Year (PY)</th>
<th>Current Year (CY)</th>
<th>Budget Year (BY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
</tbody>
</table>
REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES

Notes:

(1) The amounts reflected should be the “actual” cost and work-hour data for the most recently completed Fiscal Year. This should be the FY 20PY of the President’s Budget.

(2) The amounts reflected should be that shown in the “Total” column of the attached schedule, “Personnel Cost For Contract Administration Services” (page 4) for the applicable year, i.e., PY, CY, BY.

(3) Separately, show basis of computation.

(4) Includes all travel costs, i.e., local, temporary additional duty, and permanent change of station, of the civilian and military personnel included under items (A), (D) and (F).

(5) Includes other expenses such as supplies, equipment, training and communications.
# Personnel Cost for Contract Administration and Related Support Services

**DoD Component ________________**

<table>
<thead>
<tr>
<th>Gross Workyear Cost For Prior Year (Actual)</th>
<th>Civilian (a)</th>
<th>Military (b)</th>
<th>Total (a) + (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Total salaries of Direct Labor Personnel $^{(9)}$</td>
<td>$__________$</td>
<td>$_________$</td>
<td>$__________$</td>
</tr>
<tr>
<td>B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Average Salary of Direct Labor personnel $[[A]÷[B]]$</td>
<td></td>
<td></td>
<td>$_________$</td>
</tr>
<tr>
<td>D. Total Salaries of Indirect Supervision and Administrative Personnel $^{(10)}$</td>
<td>$_________$</td>
<td>$_________$</td>
<td>$__________$</td>
</tr>
<tr>
<td>E. Indirect Supervision and Administrative Salaries per FTE $[[D]÷[B]]$</td>
<td></td>
<td></td>
<td>$_________$</td>
</tr>
<tr>
<td>F. Total Salaries of Regional, District and Headquarters Personnel $^{(11)}$</td>
<td>$_________$</td>
<td>$_________$</td>
<td>$__________$</td>
</tr>
<tr>
<td>G. Regional, District and Headquarters Salaries per FTE $[[F]÷[B]]$</td>
<td></td>
<td></td>
<td>$_________$</td>
</tr>
<tr>
<td>H. Personnel Benefits $^{(12)}$</td>
<td>$_________$</td>
<td>$_________$</td>
<td>$__________$</td>
</tr>
<tr>
<td>I. Personnel Benefits Costs per FTE $[[H]÷[B]]$</td>
<td></td>
<td></td>
<td>$_________$</td>
</tr>
<tr>
<td>J. Total Cost of Personnel Service $[[C] + [E] + [G] + [H]]$</td>
<td>$_________$</td>
<td>$_________$</td>
<td>$__________$</td>
</tr>
</tbody>
</table>

**Gross Workyear Cost For Current Year**

<table>
<thead>
<tr>
<th></th>
<th>Civilian (a)</th>
<th>Military (b)</th>
<th>Total (a) + (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Total salaries of Direct Labor Personnel $^{(9)}$</td>
<td>$_________$</td>
<td>$_________$</td>
<td>$__________$</td>
</tr>
<tr>
<td>B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Average Salary of Direct Labor personnel $[[A]÷[B]]$</td>
<td></td>
<td></td>
<td>$_________$</td>
</tr>
<tr>
<td>D. Total Salaries of Indirect Supervision and Administrative Personnel $^{(10)}$</td>
<td>$_________$</td>
<td>$_________$</td>
<td>$__________$</td>
</tr>
<tr>
<td>E. Indirect Supervision and Administrative Salaries per FTE $[[D]÷[B]]$</td>
<td></td>
<td></td>
<td>$_________$</td>
</tr>
<tr>
<td>F. Total Salaries of Regional, District and Headquarters Personnel $^{(11)}$</td>
<td>$_________$</td>
<td>$_________$</td>
<td>$__________$</td>
</tr>
<tr>
<td>G. Regional, District and Headquarters Salaries per FTE $[[F]÷[B]]$</td>
<td></td>
<td></td>
<td>$_________$</td>
</tr>
<tr>
<td>H. Personnel Benefits $^{(12)}$</td>
<td>$_________$</td>
<td>$_________$</td>
<td>$__________$</td>
</tr>
<tr>
<td>I. Personnel Benefits Costs per FTE $[[H]÷[B]]$</td>
<td></td>
<td></td>
<td>$_________$</td>
</tr>
<tr>
<td>J. Total Cost of Personnel Service $[[C] + [E] + [G] + [I]]$</td>
<td>$_________$</td>
<td>$_________$</td>
<td>$__________$</td>
</tr>
</tbody>
</table>
PERSONNEL COST FOR CONTRACT ADMINISTRATION SERVICES

<table>
<thead>
<tr>
<th>DoD COMPONENT _____________</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Gross Workyear Cost For Budget Year</th>
<th>Civilian (a)</th>
<th>Military (b)</th>
<th>Total (a) + (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Total salaries of Direct Labor Personnel (^{(9)})</td>
<td>$__________</td>
<td>$_______</td>
<td>$__________</td>
</tr>
<tr>
<td>B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Average Salary of Direct Labor personnel (\frac{(A)}{(B)})</td>
<td></td>
<td></td>
<td>$__________</td>
</tr>
<tr>
<td>D. Total Salaries of Indirect Supervision and Administrative Personnel (^{(10)})</td>
<td>$__________</td>
<td>$_______</td>
<td>$__________</td>
</tr>
<tr>
<td>E. Indirect Supervision and Administrative Salaries per FTE (\frac{(D)}{(B)})</td>
<td></td>
<td></td>
<td>$__________</td>
</tr>
<tr>
<td>F. Total Salaries of Regional, District and Headquarters Personnel (^{(11)})</td>
<td>$__________</td>
<td>$_______</td>
<td>$__________</td>
</tr>
<tr>
<td>G. Regional, District and Headquarters Salaries per FTE (\frac{(F)}{(B)})</td>
<td></td>
<td></td>
<td>$__________</td>
</tr>
<tr>
<td>H. Personnel Benefits (^{(12)})</td>
<td>$__________</td>
<td>$_______</td>
<td>$__________</td>
</tr>
<tr>
<td>I. Personnel Benefits Costs per FTE (\frac{(H)}{(B)})</td>
<td></td>
<td></td>
<td>$__________</td>
</tr>
<tr>
<td>J. Total Cost of Personnel Service (\frac{(C) + (E) + (G) + (I)}{(B)})</td>
<td>$__________</td>
<td>$_______</td>
<td>$__________</td>
</tr>
</tbody>
</table>

Notes:

\(^{(9)}\) Include the salary expenses of direct civilian and military personnel, e.g., contract administrators.

a. **Civilian.** The cost of civilian personnel assigned full time to contract administration requirements should reflect the annual salary for the applicable pay grades. Otherwise, an hourly rate of 1/2087 of the annual rate shall be used and a leave and holiday factor of 18 percent of pay cost added.

b. **Military.** The cost of military personnel assigned full time to contract Administration requirements should be based on the annual Military Composite Pay rates. Otherwise, an hourly rate of 1/2080 of the annual Military Composite Pay rate shall be used and a leave and holiday factor of 14 percent of pay cost added.
(10) Include the indirect salary expenses for civilian and military personnel that perform supervisory and administrative (clerical) functions. Such costs are computed as indicated in (9)a. and (9)b. above.

(11) Include the salary expenses for civilian and military personnel at the district, regional and headquarters level. Such costs are computed as indicated in (9)a. and (9)b. above.

(12) Include the fringe benefit expenses for all civilian and military personnel included in items (A), (D) and (F).

   a. Civilian. Fringe benefits are computed by multiplying civilian personnel costs by the civilian fringe benefit rate. The fringe benefit rate must be that reported for the applicable fiscal year on the OP-8 exhibit, “Civilian Personnel Costs.”

   b. Military. Fringe benefits are computed by multiplying separately the officer and enlisted salaries by 6 percent for officers and 18 percent for enlisted personnel.
## VARIANCES IN THE REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES

<table>
<thead>
<tr>
<th>DoD COMPONENT</th>
<th>Gross Workyear Cost</th>
<th>Ratio of Gross Workyear Cost PY to CY (13)</th>
<th>Ratio of Gross Workyear Cost CY to BY (14)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average Salary of Direct Labor Personnel</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>Indirect Supervision &amp; Administrative Salaries Per FTE</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>Regional, District and Headquarters Salaries Per FTE</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>Average Personnel Benefits Costs Per FTE</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>Total Cost of Personnel Services</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>Total Travel Costs</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>Other Support Costs</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>Total Gross Workyear Cost</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

### Direct Work-Hours

|               | Annual Leave | % | % |
|               | Sick Leave | % | % |
|               | Other Leave (e.g., Military, Jury, Administrative) | % | % |
|               | Training Time | % | % |

|               | Total Direct Work-Hours | % | % |
|               | Gross Cost Per Direct Labor Hour | % | % |

Provide narrative explaining variance in any element greater than three percent:

---

D-19
VARIANCES IN THE REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES

Notes:

(13) Computed using the cost and hour data from page 2. Divide the current year amount for each element by the prior year amount, subtract 1 and multiply by 100.

(14) Computed using the cost and hour data from page 2. Divide the budget year amount for each element by the current year amount, subtract 1 and multiply by 100.
APPENDIX E: COLLECTIONS FOR REIMBURSEMENTS OF DOD-OWNED AIRCRAFT (FIXED / ROTARY WING)

DEPARTMENT OF ______________(1)

ACCOUNTS TO WHICH COLLECTIONS ARE TO BE DEPOSITED FOR

REIMBURSEMENTS FOR THE USE OF DOD-OWNED AIRCRAFT (FIXED WING)

FISCAL YEAR ______(2)

(DOLLAR AMOUNT PER HOUR)

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>DoD</th>
<th>Federal Agency and FMS Users</th>
<th>All Other Users</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>O&amp;M</td>
<td>O&amp;M</td>
<td>O&amp;M</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MilPers</td>
<td>MilPers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>(3)</td>
<td>(4)</td>
<td>(5,6)</td>
<td>(5,6)</td>
</tr>
<tr>
<td>(5,6)</td>
<td>(5,6)</td>
<td>(5,6)</td>
<td>(5,6)</td>
</tr>
<tr>
<td>(5,6)</td>
<td>(7)</td>
<td>(7)</td>
<td>(7)</td>
</tr>
<tr>
<td>(7)</td>
<td>(7)</td>
<td>(7)</td>
<td>(7)</td>
</tr>
<tr>
<td>(7)</td>
<td>(7)</td>
<td>(7)</td>
<td>(7)</td>
</tr>
</tbody>
</table>
INSTRUCTIONS

(1) Insert Army, Navy or Air Force, as applicable.

(2) Insert the applicable fiscal (budget) year.

(3) Separately list and provide data for each type/model/series of aircraft (fixed or rotary wing) in the DoD Component’s inventory which is subject to reimbursement as a composite rate of all Service Components (Active, Guard, and Reserve).

(4) The DoD rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, and (11)--Other. This rate is to be used for interdepartmental (e.g., Navy to Air Force, etc.) billing purposes. Location of calculation instructions in this appendix are indicated by the number in parenthesis before the name of the cost category.

(5) The Other Federal Agency Rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other, and (12)--Crew Salary. Location of calculation instructions in this appendix are indicated by the number in parenthesis before the name of the cost category.

(6) The FMS rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other, (12)--Crew Salary. Location of calculation instructions are indicated by the number in parenthesis before the name of the cost category.

(7) The Public Rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other, (12)--Crew Salary, (13)--Asset Utilization and an unfunded civilian retirement cost (The civilian fringe benefit rate--to be used in this calculation--will be obtained annually from the OUSD(C), Program/Budget, Operations Directorate, 3C749, the Pentagon, Washington, DC 20301-1100) for any civilian personnel costs included in (4), (5), (6), (7) or (8). Location of calculation instructions in this appendix are indicated by the number in parenthesis before the name of the cost category.

(8) Fuel costs will be equal to the corresponding amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force) for the applicable type/model/series. (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, fuel costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by dividing the total cost of fuel for the fiscal year for each type of aircraft by the total number of flying hours for that same aircraft.) Services should also include fuel costs for non-fly fuel directly supporting the flying hour program (such as fuel used in engine test cells and auxiliary powers units).

(9) Depot-level reparable (DLR) costs will be equal to the corresponding amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force) for the applicable type/model/series. (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, DLR costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by dividing the total DLR costs for the applicable fiscal year by the total number of flying hours for that same aircraft.)
Include an hourly rate for depot maintenance cost for airframes, engines, and components for the applicable type/model/series. This cost will be an average cost for that type/model/series, and be computed by dividing the total amount of depot maintenance budgeted for the applicable type/model/series by the number of flying hours budgeted for that type/model/series.

Other costs will equal corresponding “other” amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force--for Air Force, this is equal to the consumables required in Exhibit OP-20E). (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, other costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by adding all operating costs (other than fuel, DLRs, depot maintenance, crew salary, and asset utilization) and dividing the total of such other costs for the applicable fiscal year by the total number of flying hours.) If for any reason the OP-20 Exhibit does not include detail for contract logistics support, use a five-year average of variable CLS or equivalent costs and hours.

Crew salary amounts will be computed based on the number and grade of military personnel operating the aircraft. Crew salary costs will be computed by:

(a) Multiplying the standard number of crew members in each applicable military grade times the annual Military Standard Composite Rate for that grade available on the reimbursable rates page of the OUSD(C) website: [http://comptroller.defense.gov/rates/fy2014.html](http://comptroller.defense.gov/rates/fy2014.html). NOTE: For Federal Agencies and Public rates, use the applicable rates in the “Annual Rate Billable to Other Federal Agencies” column. For the FMS rate, use the applicable rate in the “Annual DoD Composite Rate” column plus the annual acceleration factor.

(b) Dividing the result of (a) by 2080 (hours) to convert the annual rate to an hourly rate, by grade.

(c) Multiplying the results of (b) by a factor of 1.14 percent for both officers and enlisted personnel. (This calculation increases the hourly rate by 14 percent for officers and enlisted personnel fringe benefits.)

(d) Adding the amounts arrived at in (c) for each grade, to arrive at a total hourly rate for the entire crew.

NOTE: The computation of crew salary amounts should be supported by a separate table attached to this exhibit.

The asset utilization amount will be computed by applying an asset utilization factor of 4 percent times the sum of columns (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other and (12)--Crew Salary for each specific aircraft.

Provide a brief narrative to explain significant changes between fiscal years.
APPENDIX F: MEDICAL AND DENTAL SERVICES RATE COMPUTATION

APPENDIX F

MEDICAL AND DENTAL SERVICES RATE COMPUTATION

SUBMITTED BY THE OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
(HEALTH AFFAIRS)

Note: Budget exhibit includes Inpatient, Outpatient, Pharmacy and other rates. This exhibit is to be included only in the President’s budget. The format of the budget exhibit for medical, dental, and pharmacy rates may vary slightly from year to year due to the addition/deletion of rates, changes in nomenclature, updated notes, and other unforeseen reasons. The tables below are for informational purposes only.

INPATIENT, OUTPATIENT AND OTHER RATES AND CHARGES

A. *Inpatient Rates

Direct Care Inpatient Adjusted Standardized Amounts (ASA) rates are computed based on the Military Health System (MHS) direct care standardized cost to provide a single Medicare Severity Relative Weighted Product (MS-RWP). The MS-RWP is a Medicare Severity Diagnosis Related Group (MS-DRG) based measure of the relative costliness of a given discharge. The average standardized cost per MS-RWP for hospitals in locations with area wage rates greater than 1.0, less than or equal to 1.0, and overseas are published annually as inpatient ASAs shown in Table 1. This approach maintains compatibility with both Medicare and TRICARE ASA policies. The ASA rates will be applied to the MS-RWP for each inpatient case, determined from the TRICARE MS-DRG weights, outlier thresholds, and payment rules to calculate the reimbursement charge. The Department of Defense (DoD) publishes this data annually for hospital reimbursement rates under TRICARE/Civilian Health and Medical Program of the Uniformed Services pursuant to 32 Code of Federal Regulations 199.14(a)(1). Due to data system limitations, for military treatment facilities (MTFs), direct care adjustments are made for length of stay (LOS) outliers rather than high cost outliers.

The example below provides the average direct care inpatient ASA rates for third party billing, interagency billing, and International Military Education and Training (IMET) billing for three core-based statistical areas (CBSA) (high area wage index, low area wage index, and overseas).

Example: Average FY 2019 Direct Care Inpatient ASA Rates

<table>
<thead>
<tr>
<th>Wage Index</th>
<th>Average IMET Rate</th>
<th>Average Interagency Rate (IAR)</th>
<th>Average Full/TPC Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area Wage Index &gt; 1.00</td>
<td>$7,962.22</td>
<td>$12,338.88</td>
<td>$13,018.44</td>
</tr>
</tbody>
</table>
Area Wage Index

<table>
<thead>
<tr>
<th>≤ 1.00</th>
<th>$9,068.56</th>
<th>$12,734.42</th>
<th>$13,481.28</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas ^</td>
<td>$8,181.31</td>
<td>$17,641.03</td>
<td>$18,522.71</td>
</tr>
</tbody>
</table>

^ Hawaii and Alaska are not considered overseas for billing purposes

The IMET program is a key funding component of U.S. security assistance that provides training on a grant basis to students from allied and friendly nations. Authority for the IMET program is found pursuant to Chapter 5, part II, Foreign Assistance Act 1961. Funding is appropriated from the International Affairs budget of the Department of State. Not all foreign national patients participate in the IMET program. The IAR ASA rates are used to bill other federal agencies. The full/Third Party Collection (TPC) ASA rates are used to bill insurance carriers, pay patients, and other payers.

Each MTF providing inpatient care has its own applied ASA rates (shown in Appendix A). The MTF-specific ASA rates are the average ASA rates adjusted for indirect medical education costs, if any, for the discharging hospital. The product of the discharge specific MS-RWP and the MTF-applied ASA rate is the charge submitted on the claim and is the amount payers will use for reimbursement purposes. The individual ASAs are published on the Defense Health Agency (DHA) Uniform Business Office (UBO) Website (http://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office).

The ASA per MS-RWP used in the direct care system is comparable to procedures used by the Centers for Medicare and Medicaid Services (CMS) and TRICARE. The expenses represented by the ASAs include all direct care expenses associated with direct inpatient care. The inpatient ASAs includes the cost of both inpatient professional and institutional services. The ASA rates apply to reimbursement from TPC, IMET and IAR payers. Pursuant to the provisions of 10 United States Code (U.S.C.) 1095, the breakdown of total inpatient charges is 93 percent for institutional charges and seven (7) percent for professional charges. When preparing bills for inpatient services, professional fees are based on the privileged provider services. The hospital institutional fees are based on the costs for support staff, facility costs, ancillary services, pharmacy, and supplies.

MTFs without inpatient services, whose providers perform inpatient care in a civilian facility for a DoD beneficiary, may bill payers the percentage of the ASA/MS-RWP based charge that represents professional services. In the absence of a MTF-applied ASA rate for the facility, the ASA rate used will be based on the average for the type of CBSA in which the MTF is located - areas with wage rate indices greater than 1.0, less than or equal to 1.0, or overseas. The MTF UBO must receive documentation of care provided in order to produce an appropriate bill.

The full table of the current FY MTF-specific ASA rates are published on the Defense Health Agency Uniform Business Office (UBO) website and Comptroller Financial Management Reports website at the links below:

Defense Health Agency Uniform Business Office (UBO):
Comptroller Financial Management Reports:
https://comptroller.defense.gov/Financial-Management/Reports

Example: FY 2019 Direct Care Inpatient ASA Rates

<table>
<thead>
<tr>
<th>DMI SID</th>
<th>MTF NAME</th>
<th>SERVICE</th>
<th>FULL COST RATES</th>
<th>INTERAGENCY RATES</th>
<th>IMET RATES</th>
<th>TPC RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>0005</td>
<td>ACH BASSETT-WAINWRIGHT</td>
<td>A</td>
<td>$13,669.72</td>
<td>$12,956.16</td>
<td>$8,360.55</td>
<td>$13,669.72</td>
</tr>
<tr>
<td>0808</td>
<td>AF-H-31st MEDGRP-AVIANO</td>
<td>F</td>
<td>$18,522.71</td>
<td>$17,641.03</td>
<td>$8,181.31</td>
<td>$18,522.71</td>
</tr>
</tbody>
</table>

B. *Outpatient Rates

Outpatient Rates are the charges for professional and institutional health care services provided in MTFs financed by the Defense Health Program Appropriation. These rates are used to submit claims for reimbursement of the costs of the health care services provided by MTFs in accordance with the various MTF Cost Recovery Programs: Medical Services Account (MSA), Third Party Collections and Medical Affirmative Claims.

Outpatient Rates consists of Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) Maximum Allowable Charge (CMAC) Rate Tables (modified for UBO use); Dental Rates; Immunization/Injectable Rates; Anesthesia Rates; and Durable Medical Equipment/Durable Medical Supplies (DME/DMS) Rates

Outpatient Rates are updated annually on a Calendar Year (CY) basis, with an effective date of 1 July. The actual rate tables are not included in this section, due to size. The current CY Outpatient rates are on the Defense Health Agency (DHA) Management Control & Financial Studies Uniform Business Office (UBO) Web site https://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office/UBO-Rates-Overview/MHS-UBO-Rates.

**CMAC Rates**

Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) Maximum Allowable Charge (CMAC) Rates, established under Title 32, Sec. 199.14(j) of the Code of Federal Regulations, are used to determine the appropriate charge for the professional and technical components of services based on the Healthcare Common Procedure Coding System (HCPCS) methodology, which includes the Current Procedural Terminology (CPT®) codes. DHA UBO CMAC rates differ from standard TRICARE CMAC rates in that DHA UBO CMAC rates are formatted for legacy military billing systems and include charges for additional services not reimbursed by TRICARE. DHA UBO CMAC rates pertain to professional services (e.g., office and clinic visits), ancillary services (e.g., laboratory and radiology) and OBS professional services.

DHA UBO CMAC rates are calculated for distinct “localities”. These localities recognize differences in local costs to provide health care services in the different geographic regions in which MTFs are located. Each MTF Defense Military Information System Identification (DMIS
ID) is mapped to its corresponding CMAC locality code to obtain the correct rates. For all MTFs located outside the continental United States, Alaska, and Hawaii, the national average CMAC locality file (300) is used except for Guam and Puerto Rico which have their own CMAC localities. The complete DMIS ID-to-CMAC Locality table is available on the DHA UBO Website at https://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office/UBO-Rates-Overview/MHS-UBO-Rates

For each CMAC locality, the DHA UBO creates two sub-tables of rates: CMAC and Component. The CMAC rate table specifies the rates to use as payment for professional services and procedures identified by CPT® and HCPCS codes, which cannot be separately provided as professional and technical component services. The Component rate table specifies which rates to use for CPT® codes which can be provided as distinct professional and technical components, or as a combined professional and technical service. A separate rate is provided for each component. Both CMAC and Component rate tables are further categorized by CHCS provider class. The four provider classes are: 1) Physicians, 2) Psychologists, 3) Other Mental Health Providers, and 4) Other Medical Providers. UBO CMAC rates for billing of professional services are available on the DHA UBO Website at https://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office/UBO-Rates-Overview/MHS-UBO-Rates

Example: CMAC Rate Table Format

<table>
<thead>
<tr>
<th>Locality</th>
<th>Procedure</th>
<th>Provider Class Number</th>
<th>Rate</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>300</td>
<td>11055</td>
<td>1</td>
<td>$</td>
<td>2013-07-01</td>
</tr>
<tr>
<td>300</td>
<td>11055</td>
<td>2</td>
<td>$</td>
<td>2013-07-01</td>
</tr>
<tr>
<td>300</td>
<td>11055</td>
<td>3</td>
<td>$</td>
<td>2013-07-01</td>
</tr>
<tr>
<td>300</td>
<td>11055</td>
<td>4</td>
<td>$</td>
<td>2013-07-01</td>
</tr>
</tbody>
</table>

Example: CMAC Component Table Format

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Provider Class Number</th>
<th>Professional Rate</th>
<th>Technical Rate</th>
<th>Global Rate</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>70015</td>
<td>1</td>
<td>$</td>
<td>$</td>
<td>$PR + TR</td>
<td>2013-07-01</td>
</tr>
<tr>
<td>70015</td>
<td>2</td>
<td>$</td>
<td>$</td>
<td>$PR + TR</td>
<td>2013-07-01</td>
</tr>
</tbody>
</table>

**Dental Rates:**

The UBO Dental Rate Table consists of MTF dental charges based on a flat rate multiplied by the DoD established dental weighted value (DWV) for each American Dental Association (ADA)
Current Dental Terminology (CDT) procedure code. The dental flat rate for a particular code represents the average DoD cost of dental services at all dental treatment facilities. The table below provides the dental code, clinical service/procedure name, the DoD weighted value, the International Military Education and Training (IMET) program, Interagency Rate (IOR) and Full Outpatient Rate (FOR) dental charges. The Dental rates table may be found on DHA UBO’s Website at https://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office/UBO-Rates-Overview/MHS-UBO-Rates.

Example: CY 2018 Dental Rate Table

<table>
<thead>
<tr>
<th>ADA CDT Code</th>
<th>Clinical Service/Procedure Name</th>
<th>DoD DWV</th>
<th>Full Rate $</th>
</tr>
</thead>
<tbody>
<tr>
<td>D0210</td>
<td>Periodic oral evaluation – established patient</td>
<td>0.49</td>
<td>$</td>
</tr>
</tbody>
</table>

Immunization/Injectable Rates:
Immunization or Injectable rate charges are applicable for any administered immunization, injection or medication in the MTFs. UBO Immunization rates are based on TRICARE rates when available. If there is no TRICARE rate available, Purchased Care Data is used to derive rates. Rates are derived from Purchased Care Data by using the Military Health System Management Analysis and Reporting Tool or M2 system. This reporting tool allows for querying and detailed trend analysis including summaries and detailed views of population, clinical, and financial data from all MHS regions worldwide. Data pulled from previous and current FY (to date) allows calculation of average amount allowed for rate use. Outlier rates are adjusted using historical Purchased Care Data of up to five (5) years.


Example: CY 2018 Immunization Rate Table

<table>
<thead>
<tr>
<th>CPT®/HCPCS Code</th>
<th>Rate</th>
<th>Short Description</th>
<th>Long Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>90288</td>
<td>$</td>
<td>BOTULISM IMMUNE GLOBULIN, HUMAN, FOR IV USE</td>
<td>BOTULISM IMMUNE GLOBULIN, HUMAN, FOR INTRAVENOUS USE</td>
</tr>
<tr>
<td>J9214</td>
<td>$</td>
<td>INTERFERON ALFA-2B INJ 1 MIL UNITS</td>
<td>INJECTION, INTERFERON, ALFA-2B, RECOMBINANT, 1 MILLION UNITS</td>
</tr>
</tbody>
</table>
Anesthesia Rates:
UBO Anesthesia charges are used for the anesthesia professional services performed in the MTFs. Anesthesia charges are calculated by multiplying the CMS national anesthesia conversion factor by the sum of the anesthesia base units and the average time units.

The UBO Anesthesia rate table consists of the CPT® Code, rate, and the short and long descriptions. The current CY Anesthesia rates are found on the DHA UBO Web site: https://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office/UBO-Rates-Overview/MHS-UBO-Rates

Example: CY 2018 Immunization Rate Table

<table>
<thead>
<tr>
<th>CPT® Code</th>
<th>Rate</th>
<th>Short Description</th>
<th>Long Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>01820</td>
<td>$</td>
<td>ANESTH, LOWER ARM PROCEDURE</td>
<td>ANESTHESIA ALL CLOSED PROC RADIUS, ULNA, WRIST, HAND BONES</td>
</tr>
</tbody>
</table>

Durable Medical Equipment/Durable Medical Supplies (DME/DMS) Rate:
UBO DME/DMS rates are based on the CMS Medicare Fee Schedule floor rate when available. If there is no Medicare Fee Schedule floor rate, Purchased Care data is used to establish a rate based on the average amount allowed.

The UBO DME/DMS rate table consists of the alpha-numeric HCPCS Code, any applicable modifiers (MOD), the description and the rate. The current CY DME/DMS Rate table is published on the DHA UBO Web site: https://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office/UBO-Rates-Overview/MHS-UBO-Rates

Example: CY 2018 DME/DMS Rate Table

<table>
<thead>
<tr>
<th>HCPCS Code</th>
<th>Mod</th>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>A4620</td>
<td>00</td>
<td>Variable concentration mask</td>
<td>$</td>
</tr>
</tbody>
</table>

C. Pharmacy Rates
Pharmacy rates are established on a unit measure price basis (e.g., cost per tablet) and are standardized for National Drug Codes (NDCs) within each generic sequence number (GSN). Pharmacy rates are derived from the Managed Care Pricing File (MCPF) and are based on TRICARE allowable charges, Average Wholesale Price (AWP) or Prime Vendor Program (PVP) prices listed for the NDCs in the MCPF. Rates are computed based on the median unit measure cost for all of the listed AWP NDCs in each GSN group. The median unit measure price is applied to all the NDCs in that GSN group.
The Pharmacy table consists of the 11 digit NDC number, the corresponding name/description of the drug (generic or brand), the form of the dosage (tablet, capsule, powder, etc.), the strength of the dosage and the current unit price. Pharmacy rates are updated biannually, in February and August. Available Pharmacy rates are available on the DHA UBO Web site: https://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office/UBO-Rates-Overview/MHS-UBO-Rates

**Example: CY 2018 Pharmacy Rate Table**

<table>
<thead>
<tr>
<th>NDC</th>
<th>Name/Description</th>
<th>Dose Form</th>
<th>Dose Strength</th>
<th>Unit Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>00781184210</td>
<td>Isoxsuprine 20mg Tablet</td>
<td>TA</td>
<td>xxx</td>
<td>$</td>
</tr>
</tbody>
</table>

**D. *Cosmetic Surgery***

Elective cosmetic procedures are not TRICARE covered benefits. Elective cosmetic procedures provided in MTFs are restricted to TRICARE-eligible beneficiaries, including TRICARE for Life, on a “space-available” basis. Patients receiving elective cosmetic procedures (e.g., Active Duty personnel, retirees, family members, and survivors) are responsible for charges for all services (including implants, injectables, anesthesia, and other separately billable items) associated with elective cosmetic procedures. A list of elective cosmetic procedures and their associated rates can be found on the DHA UBO Website at https://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office/UBO-Rates-Overview/MHS-UBO-Rates

**Professional Charges for Elective Cosmetic Procedures:**

Professional charges for elective cosmetic procedures are based on the CMAC national average when available. When CMAC allowable charges are not available, charges are determined based on estimates of the medical resources required relative to procedures that have CMAC pricing. Professional charges for elective cosmetic procedures are applied in both inpatient and ambulatory settings. Elective cosmetic charges are not adjusted for the treating MTF’s geographical location.

CMAC CY 2018 “facility physician” allowable charges are used for the professional component for services furnished by a provider in a hospital operating room or designated Ambulatory Procedure Unit (APU). CMAC “non-facility physician” allowable charges are used for the professional component for services furnished in a provider’s office.

**Institutional Charges for Elective Cosmetic Procedures:**

Institutional charges for elective cosmetic procedures are based on the procedure performed and the location of the service provided (i.e., provider’s office/minor surgery room, hospital operating room (either on an outpatient or inpatient basis), operating room of a MTF that is not a hospital (i.e., does not provide inpatient services).

For elective cosmetic procedures conducted in a provider’s office/minor surgery room, the institutional fee is included in the “non-facility physician” professional charge.
The institutional charge for elective cosmetic procedures performed in a hospital operating room on an outpatient basis is based on the APV flat rate for the primary procedure with no additional institutional charge for bilateral or additional procedures.

The institutional charge for elective cosmetic procedures performed in an operating room of a facility that is not a hospital is also based on the APV flat rate for the primary procedure with no additional institutional charge for bilateral or additional procedures.

The institutional charge for an elective cosmetic procedure performed in a hospital on an inpatient basis is calculated by multiplying the FY 2018 TRICARE Adjusted Standardized Amount (ASA), by the relative weighted product (RWP) associated with the Diagnostic Related Group (DRG).

If an elective cosmetic procedure is combined with a medically necessary procedure during the same surgical visit, the elective cosmetic procedure charge is adjusted to avoid duplicate institutional charges. The institutional charge, for an elective cosmetic procedure, when combined with a medically necessary procedure is reduced by 50 percent from the initial charge.

Most ancillary services (e.g., laboratory, radiology, and routine pre-operative testing) are included in the institutional pricing methodology described above. Ancillary services and supplies not included are billed at the FOR.

Anesthesia Charges for Elective Cosmetic Procedures

Anesthesia rates associated with elective cosmetic procedures include anesthesia professional services. Anesthesia charges are calculated using the current national anesthesia conversion factor, multiplied by the sum of base units and national average time units (measured in 15-minute increments) of the primary procedure. An additional anesthesia charge, based on additional minutes of service, is added for secondary procedures performed during the same surgical encounter. Anesthesia charges are applied in both inpatient and ambulatory settings. Due to the large size of the cosmetic surgery rate table, a format example is not included. The current CY DME/DMS Rate table is published on the DHA UBO Web site: https://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office/UBO-Rates-Overview/MHS-UBO-Rates
APPENDIX G: MILITARY COMPOSITE STANDARD PAY AND REIMBURSEMENT RATES

DEPARTMENT OF THE _____________________ FOR FISCAL YEAR ______

<table>
<thead>
<tr>
<th>GRADE</th>
<th>BASIC PAY</th>
<th>RETIRED PAY ACCRUAL</th>
<th>BASIC ALLOWANCE FOR HOUSING</th>
<th>BASIC ALLOWANCE FOR SUBSISTENCE</th>
<th>INCENTIVE PAY</th>
<th>PERMANENT CHANGE OF STATION</th>
<th>MISCELLANEOUS EXPENSE</th>
<th>MEDICARE ELIGIBLE RETIRER HEALTH CARE ACCRUAL</th>
<th>ACCELERATION FACTOR</th>
<th>ANNUAL DOD COMPOSITE AMOUNT</th>
<th>AMOUNT BILLABLE TO DOD ENTITIES</th>
<th>AMOUNT BILLABLE TO OTHER FEDERAL AGENCIES</th>
<th>AMOUNT BILLABLE TO FMS ENTITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>O-10*</td>
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<tr>
<td>O-7*</td>
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</tbody>
</table>

*Note: Basic Pay for O-7 to O-10 pay grades is limited by Level II of the Executive Schedule.
MILITARY COMPOSITE STANDARD PAY AND REIMBURSEMENT RATES

INSTRUCTIONS

Each Military Service must complete an Appendix G using the attached standard format. The heading to each Appendix G consists of three lines. The first line identifies the appendix by number, the second line states “MILITARY COMPOSITE STANDARD PAY AND REIMBURSABLE RATES,” and the third line identifies the Military Service that has developed the rates and the fiscal year that the rates will be used.

The Military Composite Standard Pay and Reimbursement Rates exhibit for the Budget Year should include the following cost elements that are listed for each column of the report. Amounts listed shall be equal to corresponding amounts contained in the applicable Military Service’s justification book in support of their military personnel appropriation budget request included in the latest President’s budget:

(Column 1) Basic Pay. Include the average basic pay amounts, by pay grade, as provided in the President's budget justification, Budget Subactivity (BSA) 1-A, Pay and Allowance of Officers, BSA 2-A, Pay and Allowances of Enlisted Personnel, and BSA 3-A, Pay and Allowances of Cadets and Midshipmen. The cadet and midshipmen rate is computed as a single rate for all cadets/midshipmen. NOTE: Basic Pay for O-7 to O-10 pay grades is limited by Level II of the Executive Schedule.

(Column 2) Retired Pay Accrual. Include average retired pay accrual amounts, by pay grade, as provided in the President's budget justification, BSA 1-B, Retired Pay Accrual for Officers and BSA 2-B, Retired Pay Accrual of Enlisted. The applicable retired pay accrual percentage is statutory and published annually.

(Column 3) Basic Allowance for Subsistence. Compute the basic allowance for subsistence rate separately, for officers and enlisted personnel, by pay grade, and for cadets and midshipmen, using amounts from the President's budget justification books. The officer rate is computed by dividing BSA 1-G, Basic Allowance for Subsistence for officers, by the officer average strength, by grade. The enlisted rate is computed by adding BSA 4-A, Basic Allowance for Subsistence for enlisted, BSA 4-B, Subsistence-in-Kind (SIK) for enlisted and BSA 4-C, Family Subsistence Supplemental Allowance (FSSA), and then dividing the total by the enlisted average strength, by grade. Compute a single rate for cadets and midshipmen.
(Column 4) Basic Allowance for Housing (BAH). Compute the BAH rate separately, for officers and enlisted personnel, by pay grade, using amounts from the President's budget justification books. The officer rate is computed by dividing BSA 1-F, BAH for officers by the average strength for officer personnel. The enlisted rate is computed by dividing BSA 2-K, BAH for enlisted by the average strength for enlisted personnel.

(Column 5) Incentive and Special Pays. Compute the Incentive and Special Pay rate separately for officers and enlisted personnel, by pay grade, using amounts from the President's budget justification books. For each pay grade, add the incentive and special pay amounts and then divide the sum by the average end strength, separately for officers and enlisted personnel. The officer rate is computed by adding the amounts for BSA 1-D, Incentive Pay for officers and BSA 1-E, Special Pay for officers, then dividing the sum by the average strength for officer personnel. The enlisted rate is computed by adding the amounts for BSA 2-D, Incentive Pay for enlisted, BSA 2-E, Special Pay for enlisted, BSA 2-F, Special Duty Assignment Pay for enlisted, BSA 2-G, Reenlistment Bonus, BSA 2-H, Enlistment Bonus, BSA 2-I, Education Benefits (College Fund), and BSA 2-J, Loan Repayment Program, then dividing the sum by the average strength for enlisted personnel.

(Column 6) Permanent Change of Station (PCS) Expense. This element represents the average cost of amounts provided in the President’s budget justification books for PCS travel, Budget Activity 5. Compute the average PCS by adding the following types of travel each for officers, enlisted personnel, and cadets, from the BSAs contained in the justification books: accession travel (BSA 5-A); training travel (BSA 5-B); operational travel between duty stations (within CONUS and within overseas) (BSA 5-C); rotational travel to and from overseas (BSA 5-D); separation travel (BSA 5-E); and travel of organized units (BSA 5-F). The sum of BA-5 is divided by the average strength separately, for officer and enlisted personnel. Compute a single rate for cadets and midshipmen.

(Column 7) Miscellaneous Expense. This rate is the average computed separately, for officers and enlisted personnel, by pay grade, and for cadets and midshipmen, of amounts provided in the President's budget justification books for Budget Activity 6, Other Military Personnel Costs, and other amounts for miscellaneous allowances and payments for officers, enlisted, and cadets/midshipmen as contained in BSAs listed in the following matrix:
<table>
<thead>
<tr>
<th>Miscellaneous Expense</th>
<th>Officer</th>
<th>Enlisted</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSP Matching Contributions</td>
<td>BSA 1-C</td>
<td>BSA 2-C</td>
</tr>
<tr>
<td>Clothing Allowances</td>
<td>BSA 1-J</td>
<td>BSA 2-N</td>
</tr>
<tr>
<td>Station Allowances, Overseas</td>
<td>BSA 1-H</td>
<td>BSA 2-L</td>
</tr>
<tr>
<td>CONUS COLA</td>
<td>BSA 1-I</td>
<td>BSA 2-M</td>
</tr>
<tr>
<td>Family Separation Allowances</td>
<td>BSA 1-K</td>
<td>BSA 2-O</td>
</tr>
<tr>
<td>Separation Payments</td>
<td>BSA 1-L</td>
<td>BSA 2-P</td>
</tr>
<tr>
<td>Special Compensation for Assistance with Activities of Daily Living</td>
<td>BSA 1-M</td>
<td>BSA 2-Q</td>
</tr>
<tr>
<td>Social Security Tax-Employer’s Contribution</td>
<td>BSA 1-N</td>
<td>BSA 2-R</td>
</tr>
<tr>
<td>Other Military Personnel Costs</td>
<td>BA 6</td>
<td>BA 6</td>
</tr>
</tbody>
</table>

Sum the amounts in each of the above categories for officer and enlisted, by pay grade, and divide the sum by the average strength of officer and enlisted, by pay grade, as shown in the budget justification materials. A single rate shall be used for cadets and midshipmen.

**Column 8** Medicare-Eligible Retiree Health Care (MERHC) Accrual. The annual rate is provided in OUSD(Comptroller) budget guidance and covers the cost of future health care benefits for current officer and enlisted personnel once they retire and become Medicare-eligible, as well as their dependents and annuitants. It does not apply to cadets and midshipmen. See Volume 12, Chapter 16, Paragraph 160406, for additional information about Reimbursements of MERHC.

**Column 9** Acceleration Factor. This rate is provided by the OUSD(Comptroller) and covers the medical health care costs of active duty personnel and their dependents associated with the Defense Health Program. It does not apply to cadets and midshipmen.

**Column 10** Annual DoD Composite Standard Rate. This rate shall be used when determining the military personnel appropriations cost for budget/management studies, but should not be considered as a fully-burdened costs of military personnel for the purposes of workforce-mix decisions. Enter the sum of columns (1) through (8). Note: Rates include a per capita normal cost for MERHC accruals since MERHC accruals are counted as part of the Military Departments’ discretionary budget authority.
(Column 11) **Amount Billable to DoD Entities.** This rate shall be used when obtaining reimbursement for services provided to entities side of the DoD. See Volume 11A, Chapter 1, Paragraph 010203, for billing DoD entities. Add columns (1) through (7). Note: Rates exclude the per capita normal cost of MERHC accruals. Beginning with FY 2006, MERHC accruals are paid from the General Fund of the Treasury and cannot be reimbursed to the Services’ personnel accounts during the year of execution.

(Column 12) **Amount Billable to Other Federal Agencies.** This rate shall be used when obtaining reimbursement for services provided to other federal agencies outside of the DoD. Add columns (9) and (11). Note: Rates include an acceleration factor to cover medical costs of active duty personnel and their dependents. Reimbursements of the acceleration factor shall be deposited into the Defense Health Program (97*0130). Rates exclude the per capita normal cost of MERHC accruals. Beginning with FY 2006, MERHC accruals are paid from the General Fund of the Treasury and cannot be reimbursed to the Services’ personnel accounts during the year of execution. Military labor shall be charged to non-DoD organization on the basis of actual hours worked or assigned (detailed). To compute a daily rate, multiply column (12) by a factor of .00452 (1.18/260.875). For an hourly rate, multiply column (12) by a factor of .00057 (1.18/2087). This represents a leave/holiday factor of 18%. This factor compensates for wages paid during leave or holiday period, and is only applicable when reimbursements are based on time actually worked. (Do not use this factor if the assignment is full time.)

(Column 13) **Amount Billable to Foreign Military Sales (FMS) Entities.** This rate shall be used when obtaining reimbursement for services provide to FMS Entities. Add columns (8) and (12). Note: Title 22, United States Code, Section 2761(a)(1)(C) of the Arms Export Control Act requires foreign countries or international organizations, in the case of the sale of a defense service, to pay “the full cost to the United States Government of furnishing such service”. Therefore the acceleration factor and the per capita normal cost for MERHC accruals shall be included in the DoD Annual Rate Billable to FMS. Reimbursement of the acceleration factor shall be deposited into the Defense Health Program (97*0130). Reimbursement of the per capita normal cost for MERHC accrual shall be deposited into the Miscellaneous Receipts Account 3041. See Volume 12, Chapter 16, Paragraph 160406, for addition information about Reimbursements of MERHC. Military labor shall be charged to non-DoD organization on the basis of actual hours worked or assigned (detailed). To compute a daily rate, multiply column (13) by a factor of .00452 (1.18/260.875). For an hourly rate, multiply column (13) by a factor of .00057 (1.18/2087). This represents a leave/holiday factor of 18%. This factor compensates for wages paid during leave or holiday period, and is only applicable when reimbursements are based on time actually worked. (Do not use this factor if the assignment is full time.)
### APPENDIX H: REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES FURNISHED TO THE NASA DOD COMPONENT__________________

<table>
<thead>
<tr>
<th>Gross Workyear Cost</th>
<th>Prior Year (PY)</th>
<th>Current Year (CY)</th>
<th>Budget Year (BY)</th>
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</thead>
<tbody>
<tr>
<td>A. Total Salaries of Direct Labor Personnel (2)</td>
<td>$</td>
<td>$</td>
<td>$</td>
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<tr>
<td>B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs) (2)</td>
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<tr>
<td>C. Average Salary of Direct Labor Personnel [(A)+(B)]</td>
<td>$</td>
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</tr>
<tr>
<td>D. Total Salaries of Indirect Supervision &amp; Administrative Personnel (2)</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>E. Indirect Supervision &amp; Administrative Salaries per FTE [(D)+(B)]</td>
<td>$</td>
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<td>$</td>
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<tr>
<td>F. Total Salaries of Regional, District and Headquarters Personnel (2)(3)</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>G. Regional, District and Headquarters Salaries per FTE [(F)+(B)]</td>
<td>$</td>
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<tr>
<td>H. Personnel Benefits (2)</td>
<td>$</td>
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<tr>
<td>I. Average Personnel Benefits Costs per FTE [(H)+(B)]</td>
<td>$</td>
<td>$</td>
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<tr>
<td>J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]</td>
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<tr>
<td>K. Total Travel Costs (3)(4)</td>
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<tr>
<td>L. Average Travel Costs per FTE [(K)+(B)]</td>
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<tr>
<td>M. Other Support Costs (3)(5)</td>
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<tr>
<td>N. Average Support Costs per FTE [(M)+(B)]</td>
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<td>$</td>
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<tr>
<td>O. Total Gross Work-Year Cost [(J) + (L) + (N)]</td>
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<td>$</td>
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</tr>
</tbody>
</table>

| Gross Cost Per Direct Hour [(O)+(V)]                                   | $                 | $                 | $               |

### Direct Work-Hours

<table>
<thead>
<tr>
<th>Work-Hours Available (see OMB circular No. A-11, Section 85)</th>
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<tbody>
<tr>
<td>Q. Less Holidays</td>
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<tr>
<td>R. Less Annual Leave (3)</td>
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<tr>
<td>S. Less Sick Leave (4)</td>
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<tr>
<td>T. Less Other Leave (e.g., Military, Jury and Administrative) (3)</td>
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<tr>
<td>U. Less Training Time (3)</td>
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<tr>
<td>V. Total Direct Work-Hours [(P) - (Q) - (R) - (S) - (T) - (U)]</td>
<td></td>
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</tr>
</tbody>
</table>

| Gross Cost Per Direct Hour [(O)+(V)]                                   | $                 | $                 | $               |
REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES
FURNISHED TO THE NASA

Notes:

(1) The amounts reflected should be the “actual” cost and work-hour data for the most recently completed fiscal year. This should be the FY 19PY of the President’s budget.

(2) The amounts reflected should be that shown in the “Total” column of the attached schedule, “Personnel Cost For Contract Administration and Related Support Services Furnished to the NASA” (pages 3 and 4) for the applicable year, i.e., PY, CY, BY.

(3) Separately, show basis of computation.

(4) Includes all travel costs, i.e., local, temporary additional duty, and permanent change of station, of the civilian and military personnel included under items (A), (D) and (F).

(5) Includes other expenses such as supplies, equipment, training and communications.
Personnel Cost For Contract Administration and Related Support Services
Furnished to the NASA

<table>
<thead>
<tr>
<th>DOD COMPONENT _______________________________</th>
<th>Civilian (a)</th>
<th>Military (b)</th>
<th>Total (a) + (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Workyear Cost For Prior Year (Actual)</strong></td>
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</tr>
<tr>
<td>A. Total Salaries of Direct Labor Personnel (^6)</td>
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<td>$___________</td>
<td>$___________</td>
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<tr>
<td>B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)</td>
<td>_____</td>
<td>_____</td>
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</tr>
<tr>
<td>C. Average Salary of Direct Labor Personnel ([(A) ÷ (B)])</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>D. Total Salaries of Indirect Supervision and Administrative Personnel (^7)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
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<tr>
<td>E. Indirect Supervision and Administrative Salaries per FTE ([(D) ÷ (B)])</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>F. Total Salaries of Regional, District and Headquarters Personnel (^8)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>G. Regional, District and Headquarters Salaries per FTE ([(F) ÷ (B)])</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
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<tr>
<td>H. Personnel Benefits (^9)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>I. Personnel Benefits Costs per FTE ([(H) ÷ (B)])</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>J. Total Cost of Personnel Service ([(C) + (E) + (G) + (H)])</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Gross Workyear Cost For Current Year</strong></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Total Salaries of Direct Labor Personnel (^6)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)</td>
<td>_____</td>
<td>_____</td>
<td>_____</td>
</tr>
<tr>
<td>C. Average Salary of Direct Labor Personnel ([(A) ÷ (B)])</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>D. Total Salaries of Indirect Supervision and Administrative Personnel (^7)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>E. Indirect Supervision and Administrative Salaries per FTE ([(D) ÷ (B)])</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>F. Total Salaries of Regional, District and Headquarters Personnel (^8)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>G. Regional, District and Headquarters Salaries per FTE ([(F) ÷ (B)])</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>H. Personnel Benefits (^9)</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
<tr>
<td>I. Personnel Benefits Costs per FTE ([(H) ÷ (B)])</td>
<td>$_______</td>
<td>$_______</td>
<td>$_______</td>
</tr>
<tr>
<td>J. Total Cost of Personnel Service ([(C) + (E) + (G) + (I)])</td>
<td>$_________</td>
<td>$_________</td>
<td>$_________</td>
</tr>
</tbody>
</table>
### Personnel Cost For Contract Administration and Related Support Services
Furnished to the NASA

<table>
<thead>
<tr>
<th>DOD COMPONENT __________________________</th>
<th>Civilian (a)</th>
<th>Military (b)</th>
<th>Total (a) + (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Workyear Cost For Budget Year</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Total Salaries of Direct Labor Personnel (6)</td>
<td>$___________</td>
<td>$___________</td>
<td>$___________</td>
</tr>
<tr>
<td>B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)</td>
<td>___________</td>
<td>___________</td>
<td>___________</td>
</tr>
<tr>
<td>C. Average Salary of Direct Labor Personnel [(A) ÷ (B)]</td>
<td>___________</td>
<td>___________</td>
<td>$_______</td>
</tr>
<tr>
<td>D. Total Salaries of Indirect Supervision and Administrative Personnel (7)</td>
<td>$___________</td>
<td>$___________</td>
<td>$___________</td>
</tr>
<tr>
<td>E. Indirect Supervision and Administrative Salaries per FTE [(D) ÷ (B)]</td>
<td>___________</td>
<td></td>
<td>$___________</td>
</tr>
<tr>
<td>F. Total Salaries of Regional, District and Headquarters Personnel (8)</td>
<td>$___________</td>
<td>$___________</td>
<td>$___________</td>
</tr>
<tr>
<td>G. Regional, District and Headquarters Salaries per FTE [(F) ÷ (B)]</td>
<td>___________</td>
<td></td>
<td>$___________</td>
</tr>
<tr>
<td>H. Personnel Benefits (9)</td>
<td>$___________</td>
<td>$___________</td>
<td>$___________</td>
</tr>
<tr>
<td>I. Personnel Benefits Costs per FTE [(H) ÷ (B)]</td>
<td>___________</td>
<td></td>
<td>$___________</td>
</tr>
<tr>
<td>J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]</td>
<td>$___________</td>
<td>$___________</td>
<td>$___________</td>
</tr>
</tbody>
</table>

**Notes:**

(6) Include the salary expenses of direct civilian and military personnel, e.g., contract administrators, and auditors.
   a. **Civilian.** The cost of civilian personnel assigned full time to NASA requirements should reflect the annual salary for the applicable pay grades. Otherwise, an hourly rate of 1/2087 of the annual rate shall be used and a leave and holiday factor of 18 percent of pay cost added.

   b. **Military.** The cost of military personnel assigned full time to NASA requirements should be based on the annual Military Composite Pay rates. Otherwise, an hourly rate of 1/2080 of the annual Military Composite Pay rate shall be used and a leave and holiday factor of 14 percent of pay cost added.
(7) Include the indirect salary expenses for civilian and military personnel that perform supervisory and administrative (clerical) functions. Such costs are computed as indicated in (6)a. and (6)b. above.

(8) Include the salary expenses for civilian and military personnel at the district, regional and headquarters level. Such costs are computed as indicated in (6)a. and (6)b. above.

(9) Include the fringe benefit expenses for all civilian and military personnel included in items (A), (D) and (F).

a. Civilian. Fringe benefits are computed by multiplying civilian personnel costs by the civilian fringe benefit rate. The fringe benefit rate must be that reported for the applicable fiscal year on the OP-8 exhibit, “Civilian Personnel Costs.”

b. Military. Fringe benefits are computed by multiplying separately the officer and enlisted salaries by 6 percent for officers and 18 percent for enlisted personnel.
Variances In The Reimbursement Cost For Contract Administration and Related Support Services Furnished to the NASA

<table>
<thead>
<tr>
<th>DOD COMPONENT __________________________</th>
<th>Ratio of Gross Workyear Cost to CY (10)</th>
<th>Ratio of Gross Workyear Cost to BY (11)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Workyear Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Salary of Direct Labor Personnel</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Indirect Supervision &amp; Administrative Salaries Per FTE</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Regional, District and Headquarters Salaries Per FTE</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Average Personnel Benefits Costs Per FTE</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Total Cost of Personnel Services</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Total Travel Costs</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Other Support Costs</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Total Gross Workyear Cost</td>
<td>%</td>
<td>%</td>
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</table>

**Direct Work-Hours**

<table>
<thead>
<tr>
<th></th>
<th>Ratio of</th>
<th>Ratio of</th>
</tr>
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<tbody>
<tr>
<td>Annual Leave</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Sick Leave</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Other Leave (e.g., Military, Jury, Administrative)</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Training Time</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Total Direct Work-Hours</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Gross Cost Per Direct Labor Hour</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

Provide narrative explaining variance in any element greater than 3 percent:
Notes:

(10) Computed using the cost and hour data from page 2. Divide the current year amount for each element by the prior year amount, subtract 1 and multiply by 100.

(11) Computed using the cost and hour data from page 2. Divide the budget year amount for each element by the current year amount, subtract 1 and multiply by 100.
VOLUME 11A, CHAPTER 7: “INTERNATIONAL NARCOTICS CONTROL PROGRAM”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

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CHAPTER 7

INTERNATIONAL NARCOTICS CONTROL PROGRAM

0701 OVERVIEW

070101. Purpose

This chapter provides pricing guidance for International Narcotics Control Program (INCP) transactions and identifies procedures for disposition of proceeds from such transactions.

0702 SUPPORT OF THE INTERNATIONAL NARCOTICS CONTROL PROGRAM

070201. General

Section 632(c) of the "Foreign Assistance Act" (FAA) provides for special pricing requirements when services, including training, are provided by the Department of Defense to the Department of State in support of the INCP. Billing shall be within 30 calendar days after the month in which performance occurred. The payment due date shall not be more than 30 calendar days from the date of the invoice. Bills rendered shall not be subject to audit by the customer.

070202. Pricing.

The following rules shall be followed by DoD Components when determining amounts to be collected as reimbursements for orders from the Department of State that cite INCP financing.

A. INCP Training. The tuition rate for DoD training provided to support INCP is an incremental rate comparable to the International Military Education and Training (IMET) rate. The cost elements to include in the pricing follow:

1. Civilian Instructors and School Support Staff. It is anticipated that the additional cost charged to the INCP for civilian instructors shall be minimal for courses or groupings of courses when either the ratios of students to instructors or U.S. students to international students is high. Courses shall be reviewed to determine the additional cost incurred as a result of attendance by international students. Classroom or technical courses that are similar, or that utilize instructors who teach more than one course, may be grouped for computation purposes.

   a. For groups of courses, an estimate shall be made of the number of U.S. students in each course and the number of civilian instructors and civilian staff required. A second projection shall be made of the total number of students to be enrolled in applicable courses, both U.S. and international, and the number of civilian instructors and civilian staff required. Both projections shall be based on the maximum number of students who can be taught by civilian instructors or civilian staff rather than on optimum class size. The difference in the number of civilian instructors and civilian staff between the two projections
represents the additional civilian instructors and/or civilian staff required. Applicable additional civilian instructors and civilian staff then shall be priced in accordance with Volume 11A, Chapter 1. This value, divided by the total number of INCP students, represents the additional cost per INCP student for the course (or courses).

b. When there is a one-for-one or one-for-two relationship of civilian instructors to students, the instructor in all cases shall be considered additional. If the entire class is composed of INCP students, the instructor and staff always shall be considered additional.

2. Military Instructors and Military School Support Staff. There shall be no charges to the INCP program for military personnel conducting training courses.

3. Equipment Overhaul and Maintenance. The overhaul and maintenance of major items of equipment, when computed on an hourly use basis, shall be additional to a course based on estimated utilization hours.

4. Simulators. Simulator hours shall be charged as an additional cost. Simulator costs shall include pay of the operators, supplies and equipment maintenance. Simulator costs shall be allocated to the course in the same ratio as hours used bear to the total hours available.

5. Supplies, Materiel, Training Aids, Ammunition. Also, charge as additional cost the replacement cost of items that are not returned or reusable (including petroleum, oil and lubricants) expended in the conduct of training.

6. Lost or Damaged Equipment. If equipment was lost or damaged during training and it was found to be the result of an international student’s negligence, the additional cost to be charged shall be the actual costs of the repairs or replacement cost of the equipment.

7. Base Support (That Is, Indirect Student Costs). A standard weekly rate shall be charged for INCP training conducted on DoD installations. The fixed weekly amount shall be the same as used for billing DoD appropriations reimbursed by the International Military Education and Training (IMET) program. See Volume 15, Chapter 7, subparagraph 071002.E.2, for additional details.

8. Food Preparation. Meal operating/food preparation costs are additive to other food costs. The weekly meal operating and food preparation costs for INCP students shall be the same as that used in billing DoD appropriations reimbursed by the IMET program when courses are conducted on DoD installations and students use DoD appropriated dining facilities.

9. Instructor Training. The training of U.S. instructors or other personnel for special courses normally not conducted for U.S. personnel shall be considered additional costs. When the required training is conducted at a U.S. training facility, the INCP
program (i.e., the Department of State) shall be charged the normal course cost. When the special course is conducted by a Management Service Team (MST) away from the normal training institution, the services of the MST will be treated as a dedicated service and the full cost billed to the INCP program.

10. **Facilities and Equipment.** The costs of any facilities or equipment acquired primarily for the support of international students enrolled in the INCP program shall be considered additional costs.

11. **Field Studies Program (FSP).** The full cost of the FSP to the U.S. Government is an additional cost.

* 12. **Shipment of Retainable Instructional Materials (RIM).** The shipment of RIM to students shall be included in the tuition rate applicable to INCP students. The shipping charge shall be the same as that used in billing DoD appropriations reimbursed by the IMET program. See Volume 15, Chapter 7, subparagraph 071002.D.3.c, for additional details.

13. **Travel and Per Diem.** Instructor and student travel and per diem associated with the provision of training shall be considered additional costs, to include transportation, living allowances, and medical expenses.

**B. Other DoD Services**

1. **DoD Services Provided Incident to Normal Mission Accomplishment.** When support of the INCP is accomplished incidental to performance of a DoD mission requirement, there are no additional costs incurred. However, if a mission was extended or the cost was otherwise increased, the cost over and above the scheduled mission cost shall be reimbursed.

2. **Scheduled DoD Transportation.** Air and ocean transportation services performed by the U.S. Transportation Command on scheduled movements shall be priced, where applicable, at current tariff rates for DoD Components.

3. **Detailed Personnel.** All costs incurred in connection with the detail of DoD personnel to the Department of State to support the INCP--both civilian and military--are considered additional expenses and, as such, shall be priced at the normal rate charged to other Federal Agencies.

**C. Supplies and Equipment.** Section 482 of the FAA prohibits the procurement of weapons or ammunition from funds authorized for this program. Thus, any specific order for a weapon or ammunition that cites the appropriations provided to finance INCP either must be rejected or returned for a new fund citation. Supplies and equipment that can be provided shall be priced in accordance with Volume 11A, Chapter 1. Pricing policy for excess and non-excess material also is set forth in Volume 11A, Chapter 1.
070203. Disposition of Proceeds

Section 632(c) of the *FAA* provides that applicable collections from the Department of State shall be reimbursed to the financing DoD appropriation account.
VOLUME 11A, CHAPTER 8: “INTERNATIONAL ACQUISITION AND CROSS-SERVICING AGREEMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

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<td>0807</td>
<td>Correct guidance on deposition of proceeds.</td>
<td>Correction</td>
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CHAPTER 8

INTERNATIONAL ACQUISITION AND CROSS-SERVICING AGREEMENTS

0801 OVERVIEW

080101. Purpose

This chapter provides procedures for carrying out reimbursable transactions under the authority of Subchapter I of Chapter 138, Title 10, United States Code. It provides pricing guidance for those transactions, and provides instructions for disposition of proceeds for such reimbursable transactions.

080102. Overview

Subchapter I of Chapter 138, Title 10, United States Code, authorizes the use of support agreements for certain mutual logistics support between the United States and governments of other North Atlantic Treaty Organization (NATO) countries, NATO subsidiary bodies, other eligible foreign countries, the United Nations Organization, and any regional international organization of which the United States is a member. Section 2341 authorizes the procurement of logistics support, supplies, and services. Section 2342 authorizes cross-servicing agreements for the reciprocal provision of logistics support, supplies, and services. Section 2344, authorizes the acquisition or transfer of logistics support, supplies, and services on a reimbursable basis or by replacement in kind, or by exchange of equal value, and establishes pricing principles and limitations on amounts that may be purchased or sold. Section 2347, establishes limitations on amounts that may be obligated or accrued by the United States. The specific guidance on the use of these authorities is contained in Department of Defense (DoD) Directive 2010.9, “Acquisition and Cross-Servicing Agreements.” DoD may not use this authority to procure from any foreign government or international organization any goods or services reasonably available from United States commercial sources.

0802 POLICY AND PROCEDURES

080201. Liquidation of Credits and Liabilities

Compensation for the acquisition or transfer of supplies (materiel) and services shall be obtained through either of the following methods:

A. Reimbursement. Payment for supplies (materiel) or services in the currency of the supplying nation.

B. Exchange. Replacement of supplies (materiel) or services with supplies or services of equal value either through replacement-in-kind or equal-value-exchange. Equal value is the actual or estimated price at the time of transaction approval.
080202. Methods of Liquidation of Accrued Credits and Liabilities

A. Reimbursable Transactions. Generally, bills for incurred costs are to be rendered on a 30-day cycle. This is a United States Treasury requirement and must be adhered to by DoD. However, in the negotiation process and at the initiation of other participants, agreement may be reached on up to a 90-day billing cycle. Bills shall be accompanied by the completed form used to document the issue and receipt of supplies and services and shall be paid within 30 days from the date of the bill. Payment may be extended from 60 to 90 days from the date of the bill at the initiation of other participants based on their processing capabilities.

B. Exchange Transactions. Exchange transactions shall be settled through the issue or receipt, as applicable, of replacement supplies or services within 12 months of the original transaction. If not settled within this period, the exchange transaction shall be converted to a reimbursable transaction, and the resulting accounts receivable or accounts payable shall be liquidated within 30 days.

080203. Prohibitions

A. Inventories of Supplies. Inventories of supplies for elements of the United States Forces may not be increased for the purpose of transferring supplies under the authority of Subchapter I of Chapter 138, Title 10, United States Code, and DoD Directive 2010.9.

B. Prohibitions on Transfers. DoD Components, in accordance with Subchapter I of Chapter 138, Title 10, United States Code, may not agree to or carry out: (1) transfers in exchange for property whose acquisition by DoD is prohibited by law; (2) transfers of source, byproduct, or (3) special nuclear materials subject to the Atomic Energy Act of 1954 (42 United States Code 2011 et seq.); or (3) transfers of chemical munitions.

080204. Obligation and Earned Reimbursement Limitations

The obligations and earned reimbursement limitations set forth below shall be applied without regard to offsetting balances; that is, only the original gross values of sales and purchases are to be considered for purposes of the limitations. These ceilings do not apply during periods of active hostilities involving the United States Forces and are controlled by the Joint Staff. These limitations likewise do not apply to exchange transactions unless converted into a reimbursable transaction due to non-replacement. However, precautionary measures require that exchange transactions be considered for purposes of ensuring compliance with these limitations.

A. Obligation Limitations

1. Acquisitions From NATO Countries, NATO Subsidiary Bodies, the United Nations (UN) Organization or Any Regional International Organization of Which the United States is a Member. The total amount that may be obligated by DoD for reimbursable transactions (purchases) with NATO countries, NATO subsidiary bodies, the UN Organization, or any regional international organization of which the United States is a member may not
exceed $200 million during any fiscal year. Of the $200 million limitation, no more than $50 million in obligations shall be incurred for the acquisition of supplies (materiel) other than petroleum, oil, and lubricants (POL).

2. **Acquisitions from Participating non-NATO Countries.** The total amount that may be obligated by the Department of Defense for reimbursable transactions (purchases) with a participating non-NATO country (with which the United States has an acquisition or cross-servicing agreement) may not exceed $60 million during any fiscal year. Of the $60 million limitation, no more than $20 million in obligations shall be incurred for the acquisition of supplies (materiel) other than POL.

**B. Earned Reimbursement Limitation**

1. **Transfers to NATO countries, NATO subsidiary bodies, the United Nations Organization or Any Regional International Organization of Which the United States is a Member.** The total amount of earned reimbursable credits (sales) to NATO countries, NATO subsidiary bodies, the UN Organization, or any regional international organization of which the United States is a member that DoD can accrue may not exceed $150 million during any fiscal year.

2. **Transfers to Participating Non-NATO Countries.** The total amount of earned reimbursable credits (sales) to a participating non-NATO country (with which the United States has an acquisition or cross-servicing agreement) that DoD can accrue may not exceed $75 million during any fiscal year.

**080205. Requests for Authorization to Use Limitations**

The limitations are managed by the Joint Staff. Each organization that intends to enter into reimbursable purchases or sales under the authority of Subchapter I of Chapter 138, Title 10, United States Code, shall request authorization. Requests shall be accompanied by a justification, including a prioritization of requirements. The requests shall be submitted to the cognizant Combatant Command through the requesting organization’s appropriate Component command. The authorizations do not increase the amount of obligational or apportioned anticipated reimbursable authority, but rather allow use of existing budget authority to enter into purchases or sales under the authority of Subchapter I of Chapter 138, Title 10, United States Code. Requests shall identify the categories of support as identified in figure 8-1.

**080206. Waiver During Contingency or Non-Combat Operations**

When United States Forces are involved in a contingency operation or non-combat operation (including an operation in support of the provision of humanitarian or foreign disaster assistance or in support of peacekeeping operations under Chapters VI or VII of the Charter of the UN), the restrictions in paragraphs 080204 and 080205 are waived for the purposes and duration of that operation.
080207. **Issuance of the Authorization**

The cognizant Combatant Command shall review and approve requests for authorization. If the total amount requested by all Component commands exceeds established limitations, the cognizant Combatant Command shall review the justifications and make appropriate reductions to requested amounts as needed. Each cognizant Combatant Command shall advise the Military Departments of authorizations distributed.

080208. **Distribution of Authorization Received**

Upon receipt of an authorization from a Combatant Command, Component commands shall authorize their activities to enter into reimbursable transactions under Subchapter I of Chapter 138, Title 10, United States Code. No activity or unit shall enter into such transactions unless they have been provided an authorization. Recipients of an authorization shall establish procedures to ensure that authorized dollar amounts are not exceeded.

### 0803 ACCOUNTING FOR REIMBURSABLE LOGISTICAL SUPPORT, SUPPLIES, AND SERVICES

080301. **Military Department (Appropriation Holder) Procedures**

The Assistant Secretary (Financial Management and Comptroller) of a Military Service will record specifically apportioned reimbursable program authority at the appropriation level as specified in the apportionment document received from the Office of Management and Budget. Specifically apportioned reimbursements are amounts earned and collected for property sold or services furnished under Subchapter I of Chapter 138, Title 10, United States Code. Within the Department, a reimbursement program must be authorized for the account by the Under Secretary of Defense (Comptroller) through the budget preparation process. Procedures for recording the authorization and tracking its use are contained in Volume 3, Chapters 13, 14 and 15. The allocation document forwarded to a unified command clearly will differentiate between direct program authority and specifically apportioned reimbursable authority included in the funding document.

080302. **Unified Command (Allocation Holder) Accounting Procedures**

Unified commands will ensure that controls are in place to track amounts of specifically apportioned reimbursable authority included in the funding documents (allotments) issued to installation commands and operating units.

080303. **Installation Command/Operating Unit (Allotment Holder) Procedures**

Installation commands and operating units will record the receipt of an allotment containing specifically apportioned reimbursable authority for which reimbursable orders must be realized before the authority may be used. Procedures for recording the authorization and tracking its use are contained in **Volume 3, Chapter 15**. An allotment of anticipated reimbursable authority does not provide obligational authority. An allotment of anticipated
reimbursable program authority provides only the authority to accept reimbursable orders. The accepted reimbursable order provides the obligational authority. In the case of country-to-country agreements, reimbursable orders are those documents or forms specified in the agreement or amendments thereto.

0804 ACQUISITION AND CROSS-SERVICING REPORTS

This section prescribes the quarterly report required by DoD Directive 2010.9. This report is designed to advise the Chairman of the Joint Chiefs of Staff on reimbursable transactions related to the purchase or sale of mutual logistics support, supplies, and services with a foreign entity.

080401. Applicability and Scope

A. The reporting requirements apply to the Office of the Secretary of Defense; Military Departments; the Chairman of the Joint Chiefs of Staff; the Combatant Commands; and the Defense Agencies.

B. Amounts reported as reimbursable transactions are to be supported by country-to-country or multinational agreements for mutual logistics support between the United States and the Governments of other NATO countries, NATO subsidiary bodies, UN Organization, any regional international organization of which the United States is a member, and other eligible foreign countries.

080402. Report Format

The quarterly report shall be prepared in the formats contained in figures 8-2, 8-3, 8-4, and 8-5. The Chairman of the Joint Chiefs of Staff may modify the report formats as the Chairman deems appropriate, as long as the revised formats meet the minimum information requirements of figures 8-2, 8-3, 8-4, and 8-5.

080403. Frequency and Distribution

The quarterly report shall be submitted as follows:

A. The commanders of the Combatant Commands shall submit to the Chairman of the Joint Chiefs of Staff, not later than 15 days after the end of the preceding fiscal quarter, a detailed report, by fiscal year, for each country-to-country or multinational agreement entered into under the authority of Title 10, United States Code, Sections 2341 through 2350, that was in effect during the prior quarter, itemized by reimbursable transaction.

B. The Military Departments and Defense Agencies shall assist, as necessary, the Combatant Commands in preparing the quarterly report.
0805. OTHER REQUIREMENTS

080501. Documentation Forms.

Forms used to document the issue or receipt of supplies and services under the authority of Subchapter I of Chapter 138, Title 10, United States Code, are subject to a bilateral or multinational agreement. For transactions with NATO, the form normally used is found in NATO Standardization Agreement 3381, “NATO Standard Procedures for Compensation and Form for Request and Receipt of Support in the Form of Supplies and Services.” These forms shall meet the minimum information requirements set forth below.

A. **Source Document Control Number.** Establish a control number similar to a DoD requisition number; e.g., a number containing a code for Military Service, a code for requisitioner, a date, and a document serial number.

B. **Unit of Issue.** Unit of issue refers to the quantity of an item such as each, dozen, gallon, pound, ream, yard, etc.

C. **Quantity.** Show the number of units of issue that were issued or received, as applicable.

D. **Description of Materiel/Services Requested.** Identify the materiel/services requested.

E. **Unit Price.** Show the price, based on unit of issue in the currency of the billing country. For the Department of Defense, this usually is when the item is dropped from inventory.

F. **Extended Dollar Value.** Show the dollar value resulting from a combination of items subparagraphs 080501.B., C. and E. above.

G. **Name and Mailing Address of the Organization to be Billed.** This information may be obtained from the country-to-country or multinational agreement.

H. **Name and Mailing Address of Receiving Organization.** This information may be obtained in the country-to-country or multinational agreement.

I. **Signature of Receiver.** Obtain and show the signature and title of authorized ordering or requisitioning representative.

J. **Name and Mailing Address of Issuing Organization.** This information may be obtained from the country-to-country or multinational agreement.

K. **Date (Year, Month, Day) (YYYYMMDD).** Show the date services were performed or materiel delivered.
L. National Stock Number (NSN) of Materiel or Abbreviated Description of Services Provided. Show the NSN. The NSN is a number assigned under the Federal Cataloging System and/or the North Atlantic Treaty Organization Codification of Equipment System to each approved item identification. This number provides a unique identification of an item of supply within a specified Federal supply classification.

M. Payee to be Designated on Remittance. Show the designated payee.

N. Designation and Address Office to Receive Remittance. Show the office to receive payment.

O. Recipient’s Signature Acknowledging Service or Supplies Received on the Order or Requisition or a Separate Supplementary Document. Obtain and show the signature of the recipient of the materiel or services.

P. Transaction Type. Indicate whether the transaction is reimbursable or an exchange.

Q. Fund Citation or Certification of Availability of Funds When Applicable Under Parties’ Procedures. Show the funding source when advance payments are to be provided or if funding is not to be paid in advance, include a certification that funds are available.

R. Date and Place of Original Transfer in the Case of an Exchange Transaction, a Replacement Schedule Including Time and Place of Replenishment Transfer. Provide date and place or estimated date and place as appropriate.

S. Name, Signature and Title of Authorized Acceptance Official of the Order. Obtain and show the name, title, and signature of the authorized accepting official.

T. Additional Special Requirements, if any, Such as Transportation, Packaging, Etc. Show any additional needs of the receiving organization, if applicable.

U. Limitation of Government Liability. Show the maximum liability of the ordering/receiving organization.

V. Name, Signature, Date and Title of Supplying Party Official Who Actually Issues Supplies or Services. Obtain and show name, title, signature and date of the authorized issuing official.

080502. Accounting for Funds and Reimbursements

Any accounting station receiving an authorization to incur obligations or receive reimbursements pursuant to the authority of Subchapter I of Chapter 138, Title 10, United States Code, for an activity or unit for which it provides accounting and finance support shall capture or obtain data on the use of this authority and shall provide for the appropriate targets or limitations within the affected allotments. Similarly, receipt of the earned reimbursement authority requires
the establishment of a customer order subsystem to capture data on the use of such authority. Source documents pertaining to the authorized dollar amount and its use, such as obligations (DoD undelivered orders for materiel or services and accrued expenditures based on receipt of the materiel or services ordered), disbursements (liquidation of unpaid accrued expenditures), accounts payable (the unpaid portion of accrued expenditures), accounts receivable (earned reimbursements), and collections (receipt of payment to liquidate accounts receivable) shall be recorded promptly in the accounting station records. Accounting for reimbursable orders under these authorizations shall be maintained within the appropriate accounting records to assure crediting of remittances in accordance with section 0807.

080503. **Exchange Transactions and History Files**

Control over exchange transactions shall be established and maintained through use of an exchange transaction history file. Input to the history file shall be made by submission of each individual transaction form which shall include the minimum information prescribed in paragraph 080501.

0806 **PRICING REIMBURSABLE TRANSACTIONS**

Subchapter I of Chapter 138, Title 10, United States Code, authorizes two methods for pricing reimbursable transactions. The method to be used depends on whether a reciprocal pricing agreement exists. Pricing procedures under each of the alternatives are set forth below.

080601. **Reciprocal Pricing Principles**

When a reciprocal pricing agreement has been signed by the United States and another participating country, pricing by the supplying country shall be in accordance with the following:

A. For new procurements, the price charged to a recipient country by the supplying country shall be no less favorable than that charged the armed forces of the supplying country by its contractors. The price charged shall allow for differentials due to delivery schedules, points of delivery, and other similar considerations.

B. For supplies from inventories of the supplying country, or for logistics support and government services, the supplying country shall charge the recipient country the same prices as it charges its own armed forces for identical supplies or services. When the Department of Defense is the supplier, the price charged shall be identical to rates charged by the DoD Components for cross-service logistics support or services. Guidance on pricing such support or services is in Volume 11A, Chapter 1. The DoD price to be charged is the price for type of sale "To Another DoD Component" as indicated in Volume 11A, Chapter 1. Where a price for a particular product or service does not otherwise exist, agreement on a price in advance of the transaction shall be reached. If, for example, the use of equipment is to be provided to a recipient country and the DoD Component does not charge rent to another DoD Component, the DoD Component will estimate the value of rent for use of DoD equipment by the recipient country using the guidance in Volume 11A, Chapter 1.
080602. Nonreciprocal Pricing Principles

To the extent that a DoD Component cannot achieve mutual acceptance by another country of reciprocal pricing principles, or in the case of a NATO subsidiary body, the following procedures shall apply:

A. United States commanders delegated authority to negotiate agreements pursuant to DoD Directive 2010.9 shall determine that the price for acquiring supplies or services is fair and reasonable. This determination shall be supported by a price analysis based on prior experience and supporting data and consider all applicable circumstances. If this determination cannot be made, no acquisitions shall take place.

B. Any transfer of supplies or services by United States Forces shall be subject to the pricing provisions of Volume 15.

080603. NATO Subsidiary Bodies

The pricing principles set forth in paragraph 080602 also shall apply to agreements with NATO subsidiary bodies for the purchase or sale of supplies and services.
*0807 DISPOSITION OF PROCEEDS

Any payment for materiel or services provided by United States forces and initially recorded as a sale transaction shall be credited to the appropriation or fund used in incurring the obligation. Payment for a transaction initially recorded as an exchange of materiel or services, but converted into a sale transaction due to non-receipt of replacement materiel or services, shall be credited to the appropriation or fund currently available for the same purposes for which the expenditures for materiel or services exchanged were made.

Figure 8-1. Request for Authorization

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| Country Available Ceiling | xxxxxxx |
Figure 8-3. Liabilities Report, Non-NATO

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| Supplies Available Ceiling | xxxxxxx |

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Figure 8-4. Credit Reports, NATO

### CREDITS REPORT - NATO

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Figure 8-5. Credits Report, Non-NATO

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| Country Ceiling | xxxxxxxx |
| Country Ceiling Available | xxxxxxxx |
SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a (*) preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated January 2017 is archived.

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<td>Updated definition to include further content referenced from 10 U.S.C. § 161.</td>
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<td>090306</td>
<td>Updated DoD Component Heads for emphasis of oversight per DoDI 4000.19 and DoDD 5015.02.</td>
<td>Revision</td>
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<tr>
<td>Table 9-1</td>
<td>The last Table Revision Effective Date was January 6, 2020, and as of October 2020, the chapter was updated in its entirety. There were no table updates at the time of this publication.</td>
<td>Notification</td>
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CHAPTER 9

SUPPORT OF INTERNATIONAL MILITARY ACTIVITIES

0901 GENERAL

090101. Overview

This chapter assigns responsibilities and establishes guidance for the support of international organizations, and for providing reimbursable and nonreimbursable support.

090102. Purpose

A. Establishes administrative arrangements, reimbursement and billing procedures, and identifies a method to compute the dollar value of credits due the U.S. for the support of international military activities.

B. Identifies the support that DoD Components can expect to receive from international military organizations and whether such support is on a reimbursable or nonreimbursable basis.

C. Establishes guidance for financing the U.S. contributions to and the receipt of credits from the international military organizations with which the U.S. participates.

D. Establishes guidance for paying U.S. personnel employed by international military organizations, and for verifying the credits received from the organizations for such personnel.

E. Does not apply to the provision of intelligence or cryptologic support provided under authorities other than those cited herein.

*090103. Authoritative Guidance

The financial management policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of the following sources:


D. 10 U.S.C. § 421(a), “Funds transfers for foreign cryptologic support”;

9-4
E. **10 U.S.C. § 2344(a)**, “Methods of payment for acquisitions and transfers by the United States”;


G. **22 U.S.C. § 2751**, “Need for international defense cooperation and military export controls; Presidential waiver; report to Congress; arms sales policy”;

H. **10 U.S. Code § 2801**, “Scope of chapter; definitions”;

I. **10 U.S. Code § 2802**, “Military construction projects”;

J. **22 U.S.C. § 2778(b)(2)**, “Control of arms exports and imports”;

K. **31 U.S.C § 1353**, “Acceptance of travel and related expenses from non-Federal sources”;


M. **DoD Directive (DoDD) 2010.09**, “Acquisition and Cross-Servicing Agreements”;

N. **DoDD 5015.02**, “DoD Records Management Program”;

O. **DoDD 5100.03**, “Support of the Headquarters of Combatant and Subordinate Unified Commands”;

P. **DoDD 5101.1**, “DoD Executive Agent”;

Q. **DoD Instruction (DoDI) 1000.17**, “Detail of DoD Personnel to Duty Outside the Department of Defense”;

R. **DoDI 4000.19**, “Support Agreements”;

S. **DoDI 5210.60**, “Security Clearance Program for U.S. Citizens Employed Directly by the North Atlantic Treaty Organization (NATO)”;

9-5
T.  *DoDI 5530.03*, “International Agreements”; and

U.  *Joint Travel Regulation*

0902  DEFINITIONS AND GUIDELINES

090201.  Military Department

Military Department refers to one of the departments within DoD created by the National Security Act of 1947 as amended *(NSA 1947)*, which are the Department of the Army, the Department of the Navy, and the Department of the Air Force.

090202.  Military Service

Military Service is established by NSA 1947 and refers to the Army, Navy, Air Force, Marine Corps and the Coast Guard when operating as a part of the Navy in accordance with law (see the definition of “Service” in the *DoD Dictionary of Military and Associated Terms*, June 2020, as amended).

090203.  Military Unit

Military Unit refers to any military element whose structure is prescribed by competent authority (see the definition of “Unit” in *Joint Chiefs of Staff Publication 1* (*JP 1*).

090204.  Military Element

Military Element refers to any military organization formed to perform a specific function under a joint force commander’s headquarters (see the definition of “Element” in JP 1).

090205.  Nonreimbursable Support

The DoD provides nonreimbursable support to international military organizations in two forms: (1) through a financial contribution to the budget of the international organization, or (2) by assignment of U.S. military elements to the international organization under the terms of international treaties or agreements (see *DoDI 5530.03*). The U.S. military elements may be assigned either on a long or short-term basis.

A.  Short-term assignments are typically for the purpose of participating in joint exercises or maneuvers under the auspices of the international organization.

B.  Long term assignments typically involve filling an existing billet on the staff of an international organization.
C. Support under subparagraphs 090207.A and B are not reimbursable to DoD. An exception to this policy is the support by members of a U.S. military element who provide services that were included in the budget of the international organization (e.g., a U.S. Military member who occupies an international civilian billet). These costs are reimbursable (see section 0904).

090206. Reimbursable Support

All other support provided to the international military organization and to military elements of participating foreign countries is reimbursable to the performing DoD Component, and must be provided under one of the authorities described in paragraphs: 090402, Arms Export Control Act (AECA); 090403, NATO Mutual Support Act (NMSA); 090404, Other than AECA and NMSA.

090207. Support for U.S. Military Elements/Units

The U.S. military element of an international military organization is supported by the international organization and the administrative agent (see paragraph 090303) on a nonreimbursable basis. The administrative agent must ensure support provided to the U.S. military elements of an international organization is equal in scope and quality to all organizations which it supports at a comparable location. Other U.S. military units in the area, including units of the administrative agent, also may receive support from the international organization, but on a reimbursable basis. The Military Department concerned and the international organization will execute a support agreement between them when those military units receive support.

090208. Table of Distribution and Allowance

*Tables of distribution and allowance (TDA)* refer to a military unit that is organized to perform unique missions for which a TO&E does not exist. A TDA may contain combinations of military, civilian and contractor man year equivalent positions.

090209. Table of Organization and Equipment (TO&E)

A *TO&E* is comprised of military personnel and refers to the capabilities, organizational structure, and required personnel and equipment for a military unit to accomplish its mission.

0903 RESPONSIBILITIES

090301. Under Secretary of Defense (Comptroller)

The Under Secretary of Defense (Comptroller) provides financial policy with regard to support agreements and designates the administrative agent responsible for arranging support to U.S. military elements at an international military organization. Geographic proximity to existing support infrastructure and mission compatibility is the primary criteria used to assign administrative agent duties. Current designations are provided in Table 9-1. The Military Services must request updates to this table as needed to reflect changes in available support infrastructure within a geographic area.
090302. Secretaries of the Army and the Air Force

A. The Secretary of the Army must program and budget the annual U.S. contributions to the various NATO bodies in the Army Operations and Maintenance (O&M) appropriation.

B. The Secretary of the Army must program and budget for the annual U.S. contributions to other recognized multinational headquarters, such as the NATO Force Structure and the NATO Response Force in which the U.S. participates.

C. The Secretary of the Air Force must budget for the NATO Airborne Early Warning Program Management Agency (NAPMA).

090303. Administrative Agent

The administrative agent must:

A. Budget for the U.S. contributions to designated non-NATO international military organizations. When the Army is not the administrative agent for a NATO body, or other multinational headquarters, the designated agent will provide the Army with program and budget information on the annual contribution for inclusion in the Army’s O&M appropriation. Budgeting for the NAPMA constitutes an exception to this policy (see subparagraph 090302.C).

B. Coordinate with appropriate U.S. representatives at the international military organizations to ensure that effective procedures and controls are prescribed for budgeting, obligating, disbursing, and receiving credits incident to administering the U.S. contributions.

C. Program and allocate resources in a manner that will provide the international organization with the highest possible level of support under paragraphs 090402, 090403, and 090404 consistent with financial constraints that may be imposed through the normal program and budget process.

D. Support U.S. military elements attached to the designated international military organization on a nonreimbursable basis, unless the support is an international budget cost or is a budget responsibility of another Military Department (see paragraph 090304). The standards and directives of the administrative agent govern the level and type of support furnished. The level and type of support will be consistent with the highest possible level of support allowable under this chapter while not violating those same governing standards and directives. Support requirements based upon input provided by the U.S. military element are included in the administrative agent’s annual budget. The administrative agent is required to obtain support from the most efficient and economical source, to include local sources, while ensuring that no parallel support facility is established (see DoDI 4000.19).

E. Provide U.S. military elements, which are TO&E or equivalent units, with replacement consumable and nonconsumable material, obtaining peculiar items when necessary from supply systems of the parent Military Service on a reimbursable basis.
F. Provide U.S. military elements, which are TDA or equivalent units, both with initial and replacement consumable and nonconsumable material.

G. Establish table of allowances, unit allowance lists, base allowance lists, and other authorization documents for U.S. military elements attached to the international military organization.

H. Budget for the cost of civilian employees of the U.S. Government assigned to positions in international military organizations. These employees retain their status as U.S. employees and are paid from U.S. funds at the appropriate U.S. scale of pay and allowances.

1. The pay and allowances are budgeted at the appropriate international pay scale by the international military organization to which they are assigned. A sum equal to the amount of such pay and allowances at the international pay scale must be collected from the international organization and reflected in the reimbursable portion of the DoD budget. The DoD direct budget must absorb any differences.

2. The U.S. civilians who occupy positions in international military organizations on a direct hire basis (not as U.S. Government employees), as provided for by DoDI 5210.60, will be governed by the provisions of that firm offer of employment and other applicable U.S. Government regulations that deal with such employment. The international military organization concerned will remunerate those U.S. civilians at the applicable international pay scale; however, these U.S. civilians will not be entitled to the same pay and allowances or benefits as those of U.S. Government employees.

090304. Secretaries of the Military Departments

The Secretaries of the Military Departments with military personnel assigned to a U.S. military element must:

A. Budget and fund for personnel costs of military personnel of that Component included in the U.S. military element.

B. Budget and fund for personally assigned equipment provided to military personnel of that Component included in the U.S. military element.

C. Make initial issuance to TO&E or equivalent units of that Component assigned or attached to U.S. military elements.

D. Budget and fund Component peculiar requirements, such as flying qualifications, medical examinations, personnel training and development, and social actions, for military personnel of that Component.

E. Support other requirements. Costs are chargeable to the administrative agent on an interservice (reimbursable) basis.
F. Provide appropriate support to foreign military elements or to international military organizations in accordance with paragraphs 090402, 090403, or 090404, herein, unless identified in this chapter as items of nonreimbursable support.

090305. Head of a U.S. Military Element

The Head of a U.S. military element must support the international military organization on a nonreimbursable basis, except for the costs of a military member who is assigned to an international civilian position, or when such support requires augmentation of the element’s normal manpower, equipment, or other resources from other U.S. sources.

*090306. Head of a DoD Component

The Head of a DoD Component must:

A. Support the international military organization and participating foreign countries on a reimbursable basis, in accordance with the AECA or the NMSA unless otherwise specified in this chapter.

B. Ensure the use of appropriate internal controls and oversight measures (e.g., support agreements manager assignments) and documentation of reimbursable support agreements to support financial audits, in accordance with DoDI 4000.19 and DoDD 5015.02.

090307. Commander of a Unified Combatant Command

The Commander of a Unified Combatant Command must coordinate the activities of the administrative agents concerned in implementing this chapter within the command theater of operations.

090308. Head of an International Military Organization

The Head of an International Military Organization must support U.S. military elements on a nonreimbursable basis for those support areas set forth in the scope of the budget for international military headquarters and agencies (see Table 9-1).

0904 REIMBURSEMENTS

090401. Reimbursements Due the U.S. from International Military Organizations for U.S. Personnel (Military or Civilian) Occupying International Civilian Positions.

A. A sum equal to the pay and allowances established for the occupied positions at the international scale must be credited to the U.S. as an offset to the U.S. contribution to the international organization.
1. The administrative agent must determine the amount of credit due and initiate a quarterly *Standard Form (SF) 1080*, Voucher for Transfers between Appropriations and/or Funds, to transfer funds from the U.S. contribution to the international budget to the applicable financing DoD appropriation.

2. As an exception to this offset credit procedure, international military organizations located in the continental U.S. (CONUS), to which contributions are made in U.S. dollars, must make direct reimbursement of the international pay and allowance equivalent to the administrative agent for any U.S. personnel assigned to international civilian positions.

B. The administrative agent must screen the personnel administration and payroll computations for U.S. employees, as performed by the international organization, to ensure the accuracy and sufficiency of data and credits granted.

090402. Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Pursuant to the AECA.

When DoD services are performed, articles delivered from inventory or new procurement initiated under the authority of the AECA, the pricing and billing must be in accordance with Volume 15.

090403. Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Pursuant to NMSA.

When DoD services are performed or articles delivered from inventory under the authority of the NMSA, pricing must be in accordance with Chapter 8 and billing must comply with the international agreement negotiated in accordance with DoDD 2010.09.

090404. Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Under Authorities Other than the AECA, NMSA or this Regulation.

A. Leases of real and personal property are authorized by Title 10, U.S.C. section 2667 and must be priced in accordance with Volume 2B and Volume 12. Property with a life expectancy of less than 3 years or a value of less than $1,000 and provided under the authority of the AECA (paragraph 090402) or NMSA (paragraph 090403) must be provided on a sales basis. In the event that DoD services or materiel are provided under authorities other than the AECA, NMSA or this Regulation, the DoD Component providing that support must obtain a legal opinion supporting the use of such other legal authority before providing the service or materiel. The legal opinion must be retained for audit verification.

B. The designated official of the DoD Component furnishing the support must:

1. Originate promptly and in detail an SF 1080 to bill the administrative agent or the designated coordinating agent.
2. Prepare the invoice for reimbursable support on the basis of constructive delivery.

3. Distribute the SFs 1080 as follows:
   
a. Submit two copies of the SF 1080, with supporting detail, to the international military organization receiving the services or materiel for verification of the charge.

   b. Forward the original (disbursement SFs 1080) and the collection copy (SF 1080), without supporting detail, to the administrative agent or the designated coordinating agent.

   c. Retain additional copies, with supporting detail as may be required by the billing office, pending receipt of executed vouchers.

C. The administrative agent or the designated coordinating agent must request that the comptroller of the NATO command or the appropriate international organization concerned provide a monthly listing of charges that have been accepted, and (2) ensure that such charges are reflected as offset credits to the U.S. in the contributions to the international budgets.

D. The coordinating agent must match the monthly listing of accepted charges with outstanding SFs 1080, and process the SFs 1080 for accepted charges as payments to the billing office. Upon receipt of the validated SFs 1080, the billing office must process the collection.

E. The designated coordinating agent must verify that the offset credits are applied to the U.S. contributions to the international organization through a reconciliation of individual SF 1080 billings to the monthly list of accepted charges.

F. When materiel or services are furnished to international military organizations that are located within the CONUS and contributions are made in U.S. dollars, the U.S. military activity providing the support is responsible for billing the international military organization directly, and obtaining reimbursement in U.S. dollars.

0905 SCOPE OF BUDGET FOR INTERNATIONAL MILITARY HEADQUARTERS AND AGENCIES

The international budget includes the types of costs, except as limited by exclusions in the following paragraphs, in such order and form as may be determined by the appropriate financial reviewing authorities. The following paragraphs are illustrative of the types of costs accepted by the NATO Military Budget Committee as an international charge. The comptroller of the international military organization concerned and the U.S. representative must be consulted if there is doubt whether the cost of any article or service is properly an international charge.
090501. Civilian Personnel, Administrative Staff

Pay and authorized allowances of personnel employed by an international headquarters for the performance of international functions, including secretarial, clerical, or technical assistance. For U.S. military and civilian personnel, see paragraph 090401.

090502. Civilian Personnel, Operational Staff

Pay and authorized allowance of personnel locally hired for custodial, industrial, or operational purposes. This includes upkeep of the premises and fixed or movable equipment used by the headquarters or its support units or fixed installations; supervision or operation of headquarters’ fixed and movable equipment other than office equipment; and operation of headquarters enlisted mess facilities.

090503. Rents and Maintenance

Rental of office space, barracks, warehouses, and other commercial type buildings, including taxes; cost of utilities, liquid and solid fuels, sewage and garbage disposal service; supplies and material for janitorial and hygienic services (national support unit barracks excluded); and supplies, material, and contractual expenses for maintenance, repair, and minor alterations to buildings and facilities, including replacement of minor installations and fixed equipment when damaged or worn beyond repair.

090504. Operation of General Services

Stationary and general office supplies for the headquarters and all units assigned in direct support; rental of office equipment required to supplement available equipment in accordance with internationally approved standards; printing, binding, and reproduction; purchase of maps, charts, and terrain models for peace time use; newspapers, periodicals, and library supplies; photo supplies and photographic processing; and drugs and other expendable medical supplies for first aid stations.

090505. Communications

Procurement and installation of switchboards, radio transmitters and receivers, telephone exchanges, and mobile communications equipment including related signal vehicles; rental of commercial type equipment for additional requirements; repair and maintenance of communications equipment, including supplies and spare parts; cost of commercial communications, including installation and reinstallation charges for leased or other use of local, national, and international telephone, telegraph, and teletype circuits; and postage and postal fees.
090506. Transportation

Rental or purchase of passenger and cargo vehicles; petroleum, oil, and lubricant products for such vehicles and other equipment used in direct support of international headquarters; supplies and spares required for organizational maintenance of vehicles and related equipment; commercial freight, local hauling, and express charges for internationally procured supply and equipment items, including shipping charges for contribution-in-kind from member nations to place of receipt.

090507. Travel of International Staff

A. Civilian Personnel. Transportation and per diem costs of temporary duty travel on official business.

B. U.S. Military Personnel. When traveling on official business under travel orders issued by an authorized international headquarters that directs payment to be charged to international funds, the costs of such travel are payable as follows:

1. From International Funds. Cost of transportation furnished by Military Airlift Command and/or a common carrier, to include taxi fares and privately owned conveyances under previously approved conditions.

2. From U.S. Appropriated Funds. Per diem and other expenses authorized by U.S. travel regulations, and the costs under subparagraph 090507.B.1., for personnel who are members of an international military headquarters that does not maintain a centralized international budget for such purposes.

090508. Exercises and Maneuvers

When directly related to an allied command training exercise, the cost of commercial communication services and facilities provided solely to fill a requirement of the exercise on behalf of the participating nations; civilian labor hired in connection with the exercise by the interallied headquarters and not specifically for any one nation; temporary installations for interallied field headquarters not available from organic equipment of participating troops or the headquarters and not properly chargeable to the host nation; rental of additional commercial transportation required at interallied headquarters for the exercise; utilities costs for interallied headquarters if at a place other than an existing military post; and reproduction of photographs and film strips, required by the directing staff for subsequent international training or critique purposes, when source of production is other than a military unit.

090509. Representational and Hospitality

Representational and hospitality expenses of the Supreme Commanders for international purposes.
090510. Contingencies

Claims for losses by fire, theft, and other damages; and costs to employ legal representation in civil court actions.

090511. Construction

Design and new construction of buildings and facilities, including housing, structures, utilities, modification; and alteration of existing buildings and facilities, including fixed equipment, sewage, gas, water, and electrical supply systems, roads, and approaches.

090512. Furniture and Equipment

Office furniture and equipment procured within internationally approved standards for the direct support of international headquarters and agency activities; equipment for maintenance of kitchens, shops, heating electrical plants; and furniture used in barracks, messes, recreation rooms, and dining rooms and clubs.
Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements

<table>
<thead>
<tr>
<th>Headquarters or Agency</th>
<th>Administrative Agent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. North Atlantic Treaty Organization (NATO)</strong></td>
<td></td>
</tr>
<tr>
<td>1. NATO Headquarters (HQ)</td>
<td></td>
</tr>
<tr>
<td>a. International Military Staff (IMS) (Brussels, Belgium (BE))</td>
<td>Army</td>
</tr>
<tr>
<td>b. U.S. Delegation to the Military Committee (USDELMC) (Brussels, BE)</td>
<td>Army</td>
</tr>
<tr>
<td>c. Canada-U.S. Regional Planning Group (Brussels, BE)</td>
<td>Army</td>
</tr>
<tr>
<td>2. Allied Command Operations (ACO)</td>
<td></td>
</tr>
<tr>
<td>a. Supreme Headquarters Allied Powers Europe (SHAPE) (Mons, BE)</td>
<td>Army</td>
</tr>
<tr>
<td>b. HQ Allied Joint Force Command Brunssum (HQ JFCBS) (Brunssum, Netherlands (NL))</td>
<td>Army</td>
</tr>
<tr>
<td>(1) Joint Logistics Support Group Brunssum (JLSGBS)</td>
<td>Army</td>
</tr>
<tr>
<td>c. HQ Allied Maritime Command (HQ MARCOM) (Northwood, United Kingdom (UK))</td>
<td>Air Force</td>
</tr>
<tr>
<td>d. HQ Allied Air Command (HQ AIRCOM) (Ramstein, Germany (GE))</td>
<td>Air Force</td>
</tr>
<tr>
<td>(1) Allied Combined Air Operations Center Uedem (CAOC UE) (Kalkar/Uedem, GE)</td>
<td>Air Force</td>
</tr>
<tr>
<td>(2) Allied Combined Air Operations Center Torrejon (CAOC TJ) (Torrejon, Spain (SP))</td>
<td>Navy</td>
</tr>
<tr>
<td>(3) Allied Deployable Air Command and Control Center (DACCC) (Poggio Renatico, Italy (IT))</td>
<td>Army</td>
</tr>
</tbody>
</table>
Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

<table>
<thead>
<tr>
<th>Headquarters or Agency</th>
<th>Administrative Agent</th>
</tr>
</thead>
</table>
| **e. HQ Allied Land Command (HQ LANDCOM)**  
(Izmir, Turkey (TU)) | Air Force |
| **f. HQ NATO Communication and Information Systems Group**  
(HQ NCISG)  
(Mons, BE) | Army |
| (1) **2nd NATO Signal Battalion (NSB 2)**  
(Naples, IT) | Navy |
| **g. HQ Allied Joint Force Command Naples (HQ JFCNP)**  
(Naples, IT) | Navy |
| (1) **Joint Logistics Support Group Naples (JLSGNP)** | Navy |
| **h. Standing Joint Logistics Support Group (SJLSG)**  
(Ulm, GE) | Army |
| **i. Other Staff and Commands Responsible to Supreme Allied Commander Europe (SACEUR)** | |
| (1) **Immediate Response Force (Maritime)** | |
| (a) **Standing NATO Maritime Group 1 (SNMG 1)**  
(Northwood, UK) | Navy |
| (b) **Standing NATO Maritime Group 2 (SNMG 2)**  
(Naples, IT) | Navy |
| (2) **HQ Allied Command Counter-Intelligence (HQ ACCI)**  
(Mons, BE) | Army |
| (3) **NATO Intelligence Fusion Centre (NIFC)**  
(Molesworth, UK) | Air Force |
| (4) **NATO Airborne Early Warning and Control**  
(NAEW&C) Force Command  
(Mons, BE) | Army |
Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

<table>
<thead>
<tr>
<th>Headquarters or Agency</th>
<th>Administrative Agent</th>
</tr>
</thead>
<tbody>
<tr>
<td>(5) NATO Airborne Early Warning and Control (NAEW&amp;C) E-3A Component (Geilenkirchen, GE)</td>
<td>Air Force</td>
</tr>
<tr>
<td>(6) NATO Alliance Ground Surveillance Force (NAGSF) (Sigonella, IT)</td>
<td>Navy</td>
</tr>
<tr>
<td>(7) NATO Alliance Ground Surveillance (NAGS) Support Element Liaison (Ramstein, GE)</td>
<td>Air Force</td>
</tr>
<tr>
<td>(8) NATO AGS Staff Element Integrating Office (SEIO) (Mons, BE)</td>
<td>Army</td>
</tr>
</tbody>
</table>

3. **Allied Command Transformation (ACT)**

a. Headquarters, Supreme Allied Command Transformation (SACT) (Norfolk, Virginia (VA)) Navy

b. ACT Staff Element Europe (SEE) (Mons, BE) Army

c. ACT Representative Europe (REPEUR) (Brussels, BE) Army

d. Joint Warfare Center (JWC) (Stavanger, Norway (NO)) Air Force

e. Joint Analysis and Lessons Learned Center (JALLC) (Monsanto, Portugal (PO)) Navy

f. Joint Force Training Center (JFTC) (Bydgoszcz, Poland (PL)) Army

4. **NATO Memorandum of Understanding (MOU) Organizations**

a. High Readiness Force (Maritime) UK (HRF(M)-UK) (Portsmouth, UK) Air Force
Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

<table>
<thead>
<tr>
<th>Headquarters or Agency</th>
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</tr>
</thead>
<tbody>
<tr>
<td>b. High Readiness Force (Maritime) IT (HRF(M)-IT) (Taranto, IT)</td>
<td>Navy</td>
</tr>
<tr>
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<td>d. High Readiness Force (Maritime) SP (HRF(M)-SP) (Rota, SP)</td>
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<td>e. HQ NATO Naval Striking and Support Forces (HQ STRIKFORNATO) (Lisbon, PO)</td>
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<td>f. HQ Multinational Corps Northeast (MNC-NE) (Szczecin, PL)</td>
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<td>g. HQ NATO Rapid Deployable Corps-UK (HQ NRDC-UK) (Gloucester, UK)</td>
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<td>j. HQ NATO Rapid Deployable Corps – IT (HQ NRDC-IT) (Milan, IT)</td>
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<td>k. HQ NATO Rapid Deployable Corps – SP (NRDC-S) (Valencia, SP)</td>
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<td>l. HQ NATO Rapid Deployable Corps – GR (NRDC GR) (Thessaloniki, Greece (GR))</td>
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<td>n. NATO Special Operations HQ (NSHQ) (Mons, BE)</td>
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<td>o. NATO Joint Electronic Warfare Core Staff (JEWCS) (Royal Air Force Station Yeovilton, UK)</td>
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<td>p. European Corps (EUROCORPS) HQ (Strasbourg, FR)</td>
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<td>q. HQ Rapid Reaction Corps (RRC) – France (HQ RRC-FR) (Lille, FR)</td>
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<td>f. Center of Excellence – Cooperative Cyber Defense (CCD COE) (Tallinn, EE)</td>
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<td>g. Center of Excellence – Counter Improvised Explosive Devices (C-IED COE) (Madrid, SP)</td>
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<td>h. Center of Excellence -- Explosive Ordnance Disposal (EOD COE) (Trencin, SK)</td>
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<td>i. Center of Excellence -- Joint Chemical, Biological, Radiological and Nuclear Defense (JCBRN COE) (Vyskov, Czech Republic (CZ))</td>
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<td>m. Center of Excellence – Energy Security (ES COE) (Vilnius, Lithuania (LT))</td>
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6. Other NATO Command and Staff Organizations/Agencies

| a. NATO Support Agency (NSPA) (Capellen, Luxembourg (LU))                              | Army                 |
| (1) NATO Airlift Management Program (Papa, HU)                                        | Air Force            |
| (2) NATO Hawk Management Office (Ruell-Malmaison, FR)                                  | Army                 |

b. NATO Science and Technology Organization (STO)

| (2) Center for Maritime Research and Experimentation (CMRE) (La Spezia, IT)           | Navy                 |

c. NATO Airborne Early Warning and Control Program Management Organization (NAPMO) (Brunssum, NL) | Army                 |

d. NATO Standardization Agency (NSA) (Brussels, BE)                                    | Army                 |
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<td>h. United States National Military Representative (USNMR) to SHAPE (Mons, BE)</td>
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7. NATO Communications and Information Agency (NCIA)

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<td>c. Sector Brunssum (Brunssum, NL)</td>
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<td>(2) Detachment Uedem (Kalkar/Uedem, GE)</td>
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<td>d. Sector Naples (Naples, IT)</td>
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<td>(Izmir, TU)</td>
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<tr>
<td>(2) Detachment Poggio Renatico</td>
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<td>(Poggio Renatico, IT)</td>
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<td>(Brunssum, NL)</td>
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<td>B. Inter-American Defense Board (IADB)</td>
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<td>C. Joint Mexican-United States Defense Commission (JMUSDC)</td>
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<td>D. Permanent Joint Board on Defense, Canada-United States (PJBD)</td>
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<td>E. U.S.-Spanish Combined Military Coordination and Planning Staff (CMCPS)</td>
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<td>F. Republic of Korea/United States Combined Forces Command (ROK/US)</td>
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VOLUME 11A, CHAPTER 10: “UNIT EXCHANGE OF TRAINING AND RELATED SUPPORT BETWEEN THE UNITED STATES AND FOREIGN COUNTRIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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<td>100102</td>
<td>Added an Authoritative Guidance paragraph to allow for easier source identification, as well as to comply with current standard operating procedures.</td>
<td>Addition</td>
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<tr>
<td>100201.D</td>
<td>Added guidance from Security Assistance Management Manual, Chapter 10, requiring each respective country to pay for their students Travel and Living Allowances.</td>
<td>Addition</td>
</tr>
<tr>
<td>All</td>
<td>Updated formatting and hyperlinks to comply with current standard operating procedures.</td>
<td>Revision</td>
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CHAPTER 10
UNIT EXCHANGE OF TRAINING AND RELATED SUPPORT BETWEEN
THE UNITED STATES AND FOREIGN COUNTRIES

1001 GENERAL

100101. Purpose

This chapter promulgates the financial policy that implements Title 22, United States Code, section 2770a (22 U.S.C. § 2770a) which authorizes the reciprocal unit exchange of training and related support between the United States and friendly foreign countries or international organizations.

*100102. Authoritative Guidance

The financial management policy and related requirements set forth in this chapter are in accordance with the applicable provisions of:

A. 22 U.S.C. § 2770a, “Exchange of training and related support”;

B. Department of Defense Directive (DoDD) 5530.3, “International Agreements”;


1002 POLICY

100201. Policy Requirements


B. The provisions of 22 U.S.C. §2770a apply only to established military units, not to ad hoc units or individual members of units. Therefore, to qualify as a unit exchange, the organization receiving the training must include substantially all individuals assigned to an established unit. A unit exchange of training and related support may include transportation, food services, health services, logistics, and the use of facilities and equipment provided to military and civilian defense personnel. Training performed pursuant to unit exchange agreements must be on an exchange basis. If an exchange of training does not commence within 12 months, the training must be converted to a reimbursable transaction.
C. Unit exchanges **must** be arranged only as part of an international agreement, as defined in DoDD 5530.3, International Agreements. Before entering into negotiations for an international agreement or conducting a specific exchange thereunder, the initiating authority **must** seek the approval of the cognizant Geographic Combatant Commander in whose area of responsibility the foreign nation or international organization is located or in which the training is to be conducted, **as prescribed in DoDD 5530.3, “International Agreements.”** Generally, the Secretary of a Military Department, or designee, is the approving authority for implementing arrangements, entered into under authority of the agreement, which provide for the exchange of specific units. However, implementing arrangements of significant political-military importance or operationally sensitive exchanges require approval by the Under Secretary of Defense (Policy).

D. According to Chapter 10 of the SAMM each country should pay its students Travel and Living Allowance. In addition, exchanges can be made on either an individual-to-individual or unit-to-unit basis.

100202. Pricing Reciprocal Exchanges or Related Support

A Military Department participating in a reciprocal unit exchange or related support arrangement **must** use the following pricing guidelines:

A. The Military Department official delegated authority under DoDD 5530.3 to negotiate agreements under 22 U.S.C. 2770a **must** perform a price analysis based on prior experience and/or current supporting data. The price determined for the unit exchange of training or related support **must** be fair and reasonable, taking into consideration all applicable circumstances. If the determination under subparagraph 100203.A. cannot be made, the training may not be performed and the related support may not be exchanged.

B. Reciprocal unit exchanges of any training or related support by the United States **must** be subject to the pricing provisions of Volume 15, Chapter 7, “Pricing.” The estimated actual cost of the reciprocal unit exchange to be provided and the value of the unit to be received (using an appropriate price analysis) **must** be computed and documented by the Military Department designated resource management function. The documented estimated actual cost is the basis for reporting costs incurred and for reimbursement purposes in the event exchanges are not reciprocated.

100203. Liquidation of Credits and Liabilities

Compensation for the acquisition or transfer of a unit exchange of training and related support **must** be accomplished through either of the following methods:

A. **Reciprocal Exchange.** Training or related support that is to be exchanged requires a written determination by the approving U.S. organization that the reciprocal unit exchange of training or related support has a substantially comparable value. Comparable value received is the sum of those monetary (i.e., estimated actual cost that the U.S. would have had to pay for training received) and nonmonetary (i.e., benefits or cost avoidance) values that comprise the total exchange value. Methodologies depicting comparable value, both monetary and nonmonetary, **must** be retained and available for audit.
B. **Reimbursable.** Payments for training and related support are to be in the currency of the supplying nation and must be provided in the event reciprocity is not achieved within 12 months from the date the training began.

**100204. Conversion to Reimbursable Training**

The servicing accounting and finance office must take the following actions when reciprocal training or related support is not provided or not received:

A. **Actions to be Taken When the United States Does Not Provide Reciprocal Training or Related Support.** When the United States does not provide reciprocal training and related support within 12 months after such training or support begins, the exchange transaction must be converted to a reimbursable transaction and an obligation recorded. The obligation must be recorded against the appropriation current at the time the determination is made that reciprocal training will not be provided or 12 months from the date the training began, whichever occurs first. The resulting accounts payable is to be paid 30 days from the date established. The accompanying documentation must fully explain the reasons for not providing reciprocal training or related support during the preceding 12 months.

B. **Actions to be Taken When the United States Does Not Receive Reciprocal Training or Related Support.** When the United States does not receive reciprocal training or related support within 12 months after such training or support begins for a foreign country, the exchange transaction must be converted to an accounts receivable. The accounts receivable must be established against miscellaneous receipt account 3210, “General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified.” See Volume 16, Chapter 6, “Debt Owed to the Department of Defense (DoD) by Foreign Entities” for procedures for billing foreign countries.

1003 REPORTING RESPONSIBILITIES

100301. Secretaries of the Military Departments

In October of the current fiscal year, the Secretaries of the Military Departments, or designees, must submit to the Director, DSCA information on each reciprocal exchange or reimbursement that was in effect during the prior fiscal year.

100302. Director, Defense Security Cooperation Agency

The Director, DSCA must:

A. Provide the Military Departments, or designees, Combatant Commands, Chairman of the Joint Chiefs of Staff, and Security Cooperation Organizations with the reporting format for reciprocal exchange or reimbursement of training and related support as part of the data call for the annual “Foreign Military Training Report.” The timelines for reporting training data to DSCA are provided in Chapter 10 of the SAMM.

B. Consolidate the input and transmit the report for receipt by the Congress not later than January 31 of each year.
VOLUME 11A, CHAPTER 11: “SPECIAL OR TECHNICAL SERVICES TO STATE AND LOCAL GOVERNMENTS”

SUMMARY OF MAJOR CHANGES

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CHAPTER 11

SPECIAL OR TECHNICAL SERVICES TO STATE AND LOCAL GOVERNMENTS

1101 OVERVIEW

110101. Purpose

This chapter provides the financial policy for sale of special or technical services to both state and local governments, as authorized by Title 31, United States Code, section 6505 and further delineated in Office of Management and Budget (OMB) Circular No. A-97, “Rules and Regulations Permitting Federal Agencies to Provide Specialized or Technical Services to State and Local Units of Government under Title III of the Intergovernmental Cooperation Act of 1968.” The chapter provides guidance on the amounts that shall be recouped when the DoD Components perform special or technical services for either state or local governments. This chapter does not provide legal authority to sell to state or local governments. Specific legal authority must be identified to make such sales. This guidance supplements the standards for financial accounting for receivables, and budgetary accounting for reimbursements, discussed respectively in Volume 4, Chapter 3 and Volume 3, Chapter 15.

110102. General

It is the policy of the Department to cooperate to the maximum extent possible with state and local governments to provide specialized or technical services. Such services generally shall supplement and not supplant any services provided under other authority.

A. Pricing. Specialized or technical services to state and local governments shall be priced as a sale to private parties at the full costs to the Department. General rules on determining amounts to be reimbursed are found in Chapter 1.

B. Disposition of Proceeds. Payments received by DoD Components for providing service shall be deposited to the credit of the appropriation or account from which the costs of providing the services have been paid or are to be charged. Unfunded portions of the costs of such services shall be deposited to the U.S. Treasury as miscellaneous receipts.

1102 POLICY AND PROCEDURES

110201. Types of Services

A. The following are specialized or technical services that may be provided.

1. Any existing statistical or other studies and compilations, results of technical tests and evaluations, technical information, surveys, reports, documents, and any such materials which may be developed or prepared in the future to meet the needs of the federal government or to carry out a DoD Component’s normal responsibilities.
2. Preparation of statistical or other studies and compilations, technical tests and evaluations, technical information, surveys, reports, documents, and assistance in the conduct of such activities, and in the preparation of such materials, provided they are similar to those that the DoD Component is authorized by law to conduct or prepare.

3. Training of the type that the DoD Components are authorized by law to conduct for DoD personnel.

4. Technical aid in the preparation of proposals for developmental and other projects, for which the DoD Components provide grants-in-aid or other assistance, provided such aid primarily develops recipients’ capability to prepare their own proposals.

5. Technical information, data processing, communications and personnel management systems services, and technical advice on improving logistical and management services that the DoD Components normally provide the DoD for themselves or others under existing authorities.

B. Any of the above listed specialized or technical services provided by a DoD Component to states and their political subdivisions under other authorities also may be provided under the authority of OMB Circular No. A-97.

C. If a DoD Component receives a request for specialized or technical services that is not covered above, but that is consistent with the OMB Circular No. A-97, and which the Component has a special competence to provide, the Component shall forward the request to the Assistant Secretary of Defense (Logistics and Materiel Readiness) (ASD(L & MR)) for submission to OMB for review. If there is doubt whether the service requested is covered, the Component should forward the request to the ASD(L & MR) for review.

110202. Conditions Under Which Services May Be Provided

Specialized or technical services covered under OMB Circular No. A-97 may be provided at the discretion of the DoD Component head only under the following conditions:

A. Such services shall be provided only to states, their political subdivisions, and combinations or associations of such governments, their agencies, and instrumentalities.

B. Such services shall be provided only upon the written request of a state or its political subdivision. Requests normally shall be made by the chief executive of such entities and shall be addressed to the head of the DoD Component involved.

C. Such services may not be provided unless the servicing DoD Component maintains similar services for its own use under the policies and procedures set forth in OMB Circular No. A-76, “Performance of Commercial Activities”, and subsequent changes thereto. In addition, in accordance with the policies set forth in OMB Circular No. A-97, the requesting entity shall certify that such services cannot be procured reasonably and quickly through ordinary business channels.
D. Such services may not be offered if they require any staff additions or involve expenditures for additional equipment or other facilities solely for the purpose of providing such services, except when the costs of such services are charged to the user.

E. Such services shall be provided only upon payment or arrangement for reimbursement to the DoD Component involved by the unit of government making the request. This includes salaries and all other identifiable direct and indirect costs of performing such services.

F. Technical information provided in accordance with this chapter may not be disseminated further to third party governmental entities or associations, unless expressly authorized by the originating DoD Component.

G. If a request for a service is denied, the DoD Component shall furnish a statement to the entity making the request indicating the reasons for the denial.
### VOLUME 11A, CHAPTER 12 “MAJOR RANGE AND TEST FACILITY BASE (MRTFB)”

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<tr>
<td>Chapter Title</td>
<td>Changed the chapter title from “Major Range and Test Facilities (MRTF)” to “Major Range and Test Facility Base (MRTFB)”</td>
<td>Revision</td>
</tr>
<tr>
<td>120101</td>
<td>Added an “Overview” paragraph to introduce the subject and provide general information regarding the MRTFB.</td>
<td>Addition</td>
</tr>
<tr>
<td>120103</td>
<td>Added an “Authoritative Guidance” paragraph to establish the statutory basis for this chapter.</td>
<td>Addition</td>
</tr>
<tr>
<td>1202</td>
<td>Added a “Definitions” section to clarify specific terms used in this chapter.</td>
<td>Addition</td>
</tr>
<tr>
<td>1203</td>
<td>Added a “Responsibilities” section to identify the Under Secretary of Defense Acquisition, Technology and Logistics, the DoD Chief Information Officer and the Secretaries of the Military Departments, and MRTFB users’ financial management responsibilities of MRTFB operations.</td>
<td>Addition</td>
</tr>
<tr>
<td>120401</td>
<td>Added a general policy paragraph requiring the MRTFB to operate under uniform financial guidelines and DoD Components operating MRTFB to work with the Director, Test Resource Management Center to ensure financial uniformity and consistency.</td>
<td>Addition</td>
</tr>
<tr>
<td>120402</td>
<td>Added a paragraph to clarify the different types of MRTFB users (customers) and the impact the type of user has on MRTFB reimbursements.</td>
<td>Addition</td>
</tr>
<tr>
<td>120403</td>
<td>Revised the “Accounting” paragraph to clarify cost accounting requirements and provide applicable Federal Accounting Standards Advisory Board guidance as well as financial statement reporting guidance.</td>
<td>Revision</td>
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<tr>
<td>PARAGRAPHS</td>
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</tr>
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<tr>
<td>120404</td>
<td>Added policy requirements mandating MRTFB activities to use support agreements to establish the General Terms and Conditions between buyers and sellers for all inter- and intra-governmental reimbursable transactions and ensure the Standard Line of Accounting is adhered to and properly annotated when generating or accepting reimbursable orders. In addition, starting in Fiscal Year 2017, the Department of Treasury’s G-Invoicing platform must be used to upload and store all support agreements for reimbursable activity.</td>
<td>Addition</td>
</tr>
<tr>
<td>120404.B.1.c</td>
<td>Revised subparagraph to clarify and provide the rationale for the rule that the cost of direct (and indirect) military labor must not be charged to another DoD Component.</td>
<td>Revision</td>
</tr>
<tr>
<td>120405</td>
<td>Revised the “Disposition of Collections” subparagraph to make a distinction between the disposition rules or policies of MRTFB working capital fund activities and MRTFB non-working capital fund activities.</td>
<td>Revision</td>
</tr>
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CHAPTER 12

MAJOR RANGE AND TEST FACILITY BASE

1201 GENERAL

*120101. Overview

The Major Range and Test Facility Base (MRTFB) is a national asset which is sized, operated, and maintained primarily for Department of Defense (DoD) test and evaluation support missions, but also is available to non-DoD users having a valid requirement for its capabilities. The MRTFB is operated and maintained primarily for DoD test and evaluation support missions under the oversight of the Director, Test Resource Management Center (TRMC). The MRTFB is managed and operated to provide test and evaluation support to the DoD Components responsible for developing or operating weapons systems. They are also available to Federal, state, local, and allied foreign governments as well as commercial users when a valid requirement for range capabilities exists. MRTFB missions vary from testing missiles and aircraft to ensuring that electrical components can survive in various environments. The MRTFB is designed to assure the most cost-effective development and testing of materiel, and provide for inter-Service compatibility, efficiency, and equity without influencing technical testing decisions or inhibiting legitimate and valid testing.

120102. Purpose

This chapter provides reimbursable policy for DoD MRTFB. This chapter does not apply to the commercial space launch activities of the 30th and 45th Space Wings contained in Chapter 13. Additionally, this chapter does not apply to the sale of samples, drawings, information, equipment, and certain services contained in Chapter 14.

*120103. Authoritative Guidance

A. DoD Directive (DoDD), Number 3200.11, “Major Range and Test Facility Base (MRTFB)”. This Directive realigns the policy and responsibilities for the MRTFB.

B. DoD Instruction (DoDI), Number 3200.18, “Management and Operation of the Major Range and Test Facility Base (MRTFB)”. This Instruction implements policy and assigns responsibilities for the management and operation of the MRTFB.

C. Title 10, United States Code (U.S.C.), section 2208. Sections 2208(a)(2) and 2208(o) of Title 10 provide authority to the Secretary of Defense to establish working-capital funds (WCFs) to provide working capital for activities that provide common services across DoD and to other persons outside DoD when authorized by law.

D. 10 U.S.C. § 2681. Section 2681 of Title 10 authorizes the Secretary of Defense to enter into contracts with commercial entities that desire to conduct commercial test and evaluation activities at a MRTFB.
*1202 DEFINITIONS

The following terms and definitions are provided for the purposes of this chapter:

A. **MRTFB.** The designated core set of DoD Test and Evaluation (T&E) infrastructure and associated workforce that must be preserved as a national asset to provide T&E capabilities to support the DoD acquisition system.

B. **MRTFB Activity.** Organizational command element of a DoD Component responsible for managing MRTFB capabilities and resources.

C. **Non-DoD Component Users.** Federal, state, or local government agencies; allied foreign governments; defense contractors; commercial entities, and private organizations.

D. **Direct Costs.** Direct costs are those costs that are directly attributable to the use of the facility or resource for testing under a particular program. DoD Component users must reimburse MRTFB activities for direct costs readily identifiable with a particular program. Chargeable direct costs include labor, contract labor (which includes a portion of general and administrative (G&A) expense and overhead), material, minor construction, utilities, equipment, supplies, items damaged or consumed during testing, and any resource or item maintained for a particular program. Direct costs must be billed in accordance with Chapter 1 and must be identified to a job or function served in support of a customer order.

E. **Indirect Costs.** Indirect costs are overhead costs of the MRTFB activities and are not to be charged to DoD Component users. Indirect costs are defined as the costs of maintaining, operating, upgrading, and modernizing the facility or resource. Indirect costs do not include any incremental costs of operating the facility or resource that are directly attributable to the use of the facility or resource for specific testing under a particular program. The following are examples of types of indirect costs, although the list is not all inclusive:

1. General administrative services, security, rent, operating and maintenance costs for buildings, equipment, and utilities;

2. Preventative and usage maintenance;

3. Cost of leases, except when the cost of the lease can be directly associated with a specific customer and the appropriation is available to fund the leases;

4. Upgrade or modernization of an MRTFB facility, not expressly needed for testing for a specific customer;

5. Routine calibration of instruments;

6. Maintenance and repair of shop machinery; and
7. Replacement of obsolete equipment.

*1203 RESPONSIBILITIES

The following responsibilities were established in DoDD 3200.11 and DoDI 3200.18 and specifically represent the financial management responsibilities of MRTFB operations.

120301. Under Secretary of Defense (USD) Acquisition, Technology and Logistics (AT&L)

USD AT&L, specifically the Director, TRMC will:

A. Review and provide oversight of proposed DoD budgets and expenditures for the MRTFB; and

B. Coordinate MRTFB decisions affecting financial policy and matters containing a monetary value (financial and non-financial) with the Under Secretary of Defense (Comptroller).

120302. DoD Chief Information Officer (CIO) and the Secretaries of the Military Departments

DoD CIO and the Secretaries of the Military Departments will:

A. Plan, program, and budget for institutional costs of operation, maintenance, and sustainability of the MRTFB; and for capability improvements, modernization, and recapitalization; and

B. Implement a reimbursement system to define and collect user charges in accordance with Volume 11A, Chapters 1 and 4.

120303. MRTFB user(s)

MRTFB user(s) will:

A. Plan, budget, and fund the MRTFB activities for applicable direct and/or indirect costs; and

B. Promptly fund the activity managing the MRTFB facility or range for any damage to property or equipment caused by the user in the preparation for, or conduct of, any activity on the facility or range or for direct costs incurred for aborted or canceled tests.
1204 POLICY

*120401. General

The MRTFB must be managed and operated under uniform financial guidelines across the DoD Components. Accordingly, all direct and indirect costs charged to MRTFB users must be uniform and applied consistently among all the MRTFB activities. DoD Components must work with the Director, TRMC to ensure financial uniformity and consistency. All costs incurred by MRTFB activities must be billed to one of the following sources: (1) MRTFB users (customers), (2) direct appropriations of the managing activity, or (3) other sources as directed by DoD.

*120402. MRTFB Users (Customers)

A MRTFB may be used by DoD Component users (including DoD training users) and Non-DoD Component users. The type of user or customer determines the total amount charged to the user and whether they are charged only direct costs or direct costs plus an appropriate level of indirect costs.

*120403. Accounting

A. Cost information is an important basis in setting user fees and reimbursements. Each MRTFB activity must accumulate and report as required, the costs of its activities for management and audit purposes. In accordance with the Statements of Federal Financial Accounting Standards 4: “Managerial Cost Accounting Standards & Concepts”, costs must be accumulated through the use of cost accounting systems. Such systems or techniques must be able to accurately capture full costs (i.e., direct costs or costs directly attributed to a specific user; and indirect costs or costs that cannot be directly attributed to a specific user) and more importantly, be used to determine accurate user charges or standard rates under agreements entered into pursuant to Chapter 1 and DoD Instruction (DoDI) 4000.19, “Support Agreements”. Additionally, appropriate separation of duties and levels of authorization must be implemented into the cost-tracking process to protect vulnerable areas such as controls over automatic user billing and rate validation. All rates must be applicable to the specific product or service provided. Each MRTFB activity must validate standard rates at least annually and adjust them accordingly to reflect unanticipated changes in costs or market values.

B. In accordance with DoDD 3200.11, MRTFB activities are categorized as Army, Navy, Air Force, or DoD CIO. Specifically, MRTFB activities are comprised of multiple assets, each of which is reported individually on its respective consolidated Balance Sheet under General Property, Plant, and Equipment and further disclosed in Note 10 to the financial statements.
*120404. Reimbursements for MRTFB Activity Usage

In accordance with DoDI 4000.19, MRTFB activities and DoD or Non-DoD Federal Component users must use support agreements (memorandums of agreement or understanding) to document and establish the General Terms and Conditions (GT&Cs) between buyers and sellers for all inter- and intra-governmental reimbursable transactions. Additionally, in accordance with Volume 1, Chapter 4, buyers and sellers must ensure the Standard Line of Accounting is adhered to and properly annotated when generating or accepting a reimbursable order (i.e., Military Interdepartmental Purchase Request). Moreover, reimbursement of direct costs incurred for aborted or canceled tests or for damages to property or equipment caused by a user in the preparation for, or conduct of, any activity on the facility or range must be pursued to the extent permitted by law and DoD policy.

NOTE: For support agreements established during and or after Fiscal Year (FY) 2017 and whose terms extend beyond FY 2017, MRTFB activities and DoD or Non-DoD Federal Component users are required to upload and store their agreements on the Department of the Treasury’s G-Invoicing (formerly Invoice Processing Platform).

A. Working Capital Fund Activities. If an organization finances a MRTFB activity using WCFs, then its operations will be funded through reimbursable inter-governmental orders and user fees collected from non-Federal users. Under the stabilized price standardized cost recovery method, managers of WCF activities within each Component must set rates/prices based on full cost recovery and must charge users in accordance with established pricing policies contained in Volume 2B, Chapter 9 and Volume 11B.

B. Non-Working Capital Fund Activities. If an organization does not finance a MRTFB using WCFs, then its operations will be funded through direct appropriations, reimbursable inter-governmental orders, and/or user fees collected from non-Federal users.

1. DoD Component Users

   a. Direct Costs. DoD Component users are to be charged and must reimburse MRTFB activities for direct costs identifiable with a particular program or customer order. Direct costs billed must be in accordance with Chapters 1 and 4 and must be attributed to a job or function served in support of a customer order.

      (1) By mutual agreement, investments in new or existing test and evaluation facilities may be funded, in whole or in part, by one or more DoD users of a MRTFB activity. This agreement, however, must explicitly delineate responsibilities for ownership/capitalization of the asset, funding, staffing, operating, and maintaining the facility, and must be approved by all parties prior to obligation of any funds for the project.

      (2) Investments made under subparagraph 120404.B.1.a that change the composition of the MRTFB must conform to DoDI 3200.18.
(3) Direct incremental costs (i.e., costs resulting from an increase in production) must be charged to DoD Component users.

b. Indirect Costs. DoD Component users are not to be charged and must not reimburse MRTFB activities for indirect costs.

(1) Overhead (indirect) costs must not be charged to DoD Component users, and must remain as costs fully borne by the MRTFB activity and paid for by the institutionally funded program element accounts comprising the MRTFB’s budgetary structure.

(2) Indirect incremental costs must not be charged to DoD Components.

c. Military Personnel Costs. As a rule, the applicable military personnel appropriations must fund the cost of direct (and indirect) military labor incurred in the performance of a service for, or the furnishing of materials to, another DoD Component user. Therefore, since a direct appropriation is provided for that purpose, the cost of military labor must not be charged to another DoD Component user except for the cost of military personnel assigned to the WCF activities. WCF activities must be reimbursed by their users for the cost of military labor as prescribed in Volume 11B, Chapter 12.


a. Direct Costs. Non-DoD Component users are to be charged and must reimburse MRTFB activities for all direct costs readily identifiable with a particular program or customer order. Military labor incurred by non-Working Capital Fund activities must be charged to non-DoD Component users on the basis of the actual hours worked or assigned. Military personnel costs must be computed or priced at the composite standard military pay rates in accordance with Chapter 6, Appendix I.

b. Indirect Costs. MRTFB commanders may charge non-DoD Component users an appropriate level of indirect costs at their discretion. Any indirect costs incurred, but not billed to a user, must be billed to the MRTFB activity’s institutional or appropriated funding. Appropriated funding levels, however, must not be increased to finance any additional indirect cost incurred due to sales to non-DoD activities.

3. Foreign Military Sales. Foreign Military Sales users must reimburse MRTFB activities in accordance with Volume 15, Chapter 7. This chapter does not, and must not, be construed to permit foreign customer countries or foreign commercial entities to purchase services from MRTFB activities through other than Foreign Military Sales procedures authorized under the Arms Export Control Act.

4. Government-Furnished Services. When the use of an MRTFB activity has been included in a contractual agreement as government-furnished services, the user must be charged based on the category of the contracting government agency (see subparagraphs 120404.B.1. or 120404.B.2.).
120405. Disposition of Collections.

A. Working Capital Fund Activities. For a MRTFB activity financed using WCFs, reimbursable operations are funded through reimbursable inter-governmental orders and user fees collected from a non-Federal user. Section 2208(h) of Title 10, U.S.C., provides general authority for retention and use of amounts collected under both inter-governmental orders and user fees. Reimbursable inter-governmental orders are valid budgetary resources available to a MRTFB activity for obligation; however, a MFTRB activity financed using WCFs may not recognize user fees as a budgetary resource until collected from a non-Federal user.

B. Non-Working Capital Fund Activities. For a MRTFB activity not financed using WCFs, its operations may be financed through direct appropriations, reimbursable inter-governmental orders, and/or user fees collected from non-Federal users. Inter-governmental orders under reimbursable statutory authorities such as the Economy Act increase available budgetary resources in the reimbursable program of the appropriation the Component uses to finance the MRTFB. To the extent a statutory miscellaneous receipts exception is applicable to a reimbursable transaction with a non-Federal user, user charges collected from such users may be credited to the reimbursable program of the applicable direct appropriation. Section 2681(d) of Title 10, U.S.C., provides such authority for certain transactions with commercial entities conducting test and evaluation activities at MTRFB activities.
VOLUME 11A, CHAPTER 13: “DOD SUPPORT TO UNITED STATES (U.S.) COMMERCIAL SPACE ACTIVITIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2013 is archived.

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<th>PARAGRAPH</th>
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<tr>
<td>All</td>
<td>Updated statutory references, terminology, hyperlinks, and language consistency to improve overall readability.</td>
<td>Revision</td>
</tr>
<tr>
<td>1301</td>
<td>Formatted the introduction of the chapter to comply with current administrative instructions (e.g., added “Purpose” and “Authoritative Guidance” paragraphs).</td>
<td>Revision</td>
</tr>
<tr>
<td>1301</td>
<td>Removed public law reference to Major Range and Test Facility Base (MRTFB) definitions for direct and indirect costs because they are defined in Volume 11A, Chapter 12, “MRTFB.”</td>
<td>Deletion</td>
</tr>
<tr>
<td>1302</td>
<td>Added a “Definitions” section to clarify specific terms used in this chapter.</td>
<td>Addition</td>
</tr>
<tr>
<td>1303</td>
<td>Removed chapter language redundancies associated with pricing Department of Defense (DoD) space launch activities and facilities.</td>
<td>Deletion</td>
</tr>
<tr>
<td>130301.A.2</td>
<td>Added clarifying guidance to ensure DoD services and facilities are provided on a “non-interference” basis to the U.S. commercial sector per DoD Directive 3230.3.</td>
<td>Addition</td>
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**CHAPTER 13**

**DOD SUPPORT TO U.S. COMMERCIAL SPACE ACTIVITIES**

*1301 GENERAL

130101. Purpose

This chapter provides reimbursable policy for the provision of Department of Defense (DoD) support to U.S. commercial space activities. This chapter applies to all DoD Components that provide support to U.S. commercial sector space launch operations and other related space activities.

130102. Authoritative Guidance


*1302 DEFINITIONS

130201. Commercial

The term “commercial” means having private capital at risk, with primary financial and management responsibility for the activity residing with the U.S. commercial sector.

130202. Direct Costs

The term “direct costs” includes those actual costs (including salaries of U.S. civilian and contractor personnel) incurred by DoD as a result of use of its space-related facility or resource by the U.S. commercial sector. These costs are reflective of costs that would not be borne by DoD in the absence of such use by the U.S. commercial sector. These costs also include specific wear and tear and property damage incurred by the DoD as related to the launch property acquisition.

130203. Indirect Costs

The term “indirect costs” includes the actual costs of maintaining, operating, upgrading, and modernizing the DoD space-related facility.

130204. DoD Space Launch Property

DoD space launch property consists of items built for, or used to perform space launch operations and other space-related activities.
130205.  DoD Space Launch Services

As defined under 51 U.S.C. § 50902 and DoDD 3230.3, DoD space launch services are those activities, including utilities, otherwise not needed for public use, involved in the preparation of a launch vehicle, its payload for launch, crew (including crew training), or space flight participation for launch; and the conduct of a launch.

130206.  Property Damage Costs

Property damage costs represent the costs necessary to replace or restore the DoD property, or site, to its condition before the space-related lease/license.

1303 PRICING

130301.  Pricing of DoD Space Launch Property and Services

A.  DoD Space Launch Property.

1.  Sale or Transfer.  DoD space launch property that is excess or otherwise not needed for public use may be sold or transferred in lieu of sale to U.S. commercial sector launch vehicle operators performing commercial space activities (e.g., payload retrieval services, payload processing services).  The transaction must be priced to recover direct costs, as defined in paragraph 130202.

*  2.  Lease/License.  DoD space launch property that is excess or otherwise not needed for public use may be leased/licensed, on a non-interference basis, to U.S. commercial sector launch vehicle operators performing commercial space activities.  The transaction must be priced to recover direct costs, as defined in paragraph 130202.

B.  DoD Space Launch Services.

For DoD space launch services, as defined in paragraph 130205, the acquisition price represents an amount equal to the direct costs defined in paragraph 130202.

130302.  Defense Working Capital Fund (DWCF) Activities

Generally, standard prices/stabilized rates must be charged for articles and services provided by activities operating under a DWCF.  Refer to Volume 11B, Chapters 11 and 15, for additional details and exceptions.

130303.  Fixed Price Estimates

Commercial space launch operators may be offered fixed price quotes for the sale of DoD launch services based on reasonable estimates of direct costs only when there is a well-defined contractor requirement and a reliable cost history of similar previous sales.
1304 BILLING

Invoices for support provided by DoD must be completed and transmitted to the U.S. commercial space activity within 30 calendar days after the month in which performance occurred. The payment due date must be no more than 30 days from the date of the invoice.

1305 DISPOSITION OF COLLECTIONS

130501. Proceeds from DWCF Activities

Proceeds from the sale of articles and services from DWCF activities must be deposited to the DWCF.

130502. Proceeds from Non-DWCF Activities

Proceeds from the sale of DoD launch property by a non-DWCF activity must be:

A. Credited to the general fund of the U.S. Treasury as miscellaneous receipts when the launch property is not to be replaced.

B. Deposited to the DoD appropriation account or fund, currently available for the procurement of the launch property, if the launch property is to be replaced.

130503. Proceeds Deposits for License of Launch Property and Leases

Proceeds from the license of launch property must be deposited to the DoD appropriation account or fund currently available for financing the direct costs incurred. Proceeds from leases must be credited to the general fund of the U.S. Treasury as miscellaneous receipts.

130504. Proceeds Deposits from the Sale of Launch Services

Proceeds from the sale of DoD launch services must be deposited to the DoD appropriation account or fund that financed the provisioning of those launch services. These proceeds must be credited to the fiscal year in which the DoD Component provided the services.
### VOLUME 11A, CHAPTER 14: “AVAILABILITY THROUGH SALE OR FEE FOR USE OF SAMPLES, DRAWINGS, INFORMATION, EQUIPMENT, AND CERTAIN SERVICES BY A GOVERNMENT LABORATORY, CENTER, RANGE, OR TESTING FACILITY”

#### SUMMARY OF MAJOR CHANGES

All changes are denoted by **blue font**.

Substantive revisions are denoted by an asterisk (*) preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated May 2011 is archived.

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<th>PURPOSE</th>
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<tbody>
<tr>
<td><strong>Chapter Title</strong></td>
<td>Changed the chapter title from “Sales of Samples, Drawings, Information, Equipment, and Certain Services by a Government Laboratory, Center, Range, or Testing Facility” to “Availability Through Sale or Fee for Use of Samples, Drawings, Information, Equipment, and Certain Services by a Government Laboratory, Center, Range, or Testing Facility.”</td>
<td>Revision</td>
</tr>
<tr>
<td>1401</td>
<td>Added a General section to introduce the subject and provide the purpose for this chapter.</td>
<td>Addition</td>
</tr>
<tr>
<td>140103</td>
<td>Added an Authoritative Guidance paragraph to establish the statutory basis for this chapter.</td>
<td>Addition</td>
</tr>
<tr>
<td>1402</td>
<td>Added six new definitions to include “Facilities,” “National Technology and Industrial Base,” “Proceeds,” “Range,” “Research Center,” and “User Fee/User Charge” for clarification of specific terms used in this chapter.</td>
<td>Addition</td>
</tr>
<tr>
<td>1403</td>
<td>Renamed the Policy and Procedures section to Delineated Authorities to align with Department of Defense Instruction (DoDI) 5535.11, “Availability of Samples, Drawings, Information, Equipment, Materials, and Certain Services to Non-DoD Persons and Entities.” In addition, removed operational procedures, which are promulgated in DoDI 5535.11, and provided details of Title 10, United States Code (U.S.C.), section 2539b, which serves as the principal legal authority of this chapter.</td>
<td>Revision</td>
</tr>
<tr>
<td>PARAGRAPH</td>
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<tr>
<td>1404</td>
<td>Renamed “Fees” section to “Proceeds or Fees” to account for the sale or rental of property.</td>
<td>Revision</td>
</tr>
<tr>
<td>140401</td>
<td>Added a General Policy paragraph to introduce and establish the basis for collecting and using proceeds or fees and ensure internal controls are in place and fee schedules are developed, published, and maintained.</td>
<td>Addition</td>
</tr>
<tr>
<td>140401.D</td>
<td>Added the requirement that user fees for transactions with the public must be published in a schedule, list, or table on a publicly available website, reviewed biannually, and the results of the biennial review be published and discussed in the annual DoD Agency Financial Report.</td>
<td>Addition</td>
</tr>
<tr>
<td>140402 and 140403</td>
<td>Added specific requirements for calculating sales price and appropriate user fees.</td>
<td>Addition</td>
</tr>
<tr>
<td>140404</td>
<td>Added specific requirements for collecting proceeds or user fees.</td>
<td>Addition</td>
</tr>
<tr>
<td>140405</td>
<td>Added specific requirements for the disposition of proceeds or user fees.</td>
<td>Addition</td>
</tr>
<tr>
<td>Multiple</td>
<td>Updated and added hyperlinks as required.</td>
<td>Addition</td>
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VOLUME 11A, CHAPTER 14: “AVAILABILITY THROUGH SALE OR FEE FOR USE OF SAMPLES, DRAWINGS, INFORMATION, EQUIPMENT, AND CERTAIN SERVICES BY A GOVERNMENT LABORATORY, CENTER, RANGE, OR TESTING FACILITY” ................. 1

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CHAPTER 14

AVAILABILITY THROUGH SALE OR FEE FOR USE OF SAMPLES, DRAWINGS, INFORMATION, EQUIPMENT, AND CERTAIN SERVICES BY A GOVERNMENT LABORATORY, CENTER, RANGE, OR TESTING FACILITY

*1401 GENERAL

140101. Overview

The Department of Defense (DoD) promotes research and development within the commercial sector of the U.S. economy by transferring technology and information from the Government (i.e., the military) to the commercial sector. This policy strengthens both national and economic security by establishing a national technology and industrial base from which military superiority can be sustained and U.S. production capabilities increased. The transfer of technology and information from the Government to the commercial sector benefits critical research and leads to the development of both useful military and/or commercial technology.

140102. Purpose

This chapter prescribes reimbursable and disposition (of proceeds or fees) policies for the provision of samples, drawings, information, equipment, and certain services to any person or entity, as authorized by Title 10, United States Code (U.S.C.), section 2539b. This chapter does not apply to facilities and ranges of the Major Range and Test Facility Base (MRTFB) (see Chapter 12 for financial management policy regarding the use of MRTFB).

*140103. Authoritative Guidance

A. 10 U.S.C. § 2208. Sections 2208(a)(2) and 2208(o) of Title 10 provide authority to the Secretary of Defense to establish working-capital funds to provide working capital for activities that provide common services across DoD and to other persons outside DoD when authorized by law.

B. 10 U.S.C. § 2371. Section 2371 of Title 10 provides authority to the Secretary of Defense and the Secretary of each military department to enter into transactions (other than contracts, cooperative agreements, and grants) in carrying out basic, applied, and advanced research projects.

C. 10 U.S.C. § 2539b. Section 2539b of Title 10 provides authority to the Secretary of Defense and the Secretaries of the military departments, when determined to be in the interest of national defense, to sell samples, drawings, information, equipment, and certain services to any person or entity.

D. 10 U.S.C. § 2563. Section 2563 of Title 10 provides authority to the Secretary of Defense to sell to persons outside DoD articles and services that are manufactured or performed by any working-capital funded industrial facility of the armed forces.
E. **10 U.S.C. § 2667.** Section 2667 of Title 10 provides authority to the Secretary of Defense to lease non-excess real or personal property.

F. **31 U.S.C. § 3302.** Section 3302 of Title 31 establishes custodial responsibilities of public officials with respect to receipt of public money.

G. **31 U.S.C. § 9701.** Section 9701 of Title 31 provides criteria for use by Federal agencies in prescribing regulations establishing charges for services or things of value provided by the agency.

H. **51 U.S.C. § 50504.** Section 50504 of Title 51 provides authority to DoD to allow non-Federal entities to use its space-related facilities on a reimbursable basis.

I. **32 Code of Federal Regulations (C.F.R.) Part 204.** “User Fees.” In conjunction with chapter 4 of this Volume, Part 204 of Title 32 implements the DoD program under Title 31 U.S.C. § 9701 and Office of Management and Budget (OMB) Circular No. A-25, “User Charges,” for assessment of appropriate fees for services provided to identifiable recipients beyond those provided to the general public and for the sale or use of DoD goods or resources.

J. **OMB Circular No. A-25,** “User Charges.” This Circular establishes Federal policy regarding fees assessed for Government services and for sale or use of Government goods or resources. It provides information on the scope and types of activities subject to user charges and on the basis upon which user charges are to be set. It also provides guidance for agency implementation of charges and the disposition of collections.

K. **DoD Instruction (DoDI) 5535.11,** “Availability of Samples, Drawings, Information, Equipment, Materials, and Certain Services to Non-DoD Persons and Entities,” March 19, 2012. This Instruction establishes authority, assigns responsibilities, and prescribes operational procedures in accordance with 10 U.S.C. 2539b for the provision of samples, drawings, information, equipment, materials, and certain services to any person or entity. Please refer to this document for operational procedures prescribed by the Under Secretary of Defense (USD) Acquisition, Technology and Logistics (AT&L).

*1402 DEFINITIONS*

The following terms and definitions are provided for the purposes of this chapter:

A. **Drawing.** A diagram, plan, or list detailing the fabrication and assembly of structural elements, or the installation of materials and equipment. A drawing details the characteristics, or outlines the parts of operation of a product or item.

B. **Equipment or Materials.** Personal property, including machinery, devices, and apparatuses, and components of such items.
C. Friendly Foreign Government. Those countries for which a Presidential Determination has been provided under Section 3(a)(1) of the Arms Export Control Act, codified at 22 U.S.C. § 2753(a)(1), and to which transfer has not been prohibited by the Department of State under the International Traffic in Arms Regulation (22 Code Federal Regulation Part 120).

D. Independent Research and Development (IR&D) Programs. A research and development effort that is not sponsored by, or required in performance of a government contract, or grant for: (1) basic research, (2) applied research, (3) development, and (4) systems and other concept formulation studies. IR&D programs do not include technical efforts expended in developing and preparing technical data specifically to support submitting a bid or proposal.

E. Facilities. Property used for production, maintenance, research, engineering, development, evaluation, and/or testing. It includes equipment, plant equipment, test equipment, tooling, real and personal property, and material.

F. Laboratory. A facility or group of facilities owned, leased, or otherwise under the jurisdiction and control of the Federal Government, a substantial purpose of which is the performance of research, development, engineering, test and evaluation, or otherwise developing or maintaining a technology in accordance with Title 15 U.S.C § 3710a(d)(2).

G. Manufacturing or Other Information. Any blueprints, drawings, plans, instructions, documentation, or other technical information or technical data that can be used or adopted for use to design, engineer, produce, manufacture, operate, repair, overhaul, or reproduce any equipment or material.

H. National Technology and Industrial Base. The persons and organizations that are engaged in research, development, production, integration, services, or information technology activities conducted within the United States.

I. Person or entity. An individual, partnership, corporation, association, State, local, or tribal Government, or an agency or instrumentality of the United States Government other than DoD.

J. Proceeds. Money received as a fee or from the sale (or rental) of an asset, usually before deduction of commissions, fees, and related expenses. From a proprietary accounting standpoint, proceeds result from exchange transactions (i.e. when a Government entity provides goods and services to the public or to another Government entity for a price) and can be recorded as either revenue or a gain/loss. In accordance with the Statement of Federal Financial Accounting Standard 7: “Accounting for Revenue and Other Financing Sources and Concepts for Recording Budgetary and Financial Accounting,” proceeds will be recorded as revenue if the exchange transaction is usual or a recurring event; however, proceeds will be recorded as a gain/loss if the exchange transaction is unusual or a nonrecurring event.
K. **Range.** A specifically bounded geographic area under the jurisdiction of the DoD that may encompass a landmass, body of water (above or below the surface), and/or airspace used to conduct operations, training, research and development, and test and evaluation of military hardware, personnel, tactics, munitions, explosives, or electronic combat systems. This includes both operational and test ranges as those terms are defined in *DoD Directive (DoDD) 3200.15*, “Sustaining Access to the Live Training and Test Domain.”

L. **Research Center.** A facility or group of facilities owned, leased or otherwise under the jurisdiction and control of the DoD, a substantial purpose of which is the performance of research, development, engineering, test and evaluation, or otherwise developing or maintaining a technology in accordance with Title 15 U.S.C § 3710a(d)(2).

M. **Sample.** A unit or units of a product drawn from a lot or batch that is representative of the product and is constructed in conformance with the requirements and complies with specifications of the product. The item may be from a prototype or final production version of the product.

N. **User Fee/User Charge.** A fee assessed to users for goods or services provided by the Federal Government. In the context of transactions with the public, user fees generally apply to federal programs or activities that provide special benefits to identifiable recipients above and beyond what is normally available to the public. User fees are normally related to the cost of the goods or services provided.

*1403 DELINEATED AUTHORITIES*

140301. Authorization to Sell, Rent, Lend, Give, or Charge an Appropriate Fee

Under 10 U.S.C. § 2539b, the Secretary of Defense and the Secretaries of the military departments, under regulations prescribed by the Secretary of Defense and when determined by the Secretary of Defense or the Secretary concerned to be in the interest of national defense, may each:

A. Sell, rent, lend, or give samples, drawings, and manufacturing or other information (subject to the rights of third parties) to any person or entity;

B. Sell, rent, or lend government equipment or materials to any person or entity:

1. For use in independent research and development programs, subject to the condition that the equipment or material be used exclusively for such research and development; or

2. For use in demonstrations to a friendly foreign government;
C. Make available to any person or entity, at an appropriate fee, the services of any Department laboratory, center, range, or other testing facility for the testing of materials, equipment, models, computer software, and other items; and

D. Make available to any person or entity, through leases, contracts, or other appropriate arrangements, facilities, services, and equipment of any government laboratory, research center, or range, if the facilities, services, and equipment provided will not be in direct competition with the domestic private sector.

140302. Charging Fees

In addition, in providing services or in making facilities, equipment, and other items available under subparagraphs 140301.A.3 and 140301.A.4, the DoD should charge appropriate fees in a manner consistent with Chapter 4, 32 C.F.R. Part 204, and OMB Circular No. A-25.

*1404 PROCEEDS OR FEES

*140401. General Policy

A. Per 31 U.S.C. § 9701, the “User Charge Statute,” it is the sense of Congress that each service or thing of value provided by a Federal agency (except a mixed-ownership Government corporation) to a person (except a person on official business of the United States Government) is to be self-sustaining to the extent possible. Accordingly, the head of each agency may prescribe regulations establishing the charge for a service or thing of value provided by the agency. However, unless otherwise authorized by law, proceeds or fees collected under this authority and 31 U.S.C. § 3302 must be deposited in the General Fund of the Treasury and are generally not available to the agency or the activity generating the fees. An agency may not obligate against proceeds or fees collected without specific statutory authority. Congress may provide agencies with the authority to collect and use proceeds or fees within authorizing legislation or within appropriations legislation, or within both, but in the absence of such statutory authority, user charge collections must be credited to the General Fund of the Treasury as miscellaneous receipts, as required by 31 U.S.C. § 3302.

B. Proceeds received from sales or rentals provided in accordance with subparagraphs 140301.A.1 and 140301.A.2 or fees received for services provided in accordance with subparagraphs 140301.A.3 and 140301.A.4 may include reimbursement for up to the full amount of all direct and indirect costs to the Government. Less than full cost recovery may be charged in accordance with subparagraph 140402.B, or other applicable authorities. DoD Working Capital Fund activities should establish, whenever feasible, standard prices or stabilized rates and unit prices for goods and services in accordance with Volume 11B.

C. Internal management controls must be established in accordance with OMB Circular No. A-123, “Management’s Responsibility for Internal Control,” the Government Accountability Office (GAO)’s GAO-14-704G, “Standards for Internal Control in the Federal Government” (the “Green Book”), and DoDI 5010.40, “Managers’ Internal Control Program Procedures,” to ensure that sales price and fees are developed, published, and
adjusted using current, accurate, and complete data and appropriate audit standards are applied to their collections.

*  

D. User fees for transactions with the public must be published in a schedule, list, or table on a publicly available website. Schedules, listings, or tables of fees must be reviewed biennially, in accordance with OMB Circular No. A-25 to ensure proper and adequate costs are being recovered and adjustments are made for changes in costs or market values. The biennial review of user fees must be published and discussed in the annual DoD Agency Financial Report required by the Government Management and Reform Act of 1994 and the Chief Financial Officers (CFO) Act of 1990.

E. When a Government laboratory, center, range, or testing facility makes a decision to sell, rent, lend or give samples, drawings, information, or equipment or charge a fee for services that is subject to DoDI 5535.11, then the financial management policy outlined in paragraphs 140402 through 140405 regarding calculation, collection, and disposition of proceeds or fees must be followed.

*140402. Calculation of Sales Price

A. In general, the sales price of samples, drawings, information, equipment, or materials in accordance with subparagraphs 140301.A.1 and 140301.A.2 will be calculated or determined prior to or at the time of the sale. When calculating or determining the sales price of such assets, consideration should be given to the following:

1. Fair Value;
2. Historical Cost less Depreciation (Net Book Value);
3. Replacement Cost;
4. Net Realizable Value;
5. Discounted price (may be used when selling an asset to a State or Local agency); or
6. Without charge (may be considered when reutilizing an asset within DoD, transferring an asset to another Federal agency, or donating an asset to a State or Local agency); and
7. The specific mission, goals, and/or objectives of the research and development project associated with a particular asset’s sale.

8. Terms identified in subparagraphs 140402.A.1 through 140402.A.4 are defined in the 2014 Federal Accounting Standards Advisory Board (FASAB) Handbook Appendix E, “Consolidated Glossary.”
B. Additional guidance on the sale (and disposal) of DoD property can be found on the Defense Logistics Agency (DLA) Disposition Services’ website. Moreover, specific guidance regarding property disposal can be found in DLA Instruction 1403, “DoD Property Disposal” and DoD Manual 4160.21, Volume 1, “Defense Materiel Disposition: Disposal Guidance and Procedures.”

*140403. Calculation of Fees

A. When DoD services, facilities, or equipment are made available in accordance with subparagraphs 140301.A.3 and 140301.A.4 and DoDI 5535.11, an appropriate user fee must be imposed by the DoD agency providing the service, facility, or equipment.

1. In accordance with 10 U.S.C. § 2539b, user fees may not exceed the amount necessary to recoup the direct and indirect costs incurred (i.e., total or full costs) by providing the service, facility, or equipment. However, direct costs, at a minimum, must be charged or recouped.

2. Costs may include capital improvement costs, utility costs, depreciation, contractor support, salaries of personnel, and all other ancillary support costs.

3. Specific policy pertaining to the calculation (i.e., identification of specific costs) and reporting of fees for the provision of services, equipment, and facilities pursuant to subparagraphs 140301.A.3 and 140301.A.4 can be found in Chapter 4, 32 C.F.R. Part 204, and OMB Circular No. A-25.

B. When approved by the laboratory directors, facility directors, and/or commander, prior to providing the service or use of facilities and/or equipment, all or a portion of the indirect costs may be eliminated from the fee. Fees charged for services at less than total costs are permitted only when there is a compelling reason or it is determined to be in the best interest of national defense to do so.

1. In addition, special consideration as to recovery of less than full costs may be given when:

   a. The recipient of the benefit is engaged in a nonprofit activity designed for public safety, health, or welfare;

   b. Payments of full fees by a state, local government, or nonprofit activity would not be in the Federal Government’s best interest; or

   c. The laboratory directors, facility directors, and/or commander have determined that the administrative costs of determining and collecting the full fees would outweigh the benefits to the activity.

2. When less than full cost is charged, laboratory directors, facility directors, and commander must maintain adequate documentation justifying or supporting each
decision. Such documentation should address the criteria in subparagraphs 140402.A and 140402.B and be available for audits or inspections and for review by higher authorities.

C. DoD Working Capital Fund laboratories and facilities must use standard (stabilized) rates to establish fees in accordance with Volume 11B, and DoD activities designated as “Major Range and Test Facility Bases” must determine costs and fees in accordance with Chapter 12.

*140404. Collection of Proceeds or Fees

DoD Components should make every effort to collect proceeds or fees electronically, via electronic funds transfer (EFT), and utilize, as applicable, the collection services provided by the Treasury’s Bureau of the Fiscal Service (Fiscal Service) as outlined in the Treasury Financial Management (TFM), Volume 1, “Federal Agencies,” Part 5, Deposit Regulations and Part 6, Chapter 4000, Intra-Governmental Payment and Collection (IPAC) System and further described in Volume 5, Chapter 8. Moreover, support agreements with DoD Components or other Federal Government agencies, contract agreements with private parties or entities established in conjunction with sales, rentals, or lending of property identified in subparagraphs 140301.A.1 and 140301.A.2 and fees received for services identified in subparagraphs 140301.A.3 and 140301.A.4, should include requirements to use, as applicable, the collection services provided by the Fiscal Service.

A. In accordance with OMB Circular No. A-25, user fees must be collected in advance of, or simultaneously with, the rendering of services unless appropriations and authority are provided to allow for reimbursable services.

B. All fees for services that incur variable costs over time such as personnel or utility costs may be collected incrementally over time.

*140405. Disposition of Proceeds or Fees Received

As required by 31 U.S.C. § 3302 and unless another statute provides otherwise, an official or agent of the Government who receives money for the Federal Government from any source must deposit the money in the Treasury as soon as practicable. This law is commonly referred to as the “Miscellaneous Receipts Act.”

A. Proceeds received from sales or rentals provided in accordance with subparagraphs 140301.A.1 and 140301.A.2 must be credited to the General Fund of the Treasury as miscellaneous receipts, unless an exception to the Miscellaneous Receipts Act is available, such as 10 U.S.C. § 2210, which authorizes Working Capital Fund activities to retain a portion of the proceeds from the sale or disposal of certain types of property, with the balance credited to current applicable appropriations of DoD.

B. Under authority of 10 U.S.C. § 2539b, fees collected for services or when making facilities, equipment and other items available under subparagraphs 140301.A.3 and
140301.A.4 may be credited to the appropriations or other funds of the activity making such services available.

140406. Warranties and Liabilities

All transfers of property or services of whatever nature made pursuant to this policy must be without any express or implied warranty. The recipient of the property or services must agree in writing to hold harmless and indemnify the U.S. Government from any liability or claim for damages or injury to any person or property arising out of the property or services provided.

140407. Liability for Loss of or Damage to Property of the Government

The written support agreement or contract with an individual, company, corporation, or organization must include a clause stating that the U.S. Government will be reimbursed for any losses or damages arising out of or in conjunction with the use of government property.
VOLUME 11A, CHAPTER 15: “TRAINING OF SPECIAL OPERATIONS FORCES WITH FRIENDLY FOREIGN FORCES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated November 2012 is archived.

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<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
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<tr>
<td>Multiple</td>
<td>Section 2011 to title 10, United States Code, was transferred to chapter 16 of such title, inserted after section 321, and redesignated as section 322 per section 1244(b) of the National Defense Authorization Act for Fiscal Year 2017 (P.L. 114-328)</td>
<td>Revision</td>
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<tr>
<td>Multiple</td>
<td>Changed “Military Information Support Operations” to “Psychological Operations” per the United States Army Special Operations Command (USASOC) guidance, dated October 27, 2017.</td>
<td>Revision</td>
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CHAPTER 15

TRAINING OF SPECIAL OPERATIONS FORCES
WITH FRIENDLY FOREIGN FORCES

1501 OVERVIEW

150101. Purpose

This chapter provides accounting and reporting procedures to implement provisions of Title 10, United States Code, section 322 that are related to the training of special operations forces with friendly foreign forces.

150102. Authority for Payment of Training Expenses

10 U.S.C. 322, authorizes, the Commander, United States Special Operations Command and the commander of any other unified or specified combatant command to pay, or authorize payment for, any of the following expenses:

A. Expenses of overseas training of U.S. special operations forces, to include civil affairs forces and psychological operations forces, assigned to the combatant commander in conjunction with training, and training with, armed forces and other security forces of a friendly foreign country.

B. Expenses of deploying such special operations forces, to include civil affairs forces and psychological operations forces, for that training.

C. Incremental expenses incurred, in the case of training in conjunction with a friendly developing country, by that country as the direct result of such training. The term, “incremental expenses,” with respect to a developing country, means the reasonable and proper costs of rations, fuel, training ammunition, transportation (except to and from the continental United States or from one country to another country), and other goods and services consumed by such country, except that the term does not include pay, allowances, and other normal costs of such country’s personnel.

150103. Purpose of Training

For the authority cited in paragraph 150102 to apply, the primary purpose of the overseas training activities must be the training of special operations forces of the combatant commands. Training of foreign forces may not be the primary purpose.
1502 POLICY AND PROCEDURES

150201. Accounting Procedures

Departmental funds expended to facilitate the participation of friendly foreign forces training with U.S. special operations forces must be incurred and reported under the following guidelines:

A. Funding for training of U.S. personnel may include amounts for training expenses authorized in 10 U.S.C. 322. The funding source for these proposed payments must be funds made available to the applicable DoD Component for these purposes.

B. Prior to commencement of the training, agreement on implementing arrangements should be reached in terms of the types and scope of non-financial support and financial contributions to be provided by the United States to a foreign country and/or by a foreign country to the United States. In order to protect the interests of the United States, the essential terms of the arrangement should normally be documented in writing and a copy of the document provided to the foreign country. In addition, the arrangement should request that each participating country identify both physical and financial contributions to the training effort and the amount of expenses paid related thereto. Formal foreign agreements, under the provisions of DoD Directive DoDD 5530.3, "International Agreements," are not required with respect to these implementing arrangements.

C. In the event that the participating country is unable to identify its expenses in time to meet reporting requirements, knowledgeable U.S. personnel will estimate that participant’s contributions, and the value of expenses paid in U.S. dollar equivalents at the exchange rate in effect at the time of the training. Estimates of a participating country’s contributions may be calculated using relative factors of comparable costs for similar U.S. training activities.

D. Arrangements with a friendly developing country may provide for financial or in-kind payment to the developing country by the United States for incremental expenses incurred by that country as a direct result of such training. “Incremental expenses” are defined in subparagraph 150102.C.

E. Arrangements with a friendly country also may provide for payment to that country by the United States for the costs of support provided to U.S. personnel by the host country. Expenses that may be paid under the terms of an arrangement with a friendly country for support provided to U.S. personnel by that country are limited to those types of expenses included in the definition of incremental expenses described in subparagraph 150102.C.

F. For expenses that are to be paid to a friendly country, either incremental costs incurred by a developing country or support provided by a host country to U.S. personnel, the arrangement must stipulate that the host country provides, in advance of payment, appropriate documentation to support the payment. This documentation must include dates, quantities, units and costs so that the senior U.S. official can determine the reasonableness and propriety of such costs, in U.S. dollar equivalents at current exchange rates, for the various types of authorized expenses incurred.
G. The following procedures must be followed to substantiate payments for reasonable incremental expenses incurred by a developing country.

1. The senior foreign official participating in the training must certify that the documentation provided to support the claim for payment reflects reasonable and proper expenses incurred during the training.

2. The senior U.S. official participating in the training must include a statement that, in his or her judgment, the documentation reflects reasonable and proper expenses.

3. If the senior U.S. official participating in the training questions the propriety or reasonableness of any expense claimed by the foreign country, resolution of those questions must occur before the payment is made.

H. The following procedures must be followed to substantiate payments for reasonable expenses to support U.S. personnel.

1. The U.S. official accepting the goods and/or services on behalf of the United States Government must certify receipt and acceptance for the United States Government. The acceptance must include documentation of the dates, quantities, units, and costs of the various types of support received.

2. The host country must submit a claim for payment that includes documentation of the dates, quantities, units, and costs, in U.S. dollar equivalents at current exchange rates, of the various types of support provided.

I. The annual report (described in paragraph 150202) requires a determination of both financial and non-financial contributions to the training effort and the amount of related expenses paid by the participants in such training. Financial and non-financial contributions include all costs that are incurred because of the training. The accounting records from which the contributions are reported must include the separate identification of all the costs incurred, such as:

1. Rations, fuel, and training ammunition.

2. Personnel (including lodging, and/or per diem costs) for other than normal pay and allowances.

3. Costs associated with training areas, firing ranges, storage sites, and other similar items and facilities used during the training. These costs must be attributable directly to such training.

4. All transportation of personnel, equipment and supplies to and from the training area.
J. The operations and maintenance funds expensed under 10 U.S.C. 322, are not to be used to supplement other accounts, to circumvent budget ceilings established for other accounts, or to assume the mission of programs funded from other accounts.

K. 10 U.S.C.322 authorizes the Department to program and expend operation and maintenance funds to train U.S. special operations forces, to include civil affairs forces and psychological operations forces, with friendly foreign nations. It does not provide authority to conduct any type of training activity that the Department otherwise cannot legally conduct. Any training activity funded under this statutory authority must be conducted in accordance with DoD directives, regulations and instructions, and all other applicable interagency procedures.

150202. Annual Report by U.S. Unified Combatant Commands

Funds expended under the authority of 10 U.S.C. 322, must be reported by the appropriate combatant commands on a fiscal year basis to the Assistant Secretary of Defense (Special Operations/Low Intensity Conflict (ASD(SO/LIC)) to arrive not later than February 1 of each year. Each fiscal year report submitted by the combatant commands must be organized by theater and presented for each country in alphabetical order with each joint combined exchange training (JCET) deployment listed in chronological order. The reporting of classified training activities, if any, must be properly classified and the classification prominently identified. Each report must specify the following:

A. All countries in which training was conducted.

B. The type of training conducted in each country for each JCET, including whether such training was related to counter-narcotics or counter-terrorism activities; the date and duration of that training; the number of U.S. military personnel involved; and the total expenses paid by the United States must be the total of (1) amounts paid for deploying and training U.S. special operations forces, including the costs listed in subparagraph 150201.I; (2) amounts paid to a foreign country for support provided to U.S. personnel, as described in subparagraph 0150201.H; and (3) financial payments to a developing foreign country for incremental expenses, as described in subparagraph 150201.G.

C. The extent of participation by foreign military forces, including the number and service affiliation of foreign military personnel involved and the physical and financial contribution of each host nation to the training effort.

D. The relationship of that training to other overseas training programs conducted by U.S. Armed Forces, such as military exercise programs sponsored by the Joint Chiefs of Staff, military exercise programs sponsored by a U.S. unified combatant command, and military training activities sponsored by a Military Department (including deployments for training, short duration exercises and other similar unit training events).
150203. Consolidated Budget Display for DoD Security Cooperation Programs

A. The DASD for Security Cooperation (DASD(SC)), must receive from ASD(SO/LIC) by August 1 each year budget request data for activities to be conducted in the subsequent fiscal year, including the specific country or region pursuant to 10 U.S.C. § 322 for the purpose of developing a Consolidated Budget Display (CBD) in accordance with 10 U.S.C. § 381(a).

B. The USD(P) must submit a consolidated budget for all security programs and activities of the Department of Defense each year, consistent with the submission of the President’s annual budget request.

150204. Quarterly Budget Execution Reports for DoD Security Cooperation Programs

A. The Combatant Commands must transmit to the Director, Defense Security Cooperation Agency, no later than 15 days after the end of each calendar quarter, the cumulative total of all obligations and expenditures related to 10 U.S.C. § 322.

B. The Director, DSCA, must submit to the appropriate members of Congress, a report on the obligation and expenditure of funds for security cooperation programs and activities of the Department of Defense not later than 30 days after the end of each calendar quarter in accordance with 10 U.S.C. section 381(b).

150205. Annual Report by the Secretary of Defense

A. The ASD(SO/LIC) must receive reports from the commander of the special operations command, and the commander of any other unified or specified combatant command, as described in this chapter, and compile those reports into a single document and forward it to the Under Secretary of Defense (Policy (USD(P))).

B. The USD(P) must, not later than April 1 of each year, submit on behalf of the Secretary of Defense the required annual report to the Armed Services and Foreign Relations Committees of the Senate and the National Security and Foreign Affairs Committees of the House of Representatives.

C. The annual report must cover training during the preceding fiscal year for which expenses were paid under 10 U.S.C. 322.
VOLUME 11A, CHAPTER 16: “ACCOUNTING FOR PRODUCTION AND SALE OF FOREST PRODUCTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated March 1997 is archived.

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<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<td>160102.A</td>
<td>Inserts reference to Army Annex.</td>
<td>Update</td>
</tr>
<tr>
<td>Army Annex</td>
<td>Incorporates Defense Finance and Accounting Service Indianapolis Regulation 37-1, Chapter 14, “Sales and Revenues”</td>
<td>Incorporate Guidance</td>
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CHAPTER 16

ACCOUNTING FOR PRODUCTION AND SALE OF FOREST PRODUCTS

1601 OVERVIEW

160101. Purpose

This chapter establishes the policy and procedures used to account for the production and sale of forest products (see Figure 16-1). This chapter also assigns responsibility for Department of Defense (DoD) reimbursement and for the entitlement of a state to a share in the net proceeds (see Figure 16-1) derived from forest products sold from military installations or facilities.

160102. Applicability and Scope

The policies and procedures established by this chapter:

* A. Apply to the Office of the Secretary of Defense (OSD) and to the Military Departments (including their Reserve Components). The term “Military Services,” as used herein, refers to the Army, Navy, Air Force, and Marine Corps. Policies and procedures specific to the Army are included in the Army Annex. The policies and procedures applicable within the Department of the Navy are in Appendix L of the Marine Corps Financial Execution Standard Operating Procedures Manual (P7300.21).

B. Cover forest products production and sales programs on military installations or facilities in the United States.

C. Do not apply to forestry activities within the civil programs of the U.S. Army Corps of Engineers or to the state-owned National Guard installations.

1602 POLICY AND PROCEDURES

160201. DoD Appropriations To Incur Obligations to Fund the Production and Sale of Forest Products

DoD appropriations that incur obligations to fund the production and sale of forest products shall be reimbursed from collections made as a result of the sale of those products. Remaining collections shall be disposed of as follows:

A. Forty percent of installation net proceeds shall be distributed to the state that includes the military installation or facility from which forest products were sold during a fiscal year. If the installation or facility is located in more than one state, each state shall share the proceeds in a manner proportional to the area of such installation or facility in each state. (See paragraph 160206 and Figure 16-1) Entitlement to the states applies to forest products sold after September 30, 1984.
B. When the disbursement to each state has been made, any remaining amount shall be transferred to the reserve account. (See paragraph 160203, below.) To the extent that collections from the sale of forest products are inadequate, obligations for the production and sale of those products may be financed either from the appropriation accounts, or from transfers from the reserve account when other sources of funds are not available in a timely manner.

160202. DoD Reserve Account

A DoD reserve account shall be established. The balance in this account may be used for:

A. Improvements of forest lands,

B. Unanticipated contingencies in the administration of forest lands and the production of forest products for which other sources of funds are not available in a timely manner, and

C. Natural resource management that implements approved plans and agreements.

The balance shall not exceed $4 million on December 31 of any calendar year. Unobligated balances exceeding $4 million on that date shall be deposited in the U.S. Treasury General Fund Miscellaneous Receipts Account. (See paragraph 160205.C., below.)

160203. Operating Procedures for Program Obligations

A. Program obligations shall be related directly to the economic production and sale of forest products in the following functions:

1. Forest Improvement. Obligations incurred to improve an existing timber stand or forest, whether it is planted, seeded, or natural, to include thinning, pruning, and controlling undesirable vegetative growth.

2. Reforestation. Obligations incurred for natural or artificial regeneration including planting, purchasing of seeds or seedlings, preparing sites, and controlling insects, diseases, vegetation, and animals.

3. Forest Protection. Obligations incurred to protect a forest capable of economic production of forest products from damage by fire, insects, diseases, animals, floods, and erosion.

4. Forest Access Roads. Obligations incurred for construction, reconstruction, repair and maintenance of forest access roads and trails, and for repair of other roads as a result of forest production and harvest operations.
5. **Sales.** Obligations incurred to facilitate sales and preparation for sales of forest products including appraising, cruising, marking, scaling, advertising, and escorting prospective bidders, as well as preparing, administering, and enforcing compliance with sales contracts.

6. **Management.** Obligations incurred to manage the functions listed in subparagraphs 160204.A.1 through 160204.A.5, above, including supervising, planning, programming, conducting field surveys and inventories, training, and attending professional meetings.

7. **Forestry Equipment.** Obligations incurred to purchase vehicles, minor equipment, and heavy equipment used exclusively in forest management (purchased, as appropriate, by O&M or procurement appropriations under reimbursable program authority).

B. To the extent that an installation receives applicable program support from a function or activity above the installation level, costs shall be prorated based on the level of effort among all applicable military installations or facilities involved in the program.

C. Program obligations do not include amounts incurred for operations that, while related to the land and forest, are for other purposes such as the military mission, recreation, general area improvement, wildlife management, and beautification. Do not include amounts for the protection of forests that are incapable of economic production of timber products. Program obligations at all organizational levels shall be categorized according to the functions listed in subparagraphs 160204.A.1 through 160204.A.7, above.

D. Reimbursable program obligations under Title 10, United States Code (U.S.C.), section 2665(d) include all program costs except those cited in subparagraph 160204.C, above. Acquisition of equipment shall be justified on an economic basis. When general equipment is used in forestry program operations, obligations incurred by DoD appropriations for that use shall be included as program costs.

160204. Accounting and Reimbursements

A. Proceeds collected from forestry sales shall be turned over to the supporting DoD disbursing officer. These proceeds shall be deposited without delay to the Treasury General Fund Receipt Clearing Account **F3875, “Budget Clearing Account (Suspense).”** (The applicable agency code will be shown instead of asterisks.) That portion of the proceeds used to finance reimbursable expenses shall be transferred to the funding O&M or procurement appropriation in accordance with annual budget guidance. Table 16-1 illustrates the applicable United States (U.S.) Treasury account symbols.
Table 16-1 TREASURY ACCOUNT SYMBOLS

<table>
<thead>
<tr>
<th>O&amp;M</th>
<th>Procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army - 21(FY)2020</td>
<td>21(FY)2035</td>
</tr>
<tr>
<td>Navy - 17(FY)1804</td>
<td>17(FY)1810</td>
</tr>
<tr>
<td>Air Force - 57(FY)3400</td>
<td>57(FY)3080</td>
</tr>
<tr>
<td>Marine Corps - 17(FY)1106</td>
<td>17(FY)1109</td>
</tr>
</tbody>
</table>

B. At the end of the fiscal year, estimate the amount of each state’s entitlement and transfer that amount from **F3875 to deposit account **X6875, “Suspense.” After the states’ entitlements are computed (see subparagraph 160201.A, above, and paragraph 160208, below), adjust the estimate to record applicable refunds to **F3875 or additional transfers to **X6875. Make payments to the states from **X6875. After the states have been paid and appropriation accounts reimbursed, transfer any remaining balance in **F3875 to 21*5285, “Department of Defense, Forest Products Program, Army.”

C. On December 31 of each year, the Deputy Under Secretary of Defense (Environmental Security), Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OUSD(AT&L)) (or designee) shall review the balance in 21X5285 and direct the transfer of any amount in excess of $4 million to U.S. Treasury account **3210, “General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified.”

160205. Compute Entitlements

Compute entitlements to each state in accordance with 10 U.S.C. 2665(e). Determine these entitlements based on a separate calculation for each military installation or facility from which forest products were sold in that fiscal year.

A. Maintain records for each military installation or facility concerned in order to effect sales proceeds and reimbursable program obligations by fiscal year. If a military installation or facility is located in more than one state, make payments to each state involved in a manner proportional to the area of the installation or facility situated in each state. If an installation or facility is located in more than one county within a state, a description of the areas (acres) of the installation or facility situated in each county may accompany that state’s entitlement.

B. Disburse states’ entitlements within 90 days after the end of the fiscal year. These payments shall be made by electronic funds transfer.
160206. Distribute Net Proceeds

As directed by the USD(AT&L) or designee, in coordination with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), distribute net proceeds among the Military Services to meet the overall funding requirements of the DoD forestry program.

160207. Chapter Provisions

These OUSD(C) provisions govern the recording of sales revenue, program obligations, entitlement payments to states, and all other accounting for this program.

160208. Coordinating and Reporting Requirements

Figure 16-2 contains USD(AT&L) coordinating and reporting requirements. The Forest Products Sales Program report has been assigned Report Control Symbol DD-A&T(Q&A)1649. See subparagraph 160302.A, below, and figures 16-3, 16-4 and 16.5

1603 RESPONSIBILITIES

160301. The USD(AT&L) or Designee Shall:

A. Issue and monitor policy on forest management of DoD lands in accordance with DoD Directive 4700.4, “Natural Resources Management Program.”

B. Advise the Military Services of potential downward adjustments in funding for the program during the year if timely receipt of anticipated proceeds becomes doubtful.

160302. The Secretaries of the Military Departments shall:

A. Prepare annual forestry program budgets for the coming fiscal year that include anticipated sales revenue, program obligations, states’ entitlements, unfinanced requirements, and transfers. See Figure 16-2, below “Coordination and Reporting Requirements” for due date and other reporting information.

B. Ensure that all proposed obligations are related directly to the economical production and sale of forest products, consistent with DoD Directive 4700.4.

C. Ensure that no unplanned program obligations are incurred simply to “use up” proceeds.

D. Adjust the program downward during the year by reducing planned obligations if actual proceeds do not materialize at anticipated levels and sufficient funding cannot be obtained from the reserve account.
E. Ensure that all program obligations are accumulated in DoD appropriation accounts and that reimbursements and distributions to States and the use of funds from the DoD Reserve Account conform to paragraph 160203, above.

F. Comply with requirements stated in paragraph 160205, above.

G. Coordinate approved budgets with the USD(AT&L) or designee to assist in planning and trade-off analysis and to ensure effective and efficient functioning of the overall DoD program.

H. Review the cumulative total obligations incurred, estimated program obligations, cumulative revenue, and realistic estimates of future revenue to determine whether DoD forests remain capable of economic production.

I. Identify to the DoD Executive Agent (see subparagraph 160303.A, below) the official who is authorized to transfer surplus funds (see Figure 16-1) and accept reserve funds.

160303. The Secretary of the Army shall:

A. Act as DoD Executive Agent to monitor and coordinate financial management of the DoD forest products program.

B. Coordinate the transfers of surplus and reserve funds.

C. Maintain the DoD Reserve Account (21*5285) and make transfers in accordance with the instructions from the USD(AT&L) or designee. (Replace asterisk with fiscal year designator.)
Exhibit 16-1 DEFINITIONS

1. Forest Products. Those items produced from a forest such as sawtimber, veneer logs, poles, piles, posts, pulpwood, pine straw, stumpwood, bark, and other mulch, cones, seeds, mistletoe, firewood, and wood chips.

2. Net Proceeds. The amount received by the United States during a fiscal year (FY) as proceeds from the sale of forest products produced on a military installation or facility, minus the amount reimbursed to the Department of Defense, under 10 U.S.C. 2665, for program costs incurred by that installation or facility. Program costs include obligations for current operating expenses and for the purchase of capital equipment required to operate the program.

3. Reserve Funds. A reserve account authorized under 10 U.S.C. 2665 and administered by the Department of Defense. The amount is held in the U.S. Treasury Special Fund Account 21*5285, Department of Defense, Forest Products Program, Army. (Replace asterisk with fiscal year designate.)

4. Surplus Funds. The amount expected to be available during the year within the Department of Defense after providing for the reimbursements under this Instruction. These funds represent the amounts to be transferred to the DoD Reserve Funds Account.
Exhibit 16-2 COORDINATION AND REPORTING REQUIREMENTS
Annual Coordination of DoD Forest Products Program

1. **Purpose.** To coordinate forestry obligations and revenues of the Military Services to ensure that overall DoD revenue is sufficient to reimburse all authorized obligations for the production and sale of forest products.

2. **Authority.** Title 10, United States Code (U.S.C.), section 2665

3. **Schedule**
   a. **December 15.** Each Military Service disburses funds to the various states. Each disbursement shall be accompanied by identification of the generating installation(s) and amount generated by each installation.
   
   b. **December 30.** Each Military Service deposits funds from the F3875 clearing account to the DoD Reserve Account (21*5285). (Replace asterisk with fiscal year designation.)
   
   c. **January 2.** Each Military Service transmits the “Actual Revenue and Obligations Report” to the Executive Agent (EA) and the Office of the Deputy Under Secretary of Defense (Environmental Security) (OUSD(AT&L)). See Figure 16-3.
   
   d. **February 15.** Each Military Service transmits to the EA and the USD(AT&L) a report of cumulative program revenue and obligations through December 31 of the current fiscal year and any planned changes. See Figure 16-4.
   
   e. **May 15.** Each Military Service transmits to the EA and the USD(AT&L) a report of cumulative program revenue and obligations through March 31 of the current fiscal year and any planned changes. See Figure 16-4.
   
   f. **August 15.** Each Military Service transmits to the EA and the USD(AT&L) a report of cumulative revenue and obligations through June 30 of the current fiscal year and any planned changes. See Figure 16-4.
   
   g. **September 1.** Each Military Service transmits to the EA and the USD(AT&L) its planned forest products revenue and expenses, by appropriation, for the coming fiscal year. See Figure 16-5. This plan shall reflect no deficit in the program; however, a description of unfinanced needs may accompany the plan.

Figure 16-2
Exhibit 16-3 Sample Report RCS: DD-A&T(Q&A) 1649

### ACTUAL REVENUE AND OBLIGATIONS
RCS: DD-A&T(Q&A)1649

(Due January 2)

For FY ______

<table>
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<th>Military Service</th>
<th>(Other) Revenue (actual deposits to F3875 account)</th>
<th>(Other) Distributions (from F3875 account)</th>
<th>O&amp;M</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>$</td>
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</table>

I. PROGRAM RESERVE AND OBLIGATIONS

A. Transfer In

B. Obligations (note 2)

C. Unobligated Balances Returned to Reserve Fund

II. UTILIZATION OF RESERVE FUND

A. Transfer In

B. Obligations (note 2)

C. Unobligated Balances Returned to Reserve Fund

NOTES:

1. Furnish by installation, state, and amount.

2. Briefly describe the forestry projects and/or activities funded from reserve funds.
**QUARTERLY FOREST PRODUCTS PROGRAM**
**RCS: DD-A&T(Q&A)1649**

(Due February 15, May 15, August 15)

Military Service _______________

Date _______________

FY _______________

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>A. Planned Revenue this Fiscal Year (FY)</td>
<td>$ _____</td>
</tr>
<tr>
<td>B. Planned Obligations this FY</td>
<td>$ _____</td>
</tr>
<tr>
<td>C. Cumulative Actual Revenue this FY</td>
<td>$ _____</td>
</tr>
<tr>
<td>D. Cumulative Actual Obligations this FY</td>
<td>$ _____</td>
</tr>
<tr>
<td>E. Net Proceeds this FY (Item C minus Item D)</td>
<td>$ _____</td>
</tr>
<tr>
<td>F. Current Estimate of States Entitlements this FY</td>
<td>$ _____</td>
</tr>
<tr>
<td>G. Current Unfinanced Needs for this FY (describe below)</td>
<td>$ _____</td>
</tr>
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Exhibit 16-5 Sample Report RCS: DD-A&T(Q&A) 1649

<table>
<thead>
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<tr>
<td>Procurement</td>
<td>O&amp;M</td>
<td>Total</td>
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<tr>
<td>A. Planned FY Revenue</td>
<td>$_____</td>
<td>$_____</td>
<td>$____</td>
</tr>
<tr>
<td>B. Planned FY Distribution</td>
<td>$____</td>
<td>$____</td>
<td>$____</td>
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<tr>
<td>C. Planned FY Obligations</td>
<td>$____</td>
<td>$____</td>
<td>$____</td>
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<tr>
<td>D. Planned Net (note)</td>
<td>$____</td>
<td></td>
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</tr>
<tr>
<td>E. Planned Payments to States</td>
<td>$____</td>
<td></td>
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<tr>
<td>F. Unfinanced Needs (describe below)</td>
<td>$____</td>
<td>$____</td>
<td>$____</td>
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</table>

NOTE: Total of item A. minus total of item C.
ARMY ANNEX

ARMY POLICIES AND PROCEDURES FOR PRODUCTION AND
SALE OF FOREST PRODUCTS

A. The Reimbursable Forestry Program

1. General. This chapter and annex prescribes the policies and procedures for budgeting, accounting and reporting of proceeds and obligations associated with the production and sale of forest products at Army installations or facilities (see Title 10, United States Code (U.S.C.), section 2665). Determine eligibility for participation within this program using the provisions of Army Regulation (AR) 200-3. The objectives of the Army’s reimbursable forestry program are to support mission operations, support conservation compliance, and execute natural resources stewardship.

2. Responsibilities. Headquarters, Department of the Army (HQDA), through the Office of the Director of Environmental Programs (ODEP) along with the United States (U.S.) Army Environmental Center (USAEC), major Army commands (MACOMs), and Army installations, is responsible for the execution of the Army’s reimbursable forestry program. The ODEP, as the program manager, in coordination with other Army Staff (ARSTAF) offices, shall monitor all proceeds received and recommend targets for reimbursable authority to the Director of Environmental Programs (DEP).

3. Budgeting. Include authority to execute reimbursable work on the Funding Authorization Document (FAD). Automatic reimbursable authority may be used for operation and maintenance, minor construction, purchase of forestry equipment, and other obligations directly related to the reimbursable forestry program. The ODEP shall annually determine targets for the MACOMs’ forest products reimbursable authority based on the anticipated proceeds, obligations, and states’ entitlements. Issue these targets to the MACOMs separately memorandum from the ODEP.

4. Proceeds. Deposit proceeds from the sale of forest products into General Fund Budget Clearing Account, 21F3875.3960. Report proceeds on the Accelerated Reporting of Receipt and Outlay (Expenditure) Data-Statement of Accountability Report (RCS CSCFA-302A). This includes proceeds from forest products disposed of by the Defense Reutilization and Marketing Service. Forest products include, but are not limited to, veneer logs, timber, pine straw, stumpwood, bark, mulch, cones, seeds, mistletoe, firewood, Christmas trees, sawlogs, chips, poles, piles, posts, and pulpwood. The products can be dead and down or designated standing timber. When forest products are removed from Army lands by any means other than a commercial sale (for example, generating energy on the installation), a dollar amount equal to the fair market value shall be deposited in the Army Forestry Account by the proponent of the activity removing the forest products. The only exception is that forest products may be removed or used directly to assist the military mission without payment. Deposit advances from contractors as unearned revenue in the same account as the unfilled orders to which the advance
applies. Monthly, each activity’s accounting office shall transfer current month earnings from
the unearned revenue to the deposit fund account.

5. Expenses. Program expenses incurred by HQDA, installations or facilities and
the District Engineer Offices shall be related directly to the integrated management, production
and sale of forest products, and associated program management costs for personnel at all levels
(i.e., installation, MACOM, district, division, field operating activity (FOA), ARSTAF and
auxiliary staff) whose primary duties are to administer the forestry reimbursable program.
Program expenses shall be categorized according to the functions listed below.

a. Forestry Equipment. Include purchase, over the Capital Expenditure
Limit (currently $100,000) only, of forestry equipment (for example, vehicles, or heavy
equipment) used exclusively in reimbursable forest management.

b. Forest Fire Protection. Include the protection of forests on land in forestry
reimbursable programs. Include equipment costing less than the Capital Expenditure Limit.

c. Forest Management. Include reimbursable forest management functions.
Include supervision, planning, programming, and conducting field surveys and inventories,
training, and attending professional meetings. Include improvements of existing forest stands,
whether they are planted, seeded, or natural, including natural resources projects in direct support
of the reimbursable forestry program. This includes controlling undesirable vegetative growth,
prescribed burning, precommercial thinning, and pruning. Include the protection of reimbursable
forests from insect, disease, animal, flood, and erosion damage. Include the sale and preparation
for sale of forest products. Include appraising, cruising, marking, scaling, preparing sales
contracts, escorting prospective bidders, advertising, sales administration, and contract
compliance inspections. Include equipment costing less than the Capital Expenditure Limit.

d. Forest Access Roads. Include construction, repair, and maintenance of
reimbursable forest access roads and trails. Include the repair of other roads resulting from the
production and harvest operations. Include equipment costing less than the Capital Expenditure
Limit.

e. Reforestation. Include natural or artificial regeneration, including
planting, purchasing of seeds or seedlings, and preparing sites. Include equipment costing less
than the Capital Expenditure Limit.

f. Forestry Support. Include Phase I archaeological surveys, threatened and
endangered species surveys, and military mission coordination efforts driven only by forestry
activities (for example, planting and harvesting).

6. Reporting and Review

incurred as automatic reimbursable obligations on the RCS CSCFA-218 (Status of Approved
Resources Report”). Report obligations incurred for items of equipment purchased with
procurement appropriation funds on the RCS CSCFA-112 (“Status of Reimbursements Report”). See Volume 6 of this Regulation for reporting instructions.

b. Report reimbursements earned on the RCS CSCFA-112 report as “Transferred for Collection” in the “Reimbursement Collected-Automatic” column. Identify the amounts transferred by detail reimbursement source code. Identify the amount of reimbursements “Transferred for Collection” as a separate footnote on the RCS CSCFA-112 report. Report reimbursements for items of equipment financed with procurement funds on the RCS CSCFA-112 report. Bill and collect according to procedures outlined in Chapter 12 of this volume. See Volume 6A or 6B of this Regulation for reporting instructions.

c. HQDA, MACOMs, installations, district engineering offices, Defense Finance and Accounting Service (DFAS) sites, and Field Accounting Offices (FAOs) shall submit quarterly analysis of actual proceeds and obligations to become part of the RCS CSCFA-218 report. The U.S. Army Corps of Engineers (USACE) districts shall report proceeds and obligations separated by installation to the DFAS-Indianapolis (Sustaining Forces).

d. The DFAS-Indianapolis (Sustaining Forces) shall provide a quarterly Consolidated Analysis of Department of the Army (DA) Forest Products, based on USACE and installation input, to USAEC within 30 days after the end of each quarter. The USAEC, the MACOMs, and the USACE jointly shall review the Army’s commercial forestry program utilizing this report. The USAEC shall maintain a 7-year historical data record of annual proceeds and obligations.

e. Within 90 days after the conclusion of each fiscal year, the DFAS-Indianapolis (Sustaining Forces) shall compute the concluding fiscal year’s unfilled forestry orders (transferring excess to or removing required funds from that fiscal year’s Lumber/Timber account 21F3875.3960), compute and provide 40 percent of the net proceeds per installation to the appropriate States, and deposit the remaining net proceeds into the Forest and Wildlife Conservation, Military Reservations Account (21R5285, DFAS-Indianapolis Manual 37-100-FY). Before issuing states’ entitlements, the DFAS-Indianapolis (Sustaining Forces) shall confirm figures with the USAEC. States’ entitlements and transfers to 21R5285 shall not be made until monies are set aside, if necessary, to cover unfilled forestry orders.

f. States entitlements shall be issued to state treasurers with sufficient explanation to include reason for the issuance, itemization by installations and counties, and the DFAS point of contact (POC) phone number(s). A copy of this information shall be furnished to the USAEC.

g. The USACE determines and updates, as required, the total acreage by county and state for all Army installations or facilities participating in the DoD Forest Products Program. The USACE provides this data to the DFAS-Indianapolis (Sustaining Forces). The DFAS shall update its files for determining states’ entitlements. Acreage by county is the total acreage of the installation or facility, not just the acreage applicable to the forest products program.
B. The Forestry Reserve Account

1. General. The Forest and Wildlife Conservation, Military Reservations Account (The Forestry Reserve Account (21X5285)) is sustained with the calendar year end transfers from each of the Services’ Forestry Program Deposit Fund accounts (**F3875).

2. Responsibilities. The Army is the DoD executive agent for this account. Balances in this account shall be used in accordance with paragraph 160203 of this chapter.

3. Project Approval Process. The project approval, funding and accounting processes for forestry reserve account projects at Army installations or facilities are outlined below.

   a. Annually, the ODEP shall request the MACOMs, based on installation input, to submit proposed projects to the Commander, USAEC, ATTN: SFIM-AEC-EQN, Aberdeen Proving Grounds, MD 21010-5401. The USAEC shall consolidate the proposals and provide them to ODEP. In coordination with other concerned ARSTAF offices and the Office of the Deputy Assistant Secretary of the Army, Environmental Safety and Occupational Health (ODASA-ESOH), the ODEP initially shall rank the proposals and submit them to the Assistant Chief of Staff for Installation Management for consideration and official submittal to the DASA-ESOH. The DASA-ESOH forwards Army’s official submittal to the Department of Defense for funding.

   b. The DFAS-Indianapolis (Sustaining Forces) shall transfer the total approved Army projects from 21X5285 when the Deputy Under Secretary of Defense (Environmental Security) approval memorandum and appropriate accounting classification are received from USAEC.

   c. Based on the approved project list, the USAEC shall prepare a Military Interdepartmental Purchase Request (MIPR) (DD Form 448) citing Economy Act orders and forward a copy to the requesting/performing activity.

   d. The requesting/performing activity shall accept the MIPR and forward signed copies to the USAEC.

   e. Any remaining funds, after completion of the project, shall be returned to the USAEC. At no time shall the performing activity incur expenses in excess of the accepted MIPR.

4. Fund Transfers from 21X5285. The DFAS-Indianapolis (Sustaining Forces) shall transfer funds for approved Army projects from this account to USAEC using a “no check drawn” SF 1080. The DFAS-Indianapolis (Sustaining Forces) shall handle the transaction as a reverse collection.
a. Funds for approved projects at other DoD agencies shall be transferred by the DFAS-Indianapolis (Sustaining Forces) via an On-Line Payment and Collection (OPAC) transaction.

b. Collection and disbursement of funds from this account are limited to the DFAS-Indianapolis (Sustaining Forces).

5. Calendar-Year End

a. The DFAS shall deposit unobligated balances exceeding $4 million on December 31 to a U.S. Treasury General Fund Miscellaneous Receipts Account in accordance with subparagraph 160203 of this chapter.

b. Deposits to the account of proceeds from the preceding fiscal year shall not be made until after January 1 to allow sufficient time to manage new deposits efficiently.

c. The DFAS-Indianapolis (Sustaining Forces) shall report to the USAEC on the activity and balance of this account within 30 days after the end of each quarter.

C. Equipment Purchases

1. General. Equipment purchased shall be for commercial forest management use when purchased with forestry automatic reimbursable authority and for natural resources uses when purchased with DoD Forestry Reserve Account or Agricultural/Grazing automatic reimbursable authority. (See Volume 12, Chapter 14.) Equipment purchases shall be coordinated fully with the organization equipment manager or equivalent.

2. Equipment Acquisition Process. Each purchase of equipment shall begin with an internal review of contract/buy/lease options, funding availability, and the potential for use of multipurpose equipment. The reimbursable authority is intended only to supplement routine procurement sources. Programmed equipment authority, such as Other Procurement, Army (OPA), shall be used for equipment. If the internal review justifies the need to purchase new equipment, then the general procedures outlined below shall be utilized.

a. The installation shall assure authority exists in the Table of Distribution and Allowances (TDA) or Common Table of Allowance (CTA).

b. The installation shall determine whether the equipment to be purchased is centrally managed by the Tank and Automotive Command (TACOM). The installation Property Book Officer (PBO) can make this determination by checking the equipment Line Item Number (LIN) against the Supply Bulletin 700-20. If the equipment is not centrally managed and is less than the Capital Expenditure Limit, then the equipment may be purchased locally or through the GSA schedule.

c. If the equipment is centrally managed, then the TACOM shall conduct the purchase unless a waiver for local procurement is granted.
d. If the estimated cost of the equipment is greater than the capital expenditure limit, centrally managed or not, do not use OMA (Agricultural/Grazing, Forestry, or Forestry Reserve Account). The TACOM shall use equipment purchase authority, reimbursing OPA. The purchase may be finalized at the TACOM, or the authority may be returned to the installation for a local procurement with a local procurement waiver.
VOLUME 11A, CHAPTER 17: “OFFSETTING RECEIPTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated March 1997 is archived.

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<td>Replace paragraph previously titled 1702 GENERAL with 1703 DEFINITIONS to expand definitions of offsetting receipts.</td>
<td>Incorporate</td>
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<td>170201.A</td>
<td>Add subparagraph to clarify distributed and undistributed.</td>
<td>Update</td>
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<tr>
<td>170201.B</td>
<td>Incorporate Federal Account Symbols and Titles (FAST) Book for ease of referencing list of receipt accounts.</td>
<td>Add</td>
</tr>
<tr>
<td>170201.E</td>
<td>Add new language to identify the four types of undistributed receipts deducted from budget totals.</td>
<td>Update</td>
</tr>
<tr>
<td>170302</td>
<td>Insert chart on Budget Classification of Offsetting Receipts.</td>
<td>Add</td>
</tr>
<tr>
<td>170401.G</td>
<td>Add reference to Volume 6A guidance on the Report on Budget Execution and Budgetary Resources SF133.</td>
<td>Update</td>
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<td>170405.A</td>
<td>Change Volume 3 Chapter 9 to read Volume 3 Chapter 15.</td>
<td>Correction</td>
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<td>170501</td>
<td>Rename reference from Volume 2 Budget Formulation to Volume 2A and Volume 2B Budget Formulation and Presentation.</td>
<td>Update</td>
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<td>Multiple</td>
<td>Truncate paragraph numbers throughout to accommodate new paragraphs.</td>
<td>Update</td>
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<td>Multiple</td>
<td>Establish hyperlink references throughout the chapter.</td>
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CHAPTER 17

OFFSETTING RECEIPTS

1701 OVERVIEW

*170101. GENERAL

This chapter prescribes standard procedures for accounting and reporting offsetting receipts throughout the Department of Defense (DoD).

*1702 DEFINITIONS

170201. Offsetting Receipts

Offsetting receipts are collections within the Department of Defense that result from proprietary or business like transactions (such as rents, sales of services and products, patent fees, sale of property, etc.) and from Intragovernmental transactions such as deposits between Federal and trust funds or payments within the same fund group.

A. Offsetting receipts are recorded as offsets to gross outlays and may be distributed or undistributed. Distributed offsetting receipts offset outlays of DoD as the agency that conducts the activity generating the receipts. Undistributed offsetting receipts offset government wide outlays.

B. Offsetting receipts are credited to general fund, special fund, or trust fund receipt accounts and offset gross outlays. Standard receipt accounts are prescribed by the Department of the Treasury in its Federal Account Symbols and Titles (FAST) Book. Offsetting receipts are deposited with the Department of the Treasury Financial Management Service (FMS) using receipt accounts symbols and reported monthly on the FMS Form 1220, “Statement of Transactions According to Appropriations, Funds and Receipt Accounts” as prescribed in Volume 6A Chapter 3.

C. Offsetting receipts are deducted from budget authority and outlays at agency (Component) levels. Actual offsetting receipts are reported on the Statement of Budgetary Resources and in budget submissions by DoD Components as described in Volume 6B Chapter 7.

D. Receipts collected by DoD Components shall be classified according to (1) the source of the receipt, (2) the authority for the collection and the nature of the transaction, and (3) whether the receipt offsets agency (Component) or government-wide totals. Receipts also are classified into fund groups in accordance with the Treasury FAST Book (i.e., general funds (0000-3799); clearing accounts (3800-3899); special funds (5000-5999); and trust funds (8000-8999)). In this section of the FAST Book, distributed offsetting receipts, as described in the Office of Management and Budget (OMB) Circular No. A-136 “Financial Reporting Requirements” are identified with the check √ symbol before the account title.
E. Most offsetting receipts are offset (deducted) against the function that contains the outlays which give rise to the receipts, i.e., the function of the account collecting the money. In such cases, these offsetting receipts are deducted at the agency and sub-functional level before reaching functional budget authority or outlay totals, and are referred to as “distributed” to the functions. However, there are several categories of offsetting receipts that cannot be offset properly against any specific function. These collections are deducted at government-wide totals and are referred to as “undistributed offsetting receipts.” Such receipts are either intrabudgetary (a payment from one Federal agency to another, such as agency payments to the retirement trust funds) or proprietary (a payment from the public for some type of business transaction with the government). There are four (4) types of receipts that are deducted from budget totals as undistributed offsetting receipts:

1. Agency payments (including payments by off-budget Federal entities) as employers into employees’ retirement funds;
2. Interest received by trust funds;
3. Rents and royalties on the Outer Continental Shelf lands; and
4. Other interest such as that collected on Outer Continental Shelf money in deposit funds when such money is transferred into the budget.

*1703 GENERAL STANDARDS

*170301. Contents

Contents of this chapter shall be used in addition to the accounting principles, standards, and procedures established in the chapters that follow.

A. Volume 4 - Accounting Policy and Procedures
   1. Chapter 2 “Accounting for Cash and Fund Balance with Treasury”
   2. Chapter 16 “Revenues and Other Financial Sources, Expense, Gains and Losses”
   3. Chapter 19 “Managerial Cost Accounting”

B. Volume 6A – Reporting Policy and Procedures: Chapter 4 “Appropriation and Fund Status Reports”

C. Volume 12 - Special Accounts Policy and Procedures: Chapter 1 “Funds”
Budgeting standards for offsetting receipts are prescribed by the Office of Management and Budget (OMB) Circular No. A-11, Preparation, Submission, and Execution of the Budget. The preparation of budget justification requirements are also prescribed in Volume 2B Chapter 11, “Budget Formulation and Presentation.” OMB adopted a single format to present like information in the SF 132, SF-133, and Schedule P. The realignment employs three common data sections—Budgetary Resources; Change in Obligated Balance; and Budget Authority and Outlays, Net. The SF-133, Schedule P and Statement of Budgetary Resources will use all three of the sections, and the SF 132 will use the common Budgetary Resources.

**Offsetting Receipts**

Offsetting receipts within the Department are collections from the public that result from business-like transactions such as sales of property, rental fees or sales of services. These miscellaneous proprietary receipts are recorded using receipt account symbols prescribed by the *Treasury FAST Book*. Offsetting receipt account symbols normally used within the Department are:
A. **Account 1435.** General fund proprietary interest, not otherwise classified. This account shall be used only for Defense civil functions. Account 1435 shall not be used for Defense military functions. Deposits of interest on loans, investments, and other equities shall be deposited in account 3210 to ensure that the Department receives credit for the offsetting receipt.

B. **Account 1840.** Proprietary receipts for rent of equipment and other personal property. This account shall be used exclusively by the Military Departments. Defense Agencies shall deposit rent receipts into Account 3210.

C. **Account 2462.** Proprietary receipts for survivor annuity benefits. This account shall be used exclusively by the Military Departments. Defense Agencies shall deposit receipts into Account 3210.

D. **Account 2641.** Proprietary receipts for the sale of ordinance material within the Department. All DoD Components may use this account.

E. **Account 2651.** Proprietary receipts for the sale of scrap and salvage materials within the Department. All DoD Components may use this account, but the Military Services must cite 97 2651.

F. **Account 3019.** Proprietary receipts for recoveries for government property lost or damaged, not otherwise classified. This account shall be used exclusively by the Military Departments. Defense Agencies shall deposit such recoveries into Account 3210.

G. **Account 3041.** Proprietary receipts for recoveries under the Foreign Military Sales Program. This account shall be used by all DoD Components. Receipts in this account shall be sub-categorized and reported to the Office of the Under Secretary of Defense, Comptroller (OUSD(C)) on the SF-133, in accordance with the guidance contained in Volume 6A Chapter 4. The sub-categories are:

1. Nonrecurring Research, Development, Test and Evaluation (RDT&E) and production costs.
2. Sale of principal and/or major items from stock that do not require replacement.
4. Charges for unfunded civilian retirement costs.

H. **Account 3210.** General fund proprietary receipts, not otherwise classified. The Military Departments shall use this account for proprietary receipts not otherwise classified (as cited above). Defense Agencies shall use this account for proprietary receipts not allowed to be reported as indicated in subparagraphs 170501.A through G. Receipts in this account shall be maintained and reported for budget purposes in sub-categories as follows:
2. Sales of surplus real property (excluding Account 2621).
3. Sales of materials, equipment, and other personal property (excluding Account 2641).
4. Interest on loans.
5. Repayment of loans.
6. Royalties on patents, trademarks, and copyrights.
7. Rent of real property.
8. Rent of equipment and other personal property (excluding Account 1840).
9. Sale of power and utilities.
10. For Defense Agencies:
   a. Sale of publications and reproductions, not otherwise classified (similar to Account 2259).
   b. Fees and other charges for communications and transportation services, not otherwise classified (similar to Account 2429).
   c. Proceeds from sale of equipment and other personal property, not otherwise classified.
   d. Recoveries for government property, lost or damaged, not otherwise classified (similar to Account 3019).

*170402. Budget Clearing Account (Suspense)

Offsetting receipts that are not readily classified into established categories shall be temporarily accounted for in the Budget Clearing Account (suspense), F3875. All efforts shall be made to identify and clear out suspense accounts and record these receipts properly into the applicable categories listed above within 60 calendar days as discussed in Volume 5 Chapter 11 and Volume 5 Chapter 24.

*170403. Depositing Offsetting Receipts

All offsetting receipts shall be recorded immediately upon receipt and deposited with the Department of the Treasury as soon as practicable. Any delays in borrowing or deposit preclude
use of the funds by the Treasury Department to benefit the U.S. Government through the avoidance of interest expense.

*170404. Reporting Offsetting Receipts*

Offsetting receipt amounts reported by DoD Components shall agree with the collections credited to receipt accounts maintained by the Department of the Treasury. Those DoD Components that prepare consolidated reports shall obtain the required information from applicable organizations and assure that the amounts reported are in agreement with balances reflected by the Department of the Treasury.

A. **FMS Form 1220.** Actual offsetting receipts shall be reported on a monthly basis on FMS Form 1220, “Statement of Transactions According to Appropriations, Funds and Receipt Accounts” (SOT) consistent with requirements of the OUSD(C) Program/Budget (P/B), Program and Financial Control (P&FC) Directorate as prescribed in Volume 6A Chapter 3.

B. **SF-133 Report.** Do not submit SF133 reports for receipt accounts (including clearing accounts and suspense accounts) unless required by OMB. Distributed offsetting receipts credited to Components shall be included in the SBR. Undistributed offsetting receipts credited to the government-wide outlay totals should not be included in the SBR. In November 2010, OMB adopted a single format to present like information in the SF 132, SF-133, and Schedule P. The realignment employs three common data sections - Budgetary Resources; Change in Obligated Balance; and Budget Authority and Outlays, Net. The single format SF-133, Schedule P and SBR will use all three of the sections. Procedures on monthly budget execution reporting are prescribed in Volume 6A Chapter 4, “Reporting Policy and Procedures.” These reports shall be submitted on a monthly basis to the Director for OUSD(C) (P/B). Specific requirements are prescribed in Volume 6A Chapter 4. Offsetting receipt amounts reported on these reports shall equal the amounts deposited with the U.S. Treasury.

1. A separate SF-133 report for each group of offsetting receipt accounts shall be submitted as part of the basic appropriation report. Separate SF-133 reports are required for Federal funds and trust funds under each of the functional groups: “Military Functions,” “Civil Functions” and “Military Assistance.”

2. Separate SF-133 reports are required within any of the foregoing groups in the event that the receipts consist of more than one of the following categories:

   a. Proprietary receipts from the public (P).

   b. Interfund receipts (ID).

   c. Federal intrafund receipts (IF) including those receipts in Budget Clearing Account (suspense), **F3885.**
*170405. Proprietary and Budgetary General Ledgers

Offsetting receipts shall be recorded in the proprietary and budgetary general ledgers.

*A. Volume 3 “Budget Execution,” Chapter 15 and Volume 4 “Accounting Policy and Procedures” Chapters 2, 16, and 19 prescribe the general ledger accounts to be used in recording offsetting receipts.

B. Source documents for the general ledger entries include cash collection vouchers, sales slip, rental receipts, and journal vouchers.

*1705 USE OF ACCOUNTING DATA FOR BUDGET SUBMISSIONS

*170501. Budgeting Requirements

Budgeting requirements are established by OMB Circular No. A-11 and Volume 2A and Volume 2B, “Budget Formulation and Presentation.”

*170502. Receipt Accounts

Offsetting receipts deposited in receipt accounts are deducted as offsets to outlays and against budget authority at sub-function and agency levels. For instance, sub-function 051, “Department of Defense, Military,” is the level at which proprietary receipts from the public are deducted from the Department's budget authority and outlays in arriving at total DoD Federal Funds in the budget.

*170503. Accuracy and Timeliness

The accuracy and timeliness of recording and reporting offsetting receipts are critical in the budget preparation process. Actual receipts for the prior year are reported in the budget submissions and are used as the basis for projecting estimates for the budget outyears.
*REFERENCES*

(a) Office of Management and Budget Circular No. A-11 – Preparation, Submission, and Execution of the Budget

(b) Office of Management and Budget Circular No. A-136 – Financial Reporting Requirements

(c) Treasury Federal Account Symbols and Titles Book I

(d) Treasury Federal Account Symbols and Titles Book II
**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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<td>Added an authoritative guidance paragraph and included references contained in the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS) applicable to interagency acquisitions.</td>
<td>Addition</td>
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<td>1802</td>
<td>Added definition section to define and clarify commonly used terms in the chapter. Aligned the definition terminologies with the FAR and DFARS to be consistent with acquisition policy as these relates to interagency acquisitions.</td>
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<td>180507.C</td>
<td>Added a subparagraph to reference Volume 10, Chapter 10 for the Department of Defense (DoD) policy for executing intragovernmental payments.</td>
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<td>Relevant information from the Deputy Chief Financial Officer policy memorandum, “Dormant Account Review Quarterly (FPM18-02),” dated August 28, 2019 was incorporated into the chapter.</td>
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<td>180604</td>
<td>Added a paragraph to reference Volume 6B, Chapter 13 for DoD policy and guidance for adjusting, eliminating and other special intragovernmental reconciliation procedures.</td>
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<td>Multiple</td>
<td>Rearranged content of the chapter to flow in a logical sequence and renumbered sections and paragraphs accordingly.</td>
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CHAPTER 18
NON-ECONOMY ACT ORDERS

1801 GENERAL

180101. Purpose

This chapter prescribes the financial management policy applicable to orders placed for goods or services from non-Department of Defense (DoD) Federal agencies under statutory authorities other than the Economy Act authority provided in Title 31, United States Code, section 1535 (31 U.S.C. § 1535). These orders are referred to as non-Economy Act orders. Chapter 1 provides overall guidance and discussion of general reimbursement procedures and supporting documentation.

*180102. Authoritative Guidance

A. 10 U.S.C. § 2410a provides statutory authority for severable service contracts for periods crossing fiscal years.

B. 31 U.S.C. § 1502 stipulates the bona fide needs rule.

C. DoD Instruction 4000.19, “DoD Agreements,” establishes policy, assigns responsibilities, and provides direction for agreements within the DoD and between DoD and non-DoD entities.


G. The Treasury Financial Manual (TFM) Volume I, Part 2, Chapter 4700, Section 4706, “Intragovernmental Quarterly and Year-End Requirements.”
*1802 DEFINITIONS

180201. Assisted Acquisition

_FAR Subpart 2.1_ defines an assisted acquisition as a type of interagency acquisition where a servicing agency performs acquisition activities on a requesting agency’s behalf, such as awarding and administering a contract, task order, or delivery order. DFARS 217.701 defines assisted acquisition similarly as the type of interagency contracting through which acquisition officials of a non-DoD agency award a contract, task, or delivery order for the acquisition of supplies or services on behalf of DoD.

180202. Direct Acquisition

Per FAR Subpart 2.1, a direct acquisition is a type of interagency acquisition where a requesting agency places an order directly against a servicing agency’s indefinite-delivery contract. The servicing agency manages the indefinite-delivery contract but does not participate in the placement or administration of an order. DFARS 217.701 defines direct acquisition as a type of interagency contracting through which DoD orders a supply or service from a Government-wide acquisition contract maintained by a non-DoD agency.

180203. Interagency Acquisition

As defined in FAR Subpart 2.1, an interagency acquisition is an action by which an agency needing supplies or services (the requesting agency) obtains them from another agency (the servicing agency) by an assisted acquisition or a direct acquisition. The term includes acquisitions under the Economy Act (31 U.S.C. § 1535) and non-Economy Act acquisitions completed under other statutory authorities.

180204. Multiple Year Appropriation

As used in this chapter, a multiple year appropriation means an appropriation that is available for obligation for a definite period of time in excess of one fiscal year.

180205. Non-Severable Service

A non-severable service represents a single undertaking that cannot be feasibly subdivided. If the service produces a single or unified outcome, product, or report, the service is considered non-severable.

180206. Requesting Agency

The requesting agency is defined in FAR Subpart 2.1 as the agency that has the requirement for an interagency acquisition.
180207. Servicing Agency

The servicing agency is defined in FAR Subpart 2.1 as the agency that will conduct an assisted acquisition on behalf of the requesting agency.

180208. Severable Service

A severable service represents a service that is continuing and recurring in nature where the agency realizes a benefit at the time that the service is provided even if the contract has not been performed to completion. A service is considered severable if it can be separated into a component that independently provides value to meet an agency’s need.

180209. Trading Partner

A trading partner is defined as a Federal entity that is party to intragovernmental transactions with another Federal entity. This includes transactions between DoD Components and transactions between DoD Components and other non-DoD Federal entities.

1803 LEGAL AUTHORITY

180301. Statutory Conditions on Use

Specific statutory authority is required to place a non-Economy Act order with a non-DoD agency for goods or services, and to pay the associated cost. If specific statutory authority does not exist, the default will be the Economy Act which is discussed in Chapter 3. The more commonly used non-Economy Act authorities include, but are not limited to:

A. Acquisition Services Fund. The Acquisition Services Fund was established by the General Services Administration Modernization Act that merged the General Supply Fund and the Information Technology Fund to carry out functions related to the uses of the Acquisition Services Fund including any functions previously carried out by the Federal Supply Service and the Federal Technology Service managed by the General Service Administration (GSA).

B. Franchise Funds. Franchise Funds were first established by the Government Management Reform Act of 1994 to provide common administrative support services on a competitive and fee basis.

180302. Justification

Non-Economy Act orders may be placed with a non-DoD Federal agency for goods or services if:

A. Proper funds are available;

B. The order does not conflict with another agency’s designated responsibilities (e.g., real property lease agreements with GSA);
C. The requesting agency or unit determines the order is in the best interest of DoD; and

D. The performing agency is able and authorized to provide the ordered goods or services.

180303. Simplified Acquisition Threshold

Non-Economy Act orders greater than the simplified acquisition threshold must comply with FAR Part 7 and established DoD Components’ procedures for the proper use of non-DoD contracts. The “Non-Economy Act Acquisition Package Checklist” provided in Figure 18-1 and the list of “Requesting Official Responsibilities” in Figure 18-2 will assist in ensuring that statute, policy, and regulation are complied with under non-Economy Act orders.

180304. Prohibitions

Non-Economy Act orders may not be used to:

A. Violate provisions of law or accomplish what regulations do not permit under commercial contracts; or

B. Circumvent conditions and limitations imposed on the use of funds to include extending the period of availability of the cited funds.

1804 INITIATING A NON-ECONOMY ACT ORDER

180401. Ordering Procedures and Requirements

FAR Subpart 7.5, FAR Subpart 7.7, DFARS Subpart 217.5, and DFARS Subpart 217.7 address the procedures that apply to all interagency acquisitions. A non-Economy Act order must comply with the documentation standards in Chapter 1 and supported with the items identified in Figure 18-1. Non-Economy Act orders must include:

A. A firm, clear, specific, and complete description of the goods or services ordered. The use of generic descriptions is not acceptable;

B. Specific performance or delivery requirements;

C. A proper fund citation;

D. Payment terms and conditions (e.g., direct cite or reimbursement, and specific appropriation or law authorizing advanced payments);

E. A specific non-Economy Act statutory authority citation such as those referenced in paragraph 180301;
F. The following statement on funding documents for severable services: “These funds are available for severable service requirements crossing fiscal years for a period not to exceed one year, where the period of any resultant contract for services commences this fiscal year. All funds not placed on contract this fiscal year must be returned promptly to the ordering activity, but no later than one year after the acceptance of the order or upon completion of the order, whichever is earlier.”;

G. The following statement on funding documents for goods or non-severable services: “I certify that the goods or non-severable services to be acquired under this agreement are necessary expense of the appropriation charged, and represent a bona fide need of the fiscal year in which these funds are obligated.”; and

H. DoD Activity Address Code (DODAAC).

*180402. Treasury Guidance

A. The TFM Volume I, Part 2, Chapter 4700, Section 4706, “Intragovernmental Quarterly and Year-End Requirements,” discusses the requirements necessary to properly report intragovernmental transactions resulting from business activities (i.e., buy/sell transactions) between two Federal government entities, called trading partners. It further references the Intragovernmental Transaction Guide (Appendix 6) as containing the business rules and processes to properly record, report, and reconcile intragovernmental transactions, including the processes for dispute resolution.

B. The guidance in TFM, Volume I, Part 2, Chapter 4700, Appendix 6, Section 9 provides the standard Interagency Agreement containing two Fiscal Service (FS) Forms: FS Form 7600A, General Terms and Conditions (GT&C) and FS Form 7600B, Order Form. Treasury has mandated the use of these two forms to ensure the proper recording and reporting on intragovernmental buy/sell transactions, and to eliminate the Federal-wide reporting deficiencies impacting the Financial Report of the U.S. Government. Accordingly, all DoD Components must use the latest published versions of FS Forms 7600A/B when completing a non-Economy Act order and these must comply with the Federal Intragovernmental Data Standards when using the Treasury’s G-Invoicing system, DoD Ordering systems, Enterprise Resource Planning (ERP) systems, or when completing the FS Forms 7600 A/B manually. Until DoD Ordering Systems and ERP systems are capable of processing the FS Form 7600B, DoD trading partners should continue to accept the current order forms (e.g., DoD (DD) Form 448, Military Interdepartmental Purchase Request). Individual orders must be placed against an FS Form 7600A.

C. The Treasury's G-Invoicing system must be used to negotiate, broker, and electronically store the GT&Cs and associated transactions between buyers and sellers for all inter- and intragovernmental reimbursable transactions as appropriate system capabilities come online for individual DoD Components. This requirement is for all interagency agreements with a performance period extending to June 30, 2021 or later. In instances where G-Invoicing is not available, such as remote deployments or other austere conditions, DoD Components must use
hardcopies of FS Forms 7600A/B. DoD Components must establish internal policies and procedures for designating signature authority for GT&Cs.

D. The requesting scope of work on the FS Form 7600A should cover relatively broad categories of goods or services when feasible. When the system's capability becomes available to accept the FS Form 7600B within DoD Ordering Systems or ERPs, the FS Form 7600B must discretely define the goods or services for each order. When practical and legally permissible, the agreement period on the FS Form 7600A should cover multiple years.

180403. Best Interest Determination

Each requirement must be evaluated in accordance with DoD Components’ procedures to ensure that non-Economy Act orders are in the best interest of DoD. Factors to consider include:

A. Satisfying customer requirements;
B. Schedule, performance, and delivery requirements;
C. Cost effectiveness, taking into account the discounts and fees; and
D. Contract administration, to include oversight.

1805 FISCAL POLICY

180501. Specific, Definite and Certain

For non-Economy Act orders greater than the simplified acquisition threshold, the requesting official must provide:

A. Evidence of market research and acquisition planning;
B. A statement of work that is specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself; and
C. Unique terms, conditions, and requirements to comply with applicable DoD-unique statues, regulations, directives, and other requirements.

180502. Contracting Officer Review

All non-Economy Act orders greater than $500,000 must be reviewed by a DoD warranted Contracting Officer prior to sending the order to the funds certifier or issuing the FS Forms 7600A/B to the non-DoD activity. In addition to the review by the Contracting Officer, the requesting official must further review the acquisition package to ensure compliance with the FAR Part 7, and the DoD Component’s procedures.
180503. Certification of Funds

Non-Economy Act orders are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. Because the servicing entity may not be aware of all the appropriation limitations, the DoD requesting official must certify that the funds cited on the order are available, meet time limitations, and are for the purpose designated by the appropriation.

180504. Bona Fide Need

The bona-fide needs rule (31 U.S.C. § 1502) provides that an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability. Non-Economy Act reimbursable orders of DoD Components for supplies, material, services or equipment placed with non-DoD agencies are subject to policies that, in practical effect, make them subject to obligational standards used for Economy Act reimbursable orders. Non-Economy Act orders citing an annual or multiple year appropriation must serve a bona fide need arising, or existing, in the fiscal year(s) for which the appropriation is available for new obligations. Otherwise, a valid obligation is not accomplished. An interagency agreement may not be used in the last days of the fiscal year solely to prevent funds from expiring or to keep them available for a requirement arising in the following fiscal year. Bona fide need generally is a determination of the requesting agency and not that of the servicing activity. A servicing agency should, however, refuse to accept a non-Economy Act order if it is obvious that the order does not serve a need existing in the fiscal year for which the appropriation is available.

180505. Obligation

The provisions of 31 U.S.C. § 1501 govern the recording of the obligation. An amount must be recorded as an obligation only when supported by documentary evidence of an order required by law to be placed with an agency or upon meeting all the following criteria:

A. Binding agreement (funding vehicle) between an agency and another person (including an agency);

B. Agreement is in writing using FS Form 7600A;

C. For a purpose authorized by law;

D. Serves a bona fide need arising, or existing, in the fiscal year or years for which the appropriation is available for obligation;

E. Executed before the end of the period of availability for new obligation of the appropriation or fund used; and

F. Provides for specific goods to be delivered, real property to be bought or leased, or specific services to be supplied.
180506. Deobligation

Funding under non-Economy Act orders must be deobligated as outlined in this paragraph.

A. Goods. Funds provided to a performing agency for ordered goods where the funds period of availability thereafter has expired must be deobligated and returned by the performing agency unless the request for goods was made during the period of availability of the funds and the item(s) could not be delivered within the funds period of availability because of delivery, production or manufacturing lead time, or unforeseen delays that are out of the control and not previously contemplated by the contracting parties at the time of contracting.

1. Where materials cannot be obtained in the same fiscal year in which they are needed and contracted for, provisions for delivery in the subsequent fiscal year do not violate the bona fide need rule as long as the time intervening between contracting and delivery is not excessive and the procurement is not for standard commercial off the shelf items readily available from other sources.

2. The delivery of goods may not be specified to occur in the year subsequent to funds availability unless delivery meets the exceptions cited in subparagraph 180506.A.1 and a justifiable bona fide need exists in the year funds are available for obligation.

B. Severable Services. An agreement for severable services that are continuing and recurring in nature and provide DoD a benefit each time the service is performed (e.g., maintenance and repair services, scientific, engineering, and technical services) is based on statutory authority other than the Economy Act. The provisions of 10 U.S.C. § 2410(a) permit the performance of severable services to begin in one fiscal year and end in the next provided the period of performance does not exceed one year. A non-DoD Federal agency may rely on this authority to fill a DoD order funded with fiscal year appropriations to issue a contract for severable services that crosses fiscal years as long as the contract period commences during the period of availability of the DoD customer appropriation. Obligating funds for placing a non-Economy act order with a non-DoD Federal agency, where the resultant fixed-length severable services contract awarded by the non-DoD Federal agency will exceed the one-year limit set forth in 10 U.S.C. § 2410(a), or which is not to commence until a subsequent fiscal year, may result in an Antideficiency violation under 31 U.S.C. § 1341.

1. The performance of severable services must begin during funds period of availability and may not exceed one year.

2. Annual appropriations provided to a performing agency that have expired must be deobligated unless the performance of the services requested began during the funds period of availability and the period of performance does not exceed one year.

3. The annual appropriation from the earlier fiscal year may be used to fund the entire cost of the one-year period of performance; however, annual appropriations may not be used to enter into a severable services agreement where the period of performance for services requested is entirely in the following fiscal year.
4. In no instance may the period of performance extend beyond September 30 of the subsequent year for services funded with annual appropriations.

C. Non-Severable Services. Non-severable services contracts must be funded entirely with appropriations available for new obligations at the time the contract is awarded, and the period of performance may extend across fiscal years. Funds provided to a performing agency that become excess must be deobligated as identified.

D. Excess or Expired Funds. Activities must reconcile all obligations and remaining funds available for orders. The purpose of this reconciliation is to ensure the proper use of funds and to identify and coordinate the return of expired or excess funds. Excess or expired funds must be returned by the performing agency and deobligated by the requesting agency to the extent that the performing agency or unit filling the order has not (1) provided the goods or services (or incurred actual expenses in providing the goods or services), or (2) entered into a contract with another entity to provide the requested goods or services before the end of the period of availability (fiscal year or multiple year period, as applicable) of the appropriation of the requesting or ordering agency. Expired funds must not be available for new obligations.

180507. Payment Procedures

Payment must be made promptly upon the written request (or billing) of the performing agency. The payment due date must not be more than 30 calendar days from the date of the invoice. Unless the DoD Component is specifically authorized by law, legislative action or Presidential authorization, funds are not to be advanced to non-DoD Federal entities, or be used to pay for advance billings without the receipt of goods or services. Volume 4, Chapter 5 covers the conditions and requirements related to advances and prepayments. For those few exceptions where DoD is specifically authorized by a specific appropriation or law to advance funds, the specific appropriation or law authorizing the advance must be cited on the obligating and/or interagency agreement documents and orders, and any unused amounts of the advance must be collected from the performing agency immediately and returned to the fund from which originally made.

A. The requesting official must be fully aware of the non-DoD Federal agency’s billing practices and methods. The official must also take appropriate action to ensure DoD funds are not disbursed in advance of contract performance. Additionally, DoD Components must work with their servicing disbursement sites to ensure trading partner agreements restrict other Federal agencies’ ability to withdraw funds prior to the delivery of goods or performance of services.

B. Payments made for services rendered or goods furnished may be credited to the appropriation or fund of the Federal agency performing the reimbursable work.

* C. Volume 10, Chapter 10 contains the DoD policy for executing intragovernmental payments.
1806 NON-ECONOMY ACT ORDER FOLLOW-UP PROCEDURES

180601. Non-Economy Act Order Oversight

The requesting official must establish quality surveillance plans, for non-Economy Act orders greater than the simplified acquisition threshold, and ensure execution that would facilitate the oversight of the goods provided or services performed by the performing agency. The plans should include:

A. Contract administration oversight in accordance with the surveillance plan;
B. Processes for receipt and review of receiving reports and invoices from the performing agency;
C. Reconciliation of receiving reports and invoices; and
D. Requirements for documenting acceptance of the goods received or services performed.

180602. Monitor Fund Status

The requesting official must monitor fund status to:

A. Monitor balances with the performing agency;
B. Conduct Dormant Account Review Quarterly (DAR-Q) of non-Economy Act orders in accordance with Volume 3, Chapter 8 and include a specific attestation on the DAR-Q that all existing interagency agreements are consistent with DoD policy;
C. Confirm open balances with the performing agency;
D. Coordinate the return of funds from the non-DoD performing agency in accordance with paragraph 180506; and
E. Coordinate with the accounting office to ensure timely deobligation of funds.

180603. Non-Economy Act Order Close-Out

All non-Economy Act orders must be reviewed by the requesting official to determine if they are complete. Completed orders must be fiscally closed out. The requesting official must reconcile funds and coordinate the return of excess or expired funds held by the performing agency. As part of this review, the requesting official will:

A. Identify and determine if there are outstanding invoices;
B. Identify and determine the existence of excess or expired funds;

C. Coordinate the return of funds from the non-DoD performing agency in accordance with paragraph 180506; and

D. Coordinate with the accounting office to ensure the deobligation of funds.

*180604. Reconciliation and Elimination of Intragovernmental Transactions

Volume 6B, Chapter 13 contains DoD policy and guidance for adjustments, eliminations, and other special intragovernmental reconciliation procedures.
Figure 18-1. Non-Economy Act Acquisition Package Checklist

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>A.</td>
<td>Documented evidence of market research and acquisition planning performed.</td>
</tr>
<tr>
<td>B.</td>
<td>Package includes a specific, definite, and concise statement of work documenting a bona fide need in the fiscal year that the funds are available for new obligations.</td>
</tr>
<tr>
<td>C.</td>
<td>Package includes specific performance and/or delivery requirements.</td>
</tr>
<tr>
<td>D.</td>
<td>Package identifies the statutory authority permitting the performing agency to support the DoD Component for the goods/services required.</td>
</tr>
<tr>
<td>E.</td>
<td>Package includes the purchase request number and the DODAAC.</td>
</tr>
<tr>
<td>F.</td>
<td>Package includes written justification for the non-Economy Act order in accordance with DFARS Subpart 217.7 and the DoD Components’ procedures.</td>
</tr>
<tr>
<td>G.</td>
<td>Package documents review of fees/surcharges/contract administration/discounts to ensure the cost is reasonable and consistent with task to be accomplished by performing agency.</td>
</tr>
<tr>
<td>H.</td>
<td>Package includes specific statutory authority authorizing advance payment or billing.</td>
</tr>
<tr>
<td>I.</td>
<td>Package documents evidence that DoD competition requirements were followed in accordance with DFARS.</td>
</tr>
<tr>
<td>J.</td>
<td>Order identifies DoD unique terms &amp; conditions to the performing agency.</td>
</tr>
<tr>
<td>K.</td>
<td>Order identifies unique reporting requirements not otherwise specified to the performing agency.</td>
</tr>
</tbody>
</table>
Figure 18-2. Requesting Official Responsibilities

A. Market Research

B. Acquisition Planning

C. Independent Government Cost Estimate

D. Statement of Work to include evaluation criteria

E. Ensure receipt and compliance of FS Forms 7600A/B acceptance

F. Assist in Technical Evaluation

G. Quality Assurance Plan
   1. Contracting Officer Representative/Contracting Officer Technical
      Representative - Receiving Reports/Invoices - Inspection & Acceptance
   2. Contract Data Requirements List Procedural/Required Reports/Deliverables
      Report/Contract Performance
   3. Property/Equipment Management
   4. Perform Contract Oversight

H. Funds Management/Record Keeping
   1. Draw Down
   2. Contract Reconciliation
   3. Initiate Deobligation
   4. Oversight of Billing/Reporting

I. Update all Points of Contact as necessary throughout acquisition
VOLUME 11A, CHAPTER 19: “DEFENSE SUPPORT OF CIVIL AUTHORITIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

This is the initial publication

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>All</td>
<td>This chapter contains policy on the requirements for financing and reporting costs associated with civil disturbance operations previously found in Volume 6A, Chapter 11.</td>
<td>New</td>
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</tbody>
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1901 GENERAL

190101. Purpose

This chapter establishes financial policy for identifying, recording, reporting, and obtaining reimbursement for costs the Department of Defense (DoD) incurs in its role of providing Defense Support of Civil Authorities (DSCA) in accordance with existing laws and policies (see Addendum 1). DSCA refers to support provided by United States (U.S.) Federal military forces, DoD civilians, DoD contract personnel, DoD Component assets, and National Guard forces (when the Secretary of Defense (SecDef), in coordination with the Governors of the affected States, elects and requests to use those forces in Title 32 United States Code (U.S.C.) status). Typically, these elections are in response to requests for assistance from civil authorities for domestic emergencies, law enforcement support, and other domestic activities, or from qualifying entities for special events. (DoD Directive (DoDD) 3025.18).

190102. Authoritative Guidance

A. DoD has several primary missions, one of which is to defend the homeland and provide support to civil authorities (Sustaining U.S. Global Leadership: Priorities for 21st Century Defense, 2012). In some instances, national defense assets may be made available to support civil authorities for disasters, emergencies, or other incidents. DSCA is generally initiated by a request for DoD assistance from a Primary Agency (PA), such as the Federal Emergency Management Agency (FEMA). It is DoD policy that DSCA will be initiated by a request for DoD assistance from civil authorities or qualifying entities or is authorized by the President or SecDef. All requests for DSCA support, with the exception of Immediate Response Authority (IRA), will be written, and will include a commitment to reimburse DoD in accordance with the Stafford Act, Economy Act, or other authorities.

B. DoD may commit resources when approved by SecDef or when directed by the President. FEMA is responsible for coordinating Federal plans and programs for response to civil emergencies at the national and regional levels, and for Federal assistance to the States in civil emergencies. In accordance with the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Title 42 U.S.C. sections 5121-5207) (“Stafford Act”), in an emergency or major disaster, the President may direct any Federal agency, with or without reimbursement, to utilize its authorities and resources granted under Federal law in support of State and local emergency assistance and disaster response efforts. A request for assistance (RFA) is not valid until it is approved by SecDef. RFAs submitted by FEMA are also called mission assignments (MAs), although they do not have directive effect until approved by SecDef.
1902 GENERAL ACCOUNTING GUIDANCE

DSCA is provided on a cost reimbursable basis unless directed to be provided on a non-reimbursable basis by the President or SecDef or otherwise in accordance with the law. Requests for DSCA may be submitted in accordance with the Stafford Act or under non-Stafford Act conditions.

190201. Stafford Act

A. Under the Stafford Act, the President may direct SecDef to utilize DoD resources to help State and local governments respond to emergencies and major disasters. A Governor may request Federal assistance under the Stafford Act. Once this request is received and it is certified in accordance with conditions in the Stafford Act, the President may make an emergency or major disaster declaration.

B. The Stafford Act provides a system of emergency preparedness to protect life and property in the U.S. from hazards and to apportion responsibility for assistance in a disaster among the Federal Government, States, and their political subdivisions. FEMA is the primary Federal agency responsible for disaster relief efforts within the U.S. and administers assistance provided by the Stafford Act. Federal departments and agencies, including DoD, support FEMA when requested by FEMA. FEMA provides reimbursement for the assistance requested from disaster relief funds appropriated to FEMA for this purpose. Federal departments and agencies may seek reimbursement from FEMA for eligible costs incurred during the performance of the requested support.

190202. Non-Stafford Act

A. A Federal entity with primary responsibility and statutory authority for handling an incident (i.e., the requesting agency) that needs support or assistance beyond its normal operations may request Department of Homeland Security coordination and facilitation through the National Response Framework (NRF). Agencies providing disaster assistance under their own authorities independent of a Stafford Act declaration use their own appropriated mission funding. DoD may provide assistance to other Federal departments and agencies by executing inter-agency reimbursable agreements with the requesting agency and requesting reimbursement from the requesting agency for eligible expenditures. Generally, the requesting agency provides funding to DoD for the assistance requested consistent with the provisions of the Economy Act, unless other statutory authorities are available for this purpose.

B. In response to a request for assistance from a civil authority under imminently serious conditions where time does not permit approval from higher authority, Federal military commanders, Heads of DoD Components, and/or responsible DoD civilian officials may exercise immediate response authority in order to save lives, mitigate great property damage, and prevent human suffering. (DoDD 3025.18).
1903 APPLICABILITY

A. This policy applies to Office of the SecDef, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff (CJCS) and the Joint Staff (JS), the Combatant Commands, the Office of the Inspector General of the DoD, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (hereafter referred to collectively as “DoD Components.”)

B. This policy also applies to the Army National Guard and the Air National Guard (hereafter referred to collectively as the “National Guard”) personnel when under Federal command and control. Also applies to National Guard personnel when SecDef determines that it is appropriate to employ National Guard personnel in Title 32, U.S.C. status to fulfill a request for DSCA. SecDef requests the concurrence of the Governors of the affected States, and those Governors concur in the employment of National Guard personnel in such a status.

1904 SCOPE

A. This chapter promulgates DoD financial policy for emergency or disaster relief assistance when SecDef approves a request for assistance to provide DoD support to other Federal departments or agencies under DoDD 3025.18.

B. The Unified Command Plan assigns DSCA responsibilities to the Commander, U.S. Northern Command (USNORTHCOM), within the 48 contiguous states, the District of Columbia, Alaska, Puerto Rico, and the U.S. Virgin Islands; and to the Commander, U.S. Pacific Command (USPACOM), within Hawaii, U.S. territories or insular areas, and possessions in the USPACOM area of responsibility. Commanders of Combatant Commands (CCDRs) with DSCA responsibilities and their Combatant Commands are referred to as “supported CCDRs” or “supported Combatant Commands,” respectively, throughout this policy.

1905 DEFINITIONS

Unless otherwise noted, these terms and their definitions are for the purposes of Volume 11A, Chapter 19.

A. Defense Coordinating Officer (DCO). A DoD single point of contact for domestic emergencies. Assigned to a joint field office to process requirements for military support, forward MAs through proper channels, and assign military liaisons as appropriate to activated emergency support functions. (Joint Publication 1-06).

B. Defense Support of Civil Authorities (DSCA). Support provided by U.S. Federal military forces, DoD civilians, DoD contract personnel, DoD component assets, and National Guard forces (when SecDef, in coordination with the Governors of the affected States, elects and requests to use those forces in Title 32, U.S.C., status) in response to requests for assistance from civil authorities for domestic emergencies, law enforcement support, and other domestic activities, or from qualifying entities for special events. Also known as civil support. (DoDD 3025.18).
C. Emergency. Any incident, whether natural or manmade, that requires responsive action to protect life or property. Under the Stafford Act, an emergency means any occasion or instance for which, in the determination of the President, Federal assistance is needed to supplement State and local efforts and capabilities to save lives and to protect property and public health and safety, or to lessen or avert the threat of a catastrophe in any part of the U.S. (42 U.S.C. 5122).

D. Immediate Response Authority (IRA). A Federal military commander’s, DoD Component Head’s, and/or responsible DoD civilian official’s authority temporarily to employ resources under their control, subject to any supplemental direction provided by higher headquarters. Those resources are provided to save lives, prevent human suffering, or mitigate great property damage. This is typically in response to a request for assistance from a civil authority, under imminently serious conditions when time does not permit approval from a higher authority within the U.S. IRA does not permit actions that would subject civilians to the use of military power that is regulatory, prescriptive, proscriptive, or compulsory. (DoDD 3025.18).

E. National Response Framework (NRF). This framework provides the principles by which response partners are to apply when providing a unified national response to disasters and emergencies. It defines the key principles, roles, and structures by which communities, tribes, States, the Federal Government, and private-sector and nongovernmental partners apply these principles for a coordinated, effective national response. The NRF is always in effect, and can be implemented at any level at any time.

F. Mission Assignment (MA). The mechanism used by FEMA to support Federal operations in a Stafford Act major disaster or emergency declaration. The MA orders immediate, short-term emergency response assistance when an applicable State or local government is overwhelmed by the event and lacks the capability to perform, or contract for, the necessary work. (NRF).

G. Primary Agency (PA). This describes a Federal agency with significant authorities, roles, resources, or capabilities for a particular function within an Emergency Support Function (ESF). A Federal agency designated as an ESF PA serves as a Federal Executive agent under the Federal Coordinating Officer (or Federal Resource Coordinator for non-Stafford Act incidents) to accomplish the ESF mission. (NRF).

H. Principal Federal Official. In Homeland Security Presidential Directive (HSPD)-5 “Management of Domestic Incidents,” the President designated the Secretary of Homeland Security as the “principal Federal official” for domestic incident management and empowered the Secretary to coordinate Federal resources used in the prevention of, preparation for, response to, or recovery from terrorist attacks, major disasters, or other emergencies, except for law enforcement responsibilities otherwise reserved to the Attorney General under HSPD-5.
I. Reimbursable Budget Authority (RBA) (also called reimbursable obligation authority). Authority to incur obligations in accomplishing reimbursable work if a budgetary resource—either a reimbursable agreement from a Federal customer or an advance from a non-Federal customer—is also available. This authority can be acquired only by obtaining an allotment through the Federal Coordinating Officer (FCO) using an approved funding program process.

1906 RESPONSIBILITIES

Principal and supporting DoD participants in DSCA activities discussed throughout this chapter include, but are not limited to, SecDef; the Office of the Under Secretary of Defense for Policy (USD(P)), the Under Secretary of Defense (Comptroller) (USD(C)); CJCS; CCDRs; the JS; and DoD Components.

A. SecDef has overall authority for DoD and is the President’s principal advisor on matters concerning DSCA. SecDef retains approval authority for the use of forces, personnel, units, and equipment; has the primary responsibility within DoD to provide the overall policy and oversight for DSCA in the event of a domestic incident; and retains sole authority to waive reimbursement for DoD support.

B. The USD(C)/Chief Financial Officer (CFO) establishes policy and guidance to ensure timely reimbursement to DoD for reimbursable DSCA activities, accounting and logistics codes to track an operation’s costs, billing procedures for reimbursable support, and any other financial management (FM) instructions pertinent to the specific operation.

C. The Heads of the DoD Components direct Component compliance with FM guidance related to support provided for DSCA operations, including guidance related to tracking costs and seeking reimbursement; and plan, program, and budget for DSCA capabilities in accordance with law, policy, and assigned missions.

D. The Secretaries of the Military Departments direct that requests for reimbursement of actual DSCA expenditures (performance of work or services, payments to a contractor, or delivery from inventory) begin within 30 calendar days after the month in which performance occurred. Final billing invoices will be submitted to supported departments and agencies within 90 calendar days of the termination of the supported event.

E. The Chief, National Guard Bureau (CNGB), under the authority, direction, and control of SecDef and the Secretaries of the Army and Air Force, will report the use of National Guard assets for DSCA when using Federal resources, equipment, and/or funding to the National Joint Operations and Intelligence Center. CNGB will ensure that the National Guard appropriations are appropriately reimbursed for DSCA activities.

F. The Joint Staff identifies resources available for support in response to DSCA requests and issues execute orders (EXORDs) to the appropriate CCDR with DSCA responsibilities in order to implement SecDef approved actions.
G. The Assistant Secretary of Defense for Homeland Defense and Global Security (ASD(HD&GS)) serves as the principal civilian advisor to SecDef and the USD(P) on DSCA and coordinates DSCA policy with other Federal departments and agencies and the DoD Components as appropriate. The ASD(HD&GS) also recommends the establishment of DoD policy regarding DSCA to the USD(P). The ASD(HD&GS) will ensure all requests for DoD assistance include provisions for reimbursement to DoD Components for capabilities provided. ASD(HD&GS) will work with the USD(C), the JS, and the supported CCDR to ensure that DoD Components are reimbursed and will ensure that reimbursement is reported to SecDef at the completion of the support.

H. CCDRs with DSCA Responsibilities. In addition to the responsibilities in accordance with the Unified Command Plan, CCDRs with DSCA responsibilities will work closely with subordinate commands to ensure they are appropriately reimbursed for DSCA. CCDRs with DSCA responsibilities provide command and control of DoD personnel and resources in Title 10 U.S.C. status and coordinate DSCA operations when directed by SecDef. The supported CCDR will track the costs of support provided and ensure that the Military Departments and Services track costs and effect reimbursement.

I. During a DSCA event, a PA such as FEMA may request assistance from DoD that, when approved by SecDef, will be reimbursable under the appropriate authority, usually the Stafford Act for FEMA. The supported CCDR may provide assistance with the distribution, tracking, and management of RBA to performing DoD Component organizations. A CCDR may also task one of his or her Components or activate a Financial Management Augmentation Team (FMAT) to manage RBA and close out the funding actions when support is completed (see Addendum 1).

190601. Financial Management Augmentation Team (FMAT)

The supported CCDR may establish an FMAT to assist in executing FM duties during DSCA operations. FMAT membership consists of experienced FM subject matter experts from each Service and major Defense Agency. The supported CCDR, in his or her oversight role of conducting DSCA activities, may utilize elements of the FMAT to participate in real-world events. FMAT members serve as a channel of communications to their respective Services and Agencies, and help integrate the DSCA financial management processes into internal financial procedures and guidance. FMAT members also participate in training and exercises with the supported Combatant Command and, if activated by the supported CCDR, will deploy to assist in conducting DSCA FM tasks.

190602. Federal Emergency Management Agency (FEMA)

The Secretary of Homeland Security is the principal Federal official for domestic incident management. Under Section 507 of the Homeland Security Act of 2002, Public Law 107-296, as amended, FEMA’s Administrator is delegated responsibility for administering the Stafford Act’s Federal assistance programs. FEMA issues requests for assistance in the form of MAs (FEMA Form 010-0-8). MAs must contain appropriate information on funding and other managerial controls, such as funding obligation limits, for requested support.
190603. DSCA New Requests / Closure Certification

The PA uses a RFA or FEMA MA to request goods and/or services from DoD for DSCA under the Economy Act or Stafford Act. DSCA is ordinarily provided under an approved RFA on a cost reimbursable basis unless otherwise directed by the President or reimbursement is waived by SecDef; and is closed when the DCO submits a closure certificate (Addendum 2) to the PA.

190604. Immediate Response Authority Support

Support provided under immediate response authority should be provided on a cost reimbursable basis, where appropriate or legally required, but support should not be delayed or denied based on the inability or unwillingness of the requester to make a commitment to reimburse DoD. Oral requests for assistance in an emergency must be followed by a written request that includes an offer to reimburse DoD at the earliest available opportunity. Support provided under immediate response authority will end when the necessity giving rise to the response is no longer present or when the approving DoD official or a higher authority directs an end to the response. (DoDD 3025.18).

1907 FUNDING

Disaster relief participation is not a budgeted program for DoD. Congress appropriates the Disaster Relief Fund (DRF) for FEMA’s support to Federal and State Governments’ disaster relief efforts. The DRF is available for purposes of the Stafford Act. The Fund provides a no-year base against which FEMA can direct, coordinate, manage, and fund eligible response and recovery efforts that are associated with domestic major disasters and emergencies that overwhelm State resources. DoD Components may be required to fund the costs of DSCA initially within existing resources, with the understanding that additional operating expenses may be reimbursed by the requesting agencies. DRF funding for FEMA’s Stafford Act programs and disaster support activities falls into two categories: disaster relief cap adjustment and base/non-major disasters.

190701. Disaster Relief Cap Adjustment

Funding under the disaster relief cap adjustment is for major disasters declared pursuant to the Stafford Act and designated by the Congress as being for disaster relief pursuant to section 251(b)(2)(D) of the Balanced Budget Emergency Deficit Control Act (as amended by the Budget Control Act). As a general rule, costs DoD incurs above its normal mission (i.e., incremental costs) are reimbursable by FEMA out of funds provided for disaster relief in this category. DoD Components must have processes in place to identify and record incremental costs to facilitate reimbursement as discussed in DoD FMR, Volume 3, Chapter 8.
190702. Base/Non-Major Disasters

Funding under the base/non-major disasters category includes Emergencies, Pre-disaster Surge Support, Fire Management Assistance Grants, and activities that are non-disaster specific, such as Disaster Readiness Support activities (e.g., distribution center, reservist training). Pre-declaration requests for DoD support in response to disaster events are reimbursed to DoD on the basis of actual costs. Generally, the requesting agency provides funding for the incident consistent with the provisions of the Economy Act, unless other statutory authorities are available for this purpose. The funding is not cost shared. When an emergency requires a response on behalf of DoD where there has not been a declaration of major disaster, this category of funding is used to reimburse DoD for actual expenses (i.e., full costs) incurred.

190703. Other

DRF funding is not available for activities undertaken for incidents requiring a coordinated Federal response prior to the declaration of the disaster. A department or agency that needs support or assistance beyond its normal operations may request PA coordination and facilitation through the NRF. Federal departments and agencies may support each other by executing inter/intra-agency reimbursable agreements in accordance with the Economy Act as discussed in Volume 11A, Chapter 3, or other applicable authorities.

1908 REIMBURSEABLE SUPPORT (AGREEMENT)

FM units provide the same or similar capabilities during DSCA operations as for other operations. Authorities and funding are the main issues that affect DoD’s ability to respond and provide DSCA. Costs incurred during DSCA are reimbursable in accordance with the Economy Act and Stafford Act, unless otherwise directed by the President. Cost reimbursement for DSCA usually occurs under Title 31, U.S.C., section 1535 (commonly called the Economy Act), which mandates cost reimbursement by the Federal agency requesting support; or the Stafford Act, which sets the guidelines for reimbursements to Federal agencies and States from Federal funds set aside to support missions in response to a Presidential declaration. Components should seek reimbursement for any DSCA support provided under the Economy or Stafford Acts. DSCA support provided under immediate response authority to non-Federal agencies is reimbursed to the U.S. Treasury in accordance with Title 31, U.S.C. section 9701. DSCA support provided under immediate response authority to Federal agencies is reimbursed to DoD organizations in accordance with 31 U.S.C. 1535.

190801. Advances

Advance payments to DoD from the DRF are generally not authorized but may be necessary where DoD Components do not have sufficient funds remaining to provide the requested capability/support to the PA prior to end of the fiscal year.
190802. Expenditures Eligible for Reimbursement

*Title 44, Code of Federal Regulations, part 206.8* provides for reimbursement of costs DoD incurs in providing requested assistance. Under the Economy Act and Stafford Act, only SecDef has the authority to waive reimbursement. Examples of expenditures that may be eligible for reimbursement include:

A. Overtime, travel, and per diem of permanent Federal agency personnel.

B. Wages, travel, and per diem of temporary Federal agency personnel assigned solely for performance of services directed in the major disaster or emergency area.

C. Travel and per diem of Federal military personnel assigned solely for the performance of services directed in the major disaster or emergency area.

D. Cost of work, services, and materials procured under contract for the purposes of providing directed assistance.

E. Cost of materials, equipment, and supplies (including transportation, repair, and maintenance) from regular stocks used in providing directed assistance.

F. All costs incurred that are paid from trust, revolving, or other funds, and whose reimbursement is required by law.

G. Other costs submitted by DoD with written justification or otherwise agreed to in writing by the PA.

190803. Requirements for Reimbursement

DoD Components performing work under an approved RFA will submit requests for reimbursement as prescribed in SecDef-approved and USNORTHCOM standing DSCA EXORDs. (FEMA MAs must also comply with FEMA’s Mission Assignment Billing and Reimbursement Checklist.) Reimbursement requests will cite the specific approved RFA /MA under which the work was performed and the major disaster or emergency identification number.

A. Requests for reimbursement of costs incurred under more than one order may not be combined for billing purposes. Components requesting reimbursement will retain all financial records, supporting documents, statistical records, and other records pertinent to the provision of services or use of resources by the Department.

B. Reimbursement requests must be reviewed by a Component official familiar with the original approved RFA so that chargebacks resulting from reimbursement requests that are not within the scope of the original request are properly adjusted.
C. When deployed to the supported Combatant Command in response to an approved RFA, all units must report financial management information to the supported Combatant Command, or its designee, until the order is closed; regardless of when the unit redeployed from the supported Combatant Command. The approved RFA is closed when the DCO submits a closure certificate to the PA (see Addendum 1).

190804. Supporting Documentation

Approved RFA (or MA) requests for reimbursement must include supporting documentation.

A. Each Component is responsible for maintaining supporting documentation for all obligations and outlays and other costs incurred (see paragraph 190903.A.), including:

1. Copy of approved RFA form and identification of order number on other documentation;

2. Breakdown of costs by sub-object class code (see OMB Circular A-11) and cost breakdown structure (CBS) code (see Volume 2A, Chapter 3)

3. Description of services performed;

4. Period of Performance;

5. Personnel Services:
   a. Regular or overtime labor with breakdown of hours;
   b. Indirect cost (percentage, description of costs included in cost pool);

6. Travel/Per Diem and Transportation;

7. Contract Services (contract number, name, cost, purpose);

8. Property/Equipment Purchase, provide the following information:
   a. Expendable Property, separate identification not required;
   b. Non-expendable property or sensitive items, separate identification is required, including description of item, vendor name, unit cost, and serial number or other unique identification; and
   c. Verification of disposition for items listed in subparagraph 190804.A.8.b.
B. Records Retention. Volume 1, Chapter 9 provides document retention requirements applicable to Federal entities in the Title 44, United States Code and the National Archives and Records Administration General Records Schedule 6. The DoD has also developed supplementary guidance in DoD Directive 5015.2, “DoD Records Management Program” and Volume 1, Chapter 9. DoD Components will comply with their own Records Management policies. Questions regarding records retention shall be directed to each Component’s DoD appointed Federal Records Officer (Federal Records Officers).

C. Citing the Appropriation. DoD Components receiving reimbursement from the PA for goods and services furnished under the provisions of the Stafford Act are to credit such funds to the appropriation used to make such expenditures that are available for obligation on the date of the reimbursement. Each DoD Component involved in DSCA has a responsibility to:

1. Maintain documentation to support requests for reimbursement;

2. Identify a staff-level point of contact for financial coordination with the PA and identify a headquarters-level point of contact for billing and reimbursement issues that cannot be resolved at the staff level;

3. Notify the requesting activity (e.g., FEMA) when a task is completed;

4. Apply proper financial principles, policies, regulations, and management and internal controls to ensure full accountability for the expenditure of DRF funds;

5. Submit partial or final reimbursement as soon as possible after completing a task;

6. Submit annual validation of open obligations by providing cost data or other justification to show the amount of the obligation balance that must remain available, and why the approved RFA must remain open, or risk losing reimbursable authority due to the possible de-obligation of funds;

7. Reconcile obligation balances and identify excess funds available for de-obligation in an effort to return funds to the DRF in a timely manner;

8. Mark all final bills "Final".
1909  CLOSURE

Components shall perform approved RFA closeout procedures and if the closeout procedures reveal excess reimbursable funding authority, advise the PA to deobligate any excess funding authority to DoD. DoD Components will submit a closure package (Addendum 2) to the supported Combatant Command that includes a memorandum signed by a general/flag officer or senior executive service member, certifying that all authorized reimbursable costs have been fully billed and collected and there are no known outstanding financial issues identified by the Federal agency. Heads of DoD Components are responsible for reporting accurate costs associated with DSCA on both a daily and monthly basis.
Addendum 1 - Generalized Financial Flow - Notional
Combatant Command with DSCA Responsibility
USNORTHCOM\(^1\)

\(^1\) Source: USNORTHCOM “Financial Management Operations During Defense Support of Civil Authorities”
Addendum 2 – Reimbursable Authority Closure Certification (Completed by Unit)

<table>
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<tr>
<th>PART I: IDENTIFYING INFORMATION</th>
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<tr>
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<td>Total Disbursements: $ __________</td>
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<td>Total Billed to Agency: $ __________</td>
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<tr>
<td>Total Collected from Agency: $ __________</td>
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**Closure Certification**

The above identified obligations and disbursement reflect all known and expected transactions applicable to the D-RAD reimbursable authority referred above. There are no outstanding commitments or billing related to this reimbursable authority. I understand that no additional reimbursable authority will be provided.

Financial POC (Printed Name and Signature):

E-mail address:

Phone (DSN): Comm:  Fax (DSN): Comm:

Comments / Updated:

FMAT Action

Date Received

Date Forwarded to DCO:
REFERENCE HYPERLINKS

a. Title 44, Code of Federal Regulations, part 206.8, “Reimbursement of Other Federal Agencies,” [http://www.ecfr.gov/cgi-bin/text-idx?SID=5bbfd21f1d699f2ec5108d7b396c4b0c&node=se44.1.206_18&rgn=div8](http://www.ecfr.gov/cgi-bin/text-idx?SID=5bbfd21f1d699f2ec5108d7b396c4b0c&node=se44.1.206_18&rgn=div8)


VOLUME 11B, CHAPTER 1: “DEFENSE WORKING CAPITAL FUNDS GENERAL POLICIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2013 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>010101 – 010102</td>
<td>Added a “Purpose” paragraph, and an “Authoritative Guidance” paragraph to better align the chapter with the formatting guidelines established in the standard operating procedures.</td>
<td>Addition</td>
</tr>
<tr>
<td>010201</td>
<td>Updated the U.S. Department of the Treasury Account Fund Symbols in accordance with the most recently updated Federal Account Symbols and Titles Book.</td>
<td>Revision</td>
</tr>
<tr>
<td>010206</td>
<td>Updated the sources of budgetary resources to better align the paragraph with guidance found in the Office of Management and Budget (OMB) Circular A-11.</td>
<td>Revision</td>
</tr>
<tr>
<td>010301.J</td>
<td>Added an additional responsibility under the Under Secretary of Defense (Comptroller) responsibilities related to exercising funds control as prescribed by OMB, Congress, and DoD policy.</td>
<td>Addition</td>
</tr>
<tr>
<td>010304</td>
<td>Changed Deputy Under Secretary of Defense (Acquisition, Technology and Logistics) to Deputy Under Secretary of Defense (Acquisition and Sustainment) in accordance with Public Law 114 – 328, effective February 1, 2018.</td>
<td>Revision</td>
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CHAPTER 1

DEFENSE WORKING CAPITAL FUNDS GENERAL POLICIES

0101 GENERAL

*010101. Purpose

The purpose of this chapter is to provide financial management policy for Defense Working Capital Funds (DWCF). Guidance includes the responsibilities of management and their roles surrounding the maintenance of a unit’s funds.

*010102. Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:


B. 10 U.S.C. § 2563, “Articles and Services of Industrial Facilities: Sale to Persons outside the Department of Defense”;

C. 10 U.S.C. § 7543, “Army Industrial Facilities: Sales of Manufactured articles or services outside Department of Defense”;


F. Department of Defense Directive (DoDD) 4275.5, “Acquisition and Management of Industrial Resources”;

G. Office of Management and Budget (OMB) Circular A-11, “Preparation, Submission and Execution of the Budget.”

0102 DWCF REQUIREMENTS

*010201. Treasury Fund Symbol

The DWCF are established under the authority of 10 U.S.C. § 2208. The U.S. Department of the Treasury (Treasury) Account Symbol for the DWCF is 097X4930. The Military Departments and Defense Agencies subnumbered account identifiers assigned are shown in Table 1.1. The Defense Counterintelligence and Security Agency WCF, Treasury account 097X4932, is also established under 10 U.S.C. 2208 authority.
Table 1.1. DoD Component Account Identifiers

<table>
<thead>
<tr>
<th>DoD Component</th>
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<td>Army</td>
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<tr>
<td>Defense Counterintelligence and Security Agency</td>
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</table>

010202. Activity Groups

The DWCF consists of individual activity groups that are managed by DoD Components for providing goods and services, on a reimbursable basis, to other activities within the DoD and to non-DoD activities when authorized.

010203. Charters

The DoD Component individual activity groups financed through the DWCF must be chartered under the DWCF to achieve the following objectives:

A. The DWCF is designed to:

1. Create a cost conscious environment for both customers and providers. Customers benefit by becoming aware of the cost of their service requirements and behaviors, deriving cost savings by limiting demands to actual requirements and adjusting behaviors to reduce the cost of providing services. Providers scrupulously reduce or eliminate costs to provide services, and assist customers in identifying and modifying behaviors that increase cost.

2. Provide a more effective means for controlling the costs of goods and services required, produced, or furnished by DWCF activities, and a more effective and flexible means for financing, budgeting, and accounting for the costs thereof.

3. Create and recognize contractual relationships between DWCF activities and those activities that budget for and order the end-products or services.

4. Provide managers of DWCF activities the financial authority and flexibility required to procure and effectively use manpower, materials, and other resources.

5. Encourage more cross-servicing among the DoD Components and among their operating agencies, with the aim of obtaining more economical use of facilities.

6. Facilitate budgeting for and reporting of the costs of end-products. This will underline the cost consequences of choosing between alternatives.
B. Specific objectives include the following:

1. Instill in the officials of ordering Agencies a greater sense of responsibility and self-restraint in balancing the costs of specific goods and services to be ordered against the benefits and advantages of their procurement, especially in the light of alternative or competing demands.

2. Place ordering agencies in the position of critically evaluating purchase prices (that is, costs of performing activities) as well as quality and delivery-speed of goods and services ordered.

3. Enable ordering agencies to budget and account on an “end-product” basis (the same as when buying from commercial contractors), thereby simplifying budget presentations, budgetary control, and accounting procedures for both producers and ordering agencies.

4. Encourage ordering agencies’ management to improve program planning and scheduling in response to producers’ efforts to plan and negotiate for orders as far in advance as feasible.

5. Establish, whenever feasible, standard prices or stabilized rates and unit prices for goods and services furnished by DWCF activities, thus enabling ordering Agencies to more confidently plan and budget.

6. Furnish managers of DWCF activities with modern management tools comparable to those utilized by efficient private enterprises engaged in similar types of activities.

7. Improve cost estimating and cost control through comparison of estimates and actual costs.

8. Obtain alert, forward-looking financial planning at DWCF activities by making them financially dependent on reimbursements received for goods and services furnished in fulfilling orders from customers.

9. Encourage producers of goods and services to coordinate labor forces and inventories with workload, budgeting, and cost control.

10. Provide flexibility within budget cycles to changes in supply and demand.

C. A charter must be prepared in accordance with Chapter 2 and submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Program/Budget, Director of Operations for approval. Before charter preparation, ensure that the proposed business entity meets the criteria established as described in Chapter 2, paragraph 020202. Each DWCF business
entity must review its charter annually to assure it remains current. Changes must be prepared and submitted to the OUSD(C) Director of Operations for approval.

010204. Financing

A. The DWCF receives its initial working capital through an appropriation or a transfer of resources from existing appropriations of funds and uses those capital resources to finance the initial cost of products or services.

B. Financial resources to replenish the initial working capital and to permit continuing operations are generated by the acceptance of customer orders. After initial capitalization, a DWCF activity’s operations are funded by the reimbursements it receives from its customers for the goods or services provided.

C. Customers may not place orders with DWCF activities for the purpose of extending the life of their appropriations or avoiding any statutory limitation or restrictions pertaining to those funds. Additional guidance applicable to all working capital funds can be found in Volume 3, Chapter 19.

D. Amounts earned by the DWCF are available for financing obligations without fiscal year limitation, although DWCF activity obligation authority is dependent on receipt of contract authority, and/or cost authority provided by the receipt of customer orders as documented in the DWCF activity annual operating budget.

1. The Supply Management activity groups and the Capital Investment Program receive contract authority. Contract authority permits obligations to be incurred in advance of appropriations or in anticipation of receipts from customers, but in accordance with an apportionment, allotment, or other limiting authority.

2. Other than the Supply Management activity groups and the Capital Investment Program, all other DWCF obligations must be supported by budgetary resources that are immediately available for outlay even though the outlay may not occur until a future date.

010205. Authorized Customers

Customers of the DWCF activity may be:

A. Any DoD command, organization, office, or other element.

B. Non-DoD federal government agencies.

C. Private parties and concerns when authorized by law including foreign governments, and state and local governments.

D. Those U.S. manufacturers, assemblers, or developers authorized by 10 U.S.C. § 2208(h) and in accordance with 10 U.S.C. §§ 2563 and 7543.
*010206. Sources of Budgetary Resources

When an activity receives budgetary resources from more than one source (spending authority from offsetting collections, direct appropriation, contract authority), the receiving activity must maintain records that will enable it to control and separately report the transactions relating to each type of source (in accordance with OMB Circular A-11). Budgetary resources may be received at any level of an organization from the individual activity up to the Departmental level.

010207. Annual Operating Budgets

Annual operating budgets for the DWCF provide official management cost goals to the Military Services and Defense Agencies for each individual activity group. The annual budget consists of two primary parts—the operating budget and the capital budget. The operating budget represents the annual operating costs of an activity or Component, including depreciation and amortization expenses. The capital budget represents the amount of financial resources that are authorized for use in the acquisition of capital assets. Volume 2B, Chapter 9 and Volume 3, Chapter 19 provides additional details on the annual operating budgets for the DWCF.

010208. Customer Orders

Customer orders (funded requests for goods or services) provide budgetary resources necessary to finance operations for non-supply management activities, and to liquidate contract authority for supply management activities. Budgetary resources are recognized from anticipated customer orders that obligate budgetary resources of another federal government activity, and from cash advances from non-federal customers, to include orders from non-appropriated fund instrumentalities. To be valid, customer orders must be obligations of a federal government activity and cash advances from nonfederal customers. Cash advances may also be requested from federal government activities when directed and approved in advance by the OUSD(C). When accepted, customer orders create a quasi binding contractual relationship between a DWCF activity and its customer since acceptance of a customer order requires that the performing entity agree in writing to perform the work for the customer entity. Except as authorized in Chapter 11, a DWCF business entity must not initiate work or services or incur obligations in excess of anticipated orders received unless specific authorization is provided by a signed annual operating budget approved by the Director of Operations, to ensure other budgetary resources are available at the DWCF sub-account level. Customers may request a deobligation of their funds for goods or services ordered that were not provided. Return of customer funds is permissible only if the DWCF activity has not commenced work on the good or service ordered or incurred an obligation for those goods or services.

010209. Stabilized Rates and Prices

The DWCF individual activity groups operate on a break-even basis in accordance with budgetary guidance contained in Volume 2A and Volume 2B. Rates are required to be established during the budget process at levels estimated to recover the budgeted costs of goods or services to be provided including all general and administrative overhead costs, prior period gains and losses,
and applicable surcharges. The budget process ensures that adequate resources are requested in the customers’ fund accounts to pay the established rates and prices. Specific budget formulation requirements are contained in Volume 2B, Chapter 9.

**010210. Restrictions on Use of Customer Appropriations**

A. Customers must comply with statutory limitations and restrictions imposed on the appropriated funds charged when placing an order with the DWCF. A DWCF customer cannot use appropriated funds to do indirectly (i.e., through placement of an order with a DWCF activity) that which it is not permitted to do directly. Thus, the availability of an appropriation funding an order cannot be expanded or changed by placement with an activity financed by the DWCF.

B. Appropriated funds cited on reimbursable orders are available only for the purposes permissible under the source appropriation and remain subject to the same restrictions. The ordering activity retains primary responsibility for determining the applicability of the appropriated funds cited on the order. However, if instances arise when it is apparent that the ordering appropriation is not appropriate for the purpose provided, then the DWCF activity should return the order with a request for an applicable appropriation to cite.

**010211. Financial Reporting**

Under the provisions of 31 U.S.C § 3515 and 10 U.S.C 2208(n), the Department is required to have audited financial statements covering all accounts and associated activities of the Department. The DWCF financial information will be included in DoD’s Annual Financial Report. Specific financial statement reporting requirements are contained in OMB Circular A-136, “Financial Reporting Requirements.” Volume 6B also identifies recurring reporting requirements applicable to the DWCF.

**010212. Mobilization Capability**

Each DWCF activity group must plan for and maintain the capability to expand or alter operations, or to provide extraordinary supply or other functional area support necessary, to meet an operational contingency as documented in Defense Planning Guidance or operational plans. All costs at individual activities within the DWCF related to maintaining a capacity to meet mobilization requirements will be reimbursed by funds that are from direct appropriations and will not be financed through customer rates. Volume 2B, Chapter 9 provides specific guidance for the types of mobilization costs that can be funded by a direct appropriation.
B. Provide oversight on all financial management activities relative to the operations of the DWCF.

C. Authorize or approve DWCF Charters of specific activities to be included in the DWCF and the terms under which such activities must be operated.

D. Rescind the DWCF Charters of specific activities that no longer meet DWCF criteria or that may be operated more efficiently under other financing.

E. Establish all necessary budget preparation, accounting, and reporting policies.

F. Review and approve operating and capital budgets, and monitor and analyze budget execution.

G. Provide DWCF operations oversight through budget execution reviews.

H. Advise DWCF managers on accounting and reporting policies.

I. Monitor compliance with this guidance and other policy issuances through analysis of reports, audits, and reviews of business entity operations.

* J. Exercise funds control responsibilities in accordance with congressional direction, OMB guidance, and DoD policy.

010302. Director, Defense Finance and Accounting Service (DFAS)

A. Advise and assist the USD(C) in the development of requirements, systems, and procedures to comply with statutory and regulatory requirements.

B. Advise DWCF activities on the accounting and reporting procedures.

C. Issue supplementary instructions to guidance contained within this Regulation for unique requirements within the DoD Components and to provide detailed operating instructions.

D. Review DWCF accounting systems for compliance with established financial systems requirements.

E. Prepare external and internal accounting reports for the DWCF.

010303. Military Department Secretaries and Defense Agency Directors

A. Manage DWCF activities within approved funding limitations.
B. Designate a management agency or command to be responsible for effective management of each DWCF activity.

C. Comply with, and recommend changes to, this and other governing regulations.

D. Provide periodic financial and management information as required by the USD(C).

E. Submit to the USD(C) proposed Charters authorizing new DWCF activities or rescinding Charters of existing DWCF activities.

*010304. DWCF Activity Management Agency or Command

A. Budget and provide appropriated funds for the costs of maintaining unutilized plant and facilities being held for mobilization purposes at DWCF activities. Mobilization maintenance costs for unutilized plant and facilities include costs of labor, materials, contractual services, and overhead that were incurred for that purpose. Retention of facilities in excess of those necessary for current or planned workload must be in accordance with DoDD 4275.5, “Acquisition and Management of Industrial Resources.” The acquisition, retention, or disposal of unutilized plants and facilities at transportation activities must be approved by the Deputy Under Secretary of Defense (Acquisition and Sustainment).

B. Assign responsibility and authority to designated officials for management and operation of DWCF activities.

C. Assure that all DWCF activities operate within approved funding limitations.

D. Evaluate the operation of DWCF activities to determine compliance with established requirements.

E. Initiate change, as needed, to the charter of the DWCF activities.

010305. Individual DWCF Activity Management

A. Incur obligations and costs as necessary and allowable to perform the activity mission.

B. Control performance costs in line with the annual budget approved by the USD(C).

C. Evaluate the operation of DWCF activities to determine compliance with established requirements.
D. Identify to higher management any impediments in achieving performance and cost goals.

E. Identify and justify to higher management investments that will produce future improvements in effectiveness and efficiency.

F. Establish, monitor and assess internal controls and resolve internal control weaknesses.

010306. DWCF Activity Customers

A. Budget for the cost of material, work, and services ordered from a DWCF activity.

B. Manage budgetary resources provided in annual operating budget for the cost of material, work, and services ordered from DWCF activities.

C. Notify the DWCF Activity Management as early as possible if it wishes to terminate a previously ordered service. The customer is liable for funding all costs incurred with service delivery until termination.

0104 ACCOUNTING STANDARDS

The DWCF will adhere to the accounting standards hierarchy in Volume 1, Chapter 2.

0105 DWCF SYSTEMS AND CONTROL

010501. DWCF Financial Management Systems

A. Transactions are executed in accordance with budgetary and financial standards and requirements issued by OMB and Treasury, consistent with the purposes authorized, and are reported in accordance with the Federal Accounting Standards Advisory Board, Statements of Federal Financial Accounting Standards.

B. Assets are properly safeguarded to deter fraud, waste and abuse.

C. Performance measurement information is adequately supported.

010502. DWCF Accounting Systems

DWCF accounting systems must have the capability to account for the status of budgetary resources on a continuous basis. Budgetary controls must be designed to prevent incurring obligations in excess of budgetary resources. System owners must ensure compliance with each new Standard Financial Information Structure matrix that is updated based on guidance released from Treasury.
010503. Legacy Systems

DoD Components will continue to bear the cost of their legacy system until they have fully transitioned to the emerging/migratory system. However, if the Component has not fully transitioned from the legacy system to the emerging/migratory system due to a DFAS related implementation problem, then the customer bears no direct cost for the legacy system. The costs for the legacy system that DFAS cannot abolish will go into the DFAS customer rates as part of overhead costs. See Figure 1-1.

A. If the customer has fully transitioned from the legacy system to the emerging/migratory system, then that customer bears no direct cost for the legacy system. However, the costs for a legacy system that DFAS cannot abolish will go into the DFAS customer rates as part of overhead costs.

B. If the customer has not fully transitioned from the legacy system to the emerging/migratory system but the customer is running the systems parallel for testing purposes, to include running the legacy system for prior year data not transitioned, then that customer bears a cost for both systems until the customer fully transitions to the emerging/migratory system.

C. If the customer has not transitioned from the legacy system to the emerging/migratory system because of DoD Component related implementation problems, then that customer will bear the cost for the legacy system even if they are the last DoD Component on the legacy system.

D. If the customer has not transitioned from the legacy system to the emerging/migratory system due to a DFAS related implementation problem, then that customer bears no direct cost for the legacy system. The costs for a legacy system that DFAS cannot abolish will go into the DFAS customer rates as a part of overhead costs.

E. The customer must be fully transitioned from the legacy system to the emerging/migratory system before the beginning of a new fiscal year. It is not appropriate to change allocation of legacy costs between customers in the year of execution.

F. When all customers have transitioned to the emerging/migratory system and DFAS is able to abolish the legacy system, the system’s residual undepreciated value will be charged to the DFAS Accumulated Operating Result.

0106 FUNDS MANAGEMENT

Financial resources establishing a DWCF must be appropriated. Continuing operations are generated by reimbursements received. Anticipated reimbursements and anticipated customers’ orders are not considered a budgetary resource. Obligations incurred (Undelivered Orders – Obligations, unpaid or Prepaid/Advanced and Delivered Orders – Obligations, paid or unpaid) are claims against budgetary resources. A sufficient fund balance with the Treasury must support all DWCF cash outlays. Refer to Volume 3, Chapter 19 for further guidance on funds management.
0107 GENERAL LEDGER ACCOUNTS

All DWCF activities must adhere to the United States Standard General Ledger (USSGL) published by the Treasury Bureau of the Fiscal Service. The USSGL Standard Financial Information Structure Transaction Library provides a decomposition of USSGL accounting transactions for DoD. See Volume 1, Chapter 7 for further details.

0108 AUDITING

Under 31 U.S.C. § 3515, the DoD activities, of which a DWCF is considered a component, are required to prepare audited financial statements. While preparing for and undergoing audit, DWCF activities must be able to provide documentation that must be of sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for recorded amounts. The DWCF is subject to audit by the DoD Inspector General, the Government Accountability Office, and other parties when contracted or otherwise authorized.
Figure 1-1. Legacy System Funding Decision Diagram

Legacy System Funding Decision Diagram

Start

Has customer fully transitioned to the Emerging or Migratory system?

Y

Is the customer running systems in parallel for testing purposes, or running the Legacy system for Prior Year data not transitioned?

Y

Customer bears costs for both systems until they fully transition to the Emerging/Migratory system.

N

Is the customer running the Legacy system because of a Component-related implementation problem?

Y

Customer bears no cost for the Legacy system.

N

Is there a DFAS-related implementation problem?

Y

Customer bears no direct cost for the Legacy system; the system costs will be shared by all customers through the DFAS Cost Recovery Rate.

N

Customer bears cost for the Legacy system (even if they are the last Component on the Legacy system).

N

Customer bears no cost for the Legacy system.
VOLUME 11B, CHAPTER 2: “ESTABLISHMENT OF DEFENSE WORKING CAPITAL FUND ACTIVITIES, TRANSFER OF FUND FUNCTIONS AND CLOSURE OF FUNDS ACTIVITIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2010 is archived.

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<td>Added a General section to comply with Department of Defense Financial Management Regulation Revision Standard Operating Procedures to include a new Authoritative Guidance paragraph.</td>
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<td>020506</td>
<td>Updated the process for reporting real property transfers to align with guidance in Volume 4, Chapter 24, “Real Property.”</td>
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<td>Updated reporting process for disposition of Plant, Property and Equipment to align with guidance in the Volume 4, Chapter 24.</td>
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CHAPTER 2

ESTABLISHMENT OF DEFENSE WORKING CAPITAL FUND ACTIVITIES, TRANSFER OF FUND FUNCTIONS AND CLOSURE OF FUND ACTIVITIES

*0201 GENERAL

020101. Purpose

This chapter prescribes requirements for the chartering of Defense Working Capital Fund (DWCF) activities. This chapter also provides requirements for transfer of fund functions and closure of fund activities.

020102. Authoritative Guidance

Title 10, United States Code, section 2208 (10 U.S.C. § 2208) authorizes the Department of Defense (DoD) to establish DWCFs to finance inventories of supplies and provide working capital for industrial and commercial-type activities. The accounting policies and related requirements prescribed by this chapter are in accordance with:

A. 10 U.S.C. § 2687, “Base closures and realignments,” also known as Base Realignments and Closures (BRAC);

B. Office of Management and Budget (OMB) Circular A-11;

C. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 3, “Accounting for Inventory and Related Property;”

D. FASAB SFFAS 6, “Accounting for Property, Plant and Equipment;” and


0202 ESTABLISHMENT OF DWCF ACTIVITIES

020201. Submission of Charter

Prior to the financing of an activity under the DWCF, a proposed charter must be submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Program/Budget (P/B) Operations Directorate for approval.

020202. Criteria for a DWCF Activity

In order for a Service or DoD agency organization, program, or function to be considered for inclusion in the DWCF it must meet all of the following criteria:
A. Materials produced or services provided are shared or required by a group of customers or are common requirements of more than one major command, and/or DoD Component.

B. A cost accounting system is available that is capable of collecting costs of producing outputs. The activity must have the capability to charge prices or rates that are capable of recovering the full funded costs of the provided goods and services in accordance with Chapter 1. For additional information on general cost concepts refer to Volume 4, Chapter 19.

C. Activities that require and order products or services (i.e., customers) can be identified so that resources can be aligned in the account of the customer with the requirement. The demand for the goods or services to be provided by the program or organization must come from multiple customers within DoD and/or other federal government entities.

D. Identification of a buyer-seller relationship to the extent that the buyer can influence cost, workload, and the buyer has alternative sources that can provide the products or services. Operation of the program or organization as a DWCF business area should result in a better identification of the full cost of operations and may also result in better quality goods/services and/or result in decreased costs to the federal government.

0203 DWCF CHARTER REQUIREMENTS

020301. Charter Format

The DWCF charter format is included in Annex 1. Charter provisions are applicable to each DoD Component activity group included within the DWCF. The charter must describe the mission of the Component by activity group. Before charter preparation, actions must be taken to ensure that the proposed business entity meets the criteria listed in paragraph 020202. Activities must document these criteria as it applies to all proposals for new DWCF business entities, as well as, the addition of new lines of business within existing DWCF business entities.

020302. Charter Contents

Each charter must include the following as a minimum:

A. Statutory authority that authorizes the establishment of a DWCF activity or activity group.

B. Brief description of the mission of the activity or activities and nature of its products or services.

C. Designation of the organization (Management Command) directly below the departmental-level that has authority over the management of the DWCF activity group. Additionally, the charter must state whether the Management Command is funded from the DWCF.
D. Name and location of the activity or activities to be operated under the charter.

E. Statement of any policy exceptions specifically authorized for the fund’s activity group or any activity included within the fund’s activity group.

F. Cancellation of any previously approved charter(s), if applicable.

020303. Charter Support

Documentation supporting the charter application of an activity requesting entry into the DWCF must include:

A. Explanation of how the proposed DWCF activity meets the minimum criteria identified in paragraph 020202 and any additional OUSD(C) requirements for the specific activity or activities.

B. Justification of any exception to the provisions in Chapter 1.

020304. Amendment or Cancellation of Charters

Requests for cancellations or amendments of existing charters must be forwarded to the OUSD(C), P/B Operations Directorate for approval and supported by the following information:

A. Justification for the proposed action that may consist of copies of supporting evaluations or studies.

B. Information as to the disposition of assets and liquidation of liabilities, as necessary.

020305. Annual Charter Review

The DoD Components must review DWCF operations each fiscal year to ensure that the charters are current. Any required changes must be submitted to the OUSD(C), P/B Operations Directorate in accordance with paragraph 020304.

0204 COMMENCEMENT OF DWCF OPERATIONS

Upon charter approval and commencement of DWCF operations, financial control over initial appropriations, assets, liabilities, and capital must be established in accordance with the following guidance:
020401. Initial Appropriation and/or Reappropriation

A. Before a DWCF activity can begin operations, it needs fiscal resources. To begin initial operations, a DWCF business entity is provided necessary capital either by a nonexpenditure transfers from another DWCF or appropriation, following congressional notification required by 10 U.S.C § 2208(r); or Congress may appropriate initial capital in response to a request in the President’s budget submission to Congress. The latter is necessary when the level of anticipated cash available is estimated to be insufficient during the initial fiscal year of operations. Appropriations made available to commence operation of a DWCF entity remain available for obligation without fiscal year limitation for their specified purpose until expended or withdrawn.

B. A reappropriation to a DWCF activity is statutory authority to restore or extend the obligational availability of all or part of the unobligated balance of budget authority that has expired or would otherwise expire in an annual or multiple-year appropriation. Typical budgetary and proprietary accounting entries applicable to receipt and distribution of appropriations and reappropriations are illustrated in Volume 3, Chapter 13. The accounts established for use by departmental-level accounting entities are outlined in the DoD United States Standard General Ledger (USSGL) Transaction Library located on the Standard Financial Information Structure (SFIS) web page. For additional information regarding DWCF distribution of budgetary authority, refer to guidance issued by the OUSD(C), Deputy Chief Financial Officer, “Accounting for Internal Distribution of Budgetary Authority—Defense Working Capital Fund,” (DoD Common Access Card is required to access the link).

020402. Initial Assets and Liabilities

A. To commence operations, working capital may be provided by a nonexpenditure transfer of fund balances from another appropriation or federal (general) fund account to the DWCF account. Volume 3, Chapter 13 contains information about nonexpenditure transfers.

B. Personnel assigned from an appropriated fund activity to a DWCF activity are accompanied by a liability for accrued earnings and annual leave earned by those employees prior to their transfer. Payment in the form of cash or other equivalent assets such as inventories or equipment must be made to the receiving DWCF activity for the liabilities assumed.

C. Assets provided from other appropriations or funds to commence operations of a DWCF activity must be recorded as Financing Sources Transferred in Without Reimbursement. The DWCF must record a liability for an item transferred from a non-DWCF account only when the item is undelivered at the time of the transfer and the obligation for the item on the books of the organization from which the item was transferred resulted from a reimbursable order from a customer. Otherwise, bills for assets on order at the time of the transfer to the DWCF must be paid by the appropriation or fund originally ordering the item. This is appropriate since the original appropriation or fund ordering the item was funded through the budget process to procure the item.
D. Depreciation of capital assets that are transferred into a DWCF activity without reimbursement and with no pre-existing depreciation schedules or accumulated depreciation, must be calculated based on the net value (original acquisition cost less calculated accumulated depreciation) plus any associated costs for transportation, installation, and other related costs necessary to put the asset into operational use. For additional information on accounting for general Property, Plant, and Equipment (PP&E), refer to Volume 4, Chapter 25, “General Equipment.”

E. At the time of initial capitalization, Financing Sources Transferred In Without Reimbursement must equal the value of all assets excluding the nonexpenditure transfer of U.S. Department of the Treasury (Treasury) fund balances from other appropriations, plus the initial appropriation transferred to the activity without reimbursement or assumption of liability by the DWCF, less the sum of the obligations transferred to the activity for which DWCF resources are liable for future disbursement.

0205 TRANSFER OF DWCF FUNCTIONS

020501. Transfer Actions

The general actions and related procedures in paragraphs 020502 through 020508 must be followed when transferring all or a portion of the functions from a DWCF activity to another DWCF activity or to an appropriation funded activity. Specific actions and procedures are usually necessary to accommodate unique circumstances of the transferring activities.

020502. Functions to be Transferred

In the case of a partial transfer of functions, specific negotiations must take place between the affected organizations to identify specific functions that are to be transferred, the effective date(s) of transfer, and the disposition of functions not transferred. Action must be taken to ensure that valid requirements are funded by the activity having the requirement. Follow-on negotiations should identify and remedy any initial oversight and specific directions should be provided once these follow-on actions are complete. All actions taken must be consistent with the negotiated agreements. Pending final negotiations, all excluded functions must remain with the current organization.

020503. Physical, Financial, and Personnel Resources

The organizations involved must identify resources to be transferred incident to the functional transfer. Follow-on actions must identify resources not recognized in the original negotiations, and specific directions must be provided commensurate with finalized agreements. All actions taken must be consistent with negotiated agreements.
020504. Interim Funding

If an interim funding method is to be used to fund the transfer, pending resolution of other issues, the organizations involved will determine the method and intended duration of the interim funding. Funding provided by a locally established order should not exceed 30 days.

020505. Budgetary Accounts

A. There should not be an automatic transfer of budgetary account balances from the losing activity to the gaining activity. Where items included in an existing obligation or order are for continuing services or other requirements of the transferred entity, an agreement must be negotiated between the losing and gaining activities. This agreement must specify whether accountability will remain identified to the losing activity, or if documents will be modified to reflect the gaining fund cite and paying office. In instances where accountability remains identified to the losing activity, a reimbursable support agreement must be negotiated, and accounting support must continue to be provided by the losing activity and paid for by the gaining activity. For more information regarding support agreements, refer to DoD Instruction (DoDI) 4000.19, “Support Agreements.”

B. All actions relating to the fiduciary aspects of the transfer will be captured and monitored as part of the overall transfer plan. A senior financial official from the organizations involved and the servicing DFAS site will be identified and accountable for ensuring the integrity of the post transfer financial balances. Specific action items will be identified in the transfer plans to ensure that all account balances are maintained and properly liquidated subsequent to the transfer. Transferred balances will be closely monitored to ensure that pending and in-process transactions are properly posted in a timely fashion, and balances are not orphaned. The following actions are needed for the transfer of outstanding commitments, obligations, and unfilled customer orders.

1. Outstanding commitments for functions to be transferred from the losing activity should be canceled, but only when managed in coordination with the gaining activity to ensure that the procurement cycle is not interrupted. Concurrent with cancellation at the losing activity, the new commitment must be entered into the accounting system by the gaining activity, and purchases under the document must reflect the gaining activity as the accountable entity. In those cases where cancellations of an outstanding commitment would unduly interrupt the purchase cycle, a modification to the outstanding order or continued funding by the original ordering activity may be made for reimbursement to the gaining activity.

2. Undelivered orders and other outstanding obligations account balances must not be transferred from the losing activity to the gaining activity without validation. If orders cannot be validated, they must be canceled or stay on the books of the losing activity. All undelivered orders and other outstanding obligations for goods and services ordered but undelivered directly related to functions transferring from the losing activity must be reviewed, and decisions made on the appropriate disposition for each transaction. Undelivered orders and other outstanding obligations for items or services no longer required must be canceled, and any termination costs, which result from the cancellation, must be the responsibility of the losing
activity. If outstanding obligations support a continuing need, that need either may be filled through a modification to the undelivered order or continued funding by the original ordering activity with reimbursement from the new requiring activity.

3. Unfilled customer order account balances must not be transferred from the losing activity to the gaining activity without validation. Unfilled customer orders citing current funding which are directly related to functions transferring from the losing activity must be reviewed to determine what orders for goods or services remain outstanding, and to identify the activity responsible for providing these goods or services to the customer. If goods or services are to be provided by the gaining activity, reimbursement to the gaining activity may be provided either through an amendment to the unfilled customer order or through funding provided by the losing activity. If an unfilled customer order is amended, the losing activity, along with the gaining activity, must ensure that the customer is advised of this decision. If goods or services are to be provided by the losing activity, the losing activity must continue to bill the customer, and return any remaining unobligated balances to the customer after the order is completed.

*020506. Proprietary Accounts

All actions relating to the fiduciary aspects of the transfer will be captured and monitored as part of the overall transfer plan. A senior financial official from the organizations involved and the servicing DFAS site will be identified and accountable for ensuring the integrity of the post transfer financial balances. Specific action items will be identified in the transfer plans to ensure that all account balances are maintained and properly liquidated subsequent to the transfer. Transferred balances will be closely monitored to ensure that pending and in-process transactions are properly posted in a timely fashion, and balances are not orphaned.

A. Actions required for the transfer of real property from one DoD entity to another is detailed in Volume 4, Chapter 24, “Real Property.” Real property will be reported on the financial statements of the installation host. Real property is usually reported on the Military Department General Fund financial statements, but a Military Department Working Capital Fund (WCF) can report real property on its financial statements if it has been given jurisdiction over a specific installation. WCFs or other business like activities must impute costs in accordance with SFFAS 55. These imputed costs would include depreciation expense. The imputed costs will include what would otherwise have been depreciation expense for real property assets and improvements that were funded by the WCF and subsequently transferred to the General Fund, as well as any depreciation expense or other costs for assets not funded by the WCF. See Annex 2 of Volume 4, Chapter 24 for determining applicable imputed costs. Transfers of assets must include all relevant supporting documentation, as detailed in Volume 1, Chapter 9, “Financial Records Retention.”

B. Information on Construction-in-Progress (CIP) may be found in Volume 4, Chapter 24. The funding entity reports CIP for real property (including improvements) in its CIP account until the asset or improvement is placed in service. The funding entity also relieves CIP when the asset or improvement is placed in service.
C. Detailed information on work-in-process may be found in Volume 4, Chapter 4, “Inventory and Related Property.” Work-in-process for customers (unfilled customer orders) must not be transferred from the losing activity to the gaining activity without validation. Transactions outstanding prior to the transfer must remain on the accounting records of the losing entity until completed, canceled, or reissued as a gaining activity responsibility.

D. Additional information on raw materials may be found in Volume 4, Chapter 4. Raw materials on hand that must be transferred should be validated prior to their transfer. If the precise value of raw materials for which accounting is to be transferred cannot reasonably be validated prior to transfer, representatives from both the losing and gaining activity must jointly review the most current physical and financial reconciliation records available. Concurrently, any apparent abnormal financial values or financial transactions, which appear abnormal, must be jointly reviewed and a consensus reached as to the reliability of records being transferred. Statistical sampling or other methods of verification should be used, as appropriate. Records of accountability being transferred must be as reasonably accurate as possible. Raw materials accounting transfers must be based on the mutually validated on hand values of the accountable records of the losing activity. Accountability for raw materials should be maintained using existing supply and financial records.

E. Detailed information on inventory may be found in Volume 4, Chapter 4. Inventory in transit is the value of items moving between a DoD supply activity and a contractor or other government supplier, or moving between storage locations within a DoD Component. Amounts posted to this account are based upon ownership acceptance, or payments made for materiel not yet physically received. Amounts recorded in this account are supported by individual documents evidencing the ownership acceptance or payment prior to receipt. Inventory transfers must be performed in accordance with the procedures described in Volume 4, Chapter 4.

F. Detailed information on accounts receivable may be found in Volume 4, Chapter 3, “Receivables.” Accounts receivable that are to be transferred should be validated prior to their transfer by representatives from both the losing and gaining activity. Records of accountability being transferred must be as reasonably accurate as possible. Any adjustment amounts must be included on the accountable records of the losing activity. Action may be taken to terminate collection action and write off the debt when the criteria in Volume 4, Chapter 3 apply. All remaining and transferred balances will be closely monitored by the involved organizations and the servicing DFAS to ensure timely and proper liquidation occurs.

G. Detailed information on liabilities may be found in Volume 4, Chapters 9 and 10.

1. If the precise value of accounts payable for which accountability is to be transferred cannot reasonably be validated prior to transfer, representatives from both the losing and gaining activity must jointly review the most current physical and financial reconciliation records available. Statistical sampling or other methods of verification should be used, as appropriate.
2. The liability for accrued payroll and annual leave for employees transferring from a revolving fund activity to another revolving fund activity or to an appropriated activity becomes a liability to the gaining activity as of the date of the transfer. This liability must be recorded on the respective records in the appropriate net position and liability accounts. The losing revolving fund activity must provide a listing to identify individuals transferring and confirm the value of the leave liability of those employees. Regardless of the contributing event, a revolving fund activity that loses employees through reorganization or transfer to an appropriation-financed activity must transfer cash equal to the accrued payroll to the gaining appropriated fund activity and cash equal to the amount of any funded accrued annual leave value to the Treasury as miscellaneous receipts.

H. Detailed information on net position may be found in Volume 4, Chapter 15. An increase to net position is recognized when an activity operating within the DWCF receives an asset that does not require the use of available resources to finance the item. Conversely, a decrease to net position is recognized each time an activity receives a liability (e.g., accounts payable and unfunded annual leave) from another activity for which payment in the form of cash or other assets is not provided. Entries vary depending on what is being transferred. Various situations have been covered in the preceding paragraphs detailing transactions that impact net position. Additional information relating to Changes in Net Position may be found in Volume 6B, Chapter 6.

020507. Determine New Fund Citation and New or Revised Data Structure

A. A fund citation must be used on all accounting documents. To permit continued operation of transferred functions by the gaining activity, the gaining activity must ensure that the proper fund code is provided to those installations transferring to its command and that instructions for preparation of requisitions are provided with sufficient time to ensure billing to the proper accountable activity. The fund citations provided must include the applicable accounting classification code, and must identify any applicable fund code(s), either system unique, or DoD-wide, or both. All obligating documents such as contracts, small purchase actions, travel orders, training requests, and requisitions prepared for purchase of materiel from the military supply system or the General Services Administration must cite the gaining activity accounting classification code.

B. A DoD Activity Address Codes (DoDAAC) is used to identify a DoD installation (or, in some instances, components thereof) for purposes of mail and communications, shipment of materiel, or billing for assets issued from the DoD military supply system. Each of the DoD Components controls the DoDAAC assignments; however, they are centrally maintained and distributed to the DoD Components by the Defense Automatic Addressing Systems Office to ensure total system visibility. The DoDAAC (in Navy terms, the Unit Identification Codes) is required on Military Standard System requisition documents to ensure compatibility with the logistics management systems. These requisition documents become obligating documents and are the basis for creation of other logistics and financial documents. The circumstance of each transfer action may require identification of the transferred or consolidated segment of the losing activity as a new entity. In such cases, new DoDAACs must be established and distributed to applicable activity personnel to ensure the proper preparation and subsequent processing of
transactions for accounting and reporting. Concurrently, each transfer must be evaluated to ensure that all Service Code assignments, fund code assignments, routing identifier codes, and all other Military Standard supply and financial systems coding have been established consistent with the transfer status of the new entity. Additional information relating to DoDAACs can be found in the Defense Logistics Manual (DLM) 4000.25, Volume 6, Chapter 2.

020508. Other Actions Required to Accomplish the Accounting Transfer

A. Reimbursable agreements may exist between the losing installation and other entities for the provision or receipt of services and other support. It is essential that such reimbursable agreements be identified and that the gaining activity and the providing or receiving entity negotiate Intra-Service Support Agreements or Service Support Agreements to define reimbursable services and support to be provided and received. The agreement should be in accordance with DoDI 4000.19.

B. The transfer of payroll processing must normally be accomplished either at the beginning of a pay period or at the beginning of a fiscal year. Whenever payroll transfers occur, an agreement must be negotiated between the activities as to the date to be used for transfer. The losing activity is responsible for the salary and benefits of all transferring employees through the agreed upon transfer date. The losing activity also must be responsible for payment in the form of cash or other assets for any unused compensatory time, and merit pay bonuses earned by transferring employees for the fiscal year.

C. Travel advances and outstanding travel obligations for travel, which has occurred, or is in-process, must remain with the losing activity pending settlement. Only travel for transferring activity personnel beginning after the effective date of the transfer must be an obligation of the gaining activity. The losing and gaining activity must jointly review outstanding travel documents and deobligate those no longer valid. Where temporary duty begins before and ends after the effective transfer date, travel documents must contain fund citations (and appropriate estimates) to ensure payment of travel costs commensurate with the duty station of the individual during each of the travel periods. Separate travel documents for each period are recommended. Copies of all related travel documents must be provided to both the losing and gaining activities to ensure proper processing. The losing activity must prepare the travel order, and make appropriate disbursements. Amounts charged to the gaining activity must be processed as a Transaction for Others or other agreed upon procedures by the losing activity. Losing activities must always obtain authority to cite gaining activity funding on travel orders.

D. If an outstanding contract(s) is essential to the needs of another DoD activity, that need may be filled through a contract modification citing the appropriation or fund of the other DoD activity. It is especially important that contracts for PP&E be terminated when feasible. Termination costs that result from the cancellation must be identified as base closure costs.

E. A contract modification must be sent to contractors, under normal change procedures, for each contract for which the responsibility for contract payment is transferred. This is necessary to advise the contractor of a change in paying office. If responsibility for both contract
payment and accounting for the losing and gaining activity remains unchanged, a contract modification is not necessary. Instead, the accounting office must transfer transactions (i.e., payments, refunds, collections) identified to the losing activity that properly belong to the gaining activity and record those transactions as a transaction of the gaining activity. Concurrently, for reports to the Treasury, disbursement and collection values are reported as if they occurred within the gaining activity.

F. The gaining activity must develop procedures to control and manage the required accounting and system changes. Account control totals and other internal control mechanisms must be developed and used to ensure that accounting integrity is maintained.

G. The gaining activity must provide specific instructions to new organizational elements transferred to it including points of contact, office symbols and phone numbers, in order to continue the reporting function in an efficient and effective manner.

0206 CLOSURE OF DWCF ACTIVITY

020601. Funding

The DWCF does not have any funds available to them for payment of costs or absorption of losses that are not related to their output. Reimbursable rates developed for DWCF activities generally recover only costs incurred in providing requested goods or services. Costs over and beyond those costs generally are not considered in reimbursement rate computations. As a result, the DWCF does not have, through their normal operations, funds available for payment of costs resulting from closure actions that are directed by higher authority such as the BRAC Commission. The OUSD(C), P/B, Directorate for Military Construction provides instructions applicable to budget formulation and congressional justification for BRAC appropriations.

020602. Closure Actions

The following general actions and related procedures must be followed upon notification that a DWCF activity is to be closed. In the case of a partial transfer of a particular function, specific actions and procedures are identified in section 0205. Specific actions and procedures are usually necessary to accommodate unique circumstances of the closing activities.

A. The organizations involved must identify the specific functions to be terminated and the disposition of these functions. Specific guidelines on the disposition of these functions must be provided once the review is complete.

B. The organizations involved must identify and validate the physical, financial, and personnel resources to be disposed of or terminated at the closing activity. Specific directions must be provided once the review is complete.
C. The organizations involved must identify any interim funding method and intended duration. If an interim funding method is to be used to fund the closure, the affected organizations must determine the method and intended duration of the interim funding. Funding provided by a locally established order should not exceed 30 days.

D. The organizations involved must identify outstanding commitments for the functions of the closing activity to be terminated. Outstanding commitments that are not necessary should be canceled.

E. The organizations involved must review all existing contracts not directly associated with a funded customer order and terminate those for which the contracted service or good is, or must be, no longer essential. It is especially important that contracts for PP&E be terminated when feasible. Termination costs that result from the cancellation must be identified as base closure costs.

F. The organizations involved must review and validate the undelivered orders and other outstanding obligations of the closing activity. In addition, the accounts payable, the accounts receivable to include unbilled accounts, and the unfilled customer orders, should also be reviewed and decisions made on the appropriate disposition of each transaction. Refer to paragraphs 020505 and 020506 for additional information regarding these actions.

J. The organizations involved must reconcile financial and logistic stock records with physical inventories; determine whether quantities on hand are in excess of requirements to complete the remaining productive workload and other closeout needs; purge the inventories of all obsolete, damaged and surplus items; and dispose of excess material and supplies in accordance with logistics inventory policies and procedures. For detail information on inventory refer to Volume 4, Chapter 4.

K. The organizations involved must review and validate outstanding travel advances and travel obligations. Travel that is no longer required must be deobligated. Outstanding travel advances and travel obligations for which travel has occurred, or is in-process, must be liquidated prior to closing the activity.

L. The organizations involved must review and validate advance payments received in advance of performance. If the closing activity has received payment for ordered work in advance of its performance, then the amount of the advance less the amount of obligations, if any, incurred in partial completion of the order must be returned to the financing appropriation. If the amount of the advance is less than the obligations incurred, the closing activity must bill the customer for the unreimbursed obligations incurred and ensure that collection is received prior to closing. Move cost to overhead expense when the BRAC funds expire.

M. The organizations involved must prepare fiscal year-end financial statements for the closed activity.

N. The organizations involved must forward a request for cancellation of existing charters to the OUSD(C), P/B Operations Directorate.
020603. Financing BRAC Related Costs

Costs at a DWCF activity must be financed by a BRAC account when those costs are a direct result of a BRAC determination that a base is to be closed. Stated in a different manner, charges for goods and services provided through DWCF may not include amounts necessary to cover costs incurred in connection with the closure or realignment of a military installation. The BRAC costs are those required to carry out actions that are in direct support of closing or realigning bases. Prior year, current year, or budget year operating losses in the DWCF must not be budgeted in the BRAC base closure accounts. Although overhead associated with the costs listed in this section must be charged to the BRAC account, increases in overhead on existing and new customer work must not be considered a direct result of a determination that a base be closed and, therefore, must not be charged to a BRAC account. Costs identifiable directly to base closure actions must be accumulated separately for reimbursement from a BRAC account. Costs attributable to base closure actions include:

A. Environmental Restoration and Mitigation includes reducing, removing and recycling hazardous waste, and removing unsafe buildings and debris.

B. Planning includes advance planning and design that may be required to transfer functions from an activity being closed to another military installation.

C. Outplacement Assistance in relocation, training, or other necessary assistance to civilian employees employed by the Department at installations being closed.

D. Community Programs include economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions must be transferred as a result of closure of a military installation.

020604. Financing Non-BRAC Related Base Closure Costs

Paragraph 020603, specifies costs to be financed from a BRAC account. Other costs at an activity undergoing closure, or to be closed, must not be financed by a BRAC account even though the closure was directed as a result of a determination of a BRAC. Those other costs must be financed either by the DWCF (initially) or by an operations and maintenance appropriation.

A. The following must be financed by the DWCF (initially) to the extent permitted by amounts available from existing and new customer orders:

1. Current year costs in support of customer orders.

2. Prior year, current year, or budget year operating losses.

3. Increases in overhead even though those increases could be attributed to decisions to close bases.
B. The following must be financed through a transfer from the Operations and Maintenance (O&M) appropriation of the DoD Component responsible for the activity incurring the following costs and loss:

1. All costs at a closing activity in the year of closure that are not associated with a valid work order or are as a result of other than a determination of a BRAC that the activity be closed.

2. Direct and indirect (including General and Administrative) operating costs for which there are not sufficient resources in existing customer orders or other resources of the closing activity.

3. Current year and prior year losses (to the extent not financed from existing and new customer orders as stated in subparagraph 020604.A.2) must be financed as a pass through from the O&M appropriation of the DoD Component responsible for the activity incurring the loss.

020605. Procedures for Requesting DoD Base Closure Account Funds

To request an allocation of DoD base closure account funds, an activity that has been selected for closure by a DoD BRAC determination must request guidance from the OUSD(C), P/B Directorate for Military Construction.

020606. Allocation of DoD Base Closure Account Funds

Upon OMB’s approval of a Standard Form (SF) 132, “Apportionment and Reapportionment Schedule,” for the base closure account, the OUSD(C), P/B, Directorate for Military Construction must provide a Fund Authorization Document to the Director for Budget and Finance, Washington Headquarters Services (WHS) to fund the Financial Plan as approved. The Director for Budget and Finance, WHS, in accordance with direction received from the Directorate for Military Construction, must allocate DoD base closure funds to the Military Departments or Defense Agencies. Upon receipt of the allocation from the WHS, the Military Departments or Defense Agencies must distribute the base closure funds to the installations responsible for base closure actions. Upon receipt of the fund distribution, the installation must record the allotment from the DoD base closure account. Budgetary accounting entries to distribute direct funds to an installation-level are illustrated in the DoD USSGL Transaction Library.

020607. Use of DoD Base Closure Account Funds

An activity must implement base closure and realignment actions and administer its allocation of base closure funds in accordance with the approved financial plan. The prior approval of the OUSD(C), P/B, Directorate of Military Construction, is required if a project that does not appear on the approved financial plan is to be executed. The general ledger entries for recording the accounting transactions on the use of direct funds are illustrated in the DoD USSGL Transaction Library.
020608. Base Closure Account Reporting Requirements

An installation receiving an allotment of DoD base closure account funds must prepare a report on the status of its allotment. The status report must be transmitted to the entity from which the allotment was received in accordance with the reporting due dates required by that entity.

*020609. Disposition of PP&E Assets

A. The loss (or gain) from the sale, lease, or other disposal of PP&E assets must be recorded by the activity having financial reporting responsibility of the real property asset (i.e., the real property asset Financial Reporting Organization Code). The sale, lease, or other disposal action must be recorded only in proprietary accounts of that installation. Any proceeds generated from the sale, lease, or other disposal of PP&E assets does not add to, or otherwise affect, the budgetary accounts of that activity. All disposals must be supported as of the date the real property leaves the custody of the DoD Component to provide an adequate audit trail for the disposal of the asset. The execution of certain disposal events will generate financial or administrative accountability transactions. For a list of acceptable supporting documentation refer to Volume 4, Chapter 24.

B. Proceeds resulting from disposal of real property assets (to include land) due to a base closure directed by a BRAC must be deposited as reimbursements into the DoD Base Closure Account. Proceeds resulting from disposal of real property assets (to include land) due to a base closure directed by other than a BRAC must be deposited as reimbursements into the appropriate Treasury miscellaneous receipt account. Examples of transactions involving proceeds resulting from the transfer or disposal of PP&E include funds derived from temporary leases of government property and property upon which settlement has occurred and title has been passed to the new owners. “Good faith” deposits or earnest funds should be deposited in the Budget Clearing Account (Suspense), F3875, until finalization of the sale (settlement) takes place. Upon finalization of the sale (settlement), deposits made to the Budget Clearing Account (Suspense) must be transferred to the appropriate Treasury miscellaneous receipt account. Per the Treasury Financial Manual Bulletin 2020-05, and consistent with OMB Circular A-11 guidance, the suspense account F3875 is to temporarily hold transactions that belong to the government until the transaction is matched to a specific receipt or expenditure account.

C. A copy of deposit documents, or other notification, must be provided to the Defense Finance and Accounting Service for all deposits made to a base closure account. The deposit document or other notification must identify the specific base closure account to which the deposit was made.
020610. Withdrawal of Direct Appropriations or Reappropriations

The withdrawal of a direct appropriation or reappropriation is recorded at the departmental-level. The withdrawal of the allocation, if any, of an appropriation or reappropriation issued to the intermediate or activity-level is recorded as a decrease at the intermediate and activity-level and as an increase at the departmental-level as appropriate. The DoD USSGL Transaction Library is the source for the typical budgetary and proprietary accounting entries applicable to receipt, allocation and withdrawal of appropriations.

020611. Cumulative Results of Operations

A. DWCF activity that is undergoing closure should request reimbursement for its recoverable costs, as specified in paragraph 020604: (1) customer accounts for costs attributable to normal day-to-day operations, (2) the account financing the closure for costs attributable to closure activity, and (3) transfer from the O&M appropriation of the DoD Component responsible for the activity for costs in the year of closure, including prior year losses, that are not associated with a valid work order or are as a result of other than a determination of a BRAC that the activity be closed. All reimbursements and costs (including extraordinary gains and losses) flow to Account 331000, “Cumulative Results of Operations (Normal).” This account displays the net difference since the inception of the Activity between 1) expenses and losses, and 2) financing sources including expended appropriations, revenues, and gains. The account is increased by revenues and the value of assets transferred in; and reduced by expenses requiring current resources, expenses not requiring current resources, expenses recorded that are not currently funded and transfers out.

B. Upon completion of all operations and all closure activity, Account 331000 of the closed activity must have either a positive or a negative balance. If any portion of the balance in general ledger Account 331000 (Normal) is deferred for recovery from, or return to, customers in the subsequent fiscal year stabilized rate or standard price development that deferred amount must be transferred to general ledger Account 331000 (Deferred). Entries to general ledger Account 331000 (Deferred) must not be made unless the decision to recover or return such amounts from cumulative results of operation was authorized by the OUSD(C), P/B Operations Directorate. Additional information relating to cumulative result of operations may be found in Volume 4, Chapter 15.

020612. Residual Assets

Any financial assets (e.g., cash, receivables, and unobligated authority) that remain after the closing actions are performed must remain in the DWCF and are available to meet the overall requirements of the DWCF or other obligational authority requirements as may be authorized. All remaining residual asset account balances must be reviewed and validated to determine appropriate actions to be taken. The residual balances must be reduced to zero within one year from the date an activity ceases operations. These actions must be documented in writing and provided to the appropriate management command for action.
020613. Residual Liabilities

Any financial liabilities (e.g., payables and obligated authority) that remain after the closing actions are performed must remain in the DWCF. All remaining residual liability account balances must be reviewed and validated to determine appropriate actions to be taken. The residual balances must be reduced to zero within one year from the date an activity ceases operations. These actions must be documented in writing and provided to the appropriate management command for action.
ANNEX 1: CHARTER FORMAT

DEPARTMENT OF DEFENSE
(MILITARY DEPARTMENT/DEFENSE-WIDE) WORKING CAPITAL FUND
(TITLE OF WORKING CAPITAL FUND ACTIVITY GROUP,
e.g., SUPPLY MANAGEMENT) CHARTER

1. AUTHORITY

The (insert the name of the working capital fund and the fund’s activity group), is (was) established, effective _____ (DATE) _____, under the authority of Title 10, United States Code, Section 2208. Operations of the (insert the name of the fund’s activity group) must be conducted in accordance with applicable Department of Defense policies and regulations.

2. MISSION

(Provide a brief statement of the mission of the fund’s activity group.)

3. MANAGEMENT COMMAND

(Provide the name and location of the fund’s activity group management command.)

4. ACTIVITY COMPOSITION

See Attachment. (Attach a list of each activity included within the fund’s activity group and each activity’s location. The attachment should include an “as of” date.)

5. AUTHORIZED EXCEPTIONS

(Indicate any policy exceptions specifically authorized for the fund’s activity group or any activity included within the fund’s activity group. Also, explicitly state/reference the document approving that exception. Documentation supporting any authorized exceptions must be submitted with the charter request. If no exceptions are authorized, state “None.”)
6. CANCELLATION

(This section provides for the cancellation of any previously approved charter(s). Identify the previous approved charter(s) with its date(s) and specify that it hereby is canceled as a result of the approval of this charter.)

Submitted by: ______________________________________

______________________________
(Title of Submitting Official)

Approved: ______________________________________

______________________________
Under Secretary of Defense (Comptroller)
DEPARTMENT OF DEFENSE  
(MILITARY DEPARTMENT/DEFENSE-WIDE) WORKING CAPITAL FUND  
(TITLE OF WORKING CAPITAL FUND ACTIVITY GROUP,  
e.g., SUPPLY MANAGEMENT) CHARTER - ATTACHMENT

**ACTIVITY COMPOSITION:** (As of _____ DATE _____)  

(List each activity included within the fund’s activity group and each activity’s location. Include page number if list is longer than one page.)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Location</th>
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<tbody>
<tr>
<td>(Name of Activity)</td>
<td>(City and State)</td>
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Attachment
## VOLUME 11B, CHAPTER 3: “DEFENSE WORKING CAPITAL FUNDS - BUDGETARY RESOURCES”

### SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated October 2002 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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</thead>
<tbody>
<tr>
<td>Title</td>
<td>Revised chapter title to “Defense Working Capital Funds – Budgetary Resources” to clarify focus on the Defense Working Capital Funds (DWCF) instead of all funding sources.</td>
<td>Revision</td>
</tr>
<tr>
<td>Multiple</td>
<td>Removed detailed journal entries and referenced Volume 1, Chapter 7 and the DoD United States Standard General Ledger Transaction Library for accounting entries related to DWCF.</td>
<td>Deletion</td>
</tr>
<tr>
<td>0301</td>
<td>Revised section to comply with current standard operating procedures and added a centralized location for authoritative sources increasing user experience and readability. Removed paragraphs, which provided operational rather than financial management guidance.</td>
<td>Revision/Deletion</td>
</tr>
<tr>
<td>0302</td>
<td>Revised section title to improve description of content, added types of DWCF reimbursable program apportionment and forms of apportioned budget, mentioned other events reported on the SF-133, which further restrict the availability of budgetary resources. Specified who has the authority to incur additional obligations in excess of resources and how to document the additional obligations.</td>
<td>Revision/Addition</td>
</tr>
<tr>
<td>030302</td>
<td>Added definition for supplemental appropriation and reappropriation and explained activity (execution) level entries.</td>
<td>Addition</td>
</tr>
<tr>
<td>030401</td>
<td>Added information about reimbursable orders and treatment of customer orders with advances.</td>
<td>Addition</td>
</tr>
<tr>
<td>030404</td>
<td>Added information about treatment of unearned revenue.</td>
<td>Addition</td>
</tr>
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CHAPTER 3

DEFENSE WORKING CAPITAL FUNDS - BUDGETARY RESOURCES

*0301 GENERAL

Budgetary resources are amounts available to incur obligations in a given fiscal year which
include new budget authority, available unobligated balances at the beginning of the year,
reimbursements and other income (also known as offsetting collections credited to an
appropriation or fund account), recoveries of prior year obligations from unexpired accounts, and
restorations. In the case of reimbursable work, earned reimbursements and unfilled customer
orders, limited by the amount collected in advance for orders from the public, comprise budgetary
resources.

030101. Purpose

    A. This chapter discusses budgetary resources available for the Defense
Working Capital Fund (DWCF). The applicable general ledger accounts are listed in the United
States Standard General Ledger (USSGL) contained in Volume 1, Chapter 7, and the accounting
entries for these accounts are specified in the DoD USSGL Transaction Library. Unless otherwise
stated, this chapter is applicable to all DWCF Components and DWCF activities listed in Volume
3, Chapter 19. Chapter 2 provides guidance on establishing DWCF activities.

    B. Additional information regarding the receipt and distribution of budgetary
resources are located in Volume 3, Chapters 13, 14, and 15.

030102. Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in
accordance with the applicable provisions of:

    A. Title 31, United States Code, section 1341 (31 U.S.C. § 1341), Limitations
on Expending and Obligating Amounts;

    B. 31 U.S.C. § 1511, Definition and Application;

    C. 31 U.S.C. §1512, Apportionment and Reserves;

    D. 31 U.S.C. § 1513, Officials Controlling Apportionments;

    E. 31 U.S.C. § 1514, Administrative Division of Apportionments;

    F. 31 U.S.C. §1515, Authorized Apportionments Necessitating Deficiency or
Supplemental Appropriations;

    G. 31 U.S.C. § 1517, Prohibited Obligations and Expenditures;
I. 31 U.S.C. §1535, Agency Agreements;
L. Office of Management and Budget (OMB) Circular A-11, Preparation, Submission, and Execution of the Budget;
O. GAO Principles of Federal Appropriations Law Chapter 3, Availability of Appropriations: Purpose;
P. TFM United States Standard General Ledger (USSGL);
Q. Department of Defense (DoD) United States Standard General Ledger (USSGL) Transaction Library; and

*0302 SOURCES OF, RESTRICTIONS ON, AND CLAIMS AGAINST BUDGETARY RESOURCES

Prior to incurring an obligation, a DWCF Component must have sufficient budgetary resources available for obligation in accordance with statutory, administrative, and other restrictions, after consideration of the claims against such budgetary resources.

030201. Sources of Budgetary Resources

A. Direct appropriations and/or reappropriations provided directly to the DWCF or a DWCF Component by an appropriation act or other law and in accordance with statutory limitations, if any, by purpose, time, and amount.

1. The DWCF may receive direct appropriation to provide working capital and financing for specific projects or tasks. Appropriations are typically provided to the DoD at the departmental-level then transferred to the DWCF Component levels based on the request of the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Deputy Comptroller, Program/Budget (P/B) and the apportionment by the Office of Management and
Budget (OMB) on the Standard Form (SF)-132, Apportionment and Reapportionment Schedule, as discussed in Volume 3, Chapter 13. OMB distributes the amounts available for obligation in an appropriation through apportionments; and

2. A DWCF reimbursable program may be:
   a. Automatically apportioned. A DWCF Component may obligate the total amount of obligation authority upon becoming available; or
   b. Specifically apportioned. A DWCF Component may incur the amount of obligations limited to the specified apportioned amount.

B. Contract authority authorized by specific statutory authority. Contract authority permits a DWCF Component to incur obligations in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations.

1. Unless otherwise specified by statute, contract authority is available for obligation only within the fiscal year for which the authority is provided;

2. By definition, contract authority is unfunded and, therefore, obligations incurred through use of contract authority may not be liquidated until funded by an appropriation of liquidating cash or, more commonly within the DWCF, by offsetting collections credited to the DWCF; and

3. DWCF activities that utilize contract authority are issued both contract authority and anticipated customer order amounts that tie to one another as discussed in Volume 3, Chapter 8.

C. Non-expenditure transfers between DWCF Component sub-numbered accounts or, when authorized by statute, between a DWCF Component sub-numbered account and a direct appropriation or non-DWCF fund. Non-expenditure transfers into the DWCF increase budgetary resources while non-expenditure transfers from the DWCF decrease budgetary resources.

D. Offsetting collections credited to the DWCF consisting of earned reimbursements, both collected and uncollected, and unfilled customer orders from:

1. Federal government accounts that represent valid obligations of the ordering account whether or not accompanied by an advance;

2. The public, including state and local governments, but only to the extent accompanied by an advance received and credited to the appropriate DWCF Treasury sub-numbered account; and

3. Refunds, which are the repayments of excess payments (outlays). The amounts are directly related to previous obligations incurred and outlays made. Refunds are
not available for obligations until the refund is collected. Refunds collected in the same fiscal year as the obligations incurred are credited to the appropriation or fund account charged with the original obligation. Refunds of prior year obligations are not available for obligation until collected and reapportioned by the OMB. Refunds receivable are not a budgetary resource.

E. Recoveries of prior year obligations. These are cancellations or downward adjustments of obligations incurred in prior fiscal years that were not outlayed. Within the DWCF, recoveries of prior year obligations are automatically apportioned and are available for new obligations as well as upward adjustments of previously existing valid obligations.

030202. Restrictions on Budgetary Resources

A. The DWCF is used to more effectively control and account for program costs and the work performed in the DoD. The Secretary of the Treasury establishes DWCFs upon request of the Secretary of Defense. A DWCF Component may only use amounts appropriated:

1. For the purpose stated in the appropriation act or other law providing the amounts, for no more than the amount appropriated or otherwise made available; and

2. Within the time period for which the funds are available for obligation, and are subject to such other limitations and/or restrictions as may be stated in the applicable appropriation act or other law providing the amounts, as well as such other statutory restrictions, both express and implied, as may be relevant.

B. Budget Authority is the authority provided by law to incur financial obligations that will result in outlays.

1. Budget authority is available for obligation only in accordance with purpose, time, and amount restrictions imposed by statute, by apportionments imposed by the OMB, and by administrative limitations imposed by authorized officials within the OUSD(C) and the DWCF Components;

2. In addition to being subject to statutory restrictions, DWCF budget authority is apportioned and allocated to the sub-account level on the OMB SF-132. DWCF budget authority is administratively allocated to the activity group levels as appropriate. The allocated amounts may be further restricted through administrative action; and

3. There are three forms of apportioned budget for the DWCF:

   a. Direct Appropriation. Direct appropriated amounts are to be used for the specific purpose identified in the appropriations act or other legislation. Funds not appropriated specifically for the designated purpose are not available for that purpose. Unless specified otherwise, direct appropriations for the DWCF are no-year funds that do not expire.

   b. Spending Authority from Offsetting Collections (Reimbursable Obligations). Reimbursable obligations are obligations financed by offsetting
collections credited to an expenditure account in payment for goods and services provided by that account. The collection must be authorized by law to credit the specific appropriation or fund account. Anticipated reimbursements may not be used as a source of obligational authority until a customer order is accepted unless such use specifically is authorized in statute. Volume 3, Chapter 15 describes reimbursable obligations in detail.

c. Contract Authority.

(1) Contract authority itself is not an appropriation. It is apportioned budget authority which can be legally obligated and may be used only for the purpose, time, and amount specified by statute relating to that contract authority. It is not funded and is apportioned and allocated without a supporting Treasury cash balance. Contract Authority must always be replaced or liquidated by subsequent or other budgetary resources and cash balances, more commonly within the DWCF, by offsetting collections credited to the DWCF. Unless otherwise specified by statute, contract authority is apportioned to the DWCF for the current fiscal year of the apportionment only, and closes for new obligations if not used within the fiscal year it is apportioned;

(2) The OMB apportions contract authority at the beginning of a fiscal year for the amount of the DWCF program. It provides the authority to incur obligations in anticipation of the collection of receipts or offsetting collections that will be used to liquidate the obligation. Within the DWCF, contract authority is available for capital asset program obligations, i.e., all DWCF activity groups, and supply management operations. Supply Management activity groups include Supply Management, Distribution Depots, Defense Commissary Agency (Resale), and the Defense Reutilization and Marketing Service; and

(3) There are no statutory restrictions placed on the obligational availability or availability to liquidate contract authority obligations of offsetting collections.

C. A non-expenditure transfer is a transfer of budgetary resources from one budget account, appropriation, or fund to another that does not involve an outlay. Statutory restrictions on the purpose, availability, and use of appropriated funds require that no change be made to those restrictions through the use of a non-expenditure transfer into the DWCF unless such change is specifically authorized by law.

D. Other events reported on the SF-133, Report on Budget Execution and Budgetary Resources, further restrict the availability of Budgetary Resources. Appendix F of the OMB Circular A-11 includes an explanation of these events with an identification of the impacted reporting lines on the SF-133.

E. If an apportionment is received by a sub-account or an activity group for a specific purpose, obligations must be kept within the apportioned limits even though the amount apportioned may be less than the total budgetary resources that otherwise would be available to the sub-account or activity group, in compliance with 31 U.S.C. Section 1517(a).
F. An administrative limitation cannot be used to change or eliminate a statutory restriction. An administrative action can only further restrict the purpose, time, or amount for which budgetary resources may be used. An administrative limitation, if any, of budgetary resources provided to a DWCF Component, or subdivision, by the OUSD(C) or designated representative; and/or a subdivision, if any, of budgetary resources provided to a DWCF activity group or activity (operating unit) by a DWCF Component official must be followed. If an administrative limitation is received, the DWCF Component must keep obligations within the limitation even though the limitation may be less than the total budgetary resources that otherwise would be available. Administrative limitations may be provided in various formats but must be in writing, signed, and clearly state that it is a violation of the 31 U.S.C. Section 1517(a) to incur obligations that exceed the limitation.

030203. Claims Against Budgetary Resources.

A DWCF Component must consider claims against budgetary resources in the determination of budget authority that is available for obligation. Claims against budgetary resources should be recorded in financial records of the DWCF entity. A DWCF Component should maintain financial records in sufficient detail to permit a segregation of budgetary resources and, within that segregation, an identification of claims against the budgetary resources.

A. Where a DWCF activity receives budgetary resources from more than one source, the receiving activity must maintain records which will enable it to control separately the transactions relating to each source and if the funds transferred are subject to restrictions different from those existing in the account to which transferred.

B. Of the three general availability restrictions of purpose, time, and amount, purpose should be determinable from administrative records while time and amount should be determinable from financial records.

C. A DWCF Component should have two primary types of financial accounts, proprietary and budgetary. The balance of budgetary resources available for obligation can be determined only from budgetary accounts. Proprietary accounts, by themselves, are not sufficient to determine budgetary resources. For example, non-budgetary assets such as inventories of stock for sale are not considered a budgetary resource. Additionally, a fund balance (i.e., cash) does not necessarily denote the availability of a budgetary resource. A fund balance, although present, may have claims against it (accounts payable, for example) and the amount of those claims, therefore, are not available for obligation.

D. Not all budgetary accounts represent a budgetary resource available for obligation. For example, anticipated customer orders are not budgetary resources available for obligation. The anticipated customer order only provides the authority to accept reimbursable orders and does not provide obligation authority. In addition, claims against budgetary resources, such as undelivered orders and unpaid accrued expenditures must enter into the determination of unobligated balances and, therefore, budgetary resources available for obligation. Similar to the anticipated customer order, administrative restrictions or other withheld amounts limit the balance of budgetary resources available for obligation. A DWCF Component can determine budgetary
resources available for obligation from data required to be reported on the SF-133. Section 82 of OMB Circular A-11 also provides additional information.

E. In the event that budgetary resources available to a DWCF Component, activity group, or activity are not sufficient, a DWCF manager should not assume that sufficient budgetary resources exist elsewhere within the DWCF to fund obligations in excess of resources available. Rather, the manager of the DWCF Component, activity group or activity, as applicable, must request, in writing, an increase in authority to incur obligations from its management command or responsible DWCF Component and must defer the incurring of additional obligations until budgetary resources are sufficient to fund them. The DWCF Component must document the authority to incur additional obligations in an Annual Operating Budget signed by the OUSD(C), Director/Associate Director, Operations, or designee. See Volume 3 Chapter 19 for additional information on Obligation Authority.

0303 SUPPLEMENTAL APPROPRIATION AND REAPPROPRIATION

030301. DWCF Supplemental Appropriations

A. Supplemental appropriations may be provided for working capital purposes such as when the cumulative results of operations and/or the cash position is either negative or approaching negative or for other purposes discussed in Volume 2A, Chapter 1.

B. Receipt of the appropriation provides an immediate infusion of cash. The amount of the appropriation used must be accounted for and reflected in accounting records and financial reports.

C. Appropriation is a financing source against which expenses must be matched and reported on the Statement of Operations. If the amount of the appropriation is in excess of negative net and cumulative results of operations, the amount of the appropriation used must only be the amount sufficient to bring the total of accumulated operating results and net operating results to a zero dollar ($-0-) position. The remaining amount of the appropriation must be used to offset any subsequent year net operating losses.

*030302. Receipt and Allocation of Supplemental Appropriation and Reappropriation

A. Supplemental appropriation is an appropriation enacted subsequent to a regular annual appropriations act, when the need for funds is too urgent to be postponed until the next regular annual appropriations act. These supplementals may be:

1. Requesting additional amounts not previously anticipated; or

2. Requesting changes in appropriations language that do not affect amounts previously appropriated.
B. Reappropriation is an extension of the availability of unobligated balances of budget authority that have expired or would otherwise expire as a result of legislation enacted subsequent to the law that provided the budget authority. The term does not apply to extensions of the availability of unobligated balances of budget authority that result from standing provisions of law, enacted before the budget authority was provided, or from provisions of law included in the same law that appropriated the funds.

C. The receipt of a supplemental appropriation or reappropriation is recorded at the departmental-level only. The allocation, if any, of the supplemental appropriation or reappropriation is recorded at the activity group and activity level as appropriate. The receipt and allocation of appropriations provided to the DWCF are accounted for within the DoD USSGL Account Transactions:

1. Departmental-Level Entries. Records receipt of a supplemental appropriation or reappropriation to the DWCF at the account level and establishes budget authority; the source document for the Budgetary Account posting is the OMB Standard Form 132 (SF-132), Apportionment and Reapportionment Schedule. The source document for the Proprietary Account posting is the Treasury Warrant (TFS Form 6200), “Department of the Treasury Appropriation Warrant;”

2. Intermediate Level Entries. Record direct budgetary authority received from the departmental-level by an intermediate level component and available for allotment to execution level component(s) or sub allotment to other intermediate level component(s); and

3. Activity (Execution) Level Entries. Record direct budgetary authority received by an execution level component through either allotment or sub allotment of authority.

030303. Reduction or Withdrawal of Direct Appropriations

A. The reduction or withdrawal of an unexpired direct appropriation or reappropriation is recorded at the departmental-level. The reduction or withdrawal of the allocation, if any, of an appropriation or reappropriation issued to the intermediate or activity level is recorded as a decrease at the intermediate and activity level and as an increase at the departmental-level, as appropriate. The entry to record the reduction or withdrawal of an unexpired direct appropriation or reappropriation from the departmental-level requires budgetary and proprietary journal entries to perform the transaction.

0304 CUSTOMER ORDERS

*030401. Anticipation of Customer Order

A. The DWCF Component must estimate the dollar amount of reimbursable orders it expects to receive in the current fiscal year.
B. There must be a specific law that authorizes reimbursable work with non-Federal entities. A DWCF Component cannot cite the Economy Act as the statutory authority to perform work for non-Federal customer orders with or without an advance. A law must specifically allow a DWCF activity to incur obligations against customer orders received from non-Federal sources with an advance.

C. Customer orders with advances from non-Federal sources are credited to a Treasury Appropriation Fund Symbols (TAFS) that is legally available for the work performed. Customer orders with advances from non-Federal sources are credited to a TAFS that is legally available for the work performed where the period of availability of the performing Federal agency TAFS is determined by the activity’s general counsel.

030402. Receipt of Customer Orders

A. Customer orders received are requisitions and other orders accepted for items to be furnished on a reimbursable basis. The amount of budgetary resources available for obligation from customer orders is the sum of orders received from Federal Government accounts that represent valid obligations of the ordering account, whether or not accompanied by an advance plus orders received from the public, including state and local governments, but only to the extent accompanied by a cash advance.

B. Throughout the year, unfilled customer order amounts should be adjusted to the extent that orders are filled, canceled, or new orders received.

030403. Recognition of Reimbursement Earned (Revenue)

An earned reimbursement is the amount of the customer orders that have been filled, provided that in the case of orders from the public, including state and local governments, the amount is limited to the amount of the cash advance received. Earned reimbursements should not exceed the amount of individual customer orders as well as letters of intent, commanders’ orders, congressionally mandated actions, and other emergency situations. The amount of budgetary resources available for obligation from earned reimbursements is calculated as the sum of:

A. Customer orders from Federal Government accounts that have been filled but not yet billed;

B. Accounts receivable representing Federal Government customer orders that have been filled but not collected;

C. Cash received as advances from the public for customer orders that have been filled; and

D. Cash received as reimbursement for Federal Government customer orders that have been filled.
030404.  Treatment of Unearned Revenue

Unearned revenue consists of amounts received in advance for goods and services to be delivered at a future date. The appropriation language for DoD’s DWCF permits the fund to receive advances for supplies and services. The DWCF business entities must be advanced funds identified in the DWCF customer orders during the fiscal year, as required, to enable the DWCF activity to pay for its costs of operation. The DoD Components receiving an advance must record the amount received as a liability until the payment is earned, i.e., goods or services have been delivered. After the payment is earned, the DoD Component must record the appropriate amount as revenue and reduce the liability accordingly. Other Liabilities are further discussed in Volume 4, Chapter 12 and DWCF Reimbursements and Revenue Recognition are further discussed in Volume 11B, Chapter 11.

0305  NON-EXPENDITURE FUND TRANSFERS

A non-expenditure transfer moves budgetary resources from one budget account, appropriation, or fund to another that does not involve an outlay. Non-expenditure transfers of funds may be received from another appropriation or fund or may be made to another appropriation or fund when appropriate and authorized. A non-expenditure transfer of funds received from another appropriation or fund increases the amount of available budgetary resources. A non-expenditure transfer of funds made to another appropriation or fund decreases the amount of available budgetary resources.
VOLUME 11B, CHAPTER 11: “REIMBURSEMENTS AND REVENUE RECOGNITION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

This is an initial publication.

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<td>1101</td>
<td>Updated policy on: (1) reimbursable orders; (2) reimbursement for contingency operations and humanitarian efforts; (3) work performed in advance of reimbursable orders, and (4) disputed bills between Department of Defense (DoD) Components.</td>
<td>Update</td>
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<tr>
<td>1102</td>
<td>Requires Components to use the percentage of completion method for recognizing revenue and costs on all customer orders. The completed order method for revenue recognition is not an acceptable method for recognizing revenue within the DoD.</td>
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<td>1103</td>
<td>Updated use of general ledger accounts, prescribed by the United States Government Standard General Ledger (USSGL), to illustrate the accounting for the acceptance of customer orders through revenue recognition to completion of the customer order.</td>
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<td>1104</td>
<td>Clarifies what constitutes a prior period adjustment and updated use of general ledger accounts, prescribed by the USSGL.</td>
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CHAPTER 11

REIMBURSEMENTS AND REVENUE RECOGNITION

1101   REIMBURSEMENTS

110101.   General Information

Additional information relating to reimbursements may be found in Volume 3, Chapter 15, “Receipt and Use of Budgetary Resources” of this Regulation.

110102.   Reimbursement Principles

As a general principle, each activity operating under the DWCF shall be reimbursed for the costs of all goods and services ordered and produced as a result of those orders. The DWCF billings and reimbursements from ordering activities for services or goods provided shall be accomplished in the most efficient and expeditious manner available to reduce or eliminate the need for additional DoD working capital. The nature of the DWCF requires ordering agencies to budget, control, and account for the cost of all goods and services ordered. As a result, a DWCF activity:

A. Shall bill ordering activities for all costs incurred as a result of an accepted customer order.

B. Shall bill customer order cancellation or reduction costs. When a job order is canceled or reduced in scope after a DWCF activity has commenced work or incurred costs on the order, the costs incurred, plus the applied overhead (that is, indirect and other normally allocated overhead, such as general and administrative (G&A) costs plus costs associated with the cancellation or reduction shall be charged to the customer. Examples of directly associated cancellation or reduction costs to be charged to customers are advance planning costs, noncreditable direct material, special test equipment, necessary preservation and/or shipment effort, and any additional effort necessitated by the cancellation and/or reduction; for example, salvaging of material. In addition, costs charged to customers should include the costs of salaries payable to employees hired specifically to work on the canceled order until the employees are, or could have been, separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs. Costs which are indirectly associated with cancellation or reduction actions shall not be charged to the customer. Although normally allocated G&A costs shall be charged to canceled or reduced customer orders, underapplied overhead costs that may result in the DWCF activity as a whole from a reduced workload base shall not be charged to the customer canceling or reducing their order but shall be recorded against the net operating results of the performing DWCF activity.

C. Shall not enter into any arrangement to “offset” services received and services furnished.
110103. Reimbursable Orders

A. No work or service should be performed by a DWCF activity except on the basis of reimbursable orders (not direct fund cite orders) received and accepted that constitute obligations of federal government ordering activities or advances from nonfederal government entities.

B. Each DWCF activity shall record promptly all orders accepted and shall account continuously for the status of all orders in terms of deliveries, billings, and unfilled balances, so as to provide a basis for scheduling production or operations, determining backlogs of work and the need for additional orders or reduced activity, preparing operating budgets and forecasts, and informing customers promptly concerning changes in delivery schedules.

110104. Basis for Reimbursement

A. All orders accepted by a DWCF activity shall be in writing; for a purpose authorized by law; executed before cancellation of the issuing appropriation; and must call for specific goods, real property, work, or services. Orders placed with a DWCF activity shall not be subject to accounting and reporting requirements similar to those applicable to allotments.

B. Each project order or other order accepted by a DWCF activity shall state specifically the basis of reimbursement to the DWCF for the cost of work or services ordered, as between fixed price or cost reimbursement.

C. Orders from the public, including state and local governments, must be accompanied by an advance. In addition, on an exception basis, advances may be requested, if directed by the USD(C) or other authorizing official, on orders from DoD and other federal government accounts.

D. Annex 1 to this chapter provides a summarization of costing elements for determining the amounts to be reimbursed to DWCF activities. Additional information on the costing elements can be found in Volume 11A, Chapter 1 of this Regulation.

110105. Use of Project Order/Economy Act Order

A. The DoD Components (or any activity thereof) ordering work or services from a DWCF financed activity may use a project order whenever such an order may be issued under the requirements of Volume 11A, Chapter 2, “Project Orders,” of this Regulation. Project orders must be issued only for non-severable requirements.

B. When orders for work or services cannot qualify as project orders, they may not be so designated but shall be issued as Economy Act orders if they otherwise meet the criteria of such orders as described is Volume 11A, Chapter 3, “Economy Act Orders” of this Regulation.
C. Examples of orders that do not qualify as project orders are printing requests, orders for transportation of personnel and material, utility services, and other service orders--including orders covering the cost of maintaining unutilized and underutilized plant and equipment.

D. A project order or Economy Act order, when accepted by the performing activity, shall be obligated by the issuer of that order at that time. Any order for recurring services or for any object that may not be obligated by the ordering agency beyond the end of the current fiscal year shall be limited to the cost of performance within that fiscal year.

110106. Reimbursement for Contingency Operations and Humanitarian Efforts

A. All DWCF activity groups, including transportation services provided by the United States (U.S.) Transportation Command (USTRANSCOM), operate on a reimbursement basis with users paying for goods and services provided. Payment for contingency operations, including deployment or other emergency response for military or humanitarian assistance, is no exception: The users ordering the DWCF service must pay the bill, and no orders are to be accepted without funding.

B. The Military Department Headquarters is responsible for determining which level within the Military Department will pay (that is, the unit, major command, or Military Department-level). This process also applies when a Unified Combatant Command tasks a Service-funded unit to perform a mission (such as transportation of military personnel or equipment by the USTRANSCOM). The Military Department that controls the equipment or personnel is responsible for payment of costs incurred to accomplish the mission.

C. Consistent with this policy, third party collections for transportation provided in response to a Request for Assistance (RFA) from another government agency is prohibited. The Military Department that controls the equipment or personnel being transported is responsible for reimbursing USTRANSCOM. It is then the responsibility of the Military Department that accepted the RFA to collect any required reimbursements due that Military Department by the requesting government agency.

D. The sole exception to this policy occurs when the USTRANSCOM receives an order from the Joint Chiefs of Staff requiring transportation of non-U.S. owned equipment and/or non-U.S. personnel such as unreimbursed efforts in support of the United Nations. In those instances, the Army will pay Military Traffic Management Command costs, the Navy will pay Military Sealift Command costs, and the Air Force will pay Air Mobility Command costs. Bills may be centralized for more convenient processing if appropriate; however, billings shall be forwarded to the appropriate Military Department within 30 days from commencement of the contingency operation or humanitarian effort. Payment of these bills, including transportation bills, by the Military Departments must be made in a timely manner.
E. This guidance does not address any contingency operations designated by the Secretary of Defense as a “National Contingency Operation” under the provision of Title 10 U.S.Code, Section 127. Special rules apply for such an operation and those rules should be promulgated separately in conjunction with any designation by the Secretary of Defense under the provisions of that section.

110107. Work Performed in Advance of Reimbursable Order

In “emergency” situations, work for customers may begin in advance of receipt and acceptance of a formal order under three circumstances. They are as follows:

A. In periods under which the Department is operating under a Continuing Resolution, customers may issue “Subject to Availability” orders. Orders issued under Continuing Resolution authority shall identify the portion of the order that is covered by current obligational authority. The unfunded portion, if any, may be funded by available resources within the performing working capital fund activity for subsequent reimbursement. If obligational authority is not available, work should be stopped until obligational authority becomes available.

B. When it is necessary, in an “urgent” situation, to incur limited costs in advance of the receipt of a regular order for an authorized program for which customer funds are available, such work or services may be undertaken on the basis of a letter of intent which constitutes an obligation of the ordering activity in a stated amount sufficient to cover the advance costs that may be incurred. Therefore, letters of intent are obligating instruments, contractual in nature, and must be funded upon issuance. A letter of intent shall expire within 30 days from the date of issuance.

C. When it is necessary to begin work of an “emergency” nature prior to the receipt of an order, a commanding officer’s order or similar order may be issued by the commander of the DWCF activity subject to the following conditions:

1. The DWCF activity must have written assurance that an order shall be issued promptly or shall have equivalent documented communication. The use of such orders should be limited to situations in which there are bona fide emergencies arising from unforeseen urgent requirements, e.g., loss or damage caused by a disaster, an act of God, or events caused by unforeseen security situations. A commanding officer’s order must not be used as a normal procedure to circumvent administrative lead-times that should be considered in advance planning.

2. A commanding officer’s order shall expire within 30 days from the date of issuance.

3. A commanding officer’s order shall be issued on a local form and shall be approved and signed by the commanding officer or an authorized representative.
110108. Followup on Unfunded Reimbursable Orders

While there may be some services furnished by a DWCF activity prior to receiving a funded order, this should be a rare occurrence. Whenever this occurs, these services are performed on the basis of anticipated orders or for programs included in approved budget requests. This type of work is for existing customers that have annual recurring requirements. However, when items are furnished or services performed in response to an unfunded reimbursable order (express or implied), and a funded order has not been submitted after 15 days of providing the service, the DWCF organization should notify the comptroller of the customer organization and request a funded order. If funding is not received within 30 days of providing the service, the DWCF organization should notify the Office of the Deputy Comptroller (ODC(P/B)), Revolving Funds Directorate and request authorization to directly bill the customer’s appropriation account. The ODC(P/B), Revolving Funds Directorate should respond to the request within 15 days. Upon authorization by the ODC(P/B) Revolving Funds Directorate the DWCF organization may self-reimburse the DWCF, citing the customer’s appropriation.

110109. Billing Standard

The DWCF Components performing work or services on a customer order shall bill the requesting DoD Component, other federal agency, or the public for earned reimbursements (performance of work or services, payments to contractors, or delivery from inventory) within 30 calendar days after the month in which performance occurred. The payment due date shall not be more than 30 calendar days from the date of the invoice. Bills rendered shall not be subject to audit by the customer prior to payment.

A. Stabilized rates shall be established to recover operating expenses estimated to be incurred for the applicable fiscal year and to provide sufficient working capital for the acquisition of fixed assets as approved by the USD(C). That is, stabilized rates and unit prices shall be established at levels intended to provide for estimated revenues to equal estimated costs plus approved surcharges for the applicable fiscal year for which the rates and unit prices are established. When gains or losses occur in prior fiscal years resulting from under or over applied stabilized rates and/or prices and those gains or losses are included in current year stabilized rates estimated revenues may not equal estimated costs.

B. Private parties and concerns when authorized by law including foreign governments, and state and local governments shall reimburse the DWCF for the full costs incurred by the federal government. Full costs for foreign military, state and local government, and private party sales shall include unfunded costs that are not charged to the DoD or other federal government customers (such as unfunded civilian retirement and postretirement health benefits cost). Amounts collected for unfunded civilian retirement and postretirement health benefits costs shall not be retained by DWCF activities; rather, such amounts shall be deposited into the Miscellaneous Receipts Account 3210, “General Fund Proprietary Receipts, Defense Military.” Additional information on the determination of full costs for Foreign Military Sales can be found in Volume 15, Chapter 7, of this Regulation.
C. Annex 1 to this chapter provides a summarization of costing elements for determining the amounts to be billed by DWCF activities. Additional information on the costing elements can be found in Volume 11A, Chapter 1, “Reimbursements” of this Regulation.

110110. Disputed Bills Between DoD Components

A. Payment for ordered goods and services shall be made promptly on the written request of the activity filling the order. Payment may be in advance or on providing the goods or services ordered and shall be for any part of estimated or actual cost as determined by the activity filling the order. Proper adjustment of amounts paid in advance shall be made as agreed to by the ordering and performing activities on the basis of the goods or services provided. A bill submitted or a request for payment shall be paid promptly and not postponed subject to audit or other similar validation in advance of payment. This provision is not intended to preclude questions on the accuracy and correctness of the billed amounts but is intended to preclude the nonpayment of bills subject to the resolution of disputed billing details. Every effort should be expended to resolve disputed billing details within 60 days. If, after 60 days, agreement as to the resolution of billing details cannot be reached, the billing activity may request adjudication from the ODC(P/B), Revolving Funds Directorate. The ODC(P/B), Revolving Funds Directorate should provide a decision on disputed bills within 30 days.

B. In cases where there is a question as to ownership of the bill (vice dispute over the amount of the bill or other billing details) and the bill remains unpaid for more than 90 days, the providing activity may request approval from the ODC(P/B), Revolving Funds Directorate to collect from the customer such amounts as are unpaid. The ODC(P/B), Revolving Funds Directorate should provide a decision on ownership questions within 30 days.

1102 REVENUE RECOGNITION

110201. General

A. The DoD Components shall use the percentage of completion method for recognizing revenue and costs on all customer orders. Under this method, the revenue earned and associated costs incurred on an order shall be recognized monthly based on the ratio of costs incurred to date, on that order, bear to the total costs estimated to be incurred on the order when it is completed. The completed order method for revenue recognition is not an acceptable method for recognizing revenue within the DoD.

B. Revenue and costs must be recognized in the same accounting period. Revenue must be recognized in the same manner (that is, a standard policy for recognizing and reporting revenue must apply) for all activities within a DWCF activity group. The amount of revenue recognized cannot exceed the amount specified in the order.

110202. Policy

A. Activities in the Depot Maintenance activity groups (includes: Army Ordnance and Other Maintenance Facilities; Navy Shipyards, Aviation Depots, and Ordnance
Facilities; Marine Corps Other Maintenance Facilities; and Air Force Aviation Depots) shall recognize revenue by use of the percentage of completion method. Under this method, the revenue earned on an order will be recognized monthly based on the ratio that the costs incurred to date on that order bear to the total costs estimated to be incurred on the order when it is completed (see paragraph 110305, below). A work in process account shall be used to capture and hold costs prior to their recognition as a cost of goods sold.

B. Activities in the Transportation activity group shall recognize revenue based upon receipt of a cargo manifest or the commencement of travel.

C. Activities in the Supply Management activity group shall recognize revenue, and related costs, when an item is dropped from inventory for sale or other revenue generating disposition.

D. Activities in the Commissary Resale activity group shall recognize revenue, and related costs, at the point/time of sale, or when an item is otherwise disposed.

E. Activities in the Distribution Depots activity group shall recognize revenue, and related costs, based on one of the following events:

<table>
<thead>
<tr>
<th>Event</th>
<th>Revenue Recognized Upon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipt of Items</td>
<td>Receipt of an Item</td>
</tr>
<tr>
<td>Issuance of Items</td>
<td>Issuance of an Item</td>
</tr>
<tr>
<td>Other Services</td>
<td>Rendering of Service</td>
</tr>
</tbody>
</table>

In the event that a service is rendered, revenue shall be considered earned, and recognized, and associated costs shall be reported, at the time that the service is rendered/performd, but not less frequently than monthly.

F. Activities in the Navy Research and Development activity group shall use the following revenue recognition policy:

1. For production type (end item) orders the percentage of completion method shall be used. Under this method, the revenue earned on an order will be recognized monthly based on the ratio of the costs incurred to date on that order to the total costs estimated to be incurred on the order when it is completed (see paragraph 110305, below). A work in process account shall be used to capture and hold costs prior to their recognition as a cost of goods sold.

2. For service orders (all orders other than those for end-item production orders), the service-type revenue recognition method shall be used for all service orders. Under this method, revenue shall be considered earned, and recognized, and the associated costs reported, at the time that the service is rendered/performed, but no less frequently than monthly. Thus, service type orders shall be considered as rendered/completed, and revenue and costs recognized, at least monthly.
Activities in all other activity groups (for example, Financial Operations, Base Support, Information Services, Reutilization & Marketing, and Printing & Publications) not discussed in paragraphs 110202.A through 110202.F, above, shall use the service-type revenue recognition policy. Under this method, revenue shall be considered earned, and recognized, and the associated costs reported, at the time that the service is rendered/ performed, but not less frequently than monthly. Thus, service type orders shall be considered as rendered/completed, and revenue and costs recognized, at least monthly.

110203. Types of Orders

There are two general classifications of orders--Service type and End-Item type.

A. The following are description of applicable projects and work that should be classified as service type orders. A work in process account shall not be used to capture and hold costs on service type orders. Thus, service type orders shall be considered as rendered/completed, and revenue and costs recognized, at least monthly.

1. Research and Development includes the conduct and support of research and development, including basic research, theoretical studies, scientific experiments, applied research, feasibility studies, systems engineering, design studies, weapon systems analysis and operations research, developmental engineering (including developmental engineering in connection with procurement, production and modification) and fabrication of experimental models and prototypes. Does not include production of items for service testing or engineer-user testing. These latter examples are end-product type orders.

2. Transportation Services includes traffic management and transportation (air, land, and sea) services. Also include operation of ports, port facilities and related subinstallations, including holding and reconsignment points engaged in cargo and passenger transshipment activities. Also includes the operation of docks, piers, terminals or similar facilities, and wharfage, ferrying, lighterage and stevedoring.

3. Communication and Information Services includes communication services and data processing services (other than financial services and technical information) rendered.

4. Financial Operations includes provision of finance and accounting procedures, systems and operations by the DFAS.

5. Technical Information includes central collection and dissemination for DoD technology base information. Includes provision of access to, and transfer of, scientific and technical information. Also includes provision of computer modeling, data services, and response to requests for solutions to technological problems of the Military Departments.
6. Printing Services includes revenues of activities whose primary mission is printing and reproduction services as well as printing performed by other activities for tenants, satellites or other off-post activities.

7. Distribution Depots includes management and procurement of designated national stock numbers for all DoD customers.

8. Supply Management includes receipt, reclamation, storage, and issue of consumables and reparable items.

9. Contract Management includes expediting the products and services delivered by industry, assuring that the specifications of the contract are met and paying contractor invoices for these items. Also includes surveillance of contractor operations to assure compliance with contractual requirements and determining the effectiveness of contractor quality control systems and inspection procedures, and officially accepting materiel on behalf of the government after certifying its conformance to contract provisions. Also includes provision of on-site assistance to program managers, such as representation and participation in meetings and informal program/contract reviews.

10. Base Support includes facilities maintenance, family housing services, other housekeeping services, and administrative functions, provided to tenants and others. Also includes provision of utility services (steam, electricity, water, sewage disposal, and gas).

11. Engineering Services includes provision of technical and engineering assistance in matters relating to various weapon systems and industrial plant equipment and associate system when they do not relate to research and development projects. Also includes repair service and quality evaluation; that is, inspecting, calibrating, testing, evaluating, trimming and reengineering of items.

12. Support of Reserve (Under and Unutilized) Capacity includes maintenance of unutilized capacity and support of underutilized capacity.

13. Commissary Services includes operation of Defense commissaries. Also includes provision of troop issue subsistence and programming of the replacement of War Reserve Material rotation rations.

14. Reutilization and Marketing Service includes the reuse of excess and surplus property within the federal government and other authorized agencies, donation to local governments, and the sale of the remaining property to the public on a competitive basis.

15. Other Services include services not otherwise classified.
B. The following are a description of applicable projects and work that should be classified as end-product type orders: A work in progress account shall be used to capture and hold costs prior to their recognition as a cost of goods sold.

1. Overhaul or a complete rebuilding of parts, assemblies, subassemblies, and end-items.

2. Manufacture and Assembly includes furnishing customers with new end-items and components, manufacture of prototypes or items furnished to the customer for test.

3. Ordnance includes the receipt, segregation, demilitarization, storage, assembly/disassembly, test, maintenance, and issue or shipment of ammunition, ordnance, and weapons.

4. Construction and Conversion includes construction and conversion of property and equipment.

5. Alteration and Modification includes alteration and modification of property and equipment.

6. Other Products include products not otherwise classified such as the production of research and development items for service testing or engineer-user testing.

110204. Revenue Billings

A. The customer funding an order shall be billed for the revenue recognized, or when advance payments have been received, those advances shall be transferred to the appropriate revenue account. Revenue billings to customers shall reflect due credit for the advances received. In no case shall the total amount of revenue recognized and billed exceed the amount of the order.

B. Revenue billings shall be accomplished at least monthly including applicable labor, material, overhead, and surcharges as well as the value of material in inventory that is identified and held in reserve for specific orders, and amounts of work in progress in contractors’ plants and other government plants that are identified to specific orders. The billings should be made as late as possible in the month so that they shall include the above items to the maximum extent possible and still permit the orderly processing of the collection in the same month. Every effort should be made to reduce the billing and collection lag so that a greater portion of the costs shall be recovered in the same month they are incurred.
1103 ACCOUNTING FOR REIMBURSEMENTS AND REVENUE RECOGNITION

110301. General

The following illustrate typical budgetary and proprietary accounting entries applicable to reimbursements and revenue recognition. Additional information on customer orders can be found in Chapter 3 of this volume and additional information on work in process can be found in Chapter 7 of this volume.

110302. Acceptance of Customer Order

A. Entry to record acceptance of customer order without an advance payment that has been previously anticipated. A proprietary entry is not necessary for this transaction.

| Dr | 4221 Unfilled Customer Orders Without Advance | $100,000 |
| Cr | 4210 Anticipated Reimbursements & Other Income | $100,000 |

and

| Dr | 4590 Apportionments Unavailable-Anticipated Resources | $100,000 |
| Cr | 4610 Allotments-Realized Resources (Reimbursable) | $100,000 |

B. Entry to record acceptance of customer order with an advance payment that has been previously anticipated.

| Dr | 4222 Unfilled Customer Orders With Advance | $100,000 |
| Cr | 4210 Anticipated Reimbursements and Other Income | $100,000 |

and

| Dr | 4590 Apportionments Unavailable-Anticipated Resources | $100,000 |
| Cr | 4610 Allotments-Realized Resources (Reimbursable) | $100,000 |

| Dr | 1010 Funds Balance with Treasury (Funds Collected-Operating Program) | $100,000 |
| Cr | 2310 Advances from Others (Unearned Revenue) | $100,000 |

110303. Accounting for Performance on Customer Order

A. Entry to record obligation and accrual of civilian personnel compensation earned during the period. The budgetary and proprietary entries record obligation and accrual of civilian employee compensation earned during the period. The obligation to pay civilian employees must be recorded in budgetary accounts and serves to reduce the obligation authority available. The liability to pay must be recorded in proprietary accounts. Personnel compensation and personnel benefits operating expenses shall be segregated as direct and indirect costs, as necessary.
Dr 4610 Allotments-Realized Resources
(Reimbursable) $54,000
Cr 4801 Undelivered Orders-Obligation, Unpaid (Reimbursable) $54,000

Dr 4801 Undelivered Orders-Obligation, Unpaid (Reimbursable) $54,000
Cr 4901 Delivered Orders-Obligations, Unpaid (Reimbursable) $54,000

Dr 6100 Operating Expense (Personnel Compensation-Direct) $35,000
Dr 6100 Operating Expense (Personnel Compensation-Indirect) $10,000
Dr 6400 Benefit Expense (Personnel Benefits-Direct) $7,000
Dr 6400 Benefit Expense (Personnel Benefits-Indirect) $2,000
Cr 2210 Accrued Funded Payroll and Leave $45,000
Cr 2213 Employer Contributions and Payroll Taxes Payable $9,000

B. Purchase of Supplies and Materials. Entry to record the obligation and receipt of supplies and materials. The budgetary and proprietary entries record obligation for the purchase and receipt of supplies and materials. The liability to pay and the receipt of the asset must be recorded in proprietary accounts.

Dr 4610 Allotments-Realized Resources (Reimbursable) $11,000
Cr 4801 Undelivered Orders-Obligation, Unpaid (Reimbursable) $11,000

Dr 4801 Undelivered Orders-Obligation, Unpaid (Reimbursable) $11,000
Cr 4901 Delivered Orders-Obligations, Unpaid (Reimbursable) $11,000

Dr 1525 Inventory-Raw Materials $11,000
Cr 2110 Accounts Payable $11,000

C. Entry to record issue of supplies and materials to a job order. Parts and materials issued to a specific job shall be recorded as a direct cost. Parts and materials issued for the general use of a cost center (production indirect) or for G&A of an activity shall be recorded as an indirect cost. A budgetary entry is not necessary for this transaction since supplies and materials were released from stock that was previously purchased and held for later use.
Dr  6100 Operating Expenses (Supplies and Materials-Direct)   $8,000
Dr  6100 Operating Expenses (Supplies and Materials-Indirect) $3,000
Cr  1525 Inventory-Raw Materials    $11,000

D. Periodic, but not less than monthly, proprietary entry to record assignment of direct costs to work in process.

Dr  1526 Inventory-Work In Process (In-House) $50,000
Cr  6610 Cost Capitalization Offset (Personnel Compensation-Direct) $ 35,000
Cr  6610 Cost Capitalization Offset (Personnel Benefits-Direct) $  7,000
Cr  6610 Cost Capitalization Offset (Supplies and Materials-Direct) $  8,000

E. Periodic, but not less than monthly, proprietary entry to record the assignment/allocation of indirect expenses to work in process. (The allocation basis should be one that is a reasonable representation of the expense distribution that would have occurred had all actual indirect costs been known at that time. In this example, and purely for illustration purposes, indirect labor cost is allocated on the basis of 30 percent of direct labor costs \(30\% \times $35,000 = $10,500\). Indirect supplies and materials cost are allocated on the basis of 22 percent of direct supplies and materials \(22\% \times $8,000 = $1760\).)

Dr  1526 Inventory-Work In Process (In-House) $12,260
Cr  6600 Applied Overhead    $12,260

110304. Revenue Recognition - Percentage of Completion

A. In the illustration in paragraph B below, the total estimated cost to complete the customer order is $100,000 and the total work in process cost incurred to date is $62,260 ($50,000 direct cost plus $12,260 applied overhead). The amount of revenue to be recognized is the ratio of total work in process cost incurred to date ($62,260) to total estimated cost ($100,000). That ratio, in this case, is 62.26 percent. The amount of revenue recognized must never be more than the amount authorized on the customer order. For example, in this illustration, the total of revenue recognized shall not exceed $100,000 regardless of the costs incurred. Similarly, if the customer order is a fixed price (vice a fixed rate) order, the final revenue billing shall be for the increment between the revenue recognized to date and the fixed price amount regardless of the costs incurred in performance of that fixed price order.
B. Revenue Recognition for Customer Orders Accepted Without Advance Payment

Dr 4251 Reimbursements Earned-Receivable $62,260  
Cr 4221 Unfilled Customer Order-Without Advance $62,260

Dr 6500 Cost of Goods Sold $62,260  
Cr 1526 Inventory-Work In Process $62,260
Dr 1310 Accounts Receivable $62,260  
Cr 5200 Revenue From Services Provided $62,260

This entry recognizes revenue upon partial completion of work on customer orders accepted without advance payment.

C. Revenue Recognition for Customer Orders Accepted With Advance Payment

Dr 4252 Reimbursements Earned-Collected $62,260  
Cr 4222 Unfilled Customer Order-With Advance $62,260

Dr 6500 Cost of Goods Sold $62,260  
Cr 1526 Inventory-Work In Process $62,260
Dr 2310, Advances (Unearned Revenue) $62,260  
Cr 5200 Revenue From Services Provided $62,260

This entry recognizes revenue upon partial completion of work on customer orders accepted with advance payment.

110305. Collection for Work on Customer Orders

Dr 4252 Reimbursements Earned-Collected $62,260  
Cr 4251 Reimbursements Earned-Receivable $62,260

Dr 1010 Funds Balance with Treasury (Funds Collected-Operating Program) $62,260  
Cr 1310 Accounts Receivable $62,260

This entry records collection of reimbursement for work on customer order without an advance.
110306. Payment of Expenses Incurred

Entry to record payment of civilian payroll (paragraph 110303.A., above) and payables (paragraph 110303.B., above).

\[
\begin{align*}
\text{Dr} &\quad 4901 \text{ Expended Authority-Unpaid (Reimbursable)} & \$65,000 \\
&\quad 4902 \text{ Expended Authority-Paid (Reimbursable)} & \$65,000 \\
&\quad 2210 \text{ Accrued Funded Payroll and Leave} & \$45,000 \\
&\quad 2213 \text{ Employer Contributions and Payroll Taxes Payable} & \$9,000 \\
&\quad 2110 \text{ Accounts Payable} & \$11,000 \\
\text{Cr} &\quad 1010 \text{ Funds Balance with Treasury (Funds Disbursed-Operating Program)} & \$65,000
\end{align*}
\]

110307. Loss on the Completion of Customer Order

A. A loss occurs when the recorded costs exceed the funded amount of the customer order. Completion of a customer order is when all work requested on a customer order has been completed or the funded amount authorized on the existing customer order has been recognized under the percentage of completion method of revenue recognition.

B. The following entry transfers, upon completion of a customer order, the recorded costs in work in process that exceeds the funded amount of the customer order. The loss (gain) on the completion of the customer order will be recognized when the cost of goods sold is closed to the cumulative results of operations.

\[
\begin{align*}
\text{Dr} &\quad 6500 \text{ Cost of Goods Sold} \\
\text{Cr} &\quad 1526 \text{ Inventory-Work In Process}
\end{align*}
\]

1104 PRIOR PERIOD ADJUSTMENTS

110401. General

A. Prior period adjustments are adjustments in the current fiscal year for events that occurred in a prior fiscal year. Prior period adjustments should be limited to corrections of errors and accounting changes with retroactive effect, including those occasioned by the adoption of new federal financial accounting standards. Prior period adjustments should be recognized as a change in cumulative results of operations (rather than as an element of net results of operations for the period). If an expense, revenue, gain or loss was omitted or erroneously posted, then Account 7400, “Prior Period Adjustment” will be used. If the transaction had no effect on net income, then the correction should be posted directly to assets or liabilities. When material errors are discovered in prior period financial statements, all statements presented must be restated to correct the error. Additional information relating to reporting prior period adjustments in audited financial statements may be found in Volume 6B, “Form and Content of DoD Audited Financial Statements” of this Regulation.
B. Additional information relating to prior period adjustments may be found in Volume 4, Chapter 17, “Expenses and Miscellaneous Items” of this Regulation.

110402. Events for which Prior Period Adjustments are Applicable

Prior period adjustments are applicable only to:

A. Events that, in a prior fiscal year, were recorded in error to a revenue, gain, expense, or loss account.

B. Events that, in a prior fiscal year, should have been recorded to a revenue, gain, expense, or loss account but were not.

110403. Accounting for Prior Period Adjustments

Research is often necessary to determine the prior period accounting that was done so that its effect can be corrected by the prior period adjusting entry. Usually, the effect cannot be corrected by a reversal of the erroneous prior period entry because affected revenue, gain, expense, or loss account for the prior period has been closed.

110404. Example of a Prior Period Adjusting Entry

Assume that in fiscal year 2000, an advance payment of $50,000 is received for reimbursable work that is to be done at a later date. The accounting entry that should be recorded is:

Dr 1010 Funds Balance with Treasury (Funds Collected-Operating Program) $50,000
Cr 2310 Advances from Others (Unearned Revenue) $50,000

However, in error, the following accounting entry was made:

Dr 1010 Funds Balance with Treasury (Funds Collected-Operating Program) $50,000
Cr 5100 Revenue From Goods Sold $50,000

At the end of fiscal year 2000, revenue was closed to cumulative results of operations as follows:

Dr 5100 Revenue From Goods Sold $50,000
Cr 3310 Cumulative Results of Operations (Normal) $50,000

In fiscal year (FY) 2001, the error made in FY 2000 is discovered. Upon investigation, it is found that $30,000 of the advance payment has been earned in the current FY 2001. Thus, a prior period adjusting entry is
needed to recognize the $20,000 portion of the advance payment that remains unearned and the $30,000 portion of the advance that is earned. The entry to accomplish that adjustment is as follows:

Dr 7400  Prior Period Adjustments          $50,000  
       Cr 2310 Advances From Others (Unearned Revenue)  $20,000  
       Cr 5100  Revenue From Goods Sold            $30,000

Account 7400, “Prior Period Adjustments,” and Account 5100, “Revenue from Goods Sold,” are closed to Account 3310, “Cumulative Results of Operations (Normal)” As a result, upon closing, Account 3310 will show a correct $30,000 net value as a result of the above events as illustrated below:

FY 2000 Closing Balance $50,000  
FY 2001 Adjustments
   Close Prior Period Adjustments ($50,000)  
   Close Revenue from Goods Sold          $30,000  
FY 2001 Closing Balance $30,000

Additionally, as a result of the prior period adjusting entry, the remaining $20,000 unearned revenue amount is correctly recorded and remains available for the recognition of revenue from subsequent work completion.
**VOLUME 11B, CHAPTER 12: “COSTS”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated *April 2010* is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td>Revised title of the chapter from Expenses to Costs to better reflect the nature of the chapter content.</td>
<td>Revision</td>
</tr>
<tr>
<td>All</td>
<td>Revised the chapter format to be consistent with the Department of Defense (DoD) Financial Management Regulation (FMR) Revision Standard Operating Procedures (SOP).</td>
<td>Revision</td>
</tr>
<tr>
<td>1201</td>
<td>Added Purpose and Authoritative Guidance paragraphs in accordance with the DoD FMR SOP. Renumbered subsequent paragraphs following the addition.</td>
<td>Addition</td>
</tr>
<tr>
<td>120101</td>
<td>Revised the Overview paragraph to further define “costs”.</td>
<td>Revision</td>
</tr>
<tr>
<td>120301</td>
<td>Revised paragraph to include requirement to fully reflect the depreciation of capital equipment in their operating costs and rates in the form of the capital investment recovery and capital surcharge.</td>
<td>Revision</td>
</tr>
<tr>
<td>120302</td>
<td>Revised paragraph to include requirement to use a reasonably accurate useful life in calculating depreciation schedules for assets classified as capital investments and addressed the need to adjust the capital investment recovery rate for capital assets transferred in.</td>
<td>Revision</td>
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<td>PARAGRAPH</td>
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<tr>
<td>120602</td>
<td>Deleted guidance involving management headquarters that is duplicative of that already addressed in Volume 2B, Chapter 9.</td>
<td>Deletion</td>
</tr>
</tbody>
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CHAPTER 12

COSTS

*1201 GENERAL

120101 Overview

A. As used in this chapter, costs are either defined as realized or unrealized. Unrealized costs are considered "obligations" whereas realized costs are considered "expenses." In accordance with the full cost approach defined in Statement of Federal Financial Accounting Standards (SFFAS) Number 4, “Managerial Cost Accounting Standards and Concepts,” all costs (unrealized and realized) must be allocated to projects.

B. The full costs of resources that directly or indirectly contribute to the completion of projects/services should be assigned to projects/services through costing methodologies or cost finding techniques that are most appropriate to the segment’s operating environment and should be followed consistently. Costs should be assigned to projects/services using the following methods listed in the order of preference: (a) directly tracing costs wherever feasible and economically practicable (Direct Production Costs), (b) assigning costs on a cause-and-effect basis (Indirect Production Costs), or (c) allocating costs on a reasonable and consistent basis (General and Administrative (overhead)).

C. Additional information relating to costs can be found in Volume 4, Chapter 17, “Expenses and Miscellaneous Items” and Chapter 19 “Managerial Cost Accounting”. For Defense Working Capital Fund (DWCF) entities, all costs (realized or unrealized), unless specifically exempted by DWCF Policy or exception to policy, shall be recovered through billings to customers.

120102 Purpose

This chapter describes costs associated with DWCF, and sets forth the criteria for allocating certain costs to projects/services in accordance with Federal accounting standards.

120103 Authoritative Guidance

This chapter is based on regulatory and statutory requirements cited throughout the chapter. The primary statutory source is Title 10, United States Code (U.S.C.), section 2208. The primary accounting sources include SFFAS Number 4, and SFFAS Number 6, “Accounting for Property, Plant and Equipment”.

12-4
1202 MILITARY PERSONNEL EXPENSE

120201. Military Personnel Cost

The cost of military personnel may involve two separate processes. The first involves the payment to military personnel appropriations for the budgeted amount of military personnel for an activity group – regardless of the actual number of military personnel assigned. The second involves the costing of military personnel to jobs or cost centers for work performed at the civilian equivalency rate for the number and grade of military personnel assigned to the DWCF activity. Rate guidance is provided in Volume 11A, Chapter 6, Appendix B. See Volume 2B, Chapter 9 “Defense Working Capital Fund Budget Justification Analysis” or additional military personnel pricing policy.

120202. Military Leave or Other Absences

There will be no additional acceleration of the civilian equivalency rate charged to customer orders for military leave or other absences.

120203. Military Personnel Services

DWCF activities must price military personnel services reimbursement in support of DWCF operations using the civilian equivalency rate. The respective Military Departments and DWCF activities may schedule reimbursement of the appropriate military appropriation at the beginning of each fiscal year, or in the last month of each fiscal year quarter.

120204. Unresolved Disputes

In the event of an unresolved dispute between the military personnel appropriation manager and a DWCF activity on the budgeted amount of the deposit, the budgeted amount requested by the military personnel appropriation manager must be provided. Upon resolution of the dispute, the military personnel appropriation manager will provide a refund to the DWCF activity, if any is due, for the applicable amount.

120205. Variances

As a result, a variance may result between the amount paid to military personnel appropriations and the amount applied to work performed. That variance will result in a debit or credit amount in United States Standard General Ledger (USSGL) 2110 Accounts Payable. The amount of the variance shall be reduced to zero at the end of the fiscal year by adjusting USSGL 2110 Accounts Payable and USSGL 6100 Operating Expenses/Program Costs equal the amount budgeted paid to the military personnel appropriation. The purpose of this adjustment is to eliminate the variance between the costs applied to work performed and the budgeted amount.
1203 DEPRECIATION EXPENSE

Depreciation is the recognition of the acquisition cost of an asset over its useful life. In most cases, the depreciation expense represents the capital investment recovery (CIR) that is included in stabilized rates or prices to recover cash used by the activity to acquire or replace assets. Recovery of depreciation expense is the primary financing source for DWCF capital investments.

*120301. Capital Equipment

DWCF activities will fully reflect the depreciation of capital equipment in their operating costs and rates in the form of the CIR. If the depreciation expense is insufficient to cover the costs of capital investments, then an additional capital surcharge may be applied as stated in Volume 2B, Chapter 9.

*120302. Capital Assets Transferred In

DWCF activities will calculate the depreciation of capital assets that are transferred into a DWCF business entity without reimbursement based on its net value (original acquisition cost less calculated accumulated depreciation) plus any associated costs for transportation, installation and other related costs necessary to put the asset into operational use. DWCF activities must use reasonably accurate useful lives in calculating depreciation schedules for all assets classified as capital investments, in accordance with generally accepted accounting principles. Since the transfer of capital assets without reimbursement to the DWCF does not involve an outlay, the CIR must be adjusted accordingly. For further explanation regarding useful life see Volume 4, Chapter 6 “General Property, Plant, and Equipment”.

120303. Depreciation Budgeting

Guidance related to budgeting for depreciation can be found in Volume 2B, Chapter 9. For additional information relating to depreciation of Department of Defense (DoD) capital assets, refer to Volume 4, Chapter 6.

1204 MANAGEMENT IMPROVEMENT INITIATIVES

DWCF activities must expense any management improvement initiative that does not qualify for the Capital Investment Program and is not subject to depreciation. See Volume 4, Chapter 6 for further policy on real property maintenance and repair.

1205 REAL PROPERTY MAINTENANCE AND REPAIR

DWCF activities must expense major real property maintenance and repairs in the period in which the maintenance and repair occurs if the costs do not meet the DWCF Capital Investment Program criteria. See Volume 4, Chapter 6 for further policy on real property maintenance and repair.
1206 MAJOR DoD HEADQUARTERS ACTIVITIES COSTS

120601. General

Each DWCF activity is under the management control of a designated DoD Component. The DWCF headquarters activities costs is related to specific DWCF activity operations, and is separate from the general policy direction for the Department or a DoD Component. DWCF activities must identify management headquarters funded from the DWCF in the DWCF Charter (Management Command) for each applicable activity. See Chapter 2 for guidance on DWCF charter requirements.

*120602. Identification and Payment for Major DoD Headquarters Activities Costs

Refer to Volume 2B, Chapter 9, paragraph 090107 for the DoD guidance related to headquarters activities.

1207 ACCOUNTING FOR COSTS

The DoD United States Standard General Ledger (USSGL) Transaction Library illustrates the accounting entries with related USSGL accounts.
VOLUME 11B, CHAPTER 13: “COST ACCOUNTING REQUIREMENTS FOR DEPOT MAINTENANCE”

SUMMARY OF MAJOR CHANGES

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<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various</td>
<td>Updated the United States Standard General Ledger (USSGL) chart of account codes contained in the chapter to reflect the most recent six-digit codes published by the United States (U.S.) Treasury.</td>
<td>Revision</td>
</tr>
<tr>
<td>Various</td>
<td>Revised terminology referring to indirect costs to more clearly be termed indirect production costs. Also revised terminology referring to general and administrative (G&amp;A) costs to more clearly be termed G&amp;A (overhead) costs.</td>
<td>Revision</td>
</tr>
<tr>
<td>130102</td>
<td>Added the relevant overarching authoritative guidance supporting the policy contained in the chapter.</td>
<td>Addition</td>
</tr>
<tr>
<td>130301.J</td>
<td>Added the establishment of working capital fund rates used for customer program budgets as information that management should have available from the cost accounting and reporting module.</td>
<td>Addition</td>
</tr>
<tr>
<td>130303.B.3</td>
<td>Revised the guidance to reflect reference to the use of the Department of Defense (DoD) USSGL transaction library within the Standard Financial Information Structure (SFIS) for the accounting scenarios for making adjustments for inventory accounts.</td>
<td>Revision</td>
</tr>
<tr>
<td>130305</td>
<td>Added a definition for what is considered to be a “significant” accrued expense as defined in Statement of Federal Financial Accounting Standards (SFFAS) 4, “Managerial Cost Accounting Standards and Concepts”.</td>
<td>Addition</td>
</tr>
<tr>
<td>130306</td>
<td>Added the USSGL account for recording immaterial adjustments that cannot be identified to the appropriate job order.</td>
<td>Addition</td>
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<tr>
<td>PARAGRAPH</td>
<td>EXPLANATION OF CHANGE/REVISION</td>
<td>PURPOSE</td>
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<tr>
<td>1304</td>
<td>Revised the layout of previous policy from a paragraph format to a tabular format for ease of reading and understanding.</td>
<td>Revision</td>
</tr>
<tr>
<td>130502.B</td>
<td>Updated the paragraph to direct the reader to the DoD USSGL transaction library within SFIS for transactions for recording under/over absorbed overhead.</td>
<td>Revision</td>
</tr>
<tr>
<td>130601</td>
<td>Added guidance contained in SFFAS 4 regarding process costing.</td>
<td>Addition</td>
</tr>
<tr>
<td>130603</td>
<td>Added guidance that a thorough analysis of alternative cost accounting and assignment methods should be conducted before process cost procedures are adopted, and added the requirement to document the method used to accumulate and allocate process center costs.</td>
<td>Addition</td>
</tr>
<tr>
<td>130701</td>
<td>Added the requirement for periodic re-evaluations of work measurement standards.</td>
<td>Addition</td>
</tr>
<tr>
<td>130603 (Previous Version)</td>
<td>Deleted the paragraph since DoD Instruction (DoDI) 5010.34 was cancelled July 14, 2010 and DoDI 5010.37 was cancelled December 14, 2012, both of which were the basis for the policy in this paragraph.</td>
<td>Deletion</td>
</tr>
<tr>
<td>130805</td>
<td>Added guidance that Defense Working Capital Fund (DWCF) activities must not bill or accept reimbursement for certain military labor, or include their cost in the calculation of the net operating results used for developing future rates or prices.</td>
<td>Addition</td>
</tr>
<tr>
<td>130806</td>
<td>Revised guidance to reflect that a timekeeping system also collects labor hour data.</td>
<td>Revision</td>
</tr>
<tr>
<td>130807</td>
<td>Revised the guidance to better align with cost allocation verbiage contained in SFFAS 4.</td>
<td>Revision</td>
</tr>
<tr>
<td>130812</td>
<td>Clarified guidance that the cost of temporary employees that a DWCF activity does not pay for are nonrecoverable, and must not be included in the calculation of net operating results used for future rates or prices.</td>
<td>Revision</td>
</tr>
<tr>
<td>130813</td>
<td>Added reference to the DoD USSGL transaction library for the DoD general ledger accounts and related transaction posting detail for civilian leave and benefits.</td>
<td>Addition</td>
</tr>
<tr>
<td>130903</td>
<td>Revised the paragraph terminology to align with that used in SFFAS No. 3 “Accounting for Inventory and Related Property”. Added reference to Volume 4, Chapter 4 for more detailed guidance on the calculation of moving average cost.</td>
<td>Revision/Addition</td>
</tr>
<tr>
<td>PARAGRAPH</td>
<td>EXPLANATION OF CHANGE/REVISION</td>
<td>PURPOSE</td>
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</tr>
<tr>
<td>130908</td>
<td>Deleted specific posting entries and referred the reader to the USSGL/SFIS and Volume 4, Chapter 4 for specific transactional posting guidance.</td>
<td>Deletion/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Addition</td>
</tr>
<tr>
<td>130909</td>
<td>Revised the guidance involving the basis for the costs to be charged to a job order, and the handling of any resulting credits when reparable carcasses are exchanged with the Supply activity.</td>
<td>Revision</td>
</tr>
<tr>
<td>130910</td>
<td>Revised the paragraph title to “Items Beyond Repair” versus “Non-Reparable Carcasses” and clarified that the depot must order and pay for a replacement from the Supply activity.</td>
<td>Revision</td>
</tr>
<tr>
<td>131004</td>
<td>Revised account 151100, “Operating Materials and Supplies Held for Use”, to account 152500, “Inventory-Raw Materials” to align the USSGL chart of account code with the nomenclature used in the paragraph.</td>
<td>Revision</td>
</tr>
<tr>
<td>131101</td>
<td>Revised the paragraph title and guidance terminology to reflect that it is applicable to indirect production costs rather than overhead.</td>
<td>Revision</td>
</tr>
<tr>
<td>131106</td>
<td>Clarified the guidance terminology to ensure it is interpreted to consistently apply to both indirect production and G&amp;A (overhead) rate variances.</td>
<td>Revision</td>
</tr>
<tr>
<td>131107</td>
<td>Clarified the guidance terminology to ensure it is interpreted to consistently apply to both indirect production and G&amp;A (overhead) rate variances.</td>
<td>Revision</td>
</tr>
<tr>
<td>131108</td>
<td>Clarified the guidance terminology to ensure it applies to indirect production as well as G&amp;A (overhead), and referred the reader to the DoD USSGL transaction library in SFIS for the specific accounting entries to account for under/over-applied overhead.</td>
<td>Revision</td>
</tr>
<tr>
<td>131109</td>
<td>Added the applicable object class codes for recording the specific type of transportation costs discussed in the paragraph.</td>
<td>Addition</td>
</tr>
<tr>
<td>131210</td>
<td>Added the applicable U.S. Code reference governing proceeds from sales of surplus property.</td>
<td>Addition</td>
</tr>
<tr>
<td>131211</td>
<td>Removed policy that is duplicative of that contained in Volume 11B, Chapter 14, and Volume 2B, Chapter 9.</td>
<td>Deletion</td>
</tr>
<tr>
<td>131212.B</td>
<td>Clarified the guidance to depict that indirect costs associated with a cancellation or reduction action could include both indirect production and G&amp;A (overhead).</td>
<td>Revision</td>
</tr>
<tr>
<td>131215.C</td>
<td>Clarified the guidance to state that a completed order for items a DWCF manufactures for itself will either be charged to an asset account or to a job order.</td>
<td>Revision</td>
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CHAPTER 13

COST ACCOUNTING REQUIREMENTS FOR DEPOT MAINTENANCE

1301 GENERAL

130101. Purpose

The purpose of this chapter is to prescribe depot maintenance cost accounting requirements for Defense Working Capital Fund (DWCF) activities to uniformly record, accumulate, and report the job order cost of performing DWCF functions. Depot maintenance reporting requirements and procedures are contained in Volume 6A, Chapter 14, “Depot Maintenance Reporting”.

*130102. Authoritative Guidance

A. Title 10, United States Code (U.S.C.) section 2460 generally defines depot maintenance and repairs as:

1. Material maintenance or repair requiring the overhaul, upgrade, or rebuild of parts, assemblies, or subassemblies, and the testing and reclamation of equipment as necessary, regardless of the source of funds for the maintenance or repair, or the location at which the maintenance or repair is being performed;

2. Including all aspects of software maintenance classified by the Department as depot level maintenance and repair, and interim contractor support or contractor logistics support (or any similar contractor support), to the extent that such support is for the performance of services;

3. Not including the procurement of major modifications or upgrades of weapon systems that are designed to improve program performance, the nuclear refueling or defueling of an aircraft carrier and any concurrent complex overhaul, and the procurement of parts for safety modifications; and

4. Including the installation of parts for safety modifications.

B. Statement of Federal Financial Accounting Standards (SFFAS) Number 4 “Managerial Cost Accounting Standards and Concepts” sets forth the fundamental elements for cost accounting in Federal agencies. SFFAS 3 “Accounting for Inventory and Related Property” identifies the accounting standards that apply to several types of tangible property, other than long term fixed assets, held by federal government agencies.

C. Volume 4, Chapter 19 “Managerial Cost Accounting” provides guidance on implementing managerial cost accounting within the Department.
1302. OVERARCHING POLICY

130201. General.

A. DWCF depot maintenance activities that utilize a job order costing methodology must use formal cost accounting practices in compliance with the provisions of SFFAS 4.

B. DWCF activities must ensure compliance with the requirements of this chapter and Volume 4, Chapter 4 “Inventory and Related Property” for all material, whether owned by the Department of Defense (DoD), other federal agencies, state or local governments, foreign governments or private parties.

C. DWCF activities must uniformly record, accumulate, and report job order costs to assist management in measuring productivity and efficiency; developing and using performance measurement and cost standards; and highlighting areas that need increased management emphasis. This data also assists in the identification of total capability, duplication of capacity, and areas of interservice support of DWCF workload.

D. Depot maintenance serves to support Intermediate (I) and Organizational (O) level maintenance by providing technical assistance and performing maintenance that is beyond the capability/responsibility of the I and O levels.

130202. Facilities Requirement.

Depot maintenance may be performed in Government-Owned, Government-Operated facilities; Government-Owned, Contractor-Operated facilities; or Contractor-Owned, Contractor-Operated facilities. The primary funding source for depot maintenance operations is DoD operation and maintenance appropriations made available to customers of depot maintenance. Centrally managed procurement appropriations may finance certain specific programs such as weapon system upgrades and similar modernization and/or modification programs. Activities funded by an appropriation or fund legally authorized for the purpose, as well as customers outside of the DoD such as the Coast Guard and Foreign Military Sales, may place an order for maintenance work.

130203. Managerial Cost Accounting.

A. Managerial cost accounting should be a fundamental part of the financial management system and, to the extent practical, should be integrated with other parts of the financial management system to provide consistent, cost-based information for reporting and management’s use.

B. DoD depot maintenance activities must, in accordance with SFFAS 4:

1. Accumulate and report the costs of activities on a regular basis for management information purposes;
2. Establish responsibility segments, and measure and report the costs of each segment’s outputs and calculate the unit cost of each output;

3. Determine and report the full costs of government goods and services, including direct and indirect production costs and general and administrative (G&A) (overhead);

4. Recognize the full costs of goods and services provided by other federal entities; and

5. Use and consistently follow costing methodologies or cost finding techniques most appropriate to the segment’s operating environment to accumulate and assign costs to outputs. (Refer to Volume 4, Chapter 19 for additional guidance on managerial cost accounting).

1303 ESTABLISHING THE COST ACCOUNTING MODULE

130301. Job Order Cost Accounting Module

A job order cost accounting module should be subsidiary to, and integrated within, the financial system defined in Volume 1, Chapter 3 “Federal Financial Management Improvement Act Compliance”. The cost module should be integrated with the depot payroll, fund control, and material control modules. Specifically, management should have information available from the cost accounting and reporting module to assist in the:

A. Comparison of historical unit cost trends with replacement cost trends to include proper identification and categorization of costs;

B. Oversight in the utilization of resources;

C. Evaluation of program budgets;

D. Comparison of cost trends among DWCF entities or between DWCF and contract sources;

E. Managerial direction and guidance for DWCF programs;

F. Evaluation of DWCF activities for efficient use of resources;

G. Estimation of DWCF requirements;

H. Monitoring of DoD Component compliance with various congressionally mandated reporting requirements;

I. Examination of the behavior of cost drivers over time (e.g. relationship between a given cost item and the quantity of its related cost driver(s) over time); and
130302. Requisite Module

The cost accounting module must be established for, but not limited to, all DWCF depot maintenance activities.

130303. Chart of Accounts

A. The United States Standard General Ledger (USSGL) provides a uniform chart of accounts and technical guidance for standardizing federal government agency accounting. Guidance on the use of individual general ledger accounts and transactions applicable to the DoD is provided within the Standard Financial Information Structure (SFIS). The DoD Standard Chart of Accounts (SCOA) includes all the point accounts and other information related to the USSGL for DoD purposes.

B. The following guidance further explains the use of the USSGL chart of accounts by a DWCF activity. For detailed DoD general ledger account guidance and DWCF transaction posting refer to the DoD SCOA and the DoD USSGL Transaction Library.

1. Account 152500, “Inventory-Raw Materials,” must be used to record all materials held for the purpose of providing a good or service to a customer regardless of the method acquired, e.g., purchase, donation, or transfer without reimbursement. DWCF activities must not charge raw materials to the work-in-process account until the materials are issued for use. Raw material issues must then be charged to appropriate job orders or cost centers. Unneeded material and supplies must be returned to the Inventory-Raw Materials account when a determination is made that the material is available for other uses.

2. DWCF activities must verify raw materials records and adjust them to physical counts. Any adjustments needed to reconcile the physical count with the recorded (book) value of raw materials must be charged to the appropriate cost center or to a gain or loss account as described in paragraph 130908.

3. Account 152600, “Inventory-Work-in-Process,” is the control account for all unbilled job orders. (Refer to Volume 4, Chapter 4 for work-in-process accounting policy.) The amount of work-in-process consists of all costs applied to unbilled job orders including direct labor, direct materials, direct contractual costs (exclusive of contracts that are awarded that directly cite the funds issuer’s line of accounting), and applied overhead expenses. The balance in this account must be reconciled to the total charges on unbilled job orders as of the end of each quarter. In addition, the validity and reasonableness of the charges recorded on the unbilled job orders must be verified on a random sample basis at least annually. This validation must be performed by personnel not assigned to the accounting or maintenance function. For example, personnel from a DoD Component audit service or a local internal review staff may be
assigned to perform this function. Based on the results of the verification, DWCF activities must adjust accounts in accordance with the accounting scenarios contained in the DoD USSGL Transaction Library within SFIS.

4. DWCF activities must use account 141000, “Advances and Prepayments,” to record payment for expenses that properly apply to future accounting periods. Typical prepaid expenses are rents paid to a lessor at the beginning of a rental period. This account must not be used solely to level out significant expenses but must, in fact, represent an equitable distribution to the appropriate time period commensurate with the benefits that will accrue to that future period from the current payment. Refer to Volume 4, Chapter 5 “Advances and Prepayments” for additional guidance and definitions regarding prepayments.

130304. Customer Funding

Depot maintenance workload performed by DWCF activities is considered nonseverable in nature and thus customers must fund the full price of the order, through completion of the effort, using a reimbursable order. The DWCF activity must recognize revenue and bill the customer funding an order or, when advance payments have been received, relieve those advance payments to the appropriate revenue account. Revenue billings to customers must reflect due credit for the advances received. In no case must the total amount of revenue recognized and billed exceed the amount of the order. Chapter 11 “Reimbursements and Revenue Recognition” contains requirements for reimbursements and revenue recognition for DWCF entities.

*130305. Accruals

DWCF activities must record accrued expenses that are significant (material) in relation to the recording of costs for a DWCF activity in the appropriate expense accounts, budgetary accounts, and applicable liability accounts during the accounting period that the benefit was received rather than at the time of the payment for the expense. For example, DWCF activities must record accruals for accrued salaries, annual and sick leave, employee benefits, estimates for utilities, major real property maintenance and repair, and other significant services received and not yet paid. SFFAS 4 states that the determination of whether an item is material (i.e., significant) depends on the degree to which omitting information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission.

*130306. Missing or Erroneous Data

Occasions may arise when, due to missing or erroneous data, costs incurred cannot be identified to charge to the appropriate job order. Such costs must be temporarily recorded in the applicable expense account under suspense control until the correct data is available to make the proper distribution to the correct job order. Any unadjusted amount at the end of a fiscal year, if immaterial, must be charged to the applicable cost center using Account 610000 “Operating Expenses/Program Costs”.

13-11
*1304 ESTABLISHING JOB ORDERS

The performing activity must establish job orders in accordance with the following table:

<table>
<thead>
<tr>
<th>Value of work to be performed</th>
<th>Units subject to “pre-shop analysis”1 or “examination and evaluation”</th>
<th>Units NOT subject to “pre-shop analysis” or “examination and evaluation”</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;$150,000/unit</td>
<td>Job order per item</td>
<td>Not applicable</td>
</tr>
<tr>
<td>$25,000 to $150,000/unit1</td>
<td>Job order per monthly induction</td>
<td>Job order per monthly induction</td>
</tr>
<tr>
<td>&lt;$25,000/unit2</td>
<td>Job order per quarterly induction</td>
<td>Job order per quarterly induction valued at $500,000 or more</td>
</tr>
<tr>
<td>&lt;$25,000/unit1 AND &lt;$500,000/TMS or NSN</td>
<td>Not applicable</td>
<td>Job order per quarterly induction, not to exceed $1,000,000 per job order</td>
</tr>
</tbody>
</table>

1 inspections and tests and other similar activities performed to determine work requirements
2 for multiples of the same identification number (Type Model Series (TMS) or National Stock Number (NSN))
3 homogenous group, by stock classification, subclassification, repair category, or other appropriate criteria

1305 JOB ORDER REQUIREMENTS

130501. Job Order Cost Assignment Requirements

DWCF activities must assign costs to individual job orders at the time the job order receives a benefit from the incurrence of an expenditure. The benefit may occur at any time but usually occurs subsequent to the time the obligation is incurred, and before the disbursement occurs. DWCF activities may charge costs to job orders based on standard costs when those costs are properly adjusted for variances to arrive at the actual cost. Costs, including standard costs, must be recorded based on accrual concepts. DWCF activities must not charge direct material, labor, or other direct costs to job orders based on planned, programmed, or reserved amounts. Refer to Volume 4, Chapter 19 for additional guidance on job order cost accounting.

130502. Job Order Opening and Closing Requirements

A. DWCF activities must open a job order when a new job order is required under section 1304.

B. DWCF activities must close a job order as soon as all direct, indirect production, and G&A (overhead) are determined and assigned to the job order. Normally, all such costs must be determined and posted to the job order within 30 days of the completion of all direct labor chargeable to the job order. The job order must be closed with the use of predetermined indirect and G&A (overhead) rates when authorized. DWCF activities must apply such indirect and G&A (overhead) rates consistently to all job orders. At the end of the fiscal year, any under and/or over absorbed indirect and G&A (overhead) (variances) must be adjusted using the transactions contained in the DoD USSGL Transaction Library within SFIS.
130503. Segregation of Cost for Cancelled and Completed Job Orders

*DWCF activities must* identify costs associated with the cancellation or reduction of partially completed maintenance work, and report *these costs* separately from the costs of normally completed work. Paragraph 131212 provides additional guidance on cancelled or reduced scope orders.

130504. Customer Order Support of Job Orders

Customer orders, either project orders or Economy Act orders, from the activity responsible for the financing appropriation, are required to support each job order. The customer *must* provide full and adequate funds to cover all requirements. A customer may, however, *issue orders* to cover multiple job orders when agreed to in writing with the depot maintenance activity.

1306 PROCESS COST CENTERS PROCEDURES

*130601. Process Cost Centers

A DWCF activity may perform certain unique operations that lend themselves to process cost center procedures. *Process costing is a method of cost accounting that first collects costs by process and then allocates the total costs of each process equally to each unit of output flowing through it during an accounting period.* For example, plating and painting operations are particular processes that may be uniformly and consistently performed to units that either are end items or will become part of end items. Rather than attempting to directly account for and assign each direct labor hour and material cost to an item that has undergone the particular plating or painting process, use of a process cost center allows the labor and material costs of the cost center to instead be accumulated and allocated to those items that were plated and/or painted during the respective accounting period. SFFAS 4 recognizes that process costing is appropriate when the production of goods or services involves a regular pattern of process, the output consists of homogeneous units, and all units are produced through the same process procedures. *(Refer to Volume 4, Chapter 19 for additional guidance on process cost accounting).*

130602. Cost Allocation Basis

*The DWCF activities must* allocate process cost center costs to the job orders for the units processed through the cost center during the *respective accounting* period. The basis for the allocation of costs *must* be the number of equivalent units (e.g., number of units, linear feet, square feet, hours operating time) processed on-the-job orders *through the cost center* during the *accounting* period.

*130603. Cost Allocation Consistency

*The DWCF activity should* conduct a thorough analysis of alternative cost accounting and assignment methods before it adopts *process cost center procedures*. The method used to accumulate and allocate the costs for such operations *must* be *documented* and consistently applied from accounting period to accounting period to ensure consistency in the assignment of costs.
1307  USE OF WORK MEASUREMENT STANDARDS

*130701. Work Measurement Standards

DWCF activities that establish work measurement standards for labor, material, and indirect production and G&A (overhead) costs must develop cost estimates for each job order using these standards. Incurred costs must be compared against estimated costs to determine if corrective actions are required to control significant variances. Established work measurement standards need to be periodically re-evaluated and updated as necessary to assure that they encourage improvements in efficiency and continue to be within an attainable range.

130702. Basis of Work Measurement Standards

DWCF activities that establish work measurement standards must base the standards on generally accepted industrial engineering techniques where high value, high volume work is involved. The work measurement standards may be established by in-house or other DoD personnel or they may be established by original equipment manufacturer’s specifications of maintenance tasks and frequencies (product reliability engineered standards). DWCF activities that establish work measurement standards for labor, material, indirect production, or G&A (overhead) costs must continuously review the standards to verify their accuracy in light of advanced processing equipment, and higher level of skills used. For low-value, low-volume work, the work measurement standards may involve less sophisticated engineering techniques, but the work measurement standards or estimated resources required must be developed for all work accepted.

1308  LABOR COSTS

130801. Civilian Labor Hours

DWCF activities must record all civilian labor hours worked in a cost center as either a direct cost on a job order or as an indirect production cost that will be allocated to a job order. Civilian labor hours must be charged at the current payroll rate to include DoD paid personnel benefits.

130802. Use of Actual and Average Labor Rates

DWCF activities must use actual civilian payroll hourly rates as the basis to record labor costs. Average labor rates may only be used to record labor costs for cost centers when the range of actual hourly pay rates within that center is limited and significant distortions of recorded costs would not result from their use. DWCF activities must not use stabilized rates approved for billing purposes as the basis to record labor or other costs incurred. Stabilized rates are the result of budget estimates; actual costs incurred must be recorded in the cost accounting system independent of the rate setting process.
130803. Labor Distribution System

DWCF activities must use a labor distribution system to charge all direct labor hours and costs to applicable job orders. Each pay period, DWCF activities must reconcile and correct differences between the labor hours recorded for payroll purposes, payroll costs incurred, and the labor hours and costs distributed to job orders and indirect production cost centers through the labor distribution system. For discrepancies that cannot be reconciled between job order records and payroll records without incurring a major expenditure of resources, DWCF activities must correct the job order records to equal the payroll records. Differences due to the use of average cost center labor rates must be charged to G&A expenses.

130804. Military Labor Hours

DWCF activities must record all military hours worked as either a direct cost on a job order or as an indirect production cost of a cost center. DWCF activities must charge military labor hours to the job order at the current civilian equivalent rate applicable to the rank and military service of each military member. (Refer to Chapter 12 “Expenses” for the military personnel costing process.)

*130805. Military Personnel Depot Maintenance Costs

DWCF activities must record as an unfunded depot maintenance cost all military labor performed by a “ship’s force” or other military personnel that are part of the operating forces or an intermediate level organization that are loaned, without reimbursement, to and working under the supervision or direction of the depot maintenance activity when weapons systems, platforms or components are undergoing depot maintenance in a DWCF depot. Military personnel “on loan” and not assigned to DWCF activities are funded under other appropriations. The DWCF activities must not bill these labor costs to, or accept reimbursement from, the customer. These costs are nonrecoverable and DWCF activities must not include them in the calculation of the net operating results used for developing future rates or prices. When military personnel are not working under the supervision or direction of the depot maintenance activity (not assigned), any maintenance work they perform must not be considered depot maintenance.

*130806. Timekeeping

A DWCF activity must maintain a timekeeping system to collect and distribute both military and civilian labor to applicable job orders or cost centers. A timekeeping system must provide the following information:

A. Source of Hours Available:

1. Normal duty hours available by cost center.
2. Premium time, overtime, and holiday time by cost center.
3. Loaned labor hours by gaining and losing cost center.
B. Application of Hours Available:

1. Direct hours worked by cost center on each job order.
2. Indirect hours worked by cost center.
3. Nonproductive (e.g., annual, sick) hours by cost center.

*130807. Allocation of Hours

DWCF activities must apply the allocation of hours worked to benefiting job orders, activities, services, or products on a per unit basis, where applicable. The allocation of hours worked to benefiting job orders may also be based on industrially engineered earned hour (actual hour efficiency of a cost center if the employees in the cost center are of a homogeneous type and the allocation of labor hours are properly adjusted for variances to arrive at actual hours worked). The industrially engineered earned hour method of allocation is not appropriate for a cost center with a diverse workforce or different types of workload.

130808. Supervisor Responsibilities

Supervisors are responsible for the validity of timekeeping records. Supervisors are also responsible for establishing the job order(s) for each pertinent employee and notifying employees of the job orders. Employees are responsible for certifying that the time charged to job orders is correct. DWCF activities must reconcile the source documents used to record the hours worked by each employee on each job order to the total payroll hours.

130809. Direct Labor

Direct labor is work that can be identified, without undue cost or difficulty, to a single, specific job order. Direct labor generally includes the hands-on maintenance, repair, overhaul, test, and related direct production effort that follow the established sequence and content of work necessary to accomplish the billable job. Direct labor does not include the support work identified as either indirect production or G&A (overhead) in nature.

130810. First Line Supervision

First line supervision is that position level immediately over nonsupervisory workers. First line supervisors and above occupy an official supervisory designated position, and when acting in a supervisory capacity, must have their labor costs charged by the DWCF activity as an indirect production cost of the cost center supervised. First line supervisors may be borrowed and when used as direct labor, DWCF activities must classify the time of the first line supervisor as direct labor and charge it to the applicable job order rather than as an indirect production cost. “Crew chiefs,” “snappers,” “team leaders,” and other subordinate job leaders are not first line supervisors.
130811. Loaned Labor

DWCF activities must place special emphasis on accurately recording the use of loaned labor, which occurs when an employee is temporarily transferred (loaned) from one cost center to another within a DWCF activity. When an employee is loaned, the gaining cost center must record the labor hours of the employee. Care must be exercised to assure that the costs of loaned employees are not charged by both, or by neither of, the loaning and gaining cost centers. First line supervisors at both the loaning and gaining cost centers may be tasked to validate that such costs are accurately recorded. Only personnel assigned to the DWCF are recoverable in the rate structure, while loaned labor is funded by other appropriations.

*130812. Temporary Employees

If employees are temporarily assigned to a DWCF activity from an organizational entity other than DWCF activity and the DWCF activity neither pays the individual directly nor makes payment or reimbursement to the activity loaning the employee, the labor costs must be recorded as unfunded. These costs are nonrecoverable and DWCF activities must not include them in the calculation of net operating results used for developing future rates or prices.

*130813. Civilian Leave and Benefits

The following requirements apply to accounting for civilian leave and benefits. For DoD general ledger accounts and related transaction posting detail, refer to the DoD SCOA and the DoD USSGL Transaction Library.

A. Accruals.

1. Account 221000, “Accrued Funded Payroll and Leave,” must be used to account for accrued annual leave of DWCF civilian employees. DWCF activities must include a factor for annual leave accruals in stabilized rates or prices in order to provide funding for annual leave.

2. Account 221300, “Employer Contributions and Payroll Taxes Payable,” must be established to account for accrued sick leave, accrued holiday, and other miscellaneous leave in addition to other employee benefits such as life and health insurance, and retirement contributions. The accruals are to be based on estimates of leave to be taken, not the amount of leave earned.

B. Leave must be costed to job orders based on an allocation factor for all time worked except when a holiday is involved. When an employee works on a holiday, the regular pay for the holiday must be charged against the holiday leave accrual liability, the same as for employees who do not work on the holiday. DWCF activities will only cost the additional pay for working on the holiday, along with the leave accrual, at the prescribed allocation factor, to the job order as stated in paragraph 130816.
C. Leave actually taken must be relieved from the appropriate accrued leave account based on payroll labor distributions, and must not be charged to current job orders.

D. Reconciliation.

1. The amount of annual leave accrued must be reconciled at the end of the fiscal year with individual employee leave records. Adjustments to reconcile the balance in the account to the individual leave records must be costed to USSGL Account 610000, “Operating Expenses/Program Costs” as a G&A (overhead) expense adjustment. After reconciliation, the balance of the accrued annual leave account must be carried forward into the following fiscal year.

2. At fiscal year-end, the estimates of sick leave, holiday leave, and other leave to be taken may not agree with the actual leave taken. Adjustments necessary to result in a $0 balance in the sick leave, holiday leave, and other leave accounts must be costed to Account 640000, “Benefit Expense (Personnel Benefits – Civilian)” as a G&A (overhead) expense adjustment. Accrued sick, holiday, and other leave balances are not to be carried forward into the following fiscal year.

130814. Allocation Factors

The use of allocation factors for calculating leave accruals and applying them to the proper cost centers on labor cost distributions is normally the simplest, most economical, and most accurate method of accruing and costing leave. DWCF activities must update the allocation factors periodically to limit the adjustments to the accrued leave accounts to a minor amount at the end of the fiscal year.

A. A DWCF activity may determine its own allocation leave accrual factors because of variances caused by average length of service, climate, turnover, and local leave usage experience.

B. When establishing the allocation factors, it is necessary to estimate the average annual work days for the activity to which the factor must be applied. The following is an illustration:
C. Total days in year  365.0

Less time off
Average annual leave taken  20.0
Average sick leave taken     9.0
Holidays and other events    11.0
Saturdays and Sundays  104.0
  Normal time off            144.0
  Normal work days           221.0

Estimated overtime work      3.5
Estimated holiday time work   .5
Average work days            225.0

D. The annual leave accrual factor may be calculated as follows:

1. Average days net accrual of annual leave  21
2. Average work days (computed in para. 130814.C) +  225
3. Preliminary accrual factor (excluding pay adjustments) [(1) ÷ (2)] = .093
4. Estimated regular pay for regular time and overtime worked and premium pay for holiday time worked x $10,000,000
5. Total amount accrued for annual leave using preliminary factor = $ 930,000
6. Estimated increase in accrual of annual leave due to pay increase + $ 30,000
7. Total leave accrual requirements = $ 960,000
8. Amount to which leave accrual factor is to be applied (para. 130814.D.4) $10,000,000
9. Annual leave accrual factor = .096

E. The composite leave accrual factor may be calculated as follows:

<table>
<thead>
<tr>
<th>Type of Leave</th>
<th>Average Days Annually</th>
<th>Average Work Days</th>
<th>Accrual Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual</td>
<td>(refer to para. 130814.D.9)</td>
<td>= .096</td>
<td></td>
</tr>
<tr>
<td>Sick</td>
<td>9 ÷ 225 = .040</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holiday and Other</td>
<td>11 ÷ 225 = .049</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Composite Accrual Factor</td>
<td></td>
<td>.185</td>
<td></td>
</tr>
</tbody>
</table>
130815. Fringe Benefits

In addition to the factor for leave, DWCF activities must add a factor to cover the employer’s share of other employee fringe benefits such as retirement, life insurance, health, and other benefits. Each activity may develop its own factor. Standard accrual factors for leave, retirement, insurance, health, and other benefits must be applied against all payroll costs.

130816. Overtime Premium

The costs of overtime premium pay (that is, the amount paid for working overtime that is above the normal labor hour rate) must not be charged directly to the applicable job order except when the overtime is clearly caused by the unique conditions of the job order. A clear relationship for the incurrence of overtime costs may be established when a DWCF activity agrees with a customer to meet an expedited completion date or accepts additional work within the same time frame on the same order. Otherwise, the overtime premium must be recorded as an indirect production cost.

130817. Other Premium Pay

Other premium pay includes payments for extra shift, hazardous duty, and night duty. Consistent with the policy for overtime premium, DWCF activities must only classify other premium pay as a direct labor charge when the incurrence of the premium pay is clearly the result of unique conditions of the job order. Unless the peculiar conditions of the job order require the incurrence of the premium pay, premium pay must be charged as indirect labor costs.

1309 MATERIAL COSTS

130901. Raw Materials

All material purchased by DWCF depot maintenance activities, for the purpose of providing a good or service to a customer, must be accounted for in general ledger account 152500, “Inventory-Raw Materials”. This account must be debited based upon receipt of materials and supplies. The same account must be credited with an offsetting debit (charge) to general ledger account 152600, “Inventory-Work-In-Process,” upon issue of the material for use in the performance of DWCF work. Inventory accounting policy and related requirements necessary to establish financial control over DoD inventory, operating materials and supplies, and stockpile materials is contained in Volume 4, Chapter 4.

130902. Allocation of Direct and Indirect Material

Direct material and supplies must be charged directly to the applicable job order. Indirect material must be charged to the using cost center upon issue.
*130903. Moving Average Cost (MAC)

Materials and supplies contained in the inventory account must be valued at historical cost using the moving average cost flow assumptions in accordance with SFFAS 3 and Volume 4, Chapter 4. More detailed guidance regarding the calculation of MAC is contained in Volume 4, Chapter 4.

130904. Acceptance and Use of Customer Furnished Material

DWCF activities must accept and use customer furnished material only when its use could be expected to result in a more economical, efficient, or timely output.

130905. Return of Customer Furnished Material

A. DWCF activities must return customer furnished material that remains after job order completion to the customer within 60 days unless there is, or soon will be (generally within 90 days), a direct production requirement from the customer who furnished the material for which the material may be used.

B. If the customer abandons the material, it may be retained if needed for other work requirements. If the inventory is retained, no accounting entry is needed other than the original accepting entry.

130906. Direct Material

Direct material is that material and supplies that can be identified, without undue cost or difficulty, to the performance of work specified by a work authorization document or job order. A small amount of material may be treated as indirect material even though the material is incorporated as part of the final product, if this practice is consistently applied to all job orders. Direct material may either be incorporated as a part of the final product or consumed in the process.

130907. Indirect Material

Indirect material is that material that cannot be identified, without undue cost or difficulty, to the performance of work as specified by a work authorization document or job order. The determination of what constitutes “without undue cost or difficulty,” although not defined, is subject to reasonable interpretation. If questioned, it is the responsibility of the DWCF activity to demonstrate that identification of material (or labor) as direct would be unduly costly or difficult in relation to the benefit received.

*130908. Excess Materials

DWCF activities should review the material and supplies on hand in a cost center at least annually to determine if excesses exist. Those items that are excess and are not needed for a particular job order must be returned to the materials and supply stock account. The unused material returned to the materials and supplies stock account must be recorded as follows:
A. Credit must be granted to the job order originally charged for unused direct material and that material must be recorded as an increase to Account 152500, “Inventory-Raw Materials”. If the job order to which the material was originally charged has been closed, and a decision is made not to reopen the order to post the credit, the credit must be applied to Account 719000, “Other Gains.”

B. Credit must be granted for the return of usable indirect material to the materials and supplies stock account. The credit must be applied to the indirect material expense account of the applicable cost center.

C. Items in excess of the needs of a DWCF activity must be returned to the supply system. DWCF activities must record transactions for materials returned and credit received (if any) in accordance with the DoD USSGL/SFIS requirements and transaction library and Volume 4, Chapter 4.

*130909. Reparable Carcasses

When an item such as an assembly, subassembly, or an end item is designated as an “exchange” item, the depot can order and pay for a replacement from the Supply activity to install on the customer’s equipment. The job order must be charged the price the depot pays for the replacement. Further, the depot must return the damaged part or carcass to the Supply activity. If the depot receives credit from the Supply activity, the depot must credit the job order for the amount received. For non-DoD carcasses including those owned by foreign governments, refer to the requirements in Volume 15, “Security Assistance Policy and Procedures”.

*130910. Items Beyond Repair

If an exchange carcass is beyond repair or an exchange item is missing and the depot maintenance activity must order and pay for a replacement from the Supply activity, the cost of the new item must be charged to the job order as a direct material cost.

1310 OTHER DIRECT COSTS

131001. Purchased Services

Purchased services must be charged as direct costs to the job order that benefits from the services. If only one job order benefits from a contract or purchase, the cost of the contract must be charged to that job order. If more than one job order benefits from a contract, the costs of the contract must be prorated to the benefiting job orders based on estimates or calculations of the benefits received by each job order.

131002. Purchased Services Benefiting Indirect Cost Centers

Purchased services that benefit indirect cost centers must be recorded as indirect production costs. If purchased services benefit the activity as a whole, they must be recorded as G&A (overhead) costs.
131003. Contracts Supplementing Capacity or Capability

The costs of contracts that supplement the capacity or capability of a DWCF activity must be charged to the job orders that use the additional services.

*131004. Material Costs

The costs of material procured from contractors must be recorded in account 152500, “Inventory-Raw Materials” and charged to job orders under normal procedures. If, however, material is procured for a specific job order, the acquisition cost of the material must be a direct charge to the applicable job order.

131005. Travel and Per Diem Expenses

Travel and per diem expenses (including regular labor hours spent in travel) must be charged as direct costs only if the labor hours worked while traveling are charged as direct labor. If the traveler works on more than a single job order, the travel and per diem expenses must be prorated based on the related direct labor hours to each order. If the travel is not related to job orders, all travel and per diem expenses must be charged as an indirect production expense of the employee’s cost center.

1311 INDIRECT COSTS

*131101. Indirect Production Rates and Standard Costs

The indirect production rates and standard costs discussed in this chapter should not be confused with stabilized billing rates. Stabilized billing rates or stabilized prices are used solely to price work to DoD-funded customers and may only be changed upon approval of the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)).

131102. Indirect Production Costs

DWCF activities must record as indirect production costs, by object class as specified in Office of Management and Budget (OMB) Circular A-11, all costs incurred that are not chargeable as direct costs, unless specifically designated otherwise. Indirect production costs must be recorded by activity, department, cost center, or other organizational element responsible for incurring the cost. The number and type of indirect production cost centers to be established is a function of the diversity of the indirect activities at the depot and the level of management information required. The minimum number of cost centers required to separately identify and record homogeneous groupings of cost is a function of the number of different types of facilities, equipment, and/or skills required in the indirect area. The number of additional cost centers is a management prerogative in terms of the number and type of cost centers needed to ensure efficient and effective operations.
131103. Indirect Production Cost Pools

Costs of departments, service, and processing centers that provide support directly to direct cost centers must be classified as operating support indirect production cost pools. The costs assigned to these cost pools must be allocated in full to the benefiting direct cost centers (refer to paragraph 131105) and not included in the G&A expense rate described in paragraph 131106. Costs assigned to operating support indirect production cost pools must be allocated to the benefiting direct cost centers using a base that results in the distribution of costs incurred in proportion to the benefits received.

131104. Indirect Production Cost Allocation

Indirect production costs must be allocated to job orders by the use of an operations rate and a G&A (overhead) rate as described in paragraphs 131105 and 131106, respectively. These rates are not the stabilized rates and prices to be used to price DoD customer bills. Refer to Volume 2B, Chapter 9 “Defense Working Capital Fund Budget Justification Analysis” for policy guidance on stabilized rates and prices.

131105. Operations Rate

DWCF activities must develop an operations rate for each direct cost center in which direct labor is utilized in the performance of DWCF activities. The operations cost pool must consist of all indirect production costs incurred by the cost center plus the allocated share of operating support costs of departments or service cost centers, if any (refer to paragraph 131103). Use direct labor hours, including both military and civilian direct labor, as the basis for allocating the operations cost pool to the direct cost centers. This base is appropriate because operations in a DWCF activity is normally a function of direct labor hours. When the use of direct labor hours as an allocation base will not result in an equitable allocation of the operations cost pool costs (that is, charges are not commensurate with benefits received), a more appropriate alternate allocation base may be selected providing:

A. An organizational authority that is above the level of the local performing DWCF activity, including the OUSD(C), has not directed that particular DWCF activity to use a specific allocation base. If a higher organizational authority has not previously directed a specific allocation base for use, then approval of the alternate preferred base need not be obtained by the local performing DWCF activity;

B. The alternate allocation base preferred for use is approved by the comptroller of the local performing DWCF activity; and

C. Justification for the decision is documented and retained in the office of the local comptroller for review.
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*131106. G&A (Overhead) Rate

DWCF activities must allocate G&A expenses to job orders using an allocation rate separate from the operations rate. The G&A expense pool is comprised of all G&A expenses incurred by a DWCF activity. The base used to allocate G&A expenses to a job order is total incurred costs (both direct and indirect production costs). When the use of total incurred costs as an allocation base will not result in an equitable allocation of G&A expenses (that is, charges are not commensurate with benefits received), a more appropriate alternate allocation base may be selected providing:

A. An organizational authority that is above the level of the local performing depot maintenance activity, including the OUSD(C), has not directed that particular depot maintenance activity to use a specific allocation base. If a higher organizational authority has not previously directed a specific allocation base for use, then approval of the alternate preferred base need not be obtained by the local performing DWCF activity;

B. The alternate allocation base preferred for use is approved by the comptroller of the local performing DWCF activity; and

C. Justification for the decision is documented and retained in the office of the local comptroller for review.

*131107. Variances

Indirect production costs and G&A (overhead) expenses must be allocated to job orders using, respectively, the indirect production rate and G&A rate. These rates are not the stabilized rates and prices to be used to price DoD customer bills. (Refer to Volume 2B, Chapter 9 for policy on stabilized rates and prices.) The indirect production and G&A rates must be developed based upon estimated costs with an anticipated level of activity (base). The applied overhead account must be used to record any over- and/or under-absorbed indirect production and G&A (overhead). A variance between actual indirect production and G&A (overhead) costs and applied indirect production and G&A (overhead) may require a change in the indirect production or G&A (overhead) rate as applicable. The development of a new indirect production and/or G&A (overhead) rate must include plans to absorb the amount of the realized variance during the time period the new rate is in effect. A change in the indirect production or G&A (overhead) rate must be approved by the comptroller of the performing DWCF activity when it is apparent that:

A. The variance is not due to seasonal fluctuations such as summer vacations;

B. The variance will continue to exist at fiscal year-end; and

C. The expected variance is significant. The determination of what is “significant” must be made by, or in consultation with, the local DWCF comptroller.
When a job order is complete, it must be closed (moved from work-in-process to Account 650000, “Cost of Goods Sold”) including indirect production and G&A (overhead) costs allocated based upon the particular rates in effect during the life of the order. Adjustments in rates made after a job order is closed must not be posted to a completed job order unless the effect of the adjustment would have a significant impact on the total costs assigned to the job order. Adjustments applicable to the current fiscal year for under/over-applied indirect production and G&A (overhead) must be accounted for using the DoD USSGL Transaction Library within SFIS.

The costs of Permanent Change of Station movements for transferred civilian employees that are the responsibility of a DWCF activity must not be charged as a direct cost but as an indirect production expense and recorded in accounts 610000, “Operating Expenses/Program Costs. Use object class 210 to record travel and transportation costs of persons and object class code 220, as identified in OMB Circular A-11, to record the transportation cost of items to make the proper distinction of expense type.

1312 COSTS REQUIRING SPECIAL ATTENTION

131201. Quality Assurance

DWCF activities must charge quality assurance costs (including test design and analysis); testing conducted to independently assure the quality of the work accomplished; and related supervision and support incurred in direct support of a customer order, directly to the order. DWCF activities must charge quality assurance costs that are not identifiable to specific job orders to an operating support indirect cost center as described in paragraph 131103 and allocate the costs to the benefiting direct cost centers.

131202. Inspections and Tests

Operational inspections and tests performed to determine the condition of the item and make adjustments (calibrate) are inherent in performing maintenance and must be recorded as “direct labor - production.” Specifically, DWCF activities must record inspections and tests made to determine work requirements, such as pre-shop analysis, initial evaluation and inspection, and pre-inspection or shakedown inspection, as “direct labor” on the applicable job order. Likewise, DWCF activities must record final inspection and tests performed after a process is complete to assure operational or functional adequacy as “direct labor - production.”

131203. Reparables

The National Inventory Control Point item manager directs the reclamation of unserviceable depot level reparables. Depots must establish a separate job order for each reclamation project and return items produced as a by-product of the reclamation process to the DoD supply system.
131204. Borrowed Assemblies, Subassemblies, Components, or Parts

A. Depots use two terms in reference to borrowed assemblies.

   1. “Backrobbing” (also called “rob-back”) is defined as the taking of an assembly, subassembly, component, or part from an item that has been inducted for maintenance for use on another item inducted for maintenance with the intention of replacement at a later time. It is the temporary borrowing of the required part.

   2. “Cannibalization” is defined as the taking of an assembly, subassembly, component, or part from an item (serviceable or unserviceable) that has not been inducted for maintenance (without regard to its location or ownership) by a maintenance activity for use on an item that has been inducted for maintenance.

B. Generally, borrowing is authorized only to prevent a work stoppage. Depots must charge the current acquisition cost of the assembly, subassembly, component, or part that was borrowed, and the cost of installing it, to the benefiting job order. Depots must charge all costs incurred in removing the borrowed item and reinstalling the replacement item to the operations cost pool of the cost center requiring the part. These costs must not be separately identified for reporting purposes.

131205. Calibration

Depots must charge the cost of calibration of an assembly, subassembly, component, part, or other equipment from an item that has been inducted for maintenance to the benefiting job order. Calibration of equipment used by a depot maintenance cost center in the performance of its work must be charged as an indirect production expense of the cost center that uses the item being calibrated.

131206. Modifications and Upgrades

A. Depots must establish a separate job order for each modification or upgrade of a major end item such as an aircraft. Separate job orders must only be established for other than major end item modifications or upgrades when the work is easily identifiable; such as when the modification or upgrade is the primary purpose of inducting the item. Depots must charge the cost of material used in the modification or upgrade process, such as a modification kit, and the cost of direct labor incurred to install the modification, to the modification job order.

B. Depots must also charge to the modification or upgrade job order the modification or upgrade material (modification kits) used for the modification or upgrade job order when a modification or upgrade is performed concurrently with depot maintenance work on the same major end item. In addition, repair requirements that are the direct result of the modification/modernization installation work (also referred to as repair incident to mod) are also legitimate charges to the modification job order. However, direct labor must be charged as modification or upgrade work only when it is peculiar to the modification or upgrade process.
For example, *depots must* charge labor costs incurred in disassembly, test, inspection, repair, rebuild, replacement and servicing that are performed as a normal part of the overhaul to depot maintenance overhaul when modification or upgrade is performed concurrently with overhaul; these costs must not be prorated between overhaul and modification or upgrade.

C. *Depots may* charge labor costs incurred installing a modification or upgrade concurrently with depot maintenance overhaul work to the depot maintenance overhaul job order if the amount of the modification or upgrade labor is so small that no significant or material distortion in either the modification or upgrade or the depot maintenance cost will occur. When this practice is followed, there must be no adjustments to the depot maintenance overhaul job order based on labor or material standards or other estimates of modification or upgrade labor in order to support reimbursement from fund citations for modification or upgrade work.

131207. Information Technology

A. *Depots must* capitalize the costs of computer programming efforts for DWCF equipment (that is, the costs of software development efforts for use on DWCF activity assets) when they meet the DoD capitalization criteria. Programming efforts that do not meet prescribed capitalization criteria *must* be treated as operations overhead expense of the performing cost center. If the programming effort consumes significant amounts of resources, the *depot must* establish a separate indirect department or service center and allocate the service center’s capitalized and other costs to the benefiting direct cost centers based on program use. *Depots must* charge the costs of programming effort for non-DWCF activities to those activities before allocating the remaining costs to the benefiting direct cost centers. When the programming costs are not appropriately chargeable as an *indirect production* cost, *depots must* charge the costs to a G&A (overhead) expense account. General cost guidance applicable to information technology can be found in Volume 4, Chapter 6 “Property, Plant, and Equipment”.

B. DWCF activities perform software support to ensure that fielded software systems, as updated by modification and improvement efforts, continue to support original missions. All DWCF costs for software support *must* be charged to specific job orders established for this purpose. *DWCF activities must* include all applicable direct labor, direct material, all other direct costs, *indirect production* and G&A (overhead) costs in costs charged to the orders.

131208. Machine Set-Up Costs

A. *Depots must* charge the cost of programming efforts for automatic test and numerically controlled machines to the benefiting job order(s). However, if a depot expends significant effort for programming that benefits more than one job order, then the *depot must* allocate the programming cost to all benefiting job orders. If new machinery or equipment is required, then these costs are part of the Capital Investment Program. The nonproductive labor hours of employees waiting for programming to be completed is an indirect expense of the worker’s cost center.

B. *Depots must* charge machine tool set-up time to the benefiting job order(s). Set-up time is normally recorded as direct labor on a job order and should not be separately
recorded from the job order. However, if a significant effort is expended for a set-up that must benefit more than one job order, then the depot should allocate the set-up to all benefiting job orders. The nonproductive labor hours of employees waiting for a set-up to be completed are an indirect expense of the worker’s cost center.

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Defective Work and Spoilage Costs

A. Depots must charge the applicable job order for efforts undertaken to correct work defects and spoilage when quality control standards are not met. Examples of corrective work that should be directly charged to a job order include:

1. Reworking castings, welds, and brazing involving acceptable reject rates.
2. Minor realignment or refitting of units that are improperly finished or aligned.
3. Resoldering of connections broken in transit.

B. Depots must charge the responsible cost center’s indirect material and labor costs with the costs of the corrective work when unusual defects or excessive spoilage occurs. When the responsible cost center cannot be determined, depots must charge the applicable material and labor cost as an indirect production cost. Defective work and spoilage that are chargeable to indirect production costs include the following:

1. Costs for additional material and labor necessary to remedy or rework end products when defects beyond acceptable levels are detected during the normal production and inspection processes. Such costs do not add value to the work performed but are necessary to bring the work up to stated specifications.
2. Costs related to work on items with defects so severe that the item must be removed from the production process and sold as scrap or returned in part to raw materials. When this happens, the depot must relieve the applicable job order of the costs and charge the indirect production costs of the responsible cost center. If a responsible cost center cannot be determined, the depot must charge a G&A (overhead) account for “Defective Work and Spoilage” for the costs of the rejected item.

*131210. Disposition

A. Depots must comply with 40 U.S.C. section 574 and Volume 11A, Chapter 5, “Disposition of Proceeds from Department of Defense Sales of Surplus Personal Property” regarding disposition of proceeds from DoD sales of surplus property. Proceeds from the sale of surplus property generated, collected, or otherwise obtained by DWCF activities as a part of normal operations must be credited to the DWCF and accounted for as follows:
B. Estimated proceeds from the sale of material removed during work on vessels, aircraft, vehicles, and weapons that can be feasibly and economically related to a specific job order may be credited to that job order. When actual proceeds are known, the job order amount must be adjusted if the job order is still open. Otherwise, the net difference between the estimated amount and the actual amount of proceeds must be adjusted to USSGL Account 711000, “Gains on Disposition of Assets - Other”.

C. Carcasses received from customers that are later condemned or deemed unserviceable are considered a normal part of DWCF operations. Therefore, the proceeds from the sale of carcasses received from customers must be credited to USSGL Account 711000.

D. All other proceeds from the sale of DWCF items must be credited to USSGL Account 711000.

*131211. Mobilization Capability Costs

Mobilization capability costs include the costs to maintain a surge capacity and/or maintain other assets, functions, or capabilities required to meet an operational contingency as documented in the Secretary’s force planning guidance or operational plans. Surge capacity most often manifests itself in facilities and equipment that are unutilized or underutilized during normal peacetime operations. DoD policy and guidance associated with mobilization costs is contained in Chapter 14 “Mobilization Costs”, and in Volume 2B, Chapter 9.

131212. Job Order Cancellations or Reductions in Scope

A. Depots must charge the costs incurred plus the applied indirect production and G&A (overhead) costs, and costs associated with the cancellation or reduction, to the customer when a job order is canceled or reduced in scope after a DWCF activity has commenced work or incurred costs on the order. Funds personnel must ensure the customer provides and/or does not reduce funding below amounts required to cover canceled/reduced orders. Examples of directly associated cancellation or reduction costs to be charged to customers are advance planning costs, noncreditable direct material, special test equipment, necessary preservation and/or shipment effort, and any additional effort necessitated by the cancellation and/or reduction; for example, salvaging of material. In addition, depots must charge the customer for the costs of salaries payable to employees hired specifically to work on the canceled order until the employees are, or could have been, separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs.

B. Costs that are indirectly associated with cancellation or reduction actions must not be charged to the customer. Although normally allocated indirect production and G&A (overhead) costs must be charged to canceled or reduced customer orders, any underapplied indirect production and G&A (overhead) costs that may occur as a result of a reduced workload base of the DWCF activity as a whole must not be charged to the customer canceling or reducing their order. The underapplied costs must be recorded against the net operating results of the performing DWCF activity.
131213. Employee Training Costs

A. Depots must record the cost of training performed for the DWCF activity’s benefit as an indirect expense of the employees’ cost center. General developmental training for WCF employees not required to support actual productive workload (i.e., training in the installation, operation, and maintenance of DoD weapons, equipment, and systems to develop organic expertise) may not be charged as a direct cost to customer orders.

B. Training costs must include all applicable elements of cost, including labor costs of trainees, travel, transportation, per diem costs, labor costs of instructors, tuition, books, and materials. Training costs must include the cost of planning the course of instruction, conducting the course, and any related support effort.

C. The development and qualification of employees requested by activities outside of the performing DWCF activity must be charged to a specific job order.

D. The hours of on-the-job training in the form of actual productive effort (as opposed to observation or other noncontributory effort) are chargeable as direct labor to the related job order. Noncontributory effort, including time spent observing others, should be charged to the indirect costs of the cost center of the employee.

131214. Technical Assistance

Depot maintenance technical assistance is a specialized service, provided by qualified depot maintenance technicians, that is performed in many different ways depending upon the requirement. Technical assistance may include instruction on maintenance repair or support processes for military equipment, special programs for military reserve units, training foreign nationals using uniquely qualified personnel to provide technical assistance, performing specific work requiring special skills for operational activities, other maintenance organizations, or foreign governments. All depot maintenance activity costs for technical assistance must be charged to specific job orders established for that purpose. The costs charged to these job orders must include direct labor, direct material, all other direct costs, and operations overhead and G&A costs including variances for applied overhead.

131215. Assets Manufactured by a DWCF Activity for Itself

Normally, the material requirements of a DWCF activity are met by the supply system or commercial procurement. However, in some cases, material requirements may be fulfilled by a manufacturing process at the DWCF activity. The manufacturing process includes several phases:

A. Preparation of a work authorization document (in-house job order) to replace the normal funded customer order;

B. The costing of direct labor, material, and applied overhead to the manufacturing job order as work-in-process; and
C. The posting of the completed job order to an asset account, or, if the transaction is reimbursable, to a job order.

131216. Special Non-DWCF Functions

Occasionally, some uniquely qualified DWCF personnel are asked to perform various types of special functions that are not DWCF activities or functions. Such work is chargeable to other separately budgeted functions such as supply operations, property disposal, or family housing.

131217. Concurrent Maintenance

Concurrent maintenance occurs when the depot inducts component parts of an end item into the maintenance process at the same time as the end item is inducted for maintenance. This approach is used instead of an exchange. The approach selected is usually a function of the desired outcome and the availability of exchanges. Concurrent maintenance and exchange do not normally result in the same costs being incurred, and no attempts should be made to balance the costs incurred for work performed in the two separate modes. All concurrent maintenance costs must be charged to the weapon system order and not allocated to component repair job orders.

131218. Host/Tenant Support Services

The DWCF activities give and receive different types and levels of support services to and from the host installation depending upon location and mission assignments.

A. Uniform costing requires that support services that benefit the performance of the depot maintenance function be recognized as part of the indirect expenses of the benefiting cost center, or the entire DWCF activity as appropriate, regardless of the funding source for the support services.

B. The DWCF activities must not provide or receive goods or services on a nonreimbursable basis. In addition, offset or barter arrangements must not be made with other activities for goods or services. Special arrangements to avoid normal funding requirements may result in apparent violations of the Antideficiency Act.

131219. Employee Bonuses and Awards

Depots must charge monetary awards paid to employees for suggestions and one-time bonuses, such as special act awards performance bonuses, and productivity gain sharing program payouts, to indirect production costs of the cost center of the employee receiving the award. Annual pay increases resulting from the employee performance appraisal process are simply increases in base pay that affect regular payroll cost.
VOLUME 11B, CHAPTER 14: “MOBILIZATION COSTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated February 2017 is archived.

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<td>Revised paragraph to clarify the purpose of the chapter.</td>
<td>Revision</td>
</tr>
<tr>
<td>104103</td>
<td>Revised paragraph to additional Authoritative Guidance.</td>
<td>Revision</td>
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<tr>
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<td>Added language to clarify that the cost required to maintain unutilized property and equipment must be reimbursed by the Department of Defense Component responsible for the activity’s management unless funds have been appropriated directly to the Defense Working Capital Fund for that purpose.</td>
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CHAPTER 14

MOBILIZATION COSTS

1401 GENERAL

140101 Overview

Each Defense Working Capital Fund (DWCF) activity group must plan for and maintain the capability to expand or alter operations, or to provide extraordinary supply or other functional area support necessary, to satisfy mobilization conditions when required. The nature and extent of the costs to be paid by a separate appropriation rather than charged to other customers through the rates must be in accordance with this policy.

*140102 Purpose

A. The policy contained herein addresses the requirement for a separate appropriation to finance the cost of maintaining a mobilization capability during peacetime; these are not normal operating costs that are passed on to DWCF customers. This policy applies to all DWCF activity groups. This requirement is hereafter referred to as a mobilization requirement.


*140103 Authoritative Guidance

The National Defense Authorization Act delineates appropriations for mobilization costs. The following accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

A. Title 10, United States Code, section 2208 (10 U.S.C. § 2208), "Working Capital Funds;"

B. 10 U.S.C. § 7541, "Army Arsenal: Treatment of Unutilized or Underutilized Plant Capacity Cost;" and

C. SFFAS 4, “Managerial Cost Accounting Standards and Concepts.”
1402 DEFINITIONS

140201. Mobilization Capability Costs

Mobilization capability costs include the costs to maintain a surge capacity, to procure and maintain approved war reserve material levels, and/or to maintain other assets, functions, or capabilities required to meet an operational contingency as documented in the Secretary’s force planning guidance or operational plans.

140202. Surge Capacity

A. An activity group’s total surge capacity often manifests itself in facilities and equipment that are unutilized or underutilized during normal peacetime operations. Unutilized Capacity is that part of a DWCF activity’s assets including plant and equipment that is held in a standby, idle, or lay away status or for war reserve storage. The DWCF uses a separate appropriation to procure and/or maintain wartime reserve materials, and to maintain other assets, functions, or capabilities required to meet an operational contingency.

B. Unutilized capacity associated with the ability to satisfy a projected surge capability is considered a mobilization requirement eligible for separate appropriation funding if it is utilized only 20 percent or less of available workdays in a month. The DWCF rates must not include the cost of unutilized capacity. Instead, the host activity will budget direct appropriated fund support (labor, materials, contractual support, and overhead) for the unutilized capacity and will reimburse the DWCF activity for costs incurred in the DWCF.

C. Unutilized capacity associated with the ability to provide capability in excess of any known or projected requirement is not a mobilization requirement.

140203. War Reserve Materiel

War reserve materiel includes secondary items procured and/or stored in support of wartime scenarios established in the Secretary’s force planning guidance or contingency operations identified in specific Operational Plans.

1403 FUNDING

*140301. Operations

The cost incurred to maintain unutilized plant and equipment capacity must be reimbursed by the Department of Defense (DoD) Component responsible for the activity’s management unless funds have been appropriated directly to the DWCF for that purpose. The DWCF activity must separately accumulate the portions of direct, indirect, and general and administrative (G&A) costs supporting the maintenance of this capacity. When a portion of a DWCF activity’s plant is purposely set aside as idle capacity, the Component must request a direct operation and maintenance appropriation to pay for the cost of essential operation and maintenance for that portion of the plant and idle equipment as well as an allocated portion of G&A costs. The
percentage of G&A costs allocated to the cost center for the unutilized plant capacity must be the same as the percentage of G&A costs allocated to other cost elements of the activity. Separate cost centers must be maintained for all such costs.

140302. War Reserve Materiel

The purchase of secondary items of supply, such as War Reserve Materiel, must be funded from a direct appropriation. The applicable Supply Management or Commissary Resale activity Annual Operating Budget must reflect such appropriated amounts as a separate goal. Items such as ammunition and/or principal and major end items procured for war reserve must not be funded with DWCF, but must be funded through amounts available to Component/Defense Agency procurement appropriations.

140303. Capital Investments

Component procurement appropriations must fund new capital asset investments at DWCF activities necessary to satisfy a mobilization requirement. The DWCF activity groups must assume ownership of such assets. New capital assets to satisfy a mobilization requirement (as well as other, older capital assets laid away for use in mobilization) must be depreciated for reporting purposes on the Accounting Report (Monthly) 1307 (AR(M) 1307). These expenses are non-recoverable for rate setting purposes because the assets are funded by appropriations, see Volume 2B, Chapter 9.

140304. United States Transportation Command

The United States Transportation Command (USTRANSCOM) activity must maintain a capability to respond expeditiously to requirements to transport personnel, material, or other elements required to satisfy a mobilization condition. The following paragraphs describe direct appropriations, requested by the Air Force or Army, as appropriate, that support USTRANSCOM operations.

A. The Air Mobility Command (AMC) bases airlift flying hours and associated costs on the requirement to maintain the capability of the airlift system, including crew training (and concurrent mobilization) requirement. The DoD uses the airlift system training generated capacity to move air eligible cargo and passengers. The USTRANSCOM generally establishes rates that are competitive with commercial carriers to extend air eligibility and increase capacity utilization. However, resulting revenue does not cover the costs of operations due to the mobilization requirement. This requirement will be budgeted and recorded as follows:

1. The costs for military personnel will be recorded at the civilian equivalency rate in accordance with the policy on Military Personnel Expense in Chapter 12. A Military Personnel appropriation will directly fund military personnel within the AMC. These expenses must be reported on the AR(M) 1307; they are recoverable for rate setting purposes because the expenses are reimbursed to the respective Military Personnel appropriation, see Volume 2B, Chapter 9.
2. The Air Force will request a direct appropriation for and place an order with the DWCF to fund the balance of the mobilization requirement costs. This will assure that revenue is reflected to offset the costs.

B. The Surface Deployment and Distribution Command must plan for and maintain a Reserve Industrial Capacity (RIC) to transport personnel resources, material and other elements required to satisfy a mobilization requirement. The costs of RIC will be funded by the Army Operation and Maintenance appropriation.

1404 ACCOUNTING

140401. Cost Center Capability

DWCF activities must establish a cost center capability to separately account, in accordance with SFFAS 4, for all costs applicable to the continuance of a mobilization requirement. Where necessary, DWCF activities must maintain such costs to the function or task level, as necessary to segregate costs between normal operating costs and mobilization costs.

140402. War Reserve Items

DWCF activities must account for purchases of DWCF-funded War Reserve items at the same level of detail as items procured for peacetime requirements, recording amounts in separate general ledger accounts, or appropriate subaccounts, to retain separate visibility of such assets. Inventory levels funded by such amounts are not available for sale; therefore, DWCF activities must maintain and report War Reserve costs separately to ensure that the unit cost targets for Supply Management activities are not affected.

1405 REPORTING

The DWCF activities must record and report financial information on the maintenance of a mobilization capability in accordance with the DoD accounting and reporting requirements specified for the DWCF. AR(M) 1307 must be prepared to include a footnote that identifies the amount of the mobilization requirement costs that are funded through direct appropriations or reimbursable orders accepted specifically for mobilization requirements.
VOLUME 11B, CHAPTER 15: “SUPPLY MANAGEMENT ACTIVITIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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CHAPTER 15

SUPPLY MANAGEMENT ACTIVITIES

1501 GENERAL

This chapter provides the policies and procedures to guide budget formulation and execution for supply management activities of the Defense Working Capital Fund (DWCF).

1502 BACKGROUND

This guidance is applicable to all DoD working capital funds.

1503 PRICING OF INVENTORY ITEMS

150301. Introduction.

Policies and procedures to be used in the budget development of prices for supply management activity items are contained in Volume 2B, Chapter 9, “Defense Working Capital Funds Activity Group Analysis”, DoD Financial Management Regulation, DoD 7000.14-R.

*150302. Standard Price

Standard price is the current value of inventory plus all cost recovery elements required to ensure that sufficient budgetary resources are available to fund the entire cost of operations. As a general rule, each cataloged item with an assigned national stock number, and under DoD Inventory Control Point management, shall have a standard price for sales to all authorized customers. Non-DoD customers providing direct support to DoD related mission requirements shall be charged the standard price. All other non-DoD customers will be charged as prescribed in Volume 2B, Chapter 9 section 090103. Exceptions to this policy may be authorized elsewhere in this chapter. Components shall establish product prices at the lowest practical item level in order to promote cost visibility/management and to motivate cost effective customer/supplier behavior. At a minimum, prices should be established by Federal Supply Class (FSC) or other comparable level at which specific cost allocations can be made. Product pricing levels above the FSC must be approved by the Director of Revolving Funds, Office of the Under Secretary of Defense (Comptroller). The standard sales price of each item shall be determined in advance of the execution year to allow for publication before the price is effective. The standard sales price becomes effective for billing purposes on the first day of the fiscal year. A standard price will not be changed during the fiscal year without the prior approval of the Director of Revolving Funds except as stated in paragraph 150305 of this chapter. The dollar amount of unfilled customer orders accepted at the previous fiscal year’s standard price shall be adjusted (upon notification to the customer) to reflect the latest standard price when notice of the price change is received. Normally, all recurring local procurements shall be cataloged and assigned a local standard price including any retail level cost recovery element except when the volume of local procurements of an item does not justify the assignment of a local standard price. In those cases,
a local purchase of such a nonstandard item shall be priced based upon procurement cost plus any retail level cost recovery element.

A. Latest Acquisition Cost (LAC) should be used to establish an inventory item’s unit standard price for materiel cost. LAC is the most current cost of a representative procurement. LAC may be calculated by dividing the most current cost amounts by the sum of their quantities. For items without a procurement history, an acquisition cost may be estimated based upon current manufacturer’s price listings or market price quotations. The acquisition cost of an item procured by means of a multiyear contract may include upfront costs such as setup costs that will not be incurred in future years. In those situations, the setup cost should be prorated over the total planned volume of items to be purchased under the contract. Undefinitized Contract Actions (UCAs) may be used as the basis for updating LAC. However, in these cases the “not to exceed price” will be used, not the “award price.”

B. Total cost recovery is the sum of the dollar amount of all non-materiel costs. The cost recovery rate is calculated by dividing total non-materiel costs by total materiel costs. This represents the percentage markup on materiel costs required to operate the supply activity. The sum of non-materiel and materiel costs represents the amount of revenue required (standard price) to liquidate the total amount of contract authority requested in order to break-even. These cost elements should be displayed on the SM-5a budget exhibit (See Volume 2B, Chapter 9). These factors are also used to calculate the stabilized rate for supply activities.

1. The basis for the Cost Recovery Rate (CRR) is a markup on total materiel costs to cover operating costs. Total materiel costs represents total replenishment costs for all materiel sold to customers. The basis for replenishment costs is the authorized representation of inventory valuation (LAC). To this value, cost elements for inflation, product cost growth, loss/obsolescence/damage/washout, and provisioning may be added. Normal inventory costs to be included in this cost recovery element are the net of losses and gains from incoming and outgoing shipments, physical inventory adjustments, inventory losses as a result of shrinkage, theft, deterioration, damage contamination, defective items if not reimbursed by supplier, obsolescence, and adjustments to reconcile internal records. Obsolescence consists of the current replacement cost of new or modified items required to replace items no longer needed due to changes in technology, laws, customs, or operations (for example, modification or replacement of a weapon system or commodity). Extraordinary losses such as those due to armed hostilities, riot, or significant damage due to fire, flood, earthquake, storms, or other abnormal events are not normal inventory losses and should not be included in the cost recovery element for inventory expenses. Appropriations should be sought from Congress to fund extraordinary losses.

   (a) Inflation is the dollar amount of the standard rate of inflation as published by the Office of Management and Budget (OMB).

   (b) The Product Cost Growth Factor (PCGF) is a cost element to account for any anticipated price growth beyond standard inflation.
(c) Loss/obsolescence/damage/washout is a cost element that is associated with any costs that are expected to be incurred for these types of situations where a replacement unit is required. Activities that manage maintenance and repair missions on an exchange carcass basis incur replacement cost for carcass washouts and losses. Carcass washouts (sometimes termed “condemnations”) are carcasses that, during the initial inspection, are determined to be repairable but during the repair process are determined to be unrepairable and are also determined to require replacement. If the carcass is determined to be unrepairable because of customer cannibalization or other malicious damage caused by the customer, the customer shall be charged the difference between the exchange price and the current standard price and this cost shall not be included in the surcharge element. Lost carcasses (for example, in transit to the customer or to the supply system) shall be investigated and necessary internal controls strengthened as required by DoDFMR Volume 12, Chapter 7.

(d) The provisioning cost element is provided in situations which a weapon system was originally fielded under a contractor logistics support agreement. If the contractor either fails to perform, or a decision is made at the component level to transfer program management to a DWCF supply activity, the component may decide to fund the provisioning action in the standard price of the item. The component may also decide to fund this action using contract authority without an immediate reimbursement so long as a funding source can be identified and used for reimbursement by the time of first delivery and the action has been pre-approved by the Director of Revolving Funds. Pre-approved reimbursable transactions of this type shall be recorded as “other income” and will not be included in the standard price.

(e) Inventory augmentation costs finance the acquisition of inventories which are required over and above demand replacement (excluding mobilization requirements which are financed by appropriations) to maintain the level of materiel support at the currently approved position. Inventory Augmentation is normally funded by direct appropriation, but may be included as a cost recovery element if approved by the Director of Revolving Funds.

2. Cost recovery elements for operating costs shall be included in the standard sales price of an item including payroll, personnel travel, transportation, defense agency billings, other WCF purchases, operating materiels and supplies, rent/communications/utilities, depreciation, transportation and other service contracts (See paragraph 150302 C of this chapter).

3. Infrastructure costs shall be identified separately and may include depreciation, capital programs (depreciation, capital surcharges) and systems sustainment recovery elements. Each fund manager may determine if reimbursement for infrastructure costs will be collected in the year the capital program is executed or over an approved depreciation schedule that allocates collections to the capital program.

4. Other cost recovery elements may be added to the price and must be approved by the Director of Revolving Funds during the budget submission. Typical revolving fund adjustments include Accumulated Operating Results adjustment, cash corpus retention and fund management adjustments.

15-5
C. The purpose of the cost recovery elements are to balance total revenues with total net operating costs, plus or minus changes in levels of assets, such as inventory or cash. Total net operating costs shall not include requirements funded by appropriations, such as war reserve appropriated amounts (see Volume 4, Chapter 4, paragraph 0405 for treatment of War Reserve Materiel). The costs to be accounted for within the recovery elements shall encompass:

1. The costs of operating wholesale inventory control points and wholesale supply depots shall be financed by the supply management activity. Such costs include civilian labor and benefits, military labor, supplies, purchased services, reimbursements to other Defense agencies that provide support to supply management operations. The cost of performing equivalent functions at the retail level (installation/area supply support) may be included in the cost recovery rate assessed by the wholesale activities if the retail activity is managing the distribution of DLA, GSA or any other government agency where an additional rate would not be applicable.

2. The costs incurred by separate activities and functions that exist primarily to benefit the mission of a wholesale inventory control point and/or a wholesale supply depot. Mission support cost pools shall be established that identify costs incurred by activities and functions that directly provide benefits to wholesale inventory control points and wholesale supply depots. These cost pools will include all costs (civilian labor and benefits, supplies, purchased services, and other costs) incurred in functions such as line management (command and control), staff management (policy functions), and centralized service functions (e.g., procurement, accounting, personnel, ADP, etc.). The portion of such overhead cost pools that directly benefit the supply management activity mission shall be allocated to, and reimbursed by, the supply management activity. The allocation shall be based upon the relationship of the cost of the benefits provided to the supply management activity to the cost for all activities or functions.

3. The term “shipping and transportation” includes costs for packing, crating, handling, transportation, and, where appropriate, port loading, and unloading. Items may be shipped from a stocking point (issues) or to a stocking point (returns).

   (a) Costs to be included are transportation costs for items issued by the supply management activity. To the extent that first destination transportation is not included in the acquisition cost, an estimate of the cost shall be included in this element. Second destination transportation costs should be based on the assumption of average cost as adjusted by projected changes in the budget year. Second destination transportation costs financed by a supply management activity generally include only transportation within the continental United States (CONUS) and between overseas locations. An additional transportation charge shall be assessed for expedited delivery and delivery outside CONUS based on destination, e.g., Europe, Far East, Near East and for contingency operations.

   (b) The costs of providing and managing commissary items, including related operating costs incurred to support the mission of commissaries, shall be identified as commissary operating costs. These costs include but are not limited to, costs incurred to support commissaries at a headquarters or regional level. Commissary operating
costs shall be charged to, and reimbursed by, appropriations made available to the Defense Working Capital Fund for commissaries and the commissary trust revolving fund as prescribed in DoD Instruction 1330.17, “Armed Services Commissary Operations.”

(c) Costs to be included are shipping and transportation costs only for items approved by an item manager for return from DoD customers to the supply management activity. The supply management activity shall reimburse transportation and other shipping costs only for items approved by an item manager for return from customers. Shipping and transportation cost for items that have not been approved by an item manager for return from customers shall not be paid by the supply management activity.

(d) Costs to be included are shipping and transportation costs for the return of reparable exchange carcasses from customers. Customers will not be charged separately for carcass returns because supply activities factor shipping and transportation costs for customer returns of carcasses into cost recovery projections.

(e) Costs to be included are shipping and transportation costs for lateral distributions of stock when directed by an item manager. When a shipment is made at the direction of an Integrated Material Manager (IMM), the supplying (issuing) activity shall be reimbursed by the IMM for the costs of packing, crating, handling, and transportation to move that materiel.

4. If a supply management activity experiences a sudden decrease in volume of customer orders, it may require additional revenue in order to liquidate contract authority associated with undelivered inventory ordered from vendors. It may be obtained either through transfer or direct appropriation to the revolving fund, or by supply management activity establishment of a cost recovery element (or combination of both). Once undelivered order stock levels have stabilized to a level appropriate for the new volume of demand, any cash surcharge will be eliminated.

D. A cost recovery element used by a retail level supply activity:

1. Will include inventory (materiel) expenses. Inventory expenses applicable to the retail-managed items are the net impact of gains and losses at the retail level, obsolescence, and shelf-life deterioration.

2. May include other cost recovery elements, when approved by the Director of Revolving Funds.

E. Direct reimbursable costs are costs not associated with the primary operations of a business activity (such as selling inventory) and will be excluded from the cost recovery rates. Cost reimbursement is to be reported as “Other Income” on the AR 1307 and the Fund-14. All costs that are reimbursed in “Revenue from Sales“ are considered operating costs and will be factored into the rates and the unit cost goal for that activity.

150303. Foreign Military and Private Party Sales

150304. Lateral Redistribution of Stock

An item manager may direct a lower stock level to issue stock when the total cost of such action is lower or when the item manager does not have stock available to meet a requisition’s response time and the lower level does -- such action is termed “lateral redistribution.” As provided in DoD 4140.1-R, DoD Supply Chain Materiel Management Regulation, billing procedures associated with lateral redistributions directed by an item manager will ensure an issuing activity is reimbursed for both the standard price of the materiel and the standard packing, crating, handling, and transportation costs associated with a redistribution. The item manager will bill the requesting activity for the standard price of the materiel and reimburse the issuing activity for the standard price of the materiel and the standard packing, crating, handling, and transportation costs.

150305. Authorized Changes of Standard Prices

DoD Components shall set product prices on an annual basis. Those prices cannot be changed during a fiscal year without justification to, and prior written approval of the Director of Revolving Funds. The only exceptions to the requirement for prior approval are:

A. Subsistence items sold to a commissary may be changed on a procurement lot basis.

B. Subsistence items sold for troop issue purposes may be changed on a monthly basis.

C. Clothing items required for a mandatory clothing bag may be changed when a related change occurs in the clothing allowance for military personnel.

D. Unit of issue changes.

E. First time buys.

F. Changes in logistical relationships between repairable items.

G. Changes in prices for items managed as the secondary inventory control activity (SICA) for another agency.

H. Gross pricing errors.

I. Changes from non-supply activity to a supply activity.
J. Changes in prices of components prices for sets kits and outfits (SKO).

K. Items become obsolete, obsolescent or in long supply.

L. Price challenges or breakouts.

M. Discounted product prices (see 150306.).

N. Customer requested product changes.

O. Seasonal price variations for materiel normally bought for direct vendor delivery.

150306. Discount Pricing

As a general rule, all product prices must reflect the full cost of the product and the related management activity. However, discount pricing is permitted under the following conditions:

A. With the prior approval from the Director of Revolving Funds, a supply activity may charge a customer a discounted price for a supply item. The request to discount an item price should be accompanied with an analysis of the cost (profit/loss) impact anticipated as a result of charging a lower price.

B. Reductions from standard prices may be made subsequent to approval by the Director for Revolving Funds upon determination that there is an actual difference in utility or desirability of an item because of age, condition, or model for items being phased out of the system, items no longer being procured, items with limited remaining shelf life, items in a less than “fully serviceable” condition, and items in long supply, i.e., assets stratified as “potential reutilization stock.”

C. Policies and procedures to be used in the development of exchange prices for supply management activity items are contained in Volume 4, Chapter 4, “Inventory and Related Property,” of the DoD Financial Management Regulation, DoD 7000.14-R.

150307. Pricing for Additional/Premium Service

Components may establish and offer variable levels of service related to a product, at variable prices, to allow customers the opportunity to economize according to their needs. Appropriate fees may be established annually and may vary according to the item/class of items. Refunds (credits) will be made available for those instances where a customer has paid for a level of service that was not provided. This permissible policy is not intended to authorize a reduced charge for some customers. It is intended to authorize an additional charge for customers who ask, and are willing to pay, for enhanced service. Individual orders may be assessed additional cost recovery rates based on the following elements:
A. Expedited delivery.

B. Delivery outside the continental United States based on destination, e.g., Europe, Far East and Near East.

C. Depot handling fees related to order issues only. The fee(s) will include a minimum charge for low priced orders, a standard charge for bin item issues, a standard charge for normal bulk item issues, and special charges for unusual bulk item issues, e.g., special handling and extraordinary quantities.

1504 CONTRACT AUTHORITY FOR SUPPLY MANAGEMENT OPERATIONS

150401. Background

Based on the authority in 10 U.S.C. 2210, the OMB apportions anticipated contract authority at the beginning of a fiscal year for the amount of the approved supply management activity program. This anticipated contract authority becomes realized contract authority when obligations are incurred by the supply management activity. Unfunded contract authority is the amount by which obligations incurred exceed customer orders accepted (obligations less customer orders accepted). Contract authority provided to a supply management activity is subject to apportionment as required by the Anti-Deficiency Act in accordance with the procedures prescribed in OMB Circular A-11, “Instructions on Budget Execution” (See Volume 3 Chapter 19).

150402. Budgetary Resources

Budgetary resources for supply management activities available for use during a fiscal year consist of any congressionally appropriated and reappropriated amounts made available; the net of any nonexpenditure transfers into and out of the supply management activity and other Federal Government accounts (cash transfers); balances made available from the previous fiscal year contract authority; and apportioned anticipated contract authority. Normally, supply management activities may obligate based on two primary sources: contract authority and appropriated funds for war reserve/mobilization purposes. Liabilities (accounts payable) are typically payable from the fund balance with Treasury within the next 30 days. Unfunded (unliquidated) contract authority should be considered a long-term liability for supply management activities because budgetary resources required for payment of these contracts have not yet materialized through customer orders or appropriations from Congress. For supply management activities, the primary sources of budgetary authority are the fund balance with Treasury, collections from customers, appropriations and unfilled customer orders. Claims on budgetary authority are primarily accounts payable, and unliquidated contract authority (undelivered orders) (See Volume 3 Chapter 19).

A. At the end of each fiscal year, unused balances of funds appropriated to the supply management activity shall be used to offset the need for anticipated contract authority. Such amounts are not available for use until they are reapportioned and reflected on the
supporting financing schedule as an increase to the limit imposed for obligation authority on an approved apportionment in the new fiscal year.

**B.** The OMB may approve and apportion anticipated contract authority in the amount of the approved supply management activity operating program.

**C.** The OMB apportionment of anticipated reimbursements as anticipated contract authority currently includes a footnote, consistent with the following:

Pursuant to 10 U.S.C. 2210(b), obligations/commitments may be incurred in excess of the amount of the apportioned resources actually realized in the amount of contract authority approved, but not in excess of the total apportioned. The estimated unfunded balance of this contract authority pursuant to 10 U.S.C. 2210(b) of $ on September 30, 20xx is increased by $ provided that this amount is automatically reduced to the extent that orders are realized.

**D.** Anticipated contract authority becomes realized contract authority when obligations are incurred. These obligations require budgetary resources at the time of disbursement.

**E.** The receipt of customer orders provides budgetary resources for realized contract authority. Customer orders received are requisitions and other orders accepted for items to be furnished on a reimbursable basis. Budgetary resources provided from a customer order are available to fund obligations provided that, in the case of orders from the public, an advance has been collected. Throughout the fiscal year, the cumulative amount of resources available from customer orders is adjusted to the extent that orders are canceled, or revised upward or downward because of standard price changes, quantity adjustments, etc. The amount of budgetary resources available for obligation from customer orders is the sum of orders received from Federal Government accounts that represent valid obligations of the ordering account, plus advances received on orders accepted from the public. Orders from the public include orders received from state and local governments. These budgetary resources shall replace the budgetary resources apportioned as anticipated reimbursements.

1. The receipt of a customer order at the activity level shall be recorded as an increase to customer orders accepted and an increase to unfilled customer orders. This is necessary because supply management activities receive obligation authority based on anticipated reimbursements without regard to the timing of the receipt of the customer order. In other words, supply management activities receive contract authority in lieu of obligation authority which is commonly used for non-supply activities. If the normal accounting for the receipt of a customer order were used, duplicate obligation authority from the receipt of the order would occur at the allotment level. Instead, receipt of customer orders is an offset to unliquidated contract authority and provides budgetary resources. The difference is that supply management activities incur the obligation before budgetary resources are provided. For non-supply activities, the budgetary resources are provided first, and then obligations are incurred (See Volume 3 Chapter 19).
2. For apportioned activities, these budgetary resources shall replace the budgetary resources apportioned as anticipated reimbursements at the departmental level based upon the net change in customer orders received during the month.

F. At the end of each fiscal year, any unobligated balances of appropriated funds applicable to apportioned working capital fund activities shall be used to offset the need for unfunded contract authority. Such funds are not available for use until they are reapportioned and reflected on the supporting financing schedule as an increase to the limit imposed for obligation authority on an approved apportionment in the new fiscal year. Any unobligated contract authority balance at the end of the fiscal year is adjusted to zero.

150403. Contract Authority and Cash Management

Although the responsibility for cash management is at the component level, the liquidation of contract authority is only authorized by collections from customer orders, or by an appropriation to liquidate contract authority. Cash collections from supply management activities are the primary funding source approved for the liquidation of contract authority unless otherwise approved in writing by the Director of Revolving Funds. Supply management activities may also submit requests as part of the component’s budget request, for appropriations for the sole use of liquidating realized contract authority if a change in customer demands warrants this action. Similarly, any proposed negative surcharges identified in the budget justification materiel, other than AOR recovery, must be pre-approved in writing by the Director of Revolving Funds.

1505 MULTIPLE YEAR CONTRACTS

150501. Background

Multiyear contracts permit the purchase on one contract of more than one annual program increment of items to obtain a maximum economic advantage. For example, an economic order quantity in a multiyear contract may exceed a normal annual buy and yet be advantageous to the Government. Supply management activities are authorized to use multiyear contracts to procure items from a single contractor. Sole source items with a stable demand projection that are procured from a single contractor shall be evaluated to determine if the items should be acquired by means of a multiple year contract. As with multiyear contracts funded by procurement appropriations, the supply management activity may purchase items in an amount corresponding to the economic order quantities deemed appropriate for procurement in each year. Components, parts, and raw materiel for use in manufacture of items being acquired under a multiyear contract may be procured in quantities exceeding the current annual requirement when it is more economical and cost effective to do so. This is referred to as advance economic order quantity (EOQ) procurement. Advance EOQ procurements integral to multiyear contracts shall be funded in the most economical manner. They may be funded fully in single year increments on a termination liability basis, or included in a multiyear contract along with the nonrecurring contract costs. Under 10 U.S.C. 2306, the Department of Defense is authorized to enter into multiyear contracts containing cancellation clauses that may include both nonrecurring and recurring costs. This law specifies congressional reporting requirements based on
cancellation ceilings. Further, annual DoD appropriations Acts may contain specific language requiring limitations on the use of multiyear contracts. In addition, a single proposed multiyear contract in excess of $100 million or $10 million in estimated termination liability shall be submitted to the Director of Revolving Funds for approval prior to awarding the contract. Each separate option to extend a multiyear contract shall be considered as a single multiple-year contract for the purposes of this approval requirement. The DoD Components shall refer to annual guidance contained in Under Secretary of Defense (Comptroller) Multiyear Procurement Appropriation Language Guidance Memoranda for specific requirements and restrictions imposed by the Congress.

150502. Obligations

The supply management activity shall obligate the minimum amount required for the period of the contract.

A. If the contract provides for annual terms with options to extend the terms in subsequent years, the obligation shall be for the amount required to be procured by the Government in the first year. The obligation for each option year shall be recorded when the option is exercised.

B. If the contract provides for minimum quantities over a period of more than one year, the obligation shall be recorded for the sum of all of the minimum quantities times the agreed price. If the contract provides for minimum dollar amounts for a period of more than one year, the obligation shall be recorded for the sum of the minimum dollar amounts.

C. The bona fide needs rule derived from Title 31 United States Code, section 1502(a), applies to appropriations limited to a definite period of time. Although the bona fide needs principle does not statutorily restrict a supply management activity from incurring obligations against contract authority for requirements of the subsequent fiscal year, contract authority conferred to the activity for a year may impose limitations on execution of obligations. Also, because supply management activities use contract authority to incur obligations to acquire stock or order items for delivery to customers, and do not execute budgetary resources dependent on receipt of funded customer orders, the timing of a supply management activity’s obligations against contract authority do not govern, establish or reflect whether the customer’s order to the supply management activity is a bonafide need of the customer appropriation charged.

150503. Cost of Items

The cost of items procured by multiple year contracts shall be the amount paid for each item. If termination costs are incurred or if minimum guaranteed amounts are not met for items procured, the additional costs paid under the terms of the contract shall be recorded as supply management activity materiel obligations.
1506  BUDGETARY ACCOUNTS

150601.  Background

Budgetary accounts are used to control and account for obligation authority received from appropriations and contract authority apportioned by OMB. Supply management activities are subject to apportionment as required by the Anti-Deficiency Act in accordance with the procedures prescribed in OMB Circular A-11, “Instructions on Budget Execution” (See Volume 3 Chapter 19).

150602.  Allocations

The general provisions of the annual Appropriations Act provide that “Except in amounts equal to the amounts appropriated to working capital funds in this Act, no obligations may be made against a working capital fund to procure war reserve materiel inventory unless the Secretary of Defense has notified the Congress prior to any such obligation.” Obligation authority for mobilization purposes shall be allocated and allotted separately as a direct program. Operating obligations consist of all obligations that do not meet the criteria defined for mobilization and shall be allocated and allotted separately as a reimbursable program. Obligations shall be accounted for and reported separately as mobilization and operating. Subaccounts to the budgetary accounts prescribed by this Regulation shall be established by the Defense Finance and Accounting Service to satisfy these requirements.

150603.  Budget Execution

For supply management activities, balances for budgetary accounts are displayed on the SF 133 and the DFAS AR 1307 part VII (See Volume 3 Chapter 19).
VOLUME 12, CHAPTER 1: “FUNDS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2009 is archived.

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<th>PARAGRAPH</th>
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<td>Revised the chapter format to be consistent with the Department of Defense (DoD) Financial Management Regulation (FMR) Revision Standard Operating Procedures (SOP).</td>
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<tr>
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<td>Updated the hyperlinks.</td>
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<tr>
<td>0101</td>
<td>Added Purpose and Authoritative Guidance paragraphs in accordance with the DoD FMR SOP. Renumbered subsequent paragraphs following the addition.</td>
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<tr>
<td>0102</td>
<td>Deleted paragraph “Accounting Standards” as information is duplicative and is already addressed in Volume 1, Chapter 7.</td>
<td>Deletion</td>
</tr>
<tr>
<td>010302. C</td>
<td>Revised to reflect the correct referenced fund account symbol.</td>
<td>Revision</td>
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<tr>
<td>All</td>
<td>Revised the two-digit to three-digit agency identifier codes in accordance with the Federal Account Symbols and Titles Book.</td>
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CHAPTER 1

FUNDS

0101  GENERAL

010101.  Overview

This chapter prescribes a comprehensive description of account symbols and their operation within fund groups. Account symbols are the basis for reporting the Department of Defense (DoD) financial transactions. The Department of the Treasury (Treasury), Bureau of the Fiscal Service (Fiscal Service) and the Office of Management and Budget (OMB) assign account symbols consistent with the principals and standards prescribed by the Comptroller General of the United States. Fiscal Service assigns account symbols to agencies after considering the government's relationship to the accounts, the sources of the receipts, and the availability of the funds for expenditure. Receipt account symbols are arranged numerically within each fund group; that is, general, special, and trust funds. Expenditure account symbols (appropriations) and other fund accounts are arranged numerically by general, revolving, special, deposit, and trust fund groups.

010102.  Purpose

The purpose of this chapter is to define receipt, appropriation, and other fund account symbols relating to financial operations and accounting transactions of the Department. Fund account symbols are not the same as the United States Standard General Ledger accounts prescribed in Volume 1, Chapter 7.

010103.  Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the Treasury Financial Manual (TFM), Supplement to Volume I and Federal Account Symbols and Titles (FAST) Book. These authorities describe the various categories of Federal Government fund account symbols.

0102  FUND GROUPS

010201.  Fund Groups and Symbols

All accounts are identified by fund groups through assignment of numeric and/or alphanumeric account symbols. The symbol assigned to an account is determined after consideration of the governmental effect of the account and the source of the receipt, and the availability of the fund for expenditure. Some of these accounts have a significant impact on DoD operations. The FAST Book contains all of the fund groups, account symbols, and titles. Table 1-1 lists the fund groups and the range of federal fund account symbols.
Table 1-1. Fund Groups and Symbols

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<tr>
<td>Trust Funds</td>
<td>8000-8999</td>
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010202. Additions and Deletions

The Defense Finance and Accounting Service (DFAS) obtains new fund account symbols from the Treasury but the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Program and Financial Control Directorate must approve new fund account symbols used in Standard Form (SF) 133, “Report on Budget Execution and Budgetary Resources.”

0103 GENERAL FUNDS

010301. General Fund Receipt Accounts (0000-3399)

General fund receipt accounts have been established to account for receipts of the Federal Government that have not been earmarked by law for a specific purpose and are preceded by an “R.” General fund miscellaneous receipt accounts are categorized by major classes and account groups. For example, an unknown collection at a Defense Agency would be credited to “General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified,” with the accounting citation 097R3210. For internal control purposes, none of the receipts credited to these accounts are available for obligation and expenditure. Therefore, general fund receipt account collections do not affect budgetary resources. General fund receipt account collections do provide resources to the Congress to fund appropriations. However, a congressional appropriation action requires a separate accounting process.

A. Unless there is specific statutory authority that authorizes a reimbursement to an appropriation account or fund (including special funds), all collections must be credited to the appropriate general fund receipt account. However, obligations incurred that result in, or as a result of a general fund receipt account collection or receivable must be recorded in the budgetary accounts of a direct appropriation or fund. Such obligations may be recorded as reimbursable obligations only when authorized to be reimbursed independent of the general fund receipt collection.

B. Accounts receivable for the general fund receipt accounts must be recorded whenever an event results in the determination that money is owed to the U.S. Government. General fund receipt account receivables may be recorded at a summary level. Examples include:
1. A receivable must be recorded for general fund receipt account 2651, “Sale of Scrap and Salvage Materials, Defense,” based upon the recording of an issue or the transfer of ownership of scrap or salvage material to a buyer. (Normally, a cash payment is required.)

2. A receivable must be recorded for general fund receipt account 3019, “Recoveries for Government Property Lost or Damaged, Not Otherwise Classified, Army, Navy, Air Force,” based upon the receipt of an approved DoD (DD) Form 200, “Financial Liability Investigation of Property Loss.”

3. The accounting for receivables and collection of those receivables in general fund receipt accounts are described in Volume 4, Chapter 3.

010302. General Fund Expenditure Accounts (0000-3899)

General Fund accounts record amounts appropriated by Congress for the general support of the government. Appropriations are statutory authorities to incur obligations and make payments from the U.S. Treasury for specified purposes. When a law appropriates budget authority, it specifies the period of availability. The period of availability is the amount of time the entity may create new obligations. This is called the period of availability for new obligation of the budget authority, and the period is normally specified in the law providing the budget authority.

A. Annual Appropriations (Annual Budget Authority). An annual appropriation has a period of availability for only one fiscal year or less. An example of an annual appropriation is Operation and Maintenance, Army, 021X2020.

B. Multiple-Year Appropriations (Multi-Year Budget Authority). A multi-year appropriation has a period of availability for two or more fiscal years. An example of a multi-year appropriation is Other Procurement, Navy, 017X1810.

* C. No-Year Appropriations (No-Year Budget Authority). A no-year appropriation has an indefinite period of availability because the appropriation is available until all funds are expended or the appropriation is no longer needed. An example of a no-year appropriation is Environmental Restoration, Air Force, 057X0810.

0104 CLEARING ACCOUNTS (3500-3885)

Clearing accounts temporarily hold unidentifiable general, revolving, special, or trust fund collections that belong to the Federal Government. An "F" preceding the last 4 digits of the fund account symbol identifies these accounts. These clearing accounts are to be used only when there is a reasonable basis or evidence that the collections or disbursements belong to the U.S. Government and therefore properly affect the budgetary resources of the DoD activity. None of the collections recorded in clearing fund accounts are available for obligation or expenditure while in a clearing account.
010401. Budget Clearing Account

Budget Clearing Account (suspense), F3875, temporarily credits unclassified transactions from the public when there is a reasonable presumption that the amounts belong to the agency. Therefore, unlike deposit accounts, clearing accounts immediately affect the budget.

010402. Undistributed Intragovernmental Payments Account

Undistributed Intragovernmental Payments, account F3885, is used to temporarily credit unidentified or unclassified transactions between Federal agencies, including Intragovernmental Payment and Collection (IPAC) transactions.

010403. Temporary Account Requirement

Since account F3875 and F3885 are temporary in nature, DoD Components must expeditiously transfer all monies to the proper account in order to minimize the balance. Use of these suspense accounts are valid if approved by the Treasury provided the suspense account transactions are reclassified to the correct line of accounting and properly reported in the accounting system within 60 days.

0105 MANAGEMENT FUND ACCOUNTS (3900-3999)

Management fund accounts are working fund accounts authorized by law to facilitate accounting for administration of intragovernmental activities other than a continuing cycle of operations. Such accounts generally do not own a significant amount of assets nor do they have a specified amount of capital provided (a corpus of the fund). A management fund provides a means of interim financing and accounting for: (1) an operation or project that is financed by more than one appropriation or fund and whose costs cannot be distributed and charged to the financing appropriations or funds immediately, or (2) an operation or project that is established pursuant to a transfer of functions involving two or more appropriations or funds under authority of law. An example of a management fund is the Air Force Management Fund, 057X3960.

010501. Policy

A. A management fund must be used only to finance the costs of operations which are chargeable to appropriations or funds of a DoD Component. Projects may encompass participation by organizational units of one DoD Component or of two or more DoD Components.

B. A management fund may not be used to finance any activity that involves a continuing cycle of business-type operations, such as industrial or commercial-type activities, or to purchase materiel for stock. It may be used to finance the purchase of materiel for use in an operation or project operated under a management fund.

C. A management fund may not be used to finance a new operation or project, although eligible under section 0105, if other effective and efficient financing techniques are available. In general, appropriation reimbursements must be used. However, industrial funds must
be used to finance industrial or commercial-type activities, and stock funds must be used to finance the acquisition of consumable (expense-type) materiel for stock.

D. Management fund accounts are subject to periodic internal audits.

010502. Responsibilities

A. The OUSD(C) Deputy Chief Financial Officer (DCFO) must:

1. Ensure that a management fund account is established or continued only when there is no other effective and efficient financing technique available to accomplish the proposed operation or project. The OUSD(C) DCFO will receive, review, evaluate and approve proposed management fund account charters submitted in accordance with Figures 1-1 and 1-2.

2. Review and evaluate proposed management fund account charters or amendments and recommend to the Under Secretary of Defense (Comptroller) (USD(C)) the establishment or continuance of a management fund account.

B. The Heads of DoD Components must:

1. Propose use of a management fund as a financing technique, when considered appropriate, in accordance with the provisions of this chapter.

2. Oversee compliance with this chapter regarding the provision for budgeting, financing, accounting, and reporting for management fund accounts in use by their Component.

0106 REVOLVING FUNDS (4000-4999)

Revolving funds are established to finance a continuing cycle of business-type operations. Revolving fund accounts are authorized to be credited with receipts, incur obligations, and make expenditures. Revolving fund collections are normally available for obligation and expenditure without further action by the Congress. However, DoD revolving funds (except for some business areas within the Defense Working Capital Fund) are subject to apportionment by OMB. Apportionment by OMB precludes obligation or expenditure of funds in excess of the apportioned balance during a fiscal period. The concepts in this section normally apply to revolving funds.

010601. General

There are two types of revolving funds. Public enterprise revolving funds are distinguished from intragovernmental revolving funds by the source of revenues. Public enterprise revolving fund revenues come primarily from outside the Federal Government. Intragovernmental revolving fund revenues come primarily from other federal appropriations or funds.
A. Appropriations and/or reappropriations are usually provided to start, increase the size, or replace significant losses of a revolving fund. Also, existing resources in other accounts may be transferred to a revolving fund as capitalized assets to serve the same purposes in lieu of an appropriation. The resources used to commence or increase the size of a revolving fund are commonly referred to as “the corpus of the revolving fund.” The corpus forms the nucleus of resources used to acquire the resources needed to perform the mission of the revolving fund.

B. Revenues are generated in DoD revolving funds from reimbursable actions on behalf of authorized beneficiaries. Those revenues result in collections of funds. The funds collected are used to pay for the acquisition of resources needed to operate the revolving fund. In revolving funds that are apportioned by OMB, the use of the budgetary resources associated with those collections to incur obligations is limited to the amount of obligation authority available for the fiscal period.

C. Revolving funds subject to apportionment are apportioned on an obligation basis. An SF 132, “Apportionment and Reapportionment Schedule,” must be submitted to the OMB for approval of the amount of obligational authority needed for the operation of the revolving fund for a fiscal period. A fiscal period may be a quarter of a fiscal year or a full fiscal year.

D. Budgetary resources available for apportionment action include:

1. New budget authority (appropriations).
2. Available unobligated balances at the beginning of the fiscal period.
3. Reimbursements and other income (also known as offsetting collections credited to the appropriation or fund account).
4. Recoveries of prior year obligations.
5. Restorations.

E. The apportionment of anticipated reimbursements as obligational authority does not authorize a revolving fund to obligate in excess of the contract authority, borrowing authority, or reimbursable orders received from within the Federal Government and advances received for orders outside the Federal Government. Orders from state, local, and foreign governments are considered to be orders from the public.

F. In the case of loan programs, budgetary resources available for obligation from loan repayments and interest on loans are comprised of actual collections when authorized to be used. Loan repayments in the form of loans receivable and interest receivable are amounts due but not collected. These amounts are not available for obligation until collected.
G. Other assets, whether of a working capital nature such as inventories of stock or of a fixed asset nature, are not considered as a budgetary resource. Such assets, therefore, do not enter into the determination of unobligated balances. However, claims against budgetary resources, such as delivered and undelivered orders, are obligations of a revolving fund and must be subtracted from unobligated balances when incurred. Obligations for the procurement of inventories, as well as for the acquisition of other revolving fund assets, must be recognized, recorded, and reported along with other obligations.

H. Some revolving funds, particularly public enterprise funds, have budget authority exclusively for the fund that is technically outside the fund as long as it remains “undrawn.” This concept may apply to the authority to borrow from the public, authority to borrow from the Treasury, and sometimes contract authority.

I. The amount of obligational authority apportioned or the available balance of obligational authority may be less than the total budgetary resources available in a revolving fund. The difference, which cannot be obligated unless it is apportioned, may be characterized as either an unapportioned balance of a revolving fund or a restrictive withholding. The concept of an unapportioned balance is one of preserving a portion of the fund’s capital so it may continue to revolve.

J. Incurring obligations or authorizing the incurrence of obligations in excess of apportioned budgetary resources must be reported as an apparent violation of the administrative control of funds provisions contained in Volume 14. This reporting requirement applies whether or not a revolving fund has unapportioned budgetary resources or nonbudgetary assets greater than the amount of the deficiency.

K. Each revolving fund is required to submit a separate set of reports to the Treasury as described in Volume 6A. Therefore, the data required for each revolving fund to prepare these reports must be identified within the DoD Component's accounting system.

010602. DoD Public Enterprise Revolving Funds (4000-4499)

Public Enterprise revolving funds include but are not limited to the Special Defense Acquisition Fund and the Homeowners Assistance Fund.

A. The Special Defense Acquisition Fund was funded by the use of a limited amount of certain foreign military sales collections as authorized by Congress. The fund was used to acquire items needed in anticipation of sales to foreign governments. The proceeds from the sales of the fund were used to acquire items in anticipation of future sales. Budgetary resources provided from sales to customers were not available for use until collections occurred and OMB approved apportionment of funds by category of item. The apportionment of funds by OMB provided control over the obligations for the acquisition of approved categories of items. The Special Defense Acquisition Fund was assigned the symbol 011X4116 by the Treasury.
B. The Defense Homeowners Assistance Fund is funded by borrowing authority and appropriations. The fund is used to acquire homes under certain criteria when a DoD installation is closed. The fund acquires homes as assets and assumes the related liabilities. All properties acquired by the Homeowners Assistance Fund are managed and disposed of by the U.S. Army Corps of Engineers. At the time of sale of a property, revenues are recorded and gains and losses on the disposition of the asset are determined. Costs incurred related to a property must be capitalized as an increase in the amount of the asset whenever value is added to the property. Under certain conditions, losses incurred on private sales of qualified property may be reimbursed as operating expenses of the fund. Certain other operating expenses may be authorized. The budgetary resources provided from sales or lease of property are only available for obligation after collection and when apportioned by OMB. The Defense Homeowners Assistance Fund was assigned the fund account symbol 097X4090 by the Treasury.

010603. Intergovernmental Revolving Funds (4500-4999)

DoD intergovernmental revolving funds include the Defense Working Capital Fund, the Pentagon Reservation Maintenance Fund, and the Army Conventional Ammunition Working Capital Fund.

A. The Defense Working Capital Fund was established to fund the operation of certain support functions within DoD. This fund was formed from five previously existing industrial funds, four previously existing stock funds, and selected Defense Agency support functions that were previously funded through direct appropriations. The Defense Working Capital Fund provides support functions such as inventory, maintenance, communications, depot maintenance, military airlift, and sealift. Services are provided on a reimbursable basis to authorized customers. The Defense Working Capital Fund was assigned the fund account symbol 097X4930 by the Treasury.

B. The Pentagon Reservation Maintenance Fund was established by the Fiscal Year 1991 National Defense Authorization Act and is codified in Title 10, United States Code, section 2674. The Pentagon Reservation Maintenance Fund finances the activities of the Washington Headquarters Services, the Pentagon Force Protection Agency, and the Raven Rock Mountain Complex. The fund provides space, building services, and force protection for the DoD Components, including Military Departments and other activities housed within the Pentagon Reservation. The Pentagon Reservation Maintenance Fund was assigned the fund account symbol 097X4950 by the Treasury.

0107 SPECIAL FUNDS (5000-5999)

010701. Special Fund Receipt Accounts

The Department credits special fund receipt accounts with receipts from specific sources earmarked by law for specific purposes. At the point of collection, these receipts are either available immediately or unavailable for expenditures depending upon statutory requirements.
010702. Special Fund Expenditure Accounts

Special fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfers from a special fund receipt account to be obligated and expended for special programs in accordance with specific provisions of law. The accounting for special fund expenditure accounts must be in accordance with the provisions of this Regulation. However, each special fund must be viewed as a unique fund in light of any special provisions in the enabling legislation. An example of a DoD special fund account is the Wildlife Conservation, fund account symbol X5095.

0108 DEPOSIT FUNDS (6000-6999)

These are fund accounts established to account for collections that are either held temporarily and later refunded or paid upon administrative or legal determination as to the proper disposition thereof, or held by the government as banker or agent for others and paid out at the direction of the depositor. Deposit funds are liabilities of the Federal Government. The fund accounts are not included in the budget totals because the amounts are not available for government purposes. Deposit funds are not available for the incurrence of any Federal Government obligations or payment of any Federal Government obligations. This section identifies various types of deposit funds.

010801. Monies Withheld

Monies withheld by the government from payments for goods and services received. This type of transaction may be treated as a deposit fund liability only when a budgetary account has been charged and the funds are being held by the government pending payment; for example, payroll deductions for savings bonds or state and state income taxes.

010802. Deposits from Outside Sources

Deposits received from outside sources for which the U.S. Government is acting solely as a banker, fiscal agent, or custodian.

010803. Monies Awaiting Distribution

Monies held by the U.S. Government awaiting distribution on the basis of a legal determination or investigation. This category includes monies in dispute (between the Government and outside parties) when ownership is in doubt and there is no present basis for estimating ultimate distribution.

010804. Unidentified Remittances

Unidentified remittances must be credited as suspense items outside the budget (such as fund account X6434) unless there is a reasonable presumption that they will be credited ultimately to a receipt, appropriation (expenditure), or other fund account within the budget, in which case amounts must be credited to the receipt clearing fund accounts.
0109 TRUST FUNDS (8000-8999)

010901. Trust Fund Receipt Accounts

The Department credits trust fund receipt accounts with receipts generated by the terms of a trust agreement or statute that designates a fund as a trust fund. At the point of collection, these receipts are either available immediately or unavailable for expenditure depending upon statutory requirements. Accounting for trust funds must be in accordance with the provisions of this Regulation. However, each trust fund must be viewed as a unique fund in light of any special provisions in the trust agreement or the enabling legislation. Because of the unique nature and magnitude of impact of the deposits, advances, and Foreign Military Sales related to the Executive trust fund, special accounting requirements have been established in Volume 15.

010902. Trust Fund Expenditure Accounts

Trust fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes or programs in accordance with the terms of the trust agreement or statute. Funds transferred or appropriated to a trust fund expenditure account are normally available for obligation and expenditure within the limits imposed by the trust agreement or authorizing statute.

010903. Trust Revolving Funds (8400-8499)

A trust revolving fund is a single account that is authorized to be credited with receipts and incur obligations and expenditures in support of a continuing cycle of business-type operations in accordance with the provisions of the trust agreement or statute. Trust revolving fund receipts are available for obligation and expenditure without further action by the Congress. In general, DoD trust funds authorized to incur obligations and expend receipts have been exempted from apportionment by the OMB. However, the Defense Commissary Agency Surcharge Collections, Sales of Commissary Stores trust revolving fund is subject to apportionment by the OMB. Accounting for trust fund expenditure accounts and trust revolving funds must be in accordance with the provisions of this Regulation. However, each trust fund must be viewed as a unique fund in light of any special provisions in the trust agreement or the enabling legislation.

0110 AVAILABLE RECEIPTS

Available receipts are special or trust fund receipts that, pursuant to law, are available as appropriations to a single agency for expenditure without further congressional action. However, in some fund accounts, use is restricted to investment only or is precluded by a limitation or benefit formula. An available receipt account carries the same symbolization as its corresponding expenditure account in that an “X” is inserted to indicate the period of availability of such funds for obligation. However, in special circumstances, available receipts that are earmarked for current year obligations and expenditures initially are placed in an unavailable receipt account until Fiscal Service prepares a warrant to move the funds to a current fiscal year expenditure account.
0111 UNAVAILABLE RECEIPTS

These are receipts that, at the time of collection, are not appropriated and not immediately available for expenditure. Unavailable receipts held in special and trust fund receipt accounts are unavailable for expenditure until appropriated pursuant to specific legislative provisions. Unavailable receipts are sometimes invested. In these circumstances, Treasury designates the fund as “available only for investment.”

0112 TRANSFER APPROPRIATION ACCOUNTS

Fiscal Service establishes transfer appropriation accounts to receive (and subsequently obligate and disburse) allocations treated as nonexpenditure transactions. These accounts carry symbols identified with the original appropriation from which monies were advanced. A transfer appropriation account is symbolized by adding the receiving agency's department prefix to the original appropriation or fund account symbol. A bureau suffix identifies that the transfer is to a particular bureau within the receiving department. For example, 017-097 06 0100 represents a transfer of funds that was initially appropriated to Defense Agencies (097) and was transferred to the Department of the Navy (017) for execution purposes.
Figure 1-1. Management Fund Procedures

1. APPROVAL OF CHARTERS AND MANAGEMENT FUND ACCOUNTS

A separate administrative account, called a management fund account, must be established for each operation or project that is to be financed by a management fund. This account must be established only with the approval of the Under Secretary of Defense (Comptroller) (USD(C)). As a basis for approval of a management fund account, a proposed charter and explanation of the reasons for the use of the management fund as the means of financing the operation or project must be submitted to the USD(C) via the Deputy Chief Financial Officer (DCFO).

1.1. The proposed charter must be prepared in the uniform format prescribed in Figure 1-2. If a Military Department is to be responsible for administration of the account, the proposed charter must be submitted under the signature of either the Secretary, Under Secretary, or an Assistant Secretary of the Military Department. A proposed charter submitted by a Defense Agency must be signed by the Director or Deputy Director of the Agency concerned. When appropriations or funds of more than one DoD Component are to share in the financing of a proposed account, the concurrence of each DoD Component involved must be evidenced by the signature of the Component comptroller or an equivalent official.

1.2. The scope of operations of a management fund account, as prescribed in the charter, must not be exceeded. However, the basic provisions of a charter may be changed by submitting a proposed charter amendment in the same manner as an original charter application.

1.3. The USD(C) must evidence approval of a charter or an amendment by signing the charter and returning a copy to the applicable DoD Component as its authority to commence operations subject to availability of funds. The original must be retained in the official files of the USD(C).

2. DISCONTINUANCE OF A MANAGEMENT FUND ACCOUNT

When a management fund account is to be discontinued, the managing DoD Component must submit a termination notice to the USD(C) stating the reason for discontinuing the account and the estimated date of final liquidation.

3. BUDGETING, FINANCING, ACCOUNTING, AND REPORTING

3.1. Budgets and Financial Plans

3.1.1. Annual budget estimates must be prepared for each management fund in accordance with Volume 2B.
3.1.2. An operating budget or financial plan must be prepared annually and updated quarterly by the managing DoD Component for each management fund account in a format appropriate for management planning and control purposes. A copy of the operating budget or financial plan for an operation or project must be submitted with the request for approval of an account charter. When required for purposes of obtaining advances or for guidance in estimating appropriation or fund requirements, copies of operating budgets or financial plans also must be furnished to participating DoD Components or their organizational subdivisions.

3.2. **Financing and Administrative Control of Funds**

3.2.1. Obligational authority for the conduct of operations under a management fund account is provided by reimbursable orders, either with or without advances, whichever may be appropriate. The reimbursable orders may be issued in periodic increments to lessen the administrative workload and they shall specify the accounting classifications to be used for billing purposes.

3.2.2. The management fund must be controlled administratively in accordance with Volume 14, “Administrative Control of Funds.” No obligation may be incurred against a management fund that is not chargeable to a specific order and the appropriation or fund supporting that order.

3.3. **Billing and Payment**

3.3.1. Management fund outlays must be charged to appropriations or funds as prescribed in the account charter and specified in the reimbursable order.

3.3.2. Billing and payment must be accomplished by SF 1081, “Voucher and Schedule of Withdrawals and Credits.” In the case of financing by means of advances, the advances must be accomplished by SF 1081 prepared and processed as of the beginning of the period covered by the advance. In all cases, however, the DoD Component responsible for the management fund account must submit monthly bills to participating organizations to permit them to charge appropriate accounts and record the reduction in the advance accounts, as well as to permit the managing DoD Component to adjust its own accounts.

3.4. **Accounting and Reporting.** Financial transactions must be classified under each management fund account in enough detail to meet management planning and control requirements. The principles, standards, and requirements in this Regulation apply to the accounting and reporting systems, including the recording and reporting of the source, application, and status of funds. Additional financial reporting that may be needed by participating organizations for management purposes must be specified by the DCFO and the Heads of the DoD Components.
Figure 1-2. Uniform Format for Management Fund Account Charters

1. **IDENTIFICATION OF MANAGEMENT FUND ACCOUNT**

   The proposed charter must be numbered serially within each Military Department or the Office of the Secretary of Defense, and the management fund account must be identified by a brief but descriptive title. Serial numbers must be reserved for existing management fund accounts; thus, if a Military Department has three active management fund accounts, the next proposed charter will be No. 4. A reference must be made to this chapter as authority for the management fund account.

2. **PURPOSE**

   A brief but complete description of the operation or project to be financed by the management fund must be included in this section.

3. **PARTICIPATING ORGANIZATIONS**

   The organizational units within the managing Military Department or Defense Agency and the organizations in the other Military Departments or Defense Agencies that will participate in the operation or project must be identified in this section.

4. **ADMINISTRATION**

   The following information must be included in this section:

   4.1. The name and location of the organization or office that will be responsible for management and direction of the operation or project.

   4.2. The location of the accounting and other administrative records.

   4.3. The location of the principal place of business, if different from paragraphs 4.1. and 4.2.

   4.4. Special provisions concerning administrative and logistic support.

5. **BUDGETING, FINANCING, ACCOUNTING, AND REPORTING**

   The following information must be included in this section:

   5.1. Arrangements for the preparation and submission of operating budgets or financial plans.
5.2. Provisions for financing, that is, by reimbursement with or without advances; provisions for determining and allocating costs when appropriate; and provisions for the return of unexpended balances of advances.

5.3. The management fund title and symbol.

5.4. A brief description of the system of accounts and of the system of internal control, including administrative control over funds.

5.5. The nature of the expenses chargeable to the operation or project.

5.6. Reporting policies and procedures.

6. TERM AND DURATION OF THE ACCOUNT

This section must specify the commencement date and the termination date of the operation or project or, for an operation or project of indefinite duration, the conditions under which the operation or project will terminate.

REQUESTED:

(Signature of appropriate official of the managing DoD Component)

CONCURRED

(Signature of appropriate official of a participating DoD Component)

(Signature of appropriate official of a participating DoD Component)

APPROVED:

(Date)

Under Secretary of Defense
(Comptroller)
VOLUME 12, CHAPTER 3 “CONTRIBUTIONS FOR DEFENSE PROGRAMS, PROJECTS, AND ACTIVITIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2007 is archived.

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*CHAPTER 3

CONTRIBUTIONS FOR DEFENSE PROGRAMS, PROJECTS, AND ACTIVITIES

0301 INTRODUCTION

030101. Purpose

This Chapter prescribes the overall policy and assigns responsibilities for the acceptance, receipt, use, and reporting of money, real or personal property, or services to the Department of Defense (DoD) under Title 10, United States Code, section 2608.

030102. Defense Cooperation Account

A special account is established in the Treasury of the United States for receipt of monetary contributions and proceeds from the sale of real or personal property contributions accepted by the Secretary of Defense, or designee under Title 10, United States Code, section 2608.

0302 AUTHORITY

030201. Secretary of Defense

Title 10, United States Code, section 2608 provides authority for the Secretary of Defense (SECDEF) to accept, for use by the Department, from any business (or person), foreign government, or international organization, any contribution of money or real or personal property and may accept from any foreign government or international organization any contribution of services.

030202. Under Secretary of Defense (Comptroller) (USD(C))

Authority to accept such contributions has been delegated to the USD(C), who also serves as the single point of contact in the Department for the Departments of State and the Treasury with respect to all matters involving the receipt, administration and distribution of contributions of funds from foreign countries for defense programs.

030203. Military Departments and Defense Agencies

The Secretaries of the Military Departments and the Directors of the Defense Agencies, have authority to accept from any business (person), or international organization, any contribution of real or personal property for use by their organizations.

030204. Washington Headquarters Services

Given Washington Headquarter Services’ responsibility for the management of property and physical assets at the Pentagon and to maintain consistency in property accountability the
Director of the Washington Headquarter Services has authority to accept contributions of personal property offered to the Office of the Secretary of Defense for use at the Pentagon.

030205. Delegation of Authority

The USD(C) may provide additional delegations of authority to accept contributions of real and personal property or services on a case by case basis.

0303 POLICY ON CONTRIBUTIONS

030301. Nonmonetary Contributions

These are contributions in the form of real property (fixed assets such as land, buildings, other structures, and facilities), tangible property (inventory or items held for sale, operating materials, supplies, and equipment) or services that would benefit the DoD if accepted. Once the DoD accepts these contributions, the intent of the accounting standards (Statements of Federal Financial Accounting Standards (SFFAS)) is that the benefiting DoD organization should recognize the contribution in its financial statements. See Volume 4, chapters 4 and 6, and Volume 6B, for accounting and reporting guidance.

A. The receiving DoD organization recognizes a change in inventory, stock, or plant, property, and equipment (PP&E) related records once transfer of the goods or services is made thus making DoD the legal owner of said goods or services. An organization receiving donated general PP&E determines its fair value at the time it was acquired by the government. Donations of assets or services must be reported quarterly to the Defense Finance and Accounting Service (DFAS), Indianapolis, 8899 East 56th Street ATTN: Trust Fund Accounting Division, Column 203L, Indianapolis, Indiana 46249-1500 (see paragraph 030501).

B. The receiving organization must document and retain on file the details of each nonmonetary contribution received. For audit purposes, the supporting documentation must be retained for the life of the asset, but no less than 6 years and 3 months. Each file must include:

1. A description of the contribution.
2. The estimated value of the contribution, including the valuation method used (see subparagraph 030301.C, below).
3. The name and address of the donor(s).
4. A list of restrictions, conditions, or other information set out by the donor.
5. The acquisition date.
6. The useful expected life of the donation.
7. A statement explaining the benefits of accepting the donation. You must explain why accepting the donation is preferred to obtaining the item or service through existing DoD supply channels.

8. A unique identifier or data element used to track the same or similar items shipped from different sources.

9. The Service and appropriation that benefit from this contribution. Identify the appropriation that normally furnishes this asset.

030302. Monetary Contributions

The USD(C) retains the authority to accept all monetary contributions. Monetary contributions are not generally accepted with restrictions, i.e., with designations for specific programs or purposes.

A. Contributions in Cash

1. Cash contributions, including proceeds from the sale of any contributed property, shall be deposited to the Defense Cooperation Account (DCA) as soon as practical, but not later than the last day of the month.

2. Consistent with sound cash management practices, any cash accepted, under USD(C) authority, shall be either converted into a check and forwarded to the DFAS using overnight delivery service, or deposited into a Treasury General Account with funds transferred to the DCA via electronic funds transfer--whichever process results in the earliest deposit of funds into the DCA.

3. Any funds forwarded by electronic funds transfer shall be deposited within 24 hours into the DCA under ALC 9720010 and Account Number 97X5187.1. Additionally, the DFAS Trust Fund Accounting Division shall be notified prior to forwarding any funds electronically.

4. Documentation associated with cash contributions, including copies of deposit tickets, and the original of correspondence from contributors shall be forwarded within 24 hours of the deposit using overnight delivery service, to the DFAS Trust Fund Accounting Division.

B. Contributions by Check

1. Checks received by DoD officials shall be made payable to the “United States Treasury.” The reference line on the check should indicate the “Defense Cooperation Account.”
2. Checks received by DoD officials shall be forwarded to the DFAS Trust Fund Accounting Division. The DFAS shall deposit such funds within 24 hours of receipt into the DCA under ALC 9720010 and Account Number 97X5187.1.

3. Documentation associated with check contributions, including the original of any correspondence from contributors shall be forwarded with the check.

C. Contributions by Wire Transfer

1. Contributions by wire transfer eliminate delays in receiving deposits and provide the most efficient preliminary accounting information for investment purposes.

2. After approval by the USD(C), donors may make contributions to the DCA via electronic funds transfer from commercial banks to “Account Number 1” in the Federal Reserve Bank of New York (as Fiscal Agent of the United States). The Federal Reserve Bank of New York shall credit the Department accordingly, using the format in Figure 3-1.

3. Documentation associated with wire transfer contributions, including the original of any correspondence from contributors shall be forwarded within 24 hours of the deposit using overnight delivery service, to the DFAS Trust Fund Accounting Division.

D. Contributions in Foreign Currencies (Cash or Check). Upon notice of a planned large contribution ($1 million or more) to be made in foreign currency the cognizant DoD official shall:

1. Request the donor provide as much lead time as possible regarding the amount of the contribution and the estimated date the contribution will be made.

2. Advise the USD(C) and the DFAS Trust Fund Accounting Division of any planned contributions and continue to keep that office advised of the status until the currency transfer is made by the donor.

3. Upon approval by the USD(C), request the donor credit the foreign currency contribution to the Federal Reserve Bank of New York “Account Number 1” via the donor’s central bank. If the Federal Reserve Bank does not maintain an account with a particular donor, the DoD official should seek guidance from the DFAS Trust Fund Accounting Division, for appropriate alternative arrangements.

4. Foreign checks received by DoD officials shall be converted to a check denominated in U.S. dollars prior to being forwarded to the DFAS or transferred electronically into the DCA.

5. Cash and checks received by DoD officials in countries not served by a DoD disbursing officer shall, upon approval by the USD(C), be delivered to the nearest U.S. Embassy within 24 hours of receipt for deposit in the DCA, under ALC 97200010 and Account Number 97X5187.1.

A. Authorities that may accept contributions shall use sensitivity and scrutiny when contributions are offered from prohibited sources and, if there is a question on propriety, shall consult with their Ethics Counselor to determine whether accepting a contribution would violate any prohibition, or reflect unfavorably on the Department. “Prohibited source” and “Ethics Counselor” shall have the meanings set forth in DoD 5500.7-R, the Joint Ethics Regulation.

B. Authorities that may accept contributions may pay all necessary expenses in connection with the conveyance or transfer of a contribution. Contributions should not be accepted if it would result in substantial expenditures or administrative efforts and maintenance that are disproportionate to any benefit.

C. Department personnel shall not solicit, fundraise for, or otherwise request or encourage the offer of a contribution.

D. Authorities that may accept contributions may acknowledge offers of future contributions and advise the donors that acceptance will occur after actual presentation of the contributions only when they determine that such acceptance will likely occur.

*0304 REPORTING ON CONTRIBUTIONS

030401. Reporting Requirements

Not later than 10 days after the end of each quarter, each DoD official that has accepted and received a nonmonetary contribution shall submit a report to the DFAS Trust Fund Accounting Division that identifies the following:

A. Nonmonetary Contributions Received

1. A description of each item received.

2. The value of each item received, including the valuation method used.

3. The name of the contributor for each item received.

4. The date each item was received.

5. Details of any restrictions, conditions or other relevant information regarding each contribution.

7. If two more like items are received from different sources the items are to be accounted for separately to permit identification of items received.

B. Nonmonetary Contributions Sold

1. A description of each item sold.

2. The proceeds of each item sold. Also include in report the disposition of the funds received. Funds should be forwarded or deposited with DFAS and credited in the DCA consistent with 10 U.S.C. 2608(b)(2).

3. The name of the contributor for each item sold.

4. The date each item was sold.

5. The name of the purchaser for each item sold.

6. If two or more like items are received from different sources the items are to be accounted for separately to permit identification of items when sold.

7. Details of any other relevant information regarding each item sold.

C. Monetary Contributions Received

1. The dollar amount of each contribution.

2. Name of the donor for each contribution received.

3. The date each item was received.

030402. Defense Finance and Accounting Services Reporting Requirement

Not later than 15 days after the end of each quarter, the DFAS shall prepare and forward to the USD(C) a report to be submitted to the Congress that provides the following information.

A. Summary values of monetary and nonmonetary contributions accepted during the quarter.

B. A description of all property valued at more than $1 million. In determining whether the $1 million threshold has been met, the following procedures shall be used:

1. The value of similar items accepted during the quarter shall be added together.

2. The value of components which, if assembled, would comprise all or a substantial portion of an item or facility shall be added together.
0305 INVESTING CONTRIBUTIONS

030501. General

Consistent with good cash management practices, funds in the DCA shall be invested in Government securities until distribution is authorized. Generally, investments are limited to U.S. Treasury bills maturing in 90 days or less.

030502. Purchasing Government Securities

The DFAS shall follow the procedures below for purchasing Government securities.

A. Daily, after all contributions and other transactions have been entered into the DCA, generate a Pre-closing Trial Balance.

1. Verify the amount in account 1010, Fund Balance with Treasury, with the amount entered in the General Ledger for the same day.

2. Research and correct any differences between account 1010 and the General Ledger immediately.

B. A security investment can be purchased if account 1010 has a balance sufficient to purchase a $10,000 Treasury bill or a $1,000 U.S. Treasury note or bond. Information on prices, maturities, and yields of U.S. Treasury securities generally can be found in the financial section of major newspapers.

C. Select a U.S. Treasury security from those available.

D. Input the following information into the Treasury’s FedInvest system or other appropriate system:

1. Account: Defense Cooperation Account

2. Transaction Type: Purchase

3. Transaction Date: (Date the security will be purchased)

4. Type of Security: (Specify)

5. Date of maturity: (Specify)

6. Amount: (Amount available in account 1010, Fund Balance with Treasury)

E. The day after the transaction, review the FedInvest system or other system as appropriate to obtain the face amount, discount or premium, interest purchase (if any), and the
price of the security purchased. Record the above information in the Trust Fund Accounting System (TFAS).

1. Complete the coordination section of the Memorandum for Purchase or Sale of Investments.

2. Complete the Purchases Input Worksheet and update the DCA system. Once this has been accomplished, a person other than the one making input must sign the Purchase Input Worksheet confirming that the DCA was updated for the Purchase.

F. Once the above has been accomplished, a person other than the individual making the input needs to review the data in the TFAS and the DCA to ensure that the systems have been properly updated.

030503. Selling Securities

The DFAS shall follow the procedures below to sell Government securities.

A. The Office of the Deputy Comptroller (Program/Budget) will determine the amount needed for payment or transfer. The Fund Manager, DFAS Trust Fund Accounting Division, normally shall sell securities to cover the amount needed if no securities mature on that day or contributions are not received. The decision as to which securities will be sold will depend on current economic conditions.

B. Select a security or securities for sale.

C. Input the following information into the Treasury’s FedInvest system or other appropriate system:

1. Account: Defense Cooperation Account
2. Transaction Type: Sale
3. Transaction Date: (Date security will be sold)
4. Type of security: (Specify)
5. Interest Rate: (Enter applicable rate only if Notes or Bonds are sold)
6. Date of maturity: (Specify)
7. Amount: (Minimum amount of proceeds from the sale required to cover any projected negative amount in account 1010)

D. If needed, obtain the principal amount and interest earned from the FedInvest or other appropriate system.
E. Update the TFAS with DCA activity.

030504. Maturing Securities

The DFAS shall maintain a tracking system that identifies impending maturities and collections of securities for the DCA and ensure appropriate reinvestment action is taken upon maturity of a security.

030505. Payments or Transfers.

Payments or transfers from the DCA must be authorized by the Congress. The USD(C) will provide withdrawal notification to the DFAS which shall ensure appropriate action is taken.

030506. Annual Reviews.

The DFAS will conduct an annual review of the DCA operations and transactions, including the purchase and sale of investments. The objective of the review will include compliance with the DoD and the Treasury policies and procedures, and adequacy of internal controls.
FIGURE 3-1. – Sample Wire Transfer to the U.S. Treasury

**SAMPLE FORMAT**

**WIRE TRANSFERS TO THE U.S. TREASURY**

The sample format for wire transfers for credit to U.S. Treasury Defense Cooperation Account (remaining blocks to be filled by the sender or the sending bank, in accordance with the attached wire transfer instructions) is as follows:

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>(1)</td>
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<tr>
<td>021030004</td>
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<td>/</td>
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<tr>
<td>I</td>
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<tr>
<td>TREAS NYC</td>
<td>CTR</td>
</tr>
<tr>
<td>(9)</td>
<td>(10)</td>
</tr>
<tr>
<td>IBNF=/AC-97200010</td>
<td>OBI=to the Defense Cooperation Account</td>
</tr>
<tr>
<td>(10)</td>
<td></td>
</tr>
<tr>
<td>(Acct. No. 97X5187.1) for Programs, Projects, and Activities from (name of donor)</td>
<td></td>
</tr>
<tr>
<td>(10)</td>
<td></td>
</tr>
</tbody>
</table>

FIGURE 3-1
Monetary Contributions by Wire Transfer Instructions

The following is a guide for completing the funds transfer form (Figure 3-1) which should be available at the sending financial institution.

1. **RECEIVER DEPOSITARY FINANCIAL INSTITUTION (DFI) No.** The Treasury Department’s American Bankers Association (ABA) number for deposit messages is 021030004. This number shall be entered by the sending bank for all deposit messages sent to Treasury for credit to the Defense Cooperation Account.

2. **TYPE-SUBTYPE CODE.** The type and subtype code is provided by the sending bank.

3. **SENDER DFI NO.** This number is provided by the sending bank.

4. **SENDER REFERENCE NO.** The sixteen (16) character reference number is inserted by the sending bank at its option.

5. **AMOUNT.** The transfer amount shall be in U.S. dollars and must be punctuated with commas and a decimal point; use of the dollar sign is optional.

6. **SENDER DFI NAME.** This information is automatically inserted by the Federal Reserve Bank.

7. **RECEIVER DFI NAME.** The Treasury Department’s name for deposit messages is “TREAS NYC.” The name should be entered by the sending bank.

8. **PRODUCT CODE.** A product code of “CTR” for customer transfer should be the first data in the **RECEIVER - TEXT** field. Other values may be entered, if appropriate, using the ABA’s options. A slash must be entered after the product code.

9. **AGENCY LOCATION CODE (ALC).** The agency location code is of critical importance and must appear in the precise manner stated to allow for automated processing and classification to the ALC of the Department of Defense. The sequence includes the beneficiary code tag (BNF) and indicator code (/AC) followed by the Defense Department’s eight (8) digit ALC (97200010) for this account. The ALC identification sequence can, if necessary, begin on one line and end on the next line. However, the field beneficiary code tag (BNF) must be one line and cannot contain any spaces.

10. **THIRD PARTY INFORMATION.** The reason for the funds transfer should appear in this field. The originator-to-beneficiary information field tag (OBI=) is used to signify the beginning of free-form text. An example follows: **BNF=/AC-97200010 OBI=to the DCA(97X5187) for defense programs, projects, and activities from (Name of Donor).**
# VOLUME 12, CHAPTER 4: “DIRECT LOANS AND LOAN GUARANTEES”

## SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2015 is archived.

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<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tr>
<td>040101</td>
<td>Removed the Overview section due to redundancy.</td>
<td>Deletion</td>
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<tr>
<td>040102</td>
<td>Included an Authoritative Guidance section.</td>
<td>Addition</td>
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<tr>
<td>0402</td>
<td>Added the subsection “Netting Subsidy Reestimate Amounts (within Cohorts)” as instructed in the FMR Policy Memorandum (FPM) 19-07, “Department of Defense Method for Calculating Annual Subsidy Reestimates for Post 1991 Direct Loans and Loan Guarantees under the Federal Credit Reform Act”.</td>
<td>Addition</td>
</tr>
<tr>
<td>040301</td>
<td>Updated section to conform with new guidance on Fund Control in accordance to “The Antideficiency Act” and removed outdated text.</td>
<td>Revision</td>
</tr>
<tr>
<td>0404</td>
<td>Included additional text mentioned in Office of Management and Budget (OMB) Circular A-11 to provide comprehensive guidance on apportionment.</td>
<td>Revision</td>
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<td>040502</td>
<td>Deleted reference of the Federal Agencies’ Centralized Trial-Balance System II, and replaced with the Governmentwide Treasury Account Symbol material in order to mirror OMB Circular A-11 guidance.</td>
<td>Revision</td>
</tr>
<tr>
<td>040804</td>
<td>Deleted instruction on using Standard Form 1081; no longer applies. Replaced with OMB Circular A-11 guidance in calculating interest rates.</td>
<td>Revision</td>
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<tr>
<td>Policy Memo</td>
<td>The Deputy Chief Financial Officer (DCFO) policy memorandum “Department of Defense Method for Calculating Annual Subsidy Reestimates for Post 1991 Direct Loans and Loan Guarantees under the Federal Credit Reform Act (FPM19-07),” dated February 13, 2019, was incorporated into the chapter and cancelled.</td>
<td>Cancellation</td>
</tr>
<tr>
<td>ALL</td>
<td>Updated all website links and references.</td>
<td>Revision</td>
</tr>
<tr>
<td>APPENDIX</td>
<td>Included Volume 12 Chapter 4 Appendix within the chapter.</td>
<td>Consolidation</td>
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0401 GENERAL

040101. Purpose

This chapter establishes the Department of Defense (DoD) policies for direct loans and loan guarantees for non-Federal borrowers. The policies for credit programs reflect the requirements of the Federal Credit Reform Act of 1990 (FCRA) as amended. The major purposes of the Act are to: (a) measure more accurately the costs of Federal credit programs; (b) place the cost of credit programs on a budgetary basis equivalent to other Federal spending; (c) encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and (d) improve the allocation of resources among credit programs and between credit and other spending programs.

*040102. Authoritative Guidance

The financial management policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of the following sources, and apply to all proceeds resulting from sales of acquired assets:

A. Office of Management and Budget (OMB) Circular A-11, Part 5, Section 185, "Federal Credit."


E. SFFAS 18, “Amendments to Accounting Standards For Direct Loans and Loan Guarantees in SFFAS No. 2.”

F. SFFAS 19, “Technical Amendments to Accounting Standards For Direct Loans and Loan Guarantees in SFFAS No. 2.”


0402 ACCOUNTING STANDARDS

040201. Explanation

The specific accounting standards for direct and guaranteed loans are discussed in this chapter. The standards concern the recognition and measurement of direct loans, the liability associated with loan guarantees, and the cost of direct loans and loan guarantees.

040202. Accounting Standards

A. Post-1991 Direct Loans. Refers to direct loan obligations made on or after October 1, 1991, and the resulting direct loans. Direct loans disbursed and outstanding are recognized as assets at the present value of their estimated net cash inflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance.

B. Post-1991 Guarantees. Refers to loan guarantee commitments made on or after October 1, 1991, and the resulting loan guarantees. For guaranteed loans outstanding, the present value of estimated net cash outflows of the loan guarantees is recognized as a liability. Disclosure is made of the face value of guaranteed loans outstanding and the amount guaranteed.

C. Subsidy Costs of Post-1991 Direct Loans and Loan Guarantees. A subsidy expense is recognized for direct or guaranteed loans disbursed during a fiscal year. The amount of subsidy expense equals the present value of estimated cash outflows over the life of the loans, minus the present value of estimated cash inflows, discounted at the average interest rate on marketable U.S. Treasury securities of similar maturity to the cash flows of the loan or loan guarantee for which the estimate is being made.

1. For the fiscal year during which new direct or guaranteed loans are disbursed, the components of the subsidy expense of those new direct loans and loan guarantees are recognized separately as interest subsidy costs, default costs, fees and other collections, and other subsidy costs.

2. The interest subsidy cost of direct loans is the excess of the amount of the loans disbursed over the present value of the interest and principal payments required by the loan contracts, discounted at the applicable U.S. Treasury interest rate. The interest subsidy cost of loan guarantees is the present value of estimated interest supplement payments.

3. The default cost of direct loans or loan guarantees results from any anticipated deviation, other than prepayments by the borrowers, from the payments schedule in the loan contracts. The deviations include delinquencies and omissions in interest and principal payments. The default cost is measured at the present value of the projected delinquencies and omissions minus net recoveries. Projected net recoveries include the amounts that would be collected from the borrowers at a later date, or the proceeds from the sale of acquired assets, minus the costs of foreclosing, managing, and selling those assets.
4. The present value of fees and other collections is recognized as a deduction from subsidy costs.

5. Other subsidy costs consist of cash flows that are not included in calculating the interest or default subsidy costs, or in fees and other collections. They include the effect of prepayments within contract terms. (See Appendix A)

D. Subsidy Amortization and Reestimation. The subsidy cost allowance for direct loans is amortized by the interest method, using the interest rate that was originally used to calculate the present value of the direct loans when loans were disbursed. The amortized amount is recognized as an increase (when effective interest exceeds nominal interest) or decrease (when nominal interest exceeds effective interest) in interest income. Nominal interest equals the nominal balance (i.e., the face amount) of the loan outstanding at the beginning of the period multiplied by the interest rate stated in the loan contract. Effective interest equals the book value of the loan (i.e., net of allowance for subsidy) multiplied by the applicable U.S. Treasury interest rate.

1. Interest is accrued and compounded on the liability of loan guarantees at the interest rate that was used to calculate the present value of the loan guarantee liabilities, when the guaranteed loans were disbursed. The accrued interest is recognized as interest expense.

E. Criteria for Default Cost Estimates. The criteria for default cost estimates apply to both initial estimates and subsequent reestimates. Default costs are estimated and reestimated for each program on the basis of separate cohorts and risk categories. Cohort refers to the fiscal year of obligation for direct loan obligations or loan guarantee commitments of a program. Risk category means subdivisions of a cohort of direct loans or loan guarantees into groups that are relatively homogenous in cost, given the facts known at the time of obligation or commitment. The reestimates take into account the differences in cash flows between the projected and realized amounts, and changes in other factors that can be used to predict the future cash flows of each risk category.

1. In estimating default costs, the following risk factors are considered: (a) loan performance experience; (b) current and forecasted international, national, or regional economic conditions that may affect the performance of the loans; (c) financial and other relevant characteristics of borrowers; (d) the value of collateral to loan balance; (e) changes in recoverable value of collateral; and (f) newly developed events that would affect the performance of the loan. Improvements in methods to reestimate defaults also are considered.

2. Each credit program must use a systematic methodology, such as an econometric model, to project default costs of each risk category. If individual accounts contain significant dollars that would carry a proportionately higher weight in terms of risk exposure, an analysis of the individual accounts is warranted in making the default cost estimate for that category.
3. The actual historical experience for the performance of a risk category is a primary factor upon which an estimation of default cost is based. To document actual experience, a database must be maintained to provide historical information on actual payments, prepayments, late payments, defaults, recoveries, and amounts written off.

F. Netting Subsidy Reestimate Amounts (within Cohorts). To calculate subsidy costs, components begin by estimating the expected cash flows and inflows over the life of the loans for each cohort year. Expected cash flows are then discounted to the point of loan disbursement to determine the net present value. The subsidy cost represents the net present value cost of making or guaranteeing new loans.

1. The data used for budgetary subsidy cost estimates are updated, or reestimated, annually after the end of the fiscal year to reflect actual loan performance and to incorporate any changes in assumptions about future loan performance. Reestimates must be made immediately after the end of each fiscal year, as long as any loans in the cohort are outstanding.

2. OMB Circular A-11, Part 5, Section 185.6 (f), “Calculating Reestimate Increases/Decreases”, states in cases where agencies execute a risk category on a loan-by-loan basis, increases or decreases in subsidy cost for different loans within the same cohort and risk category will be netted against each other. Loans that require increased subsidies should draw on the excess from any risk categories within the cohort where the reestimate shows a subsidy decrease. A negative or downward subsidy reestimate, should be recognized as a direct reduction in expense, not as a revenue, gain, or other financing source.

   a. If the netting within the cohort indicates a net increase in the subsidy cost of the cohort as a whole since the last estimate or reestimate, an obligation in the amount of the net increase (plus interest) must be recorded against permanent indefinite budget authority available to the program account for this purpose.

   b. If the netting within the cohort results in a net downward reestimate, there is no overall increase in subsidy cost for the cohort, and hence no additional appropriated subsidy for the program account. To keep the correct amount of balances in the financing account, an obligation and a financing disbursement in the amount of the net decrease (plus interest on the reestimate) must be recorded in the financing account.

   c. Within the financing account, any amounts borrowed for downward reestimates for individual loans not needed for/transferred to loans with upward reestimates are transferred to a miscellaneous receipt account.

3. The Defense Finance and Accounting Services (DFAS) maintains separate accounting records for each loan and loan guarantee with all accounting transactions. All projects having a downward re-estimate, whether or not they are in a cohort with an upward reestimate project, borrow the gross amount of their respective downward reestimates from the Bureau of Fiscal Services. The borrowed funds received by a downward reestimate project are transferred to the amount needed to fund an upward reestimate project in the same cohort with any net remaining funds paid to the Department of the Treasury.
a. Such intracohort transfers are recorded by the downward reestimate project as a credit to United States Standard General Ledger (USSGL) account 427100 (Actual Program Fund Subsidy Collected) with an offsetting debit to USSGL 427100 recorded by the upward re-estimate project. Consequently, the total reestimate amount included in Line 4120 (Federal Sources) on the Standard Form (SF) 133 “Report on budget Execution and Budgetary Resources”, is the sum of the net cohort balances.

b. Detailed accounting guidance provided by the Department of Treasury: Guide for Basic Accounting and Reporting for Direct Loan Programs without Collateral in Federal Credit Program and Guide for Basic Accounting and Reporting for Loan Guarantee Programs without Collateral in Federal Credit Program.

G. Revenues and Expenses. Interest accrued on direct loans, including amortized interest, is recognized as interest income. Interest accrued on the liability of loan guarantees is recognized as interest expense. Interest due from the U.S. Treasury on uninvested funds is recognized as interest income. Interest accrued on debt to the U.S. Treasury is recognized as interest expense. Costs for administering credit activities, such as salaries, legal fees, and office costs, that are incurred for credit policy evaluation, loan and loan guarantee origination, closing, servicing, monitoring, maintaining accounting and computer systems, and other credit administrative purposes, are recognized as administrative expense. Administrative expenses are not included in calculating the subsidy costs of direct loans and loan guarantees.

H. Pre-1992 Direct Loans and Loan Guarantees. The losses and liabilities of direct loans obligated and loan guarantees committed before October 1, 1991, are recognized, when it is more likely than not that the direct loans will not be collected totally, or that the loan guarantees will require a future cash outflow to pay default claims.

1. The allowance for uncollectible amounts and the liability of loan guarantees must be reestimated each year as of the date of the financial statements. In estimating losses and liabilities, the risk factors discussed in subparagraph 040202.E.1. must be considered. Disclosure is made of the face value of guaranteed loans outstanding and the amount guaranteed.

2. Restatement of pre-1992 direct loans and loan guarantees on a present value basis is permitted but not required.

I. Modification of Direct Loans and Loan Guarantees. The term "modification" means a Federal action, including new legislation or administrative action, which directly or indirectly alters the estimated subsidy cost and the present value of outstanding direct loans, or the liability of loan guarantees.
1. Direct modifications are actions that change the subsidy cost by altering the terms of existing contracts or by selling loan assets. Existing contracts may be altered through such means as forbearance, forgiveness, reductions in interest rates, extensions of maturity, and prepayments without penalty. Such actions are modifications unless they are considered reestimates, or workouts, as defined in subparagraph 040202.I.3, or are permitted under the terms of existing contracts.

2. Indirect modifications are actions that change the subsidy cost by legislation that alters the way in which an outstanding portfolio of direct loans or loan guarantees is administered. Examples include a new method of debt collection prescribed by law or a statutory restriction on debt collection.

3. The term "modification" does not include subsidy cost reestimates, the routine administrative workouts of troubled loans, or actions that are permitted within the existing contract terms. Workouts are actions taken to maximize repayments of existing direct loans, or minimize claims under existing loan guarantees. The expected effects of workouts on cash flows are included in the original estimate of subsidy costs and subsequent reestimates.

J. Modification of Direct Loans. With respect to a direct or indirect modification of pre-1992 or post-1991 direct loans, the cost of modification is the excess of the premodification value of the loans over the post-modification value of those loans. The amount of the modification cost is recognized as a modification expense when the loans are modified.

1. When a post-1991 direct loan is modified, the existing book value of that loan is changed to an amount equal to the present value of the net cash inflows projected under the modified terms from the time of modification to the loan's maturity. That amount is discounted at the original discount rate. (The rate that originally was used to calculate the present value of the direct loan, when the direct loan was disbursed, after adjusting for the interest rate reestimate.)

2. When a pre-1992 direct loan is directly modified, it is transferred to a financing account and its book value is changed to an amount equal to its post-modification value. Any subsequent modification is treated as a modification of post-1991 loans. When a pre-1992 direct loan is indirectly modified, it is kept in a liquidating account. The bad debt allowance is reassessed and adjusted to reflect amounts that would not be collected due to the modification.

3. The changes in the book value of both pre-1992 and post-1991 direct loans, resulting from a direct or indirect modification, and the cost of modification, normally will differ due to the use of different discount rates or different measurement methods. Any difference between the change in book value and the cost of modification is recognized as a gain or loss. For post-1991 direct loans, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).
K. Modification of Loan Guarantees. With respect to a direct or indirect modification of pre-1992 or post-1991 loan guarantees, the cost of modification is the excess of the post-modification liability of the loan guarantees over the premodification liability of those loan guarantees. The modification cost is recognized as modification expense when the loan guarantees are modified and results in a subsidy cost increase or decrease, which must be recorded on the SF-133; refer to OMB Circular A-11, section 185.30 for complete details.

1. The existing book value of the liability of modified post-1991 loan guarantees is changed to an amount equal to the present value of net cash outflows projected under the modified terms from the time of modification to the maturity of those loans, discounted at the original discount rate (the rate that originally is used to calculate the present value of the liability when the guaranteed loans were disbursed, after adjusting for the interest rate reestimate.)

2. When a pre-1992 loan guarantee is directly modified, the modified loan guarantee is transferred to a financing account and the existing book value of the liability of the modified loan guarantees is changed to an amount equal to its post-modification liability. Any subsequent modification is treated as a modification of a post-1991 loan guarantee. When a pre-1992 loan guarantee is indirectly modified, that loan guarantee is kept in a liquidating account. The liability of such a loan guarantee is reassessed and adjusted to reflect any change in the liability resulting from the modification.

3. The change in the amount of liability of both pre-1992 and post-1991 loan guarantees resulting from a direct or indirect modification and the cost of modification normally will differ, due to the use of different discount rates or the use of different measurement methods. Any difference between the change in liability and the cost of modification is recognized as a gain or loss. For post-1991 loan guarantees, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

L. Disclosure. Disclosure is made in notes to financial statements to explain the nature of the modification of direct loans or loan guarantees, the discount rate used in calculating the modification expense, and the basis for recognizing a gain or loss related to the modification. For further information on financial statement disclosures regarding direct or guaranteed loans, go to “Notes to the Financial Statements,” Volume 6B, Chapter 10.

M. Foreclosure of Post-1991 Direct Loans and Guaranteed Loans. When property is transferred from borrowers to a Federal credit program, through foreclosure or other means, in partial or full settlement of post-1991 direct loans, or as compensation for losses that the government sustained under post-1991 loan guarantees, the foreclosed property is recognized as an asset. The asset is recorded at the present value of its estimated future net cash inflows discounted at the original discount rate, adjusted for the interest rate reestimate.

1. If a legitimate claim exists by a third party or by the borrower to a part of the recognized value of the foreclosed assets, the present value of the estimated claim is recognized as a special contra valuation allowance.
2. Upon the foreclosure of a guaranteed loan, a Federal guarantor may acquire the loan involved. The acquired loan is recognized at the present value of its estimated net cash inflows from selling the loan or from collecting payments from the borrower, discounted at the original discount rate, adjusted for the interest rate reestimate.

3. When assets are acquired in full or partial settlement of post-1991 direct loans or guaranteed loans, the present value of the government's claim against the borrowers is reduced by the amount settled as a result of the foreclosure.

N. Write-off of Direct Loans. When post-1991 direct loans are written off, the unpaid principal of each such loan is removed from the gross amount of loans receivable. Concurrently, the same amount is charged to the allowance for subsidy costs. Prior to the write-off, the uncollectible amounts should have been reflected in the subsidy cost allowance through the subsidy cost estimate or reestimates. Therefore, the write-off would have no effect on expenses. See OMB Circular A-129 for additional details.

O. Additional Disclosures Required for Periods Beginning After September 30, 2000. The SFFAS No. 18 requires additional disclosures. Beginning in FY 2001, Federal agencies are required to:

1. Report subsidy reestimates in two distinct components: the interest rate reestimate and the technical/default reestimate.

2. Display reconciliation between the beginning and the ending balances of the subsidy cost allowance for direct loans and the liability for loan guarantees, reported in an entity's balance sheet.

3. Provide a description of program characteristics and disclose:
   a. the amounts of direct or guaranteed loans disbursed in each program during the reporting year;
   b. the estimated subsidy rates for the total subsidy and the subsidy components at the program level in the current year's budget for the current year's cohorts;
   c. events and changes in economic conditions, other risk factors, legislation, credit policies and subsidy estimation methodologies and assumptions, that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates; and
   d. events and changes in conditions that may be likely to have a significant impact, but the effects of which are not measurable at the reporting date.
0403  CREDIT REFORM FUND CONTROLS

*040301.  Fund Control

DoD agency heads must prescribe, by regulation, a system of administrative control of funds. For credit programs and resources, systems for administrative control of funds must ensure that internal controls include objectives specific to compliance with the Antideficiency Act. Additional detailed guidance can be found in OMB Circular A-11, Part 4, Section 150.

040302.  Antideficiency Act Violations

Antideficiency Act violations for direct loans, guaranteed loans, and financing accounts are reportable to the President, through the Director of the OMB, to the Comptroller General, and to the Congress. For additional information, go to “Antideficiency Act Violations,” Volume 14, Chapter 2. Violations include:

A.  **Overobligation or Overexpenditure of the Subsidy.** This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, that is in excess of amounts appropriated and apportioned for (1) the direct loan subsidy or (2) the guaranteed loan subsidy. Examples of violations include modifications of direct loans or loan guarantees, such as forgiveness, forbearance, reductions in interest rate, prepayments without penalty, and extensions of maturity, that result in obligations in excess of apportioned unobligated balances or subsidy amounts.

B.  **Overobligation or Overexpenditure of the Credit Level Supportable by the Enacted Subsidy.** This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, that is in excess of the credit program level supportable by the enacted subsidy, regardless of whether the subsidy is positive or negative. This includes obligations or expenditures that are in excess of: (1) the direct loan level, (2) the guaranteed loan level, or (3) any limitations on the loan level or the Federal share of guaranteed loan levels.

C.  **Overobligation or Overexpenditure of the Amount Appropriated for Administrative Expenses.** This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, which is in excess of the amount appropriated for administrative expenses.

D.  **Obligation or Expenditure of the Expired Unobligated Balance of the Subsidy Except to Correct Mathematical or Data Input Errors in Calculating Subsidy Amounts.** This is any case where an officer or employee of the U.S. Government makes or authorizes expenditure or creates or authorizes an obligation, including a commitment, against unobligated subsidy balances after the period of obligation authority has expired. Correction of mathematical or data input errors up to the amount of the lapsed unobligated balance of the subsidy are specifically exempted. Corrections of these errors in excess of the amount of the expired unobligated balance of the subsidy are violations.
*0404 CREDIT APPORTIONMENT AND REAPPORTIONMENT

All Treasury appropriation fund symbols (TAFS) and all program, financing, and liquidating accounts are required to be apportioned, except in the case of a TAFS that is in its entirety exempt from apportionment by OMB. See OMB Circular A-11, part 4, section 120.6 for TAFS that are partially exempt from apportionment. This subject is discussed in full detail in Volume 3, Chapter 2, "Apportionment and Reapportionment."

0405 REPORT ON BUDGET EXECUTION AND BUDGETARY RESOURCES (Standard Form 133)

040501. Coverage

Unless otherwise specified by the OMB, the Report on Budget Execution and Budgetary Resources must be prepared to provide current data on each credit account, whether apportioned or not. Current reporting requirements are published in OMB Circular A-11, Part 4, "Instructions on Budget Execution."

040502. Timing of Reports

The SF 133 must be submitted electronically through the Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System, at the end of November, July, August, and each quarter or such other time period specified by the OMB for each open TAFS. This facilitates analysis and ensures consistent presentation of budget execution information so that Governmentwide totals are meaningful. A copy of the SF 133 for each calendar quarter must be submitted to the Committee on Appropriations, House of Representatives.

0406 DIRECT LOANS

Obligation of subsidy must be recorded in the program account when a binding contract has been signed, in accordance with the provisions of OMB Circular A-11, Part 5, Federal Credit. Subsidy funds must be paid from the program account to the financing account when the direct loan is to be disbursed to the borrower. Note that the subsidy is not recalculated at the time of loan disbursement. Rather, any change in estimated subsidy caused by an interest rate change or change in estimates for other components of subsidy cost is made at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, permanent indefinite budget authority is available to fund the increase, pursuant to section 504(f) of the FCRA of 1990. If the subsidy amount decreases, a payment must be made to a receipt account.

0407 GUARANTEED LOANS

Obligation of subsidy must be recorded in the program account when a binding contract has been signed, in accordance with the provisions of OMB Circular A-11, Part 5, Federal Credit. Subsidy funds must be paid from the program account to the financing account when the guaranteed loan is disbursed to the borrower by the third-party lender. Note that the subsidy is not
recalculated at the time of loan disbursement. Rather, any change in estimated subsidy caused by an interest rate change or change in estimates for other components of subsidy cost is made at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, permanent indefinite budget authority is available to fund the increase, pursuant to section 504(f) of the FCRA of 1990. If the subsidy amount decreases, a payment must be made to a receipt account.

0408 COMPUTATION OF INTEREST EXPENSE AND INTEREST INCOME.

040801. Instructions for Computations of Interest Expense and Interest Income for Direct and Guaranteed Loan Programs

A. Interest expense in a direct loan program results from borrowing from the U.S. Treasury. As each loan is disbursed by the financing account to the individual borrower, subsidy funds are transferred from the program account to the financing account. Consequently, each loan disbursement is financed by two sources: subsidy transfer, and borrowing from the U.S. Treasury.

B. A single borrowing from the U.S. Treasury is made at the beginning of each fiscal year, separately for each cohort, based on the estimated net loan disbursements for the cohort. Interest expense accrues on the borrowing, and interest income accrues on the undisbursed balance of the borrowing from the U.S. Treasury. (The undisbursed balance of U.S. Treasury borrowing is held as uninvested funds and earns interest.) The interest rate earned on the uninvested funds equals the interest rate paid on borrowing from the U.S. Treasury.

040802. Frequency of Interest Computations

OMB has determined that most credit programs do not have a seasonal bias in their loan disbursement patterns. Consequently, interest expense and income calculations for cohorts that currently are disbursing must be based on an assumption that the actual loan amounts disbursed during the year were disbursed equally throughout the four quarters. The assumption allows agencies annually to compute interest expenses and interest income, at the end of each fiscal year, using the average annual interest rate provided by OMB and the U.S. Treasury. In those few programs that have a strong seasonal pattern, OMB will calculate special weighted average interest rates appropriate to these patterns and will provide them to the agencies.

040803. Weighted Average Interest Rate

The Credit Reform Act provides that the interest rate for borrowing must be assigned based on the U.S. Treasury rate in effect during the period of loan disbursement. Many individual loans are disbursed in segments over several quarters or even years. Consequently, several interest rates can be applicable to an individual loan. To simplify the recordkeeping, a single weighted average interest rate is maintained for each cohort and is adjusted each year, until 90 percent of the disbursements from the cohort have been made. Each year the current year average annual interest rate is weighted by current year disbursements, and merged with the prior year's weighted average,
to calculate a new weighted average. Additional information regarding subsidy calculation is contained in OMB Circular A-11, Part 5, Federal Credit.

*040804. Procedure and Due Dates for Computing Interest Expenses and Income Related to Borrowing for Direct Loan and Guaranteed Loan Financing Accounts

Detailed instructions for calculating interest due to and due from the U.S. Treasury are provided in Volume 1, Part 2, Treasury Financial Manual, Chapter 4600. OMB distributes the actual annual interest rates approximately 10 business days before fiscal year-end, September 30. Each cohort has its own specific interest rate used to earn or pay interest, referred to as a cohort interest rate. The OMB Credit Subsidy Calculator (CSC) calculates the cohort interest rate. Agencies must use the most current version of the CSC, available through the OMB contact with primary responsibility for the account, to calculate interest paid to Treasury. On or before the day the interest payment is made via the Intra-governmental Payments and Collections (IPAC) system, but in any case no later than September 30 of the current fiscal year. Agencies must email the supporting interest payment calculation to Federal Investments and Borrowings Branch.

0409 Credit Reform USSGL Accounts and Definitions

Credit reform accounts and definitions were established in the USSGL to implement requirements of the FCRA of 1990 (as amended), and are intended to account for direct loans and loan guarantees. DoD entities must follow the Standard Financial Information Structure (SFIS), which is based on the Treasury USSGL. For more complete information go to the SFIS website.
CREDIT REFORM: CASH FLOWS FOR DIRECT LOANS AND FOR LOAN GUARANTEES

In order to more clearly understand the cash flow process as required by credit reform for a direct loan or a guaranteed loan, two examples are provided.

EXAMPLE: Cash Flow for a $100 Direct Loan, 20 percent subsidy, disbursed in one year

1. Congress appropriates $20 in subsidy budget authority (BA) to the program account.

2. The $20 subsidy is obligated when the $100 loan is obligated.

3. The $20 subsidy is outlayed to the financing account at the time the $100 loan is disbursed to the borrower. Simultaneously, the financial account borrows the additional $80 needed to make the $100 loan from the U.S. Treasury (Treasury).

4. The borrower pays fees, interest, and principal to the financing account under the terms of the loan.

5. The financing account makes payments to the Treasury over time on the $80 portion of the loan. If the subsidy rate is accurate, the loan repayments (and other payments) to the financing account will be exactly the amount necessary to repay the original amount of $80 borrowed from the Treasury plus interest.

6. If the subsidy is not accurate, a reestimate must be calculated, and as necessary, either:
   a. an additional subsidy will be disbursed from the program account to the financial account, to cover the amount of the reestimate, or
   b. excess funds must be moved from the financial account to a negative receipt account, where these funds are unavailable until appropriated.

EXAMPLE: Cash flow for a $100 Loan Guarantee with a 20 percent subsidy rate disbursed in one year

1. Congress appropriates $20 in subsidy BA to the program account.

2. The $20 subsidy is obligated when the $100 loan is obligated.
3. The lending institution lends a 75 percent government-guaranteed $100 loan to the borrower. When the loan is disbursed, $20 in subsidy BA is outlayed to the financing account. The borrower pays a 2 percent upfront fee to the agency, which is deposited into the financing account.

4. Reserves (uninvested funds) are held in the financing account and earn interest.

5. The borrower pays principal and interest to the lending institution.

6. If the borrower defaults, the reserves held in the financial account are used to make claim payments to the lending institution. If the subsidy rate is accurate, the financial account will have exactly the reserves required to cover all defaults and other subsidies for that set or cohort of loans.

7. If the subsidy is not accurate, a reestimate must be made and, as necessary either:
   a. additional subsidy must be disbursed from the program account to the financing account to cover the amount of the reestimate, or
   b. excess funds must be moved from the financing account to a negative receipt account, where these funds are unavailable until appropriated.
VOLUME 12, CHAPTER 5: “GRANTS AND COOPERATIVE AGREEMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated May 2015 is archived.

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<tr>
<td>0501</td>
<td>Incorporated 2 Code of Federal Regulations (CFR) 200 updates from the final Office of Management and Budget (OMB) Guidance published on August 13, 2020. Explained difference among grants, contracts, and cooperative agreements, expanded purpose to include treatment of assets acquired through grants, and described additional reporting requirements for grants. Updated authorities list to include relevant legislation, regulations, standards, and guidance for Department of Defense (DoD) grant financial reporting. Removed requirements that applied to grantees instead of DoD.</td>
<td>Revision/Addition</td>
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<td>0502</td>
<td>Listed general guidance on statutes which allow DoD to use grants as a funding instrument. Removed list of specific types of grant programs since these may be subject to future changes.</td>
<td>Revision/Addition</td>
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<td>050302</td>
<td>Added record retention paragraph and referred to Volume 1, Chapter 9 for details.</td>
<td>Addition</td>
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<td>050304</td>
<td>Expanded Payments paragraph to include 32 CFR §22.810 requirements for timing and frequency, method, process, withholding payments, and interest from advanced payments. Deleted mention of specific grantee payment management system as this system may be subject to future changes.</td>
<td>Revision/Addition</td>
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<td>050306</td>
<td>Added information to clarify accounting treatment of accrual estimates according to Federal Accounting Standards Advisory Board (FASAB) Technical Release 12.</td>
<td>Addition</td>
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<td>050308</td>
<td>Added paragraph on debt collection and referred to Volume 10, Chapter 19 and Volume 16, Chapters 2 and 6.</td>
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<td>0504-0506</td>
<td>Clarified treatment of real property and equipment, supplies, and intangible property acquired through grants according to 32 CFR 32. Added supplies and intangible property sections.</td>
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*0501 GENERAL

050101. Overview

A. Grants and cooperative agreements are legal instruments used to enter into a relationship, the principal purpose of which is to transfer a thing of value to the recipient to carry out a public purpose and stimulate the economy as authorized by law. In contrast, contracts are used to acquire property or services for a DoD Component’s direct benefit or use. Grants and cooperative agreements are two types of assistance awards.

B. A DoD Component’s expected level of involvement in the performance of the assistance award determines whether the legal instrument is a grant or cooperative agreement. Grants are used when a DoD Component expects no substantial involvement in carrying out the activity contemplated in the agreement, whereas cooperative agreements are used when the Component anticipates substantial involvement in carrying out the activity contemplated in the agreement.

C. A technology investment agreement, as defined in 32 Code of Federal Regulations (CFR) 37 is a cooperative agreement while a cooperative research and development agreement, as defined in Title 15 United States Code (U.S.C.), section 3710a, is neither a grant nor a contract.

D. The accounting treatment for grants and cooperative agreements is the same. In this Chapter, the term “grant” covers both grants and cooperative agreements. The accounting treatment for international agreements is discussed in Chapter 9.

E. DoD grant recipients (grantees) include institutions of higher education, hospitals, non-profit organizations, local and state governments, Indian tribal governments, and for-profit entities.

050102. Purpose

This chapter prescribes the policy to be followed by DoD Components to account for and control funds obligated and assets acquired through grants. It also outlines additional reporting requirements for grants.

050103. Authoritative Guidance

The financial management policy and related requirements set forth in this chapter are in accordance with the applicable provisions of:
A. 31 U.S.C. § 6101, note, “Program Information, Definitions, also included as part of the DoD Grant and Agreement Regulations (DoDGARS).”


G. 32 CFR 21-37, “DoDGARS.”


I. FASAB SFFAS 6, “Accounting for Property, Plant, and Equipment.”


N. 1 TFM 2 - 4500, “Grants, Loans, Credits, and Contingent Liabilities Involving Foreigners.”


0502  DoD STATUTORY AUTHORITIES FOR USE OF GRANTS

A DoD Component may use grants under statutory authorities granted to the Secretary of Defense that the Secretary properly delegates to Heads of DoD Components, or under statutory authorities granted directly to the Heads of DoD Components. The types of statutory authority DoD may utilize to award assistance instruments are provided in 32 CFR § 21.420.

0503  GRANTS FINANCIAL MANAGEMENT

050301.  Financial Management Information System

A.  The DoD Component must ensure the availability of a financial management information system capable of recording and monitoring grant transactions and providing, by transaction, a delineation of the federal and grantee breakout of program costs.

B.  The system must enable the DoD Component to identify quickly the basic categories of funds involved, along with the related obligation and expenditure rates, and provide for ensuring fund availability prior to awarding financial assistance and obligating funds.

050302.  Record Retention

The DoD Component must maintain grant supporting financial management documentation in accordance with the requirements in Volume 1, Chapter 9.

050303.  Recording and Reviewing Commitments and Obligations

Accounting for funds under a grant must start with the commitment of funds prior to their obligation by an awarding official. The awarding official must be a DoD grants or agreements officer with a statement of appointment that meets the requirement in 32 CFR §§ 21.435-21.465. After funds commitment, budgetary obligations must be recorded upon execution of the agreement or other obligating document approved by the awarding official that sets out the amount and purpose of the award, the performance period, the performance obligations of the parties to the award, and other terms. A legal obligation to disburse grant funds, in accordance with the terms of the agreement, occurs upon execution of an agreement or other obligating document. Refer to Volume 3, Chapter 8 for more information.

050304.  Payments

Volume 10, Chapter 19 provides detailed payment provisions for grants and other instruments of assistance.

A.  Timing and Frequency

1.  32 CFR §22.810 prescribes the timing and frequency of grant payments. In general, it is Governmentwide policy to minimize the time elapsing between any payment of funds to a grantee and the grantee’s disbursement of the funds for program purposes.
For States, payments are governed by Treasury-State Cash Management Improvement Act agreements and default procedures codified in 31 CFR 205 and I TFM 4A - 2000 Overall Disbursing Rules for All Federal Agencies.

2. Payments made to grantees to cover part or all of their anticipated expenses or advance payments must be accounted for as advances by the assisting DoD Component until the grantee has performed under the award, i.e., until the grantee meets the requirements which allow it to use the funds in accordance with the grant agreement. Refer to Volume 4, Chapter 5 for more information.

3. Requiring payments as reimbursements is the preferred method when the requirements in paragraph 050304 (A)(1) and (2) cannot be met, the DoD Component sets a specific grant condition per 2 CFR § 200.207, or the grantee requests payment by reimbursement. Reimbursement may be used on any grant for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project.

B. Method

It is a Governmentwide requirement to use electronic funds transfer (EFT) in the payment of any grant for which an application or proposal was submitted or renewed on or after July 26, 1996 unless the grantee has obtained a waiver under 32 CFR §22.810.

C. Process

Disbursing offices must follow the policies and procedures in Volume 10, Chapter 19 for payment provisions for grants.

D. Withholding Payments

The DoD Component may withhold payments for allowable costs when:

1. The grantee failed to comply with the project objectives, Federal statutes, regulations, or the terms and conditions of the Federal award. If the grant is not otherwise suspended, the DoD Component must release the payment to the grantee upon the grantee’s compliance. If the grant is suspended, the DoD Component will make payment adjustments according to 2 CFR § 200.342;

2. The grantee is delinquent in a debt to the United States as defined in OMB Circular A-129. In this situation, the DoD Component must provide reasonable notice to the grantee that payments will not be made for obligations incurred after a specified date until the indebtedness to the Federal Government is paid; or

3. The grantee has a sustained audit finding which resulted in amounts due to DoD. The DoD Component must promptly record the amount due from the grantee upon entitlement as an accounts receivable, even if the decision to collect is subject to administrative
appeal or litigation. Interest must begin to accrue no later than 30 days after the date the grantee was notified of the debt, and continues to accrue while an appeal is underway.

E. Interest from Advanced Payments

A DoD Component may allow grantees to retain interest earned up to $500 per year for the grantee’s administrative expenses. Any additional interest earned on DoD advance payments, required to be deposited in interest-bearing accounts, must be remitted annually to DoD using either an Automated Clearing House network or a Fedwire Funds Service payment.

050305. Recording of Expense

A. When the grantee that received the advance has performed under the grant, the DoD Component must record an expense in an amount equal to the cost of the services performed or cost incurred, and reduce the advance account by that amount. The grantee must provide sufficient documentation to support the cost of the services performed or cost incurred, consistent with the grant.

B. Payments to grantees as reimbursement for work performed or costs incurred must be accounted for as expenditures and as expenses incurred, or as reductions of liabilities if the expenses were recorded previously.

*050306. Accruals

The DoD Component must recognize and report balances due or advanced to grantees at the end of the reporting period and apply cost-benefit considerations to the process of estimating and validating accruals.

A. Accrual estimates must be treated as follows:

1. Amounts issued as advances must be adjusted, even if grantees have not yet reported expenses incurred; and

2. Where there is no advance or no remaining advance, the DoD Component must estimate amounts payable to grantees.

B. The DoD Component must document and maintain support for the data and assumptions used to develop grant accrual estimates and follow internal control guidance in FASAB Technical Release 12.

050307. Accounts Receivable

A. At the termination or closeout of a grant, disallowed expenses, improperly applied funds, unused funds, and any amount due to the DoD according to the grant terms and conditions must be established as an accounts receivable by the DoD Component.
B. When a grantee has a sustained audit finding which resulted in amounts due to DoD, the DoD Component must promptly record the amount due from the grantee upon entitlement as an accounts receivable, even if the decision to collect is subject to administrative appeal or litigation. Interest must begin to accrue no later than 30 days after the date the grantee was notified of the debt, and continues to accrue while an appeal is underway.

*050308. Debt Collection

A debt is established when a DoD Component determines that a grantee was paid an amount in excess of how much a grantee is entitled under the terms and conditions of the grant. The treatment of debt collection is described in Volume 10, Chapter 19, and Volume 16, Chapters 2 and 6.

*0504 REAL PROPERTY AND EQUIPMENT

050401. Grantee Purchased Real Property or Equipment

A DoD Component must provide prior approval to grantees to purchase real property or equipment with federal funds. Generally, title to real property or equipment vests with the grantee upon the grantee’s acquisition and DoD does not account for its reversionary interest in real property and equipment. The title must be conditional, subject to the following:

A. The grantee must use the real property or equipment for the authorized purposes of the grant until funding ceases, or until the property or equipment is no longer needed for the purpose of the grant. Use in other projects must be limited to those under federally sponsored projects (i.e., awards) or programs that have purposes consistent with those authorized for support by the DoD Component;

B. The grantee cannot encumber the property without approval of the DoD Component; and

C. The grantee must use the real property or equipment following the terms of the grant and dispose of the property or equipment following disposition instructions from the DoD Component, consistent with 32 CFR §§ 32.32-32.34.

D. At grant close-out, the DoD Component must follow paragraph 050307 to account for any outstanding proceeds from the disposition of real property or equipment.

050402. Federally-owned Property

Title to Federally-owned property remains vested in the DoD and:

A. The DoD Component must establish appropriate general ledger accounting control and property records, and include the assets in its financial statements. The asset must be recorded at acquisition cost to the grantee, and depreciated in accordance with guidance in Volume 4, Chapters 24 and 25.
B. If DoD has no further need for the property, it must declare the property excess and report it for disposal following the instructions in Volume 4, Chapter 24 for Excess Items Disposition, unless the DoD Component has statutory authority to dispose of the property by alternative methods.

050403. Exempt Federally-owned Property

Exempt Federally-owned property means property acquired under a grant when the DoD has chosen to vest title to the property to the grantee without further obligation to the Federal government, based on explicit terms and conditions of the grant. A DoD Component may exercise this option only when statutory authority exists.

*0505 SUPPLIES

Title to supplies will vest in the grantee upon acquisition. If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, the grantee must retain the supplies for use on other activities or sell them. In either case, the grantee must compensate DoD, following the requirements in 32 CFR § 32.35. The grantee may deduct and retain $500 or ten percent of the proceeds, whichever is less, for selling and handling expenses. At grant close-out, the DoD Component must follow paragraph 050307 to account for compensation received from grantee residual inventory.

*0506 INTANGIBLE PROPERTY

Intangible property applies to a patent, patent application, copyright, or other intangible property acquired, but not developed or produced, under the grant. When the grantee no longer needs the intangible property for the originally authorized grant purpose, the DoD Component must arrange for the disposition of the intangible property, following the requirements in 32 CFR §32.36. At grant close-out, the DoD Component must follow paragraph 050307 to account for the remaining proceeds from disposition of intangible property.

*0507 OTHER REQUIRED REPORTING

050701. Improper Payment

A. An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law).

B. Questioned costs, including those identified in audits, are not an improper payment until reviewed and confirmed to be improper as defined in OMB Circular A-123 Appendix C.
C. Grant programs are subject to the payment integrity requirements in Volume 4, Chapter 14.

050702. Public-Private Partnership Reporting

Grants which meet the definition of public-private partnerships (P3), risk-sharing arrangements or transactions with expected lives greater than 5 years between public and private sector entities, may be subject to disclosure under SFFAS 49. Volume 6B, Chapter 10 and SFFAS 49 provide detailed information about P3 reporting.

050703. Grants, Loans, Credits, and Contingent Liabilities Involving Foreigners

ITFM 2 - 4500 requires electronic submission of several reports pertaining to foreign obligors to Treasury. Volume 6A, Chapter 13 and Volume 16, Chapter 6 provide more details.
VOLUME 12, CHAPTER 7: “FINANCIAL LIABILITY FOR GOVERNMENT PROPERTY LOST, DAMAGED, DESTROYED, OR STOLEN”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated June 2012 is archived.

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0701 OVERVIEW

070101. Purpose

This chapter provides for the implementation of policies and responsibilities relating to financial liability for government property that is lost, damaged, destroyed or stolen. This chapter prescribes how to:

A. Account for loss, damage, destruction, or theft of government property; determine the responsibility and amount of financial liability of those found to be culpable for such financial losses; provide relief from accountability; and establish debts resulting from the assessment of financial liability.

B. Inquire, research, and investigate the causes of the loss, damage, destruction, or theft of government property.

C. Assess financial liability with respect to lost, damaged, destroyed, or stolen government property.

D. Initiate DD Form 200, “Financial Liability Investigation of Property Loss.”

070102. Responsibilities

A. Under Secretary of Defense (Comptroller). The Under Secretary of Defense (Comptroller) is responsible for financial policies regarding financial liability for government property lost, damaged, destroyed, or stolen.

B. DoD Components. The DoD Components are responsible for ensuring that the following policies and procedures are implemented:

1. Determining and assessing the amount of financial liability of those responsible for such losses;

2. Mitigating, reducing, and/or relieving financial liability in appropriate cases;

3. Establishing debts resulting from the assessment of financial liability and referring them for appropriate collection action.

4. This chapter does not apply to loss, damage, destruction, or theft of Government contract (Federal Acquisition Regulation, Part 45.101) property (Government
furnished and Contractor-Acquired Property) and property acquired by a contractor as a result of partial, advance, progress or performance based payments) in the possession of a third party, to include contractors. Loss, damage, destruction, or theft of such property shall be processed in accordance with the terms and conditions of the accountable contract or third party agreement to which the lost, damaged, destroyed, or stolen property was accountable. See also DoD Instruction 4161.02, “Accountability and Management of Government Contract Property.”

0702 GENERAL REQUIREMENTS

070201. Purpose

This section prescribes general requirements regarding accounting for lost, damaged, destroyed or stolen government-owned property, including supply system materiel, equipment, and real property.

070202. Minimum Requirements Definitions

A. Inquiry. An informal process of ascertaining the facts, circumstances, and cause of the loss, damage, destruction, or theft.

B. Investigation. A formal proceeding of ascertaining the facts, circumstances, and cause of the loss, damage, destruction, or theft, in accordance with the minimum requirements set forth in paragraph 070204B.

C. Determination of Proximate Cause. Ascertainment whether the loss, damage, destruction, or theft was proximately caused by an individual’s negligence or abuse.

D. Adjustment. Posting to the accountable property records the changes made necessary by the loss, damage, destruction, or theft.

E. Administration. An established process or system to determine whether a responsible party should be held financially liable.

070203. Applicability of Requirements

These requirements apply whether or not the government property is recorded in an accountable property system.

070204. Initiation of General Inquiries and Investigations

A. Upon discovery of loss, damage, destruction, or theft of government-owned property (real or personal) of any value, the first line supervisor or, in the case of military, immediate superior within the chain of command, shall conduct an inquiry to determine if the situation warrants a more formal inquiry, i.e., an investigation. A DD Form 200 is not required for inquiries. Loss, damage, destruction, or theft of materiel shall be processed in accordance with paragraph 0708.
B. An investigation shall be conducted for all loss, damage, destruction, or theft of government-owned equipment with an initial acquisition cost (value) of $5000 or greater; all sensitive, classified, or leased (capital Lease) property regardless of initial acquisition cost; and any real property. (See also DoD Instruction 5000.64, “Accountability and Management of DoD Equipment and Other Accountable Property,” for more information.) Investigations may also be conducted when circumstances warrant. For example, when the loss, damage, destruction or thefts of small amounts of property occur frequently enough to suggest a pattern of wrongdoing, then an investigation may be warranted.

C. The Approving Authority is responsible for establishing procedures and designating a person, typically the Accountable Property Officer, Real Property Accountable Officer, or Reviewing Authority (for supply system stocks or “materiel”), to initiate and conduct the investigation, in accordance with agency procedures. Investigations are not limited to the above thresholds, but may be conducted if the approving authority deems a formal investigation necessary.

D. At a minimum, investigations shall identify:

1. What happened?
2. How it happened?
3. Where it happened?
4. Who was involved?
5. When it happened?
6. Any evidence of negligence, willful misconduct, or deliberate unauthorized use or disposition of the property.

E. Evidence of Negligence

1. When inquiring into the loss, damage, destruction, or theft of government property, the first consideration is whether there is evidence of negligence. For example: “Would a reasonably prudent individual have acted in this manner?” “Were there procedures governing the use of the property, and were they followed?” “What were the circumstances that existed when the loss actually occurred?” “Was the individual on the job?” For example, if a dump truck is parked on an incline, a reasonable person would be expected to set the hand brake and leave the vehicle in park. Using blocks under the wheels might or might not be required. If the individual failed to set the brake and/or use blocks under the wheels and the truck rolled down the incline and was damaged, this could be considered evidence of negligence. A reasonably prudent person would be expected to take precautions.

2. When loss, damage, destruction of government quarters is involved, a distinction must be made between simple and gross negligence. Evidence of simple or gross
negligence depends on the conduct of the individual. If the individual failed to exercise precautions or good judgment, then simple negligence applies. If the individual’s conduct was characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences, then gross negligence applies. Evidence of whether simple or gross negligence was the proximate cause of the loss, damage, or destruction is based on the facts and circumstances and shall be determined during the general inquiry and documented during the investigation process.

F. DD Form 200. The DD Form 200 is required documentation for investigations—and shall be used to document the facts and circumstances of the loss, damage, destruction, or theft. The person conducting the investigation shall be responsible for completing blocks 1 through 11 of the DD Form 200, as described in section 0706. (The form is included as Table 7-1.)

G. Exceptions. The DD Form 200 is not required when:

1. An individual voluntarily makes restitution to the government for the full amount and classified or sensitive property is not involved.

2. The damage involves a government-owned vehicle. In such cases, an accident investigation report may be used to document an inquiry in lieu of a DD Form 200. However, when the documentation clearly indicates that negligence or abuse was involved, or if a claim against the government is possible, a DD Form 200 shall be prepared.

3. The loss involves shipping and transportation discrepancies attributed to carriers, which are processed and reported according to “Reporting of Item and Packaging Discrepancies,” (Non-FMS), “Processing Discrepancy Reports Against Foreign Military Sales Shipments” (FMS), and “Reporting of Transportation Discrepancies in Shipments.” However, item discrepancy reports should be reviewed and evaluated to determine if the circumstances of the loss or damage appear to have been caused by negligence or abuse by DoD personnel. If so, a DD Form 200 shall be prepared.

070205. Voluntary Payments

Individuals may voluntarily choose to pay the government for lost, damaged, or destroyed government property any time prior to involuntary collection from their pay. Individuals offering the payment do so of their own volition. The government does not seek any advantage nor forego any right by accepting a voluntary payment. An individual cannot be coerced or threatened with adverse action if payment is not voluntarily made. Individuals must be made aware of the effect of making a voluntary payment. That is, it may not be later withdrawn, avenues for relief will no longer be available, and voluntary payment does not preclude other administrative or disciplinary action. Individuals offering to pay in excess of basic pay for one month by military members or one twelfth of annual pay by civilian employees must be made aware that their liability may be a lesser assessment as a result of an investigation. Voluntary payments may be made in cash, by check, or through payroll deduction.
070206. Review

Upon completion of the investigation, the DD Form 200 shall be forwarded to the appointing authority for review. The appointing authority shall determine if a financial liability officer or financial liability board is needed to conduct an investigation. The general criteria for appointing a financial liability officer are in paragraph 070402.A. The criteria for appointing a financial liability officer for inventory losses are in paragraph 070807. General Counsel and/or the member’s commander must be consulted before statements are taken from anyone if there is a suspected violation of the Uniform Code of Military Justice (10 U.S.C. Chapter 47).

070207. Evidence of Theft

Cases involving stolen government-owned property shall be referred to local security and/or law enforcement officials, in accordance with agency procedures.

070208. Financial Liability Officer Investigations

The appointing authority may appoint a financial liability officer to determine whether the facts and circumstances support the findings and recommendations of the individual completing blocks 9 and 10 on the DD Form 200. Qualifications, duties, and responsibilities of financial liability officers are discussed in section 0704.

070209. Financial Liability Board

The appointing authority may appoint a financial liability board in lieu of an officer. The reasons for appointment of a board include the complexity, size, or unique type of loss due to negligence or abuse. The composition, objectives, and functions of the board are discussed in section 0705.

070210. Determination of Financial Loss

A. Computation of Financial Loss. A computation of the financial loss to the government shall be made when there is evidence to indicate that the loss was proximately caused by negligence or abuse.

1. When damaged property or items can be repaired economically or restored in condition to that immediately prior to the loss, the loss to the government shall be based on the cost of repair or restoration. If the cost to repair or restore the property exceeds the cost to replace the property, the loss to the government shall be as determined in paragraph, 070210.A.2, below. For real property, the plant replacement value will be used to value the asset. If the cost to repair or restore the real property exceeds the plant replacement value, then the cost to acquire and install a new asset will be the amount of loss.

2. When property is lost, damaged, destroyed, or stolen, and the property cannot be replaced, the amount of the loss shall be the fair market value of the property immediately before the loss. When a fair market value cannot readily be determined, the cost of
repair or an estimate of the repairs may be used (can be obtained from technical manuals or other reliable sources); or the acquisition cost or standard price, adjusted for depreciation may be used (based on the specified depreciation period for such item or if such a period has not been specified, based on its estimated useful life). Depreciation shall be computed using the straight-line method of depreciation. In no case should property be depreciated below its scrap value. For property that is damaged beyond economical repair, the scrap or salvage value of the property shall be used to reduce the loss to the government. For Real Property, the plant replacement value will be used to value the asset. If the cost to repair or restore the real property exceeds the plant replacement value, then the cost to acquire and install a new asset will be the amount of loss.

B. Liability. Financial liability of individuals is based on the actual loss to the government, as computed in paragraph 070210.A, above. When liability is limited by the individual’s rate of pay, the amount of the actual loss to the government still is computed. However, in such cases, the financial liability of the individual either is the actual amount of the loss or the limitation based upon the rate of pay, whichever is less.

C. Collective Liability. If more than one individual is found financially liable for the loss, damage, destruction, or theft of government property, the individuals shall be collectively liable for the loss to the government. The government cannot collect more than the total amount of assessed liability. Therefore, the approving authority who assessed financial liability will decide how much to collect from each individual. Among the factors to be considered in taking collection action from each liable individual are the degree of each individual’s responsibility for the loss, damage, destruction, or theft and the ability to collect from the responsible individual.

070211. Notification and Examination

When financial liability is recommended, the individual shall be notified and given the opportunity to examine the findings and recommendations, obtain representation, make a rebuttal statement, and present any mitigating factors that may have contributed to the negligence or abuse. If damage to government housing is involved, an individual also shall be given the opportunity to request a waiver of the financial liability, as stated in DoD 4165.63-M, “DoD Housing Management.”

0703 APPROVING AND APPOINTING AUTHORITY

070301. Duties and Responsibilities

A. Approving Authority. DoD Component regulations shall designate those individuals who may be an approving authority. The approving authority’s responsibilities may be delegated; however, the delegations must be in writing. The approving authority also may act as the appointing authority or designate an appointing authority in writing. The approving authority shall:

1. Designate an appointing authority, when needed.
2. Disqualify oneself when a conflict of interest is possible, e.g., because the loss relates to property for which he or she is responsible and/or accountable.

3. Establish procedures and designate a person to initiate and conduct an inquiry immediately after the loss, damage, destruction, or theft is discovered (see paragraph 070204.A.)

4. Ensure that all DD Forms 200 received are accurate and complete. Evaluate each DD Form 200 and either approve recommendations to assess financial liability or relieve those involved from liability, responsibility or accountability. The approving authority approves or disapproves all DD Forms 200, regardless of dollar value, unless otherwise delegated in writing.

5. Ensure that all gains and losses that require a formal investigation are promptly and thoroughly investigated. The system used to process DD Forms 200 must be frequently reviewed to evaluate the accuracy and timeliness of the investigations.

6. Ensure that DD Forms 200 are initiated, processed and adjudicated within the time limits that may be established by the DoD Components.

7. Require, if delays occur in the initiating or processing of a DD Form 200, a written explanation of the reason for the delay and take appropriate corrective actions.

8. Ensure that persons held financially liable are so notified, informed of their rights (including waiver rights if government housing is involved), and given the opportunity to inspect and copy the DD Form 200.

9. Personally evaluate each DD Form 200 when there is evidence of negligence, abuse, or theft.

10. Determine whether to delegate to the appointing authority the authority to approve or disapprove a DD Form 200 when there is no evidence of negligence or abuse or theft.

11. Ensure, when financial liability is recommended, or when recommendations appear to be inconsistent with findings, that a judge advocate or civilian attorney has reviewed the findings and provided an opinion on the adequacy of evidence and its relationship to the findings and recommendations. This legal review shall be included as part of the record with the DD Form 200 and completed before final action is taken by the approving authority.

12. Ensure that corrections of any attested entries are properly initialed and documented.
13. Overrule, when appropriate, the recommendations of the appointing authority and the financial liability officer. When this action results in the assessment of financial liability, the individuals not previously recommended for liability shall be advised of their rights and afforded an opportunity to exercise their rights.

14. Formally notify individuals against whom he or she has approved financial liability.

B. Appointing Authority. The appointing authority is designated in writing by the approving authority. The approving authority also may act as appointing authority. The appointing authority is responsible for the following tasks:

1. Appoint a financial liability officer, if needed.

2. Appoint a board in lieu of a financial liability officer to conduct the investigation, if warranted. Reasons for considering appointment of a board include complexity, size, or unique type of loss due to negligence or abuse. (See section 0705.)

3. Provide administrative guidance to the financial liability officer or the board.

4. Review DD Forms 200 for accuracy and compliance with this regulation.

5. Approve or disapprove the recommendations of the financial liability officer or the board, and forward personal recommendations to the approving authority.

6. Approve or disapprove DD Forms 200 when there is no evidence of negligence or abuse and authorization has been delegated in writing by the approving authority.

7. Approve or disapprove DD Forms 200 when the loss, damage, destruction or theft is less than $100,000 and authorization has been delegated in writing by the approving authority.

070302. Summary

The appointing and approving authorities must act on the DD Form 200 once an individual has been properly notified and given the opportunity to respond to the findings. Failure of involved individuals to respond to recommendations of financial liability is not a sufficient reason to delay the approval process if the individuals were given a reasonable opportunity to reply, as discussed in paragraph 070404.B.10.
0704  FINANCIAL LIABILITY OFFICER QUALIFICATION AND RESPONSIBILITIES

070401.  Purpose

This section contains policies regarding the qualifications, duties, and responsibilities of individuals appointed to conduct an investigation and determine responsibility for lost, damaged, destroyed, or stolen property listed on DD Forms 200. This section is concerned with criteria to determine whether a financial liability officer is required to be appointed, who may be appointed as a financial liability officer, and the duties and responsibilities of that individual. A financial liability officer’s findings and recommendations are administrative, not judicial; therefore, the reports are purely advisory; the opinions do not constitute final determinations or legal judgments; and the recommendations are not binding upon appointing and approving authorities.

070402.  Criteria

A.  **Appointment of Financial Liability Officer.**  The appointing authority should appoint a financial liability officer to conduct a formal investigation when:

1.  Recommended by an accountable officer.

2.  Directed by higher authority.

3.  Deemed appropriate by the appointing authority (e.g., repetitive losses, evidence of negligence or abuse or large dollar losses).

B.  **Financial Liability Officer Duty.**  Unless operational requirements clearly dictate otherwise, a financial liability officer shall perform this function as a primary duty until the investigation has been completed.

070403.  Financial Liability Officer Qualifications

A.  **Selection Criteria.**  A financial liability officer is selected based on training, experience, competence, and ability to conduct independent and objective investigations.

B.  **Persons Eligible.**  The financial liability officer shall be a commissioned officer; warrant officer; enlisted member in the grade of E-7, E-8, or E-9; or a civilian employee GS-07, or above. The financial liability officer shall normally be senior to the individuals directly involved in the discrepancy.

C.  **Use of Reserve Component Personnel.**  Reserve Component commissioned officers, warrant officers, and noncommissioned officers in grades E-7, E-8, or E-9 not on active duty may serve as financial liability officers during Reserve training sessions.

D.  **Relationship to Property.**  A person who is accountable or responsible for, or in any way directly interested in, the property being investigated, shall not be appointed as a financial liability officer.
070404. Financial Liability Officer Responsibilities and Duties

A. General

1. The primary purpose of the DD Form 200 is to determine responsibility for lost, damaged, destroyed, or stolen property. To determine such responsibility, the facts contributing to the loss, damage destruction, or theft must be developed by investigation.

   a. The investigation may establish the fact that some other individual is at fault. The financial liability officer shall not limit an investigation to verifying statements of interested parties. Rather, the financial liability officer shall perform an investigation as thoroughly as is needed, in his or her opinion, to ensure that all facts are fully developed, the interests of the government are fully served, and the rights of the involved individuals are fully protected.

   b. An investigation is required to determine responsibility and/or liability without regard to the relationship of the responsible individual to the property. As an example, actions by the accountable property officer or property custodian should be investigated as well as the actions of the property users.

2. The investigation conducted by the financial liability officer is the critical phase of the process. The financial liability officer should determine the actual facts, not as alleged but as they actually occurred. The financial liability officer’s recommendations shall be evaluated in succeeding reviews; therefore, the recommendations must be supported by the findings and conclusions.

3. The financial liability officer should be able to make a determination from the findings and conclusions as to how the loss or damage occurred and whether negligence or abuse was involved.

4. After recording the findings and conclusions, the financial liability officer should make recommendations based on policies set forth in this regulation. The financial liability officer shall recommend whether to assess financial liability.

5. A function of the financial liability officer is to afford to any person whose conduct or performance of duty may be subject to inquiry or who has a direct interest in the inquiry an opportunity to have their position considered, as described in paragraph 070404.B.10.

B. Conducting an Investigation. Financial liability officers shall conduct investigations promptly. They shall inform the appointing authority immediately of all delays experienced. In conducting the investigation, the financial liability officer shall personally:

1. Scrutinize all available evidence.
2. Interview witnesses and secure statements, ideally in writing, from individuals concerning:
   a. The cause of the loss, damage, or theft.
   b. The responsibility for the loss, damage, or theft.

3. Compile evidence substantiating or refuting any statement in block 9 of the DD Form 200.

4. Physically examine the damaged property, if possible, and then release it for repair or disposal. This should be done on the first day of his or her appointment.

5. Consult the appointing authority for guidance, when needed.

6. Determine the amount of damage as described in paragraph 070210.A, if the property has been damaged. Determine the value of the property immediately before its damage if the property is not economically reparable. The accountable officer may be asked to assist if he or she has not been directly involved.

7. Ensure that action is taken to exercise control over the property if the property is recovered during the investigation.

8. Ensure that the total loss to the government is computed correctly.

9. Coordinate actions with the claims investigating officer when the investigation may cover loss, damage, destruction, or theft of government property that is being, has been, or shall be investigated because of attendant events by a claims investigating officer. This includes cases where military personnel or civilian employees, while driving a private vehicle, damage government property and have insurance to pay for part of the loss.

10. Adhere to the following requirements:
   a. Give any individual against whom the financial liability officer makes a finding of financial liability a chance to examine the report of investigation after the findings and recommendations have been recorded.
   b. Give the individual being recommended for financial liability the opportunity to make a statement.
   c. Inform the individual that his or her statement may be used against him or her with regard to financial liability and other administrative and disciplinary actions.
   d. Fully consider and attach as an exhibit to the DD Form 200 any statement made by the individual(s).
e. Ensure that the individual being recommended for possible financial liability is aware of his or her rights under Volume 5, Chapter 28, “Management and Collection of Individual Debt.”

f. Request the individual to acknowledge his or her understanding of these rights by completing block 16 of the DD Form 200.

g. If appropriate, prepare a statement that the individual recommended for liability refused to sign block 16 of the DD Form 200 after being given the opportunity.

h. Mail a copy of the findings, recommendations, and evidence to the person against whom financial liability is recommended by certified mail with a return receipt requested when the person is not readily available. For example, the person may have been transferred or separated from one of the Military Services.

(1) A full explanation of the person’s rights shall be included and a reply shall be requested.

(2) If the reply is not received within 30 days after the date of mailing, the financial liability officer shall record this fact and take action to complete the DD Form 200. The record shall be included in, or appended to, the DD Form 200.

(3) Any reply received subsequent to the expiration of 30 days shall be forwarded through the same channels as the DD Form 200 for attachment to the original DD Form 200.

i. Consider any new evidence received after a recommendation has been made. If the financial recommendations remain unchanged, the financial liability officer shall note that the added evidence was considered and shall provide a rationale for not changing the decision, e.g., no new evidence or the matters do not overcome the evidence supporting the original recommendations. The notation shall be on all copies of the report immediately following the original recommendations. If the financial liability officer makes a change in the original recommendations because of the new evidence, the officer shall record such change as “Amended Recommendations.” These recommendations should be recorded immediately after the original recommendations.

0705 PURPOSE, APPOINTMENT, COMPOSITION, AND FUNCTIONS OF A FINANCIAL LIABILITY BOARD

070501. Purpose

A financial liability board may be appointed by the appointing authority for the specific purpose of conducting the investigation. The primary purpose of a financial liability board is to provide the appointing and approving authorities with adequate information upon which to assess liability or relieve the involved individual from liability for the loss, damage destruction, or theft of government property. A board provides more resources than an officer to investigate losses.
that are large, complex, or unique. Financial liability boards are administrative, not judicial. Therefore, their reports are purely advisory, their opinions do not constitute final determinations or legal judgments, and their recommendations are not binding upon appointing and approving authorities. The board members will establish appropriate board procedures, such as voting, work priorities, and etc.

070502. Appointment and Composition

A. Selection. The members of a financial liability board are selected based on training, experience, competence, and ability to conduct independent and objective investigations. The senior member normally shall be designated as the Chair. The appointing authority shall not appoint an individual who was or is accountable or responsible, or has direct interest in the property, including a financial liability officer who may have previously investigated the loss of the property.

B. Composition. The financial liability board members shall be commissioned officers; warrant officers; enlisted members in grades E-7, E-8, or E-9; or civilian employees GS-07, or above. The board Chair and a majority of the board shall normally be senior in rank to the persons directly involved.

C. Use of Reserve Component Personnel. A source of financial liability board members is Reserve Component commissioned officers; warrant officers; and enlisted members in grades E-7, E-8, or E-9 during their Reserve training sessions.

070503. Functions

The following are specific functions of a financial liability board:

A. Primary Function. The primary function of a financial liability board is to research, develop, assemble, record and analyze all available information relative to the loss. The board is required to formulate and clearly express consistent findings of facts, conclusions, and recommendations.

B. Collateral Function. A collateral function of the financial liability board, especially when requested by the appointing authority, is to afford a hearing to any person whose conduct or performance of duty may be subject to inquiry or who has direct interest in the inquiry.

070504. Final Action by the Financial Liability Board

The board Chair completes his or her action on the DD Form 200 as the financial liability officer and recommends relief from, responsibility, or assessment of financial liability.
0706 PREPARATION OF DD FORM 200

070601. Purpose

The purpose of this section is to provide instructions for the preparation of the DD Form 200 “Financial Liability Investigation of Property Loss.” Table 7-1 provides an example of a DD Form 200. The DD Form 200 is used to document the financial liability process for lost, damaged or destroyed government property. When completed, the DD Form 200 is the official document to support the establishment of debts, relief from accountability, and adjustment of accountable property records, supply system stock and financial records.

070602. Instructions for Preparation

A. Date Initiated. Self-explanatory.

B. Inquiry and/or Investigation Number. Number assigned to the inquiry and/or investigation in accordance with DoD Component instructions.

C. Date Loss Discovered. Self-explanatory.

D. National Stock Number (NSN). Enter the NSN(s), manufacturer’s part number, or other identification number(s), in numerical sequence. If not applicable, enter the word “none.”

E. Item/Property Description. Enter the nomenclature of the item(s) including any serial number(s), model number(s), controlled inventory item, etc. If the item is nonstandard, give a brief description sufficient for identification. If only a portion of an end item is damaged, describe the end item, fully, and then describe the damaged parts. If additional space is needed, a continuation sheet may be used. For Real Property, provide the facility number, address, location, room number, and a description of the damage.

F. Quantity. Enter the number of units and unit of issue (e.g., 1 each, 2 dozen, 5 pair, etc.).

G. Unit Cost. Enter the cost per unit shown in official catalogs, supply bulletins, or accountable property records. The specific reference should be indicated for audit trail purposes.

H. Total Cost. Enter the total cost of all units of each article listed (block 6 x block 7). For real property enter the estimated cost to repair/replace or if the cost to repair exceeds the plant replacement value, the estimated cost to purchase and install the asset.
I. Circumstances Under Which Property Was Lost, Damaged, Destroyed, or Stolen. Enter a complete statement of the facts, including the date and place of the incident. Include the name, grade, and social security number (SSN) of all persons directly involved. The statement must answer five basic questions of who, what, when, where and how. Identify any appropriate contract number(s), transaction number(s), control number(s), etc. Add as exhibits and identify alphabetically within the block, as needed.

J. Actions Taken to Correct Circumstances Reported in Block 9 and Prevent Future Occurrences. Include recommended actions by the accountable property officer and/or property custodian, and if appropriate by the financial liability officer, to the appointing and approving authorities.


L. Responsible Officer and/or Reviewing Authority. See definitions for “Responsible Officer” and “Reviewing Authority.”

M. Appointing Authority. See section 0703 and definition for “Appointing Authority.”

N. Approving Authority. See section 0703 and definition for “Approving Authority.”

O. Findings and Recommendations of the Financial Liability Officer. Enter findings of the financial liability officer along with a recommendation regarding liability of the involved parties.

1. An indication that negligence on the part of the individual has not been determined.

2. A recommendation that the investigation be continued at some future time because of extenuating circumstances.

3. Recommendation for corrective actions.

4. Recommendation that the individuals involved in the loss, damage, destruction, or theft, be relieved of responsibility for the property when negligence cannot be established. State the facts on which the recommendations are based. Proper conclusions shall be drawn from available facts, not opinions or suspicions. The financial liability officer must sustain or refute the statements made in block 9 of the DD Form 200 and any other statements that are part of the inquiry and/or investigation. Do not use stereotyped phrases such as “loss or damaged in manner stated.” The financial liability officer shall state in his or her own words how the loss or damage occurred based on the evidence obtained by the investigation.
5. As prescribed in paragraph 070210.A., include a computation of charges, when recommending financial liability. The computation should show how depreciation was calculated and other factors used in determining the loss, or reference should be made to the exhibit on which the computation is recorded. The results of the computation shall be entered in block 15.b.

6. Describe the disposition of the property. Once released by the financial liability officer or the appointing authority (when a financial liability officer is not appointed), property considered to be “uneconomically repairable” shall be disposed of in accordance with DoD 4160.21-M, “Defense Materiel Disposition Manual.”

7. Recommendations shall be entered immediately after the findings. The recommendation shall include:

   a. Financial liability to be assessed or relief from responsibility and accountability. Also, enter this information in block 15.d. For a military member enter monthly basic pay and for a civilian enter one-twelfth of the yearly salary.

   b. Disposition instructions for any unserviceable property not previously sent to the Defense Reutilization and Marketing Service.

   c. State clearly the full name, grade, SSN, and the amount of the charge, when recommending financial liability.

   d. State if the DD Form 200 may cover the loss, damage, destruction, or theft of property for which a claim is also being processed.

8. The recommendations must represent a logical and equitable decision developed from the facts cited in the evidence and findings.

9. Sign the DD Form 200 in block 15.j, at the end of the recommendations. (See sections 0704 and 0705, and definition for “Financial Liability Officer.”)

P. Individual Charged. See paragraph 070404.B.10. Enter in block 16.d, the individual’s name and rank or grade when financial liability is assessed. Enter in block 16.e, that individual’s SSN. Initiate collection action by forwarding a copy of the approved DD Form 200 by transmittal document to the servicing disbursing officer. All continuation sheets are to be included and the attachments and exhibits excluded. The approved DD Form 200 is sufficient to hold a person financially liable and establish a debt.

Q. Accountable Property Officer. See definition. Record document numbers used to adjust property and financial records. All other blocks are self-explanatory.
0707 GOVERNMENT HOUSING LIABILITY

070701. Purpose

This section describes the liability of military personnel for the loss, damage, or destruction of government housing (family housing or unaccompanied personnel housing). It describes minimum requirements for assessing financial liability when government housing, including equipment or furnishings therein, is lost, damaged or destroyed. Government housing within the scope of this chapter includes both permanent and temporary quarters either owned by, or controlled by, the U.S. Government.

070702. Policy

A. Determination of Proximate Cause. A member of a Military Service shall be held liable to the United States for the loss, damage or destruction of family housing or an unaccompanied personnel housing unit assigned to such member, including equipment and furnishings therein, when a determination is made that the loss, damage or destruction was proximately caused by the abuse or negligence of the member, a dependent of the member, or a guest either of the member or the member’s dependent.

B. Financial Liability of Military Members. Financial liability against military personnel for loss, damage or destruction of government housing, including equipment and furnishings therein, is assessed for the full amount of the loss if the loss, damage or destruction was proximately caused by gross negligence or abuse. Liability of military members for damage to government housing and related equipment and furnishings is prescribed in 10 U.S.C. 2775 and DoD 4165.63-M, “DoD Housing Management.”

C. Notification and Examination. Occupants who are assessed financial liability for loss of, or damage to, assigned government housing shall be notified in accordance with paragraph 070209. A member’s failure to respond shall not preclude the government from completing a DD Form 200.

D. Determination of Negligence. Determinations must be made on whether the loss or damage to government housing was proximately caused by simple or gross negligence or abuse of the member, the member’s dependents, or guests of either. Such a determination leads to the following considerations:

1. When the proximate cause of the loss or damage is determined to be gross negligence or abuse, the financial liability of the member is the total amount of the loss to the government. Where a member’s dependent or guest causes a loss or damage through gross negligence or abuse, the member is fully liable for the loss or damage if the member was “on notice” of the particular risk involved and failed to exercise reasonable, available opportunities to prevent or limit the loss or damage. In the absence of evidence to the contrary, the member is presumed to have been “on notice” of any risks attending the activities of family members and guests on the premises.
2. Where simple negligence is determined to be the proximate cause of the loss or damage, the financial liability of the member is limited to an amount equal to basic pay for one month at the rate in effect at the time of the loss, or the amount of the loss, whichever is less.

0708 SUPPLY SYSTEM MATERIEL

070801. Purpose

This section applies to personal property defined as “supply system materiel,” and contains procedures to be followed when inventory losses are discovered. The provisions of this chapter are applicable to all activities accountable for supply system materiel including stock fund and other inventories (e.g., appropriated fund, etc.).

070802. Inventory

Physical inventories shall be taken in accordance with the provisions contained herein and in DoD Instruction 4140.1, “DoD Supply Chain Materiel Management Regulation.”

A. Discrepancies. Despite the safeguards established by DoD Components in the care and maintenance of supply system stocks, discrepancies may occur between stock record balances and materiel in storage. These discrepancies are subject to post-count validation, pre-adjustment research, and causative research, as prescribed in Chapter 7, DoD 4000.25-2-M “Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP).”

B. Adjustments. An adjustment shall be made to the inventory and financial records to bring those records into balance after appropriate research. Care should be taken to process the transactions correctly (e.g., an issue posted twice should be corrected by a reversal (credit transaction), not as a loss of inventory). These types of corrected discrepancies are referred to as resolved discrepancies. For unresolved inventory losses, an inventory adjustment document or a DD Form 200 shall be used to substantiate adjusting the inventory and accounting records to the stock on hand and to provide relief from property accountability or responsibility.

C. Causative Research

1. Causative research shall be conducted for all inventory discrepancies that meet any of the criteria specified in DoD 4000.25-2-M “Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP).” For inventory discrepancies which do not meet the criteria for performing causative research, a justification for adjusting the inventory and accounting records and relief from property accountability shall be provided by means of an inventory adjustment document in accordance with section D., below.

2. The purpose of this research is to establish liability or provide relief from accountability for the accountable property officer and/or property custodian for the loss, damage destruction, or theft of supply system materiel; and determine if the loss to the government was proximately caused by the negligence or abuse of individuals. If an individual accepts
responsibility for the loss, damage destruction, or theft of supply system materiel and voluntarily reimburses the government, a DD Form 200 is not required. The collection voucher may be used to adjust the financial and accountable property records.

D. DD Form 200 Used in Substantiating Inventory Loss Adjustments. When authorized, the reviewing authority may approve physical inventory adjustments equal to or less than $50,000, when negligence or abuse is not evident or suspected. When negligence or abuse is evident or suspected, the reviewing authority shall initiate an investigation in accordance with paragraph 070204. The investigation shall be used to substantiate adjusting the stock record, and providing relief from property accountability.

070803. Resolved Inventory Losses

A. Accountability. The data developed by post-count validation, pre-adjustment research, and causative research shall be utilized to prepare correcting documentation so that the inventory accounting systems may be updated. These adjustments shall be processed in accordance with this regulation and DoD 4000.25-2-M.

B. Statistics. This type of data shall be classified in accordance with Chapter 7 of DoD 4000.25-2-M and the data accumulated to identify trends and problem areas.

070804. Unresolved Inventory Losses Not Meeting the Criteria for an Investigation

A. Accountability. Relief from property accountability and justification for the adjustment of the inventory and accounting records to the inventory on hand shall be provided by means of an inventory adjustment document. The detail data requirements and procedures for preparing and processing the inventory adjustment document shall be as prescribed in appropriate DoD Component implementing documents.

B. Authority for Adjustment. If the cause or probable cause of the discrepancy has not been determined, and the discrepancy does not qualify for causative research, this paragraph shall be cited as authority for relieving the accountable officer of accountability.


070805. Unresolved Inventory Losses - Causative Research Indicates No Personal Responsibility

A. Accountability. See paragraph 070804.A, above.

B. Statistics. The type of inventory losses shall be categorized and accumulated by category to identify trends and/or problem areas in accounting or supply system procedures in accordance with Chapter 7 of DoD 4000.25-2-M.
070806. Unresolved Inventory Losses - Causative Research Indicates Evidence of Personal Responsibility

A. **Method of Adjustment.** A financial liability investigation shall be used to support adjustment of the inventory and accounting records to the actual inventory on hand and to relieve the accountable officer of accountability.

B. **Statistics.** See paragraph 070805.B.

070807. Criteria for an Investigation

A financial liability investigation shall be initiated on all unresolved inventory discrepancies for each stock number that meets any of the following criteria:

A. Gains and losses of sensitive items (e.g., drugs designated as controlled substances and assigned to one of five schedules by the Drug Enforcement Agency, Department of Justice, under the Comprehensive Drug Abuse, Prevention, and Control Act of 1970 and any other drugs designated for local control by the Medical Treatment Facility Commander, precious metals, hazardous materiel, small arms, ammunition, explosives) regardless of dollar value.

B. Gains and losses of classified items, regardless of dollar value.

C. Gains and losses of pilferable items when the unit price times the quantity is equal to or greater than $2,500.00 for each stock number.

D. Any inventory loss when there is an indication or suspicion of fraud, theft or negligence.

E. Repetitive losses when the cumulative dollar value of the inventory losses equals or exceeds the projected cost of the financial liability investigation.

F. Bulk petroleum when the loss exceeds the stated allowance.

070808. Procedures for an Investigation

A. **Accountability and Responsibility.** For unresolved inventory losses which meet the criteria set forth in paragraphs 070806 and 070807, above, a DD Form 200 is required to relieve accountable property officer of property custodian from responsibility, to substantiate adjustment of the inventory and accounting records to the inventory on hand, and to identify problem areas or trends for corrective actions. A financial liability investigation should be conducted by a person who is not directly supervised by the accountable property officer or property custodian. It shall include, as a minimum, the following actions:

1. Review and evaluate existing procedures for their adequacy in protecting property.
2. Determine compliance with prescribed regulations and procedures.
3. Determine who is involved and what responsibilities they have been assigned.
4. Determine whether simple or gross negligence or abuse is evident.
5. Review of causative research conducted.
6. Determine the cause or the probable cause of the inventory loss.
7. Recommend actions to minimize recurrence of the inventory loss.

B. Review the Adequacy of Procedures in Protecting Property

1. Physical Security Review. Determine if storage facilities are adequate to ensure proper safeguarding of all items, especially those items that are sensitive, classified, or subject to pilferage. The review should include an evaluation of compliance with regulatory requirements, procedures to determine degree of susceptibility of items to theft or pilferage, and lessons to be learned from losses that have been experienced.

2. Receipt, Storage, and Shipment Procedures Review. Determine if adequate procedures exist to prevent loss from theft or pilferage during receipt, storage, or shipment. The degree of protection should be commensurate with statutory and regulatory requirements, the degree of susceptibility to theft or pilferage, and experienced losses.

C. Determine Procedural Compliance. Determine if the responsible persons have complied with existing procedures to protect government property. If they have not complied with the procedures, determine if they failed to comply or were instructed not to comply.

0709 PETROLEUM PRODUCT/LOSSES

070901. Loss Expectancy

Some losses are unavoidable in the handling and storage of volatile products. These losses can be controlled by management actions to limit the rates of loss for such products so that standards are not exceeded. For this reason, DoD 4140.25-M, Volume II, Chapter 9, “Management of Bulk Petroleum Products, Storage and Distribution Facilities,” provides authorized loss allowances to accommodate product losses normally expected. Losses are categorized as in-transit, operating, and determinable. These categories are defined in Volume II, Chapter 9 of DoD 4140.25-M. However, any trends, such as a pattern of losses within the allowable percentage, shall require further research and investigation.
070902. In-Transit Losses

Losses of product received at DoD activities are allowable only when the actual loss is within the authorized allowance. When a loss exceeds the allowance, a portion of the loss is not allowable, and the entire loss will be reported as prescribed in Volume II, Chapter 9, of DoD 4140.25-M. Causative research, as described in paragraph 070802.C, shall be performed if there is any suspicion of negligence or abuse on the part of U.S. Government personnel who contributed to the loss.

070903. Operating Losses

Terminal operating loss allowances for various types of petroleum products are prescribed in Volume II, Chapter 9, of DoD 4140.25-M. When the loss exceeds the stated allowance, a portion of the loss is not allowable; and the entire loss must be researched and reported in accordance with the provisions in section 0708.

070904. Determinable Losses

Losses which occur from determinable causes (such as tank overflows, spills, pipeline breaks, fire or unrecoverable tank bottom) can normally be precluded or greatly minimized by effective management. These losses shall be researched and reported in accordance with section 0708.
Table 7-1. FINANCIAL LIABILITY INVESTIGATION OF PROPERTY LOSS

<table>
<thead>
<tr>
<th>PRIVACY ACT STATEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUTHORITY: 10 USC 2775; DoD Directive 7200.11; EO 9397.</td>
</tr>
<tr>
<td>ROUTINE USE(S): None.</td>
</tr>
<tr>
<td>DISCLOSURE: Voluntary; however, refusal to explain the circumstances under which the property was lost, damaged, or destroyed may be considered with other factors in determining if an individual will be held financially liable.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1. DATE INITIATED (YYYYMMDD)</th>
<th>2. INQUIRY/INVESTIGATION NUMBER</th>
<th>3. DATE LOSS DISCOVERED (YYYYMMDD)</th>
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<tbody>
<tr>
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<thead>
<tr>
<th>4. NATIONAL STOCK NO.</th>
<th>5. ITEM DESCRIPTION</th>
<th>6. QUANTITY</th>
<th>7. UNIT COST</th>
<th>8. TOTAL COST</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td>0.00</td>
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<thead>
<tr>
<th>9. CIRCUMSTANCES UNDER WHICH PROPERTY WAS (X one)</th>
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<tbody>
<tr>
<td>(Attach additional pages as necessary)</td>
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<tr>
<td>LOST</td>
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</table>

| 10. ACTIONS TAKEN TO CORRECT CIRCUMSTANCES REPORTED IN BLOCK 9 AND PREVENT FUTURE OCCURRENCES (Attach additional pages as necessary) |

<table>
<thead>
<tr>
<th>11. INDIVIDUAL COMPLETING BLOCKS 1 THROUGH 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. ORGANIZATIONAL ADDRESS (Unit Designation, Office Symbol, Base, State/Country, Zip Code)</td>
</tr>
<tr>
<td>b. TYPED NAME (Last, First, Middle Initial)</td>
</tr>
<tr>
<td>c. DSN NUMBER</td>
</tr>
<tr>
<td>d. SIGNATURE</td>
</tr>
<tr>
<td>e. DATE SIGNED</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>12. (X one) RESPONSIBLE OFFICER (PROPERTY RECORD ITEMS)</th>
<th>REVIEWING AUTHORITY (SUPPLY SYSTEM STOCKS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. NEGLIGENCE OR ABUSE EVIDENT/ SUSPECTED (X one)</td>
<td></td>
</tr>
<tr>
<td>b. COMMENTS/RECOMMENDATIONS</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>13. APPOINTING AUTHORITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. RECOMMENDATION (X one)</td>
</tr>
<tr>
<td>b. COMMENTS/RATIONALE</td>
</tr>
<tr>
<td>c. FINANCIAL LIABILITY OFFICER APPOINTED (X one)</td>
</tr>
<tr>
<td>YES</td>
</tr>
<tr>
<td>d. ORGANIZATIONAL ADDRESS (Unit Designation, Office Symbol, Base, State/Country, Zip Code)</td>
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<tr>
<td>e. TYPED NAME (Last, First, Middle Initial)</td>
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<td>f. SIGNATURE</td>
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<tr>
<td>g. DATE SIGNED</td>
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</tbody>
</table>

<table>
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<tr>
<th>14. APPROVING AUTHORITY</th>
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</thead>
<tbody>
<tr>
<td>a. RECOMMENDATION (X one)</td>
</tr>
<tr>
<td>b. COMMENTS/RATIONALE</td>
</tr>
<tr>
<td>c. LEGAL REVIEW COMPLETED IF REQUIRED (X one)</td>
</tr>
<tr>
<td>YES</td>
</tr>
<tr>
<td>d. ORGANIZATIONAL ADDRESS (Unit Designation, Office Symbol, Base, State/Country, Zip Code)</td>
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<td>e. TYPED NAME (Last, First, Middle Initial)</td>
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<td>f. SIGNATURE</td>
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<tr>
<td>g. DATE SIGNED</td>
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</tbody>
</table>
15. FINANCIAL LIABILITY OFFICER
   a. FINDINGS AND RECOMMENDATIONS (Attach additional pages as necessary)

<table>
<thead>
<tr>
<th>b. DOLLAR AMOUNT OF LOSS</th>
<th>c. MONTHLY BASIC PAY</th>
<th>d. RECOMMENDED FINANCIAL LIABILITY</th>
</tr>
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<tr>
<th>e. ORGANIZATIONAL ADDRESS (Unit Designation, Office Symbol, Base, State/Country, Zip Code)</th>
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<tr>
<td>f. TYPED NAME (Last, First, Middle Initial)</td>
</tr>
<tr>
<td>g. DSN NUMBER</td>
</tr>
<tr>
<td>h. DATE REPORT SUBMITTED TO APPOINTING AUTHORITY (YYYYMMDD)</td>
</tr>
<tr>
<td>i. DATE APPOINTED (YYYYMMDD)</td>
</tr>
<tr>
<td>j. SIGNATURE</td>
</tr>
<tr>
<td>k. DATE SIGNED</td>
</tr>
</tbody>
</table>

16. INDIVIDUAL CHARGED
   a. I HAVE EXAMINED THE FINDINGS AND RECOMMENDATIONS OF THE FINANCIAL LIABILITY OFFICER AND [x one]
      Submit the attached statement of objection. Do not intend to make such a statement.
   b. I HAVE BEEN INFORMED OF MY RIGHT TO LEGAL ADVICE. MY SIGNATURE IS NOT AN ADMISSION OF LIABILITY.

<table>
<thead>
<tr>
<th>c. ORGANIZATIONAL ADDRESS (Unit Designation, Office Symbol, Base, State/Country, Zip Code)</th>
</tr>
</thead>
<tbody>
<tr>
<td>d. TYPED NAME (Last, First, Middle Initial)</td>
</tr>
<tr>
<td>e. SOCIAL SECURITY NUMBER</td>
</tr>
<tr>
<td>f. DSN NUMBER</td>
</tr>
<tr>
<td>g. SIGNATURE</td>
</tr>
<tr>
<td>h. DATE SIGNED</td>
</tr>
</tbody>
</table>

17. ACCOUNTABLE OFFICER
   a. DOCUMENT NUMBER(S) USED TO ADJUST PROPERTY RECORD

<table>
<thead>
<tr>
<th>b. ORGANIZATIONAL ADDRESS (Unit Designation, Office Symbol, Base, State/Country, Zip Code)</th>
</tr>
</thead>
<tbody>
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<tr>
<td>d. DSN NUMBER</td>
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<tr>
<td>e. SIGNATURE</td>
</tr>
<tr>
<td>f. DATE SIGNED</td>
</tr>
</tbody>
</table>

DD FORM 200 (BACK), OCT 1999
DEFINITIONS

1. Abuse. Willful misconduct or deliberate unauthorized use.

2. Accountability. The obligation imposed by law, lawful order, or regulation, accepted by an organization or person for keeping accurate records, to ensure control of property, documents or funds, with or without physical possession. The obligation, in this context, refers to the fiduciary duties, responsibilities, and obligations necessary for protecting the public interest; however, it does not necessarily impose personal liability upon an organization or person.

3. Accountable Property Officer (APO). Comparable terms include: Army -- Supply Support Accountable Officer/Property Book Officer; Navy -- Personal Property Manager; Air Force -- Accountable Officer/Chief of Supply/Chief of Materiel Management; Marine Corps -- Accountable Officer; Defense Logistics Agency -- Accountable Property Officer. An individual who, based on his or her training, knowledge, and experience in property management, accountability, and control procedures, is appointed by proper authority to establish and maintain an organization's accountable property records, systems, and/or financial records, in connection with Government property, irrespective of whether the property is in the individual's possession.

4. Accountable Property. A term used to identify property recorded in the Accountable Property System of record.

5. Accountable Property Record. The record contained within the accountable property system of record.

6. Acquisition Cost. The amount, net of both trade and cash discounts, paid for the property, plus transportation costs and other ancillary costs.

7. Appointing Authority. An individual designated in writing by the approving authority. The approving authority may act as the appointing authority. The appointing authority appoints financial liability officers, if required; approves or disapproves the recommendations of the accountable property officer, reviewing authority, or financial liability officer; and recommends actions to the approving authority. The appointing authority is normally senior to the reviewing authority, accountable property officer, and financial liability officer.

8. Approving Authority. The approving authority makes determinations to either relieve involved individuals from responsibility and/or accountability or approve assessment of financial liability. The approving authority may act as the appointing authority or designate an appointing authority in writing. DoD Component regulations shall designate who may serve as the approving and appointing authority. The approving authority is normally senior to the appointing authority.
9. **Collective Liability.** Where more than one individual may be liable for a debt, both collectively or individually.

10. **Commander.** An individual vested with command authority in a DoD Component.

11. **Contractor Acquired Property (CAP).** Any property acquired, fabricated, or otherwise provided by the contractor for performing a contract, and to which the Government has title. Although the Government may have title, CAP has not yet been delivered. CAP that is subsequently delivered to the Government for use on the same or another contract is considered Government Furnished Property. See Definition 18, “Government Furnished Property.”

12. **Controlled Inventory Items.** Those items designated as having characteristics which require that they be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity. Controlled inventory items in descending order of the degree of control normally exercised are:

13. 
   a. **Classified Items.** Materiel which requires protection in the interest of national security.
   
   b. **Sensitive Items.** Materiel which requires a high degree of protection and control due to statutory requirement or regulations, such as narcotics and drug abuse items; precious metals; items which are of a high value, highly technical, or a hazardous nature; and small arms, ammunition, explosives, and demolition materiel.
   
   c. **Pilferable Items.** Materiel having a ready resale value or application to personal possession and which is, therefore, especially subject to theft.

14. **Culpability.** Determination of fault.

15. **Deliberate Unauthorized Use.** Willful or intentional use without right, permit, or authority.

16. **Financial Liability.** The statutory obligation of an individual to reimburse the government for lost, damaged, or destroyed government property as a result of negligence or abuse.
17. **Financial Liability Officer.** An individual who is appointed in writing by the appointing authority to conduct an investigation to determine responsibility for loss, damage, or destruction of government property. Individuals so appointed shall not be the accountable property officer, property custodian, or otherwise have any direct interest in the property being investigated. The individual shall be a commissioned officer; warrant officer; enlisted member in grades E-7, E-8, or E-9; or a civilian employee GS-07, or above. However, the financial liability officer is normally senior to the person(s) directly involved with the discrepancy. The appointing authority may act as the financial liability officer.

18. **Government Furnished Property.** Any property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. Contractor Acquired Property that is subsequently delivered to the Government for use on the same or another contract is considered Government Furnished Property. See Definition 11, “Contractor Acquired Property.”

19. **Gross Negligence.** An extreme departure from the course of action to be expected of a reasonably prudent person, all circumstances being considered. The act is characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences.

20. **Inquiry.** An informal proceeding designed to obtain data and/or information.

21. **Investigation.** A formal proceeding for determining the facts and circumstances related to loss, damage, destruction, or theft of government property; determining the present condition of such property; receiving recommendations as to disposition, retention, and further accountability for such property; or determining the responsibility for loss, gain, damage, or destruction of government property.

22. **Liability.** The state of being responsible or answerable for the loss, gain, damage, or destruction of government property.

23. **Negligence.** The failure to act as a reasonable prudent person would have acted under similar circumstances. An act or omission that a reasonably prudent person would not have committed or omitted under similar circumstances and which is the proximate cause of the loss of, damage to, or destruction of government property. Failure to comply with existing laws, regulations, or procedures may be considered as evidence of negligence.

24. **Probable Cause.** Reasonable grounds for belief.
25. **Property Custodian.** Also known as Responsible Officer. An individual appointed by the Accountable Property Officer, who accepts custodial responsibility for property, typically by signing a hand receipt. The property custodian is directly responsible for the physical custody of accountable property under their control. See Definition 29, “Responsible Officer.”

26. **Proximate Cause.** The cause which, in a natural and continuous sequence of events unbroken by a new cause, produced the loss or damage. Without this cause the loss, gain, or damage would not have occurred. It is further defined as the primary moving cause, or the predominate cause, from which the loss, gain, or damage followed as a natural, direct, and immediate consequence.

27. **Record.** All forms of information (e.g., narrative, graphic data, and computer memory) registered in either temporary or permanent form so that it can be retrieved, reproduced, or preserved.

28. **Research.** An investigation of potential or actual discrepancies between physical count and recorded balances. The purpose of the research is to determine the correct balance and determine the cause of discrepancies. There are three types of research.

29. **Responsible Officer.** An individual appointed by the Accountable Property Officer, who accepts custodial responsibility for property, typically by signing a hand receipt. The property custodian is directly responsible for the physical custody of accountable property under their control. Also known as Property Custodian. See Definition 25, “Property Custodian.”

   a. **Postcount Validation.** A comparison of physical count with potential recorded balances or another count, with consideration of transactions that have occurred recently. The purpose of postcount validation is to determine the validity of the count. Postcount validation research ends when the accuracy of the count has been verified or when any necessary recounts have been taken.

   b. **Preadjustment Research.** A review of potential discrepancies, which involves the consideration of recent transactions and verification of catalog data. The purpose of preadjustment research is to determine the correct balance. Preadjustment research ends when the balance has been verified or the adjustment quantity determined. See *DoD 4140.1-R.*
c. **Causative Research.** An investigation of discrepancies (i.e., gains and losses) consisting of (as a minimum) a complete review of all transactions to include supporting documentation: catalog change actions, shipment discrepancies, and unposted or rejected documentation occurring since the last completed inventory; the last location reconciliation which included quantity; or back one year whichever is sooner. The purpose of causative research is to identify, analyze, and evaluate the cause of inventory discrepancies with the aim of eliminating repetitive errors. Causative research ends when the cause of the discrepancy has been discovered or when, after review of the transactions, no conclusive findings are possible.

30. **Responsibility.** The requirement placed on an organization or individual who acts as the custodian of another individual’s property by controlling, supervising and managing the property in their care.

31. **Reviewing Authority.** An individual designated in writing by the approving authority to review and analyze the results of supply system stock research.

32. **Simple Negligence.** See Definition 23, “Negligence.”

33. **Standard Price.** The unit price of an item, as it is recorded in the Standard Catalog for use in financial and accountable records of the holding Service of Agency. (An item not included in the appropriate Service or agency pricing catalog shall be priced at original cost, if available, or if not known, at fair market value, as stated in paragraph 070208.A.2.)

34. **Stock Record.** A perpetual inventory form of record that shows by nomenclature, the quantities received, issued, and the balance on hand. The stock record shall show by item the receipt, issue, and transfer of accountability of property; the balances on hand; and such other identifying or stock control data as required. See DoD 4140.1.

35. **Supply System Materiel.** Supply system materiel refers to those inventories, wholesale and below wholesale, where a stock record account is required to be maintained. See DoD 4140.1.

36. **Value.** The financial value of an item. Typically, the original acquisition cost or, in the case of capital equipment, the full cost or net book value.

37. **Willful Misconduct.** Intentional damage, destruction, misappropriation, or loss of government property.
VOLUME 12, CHAPTER 8: “FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated December 2012 is archived.

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<td>0801</td>
<td>Renamed the first section to “General,” added an “Authoritative Guidance” paragraph, and incorporated guidance from Title 10, United States Code, section 1592.</td>
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CHAPTER 8

FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE

*0801 GENERAL

080101. Purpose

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

080102. Authoritative Guidance

A. The National Defense Authorization Act (NDAA) for Fiscal Years 1992 and 1993 authorized a trust fund account to accumulate funds to finance obligations for separation payments to foreign national employees of the DoD. The NDAA for Fiscal Year 1995 extended this authorization to include foreign nationals employed by a foreign government, for the benefit of DoD, under any of the following agreements that provide for payment of separation pay: (1) a contract, (2) a treaty, or (3) a memorandum of understanding with a foreign nation. Title 10, United States Code, section 1581 (10 U.S.C. § 1581), “Foreign National Employees Separation Pay Account,” provides for the establishment and operation of this account. Use of the term “foreign national employees” in this chapter is meant to apply to both foreign national direct and indirect hire employees. 10 U.S.C. § 1592 establishes that funds in the “Foreign National Employees Separation Pay Account, Defense” account may not be used to pay severance pay to a foreign national employed by DoD that provides for payment of separation pay if the separation of the employment of the foreign national is the result of the closing of, or the curtailment of activities at, a United States military facility in that country at the request of the government of that country.

B. This guidance applies to all DoD appropriations. This guidance does not apply to activities under the Defense Working Capital Fund (DWCF). DWCF activities must continue to make necessary foreign national employee severance payments under established DWCF procedures. This guidance also does not apply to the Foreign Military Sales (FMS) Trust Fund. The FMS Trust Fund activities must continue to accrue and disburse separation pay to their foreign national employees from the FMS Trust Fund. Use of non-appropriated funds (NAF) to pay for severance or separation entitlements, accrued during periods of employment with appropriated funded (APF) entities is prohibited.
0802  POLICY

*080201.  Calculations

Amounts to be obligated for foreign national employees separation pay must be determined and calculated at the installation level in accordance with applicable host country agreements. These amounts must be obligated in the full amount of the liability that accrues during the fiscal year, without regard to whether the amount is currently payable. Disbursement of these amounts must be made from the Treasury “Foreign National Employees Separation Pay Account, Defense,” 097X8165. The applicable Treasury receipt account is 097X8165.001, “Employing Agency Contributions, Defense.” Additional guidance on obligations for separation allowances for foreign national employees can be found in Volume 3, Chapter 8.

080202.  Pay Accruals

Foreign national employee separation pay accruals (obligations) must be transferred quarterly to the “Foreign National Employees Separation Pay Account, Defense.” Such amounts are to be transferred via a Standard Form (SF) 1081, “Voucher and Schedule of Withdrawals and Credits.”

080203.  Director, Defense Finance and Accounting Service

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

080204.  Administrative Subdivisions

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

080205.  Disbursements

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

080206.  Transfers

Transfers into the “Foreign National Employees Separation Pay Account, Defense” must be made as follows:
A. All amounts accrued (obligated) for foreign national employee separation pay liability during each fiscal year by any DoD Component must be transferred into the account quarterly via an SF 1081. Forward a copy of the back-up documents to DFAS Indianapolis - Accounting Operations mailbox at: dfas.indianapolis-in.jja.mbx.cin-jjra@mail.mil.

* B. When payments from a DoD Component’s subdivision of the account exceed the balance in that Component’s subdivision, additional amounts must be obligated from funds otherwise available to a DoD Component and subsequently transferred into the account under authority provided in the 10 U.S.C. § 1581. These transfers must equal the amount of the payment in excess of the balance of the DoD Component’s subdivision of the account, plus any amounts accrued but not currently payable. Additional guidance on the transfer of a foreign national employee from one DoD Component to another can be found in Volume 3, Chapter 8.

C. Each DoD Component, in conjunction with the Director, DFAS, or designee, must perform at least an annual review of the amounts in its respective account subdivision and compare such amounts to its foreign national separation pay liabilities to ensure sufficient funds have been obligated for future payment. Both parties must certify to the accuracy of the information. This annual review must occur each April. DFAS and the other DoD Components also must maintain an audit trail of accounting records and assure the establishment of an effective internal control system for the entire account.

080207. Deobligations

Each DoD Component must notify its supporting DFAS site of all deobligation transactions, adjustments and corrections, in a timely and accurate manner. The respective site will record adjustments and corrections in the accounting records.

080208. Availability of Deobligated Amounts

Amounts deobligated by DoD Components must remain in the account for a period of 2 years from the date of deobligation for recording, adjusting, and liquidating amounts properly chargeable to the liability of the respective DoD Component. Any such deobligated amount remaining after the 2-year period must be cancelled.

0803 SUBSEQUENT DISBURSEMENTS

*080301. Validation of Funds Availability

When approved by DFAS, disbursements for foreign national employee separation payments may continue to be made by local disbursing offices, including the Department of State, using DoD cross-disbursement procedures as applicable. Each DoD Component and non-DoD office (e.g., Department of State) must coordinate its disbursement/cross-disbursement actions with the supporting DFAS site to validate the availability of funds prior to disbursement.
A positive balance in the account is necessary prior to payment; therefore, both DoD and non-DoD activities will verify from the supporting DFAS site that sufficient funds are available prior to submitting vouchers to servicing disbursing offices for employee payments. Guidance on cross-disbursements involving foreign currency payments can be found in Volume 6A, Chapter 7, Appendix C.

*080302. Cross-Disbursements

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

0804 RESPONSIBILITIES

080401. DFAS Indianapolis – Accounting Operations

The DFAS Indianapolis, Accounting Operations must:

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

B. Maintain a general ledger account structure with necessary subsidiary ledgers to support the various accounts. Also accurately maintain subsidiary ledgers and an audit trail. The detail subsidiary ledgers may remain at the supporting DFAS sites or DoD Component field level activities.

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

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

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

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

080402. DoD Components

The DoD Components must:

A. Determine the obligation amount and notify the supporting DFAS site in a timely manner to accomplish the quarterly transfer. This information will be the basis for future SF 1081 processing and for updating the accounting records.
B. Process the SF 1081 and return a copy to the supporting DFAS site in a timely manner.

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

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

E. Provide the supporting DFAS site with a point of contact, telephone and fax numbers, and current mailing address.
VOLUME 12, CHAPTER 9: “INTERNATIONAL AGREEMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

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CHAPTER 9

INTERNATIONAL AGREEMENTS

0901 OVERVIEW

090101. Purpose

This chapter establishes the financial procedures that shall be followed when DoD Components initiate, develop, and request formal review of international agreements and any annexes, appendices, amendments, or modifications thereto.

0902 GENERAL

090201. International Agreement Document

The term “international agreement” includes any document, among others, identified as an international agreement, memorandum of understanding, memorandum of agreement, memorandum of arrangement, exchange of notes, exchange of letters, or technical arrangement with one or more foreign governments (including their agencies, instrumentalities, or political subdivisions) or with an international organization. It does not include Foreign Military Sales (FMS) transactions and contracts entered into under the provisions of the Federal Acquisition Regulation or agreements financed with security assistance funds. The latter agreements are implemented under provisions identified in Volume 15.

090202. International Agreement Design For Coordination

Each international agreement submitted for coordination must contain a fiscal and legal memorandum in accordance with DoD Directive 5530.3, “International Agreements,” paragraphs 9.3.2 and 9.3.3, or a Summary Statement of Intent (SSOI) in accordance with DoD Instruction 5000.2, “Operation of Defense Acquisition System,” Enclosure 9, section E9.4.1 and the Defense Acquisition Guidebook, Chapter 1 Supplement, The fiscal memorandum shall identify all financial implications of the agreement and provide all information required for a complete understanding and analysis of those implications. The legal memorandum shall identify the statutory authority for any obligation or expenditure of United States (U.S.) appropriated or nonappropriated funds involved in the agreement, as well as the legal basis for any use of U.S. Government property by or on behalf of a foreign government or international organization contemplated by the agreement. The SSOI, in addition to providing information on the fiscal implications and the legal basis for the agreement, provides information such as overview, objective, partner nations, project management, benefits/risks to the U.S., potential industrial base impact, procurement, information security and technology transfer, and points of contact. It is the responsibility of the proponent to provide the references and details supporting the agreement as requested by the approving officials.
0903 LEGAL CONSIDERATIONS

090301. General

Legal authority information is critical to the preparation of an agreement and is the basis for determining the legal authority for entering into the agreement and subsequent financial requirements. The legal information is used by financial management officials to review applicable international agreements and determine the existence of any special pricing or funding requirements. The legal information normally provides the following, as relevant:

A. Special Legal Pricing Requirements. The legislative authority to enter into an agreement also may mandate special pricing requirements on the U.S. Thus, the legal authority information shall identify any peculiar pricing that must be reflected in the agreement. In the absence of specific legal authority to price on other than a full cost basis, DoD services and materials shall be priced on a full cost basis.

B. Legal Requirement for the Disposition of Monies Collected by the Department of Defense (DoD). Amounts collected as reimbursements for DoD material or services or new procurements must be deposited into the miscellaneous receipts of the U.S. Treasury, unless there is specific legal authority to credit collections to a DoD appropriation or fund. Options available for deposit of collections include deposit to an appropriation account, a commercial bank account, or a U.S. Treasury deposit account.

C. Legal Requirement for Recognition of Obligational Authority. Obligational authority can be created only to the extent that funds are collected and deposited into the U.S. Treasury and appropriated by Congress, unless there is express legal authority to create obligational authority on a dependable undertaking (contract authority) or other basis.

D. Special Prohibitions or Requirements on the Use of Appropriated Funds. The legal information section shall identify any special prohibitions or requirements on the use of appropriated funds in support of the agreement. These special prohibitions are in addition to the standing prohibitions discussed in paragraph 090404. An example of a special requirement is when FMS credit funds are to be used to finance co-production or licensed production in a foreign country. The approval of such use requires the Secretary of State first to advise the Congress. (See section 42(b) of the Arms Export Control Act (AECA).)

0904 FISCAL CONSIDERATIONS

The fiscal information in the fiscal memorandum or SSOI documents the various financial considerations involved in implementing an international agreement. Specific considerations to be included in the fiscal information are as follows:

090401. Financing Sources for U.S. Costs

A. The fiscal information shall include a schedule of proposed financing sources to be used by the sponsoring DoD Component to implement the agreement. Financing sources may
be current appropriations or funds, provision for inclusion in the Future Years Defense Program (FYDP), or a statement of an intent to include in future program and/or budget requests or FYDPs. This information shall be in a schedule form by FY as illustrated in Table 9-1. When current appropriations or funds are to be used as a financing source, the fiscal information section shall identify the specific appropriation(s) or fund(s), the FYDP Program Element, the amount(s) available therein, and the respective amounts to be used. If the source of financing in current appropriations is in two accounts, the applicable sources of financing must be supported by details showing the specific financing appropriation account symbols.

B. If the proposed international agreement is, in fact, a firm order for goods or services, a formal certification of fund availability shall be included. Applicable funds shall be committed in accordance with Volume 3 of this Regulation.

090402. Provisions for the Disposition of Funds Collected

The fiscal information section shall describe the planned disposition of any funds collected from the foreign country or international organization. The four possible alternatives for disposition of amounts collected are as follows:

A. Reimbursement to Financing DoD Appropriations or Funds. If reimbursements are to be returned to the financing DoD appropriation accounts, the fiscal memorandum or SSOI shall identify the accounts to be reimbursed. This identification need not specify the fiscal year of the appropriations. Normal reimbursable accounting procedures shall apply.

B. Deposit in the U.S. Treasury as Miscellaneous Receipts. Without statutory authority to reimburse DoD appropriations or funds or to make other disposition, collections shall be deposited into the U.S. Treasury as miscellaneous receipts. The miscellaneous receipt account to be credited with such collections shall be specified by the depositor. DoD accounting systems shall accumulate costs incurred on behalf of the other participant(s), establish an accounts receivable identified to the applicable miscellaneous receipts account and bill such amounts.

C. Deposit in a U.S. Treasury Deposit Account. If a Treasury deposit account has been established for the agreement, the fiscal memorandum shall identify the appropriate U.S. Treasury account symbol.

D. Deposit in a Commercial Bank Account

1. If execution of a proposed agreement contemplates use of a commercial bank account for a foreign country’s funds, such a provision shall be included in the fiscal memorandum or SSOI with a description of intended bank account operation.

2. For contracts administered by DoD, two funding accounts must be cited: the DoD appropriation account for the U.S. share and the commercial bank account for the share of the other participant(s). The fund citation on the contract shall indicate the commercial
bank account rather than the normal accounting classification code. In this case, only the Department can draw down on the commercial bank account.

090403. Use of Amounts Credited

Foreign contributions collected by a DoD Component under terms of a cooperative project on a cost sharing basis from a foreign country or North Atlantic Treaty Organization (NATO) may be credited to a financing DoD appropriation or fund. Such contributions, however, are available only for the payment of the share of project expenses allocated to the foreign country or NATO making the contribution. The fiscal memorandum or SSOI shall certify that such collections will be used only for purposes as prescribed herein. Payments for which such amounts are available include the following:

A. Payments to contractors and other suppliers (including DoD and other participants acting as suppliers) for necessary articles and services.

B. Payments for any damages and costs resulting from the performance or cancellation of any contract or other obligation.

C. Payments or reimbursements of other program expenses, including program office overhead and administrative costs.

D. Refunds to other participants.

090404. Availability of Financing Sources

There are two general prohibitions on the use of appropriated funds for international agreements. In addition, the legal section must identify any other applicable prohibitions. It is implicit in the identification of the financing sources set forth in paragraph 090401, that funds are available. It is desirable, however, to include in the fiscal information section a certification that all legal and policy prohibitions on the use of funds have been complied with. The general prohibitions are as follows:

A. No funds designated by the Congress for NATO or major non-NATO cooperative research and development under 10 U.S.C. 2350a may be used to procure equipment or services from any foreign government, foreign research organization, or other foreign entity (including NATO participants) to the agreement.

B. U.S. Government military assistance funds (i.e., Foreign Military Financing, FMS loans, and FMS credits) are not available to finance a foreign participant’s share of the cost of a cooperative project authorized by section 27 of the AECA or a cooperative development project with a major non-NATO ally under 10 U.S.C. 2350a.
090405. Financial and Nonfinancial Contributions

A contribution to an international agreement may be financial, nonfinancial, or both. Nonfinancial contributions may be in the form of defense articles or defense services needed for the cooperative project. In the event that the contribution is nonfinancial, a price analysis must be made to ensure the valuation assigned to such nonfinancial contribution is fair and reasonable. The fiscal information section shall summarize the results of such an analysis. The price analysis shall be based on prior cost experience for the nonfinancial contribution to be provided. When a foreign contribution is in the form of foreign currency or the awarding of a contract in a foreign country, the foreign currency contribution generally shall be valued at the exchange rate current at the time that the agreement is prepared. There shall be no subsequent modification of the valuation because of changes in the currency exchange rate. The fiscal memorandum or SSOI shall display the value of the currency in terms of U.S. dollars.

090406. Valuation of Nonfinancial Contributions

The value of all nonfinancial (background data/information, software, services, military and civilian labor, materiel, equipment, and facilities) contributions to an agreement is to be determined and considered for the evaluation of equitableness of the proposed project. The fiscal memorandum or financial section of the SSOI shall describe the nonfinancial contributions, indicate their value, and state the method used in determining the valuation. The nonfinancial contributions shall also be valued in terms of U.S. dollars in the fiscal memorandum or SSOI. The alternatives for determining the value of nonfinancial contributions are as follows:

A. Full Costs. Volume 11A, Chapter 1 provides guidance on the specific cost elements and identification methods for pricing sales to private parties. These same methods shall be followed in valuing nonfinancial contributions to an international agreement.

B. Other Than Full Costs. An agreement that requires the identification or use of less than full cost is normally authorized only when a reciprocal pricing agreement has been entered into by the Department and the other party (parties) to the agreement. The agreement shall demonstrate that costs to be excluded mutually have not been considered by the other party in a determination of equitableness.

C. Cost Recoupment Waivers. In the event that less than full cost is being identified on the basis of a cost waiver, the legal authority for the waiver, the date of the waiver, and its approving authority must be provided in the SSOI. Copies of such waivers shall be made available on request.

090407. Reasonable and Necessary Expense

Any obligation of DoD appropriations under an international agreement must be supported by a showing that it is a reasonable and necessary expense required for the accomplishment of DoD missions, unless the use of DoD funds for other than a DoD mission specifically is authorized by statute.
0905 PROPOSED AGREEMENT

090501. Financial Policies and Appropriate Cross References

An agreement must contain language that implements the requirements established by U.S. law and regulation. This section discusses the financial policies that must be followed and provides appropriate cross references to other parts of this Regulation that provide more specific guidance.

090502. Fund Availability Qualification

A. Because agreements may involve future years for which the Congress has not yet appropriated funds, all agreements that require that DoD provide financial contributions shall contain a funds availability clause to prevent a premature recording of an obligation against a future year’s appropriation.

B. Examples of typical fund availability qualification clauses inserted in an international agreement follow:

1. “All undertakings of the U.S. Government under this agreement and any annexes, appendices, amendments, or modifications thereto, are expressly subject to the availability of U.S. funds for such purpose.”

2. “The obligations of each participant under this agreement are subject to the availability of funds for those purposes.”

090503. Reconciliation of Agreement Dollar Value to Financing Sources

An international agreement must set forth the dollar value of the agreement and portions of the dollar value that must be borne by each participant. This cost sharing may be in the form of monies or nonfinancial contributions. A preliminary requirement is to ensure that any obligations that the Department may be required to incur in implementation of the agreement have been identified in the fiscal information section. Nonfinancial contributions, described in the scope section, may be valued in the fiscal information section as part of the overall financial contributions, or described solely in the scope section without valuation in the financial information section. The financial information in the fiscal memorandum or SSOI will value all financial and nonfinancial contributions identified in the international agreement.

090504. Adherence to Prescribed Pricing Rules

A. In the event that an international agreement provides for nonfinancial contributions, there must be assurance that proper pricing procedures have been followed. Paragraphs 090405 and 090406 of this chapter discuss special requirements that may be applicable to certain agreements. The text of an agreement must be reviewed carefully to ensure compliance with these paragraphs. An area of special pricing attention is charges for existing DoD technical data and computer software, or the use of equipment or facilities.
B. Preexisting technical data and computer software or such data developed outside the scope of an agreement is normally referred to as background data. When background data is a nonfinancial contribution, its value for determining equitability is its full (total) cost of development, adjusted for any special modifications, shipping, installation, etc. When the original development cost is unknown, background data should be valued at the cost of similar data, or the estimated cost to reconstruct the data.

C. Background data may be provided for use in furtherance of the purpose of an international agreement as long as it is used solely in connection with the purpose of the agreement. However, an agreement must specify that if the background information is used for any other purpose, approval of the originating participant must be obtained. The following specifics apply:

1. If the data are to be used for cooperative production purposes, the Department must receive appropriate financial credit as part of the DoD share of project cost, unless a cost recoupment waiver has been approved. Any provision for waiver shall be identified in the fiscal information section.

2. If the data is to be used for development and production purposes, a technology transfer fee may be applicable for the development phase. This fee may be offset by a nonrecurring cost recoupment charge when production occurs.

3. All background information exchanged shall be used only for the purposes of the agreement, and is not to be transferred to any third party without the approval of the originating participant.

D. Equipment and facilities provided for use in the furtherance of the purpose of an international agreement should be based on an amortized rate. This amortized rate should be based on the cost and useful life of the equipment or facilities, and applied to the length of time the equipment or facilities will be used in the furtherance of the purpose of the international agreement. Standard rates, if available, can also be used.

090505. Determination of Program Equitableness

* A. Public law and DoD policy require that international agreements that involve cost sharing be equitable. The U.S. and the other participants to an international agreement shall contribute their equitable share of the full cost in funds or in defense articles or services needed to execute the cooperative project, and shall receive their equitable share of the results of the cooperative project in the form of defense articles or services. A participant’s cost share must be proportionately equal to the benefits it receives. The following methodology for determining equitability is in direct response to those requirements and is based on the authority of the Under Secretary of Defense (Comptroller) in accordance with 10 U.S.C. 135 and DoD Directive 5118.3, “Under Secretary of Defense (Comptroller)/Chief Financial Office, Department of Defense,” for establishing and supervising the execution of uniform DoD policies, principles, and procedures for international financial matters, including the adequacy of international financial agreements.
B. The SSOI or fiscal memorandum to a proposed international agreement must clearly explain why the agreement is considered equitable. Prior to approval of all proposed international agreements, a determination of agreement equitability must be made by the approving DoD officials. It is critical that sufficient detail and information be provided to clearly demonstrate to approving officials that the proposed international agreement is equitable.

C. Calculation of Expected Contribution. In support of an equitability determination by DoD approving officials, the expected contribution shall be calculated and presented in the SSOI or supporting documentation using one of the methods below:

1. **Number of Participants Method.** This is the preferred method of calculating the expected contribution for cooperative feasibility studies, research and development efforts, and test and evaluation programs, and for agreements that establish management or oversight program offices. It is the method that should be employed when estimated unit production quantities are not known or the number of benefiting assets is equal. Under the number of participants method, the expected contribution is determined by dividing the agreement costs by the number of participating nations. An equitable share is where all participating nations equally share the total cost and the benefits. An example of this method is provided in Table 9-2.

2. **Estimated Unit Production Method.** This is the preferred method of calculating the expected contribution for an agreement that cooperatively establishes a program for the production of defense articles or weapon systems. It is used when specific unit production quantities are known or can be estimated. Under the unit production method, the shares are considered to be equitable when the contribution is proportionately equal to the share of the program production to be received. An example of this method is provided in Table 9-3. An equitability statement is required in the SSOI or accompanying documentation, and it must clearly present the calculation showing production estimates in relation to the total cost of the international agreement or production program.

3. **Benefiting Assets.** This is the preferred method of calculating the expected contribution when the number of benefiting assets are known or can be estimated. Under the benefiting assets method, the shares are considered to be equitable when the contribution is proportionately equal to the number of assets that will be benefited. An example of this method would be Table 9-3 where the number of units is replaced with benefiting assets. An equitability statement is required in the SSOI or accompanying documentation, and it must clearly present the calculation showing benefiting assets in relation to the total cost of the international agreement.

4. **Other Methods of Calculation.** There may be situations when none of the above three methods apply, and another calculation is legally supportable. For example, where the U.S. has agreed by treaty to pay a specified percentage of the costs of the operations of an international organization. An equitability statement is required in the SSOI or accompanying documentation. The calculation and justification for use of that calculation must be clearly presented.
090506. Sales and Transfers of Technical Data Developed Under an Agreement

An agreement should provide that, in the event technical data developed under the agreement is sold or transferred to third parties, a charge may be made to recoup a pro-rata share of each participant’s investment. The agreement also must provide that background information and data developed outside the program not be retransferred without the prior approval of the owner of the information or data, and contain provisions for any applicable charges. For third party sales and transfers, or the addition of new participants, any recoupment charge for the information or data developed under the program must be shared on the basis of the participants’ financial contribution to the development of the item or technology. The amount of the charge and the procedures for assessing and distributing it shall be determined mutually by the participants prior to the approval of any such third party sale consistent with the policies and laws of each participant. The agreement also should provide that any participant may reduce or waive the assessment of its share of the levy in accordance with its laws and policies. Furthermore, the agreement should provide for rights of use of information developed under the agreement for defense purposes of a participant without payment to the other participant(s).

090507. Taxes, Duties, and Similar Charges

Agreements should provide that, insofar as existing laws and regulations permit, the participants shall use their best efforts to ensure that readily identifiable taxes, customs duties, and similar charges on the program components and services shall not be levied in connection with the project. If an agreement obligates the U.S. Government to bear the cost of any U.S. taxes, duties, or similar charges levied in connection with the program, the legal memorandum or SSOI must identify the legal authority for such U.S. obligation.

090508. Advance of DoD Funds

A. An advance constitutes a disbursement of DoD funds before an authorized DoD official has certified that materials have been delivered or ordered services performed. An agreement shall not provide for DoD advance payments, unless the conditions for such advances, as set forth in Volume 4, Chapter 5 are met. An advance to a foreign country is authorized only when required for compliance with the laws and ministerial regulations of the foreign country and is further required by the agreement.

B. When possible, advances shall be made for no more than the amount necessary to fulfill the DoD share of project expenses for one month. Advances and prepayments shall not exceed the amount necessary to fulfill the DoD share of project expenses for a current fiscal quarter. If monies are paid in advance and deposited into commercial banks, provision must be made to ensure that the agreement requires:

1. Payment of interest at competitive rates;
2. Timely identification of interest earned by each party; and
3. Interest disposition in accordance with the participants’ instructions.
C. The DoD share of funding required to support an international project shall be obtained in full by appropriation, and no part of such funding shall be derived from interest earnings on U.S. contributions. In view of this policy, the U.S. Government share of interest earned on U.S. advance payments must be returned to the U.S. Treasury Miscellaneous Receipts Account 3210, “General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified.” The interest shall not be used to reduce a future call for funds, nor used for any project cost that would result in funding derived outside the appropriation process.

D. Advances of DoD funds in excess of 90 days or $5 million require consultation with the Department of the Treasury. Contact with the Department of the Treasury shall be through the Office of the Under Secretary of Defense (Comptroller).

090509. Billing Requirements

When payments are to be made, the agreement or subsequent financial arrangements must include the following information:

A. **Billing Cycle.** Bills for incurred costs are to be rendered on a 30-day cycle. This is a U.S. Treasury requirement and must be adhered to by DoD. However, in the negotiation process and only at the initiation of other participants, agreement may be reached on up to a 90-day billing cycle.

B. **Collecting Office.** The agreement or subsequent financial arrangements shall provide the name and address of the organization to which payments shall be made. It also is desirable to set forth a position title and a telephone number to which questions may be addressed.

C. **Paying Office or Offices.** The agreement or subsequent financial arrangements shall provide the name and address of the organization that is responsible for making payments under the agreement. It also is desirable to set forth a telephone number and a position title to which questions may be addressed.

D. **Payment Terms.** The payment due date shall not be more than 30 days from the date of the invoice, date prepared.

E. **Documentation in Support of Billings.** The agreement or subsequent financial arrangements must identify the form of the bill and the specific supporting details.

F. **Currency of Payment.** Normally, payment shall be in the currency of the supplying nation or the lead country if joint financing is provided for in the agreement. The invoice shall identify the amount paid in foreign currency at the current exchange rate and the equivalent conversion rate in U.S. dollars.
090510. Special Types of Agreements

A. Agreements for Reciprocal Exchange of Materials or Services. These agreements must set forth the time period allowed for exchange of materials and services. They also must set forth financial settlements that must be made if the exchange does not take place. DoD services or materials provided are priced in accordance with Volume 11A, Chapter 1.

B. Cooperative Research, Development, Test and Evaluation, Technical Data Exchange, Co-production, Licensed Production, and Related Standardization Agreements That Are Not Implemented through the Security Assistance Program. Full costs must be identified and shared equitably. Cost sharing may be accomplished through the following:

1. Pooling of monies and designation of a lead country to manage the program, collect cash, and award contracts. Specific shares of program cost are set forth in the agreement.

2. No pooling of monies or designation of a lead country. Specific efforts to be accomplished by each participating country and estimated costs of such efforts are set forth in the agreement.
TABLE 9-1: Example International Agreement Financing Schedule

<table>
<thead>
<tr>
<th>Financing Sources</th>
<th>Current Year</th>
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<th>Current Year + 2</th>
<th>Totals</th>
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<td>1.0</td>
<td>0.0</td>
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<td>U.S./PE 0603567</td>
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<td>0.5</td>
<td>1.0</td>
<td>1.5</td>
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<td>Germany</td>
<td>1.5</td>
<td>1.5</td>
<td>1.0</td>
<td>4.0</td>
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<tr>
<td>Totals</td>
<td>4.5</td>
<td>4.5</td>
<td>3.0</td>
<td>12.0</td>
</tr>
</tbody>
</table>

TABLE 9-2: Calculation of Expected U.S. Contribution Using the Number of Participants Method

**Step 1:** Determine the total program cost to the U.S. and other participants.

- U.S. Share: $150
- Other Participants: $300
- Total Cost: $450

**Step 2:** Determine the percentage of the U.S. share of the total costs under the agreement.

- U.S. Share: $150 = 33% share
- Total Cost: 450

**Step 3:** Determine the total number of participants and calculate the U.S. share on a percentage basis.

- Total Participants: 3
- U.S.: 1 = 33% U.S. as a percentage of Participants

**Step 4:** Compare the results of step two to step three. If the result of step two is equal to the result of step three, the U.S. appears to be paying an equitable share.
TABLE 9-3: Calculation of Expected U.S. Contribution Using the Benefitting Assets Method

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
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<tr>
<td>1</td>
<td>Determine the total program cost to the U.S. and other participants.</td>
</tr>
<tr>
<td></td>
<td>U.S. Share $150</td>
</tr>
<tr>
<td></td>
<td>Other Participants 300</td>
</tr>
<tr>
<td></td>
<td>Total Cost $450</td>
</tr>
<tr>
<td>2</td>
<td>Determine the percentage of the U.S. share of the total costs under the agreement.</td>
</tr>
<tr>
<td></td>
<td>U.S. Share $150 = 33% share</td>
</tr>
<tr>
<td></td>
<td>Total Cost 450</td>
</tr>
<tr>
<td>3</td>
<td>Determine the total number of production units or benefiting assets under the agreement.</td>
</tr>
<tr>
<td></td>
<td>U.S. Units/Assts 20,000</td>
</tr>
<tr>
<td></td>
<td>Other Participants 40,000</td>
</tr>
<tr>
<td></td>
<td>Total Units/Assets 60,000</td>
</tr>
<tr>
<td>4</td>
<td>Determine the percentage of the U.S. share of the total number of production units or benefiting assets under the agreement.</td>
</tr>
<tr>
<td></td>
<td>U.S. Units/Assets 20,000 = 33% share</td>
</tr>
<tr>
<td></td>
<td>Total Units/Assets 60,000</td>
</tr>
<tr>
<td>5</td>
<td>Compare the results of step two to step four. If the result of step two is equal to that of step four, the U.S. appears to be paying an equitable share.</td>
</tr>
</tbody>
</table>

TABLE 9-3: Calculation of Expected U.S. Contribution Using the Benefitting Assets Method
### SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated April 2015 is archived.

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<tr>
<td>100102</td>
<td>Updated title to “Authoritative Guidance” and included additional authoritative sources.</td>
<td>Revision</td>
</tr>
<tr>
<td>100202</td>
<td>Deleted section titled “Limitation of Funding” insufficient language/context; updated chapter numbering thereafter.</td>
<td>Deletion</td>
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<tr>
<td>100203</td>
<td>Deleted the referencing to the “DoD USSGL transaction library” and replaced with reference to the “DoD Standard Reporting Chart of Accounts.”</td>
<td>Revision</td>
</tr>
<tr>
<td>100301</td>
<td>Provided more context as to how separation pay is funded.</td>
<td>Revision</td>
</tr>
<tr>
<td>100302</td>
<td>Deleted section titled “Working Capital Fund Employees” insufficient language/context; updated chapter numbering thereafter.</td>
<td>Deletion</td>
</tr>
<tr>
<td>100302</td>
<td>Added additional language/ context in reference to the BRAC program and funds used.</td>
<td>Revision</td>
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CHAPTER 10

FUNDING CIVILIAN SEPARATION INCENTIVES
AND CIVILIAN PERSONNEL TRANSITION INITIATIVES

1001 GENERAL

100101. Purpose

The purpose of this policy is to provide definitions and funding requirements to implement civilian separation incentives and civilian personnel transition initiatives.

*100102. Authoritative Guidance

The financial management policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of the following sources:


B. Title 5, United States Code (U.S.C.), Section 5724, (5 U.S.C. § 5724)
“Travel and transportation expenses of employees transferred; advancement of funds; reimbursement on commuted basis.”


D. Department of Defense (DoD) Instruction (DoDI) 1400.25, Volume 1700,
“DoD Civilian Personnel Management System: Civilian Assistance and Re-Employment (CARE) Program.”


1002 OVERALL FUNDING POLICY DEFINITIONS

100201. Separation Incentives/Outplacement Subsidies

For the purpose of this policy, the term “civilian separation incentives” means resignation and retirement incentives and outplacement subsidies. The Department of Defense (DoD) activities may pay up to $25,000 for separation incentives or up to $20,000 for outplacement subsidies from appropriations, funds, or accounts available for such purposes to an employee and/or to create a vacancy for another employee.
100202. Audit Readiness/Internal Procedures

Each DoD Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data. Relevant records supporting financial statements must be maintained and made available during financial statement audits.

*100203. Recording Funding Obligations

Funds for separation incentives and outplacement subsidies must be obligated when an employee accepts the offer of an incentive payment. The obligation must be recorded in DoD Standard General Ledger account 640000, “Benefit Expense,” and reported as object class 13.0, “Benefits for former personnel” for separation incentive and object class 12.1 for outplacement subsidies. Refer to the DoD Standard Reporting Chart of Accounts for additional information on account descriptions, and Office of Management and Budget (OMB) Circular A-11, Section 83 for additional information on object class codes.

1003 SPECIFIC FUNDING POLICIES FOR DIFFERENT TYPES OF EMPLOYEES

*100301. Civilian Separation

A DoD Component that offers civilian separation incentives to an employee, in order to induce the voluntary separation of that employee and/or to create a vacancy for another employee of the same DoD Component, must fund the resulting separation payments from the applicable appropriation, fund or account that otherwise is available to pay for salaries and expenses of that DoD Component. The source of voluntary separation incentive pay (VSIP) funds may include a Defense Working Capital Fund (DWCF) for employees of a DWCF-funded activity. DoD central account funding is not provided.

*100302. Base Realignment and Closure (BRAC) Act

Congress amended the BRAC statute in the Fiscal Year 2013 National Defense Authorization Act and created a single Treasury account known as the “Department of Defense Base Closure Account” to improve the BRAC program’s overall efficiency and effectiveness. The Defense Base Closure Account is available for payment of separation incentives when determined necessary to implement a BRAC recommendation. The departmental policy contained in Volume 2B, Chapter 7, subparagraph 070201 provides the general criterion to apply costs to the DoD Base Realignment and Closure Account.

100303. Foreign Military Sales Trust Fund

For employees paid from, or whose salaries are fully reimbursed by, the Foreign Military Sales (FMS) Trust Fund, an offer of separation incentives or civilian personnel transition initiatives (either to an FMS Fund civilian employee or to a non-FMS Fund civilian employee to benefit an FMS Fund civilian employee) must be funded as follows:
A. Separation incentives offered to an FMS civilian employee, in order to induce a voluntary separation of the FMS civilian employee, with the elimination of that FMS civilian employee position, must be paid by the FMS Fund.

B. Separation incentives offered to an FMS civilian employee, in order to create a vacancy within the same DoD Component for another FMS civilian employee who otherwise would be separated, must be paid by the FMS Fund.

C. Separation incentives offered to a non-FMS civilian employee, in order to create a vacancy for an FMS civilian employee who otherwise would have been separated, where the FMS civilian employee continues fully to support the FMS program, must be paid by the FMS Fund.

D. Any costs of outplacement subsidy described in paragraph 100304, for an FMS civilian employee, must be funded by the FMS Fund.

E. No other separation payments are chargeable to the FMS Fund.

100304. Placements Outside the Department

DoD activities may pay up to $20,000 (subject to the availability of funds) in outplacement subsidy for Permanent Change of Station (PCS) costs associated with placement of a surplus DoD employee with another Federal Agency as authorized under 5 U.S.C. §5724 and DoDI 1400.25, Volume 1702. When a DoD Component-offered outplacement subsidy is accepted, the DoD activity must notify the gaining Federal Agency regarding outplacement services. The notification must state that DoD funds may be billed up to $20,000 per employee or for the actual PCS costs, whichever is less. The notification must include the DoD fund citation to be billed and the address of the fiscal station paying the subsidy. Payment must be made by the applicable DoD activity based upon documentation of the amounts paid or to be paid to the employee by the gaining Federal Agency.

1004 CONTROLS OVER AVAILABLE FUNDS

Controls must be established to ensure that sufficient funds are available to cover projected requirements for employee acceptance of incentive offers and outplacement subsidies each quarter. Normal Antideficiency Act provisions apply to the DoD Component appropriations, funds and accounts. Therefore, if available funds are projected to be inadequate to cover anticipated incentive program acceptances and outplacement subsidies; appropriate action must be taken. In this regard, the DoD Components either must cancel or withdraw incentive offers prior to employee acceptance, or obtain additional funds.
VOLUME 12, CHAPTER 11: “PRIVATIZATION OF DEFENSE UTILITY SYSTEMS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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<td>All</td>
<td>Updated hyperlinks, email addresses, and format to comply with current revised guidance, as of 12/2018.</td>
<td>Revision</td>
</tr>
<tr>
<td>110201</td>
<td>Removed sentence in accordance with the 2011 amendment to Title 10, United States Code, section 2688 (10 U.S.C. § 2688), and updated paragraph title.</td>
<td>Revision</td>
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CHAPTER 11

PRIVATIZATION OF DEFENSE UTILITY SYSTEMS

1101 GENERAL

110101 Purpose

This chapter prescribes financial management policies to the implementation of statutory provisions of Title 10, United States Code, section 2688 (10 U.S.C. § 2688), “Utility Systems: Conveyance Authority.” Section 2688 permits the Secretary of a Military Department to convey (i.e., transfer or pass title to) a utility system, or part of a utility system, under the Secretary’s jurisdiction to a municipal, private, regional, district, or cooperative utility company, or other entity (this authority does not apply to utility projects constructed or operated by the Army Corps of Engineers under its civil works authority). A utility system is defined as any system used for the: (1) generation and supply of electric power, steam, hot water, or chilled water; (2) supply of natural gas; (3) treatment or supply of water; (4) collection or treatment of wastewater; or (5) transmission of telecommunications. The term "utility system" also includes the following: (A) equipment, fixtures, structures, and other improvements utilized in connection with a utility system as defined and (B) real property, easements, and rights-of-way associated with a utility system as defined.

110102 Authoritative Guidance

The financial management policies in this chapter correspond with the Department of Defense (DoD) Instruction 4170.11, Installation Energy Management. The Instruction specifies that utilities privatization “is the preferred method for modernizing and recapitalizing DoD utility systems. “To this end, the Instruction provides: “Except where the Secretary of the Military Department has certified that the systems are exempt due to security reasons, or where privatization is uneconomical, the Military Services must attempt to privatize those types of utility systems at every Active and Reserve Component installation within and outside the United States that is not designated for closure under a base closure law.” This guidance also assigns the office of primary responsibility for the Instruction to the Under Secretary of Defense for Acquisition and Sustainment. 10 U.S.C § 2925 defines the annual reporting requirements related to Installations Energy Management, Energy Resilience, and Mission Assurance.

1102 CONVEYANCE OF UTILITY SYSTEMS

*110201 Consideration and Determination

Subsection 2688(c)(1) of 10 U.S.C. provides that the Secretary of a Military Department concerned may require as consideration for a conveyance an amount for the value (as determined by the Secretary) the right, title, or interest conveyed. Such consideration may take the form of a reduction in charges for future utility services or a lump sum payment. Subsection 2688 does not itself constitute authority for the Secretary of a Military Department to convey a utility system without any consideration or cause to be inapplicable to authorities that govern disposal of DoD
real property and personal property. The Secretary of Defense, or the designee of the Secretary, may authorize a contract for utility services to have a term in excess of 10 years, but not to exceed 50 years. The determination of cost effectiveness must be made using a business case analysis that includes an independent estimate of the level of investment that should be required to maintain adequate operation of the utility system over the proposed term of the contract. The business case analysis must also demonstrate how a privatized system will operate in a manner consistent with energy resilience and cybersecurity requirements and associated metrics provided to the conveyee to ensure that the reliability of the utility system meets mission requirements.

110202 Reduction in Charges

A reduction in charges for future utility services is acceptable consideration when the services are provided by the utility or entity obtaining the utility and the reduction in charges is provided to the military installation at which the utility system is located at the time of conveyance. In such circumstances, a reduction in charges for utility services is an exchange of dissimilar assets that does not result in a credit to an appropriation. The consideration (reduction) in such an exchange is considered an Other Asset (Account 199000), and the recorded asset is reduced by charges to Operating Expenses/Program Costs (Account 610000) over the life of the contract for utility services. Corresponding asset disposal losses must be recognized as described in Volume 4, Chapter 17.

110203 Lump Sum Payment

A. Provisions of 10 U.S.C. § 2688 provide that any lump sum cash payment received as consideration for the sale of a utility system must be credited, at the election of the Secretary concerned, to an appropriation of the Military Department available for:

1. The procurement of the same utility services as are provided by the utility system conveyed;

2. Carrying out energy savings or water conservation projects (as discussed in Chapter 12); or

3. Improvements to other utility systems.

B. A lump sum payment must be credited to the appropriation used to fund the types of base operating support costs described in subparagraph 110203.A at the location of the privatized utility system. In most cases, this will be an Operations and Maintenance appropriation. Approval of the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Program/Budget (P/B) is required for the use of any other appropriation type, as described in paragraph 110302.
C. The amount credited to an appropriation must be merged with the funds in that appropriation and must be available for obligation in the same period, for the same purposes, and subject to the same conditions and limitations as that appropriation. There is no provision in the statute for extending the availability of such funds beyond the normal expiration date of the appropriation.

D. The conveyance of a utility for a lump sum payment results in budgetary and proprietary accounting entries by the entity responsible for collection as follows:

1. Receipt of a lump sum payment is recorded in the budgetary accounts as an earned reimbursement, as described in Volume 3, Chapter 15.

2. Receipt of a lump sum payment for the conveyance of a utility is recorded in the proprietary accounts as a gain or loss on disposition of assets, as described in Volume 4, Chapter 17.

1103 CONVEYANCE AUTHORIZATION AND AGENDA

110301 Same Utility Service Procurements

Before utility conveyance proceeds may be used to procure the same utility services as those provided by the utility system conveyed, the organization receiving the funds must submit the proposed distribution of funds to the Assistant Secretary of a Military Department (Financial Management and Comptroller) (ASMD(FM&C)) for approval. The ASMD(FM&C) must notify the supporting Defense Finance and Accounting Service (DFAS) site of approved funds distributions.

110302 Savings and Conservation Projects and Improvements

A. Receiving Organization. Before utility conveyance proceeds may be used for carrying out energy savings or water conservation projects or improvements to other utility systems, the receiving organization must:


2. Ensure the required approval and funding authorization is received before the disbursement of funds.

3. Prepare the paperwork necessary for the disbursement of funds in accordance with Volume 5, Chapter 11.
4. Ensure any amount credited to an appropriation from a conveyance under 10 U.S.C. § 2688, is administered in accordance with the financial policy and guidance in Volume 3, Chapter 15.

B. The ASMD(FM&C). Before approving a receiving organization’s request to carry out energy savings or water conservation projects or improvements to other utility systems, ASMD(FM&C) must:

1. Review the receiving organization’s proposal submitted under subparagraph 110302.A.1, and forward it to OUSD(C), P/B, Directorate for Military Personnel and Construction, for final approval.

2. Ensure required OUSD(C), P/B approval and funding authorization are received before the disbursement of funds is approved.

3. Provide funds control and reporting information to the supporting DFAS site.

4. Notify the receiving organization of the final decision and provide the funding authorization document.

C. The OUSD(C), P/B, Directorate for Military Personnel and Construction

1. Before approving an ASMD(FM&C) request to carry out energy savings or water conservation projects or improvements to other utility systems, OUSD(C), P/B must:

a. Review the receiving organization’s proposal submitted under subparagraph 110302.A.1.

b. Prepare and submit any necessary apportionment and reapportionment schedule using the most current version of Standard Form 132, “Apportionment and Reapportionment Schedule,” (e.g., for urgent unforeseen projects not already included in the Military Construction program) to the Office of Management and Budget (OMB) for approval.

c. Notify the ASMD(FM&C) of the final decision and OMB approval, and provide the funding authorization document.

2. Provide funds control and reporting information to Washington Headquarters Service (for Department-level appropriation accounting).

D. The DFAS. The Director, DFAS, must account for and report on amounts credited to appropriations resulting from a conveyance under 10 U.S.C. 2688 and on any related fixed asset transactions.
VOLUME 12, CHAPTER 12: “IDENTIFICATION, RETENTION, AND USE OF ENERGY AND WATER CONSERVATION SAVINGS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2014 is archived.

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<tr>
<td>All</td>
<td>Updated hyperlinks, email addresses, and format to comply with current guidance.</td>
<td>Revision</td>
</tr>
<tr>
<td>120403</td>
<td>Added a subparagraph B to include new guidance on reporting.</td>
<td>Addition</td>
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CHAPTER 12

IDENTIFICATION, RETENTION, AND USE OF ENERGY AND WATER CONSERVATION SAVINGS

1201 GENERAL

120101. Purpose

This chapter prescribes financial management policy for the identification, retention, and use of energy and water cost savings. The Congress has enacted several measures pertaining to energy security within the Department of Defense (DoD), to provide instruction and guidance for the receipt and use of incentives and water cost savings from utilities for water conservation; the availability and use of energy cost savings; energy savings contracts and activities; energy conservation construction projects; the use of renewable forms of energy and energy efficient products in military construction and facility repair and renovation projects; the sale of electricity from alternate energy and cogeneration production facilities; and for the DoD activities’ participation in programs for management of energy demand or reduction of energy usage during peak periods.

120102. Authoritative Guidance

A. Title 10, United States Code, section 2866 (10 U.S.C. § 2866) “Water Conservation at Military Installations,” provides that funds attributable to water cost savings realized under the provisions of that section must be used as prescribed in subparagraphs 120103.B.1 and 2, provided that such use under subparagraph 120103.B.1 is for water conservation activities. Neither 10 U.S.C. § 2866 nor any provision in the Department’s appropriations acts, however, provide for the extended availability of such funds. Accordingly, such funds are available only for the period for which they were originally appropriated.

B. 10 U.S.C. § 2912, “Availability and Use of Energy Cost Savings,” provides that an amount of funds appropriated to DoD for a fiscal year that is equal to the amount of energy cost savings realized by the Department, including financial benefits resulting from shared energy savings contracts pursuant to 10 U.S.C. § 2913, “Energy Savings Contracts and Activities,” must remain available for obligation until expended, without additional authorization or appropriation. The amount that remains available for obligation must be used as follows:

1. One-half of the amount must be used for the implementation of additional energy conservation and energy security measures, including energy resilience and energy conservation construction projects, for buildings, facilities, or installations of the DoD, or related to vehicles and equipment of the DoD, which are designated, in accordance with regulations prescribed by the Secretary of Defense, by the head of the department, agency, or instrumentality that realized the savings; and
2. One-half of the amount must be used at the installation at which the savings were realized, as determined by the commanding officer of such installation consistent with applicable law and regulations, for (a) improvements to existing military family housing units; (b) any unspecified minor construction project that will enhance the quality of life of personnel; or (c) any Morale, Welfare, and Recreation (MWR) facility or service.

C. 10 U.S.C. § 2913 provides that the Secretary of Defense must develop a simplified method of contracting for shared energy savings contract services that will accelerate the use of these contracts with respect to military installations and will reduce the administrative effort and cost on the part of DoD as well as the private sector. The Secretary may provide for the direct negotiation (by departments, agencies, and instrumentalities of DoD) of contracts with shared energy savings contractors that have been selected competitively and approved by any gas or electric utility serving the department, agency, or instrumentality concerned.

D. 10 U.S.C. § 2914, “Energy Resilience and Conservation Construction Projects,” provides that the Secretary of Defense may carry out a military construction project for energy resilience, energy security, or energy conservation, which has not been previously authorized, using funds appropriated or otherwise made available for that purpose. When a decision is made to carry out a project under this section, the Secretary of Defense must notify the appropriate congressional committees of the decision. The project may then be carried out only after the end of the 14-day period beginning on the date the notification is received by such committees in an electronic medium.

E. 10 U.S.C. § 2915, “Facilities: Use of Renewable Forms of energy and Energy Efficient Products,” provides that the Secretary of Defense must encourage the use of energy systems using solar energy or other renewable forms of energy as a source of energy for military construction projects for energy resilience, energy security, or energy conservation (including military family housing projects), and facility repairs and renovations, and ensure, to the maximum extent practicable, the use of energy efficient products in facility construction, repair, and renovation. The Secretary concerned must require that the design for the construction, repair, or renovation of facilities (including family housing and back-up power generation facilities) must include consideration of energy systems using solar energy or other renewable forms of energy, and require such energy systems be installed if consistent with the energy performance goals and energy performance master plan for the Department and is shown to be cost effective. Additionally, the Secretary of a military department may grant exceptions to otherwise applicable square foot and cost per square foot limitations.

F. 10 U.S.C. § 2916, “Sale of Electricity from Alternate Energy and Cogeneration Production Facilities,” provides that the Secretary of a military department may sell, contract to sell, or authorize the sale by a contractor to a public or private utility company of electrical energy generated from alternate energy or cogeneration type production facilities which are under the jurisdiction (or produced on land which is under the jurisdiction) of the Secretary concerned. The sale of such energy must be made under such regulations, for such periods, and at such prices as the Secretary concerned prescribes consistent with the Public Utility Regulatory

G. 10 U.S.C. § 2919, “Department of Defense Participation in Programs for Management of Energy Demand or Reduction of energy Usage During peak Periods,” provides that the Secretary of Defense, the Secretaries of the military departments, the heads of the Defense Agencies, and the heads of the other instrumentalities of the Department are authorized to participate in demand response programs for the management of energy demand or the reduction of energy usage during peak periods conducted by any of the following: an electric utility; an independent system operator; a State agency; or a third party entity (such as a demand response aggregator or curtailment service provider) implementing demand response programs on behalf of an electric utility, independent system operator or State agency. Financial incentives received from such entity must be (a) received as a cost reduction in the utility bill for a facility; or (b) deposited into a fund established under 10 U.S.C. § 2919(c) for use, to the extent provided for in an appropriations Act, by the military department, Defense Agency, or instrumentality receiving such financial incentive for energy management initiatives.

1202 DEFINITIONS

The following definitions apply with respect to the identification, retention, and use of energy conservation cost savings:

120201. Energy Savings Performance Contracts

An Energy Savings Performance Contract (ESPC) is a contract between the Federal government and an energy service company (ESCO) that allows agencies to accomplish energy projects for their facilities without up-front capital costs and without Congressional appropriations to pay for the improvements. The ESCO designs, implements, and arranges financing for an energy savings project that meets the Federal agency’s needs. The ESCO guarantees that the improvements will generate savings sufficient to pay for the project over the term of the contract (up to 25 years). If the energy conservation measures installed by the ESCO do not deliver the guaranteed energy savings, the agency pays only an amount equal to the verified, not guaranteed, savings for that period. The ESCO must immediately determine the reasons for the under achieved energy savings during that period. If it is determined that the ESCO-installed and maintained equipment and controls malfunctioned, then the ESCO must immediately correct the malfunction. If it is determined that the ESCO-installed and government-maintained equipment and controls malfunctioned, the government may be required to pay the guaranteed savings to the ESCO for that period. After the contract ends, any additional cost savings accrue to the agency. The additional savings are transferred to an extended availability account, in accordance with section 1203 for use as indicated in subparagraph 120103.B. An ESPC is an alternative financing tool to reduce energy use, modernize aging equipment, reduce maintenance costs, and deploy energy efficiency and renewable energy technologies. See DoD Instruction 4170.11, Installation Energy Management, for further details on ESPC.
120202. Energy Cost Savings

Energy cost savings, for the purposes of 10 U.S.C. § 2912, are savings realized as the result of a reduction in the cost of energy as measured against budget documentation, which is determined by metering (if available) or by other methodology, such as professionally acceptable engineering models and estimates, as determined appropriate by the Component Head. The Component Head or designee may define the types of energy commodities to be included in their programs (water is not included as a commodity for this purpose, per subparagraph 120103.A). Energy cost savings could refer to funding remaining after an energy bill is paid or to additional unobligated funding made available in an amount equivalent to avoided cost from energy not consumed during the previous fiscal year.

120203. Extended Availability of Funds

Except as stated in subparagraph 120103.A, pursuant to 10 U.S.C. § 2912, savings realized by DoD and transferred to an extended availability account, including financial benefits, remain available for obligation until expended in accordance with subparagraph 120103.B, without additional authorization or appropriation.

120204. Cost Effectiveness

An energy system using solar energy or other renewable forms of energy is considered cost effective if the cost difference between the original investment cost of that energy system, and the original investment cost of an energy system not using renewable energy sources can be recovered over the expected life of the facility.

120205. Extended Availability of Funds Account

This is an account established for each appropriation to which identified energy cost savings and unobligated balances resulting from such energy cost savings, or a portion thereof, are transferred. The balances in this account remain available for obligation until expended. The Military Department realizing the savings must retain, until expended, an equivalent amount of funding in the extended year account, using appropriately established financial management accounting codes to separate the funding (50 percent of the savings amount for the military department and 50 percent for the installation) to ensure use in accordance with subparagraph 120103.B.

120206. Component Head or Designee

The Secretary of a military department, the Director of a defense agency, an individual designated to act for the Secretary of a military department, or the Director of a defense agency for the purposes of executing the duties, functions, and responsibilities set forth in this chapter. When a provision is applicable only to the military departments, reference is made to the Secretary concerned, or designee.
1203 ENERGY SAVINGS AND INCENTIVES RECEIVED FROM UTILITIES

120301. Extended Availability from Energy Savings

Energy savings amounts having an extended availability must be transferred to extended availability accounts for execution.

A. An extended availability account must be established for each appropriation for which energy cost savings have been identified and for which a period of extended availability is to be established.

B. Transfers to extended availability accounts must be made by a Standard Form (SF) 1151, “Nonexpenditure Transfer Authorization,” or other authorized Service-specific method that incorporates all SF 1151 requirements (see Volume 14, Chapter 1, subparagraph 010206.B.6). Reprogramming actions will not be required in the case of such transfers.

C. Accounting, appropriate controls, and oversight for amounts in extended availability accounts must be established at the level that use the accounts; this will be at the installation, Military Department, Defense Agency, and/or Office of the Secretary of Defense level.

120302. Financial Incentives

Financial incentives received from gas or electric utilities under 10 U.S.C. § 2913 are not considered energy cost savings. These incentives are credited to the installation’s accounts used for operations and maintenance and remain available for the same purposes and the same period as the appropriation to which they are credited. Such incentives are refunds or rebates received as a check and deposited in the accounts used for operations and maintenance; they are not credits to the utility bill.

1204 REVENUES FROM THE SALE OF ELECTRICITY

120401. Sale of Electricity

Proceeds from sales of electricity from alternate energy and cogeneration production facilities under 10 U.S.C. § 2916 must be credited to the appropriation account currently available to the military department concerned for the supply of electrical energy. The Secretary concerned or designee determines the accounts to which such proceeds must be credited. (See Treasury’s Federal Account Symbols and Titles: The FAST Book for current accounts.) In the case of proceeds from the sale of electrical energy generated from any geothermal energy resource, 50 percent must be credited to the appropriation account, and 50 percent must be deposited in a special account per the guidelines that are described in 10 U.S.C. § 2916(b)(3).
120402. Use of Proceeds from the Sale of Electricity

Subject to the availability of appropriations for this purpose, proceeds credited may be used to carry out military construction projects for energy resilience, energy security, or energy conservation, under the energy performance plan developed by the Secretary of Defense under \textit{10 U.S.C § 2911(b)}, “Energy Policy of the Department of Defense,” including minor military construction projects for energy resilience, energy security, or energy conservation, authorized under \textit{10 U.S.C. § 2805}, “Unspecified Minor Construction,” which are designed to increase energy conservation.

*120403. Congressional Notification

A. Before carrying out an unspecified minor military construction project for energy resilience, energy security, or energy conservation, described in paragraph 120402 using proceeds from sales under paragraph 120401, the Secretary concerned must notify the appropriate committees of Congress of the project. For energy conservation projects, the notification must include the justification and cost estimate, the expected savings-to-investment ration, payback estimates, and the project’s measurement and verification cost estimate. For energy resilience or energy security, the notification must include the rationale for the project, and known vulnerabilities. The project may then be carried out only after the end of the 14-day period beginning on the date the notification is received by Congress in an electronic medium pursuant to \textit{10 U.S.C. § 480}, “Reports to Congress: Submission in Electronic Form.”

B. In accordance with the reporting parameters detailed in 10 U.S.C. § 2914, not later than 90 days after the end of each fiscal year (beginning with fiscal year 2017), the Secretary of Defense must submit to the appropriate committees of Congress a report on the status of the planned and active projects carried out (including completed projects).

1205 BUDGETING FOR ENERGY COST SAVINGS

The portion of the guaranteed savings due to the contractor for payment under ESPCs must be included in each military department’s utility requirements submitted in budget requests for the length of the ESPCs entered into by that military department. The entire amount of guaranteed savings provided in ESPCs (including amounts for contract payments and amounts to be retained by installations) must be included in total utility requirements submitted as part of budget requests for the first five years of ESPCs. The total of the amounts requested must not exceed those that would have been requested in the absence of ESPCs. The Secretary concerned, or designee, must specify the procedures for identification of such amounts by installations, facilities, or operating locations at which ESPCs for that military department are in existence. In accordance with the Office of Management and Budget (OMB) \textit{Circular A-11, Appendix B}, “Budgetary Treatment of Lease-Purchases and Leases of Capital Assets,” the costs of ESPCs may be scored on an annual basis, consistent with the guidance provided in OMB Memorandum M-98-13, “Federal Use of Energy Savings Performance Contracting,” and OMB Memorandum M-12-21, “Addendum to OMB Memorandum M-98-13 on Federal Use of Energy Savings Performance Contracts and Utility Energy Service Contracts.”
1206 CAPTURING BALANCES AVAILABLE FOR USE RESULTING FROM ENERGY CONSERVATION MEASURES

120601. Installation Commanders

A. When carrying over unobligated balances resulting from energy conservation, Installation Commanders or their designees must ensure energy cost savings amounts carried over for use beyond the fiscal year for which they were originally appropriated are authorized to be used only for funding initiatives specified by 10 U.S.C. § 2912 (see subparagraph 120103.B). Installation Commanders must also:

B. Ensure that unobligated fund balances available at the end of the normal period of appropriation availability that are the direct result of energy conservation measures are identified based on the most current available consumption data and represent actual unobligated funds remaining in the appropriation accounts.

C. Ensure that the unobligated energy cost savings balances at year-end are carried forward for use beyond the fiscal year by transferring the funds to the extended availability of funds account.

D. Submit to the Component Head or designee proposed energy savings projects for a given fiscal year that are projected to cost more than the amount of funds available to the Commander for that purpose.

E. Implement additional energy conservation initiatives approved by the Component Head, or designee and other projects as specified.

120602. Component Heads

The Component Head or designee must receive and evaluate savings measures submitted by Installation Commanders, and authorize funding for those other energy savings measures as the Component Head or designee deems appropriate. The Component Head or designee must also ensure that procedures are established to provide sufficient time to compute the energy cost savings and identify the savings amounts to be transferred to the extended availability of funds account.

1207 ACCOUNTING FOR ENERGY COST SAVINGS

120701. Title 10, United States Code, Section 2912

The energy cost savings amounts realized in accordance with 10 U.S.C. § 2912 remain as unobligated balances available for obligation at the end of the fiscal year.
120702. Unobligated Balance Transfers

Unobligated balances covered by paragraph 120701 must be transferred to extended availability accounts on an SF 1151 or other authorized Service-specific method that incorporates all SF 1151 requirements (see paragraph 120301). The authority to be cited for the transfer is 10 U.S.C. § 2912. No further adjustments to the amounts carried forward are permitted once the balance is established in the extended availability account.

1208 REPORTING REQUIREMENTS

The standardized Service-specific reporting methods (e.g., the Army’s General Fund Enterprise Business System) or the following requirements must be used to report the status of extended availability accounts:

120801. Accounting Report (Monthly) 1002

The following special procedures have been established for reporting extended availability obligated and unobligated balances on the Accounting Report (Monthly), (AR(M)) 1002, Appropriation Status by Fiscal Year Program and Subaccounts:

A. Normal Availability Obligated and Unobligated Balances

Identify and report as usual.

B. Extended Availability Unobligated Balances

Identify, in column F (Cumulative Unobligated Balance), unobligated extended availability amounts resulting from energy cost savings at the end of the normal availability period (e.g., FY 200X/200X+1 or FY 200X/200X+2, +3, and so on) and available unobligated amounts (that is, FY 2018/2019, FY 2018/2020, FY 2018/2021 for the FY 2018 account). The stub entry, column a (Budget Activity) identifies the unobligated extended availability amount as “Extended Availability - Energy Cost Savings.” The amount reported must agree with line 2201 of the SF 133, “Report on Budget Execution” (see paragraph 120802).

C. Extended Availability Obligated Balances

Identify, in column e, obligations incurred against the extended availability account. The stub entry must identify those obligations as to the purpose for which the obligations were incurred. The reporting categories for the extended availability accounts must be continued for all fiscal years with remaining obligated balances against the extended availability account.
120802. Standard Form 133

At the end of the first fiscal year, use line 2201, “Unobligated Balance: Apportioned: Available in the current period” on the SF 133, to identify the amount of available unobligated funds that are available for energy savings investments (or other authorized purposes) in the following fiscal year(s).
VOLUME 12, CHAPTER 13: “FISCAL POLICY FOR BASE CLOSURE AND REALIGNMENT”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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<td>130102.A.6</td>
<td>Added reference for the creation of DoD Base Closure Account 2005 under United States (U.S.) Treasury Symbol 097X0516.</td>
<td>Addition</td>
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<td>Policy Memo</td>
<td>This revision incorporates and cancels the Deputy Chief Financial Officer’s memorandum, “Implementation of Updates to Department of Defense Base Closure Accounts,” dated August 30, 2013.</td>
<td>Cancellation</td>
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<tr>
<td>Policy Memo</td>
<td>This revision incorporates and cancels the Deputy Chief Financial Officer’s memorandum, “Implementation Guidance for Department of Defense Base Closure Accounts,” dated December 27, 2013.</td>
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CHAPTER 13

FISCAL POLICY FOR BASE CLOSURE AND REALIGNMENT

1301 GENERAL

130101. Purpose

This chapter specifies financial policy for base closure and realignment.

130102. Authoritative Guidance

A. Since 1988, the Congress has enacted legislation that created six separate accounts at the U.S. Department of the Treasury (Treasury) to finance base closure and military installation realignment.


* 6. Section 2711 of the National Defense Authorization Act for FY 2013 establishes a new appropriation for the Department of Defense Base Closure Account (097X0516) and cancels existing Base Closure Accounts (097X0510 and 097X0512).

B. This guidance also establishes funds distribution, accounting and reporting policy and procedures for the “DoD Base Closure Account 1990,” “DoD Base Closure Account 2005” and the “Reserve Account.”
1302 POLICY

130201. General

A. DoD Components are responsible for implementing all base closure and realignment action including preparation of an economic analysis in accordance with Volume 2B, Chapter 6, and must administer the allocations of base closure funds.

B. DoD Components are to deposit the proceeds in the appropriate account authorized by law. If transfer funds were deposited into the wrong account, a suspense account, or other interim account, a Standard Form (SF) 1080, Voucher for Transfers Between Appropriations and/or Funds must be used to transfer funds to the proper account.

130202. DoD Base Closure Account 1990 and DoD Base Closure Account 2005


* C. The U.S. Treasury symbol for DoD Base Closure Account is 097X0516. This account is identified as the “Base Realignment and Closure Account, Defense,” in Treasury’s FAST publication. Section 2711 of the National Defense Authorization Act for FY 2013 established this account effective upon enactment of the National Defense Authorization Act for FY 2014. Existing unobligated balances as of December 31, 2013, transfer from 097X0510 and 097X0512 to the new appropriation.

D. Except as provided for in subparagraph 130202.F funds deposited into these accounts must be:

1. Funds authorized for, and appropriated to, the account.

2. Proceeds received from the sale or disposal of any property at an installation closed or realigned under the provisions of the Defense Base Closure and Realignment Act of 1990, P.L. 101-510.
E. Proceeds resulting from the sale or disposal of property or facilities (including buildings and structures) due to the base closure process must be deposited as reimbursements into the appropriate DoD Base Closure Account (DoD Base Closure Account 1990 or DoD Base Closure Account 2005). Treat these reimbursements as a collection and an earned reimbursement, and credited to the appropriation as a budget source.

F. Proceeds received after September 30, 1995, from the transfer or disposal of any property at a military installation closed or realigned under the Defense Authorization Amendments and Base Closure and Realignment Act, P.L. 100-526 and Title 10, United States Code, (U.S.C) section 2687, must be deposited as reimbursements into the appropriate DoD Base Closure Account.

G. Deposit a portion of the proceeds resulting from the transfer or disposal of any real property or facility acquired, constructed, or improved (in whole or in part) with commissary store funds or nonappropriated funds into the “Reserve Account.” The amount deposited must be equal to the depreciated value of the investment made with such funds in the acquisition, construction, or improvement of that particular real property or facility. Complete the depreciated value of the investment in accordance with Volume 4, Chapter 6, for property funded with commissary store funds. See Volume 13, Chapter 3, for property funded with nonappropriated funds. The “Reserve Account” is discussed in paragraph 130204.

H. Subject to their availability, funds in the account may be used to:

1. Carry out actions as may be necessary to close or realign any military installation. Such actions include the acquisition of such land, construction of such replacement facilities, performance of such activities, and conduct of such advance planning and design as may be required to transfer functions from an installation being closed or realigned to another military installation.

2. Provide economic adjustment assistance to any community located near an installation being closed or realigned. Additionally, provide community planning assistance to any community located near a military installation to which functions must be transferred as a result of such closure or realignment.

3. Carry out activities for the purposes of environmental restoration and mitigation at an installation being closed or realigned. This includes reducing, removing and recycling hazardous waste, and removing unsafe buildings and debris.

4. Offer outplacement assistance to civilian employees employed by the DoD at installations being closed or realigned.

5. Reimburse other federal agencies for actions performed at the request of the Secretary of Defense with respect to any such closure or realignment.
130203. DoD Overseas Military Facility Investment Recovery Account

A. The Treasury symbol for the receipt account (funds deposited in the DoD Overseas Military Facility Investment Recovery Account Deposits, DoD) are 097X5193.017, .057, .021, and .097, as applicable. The Treasury symbol for the special fund account (expenditure of funds from the account) is 097X5193.

B. Except as offered in subparagraph 130203.C, funds deposited into this account must be amounts paid to the United States, pursuant to any treaty, status of forces agreement, or other international agreement to which the United States is a party, for the residual value of real property or improvements to real property used by DoD civilian or military personnel.

1. Steps must be taken to ensure that the United States receives, through direct payment or otherwise, consideration equal to the fair market value (FMV) of the improvements made by the United States at facilities scheduled for release to host countries. Determine the FMV for such improvements on a facility-by-facility basis.

2. The term “fair market value of the improvements” means the value of improvements on the basis of their highest use.

3. The term “improvements” includes new construction of facilities and all additions, improvements, modifications, or renovations made to existing facilities or to real property, without regard to whether they were carried out with appropriated or nonappropriated funds.

C. In the case of a payment for the residual value of real property or improvements at an overseas military facility, deposit the portion of the payment that is equal to the depreciated value of the investment made with nonappropriated funds into the “Reserve Account” not in the “DoD Overseas Military Facility Investment Recovery Account.”

D. Subject to availability, funds in the account may be used by the DoD for payment, as shown in appropriations acts, of costs incurred by the DoD in connection with:

1. Facility maintenance, repair and environmental restoration at military installations in the United States.

2. Facility maintenance, repair and compliance with environmental laws at military installations outside the United States that the Secretary of Defense anticipates must be occupied by the U.S. Forces for an extended period.

130204. Reserve Account

A. The Treasury symbol for the receipt account (funds deposited into the Reserve Account) is 097X5195.003. The U.S. Treasury symbol for the special account (expenditure of funds from the Reserve Account) is 097X5195. This account is identified as “Use of Proceeds from the Transfer or Disposition of Commissary Facilities, Defense.”
B. The transfer or disposal of a commissary or nonappropriated fund (NAF) facility must be connected with the closure or realignment of a military installation. Deposit into this account a portion of the proceeds equal to the depreciated value of the investment made in any real property or facility acquired, constructed or improved (in whole or in part) with commissary store funds or nonappropriated funds.

C. If the proceeds from the transfer or disposal of any real property or facility acquired, constructed or improved (in whole or in part) with commissary store funds or nonappropriated funds are greater than the depreciated value, then the excess amount must be deposited into the appropriate base closure account, not the Reserve Account.

   1. The term “commissary store funds” means funds received from the adjustment of, or surcharge on, selling prices at commissary stores fixed under 10 U.S.C. § 2685.

   2. The term “nonappropriated funds” means funds received from a NAF instrumentality. (See the “Definitions” section of Volume 13, “Nonappropriated Funds Policy and Procedures.”)

   3. The term “nonappropriated fund instrumentality (NAFI)” means an instrumentality of the United States under the jurisdiction of the Armed Forces (including the Military Exchange Services) that is conducted for comfort, pleasure, contentment, or physical or mental improvement of members of the Armed Forces. (See the “Definitions” section of Volume 13.)

   4. The depreciated value of the investment made by NAF must be computed in accordance with Volume 13, Chapter 3.

D. Subject to availability, funds in the account may be used for the purpose of acquiring, constructing, or improving commissary stores, and real property and facilities for NAF instrumentalities.

E. DoD Components are responsible for ensuring that budgeting and accounting procedures can separately identify the following:

   1. Commissary

   2. Exchange system

   3. All other NAFI balances in the Reserve Account.
1303 BUDGET AND ACCOUNTING RESPONSIBILITIES

130301. Requests for Funds

A. DoD Components

1. DoD Base Closure Account Financial Plan. The Military Departments and Defense Agencies, in cooperation with, and at the direction of, the Under Secretary of Defense for Acquisition and Sustainment or designee, the Director, Office of the Secretary of Defense BRAC Office, must submit a financial plan to the Director, Military Personnel and Construction, Office of the Under Secretary of Defense, Comptroller (OUSD(C)), Program/Budget (P/B), supported by a “DoD Base Closure Account Financial Plan,” (Format 460-BC) (see Figure 13-1), to request allocations of base closure funds. For planned military construction and family housing construction requirements, list separately on the financial plan each project to be executed using requested base closure funds. Also submit a separate narrative explanation for other planned expenditures to the Director, Military Personnel and Construction, OUSD(C), P/B, in sufficient detail on the Format 460-BC to support the DoD Component financial plan. Host DoD Components are responsible for coordination with all affected tenant activities, including Defense Agencies, Defense Medical Facilities Office, Reserve Components, and nonappropriated fund activities. Tenant activities must identify specific base closure program requirements to their host DoD Component.

2. BRAC Reprogramming Procedures. Section 2905A(f) of the Defense Base Closure and Realignment Act of 1990, as amended by the FY 2008 National Defense Authorization Act, Section 2704, (P.L. 110-181) specifies certain cost and scope limits on those BRAC 2005 military construction projects with costs equal to or in excess of $5 million, as follows:

a. Cost may not be increased or reduced by more than 20% or $2 million than the authorized amount, whichever is less.

b. Scope may not be reduced by more than 25% from the scope specified in the most recent budget justification material.

These limits do not apply if the Secretary of Defense makes a determination that an increase or reduction in cost or a reduction in the scope of work for a military construction project or military family housing project “needs to be made for the sole purpose of meeting unusual variations in cost or scope.” If such a determination is made, then the DoD must notify the congressional defense committees not later than 21 days before the date on which the variation is made (or 14 days if notification submitted electronically). The Deputy Under Secretary of Defense for Installations and Environment memorandum of February 27, 2008, delegated notification responsibility to the DoD Components contingent upon OUSD(C) and Office of the Secretary of Defense (OSD) BRAC Office concurrence.

B. Director, Military Personnel and Construction. This office must initiate the SF 132, Apportionment and Reapportionment Schedule for the appropriate base closure account for submission to the Office of Management and Budget (OMB) for its approval.
130302. Funds Distribution

A. Director, Military Personnel and Construction. Upon OMB approval of the SF 132 for the base closure account, this office must provide a Fund Authorization Document to the applicable component for recording in the agency-level accounting records.

B. Director, Defense Finance and Accounting Service (DFAS). The Director of the DFAS must obtain and record, in the departmental-level accounting records, a Financial Management Service (FMS) 6200, Appropriation Warrant, for the base closure accounts. Table 13-1 illustrates the most common entries used for this account.

Table 13-1. Accounting Entries For Recording Warrants

<table>
<thead>
<tr>
<th>Dr</th>
<th>Cr</th>
</tr>
</thead>
<tbody>
<tr>
<td>411900</td>
<td>445000</td>
</tr>
<tr>
<td>101000</td>
<td>310100</td>
</tr>
</tbody>
</table>

* Dr 411900 Other Appropriations Realized
  Cr 445000 Unapportioned Authority
  Dr 101000 Fund Balance With Treasury
  Cr 310100 Unexpended Appropriations – Appropriations Received

To record the appropriation warrant (FMS 6200).

C. DoD Components. The DoD Components must:

1. Record the Fund Authorization for the base closure accounts received from the Director, Military Personnel and Construction, OUSD(C), P/B. Table 13-2 illustrates the most common entry used to accomplish this action.

Table 13-2. Accounting Entries For Fund Authorization

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<tr>
<th>Dr</th>
<th>Cr</th>
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</thead>
<tbody>
<tr>
<td>445000</td>
<td>451000</td>
</tr>
</tbody>
</table>

* Dr 445000 Unapportioned Authority
  Cr 451000 Apportionments

To record the Fund Authorization received from OUSD(C) P/B.

2. Receive and record the allocations of base closure funds received from the Director, Military Personnel and Construction, OUSD(C), P/B, subdivide the allocations of the base closure accounts by subaccount, and distribute the base closure funds to the installations responsible for base closure actions. Each DoD Component must distribute the base closure funds to its installations in accordance with its normal fund distribution procedures. The applicable subaccounts are shown in Table 13-3.
Table 13-3. Base Closure Accounts by Subaccount

<table>
<thead>
<tr>
<th>Military Construction:</th>
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</thead>
<tbody>
<tr>
<td>Construction</td>
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<tr>
<td>a. (Project)</td>
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<tr>
<td>b. (Project)</td>
</tr>
<tr>
<td>Planning and Design</td>
</tr>
</tbody>
</table>

NOTE: The military construction subaccount must be reserved for projects listed individually on the Format 460 accompanying the fund allocation document.

<table>
<thead>
<tr>
<th>Family Housing:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
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<tr>
<td>a. (Project)</td>
</tr>
<tr>
<td>b. (Project)</td>
</tr>
<tr>
<td>Planning and Design</td>
</tr>
<tr>
<td>Operations</td>
</tr>
</tbody>
</table>
Table 13-3. Base Closure Accounts by Subaccount (continued)

<table>
<thead>
<tr>
<th>Operation and Maintenance (O&amp;M):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian Severance Pay</td>
</tr>
<tr>
<td>Civilian Permanent Change of Station (PCS)</td>
</tr>
<tr>
<td>Transportation of Things</td>
</tr>
<tr>
<td>Facilities Sustainment</td>
</tr>
<tr>
<td>Program Management (civilian work years, travel, and related support dedicated to implementation efforts)</td>
</tr>
</tbody>
</table>

**Environmental:**

Includes environmental restoration, including reducing, removing, and recycling hazardous wastes, and removing unsafe buildings and debris; Memoranda of Agreements between Defense and States (DSMOA), and reimbursements to the Agency for Toxic Substance and Disease Registry (ATSDR); and mitigation efforts associated with a military installation closure or realignment. Mitigation efforts do not apply to the DoD Base Closure Account.

**Community Programs:**

Community Planning Assistance: For communities located near a military installation to which functions must be transferred as a result of a closure or realignment of a military installation.

Economic Adjustment Assistance: For communities located near a military installation being closed or realigned.

**Federal Agencies Reimbursement:**

Includes reimbursements to other federal agencies for actions, other than for environmental activity discussed in this table, performed with respect to any closure or realignment.

**Military Personnel:**

Limited to PCS and TDY expenses dedicated to implementation efforts.

**Procurement-type Items:**

The procurement account should be limited to investment items in accordance with the expense/investment criteria.

**Other Costs:**

Expenses, other than those in this table, associated with base closure and realignment efforts.
3. Account for the receipt and allotment of the allocations using the entries in Table 13-4.

Table 13-4. Accounting Entries For Recording Allocations

| Dr 455000 Internal Fund Distributions Received |
| Cr 456000 Funds Available For Allotment |
| Dr 101000 Fund Balance With Treasury |
| Cr 310100 Unexpended Appropriations – Appropriations Received |

To record receipt of an allocation of direct program obligational authority.

| Dr 456000 Funds Available For Allotment |
| Cr 457000 Allotments Issued |
| Dr 101000 Fund Balance With Treasury |
| Cr 310100 Unexpended Appropriations – Appropriations Received |

To record the allotment of direct program obligational authority to a subordinate activity.

130303. Plan Execution

The DoD Components must:

A. Record the allotment of base closure funds provided to installations. Table 13-5 illustrates the entries to record the allotment.

Table 13-5. Accounting Entries for Recording Allotments for Base Closure Accounts

| Dr 458000 Allotments Received |
| Cr 461000 Allotments--Realized Resources |

| Dr 101000 Fund Balance With Treasury |
| Cr 310100 Unexpended Appropriations – Appropriations Received |

To record receipt of an allotment.

B. Implement base closure and realignment actions and administer their allocation of base closure funds in accordance with their approved financial plan.

1. Table 13-6 illustrates the entries for recording expenses that result in a fund outlay and that are incurred as a result of a DoD base closure.
Table 13-6. Accounting Entries for Recording Expenses/Expenditures for Base Closure Accounts

| Dr 461000 Allotments--Realized Resources |
| Cr 490200 Delivered Orders --Obligations, Paid and |
| Dr 610000 Operating Expenses/Program Costs |
| Cr 101000 Fund Balance With Treasury |

To record expenditure of an allotment.

2. Losses that do not result in a fund outlay and that are incurred as a result of a DoD base closure must be accounted for as an extraordinary loss. Table 13-7 illustrates these entries.

Table 13-7. Accounting Entries For Recording An Extraordinary Loss (Or Gain) That Does Not Result In Fund Outlay

| Dr 173900 Accumulated Depreciation on Buildings, Improvements and Renovations |
| Dr 174900 Accumulated Depreciation on Other Structures and Facilities |
| Dr/Cr 730000 Extraordinary Items (Debit for Loss or Credit for Gain) |
| Cr 171100 Land and Land Rights |
| Cr 173000 Buildings, Improvements and Renovations |
| Cr 174000 Other Structures and Facilities |

To record extraordinary loss (or gain) that does not result in a fund outlay from base closures.

C. Rephase planned execution of the financial plan as the situation dictates, and with the prior approval of the Under Secretary of Defense for Acquisition and Sustainment or designee, the Director for Base Closure and Utilization, and in coordination with the Director, Military Personnel and Construction, OUSD(C), P/B. A revised Format 460-BC and supporting documentation must be prepared that reflects the changes in the financial plan.

1304 REPORTING RESPONSIBILITIES

130401. DoD Components

The DoD Components must prepare and submit reports to the appropriate DFAS site on the status of its allotments. At a minimum, these reports must offer detail for each subaccount specified in a Fund Authorization document provided by OSD (see subparagraph 130302.C). Submit these reports in accordance with a schedule of due dates to be provided by the DFAS.
130402. Defense Finance and Accounting Service

A. Establish base closure accounts with Treasury.

B. Post SF 1151, Nonexpenditure Transfer Authorizations transactions, as necessary, for the base closure accounts.

C. Prepare departmental-level appropriation and fund status reports as required by Volume 6, Chapter 4, for the base closure accounts administered by the Military Departments and Defense Agencies.

D. Prepare Chief Financial Officer reports for all base closure accounts.

E. Offer consolidation of appropriate financial reports to produce Treasury Index 97 financial reports on a pass-through basis.

F. Subject to the approval of the OUSD(C), supplement this guidance with additional procedures, as may be required.

1305 ADMINISTRATION OF BASE CLOSURE FUNDS

130501. Appropriated Fund Activities

Expenses, losses, or other events occurring at an appropriated fund activity as a direct result of a DoD base closure action, which result in a cash outlay, are eligible for reimbursement from the applicable DoD Base Closure Account. Expenses, losses, or other events not resulting in a cash outlay by an appropriated fund activity are not eligible for reimbursement. Expenses, losses, or other events that result in a cash outlay (vice expenses, losses, or other events that do not result in a cash outlay) are dependent largely upon the unique circumstances in existence at a particular activity subject to closure. The general guidance on those two categories of expenses and losses are:

A. Expenses that Ordinarily Result in a Cash Outlay

1. Military Construction projects, including planning and design efforts, for which base closure funds are requested.

2. Family Housing projects, including construction, planning and design, and operations for which base closure funds are requested.

3. Operations and Maintenance-type efforts including civilian severance pay, civilian permanent change of station (PCS), outplacement assistance transportation of things, facilities sustainment, and program management (civilian work years, travel, and related support dedicated to implementation efforts).
4. Environmental projects including environmental restoration (reducing, removing, and recycling hazardous wastes, and removing unsafe buildings and debris), Memoranda of Agreements between the DoD and the various states, and reimbursements to the Agency for Toxic Substance and Disease Registry (ATSDR).

5. Community Programs including economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions must be transferred as a result of a closure or realignment of a military installation.

6. Federal agencies including reimbursements to other Federal agencies for actions, other than for environmental activity discussed in subparagraph 130501.A.4, performed with respect to any closure or realignment.

7. Military Personnel, limited to PCS and TDY expenses dedicated to implementation efforts.

8. Procurement-type Items for those items normally purchased with procurement appropriations.

9. Other expenses associated with base closure and realignment efforts.

B. Losses that Do Not Ordinarily Result in a Cash Outlay. Losses on real property or facilities sold, leased, transferred, or disposed of in connection with the closure or realignment of a military installation.

130502. Disposition of DoD Base Closure Assets

The loss (or gain) from the sale, lease, or other disposal of assets must be recorded by the activity having financial custody of those assets. The sale, lease, or other disposal action must only be recorded in proprietary accounts of that installation. Any proceed generated from the sale, lease, or other disposal action of assets does not add to, or otherwise affect, the budgetary accounts of that activity. Table 13-8 illustrates these entries.
Table 13-8. Accounting Entries For Extraordinary Loss (Or Gain) Resulting From the Sale or Other Disposal of Base Closure Assets

| Dr 101000 Fund Balance With Treasury |
| Dr 173900 Accumulated Depreciation on Buildings, Improvements, and Renovations |
| Dr 174900 Accumulated Depreciation on Other Structures and Facilities |
| Dr/Cr 730000 Extraordinary Items (Debit for Loss or Credit for Gain) |
  | Cr 171100 Land and Land Rights |
  | Cr 173000 Buildings, Improvements, and Renovations |
  | Cr 174000 Other Structures and Facilities |

To record extraordinary loss (or gain) resulting from the sale or other disposal of base closure assets.
Figure 13-1. DoD Base Closure Account Financial Plan

<table>
<thead>
<tr>
<th>INSTALLATIONS/PROJECT(S)</th>
<th>PROGRAM AMOUNT</th>
<th>CHANGE AMOUNT</th>
<th>PREVIOUSLY APPROVED</th>
<th>PROPOSED</th>
<th>QT</th>
<th>OSD APPROVED</th>
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<tbody>
<tr>
<td>A Military Construction</td>
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<td>(b)</td>
<td>(c)</td>
<td>(d)</td>
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<td>(f)</td>
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<td>1. Construction</td>
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<td>2. Planning and Design</td>
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<td>B Family Housing</td>
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<td>1. Construction</td>
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<td>2. Civilian PCS</td>
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<td>4. Facilities Sustainment</td>
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<td>5. Program Management</td>
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<td>E Community Programs</td>
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<td>1. Community Planning</td>
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<td>2. Economic Assistance</td>
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<td>F Federal Agencies</td>
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<td>G Military Personnel</td>
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<tr>
<td>H Procurement-type Items</td>
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</tbody>
</table>
VOLUME 12, CHAPTER 14: “TRANSFERRING, DISPOSING, AND LEASING OF REAL PROPERTY AND PERSONAL PROPERTY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2009 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>140102</td>
<td>Revised the Authoritative Guidance section.</td>
<td>Revision</td>
</tr>
<tr>
<td>140201</td>
<td>Updated conditions for leases of non-excess property under Title 10, United States Code, section 2667 (10 U.S.C. § 2667).</td>
<td>Revision</td>
</tr>
<tr>
<td>140202</td>
<td>Added clarification for leases of non-excess property. Revised and updated the use of proceeds from leases of DoD Real and Personal Property under 10 U.S.C. § 2667.</td>
<td>Addition</td>
</tr>
<tr>
<td>Table 14-1</td>
<td>Deleted the United States Department of the Treasury (Treasury) Fund Symbol 5188.097 from Table 14-1 to coincide with the most recent Treasury Federal Account Symbols and Titles Book as of June 2018.</td>
<td>Deletion</td>
</tr>
<tr>
<td>140205</td>
<td>Added guidance for receiving, reporting and accounting for In-Kind Consideration for leases.</td>
<td>Addition</td>
</tr>
<tr>
<td>140301</td>
<td>Revised guidance on Reports to Congressional Committees.</td>
<td>Revision</td>
</tr>
<tr>
<td>140302</td>
<td>Added section on reporting requirements under 10 U.S.C. § 2662.</td>
<td>Addition</td>
</tr>
</tbody>
</table>
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CHAPTER 14

TRANSFERRING, DISPOSING, AND LEASING OF REAL PROPERTY AND PERSONAL PROPERTY

1401 GENERAL

140101. Purpose

This chapter provides financial policy for the disposal, transfer, and leasing of real property, and the transfer and lease of personal property. Financial policy for the disposal of personal property are addressed in Volume 11A, Chapter 5.

*140102. Authoritative Guidance

A. Title 40, United States Code, section 572(b) (40 U.S.C. § 572(b)), “Real Property,” applies to real property, including any improvement on the property, that is under the control of a Military Department and that the Secretary of the Department determines is excess to the Department’s needs. 10 U.S.C. § 2667, “Leases: non-excess property of Military Departments and Defense Agencies,” governs leases of Department of Defense (DoD) real and personal property. Sections 572(b) and 2667 require that proceeds received from the transfer or disposition or lease of real and personal property controlled by the Military Departments must be deposited into special accounts established by the United States Department of the Treasury (Treasury) for that Secretary. 10 U.S.C. § 2687, “Base closures and realignments”, requires that proceeds from the lease, transfer, or disposal of any property at a military installation that is closed or realigned be deposited into accounts established by Treasury.

B. Unless otherwise stated, the provisions of this chapter do not apply to:

1. The disposition of proceeds from the sale of surplus personal property. (See Volume 11A, Chapter 5.)

2. Property at a military installation designated for closure or realignment under 10 U.S.C. § 2687. (See Volume 12, Chapter 13.)

3. Damaged or deteriorated military family housing (see 10 U.S.C. § 2854a, “Conveyance of damaged or deteriorated military family housing; use of proceeds”).

4. The lease of defense articles in the stocks of DoD to an eligible foreign country or international organization under 22 U.S.C. § 2796.


6. Proceeds from the disposal of property received as gifts under 10 U.S.C. § 2601 (see Volume 12, Chapter 30).
1402 POLICY

*140201. Leases: Non-excess Property and Personal Property

A. The Secretary of a Military Department is allowed to lease non-excess real and personal property under its control that is not needed for a public use for the time that it is leased in accordance with 10 U.S.C. § 2667. Section 2667 provides the same authority to the Secretary of Defense (SECDEF) with respect to property under the control of a Defense Agency. Throughout this chapter, the term “Secretary concerned” will mean the Secretary of a Military Department, with respect to matters concerning that Military Department; and the SECDEF, with respect to matters concerning the Defense Agencies.

B. Leases for non-excess property may be accepted under the following conditions:

1. The lease is not more than five years, unless the Secretary concerned determines to be in the public interest.

2. The lease has a provision that it may be revoked at any time. If the lease is revoked to sell the property, the lessee may be given first option to buy.

3. The payment (in cash or In-Kind) is not less than the fair market value.

4. The lease may not provide for a leaseback payment by the Secretary concerned or DoD of more than $500,000 per year.

5. All fees received from such leases (other than from leases of property at a military installation designated for closure or realignment) must be deposited into a special Treasury account established for that Secretary.

6. The proceeds deposited in the special account established for the Secretary concerned must be available to that Secretary and distributed by the Office of the Under Secretary of Defense (Comptroller), Program/Budget (OUSD(C)/PB) consistent with appropriation law. See paragraph 140202.

7. This section does not apply to oil, mineral, or phosphate lands.

C. Repeal of 10 U.S.C. § 2667a. The Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 repealed 10 U.S.C § 2667a, “Leases: non-excess property of Defense agencies” (see Public Law 110-417, section 2812). This authority is now incorporated into 10 U.S.C. § 2667, as revised, and that section now covers leases by both military services and Defense Agencies. In addition:
1. The repeal of 10 U.S.C. § 2667a does not affect the validity or terms of any lease with respect to property of a Defense Agency entered into by the SECDEF under 10 U.S.C. § 2667a.

2. Amounts deposited in a special account established for a Defense Agency pursuant to 10 U.S.C. § 2667a before repeal and amounts that would be deposited in connection with outstanding leases:

   a. Remain available until expended for the purposes specified in section 2667a, specifically, solely for the maintenance, repair, restoration, or replacement of the leased property; or

   b. To the extent provided by appropriations law, must be transferred to the special account described in paragraphs 140202 and 140203.

D. Easements for Rights-of-Way. **10 U.S.C. § 2668** allows the Secretary of a Military Department to grant easements for rights-of-way over, in, and upon public lands under the Secretary’s control. This authority is available provided the Secretary of that Military Department finds that the easement will not be against the public interest.

1. The easement may be made upon such terms as the Secretary considers advisable. The authorized purposes of the easement are listed in **10 U.S.C. § 2668(a)**.

2. Proceeds and In-Kind consideration received from the granting of easements will be accounted for in the manner specified for leases of DoD property in 10 U.S.C. § 2667. See paragraphs 140202 and 140203.

E. Natural Resource Conservation. **10 U.S.C. § 2694a** allows the Secretary of a Military Department to convey certain surplus real property for purposes of natural resource conservation.

1. Surplus property that may be conveyed under this authority is limited to property that:

   a. Is under the administrative control of the Secretary;

   b. Is suitable and desirable for conservation purposes;

   c. Has been made available for public benefit transfer for a sufficient period of time to potential claimants; and

   d. Is not subject to a pending request for transfer to another Federal agency or for conveyance to any other qualified recipient for public benefit transfer under the real property disposal processes and authorities in **40 U.S.C. § 550**, “Disposal of real property for certain purposes.”
2. Entities eligible to receive surplus property for purposes of natural resource conservation are limited to states, political subdivisions of a state; and nonprofit organizations that exist for the primary purpose of conservation of natural resources on real property.

**140202. Accounting Procedures for Leases of Real and Personal Property**

A. Deposit of Funds. Funds received from the lease or easement of real and personal property under 10 U.S.C. § 2667 and 10 U.S.C. § 2668 (other than from leases of property at a military installation designated for closure or realignment) must be deposited into the special fund Treasury receipt account, net of amounts paid for utilities and services furnished to lessees.

B. Services Furnished to Lessees. Payments for utilities and services furnished lessees pursuant to leases must be treated as a normal reimbursable transaction with funds credited to the appropriation account or working capital fund from which the cost of furnishing the utilities and services was paid.

C. Designated Purposes. Funds deposited in account 5189 must be available to the Secretary concerned for expenditure to the extent provided for in appropriation acts, for the following:

1. Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities.

2. Construction or acquisition of new facilities.

3. Lease of facilities.

4. Payment of utility services.

5. Real Property maintenance services

D. Use of Proceeds

1. At least 50 percent of the funds deposited must be available for the designated purposes at the military installation or Defense Agency location where the proceeds were derived.

2. If funds deposited for designated purposes are derived from activities associated with a military museum those proceeds must be available for that museum.

3. The remainder of the funds deposited must be available to the Secretary concerned for the designated purposes as described in subparagraph 140202.C.
E. **Agricultural and Grazing.** Money rentals received related to a lease for agricultural or grazing purposes may be retained and spent by the Secretary concerned to cover the administrative expenses of agricultural or grazing leases and to cover the financing of multiple-land use management programs at any installation under the jurisdiction of the Secretary. This provision does not apply to lands acquired by the United States for flood control or navigation purposes or any related purpose, including the development of hydroelectric power.

F. **Leases under 10 U.S.C. § 2667a.** The provisions of this paragraph apply to the proceeds from leases of Defense Agency property under 10 U.S.C. § 2667a (repealed October 2008) only to the extent provided by appropriation law. Otherwise, such proceeds may be used only for costs related to the leased property. See subparagraph 140202.C. The repeal of this section, does not affect the validity or terms of any lease with respect to property of a Defense Agency entered into by the SECDEF before the repeal date of October 14, 2008.

G. **Accounting Entries.** The value of lease payments received and payments for services provided will be recognized as revenue. The accounting entries for the recognition of revenue are specified in the United States Standard General Ledger (USSGL), Standard Financial Information Structure (SFIS) Transaction Library, primarily in Category C, “Collections and Receivables.”

H. **Appropriation Authority.** Per section 8034 of the Fiscal Year 2005 DoD Appropriations Act, Public Law 108-287, amounts deposited in special accounts established pursuant to 40 U.S.C. § 572 and 10 U.S.C. § 2667 during fiscal year 2005 and in subsequent years remain available until transferred by the SECDEF to current applicable appropriations, at which point they are available for the same time period and the same purposes as the appropriation to which transferred.

140203. Special Treasury Fund for the Proceeds of Sale and Lease

A. **Requirements.** The special funds are to be established and operated under the provisions of Volume 12, Chapter 1. The special funds designated by the Treasury for use in connection with 40 U.S.C. § 572 and 10 U.S.C. § 2667, are Treasury Fund Symbols 5188, “Disposal of DoD Real Property,” and 5189, “Lease of DoD Real Property.” These Federal account symbols have been established as no year accounts. These Funds and applicable point accounts are listed in Table 14-1.
Table 14-1. Special Treasury Funds Designated

<table>
<thead>
<tr>
<th>Treasury Fund Symbol</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5188.017</td>
<td>Disposal of Department of Defense Real Property for Navy</td>
</tr>
<tr>
<td>5188.021</td>
<td>Disposal of Department of Defense Real Property for Army</td>
</tr>
<tr>
<td>5188.057</td>
<td>Disposal of Department of Defense Real Property for Air Force</td>
</tr>
<tr>
<td>5189.017</td>
<td>Lease of Department of Defense Real Property for Navy</td>
</tr>
<tr>
<td>5189.021</td>
<td>Lease of Department of Defense Real Property for Army</td>
</tr>
<tr>
<td>5189.057</td>
<td>Lease of Department of Defense Real Property for Air Force</td>
</tr>
</tbody>
</table>

B. Purposes

1. 40 U.S.C. § 572. Any net proceeds (gross proceeds less expenses of transferring or disposing of the property) received from the transfer or disposal of real property under 40 U.S.C. § 572 must be deposited into special fund Treasury receipt account 5188, “Disposal of DoD Real Property,” with point accounts as listed in Table 14-1. See paragraph 140202 for the appropriate accounting treatment.

2. 10 U.S.C. § 2667(e)(1)(A). Funds received from leases of real property entered into pursuant to 10 U.S.C. § 2667 must be deposited into the special fund Treasury receipt account 5189, “Lease of DoD Real Property,” with point accounts as listed in Table 14-1. Funds received from leases of personal property must also be deposited into the special fund Treasury receipt account 5189, “Lease of DoD Real Property.” See paragraph 140202 for the appropriate accounting treatment.

140204. Acceptance of Funds to Cover Administrative Expenses

A. In connection with real property transactions with nonfederal persons or entities, 10 U.S.C. § 2695 states: “...the Secretary of a Military Department may accept amounts provided by the person or entity to cover administrative expenses incurred by the Secretary in entering into the transaction.” Acceptance of funds applies to the following transactions:

1. The exchange of real property;

2. The grant of an easement over, in or upon real property of the United States;

3. The lease or license of real property of the United States;

4. The disposal of real property of the United States for which the Secretary will be the disposal agent; or

B. Amounts collected for administrative expenses must be credited to the appropriation, fund or account from which the expenses were paid. The amounts credited must be merged with funds of an identical appropriation, fund or account and must be available for the same purposes and subject to the same limitations as these funds.

C. Accounting Entries. Funds received to cover administrative expenses will be recognized as revenue. Standard accounting entries are specified in the USSGL SFIS Transaction Library.

*140205. Leases: In-Kind Consideration

A. Acceptance of In-Kind Consideration. Generally, the receipt of cash is the preferred form of consideration for leases of building and property of the Federal Government per 40 U.S.C. § 1302. In some cases, under 10 U.S.C § 2667, as payment of part or all of the consideration for the lease, the terms of the lease may provide for the alteration, repair, or improvement, by the lessee, of the property leased.

B. Types of In-Kind Consideration. In-Kind consideration fall into two categories: construction or maintenance of real property, and the reduction of expenses.

1. Real Property In-Kind Consideration involves:
   a. Alteration, repair, or improvement of property leased in-lieu-of rental payments.
   b. Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities under the control of the Secretary concerned.
   c. Construction of new facilities for the Secretary concerned.

2. Expense-type In-Kind Consideration involves:
   a. Provision of facilities for use by the Secretary concerned.
   b. Provision or payment of utility services for the Secretary concerned.
   c. Provision of real property maintenance services for the Secretary concerned.
   d. Provision of such other services relating to activities that will occur on the leased property as the Secretary concerned considers appropriate.

Expense-type In-Kind Consideration results in revenue recognition equal to the operating expenses that are avoided because of receiving the In-Kind contribution.
C. Accounting for In-Kind Consideration

1. Real Property In-Kind Consideration. SFFAS No. 7, “Accounting for Revenue and Other Financial Sources and Concepts for Reconciling Budgetary and Financial Accounting”, paragraph 36(d) states:

   a. “Revenue from specific types of exchange transactions should be recognized as follows: When services are rendered continuously over time or the right to use an asset extends continuously over time, such as the use of borrowed money or the rental of space in a building, the revenue should be recognized in proportion to the passage of time or the use of the asset.”

2. Accounting Entries. The accounting entries for In-Kind revenue earned are not yet defined in the USSGL SFIS Transaction Library. The USSGL SFIS Transaction Library acknowledges that there are valid accounting events/postings not yet documented. To recognize revenue earned and capitalized assets received, the accounts detailed in Table 14-2 must be used:

Table 14-2. USSGL Accounts for Leases with In-Kind Consideration

<table>
<thead>
<tr>
<th>Entry</th>
<th>Account</th>
<th>Account Description</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debit</td>
<td>101000</td>
<td>Fund Balance with Treasury</td>
<td>For cash received from lessee</td>
</tr>
<tr>
<td>Debit</td>
<td>131000</td>
<td>Accounts Receivable</td>
<td>For lease payments due from lessee</td>
</tr>
<tr>
<td>Debit</td>
<td>1xxxxx</td>
<td>Appropriate asset account(s)</td>
<td>For capitalized assets received from or constructed by lessee</td>
</tr>
<tr>
<td>Debit</td>
<td>679000</td>
<td>Other Expenses Not Requiring Budgetary Resources</td>
<td>For In-Kind services and non-capitalizable assets received from lessee</td>
</tr>
<tr>
<td>Credit</td>
<td>520000</td>
<td>Revenue From Services Provided</td>
<td>For the full value services provided</td>
</tr>
</tbody>
</table>

140206. Transfers of DoD Real Property

A. In accordance with 40 U.S.C. § 572(b) Real property and related improvements under the control of a Military Department (other than property at a military installation designated for closure or realignment) that are determined by the Secretary of the Military Department to be excess to the needs of that Department must be made available for transfer without reimbursement to other Military Departments. If the property is not transferred to another Military Department, the Secretary of the Military Department must request the Administrator of the General Services Administration (GSA) to transfer or dispose of such property in accordance with applicable laws.
B. Any proceeds generated from transfer or disposition of property will be deposited into a special account in the Treasury. Funds deposited into the special account will be distributed to the Military Department(s) by the OUSD(C)/PB consistent with applicable appropriation law to include an amount for facility maintenance and repair or environmental restoration as stated in 40 U.S.C. § 572(b).

C. If a Military Department determines that real property and related improvements under its control (other than property at a military installation designated for closure or realignment) are excess to its needs and are available for transfer to another Military Department, the transfers will be made on a non-reimbursable basis.

D. Both the losing and gaining Military Departments will recognize the transfer of real property in the accounting records. The value of the transfer is the net book value of the assets (acquisition cost of the real property plus the cost of capitalized improvements less accumulated depreciation). If the net book value of the property is not known or cannot be determined, the fair market value at the time of the transfer may be used. The same amount of the transfer must be used by both parties. Detailed explanations for property and fiscal accountability are required as supporting footnotes to the accounting entries.

E. The accounting entries for transfers between DoD components without reimbursement are standard transactions E510 and E606 specified in the USSGL SFIS Transaction Library.

F. The DoD (DD) Form 1354, “Transfer and Acceptance of DoD Real Property,” is used to document the transfer of real property between DoD Components.

140207. Disposal of DoD Real Property

A. Sale by GSA. If real property is not transferred to another Military Department, the SECDEF must request that the GSA Administrator dispose of such real property in accordance with the provisions of applicable laws. See DoD Instruction 4165.72, “Real Property Disposal” for additional information.

B. Deposit of Proceeds. Any consideration (money) received must be deposited directly into the special fund Treasury receipt account 5188 with the point account specified in Table 14-1. The explanation for this transaction is as follows: to record the disposition of real property located at (include a full description and the Real Property Universal Identifier number). Monies received were deposited into the special fund account 5188.xxx, “Disposal of DoD Real Property,” under cash voucher #______ in accordance with 40 U.S.C. § 572.

C. Availability of amount deposited. To the extent provided in an appropriation act, an amount deposited in a special account from the disposal of property is available for facility maintenance and repair or environmental restoration as follows:
1. In the case of property located at a military installation that is closed, the amount is available for facility maintenance and repair or environmental restoration by the Military Department that had jurisdiction over the property before the closure of the military installation.

2. In the case of property located at any other military installation:
   a. Fifty percent of the amount is available for facility maintenance and repair or environmental restoration at the military installation where the property was located before it was disposed of or transferred; and
   b. Fifty percent of the amount is available for facility maintenance and repair and for environmental restoration by the Military Department that had jurisdiction over the property before it was disposed of or transferred.

D. Accounting Entries. The accounting entries for disposal of real property are specified in the USSGL SFIS Transaction Library, primarily in Category C, “Collections and Receivables” and Category D, “Adjustments, Write-offs and Reclassifications.”

1403 REPORTING REQUIREMENTS TO CONGRESS

*140301. Reporting and Notification

A. 40 U.S.C. § 572(b)(6). As part of the annual request for authorization of appropriations to the Committees on Armed Services of the Senate and the House of Representatives, the Department must include an accounting of each transfer and disposal of real property made during the fiscal year proceeding the fiscal year in which the request is made. This summary must include a detailed explanation of such disposal and the use of the proceeds received.

B. 10 U.S.C. § 2662(a). includes specific reporting requirements for leases in which the Secretary of a Military Department or, with respect to a Defense Agency, the SECDEF may not enter into any transactions by or for the use of that department until the Secretary concerned submits a report to the Committee on Armed Services of the Senate and the Committee on Armed Services of the House of Representatives. These reporting requirements are discussed in detail in paragraph 140302.

C. 10 U.S.C. § 2667(h). When a proposed lease involves only personal property, the lease term exceeds one year, and the fair market value of the lease consideration exceeds $100,000:

   1. This paragraph C does not apply if the Secretary concerned determines that:

      a. A public interest will be served as a result of the lease; and
b. the use of competitive procedures for the selection of certain lessees is unobtainable or not compatible with the public benefit served under item (a).

2. Not later than 45 days before entering into a lease, the Secretary concerned must submit to Congress written notice describing the terms of the proposed lease to include:

a. The competitive procedures used to select the lessee; or

b. in the case of a lease involving the public benefit exception authorized by 10 U.S.C. § 2667(h)(2) and the description of the public benefit to be served by the lease.

3. The reporting requirement described in this paragraph does not apply to renewal or extension of a certain leases by the Secretary of the Navy for operation of a ship within the University National Oceanographic Laboratory System. See 10 U.S.C. § 2667(h)(3) for the specific terms of this exception.


140302. Reporting under 10 U.S.C. § 2662

A. Under 10 U.S.C. § 2662, the Secretary concerned must submit a report to the Committee on Armed Services of the Senate and the Committee on Armed Services of the House of Representatives before entering into an acquisition, lease, license, or easement of real property owned by the United States (other than a lease or license entered into under Base Closure and Realignment Property), if the estimated price or annual fair market rental value of the property is more than $750,000.

B. Reporting notifications under 10 U.S.C. § 2662 does not apply to any new facilities whose construction is accepted as In-Kind consideration. The Secretary concerned must notify Congress of the proposed lease before (1) issuing a contract solicitation or other lease offering with regard to the transaction; and (2) providing public notice regarding any meeting to discuss a proposed contract solicitation with regard to the transaction. The contents of this public notification are specified in 10 U.S.C. § 2662(b)(2). Specifically, the notification must include the following with regard to the proposed lease:

1. A description of the proposed transaction, including the proposed duration of the lease;

2. A description of the authorities to be used in entering into the transaction;

3. A statement of the scored cost of the entire transaction, determined using the scoring criteria of the Office of Management and Budget;
4. A determination that the property involved in the transaction is not excess property, as required by 10 U.S.C. § 2667 (a)(3), including the basis for the determination;

5. A determination that the proposed transaction is directly compatible with the mission of the military installation at which the property is located and a description of the anticipated long-term use of the property at the conclusion of the lease;

6. A description of the requirements or conditions within the contract solicitation or other lease offering for the person making the offer to address taxation issues, including payments in-lieu-of taxes, and other development issues related to local municipalities; and

7. If the proposed lease involves a project related to energy production, a certification by the SECDEF that the project, as it will be specified in the contract solicitation or other lease offering, is consistent with the DoD performance goals and plan required by 10 U.S.C. § 2911.

C. 10 USC 2662 Notification. The Secretary concerned may not enter into the actual lease with respect to property for which the information required by 10 U.S.C. § 2662(b)(2) (see 140301.B) was submitted in a report to Congress unless the Secretary again complies with these notice-and-wait requirements. The subsequent report to Congress must include the following with regard to the proposed transaction:

1. A cross reference to the prior report that contained the information submitted under 10 U.S.C. § 2662(b)(2) with respect to the transaction;

2. A description of the differences between the information originally submitted under 10 U.S.C. § 2662(b)(2) and the information regarding the transaction being submitted in the subsequent report;

3. A description of the payment to be required in connection with the lease, license, or easement including a description of any In-Kind consideration that will be accepted;

4. A description of any community support facility or provision of community support services under the lease, license, or easement, regardless of whether the facility will be operated by a covered entity (as defined in 10 U.S.C. § 2667(d)) or the lessee or the services will be provided by a covered entity or the lessee; and

5. A description of the competitive procedures used to select the lessee or, in the case of a lease involving the public benefit exception authorized by 10 U.S.C. § 2667 (h)(2), a description of the public benefit to be served by the lease.
## VOLUME 12, CHAPTER 15: “EDUCATIONAL ASSISTANCE PROGRAMS”

### SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated March 1998 is archived.

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<th>PURPOSE</th>
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</thead>
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<td>150102.B.</td>
<td>Provides additional references for the Title 10, U.S.C., Chapter 1607 benefits, the “National Call to Service” program, and the “Benefits Transferred to Dependents” program.</td>
<td>Update</td>
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<tr>
<td>150203.A.5</td>
<td>Details the expiration of the benefit entitlement for active duty.</td>
<td>Update</td>
</tr>
<tr>
<td>150203.B.3</td>
<td>Provides the benefit entitlement criteria for the Reserve Component members who are ordered to active duty.</td>
<td>Update</td>
</tr>
<tr>
<td>150203.B.4</td>
<td>Provides guidance on benefit entitlement criteria for Reserve Component members who separate because of a disability.</td>
<td>Update</td>
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<tr>
<td>150203.C.</td>
<td>Details benefit criteria for Reserve Component Members supporting Contingency Operations (Title 10, U.S.C., Chapter 1607).</td>
<td>Update</td>
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<tr>
<td>150203.D.</td>
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<tr>
<td>150802</td>
<td>Update to e-mail address when requesting a fund transfer from the trust fund to DVA.</td>
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CHAPTER 15

EDUCATIONAL ASSISTANCE PROGRAMS

1501 OVERVIEW

150101. Purpose

This chapter provides guidance relative to financial operations of and recording transactions for the Educational Assistance Programs and establishes the accounting principles and standards relative to those requirements.

150102. General

A. Entitlements under the Educational Assistance Programs are established by law and are available to any person meeting eligibility requirements. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients may have legal recourse if the obligation is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds; thus, the subsequent enactment of appropriations may be necessary.


1502 EDUCATIONAL ASSISTANCE PROGRAMS

150201. Background

The Veteran’s Educational Assistance Act of 1984 (P.L. 98-525) referred to as the Montgomery GI Bill (MGIB), provides for an educational assistance program to aid in the recruitment and retention of members of the Armed Forces and the readjustment of members to civilian life after their separation from military service. The Act also provides a program of educational assistance to aid in the recruitment and retention of members of the Selected Reserve.

150202. Accounting Treatment

The accounting treatment to be followed for entitlement programs depends on the program and the nature and other circumstances surrounding the requirements to pay benefits. Generally, the unexpended appropriation shall be reduced by the amount of the liability and
recorded as a financing source when the liability and expense are recognized. Specific payment procedures for each education benefit program are outlined below.

150203. Eligibility Requirements

* A. Active Duty (Chapter 30, Title 38 U.S.C.). Eligibility is obtained when an individual:

* 1. First becomes a member of the Armed Forces but expires 10-years after the member separates.

  2. Does not disenroll from the basic program.

  3. Has their pay reduced by $100 per month for the first 12 months of active duty.

  4. Meets the initial Service-defined criteria for additional or supplemental benefits of any type.

* 5. Members who are separated from active duty because of a disability which was not the result of the individual’s own willful misconduct incurred on or after the date on which that member became entitled to educational assistance, such member’s entitlement to educational assistance expires at the end of the 10-year period beginning on the date on which the member was discharged or was released from active duty.

B. Selected Reserve (Chapter 1606, Title 10, U.S.C.)

  1. Members of the Selected Reserve who meet all of the following criteria are entitled to educational assistance:

    a. On or after July 1, 1985, enlisted, reenlisted or extended an enlistment in a Reserve component for service in the Selected Reserve for a period of not less than 6 years or, in the case of officers, agree to serve in the Selected Reserve for 6 years beyond any existing Selected Reserve service obligation.

    b. Completed the requirements for award of a high school diploma or equivalency certificate before applying for benefits (Reference 10 U.S.C. 16132(a)).

    c. Completed the initial period of active duty for training required of the member.

  2. Each person who becomes entitled to educational assistance shall be given a written DD Form 2384-1, Notice of Basic Eligibility summarizing the provisions of 10 U.S.C. Chapter 1606. This notice provides a date of basic eligibility contingent on meeting initial eligibility criteria established in subparagraph 150203.B.1 above.
3. **Period of Entitlement.** Member’s entitlement to educational assistance expires at the end of the 14-year period beginning on the date on which the member became entitled to such assistance or on the date the member separates from the Selected Reserve, whichever occurs first. However, the expiration of a Service member’s entitlement who is ordered to active duty under an order issued under sections 12301(a), 12301(d), 12301(g), or 12304 of 10 U.S.C. shall be extended beyond the 14-year period or the date the Service member separated from the Selected Reserve by the length of the period of active duty plus 4 months.

4. Members who are separated from the Selected Reserve because of a disability which was not the result of the individual’s own willful misconduct incurred on or after the date on which that member became entitled to educational assistance, such member’s entitlement to educational assistance expires at the end of the 14-year period beginning on the date on which the member became entitled to such assistance.

**C. Reserve Component Members Supporting Contingency Operations (Chapter 1607, Title 10, U.S.C.)**

1. Reserve Component members supporting contingency operations and National Guard Members supporting certain operational requirement who meet all of the following criteria are entitled to educational assistance:
   
   a. Reserve Component member ordered to active duty in support of a contingency operation and served for 90 consecutive days or more on or after September 11, 2001.

   b. A member of the Army or Air National Guard, ordered to duty under Section 1607, for 90 consecutive days or more if the duty performed was authorized by the President or Secretary of Defense for the purpose of responding to a national emergency declared by the President and supported by federal funds, and 90 or more consecutive days of such duty occurred on or after September 11, 2001.

2. Members released from duty before completing 90 consecutive days because of an injury, illness, or disease incurred or aggravated in the line of duty (Line of Duty determination required) shall be entitled to educational assistance at the rate prescribed in Section 16162(c)(4)(A) of Title 10, U.S.C.

3. Active Guard and Reserve members may qualify for this benefit but only if their name is listed on an individual or collective by name list of personnel stating that they have been mobilized and/or deployed to support a qualifying mission as described in subparagraphs 150203.C.1. or 150203.C.2., above.

4. An Active Guard or Reserve member cannot gain eligibility by merely providing support (even if direct support) to a mobilized portion of the unit unless the Active Guard or Reserve member is mobilized or deployed as provided in subparagraph 15203.C.2.3., above.
5. To retain eligibility for educational assistance under 10 U.S.C. Chapter 1607.

a. A member who was serving in the Selected Reserve at the time the member was ordered to active duty or full-time National Guard duty must continue to serve in the Selected Reserve, except, under regulations prescribed by the Secretary of Defense, educational assistance may be provided to a member of the Selected Reserve who incurs a break in service in the Selected Reserve of not more than 90 days if the member continues to serve in the Ready Reserve during and after such break in service;

b. A member who was serving in the Individual Ready Reserve at the time the member was ordered to active duty must continue to serve in the Ready Reserve (either the Selected Reserve or the Individual Ready Reserve).

D. National Call to Service (10 U.S.C. 510(e)). The National Call to Service (NCS) Incentive program requires a participant to perform a period of national service to be eligible for benefits.

1. There is a three-tiered service requirement to qualify for incentives under the NCS program:

   a. First, after completion of initial entry training, individuals must serve on active duty in a military occupational specialty designated by the Secretary of Defense for a period of 15 months.

   b. After this, and without a break in service, these individuals must serve either an additional period of active duty as determined by the Secretary of Defense, or a period of 24 months in an active status in the Selected Reserve.

   c. After completion of this period of service, and also, without a break in service the remaining period of obligated service specified in the agreement will be served as follows:

      (1) On active duty in the armed forces.

      (2) In the Selected Reserve.

      (3) In the Individual Ready Reserve.

      (4) In AmeriCorps, or another domestic national service program jointly designated by the Secretary of Defense and the head of such a program.

2. Any combination of the service referred to above may also be approved by the Secretary of the Military Department concerned pursuant to regulation prescribed by the Secretary of Defense and specified in the agreement.
3. Individuals who participate in this program have a choice of incentives as follows:

a. Cash bonus of $5,000.

b. Repayment of a qualifying student loan not to exceed $18,000.

c. Entitlement to allowance equal to the 3-year monthly 38 U.S.C. Chapter 30 rate for 12 months ($1,101 effective October 1, 2007).

d. Entitlement to allowance equal to fifty percent of the less than 3-year monthly 38 U.S.C. Chapter 30 rate for 36 months (fifty percent of $894.00 effective October 1, 2007).

4. The NCS participants are not entitled to additional assistance under 10 U.S.C. Chapter 1606 or 38 U.S.C. Chapter 30 benefits. However, if the NCS participant has eligibility under either of these chapters, he or she may be paid the amount of 10 U.S.C. Chapter 1606 or 38 U.S.C. Chapter 30 benefits minus any amounts paid under the NCS program. The education benefit options will be administered to the extent possible like 10 U.S.C. Chapter 1606.

E. Chapter 30 Benefits Transferred to Dependents (Chapter 30, Title 38 U.S.C., Section 3020). Developed for the purpose of enhancing recruitment and retention of members of the Armed Forces, this program allows eligible Members to transfer basic educational assistance to one or more dependents.

1. Members who meet the following criteria are eligible:

a. Completed 6 years of service in the Armed Forces;

b. Has critical military skill designed by the Secretary; or

c. Is in a military specialty designated by the Secretary concerned as requiring critical military skills; and

d. Enters into an agreement to serve at least 4 more years as a member of the Armed Forces.

2. Individuals who are approved to transfer an entitlement to basic educational assistance follow:

a. The member’s spouse.

b. To one or more of the member’s children.
c. To a combination of “a” and “b” above.

3. The total number of months of entitlement transferred by a Member to a dependent may not exceed 18 months.

F. Maximum Combined Eligibility. Members eligible for multiple benefit programs, e.g., 38 U.S.C. Chapter 30 and 10 U.S.C. Chapter 1606; or 10 U.S.C. Chapter 1606 and 10 U.S.C. Chapter 1607, can use up to 36 months of a given program but can not exceed more than 48 months combined.

1503 TYPES OF PROGRAMS

150301. Categories of Education Benefits

Education benefits are comprised of two major categories -- Those with a pay reduction and those without a pay reduction.

*150302. Pay Reduction Programs

Enrollees in these programs, 38 U.S.C. sections 3011 and 3012, have their pay reduced by $100 each month for the first 12 months of active duty. All participating service members are required to have completed the requirements for a high school diploma or an equivalency certificate, or have successfully completed the equivalent of 12 credit hours in a program of education leading to a standard college degree before becoming eligible to use the benefit. Members who meet these requirements are entitled to a basic monthly benefit and can receive up to 36 months of benefit. Some exceptions exist for early discharge for service connected disability.

A. Educational Assistance Program for Service on Active Duty. Participation in this program is limited to persons who:

1. After June 30, 1985, first become a member of the Armed Forces or first enters on active duty as a member of the Armed Forces.

2. Serve at least 3 years of continuous active duty in the Armed Forces.

3. Serve at least 2 years of continuous active duty in the case of an individual whose initial period of active duty is less than 3 years, (see further stipulations in subparagraph 150302.B below).

4. After completion of the service described above:

   a. Continue on active duty.
b. Are discharged from active duty with an honorable discharge.

c. Are placed on the retired list or temporary disability retired list, or is transferred to the Fleet Reserve or Fleet Marine Corps Reserve.

d. Are released from the Armed Services under honorable conditions by the Secretary of Defense for further service in a Reserve Component of the Armed Forces.

B. Educational Assistance Program for Less than 3 Years Service on Active Duty. Participation in this program is limited to persons who:

1. After June 30, 1985, first become a member of the Armed Forces or first enters on active duty as a member of the Armed Forces.

2. Serve at least 2 years of continuous active duty.

3. Beginning within 1 year after completion of the service on active duty, serve at least 4 years of continuous duty in the Selected Reserve during which the individual participates satisfactorily in the training as required by the Reserve Unit or the Department of Defense.

150303. No Pay Reduction Programs

A. Educational Assistance Program for Service in the Selected Reserve

1. The Montgomery GI Bill (MGIB) for the Selected Reserve (Chapter 1606, Title 10, U.S.C) provides educational assistance to individuals who agree to serve in the Selected Reserve of the Ready Reserve for 6 years and meet the eligibility criteria specified in paragraphs 150203.B.1 through 3.

2. Additionally, the Secretary of the Military Department concerned may provide additional educational assistance to a member who has a skill or specialty designated by the Secretary concerned as a skill or specialty in which there is a critical shortage of personnel or for which it is difficult to recruit or, in the case of critical units, retain personnel. This benefit is often referred to as the “kicker” and is in addition to the assistance provided under the basic benefit. To be eligible for kicker payments, the member must qualify for and be assigned to a Service-designated critical specialty, skill, or unit in the Selected Reserve designated by the Secretary concerned, be in receipt of basic MGIB Selected Reserve benefits or benefit under 38 U.S.C. Chapter 30 (other than section 3012), and enter into a period of obligated service, as described in subparagraph 150203.B.1. The period of obligated service for kicker payments is separate from the period of obligated service for the basic MGIB Selected Reserve benefit, but runs concurrently with that period of obligated service. Kicker payments may not exceed $350 per month.
3. Individuals may not receive credit for service in both this program and the programs under paragraph 150302.

4. Members who have met the eligibility criteria will be given a statement in writing summarizing the provisions of sections 16134 and 16135, Chapter 1606, Title 10 U.S.C.

5. A member is prohibited from receiving educational assistance under this program and financial assistance as a member of the Senior Reserve Officers’ Training Corps Program.

6. Eligibility for educational assistance under 10 U.S.C. Chapter 1606 terminates when a member fails to participate satisfactorily in the required training as a member of the Selected Reserve or 14 years after becoming eligible for MGIB Selected Reserve benefits, whichever occurs first. However, the expiration of a Service member’s entitlement who is ordered to active duty under an order issued under sections 12301(a), 12301(d), 12301(g), or 12304 of 10 U.S.C. shall be extended beyond the 14-year period or the date the Service member separated from the Selected Reserve by the length of the period of active duty plus 4 months.

B. Reserve Educational Assistance Program for Reserve Component Members Supporting Contingency Operations and Other Specified Missions. Enrollees in this program, as provided in section 16163(a), Chapter 1607 of Title 10, U.S.C., are required to have been ordered to active duty in support of a contingency operation or in the case of National Guard members order to duty under section 502(f), Title 32, U.S.C., at the request of the President or Secretary of Defense for the purpose of responding to a national emergency declared by the President or the Congress.

1. Participation in this program is limited to persons who:

   a. On or after September 11, 2001, have been ordered to active duty in support of a contingency operation or ordered to full-time National Guard duty to respond to national emergency declared by the President or the Congress and have served for 90 consecutive days or more.

   b. The educational assistance entitlement increases based on the length of continuous service.

      (1) A member who completes 90 consecutive days of qualifying service is entitled to assistance at a rate equal to 40 percent of the rate provided to an individual eligible for assistance under 38 U.S.C. 3011.

      (2) A member who completes 1 continuous year of qualifying service is entitled to assistance at a rate equal to 60 percent of the rate provided to an individual eligible for assistance under 38 U.S.C. 3011.
(3) A member who completes 2 continuous years of qualifying service is entitled to assistance at a rate equal to 80 percent of the rate provided to an individual eligible for assistance under 38 U.S.C. 3011.

c. A member who was ordered to active service as described in subparagraph 150303.B.1. but was released from duty before completing 90 consecutive days because of an injury, illness or disease incurred or aggravated in the line of duty in entitled to educational assistance at the rate prescribed for a member who has completed 90 consecutive days of duty.

2. To retain eligibility for educational assistance under Chapter 1607, Title 10, U.S.C.:

a. A member who was serving in the Selected Reserve at the time the member was ordered to active duty or full-time National Guard duty must continue to serve in the Selected Reserve, except, under regulations prescribed by the Secretary of Defense, educational assistance may be provided to a member of the Selected Reserve who incurs a break in service in the Selected Reserve of not more than 90 days if the member continues to serve in the Ready Reserve during and after such break in service;

b. A member who was serving in the Individual Ready Reserve at the time the member was ordered to active duty must continue to serve in the Ready Reserve (either the Selected Reserve or the Individual Ready Reserve).

3. A member who has met the eligibility requirements of subparagraph 150303.B.1. will be given a statement in writing notifying the member of such eligibility and summarizing the provisions of section 16163(a), Chapter 1607 of Title 10, U.S.C.

4. A member who has a service connected injury, illness or disease is not required to meet the requirement in subparagraph 150303.B.2. regarding continued membership in the Selected Reserve or Ready Reserve.

5. Individuals may not receive credit for service in both this program and the programs under paragraph 150302.

C. Vietnam Era GI Bill Service. This program required service during the period February 1, 1955 through December 31, 1976.

D. Inservice Enrollment in a Program of Education. Participation in this program is limited to individuals who are a member of the Armed Forces who did not elect to participate in the contributory programs in paragraph 150302 above, and:

1. After June 30, 1985, have completed at least 2 years of service on active duty.
2. Continue on active duty or in the Selected Reserve without a break in service. Some exceptions apply for not being able to find a vacancy in, or locate a unit of the Selected Reserve within stipulated timeframes.

E. Supplemental Educational Assistance for Additional Service. Benefits payable under this program are prescribed by the Secretary of Defense, and may provide for the payment of supplemental educational assistance to individuals eligible for educational assistance under paragraph 150302 above. Eligible persons for this program:

1. Must have served 5 or more consecutive years of active duty in the Armed Forces beyond the years of active duty counted under paragraph 150302 without a break in service.

2. Must have been discharged from service with an honorable discharge, or is placed on the retired list, or is transferred to the Fleet Reserve or Fleet Marine is Corps Reserve, or is placed on the temporary disability retire list without a break in service after completion of 5 or more consecutive years of active duty beyond the years of active duty as specified in the above.

3. Must have completed 2 or more consecutive years of active duty in the Armed Forces beyond the years of active duty counted under paragraph 150302 without a break in service, and 4 or more consecutive years of duty in the Selected Reserve.

F. Educational Program for Tutorial Assistance. Benefits for participation in this program are in addition to other educational benefits received, but are limited in benefit amount and number of months.

G. Additional Educational Assistance for Qualified Individuals with Critical Skills or Specialties. The Secretary of Defense, without regard to application, may authorize educational assistance to individuals in specialized categories such as physicians and registered nurses in critical specialties, students in the nursing program, and other health professions.

1504 BENEFITS UNDER PAY REDUCTION PROGRAMS

* Rates for budgeting purposes are updated annually and issued in the Office of the Under Secretary of Defense (Comptroller) Program and Budget Submission Guidance.

150401. Monthly Benefits

Veterans entitled to basic educational assistance with regard to subparagraph 150302.A who are pursuing an approved program of education are entitled to receive monthly benefits up to $1,101, beginning October 1, 2007, for an approved program of education pursued on a full-time basis. Veterans will receive an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis.
150402. Eligibility Criteria

With regard to subparagraph 150302.B, veterans entitled to basic educational assistance who are pursuing an approved program of education are entitled to receive benefits at the monthly rate of $894 beginning October 1, 2007, for an approved program of education pursued on a full-time basis. Veterans in this category also will receive an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis.

*150403. Monthly Benefit Increases

With respect to the fiscal year beginning on October 1, 1993, and each fiscal year thereafter, the monthly basic benefits for each fiscal year will increase by the percentage which the Consumer Price Index (all items, United States city average) for the 12-month period ending on the June 30 preceding the beginning of the fiscal year for which the increase is made exceeds the Consumer Price Index for the previous 12 months. Any increase in a benefit rate with respect to a fiscal year after fiscal year 2004 and before fiscal year 2014 shall be rounded down to the next lower whole dollar amount. Any such increase with respect to a fiscal year after fiscal year 2013 shall be rounded to the nearest whole dollar amount.

150404. Skill or Specialty Designators

With regard to subparagraph 150302.A, individuals who have a skill or specialty designated by the Secretary of Defense as a skill or specialty in which there is a critical shortage of personnel or for which it is difficult to recruit, may be entitled to receive an additional benefit known as the “kicker” benefit at a monthly rate of up to $950.

1505 BENEFITS FOR THE NON PAY REDUCTION PROGRAMS IN THE SELECTED RESERVE

150501. Benefit Payments

Individuals entitled to basic educational assistance with regard to subparagraph 150303.A who are pursuing an approved program of education are entitled to receive monthly payments, effective October 1, 2007, at the monthly rate of $317 for a full-time pursuit of a program of education; $237 per month for three-quarter-time; and $157 per month for half-time. Individuals will receive an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis if tuition assistance is not available to the person from the respective Military Department.

A. Effective February 10, 1996, a member who meets the eligibility criteria for 10 U.S.C. Chapter 1606 “kicker payments” (subparagraph 150303.A.2) is entitled to an additional $100, $200 or $350 per month, as determined by the Secretary of the Military Department concerned, in addition to the basic benefit monthly payment.
Rates for budgeting purposes are updated annually and issued in the Office of the Under Secretary of Defense (Comptroller) Program and Budget Submission Guidance.

150502. Educational Programs Eligible for Assistance Payments

Educational assistance provided under subparagraph 150303.A. is available to individuals pursuing a program of education consisting of a program of apprenticeship, other on-the-job training, a cooperative program, a correspondence program of education, flight training program, or a program of approved individualized tutorial assistance. The amount of monthly educational assistance allowance for each program varies and is a predetermined percentage of the monthly allowance otherwise payable to a veteran entitled to receipt of assistance, or a percentage of the cost of the program.

*150503. Eligibility Requirements

Members entitled to basic educational assistance with regard to subparagraph 150303.B who are pursuing an approved program of education are entitled to receive benefits at the monthly rate, effective October 1, 2007, according to the period of continuous service.

A. Completed 90 continuous days of duty or performed fewer than 90 days of duty but have a service-connected injury, illness or disease:

1. $440.40 per month for a full-time pursuit of a program of education.

2. $330.30 per month for three-quarter-time.

3. $220.20 per month for half-time.

4. $220.20 for less than half-time but greater than one-quarter time.

5. $110.10 for one-quarter time or less.

6. Reduced rates will be paid to apprenticeship and on-the-job training, flight training, correspondence training and cooperative training. Individuals will receive an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis if tuition assistance is not available to the person from the respective Military Department.

B. Completed 1 continuous year of duty:

1. $660.60 per month for a full-time pursuit of a program of education.

2. $495.45 per month for three-quarter-time.
3. $330.30 per month for half-time.

4. $330.30 for less than half-time but greater than one-quarter time (tuition and fees only).

5. $165.15 for one-quarter time or less.

6. Reduced rates will be paid to apprenticeship and on-the-job training, flight training, correspondence training and cooperative training.

C. Completed 2 continuous years of duty:

1. $880.80 per month for a full-time pursuit of a program of education.

2. $660.60 per month for three-quarter-time.

3. $440.40 per month for half-time.

4. $440.40 for less than half-time but greater than one-quarter time (tuition and fees only).

5. $220.20 for one-quarter time or less.

6. Reduced rates will be paid to apprenticeship and on-the-job training, flight training, correspondence training and cooperative training.

*150504. Basic Monthly Benefit

The basic monthly benefit for each fiscal year will increase by the percentage by which the Consumer Price Index (all items, United States city average) for the 12-month period ending on the June 30 preceding the beginning of the fiscal year for which the increase is made exceeds the Consumer Price Index for the previous 12 months. Any resulting increase in a benefit rate shall be rounded to the nearest whole dollar amount.

Rates for budgeting purposes are updated annually and issued in the Office of the Under Secretary of Defense (Comptroller) Program and Budget Submission Guidance.

1506 FUNDING FOR EDUCATIONAL ASSISTANCE PROGRAMS

150601. DoD Education Benefits Fund

The Veteran’s Educational Assistance Act of 1984 established a trust fund to finance DoD education liabilities on an actuarially sound basis. The DoD Education Benefits Fund is a trust fund used to accumulate funds for transfer to the Department of Veterans Affairs (DVA) to
cover the DoD share of benefits. The Fund, 97X8098 - Department of Defense Education Benefits Fund (Education Fund), contains the following assets:

A. Amounts paid into the Education Fund from the active duty and reserve personnel appropriations.

B. Any amount that may be appropriated by the Congress to the Education Fund.

C. Interest earned as a result of the investment of available Education Fund cash balance in U.S. Government securities. This method of funding the educational assistance program became effective July 1, 1985.

150602. Education Fund Payments

Amounts payable to the Education Fund shall be determined using methods and assumptions approved by the DoD Education Benefits Board of Actuaries. The accounting principles contained in Chapter 16 also apply to the education benefits programs.

150603. Education Fund Transfers

Amounts to be transferred to the Education Fund shall be obligated by Components at the same time military pay is obligated as required in Volume 3, Chapter 8, and further explained in Chapter 16.

150604. Educational Fund Deposits

The Act provides for withholding a total of $1,200 (in 12 equal monthly installments) from the basic pay of active duty military members who elect to participate in the new educational program. The Military Departments shall deposit the withheld funds to the general fund of the Treasury as miscellaneous receipts. The miscellaneous receipts subaccounts are identified in subparagraph 150606.B, below.

150605. “Kicker” Educational Benefit

The DVA pays all claims for benefits under the educational program. The DVA also funds most of the basic educational benefits for active duty military members from a general fund appropriation. An additional benefit (i.e., the “kicker”) may be paid at the discretion of the Secretary of Defense. However, this is funded in the military personnel appropriations by the Department of Defense as are all supplemental benefits. These funds shall be paid into the Education Fund for subsequent transfer to the DVA.

150606. Education Fund Transfer to Department of Veterans Administration

The Education Fund is used to accumulate funds for transfer to the DVA to cover the DoD share of benefits. The Director, DFAS, shall account and report for the DoD Education
Benefits Fund since it is an Office of the Secretary of Defense account. In addition, the Director, DFAS, shall invest the cash balances of the Education Fund not actually needed to cover transfers to the DVA for payment of benefits.

A. For amounts withheld from active duty members, a general fund proprietary receipt account has been established to which collections of military personnel contributions are deposited. However, the funds collected are treated as proprietary receipts of the DVA, rather than of the Department of Defense, with the appropriate offset against budget subfunction 702 (Veterans’ Education, Training, and Rehabilitation).

B. Even though the Department of Defense does not receive credit for the offsetting receipts, it is responsible for collecting the contributions from individuals participating in the program. To ensure proper crediting of the collected funds, all contributions shall be deposited into Miscellaneous Receipt Account 36R2473 - Contributions from Military Personnel, Veteran’s Educational Assistance Act of 1984 (per capita amounts defined in 150702). It is essential that the funds be deposited to Treasury index number “36” (DVA) rather than the index numbers for each Military Department.

150607. Monthly Report for Miscellaneous Receipt

Each Military Department shall provide the DVA a monthly letter report of funds deposited to Miscellaneous Receipt Account 362473. The report shall show only the net amount deposited with no detail.

A. Submit the report in time to reach the DVA no later than the close of business on the seventh workday after the close of the reported month. The following address shall be used for sending the reports:

Department of Veterans Affairs (047H1)
810 Vermont Avenue, NW
Washington, DC 20420
ATTN: C.O. Finance (047H1)

B. If the report cannot be submitted in time to reach the DVA by the seventh workday after the reported month, the Military Department shall report by facsimile machine the amount deposited. The report should be “faxed” to the DVA Central Office, Field Finance Division.

1507 FUND TRANSFERS OF MILITARY PERSONNEL APPROPRIATIONS

Transfers from the military personnel appropriations to the DoD Education Benefits Fund shall be processed as indicated below. (The accounting for these amounts shall follow the accounting requirements contained in Chapter 10, Volume 4.)
150701. Receipt and Expenditure Accounts.

The DoD Education Benefits Fund is classified as a trust fund and uses both receipt and expenditure accounts since it is not designated a trust revolving fund. Receipts are available immediately for expenditure; therefore, the Treasury Department requires deposits to be made using “X” symbolization for the receipt account. Deposits are made to the following trust fund receipt accounts as applicable.


B. 97X8098.2 - Earnings on Investments, Department of Defense, Education Benefits Fund. Payments of interest by Treasury on Education Fund investments in U.S. securities.

C. (62) 97X8098 - Disbursements-Unamortized Premium and Discount, Department of Defense Military Retirement and Education Benefits Funds. Purchase of premium, interest, and discount.

D. (72) 97X8098 - Receipts-Unamortized Premium and Discount, Department of Defense Military Retirement and Education Benefits Fund. Write-off and amortization of premium and discount and collection of interest purchased.

E. 20X6825.01 - Unamortized Discount, Department of Defense Military Retirement and Education Benefits Funds. Purchase of discount, write-off, and amortization of discount.

F. 20X6825.02 - Unamortized Premium, Department of Defense Military Retirement and Education Benefits Funds. Purchase of premium, write-off, and amortization of premium.

G. 20X6825.03 - Accrued Interest Purchased, Department of Defense Military Retirement and Education Benefits Funds. Purchase of interest and collection of interest purchased.

150702. Timing

Transfers of funds for a given month shall be accomplished on or before the last business day of that month. If the transfers are accomplished on an estimated basis, they shall be adjusted in the subsequent month when actual figures become available.

150703. Method for Transfer of Funds

A. Transfers are made on an expenditure basis. Funds shall be disbursed from the military personnel appropriations and collected into the Education Fund. The disbursement and collection transactions are accomplished using the Intragovernmental Payment
and Collection System (IPAC). The disbursement and collection transactions also can be made on an SF 1081, Voucher and Schedule of Withdrawals and Credits. The disbursing officer making the payment shall forward a copy of the completed SF 1081 to the DFAS, and also report both the disbursement and collection transactions on the monthly DD Form 1329, Statement of Transactions. Completed forms shall be forwarded to the following address:

Director
Defense Finance and Accounting Service
Trust Fund Investment Office
ATTN: DFAS-JJRA, COLUMN 203L
8899 e. 56TH Street
Indianapolis, IN 46249
Fax Number: (317)275-0247
E-mail Address: CIN-JJRA@dfas.mil

B. The total amount transferred from the military personnel appropriation to the Education Fund shall be detailed by the Military Service obligation program and reported on the face of the SF 1081 or on a separate attachment.

*150704. Calculation of Transfers

Transfers to the Education Fund from the active duty and reserve component personnel appropriations shall be accomplished monthly. The amounts to be transferred shall be calculated using the formulas provided in subparagraphs 150702.A and 150702.B, below, which are based on existing legislation and, therefore, subject to change upon any enacted amendments. The per capita amounts to be used in the calculations shall be determined by the DoD Office of the Actuary using methods and assumptions approved by the DoD Education Benefits Board of Actuaries. The per capita amount is the per-person normal cost potentially offset by an amount related to amortizing a surplus (if this particular service or Reserve Component’s portion of the Fund as determined by the Office of the Actuary for a particular program has a surplus). This information shall be provided to the Military Departments when it becomes available.

* A. Active Duty Appropriations. The per capita normal cost multiplied by the number of new entrants who become eligible during the month. Eligibility is defined in subparagraph 150203.A, above.

1. The Services shall report monthly to DFAS, and DFAS shall report monthly in their trial balance, the total amount of per capita contributions for each combination of benefit level and years of obligated service. The report shall specify how such amounts are derived in terms of the number of members for the current month, reconciling corrections from the prior month (if any), and the per capita amounts used in such calculations. These amounts should be reported separately from contributions that fund other programs.
2. The Services shall pay an amortization payment into the Department of Defense Education Benefits Fund on October 1st of each year to reduce the fund’s liability. The amount of the contribution, if any, for each Component shall equal the amount specified in the letter for the current fiscal year issued by the Department of Defense Education Benefits Board of Actuaries to the Secretary of Defense.

3. To ensure proper crediting of contributions made to DFAS, the Services shall reference the following account titles:

**Active Army**
- Basic Selected Skill Benefit
- 2 Year Obligation $150 per month “kicker”
- 2 Year Obligation $250 per month “kicker”
- 2 Year Obligation $350 per month “kicker”
- 2 Year Obligation $450 per month “kicker”
- 2 Year Obligation $550 per month “kicker”
- 2 Year Obligation $650 per month “kicker”
- 2 Year Obligation $750 per month “kicker”
- 2 Year Obligation $850 per month “kicker”
- 2 Year Obligation $950 per month “kicker”
- 3 Year Obligation $150 per month “kicker”
- 3 Year Obligation $250 per month “kicker”
- 3 Year Obligation $350 per month “kicker”
- 3 Year Obligation $450 per month “kicker”
- 3 Year Obligation $550 per month “kicker”
- 3 Year Obligation $650 per month “kicker”
- 3 Year Obligation $750 per month “kicker”
- 3 Year Obligation $850 per month “kicker”
- 3 Year Obligation $950 per month “kicker”
- 4 Year Obligation $150 per month “kicker”
- 4 Year Obligation $250 per month “kicker”
- 4 Year Obligation $350 per month “kicker”
- 4 Year Obligation $450 per month “kicker”
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- 5 Year Obligation $850 per month “kicker”
5 Year Obligation $950 per month “kicker”
6 Year Obligation $150 per month “kicker”
6 Year Obligation $250 per month “kicker”
6 Year Obligation $350 per month “kicker”
6 Year Obligation $450 per month “kicker”
6 Year Obligation $550 per month “kicker”
6 Year Obligation $650 per month “kicker”
6 Year Obligation $750 per month “kicker”
6 Year Obligation $850 per month “kicker”
6 Year Obligation $950 per month “kicker”

Amortization Payment – Active Army

Post-Vietnam Era Voluntary and Involuntary Separatees (Category 3)

National Call to Service – 12 months
National Call to Service – 36 months

Active Army – Benefits Transferred to Dependents

Active Navy
Basic Selected Skill Benefit
4 Year Obligation $150 per month “kicker”
4 Year Obligation $250 per month “kicker”
4 Year Obligation $350 per month “kicker”
4 Year Obligation $450 per month “kicker”
4 Year Obligation $550 per month “kicker”
4 Year Obligation $650 per month “kicker”
4 Year Obligation $750 per month “kicker”
4 Year Obligation $850 per month “kicker”
4 Year Obligation $950 per month “kicker”

Amortization Payment – Active Navy

Post Vietnam Era Voluntary and Involuntary Separatees (Category 3)

National Call to Service – 12 months
National Call to Service – 36 months

Active Navy – Benefits Transferred to Dependents

Active Marine Corps
Basic Selected Skill Benefit
4 Year Obligation $150 per month “kicker”
4 Year Obligation $250 per month “kicker”
4 Year Obligation $350 per month “kicker”
4 Year Obligation $450 per month “kicker”
4 Year Obligation $550 per month “kicker”
4 Year Obligation $650 per month “kicker”
4 Year Obligation $750 per month “kicker”
4 Year Obligation $850 per month “kicker”
4 Year Obligation $950 per month “kicker”

5 Year Obligation $150 per month “kicker”
5 Year Obligation $250 per month “kicker”
5 Year Obligation $350 per month “kicker”
5 Year Obligation $450 per month “kicker”
5 Year Obligation $550 per month “kicker”
5 Year Obligation $650 per month “kicker”
5 Year Obligation $750 per month “kicker”
5 Year Obligation $850 per month “kicker”
5 Year Obligation $950 per month “kicker”

Amortization Payment – Active Marine Corps

Post Vietnam Era Voluntary and Involuntary Separatees (Category 3)

National Call to Service – 12 months
National Call to Service – 36 months

Active Marine Corps – Benefits Transferred to Dependents

Active Air Force
Basic Selected Skill Benefit
4 Year Obligation $150 per month “kicker”
4 Year Obligation $250 per month “kicker”
4 Year Obligation $350 per month “kicker”
4 Year Obligation $450 per month “kicker”
4 Year Obligation $550 per month “kicker”
4 Year Obligation $650 per month “kicker”
4 Year Obligation $750 per month “kicker”
4 Year Obligation $850 per month “kicker”
4 Year Obligation $950 per month “kicker”

Amortization Payment – Active Air Force

Post Vietnam Era Voluntary and Involuntary Separatees (Category 3)

National Call to Service – 12 months
National Call to Service – 36 months

Active Air Force – Benefits Transferred to Dependents

NOTE: In the future, account numbers will be assigned to each account title by DFAS. When new benefit programs are added, the Services and DFAS shall create and use new account numbers and titles as needed to ensure proper crediting of contributions.

* B. Reserve and National Guard Appropriations. Per capita amounts and amortization payments required.

1. The per capita amount cost is multiplied by the number of Reserve Component members who become eligible during the preceding month. Eligibility is defined in subparagraph 150203.B, above. A contribution is made for an eligible member only one time. Eligibility date is established in the Notice of Basic Eligibility also described in subparagraphs 150303.B and 150303.C. This eligibility date never changes.

2. The per capita amount is multiplied by the number of Reserve Component members who become eligible during the preceding month. Eligibility is defined in subparagraph 150203C., above (REAP). A contribution is made for an eligible member only one time. Eligibility date is established when the member has completed the minimum service requirement as specified in subparagraphs 150203C.1 through 150203C.3, above.

* a. The amount of the contribution for each member (i.e., the per capita amount) shall equal the amount specified in the letter for the current fiscal year issued by the Department of Defense Education Benefits Board of Actuaries, corresponding to one of the three benefit levels - 90 days, 1 year, or 2 years (10 U.S.C. 16162(c)(4)) - based on the length of the member’s activation orders or based on the members who actually served 90 days or more if the activation orders are for less than 90 days. In this context, “activation orders” refers to the maximum level of consecutive qualifying service the member is anticipated to obtain for the current mobilization event. For example, if a member is called up for 120 days to complete required training in preparation for activation or deployment, and the member is scheduled to be activated for 15 months following the training (with a short break in between the two), the component shall contribute based on the 1-year benefit level when the member reaches the 90-day point during the training.

   (1) The Components shall track whether members have previously reached the qualifying 90-day threshold.

   (2) No contribution shall be made for a member who subsequently reaches the initial 90-day threshold, if a contribution has already been made.

3. The Reserve Components shall report monthly to DFAS, and DFAS shall report monthly in their trial balance, the total amount of per capita contributions for 10 U.S.C. Chapter 1606; to include the breakout by basic and kicker, and within kicker, by kicker benefit level. The report shall specify how such amounts are derived in terms of the
number of members for the appropriate month, reconciling corrections from the prior month(s) (if any), and the per capita amounts used in such calculations. These amounts should be reported separately from contributions that fund other programs.

4. The Reserve Components shall report monthly to DFAS the total amount of per capita contribution for each of the three benefit levels (90 days, 1 year, or 2 years) for 10 U.S.C. Chapter 1607. The report shall specify how such amounts are derived in terms of the number of members for the appropriate month, reconciling corrections from the prior month(s) (if any), and the per capita amounts used in such calculations. These amounts should be reported separately from contributions that fund other programs.

5. If required due to a program’s unfunded liability, the Reserve Components shall pay an amortization payment into the Department of Defense Education Benefits Fund on October 1st of each year to reduce the funds liability. One payment shall be made for 10 U.S.C. Chapter 1606 and a separate payment shall be made for 10 U.S.C. Chapter 1607. The amount of the contribution, if any, for each component shall equal the amount specified in the letter for the current fiscal year issued by the Department of Defense Education Benefits Board of Actuaries to the Secretary of Defense.

6. To ensure proper crediting of contributions made to DFAS, the Reserve Components shall reference the following account titles:

**Army Reserve**
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Army Reserve

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly “kicker” benefit
$200 monthly “kicker” benefit
$350 monthly “kicker” benefit

Amortization (10 U.S.C. Chapter 1606) – Army Reserve

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Army Reserve

**Army National Guard**
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Army National Guard

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly “kicker” benefit
$200 monthly “kicker” benefit
$350 monthly “kicker” benefit

Amortization (10 U.S.C. Chapter 1606) – Army National Guard

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Army National Guard

**Navy Reserve**
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Navy Reserve

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly “kicker” benefit
$200 monthly “kicker” benefit
$350 monthly “kicker” benefit

Amortization (10 U.S.C. Chapter 1606) – Navy Reserve

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Navy Reserve

**Marine Corps Reserve**
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Marine Corps Reserve

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly “kicker” benefit
$200 monthly “kicker” benefit
$350 monthly “kicker” benefit

Amortization (10 U.S.C. Chapter 1606) – Marine Corps Reserve

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Marine Corps Reserve

**Air Force Reserve**
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Air Force Reserve
Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly “kicker” benefit
$200 monthly “kicker” benefit
$350 monthly “kicker” benefit

Amortization (10 U.S.C. Chapter 1606) – Air Force Reserve

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Air Force Reserve

**Air National Guard**
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Air National Guard

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly “kicker” benefit
$200 monthly “kicker” benefit
$350 monthly “kicker” benefit

Amortization (10 U.S.C. Chapter 1606) – Air National Guard

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Air National Guard

NOTE: In the future, account numbers will be assigned to each account title by DFAS. When new benefit programs are added, the Services and DFAS shall create and use new account numbers and titles as needed to ensure proper crediting of contributions.
1508  FUND TRANSFERS TO DVA

Transfers from the DoD Education Benefits Fund to the DVA shall be processed as follows:

150801. General Fund Appropriation Transfer Account

The DFAS shall transfer funds to the DVA on an expenditure basis. This is required because VA pays the benefits from general fund appropriation account 36X0137 - Readjustment Benefits, Veterans Administration.

150802. IPAC Transactions

The actual transaction is accomplished by using IPAC. The DVA will provide DFAS a letter of intent to disburse prior to making any IPAC transactions. This request will be sent CIN-JIRA@dfas.mil. The DVA will report the collection into 36X0137 on its DD Form 1329.

1509  PAYROLL DEDUCTIONS

150901. Order of Precedence for Deductions

Deductions from pay for the education benefits program are governed by the order of precedence for deductions from gross pay established by the Treasury Financial Manual, Volume 1, Part 3, Chapter 7000, “Allotments and Assignment of Pay.” The order of precedence shall be used when the gross entitlement payment is not sufficient to permit all deductions to be made. The order of precedence is in Volume 7.

150902. Participation Election Criteria

When an individual enters on active duty as a member of the Armed Forces, participation in the education benefits program is automatic, unless the service member makes an election not to enroll for education benefits using DD Form 2366, Montgomery GI Bill Act of 1984 Basic Enrollement. Once enrolled in the program, a reduction of the service member’s pay becomes mandatory. The deduction is considered an “Indebtedness Due the United States.” Therefore, it ranks ahead of state income taxes and all other deductions of lower precedence. Within the “Indebtedness” category, it takes precedence below any debts due to the Department of Defense since the reduction is deposited to a civil agency account.

150903. Selected Reserve Participation

In the case of a member of the Selected Reserve, the Secretary of Defense shall collect from the individual an amount equal to $1,200 not later than 1 year after completion by the individual of the 2 years of service on active duty providing the basis for such entitlement. Collection may be made through a reduction in basic pay or through such other method as the Secretary of Defense considers appropriate.
1510 REFUNDS OR ERRONEOUS DEDUCTIONS

Refunds or erroneous deductions from active duty members shall be processed as follows:

151001. Current Year Deductions

If the refund takes place within the same fiscal year as the erroneous deduction was made, the payment to an active duty member shall be charged to miscellaneous receipt account 362473. Such transactions will reduce the monthly deduction deposited to miscellaneous receipt account 362473 and reported to the DVA.

151002. Prior Year Deductions

If the refund takes place after the close of the fiscal year in which the erroneous deduction was made, the payment to an active duty member shall be made from Treasury appropriation 20X1807 - Refund of Monies Erroneously Received and Covered. Such payments shall be reported routinely on the Military Department's monthly Statement of Transactions. The Treasury Department shall be contacted by telephone if payments from 20X1807 in excess of $100,000 are to be made in a given month. The report shall be provided to the Credit and Debt Management Branch, Financial Management Service.

1511 COLLECTION OF EDUCATIONAL DEBTS OWED TO THE GOVERNMENT

Collection of educational debts owed to the government by members of the Selected Reserve shall be processed as follows.

151101. Selective Reserve Participation Refunds

Members of the Selected Reserve receiving educational assistance benefits under Title 10 U.S.C. Chapter 1606, and who fail to participate satisfactorily in required reserve training, may be required to refund an amount to the United States. This amount is calculated in accordance with the formula established in Title 10 U.S.C. 16135(b)(1).

151102. Selective Reserve Participation Refund Calculation

The refund shall equal the product of the following:

A. The number of months of obligated service remaining under the agreement entered into by the reservist divided by the original number of months of the original obligation.

B. The total amount of educational assistance provided to the reservist increased by interest equal to the highest rate being paid by the Treasury on securities having maturity of 90 days or less on the day on which the refund is determined to be due. The interest shall accrue from the day on which the reservist first is notified of the amount due to the U.S. Government as a refund.
151103. Selective Reserve Data Collection Requirements

Each Military Department shall maintain data on Selected Reserve members who are:

A. Eligible for educational assistance.

B. Fail to participate satisfactorily.

C. Not excused from the responsibility to refund overpayments received under the Selected Reserve educational assistance program.

151104. Collection of Debts Owed

Responsibility for administering the collection of debts owed to the program has not been established. This matter will be addressed in the memorandum of understanding with the DVA covering financial matters. The Military Departments shall be advised of the determination when the memorandum of understanding is ratified.

151105. Reporting Requirements for Education Benefits Programs

The reporting requirements and related standards contained in Chapter 13, Volume 4, also apply to the education benefits programs.
SUMMARY OF MAJOR CHANGES

All changes are denoted by **blue font**.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated October 2015 is archived.

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<tr>
<td>All</td>
<td>Updated hyperlinks, format, and renumbered sections and paragraphs in accordance with standard operating procedures.</td>
<td><strong>Revision</strong></td>
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<tr>
<td>160103</td>
<td>Added an “Authoritative Guidance” paragraph and incorporated the appropriate references.</td>
<td><strong>Addition</strong></td>
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<tr>
<td>1602</td>
<td>Moved the “Definitions” section and added a definition for capitation payments.</td>
<td><strong>Revision</strong></td>
</tr>
<tr>
<td>160503</td>
<td>Incorporated requirements to align with the Department of Defense Instruction (DoDI) 6070.02, “Department of Defense Medicare-Eligible Retiree Health Care Fund Operations.”</td>
<td><strong>Addition</strong></td>
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<tr>
<td>160507</td>
<td>Added information for Medicare-Eligible Retiree Health Care reimbursements.</td>
<td><strong>Addition</strong></td>
</tr>
<tr>
<td>160509.B.2.b</td>
<td>Changed the “Uniformed Services Family Health Plan” to the “Designated Provider Program,” effective October 1, 2012.</td>
<td><strong>Revision</strong></td>
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<tr>
<td>160509.D.2.c.(1)</td>
<td>Added clarifying language to ingredient costs.</td>
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CHAPTER 16

MILITARY PERSONNEL ENTITLEMENT PROGRAMS

1601 GENERAL

160101. Overview

Entitlements Programs are legally established benefits available to any person or unit of government meeting eligibility requirements established by law. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients may have legal recourse if the obligation is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds, thus subsequent enactment of appropriations may be necessary.

160102. Purpose

This chapter prescribes the accounting policy for two entitlement programs established for Department of Defense (DoD) military personnel. The entitlement programs are the Military Retirement Fund (MRF) and the Medicare-Eligible Retiree Health Care Fund (MERHCF).

*160103. Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:


F. DoDI 7770.01, “Reporting Requirements for Retired Uniformed Service Pay File Extracts.”

G. DoD 6010.13-M, "Medical Expense and Performance Reporting System for Fixed Military Medical and Dental Treatment Facilities."
H. **Actuarial Standards Board** (ASB) provides a list of definitions from the Actuarial Standards of Practice and Actuarial Compliance Guidelines of the ASB.

I. **DoD Office of the Actuary** (OACT) provides actuarial expertise on all matters relating to military compensation and benefits.


*1602 DEFINITIONS

The following terms and their definitions apply to this chapter.

160201. Capitation Payments

These are payments agreed upon in a capitated contract by a health insurance company and a medical provider. They are fixed, pre-arranged monthly payments received by a physician, clinic or hospital per patient enrolled in a health plan, or per capita.

160202. Cost

The price or cash value of the resources used to produce a program, project, or activity (OMB Circular A-11).

160203. Federal Financial Statements

Principal financial statements and reporting information applicable to the MERHCF include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, notes to financial statements and required supplementary information as required by OMB Circular A-136.

160204. Medicare-Eligible

With respect to any person, means entitled to benefits under part A of title XVIII of the Social Security Act (42 U.S.C § 1395c et seq).

160205. Military Treatment Facilities

A medical facility (hospital or clinic) operated by one or more of the Uniformed Services.
160206. Normal Cost Contribution

Amounts paid into MERHCF from the “Military Personnel, Reserve Personnel and National Guard Personnel” appropriations to fund future benefits payable from MERHCF, attributable to military service rendered in the current fiscal year. Contribution amounts are based on the normal cost per capita rates (developed by the DoD OACT) multiplied by the expected average force strength (in the President’s Budget) for that fiscal year (available on the DoD OACT website).

160207. Per Capita Normal Cost Rates

Average per Uniformed Service member actuarial rate developed by the DoD OACT.

160208. Refund

The return of excess payments to or by the Government retired or retainer pay. The gross entitlement for a member based on conditions of the retirement law, pay grade, years of service for basic pay, years of service for percentage multiplier, percentage of disability, if applicable, and date of retirement (transfer) in accordance with DoDI 7770.01.

160209. Uniformed Services Retiree Health Care Programs

The provisions of Title 10 or any other provision of law creating an entitlement to or eligibility for health care (services) for a member or former member of a participating uniformed service who is entitled to retired or retainer pay and an eligible dependent under such program.

1603 GENERAL ACCOUNTING POLICY FOR ENTITLEMENT PROGRAMS

160301. Payment of Benefits

Entitlement programs are divided into three categories according to the events that give rise to benefit payments: payments based on individual eligibility, payments required by law, and reimbursable events. These categories are accounted for as follows:

A. Individual Eligibility. When the program is administered by a federal agency, entitlement benefits based on individuals meeting eligibility requirements of a program must be recorded as a liability and an expense when the eligibility requirements are met (as determined by program officials). The recorded liability and expense must cover all expected payments for the current period of eligibility. Payments to recipients reduce the recorded liability.

B. Compliance with Statutory Laws. When payments are authorized (through appropriation and allotment of funds) for disbursement pursuant to legal requirements with no specific action required of the recipients, a liability and expense must be recorded when the appropriated funds are allotted to the applicable program. The recorded liability and expense must cover the total amount to be disbursed. As payments are made, the liability must be reduced.
C. **Reimbursable Events.** When payments are based on the occurrence of a specific event for which costs are reimbursable under an entitlement program, a liability must be recorded when the event occurs. If the reimbursement is based on end-of-period reports from program administrators, an estimated amount must be accrued at the end of a reporting period.

160302. **Identifiable Refunds**

When the expense for payments made under an entitlement program exceeds the appropriation (permissible for certain programs under special statutory authority), the source of the related funds must be clearly identified. If the funds were borrowed, the appropriate liability account must be established.

160303. **Suspension of Payments**

When substantiated doubt exists on the continued entitlement of a military retiree or annuitant to receive benefit payments and payments on an account are suspended, the Defense Finance and Accounting Service (DFAS) must cease obligating on the subject account for retired pay, retainer pay, or annuitant benefits. Previously obligated amounts must be deobligated to the extent of recoveries on previous payments or amounts held in a suspense account. Although this procedure is directed primarily at suspected death status accounts, it applies equally to other situations that may terminate entitlement. Examples of other situations include (but are not limited to) employment by a foreign government, renouncing U.S. citizenship, remarriage of a surviving spouse, and certain student annuitants dropping out of school.

1604 **ACCOUNTING POLICY FOR THE ACCRUAL AND INVESTMENT OF MRF**

160401. **Retired Pay Entitlements**

Retired military pay is a pension program established by 10 U.S.C. §§ 1461 – 1467 and administered by the Secretary of the Treasury. The MRF must be used for the accumulation of funds in order to finance on an actuarially sound basis, liabilities of the DoD under military retirement and survivor benefit programs. As such, the program fits under the category of entitlement authority as defined by 2 U.S.C. § 622(9).

160402. **MRF Assets**

In accordance with 10 U.S.C. §1462, “Assets of Fund,” the following deposits are made into the DoD MRF, which constitute the assets of MRF:

A. Amounts paid into the MRF from the “Military Personnel, Reserve Personnel and National Guard Personnel” appropriations representing future retirement and survivor benefits being accrued by members performing current service.

B. Amounts paid into the MRF from the U.S. Department of the Treasury (Treasury) as an unfunded liability and Concurrent Receipt normal cost payment.
C. Interest earnings on investments in government securities made by the Treasury and the payment of the par values of these securities at maturity.

160403. Unfunded MRF Liabilities

Determinations of funding contribution amounts for the current portion of retired military benefits and amounts required to liquidate the unfunded portion of the MRF are as follows:

A. Amounts necessary to fund present and future benefits payable to military retirees and their survivors must be based on actuarial funding determinations by the DoD OACT, using methods and economic assumptions (including the inflation, interest, and salary rates) approved by the DoD Board of Actuaries and in accordance with 10 U.S.C § 1465. DoD Components must include sufficient funds to be transferred to the MRF, as determined by the DoD OACT, in their Military Personnel (MILPERS) appropriation budgets.

B. The annual amount required to liquidate the unfunded liability of the MRF must be calculated by the DoD OACT, in accordance with methods and assumptions approved by the DoD Board of Actuaries.

C. Amounts to be transferred to the MRF for retired pay accrual must be obligated by the DoD Components at the same time military retired pay is obligated, as required in Volume 4 Chapter 10.

D. Entitlements for former spouse payments from military retired pay and survivor benefits annuities are described in Volume 7B, Chapter 29. Payments of authorized and accrued benefits must be made from the MRF, a trust fund established under Public Law 98-94, in accordance with 10 U.S.C. § 1463.

E. Calculations of funding amounts for the current portion of retired military benefits must be performed centrally by the Military Departments for Active, Reserve, and National Guard military personnel. The calculations must employ retired military pay accrual percentages published annually by the Office of the Secretary of Defense (OSD) and must be applied to the total base pay amount calculated. The term "base pay" means outlays for basic pay.

160404. Investment of MRF Cash Balances

The Investment Fund Manager, DFAS, is responsible for investing cash balances of the MRF not needed to cover current retirement payments. Investments are limited to Market-Based U.S. Government Special Securities issued by the Treasury (see 10 U.S.C. § 1467).

160405. Calculation of Retired Pay Benefits

Retired pay benefits must be calculated (see Volume 7B, Chapter 3) and paid by DFAS.
160406. Reimbursements of Retired Military Pay

All reimbursements made to DoD Components in accordance with the guidance contained in Volume 11A, Chapter 6 for retired military pay must be credited to the applicable MILPERS appropriation account. The annual reimbursable rates are also available online at the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) public website under the “Quick Links” section; select the “DoD Reimbursable Rates.”

160407. Accounting for MRF Obligations and Accruals

Using DoD Board of Actuarial approved relevant actuarially percentages for obligations and accruals, military pay active duty accounts and Reserve and National Guard personnel accounts must be accounted for as follows:

A. Amounts equating to an actuarially determined percentage of basic pay must be obligated each month for subsequent payment to the MRF.

B. Accounting for the direct program must be at the budget sub-activity level prescribed in Volume 2A, Chapter 2. Accounting for the reimbursable program may use a simplified structure to include basic pay, retired pay accrual, and other.

C. The amount accrued for retired pay must be obligated each month. At the end of the month, amounts obligated for retired pay accrual must be disbursed. If information on the total entitlement and total expenditures is not available at the end of the month, estimates may be used and appropriate adjustments made when the actual amounts become known.

D. Release of funds must be consistent with budgetary authority. An undelivered order entry must be made at the beginning of each month to accrue the estimated MRF obligations to the members. Before the end of each month, the actual obligations must be recorded and an accrued expenditure (paid or unpaid, as applicable) established. The corresponding disbursement of funds must agree with the reported outlay and amount obligated.

E. All military pay accounting systems must provide for the recording of obligations for basic pay separate from other kinds of pay and allowances. However, the liquidation of obligations for pay and allowances may be on a gross basis. If the actual amount of basic pay disbursed is not known at the end of the month, an estimated retired pay obligation to be liquidated and disbursed to the MRF may be developed by a formula such as: multiplying the estimated basic pay by the retired pay accrual percentage (provided by the DoD OACT).

F. The Military Departments must also obligate and disburse amounts calculated for the retired pay accrual in the applicable military pay for Active, Reserve, and National Guard accounts; and disbursements for retired pay benefits accruals must be deposited, via the Intra-Governmental Payment and Collection (IPAC) system, at the end of each month to trust fund receipt account 097X8097.001, “Employing Agency Contribution, Department of Defense Military Retirement Fund.” The associated disbursement and collection transactions must be supported using a Standard Form (SF) 1081, “Voucher and Schedule of Withdrawals and Credits.” The SF 1081
must be properly certified prior to submission to the DFAS Trust Fund Accounting and Reporting (TFAR) division. The disbursing officer making the payment also must process the collection, forward a copy of the completed SF 1081 to DFAS TFAR, and report both the disbursement and collection transactions on the monthly SF 1220, “Statement of Transactions (According to Appropriations, Funds, and Receipt Accounts).” The DFAS copy of the SF 1081, with all supporting documentation, must be transmitted electronically, immediately upon completion of the transactions, so that the deposit may be recorded in the MRF as soon as possible and the funds invested.

160408. Accounting for MRF Appropriations

The permanent indefinite appropriations, 097_0040, “Payments to Military Retirement Fund, Defense,” and 097_0041, “Concurrent Receipt Accrual Payments to the Military Retirement Fund, Defense,” are accounted for as follows:

A. At least 3 weeks before the end of the fiscal year, the Secretary of Defense must provide the Secretary of the Treasury with a certification of the amounts, as determined using methods and assumptions approved by the DoD Board of Actuaries that should be deposited to these accounts for the ensuing fiscal year. The certification must include the amounts needed to fund the amortization of the original unfunded liability for military retirement, any other unfunded liability resulting from benefit structure changes and actuarial gains or losses, and the portion of the accrual charge to be funded by the Treasury. A copy of the certification must be sent directly to:

Department of the Treasury
Bureau of the Fiscal Service
Budget Reports Division
3201 Pennsy Drive, Building E
Landover, MD 20785-1603

B. Upon receipt of the certification, the Treasury provides the Fiscal Service (FS) Form 6200, “Department of the Treasury Appropriation Warrant,” for the amount certified. The Warrant must be dated October 1 and provided to DFAS on or before that date so that the funds are available for immediate investment in the new fiscal year.

C. On October 1, DFAS is required to: (1) record the FS Form 6200 to 097_0040, “Payments to Military Retirement Fund, Defense;” (2) disburse the entire amount from 097_0040, and (3) deposit it to trust fund receipt account 097X8097.003, “Federal Contribution, Department of Defense Military Retirement Fund.”

D. The DoD MRF is classified as a trust fund and makes use of both receipt and expenditure accounts since it is not designed as a trust revolving fund.

1. Deposits are made to the following trust fund receipt accounts as applicable:
a. 097X8097.001, “Employing Agency Contribution, Department of Defense Military Retirement Fund.” Payments from DoD Military Departments for accrual of future retired pay benefits and transfers of deposits made by Judges of the U.S. Court of Military Appeals, including interest, from 024X8135, “Civil Service Retirement and Disability Fund, Office of Personnel Management,” and the payment from the indefinite appropriation for the normal costs contribution, 097_0041, “Concurrent Receipt Accrual Payments to the Military Retirement Fund, Defense.”


d. 097X8097, “Disbursements-Unamortized Premium and Discount, Department of Defense Military Retirement Fund.” Purchase of premium, interest, and discount.

e. 097X8097, “Receipts-Unamortized Premium and Discount, Department of Defense Military Retirement Fund.” Write-off and amortization of premium and discount and collection of interest purchased.

2. The Treasury account symbol for the trust fund expenditure account is 097X8097. Amounts deposited to the receipt accounts identified in subparagraph 160408.D.1 are available immediately to the trust fund expenditure account for investment or payment of retired pay benefits.

a. Account 097X8097 must incorporate the same budget activity structure as the account “Retired Pay, Defense.” Accounting must be at least at the budget activity level, and lower level accounts must be established as necessary to meet reporting requirements.

b. Since account 097X8097 is an OSD account, DFAS is responsible for its overall accounting and reporting.

c. Acting for the Secretary of Defense, DFAS must allocate a portion of 097X8097 to each Military Department in order to fund payments of retirement benefits.

d. Annuity payments to retired Judges of the U.S. Court of Military Appeals must be charged to 097X8097.
MRF Financial Reporting Requirements

A. DoD Components must report in their Statement of Operations the amount of Federal contributions (including accrued amounts), if any, made to the pension plans(s) on behalf of their employees. The agency contribution must not include amounts withheld from employee's compensation for submission to the plan(s).

B. DoD Components which administer programs that provide annuity benefits to eligible participants must recognize, for reporting purposes, an actuarial (accrued) liability for the program. Determination of the liability must be in accordance with applicable Federal Accounting Standards Advisory Board standards (e.g., Statement of Federal Financial Accounting Standards (SFFAS) 5 and SFFAS 33).

1. For the year in which the actuarial (accrued) liability is first recorded, the initial amount of the liability must be reported as an accounting change, i.e., a charge to equity and an accrued liability. Thereafter, changes in the liability each year must be charged or credited to expense.

2. Footnotes to the financial statements must disclose the nature and amount of required agency contributions, if any. The footnotes also must disclose the agency responsible for reporting the pension plan’s unfunded liability.

3. Financial information for pension plans must be reported in the annual financial statements of administering agencies.

4. The notes to the financial statements must include a description of the methods and significant assumptions used in computing the actuarial present value of future program benefits. Additionally, if the actuarial liability computed in accordance with these standards is different from the actuarial liability computed for funding purposes, the footnotes must include an adequate explanation of the basis for any significant differences between the two liabilities.

C. DFAS is responsible for preparing MRF reports in accordance with Volume 6A.

1. SF 133, Report on Budget Execution and Budgetary Resources. DFAS must submit the SF 133 for all MRF expenditure accounts.

2. ACCT RPT (M) 1002, Appropriation Status by Fiscal Year Program and Subaccounts. DFAS must submit this report for the MRF expenditure account prepared in accordance with Volume 6A, Chapter 4.

3. Other Reports. DFAS must follow the instructions in Volume 6A as applicable. In addition, the Military Departments must comply with the monthly reporting requirements contained in Volume 6A.
D. **Status of Funds.** The DFAS **must** prepare a Status of Funds and forward it to the Deputy Comptroller, Program/Budget, on the fifteenth workday of the following month. The DFAS must report actual data for current fiscal year through the previous fiscal month.

1605 **ACCOUNTING POLICY FOR THE ACCRUAL, INVESTMENT, AND TRANSFERS OF MERHCF**

160501. **MERHCF Purpose**

MERHCF **was** established by the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Public Law 106-398. As amended, the MERHCF pays the qualifying health care service costs of all uniformed service retiree health care programs for the benefit of members or former members of a participating service who are entitled to retired or retainer pay and are Medicare-eligible. This includes their dependents who are Medicare-eligible, and survivors who are Medicare-eligible.

160502. **MERHCF Entitlements**

The DoD MERHCF is an OSD Special Fund and is considered an entitlement authority as defined in 2 U.S.C. § 622(9). The DoD MERHCF, administered by the Secretary of the Treasury, **must** be used for the accumulation of funds in order to finance, on an actuarially sound basis, liabilities of DoD under uniformed services health care programs for specific Medicare-eligible beneficiaries, as designated by 10 U.S.C. §§ 1111 – 1117.

*160503. **MERHCF Proponent**

A. **Assistant Secretary of Defense for Health Affairs (ASD(HA)).** Under the authority, direction, and control of the Under Secretary of Defense (Personnel and Readiness) (USD(P&R)), the ASD(HA):

1. Approves and issues procedures for management and operation of MERHCF.

2. Provides guidance and operational direction to the Director, Defense Health Agency (DHA) regarding the management and operation of MERHCF.

B. **Director, DHA.** Under the authority, direction, and control of the ASD(HA) the Director, DHA:

1. Directs and oversees the implementation of DoD policy on management and operation of MERHCF:

   (a) Develops and implements methods for calculating amounts to be transferred periodically from MERHCF for projected costs of uniformed service retiree health care programs for Medicare-eligible beneficiaries (purchased health care and direct health care) in accordance with 10 U.S.C. §§ 1111 – 1117.
(b) Coordinates with the Chief Actuary, DoD OACT to determine any actuarial impacts to MERHCF resulting from any proposed changes to the method or methods for calculating amounts to be transferred periodically from MERHCF for the projected costs of uniformed service retiree health care programs for Medicare-eligible beneficiaries.

(c) Conducts an annual execution review in coordination with the USD(C) and the Secretaries of the Military Departments to compare projected costs to the costs based on actual workload performed for Medicare-eligible beneficiaries. Provide Military Treatment Facility (MTF)-level feedback on the status of reported workload for eligible beneficiaries and the associated Fund payments for that workload.

(d) Coordinates with the ASD(HA); the USD(C); the Director, DFAS; the Chief Actuary; and DoD OACT to:

   (1) Establish or update the accounting policy and financial management processes for payments to and from MERHCF.

   (2) Review and approve appropriate amounts and disclosures needed for the Federal financial statement reports and the related footnote disclosures and schedules.

   (3) Review and update MERHCF’s Financial Management Committee charter as necessary.

   (4) Support annual required independent financial audits in accordance with the provisions of MERHCF’s Financial Management Committee charter and support any other operational audits of MERHCF, as needed.

2. Reviews current and proposed legislative program changes for potential impacts to MERHCF’s valuations and coordinates with the Chief Actuary, DoD OACT and the USD(C) to provide input for decision making.

C. DoD MERHCF Board of Actuaries. The MERHCF Board:

1. Furnishes advice and opinion to the ASD(HA) and the Director, DHA on matters referred to it as appropriate.

2. Reviews actuarial valuations of MERHCF. This includes review and approval of the amortization schedule for the unfunded actuarial liability to ensure the liability will be fully funded in the future.

3. Reports on the actuarial status of MERHCF annually to the Secretary of Defense and not less than once every four years (quadrennial report) to the President and Congress.
D. Chief Actuary, DoD OACT. The Chief Actuary, DoD OACT under the authority, direction, and control of the Director, Defense Human Resources Activity:

1. Coordinates with the MERHCF Board to report on the actuarial status of MERHCF annually to the Secretary of Defense and not less than once every four years (quadrennial report) to the President and Congress.

2. Using methods and assumptions approved by the MERHCF Board, coordinates with the USD(C) and the Director, DHA to provide the National Security Division, OMB with:

   (a) Annual estimates of per capita normal cost rates and total annual normal cost contribution amounts for the coming fiscal year.

   (b) Preliminary estimates of per capita normal cost rates and estimates of total annual normal cost contribution amounts for the succeeding fiscal year.

3. Using methods and assumptions approved by the MERHCF Board, coordinates with the USD(C) to:

   (a) Calculate the annual amounts due to MERHCF from the Secretary of the Treasury for:

      (1) The total unfunded actuarial liability amortization payment, and

      (2) The total normal cost contribution on behalf of the Secretaries of the Military Departments.

   (b) Provide an annual estimate of per capita normal cost rates to the participating uniformed services (the United States Coast Guard (USCG), Public Health Service (PHS), and the National Oceanic and Atmospheric Administration (NOAA)).

4. Coordinates with the ASD(HA), and the Director, DHA to provide to the USD(C), the Secretaries of the Military Departments, Secretaries of the Uniformed Services and the Director, DFAS:

   (a) Notification of all public meetings and decisions made by the MERHCF Board.

   (b) Annual estimates of the per capita normal cost rates and total projected normal cost contribution amounts to MERHCF.

   (c) Annual estimates of total projected outlays from MERHCF.
(d) Annual adjustments and schedules needed for Federal financial statement reports.

5. Reviews current and proposed legislative and regulatory program changes for potential impacts to MERHCF’s actuarial valuations and coordinates with the Director, DHA and the USD(C) to provide input for decision making as applicable.

6. Coordinates with the ASD(HA) to determine any actuarial impacts to MERHCF of any proposed changes to the method or methods for calculating amounts to be transferred periodically from MERHCF.

G. USD(C). The USD(C) prepares the total unfunded liability amortization payment plus the total normal cost contribution for certification by the Secretary of Defense, on behalf of the Military Department Secretaries, to the Secretary of the Treasury using the annual amounts due to MERHCF calculated by the DoD OACT.

H. Director, DFAS. The Director, DFAS under the authority, direction and control of the USD(C), coordinates with the Secretary of the Treasury, the Chief Actuary, DoD OACT, the Secretaries of the Military Departments, the Secretaries of the participating Uniformed Services, and/or the Director, DHA as applicable, to:

1. Manage MERHCF’s investments in accordance with the provisions of 10 U.S.C § 1117.

2. Establish the necessary accounts for MERHCF.

3. Develop financial management processes for payments to and from MERHCF and establish or update them.

4. Develop, report and approve appropriate amounts and disclosures needed for the Financial Statement reports and the related Footnote disclosures.

5. Support the annual independent financial audit of MERHCF’s Federal financial statements and any other financial or operational audits of MERHCF as necessary.

6. Incorporate into the Planning, Programming, Budgeting, and Execution System the accounting process for contributions to MERHCF and for payments and outlays from MERHCF, in accordance with 10 U.S.C. §§ 1111 – 1117.

I. Secretaries of the Military Departments. The Secretaries of the Military Departments:

1. Provide current and projected personnel end strength and average strength data and estimates to the DoD OACT and USD(C) when requested.
2. Conduct all fund transfers, accounting, reconciliation, and other administration relating to the operation of MERHCF.

J. Administering Secretaries for the Participating Uniformed Services. The Administering Secretaries for the participating Uniformed Services include the Secretary of Homeland Security (for USCG) and the Secretary of Health and Human Services for PHS and NOAA. The Administering Secretaries for the participating Uniformed Services:

1. Using the annual estimate of per capita normal cost rates provided by the DoD OACT, calculate the normal cost contribution amounts using current personnel end strength and average strength data.

2. Coordinate with the USD(C) to transfer the calculated normal cost contributions to MERHCF consistent with 10 U.S.C. §§ 1111 – 1117.

3. Provide the basis for the calculation of the normal cost contribution amount to the DoD OACT, the USD(C), and the Director, DFAS.

4. Provide current and projected personnel end strength and average strength data to the DoD OACT and USD(C) when requested.

5. Provide retiree strength data to the DoD OACT when requested.

160504. MERHCF Accounts

The DoD MERHCF (097X5472, “Department of Defense, Medicare-Eligible Retiree Health Care Fund”) is classified as a Special Fund and uses both receipt and expenditure accounts. The account number 097X5472 is the special fund expenditure account. Amounts deposited to the MERHCF receipt accounts are available immediately to the special fund expenditure account for investment, payment of benefits and administrative costs. Transfers from 097X5472 must be reported as expenditures. Transfers received by the appropriate program accounts must be reported as offsetting collections and as expenditures when expenses are paid. Acting for the Secretary of Defense, DFAS must make amounts available from 097X5472 in order to fund all qualifying expenses. All credits (deposits) and charges (payments) to ALC 97200010 for account 097X5472 made through the IPAC system must be reported to Treasury using the Governmentwide Accounting (GWA) system.

A. Deposit Accounts. Deposits are made to the following special fund receipt accounts, as applicable:


4. 097X5472.004, “Refunds Received, DoD Medicare-Eligible Retiree Health Care Fund.” Refund of amounts previously transferred from MERHCF, which are determined to be not necessary for the purposes transferred.


B. Investment Accounts. The following accounts are used exclusively for investment transactions in U.S. securities, as applicable:

1. 097X5472 – Disbursements, Unamortized Premium and Discount. Purchase of premium, discount (CR) and interest.

2. 097X5472 – Receipts, Unamortized Premium and Discount. Write-off and amortization of premium and discount and collection of interest purchased.


4. 097X5472 – Redemption of U.S. Securities (par). The par value of redemptions prior to maturity and the par value of matured U.S. Securities.

160505. MERHCF Assets

A. Contributions. Amounts are contributed to MERHCF by DoD, other uniformed services (USCG, NOAA, and PHS), and the Treasury. These amounts must be based on determinations by the DoD OACT under methods and assumptions approved by the DoD MERHCF Board in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117 as follows:

1. DoD. Amounts are paid into MERHCF from the “Military Personnel, Reserve Personnel and National Guard Personnel” appropriations to fund future benefits payable from MERHCF attributable to Military Service rendered in the current fiscal year.

2. Other Uniformed Services. Amounts paid into MERHCF from other uniformed services
B. **Unfunded Actuarial Liability Payment.** Amounts paid into MERHCF from a permanent indefinite general fund appropriation, 097X0850, to fund future benefits payable from MERHCF attributable to service rendered prior to October 1, 2002 (i.e., the unfunded actuarial liability) as well as all actuarial gains and losses.

C. **Investment Income.** Income on the invested portion of MERHCF.

D. **Return of Prospective Payment Transfers.** Amounts returned to MERHCF that were previously transferred to fund the payment of expenses.

160506. **Accounting for MERHCF Revenues**

Amounts earned on investments are recorded by DFAS in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117 and applicable accounting principles. DFAS deposits the amounts received for investment income into the MERHCF receipt account number 097X5472.002, “Earnings on Investments, DoD Medicare-Eligible Retiree Health Care Fund.” Amounts contributed to MERHCF by the DoD, other uniformed services, and the Treasury must be based on determinations by the DoD OACT under methods and assumptions approved by the DoD MERHCF Board in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117:

A. **Annual Certification Letter and Apportionment**

1. Prior to the beginning of each fiscal year, the Secretary of Defense issues a letter certifying the amortization payment (the initial unfunded actuarial liability plus amortization of actuarial gains and losses) and the normal cost contributions (the accrued cost associated with the current year’s military service) on behalf of DoD. The normal cost contributions are determined in accordance with 10 U.S.C. §§ 1111 – 1117.

2. The certifying letter must request the Treasury to issue warrants to the DoD MERHCF payment account (097X0850) at the start of the fiscal year for the amortization payment and to the ten MERHCF contribution accounts for the normal cost accrual contributions. A copy of the letter must be sent directly to:

   Department of the Treasury  
   Bureau of the Fiscal Service  
   Budget Reports Division  
   3201 Pennsy Drive, Building E  
   Landover, MD 20785-1603

3. The OUSD(C) submits an apportionment request to OMB for the ten MERHCF contribution accounts. The MERHCF contribution accounts correspond to one of the ten military personnel accounts (Active, Reserve, and National Guard).
B. Accounting for the Amortization of the Unfunded Actuarial Liability

1. Upon receipt of the certification, the Treasury provides the FS Form 6200, for the certified amortization amount. The warrant must be dated October 1 and provided to DFAS on or before that date so that the funds are available for immediate investment in the new fiscal year.

2. On October 1, DFAS must record the FS Form 6200, disburse the entire amortization amount from 097X0850, and deposit it to special fund receipt account 097X5472.003 – Federal Contributions, DoD MERHCF and notify the DoD OACT, the USD(C), and the Director, DHA when the payments are deposited.

C. Accounting for Military Pay Contributions

1. On the first duty day of October, Treasury issues warrants to the ten MERHCF normal cost contribution accounts. The Military Services will transmit payment to MERHCF, via facsimile or email, using an SF 1081 as supporting documentation for the IPAC.

2. To ensure the timely payment of funds and prevent a possible loss of interest to MERHCF, the Military Services must pre-coordinate their payments with the DFAS TFAR prior to the issuance of warrants by the Treasury and must prepare the SF 1081 to transmit payment based on the amounts certified by the Deputy Secretary of Defense.

3. DFAS deposits the amounts received for the normal cost contribution amounts into the MERHCF receipt account 097X5472.001, "Employing Agency Contributions, DoD Medicare-eligible Retiree Health Care Fund" and notifies the USD(C), the DoD OACT, and DHA when these payments have been deposited.

D. Accounting for Other Uniformed Services Contributions

1. The normal cost contribution payments to MERHCF for participating uniformed services must be computed and deposited in a manner similar to that described for the Military Services in subparagraph 160505.A using the rates provided by DoD OACT in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117.

2. Payments to the MERHCF will be made at the beginning of the fiscal year to ALC 97200010 through the IPAC system. DFAS must credit the special fund account 097X5472.001, “Non-DoD Employing Agency Contributions, Department of Defense Medicare-Eligible Retiree Health Care Fund.” Documentation supporting the deposits must be transmitted electronically to DFAS prior to or immediately upon completion of the transaction.
160507. Reimbursements of Medicare-Eligible Retiree Health Care

The Fiscal Year 2005 National Defense Authorization Act provides permanent, indefinite appropriations from the Treasury to finance the cost of Medicare-Eligible Retiree Health Care (MERHC) accruals beginning in fiscal year 2006, rather than from MILPERS annual appropriations. Therefore the per capita normal cost for MERHC accruals are not billable to other DoD Agencies or Federal Agencies. 22 U.S.C. § 2761(a)(1)(C) of the Arms Export Control Act requires foreign countries or international organizations, in the case of the sale of a defense service, to pay “the full cost to the United States Government of furnishing such service.” Therefore the per capita normal cost for MERHC accruals must be included in the DoD Annual Rate Billable to Foreign Military Sales (i.e., the reimbursable rate billed to foreign countries or international organizations). Reimbursements of the per capita normal cost for MERHC accrual must be deposited into the Treasury Miscellaneous Receipts account 304100.

160508. Investment of MERHCF Cash Balances

The Investment Fund Manager, DFAS, is responsible for investing cash balances of MERHCF not required to meet current withdrawals. Investments are limited to Market-Based U.S. Government Special Securities issued by the Treasury and are made in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117. The income on such investments must be credited to receipt account 097X5472.002, “Earnings on Investments, DoD Medicare-Eligible Retiree Health Care Fund,” and form a part of MERHCF. The reporting instructions for accounts invested in the Treasury securities contained in the Treasury Financial Manual do not pertain to the DoD MERHCF (097X5472). The reporting procedures for this Fund were agreed to by Treasury’s Bureau of the Fiscal Service, OMB, and DoD. These agreed upon procedures were formalized by DoD and Treasury in 1993, and DFAS must maintain documentation of the agreement.

160509. Accounting for MERHCF Outlays

A. DFAS must make amounts available from the special fund, account 097X5472, for payment of qualifying expenses in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117:

1. Amounts transferred from MERHCF must be merged with and available for the same purposes and for the same time period as the appropriation to which transferred in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117.

2. Funds may be returned to the MERHCF within two years in accordance with the provisions of 10 U.S.C. §§ 1111 – 1117.

3. The DHA determines annual prospective payments / transfer amounts from MERHCF in accordance with 10 U.S.C. §§ 1111 – 1117 and the following accounting and financial management processes for two categories of health care expenses: Purchased Care and Direct Care.
B. Purchased Care. Health care purchased from non-DoD providers is paid through the Operations and Maintenance (O&M) accounts within the MERHCIF under the DHA Contract Resource Management (DHA-CRM) limit code (097X5472.18D9). For Purchased Care, the DHA-CRM must provide an estimated annual expense program to DFAS and the Director, DHA, at least one month prior to the start of each fiscal year. These estimates are used by DFAS for management of the investment portfolio and effective cash management and forecasting and are used by the Director, DHA in the development of the annual distribution plan. Accounting and financial management processes for using MERHCIF funds for payment of pharmacy claims and health care purchased from non-DoD providers are as follows:

1. A Funding Authorization Document (FAD) will be issued to DHA-CRM for MERHCIF funding in the amount(s) approved on the annual/quarterly distribution plan.

2. DHA-CRM uses this MERHCIF funding for modifications to contracts for administrative payments and for pass through costs for healthcare and pharmacy claims attributable to Medicare-eligible beneficiaries.

   a. The TRICARE Dual Eligible Fiscal Intermediary Contract (TDEFIC), TRICARE Overseas Program (TOP), and TRICARE Pharmacy Program (TPHARM – Mail Order and Retail) contracts process individual healthcare claims and administrative costs including per claim administrative payments and monthly costs. These contracts utilize TRICARE Encounter Data (TED) to process healthcare and pharmacy claims as well as the claim rate associated with the claims.

   b. The Designated Provider Program (DPP), formerly Uniformed Services Family Health Plan (USFHP) contracts, have capitated rates by contract based upon enrollments at each DPP/USFHP hospital. Modifications to the contracts are done at least once a year to initiate a new option period and to set aside funds for the new fiscal year. Each modification for MERHCIF funding is an estimate of enrollments of Medicare-eligible retirees, retiree family members, and survivors for the period of time covered by the modification (i.e. one year, one month. These plans include inpatient and outpatient services and a pharmacy benefit. The capitation rate is paid by DoD. Beneficiaries who choose enrollment in these plans are ineligible for care in MTFs as well as for benefits under the TRICARE for Life (TFL) (or other TRICARE plans) and Pharmacy programs. Prior to August 20, 2012, USFHP enrollees were not required to participate in Medicare. Beginning October 2012, a military retiree (or eligible family member) who becomes eligible for Medicare due to age may not enroll or stay enrolled in the USFHP, unless the military retiree (or eligible family member) was enrolled in the plan prior to September 30, 2012.

   c. Marketing and Education contract supports the healthcare and pharmacy contracts with marketing and educational materials. Modifications to the contracts are done at least once a year to initiate a new option period.

3. DHA-CRM makes payments based on contract requirements and the appropriate funding source.
4. Validation of claims processed against MERHCF:
   
a. TED related health care and pharmacy claims and administrative payments are validated through a series of edits in TED and in DHA-CRM’s accounting system. Edits include validation of funding source based on claim details contained in the TED records. This ensures that only costs attributable to Medicare-eligible beneficiaries have been included in payments drawn from MERHCF.

b. Modifications to contracts are not processed without the availability of MERHCF funding on the FAD. Payments are reconciled against available funding on the modifications when payments are made.

5. DFAS and DHA-CRM Reporting Procedures:
   
a. Estimated payments and collections using MERHCF funds will be reported to DFAS, as needed, by agreement with DFAS. Payments and collections include those made through all Treasury systems used by DHA-CRM.

b. At the end of every month, DHA-CRM will report to DFAS a final reconciliation of payments and collections that used MERHCF funds for the month.

c. At the end of every month, DHA-CRM will report the amounts of open accounts payable and open accounts receivable using MERHCF funds for use in Federal financial statement reporting.

C. Direct Care. Direct care is health care services provided to Medicare-eligible beneficiaries directly in MTFs of the DHA Service Medical Activities (SMAs) of the Army, Navy and Air Force and the DHA National Capital Region Medical Directorate (NCR MD).

1. Defense Health Program (DHP) O&M Transfers. Direct care qualifying expenses are paid through the DHP O&M account (0130188*/18P*) for the SMAs and the NCR MD. MERHCF transfers for benefit outlays are reported in GWA by ALC 97200010 as an increase to the DHP account 097 CY 0130 for the current fiscal year and as an increase to the expenditure account 097X5472. This must be completed by DFAS on the first workday of each quarter and reported to Treasury. Copies of the SF1081 recording the transfer must be sent by DFAS to the appropriate OUSD(C) Directorate, who must distribute the funds to DHA via a FAD.

2. Military Pay Reimbursements. Direct care funding amounts for MILPERS accounts of the Army, Navy and Air Force for health care provided to Medicare-eligible beneficiaries in MTFs by active duty Service personnel are processed via IPAC and reported in the same manner as other IPAC transactions. This must be completed by DFAS on the first workday of each quarter. Copies of the SF 1081 (or SF 1151, “Nonexpenditure Transfer Authorization”) supporting these transactions must be sent to the appropriate OUSD(C) Directorates and DFAS sites that account for the funds.
D. Direct Care Annual Prospective Payment Development. The Director, DHA annually develops prospective payment amounts for the estimated costs of providing health care services projected to be provided in MTFs to Medicare-eligible beneficiaries as authorized by 10 U.S.C. §§ 1111 – 1117 and in accordance with OMB Circular A-11, section 20. The annual projected expenses are transferred in quarterly increments in accordance with a distribution plan provided by DHA to DFAS approximately one month prior to the start of each fiscal year. The annual distribution plan to DFAS contains quarterly payment amounts by Uniform Service, and for the NCR MD as appropriate, for the Service MILPERS payments and the DHP O&M payments and transfers. The DHP O&M projected payment includes civilian pay expense.

1. Expense Allocation. The DHA bases prospective payment amounts on expenses reported by the MTF's Medical Expense and Performance Reporting System (MEPRS) and patient encounter data for the most recent fiscal year for which data is complete at the time the calculations are prepared. MEPRS expense data are recorded as MILPERS and DHP O&M components of costs per individual patient encounter to develop a workload Level of Effort (LOE) for each Service and the NCR MD for that fiscal year. After the LOE and cost allocations for each SMA and the NCR MD are adjusted and reconciled with the distributions previously made for that fiscal year, the LOE rate amounts and cost allocations by service are inflated to the coming fiscal year’s equivalent for execution using standard OMB inflation rates applicable to the Medical industry and issued in OSD inflation guidance.

2. Workload Rate Development. DHA develops the MTF-specific rates for the prospective payment calculation. These MTF-specific rates are the average dollar expense per workload unit for each MTF as described in the following subparagraphs 160509.D.2.a – c for Medicare Severity-Relative Weighted Product (MS-RWP), Composite Weights, or Outpatient Pharmacy prescriptions. These rates are separated into MILPERS and DHP O&M rates and must be developed for the following categories of health care services:

a. Inpatient care - cost per MS-RWP. An MS-RWP is a DoD measure of workload that represents the relative resource consumption of a patient's hospitalization as compared to that of other inpatients. MS-RWPs are generated as the result of completed Composite Health Care System (CHCS) Standard Inpatient Data Records (SIDRs). The prospective payment amount for inpatient care for eligible beneficiaries for each MTF must be the product of the estimated MS-RWPs for that MTF multiplied by the MTF-specific rate per MS-RWP for the year of execution. The MS-RWP data source must be the Military Health System Data Repository (MDR).

b. Outpatient care - cost per Composite Weights. Composite weights are a combination of Ambulatory Payment Classification (APC) weights and relative value units (RVUs). The Composite Weight is an ambulatory workload measure of encounters adjusted for case complexity as measured by combining provider aggregate RVU with APC aggregate weight after standardizing to an APC-based unit. Composite Weight components (APCs and RVUs) are generated from Comprehensive Ambulatory Provider Encounter Records (CAPERs). The prospective payment amount for outpatient care for each MTF must be the product
of the estimated composite weights for that MTF multiplied by the MTF-specific rate per composite weight for the year of execution. The CAPERs data source must be the MDR.

c. MTF Outpatient Pharmacy. MTF Outpatient Pharmacy prospective payments must be calculated for two separate cost components:

* (1) Ingredient costs. Ingredient costs are prices paid for pharmacy ingredients (drugs) purchased from vendors. The per unit costs for pharmaceuticals dispensed for Medicare-eligible retirees/dependents or retired at the MTFs are calculated based on the prime vendor invoices for all continental U.S.-based facilities for the National Drug Codes within their Generic Sequence Numbers based on a weighted average basis of the average acquisition cost (the price paid by the MTF for the pharmaceutical product) during the relevant fiscal year.

(2) Non-ingredient costs. Non-ingredient costs are all other costs associated with MTF Outpatient Pharmacy operations as allocated in MEPRS. These rates are based on MEPRS costs per prescription for the most recent fiscal year for which data is complete at the time the calculations are prepared, inflated to the year of execution.

Prospective payment amounts are based on qualifying MEPRS pharmacy “non-ingredient” expenses allocated to beneficiary categories (DoD and other Uniformed Services) on the basis of Pharmacy Data Transaction Service (PDTS) prescription counts (volume) for Military Pay and non-ingredient O&M. The data source for the number of prescriptions filled must be the MDR using data fed from PDTS.

3. Management Controls on Data Used to Develop Prospective Payment Amounts. Management controls on data used to develop prospective payment amounts include, but are not limited to, the following:

a. The MEPRS data and the MS-RWP, SIDR, and CAPER records must be prepared, reviewed, and validated in accordance with DoD 6010.13 and DoDI 6040.40.

b. MEPRS data must be recorded and maintained by the Military Departments in accordance with DoD 6010.13-M.

c. The Defense Manpower Data Center within the Defense Human Resources Activity under USD (P&R) receives a monthly data feed from the Centers for Medicare and Medicaid Services that provides Medicare eligibility data. These data are merged with data in the Defense Enrollment Eligibility Reporting System (DEERS) to provide both DoD and Medicare eligibility status. Individual patient eligibility data must be verified for each patient encounter using DEERS, and subsequently stored in the encounter record by the capture system (Composite Health Care System or claims processor). If a source system does not perform this check and recoding, the records from that system must be verified centrally through merge and comparison to the DEERS extracts.
4. **Execution Reviews**

   a. **Comparison of the MTF LOE to the Prospective Payment Amount.** After the year of execution is complete and the associated expenses and workload data are available, DHA conducts an execution review in coordination with USD(C), SMAs and the NCR MD to determine the direct care MTF LOE for that fiscal year and the allocated actual expense to estimate the cost of caring for the Medicare-eligible beneficiaries during that period. The prospective payment amounts for that fiscal year that were paid to each SMA and the NCR MD are compared to the allocated expenses and actual workload LOE calculated for the same time period.

   b. **Reconciliation and Execution Review.** Results of the execution review (LOE calculation) are:

      (1) Reported to the DoD OACT for use in determining future Fund requirements under the oversight of the Medicare-eligible Retiree Health Care Board of Actuaries (MERHCF Board).

      (2) Used during subsequent Program and Budget Reviews with OSD to determine impacts, if any, to future MTF prospective payment amounts.

      (3) Used to determine whether any additional transfers from MERHCF or transfers back to MERHCF are appropriate for Direct Care payments. Prospective payment amounts (full or partial) determined to be not necessary (in excess of reconciled expenses), may be returned to the MERHCF within two years after the end of the obligation year that funds were originally transferred in accordance with 10 U.S.C. §§ 1461–1467. Returns to the MERHCF should be processed to the appropriate MERHCF account.

      (4) Used as a starting point for developing the coming fiscal year’s prospective payment amounts. The workload units and expense allocation used in the execution review is described in paragraph 160509.

160510. **MERHCF Financial Reporting Requirements**

   A. **Permanent Indefinite Appropriation 097X0850 – Payment to DoD MERHCF.** The DFAS is responsible for preparing the reports for this account in accordance with Volume 6A.

   B. **SF 133, Report on Budget Execution and Budgetary Resources.** DFAS must submit a monthly SF 133 that includes all MERHCF accounts.
C. **Federal Financial Statements.** The DFAS must prepare all MERHCF Federal financial statements as required by OMB Circular A-136 to support the DoD Agency-wide financial statement process. The MERHCF Federal financial statements must recognize a liability for the present value of future MERHC benefits for eligible participants. For the year in which the liability is first recorded, the initial amount of the liability must be reported as an accounting change (i.e., a change to equity and an accrued liability). Thereafter, changes in the liability each year must be charged to expense.

D. **Status of Funds.** The DFAS must prepare a Status of Funds and forward it to the Deputy Comptroller, Program/Budget, on the fifteenth workday of the following month. The DFAS must report actual data for current fiscal year through the previous fiscal month.
VOLUME 12, CHAPTER 17: “DoD Rewards Program”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated September 2013 is archived.

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<th>PURPOSE</th>
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<tr>
<td>All</td>
<td>Updated the references in this chapter from Volume 5 with the new chapter names and chapter numbers.</td>
<td>Revised</td>
</tr>
<tr>
<td>1701</td>
<td>Added an authoritative guidance section to comply with standard operating procedures.</td>
<td>Addition</td>
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<tr>
<td>1703</td>
<td>Revised the Responsibilities of the personnel and agencies involved with the Department of Defense Rewards Program (DoDRP).</td>
<td>Revision</td>
</tr>
<tr>
<td>170402</td>
<td>Revised the payment approval amounts guidance to include the Tactical Rewards Officers authority.</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 17-1</td>
<td>Added DoDRP Fund-Approving Officials: Reward Offers and Reward Payments for the purpose of clarifying the information in the chapter.</td>
<td>Addition</td>
</tr>
<tr>
<td>170409</td>
<td>Added the Other Acceptable Uses of funds from the DoDRP, such as overhead expenses directly related to the DoDRP.</td>
<td>Addition</td>
</tr>
<tr>
<td>Table 17-2</td>
<td>Added DoDRP Fund-Approving Officials: Advertising, Travel, and Administration for the purpose of clarifying the information in the chapter.</td>
<td>Addition</td>
</tr>
<tr>
<td>170801</td>
<td>Added the Annual Report to the Committees on Armed Services of the Senate and House of Representatives in accordance with Title 10, U.S. Code, section 127b.</td>
<td>Addition</td>
</tr>
<tr>
<td>170802</td>
<td>Added the Report on Designation of Countries For Which Rewards May Be Paid described in Title 10, U.S. Code, section 127b.</td>
<td>Addition</td>
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CHAPTER 17

DoD REWARDS PROGRAM

*1701 GENERAL

170101. Purpose

This chapter provides guidance on the implementation of the Department of Defense Rewards Program (DoDRP) and applies to all organizational entities within DoD. It covers the execution, management, recording and reporting of expenditures of U.S. appropriations available for the DoDRP. It assigns responsibilities for administering the DoDRP; defines the purposes for which U.S. appropriations may be used; and provides specific procedures for executing, managing, recording and reporting such expenditures to ensure transparency and accountability of funds. The geographic combatant commanders are authorized to provide additional guidance consistent with this guidance.

170102. Authoritative Guidance

A. Title 10, United States Code, section 127b (10 U.S.C. § 127b), "Department of Defense Rewards Program." The Secretary of Defense (SecDef) may pay a monetary amount, or provide a payment-in-kind, to persons for providing U.S. Government personnel, or government personnel of allied forces participating in a combined operation with U.S. Armed Forces, with information or non-lethal assistance that is beneficial to:

(1) An operation or activity of the armed forces, or of allied forces participating in a combined operation with allied forces, conducted outside of the United States against international terrorism; or

(2) Force protection of the armed forces, or allied forces participating in a combined operation with U.S. Armed Forces. This authority is useful to encourage the local citizens of foreign countries to provide information and other assistance, including the delivery of dangerous personnel and weapons, to U.S. Government personnel or government personnel of allied forces. The DoDRP makes available incentives that U.S. Government personnel or allied forces can use to encourage cooperation.

B. DoD Instruction (DoDI) O-3000.13, “DoD Rewards Program.” (This website is not authorized to post controlled documents. DoD PKI certificate required to access this document.) It is DoD policy that the DoDRP pays rewards to eligible persons who provide information or nonlethal assistance to U.S. or allied forces that enables or enhances force protection of, or combating terrorism by, U.S. or allied forces.
1702. **DEFINITIONS**

Allied Forces. For the purposes of this document only, the term “allied forces” is defined as foreign government personnel participating with U.S. Armed Forces in combined operations outside of the United States against international terrorism.

*1703 RESPONSIBILITIES*

170301. Under Secretary of Defense (Comptroller)/Chief Financial Officer

The Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO) holds responsibility for the following:

A. Oversees development of justification materials for the DoDRP in the President’s Budget.

B. Allocates DoDRP funds as part of the Under Secretary of Defense (Policy) (USD(P)) budget to the Director, Washington Headquarters Service (WHS).

C. Oversees execution of DoDRP funds as part of the USD(P) budget.

D. Coordinates DoDRP appropriations-related engagements with the Senate Appropriations Committee – Defense, House Appropriations Committee – Defense, and other congressional staff members, Members of Congress, or committees, as required.


170302. Office of the USD(P), Assistant Secretary of Defense for Special Operations and Low Intensity Conflict

Under the authority, direction, and control of the USD(P), the Assistant Secretary of Defense for Special Operations and Low Intensity Conflict (ASD SO/LIC) will:

A. Implement policy for the DoDRP.

B. Approves allocation of DoDRP funds to Combatant Commanders’ (CCDRs).

C. Maintain a single consolidated SecDef pre-approved rewards list. This list will include the identity, nominating headquarters or office, the amount approved and other relevant data. CCDRs may nominate individuals or items to be placed on the pre-approved rewards list through the Director, Joint Staff.

D. Coordinate the SecDef pre-approved rewards list with the Department of State and the Department of Justice to ensure that a reward does not duplicate or interfere with the payment of reward authorized by those Departments.
170303. Geographic Combatant Commander

Each geographic combatant commander will:

A. Designate, in writing, a program liaison officer to serve as the point of contact for all disbursement of funds, goods, or services;

B. Establish procedures for the accounting, obligating, cash management, and disbursement of funds;

C. Establish procedures and processes to coordinate notification of awards with appropriate representatives of the Department of State and the Department of Justice to ensure the making a reward does not duplicate or interfere with the payment of a reward authorized by those Departments.

D. Establish internal controls and review procedures for classified voucher processing when required and in accordance with Volume 5, Chapter 9: “Disbursements.”

E. Provide a copy of commander-approved lists to the Director, Joint Staff as updates occur.

F. Submit estimated rewards program budget requirement for the upcoming fiscal year on August 15 of the current fiscal year.

G. Report annually to the Director, Joint Staff, no later than October 15 of each year for the preceding fiscal year.

H. Request additional funds from ASD SO/LIC if all available funds for these purposes have been expended and additional funds are required.

170304. Director, Joint Staff

A. Advises the SecDef on the DoDRP.

B. Coordinates on the DoDRP Annual Report.

C. Appoint the Joint Staff DoDRP Monitor and may, as necessary appoint one or more Joint Staff DoDRP Assistant Monitors.
170305. Washington Headquarters Service

A. Receives DoDRP funds from the USD(C)/CFO, as part of the USD(P) budget.

B. Upon approval by the ASD(SO/LIC), allocates DoDRP funds to CCDRs.

1704 IMPLEMENTING THE PROGRAM IN THE FIELD

170401. When a Reward May Be Paid

A reward may be paid for information or nonlethal assistance that is beneficial to (1) an operational activity of the armed forces or of allied forces participating in a combined operation with U.S. Armed Forces conducted outside the United States against international terrorism, or (2) force protection of the armed forces or of allied forces participating in a combined operation with U.S. Armed Forces.

*170402. Payment Approval Amounts

Tactical Rewards Officers (TROs) may approve rewards (monetary or payment-in-kind) up to $10,000. A CCDR may approve rewards up to $1,000,000. A reward in an amount greater than $1,000,000 and up to $2,000,000 requires the approval of the USD(P). Payments exceeding $2,000,000 and up to $5,000,000 require the approval of the SecDef or the Deputy Secretary of Defense (DepSecDef), or pursuant to a separate written delegation, the USD(P). If any nominated reward (pre-approved or otherwise) is in excess of $2,000,000, the SecDef is required by statute to first consult with the Secretary of State. Table 17-1 from DoDI O-3000.13, illustrates these approval thresholds.
*Table 17-1. DoDRP Fund-Approving Officials: Reward Offers and Reward Payments

<table>
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<th>DoDRP Fund-Approving Official</th>
<th>Approval Level</th>
<th>Remarks</th>
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<tbody>
<tr>
<td>SecDef or DepSecDef</td>
<td>Up to $5,000,000</td>
<td>For rewards in excess of $2,000,000, must coordinate with the Secretary of State in all instances and the Attorney General in law enforcement-related instances before approving.</td>
</tr>
<tr>
<td>USD(P)</td>
<td>Up to $2,000,000</td>
<td>May not be further delegated.</td>
</tr>
<tr>
<td>CCDR</td>
<td>Up to $1,000,000</td>
<td>Upon delegation by CCDR. May not be further delegated.</td>
</tr>
<tr>
<td>Deputy CCDR</td>
<td>Up to $1,000,000</td>
<td>Upon delegation by CCDR. May not be further delegated.</td>
</tr>
<tr>
<td>Directly Subordinate Command Commander</td>
<td>Up to $100,000</td>
<td>Upon delegation by CCDR. May not be further delegated.</td>
</tr>
<tr>
<td></td>
<td>In excess of $100,000 and up to $1,000,000</td>
<td>Upon approval of USD(P) and delegation by CCDR. May not be further delegated.</td>
</tr>
<tr>
<td>TRO</td>
<td>Up to $10,000</td>
<td>In accordance with Combatant Commands Reward Programs (CCRPs) guidance. May not be further delegated.</td>
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</tbody>
</table>

170403. Geographic Combatant Commanders Nominations for Reward Lists

Geographic combatant commanders may nominate individuals or items to be placed on the SecDef pre-approved rewards list for rewards in amounts that are in excess of the authority delegated to the CCDRs. Geographic combatant commanders will submit nominations for the pre-approved rewards list through the Director, Joint Staff, to ASD SO/LIC. ASD SO/LIC will coordinate the SecDef pre-approved rewards list with the Department of State and the Department of Justice to ensure that a reward does not duplicate or interfere with the payment of a reward authorized by those departments, and will forward nominations to the SecDef or DepSecDef for approval. ASD SO/LIC will maintain a single consolidated list of SecDef pre-approved rewards. This list will include the identity, nominating headquarters or office, the amount approved, and other relevant data.
170404. Geographic Combatant Commander Approvals

A geographic combatant commander is authorized to approve rewards in an amount or with a value not in excess of $1,000,000 per reward. Geographic combatant commanders are required to provide contemporaneous written notification to ASD SO/LIC when approving or pre-approving awards and payments of $100,000 or more.

170405. Geographic Combatant Commander’s Pre-approved Rewards List

The geographic combatant commander may provide a list of pre-approved rewards for information or assistance related to specific persons or items. Pre-approval of rewards will allow forces in the field to pay a reward quickly for the information or assistance of high interest to the U.S. Government, with the approval of the combatant commander reflected in the pre-approved list. Geographic combatant commanders will provide a copy of their geographic combatant commander-approved lists to the Director, Joint Staff as updates occur.

170406. Deputy Geographic Combatant Commander Approvals

A geographic combatant commander may delegate his authority to approve or pre-approve rewards to the deputy commander. Further, a geographic combatant commander may delegate this authority to the commander of a command directly subordinate to that geographic combatant commander, subject to the SecDef or DepSecDef approval of such delegation of authority.

170407. TRO Approvals

A geographic combatant commander may further delegate the authority to approve for rewards in the amount or with a value not in excess of $10,000 to any subordinate U.S. Service member or civilian U.S. Government employee by authorizing the appointment of TROs. All appointments will be in writing and will clearly state the scope of the reward authority, any limitations thereon, and the accounting procedures to be used. When authorizing the appointment of TROs, geographic combatant commanders will establish procedures and criteria that TROs should apply to determine if information or other assistance merits payment of a reward, the type of reward, and the amount.

170408. TRO Certifies Reward Parameters are Met

When promulgating a list of pre-approved rewards to forces in the field, geographic combatant commanders will establish procedures and assign responsibility for certifying that information or assistance received satisfies the criteria for the geographic combatant commander’s approval. Responsibility to certify that information or assistance meets the parameters of a pre-approved reward may be assigned without regard to the dollar value limits on delegation of reward approval authority. Only U.S. TROs may be authorized to perform this function.
Types of Reward Payments and Other Acceptable Uses of Funds

Rewards may be paid in cash, either in U.S. or foreign currency. TROs may also authorize payments-in-kind, including with food, local amenities, necessities, or communal rewards. In addition to the payment of rewards discussed in table 17-1, DoDRP funds may be used to pay for overhead expenses directly associated with the DoDRP. Program funds may be used to pay for: advertising reward offers, travel, and administrative expenses related to program operation. Table 17-2 reflects approval thresholds for such overhead expenses, prior to delegation.

<table>
<thead>
<tr>
<th>DoDRP Fund-Approving Official</th>
<th>Approval Level</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>SecDef or DepSecDef</td>
<td>Up to $5,000,000</td>
<td>May be delegated, in whole or in part, to any member of U.S. forces (excluding contractors) within the Office of the USD(P), and may be further delegated.</td>
</tr>
<tr>
<td>USD(P)</td>
<td>Up to $2,000,000</td>
<td></td>
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<tr>
<td>CCDR</td>
<td>Up to $1,000,000</td>
<td>May be delegated, in whole or in part, to any member of U.S. forces (excluding contractors), and may be further delegated in accordance with CCRP guidance.</td>
</tr>
</tbody>
</table>

Payments Made by Designated Disbursing Officers/Paying Agents

Once a TRO has authorized or certified a reward, that officer will notify the program liaison officer, or a designated disbursing officer or paying agent appointed in accordance with Volume 5, Chapter 2: "Disbursing Offices, Officers, and Agents,” who will make the authorized payment.

Coordination with Departments of State and Justice

The geographic combatant commander’s procedures will include a process to coordinate with appropriate country team representatives of the Department of State and the Department of Justice to ensure making of a reward does not duplicate or interfere with the payment of a reward authorized by those departments.

Requests for Additional Funds

Geographic combatant commanders may request additional funds from ASD SO/LIC if all available funds for these purposes have been expended and additional funds are required. Each
geographic combatant commander will submit estimated budget requirements for the upcoming fiscal year on August 15th of the current fiscal year.

1705 PROCEDURES

170501. Allocation of Funds

The USD(C)/CFO will ensure that DoD appropriations and other funds available for the Rewards Program are properly allocated to WHS for funds control and execution. Geographic combatant commanders will notify of the Director, Joint Staff of appropriate inter-theater allocation.

170502. Improper Usage of Funds

A U.S. citizen, an officer or employee of the U.S. federal, state, or local government, or an employee of a U.S. Government contractor will not be eligible for a reward under the DoDRP. CCDRs should be sensitive to concerns with paying rewards to foreign security force members; particularly, that the rewards could increase risk of extortion or corruption, convey a poor optic, or be perceived as subterfuge of U.S. law or DoD policies pertaining to human rights vetting for the training and equipping of foreign security forces. The USD(P) may waive the prohibition against rewarding members of foreign security forces in specific countries, and will review such waivers at least annually. Requests for USD(P) approval of such authority should be sent to the ASD SO/LIC. Waivers approved prior to the effective date of this guidance remain in effect.

170503. Delivery, Transporting and Safeguarding of Funds

Any funds made available for the DoDRP will be delivered, transported and safeguarded consistent with Volume 5, Chapter 3: “Obtaining and Safeguarding Public Funds”.

170504. Appointment of Paying Agents

Paying Agents responsible for making delivery of funds under the DoDRP will be appointed consistent with Volume 5, Chapter 2: “Disbursing Offices, Officers, and Agents.” The allied forces member will receive the same training as U.S. paying agents and sign a statement of understanding. Foreign nationals and other non-U.S. citizens may not be held pecuniary liable for losses of funds, therefore when appointing non-U.S. citizens as paying agents consider the necessity and the risk of using allied paying agents. All funds advanced to and returned from the allied forces paying agents will be documented on a DD Form 1081, “Statement of Agent’s Officer’s Account” in accordance with Volume 5, Chapter 15; “Disbursing Officer Accountability Reports.” Upon completion of authorized payments, the paid vouchers, negotiable instruments, and any balance of funds will be returned to the disbursing officer with a properly completed DD Form 1081.
170505. Documentation of Payments

Payments under the DoDRP will be made and documented consistent with Volume 5, Chapter 9, “Disbursements,” and Volume 10, Chapter 8, “Commercial Payment Vouchers and Supporting Documentation.”

170506. Circumventing Limits

Monetary limits and approval requirements may not be circumvented by “splitting” a single reward through multiple rewards, or otherwise. Payments of approved costs may be split, however, for administrative reasons (e.g., pay a vendor 50 percent at the beginning of work and 50 percent when work is complete).

170507. Clearance of Accounts

Accounts maintained under the Rewards Program will be cleared consistent with, Volume 5, Chapter 2, “Disbursing Offices, Officers, and Agents.”

170508. Certification of Payments

Payments made under the DoDRP will be certified in a manner consistent with Volume 5, Chapter 5, “Certifying Officers, Departmental Accountable Officials, and Review Officials.”

170509. Audits and Program Reviews

The administration of the DoDRP will be subject to periodic audits by DoD’s internal review and audit organizations, including the DoD Inspector General and the various audit agencies, as well as external organizations such as the Government Accountability Office and congressional oversight committees. All officials responsible for administering the Rewards Program will cooperate fully with any review, audit or investigation conducted by such organizations.

1706 PAYMENTS AND REWARDS THROUGH GOVERNMENT PERSONNEL OF ALLIED FORCES

170601. Execution of Rewards through Allied Government Personnel

The SecDef, geographic combatant commanders, and all delegated officials may use their authorities, acting through government personnel of allied forces to offer and make rewards. Rewards may not be paid acting through allied government officials after the payment date authorized by 10 U.S.C. § 127b.

170602. Request for Payment of Reward

Allied government personnel will forward requests for payment of rewards to the geographic combatant commander’s appointed program liaison officer or to a TRO (U.S. Service member or civilian U.S. Government employee) who has been delegated authority to approve a
reward in the requested amount. That individual will determine if the information or other assistance merits payment of a reward, the type of reward, and the amount.

170603. Appointment of Allied Government Personnel as Paying Agents

When practical, rewards payments in support of allied forces will be directly distributed by U.S. personnel. When direct payment of rewards by U.S. personnel is not practical, commanders may appoint allied personnel as paying agents for the DoDRP, notwithstanding the requirement in Volume 5 that paying agents be U.S. Service members or civilian U.S. Government employees. Commanders should adhere to the other provisions of the Volume 5, Chapter 2 when appointing allied paying agents. Commanders and disbursing officers must carefully consider the risks of using allied government personnel as paying agents. A paying agent is an agent to the disbursing officer, and the disbursing officer remains liable for public funds advanced to an allied paying agent. Commanders and disbursing officers must maintain prudent internal controls to minimize the potential risks of fraud, waste, and mismanagement by allied personnel. All funds advanced to and returned from the allied paying agent will be documented on a DD Form 1081 in accordance with Volume 5, Chapter 15, “Disbursing Officer Accountability Reports.” Upon completion of authorized payments, the paid vouchers, negotiable instruments, and any balance of funds will be returned to the disbursing officer with a properly completed DD Form 1081.

170604. Allied Government Personnel Limitations

Funds will not be advanced to allied paying agent until a specific reward has been approved for payment to an identified payee. Disbursing officers advance funds to allied paying agents after examination of the payment voucher for the rewards. All funds advanced to and returned from the allied paying agent will be documented on a DD Form 1081.

170605. Allied Government Personnel Limitations

Combatant commands are responsible for ensuring all allied government personnel, nominated by their subordinate commands to offer or make rewards are properly qualified and trained. Combatant commands are also responsible for ensuring that allied government personnel through whom rewards are made perform their duties in accordance with DoD policy and procedures. Allied force government personnel participating in the reward program will have a designated U.S. liaison officer through whom to request reward funds or in-kind items and validate the information/non-lethal support.

1707 INFORMATION DISSEMINATION

170701. Information Dissemination

Media queries regarding the DoDRP will be referred to the Office of the Assistant Secretary of Defense for Public Affairs.
170702. Program Identification and Combination with Other Programs

There is no requirement that this program be identified as a U.S. or DoD program or include an official U.S. or DoD symbol. Geographic combatant commanders may combine efforts with other U.S. Government rewards programs and are not required to differentiate this program from other U.S. Government Rewards Programs, provided the DoDRP does not duplicate or interfere with the payment or publicity of a reward authorized by the Department of State or the Department of Justice.

170703. Advertisements

Geographic combatant commanders are authorized to expend funds to publicize the DoDRP and to pay associated administrative costs. Advertisements may refer to coalition or allied headquarters as the agency offering the reward. Within a coalition or allied headquarters, U.S. control over reward offers and authorizations will be maintained, with authorizations made by U.S. commanders at the level prescribed. Geographic combatant commanders are authorized, within existing authorities, to use theater information dissemination programs to support the DoDRP. Advertising programs should leverage Military Information Support Team (MIST) expertise to effectively advertise the DoDRP. MIST program funding may be used for advertising only if DoDRP advertising funds are insufficient. Funds expended to publicize and administer the program will be clearly identified and accounted for in quarterly and annual reports and include information on the target audience, funds required, and objectives. Establishment of call centers using DoDRP funding will be coordinated and approved through the Director, Joint Staff, to ASD SO/LIC.

1708 REPORTS AND NOTIFICATIONS

*170801. Annual Report

10 U.S.C. § 127b states that not later than February 1, of each year, the SecDef will submit to the Committees on Armed Services of the Senate and the House of Representatives a report on the administration of the rewards program under this section during the preceding fiscal year.

A. Each report for a fiscal year under this subsection must include the following:

1. Information on the total amount expended during that fiscal year to carry out the rewards program under this section during that fiscal year.

2. Specification of the amount, if any, expended during that fiscal year to publicize the availability of rewards under this section.

3. With respect to each reward provided during that fiscal year:

   (a) The amount or value of the reward and whether the reward was provided as a monetary payment or in some other form;
(b) The recipient of the reward and the recipient's geographic location; and

(c) A description of the information or assistance for which the reward was paid, together with an assessment of the significance and benefit of the information or assistance.

4. A description of the status of program implementation in each geographic combatant command, including in which countries the program is being operated.

5. A description of efforts to coordinate and de-conflict the authority under subsection (a) with similar rewards programs administered by the U.S. Government.

6. An assessment of the effectiveness of the program in meeting its objectives.

B. The SecDef may submit the report in classified form if the SecDef determines that it is necessary to do so.

*170802. Report on designation of countries for which rewards may be paid.

Not later than 15 days after the date on which the SecDef designates a country as a country in which an operation or activity of the armed forces is occurring in connection with which rewards may be paid under this section, the SecDef must submit to the Committees on Armed Services of the Senate and the House of Representatives a report on the designation. Each report must include the following:

A. The country so designated.

B. The reason and justification for the designation of the country.

C. An estimate of the amount or value of the rewards to be paid as monetary payment or payment-in-kind under this section.

1709 WAIVERS

170901. Request for Waivers or Exceptions to Law

Request for waivers or exceptions to any provision of law that would (but for the waiver) prohibit, restrict, limit or otherwise constrain the execution of the reward program must be submitted through ASD SO/LIC, the USD(C)/CFO, and DoD General Counsel to the SecDef for approval.

170902. Request for Waiver or Exception to Guidance

Requests for waivers or exceptions to this guidance must be submitted through ASD SO/LIC to the USD(C)/CFO for approval.
VOLUME 12, CHAPTER 19: “FOOD SERVICE PROGRAM”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated May 2011 is archived.

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<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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</thead>
<tbody>
<tr>
<td>Entire Chapter</td>
<td>The Chapter is certified as current. No policy changes were made.</td>
<td>Update</td>
</tr>
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</table>
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CHAPTER 19

FOOD SERVICE PROGRAM

1901 OVERVIEW

190101. Purpose

This chapter prescribes financial management policy and procedures for the Department of Defense (DoD) Food Service Program.

190102. General

A. Title 37, United States Code (U.S.C.), section 1011, generally requires the Department to collect the full cost of meals eaten in an appropriated facility. The provisions of this chapter shall be used to determine specific meal charges for all classes of diners, to include individuals, groups and units.

B. This chapter also prescribes that the Under Secretary of Defense (Comptroller) (USD(C)) annually shall establish rates for the meals to be consumed at appropriated dining facilities. See Tab G – “Food Service Charges at Appropriated Fund Dining Facilities and the Military Academies.”


190103. Applicability

This chapter is applicable to all DoD activities and shall be used DoD-wide. The Office of the USD(C) is responsible for the financial management policies herein. The Defense Finance and Accounting Service is responsible for applicable procedures necessary to assist the DoD Components in implementing these policies. The financial management policies and procedures herein shall not be supplemented by DoD Component issuances without the prior written approval of the USD(C).

1902 REIMBURSABLE MEAL AND MEAL SERVICE (OPERATING) CHARGES

190201. Meal Rates

The provisions of this chapter shall be used to determine use of the DoD discount meal rate (the cost of the food only) or the DoD standard meal rate (the cost of both the food and the non-training/readiness food service operating expenses).
190202. Meal Services Available

There are two types of meal service available to personnel authorized to use an appropriated dining facility on a reimbursable basis—traditional and a la carte.

A. Traditional Meal Service. Under the traditional meal service system, diners shall pay either the DoD standard meal rate or the DoD discount meal rate (as prescribed by section 1903), without regard to the menu items taken.

B. A la carte Meal Service. Under the a la carte meal service system, diners shall pay either the DoD standard meal rate or the DoD discount meal rate (as prescribed by section 1903), for the food items selected.

1. The Military Departments shall ensure that a consistent and fair a la carte pricing policy is applied uniformly and consistent with guidance provided by the USD(C).

2. Generally, each food item shall be priced at actual cost (or rounded to the nearest five cents). However, price averaging of certain salads, vegetables, and other food categories is authorized (e.g., a salad bar with different types of salads or vegetables).

3. When the cost of food changes, the a la carte items shall be repriced accordingly.

190203. Rates Determination

Rates prescribed herein are applicable to meals furnished by a Military Department to military active duty personnel, Reserve personnel who are paid from Reserve or National Guard appropriations, federal civilian employees, military retirees, dependents of military personnel, and any other authorized diners.

190204. Authority for Standard Meal Rate

Title 37, U.S.C., section 1011, generally requires the Department to charge the standard meal rate for meals eaten in an appropriated facility. However, there are some exceptions as indicated in section 1903.

1903 MEAL CHARGES

Reimbursement charges for persons authorized to eat in an appropriated dining facility vary depending on the status of each person. The five major categories of personnel are officers, enlisted personnel, military dependents, Federal civilian employees and others.

190301. Officers

A. Charge Required. DoD military officers are not authorized to eat in appropriated dining facilities without charge.
B. Discount Meal Rate. Officers, when not receiving the meal portion of per diem, shall be charged the discount meal rate when they are:

1. Performing duty on a U.S. Government vessel,
2. On field duty,
3. In a group travel status,
4. Included in essential unit messing (EUM) as defined in the Joint Federal Travel Regulations (JFTR), Volume 1,
5. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or
6. On Joint Task Force (JTF) operations other than training at temporary U.S. installations, or using temporary appropriated dining facilities.

C. Standard Meal Rate. Officers shall be charged the standard meal rate when in any status other than that set forth in subparagraph 190301.B.

190302. Enlisted Personnel

A. Conditions for Charge. Enlisted personnel may eat in an appropriated dining facility without charge when not receiving either an allowance for subsistence or the meal portion of per diem. Enlisted personnel entitled to meals at government expense shall be furnished such meals on a nonreimbursable basis without regard to unit or DoD Component affiliation. Reimbursement between the Military Departments for such meals is not authorized for active duty personnel and members of the Reserve Components.

B. Discount Meal Rate. Enlisted personnel when not receiving the meal portion of per diem, shall be charged the discount meal rate when they are:

1. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or
2. On JTF operations other than training at temporary U.S. installations or using temporary appropriated dining facilities.

Note: Enlisted members are not entitled to the meal portion of per diem, nor a monetary allowance for subsistence, when on field duty, sea duty, group travel, or essential unit messing. Therefore, meals should be furnished at no cost to those enlisted members and, as a result, there is no reimbursable rate for enlisted members when on field duty, sea duty, group travel, or essential unit messing. (Title 37 U.S.C., sections 402 and 474, and Executive Order 11157)
C. **Standard Meal Rate.** Enlisted personnel shall be charged the standard meal rate when they are receiving the meal portion of per diem or when they are receiving an allowance for subsistence.

190303. Military Dependents

A. **Charge Required.** Military dependents are not authorized to eat in appropriated dining facilities without charge.

B. **Discount Meal Rate.** Military dependents shall be charged the discount meal rate when they are dependents of enlisted members in pay grades E-1 through E-4.

C. **Standard Meal Rate.** All military dependents, other than military dependents of enlisted members in pay grades E-1 through E-4, shall be charged the standard meal rate.

190304. Federal Civilian Employees

A. **Charge Required.** Federal civilian employees are not authorized to eat in appropriated dining facilities without charge.

B. **Discount Meal Rate.** Federal civilian employees, not receiving the meal portion of per diem, shall be charged the discount meal rate when they are:

1. Performing duty on a U.S. Government vessel,
2. On field duty,
3. In a group travel status,
4. Included in EUM as defined in the *JFTR, Volume 1*,
5. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or
6. On JTF operations other than training at temporary U.S. installations, or using temporary appropriated dining facilities.

C. **Standard Meal Rate.** Federal civilian employees shall be charged the standard meal rate when in any status other than those set forth in subparagraph 190304.B.
190305. Members of Youth Groups

This category consists of members of organized nonprofit youth groups sponsored at the national or local level and ad hoc groups of youths. The distinction between the two groups is that an organized youth group has continuity over time and a structure (such as officers, advisors, organization rules); while an ad hoc group does not. For example: A local high school Key Club, which may be sponsored by the Kiwanis Club, would qualify as an organized nonprofit youth group. On the other hand, if the children of a local Kiwanis Club’s members visited an installation, they would be considered to be an ad hoc group because they are not a formally organized and structured youth group.

A. Charge Required. These individuals are not authorized to eat in appropriated dining facilities without charge.

B. Discount Meal Rate. Members of an organized nonprofit youth group sponsored at either the national or local level shall be charged the discount meal rate, when extended the privilege of visiting a military installation, or when residing at a military installation and permitted to eat in the general mess by the commanding officer of the installation (Title 37, U.S.C., section 1011(b)).

C. Standard Meal Rate. All other youth group individuals (members of ad hoc youth groups) shall be charged the standard meal rate.

190306. Others

This category includes: (1) military retirees and their dependents, (2) government contractors in overseas contingency operations, (in accordance with the Defense Federal Acquisition Regulation, Procedure, Guidance, and Information 225.7401) and (3) all other individuals not included in paragraphs 190301 through 190305.

A. Charge Required. These individuals are not authorized to eat in appropriated dining facilities without charge.

B. Standard Meal Rate. These (all other) individuals shall be charged the standard meal rate.

1904 GENERAL PROVISIONS

190401. Personnel, Other Than Enlisted Personnel

Personnel, other than enlisted personnel, may receive a meal from an appropriated dining facility, provided no increase in direct resources results from feeding such personnel and appropriate meal charges are collected consistent with paragraph 190305.
190402. Commanding Officer Responsibility

The commanding officer of the DoD installation, at which an appropriated dining facility is located, is responsible for assuring that meals are provided only to authorized personnel within the capabilities and availability of existing appropriated dining facilities.

190403. Temporary Duty Orders

Temporary duty orders shall indicate the food allowance/per diem status of travelers to assist in determining the appropriate meal charge to be assessed.

190404. Service Academies

Service academies (i.e., Army, Navy, and Air Force) are to use the food service charges at the military academies published annually by the USD(C). See Chapter 20.

190405. Civilian and Military Personnel of a Foreign Government

Civilian and military personnel of a foreign government shall be furnished meals in accordance with specific arrangements made between the U.S. Government and the foreign government. Charges for food costs and related food service operating expenses shall be made on the same basis as they would be for U.S. Government personnel of equal rank.

1905 DISPOSITION OF FUNDS

190501. Overview

Each Military Service shall budget and account for all meals furnished by its appropriated fund activities.

190502. Recording Policy

Program obligations and expenditures, as well as revenues and food service operating expenses, shall be recorded, accumulated, and controlled in accordance with Volume 11A, Chapter 1, “General Reimbursement Procedures and Supporting Documentation.”

190503. Collections

A. Except when deductions from pay are authorized and have been provided for, or prior arrangements for payment have been established with an official of an authorized group, diners shall pay for a meal in cash prior to the meal being served. In any event, all meal charges must be determined and posted not later than the last day of the month incurred with payment being made not later than the 15th of the following month.

B. Any losses that might be incurred from uncollectible accounts must be absorbed by the subsistence account funding the facility.
190504. Discounted and Standard Meal Rate Distribution

Collections shall be distributed as follows:

A. Discount Meal Rate. Collections received from patrons paying the discount meal rate (food costs only) shall be credited to the applicable financing subsistence account of the Military Service.

B. Standard Meal Rate. Collections received from patrons paying the standard meal rate shall be credited to the financing appropriation(s). The food cost portion shall be credited to the subsistence account and the operating expense portion (difference between discount and standard meal rates) to the operations and maintenance or other financing account(s).

1906 ACCOUNTING FOR FOOD ALLOWANCES

190601. Information Requirements

A. Information requirements have been established to ensure that data are maintained and that information is reported for use in determining and administering food allowances. These requirements prescribe procedures for counting meals furnished to personnel in appropriated dining facilities under the daily food allowance and authorized reimbursable programs. They are designed to assist in monitoring food costs and allowances and making the accumulation of data more consistent throughout the Department under the Food Service Program established by DoD 1338.10-M, “Manual for the Department of Defense Food Service.”

B. The recording and reporting of obligations/expenditures against the daily food allowance portion of the operations and maintenance appropriations are as set forth in Volume 2, “Budget Formulation,” and Volume 3, “Budget Execution.”

C. The data reported must support budget requests based on furnishing meals to entitled enlisted personnel by each Military Service, after consideration of the absentee rate, without regard to the member’s parent Military Service.

190602. Counting the Number of Persons’ Furnished Meals

A. Except for mass feeding situations as set forth in subparagraphs 190602.B.1 and B.2, all personnel authorized to eat in appropriated dining facilities shall identify themselves with a meal card, DoD Common Access card, or travel orders issued by a DoD Component before receiving a meal from an appropriated dining facility. Enlisted personnel on BAS or receiving the meal portion of per diem, as well as all officers, civilian employees, official visitors, dependents, and guests authorized to eat on a reimbursable basis, shall be required to identify themselves as to the category of entitlement (authorized to eat on a reimbursable basis) and status (per diem or non-per diem) and reimburse DoD at the appropriate meal rate before receiving a meal from an appropriated dining facility.
B. The following procedures shall be used to account for meals served to authorized subsistence-in-kind entitled or cross Service reimbursable personnel.

1. Each appropriated dining facility shall maintain usage data in an electronic management information system or other log in which each diner’s unit of assignment and identification, travel order number, or other authorizing document are recorded. The applicable identification number may include, for example, the diner’s meal card or social security number. When reimbursement is required, the rate category shall be recorded in the log. A person independent of the appropriated dining facility operation shall complete the log. When mass feeding within a specified time period is required, such as at recruit (basic) training centers and special schools, a single person responsible for the group may certify the entitlement classification and/or the reimbursement rate for all diners in the group.

   a. Record of daily usage shall be used by the appropriated dining facility in preparing necessary reports.

   b. The meal card control officer or the personnel manager of the installation shall use the usage records to conduct local management reviews and perform periodic tests of meal card usage, entitlement and reimbursement rates. The responsible official shall retain all records and test results in accordance with approved disposition schedules.

2. As an alternative to the procedures in subparagraphs 190602.A and B, each diner shall sign an appropriate signature record, including authorization category, for each meal received. These records shall be reviewed at the local command level and retained until verified independently against the reports submitted for the appropriated dining facility.

3. Installation commanders are authorized to impose more stringent requirements at their discretion.

4. DoD Common Access Card, other SMART card technology, or other headcount procedures approved by the Secretary of a Military Department may be utilized for diner identification/authorization, as long as the integrity of the count is maintained.

C. The total count of each meal shall be classified and recorded by the diner’s category of entitlement and by type of food allowance, i.e., basic daily food allowance (BDFA), special food allowance, and supplemental food allowance.

D. During combat or other operational conditions (e.g., mass troop movements, maneuvers or field exercises when actually subsisted under field conditions, forces afloat, and emergency conditions resulting from catastrophes or civil disorders), when maintenance of a meal log or signature record is not practicable, an internal control system shall be established to maintain the integrity of the headcount.

E. Each appropriated dining facility shall number, serially, the daily log forms and signature records, which shall include the following minimum requirements:
1. Identification of the appropriated dining facility and date.

2. Identification of the number of meals.

3. Signatures of the person maintaining the log, and of the officer in charge.

4. Diner’s unit of assignment, identification number, or travel order number or other authorizing document identification, and category of entitlement which authorizes the diner to eat on a reimbursable basis.

5. Diner’s signature and rank or grade.

190603. Meal Conversion

Meals served (counted) shall be converted to an equivalent meal-days fed for the Annual Reimbursable Rate, “Food Service” report, Volume 11A, Chapter 6, Appendix F, by multiplying the meals served by the following factors:

<table>
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<th>Meal</th>
<th>Factor</th>
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<tr>
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<tr>
<td>Brunch</td>
<td>.45</td>
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<tr>
<td>Lunch</td>
<td>.40</td>
</tr>
<tr>
<td>Dinner</td>
<td>.40</td>
</tr>
<tr>
<td>Supper</td>
<td>.55</td>
</tr>
<tr>
<td>Night Meal</td>
<td>.20 or .40 (depending on whether a breakfast or dinner menu is served)</td>
</tr>
<tr>
<td>Holiday</td>
<td>.65 (.40 lunch plus .25 percent of BDFA)</td>
</tr>
<tr>
<td>Snack</td>
<td>.25</td>
</tr>
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</table>

NOTE: These factors represent the estimated portion of the BDFA for each service member for each type of meal. The factors are used to allocate the estimated total food costs to the types of meals served. See DoD 1338.10-M, “Manual for the Department of Defense Food Service,” paragraph C7.4.3.

1907 FOOD SERVICE OPERATING EXPENSE REPORTING REQUIREMENTS

The USD(C) Program and Budget Office establishes meal rates annually for personnel authorized meals on a reimbursable basis. An annual expense report, entitled “DoD Food Service Operating Expense Report,” must be completed by each of the Military Services. The format and guidance for this report are contained in Volume 11A, Chapter 6, Appendix F.
VOLUME 12, CHAPTER 20: “MILITARY ACADEMY DINING HALL OPERATIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated July 2013 is archived.

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<td>Added an Authoritative Guidance paragraph to allow for easier source identification, as well as to comply with current standard operating procedures.</td>
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<td>200202</td>
<td>Added additional guidance in relation to Nonappropriated Funds as they must be established and administered in accordance with Department of Defense Instruction (DoDI) 1015.15 and DoDI 7600.06.</td>
<td>Addition</td>
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2001  GENERAL

200101.  Purpose

This chapter promulgates the policy that implements Title 37, United States Code, section 422 (37 U.S.C. § 422) which authorizes funding for the operation of cadet and midshipmen dining halls at the military academies, and prescribes associated reporting requirements.

200102.  Authoritative Guidance

The financial management policy and related requirements set forth in this chapter are in accordance with the applicable provisions of:


B.  Department of Defense Instruction (DoDI) 1015.15, “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources”; and

C.  DoDI 7600.06, “Audit of Nonappropriated Fund Instrumentalities (NAFI) and Related Activities."

2002  POLICY

200201.  Responsibilities

Each Military Department operates an academy dining hall to provide complete food service support to the cadets or midshipmen as an integral part of the activities of its academy.

200202.  Subsistence Allowance Amount

The amount of the subsistence allowance for cadets and midshipmen is prescribed by the Secretary of Defense. The amount so prescribed will be allocated by the Military Departments from the current military personnel appropriation to a nonappropriated fund at each academy based on the number of cadets and midshipmen present for training. Each such nonappropriated fund will be used to procure the food and food products necessary to provide subsistence for the cadets and midshipmen. Nonappropriated funds must be established as a NAFI and administered as a Program Group V – Supplemental Mission Fund in accordance with DoDI 1015.15. Further, the fund must be audited in accordance with DoDI 7600.06 if the annual revenues in the fund exceed the threshold established therein. The nonappropriated fund must not be used for any purpose
other than subsistence procurement; all other charges associated with dining service must be charged against appropriated funds.

200203. Authorization Determination

The superintendent of each academy is authorized to determine who may be authorized to eat in the academy dining hall and the regulations incident thereto within guidelines issued by the secretary of the cognizant Military Department. Charges for meals furnished to other than cadets and midshipmen will be established by the Under Secretary of Defense (Comptroller) (USD(C)) and the reimbursable rate for “Food Service” issued annually. All collections for food costs must be deposited into the nonappropriated fund. The charge for operating expenses will be collected and deposited under the same rules that are applicable to appropriated fund food service activities as prescribed by Chapter 19, sections 1905 and 1906.

200204. Subsistence Allowance – Leave Status

The subsistence allowance that is not earned for any cadet or midshipman on leave or otherwise away from the academy, and not subsisted at Government expense, will be credited to the cadet/midshipman’s pay account.

200205. Subsistence Allowance – Temporary Duty Status

The subsistence allowance that is not earned for any cadet or midshipman on temporary duty, and subsistence-in-kind that is furnished at the temporary duty location, will not be collected by the nonappropriated fund.

2003 RESPONSIBILITIES

200301. Internal Control and Procurement

Under overall policy supervision by the secretary of the cognizant Military Department, the superintendent of each academy is responsible for:

A. Assuring the efficient and effective management of the academy dining hall and its nonappropriated fund for the purchase of subsistence items. In connection with this responsibility, the superintendent must install an accrual accounting system that permits an objective, constructive evaluation of the dining hall operation.

B. Assuring that the procurement procedures maintain the same degree of integrity as those procurement actions taken in accordance with the Federal Acquisition Regulation (FAR). In the event any question arises regarding the proper procurement procedure, the FAR will be used as a guide.
200302. Reporting Requirements

An annual report on meal operating expenses in the military academy dining halls should be submitted in accordance with the guidance contained in Volume 11A, Chapter 6, Appendix F.

2004 ANNUAL REIMBURSABLE RATES

The annual reimbursable rates for military academy dining halls are located on the USD(C) public website, listed by fiscal year (FY) under the following headings: Financial Management, Reports, DoD Reimbursable Rates. Example: The FY 2019 rates are titled, “Food Service Charges at Appropriated Fund Dining Facilities (Tab G).”
VOLUME 12, CHAPTER 21: “ACCOUNTING FOR DEFENSE HEALTH PROGRAM RESOURCES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated June 2011 is archived.

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<tr>
<td>210202.C</td>
<td>Updated where in DHA to forward monthly “FLASH” reports.</td>
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<td>210202.G</td>
<td>Added paragraph to ensure compliance with the Standard Financial Information Structure (SFIS).</td>
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CHAPTER 21

ACCOUNTING FOR DEFENSE HEALTH PROGRAM RESOURCES

2101 GENERAL

210101. Purpose

This chapter prescribes the financial management policies and procedures necessary to account for the Defense Health Program (DHP) resources.

210102. Overview

A. The annual DHP appropriation funds all elements of the DHP, including annual Operations and Maintenance, multi-year Research, Development, Test and Evaluation, and multi-year Procurement. The applicable Treasury Account Fund Symbol is 97X0130.

B. Department of Defense (DoD) Components execute the DHP through direct allotment to performing installations/activities for all DHP costs, except for military medical personnel costs paid centrally from the applicable Military Personnel appropriation.

C. Civilian medical personnel end strength and full-time equivalents are retained by the applicable DoD Components. Effective October 1, 2009, each DoD installation/activity must direct cite its own DHP operating account for pay of medical civilian personnel.

D. DoD policy applicable to budget formulation and congressional justification (including presentation formats) for the DHP is found in Volume 2B, Chapter 12, section 1204, “Defense Health Program.”

2102 RESPONSIBILITIES

The DHP appropriation is allocated to performing DoD Components for execution as follows:

*210201. Office of the Assistant Secretary of Defense (Health Affairs)

The Office of the Assistant Secretary of Defense (Health Affairs) allocates total obligation authority to the headquarters level of each DoD Component Medical Command to fund the DHP at respective installations/activities. The following activities are also funded on a direct basis from the Defense Health Program appropriations:

A. Defense Health Agency (DHA), Comptroller;

B. Uniformed Services University of the Health Sciences;
C. Defense Health Agency (DHA), Contract Resource Management (CRM); and

D. National Capital Region – Medical Directorate.

*210202. Head of Performing DoD Component

The Head of each performing DoD Component, or designee must:

A. Provide DHP allotments to performing installations/activities within that Component.

B. Receive installation/activity level monthly execution reports and summarize those reports for submission to each Defense Finance and Accounting Service (DFAS) site. Each DFAS site shall submit their data to DFAS-Indianapolis (DFAS-IN), Other Defense Organizations, Audited Financial Statements and Budget Execution Division for consolidation.

C. Provide a summarized monthly ‘FLASH’ execution report to DHA, Business Support Directorate; Program, Budget and Execution Division. Monthly DHP civilian end strength and full-time equivalent utilization data must be entered into the Defense Health Agency’s online Manpower Execution Module.

D. Ensure adequate funding in the DHP operating appropriation for medical civilian personnel payroll costs.

E. Maintain full responsibility for the operation and execution of appropriate Centrally Managed Allotments (CMA) or open allotments to provide for emergency care of active duty military personnel and must fund the CMAs from the DHP authority made available to them.

F. Require Military Treatment Facilities to establish and maintain programs for reimbursable operations consisting of the Third-Party Collections program, Medical Services Accounts program, and Medical Affirmative Claims programs to collect the reasonable charges for medical services provided to Uniform Services beneficiaries and non-beneficiaries. Programs will be established per DoD 6010.15-M, “Military Treatment Facility Uniform Business Office Manual.”

G. Ensure Service Medical Components are in compliance with the Standard Financial Information Structure (SFIS) as the common business language that enables budgeting, performance-based management and the generation of financial statements in accordance with Volume 1, Chapter 4. SFIS is a comprehensive data structure that supports budgeting, financial accounting, cost/performance, and external reporting needs across the Department of Defense.
210203. Performing Installation/Activity

The performing installation/activity must:

A. Direct cite the DHP allotment received from its Component headquarters to fund all transactions in support of the DHP.

B. Continue to provide personnel and other support for the DHP.

C. Maintain monthly and year-to-date DHP civilian end strength and full-time equivalent utilization data and transmit such data to the Component headquarters and DFAS-IN Departmental Reports, Budget Execution and Financial Statement Division, as appropriate, in conjunction with monthly execution reports.

D. Maintain detailed accounting records and data integrity, including the capability to provide data, in accordance with the requirements detailed in DoD 6010.13-M, “Medical Expense and Performance Reporting System for Fixed Military Medical and Dental Treatment Facilities Manual.”

E. Ensure the Budget Activity Group (BAG) and corresponding Program Element (PE) structure, unique to the DHP, is maintained within accounting systems. The Budget Activity Group and PE structure for the Defense Health Program Budget Activity 1, Operations & Maintenance, is provided at Appendix A to this chapter. The PE definitions are included in the FYDP Structure Handbook, Appendix E which is maintained by the Office of Cost Assessment and Program Evaluation.
VOLUME 12, CHAPTER 21 APPENDIX A: “DHP BUDGET ACTIVITY 1, OPERATION AND MAINTENANCE, BUDGET ACTIVITY GROUPS (BAG) AND CORRESPONDING PROGRAM ELEMENT (PE) STRUCTURE

SUMMARY OF MAJOR CHANGES

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**Appendix A**

*DHP Budget Activity 1, Operation and Maintenance, Budget Activity Groups (BAG) and Corresponding Program Element (PE) Structure*

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**VOLUME 12, CHAPTER 23: “CONTINGENCY OPERATIONS”**

**SUMMARY OF MAJOR CHANGES**

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<td>230206</td>
<td>Removes reference to USD(C) memorandum, April 20, 1992, “Disaster Relief Funds” (hereby rescinded) and adds reference to DoD Directive 5100.46, Foreign Disaster Relief, dated July 6, 2012.</td>
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<td>230210</td>
<td>Added reference for War-Related Reporting Requirements</td>
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<td>230211</td>
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<td>230212</td>
<td>Added reference to the OMB memorandum on “Criteria for War/Overseas Contingency Operations Funding requests”</td>
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<td>230307</td>
<td>Reworded and reformatted chapter for clarity.</td>
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<td>230308</td>
<td>Added paragraph to explain the Office of the Military Advisor role in processing United Nations requests.</td>
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<td>230406</td>
<td>Added explanation on cost categories and the cost breakdown structure, inserts hyperlink to Overseas Contingency Operations Guidance, and reassigns the Costs Categories Table (23-1) to Annex 4.</td>
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<td>230409</td>
<td>Added paragraph on using the Contingency Operation Support Tool (COST) for developing estimates for an operation.</td>
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<td>230701</td>
<td>Added guidance on the assignment of Special Program Codes.</td>
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<td>230904.B</td>
<td>Added guidance on cost reporting and standard operating procedure documentation.</td>
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<td>231501</td>
<td>Added paragraph to explain purpose of the OCOTF.</td>
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<td>Added paragraph to address budget justification process for base funded contingency operations.</td>
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<td>2316</td>
<td>Added section to address Foreign Disaster Relief (FDR) Funded by Overseas Humanitarian, Disaster,</td>
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CHAPTER 23

CONTINGENCY OPERATIONS

2301 PURPOSE

230101. General

This chapter promulgates financial policy and procedures for small, medium and large-scale campaign level military contingency operations related to the Department of Defense (DoD). These might include, but are not limited to, support for peacekeeping operations, foreign disaster relief (FDR) efforts, and noncombatant evacuation operations (NEO). Note that the term “contingency operation,” as used in this chapter, is more encompassing than the specific definition contained in Title 10, United States Code, section 101(a), paragraph 13. Explicitly excluded from this chapter are peacetime civil emergencies occurring within the United States, the guidance for which is included in DoD Directive 3025.18, “Defense Support of Civil Authorities (DSCA).” Also excluded from this chapter are steady-state DoD humanitarian assistance activities.

230102. Budgeting for Contingency Operations

DoD Components normally do not budget for contingency operations as discussed in this chapter. Therefore, DoD Components must accomplish directed contingency operations using funds available to the cognizant command or unit, independent of the receipt of specific funds for the operation. The authority for DoD Components to expend available funds is issued by the Secretary of Defense. Since the Fiscal Year 2010 President’s Budget, estimates for the Global War on Terror and Overseas Contingency Operations are included with the submission of the President’s Budget.

230103. An Execute Order from the Secretary of Defense

An execute order from the Secretary of Defense is both the authority for the commander of a combatant command to initiate military operations and the authority for DoD Components to expend available funds to carry out the order. Planning orders and alert orders from the Chairman, of the Joint Chiefs of Staff (CJCS) constitute authority for a commander of a combatant command to expend funds available to that commander of a combatant command and authority to direct a military component to expend funds available to that component for forces assigned to the commander of a combatant command. Refer to Joint Publication 5-0, Joint Operation Planning, for information on joint operation order types.

230104. DoD Policy Requirements

DoD policy requires that controls, accounting systems, and procedures provide, in financial records, proper identification and recording of costs incurred in supporting contingency operations. For such operations, data must be collected and records maintained to support bill development and the distribution of reimbursements to the applicable organizations.
230105. Emergency Supplemental Funding

This chapter does not address wartime activities or the unique circumstances that require U.S. military forces to be placed on a wartime footing. Those situations may result in activities and costs that are not covered specifically by this chapter, but would, nonetheless, require emergency supplemental funding. Such activities will be addressed separately, on an exception basis, from the activities addressed in this chapter. Such exceptions may, for example, include purchase of munitions, replacement of major items of equipment, and repair of facilities or other infrastructure.

230106. Elimination of Potential Duplicative Efforts

DoD officials having responsibility for reviewing and approving purchases for which the source of funding is derived from a transfer account like the Overseas Contingency Operations Transfer Fund (OCOTF) shall, to the greatest extent possible, review transactions to: (1) eliminate the potential for duplicating the procurement of goods and services, and (2) ensure that contractors are reimbursed for only those services and goods provided to the government.

230107. Allowable Contingency Operations Cost

The funding derived from a contingency transfer account is available only for those incremental costs incurred in direct support of a contingency operation. As such, funds that are transferred into a Component’s baseline appropriation are not to be used to finance activities and programs that are not directly related to the incremental cost of the contingency. In addition, the funds transferred to a Component’s appropriation are not to be used to procure durable and expendable items in excess of what is required. Furthermore, those durable items procured with transferred funds are to be retained in support of the contingency even after the Component/unit has completed its tour of duty to support the contingency. Those durable items in the inventory, such as office equipment and expendable supplies that have not been consumed, should be made available to Components/units that are replacing the Component/unit that is departing the contingency operation area.

230108. Fiduciary Responsibility

It is vital for civilian and military personnel authorized to obligate and expend funds in support of a contingency operation, using resources derived from the transfer of funds from a centrally funded transfer account (e.g., OCOTF), to employ a fiduciary approach to ensure that the funds are used in a prudent manner. Contingency funds are not to be used for purchases that are improper or are in excess of government requirements or which might bring embarrassment to the U.S. Government. Furthermore, special attention must be given by the Components’ approving officials when the government purchase card is used for purchases to be funded with funds derived from a contingency operations transfer account. Approving officials are responsible for reviewing and reconciling cardholders’ statements and for verifying that all transactions were necessary government purchases made in accordance with the Federal Acquisition Regulation and all other government policies and procedures. (See Volume 10, Chapter 12, of this Regulation for more information.)
2302 REFEREN Ces

The following references document the authority and procedures under which contingency operations have been executed. The memoranda listed in paragraphs 230204, 230205, and 230206, issued to provide interim guidance for financial management of contingency operations, are superseded by the policies and procedures provided by this chapter.

230201. Waiver of Requirement to Reimburse Support Units


230202. Guidance on Contingency Operations and on Contributions for Defense Programs, Projects, and Activities


*230206. Foreign Disaster Relief


230207. Foreign Assistance Act, section 506, Special Authority

230208. Foreign Assistance Act, section 607, Furnishing of Services and Commodities

230209. Foreign Assistance Act, section 632, Allocation and Reimbursement Among Agencies
*230210. War-Related Reporting Requirements


*230211. Report Incremental Contingency Operations Costs on a Monthly Basis

Department of Defense Appropriations Act, 2016, Public Law 114-113, Section 8093.

*230212. Criteria for War/Overseas Contingency Operations Funding Requests


2303 RESPONSIBILITIES

230301. Under Secretary of Defense for Policy (USD(P))

USD(P) has policy and management responsibility, through subordinate activities, for peace operations, and foreign disaster relief operations. For these operations, the USD(P) is responsible for accepting requests for assistance from organizations external to the Department and transmitting cost and availability data to those organizations. In coordination with the USD(C), the USD(P) determines financial responsibility for all contingency operations.

230302. Under Secretary of Defense (Comptroller) (USD(C))

USD(C) is responsible for overall financial policy for contingency operations and works with the USD(P) to determine the most responsive method of financing for contingency operations. In addition, USD(C) is responsible for pursuing prompt reimbursement to the Department from UN and other multinational organizations, other nations, and U.S. agencies for support which the Department has rendered. Additionally, USD(C) will issue guidance, as required, that provides the UN rates for reimbursements.

230303. Under Secretary of Defense for Personnel and Readiness (USD(P&R))

USD(P&R) is the NEO coordinator on behalf of the Secretary of Defense. In that capacity, the USD(P&R) ensures that existing policy and procedures for NEO remain current, including the memorandum of understanding with the Department of State in accordance with DoD Directive 3025.14, “Evacuation of U.S. Citizens and Designated Aliens from Threatened Areas Abroad” (short title: Noncombatant Evacuation Operations), and the Joint Federal Travel Regulation. USD(P&R) monitors the provisions of each to ensure compliance.
230304. Chairman, Joint Chiefs of Staff (CJCS)

CJCS is responsible for transmitting the Secretary’s order to the cognizant Commander of a Combatant Command when a contingency operation is to be executed (via Deployment Orders and Execute Orders). Those orders will include a funding paragraph outlining financial guidance as directed by the USD(C) and USD(P).

230305. Director, Defense Finance and Accounting Service (DFAS)

DFAS is responsible for administering centralized cost consolidation; billing and reimbursement distribution functions in support of contingency operations; and issuing to reporting activities the necessary reporting and coding instructions, transmission links, points of contact, and other related information necessary to ensure accurate and timely reporting of costs. DFAS shall assist DoD Components, as required, in the identification and accumulation of costs. The Director, DFAS, has assigned responsibility for all contingency cost consolidations and billings to the DFAS site supporting contingency operations. DFAS, to effect cost consolidation at the DoD level, shall prepare a monthly status report, by operation, appropriation, and appropriate DoD Component, as applicable, consolidating the cost reports submitted by the DoD Components. In addition, DFAS shall prepare a monthly status report on amounts billed and reimbursements received for each applicable contingency operation. DFAS shall provide copies of the monthly cost and billing status reports to OUSD (Comptroller), Program and Budget.

230306. Secretaries of the Military Departments; Heads of Defense Agencies; and the Commander for U.S. Special Operations Command

The Heads of the DoD Components cited herein are responsible for preparing cost estimates and submitting budget justifications to the USD(C), and also providing monthly incremental cost reports to DFAS in accordance with USD(C) policy stated herein. The DoD Component headquarters also are responsible for ensuring that guidance is disseminated to the appropriate unit level that details the required cost collection and reporting procedures and methodology for contingency operations.

230307. Director, Defense Security Cooperation Agency (DSCA)

DSCA is responsible for using foreign military sales (FMS) systems and other acquisition mechanisms to implement sales or leases of equipment in support of contingency operations as directed by the USD(P). Such support may be in response to requests from the Department of State or requests from the UN for articles and services to support equipment leased under FMS procedures. DSCA provides oversight, funding, and exercises overall program management responsibility for FDR activities funded with Overseas Humanitarian, Disaster, and Civic Aid (OHDACA).

230308. U.S. Mission to the UN (Military Advisor)

The UN Office of the Military Advisor to the U.S. Mission determines the appropriate U.S. agency to support UN requests for assistance. For DoD support, UN requests for price and availability and letters of assist shall be forwarded directly to the USD(P) for approval and action. Other UN requests for assistance shall be forwarded through the Executive Secretary to the USD(P).
230309. DoD Executive Agent for Repatriation Plans and Operations

The Deputy Chief of Staff for Personnel, Department of the Army, has been designated by the Secretary of Defense and the Secretary of the Army as the responsible DoD Component for coordinating repatriation operations of DoD noncombatants. The DoD Executive Agent develops and maintains a Joint Plan for DoD Noncombatant Repatriation. Financial responsibility remains with the affected DoD Component.

2304 ESTIMATING PROCEDURES FOR CONTINGENCY OPERATIONS

230401. Three Different Types of Contingency Operations Estimates

There are three different types of estimates that are developed and used during the course of an operation. The pre-deployment estimate is used to assess various operational assumptions and to inform the go/no-go decision-making process; the budget estimate is used to define and defend requests for reprogramming or additional appropriations; and the working estimate is used during execution of the operation against which the Military Departments measure actual costs, and which can be used as the base for determining the changes in cost that would result from changes to the operational plan. All three types of estimates are important to ensure that senior leaders have the latest and most accurate information available for use in the resource allocation process.

230402. Pre-Deployment Estimate

A. The pre-deployment cost estimate usually is required on short notice, sometimes within hours of notification. This estimate is the most difficult and unreliable of the three estimates due to lack of supporting information. The preliminary estimate typically is prepared by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) and the Joint Staff J-8 using a cost model that uses major incremental cost drivers such as modes of transportation, operation duration, force deployment/phasing, and environmental conditions to project a rough order of magnitude cost estimate. Typically, DoD Components need additional time to develop “ground up” estimates.

B. As an adjunct to the cost model, the OUSD(C) has established a Contingency Cost Estimating Team to help develop more reliable preliminary cost estimates for contingency operations. This team is on call to OUSD(C) and consists of financial managers from the Office of the Secretary of Defense, the Joint Staff, and DoD Components, and augmented by operational and logistics planners as needed, to collect information about the operation and to formulate assumptions to support the cost estimating effort.

230403. Budget Estimate

This estimate is based on specific Commander of a Combatant Command operational plans, troop levels, location, and operating circumstances. The respective Military Services, via their financial management and logistics staffs, use data provided by the Commander of a Combatant Command and the in-theater Service Components to derive a projected incremental cost estimate for submission to OUSD(C). Data provided is examined in detail by the Office of the Secretary of Defense Joint Staff to determine the extent to which variations in the plan have been considered in developing the cost estimate. Time permitting, and on an exception basis, information briefings
may be solicited from the staffs of the cognizant Commander of a Combatant Command (and/or service Component commands) to detail anticipated requirements and factors that may prove useful in enhancing the development of the cost estimate. As a standard procedure in developing cost estimates, the Military Components shall utilize all available sources of relevant information and ensure that the field commands and headquarters personnel have applied the lessons learned from cost estimates associated with previous operations.

230404. Working Estimate

This estimate, formulated by the Military Department headquarters staff based on data provided by the respective component commands, builds on the budget estimate by adjusting periodically the budget estimate to reflect actual execution experience and changes in the operational and logistics plans. These estimates shall be revised/updated formally on a quarterly basis (through the Quarterly Contingency Cost Estimate Report) and reported to OUSD(C) as part of the effort to inform senior leadership of changes in cost. These quarterly updates shall incorporate changes to the operational plan and other policy and fact-of-life changes that have a significant impact on the cost estimate formulated prior to actual program implementation. Such changes shall be generated, at least in part, as a result of decisions made by the local commander, who sets requirements based on his assessment of the operational situation.

230405. Major Command Monthly Contingency Cost Estimate Report

These monthly reports to the DoD Component headquarters, from the component commands, identify changes to cost estimates. The reports facilitate regular communication between the Component headquarters and its subordinate commands that have responsibility for executing budgets for various contingency operations. The Component headquarters staff shall use the data submitted to prepare the Quarterly Contingency Cost Estimate Report.

*230406. Contingency Operations Cost Categories and Definitions

For estimating and reporting purposes (and, in some cases, for billing purposes), the costs associated with contingency operations are limited to the incremental costs of the operation, that is, costs that are above and beyond baseline training, operations, and personnel costs. Since both the cost estimates and execution reports are based on the same cost categories, cognizant analysts more easily can compare the estimates to actual execution experience. Using a common cost structure facilitates rational cost comparisons. The cost categories at Annex 4 form the basic structure to be used by the Component headquarters to estimate and report contingency operations costs as defined in the cost breakdown structure listing (e.g., personnel, operating support, investment costs, retrograde, and reset). This document is updated annually to accommodate new cost categories and is posted online. The listing is available on the OUSD(C) Policies and Guidance website for Overseas Contingency Operations at https://guidanceweb.ousdc.osd.mil/OCO.aspx.
230407.  Contingency Operations Estimate

For estimating purposes, the Components will prepare the Contingency Operations estimate for a deployment of military personnel and equipment as approved by the Secretary of Defense using the Contingency Operations Support Tool (COST) as directed by the Office of the Under Secretary (Comptroller). The OUSD(C) will issue specific guidance as necessary pertaining to factors and cost criteria for the CONOPS being estimated. The COST estimate will address the funding requirements for Operation and Maintenance, and Military Personnel costs. For further information on the COST, see paragraph 230409.

230408.  Justification of Cost Estimates

To defend and explain cost estimates, Components shall consider the following factors and note the assumptions and/or facts that apply to the estimate.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Considerations</th>
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<tbody>
<tr>
<td>Number of Troops (Active and Reserve)</td>
<td>How many troops are in theater and in surrounding countries providing support? Include those afloat.</td>
</tr>
<tr>
<td>Number of Reserve Personnel</td>
<td>How many reservists will be deployed? Are these reservists serving beyond their normal tour of duty?</td>
</tr>
<tr>
<td>Duration</td>
<td>What is the assumed length of the contingency?</td>
</tr>
<tr>
<td>Terrain/Weather</td>
<td>Are there unique environmental factors that may affect costs?</td>
</tr>
<tr>
<td>Equipment</td>
<td>What type of equipment is needed to perform the mission e.g., light forces, heavy forces, or aviation support?</td>
</tr>
<tr>
<td>Threat</td>
<td>Is this a permissive environment or a hostile environment?</td>
</tr>
<tr>
<td>Operational Tempo</td>
<td>Will equipment and weapon systems be operated above the normal peace time tempo already budgeted?</td>
</tr>
<tr>
<td>Communications Support</td>
<td>What additional communications support is required? Is the service provided through Defense Information Systems Agency or a commercial firm?</td>
</tr>
<tr>
<td>Intelligence Support</td>
<td>What additional intelligence support is required? Any National Foreign Intelligence Program must be coordinated through the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence.</td>
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</table>
230409. Contingency Operations Support Tool (COST)

A. COST uses pre-defined cost factors and weighing coefficients, along with a user-supplied description of the contingency, to estimate the cost of an operation for a specified cost breakdown structure (CBS). The cost factors are either provided by DoD components or developed by the contractor. Users can review and change any of the factors used by a calculation. All COST calculations produce incremental costs, which are over and above budgeted peacetime operations costs.

B. COST incorporates appropriate algorithms to compute the cost of each line item in the CBS. The CBS used to report COST estimates is the same structure that has been directed for use by the Services and Agencies for reporting actual costs of contingency operations. Users can view these algorithms at any time to verify the calculations or to determine which factors were used to produce an estimate. Users can change the factors and recalculate an estimate to see the effect of the change. Cost factor tables are structured to facilitate updates, and the update process is automated to the extent feasible.

C. COST is designed to work in a joint environment. While each Component may tailor the tool to its own requirements, all the Components use the same software at the same time in a truly joint effort to build a single DoD cost estimate contingency operation. COST is one of the two joint systems, along with the Joint Planning and Execution System (JOPES), used by DoD to plan and execute contingency operations in support of crises action or campaign level
planning. The JOPES translates policy into an operation plan (OPLAN), while COST estimates the incremental cost of the OPLAN.

D. Components shall use COST to estimate the incremental operational cost for all contingency operations. Additionally, the Combatant Commands (CCMD) and Military Services will coordinate with the OUSD(C) and the Joint Staff J-8 on their cost estimates for contingency operations. The Joint Staff and Military Services will provide cost estimates based on contingency operations’ requirements. The OUSD(C) will periodically review the budget estimate to reflect actual execution experience and changes in the operational and logistics plans. Updates, as required, shall incorporate changes to the operational plan and other policy and fact-of-life that have a significant impact on the cost estimate formulated prior to actual plan implementation.

E. Based upon annual component proposed assumptions, and factor updates to the COST model, the OUSD(C) Operations Directorate will review the components’ methodology to ensure that the COST model output is properly informed based on historical execution. In addition, the OUSD(C) Deputy Comptroller (Program/Budget), or appointed designee, will convene a group of senior level component budget officials, as necessary, to review any improvements they believe are needed in the model to better reflect the functional requirements of each Service and to produce improved results. Their review will result in updates to the COST model, as required.

2305 GENERAL FUNDING RESPONSIBILITIES

230501. Service Component

Each service Component command shall collect all applicable costs related to specific contingency operations, and report these costs to the respective Military Department Senior Financial Manager for subsequent submission for consolidation to DFAS. To the extent that financing has not been provided for a contingency operation, the Department will pursue all options to obtain the additional funding required to ensure readiness of U.S. Forces is not reduced by participation in the operation.

230502. U.S. Transportation Command and the Defense Logistics Agency

Except as provided in section 2306 below, all requests for transportation or other services to a Working Capital Fund Activity, such as the U.S. Transportation Command and the Defense Logistics Agency, shall include a funding source. In the event that a Working Capital Fund activity receives a valid order (e.g., execute or deployment order or a commander of a Combatant Command operations order) that directs action without a funding source, the parent Military Department of the subordinate command receiving the services shall provide funding to finance the request.

2306 SPECIAL FUNDING MECHANISMS

230601. General

Title 10, United States Code, section 127a was revised to include special funding mechanisms operations for which funds are not provided in advance. The statute also requires that such operations be so designated and identified by the Secretary of Defense to the Congress. When
an operation is so designated, DoD Components immediately shall notify subordinate organizations. Also, DoD Components shall establish procedures and controls for these special funding mechanisms.

230602. Special Funding Mechanisms Participating Units

Units participating in such designated operations may not be required, under certain conditions, to reimburse (provide funded customer orders to) Working Capital Fund organizations for goods and services at the time such goods and services are ordered. These procedures apply only to units actually participating in the covered operation, and only to requirements that are directly attributable to the operation; would not have been incurred but for the operation; and have not been financed previously through an appropriation, supplemental funding, reprogramming, or a reallocation of existing appropriations.

230603. General Restrictions

The following general restrictions apply since the Department is not relieved of the legal restrictions of the Antideficiency Act, and because Working Capital Fund cash must remain positive under these legal restrictions. Prior to acceptance by a Working Capital Fund activity of an unfunded customer order, the commander of the Working Capital Fund activity involved shall determine that the unfunded customer order can be filled without incurring a violation of an Antideficiency Act. If filling the requested goods or services, without a funded customer order, would result in a violation of the Act, the Working Capital Fund activity shall notify the requesting DoD Component either to issue a funded order or arrange for the transfer of sufficient Working Capital Fund cash to the supporting Working Capital Fund activity to cover the requested service or supplies.

230604. Working Capital Fund Activities

When a participating unit of the U.S. Armed Forces orders goods or services from a Working Capital Fund activity and those goods or services meet the criteria addressed in paragraphs 230602 and 230603 above, the unit providing the unfunded customer order to the performing Working Capital Fund activity must, in each such request, notify the performing Working Capital Fund activity that the order, or specified portion thereof, is in support of a designated operations and that a funded customer order for the goods or services is not required.

230605. Working Capital Fund Activity Unfunded Customer Orders

The Working Capital Fund activity filling the unfunded customer order separately shall account for all such unfunded customer orders filled and separately report those costs, on a monthly basis, to the DoD Component Senior Financial Manager of the requesting activity. The DoD Components’ Senior Financial Manager shall report separately the cumulative amounts of such unfunded customer orders to DFAS in accordance with provisions contained in this chapter. In accordance with 10 U.S.C. 127a, such amounts shall be accounted for separately and will be used to determine the amounts required to be transferred to the Working Capital Fund activities in order to restore balances to previous levels.
230606. Working Capital Fund Priorities

In order to ensure that the cash reserves of any Working Capital Fund activity are used for the highest priority requirements, the commander of the Working Capital Fund activity shall notify the Principal Deputy Under Secretary of Defense (Comptroller), in writing, and wait 5 workdays before filling the unfunded customer order.

230607. Guidance on Reporting

As needed, the OUSD(C) will provide additional guidance on reporting the use of this authority for designated operations that become eligible for the special funding mechanisms available under 10 U.S.C. 127a.

2307 COST COLLECTION

230701. Special Program Codes

Upon being alerted of an impending contingency operation, each participating DoD Component shall establish a unique special program code to capture costs. The OUSD(C) Operations Directorate shall issue a Standard Financial Information Structure (SFIS) code for contingency operations. The SFIS Values Library Service webpage maintains a list of contingency codes at https://beis.csd.disa.mil/sfis-lib/sf_lib_combo.xml. Additionally, the Joint Staff shall issue a three-digit CJCS Project Code, which provides precedence for supply requisitions and facilitates cost capturing and reporting.

230702. Accounting System(s)

Each organization that supports a contingency operation shall capture related obligations and disbursements in its accounting system(s) at the lowest possible level of the organization. This provides tracking of obligations and disbursements for affected appropriations.

230703. Costs Related to Contingency Operations

Costs related to a contingency operation may be incurred both in the area of responsibility and in other locations. It is the responsibility of the organization that incurs costs in support of the operation, directly or indirectly, to ensure that information on all costs is transmitted to the appropriate DoD Component Senior Financial Manager for forwarding to DFAS, as appropriate.

230704. Cost Accounting Systems

Cost accounting systems shall not be established solely for the purpose of determining costs for contingency operations, but the data from existing systems shall be used as applicable.

230705. Incremental and Billable Costs

DoD Component Senior Financial Managers shall determine incremental and billable costs.
2308 COST REPORTING

230801. Cost Reporting Requirements

Cost reports, SFs 1080, and substantiating documents shall be submitted through the DoD Component Senior Financial Manager to DFAS. Component submissions shall be initiated in sufficient time to arrive at DFAS not later than 30 days following the month in which the cost occurs. Costs shall be reported only by the DoD Component Senior Financial Manager that incurs the cost against appropriated funds. Submissions to DFAS for reporting and billing shall be approved by the DoD Component Senior Financial Manager. See Annex 1 for the standard data reporting format for preparation of the Contingency Cost Report.

230802. DoD Component Inclusions

The DoD Component cost reports shall include all costs, including Working Capital Funds costs (common user/Component unique), that are collected in the accounting or cost accounting system. The Services shall reimburse the Working Capital Funds activity for costs, and separately reflect such costs in their cost reports.

230803. Monthly Consolidation Cost Reports

On a monthly basis, DFAS will consolidate the costs reported provided by the DoD Components and provide reports to the offices of the OUSD (Comptroller), Component Command comptrollers, DoD Component Senior Financial Managers and others, as required, no later than 15 days after receipt from the DoD Components.

2309 DETERMINING COST

The following guidelines are provided to assist the DoD Components in determining baseline and incremental costs for contingency operations.

230901. Baseline Costs

Baseline costs are the continuing annual costs of DoD operations funded by the operation and maintenance and military personnel appropriations. Essentially, baseline costs are those costs that would be incurred whether or not a contingency operation took place, i.e., programmed and budgeted costs. Examples include: scheduled flying hours, steaming days, training days, and exercises.

230902. Incremental Costs

Incremental costs are additional costs to the DoD Component appropriations that would not have been incurred had the contingency operation not been supported. Incremental costs do not include the cost of property or services acquired by the Department that was paid for by a source outside the Department or out of funds contributed by such a source. The costs of investment items, construction costs, and costs incurred to fix existing shortcomings can be categorized as incremental expenses only if the expenditures were necessary to support a contingency operation and would not have been incurred in that fiscal year in the absence of the contingency requirement. Costs incurred beyond what was reasonably necessary to support a
A contingency operation cannot be deemed incremental expenses, since such costs are not directly attributable to support of the operation. The following are examples of allowable incremental costs:

**A. Military entitlements such as premium pay, hazardous duty pay, family separation allowance, or other payments made over and above the normal monthly payroll costs.**

**B. Increases in the amount of allowances due to changes in geographic assignment area due to a contingency (i.e., Basic Allowance for Subsistence (BAS) or Basic Allowance for Housing (BAH)).**

**C. Travel and per diem of active military personnel and costs of Reserve Component personnel, called to active duty by a federal official, who are assigned solely to support the contingency.**

**D. Overtime, travel, and per diem of permanent DoD civilian personnel in support of a contingency.**

**E. Wages, travel, and per diem of temporary DoD civilian personnel hired or assigned solely to perform services supporting the operation.**

**F. Transportation costs of moving personnel, material, equipment, and supplies to the contingency or contingency staging area, including such things as port handling charges; packing, crating and handling charges; first and second destination charges.**

**G. Cost of rents, communications, and utilities that is attributable to the contingency. Examples of such incremental costs include: telephone service, computer time, satellite time, and crypto-traffic support of the contingency.**

**H. Cost of work, services, training, and material procured under contract for the specific purpose of providing assistance in a contingency.**

**I. Cost of material, equipment, and supplies from regular stocks used in providing directed assistance. Material, equipment and supplies from stock shall be priced at the standard prices that are used for issues to the DoD activities. Included in this category will be consumables such as field rations, medical supplies, office supplies, chemicals, cleaning and toilet supplies, petroleum, and items ordinarily consumed or expended within 1 year after they are put into use. Material, equipment and supplies determined to be excess to the departmental requirements may be made available for transfer under excess property disposal authority without reimbursement. In these instances, however, accessorial charges for packing, crating, handling, and transportation shall be added where applicable.**

**J. Costs incurred that are paid from trust, revolving, or other funds, and whose reimbursement is required.**

**K. Replacement costs of attrition losses directly attributable to support of the operation.**
L. That portion of equipment overhaul and maintenance costs when computed on a fractional use basis when the additive cost attributable to the contingency can be identified.

M. Cost of increased flying hours in excess of the level of flying hours otherwise programmed and budgeted for, except that, in the case of foreign disaster relief undertaken under the authority of 10 U.S.C. 2561 or similar authority funded by the OHDACA appropriation, and within specific parameters authorized by the Secretary of Defense, all flying hour costs shall be included for flights made for the primary purpose of providing the disaster relief.

N. Service specific costs for increased OPTEMPO, such as steaming costs for the Navy. Such costs, however, require individual determinations. Reported incremental costs shall reflect, as closely as possible, the actual incremental costs incurred by the unit involved in the specific operation, using cost factors for the specific command or geographic area, when available, as compared to composite cost factors for the overall DoD Component.

230903. Cost Offsets

In some instances, costs for which funds have been appropriated may not be incurred as result of a contingency operation. Examples include: basic allowance for subsistence not paid, training not conducted, and base operations support not provided. In other situations, identified incremental costs may be offset in various ways, such as supply turn-ins for items not used or placed in inventory, and non-monetary contributions, such as free fuel. See Chapter 3 of this volume for reporting non-monetary contributions. These offsets shall be accurately documented and reported at the cognizant organization levels to maintain adequate accountability for reporting and audit purposes.

230904. Guidance/Instructions

Each DoD Component shall ensure that detailed guidance is disseminated to the appropriate subordinate organization levels to ensure the accuracy and reporting of costs.

A. Acquisition Requirements. For contingency operations involving extended deployment of equipment and/or the consumption of materials, leading to the depletion of war reserve stock, a Component may request funding for such procurement items directly related to the prosecution of operations as approved by OUSD(C). In general, it is anticipated that procurement costs intended to replace consumed equipment or material, will be associated with “Campaign Level Contingency Operations” characterized as military deployments of extended duration and involving the utilization of significant numbers of combat elements of the Services.

1. Cost Estimating. The replacement and reconstitution of equipment, munitions, and other end items related to the contingency operation will be handled on an exception basis. OUSD(C) will request the submission of exhibits indicating the level of consumption, cost, quantities to be procured, inventory objectives, and similar financial and programmatic data necessary to assess the requirement. OUSD(C) will provide additional instructions regarding submission of recapitalization costs at an appropriate time.

2. Major Platforms. For major platforms, the Component must demonstrate that the end item is directly associated with current operations. The request should not contain funding to support accelerations of baseline procurement end items unless specifically
approved by OUSD(C). Components will not include estimates for future combat losses in their request.

3. **Funding Requests for Procurement Funds.** Funding requests for procurement programs should not exceed the numerical quantity that would deliver in a normal funded delivery period for that item. Furthermore, for most situations, a Component should not request funding for obligations expected to occur beyond the current fiscal year.

4. **Funding Requests for Research, Development, Test, and Evaluation (RDT&E) Funding.** In limited circumstances, a Component may request funding for the development of technologies that can be fielded in support of an on-going operation if the delivery of such technology can be introduced into the area of operations in time to benefit the prosecution of the operation. In such a case, the Component may request RDT&E funding.

5. **Funding Requests for Military Construction Funding.** In limited circumstances, a Component may request funding for military construction projects which support an ongoing operation. This may be appropriate if the completion of such a structure can be introduced into the area of operations in time to benefit the prosecution of the operation. In such a case, the Component may request funding.

6. **Funding Requests for Working Capital Funds or Other Revolving Funds.** In limited circumstances, a Component may request funding for Working Capital Fund and other revolving funds which support ongoing operations if such funding is directly related to the operations.

7. **Acquisition Obligation Reporting.** Obligations for acquisition requirements will be codified under the cost categories (Contingency Cost Breakdown Structure (CBS)) listed in Annex 4 of this chapter. Components will report to DFAS all obligations incurred in procurement, RDT&E, Working Capital, or Military Construction appropriations on a monthly basis as addressed in section 2308 of this chapter.

B. **Cost Reporting.** Reporting is an integral part of the Department’s stewardship. Components must make every effort possible to capture and accurately report the cost of the contingency operation. Components are required to report the obligation of all funds (regardless of source) to cover the incremental costs of the contingency, including funds received in a supplemental. Each Component will develop and publish a Standard Operating Procedure (SOP) or other supplemental guidance that will cover Component specific items for cost reporting, under this chapter and validating monthly reporting. At a minimum, the SOP should cover:

1. **Data Source.** This section should outline the acceptable procedures and methodology used for capturing costs by CBS category. All sources of data collected for reporting costs should be identified, to include source accounting systems, in-house tracking methods, and supporting documentation. If costs are not captured by CBS category, then the methodology of cross-walking data to the CBS category should be documented.

2. **Validation.** Components will review and validate their reported costs as accurate and a fair representation of ongoing activities on a monthly basis. As a part of this review, the variance analysis, discussed below, will be included. Significant changes from the prior month will be summarized and reported to the OUSD (C) Operations Directorate. The SOP
must include auditable methodology for determining the portion of war-related or other contingency costs attributable to each contingency operation when actual cost by operation is not available.

3. **Variance Analysis.** Each Component is required to provide an analysis, in the footnotes of the report, of all significant variances to the OUSD(C) Operations Directorate. The analysis should address: Cause of variance (describe the action that caused the costs to increase or decrease), factors affecting the variance (what are the values of the related factors that impacted the changes), purpose and effect of the action; and organization or activities that are/were affected by these actions. Additionally, a point of contact should be identified to explain changes in the established variances.

For example, a fluctuation in Imminent Danger Pay might be:

“XX% variance due to Scheduled Operation FREEDOM’S SENTINEL brigade troop rotation.”

An example for an increase in operating costs might be:

“YY” number of troops deployed at a cost of “ZZ.”

Each Component should establish additional criteria for validation and analysis, based on their requirements. Each component is required to retain documentation of their monthly variance analyses and data validations.

* 4. **Reporting Guidance.** The OUSD(C) and DFAS will notify the Components of new or special reporting requirements, as well as, provide instructions and guidance for data collection and changes to reporting requirements such as threshold percentages for variance analysis, suspense dates for monthly submissions, and required reviews and validation of reported costs. The Component will consult with the OUSD(C) before opting to include or exclude an incremental contingency related cost in its cost reporting when it deviates from this volume or current reporting guidance. Additional guidance and instructions for reporting costs (e.g., cost of war, disaster relief, humanitarian assistance, and other contingencies) are posted on the OUSD(C) guidance website at [https://guidanceweb.ousdc.osd.mil/OCO.aspx](https://guidanceweb.ousdc.osd.mil/OCO.aspx).

* 5. **Documentation.** Components will perform an annual review of the methodologies used by subordinate commands in reporting costs by contingency operations. No later than November 30th of the calendar year, the Components will provide an electronic copy of their current SOP to the OUSD(C) Operations Directorate.

C. **Cost Capture**

1. Each organization supporting a contingency operation is required to capture and report all related obligations and disbursements at the lowest possible level of the organization. Actual costs, as reflected in the accounting systems or subsidiary accounting records, should be reported. This activity provides tracking of obligations and disbursements for affected appropriations.

2. It is up to the DoD Component to develop adequate measures to allow for capturing actual costs from the official accounting records. Procedures could include
establishing unique coding or establishing subsidiary accounting records for use during the contingency operations that will allow it to provide accurate reports to the Department’s cost breakdown structure (CBS). When actual costs are not available, an auditable methodology should be established and documented for capturing costs.
230905. Program Resource Collection Process (PRCP)

   A. The PRCP is the primary management and assessment tool used by OUSD(C) and Office of Management and Budget (OMB) to manage and assess all OCO requirements.

   B. The PRCP system is used to collect, validate, and report budget data. It generates the appropriation budget justification books commonly known as the M-I, Manpower Programs; O-1, Operations Programs; C-1, Construction Programs; P-1, Procurement Programs; and R-1, RDT&E Programs. It supports automated collection and reporting for other budgetary exhibit such as the OP-8, Civilian Personnel Costs; OP-32, Summary of Price and Program Growth; and PB-22 Major DoD Headquarters Activities.

   C. “Ask OCO” can be found within the “Web-PRCP” and is designed to provide answers to the most critical budget questions regarding OCO.

   D. By using “Ask OCO”, analysts are able to extract PRCP data in an intuitive format. The data is formatted into a series of reports designed to answer frequent questions that are not easily answered by other budgetary tools. These reports provide analysts with data based on the latest budget position.

230906. Justification Materials for Budget

This section addresses the requirement to budget for OCO incremental operational costs. This information is used to justify resource requirement for directed OCO – specifically the justification of the incremental costs for supporting a designated operation. These incremental costs will become the basis for any funding requests forwarded to the Congress through normal appropriations process or through emergency supplemental appropriation requests during the year of execution, if warranted.

   A. The OCO budget submission is reviewed in concert with the baseline budget submission.

   B. All Components are required to submit justification materials to support OCO budget estimates. In order to ensure that the requested funding is defensible and that the submitted data and justification material complies with congressional requirements, each Component is required to submit the contingency operation budget exhibits using the formats outlined in the respective appropriations. Components should consult chapters as applicable. Refer to Volume 2A, Chapter 1, general guidance and the specific volumes listed below:

      1. Military Personnel. Refer to Volume 2A, Chapter 2, Military Personnel, for appropriation details. For specific details, contact the designated appropriation analyst.

      2. Operation and Maintenance. Refer to Volume 2A, Chapter 3, Operation and Maintenance, for appropriation details. For specific details, contact the designated appropriation analyst.
3. **Procurement.** Refer to Volume 2A, Chapter 4, Procurement, for appropriation details. For specific details, contact the designated appropriation analyst.

4. **Research, Development, Test and Evaluation (RDT&E).** Refer to Volume 2B, Chapter 5, Research, Development, Test and Evaluation, for appropriation details. For specific details, contact the designated appropriation analyst.

5. **Defense Working Capital Fund.** Refer to Volume 2B, Chapter 9, for appropriation details. For specific details, contact the designated appropriation analyst.

2310 BILLING

231001. General

DoD Components determine their billable incremental costs. Billable incremental costs will be less than the full incremental cost when the performing DoD Component has determined to supplement or enhance their support beyond the level agreed to by the requesting organization. The DoD Component headquarters are responsible for transmitting to DFAS, on a monthly basis, a Contingency Operations Cost Report, standardized SF 1080 for each UN Letters of Assist (UNLoA) or incurred cost for which payment is requested, and sufficient supporting documentation such as receipts, invoices, copies of requisitions approved by the organization supported (e.g., UN, State Department, or other), when required by the billed organization.

A. DFAS is designated to administer centralized billing and reimbursement distribution activities in support of contingency operations. For the billing function, DFAS shall consolidate the bills from the Components for monthly transmittal to the U.S. Mission to the UN (USUN) or other organizations, as required, along with copies of the Component Contingency Cost Reports. In addition, DFAS shall prepare a monthly status report on amounts billed and reimbursements received for each applicable peace operation. Only billable costs shall be submitted to applicable agencies or international organizations in accordance with the provisions of sections 607 and 630 of the Foreign Assistance Act (FAA), other applicable U.S. statutes, and requirements of the organization being billed.

B. The billing information transmitted by the DoD Components shall include sufficient supporting documentation to satisfy the payee of the validity of the charges. Detailed lists of transactions supporting the amount billed shall be included with each bill rendered.

C. With respect to services and commodities provided under section 607 of the FAA, the Department may spend only those reimbursements received within 180 days after the end of the fiscal year in which the costs were incurred. Payments received subsequent to the 180 days shall not be available to defray the costs already incurred by the Department in providing the requested assistance. Payments received for assistance provided under the UN Participation Act and unsolicited payments received from the UN for UN Determined Costs for Participating Troops to UN peacekeeping operations shall be credited to the account or accounts that incurred the costs being reimbursed or the accounts currently available for such purposes. Given the legal restrictions on the use of reimbursed expenses, and to ensure timely recoupment of reimbursable costs to the Department, it is incumbent that each DoD Component identifies and reports on a timely basis all reimbursable billable expenses to DFAS with sufficient supporting documentation as required by the billed organization.
231002. DoD and Non-DoD Transportation Rates for Contingency Operations

DoD airlift provided in support of UN peacekeeping support, and foreign disaster relief efforts shall be billed at the DoD transportation rate (http://www.dtic.mil/comptroller/rates/). This rate is comparable to commercial rates for similar transportation services. Charges for DoD airlift transportation support provided to other U.S. government agencies pursuant to the Economy Act, 31 U.S.C. 1535, shall normally be billed at the non-DoD rate.

231003. United Nations Process

The UN reimburses contributing countries for the costs of their activities in accordance with its standard procedures as covered in the UN Guidelines to Contributing Governments, Aides-Memoire to the agreement, Notes Verbal, and specific and general LoAs. The UN should approve all elements of national contributions and the extent of reimbursement prior to an actual deployment, if possible. Therefore, activities undertaken, troops deployed, or costs incurred for items which are not agreed to in advance by the UN, as identified and detailed in the Guidelines, Aides-Memoire, Notes Verbal, or specific or general LoAs, normally will not be reimbursed by the UN. Only expenditures in support of an operation approved by the UN Security Council, and authorized by the General Assembly as a legitimate charge to the UN, are eligible for reimbursement. Costs related to deployment and sustainment of forces and equipment, and rotation of personnel (but not equipment) of contributing countries, based on prior agreement with the UN, are eligible for reimbursement by the UN through UN standing procedures. Financial responsibilities normally shall be included as part of the agreement between the contributing countries and the UN and shall include the details of the financial responsibilities of each party. The U.S. position normally is negotiated by the Department of Defense in coordination with the Department of State. Since costs billable to the UN may differ from the incremental costs incurred, both shall be reported. The following addresses billing procedures and allowable costs for each major type of financial arrangement.

A. UN Letters of Assist (UNLoA)

1. A UNLoA is a document, issued by the UN to a contributing government, which authorizes that government to provide goods or services to the UN. A UNLoA typically details specifically what is to be provided by the contributing government and establishes a funding limit that cannot be exceeded for that specific UNLoA. General support UNLoAs can be negotiated with the UN, if such UNLoAs are advantageous to both parties, to cover more generic categories such as subsistence, POL, sustainment, and spare parts. The UNLoAs are considered by the UN to be contracting documents and shall be signed and issued by an authorized UN official. More than one item can be included in a UNLoA.

2. The approved UNLoA is issued by the UN to the U.S. Mission to the UN (USUN) where it is acted on by the Military Advisor to the Ambassador. The Office of the Military Advisor (USUN/OMA) determines the appropriate U.S. agency (DoD or State) to receive the request. For the Department of Defense, all requests should be forwarded to OUSD(P) for approval and action. The Office of the USD(P) shall determine the appropriate action organization, and will provide a copy of the UNLoA to that organization and DFAS. DFAS is responsible for maintaining a status report on all active LoAs.

3. The UNLoA is not considered a funded order, and the UN ordinarily does not provide an advance of funds for the value of the request. Therefore, an UNLoA shall not
give a DoD Component any additional obligational authority to accomplish the order. The appropriate action office in the DoD Component shall accomplish the action using existing operation and maintenance funds or other appropriated funds, and prepare an SF 1080 bill for the cost of the goods or services provided, referencing the appropriate UNLoA. No Working Capital Fund is authorized to be used to support these operations when funds are not provided to the Working Capital Fund activity. The SF 1080 is forwarded to DFAS along with sufficient detailed documentation and a Contingency Operations Cost Report to support the bill. All bills shall include adequate documentation for accountability and certification. DFAS shall verify the UNLoA number and item for which a bill is being submitted, summarize these in a separate attachment, and forward the bill to the USUN Mission for submission to the UN.

B. Non Letters of Assist - U.S. Invoiced Costs. These include recoverable costs of specific support or items requested by the UN, or approved by the UN, in support of a peace operation mission for which a specific itemized bill can be submitted to the UN based on the Aide-Memoire guidelines for participating countries, as described below.

1. Predeployment Actions. Preparation of personnel and equipment for deployment is the responsibility of the contributing country, and includes all preparation costs involved to get the personnel or equipment to the point of embarkation. Billing the UN for reimbursement of these expenses will be based on advance negotiations with the UN. Costs associated with preparing authorized equipment to additional standards defined by UN for deployment to a mission (such as painting, UN marking, winterizing) are the responsibility of the UN. Similarly, costs for returning authorized equipment to national stocks at the conclusion of a mission (such as repainting to national colors) also are the responsibility of the UN. Costs shall be assessed and reimbursed on presentation of a claim based on the authorized equipment list contained in the contribution agreement.

2. Deployment and Redeployment Actions. Transportation to and from the mission area normally shall be by airlift or sealift, as required. Normally, the UN will organize all deployments and redeployments. These activities may be organized by the troop contributing government, but the arrangements must be agreed upon by the UN in advance. All transportation to be provided by the troop contributing country should be coordinated and approved by the UN. If reimbursement is requested, it shall be made only up to the amount it would have cost the UN to accomplish the move.

3. Self-Sustainment. The UN normally is required to provide services to troop-contributing countries. Should the UN not be able, or not wish, to provide the services, it can request a troop-contributing country to provide those services. Services which the UN can request are set out in the UN Contingent-owned Equipment Manual and Procedures (these include services such as catering, communications, minor engineering, explosive ordnance disposal, laundry and dry cleaning, tentage, medical, NBC protection, and other services). Only those services specifically requested will be reimbursable monthly at the indicated rate, on a troop strength basis, to the limits indicated in the agreement with the troop-contributing country.

4. Major Equipment, Minor Equipment and Consumables Reimbursement. Reimbursement for major equipment is provided under established rates whereby the contributing country is reimbursed for both equipment and maintenance (wet lease), or for equipment only, with the UN assuming responsibility for maintenance (dry lease). Minor equipment and consumables are reimbursed as self-sustainment based upon troop strength.
Reimbursement is dependent upon verification that the major equipment, and associated minor equipment and consumables, provided meet the undertaking of the troop-contributing country in its agreement with the UN. The UN has established performance standards so that it can verify that a troop-contributing country has met its obligations and that equipment provided is in acceptable operational order.

5. **Arrival Inspection.** An arrival inspection will occur immediately upon arrival, and should be completed within one month. Major equipment will be inspected to ensure that categories, groups, and number delivered correspond with the bilateral agreement and are operational. A troop-contributing country representative should explain and demonstrate the agreed self-sustainment capability. Self-sustainment will be inspected with a view to an assessment of the operational equipment and services. The UN will give an account of the services to be provided in the agreement.

6. **Operational Readiness Inspection.** This inspection of the contingent in the mission area shall be conducted at least once during every 6-month period, or any time when the USUN Mission believes that the equipment or services do not meet standards. The condition of the major equipment shall be inspected, and self-sustainment capability ascertained with a view to assessing whether the sustainment capability is sufficient and satisfactory.

7. **Repatriation Inspection.** This inspection shall account for all major equipment of the troop-contributing country to be repatriated and verify the condition of the major equipment provided under the “Dry Lease” arrangement. The inspection also shall ensure that no UN owned equipment is part of the equipment repatriated.

8. **Reporting Procedures.** The USUN Mission shall report to the UN Headquarters the results of all inspections. The reports shall indicate shortcomings in equipment and self-sustainment, and efforts made at mission level to rectify the situation and to bring the contingent in line with the terms of the agreement. Each month the Mission shall submit a report to the Secretariat confirming the mission strength. The monthly report shall indicate the condition of major equipment and self-sustainment.

9. **Deployment, Redeployment and Rotation.** The UN is responsible for the deployment and redeployment (including regular rotation) of contingent personnel authorized in the Contribution Agreement. The UN normally will make the necessary arrangements with the troop-contributing country and appropriate carriers. When a troop-contributing country offers to provide transportation, the UN may request the troop-contributing country to provide the transportation to and from the mission area under the terms of an UNLoA. The cost for rotation of troops is normally reimbursed on a 6-month basis. Rotation of equipment will not be reimbursed since it is assumed equipment will stay in the area of operation for the length of the operation.

C. **Leases.** Leases to the UN shall be managed by the DSCA, which also is responsible for developing requested Price and Availability data to include preparation and transportation costs, with applicable input from the affected Military Component. Development of leases for DoD equipment (major end items) shall follow normal procedures in Security Assistance Management Manual, Chapter 12, which are governed by the Arms Export Control Act (AECA). Payments from the UN related to the true lease of equipment, as governed by the AECA, revert to the miscellaneous receipts account of the U.S. Treasury. Ancillary costs related to the lease, such as
preparation and shipment costs, are governed by section 607 of the FAA, as are the provision of support and services associated with a lease. Reimbursements or payments received under section 607 authority may be credited back to the Component providing the goods or services if reimbursement is received within 180 days after the end of the fiscal year in which the support was provided. Otherwise, these payments revert to the U.S. Treasury.

D. UN Determined Costs. The UN provides reimbursement at standard rates established by the General Assembly in respect to pay and allowances of military personnel detailed or assigned to the UN to participate in a UN operation. The UN reimburses participating countries without a specific request for payment. The UN determines the number of troop days for which payment will be made based upon USUN Mission reporting of troop strength. No billing is required.

1. Payments by the UN are made directly to DFAS. The State Department receives notification from the UN of a pending reimbursement. Prior to reimbursement by the UN, the State Department transmits this information to the Office of the USD(P), along with the operation(s), time covered, and number of troop months allowed by the UN. The UN estimate is validated by the Joint Staff and the Service Components and directions are provided to the UN through the State Department regarding disposition of the reimbursement.

2. Upon validation of the estimate, the UN processes two checks: one to the DoD (DFAS) at an approved rate per person/month, as determined by the OUSD(C), to cover the incremental military personnel and related costs incurred by the DoD; and a second to the State Department, representing the difference between the UN standard rate and the amount paid to the Department of Defense. For distribution of the DoD funds, Office of the USD(P) makes an assessment of DoD Component manpower deployed during the timeframe covered by the UN payment, and directs DFAS to make the appropriate distribution to the DoD Components, as applicable.

2311 REIMBURSEMENT/DISTRIBUTION

UN Process. Within 90 days of receipt of an SF-1080 and supporting documentation from the USUN Mission, the UN will confirm with the appropriate UN organization that the goods or services were received, consolidate payment, and forward a check to DFAS. DFAS will distribute funds to appropriate recipients.

2312 NONCOMBATANT EVACUATION OPERATIONS (NEO)

*231201. Protection of U.S. Citizens and Nationals

A. NEOs are conducted to assist the DoS in evacuating U.S. citizens, DoD civilian personnel, and designated host nation (HN) and third country nationals (TCN) whose lives are in danger from locations in a foreign nation to an appropriate safe haven. The United States Government (USG) will consider evacuating TCNs and host country nationals on a case-by-case, space available, and reimbursable basis. Although normally considered in connection with hostile action, evacuations may also be conducted in anticipation of, or in response, to any natural or man-made disaster.
B. Upon receipt of a request from the President, or the Department of State, the Department will protect U.S. citizens and nationals and designated other persons, and assist in evacuating these persons from threatened areas overseas. In accordance with Executive Order 12656, as amended on February 9, 1998, the Department is authorized to deploy and use military forces to protect U.S. citizens and nationals and designated other persons in support of their evacuation from threatened areas overseas. The Department of State has the lead responsibility for such evacuations.

231202. Memorandum of Agreement (MOA)

The MOA between the Departments of State and Defense, “DOS/DoD Cost Responsibility Matrix and Definitions,” dated September 2, 1997, defines departmental cost responsibilities when an evacuation occurs. The content of the MOA is included at Annex 3 and shall be used to determine all NEO cost responsibilities. In general, DoD will fund protection-related costs and DOS will fund evacuation-related costs. The DoD Component supporting the protection operation shall fund the costs of its deployment, unless otherwise specified.

231203. Cost to Transport DoD Noncombatants

In accordance with 31 U.S.C. 1535 (the Economy Act), all costs incurred by the DoD to assist in evacuating personnel from threatened areas are billable and reimbursable, except for the costs to transport DoD noncombatants to safe havens. If, however, the Department of State incurs costs for transporting DoD noncombatants to safe havens, the applicable DoD Component shall reimburse the Department of State for those costs.

231204. Contingency Operations Cost Report

After the evacuation is completed, the finance and accounting office of the supporting DoD Component shall collect the cost data and submit the following documents, through its Component Senior Financial Manager, to DFAS: an SF-1080 for all reimbursable evacuation costs, supporting cost documentation (e.g., flying hours, medical costs, or food for evacuees), and a Contingency Operations Cost Report. The DoD Component shall work with the Department of State and DFAS to submit the bills for reimbursement from the Department of State, Attn: Bureau of Finance and Management Policy, Washington, DC 20520-7427.

2313 FOLLOW-UP

In the event that billed organizations require additional information relating to submitted bill(s), DFAS shall assist the billed organization to ensure that the necessary information is provided by the appropriate Component.

2314 LARGE SCALE CONTINGENCIES

231401. Preparing Budget Estimations Guidance

DoD may be involved in a range of operations from very large to small scale contingencies. The following guidance is to be used in addition to that found throughout this regulation for purposes of preparing budget estimations, cost reporting and billing associated with large-scale, campaign level, contingency operations.
Costs Related to a Contingency Operations

During large-scale contingencies costs related to a contingency operation may be incurred in both the area of responsibility (AOR) and in other locations to include home station. Additionally, because of the scale of operations, including intense combat or long-term stability or anti-insurgency operations, expenses beyond only direct incremental costs may be appropriate on a case by case basis in written coordination with OUSD(C). They can relate directly to operations in the AOR or be required as a result or consequence of the operations such as reconstitution activities (to replenish stocks, replace battle losses, or worn equipment or systems), depot maintenance and other supporting actions. In addition, during large-scale, campaign-level contingencies, these special funding authorities are often provided by the Congress in support of the operation. These may include special Train and Equip, Coalition Support, Foreign Disaster Relief or other programs. It is the responsibility of the organization that incurs costs in support of the operation, directly or indirectly, to ensure that information on all incremental costs are captured and transmitted to the appropriate DoD Component Senior Financial Manager for forwarding to DFAS, as appropriate.

Determining Costs

Components are required to report the obligation of all funds (regardless of source) to cover the incremental cost of the contingency, including funds received in a supplemental. Baseline costs should not be reported. The following guidelines are provided to assist the DoD Components in determining baseline and incremental costs for contingency operations.

A. Incremental Costs. In coordination with OUSD(C), DoD Component Senior Financial Managers shall determine incremental and billable costs. Incremental costs are additional costs to the DoD Component appropriations that would not have been incurred had the contingency operation not been supported. Incremental costs do not include the cost of property or services acquired by the Department that was paid for by a source outside the Department or out of funds contributed by such a source. The costs of investment items, construction costs, and costs incurred to fix existing shortcomings can be categorized as incremental cost if the expenditures were necessary to support a contingency operation and would not have been incurred in that fiscal year in the absence of the contingency requirement. Costs incurred beyond what is reasonably necessary to support a contingency operation cannot be deemed reimbursable incremental expenses, since such costs are not directly attributable to support of the operation. Incremental costs may be recorded against supplemental funding, baseline funding, or any source of funds. Base budget funding diverted to pay incremental costs in support of contingency operations are not the same as baseline costs.

B. Baseline Costs. Baseline costs are the continuing annual costs of DoD operations funded by the Components base appropriations. Baseline costs are those costs that would be incurred whether or not the Component is participating in a contingency operation.

C. Service-Specific Costs. Service-specific costs for increased OPTEMPO, such as steaming costs for the Navy or Service flying hours should be determined as accurately as possible based on “official” accounting data. Such costs, however, due to the complexity of the operation may require individual determinations on a case by case basis. Reported incremental costs shall reflect, as closely as possible, the actual incremental costs incurred by the unit involved.
in the specific operation, using cost factors for the specific command or geographic area, when available, as compared to composite cost factors for the overall DoD Component.

231404. Spending Constraints

Each DoD Component shall ensure that detailed guidance is disseminated to the appropriate subordinate organization levels to ensure the accuracy and reporting of costs. The DoD Components are responsible to employ a fiduciary approach to ensure that the funds are used in a prudent manner. As operations mature, steps should be taken to evaluate and establish spending constraints.

2315 OVERSEAS CONTINGENCY OPERATIONS TRANSFER FUND (OCOTF) AND BASE FUNDED OVERSEAS CONTINGENCY OPERATIONS

231501. Overseas Contingency Operations Transfer Fund (OCOTF)

The OCOTF was established to meet operational requirements in support of emerging overseas contingency operations without disrupting approved program execution or force readiness. The OCOTF is a “no-year” transfer account that provides the Department additional flexibility to meet operational requirements by transferring funds to the Military Services and Components based on actual execution experience as events unfold during the year of execution.

231502. Base Funded Overseas Contingency Operations

Military Services and Components supporting overseas contingency operations with base funding will submit estimated base budget estimates and obligations electronically through the Select and Native Programming (SNaP) input system during program and budget reviews. Operations include but are not limited to: Bosnia Operations; Kosovo Operations; Operation NOBLE EAGLE; Operation ENDURING FREEDOM (OEF) - TRANS SAHARA; Joint Task Force Bravo – Honduras; Operation OEF-Caribbean and Central America; or other based funded contingency operations.

2316 FOREIGN DISASTER RELIEF (FDR) FUNDED BY OVERSEAS HUMANITARIAN, DISASTER, AND CIVIC AID (OHDACA)

231601. Purpose/Applicability

The purpose of this section is to provide responsibilities and instructions for the development of DoD FDR cost estimates and the request for funding or subsequent reimbursement from DSCA. In accordance with DoDD 5100.46, DoD FDR activities are conducted outside the U.S. and at the request of the U.S. Agency for International Development (USAID), when civilian capacity is overwhelmed and DoD possesses unique capabilities to support life-saving/sustaining humanitarian activities. USAID uses a Mission Tasking Matrix (MiTaM) process to request DoD support. DoD support activities align with validated expenses incurred as a direct result of providing FDR to a foreign country and which comply with the legal purposes of 10 U.S.C. 2561 or similar authority shall be paid or reimbursed with the OHDACA appropriation, as authorized by the Secretary of Defense.
231602. Responsibilities

A. The Under Secretary of Defense for Policy (USD(P)) has overall policy, guidance and management responsibility, through subordinate activities, for conducting FDR. For these contingency operations, the USD(P) is responsible for accepting requests for assistance from USG Departments and Agencies, and organizations external to the Department and responding to those Departments, Agencies, or organizations.

B. The Chairman Joint Chiefs of Staff (CJCS) issues an execute order from the Secretary of Defense, to the Commander of a Combatant Command, which gives the Combatant Commander the authority to order the Military Component into action and the authority for DoD components to expend available funds to carry out the order.

C. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) is responsible for the overall financial oversight and determining financial responsibility for all contingency operations.

D. The Defense Security Cooperation Agency (DSCA) is responsible for program management of the OHDACA appropriation, approving FDR cost estimates in coordination with OUSDP, and issuing funds to Combatant Commands to support validated cost reimbursements.

E. The Combatant Command (CCMD) is responsible for collecting and preparing estimated costs from the DoD Components responsible for executing FDR operations within their geographic area of responsibility (AOR). The CCMD is responsible for submitting costs reports to DSCA, the OUSD(C), and others as required. In addition, the CCMD will validate and reimburse the DoD Components for incremental costs incurred in support of FDR operations.

231603. Funds Management of OHDACA Funded Operations

This section identifies specific OHDACA financial responsibilities and procedures of the CCMD and Military Services to ensure the accountability and management of OHDACA funds distributed in support of FDR operations.

A. The DSCA will work closely with OSD Policy and Comptroller to coordinate efforts across OSD, the Joint Staff, and the interagency community to provide for a common understanding of resource funding requirements for the relief mission and to focus efforts necessary to obtain additional OHDACA resources, if required, in a timely manner. The DSCA will ensure the approved amount of OHDACA funds set aside by the Secretary of Defense for CCMD FDR operations will be available to the CCMD. DSCA will also provide an OHDACA Funding Authorization Document (FAD) to the CCMD to execute the mission.

B. The CCMD has the responsibility to establish effective financial management oversight of OHDACA funds provided for the FDR operation. The CCMD will collect daily estimated costs, commitments, and obligations from the supporting components and defense agencies and will ensure that OHDACA funded operations are necessary and applicable, within authorized OHDACA purposes and fund ceilings. The CCMD will report daily funds estimates and expenditures to DSCA and the OUSD(C) Operations Directorate using the Foreign Disaster Relief (FDR) Reporting format at Annex 2.
C. The Military Component will execute the FDR operations as directed by the CCMD using their available funds, capture actual operation obligations/costs, and code transactions, as necessary, to ensure that all operational costs recorded in the accounting systems are auditable. The Military Component will request OHDACA reimbursement from the CCMD.

1. The request for reimbursement shall be traceable to its costs as included in the cost reports required under paragraph 230904 of this guidance.

2. Once the DoD Components submit their OHDACA reimbursement request to the CCMD, the CCMD will validate that the costs were incurred in direct support of the mission and comply with legal purposes for the use of OHDACA. Upon validation of these costs, the CCMD will issue an OHDACA FAD or Military Interdepartmental Purchase Request (MIPR) to the DoD Component for reimbursement.

D. In certain circumstances, a Military Component may need OHDACA funds prior to the humanitarian mission being completed. The CCMD will issue an OHDACA FAD or MIPR to the Military Component, as required.

1. The Military Component is still required to report their estimated daily costs to the CCMD and to execute funds as directed by the CCMD. The CCMD will validate that the costs were incurred to support the humanitarian mission.

2. The Military Component will report all costs as required under section 2308 of this guidance.

3. The CCMD will make every effort to reimburse OHDACA funds to the Military Component in a timely manner, so the Military Component does not lose buying power from having to utilize its current funds available.

4. The CCMD is required to submit validated cost reports for reimbursement no later than 60 days following the expiration of the Department of Defense Executive Secretary response to the request for assistance. Reimbursement requests received after the 60 day period will be reimbursed by exception based on funds availability.
Annex 1

Standard Data Reporting Format

<table>
<thead>
<tr>
<th>Contingency</th>
<th>Component</th>
<th>Reporting Period (eg. October-08)</th>
<th>Treasury Index</th>
<th>Basic Symbol</th>
<th>Beginning FY (yyyy)</th>
<th>Ending FY (yyyy)</th>
<th>Funding Category Code [Disaster Relief only]</th>
<th>Operation</th>
<th>BAG</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SAG/BLIN/PE</th>
<th>CBS Line Item</th>
<th>Monthly Commitments</th>
<th>Monthly Obligations</th>
<th>Monthly Disbursements</th>
<th>Data Source (ACCT SYS, ADJUSTMENT, COST MODEL, COST ALLOC)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Contingency: CoW (Cost of War), CRE (Contingency Response Events), or FDR (Foreign Disaster Relief)
Component: Participating DoD Military Service, Defense Agency or Combatant Command; e.g. Army
Reporting Period: e.g. October-08
Treasury Index: Treasury’s Department identifier; e.g. 57 - Air Force
Basic Symbol: Appropriation code; e.g. 2020 - Operation & Maintenance for Army
Beginning FY (yyyy): e.g. 2016
Ending FY (yyyy): e.g. 2016
Funding Category Code: For Foreign Disaster Relief Operations Only; e.g. OHDACA (Overseas Humanitarian, Disaster, and Civic Aid) and Baseline
Operation: Contingency/Disaster, Humanitarian Relief Event or Activity
BAG: Budget Account Group; e.g. 01
SAG/BLIN/PE: Sub Account Group / Budget Line Item Number / Program Element; e.g. 011C
CBS Line Item: Cost Breakdown Structure; Cost Category e.g. 1.2.1
Monthly Commitments: Blank (place holder for future use)
Monthly Obligations: e.g. 7,000.00 (Dollars)
Monthly Disbursements: e.g. 6,900.00 (dollars)
Data Source: Accounting System, Cost Model or Allocation
Comments: As needed
Annex 1 (Continued)

Additional Cost Reporting Considerations and Requirements

1. Be prepared to separately identify offsets to Reserve and Guard accounts due to Reserve/Guard call-up to active duty. Reserve personnel called to active duty shall be funded from the active duty appropriation.

2. **Depending on the operation reporting requirements, Component may be required to** separately identify other offsets (e.g., training not accomplished, base operating support not required, supplies returned/not utilized, non-monetary contributions, such as free fuel, as applicable).

3. To include dependents (per diem/transportation for NEO or safehaven support): The DoD Component military pay and permanent change of station accounts have been designated fund cites for military dependent evacuations. Related transportation costs addressed here are those from the repatriation center to the evacuees’ final safehaven locations. (If CONUS is the designated safehaven, all dependents shall be brought to a repatriation center for processing, then provided additional transportation to a final safehaven location). These costs are separate from the airlift/sealift provided by the DoD or the Department of State for noncombatants during the evacuation; those costs would be reported under Operation and Maintenance, Transportation.

4. **Be prepared to provide** the most current manpower data for inclusion into the monthly reports to provide a basis for funds distribution for potential United Nations determined cost reimbursements.
## Annex 2

**Foreign Disaster Relief (FDR) Reporting Format**

**Foreign Disaster Relief / OPERATION (Title/Country): Month/Year**

**Summary Budget Data**

*All figures are in thousands of dollars ($000K)*

<table>
<thead>
<tr>
<th>Humanitarian Relief Supplies &amp; Materials</th>
<th>Day 1</th>
<th>Day 2</th>
<th>Day 3</th>
<th>Day 4 (continued)</th>
<th>FINAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Supplies</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
<tr>
<td>Health &amp; Comfort Packages</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
<tr>
<td>Water &amp; Water Storage</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
<tr>
<td>Humanitarian Daily Rations</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
<tr>
<td>All Other Humanitarian Relief Supplies</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
<tr>
<td><strong>Total Humanitarian Supplies &amp; Materials</strong></td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operational Support Costs</th>
<th>Day 1</th>
<th>Day 2</th>
<th>Day 3</th>
<th>Day 4 (continued)</th>
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</thead>
<tbody>
<tr>
<td>Personnel Costs</td>
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<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
<tr>
<td>Temporary Duty Costs</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
<tr>
<td>Health Services, Clothing, &amp; Misc Personnel Support</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
<tr>
<td>Base Support (Billeting, mess, C4I, &amp; other support for US forces)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
<tr>
<td>Airlift &amp; Aviation Costs</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
<tr>
<td>Sealift &amp; Steaming Costs</td>
<td>0.0</td>
<td>0.0</td>
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<td>$0,000</td>
</tr>
<tr>
<td>Port Handling &amp; Misc Transportation Costs</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<td>$0,000</td>
</tr>
<tr>
<td>Other Operational Support Costs</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td><strong>Total Operational Support</strong></td>
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<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
</tbody>
</table>

**Total Operation Costs (Humanitarian Supplies & Materials plus Operational Costs)**

0.0   0.0   0.0   0.0   $0,000
Annex 2 (Continued)

OPERATION / Humanitarian Mission (Title/Country): Month/Year
Summary Budget Data

<table>
<thead>
<tr>
<th>STATUS OF FUNDS</th>
<th>AUDIT</th>
<th>AUDIT</th>
<th>AUDIT</th>
<th>AUDIT</th>
<th>AUDIT</th>
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<tbody>
<tr>
<td>Resource Authority</td>
<td>Day 1</td>
<td>Day 2</td>
<td>Day 3</td>
<td>Day 4 (continued)</td>
<td>FINAL</td>
</tr>
<tr>
<td>OHDACA Provided to Combatant Command</td>
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<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
<tr>
<td>Less: Costs to Date</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
<tr>
<td>Resources remaining after costs</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>$0,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COSTS PER DAY &amp; OHDACA AVAILABLE</th>
<th>Transaction Date</th>
<th>OHDACA Received (non-cumulative)</th>
<th>Total Operation OHDACA (cumulative)</th>
<th>OHDACA Distributed to Components (non-cumulative)</th>
<th>Total OHDACA Distributed (cumulative)</th>
<th>Amount held at Command/DSCA (cumulative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily Rate of Expenditure ($000K per day) is</td>
<td>0.0</td>
<td>0.0</td>
<td>as calculated from Dates of Operation (Day/Month/Year to Day/Month/Year)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-Jan-00</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-Jan-00</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-Jan-00</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional information and guidance:

CCMDs will receive OHDACA funding through the Defense Agencies Initiative (DAI) or Program Budget Accounting System (PBAS) from DSCA within 48 hours of the signed Department of Defense Executive Secretary (EXECSEC) memorandum to Department of State.

CCMDs are responsible for reimbursement of all validated expenses related to an EXECSEC or Disaster Response.
Annex 3

Evacuations
Department of State/Department of Defense
Cost Responsibility Matrix and Definitions

### Evacuation/Protection Cost Responsibility

<table>
<thead>
<tr>
<th>Evacuation Related Costs: 1/</th>
<th>Cost Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Evacuee transportation/backhaul</td>
<td>State</td>
</tr>
<tr>
<td>B. Landing fees</td>
<td>State</td>
</tr>
<tr>
<td>C. Positioning of evacuee transportation assets solely for evacuation</td>
<td>State</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Protection Related Costs: 2/</th>
<th>Cost Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>D. Positioning of transportation assets when assets are to be used for protection and evacuation</td>
<td>DoD</td>
</tr>
<tr>
<td>E. Special Pays (Imminent Danger, etc.)</td>
<td>DoD</td>
</tr>
<tr>
<td>F. Protection Forces (including all support)</td>
<td>DoD</td>
</tr>
<tr>
<td>G. Deploy/redploy/reconstitute protection element</td>
<td>DoD</td>
</tr>
<tr>
<td>H. Protection of evacuees/DoD assets &amp; personnel</td>
<td>DoD</td>
</tr>
<tr>
<td>I. Tactical Airlift Control Element</td>
<td>DoD</td>
</tr>
<tr>
<td>J. Per Diem</td>
<td>DoD</td>
</tr>
<tr>
<td>K. Communications</td>
<td>DoD</td>
</tr>
<tr>
<td>L. NEO command structure</td>
<td>DoD</td>
</tr>
</tbody>
</table>

1/ If other evacuation efforts are requested specifically by the Department of State, those efforts shall be billed under the Economy Act (31 U.S.C. 1535).

2/ If other protection efforts are performed during an evacuation, the associated costs shall be borne by DoD.
## Cost Breakdown Structure

### 1.1 Military Personnel

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.1</td>
<td>Reserve Components Called To Active Duty</td>
<td>The fully-burdened cost for pay and allowances for Reserve and National Guard personnel called to active duty to support a contingency operation (excludes mobilized Reserve AGRs since there is no incremental cost for their mobilization, but includes mobilized National Guard AGRs). Excludes Imminent Danger Pay, Family Separation Allowance, and Hardship Duty Pay which are accounted for in CBS codes 1.1.2, 1.1.3 and 1.1.4 and Stop Loss and Deployment Extension pays which are recorded in 1.1.7.1. Does not include TRICARE accrual costs, which for reservists, are not an incremental cost. It includes, but is not limited to Basic Pay, Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS), Retired Pay Accrual, government’s portion of Federal Insurance Contribution Act taxes, and all special and incentive pays not included in 1.1.2, 1.1.3, 1.1.4 and 1.1.7.1.</td>
</tr>
<tr>
<td>1.1.2</td>
<td>Imminent Danger or Hostile Fire Pay</td>
<td>When authorized by the directing authority, a monthly special pay provided to active and reserve component military personnel participating in or supporting the contingency operation.</td>
</tr>
<tr>
<td>1.1.3</td>
<td>Family Separation Allowance</td>
<td>A monthly special allowance paid to all active and reserve component personnel who are separated from their families for 30 days or more.</td>
</tr>
<tr>
<td>1.1.4</td>
<td>Hardship Duty Pay</td>
<td>Hardship Duty Pay (HDP) is a monthly special pay for both mission (HDP-M) and location (HDP-L) paid to all Active and Reserve Component personnel who are eligible based upon the appropriate designations for personnel who are at a location outside of the continental U.S. (OCONUS).</td>
</tr>
<tr>
<td>1.1.5</td>
<td>Subsistence-in-Kind</td>
<td>Includes the costs of water, food, and ice and other subsistence items (Army Class I) which are purchased expressly to support personnel engaged in or supporting the contingency operation. Does not include Basic Allowance for Subsistence (BAS) which will be reported in 1.1.1 or 1.1.8 as applicable.</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td>Details</td>
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</tr>
<tr>
<td>1.1.6</td>
<td>Reserve Components Pre-Mobilization/Post-Mobilization Training</td>
<td>Includes all pay and allowance costs, as well as travel and per diem for training specially required prior to or post activation, and not included within normal Annual Training (AT) and Inactive Duty Training (IDT) periods. Additional AT or IDT required to meet general Military Occupation Specialty individual and collective training standards are excluded.</td>
</tr>
<tr>
<td>1.1.6.1</td>
<td>Yellow Ribbon</td>
<td>Includes costs to assist National Guard and Reserve service members and families for reintegration training through the pre and post deployment phases.</td>
</tr>
<tr>
<td>1.1.7.1</td>
<td>Other Milpers Special and Incentive Pays</td>
<td>Active Duty special pays and incentives not reportable in 1.1.2, 1.1.3, 1.1.4, or 1.1.8. Special and incentive pays for Reserve Components called to Active Duty should be reported in 1.1.1 if not reportable in 1.1.2, 1.1.3 or 1.1.4. However, Stop Loss pays and Deployment Extension pay will be reported in 1.1.7.1 for both the Active and Reserve Components.</td>
</tr>
<tr>
<td>1.1.7.2</td>
<td>Permanent Change of Station - Military</td>
<td>Military personnel PCS costs associated with moving a servicemember in preparation for deployment or mobilization and upon return.</td>
</tr>
<tr>
<td>1.1.7.3</td>
<td>Temporary Storage - Military</td>
<td>Includes costs incurred to provide temporary storage for household goods and privately owned vehicles for servicemembers during deployments and mobilization in support of contingency operations.</td>
</tr>
<tr>
<td>1.1.7.4</td>
<td>Casualty and Disability Benefits</td>
<td>Costs incurred to pay death gratuities; Servicemembers Group Life Insurance (SGLI); Traumatic Injury Protection under SGLI (T-SGLI); and SGLI and T-SGLI insurance premiums.</td>
</tr>
<tr>
<td>1.1.7.5</td>
<td>Recruiting and Retention</td>
<td>Incentives and bonuses to recruit and retain personnel in critical military positions.</td>
</tr>
<tr>
<td>1.1.7.6</td>
<td>Additional Mobilization/Deployment Costs</td>
<td>Miscellaneous programs (e.g., Reserve Income Replacement Program, Unemployment Compensation, and Interest on Uniformed Services).</td>
</tr>
</tbody>
</table>
### 1.1.8 Active Component Overstrength

The situation where a Military Service administratively retains a military member in an active duty status beyond a previously scheduled separation from the Armed Forces or brings on additional members in a temporary status to meet wartime requirements. Includes the cost of the fully-burdened composite rate of pay, allowances, taxes, and accruals for approved active component end strength in excess of Congressional authorized manning levels while supporting a contingency operation or war. Includes personnel retained as a result of stop loss actions. Excludes Imminent Danger Pay, Family Separation Allowance, Hardship Duty Pay, Stop Loss and Deployment Extension pays which are accounted for in other categories. It includes, but is not limited to Basic Pay, BAH, BAS, special and incentive pays, Retired Pay Accrual, TRICARE accrual, and the governments portion of Federal Insurance Act Contribution taxes.

### 1.2 Civilian Personnel

#### 1.2.1 Civilian Premium Pay

Includes certain types of pay such as overtime pay, night/shift differential pay, Sunday pay, holiday pay, hazard duty pay, environmental differential pay, danger pay allowance, and allowances and differentials in foreign areas that are incurred solely as a result of the employee's participation in or support to the contingency operation. Covers premium pay for both permanent and temporary DoD civilian employees.

#### 1.2.2 Civilian Temporary Hires

Includes the basic salary and benefit costs of DoD civilian employees hired, on a temporary/nonpermanent basis, to directly support contingency operations or to provide backfill support with duty station in CONUS or OCONUS. Includes reimbursement for Working Capital Fund employees utilized in direct support of a contingency.

#### 1.2.3 MRAP Vehicles

Obligations for civilian premium pay for deployed civilians and workload peaks at mobilization/demobilization and deployment/redeployment sites in the Continental United States (CONUS).
## 2.0 Personnel Support

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td><strong>Temporary Duty (TDY)/Additional Duty (TAD)</strong></td>
<td>Includes the costs of travel, per diem, and lodging for military and civilian personnel that result from participation in or support to the contingency operation. Also includes the cost of invitational travel orders for non-DoD personnel who travel at the request of a DoD Component on an assignment directly related to the contingency operation. Excludes the TDY/TAD costs of Reserve Component personnel called to active duty. These costs are to be reported as Reserve Component activation costs.</td>
</tr>
<tr>
<td>2.1.1</td>
<td>Per Diem - Military Dependents Only</td>
<td>Per Diem - Military Dependents Only</td>
</tr>
<tr>
<td>2.1.2</td>
<td>Per Diem - Military Members</td>
<td>Per Diem - Military Members</td>
</tr>
<tr>
<td>2.1.3</td>
<td>PCS Transportation - Military</td>
<td>PCS Transportation - Military</td>
</tr>
<tr>
<td>2.1.4</td>
<td>Dislocation Allowance</td>
<td>Dislocation Allowance</td>
</tr>
<tr>
<td>2.1.5</td>
<td>Per Diem - DoD Civilians</td>
<td>Per Diem - DoD Civilians</td>
</tr>
<tr>
<td>2.1.6</td>
<td>Per Diem - DoD Civilian Dependents</td>
<td>Per Diem - DoD Civilian Dependents</td>
</tr>
<tr>
<td>2.1.7</td>
<td>PCS Transportation - DoD Civilians</td>
<td>PCS Transportation - DoD Civilians</td>
</tr>
<tr>
<td>2.1.8</td>
<td>Miscellaneous Expense Allowance - DoD Civilians</td>
<td>Miscellaneous Expense Allowance - DoD Civilians</td>
</tr>
<tr>
<td>2.1.9</td>
<td>TDY Per Diem and Travel</td>
<td>TDY Per Diem and Travel</td>
</tr>
<tr>
<td>2.2</td>
<td>Individual Equipment</td>
<td>Costs associated with government owned, issued, and controlled personal protective gear temporarily issued to military Service members for use at no cost to the military Service members. Examples of personal protective gear include Load Bearing Equipment, helmets, ballistic eyewear, steel toe boots, gloves, goggles, ear protection, and hard armor ballistic inserts. For Service specific definition, see Service respective uniform regulation(s). Input procurement and operation and maintenance funding for individual equipment.</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td>Details</td>
</tr>
<tr>
<td>---------</td>
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</tr>
<tr>
<td><strong>2.2.1</strong></td>
<td>Organizational Clothing</td>
<td>Costs associated with government owned, issued, and controlled uniform garments temporarily issued to military Service members for use at no cost to the military Service member. Examples of uniform garments include the Extended Cold Weather Clothing System, Aviation Combat Uniform, Flight Suit, Fire Resistant Combat Uniform, and the Improved Combat Vehicle Crewmember Coverall. For Service specific definitions, see Service respective uniform regulation(s). Input procurement and operation and maintenance funding for organizational clothing.</td>
</tr>
<tr>
<td><strong>2.3</strong></td>
<td>Medical Support/Health Services</td>
<td>Additive costs associated with providing medical services to military (Active or Reserve) and civilians (DoD or contractor) in clinics, hospitals, hospital ships, or other medical treatment facilities. Includes predeployment medical examinations, immunizations, medical materials (Army Class VIII supplies; e.g., blood, fluids, and specialized medical repair parts), medical supplies, operation of Mobile Army Surgical Hospital units, patient evacuation, and other nonpay and allowance expenses associated with medical backfill. Includes required communications costs associated with provision of medical services via telemedicine.</td>
</tr>
<tr>
<td><strong>2.4</strong></td>
<td>Reserve Component Activation/Deactivation</td>
<td>Includes costs to activate (mobilize) and deactivate(demobilize) Reserve units or individual Reservists. Includes transportation from home station to active duty station in CONUS. Training to bring Reserve Components up to active force readiness standards are considered activation costs. Excludes costs of pay, allowances, active duty TDY/TAD, and transportation to and from the area of operation, training, and other costs which are reported elsewhere.</td>
</tr>
<tr>
<td><strong>2.4.1</strong></td>
<td>Yellow Ribbon</td>
<td>Includes costs to assist National Guard and Reserve servicemembers and families with local resources before, during, and after deployments.</td>
</tr>
<tr>
<td><strong>2.5</strong></td>
<td>Other Personnel Support</td>
<td>Personnel support costs not included in one of the above items. This category would include unusual costs such as permanent change of station, end of term of service, or special actions associated with household goods or privately-owned vehicle storage.</td>
</tr>
<tr>
<td><strong>2.5.1</strong></td>
<td>Permanent Change of Station - Civilian</td>
<td>Includes costs associated with moving a civilian in preparation for deployment and upon return.</td>
</tr>
<tr>
<td>2.5.2</td>
<td>Temporary Storage - Civilian</td>
<td>Includes costs incurred to provide temporary storage for household goods and privately owned vehicles for civilians during deployments to contingency operations.</td>
</tr>
<tr>
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</tr>
<tr>
<td>2.5.3</td>
<td>Subsistence - Civilian</td>
<td>Includes costs incurred to provide subsistence for civilians during deployments to contingency operations.</td>
</tr>
<tr>
<td>2.6</td>
<td>Rest &amp; Recreation</td>
<td>Funds obligated by a DoD Component to provide a U.S. Government civilian or a military member of the Armed Services with an occasion away from a contingency operation duty station for the purpose of rest and recreation. Includes the cost of transportation from and to the contingency operation duty station.</td>
</tr>
<tr>
<td>2.7</td>
<td>Body Armor</td>
<td>Costs associated with government owned, issued, and controlled ballistic projectile protection equipment temporarily issued to military Service members for use at no cost to the military Service members. Examples of body armor include helmets, armored vests, body armor plates, small arms protective inserts, side ballistic Insert, and tactical vests. Body armor is a subset of individual equipment. For Service specific definition, see Service respective uniform regulation(s). Input procurement and operation and maintenance funding for body armor.</td>
</tr>
</tbody>
</table>

### 3.0 Operations

<table>
<thead>
<tr>
<th>3.1</th>
<th>Training</th>
<th>Includes the costs associated with predeployment training of units and personnel to participate in or support an operation as well as the costs associated with training troops and personnel during the contingency operation. Includes antiterrorism training if required. Includes ancillary costs associated with proficiency training.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1.0</td>
<td>Care-in-Store</td>
<td>The cost to receive, preserve, store, and issue equipment for repair/restoration.</td>
</tr>
<tr>
<td>3.1.2</td>
<td>MRAP Vehicles Training</td>
<td>Obligations incurred to provide a variety of training in support of MRAP operational capability.</td>
</tr>
</tbody>
</table>
| 3.2 | Operations (OPTEMPO)  
(Fuel, Other POL, Parts) | Includes the incremental cost to operate units that  
conducted or support the contingency operation such as  
materials and services used during an operation to  
include: petroleum, oils and lubricants (POL) (Army  
Class III items) and spare and consumable parts such  
as repair components, kits, assemblies, reparable and  
nonreparable items for equipment maintenance  
support (Army Class IX items). Only those additional  
OPTEMPO costs that the Department incurs as a  
direct result of the contingency operation should be  
included.  
Includes all equipment maintenance required to  
prepare equipment for deployment and to maintain  
equipment during the contingency operation. Excludes  
charges for the use of DoD assets and also excludes  
cost of ammunition of all types (chemical,  
radiological, and special weapons), bombs,  
explosives, mine, fuse detonators, propellants,  
missiles, pyrotechnics and other associated items  
(Army Class V items). |
|---|---|---|
| 3.2.1 | MRAP Vehicles Operation | Obligations incurred to provide operation and  
maintenance of deployed MRAPs. |
| 3.2.2.1 | Air Reconnaissance(P3) | Air Reconnaissance(P3) |
| 3.2.2.2 | Other Flying Hours | Other Flying Hours |
| 3.2.3 | Steaming Days | Steaming Days |
| 3.2.4.1 | TAD Non-Medical  
Personnel (USNS Comfort) | TAD Non-Medical Personnel (USNS Comfort) |
| 3.2.4.2 | TAD Medical Personnel  
(USNS Comfort) | TAD Medical Personnel (USNS Comfort) |
| 3.2.5 | Medical Supplies | Medical Supplies |
| 3.2.6 | Other Steaming Days | Other Steaming Days |
| 3.2.7 | Other | Other |
| 3.2.8 | USNS Mercy | USNS Mercy |
| 3.2.8.1 | TAD Non-Medical  
Personnel (USNS Mercy) | TAD Non-Medical Personnel (USNS Mercy) |
| 3.2.8.2 | TAD Medical Personnel  
(USNS Mercy) | TAD Medical Personnel (USNS Mercy) |
| 3.3.1 | Mine and Ballistic  
Protection Kits | Includes cost for the purchase, repair and  
maintenance for equipment and kits designed to  
increase personnel and vehicle ballistic protection. |
<table>
<thead>
<tr>
<th>Paragraph</th>
<th>Topic</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.3.2</td>
<td>Supplies and Equipment</td>
<td>Includes costs for supplies and equipment that is directly attributable to a contingency operation, but is not associated with operating tempo.</td>
</tr>
<tr>
<td>3.4</td>
<td>Facilities/Base Support</td>
<td>Includes establishment, maintenance &amp; ops of billeting, camps, airfields, staging areas, relief centers, etc., similar to base operating support and real property maintenance. While this applies to costs incurred away from home station, costs may be included if they are incurred solely to support the contingency op. This category includes leases, rents and utilities to operate bases, camps, relief centers, airfields, and other operating/support facilities established. This category includes fortifications and barriers (Army Class IV) and other physical security costs and costs associated to protect forces at the facility (i.e. lease of land for required stand-off distance, special sewage removal or water hauling) and other base/center operating expenses such as food prep/serving service, storage and distribution warehousing or local area shuttle services. Includes materials and services provided by DoD Components or contractors and all logistics civil augmentation program costs.</td>
</tr>
<tr>
<td>3.4.1</td>
<td>MRAP Vehicles Facilities and Base Support</td>
<td>Obligations incurred to provide CONUS base support services, intermediate maintenance, and supplies and equipment in support of operation and maintenance of MRAPs.</td>
</tr>
<tr>
<td>3.5.1</td>
<td>Organization Level Maintenance</td>
<td>The cost of equipment maintenance activities performed at the organizational/unit level. Includes the cost to clean, inspect, and maintain organic equipment to the required condition at the conclusion of the contingency operation or unit deployment. Covers equipment organic to the participating unit and war reserve stock prior to replacement into storage. Excludes the cost to transport equipment being repaired/restored.</td>
</tr>
<tr>
<td>3.5.1.1</td>
<td>Non-Reset Organizational Level Maintenance</td>
<td>Organizational level cost of equipment maintenance activities, other than reset.</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td>Details</td>
</tr>
<tr>
<td>----------</td>
<td>--------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>3.5.1.2</td>
<td>Reset Organizational Level Maintenance</td>
<td>Reset organizational level maintenance. Definition: For Operation and Maintenance activities, reset includes a series of actions taken to restore units that have participated in contingency operations to a desired level of combat capability commensurate with the units' future mission. It encompasses both maintenance and supply activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by repairing, rebuilding, or procuring replacement equipment. These maintenance and supply activities involve both recapitalization and Depot and Field Level repairs/overhauls centrally managed to specified standards. Included are Procurement and Operation and Maintenance funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhance or restore existing equipment inventories through the insertion of new technology or restoration of selected equipment to a zero-miles/zero-hours condition. Reset includes replacement of equipment lost during operations in theater.</td>
</tr>
<tr>
<td>3.5.2</td>
<td>Intermediate Level Maintenance</td>
<td>The cost of equipment maintenance activities performed at the intermediate level facility, to include the cost to clean, inspect, and maintain organic equipment to the required condition at the conclusion of the contingency operation or unit deployment. Covers equipment organic to the participating unit and war reserve stock prior to replacement into storage. Excludes the cost to transport equipment being repaired/restored.</td>
</tr>
<tr>
<td>3.5.2.1</td>
<td>Non-Reset Intermediate Level Maintenance</td>
<td>Intermediate level cost of equipment maintenance activities, other than reset.</td>
</tr>
<tr>
<td>3.5.2.2</td>
<td>Reset Intermediate Level Maintenance</td>
<td>Reset intermediate level maintenance. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
</tr>
<tr>
<td>3.5.3</td>
<td>Depot Level Maintenance</td>
<td>The cost of equipment maintenance activities performed at the depot level facility, to include the cost to overhaul, clean, inspect, and maintain organic equipment to the required condition at the conclusion of the contingency operation or unit deployment. Covers equipment organic to the participating unit and war reserve stock prior to replacement into storage. Excludes the cost to transport, receive, preserve, store, and issue equipment being repaired/restored.</td>
</tr>
<tr>
<td>-------</td>
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<td>---------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>3.5.3.1</td>
<td>Non-Reset Depot Level Maintenance</td>
<td>Depot level cost of equipment maintenance activities, other than reset.</td>
</tr>
<tr>
<td>3.5.3.2</td>
<td>Reset Depot Level Maintenance</td>
<td>Maintenance actions at the Depot level to accomplish Reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
</tr>
<tr>
<td>3.5.4</td>
<td>Contractor Logistics Support</td>
<td>The cost included when required material and maintenance of an end item or system is performed by contract support.</td>
</tr>
<tr>
<td>3.5.4.1</td>
<td>Non-Reset Contractor Logistics Support</td>
<td>Contractor logistics support cost, excluding reset costs.</td>
</tr>
<tr>
<td>3.5.4.2</td>
<td>Reset Contractor Logistic Support</td>
<td>Maintenance actions through Contractor Logistics Support to accomplish Reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
</tr>
<tr>
<td>3.5.5</td>
<td>Up-Armored HMMWV Repair</td>
<td>Obligations incurred to repair, modify, or upgrade Up- Armored High Mobility Multipurpose Wheeled Vehicle</td>
</tr>
<tr>
<td>3.5.6</td>
<td>MRAP Vehicles Equipment Maintenance</td>
<td>MRAP Vehicles Equipment Maintenance</td>
</tr>
<tr>
<td>3.6</td>
<td>C4I</td>
<td>Includes the cost of designing, engineering, installing, and maintaining C4I systems required to support the contingency operations such as: purchase and lease of communications equipment, lease of commercial satellites and long-haul lines; and collection, analysis, and dissemination of information or intelligence information (to include cartography, imagery, and other mapping activities and joint surveillance attack radar system and unmanned aerial vehicles.</td>
</tr>
<tr>
<td>3.7.1</td>
<td>Miscellaneous Supplies</td>
<td>Includes costs of procuring, leasing, or renting miscellaneous supplies or services used during the contingency operation. Includes general support and administrative equipment not identified in another category. Includes contract services such as linguists not identified in another category.</td>
</tr>
<tr>
<td></td>
<td>Description</td>
<td>Details</td>
</tr>
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<td>-----------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>3.7.2</td>
<td>Contract Services</td>
<td>Includes costs associated with providing contract services (non C4I) used during the contingency operation not covered in any other CBS category.</td>
</tr>
<tr>
<td>3.7.3</td>
<td>General Support and Administrative Equipment</td>
<td>Includes costs incurred to maintain and operate equipment with multi-use administrative purposes.</td>
</tr>
<tr>
<td>3.7.4</td>
<td>LOGCAP</td>
<td>Obligations incurred to pay for contract costs related to the Logistics Civilian Augmentation Program.</td>
</tr>
<tr>
<td>3.8</td>
<td>IED Operation</td>
<td>Obligations incurred to operate or repair equipment to defeat or counter the use of improvised explosive devices.</td>
</tr>
<tr>
<td>3.9</td>
<td>Psychological Operations (Information Operations)</td>
<td>Planned operations to convey selected information and indicators to foreign audiences to influence their emotions, motives, objective reasoning, and ultimately the behavior of foreign governments, organizations, groups, and individuals.</td>
</tr>
</tbody>
</table>

### 4.0 Transportation

| 4.1 | Airlift                                                                    | Includes transportation of personnel, equipment, and material by commercial or military air; retrograde costs should be reported in CBS 4.8. |
| 4.2 | Sealift                                                                    | Includes transportation of personnel, equipment, and material by sea using commercial or active duty naval ships; retrograde costs should be reported in CBS 4.8. |
| 4.3 | Ready Reserve Force (RRF)/Fast Sealift Ships (FSS)                         | Includes transportation of personnel, equipment, and material by sea using RRF/FSS. Includes the cost to activate/deactivate and make vessels ready for use in contingency operations; retrograde costs should be reported in CBS 4.8. |
| 4.4 | Port Handling/Inland Transportation                                       | Includes port handling costs and transportation of personnel, equipment, and material by land. Also includes any contracted services to support port handling or inland transportation. Includes transportation between peacetime operating locations (home station) and ports and transportation between ports and the area of operation during deployment, sustainment, and redeployment; retrograde costs should be reported in CBS 4.8. |
| 4.5 | Other Transportation                                                       | Includes transportation not included as airlift, sealift, ready reserve forces, or port handling/inland transportation; retrograde costs should be reported in CBS 4.8. |
| 4.6 | Second Destination Transportation | Includes the cost of delivery of end item(s) to a location in support of a contingency operation. Also includes Defense Logistics Agency second destination costs; retrograde costs should be reported in CBS 4.8. |
| 4.7 | MRAP Vehicles Transportation | Obligations incurred for transportation for MRAP vehicles in support of contingency operations; retrograde costs should be reported in CBS 4.8. |
| 4.8 | Retrograde of Personnel & Equipment | Amounts obligated to retrograde personnel and equipment. Equipment retrograde refers to the movement of non-unit equipment and material from a forward location to a reset program or another directed area of operation. |

### 5.0 Revolving Funds

<p>| 5.1 | Depot Level Repairables | Includes the cost of depot level repairables obligations incurred in support of a contingency operation within a Working Capital Fund. |
| 5.10 | Def Reutilization &amp; Marketing Service OPS | Includes the cost of reutilization and marketing service operations obligations incurred in support of a contingency operation within a Working Capital Fund. |
| 5.11 | Other | Includes the cost of other obligations incurred in support of a contingency operation within a Working Capital Fund. |
| 5.2 | Depot Maintenance | Includes the cost of depot maintenance obligations incurred in support of a contingency operation within a Working Capital Fund. |
| 5.3 | Non-Flying Hours Spares (War Reserve Stock) | Includes the cost of nonflying hours spares obligations incurred in support of a contingency operation within a Working Capital Fund. |
| 5.4 | War Reserve Stock Secondary Items | Includes the cost of War Reserve Stock Secondary Items obligations incurred in support of a contingency operation within a Working Capital Fund. |
| 5.5 | Prepositioning Equipment Replacement - War Reserve | Prepositioning Equipment Replacement - War Reserve |
| 5.6 | Prepositioning Munitions Replacement - War Reserve | Prepositioning Munitions Replacement - War Reserve |
| 5.8 | Theater Distribution | Includes the cost of theater distribution obligations incurred in support of a contingency operation within a Working Capital Fund. |</p>
<table>
<thead>
<tr>
<th>5.9</th>
<th>Fuel Transportation and Fuel Combat Losses</th>
<th>Includes the cost of fuel transportation and fuel combat losses obligations incurred in support of a contingency operation within a Working Capital Fund.</th>
</tr>
</thead>
</table>

### 6.1 Procurement

<p>| 6.1.1 | Aircraft Procurement | The obligation of funds in the Components aircraft procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit’s future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition. |
| 6.1.1.1 | Aircraft Procurement Reset | Includes the obligation of funds in the Components aircraft procurement accounts, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition. |
| 6.1.1.2 | Aircraft Procurement Non-Reset | Includes the obligation of funds in the Components aircraft procurement accounts, incurred in support of a contingency operation excluding reset. Included are purchases of specialized, theater-specific equipment or operationally required modifications to equipment used in theater or in direct support of combat operations. |
| 6.1.2 | Munition Procurement | The obligation of funds in the Components munitions procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit’s future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition. |</p>
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<tbody>
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<td>6.1.2.1</td>
<td>Munition Procurement Reset</td>
<td>Includes the obligation of funds in the Components munitions procurement accounts, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
</tr>
<tr>
<td>6.1.2.2</td>
<td>Munition Procurement Non-Reset</td>
<td>Includes the obligation of funds in the Components munitions procurement accounts, incurred in support of a contingency operation excluding reset. May include munitions procurement based on projected combat operations expenditures, in cases where existing munitions stocks are insufficient to sustain theater combat operations.</td>
</tr>
<tr>
<td>6.1.3</td>
<td>Vehicle Procurement</td>
<td>The obligation of funds in the Components vehicle procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit’s future mission.</td>
</tr>
<tr>
<td>6.1.3.1</td>
<td>Vehicle Procurement Reset</td>
<td>Includes the obligation of funds in the Components vehicle procurement accounts, incurred in support of a contingency operation within the procurement title for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
</tr>
<tr>
<td>6.1.3.2</td>
<td>Vehicle Procurement Non-Reset</td>
<td>Includes the obligation of funds in the Components vehicle procurement accounts, incurred in support of a contingency operation excluding reset.</td>
</tr>
<tr>
<td>6.1.3.3</td>
<td>MRAP Vehicles Procurement</td>
<td>Includes the obligation of funds in the Components vehicle procurement accounts for MRAPs, incurred in support of a contingency operation.</td>
</tr>
<tr>
<td>6.1.4</td>
<td>Communication &amp; Electronic Equip Procurement</td>
<td>The obligation of funds in the Components communication and electronic equipment procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit’s future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.</td>
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<tr>
<td>6.1.4.1</td>
<td>Communication &amp; Electronic Equip Reset</td>
<td>Includes the obligation of funds in the Components communication &amp; electronic procurement accounts, incurred in support of a contingency operation within the procurement title for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
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<td>6.1.4.2</td>
<td>Communication &amp; Electronic Equip Non-Reset</td>
<td>Includes the obligation of funds in the Components communication &amp; electronic procurement accounts, incurred in support of a contingency operation within the procurement title excluding reset.</td>
</tr>
<tr>
<td>6.1.5</td>
<td>Non-IED/Up-Armored Humvees Combat Support</td>
<td>The obligation of funds in the Components non-IED/up-armored humvees combat support procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit’s future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.</td>
</tr>
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<td>6.1.5.1</td>
<td>Non-IED/Up-Armored Humvees, Combat Reset</td>
<td>Includes the obligation of funds in the Components non-IED/up-armored humvees combat support procurement accounts, incurred in support of a contingency operation within the procurement title for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
</tr>
<tr>
<td>6.1.5.2</td>
<td>Non-IED/Up-Armored Humvees, Combat Non-Reset</td>
<td>Includes the obligation of funds in the Components non-IED/up-armored humvees combat support procurement accounts, incurred in support of a contingency operation within the procurement title excluding reset.</td>
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<tr>
<td>6.1.6</td>
<td>Up-Armored Humvees Procure and Modify</td>
<td>The obligation of funds in the Components up-armored humvee procurement accounts procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit’s future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat.</td>
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<td>6.1.6.1</td>
<td>Up-Armored Humvee Procurement Reset</td>
<td>Includes the obligation of funds in the Components up-armored humvee procurement accounts, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
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<td>6.1.6.2</td>
<td>Up-Armored Humvee Procurement Non-Reset</td>
<td>Includes the obligation of funds in the Components up-armored humvee procurement accounts, incurred in support of a contingency operation excluding reset.</td>
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<td>Description</td>
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<tr>
<td>6.1.7</td>
<td>Reset</td>
<td>Includes the obligation of funds in the Components procurement accounts, incurred in support of a contingency operation for reset. Definition: For Procurement activities, reset includes a series of actions taken to restore units that have participated in contingency operations to a desired level of combat capability commensurate with the units' future mission. It encompasses both maintenance and supply activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by repairing, rebuilding, or procuring replacement equipment. These maintenance and supply activities involve both recapitalization and Depot and Field Level repairs/overhauls centrally managed to specified standards. Included are Procurement and Operation and Maintenance funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhance or restore existing equipment inventories through the insertion of new technology or restoration of selected equipment to a zero-miles/zero-hours condition. Reset includes replacement of equipment lost during operations in theater.</td>
</tr>
<tr>
<td>6.1.8</td>
<td>Joint Counter IED</td>
<td>Obligations incurred to procure, modify, upgrade or replace equipment to defeat or counter the use of improvised explosive devices. Includes the Joint Improved – Threat Defeat Fund (JIDF).</td>
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### 6.2 Research and Development

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<td>6.2.1</td>
<td>Basic Research</td>
<td>The obligation of funds in the Components Basic Research program, RDT&amp;E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero- miles/zero-hours condition.</td>
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<tr>
<td>Section</td>
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<tr>
<td>6.2.1.1</td>
<td>Basic Research Reset</td>
<td>Includes the obligation of funds in the Components Basic Research program, within the RDT&amp;E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
</tr>
<tr>
<td>6.2.1.2</td>
<td>Basic Research Non-Reset</td>
<td>Includes the obligation of funds in the Components Basic Research program, within the RDT&amp;E title, incurred in support of a contingency operation excluding reset.</td>
</tr>
<tr>
<td>6.2.2</td>
<td>Applied Research</td>
<td>The obligation of funds in the Components Applied Research program, RDT&amp;E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.</td>
</tr>
<tr>
<td>6.2.2.1</td>
<td>Applied Research Reset</td>
<td>Includes the obligation of funds in the Components Applied Research program, within the RDT&amp;E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
</tr>
<tr>
<td>6.2.2.2</td>
<td>Applied Research Non-Reset</td>
<td>Includes the obligation of funds in the Components Applied Research program, RDT&amp;E title, incurred in support of a contingency operation excluding reset.</td>
</tr>
<tr>
<td>6.2.2.3</td>
<td>Applied Research MRAP Vehicles</td>
<td>Includes the obligation of funds in the Components Applied Research program, RDT&amp;E title, incurred in support of MRAPs for a contingency operation.</td>
</tr>
<tr>
<td>6.2.3</td>
<td>Advanced Technology Development</td>
<td>The obligation of funds in the Components Advanced Technology programs, within the RDT&amp;E title, that include actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.</td>
</tr>
<tr>
<td>6.2.3.1</td>
<td>Advanced Technology Reset</td>
<td>Includes the obligation of funds in the Components Advanced Technology Development program, within the RDT&amp;E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
</tr>
<tr>
<td>6.2.3.2</td>
<td>Advanced Technology Non-Reset</td>
<td>Includes the obligation of funds in the Components Advanced Technology programs, within the RDT&amp;E title, incurred in support of a contingency operation excluding reset.</td>
</tr>
<tr>
<td>6.2.4</td>
<td>Advanced Component Development &amp; Prototype</td>
<td>The obligation of funds in the Components Advanced Component Development and Prototype programs, within the RDT&amp;E title, that include actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization.</td>
</tr>
<tr>
<td>6.2.4.1</td>
<td>Advanced Component Development &amp; Prototype Reset</td>
<td>Includes the obligation of funds in the Components advanced Component Development and Prototype program, within the RDT&amp;E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
</tr>
<tr>
<td>6.2.4.2</td>
<td>Advanced Component Development &amp; Prototype Non- Reset</td>
<td>Includes the obligation of funds in the Components advanced Component Development and Prototype program, within the RDT&amp;E title, incurred in support of a contingency operation excluding reset.</td>
</tr>
<tr>
<td>Section</td>
<td>Program Description</td>
<td>Details</td>
</tr>
<tr>
<td>---------</td>
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<tr>
<td>6.2.5</td>
<td>System Development &amp; Demonstration</td>
<td>The obligation of funds in the Components System Development and Demonstration programs, within the RDT&amp;E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.</td>
</tr>
<tr>
<td>6.2.5.1</td>
<td>System Development and Demonstration Reset</td>
<td>Includes the obligation of funds in the Components System Development and Demonstration program, within the RDT&amp;E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
</tr>
<tr>
<td>6.2.5.2</td>
<td>System Development and Demo Non-Reset</td>
<td>Includes the obligation of funds in the Components System Development and Demonstration program, within the RDT&amp;E title, incurred in support of a contingency operation excluding reset.</td>
</tr>
<tr>
<td>6.2.6</td>
<td>Management Support</td>
<td>The obligation of funds in the Components Management Support programs, within the RDT&amp;E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.</td>
</tr>
<tr>
<td>6.2.6.1</td>
<td>Management Support Reset</td>
<td>Includes the obligation of funds in the Components Management Support programs, within the RDT&amp;E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
</tr>
<tr>
<td>6.2.6.2</td>
<td>Management Support Non- Reset</td>
<td>Includes the obligation of funds in the Components Management Support programs, within the RDT&amp;E title, incurred in support of a contingency operation excluding reset.</td>
</tr>
<tr>
<td>6.2.7</td>
<td>Operational System Development</td>
<td>The obligation of funds in the Components Operational System Development programs, within the RDT&amp;E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.</td>
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<tr>
<td>6.2.7.1</td>
<td>Operational System Development Reset</td>
<td>Includes the obligation of funds in the Components Operational System Development programs, within the RDT&amp;E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.</td>
</tr>
<tr>
<td>6.2.7.2</td>
<td>Operational System Development Non-Reset</td>
<td>Includes the obligation of funds in the Components Operational System Development programs, within the RDT&amp;E title, incurred in support of a contingency operation excluding reset.</td>
</tr>
<tr>
<td>6.2.7.3</td>
<td>Operational System Development MRAP Vehicles</td>
<td>Includes the obligation of funds in the Components Operational System Development programs, within the RDT&amp;E title, incurred in support of MRAPs for a contingency operation.</td>
</tr>
</tbody>
</table>

### 6.3 Military Construction

| 6.3.1 | Major Construction | Includes the obligation of funds in the Military Construction title incurred in support of a contingency operation. |
| 6.3.2 | Minor Construction | Includes the obligation of funds in the Components (Operation & Maintenance) program for minor construction incurred in support of a contingency operation. |
| 6.3.3 | Family Housing (Construction) | Includes the obligation of funds in the Components family housing (construction) program, within the Military Construction title, incurred in support of a contingency operation. |
### 6.3.4 Family Housing (Operation & Maintenance)

Includes the obligation of funds in the Components family housing (Operation & Maintenance) program, within the Military Construction title, incurred in support of a contingency operation.

### 7.1 Coalition Support

| 7.1.01 | Pakistan | Coalition Support - Pakistan |
| 7.1.02 | Mongolia | Coalition Support - Mongolia |
| 7.1.03 | Poland | Coalition Support - Poland |
| 7.1.04 | Ukraine | Coalition Support - Ukraine |
| 7.1.05 | Uzbekistan | Coalition Support - Uzbekistan |
| 7.1.06 | Slovakia | Coalition Support - Slovakia |
| 7.1.07 | Azerbaijan | Coalition Support - Azerbaijan |
| 7.1.08 | Bosnia | Coalition Support - Bosnia |
| 7.1.09 | Macedonia | Coalition Support - Macedonia |
| 7.1.10 | Romania | Coalition Support - Romania |
| 7.1.11 | Thailand | Coalition Support - Thailand |
| 7.1.12 | Jordan (OEF) | Coalition Support - Jordan (OEF) |
| 7.1.13 | Jordan (OIF) | Coalition Support - Jordan (OIF) |
| 7.1.14 | Georgia (OIF) | Coalition Support - Georgia (OIF) |
| 7.1.15 | Estonia | Coalition Support - Estonia |
| 7.1.16 | El Salvador | Coalition Support - El Salvador |
| 7.1.17 | Nicaragua | Coalition Support - Nicaragua |
| 7.1.18 | Hungary | Coalition Support - Hungary |
| 7.1.19 | Kyrgyz Republic | Coalition Support - Kyrgyz Republic |
| 7.1.20 | Tonga | Coalition Support - Tonga |
| 7.1.21 | Romania | Coalition Support - Romania |
| 7.1.22 | Czech Republic | Coalition Support - Czech Republic |
| 7.1.23 | Georgia (OEF) | Coalition Support - Georgia (OEF) |
| 7.1.24 | Moldova | Coalition Support - Moldova |
| 7.1.25 | Mongolia (OEF) | Coalition Support – Mongolia (OEF) |
| 7.1.90 | CRSP | Coalition Readiness Support Program |

### 7.2 Lift and Sustain

| 7.2.1 | Transportation Support | Lift and Sustain - Transportation Support |
| 7.2.2 | Logistic Support | Lift and Sustain - Logistic Support |
| 7.2.3 | Other Support | Lift and Sustain - Other Support |
| 7.2.4 | Lift & Sustain | Global Lift & Sustain – Operation Unified Protection |

### 7.3 Security Force Funds

**Applies to Afghanistan Security Forces Fund (2091) and Iraq Security Forces Fund (2092)**

<p>| 7.3.01 | Defense Forces | Train and Equip - Defense Forces |
| 7.3.02 | Defense Forces Sustainment | Train and Equip - Defense Forces Sustainment |
| 7.3.03 | Defense Forces Infrastructure | Train and Equip - Defense Forces Infrastructure |
| 7.3.04 | Defense Forces Equipment and Transportation | Train and Equip - Defense Forces Equipment and Transportation |</p>
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<td>Train and Equip - Detainee Operations Training and Operations</td>
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<td>7.3.19</td>
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<td>Defense Security Forces Funds provided by Department of State under §632.</td>
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<td>7.3.60</td>
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7.4 Commander’s Emergency Response Program (CERP)

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<td>Commander's Emergency Response Program - Iraq</td>
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<td>Commander's Emergency Response Program - Philippines</td>
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<td>Afghanistan Reintegration</td>
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7.5 Afghanistan Infrastructure Fund (Expired)

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<td>7.5.2</td>
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<td>7.5.3</td>
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<td>Afghanistan Infrastructure Fund – Water</td>
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<td>7.5.4</td>
<td>Other Related Activities</td>
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7.6 Syria Train & Equip
Applies to C-ISIL Train and Equip Fund (2099)

<table>
<thead>
<tr>
<th>7.6.1</th>
<th>Trainee Equip/Support</th>
<th>Train and Equip funds used for supporting the vetted Syrian opposition by providing for equipping; training; base operations support, expeditionary facilities and infrastructure; leasing cost; construction and operation of firing ranges; force protection; stipends; transportation, and life support.</th>
</tr>
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<tr>
<td>7.6.2</td>
<td>U.S. Trainer/Enabler</td>
<td>U.S. Trainer and Enabler funds used for Service expenses directly relating to U.S. forces involved with training the Syrian opposition.</td>
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7.7 Iraq Train & Equip
Applies to Iraq Train and Equip Fund (2097) and C-ISIL Train and Equip Fund (2099)

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<th>7.7.1</th>
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7.8 CISIL Iraq Train & Equip
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| 7.8.1 | Other Activities       | Counter-ISIS train and equip activities outside of Iraq and Syria, and programs to enhance the border security of nations adjacent to conflict areas resulting from ISIS actions. |

8.0 Not in Use
<table>
<thead>
<tr>
<th>Section</th>
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<tr>
<td>9.0</td>
<td>Humanitarian Relief</td>
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</tr>
<tr>
<td>9.1</td>
<td>Security</td>
<td>Includes the costs to provide urgent, temporary, and emergency security of people, facilities, and things in direct support of the operation.</td>
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<tr>
<td>9.11.1</td>
<td>Health and Comfort Packages</td>
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<td>Human Transfer Cases</td>
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<td>9.11.5</td>
<td>Plastic Sheeting</td>
<td>Plastic Sheeting</td>
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<tr>
<td>9.12</td>
<td>Sanitation</td>
<td>Includes the costs to provide urgent, temporary, and emergency sanitation to prevent disease and further damage to people and property in support of the operation.</td>
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<tr>
<td>9.13</td>
<td>Humanitarian Daily Rations</td>
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<tr>
<td>9.14</td>
<td>Child Care</td>
<td>Includes the costs to provide urgent, temporary, and emergency child care in direct support of the operation.</td>
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<td>9.15</td>
<td>Mortuary Services/Support</td>
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<td>9.16</td>
<td>Fuel</td>
<td>Includes the obligation of funds to obtain and provide fuel in direct support of the operation.</td>
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<td>Includes the costs for the urgent, temporary, and emergency rental of vehicles in direct support of the operation.</td>
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<td>9.2</td>
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<td>All Other Supplies &amp; Materials</td>
<td>Includes the costs of procuring, leasing, or renting miscellaneous supplies or materials used during operation. Includes general support and administrative equipment not identified in another category.</td>
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<td>Migrant Costs (CONUS)</td>
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VOLUME 12, CHAPTER 24: “BURDENSHARING AND OVERSEAS RELOCATION CONTRIBUTIONS BY FOREIGN ALLIES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated October 2012 is archived.

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CHAPTER 24

BURDENSHARING AND OVERSEAS RELOCATION CONTRIBUTIONS
BY FOREIGN ALLIES

2401 INTRODUCTION

240101. Purpose

This chapter prescribes the overall policy and assigns responsibilities for the acceptance, receipt, use, and reporting of burdensharing and relocation monetary contributions to the Department of Defense (DoD) under Title 10, United States Code (U.S.C.), section 2350j and section 2350k.

2402 RESPONSIBILITIES

240201. Under Secretary of Defense for (Policy) (USD(P))

The USD(P) has policy and management responsibility for burdensharing agreements or arrangements. In addition, the USD(P) will work with the Defense Finance and Accounting Service – Trust Funds Accounting and Reporting Division (TFAR) (DFAS-IN/JJAEB) on burdensharing program requirements that impact DFAS responsibilities, as appropriate.

240202. Under Secretary of Defense (Comptroller) (USD(C))

A. The USD(C) serves as the single departmental point of contact with the Departments of State and Treasury for all matters involving the acceptance, receipt, administration and distribution of contributions of funds from foreign countries and organizations for burdensharing and relocation contributions.

B. The USD(C) is responsible for coordination and approval of military construction projects that are subject to Title 10 U.S.C., section 2350j. In addition, the USD(C) is responsible for reviewing and submitting to the Congress those reports required by Title 10 U.S.C., section 2350j and Title 10 U.S.C., section 2350k.

240203. Director of Defense Finance and Accounting Service (DFAS)

The DFAS Director is responsible for recording and reporting the collection of receipts for burdensharing and relocation contributions and for the distribution of receipts, as prescribed by the USD(C), in support of burdensharing and overseas relocation programs.

240204. Commanders of the Combatant Commands (CINCs)

The cognizant CINC is responsible for, but may delegate to subordinate commanders, the following responsibilities.
A. For burdensharing contributions for other than military construction projects, the cognizant CINC shall:

1. Notify the responsible DoD Component of anticipated contributions from foreign governments.

2. Identify a proposed distribution of funds to the approving authority.

3. Deposit funds received with the DFAS Field Activity located within the immediate overseas operating area or the Financial Services Office (FSO) if no DFAS Field Activity is located within the immediate overseas operating areas.

4. Prepare the necessary disbursing documentation for forwarding to the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

5. Submit reporting and control of funds information to:

   DFAS Indianapolis Site
   Trust Funds Accounting and Reporting Division (DFAS-IN/JJAEB)
   Room 315AA-1
   8899 East 56th Street
   Indianapolis, IN  46249-2801

   Submit this information via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

6. Submit information on the amount and purpose of each contribution to:

   Office of the OUSD(C)
   Office of the Deputy Comptroller (Program/Budget) ODC(P/B)
   Operations Directorate, Room 3C710, 1100 Defense Pentagon
   Washington, DC  20301-1100

B. For military construction projects funded with burdensharing contributions, the cognizant CINC shall:

1. Initiate the military construction project proposals utilizing Defense Department (DD) Form 1391 (Justification of Military Construction Projects).
2. Submit for approval the justification material to:

OUSD(C), ODC (P/B)
Military Personnel and Construction Directorate
Room 3C654, 1100 Defense Pentagon
Washington, DC  20301-1100

3. Deposit contributions with the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

4. Ensure that ODC(P/B) Military Personnel and Construction Directorate approval has been received prior to disbursement of funds (see subparagraph 240204.B.2) via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

5. Prepare necessary disbursing documentation for forwarding to the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

6. Submit information to the DFAS-IN/JJAEAB (see subparagraph 240204.A.5) for reporting and control of funds purposes, via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

C. For all overseas relocation contributions, the cognizant CINC shall:

1. Notify the DFAS Trust Fund Accounting and Reporting Division (DFAS-IN/JJAEAB) that a contribution is expected.

2. Submit information on the amount and purpose of the contribution to the OUSD(C), ODC (P/B), Operations Directorate (see subparagraph 240205.A.6). Courtesy copies shall be provided to the Military Personnel and Construction Directorate when contributions are made for construction projects.

3. Deposit the funds with the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

4. Notify DFAS-IN/JJAEAB, via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area, at least 1 business day in advance of disbursements so securities can be sold to finance the payment.
5. Prepare the necessary disbursing documentation, for forwarding to the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

6. Submit information to the DFAS-IN/JJAEAB, for reporting and control of funds purposes, via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

240205. Assistant Secretaries of the Military Departments (Financial Management and Comptroller) (FM&C)

A. The cognizant Assistant Secretary (FM&C) has responsibility to review and approve the distribution of funds received from foreign countries and regional organizations for the purposes outlined in this Regulation. These responsibilities may be delegated below the Assistant Secretary level.

B. The Assistant Secretary of the Army (FM&C) is responsible for Korea and Kuwait.

C. The Assistant Secretary of the Air Force (FM&C) is responsible for Japan, except for the Realignment of Forces from Okinawa to Guam, wherein the Assistant Secretary of the Navy (FM&C) is responsible.

D. Distribution of contributions received from other countries, not specified above, shall be the responsibility of the Assistant Secretary (FM&C) whose Service will use the greater portion of the contribution.

2403 MONETARY CONTRIBUTIONS

240301. Notifications

A. The DoD Components shall notify the DFAS-IN/JJAEAB of all potential monetary contributions prior to acceptance of such contributions. All notifications shall indicate the applicable statute (i.e., Title 10 U.S.C., section 2350j for burdensharing contributions or Title 10 U.S.C., section 2350k for overseas relocation). Copies of all notifications shall be sent to the DFAS-IN/JAFB (see subparagraph 240204.A.5 for full address) via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

B. Within 5 working days after notification of anticipated receipt of funds from a country without a designated account, the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area, shall submit a request for a new Treasury account for that country to the address in subparagraph 240204.A.5.
C. TFAR will submit the necessary documents to the Department of the Treasury to establish the new account and shall send a copy of the information to the DFAS-IN/JJAEAB and the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

240302. Contributions

A. General

1. Monetary contributions shall be accepted for specific purposes as identified in section 2405 of this chapter.

2. If none of the accounts identified in section 2405 of this chapter apply, then contributions shall be credited to a DoD disbursing officer's suspense account using a DD Form 1131 (Cash Collection Voucher) for cash and check contributions. The DoD Component and/or DFAS Field Activity disbursing officer may request further guidance from the DFAS-IN/JAFB.

B. Contributions in Cash

1. The receiving DoD Component and/or DFAS Field Activity located within the immediate overseas operating area shall credit all cash contributions to one or more of the applicable DoD accounts as identified in section 2405 of this chapter.

2. Documentation associated with cash contributions, including copies of the DD Form 1131 and the original of any correspondence from contributors, shall be forwarded by the receiving DFAS Field Activity located within the immediate overseas operating area (or DoD Component activity if no DFAS Field Activity is located within the immediate overseas operating area) within 24 hours of deposit to the DFAS-IN/JJAEAB.

C. Contributions by Check

1. Checks received by DoD officials shall be made payable as described in accordance with Volume 5, Chapter 10. The reference line on the check shall identify the applicable burdensharing agreement or arrangement, or a copy of the agreement shall be attached.

2. Checks received by DoD officials shall be forwarded to the nearest DFAS Field Activity located within the immediate overseas operating area, or other DoD disbursing office if no DFAS Field Activity is located within the immediate overseas operating area, for processing within 24 hours of receipt. Such checks shall be credited to one or more of the applicable DoD accounts identified in section 2405 of this chapter.

3. Documentation associated with check contributions— including copies of checks, DD Forms 1131, deposit tickets and the original of any correspondence from
contributors—shall be forwarded by the receiving DFAS Field Activity located within the immediate overseas operating area, or other DoD Component activity if no DFAS Field Activity is located within the immediate overseas operating area, within 24 hours of deposit to the DFAS-IN/JJAEAB.

D. Contributions by Wire Transfer

1. Contributions by wire transfer are preferred since they eliminate delays in receiving deposits and should provide the most efficient preliminary accounting information for receipt distribution purposes. Wire transfers shall be credited to one or more of the applicable DoD accounts identified in section 2405 of this chapter.

2. Contributors may make contributions to the Department via electronic funds transfer from commercial banks to the Federal Reserve Bank of New York (as Fiscal Agent of the United States). The Federal Reserve Bank of New York shall credit the Department. Any exceptions shall be documented within the international agreements and coordinated with the USD(C), or designee.

3. Documentation associated with wire transfer contributions, including the original of any correspondence from contributors, shall be forwarded within 24 hours of the deposit to the DFAS-IN/JAFB.

E. Contributions in Foreign Currencies (Cash or Check).

When a DoD Component becomes aware of a planned, large contribution ($1 million or more) to be made in a foreign currency, the cognizant DFAS Field Activity or DoD Component official shall:

1. Request that the contributor give as much advance notification as possible regarding the amount of the contribution and the estimated date that the contribution will be made.

2. Advise the DFAS-IN/JJAEAB of any planned contributions and continue to keep that office advised of the status until the contribution is received.

3. Except as described in subparagraph 240402.E.6, the contributor should transfer the foreign currency credit to the Federal Reserve Bank of New York via the contributor's central bank. If the Federal Reserve Bank does not maintain a relationship with a particular central bank, the DoD Component or DFAS Field Activity located within the immediate overseas operating area shall seek guidance from the DFAS-IN/JJAEAB for appropriate alternative arrangements, including the use of limited depositary accounts.

4. Cash and checks received by DoD officials in countries not served by DoD disbursement officers shall be delivered to the nearest U.S. Embassy within 24 hours of receipt for credit in one or more of the applicable DoD accounts identified in section 2405 of this chapter. If none of the accounts identified in section 2405 of this chapter applies, then all cash
and checks shall be credited to an Embassy disbursing officer's suspense account. The Embassy disbursing officer or representative shall request further guidance from the DFAS-IN/JJAEAB. Documentation associated with the contribution, including copies of deposit tickets and appropriate collection voucher, shall be forwarded within 24 hours to the DFAS-IN/JJAEAB.

5. Except as described in subparagraph 240302.E.6, all contributions received in foreign currencies shall be converted to U.S. dollars at the prevailing rate of exchange at the time that the deposit is made.

6. Where international arrangements require the retention of the currency in limited depository accounts for local disbursement in that currency, the deposits shall be calculated and recorded (not converted) in terms of equivalent dollar value based on the prevailing rate of exchange. (See Volume 5, Chapter 13, for additional information.)

2404 ACCOUNTING

240401. Burdensharing

Burdensharing contributions shall be credited to one or more of the special fund accounts listed below which have been established in the U.S. Treasury for monetary contributions accepted by the Secretary of Defense or designee under Title 10 U.S.C., section 2350j.

A. Special Fund Receipt Accounts

97_5441.001 Burdensharing Contribution, Defense, Kuwait
97_5441.003 Burdensharing Contribution, Defense, Japan
97_5441.004 Burdensharing Contribution, Defense, South Korea
97_5441.005 Burdensharing Contribution, Defense, Qatar
97_5441.006 Burdensharing Contribution, Defense, United Kingdom

B. Special Fund Expenditure Account

97X5441 Expenditures (Only)

240402. Overseas Relocation

Relocation contributions shall be credited to one or more of the following trust fund accounts which have been established in the U.S. Treasury for monetary contributions accepted by the Secretary of Defense or designee under Title 10 U.S.C., section 2350k.

A. Trust Fund Receipt Accounts

97_8337.001 Contributions from Kuwait, Host Nation Support for U.S. Relocation Activities
97_8337.003 Contributions from Japan, Host Nation Support for
U.S. Relocation Activities

97_8337.004 Contributions from South Korea, Host Nation Support for U.S. Relocation Activities

97_8337.005 Contributions from Qatar, Host Nation Support for U.S. Relocation Activities

B. Trust Fund Expenditure Account

97X8337 Expenditures (Only)

C. The DFAS disbursing office or FSO shall transmit copies of deposit tickets for these investments to the DFAS-IN/JIAEAB. For tracking and computation of interest, contributions shall be tracked along with the earnings on each investment by country.

2405 AVAILABILITY OF CONTRIBUTIONS

240501. Burdensharing Contributions

A. Burdensharing contributions shall be available only for the payment of the following costs:

1. Compensation for the Department's local national employees,

2. Supplies and services required by the Department, and

3. DoD military construction projects.

   a. USD(C) or designee written approval is required for the use of such contributions to carry out a military construction project that is consistent with the purposes for which the contributions were made and not otherwise authorized.

   b. Such approval is also conditional upon a 21-day notice to the Congress as described in subparagraphs 240601.D and 240601.E.

B. Burdensharing contributions normally shall be available only for the payment of costs in the country making the contribution. Local disbursement of burdensharing funds is authorized. In accordance with Title 10 U.S.C. 2350k, “out-of-country” expenditures shall be made only with the agreement of the contributing country and only for costs that are directly related to U.S. military activities in the contributing country.

C. If burdensharing contributions are to be used for personnel costs or supplies and services, prior approval of the cognizant Assistant Secretary (FM&C) or designee (such as the U.S. Forces Korea) is necessary before the expenditure of funds.

   1. The organization receiving the funds shall submit the proposed distribution of the funds to the cognizant Assistant Secretary (FM&C) for approval.
2. The cognizant Assistant Secretary (FM&C) shall review the proposed distribution and, if approved, transmit the approved distribution to the DFAS-IN/JAFB, as well as to the submitting field component.

3. The field component shall prepare the necessary documentation to effect the disbursement of funds.

D. If the Department decides to use burdensharing contributions for a military construction project, the cognizant CINC shall forward a coordinated project proposal for approval to OUSD(C), ODC(P/B), Military Personnel and Construction (See subparagraph 240204.B.2.) Once the necessary coordination and approval process has been completed, the Military Personnel and Construction Directorate shall submit a report to the congressional defense oversight committees. The following information shall be included in the proposal:

1. An explanation of the need for the project,

2. The estimated cost of the project, and

3. A justification for carrying out the project.

E. The Department may not commence a military construction project until the end of a 21-day period that begins on the date that the OUSD(C) submits the required report to the appropriate congressional defense oversight committees.

240502. Relocation Contributions

A. Relocation contributions are available only for costs incurred in connection with the relocation for which the contribution was made. Costs include:

1. Design and construction services;

2. Transportation, packing, unpacking, handling and storage;

3. Communications services;

4. Supply and administration;

5. Personnel costs (including TDY expenses and excluding salaries of permanently assigned military personnel); and,

6. Other expenses that are related directly to the relocation.

B. The organization receiving the relocation contribution shall submit information on the amount and the purpose of the contribution to the OUSD(C), ODC (P/B), Operations Directorate (see subparagraph 240204.A.6.) Courtesy copies shall be provided to the
Military Personnel and Construction Directorate (see subparagraph 240204.B.2.) when contributions are made for construction projects.

C. The organization receiving the contribution is responsible for preparing the necessary documentation for the disbursing transaction. The DFAS-IN/JJAEAB, however, shall be notified at least 1 business day in advance of disbursement so securities can be sold to finance the payments. The date of each payment and the specific country’s funds being utilized must be identified.

2406 REPORTING REQUIREMENTS

240601 Amount and Purpose for Expended Contributions

No later than 10 days after the end of each fiscal year, the DoD Components shall report, to the DFAS-IN/JAFB, the amount of and the purpose for expended contributions.

240602 Report for Defense Congressional Oversight Committees

No later than 20 days after the end of each fiscal year, the DFAS-IN/JJAEAB shall prepare and forward to the OUSD(C), ODC (P/B), Operations Directorate, a report for submission to the applicable defense congressional oversight committees. Those committees are: the Committees on Armed Services of the House of Representatives and the Senate, and the Committees on Appropriations of the House of Representatives and the Senate. The report shall include the following information for each country and regional organization from which contributions were accepted:

A. The amount of the contribution accepted during the preceding fiscal year under Title 10 U.S.C., sections 2350j and 2350k, and the purposes for which the contributions were made, and

B. The amount of the contributions expended during the preceding fiscal year under Title 10 U.S.C., sections 2350j and 2350k, and the purposes for which the contributions were expended.
VOLUME 12, CHAPTER 25: “DISPOSITION OF NON-DOD PERSONAL PROPERTY”

SUMMARY OF MAJOR CHANGES

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<td>All</td>
<td>Updated formatting and hyperlinks to comply with current standard operating procedures.</td>
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<tr>
<td>250102</td>
<td>Added an Authoritative Guidance paragraph to allow for easier source identification, as well as to comply with current standard operating procedures.</td>
<td>Addition</td>
</tr>
<tr>
<td>2502</td>
<td>Added additional guidance from Title 10, United States Code, section 2575 to support the general policy of the disposition of unclaimed property.</td>
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2501 GENERAL

250101. Purpose

This chapter prescribes the policy for the disposition of lost, abandoned or unclaimed non-
Department of Defense (DoD) personal property and the personal property of deceased members
of the Armed Forces. This policy applies when disposing of non-DoD personal property under the
jurisdiction of a Military Department, or the Department of Homeland Security as prescribed in
Title 10, United States Code, section 2575.

*250102. Authoritative Guidance

The financial management policy and related requirements prescribed by this chapter are
in accordance with the applicable provisions of:


court – martial”;

C. 10 U.S.C. § 8392, “Disposition of effects”;

court – martial.”

*2502 DISPOSITION OF UNCLAIMED PROPERTY

250201. General Policy

The Secretary of any Military Department, and the Secretary of Homeland Security, under
such regulations as they may respectively prescribe, may each by public or private sale or
otherwise, dispose of all lost, abandoned, or unclaimed personal property that comes into the
custody or control of the Secretary’s department, other than property subject to 10 U.S.C. §§ 7712,
8392, or 9712. Property subject to paragraph 250203 is exempted from the requirements.
Requirements for the disposition of personal property of deceased members of the Army and Air
Force are in section 2503. Requirements for the disposition of personal property of deceased
members of the Navy and Marine Corps are in section 2504.

A. Property may not be disposed of until a diligent effort has been made to find
the owner (or the heirs, next of kin, or legal representative of the owner). A diligent effort to find
the owner (or the heirs, next of kin, or legal representative of the owner) must begin, to the
maximum extent practicable, not later than 7 days after the date on which the property comes into
the custody or control of the Secretary having immediate jurisdiction. The period for which that effort is continued must not exceed 45 days.

B. Notice of the time and place of the intended sale or other disposition must be sent by certified or registered mail to the applicable owner (or heirs, next of kin, or legal representative of the owner) at their last known address. If the owner (or the heirs, next of kin, or legal representative of the owner) is determined but not found, the property may not be disposed of until the expiration of 45 days after the date the notice is sent to the owner (or the heirs, next of kin, or legal representative of the owner).

C. When a diligent effort to determine the owner (or heirs, next of kin, or legal representative of the owner) is unsuccessful, the property may be disposed of without delay. If the property has a fair market value of more than $300, it may not be disposed of until 45 days after the date it is received at the point of storage designated by the Secretary.

250202. Distribution of Proceeds

The proceeds from the sale of lost, abandoned, or unclaimed personal property found on a military installation, must be credited to the operation and maintenance account that funds the operations of that installation and be used to reimburse the installation for any costs incurred during the collection, transporting, storage, protection, or selling of the property. Any proceeds which remain after the reimbursement of installation expenses must be utilized to support morale, welfare, and recreation activities under the jurisdiction of the armed forces that are conducted for the comfort, pleasure, contentment, or physical or mental improvement of members of the armed forces at such installation. The net proceeds from the sale of other property under paragraph 250201 must be deposited into the U.S. Department of the Treasury (Treasury) as miscellaneous receipts.

250203. Restrictions

No property covered by this section may be delivered to the Armed Forces Retirement Home by the Secretary of a Military Department, except papers of value, sabers, insignia, decorations, medals, watches, trinkets, manuscripts, and other articles valuable chiefly as keepsakes.

250204. Claims for Proceeds

The owner (or heirs, next of kin, or legal representative of the owner) of personal property whose proceeds were credited to a military installation may file a claim with the Secretary of Defense for an amount equal to the proceeds less costs referred to in paragraph 250202. Amounts to pay the claim must be drawn from the morale, welfare, and recreation account for the installation that received the proceeds. The owner (or heirs, next of kin, or legal representative of the owner) may file a claim with the Secretary of Defense for proceeds deposited at Treasury as well. Unless a claim is filed under this section within 5 years after the date of the disposal of the property to which the claim relates, the claim may not be considered by either the Secretary of Defense or a
court. The responsibility of the Secretary of Defense to consider such claims has been delegated to the Under Secretary of Defense (Personnel and Readiness).

2503 ARMY AND AIR FORCE DISPOSITION OF PERSONAL PROPERTY OF DECEASED MEMBERS

250301. General Policy

Upon the death of a person subject to military law and under the jurisdiction of the Army or Air Force, or upon the death of a resident of the Armed Forces Retirement Home; the commanding officer must permit the legal representative or the surviving spouse of the deceased, if present, to take possession of the effects of the deceased that are then in camp, air base, or quarters. If there is no legal representative or surviving spouse present, the commanding officer must direct a summary court-martial to collect the effects of the deceased that are then in camp, air base, or quarters. The summary court-martial may collect debts due the decedent by local debtors, and pay undisputed local creditors of the deceased (to the extent permitted by the monetary assets of the deceased in the court’s possession). Receipts for payments made from the estate of the deceased must be filed with the court’s final report to the Department of the Army or Air Force.

250302. Distribution of Personal Property

As soon as practicable after the collection of the personal effects and monetary assets of the deceased, the summary court-martial must, at the expense of the United States, send the personal effects and monetary assets to one of the living persons, in the order of precedence shown on the following list, who is found by the court:

A. The surviving spouse or legal representative.
B. A child of the deceased.
C. A parent of the deceased.
D. A brother or sister of the deceased.
E. The closest next of kin of the deceased.
F. The beneficiary named in the will of the deceased.

250303. Time Limits

If the summary court-martial cannot dispose of the effects as stated in paragraph 250302 because there are no persons in any of the categories listed, or because the addresses of such persons are not known or are not available, the court may convert the effects of the deceased into cash by public or private sale. However, the sale may not occur until 30 days after the date of death of the deceased. Items listed in paragraph 250203 may not be sold.
250304. Final Disposition of Personal Effects

As soon as practicable after the effects have been converted into cash, the summary court-martial must relinquish custody of all cash and all receipts relating to cash transactions to the executive part of the Department of the Army or Air Force. Wills or other papers of value, an inventory of personal effects, and articles whose sale is not permissible also must be placed under the jurisdiction of the executive part of the Service of which the deceased was a member. All items received by the executive part of the Army or Air Force must be delivered to the Armed Forces Retirement Home.

2504 NAVY AND MARINE CORPS DISPOSITION OF PERSONAL PROPERTY OF DECEASED MEMBERS

250401. General Policy

The Secretary of the Navy must retain custody of money or other personal property of a deceased member of the Naval Service and make a diligent effort to determine and locate the heirs or next of kin of the deceased member. Property remaining unclaimed 2 years after the death of the member must be sold, and the proceeds, together with any other monetary assets of the member held in custody, must be deposited into the Treasury as miscellaneous receipts.

250402. Recoupment

Within 5 years after the date the money and proceeds are deposited into the Treasury, any claim that is presented, and supported by competent proof, must be certified to Congress for consideration. Subsequent to the 5 year period, claims may not be accepted and the requestor must be notified that the time limit for submitting a claim has expired.
## VOLUME 12, CHAPTER 27: “COMMANDERS’ EMERGENCY RESPONSE PROGRAM”

### SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue and underlined font*.

The previous version dated January 2009 is archived.

<table>
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<th>EXPLANATION OF CHANGE/REVISION</th>
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<td>2701</td>
<td>Changed the title of the section to “GENERAL” and added an “Overview”, “Purpose”, and “Authoritative Guidance” paragraph to comply with current standard operating procedures.</td>
<td>Revision</td>
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<tr>
<td>270201.B</td>
<td>Added new approval authority for projects using less than $500,000 of Commander’s Emergency Response Program (CERP) funding to a U.S. Officer in the grade of O-5 or above.</td>
<td>Addition</td>
</tr>
<tr>
<td>270202</td>
<td>Added new Representative Areas the CERP may be used to benefit the Afghan people</td>
<td>Addition</td>
</tr>
<tr>
<td>270301</td>
<td>Added the new semi-annual report requirement under section 1221(b) of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2015, as amended.</td>
<td>Addition</td>
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<tr>
<td>270305.A</td>
<td>Added the new requirement that Commander, U.S. Forces – Afghanistan (USFOR-A) must review any CERP project with a total anticipated cost for completion of $500,000 or more.</td>
<td>Addition</td>
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<td>270305.C</td>
<td>Added the new requirement to ensure that data is accurately maintained in the Combined Information Data and Network Exchange and the General Fund Enterprise Business System which will serve as sources of CERP data for the CERP Review and Reporting Tool.</td>
<td>Addition</td>
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<tr>
<td>PARAGRAPH</td>
<td>EXPLANATION OF CHANGE/REVISION</td>
<td>PURPOSE</td>
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<tr>
<td>270401.B</td>
<td>Updated new requirement to exempt temporary private civilian security guards hired to protect critical infrastructure in Afghanistan, when requested by the Commander, Special Operations Joint Task Force - Afghanistan.</td>
<td>Addition</td>
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<tr>
<td>270402</td>
<td>Updated new approval authority for individual CERP projects, and added a new requirement to ensure that the Commander, USFOR-A submits all proposed individual CERP projects with an estimated cost of completion of $500,000 or more to the USD(P) for congressional notification.</td>
<td>Addition</td>
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<tr>
<td>020504</td>
<td>Added a requirement to ensure the USD(P) sends written notice to the congressional defense committees with no less than 15 days prior to obligating or expending funds for projects with an estimated total cost of $500,000 or more.</td>
<td>Addition</td>
</tr>
<tr>
<td>0207</td>
<td>Updated the effective date to reflect that CERP Program data must meet the requirements of section 1201 of the NDAA for FY 2012 for any project begun on or after December 31, 2011.</td>
<td>Revision</td>
</tr>
<tr>
<td>ANNEX A</td>
<td>Updated to include various requirements implemented by section 1201 of the NDAA for FY 2012, Public Law 112-81, as amended by section 1224 of the NDAA for FY 2019, Public Law 115-232.</td>
<td>Revision</td>
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<tr>
<td>ANNEX B</td>
<td>Updated the new change in reporting requirement from “Quarterly” to “Semi-Annual” Report Commander’s Narrative.</td>
<td>Revision</td>
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CHAPTER 27

COMMANDERS’ EMERGENCY RESPONSE PROGRAM

*2701 GENERAL

270101. Overview

The Commanders’ Emergency Response Program (CERP) is a tool designed to enable local U.S. Military Commanders in Afghanistan to carry out small-scale projects designed to meet urgent humanitarian relief requirements or urgent reconstruction requirements within their areas of responsibility, and that provides an immediate and direct benefit to the people of Afghanistan. As used here: (1) “urgent” is defined as any chronic or acute inadequacy of an essential good or service that, in the judgment of a local U.S. Military Commander, calls for immediate action; (2) “reconstruction” is not limited to efforts to restore previous conditions/structures in Afghanistan; (3) an “immediate” benefit means that at the time a project is commenced, the planned completion date for the project is within one year, recognizing that in the course of executing the project unforeseen circumstances may cause the completion date to be extended beyond one year; and (4) a “direct” benefit means that the people of Afghanistan are the proximate beneficiaries of a completed project, not the Government of the Islamic Republic of Afghanistan (GIRoA), tribal leaders, or other third parties. In addition, the CERP is intended to be used for small-scale projects that will, if sustainment is required, be sustained by the local population or government, or other non-Department of Defense (DoD) funding sources. For purposes of the CERP, “small-scale” is generally defined as less than $500,000 per project; in no event may a CERP project exceed $2 million. Projects of $500,000 or more are expected to be relatively few in number and require approval by the Afghanistan Resources Oversight Council and the Secretary of Defense, and require congressional notification not less than 15 days before obligating or expending funds for the project.

270102. Purpose

This chapter provides guidance on the implementation of the DoD CERP, including assigning responsibilities for administering the CERP; defining the purposes for which U.S. appropriations or other funds provided for the CERP may be expended; and specifying the procedures for executing, managing, recording and reporting such expenditures. This guidance applies to all DoD organizations and activities.

270103. Authoritative Guidance

This guidance implements section 1201 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2012, Public Law 112-81, as most recently amended by section 1224 of the John S. McCain NDAA for FY 2019, Public Law 115-232, and the recurring general provision for CERP in the annual DoD appropriations acts.
2702  APPLICABILITY

270201. Approval Authority

A. CERP projects costing $500,000 up to $2 million must be approved by the Secretary of Defense.

* B. CERP projects costing less than $500,000 may be approved by the Commander, U.S. Forces – Afghanistan (USFOR-A). The Commander, USFOR-A may delegate this approval authority to subordinate U.S. commanders in the grade of O-5 or above. The appropriate level of delegation will be determined based on the complexity and/or the total estimated cost of completion for each project.

*270202. Representative Areas

The CERP may be used to benefit the Afghan people in the following categories:

A. Agriculture
B. Battle Damage Repair
C. Civic Cleanup Activities
D. Civic Support Vehicles
E. Condolence Payments
F. Education
G. Electricity
H. Food Production and Distribution
I. Healthcare
J. Other Urgent Humanitarian Relief or Reconstruction Projects
K. Repair of Civic Facilities
L. Telecommunications
M. Temporary Contract Guards for Critical Infrastructure*
N. Transportation
O. Water and Sanitation

*Authority available only to the Special Operations Task Force – Afghanistan (SOTF-A)

Guidance concerning CERP reporting categories for potential projects is contained in Annex A.

270203. Contract Requirement

A requirement to comply with this guidance must be incorporated into contracts, as appropriate to cover the execution, management, recording and reporting of expenditures of U.S. appropriations and other funds made available for the CERP.
2703 RESPONSIBILITIES

270301. Under Secretary of Defense for Policy

The Under Secretary of Defense for Policy (USD(P)), in coordination with the Under Secretary of Defense (Comptroller) (USD(C)), establishes principles, policies, and procedures to be followed in connection with the CERP, oversees and supervises their execution, and ensures that congressional defense committees are informed in a timely manner of CERP activities through the semi-annual reports required under section 1201(b) of the NDAA for FY 2012, as amended. The USD(P) will assemble and staff for approval by the Secretary of Defense the congressional notification package for any project with a total anticipated cost of completion of $500,000 or more. Such projects will be approved on an exception basis and will be accompanied by justification material sufficient for the Secretary to determine if the project meets the required criteria to be approved for funding.

270302. Under Secretary of Defense (Comptroller)

The USD(C), in coordination with the USD(P), establishes principles, policies, and procedures to be followed in connection with the CERP, oversees and supervises their execution, and ensures that congressional defense committees are informed in a timely manner of CERP activities through the semi-annual reports required under section 1201(b) of the NDAA for FY 2012, as amended.

270303. Secretary of the Army

Pursuant to DoD Directive 5101.1, “DoD Executive Agents,” dated September 23, 2002 and incorporating, dated May 9, 2003, the Secretary of the Army has been designated as executive agent for the CERP, and in that capacity must forward semi-annual reports to Congress and must promulgate through the Commander, U.S. Central Command (USCENTCOM) and designated forward commands, detailed financial procedures as necessary for commanders to carry out the CERP in a manner consistent with applicable laws, regulations, and this guidance. These procedures must include rules for expending CERP funds through contracts, in accordance with paragraph 270407. The Assistant Secretary of the Army (Financial Management and Comptroller) (ASA (FM&C)) must utilize the General Fund Enterprise Business System (GFEBS) to submit quarterly commitment, obligation, and expenditure data for CERP to the congressional defense committees not later than the 30th day following the end of each fiscal quarter. The ASA (FM&C) will ensure that the data compiled in the CERP Review and Reporting Tool (CRRT) matches the data in the GFEBS.

270304. Commander, U.S. Central Command

The Commander, USCENTCOM must advocate for appropriate resources for CERP in support of military operations in Afghanistan. The Commander, USCENTCOM will forward to the USD(P) the request and necessary supporting information to gain approval of all CERP projects that cost $500,000 or more. The Commander, USCENTCOM will review the semi-annual narratives submitted to the Secretary of the Army by Commander, USFOR-A to ensure that
commanders’ uses of CERP are consistent with the intent of the program and maximize the benefits to the local populations and best influence conditions on the ground. The USCENTCOM will work with the Army to provide Commander’s operational perspectives to address discrepancies raised by the Army on the Commander’s Narratives compared to the reported project data.

270305. Commander, U.S. Forces Afghanistan

The Commander, USFOR-A must ensure that proper procedures are in published theater guidance to evaluate CERP projects and ensure that the projects meet the intent of the program. In addition, the Commander, USFOR-A must ensure that:

* A. Projects are properly managed so that CERP funds achieve maximum results, which includes establishing performance objectives and monitoring achievements. Specifically, Commander, USFOR-A must review any CERP project with a total anticipated cost for completion of $500,000 or more, on an exception basis given that the intent is for small-scale projects, and must ensure local national donor nation, non-government organization, or other aid or reconstruction resources are not reasonably available before forwarding a request to Commander, USCENTCOM seeking Secretary of Defense approval.

* B. A command CERP policy is established and published annually that includes: command guidance on areas of emphasis for selecting CERP projects that best support the current mission, subordinate approval authority levels, and detailed procedures as necessary to ensure Commanders carry out CERP in a manner consistent with mission requirements and applicable laws, regulations, and guidance.

* C. Data is accurately maintained in the Combined Information Data and Network Exchange (CIDNE) and the GFEBS which will serve as sources of CERP data for the CRRT.

* D. A Commander’s narrative is prepared in support of each semi-annual report that addresses: Commander’s intent for CERP funds, including performance measures for on-going and proposed projects; impacts of CERP-funded projects, how individually and collectively projects assist the U.S. carry out its strategy in Afghanistan; specific details for each prior and proposed project of $500,000 or more; and the contributions these projects made to humanitarian relief and reconstruction efforts for the benefit of the Afghan people. Appendix B provides additional guidance on the Commander’s Narrative.

* E. The CERP funds are expended commensurate with work completed, performance metrics, and that projects are properly monitored and closed out upon completion, including the transfer of ownership to an appropriate authority of the country’s government prepared to sustain the project.

* F. A specific procedure for project transfer and close-out is established. For project transfers (i.e., when a newly deployed unit assumes responsibility for a project from a redeploying unit), procedures must include providing the current status (i.e., in-progress,
completed, or terminated) of all CERP projects the redeploying unit was responsible for at any time during their deployment. The status for each project must include a brief project synopsis of the project’s purpose, and for in-progress projects, all information necessary to continue progress on the project. Project close-out for each CERP project must include adjusting obligations to match disbursements, as appropriate, and the assessment of performance metrics as described in paragraph 270414.

G. Projects using a bulk draw of funds will not be obligated when the funds are drawn. A DA Form 3953, “Purchase Request & Commitment,” document annotating a bulk funds draw will generate a commitment in the financial system. Each type of bulk funding must be recorded and maintained by the pay agent until the bulk fund is closed out at finance. Bulk funds are limited to condolence payments, battle damage payments, and Commander’s small-scale projects (limited to $5,000 per project). Prior to each semi-annual report, the amount of funding drawn as cash by the pay agent that was paid out must be identified as an obligation and disbursement for each individual project using the appropriate CERP category.

2704 PROCEDURES

270401. Improper Usage of Funds

Appropriated funds made available for the CERP must not be used for the following purposes:

A. Direct or indirect benefit to U.S., coalition, or supporting military personnel.

* B. Providing goods, services, or funds to national armies, National Guard forces, border security forces, civil defense forces, infrastructure protection forces, highway patrol units, police, special police, or intelligence or other security forces (except temporary private civilian security guards hired to protect critical infrastructure in Afghanistan, when requested by the Commander, Special Operations Joint Task Force - Afghanistan).

C. Weapons buy-back programs or other purchases of firearms or ammunition.

D. Entertainment (except light refreshment costs purely incidental to an approved CERP project opening ceremony, a conference in support of a CERP project, subnational (Provincial or District) shuras (i.e., a consultative council) hosted by either the Provincial Governor or District Governor to address the root causes of instability, or a meeting in support of reconciliation).

E. Reward programs.

F. Removal of unexploded ordnance or other explosive remnant of war (unless incidental to construction or an agricultural development project).

G. Duplication of services available through municipal governments.
H. Salaries, bonuses, or pensions for Afghan military or civilian government personnel.

I. Training, equipping, or operating costs of Afghan National Defense and Security Forces (ANDSF), Afghan militias, or other paramilitary forces.

J. Conducting psychological operations, information operations, or other U.S., coalition, or ANDSF operations.

K. Support for personal security details.

L. Providing grants to businesses, individuals, International Organizations, or Non-Governmental Organizations. These organizations, however, may be contracted to execute specific, approved CERP projects.

M. Projects that have not been properly approved by a U.S. military official.

N. Beautification projects, including murals.

O. Sports complexes, zoos, museums, mosques, or other religious or cultural facilities.

P. Support to individuals or private businesses (except for condolence or battle damage payments).

*270402. Amount

The CERP is intended for urgent, small-scale, humanitarian relief and reconstruction projects for the immediate and direct benefit of the Afghan people. Priority must be given to projects with a cost estimate of less than $500,000.

A. The Commander, USFOR-A is the approval authority for individual CERP projects with an estimated total cost for completion of less than $500,000. The Secretary of Defense is the approval authority for individual CERP projects with an estimated total cost for completion of $500,000 or more. Each project, including any ancillary or related elements in conjunction with the project, executed under CERP authority must not exceed $2 million in total cost.

B. The Commander, USFOR-A must submit all proposed individual CERP projects with an estimated cost of completion of $500,000 or more through the USCENTCOM, Directorate of Resources and Analysis, to the USD(P) for approval and congressional notification. No CERP funding will be made available for a project with a total anticipated cost of completion of $500,000 or more until at least 15 days after the Secretary of Defense approves the project and provides notification to the congressional defense committees. The congressional notification will include the following elements:
1. The location, nature, and purpose of the proposed project, including how the project is intended to advance the military campaign plan.

2. The budget, implementation timeline with milestones, and completion date for the proposed project.

3. A plan for the sustainment of the proposed project, including the agreement with either the host nation, a non-DoD agency of the U.S. Government or a third-party contributor to finance the sustainment of the activities and maintenance of any equipment or facilities to be provided through the proposed project.

270403. Allocation of Funds

The USD(C) must ensure that DoD appropriations available for the CERP are properly allocated to Army for funds control and execution.

270404. Delivery, Transporting, and Safeguarding of Funds

Any funds made available for the CERP must be delivered, transported, and safeguarded consistent with Volume 5, Chapter 3, “Obtaining and Safeguarding Public Funds.”

270405. Appointment of Paying Agents

Paying Agents responsible for making disbursements of funds under the CERP must be appointed consistent with Volume 5, Chapter 2, “Disbursing Offices, Officers and Agents.” Upon completion of authorized payments, the paid vouchers, negotiable instruments, and any balance of funds must be returned to the disbursing officer with a properly completed DD Form 1081, “Statement of Agent Officer’s Account.” The same individual must not serve as both the Paying Agent and either the Project Manager or Project Purchasing Officer on a project.

270406. Documentation of Payments

Payments under the CERP must be made and documented consistent with Volume 5, Chapter 9, “Disbursements,” and Volume 10, Chapter 8, “Commercial Payment Vouchers and Supporting Documentation.”

270407. Contracts

Appropriated funds made available for the CERP may be expended through contracts that are prepared and executed in accordance with regulations designed to ensure transparency, fairness, and accountability.
270408. Circumventing Limits

Monetary limits and approval requirements may not be circumvented by “splitting” a single project through the submission of multiple purchase requests, similar documents, or otherwise. Pre-deployment training should highlight this restriction.

270409. Clearance of Accounts

Accounts maintained under the CERP must be cleared consistent with Volume 5, Chapter 2, “Disbursing Offices, Officers and Agents.”

270410. Certification of Payments

Payments made under the CERP must be certified in a manner consistent with Volume 5, Chapter 5, “Certifying Officers, Departmental Accountable Officials, and Review Officials.”

270411. Audits and Program Reviews

The administration of the CERP will be subject to periodic audits by DoD’s internal review and audit organizations, including the DoD Inspector General and the Army Audit Agency, as well as external organizations such as the Special Inspector General for Afghanistan Reconstruction, the Government Accountability Office, and congressional oversight committees. All officials responsible for administering the CERP must cooperate fully with any review, audit, or investigation conducted by such organizations.

270412. Appointment of Project Purchasing Officers

The Project Purchasing Officers (PPOs) are U.S. government employees/U.S. service members who, upon completion of training and receipt of written delegation, serve as an extension of warranted contracting officers. A contracting officer may delegate to a PPO the authority to obligate the U.S. on CERP-funded projects costing less than $500,000.

270413. Monitoring of Projects

All projects must have progress monitored to ensure that payments are commensurate with the work accomplished and the engineering standards as stipulated. For construction projects less than $500,000, (which may use a PPO rather than a warranted contracting officer), the PPO delegation memo should note that assistance from either the organic engineers or another unit’s engineers may be requested to assist in determining construction progress.

270414. Performance Metrics and Project Close-out

Performance metrics are essential to ensure that funds are applied for the most beneficial projects. Performance indicators must be included in evaluation packages for proposed CERP projects $50,000 or more and used as part of the close-out process for evaluating the project at its completion. CERP procedures for evaluating proposed projects should consider:
A. Immediate benefit to the local population.

B. Sustainability of the project.

C. Name and stability of the local partner.

D. Number of the local population engaged in the project.

E. Number of locals benefitting, which can also be considered as a cost-benefit or per capital analysis.

F. Executability of the project (in terms of completion, operation and sustainment of the project).

G. Relationship to other similar efforts, such as replicating other successful projects funded with CERP.

270415. Project Execution

During project execution, the Commander responsible for the project will ensure that construction meets engineering standards and that performance is updated against the relevant metrics. At project completion, the Commander will ensure final inspections are completed and the project is documented in all required databases and then transferred to appropriate Afghan officials for sustainment.

270416. Training

In order to optimize the execution of the CERP, all individuals involved in the administration and execution of the program are required to complete CERP training. DoD CERP Training Standards, published in November 2011, established pre-deployment and in-theater training standards for all DoD personnel involved in administering and executing the CERP.

2705 REPORTS AND NOTIFICATIONS

270501. CERP Quarterly Report

Not later than the 30th day following the end of each fiscal quarter, the Army must submit to the congressional defense committees a CERP report of top-line CERP commitments, obligations, and disbursements as of the last day of the preceding quarter. Army will provide a copy of the report to USD(P), USD(C), USCENTCOM J8, Commander, USFOR-A, and the Joint Staff, J8.
270502. CERP Review and Reporting Tool

Personnel at USFOR-A, USARCENT, USCENTCOM, the Joint Staff, the Army, USD(P), and USD(C) must monitor the online CRRT to evaluate the following data fields for all CERP projects:

A. For projects less than $500,000:

1. Unit.

2. Train, Advise, Assist Command.

3. CIDNE Record Number.


5. Project Category from USD(C) categories in this reference.

6. Obligation date.

7. Description (two or three sentences that describe the project for a person not familiar with it).

8. Province where project is located.

9. Total amount committed, obligated, and disbursed for the project.

10. Current status of the project and projected completion date or when the project was completed, noting also whether the project was finished or terminated for other reasons.

B. For projects equal to or greater than $500,000:

1. All information identified under subparagraph 270502.A.1 – 10 for all projects.

2. Description of the plan for the transition of the project when completed to the Afghan people/government. If project sustainment is required, document the GIRoA’s commitment to sustain the project.

3. Amount of GIRoA funding for the project, if any.

4. Date when the project is or will be transferred to GIRoA.

5. Provide justification outlining how the project supports overall CERP objectives.
6. Number of local citizens estimated to benefit directly from the project.

7. Note if one of the goals of the project includes benefit to internally displaced citizens.

C. If any errors are noted, reviewers will use the CRRT request for information (RFI) function to notate required corrections. USFOR-A will fix data discrepancies, as needed, in the source system (i.e., CIDNE and/or GFEBS) and respond to the RFI in the CRRT. The Army will use the information in the CRRT fields to generate the semi-annual report outlined in paragraph 270503.

270503. CERP Semi-Annual Report

Army, with the support of the USD(P) and the USD(C), must submit to Congress the semi-annual report required under the NDAA for FY 2012, section 1201, as amended. The report is due to Congress no later than 45 days after the end of each half of a fiscal year.

*270504. Congressional Notification

Not less than 15 days prior to obligating or expending funds made available for the CERP and with Secretary of Defense approval, the USD(P) sends written notice to the congressional defense committees for projects with an estimated total cost for completion of $500,000 or more. The USD(P) will provide the USD(C) and the Army with a copy of the Secretary of Defense congressional notification.

270505. Changes in Guidance

The USD(C) will notify the congressional defense committees no later than 15 days after issuing any change to this guidance. The Commander, USFOR-A will notify the USD(P), the USD(C), USCENTCOM, and the Secretary of the Army no later than 15 days after issuing any changes to their CERP implementing guidance (i.e., the CERP Standard Operating Procedures in the “Money As A Weapon System Afghanistan” guidance).

2706 WAIVERS

270601. Requests

Request for waivers from, or exceptions to any provision of law that would (but for the waiver or exception) prohibit, restrict, limit, or otherwise constrain the execution of the CERP must be submitted through the USD(C) and DoD General Counsel to the Secretary of Defense for approval.
270602. Submission

Requests for waivers or exceptions to this guidance must be submitted by the Army, in coordination with Commander, USCENTCOM, to the USD(C) for approval.

*2707 EFFECTIVE DATE

This guidance is effective immediately. CERP data must meet the requirements of section 1201 of the NDAA for FY 2012 for any project begun on or after December 31, 2011.
CERP Category Definitions and Projects

1. **Agriculture**: Small-scale projects when urgently required to increase agricultural production to feed the people of Afghanistan:

   A. Wind breaks for fields
   B. Pesticide control for crops
   C. Animal husbandry practices
   D. Veterinary clinics, supplies, and care of animals
   E. Seeds for planting
   F. Fertilizer
   G. Purchase of initial, parents livestock for herds
   H. Animal health
   I. Aquaculture
   J. Fish farms
   K. Purchase of farm equipment or implements
   L. Irrigation wells
   M. Irrigation ditches
   N. Canal cleanup
   O. Water pumps
   P. Siphon tubes
   Q. Terracing
   R. Sprinkler irrigation
   S. Dust suppression
   T. Central pivot irrigation
   U. Sub-irrigation
   V. Agricultural Training Facilities and Demo-Farms

2. **Battle Damage Repair**: Projects for individual Afghan civilians to repair property damage that results from U.S. military operations not compensable under the Foreign Claims Act.

3. **Civic Cleanup Activities**: Small-scale projects to clean public areas when required for urgent health and safety purposes:

   A. Streets and roads
   B. Demolition of old buildings/structures
   C. Trash removal
4. **Civic Support Vehicles**: Projects to purchase or lease vehicles for public/government use in support of urgent civic and community health and safety requirements:
   A. Construction vehicles for health- and safety-related public works
   B. Water and trash trucks
   C. Ambulances
   D. Fire Trucks

5. **Condolence Payments**: Payments to individual Afghan civilians, or surviving relatives residing in Afghanistan, for the death or physical injury resulting from U.S. military operations not compensable under the Foreign Claims Act. Payments are limited to a maximum of $5,000 total per individual injured or killed. The amount may be increased up to a maximum of $15,000 for the loss of the head of household with the approval of the Commander, U.S. Forces – Afghanistan (USFOR-A) or the Commander’s delegate.

6. **Education**: Small-scale projects to build, repair, or improve schools, and to purchase school supplies or equipment, in order to provide urgently needed basic education:
   A. Build, repair, or improve primary, middle, and high schools
   B. Tents for use as schools/classrooms
   C. School supplies and textbooks
   D. Furniture, desks, and mats
   E. Sports equipment (e.g., soccer balls/goals) for schools

7. **Electricity**: Small-scale projects to provide electricity in direct support of urgent humanitarian or reconstruction efforts; this category is limited to the purchase or repair of portable generators and solar panels.

8. **Food Production & Distribution**: Small-scale projects to increase urgently needed food production or distribution processes:
   A. Food handling technology, including refrigeration, storage, warehousing.
   B. Production, transportation, and supply logistics to facilitate distribution of food products
   C. Food labeling and packaging
   D. Food production safety
   E. Training for the production and regulation of food

9. **Healthcare**: Small-scale projects to build, repair, or improve infrastructure/equipment or to provide urgently needed medical/immunization supplies to health facilities:
   A. Construction/repair of clinics and hospitals
   B. Transportation for doctors in rural areas
C. Transportation to and from hospitals for patients needing treatment who are without access to transportation  
D. Furnishings for clinics and hospitals  
E. Expendable medical supplies  
F. Durable and non-expendable equipment for medical facilities  

10. **Other Urgent Humanitarian Relief or Reconstruction Projects:** Urgent humanitarian relief and reconstruction projects, not captured under any other category, that provide an immediate and direct benefit to the people of Afghanistan. This category should be used **only** when no other category is applicable.  

A. Tents, tarps, plastic sheeting, and other temporary construction materials  
B. Blankets  
C. Clothes, shoes/boots, winter coats/gloves  
D. Hygiene and sanitation kits  
E. Subsistence food items (e.g., rice, bread, flour, tea, cooking oil)  
F. Stoves  
G. Coal, charcoal, wood or other locally available fuel for heat and cooking  
H. Temporary sanitation/ablution facilities  
I. Transportation of humanitarian materials  
J. Hosting shuras at the Provincial and District level to address the root causes of instability, including the provision of light refreshments (limited to $10 per attendee per day), lodging expenses (not to exceed $25 per night per attendee), providing or renting a shura venue, augmenting physical security for the shura venue, and providing administrative support for the shura  

11. **Repair of Civic Facilities:** Small-scale projects to repair or restore civic buildings or facilities needed for urgent health or safety requirements:  

A. Civic/community centers  
B. Women’s centers  

12. **Telecommunications:** Small-scale projects to repair, but not construct, urgently needed communications systems or infrastructure:  

A. Radio stations (including equipment purchase, repair, and maintenance)  
B. Communications systems for emergency responders (telephones, two-way radios, repeaters, antennas)  
C. Loudspeaker systems
13. **Temporary Private Civilian Security Guards:** Small-scale projects for guarding infrastructure, including neighborhoods, other public areas, and electoral facilities. Private civilian security guards may be used, in the absence of Afghan National Defense and Security Forces, in areas of insurgent activity in order to establish a secure environment which facilitates the distribution of urgent humanitarian relief, urgent reconstruction, and the return of internally displaced persons. These projects may only be requested by the Commander, Special Operations Task Force – Afghanistan (SOTF-A). For the purpose of this section, “temporary” means protecting an area for 6-months or less. Commanders will not use private civilian security guards for consecutive 6-month periods for the same area.

14. **Transportation:** Small-scale projects to build, repair, or improve urgently needed local routes that link to primary highways, markets, health facilities, schools, and government services:

   A. Roads and drainage
   B. Bridges and canals
   C. Traffic safety and control measures (e.g., signs, lights, traffic barriers/markers)
   D. Equipment to maintain local transportation networks

15. **Water & Sanitation:** Small-scale projects to build, repair, or improve local drinking water availability or to enhance public sanitation:

   A. Wells (regardless of the end user, unless the end user is an unauthorized recipient of CERP assistance, such as security forces)
   B. Water pumps
   C. Water treatment facilities
   D. Production or distribution of potable water
   E. Establishing trash collection points
   F. Waste disposal sites
   G. Sewage treatment
   H. Retaining walls for flood prevention
   I. Dumpsters
   J. Public latrines
   K. Water testing
**ANNEX B**

**CERP Semi-Annual Report Commander’s Narrative**

1. Each semi-annual report, submitted in accordance with paragraph 270503, will be informed by a Commander’s Narrative from the Commander, U.S. Forces – Afghanistan (USFOR-A) that within the first 30 days of each half fiscal year establishes:
   
   A. Commander’s overall goals for the CERP funding
   B. Areas of emphasis for using the funding
   C. How progress against the identified goals will be judged

2. The Commander’s Narrative will also review the program performance in the prior half year, report progress achieved against the identified goals, and address the following:
   
   A. Significant events/issues that have occurred since the previous quarterly report
   B. Adequacy of projected funding
   C. Areas anticipated to be of interest to USCENTCOM, HQDA, OSD and Congress
   D. Any problems arising in the transfer of completed projects to the Governments
   E. Impact of security situation on monitoring of CERP-funded projects
   F. Newly approved projects ≥$500,000 and the category of any project
   G. Projects ≥$500,000 that were completed during the quarter and category of each project.
   H. Contributions each project ≥$500,000 made to humanitarian relief and reconstruction efforts for the benefit of the Afghan people.
   I. Efforts made to obtain donor funding for projects and results obtained.
   J. Identification of any projects or category of projects that are cost-shared and with whom.
   K. Date that projects were turned over to the appropriate government.
   L. Impacts of CERP-funded projects, individually and collectively in assisting the U.S. carry out its strategy.
VOLUME 12, CHAPTER 29: “ADMINISTERING, USING, AND ACCOUNTING FOR SEIZED AND/OR VESTED FUNDS AND PROPERTY DURING CONTINGENCY OPERATIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated May 2017 is archived.

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Annex 1

Shipment and Distribution of Funds During Contingency Operations

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the host nations, Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), and the designated Executive Agent when requesting and shipping vested funds to host nations.

B. Responsibilities

The administrator of the host nation, along with OUSD(C) and the Executive Agent will coordinate, request, document and arrange for the shipment of vested funds to the host nation.

C. Definitions

1. Contingency operations include, but are not limited to, support for peacekeeping operations, major humanitarian assistance efforts, noncombatant evacuation operations, and international disaster relief efforts.

2. Host nation is a nation that receives the forces and/or supplies of allied nations, and/or coalition partners to be located on, to operate in or to transit through its territory.

3. Coalition Forces are defined as a temporary alliance of factions, nations, or countries, for a specific purpose, in times of international conflict or war.

4. Executive Agent is the head of a Department of Defense (DoD) Component to whom the Secretary of Defense or the Deputy Secretary of Defense has assigned specific responsibilities, functions, and authorities to provide defined levels of support for operational missions, or administrative or other designated activities that involve two or more of the DoD Components.

5. Interim government is defined as a temporary government formed by the host nations or allies until a permanent government can be installed by the local people.

6. Vested assets are those frozen by Presidential Executive Order and vested with the U.S. Department of Treasury (Treasury) for return to the host nation.
7. Spending plan is a plan describing the purposes and the amounts of proposed expenditures of vested and seized property, developed by the host nation or the interim government, and submitted through appropriate channels for approval.

D. Procedures

1. The administrator of the host nation will make a determination that vested funds are needed for a specific purpose or objective.

2. After the determination is made, the host nation’s comptroller will notify the OUSD(C) to create the necessary funding documents. The host nation’s comptroller will also provide OUSD(C) with the host nation approved spending plans, supporting the distribution of the funds. The host nation’s comptroller will identify the amount of money required along with the quantity of each denomination.

3. OUSD(C) will notify Treasury that cash is needed. When possible, the host nation’s comptroller will give the OUSD(C) and Treasury at least a 10-day advance notice of when the money is needed in country. The Treasury will notify the Federal Reserve Board. The Federal Reserve Board will work with the designated Federal Reserve Bank to procure the amount of money needed and denominations as requested.

4. The host nation’s comptroller, in coordination with the Executive Agent, is responsible for coordinating the delivery date and location where the money is to be delivered to allow for a maximum force protection posture keeping in mind customs, requirements and coordination with the host nation. The designated Executive Agent will coordinate with the Surface Deployment and Distribution Command to arrange transportation, security and loading of aircraft at the designated debarkation point to meet the host nation’s desired delivery date.

5. The designated Executive Agent will provide the flight number and arrival time in country to the designated receiving disbursing officer and to the host nation to ensure security and logistical assets are available to off-load the currency.

6. The Executive Agent’s financial operation’s designee will ensure security and logistical assets are available to off-load the currency.

7. The Federal Reserve Board will notify the contracted armored carrier service to escort the money to the designated military installation. When the shipment arrives at the designated military installation, the accountable individual will be a military officer assigned to accompany the flight to the appointed airport.

8. Once at the designated military installation, the money is verified, arranged on pallets and shrink-wrapped to prevent loss and ensure accountability during shipment. The money is then loaded onto available military aircraft and escorted by two designated couriers. The accountable individual has accountability for the money from the designated shipping point to designated receiving point.
9. Accountability will transfer from the accountable individual to the designated custodian for host nation funds or disbursing officer’s representative, at the designated receiving point upon verification of funds.
ANNEX 2 DUTIES UPON ASSUMING POSSESSION OF FUNDS AND/OR PROPERTY

A. Purpose and Applicability

1. This annex addresses the duties, responsibilities, and general procedures to be followed by the Coalition Forces upon discovery, possession, seizure, or receipt of funds and/or property. Specific procedures to ensure accountability and transparency of vested and seized property must be developed to accommodate each unique contingency operation. Policy memorandums specific to each on-going contingency operation will be maintained on the DoD Financial Management Regulation website at Policy Memoranda; Volume 12, Special Accounts, Funds and Programs.

2. The designated Executive Agent shall coordinate with the OUSD(C) to develop specific procedures upon the notification of pending contingency operations. Such procedures will apply to all parties involved in the area(s) of operations for the specific contingency operations as specified in the policy memorandum.

B. Responsibilities

1. Command Responsibility. It is the obligation of the Combatant Commander and subordinate commanders at all levels to ensure all local regime or private property, cash, or other valuables seized, received, or otherwise taken into possession are properly secured, safeguarded, controlled and accounted for.

2. Individual Responsibility. It is the responsibility and obligation of all Coalition Forces personnel to: (1) notify superiors in a timely manner of any property seized or received; (2) keep records of and account for such property; and (3) properly secure, safeguard, and control the property in their physical possession. If required, assist other assigned or responsible personnel in the conduct of their duties to secure and safeguard such property or assets.

3. Custodial Responsibility. This responsibility can be either formally assigned or it may be an inherent responsibility derived from command authority. Custodians shall take all necessary and prudent actions to properly secure, control, account for, and safeguard property that comes into their physical possession.

4. Accountable Individual. An accountable individual will be appointed by the commander of the Coalition Forces (Detachment, Company, Battalion or equivalent activity) that originally finds, seizes, secures, or otherwise takes possession of public or private property, cash, or valuables. The accountable individual may be a Coalition Forces commissioned or warrant officer or a properly qualified Coalition Forces civilian manager detailed or attached to the activity. The accountable individual will: maintain formal property, inventory, and accounting
records that show, on a continuing basis, the identification or description or the items held, the physical count of cash and face value of currency and securities held by denomination, record of all gains or losses and on-hand balances, the conditions and locations of all property assigned or in possession, and evidence of the chain of custody maintained from time of first receipt or possession (by hand receipt or other record).

C. Definitions

Seized funds are cash and property confiscated by coalition forces during military operations and governed by the laws and usages of war. Normally captured foreign currency shall be delivered promptly into the custody of the State Department’s United States Disbursing Officer (USDO) supporting the particular country involved. Any DoD DO acquiring captured foreign currency shall ensure the funds are safeguarded and delivered to the USDO as soon as possible. Captured foreign currency shall not be collected into the DOs accountability as prescribed in Volume 5, Definitions.

D. Procedures

1. Secure the property. Use armed guards or other appropriate forms of control as necessary.

2. The ranking military member present when the property is secured automatically becomes the accountable individual with custodial responsibility.

3. Conduct and document a physical inventory of the property. Establish a custodial record, using and modifying DA Form 4137 (Evidence/Property Custody Document) (Figure 2-1) as appropriate.

4. Remove the property, using appropriate care and security, to a controlled area and deliver to an accountable officer.

5. The accountable individual will deliver the property in the form of cash, jewels, precious metals or other items of value to the nearest disbursing officer or disbursing officer’s representative. Upon receipt, the disbursing officer or DO representative shall become the designated custodian official for the cash, jewels, and precious metals. All other property should be handled through established logistics channels. If the seized assets have been designated to be collected into a trust fund, the DO will take them into his accountability. The DO will safeguard and account for the assets as prescribed in Volume 5, Chapter 16.

6. This accountable individual shall establish the appropriate accounting records.

7. Officers with custodial responsibility shall take all prudent and necessary steps to accomplish their responsibilities in this area, including observing and controlling the actions of subordinates, as needed, to safeguard property in their custody.
E. Determination of Public or Private Property Status

1. The location where the property was discovered or obtained must be considered in determining whether property is public or private. It is important that the officers with custodial responsibility document the location and circumstances under which property was obtained. In general, property obtained or seized at palaces or government ministry offices or other government compounds will be assumed to be the local regime assets. Property discovered in private residences or commercial locations or in rural locations will be initially assumed to be private assets. If what appears to be stocks or concentrations of looted goods are discovered, this property will initially be considered public.

2. Any additional documentation found with or adjacent to property may be used in the process of making a final determination on the status of the property. This documentation could include such items as records, invoices, vouchers, inventory lists, letters, or other forms of property identification. The officer initially charged with custodial responsibility will be required to make the determination as to the relevance of any documentation found with or in the vicinity of property recovered or seized. Should the documentation be deemed relevant, the officer charged with custodial responsibility will secure and include that documentation along with the property seized.

3. When property is seized from banks or other financial institutions, the custodial officer will secure and include all available, relevant documentation that will assist in the final determination of the status of the property. Other sources of information can be used to assist in these cases, including but not limited to, intelligence information and records obtained at government ministries describing banking or financial institutions used by the regime as part of their government financial system. Final determinations of the status of any seized assets or property will be made in conjunction with U.S. and Coalition Forces legal authorities.
Figure 2-1. Evidence/Property Custody Document

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DA FORM 4137, 1 JUL 76
**Figure 2-1 (Continued)**

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<td>Name, Grade or Title</td>
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</table>

**FINAL DISPOSAL ACTION**

RELEASE TO OWNER OR OTHER (Name/Unit)  
DESTROY  
OTHER (specify)  

**FINAL DISPOSAL AUTHORITY**

ITEM(S) ________________ ON THIS DOCUMENT, PERTAINING TO THE INVESTIGATION INVOLVING ________________ (Grade)  
(Items) (Organization)  
(required) (are no longer)  
REQUIRED AS EVIDENCE AND MAY BE DISPOSED OF AS INDICATED ABOVE. (Record the destruction of evidence in separate correspondence.)  

(Typed/Printed Name, Grade, Title) (Signature) (Date)  

WITNESS TO DESTRUCTION OF EVIDENCE  

THE ARTICLE(S) LISTED AT ITEM NUMBER(S) ________________ WAS (WERE) DESTROYED BY THE EVIDENCE CUSTODIAN, IN MY PRESENCE, ON THE DATE INDICATED ABOVE.  

(Typed/Printed Name, Organization) (Signature)  

USAPRC V1.00
ANNEX 3 FINANCIAL RECORDS RETENTION AND DISPOSITION DURING CONTINGENCY OPERATIONS

A. Purpose and Applicability

This annex provides guidance on the submission of necessary documents and reports during contingency operations in order to provide pertinent information to the designated accounting site. It addresses the duties, responsibilities, and procedures to be followed by the disbursing officers and certifying officers when providing disbursement services during contingency operations.

B. Responsibilities

The disbursing officer or his designee shall ensure that all original disbursing officer records and associated papers are retained as government property as cited in Volume 5, Chapter 15. These records shall be readily accessible to the disbursing officer for 6-years period consistent with guidance in the National Archives and Records Administration, General Records Schedules or in accordance with the specific record schedules authorized for their DoD Components. Extension to this record retention period may be warranted on a case-by-case basis.

C. Procedures

1. All disbursing officers will keep a daily report of all transactions processed.

2. All disbursement documents shall be supported by either hard copy or readable machine source records to ensure that:
   a. A legal obligation to pay exists (typically a contract);
   b. The payee has fulfilled any prerequisites to payment (typically an invoice and receiving report);
   c. The amount of the payment and identity of the payee are correct;
   d. The payment is legal under the appropriation or fund involved (typically the correct fiscal year and appropriation); and
   e. The documentation links together all records and supports an audit of certifying and disbursing officer transactions as required by law. In addition, a copy of the spending plan must be retained with the original disbursement vouchers.

3. If disbursements are made in cash, the voucher should be receipted by the vendors and/or receipts from the vendors should be attached to the vouchers.
4. The designated accounting site must issue specific accounting and document retention and disposition requirements for paid vouchers. These requirements must be satisfied within 30 days of the payment.

5. The original collection and disbursement vouchers shall be forwarded with the DD Form 2657 (Daily Statement of Accountability) to the designated accounting site as soon as possible after the close of the business day. Disbursing officers shall take extra precautions to ensure that all copies prepared for distribution are completely legible. Additional guidance on the assembly and transmittal of financial reports can be found in Volume 5, Chapter 15.

6. Original paid vouchers shall be safeguarded consistent with standard security regulations prescribed in Volume 5, Chapter 3.

7. Payments using vested and seized funds shall be made and documented consistent with Volume 5, Chapter 9.

8. All vested and seized funds shall be delivered, transported and safeguarded consistent with Volume 5, Chapter 3.
ANNEX 4 DEVELOPMENT OF FUNDING REQUIREMENTS FOR VESTED AND SEIZED PROPERTY

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the government or designated interim government when working to identify and develop requirements for spending plans in restoring and rebuilding the host country for its people. There may be multiple funding sources available for the purpose of stabilization, reconstruction and humanitarian assistance for the benefit of the local people.

B. Responsibilities

1. It is the responsibility of the appointed/designated officials and coalition commanders to explain the requirements for obtaining vested and seized property for projects that achieve the mission of the designated government.

2. Local designated governmental officials and coalition commanders are responsible for requesting funding from vested and seized assets to accomplish approved projects and requirements by submitting the appropriate funding request form to the designated review board.

3. The majority of funding requirements are expected to be included in the interim government budgets. However, unanticipated or emergency requests will be accepted by the designated review board for consideration. The local government offices shall prepare complete funding request forms to request funding for requirements not addressed in budget submissions.

C. Procedures

1. The funding request form will be reviewed in accordance with the interim government process for the allocation of funds. The designated committee, will conduct the initial review of all program funding requests and project submissions, categorize them, and make recommendations to the designated review board for the allocation of vested and seized funds. The designated review board is responsible for preparing and submitting allocation requests to the Administrator for approval. The designated review board requests will include proposed allocations of available resources. The specific roles, responsibilities, and membership of the interim government designate review board will be determined at the formation of the interim government. For approved projects using Seized and Vested Assets, the interim government is the final authority. After the interim government approval, the interim government comptroller will provide the appropriate funding form and related decision documents to the OUSD(C) and the designated Executive Agent budget office.

2. Once funding requests are approved by the Administrator, the requestor must submit a completed Standard Form 1034 (Public Voucher for Purchases and Services Other Than Personal), along with a spending plan to the interim government comptroller for the
disbursement of funds. A spending plan is a plan describing the purposes and amounts of proposed expenditures of vested and seized property, developed by the host nation or the interim government, and submitted through appropriate channels for approval.
ANNEX 5 ALLOCATION, DISBURSEMENT, AND FINANCIAL REPORTING OF VESTED AND SEIZED PROPERTY

A. Purpose and Applicability

This annex applies to all parties involved in the receiving, disbursing, accounting for, securing, and reporting of vested and seized property. Specific procedures to accommodate each contingency operation must be developed to ensure accountability and transparency of vested and seized property. Policy memorandums specific to each on-going contingency operation will be maintained on the Department of Defense Financial Management Regulation website at Volume 12, Special Accounts, Funds and Programs; Policy Memorandums.

B. Responsibilities

1. Coalition Government Responsibility. The coalition government (or interim government) is responsible for identifying program requirements, identifying appropriate funding sources for requirements, initiating reprogramming actions when needed, maintaining program accountability, fund certification, certifying receipt of goods, services, and payroll, and certifying disbursement of funds.

2. The Designated Executive Agent (Resource Management) Responsibility. The Executive Agent (Resource Management) is responsible for:

   a. Providing commitment accounting support documentation;

   b. Providing obligation transactions input to the designated accounting site for processing into the appropriate accounting system;

   c. Monitoring fund execution; and

   d. Certifying all required financial reports.

3. Disbursing Officer (DO) Responsibility. The DO is responsible for:

   a. Processing DD Form 1131 (Cash Collection Voucher) for seized assets and SF 5515 (Debit Voucher) for vested assets to increase cash balances;

   b. Disbursing cash to host nation authorized payees;

   c. Processing disbursements in the appropriate disbursing system; and

   d. Transferring SF 1034s (Public Voucher for Purchases and Services Other Than Personal) and SF 44s (Purchase Order-Invoice-Voucher) and support documents to the designated accounting site promptly.
4. **The Designated Accounting Site.** The designated accounting site shall maintain the accounting database and prepare, certify, and process SF 1081s (Voucher and Schedule of Withdrawal and Credits) based upon receipt of the Funding Authorization Documents (FADs); post disbursement and obligation transactions processed by the designated disbursing office to the appropriate accounting system; and maintain documentation for future review and audit. In addition, to record an increase in the DO’s accountability under general ledger control, the designated accounting site will prepare an Optional Form 1017-G – Journal Voucher (OF 1017-G, Figure 5-1) upon receipt of the monthly SF 1219 (Statement of Accountability) from the DO.

C. **Procedures**

1. **Program Control Procedures**
   
   a. Specific procedures shall be developed to accommodate the unique circumstance of each contingency operation.

   b. Cash accountability will be maintained on the DO’s DD 2657 (Daily Statement of Accountability) and monthly SF 1219.

   c. The designated accounting site will determine the appropriate accounting system to be used as the book of original entry.

   d. The Executive Agent shall monitor execution of funds.

   e. All collections and disbursement transactions are reported on the disbursing officer’s SF 1219 (Statement of Accountability).

2. **Funds Management Procedures**

   a. **Fiscal Coding and Management Structure.** The Executive Agent, in coordination with the designated accounting site, will establish the fiscal coding and management structure, including monthly and annual reporting levels, budget activities, and project codes. The coding structure and budget activities are established per Treasury and the Office of Management and Budget guidance received and in coordination with the host nation.

   b. **Vested Assets.** Vested assets are funds vested in Treasury by operations of domestic law. A special Treasury General Fund Account Symbol shall be used to record cash deposits and disbursements of vested funds. This unique account shall be used only for the purpose designated for the use of vested funds.

   c. **Seized Assets.** Seized funds are cash and property confiscated by coalition forces during military operations and governed by the laws and usages of war. A special Treasury Deposit Fund Account Symbol shall be used to record seized assets after
validation by the designated Federal Reserve Bank. This unique account shall be used only for the purpose designated for the use of seized funds.

d. Detailed Accounting Codes. The host nation’s comptroller shall request detailed accounting transaction codes through the Executive Agent’s headquarters, from the designated accounting site, based on the fiscal coding and management structure established.

3. Disbursing Operations and Cash Accountability Procedures

a. The coalition government must provide certifying official appointment letters and signature cards, DD Form 577 (Appointment/Termination Record – Authorized Signature) to the DO for all host nation personnel that will certify SF 44s or SF 1034s for payments.

b. Prior to disbursing, the coalition government shall obtain validated, detailed documentation to support payment of payrolls, utilities, and other goods and services from the designated host nation officials. For accountability purposes, supporting documentation from automated local payment systems should be used if they are determined to be available and adequate. The coalition government shall obtain from host nation officials organizational listing(s) of individuals authorized to receive payment at the designated payment site(s), and the amount each individual is to be paid. The host nation will certify the payment vouchers and present to the DO for payment. The DO and the host nation shall follow customary local practices for validation of, and payment for, normal and/or recurring utilities and other goods and services. The host nation will ensure adequate controls are in place by utilizing supporting documentation from local officials to ensure goods and services were received.

c. The host nation shall prepare and submit a memorandum to the DO, including the date, time, location, number of payees, and amount of money to be disbursed at each site. The DO shall disburse funds based on the amount of the certified voucher. The designated disbursing or paying agent will provide supporting documentation for the additional funds. The DO will advance funding to the disbursing or paying agent via a DD Form 1081 (Statement of Agent’s Accountability). After the paying agent has finished making payments, he/she will use the payroll plus any additional payments added to the payroll to balance with the DO.

d. The host nation’s representative appointed as the certifying official will certify the payment(s), and will date and sign the payment voucher.

e. Payments made using seized and vested funds shall be certified in a manner consistent with Volume 5, Chapter 5.

f. Paying agents responsible for making disbursements of vested and seized funds shall be appointed consistent with Volume 5, Chapter 2.
4. **Delivery of Funds Procedures**

   a. A host nation’s fund custodian or paying agent will deliver the funds to the designated pay site(s). Designated cashiers or designated local representatives will sign a receipt acknowledging receiving the funds and make payments at the designated pay site(s). The cashiers will acknowledge receipt from the disbursing agent on a DD Form 1081. Designated host nation representatives will verify the amount and date, and then sign as the payee on the SF 1034 or SF 44. The host nation appointed task force will ensure, insofar as practicable, that designated coalition representatives properly secure funds at the designated pay site(s) and/or while transporting funds to remote sites.

   b. The cashiers and/or designated host nation representatives shall disburse funds to designated individuals or service providers. All disbursements shall be documented with a certified voucher with supporting documentation to validate who received the funds and the purpose that the funds will be used.

   1. **For Payrolls.** Individuals must present proper/valid identification, and acknowledge receipt of payment by signing the payroll list or other appropriate form.

   2. **For Payment of Utilities and Other Goods and Services.** The host nation shall appoint paying agents in accordance with Volume 5, Chapter 2. The DO shall brief all cashiers and paying agents on their responsibilities and pecuniary liability for funds. A properly certified voucher with supporting documentation (receipt and invoice) must be presented when disbursing for other than payroll.

   c. Paying agents will be advanced funds on a DD Form 1081, “Statement of Agent Accountability”. The paying agent will disburse funds based on a properly certified SF 44 or SF 1034. Any funds not disbursed that are remaining after the mission is completed and all disbursements have made will be returned to the DO using a DD Form 1081 and DD Form 2665. The paying agent will use the certified disbursed vouchers to balance with the remaining funds and the advancing DD Form 1081. The host nation comptroller will conduct weekly reviews of any balances on hand at the designated local payment sites. The host nation comptroller shall also review supporting documentation to validate beginning balances, all disbursements and ending cash balances. The host nation comptroller shall verify cash on-hand matches the ending cash balance and that the funds are properly secured. Any funds returned from the designated local payment sites to the host nation comptroller will be collected into the DO’s accountability using a DD Form 1131.

5. **Paying Operations Procedures**

   a. **Purchasing Officer Appointments.** The host nation contracting activity must appoint purchasing officers. Purchasing officers are appointed to purchase goods and services, and are authorized to make such purchases via the SF 44.

   b. **Paying Agent Appointments.** Paying agents must be appointed to pay for commercial services or supplies in support of purchasing officers.
(1) Requests for paying agents must be made in writing to the DO.

(2) Host nation commanders authorized to appoint paying agents shall do so in writing in accordance with Volume 5, Chapter 2. The DO must appoint cashiers from the local finance command. The DO shall brief them on the responsibilities and potential pecuniary liability for funds.

(3) Paying agent appointments may be for either a specific transaction or a specified period of time.

(4) Appointed paying agents may not serve concurrently as purchasing officers and may not be charged with the handling or custody of any other funds.

6. Disbursing Procedures

a. The host nation comptroller shall prepare a memorandum to the DO providing date, time, location, number of paying agents, names of the paying agents, and amount of money to be disbursed to each paying agent.

b. The DO or disbursing agent will advance the funds to the appointed paying agent(s) using DD Form 1081. The paying agent shall sign the DD Form 1081 as a receipt for the funds.

c. The paying agent will disburse funds in accordance with the purchasing officer’s authorization. The purchasing officer and the paying agent will use the SF 44 to make purchases and payments. The purchasing officer will sign and certify the SF 44.

d. The SF 44 must be signed by the paying agent and the individual receiving the funds.

e. The paying agent must keep the original SF 44 with all signatures. Upon mission completion, the paying agent must return all supporting documentation (e.g., original receipts and SF 44s) and remaining cash to the DO in country or designated government financial activity in order to clear the DD Form 1081.

f. The host nation comptroller will authorize any replenishment of funds. The host nation comptroller certifying official must prepare another memorandum to the DO requesting additional funds. A new DD Form 1081 will be prepared by the DO.

g. Imprest fund cashiers will not be utilized. Purchasing agents appointed by the host nation comptroller-designated government procurement activity will be used to make small purchases, as needed. Disbursing agents will disburse payments based on certified vouchers provided by an appointed certifying officer.
7. Reconciliation Procedures

   a. The host nation comptroller and designated accounting site shall conduct a joint reconciliation of commitments and obligations in accordance with Volume 3, Chapter 8. Additionally, the DO and designated accounting site will need to follow existing requirements associated with reporting and reconciliation of DO deposit fund accounts.

   b. The DO and cashiers shall follow standard daily balancing procedures as identified in the Volume 5, Chapter 15. Additionally, quarterly cash verifications will be conducted in accordance with Volume 5, Chapter 3.

   c. The host nation reports required in Annex 7 will require reconciliation of Program Review Board approved projects versus disbursements.

8. Audits and Program Reviews

   The administration, use, and accounting of seized and vested assets will be subject to periodic audits by the Department of Defense’s internal audit organizations, including the Office of Inspector General, as well as external organizations such as the Government Accountability Office and congressional oversight committees. All officials responsible for administering vested and seized assets shall cooperate fully with any review, audit, or investigation conducted by such organization.
Figure 5-1. Journal Voucher

**Optional Form 1017-G (9-79)**  
Title 7, GAO Manual  
501017-810

### JOURNAL VOUCHER

<table>
<thead>
<tr>
<th>REFERENCE</th>
<th>EXPLANATION</th>
<th>DEBIT</th>
<th>CREDIT</th>
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<tr>
<td>DEBIT VOUCHER # 475129</td>
<td>Transfer Vested Funds From FRB ON SF 5515. OF1017G will be used to increase the DO accountability under General Ledger control. The account to be cited is: XX X XXXX XXXXX (Treasury Account Symbol will be established)</td>
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<td>20,000.000.00</td>
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<td>DSSN: 8551</td>
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<td>DATE OF SF 5515: 5 May 2003</td>
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<td>Total</td>
<td></td>
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<td>20,000.000.00</td>
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**Prepared By**  
Darrell Johnson  
(Signature)

**Approved By**  
Hank Snow  
(Signature)

______ Deputy Disbursing Officer  
(Title)
ANNEX 6 MONTHLY INVENTORY REPORT OF SEIZED PROPERTY

A. Purpose and Applicability

This annex addresses the duties, responsibilities and procedures to be followed by the designated DO or designated government financial activity supporting the host nation’s interim government in preparing monthly reporting of vested and seized property.

B. Responsibilities

The designated Executive Agent having custody of the seized assets shall prepare monthly reports describing all vested and seized property in the possession of host nation officials. These reports shall distinguish between vested and seized property.

The designated Executive Agent having custody of the seized assets shall submit the monthly reports under cover memorandum to the host nation and the OUSD(C), with copies furnished to the Principal Deputy Under Secretary of Defense (Comptroller), and the Director, the appointed Executive Agent’s Resource Management Directorate no later than close of the fifth business day of the month following the month being reported.

C. Reporting Procedures

1. Follow the attached sample report format (Figure 6-1).

2. Instructions

   a. Report Title - enter the name of the month and the year in the title of the report.

   b. Line 1.A.1 – enter the beginning balance of the vested cash in possession of U.S. government officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

   c. Line 1.A.2 – enter the amount of vested cash disbursed during the month being reported.

   d. Line 1.A.3 – enter the amount of vested cash deposited to financial institutions and no longer in the possession of host nation officials.

   e. Line 1.A.4 - enter the amount of collections.

   f. Line 1.A.4.1 - this line will include the amount of cash collected back into the disbursing office.
g. Line 1.A.4.2 - enter the amount of vested cash collected during the month.


i. Table 1.B – Non-Cash Assets Vested and Divested – provide, in table format, a listing of vested non-cash property by category (e.g., jewelry, arms, equipment, artwork, etc.), a brief description and item count for such property in the possession of host nation officials. This table shall include a cumulative listing of all vested non-cash property in the possession of host nation officials.

   (1) Column 1 – enter the category of the non-cash property.

   (2) Column 2 – enter a brief description of the items within the category in Column 1.

   (3) Column 3 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

   (4) Column 4 – enter the entity to which the host nation official divested the non-cash property.

   (5) Column 5 – enter the count of items divested.

   (6) Column 6 – enter the sum of Column 3 minus Column 5 (Column 3 – Column 5).

j. Line 2.A.1 – enter the beginning amount of seized cash (US dollars) in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

k. Line 2.A.2 – enter the amount of seized cash (U.S. dollars) verified as authentic currency during the reporting period and available for disbursement.

l. Line 2.A.3 – enter the amount of seized cash verified as counterfeit.

m. Line 2.A.4 – enter the sum of Line 2.A.1 minus Line 2.A.2 minus Line 2.A.3 (i.e., Line 2.A.1 – Line 2.A.2 – Line 2.A.3). This amount represents the amount of seized cash (U.S. dollars) in the possession of host nation officials that has not been verified as authentic currency and available for disbursement.
n. Line 2.A.5 – for the first monthly report enter 0.00 (zero). After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

o. Line 2.A.6 – enter the amount of seized cash (U.S. dollars) verified as authentic currency during the month and available for disbursement.

p. Line 2.A.7 - enter the amount of seized cash (U.S. dollars) disbursed during the month being reported.

q. Line 2.A.8 – enter the amount of seized cash (U.S. dollars) deposited to financial institutions and no longer in the possession of host nation officials.

r. Line 2.A.9 – enter the amount of seized cash (U.S. dollars) collected during the month. This amount will include the amount of cash collected back into the disbursing office.


t. Table 2.B – Coin/Currency (Non-U.S. dollars) – enter, in table format, a listing of seized coin/currency (Non-U.S. dollars), by country, monetary unit (franc, pound, Canadian dollar, etc.) and amount, in the possession of host nation officials.

(1) Column 1 – enter the name of the country and monetary unit of seized coin/currency (Non-U.S. dollars) in the possession of host nation officials.

(2) Column 2 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

(3) Column 3 – enter the entity to which the host nation official released the coin/currency (Non-U.S. dollars).

(4) Column 4 – enter the amount of the coin/currency (Non-U.S. dollars) released.

(5) Column 5 – enter the sum of Column 2 minus Column 4 (Column 2 – Column 4).

u. Table 2.C – Non-Cash Assets – enter, in table format, a listing of seized non-cash property by category (e.g., jewelry, arms, equipment, artwork, etc.), a brief description and item count in the possession of host nation officials.

(1) Column 1 – enter the category of the non-cash assets.
(2) Column 2 – enter a brief description of the items within the category in Column 1.

(3) Column 3 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

(4) Column 4 – enter the entity to which the host nation official released the non-cash assets.

(5) Column 5 – enter the count of items released.

(6) Column 6 – enter the sum of Column 3 minus Column 5 (Column 3 – Column 5).

v. The disbursing officer certifies the accuracy of the data on the report by signing and dating the report.

w. Footnote the amount of non-U.S. currency in possession of the host nation, but not verified as of the end of the reporting period, and the verified amount of counterfeit U.S. currency for the reporting period.
Figure 6-1. Sample Monthly Inventory Report of Vested and Seized Assets for the Month Ending December 2007

1. VESTED ASSETS

   A. CASH

      1. Beginning Balance $1,700,000,000.00
      2. Less: Disbursements 500,000,000.00
      3. Less: Deposits to Financial Institutions 100,000,000.00
      4. Plus: Collections 100,000,000.00
         4.1 Cash collected back into DO $70,000,000.00
         4.2 Newly Vested Cash in possession
            of Host nation Officials $30,000,000.00
      5. Ending Balance $1,200,000,000.00

   B. NON-CASH PROPERTY VESTED AND DIVESTED (Table 1.B)

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>DESCRIPTION</th>
<th>3. BEGINNING COUNT</th>
<th>4. DIVESTED TO</th>
<th>5. COUNT DIVESTED</th>
<th>6. ENDING COUNT</th>
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<tbody>
<tr>
<td>Jewelry</td>
<td>Gold rings</td>
<td>50</td>
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<tr>
<td>Arms</td>
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<tr>
<td>Artwork</td>
<td>Oil Painting</td>
<td>2</td>
<td>Museum</td>
<td>2</td>
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</tr>
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</table>

2. SEIZED ASSETS

   A. CASH (U.S. DOLLARS)

      1. Beginning Amount Seized (Unverified) $650,000,000.00
      2. Amount Verified (Available for Disbursement) 50,000,000.00
      3. Amount Verified (Counterfeit) 10,000,000.00
Figure 6-1. Sample Monthly Inventory Report of Vested And Seized Assets for the Month Ending December 2007 (Continued)

4. Ending Amount Seized (Unverified) 590,000,000.00
5. Beginning Amount Verified (Available for Disbursement) 0.00
6. Plus: Amount Verified This Period 50,000,000.00
7. Less: Disbursements 25,000,000.00
8. Less: Deposits to Financial Institutions 0.00
9. Plus: Collections 0.00
10. Ending Amount Verified (Available for Disbursement) $25,000,000.00

B. COIN/CURRENCY (NON-U.S. DOLLARS) SEIZED AND RELEASED
(Table 2.B)

<table>
<thead>
<tr>
<th>1. COUNTRY AND UNIT</th>
<th>2. BEGINNING AMOUNT</th>
<th>3. RELEASED TO</th>
<th>4. AMOUNT RELEASED</th>
<th>5. ENDING AMOUNT</th>
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</thead>
<tbody>
<tr>
<td>Italian lira</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Canadian dollar</td>
<td>200</td>
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<tr>
<td>Any foreign currency</td>
<td>1,000</td>
<td>Any Central Bank</td>
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<td>0</td>
</tr>
</tbody>
</table>

C. NON-CASH ASSETS SEIZED AND RELEASED (Table 2.C)

<table>
<thead>
<tr>
<th>1. CATEGORY</th>
<th>2. DESCRIPTION</th>
<th>3. BEGINNING COUNT</th>
<th>4. RELEASED TO</th>
<th>5. RELEASED COUNT</th>
<th>6. ENDING COUNT</th>
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<tbody>
<tr>
<td>Jewelry</td>
<td>Gold bracelets</td>
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<td></td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Equipment</td>
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<td>Coalition Forces</td>
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<tr>
<td>Equipment</td>
<td>100mm howitzer</td>
<td>4</td>
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</tr>
</tbody>
</table>

Footnote: Include amount of non-U.S. currency in possession of the host nation, but not verified as of the end of the reporting period.
Footnote: Include verified amount of counterfeit U.S. currency.

Disbursing Officer Signature________________________________   Date_______________
ANNEX 7 MONTHLY DISBURSEMENT REPORT

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the host nation’s interim government in preparing monthly disbursement reports for vested and seized assets.

B. Responsibilities

The host nation interim government shall prepare monthly reports describing the purposes, amounts and recipients of all cash disbursements of vested and seized assets. This report will include cash disbursements only; non-cash assets, including coin/currency (non-U.S. dollars), either divested or released, are reported in the Monthly Inventory Report of Vested and Seized Assets (Annex 6, Figure 6-1). These reports shall distinguish between disbursements of vested and seized assets. The report must be reconciled with official accounting records.

The host nation interim government shall submit the monthly reports under cover memorandum to the OUSD(C), with copies furnished to the Director, Resource Management, of the designated Executive Agent, no later than close of the tenth business day of the month following the month being reported.

C. Reporting Procedures

1. Follow the report format at Figure 7-1.

2. Instructions

   a. Table 1 – Vested Assets

      (1) Column 1 – enter a brief description of the purpose for the cash disbursements. The descriptions should be the same as the descriptions shown on the spending plans (Annex 4).

      (2) Column 2 – enter a brief description of the recipients of the cash disbursements. The detail information regarding the entity receiving the cash disbursements is required as part of the supporting documentation to the disbursement vouchers as provided for in the Procedures section for host nation interim government (Annex 5).

      (3) Column 3 – enter the dollar amount of the cash disbursements. NOTE: the total of Column 3 will be reported on the Monthly Inventory Report of Vested and Seized Assets, Line 1.A.2 (Annex 6, Figure 6-1).
b. Table 2 – Seized Assets

   (1) Column 1 – enter a brief description of the purpose for the cash disbursements. The descriptions should be the same as the descriptions as shown on the spending plans (Annex 4).

   (2) Column 2 – enter a brief description of the recipients of the cash disbursements. The detail information regarding the individual recipients of the cash disbursements is required as part of the supporting documentation to the disbursement vouchers as provided for in the Procedures section for the host nation interim government (Annex 5).

   (3) Column 3 – enter the dollar amount of the cash disbursements. NOTE: The total of Column 3 will be reported on the Monthly Inventory Report of Vested and Seized Assets, Line 2.A.7 (Annex 6, Figure 6-1).

   c. The disbursing officer certifies the accuracy of the data on the report by signing and dating the report.
Figure 7-1. Sample Monthly Disbursement Report for the Month Ending December 2007

1. **VESTED ASSETS (Table 1)**

<table>
<thead>
<tr>
<th>1. <strong>PURPOSE</strong></th>
<th>2. <strong>RECIPIENTS</strong></th>
<th>3. <strong>AMOUNT</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Payroll</td>
<td>Oil Workers</td>
<td>$25,000,000.00</td>
</tr>
<tr>
<td>Security Alarms</td>
<td>Museum</td>
<td>$50,000,000.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$75,000,000.00</strong></td>
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2. **SEIZED ASSETS (Table 2)**

<table>
<thead>
<tr>
<th>1. <strong>PURPOSE</strong></th>
<th>2. <strong>RECIPIENTS</strong></th>
<th>3. <strong>AMOUNT</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Payroll</td>
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<td>$50,000,000.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$75,000,000.00</strong></td>
</tr>
</tbody>
</table>

**Disbursing Officer**, Host Nation Interim Government  
**DATE**
ANNEX 8 REPORTING OF VESTED AND SEIZED ASSETS ON THE DOD FINANCIAL STATEMENTS

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the designated Executive Agent and the Defense Finance and Accounting Service (DFAS) in preparing consolidated financial statements in support of the host nation interim government’s vested and seized assets.

B. Responsibilities

The Executive Agent and DFAS are responsible for reporting activity of vested and seized assets on the DoD consolidated financial statements.

C. Procedures

1. Seized asset activity shall be reported on the Executive Agent’s financial statements and the DoD consolidated financial statements. These activities relate to the receipt, management, and disposition of cash and negotiable instruments held by the DoD. Nonentity seized cash will be included as Fund Balance with Treasury on the face of the DoD consolidated Balance Sheet and the Executive Agent’s Balance Sheets. The Nonentity Assets Note to the financial statements shall contain sufficient disclosure to provide the reader with an understanding of the source of the seized assets, applicable laws and regulations, and how the assets were used.

2. Vested asset activity shall be reported in the General Fund financial statements of the Executive Agent and on the DoD consolidated financial statements. Vested assets will be distinguishable from other entity assets only in the footnotes to the financial statements. The note to the financial statements shall contain sufficient disclosure to provide the reader with an understanding of the source of the vested assets, applicable laws and regulations, and how the assets were used.

3. Additional information regarding financial statement reporting can be found in Volume 6B and the DFAS Financial Reporting Guidance, “Annual and Quarterly Financial Statement Guidance,” on the OUSD(C) website.
VOLUME 12, CHAPTER 30: “OPERATION AND USE OF GENERAL GIFT FUNDS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated August 2018 is archived.

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<th>PARAGRAPH</th>
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<th>PURPOSE</th>
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<tr>
<td>300102.E</td>
<td>Added statutory reference to Title 10, United States Code, section 1501a(e) for the use any gift of personal property, money, or services made on the condition that the gift be used for the purpose of facilitating accounting for missing persons.</td>
<td>Addition</td>
</tr>
<tr>
<td>300302.C</td>
<td>Included a new Office of the Chief Management Officer (OCMO) designation. According to the new Office of the Chief Management Officer organizational structure, the Director, Administration and Management and the Organizational Policy and Decision Support Directorate merged into the “Administration and Organizational Policy.”</td>
<td>Revision</td>
</tr>
</tbody>
</table>
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CHAPTER 30

OPERATION AND USE OF GENERAL GIFT FUNDS

3001  GENERAL

300101.  Purpose

The purpose of this chapter is to prescribe the overall policy and assigns responsibilities for the acceptance, holding, administration, receipt, recording, reporting, use, investment, distribution, disbursement, and accountability of money, real property, personal property, or services to the Department of Defense (DoD) under Title 10, United States Code (U.S.C.), sections (§§) 2601, 974(d), and 1501a(e).

300102.  Authoritative Guidance

A. 10 U.S.C. § 2601(a)

10 U.S.C. § 2601(a) authorizes the Secretary of Defense and Secretaries of the Military Departments to accept, hold, administer, and spend any gift of money, real property, or personal property made on the condition that the gift be used for the benefit, or in connection with, the establishment, operation, or maintenance, of a school, hospital, library, museum, cemetery, or other institution or organization under a Secretary's jurisdiction.

1. Section 2601(a)(2)(A) authorizes the Secretary of Defense and Secretaries of the Military Departments to accept a gift of services for a military museum program from a nonprofit entity established for the purpose of supporting a military museum program. Employees or personnel of a nonprofit entity who provide a gift of services may not be considered to be employees of the United States.

2. Section 2601(a)(2)(B) authorizes the Secretary of Defense and Secretaries of the Military Departments to solicit from a bona fide collector a gift of books, manuscripts, works of art, historical artifacts, drawings, plans, models, or condemned or obsolete combat materiel for the use and benefit of a military museum program.

B. 10 U.S.C. § 2601(b)

10 U.S.C. § 2601(b) authorizes the Secretary of Defense and Secretaries of the Military Departments to accept, hold, administer, and spend any gift of money, real property, personal property, or services made on the condition that the gift be used for the benefit of the following individuals who are under their jurisdiction.

1. Members of the armed forces, including members performing full-time National Guard duty under 32 U.S.C. § 502(f), who incur a wound, injury, or illness while in the line of duty.
2. Civilian employees of the Department of Defense who incur a wound, injury, or illness while in the line of duty.

3. Dependents of such members or employees.

4. Survivors of such members or employees who are killed.

C. 10 U.S.C. § 2601(e)

10 U.S.C. § 2601(e) authorizes the Secretary concerned to accept a gift under 10 U.S.C. § 2601(a) or 10 U.S.C. § 2601(b) consisting of the provision, acquisition, enhancement, or construction of real property offered to the United States Military Academy, the Naval Academy, and the Air Force Academy even though the gift will be subject to the condition that the real property, or a portion thereof, bear a specified name. Under this authority, Secretary concerned refers to the Secretary of the Military Department responsible for the particular Service Academy.

D. 10 U.S.C. § 974(d)

10 U.S.C. § 974(d) authorizes the Secretary of Defense and Secretaries of the Military Departments to accept contributions of money, personal property, or services on the condition that such money, property, or services be used for the benefit of a military musical unit under the jurisdiction of the Secretary. Any contribution of money must be credited to the appropriation or account providing the funds for such military musical unit and be available for the same purposes, and subject to the same conditions and limitations, as amounts in such appropriation or account.

* E. 10 U.S.C. § 1501a(e)

10 U.S.C. § 1501a(e) authorizes that the Secretary may accept, hold, administer, spend, and use any gift of personal property, money, or services made on the condition that the gift be used for the purpose of facilitating accounting for missing persons. All gifts and bequests of money accepted under this subsection must be deposited in the Department of Defense General Gift Fund.

3002 DEFINITIONS

A. Account. A special account established in the Treasury of the United States for receipt of monetary gifts and proceeds from the sale of real or personal property gifts to the Secretary of Defense or the Military Departments.

B. Acceptance Authorities. Acceptance Authorities are the appropriate concerned Secretary and all designees who may accept gifts pursuant to this chapter. The concerned Secretaries may approve additional delegations.

C. Ethics Counselor. Ethics Counselor is defined as set forth in DoD 5500.7 - R, Joint Ethics Regulation (JER).
D. **Gifts.** Gifts include devises or bequests, and money, real property, personal property, or services collectively referred to herein as gifts.

E. **Prohibited Sources.** Prohibited Sources are defined as set forth in the JER.

F. **Services.** Services include activities that benefit the morale, welfare, or recreation of members of the armed forces and their dependents or are related or incidental to the conveyance of a gift of real or personal property in accordance with the 10 U.S.C. § 2601(b) and 10 U.S.C. § 2601(a)(2)(A) requirements. Performance of services includes non-monetary gifts of services through volunteer gratuitous agreements.

### 3003 DESIGNATIONS

The Secretary of Defense and the Secretaries of the Military Departments may approve additional Acceptance Authority designations under their jurisdiction. The Office of the Secretary of Defense (OSD) designations are as follows:

300301. **Under Secretary of Defense (Comptroller) (USD(C))**

All of the authority and responsibility granted to the Secretary of Defense in 10 U.S.C. § 2601 associated with acceptance and use of such gifts has been delegated to the USD(C) in a letter signed by the Secretary of Defense on May 3, 2007.

300302. **USD(C) Designations**

The USD(C) prescribes additional designations of gift Acceptance Authority to the following OSD Components.

A. **Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)).** On behalf of the Secretary of Defense, the USD(A&S) has authority and responsibilities associated with acceptance and use of such gifts of real property or personal property under 10 U.S.C. §§ 2601(a) and 2601(b) or services under 10 U.S.C. § 2601(b), and may authorize the development of additional procedures for implementing policy in this chapter.

B. **Under Secretary of Defense (Personnel and Readiness (USD(P&R))**. On behalf of the Secretary of Defense, the USD(P&R) has authority and responsibilities associated with acceptance and use of such gifts of personal property under 10 U.S.C. §§ 2601(a) and 2601(b) or services under 10 U.S.C. § 2601(b).

*C. **Administration and Organizational Policy.** On behalf of the Secretary of Defense, the Administration and Organizational Policy has authority and responsibility, including management responsibility, associated with acceptance and use of such gifts of personal property under 10 U.S.C. §§ 2601(a) and 2601(b) or services under 10 U.S.C. § 2601(b).
D. DoD Defense Agencies, Joint Staff, and Combatant Commands. On behalf of the Secretary of Defense, the heads of the DoD Defense Agencies, the Chairman of the Joint Chiefs of Staff, and the Commanders of the Combatant Commands have authority and responsibility associated with acceptance and use of such gifts of personal property under 10 U.S.C. §§ 2601(a) and 2601(b) or services under 10 U.S.C. § 2601(b) valued at $500,000 or less. All gifts over $500,000 must be accepted by the USD(C).

E. Washington Headquarters Services (WHS). On behalf of the Secretary of Defense, the Director of the WHS has authority to accept such gifts of personal property offered to the OSD for use at facilities under his or her authority under 10 U.S.C. §§ 2601(a) and 2601(b). The Director of the WHS also has the authority to accept such gifts of services for the benefit of individuals described in paragraph 300302 at facilities under his or her authority under 10 U.S.C. § 2601(b).

3004 RESPONSIBILITIES

300401. OSD Components

The OSD Components identified in paragraphs 300301 and 300302 and Acceptance Authority designees must ensure compliance with policy in this chapter and must establish procedures to ensure personnel are familiar with the restrictions on accepting gifts and requirements for receiving, recording, reporting, and accounting for gifts.

300402. Military Departments

The Secretaries of the Military Departments and Acceptance Authority designees must ensure compliance with policy in this chapter and establish procedures to ensure personnel are familiar with the restrictions on accepting gifts and requirements for receiving, recording, reporting, and accounting for gifts.

300403. Defense Finance and Accounting Service (DFAS)

The DFAS is responsible for the accounting, investing, and reporting of all such monetary gifts and proceeds from the sale of real property or personal property gifts accepted by the Acceptance Authorities and forwarded to DFAS as prescribed in section 3006.

300404. Under Secretary of Defense (Personnel and Readiness) (USD(P&R))

The USD(P&R) must establish procedures for verifying the eligibility of individuals to receive benefits under 10 U.S.C. § 2601(b) as identified in subparagraphs 300102.B.1-4 and may authorize the development of additional procedures for implementing 10 U.S.C. § 2601(b).
3005 ACCEPTANCE

300501. Circumstances to Decline Acceptance

Acceptance Authorities must decline gifts under the following circumstances.

A. The use of the gift is in connection with any program, project, or activity that would result in the violation of any prohibition or limitation otherwise applicable to such program, project, or activity;

B. The gift or conditions attached to the gift are inconsistent with applicable law or regulations;

C. The use of the gift would reflect unfavorably on the ability of the Department of Defense or any personnel of the Department to carry out any responsibility or duty in a fair and objective manner;

D. The use of the gift would compromise the integrity or appearance of integrity of any program of the Department of Defense or any individual involved in such a program; and

E. Acceptance of the gift would not be in the best interests of the Department of Defense, including but not limited to the following, where it creates or requires:

1. The appearance or expectation of favorable consideration as a result of the gift;

2. The appearance of an improper endorsement of the donor, its events, products, services, or enterprises;

3. A serious question of impropriety in light of the donor’s present or prospective business relationships with the Department of Defense;

4. The expenditure or use of funds in excess of amounts appropriated by Congress;

5. Substantial expenditures or administrative efforts and maintenance that are disproportionate to any benefit;

6. Gift acceptance or the imposition of naming-rights under 10 U.S.C. § 2601(e) that would not reflect favorably upon the Department of Defense; or

7. The real property subject to the gift naming condition has not been named by an act of Congress.
300502. Department of Defense Personnel

Department of Defense personnel must not solicit, fundraise for, or otherwise request or encourage the offer of a gift. Acceptance Authorities must not accept gifts offered contrary to this policy. Notwithstanding this general prohibition, the Secretary of Defense may solicit from a bona fide collector, a gift for the use and benefit of a military museum program in accordance with the provision of 10 U.S.C. § 2601(a)(2)(B).

300503. Related Expenses

Acceptance Authorities may pay all necessary expenses in connection with the conveyance or transfer of a gift.

300504. Offers from Prohibited Sources

Acceptance Authorities must use increased sensitivity and scrutiny when gifts are offered from prohibited sources, as acceptance may cause embarrassment to the Department of Defense or the appearance of influencing official decisions or actions of the Department, and must consult with their appropriate Ethics Counselor before accepting such a gift valued in excess of $10,000 to determine whether the donor is involved in any claims, procurement actions, litigation, or other particular matters involving the Department that should be considered prior to gift acceptance.

300505. Acknowledgement of Future Gifts

Acceptance Authorities may acknowledge offers of future gifts and advise the donors that acceptance will occur after actual presentation of the gifts only when they determine that such acceptance will likely occur.

300506. Acceptance through Intermediaries

Acceptance Authorities must not accept gifts offered indirectly through an intermediary if they could not accept such gifts if offered directly from the source.

300507. Circumstances under 10 U.S.C. § 2601(b)

The following circumstances also apply to gifts accepted pursuant to the authority in 10 U.S.C. § 2601(b).

A. Acceptance Authorities must consult with their appropriate Ethics Counselor before accepting gifts valued in excess of $10,000 to ensure that:

1. The gift is not offered in a manner that specifically discriminates among Department of Defense personnel merely on the basis of type of official responsibility or of favoring those of higher rank or rate of pay; and
2. The donor does not have interests that may be affected substantially by the performance or nonperformance of the Department of Defense employee’s official duties.

B. Acceptance Authorities may not accept a gift of services under 10 U.S.C. § 2601(b) from a foreign government or international organization. They may accept a gift of money, real property, or personal property from a foreign government or international organization under 10 U.S.C. § 2601(b) only if the gift is not designated for a specific individual.

300508. Circumstances under 10 U.S.C. § 2601(e)

The following circumstances also apply to gifts accepted pursuant to the authority in 10 U.S.C. § 2601(e).

A. The authority to accept gifts under section 2601(e) may be delegated by the Secretary concerned only to a civilian Presidential Appointee in a Position Requiring Senate Confirmation. This authority may not be further re-delegated.

B. The Secretary concern must issue uniform regulations governing the circumstances under which gifts conditioned on naming-rights may be accepted, appropriate naming conventions, and suitable display standards. The naming conventions and suitable display standards must be in accordance with Unified Facilities Criteria (UFC) 3-120-01 and other implementing guidance issued under the purview of the USD(A&S).

C. The Secretary concerned or designee must decline conditional gifts offered under section 2601(e) unless the donor agrees in writing that the Military Department retains the right to remove or alter the name if a determination is made that:

1. The donor has committed an immoral act or engaged in unethical conduct;

2. The donor has engaged in activities that reflects unfavorably on the United States; or

3. A subsequent donor offers to significantly alter a facility, and such subsequent gift is worthy of receiving naming-rights.

3006 RECEIPT

300601. Monetary Gifts

All monetary gifts must be forwarded to the DFAS office servicing the Acceptance Authority via mail or an electronic funds transfer (EFT). Department of Defense officials should contact the DFAS for EFT deposit information.
300602. Gift Fund Accounts

Gifts of money and the proceeds of the sale of property gifts must be deposited in the Treasury in the following accounts:

A. The Department of Defense General Gift Fund in the case of deposits made by the Secretary of Defense or Secretary of Defense Acceptance Authority designees.

B. The Department of the Army General Gift Fund, in the case of deposits made by the Secretary of the Army or Secretary of the Army Acceptance Authority designees.

C. The Department of the Navy General Gift Fund, in the case of deposits made by the Secretary of the Navy or Secretary of the Navy Acceptance Authority designees.

D. The Department of the Air Force General Gift Fund, in the case of deposits made by the Secretary of the Air Force or Secretary of the Air Force Acceptance Authority designees.

300603. Accounting Transactions

Accounting entries for monetary, nonmonetary, and service type gifts are specified in the United States Standard General Ledger Standard Financial Information Structure Transaction Library.

3007 RECORDS AND REPORTS

300701. Records

A. Acceptance Authorities must keep accurate, auditable, and timely records of all gifts and provide this information for periodic audits. The receiving organization must obtain and retain in gift fund records the required documentation and information for all gifts received including the date nonmonetary gifts were transferred to property records and the unique identifier or data element, if applicable (see property accountability requirements in section 3009). For audit purposes, the supporting documentation for monetary and nonmonetary gifts must be retained for 6 years and 3 months beyond the life of the asset.

B. Acceptance Authorities must ensure that the following information concerning items sold is documented and retained in the records.

1. A description of each item sold.

2. The name of the donor for each item sold.

3. The date each item was sold.

4. The name of the purchaser for each item sold.
5. The proceeds of the item sold.

6. Details of any relevant specific information regarding each item sold.

7. If applicable, the unique identifier or data element used to track the same or similar nonmonetary item such as a Real Property Unique Identifier from the Department of Defense Real Property Unique Identifier Registry or accountable property data elements (see property accountability policy cited in section 3009).

300702. Reports

A. DFAS Standards and Compliance (Corporate Reporting) must develop and require a standardized report for Acceptance Authorities or designees to use in order to report the following information to DFAS quarterly.

1. A description of the gift.

2. The value of the gift (estimated value if nonmonetary) to include the valuation method used.

3. The name and address of the donor(s).

4. The date each gift was received.

5. The expected useful life of the gift (the length of time in which a depreciable asset is expected to be used).

6. Details of any conditions, restrictions, or other relevant specific information regarding each gift.

7. If applicable, a unique identifier or data element used to track the same or similar nonmonetary items received or shipped from different sources.

8. Statement explaining the benefits of accepting the gift.


B. Acceptance Authorities must report the information in paragraph 300702.A for all monetary gifts and real property gifts along with personal property gifts and services with a unit value of $5,000 or more to the DFAS office servicing each Secretary (Defense, Army, Navy, and Air Force) not later than 10 days after the end of each quarter. Monetary, real property, and personal property gifts must be reported separately.
C. Acceptance Authorities must prepare a separate report entitled "Donations to Military Musical Units under 10 U.S.C. § 974(d)". The report must be submitted to Congress annually for all gifts accepted during the fiscal year by Military Musical Units. A copy of the report must be provided to the OUSD (C), Deputy Chief Financial Officer; and the Office of the Assistant Secretary of Defense for Public Affairs (OASD(PA)), Community and Public Outreach (CPO) division.

D. The DFAS Standards and Compliance (Corporate Reporting) must prepare a report containing the following information and forward the information to the Office of the Under Secretary of Defense (Comptroller) Deputy Chief Financial Officer no later than 30 days after the end of each quarter.

1. Separate summary values for monetary and nonmonetary gifts accepted during the quarter. Also, separate as to the authority, identified in subparagraph 300702.A.9, under which the gift was accepted.

2. A description of all property valued at more than $1 million. In determining whether the $1 million threshold has been met, the following procedures must be used:
   a. The value of similar items accepted during the quarter must be added together.
   b. The value of components which, if assembled, would comprise all or a substantial portion of an item or facility must be added together.

3008 INVESTMENTS

The DFAS must:

A. Invest general gift funds in Government securities until distribution is authorized consistent with good cash management practices;

B. Follow standard operating procedures related to the accounts in paragraph 300602 for purchasing Government securities;

C. Follow standard operating procedures to initiate and complete the sale of Government securities;

D. Maintain a tracking system that identifies impending maturities and collections of securities for the specified account and ensure appropriate reinvestment action is taken upon maturity of a security;

E. Conduct an annual review of the account operations and transactions, including the purchase and the sale of Government securities. The objective of the review will
include compliance with the Department of Defense and the Treasury policies and procedures, and adequacy of internal controls.

3009 PROPERTY ACCOUNTABILITY

Acceptance Authorities must establish procedures for receiving, accounting, and disposing of real and personal property gifts. Property accountability procedures must be addressed or referenced in general gift acceptance procedures. Property accountability procedures must be consistent with policy prescribed in the DoD Instruction (DoDI) 4165.14 “Real Property Inventory and Forecasting”, DoDI 4165.70 “Real Property Management”, DoDI 4165.71 “Real Property Acquisition”, DoDI 4165.72 “Real Property Disposal”, and DoDI 5000.64 “Accountability and Management of DoD Owned Equipment and Other Accountable Property”.
VOLUME 12, CHAPTER 31: “DOD BRANDING AND TRADEMARK LICENSING PROGRAM”

SUMMARY OF MAJOR CHANGES

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<tr>
<td>310102</td>
<td>Added an “Authoritative Guidance” paragraph to allow for easier source identification, and to better align the chapter with standard operating procedures.</td>
<td>Addition</td>
</tr>
<tr>
<td>3102</td>
<td>Added a “Definitions” section to add clarity to frequently used terms seen throughout the chapter.</td>
<td>Addition</td>
</tr>
<tr>
<td>310302.C</td>
<td>Revised the paragraph to include directions to Department of Defense Components regarding the depositing of trademark licensing fees received into the appropriate U.S. Department of the Treasury account.</td>
<td>Revision</td>
</tr>
<tr>
<td>Policy Memo</td>
<td>Incorporated applicable guidance from the Deputy Chief Financial Officer policy memorandum, “Treasury Account Symbols for Licensing of Intellectual Property and Recycling Activities (FPM19-11),” dated August 30, 2019 into this chapter.</td>
<td>Notification</td>
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CHAPTER 31

DOD BRANDING AND TRADEMARK LICENSING PROGRAM

3101 GENERAL

310101. Purpose

This chapter promulgates policy used to account for fees received by the Department of Defense (DoD) from the licensing of trademarks, service marks, certification marks and collective marks. It establishes guidance that is applicable to the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Geographic Combatant Commands, the Office of the Inspector General of DoD, the Defense Agencies, the DoD Working Capital Fund Activities, the DoD Field Activities, and all other organizational entities in DoD (hereinafter referred to as DoD Components).

*310102. Authoritative Guidance

The financial management policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:


C. DoD Directive (DoDD) 5122.05, “Assistant Secretary of Defense for Public Affairs (ASD(PA))”;

D. DoDD 5535.09, “DoD Branding and Trademark Licensing Program”;

E. DoD Instruction 5535.12, “DoD Branding and Trademark Licensing Program Implementation.”

*3102 DEFINITIONS

310201. Branding

A program or process of creating awareness, public goodwill, and a positive image for the DoD and its Components through the marketing and promotion of its marks.

310202. Certification Mark

The term “certification mark” means any word, name, symbol, or device, or any combination thereof –
A. Used by a person other than its owner, or

B. Which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established in 15 U.S.C. § 1127.

310203. Collective Mark

The term “collective mark” means a trademark or service mark –

A. Used by the members of a cooperative, an association, or other collective group or organization, or

B. Which such cooperative, association, or other collective group or organization has a bona fide need to use in commerce and applies to register on the principal register established in 15 U.S.C. § 1127.

310204. Licensee

As used in DoDD 5535.09, this term must include any person, company, or organization whose use of a mark is controlled by a DoD Component with respect to the nature and quality of goods or services on or in connection with which the mark is used.

310205. Licensing Agent

As used in DoDD 5535.09, this term must include any person, company, or organization that serves as an agent of a DoD Component for the purpose of assisting that DoD Component in securing licensees, collecting royalty fees, and/or other operational functions that deal with the DoD Component’s trademark licensing program.

310206. Service Mark

The term “service mark” means any word, name, symbol, or device, or any combination thereof –

A. Used by a person, or

B. Which a person has a bona fide intention to use in commerce and applies to register on the principal register established in 15 U.S.C. § 1127.

310207. Trademark

The term “trademark” includes any word, name, symbol, or device, or any combination thereof –

A. Used by a person, or
B. Which a person has a bona fide intention to use in commerce and applies to register on the principal register established in 15 U.S.C. § 1127.

3103 RESPONSIBILITIES

310301. Assistant Secretary of Defense for Public Affairs

The ASD(PA), in accordance with DoDD 5122.05, is the proponent agency for the DoD Branding and Trademark Licensing Program (BTLP) and has overall responsibility for the operation of the program, defining program costs and establishing procedures to ensure the proper use of program funds.

310302. DoD Components

The DoD Components operating a trademark licensing program under the provisions of 10 U.S.C. § 2260 and DoDD 5535.09 are responsible for ensuring that:

A. A single individual or office is designated within the DoD Component to review and approve all requests for the use of funds deposited into the Component’s designated U.S. Department of the Treasury (Treasury) Account. The designated individual or office must be responsible for ensuring that all funds are used only for authorized purposes. To ensure an independent review of the request, no individual or office may both request and approve the use of such funds. The appointment of this person or office must be done in writing in the form of an appointment order or similar document. A copy of the appointment must be provided to the DoD Component’s supporting representative at the Defense Finance and Accounting Service and to the Manager, DoD BTLP. A record of all requests for the use of funds and the action taken must be retained in accordance with Volume 1, Chapter 9.

B. There is a complete and accurate accounting for all trademark licensing fees received.

C. All trademark licensing fees received by DoD Components are promptly deposited and recorded in the United States Standard General Ledger account 426600, which provides direct budget authority on line 1800 of the Standard Form (SF) 132, Apportionment and Reapportionment Schedule, and SF 133, Report on Budget Execution and Budgetary Resources. DoD Components must obligate and disburse from the designated Treasury Account Symbol only for the purposes specifically authorized in 10 U.S.C § 2260. The use of suspense accounts is prohibited and any remaining balances must be transferred to the designated Treasury account. Guidance on processing collections can be found in Volume 5, Chapter 8.

D. Fees collected are only used for payment of costs incurred in securing trademark registrations and operating the licensing program; and for support of Morale, Welfare, and Recreation (MWR) activities when fees available for a fiscal year exceed the amount needed for payment of such costs.
3104 ACCOUNTING AND REPORTING

310401. Accounting

A. Fees received in a fiscal year must remain available for obligation in such fiscal year and the following two fiscal years.

B. The excess of licensing fees collected over annual costs may be expended to support MWR activities. The law does not require that the excess be obligated in the fiscal year collected. The excess may be used in the two following fiscal years to offset those fiscal year costs of the licensing program or may be expended in support of the DoD Component’s MWR activities.

C. Funds not obligated or made available to MWR activities before September 30 of the second fiscal year following the year collected must be reallocated (transferred) to R3210, “General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified.”

D. Additional accounting codes may be used to separately track unobligated funds carried forward from the fiscal year of collection through the following two fiscal years.

E. Each DoD Component must ensure that all royalty reports received from licensees and/or licensing agents are promptly reviewed and any questions resolved. Copies of royalty reports must be retained in accordance with Volume 1, Chapter 9.

310402. Reporting

Each DoD Component operating a trademark licensing program must provide the Manager, DoD BTLP, with the following financial reports. The Manager, BTLP, may issue guidance prescribing the required format of the reports and the specific information to be provided.

A. Quarterly Reports. The following quarterly reports must be forwarded to the Manager, DoD BTLP, within 30 days following the end of each calendar quarter.

1. Income and Expense Report. The Income and Expense Report must show the total fees received from trademark licensing during the preceding calendar quarter. It should also show the total costs paid for securing trademark registrations and the total costs paid for operating the trademark licensing program.

2. Other Reports. The Manager, DoD BTLP may require other quarterly reports as the Manager deems necessary to assure compliance with DoDD 5535.09.

B. Annual Reports. The following annual reports must be forward to the Manager, DoD BTLP, within 45 days following the end of the fiscal year.
1. Trademark Account Fund Aging Report. The Trademark Account Fund Aging Report must show, in detail, the age of all funds currently in the DoD Component’s Treasury Account for Trademark Licensing and the date on which those funds will expire.

2. MWR Funding Report. The MWR Funding Report must show all funds transferred during the preceding fiscal year to an MWR activity under the control of the Secretary concerned. If more than one MWR activity received funding, the report must identify each activity and the amount it received. If more than one trademark licensing program is operated by a DoD Component, separate reports must be issued for each program.

3. Other Reports. The Manager, DoD BTLP may require other annual reports as the Manager deems necessary to ensure compliance with DoDD 5535.09.
VOLUME 12, CHAPTER 32: “COLLECTION AND RETENTION OF CONFERENCE FEES FROM NON-FEDERAL SOURCES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2009 is archived.

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<td>All</td>
<td>Updated hyperlinks and removed duplicates.</td>
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<tr>
<td>3201</td>
<td>Revised and rearranged the chapter to begin with a “General” section that incorporated the “Purpose” paragraph, and added a new “Authoritative Guidance” paragraph.</td>
<td>Revision</td>
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<td>320201</td>
<td>Moved, “Fiscal limitations on expenditure of appropriated funds for conference expenses apply to use of fees collected under 10 U.S.C. § 2262,” from paragraph 320201 to paragraph 320203. Added the “DoD Cost Guidance Portal” reference which links to guidelines supporting the development of fees and costs estimates supporting hosting or attending conferences.</td>
<td>Revision</td>
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<tr>
<td>320203</td>
<td>Added guidance from DoD Conference Guidance 4.0 (June 2016).</td>
<td>Addition</td>
</tr>
<tr>
<td>320301</td>
<td>Revised subparagraphs A and B to comply with DoD Conference Guidance 4.0, Office of Management and Budget (OMB) Memorandum M-17-08, and section 739 of Public Law 113-235.</td>
<td>Revision</td>
</tr>
<tr>
<td>320303</td>
<td>Deleted subparagraph E as it no longer applies.</td>
<td>Deletion</td>
</tr>
<tr>
<td>320402</td>
<td>Replaced this paragraph with reporting guidance from the DoD Conference Tool and OMB Memorandum M-17-08.</td>
<td>Revision</td>
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CHAPTER 32

COLLECTION AND RETENTION OF CONFERENCE FEES
FROM NON-FEDERAL SOURCES

*3201 GENERAL

320101. Purpose

This chapter establishes the policies to be followed by Department of Defense (DoD) Components to account for conference fees that are collected by the Department of Defense to cover DoD costs. The conference fees are used in accordance with statutory authority in Title 10, United States Code, § 2262 (10 U.S.C. § 2262) which provides authority for the Secretary of Defense to collect fees in advance, either directly or by using a contract, from individuals and commercial participants attending DoD sponsored conferences. This guidance applies to DoD Components, which for the purpose of this chapter, includes the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff or the Joint Staff, the Unified and Specified Combatant Commands, the Office of the Inspector General of DoD, the Defense Agencies, the DoD Working Capital Fund Activities, the DoD Field Activities, and all other organizational entities in DoD.

320102. Authoritative Guidance

A “conference” is defined in the DoD Joint Travel Regulations as a meeting, retreat, seminar, symposium, or event that involves attendee travel. The term conference also applies to training activities that are considered to be conferences in accordance with Title 5, Code of Federal Regulations, section 410.404 (5 CFR § 410.404). Conferences subject to this authority are also often referred to as conventions, expositions, workshops or exhibitions that typically involve topical matters of interest to, and the participation of, multiple agencies and/or non-governmental participants. The DoD Conference Guidance 4.0 identifies exemptions to the defined list of conferences.

3202 POLICY

*320201. Other Federal laws and Regulations

Although 10 U.S.C. § 2262 authorizes the retention of conference fees, all other applicable Federal laws and regulations must be followed regarding conferences and conference planning. These Federal authorities include the DoD Travel Regulations, the Federal Acquisition Regulation (FAR), the DoD FAR Supplement, and the Joint Ethics Regulation. This authority does not increase or affect any other currently existing conference authority. Guidelines related to determining conference fees are available on the DoD Cost Guidance Portal that resides on the DoD Costs Assessment and Program Evaluation web page. Access requires a DoD Common Access Card.
320202. Use of Contracts for Conference Planning, Organizing, or Management

DoD Components collecting fees by contract, to include contractors under no-cost contracts, are authorized to structure such contracts to permit contractors to offset from fees collected, the actual costs incurred by the contractor (to include its fee), in providing conference related services. Fee collections in excess of such amounts must be credited to the appropriation from which other conference costs are payable. DoD Components must be responsible for all other provisions contained in this chapter including the oversight regarding the setting of appropriate fee amounts and the reporting of fees collected and costs paid by the contractor.

*320203. Reimbursement

Collection of conference fees into appropriations is subject to the general rules of appropriation reimbursement as well as specific rules stated in 10 U.S.C. § 2262. Fiscal limitations on expenditure of appropriated funds for conference expenses apply to use of fees collected under 10 U.S.C. § 2262. In accordance with DoD Conference Guidance 4.0, revenue is all direct or indirect conference costs collected or reimbursed to DoD by non-DoD entities. For the purpose of this guidance, revenue includes, but is not limited to registration fees collected, exhibitor fees collected, sponsor fees collected, and total conference costs. Total conference costs should be the net value of the conference expenses, less any fees or revenue received by the Department through the conference.

320204. Ethics and Fiscal Guidance

Ethics restrictions found in the Standards of Ethical Conduct for Employees of the Executive Branch are applicable to the execution of conferences. Also follow guidance prescribed by the DoD Office of the General Counsel (See DoD’s Standards of Conduct Office (SOCO) paper on Conference Sponsorship and Conference Planning. In addition, DoD conference managers should consult with their own component General Counsel to ensure compliance with applicable laws and regulations.

3203 RESPONSIBILITIES

*320301. Office of the Under Secretary of Defense (Comptroller), Office of the DoD Chief Management Officer (OCMO)

   A. Secretary and Deputy Secretary of Defense - The Secretary and Deputy Secretary of Defense are accountable for all of the Department's conference related activities. Specifically with overseeing the DoD's conference policies and controls, and maintaining visibility and accountability for the conduct of conferences hosted by the Department and attended by Department personnel through Component reporting as required by legislation. Agencies are obligated to ensure reporting requirements to Congress on conference costs and fees collected are met, in accordance with the Office of Management and Budget (OMB) Memorandum M-17-08 and section 739 of Public Law 113-235, “Consolidated and Further Continuing Appropriations Act of 2015,” and reported through the DoD Conference Tool in adherence with the standards of the DoD Conference Guidance 4.0.
B. **DoD Deputy Chief Management Officer** – In accordance with the DoD Conference Guidance 4.0, and consistent with the guidance codified in the OMB Memorandum M-17-08, the DoD Deputy Chief Management Officer is responsible for DoD’s conference oversight on behalf of the Secretary and Deputy Secretary of Defense, to include maintaining the DoD Conference Guidance 4.0 policy and controls, and executing the reporting requirements contained in section 320402. The Deputy Chief Management Officer is authorized to act on behalf of the Secretary and Deputy Secretary on all conference related matters.

320302. Defense Finance and Accounting Service (DFAS)

The DFAS must:

A. Establish a process for collecting data needed to meet conference fees statutory reporting requirements.

B. Ensure conference fee collections and disbursements are processed and recorded accurately and timely, consistent with DoD policy.

C. Take corrective action when issues accounting for these funds arise.

320303. DoD Components

The DoD Components sponsoring conferences under the provisions of 10 U.S.C. § 2262 must:

A. Adhere to established chapter OUSD(C), P/B reporting requests.

B. Develop and implement internal operating procedures and guidance to ensure complete, accurate, timely, and proper accounting and reporting for all conference fees collected, and relevant financial data.

C. Ensure that conference fees collected are only used to offset associated allowable conference expenses. Use of registration fees to pay unallowable costs is prohibited, illegal, and improper; and reduces the amount of fees that would otherwise be available to pay allowable costs.

D. Collaborate with DFAS to establish a process for collecting data needed to meet statutory reporting requirements.

E. As needed, provide training to employees on using this authority.

F. Monitor conference fee collections and disbursements to assess operational or financial problems.
G. Ensure all conference fees collected directly by the Government are promptly deposited and recorded in the appropriate account. When fees are collected by contract as described in paragraph 320202, promptly deposit and record amounts that are in excess of actual conference costs offset by the contractor. To avoid having to credit excess fee collections to Miscellaneous Receipts, fees (attendance, vendor, and other) should be structured so as not to exceed the anticipated costs of the conference. Guidance on processing collections can be found in Volume 5, Chapter 10.

H. Assist the OUSD(C) in any investigations into funding violations.

I. Determine the conference fee amounts that are excess and promptly transfer to Receipt Account 3210, “General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified.” Excess fees collected must not be used to finance expenditures of a succeeding conference or for any other purpose. Because the statute does not allow the retention of funds in excess of costs incurred, doing so would improperly augment agency funds otherwise available for funding conference expenses.

J. Ensure that conference fees collected for one conference are not used to fund for other conferences. If more than one conference is funded by a DoD Component, the Component must maintain records sufficient to separately account for fee collections for each conference.

K. Maintain all records supporting conference fees collected under this authority in accordance with Volume 1, Chapter 9.

3204 ACCOUNTING AND REPORTING

320401. Accounting

A. Accounting for collections into appropriations is covered in the United States Standard General Ledger Standard Financial Information Structure Transaction Library.

B. Except when conference planning services at no cost to the government are used and the government entity does not directly collect fees, amounts collected in accordance with 10 U.S.C. § 2262 with respect to a conference must be credited to the appropriation or account from which the costs of the conference are paid and must be used to pay or reimburse those costs of the Department with respect to the conference. Record conference fees collected as an appropriation reimbursement.

C. The registration fees collected must remain with the year that funds for the conference are obligated. In the event registration fees are collected in one fiscal year but the conference is conducted in the next, the fees collected must remain in the year the conference expenses were obligated and must be available for the same purpose and time period of that appropriation.
D. Components, agencies and activities which collect conference fees into appropriations may not augment those appropriations. Accordingly, any fees collected which exceed actual conference costs must be deposited to 3210.

*320402. Reporting

A. In accordance with DoD's Conference Policies and Controls, all DoD sponsored conferences are required to be reported through a central DoD Conference Tool. This data is used to generate the annual reports that are posted publically and support the Department's ongoing oversight of conference activities. Conference fees are not reported as a separate entity; they are reported within conference expenses as a net of any fees or revenue received through the conference, not to include costs. Detailed guidance on conference expense reporting requirements and thresholds can be found in the DoD Conference Policies and Controls, and in the DoD Conference Tool.

B. In accordance with OMB Memorandum M-17-08, "Promoting Efficient Spending to Support Agency Operations," agencies must report conference expenses on a dedicated space on their official website. Conference expenses are defined as all direct and indirect conference costs paid by the Government, whether paid directly by agencies or reimbursed by agencies to travelers or others associated with the conference but do not include funds paid under Federal grants to grantees. Conference expenses include any associated authorized travel and per diem expenses, hire of rooms for official business, audiovisual use, light refreshments, registration fees, ground transportation, and other expenses as defined by the Federal Travel Regulations.

1. By January 31 of each year, the agency must provide a description of all agency-sponsored conferences from the previous fiscal year where the net expenses for the agency associated with the conference were in excess of $100,000. This description must include:

a. Total conference expenses incurred by the agency for the conference.

b. The location of the conference.

c. The date of the conference.

d. A brief explanation how the conference advanced the mission of the agency.

e. The total number of individuals whose travel expenses or other conference expenses were paid by the agency.

2. In addition, for any instances where the net expenses for an agency-sponsored conference exceeded $500,000, the website must include the agency designated official's rationale and approval.
The website must also include information in the appropriate format (e.g., narrative) about the total net conference expenses for the fiscal year incurred by that agency as well as a general report about conference activities throughout the year.

3. In reporting this data, agencies must exclude any information that is considered to be sensitive, that is prohibited from public disclosure by statute or regulation, or that may jeopardize national security or the health, safety or security of conference attendees, organizers, or other individuals.
**VOLUME 12, CHAPTER 33: “FINANCIAL INSTITUTIONS ON DOD INSTALLATIONS”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

This is the initial publication.

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<td>All</td>
<td>This chapter contains policy on the establishment, support, operation and termination of banks and credit unions operating on Department of Defense (DoD) installations worldwide, to include Military Banking Facilities (MBFs) previously found in Volume 5, Chapter 34.</td>
<td>New</td>
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<td>All</td>
<td>Reorganized paragraphs 3301 and 3302 to confirm to the requirements of subsection 030105.A. of the June 2015 DoD FMR revised Standard Operating Procedures. Reorganization impacted the numbering sequence of subsequent paragraphs and sections.</td>
<td>New</td>
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<td>Multiple</td>
<td>Updated references and related hyperlinks.</td>
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<td>330303.B.3</td>
<td>Updated the mailing information for the Air Force Central Locator Service.</td>
<td>Revision</td>
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<td>330308</td>
<td>Removed the words “allotments or” in previous chapter.</td>
<td>Revision</td>
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<tr>
<td>330311.E</td>
<td>Removed the words “credit and”, and consolidated subparagraph 340411.E.1 of previous chapter with 340411.E.</td>
<td>Revision</td>
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<td>330311.E.2</td>
<td>Deleted subparagraph 340411.E.2 of previous chapter since it is addressed in Volume 7A, Chapter 42, section 4202.</td>
<td>Deletion</td>
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<td>330407.D</td>
<td>Updated dollar threshold for construction projects requiring notification to Congress from $500,000 to $750,000.</td>
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CHAPTER 33

FINANCIAL INSTITUTIONS ON DOD INSTALLATIONS

3301 GENERAL

330101. Purpose

This chapter prescribes guidance governing the establishment, support, operation and termination of banks and credit unions operating on Department of Defense (DoD) installations worldwide, to include Military Banking Facilities (MBFs). This chapter also provides guidance intended to ensure that arrangements for the provision of services by financial institutions are consistent among DoD Components, and that financial institutions operating on DoD installations provide, and are provided, consistent support. In addition to the DoD Components cited in Chapter 1, this chapter applies to the Uniformed Services University of the Health Sciences, all DoD nonappropriated fund instrumentalities including the Military Exchange Services and morale, welfare and recreation (MWR) activities, and all other organizations within DoD.

330102. Authoritative Guidance

This chapter implements policy pertaining to financial institutions operating on DoD installations. This policy is contained in DoD Instruction 1000.11, “Financial Institutions on DoD Installations,” and codified in Title 32, Code of Federal Regulations, Part 230.

3302 RESPONSIBILITIES

330201. The Under Secretary of Defense (Comptroller)

The Under Secretary of Defense (Comptroller) (USD(C)) shall develop policies governing establishment, operation, and termination of financial institutions on DoD installations.

330202. The Under Secretary of Defense (Acquisition, Technology and Logistics)

The Under Secretary of Defense (Acquisition, Technology and Logistics) (USD(AT&L)) shall monitor policies and procedures governing logistical support furnished to financial institutions on DoD installations, including the use of DoD real property and equipment.

330203. The Under Secretary of Defense (Personnel and Readiness)

The Under Secretary of Defense (Personnel and Readiness) (USD(P&R)) shall advise the USD(C) on all aspects of on-base financial institution services that affect the morale and welfare of DoD personnel.
330204. The Director, Defense Finance and Accounting Service shall:

A. Develop procedures governing banks and credit unions on DoD installations for promulgation in this Regulation.

B. For domestic DoD installations, coordinate with the Secretaries of the Military Departments (or designees) on requests from subordinate installation commanders to establish or terminate banking offices or on-base credit unions. For overseas DoD installations, coordinate with the Secretary of the Military Department concerned (or designee) on requests from subordinate installation commanders to establish or discontinue the provision of financial services from the on-base financial institution under contract with DoD or to establish or terminate banking offices or credit unions located on DoD installations.

C. In coordination with affected DoD Components, authorize the specific types of banking services that will be provided by overseas MBFs and specify the charges or fees, or the basis for these, to be levied on users of these services.

D. Coordinate with the Fiscal Assistant Secretary of the Treasury on the designation of domestic and overseas MBFs as depositaries and financial agents of the U.S. Government.

E. Designate a technical representative to provide policy direction for the procuring and administrative contracting officer(s) responsible under the Federal Acquisition Regulation (FAR) for acquiring banking services required at overseas DoD installations.

F. Serve as principal liaison with banking institutions having offices on overseas DoD installations. In this capacity, monitor MBF managerial and operational policies, procedures, and operating results and take action as appropriate.

G. As necessary, assist in the formation of government-to-government agreements for the provision of banking services on overseas DoD installations, in accordance with DoD Directive 5530.3, “International Agreements.”

H. Provide procedural guidance to DoD Components, as required.

I. Maintain liaison with financial institution trade associations, leagues, and councils in order to interpret DoD policies toward respective memberships and aid in resolving mutual concerns affecting the provision of financial services.

J. Coordinate with the USD(P&R), through the USD(C), on all aspects of morale and welfare and with the USD(AT&L), through the USD(C), on all aspects of logistic support for on-base financial institutions.
K. Monitor industry trends, conduct studies and surveys, and facilitate appropriate dialogues on banking and credit union arrangements and cost-benefit relationships, coordinate as necessary with DoD Components, financial institutions, and trade associations as appropriate.

L. Maintain liaison, as appropriate, with financial institution regulatory agencies at federal and state levels.

M. Ensure that recommendations of the Combatant Commands are considered before processing requests for overseas banking and credit union service or related actions.

N. Maintain a listing of all geographic franchises assigned to credit unions serving DoD overseas installations.

330205. Secretaries of the Military Departments (or designees) shall:

A. For domestic DoD installations, take action on requests from subordinate installation commanders to establish or terminate financial institution operations in accordance with this guidance. For overseas DoD installations, take action in accordance with guidance contained herein on requests from subordinate installation commanders to establish or discontinue the provision of financial services from the DoD contracted banking institution, or to establish or terminate other financial institutions located on DoD installations.

B. Provide for liaison to those financial institutions that operate banking offices on respective domestic DoD installations.

C. Oversee the use of banking offices and credit unions on respective DoD installations within the guidance contained herein.

D. Evaluate the services provided and related charges and fees by respective on-base banking offices and credit unions to ensure that they fulfill the requirements upon which the establishment and retention of those services were justified.

E. Monitor practices and procedures of respective banking offices and credit unions to ensure that the welfare and interests of DoD personnel as consumers are protected.

F. Assist on-base banking offices and credit unions to develop and expand necessary services for DoD personnel consistent with this Regulation.

G. Encourage the conversion of existing domestic MBFs on respective installations to independent or branch bank status where feasible.

H. Provide logistical support to overseas MBFs under terms and conditions identified in this Regulation as well as with the applicable terms of DoD contracts with financial institutions responsible for the operations of overseas MBFs.
I. Refer matters requiring policy decisions or proposed changes to this Regulation to the USD(C) through the Director, DFAS.

J. Monitor and encourage the use of financial institutions on DoD installations to accomplish the following ends.

1. Facilitate convenient, effective management of the appropriated, nonappropriated, and private funds of on-base activities.

2. Assist DoD personnel in managing their personal finances through participation in programs such as direct deposit and regular savings plans, including U.S. Savings Bonds. The use of on-base financial institutions shall be on a voluntary basis and should not be urged in preference to, or to the exclusion of, other financial institutions.

K. Encourage and assist duly chartered financial institutions on domestic DoD installations to provide complete financial services to include, without charge, basic financial education and counseling services. Financial education and counseling services refer to basic personal and family finances such as budgeting, checkbook balancing and account reconciliation, benefits of savings, prudent use of credit, how to start a savings program, how to shop and apply for credit, and the consequences of excessive credit.

L. Establish liaison, as appropriate, with federal and state regulatory agencies and financial institution trade associations, leagues, and councils.

M. Make military locator services available to on-base financial institutions in accordance with the Privacy Act guidelines in Figure 33-1.

N. Permit DoD personnel to serve on volunteer boards or committees of on-base financial institutions, without compensation, when neither a conflict of duty nor a conflict of interest is involved, in accordance with DoD Directive 5500.07, “Standards of Conduct.”

O. Allow DoD personnel to attend conferences and meetings that bring together representatives of on-base financial institutions, when neither a conflict of duty nor a conflict of interest is involved, in accordance with DoD Instruction 1327.06, “Leave and Liberty Policy and Procedures” and DoD Instruction 1400.25, Volume 630, “DoD Civilian Personnel Management System: Leave”.

330206. Commanders of the Combatant Commands shall:

A. Ensure the appropriate coordination of the following types of requests affecting financial institutions overseas.

1. Establish financial institutions in countries not presently served. Such requests will include a statement that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy and that the host country will permit the operation.
2. Eliminate any or all financial institutions on DoD installations within a foreign country. Such requests will include a statement that the U.S. Chief of Diplomatic Mission has been informed and that appropriate arrangements to coordinate local termination announcements and procedures have been made with the U.S. Embassy.

B. Monitor and coordinate military banking operations within the command area. Personnel assigned to security assistance positions will not perform this function without the prior approval of the Director, Defense Security Cooperation Agency (DSCA).

330207. Commanders of Major Commands and Subordinate Installation Commanders shall:

A. Monitor the banking and credit union program within their commands.

B. Coordinate requests to establish or construct bank and credit union offices or terminate logistical support as specified in this Regulation to banks and credit unions within their commands. Personnel assigned to overseas security assistance positions will not monitor, coordinate, or assist in military banking operations without the prior approval of the DSCA.

C. Assign, as appropriate, responsibility for subparagraphs 330207.A and B, to comptroller or resource management personnel.

D. Cooperate with financial institution associations, leagues, and councils.

E. Recognize the right of all DoD personnel to organize and join credit unions and promote the credit union movement in DoD worldwide.

F. Permit DoD personnel to serve on volunteer boards or committees of on-base financial institutions, without compensation, when neither a conflict of duty nor a conflict of interest is involved, in accordance with DoD Directive 5500.07.

G. Allow DoD personnel to attend conferences and meetings that bring together representatives of on-base financial institutions, when neither a conflict of duty nor a conflict of interest is involved, in accordance with DoD Instruction 1327.06 and DoD Instruction 1400.25, Volume 630.

H. Seek the provision of financial services only from existing on-base financial institutions, proposing alternatives only where on-base financial institutions fail to respond favorably to a valid requirement.

I. Ensure to the maximum extent feasible, that all financial institutions operating on that installation are given the opportunity to participate in pilot programs to demonstrate new financial-related technologies or establish new business lines (e.g., in-store banking) where the respective DoD Component has determined that the offering of such services is warranted.
J. Approve requests for termination of financial services that are substantiated by sufficient evidence and forwarded to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) shall coordinate such requests with the USD(C)/CFO, through the Director, DFAS, before notifying the appropriate regulatory agency.

3303 GENERAL POLICY PROVISIONS

330301. Financial Institutions on DoD Installations

In accordance with DoD Instruction 1000.11, financial institutions or branches thereof, shall be established on DoD installations only after approval by the Secretary of the Military Department concerned (or designee) and the appropriate regulatory agency.

A. Except in limited situations overseas, only banking institutions insured by the Federal Deposit Insurance Corporation and credit unions insured by the National Credit Union Share Insurance Fund, or by another insurance organization specifically qualified by the Secretary of the Treasury, shall operate on DoD installations. These financial institutions may either be State or federally chartered; however, U.S. credit unions operated overseas shall be federally insured.

B. MBFs shall be established on DoD installations only when a demonstrated and justified need cannot be met through other means. The provisions for the Department of the Treasury to establish MBFs are contained in Title 12, United States Code (U.S.C.), section 265. Normally, MBFs shall be authorized only at overseas locations. This form of financial institution may be considered for use at domestic DoD installations only when the cognizant DoD Component has been unable to obtain, through normal means, financial services from a State or federally chartered financial institution authorized to operate in the State in which the installation is located. During mobilization, it may become necessary to designate additional MBFs as an emergency measure. The Director, DFAS, may recommend the designation of MBFs to the Department of the Treasury.

C. Expansion of financial services (to include in-store banking) requiring the outgrant of additional space or logistical support shall be approved by the installation commander. Any DoD activity or financial institution seeking to expand financial services shall coordinate such requests with the installation bank and credit union liaison officer prior to the commander’s consideration.

D. Retail banking operations shall not be performed by any DoD Component. Solicitations for such services shall be issued, or proposals accepted, only in accordance with the policies identified in DoD Instruction 1000.11 or this chapter.

E. Installation commanders shall not seek the provision of financial services from any entity other than the on-base banking office or credit union.
F. Military disbursing offices, nonappropriated fund instrumentalities (including MWR activities and the Military Exchange Services), and other DoD Component activities requiring financial services shall use on-base financial institutions to the maximum extent feasible.

G. Nonappropriated fund instrumentalities (including MWR activities and the Military Exchange Services) that desire and are authorized to provide accommodation exchange services shall acquire foreign currency from the servicing MBF at the MBF wholesale rate and sell it at a rate of exchange no more favorable than the customer rate available at the MBF.

330302. Security

The installation commander (or designee) and officials of the on-base financial institutions shall work with the installation security authorities to establish an understanding as to each entity’s responsibilities. The on-base financial institutions are encouraged to establish an ongoing relationship with installation security authorities on all matters of asset protection.

A. A written agreement shall be established outlining the security procedures that the financial institution will follow and the role that installation security authorities will play with regard to alarms, movement of cash, and procedures to be followed in response to criminal activity (e.g., armed robbery).

B. Cash and other assets in on-base banking offices and credit unions are the property of those financial institutions. Maintenance of alarms and use of armored cars is the sole responsibility of the on-base financial institution. The on-base financial institution is also solely responsible for the guarding or escorting of cash unless a determination is made by the installation commander that providing such services is desirable or necessary.

330303. Central Locator Services

Military locator services shall be provided per the Privacy Act guidelines in Figure 33-1.

A. When appropriate, installations will process financial institution requests for central locator service to obtain military addresses of active duty personnel. This service will be used to locate persons for settling accounts, and recovering funds on checks that did not clear or loans that are delinquent or in default (see DoD Instruction 1344.09). If delinquent loans or dishonored checks are not recouped within 48 hours, financial institutions operating on DoD installations may bring this information to the attention of the local commander, bank liaison officer, or other designee for assistance in effecting restitution of the amount due, if not otherwise prohibited by law. The financial institution will pay the appropriate fee for each request to the respective Military Department (see Volume 11A, Chapter 4).
B. The DoD Components shall assist financial institutions to locate DoD personnel whose whereabouts cannot be locally determined. The request should be on the financial institution’s letterhead, include the Service member’s name and social security number, and cite the cognizant Military Service regulation that authorizes the use of locator services. If a financial institution needs immediate service, the cognizant institution official should contact the bank or credit union liaison officer.

1. For addresses of Department of the Army active, retired and separated personnel, financial institutions may telephone (502) 613-4400 or write to:

   Department of the Army
   U.S. Army Human Resources Command
   Attn: AHRC-FOI
   1600 Spearhead Division Ave.
   Fort Knox, KY 40122-5504

2. For addresses of Department of the Navy active, retired and separated personnel, financial institutions may telephone 866-U-ASK-NPC ((866)-827-5672)) or write to:

   Navy World Wide Locator
   Navy Personnel Command
   PERS 1
   5720 Integrity Dr.
   Millington, TN 38055-3120

* 3. For addresses of Department of the Air Force active, retired and separated personnel, financial institutions may telephone (210) 565-2660 or write to:

   Air Force Personnel Center
   HQAFPC/DS1W
   550 C Street West
   JBSA Randolph AFB, TX 78150-4752

4. For addresses of United States Marine Corps active, retired and separated personnel, financial institutions may telephone or write to:

   Active                      Retired/Separated
   U.S. Marine Corps           U.S. Marine Corps
   HQMC Code MMSB              HQMC Code MMSR
   2008 Elliot Road            3280 Russell Road
   Quantico, VA 22134-5030     Quantico, VA 22134-5103
   (800) 268-3710              (703) 784-9304/5
330304. Advertising

A. An on-base financial institution may use the unofficial section of that installation’s daily bulletin, provided space is available, to inform DoD personnel of financial services and announce seminars, consumer information programs, and other matters of broad general interest. Announcements of free financial counseling services are encouraged. Such media may not be used for competitive or comparative advertising of, for example, specific interest rates on savings or loans.

B. An on-base financial institution may use installation bulletin boards, newsletters or web pages to post general information that complements the installation’s financial counseling programs and promotes financial responsibility and thrift. Message center services may distribute a reasonable number of announcements to units for use on bulletin boards so long as this does not impose an unreasonable workload.

C. An on-base financial institution may include an insert in the installation’s newcomers package (or equivalent). This insert should benefit newcomers by identifying the financial services that are available on the installation.

D. DoD Manual 5120.20 prevents use of the Armed Forces Radio and Television Service to promote a specific financial institution.

E. Off-base financial institutions are not permitted to distribute competitive literature or forms on the installation. These institutions, however, may use commercial advertising, mailings or telecommunications to reach their customers.

F. Advertising in government-funded (official) installation papers is not permitted with the exception of insert advertising in the Stars and Stripes overseas. Installation newspapers funded by advertisers are not official publications and, thus, may include advertising paid for by any financial institution.

G. Installation activities, including Military Exchange Services and concessionaire outlets, shall not permit the distribution of literature from off-base financial institutions if there is an on-base financial institution. This does not prevent the Military Exchange Services from distributing literature on affinity credit card services that those Military Exchange Services may acquire centrally through competitive solicitation.

330305. Service

On-base financial institutions are encouraged to install Automated Teller Machines (ATMs) at those installation(s) on which they are located.

A. ATMs are considered electronic banking services and, as such, shall be provided only by financial institutions that are chartered and insured in accordance with the provisions of paragraph 330301.
B. Financial institutions that propose to install ATMs on DoD installations shall bear the cost of ATM installation, maintenance and operation. The installation commander may enter into an agreement with the on-base financial institution wherein the installation may acquire and provide ATMs to on-base financial institutions under certain circumstances, such as when it is advantageous to the government to have one or more ATMs available for use but the acquisition cost to the financial institution is prohibitive. No ATM shall be purchased by an installation unless approved by the Secretary of the Military Department concerned (or designee). In all such cases, installation costs and all logistic support shall be borne by the financial institution.

C. ATM approval authority is as follows:

1. The installation commander has approval authority when an on-base financial institution wishes to place an ATM on the installation. This approval should be reflected as an amendment to the operating agreement.

2. Where there is no on-base financial institution, follow the solicitation procedures to obtain financial services set forth in paragraphs 330403 and 330602.

D. The availability of ATM service shall not preclude the later establishment of a banking office should conditions change on an installation.

E. Proposals by an installation commander to install ATMs on domestic installations from other than on-base financial institutions, including the Military Exchange Services, MWR activities and/or other nonappropriated fund instrumentalities, shall be considered only when (1) ATM service is unavailable or existing service is inadequate, and (2) only when the on-base financial institution(s) either declines to provide the service, fails to improve existing service so that it is adequate, or does not formally respond to the request for such service within 30 days of the date of the request. Any ATM service from other than on-base financial institutions is considered an exception to policy. The procedures to establish an on-base financial institution set forth in paragraphs 330403 and 330602, shall be followed when soliciting for such ATM services. Proposals offering shared-access ATMs (e.g., ATMs operated by two or more financial institutions where their accountholders are not assessed any or all fees applicable to non-accountholders) shall receive preference.

F. ATM service from foreign banking institutions may be authorized on overseas installations with or without MBFs operated under contract where the installation or community commander determines that a bona fide need exists to support local national hires. On installations with MBFs operated under contract, the MBFs shall be the primary source of the ATM service except when a determination has been made by the cognizant contract program office that providing the service is either not cost effective or precluded by pertinent status of forces agreements, other intergovernmental agreements or host-country law. In those instances where ATM service from foreign banking institutions is authorized and provided by other than the on-base financial institution, ATM connectivity shall be limited to host country networks and the ATMs shall dispense only local currency (no U.S. dollars). The operating agreement covering ATM service shall be negotiated by the installation or community commander and
submitted for approval by the appropriate Combatant Commander (or designee) prior to its execution. A copy of the operating agreement will be forwarded through DoD Component channels to the DFAS.

330306. Domestic and International Treasury General Accounts

In cases where authorization will be required for the on-base banking office or credit union to act as a Treasury General Account (TGA) domestic depositary (or, on overseas installations, an International Treasury General Account (ITGA) depository), the financial institution shall satisfy the risk management standard established by the Secretary of the Treasury. Local operating funds may be used if the on-base financial institution requests reimbursement for costs incurred. On-base financial institutions shall accept deposits for credit to the TGA (or ITGA) when so authorized.

330307. Staffing

A. On-base financial institutions shall be staffed adequately (i.e., commensurate with industry standards for similar numbers of accountholders and financial services rendered). Staffing at overseas MBFs operated under DoD contract shall be maintained within negotiated ceilings.

B. All staffing shall comply fully with applicable equal employment opportunity laws and with the spirit of DoD equal employment opportunity policies as set forth in DoD Directive 1440.1.

C. DoD personnel, excluding military retirees and their dependents, may not serve as directors of domestic or foreign banking institutions operating banking offices on those DoD installations where they currently are assigned. This does not preclude a member of a Reserve Component, who has been serving as a director of a domestic or foreign banking institution operating a banking office on a DoD installation, from retaining his or her directorship if called to active duty.

D. DoD personnel may not be detailed to duty with an on-base financial institution located on a DoD installation. Off-duty personnel, however, may be employed by an on-base financial institution subject to approval by the installation commander (or designee). Such employment must not interfere with the performance of the individual's official duties and responsibilities.

330308. Departure Clearance

The installation commander establishes the clearance policy for all DoD personnel leaving the installation. The on-base financial institutions shall be included as places requiring clearance. The purpose of a clearance is to report change of address, reaffirm outstanding debts, and receive financial counseling, if desired or appropriate. Clearance may not be denied in order to collect debts or resolve disputes with financial institution management.
330309. Financial Education

A. Officials of on-base financial institutions shall be invited to take part in seminars to educate personnel on personal financial management and financial services. Financial institutions shall be encouraged to provide financial education and counseling services as an integral part of their financial service offerings. Officials of on-base financial institutions shall submit advance briefing texts for approval by the installation commander to ensure that the program is not used to promote services of a specific financial institution.

B. DoD personnel who tender uncollectible checks, overdraw their accounts or fail to meet their financial obligations in a proper and timely manner damage their credit reputation and adversely affect the public image of all government personnel. For uniformed personnel, military financial counselors and legal advisors shall recommend workable repayment plans that avoid further endangering credit ratings and counsel affected personnel to protect their credit standing and career. Counselors shall ensure that such personnel are aware of the stigma associated with bankruptcy and difficulties in obtaining future credit at reasonable rates and terms and shall recommend its use only when no other alternative will alleviate the situation.

330310. Operating Agreements

A. Before operations of an on-base banking office or credit union begin, a written operating agreement (See Figure 33-2) and the appropriate real estate outgrant (i.e., a lease, permit or license issued as identified in paragraphs 330405, 330406, 330407, 330604, 330605, and 330606) shall be negotiated directly between the installation commander and officials of the designated financial institution. Thereafter, the operating agreement shall be jointly reviewed by the installation commander and the financial institution at least once every 5 years. The operating agreement shall define the basic relationship between the on-base financial institution and the installation commander and identify mutual support activities such as hours of operation, service fees and security provided. One copy of the agreement shall be sent through command channels to the Secretary of the Military Department concerned (or designee). A copy of the agreement shall be maintained by the installation commander and the banking office or on-base credit union. At a minimum, the agreement shall include the following provisions:

1. Identification of services to be rendered and the conditions for service. Full financial services shall be provided where feasible. Agreements, however, may not restrict either entity’s right to renegotiate services and fees.

2. Agreement by both parties to comply with this Regulation and DoD Instruction 1000.11 (codified in 32 CFR, 231).

3. Agreement by the on-base financial institution that it will furnish copies of its financial reports and other local publications on an “as needed” basis in response to a formal request from the installation commander (or designee).
4. Agreement that the on-base financial institution will indemnify and hold harmless the U.S. Government from (and against) any loss, expense, claim, or demand to which the U.S. Government may be subjected as a result of death, loss, destruction, or damage in conjunction with the use and occupancy of the premises caused in whole or in part by agents or employees of the on-base financial institution.

5. Agreement that neither DoD nor its representatives shall be responsible or liable for the financial operation of the on-base financial institution or for any loss (including criminal losses), expense, or claim for damages arising from operations.

6. Agreement by the on-base financial institution (or any successor) that it will provide no less than 180 days advance written notice to the installation commander before ceasing operations.

7. Specification of the security services to be provided for guarding cash shipments, at times of unusual risk to the financial institution, and to avoid excessive insurance costs charged to that institution.

8. Statement that the physical security for cash and negotiable items will be in a manner consistent with the requirements of the on-base financial institution’s insurer. A copy of those requirements will be provided to the installation commander on request.

9. Statement that the financial institution, whenever possible, will accommodate local command requests for lectures and printed materials for consumer credit education programs. Officials invited to participate in such programs shall not use the occasion to promote the exclusive services of a particular financial institution.

10. Agreement that the financial institution will reimburse the installation for the provision of logistical support (such as custodial, janitorial, and other services provided by the government) at rates set forth in the lease or agreement between the installation and the financial institution.

11. Statement that on-base financial institution operations shall be terminated, when required, under provisions specified in this Regulation.

B. Approved expansion of services will be documented as an amendment to the existing operating agreement between the installation commander and the on-base financial institution. The amendment to the operating agreement and any required lease (to include a change to an existing lease) shall be in place prior to the initiation of new financial services or offices.

330311. Installation Financial Services

A. Retail banking operations shall not be performed by any DoD Component or nonappropriated fund instrumentality including the Military Exchange Services and MWR activities or any other organizational entity within DoD.
B. Financial services provided on DoD installations will be as uniform as possible for all personnel. As separately negotiated, or based on a fee schedule, custodians of nonappropriated funds shall compensate on-base financial institutions for services received. Compensation may be made with compensating balances or paying fees based on the services provided or a combination of these payment mechanisms. Fees shall not exceed the charge customary for the financial institution less an offsetting credit on balances maintained. Banking offices shall classify nonappropriated fund accounts as commercial accounts.

C. At a minimum, banking offices shall provide the same services to individuals and nonappropriated fund instrumentalities as are available in the surrounding geographic area.

D. On-base financial institutions may conduct operations during normal duty hours provided they do not disrupt the performance of official duties. Operating hours shall be set, in consultation with the bank or credit union liaison officer, to meet the needs of all concerned. ATMs may be used to expand financial services and operating hours.

E. DoD personnel may use their allotment of pay privileges to establish sound savings practices through on-base financial institutions. The on-base financial institution shall credit customer accounts not later than the deposit date of the allotment check or electronic funds transfer.

F. In accordance with sound lending practice, policies on loans to individuals are expected to be as liberal as feasible while remaining consistent with the overall interests of the on-base financial institution. On-base financial institutions shall conform to the Standards of Fairness principles before executing loan or credit agreements.

G. On-base financial institutions shall make basic financial education and counseling services available without charge to individuals seeking these services. Financial education and counseling services refer to basic personal and family finances such as budgeting, checkbook balancing and account reconciliation, benefits of savings, prudent use of credit, how to start a savings program, how to shop and apply for credit, and the consequences of excessive credit. DoD personnel in junior enlisted or civilian grades, or newly married couples who apply for loans, shall be given special attention and counseling.

H. On-base financial institutions must strive to provide the best service to all customers. On-base financial institutions that evidence a policy of discrimination in their services are in violation of Volume 12, Chapter 33. In resolving complaints of discrimination, use the procedures specified in subparagraph 330408.H.

I. All correspondence regarding on-base financial institutions, and questions concerning their operation that cannot be resolved locally, shall be referred through command channels to the Secretary of the Military Department concerned (or designee) for consideration.
3304  DOMESTIC BANKS

330401. General Policy

Given their role in promoting morale and welfare, on-base banks shall be recognized and assisted by DoD Components at all levels.

330402. Establishment

A. The following information shall be included in the installation commander’s request to the Secretary of the Military Department concerned (or designee) for establishment of banking offices:

1. The approximate number of DoD personnel at the installation, and other persons who may be authorized to use the banking office.

2. The distance between the installation and the financial institutions in the vicinity, and the names of those institutions.

3. Available transportation between the installation and the financial institutions listed in subparagraph 330402.A.2.

4. The number of DoD personnel in duty assignments that confine them to the installation or who cannot obtain transportation (such as hospital patients).

5. The name and location of the depositary used to make official deposits for credit to the TGA.

6. A list of organizational and nonappropriated fund accounts, the name and location of the financial institutions where deposited, and the average daily activity and balance of each account.

7. A written description and photographs of the space proposed for banking office use.

8. A statement listing the requirements of the proposed banking office for safes and a vault, alarm systems, and surveillance equipment, when necessary.

9. Reasons for use of space controlled by the General Services Administration (GSA). All the GSA-assigned space, whether leased space or federal office building space, is reimbursable to the GSA at the standard level user charge. As such, space occupied by a banking office to serve military needs will be assigned and charged by the GSA.

10. Any other information pertinent to the establishment of a banking office.
B. The Secretary of the Military Departments (or designee) shall:

1. Review each request for the establishment of banking offices.

2. Conduct a solicitation for the services when warranted.

3. Approve proposals for banking offices.

4. Notify the selected financial institution either directly or through the installation commander. The selected banking institution will, in turn, obtain operating authority from their regulating agencies.

5. Forward proposals to establish TGAs to the DFAS for subsequent forwarding to the Fiscal Assistant Secretary of the Treasury in accordance with Chapter 5.

330403. Solicitations

The Secretary of the Military Department concerned (or designee), or the installation commander with advice from the cognizant Secretary of the Military Department (or designee), shall conduct solicitations to include pre-proposal conferences for on-base banking. Subject to the criteria for selection outlined in subparagraph 330403.D, the preferred sources of on-base financial services at domestic installations are federally-insured, state-chartered or federally-insured, federally-chartered banking institutions operating in the local area. Subparagraph 330403.A addresses distribution of the solicitation only and does not preclude any federally-insured, state-chartered or federally-insured, federally-chartered banking institution from responding at any stage (from local distribution in subparagraph 330403.A.1, to publication in FedBizOpps and financial institution trade journals as outlined in 330403.A.3) of the solicitation process. No commitment may be made to any banking institution regarding its proposal until a designation is made by the appropriate regulatory agency.

A. Solicitations for banking services shall be accomplished in the following order:

1. Solicitation letters will be sent to local banking institutions and a solicitation announcement will be published in the local newspaper(s) and forwarded to financial institution associations.

2. If the Secretary of the Military Department concerned (or designee) or, where delegated, the installation commander, determines that the geographic scope of the solicitation needs to be expanded, a prospectus will be forwarded to financial institutions in a larger geographic area, as well as financial institution associations and regulatory authorities in the state where the installation is located.
3. If the Secretary of the Military Department concerned (or designee) or, where delegated, the installation commander, determines that the geographic scope of the solicitation needs to be expanded further, the prospectus will be published in FedBizOpps and financial institution trade journals.

B. For solicitations conducted at the installation level, the installation commander shall review proposals to establish banking offices, select the banking institution making the best offer and forward a recommendation to the Secretary of the Military Department concerned (or designee) for final approval.

C. Banking institutions shall not be coerced when banking arrangements are under consideration or after banking offices are established. If otherwise proper, this prohibition does not preclude:

1. Discussions with banking institutions prior to submitting a proposal for a new banking office.

2. Helping banking offices extend their operations in support of an installation requirement.

3. Discussions with banking institutions to improve services or to create savings for the banking institution or DoD personnel.

4. Seeking proposals for banking service as directed by the Secretary of the Military Department concerned (or designee).

5. Negotiations preparatory to signing a banking agreement.

D. When soliciting for banking services, proposals shall be evaluated on specific factors identified in the solicitation. These factors, at a minimum, shall be predicated on the services to be provided as outlined in Figure 33-2, paragraph 3, the financial institution’s schedule of service fees and charges, and the extent of logistical support required. Prior to issuance of the solicitation, the preparing office shall identify (for internal use during the subsequent evaluation period) the weights to be applied to the factors reflected in the solicitation. Proposals shall be evaluated and ultimate selection made based upon the factors and weights developed for the solicitation.

E. The Secretary of the Military Department concerned (or designee), or the installation commander with advice from the cognizant Secretary of the Military Department (or designee), shall make the selection of the banking institution based on the provisions outlined in this section.

330404. Terminations

A. Requests for termination of financial services shall be approved by the installation commander, substantiated by sufficient evidence and forwarded to the Secretary of
the Military Department concerned (or designee). The termination of banking office operations shall be initiated by the installation commander only under one of the following conditions:

1. The mission of the installation has changed, or is scheduled to be changed, thereby eliminating or substantially reducing the requirement for financial services.

2. Active military operations prevent continuation of on-base financial services.

3. Performance of the banking office in providing services is not satisfactory according to standards ordinarily associated with the financial services industry or is inconsistent with the operating agreements or the procedures prescribed herein.

4. When merger, acquisition, change of control or other action results in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) shall terminate the operating agreement with the existing banking institution. When the merger, acquisition, change of control or other action does not result in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) shall initiate a novation action of the operating agreement identifying the change in control.

B. The installation commander shall forward requests for termination to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) shall coordinate all termination actions with the USD(C), through the Director, DFAS, before notification to the appropriate regulatory agency. Subsequent to this coordination process:

1. The Secretary of the Military Department (or designee) shall inform the regulatory agency of the action.

2. The installation commander shall revoke the authority of the financial institution to operate. The lease will be terminated.

C. Any banking office that intends to terminate its operations should notify the installation commander at least 180 days before the closing date. This notification should precede any public announcement of the planned closure. When appropriate, the commander shall attempt to negotiate an agreement permitting the banking office to continue operations until the installation has made other arrangements. Immediately upon notification of a closing, the commander shall advise the DoD Component headquarters concerned. If it is determined that continuation of banking services is justified, action to establish another banking office shall be taken in accordance with paragraph 330403.

330405. Use of Space, Logistical Support, and Military Real Property for Domestic Banks Land Leases

A. Lease Terms
1. The consideration for a lease shall be determined by appraisal of fair market rental value in accordance with 10 U.S.C. 2667. Periodic reappraisals shall be based upon the fair market rental value exclusive of the improvements made by the banks.

2. The term of the lease shall not exceed 5 years except where the banking institution uses its own funds to improve existing government space as outlined in subparagraph 330405.E. If space occupied is assigned by the GSA, charges to financial institutions for space and services shall be at the GSA standard level user rate.

3. Leases shall include the following provisions:
   a. The government has the right to terminate the lease due to national emergency; installation inactivation, closing, or other disposal action; or default by the lessee.
   b. The lessee shall provide written notice 180 days prior to voluntarily terminating the lease.
   c. Upon a lease termination, the government has the option to cause the title of all structures and other improvements to be conveyed to the United States without reimbursement, or require the lessee to remove the improvements and restore the land to its original condition.

B. Logistical Support

1. The banking office shall be housed in a building accessible to DoD personnel on the installation and in a location permitting reasonable security.

2. Banking institutions shall perform all maintenance, repair, improvements, alterations, and construction on the banking premises.

3. Banking institutions shall pay for all utilities (i.e., electricity, natural gas or fuel oil, water and sewage), heating and air conditioning, intra-station telephone service, and custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal) at rates set forth in the lease, operating agreement or other written agreement between the installation and the banking institution.

C. Leases executed before the issuance of Volume 12, Chapter 33 may not be altered solely as a result of the provisions of Volume 12, Chapter 33 unless a lessee specifically requests a renegotiation under these provisions. No lease may be negotiated or renegotiated, nor may any rights be waived or surrendered without compensation to the government.

D. When a banking institution participates in the construction of a shopping mall complex the lease shall cover only land where the banking office physically is located.
E. When a banking institution uses its own funds to improve existing government space, leases, for a period not to exceed 25 years subject to periodic review every 5 years to assess changes in fair market value, may be negotiated for a period commensurate with the appraised value of the leasehold improvements divided by the annual lease fee.

330406. Land Leases

A. A lease for construction of a building to house a banking office shall be at the appraised fair market rental value. Charges shall apply for the term of the lease not to exceed 25 years, subject to periodic review every 5 years to assess changes in fair market value.

B. If determined to be in the government's interest, an existing lease of land may be extended prior to expiration of its term. Passage of title to facilities shall be deferred until all extensions have expired. Such extensions shall be for periods not to exceed 5 years with lease payments set at the appraised fair market rental of the land only as determined on the date of each such extension. Banking institution lessees shall continue to maintain the premises and pay for utilities and services furnished.

C. When, under the terms of a lease, title to improvements passes to the government, arrangements normally will be made as follows:

1. When the square footage involved exceeds that authorized in the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F), the banking institution shall be given first choice to continue occupying the excess space under a lease that provides for fair market rental for the land underlying that excess space.

2. The charge for continued occupancy of improved space by a banking office shall be at fair market rental value only for the associated land. The lessee shall continue to maintain the premises and pay the cost of utilities and services furnished.

330407. Construction

Banks may construct buildings subject to the following provisions:

A. The building shall be solely for the use of the banking institution and may not provide for other commercial enterprises or government instrumentalities.


C. Construction Projects Approval Authority:

1. Projects costing $25,000 or more shall be approved by the Major Command with an information copy sent to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) shall have 30 days to provide comments to the Major Command before final approval can be granted.
2. Projects costing less than $25,000, to include interior alterations and room or office additions to existing banking offices, shall be approved by installation commanders. Copies of approvals, including the identification of project cost, shall be furnished to the Secretary of the Military Department concerned (or designee).

* D. The Congress shall be notified of all construction projects, using other than appropriated funds and costing over $750,000, in accordance with DoD Instruction 7700.18, “Commissary Surcharge, Nonappropriated Fund (NAF), and Privately Financed Construction Reporting Procedures.”

E. Proposals for construction of structures on installations at a banking institution’s expense shall be reviewed and reported in accordance with regulations of the Military Department concerned. The following information shall be listed to support each proposal:

1. Number of DoD personnel at the installation plus others who may use the banking office
2. Square footage of the proposed building
3. Land area to be leased to the banking institution
4. Term of the lease
5. Estimated cost of construction
6. Estimated fair market value of the land to be leased
7. A statement that the banking institution will be responsible for utility connections and other utility and maintenance costs
8. A statement that the building will be used only for financial services
9. A statement that financial institution officials understand the potential loss of the building in the event of installation closure or other delimiting condition

F. Banks shall pay for interior alterations and maintenance as well as utilities, custodial, and other furnished services.

G. Banks shall pay all construction costs.
330408. Bank Liaison Officer

Each installation commander having an on-base banking office shall appoint a Bank Liaison Officer (BLO). The BLO’s name and duty telephone number shall be displayed prominently at each banking office on the installation. As appropriate, the BLO’s responsibility shall be assigned to comptroller or resource management personnel. Employees, officials or directors of a financial institution may not serve as BLOs. The BLO shall:

A. Ensure that the banking institution operating the banking office has the latest version of Volume 12, Chapter 33.

B. Ensure that traveler’s checks and money orders are not being sold by other on-base organizations when banking offices are open for business. Postal units and credit unions, however, are exempt from this restriction. Also, ensure that other financial services, to include vehicle financing on domestic installations, are offered only by the banking office.

C. Attend financial workshops, conferences, and seminars as appropriate. These gatherings offer excellent opportunities for personnel of financial institutions and the Department to improve the military banking program. Free discussion among the attendees gives an excellent forum for planning, developing, and reviewing programs that improve financial services made available to DoD personnel and organizations.

D. Assist, when requested by the banking office manager or the installation commander, in locating and collecting from individuals tendering uncollectible checks, overdrawing accounts, or defaulting on loans (within the guidelines of Figure 33-1) if not otherwise prohibited by law.

E. Maintain regular contact with the banking office manager to confer and discuss quantitative and qualitative improvements in the services provided. In executing this authority, the BLO shall not become involved in the internal operations of the financial institution.

F. Review the schedule of service charges and fees annually, and ensure that the operating agreement is updated at least every 5 years. Renegotiate the financial services offered and related service charges and fees as necessary.

G. Assist in resolving customer complaints about banking services.

H. Assist in resolving complaints of discrimination with financial services by the banking institution. If a complaint cannot be resolved, a written request for investigation shall be forwarded to the appropriate regulatory agency. Any such request must document the problem and command efforts taken toward its resolution. Information copies of all related correspondence shall be sent through channels to the Secretary of the Military Department concerned (or designee) for transmittal to the DFAS.
I. Assist the installation commander to report to the appropriate regulatory agency any evidence suggesting malpractice by banking office personnel.

330409. In-Store Banking

Under the direction and approval of the installation commander, an on-base financial institution may provide in-store banking within the premises of a commissary operated by the Defense Commissary Agency, a Military Exchange, or any other on-base retail facility.

A. Provision of the requested services, and any associated stipulations, shall be documented as an amendment to the existing operating agreement between the installation commander and the on-base financial institution that will provide in-store services.

B. The amendment to the operating agreement shall be drafted through close coordination between the requesting DoD Component representative, the on-base financial institution representative, the bank liaison officer, and the installation commander (or designee). The final amendment shall be signed by the installation commander and the on-base financial institution with the acknowledgement of the DoD Component that will host the in-store banking operation.

C. The installation commander shall extend the opportunity to provide the requested in-store banking services to all financial institutions located on the installation. Space shall be granted by the installation commander through a lease to the banking institution that will provide in-store service. The selection process must ensure an impartial and thorough process to select the best on-base financial institution to provide in-store banking services when such services are desired and approved by the installation commander. Consistent with DoD Component delegation, the final decision to solicit for an in-store banking office rests with the installation commander. The DoD Component seeking in-store banking (e.g., in buildings operated by the Defense Commissary Agency, Military Exchange Services and MWR activities) shall draft the solicitation letter. Close coordination among all cognizant DoD organizations is essential throughout the selection process.

1. The need for in-store banking service may be identified from either:

a. An unsolicited proposal from an on-base financial institution,

b. A DoD Component’s request, or

c. An installation commander’s request.

2. The cognizant installation commander (or designee) is responsible for assessing the environment and authorizing the Bank/Credit Union Liaison Officer(s) to pursue the acquisition of in-store banking services. If no authorization is given, no further action is required.
3. The cognizant installation commander shall determine whether a solicitation is required. (A solicitation shall be required whenever there are two or more financial institutions on a DoD installation.) If no solicitation is required, then the Bank/Credit Union Liaison Officer shall work directly with the on-base financial institution to obtain the requested services. Where there is neither a banking office nor an on-base credit union, use the solicitation process outlined in paragraph 330403, as supplemented by the provisions outlined in subparagraph 330409.A.

4. The solicitation letter shall identify the financial services being requested and classify these services as either mandatory or optional. In addition, the solicitation letter shall highlight any services that will be weighed as more important than others during the evaluation of the proposals. Any space consideration and terms of the proposed agreement also shall be identified in the letter.

5. The installation commander (or designee) formally shall notify the selected financial institution and request that institution to coordinate with the proper activity to begin any construction, modifications or renovations necessary to open the in-store banking office. The cognizant facility management personnel shall begin the process of obtaining the necessary outgrant instruments. Concurrently, the requesting DoD Component representative and the financial institution representative shall draft the appropriate amendment to the operating agreement. The amendment should contain provisions regarding: (a) the roles and responsibilities of all parties involved, (b) the financial services to be provided, and (c) the logistical support arrangements to include custodial services and security provisions. The amendment should be coordinated with the Bank/Credit Union Liaison Officer(s) prior to forwarding that document to the installation commander for signature. The amendment shall be signed by the installation commander (or designee) and the appropriate financial institution official with a copy furnished to the Secretary of the Military Department concerned (or designee) and the Director, DFAS (or designee).

330410. Domestic Military Banking Facilities

A. Domestic Military Banking Facilities (MBF) Establishment

1. Requests to establish MBFs shall be made only when a need for services cannot be met by other means. During mobilization, however, MBFs may be designated as an emergency measure.

* 2. Installation commanders shall send requests for an MBF with justification for its establishment through the Secretary of the Military Department concerned (or designee) to the Director, DFAS, for coordination with the Department of the Treasury. The Department of the Treasury may approve the designation of an MBF under provisions of 12 U.S.C. 265.

3. MBF operations may begin only after approval for MBF status is granted by the Department of the Treasury.
B. MBF Conversion

1. Where MBFs exist, installation commanders shall encourage their conversion to independent or branch banks.

2. Proposals from the on-base banking institution to convert an existing MBF to an independent or branch bank shall be sent through command channels to the Secretary of the Military Department concerned (or designee) for approval. The Secretary of the Military Department (or designee) shall forward the request to the Director, DFAS, for coordination with the Department of the Treasury.

3. Unsolicited proposals from banking institutions to establish independent or branch banks where an MBF exists shall be forwarded through command channels to the Secretary of the Military Department concerned (or designee). Each proposal shall be evaluated on its own merits.

   a. The installation commander shall inform the banking institution operating the MBF that an unsolicited proposal for a banking office has been received and shall offer that incumbent institution the opportunity to submit its own proposal.

   b. Preference to operate an independent or branch bank shall be given to the banking institution that has operated the MBF, provided that the banking service previously rendered has been satisfactory and that the institution’s proposal is adequate.

C. MBF Termination

The Director, DFAS, shall coordinate the termination of a financial institution’s authority to operate an MBF with the Department of the Treasury.

3305 OVERSEAS BANKS

330501. General Provisions of Banking Services Overseas

The Department acquires banking services overseas for use by authorized persons and organizations from the following sources.

A. MBFs operated under contract and authorized by the pertinent status of forces agreement, other intergovernmental agreements, or host-country law.

B. Domestic and foreign banking institutions located on overseas DoD installations. Each such institution shall be:

1. Chartered to provide financial services in that country.

2. A party to a formal operating agreement with the installation commander to provide such services.
3. Identified, where applicable, in the status of forces agreements, other intergovernmental agreements, or host-country law.

330502. Establishment

A. Overseas MBFs Operated Under Contract. Installation or community commanders requiring banking services will send a request through command channels to the Secretary of the Military Department concerned (or designee) for concurrence and subsequent transmittal to the Director, DFAS, for approval.

1. Requests to establish MBFs shall include, but are not limited to, the following information:

   a. The approximate number of DoD personnel at the installation and in the community and any other persons who may be authorized to use the MBF.

   b. The distance between the installation and the nearest MBF and credit union office, the names; addresses, and telephone numbers of the operators of those institutions; and the installations and communities where they are located.

   c. The availability of official and public transportation between the installation or community and the nearest MBF and credit union office.

   d. The name and location of the depository used to make official deposits for credit to the TGA.

   e. A list of organizational and nonappropriated fund accounts, the name and location of the financial institutions where deposited, and the average daily activity and balance of each account.

   f. A written description and photographs or drawings of the space proposed for MBF use. The extent and approximate cost of required alterations, including the construction of counters and teller cages.

   g. A statement that recognizes the logistical support, including equipment, to be provided by the local command as detailed in paragraph 330503. The statement will include the costs of such equipment and the manner in which it will be acquired.

   h. In countries where no MBFs currently are operated under contract, a statement from the cognizant Combatant Command that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy and that the host country will permit the operation in accordance with subparagraph 330206.A.1.

   i. Any other pertinent information to justify the establishment of an MBF.
2. As a general rule, MBFs may be established only when the installation or community population meets the following criteria:

   a. **Full-time MBF.** Except in unusual circumstances, a total of at least 1,000 permanent military personnel and DoD civilian employees is necessary to qualify for a full-time MBF.

   b. **Part-time MBF.** Except in unusual circumstances, a total of at least 250 permanent military personnel and DoD civilian employees is necessary to qualify for a part time MBF.

3. If the population at a certain remote area is not sufficient to qualify under the criteria for full-time or part-time MBFs, the installation or community commander will explore all other alternatives for acquiring limited banking services before requesting establishment of an MBF as an exception to these provisions. Alternatives to limited banking services include installation of ATMs and check cashing and accommodation exchange service by disbursing officers and their agents.

4. Establishment of an overseas MBF is predicated on and requires:

   a. Designation of the MBF contractor as a depositary and financial agent of the U.S. Government by the Department of the Treasury.

   b. The availability of banking contractors interested in bidding for the operation of the facility and the viability of such proposals.

   c. The availability of appropriated funds to underwrite such banking services.

   d. Establishment of a U.S. dollar currency custody account to support banking operations.

B. **Other Overseas Banking Offices.** Where a need for financial services has been identified and either (1) the banking and currency control laws of certain host countries do not permit MBFs to operate on DoD installations or (2) MBFs, where permitted, have not been established, then the following applies:

1. Installation or community commanders shall send requests for banking services or unsolicited proposals from foreign banking institutions to their Major Commands with supporting data as required in paragraph 330402.A.

2. Major Commands shall forward installation or community commander requests to the Secretary of the Military Department concerned (or designee) for approval. The Secretary of the Military Department concerned (or designee) shall coordinate with the DFAS to seek the designation of the parent foreign banking institution as a depositary and financial agent of the U.S. Government by the Department of the Treasury.
3. Banking offices in this category cannot become operational until the foreign parent banking institution has been designated a depositary and financial agent of the U.S. Government. The institution also shall indicate a willingness and ability to provide collateral backing for any official and nonappropriated fund U.S. dollar deposits. Any collateral pledged shall be in a form acceptable to the DFAS and the Department of the Treasury.

330503. Logistical Support

A. Overseas MBFs Operated Under Contract

1. Given that appropriated funds support those MBFs that are operated under contract, installation or community commanders shall provide the MBFs logistical support to the maximum possible extent. Such support normally includes:

   a. Adequate office space, including steel bars; grillwork; security doors; a vault, safes, or both; security alarm systems and camera surveillance equipment (where deemed necessary) that meet documented requirements of the MBF contractor’s insurance carrier; construction of counters, teller cages, and customer and work areas; necessary modifications and alterations to existing buildings; and construction of new MBF premises, if necessary.

      (1) The size and arrangement of space should permit efficient operations. Space assigned may not exceed that prescribed in the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

      (2) All maintenance, repair, rehabilitation, alterations, or construction for banking offices shall comply with guidelines established by the installation commander.

   b. Office space in a building that is accessible to most users and permits the maximum security. In addition, office space for MBF area and district administrations and storage space for retention of records, files, and storage of supplies.

   c. DoD housing on a rental basis to assigned MBF staff that are designated as key and essential MBF managerial personnel who are unable to find suitable, reasonably priced housing in the vicinity of the DoD installation, subject to the assignment procedures and other requirements of DoD 4165.63-M, “DoD Housing Management.”

   d. Education, on a space-available, tuition-paying basis, provided by the DoD Education Activity to minor dependents of assigned staff.

   e. Air conditioning, which is considered a normal utility for banking offices located at installations that qualify for air conditioning under applicable regulations. Banking space is classified as administrative space at military installations.
f. Utilities (i.e., electricity, natural gas or fuel oil, water and sewage), heating, intra-station telephone service, and custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal).

g. Defense Switched Network (DSN) voice and data communication to include, where feasible, internet access.

h. Military guards, civilian guards (for use within the installation), military police, or other protective services to accompany shipments of money. This level of protective service also shall be provided at other times as required to include replenishment of ATM currency and receipts, alarm system failures, and to avoid undue risks or insurance costs on the part of the MBF.

i. U.S. Military Postal Service access in accordance with DoD Directive 5101.11E, “DoD Executive Agent for the Military Postal Service (MPS) and Official Mail Program (OMP).” Use of free intra-theater delivery system (IDS) is authorized for all routine mail sent and received between Army Post Offices (APOs) and Fleet Post Offices (FPOs) within a theater.

j. Office equipment and furniture on memorandum receipt if available from local stock. If office equipment or furniture is unavailable, statements of nonavailability shall be issued.

k. Vehicle registration and fuel sales from government-owned facilities for bank-operated vehicles if not in conflict with host government agreements. Vehicle registration shall be subject to normal fees.

l. Issuance by local commanders of invitational travel orders, at no expense to the U.S. Government when required for official onsite visits by U.S. based banking institution officials.

2. Suggestions for changes to the logistical support provisions of the MBF contract may be forwarded for consideration through command channels to the Director, DFAS.

B. Other Overseas Banking Offices

1. Logistical support provided to such offices will be negotiated with the parent foreign banking institution and incorporated into the written operating agreement.

2. Logistical support shall not exceed that provided to contract MBFs, as specified in 330503.A.
330504. Operations

A. General Conditions of MBF Operation

1. Before initiating MBF operations, a written agreement shall be negotiated directly and signed by the installation or community commander and a senior official of the banking contractor or other financial institution concerned. One copy of the agreement with U.S. banking contractors and two copies of the agreement with institutions other than U.S. banking contractors shall be forwarded through command channels to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) shall forward one copy of the agreement with institutions other than U.S. banking contractors through command channels to the Director, DFAS. A copy of the agreement also shall be maintained at all times by the installation or community commander and the banking institution manager.

2. For MBFs operated by U.S. banking contractors, the agreement shall state operating details not set forth in the contract. Though the contract limits the number of operating hours per week, local commanders and MBF managers should set days and hours of operation to best meet local needs. Operating times may include Saturdays and evening hours when necessary to complement other retail services for DoD personnel, provided the contractor can implement that service at no additional cost to the government. When added cost is involved, the commander shall send a request including reasons for expanded or modified times of operation, through command channels, to the Secretary of the Military Department concerned (or designee) for action. If approved, the request, with recommendations, shall be forwarded to the Director, DFAS (or designee).

B. Overseas MBFs Operated Under Contract

1. General. Overseas MBFs shall operate under terms and conditions established at the time of contract negotiations and confirmed in respective contracts or contracting officer determinations.

2. Authorized Customers. DoD banking contracts specify the personnel authorized to receive service. Additionally, overseas major commanders may approve banking services for other individuals that qualify for individual logistic support under the regulations of the DoD Component concerned, provided that the use of banking services is not precluded by status of forces agreements, other intergovernmental agreements, or host-country law.

3. Services Rendered. DoD banking contracts specify the services to be rendered and related charges. Suggestions for expansion or modification of authorized services, fees or charges may be forwarded through DoD Component channels to the Director, DFAS. Proposals for any new service must be coordinated with the appropriate Combatant Command and U.S. Chief of Diplomatic Mission or U.S. Embassy to make certain that the proposal does not conflict with the status of forces agreements, other intergovernmental agreements, or host-country law.
4. Regulation to be Provided. The Director, DFAS (or designee) shall advise each U.S. banking contractor operating an overseas MBF of Volume 12, Chapter 33 and furnish a copy to the contractor.

5. Conditions of Operation

a. Part-time and payday service MBFs shall provide limited services that mirror, to the extent feasible, those provided by full-time MBFs. Since part-time MBFs operate out of nearby MBFs, installation or community commanders shall provide and fund transportation and guards for their operation.

b. Any deficiency of banking services under DoD banking contracts shall be reported to the manager of the MBF within 7 calendar days of noting the deficiency. If the problem has not been corrected within 30 calendar days after being noted, the commander shall report the problem through DoD Component channels to the Director, DFAS (or designee).

c. The MBF contractor and military disbursing officers shall establish cash management practices that minimize the cash required to conduct business.

d. Commanders shall assist MBF contractors to develop and update contingency plans for banking services in the event of hostilities or other emergencies.

e. MBF provision of foreign currency shall be in accordance with Volume 5, Chapter 13.

C. Other Overseas Banking Offices

1. Authorized Customers. The list of authorized customers shall be negotiated between the installation commander and the foreign banking institution and shall be reflected in the operating agreement. The list of authorized customers included in the operating agreement shall be consistent with the applicable status of forces agreement, other intergovernmental agreements, or host-country law.

2. Services Rendered. Services and charges shall parallel, whenever practical, the services and charges of MBFs operated under contract. Specific services shall be negotiated and included in the agreement with the foreign banking institution. A copy of the agreement shall be sent through DoD Component channels to the Director, DFAS (or designee).

3. Operating Agreements. Before agreements are executed, they will be coordinated with and approved by the cognizant Combatant Command (or designee).

4. Conditions of Operation. A foreign banking institution shall provide equipment (except that furnished by the installation or community), supplies, and trained personnel.
D. Relocation of MBF

1. When an MBF is moved from one location to another at the same installation or community, the commander shall notify the cognizant Military Department, through command channels. The Military Department shall forward the information to the Director, DFAS (or designee).

2. For all other relocations, prior approval from the Director, DFAS (or designee) shall be obtained through DoD Component channels.

E. Comments. Installation or community commanders shall send their banking comments through DoD Component channels to the Director, DFAS (or designee) for any of the following:

1. Major changes in installation population that would affect use of the MBF.

2. Opinion that the space assigned is not adequate for the efficient operation of the MBF including a statement concerning corrective action.

3. Suggestions that might improve the MBF operation, increase efficiency, or decrease costs.

4. Pending developments that may have a material impact on the MBF operation.

F. Bank Liaison Officer. The duties of the BLO are outlined in paragraph 330408.

330505. Termination

Requests to eliminate any or all MBFs in a foreign country shall include documentation that the U.S. Chief of Diplomatic Mission has been informed and that arrangements for local termination announcements and procedures have been made with the U.S. Embassy.

A. Overseas MBFs Operated Under Contract. In cases where an installation or community no longer can justify overseas MBF operations, the commander shall notify the Secretary of the Military Department concerned (or designee) through command channels.

1. The report shall state whether a part-time MBF should be established and specify the days each week that the MBF would be needed.

2. The Secretary of the Military Department (or designee) shall send this report with recommendations to the Director, DFAS (or designee).
B. Other Overseas Banking Offices. Termination actions, when required, shall be taken in accordance with the applicable clauses in the operating agreement. Notice of intent to terminate, including the closing date, shall be sent through DoD Component channels to Director, DFAS (or designee), who shall notify the Department of the Treasury so that the foreign banking institution's authority as a Depositary and Financial Agent of the U.S. Government at that location may be revoked.

3306 DOMESTIC CREDIT UNIONS

330601. General Policy

Given their role in promoting morale and welfare, on-base credit unions shall be recognized and assisted by DoD Components at all levels. These financial institutions shall provide services to DoD personnel of all ranks and grades within their respective fields of membership.

330602. Establishment

A demonstrated need for credit union services may be addressed by establishing a new full-service credit union or by opening a branch office or facility of an existing credit union under the common bond principle.

A. DoD personnel seeking to establish a new full-service credit union shall submit a proposal to the installation commander for review. In addition to the information identified in subparagraph 330402.A, the proposal shall include a request for the establishment of a field of membership that includes all personnel at the installation. Upon installation commander concurrence, the proposal shall be forwarded through DoD Component channels to the Secretary of the Military Department (or designee).

B. The Secretary of the Military Department concerned (or designee) shall:

1. Obtain a list of credit unions that could establish eligibility to serve the installation’s military members and civilian employees from the National Credit Union Administration (NCUA) Regional Office that has geographic jurisdiction and the applicable state regulatory agency.

2. Prepare and send formal solicitation letters to eligible credit unions informing them of an opportunity to establish a branch office at the installation.

3. In coordination with the installation commander, establish the criteria for selection of a specific credit union in accordance with subparagraph 330403.D. Proposals shall be evaluated, and a selection made, based upon the factors and weights developed for the solicitation.
C. Upon approval by the Secretary of the Military Department (or designee), the NCUA or applicable state regulatory agency shall be notified and asked to establish or amend the selected credit union’s charter to include the new location.

D. No commitment may be made to a credit union regarding its proposal until the appropriate regulatory agency has approved the requested charter change.

330603. Terminations

A. Voluntary Credit Union Terminations

1. When a credit union plans to end operations on a DoD installation, it shall be required to notify the installation commander 180 days before the closing date. Such notification shall be required to precede public announcement of the planned closure. When appropriate, the commander shall attempt to negotiate an agreement permitting the credit union to continue operations until the installation has made other arrangements.

2. The installation commander shall inform the Secretary of the Military Department concerned (or designee) immediately upon receiving notification of a closing. The report shall include a recommendation about continued credit union service on the installation. Paragraph 330602 applies if continued service is needed.

B. Termination for Cause. If, after discussion with credit union officials, an installation commander determines that the operating policies of a credit union are inconsistent with this Regulation, a recommendation for termination of logistical support and space arrangements may be made through the Secretary of the Military Department concerned (or designee). A credit union shall be removed from the installation only with approval of the Secretary of the Military Department (or designee) after coordination with the USD(C) through the Director, DFAS, and the appropriate regulatory agency.

C. Termination in the Interest of National Defense. At the option of the government, leases may be terminated in the event of national emergency or as a result of installation deactivation, closing, or other disposal action.

D. Termination Resulting from Merger, Acquisition, or Change of Control. When merger, acquisition, change of control or other action results in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) shall, subsequent to coordination with the USD(C), through the Director, DFAS, terminate the operating agreement with the existing credit union. When the merger, acquisition, change of control or other action does not result in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) shall initiate a novation action of the operating agreement identifying the change in control.
E. Termination of Lease. The lessee shall provide written notice 180 days prior to a voluntary termination of the lease. Upon lease termination, the government has the option to cause the title of all structures and other improvements to be conveyed to the United States without reimbursement, or require the lessee to remove the improvements and restore the land to its original condition.

330604. Use of Space, Logistical Support, and Military Real Property for Domestic Credit Unions

A. Criteria for Use of Space in Government-owned Real Property or Federal Land:


2. A credit union may be furnished space on a DoD installation at one or more locations for periods not exceed 5 years except where the credit union uses its own funds to improve existing government space as outlined in subparagraphs 330604.A.2.c and 330604.A.2.d. The cumulative total of space furnished shall be subject to the limitations of the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

a. The furnishing of office space and/or land (including ATM placement) to on-base credit unions is governed by the Federal Credit Union Act (12 U.S.C 1770). Notwithstanding any other provision of law, upon application by any credit union, the provision of no-cost federal office space or no-cost land lease is for a period not to exceed 5 years. This is limited to credit unions if at least 95 percent of the membership to be served by the allotment of space or the facility built on the lease land is composed of individuals who are, or who were at the time of admission into the credit union, military personnel or federal employees, or members of their families. A written statement to the effect that the credit union meets the 95 percent criterion shall be required to justify and document the allotment of free government space and/or land. This statement shall be prepared on the credit union’s letterhead and signed by either the chairman of the board of directors or the president. A certification shall also be required whenever there is a merger, takeover, or significant change in a field of membership. This certification shall serve as justification and documentation for the continued allocation of free government space including space renovated with credit union funds and/or the free lease of land. The statement shall be updated every 5 years and on renewal of each no-cost permit or license. (See Figure 33-3 for a sample format of the statement.)

b. Credit unions that fail to meet the 95 percent criterion shall be charged fair market rental for space provided. Except where more than one credit union exists on an installation prior to June 9, 2000, credit unions giving less than full service or not serving all assigned DoD personnel are not authorized no-cost office space.
c. When a credit union that meets the 95 percent criterion uses its own funds to expand, modify, or renovate government-owned space, it may be provided a no-cost permit or license for a period commensurate with the extent of the improvements not to exceed 25 years as determined by the DoD Component concerned. The permit or license shall be effective until the agreed date of expiration or until the credit union ceases to satisfy the 95 percent criterion. In this latter case, the no-cost permit shall be cancelled in favor of a lease immediately negotiated at fair market value under the provisions of subparagraph 330704.A.2.b. If the credit union desires, this permit or license may extend through the period identified in the original permit or license not to exceed 25 years.

d. Similarly, a credit union not meeting the 95 percent criterion that uses its own funds to expand, modify, or renovate government-owned space, may be provided a lease at fair market value for a period not to exceed 25 years subject to periodic review every 5 years to assess changes in fair market value. Duration of this lease shall be commensurate with the extent of the improvements as determined by the DoD Component concerned.

3. All space assigned by the GSA, whether leased or in a federal office building, is reimbursable to the GSA at the standard level user charge. Consequently, the GSA shall charge the benefiting DoD Component for any space assigned for credit union operations. Such space is subject to the provisions of subparagraphs 330604.A.1 and 2.

B. **Logistical Support.** When available, custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal), heating and air conditioning, utilities (i.e., electricity, natural gas or fuel oil, water, and sewage), fixtures, and maintenance shall be furnished without cost to credit unions occupying no-cost office space in government buildings. With the exception of intra-station telephone service, credit unions shall be required to pay for all communication services to include telephone lines, long distance data services and internet connections. Credit unions also shall pay for space alterations. Should a credit union fail to meet the 95 percent membership criterion, any logistical support furnished shall be on a reimbursable basis.

C. **Leases executed before the issuance of Volume 12, Chapter 33 may not be altered solely as a result of the provisions of Volume 12, Chapter 33 unless a lessee specifically requests a renegotiation under these provisions. No lease may be negotiated or renegotiated, nor may any rights be waived or surrendered without compensation to the government.**

D. **When a credit union participates in the construction of a shopping mall complex the lease shall cover only land where the branch or facility physically is located.**

E. **Administrative Fees.** All administrative fees associated with the initiation, modification, or renewal of an outgrant shall be borne by the installation, provided that the credit union satisfies the 95 percent membership criterion requirement for no-cost office space as outlined subparagraph 330604.A.2.a, and that the fees are associated with the no-cost space.
330605. Land Leases

Credit unions entering into a land lease to construct a building on a DoD installation shall be provided a no-cost land lease, if they meet the 95 percent criterion established in subparagraph 330604.A.2.a. Credit unions not meeting the 95 percent criterion shall enter into a land lease in accordance with subparagraph 330604.A.2.b and paragraph 330406.

330606. Construction

Credit unions constructing a building on a DoD installation shall do so in accordance with paragraph 330407.

330607. ATM Service

Credit unions offering ATM service shall do so in accordance with paragraph 330305.

330608. Staffing

A. On-base credit unions shall provide full service. To do so, credit union offices shall be staffed by:

1. An official authorized to act on loan applications;

2. An individual authorized to sign checks; and

3. A qualified financial counselor available to serve members during operating hours.

B. Exceptions to subparagraph 330608.A.1, may be approved by the installation commander with advice from the Secretary of the Military Department concerned (or designee) in the case of newly organized credit unions.

C. When an on-base credit union can support only minimum staffing, one of the positions required in subparagraphs 330608.A.1 or 2, also may be subsumed under the counselor duties.

D. Credit union remote service locations at the same installation may be staffed with one person alone, provided that a direct courier or an electronic or automated message service links each remote location to the credit union’s main office.
330609. Credit Union Liaison Officer

When a credit union office is located on an installation, the commander shall appoint a Credit Union Liaison Officer (CULO). As appropriate, the CULO responsibility should be assigned to comptroller or resource management personnel. The CULO’s name and duty telephone number shall be displayed prominently at each credit union office on the installation. Anyone who serves as a credit union board member or in any other official credit union capacity may not serve as a CULO. The duties of a CULO are the same as the duties listed for a BLO (see paragraph 330408).

330610. In-Store Banking

In-store banking services may be provided in accordance with paragraph 330409, except that:

A. Credit unions interested in submitting proposals to provide requested in-store banking services shall provide a statement from the NCUA or applicable state regulatory agency certifying the credit union’s authority to offer the requested financial services to the commissary, Military Exchange, or other on-base facilities.

* B. Space granted to a credit union selected to provide in-store banking services should be issued through a no-cost license in accordance with section 170 of the Federal Credit Union Act (12 U.S.C. 1770 et seq.).

3307 OVERSEAS CREDIT UNIONS

330701. General Policy

A. Credit union services to authorized persons and organizations may be provided by domestic on-base credit unions operating under a geographic franchise.

B. The extension of credit union service overseas is encouraged consistent with the principles prescribed for domestic credit unions and with applicable status of forces agreements or other intergovernmental agreements, or host-country law.

C. Where permitted by the status of forces agreements or other intergovernmental agreements, or host-country law, only federal credit unions or federally insured state chartered credit unions may operate on overseas DoD installations. The ultimate decision to provide services overseas rests with the credit union itself.

330702. Establishment

A. Commanders shall notify the Secretary of the Military Department concerned (or designee), through command channels, when overseas credit union services are needed. Such requests shall include:
1. Full information about available space and logistical support.

2. The name and location of the nearest credit union facility or branch.

3. The distance between the installation and the nearest credit union facility or branch.

4. The availability of any official or public transportation.

5. The number of DoD personnel in duty assignments that confine them to the installation or who cannot obtain transportation (such as hospital patients).

6. In countries not presently served, a statement concurred in by the cognizant Combatant Command that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy. The statement shall include that the host country will permit credit union operations and will indicate any conditions imposed by the host country with respect to those operations.

B. Subsequent to approval of the request from the installation or community commander to establish an overseas credit union facility, the Secretary of the Military Department concerned (or designee) shall solicit proposals for the provision of full credit union services under the following provisions.

1. Where there is a DoD designated geographic franchise with a specific field of membership, the Secretary of the Military Department (or designee) shall direct the installation or community commander to contact the supporting credit union and request that a branch or facility be established. The basic decision concerning such extensions of service rests with the servicing credit union. The Director, DFAS (or designee) shall maintain a listing of all geographic franchises assigned to credit unions serving DoD overseas installations.

2. Where there is no DoD designated geographic franchise, the Secretary of the Military Department (or designee) shall:
   a. Coordinate requests, through the Director, DFAS (or designee), to obtain a geographic franchise. A geographic franchise is the authorization granted to a credit union by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) to provide financial services in a specific geographic region located outside the United States, its territories and possessions.
   b. Solicit proposals from credit unions currently operating on DoD installations.
   c. Review proposals of interested credit unions.
   d. Coordinate with field commands, as needed.
e. Recommend selection to the NCUA or applicable state regulatory agency with a copy to the DFAS and the OUSD(C), requesting that the appropriate field of membership adjustment be made. Such a recommendation shall identify the primary installations on which the credit union would operate and, if applicable, the contiguous geographic boundaries for future facilities and branches.

C. Where there is an existing field of membership, the Secretary of the Military Department concerned (or designee) shall take the following actions:

1. If a credit union on an installation terminates operation, afford any other credit union having a geographic franchise within that country an opportunity to assume the franchise being vacated. If all such institutions decline, the geographic franchise shall be offered to the federally insured credit union community. If, as a result of a credit union decision to decline service to an installation or a termination action, another credit union (a) offers to provide service, (b) meets host country requirements (if any) and (c) is assigned the former geographic franchise or portion thereof, the NCUA or the applicable state regulatory agency shall be notified and requested to make appropriate field of membership adjustments.

2. When other credit union(s) having a geographic franchise within a country decline the opportunity, or there is no other credit union having a franchise within that country, the provisions of subparagraph 330702.B.2, apply.

D. No commitment may be made to a credit union regarding its proposal until the appropriate regulatory agency has announced a selection.

330703. Logistical Support

Installation or community commanders shall provide logistical credit union support. Such support normally shall include:

A. Adequate office space, including steel bars; grillwork; security doors; a vault, safes or both; security alarm systems and camera surveillance equipment (where deemed necessary) that meet documented requirements of the credit union’s insurance carrier; construction of counters, teller cages, and customer and work areas; necessary modifications and alterations to existing buildings. The size and arrangement of space should permit efficient operations. The credit union shall pay for all improvements to the space given. Space assigned may not exceed that prescribed in the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

B. DoD housing on a rental basis to key credit union personnel unable to find suitable, reasonably priced housing in the vicinity of the DoD installation, if available.

C. Education, on a space-available, tuition-paying basis, provided by the DoD Education Activity to minor dependents of assigned staff.
D. Utilities (i.e., electricity, natural gas or fuel oil, water and sewage), heating, intra-station telephone service, and custodial and janitorial services.

E. DSN voice and data communication to include, where feasible, internet access.

F. U.S. Military Postal Service support under DoD Directive 5101.11E. The use of free IDS is authorized for all routine mail sent and received between APOs and FPOs within a theater.

G. Military guards, civilian guards (for use within the installation), military police, or other protective services to accompany shipments of money from the MBF to the credit union and return where it is impractical or not authorized to have a local armored car service or civilian police authorities entering a military installation to provide cash escort service or when the cost of obtaining such service is prohibitive. This level of protective service also shall be provided at other times as required to include replenishment of ATM currency and receipts, alarm system failures, and to avoid undue risks or insurance costs.

330704. Travel

Travel by credit union officials must be at no expense to the U.S. Government. Overseas commanders may issue invitational travel orders for official on-base visits by credit union officials at no cost to the U.S. Government.

330705. Operations

A. An overseas credit union shall confine its field of membership to individuals or organizations eligible by law or regulation to receive services and benefits from the installation. Services shall not be provided to those personnel precluded such services by the applicable status of forces agreement, other intergovernmental agreements, or host-country law.

B. The Department assigns overseas credit unions a prescribed geographic franchise. Any credit union, however, may continue to serve its members stationed overseas by mail or telecommunications, to include access to the internet.

C. A credit union proposing a new service to be offered by a branch office that is not authorized by the operating agreement shall coordinate the establishment of the new service through the cognizant Component command to the Combatant Command. The new service shall be offered only after the appropriate command’s approval and coordination with the U.S. Chief of Diplomatic Mission or U.S. Embassy to ensure that the service does not conflict with the applicable status of forces agreement, other intergovernmental agreements, or host-country law.
D. Credit unions that operate full service branches shall have U.S. currency and coin available for member transactions. In areas served by currency custody accounts, transactional U. S. currency and coins shall be made available from the servicing MBF with no direct or analysis charge to the credit union, provided settlement is made via the local MBF account or equivalent arrangements are made with the MBF.

E. In countries served by MBFs operated under contract, credit unions shall purchase foreign currency only from the servicing MBF.

   1. The bulk rate purchase price shall apply to currency used by the credit union to make payments to vendors or to make payroll payments.

   2. Credit unions that desire and are authorized to provide accommodation exchange services to members shall acquire foreign currency from the servicing MBF at the MBF wholesale rate and sell it at a rate of exchange no more favorable than the customer rate available at the MBF.

F. Credit unions operating under a geographic franchise on an overseas DoD installation shall not publicize, display or sell vehicles on the installation.

G. The NCUA or applicable state regulatory agency may review operations of overseas credit union offices either when it examines the main credit union or at other times of its choosing. For federally insured, state chartered credit unions, the applicable state regulatory agency also may examine credit unions operations.
Figure 33-1: Guidelines for Application of the Privacy Act to Financial Institution Operations

1. The following guidelines govern the application of DoD Directive 5400.11 to those financial institutions that operate under this Regulation:

   A. Financial institutions and their branches and facilities operating on Department of Defense (DoD) military installations do not fall within the purview of 5 U.S.C. 552 et seq.  

      1. These financial institutions do not fit the definition of “agency” to which the Privacy Act applies: “...any executive department, Military Department, government corporation, government-controlled corporation, or other establishment in the executive branch of the government (including the Executive Office of the President), or an independent regulatory agency” (5 U.S.C. 552(e) and 552a(a)(1)).

      * 2. These financial institutions are not “government contractors” within the meaning of 5 U.S.C.552a(o), as they do not operate a system of records on behalf of an agency “...to accomplish an agency function.” According to the Office of Management and Budget Privacy Act Guidance the provision relating to government contractors applies only to systems of records “...actually taking the place of a federal system which, but for the contract, would have been performed by an agency and covered by the Privacy Act.” Clearly, the subject institutions do not meet these criteria.

      3. Since the Act does not apply to them, these financial institutions are not required to comply with 5 U.S.C. 552a(e)(3) in obtaining and making use of personal information in their relationships with personnel authorized to use such institutions. Thus, these institutions are not required to inform individuals from whom information is requested of the authority for its solicitation, the principal purpose for which it is intended to be used, the routine uses that may be made of it, or the effects of not providing the information. There also is no requirement to post information of this nature within on-base banking and credit union offices.

   B. The financial institutions concerned hold the same position and relationship to their account holders, members, and to the government as they did before enactment of OMB Circular A-130. Within their usual business relationships, they still are responsible for safeguarding the information provided by their account holders or members and for obtaining only such information as is reasonable and necessary to conduct business. This includes credit information and proper identification, which may include social security number, as a precondition for the cashing of checks.

   C. Financial institutions may incorporate the following conditions of disclosure of personal identification in all contracts, including loan agreements, account signature cards, certificates of deposit agreements, and any other agreements signed by their account holders or members:
Figure 33-1: Guidelines for Application of the Privacy Act to Financial Institution Operations (Continued)

I hereby authorize the Department of Defense and its various Components to verify my social security number or other identifier and disclose my home address to authorized (name of financial institution) officials so that they may contact me in connection with my business with (name of financial institution). All information furnished will be used solely in connection with my financial relationship with (name of financial institution).

When the financial institution presents such signed authorizations, the receiving military command or installation shall provide the appropriate information.

D. Even though an agreement described in subparagraph A.3., has not been obtained, DoD may provide these financial institutions with salary information and, when pertinent, the length or type of civilian or military appointment, consistent with DoD Directives 5400.11 and 5400.07. Some examples of personal information pertaining to DoD personnel that normally can be released without creating an unwarranted invasion of personal privacy are name, rank, date of rank, salary, present and past duty assignments, future assignments that have been finalized, office phone number, source of commission, and promotion sequence number.

E. When DoD personnel with financial obligations are reassigned and fail to inform the financial institution of their whereabouts, they should be located by contacting the individual’s last known commander or supervisor at the official position or duty station within that particular DoD Component. That commander or supervisor either shall furnish the individual's new official duty location address to the financial institution, or shall forward, through official channels, any correspondence received pertaining thereto to the individual’s new commander or supervisor for appropriate assistance and response. Correspondence addressed to the individual concerned at his or her last official place of business or duty station shall be forwarded as provided by postal regulations to the new location. Once an individual’s affiliation with DoD is terminated through separation or retirement, however, the Department’s ability to render locator assistance (i.e., disclose a home address) is severely curtailed unless the public interest dictates disclosure of the last known home address. The Department may, at its discretion, forward correspondence to the individual’s last known home address. The Department may not act as an intermediary for private matters concerning former DoD personnel who are no longer affiliated with the Department.

2. Questions concerning this guidance should be forwarded through channels to the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller), The Pentagon, Washington, DC 20301-1100.
NOTE: The following operating agreement template identifies general arrangement and content. Content of the actual operating agreement may vary according to the circumstances of each installation.

Operating Agreement Between (Name of Installation), (State or Country Installation Located) and (Name of Financial Institution)

This Agreement is made and entered into this day by and between the installation commander of (name of installation) in his or her official capacity as installation commander, hereinafter referred to as the “commander” and the (name of financial institution), having its principal office at (location of home office) hereinafter referred to as the “financial institution,” together hereinafter referred to as “the parties.” Whereas the commander and the financial institution enter into this Operating Agreement upon the mutual consideration of the promises, covenants, and agreements hereinafter contained.

1. The parties understand and agree that this Agreement shall in no way modify, change, or alter the terms and conditions of Lease Number (number of lease) covering the use of real property described therein, and this Agreement shall continue, subject to the termination provisions herein-after set forth, during the terms of said lease and any extensions thereof. In the case of a banking institution operating a military banking facility (MBF) overseas, this agreement will not change the conditions of the contract between the banking institution and the Department of Defense.

2. The financial institution agrees to operate a (federally or state) chartered office on-base in accordance with the policies and procedures set forth in DoD Instruction 1000.11, “Financial Institutions on Military Installations;” and Volume 12, Chapter 33 as codified in Title 32 of the Code of Federal Regulations; and, in addition for the Overseas Military Banking Program (OMBP), the policies and procedures set forth in the applicable DoD contract. The hours of operations shall be between (hour office opens) and (hour office closes), and on the following days (week days office open), except on government holidays when the financial institution may be closed. The Program Office for the OMBP shall notify the commander of any changes to the DoD contract.

3. The financial institution shall provide the following services:

   a. Services for Individuals

      (1) Demand (checking) account services

      (2) Cashing personal checks and government checks for accountholders
Figure 33-2. Sample Operating Agreement Between Military Installations and Financial Institutions (Continued)

(3) Maintaining savings accounts and (any other interest-bearing accounts)

(4) Selling official checks, money orders, and traveler’s checks

(5) Selling and redeeming United States savings bonds

(6) Providing direct deposit service

(7) Loan Services

(8) Electronic banking (i.e., automated teller machines, internet banking).

b. Services for Disbursing Officers

(1) Furnishing cash (if the financial institution’s terms for doing so are consistent with sound management practices)

(2) Accepting deposits for credit to the Treasury General Account (where the financial institution has entered into an agreement with the Department of the Treasury).

c. Services for Nonappropriated Fund Instrumentalities and Private Organizations

(1) Demand (checking) account services, including wire transfers

(2) Savings accounts and nonnegotiable certificates of deposit or other interest-bearing accounts offered by the banking institution

(3) Currency and coin for change.

4. Service charges shall be as follows:

a. Service for Individuals
Figure 33-2. Sample Operating Agreement Between Military Installations and Financial Institutions (Continued)

(1) No fees shall be charged to individuals for the services listed in subparagraphs 3.a.(2), and 3.a.(5), except for subparagraph 3.a.(2), wherein checks drawn on other financial institutions may be treated in accordance with the financial institution’s established policy. Any charge to cash a government check shall not exceed that typically charged by financial institutions in the vicinity of the installation. Fees assessed to accountholders and non-accountholders for use of automated teller machines shall be the customary service charges of the financial institution or those negotiated for base personnel per the attached schedule.

(2) Checking and savings accounts. Fees for individual checking and savings accounts shall be the customary service charges of the financial institution or those negotiated for base personnel per the attached schedule.

(3) Sale of official checks, money orders, traveler’s checks and other types of financial paper. Charges for these services shall be the customary charges of the financial institution operating the on-base office.

b. Service for Disbursing Officers. No charge shall be made for the services listed in subparagraph 3.b.(2). Compensation to the financial institution shall be per its separate agreement with the Department of the Treasury. Charges, if any, for the services stated in subparagraph 3.b.(1) shall be as locally negotiated with the financial institution.

c. Nonappropriated Fund Instrumentalities and Private Organizations. State the charges or refer to a schedule of charges for funds and organizations that do not participate in a central banking program. For those activities participating in a central banking program, determine the compensation to the financial institution by account analysis.

5. It is agreed that the financial institution shall:

a. Notify the commander or designated representative of any proposed changes to the attached schedule of fees and services at least 30 days prior to implementation.

b. Follow the requirements in Volume 12, Chapter 33 and any changes thereto.

c. Comply with Department of the Treasury requirements for establishment and operation of a Treasury General Account where the financial institution agrees to act as a depository for government funds.

d. Absolve the (Military Service) and its representatives of responsibility or liability for the financial operation of the financial institution; and for any loss (including losses due to criminal activity), expenses, or claims for damages arising from financial institution operations.
Figure 33-2. Sample Operating Agreement Between Military Installations and Financial Institutions (Continued)

e. Indemnify, and hold harmless the United States from (and against) any loss, expense, claim, or demand, including attorney fees, court costs, and costs of litigation, to which the government may be subjected as a result of death, loss, destruction, or damage in connection with the use and occupancy of (Military Service) premises occasioned in whole or in part by officers, agents or employees of the financial institution operating an office of the financial institution.

f. Favorably respond, whenever feasible, to reasonable local command requests for lectures and printed materials to support consumer credit education programs, financial management program and newcomer’s briefings.

g. Prominently post in the lobby of the financial institution the name, duty telephone number of the (Bank or Credit Union) Liaison Officer.

h. Accept the government travel card in all on-base ATMs operated by the financial institution.

i. Abide by the installation fire protection program, including immediate correction of fire hazards noted by the installation fire inspector during periodic fire prevention inspections.

6. The commander shall provide the following space and support:

a. Space requirements for financial institution operations shall be administered in accordance with the existing outgrant (i.e., lease, permit or license). (Show Number of Outgrant).

b. Utilities (i.e., electricity, natural gas or fuel oil, water and sewage), heating and air conditioning, intra-station telephone service, and custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal) on a reimbursable basis.

c. DoD housing and minor dependent education in overseas locations for MBF and credit union personnel in accordance with Volume 12, Chapter 33, subparagraphs 330503.A.1.c, 330503.A.1.d, 330703.B, and 330703.C.

d. The local commander shall determine the recurring/frequency requirement for installation access and issue the appropriate installation and/or facility access credential consistent with local security requirements using Government authoritative databases for vetting purposes, as prescribed in Directive-Type Memorandum 09-012, Interim Policy Guidance for DoD Physical Access Control.
Figure 33-2. Sample Operating Agreement Between Military Installations and Financial Institutions (Continued)

7. Termination of this Agreement shall be consistent with the termination provision of the real property lease and Volume 12, Chapter 33. The Secretary of the (Military Department) shall have the right to terminate this Agreement at any time. Any termination of the right of the financial institution to operate on the installation shall render this Agreement terminated without any applicable action by the commander.

8. Any provision of this Agreement that is contrary to or violates any laws, rules, or regulations of the United States, its agencies, or the state of (state in which the financial institution is located) that apply on federal installations shall be void and have no force or effect; however, both parties to this Agreement agree to notify the other party promptly of any known or suspected continuing violation of such laws, rules, or regulations.

9. So long as this Agreement remains in effect, it shall be reviewed jointly by the commander and the financial institution at least once every 5 years to ensure compatibility with current DoD issuances and to determine if any changes are required to the Agreement.

IN WITNESS WHEREOF, the commander and the financial institution, by their duly authorized offices, have hereunto set their hands this day of (month, day, year).

_________________________________           _______________________________
FINANCIAL INSTITUTION OFFICIAL   INSTALLATION COMMANDER
Figure 33-3: Sample Certificate of Compliance for Credit Unions

I, (name), Chairman of the Board of Directors or President of the (credit union), located at (place), certify that this credit union complies with the requirements of the Federal Credit Union Act (12 U.S.C. 1770), for the allotment of space in federal buildings without charge for rent or services. The provision of no-cost office space is limited to credit unions if at least 95 percent of the membership to be served by the allotment of space is composed of individuals who are, or who were at the time of admission into the credit union, military personnel or federal employees, or members of their families.

(Date)  (Name____________________________________)
(Chairman of the Board of Directors or the President)

(Note: The Certificate of Compliance shall be written on credit union letterhead)
VOLUME 12, CHAPTER 34: “DIRECT ACCEPTANCE OF GIFTS BY MEMBERS OF THE ARMED FORCES, DEPARTMENT OF DEFENSE EMPLOYEES AND THEIR FAMILIES AND SURVIVORS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated September 2016 is archived.

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CHAPTER 34

DIRECT ACCEPTANCE OF GIFTS BY MEMBERS OF THE ARMED FORCES,
DEPARTMENT OF DEFENSE EMPLOYEES AND THEIR FAMILIES AND
SURVIVORS

3401 GENERAL

340101. Overview

Congress enacted Title 10, United States Code (U.S.C), § 2601(a) which authorized the direct acceptance of gifts from outside sources by members of the armed forces and civilian employees of the Department of Defense (DoD), their family members and survivors, for injuries or illnesses incurred as a result of combat and other covered circumstances. Prior to enactment, employees and Service members were authorized to receive gifts from within the Department.

340102. Purpose

This chapter establishes policy and assigns responsibilities to implement 10 U.S.C. § 2601a. The authority in 10 U.S.C. § 2601a is in addition to, and in no way limits, any other statutory or regulatory authority of covered members or employees, their family members, and their survivors to accept gifts from non-federal entities.

340103. Authoritative Guidance

10 U.S.C. § 2601a provides authority to the Secretary of Defense to prescribe regulations allowing covered members of the armed forces, covered employees of the DoD, their family members, and their survivors to accept gifts from nonprofit organizations, private parties, and other sources outside the DoD under specified circumstances.

3402 POLICY

340201. Definitions

A. Covered Employee. A civilian DoD employee who, while an employee on or after September 11, 2001, incurred an illness or an injury under the criteria in this chapter.

B. Covered Member. A Service member who, while performing active duty, full-time National Guard duty, or inactive-duty training on or after September 11, 2001, incurred an injury or illness under the criteria in this chapter.

C. Designated Agency Ethics Official. A DoD employee appointed in writing by the head of the DoD agency to coordinate and manage the agency’s ethics program.

D. Ethics Counselor. A DoD employee appointed in writing by the designated agency ethics official or designee to assist in implementing and administering the DoD component command’s or organization’s ethics program.
E. **Family Members.** Parents, siblings, spouse, biological and adopted children, and dependent relatives of covered members or employees.

F. **Gift.** Any gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or other item having monetary value. It includes services, as well as gifts of transportation, local travel, lodgings, and meals. It does not include those items excluded from the definition of “gift” in [5 Code of Federal Regulations (C.F.R.) § 2635.203(b)(1)-(9)].

G. **Secretary Concerned.** The Secretary of a Military Department who has jurisdiction over the military reservation, installation, ship, aircraft, or facility where an event occurs that meets the criterion of this chapter. The Secretary of Defense or designee, if the event meeting the criterion of this chapter occurs at a location that is not a military reservation, installation, or facility, or where more than one Secretary has jurisdiction.

H. **Survivors.** Living family members of a covered member or employee who is killed.

340202. **Gift to Covered Employees**

Pursuant to the authority in 10 U.S.C. § 2601a, covered members of the armed forces in the DoD and covered employees of DoD, their family members, and their survivors may accept gifts directly from nonprofit organizations, private parties, and other sources outside the DoD when, while performing military duties or performing duties as a civilian employee on or after September 11, 2001, they incur an injury or illness: (1) as a direct result of armed conflict; while engaged in hazardous service; in the performance of duty under conditions simulating war; or through an instrumentality of war; (2) in an operation or area designated as a combat operation or combat zone by the Secretary of Defense; or (3) under other circumstances determined by the Secretary concerned to warrant treatment similar to members covered by the first criterion of this section.

340203. **Impermissible Gifts**

The authority in 10 U.S.C. § 2601a does not apply to gifts from foreign governments or international organizations or their representatives, nor does it apply to gifts that: (1) are accepted in return for being influenced in the performance of an official act; (2) are solicited or coerced; (3) are accepted in violation of any other statute or regulation, including [18 U.S.C. § 201](https://www.statutes.atlas.gov/archive/v18/contents/201.html) and [209](https://www.statutes.atlas.gov/archive/v209/contents/209.html), and [5 C.F.R. § 2635](https://www.gpo.gov/fdsys/pkg/CFR-2019-title5-vol11/pdf/CFR-2019-title5-vol11.pdf) and [3601](https://www.gpo.gov/fdsys/pkg/CFR-2019-title5-vol11/pdf/CFR-2019-title5-vol11.pdf); or (4) will reflect adversely on the DoD.

340204. **Criteria for Gift Acceptance**

A. **Nonprofit organizations, private parties, and other sources outside DoD.** The following individuals may accept gifts from nonprofit organizations, private parties, and other sources outside DoD:

a. A member of the armed forces described in subparagraph 340204.B.
b. A civilian employee of the DoD described in subparagraph 340204.C.

c. The family members of such a member or employee.

d. Survivors of such a member or employee who is killed.

B. Covered members. Applies to a member of the armed forces who, while performing active duty, full-time National Guard duty, or inactive-duty training on or after September 11, 2001, incurred an injury or illness:

1. As described in section 10 U.S.C. 1413a(e)(2);

2. In an operation or area designated as a combat operation or a combat zone, respectively, by the Secretary of Defense in accordance with the regulations prescribed under subparagraph 340204.A; or

3. Under other circumstances determined by the Secretary concerned to warrant treatment analogous to members covered by subparagraph 340204.A.1.

C. Covered Employees. Applies to a civilian employee of the DoD who, while an employee on or after September 11, 2001, incurred an injury or illness under a circumstance described in subparagraph 340204.B.

D. Gifts From Certain Sources Prohibited. Members and employees may not accept a gift from a foreign government or international organization or their agents under this authority.

E. Application of Certain Regulations. These regulations shall apply to the acceptance of gifts received after the date of the enactment of the National Defense Authorization Act for Fiscal Year 2012 for injuries or illnesses incurred on or after September 11, 2001. The military services must apply uniformly to all elements of the DoD and require review and approval by an ethics counselor before acceptance of a gift to ensure that acceptance of the gift complies with the Joint Ethics Regulation.

3403 RESPONSIBILITIES

340301. Under Secretary of Defense for Personnel and Readiness

The Under Secretary of Defense for Personnel and Readiness (USD(P&R)) has the overall oversight responsibility on the implementation of this guidance. USD(P&R) monitors compliance with the provisions of this chapter pursuant to DoD Directive 5124.02.
340302. Secretary Concerned

The Secretary concerned determines whether an event occurring within his or her jurisdiction meets the criterion of “other circumstances” as described in paragraph 340202.

340303. Designated Agency Ethics Official

The relevant designated agency ethics official ensures that an ethics counselor reviews and, when appropriate, approves the acceptance of a gift in accordance with 10 U.S.C. § 2601a (a)(2)(B). That review and approval includes a determination that: (1) the gift is not offered in a manner that specifically discriminates among covered members or employees on the basis of type of official responsibility or favors those of higher rank or pay; (2) the donor does not have interests that may be affected substantially by the performance or nonperformance of the covered member’s or employee’s official duties; and (3) acceptance would not cause a reasonable person with knowledge of the relevant facts to question the integrity of DoD programs or operations.
DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 13: “NONAPPROPRIATED FUNDS POLICY”

UNDER SECRETARY OF DEFENSE
(COMPTROLLER)
SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2013 is archived.

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<tr>
<td>All</td>
<td>Reformatted chapter and updated hyperlinks in accordance with current administrative instructions.</td>
<td>Revision</td>
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<tr>
<td>010101</td>
<td>Added an “Overview” paragraph to comply with current administrative instructions.</td>
<td>Addition</td>
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<td>010103</td>
<td>Added an “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Addition</td>
</tr>
<tr>
<td>010302</td>
<td>Added a list of required annual reports per Department of Defense Instruction 1015.15, “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources.”</td>
<td>Addition</td>
</tr>
<tr>
<td>0105</td>
<td>Relocated paragraph on Internal Controls and updated the paragraph for clarity.</td>
<td>Revision</td>
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INTRODUCTION TO NONAPPROPRIATED FUND ACCOUNTING

0101 GENERAL

*010101. Overview

Nonappropriated Fund (NAF) accounting applies to all NAF Instrumentalities (NAFIs) and their supporting Accounting Offices (AOs), except the Military (Armed) Service Exchanges. NAFs are separate from appropriated funds (APFs) of the U.S. Treasury. NAFs are not commingled with APFs and are managed separately from APFs, even when used to support a common program.

010102. Purpose

This chapter provides a list of definitions, reporting requirements, accounting standards, internal controls, and audit requirements for NAFIs.

*010103. Authoritative Guidance

The accounting policies, and related requirements prescribed, are in accordance with the applicable provisions of:

A. Department of Defense Instruction (DoDI) 1015.15, “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;” and

B. Financial Accounting Standards Board Accounting Standards Codification (ASC). Users can obtain free access to the ASC by registering for the Basic View, which allows browsing by ASC topic.

0102 DEFINITIONS

010201. APFs

APFs are monies paid out of the U.S. Treasury pursuant to statutory authority granted by Congress to the DoD to incur obligations and make payments. The term “appropriation” means a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. In most cases, appropriations are of two types, annual and multi-year. Congress approves the appropriation acts that specify the purposes for which the APFs are used. Specific accounting policies for APFs are described in Volume 4. For additional information on the use of and accounting for APFs for NAF activities, refer to DoDI 1015.15.
010202. Balance Sheet

The Balance Sheet is a financial statement that shows an entity’s financial position at a certain point in time (usually at the end of an accounting period). It represents the entity’s assets, liabilities, and net worth (or fund equity).

010203. Chart of Accounts

The chart of accounts is a list of ledger account names, descriptions, and numbers arranged in the order in which they customarily appear in the financial statements. The chart serves as a useful source for locating a given account within the ledger. The chart of accounts for NAFs is established to comply with FASB and DoDI 1015.15 reporting requirements, and is maintained on the DoD NAF Accounting website.

010204. Comparability

Comparability is the similarity and consistency of information produced by an entity from period to period and by others operating in similar circumstances. The value and usefulness of information depends greatly on the degree to which it is comparable to information from prior periods and to similar information reported by others.

010205. Consistency

Consistency is the uniformity of accounting procedures used by an accounting entity from period to period.

010206. Cost-Benefit Analysis (CBA)

CBA is an analytic technique that compares the costs and benefits of investments, programs, or policy actions in order to determine which alternative or alternatives maximize net benefits (economic efficiency). CBA attempts to consider all costs and benefits.

010207. General Ledger

The general ledger is a summary of all the transactions that occur for each NAFI. Separate accounts exist for individual assets, liabilities, net worth, income, and expenses. The general ledger is the core of the NAF accounting system and contains all of the accounting entries for the current period. The general ledger accounts are found in the NAF Standard General Ledger on the DoD NAF Accounting website.

010208. Internal Controls

Internal controls are tools to help program and financial managers achieve desired results and safeguard the integrity of their programs.
010209. Interpretation

Interpretation is an opinion regarding a set of facts. A degree of subjectivity is involved on the part of the individual, based on experience and judgment.

010210. Materiality

Materiality refers to the magnitude of an omission or misstatement of accounting data that misleads financial statement readers. Information is material when it is of such magnitude or significance that its omission or misstatement leads to a misinterpretation of the financial information. For example, amounts in a financial statement that are too small to make a difference or affect the reliability of information may be omitted because they are immaterial. In addition to magnitude, the nature of the item is considered when making a materiality judgment. For reporting purposes that require the level of materiality to be quantified, materiality must be defined as one percent of the total assets in the Balance Sheet for each NAFI. For those NAF activities required to report on a consolidated basis, the threshold of materiality must be one percent of the assets in the consolidated Balance Sheet.

010211. NAFs

NAFs are government monies that are not appropriated by Congress and are not held within the U.S. Treasury. These are separate funds that are not recorded in the books of the Department of the Treasury.

010212. NAFI

A NAFI is a fiscal entity of the U.S. Government that is supported in whole or in part by NAFs. In accordance with DoDI 1015.15, paragraph 6, NAFIs are categorized into six Program Groups: Military Morale, Welfare, and Recreation (MWR), Military (Armed) Service Exchange, Civilian MWR, Lodging Program Supplemental Mission Funds, Supplemental Mission Funds, and Special Purpose Central Funds. A NAFI acts in its own name to provide or assist the Secretaries of the Military Departments to provide programs for DoD personnel. See the definition of NAFI in DoDI 1015.15, Enclosure 2, for further clarification.

010213. Recording

Recording is the accurate documentation of business transactions. Recording is an essential requirement of both manual and automated accounting systems.

010214. Relevance

Relevance is the capacity of information to make a difference in decision-making. For instance, relevant information must be available in a timely manner to ensure its value in decision-making.
010215. Reliability

In financial accounting theory, reliability describes information that is reasonably free from error and bias and accurately presents the facts.

010216. Statement of Cash Flows

The Statement of Cash Flows is a financial statement for a given period that provides information about an entity’s cash receipts and cash disbursements as they apply to operating, investing, and financing activities.

010217. Statement of Income and Expense

The Statement of Income and Expense is a financial statement showing the elements (income and expense) used in arriving at the net income for the accounting period or over a certain period of time.

010218. Subsidiary Ledgers

Subsidiary ledgers are a group of related accounts supporting the balance of a control account in the general ledger. In some cases, a simple file system or the equivalent may be adequate if it substantiates the general ledger account balance. Three typical subsidiary ledgers are accounts receivable, prepaid accounts, and accounts payable.

010219. Summarizing

Summarizing is the process of bringing together financial information to develop financial statements or reports. Examples of the most commonly used financial statements are the Balance Sheet, Statement of Income and Expense, and Statement of Cash Flows.

010220. Timeliness

Timeliness is prompt reporting of financial information to users for their maximum benefit. Financial data is recorded as soon as practical after the occurrence of a transaction.

010221. Trial Balance

A trial balance is a listing of the accounts in the general ledger along with each account's balance in the appropriate debit or credit column. AOs will prepare an end-of-month trial balance of the general ledger accounts to ensure total debits equal total credits.
0103  ANNUAL REPORTING REQUIREMENTS

010301.  Annual Reporting Period

The annual accounting reporting period for DoD NAFIs begins October 1 of each year and ends September 30 of the following year.

*010302.  Reports

Financial reports are prepared annually for each NAFI and must include notes to accompany the financial statements. The following NAFI financial reports are explained in Chapter 7:

A.  Balance Sheet;
B.  Reconciliation of Net Worth;
C.  Statement of Income and Expense;
D.  Schedule A – APF and NAF Expense Summary; and
E.  Statement of Cash Flows.

010303.  Financial Statement Disclosures

Financial reports must include full and adequate disclosure of financial and accounting information in accordance with Chapter 7 specific reporting requirements (e.g., disclosure of fund equity adjustments and eliminating entry transactions between NAFIs); this includes Military Service Headquarters, Major Command or Region, and installation NAFIs. Following these requirements ensures that financial and accounting information is properly treated in preparation of reports.

0104  ACCOUNTING STANDARDS

010401.  Generally Accepted Accounting Principles (GAAP)

The term GAAP encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. GAAP includes not only broad guidelines of general application, but also detailed practices and procedures. These conventions, rules, and procedures establish a standard by which to measure financial presentations.

A.  Judgment.  Although there are numerous sources of GAAP, some judgment is necessary to determine whether:

1.  The accounting principles selected and applied have general acceptance;
2. The accounting principles are appropriate in the circumstances;

3. Financial statements, including related notes, are informative of matters that may affect their use, understanding, and interpretation;

4. Information presented in the financial statements is classified and summarized in a reasonable manner, i.e., it is neither too detailed nor too condensed; and

5. Financial statements reflect the underlying transactions and events in a manner that presents the financial position, results of operations, and cash flows stated within a range of acceptable limits, i.e., limits that are reasonable and attainable.

B. FASB Codification. The American Institute of Certified Public Accountants (AICPA) Council designated the Federal Accounting Standards Advisory Board as the body that promulgates GAAP for federal entities and the FASB as the organization that establishes standards for financial accounting and reporting in the private sector. Since NAFI business operations are similar to the private sector, financial statements are prepared and presented to comply with accounting standards promulgated by FASB. The FASB Accounting Standards Codification is the single source of authoritative nongovernmental U.S. GAAP, and is available as an advanced application that allows users to access authoritative content, perform research, and submit feedback. Effective for interim and annual periods ending after September 15, 2009, the Codification supersedes all previous GAAP standards. All other accounting literature not included in the Codification is considered non-authoritative. The Codification structure is significantly different from the structure of the previous standards and is composed of the following literature issued by various standard setters:

1. FASB:
   a. Statements,
   b. Interpretations,
   c. Technical Bulletins,
   d. Technical Staff Positions, and
   e. Staff Implementation Guides;

2. Emerging Issues Task Force:
   a. Abstracts, and
   b. Topic D;

3. Derivative Implementation Group Issues;
4. Accounting Principles Board Opinions;
5. Accounting Research Bulletins;
6. Accounting Interpretations; and
7. AICPA:
   a. Statements of Position,
   b. Audit and Accounting Guides,
   c. Practice Bulletins, and
   d. Technical Inquiry Service.

C. Other Considerations. An important aspect of GAAP, as applied to government entities, is the recognition of the variety of legal and contractual considerations typical of the government environment. These considerations underlie and are reflected in the fund structure, basis of accounting, and other principles that distinguish governmental accounting from private sector accounting. Some of the types of laws and regulations that may have a direct and material effect on the determination of amounts in a NAF activity’s financial statements include:

1. Requirements for reporting to DoD and others;
2. Restrictions on the use of APFs;
3. Restrictions on expenditures, including construction;
4. Restrictions on investments; and
5. Laws and regulations for NAF, Civil Service, and military personnel.

010402. Accrual Accounting

NAFIs use the accrual basis of accounting. Under accrual accounting, transactions and other economic events are recorded when they occur. Income and expense are recognized and reported when earned or incurred. Accrual accounting emphasizes matching associated income and expense in the period in which they occur and contributes to effective financial control over resources and cost of operations. Accrual accounting is essential in developing adequate income and cost information.
010403. AO Responsibilities

AOs provide centralized professional accounting services to NAFIs. AO responsibilities include:

A. Maintain all books of original entry, the general ledger, and related subsidiary ledgers;

B. Maintain fixed asset records;

C. Prepare all disbursement vouchers and checks after assuring availability of funds and pay liabilities of all supported NAFIs;

D. Maintain payroll records if performing payroll functions;

E. Prepare required periodic financial reports with ratios and percentages as requested. AOs also report variances in relation to established standards or approved budget goals upon request;

F. Prepare other information when requested by NAFI management or higher authority. For example, AOs may supply financial analysis with an MWR activity’s financial statements or provide variance from budget data or historical information for use in preparation of NAFI budgets;

G. Prepare and distribute financial reports to all supported NAFIs;

H. Prepare an annual operating budget for the AO. When more than one NAFI is supported by an AO, then a schedule is prepared that shows the estimated amounts to be assessed each supported NAFI;

I. Reconcile the bank accounts of supported NAFIs. Review daily account balances shown on monthly bank statements to make sure that insurance and collateral are sufficient. Notify NAFI managers of missing or delayed deposit or check documentation;

J. Compute and bill service fees to recover operating costs;

K. Review documentation for completeness and accuracy;

L. Provide documentation to internal and external independent auditors, as required;

M. Prepare aged accounts receivable and accounts payable reports;

N. Maintain awareness of all changes that affect financial reporting; and
O. Review requests for making adjustments to fund equity or net worth. Non-receipt of accounting documents or failure to record documents received does not constitute a valid equity adjustment.

010404. Accounting Changes

The term “accounting change” means a change in an accounting principle or an accounting estimate. When an accounting change is made, appropriate footnote disclosure is required to provide justification for the accounting change and its effect on the financial statements.

A. Change in Accounting Principle. A change in accounting principle results from an adoption of a generally accepted accounting principle different from the one previously used for reporting purposes to include the methods for applying the new principle. A characteristic of a change in accounting principle is that it concerns a choice from among two or more generally accepted accounting principles. In the preparation of financial statements, there is a presumption that an accounting principle, once adopted, is not changed in accounting for events and transactions of a similar type. Consistent use of accounting principles from one accounting period to another enhances the utility of financial statements to users by facilitating analysis and understanding of comparative accounting data. Generally, the past financial statements are restated to reflect a change in accounting principle.

B. Change in Accounting Estimate. A change in an estimate used in accounting is a necessary consequence of periodic presentations of financial statements. A change in accounting estimate results from new information or subsequent developments and accordingly from better insight or improved judgment. Preparing financial statements requires estimating the effects of future events. Examples of items for which estimates are necessary are uncollectible receivables, inventory obsolescence, service lives, and salvage values of fixed assets. Future events and their effects cannot be predicted with certainty. Estimating, therefore, requires the exercise of judgment. Accounting estimates may change as new events occur, as more experience is acquired, or as additional information is obtained. A change in accounting estimate is accounted for prospectively over current and future years, which will cause a change to the expense account in future years. Prior years are not restated.

010405. Accounting Errors

Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, oversight, or misuse of facts that existed at the time the financial statements were prepared. A change from an accounting principle that is not generally accepted to one that is generally accepted is a correction of an error. The past financial statements are restated to reflect the corrections.

*0105 INTERNAL CONTROLS

NAFIs must establish and operate internal control programs in accordance with a range of guidance. The Office of Management and Budget Circular A-123, “Management’s Responsibility for Enterprise Risk Management and Internal Control,” and the statute it implements, the Federal
Managers’ Financial Integrity Act (FMFIA) of 1982, are at the center of the existing Federal requirements to improve internal controls. Circular A-123 provides guidance on using the range of tools at the disposal of agency managers to achieve desired program results and meet the requirements of the FMFIA of 1982. The Circular provides internal control standards and specific requirements for conducting management’s assessment of the effectiveness of internal controls over financial reporting. For additional guidance, refer to DoDI 5010.40, “Managers’ Internal Control Program Procedures,” and DoDI 1015.15. See Volume 1, Chapter 3, section 0303 for additional guidance on appropriate internal controls, including verifying the authorization of recorded transactions.

0106 AUDIT REQUIREMENTS

010601. Audit Policy

Policy regarding the audit of NAFIs and related activities is prescribed in DoDI 7600.06, “Audit of Nonappropriated Fund Instrumentalities (NAFI) and Related Activities.” NAFIs will have access to the results of system or functional audits in the form of reports.

010602. Audit Frequency

DoD policy is to provide adequate audit coverage of NAFIs to include annual financial statement audits. Each Military Service is required by DoDI 7600.06 to have independent certified public accountants conduct an annual financial audit of NAFIs with annual income or expenses exceeding $10 million. If directives require or circumstances warrant, additional audits may be scheduled as instructed by DoD Component authority.

010603. Audit Objectives

The primary objectives of NAFI audits are to determine whether internal control systems are adequate, the financial statements fairly represent the results of operations, applicable laws and regulations are followed, and desired program results are achieved. Particular attention is placed on identifying potential fraud, waste, or abuse in operations.
VOLUME 13, CHAPTER 2: “NONAPPROPRIATED FUND STANDARD GENERAL LEDGER”

SUMMARY OF MAJOR CHANGES

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<td>Added an authoritative guidance paragraph identifying the accounting policies for the Nonappropriated Fund Standard General Ledger (NAFSGL).</td>
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<td>020201</td>
<td>Added information on the basic common account code elements used for NAFSGL reporting.</td>
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</tr>
<tr>
<td>0203</td>
<td>Added a section describing the NAFSGL framework identifying the specified common account code elements used to organize data for financial reporting.</td>
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<td>0204</td>
<td>Clarified information related to the NAFSGL reporting categories and accounts used to organize accounting and financial statement information for Nonappropriated Fund Instrumentalities.</td>
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<td>Figure 2-1 (Previous Version)</td>
<td>Deleted Figure 2-1 containing the NAFSGL Chart of Accounts and provided a hyperlink to the website containing this information.</td>
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CHAPTER 2

NONAPPROPRIATED FUND STANDARD GENERAL LEDGER

0201 GENERAL

020101. Purpose

This chapter prescribes policy for the Nonappropriated Fund Standard General Ledger (NAFSGL), maintained on the DoD NAF Accounting website. The NAFSGL is a modified version of the United States Standard General Ledger used for accounting and financial statement reporting to ensure financial statement information is consistent for all Nonappropriated Fund Instrumentalities (NAFIs). The NAFSGL provides for standardization and traceability from the financial statements through the general ledger balances to the source documentation for audit purposes. At a minimum, the Office of the Under Secretary of Defense (Personnel & Readiness) updates and publishes the NAFSGL prior to 1 October of each year. Policies in this chapter apply to all NAFIs and their supporting accounting offices, except the Military (Armed) Service Exchanges, which include Army and Air Force Exchange Service, Navy Exchange Command, and Marine Corps Exchange.

020102. Authoritative Guidance

The accounting policies, and related requirements prescribed, are in accordance with the applicable provisions of:

A. Department of Defense Instruction (DoDI) 1015.15, “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;” and

B. Financial Accounting Standards Board Accounting Standards Codification (ASC). Users can obtain free access to the ASC by registering for the Basic View, which allows browsing by ASC topic.

0202 REPORTING

020201. Basic Structure

The general ledger accounts are self-balancing (the total debits equal the total credits) and provide for accounting of business events. The NAFSGL contains basic common account code elements, including the Installation, Nonappropriated Fund (NAF), Activity, Cost Center, Site, and General Ledger Account Code (GLAC). Each Military Department uses the accounts required for its particular financial operations. The NAFIs and Military Departments may not have to use all accounts. See paragraph 020302 for a description of each common account code element.
020202. Financial Transactions

All resources acquired and used, and valid claims to and against those resources, are to be recorded as financial transactions. Asset and liability accounts cover the collection and payment of cash, the proper classification of assets (e.g., receivables, prepayments, inventory, and fixed assets), and the recognition and proper classification of liabilities (e.g., accounts payable, wages payable, loan liabilities, and pension liabilities). Revenue and expense accounts measure the realization of revenues from the sale of goods and services, and the recognition of costs through the use and consumption of assets.

*0203 NAFSGL FRAMEWORK

020301. Reporting

The NAFSGL framework requires reporting by specified common account code elements used to organize data for financial reporting. The current NAF common account code elements include the Installation, NAF Fund, Activity, Cost Center, Site, and GLAC.

020302. NAF Common Account Code Elements

A. Installation. A five-character code used to indicate the Military Service and the location where the NAF program is physically or virtually located.

B. NAF Fund. A three-digit code that indicates the NAF Program Group and the type of NAF operation (e.g. Military Morale, Welfare and Recreation (MWR), Department of Defense Lodging, Military Academy Athletic Fund). More information about NAF Program Groups and the definition of NAFIs is in DoDI 1015.15.

C. Activity. A two-digit code that indicates a specific program or an operational program of a NAFI designed to increase the well-being of authorized MWR users. An activity identifies operational organizations within the service structure. Examples include bowling, camping, lodging, and golf.

D. Cost Center. A three-digit code providing a subset or subaccount used to give a more detailed view of a business activity by identifying the accounting subdivision of a NAFI. NAFIs consist of one or more subdivisions called cost centers. Transactions relating to one operational activity (e.g., military club) are recorded into one or more cost centers (e.g., bar, restaurant, or snack bar).

E. Site. A two-digit code for similar activities operated at separate physical locations that are associated with the same installation. For example, an installation might have two bowling alleys or three clubs. The service would provide a consecutive number for each similar location (e.g., Bowling Alley X = 01, Bowling Alley Y = 02). If the activity and cost center cannot be traced to a specific site, use the code "00" to indicate the activity and cost center do not align with a site. If only one physical location exists, use the code "01" to identify the location.
F. **GLAC.** A three-digit code that is used to record transactions relating to a Service’s NAF program assets, liabilities, equity, revenues (income), and expenses. The GLAC is the central repository for accounting data transferred from all sub-ledgers or modules, such as accounts payable, accounts receivable, cash management, fixed assets, purchasing and projects.

*0204 NAFSGL ACCOUNTS*

020401. **Categories**

The NAFSGL uses a three-digit account numbering system for the GLACs. The Chart of Accounts is a list of GLACs with a detailed definition for each account. Within the NAFIs, the NAFSGL supports financial statement reporting at the Program Group level and the consolidated Military Department level. All data must summarize to the three-digit NAFSGL accounts and be traceable to the NAFIs using subaccounts. The following paragraphs discuss the definition of each summary category and the accounts that make up that specific summary category. The general ledger accounts are grouped into the following major summary categories:

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<td>500</td>
<td>Operating Expenses</td>
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<tr>
<td>600</td>
<td>Non-Operating Income</td>
</tr>
<tr>
<td>700</td>
<td>Non-Operating Expenses</td>
</tr>
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</table>

020402. **Assets**

Account for assets in the 100 series of accounts. Current asset accounts consist of cash, investments, receivables, inventories, and other assets or resources that are reasonably expected to be converted to cash or be consumed during the normal operating cycle (12 months or less). Noncurrent asset accounts consist of NAFI-titled fixed assets, appropriated fund (APF)-titled fixed assets, and other long-term assets. Chapter 3 contains additional information on assets.

A. **Cash/Investments.** Cash and investments are liquid assets, which can be quickly used to carry out operations. Cash consists of coins, paper currency and readily negotiable instruments, cash in bank, foreign currencies, revolving cash funds, cash held in petty cash or change funds, imprest funds, savings, and restricted cash. Investments consists of interest-bearing deposits, certificates of deposit (12 months or less), and marketable securities. Employee retirement cash and investments (employee 401K, employee retirement, and employee post-retirement medical) must be excluded from a consolidated presentation. The employee retirement cash and investments will distort available NAF.

B. **Receivables.** Receivables are amounts due from others when the right to receive funds occurs. This may result from amounts owed by employees, customers, and organizations for amounts earned on products sold and services rendered. Receivables consists of
customer receivables, inter- and intra-NAFI receivables, APF receivables, merchant card receivables, claims receivables, employee receivables, accrued interest receivables, allowance for doubtful accounts, and other receivables.

C. Other Current Assets. Other current assets are prepaid expenses that are payments and expenditures made in contemplation of future benefits or performance. Other Current Assets consists of prepayments for supplies, contracts, insurance, franchise fees, deposits, and advance payments.

D. Inventory. Inventory consists of goods held for sale in the normal course of business, designated as resale inventory items, and warehouse materials not accounted for as prepaid supplies or fixed assets. Inventory consists of central warehouse inventory, work in progress inventory, and inventory in-transit.

E. Fixed Assets. Fixed assets are property, plant and equipment purchased, donated, or transferred to NAFIs that have an expected life of two or more years. Fixed Assets consists of buildings, land, land improvements, vehicles, aircrafts, boats, furniture, fixtures and equipment, information technology, livestock, assets in progress, fixed assets in-transit when ownership passes to the NAFI before receiving the asset, and accumulated depreciation.

F. Other Noncurrent Assets. Other noncurrent assets are assets not identified in other asset categories. Other Noncurrent Assets consists of long-term pension benefit assets, receivables, long-term prepaid expenses, certificates of deposit (more than 12 months), marketable securities, long-term contributions, long-term franchise fees, intangible assets, and long-term royalty and trademark fees. Report pension benefit asset information when the pension plan is overfunded and classified as a noncurrent asset. Refer to Statement of Financial Accounting Standards (FAS) No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans” and Chapter 11 for reporting guidance.

020403. Liabilities

Account for liabilities in the 200 series of accounts. Current liability accounts are due on demand or will be due on demand within 1 year and consist of accounts payable, wages payable, interest payable, post-retirement benefit obligations (12 months or less), and other liabilities. Long-term liability accounts are due more than 12 months from the date of the Balance Sheet and consist of loan liabilities, capital lease liabilities, post-retirement benefit obligations (more than 12 months), and other long-term liabilities. Chapter 3 contains additional information on liabilities.

A. Accounts Payable. Accounts Payable consists of the amounts owed for goods and services.

B. Post-Retirement Benefit Obligation – Current. Report the current obligation when the pension plan is underfunded (plan assets are less than the plan benefit obligation). Report obligation information when the pension plan is underfunded and classified as a current liability as determined and provided by the pension provider. This includes any other
post-retirement benefit plan, such as retiree health care. The benefit obligation is the accumulated post-retirement benefit obligation. Refer to FAS No. 158 and Chapter 11 for reporting guidance.

C. **Other Current Liabilities**. Other Current Liabilities consists of various payables, including loans, leases, interest, wages, taxes, and unearned income.

D. **Long-Term Loans Payable**. Long-Term Loans Payable consists of the amount of loans and notes that will be paid in more than 12 months.

E. **Post-Retirement Benefit Obligation – Long-Term**. Report the long-term obligation when the pension plan is underfunded (plan assets are less than the plan benefit obligation). Report obligation information when the pension plan is underfunded and classified as a long-term liability as determined and provided by the pension provider. This includes any other post-retirement benefit plan, such as retiree health care. The benefit obligation is the accumulated post-retirement benefit obligation. Refer to FAS No. 158 and Chapter 11 for reporting guidance.

F. **Other Long-Term Liabilities**. Other Long-Term Liabilities consists of the amount of leases and claims that will be paid in more than 12 months.

020404. **Net Worth/Equity**

Account for Net Worth/Equity in the 300 series of accounts. Net Worth consists of retained earnings, transferred equity, workers’ compensation reserves, equity reserves, undistributed profits and net income, unrealized gains and losses, and other equity transactions. The pension cost liability account records any adjustment made to the existing pension balances in the Balance Sheet. Post these adjustments as an offset to the equity account in the Balance Sheet as either an addition or reduction to Net Worth. Account for these temporary adjustments in the Net Worth section of the Balance Sheet in the same manner as the unrealized gains and losses on investments pursuant to FAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities.” In addition, do not include these temporary adjustments in the net worth calculation. Refer to FAS No. 158 for reporting guidance.

020405. **Operating and Non-Operating Income**

Classify income as either operating (400 series) or non-operating (600 series).

A. **Operating Income**. Account for operating income in the 400 series of accounts. Examples of operating income accounts include gross sales income, participation fees income, concessionaire income, rental income, amusements income, gaming income, reimbursement income, and other operating income. Chapter 5 contains additional information on income.

B. **Non-Operating Income**. Account for non-operating income in the 600 series of accounts. Examples of non-operating income include interest income, rebates income, subsidy income, exchange dividend income, extraordinary income, and other non-operating income.
020406. Operating and Non-Operating Expenses

Classify expenses as either operating (500 series) or non-operating (700 series).

A. Operating Expenses. Account for operating expenses in the 500 series of accounts. Examples of operating expenses include purchases, cost of goods sold, wage expense, tax expense, retirement expense, supplies expense, communication expense, utilities expense, travel expense, claims expense, entertainment expense, bad debt expense, and other operating expense. Chapter 5 contains additional information on expenses.

B. Non-Operating Expenses. Account for non-operating expenses in the 700 series of accounts. Examples of non-operating expenses include interest expenses, prior year(s) expense adjustments, extraordinary expenses, and other non-operating expenses.
VOLUME 13, CHAPTER 3: “ASSETS, LIABILITIES, AND NET WORTH”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated November 2010 is archived.

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<td>ALL</td>
<td>Verified and updated references, updated hyperlinks and formatting to comply with current administrative instructions, and made clarifying editorial changes.</td>
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<tr>
<td>ALL</td>
<td>Deleted general ledger account classification definitions to avoid potential for inconsistencies or duplication of the Nonappropriated Fund (NAF) Standard General Ledger (NAFSG) contained on the NAF Accounting website.</td>
<td>Deletion</td>
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<tr>
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<td>Rearranged information to flow in a logical sequence and renumbered sections, paragraphs, and subparagraphs accordingly.</td>
<td>Revision</td>
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<tr>
<td>030102</td>
<td>Inserted an “Authoritative Guidance” paragraph to comply with current administrative instructions.</td>
<td>Addition</td>
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<tr>
<td>0302</td>
<td>Inserted a “Chart of Accounts” section to direct users to the NAFSG on the NAF Accounting website.</td>
<td>Addition</td>
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CHAPTER 3

ASSETS, LIABILITIES, AND NET WORTH

0301 GENERAL

030101. Purpose

This chapter prescribes the accounting policy and related requirements for Nonappropriated Fund (NAF) assets, liabilities, and net worth. NAF instrumentality (NAFI) programs and facilities must be operated, maintained, and funded as an integral part of the Department of Defense (DoD) personnel and readiness program. Policies in this chapter apply to all NAFIs and their supporting accounting offices (AOs), except the Military (Armed) Service Exchanges, which include Army and Air Force Exchange Service, Navy Exchange Command, and Marine Corps Exchange.

*030102. Authoritative Guidance

The accounting policy and related requirements prescribed are in accordance with the applicable provisions of:

A. Department of Defense Instruction (DoDI) 1015.15, “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;”

B. Financial Accounting Standards Board Accounting Standards Codification (ASC). Users can obtain free access to the ASC by registering for the Basic View, which allows browsing by ASC topic.

C. DoDI 4105.67, “Nonappropriated Fund (NAF) Procurement Policy and Procedure;” and

D. Title 5, Code of Federal Regulations (CFR), Part 1315.

*0302 CHART OF ACCOUNTS

The NAF Standard General Ledger (NAFSGL) chart of accounts, to include definitions and general ledger account codes (GLACs) for asset, liability, and net worth accounts, is maintained on the DoD NAF Accounting website.

0303 ACCOUNTING REQUIREMENTS FOR ASSETS

The NAFSGL contains eight categories in the assets group: Cash, Investments, Receivables, Inventories, Other Current Assets, NAFI Titled Fixed Assets, Appropriated Fund (APF) Titled Fixed Assets, and Other Long Term Assets. Specific accounting requirements related to these categories are outlined in paragraphs 030301 through 030307.
030301. Cash

NAF cash must be maintained in financial institutions that are U.S. federally insured or designated by the Department of Treasury. Cash consists of: coins; paper currency; readily negotiable instruments such as money orders, checks, and bank drafts on hand or in transit for deposit; amounts on demand deposit with banks or other financial institutions; and foreign currencies, which, for accounting purposes, should be translated into U.S. dollars at the exchange rate on the financial statement date.

A. Cash in Bank

1. Reconciliation of Bank Accounts. Designated accounting personnel must reconcile all bank statements or reports on a monthly basis. Any discrepancies found are reported immediately to NAFI management. To maintain separation of duties, the person performing the reconciliations cannot be the check writer.

2. Blank Check Stock. The AO must designate someone to maintain the records and control the blank check stock. For security reasons, this person cannot be one of the check writers. Checks are sequentially pre-numbered and stored in a locked container, which must be either a built-in vault or a safe that is burglary resistant and is fire resistant for a minimum period of two hours. For additional guidelines on securing blank check stock, refer to Volume 5, Chapter 3, section 0303.

3. Check Signing Equipment. There are three components to check signing equipment: a signature plate, a key to the machine, and the machine itself. The signatory maintains the signature plate, and a designated person, other than the signatory, maintains the key to the machine and a log to record machine usage. Whenever operating the machine, the authorized operator enters the beginning and ending readings, date, and their initials in the log. In addition to signature plates, there are other media acceptable for signing checks, e.g., digitized signatures. For comprehensive guidance on check signing machines, refer to Volume 5, Chapter 7, section 0705.

4. Change of Signatory. When a change of signatory occurs, destroy the signature plates and notify the bank. A certificate of destruction is prepared, signed by two witnesses and the successor signatory, and maintained in the AO. Refer to Volume 5, Chapter 7, subparagraph 070502.F for additional information on the destruction of signature media.

B. Foreign Currency. For guidance on exchange rate fluctuations, refer to Volume 5, Chapter 13, section 1304.

C. Change Funds

1. Accounting for Change Funds. Upon initial issuance of the change fund, the NAFI’s cash account is reduced and the appropriate asset account (change funds issued) is increased. Increases to these funds must be requested in writing from the NAFI custodian (see DoDI 1015.15, Enclosure 2 for definition of NAFI custodian). The AO issues a check for the approved amount and increases the asset account accordingly.
2. Replenishment of Change Funds. The NAFI manager or designee may replenish the funds at the end of the day with cash received from operations as long as all the daily receipts are deposited in total. Before replenishing the funds, the NAFI manager or designee must ensure all checks cashed from these funds are deposited daily. In no case will the NAFI manager or designee exchange dollars for foreign currency, except as provided in Volume 5, Chapter 13, section 1302.

D. Petty Cash Funds. Disbursements from the petty cash fund are recorded to the applicable expense accounts in the month that the petty cash is disbursed by the petty cash custodian.

1. Establishing a Petty Cash Fund. Each NAFI must comply with the following guidelines when establishing a petty cash fund.

   a. Each manager within a NAFI appoints, in writing, individuals to act as petty cash custodians.

   b. The amount of a petty cash fund will not exceed one month's requirements.

   c. Any one transaction will not exceed $500, and transactions will not be fragmented to circumvent this limitation. A higher limit may be approved by the Military Service proponent for NAF financial management for purchases made in foreign currency, if currency rates so warrant. This increase must be reviewed on an annual basis.

   d. In foreign locations, NAFIs may have one petty cash fund in the local foreign currency as well as one in U.S. dollars. If NAFIs give cash bingo prizes in both dollars and foreign currency, then two bingo petty cash funds must be established.

   e. NAFIs must not use petty cash funds for cashing checks or paying salaries and wages.

2. Replenishment of Petty Cash Funds. The AO provides the fixed amount to the individual appointed as the petty cash custodian. Disbursements are made by the petty cash custodian and a petty cash voucher is completed to support each transaction. The petty cash custodian will submit a request with the petty cash vouchers and receipts (or equivalent) to the AO to replenish the petty cash fund as needed, but not later than the last day of each month. The AO will issue a check payable to the petty cash custodian, by name, to reimburse the fund.

030302. Investments

For guidance on management of investments policy, refer to DoDI 1015.15, Enclosure 9.
030303. Receivables

Receivables are amounts owed to the NAFIs for sales of merchandise, services, or dues. Receivables may result from amounts owed by employees, members, customers, and organizations for dues, fees, charges, rentals, credit sales, or travel advances. Receivable records are maintained to ensure transactions accurately identify each debt and its respective debtor. Receivable subsidiary records are reconciled on a monthly basis to the general ledger control accounts. Refer to the NAFSGL for a complete listing of receivable accounts and their definitions.

A. Accounting for Customer Accounts Receivable. A subsidiary ledger is maintained for each individual account. Dues are charged monthly where applicable. Monthly statements are sent to members or participants of the NAFIs that permit charge sales, charge dues, or deferred payments. Account balances are due and payable on the first day after the statement date. Current month dues are treated the same as current month charge sales and normally become payable the first day after the statement date. If the DoD Component authorizes delinquent fees, then they are established as a customer receivable and charged to the delinquent account each month.

B. Aged Customer Accounts Receivable Reports. An aged customer accounts receivable report is prepared for all NAFIs with internal credit systems. The aging report, at a minimum, will include the following: over 30 days (second billing statement), over 60 days (third billing statement), and over 90 days (fourth billing statement).

C. Allowance for Doubtful Accounts. ASC, Topic 310, Subtopic 10, Section 35 (ASC 310-10-35) and ASC 450-20-25-2 require the accrual of losses from uncollectible receivables if a loss is probable and the amount of the loss can be reasonably estimated. When using the allowance method for bad debts, NAFIs must determine and record the amount of accounts receivable estimated to be uncollectible at the end of each reporting period. The amount to record as estimated is based on a review of the average write-offs of accounts receivable, which is based on historical data (maintain documentation supporting the calculation and associated adjustment for audit purposes). Adjust the allowance for doubtful accounts to cover those accounts expected to become uncollectible during the next reporting period.

030304. Inventories

Inventory is merchandise or supplies on hand or in transit at a particular point in time. Inventory held for sale or resale consists of goods to be sold in the normal course of business. A value is assigned, which represents the cost of acquisition. When the goods are sold, the value assigned is used to determine profit for the accounting period, as shown on the income statement, and to report assets on the balance sheet at the end of the accounting period.

A. Accounting for Inventory

1. Inventory Subsidiary. All items are recorded at cost, as required by ASC 330-10-30. Cost is the purchase price less trade and cash discounts. If cash discounts are not material to warrant changing individual prices, then the amount of the discount is credited to the
purchases account and not to individual items. Discounts lost and excise taxes paid are not included in the cost of merchandise but are recorded in the applicable operating expense account. The cost of merchandise will include freight, insurance, and handling charges if they can be associated to specific items. If they cannot be identified to specific items, then record directly against the appropriate expense account.

2. **Stock Record.** The stock record is used to record resale merchandise and supplies in a warehouse or storeroom. It requires a complete description of the merchandise and all pertinent information regarding receipt and issue.

3. **Spoilage, Breakage, Obsolete Material, Customer Complaint, or Reject Items.** Immaterial losses of inventory resulting from spoilage, breakage, obsolescence, rejection, or constant customer complaint items are absorbed in cost of goods. Material losses are recorded in a Spoilage and Breakage expense account for the applicable operation.

4. **Consigned Merchandise and Tickets.** Merchandise held on consignment is maintained and accounted for by the consignor. NAFIs only maintain inventory of consigned merchandise for accountability purposes. These items are physically inventoried monthly or at the end of an event for tickets (whichever comes first). In accordance with ASC 605-15-25-1, this inventory is not recorded in the general ledger. Tickets purchased for resale are to be recorded as inventory in the general ledger.

B. **Physical Counts of Inventory.** Inventories are required to be physically counted (called “book to floor”). The following are policies related to physical inventories of merchandise.

1. The inventory list is printed in the same sequence in which the merchandise is stored or arranged for display or in stock record number sequence.

2. A cutoff date is established for sales, issues, returns, adjustments, and transfers so inventory quantities and related accounting entries can be recorded.

3. Merchandise received during the inventory count is not counted unless the payable or payment will be recorded in the general ledger as of the inventory cutoff date.

4. Merchandise sold during the physical count is included in the inventory count. The merchandise is not included in the count if the related sale and receivable or cash received will be recorded in the general ledger after the inventory cutoff date.

5. Physical inventory is conducted separately for each department.

6. Inventories of merchandise held on consignment are separate from NAFI-owned merchandise. Inventory lists are prepared for each owner of the goods.

7. At the conclusion of the inventory count, any discrepancies are provided to the NAFI custodian for resolution. The general ledger (i.e. Inventory, Central
Warehouse Inventory, Purchases, and/or Purchases Discounts and Allowances GLACs) is then adjusted to match the physical count that was observed by the observation team. See DoDI 1015.15 paragraph 6.7 for information on reporting fiduciary responsibility and investigations.

C. Physical Inventory Observation. At least annually, the physical inventory counts are observed by at least one person who is independent of the NAFI conducting the physical count. The objective of the count is to verify the inventory to determine the accuracy of the accounting records. Since it is frequently impractical to observe all physical inventories at one time, the observations may be staggered throughout the year.

030305. Other Current Assets

Prepaid expenses are accounted for in multiple accounts in the Other Current Assets category (refer to the NAFSGL for a complete list of accounts and definitions). Under the prepaid concept, payments made for expenses that apply to a specific period of time are amortized over that period. Any unexpired portion of that expense is shown as a prepaid asset. An advance or prepayment is never amortized for more than its expected usage. Monthly expenses are computed and prorated over each month of the period covered by the advance or prepayment. If the advance or prepayment is for supplies, it is expensed based on expected usage provided by the NAFI custodian. The unexpired prepaid expense subsidiary is reconciled to the related control account. The accounting principle of materiality (see Chapter 1) must be considered before employing the prepaid concept.

030306. NAFI Titled Fixed Assets and APF Titled Fixed Assets

Fixed assets are captured under two categories in the NAFSGL: NAFI Titled Fixed Assets and APF Titled Fixed Assets. Each category has similar accounting treatment, and the same accounts are listed under each category (refer to NAFSGL).

A. Accounting for Fixed Assets. Fixed assets purchased with NAFs, donated, or transferred to a NAFI with a useful life expectancy of two or more years and an acquisition cost of $2,500 or more must be capitalized.

1. Acquisition Cost. Unless otherwise stated in the following subparagraphs, fixed assets are recorded at cost plus any expenditures necessary to place those assets into use as intended (e.g., installation, freight, testing, and legal fees to establish title). The NAFI can apply purchase discounts to reduce these costs; however, late payment interest penalties must not be capitalized. Interest expenses incurred as part of the acquisition cost of fixed assets will be capitalized.

   a. Assets Purchased in Quantity. Like items purchased in a quantity in excess of one must individually meet the capitalization threshold in accordance with the appropriate Military Service guidance. All other criteria for fixed assets listed in subparagraph 030306.A must be met.

   b. Trade-In Assets. When an asset is traded in at the time of purchase, the new asset is recorded at the amount of the monetary consideration paid, plus the trade-
in allowance for the old asset. The acquisition cost and accumulated depreciation of the traded-in asset are removed from the accounting records. If the trade-in allowance is less than the book value of the old asset, then a loss will result. These losses are recorded in the “Other Non-Operating Expense” GLAC of the NAFI. If the trade-in allowance is more than the book value of the old asset, then the difference is subtracted from the acquisition cost of the new asset. No gain is recognized.

c. **Assets-in-Progress.** Assets-in-progress include all costs attributable to a construction project (i.e., building and improvements). This includes, but is not limited to, construction of new buildings, renovation of existing buildings, and fixed assets that are purchased as part of the project. The AO records amounts based on the documentation supporting the contract completion. When progress payments to contractors are based on a percentage of completion clause, record the amount of payments due or paid. In addition to costs related to a construction project, fixed assets received but not billed may be recorded. The AO will transfer the accumulated cost of assets-in-progress to the appropriate fixed asset account and commence depreciation when the final payment is disbursed. NAFI management establishes the facility depreciation periods according to guidance in Volume 4.

d. **Donated or Transferred Assets.** Assets donated or transferred without the expenditure of funds are recorded at the fair market value on the date the asset was donated or transferred. If the fair market value cannot be determined, then the amount recorded is the book value of the donated asset in the donor's accounting records.

e. **Nonmonetary Exchanges.** When assets are exchanged between NAFIs without monetary consideration, it is called a nonmonetary exchange. The assets received in such exchanges are recorded on the books of the gaining NAFI at the net book value of the losing NAFI. The offsetting entry is to the “Realized Gains and Losses for Sale of Fixed Asset Income” GLAC on both the gaining and the losing NAFI.

f. **APF Property Obtained for Free.** These assets are recorded separately from other fixed assets because title and control of these assets remain with APFs. For APF fixed assets expected to benefit more than one accounting period, any acquisition costs such as repairs, transportation, installation, and any subsequent outlays that extend the useful life of the asset are recorded and depreciated over the useful life of the asset. For APF fixed assets held one year or less, all costs are an expense for the period the asset is held.

g. **Uniform Funding and Management (UFM) Fixed Assets.** Fixed assets acquired through UFM process must be expensed and offset with UFM funds at the time of purchase and not depreciated. Record these assets in the NAFI fixed assets records for inventory and control purposes with a zero acquisition value. UFM fixed assets are considered NAFI assets and the proceeds from disposal must revert to the NAFI. Further information on UFM practices is included in DoDI 1015.15, Enclosure 6.

2. **Lease Disclosures.** If either capital or operating leases are material, then information concerning the leases is disclosed in the NAFI financial statement footnotes.
3. **Subsequent Expenditures.** Subsequent expenditures for fixed assets fall into three categories: repair and maintenance, improvements, and additions. The objective is to match the expenditures with the period benefited. Therefore, expenditures that benefit only the current period are expensed and expenditures that benefit future periods are capitalized.

   a. **Repair and Maintenance.** Expenditures in this category are designed to prevent an asset from deteriorating (e.g., painting the interior of the enlisted club) or to return the asset to its original level of performance (e.g., a tune-up on a motor vehicle). These expenditures do not improve the performance of the asset or extend the life of the asset. Maintenance and repair expenditures are expensed in the period incurred.

   b. **Improvements.** Improvements are expenditures that extend the useful life of an asset (e.g., an engine overhaul on a motor vehicle) or improve original asset performance. Improvements are capitalized and depreciated.

   c. **Additions.** Expenditures which increase the size of an asset (e.g., adding a new section to the club) are called additions. Additions are capitalized and depreciated.

4. **APF Titled Fixed Assets.** An aspect of NAF accounting is that some assets, particularly buildings, are purchased using NAFs, and the NAFI has exclusive use, but the title rests with the Government. NAF procured property or facilities may be transferred to APF for maintenance when allowed by the Military Service regulations. Upon receipt of approved documentation from NAFI management, record these items in the NAF property records and general ledger as APF Titled Fixed Assets (signifies government title) and commence depreciation.

5. **Fixed Assets in Transit.** The NAFI may receive title to fixed assets and may make payment for fixed assets before the NAFI has physical possession of the property. Typically, this happens when property destined for a NAFI overseas is delivered to a stateside port for over-water transportation by government means. Payment is made based on the receipt at the port and is recorded to the appropriate fixed asset account. Depreciation begins when the asset is placed in service.

6. **Disposition of Property.** Disposal means that the NAFI activity manager has physical control of the item and disposes of it. Documents are prepared and approved by the NAFI activity manager for the disposition of fixed assets. When property is transferred to APFs, it is evidenced on the form required by APFs.

7. **Physical Fixed Asset Inventory.** A physical inventory of all fixed assets will be conducted at least annually and observed by at least one person who is independent of the NAFI conducting the physical count. The objective of the count is to verify the inventory to determine the accuracy of the accounting records. When it is impractical to perform this inventory all at one time, the NAFI may schedule and conduct the physical inventory by area.

8. **Property Subsidiary Ledger.** Property subsidiary ledgers serve as property control records. At a minimum, the property subsidiary ledger must list each piece of
property, acquisition date, acquisition value, useful life, depreciation to date, and current book value. This subsidiary ledger can be either automated or manual, but if automation is available, it must be used. The NAFI prepares the documentation necessary to change any data on the subsidiary ledger records, even when no general ledger entries are required, e.g., fixed assets transferred from one location to another within the same NAFI.

9. **Claims.** When an insured asset is destroyed or damaged and the claim is settled, the affected accounts are adjusted. Usually claim settlements do not exceed the acquisition value less accumulated depreciation of the property destroyed (book value).

10. **Depreciation.** Depreciation accounting distributes the cost or other basic value of tangible capital assets over the estimated useful life of such assets in a systematic and rational manner. Accounting for depreciation as an expense is an integral part of the accrual basis of accounting. Accordingly, all NAF activities recognize depreciation of their fixed assets. For NAF capital assets whose titles are transferred to APFs, but are still used by the NAFI, continue to depreciate these fixed assets on the NAFIs book until the items are fully depreciated. The straight-line method of depreciation is used for determining the monthly depreciation expense. Refer to Volume 4, Chapter 6, Table 6-1 for depreciation periods. Also, refer to Volume 4, Chapter 6, paragraph 060205 for the requirements for salvage value to be subtracted from the acquisition cost of fixed assets before computing depreciation.

**B. Information Technology Assets.** In accordance with ASC 350-40-35-4, internal-use software will be amortized on a straight-line basis unless another systematic and rational basis is more representative of the software’s use. Software acquired for research and development with no alternative future use will be amortized over the period of the project as opposed to the normal life-cycle amortization. Refer to Volume 4, Chapter 27 for detailed guidance.

030307. **Other Long Term Assets**

Other long term assets include those not identified in other asset lines of accounting and that fall into such categories as company's property, equipment, and other capital assets (e.g., stocks or bonds) that are held for longer than 1 year.

**0304 ACCOUNTING REQUIREMENTS FOR LIABILITIES**

The NAFSGL contains two categories in the liabilities group: Current Liabilities and Long Term Liabilities. Current liabilities are due on demand or will be due on demand within 1 year; whereas, long term liabilities are amounts due over a period of time longer than 1 year from the date of the balance sheet. Specific accounting requirements related to liabilities are outlined in paragraphs 030401 through 030403.
030401. Recognition of Liabilities

Liabilities arise from the acquisition of goods or services. Accounts payable liability must be recognized upon receipt of services or when accepting title to goods. Accrued liabilities originate at the end of the period of adjustment process, which is a requirement of accrual accounting.

030402. Contingent Liabilities

Contingencies are existing conditions, situations, or circumstances involving uncertainty as to possible gain or loss that will ultimately be resolved when one or more future events occur or fail to occur. Loss contingencies are accrued when the outcome is probable and the amount is reasonably estimable. Do not record gain contingencies. When a contingency is identified, the AO will footnote the year-end Military Service level consolidated financial statements explaining the contingency and the potential for gain or loss. See ASC 450-20-25 for more information on recording contingent liabilities.

030403. Accountability for Liabilities

The NAFI manager or designee is responsible for approving the disbursement of NAFs. The AO is not authorized to make disbursements without the approval of the NAFI manager or designee or as authorized in this Regulation.

0305 PAYMENT OF LIABILITIES

030501. Documentation Required for Payment

DoDI 4105.67 provides policy and responsibility for procurements using NAFs. NAFIs must also comply with the Prompt Payment Act in accordance with 5 CFR 1315. The following documentation is required prior to payment of liabilities.

A. General. NAFIs will submit the following documents, properly prepared and authenticated, to the AO to support payment for procurements:

1. Procurement document, e.g., purchase order (PO), contract, blanket purchase agreement, or similar documents;

2. DoD (DD) Form 250, Material Inspection and Receiving Report, or other signed document that provides evidence that goods were accepted or services were received; and

3. Vendor invoice or claim for payment. The invoice or claim may be for a specific delivery or for deliveries made over a specified period.

B. Overseas Shipments. The AO must receive a vendor invoice and proof of shipment before payment can be made on overseas shipments. These payments may be made prior to receipt or acceptance of goods.
C. Partial Shipments. The NAFI will submit to the AO a DD 250 or locally produced receiving report showing receipt and acceptance of goods. The form must have “Partial Shipment” written on the top. The AO will establish an accounts payable open item. When the AO receives the invoice for the partial shipment, payment will be processed and the supporting documents will be annotated as partial shipment received.

030502. Purchases from Other NAFIs

When a NAFI purchases goods or services from another NAFI, a DD 1149, Requisition and Invoice/Shipping Document, or similar form will be submitted to the AO to support the transaction.

030503. Purchases from the Government

NAFI purchases of goods or services from the Government (e.g., bills from APFs) are not usually supported by a procurement instrument. The NAFI will submit a DD 250 or other signed document to the AO to support the payment.

030504. POs, Vendor Invoices, and Receiving Reports

A. POs. A PO is a document issued by the NAFI to a seller, indicating the type, quantity, and agreed price for goods or services to be provided. Sending a PO to a supplier constitutes a legal offer to buy goods or services. Acceptance of a PO by a seller forms a contract between the NAFI and the seller.

B. Vendor Invoices. A vendor invoice represents a claim against NAF. All invoices must be date stamped at time of receipt and meet Prompt Payment Act criteria in accordance with 5 CFR 1315.

C. Receiving Reports. A receiving report is a document prepared by the receiving activity to document the receipt of services or acceptance of goods.

030505. Discounts

For NAFIs, a discount is the amount deducted from the total amount of the invoice when goods are supplied “Free on Board (FOB) destination.” If the goods are supplied “FOB other” and a separate freight charge is shown, then the discount is taken on the cost of goods only. The FOB delivery terms are shown on the PO.

030506. Prompt Payment Act

The Prompt Payment Act, 5 CFR 1315, requires Federal agencies (including NAF activities) to make payments in a timely manner. If a payment to a contractor is late, then an interest payment is due to the contractor. This interest payment is made without contractor request. A notice stating the amount of the interest penalty, the number of days late, and the rate used for calculation accompanies the interest payment.
0306 ACCOUNTING REQUIREMENTS FOR NET WORTH

Net Worth or Equity consists of capital invested in NAFIs plus (minus) the net income (loss), resulting from operations since inception. Transactions into and out of equity are limited to net income, net losses, and entries associated with the establishment of the fund, as well as certain adjustments. Adjustments are rare and might include certain accounting principle changes, certain prior period adjustments, and distribution of capital. The NAFSGL contains one category in the net worth/equity group: Net Worth/Equity. Specific accounting requirements related to this category are outlined in paragraphs 030601 and 030602.

030601. Accounting for Net Worth/Equity

A. When a new NAF organization with preexisting capital is authorized, the capital is recorded as equity. As an example, preexisting capital is a factor when a private association converts to a membership association. Equity is disestablished when a NAF organization is dissolved.

B. Equity may be distributed by declaring dividends to other NAF organizations. An example is dividends paid by installation restaurants. Special grants for new construction and facility improvements are another method of distributing equity. Equity is transferred in the form of cash or other assets.

030602. Other Equity Transactions

A. The Other Equity or Earnings general ledger account consists of transfers in and out of equity that will be limited to:

1. Prior year material corrections;

2. Components of other comprehensive income (loss) prescribed by ASC 220-10-45-10A;

3. Entries associated with the establishment, disestablishment, or consolidation of NAFIs; and

4. Distribution and receipt of capital.

B. Refer to Chapter 1 for information on materiality.
VOLUME 13, CHAPTER 5: “INCOME AND EXPENSES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2013 is archived.

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<td>ALL</td>
<td>Replaced instances of “Revenue” with “Income” in the title and throughout the chapter to match Nonappropriated Fund (NAF) Standard General Ledger (NAFSGL) verbiage.</td>
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<td>Verified and updated references, updated hyperlinks and formatting to comply with current administrative instructions, and made clarifying editorial changes.</td>
<td>Revision</td>
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<tr>
<td>ALL</td>
<td>Deleted general ledger account classification definitions to avoid duplication of the NAFSGL maintained by the Office of the Deputy Assistant Secretary of Defense (Military Community and Family Policy).</td>
<td>Deletion</td>
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<td>ALL</td>
<td>Rearranged information to flow in a logical sequence and renumbered sections, paragraphs, and subparagraphs accordingly.</td>
<td>Revision</td>
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<td>050102</td>
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<td>0505</td>
<td>Expanded section to provide additional statutory authorities available to NAF instrumentalities.</td>
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0501 GENERAL

050101. Purpose

This chapter prescribes the standard policies surrounding Department of Defense (DoD) Nonappropriated Fund (NAF) income and expenses. NAF instrumentality (NAFI) programs and facilities must be operated, maintained, and funded as an integral part of the DoD personnel and readiness program. Policies in this chapter apply to all NAFIs and their supporting accounting offices (AOs), except the Military (Armed) Service Exchanges (Army and Air Force Exchange Service, Navy Exchange Command, and Marine Corps Exchange).

050102. Authoritative Guidance

The accounting policy and related requirements prescribed are in accordance with the applicable provisions of:

A. Financial Accounting Standards Board Accounting Standards Codification (ASC). Users can obtain free access to the ASC by registering for the Basic View, which allows browsing by ASC topic;

B. DoD Instruction (DoDI) 1015.15, “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;” and

C. Title 10, United States Code (U.S.C.), sections 2241, 2491, 2492, 7459, 8478, and 9459.

0502 CHART OF ACCOUNTS

The NAF Standard General Ledger (NAFSGL) Chart of Accounts, to include definitions and general ledger account codes for income and expense accounts, is maintained along with other relevant information on the DoD NAF Accounting website.

0503 INCOME STANDARDS

050301. Recognition

In accordance with ASC, Topic 605, Subtopic 10, Section 25, NAFIs must recognize revenue (classified as “income” in the NAFSGL) when it is realized or realizable. Earned income is recognized at the time of delivery of the goods or performance of the service. If cash or credit payments are received prior to time of delivery or performance, then income is unearned. If cash or
credit payment has not been received at time of delivery or performance, then an accounts receivable
is posted for the amount due.

050302. Recording

The AO must record income in the appropriate NAFI’s financial records on a consistent basis in the appropriate cost center and in the operating cycle that the income is earned. Income is recorded in accordance with DoDI 1015.15.

0504 EXPENSE STANDARDS

Expenses are decreases in economic benefits during an accounting period, in the form of outflows (or other asset depletion) or the incurrence of liabilities that result in a decrease in equity. In NAF accounting, expenses are the costs related to the sale of goods and services consequent to the operation of the NAFI.

050401. Recognition

NAFIs must recognize costs as an expense in the period that the income with which they are associated is recognized (the matching principle). Cost elements are included in inventory and expensed when the items are sold and income from the sale is recognized. If no connection with income can be established, then the asset’s cost is allocated to the accounting period benefited in a systematic and rational manner. This form of expense recognition involves the expected length of benefit and the relationship and cost of each period (e.g., depreciation of fixed assets, amortization of intangibles, and allocation of rent and insurance). All other costs are recognized in the accounting period in which they are incurred.

050402. Recording

Using the accrual method of accounting, AOs must record expenses on a consistent basis in the appropriate cost center and in the operating cycle in which the expense was incurred. See Statement of Financial Accounting Concepts No. 6, “Elements of Financial Statements,” for further guidance on accrual accounting.

*0505 ACCOUNTING FOR APPROPRIATED FUND (APF) SUPPORT TO NAFIs

050501. Legal Authority

Title 10, U.S.C. § 2241 is the basic statutory authority to provide APFs to support Morale, Welfare, and Recreation (MWR) functions. MWR (Utilization Support and Accountability (USA)) and Uniform Funding and Management (UFM) are two mechanisms for provision of APF support to NAFIs. The MWR (USA) and UFM practices involve use of NAFs for MWR expenses that, per funding policies in DoDI 1015.15, should be borne by APFs. MWR (USA) enables NAFIs to use NAFs to execute such expenses, subject to subsequent APF reimbursement under Memoranda of Agreement (MOAs). Unlike MWR (USA) practices (which involve reimbursement from APFs), under UFM practices, APFs may be transferred into NAF accounts prior to expenditure. Funds appropriated to DoD and available for MWR programs are treated as
NAFs for all purposes under UFM MOAs and remain available until expended. Title 10, U.S.C. § 2491 provides statutory authority for UFM practices. Other statutory authorities available to NAFIs are 10 U.S.C. §§ 2492, 7459, 8478 and 9459.

050502. MWR (USA) Recording

A. **Income.** The AO must record funds received from appropriated sources for expenses covered by the MWR (USA) income.

B. **Expense.** The AO must record authorized expenses (which is the amount subject to APF reimbursement), as they occur, in the applicable expense accounts to allow identification of MWR (USA) support in accordance with DoDI 1015.15, Enclosure 6.

050503. UFM Recording

A. **Income.** The AO must record UFM funds received in advance in the cash account with a contra entry to an Unearned Income (liability) account identified as UFM. As UFM expenses are recorded, the Unearned Income account must be reduced by the same amount in the same reporting cycle.

B. **Expense.** The AO must record authorized expenses, as they occur, in the applicable expense accounts to allow identification of UFM support in accordance with DoDI 1015.15, paragraph E.6.3.4 and reduce the Unearned Income account as applicable in the same reporting cycle.

050504. Other APF Support

Direct support is an APF category that occurs when APFs are obligated and expended (e.g., furnishing of utilities, fire/safety support, refuse removal, and snow removal) and the NAFI does not incur the expense subject to reimbursement. In this case, the NAFI does not administer APFs as if they were NAFs.
VOLUME 13, CHAPTER 7: “FINANCIAL REPORTING”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated March 2013 is archived.

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<td>Reworded and reformatted the chapter for clarity. Revised references and added electronic links.</td>
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<td>Provided clarification on ratios used to identify trends and required adjustments to financial reporting.</td>
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<td>070703 &amp; Figure 7-1</td>
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<td>070802</td>
<td>Clarified the instructions used to prepare the Statement of Income and Expense.</td>
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<td>071103 &amp; Figure 7-5</td>
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CHAPTER 7

FINANCIAL REPORTING

0701 GENERAL

070101. Purpose

This chapter prescribes the standard policies for financial reporting, which are the principal means of communicating accounting information to those activities relying on information for management of their operations.

070102. Authoritative Guidance

The accounting policies, and related requirements prescribed, are in accordance with the applicable provisions of:

A. Department of Defense Instruction (DoDI) 1015.15, “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;” and

B. Financial Accounting Standards Board Accounting Standards Codification (ASC). Users can obtain free access to the ASC by registering for the Basic View, which allows browsing by ASC topic.

0702 RESPONSIBILITIES

070201. General

The policies in this chapter apply to Department of Defense (DoD) Nonappropriated Fund Instrumentalities (NAFIs) and their supporting Accounting Offices (AOS). These policies do not apply to the Military (Armed) Service Exchanges, except for financial reporting prescribed in paragraph 070202 and Section 0703.

070202. DoD Components

The DoD Components are responsible for the fair presentation in the financial reports of financial position, results of operations, and the program and personnel information included. In addition, the DoD Components are responsible for compliance with Nonappropriated Fund (NAF) program laws and regulations.

070203. AO

The supporting AO is responsible for compiling all the necessary information from accounting and payroll systems, as well as preparation of financial statements and reports. The
integrity of those systems, and the accuracy of data produced, are also AO responsibilities. Refer to Chapter 1 for a list of definitions, reporting requirements, and accounting standards.

0703  FINANCIAL REPORTING

070301.  Financial Statements

The principal financial statements used to convey information to users are the Balance Sheet, Statement of Income and Expense, Reconciliation of Net Worth, Schedule A - Appropriated Fund (APF) and NAF Expense Summary, and Statement of Cash Flows.

A.  Balance Sheet.  The Balance Sheet (also known as statement of financial position) presents a NAFI’s financial position as of a specified date. It is sometimes described as a “snapshot” that allows the user to see what a NAFI owns as well as what it owes to others. The major components of the Balance Sheet are assets, liabilities, and net worth (equity). Refer to Section 0707 and Figure 7-1 for information on the format and instructions for preparing the Balance Sheet. Refer to Chapter 3 and FASB ASC Topic 210 for additional information on assets, liabilities, and net worth (equity).

B.  Statement of Income and Expense.  A Statement of Income and Expense (also referred to as a profit or loss statement or income statement) provides information about a NAFI’s financial performance during a specified period of time, and a summary of a NAFI’s profit or loss during the accounting period. Use the Statement of Income and Expense to track revenues and expenses. Refer to Section 0708 and Figure 7-2 for information on the format and instructions for preparing the Statement of Income and Expense. Refer to Chapter 5 and FASB ASC Topic 225 for additional information on income and expenses.

C.  Reconciliation of Net Worth.  The Reconciliation of Net Worth (also known as statement of retained earnings) provides information about changes to net worth during a specified period of time. It shows the establishment, disestablishment, and consolidation of NAFIs; receipt and distribution of capital; net income and net loss; grants received and disbursed; and prior year material adjustments. Refer to Section 0709 and Figure 7-3 for information on the format and instructions for preparing the Reconciliation of Net Worth. Refer to Chapter 3 and FASB ASC Topic 215 for additional information on net worth (equity).

D.  Schedule A - APF and NAF Expense Summary.  Schedule A provides a detailed breakdown of APF and NAF operating costs and capital expenditures other than cost of goods sold. Report APF received and expended through the DoD Morale Welfare and Recreation (MWR) Utilization Support and Accountability (USA) practice, Uniform Funding Management (UFM) practice, or other APF agreements as APF contractual services support and not as NAF expenditures. Summarized NAF costs on this report equal the operating expenses, other expenses, and extraordinary expenses lines on the Statement of Income and Expense, which are also reported net of APF support to avoid double counting. Report NAF capital expenditures in the year funds are expended and assets are recorded (including construction in progress and capital leases). Refer to Section 0710 and Figure 7-4 for information on the format and instructions for preparing Schedule
A - APF and NAF Expense Summary. Refer to FASB ASC topics 605-610 for additional information on revenues and ASC topics 705-740 for additional information on expenses.

E. Statement of Cash Flows. A cash flows statement provides information about cash receipts and cash payments of a NAFI during the accounting period. The statement shows how changes in balance sheet and income accounts affect cash and cash equivalents and breaks the analysis down according to operating, investing, and financing activities. Refer to Section 0711 and Figure 7-5 for information on the format and instructions for preparing the Statement of Cash Flows. Refer to FASB ASC Topic 230 for additional information on preparing the Statement of Cash Flows.

070302. Footnotes to Financial Statements

Footnotes are an integral part of the financial statements and used to provide additional disclosures to ensure the financial statements are informative and not misleading. When the actual dollar amounts on the financial statements do not provide sufficient information for decision makers, accountants supplement the financial statements with more detailed data in the form of footnotes. Footnotes help management compare the operating results of the current business period with the operating results of previous periods. Fund equity adjustments and significant business closures are examples of occurrences requiring footnotes. Refer to DoDI 1015.15 for required footnotes.

0704 COMPARATIVE ANALYSIS OF FINANCIAL STATEMENTS

Comparative analysis is the study of relationships and trends to determine whether the financial position, results of operations, and the financial progress of the business are satisfactory or unsatisfactory. The objective of any method used to analyze a financial statement is to simplify or reduce the data under review to more understandable terms.

070401. Analytical Methods and Techniques

Analytical methods and techniques used in analyzing financial statements include the following:

A. Comparative Balance Sheets, Statements of Income and Expense, Statements of Cash Flows, and Reconciliations of Net Worth (retained earnings) with the following information:

1. Absolute data (dollar amounts);
2. Comparisons expressed in ratios;
3. Increases and decreases in absolute data in terms of dollar amounts;
4. Increases and decreases in absolute data in terms of percentages; and
5. Percentages of total;
B. Statement of sources and uses of working capital;

C. Trend ratios of selected and/or related financial and operating data. A trend analysis is performed for each NAFI financial statement. The analysis of the Balance Sheet compares actual to actual, and the percentage of increase or decrease is calculated. The analysis of the Statement of Income and Expense for each activity compares actual to actual as well as actual to the budgeted amounts. The financial statement analysis is made by each activity for items such as sales, cost of goods sold, labor expenses, net income, and all other revenue and expense items with a material financial effect on the activity;

D. Common size percentages ((amount/base amount) and multiply by 100) from the Balance Sheet, the Statement of Income and Expense, and individual sections of these statements;

E. Ratios expressing the relationships of items selected from the Balance Sheet, the Statement of Income and Expense, or both statements; and

F. Statement of variation in net income or gross margin.

*070402. Ratios

The behavior of ratios over a series of accounting periods is indicative of trends and may signal the need for adjustments in the future. Use the ratios included in 070402 A-L to complete the trend analysis explained in 070401.C. The following ratios are a means of monitoring the efficiency of NAFIs:

A. Accounts Receivable Turnover. The accounts receivable turnover is the relationship between credit sales and accounts receivable and indicates the liquidity of an activity’s receivables. Calculate accounts receivable turnover by dividing net credit sales by the average accounts receivable (Accounts Receivable Turnover = Net Credit Sales/Average Accounts Receivable). The average accounts receivable is the beginning accounts receivable plus the ending accounts receivable, divided by two. Use average accounts receivable monthly balances in the computation, as it gives recognition to seasonal fluctuations. When such data is not available, it is necessary to use the average of the balances at the beginning and end of the year. Prompt collection of receivables reduces the amount of loss from bad debts. Another method is to divide 365 days by the accounts receivable turnover figure to get the average number of days the receivables were on the books.

B. Acid-Test Ratio. The acid-test ratio, or quick ratio, measures the ability of NAFIs to use quick assets to liquidate current liabilities. The formula to compute the acid-test ratio is to divide quick assets by current liabilities (acid-test ratio = quick assets/current liabilities). Quick assets refer to assets that can be easily converted to cash, or that are already in cash form, including cash, receivables, and marketable securities. Quick assets equal current assets minus inventory and prepaid expenses. The acid-test ratio should not be less than 1:1. A ratio of 1:1 shows that for every dollar of current debt there is $1 of quick assets available to meet current liabilities. Higher ratios indicate NAFIs have sufficient cash and cash equivalents to pay immediate obligations.
C. **Current Ratio.** The current ratio, or working capital ratio, measures the relationship between current assets and current liabilities. It measures the ability of current assets to pay short-term debts. The formula to compute the current ratio is to divide the total current assets by the total current liabilities (Current Ratio = Total Current Assets/Total Current Liabilities). A current ratio of 1.5:1 is considered standard. A smaller ratio indicates high debt. However, if the current ratio is too high, current assets are not being efficiently utilized and should be converted to other useful purposes. A ratio higher than one means that if all current assets can be converted to cash, they are more than sufficient to pay off current liabilities.

D. **Inventory Turnover Ratio.** The inventory turnover ratio expresses the relationship between cost of goods sold and the average inventory balance. The formula to compute the inventory turnover is cost of goods sold divided by the average inventory (Inventory Turnover = Cost of Goods Sold/Average Inventory). Average inventory equals beginning inventory plus ending inventory, divided by two. Excess inventory reduces available funds and may increase the cost of insurance, storage, and other related expenses. The inventory ratio for food and beverage operations generally should not exceed 2.5:1 on a monthly basis or 30:1 on an annual basis. A ratio of 1:3 for other sales operations on a monthly basis, or a ratio of 4:1 on an annual basis, is generally considered acceptable and shows about a 3-month inventory supply. A low turnover rate may indicate overstocking, obsolescence, or deterioration. A high turnover rate may indicate inadequate inventory levels, which may lead to a loss in business. Appropriate inventory levels depend on quantity pricing of purchases, shelf life, and restocking lead-time.

E. **Net Income Ratio.** The net income ratio measures the rate of return on revenue. The formula to compute the net income ratio is net income divided by total revenue (Net Income Ratio = Net Income/Total Revenue). Calculate net income as total revenues minus total expenses. Refer to DoDI 1015.15 for additional information on net income.

F. **Ratio of Net Sales to Assets.** The ratio of net sales to assets measures the efficiency with which NAFIs are using their assets to generate sales. The formula to compute the ratio of net sales to assets is to divide net sales by total assets minus long-term investments (Ratio of Net Sales to Assets = Net Sales/(Total Assets - Long-Term Investments)). In computing the ratio, exclude any long-term investments from total assets, as they do not contribute to sales. If sales can be stated in a common unit, then units of products sold can be used in place of the dollar amount of sales. Assets used in determining the ratio may be the total at the end of the year, the average at the beginning and end of the year, or the average of monthly totals.

G. **Return on Assets Ratio.** The return on assets ratio measures a NAFI’s ability to generate income with its existing assets. The formula to compute the return on assets ratio is to divide net income by the average total assets (Return on Assets Ratio = Net Income/Average Total Assets). Average total assets are beginning total assets plus ending total assets divided by two.

H. **Return on Fund Equity.** The return on fund equity measures a NAFI's ability to earn a higher rate of return than is paid for the funds used in operations. The formula to compute the return on fund equity is to divide net income by the average fund equity (Return on Fund Equity = Net Income/Average Fund Equity). Average fund equity is beginning equity plus ending equity divided by two.
I. Turnover of Working Capital. Working capital is a valuation metric calculated as current assets minus current liabilities. The formula to compute the working capital turnover is to divide net sales by average working capital (Turnover of Working Capital = Net Sales/Average Working Capital). Average working capital is ending current assets minus ending current liabilities plus beginning current assets minus beginning current liabilities, divided by two. Current assets include accounts receivable and inventory while current liabilities include accounts payable. These various components are analyzed individually to account for changes from period to period. The turnover of working capital reflects the extent to which NAFIs operate on a small or large amount of working capital in relation to sales.

J. Fixed Asset Turnover. The fixed asset turnover is the ratio of net sales to the value of fixed assets, and indicates how well the entity uses its fixed assets to generate sales. The formula to compute the fixed asset turnover is to divide net sales by the total property, plant, and equipment, net of accumulated depreciation (Fixed Asset Turnover = Net Sales/Net Property, Plant, and Equipment).

K. Working Capital to Total Assets. The working capital to total assets ratio is a liquidity ratio that expresses the net current assets or working capital as a percentage of total assets, and measures a company’s ability to cover its short-term financial obligations. The formula to compute the working capital to total assets ratio is to divide working capital by total assets (Working Capital to Total Assets = Working Capital/Total Assets).

L. Return on Total Assets. The return on total assets measures earnings before interest and taxes (EBIT) relative to total net assets, indicating how effectively assets are used to generate earnings before contractual obligations must be paid. The formula to compute the return on total assets is to divide EBIT by total net assets (Return on Total Assets = EBIT/Total Net Assets).

070403. Comparative Statements

A. Comparison. Financial statements analyzed on a comparative basis can be much more informative and meaningful. Use comparative statements to complete the trend analysis explained in 070401.C. Sample comparisons include:

1. Comparison of the latest financial statements and relationships between various elements with one or more previous periods;

2. Comparison of the statements and financial relationships with data for other similar activities;

3. Comparison of the statements and financial relationships of two or more divisions or branches of the same activity; and

4. Comparison of information in the statements with preset plans or goals (normally in the form of budgets).
B. Horizontal Analysis. A comparison of the amounts for the same item in the financial statements of two or more periods is called horizontal analysis. The term is applied because the analysis includes data from year to year rather than as of one date or period of time. In computing the percent of change, the amount for the earlier year serves as the base. In general, the percentage of change is of greater interest than the actual amounts.

C. Vertical Analysis. The amount of each item in a statement can be expressed as a percentage of the total. Compare percentages resulting from vertical analysis across two or more periods to discover trends over time.

0705 REPORTING TO THE INTERNAL REVENUE SERVICE (IRS)

070501. General

Retain all records relating to payments to individuals and firms according to the IRS Topic Number 305: "Recordkeeping." Continental United States (CONUS) offices consult their local IRS office for forms, publications, or assistance. Overseas offices contact the IRS to get the address and telephone number of the nearest IRS representative. IRS representatives, in CONUS and overseas, provide instructions concerning IRS procedures for return preparation, filing, and depositing employment tax payments. Use electronic reporting mechanisms when possible.

070502. Contract Payments (Non-personal Services)

Report to the IRS cumulative NAFI service contract payments made during the calendar year, along with the total amounts paid, which meet the IRS threshold for reporting income on IRS Form 1099-MISC, “Miscellaneous Income.” Include the name, address, and Social Security number of the individual. For businesses, report the amount paid, the business name, business address, and business tax identification number. NAFI contracts with entertainers are considered service contracts. If a single payment to an individual is less than the IRS threshold, but total payments made during the calendar year to the same individual reach the IRS threshold, report the information to the individual or firm, and the IRS, using 1099-MISC. The individual or firm receives a copy of the 1099-MISC by January 31 of the calendar year following the calendar year in which payment was made. This applies to individuals who, in addition to being NAFI employees, have contracts with NAFI for non-personal services. Prepare a separate 1099-MISC for each individual or firm to whom total payments meeting the IRS threshold are made. Use IRS Form 1096, “Annual Summary and Transmittal of U.S. Information Returns,” to transmit the 1099-MISC to the IRS and forward these forms to the IRS by February 28 of the following year.

070503. Gambling and Bingo Winnings

IRS reporting requirements for gambling and bingo winnings are tied to individual games. Unlike contract payments, winnings are not accumulated from game to game; each game stands alone for IRS reporting requirements. Whenever cash, merchandise, or a combination thereof, meeting the IRS threshold for reportable gambling winnings, is awarded to a person for winning a single bingo game or other gambling activity, prepare an IRS Form W-2G, “Certain Gambling Winnings.” Individuals receive their copies of the IRS Form W-2G at either the time payment is
made, or not later than January 31 of the following year. Use IRS Form 1096 to transmit W-2Gs to the IRS. Additionally, prepare IRS Form 1042-S, “Foreign Person’s U.S. Source Income Subject to Withholding,” for reporting foreign nationals’ gaming winnings and withholdings, and forward these forms to the IRS by February 28 of the following year.

0706 INTERNATIONAL BALANCE OF PAYMENTS (IBOP) PROGRAM

IBOP is an accounting of a country’s international transactions for a particular period of time. NAFIs are subject to the IBOP reporting guidance prescribed in DODI 4105.67, “Nonappropriated Fund (NAF) Procurement Policy and Procedure,” and Volume 6A, Chapter 13.

0707 FORMAT FOR THE BALANCE SHEET

070701. Format for the Balance Sheet

Use the format presented in Figure 7-1 for the consolidated Balance Sheet. The working versions of all statements and notes will include line numbers as shown.

070702. Instructions for the Preparation of the Balance Sheet

The Balance Sheet presents, as of a specific time, amounts of economic benefits owned or managed by the reporting entity (assets), amounts owed by the entity (liabilities), and amounts comprising the difference (net worth). Crosswalks of accounts used to prepare the Balance Sheet to other financial statements are prepared utilizing the NAF Standard General Ledger (NAFSGL) guidance in Chapter 2. Complete the heading on the form to indicate: Military Service, Program Group, and the reporting date.

*070703. Line Item Instructions for Preparing the Balance Sheet

A. Current Assets

1. Cash/Investments, Line 1. This is a summary line for cash and investments. Items reported as cash and investments include cash, U.S. checking accounts, change funds, petty cash, foreign currency, savings accounts, marketable securities, and other short-term investments. Employee retirement cash and investments (employee 401K, employee retirement, and employee post-retirement medical) must be excluded from a consolidated presentation, as these non-entity items are not available for general use by a NAFI.

2. Receivables, Line 2. This is a summary line for all receivables. Items reported as receivables include customer accounts receivables, exchange service dividend receivables, gaming machine profit distribution receivables, claims receivables, commercial credit card receivables, concessionaire receivables, deposits receivables, NAFI receivables, returned check receivables, employee receivables, accrued interest receivables, loans receivables, MWR USA/UFM receivables, and other current receivables. Include allowance for doubtful accounts on this line.
3. **Other Current Assets, Line 3.** This is a summary line for all prepaid assets. Items reported as other current assets include travel advances, prepaid contracts, prepaid insurance, prepaid rent, prepaid supplies, prepaid tax and license, and other prepaid expenses.

4. **Inventories, Line 4.** This is a summary line for all inventory accounts. Items reported as inventory include inventory located in warehouses or storerooms, inventory sales outlet resales, and inventory in transit.

5. **Total Current Assets, Line 5.** Report the net total of Line 1 through Line 4.

**B. Noncurrent Assets**

1. **NAFI-Owned Fixed Assets, Line 6.** This is a summary line for all NAFI-owned fixed assets. Items reported as NAFI-owned fixed assets include land improvements, construction in progress, buildings and improvements, furniture and fixtures, equipment, internal-use software, and fixed assets in transit.

2. **Less: Accumulated Depreciation and Amortization on NAFI-Owned Fixed Assets, Line 7.** This is a summary line for the accumulated depreciation and amortization for all NAFI-owned fixed assets. Report depreciation or amortization balances for land improvements, buildings and improvements, furniture and fixtures, equipment, and internal-use software.


4. **APF-Titled Fixed Assets, Line 9.** This line is for reporting renovation, improvement, restoration, and reconstruction costs associated with fixed assets for which title has been transferred to the Government. Include footnote disclosures for amounts reported on this line. Refer to DoDI 1015.15 for footnote information. Items reported as APF-titled fixed assets include APF-titled buildings and improvements.

5. **Less: Accumulated Depreciation on APF-Titled Fixed Assets, Line 10.** This line is for reporting depreciation for renovations, improvements, restorations, and reconstructions to APF-titled fixed assets.


7. **Pension Benefit Asset, Line 12.** This line is for reporting pension benefit asset information. When plan assets are greater than the plan benefit obligation, report the asset on Line 12. If plan assets are less than the plan benefit obligation, report the liability on Line 17 (current liability) or Line 21 (long-term liability).

8. **Other, Line 13.** This is the summary line for all other noncurrent
assets. Report noncurrent asset information associated with long-term receivables, investments, and sinking funds.


C. **Current Liabilities**

1. **Accounts Payable, Line 16.** This is the summary line for all accounts payable.

2. **Post-Retirement Benefit Obligation, Line 17.** This line is for reporting post-retirement benefit obligation information. When plan assets are greater than the plan benefit obligation, report the asset on Line 12. If plan assets are less than the plan benefit obligation, report the liability on Line 17 (current liability) or Line 21 (long-term liability). The difference is classified as a current liability as determined and provided by the pension provider when the amount is due in one year or less. This also includes any other post-retirement benefit plan obligations, such as retiree health care.

3. **Other Current Liabilities, Line 18.** This is a summary line for all other current liabilities. Items reported as other current liabilities include short-term loans payable, short-term leases payable, dividends payable, vending machine revenue sharing payable, gaming machine profit distribution payable, interest payable, salaries payable, leave payable, payroll taxes payable, benefits payable, other payroll deductions payable, APF payroll payable, employee allowance payable, claims payable, UFM unearned revenue, other unearned revenue, flexible spending accounts payable, deposits payable, and other current liabilities.

4. **Total Current Liabilities, Line 19.** Report the total of Line 16 through Line 18.

D. **Long-Term Liabilities**

1. **Loans Payable, Line 20.** Report the amount of loans and notes that will not be paid in one year or less.

2. **Post-Retirement Benefit Obligation, Line 21.** This line is for reporting post-retirement benefit obligation information. When plan assets are greater than the plan benefit obligation, report the asset on Line 12. If plan assets are less than the plan benefit obligation, report the liability on Line 17 (current liability) or Line 21 (long-term liability). Classify the amount as a long-term liability as determined and provided by the pension provider when the amount is due beyond one year. This also includes any other post-retirement benefit plan obligations, such as retiree health care.
3. **Other, Line 22.** This is a summary line for all other long-term liabilities. Items reported as other include long-term leases payable and other long-term liabilities.

4. **Total Long-Term Liabilities, Line 23.** Report the total of Line 20 through Line 22.

5. **Total Liabilities, Line 24.** Report the total of Line 19 and Line 23.

E. **Net Worth**

1. **Net Worth, Line 25.** Report the amount of retained earnings, net income (loss), pension adjustment, and other equity transactions, pursuant to DoDI 1015.15. Items reported as part of net worth include retained earnings information, contributed capital, minimum pension liability adjustments, and other equity transactions.

2. **Total Liabilities and Net Worth, Line 26.** Report the total of Line 24 and Line 25.

0708 FORMAT FOR THE STATEMENT OF INCOME AND EXPENSE

070801. Format for the Statement of Income and Expense

The format presented in Figure 7-2 will be used for the Statement of Income and Expense.

*070802. Instructions for the Preparation of the Statement of Income and Expense

The Statement of Income and Expense reports a NAFI’s financial performance over a specific period of time. Financial performance is assessed by providing a summary of how the entity incurred its revenues and expenses through both operating and non-operating activities. It also shows the net profit or loss incurred over a specific accounting period. Unless noted, crosswalks of accounts used to prepare the Statement of Income and Expense to other financial statements are prepared utilizing the NAFSGL guidance in Chapter 2. Complete the heading on the form to indicate: Military Service, Program Group, Category, and Year Ending.

*070803. Line Item Instructions for Preparing the Statement of Income and Expense

A. **Sales, Line 1.** This is a summary line for income from the sale of goods or services less sales returns and allowances and sales discounts.

B. **Cost of Goods Sold, Line 2.** This is a summary line for costs associated with purchases and freight charges less returns, allowances, and rebates.

C. **Gross Margin, Line 3.** Calculate gross margin as the total sales revenue minus the cost of goods sold, divided by the total sales revenue, expressed as a percentage.
D. Other Operating Income, Line 4. This is the heading for reporting other operating income.

1. Participation Fees and Charges, Line 4a. Items reported as participation fees and charges include other fee income, amusement machine income, and gaming machine income.


4. Other, Line 4d. This is a summary line for all other accounts affecting operating income. Report other operating income balances for other service/recreation activity income and commission income.

E. Total Other Operating Income, Line 5. Report the total of Line 4a through Line 4d.


G. Operating Expenses (Schedule A), Line 7. Report the operating expenses from Schedule A - APF and NAF Expense Summary, Line 1 through Line 13. Schedule A includes costs, such as APF Military and Civilian labor that are not recorded in the NAFI accounting system.

H. Operating Margin, Line 8. Operating Margin is a calculation only. Report the difference in Gross Operating Income (Line 6) and Operating Expenses (Schedule A) (Line 7).

I. Other Income, Line 9. Non-operating income (loss) consists of income/expenses not related to the NAFI’s primary operation.


3. Other, Line 9c. Report the balances for other income-generating activities. Items reported as other income include commercial sponsorship income, recyclable material income, U.S. Department of Agriculture income, UFM income, cash overages, contributions and donations, intrafund income, interest income, gains on disposition of fixed assets, gains on foreign currency, and other income.

K. **Other Expenses (Schedule A), Line 11.** Report other expenses from Schedule A – APF and NAF Expense Summary, Line 14. Schedule A includes costs, such as APF Military and Civilian labor that are not recorded in the NAFI accounting system.


M. **Extraordinary Income, Line 13.** Extraordinary income is income that is unusual and infrequent and requires special treatment in the accounts or separate disclosure in financial statements. Report the balance for extraordinary income.

N. **Extraordinary Expenses (Schedule A), Line 14.** Extraordinary expenses are expenses that are unusual and infrequent and require special treatment in the accounts or separate disclosure in the financial statements. Report the balances for extraordinary expenses and base realignment and closure (BRAC) and installation closure expenses.


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0709 FORMAT FOR THE RECONCILIATION OF NET WORTH

070901. Format for the Reconciliation of Net Worth

The format presented in Figure 7-3 will be used for the Reconciliation of Net Worth.

070902. Instructions for the Preparation of the Reconciliation of Net Worth

The Reconciliation of Net Worth presents, as of a specific time, the reconciliation of the additions and reductions of net worth. Crosswalks of accounts used to prepare the Reconciliation of Net Worth to other financial statements are prepared utilizing the NAFSGL guidance in Chapter 2. Complete the heading on the form to indicate: Military Service, Program Group and the reporting date.

070903. Line Items Instructions for Preparing the Reconciliation of Net Worth

A. **Net Worth, Beginning, Line 1.** Report the amount of Line 25 on the Balance Sheet from the preceding year.

B. **Net Income, Line 2.** Report the amount of Line 15 of the Statement of Income and Expense (if appropriate).

C. **Grants Received, Line 3.** Report the amount of grant income reported on Line 9b of the Statement of Income and Expense.

D. **Other Increases, Line 4.** This is a summary line for all other increases to net worth. Examples of other increases include contributed capital, minimum pension liability adjustments, other equity transactions, donated assets, recycling contributions, prior year material
corrections, change in funded status of pension and other post-retirement liabilities, and funds for BRAC property.

E. **Total Additions, Line 5.** Report the sum of Line 2 through Line 4.

F. **Net Loss, Line 6.** Report the amount of Line 15 of the Statement of Income and Expense (if appropriate).

G. **Grants Disbursed, Line 7.** Report the amount of grants disbursed as of the report date.

H. **Other Decreases, Line 8.** Report other decreases affecting the reconciliation of net worth. Examples of decreases include the transfer of headquarters-funded projects after books closed, change in funded status of pension and other post-retirement benefit liabilities, net decreases in fair value of derivative instruments, annual leave transfers, asset write-offs, data conversion write-offs, prior period adjustments, interest distribution, dividends paid, audit adjustments, and closing facilities.

I. **Total Reductions, Line 9.** Report the sum of Line 6 through Line 8.


K. **Net Worth, Ending, Line 11.** Report the sum of Line 1 and Line 10.

0710 FORMAT FOR THE SCHEDULE A - APF AND NAF EXPENSE SUMMARY

071001. Format for Schedule A - APF and NAF Expense Summary

The format presented in Figure 7-4 will be used for Schedule A.

071002. Instructions for the Preparation of Schedule A – APF and NAF Expense Summary

NAF expenses for common support functions are allocated to and reported by the benefiting categories (Category A, B, and C). **Do not report** allocated or prorated management overhead below the category level. Complete the heading on the form to indicate: Military Service, the Program Group, and for the year ending.

*071003. Line Item Instructions for Preparing Schedule A – APF and NAF Expense Summary

A. **Cost Expense Captions**
1. **Military Personnel, Line 1.** This line includes the cost of active duty military personnel services computed according to Volume 7A. Items reported as military personnel include APF payroll expenses.

2. **Civilian Personnel (Salaries and Wages), Line 2.** This line includes the cost of civilian personnel services computed according to Volume 7A. Items reported as civilian personnel (salaries and wages) include salaries and wages expenses and capitalized labor costs.

3. **Civilian Personnel (Services and Benefits), Line 3.** This line includes the cost of services of civilian personnel paid from APFs and the cost of personnel compensation and benefits, including employer costs for the Civil Service Retirement System, Federal Employees Retirement System, Thrift Savings Plan, Federal Employees Group Life Insurance, and Federal Employees Group Health Insurance. Items reported as civilian personnel (services and benefits) include annual leave expenses, sick leave expenses, foreign national benefit expenses, and other employee benefit expenses.

4. **Utilities, Line 4.** This line includes the cost of heat, light, power, water, gas, electricity, steam, and other utility expenses.

5. **Rent, Line 5.** This line includes rental expenses for equipment (except transportation equipment) and real property.

6. **Communications, Line 6.** This line includes charges for the transmission of messages from place to place, postal charges, and electronic communications (telephone and telephone installation charges, internet, television, Defense Switched Network, fax, public address systems, and other electronic media).

7. **Sustainment, Restoration, and Modernization (Including APF minor construction), Line 7.** This line includes sustainment, restoration, and modernization of facilities, buildings, structures, and real property supplied through commercial contracts. Allocate costs according to job costing system data using fixed charges or unit costs for specific maintenance categories.

8. **Supplies and Equipment, Line 8.** This line includes the cost of supplies, minor property and equipment, and materials ordinarily consumed or expended within 2 years or used to fix property (such as repair parts). Line 8 also includes APF software that is not capitalized.

9. **Contractual Services, Line 9.** This line includes contractual expenses for services provided indirectly through contracts or memoranda of agreement.

10. **Travel of Personnel, Line 10.** This line includes expenses for travel and transportation of persons when the primary purpose is to conduct NAFI business.
11. **Transportation of Things, Line 11.** This line includes freight expenses for the transportation of things, whether incurred through contract or use of Government resources.

12. **Reimbursed Common Support, Line 12.** This line includes administrative common support service expenses provided by a different Program Group and reimbursed by the benefiting Program Group as identified in DoDI 1015.15.

13. **NAF Depreciation, Line 13.** This line includes depreciation expenses on NAFI-capitalized tangible fixed assets, including both NAFI-owned fixed assets and fixed assets to which title has been transferred to the Government.

14. **All Other Expenses, Line 14.** This line includes all other expenses not captured elsewhere.

15. **Total Expense, Line 15.** Report the total of Line 1 through Line 14 for Categories A, B, and C for APF and NAF.

**B. Capital Expenditure Captions.** This section includes APF, NAF, and privately financed asset cost. This section aligns with the Capital Investment Programs annual report shown in Enclosure 10 of DoDI 7700.18, “Commissary Surcharge, Nonappropriated Fund (NAF), and Privately Financed Construction Reporting Procedures.”

1. **Facilities and Improvements (Land and Structures), Line 16.** Line 16 is a summary line for Lines 16a, “APF (MILCON),” and 16b, “NAF.” Items reported as facilities and improvements include capitalized costs for tangible fixed assets, land, buildings, and other structures; additions to buildings; nonstructural improvements; and fixed equipment.

2. **Equipment (Investment type), Line 17.** This line includes all other capitalized tangible fixed assets.

3. **Total Costs (less depreciation), Line 18.** Report the sum of Line 16a through Line 17.

0711 **FORMAT FOR THE STATEMENT OF CASH FLOWS**

071101. Format for the Statement of Cash Flows

The format presented in Figure 7-5 will be used to prepare the Statement of Cash Flows.
071102. Instructions for the Preparation of the Statement of Cash Flows

The Statement of Cash Flows discloses the gross cash receipts and cash payments with an explanation of the changes in cash or cash equivalents for the reporting period. Crosswalks of accounts used to prepare the Statement of Cash Flows to other financial statements are prepared utilizing the NAFSGL guidance in Chapter 2. Complete the heading on the form to indicate: Military Service, Program Group, and Period Ending.

*071103. Line Item Instructions for Preparing the Statement of Cash Flows


B. Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities

1. Depreciation and Amortization, Line 2. The depreciation and amortization expenses are not paid in cash and require a positive adjustment to the net cash flow from operations. This amount comes from Line 13, “NAF Depreciation” of Schedule A - APF and NAF Expense Summary.

2. Loss on Disposal of Fixed Assets, Line 3. A loss on disposal of fixed assets requires a positive adjustment to the net cash flow from operations. This amount comes from Line 14, “All Other Expenses” of Schedule A - APF and NAF Expense Summary for an amount identified as a loss on disposition of fixed assets.

3. Decrease (Increase) in Accounts Receivable, Line 4. The change in accounts receivable balances between the end of the preceding and current fiscal years comes from Line 2, “Receivables” from the Balance Sheet. A decrease in accounts receivable adds to the cash balance, and an increase in accounts receivable reduces the cash balance.

4. Decrease (Increase) in Inventories, Line 5. The change in inventory balances between the end of the preceding and current fiscal years comes from Line 4, “Inventories” of the Balance Sheet. A decrease in inventory adds to the cash balance, and an increase in inventory reduces the cash balance.

5. Decrease (Increase) in Prepaid Expenses, Line 6. The change in prepaid expense balances between the end of the preceding and current fiscal years comes from Line 3, “Other Current Assets” of the Balance Sheet. A decrease in prepaid expenses adds to the cash balance, and an increase in prepaid expenses reduces the cash balance.

6. Increase (Decrease) in Accounts Payable, Line 7. The change in accounts payable balances between the end of the preceding and current fiscal years comes from Line 16, “Accounts Payable” of the Balance Sheet. An increase in accounts payable adds to the cash balance, and a decrease in accounts payable reduces the cash balance.
7. Increase (Decrease) in Unearned Income, Line 8. The change in unearned revenue balances between the end of the preceding and current fiscal years comes from Line 18, “Other Current Liabilities” of the Balance Sheet. An increase in unearned revenue adds to the cash balance, and a decrease in unearned revenue reduces the cash balance.

8. Increase (Decrease) in Other Current Liabilities, Line 9. The change in other current liabilities balances between the end of the preceding and current fiscal years comes from Line 18, “Other Current Liabilities” of the Balance Sheet less Line 8, “Increase (Decrease) in Unearned Income” of the Statement of Cash Flows. An increase in other current liabilities adds to the cash balance, and a decrease in other current liabilities reduces the cash balance.

9. Other Liabilities, Line 10. The change in other liabilities balances between the end of the preceding and current fiscal years comes from Line 18, “Other Current Liabilities” of the Balance Sheet. An increase in other liabilities adds to the cash balance, and a decrease in other liabilities reduces the cash balance.

10. Total Adjustments, Line 11. Total adjustments are the sum of Line 2 through Line 10.

11. Net Cash Provided by (Used in) Operating Activities, Line 12. The net cash provided by (used in) operating activities is the total of Line 1 and Line 11.

C. Investing Activities. Investing activities include acquiring and disposing of debt or property, plant, and equipment and other productive assets used in the production of goods or services.

1. Purchase of Fixed Assets, Line 13. This line includes amounts disbursed for minor construction and purchases of property, plant, and equipment that reduce the cash balance.

2. Proceeds from the Sale of Fixed Assets, Line 14. This line includes collections or proceeds from the sale of surplus property, plant, and equipment that increase the cash balance.

3. Other, Line 15. This line includes net amounts of other collections or disbursements associated with the purchase and sale of investments. Identify the nature of each investment purchased and sold.


D. Financing Activities. Financing activities include proceeds from banks and grants or disbursements to banks, individuals, and businesses for amounts owed or payment of dividends.
1. **Net Borrowing, Line 17.** This line includes the cash proceeds borrowed from the bank or cash disbursed to banks for loans.

2. **Payment of Dividends, Line 18.** This line includes the cash disbursed for dividends.

3. **Capital Grants, Line 19.** This line includes the cash proceeds from grants.

4. **Net Proceeds from (Payments on) Other Long-Term Liabilities, Line 20.** This line includes the net proceeds from (or payments on) other long-term liabilities.

5. **Other, Line 21.** This line includes other financing proceeds or payments not captured on other lines.

E. **Net Cash Provided By (Used In) Financing Activities, Line 22.** The net cash provided (used in) financing activities is the sum of Line 17 through Line 21.

F. **Net Decrease/Increase in Cash and Cash Equivalents, Line 23.** The sum of net cash provided (used in) operating, investing, and financing activities is the sum of Line 12, Line 16, and Line 22.

G. **Cash and Cash Equivalents at Beginning of Year, Line 24.** The balances for cash and cash equivalents are the sum of account balances at the beginning of the fiscal year.

H. **Cash and Cash Equivalents at End of Year, Line 25.** The cash and cash equivalent balances at year-end equal the net of Line 23 and Line 24 and agree with Line 1, “Cash/Investments” from the Balance Sheet.
**Figure 7-1. Balance Sheet**

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</thead>
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<tr>
<td>PROGRAM GROUP:</td>
</tr>
<tr>
<td>AS OF:</td>
</tr>
<tr>
<td>($ in thousands)</td>
</tr>
</tbody>
</table>

### ASSETS
Current Assets
1. Cash/Investments
2. Receivables
3. Other Current Assets
4. Inventories
5. Total Current Assets

Noncurrent Assets
6. NAFI-Owned Fixed Assets
7. Less: Accumulated Depreciation and Amortization on NAFI-Owned Fixed Assets
8. Net NAFI-Owned Fixed Assets
9. APF-Titled Fixed Assets
10. Less: Accumulated Depreciation on APF-Titled Fixed Assets
11. Net APF-Titled Fixed Assets
12. Pension Benefit Asset
13. Other
14. Total Noncurrent Assets
15. Total Assets

### LIABILITIES and NET WORTH
Current liabilities
16. Accounts Payable
17. Post-Retirement Benefit Obligation
18. Other Current Liabilities
19. Total Current Liabilities

Long-Term Liabilities
20. Loans Payable
21. Post-Retirement Benefit Obligation
22. Other
23. Total Long-Term Liabilities
24. Total Liabilities

25. Net Worth
26. Total Liabilities and Net Worth
Figure 7-2. Statement of Income and Expense

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<tr>
<th>Current Year</th>
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<th>Percent of Income</th>
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<tr>
<td>2. Cost of Goods Sold</td>
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<tr>
<td>3. Gross Margin</td>
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<tr>
<td>4. Other Operating Income</td>
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<tr>
<td>4a. Participation Fees and Charges</td>
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<td></td>
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<tr>
<td>4b. Dues and Assessments</td>
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<tr>
<td>4c. Concessionaire Income</td>
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<tr>
<td>4d. Other</td>
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<tr>
<td>5. Total Other Operating Income</td>
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<tr>
<td>6. Gross Operating Income</td>
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<tr>
<td>7. Operating Expenses (Schedule A)</td>
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<td>8. Operating Margin</td>
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<tr>
<td>9. Other Income</td>
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<tr>
<td>9a. Dividends</td>
<td></td>
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<tr>
<td>9b. Grants - net</td>
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<tr>
<td>9c. Other</td>
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<tr>
<td>10. Total Non-Operating Income</td>
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<tr>
<td>11. Other Expenses (Schedule A)</td>
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<td>12. Net Income Before Extraordinary Items</td>
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<tr>
<td>13. Extraordinary Income</td>
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<td>14. Extraordinary Expense (Schedule A)</td>
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<tr>
<td>15. Net Income</td>
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<td>2. Cost of Goods Sold</td>
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<td>3. Gross Margin</td>
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<td>4. Other Operating Income</td>
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<td>4a. Participation Fees and Charges</td>
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<td>4c. Concessionaire Income</td>
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<td>4d. Other</td>
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<tr>
<td>5. Total Other Operating Income</td>
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<td>6. Gross Operating Income</td>
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<td>7. Operating Expenses (Schedule A)</td>
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<td>8. Operating Margin</td>
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<td>9. Other Income</td>
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<td>9a. Dividends</td>
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<td>9b. Grants - net</td>
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<td>9c. Other</td>
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<td>10. Total Non-Operating Income</td>
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<td>11. Other Expenses (Schedule A)</td>
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<td>12. Net Income Before Extraordinary Items</td>
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<td>13. Extraordinary Income</td>
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<td>14. Extraordinary Expense (Schedule A)</td>
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<td>15. Net Income</td>
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Figure 7-3. Reconciliation of Net Worth

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<td>PROGRAM GROUP:</td>
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<td>AS OF:</td>
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<td>($ in thousands)</td>
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</table>

1. Net Worth, Beginning:

Additions to Net Worth:
2. Net Income
3. Grants Received
4. Other Increases
5. Total Additions

Reductions to Net Worth:
6. Net Loss
7. Grants Disbursed
8. Other Decreases
9. Total Reductions

10. Net Additions/Reductions to Net Worth
11. Net Worth, Ending
Figure 7-4. Schedule A - APF and NAF Expense Summary

<table>
<thead>
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<th>Category B</th>
<th>Category C</th>
<th>Total</th>
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<td>NAF</td>
<td>APF</td>
<td>NAF</td>
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<tr>
<td>2. Civilian Personnel</td>
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<td>(Salaries and Wages)</td>
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<td>3. Civilian Personnel</td>
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<td>(Services and Benefits)</td>
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<td>4. Utilities</td>
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<td>6. Communications</td>
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<td>7. Sustainment, Restoration and Modernization (including APF minor construction)</td>
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<td>8. Supplies and Equipment</td>
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<td>9. Contractual Services</td>
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<td>14. All Other Expenses</td>
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<td>15. TOTAL EXPENSE</td>
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</table>

| CAPITAL EXPENDITURES CAPTIONS                              |            |            |            |       |     |     |
|                                                           | APF        | NAF        | APF        | NAF   | APF | NAF |
| 16. Facilities and Improvements (Land and Structures)     |            |            |            |       |     |     |
| 16a. APF (MILCON)                                         |            |            |            |       |     |     |
| 16b. NAF                                                  |            |            |            |       |     |     |
| 17. Equipment (Investment type)                           |            |            |            |       |     |     |
| 18. Total Costs (less depreciation)                       |            |            |            |       |     |     |
OPERATING ACTIVITIES:

1. Net Income

Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:

2. Depreciation and Amortization
3. Loss on Disposal of Fixed Assets

Changes in Assets and Liabilities

4. Decrease (Increase) in Accounts Receivable
5. Decrease (Increase) in Inventories
6. Decrease (Increase) in Prepaid Expenses
7. Increase (Decrease) in Accounts Payable
8. Increase (Decrease) in Unearned Income
9. Increase (Decrease) in Other Current Liabilities
10. Other Liabilities
11. Total Adjustments
12. Net Cash Provided by (Used in) Operating Activities

INVESTING ACTIVITIES:

13. Purchase of Fixed Assets
14. Proceeds from the Sale of Fixed Assets
15. Other
16. Net Cash Used in Investing Activities

FINANCING ACTIVITIES:

17. Net Borrowing
18. Payment of Dividends
19. Capital Grants
20. Net Proceeds from (Payments on) Other Long-Term Liabilities
21. Other
22. Net Cash Provided by (Used in) Financing Activities
23. Net Decrease/Increase in Cash and Cash Equivalents
24. Cash and Cash Equivalents at Beginning of Year
25. Cash and Cash Equivalents at End of Year
VOLUME 13, CHAPTER 8: “NONAPPROPRIATED FUND PAYROLL”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated November 2018 is archived.

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<th>EXPLANATION OF CHANGE/REVISION</th>
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<tr>
<td>All</td>
<td>Updated formatting and hyperlinks to comply with current administrative instructions. Made clarifying editorial changes.</td>
<td>Revision</td>
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CHAPTER 8

NONAPPROPRIATED FUND PAYROLL

0801  GENERAL

080101. Purpose

This chapter provides the standard Nonappropriated Fund (NAF) policy for DoD NAF payroll and applies to DoD NAF employees. NAF instrumentality (NAFI) programs and facilities must be operated, maintained, and funded as an integral part of the DoD personnel and readiness program. NAF employees are not paid from funds appropriated by Congress but from funds generated by NAFls. NAF employees are Federal employees, but they are not covered by most laws administered by the Office of Personnel Management (OPM), unless specifically provided by statute. Policy in this chapter applies to all NAFls, NAF Human Resources (HR), NAF payroll offices, and their supporting accounting offices (AOs).

080102. Authoritative Guidance

The policy and related requirements prescribed are in accordance with the applicable provisions of:

A. DoD Instruction (DoDI) 1015.15, “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;”

B. DoDI 1400.25, “DoD Civilian Personnel Management System;”

C. DoDI 5010.40, “Managers’ Internal Control Program Procedures;”

D. DoDI 7600.06, “Audit of Nonappropriated Fund Instrumentalities (NAFI) and Related Activities;”


0802 PAYROLL OVERSIGHT

Defense Civilian Personnel Advisory Service (DCPAS), NAF Personnel Policy Division is responsible for developing, coordinating, and publishing DoD-wide civilian HR policy concerning NAF employees. DCPAS policy covers staffing, workforce relations, pay, classification, leave, and employee benefits. DCPAS is also responsible for implementing the DoD Employee Benefit Portability Act and the congressional mandate for a single, uniform health benefits program for NAF employees. DoD NAF HR policy is found in DoDI 1400.25, with volumes in the 1400 series.

080201. Payroll Objectives

All NAF payroll systems that are being designed and implemented, or are in use, must operate in accordance with authoritative guidance in paragraph 080102 and Volume 1. All payroll systems must provide, at a minimum, the following:

A. Complete, accurate, and prompt processing and accounting for pay, leave, and deductions;

B. Complete, accurate, and prompt generation and maintenance of payroll records and transactions;

C. Timely access to complete and accurate information to those customers internal and external to the NAFI who require the information;

D. Timely and proper interaction of payroll systems with the core financial systems; and

E. Adequate internal controls to ensure that payroll systems are operating as intended.

080202. AO Responsibilities

AOs must ensure all payroll information (including accrued payroll and benefits) is passed to the accounting system (whether systemically or manually), update the appropriate NAF Standard General Ledger (NAFSGL) accounts, and meet reporting requirements specified in DoDI 1015.15 and Volume 13, Chapter 7. AOs are also responsible for the compilation of financial statements.

080203. NAFI Responsibilities

It is the responsibility of each NAFI to be knowledgeable of the legal requirements governing its payroll operations. NAFIs will establish the administrative workweek, basic workweek, workday, meal periods, legal holidays, administrative leave, flexible and compressed work schedules, compensatory time off for religious observances, and volunteer activities in accordance with DoDI 1400.25, Volume 1406, “Nonappropriated Fund (NAF) Attendance and
Leave.” Compensatory time off may be granted to NAF employees, at their request, instead of overtime pay for overtime work. See *DoDI 1400.25, Volume 1405*, “Nonappropriated Fund (NAF) Pay, Awards, and Allowances.” NAFIs must ensure that each position is assigned to its proper occupational category, title, code, grade, or pay band level, consistent with the duties and responsibilities of the position, and proper job-grading standards in *DoDI 1400.25, Volume 1407*, “Nonappropriated Fund (NAF) Classification.” The NAFI must work closely with the AO and payroll office to ensure the payroll objectives are met.

080204. Payroll Office Responsibilities

The NAF payroll office has primary responsibility for all payroll processing and must work closely with the supporting NAF personnel office, NAFIs, and NAF employees to:

A. Maintain accurate records to satisfy employee needs and NAFI accounting requirements, and to comply with federal, state, and local statutory requirements;

B. Ensure safekeeping of pay information with adequate controls;

C. Promptly process all documents received affecting pay in accordance with established schedules;

D. Obtain information necessary to correct errors detected, including erroneous deductions, deductions not withheld, and over deductions by contacting the submitting office or employee;

E. Make timely disbursement of employees’ pay and supplemental payments when required;

F. Provide documentation to the NAF personnel office to support retirement actions; and

G. Submit tax reports to federal, state, and local authorities.

0803 BASIC AND PREMIUM PAY

Authorized pay systems for NAF employees are described in DoDI 1400.25, Volume 1405. Laws and policy governing the application of rates of basic pay and premium pay for NAF employees are contained or referenced in that DoD issuance.

0804 TIPS AND SERVICE CHARGES

NAF employees may receive tips from customers which are not negotiated by the NAFI via cash, check, debit card or credit card (e.g., customer adds to a credit card sales ticket). Debit and credit card tips may be immediately paid to the employee or recorded as a liability in the accounting records to be paid to the employee during payroll processing. NAF employees must report tips received, regardless of payment method, to the NAFI by the 10th day after the month
that the tips are received if those tips total $20 or more in a month. Employees must report the tips on IRS Form 4070, Employee’s Report of Tips to Employer, or a similar form. NAFIs may, at their discretion, distribute service charges (amount added to a customer’s ticket) to employees. Service charges distributed to employees are treated as wages and are not required to be included as tips on IRS Form 4070. For further information on tip reporting, refer to IRS Publication 15.

0805 ALLOWANCES AND OTHER SPECIAL ENTITLEMENTS

DoDI 1400.25, Volume 1405 covers allowances and other special entitlements for NAF employees. The payment of allowances and differentials to NAF employees in overseas and foreign areas must comply with DoDI 1400.25, Volume 1412, “Nonappropriated Fund (NAF) Overseas Allowances and Differentials, and Employment in Foreign Areas.”

0806 PAYROLL DEDUCTIONS

Payroll deductions or withholdings made from an employee’s pay must be properly authorized by the employee (or made in accordance with applicable laws), adequately documented, and paid when due to the appropriate recipient in the amount authorized.

080601 Taxes

Tax collections represent liabilities that are settled when funds are remitted to the designated authorities. Refer to IRS Publications 15 and 15-A for information on employer identification number, tax withholding, depositing, and reporting.

A. Employee Versus Independent Contractor. An employer must generally withhold Federal income taxes, and withhold and pay Social Security and Medicare taxes, for its employees. An employer does not generally have to withhold or pay taxes on payments to independent contractors. To determine whether an individual is an employee or an independent contractor under common law, the relationship of the worker and the business must be examined. IRS Publication 15-A provides the guidelines for determining whether an individual is an employee under the common law rules. These rules assist in identifying whether sufficient control is present to establish an employer-employee relationship.

B. Withholding State and Local Income Taxes. The payroll office will withhold taxes from the wages of civilian employees and remit them to tax jurisdictions wherever the Federal Government has entered into agreements for withholding taxes. State and local taxes must be withheld from the pay of enlisted personnel compensated from NAF for work performed during off-duty hours.

C. Foreign Taxes. NAFIs located in foreign countries will neither pay to, nor collect for, any foreign country or political subdivision, any tax unless the United States has consented to levy collection by treaty, convention, or Executive agreement.

D. Federal Insurance Contributions Act (FICA). The payroll office will withhold a set percentage of an employee’s salary each pay period to pay the employee’s share of
FICA contribution. FICA also requires that the NAFI match the employee’s amount and contribute the money to the Social Security Trust Fund and the Medicare Trust Funds.

080602. Other Deductions

If an eligible NAF employee elects to participate in other NAF benefits programs (to include retirement, group life, medical, dental, long-term care insurance, flexible spending accounts, and 401(k) savings plan benefits), deductions will be made as applicable. Employee-elected deductions may also be made for U.S. Savings Bonds, contributions to the Combined Federal Campaign, union dues (as applicable), and allotments to financial institutions, such as credit unions, banks, or other savings institutions. In accordance with 5 U.S.C. § 5514, NAF employees are subject to installment deductions from pay to collect debts owed to Federal agencies.

080603. Garnishment of Wages

NAF employees are subject to court-ordered garnishment of wages for alimony, child support, bankruptcy, commercial debts, and federal tax levies. Refer to DoDI 1400.25, Volume 1405 for further authorities governing NAF employee garnishments.

080604. Administrative Offset for Erroneous Overpayments

In accordance with 5 U.S.C. § 5514, NAFI employees are subject to salary offset for collection of debts in the same manner as DoD civilian employees, including debts owed to NAFIs or appropriated fund (APF) activities. NAF payroll offices must ensure procedures are developed to comply with the requirements of 5 U.S.C. § 5514. NAF payroll offices must refer to Volume 8, Chapter 8 and Volume 16, Chapters 2 and 4 in developing indebtedness and debt collection procedures for NAFIs.

080605. Order of Precedence for Deductions

If the gross salary of an employee is not sufficient to permit all deductions to be made, then deductions will be made in the order of precedence established by the OPM Personnel Policy Memorandum 2008-01, “Order Of Precedence When Gross Pay Is Not Sufficient To Permit All Deductions,” dated July 30, 2008. NAFIs must consult policy, legal staff, and collective bargaining agreements to ensure the proper order of precedence is followed.

0807 EMPLOYEE BENEFIT PORTABILITY PROGRAM

080701. General

The Portability of Benefits for Nonappropriated Fund Employees Act of 1990 (Portability Act), Public Law (Pub. L.) 101-508, section 7202 provides portability of pay and benefits for employees moving between NAF and APF positions. Under the Portability Act, employees who move with a break in service of no more than three days between NAF and APF positions may be eligible for pay, leave, reduction-in-force, and retirement benefit protection. The protection provided by the Portability Act, particularly protection in the area of retirement coverage elections,
was subsequently expanded by Pub. L. 104-106, section 1043, enacted in 1996. In 2002, Pub. L. 107-107, section 1131 further expanded the retirement election opportunity to make it easier for employees to continue retirement coverage after moving between NAF and APF positions. Under current retirement portability law, eligible employees who move with a break in service of no more than one year between NAF positions and retirement-covered civil service positions in any Federal agency may elect to continue retirement coverage in the losing employment system’s retirement plan without the vesting requirement. Additionally, Pub. L. 107-107, section 1132 permits employees in both Civil Service Retirement System (CSRS) and Federal Employee Retirement System (FERS) to use prior NAF service to qualify for an immediate retirement. An employee who elects to remain covered in the losing employment system is excluded from coverage under the gaining DoD Agency for all subsequent periods of employment including periods of service as a reemployed annuitant. Refer to DoDI 1400.25, Volume 1408, “Insurance and Annuities for Nonappropriated Fund (NAF) Employees,” and the DoD Portability of Benefits Reference Guide for additional information.

080702. Leave Transfer

In accordance with the Portability Act, accrued annual and sick leave hours will transfer within DoD to the gaining activity without exchange of funds if there is a break in service of no more than three days. Employees are not entitled to receive lump-sum payment for accumulated/accrued annual leave. Refer to DoDI 1400.25, Volume 1406 for additional guidance.

A. NAF to APF Transfer. When a NAF employee transfers to an APF position, the AO or NAF payroll office will make applicable entries to the appropriate NAFSGL accounts to eliminate the annual leave liability (consult local procedures for additional information). The value of the income resulting from the elimination of the liability will be recorded as specific non-operating income in the appropriate NAFSGL account.

B. APF to NAF Transfer. When an APF employee transfers to a NAF position, the AO or NAF payroll office will record the total dollar amount of accumulated/accrued annual leave to the appropriate NAFSGL accounts to recognize the annual leave liability (consult local procedures for additional information). The value of the expense resulting from the recognition of the liability will be recorded as specific non-operating expense in the appropriate NAFSGL account.

C. Annual Leave Lump-Sum Repayment. Employees who are covered under the provisions of the Portability Act and were paid lump-sum leave payments between January 1, 1987 and April 15, 1991, because of a transfer between APF and NAF positions, may repay those lump-sum payments and receive credit of the leave. Employees who separated from Federal service between January 1, 1987 and April 15, 1991, and who were subsequently rehired, may also have the opportunity to repay the lump-sum leave and receive credit.

080703. Portability Retirement Records

NAF HR/payroll offices are responsible for providing and processing forms for employees who are retiring under either CSRS or FERS. OMB Circular A-130, Appendix II prescribes the
use of electronic processes and digital signatures whenever it is possible and in the best interest of the Government. The NAF HR/payroll offices must fulfill the following general responsibilities relating to CSRS or FERS (for further information on portability retirement, refer to Volume 8, Chapter 4, section 0404).

A. NAF HR/payroll offices must prepare and maintain a Standard Form (SF) 2806 (CSRS) or an SF 3100 (FERS), Individual Retirement Record, for each employee subject to either CSRS or FERS. Each SF 2806/SF 3100 must be correct, complete, clear in every detail, and properly certified to ensure timely and accurate closeout procedures when an employee is separated or transferred to the paying jurisdiction of another agency.

B. NAF HR/payroll offices must maintain adequate control over retirement records and associated monetary balances.

C. NAF HR/payroll offices must promptly send claims and records. The OPM address is:

CSRS/FERS Retirement Records
Office of Personnel Management
Retirement Operations Center
P.O. Box 45
Boyers, PA 16017-0045

D. NAF HR/payroll offices must withhold retirement deductions from employees’ salaries, make agency contributions, and send the deductions/contributions to OPM for deposit. Deductions begin on the day the employee acquires coverage under the retirement system and must be prorated for partial pay periods. FICA contributions must be withheld and reported in accordance with current guidance from the Department of Treasury. Employee retirement deductions, employer contributions, employee contributions to applicable 401(k) plans, and loan repayments will be made biweekly and submitted to the appropriate NAF employee benefit system. Thrift Savings Plan (TSP) deductions and the employer’s matching contributions must be forwarded to the TSP.

0808 LEAVE ACCRUAL

080801. Annual Leave

The accrual of annual leave is material and must be recognized as a liability and expensed monthly in the individual NAFI’s accounting records. The individual leave records or annual leave report, showing the accumulated leave balance for all employees, will be used as the subsidiary ledger to the appropriate NAFSGL account for each NAFI.

080802. Sick Leave

The monthly accrual of sick leave is not a liability to the NAFI. Sick leave used monthly will be recognized as an expense in the individual NAFI’s accounting records.
080803. NAFI to NAFI Leave Transfer

When a NAF employee transfers from one NAFI to another, the accrued annual leave hours and dollar amount may be transferred to the gaining NAFI if both employers and employee agree. If the employee elects not to have the annual leave transferred to the gaining NAFI, then the losing NAFI will make a lump-sum leave payment to the employee. If the DoD Component head has implemented policy that permits NAF employees transferring between the NAF activities to receive partial payment of any unused annual leave to their credit at the time of separation, the employee may also elect to transfer part of the annual leave balance and take a lump-sum payment for the remaining portion. Accrued sick leave hours will transfer to the gaining NAFI with no exchange of funds. See DoDI 1400.25, Volume 1406 for additional guidance.

0809 SEVERANCE AND SEPARATION BENEFITS

DoDI 1015.15 specifies that NAFls must set aside and invest funds on a regular basis to ensure sufficient cash availability to defray payment of severance benefits for U.S. and Foreign National employees upon their separation from NAFI employment. NAFls will ensure that the estimated liability for a business-based action is accrued when probable and a separation allowance is accrued on a monthly basis where applicable. DoDI 1400.25, Volume 1405 describes the eligibility criteria, exclusions, and conditions under which NAF employees may receive severance pay and the computation and payment requirements.

0810 PAYROLL DISBURSEMENTS

All payroll disbursements must be paid to NAF employees by electronic fund transfer (EFT) unless the head of the agency or designee has granted a waiver. The head of the agency or designee may waive the EFT requirement upon receipt of written certification from the employee which states that he or she does not have an account with a financial institution or providing some other extenuating circumstance.

0811 RECORDS RETENTION AND STORAGE

NAF payroll offices are required to keep records sufficient to support all transactions relevant to matters concerning NAF payroll. In accordance with IRS Publication 15, records of employment taxes must be maintained for a period of 4 years following the due date of such tax or from the date for which such tax has been paid, whichever date is later. Aggregate records documenting payroll disbursed in each pay period (base pay, additions to and deductions from pay, and leave balances) must be stored and transferred to the National Personnel Records Center for 56 years’ retention, in accordance with the National Archives and Records Administration General Records Schedule 2.4.

0812 INTERNAL CONTROL STANDARDS

A key to effective payroll operations is the maintenance of internal controls over those operations. Internal control standards are outlined in the OMB Circular A-123; DoDI 1015.15, paragraph 6.7.3; DoDI 5010.40; and DoDI 7600.06. All DoD NAF organizations must ensure that
these standards are followed for payroll operations as well as for the methods and procedures adopted for processing and auditing payrolls.
VOLUME 13, CHAPTER 11: “ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREDMENT PLANS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated October 2018 is archived.

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<td>All</td>
<td>Updated formatting and hyperlinks to comply with current administrative instructions.</td>
<td>Revision</td>
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<tr>
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<td>Deleted references to the Statements of Federal Accounting Standards since they have been superseded by Accounting Standards Codification (ASC) Topics.</td>
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<td>110202, 110302</td>
<td>Included reference to two exceptions to the standard measurement date of a plan's assets and projected benefit obligation, per ASC Topic 715.</td>
<td>Revision</td>
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<td>110303.A.2 (Previous version)</td>
<td>Deleted reference to Market Related Value of Plan assets since it’s no longer included in the calculation of Net Periodic Pension Cost (NPPC), per ASC Topic 715.</td>
<td>Deletion</td>
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<td>110303.B (Previous version)</td>
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CHAPTER 11

ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS

1101 GENERAL

110101. Purpose

This chapter provides requirements to account for defined benefit pension and other postretirement plans for single-employer plans. The policies in this chapter apply to DoD Nonappropriated Fund Instrumentalities (NAFIs), their supporting Accounting Offices, and Military Services Exchanges. This chapter does not pertain to Military Department plans that are considered multi-employer. This chapter provides basic pension accounting, funding principles, and a review of standards. Each NAFI and its Certified Public Accounting (CPA) firm providing financial services support should fully review the exceptions and variables associated with pension accounting prior to implementation.

110102. Authoritative Guidance

The annual reporting of Pension Plan assets and liabilities must be in conformance with Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 715, “Compensation–Retirement Benefits.” ASC Topic 715 addresses the concern that employers’ accounting standards for defined benefit pension and postretirement plans fail to communicate the funded status of those plans in a complete and understandable way.

1102 DEFINITIONS

The standards contained within ASC Topic 715 improve reporting for defined benefit pension and postretirement plans by requiring an employer to recognize certain financial activity occurring in the plans in their financial statements. This activity includes the overfunded or underfunded status of defined benefit pension and postretirement plans in the balance sheet. The actuarial gains and losses, prior service costs (SC), transition obligations, and credits that arise during the period are recognized through the income statement. ASC Topic 715 provides additional information regarding the types of plans for the financial statement reader. Terms that NAFIs and Military Departments should be aware of include those listed in paragraphs 110201 through 110207.

110201. Funded Status

The funded status is the difference between the projected benefit obligation (PBO) (also known as the pension liability) and the plan assets (PA) at fair value.
110202. Measurement Date

The measurement date is the employer’s fiscal year-end statement of financial position. The PA and PBO are measured as of this date. There are two exceptions. See section 715-30-35-62 of ASC Topic 715.

110203. Net Periodic Pension Cost (NPPC)

The NPPC is the annual expense incurred by the employer because of the pension plan. The NPPC is composed of the SC, interest cost, actual return on assets, amortization of prior SC, transition obligations, and gains or losses.

110204. Pension Provider

The pension provider is the organization that administers a Military Department’s pension plan.

110205. PA

The PA are the amounts a pension plan could reasonably expect to receive from a current sale of assets held for pension benefits.

110206. PBO

The PBO is the actuarial present value, as of a specified date, of all employees’ vested and non-vested pension benefits.

110207. Statement of Financial Position

The statement of financial position is another term for the balance sheet. The term “balance sheet” is used in this volume.

1103 BASIC PENSION ACCOUNTING PRINCIPLES

110301. Disclosure

Pension accounting principles require the disclosure of the components of net pension costs and of the PBO. ASC Topic 715 prescribes the disclosure requirements that a NAFI must follow to reflect the cost of pension plans on income statements and balance sheets.

*110302. Measurement Date

ASC Topic 715 requires that PA and benefit obligations be measured as of the date of the fiscal year-end balance sheet. As of that date, each NAFI sets assumptions, gathers the participant data used to measure the obligations, and determines the fair value of assets in the pension trust. Each NAFI uses these amounts to calculate the cost of the plan in the future year and determines
110303. Basis for Calculation of NPPC

The basis for calculation is the benefit obligations, i.e., PBO, the accumulated benefit obligation (ABO), and SC. These values are used in the calculation of the NPPC, which is the annual accounting expense or income each NAFI must recognize in its income statement. The NPPC is comprised of the following components.

A. **SC.** The SC is the annual accrual of benefits. ASC Topic 715 requires a NAFI to disaggregate the SC component from the other components of net benefit cost on the income statement. Only the SC component of net benefit cost is eligible for capitalization.

B. **Interest Cost.** The interest cost is an increase in PBO associated with the passage of time during the year. This is generally the discount rate multiplied by the beginning of year PBO adjusted for expected benefit payments.

C. **Expected Return on Assets.** The expected return on assets is an increase in PA associated with the passage of time during the year. This is offset against the other cost items and is generally the expected long-term rate of return on assets multiplied by the beginning of year market related value of PA adjusted for expected benefit payments, contributions, and possibly for expected administrative expenses paid from the trust.

D. **Amortization Amounts.** Amortization amounts are the systematic recognition of certain changes in value.

1. **Transition Obligation or Asset.** Amortization of a transition obligation or asset allows phased recognition on the income statement of the difference between the plan’s funded status (PBO less PA) and any remaining accrued or prepaid cost on the balance sheet.

2. **Prior SC.** Amortization of prior SC allows phased recognition on the income statement of changes in the PBO associated with a plan amendment. This amount is generally amortized over the average remaining service period of the plan participants.

3. **Net Gain or Loss.** Amortization of a gain or loss allows phased recognition of actuarial gains or losses. Actuarial gains and losses that have not yet been reflected on the income statement are accumulated each year and amortized over the average remaining service period of plan participants, only to the extent their total exceeds a threshold. The threshold may be up to 10 percent of the greater of the plan’s PBO or market related value of PA.
1104 BALANCE SHEET CLASSIFICATIONS

The Military Departments will calculate the funded status of a benefit plan. The funded status should be determined as of the year-end statement date (measurement date) and is defined as the difference between the PBO and PA. Depending on the differences between the PBO and PA, several areas of the balance sheet could be affected. The following examples are provided.

110401. PA greater than PBO

An overfunded plan exists when the PA is greater than the PBO. The difference would be classified as a non-current asset in the balance sheet.

110402. PA less than PBO

An underfunded plan exists when the PA is less than the PBO. The difference would be classified as a liability (current or long-term) in the balance sheet. The classification of the liability as a current or long-term liability will be determined and provided by the pension provider.

110403. Adjustments

Once the funded status of a benefit plan is determined, adjustments may need to be made to existing pension balances in the balance sheet. These adjustments will be posted as an offset to the equity account in the balance sheet and can be either an addition or reduction to the equity section. These temporary adjustments are treated in the equity section of the balance sheet in the same manner as the “unrealized gains/losses on investments,” pursuant to ASC Topic 320, “Investments–Debt Securities.” In addition, these temporary adjustments are not calculated in the net worth determination. The final result of these entries will result in the funded status equaling either a non-current asset or a liability based on the difference of the PA and PBO. The provisions of ASC Topic 715 eliminate the accounting for any potential additional minimum liability.

1105 INCOME STATEMENT CLASSIFICATIONS

110501. Presenting NPPC

The NPPC is the annual expense incurred by the employer because of the pension plan. Under ASC Topic 715, the NPPC will continue to be recognized as a component of the income statement similar to the previous reporting process. Accounting rules can produce a negative expense, which appears as income on the financial statements. While the expense (debit) is recognized through the income statement, the second part of the entry (credit) results in adjustments to the balance sheet accounts, which have been expanded to include the adjustment to the equity account. The net of the SC, interest cost, and expected return on PA will continue to be an adjustment as a component of either the non-current asset or the liability, whichever component the NAFI is reflecting in the financial statements due to the new funded status. The amounts of the net gain or loss, net prior SC or credits, and net transition asset or obligation will be offset against the equity account.
110502. Presenting SC

A NAFI must report the SC component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost defined in ASC Topic 715 are required to be presented in the income statement separately from the SC component. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described.

1106 DISCLOSURES

The NAFI receives annual valuation reports from outside actuaries to prepare the financial statement disclosures. At a minimum, the NAFI will provide additional information about certain effects on net periodic benefit cost, and the amount and timing of any PA expected to be returned to the Military Departments and NAFIs. In addition, amounts recorded as adjustments to the equity section of the balance sheet will result in an adjustment to the income statement. See ASC Topic 715 for more information on disclosure requirements.

1107 BASIC PENSION FUNDING (LIABILITY) PRINCIPLES

110701. Calculation of Liabilities

A pension plan’s liabilities can be calculated in different ways, but the same principles always apply. The actuary calculates the expected future pension payments for each participant in the plan using the entity’s participant data and plan provisions. These future benefit payments consider the individual’s compensation and service history, and when that individual might be expected to die, quit, become disabled, or retire. Each future payment is discounted from the date of payment to present day using the actuarial assumptions, known as the present value of future benefits (PVFB). It represents the present value of all benefits expected to be paid from the plan to current plan participants. Theoretically, the NAFI could set aside that amount of money in a plan today and it would cover payments from the plan, including those for service not yet rendered. Note, this amount considers future service the participant is expected to earn and future pay increases.

110702. Cost Methods

Actuaries developed the following cost methods to be used to determine the amount of the liabilities (current and long-term) to be reported on the balance sheet. These cost methods divide the PVFB into actuarial liability (AL), normal cost (NC), and present value of future normal costs (PVFNC).

A. **AL.** AL is the portion of the PVFB that is attributed to past service. This is the current value of the compensation that was deferred in prior years. For pension accounting purposes, the AL is referred to as the PBO. Different cost methods calculate the AL differently, but it always reflects past service only. Sometimes the AL reflects expected future pay increases because many pension plans are designed so that the retirement benefit is based on the pay at
retirement. To allow the plan sponsor to recognize the cost of the plan gradually over the participant’s lifetime, the actuary considers the portion of the future benefit due to past service to already include expected future pay increases. The portion of the PVFB that only recognizes benefits accrued to date (i.e., without future pay increases) is called the present value of accumulated benefits (PVAB). This reflects current service and current salary. For pension funding, the PVAB may also be called the current liability; however, the current liability is calculated using Internal Revenue Service mandated interest and mortality assumptions. For pension accounting purposes, the PVAB is referred to as the ABO.

B. **NC.** NC is the portion of the PVFB that is attributed to the current year of service. This is the current value of the compensation that is being deferred this year. Different cost methods calculate the NC differently, but generally it reflects the current year of service and may reflect expected future pay increases. For pension accounting purposes, the NC is referred to as the SC.

C. **PVFNC.** PVFNC is the portion of the PVFB that will be attributed to future years of service. It covers compensation that has not yet been earned. This number is not disclosed and is rarely used in any cost calculations. However, it is disclosed in valuation reports for plans that use the entry average normal (EAN) funding method.

110703. Methods Used for PVFB

PVFB can be divided into the AL, NC, and PVFNC under many different actuarial cost methods. The three most common cost methods are the projected unit credit (PUC) cost method, unit credit (UC) cost method, and the EAN cost method.

A. **PUC Cost Method.** The PUC cost method considers expected future pay increases in the calculation of the liability and NC.

B. **UC Cost Method.** The UC cost method does not reflect expected future pay increases in the liability, and only reflects one year’s expected growth in pay in the NC.

C. **EAN Cost Method.** The EAN cost method tends to generate a NC from year to year that is a level percentage of payroll for each individual on the system with a single date of retirement, not multiple dates of retirement.
VOLUME 14, CHAPTER 1: “ADMINISTRATIVE CONTROL OF FUNDS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated May 2015 is archived.

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<td>010206.B.6</td>
<td>Updated guidance to reflect that Nonexpenditure Transfers are processed using the Agency Transaction Module within the Central Accounting Reporting System.</td>
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<tr>
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<td>Deleted the annual requirement to include a copy of the Statement of Assurance as an attachment to the Memorandum Certification Statements.</td>
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CHAPTER 1

ADMINISTRATIVE CONTROL OF FUNDS

0101 GENERAL

010101. Overview

The Volume 14 prescribes the requirements for the administrative control of funds and the Antideficiency Act (ADA) for Department of Defense (DoD) Components. Chapter 1 defines the statutory restrictions and limitations governing the administrative control of funds. Failure to comply with these restrictions and limitations is a violation of the ADA. Chapter 2 explains the ADA and related statutes, causes of violations, and preventive action including training requirements. Chapter 3 prescribes the requirements for DoD Components when a potential ADA violation is discovered, conducting an ADA investigation, reporting ADA violations, and administering disciplinary action. The provisions of this volume take precedence over any conflicting guidance in other volumes or DoD regulations, manuals, instructions, or directives.

010102. Purpose

This chapter establishes policy for the administrative control of funds and includes specific instruction for controlling available funds. The DoD Components are required to establish and maintain effective controls over appropriations and other funds in accordance with this chapter. All DoD organizations, appropriations, and funds are subject to the provisions contained herein.

010103. Authoritative Guidance

Administrative division of apportionments and control of funds is prescribed by Title 31, United States Code, section 1514(a) (31 U.S.C. § 1514(a)). The Office of Management and Budget (OMB) Circular No. A-11 prescribes implementing requirements for the control of funds in Section 150 and Appendix H. Additional authorities:


C. 31 U.S.C. §§ 1501-1502


0102 POLICY

010201. Defense-wide Appropriations

Unless otherwise specified, for purposes of this volume, the Office of the Under Secretary of Defense, Deputy Comptroller (Program/Budget) is considered a “DoD Component” for matters involving Defense-wide (Treasury Symbol “97”) appropriations.

010202. Administrative Control Systems

DoD Components must:

A. Design systems for the administrative control of funds so that formal administrative subdivisions of funds are placed at the highest practical organizational level consistent with effective and efficient management.

B. Restrict the use of limitations on available funds to those necessary to comply with statutory provisions, such as those imposed by the appropriate DoD Authorization or DoD Appropriations Act, or to address specific management requirements.

010203. Reporting Requirements for Administrative Control Systems

DoD Components must establish a reporting system for the administrative control of funds process to provide data for reviewing the efficiency (e.g., obligation rate) with which funds are used. Reporting requirements must be established separately from a formal administrative subdivision of funds limitation when a need exists for accumulating data below the allocation level.

010204. Delegations of Authority

All delegations or redelegations of authority or functions under this chapter must be made in writing. Delegation or redelegation of authority or function is prohibited if the delegation or redelegation limits the capabilities of the Secretaries of the Military Departments, the Directors of the Defense Agencies, or designated officials of the Office of the Secretary of Defense to exercise the control necessary to discharge properly their responsibilities in accordance with this volume.
010205. Statutory Limitations and Duties of DoD Officials

DoD officials are prohibited from authorizing or creating any obligation or making any expenditure beyond the amount permitted under any statutory limitation that modifies or restricts the availability of funds. Special or recurring statutory limitations on DoD funds are frequently imposed by the DoD Authorization or Appropriations Acts, or may be imposed by other legislation. Specifically, DoD officials to whom funds are entrusted or apportionments or formal administrative subdivisions of funds are issued at any level must:

A. Limit any further subdivision of funds to the amount provided and currently available.

B. Limit the obligation and expenditure of funds provided to the amount currently available at the time of the obligation or expenditure, enforce those limitations, and ensure that all personnel involved in administrative control and use of available funds are knowledgeable of such limitations.

C. Limit the obligation and expenditure of funds provided to the purposes authorized by type of fund or account.

D. Ensure that the obligation and expenditure of funds provide for a bona fide need of the period of availability of the fund or account.

E. Preclude acceptance and use of voluntary services, gifts, and donations except in accordance with specified provisions of law.

F. Ensure that all personnel, including the actual fund users, contracting personnel, and other personnel involved in administrative control and use of available funds, are fully aware of, and comply with, the requirements of the ADA as described in Chapter 2 and other applicable guidance. Potential ADA violation investigation and reporting requirements are also contained in this volume.

G. Ensure that decisions on the obligation of funds comply with the provisions of the ADA by careful review and examination of the facts involved in advance of the decision.

H. Enforce compliance with all the provisions of the ADA and other specific laws that limit the obligation and expenditure of funds.

I. Maintain internal control systems to ensure that:

   1. All available funds are identified, controlled, and recorded in the official accounting records from the time received until subdivided to others or obligated and expended.
2. All available funds are identified with authorized purposes by account, period of availability for new obligations, and for the period of availability for expenditure.

3. All special and recurring provisions and limitations on the obligation and expenditure of funds are identified and documented for all available funds and accounts.

4. All proposed obligations of funds are reviewed to ensure that sufficient funds are available to cover the obligation, the purpose of the obligation is consistent with the authorized purposes of the fund or account, and the obligation does not violate any special or recurring provisions and limitations on the incurrence of obligations.

J. Issue and maintain appropriate delegations of authority.

K. Ensure that amounts reported to the Department of the Treasury are accurate, that is, recorded accurately and posted to the correct appropriation account.

L. Ensure that internal controls are in place and operating as required by DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures.”

M. Ensure that appropriate training programs are in place to provide all personnel involved in administrative control and use of available funds with the knowledge of funds control and the skills and abilities to perform the duties specified in paragraph 010205. See Chapter 2 for training requirements.

010206. Apportionments, Allotments, Suballotments and Allocations

The administrative control of funds process restricts obligations and expenditures (disbursements) to the amount available at the apportionment, allotment, suballotment and allocation levels. Apportionments, allotments, suballotments, allocations and other formal administrative subdivision of funds designated by a DoD Component are subject to the provisions of the ADA; therefore, obligations and disbursements of funds that exceed these limitations are violations of the ADA.

A. Apportionments. An apportionment is a distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, program, activities, projects, objects, or any combination of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, suballotments, and allocations.

1. When DoD appropriations or other funds are required to be apportioned under law by OMB to a DoD Component, a request for the apportionment or reapportionment must be prepared and submitted through the Under Secretary of Defense (Comptroller) (USD(C)) to the Director of OMB. A request for an apportionment must be in such form and at such time as the USD(C) may prescribe to conform to the requirements of the Director
of OMB. See Volume 3, Chapter 2 for the preparation of apportionment or reapportionment schedules and Volume 3, Chapter 13, paragraph 130303 for the accounting of DoD apportionments and reapportionments.

2. Obligations during any apportionment period must not exceed the amount of the apportionment available for that period or of any administrative subdivisions of the apportionment. Apportionments may include estimates of anticipated budgetary resources; however, these approved anticipated resources may not be obligated until realized.

3. Apportionments that anticipate the need for a deficiency appropriation or a supplemental under 31 U.S.C. § 1515 will be specifically identified on the apportionment request. To qualify as a deficiency apportionment, the request must be required by:
   a. Laws enacted subsequent to the transmittal of the annual budget for the year to Congress;
   b. Emergencies involving human life, the protection of property, or the immediate welfare of individuals; or
   c. Specific authorization by law.

B. Allotments. An allotment is a subdivision of an apportionment that is made by the head of an agency (e.g., Secretary of Defense), or designee (e.g., USD(C)), to incur obligations within a prescribed amount. Formal distribution, i.e., subdivision of an allotment must contain at least the same statutory and other limitations applicable to the original allotment (e.g. suballotments/allocations to operating agencies or installation-level accounting activities).

1. The USD(C) must make allotments of apportioned amounts, in writing, to the heads of DoD Components. The Secretary of a Military Department, or designee, must make further allotments of apportioned amounts, in writing, to the heads of operating agencies.

   a. The original signed document or an authenticated copy bearing a signature or an electronic equivalent of a signature must be forwarded to the recipient of the allotment. This does not preclude the use of an automated system to communicate and record fund subdivisions as long as a confirmation copy bearing an authenticated signature or an electronic equivalent of a signature is available to the recipient via the automated system.

   b. At a minimum, this document must contain the following basic information:
      1. Amount available;
      2. Funding source;
3. Time period of availability;
4. Position and title of the responsible official and other agency limitations; and
5. Justification for changes in allotments.

  c. A suballotment is a subdivision of an allotment. It is a formal distribution that must contain at least the same statutory and other limitations and requirements applicable to the original allotment. Amounts allotted may be suballotted to major subordinate operating commands.

  2. Allotments/suballotments must not exceed the amount available for use for each apportionment period.

  3. The use of an electronically reproduced equivalent of an original signature is considered an acceptable implementation of the requirement for a document containing an authenticated signature. However, in accomplishing electronic transmission of fund authorizations through linked computer systems, internal controls for electronically transmitted allotments and suballotments must have the following minimum characteristics:

    a. Fund control systems must provide validation of fund authorities by use of access codes and lockout techniques.

    b. One set of access codes must be used to issue fund authorizations.

    c. Other controlled access codes must be used to process a signature section of fund control documents for transmission to funded activities.

    d. The authentication, signature element, and symbol must be included as part of electronically produced funding documents.

  4. Anticipated transfers or other items of anticipated receipts may be allotted/suballotted/allocated only when realized.

  5. Allocations are subdivisions of suballotments, or subdivisions of allotments that are not required to be suballotted (reference subparagraph 010206.C).
6. DoD Components must not authorize or incur an obligation, or make a disbursement against anticipated transfer authorizations until the transferred resources are realized. Such actions must be delayed until the completed Standard Form (SF) 1151, “Nonexpenditure Transfer Authorization” is received and the resources realized. Nonexpenditure Transfers are processed using the Agency Transaction Module within the Central Accounting Reporting System (CARS). See the Treasury Financial Manual Volume 1, Part 2, Chapter 2000 for information and guidance on using the CARS.

7. DoD Components must not authorize or incur an obligation or make a disbursement against anticipated reimbursements. Such actions must be delayed until the applicable customer order is received from Federal Government activities and funds are collected from public activities. See Volume 11A for reimbursable policy.

C. Allocations. Allocations are subdivisions of suballocations or subdivisions of allotments that are not required to be suballotted.

1. The recipients of allotments or suballocations, or their designees, must make allocations in specific amounts to the heads of installations or organizational units of DoD Components, as required. The total of the amounts allocated must not exceed the amount of the allotment/suballocation available for each period.

2. A suballocation is a subdivision of an allocation. The recipients of allocations may make suballocations to the heads of other organizational units, including those of other DoD Components, as required. The total of the amounts suballocated must not exceed the amount of the allocation available for use for each period.

3. Allocations and suballocations must be made in writing and the recipient’s copy must either be signed by the fund-issuing authority or be an authenticated copy bearing an authorized authenticated signature or an electronic equivalent of a signature. At a minimum, the document must contain the following basic information:

   a. Name or title of the allocation/suballocation recipient.

   b. Amount of the allocation/suballocation and the period of availability.

   c. Legal restrictions or limitations on the obligation and disbursement of the allocated/suballocated funds.

   d. The amount of anticipated reimbursements, specified to the organizational level responsible for receiving the reimbursable orders.
4. In emergency circumstances, it may not be possible to provide a formal allocation or suballocation document before incurring obligations. Under such emergency conditions, it may be necessary to use expedited means of communication pending formal confirmation.

   a. A telephone or other electronic means may be used to make arrangements to indicate that funds will be provided. However, the official allocation or suballocation of funds does not occur until the substantiating documentation of the issuance of funds has been transmitted by the issuer and received by the recipient.

   b. In such cases, both the issuer and recipient must document the funding transaction showing action taken, the date, amount involved, authorizing official, and method of communication. The issuer must immediately provide a copy of the documentation to the recipient and request acknowledgment of receipt. The recipient must provide confirmation of receipt and acceptance to the issuer. The issuer must sign the same documentation and return the document containing both signatures. The official funds issuance does not occur until this final double-signed (issuer and recipient) document has been received by the recipient of the funds.

   c. The recipient is not authorized to issue funds to others or authorized to incur obligations with the funds received until after receipt of the double-signed document.

010207. Other Fund Management

   A. Centrally-Managed Account (CMA). The head of an operating agency that has specific written approval of the head of a DoD Component may establish CMAs. A CMA is a formal administrative subdivision of funds (allotment, suballotment, or allocation) that is managed at the highest practical level and allows officials at a lower echelon to incur obligations or charge expenditures to the CMA for authorized purposes without further determination or certification of fund availability for the individual transactions. Fund balances at the allotment/suballotment/allocation level are subject to the provisions of 31 U.S.C. § 1517(a)(1). Fund authorization documents forwarding budget authority to the CMA must include the following statement: “Authorizing or incurring obligations in excess of the cumulative allotment/suballotment/allocation amount, contained herein, is a reportable violation of 31 U.S.C. § 1517.”

   1. These accounts must be established only when it is impractical to administer decentralized allotments/suballocations/allocations under normal operating procedures. The head of an operating agency, usually general officer or Senior Executive Service level, is responsible for establishing adequate controls to ensure CMA managers are expeditiously informed of obligations and expenditures at the lower echelon levels to prevent the CMA from becoming over-obligated/expended. Before approval, a specific written determination must be made that adequate controls have been established to avoid over-obligating/expending the CMA.

   a. The amount of the CMA must be within the amount and terms of the allotment/suballotment/allocation.
b. Requests for the establishment of a CMA must fully justify the need, delineate possible alternatives, and clearly demonstrate why the CMA method is the only practical administrative procedure.

c. The official who establishes or continues the use of a CMA must be held responsible, to the extent prescribed by law, directive, and regulation, for ensuring that obligations are not incurred, or expenditures made, beyond the amount available under each CMA.

d. The establishing or continuing official is responsible for the administration of each CMA and must prescribe an adequate system of financial and nonfinancial control. The system must:

   (1) Designate the name or position of specific individuals authorized to incur obligations or make expenditures against each CMA.

   (2) Establish suitable limitations on the numbers, quantities or volume for which obligations may be incurred or expenditures made.

   (3) Provide for accounting and reporting at least monthly.

   (4) Ensure timely notice to prevent the CMA from being over-obligated/expended by taking necessary management action. This may include (a) increasing the amount of the CMA; (b) terminating the CMA; (c) terminating new obligations or disbursements; and/or (d) taking other necessary management actions to prevent an over-obligation/expenditure.

e. Each CMA must be reviewed annually to determine whether its operation should be continued. This determination must be made by the head of the DoD Component concerned, or designee. The annual review must include an evaluation, by an internal audit group, of the adequacy of control procedures established to prevent violations of 31 U.S.C. § 1341(a)(1), 31 U.S.C. § 1517(a), or both, and a recommendation to the head of the DoD Component concerned, or designee, whether continuation of the CMA is justified. DoD Components must provide certification as to the adequacy of controls of the CMA. This certification must be submitted with the annual evaluation required by paragraph 010212.

2. Components are required to maintain documentation supporting their assessment and produce it on request. At a minimum, Components must maintain records on the following:

   a. Appropriation and dollar value of the CMA.

   b. Rationale for establishing a CMA and why it is preferable to other methods of managing the appropriation.
c. Individuals primarily responsible for managing the CMA and ensuring fund controls are properly implemented.

d. Organizations authorized to make obligations against the CMA.

e. Fund controls in place to establish limits on the amount and type of obligations that may be charged to the CMA.

f. Monthly execution monitoring and procedures.

g. Date and method of testing of internal controls.

B. Reimbursable Orders. A reimbursable order is an order for services, supplies, material, or equipment placed by a requiring DoD Component (or Federal Agency) and furnished by another DoD Component (or Federal Agency) without separate identification of the items, or separate citation of the funds of the requiring DoD Component; and with subsequent delivery to and reimbursement by the requiring DoD Component. The requiring DoD Component records the reimbursable order as an obligation when the procuring DoD Component accepts the reimbursable order in writing. See Volume 3, Chapter 8 for recording standards.

1. DoD organizations may be authorized by law to accept reimbursable orders for services provided or goods sold to other Federal Government-funded customers and authorized private parties.

2. Apportioned reimbursements must not be allotted/suballotted/allocated unless there is reasonable assurance that orders will be received. Even though apportioned and allotted/suballotted/allocated, these estimates must not be considered budgetary resources available for obligation unless the following two conditions are met:

   a. Valid orders, including written agreements, have been received from and obligated by Federal Government-funded customers.

   b. Advance payment has been collected, in the case of orders from the public.

3. Officials responsible for incurring obligations and making expenditures must be particularly cognizant of reimbursable authority received. Controls must be established and carefully followed to avoid obligating or expending in excess of the amount of appropriated funds available, plus the amount of reimbursements that ultimately will be earned and collected.

4. Under certain circumstances, and only with the prior written approval of OMB, immediate and automatic apportionment of the amounts of reimbursable orders received and accepted may be authorized.
5. Reimbursable orders received from state or local governments, recognized international bodies such as the United Nations and North Atlantic Treaty Organization, foreign governments, corporations, or individuals are subject to special controls.

   a. These orders are to be recognized as reimbursable orders received only to the extent that cash has been received and deposited with the Treasury. The exception is Foreign Military Sales (FMS) orders. Contract authority may be recognized for FMS orders based upon a dependable undertaking when cash advances are not provided for the full amount of the order from a foreign government or international body. Bills are then presented for payment from the account established in the FMS Trust Fund for the applicable country.

   b. FMS disbursement controls must be established to ensure that disbursements are not made until the cash is actually received from the foreign country and deposited in the Treasury FMS Trust Fund. Expenditure authorizations are used to ensure that funds are available in the account for the country involved before disbursements are made.

6. Reimbursable orders that are financed by appropriated or revolving funds of Federal agencies provide expenditure as well as obligational authority.

C. Revolving Funds. A revolving fund is an account authorized by specific provisions of law to finance a continuing cycle of business-type operations and to incur obligations and expenditures that generate receipts.

1. General. Obligations and expenditures of a revolving fund, whether subject to, or exempt from, apportionment, must be controlled under applicable provisions of this chapter.

2. Cash Balances. The disbursement of amounts in excess of the Department of the Treasury cash balance of a revolving fund is a potential ADA violation. Additionally, the disbursement of amounts in excess of the balance of sub-numbered cash accounts or other subdivisions of cash within a revolving fund is a potential ADA violation when such sub-numbered accounts or subdivisions have been specifically designated as being subject to the provisions of the ADA.

3. Apportionment. A revolving fund may be subject to apportionment or it may be exempt from apportionment, depending upon the type of fund.

   a. Revolving Funds Subject to Apportionment. An apportionment limits the obligations that may be incurred to the apportioned amount. The incurring of obligations in excess of apportioned budgetary resources is a potential ADA violation without regard to whether a revolving fund has additional unapportioned budgetary resources or other assets equal to or greater than the amount of the deficiency.
b. Revolving Funds Exempt from Apportionment. A revolving fund that is exempt from apportionment may not incur obligations in excess of available budgetary resources. The incurring of obligations in excess of available budgetary resources is a potential ADA violation.

4. Budgetary Resources. The incurring of obligations in excess of budgetary resources is a potential ADA violation. The concept of “budgetary resources” is defined and explained in OMB Circular A-11, “Preparation, Submission, and Execution of the Budget.” Budgetary resources available to revolving funds are composed of the same elements as budgetary resources available to appropriated funds. Further, while budgetary resources available for obligation for reimbursable work differ depending upon whether a reimbursable order is accepted from a Federal Government account or from the public, such budgetary resources are determined in the same manner for a revolving fund as they are for an appropriated fund.

a. Orders from other Federal Government Agencies. Funded orders from other Federal Government agencies, that represent valid obligations of the ordering account, provide a budgetary resource without regard to whether they are accompanied by an advance payment.

b. Orders from the Public. Orders from the public (except FMS orders) including local and state governments and international organizations (e.g., United Nations), provide a budgetary resource only to the extent that the order is accompanied by an advance payment of cash received and credited to the account.

5. Organizational Level for Revolving Fund Potential Violations. Systems for the administrative control of revolving funds should be placed at each organizational level at which budgetary resources may be received, held, transferred, obligated, or expended. The lowest organizational level for administrative control purposes generally should be the level, frequently a single site, at which an obligation may be incurred or expenditure approved. In the case of a revolving fund account that encompasses operations at multiple sites, responsibility for potential ADA violations generally should not be assigned to an organizational level lower than the level at which the administrative control system is adequate to prevent and detect a potential violation of the ADA.

010208. Obligations and Expenditures

Available funds are used by the incurrence of obligations and expenditures. An amount must be recorded as an obligation or expenditure when incurred as supported by documentary evidence of the occurrence of the event. An oral order or agreement must be formalized in writing or conform to prescribed electronic standards in order to provide proper support and an audit trail for an obligation. Oral orders executed in this manner without a formal commitment of funds run a high risk of violating the ADA and should be avoided if possible. See Volume 3, Chapter 8 to determine the amount and accounting period in which commitments and obligations must be recorded.
A. Once incurred, all obligations and expenditures must be recorded, accurately and promptly, as of the date incurred even if recordation results in a negative amount in the accounting records for an appropriation or fund, or a formal administrative subdivision of an appropriation. (For this purpose, negative amount means that obligations or disbursements exceed the amount of funds that are appropriated or otherwise available.) A violation resulting from a negative amount is caused by the actions of the individual(s) who caused or created the obligation. The recording of the obligation in the accounting system merely records an obligation that already exists.

B. Adjustments in obligations may consist of recording changes to obligation amounts that existed in a prior period that may or may not have been identified and recorded during that period. If an adjustment causes total obligations for a prior period to exceed the amount that was available for obligation for that prior period after consideration of all known valid obligations and deobligations, violations of 31 U.S.C. § 1341(a)(1), 31 U.S.C. § 1517(a), or both, may have occurred.

C. A within-scope contract adjustment is properly chargeable to the funds that funded the original contract. Such adjustment must be charged to those funds even if sufficient funds are not available. If sufficient funds are not available, a potential violation may have occurred.

D. An increase-in-scope adjustment to a contract is properly chargeable to funds currently available at the time the change was made.

010209. Reconciliations

DoD managers at all levels must ensure that accounting records for receipt and use of budgetary resources are reconciled. Obvious accounting errors must be corrected immediately and negative account balances must be researched and reconciled promptly with appropriate source documents.

A. Transactions or adjustments must be recorded in accounting records only when supported by appropriate source documents or electronic equivalents. Managers must not permit identified errors to go uncorrected for extended periods of time, inaccurate transactions to be recorded or failures to record transactions in a timely manner. Due diligence is necessary in order to avoid the appearance of a potential ADA violation that occurred because of careless record keeping.

B. An ADA investigation must be initiated by the applicable DoD Component and reported to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) as required by this volume if a manager suspects that a potential ADA violation may have occurred. However, investigations of potential ADA violations are not required merely to force correction of erroneous records.
010210. Records

A. The Defense Finance and Accounting Service (DFAS), working with other DoD Components, must ensure that accounting records are maintained that provide full disclosure and support of the financial operations and resource utilization applicable at each successive organizational level. The accounting records must show the amounts of funds received at each organizational level, funds issued to others, current available balances, and funds committed, obligated, and expended.

B. These fund control records must constitute an integral part of the official accounting records maintained for each successive organization level for the DoD Component. Financial reports reflecting funds received, issued, available, and utilized must be prepared from the official accounting records.

C. DoD Components must maintain key records and documents on appropriations, allotments/suballotments, allocations/suballocations, and budgetary data for the funds for which they are responsible.

D. DoD Components must retain, for 6 years, 3 months, work papers and documentary evidence developed and/or obtained during an investigation of an actual or potential ADA violation.

010211. Financial Management Systems

In addition to effective and efficient administrative funds control systems established by the DoD Components, the DFAS and/or DoD Component must be responsible for establishing accounting and finance systems. The accounting and finance systems must be established for reporting commitments and obligations by the DFAS and/or DoD Component. Such systems of accounting and internal controls must comply with the requirements of 31 U.S.C. § 3512(b) and (c).

A. Federal agencies must maintain systems of accounting and internal controls that ensure:

1. Complete disclosure;
2. Adequate financial information;
3. Effective internal control over and accountability for assets;
4. Obligations and costs comply with applicable laws;
5. Revenues and expenditures or expenses applicable to DoD operations are accounted for properly so that accounts and reliable financial and statistical reports are prepared and accountability of assets is maintained;
6. Suitable integration of DoD accounting with the central accounting and reporting responsibilities of the Secretary of the Treasury under 31 U.S.C. § 3513; and

7. All assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

B. Specifically, financial management systems must be:

1. Designed to assist responsible officials in restricting authorization or incurrence of obligations to the proper amount and authorized purpose for which obligational authority is available.

2. Capable of providing timely disclosure of the authorization or creation of an obligation and the disbursement of funds in excess of amounts available in both expired and unexpired accounts.

010212. Annual Evaluation

The OUSD(C) requires DoD Components to conduct an annual evaluation of its overall administrative funds control processes as well as the processing of ADA violations. The applicable Office of the Assistant Secretary of the Military Department for Financial Management and Comptroller or the Senior Financial Manager for other DoD Components will provide a memorandum addressed to the OUSD(C). The memorandum must address the following information in subparagraphs 010212.A and B and be submitted by October 31:

A. Memorandum Certification Statements.

1. “For Fiscal Year 20xx, the internal controls over centrally-managed accounts were in place and effective. Monthly accounting and reporting processes are adequate to reduce the risk of over obligations.”

2. “Corrective actions are being implemented and/or sustained and adequate evidentiary documentation is available to support this certification.”

3. A statement that provides the number of key fund control personnel identified and trained as prescribed in Chapter 2, paragraph 020401.
VOLUME 14, CHAPTER 2: “ANTIDEFICIENCY ACT VIOLATIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue and underlined font.

The previous version dated September 2015 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 2-2</td>
<td>Deleted violation examples (formerly subparagraphs B.e and D.3).</td>
<td>Deletion</td>
</tr>
<tr>
<td>020102</td>
<td>Added a requirement that in order to correct potential Antideficiency Act violations (Purpose and Time limitation), funds must have been properly available at the time of the error, during the entire period from the time of obligation until the time of correction, and at the time of correction.</td>
<td>Addition</td>
</tr>
<tr>
<td>020401.B.4</td>
<td>Added a sentence stating that key fund control personnel and requiring officials should coordinate to ensure that delivery of supplies and/or the period of performance for services aligns with the lifecycle of the associated funds.</td>
<td>Addition</td>
</tr>
</tbody>
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CHAPTER 2

ANTIDEFICIENCY ACT VIOLATIONS

0201 GENERAL

020101. Purpose

This chapter explains the Antideficiency Act (ADA) and related funding statutes that consist of certain provisions of law prescribed in sections (§) of Title 31, United States Code (U.S.C.). It also provides examples of circumstances in which ADA violations may occur and establishes requirements to prevent ADA violations. Additional requirements are contained in Volume 3, Chapter 11. Any military member or Department of Defense (DoD) employee who violates any provision or limitation imposed by any law may violate the ADA and be subject to discipline and/or criminal penalties.

*020102. Authoritative Guidance

A. The ADA, prescribed in 31 U.S.C. §§ 1341, 1342, and 1517, prohibits obligations and expenditures in excess of an appropriation or before an appropriation is available. 31 U.S.C. § 1517 is the primary foundation for the administrative control of funds set forth in Chapter 1. See Figure 2-3 for additional references.

1. **Amount Limitation.** 31 U.S.C. § 1341 stipulates that any officer or employee of the United States Government or of the District of Columbia government may not:
   
   a. Make an obligation, expenditure, or authorize an obligation or expenditure of funds that exceeds the amount available in an appropriation or fund.
   
   b. Involve the Government in any contract or obligation for the payment of money before an appropriation is made available, unless the law authorizes such contract or obligation.

2. **Voluntary Services Limitation.** 31 U.S.C. § 1342 stipulates that an officer or employee of the United States Government or of the District of Columbia government may not accept voluntary services on behalf of the Government or employ personal services in excess of that authorized by law, except as it may be necessary in emergencies involving the safety of human life or the protection of property.

3. **Administrative Control of Funds, Amount Limitation.** 31 U.S.C. § 1517 stipulates that an officer or employee of the United States Government or of the District of Columbia government may not make an obligation or expenditure or authorize an obligation or expenditure that exceeds an apportionment or amount permitted by a regulation prescribed for the administrative control of an appropriation, including any other formal administrative subdivision of funds designated by a DoD Component. See Chapter 1 for DoD administrative control of funds policy.
B. **31 U.S.C. §§ 1301, 1502(a), and 3302(b)** are additional funding statutes. Noncompliance with these statutes may result in an ADA violation.

1. **Purpose Statute.** 31 U.S.C. § 1301 stipulates that appropriations must be applied only to the objects for which the appropriations were made, except as otherwise provided by law.

2. **Time Limitation.** 31 U.S.C. § 1502(a) stipulates that the balance of a fixed-term appropriation is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made and obligated within that period. See Volume 3, Chapter 8 for obligation policy and Volume 3, Chapter 10 for expired and closed account policy.

3. **Miscellaneous Receipts Statute.** 31 U.S.C. § 3302(b) requires an official or agent of the Government to deposit money received for the Government from any source into the miscellaneous receipts account of the U.S. Treasury without deduction for any charge or claim if the retention of the money is not authorized or exceeds authorized levels.

C. If sufficient amounts were available in the proper account for the proper fiscal year at the time of the obligation, and the amount is properly recorded as an obligation, then the use of the wrong appropriation (purpose) or the wrong fiscal year funds (time limitation) generally will not result in an ADA violation. It may be possible to adjust the accounts to replace the erroneously obligated funds with the proper funds. Under these conditions, the error can and should be corrected.

1. The use of the wrong appropriation (purpose) can be corrected if the proper funds (appropriation, year, and amount) were available at the time of the erroneous obligation, available during the entire period from the time of obligation until the time of correction, and available at the time of correction. In other words, to correct the error, not only must amounts have been properly available at the time of the error and be available at the time of correction, but the correct amount must be properly recorded as an obligation in the proper account, consistent with paragraph 020202, thereby requiring accounting adjustments going forward from the time of correction to account for the change in balance. Funds must be available at the lowest level of the administrative subdivision of funds, i.e., the lowest level of the appropriation, apportionment, allotment, suballotment, or allocation at which the ADA violation occurred.

2. The use of the wrong fiscal year funds (time limitation) can be corrected if the proper funds (appropriation, year, and amount) were available during the entire period from the time of obligation until the time of correction, at the time of the erroneous obligation, and at the time of correction. In other words, to correct the error, not only must amounts have been properly available at the time of the error and be available at the time of correction, but the correct amount must be properly recorded as an obligation in the proper account, consistent with paragraph 020202, thereby requiring accounting adjustments going forward from the time of correction to account for the change in balance. Funds must be available at the lowest level of the administrative subdivision of funds, i.e., the lowest level of the appropriation, apportionment, allotment, suballotment, or allocation at which the ADA violation occurred.
3. See Volume 3, Chapter 8, paragraph 080304.A for Bona Fide Need recording requirements.

0202 VIOLATIONS

020201. General Violations

General ADA violations occur when:

A. Statutory limitation was exceeded for the amount authorized in an appropriation or fund, to include special and recurring statutory limitations or restrictions on the amounts for which an appropriation or fund may be used.

B. Statutory limitation on the purposes authorized in an appropriation or fund was violated and upon correction into the proper appropriation or fund, funds were not available at the time of the erroneous obligation or were not available when the obligation was recorded in the proper appropriation or fund.

C. Funding authority was issued in excess of the amount available in an appropriation or fund and the excess amount was obligated or expended. The issuance of funds by means of a formal administrative subdivision of funds (apportionment, allotment, suballotment, allocation or other formal administrative subdivision of fund), in an amount that exceeds the amount currently available, would result in an ADA violation if those excess funds distributed are obligated or expended. The issuance of a reimbursable order in excess of available funds may also result in an ADA violation.

D. Obligations or expenditures are authorized or incurred in excess of the amount of funds available at the formal administrative subdivision of funds level. Apportionments, allotments, suballotments, allocations and other formal administrative subdivision of funds designated by a DoD Component are subject to the provisions of the ADA; therefore, obligations and disbursements of funds that exceed these limitations are violations of the ADA. Incurring an obligation or disbursement in excess of a target versus a formal administrative subdivision of funds does not in itself create an ADA violation; however, if exceeding a target causes the governing formal administrative fund subdivision level or limitation to be breached, then a potential ADA violation arises. Errors that require correction by obtaining additional funds at a formal administrative subdivision of fund level cannot eliminate the fact that a violation likely has occurred and must be investigated. An exception applies when funds are required at the formal administrative subdivision level but funds were returned to higher headquarters as the result of the customary practice of sweeping up funds near the end of a fiscal year.

E. Obligations were made or authorized in advance of funds being available.

F. Obligations or expenditures of funds did not provide for a bona fide need of the fund or account (time violation) and upon correction into the proper fund or account, proper
funds were not available at the time of the erroneous obligation or were not available when the
obligation was recorded in the proper fund or account.

G. Obligations charged against a current account that would otherwise be properly chargeable (except as to amount) to an expired account, but sufficient funds did not exist in the applicable expired account to fund the obligation.

H. Obligations that otherwise would have been properly chargeable (both as to purpose and amount) to a canceled appropriation exceeds the limits specified in Volume 3, Chapter 10, subparagraph 100303.D.

I. Voluntary services were accepted, or personal services were employed, except as authorized by law.

J. Funds were retained without authority and were not deposited into the miscellaneous receipts of the U.S. Treasury but instead augmented an appropriation and, as a result, obligations or expenditures exceed the amount appropriated by Congress.

020202. Recording Obligations/Expenditures

A violation may not be avoided by declining to record valid obligations or expenditures in the official accounting records. All obligations or expenditures must be recorded accurately and promptly, even if the recording results in a negative amount in the appropriation, fund, or at the formal administrative subdivision of funds level.

020203. Recording Errors/Omissions

An ADA violation is not considered to have occurred when an over-obligation or over-expenditure results solely from recording a transaction in an erroneous account or recording an incorrect amount for a transaction. In each instance, the potential violation status is eliminated by correcting the erroneous transaction or by posting the omitted transaction. These actions must not include the deletion or adjustment of any valid transactions. If, after the proper recording of the transactions, an over-obligation or expenditure of the appropriation, fund or amount limited by a formal administrative subdivision of funds remains, then a potential ADA violation has occurred.

0203 CAUSES OF VIOLATIONS

ADA violations occur for several reasons. The following is a list of the most frequent causes of DoD ADA violations:

A. Inadequate or obsolete internal controls and standard operating procedures;
B. Internal controls and standard operating procedures that are ignored;
C. Lack of appropriate training; and
D. Inadequate supervisory involvement or oversight.

0204 PREVENTING VIOLATIONS

020401. Requirements

Inadequate supervisory involvement and oversight combined with a lack of appropriate training are common throughout most DoD ADA violations. Therefore, supervisors of DoD personnel who have responsibility for control and use of DoD funds must ensure that their personnel receive proper oversight, support, and training to prevent violations. To assist in the prevention of ADA violations, DoD personnel must be knowledgeable of requirements in this chapter and Chapter 1. The following subparagraphs provide specific actions that must be taken to reduce or prevent violations.

A. Heads of DoD Components must:

1. Use the internal management control programs as required by DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” to periodically assess the reliability of internal controls to prevent ADA violations.

2. Develop a full spectrum of DoD formal education programs for all military officers, from staff officer courses to executive development courses, and incorporate relevant aspects of this volume to highlight the potential pitfalls and risks associated with the ADA. This volume must be used as source material to conduct seminars and workshops targeted to general and specific audiences including financial, program, and project managers; engineers; contracting, information system, and comptroller personnel; commanders; supervisors; and managers.

3. Develop formal education structures to educate personnel about the ADA. Formal courses can be used to alert personnel to common violations and high-risk business transactions and decisions that can result in a violation. Course materials will clearly state that taxpayer funds should not be spent when the requirement is no longer needed, i.e., the requirement is no longer a bona fide need at that time. The DoD financial management community sponsors professional development courses that include discussions on ADA violations. These courses include the Army Comptroller and Advanced Resource Management Programs at Syracuse (NY) University; the Naval Post Graduate School at Monterey, California; and the Defense Financial Management and Comptroller School at Maxwell Air Force Base, Alabama. In addition, the U.S. Army Judge Advocate General School at Charlottesville, Virginia, includes a fiscal law course in its curriculum; and both the Enhanced Defense Financial Management training course hosted by the American Society of Military Comptrollers and the Under Secretary of Defense (Comptroller) Defense Financial Management Certification Program include fiscal law in their accreditation programs.
B. DoD commanders, supervisors, and managers must:

1. Be aware of the ADA, related funding statutes, types of violations, and causes of violations as described in this chapter.

2. Provide appropriate ADA training to financial, program, and project managers; engineers; and contracting, information system, and comptroller personnel. Provide fiscal law training to educate DoD personnel with regard to their fiduciary and legal responsibilities to prevent wasteful spending of appropriated funds. The focus of this training must include the basics of fund control, the ADA statute, and related funding statutes; the types of violations that can occur; the most frequent types of violations that occur within the DoD and their causes; the necessary training, supervision, and oversight of personnel who perform financial management or programmatic functions; and methods for preventing violations. Require that all executive development and financial management course content be updated to ensure proper use and good stewardship of appropriated funds. The training must be maintained to ensure the information remains current. Videos, computer courses or handbooks may be used for such training.

3. Identify key fund control personnel, incorporate the provisions of this volume into key fund control personnel training programs, require that key fund control personnel receive appropriations law training at least every three years, maintain the documents that identify key fund control personnel, and maintain documents that confirm completion of the appropriations law training. Key fund control personnel are those responsible for the proper assignment of funding on a commitment or obligation document before the obligation is incurred. Examples are resource managers, fund holders, funds certifying officials, and authorizing officials. Key fund control personnel should inquire with their individual DoD Components as to the appropriate source of training that satisfies this requirement. Appropriations law training requirements for certification of fund availability are separate from training requirements for certification for payment. Personnel that certify vouchers for payment must adhere to additional requirements as prescribed in Volume 5, Chapter 5.

4. Ensure key fund control personnel coordinate with requiring officials, such as program managers, contracting officers, and engineers, to verify that requests comply with funding statutes applicable to the assignment of funding on a commitment or obligation document before the obligation is incurred. This coordination should include ensuring delivery of supplies and/or the period of performance for services aligns with the lifecycle of the associated funds such that the obligation meets the bona fide need rules laid out in Volume 3, Chapter 8, subparagraph 080304.A. Key fund personnel must review and verify on a continuous basis that the goods and/or services are still needed. Key fund control personnel must not spend taxpayer funds when goods and/or services are no longer needed.

5. Ensure that their employees receive the necessary training and experience in the control and use of funds at levels that correspond with their responsibilities. Furthermore, supervisors must perform oversight and validation checks to ensure that established internal controls and standard operating procedures are adequate and are being consistently
followed by their subordinates. Inadequate supervisory involvement or oversight combined with lack of appropriate training is common in DoD ADA violations.

6. Ensure regular reviews of fund status type reports are performed. If the amount of commitments and obligations (undelivered orders and delivered orders unpaid or paid) exceed the total amount available in an appropriation or the total amount of funds available at the formal administrative subdivision level, a violation could occur if all or some of the commitments eventually become valid obligations.

7. Take proactive measures specifically tailored to address the causes and corrective actions required to prevent violations. See section 0203 for causes of violations.

020402. Common Violations

To prevent ADA violations, DoD personnel must be knowledgeable of the most common and frequent types of ADA violations to include the following:

A. Exceeding an Appropriation

1. All DoD commanders, managers, and personnel whose duties include obligating and/or managing funds must be aware of this type of violation and causal factors. This violation often occurs when obligations from an obligation document are not timely or accurately recorded thus causing the official accounting records to reflect an inflated (and incorrect) availability of funds. Since personnel use those records to certify funds are available for other obligations, a violation can easily occur because the records do not reflect the correct amount of funds available for obligation. This violation also occurs when obligations are charged against a current account that would otherwise be properly chargeable (except as to the amount) to an expired account, but sufficient funds do not exist in the applicable expired account to fund the obligation.

2. This type of potential violation is commonly discovered when an unmatched disbursement is recorded in the accounting system when correcting inaccurately recorded obligations, or when a reprogramming action requests additional funds for an expired account. To help prevent this type of violation, DoD funds managers (for example, Comptrollers) must require that all organizations that incur obligations and record obligations maintain strict and absolute positive controls over-obligating documents (or their electronic equivalents) to ensure that none are lost or misplaced and all transactions are recorded accurately and in a timely manner. Such controls include batch totals of transactions and dollar amounts incurred, transmitted, received, processed, and recorded.

3. The establishment of a funds control system is also essential to ensure that all obligations are reconciled properly against available funds and authorized before they are incurred. This process must include reserving available funds for authorized obligations that are not immediately recorded as an obligation. The reservation must be made by means of a formal commitment or an informal reservation record that contains an estimated amount. The documented estimated reservation must closely approximate the obligation when incurred and
recorded. Also, when recording estimated obligations, it is important to record the initial obligation based on the most current data available and adjust the estimated obligations as conditions change to avoid making an obligation or expenditure that exceeds the amount available in an appropriation or fund.

B. Exceeding Statutory Limitations on the Use of Operations and Maintenance Funds

1. Military Construction. To prevent an ADA violation, engineering and contracting personnel must be advised of the provisions of 10 U.S.C. §§ 2801, 2802, and 2805; and DoD rules and regulations that cover minor construction projects. Engineering personnel and those who authorized the construction are frequently identified responsible for violations involving construction projects exceeding statutory construction limitations and administrative construction limitations placed in engineering regulations. The following is a brief summary of some of the provisions of 10 U.S.C. §§ 2801, 2802, and 2805; and DoD rules and regulations on minor projects.

a. Congress establishes by statute, the amount of Operations and Maintenance (O&M) funds that may be used for a minor construction project. From time to time, that limit is increased by Congress. If the specified limit is exceeded, Military Construction funds must be used for the entire project including planning and design. A violation of 31 U.S.C. § 1341(a)(1)(A) may occur when the limitation is exceeded. The limitation applies to the use of O&M funds for a minor construction project even though there is sufficient obligational authority available in the O&M account at the time that the project is authorized and approved.

b. A military construction project includes all work necessary to produce a complete and usable facility, or a complete and usable improvement to an existing facility under provisions of 10 U.S.C. § 2801(b). Incremental construction, which is the planned acquisition of, or improvement to, a real property facility through a series of minor construction projects is prohibited. See Volume 3, Chapter 17 for military construction project requirements.

c. Engineering and contracting personnel must be familiar with the statutory limitation, under the provisions of 10 U.S.C. § 2825, on the maintenance and repair funds that may be used for a family housing unit. That limit may not be exceeded without prior notification to Congress. When that limit is exceeded for any reason during the completion of a family housing maintenance and repair project, and the conditions specified in the law for a waiver of the statutory limitations have not been met, a violation of 31 U.S.C. § 1341(a)(1)(A) may occur.

d. The misclassification of construction costs as alterations by engineering personnel may result in an ADA violation. A potential violation may occur if the amount of the misclassification, when added to construction costs (if any), exceeds a statutory limitation. For example, an engineering project that has a minor construction cost close to the statutory limit, but which also has related maintenance and repair costs, could cause a violation of the statutory limit if the maintenance and repair work later is proven to be construction. Likewise, a maintenance and repair project exceeding the statutory construction limit could be a potential ADA violation if the maintenance and repair later is determined to be construction.
2. Equipment

   a. Congress designates an amount above which acquisitions of equipment must be funded from a procurement fund (expense versus investment threshold rule). Using O&M funds to acquire equipment items that exceed the designated threshold amount for the mandatory use of procurement funds could be a potential ADA violation. For instance, O&M funds are used to purchase a computer system when Other Procurement funds are required. Expense versus investment criteria is in Volume 2A, Chapter 1, paragraph 010212 and Volume 2B, Chapter 18.

   b. Similar problems also frequently occur when acquiring low dollar value equipment items that are estimated to cost less than the congressionally designated amount for procurement funds, but actually cost more than that amount when acquired.

   c. An ADA violation does not occur automatically in the situations outlined in subparagraphs 020402.B.2.a and b because the obligation can be moved from the O&M account to the applicable procurement account. If proper funds were available in the proper procurement account at the time of the erroneous obligation of O&M funds and funds are available when the obligation is recorded in the procurement account, including all other known valid obligations and deobligations, then a potential ADA violation has not occurred. However, if proper procurement funds were not available at the time of the erroneous obligation or were not available when the obligation is recorded in the procurement account to cover the obligation in the procurement account, a potential ADA violation may have occurred.

   d. DoD decision makers, such as program managers, information systems managers, and contracting personnel, must be knowledgeable of the expense versus investment rules to prevent this type of violation. Program managers and information systems, contracting, and comptroller personnel must be trained on this issue. Such training should help reduce the incorrect application of the expense versus investment rule and the resulting ADA violations.

C. Exceeding a Formal Administrative Subdivision of Funds. If a formal administrative subdivision of funds level is exceeded, then a potential violation must be reported. The receipt of additional funds before the end of a reporting period does not mitigate a limitation violation or eliminate the potential violation reporting requirement as specified in Chapter 3. Also, failure to record a valid obligation or expenditure as of the date incurred does not avoid the incurrence of, and the requirement to report, a potential ADA violation if, upon recordation, available funds in the appropriation fund or other formal administrative fund subdivision level are exceeded. For example, the Military Departments historically have experienced problems with over-obligated Reserve Component (RC) personnel accounts. Funds in these accounts are used to pay RC personnel for such items as weekend drills, travel, special tours, or other training. RC unit commanders who control a formal administrative subdivision of funds level are subject to the ADA and must, in advance of the incurrence and recording of these obligations, budget and reserve against available funds the amounts estimated for weekend drills and other scheduled training.
D. Obligating Funds in Advance of Availability

1. A common scenario is the use of current year funds to procure goods or services that properly are funded only with a subsequent year appropriation. An ADA violation occurs when an individual obligates funds before those funds are authorized and appropriated by Congress. For example, signing a facility or equipment operating lease using one-year authority funds and agreeing to pay, or obligating the funds, for a two-year lease during the first year would constitute an obligation in advance of the availability of the funds for the amount associated to the second year of the lease. Similarly, agreeing to pay or obligating the funds for a two-year equipment maintenance agreement using one-year authority funds would constitute an ADA violation related to the amount associated with the second year of the agreement.

2. To help prevent this type of violation, training programs must include specific focus on the importance of ensuring funds are authorized and available before obligating the Government to contracts for future fiscal years’ expenses.

3. For guidance on determining whether a violation may be properly corrected, see paragraph 020102.c.

E. Providing Funds to Servicing Agencies Before or Past the Period of Availability

1. A common scenario occurs when funds cited on an Economy or non-Economy Act order do not meet the bona fide need arising or existing in the fiscal year (or years) for which the appropriation is available for obligation. When an erroneous obligation is moved to the applicable fiscal year and proper funds were not available at the time of the erroneous obligation or were not available when the obligation was recorded in the proper fund or account, a potential ADA violation may have occurred.

2. To prevent this type of ADA violation, DoD personnel with the responsibility to control the use and type of funds used must be aware of the fiscal limitations of providing funds to servicing agencies before or past the period of availability. See specific policy for Economy Act orders in Volume 11A, Chapter 3, section 0304; and non-Economy Act orders in Volume 11A, Chapter 18, sections 1802 and 1803.

F. Retaining Funds Without Authority

1. This violation often occurs when funds are retained without authority and are not deposited into the miscellaneous receipts of the U.S. Treasury but instead augments an appropriation and, as a result, obligations or expenditures exceed the amount appropriated by Congress.

2. This violation is often discovered when new personnel arrive and raise concerns over accepting and retaining unauthorized funds. Therefore, it is essential that DoD decision makers, such as DoD Commanders and Comptrollers, are knowledgeable of this type of
violation and that financial managers be trained on this issue and understand the authority related to funds under their control to preclude augmenting an appropriation.
Figure 2-1. Potential Violations

<table>
<thead>
<tr>
<th>A VIOLATION MAY OCCUR WHEN</th>
<th>DESCRIPTION OF POTENTIAL VIOLATION</th>
<th>TITLE 31, UNITED STATES CODE SECTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any military member or DoD employee:</td>
<td>1. Makes or authorizes an obligation or expenditure that exceeds:</td>
<td>1341(a)(1)(A)</td>
</tr>
<tr>
<td></td>
<td>a. The available amount of any appropriation or fund.</td>
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<tr>
<td></td>
<td>b. Any statutory restriction imposed on the use of an appropriation or fund, such as limits on the use of O&amp;M funds for unspecified minor construction or for purchase of investment items.</td>
<td>1341(a)(1)(A)</td>
</tr>
<tr>
<td></td>
<td>c. The available amount of any apportionment or reapportionment.</td>
<td>1517(a)(1)</td>
</tr>
<tr>
<td></td>
<td>d. The available amount of any formal administrative subdivision.</td>
<td>1517(a)(2)</td>
</tr>
<tr>
<td></td>
<td>e. Any limitation imposed by an authorized official of the DoD or a DoD Component that is intended to restrict obligations of apportioned appropriations or funds.</td>
<td>1517(a)(2)</td>
</tr>
<tr>
<td>2. Involves the Government in any contract or other obligation for the payment of money for any purpose before appropriations are made for such purposes, unless the law authorizes such contract or obligation.</td>
<td>1341(a)(1)(B)</td>
<td></td>
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<td></td>
<td>3. Makes or authorizes an obligation or expenditure against an appropriation account that was closed pursuant to 31 U.S.C. §§ 1552 or 1555 or the period prescribed in an appropriations act for making expenditures as authorized by 31 U.S.C. § 1557.</td>
<td>1341(a)(1)(A)</td>
</tr>
<tr>
<td></td>
<td>4. Accepts voluntary service or employs personal service in excess of that authorized by law except in cases of emergency involving the safety of human life or the protection of property.</td>
<td>1342</td>
</tr>
<tr>
<td>A VIOLATION MAY OCCUR WHEN</td>
<td>DESCRIPTION OF POTENTIAL VIOLATION</td>
<td>TITLE 31, UNITED STATES CODE SECTION</td>
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<tr>
<td>----------------------------</td>
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<tr>
<td>Any military member or DoD employee:</td>
<td>5. Expends a working capital (revolving) fund established under 10 U.S.C. § 2208 in excess of amounts available in Fund Balance with Treasury whether apportioned or not. (Recurring provisions of annual DoD Appropriations Acts that establish cash balances (Fund Balance with Treasury) in working capital funds may be maintained only in such amounts as are necessary at any time for cash disbursements to be made from such funds. This provision allows working capital funds to incur liabilities in excess of available fund balances with Treasury.)</td>
<td>1341(a)(1)(A)</td>
</tr>
<tr>
<td>6. Obligates a working capital (revolving) fund established under 10 U.S.C. § 2208 or a part of the fund, whether subject to or exempt from apportionment, in excess of the available amount.</td>
<td></td>
<td>1517(a)(1)</td>
</tr>
<tr>
<td>7. Obligates a working capital (revolving) fund established under 10 U.S.C. § 2208 in excess of the available amount of budgetary resources.</td>
<td></td>
<td>1517(a)(2)</td>
</tr>
<tr>
<td>In Fund Distribution:</td>
<td>1. Total allotments, or operating budget authorities for O&amp;M type funds exceed the amount available for each apportionment period.</td>
<td>1517(a)(1)</td>
</tr>
<tr>
<td></td>
<td>2. Total suballocations, allocations, or operating budget authorities, and centrally managed accounts (CMAs) exceed the amount of the allotment or operating budget authority for each period.</td>
<td>1517(a)(2)</td>
</tr>
<tr>
<td></td>
<td>3. Total allocations or operating budget authorities and CMAs exceed the amount of the available suballocation.</td>
<td>1517(a)(2)</td>
</tr>
<tr>
<td></td>
<td>4. Total suballocations exceed the amount of the allocation.</td>
<td>1517(a)(2)</td>
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</table>
Figure 2-2. Violation Examples

A. GENERAL. Most of the examples described in items B – D are taken from actual violations that occurred within DoD. However, these violations are fact specific and in other circumstances a potential violation may or may not be incurred. These examples are supplied for information only and are not intended to imply that in all similar but not identical circumstances a violation would have been incurred.

B. TITLE 31, UNITED STATES CODE, SECTION 1341

1. 31 U.S.C. § 1341(a)(1)(A)

   a. Obligated O&M funds for site preparation construction costs on a relocatable building project. The project was incorrectly scoped into multiple projects and the cumulative costs of the construction exceeded the minor construction threshold and should have been authorized by Congress and funded with military construction funds. This unauthorized obligation of O&M funds instead of military construction funds resulted in a violation.

   b. Obligated O&M and Working Capital funds on a single military construction project. The project amount exceeded the minor construction statutory limitation and resulted in a violation. The Government Accountability Office takes the position that a violation of a funding restriction in an authorizing statute (such as 10 U.S.C. § 2805) results in a violation of the ADA (31 U.S.C. § 1341). The use of funds to finance the project is not consistent with the authorized purpose of the appropriation and resulted in an incurable violation of the “purpose statute” (31 U.S.C. § 1301).

   Note: Although the circumstances described herein constitute a violation of 10 U.S.C. §§ 2802(a) and 2805(b), the Department of Justice (DOJ) Office of Legal Counsel (OLC) has concluded that “a violation of a statutory restriction on spending does not violate the ADA where the restriction is not ‘in an appropriation.’ ” See also: DOJ OLC opinion, “Use of Appropriated Funds to Provide Light Refreshments to Non-Federal Participants at EPA Conferences,” April 5, 2007 (online at: http://www.justice.gov/sites/default/files/olc/opinions/2007/04/31/epa-light-refreshments13.pdf); and DOJ OLC letter, “Re: Whether the Federal Aviation Administration’s Finalizing and Implementing of Slot Auction Regulations Would Violate the Anti-Deficiency Act,” October 7, 2008.

   c. Obligated O&M funds rather than Procurement funds for recapitalization of a system and Procurement funds were not available when the obligation was recorded which resulted in a violation.
d. Failure to promptly record valid obligations in a reserve personnel appropriation resulted in valid obligations that exceeded the available amount in the appropriation and resulted in a violation.

2. 31 U.S.C. § 1341(a)(1)(B)
   a. Obligated O&M funds in advance of the appropriation when a 14 month severable services contract was awarded that exceeded the 12 month limit set forth in section 10 U.S.C. § 2410a, and resulted in a violation.
   b. Obligated O&M funds for two and four year severable equipment leases in advance of an appropriation which resulted in a violation.
   c. Obligated O&M funds for equipment with phased deliveries into subsequent fiscal years in advance of an appropriation which resulted in a violation.

C. TITLE 31, UNITED STATES CODE, SECTION 1342

Apparently, at the urging of the Chairman, a member of a Federal Commission agreed to waive his statutory entitlement to $100 per day while involved in Commission business. The year after the Commission was disbanded, the former member changed his mind and filed a claim for a portion of the compensation he would have received had it not been for the waiver. Since the $100 per day was a statutory entitlement, the purported waiver was invalid and the former commissioner was entitled to be paid. By accepting the waiver and allowing the commissioner to conduct Commission business without pay, the provision against acceptance of voluntary services was violated and a violation of the ADA occurred.

D. TITLE 31, UNITED STATES CODE, SECTION 1517

1. Obligated O&M funds in excess of the Continuing Resolution Authority allocation which resulted in a violation.

2. Obligated O&M funds for information technology equipment in excess of the investment threshold. When correction was made, Procurement funds were not available at the suballotment level which resulted in a violation.
3. A DoD activity used O&M funds, rather than Other Procurement funds to purchase a data processing local area network (LAN). Even though the hardware components and LAN operating system software were purchased separately, the components and the software together constituted a system with an aggregate cost in excess of the expense/investment threshold specified by the Congress for the required use of procurement appropriation funds. A violation occurred because the DoD activity did not have the required amount of Other Procurement funds at the time of the purchases.

4. A funds holder at a formal administrative subdivision of fund level erroneously distributed more funds than available at the subdivision level. The activities receiving the funds incurred obligations and expenditures in excess of amounts available to the fund holder but below the amount distributed. The funds holder incurred an ADA violation because the obligations and expenditures exceeded the total amount in the formal administrative subdivision of funds.
Figure 2-3. Reference Hyperlinks

Office of Management and Budget (OMB) Circular A-11, “Preparation, Submission, and Execution of the Budget”


United States Code (U.S.C.) title and section:

- **2 U.S.C. § 681** Disclaimer
- **2 U.S.C. § 682** Definitions
- **2 U.S.C. § 683** Rescission of Budget Authority
- **2 U.S.C. § 684** Proposed Deferrals of Budget Authority
- **2 U.S.C. § 685** Transmission of Messages; Publication
- **2 U.S.C. § 686** Reports by Comptroller General
- **2 U.S.C. § 687** Suits by Comptroller General
- **2 U.S.C. § 688** Procedure in House of Representatives and Senate
- **5 U.S.C. § 1304** Loyalty Investigations; Reports; Revolving Fund
- **10 U.S.C. § 2201** Apportionment of Funds; Authority for Exemption; Excepted Expenses
- **10 U.S.C. § 2204** Obligation of Appropriations
- **10 U.S.C. § 2208** Working-Capital Funds
- **10 U.S.C. § 2410a** Severable Service Contracts for Periods Crossing Fiscal Years
- **10 U.S.C. § 2805** Unspecified Minor Construction
- **10 U.S.C. § 2825** Improvements to Family Housing Units
- **18 U.S.C. § 4124** Purchase of Prison-Made Products by Federal Departments
Figure 2-3. Reference Hyperlinks (continued)

31 U.S.C. § 1104  Budget and Appropriations Authority of the President
31 U.S.C. § 1105  Budget Contents and Submission to Congress
31 U.S.C. § 1106  Supplemental Budget Estimates and Changes
31 U.S.C. § 1107  Deficiency and Supplemental Appropriations
31 U.S.C. § 1108  Preparation and Submission of Appropriations Requests to the President
31 U.S.C. § 1112  Fiscal, Budget, and Program Information
31 U.S.C. § 1301  Application
31 U.S.C. § 1321  Trust Funds
31 U.S.C. § 1341  Limitations on Expenditure and Obligating Amounts
31 U.S.C. § 1342  Limitation on Voluntary Services
31 U.S.C. § 1349  Adverse Personnel Actions
31 U.S.C. § 1350  Criminal Penalty
31 U.S.C. § 1351  Reports on Violations
31 U.S.C. § 1502  Balances Available
31 U.S.C. § 1511  Definition and Application
31 U.S.C. § 1512  Apportionment and Reserves
31 U.S.C. § 1513  Officials Controlling Apportionments
31 U.S.C. § 1514  Administrative Division of Apportionments
31 U.S.C. § 1515  Authorized Apportionments Necessitating Deficiency or Supplemental Appropriations
31 U.S.C. § 1516  Exemptions
Figure 2-3. Reference Hyperlinks (continued)

31 U.S.C. § 1517 Prohibited Obligations and Expenditures

31 U.S.C. § 1518 Adverse Personnel Actions

31 U.S.C. § 1519 Criminal Penalty

31 U.S.C. § 1531 Transfer of Functions and Activities


31 U.S.C. § 1553 Availability for Appropriation Accounts to Pay Obligations

31 U.S.C. § 1555 Closing of Appropriation Accounts Available for Indefinite Periods

31 U.S.C. § 1557 Authority for Exemptions in Appropriation Laws

31 U.S.C. § 3302 Custodians of Money

31 U.S.C. § 3324 Advances


31 U.S.C. § 3524 Auditing Expenditures Approved without Vouchers

33 U.S.C. § 576 Revolving Fund; Establishment; Availability; Reimbursement; Transfer of Funds; Limitation

41 U.S.C. § 6301 Authorization Requirement
VOLUME 14, CHAPTER 3: “ANTIDEFICIENCY ACT VIOLATION PROCESS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font.**

This is the initial publication.

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<th>PARAGRAPH</th>
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<th>PURPOSE</th>
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<tr>
<td>All</td>
<td>This chapter is a consolidation of the following seven chapters that are now archived:</td>
<td>New Chapter</td>
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<tr>
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<td>Chapter 3, dated November 2010</td>
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<td>Chapter 8, dated March 2009</td>
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<td>Chapter 9, dated March 2009</td>
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<td>Policy Memo</td>
<td>This revision incorporated and cancelled the Deputy Chief Financial Officer memorandum, “Antideficiency Act (ADA) Investigator Training Frequency,” dated December 13, 2011.</td>
<td>Cancellation</td>
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CHAPTER 3

* ANTIDEFICIENCY ACT VIOLATION PROCESS

0301  GENERAL

030101. Overview

This chapter describes the Antideficiency Act (ADA) violation process from initial discovery to formal investigation and final report. When an ADA violation is suspected and those concerns are validated by an internal review, an in depth investigation is required. The structured investigation process consists of two phases, a preliminary review and, if required, a formal investigation. Generally, the likelihood that a potential ADA violation occurred must be established during the preliminary review, before a formal investigation begins. The preliminary review gathers facts and establishes by adequate evidence whether an uncorrectable deficiency has occurred. The formal investigation then determines the event(s) that “more likely than not” caused the potential violation, the responsible individual(s), and action(s) being taken to ensure that a similar violation does not reoccur. To ensure efficiency, it is important that those involved in the investigation of, and reporting on, ADA violations are adequately trained and qualified. Investigators are provided specific authority to collect and evaluate relevant information as well as obtain direct support from subject matter experts and personnel throughout the process.

030102. Purpose

This chapter provides guidance for addressing potential and actual violations of statutes discussed in Chapters 1 and 2. It establishes the policy for conducting initial reviews, structured investigations, and other requirements to report an ADA violation properly. It also establishes policies for training individuals assigned to investigate potential and actual ADA violations. Additionally, this chapter provides the process and policies regarding organizational corrective actions and disciplining of civilian and military employees.

030103. Authoritative Guidance

This chapter implements provisions of Title 31, United States Code (U.S.C.), especially sections 1511 - 1517 and 1519 (31 U.S.C. §§ 1511 – 1517 and 1519) related to apportionment and allotment, and §§ 1341 and 1348 related to limitations on obligations and expenditures, § 1342 related to voluntary services and personal services, and §§ 1349 and 1518 related to disciplinary actions. This chapter also implements reporting requirements as specified in 31 U.S.C. §§ 1351 and 1517(b), and the Office of Management and Budget (OMB) Circular No. A-11, Exhibit 145A
0302 REPORTING SUSPECTED VIOLATIONS

030201. Initial Discovery

Date of discovery is the point in time when there is adequate information to suspect a potential ADA violation may have occurred, triggering an initial review. Discovery is often marked by an event, such as release of internal review findings suggesting an ADA violation may have occurred, or receipt of a status of funds report showing irregularities. An inquiry may be conducted to confirm that the information is accurate, complete, and sufficient to suggest that a violation of the ADA has occurred.

030202. Initial Report

A. Fund holders have a fiduciary responsibility to ensure their funds are properly executed in accordance with applicable laws and regulations. Consequently, fund holders are responsible for reporting all suspected violations of the ADA. This does not mean that others are not responsible for bringing suspected violations to the attention of the proper officials.

B. Within two weeks of discovering a potential violation of the ADA, an initial review must be conducted and an initial report must be prepared by the activity holding the funds that were allegedly misused. The review is intended to aid in the preparation of the initial report. It determines whether a suspected violation may have occurred — even when the suspected violation is presumed to be curable. In cases where the activity identifies a potential cure, it should be noted in the report. However, no action to cure a potential ADA should be undertaken without concurrence from the authorities identified in section 030202, paragraph C.

C. Initial reports must be submitted through activity/command channels to the applicable Office of the Assistant Secretary of the Military Department for Financial Management and Comptroller, Combatant Commands, or the Senior Financial Manager for other Department of Defense (DoD) Agencies and Field Activities (referred herein as DoD Component).

D. The initial report is not a determination of responsibility for causing the potential ADA; it merely serves as official notification that a suspected violation may have occurred. A template for an initial report is located at Figure 3-2. To the extent, such information is available and pertinent to the potential ADA at issue (e.g., some of the following may not be pertinent to a potential voluntary services ADA violation), the report must contain the following:

1. Accounting classification of funds allegedly misspent;
2. Name and location of the activity where the alleged violation occurred;
3. Name and location of the activity issuing the fund authorization;
4. Amount of the alleged violation;
5. Nature of the alleged violation;

6. Date the alleged violation occurred and date discovered;

7. Means of discovery; and

8. Description of the facts and circumstances of the case.

E. Initial reports addressing potential voluntary services ADA violations must include all items listed in subparagraph 030202.D (except subparagraphs 030202.D.1 and 3).

030203. Evaluation

The DoD Component must evaluate the initial report for validity and completeness. If this evaluation determines a suspected violation may have occurred, the DoD Component must assign a case number for tracking purposes and direct the initiation of a preliminary review. If the DoD Component determines that the suspected violation is curable, the impacted activity/command will provide all the necessary information and documentation to support the correction to the DoD Component. Upon correction of the error and determination of appropriate internal controls to prevent a recurrence of similar violations, there are no additional ADA violation requirements.

0303 DOD COMPONENT INVESTIGATION ADMINISTRATION

030301. Timeframes for Investigation

A. The preliminary review must be completed within four months from the date it was directed by the DoD Component.

B. The formal investigation must be completed within nine months from the date it was directed by the DoD Component.

C. The Office of the General Counsel (OGC) (Fiscal) advance decision legal review must be completed within three months from the date the draft formal investigation report is submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Deputy Chief Financial Officer (DCFO) requesting an advanced decision.

D. The DoD Component must consider appropriate disciplinary action and document any disciplinary action taken. A final summary report must be submitted by the DoD Component within two months from the Office of the Secretary of Defense (OSD) OGC (Fiscal) receipt of an advance decision concurring with the formal investigation report. However, DoD Components may request additional time from the DCFO to complete disciplinary actions, if required.

E. The DCFO must complete and submit the letters required by OMB Circular No. A-11, Exhibit 145A within one month after receiving the final investigation report from the DoD Component. The total process for investigating and reporting potential ADA
violations must be completed within 15 months from the start of the formal investigation. The preliminary review is not part of the 15 months’ timeline.

F. All appointing officials must stipulate in the investigating officer appointment memorandum a due date for the ADA violation investigation report. The due date must conform to the timeframes stipulated in paragraph 030301.A-E regardless of the scope or amount of the potential violation.

030302. Approving Exceptions to Timeframes

The DCFO may approve an exception to the timeframes on a case-by-case basis. Upon request, this responsibility may be delegated to the DoD Components. This responsibility may not be redelegated. The DoD Components must provide sufficient justification for the extension. The DCFO will notify the DoD Components of any extension that is approved.

030303. Special Interest Investigations

Special interest investigations include potential violations that may have been the subject of a news release; requested by the Secretary of Defense, Deputy Secretary of Defense, or the USD(C); or involve a high-level DoD official. When necessary, investigations of special interest may deviate from the timeframes stipulated in paragraph 030301.A-E; however, the DoD Components must notify the DCFO when such deviations are necessary. If the DCFO agrees, the timeframes may be extended.

030304. Involvement of the OUSD(C)

The OUSD(C) may supervise the progress of an investigation when the nature of the violation or the implication of individuals in the violation warrants such involvement. Such supervision may include requirements for oral and written progress reports and may require a team of investigating officers (IOs) and compressed timeframes.

030305. Investigation Costs

When conducting an investigation outside the major activity/command to which the IO is assigned, incidental costs (e.g., temporary duty, local travel) incurred must be identified and accumulated. In accordance with Volume 11A and Volume 11B, reimbursement must be provided by the activity/command that was under investigation.

0304 PRELIMINARY REVIEWS

030401. Purpose

A. The purpose of the preliminary review is to gather facts that adequately support, at a minimum, the conclusion that a reportable violation of the ADA has occurred. It does not identify responsible officials or recommend corrective actions to prevent similar violations.
Applicable corrective actions will be developed during the formal investigation, if a formal investigation is warranted.

B. The DoD Component will assign the responsibility for conducting the preliminary review to the activity where funds were potentially misused.

030402. Investigating Officer Appointment

A. The IO’s must be appointed by an appointing official. The appointing official is at the DoD Component level unless the Component delegates this authority to a senior Commander, or director of the organization assigned responsibility for conducting the investigation. The appointing official will appoint a qualified IO to be assisted by a review team with expertise in the areas being investigated, if necessary. The appointing official will issue an appointment letter within two weeks after the DoD Component’s evaluation of the initial report concluded that a potential reportable violation has occurred. A template for appointment orders is located at Figure 3-3.

B. The appointing official must certify that the IO has been trained in fiscal law or appropriations law within the last three years and is capable of conducting a complete, impartial, and unbiased review. It is the responsibility of each DoD Component to ensure that its ADA investigators are properly trained and that the training is current and documented.

C. The IO should be selected from an organization external to the activity/command being reviewed.

D. The IO does not need to be senior in grade to the persons potentially under investigation.

E. The IO must be competent and capable of gathering evidence, establishing facts, documenting findings and recommendations, and preparing investigation reports of violation.

F. The IO must also be able to manage time and meet timeframes established for the completion of the investigation. The appointing official may prescribe additional training as required.

G. Appointing officials must ensure the investigation receives the appropriate level of activity/command emphasis and the IO is given adequate time and resources to conduct a thorough investigation.

H. The appointment orders must certify that investigators are free of personal, external, and organizational impairments and retain the document(s) in the ADA case file.

I. Appointment orders must be submitted to the DoD Component and are part of the case files for the investigation.
030403. Conduct of the Investigation

A. Checklists. Figure 3-4 contains a template for preparation of the preliminary review report.

B. At the conclusion of the preliminary review, the investigator must have gathered facts, established a narrative of events and determined what should have happened. This may involve reviewing funding documents, contracts, and other key documents, as well as interviewing key witnesses.

C. The investigation should check for accounting errors such as: duplications or other errors in recording the applicable obligation and/or expenditure; obligations and/or expenditures charged to invalid and/or improper fund accounts; and inaccurate fund status at the time the applicable transaction occurred. If the preliminary review determines that an accounting error occurred, the investigator must coordinate the appropriate accounting correction.

D. When an IO determines that a reportable violation can be cured, the fund holder must attempt to correct the accounts. Corrections must be completed with the concurrence of the DoD Component, and only after appropriate supporting documentation is provided to the DoD Component.

030404. Obligations Charged to the Wrong Appropriation or Wrong Year

A. To cure a potential ADA violation and to correct the accounts, (violations of Purpose (31 U.S.C. §1301) and the Bona Fide Need Rule (31 U.S.C. §1502)), the fund control personnel should first ascertain that:

1. The proper type of funds, fiscal year, and amount are currently available to correct the erroneous obligation(s), and

2. If so, they should also determine that the proper funds were available at the time of the erroneous obligations.

B. If the fund holder is able to certify that both of these conditions have been met and that the potential ADA violation can be cured via fund substitution by account adjustments, this should be explicitly stated in the report.

C. The IO should then coordinate with the necessary personnel to correct the potential violation and document completion of the proper accounting corrections. Once the accounting corrections have been made, the IO, in coordination with his/her legal advisor must determine whether a reportable violation occurred and document this in the Preliminary Report.

D. If fund control personnel do not provide the certification, then the preliminary review report must include evidence that adequately supports a determination that there is a reasonable likelihood that a violation of 31 U.S.C. §§ 1341 or 1517 occurred.
030405. Obligations Incurred in Advance of an Appropriation

A. Obligations incurred in advance of the availability of the proper appropriation (31 U.S.C. §1341(a)(1)(B)) will not be regarded as reportable violations of the ADA, provided that there are sufficient funds available in the proper appropriation to cover the obligation.

B. To cure a potential ADA violation, fund control personnel should first ascertain that the proper type of funds, fiscal year, and amount are currently legally available to correct the premature erroneous obligation.

C. If the fund holder is able to certify that this condition has been met and that the potential ADA can be cured via fund substitution, this should be explicitly stated in the report.

D. The IO should then coordinate with the necessary personnel to correct the potential violation and document completion of the proper accounting corrections. Once the accounting corrections have been made, the IO, in coordination with his/her legal advisor must determine whether a reportable violation occurred and document this in the Preliminary Report.

E. If fund control personnel do not provide the certification, then the preliminary review report must include evidence that adequately supports a determination that a violation of 31 U.S.C. §§ 1341 or 1517 occurred.

030406. Review Results

The findings of the preliminary review must be documented in the IO’s preliminary report and the report must be accompanied by a legal review. This report and legal review are forwarded for approval to the applicable DoD Component, and coordinated with the applicable DoD Component’s General Counsel. If the DoD Component involved determines that there is no violation, then the preliminary report completes the required ADA violation investigation.

030407. Preliminary Reviews Initiated by the OUSD(C)

When the OUSD(C) is informed of a potential violation by an audit report or otherwise learns of a potential violation, the applicable DoD Component may be directed to initiate a preliminary review of the circumstances surrounding the potential violation. The date the DoD Component receives the direction is considered the date of discovery for reporting purposes and the DoD Component must follow procedures in sections 0302, and 0303.
030408. Oversight Entities

A. In some cases, the Government Accountability Office, DoD Office of Inspector General, a military department audit agency, or other organizations external to a DoD Component may advise in a report that a potential violation may have occurred and recommends a preliminary review be conducted. The DoD Component must review the finding(s) and recommendation(s) provided in the report. An informed inquiry may have to be conducted by the DoD component.

B. If the DoD Component agrees that a potential violation may have occurred and a preliminary review is warranted, then the date of the agreement is considered the date of discovery for reporting purposes. The DoD Component must follow procedures in section 0304 and must supply the status of the preliminary review as requested by the applicable external organization.

C. If the DoD Component disagrees that a potential violation has occurred and believes a preliminary review is not warranted, the DoD Component must provide applicable written comments to the report outlining the disagreement consistent with policy prescribed in DoD Instruction 7650.03 “Follow-up on General Accountability Office (GAO), Inspector General of the Department of Defense (IG DoD), and Internal Audit Reports.”

D. If disagreements between the DoD Component and the oversight activity arise as to whether a preliminary review is warranted, the DoD Component may request assistance from the DCFO.

030409. Evaluation

The DCFO may routinely examine open or closed preliminary review cases.

0305 ROLES OF THE DOD INSPECTOR GENERAL

The Inspector General Act of 1978 (P.L. 95-452), as amended, gives the DoD Inspector General (DoD IG) the authority to conduct investigations of violations of the ADA.

A. The DoD IG reserves the right to initiate investigations of potential violations of the ADA, depending upon the type, amount, or significance of the violation.

B. The DoD IG may elect to conduct investigations not requested by the OUSD(C) or other DoD official.

C. When the DoD Inspector General conducts such investigations, the resultant report must constitute the official DoD report on the matter; no other DoD Component must conduct parallel or supplemental investigations unless directed to do so by the Secretary of Defense, Deputy Secretary of Defense, or OUSD(C).
0306 FORMAL INVESTIGATIONS

030601. Overview

A. Following completion of a preliminary review that concludes by adequate evidence that a reportable and incurable violation of the ADA has occurred, a formal investigation must be opened. The violation must be reported to the DCFO within 2 weeks of the determination. The DCFO will assign the DoD Component a unique tracking number and due date.

B. The purpose of the formal investigation is to determine the event that caused the potential violation, the responsible individual(s), and action(s) taken to ensure that a similar violation does not occur in the future. It may require the discovery of new or additional evidence, re-interviewing witness or interviewing new witness, re-examining documents or discovery of new documents.

C. During the course of a formal investigation, the DCFO may request periodic status reports.

D. The DoD Component will generally assign the responsibility for conducting the investigation to the activity that performed the preliminary review. The DoD Component may request another organization to conduct the investigation to eliminate potential conflicts of interest, or to leverage the expertise of another activity/command.

030602. Investigating Officer Appointment

A. IO’s must be appointed by an appointing official. The appointing official is at the DoD Component level unless the Component delegates this authority to a senior activity/commander or director of the organization assigned responsibility for conducting the investigation. The appointing official will appoint a qualified IO, to be assisted by a review team with expertise in the areas being investigated, if necessary. A template for appointment orders is located at Figure 3-3. The formal investigation may be conducted by the same IO who conducted the preliminary review.

B. The appointing official must certify that the IO/review team lead has been trained in fiscal law or appropriations law within the last three years and is capable of conducting a complete, impartial, and unbiased review. It is the responsibility of each DoD Component to ensure that its ADA investigators are properly trained and that the training is current and documented.

C. The IO should be selected from an organization external to the activity/command being reviewed.

D. The IO does not need to be senior in grade to the persons potentially under investigation.
E. IO’s must be competent and capable of interviewing witnesses, gathering evidence, establishing facts, documenting findings and recommendations, and preparing reports of violation. They must also be able to manage time and meet timeframes established for the completion of the investigation. The appointing official may prescribe additional training as required.

F. Appointing officials must ensure the investigation receives the appropriate level of activity/command emphasis and the IO is given adequate time and resources to conduct a thorough investigation.

G. The appointment orders must certify that investigators and/or review team leads are free of personal, external, and organizational impairments and retain the document(s) in the ADA case file.

030603. Conduct of Investigation and Preparation of Formal Report of ADA Violation Investigation (ROI)

A. Checklists

1. Figure 3-1 contains a checklist for use in the conduct of the Formal Investigation.

2. Figure 3-5 contains a template for preparation of the formal report.

B. Examination of Physical Evidence

During the investigation, the IO will be required to expand upon the findings established in the preliminary investigation or make new findings. The IO may revise dollar amounts based on witness statements, or, as more information is obtained, facts and conclusions also may be revised. The focus of the formal investigation will be on finding the root cause(s) for the violation, and identifying the individual(s) making or authorizing the improper obligations or expenditures, as well as identifying the corrective action(s) that are being implemented to reduce the risk of similar violations in the future.

C. Identifying Circumstances and Assigning Responsibility

1. All relevant aspects of the case, including all individuals and records connected with the event, must be investigated to the fullest extent. Key personnel involved in a violation must be interviewed. If an employee to be interviewed is a member of a bargaining unit, then the IO must comply with appropriate statutory and collective bargaining agreement protections for such employee.

2. Key facts associated with the events leading to the potential violation must be examined and documented in the report and the IO must address any conflicts. If a series of events at several levels led to the violation, then the report clearly must identify what happened at each level and how the events contributed to the violation.
3. In cases where the subject matter of the potential violation is beyond the expertise of the IO, a subject matter expert must be requested to evaluate the evidence along with statements from personnel interviewed and provide an opinion whether the key facts are correct and the conclusions reasonable. For example, when a potential violation involves the question of whether a military construction project results in a complete and usable facility, a civil engineer will be required to analyze the facts and provide an opinion.

4. The IO must make findings of fact to support all conclusions reached in the investigation. All findings of fact that lead to a conclusion of an ADA violation must be supported by a preponderance of the evidence. A preponderance of the evidence is created when the evidence collected makes the existence of a fact more likely than not. If the IO cannot establish a fact by the preponderance of the evidence, that fact may not be used to support a conclusion that an ADA violation occurred or that an individual is a responsible official.

5. In cases where the IO concludes that a reportable ADA violation occurred, the IO must make findings of fact and conclusions identifying the responsible official(s), the individual or individuals responsible for making or authorizing the improper obligations or expenditures pursuant to 31 U.S.C., §§ 1341(a) and/or 1517(a). Findings of fact used to support a determination that an individual is responsible for the violation must be established by a preponderance of the evidence. A conclusion that an individual is a responsible official does not, by itself, result in pecuniary liability of an accountable official under 10 U.S.C., § 2773a.

6. Any report that concludes an ADA violation occurred must identify one or more responsible officials. A conclusion that no individual was responsible for the violation is not acceptable.

7. The same individual(s) may be responsible for more than one violation under the auspices of a single investigation. In these cases, the report should specifically clarify how they contributed to each discrete violation.

8. The responsible official is usually the highest-ranking individual in the decision-making process with actual or constructive knowledge of the actions taken and awareness of the possible risks.

9. In order to establish responsibility, the IO must conclude, based on findings of fact, that the act or omission was a proximate cause of the violation. An act or omission is a proximate cause when it sets into motion a chain of events that directly leads to the violation, and the violation would not have happened but for the act or omission. A violation may have more than one proximate cause, and therefore more than one responsible official.

10. In some cases, it is necessary to establish that an individual had a duty to take an action that may have prevented the ADA violation, knew or should have known of that duty, and failed to take that action. In such cases, collateral evidence, such as Position Descriptions, may be used as evidence of the individual's scope of duties. If used, such evidence must be included in the ROI.

11. Activity/commanding officers, directors, budget officers, or fiscal officers may be named because of their overall responsibility or position, or the fact that they are
designated as the holder of a subdivision of funds, if they failed to properly exercise their responsibilities. Responsible officials may also include Information Technology specialists, program managers, facility engineers, and acquisition personnel.

12. The ROI must clearly identify the involvement of each individual and the acts or omissions that were the proximate cause(s) of the violation. The following questions must be considered:
   a. Did the violation occur because an individual carelessly disregarded instructions?
   b. Did the violation occur because an individual was inadequately trained or lacked knowledge to properly perform their job? If so, was the individual or a supervisor at fault?
   c. Did the violation occur because of an error or mistake in judgment by an individual or a supervisor?
   d. Did the violation occur because of lack of adequate procedures and controls? If so, who was at fault?
   e. Did the violation occur because of other reasons? If so, who was at fault?

13. If at any time during an investigation the IO believes there may be a criminal issue(s) involved, then the investigation must be stopped immediately. The IO must consult with legal counsel to determine if the issue should be referred to appropriate criminal investigators for resolution. The IO must notify the DoD Component of the outcome of this consultation.

   a. If at any time it is suspected that the violation of the ADA was knowing and willful, then the IO must submit all available information to the DoD Component, which will consider the case, in conjunction with the applicable Office of the General Counsel, for submission through DoD channels to the Department of Justice pursuant to 31 U.S.C., §§ 1350 or 1519, as applicable.
   b. At this time, the case will be closed to avoid duplication of effort or interference with a criminal investigation. If appropriate, a new formal investigation will be opened at the conclusion of the criminal investigation.

D. Rebuttal Statements

1. Individuals found potentially responsible for the violation will be provided a draft ROI detailing the facts and circumstances leading to the determination of their responsibility and given two weeks to issue a rebuttal statement.
2. The individuals named potentially responsible must be granted this opportunity even if they no longer work where the violation occurred or have retired or separated from the DoD.

3. The ROI should document the steps taken to notify the proposed responsible officials and provide them an opportunity to submit a rebuttal statement. Certified mail and/or email with tracking may be used to verify a good faith attempt was made to deliver the draft report to the proposed responsible official.

4. In cases where proposed responsible officials may have separated and left no valid forwarding address, a reasonable attempt to contact them should be made. The report should then be annotated accordingly. Attempts to make contact with the proposed responsible official should be summarized in the report.

5. If the proposed responsible official declines to give a statement in writing, then the DoD Component must include this declination statement as their response.

6. If they refuse to receive the report or submit a statement of any kind, the report should be noted accordingly. Attempts to solicit a response should be summarized in the report.

7. Any oral statements provided to the IO should be supported by a memorandum for record.

8. Statements from the proposed responsible official should acknowledge that they read the draft ADA report and understand that the draft ROI names them as being responsible for the violation. They may introduce any additional information they believe to be pertinent to the particular violation case.

9. The IO must evaluate the rebuttal statements of the proposed responsible official to determine if they clarify certain facts, provide mitigating information that might alter the draft’s conclusions or provide additional leads that require follow up. If rebuttal statements result in material changes to the draft ROI, the responsible official should have an opportunity to review the report again.

10. The final ROI will include the rationale for naming the individual as a responsible official, a synopsis of the rebuttal statements and the IO’s assessment. The IO should ensure the report is clearly written and the rationale for assigning responsibility to an individual is fully justified.

11. The salient points of the rebuttals should be summarized in the ROI. Verbatim statements should be submitted as an exhibit. The IO should provide an assessment of the accuracy of the rebuttal statements, following up on new leads, addressing questions regarding the responsibility of other personnel not named, and any other issues introduced by the rebuttal statements.
E. Corrective Actions

1. The ROI must state what actions were taken to request the proper funding. A statement in the report to the effect that funds will be requested is not sufficient. The report must state the year, type of funds, and the amount used to make the correction. As an example, if Operation and Maintenance (O&M) funds were improperly used for a minor construction project costing in excess of the limitation for minor construction, funds must be obligated from the Military Construction appropriation and the O&M appropriation restored to the proper balance.

2. When the causes and the individuals responsible for the violation have been determined, officials of the DoD Component under investigation and/or the activity holding the funds that were misused, working with the IO, must develop lessons learned and implement internal control enhancements necessary to reduce risks that a violation of a similar nature will reoccur. Those specific actions must be included in the formal report.

3. Corrective actions should not be merely prospective in nature, but also concrete actions that have been implemented, or that are in the process of being implemented.

4. Corrective actions should address the act or omission by the responsible official(s) that led to the violation.

5. Investigations resulting in no reportable violation are nonetheless permitted to recommend corrective actions, as appropriate, to address any deficiencies or practices documented during the investigation.

030604. Reinvestigation

If a reinvestigation is requested by the DCFO, then after the reinvestigation is completed or other requested action has been taken, the applicable DoD Component must submit the revised report to the DCFO according to applicable procedures in paragraph 030603. The DoD Component must submit the revised ROI within two weeks following completion of the reinvestigation or other requested action.

030605. Formal Investigation Results

A. The IO should ensure the ROI is clearly written and that each finding of fact and conclusion leading to a violation and assigning responsibility is supported by a preponderance of the evidence.

B. The DoD Component must carefully review the ROI and all enclosures.

C. The complete report should include:

1. Legal review;
2. Witness statements;

3. Responsible official notification;

4. Responsible official rebuttal or declination statement-proof of delivery/statement from IO regarding inability to contact;

5. Evaluation of responsible official statements;

6. Ongoing/completed corrective actions;

7. For ADA’s susceptible to accounting adjustments, fund certifications supporting conclusions that the ADA is/is not correctable; and

8. Functional reviews conducted by SMEs of decisions that drove fund determinations, especially with respect to Military Construction, information technology procurements and covered Defense Business Systems.

D. An incomplete ROI must be returned to the activity/command for rework. A firm suspense should be given to the activity/command to resubmit a legally supportable report.

0307 DOD COMPONENT ROI

030701. Preparation of the ROI.

A. The ROI submitted by the DoD Component must follow the same general format as described in Figure 3-5. However, it is generally a stand-alone product without enclosures or attachments. Extraneous information not supporting conclusions should be removed from the report. The DoD Component must keep these records and provide on request.

B. Inaccurate or confusing information should be removed or clarified. Key dates mentioned in the report should be verified. Numbers in tables, graphs, and text should be accurate, consistent and easy to follow. Unnecessary tables and photographs may be removed.

C. Personally Identifiable Information must be redacted and superfluous argument(s) not supporting the findings should be removed. Witness names should be replaced with position titles where practicable, to avoid potential Personally Identifiable Information concerns.

D. The ROI must be concise and avoid unnecessary historical background or references to external documents. Salient points should be highlighted and gaps in the narrative should be addressed, utilizing extant supporting documentation.
030702. Legal Coordination.

A. The DoD Component ROI should be prepared in close coordination with counsel and verify all information in the IO’s report and compare it to information in the exhibits. When in doubt, the changes should be staffed with the activity/command to ensure there are no material misstatements of fact and to ensure any factual gaps in the record are filled in.

B. When the violation is incurable, the type of ADA violation will ultimately be 31 U.S.C. §1341 (exceeding an appropriation or in advance of an appropriation), 31 U.S.C. §1517 (exceeding apportionment or formal subdivision) or 31 U.S.C. § 1342 (accepting voluntary services for the United States, or employing personal services not authorized by law).

C. With legal concurrence, some proposed responsible officials may be removed in the event that facts do not support responsibility. The DoD Component may identify additional responsible individuals and will coordinate adding them to the report with the IO. Proposed responsible officials will generally be the highest-ranking individual in the decision-making process with actual or constructive knowledge of the actions taken.

D. In the event the formal investigation was materially incomplete or the facts do not support the conclusions, the ROI will be returned to the activity/command for revision and/or reinvestigation. A firm suspense should be given to the activity/command to resubmit a legally supportable ROI.

E. If the ADA violation is found to involve the funds or personnel of another DoD Component, the ROI must first be coordinated with the appropriate stakeholders and the ROI should be annotated accordingly.

F. If the results of a formal investigation lead to a determination by the DoD Component that there was no violation, then a ROI that concludes no violation occurred must still be prepared by the DoD Component. The ROI must contain appropriate justification that supports a revised finding that no violation occurred.

0308 REQUEST FOR ADVANCE DECISION

030801. Advance Decision Package Submission

A. The DoD Components, must submit the ROI, to include the individual(s) responsible for the potential violation, to the DCFO with a copy to the DoD Office of the Deputy General Counsel (Fiscal) (OGC (Fiscal)) requesting an Advance Decision for a determination of whether the case is or is not an ADA violation.

B. Advance Decision is the pre-decisional OGC (Fiscal) review of the DoD Component ROI and determination that evidence substantiates the ADA violation and the naming of responsible officials. The Advance Decision will examine the role of the proposed responsible officials and determine whether they may be legally held accountable in accordance with 31 U.S.C. §§1341(a), 1517, and 1342.
1. If the OGC (Fiscal) determines that no violation is substantiated, then the DoD Component will be notified that no further action is required and the investigation is closed.

2. If the OGC (Fiscal) concurs that the proposed responsible officials are correctly identified and the violation is substantiated by a preponderance of the evidence, then the DoD Component will be notified and informed that they may proceed with discipline against one or more individuals named in the report.

030802. OUSD(C) DCFO Review

The DCFO must review each ADA violation report for completeness, clarity, and compliance with reporting requirements. If the report is determined incomplete by DCFO or OGC (Fiscal), then the ROI must be returned to the applicable DoD Component. The DoD Component must provide additional documentation, modify the report, or accomplish other actions as requested within the period of time specified by the DCFO.

0309 DISCIPLINARY ACTION

030901. Disciplinary Actions

A. Following OGC (Fiscal) concurrence and receipt of an advance decision from the OUSD(C), a tasking memorandum from the DoD Component will be sent to the appropriate organization or individual for potential administration of adverse action, as deemed warranted, along with a copy of the report.

B. The individual imposing discipline must be independent and free of external influence.

C. The disciplinary officer(s) must follow the appropriate disciplinary procedures applicable to the military member or civilian employee who has been determined in the ADA investigative process to be a responsible individual. The disciplinary officer will consult with the staff judge advocate or servicing legal office, as well as the civilian personnel office (in the case of a civilian employee).

D. The IO is prohibited from also being appointed as the disciplinary officer. The IO does not have a role in recommending or determining discipline.

030902. Imposing Discipline

A. Administrative Penalties

1. Disciplinary action taken should be documented in the individual’s personnel file in accordance with established policies.

2. Administrative discipline for a civilian employee may include, but is not limited to, written/oral counseling, written/oral admonishment or reprimand, reduction in grade, suspension from duty without pay, or removal from office.
3. Military personnel may be subject to appropriate administrative discipline or to action under the Uniform Code of Military Justice.

4. In general, individuals no longer on active duty or employed by a DoD Component may not be disciplined. However, disciplinary actions may still be imposed against some retired individuals who have separated from military service, if it is warranted by circumstances and determined to be legally appropriate by counsel. DoD has no authority to discipline retired or former civilian employees.

B. Criminal Penalties

1. An officer or employee found responsible for committing a violation knowingly and willfully may be subject to criminal penalties. The IO should consult with legal counsel to determine if the investigation should be referred to the appropriate criminal investigation organization for action.

2. 31 U.S.C. § 1350, prescribes that an officer or employee of the United States Government who knowingly and willfully violates 31 U.S.C., §§ 1341 or 1342 must be fined not more than $5,000, imprisoned for not more than 2 years, or both. 31 U.S.C. § 1519 discusses the violation of 31 U.S.C., § 1517 and provides the same level of punishment. Criminal penalties for military personnel may include punishment under Article 15 of the Uniform Code of Military Justice or trial by Courts-Martial.

3. When submitting an ROI to the DCFO that may require criminal penalties, a statement to that effect must be included in the ROI from the DoD Components.

030903. Documentation of Discipline Imposed

A. A suggested template for use by the disciplinary officer is located at Figure 3-6. In documenting discipline, the officer imposing discipline must acknowledge the following:

1. An ADA violation is a violation of federal statute;

2. ADA violations constitute misuse of DoD funds, even if the misuse was not knowing or willful and the misuse was not ultimately harmful to DoD, or the DoD Component;

3. DoD is required to report violations of the ADA to the President (via the Director, OMB), the U.S. Congress, and the Government Accountability Office;

4. An unwillful or unintentional violation alone does not justify a decision not to administer disciplinary action; and

5. Disciplinary actions must consider the severity of the violation.
B. Moreover, the officer imposing discipline must provide a written statement addressing why the disciplinary penalty imposed or not, is commensurate with the severity of the violation.

0310 SUBMISSION OF THE FINAL REPORT

031001. Submission to DCFO

The original or an electronic copy of the final ROI, including a discussion of the disciplinary actions taken, must be submitted to the DCFO and it must contain a copy of all pertinent documents referenced in the body of the report.

031002. ROI Due Date

The ROI is due to DCFO within 14 months from the date the formal investigation began.

0311 NOTIFICATION TO EXTERNAL AUTHORITIES

031101. Letter Preparation

Following receipt of an acceptable final ADA violation report from the applicable DoD Component, the DCFO will prepare the required letters, in accordance with OMB Circular No. A-11, Exhibit 145A, that report an ADA violation to the President through the Director of the Office of Management and Budget, the President of the Senate, the Speaker of the House of Representatives, and the Comptroller General of the United States. The notification letters must be coordinated with the OGC (Fiscal), Office of the Assistant Secretary of Defense for Legislative Affairs, and Office of the Deputy Comptroller (Program/Budget).

031102. Letter Content/Submission

These letters are submitted to the USD(C) for signature and forwarded to the external authorities identified in paragraph 031101. The letters and the attached ROI, notify the external authorities of the violation, its cause(s) and circumstances, the names of the individual(s) responsible for the violation, and the disciplinary action taken.
Figure 3-1. Checklist for Formal Investigations

Initial Phase
- Formal investigation opened
- Case control number assigned for tracking
- DCFO notification
- Directs activity to appoint investigating officer
- Appointment memo provided to DoD Component
- Support team named
- In-Brief session
- Determine scope of investigation
- Consult legal counsel
- Review the results of Preliminary Review
- Familiarize team with legal basis for potential violation
- Consult governing statutes, and regulations
- Meet with staff requesting or reporting investigation
- Compile list of witnesses and questions
- Make travel arrangements

Phase II
- Examine for physical evidence
  - Assemble and analyze evidence
  - Trace and document transactions and funding documents
- Determine roles and responsibilities of participants and decision-makers at each echelon
  - Develop chronology of events
  - Consult subject-matter-experts, have them prepare written opinions, as required
  - Interview witnesses
  - Determine specific acts or decisions leading to violation
  - Assign responsibility for making/authorizing violation
- Make initial assessment of whether anyone appears to have intentionally violated the ADA with knowing and willful intent. If so:
  - Halt investigation and notify appointing official
  - Consult with legal advisor
- Prepare initial draft of findings

Phase III
- Notify proposed responsible officials
  - Allow two weeks for submission of rebuttal statements
  - Document delivery of report via email tracking or certified mail
  - A reasonable effort must be made to locate former officials or employees
  - Provide draft report
- Analyze rebuttals to determine if they necessitate new interviews and follow up on new leads, if required
  - Incorporate salient points from rebuttals in revised report
Figure 3-1. Checklist for Formal Investigations (cont.)

✓ Insert assessment on the impact of the rebuttal statements, if any, on conclusions
✓ Enclose verbatim rebuttals as enclosure to report

Phase IV
- Engage activities involved to develop corrective actions to reduce risk of similar violations recurring
  ✓ Document corrective actions that have already been put in place
  ✓ Quantify enhanced controls being implemented
  ✓ Obtain listing of planned corrective actions and milestones
- Incorporate lessons learned and corrective actions in report
- Finalize Formal Report
- Obtain legal review

Phase V
- Appointing official verifies the following information before endorsement and release:
  ✓ Is a copy of the investigating officer’s appointment memorandum included in the report?
  ✓ Does the report include the case control number, title of the appropriation/fund involved, Treasury symbol, amount, date of occurrence, date discovered, and a description of how the potential violation was identified, the name and title of the investigating officer, the dates, place and scope of the investigation?
  ✓ Is the evidence clearly documented in the report and is the evidence relevant to the case?
  ✓ Does the evidence appear to be complete or are significant factors missing that should be considered? Do there appear to be relevant unanswered questions?
  ✓ Are the findings clearly stated, logical, supported by the evidence, and relevant to the case?
  ✓ Is each finding that is based upon testimony properly cross-referenced to the testimony?
  ✓ Are the findings and conclusions fully substantiated by the evidence and testimony?
  ✓ Were all conflicts in testimony addressed in the report?
  ✓ Does the report include a clear description of the causes and circumstances surrounding the violation?
- Transmit report to DoD Component

Final Phase
- DoD Component reviews report
- DoD Component summary report initiated
- Coordination with counsel
- DCFO review of report
- Advance Decision
- Complete Investigation – Insert discipline imposed into the report.
- Notification letters to external authorities
- Closure
MEMORANDUM FOR (DoD Component)

SUBJECT: Alleged Antideficiency Act Violation (Location and Subject Matter)


2. In accordance with reference above, Initial report of an alleged Antideficiency Act Violation (ADA) follows:

   a. Accounting classification of funds allegedly misused:
   b. Name and location of the activity where the alleged violation occurred:
   c. Name and location of the activity issuing the fund authorization:
   d. Amount of fund authorization or limitation that was allegedly exceeded:
   e. Amount and nature of the alleged violation:
   f. Date the alleged violation occurred:
   g. Date of Discovery:
   h. Means of Discovery:
   i. Description:

Signature Block of
Activity/commanding Officer or
Head of Activity
Investigating Officer Appointment

MEMORANDUM FOR (Investigating Officer’s Name)

SUBJECT: Appointment as Investigating Officer, Case Number.

1. References:
   b. Cite Initial Report.

2. You are hereby appointed as investigating officer to conduct a preliminary review/formal investigation of a potential Antideficiency Act (ADA) Violation which allegedly occurred at (location or activity) in Fiscal Year xx.

3. I certify you have received qualifying fiscal law training within the previous three years and are qualified to perform this investigation. You are free of any known conflicts-of-interest and able to perform an independent review. You will be assisted by (names of legal advisor and support team subject matter experts).

4. A report detailing the results of your preliminary review/formal investigation will be submitted no later than (suspense date). Your report must include the facts surrounding the alleged violations and include a legal review, which supports the conclusion an ADA violation did or did not occur.

5. Provide any additional instructions to the investigating officer.

6. The point of contact for this report is xxx, who can be reached at (phone), or (email)

Signature Block of Appointing Official
Figure 3-4. Template for Preliminary Review

Preliminary Review

DEPARTMENT OF THE XXX
REPORT OF ANTIDEFICIENCY ACT VIOLATION
Name of Component/Agency and Case No.

1. Appropriations(s) Involved/Title, Symbol, and Apportionment Status. Example: Fiscal Year (FY) Operation and Maintenance, Defense-wide (9710100)

2. Where Violation Occurred.

3. Name and Location of Activity Issuing the Fund Authorization.

4. Amount of Violation.

5. Date Violation Occurred.

6. Type of Violation(s). Provide 31, U.S.C., section violated and brief description of violation and state whether the violation was an over-obligation of an appropriation, an apportionment, or an allotment. Example: 1341(a)(1)(A), exceeded amount available in appropriation or fund.

7. Effect of Violation on the Next Higher Level of Funding. State whether the violation had an effect on the next higher level of funding.

8. Date and Description of How Violation Was Discovered. Provide date and who/how violation was discovered.

9. Causes and Circumstances Surrounding the Violation. Provide a detailed description of the violation. Include the following:
   a. A detailed summary of what actually caused the violation and the associated circumstances; what actions should have been, but were not, taken by specific individuals; what actions were taken that should not have been taken; and why the violation happened.
   b. The scope of the investigation and the methods used to accomplish the investigation, for example, face-to-face interviews; research of legal, financial, and management issues; and written explanation of the facts of the potential violation. Discuss the evolution of the issues investigated, number of people interviewed, mitigating circumstances surrounding the violation, issues that could or could not be proven during the investigation and the supporting rationale, any issues that cannot be agreed upon by those individuals involved, and any other comments that are pertinent to the investigation.
Figure 3-4. Template for Preliminary Review (cont.)

c. If the investigation has been undertaken because of an audit report, then identify that report by title, number, date, and issuing audit organization. If the investigation was conducted as a result of a memorandum or letter directing an investigation, then reference that document and attach a copy to the report.

10. Conclusion. Summarize your finding in a paragraph to support your conclusion that a violation has occurred or that a violation did not occur.

11. Additional Information. Provide details not covered above.
Figure 3-5. Template for Formal Report

**DOD COMPONENT OR AGENCY**

**REPORT OF ANTIDEFICIENCY ACT VIOLATION INVESTIGATION**

Name of Component/Agency and Case No.

1. Appropriation(s) Allegedly Exceeded.

   Treasury Symbol or Fund Account, and Apportionment Status. Example: Fiscal Year (FY) Operation and Maintenance, Defense-wide (97 20102010 0100)

2. Where Violation(s) Occurred.

3. Name and Location of Activity Issuing the Fund Authorization.

4. Amount of Violation.

   Provide total and breakdown, if applicable.

5. Date Violation(s) Occurred.

6. Type of Violation(s).

   Provide the section(s) of title 31, U.S.C. that was violated. For example, 31, U.S.C. §§ 1341(a)(1)(A), 1342 or 1517(a)(2).

7. Effect of Violation(s) on the Next Higher Level of Funding.

   State whether the violation(s) had an effect on the next higher level of funding.

   a. Exceeding an administrative subdivision at the local level can lead to the next higher level exceeding its subdivision of funds and to the DoD Component's apportionment and appropriation being exceeded.

   b. For instance, if an installation exceeded an amount in an operating budget authority or an allotment, did this cause the higher activity/command operating budget authority or allocation to also be exceeded? If the higher activity/command operating budget authority or allocation is exceeded, also state why the DoD/Component apportionment or appropriation was also exceeded.

8. Name and Position of Responsible Individual(s).

   a. If a violation(s) involves a centrally managed allotment, then the head of the operating agency at the time the violation was incurred must be named responsible.

   b. Include position description of the proposed responsible official as backup to the report.
Figure 3-5.  Template for Formal Report (cont.)

9.  Signed Statement(s) of Responsible Individual(s).

State whether a statement(s) was received from the individual(s). If so, enclose the verbatim statement. The ADA report must summarize salient points of the proposed responsible official’s statements and an evaluation of their relevance by the investigating officer. Introduction of new witnesses and new evidence in the rebuttal statements should be addressed. Each individual named responsible for the violation(s) must be given the opportunity to state any circumstances believed to be extenuating. If the proposed responsible official could not be located or refused to provide a statement, the report should detail measures taken to contact them and solicit a response. The individual(s) found responsible for the alleged violation must be:

a.  Allowed to consult with legal counsel.

b.  Advised that a violation(s) has been determined to have occurred, and that he or she is named a responsible individual for the violation(s) and must be allowed to review the report and examine evidence on which the determination was based.

c.  Allowed to submit a sworn or unsworn statement regarding the alleged violation(s) after reviewing the report and evidence.

d.  The report must include an evaluation of any facts or circumstances and the effects on the report when the statement of the responsible officer(s) or individual(s) differs from the report itself. If the statement has no effect on the report, state the reason(s) why. Material changes in findings as they relate to the role of the proposed responsible official must be staffed with the proposed responsible official a final time.

10. Date(s) and Description of How Violation(s) Was Discovered.

Provide date(s) and who/how violation(s) was discovered.

11. Causes and Circumstances Surrounding the Violation(s).

Provide a detailed description of the violation(s). Include the following:

a.  A brief, clear description of the causes and circumstances surrounding the violation(s); what actually caused the violation(s) and the associated circumstances; what actions should have been, but were not, taken by specific individual(s); what actions were taken that should not have been taken, but were; and why the violation(s) happened. The description must state clearly, what the individual(s) responsible for the violation(s) did, or failed to do, that caused the violation(s). State whether the violation(s) was due to careless disregard of instructions; an error; a lack of adequate training, procedures, or controls; or due to other reasons. The report should not be so brief that it does not convey clearly the essential facts and circumstances of what happened.
Figure 3-5. Template for Formal Report (cont.)

Clearly state in sufficient detail what happened. If the violation(s) involved an appropriation with a negative balance, then state whether the cause of the negative balance was systemic or a unique situation.

b. The scope of the investigation and the methods used to accomplish the investigation, for example, face-to-face interviews; research of legal, financial, and management issues; and written explanation of the facts of the potential violation. Discuss the evolution of the issues investigated, number of people interviewed, mitigating circumstances surrounding the violation(s), issues that could or could not be proven during the investigation and the supporting rationale, any issues that cannot be agreed upon by those individuals involved, and any other comments that are pertinent to the investigation.

c. Results of interviews of individuals involved in the violation(s) and a summary of how the area(s) procedures and processes operated that were involved in the investigation. Discuss the issues and the areas or functions that were reviewed, evaluated, and investigated; the names, ranks, and titles of the individuals that were interviewed; and a discussion on any related areas and matters that were not investigated and the rationale for omitting them from the investigation.

d. If the investigation has been undertaken because of an audit report, then identify that report by title, number, date, and issuing audit organization. If the investigation was conducted as a result of a memorandum or letter directing an investigation, then reference that document and attach a copy to the report. To ensure all essential items are discussed, use the results of the checklist Figure 3-1.

12. Evidence of Willful Intent to Violate.

State whether the ADA was knowingly and willfully violated. If the violation was willfully committed, was the case referred to appropriate criminal investigators? If criminal investigators or Department of Justice declined to pursue the case, clearly state the outcome.

13. Disciplinary Action Taken.

This section is not used by the investigating officer and should have a statement that discipline will be implemented only after DCFO review.

The DoD Component will complete this section only after discipline is implemented and documented.

14. Corrective Action Taken.

State what procedural actions were taken and completed to preclude violations from happening in the future. This must include a description of specific action(s) taken to correct the violation.
State what funds were used to make necessary accounting corrections, such as appropriation, title, and fiscal year. Include any procedural changes or new safeguards established to prevent recurrence of the same type of violation. Describe actions in detail so that adequacy of the corrective action(s) may be evaluated. This includes improvement of overall and specific policies, procedures, and processes used by the functional areas involved in the violation; revised statutes or regulatory guidance that may have been involved; established or improved internal procedures; and assurance that a similar violation will not occur in the future. Reference documentation of corrective actions in an enclosure.

15. Administrative Control of Funds.

Name and position of the holder of the funds and an evaluation of whether their exercise of fund control responsibilities contributed to the violation.

16. Component or Agency Coordination.

State steps taken to coordinate the report with the other components or agencies involved (if applicable).

17. Additional Information.

If applicable.
MEMORANDUM FOR DoD Component

SUBJECT: Disciplinary Action imposed on Mr./Ms.__________________, Antideficiency Act Violation Case XX-XX

1. An ADA violation occurred when Mr./Ms.__________________, while assigned to (activity or installation) issued/authorized ________________. This resulted in an uncorrectable violation of the Antideficiency Act.

2. I understand that (a) an Antideficiency Act violation is a violation of Federal statute; (b) Antideficiency Act violations constitute a misuse of DoD funds even though the misuse may not have been knowing or willful, and despite whether the disciplinary officer considers the misuse harmful to DoD, the Military Department or Service, or to the Defense Agency; (c) the Department is required to report the violation to the President (via the Director, Office of Management and Budget), the U.S. Congress, and to the Government Accountability Office; (d) an unwillful or unintentional violation does not justify a decision to not administer disciplinary action; and (e) disciplinary action must be commensurate with the severity of the violation, and factors leading to the violation or its resolution may be considered.

3. As identified in the formal investigation, Mr./Ms.__________________ is an individual primarily responsible for this violation. Mr./Ms.__________________ caused an uncorrectable violation of the ADA when he/she (state specific actions). As the officer charged with imposing discipline in this case, I issued (state actions) to Mr./Ms.___________________. While I considered _____, I have determined that _______________ is appropriate for the following reasons: ________________. No further discipline against Mr./Ms.__________________ will be taken.

4. My point of contact for this action is xxx who can be reached at (xxx) xxx-xxxx, email: xxx.

Signed
Disciplinary Officer
VOLUME 15, CHAPTER 1: “GENERAL INFORMATION”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated September 2017 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Revised citations from the authority of the Arms Export Control Act (Public Law 90-629) and the Foreign Assistance Act (Public Law 87-195) to the United States Code (U.S.C.) citations.</td>
<td>Revision</td>
</tr>
<tr>
<td>010101.A</td>
<td>Added links to the Security Assistance Management Manual (SAMM) and the Reconciliation Closure Guide for abbreviations and acronyms, and definitions commonly used in Security Cooperation policies.</td>
<td>Addition</td>
</tr>
<tr>
<td>010101.B</td>
<td>Added the Special Defense Acquisition Fund (SDAF) established under Title 10 U.S.C., Section 114 to the list of Department of Defense programs administered by the Defense Security Cooperation Agency (DSCA) in accordance with 22 U.S.C., Chapter 39, and 10 U.S.C., Chapter 2.</td>
<td>Addition</td>
</tr>
<tr>
<td>010201.E</td>
<td>Added clarifying language on the use of SDAF accounts when deferred payments, associated with reimbursable financing, require an appropriation in accordance with 22 U.S.C., Sections 2761 and 2762.</td>
<td>Addition</td>
</tr>
<tr>
<td>010201.E.2</td>
<td>Added SDAF accounts in accordance with guidance from the DSCA Memorandum, “Revised Guidance for the Transfer of Authorized Collections to the Special Defense Acquisition Fund Account,” dated November 2, 2016.</td>
<td>Addition</td>
</tr>
<tr>
<td>010203</td>
<td>Added a link to the SAMM for a complete listing of Building Partner Capacity (BPC) Programs and Authorities.</td>
<td>Addition</td>
</tr>
<tr>
<td>010203</td>
<td>Deleted cancelled BPC Programs, Pakistan Counterinsurgency Fund, and Iraq Security Forces Fund in accordance with Public Laws 111-32 (fiscal year (FY) 2009) and 112-10 (FY 2011).</td>
<td>Deletion</td>
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<td>PARAGRAPH</td>
<td>EXPLANATION OF CHANGE/REVISION</td>
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<tr>
<td>-----------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>010203</td>
<td>Added additional Bureau of the Fiscal Service accounts used in support of Security Assistance programs, in accordance with the “Federal Account Symbols and Titles (FAST) Book I,” dated September 2018 and a link to the SAMM Table C15.T2, “BPC Programs and Authorities” for an all-inclusive list of BPC programs.</td>
<td>Addition</td>
</tr>
<tr>
<td>010301</td>
<td>Added clarifying language for when deferred payments, associated with reimbursable financing, require an appropriation in accordance with 22 U.S.C. §§ 2761 and 2762.</td>
<td>Addition</td>
</tr>
<tr>
<td>Table 1-1</td>
<td>Deleted agencies from Table 1-1 that no longer execute Foreign Military Sales cases.</td>
<td>Deletion</td>
</tr>
</tbody>
</table>
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CHAPTER 1

GENERAL INFORMATION

0101 GENERAL

010101. Overview

* A. Security Cooperation (SC). SC, which includes Department of Defense (DoD)-administered Security Assistance (SA) programs and international armaments cooperation, will be undertaken to achieve specific ends in support of defense and national security strategy, rather than serving as an end unto itself. SC will be used to develop allied and partner defense and security capabilities and capacity for self-defense and multinational operations, provide the U.S. forces with peacetime and contingency access to host nations, build defense relationships that promote specific U.S. security interests, and take other actions in support of U.S. objectives. Abbreviations and acronyms commonly used in SC policies can be found in the Defense Security Cooperation Agency (DSCA) 5105.38-M, “Security Assistance Management Manual” (SAMM), “ESAMM Acronyms,” and in Appendix 7, “Case Reconciliation and Closure Guide” (RCG). Commonly used definitions can be found in the SAMM, “ESAMM Glossary,” and in Appendix 7, RCG, “RCG Definitions.” See DoD Directive 5132.03, “DoD Policy and Responsibilities Relating to Security Cooperation,” for more detailed information.

* B. SA. SA refers to a group of programs authorized by Title 22, U.S. Code (U.S.C.), “Foreign Relations and Intercourse,” or other legal authorities under which the United States provides defense articles, military training, and other defense-related services by grant, loan, credit, cash sales, or lease, in furtherance of national policies and objectives. DoD does not administer all SA programs. Those SA programs administered by DoD are a subset of SC. The SAMM provides guidance on the major programs DoD administers:

1. Foreign Military Sales (FMS),
2. Foreign Military Construction Services,
3. Foreign Military Financing,
4. Leases,
5. Military Assistance,
6. International Military Education and Training (IMET),
7. Drawdowns, and
C. Building Partner Capacity (BPC) Programs. BPC programs refer to SC and SA activities funded with U.S. Government (USG) appropriations and administered as cases within the FMS infrastructure. When executing BPC programs, DoD may enter into agreements for provision of defense articles and/or services to other USG departments and agencies under the authority of the Economy Act or other transfer authority for the purpose of:

1. Building the capacity of partner nation security forces and enhancing their capability to conduct counterterrorism operations, counter-weapons of mass destruction operations, counter-illicit drug trafficking operations, counter-transnational organized crime operations, maritime and border security operations, military intelligence operations, and operations or activities that contribute to an international coalition operation that is determined by the Secretary to be in the national interest of the United States per 10 U.S.C. § 333, “Foreign security forces: authority to build capacity;” or


010102. Purpose

The purpose of this chapter is to provide DoD accounting policy for SC transactions to ensure compliance with all requirements for the administrative control of SC programs. SC transactions must follow DoD accounting policy in Volume 15, unless specifically exempt. Proposed changes must be submitted to the Defense Finance and Accounting Service (DFAS) Accounting Policy office as soon as practical for consideration. However, DoD Components must submit proposed changes through the DSCA Directorate of Business Operations. All proposed chapter updates will be submitted to the appropriate approving authority, and if approved, will be incorporated into the DoD Financial Management Regulation as soon as possible.

010103. Authoritative Guidance


0102 TREASURY ACCOUNTS

The Foreign Affairs/Foreign Relations Committees of the Congress (rather than the Armed Services Committees) authorize SA funds. The Executive Branch, Office of the President, identified by Treasury Index (TI) 11, receives SA funds. Funds and accounts authorized by Acts originating in the Armed Services Committees of the Congress and appropriated to DoD are identified by: TI 97, “Defense Department;” TI 17, “Navy;” TI 21, “Army;” and TI 57, “Air Force.”
010201. Treasury Accounts Applicable to FMS Trust Fund Operations

Treasury account 11X8242, “Advances, FMS, Funds Appropriated to the President,” is the account for the FMS Trust Fund and is used for centrally recording contract authority and collections. Under Section 3 of Executive Order No. 13637, “Administration of Reformed Export Controls,” dated March 2013, responsibility for the execution (e.g. obligations and disbursements) of the FMS Trust Fund passed from the Executive Branch, Office of the President, identified by TI 11, to the DoD, identified by TI 97. The complete fund cite 97 11X8242 is required for execution of consolidated financial statements and reports within DoD, but only 11X8242 is reported to the Bureau of Fiscal Service (Fiscal Service) and the Office of Management and Budget. Fiscal Service has established trust fund receipt and expenditure accounts to account for cash collections, budget authority (BA), and cash disbursements resulting from the FMS Program.

A. Cash Receipts. Cash collected from sales authorized under 22 U.S.C. §§ 2761, 2762, 2769, and 2796 is deposited into account 97 11 8242.001, “Deposits, Advances, Foreign Military Sales, Executive.” The DFAS Security Cooperation Accounting Office processes cash collections into this account, including cash transfers from appropriations provided by the USG to finance credit sales under 22 U.S.C. § 2763 and the proceeds from guaranteed commercial loans under 22 U.S.C. § 2764. Collections must reflect account 11 8242.001 on DoD reports issued to the Fiscal Service and be listed under “Proprietary Receipts From the Public” in the Fiscal Service system.

B. BA. The BA resulting from FMS or BPC orders is recognized in account 97 11X8242. BA is recognized only to the extent it is estimated that orders will be executed within a fiscal year (FY). The portion of the order that cannot be executed is classified as an uncommitted acceptance.

C. Cash Expenditures. Cash disbursements are made from account 97 11X8242 to contractors when direct cite procedures are used; they are made to DoD Components for services, items from inventory, and procurements financed by DoD appropriations/fund accounts.


* E. SDAF

1. The SDAF established under the authority of 10 U.S.C. § 114 is a DoD-controlled revolving fund used to acquire defense articles and services in anticipation of their sale to eligible foreign countries and international organizations. Pursuant to 10 U.S.C. § 114(c)(1), the SDAF may not exceed $2.5 billion. In accordance with 22 U.S.C. 2795(e), the size of the fund includes funds acquired through reimbursements when existing SDAF inventory is sold, or through FMS sales, also known as offsetting collections.
2. Offsetting collections identified in 22 U.S.C. § 2795(b) that were previously collected into the Miscellaneous Receipt account are now collected and deposited into the SDAF account, 97 11X4116, “Special Defense Acquisition Fund, Funds Appropriated to the President” by DFAS. Offsetting collections consist of asset use charges; items not requiring replacement; and charges for the proportionate recoupment of nonrecurring research, development, and production costs, excluding charges for FMS leases authorized under 22 U.S.C. § 2796. Offsetting collections will reside in the parent 97 11X4116 account for future SDAF procurements; however, the offsetting collections will first be posted as outlined in subparagraphs 010201.E.2.a-c (for additional information on the proper handling of SDAF offsetting collections, see Table 1-1):

   a. DSCA, Non-Recurring Charges Recoupments, 97 11X4116.6807;

   b. DSCA, Items Not To Be Replaced Recoupments, 97 11X4116.6808; or

   c. DSCA, Asset Use Charge Recoupments, 97 11X4116.6809.

3. Cash receipts for the anticipated collections, reimbursements, and other income related to the SDAF are collected into Treasury account, “Special Defense Acquisition Fund, Funds Appropriated to the President” 11X4116. DFAS Security Cooperation Accounting processes cash collections into account 11X4116, including cash transfers of reimbursements made under the proceeds from the sale or transfer of SDAF procured articles and services.

4. BA from approved SDAF procurements is recognized in account 97 11 FY/FY 4116. BA exists only for orders that will be executed, i.e. funds obligated before September 30 of the FY when the funds period of availability expires. The portion of the approved SDAF procurements that cannot be obligated must be returned to the Treasury account 11X4116.

5. Cash disbursements are made from account 97 11 FY/FY 4116 to contractors when direct cite is used and for DSCA approved procurements financed by the SDAF. Expenditures must be consistent with the funding years in which the original funding on the Funding Authorizing Document was provided.

6. For more information on SDAF, see Chapter 3, Table 3-1, “Cost Elements;” and the SAMM, Chapter 11.9, “Special Defense Acquisition Fund (SDAF).”

010202. Treasury Accounts Applicable to Credit Sales, Guaranties, and IMET

   A. Receipt and Utilization of Appropriations. The accounts described in subparagraphs 010202.A.1-6 are used to capture the receipt of SA appropriations.

   1. Account 11X4121, “Foreign Military Loan Liquidating Account, Funds Appropriated to the President (FMLLA),” is used to record the receipt and use of

2. Account 11 (FY) 1085, “Foreign Military Financing, Direct Loan Program Account, Funds Appropriated to the President,” is used to record the appropriation that subsidizes the estimated long-term cost to the USG of post-FY 1991 foreign military direct loan obligations.

3. Account 11X4122, “Foreign Military Financing, Direct Loan Financing Account, Funds Appropriated to the President,” is used to receive the payments for the subsidy cost from the program account, 11 (FY) 1085, and includes all other cash flows to and from the USG resulting from post-FY 1991 foreign military direct loans. This appropriation is for new loans with original disbursement dates on or after October 1, 1991.

4. Account 11X4174, “Military Debt Reduction Financing Account,” is used to record the rescheduling of loans and to collect loan payments on those loans rescheduled from 11X4121. These loans have pre-FY 1992 original disbursement dates.

5. Account 11 (FY) 1082, “Foreign Military Financing Program, Funds Appropriated to the President,” is used to record the receipt and use of appropriated funds to finance U.S. defense sales to selected foreign friends and allies, primarily through the FMS program. Based on annual appropriations bill language, the funds are considered obligated upon apportionment, are available for expenditure for 5 years, and must remain available for an additional 4 years from the date on which the availability of such funds would otherwise have expired. These funds, transferred to the FMS Trust Fund, are expenditure transfers. BA is transferred from this account to DoD Components to fund administrative expenses of FAA programs (e.g., IMET and End-Use Monitoring).

6. Account 11 (FY) 1081, “International Military Education and Training, Funds Appropriated to the President,” is used to record the receipt and use of appropriated funds for the training of selected foreign military and related civilian personnel in the United States and, in some cases, in overseas U.S. Military facilities.

B. Cash Collections. The accounts described in subparagraphs 010202.B.1-3 are used to capture collections made from foreign countries because of loans and loan guaranties.

1. Account 11X4121 is used to collect foreign country repayments for outstanding pre-FY 1992 loan obligations. This account is also used to collect loan repayments to DSCA for default payments made by DSCA to the Federal Financing Bank or commercial banks holding pre-FY 1992 loans guaranteed by DSCA.

2. Account 11X4122 is used for collections of foreign country repayments for post-FY 1991 direct loan obligations. This appropriation is used for loans with original disbursement dates on or after October 1, 1991.
3. Account 11X4174 is used to reschedule loans from 11X4121. This account is also used to collect the payments from outstanding loans that have been rescheduled.

*010203. Other Treasury Accounts

Other Treasury accounts used in SC include those for BPC cases, Humanitarian Assistance, Mine Action Programs, and the SDAF. For more information on these programs, see the SAMM, Chapter 11, “Special Programs and Services;” SAMM, Chapter 12, “Overseas Humanitarian, Disaster, and Civic Aid (OUDACA);” SAMM, Chapter 15, “Building Partner Capacity Programs;” and SAMM Table C15.T2, “BPC Programs and Authorities.” The Treasury accounts include, but are not limited to:

A. 11 (FY) 1032, “Peacekeeping Operations, Funds Appropriated to the President;”
B. 11X1032, “Peacekeeping Operations, Funds Appropriated to the President;”
D. 21 (FY) 2091, “Afghanistan Security Forces Fund, Army;”
E. 21 (FY) 2097, “Iraq Training and Equip Fund, Army;”
F. 21X2097, “Iraq Training and Equip Fund, Army;”
G. 21 (FY) 2099, “Counter - ISIS Train and Equip Fund, Army;”
H. 21X2099, “Counter - ISIS Train and Equip Fund, Army;”
K. 97 (FY) 0819, “Overseas Humanitarian, Disaster, and Civic Aid Defense;”
and
L. 97X0819, “Overseas Humanitarian, Disaster, and Civic Aid, Defense;”

0103 TYPES OF FINANCING

There are two types of financing associated with the FMS Trust Fund, reimbursable and direct cite. The detailed budgeting and accounting policy for each type is discussed throughout the remainder of Volume 15.
*010301. Reimbursable Financing

Sales under 22 U.S.C. §§ 2761 and 2762, for which the President has determined are in the National interest to defer payment (bill for defense articles and services on or after delivery), must be accomplished using reimbursable financing. When deferred payment is authorized under 22 U.S.C. § 2761 for 120 days, and for all authorized deferred payments for 22 U.S.C. § 2762 sales, an appropriation is required to finance any outlays until the purchaser makes payment. The appropriation cited must have reimbursable authority.

010302. Direct Cite Financing

New procurements initiated because of FMS orders under 22 U.S.C. §§ 2762 and 2769 (except as exempted in paragraph 010301) must be accomplished, to the maximum extent feasible and appropriate, through direct citation of the FMS Trust Fund (97 11X8242) on applicable contractual documents.

010303. Accounting Classification Codes of the FMS Trust Fund

The agency code signifies the agency name executing FMS Trust Funds within the FMS accounting system. The accounting classification codes of the FMS Trust Fund for cases executed within the FMS infrastructure are depicted in Table 1-2.
Table 1-1. Miscellaneous Receipts to SDAF Account Crosswalk

<table>
<thead>
<tr>
<th>Organization</th>
<th>Section Criteria</th>
<th>51(b) Miscellaneous Receipts Account</th>
<th>SDAF Account</th>
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<td>Navy</td>
<td>Asset Use Charges</td>
<td>17X3041.1201</td>
<td>97 11X4116.6809</td>
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<td></td>
<td>Items not Requiring Replacement</td>
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<td>97 11X4116.6808</td>
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<td></td>
<td>Non Recurring Costs</td>
<td>17X3041.1205</td>
<td>97 11X4116.6807</td>
</tr>
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<td>Army</td>
<td>Non Recurring Costs</td>
<td>21X3041.0001</td>
<td>97 11X4116.6807</td>
</tr>
<tr>
<td></td>
<td>Items not Requiring Replacement</td>
<td>21X3041.0002</td>
<td>97 11X4116.6807</td>
</tr>
<tr>
<td></td>
<td>Asset Use Charges</td>
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<tr>
<td></td>
<td>Non Recurring Costs</td>
<td>21X3041.0010</td>
<td>97 11X4116.6807</td>
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<td>Air Force</td>
<td>Items not Requiring Replacement</td>
<td>57X3041.0010</td>
<td>97 11X4116.6808</td>
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<td>Non Recurring Costs</td>
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<td></td>
<td>Asset Use Charges</td>
<td>57X3041.0040</td>
<td>97 11X4116.6809</td>
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Table 1-2. Accounting Classification Codes of the FMS Trust Fund

<table>
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<th>Appropriation/Limit</th>
<th>Agency Code</th>
<th>Agency</th>
</tr>
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<td>97 11X8242.XXX1</td>
<td>B</td>
<td>Army</td>
</tr>
<tr>
<td>97 11X8242.XXXC</td>
<td>C</td>
<td>Defense Information Systems Agency</td>
</tr>
<tr>
<td>97 11X8242.XXX2</td>
<td>D</td>
<td>Air Force</td>
</tr>
<tr>
<td>97 11X8242.XXXF</td>
<td>F</td>
<td>Defense Contract Management Agency</td>
</tr>
<tr>
<td>97 11X8242.XXXH</td>
<td>H</td>
<td>Washington Headquarters Service</td>
</tr>
<tr>
<td>97 11X8242.XXXM</td>
<td>M</td>
<td>National Security Agency</td>
</tr>
<tr>
<td>97 11X8242.XXXN</td>
<td>I</td>
<td>Missile Defense Agency</td>
</tr>
<tr>
<td>97 11X8242.28XX</td>
<td>P</td>
<td>Navy and Marine Corps</td>
</tr>
<tr>
<td>97 11X8242.XXXX</td>
<td>P</td>
<td>Navy (Standard Accounting and Reporting System)</td>
</tr>
<tr>
<td>97 11X8242.XXX9</td>
<td>Q</td>
<td>DSCA</td>
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<tr>
<td>97 11X8242.XXXR</td>
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<td>Defense Logistics Agency</td>
</tr>
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<td>State Department</td>
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<tr>
<td>97 11X8242.XXXU</td>
<td>U</td>
<td>National Geospatial-Intelligence Agency</td>
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<tr>
<td>97 11X8242.XXXV</td>
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<td>Defense Contract Audit Agency</td>
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<tr>
<td>97 11X8242.XXXW</td>
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<td>Defense Advanced Research Projects Agency</td>
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<tr>
<td>97 11X8242.XXXZ</td>
<td>Z</td>
<td>Defense Threat Reduction Agency</td>
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</table>

Note: “X” in the limit or subhead is variable data dependent on the agency.
VOLUME 15, CHAPTER 2: “FINANCE”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated June 2018 is archived.

<table>
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<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<td>020303.A.</td>
<td>Revised to clarify that Obligational Authority requests are submitted and approved within the Defense Integrated Financial System, and no longer submitted to Defense Finance and Accounting Service (DFAS) Security Cooperation Accounting (SCA).</td>
<td>Revision</td>
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<tr>
<td>020501.D.</td>
<td>Revised to clarify that FMS CAS Budget estimates must be based on the actual costs for employees, both full-time and part-time, rather than just the actual costs of full-time employees and the hourly rates of part-time employees.</td>
<td>Revision</td>
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<tr>
<td>020502.B.</td>
<td>Removed requirement to submit Standard Forms 1080, Voucher for Transfers Between Appropriations and/or Funds, to DFAS SCA.</td>
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CHAPTER 2

FINANCE

0201 GENERAL

020101. Purpose

The purpose of this chapter is to provide guidance on Foreign Military Sales (FMS) Trust Fund budget authority (BA), to include FMS Trust Fund obligational authority (OA) for implemented cases, the FMS administrative surcharge budget, and contract administration services (CAS) surcharge budget.

020102. Authoritative Guidance

The Arms Export Control Act (AECA), Public Law 90-629, as amended, codified as Title 22, United States Code (U.S.C.), Chapter 39, provides the authority and general rules for FMS and commercial sales of defense articles, services, and training. Additional specific authorities are in the applicable sections.

0202 RESPONSIBILITIES

020201. Defense Security Cooperation Agency (DSCA)

A. DSCA must prepare annual budget requests for the FMS Trust Fund obligational and outlay authority to support the FMS Trust Fund program. DSCA reviews, approves, and distributes budgets for the FMS administrative surcharge, Security Cooperation Organizations, and the FMS CAS surcharge accounts.

B. DSCA is responsible for establishing the annual Safety Level amount to be maintained in the FMS Trust Fund Administrative Surcharge account. The Safety Level amount will represent 18 months of operational funding based on current budget levels. DSCA will establish the Safety Level before the close of the fiscal year (FY) and forward the information to the Defense Finance and Accounting Service, Security Cooperation Accounting Directorate (DFAS SCA).

1. The 18-month Safety Level is calculated using the amount that may be obligated for expenses pursuant to AECA § 21(e)(1)(A) (22 U.S.C. § 2761(e)(1)(A)), noted in the “Foreign Military Financing Program” section of the Annual State and Foreign Operations Appropriation Act for the upcoming fiscal year. The monthly operating amount is calculated by dividing the amount by 12, and then multiplying that amount by 18. For detailed information on the calculation, refer to the DSCA Manual 5105.38-M, “Security Assistance Management Manual” (SAMM), C9.15.

2. Any changes requiring adjustment of the Safety Level computation methodology will be forwarded to the Office of the Under Secretary of Defense (Comptroller)
(OUSD(C)) for review and approval. See Chapter 3, paragraph 030408.F. for more information on surcharge accounts.

020202. Implementing Agency (IA) and Performing Agency

A. Each implementing and performing agency that prepares data for Letters of Offer and Acceptance (LOAs) must ensure that:

1. *Department of Defense (DD) Form 2060*, FMS Obligational Authority, (or automated equivalent) is created to initiate performance of the case and support Component budget estimates, and

2. Sufficient anticipated appropriation or fund reimbursable authority is included in the DoD budget.

B. IAs are responsible for fulfilling FMS Trust Fund orders using these financing techniques:

1. Issuance and acceptance of reimbursable orders into a financing appropriation or Defense Working Capital Fund (DWCF) account,

2. Issuance of allotments of the FMS Trust Fund to performing DoD Components, or

3. Authorization to use the FMS Trust Fund (11X8242, “Advances, Foreign Military Sales, Funds Appropriated to the President”) directly.

C. IAs must submit FMS administrative and CAS budget requests annually.

020203. DFAS SCA

DFAS SCA must:

A. Establish OA not to exceed the cumulative value of the accepted LOA documents (Basic, Amendments, and Modifications);

B. Record OA resulting from the accepted LOA documents (Basic, Amendments, and Modifications) in the FMS Trust Fund case management system by case identifier; and

C. Obtain cash advances from FMS Trust Fund purchasers to liquidate obligations resulting from the use of OA created by the FMS Trust Fund program.
0203 BA

020301. General

A. The DoD BA is the United States’ legal financial authority, provided by law, that empowers government agencies to spend federal funds. This is what allows DoD to enter into obligations that will result in immediate or future outlays from Federal Government accounts. For Security Cooperation, exercising BA begins with the implementation of the applicable LOA document. Prior to exercising the BA, the IA must prepare and process five forms (or automated equivalents) as applicable:

1. LOA(s),
2. LOA Modifications,
3. LOA Amendments,
4. DD 2060, and
5. DD 2061, FMS Planning Directive.

B. The implementation of the LOA will occur only after the purchaser has forwarded a signed copy to the IA with any required initial deposit. Once implemented, IAs will ensure that OA is properly recorded in their accounting system of record. This authority must take place prior to a government agency or department spending money from the budget.

C. BA requests must be limited to:

1. The total case value for approved LOAs, Amendments, and processed Modifications; or
2. The amount expected to be obligated in the current FY.

D. At the end of each FY, DFAS reduces unused BA or OA. Following the year-end accounting closing entries, reversal entries restore BA values for the new FY.

E. BA for FMS case lines, with the exception of contingency, Small Case Management Lines, is distributed to IAs. BA for the below-the-line surcharges (FMS administrative surcharge and packing, crating, handling, and transportation (PCH&T)) are not distributed to IAs.

020302. Source Documents

A. LOA. The LOA is the basic source document for an FMS case. The LOA does not in itself create BA in either the FMS Trust Fund or in a DoD appropriation or fund
account; however, it is required for establishing BA. See Figure 2-1 for a sample LOA; instructions for preparing LOAs are contained in SAMM, C5.4.

B. Amendment to an LOA. An Amendment is designed to obtain FMS Trust Fund purchaser acceptance of a change in LOA scope when the original purpose of a case line or note changes. Amendments are used to alter the original LOA and provide the basis to change FMS Trust Fund BA, when applicable. See Figure 2-2 for a sample Amendment; instructions for preparing an Amendment are in SAMM, C6.7.

C. Modification to an LOA. A Modification is a notification document to alert FMS Trust Fund purchasers of within-scope cost increases, cost decreases, or other minor changes to the program. Modifications are used to alter the original LOA and provide the basis to change FMS Trust Fund BA, when applicable. See Figure 2-3 for a sample Modification; instructions for preparing a Modification are in SAMM, section C6.7.

D. FMS Planning Directive (DD 2061). The installation preparing the LOA data for the IA prepares and maintains a Planning Directive. See Figure 2-4 for a sample DD 2061; instructions for completing the DD 2061 are in Table 2-1. The DD 2061 is a working paper that serves three major purposes:

1. It provides identification of the cost elements included in prices reflected on the LOA and helps assure the case is priced in accordance with DoD pricing policies in Chapter 7;

2. It provides a time-phased plan for execution of the case upon FMS purchaser acceptance and implementation; and

3. It identifies the appropriations or funds that will be used to finance new procurement, or realize earned reimbursements, through delivery of items from inventory or from DoD in-house services.

E. OA Request. An OA Request is prepared based on the Planning Directive.

1. Part A is prepared at the FMS case-line level and is the basis for line-level control of OA. Part B identifies the appropriations or funds that have been or will be used to finance the lines reflected in Part A.

2. The OA Request may be prepared for an individual case or for multiple cases.

3. The OA Request is also used to convey the FMS CAS surcharge OA (see section 0205).

4. See Figure 2-5 for a sample DD 2060; instructions for completing the form are in Table 2-2.
020303. Recognition of OA by the FMS Trust Fund

A. Establishment of FMS Trust Fund OA. To establish OA, FMS Trust Fund purchasers must return all accepted LOAs, Amendments, and processed Modifications to the IA. IAs will create and submit an automated OA request through the Defense Integrated Financial System (DIFS). Upon successful processing in DIFS, the IA will receive an automated acknowledgement of receipt and approval of the OA request.

B. Trust Fund Direct Citation. The OA Request must be used to request commitment/OA for direct citation of the FMS Trust Fund. The OA Request is used as a control device, and commitments/obligations must be limited to the dollar value of the approved OA Request.

020304. Recognition of FMS Reimbursable OA in DoD Appropriation or Fund Accounts

A. Trust Fund Orders for Reimbursable Orders

1. The LOA, Amendment, or Modification does not represent a reimbursable order to the performing DoD Components. The approved OA Request is the reimbursable order. The OA Request includes the reimbursable portion of the order that may be credited to appropriations by a DoD Component for each line within a case for a FY. The OA amount for each line within a case cannot be exceeded. Reporting violations of this administrative limitation will follow the guidance in Chapter 3 and Volume 14.

2. The applicable DoD appropriation or fund accounting system must maintain an audit trail between the applicable OA Request and the appropriation or fund accounting records. Performance within the financing appropriation or fund account will be controlled in accordance with the accounting system established for that particular appropriation or fund account. Appropriation or DWCF bills for earned reimbursements must be processed in accordance with Volumes 11A and 11B.

3. The FMS case management system is not intended to track the financial status, or obligation, while reimbursable performance is in process. The status of specific purchaser requisitions can be obtained through logistical system inquiries. Applicable logistics status reports are provided to case managers and FMS purchasers, and are not to be confused with financial status reports.

4. Those DoD Components that are not IAs, but support the FMS program in response to IA work requests, must carefully review applicable work requests to determine the financing source. If the financing source is an IA appropriation account, the request must be recorded and processed as an internal DoD order. If the recipient is a sub-allotment holder, the required allotment status report must be provided to the allotment holder and consolidated into the DoD Status-of-Allotment report to DFAS, as discussed in Chapter 3.
B. Apportionment for Reimbursable Orders

1. When authority to accept reimbursable orders is subject to apportionment, obligations on a reimbursable program may not exceed the apportioned amounts of anticipated reimbursement. Reimbursable OA may be recognized up to the apportioned amount to the extent the FMS Trust Fund purchaser has advanced necessary cash under subparagraph 020303.A, or has orders charged to appropriated funds. Reimbursable orders in excess of apportionment are not available for obligation; an additional apportionment of anticipated reimbursable orders needs to be requested and received through the reapportionment process.

2. Apportionments and reapportionments for reimbursable programs must be requested by appropriation account and FY. An appropriation that is available for obligation for more than one year requires an apportionment for anticipated reimbursable orders in the first year of availability. That apportionment must be reduced to the value of orders actually received in the first year. In the subsequent years of availability, a reapportionment for anticipated reimbursable orders is required to accept the purchaser’s orders that fund within-scope price increases. The reapportionment request for anticipated reimbursable orders in the final year of availability is especially critical because any unused amounts in the reapportionment are automatically available for acceptance of additional reimbursable orders necessary to fund within-scope price increases after the appropriation has lapsed.

3. Receipt of an apportionment, or reapportionment for anticipated reimbursable orders, does not constitute authority to incur obligations. The actual purchaser’s orders must be received and recorded in appropriation accounting records before applicable BA may be used.

020305. Contract Authority

A. Contract authority is the statutory authority to incur obligations with liquidation of obligations dependent on a future act, such as receipt of an appropriation. Implemented FMS documents, along with the OA Request, create contract authority. New contract authority reported in the Standard Form 133, Report on Budget Execution and Budgetary Resources, is the value of FMS cases accepted for performance during the current FY for which OA has been approved in accordance with the requirements of paragraph 020303.

B. Funds appropriated by Congress for defense purposes cannot be used to liquidate obligations resulting from the use of FMS contract authority, unless specifically allowed in appropriation acts or supplemental funding bills. FMS purchaser cash deposits liquidate these obligations and unfunded contract authority. Below departmental level, contract authority loses its unfunded identity and is treated in the same way as other budgetary resources available for obligation. See 22 U.S.C. § 2762 for more information on procurement for cash sales.

C. Procurements for FMS purchasers are accomplished by citing the FMS Trust Fund in applicable documents. Amounts in the FMS Trust Fund are, in a technical sense, appropriated funds, even though they are not annually appropriated by Congress, and are not
subject to direct Congressional control. Accordingly, accounting for commitments, obligations, and accrued expenditures in the FMS Trust Fund is accomplished as a direct fund cite.

020306. BA for FMS Administrative Expenses

The cumulative BA available in the current FY is composed of actual collections for FMS administrative expenses (including the FMS administrative charges and logistics support charges), less any prior allotments of such amounts and the amount to be reserved for future administrative expenses (i.e., the Safety Level). In no event should the annual allotment be higher than the limitation imposed in the annual Department of State, Foreign Operations, and Related Programs Appropriations Acts, unless otherwise approved through the process required by law.

020307. BA for Cooperative Logistics Supply Support Arrangements (CLSSAs)

Proper recognition and phasing of BA resulting from LOAs written to implement CLSSAs create unique challenges (DoD Instruction (DoDI) 2000.20, “Cooperative Logistics Supply Support Arrangements”). Under these arrangements, the purchaser provides for the purchase and sustainment of spare and repair parts in DoD inventory. Once these increments are established, the purchaser is provided supply support with the same responsiveness as is provided to DoD military units within the same Force Activity Designator. The applicable LOAs have three distinct financial subdivisions.

A. FMS Order (FMSO) I

1. FMSO I, Part A. FMSO I, Part A represents the on-hand inventory level required in the Continental United States (CONUS) to support FMS requisitions to replenish in-country stocks. Normally, the on-hand level represents five months of demand. The cash necessary to establish on-hand inventory accompanies the accepted LOA.

2. FMSO I, Part B. FMSO I, Part B results in recognition of the contract authority necessary to award contracts for pipeline resupply to support FMS purchaser demands.

   a. The purchaser’s requisition is filled from on-hand inventory acquired under FMSO I, Part A. The inventory is then replaced by a delivery of a due-in from a contractor. Purchaser payments under FMSO II (the foreign purchaser's anticipated yearly consumption under CLSSA) provide the cash necessary to pay the contractor and establish new contract authority to award a contract for additional items, thus maintaining quantities in the pipeline.

   b. Because cash received from FMSO II is used to pay for due-ins, the purchaser is not required to deposit cash in support of FMSO I, Part B. However, billings against the FMSO I, Part B are required if FMSO II demands are below expected levels. FMSO I, Part B normally represents 12 months of demand or the procurement lead-time, whichever is greater.
3. **BA.** The FMSO I case exists for the duration of the CLSSA and is modified only if the quantity of the end items to be supported changes or FMSO consumption patterns differ from expectations. The reimbursable BA resulting from acceptance of the FMSO I is credited to financing appropriations current at the time the contracts are awarded to increase on-hand and on-order quantities.

**B. FMSO II**

FMSO II is the consumption case. FMSO II does not create BA for re-procurement until applicable requisitions are received (earned reimbursements) and purchaser cash is deposited in the financing appropriation account (collected). Upon shipment and collection, additional BA is recognized to maintain the pipeline created by FMSO I, Part B. FMSO II BA is credited to appropriations current at the time material is released from inventory in response to FMSO II requisitions.

0204 PLANNING DIRECTIVES AND OA REQUESTS

020401. General

Planning Directives and OA Requests are required for all new cases that have been submitted to FMS Trust Fund purchasers for acceptance and for all cases in the process of implementation. The Planning Directive and OA Request must initially be developed when the LOA data is prepared. The OA Request must be included with the LOA package. The IA must retain the Planning Directive as backup for the LOA package.

A. The Planning Directive reflects detailed pricing elements, planned financing appropriations (or direct citation), the amount of OA required for the current year, and an estimate of OA for the budget year. The initial Planning Directive may contain abbreviated financial analysis data. However, as execution begins, the Planning Directive must be expanded to encompass all required cost elements and data.

B. Activities furnishing articles or services to fulfill case requirements must provide the case manager the necessary data to accomplish his or her responsibilities. The case manager must ensure that all applicable nonrecurring research, development, and production costs (see Chapter 7) are included in the LOA package and identified for reimbursement to the appropriate Miscellaneous Receipts Account in the OA Request.

C. Planning Directives and OA Requests must be prepared for each case and must also be prepared:

1. In support of requests for Amendments and Modifications reflecting financial impact;

2. In support of price changes of less than 10 percent of the estimated cost of articles and services (utilizing the most recently approved document);
3. In support of variations of more than $100,000 between reimbursable accounts or between direct cite and reimbursable accounts discovered subsequent to case implementation;

4. In support of changes in current year OA requirements within the net case value as reflected on the most recently approved Planning Directive and OA Request; and

5. As necessary, to ensure adequate OA is available in the budget year before commencement of that year.

020402. Preparation of Planning Directives and OA Requests

Guidance for completing a Planning Directive using DD 2061 is in Table 2-1. Guidance for completing an OA Request using DD 2060 is in Table 2-2. All Planning Directives and OA Requests are cumulative. Therefore, case managers must maintain an audit trail that will relate each to its predecessor.

A. To ensure control over the flow of documentation, the case manager must assign and maintain a system of control numbers. The control numbers are composed of the FMS Trust Fund purchaser country code, case designator, Julian date, and serial number (e.g., BN-BLX-08181 08).

B. All amounts on Planning Directives and OA Requests must be in U.S. currency.

C. Case managers must scrutinize financial performance on a continuing basis to ensure the availability of sufficient OA for both the current FY and case completion.

D. Each case manager preparing the year-end OA Request must identify the OA requirements through the end of the upcoming FY. If the sum of the budget-year, current-year, and prior-year requirements exceed the case value, then the case manager must initiate action for the processing of a case Amendment or Modification, as appropriate.

E. The various pricing elements and related appropriations and funds required to prepare Planning Directives and OA Requests are maintained in DIFS by DSCA.

0205 OA REQUESTS FOR BUDGETED FMS CAS COSTS AND FUNDS REIMBURSED BY THE FMS CAS SURCHARGE ACCOUNT

020501. FMS CAS Surcharge Budget

DoD Components will develop and submit an annual FMS CAS Budget request to the DSCA Comptroller by August 10 of each year. These estimates must support only FMS CAS-related efforts as outlined in the Federal Acquisition Regulation (FAR Part 31) and the Defense FAR Supplement, subpart 225.7303. As such, these estimates cannot include FMS CAS-related efforts that are not charged in whole or in part under 22 U.S.C. § 2761. This includes individual
reciprocal countries’ agreements processed by the Under Secretary of Defense (USD) for Research and Engineering and USD for Acquisition and Sustainment; CAS waivers for North Atlantic Treaty Organization (NATO) and NATO Cooperative Projects; CAS waivers applicable to other special projects; and FMS CAS work excluded by specific Public Laws. For more information concerning items excluded from FMS CAS Budget estimates, see Chapters 7 and 8, and SAMM, C9.6.

A. The FMS CAS Budget request must specify the amount of anticipated FMS CAS work that will be performed and needs to be reimbursed for that particular FY. An OA Request must accompany the budget request with anticipated FMS CAS costs, to include the projected unfunded civilian retirement (UCR) costs and associated salary and retirement costs for military personnel performing full-time FMS CAS. The DoD reimbursable rates are computed annually (see Volume 11A, Chapter 6) and approved and released by OUSD(C) (see DoD Reimbursable Rates).

B. The OA Request must reflect the total amount of reimbursements that are expected to be performed for that FY and list all appropriations and reflect the estimated amount for each appropriation. The sum of the amounts reflected for each appropriation must equal the requested total and the FMS CAS Budget. The UCR costs are computed on the basic pay only, excluding overtime (see 5 U.S.C. § 8331).

C. The Defense Contract Management Agency (DCMA) CONUS FMS CAS Budget estimates must be based on a DCMA-established annual command rate as explained in Chapter 8, subparagraph 080702.C.4. In addition to the budget estimates, DCMA must provide a copy of the Command Rate Report and the Quarterly Functional Workforce Analysis worksheet.

D. The DCMA Overseas FMS CAS-Budget estimates must be based on actual costs for employees.

1. Such estimates will include all other costs (e.g., equipment, vehicles, or computers) in addition to salaries that are associated with CAS-employees. Budget presentation of employees’ cost must be based upon all effort.

2. Follow the Funded Environmental and Morale Leave (FEML) funding guidance issued by OUSD (Personnel and Readiness), DoDI 1327.06, “Leave and Liberty Policy and Procedures.” Employees who are provided Environmental and Morale Leave (EML) travel as assistance-in-kind (AIK) by the host government may not also travel on FMS CAS-funded FEML in the same year. Under no circumstances may the combination of FMS CAS-funded FEML and AIK-EML exceed one trip per year. The travel on AIK tickets must not be augmented with further tickets or travel that is FMS CAS-funded.

3. The estimates for the part-time employees will include only actual work performed (costs relating to salaries), UCR rate computed on salaries, and overseas temporary duty costs.
020502. FMS CAS OA Requests

Upon approval of the budget estimate by DSCA, the OA Request must be forwarded to DFAS SCA for approval, processing, reporting, and general ledger control (see Chapter 3, subparagraph 030408.C). Before FMS CAS surcharge costs may be incurred, the DoD Component must establish a reimbursable order in the financing appropriation that will initially pay the actual cost of such services. The OA Request must list the appropriations and anticipated reimbursements to each appropriation.

A. The initial approved OA Request must represent the reimbursable order to perform FMS CAS work on FMS cases. If it is suspected that the OA Request is no longer valid, and the OA amount needs either to be increased or decreased, then an updated OA Request must be forwarded with a cover letter to the DSCA Comptroller explaining the need for the OA change. The revised OA Request must be forwarded to DFAS SCA for processing.

B. At year-end, the annual OA Request must be updated to reflect the September 30 end-of-year obligated position. New obligations are not authorized after September 30 of the closing FY. When all costs have been finalized and reimbursements have been processed by DFAS SCA (i.e., when actual costs, disbursements, and obligations all are equal), a “Final FMS OA” document must be prepared and forwarded to the DSCA Comptroller for approval and processing.

1. The “Final FMS OA” documents must show the actual cost incurred by each individual appropriation, including the UCR costs that are deposited in Miscellaneous Receipts Account 3041 (see 5 U.S.C. § 8331(3) and Office of Management and Budget Circular A-11, section 20.5) and the military pay accounts for military personnel costs associated with salary and retirement for full-time FMS CAS employees. The U.S. Treasury accounting symbols are listed in the “Federal Account Symbols and Titles: The FAST Book.”

2. DFAS SCA must use this “Final FMS OA” as the basis for withdrawing OA for all unobligated balances that were recorded under each appropriation for that FY. Prior to the close out of a particular FY and during the subsequent FYs, joint financial reviews will be conducted between the billing agency, DFAS SCA, and DSCA. All adjustments or revisions will be submitted within 30 days following the completion of the review.

3. CONUS FMS OA documents should be forwarded to DSCA on or before December 14 of that year. Overseas “Final FMS OA” documents must be forwarded to DSCA when all costs have been reimbursed and all associated disbursements have been processed by DFAS SCA.

C. Revenues to fund FMS CAS expenses are prescribed in Chapter 3, subparagraph 030405.A. The methods for reimbursing the DoD Components for performing FMS CAS are prescribed in Chapter 8, subparagraphs 080702.A and 080702.B.

D. DoD Components that purchase equipment, vehicles, computers, and other items using the FMS CAS Surcharge Account must establish disposal guidance to ensure
compliance with Volume 11A, Chapter 5, to ensure that all funds resulting from the sale or disposal of this equipment are returned to the FMS Trust Fund.
United States of America
Letter of Offer and Acceptance (LOA)
BN-P-BLX

Based on BANDEF ltr 2/265 of 10 April 2010

Pursuant to the Arms Export Control Act, the United States Government (USG) offers to sell to the Embassy of Bandaria Office of the Naval Attaché, 1234 Massachusetts Ave, NW, Washington, DC 29999, the defense articles or defense services (which may include defense design and construction services) collectively referred to as “items”, set forth herein, subject to the provisions, terms, and conditions in this LOA.

This LOA provides for Technical Services for the Standard Missile Program.

Estimated Cost: $1,038,000
Initial Deposit: $273,750

Terms of Sale:
Cash Prior to Delivery
Dependable Undertaking
This offer expires on 22 July 2010. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This LOA consists of page 1 through page 9.

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:

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<th>Date</th>
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DSCA Reviewed/Approved

DSCAReviewed/Approved Date

IMPLEMENTATION DATE: 18 July 2010

Information to be provided by the Purchaser:
Mark For Code _____, Freight Forwarder Code ____, Purchaser Procuring Agency Code ___, Name and Address of the Purchaser’s Paying Office:
Figure 2-1. LOA (Continued)

Items to be Supplied (costs and months for delivery are estimates):

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(Note(s) 1)

Estimated Cost Summary:

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<td>$0</td>
</tr>
<tr>
<td>(10) Administrative Charge</td>
<td>$38,000</td>
</tr>
<tr>
<td>(11) Transportation</td>
<td>$0</td>
</tr>
<tr>
<td>(12) Other (Specify, e.g., Supply Support Agreement)</td>
<td>$0</td>
</tr>
<tr>
<td>(13) Total Estimated Cost</td>
<td>$1,038,000</td>
</tr>
</tbody>
</table>

To assist in fiscal planning, the United States Government (USG) provides the following anticipated costs of this LOA:

**Estimated Payment Schedule**

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>Quarterly</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Deposit</td>
<td>$273,750</td>
<td>$273,750</td>
</tr>
<tr>
<td>15 Dec 2010</td>
<td>$127,375</td>
<td>$401,125</td>
</tr>
<tr>
<td>15 Mar 2011</td>
<td>$127,375</td>
<td>$528,500</td>
</tr>
<tr>
<td>15 Jun 2011</td>
<td>$127,375</td>
<td>$655,875</td>
</tr>
<tr>
<td>15 Sep 2011</td>
<td>$127,375</td>
<td>$783,250</td>
</tr>
<tr>
<td>15 Dec 2011</td>
<td>$127,375</td>
<td>$910,625</td>
</tr>
<tr>
<td>15 Mar 2012</td>
<td>$127,375</td>
<td>$1,038,000</td>
</tr>
</tbody>
</table>

Explanation for acronyms and codes, and financial information, may be found in the “Letter of Offer and Acceptance Information.”

BN-P-BLX
Figure 2-2.  Amendment to LOA

United States of America  
Amendment 1 to Letter of Offer and Acceptance  
BN-P-BLX

Based on BANDEF ltr 2/343 of 12 Aug 2010

Mail To: Embassy of Bandaria Office of the Naval Attaché, 1234 Massachusetts Ave, NW Washington, DC 29999.

Pursuant to the Arms Export Control Act, the United States Government (USG) offers to amend the Letter of Offer and Acceptance (LOA) identified above for the purchase of defense articles, defense services, or both. Other provisions, terms, and conditions of the original LOA remain unchanged.

This Amendment provides for extending Basic LOA Item 001 period of availability. Purchaser request extends period of performance 12 months.

Basic LOA accepted: 18 July 2010.

Estimated Cost: $1,557,000  
Due with Amendment Acceptance: $385,625

Terms of Sale:
Cash Prior to Delivery  
Dependable Undertaking.

This offer expires on 5 December 2010. Unless a request for extension is made by the Purchaser and granted by the USG, this offer will terminate on the expiration date.

This Amendment consists of page 1 through page 3.

The undersigned are duly authorized representatives of their Governments and hereby respectively offer and accept this Amendment:

<table>
<thead>
<tr>
<th>U.S. Signature</th>
<th>05 Sep 2010</th>
<th>Purchaser Signature</th>
<th>05 Sep 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.R. Smith</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Typed Name and Title</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Navy International Programs Office  
Implementing Agency

DSCA Reviewed/Approved  
DSCA

IMPLEMENTATION DATE: 05 Sep 2010
This Amendment consists of changes as follows:

<table>
<thead>
<tr>
<th>Item Nbr</th>
<th>Description/Condition</th>
<th>Qty, Unit of Issue</th>
<th>Costs (a) Unit (b) Total</th>
<th>SC/MOS/TA Ofr Rel Cde</th>
<th>Del Trm Cde</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>001</td>
<td>M1B 020200M1SSLTA (N)(N)(R)</td>
<td>XX</td>
<td>$1,000,000</td>
<td>P(24)</td>
<td>A</td>
</tr>
<tr>
<td>12</td>
<td>MISSILE TECHNICAL ASSISTANCE CONTRACTOR PERSONNEL ONLY (IV)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revised</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>001</td>
<td>M1B 020200M1SSLTA (N)(N)(R)</td>
<td>XX</td>
<td>$1,500,000</td>
<td>P(36)</td>
<td>A</td>
</tr>
<tr>
<td>12</td>
<td>MISSILE TECHNICAL ASSISTANCE CONTRACTOR PERSONNEL ONLY (IV)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Note(s) 1)

Estimated Cost Summary:

<table>
<thead>
<tr>
<th>Estimated Cost Summary</th>
<th>Previous (B)</th>
<th>Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Estimated Cost</td>
<td>$1,000,000</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Packing, Crating, and Handling</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Administrative Charge</td>
<td>$38,000</td>
<td>$57,000</td>
</tr>
<tr>
<td>Transportation</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other (Specify)</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Estimated Cost</td>
<td>$1,038,000</td>
<td>$1,557,000</td>
</tr>
</tbody>
</table>

To assist in fiscal planning, the USG provides the following revised anticipated costs of this LOA:

Estimated Payment Schedule

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>Quarterly</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Payments Scheduled (22 July 2010)</td>
<td></td>
<td>$273,750</td>
</tr>
<tr>
<td>Current USG Financial Requirements</td>
<td></td>
<td>$659,375</td>
</tr>
<tr>
<td>Amount received from Purchaser $273,750</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due with Amendment Acceptance 15 Mar 2011</td>
<td>$385,625</td>
<td>$659,375</td>
</tr>
<tr>
<td>15 Jun 2011</td>
<td>$179,525</td>
<td>$838,900</td>
</tr>
<tr>
<td>15 Sep 2011</td>
<td>$179,525</td>
<td>$1,018,425</td>
</tr>
<tr>
<td>15 Dec 2011</td>
<td>$179,525</td>
<td>$1,197,950</td>
</tr>
<tr>
<td>15 Mar 2012</td>
<td>$179,525</td>
<td>$1,377,475</td>
</tr>
</tbody>
</table>

BN-P-BLX (A1)
**United States of America**  
**Modification 1 to Letter of Offer and Acceptance**  
**BN-P-BLX**  

Based on cost adjustments due to experience during program execution.

Mail To: Embassy of Bandaria Office of the Naval Attaché, 1234 Massachusetts Ave, NW Washington, DC 29999.

Pursuant to the Arms Export Control Act, the United States Government (USG) hereby notifies the Purchaser of Modification of the Letter of Offer and Acceptance (LOA) identified above. All other terms and conditions of the LOA remain unchanged.

This Modification provides for: Cost adjustments to Amendment Item Number 1 based on experience while executing the program.

Basic LOA accepted 18 July 2010.

Estimated Cost: $1,453,200

Terms of Sale:
- Cash Prior to Delivery
- Dependable Undertaking

This Modification consists of page 1 through page 3.

The undersigned are duly authorized representatives of their Governments and hereby respectively furnish and acknowledge receipt of this Modification:

<table>
<thead>
<tr>
<th>U.S. Signature</th>
<th>Date</th>
<th>Purchaser Signature</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.R. Smith</td>
<td>18 Jan 2011</td>
<td></td>
<td>18 Jan 2011</td>
</tr>
<tr>
<td>Director</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Typed Name and Title

Typed Name and Title

Navy International Programs Office

Implementing Agency

DSCA Review/Approved 22 Jan 2011

DSCA

Date

**IMPLEMENTATION DATE:** 22 Jan 2011
Figure 2-3. Modification to LOA (Continued)

<table>
<thead>
<tr>
<th>Item Nbr</th>
<th>Description/Condition</th>
<th>Qty, Unit of Issue</th>
<th>Costs</th>
<th>SC/MOS/TA</th>
<th>Ofr Rel Cde</th>
<th>Del Trm Cde</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous</td>
<td>M1B 020200M1SSLTA (N)(N)(R) MISSILE TECHNICAL ASSISTANCE CONTRACTOR PERSONNEL ONLY</td>
<td>XX</td>
<td>$1,500,000</td>
<td>P(36) TA 4</td>
<td>A</td>
<td>4</td>
</tr>
<tr>
<td>Revised</td>
<td>M1B 020200M1SSLTA (N)(N)(R) MISSILE TECHNICAL ASSISTANCE CONTRACTOR PERSONNEL ONLY</td>
<td>XX</td>
<td>$1,400,000</td>
<td>P(36) TA 4</td>
<td>A</td>
<td>4</td>
</tr>
</tbody>
</table>

(1) Estimated Cost Summary:

<table>
<thead>
<tr>
<th>Item</th>
<th>Previous</th>
<th>Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>(8) Net Estimated Cost</td>
<td>$1,500,00 \quad $1,400,00</td>
<td></td>
</tr>
<tr>
<td>(9) Packing, Crating, and Handling</td>
<td>$0 \quad $0</td>
<td></td>
</tr>
<tr>
<td>(10) Administrative Charge</td>
<td>$57,000 \quad $53,200</td>
<td></td>
</tr>
<tr>
<td>(11) Transportation</td>
<td>$0 \quad $0</td>
<td></td>
</tr>
<tr>
<td>(12) Other (Specify)</td>
<td>$0 \quad $0</td>
<td></td>
</tr>
<tr>
<td>(13) Total Estimated Cost</td>
<td>$1,557,000 \quad $1,453,200</td>
<td></td>
</tr>
</tbody>
</table>

To assist in fiscal planning, the USG provides the following revised anticipated costs of this LOA:

### Estimated Payment Schedule

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>Quarterly</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Payments Scheduled (15 Dec 2010)</td>
<td>Quarterly</td>
<td>Cumulative</td>
</tr>
<tr>
<td>Current USG Financial Requirements</td>
<td>$659,375</td>
<td>$659,375</td>
</tr>
<tr>
<td>Amount received from Purchaser $659,375</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 Mar 2011</td>
<td>$113,275</td>
<td>$772,650</td>
</tr>
<tr>
<td>15 Jun 2011</td>
<td>$113,425</td>
<td>$886,075</td>
</tr>
<tr>
<td>15 Sep 2011</td>
<td>$113,425</td>
<td>$999,500</td>
</tr>
<tr>
<td>15 Dec 2011</td>
<td>$113,425</td>
<td>$1,112,925</td>
</tr>
<tr>
<td>15 Mar 2012</td>
<td>$113,425</td>
<td>$1,226,350</td>
</tr>
<tr>
<td>15 Jun 2012</td>
<td>$113,425</td>
<td>$1,339,775</td>
</tr>
<tr>
<td>15 Sep 2012</td>
<td>$113,425</td>
<td>$1,453,200</td>
</tr>
</tbody>
</table>

BN-P-BLX (M1)
Figure 2-4. DD 2061, “FMS Planning Directive”

<table>
<thead>
<tr>
<th>FMS PLANNING DIRECTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) FMS Case No. _______</td>
</tr>
<tr>
<td>(2) FMS Case Submitted to the Foreign Government _______</td>
</tr>
<tr>
<td>(3) Date Offer Expires ____________________</td>
</tr>
<tr>
<td>(4) Date Case Accepted by Foreign Government ____________</td>
</tr>
<tr>
<td>(5) Total Case Value ____</td>
</tr>
<tr>
<td>(6) Control Number ______</td>
</tr>
<tr>
<td>(7) Date Prepared _______</td>
</tr>
<tr>
<td>(8) DoD Component ____</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case Item No.</th>
<th>Item Description</th>
<th>Qty</th>
<th>Pricing Elements</th>
<th>Financing Approp.</th>
<th>Estimated Cost</th>
<th>Direct Cit/ Oblig Auth Rec’d to Date ( )</th>
<th>Obligations Incurred</th>
<th>Unobligated Commitments</th>
<th>Items from Stock</th>
<th>Total</th>
<th>Current FY ( ) Funding Plan</th>
<th>Remaining Program Value</th>
<th>Budget Year ( ) Funding Plan</th>
</tr>
</thead>
</table>

DD FORM 2061
1 MAR 79
Figure 2-5. DD 2060, “FMS Obligational Authority”

**FMS OBLIGATIONAL AUTHORITY**

<table>
<thead>
<tr>
<th>(1) Performing Component</th>
<th>(2) Project Code</th>
<th>(3) FMS Planning Directory Control No.</th>
<th>(4) Total Obligated Value</th>
<th>(5) Amount To Be Held in Trust Fund</th>
<th>(6) Net Cash Value</th>
<th>(7) Prior Period Reimbursable Funding</th>
<th>(8) Direct Obligations</th>
<th>(9) Authority Required This PY</th>
<th>(10) Remaining Program Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(a) Authorized</td>
<td>(b) Authorized</td>
<td>(c) Authorized</td>
<td>(d) Authorized</td>
<td>(e) Authorized</td>
<td>(f) Authorized</td>
<td>(g) Authorized</td>
<td>(h) Authorized</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**PART 3: Reimbursable Appointments**

<table>
<thead>
<tr>
<th>(17) Appr. Title</th>
<th>(18) Account Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>0.00</td>
</tr>
</tbody>
</table>

**PART 4: Appropriation Amounts**

(19) Obligated Authority

|                | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

(20) Obligations

|                | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

(21) Reimbursable

|                | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

*Note:* In approving this form, the authorizing official shall require a reimbursable on a line-by-line basis as shown in column 10, (a) authority for performance on a direct cost basis for the total of the amounts designated (b) in column 11, but not to exceed the amounts specified by rows, and (c) an allotment for the total of the amounts designated (a) in column 11 but not to exceed the amounts specified by rows.
Table 2-1. DD 2061, “FMS Planning Directive,” Completion Guidance

<table>
<thead>
<tr>
<th>Line/Column #</th>
<th>Description</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>FMS Case Number BN-P-BLX</td>
<td>Continue from LOAs.</td>
</tr>
<tr>
<td>2</td>
<td>Date LOA Submitted to Foreign Government</td>
<td>Obtain from date of LOA.</td>
</tr>
<tr>
<td>3</td>
<td>Date Offer Expires</td>
<td>Obtain from offer expiration date of LOA.</td>
</tr>
<tr>
<td>4</td>
<td>Date Case Accepted by Foreign Government</td>
<td>Obtain from acceptance date of LOA.</td>
</tr>
<tr>
<td>5</td>
<td>Total Case Value</td>
<td>Must agree with total of Column 14 and “Estimated Total Costs” of LOA.</td>
</tr>
<tr>
<td>6</td>
<td>Control Number</td>
<td>Consists of country code, case designator, Julian date (YYDDD), and a two-digit sequential number. Initial DD 2061 will use sequential number 01, with each succeeding submission using 02, 03, 04... The Julian date must agree with the data entered on line 7. Use the format BN-BLX-17212 01.</td>
</tr>
<tr>
<td>7</td>
<td>Date Prepared</td>
<td>Date formally prepared. Must agree with Julian date used in control number. Use the format Jul 31, 2017.</td>
</tr>
<tr>
<td>8</td>
<td>DoD Component/Case Manager</td>
<td>Enter the DoD Component, followed by the case manager’s name, organization, and DSN phone number, e.g., Navy, J. Smith, Naval Air Systems Command, 222-7890.</td>
</tr>
<tr>
<td>9</td>
<td>Case Item Number</td>
<td>This entry must match the entries on the LOA.</td>
</tr>
<tr>
<td>10</td>
<td>Item Description</td>
<td>This entry must match the item description on the LOA. Use abbreviated titles. When information is classified, enter “Classified – Refer to LOA.”</td>
</tr>
<tr>
<td>11</td>
<td>Quantity</td>
<td>This entry must match the entries on the LOA. Columns 9, 10, and 11 should show no further breakdown than is or will be reflected on the LOA.</td>
</tr>
<tr>
<td>12</td>
<td>Pricing Elements</td>
<td>This column will be used to provide breakdown of the cost of the article or service by pricing element using codes maintained in DIFS by DSCA.</td>
</tr>
</tbody>
</table>
Table 2-1. DD 2061, “FMS Planning Directive,” Completion Guidance (Continued)

<table>
<thead>
<tr>
<th>Line/Column #</th>
<th>Description</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Financing Appropriation</td>
<td>For each Pricing Element, Column 12, enter the first impacted appropriation (the financing appropriation) for reimbursable actions, or enter “DC” for Direct Citation (for example, when the FMS Trust Fund will be directly cited on obligation documents). More than one appropriation may be entered for some pricing elements. Annual appropriations will reflect the applicable FY.</td>
</tr>
<tr>
<td>14</td>
<td>Estimated Cost</td>
<td>Enter the estimated cost (priced in accordance with Chapter 7) for each Column 13, Financing Appropriation. For each item number with multiple entries in Columns 13 and 14, enter “Item No. Costs” in Column 13 after the last entry and the sum (subtotal) of the estimated costs for that item in Column 14. This sum must equal the line item total cost to be reflected on the proposed LOA, Amendment, or Modification. For less than 10% increases, this amount will reflect the adjusted cost of the article or service. For each item number citing a single financing appropriation, the entry in Column 14 should be the cost of the item.</td>
</tr>
<tr>
<td>15</td>
<td>Direct Cite/OA received to date (most recent prior FY e.g., FY10 during FY11)</td>
<td>Leave blank if case was not implemented in a prior FY. Enter, by Financing Appropriation in Column 13, the amount of OA issued through the end of the prior FY. Column 15 should be adjusted for withdrawals of unused authority at the end of the previous year.</td>
</tr>
</tbody>
</table>
Table 2-1.  DD 2061, “FMS Planning Directive,” Completion Guidance (Continued)

<table>
<thead>
<tr>
<th>Line/Column #</th>
<th>Description</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Funding Required to Date (same FY entered in Column 15)</td>
<td>Leave blank if case was not implemented in a prior FY.</td>
</tr>
<tr>
<td>16a, 16b, and 16c</td>
<td>Obligations Incurred, Unobligated Commitments, and Items from Stock</td>
<td>Columns 16a, 16b, and 16c provide a horizontal breakdown of amounts entered in Column 16d, “Total.”</td>
</tr>
<tr>
<td>16d</td>
<td>Total</td>
<td>Enter, by Financing Appropriation in Column 13, the OA committed through the end of the prior FY.</td>
</tr>
</tbody>
</table>

On successive DD 2061s in the same FY, Columns 15 and 16 are constant and reflect the status by financing appropriation as of September 30 of the prior FY. These entries, in total, must agree with the entries in Columns 7 and 8, respectively, of the annual consolidated DD 2060.

| 17            | Current FY ( ) Funding Plan                                     | Enter the current FY in the parentheses, e.g., (2011). For a new case in which OA will not be required until a subsequent FY, Column 17 should reflect that subsequent year as the current FY. Enter, by financing appropriation, the current FY OA requirements. On successive DD 2061s, these figures are cumulative. |
| 18            | Remaining Program Value                                         | Enter, by financing appropriation, the result of Column 14 minus the “Total” of Column 16 minus Column 17. This entry must not be a negative amount. |
| 19            | Budget Year Funding Plan                                        | Enter the FY following the year shown in Column 17. Enter, by financing appropriation, the budget year OA requirements. Amounts shown in Column 19 must not exceed the amounts shown in Column 18. |
Table 2-1. DD 2061, “FMS Planning Directive,” Completion Guidance (Continued)

**SUBTOTALS:** If the DD 2061 is prepared in support of a request for an increase of less than 10%, then enter subtotal and less than 10% increase lines.

<table>
<thead>
<tr>
<th>Line/Column #</th>
<th>Description</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>10, 14, and 18</td>
<td><strong>Less than 10% increase</strong></td>
<td>Enter “Less than 10% increase” in Column 10. In Columns 14 and 18, enter the amount of the cumulative net increase in the total materiel/services value.</td>
</tr>
<tr>
<td>10 and 14-19</td>
<td><strong>Net Case Value</strong></td>
<td>Enter “Net Case Value” in Column 10 and the vertical sums of columns 14 through 19. Column 14 should agree with the “Estimated Cost” of the LOA. Check sums horizontally. Columns 14 = 16 + 17 + 18.</td>
</tr>
<tr>
<td>10, 12-14, and 18</td>
<td><strong>Packing, Crating &amp; Handling (PC&amp;H), (if applicable)</strong></td>
<td>Enter “PC&amp;H ( __ %),” Pricing Element “OS,” and Financing Appropriation “TF” (FMS Trust Fund). Columns 10, 14, and 18 should be completed with the proper rate and amount as computed in accordance with Chapter 7. PC&amp;H charges were discontinued for DWCF items effective October 1, 1990.</td>
</tr>
<tr>
<td>10, 12-14, and 18</td>
<td><strong>Admin (if applicable)</strong></td>
<td>Enter “ADMIN ( __ %),” Pricing Element “OS,” and Financing Appropriation “TF.” Columns 10, 14, and 18 should be completed with the proper rate and amount as computed in accordance with Chapter 7.</td>
</tr>
<tr>
<td>10, 12-14, and 18</td>
<td><strong>Transportation (if applicable)</strong></td>
<td>Enter “TRANS ( __ %),” and/or Parc. Post ( __ %),” as appropriate, Pricing Element “OS,” and Financing Appropriation “TF.” Columns 10, 14, and 18 should be completed with the proper rate(s) and amount(s) as computed in accordance with Chapter 7. Different rates may be used if partial delivery was made prior to April 13, 1978. The rate to be charged is the rate in effect at the time of delivery.</td>
</tr>
</tbody>
</table>
Table 2-1. DD 2061, “FMS Planning Directive,” Completion Guidance (Continued)

<table>
<thead>
<tr>
<th>Line/ Column #</th>
<th>Description</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>10, 12-14, and 18</td>
<td>Stock issue asset use (SIAU) (if applicable) for cases implemented after Sep 30, 1979, and all DD 2060/2061 submissions subsequent to that date up to Nov 30, 1989.</td>
<td>Enter “SIAU (1%),” Pricing Element “AU,” Financing Appropriation “TF.” In Columns 14 and 18, enter the amount computed in accordance with Chapter 7. Discontinued November 30, 1989.</td>
</tr>
<tr>
<td>10 and 14-19</td>
<td>Total Case Value</td>
<td>Enter “Total Case Value” and the vertical sum of Columns 14 through 19 for “Net Case Value” and PCH&amp;T, Admin, Storage, and SIAU. Check sums horizontally. Columns 14 = 16 + 17 + 18. Column 14 should match the “Total Estimated Cost” line of the LOA.</td>
</tr>
<tr>
<td>10</td>
<td>Summary</td>
<td>Enter “Summary:”</td>
</tr>
<tr>
<td>10, 14-19</td>
<td>Reimbursable Program</td>
<td>Enter, as applicable “Reimbursable Program” in Column 10. Sum Columns 14 through 19 for all entries with other than “DC” or “TF” in Column 13.</td>
</tr>
<tr>
<td>10, 14-19</td>
<td>Direct Cite Program</td>
<td>Enter, as applicable “Direct Cite Program” in Column 10. Sum Columns 14 through 19 for all entries with “DC” in Column 13.</td>
</tr>
</tbody>
</table>

If the DD 2061 is prepared in support of a less than 10% increase, then enter subtotal and less than 10% increase lines:

<table>
<thead>
<tr>
<th>Line/ Column #</th>
<th>Description</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>10, 14, and 18</td>
<td>Less than 10% increase</td>
<td>Enter “Less than 10% increase” in Column 10. In Columns 14 and 18, enter the negative amount of the cumulative net increase in the total materiel/services value.</td>
</tr>
</tbody>
</table>
Table 2-1. DD 2061, “FMS Planning Directive,” Completion Guidance (Continued)

<table>
<thead>
<tr>
<th>Line/Column #</th>
<th>Description</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>10, 14-19</td>
<td>Net Case Value</td>
<td>Enter “Net Case Value” in Column 10. Sum “Reimbursable Program” and “Direct Cite Program,” or, if applicable, “Subtotal” and “Less than 10% increase,” Columns 14 through 19.</td>
</tr>
<tr>
<td>10, 14-19</td>
<td>Total Case Value</td>
<td>Enter “Total Case Value” in Column 10. Sum “Net Case Value,” “PC&amp;H,” “Trans,” “PCH&amp;T,” “Admin,” and “Storage” lines (as entered from previous guidance) for Columns 14 through 19. Check sums horizontally. Columns 14 = 16 + 17 + 18. Check to ensure that each column total matches the sum entered on the previous “Total Case Value” line.</td>
</tr>
</tbody>
</table>
Table 2-2. DD 2060, “FMS Obligational Authority,” Completion Guidance

<table>
<thead>
<tr>
<th>Line/Column #</th>
<th>Description</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Type of Request</td>
<td>Enter the designation of the document that occasioned the submission of the DD 2061 and 2060, e.g., LOA, Modification, Amendment, less than 10% increase, or DD 2061 Revision.</td>
</tr>
<tr>
<td>1</td>
<td>Performing Component</td>
<td>Enter “Army,” “Navy,” or “Air Force.”</td>
</tr>
<tr>
<td>2</td>
<td>Period Covered</td>
<td>Enter the FY for which OA is being requested, e.g., FY2010.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Part A</strong></td>
</tr>
<tr>
<td>3</td>
<td>FMS Planning Directive Control No.</td>
<td>Obtain from line 6 of DD 2061.</td>
</tr>
<tr>
<td>4</td>
<td>Total Case Value</td>
<td>Obtain from “Total Case Value” line, Column 14, of “Summary” section of DD 2061. Also equals line 5 on DD 2061.</td>
</tr>
<tr>
<td>5</td>
<td>Amount to be Held in FMS Trust Fund</td>
<td>Obtain from “CAS for DCAA and DCMA PCH&amp;T, Admin, and Storage” Column 14, in “Summary” section of DD 2061. Note: PCH&amp;T does not apply to DWCF delivery reported on or after October 1, 1990. Storage charges do not apply to the FMSO I Part A on-hand of DWCF items.</td>
</tr>
<tr>
<td>6</td>
<td>Net Case Value</td>
<td>Computation: Column 4 – Column 5= Column 6 (DD 2060) This amount represents the total that will be provided to the performing DoD Component for an FMS case.</td>
</tr>
<tr>
<td>7</td>
<td>Prior Period Reimbursable Funding/Direct Cite Authority: Received</td>
<td>Obtain from “Net Case Value” line, Column 15, of the “Summary” section of DD 2061. The entry is constant for a FY and must agree with the entry on the annual consolidated DD 2060.</td>
</tr>
<tr>
<td>8</td>
<td>Prior Period Reimbursable Funding/Direct Cite Authority: Required</td>
<td>Obtain from “Net Case Value” line, Column 16 “Total,” of the “Summary” section of the DD 2061. The entry is constant for a FY and must agree with the entry on the annual consolidated DD 2060.</td>
</tr>
<tr>
<td>9</td>
<td>Prior Period Reimbursable Funding/Direct Cite Authority: Withdrawn</td>
<td>Computation: Column 7 - Column 8 = Column 9 (DD 2060) Represents the amount of funds received in prior periods but not required for case performance. These amounts will be withdrawn from the performing DoD Components. The entry is constant for a FY and must agree with the entry on the annual consolidated DD 2060.</td>
</tr>
</tbody>
</table>
Table 2-2. DD 2060, “FMS Obligational Authority,” Completion Guidance (Continued)

<table>
<thead>
<tr>
<th>Line/ Column #</th>
<th>Description</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 &amp; 11</td>
<td>Authority Required this FY</td>
<td>Enter the FY from line 2.</td>
</tr>
<tr>
<td>10</td>
<td>Reimbursable</td>
<td>Obtain from “Reimbursable Program” line, Column 17, of the “Summary” section of the DD 2061. Represents the amount of reimbursable OA required for the current FY.</td>
</tr>
<tr>
<td>11</td>
<td>Direct Cite</td>
<td>Obtain from the “Direct Cite” line, Column 17, of the DD 2061. Amounts in this column followed by a “(C)” represent direct citation delegation authority required for the current FY. If blank, then the request is for an allotment of funds for direct cite, with the IA to be the accounting station.</td>
</tr>
<tr>
<td>12</td>
<td>Remaining Program Value</td>
<td>Computation: Column 6 - [Column 8 + Column 10 + Column 11] = Column 12. Should agree with “Net Case Value” line, Column 18, of the “Summary” section of the DD 2061. May be negative if type of request is for a less than 10% increase.</td>
</tr>
<tr>
<td>13</td>
<td>Balance Brought Forward</td>
<td>N/A</td>
</tr>
<tr>
<td>14</td>
<td>Case Total</td>
<td>N/A</td>
</tr>
<tr>
<td>15</td>
<td>Admin Expense</td>
<td>N/A</td>
</tr>
<tr>
<td>16</td>
<td>Total</td>
<td>Sum of entries by column.</td>
</tr>
</tbody>
</table>
Table 2-2. DD 2060, “FMS Obligational Authority,” Completion Guidance (Continued)

<table>
<thead>
<tr>
<th>Line/Column #</th>
<th>Description</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Appropriation Title</td>
<td>Obtain from appropriate DoD Component directives. Enter abbreviated title. Where the case is impacted by an increase of less than 10%, insert an additional line “Less than 10% increase.”</td>
</tr>
<tr>
<td>18</td>
<td>Account Symbol</td>
<td>Obtain from DD 2061, Column 13, “Financing Approp.” Enter the first impacted financing) appropriation or fund for reimbursement action; or enter “DC” where the FMS Trust Fund is to be direct cited. Summarize into one line per account.</td>
</tr>
<tr>
<td>19</td>
<td>Balance Brought Forward</td>
<td>N/A</td>
</tr>
<tr>
<td>20</td>
<td>Obligational Authority</td>
<td>Enter totals (by column) for each applicable element. Totals should reflect same data as DD 2060 summary data reflected in Part A.</td>
</tr>
<tr>
<td>21</td>
<td>Signature Block Accepting/Requesting Official</td>
<td>To be completed by the appropriate DoD Component.</td>
</tr>
<tr>
<td>22</td>
<td>Signature Block Offering/Approving Official</td>
<td>To be completed by appropriate Approving Official.</td>
</tr>
<tr>
<td>23</td>
<td>Approval Control Number</td>
<td>To be completed by appropriate Approving Official.</td>
</tr>
</tbody>
</table>

NOTE: Line/Column # 6-12: Obtain totals (by appropriation) from applicable column on DD 2061. Enter individual data under each column where the case is impacted by an increase of less than 10%, an appropriate negative entry will be shown in Columns 6 and 12 as determined from Columns 14 and 18 of the DD 2061. Line/Column # 9 should be computed as Column 7 minus Column 8.
**VOLUME 15, CHAPTER 3: “ACCOUNTING”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated May 2018 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL</td>
<td>Updated hyperlinks and internal references throughout.</td>
<td>Revision</td>
</tr>
<tr>
<td>030202.B.1</td>
<td>Updated the current location and office of responsibility for Standard Financial Information Structure guidance and reference material.</td>
<td>Revision</td>
</tr>
<tr>
<td>030202.C.3</td>
<td>Updated reference from Triannual Review to Dormant Account Review Quarterly for obligations and unfilled customer orders as described in Volume 3, Chapter 8, section 0816.</td>
<td>Revision</td>
</tr>
<tr>
<td>030202.C.4</td>
<td>Added responsibility for implementing agencies to maintain audit trails between source documents and entries to the accounting system.</td>
<td>Addition</td>
</tr>
<tr>
<td>030406</td>
<td>Clarified content relating to Defense Integrated Financial System as an accounting system but not a general ledger.</td>
<td>Revision</td>
</tr>
<tr>
<td>030406.A-C 030408.E (previous version)</td>
<td>Deleted procedural content and references throughout.</td>
<td>Deletion</td>
</tr>
<tr>
<td>030408.B.3</td>
<td>Clarified policy pertaining to Building Partner Capacity (BPC) Transportation Surcharge.</td>
<td>Addition</td>
</tr>
<tr>
<td>PARAGRAPH</td>
<td>EXPLANATION OF CHANGE/REVISION</td>
<td>PURPOSE</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>030408.F</td>
<td>Provided clarifying language on the requirement for Defense Security Cooperation Agency, Directorate of Business Operations to coordinate redistribution of funds between surcharge accounts with Office of the Undersecretary of Defense, Comptroller. In addition, added language to clarify that when funding levels in surcharge accounts return to acceptable funding levels, funds will be redistributed back to the original account.</td>
<td>Revision</td>
</tr>
<tr>
<td>030606.E</td>
<td>Added clarification for the closeout of BPC cases and unliquidated Transportation Account balances.</td>
<td>Addition</td>
</tr>
<tr>
<td>030702.C.5</td>
<td>Added requirement for implementing agencies to work with Defense Finance and Accounting Service, Security Cooperation Accounting on variances and out-of-balance conditions.</td>
<td>Addition</td>
</tr>
<tr>
<td>030702.C.6</td>
<td>Added reference for case closure procedures required for non-Accelerated Case Closure Procedures, including BPC program cases.</td>
<td>Addition</td>
</tr>
</tbody>
</table>
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CHAPTER 3

ACCOUNTING

0301 GENERAL

030101. Purpose

This chapter establishes accounting requirements which:

A. Assure proper DoD control and accountability of cases implemented in the Foreign Military Sales (FMS) Trust Fund;

B. Provide accounting information that can be used for preparation of Chief Financial Officer (CFO) financial statements, quarterly bills to FMS purchasers, and financial status reports to DoD case managers and Defense Security Cooperation Agency (DSCA) staff;

C. Integrate with physical delivery (logistics) reporting systems;

D. Serve as a basis for timely identification and reporting of financial management problems; and

E. Establish internal controls to assure compliance with the payment requirements of the Arms Export Control Act (AECA), Public Law 90-629, codified at Title 22, United States Code (U.S.C.), Chapter 39.

030102. Authoritative Guidance

Authoritative guidance for this chapter is as follows:

A. AECA, Public Law 90-629, codified as 22 U.S.C., Chapter 39;

B. 31 U.S.C., Chapter 15; and


0302 GENERAL ACCOUNTING GUIDANCE

030201. Accounting Characteristics

A. Each FMS case is an accounting unit similar to a commercial job order. A case identifier is composed of the Security Cooperation (SC) customer code, implementing agency (IA) code, and a three-position case designator assigned by the IA. See the DSCA Manual 5105.38-M, “Security Assistance Management Manual” (SAMM), Table C4.T2, for more
information. Obligational authority (OA) necessary to implement a case is released by case identifier and line item number. All requisitions for materiel or services have a case identifier and line item number. Report accrued costs and cash disbursements at this level of detail. Accumulate and report this accounting information to FMS purchasers and DoD case managers to allow proper monitoring of case execution.

B. DoD manages cash at country level to ensure sufficient funds are available to meet expenditure requirements and to determine arrearages of a country’s dependable undertaking. See Volume 16, Chapter 6, for more information on arrearages. A cumulative summary cash account, including all sub-accounts of the FMS Trust Fund 11X8242, “Advances, Foreign Military Sales, Funds Appropriated to the President,” is needed to allow reconciliation with the U.S. Department of the Treasury (Treasury) cash records. Cumulative summary accounts showing OA, commitments, obligations, accounts payable, accounts receivable, accrued expenditures, and expenses are required to complete budget execution reports on the FMS Trust Fund account.

C. DoD case management entails obtaining the necessary OA, releasing requisitions or procurement work orders, and reporting physical delivery of required items. The first two actions require efforts directed through the accounting system. Proper management controls require the use of the same source document for reporting to both the financial and logistical systems (including delivery reporting).

030202. Responsibilities

A. DSCA. DSCA is responsible for providing oversight and monitoring usage of the FMS Trust Fund, to include periodic reviews of funding levels and unused balances.

B. Defense Finance and Accounting Service (DFAS). DFAS performs the accounting, billing, disbursing, and collecting functions for the FMS Trust Fund. DFAS ensures entries in the accounting systems have audit trails to the source documents and generates financial statements. DFAS is specifically responsible for:

* 1. Maintaining the centralized FMS case-line level accounts prescribed in this chapter, and the Bureau of the Fiscal Service (Fiscal Service), “U.S. Standard General Ledger (USSGL).” The DoD Standard Chart of Accounts are in the Standard Financial Information Structure (SFIS), DoD USSGL Transaction Library, and Volume 1, Chapters 4 and 7. Use information accumulated in the accounts when preparing billing statements to FMS purchasers and financial management reports to DoD case managers and DSCA staff;

2. Maintaining FMS Trust Fund budget execution records;

3. Identifying and notifying DSCA when an FMS Trust Fund arrearage occurs as required in Volume 16, Chapter 6;
4. Summarizing all case-line level accounts at the FMS Trust Fund level, reconciling the summary cash accounts to Treasury’s records per Treasury guidance, and using the summary accounts as the basis for required reports on FMS Trust Fund operations;

5. Maintaining audit trails and supporting documentation for entries made to the accounting system; and

6. Preparing monthly, quarterly, and annual statements as required in Volumes 6A and 6B.

C. **IAs.** IAs are responsible for:

1. Fulfilling FMS Trust Fund orders using these financing techniques:
   a. Issuing and accepting reimbursable orders into a financing appropriation or Defense Working Capital Fund (DWCF) account,
   b. Issuing allotments of the FMS Trust Fund to the performing DoD Components, or
   c. Authorizing direct citation of the FMS Trust Fund (11X8242);

2. Ensuring appropriation/fund budget execution records accurately reflect the status of the reimbursable FMS Trust Fund program;

3. Performing the Dormant Account Review Quarterly (DAR-Q) of obligations and unfilled customer orders as described in Volume 3, Chapter 8, section 0816; and

4. Maintaining audit trails between source documents and entries to the accounting system.

D. **Allotment Holders for Actual FMS Administrative Expenses.** A DoD Component that receives a DSCA allotment of FMS Administrative **Budget Authority** (BA) is responsible for:

1. Maintaining obligations and expenditures within the limitations of the allotment,

2. Ensuring obligating documents and accrued expenditures meet the requirements contained in this volume, and

3. Returning unobligated OA to DSCA at the end of each fiscal year (FY).
0303 MANAGEMENT CONTROLS

For management controls, Security Assistance activities will follow the guidance in DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures.”

0304 FMS TRUST FUND ACCOUNTING REQUIREMENTS

030401. FMS Trust Fund

The FMS Trust Fund is a single account that is authorized to be credited with receipts that may be obligated and expended in accordance with the AECA. FMS Trust Fund receipts must be apportioned prior to obligation and expenditure; however, an official, designated under 31 U.S.C. § 1513, and as per 31 U.S.C. § 1516, may exempt trust funds from apportionment.

030402. FMS Standard General Ledger (GL)

All financial accounting data applicable to the FMS program must be recorded in accounts consistent with Volume 1, Chapter 7 and the USSGL accounts. The USSGL specifies the accounting entries for these accounts. Subsidiary ledgers are used, where necessary, to provide accounting control and management reports. The Deputy CFO, Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), must approve the use of any other GL Trust Fund accounts in writing. Objective evidence, e.g., invoices, vouchers, receipts, or statements, must support all entries in the accounting records and data reported on financial statements. Such evidence may be either hard-copy documents or computer data, but in either case, the evidence must be verifiable.

030403. Accounting for Receivables

A. General

1. Cash in advance of performance is required from FMS purchasers unless a written determination is made pursuant to legal authority. See Chapter 4 for more information on cash management. For FMS purchasers who are legally exempt from making cash advances, record accounts receivable for each FMS country program accounted for in the FMS Trust Fund in USSGL 131000, “Accounts Receivable.” SFFAS 1, paragraph 41 provides that a receivable should be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date, or goods or services provided. If the exact amount is unknown, a reasonable estimate should be made.

2. The offered and accepted FMS case is a binding requirement and calls for an advance of funds from the FMS purchaser; thus, a non-entity account receivable is established when the due date for payment is not met. Follow up and aging of delinquent accounts receivable will be in accordance with Volume 16, Chapter 6. Accounts receivable are aged according to Volume 4, Chapter 3, Figure 3-1.

B. Application of Interest. Assess interest on FMS country-level arrearages in accordance with the provisions of the affected country’s active cases and Volume 16, Chapter 6.

030404. Accounting for Inventory

The Military Departments or Defense Agencies control and report assets (equipment and related software, amounts invested in inventories, and work-in-process at contractor’s plants) on their financial statements.

030405. Accounting for the FMS Program

The AECA and provisions of the Letter of Offer and Acceptance (LOA) require that the FMS program operate at no cost to the U.S. Government. Therefore, recognize equity only for the balance retained in the attrition account; see subparagraph 030405.B.

A. Accounting for FMS Surcharges

1. Record the collection of surcharges established in accordance with AECA §§ 21 and 43 as unearned revenue to ensure full recovery of costs incurred in operating the FMS program.

2. Record and recognize revenue and expenses at the time disbursements are made from the applicable FMS Surcharge account.

3. Revenues to fund these expenses are from the application of money received from accrued costs, estimated actual costs, or rates charged. Maintain ledgers for each of the categories of FMS Surcharges as subsidiary to the unearned revenue control account, USSGL 231000, “Liability for Advances and Prepayments.”

4. Apply the Contract Administration Services (CAS) Surcharge to new procurements; however, it may not be applicable under certain conditions detailed in AECA § 21. The performing activities incur costs and obtain reimbursement from FMS CAS Surcharge accounts in response to billings on Standard Form (SF) 1080, Voucher for Transfers Between Appropriations and/or Funds.

B. Accounting for Attrition Surcharges. When FMS training LOAs include the use of training or operational equipment, an attrition surcharge rate may be applied pursuant to SAMM, C9.T4. The Attrition Surcharge Account replaces equipment damaged or destroyed because of student training. Record attrition surcharges in the attrition account; they are assets to the U.S. Government. At year end, record the balance in the attrition account as equity in the FMS Trust Fund. Refer to Chapter 7, subparagraph 072303.C. for more information on the application of the attrition surcharge.

C. Accounting for Bad Debts. Policy concerning compromise, termination, or suspension of collection actions of a country-level bad debt is in Volume 16, Chapter 6,
section 0606. Resolution of all foreign indebtedness resulting from FMS transactions will be staffed with the Department of State (DoS) by DSCA via the Under Secretary of Defense for Policy. Within 30 calendar days of a determination by the DoS that a debt is uncollectible, DSCA will direct DFAS Security Cooperation Accounting (SCA) to record the amount owed, including accrued interest, in the GL. When a country is in arrears, and the debt is confirmed to be uncollectible:

1. All available funds for the affected country will be used to satisfy outstanding liabilities according to a priority recommended by the Director of DFAS SCA and approved by the DSCA Principal Director, Directorate of Business Operations (DBO);

2. DSCA will direct applicable case managers to request cancellation of all outstanding commitments and adjustment of all outstanding obligations, to include an amount for termination cost. The residual amount of debts shown will be transferred to the GL for the affected country, to coincide with the termination of the FMS cases, based on the determination that the country’s account is uncollectible. This highlights losses due to uncollectible amounts in the accounts as required by SFFAS 1, paragraph 44; and

3. Aging of amounts recorded will continue. Accrue the accumulation of interest, in accordance with the AECA and other applicable authorities, monthly on the balance in the sub-account. The amount recorded in the account will include the amount of the arrearage, termination liability costs, and accrued interest.

D. Accounting for Transactions Occurring Prior to January 1, 1989. A reconciliation problem existed within the FMS Trust Fund for transactions that occurred prior to January 1, 1989, and some reconciliations occurred as a result of management decisions. Adjustments to transactions that occurred prior to January 1, 1989, will be reviewed by the FMS central accounting site control point staff, and approved by the DSCA Comptroller, prior to posting in the Defense Integrated Financial System (DIFS) Account Codes. The control point staff at DFAS SCA and DSCA will maintain a complete audit trail of all adjustments received and processed. Documentation supporting these adjustments will be retained by the originating organization. Transactions will be approved by:

1. DFAS SCA and an appropriate representative of the applicable DoD Component involved;

2. The Director of the applicable DFAS center submitting transactions to DFAS SCA, if the amount of the transaction is in excess of $500,000; or

3. The Director, DFAS and the Director, DSCA, if the amount of the transaction exceeds $1,000,000.

*030406. Processing Accounting Transactions

In order to account for the FMS Trust Fund, DFAS SCA uses DIFS. As the trust-fund level, interfacing accounting system, DIFS links IA records from bills, including supporting
financial documents, issued to purchasing countries for articles and/or services. See SAMM C13.6, for additional information. Transactions entered into DIFS are a combination of installation-level transactions received through the FMS Integrated Control System, and vouchers recorded at DFAS SCA, resulting from billing, collection, and disbursement activities. Transactions recorded in DIFS are posted at the trust fund-, country-, and case-level. This enables DFAS SCA to prepare required accountability and fund status reports for the FMS Trust Fund. DFAS SCA relies on the accuracy and integrity of the records maintained in IA’s source accounting systems. Source transactions must have all of the information required to enable DFAS SCA to prepare required accounting reports and perform financial management oversight.

030407. DFAS SCA Analysis of FMS Case Accounting Data

DFAS SCA must continuously analyze case-level accounting data to identify developing financial problems and alert IA case managers, DSCA country finance directors, and other concerned DoD officials of the necessity for corrective action. The types of analysis performed are as follows:

A. Adequacy of Cash Deposits. Compare the net unreserved cash balance to the accounts payable case-level accounts. If the accounts payable balance is greater, request an IA review of the case payment schedules;

B. Timely Payments to the DoD Components and Contractors. Balances in accounts payable must be aged to assure timely payments are made. If payments are not on time, DFAS SCA will review internal payment procedures and implement necessary corrective action; and

C. Timely Case Closure Actions. When the expenditures equal OA, DFAS SCA should request an IA review of the case's financial and logistical status to determine if the case should be closed.

030408. DFAS SCA Surcharge Transactions

A. FMS Administrative Surcharge and Logistics Support Charge (LSC) Account

1. Accrual of Earned Surcharge. As accrued expenditures are calculated, pursuant to FMS orders, the amount of FMS Administrative Surcharges applicable will be determined and credited to the FMS Administrative Surcharge account.

   a. $30,000 or less. If the computed FMS Administrative Surcharge for the FMS case is $30,000 or less, the entire surcharge value must be included in the initial deposit (SAMM Table C9.T14). This includes the value of any small case management line for cases implemented August 1, 2006 through July 2, 2012 (SAMM paragraph C9.4.7).

   b. Over $30,000. If the computed FMS Administrative Surcharge for the FMS case is greater than $30,000, 50 percent of the surcharge is collected upon
case implementation (SAMM Table C9.T14). Apply the remaining accruals over the life of the case and finalize at case closure.

2. **Actual FMS Administrative Surcharge.** Transactions representing actual expenses will be entered based on accrued expenditures reported in the DoD Status-of-Allotment reports for FMS. See paragraph 030601.C.

3. **LSC.** LSC is applicable to articles delivered or services performed on or after April 1, 1987 and prior to October 1, 2007. These charges are accounted for in the FMS Administrative Surcharge account as described in subparagraph 030408.A.1 and 2. For more information on LSC, see SAMM Table C9.T4.

### B. Transportation Surcharge Account

1. **Accrual of Earned Surcharge.** When items reported by the DoD Components as physically delivered, applicable transportation surcharges are earned and credited to the Transportation Surcharge account.

2. **Actual Transportation Expense.** Transactions showing actual transportation cost, based on receipt of carrier bills, will be entered against the Transportation Surcharge account.

3. **Building Partner Capacity (BPC) Transportation Surcharge.** BPC funds are transferred to the FMS Trust Fund under the authority of the Economy Act. Funds transferred via Economy Act orders are subject to the same fiscal limitations that are contained within the appropriation from which the orders are funded. Therefore, BPC funds in the transportation surcharge account are required to adhere to the same fiscal limitations to which BPC funds are generally subject. See **SAMM C15.I** for additional information and **SAMM C15.T2 Programs and Authorities.**

### C. CAS Cost Clearing Account

1. **Accrual of Earned Surcharge.** When payments are made to contractors (either progress payments or bills for incurred costs), the applicable CAS surcharges are earned and credited to the CAS Cost Clearing Account.

2. **Actual CAS Expenses.** Transactions showing actual CAS costs are considered CAS Expenses, based on receipt of SF 1080 billings from the performing DoD Components. See Chapter 7, paragraph 071603.

### D. Attrition Surcharge Account

Assess a one percent attrition surcharge for applicable training cases (SAMM Table C9.T4). The IAs will identify the amounts earned as they distribute collections for tuition, credit the attrition portion, and report it to DFAS SCA by country, case, and line. Expenditures from this account represent orders to the DoD Components to fund the cost of replacing damaged or destroyed equipment associated with student training. DFAS SCA will maintain cumulative records of these deposits by country, case, and line item. Fund
withdrawal from the attrition account requires prior written approval from the DSCA Comptroller. The cost in full of replacing damaged or destroyed equipment is reimbursed from the attrition account.

E. Year-End Certification. Reporting entities now utilize the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and the Fiscal Service Year-End Transaction Module to report unexpended appropriation and fund balances. The Year-End Module, in addition to GTAS, is used to initiate year-end cancelation and adjustment transactions previously presented on the Fiscal Service Form 2108. See Volume 6A, Chapter 4 and the Treasury Financial Manual, Volume 1, Part 2, Chapter 4200 for more information.

F. Periodic/Year-End Analysis of Surcharge Accounts. DSCA and DFAS SCA analyze activity in the surcharge accounts. This analysis will serve as a basis for decisions by DSCA DBO to redistribute surcharge account balances between the accounts or to recommend rate changes. DSCA DBO will coordinate any decision made to redistribute balances, to mitigate shortfalls in one or more surcharge accounts, with DFAS SCA and OUSD(C). If a redistribution between surcharge accounts is required, DSCA DBO will then notify OUSD(C) of the intended redistribution action and seek concurrence. OUSD(C) should provide a response within 30 calendar days. With OUSD(C) concurrence, DSCA DBO will authorize DFAS SCA to redistribute the funds. Once the receiving surcharge account is returned to an acceptable funding level, the transferred funds will be redistributed back to the original account once the DSCA DBO receives concurrence with OUSD(C). When a decision is made to revise rates, the revisions will be coordinated with OUSD(C). See Chapter 7, paragraph 071202 for more information on revising rates.

0305 IA ACCOUNTING REQUIREMENTS

030501. Allotments for Direct Citation

Amounts in Column 11, “Direct Cite Authority Required This FY,” of the DoD (DD) Form 2060, FMS Obligational Authority, or automated equivalent (OA request), which are coded “(A),” represent allotments of case contract authority. Allotment holders must request expenditure authority (EA) from DFAS SCA prior to processing the disbursements against the contract authority. DFAS SCA provides incremental EA from the FMS Trust Fund based on the allottee’s need to disburse funds. Additional instructions for the DoD Status-of-Allotment report are in section 0306. Specific requirements include:

A. The DoD Component that holds an allotment of the FMS Trust Fund for direct citation on contracts must maintain detailed commitment, obligation, and expenditure records on an FMS case and line basis. That DoD Component must provide DFAS SCA a monthly DoD Status-of-Allotment report reflecting the case and line-level data. Delivery transactions in an amount equal to the current month’s net change in accrued expenditures or cash advances to contractors must support the status of expenditures. A manual DoD Status-of-Allotment format is in Figure 3-1; and
B. Submit Monthly DoD Status-of-Allotment information, and associated reports of reconciliation, to DFAS SCA by the 20th calendar day following the close of each accounting month. Use this information, with detailed supporting documentation, as the basis for the DFAS SCA entries to case-level accounting records and overall FMS Trust Fund reconciliation with Treasury.

030502. Allotments for Reimbursable Orders

For information on reimbursable orders, see Chapter 2, paragraph 020304.

030503. FY-End Reporting Requirements

A. The DoD Components are required to submit a printed and certified, final, FY consolidated OA request and DoD Status-of-Allotment information for direct cite funds to DFAS SCA. Establish submission dates in accordance with special instructions issued by DFAS. The forms submitted may be manual forms or automated equivalents.

B. The final OA request will have this certification: “I hereby certify that this report reflects FMS Obligational Authority as required by DoD 7000.14-R, Chapter 2, subparagraph 020304.A.”

C. The final DoD Status-of-Allotment report must have this signed certification: “I hereby certify that the amounts shown in this report are correct. All known transactions meeting the criteria of 31 U.S.C. § 1501(a) have been obligated and are so reported.”

0306 ACTUAL ADMINISTRATIVE EXPENSE ACCOUNTING REQUIREMENTS

030601. Reimbursement for FMS Administrative Expenses

A. Price FMS administrative expenses in accordance with Chapter 7, section 0705 and charge directly to the allotment received from DFAS SCA for actual FMS administrative expenses. DoD Status-of-Allotment reports must be submitted in the DoD standard format in Figure 3-1. If the allotment is used as the basis for issuing reimbursable orders to appropriation accounts, a schedule showing the dollar value of orders released to each appropriation must be attached to the DoD Status-of-Allotment report. FMS administrative expenses may not be incurred in excess of the allotment, nor are the DoD Components authorized to incur obligations against appropriated fund operation accounts to finance FMS administrative budgets.

B. Upon review of the budget requests submitted in response to its administrative budget call, DSCA will approve a single budget amount for each DoD Component and will issue an allotment providing funding for the approved budget. The recipient will prepare a DoD Status-of-Allotment report showing actual uses for administrative expense. Base the information on the organization designated in the DSCA budget call. Allotments for administrative expenses must be fully funded to cover obligations. Receiving DoD Components must use “no-check SF 1080” self-reimbursement procedures to reimburse appropriation accounts.
Reimbursable procedures apply when the FMS Trust Fund is not directly cited as the financing source of payrolls, contracts, or travel orders.

C. Support DoD Status-of-Allotment reports for FMS administrative expenses with subsidiary allotment status reports of the executing organizations. Annotate subsidiary reports as “Subsidiary report-(name of the organization).”

030602. Control of FMS Administrative and SC Organizations (SCO) Budget Allotment Authority

A. Report the FY identity of budget allotment authority, obligations, and disbursements for the current FY (CFY), and five preceding FYs, on the monthly DoD Status-of-Allotment reports for administrative expenses. Accounts will remain open for the liquidation and adjustment of valid obligations until the end of the canceled FY (five expired FYs and one canceling FY). See the FY example in subparagraph 030602.C.

B. All fund holders are required to maintain FY identity of obligations, disbursements, and budget allotment authority for the CFY and the five preceding FYs.

C. Provided is an example of FY identity using a CFY of 2015.

<table>
<thead>
<tr>
<th>FY</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010 = expired FY</td>
<td>At the end of FY 2015, and after completing the end-of-year reporting and closeout cycle, cancel all unliquidated obligations (ULOs). All amounts are withdrawn effective September 30, 2015. Following this action, FY 2010 cancels on October 1, 2015.</td>
</tr>
<tr>
<td>FY 2011 = expired FY</td>
<td></td>
</tr>
<tr>
<td>FY 2012 = expired FY</td>
<td></td>
</tr>
<tr>
<td>FY 2013 = expired FY</td>
<td></td>
</tr>
<tr>
<td>FY 2014 = expired FY</td>
<td></td>
</tr>
<tr>
<td>FY 2015 = CFY</td>
<td>Out-of-scope increase to prior FY obligations (FY 2014 and prior) will be charged against the CFY (FY 2015). The CFY becomes an expired FY on October 1, 2015.</td>
</tr>
<tr>
<td>FY 2016 = Next FY</td>
<td>October 1, 2015, FY 16 begins.</td>
</tr>
</tbody>
</table>

030603. Control of FMS Administrative and SCO Prior FY OA

A. DSCA will not authorize increases to a prior year OA to record upward adjustments for obligations that are the result of out-of-scope changes. Such changes constitute new obligations and are funded from the current year OA. Upward adjustments, which are the result of “within-scope” changes under the terms of the contract, are usually chargeable to the appropriate FY account against which the original obligation was charged. Charge all valid upward adjustments applicable to canceled years to the CFY.

B. All fund holders will establish procedures to review and validate all ULOs for the CFY, and the preceding five FYs, on a monthly basis. If obligations are no longer valid, fund holders will ensure these amounts are deobligated and the appropriate funds returned to
DSCA for withdrawal; see paragraph 030605. Valid disbursements may be made from these expired accounts, up to the amount of the ULO balances for that year's obligation. Additional funding to cover these valid upward adjustments (within-scope price adjustments) may be requested from DSCA. This request should provide the following: original obligation amount; additional required funding authority needed; source or reason for additional obligation, including any subsidiary calculations or source; applicable supporting documentation; and point of contact.

C. Deobligation of prior year funds, and the subsequent reobligation of these same funds in the current or one of the five preceding FYs, is not authorized.

030604. Control of Unliquidated Balances

A. FMS Administrative and SCO accounts remain available for liquidating valid obligations until the end of their fifth expired year; see the example in subparagraph 030602.C. No new obligations can be started for the CFY after September 30 of that FY.

B. The monthly DoD Status-of-Allotment reports for administrative expenses, showing the DFAS departmental accounting position, will present the current allocation and account balances (obligations and disbursements) for the end of that reporting month.

C. See paragraph 030605 for the procedure used when canceling funds at the end of the fifth year following their expiration and the process used when deobligations occur in the five preceding FYs.

D. All fund holders will establish procedures to review and validate all ULOs for the CFY and the five preceding FYs.

030605. Administration and Implementation of the Monthly and End-of-Year Closeout Guidance

A. All fund holders will review and use their respective monthly DoD Status-of-Allotment reports for administrative expenses, which present the DFAS departmental accounting position for that month. Use these reports to compare with the installation accounting records. If there are disbursement differences between the departmental and installation accounting records, use the departmental accounting records reconciled with Treasury cash to establish the withdrawal amount.

B. DSCA will issue the annual end-of-year closeout guidance to all holders of FMS Administrative and SCO funds.

C. When the fifth expired year is canceled, the budget allotment authority amount will be decreased on September 30 to equal the departmental accounting disbursement amount that has been reconciled with Treasury.

D. The fund holder will ensure that all obligations and disbursements are equal prior to year-end closeout for the canceling year account (the fifth year following funds expiration)
and that no further disbursements are processed. The fund holders need to work closely with the DFAS departmental accounting offices at finalizing the amounts to be withdrawn for the canceling year (the fifth year following funds expiration).

E. All fund holders will notify DSCA in writing when BA can be decreased on the CFY and the five preceding FYs. Upon receipt of a written request from the fund holder, DSCA will issue an FMS Administrative and SCO Allocation document withdrawing the unobligated BA, citing the concurrence correspondence from the fund holder for the expired and canceling FYs. All records will be maintained with the FY BA documents.

030606. DFAS Responsibilities for Expired and Canceled Accounts

A. DFAS SCA will adjust OA/EA to agree with the DSCA allocation values for the expired and canceling FYs. All unobligated balances will be considered expired and not available for incurring new obligations. FMS Administrative and SCO accounts remain available for liquidating valid obligations until the end of their fifth expired year.

B. DFAS SCA will update the subsidiary record by loading the DIFS case-level disbursement records with the expired year balances, as identified by the allotment holders (IAs) on the year-end DoD Status-of-Allotment reports for administrative expenses.

C. DFAS SCA will maintain off-line, historical, administrative accounting records to show cumulative balances for disbursements, obligations, and allotment BA for all closed (canceled) FYs. At the end of each FY, DFAS SCA will update the canceling FY's obligated and disbursed balances for FMS and SCO Administrative Fund accounting records.

D. DFAS SCA will maintain memorandum records of the canceled obligations. Once closed, an account is no longer available for obligation. If it becomes necessary to pay an obligation, which otherwise would have been properly charged to the appropriation before it was canceled, the obligation should be charged to and paid from the applicable CFY FMS or SCO account. Post these obligations against the CFY account when disbursed. Use memorandum records (or equivalent) to record the canceled “valid” obligations offline so that they may later be recognized as valid when disbursed and recorded against the applicable FMS or SCO Administrative CFY account. For more information, see Volume 3, Chapter 10.

* E. DFAS SCA, once all BPC cases associated with the transportation account are closed, will deposit all unliquidated balances into the Miscellaneous Receipts of the Treasury. BPC Transportation accounts are subject to closure when all appropriations within the account have canceled.

0307 BUDGET EXECUTION

030701. Objectives

This section establishes the budget execution requirements that are applicable to the FMS program. Specific objectives are to ensure that:
A. Mandatory budget execution reports that accurately reflect data recorded in accounting records are submitted to Treasury in a timely manner;

B. Unnecessary FMS OA is withdrawn officially from all organizations participating in execution of FMS cases at the end of each FY; and

C. FMS case records maintained by IAs are in agreement with DFAS SCA at the case-line level throughout the life of each FMS case.

030702. Responsibilities

A. DFAS must provide accounting data on FMS Trust Fund operations to the DoD Components.

B. DSCA must monitor the FMS program and submission of required FMS Trust Fund Budget Execution reports in accordance with requirements outlined in Volume 6A, Chapter 2, section 0202.

C. IAs and the supporting DoD Components must:

1. Conduct year-end reviews of the unobligated FMS reimbursable program to ensure unnecessary BA is identified and returned to the FMS Trust Fund;

2. Ensure that the FMS reimbursable program is properly reported in appropriation or DWCF budget execution reports;

3. Submit financial Budget Execution reports accurately and timely in accordance with section 0308;

4. Reconcile IA FMS case records to DFAS SCA case-line level accounting transactions on a periodic basis;

* 5. Partner with DFAS to resolve any variances or out of balance conditions in support of monthly FMS financial reporting; and

* 6. Prepare Case Closure Certificates signifying IA completion of all actions necessary for DFAS SCA to close the case as soon as possible after the case supply/services are complete, but no longer than 24 months after such occurrence for cases applicable to countries participating in Accelerated Case Closure Procedures (ACCP). See the SAMM, Appendix 7, “Case Reconciliation and Closure Guide (RCG),” for the Case Closure Certificate format, SAMM Chapter 16, and paragraph 031002 for case closure information. For case closure procedures required for non-ACCP, including BPC program cases, refer to paragraph 031002.
0308 FMS TRUST FUND BUDGET EXECUTION REPORTS AND FINANCIAL STATEMENTS

030801. Budget Execution Reports

DFAS submits the following budget execution reports on FMS Trust Fund operations:

A. Monthly SF 133, Report on Budget Execution, for 11X8242. For more information, see Volume 6A, Chapter 4, section 0404;

B. GTAS. Fiscal Service discontinued use of the Fiscal Service Form 2108 and removed references to the form from current Fiscal Service guidance. Budget execution information previously provided on Fiscal Service Form 2108 is now available to Treasury through GTAS. For more information, see Volume 6A, Chapter 4; and

C. Appropriate sections of the annual CFO Financial Statements. For more information, see paragraph 030802.

030802. Financial Statements

For financial statement guidance concerning the reporting of FMS amounts, see Volume 6B, Chapters 2 and 10. The Security Assistance reporting entity also provides GTAS submissions as a Significant Entity per Volume 6A, Chapter 3, subparagraph 030304.B.

0309 CASE EXECUTION

030901. FY End

At the end of each FY, review the reimbursable OA received to implement each FMS case. The total amount of reimbursable BA received is on the OA request. The review serves as the basis to withdraw any unnecessary unobligated balances. Make the withdrawal by submitting a year-end OA request. See Chapter 2, section 0203 for instructions on the preparation of OA requests.

A. Non-Expanding Accounts. At the close of each FY, retain reimbursable FMS OA in a performing DoD account only to the extent that:

1. The amounts are required to cover certifiable obligations incurred by the performing account because of performance of the order;

2. The amounts have been committed within a formal commitment accounting system, for example, to cover normal administrative lead time on the next contract escalation clauses; or

3. The items have been delivered from inventory or applicable DoD services have been performed (cash earned reimbursement). Withdraw any reimbursable FMS
OA not required for these purposes from the performing accounts by September 30 each year. It is recognized that year-end reviews must be made prior to the last day of the FY. Therefore, the amount of OA retained may be somewhat greater than the goal. It is expected, however, that estimating procedures must be improved continually until unnecessary unobligated balances are eliminated.

B. **Expanding and Expired Accounts.** By the close of each FY, show reimbursable FMS OA in an expiring account only to the extent that the amounts are earned reimbursements or are required to cover certifiable obligations incurred against the performing account. Withdraw any reimbursable FMS OA not required to cover obligations in the expiring account by September 30 each year. During the FY, transfer amounts required in expired accounts from the Trust Fund, as necessary, to cover upward obligation adjustments needed for within-scope changes to contracts or similar transactions.

030902. **Reimbursement of Appropriations and Accounts**

A. Reimburse DoD appropriations and fund accounts, or Miscellaneous Receipts Account 3041, “Recoveries Under the Foreign Military Sales Program, Army, Navy, Air Force, Defense,” upon delivery of items from inventory or performance of DoD services within 30 **calendar** days of the occurrence (i.e., date of shipment or performance) for:

1. Items sold under AECA § 21, or

2. Procurement actions made under AECA § 22, if direct cite procedures for financing applicable contracts are not used.

B. **The general rule applicable to the sale of DoD services is that the financing account current at the time of performance is credited with applicable BA and subsequent cash collections.** The various cost elements that may be involved in the performance of an FMS order, and the appropriations that are to be reimbursed, are in Table 3-1.

1. When items are sold from inventory, the financing account current at the time items are dropped from inventory is credited with applicable BA and subsequent cash collections.

2. When items not to be replaced (free assets) are sold from inventory, those receipts are credited to Miscellaneous Receipts or the Special Defense Acquisition Fund (SDAF). For more information on SDAF, see SAMM, **section 11.9**.

3. When appropriation or fund accounts are used to finance FMS procurements, the account current at the time the order is accepted is credited with BA and subsequent cash collections.

Update the case Planning Directive, as required, as prescribed in Chapter 2, section 0204. Update cost elements and financing accounts to ensure full recoupment of the costs prescribed in Chapter 7 and to ensure timely identification of cost increases. The Planning Directive serves as the basis for preparing all OA requests during the life of the case.

0310 FMS CASE CLOSURE REQUIREMENTS

031001. General

All proper charges and credits must be recorded against the applicable FMS case. Case closure does not stop the billing/reporting process, but results in a re-categorization of the case records from active status to inactive status to ensure accessibility for recording subsequent activity. In other words, a case never closes from a DoD accounting perspective. For further guidance on the reconciliation and closure of FMS cases, to include closure checklists, see SAMM Chapter 16 and A7.C4.3, and the RCG.

031002. Initiating FMS Case Closure

A. When all ordered items have been physically delivered and all ordered services performed (i.e., supply/services complete), or there is no activity on a blanket order case for 180 calendar days (and the purchaser agrees no further activity will occur), and all other conditions of the LOA are fulfilled, an FMS case is a candidate for closure. At this time, the responsible IA must determine if there are any unresolved delivery issues, outstanding Supply Discrepancy Reports (SDRs), or litigation claims. Contracting officers must review any contracts that have not been financially closed to determine if significant financial adjustments of open contracts may occur. Cases can be closed under either ACCP or non-ACCP closure procedures.

1. **ACCP.** ACCP must be used only for those countries that explicitly elect such procedures. However, all countries that have cases financed with Military Assistance Program Merger/Foreign Military Financing (non-repayable) are mandatory participants in ACCP, unless specifically excluded by DSCA. Once selected by a country, ACCP must apply to all cases of that country and must govern any case that was opened (or closed) prior to the date of ACCP implementation, unless a specific arrangement between DSCA and the FMS purchaser is made as part of the implementation criteria. Under ACCP, case closure should be initiated within 24 months after the case is supply/services complete, to allow a country to initiate an SDR and allow the IA to reconcile the case. The applicable DoD Component must request DSCA approval to delay closure beyond 24 months.

2. **Non-ACCP.** Under non-ACCP case closure, all logistical and financial transactions must be processed before case closure can be initiated.

B. The case manager must ensure the actions outlined in subparagraphs 031002.B.1-6 are taken.
1. The IA-delivered value must agree with the delivered value recorded in DIFS. If necessary to reconcile IA records, obtain historical transaction records from the DIFS database or equivalent online repositories.

   a. **ACCP.** If the case is being closed under ACCP, the difference between progress payments and liquidating deliveries, and the difference between total deliveries and total disbursements in DIFS, must equal the estimated ULO value established by the IA. The IA records must be in balance with each of these values; if not, the IA must submit applicable input to bring the records into balance before issuing a Case Closure Certificate.

   b. **Non-ACCP.** If the case is being closed under non-ACCP, progress payments must equal liquidating deliveries in DIFS. The IA records must be in balance with each of these values; if not, the IA must submit applicable input to bring the records into balance before issuing a Case Closure Certificate.

2. Rectify all problem disbursements in accordance with Volume 3, Chapter 11. A prerequisite for satisfactorily resolving problem disbursements is to validate the accuracy of the disbursed values. Use the authorities in Volume 3, Chapter 11 to facilitate efficient reconciliation and closure actions. Additionally, section 0311 addresses the applicable write-off authority for FMS problem disbursements.

3. Ensure the validity of all obligations in accordance with Volume 3, Chapter 8. Many of those provisions address FMS-specific actions in this regard.

4. Use the guidance in subparagraphs 031002.B.4.a-b for all FMS cases without remaining ULOs.

   a. **ACCP.** If the case belongs to an ACCP country, the applicable DoD Component must submit a final Case Closure Certificate (see the RCG) to DFAS SCA within 24 months after an FMS case is supply/services complete. If the IA determines that due to reconciliation issues a case under ACCP cannot be closed within 24 months of supply/services completion, then submit the case, along with identification of the problem or cause believed to prevent case closure, to DSCA for resolution.

   b. **Non-ACCP.** A supply/services complete case for a country not participating in ACCP will not be submitted for closure until ULOs on accounting classification reference numbers (ACRNs) citing the case are resolved. No case under non-ACCP closure procedures can be interim closed, it must be marked final.

5. Use guidance in subparagraphs 031002.B.5.a-b for FMS cases with remaining ULOs.

   a. **ACCP**

      (1) The applicable IA must submit a Case Closure Certificate to DFAS SCA within 24 months after an FMS case is supply/services complete. Cases
with a ULO of zero are final closed (there should be no more transactions of any kind on the case). Cases with a ULO greater than zero are interim closed (there could be additional disbursements on the case, but the purchaser has already paid the FMS Trust Fund enough to cover those disbursements). See paragraph 031003 and the RCG.

(2) The applicable IA must determine and report the value of any remaining ULO relevant to that case. These amounts should be equal to those recorded in the applicable DoD accounting system.

(3) The applicable IA must request DSCA approval to delay interim closure if the estimated ULO is of significant value and is likely to be deobligated rather than disbursed. DSCA will then determine whether to approve the delay.

(4) DFAS SCA must bill the applicable country using the DoD Component’s remaining ULO via normal billing procedures. The ULO is part of the case closure value.

(5) DFAS SCA must record the estimated ULO value in a summary account entitled Case Closure Suspense Account (CCSA). At the same time, DFAS SCA must record applicable charges and credits, by country and case, in subsidiary accounts, which total to the CCSA.

(6) When final costs are known and reported by the IA (i.e., liquidating the ULO), DFAS SCA must record such amounts against the CCSA and subsidiary account by country and case.

(7) Upon receipt and payment of final bills, and reconciliation of the case, the IA must submit a final Case Closure Certificate.

(8) On a quarterly basis, DFAS SCA must submit a status report on the CCSA and subsidiary accounts to the DSCA DBO (Financial Policy and Analysis) and ACCP-participating FMS purchaser countries.

(9) When a country’s CCSA has a negative balance of $100,000 or more for a period of six consecutive months, DSCA may instruct DFAS SCA to bill the country for the entire balance owed. For example, if the country’s suspense account has negative balances of $100,000 on December 31, $250,000 on March 31, and $175,000 on June 30, DFAS SCA will bill the country $175,000. Such billings will be made through the country’s omnibus quarterly billing statement and will cite all the FMS case(s) involved. DSCA should review the country’s CCSA periodically to determine if any refund is warranted.

b. Non-ACCP. For non-ACCP countries, the DoD Component must submit Case Closure Certificates to DFAS SCA only after all applicable known costs have been recorded and no ULOs exist on ACRNs citing the case.
6. At case closure, DFAS SCA must use the submitted closure certificate/transaction in place of an LOA amendment or modification unless the case meets the criteria for an LOA amendment or modification specified in SAMM, section C6.7.

031003. Closure Certification

A. The Case Closure Certificate alerts DFAS SCA to initiate actions needed to close a case. The IA must send certificates electronically to DFAS SCA. If any reporting after the issuance of a Case Closure Certificate has caused variances between DIFS and the certified values, DFAS SCA must notify the IA of actions required to enable closure processing to continue. When the IA and DFAS SCA FMS case records are reconciled, DFAS SCA must reclassify the case to an inactive status and provide a final statement of account to the FMS purchaser for the final value of the case. Once a final statement has been sent for an FMS case, the case must be reclassified by the IA from active to inactive status. The IA then closes applicable case records.

B. All closed cases with post-closure activity on or after October 1, 1992, not subject to ACCP, must be reopened as authorized by DSCA to report execution. The IA must cancel the original closure certificate and submit a new certificate prior to case closure. Cases for countries subject to ACCP may be reopened only as authorized by DSCA.

031004. Billings After Case Closure

A. Any cases required to be reverted to implemented status must be approved by DSCA.

B. The following requirements apply to all ACCP cases.

1. The DoD Component will submit an interface transaction to DIFS moving the case from final to interim closure status. After the status is changed, the IA will send an EA request to DFAS SCA. DFAS SCA will then move the cash from CCSA to the EA reserve account and record the disbursement against the country, case, and line.

2. When post-closure disbursements exceed $100,000 (in either direction) because of a verified pricing adjustment, the applicable IA must submit a request to DSCA, with an information copy to DFAS SCA, that the case be reopened. Upon receipt of DSCA approval to reopen the case, both the IA and DFAS records must be reclassified to implemented status. If the case is not reopened, then the disbursement must be processed against the CCSA.

3. When all post-closure disbursements/credits have been reported and final costs determined, the DoD Component must certify the case for final status by using the Case Closure Certificate (see the RCG) and by reporting the transaction in DIFS.

C. The following requirements apply to all BPC cases and cases closed under non-ACCP.
1. All cases must be reclassified to implemented status, except for those with a transaction adjustment of $200 or less. Such adjustments may be charged to the FMS Administrative Surcharge account. Otherwise, reestablish accounting records at the amounts recorded at the time closure certification occurred. Reclassification to implemented status must occur in both the IA and DFAS SCA records.

2. All post-closure disbursements or credits must be recorded in an undistributed account until case records are reactivated.

3. When post-closure activity results in exceeding the case value, a modification to the case is required.

4. When cases are reactivated, the IA must request additional OA, commence reporting status of funds data, request EA, process disbursement/credit transactions, and report adjusted delivery information via the delivery transaction.

5. Once the disbursement/credit and billing processes are complete, DFAS SCA must bill the FMS Trust Fund purchaser. The IA must recertify the case for closure as specified in paragraph 031003.

6. For FMS cases where funds have canceled, irrespective of funding source, DSCA will provide guidance on how to proceed and how invoices will be paid.

031005. Reopening FMS Cases

Normally, closed cases will not be reopened. If the FMS purchaser requests to reactivate a closed case, first determine if there is a case already implemented and available or if a new case should be developed. Opening a closed case (interim or final) is a last resort and requires DSCA approval. See SAMM, Chapter 16, for additional information on reopening cases.

0311 WRITE-OFF AUTHORITY

An IA that determines unresolved reconciliation issues exist for a case may write off those imbalances using write-off authority guidelines. The IA is responsible for providing all vouchers it prepares citing the FMS Administrative Surcharge account to DFAS SCA.

031101. Problem Disbursements

For problem disbursements (unmatched disbursements, negative unliquidated obligations, and in-transit disbursements) up to $2,500 per transaction, refer to Volume 3, Chapter 11 for an explanation of the problem disbursements policies. The DSCA DBO and DFAS SCA are responsible for ensuring detailed procedures are issued to the FMS community. Problem disbursements greater than $2,500 should be brought to the attention of DSCA, via the FMS Case Closure Executive Committee, for resolution, provided those problem disbursements have not exceeded the Volume 3, Chapter 11 processing timelines.
031102. Other FMS Financial Transactions

For all other types of FMS financial transactions, up to $200, charge the FMS Administrative Surcharge account for the amount required to affect prompt financial reconciliation as prescribed in the DSCA annual case review requirement in the SAMM, Chapter 16. For write-off adjustments performed while readying a case for closure, DFAS SCA will provide DSCA DBO (Financial Policy and Analysis) with a quarterly summary of closure certificates received in which amounts have been charged in accordance with this paragraph. A comment must be included in the remarks/comments section of the Case Closure Certificate when these write offs are used.

0312 ANTIDEFICIENCY ACT (ADA) VIOLATIONS AND ADVERSE FINANCIAL CONDITION REPORTS

031201. ADA Violations

For purposes of the ADA, appropriated funds are not limited to those funds specifically appropriated by Congress to federal agencies from the general funds of Treasury. Funds available to agencies are considered appropriated if made available for collection and expenditure pursuant to specific statutory authority, regardless of their source. In applying the ADA, the FMS Trust Fund is considered to be and will be treated as appropriated funds. Therefore, the ADA applies to transactions involving the FMS Trust Fund.

A. Types of Potential Violations. Potential violations may occur in FMS Trust Fund transactions when:

1. Issuing OA or awarding an FMS contract without a signed LOA;

2. Obligating or expending FMS case funds for an unauthorized purpose, including purposes not provided for by law;

3. Violating apportionments or indemnity clauses; or

4. Incurring obligations on a BPC case where the financing appropriation's period of availability to incur new obligations has expired. Additional information on potential violations of the ADA is in Volume 14, Chapter 2.

B. Identifying and Reporting Potential Violations of the ADA. Detailed guidance for identifying, investigating, and reporting violations under the ADA is in Volume 14. Due to the complexities of provisions in the AECA, it is important to consult with appropriate legal counsel and comptroller officials on potential violations of the ADA for FMS.

031202. Adverse Financial Conditions

Other reportable events occur when FMS case records are out of balance, but these conditions do not necessarily meet the criteria of violations discussed in paragraph 031201. These conditions are adverse financial conditions and occur when financial reports show that: OA
exceeds case or line-item level values, commitments or obligations exceed OA at case or line-item level, total disbursements exceed obligations at case or line-item level, or EA is not requested prior to disbursement. Adverse financial conditions are reported using the same format used for ADA violations.

A. Reporting Requirements for Adverse Financial Conditions

1. DFAS SCA has the responsibility for determining reportable conditions and notifying IAs of adverse conditions involving EA. DFAS SCA must provide a monthly analysis report to the DoD Components identifying if disbursements are greater than EA at the country case level, or if EA was requested, remained unused, and was not returned at the end of the month. The DoD Components must review the listings within 15 calendar days of receipt and provide DFAS SCA an explanation of the discrepancy, the required corrective action, and when such action will be processed. This information will be shared with DSCA.

2. The DoD Component has the responsibility to resolve adverse conditions involving obligations or expenditures of funds in excess of approved authority at any level lower than case level.

B. Exceptions to Reporting Adverse Financial Conditions. Reports need not be submitted for within-scope cost increases in either of the following circumstances:

1. Obligation(s) in excess of the “Total Estimated Cost” shown on the LOA occurs, and a modification is prepared by the DoD Component and submitted to the purchaser through appropriate channels within 60 calendar days of the date of the transaction that resulted in the unfavorable financial condition; or

2. Obligation(s) or expenditure(s) in excess of approved authority occurs, the excess amount results from the posting of duplicate or erroneous obligation/expenditure transactions or the posting of obligations from inventory systems, and corrective action is taken within 60 calendar days of the transaction date. These conditions, however, could indicate weaknesses in internal controls and administrative action may be required to improve systems design or to prevent recurrence.
Figure 3-1. Format for the DoD Status-of-Allotment Report

<table>
<thead>
<tr>
<th>Appropriation and Subhead</th>
<th>For Period Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation No.</td>
<td></td>
</tr>
<tr>
<td>Authorization No.</td>
<td></td>
</tr>
<tr>
<td>Suballocation</td>
<td></td>
</tr>
<tr>
<td>Type</td>
<td></td>
</tr>
<tr>
<td>Allotment</td>
<td></td>
</tr>
<tr>
<td>Authorization Issued to</td>
<td></td>
</tr>
<tr>
<td>Accountable Agency:</td>
<td></td>
</tr>
<tr>
<td>Authorization</td>
<td></td>
</tr>
<tr>
<td>Gross Obligations</td>
<td></td>
</tr>
<tr>
<td>Accrued Payroll</td>
<td></td>
</tr>
<tr>
<td>Unpaid Payroll</td>
<td></td>
</tr>
<tr>
<td>Changes This Period</td>
<td></td>
</tr>
<tr>
<td>Current Total</td>
<td></td>
</tr>
<tr>
<td>Non-Govt</td>
<td></td>
</tr>
<tr>
<td>Govt</td>
<td></td>
</tr>
<tr>
<td>Budget Project No.</td>
<td></td>
</tr>
<tr>
<td>Changes This Period</td>
<td></td>
</tr>
<tr>
<td>Current Total</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

(1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11)
Table 3-1. Cost Elements

<table>
<thead>
<tr>
<th>Cost Element</th>
<th>Appropriation Reimbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Services of Military Personnel</td>
<td></td>
</tr>
<tr>
<td>1. Composite standard military pay rate</td>
<td>Military Personnel (MILPERS)</td>
</tr>
<tr>
<td>2. Leave and holiday factor when applicable (see Chapter 7, paragraph 072001)</td>
<td>MILPERS</td>
</tr>
<tr>
<td>4. Retirement cost prior to October 1, 1984</td>
<td>Miscellaneous Receipts Account 3041</td>
</tr>
<tr>
<td>5. Retirement cost after September 30, 1984</td>
<td>MILPERS</td>
</tr>
<tr>
<td>6. Medicare-Eligible Retiree Health Care accrual</td>
<td>Miscellaneous Receipts Account 3041</td>
</tr>
<tr>
<td>B. Services of Civilian Personnel including DWCF Personnel</td>
<td></td>
</tr>
<tr>
<td>1. Salary cost and wages</td>
<td>O&amp;M, Research, Development, Test, Evaluation (RDT&amp;E), and DWCF as applicable</td>
</tr>
<tr>
<td>2. Leave and holiday factor when applicable</td>
<td>O&amp;M, RDT&amp;E, and DWCF as applicable (see Chapter 7, paragraph 070202)</td>
</tr>
<tr>
<td>3. DoD-funded civilian retirement costs</td>
<td>O&amp;M, RDT&amp;E, and DWCF as applicable</td>
</tr>
<tr>
<td>4. Health and life insurance and other employee fringe benefits</td>
<td>O&amp;M, RDT&amp;E, and DWCF as applicable</td>
</tr>
<tr>
<td>5. Civilian unfunded retirement costs and post-retirement health benefits not funded by DoD appropriations</td>
<td>Miscellaneous Receipts Account 3041</td>
</tr>
<tr>
<td>C. Inventory Items</td>
<td></td>
</tr>
<tr>
<td>1. Non-excess procurement funded items which require replacement</td>
<td>Financing procurement appropriations, as applicable, current at the time items are dropped from inventory</td>
</tr>
<tr>
<td>2. Non-excess procurement funded item that is not to be replaced within the obligation availability of current procurement appropriations</td>
<td>Miscellaneous Receipts Account 3041 or SDAF</td>
</tr>
<tr>
<td>3. DWCF items, including the cost recovery elements for operating costs</td>
<td>DWCF</td>
</tr>
<tr>
<td>4. Excess procurement funded principal items</td>
<td>Funds items in accordance with Title 10, U.S.C. § 114(c)(2), Miscellaneous Receipts Account 3041</td>
</tr>
</tbody>
</table>
Table 3-1. Cost Elements (Continued)

<table>
<thead>
<tr>
<th>Cost Element</th>
<th>Appropriation Reimbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>D. Nonrecurring cost recoupment charges (Collected as a result of FMS)</td>
<td>Miscellaneous Receipts Account 3041</td>
</tr>
<tr>
<td>E. Transportation</td>
<td>Financing appropriation/fund current at the time transportation is supplied</td>
</tr>
<tr>
<td>F. LSC</td>
<td>FMS Trust Fund Administrative Account</td>
</tr>
<tr>
<td>G. DoD Royalty fee charges</td>
<td>Miscellaneous Receipts Account 3041</td>
</tr>
</tbody>
</table>
| H. Charges for the use of DoD assets (includes depreciation on purchased equipment) | Miscellaneous Receipts Account 3041  
Depreciation which is included in DWCF shop rates must be retained by the DWCF |
| I. Asset Use                                                                  | Miscellaneous Receipts Account 3041                                                     |
| J. FMS contract costs financed by DoD appropriation or fund accounts         | Financing procurement appropriation or DWCF, as applicable                               |
| K. Temporary Duty costs financed by appropriation or fund accounts            | O&M and RDT&E appropriations current at the time travel is performed, or DWCF, as applicable |
| L. Accessorial charge                                                         |                                                                                          |
| 1. Packing, crating, and handling (PC&H)                                      | FMS Trust Fund PC&H Account                                                               |
| 2. Transportation                                                             | FMS Trust Fund Transportation Accounts                                                   |
| M. FMS Administrative Surcharge                                              | FMS Trust Fund Administrative Account                                                    |
| N. FMS CAS Surcharge                                                         | FMS Trust Fund CAS Account                                                               |
| O. CAS (This is a combination of cost elements A, B, and K)                   | MILPERS, O&M, DWCF, or Miscellaneous Receipts Account 3041, as applicable                 |
| Q. Mailing fee, storage, and publications                                     | O&M or DWCF, as applicable                                                               |
| R. Inventory losses                                                           | Applicable procurement or DWCF, as applicable                                            |
| S. Attrition                                                                 | FMS Trust Fund Attrition Account                                                         |

Note: DoD Components must maintain internal records of the dollar amounts applicable to each category of collections deposited into Miscellaneous Receipts Account 3041. One decimal sub-account must be used for each type of collection. For example, 3041.3 might be used to designate dollar amounts applicable to non-recurring cost recoupment.
### SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated February 2020 is archived.

<table>
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<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>040203.D</td>
<td>Removed reference for Implementing Agencies to request and receive Expenditure Authority (EA) directly from the Defense Finance and Accounting Service, Security Cooperation Accounting.</td>
<td>Revision</td>
</tr>
<tr>
<td>040204</td>
<td>Clarified payment Activities are required to request and receive EA prior to providing the certification of a payment voucher to a Disbursing Officer citing the Foreign Military Sales Trust Fund.</td>
<td>Revision</td>
</tr>
<tr>
<td>Table 4-2</td>
<td>Added new table of rates for use in the computation of payment schedules for basic cases entered into the DSAMS on or after June 30, 2020, pursuant to DSCA Policy 20-22.</td>
<td>Addition</td>
</tr>
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CASH MANAGEMENT

0401 GENERAL

040101. Purpose

The purpose of this chapter is to provide policies to ensure cash is available to liquidate Foreign Military Sales (FMS) Trust Fund obligations, as disbursements are due. Funds appropriated by the Congress for defense purposes cannot be used to liquidate obligations resulting from the use of FMS Trust Fund contract authority, except as authorized by law. The FMS purchaser, U.S. Government (USG) appropriation made available to finance FMS Trust Fund purchases, or a third-party payer, must meet the cash requirements (outlay authority) of each FMS Trust Fund purchaser.

040102. Authoritative Guidance

The Arms Export Control Act (AECA), Public Law 90-629, as amended, codified as Title 22, United States Code, Chapter 39 provides the authority and general rules for FMS and commercial sales of defense articles, services, and training. Implementation information on cash management procedures can be found at the Security Assistance Management Manual (SAMM), Chapter 9, “Financial Policies and Procedures.”

0402 RESPONSIBILITIES

Executive Order 13637, “Administration of Reformed Export Controls,” delegates authority and responsibility for the administration and functions for Security Assistance (SA), from the President, to the Secretary of Defense and the Secretary of State. The authority of the Secretary of Defense is further delegated in the DoD Directive (DoDD) 5105.65, “Defense Security Cooperation Agency (DSCA),” to the Deputy Secretary of Defense, to the Under Secretary of Defense for Policy, and finally, to the DSCA Director.

040201. DSCA

DSCA is responsible for:

A. Ensuring adequate cash availability in the FMS Trust Fund to meet DoD’s financial requirements;

B. Identifying the specific issue and remedy should cash flow problems arise (e.g., collection of additional funds or other alternative financial arrangements, adjustments to ordered values, delivery timeframes, or ordered quantity);
C. Approving Standby Letters of Credit (SBLCs), Federal Reserve Bank of New York (FRBNY) accounts, and Commercial Bank Accounts (CBAs) as they may pertain to FMS financial requirements;

D. Calculating and approving, on a quarterly basis, the Termination Liability (TL) reserve amounts required to protect the USG against liability if a particular FMS-funded contract (or contract line item number (CLIN)) is terminated prior to completion;

E. Performing follow-up actions on SA Program arrearages;

F. Constructing standard payment schedules (to include any contract termination costs); and

G. Preparing special bills for those customers with approved special billing arrangements (SBAs).

040202. Defense Finance and Accounting Service (DFAS)

DFAS is responsible for:

A. Posting purchaser cash deposits within 2 business days of notification when the Defense Integrated Financial System (DIFS) is available. When DIFS is unavailable due to scheduled maintenance, update upon availability;

B. Posting disbursements by the 20th day of the following month to FMS case accounting records;

C. Reconciling summary trust fund-level account balances in DIFS with the U.S. Department of the Treasury (Treasury) balance in the Account Summary from the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS);

D. Assuring that approved cash expenditure authority (EA) requests do not exceed the FMS purchaser’s cash available balance in the FMS Trust Fund; and

E. Working with the accounting activities, contract payment offices, and certifying officers as appropriate to:

1. Ensure sufficient cash is available and approve EA requests above a country threshold prior to disbursing FMS funds, when requested;

2. Facilitate resolution, or resolve all rejects of EA to lessen Prompt Payment Act interest payments;

3. Resolve situations where EA was approved but returned without a disbursement; and
4. Ensure EA is obtained prior to processing a transfer, correction of charges against, or credits to the FMS Trust Fund using Standard Form (SF) 1080, Voucher for Transfers Between Appropriations and/or Funds, or SF 1081, Voucher and Schedule of Withdrawals and Credits.

040203. Implementing Agencies (IAs)

IAs are responsible for:

A. Providing information needed to the DSCA (Operations Directorate, Case Writing Division) for payment schedule preparation at the line level, in the Defense Security Assistance Management System (DSAMS). The IA will approve the schedule as part of the Letter of Offer and Acceptance (LOA) document coordination/signature process. Additional information on payment schedule preparation is in the SAMM, Chapter 9, paragraph C9.9.1;

B. Developing progress payment schedules or historical cost curves systematically for DoD major weapon systems (used to determine payment schedule distributions for procured materiel requiring progress payments to contractors), and reviewing the schedules or curves when the acquisition strategy changes;

C. Reviewing all case payment schedules, at least annually, in preparation for a formal review with the FMS purchaser, or when the case value adjusts by ten percent or more;

* D. Requesting and receiving EA approval prior to processing a disbursement citing the FMS Trust Fund;

E. Resolving problem disbursements using the authorities found in Volume 3, Chapter 11;

F. Validating obligations in accordance with the requirements found in Volume 3, Chapter 8, section 0803; and

G. Performing case reviews including reviewing and reconciling general case and delivery-related data, expenditures/disbursements, and USG financial requirements.

1. If payment schedules are inadequate to meet USG financial requirements, the IA must promptly notify the responsible DSCA Country Financial Director, DFAS Security Cooperation Accounting (SCA), and the FMS purchaser of the additional requirements. The IA must also follow-up on this notification by issuing a revised payment schedule via an LOA modification.

2. During the annual review of the case, if payment schedules overstate USG financial requirements due to delays in contract award, delivery slippages, or other reasons, the IA must issue a revised payment schedule via an LOA modification. The IA is responsible for ensuring that the USG does not prematurely collect customer funds.
*040204. Payment Activities

Payment Activities are defined as the entities responsible for the payment of invoices either to commercial vendors or payees, or for executing intragovernmental payments or collections. Payment Activities are responsible for requesting and receiving EA approval prior to the certification to a disbursing officer of a voucher for a commercial payment, or an intragovernmental payment or payment refund, which cites the FMS Trust Fund.

0403 CASH MANAGEMENT CHARACTERISTICS

040301. Cash in Advance

The FMS purchaser must make cash deposits into the FMS Trust Fund, a DSCA-approved Federal Reserve Bank (FRB), or DSCA-approved CBA for defense articles and services sold under AECA, §§ 21, 22, and 29 in advance of delivery, performance, or payments to contractors, except as provided in subparagraphs 040301.C-D. Foreign Military Financing (FMF) and other USG appropriations used to finance a sale executed in the FMS Trust Fund must also make advance cash collections.

A. AECA § 2761, Sales from Stocks. Payment must be made in advance, unless the President determines it to be in the national interest for payment to be made upon delivery of the article or performance of the service.

B. AECA § 2762, Procurement for cash sales. Without charge to any appropriation or contract authorization otherwise provided, the President may enter into contracts for the procurement of defense articles, defense services, or design and construction services in U.S. dollars, to any foreign country or international organization, if such country or international organization provides the USG with a dependable undertaking:

1. To pay the full amount of such contract that will assure the USG against any loss on the contract; and

2. To make funds available in such amounts, and at such times, as may be required to meet the payments required by the contract and any damages and costs that may accrue from the cancellation of such contract, in advance of the time such payments, damages, or costs are due.

C. AECA § 2761(d) Exception. The President may determine that delayed payment is in the national interest, and allow payment to be made without interest within 60 calendar days after delivery of defense articles from stock or rendering of in-house defense. In addition, the President may extend the 60 calendar day period to 120 calendar days if the President determines an emergency exists.
D. AECA § 2762(b) Exception

1. Payment within 120 calendar days after delivery of procured defense articles or rendering of procured defense services requires the following Presidential determinations:

   a. It is in the national interest to issue letters of offer under this authority, and

   b. The emergency requirements of the purchaser for the acquisition of such defense articles and services exceed the funds available to the purchaser to make payments on a dependable undertaking basis.

2. Both determinations in subparagraph 040301.D.1, together with a special emergency request for authorization and appropriation of additional funds to finance such purchases under the AECA, are submitted to Congress for approval.

E. Initial Deposit. An initial deposit must accompany the accepted LOA to provide the cash advance required to cover the outlays and/or deliveries anticipated until receipt of the first quarterly payment. Several factors affect the initial deposit. On an exception basis, DSCA may approve emergency implementation of an FMS case. The initial deposit may be deferred to a later date agreed to by both the FMS purchaser and DSCA. Refer to the SAMM, Chapter 9, section C9.9 for initial deposit requirements.

F. Billing. DFAS SCA prepares FMS bills on a quarterly basis. The bills include information as of the end of December, March, June, and September. Payments are due on March 15, June 15, September 15, and December 15. DSCA must approve any deviations from this schedule. The bills must include the cash requirements for the calendar quarter following the payment due date. For example, a bill prepared with December data (due March 15) is to project cash requirements through June. Thus, the deposit for an LOA accepted in January would be the cash required through June, or 6 months of advance cash requirements. See Chapter 8 for a full discussion of the FMS billing process.

040302. FMS Trust Fund

The FMS Trust Fund is managed as a single cash entity, regardless of the source of the deposits. All FMS Trust Fund deposits are accounted for at purchaser and FMS case level by source of financing. Examples of funds include FMF (FMS Credit and FMS Credit (non-repayable)) and the Military Assistance Program (MAP) Merger. Examples of other types of funds are a purchaser’s national funds, which include third-party funds, and other DoD appropriated funds.
040303. SA and Security Cooperation (SC) Funds

The USG may provide SA or SC funds annually to selected allied or friendly countries to finance the purchase of U.S. defense articles and services. It is, therefore, in the USG’s interest to use and manage these limited funds as effectively as possible.

A. In determining the order of funds to be paid into the FMS Trust Fund, DSCA normally draws down MAP Merger funds up to the amount reserved for each case prior to using available FMF funds, followed by requesting the FMS purchaser to use other funds. Likewise, MAP Merger funds on deposit in the FMS Trust Fund will be expended prior to FMF funds, followed by the expenditure of the purchaser’s national funds.

B. SA funds that become excess due to FMS case reduction or closure may be reapplied to other FMS cases with DSCA approval. However, FMS Credit Funds must not be refunded to the FMS purchaser unless those funds originated from loans, have been fully repaid by the FMS purchaser, and no delinquent accounts receivable exist.

C. SC funds are USG appropriations made available in furtherance of the Building Partner Capacity (BPC) efforts. These funds are deposited into the FMS Trust Fund to enable the acquisition and delivery of articles and services for this purpose. Usually, BPC funds cannot be co-mingled with SA funds on any FMS case.

040304. SBLC

DSCA is authorized to approve an SBLC arrangement instead of the TL prepayment requirements described in subparagraph 040501.B. An FMS purchaser, with prior approval from DSCA, may provide DSCA with a properly executed, separate SBLC to cover uncollected TL amounts for a billing quarter. In such an event, it will be necessary to deposit into the FMS Trust Fund only the amount of funds needed to cover anticipated expenditures and disbursements during the billing cycle. Refer to SAMM, Chapter 9, paragraph C9.9.1 and/or contact DSCA (Country Financial Management Division) for details on an SBLC.

040305. FRB Accounts

A. DSCA is authorized to enter into a national funds investment account agreement with an FMS purchaser and the FRBNY for any country that finances all or a significant part of its FMS programs with national funds. The FRBNY accounts will normally not be considered for a country that finances FMS programs primarily with SA funds.

B. Upon account establishment, DSCA must compute the amount of funds to be transferred from the FMS Trust Fund to the purchaser’s FRB investment account. After the establishment of the investment account, the purchaser remits all national funds payments to the FRBNY, usually identified to specific FMS cases. Payments made from FMF (FMS Credit (non-repayable) only) funds will made directly to the FMS Trust Fund unless otherwise specified in U.S. law and/or DSCA policy.
C. DFAS SCA is authorized by the account agreement to make periodic drawdowns, as needed (usually monthly), from the FRBNY account into the FMS Trust Fund, to ensure sufficient funds are available to make payments during the succeeding 30 calendar days.

040306. CBAs

In accordance with DoDD 5105.65, DSCA is authorized to enter into a national funds investment account agreement with an FMS purchaser who has a duly authorized CBA agreement with a commercial bank. This agreement allows the FMS purchaser to deposit FMS payments into a CBA and earn interest. DSCA manages the CBAs, which operate like the FRBNY accounts. However, funds originating from USG appropriations (e.g., FMF funds (repayable and non-repayable credits) or BPC cases) must not be deposited in this account, and TL amounts must not reside in the CBA. Any deviations must have DoD Office of the Deputy Chief Financial Officer written approval. The USG is not liable for any financial losses resulting from the deposits of the FMS purchaser’s funds in the account. However, funds so deposited are considered public funds within the meaning of Title 31, Code of Federal Regulations, part 202. Depositories and Financial Agents of the Federal Government. For specific details regarding CBA agreements, refer to SAMM, Chapter 9, Section C9.11.3.

040307. Disbursements

All cash disbursements for FMS Trust Fund purchases must be identified by FMS case identifier and line, and must not exceed the cash available in the purchaser’s FMS Trust Fund account (to include MAP Merger and FMF funds). A specific case may be in a deficit cash position with the deficit being funded by the purchaser’s cash advances on other cases. The cash deposited by country “X,” however, must not be used to liquidate obligations incurred for country “Y” unless an FMS Trust Fund purchaser authorizes the use of its excess cash deposits to meet the cash requirements of another purchaser. A reportable adverse financial condition exists when a single purchaser’s FMS Trust Fund cash summary account is in a deficit position (credit balance). See Chapter 3, section 0312 for more information on adverse financial conditions.

0404 PAYMENT SCHEDULES

Payment schedules are a consolidated formal presentation to the FMS purchaser of the estimates of cash advances needed to meet USG financial requirements. See section 0405 for cash requirement calculations. The Department of Defense (DD) Form 645, FMS Billing Statement, reflects the amounts shown on the current case payment schedule or the quarterly forecast of USG financial requirements, whichever is greater. If financial requirements or anticipated disbursements exceed the current payment schedule, or SBAs have been negotiated, the billing statement, not the payment schedule, contains the required payment amount. The IA must continually monitor USG financial requirements and confirm, at least annually, that payment schedules are accurate to ensure cash is available in an FMS purchaser’s trust fund account when disbursements are needed. The DSCA Financial Policy and Analysis Division is responsible for issuing detailed guidance for payment schedule preparation. See SAMM, Chapter 9 for more information on payment schedule preparation and billing requirements.
040401. Requirements

Payment schedule requirements will be included in each LOA in the format required in the SAMM, Chapter 9, section C9.9.

040402. Timing

As a standard, new sales agreements can enter the billing system at DFAS SCA through the 10th calendar day of the last month of the quarter. Therefore, if a new agreement is anticipated to be accepted by the purchaser and received by DFAS SCA after the 10th calendar day of the last month of the quarter, the DoD Component should require an initial deposit for the first two quarters of the agreement.

040403. Initial Deposit

If an LOA requires a deposit upon acceptance, the deposit must equal the FMS administrative surcharge required, plus all anticipated costs and contingencies (e.g., contract holdback and TL), until the first billing statement can be rendered and monies collected.

040404. Payment Schedule Revision

It is essential to prepare payment schedule revisions in the manner consistent with the parameters of the FMS billing cycle. Since the payment schedule is the basis for billing the FMS purchaser, there must be an audit trail between the original payment schedule and any revision(s).

A. IA case managers are required to initiate payment schedule revisions when the LOA acceptance date is extended beyond the end of the billing quarter, to ensure that the purchaser has an LOA document that matches the payment schedule created in the billing system.

B. The payment dates shown on the revised payment schedule must be compatible with the FMS billing cycle. The payment schedule dates are in the SAMM, Chapter 9, Table C9.T13.

C. Payment schedule revisions due to an amendment (change in scope) or a modification must be in accordance with subparagraphs 040203.G.

0405 CASH REQUIREMENT CALCULATIONS

040501. Calculation of Initial Estimate of Cash Needed

Calculation of the cash advance needed to meet the USG financial requirements for a specific FMS case requires dividing the costs into broad cost categories. The first category is the portion of case value under the authority of AECA § 21, which includes sales from DoD inventories and the services of DoD personnel. The second category is the portion of case value under the authority of AECA § 22, which includes procurement of hardware or contractor services.
for the FMS purchaser. The third category is the portion of the case under the authority of AECA § 29, which involves rendering design and construction services from DoD resources.

A. Initial Estimates of Cash Needed to Meet USG Financial Requirements in Support of the AECA § 21 Effort, When Dependable Undertaking is Authorized. The cash advance needed to meet USG financial requirements for the portion of the case classified as an AECA § 21 sale must include the estimated earned reimbursements to be realized by DoD appropriation/fund accounts through the 3-month period after the payment due date of the billing statement issued by DFAS SCA.

1. Sales From Inventory. The drop from inventory creates the earned reimbursement, to include applicable administrative surcharges and accessorial charges. Therefore, the applicable FMS case manager will develop the estimated portion of cash needed to meet USG financial requirements based on anticipated requisition release dates.

2. Sales of DoD Services. Base the estimates of earned reimbursement for DoD services provided directly to the FMS purchaser, and for DoD services provided in support of an AECA § 22 contract, on the estimated portion of the services that will occur in the applicable billing period. Services also include applicable administrative surcharges and accessorial charges.

B. Initial Estimates of Cash Needed to Meet USG Financial Requirements in Support of the AECA § 22 and § 29 Effort, When Dependable Undertaking is Authorized

1. The cash advance needed to meet USG financial requirements for the portion of a case classified as an AECA § 22 or § 29 sale, must include estimated disbursements to contractors for contractor invoices and potential disbursements to contractors if the purchaser does not make additional cash deposits in a timely manner, or the purchaser unilaterally cancels the case. Potential disbursements to contractors include payment of contract holdbacks and termination costs that would result if the work were stopped when the cash available to pay contractor invoices is exhausted. The estimate of cash advance needed to meet USG financial requirements covers the period extending through the 3-month period after the payment due date of the FMS billing statement.

2. Base the cash advances needed to meet USG financial requirements in support of procurements for FMS purchasers on normal administrative and procurement lead-times for the type of commodity being procured. The use of progress payment schedules from contractors, when available, is preferred over relying on default cost curves when developing LOA payment schedules. Tables 4-1 and 4-2 show the total cash advance needed to meet USG financial requirements for contracts in terms of percentage of contract costs. The percentages are a function of procurement lead-times. Tables 4-1 and 4-2 also show the percentage of the contract value required as a reserve for potential termination costs and contract holdback in the absence of an SBLC.

a. Potential termination costs represent the liability the USG has to contractors in the event termination occurs. Such costs include all accrued direct and indirect costs, as well as profits and subcontracts not covered by progress payments to the contractor, plus
any penalty contract termination charges that might be realized. Potential termination costs do not include price increases to other ongoing contracts resulting from reductions in procurement quantities.

b. In the absence of procurement history for a particular system, a similar system, or cost curves obtained from the prime contractor, Tables 4-1 and 4-2 may be used. The IAs must first exhaust all other avenues for obtaining forecasting or historical data from contractors and internal sources prior to using Tables 4-1 and 4-2 as the basis for calculating expenditure and TL prepayment requirements.

c. The percentages in Tables 4-1 and 4-2 are for procurement lead-times ranging from 6 months to 60 months. The tables may be used for the development of payment schedules included in the LOA. The percentage figures shown in Tables 4-1 and 4-2 include all applicable costs (e.g., progress payment amounts, contractor holdback, and potential TL). The amount of the cumulative monthly payment applicable to the TL/contractor holdback is shown in the second column (% TL) for each procurement lead-time.

d. The TL/contractor holdback amount is a percentage of the Cumulative Amount of Contract Cost. TL/contractor holdback amounts are cumulative throughout the life of the case, and the required percentages decline toward the end of the life of the case.

040502. Administrative Surcharge Included in Initial Deposit

The initial deposit to accompany the LOA must include the FMS administrative surcharge expense and the cash advance needed to meet USG financial requirements (to include other applicable surcharges and accessorial charges) for the time between LOA acceptance and the first payment due date. The FMS administrative surcharge amount included in the deposit is determined by the total amount of the surcharge.

A. For cases where the calculated administrative surcharge is $30,000 or less, the entire administrative surcharge value is recouped as part of the initial deposit. For cases that have a Small Case Management Line (SCML), the entire value of the administrative surcharge and SCML is recouped as part of the initial deposit (refer to SAMM, Chapter 9, paragraph C9.4.7, for more information on SCML).

B. For cases where the calculated administrative surcharge is greater than $30,000, one-half of the administrative surcharge is recouped as part of the initial deposit. The remainder is proportionally recouped based on the dollar value of items or services delivered in each subsequent year.

040503. Estimate of Cash Needed to Collect Nonrecurring Cost (NC) Recoupment Charges

NC Recoupment Charges are earned when the title is passed to the FMS purchaser and should be collected within 30 calendar days of being earned. The title is normally transferred at
the point of origin, at the time DoD releases the item from DoD’s inventory, or at the time the vendor ships the item. Refer to SAMM, Chapter 7, section C7.3 for more information on title transfers.

040504. Forecasting Procedures

Alternative forecasting procedures may be used for requisition cases (i.e., Cooperative Logistics Supply Support Arrangement and other repair parts cases). Most payment schedules for these cases tend to be overstated because of variations in both requisitioning and supply actions. To prevent substantial over-billing, each IA must review and update payment schedules in accordance with subparagraph 040203.G.2.

0406 QUARTERLY TL RESERVE REQUIREMENT

TL Reserve is the amount of prepayments placed in reserve on a quarterly basis. For FMS purchasers with an FRB account, the TL Reserve is maintained in their FRB account, provided sufficient funds are on deposit in the FRB to cover the TL reserved amount. Otherwise, the FMS purchaser’s Trust Fund TL Reserve Account will be utilized. The TL Reserve is not an additional charge or cost. These funds are fenced for potential termination costs; however, they do not necessarily represent the entire cost to cancel the contract. These funds cannot be used for normal disbursement activities (e.g., to pay for articles/services, administrative surcharges, or accessorial charges).

0407 CONTRACTOR REQUEST FOR PROGRESS PAYMENTS AND REIMBURSEMENT OF COSTS UNDER CONTRACTS INCLUDING FMS REQUIREMENTS

Current contracting procedures permit the procurement of both DoD and FMS purchaser(s) requirements in a single contract. Allocate the amount to be billed to DoD and to each FMS purchaser to implement FMS cash flow requirements. The part of the bill applicable to an FMS purchaser can be paid only to the extent that the FMS purchaser has sufficient cash available in its FMS Trust Fund account.

040701. Contractor Allocations

Per the Defense Federal Acquisition Regulation Supplement, part 252.232-7002, “Progress Payments for Foreign Military Sales Acquisitions,” DoD contracts that include FMS requirements must require the contractor to:

A. Submit a separate progress payment request for each progress payment rate;
B. Submit a supporting schedule showing:
   1. The amount of each request distributed to each country’s requirements, and
2. The total price per contract line item applicable to each separate progress payment rate;

C. Identify in each progress payment request the contract requirements to which it applies (i.e., FMS or USG);

D. Calculate each request on the basis of the prices, costs (including costs to complete), subcontractor progress payments, and progress payment liquidations of the contract requirements to which it applies; and

E. Distribute costs among contract line items and countries in a manner acceptable to the Administrative Contracting Officer.

040702. Allocation of Payments on Contracts

Allocate progress payments in accordance with Volume 10, Chapter 10, paragraph 100402. In addition, DoD contracts that include FMS requirements must identify amounts by accounting classification reference numbers (ACRNs), CLINs, and sub-line item numbers (SLINs), if applicable. This will enable the paying office to match payments to the applicable obligations.

040703. Contract Payment Offices

The contract payment offices must require that all bills submitted by contractors for payment include the proper ACRN/CLIN/SLIN. Contract payment offices must ensure they have all the documentation required to support payment (refer to Volume 10, Chapter 8, section 0803), and that payments are applied to the proper ACRN/CLIN/SLIN.

0408 DEPOSIT OF PURCHASER CASH INTO TREASURY ACCOUNTS

040801. General

DD 645s, SBAs, and LOA financial instructions direct that foreign purchasers forward payments (initial deposits on basic LOAs, amounts due with LOA amendments, or official billing statement payments) by wire transfer or mailed check.

A. Wire transfers are the preferred method for the foreign purchaser to forward payments.

1. Send wire transfers to the Treasury Account at FRBNY, using the standard Federal Reserve Funds Transfer format. The Federal Reserve System (FRS) will accept wire transfers only from banks that are members of FRS. Foreign banks must go through a U.S. correspondent bank that is a member of FRS.

2. DFAS SCA retrieves wire transfers daily from the Treasury Financial Communications System and prepares collection vouchers from this data for crediting FMS purchasers.
B. Make checks payable to the U.S. Treasury and mail to Disbursing Operation (DFAS-IN/JFD), DSSN 3801 Center Collections - SCA, 8899 E. 56th Street, Indianapolis, IN 46249-6300, showing payment from (insert purchaser) for (insert case identifier). Any recipient of a check from an FMS purchaser is responsible for depositing the check into a Treasury account within one working day of receipt.

040802. Misrouted Payments

When a recipient other than DFAS SCA is making a check deposit, the deposit must be processed as a courtesy deposit for DFAS SCA. The following procedures apply:

A. Prepare a deposit ticket utilizing the Over the Counter Channel (OTCnet) application. For information on OTCnet see Volume 5, Chapter 11, section 110801;

B. Process the deposit through an FRB or supporting member bank; and

C. Send a copy of the deposit ticket notification to DFAS-IN/JAX, ATTN: Customer Accounting, 8899 East 56th Street, Indianapolis, IN 46249-6300. Attach the supporting documentation received with the misrouted payment. DFAS SCA must voucher the collection into the FMS Trust Fund on receipt of the supporting documentation.

0409 EA

EA is an FMS country-level authority, which allows payments to be made against obligations previously recorded against a country’s trust fund account. EA is formal segregation of trust fund cash in the FMS Trust Fund, making the cash no longer available for any other purpose.

040901. EA Requirements

A. Most country trust fund disbursements require EA (including expenditure adjustments). All EA for administrative fund disbursements is accomplished by DFAS-IN/SCA.

B. Certifying officers engaged in FMS Trust Fund certification must verify EA was obtained. EA can be obtained by contacting DFAS SCA, or interactively from DIFS.

C. DFAS SCA can only approve and issue EA when sufficient cash is available in an FMS purchaser’s trust fund account.

D. EA must be obtained during the same calendar month in which the ensuing disbursement will be made.

E. If the disbursement is not made in the same month as the EA request, the EA must be returned and reissued the subsequent month.
F. Failure to request EA prior to disbursement is subject to reporting and disciplinary requirements. Administrative control of funds and Antideficiency Act violations are outlined in Volume 14.

040902. Cash Advances

A cash advance to an appropriation account must be obtained when a cash disbursement for an FMS contract would result in the applicable appropriation account being placed in a negative cash position. The amount requested must be equal to anticipated disbursing demands for a 30 calendar day period. Liquidation of outstanding advances (earning the advance through payment to contractors) must be reported to DFAS SCA monthly. The objective is to limit the amount and length of time that outstanding advances remain against the trust fund.

040903. Cash Flow Problems

DFAS SCA notifies the DSCA Country Financial Director when sufficient, unencumbered cash is not available for DFAS SCA to provide cash advances or EA, and contractor billings cannot be paid by the due date. The DSCA Country Financial Director then takes appropriate action as outlined in subparagraph 040201.B.
Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered before June 30, 2020

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4-18
Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered before June 30, 2020 (Continued)

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Table 4-1. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered before June 30, 2020 (Continued)

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**Table 4-2. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered on or after June 30, 2020**

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Table 4-2. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered on or after June 30, 2020 (Continued)

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Table 4-2. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered on or after June 30, 2020 (Continued)

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Table 4-2. Cumulative Monthly Payment Schedule and TL Percentages (As a percentage of contract cost) for basic cases entered on or after June 30, 2020 (Continued)

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**VOLUME 15, CHAPTER 6: “CASE FILES”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated October 2017 is archived.

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<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
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<td>Added instruction to contact the appropriate Federal Agency Records Officer for more detailed guidance on records retention policy.</td>
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<td>Key Planning Milestones Template</td>
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CHAPTER 6

CASE FILES

0601 GENERAL

060101. Overview

A. National Archives and Records Administration (NARA). Within the Federal Government, NARA is responsible for promulgating procedures for the disposal of all U.S. Government (USG) records. The NARA Records Management Program provides guidance and assistance for the management and disposition of Federal records in the General Records Schedules (GRS).

B. Department of Defense (DoD) Records Management Program. The DoD Records Management Program outlines records management policy and responsibilities. Within DoD, there are 24 Records Management Programs, each with an appointed Federal Agency Records Officer, Records Management Manual, Instruction or Regulation, and Records Disposition Schedules (RDS). DoD’s RDS must comply with NARA guidelines and may include additional financial records used in DoD business operations that are not listed in the NARA GRS.

1. DoD requires documentation to be retained for longer than the NARA requirement if the documentation will be used to support an audit. See Volume 1, Chapter 9, Figure 9-1 for more information.

2. The Defense Security Cooperation Agency (DSCA) may issue exceptions to retention periods if there is a determination that Security Cooperation cases (hereafter "case files"), are needed for any other business purpose that may require access to the documentation (e.g., records associated with ongoing litigation proceedings and country suspensions). Consult your DoD-appointed Federal Agency Records Officer for additional guidance regarding Foreign Military Sales (FMS) records retention.

C. Case Files. Case files may be maintained in a decentralized manner by the various activities having responsibility for actions associated with the case. Each activity must maintain a comprehensive record of relevant correspondence, worksheets, and officially prepared forms that constitute a complete audit trail from the time of case initiation through case closeout or retirement.

D. Electronic Files. Reference to the Defense Security Assistance Management System (DSAMS) and other electronic files (including e-mail correspondence and compact disk read-only memory) is encouraged, provided such files are complete, secure, and readily retrievable. Electronic imaging is strongly encouraged to preserve documentation (e.g., historical documents and signature pages), when retention of the paper originals, or a copy of such documents, is materially expensive but necessary to protect USG interests.
E. **Supporting Documentation.** The case manager must maintain a directory of supporting documentation locations. All supporting documentation must be reviewed carefully prior to disposal or retirement. In addition, coordinate with your DoD-appointed Federal Agency Records Officer for appropriateness and any potential litigation holds. A closed case from an FMS purchaser perspective may remain open from a DoD accounting perspective.

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0601.02 Purpose

This chapter establishes guidance on maintaining documents for case files. The guidance is designed to facilitate uniformity of case file maintenance and ensure that all necessary documentation is readily available and retrievable by the appropriate activities. All policy applies regardless of storage media (i.e., electronic and/or hard copy).

0601.03 Authoritative Guidance

Authorities for case file policy include:


C. NARA, *GRS 1.1*, “Financial Management and Reporting Records,” which maintains FMS minimum document retention requirements; and

D. *DoD Instruction 5015.02*, “DoD Records Management Program.”

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0602 CONCEPTS AND REQUIREMENTS

0602.01 General

A. Maintain case files in official folders, uniformly titled, and filed by section as discussed in paragraph 060301. When more than one file folder is required, the folders must be appropriately numbered (e.g., 1 of 2 or 2 of 2). The documents placed in each folder must be maintained in chronological sequence by section.

B. When a case is implemented, each implementing DoD Component must identify and direct which supporting activities are to maintain the required documentation on file. For example, a copy of the Letter of Offer and Acceptance (LOA) may be on file with several activities, while the Quarterly Requisition Report (QRR) applicable to that case would have a more limited distribution.

C. Certain records associated with a case may be voluminous listings that are too large to be printed and placed in official folders. Instead of filing the listing in the folder annotate on the General Information Cover Sheet, or within the file itself, where such electronic
information is located. The purpose of filing such documents, or cross-referencing notes to such documents, is to maintain the integrity of the case audit trail and to consider all applicable information during case execution and at case closure.

D. The uniform case folder, as outlined in section 0603, lists those documents considered to be of primary relevance on a DoD-wide basis. DoD Components may also wish to include additional documents as part of the case file. The inclusion of such documents is encouraged, and it is recommended that they be filed in the form of numbered appendices following in sequence after the required sections.

E. The value of the uniform case folder is in maintaining a complete and accurate record for audit purposes and ensuring a standard and systematic approach to case file maintenance. With management support, it may also serve as a checklist of planned and completed actions, thereby facilitating the case execution and closure process. In addition, the existence of a comprehensive and well-maintained file facilitates supervisory reviews and brings greater efficiency to the transfer of ongoing case management responsibilities.

060202. Responsibilities

Each DoD Component, and Defense Finance and Accounting Service Security Cooperation Accounting (DFAS SCA), is responsible for maintaining its respective portion of the case file as required in Section 0603.

0603 UNIFORM CASE DOCUMENTATION

060301. Documentation Requirements

The minimum required documentation for complete and effective case management includes the following sections:

A. General Information Cover Sheet: see Table 6-1,

B. Letter of Request (LOR) Documentation: see Table 6-2,

C. Planning Information: see Table 6-3,

D. Security Assistance (SA) Survey Documentation: see Table 6-4,

E. FMS Contractual Instruments Documentation: see Table 6-5,

F. Financing Arrangements Documentation: see Table 6-6,

G. Financial Control Documentation: see Table 6-7,

H. Implementation Directives Documentation: see Table 6-8,
I. DSAMS and DSCA 1200 System Update Documentation: see Table 6-9,
J. Case Execution Documentation: see Table 6-10,
K. Special Logistics Documentation: see Table 6-11,
L. Accessorial Charges Documentation: see Table 6-12,
M. Government Furnished Materiel (GFM) Documentation: see Table 6-13,
N. FMS Billing Documentation: see Table 6-14,
O. Supply Discrepancy Report (SDR) Billing Documentation: see Table 6-15,
P. Review Information: see Table 6-16,
Q. Case Closure Documentation: see Table 6-17, and
R. Reopened Case Documentation: see Table 6-18.

*060302. Documentation Maintenance and Disposition

The documentation must be accumulated throughout the life of the case from inception through final case closure. Implementing Agencies (IAs) may retire, but not destroy, closed case file records to document storage areas upon final case closure by DFAS SCA. DFAS SCA may retire, but not destroy, closed case file records, including delivery listings, no earlier than one year from the date of the latest case-related correspondence with the purchaser or final case closure, whichever is later. The IAs and DFAS SCA must maintain an accurate record of the location of all retired records to ensure they can be located as needed. For more detailed guidance on records retention policy, consult the appropriate DoD-appointed Federal Agency Records Officer using the link provided in subparagraph 060101.B.
Table 6-1. General Information Cover Sheet

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</tr>
<tr>
<td>b) Phone number</td>
</tr>
<tr>
<td>c) E-mail address</td>
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<tr>
<td>d) Dates of tenure if responsibilities are transferred from one individual to another during the life of the case</td>
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<td>2) International Logistics Control Office</td>
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<td>3) DFAS SCA</td>
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<td>C. Others as required</td>
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<td>2) Procurement office focal point</td>
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<td><strong>3. Key planning milestones; see Figure 6-1 for an example</strong></td>
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<td><strong>2. Correspondence and other information relative to primary inquiry</strong></td>
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<td>2. LOA data used to prepare the LOA format</td>
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<tr>
<td>B. Internal memoranda/worksheets</td>
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<tr>
<td>C. Financial analysis and termination liability reserve data</td>
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<td>D. Methodology for computing the payment schedule reflected in the LOA</td>
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<tr>
<td>E. Pricing data (e.g., DSAMS Document Pricing Calculations Report - RP069)</td>
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<td><strong>4. Correspondence related to exceptions or waivers (e.g., nonrecurring cost recovery)</strong></td>
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<tr>
<td>1. Congressional notification documentation</td>
</tr>
<tr>
<td>2. LOA</td>
</tr>
<tr>
<td>3. Amendment(s) to the LOA</td>
</tr>
<tr>
<td>4. Modification(s) of the LOA</td>
</tr>
<tr>
<td>5. Any memoranda of understanding or memoranda of agreement relating to the LOA, amendments, or modifications</td>
</tr>
<tr>
<td>6. Correspondence relative to internal review(s)/coordination</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>7. Correspondence/letters of transmittal to purchaser and acceptance of the LOA</td>
</tr>
</tbody>
</table>

Table 6-6. Financing Arrangements Documentation

<table>
<thead>
<tr>
<th>Financing Arrangements Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Financing agreements</td>
</tr>
<tr>
<td>2. North Atlantic Treaty Organization country-to-country agreements</td>
</tr>
<tr>
<td>3. Requests and approvals for special waivers from routine loan conditions</td>
</tr>
<tr>
<td>4. FAR/Defense Federal Acquisition Regulation Supplement exception requests and approvals</td>
</tr>
<tr>
<td>5. Contract administration support waiver requests and approvals</td>
</tr>
</tbody>
</table>

Table 6-7. Financial Control Documentation

<table>
<thead>
<tr>
<th>Financial Control Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Request and Approval of Department of Defense (DD) Form 2060, FMS Obligational Authority (or automated system equivalent)</td>
</tr>
<tr>
<td>2. DD 2061, FMS Planning Directive (or automated system equivalent), see Chapter 2, Figure 2-4 for an example</td>
</tr>
<tr>
<td>3. Expenditure authorizations</td>
</tr>
<tr>
<td>4. Documentation concerning DoD Component internal allotments or delegations of obligational and expenditure authorizations</td>
</tr>
<tr>
<td>5. Final Defense Integrated Financial System Financial Management Worksheet, as applicable</td>
</tr>
</tbody>
</table>
Table 6-8. Implementation Directives Documentation

<table>
<thead>
<tr>
<th>Implementation Directives Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. FMS program/case directives</td>
</tr>
<tr>
<td>2. Program management plans</td>
</tr>
<tr>
<td>3. Implementing project directives</td>
</tr>
<tr>
<td>4. Implementation letters</td>
</tr>
<tr>
<td>5. Amendments or updates to #1-4</td>
</tr>
</tbody>
</table>

Table 6-9. DSAMS and DSCA 1200 System Update Documentation

<table>
<thead>
<tr>
<th>DSAMS and DSCA 1200 System Update Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copies of worksheets or other evidence that the DSAMS and DSCA 1200 systems were updated at the appropriate times</td>
</tr>
</tbody>
</table>

Table 6-10. Case Execution Documentation

<table>
<thead>
<tr>
<th>Case Execution Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Documents substantiating annual financial and logistical reconciliation (see Chapter 7)</td>
</tr>
<tr>
<td>2. Documents substantiating payment schedule revisions (see Chapter 4) to include purchaser-requested schedules (and approvals)</td>
</tr>
<tr>
<td>3. Purchase requests</td>
</tr>
<tr>
<td>4. USG contracts with commercial vendor</td>
</tr>
<tr>
<td>5. Work requests and project orders</td>
</tr>
<tr>
<td>6. Military Interdepartmental Purchase Requests</td>
</tr>
<tr>
<td>7. Internal billing documentation (e.g., Standard Form 1080, Voucher for Transfers Between Appropriations and/or Funds; DD 250, Material Inspection and Receiving Report (or automated system equivalent); temporary duty orders/vouchers)</td>
</tr>
<tr>
<td>8. Requisition Document Control Listings (e.g., QRR and the annual consolidation of the QRR)</td>
</tr>
<tr>
<td>9. Receipt document from FMS purchaser or purchaser's representative (a freight forwarder), with official purchaser signature</td>
</tr>
<tr>
<td>10. Invitational travel orders</td>
</tr>
</tbody>
</table>

Table 6-11. Special Logistics Documentation

<table>
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<tr>
<th>Special Logistics Documentation</th>
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<tbody>
<tr>
<td>1. Cooperative Logistics Supply Support Arrangements FMS Order I Equity Listing</td>
</tr>
<tr>
<td>2. Concurrent Spare Parts listing</td>
</tr>
<tr>
<td>3. Other (e.g., Air Force Security Assistance Management Integration System local management reports)</td>
</tr>
</tbody>
</table>
Table 6-12. Accessorial Charges Documentation

<table>
<thead>
<tr>
<th>Accessorial Charges Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicable documentation to substantiate the reporting of actual (instead of the estimated percentage) packing, crating, handling, and transportation (PCH&amp;T) costs</td>
</tr>
</tbody>
</table>

Table 6-13. GFM Documentation

<table>
<thead>
<tr>
<th>GFM Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Note:</strong> The inclusion of GFM as part of a case requires special attention from a financial standpoint since the GFM becomes a part of the major item being procured. Unless this information is included as part of another section, this section should have the documentation listed in #1-3.</td>
</tr>
<tr>
<td><strong>1.</strong> Listing, by contract number, of contracts under which GFM may be requisitioned by contractors</td>
</tr>
<tr>
<td><strong>2.</strong> Listing of GFM by requisition or document numbers</td>
</tr>
<tr>
<td><strong>3.</strong> Worksheets/backup data showing that PCH&amp;T costs for other than Defense Working Capital Funds items has been added to the base price of GFM</td>
</tr>
</tbody>
</table>

Table 6-14. FMS Billing Documentation

<table>
<thead>
<tr>
<th>FMS Billing Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Note:</strong> The detailed nature and size of this documentation may render inclusion in the case folder impractical. In such instances, it is sufficient to maintain a local record or checklist showing that the documentation and lists have been reviewed, as necessary, to monitor progress, detect errors, and perform satisfactory financial oversight.</td>
</tr>
<tr>
<td><strong>1.</strong> DD 645, FMS Billing Statement, and FMS Delivery Listing and financial forecast attachments. Replies to purchaser requests for adjustments are filed in a subsequent section. Include any documents pertaining to special billing arrangements directly associated with the case.</td>
</tr>
<tr>
<td><strong>2.</strong> DFAS SCA-prepared Command Pay Listing (if filed in the case file folder)</td>
</tr>
<tr>
<td><strong>3.</strong> Documentation relating to delivery transactions</td>
</tr>
<tr>
<td><strong>4.</strong> DFAS SCA worksheets and correspondence maintained in the case file folder appendices</td>
</tr>
<tr>
<td><strong>5.</strong> Correspondence related to authorized exceptions to normal billing procedures</td>
</tr>
</tbody>
</table>

Table 6-15. SDR Billing Documentation

<table>
<thead>
<tr>
<th>SDR Billing Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> SDRs</td>
</tr>
<tr>
<td><strong>2.</strong> Correspondence/documentation relative to such discrepancies</td>
</tr>
<tr>
<td><strong>3.</strong> DFAS SCA reply to purchaser requests for listing of adjustments</td>
</tr>
</tbody>
</table>
Table 6-16. Review Information

<table>
<thead>
<tr>
<th>Review Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>The minutes and other correspondence</td>
</tr>
<tr>
<td>resulting from:</td>
</tr>
<tr>
<td>A. FMS implementation review</td>
</tr>
<tr>
<td>B. Country program/case review</td>
</tr>
<tr>
<td>C. FMS financial management review</td>
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</table>

Table 6-17. Case Closure Documentation

<table>
<thead>
<tr>
<th>Case Closure Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The DoD Component's case closure</td>
</tr>
<tr>
<td>certification to DFAS SCA. The final DD</td>
</tr>
<tr>
<td>2060 and 2061s should be on file in the</td>
</tr>
<tr>
<td>&quot;Financial Control Documents&quot; section</td>
</tr>
<tr>
<td>2. Any correspondence with DFAS SCA, or</td>
</tr>
<tr>
<td>other organizations, relative to the case</td>
</tr>
<tr>
<td>closure certification</td>
</tr>
<tr>
<td>3. The final DD 645 (DFAS SCA only)</td>
</tr>
<tr>
<td>4. The case closure checklist (see DSCA</td>
</tr>
<tr>
<td>Management Manual” (SAMM), *Appendix 7</td>
</tr>
<tr>
<td>Chapter 4, A7.C4.3*</td>
</tr>
<tr>
<td>5. The case closure notification sent to</td>
</tr>
<tr>
<td>DFAS SCA via e-mail or fax, as well as the</td>
</tr>
<tr>
<td>system generated C11 case closure</td>
</tr>
<tr>
<td>transaction (see SAMM, *Appendix 7 Chapter</td>
</tr>
<tr>
<td>4, A7.C4.7*)</td>
</tr>
<tr>
<td>6. A directory identifying the location of</td>
</tr>
<tr>
<td>stored case records</td>
</tr>
</tbody>
</table>

Table 6-18. Reopened Case Documentation

<table>
<thead>
<tr>
<th>Reopened Case Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note: This section is only operative if</td>
</tr>
<tr>
<td>the case, once closed, must be reopened.</td>
</tr>
<tr>
<td>1. All correspondence and data about why</td>
</tr>
<tr>
<td>the case had to be reopened, including the</td>
</tr>
<tr>
<td>written authorization(s) approving the</td>
</tr>
<tr>
<td>reopening</td>
</tr>
<tr>
<td>2. The re-finalized DD 2060 and 2061s (filed</td>
</tr>
<tr>
<td>in the “Financial Control Documentation”</td>
</tr>
<tr>
<td>section)</td>
</tr>
<tr>
<td>3. The closure certification</td>
</tr>
<tr>
<td>4. The final DD 645</td>
</tr>
</tbody>
</table>

6-12
Figure 6-1. Key Planning Milestones Template

<table>
<thead>
<tr>
<th>Event</th>
<th>Planned Date of Completion</th>
<th>Actual Date of Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOR acknowledged</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Completed DD 2061 or automated DSAMS (RP069)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOA Data completed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Congressional notifications completed as necessary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOA prepared</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOA countersigned/mailed to purchaser</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOA implemented</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOA lines delivery complete (delivery transactions with estimated prices submitted)</td>
<td>001</td>
<td></td>
</tr>
<tr>
<td></td>
<td>002</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Additional lines as needed</td>
<td></td>
</tr>
<tr>
<td>LOA lines financially complete (delivery transactions with actual prices submitted)</td>
<td>001</td>
<td></td>
</tr>
<tr>
<td></td>
<td>002</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Additional lines as needed</td>
<td></td>
</tr>
<tr>
<td>Final DD 2060 forwarded to DFAS SCA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case closure notification forwarded to DFAS SCA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** Other milestone plans as developed by the IAs may be used.
VOLUME 15, CHAPTER 7: “PRICING”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated January 2014 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Revised citations from the authority of the Arms Export Control Act (Public Law 90-629) and the Foreign Assistance Act (Public Law 87-195) to the United States Code (U.S.C.) citations.</td>
<td>Revision</td>
</tr>
<tr>
<td>Previous 070105 and Previous Table 7-1</td>
<td>Moved earned reimbursement information and the corresponding Cost Element Table to Chapter 3.</td>
<td>Deletion</td>
</tr>
<tr>
<td>070701.C</td>
<td>Clarified policy regarding when activities will be budgeted and paid from Department of Defense (DoD) Assistance Appropriations and not budgeted or paid from Components’ operating accounts in accordance with OUSD(C) memo, “Budget Policy on use of DoD Component Operating Funds in Support of Foreign Security Forces,” dated July 13, 2018.</td>
<td>Addition</td>
</tr>
<tr>
<td>071502.C.2</td>
<td>Updated replacement asset policy from reimbursable financing to direct obligations pursuant to OUSD(C) policy memo, &quot;Policy Change for the Treatment of Proceeds from Assets Sold for Replacement Under Section 21 of the Arms Export Control Act,&quot; dated July 31, 2015.</td>
<td>Revision</td>
</tr>
<tr>
<td>071503.E</td>
<td>Updated the packing, crating, and handling valuation policy from the “fair value” to the “original acquisition value” methodology, in accordance with Title 22, U.S.C. Section 2321j.</td>
<td>Revision</td>
</tr>
<tr>
<td>PARAGRAPH</td>
<td>EXPLANATION OF CHANGE/REVISION</td>
<td>PURPOSE</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>071505</td>
<td>Revised references to the DoD Directive (DoDD) 2140.02, “Recoupment of Nonrecurring Costs (NCs) on Sales of U.S. Items,” due to the repeal of Title 32, Code of Federal Regulation, Part 165, “Recoupment of Nonrecurring Costs (NCs) On Sales Of U.S. Items.”</td>
<td>Revision</td>
</tr>
<tr>
<td>071505.B</td>
<td>Deleted cost pool definitions; the information is in Volume 2B, Chapter 5.</td>
<td>Deletion</td>
</tr>
<tr>
<td>071505.J.3.a</td>
<td>Modified the recoupment of “special” research, development, testing, and evaluation non-recurring costs to an aggregate of $50 million for participants in a cooperative agreement in accordance with DoDD 2140.02.</td>
<td>Revision</td>
</tr>
<tr>
<td>071601.C</td>
<td>Clarified the $250,000 expense/investment threshold stated in 10 U.S.C. § 2245a does not apply to procurements funded by expense appropriations in support of Building Partner Capacity programs.</td>
<td>Addition</td>
</tr>
<tr>
<td>071603.A</td>
<td>Updated the Contract Administration Services (CAS) Surcharge Rate to 1.2%, effective December 1, 2014, pursuant to Defense Security Cooperation Agency policy memo 14-27, &quot;Reduction to the Foreign Military Sales CAS Surcharge Rate and Rate Structure.&quot;</td>
<td>Revision</td>
</tr>
<tr>
<td>Previous 0719</td>
<td>Relocated policy for case closure certificates and the reclassification of cases from active to inactive to Chapter 3.</td>
<td>Deletion</td>
</tr>
<tr>
<td>072202.B</td>
<td>Added detailed Pricing of Non-Inventory Courseware information in support of 22 U.S.C § 2761(a)(1)(C).</td>
<td>Addition</td>
</tr>
<tr>
<td>072203.A</td>
<td>Added the requirement for the liability statement to be included on International Military Education and Training invitational travel orders.</td>
<td>Addition</td>
</tr>
<tr>
<td>072204</td>
<td>Added policy for training obligations consistent with the Security Assistance Management Manual, Chapter 10.</td>
<td>Addition</td>
</tr>
<tr>
<td>072209</td>
<td>Added detailed Field Studies Program information in support of the DoD Instruction 5410.17, &quot;United States Field Studies Program for International Military and Civilian Students and Military-Sponsored Visitors.&quot;</td>
<td>Addition</td>
</tr>
<tr>
<td>072303.C</td>
<td>Added policy to reduce the attrition surcharge factor, applied to FMS tuition Rate A, in accordance with OUSD(C) memo, “Approval to Reduce the Attrition Rate for Foreign Military Sales Training to Zero Percent,” dated February 8, 2016.</td>
<td>Addition</td>
</tr>
<tr>
<td>Policy Memo</td>
<td>OUSD(C) memo, “Approval to Reduce the Attrition Rate for Foreign Military Sales Training to Zero Percent,” dated February 8, 2016, was incorporated into the chapter and cancelled.</td>
<td>Cancellation</td>
</tr>
<tr>
<td>072302, 072304, Figure 7-13</td>
<td>Added and revised detailed additional cost information in support of 22 U.S.C. § 2761(a)(1)(C).</td>
<td>Addition</td>
</tr>
<tr>
<td>PARAGRAPH</td>
<td>EXPLANATION OF CHANGE/REVISION</td>
<td>PURPOSE</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>0724</td>
<td>Added detailed Pricing of Specialized/Dedicated Training Programs information in support of 22 U.S.C. § 2761(a)(1)(C) and 2761(g).</td>
<td>Addition</td>
</tr>
<tr>
<td>Figures 7-11 &amp; 7-12</td>
<td>Updated Personnel Services Computation Examples with current factors published by OUSD(C) on the DoD Reimbursable Rates website.</td>
<td>Revision</td>
</tr>
<tr>
<td>Figure 7-14</td>
<td>Added Figure 7-14 in accordance with OUSD memo, “Definition of Costs Considered “Additional Costs” in the Pricing of Training for International Students,” dated August 3, 2016.</td>
<td>Addition</td>
</tr>
<tr>
<td>Policy Memo</td>
<td>OUSD(C) memo, “Definition of Costs Considered “Additional Costs” in the Pricing of Training for International Students,” dated August 3, 2016, was incorporated into the chapter and cancelled.</td>
<td>Cancellation</td>
</tr>
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<td>Waiver of NC Recoupment Charges</td>
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<td>Special Waiver Authority for NATO Airborne Warning and Control System (AWACS)</td>
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CHAPTER 7

PRICING

0701  GENERAL

070101. Purpose

The purpose of this chapter is to establish pricing policy for articles, services, and training and to ensure the Department of Defense (DoD) Components uniformly and consistently apply pricing methodologies that recoup current period costs and a reasonable contribution to sunk investment costs. Sunk investment costs represent historical decisions to expend research and development (R&D) funds to develop new equipment or to purchase assets or facilities. Foreign Military Sales (FMS) purchasers and Title 10, United States Code (U.S.C.), Building Partner Capacity (BPC) partner nations benefit from the investment decision, although it is based entirely on DoD requirements when they purchase related equipment or when the use of the assets and facilities is necessary in order to provide ordered services or to deliver ordered materiel.

070102. Authoritative Guidance


0702  RESPONSIBILITIES

070201. Price Establishment

The DoD Components that sell defense articles or services under the authority of the AECA must:

A. Ensure defense articles and services provided to FMS purchasers are priced in accordance with the policies established in this chapter; and

B. Establish a single selling price for defense articles and services. A single selling price includes the additional charges for nonrecurring research, development, test, and evaluation (RDT&E) and production costs, costs for recurring procurement support efforts, transportation costs when the use of DoD transportation is approved, and other applicable surcharges.

070202. Price Information

The DoD Components must:

A. Ensure each price estimate provided to a FMS purchaser is a reasonable approximation of the final price. However, the fact that an estimate is not consistent with the final
cost accumulation does not negate the requirement to establish a final price (actual cost) in accordance with this chapter;

B. Provide detailed price and cost information upon request by the FMS purchaser. Proprietary cost and pricing data must not be disclosed unless there is prior authorization of the contractor concerned;

C. Present prices of defense articles and services to FMS purchasers and DoD Components in the format of FMS Letters of Offer and Acceptance (LOAs) or BPC pseudo LOAs (unless otherwise specified, references to an LOA in this chapter apply to both types of documents). The administrative surcharge percentage prescribed in this chapter is subject to change without prior approval of the purchaser. The administrative surcharge applicable to each line on the LOA is to be specified in a note in each LOA document. The LOA must be used unless a waiver is obtained from the Director, Defense Security Cooperation Agency (DSCA), to use a suitable substitute instrument. Any substitute instrument must contain the same cost elements as those identified on the LOA; and

D. Cite directly the FMS Trust Fund (11X8242) purchaser(s) subaccount(s) on contractual documents for new procurements initiated as a result of FMS Orders (FMSOs).

070203. Transportation

The DoD Components must ensure that the transportation of materiel, other than Defense Working Capital Fund (DWCF) materiel, sold to FMS purchasers is accomplished through the use of collect commercial bills of lading to the maximum extent possible. When transportation is accomplished through the use of Government Bills of Lading (GBLs) including DWCF materiel, the GBL must be annotated to show that Interstate Commerce Act, Section 10721 (49 U.S.C., Section 10721) is not applicable and that normal commercial rates must be billed to the U.S. Government (USG) for the shipment. Refer to the DSCA 5105.38-M, Security Assistance Management Manual (SAMM), Chapter 7 and Chapter 15 for guidance on the use of the Defense Transportation System (DTS) in support of FMS and BPC cases.

070204. Case Management

A. The DoD Components must assign a case manager to each active FMS case. The case manager is responsible for the total financial and logistical aspects of the case, to include ensuring:

1. Prescribed pricing policies are followed;

2. Delivery reports have been processed to the Defense Finance and Accounting Service (DFAS), Security Cooperation Accounting (SCA); and

3. Reconciliation of the FMS case financially and logistically throughout the life of the FMS case has occurred, and not less than annually:
a. On the anniversary of each major case, and/or

b. In preparation for a review with the FMS purchaser.

B. The case manager’s authority to direct other supporting activities must be commensurate with the responsibilities in subparagraphs 070204.A.1-3. Refer to SAMM, Chapter 2 for additional discussion on case management responsibilities.

070205. Buy Back

The DoD Component must ensure that the USG “buy back” of items from foreign governments initially sold under FMS programs is conducted in accordance with procurement rules involving the obligation of DoD appropriations. Monies due as a result of such procurement may be paid by the DoD paying office into the FMS Trust Fund in accordance with the foreign government’s instructions (e.g., applied to a case or a cash refund). The FMS purchaser’s “buy back” holding account is used as an audit trail for the transaction. A direct exchange is permitted for a reparable item of the same type under certain circumstances (see subparagraphs 071502.B.2-3).

0703 ESTIMATING PRICES AND BILLED VALUES FOR AN LOA

FMS pricing policy for an LOA stipulates how costs are determined when the FMS purchaser is billed and establishes how to develop a price estimate. An essential difference between the billed price and the estimated price on an offer is the degree of firmness associated with each pricing method. Title 22, U.S.C. § 2751 states that sales are approved only when they are consistent with the foreign policy interest of the United States, and the purpose and principles of the United Nations Charter.

070301. Pricing Requirements

A. Defense Articles and Services from Stock. Title 22, U.S.C. § 2761(a)(1) states that a foreign country or international organization pays in U.S. dollars for:

1. Defense articles not intended to be replaced at the time a sales agreement is entered into, not less than the actual value;

2. Defense articles intended to be replaced at the time a sales agreement is entered into, the estimated cost of replacement of such article, including the contract or production costs less any depreciation in the value of such article; or

3. Defense services, for the full cost to the USG of furnishing such service, except in the case of training sold to a purchaser under the terms in paragraph 072101. In this latter case, only those additional costs that are incurred in furnishing such assistance must be recovered.
B. Charges Applicable to the Sale of Defense Articles or Services. Title 22, U.S.C. § 2767(e)(1) states that the selling price must include appropriate charges for:

1. Administrative services, calculated on an average percentage basis to recover the full estimated costs (excluding a pro rata share of fixed base operations costs) of administration of sales made to all purchasers of such defense articles and services as specified in 22 U.S.C. § 2792(b) and (c);

2. A proportionate amount of any nonrecurring costs (NC) of R&D and production of major defense equipment (MDE), except for equipment wholly paid for either from U.S. military assistance funds under 22 U.S.C. § 2311(a)(3), or from U.S. credit funds made available on a non-repayable basis under 22 U.S.C. § 2763; and

3. The recovery of ordinary inventory losses associated with the sale of defense articles that are being stored at the expense of the purchaser of such articles.

C. Price of New Procurement. Title 22, U.S.C. § 2762 requires eligible countries or international organizations to pay the full amount of the contract and any damages and costs that may accrue due to the cancellation of such contracts (termination liability) when the USG enters into a contract for a new procurement on their behalf. Payment to the USG by the foreign country or international organization must be in U.S. dollars.

D. Price of Design and Construction Services. Title 22, U.S.C. § 2769 requires that foreign countries or international organizations pay the full cost of design and construction services, and any damages and costs that may accrue due to the cancellation of such contracts, when the USG enters into a contract for design and construction services on their behalf.

070302. LOA Values

On the LOA, the estimated price is to be a reasonable approximation of the amount which will ultimately be billed, to include the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) inflation indices and other factors. Amounts to be placed on the LOA, except unit price, will be rounded to the next whole dollar. LOAs are written either as a defined order, blanket order, or as a Cooperative Logistics Supply Support Agreement (CLSSA). Pricing for each type of LOA requires special treatment. Moreover, an LOA may involve lines that are defined order or blanket order, while CLSSA cases have no other lines. An LOA must include only prices for defense articles and services sold to FMS purchasers and must not be adjusted for any reason other than authorized by this chapter (such as for inflation or for contingencies).

A. Defined Order LOAs. Defined Order LOAs are for specified defense articles or services and are usually written for the acquisition of systems. Orders are normally placed by the Implementing Agency (IA) following LOA implementation.

1. Cost Estimates. IAs involved in procuring such systems should have available estimates of the expected costs as the basis for developing the FMS price. These estimates, however, must be validated for the configuration to be delivered. Additional charges
detailed in other sections of this chapter must also be applied. When developing estimates for weapon systems in different configurations than those for which IA estimates are available, the IA should obtain contractor estimates for the different configurations.

2. **Inflation.** When a price estimate must be inflated for delivery of a weapon system several years in the future, OUSD(C) published inflation indices must be used. If other price inflation or alternate OUSD(C) published factors apply, those factors must be documented in case files and justified to OUSD(C) for approval before finalizing LOAs.

B. **Blanket Order LOAs.** Blanket Order LOAs are for categories of defense articles or services with no definitive listing of items or quantities to be provided.

1. **Cost Estimates**

   a. For hardware support items, the price developed may be based on either a computer listing of specified parts, or a percentage of the cost of the major system to be supported. In other instances, the price on the LOA may simply be a dollar value line to enable the purchaser to requisition those items up to the dollar ceiling in the Letter of Request. In the latter case, the amount written into the LOA can rely in part on the estimated activity in the country’s program.

   b. In developing a price for LOA purposes where a blanket order is involved, the source of supply might not be known. In this case, certain assumptions must be made. For example, in writing a blanket order case for spare parts for an aircraft, an agency may have to make assumptions about the source and value of items in order to estimate various pricing elements. This allows the analyst to apply the appropriate costs and charges. At the time of the billing for delivery of an item charged to the case, the appropriate surcharges must be applied by DFAS SCA in accordance with Chapter 8. Agencies that have developed an ordering history for certain countries or weapon systems may be able to develop a ratio for items using procurement data and items from stock that enable a more precise application of surcharges for the estimate.

2. **Inflation.** When developing a price for items to be delivered beyond the period for which pricing data is available, it will be necessary to apply inflation factors as in defined order cases.

C. **CLSSA.** CLSSA LOAs are designed to provide responsive and continuous supply support at the depot level for U.S.-made military materiel possessed by foreign countries and international organizations. CLSSAs are normally the most effective means for providing common repair parts and secondary item support for equipment of U.S. origin that is in allied and friendly country’s inventories. Pricing for CLSSA LOAs must be estimated per section 0708.

   070303. **Billing Values**

   On the DoD (DD) Form 645, “FMS Billing Statement,” the price, at the point in time when actual costs are known and reported to DFAS SCA, should be firm and exact (the exception being
“E” (Estimated) price code transactions). The billed cost (except when a rounded dollar indicator code is utilized) is detailed in dollars and cents.

0704 ACCESSORIAL COSTS

Accessorial costs represent certain expenses incident to issues, sales, and transfers of materiel that may or may not be included in the standard price or contract cost of materiel. The various types of accessorial costs that may be applicable to FMS shipments include packing, crating, and handling (PC&H); transportation; port loading and unloading; and staging.

070401. PC&H

PC&H includes the costs incurred at DoD facilities for labor, materials, or services in removing requisitioned articles from storage locations, preparing them for shipment from the storage or distribution points, and processing necessary materiel release confirmation documents.

A. PC&H costs will be based on the original acquisition value of materiel sold from DoD inventories to recover the cost except for DWCF items delivered after October 1, 1990, since DWCF standard pricing already includes PC&H. PC&H will not be assessed on articles shipped directly from the manufacturer since no in-house DoD labor, material, or services are involved. The use of actual costs, when known, is highly encouraged. If actual costs are not available or are not cost effective to obtain, a surcharge rate can be used. Prescribed PC&H rates are:

1. A PC&H rate of 3.5 percent added to the original acquisition value of materiel with a unit price of $50,000 or less (SAMM, C9.T4); and

2. An additional charge added at a rate equal to 1 percent of that portion of the original acquisition value of materiel over $50,000 (SAMM, C9.T4).

B. The PC&H charge for service/maintenance cases is applied to the acquisition cost of the item(s) sold or serviced, not the cost of the service. The rate(s) in subparagraphs 070401.A.1-2 apply.

C. For excess items, PC&H is computed on the original acquisition value and not the excess reduced value. The use of actual costs, when known, is highly encouraged.

D. For pricing blanket order lines on LOAs, use 3.5 percent on the line value since the unit price is unknown.

070402. Transportation

Transportation costs include DoD-supplied or DoD-financed transportation (land, air, inland and coastwise waterways) within and outside the United States, and overseas transportation by vessel or air. This includes parcel post via surface or air.
A. **Non-DWCF.** The transportation of FMS materiel must be on collect commercial bills of lading to the maximum extent possible. When transportation is accomplished using a GBL, it must show that 49 U.S.C. § 10721 is not applicable and that normal commercial rates must be billed to the USG for the shipment. Shipping activities must clearly identify materiel as DWCF or non-DWCF to ensure the appropriate fund cite is issued for inland Continental United States (CONUS) transportation.

B. **DWCF.** Effective October 1, 1990, DWCF standard pricing includes transportation costs within CONUS. If the first destination transportation is accomplished through GBLs, it must contain the DWCF fund cite, and show that 49 U.S.C. § 10721 is not applicable and that normal commercial rates must be billed to the USG for the shipment. Shipping activities must clearly identify materiel as DWCF or non-DWCF to ensure the appropriate fund cite is issued for inland CONUS transportation.

C. **Pricing Transportation.** Price transportation on LOAs as follows:

1. **Above-the-Line Transportation Services.** When FMS purchasers use DTS, an estimated amount is placed above-the-line to pay for transportation services that are not appropriate to be funded with below-the-line estimates. Examples of these transportation services include premium transportation such as Special Assignment Airlift Mission flights, securing a vessel for a one time only shipment, staging cost for consolidating shipments, Radio-Frequency Identification tagging and tracking devices, special security (guards hired to escort the shipment), and other unique requirements. For more information on DTC percentages, see the SAMM, *Chapter 7*.

2. **Below-the-Line Transportation Services.** When FMS purchasers use DTS, a Delivery Term Code (DTC) percentage is applied to the line to compute an estimated amount for these costs on the LOA. DTC percentages are based on the mode of transportation provided (e.g., port-to-port, depot-to-in-country destination) and the rate area where articles are being delivered. For more information on DTC percentages, see the SAMM, *Chapter 7*.

3. **Exception.** The DoD Components must apply estimated actual totals contained in the SAMM Transportation Cost Look-Up Tables, *Appendix 2*, to estimate transportation costs for items normally shipped in DTS (e.g., sensitive/hazardous end items) when costs using standard transportation percentages are significantly different from actual charges.

4. **Excess Items.** For excess items, transportation is computed on the original acquisition value and not the excess reduced value, except when accountability for excess items has been transferred to "Property Disposal," the provisions of the Defense Materiel Disposition Manual, *DoD 4160.21-M*, Volume 3 must apply. The use of actual costs, when known, is highly encouraged.

**070403. Port Loading and Unloading Costs**

Port loading and unloading costs include DoD-supplied or DoD-financed labor, materials, or services for loading, unloading, and handling at ports of embarkation or debarkation.
070404. Staging

The actual costs of staging must be recovered as part of an above-the-line service charge. Such charges must not be duplicative of any other accessorial cost.

A. Costs for the staging of materiel in CONUS DoD (non-DWCF owned/operated) facilities are additional to DTS costs, and a 3 percent staging charge is applicable, if DSCA has authorized below-the-line recoupment of staging.

B. DWCF activities must bill actual costs incurred as an above-the-line service.

C. When non-excess materiel is supplied for DoD storage points located Outside CONUS (OCONUS), the applicable rates must be charged as a prepositioning cost.

0705 FMS ADMINISTRATIVE SURCHARGE

An administrative surcharge must be added to all FMS cases (unless waived pursuant to legal authority, see section 0713) to recover DoD expenses. SAMM, C9.T4 gives further guidance on the current FMS administrative surcharges and how they are applied.

070501. Prescribed Standard FMS Administrative Surcharge

A. FMS Administrative Surcharge. The applicable FMS administrative surcharge is dependent upon variables associated with the LOA. For cost increases within the scope of the LOA, modifications retain the FMS administrative surcharge rates associated with the lines modified. When an amendment adds a new line to an existing FMS case, the FMS administrative surcharge rate in effect at that time is applied. The following FMS administrative surcharge rates are applicable for LOA standard cases/lines and for the periods shown:

* 1. Effective June 1, 2018. A uniform 3.2 percent FMS administrative surcharge is effective for all new LOA lines accepted by the purchaser on or after June 1, 2018.

2. November 1, 2012 – May 31, 2018. A uniform 3.5 percent FMS administrative surcharge is effective for all new LOA lines accepted by the purchaser on or after November 1, 2012 through May 31, 2018.

3. August 1, 2006 – October 31, 2012. A uniform 3.8 percent FMS administrative surcharge rate was used for all new LOA lines accepted by the purchaser during this period. Program Management Lines were no longer applicable to new cases accepted on or after this date. USG services, over or above those covered by the FMS administrative surcharge, were provided on well-defined line items. All cases accepted on or after August 1, 2006 through October 31, 2012, collected a minimum charge to ensure sufficient funds to prepare and implement each case by including small case management lines (SCML). The FMS administrative surcharge rate is not applied against the SCML. This application was suspended
for cases accepted, implemented, or decreased on or after July 3, 2012. Refer to the SAMM, C9.4.7 for specific information concerning the application of the SCML.

4. **June 1, 1999 - July 31, 2006.** A uniform 2.5 percent FMS administrative surcharge rate for standard lines and 5 percent for nonstandard lines on LOAs was effective on or after June 1, 1999 through July 31, 2006.

5. **October 1, 1977 - May 31, 1999.** A uniform 3 percent FMS administrative surcharge rate for LOA standard articles/services lines was effective on or after October 1, 1977 through May 31, 1999.

6. **March 10, 1977 - September 30, 1977.** A uniform 2 percent FMS administrative surcharge rate was effective for LOAs signed by the IA on or after March 10, 1977 through September 30, 1977.

7. **January 29, 1970 - March 9, 1977.** A 2 percent FMS administrative surcharge rate was applied on January 29, 1970 through March 9, 1977, unless the supplying Military Department determined that the rate was either insufficient or in excess of actual administrative expenses, for any single FMS case. The use of actual FMS case administrative expenses was authorized.

**B. Supply Support Arrangements.** An FMS administrative surcharge of 5 percent must be added to the basic sales price of the initial on-hand portion of CLSSA. See paragraph 070803 and SAMM C9.T4.

**C. FMSOs for Nonstandard Articles and Services.** For case lines accepted prior to August 1, 2006, an FMS administrative surcharge rate of 5 percent must be added to the basic sales price of FMSOs for nonstandard articles and services. However, the standard rate in effect must be applied under the following circumstances:

1. A contractor is designated as the source of supply in lieu of a DoD Component performing additional work for the nonstandard articles and services, or

2. A case/program management line is included in the LOA that specifically recovers costs associated with the tasks performed in support of the sale of nonstandard articles or services.

070502. **DoD Component Administrative Expenses**

Administrative expense calculations of component FMS program support costs must include a pro rata share of manpower and contract costs. The DoD Component administrative support costs must not include costs prescribed in this Volume as above-the-line costs, nor should the costs include DoD mission costs. See SAMM, C9.4.2 for case related manpower functions and appropriate funding sources.
A. The personnel portion of actual administrative expenses must include a pro rata share of those personnel who spend 10 percent or more of their time performing FMS duties. This same measure applies to contractor-provided support for FMS administrative functions. These functions may be indirect (e.g., support across multiple purchasers/cases) or direct (e.g., support to a specific case or program).

B. DoD organizations that provide general administrative support to the FMS program must recoup the full cost (excluding a pro rata share of fixed base operations costs) to provide such support.

070503. FMS Administrative Surcharge on Cases Closed at Reduced or No Value

A. For any case that is closed, the USG will retain funds to pay for estimated administrative costs associated with the case, even if no articles or services have been delivered ($0 delivered value). The minimum, nonrefundable amount will be the value when combining the SCML (if applicable) and the FMS administrative surcharge value; one-half of the FMS administrative surcharge estimated on the case; or the standard FMS administrative surcharge percentage of the expended value, whichever is greater. See SAMM, C6.8.

B. DSCA Directorate of Business Operations (DBO) may approve reductions to the minimum nonrefundable amount when it can be clearly shown that the actual values of administrative costs on the case are less than the minimum nonrefundable amount or if the case is cancelled for the convenience of the USG.

C. Case Managers wishing to request that a case be closed at $0 articles and/or services value, must contact DSCA DBO for approval. The DSCA DBO reply is sent to the Case Manager and DFAS SCA.

D. Cases cancelled for the convenience of the USG may not incur an administrative cancellation fee, but require the amount of the FMS administrative surcharge assessed be approved by DSCA DBO.

E. For cases with an ordered value greater than or equal to $25,000,000, and closing at $0 delivered articles and/or service value, the IA will submit a recommended nonrefundable FMS administrative surcharge amount to DSCA DBO for approval.

070504. Waived FMS Administrative Surcharge

A. General. Normally, the amount of the FMS administrative surcharge that has been waived or reduced for a particular FMS case, pursuant to statute, must be reimbursed to the FMS administrative surcharge account. For such reimbursements, the IA (which is the proponent of the case on which the charge has been waived) must obligate its current available appropriations for the full amount being waived when the case is implemented. DFAS SCA calculates the amount of the earned FMS administrative surcharge on cases with waived administrative surcharge and submits quarterly billings to the appropriate IA.
B. Funds Control. The LOA package for cases with waived FMS administrative surcharge must cite the authority, dollar amount waived, and obligating document number in a case note. The IA must include a copy of the certified document committing the funds as part of the LOA coordination package. See Volume 14 for guidance on the administrative control of appropriations.

0706 LOGISTICS SUPPORT CHARGE (LSC)

LSC was applicable to materiel and services identified on the Military Articles and Services List, excluding DWCF materiel. LSC was assessed at 3.1 percent of the articles and services reported delivered on or after April 1, 1987 and prior to October 1, 2007. The SAMM, C9.T4 explains the elimination of the LSC and how to treat prior year LSC charges.

0707 PROGRAM MANAGEMENT SERVICES

070701. Level of Service

A. FMS Administrative Surcharge Funded Manpower. There is a certain level of routine support provided to an FMS customer on each case. Costs associated with this workload are captured via the FMS administrative surcharge assessed against the case.

B. LOA Funded Manpower. An IA may determine there are additional services directly related to the defense articles or services being provided, that are over or above the routine level of support generally provided to an FMS customer. These costs may be included on an FMS case as an above-the-line cost at the request of the FMS purchaser or by the USG based on the analysis of what will be required to successfully implement and execute the requested program/case. An auditable methodology must be used to document all costs included on these lines.

C. DoD Component Operating Funds. In accordance with OUSD(C) Memo, “Budget Policy on use of DoD Component Operating Funds in Support of Foreign Security Forces,” Military Departments have the responsibility to develop, maintain, and institutionalize the capabilities of Service members and DoD Expeditionary Civilian personnel to support DoD efforts to organize, train, equip, and advise foreign military forces and relevant supporting institutions. DoD Components are to budget in their operating accounts all costs for DoD military and civilian personnel in Afghanistan, Iraq, and other countries, as well as reach back support, encompassed by DoD Assistance Appropriations.

1. Costs include, but are not limited to, military pay, special pay, transportation, pre-deployment training and training in theater, forward base operating costs, life support, communications, vehicle maintenance, program management, and contracts for linguists, logistics, security, and infrastructure needed to support such DoD personnel in-country.
2. Where the Military Department has discretion, as a matter of budget policy, the following activities will be budgeted and paid from DoD Assistance Appropriations and not budgeted or paid from DoD Component operating accounts:

   a. In circumstances where DSCA provides services pursuant to the Economy Act to the organization designated by the Secretary of Defense or Deputy Secretary of Defense to have management responsibility for the DoD Assistance Appropriation (Managing Organization), amounts from such DoD Assistance Appropriation will be used to reimburse DSCA for its administrative expenses in providing the ordered services;

   b. In circumstances where the Multi-National Aviation Special Project Office (MASPO) provides services pursuant to the Economy Act to the Managing Organization, amounts from such DoD Assistance Appropriation will be used to reimburse MASPO for the actual costs of the procurement, sustainment, and technical support services;

   c. In circumstances where the U.S. Army Corps of Engineers (USACE) provides services to the Managing Organization, amounts from such DoD Assistance Appropriation will be used to reimburse USACE for its project design, contract preparation and award, and supervision and administration expenses in providing the ordered services;

   d. In circumstances where an organization funded by a DWCF provides supplies or services pursuant to 10 U.S.C. § 2208 to the Managing Organization, amounts from such DoD Assistance Appropriation will be used to pay the working capital-funded organization for the costs of providing the ordered supplies or services;

   e. In circumstances where the Managing Organization arranges for a member of an eligible foreign security force to receive education or training at a U.S. Service school, amounts from such DoD Assistance Appropriation will be used to reimburse the Service school at the lowest rate charged to other foreign countries; and

   f. In circumstances where the Managing Organization arranges for a member of an eligible foreign security force to attend a U.S. Service Academy, amounts from such DoD Assistance Appropriation will be used to reimburse the U.S. Service Academy at the lowest rate charged to other foreign countries, unless reimbursement for the cost of attendance is waived pursuant to 10 U.S.C. § 347(a)(6)(B).

070702. Cost Allocation

DoD Components must ensure that each type of cost is allocated only once and only on one basis to an FMS case. Additional discussion on consistency in allocating costs incurred for the same purpose is contained in Volume 4. Care must be taken to ensure against “double charging” for the same costs. The FMS Case-Related Manpower Functions and Funding Source
Manpower Matrix (SAMM, C9.T2) describes in detail the manpower functions that may be funded on FMS cases and the funding source for those related costs.

0708 CLSSA

070801. CLSSA Management

DoD Instruction 2010.06, "Materiel Interoperability and Standardization with Allies and Coalition Partners," and the SAMM, C5.4.3.3 prescribe the policies and criteria for establishing CLSSAs. CLSSAs provide for the execution of FMSOs covering stock, consumption, and storage. Two FMS cases are required for supply support arrangements, an FMSO I case and a FMSO II case. Both cases must be executed in order for FMS requirements to be anticipated and to be satisfied on an equal footing with U.S. requirements.

A. FMSO I

1. The FMSO I case is subdivided into two parts: Part A represents the on-hand portion of the inventory (normally 5 months), and Part B represents an on-order dependable undertaking (normally a 12-month period). In unusual circumstances, it may be determined that the 5-month on-hand and 12-month on-order levels are inappropriate for the particular equipment being supported. In these circumstances, the on-hand and on-order requirements may be adjusted to more realistically reflect DoD on-hand and on-order levels for the items being supported; a renegotiation of the CLSSA may be necessary. The office that developed the CLSSA must retain documentation in support of such determinations.

2. For new FMSO I cases accepted on or after September 20, 2005, the on-hand portion of the inventory list will be 30 percent of the total investment/equity list. For FMSO I cases accepted prior to September 20, 2005, the on-hand portion of the inventory list will remain at 5/17 of the total investment/equity list.

B. FMSO II. The FMSO II case represents the foreign purchaser’s anticipated yearly consumption under CLSSA.

C. Cash Requirements

1. Cash paid on acceptance of the FMSO I should equal the Part A on-hand portion of the inventory and administrative surcharge. The cash required to liquidate obligations incurred with suppliers for the on-order portion is the cash paid by the purchaser in connection with the FMSO II case and, in turn, creates a new order received and recreates obligational authority (OA) back to the FMSO I.

2. If the amount of progress payments required by the IA varies by more than 10 percent of the Part A value, the DoD Component must:

   a. Amend the case to bring the Part A value in line with the DoD Component progress payment requirement; or
b. Request additional progress payments to equal the Part A value.

3. Cash to cover requisitions is paid in advance of each quarter covered by the case. The cycle of obligation, acquisition, requisition, issuance, and payment can be summarized as follows:

   a. The FMSO I, Parts A and B, grant the DoD Components OA up to the case amount;
   b. The cash provided under FMSO I, Part A, finance the on-hand inventory;
   c. Requisitions made by the purchaser are filled from the on-hand inventory;
   d. Replenishment of on-hand inventory is made from contracts awarded under OA granted by FMSO I, Part B;
   e. Payments to contractors are made from funds provided in accordance with FMSO II terms; and
   f. Liquidation of obligations by payment to contractors in effect recreates OA granted by FMSO I, Part B, and the cycle commences again.

D. OA

1. The entire amount of the FMSO I case represents OA. Normally, no cash billings are required against the FMSO I, Part B, unless the CLSSA is either partly or wholly terminated. The FMSO II case provides OA only to the extent purchaser orders are received. Thus, proper working of the FMSO I and II should result in a constant 12 months of OA in the applicable appropriation or fund account, never more or less, after the on-hand inventory of FMSO I, Part A, has been acquired.

2. The cash and OA derived from the FMSO I and FMSO II are to be transferred to the commodity command or supply agency that is expected to provide supply support to the foreign country. This command or supply agency must use such cash and OA to increase stock and on-order quantities in anticipation of requisitions from the country which entered into the CLSSA.

E. Both parts of the FMSO I provide OA equal to its value in the DoD Component activity giving the supply support to the purchaser.

070802. General Pricing

Use the pricing requirements in subparagraph 071502.B to price CLSSA cases.
070803. FMS Administrative Surcharge

A. FMSO I (Part A). A one-time nonrefundable, administrative surcharge of 5 percent must be charged on the on-hand portion (Part A) of the FMSO I case. For amendments that decrease the value of the on-hand portion (Part A), there must be no adjustment made to the administrative surcharge. However, for amendments that increase the value of the on-hand portion (Part A), the 5 percent nonrefundable administrative surcharge must be charged on the total value of the increase. The following is an example of the administrative fee computation:

<table>
<thead>
<tr>
<th>Document</th>
<th>Revised On-Hand Materiel Value</th>
<th>Increase or (Decrease) to Previous On-Hand Materiel Value</th>
<th>5% Admin Fee Charge on Increase</th>
<th>Admin Fee Accrued Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic LOA</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
<td>$150,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>Amend 1</td>
<td>4,000,000</td>
<td>1,000,000</td>
<td>50,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Amend 2</td>
<td>2,000,000</td>
<td>(2,000,000)</td>
<td>N/A (Decrease)</td>
<td>200,000</td>
</tr>
<tr>
<td>Amend 3</td>
<td>3,000,000</td>
<td>1,000,000</td>
<td>50,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Amend 4</td>
<td>5,000,000</td>
<td>2,000,000</td>
<td>100,000</td>
<td>350,000</td>
</tr>
<tr>
<td>Amend 5</td>
<td>4,000,000</td>
<td>(1,000,000)</td>
<td>N/A (Decrease)</td>
<td>350,000</td>
</tr>
</tbody>
</table>

B. FMSO I (Part B). No administrative surcharge must be charged on the on-order portion (Part B) of the FMSO I case. The current administrative surcharge (3.2 percent) must be charged on requisitions processed under FMSO II cases. If a FMSO I agreement is terminated, the current administrative surcharge must be charged for the inventory over and above the on-hand portion of the case. There must be no additional surcharge on the on-hand portion of the case, since the purchaser has made advance payment of the administrative charges applicable to this portion of the case.

070804. Storage Costs

There is no annual inventory maintenance and storage charge for DWCF items for CLSSAs, as the DWCF standard (stabilized) price recoups all costs. For non-DWCF items, storage fees must be charged, on the value of stored assets, based on the on-hand portion of the FMSO I. The annual storage fee is 1.5 percent. For cases not remaining open a full year, a fee of 0.125 percent per month must be charged (SAMM C9.T4).

070805. Normal Operating Inventory Loss

The standard prices paid by the foreign government for stock level of DWCF items already include a surcharge for estimated normal operating losses in storage.

070806. Unusual Inventory Loss

Stock losses due to enemy action, major disaster, or other casualty from a natural phenomenon must be assessed against the foreign government in an amount proportionate to the ratio that the value of its stock case bears to the total value of stocks in storage.
070807. Obsolete Materiel

A. **Obsolete or Excess to the United States.** If an item becomes obsolete or excess to the United States but not to the foreign government, the United States may request the foreign government to withdraw its undelivered quantity of the item. Additional quantities may be offered to the foreign government at fair value prices (see subparagraphs 071503.A-B).

B. **Obsolete or Excess to the Foreign Government.** If items become obsolete or excess to the requirements of the foreign government but not to the United States, the foreign government may request the United States to consider cancellation of its order and to apply its equity in the undelivered quantity to subsequent orders for other items. If cancellation is not agreed to, arrangements must be made for the United States to dispose of the materiel and credit the net proceeds to the foreign government. If the United States has a need for the materiel, credit the stock level for the return of materiel to U.S. stocks in accordance with departmental procedures.

C. **Obsolete or Excess to the United States and Foreign Government.** If items become obsolete or excess to the requirements of both the United States and the foreign government, arrangements must be made for the United States to dispose of the materiel and the proportional share of the net proceeds of sale must be credited to the foreign government.

070808. Purchaser Equity

CLSSAs are written in terms of an absolute dollar amount of support to be provided under the arrangement. A listing of the specific items required to support the weapon system is not developed. Under this "dollar value" concept, the FMS purchaser's equity must remain valued at the cash deposited for the FMSO I. Upon termination, a review must be made of the foreign country’s demand data for specific items. When demand data results in the procurement of stock above the DoD-approved retention levels, the foreign country must be informed that applicable stocks owned by that country must be drawn down or that a settlement agreeable to both parties must be reached.

0709 STORAGE, REPAIR, OR MODIFICATION OF PURCHASER-OWNED MATERIEL

070901. Storage

Costs applicable to storage of purchaser-owned articles include the functions of receiving, care and preservation, set assembly and related activities, and overhead operations (such as re-warehousing, maintenance of operating equipment, physical inventories, and cleaning areas).

A. Storage charges are applicable to the non-DWCF on-hand portion of FMSO I cases, cases on which DoD is ready to deliver applicable items but has been requested by the purchaser to delay delivery, and cases on which DoD cannot deliver due to legal or policy restrictions.
B. Charges commence 15 days following the date of availability (there is no annual inventory maintenance and storage charge for DWCF items for CLSSAs, as the DWCF standard (stabilized) price recoups all costs).

C. A uniform DoD annual rate of 1.5 percent or 0.125 percent of the average monthly value of purchaser-owned materiel will be charged to applicable FMS cases to recover an activity’s storage cost, unless a separate charge is negotiated with the storage facility.

D. A separate line on the LOA(s) should capture the storage-related costs. If this line did not previously exist, it can be added via an LOA modification.

070902. Repair or Modification

When a foreign government requests the repair and/or modification of items from non-DWCF activities, the actual or estimated cost of the work will be priced on a job order basis. An illustration of price computation is at Figure 7-1.

A. Labor costs will be computed in accordance with section 0720.

B. Materials and supplies obtained from the military supply system stocks will be priced in accordance with section 0715.

C. Materials, supplies, or services obtained directly from contractors will be priced in accordance with section 0716.

D. Transportation and related costs incurred in movement of the materials and supplies used during repair and/or modification must be priced in accordance with section 0704. See subparagraph 070402.B for treatment of DWCF materiel.

E. Indirect labor, material, and contractual services will be priced in accordance with the guidance in this chapter and allocated to job orders.

F. Appropriate incoming and outgoing transportation costs related to FMS equipment or materiel processed by repair or overhaul facilities will be paid by the FMS purchaser. If the repair facility ships the repaired item to the purchaser, then the transportation costs must be charged to the FMS case.

070903. FMS Administrative Surcharge

The FMS administrative surcharge must be applied to all direct and indirect costs billed in connection with storage, repair, and/or modification.

070904. Special Instructions Applicable to DWCF Activities

DWCF activities must charge approved DoD stabilized rates and prices for defense articles and services in support of FMS cases. Materiel funded by DWCF, including depot level
reparables, must be priced at the standard (stabilized) price in effect at the time the item is dropped from inventory or at the net/exchange price, if applicable, for a direct exchange transaction. The standard (stabilized) price or rate charged to FMS purchasers of DWCF activities for defense articles and services must be adjusted to include an amount for unfunded civilian retirement (UCR) and post-retirement health benefits costs in accordance with paragraph 072005.

0710 USE OR EXPANSION OF DOD FACILITIES AND EQUIPMENT

All costs of construction or expansion of facilities desired by and for the exclusive use of the foreign government must be financed and funded by the foreign government. Charges by the USG for labor, materiel, or services must be reimbursed in accordance with the provisions of sections 0715 and 0720. Any expansion of facilities or equipment required for DoD use, which may also be available for FMS, must be funded through the normal DoD budget process.

071001. Reimbursement of Proportionate Share

In addition to the costs identified in section 0710, a proportionate share of operating costs must be reimbursed.

071002. Work at DoD Test Facilities and Laboratories

Case and line managers must inform performing activities when work requested at DoD test facilities and laboratories involves FMS. Work is priced to ensure full reimbursement of direct, indirect, and overhead costs to the test facility or laboratory for the FMS effort.

071003. Embedded Computer Software (ECS) Facilities

A. ECS support is normally supplied through a services case (or line) of a system sale. A requirement for a new facility or augmentation of an existing facility that is funded by the FMS purchaser is incidental to the service. Regardless of the costs charged to an FMS purchaser for use or augmentation of a facility, DoD owns and operates the facility.

B. Software support may be supplied by a separate facility dedicated to FMS or from a facility supporting both DoD and FMS programs. The FMS purchaser pays a prorated share of the total software support costs.

0711 COSTS ALLOCABLE FOR JOINTLY USED FACILITIES

When specific agreements or arrangements are made for the joint use of USG facilities (e.g., sharing of storage spaces, dedicated training facilities), a pro rata share of the operating cost financed by operating appropriations must be charged to the foreign purchaser.
071101. Joint Use of Office or Storage Space

A. When jointly used storage or office space is involved, the pro rata share of operating costs must be determined based on space assigned to the foreign government versus total space available for assignment.

B. Operating costs must include, but are not necessarily limited to, the cost of maintenance and upkeep of the facilities, including access roads, security, communications, utilities, and rent, if the USG must make rental payments under lease agreements.

071102. Joint Use of Satellites

When jointly used satellites are involved, the launch cost must be allocated to each participant based on pre-launch negotiations that consider the expected benefits accruing to each participant. Recurring operating costs must be prorated based on the time each participant actually uses the satellite.

0712 PERIODIC REVIEW AND RATES/SURCHARGE REVISION

071201. Periodic Review

Rates that may be developed to recoup accessorial costs and surcharges (see sections 0716 and 0705) are subject to periodic review. OUSD(C) should notify the applicable DoD Components when such reviews are being conducted and request the DoD Components’ participation.

071202. Rate Revision

No charges, or surcharges based on a percentage rate, must be made to recover any element of cost unless the charge or percentage charge is expressly prescribed in this Volume, or the charge based on the percentage rate is proposed in writing to and is approved by OUSD(C). Whenever a DoD Component believes a prescribed rate should be revised, it should submit its request with supporting data to OUSD(C), through the DoD Component Senior Financial Manager and DSCA DBO. DSCA DBO will conduct its assessment of the request and provide either its endorsement of or objection to OUSD(C). Sufficient data must accompany the request to enable evaluation of the merits of the proposed revision.

0713 COST RECOUPMENT WAIVERS AND EXCLUSIONS

A cost recoupment waiver is the exercise of legal authority to partially or totally waive recoupment of incurred costs. A cost recoupment waiver is not an exception to pricing policy.

071301. Waiver of NC Recoupment Charges

A. Title 22, U.S.C. § 2761(e)(2)(A) authorizes the President to reduce or waive the NC recoupment charge or charges which would otherwise be considered appropriate under 22 U.S.C. § 2761(e)(1)(B) for particular sales that would, if made, significantly advance
USG interest in North Atlantic Treaty Organization (NATO) standardization; standardization with the Armed Forces of Japan, Australia, the Republic of Korea, Israel, or New Zealand, in furtherance of the mutual defense treaties between the United States and those countries; or foreign procurement in the United States under coproduction agreements.

B. Title 22, U.S.C. § 2761(e)(2)(B) authorizes the President to waive NC recoupment charges for a particular sale if it is determined that:

1. Imposition of the charge or charges likely would result in the loss of the sale; or

2. The waiver of the charge or charges for MDE would result in a savings to the United States that substantially offsets the revenue due to this waiver.

C. Title 22, U.S.C. § 2761(e)(2)(C) gives the President the authority to waive, for particular sales of MDE, any increase in a charge or charges previously considered appropriate under 22 U.S.C. § 2761(e)(1)(B). This authority is given if the increase results from a correction of an estimate (reasonable when made) of the production quantity base that was used for calculating the charge or charges for purposes of such paragraph.

D. The authority to waive NC recoupment charges has been delegated to the Director, DSCA. All waiver requests must be coordinated with the USD for Research and Engineering (R&E), USD for Acquisition and Sustainment (A&S), and the OUSD(C).

071302. Special Waiver Authority for NATO Airborne Warning and Control System (AWACS)

Notwithstanding subparagraph 070504.A, 10 U.S.C. § 2350e authorizes the Secretary of Defense, in carrying out the NATO AWACS program, to:

A. Waive reimbursement for the costs of the following functions performed by personnel other than personnel employed in the U.S. Air Force AWACS program office:

1. Auditing;

2. Quality assurance;

3. Codification;

4. Inspection;

5. Contract administration;

6. Acceptance testing;

7. Certification services; and
8. Planning, programming, and management services;

B. Waive any surcharge for administrative services otherwise chargeable; and

C. Assume contingent liability for:

1. Any program losses resulting from the gross negligence of any contracting officer of the United States;

2. Identifiable taxes, customs duties, and other charges levied within the United States on the program; and

3. The U.S. share of unfunded termination liability.

071303. Waiver of Contract Administration Services (CAS) and Cataloging Services

A. Title 22, U.S.C. § 2761(h) authorizes the President to provide (without charge) quality assurance, inspection, CAS, contract audit defense services, cataloging data, and cataloging services. Title 22, U.S.C. § 2761(h) applies to:

1. Any contract or subcontract for defense articles, defense services, or design and construction services entered into after October 29, 1979, under FMS or direct commercial sales on behalf of a foreign government that is a member of NATO or the Governments of Australia, New Zealand, Japan, the Republic of Korea, or Israel. The authority applies only if the foreign government provides these services in accordance with an agreement on a reciprocal basis, without charge, to the USG;

2. Any contract or subcontract for defense articles, defense services, or design and construction services pursuant to the NATO Security Investment Program. The authority applies only in accordance with a reciprocal agreement under which the foreign governments participating in the NATO Security Investment Program provide such services, without charge, in connection with similar contracts or subcontracts; and

3. Cataloging data and cataloging services provided to NATO, to any member government of NATO, or to the Governments of the Republic of Korea, Australia, New Zealand, Japan, or Israel, if that organization, member government, or the Governments of the Republic of Korea, Australia, New Zealand, Japan, or Israel provides such data and services without charge to the United States in accordance with a reciprocal agreement.

B. The authority to negotiate and conclude these reciprocal agreements has been delegated to OUSD(A&S). Upon approval of the agreement, OUSD(A&S) will provide a copy of that agreement to DSCA.

C. When a waiver is approved, the cost of CAS in support of the applicable effort must be funded by a DoD appropriation. Billings for such actual costs must not be submitted against the FMS Trust Fund. The waiver under each agreement applies only to new FMS LOAs.
with implementation dates (as recorded in the Defense Security Assistance Management System) on or after the effective date of the reciprocal agreement.

D. Countries with CAS waivers are listed in the SAMM, C9.75, C9.76, and C9.77. DSCA is responsible for updating and maintaining the CAS waiver tables.

071304. Special Waiver Authority for NATO Cooperative Projects

A. Title 22, U.S.C. § 2767(e)(1) stipulates that the President may reduce or waive the charge or charges in connection with cooperative projects or agreements entered into under the authority of that section. The charges that may be reduced or waived are those that are otherwise considered appropriate under 22 U.S.C. § 2761(e) (see subparagraph 070301.B) for sales of defense articles and services from stocks or new procurements when the other participants agree to waive or reduce such charges.

B. Waiver authority of the President under 22 U.S.C. § 2767 has been delegated to the Director, DSCA.

C. Administrative surcharges must not be increased on other sales made under the U.S.C. in order to compensate for any cost waivers that are granted pursuant to 22 U.S.C. § 2767(d). Funds received pursuant to such other sales must not be available to reimburse the costs incurred by the USG for which waiver or reduction is approved by the President under 22 U.S.C. § 2767.

071305. Exclusion of the Cost of Military Pay and Entitlements for Defense Services Funded by the Military Assistance Program (MAP) or Non-Repayable Foreign Military Financing (FMF)

A. Title 22, U.S.C. § 2767(a)(3) permits the exclusion of salaries of members of the Armed Forces (other than Coast Guard) if the sales case for defense articles, services (including training), or for design and construction services is totally financed by MAP Merger or by non-repayable FMF.

B. Services provided under 22 U.S.C. §§ 2761, 2762, 2769, or 2770 must be priced to exclude military pay and entitlements (including retired pay accrual) only for those cases with LOAs exclusively citing MAP Merger funds and/or non-repayable FMF or BPC and Foreign Security Forces (FSF) cases which are funded with DoD or Department of State (DoS) appropriated funds (Pakistan Counterinsurgency Fund (PCF), Pakistan Counterinsurgency Capability Fund (PCCF), Coalition Readiness Support Program (CRSP), FSF: authority to build capacity under 10 U.S.C. § 333, Counter-Islamic State in Iraq and Syria (ISIS), Counter-Islamic State of Iraq and the Levant (ISIL) Train and Equip Fund (CTEF), Afghanistan Security Forces Fund (ASFF), or Iraq Train and Equip (ITEF)).

   1. The exclusion of military pay and entitlements in pricing applies when services are performed regardless of the date of the LOA. For MAP Merger, this pricing
applies to services provided after September 30, 1985; for non-repayable FMF, this pricing applies to services provided after September 30, 1989.

2. Any subsequent amendment or modification that reduces MAP Merger or non-repayable FMF funding below 100 percent requires re-pricing to add military pay and entitlements to the entire case.

C. A separate price for DWCF goods and services must not be established to exclude military pay and entitlements when the case is fully funded by MAP Merger, is a non-repayable FMF, or is a BPC case.

071306. Exchange of Unit Training and Related Support

Title 22, U.S.C. § 2770(a) empowers the President to provide training and related support to military and civilian defense personnel of a friendly foreign country or an international organization. This authority applies only to established military units, not to ad hoc units or individual members of units.

A. Such training and related support is specifically to be provided by a Secretary of a Military Department and only when the recipient foreign country or international organization agrees, pursuant to an agreement or other arrangement, to provide comparable training and related support on a reciprocal basis to personnel under the jurisdiction of the Secretary providing the training.

B. The reciprocal training must be provided within a reasonable period of time that is not later than one year after the provision of training and related support. If such training is not provided, then the country or international organization receiving the training must be required to reimburse the United States. See Volume 11A, Chapter 10 and SAMM, Chapter 10, for the financial policies associated with this reciprocal program.

071307. Special Authorities.

In accordance with the administration of the European Air Defense Agreements, the Secretary of Defense is authorized under the International Security and Development Cooperation Act of 1985, Section 132 (see 22 U.S.C. § 2767(e)) to:

A. Waive any surcharge for administrative services otherwise chargeable under 22 U.S.C. § 2761(e)(1)(A), and

B. Waive any charge not otherwise waived for services associated with contract administration for the sale (under the AECA) of Patriot Air Defense Missile Fire units to the Federal Republic of Germany contemplated in the agreements.
071308. Fair Pricing

Under 22 U.S.C. §§ 2761 and 2792, the recoupment of NC is not required for FMS cases wholly funded with MAP Merger or non-repayable FMF, BPC, or FSF cases which are funded with DoD or DoS appropriated funds (e.g., ASFF, PCCF, PCF, CRSP, CTEF, ITEF, or FSF: authority to build capacity under 10 U.S.C. § 333). Effective with delivery reports after December 1, 1989, asset use charges are no longer applicable to FMS transactions. When such asset use expenses are included in, or are a part of, the standard prices/stabilized rates charged for defense articles and services furnished by DWCF, a separate price must not be established for sales from, or services furnished by, DWCF in connection with FMS cases. In addition, military salaries and the unfunded costs of civilian retirement and other benefits are not included in the FMS administrative account.

0714 EXCEPTION TO PRICING POLICIES

An exception to prescribed pricing policies refers to approval of an alternative method of identifying applicable cost(s). Requests for exceptions to the policies prescribed herein or waivers of DoD costs for which DSCA is not delegated as the waiver authority, must be submitted to OUSD(C), through the DoD Component Senior Financial Manager, and DSCA DBO. (Note: A cost recoupment waiver is not an exception to pricing policy.) DSCA DBO will conduct its assessment of the request and provide either endorsement or objections to OUSD(C). Sufficient data must accompany the request to enable OUSD(C) to evaluate the merits of the proposed deviation.

0715 CASH SALES OF DEFENSE ARTICLES ISSUED FROM STOCK

071501. General

Title 22, U.S.C. § 2761 authorizes the sale of defense articles from stock to eligible foreign governments and international organizations. These sales include all sales of items from DoD inventories, whether delivered from storage or from procurements that were initiated to maintain adequate DoD inventory levels. Procurements specifically for FMS requirements (excluding CLSSAs) may not be considered a sale from stock. Procurements initiated to replace stocks sold from DoD inventories are not FMS new procurements.

071502. Sale of Defense Articles

A. Sale Price of Non-Excess Defense Articles. Non-excess defense articles are assets within the approved force acquisition objective and approved force retention stock of all DoD Components. Also included in the non-excess category are articles procured in anticipation of military assistance or sales requirements as a result of CLSSAs, or pursuant to a military assistance or sales order. The selling price must be determined when the item is dropped from inventory or the LOA is prepared, if a firm price is determined in accordance with the provisions of paragraph 071504.
B. Sale of DWCF Articles

1. The selling price of DWCF articles to FMS purchasers must be determined at the time the article is dropped from inventory. The standard price charged to FMS purchasers for DWCF articles must be adjusted to include an amount for unfunded civilian retirement and post-retirement health benefits costs (see paragraph 072005). See Volume 2B, Chapter 9; Volume 11A, Chapter 1; and Volume 11B, Chapter 11 for additional information.

2. If a purchaser returns a reparable DWCF item for repair or replacement, the overhaul service must be priced in accordance with paragraph 070902. The price of the replacement/exchange item would be the exchange price or net price (standard price less credit) basis adjusted for the unfunded retirement and benefits.

3. As an invested participant, a CLSSA purchaser may return a fully serviceable reparable item to the appropriate DWCF activity for credit, when the item is within the activity's approved acquisition objective. The credit will only be issued after the item is received and inspected at the activity. Funds credited may be paid by the DoD disbursing office into the FMS Trust Fund in accordance with the instruction of the foreign purchaser or DSCA.

4. Prior to October 1, 2001, petroleum, oil, and lubricants (POL) was priced at standard (stabilized) prices. Effective October 1, 2001 the selling price of POL is the replacement cost of the POL, during the period of the sale, plus associated overhead. See Volume 11A, Chapter 1 and Volume 11B, Chapter 11 for additional information on overhead.

C. Sale of Non-DWCF Articles. The pricing and treatment of reimbursements of non-DWCF articles sold are dependent upon whether the item(s) being sold requires replacement. An illustration of the price computation is in Figure 7-2.

1. Item Not to be Replaced. When an item is sold from the stocks of DoD and is not intended to be replaced, it is considered a free asset. The free asset price is not less than the actual value of the article.

   a. The price of the item must be the most recent actual procurement cost of the series and model being sold, plus the cost of any modifications or improvements incorporated after production and the applicable NC recoupment charge.

   b. Reductions to the sale price may be made when there is an actual difference in utility or desirability among units of issue of an item due to age or condition.

   c. The cost of the last major overhaul or outfitting accomplished before the sale date is added to the calculated price and is not reduced for age or condition. The overhaul costs will be prorated over the interval between the last actual overhaul and the next scheduled overhaul (see Figure 7-3).

   (1) If a future overhaul is not scheduled, the cost of the previous overhaul will be prorated over the normal average interval between overhauls.
(2) If an overhaul schedule is not available, the most appropriate time span for that series and model should be used.

(3) In the case where actual costs are not available for the last overhaul, a reasonable estimate from the facility normally performing overhauls for the type of item to be sold may be used.

(4) In the case where a maintenance schedule has not been established, a period of at least five years should be used.

(5) A request for waiver of the overhaul cost may be submitted to OUSD(C) in accordance with section 0713.

d. In the case of a naval vessel that is 20 or more years old, and 3,000 tons or less, 22 U.S.C. § 2761(a)(2) provides that the actual value is not less than the greater of the scrap value or the fair value (including conversion costs) as determined by the Secretary of Defense. See Figure 7-4 for an example of the price computation for a ship that is greater than 3,000 tons.

e. The amounts received as payment for free assets from the FMS purchaser must be deposited into the Miscellaneous Receipts of the U.S. Treasury. See Volume 3, Chapter 15, paragraph 150205 for additional information on proceeds from assets sold.

2. Item to be Replaced. The sale from stock with replacement represents the sale of assets for cash and the subsequent replacement of assets with cash proceeds. The sale and replacement represent two separate transactions generally occurring months or years apart.

a. Like Items. Title 22, U.S.C. § 2761 authorizes the replacement of materiel using proceeds from sales without further congressional approval, so long as the item sold will be replaced with an item of the identical type, model, and series (e.g., the sale of C-130E aircraft and purchase of C-130E aircraft) or a modified version of the same basic model. Obligations to replace the assets will be recognized as direct obligations.

(1) The price of the item to be replaced must be the best-estimated cost of the replacement item available at the time the item is dropped from inventory, plus the NC recoupment charge of the item being sold, adjusted for its remaining service life. The final bill will utilize the best pricing information available if actual replacement procurement cost is not known. This must be the final cost to the purchaser regardless of the actual cost of final replacement procurement. Inventory managers must realize that this prescribed pricing methodology may not result in a one-for-one replacement. If exact quantities are needed in inventory in order to maintain readiness, the inventory manager must recommend FMS procurement and not approve a shipment out of stock.

(2) When it is imperative that stock be replaced through accelerated procurements, and normal pricing policies will not adequately recoup replacement
costs, an exception to DoD pricing policies must be requested from the OUSD(C). Section 0714 specifies guidance on exception requests. Normally, the exception would be to add a replacement factor or delay final pricing until the contract for replacement items is financially complete.

b. **Dissimilar or Modified Items.** Congress authorizes the replacement of materiel using proceeds from sales of dissimilar or modified items. The replacement item must be a later series or modified version of the same basic model (e.g., sale of a C-130A aircraft and the purchase of a C-130E aircraft) or an acceptable substitute item (e.g., sale of an M-48 tank and the purchase of an M-60 tank). The purchase of upgrading or a modification kit is not considered a replacement even though the upgrade or modification would result in an end item similar to the items that are being acquired. In this situation, an item of materiel sold will require replacement to compensate DoD inventories for the resultant loss of capability or readiness. The replacement must be shown under the direct budget program and reprogramming action taken prior to replacement. The obligations to replace the assets will be recognized and accounted for as direct obligations, rather than as reimbursements to annual procurement appropriations.

D. **Sale of Ammunition.** The selling price of an ammunition item must be the current standard price plus any applicable NC recoupment charge.

071503. **Excess Defense Articles**

Excess defense articles are assets in excess of the Approved Force Acquisition Objective and Approved Force Retention Stock of all the DoD Components (see paragraph 071502 for additional discussion). Excess defense articles must be sold in an "as is" condition. The cost of repairing, rehabilitating, or modifying such articles must be computed in accordance with paragraph 070902.

A. Excess articles may be sold at reduced prices to recognize depreciation for the age and condition of the article. PC&H and Transportation (PCH&T) is computed on the original acquisition value and not on the reduced price. The level of effort for the PCH&T is not less for an article that is considered excess; therefore, the expenses for the PCH&T do not decrease and must be recovered in total from purchasers. This policy applies to procurement appropriations and DWCF. An illustration of the price computation for Non-DWCF is in Figure 7-5.

B. The selling price of excess articles, exclusive of repair or modification costs, must be the highest of:

1. Its market value for which the applicable NC recoupment charge must be assumed to be included (market value is the price at which bona fide sales have been consummated for products of like kind, quality, and quantity);

2. Its scrap value plus NC recoupment charge and the last major overhaul costs incurred (scrap value is the amount that would be expected to be obtained from selling the asset at the end of its useful life); or
3. Its fair value, plus NC recoupment charge and prorated major overhaul costs (fair value is the price for which an item can be bought or sold in an arm’s length transaction between unrelated parties).

C. The fair value is computed using the fair value rates associated with the Federal Condition Code of the asset multiplied by the established inventory price. See Table 7-1. If the IA proposes the price of materiel to be less than the 5 percent minimum threshold indicated in Table 7-1 or proposes to waive the overhaul costs, a detailed justification must be sent to the DSCA DBO in accordance with section 0713. If DSCA endorses the IA proposal, it will forward that package to OUSD(C) for final approval.

D. The overhaul costs will be prorated over the interval between the most recent prior overhaul and the next scheduled overhaul. If a future overhaul is not scheduled, the cost of the last overhaul will be prorated over the normal average interval between overhauls. In the case where actual costs are not available for the last overhaul, a reasonable estimate from the facility normally performing overhauls for the type of item to be sold may be used. In the case where a maintenance schedule has not been established, a period of at least five years should be used. An example of computing these costs is illustrated at Figure 7-3.

E. When accountability for excess items has been transferred to "Property Disposal," the provisions of the Defense Materiel Disposition Manual, DoD 4160.21-M, Volume 3 must apply. This manual provides specific guidance for the disposition of amounts realized from the sale of such equipment. Defense Logistics Agency Disposition Services will calculate PC&H based on the original acquisition value of assets sold or transferred.

F. A request for exception to established pricing policy of excess materiel for FMS will be submitted in accordance with section 0714 and must address the following:

1. Whether the item has been screened for potential sale to purchasers and whether there is any existing purchaser interest at the price determined in accordance with the established pricing policy;

2. Whether the alternative proposed price is equal to or greater than the scrap value plus the established recoupment charge for DoD NC;

3. Whether demilitarization costs will be incurred by DoD if the item is sold and, if so, the estimated amount of such demilitarization costs;

4. What the price to repair the item would be and its percentage of the original acquisition cost of the item; and

5. Whether the proposed sale has any other economic or political benefit to DoD and/or the USG.
071504. Quotation of Firm Prices

A. The DoD Components are authorized to quote firm prices for items to be sold from stock and for in-house services to be furnished, pursuant to 22 U.S.C. § 2761. Such prices are not subject to further adjustment, provided the purchaser accepts the LOA before the expiration date. A firm price may be quoted only for:

1. An actual or estimated replacement price for a procurement funded end item, including ammunition, or major items to be sold from inventory as authorized in subparagraph 071502.C.2, when the price is based on budgetary data or contractor quotation;

2. A price for procurement funded or major item developed under provisions of subparagraph 071502.C.1 and paragraph 071503; and

3. Training tuition rates (only for current year). Refer to section 0721 for additional information on rates for training of international students.

B. The reason for quoting firm prices is to minimize difficulties that might arise should prices undergo several revisions due to budgetary decisions made subsequent to country acceptance of LOAs. Firm prices may be quoted only after careful and coordinated development of such pricing data. LOAs (other than for training) that specify firm pricing must be coordinated, at a minimum, with the OUSD(C), the Offices of the Assistant Secretaries of the Military Departments (Financial Management and Comptroller), and DSCA.

C. All LOAs authorized to be on a firm price basis must include a note that specifies that pricing data presented is firm (except for changes authorized in paragraph 072204) and will not be changed, provided the country accepts the LOA before its offer expiration date.

*071505. Charges for NC

Non-USG purchasers must pay a fair price, determined in accordance with DoD Directive (DoDD) 2140.02, “Recoupment of Nonrecurring Costs (NCs) on Sales of U.S. Items,” for the value of DoD nonrecurring investment in the development and production of MDE, as required by law, unless an NC recoupment charge waiver has been approved by the Director, DSCA. For FMS, an NC recoupment charge is applicable to all MDE. MDE is any item of Significant Military Equipment (SME) listed on the U.S. Munitions List having a DoD nonrecurring RDT&E cost accumulation of $50 million or a total DoD production cost of more than $200 million. A listing of MDE with associated NC charges can be found in the SAMM, Appendix 1. The NC recoupment charge is not applicable to BPC cases.

A. Cost Pool Methodology

1. A cost pool methodology is used to determine the pro rata share of NC to be recouped. The NC recoupment charge computation (nonrecurring RDT&E and nonrecurring production cost pools divided by estimated benefiting units) is submitted to the Director, DSCA for approval. The NC recoupment computation must be supported with an MDE
calculation worksheet, illustrated in Figures 7-6, 7-7, and 7-8. The Director, DSCA will review each DoD Component’s calculations and publish the approved charge in the SAMM, Appendix 1.

2. Each DoD Component must establish a system to accumulate cost pools, recognize when a cost pool meets recoupment thresholds, and calculate an NC recoupment charge for items releasable to foreign countries and international organizations when FMS sales are anticipated. The NC recoupment charge must be based upon information recorded in DoD accounting records or DoD budget justification documents. If adequate documentation is unavailable, the DoD Component will calculate the pro rata NC at 5 percent of the last known DoD acquisition cost.

* B. Nonrecurring RDT&E Cost Pool

1. The nonrecurring RDT&E cost pool includes costs funded by RDT&E appropriations to develop or improve the product or technology under consideration. The costs to be included in the nonrecurring RDT&E investment cost pool must be determined on the budget and accounting classifications established for RDT&E appropriations in Volume 2B. Volume 2B, Chapter 5, paragraph 050105 establishes the following RDT&E categories:

a. Budget Activity 1, Basic Research;

b. Budget Activity 2, Applied Research;

c. Budget Activity 3, Advanced Technology Development (ATD). ATD is sometimes further broken down into budget activities 3A (strictly research efforts that involve the production of breadboards or brass boards to model all or part of a design) and 3B (applied to projects to produce a prototype, which although not suitable for fielding, is closer to representation of an end item for military application);

d. Budget Activity 4, Advanced Component Development and Prototypes;

e. Budget Activity 5, System Development and Demonstration;

f. Budget Activity 6, RDT&E Management Support; and

g. Budget Activity 7, Operational System Development.

2. Costs in budget activities 3B, 4, 5, 6, and 7 are subject to recoupment and must be included in the nonrecurring RDT&E cost pools upon which the pro rata charge is calculated. The costs incurred for nonrecurring RDT&E in budget activities 1, 2, and 3A may not be included in the nonrecurring RDT&E cost pool.

3. All applicable NC efforts, including in-house or multiple contractors must be included in the nonrecurring RDT&E cost pool; the source of the NC effort
to develop a product is not relevant to the calculation of the NC recoupment charge. The costs of improvement programs that are designed to continuously improve the safety, reliability, availability, and maintainability of an end item or major component over the projected life of the item will be shared equitably by all users of the item.

a. Normally, each user will pay a share of the total annual cost through a Component Improvement Program (CIP) or comparable program. All users are expected to participate in such a program.

b. The cost sharing calculation will be established at the time the nonrecurring RDT&E cost pool is established and the NC recoupment charge is approved. First, the total life of the item will be projected, and then the point in time when half of all projected deliveries to non-DoD purchasers will occur will be estimated. Using actual cost data and data from historical files for similar CIP or comparable programs, the total U.S. investment costs over the life of the program will be estimated. The amount of U.S. investment projected to be incurred up to the previously determined point of half of the deliveries to non-DoD purchasers will be included in the weapon system nonrecurring RDT&E cost pool.

c. The annual cost of operating the CIP or comparable program will be shared in proportion to the number of items in the possession of each user. This will ensure that the remaining costs of operating the CIP or comparable program will be shared equally by all users of the item.

C. Nonrecurring Production Cost Pool. The costs to be included in the nonrecurring production cost pool are those financed by, or to be financed in the future by, procurement or operations and maintenance appropriations that benefit current and future production runs. DoDD 2140.02 stipulates that the pool must capture such costs as preproduction, special tooling, special testing equipment, production engineering, product improvement, destructive testing and product model production, and testing and evaluation. Other costs may be included if they benefit both current and future production runs. Descriptions of the major categories of costs to be accumulated in this NC pool are as follows:

1. **Production Cost.** Preproduction cost refers to the cost of such activities as tooling manufacture and tryout (i.e., jigs, dies, and fixtures) and the implementation of layout plans. A lump sum payment for license cost is part of the preproduction cost. See subparagraph 071505.C.8 for more information on license cost.

2. **Special Tooling Cost.** Special tooling cost refers to the costs of all jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, and replacement thereof, that are of such a specialized nature that substantial modifications or alteration of their use is limited to the development of production of particular supplies or parts, or the performance of particular services. The term includes all components of such items, but does not include:
a. Material;

b. Special testing equipment; or

c. Building and non-serviceable structures (except foundations and similar improvements necessary for the installation of special tooling), general or special machine tools, or similar capital items.

3. **Special Test Equipment Cost.** Special test equipment cost refers to the cost funded by procurement appropriations for either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in the performance of the contract. Such testing units comprise electrical, electronic, hydraulic, pneumatic, mechanical, or other items or assemblies of equipment that are mechanically, electrically, or electronically interconnected so as to become a new functional entity, causing the individual item or items to become interdependent and essential in the performance of special test equipment procured with RDT&E appropriations.

4. **Developmental Production Engineering Cost.** Developmental production engineering cost includes the cost of product design improvement intended to enhance producibility of an item; examination of available manufacturing processes to determine the need for new techniques (and their development, if necessary); the optimum marshalling of resources for efficient manufacturing (such as optimum lot size, scheduling, production control, production line design and balancing, and plant layout); and tool design and detailed manufacturing planning. Although a continuing activity, most of this effort is rightfully considered a nonrecurring production cost.

5. **Product Improvement Cost.** Product improvement programs may be accomplished by contractors as an engineering change proposal, modification work order, or an in-house project. Categories listed in subparagraphs 071505.C.5.a-071505.C.5.e are to be included in the end item nonrecurring production cost pool, even though a participating product improvement program has been established that prorates the annual cost of the program based upon worldwide asset position (both U.S. and foreign-owned end items). The DoD cost of category listed in subparagraph 071505.C.5.f must be recovered as part of the selling price of a new model item, if the item is MDE. Product improvement is subdivided into six distinct types of effort:

a. Safety;

b. Cost reduction;

c. Reliability, availability, and maintainability;

d. Deficiency corrections;

e. Compatibility standardization, and simplification; and
f. New or improved operational capability.

6. **Destructive Testing Cost**. Destructive testing is a technique for performing tests on a component, assembly, or an end item. It involves the testing of an article beyond its design limits (and ultimately its destruction), or the actual consumption of the article to determine if it is performing to design specifications.

7. **Pilot Model Testing Cost**. Pilot model testing includes the following efforts:

   a. Qualification testing, a very severe testing, to determine if a product will do what it is designed to do. It usually involves the testing of a product to the limits of its performance. It is often destructive and the test articles are not intended to be used operationally in the future; and

   b. First article testing performed to evaluate a new manufacturer’s ability to produce a specified design (could be the new manufacturer’s design or that of another manufacturer). It is normally more stringent and costly than routine acceptance testing, but less stringent and costly (and less destructive) than qualification testing.

8. **License Cost**. License cost refers to the cost of the license DoD obtains to allow competitive awards for production of an item when its design is owned by a contractor. In effect, DoD buys the rights to allow other contractors to produce an item for DoD purposes through the payment of royalties or a lump sum fee. These royalties are customarily on a per item basis and should be charged as recurring production costs. The lump sum fee is a nonrecurring production cost.

D. **Components for USG Use Only**. In computing NC pools for items to be sold under FMS, NC of major components that are restricted to USG use must not be included. For example, the costs of nuclear devices and features, countermeasure devices and features, security devices (black boxes), carrier-peculiar adaptations, and special fuel tank devices must be excluded. Estimates may be used if accounting records do not identify associated costs.

E. **Benefiting Units**.

   1. Benefiting units is the number of items that must be included in all known or projected DoD production quantities and must be determined as follows:

   a. The production quantities of end items required by DoD must be obtained from either Selected Acquisition Reports or the Future Years Defense Program Procurement Annex.

   b. The production quantities of end items to be procured for foreign countries or international organizations under Security Assistance (SA) programs must be obtained from DoD Component SA plans.
c. If end item data is not available from any of these sources, then the developing command must estimate the total number of end items to be produced.

d. The production quantities of systems components that meet the investment threshold must be derived from the number of end items to be produced. For example, if 100 aircraft must be produced (assume one engine for each aircraft) and spare part support requires 150 engines, the production quantity of engines is 250.

2. In the event of a disagreement on the production quantity and sales projections, the Director, DSCA must make the final determination in coordination with OUSD(C) and OUSD(A&S/R&E) of the production estimates to be used for determining the NC recoupment charge.

F. NC Charge Revisions. A revision may be submitted at any time by a DoD Component. It is mandatory that a modification to the NC recoupment charge be submitted when a significant change occurs.

1. **Price Reduction.** When the price is reduced because of age, condition, or supply status (excess), the same percentage reduction must be made to the pro rata share of NC.

2. **Biennial Review.** DoDD 2140.02 requires a biennial review of approved MDE charges to determine if there has been a significant change in factors or assumptions used to compute the currently approved recoupment for a model. A significant change occurs when:

   a. A new calculation shows a change of 30 percent of the current system NC charge for an MDE item;

   b. The NC unit charge increases or decreases by $50,000 or more; or

   c. The potential for a $5 million change in recoupment exists.

3. **Model Change.** When a model change occurs, the NC recoupment charge must be recalculated. That portion of the NC that benefits only one model must be allocated only to that model. That portion of the NC that benefits old and new models must be prorated between cost pools related to the old and new model items. Commonality between old and new models may be determined either on the basis of the ratio of old model parts in the new item or on some other common acceptable basis for allocation of costs between the models (e.g., engineering analysis or technology analysis, as appropriate). Sample calculations are illustrated in Figures 7-7 and 7-8.

G. **NC Charge Recoupment.** The approved pro rata charge must be recouped unless a waiver is authorized. When NC recoupment is applicable, the price on an LOA must include the specific recoupment charge. In instances where the initial rate has not yet been
approved, DoD Components must provide for an estimated rate based on the most accurate information available to the DoD Component. The LOA must be modified to specify the subsequently approved rate and only that approved rate is to be billed. When a recoupment charge is revised, the previous value is retained in the SAMM, Appendix I. Subsequent revisions to the pro rata charge must be applied to new LOAs and must not be applied retroactively. An exception to this rule of application is not authorized.

H. Reporting NC Recoupment Collections. NC Recoupment Collections must be reported.

1. Funds collected for NC recoupment charges must be disposed of in accordance with Chapter 3, paragraph 030902.

2. DoD Components must provide a quarterly report on the status of NC recoupment collections. The report must be forwarded to the Director, DSCA DBO within 45 days following the close of each fiscal quarter.

3. DoD components must maintain records of anticipated and actual NC recoupment collections.

I. Waivers

1. The Director, DSCA has been delegated the authority to waive NC recoupment charges on FMS sales in accordance with paragraph 071301. DSCA must issue, in writing, any approvals granted for waivers of the NC recoupment charge that otherwise would be collected under FMS. DSCA must forward a notification of each approved waiver to the applicable DoD Component.

2. The decision on any waiver requires the concurrence of OUSD(C) and OUSD(A&S/R&E). If an issue concerning the waiver request cannot be resolved, the Director, DSCA must submit an official waiver request to the Deputy Secretary of Defense for final determination. That request to the Deputy Secretary of Defense must be coordinated with OUSD(C) and OUSD(A&S/R&E).

3. Articles delivered after November 30, 1989, under FMS cases fully financed with MAP Merger funds and/or non-repayable FMF funds, must be priced to exclude the NC recoupment charge, in accordance with 22 U.S.C. § 2761(e)(1)(B).

J. "Special" RDT&E and Nonrecurring Production Costs

1. DoDD 2140.02 requires the purchaser to pay for “special” RDT&E and nonrecurring production costs that are incurred for the benefit of a particular FMS purchaser. Documentation must be maintained to show that the FMS purchaser requested the feature for its own benefit. For purposes of this paragraph, a “special” feature or unique requirement includes, but is not limited to, features that DoD initially may not have adopted or purchased due to the non-
availability of funds, lack of authorization from the Congress, or lack of an approved DoD requirement, but subsequently adopts or purchases when otherwise authorized.

2. DoDD 2140.02 stipulates that the USG must not be charged a recoupment charge for "special" RDT&E and nonrecurring production costs even if the USG also adopts those features for its own use, or provides equipment with such features under a U.S. grant, aid, or similar program. This provision applies without regard to whether the adoption of such features by DoD occurs before, during, or after full development of the feature.

3. DoDD 2140.02 permits the recoupment of "special" RDT&E and nonrecurring production costs incurred by FMS purchasers or participants of a coproduction, co-development, and cooperative development, or cooperative production program.

   a. Recoupment is allowable only if such "special" costs exceed $50 million for each FMS purchaser, or if the special costs (SC) of participants of a cooperative agreement exceed $50 million in aggregate.

   b. The "special" recoupment charge is determined by the DoD Component as a result of the distribution of the total costs divided by the total production, which is the same methodology used for determining the DoD NC recoupment charge.

   c. The reimbursements may be collected by the Department from other purchasers or participants on behalf of the purchaser or cooperative participant incurring the "special" costs. The reimbursements must not be collected after 10 years from the date the "special" recoupment charge is established.

K. Defense Contract Audit Agency (DCAA). The Director, DCAA must ensure that any evaluation of a contractor accounting system includes an analysis of the internal controls established to ensure compliance with the requirement to pay NC recoupment charges for sales made prior to October 7, 1992. If DCAA audit work (e.g., on a bid proposal or claim for incurred costs) discloses contractor noncompliance with the requirement to pay an NC recoupment charge, an audit report must be issued promptly to the cognizant DoD contracting officer, with a copy of the report submitted to OUSD(C), DFAS SCA, and DSCA DBO.

071506. Returns

In accordance with 22 U.S.C. § 2761(m), returns may be accepted if the defense article was previously supplied under the U.S.C., is not SME, and is in full functioning condition without need of repair or rehabilitation. DoD must have a funded requirement, including FMS requirements, for the defense article. The purchaser must not be reimbursed directly; the purchaser's FMS Trust Fund account must be credited to reflect the transaction, using DoD appropriations or other purchaser funds, dependent on the buyer.
CASH SALES OF DEFENSE ARTICLES AND SERVICES FROM NEW PROCUREMENT FOR DIRECT DELIVERY AND NEW PRODUCTION

Defense articles procured for cash sales to an eligible foreign government or international agency for direct delivery, pursuant to 22 U.S.C. § 2762, must be priced to recover the full contract cost to DoD, including DoD recurring contract support costs and applicable DoD surcharges. Costs may be revised for increases in labor and materials, or for other changes in production and procurement costs. The purchaser is obligated to pay any damages or costs that may accrue from the purchaser’s cancellation of the contract (termination liability). Applicable surcharges must be added to the contract cost and included in billings for incurred costs. An illustration of the price computation is in Figure 7-9.

071601. Cost Principles

A. DoD articles must be priced based on the same cost principles used in pricing DoD contracts covering items for DoD use. Recognition must be given to other reasonable, allowable, and allocable contractor costs and risks as permitted in the Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement, unless the purchase is wholly funded through non-repayable FMF funds.

B. When insufficient funds are available in the FMS Trust Fund account of a foreign government to meet current cash requirements, DSCA must initiate, through the responsible DoD Component contracting officer, appropriate contractual actions that will balance current cash requirements with available funds, unless the provisions of 22 U.S.C. § 2762(b) are involved. This condition should not occur without notification to the FMS purchaser. See Volume 16, Chapter 6 for information on debt owed to the DoD by foreign entities.

C. The $250,000 expense/investment threshold stated in 10 U.S.C. 2245a does not apply to investment items funded by expense appropriations in support of BPC programs.

071602. Nonrecurring RDT&E and Nonrecurring Production Costs

The price must include recovery of nonrecurring RDT&E costs and nonrecurring production costs as specified in DoDD 2140.02. Paragraph 071505 contains further discussion of these costs.

071603. CAS Costs Incurred in Support of New Procurements for FMS

A. CAS Surcharge. DFAS SCA recovers the cost of CAS by applying a percentage surcharge to the delivery transactions reflecting disbursements to contractors for FMS procurements on which applicable CAS have not been waived. The surcharge amounts collected are deposited to an account maintained by DFAS SCA and used to reimburse the DoD Components for CAS performed. The following surcharges are prescribed for DFAS SCA application to disbursement with reimbursable codes, specific delivery source codes, and price code "N":

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B. CAS Waivers. CAS is subject to waiver in whole or in part under 22 U.S.C. § 2761(h). See paragraph 071303 for more information on CAS waivers. A listing of waived programs is included in the SAMM, Chapter 9. CAS waivers apply only to those cost elements approved for the entire LOA, not only to a specific line/sub-line. CAS waivers are case-based and apply to new cases implemented on or after the approved waiver date. They are not retroactive nor applied to amendments on cases implemented prior to the waiver. The waived CAS element must be charged to DoD appropriations. DFAS and DSCA must reject billings to the FMS Trust Fund CAS Surcharge Account for charges that were waived.

071604. CAS Costs Incurred in Support of Foreign Country Commercial Contracts

DoD support of commercial contracts awarded by foreign countries and international organizations represents an FMS sale of services. The Defense Contract Management Agency is responsible for performing this function. The hours expended in support of these commercial contracts must be accumulated and billed at an FMS contract administrative hourly labor rate published each fiscal year (FY) by OUSD(C). For the current rate, see “Financial Management Reports, Department of Defense Reimbursable Rates, Contract Administration” (Tab E).

071605. Costs for Government-Furnished Materiel (GFM)

A. Supplied From Inventory. All GFM supplied from inventory must be billed to the FMS case as "work in process" when the GFM is shipped from a depot to a contractor (Chapter 8). The billing price must be the same as a direct sale to an FMS purchaser, plus applicable accessorial costs.

B. Supplied From a Contractor. All GFM supplied from another contractor must be billed to the FMS case as "work in process" when payments are made to the contractor supplying the GFM. GFM should be shipped via a collect commercial bill of lading or prepaid by the supplying contractor. Contracts with contractors supplying GFM should directly cite the FMS Trust Fund as the financing source to the maximum extent possible.
C. **Precious Metal.** When precious metals recovered under the precious metals recovery program are provided as GFM to a contractor, the materiel must be valued at the market price on the date it is supplied to the contractor. Market price must be determined from any authoritative publication, such as The Wall Street Journal.

071606. **Other DoD-Funded Services in Support of FMS Procurements**

A. The cost of DoD-provided or DoD-funded engineering services that are required to solve problems encountered during a production run must be allocated to FMS purchasers based upon the number of their items that are in the production run.

B. If components are procured for an FMS purchaser and assembled by DoD personnel, assembly labor costs must be assessed in accordance with section 0720.

C. If a contractor is designated as the source of supply for nonstandard items to be procured for FMS purchasers, the contract price for the applicable items will normally include the additional cost(s) incurred to research and procure the nonstandard items. Any reasonable method of allocating these additional costs is acceptable. The test of the reasonableness of the contractor’s costing allocation would be acceptance of the method by DCAA.

071607. **Customization Costs**

The cost of deviations from USG configuration and special technical data desired by a foreign government must be included as a charge to that foreign government.

071608. **Items to be Replaced by Later Production (Diversions)**

When new production and procurement items are diverted from Military Department delivery schedules, and will be replaced by later production, these items must be priced at the current production cost or the replacement production cost, whichever is higher.

071609. **Production by a Foreign Government**

When a portion of the production quantity is to be produced by the purchasing foreign government, costs must be computed separately in accordance with cost methods established by the foreign government and accepted by the USG.

071610. **Recoupment of Interest Penalties Due to Prompt Payment Act**

The FMS Trust Fund must pay or reimburse any prompt payment interest penalty payments that are incurred (Title 5, Code of Federal Regulation, Section 1315, “Prompt Payment”). Vouchers for interest penalties incurred on FMS procurements must cite the same line of accounting supplied by DFAS SCA prior to the beginning of each FY. If, at the time of occurrence, the appropriate fund cite is unknown, contact DFAS SCA. DFAS SCA has assigned a unique accountable station number for each Military Department for the purposes of accounting for prompt payment interest penalty reporting.
A. Within 30 days after the end of each quarter, each assigned DFAS SCA accountable station must submit the FMS Prompt Payment Act Report to DSCA. This report contains three sections reflecting the interest penalties paid by number of transactions, the dollar amount, and a reason code.

B. Each assigned DFAS SCA accountable station must submit an FY end-of-year report annually. Since the fourth quarter report is an aggregate of the entire FY, the quarterly report must also serve as the annual requirement. This report is due to DSCA 45 days after the end of the FY.

071611. Price Codes

The DoD Components will make every effort to obtain the final price for contract-supplied items within 180 days of reported delivery. However, the use of estimated price codes is approved for reporting the deliveries of major end items if an actual price code is not available within 30 days after date of shipment. Moreover, the use of estimated price codes is mandatory for reporting the deliveries of major end items if an actual price code is not available within 90 days after date of shipment.

0717 LEASING OF DEFENSE ARTICLES

Defense articles are leased to a foreign country or international organization under authority of 22 U.S.C. § 2796. Inspection, restoration, maintenance, accessorial costs, or other support costs incurred in connection with the lease must be priced in accordance with this chapter and included on a separate LOA. Lease charges must apply except for cooperative R&D projects, military exercises, communications, and/or electronics interface projects. Reimbursement of the lease charge for any defense article that has passed 75 percent of its normal service life may be waived if it is determined that to do so is important to the national security interest of the United States. This waiver authority has been delegated to the Director, DSCA or in the absence of the Director, the Deputy Director.

071701. Pricing of Leased Defense Articles

The amount to be charged for the lease of defense articles is the depreciation incurred during the period of the lease. The depreciation charge is dependent upon the following (see Figure 7-10):

A. Date the item is to be leased,

B. Date the item was first fielded or actual acquisition date,

C. The total estimated service life of the item,

D. Duration of the lease,

E. The original acquisition cost of the item,
F. A pro rata share of nonrecurring RDT&E and production costs, and

G. Capital improvements made to the item.

071702. Replacement Costs

Replacement costs must be estimated when the item is placed on lease and reflected in the lease agreement. In the event a leased defense article is damaged beyond repair, or is not returned, the replacement cost must be collected from the leasing foreign country or international organization. The FMS administrative surcharge does not apply to lease rental payments. The replacement cost must be calculated in accordance with subparagraph 071502.B and C. Refer to SAMM, Chapter 11 for procedures on leasing arrangements.

0718 TECHNOLOGY TRANSFER

071801. Technical Data Package (TDP)

A TDP encompasses production designs, drawings, specifications, models, manufacturing techniques and details, and similar information necessary to enable a foreign government to manufacture, or have manufactured, items of military equipment and repair parts, excluding information associated with the RDT&E stage. It also does not include technical assistance or knowledge by USG personnel; however, such assistance may be provided at additional cost. Refer to SAMM, Chapter 3 for additional information on TDP.

071802. Pricing of TDPs

DSCA may authorize release of a TDP to a foreign government for in-country manufacture of military equipment and repair parts. Costs incurred in the preparation, reproduction, and handling of the TDP must be priced in accordance with section 0719. When the pricing of the TDP is subject to an international agreement of which DoD is a party or is otherwise bound, the sale will be determined consistent with the terms of the agreement.

0719 PUBLICATIONS

Generally, the cost for a DoD standard publication is the incremental cost to produce another copy. Effective October 1, 2004, acquisition and development costs are excluded in determining the costs of a DoD standard publication.

071901. Terms

A. Publications. The term publications includes technical orders, technical manuals, supply catalogs, training publications, courseware, computer based tutorials, administrative publications, engineering drawings and associated documents, Integrated Logistics Support publications and associated documents, equipment component lists, special file extracts, decals, forms, and audio-visual products.
B. **Medium of Publications.** The medium of publication refers to the format of the publication; it may be in bound or loose-leaf format, imprinted form, Automated Data Processing listing, operator’s card, microfilm, slide, motion picture film, computer disc, or internet accessible.

C. **FMS Purchaser-Unique Publication.** Unique publications are DoD standard publications sanitized for the elimination of non-releasable information or publications developed for a country’s unique specification. Engineering drawings and associated documents will be reviewed to determine if a technology charge is appropriate. Refer to subparagraph 071502.B when pricing DWCF publications.

071902. **Publication/Software Pricing Factors**

Publications or software developed solely for the use of an FMS purchaser(s), such as a country-unique technical order/software, instructions, or other publications and programs, must be priced to recover the total costs (including both in-house and contractual efforts) of development and delivery of the end product. These costs must include, but are not limited to, the amounts paid for technical or administrative writing, editing, illustrating, animation, copy preparation, documentation, royalty fees for intellectual property, and distribution services. The costs of additional copies or masters must be limited to the actual costs of reproduction to include media (e.g., disk, tape, compact disk, and hardcopy) and distribution/delivery. The development of FMS prices for current, standard publications, or software programs/products of the DoD includes copy production cost (CPC) and SC.

A. **CPC.** CPC are the costs incurred in the printing or reproduction of copies from the reproducible master.

B. **SC.** SC are the costs incurred in the elimination of non-releasable information from a DoD publication/software program prior to release to a foreign government. SC includes the costs of classified handling, development, and maintenance of country-peculiar publications or programs, including costs associated with updating manuals/programs for nonstandard items (such as items out of inventory or out of production).

071903. **Development of a Per Copy Selling Price**

A. **Calculation.** The total cost of a publication or software program is the sum of the incremental costs identified in paragraph 071902. The total cost must be reduced to a per copy expression by dividing the total incremental cost by the quantity produced.

B. **Use of Actual Cost.** Recorded actual costs will be used when available. When actual costs for individual publications or programs cannot be readily determined, a factored expression of historical costs will be developed from the most current cost records available. Uniform pricing tables can be developed from the cost per "unit" ("unit" being either a page, a roll of microfilm/microfiche page, or a running foot of tape or motion picture film). Paragraph 071902 includes guidance for developing publication pricing tables.
071904. Other Applicable Costs

A. Recoupment of NC does not normally apply to the sale of publications or software. However, if the item is MDE, then NC recoupment charges would apply. Applicable NC recoupment charges are a part of the cost included in the pricing formula set forth in paragraph 071903.

B. The standard administrative and accessorial charges prescribed in this chapter must be recouped as a percentage of publication/software prices. These charges are not included in the per copy selling price.

C. The FMS price for a joint Military Service publication or software program must be established by the Military Department responsible for its acquisition and management. That Military Department must notify the other participating DoD Components of the established FMS price.

0720 PRICING OF PERSONNEL SERVICES

The pricing of DoD personnel services in support of the FMS program, including personnel costs recouped indirectly through the FMS administrative surcharge and those recouped as direct charges, such as special management services, Mobile Training Teams (MTTs), Mobile Education Teams, Technical Assistance Teams, or Technical Assistance Field Teams (TAFTs), must be calculated in accordance with this section. See section 0721 for the pricing of personnel assigned to DoD training installations and for those costs that may be waived or excluded from charges in certain cases discussed throughout this chapter. When determining the pricing for personnel services, every attempt should be made to use actual costs. If actual cost data is not available, estimated pricing is acceptable. The costs must be substantiated by a reliable audit trail.

072001. Civilian Personnel

Services performed by DoD civilian personnel must be priced at rates in effect at the time the services are performed. Salary tables are available at the Office of Personnel Management (OPM) website. Base salary rates must be accelerated as discussed in this paragraph. An illustration of civilian personnel pricing computation is shown in Figure 7-11.

A. The Civilian Personnel Fringe Benefit Rate is applied to the base salary, with leave and holiday (L&H) acceleration when applicable, to recover the USG’s contribution of civilian employee benefits such as retirement, insurance and health plans, cash awards, and, when applicable, the USG’s share of social security taxes and L&H. The Civilian Fringe Benefit Rates are published annually at OUSD(C) DoD Reimbursable Rates.

B. The L&H acceleration factor of 18 percent is not applied to the base salary when the employee is reimbursed by FMS or BPC cases which are funded with DoD or DoS appropriated funds (e.g., ASFF, PCF, PCCF, CRSP, or FSF: authority to build capacity under 10 U.S.C. § 333) on a full-time basis.
C. The UCR factor is applied to the base salary, with L&H acceleration when applicable, to recover retirement, post-retirement health benefits, and post-retirement life insurance costs incurred by USG. The UCR factor is published annually with Civilian Fringe Benefit Rates. The UCR factor is not applied when calculating personnel costs to be reimbursed by the FMS Administrative Surcharge Budget or BPC cases.

D. See paragraph 071308 for the impact of "Fair Pricing" legislation on civilian personnel services in calculating charges for administrative services under 22 U.S.C. § 2796(e)(1)(A).

072002. Military Personnel (MP)

A. MP services must be priced using the composite standard pay rates current at the time services are performed. MP service costs are not included in cases solely citing MAP Merger, FMF, or BPC funding.

1. Current reimbursable rate tables are available at the OUSD(C) DoD Reimbursable Rates website. Rates applicable to FMS are computed using the “Annual Rate Billable to Other Federal Agencies” plus the Medicare-Eligible Retiree Health Care (MERHC) accrual. Monthly, daily, or hourly rates can be determined from these tables by using factors listed in the notes at the bottom of each page.

2. Historical rates are available in the Appendix C Archive. Prior to November 30, 1989, an Asset Use acceleration factor would have applied to the total costs of temporary duty (TDY) and military composite pay costs if the service was performed at a military installation.

B. Since FY 1985, the annual composite standard military rates include the cost of retirement. These composite rates, however, must also recover the cost of other benefits. L&H costs are added when reimbursements are based on time actually worked, such as when the foreign country does not otherwise pay for the personnel costs incurred by DoD during L&H periods. The additive amounts for retirement, L&H, and other benefits are expressed as percentages of the composite standard pay rate. Pricing computations are illustrated in Figure 7-12.

C. Permanent change of station (PCS) costs are included in the composite standard pay rates and are subject to the reimbursement factors. For cases prior to FY 2005, if MP were required to make a PCS move to support an FMS case, the PCS rate must be deleted from the composite rate and the actual PCS cost charged to the case is not subject to any additional reimbursement factor. Effective FY 2005, MP services for FMS must be priced using the composite rates that already include the PCS expense and must no longer use the actual PCS expense for PCS moves to support an FMS case.
072003. Foreign National Personnel

Foreign national personnel services must be priced at actual costs or at standard pay rates. Standard pay rates must not be used when known to be less than actual costs. Both the actual cost and the standard pay rate must include an estimated amount to cover such benefits as sick leave, maternity leave, death, accident, unemployment, and retirement (separation) when such benefits are paid to these employees or specifically required by the laws of the foreign government.

072004. Travel and Living Allowances

A. The calculation of personnel costs must include travel time, for both TDY travel and PCS, when the travel directly results from performance of an FMS or BPC case (PCS does not apply to BPC).

B. Travel, per diem, living allowance payments, and other entitlements to DoD personnel working on FMS cases must be identical to the payments and entitlements of DoD personnel working on direct DoD mission assignments at similar locations. Refer to Volume 9 for additional information.

C. Waivers from the normal travel procedures must be granted to SA travelers on the same basis and in the same manner as provided for DoD personnel traveling on regular defense business.

D. An FMS case must be priced to include the amount paid to employees or centrally funded through authorized DoD entitlement programs.

072005. Special Instructions Applicable to DWCF

A. Rates. DWCF facilities must charge approved DoD stabilized rates and prices for services in support of FMS cases, except where special rates have been approved by OUSD(C) or where actual cost reimbursement is appropriate. The stabilized rate to be charged is the rate in effect when the order is received and accepted (as opposed to when work is performed by DWCF supply management). See Volume 2B, Chapter 9 and Volume 11B for additional information on DWCFs.

B. UCR and Post-Retirement Health Benefits. The price or rate charged to FMS purchasers of DWCF activities for defense articles and services must be adjusted to include an amount for UCR and post-retirement health benefits costs. UCR would not be applied to any personnel funded by the FMS administrative account (see paragraph 071308). To determine the price or rate adjustment, the civilian salary costs (not including benefits or overtime costs) included in the price or rate, must be multiplied by the UCR and post-retirement health benefits costs rate. Amounts collected for UCR and post-retirement health benefits costs must not be retained by DWCF activities; rather, such amounts must be deposited into the Miscellaneous Receipts Account 3041. The DoD Reimbursable Rates can be found at OUSD(C) DoD Reimbursable Rates website.
0721 TRAINING OF INTERNATIONAL STUDENTS

072101. General

Any special requirement for the exclusive use of an international student or international program must be reimbursed in full. Less than the full cost of training may be charged under training price exceptions, 22 U.S.C § 2761.

072102. International Student Training Price Exceptions

A. Title 22, U.S.C § 2761(a)(1)(C) allows for countries concurrently (same FY) in receipt of International Military Education and Training (IMET) or designated as a high-income foreign country to be charged only those additional costs that are incurred by the USG in furnishing the training.

B. Title 22, U.S.C § 2761(g) authorizes the President to enter into NATO Standardization Agreements (STANAG). The President also is authorized to enter into similar agreements with countries that are major non-NATO allies for the cooperative furnishing of training on a bilateral or multilateral basis, if the financial principles of such agreements are based on reciprocity.

1. Such agreements must include reimbursement for all direct costs but may exclude reimbursement for indirect costs, administrative surcharges, and costs of billeting of trainees (except to the extent that members of the U.S. Armed Forces, occupying comparable accommodations, are charged for such accommodations by the United States).

2. Each such agreement must be transmitted promptly to the Speaker of the House of Representatives and the Committees on Appropriations, Armed Services, and Foreign Relations of the Senate. See SAMM, C10.T13 and C10.T14 for more information on Reciprocal Agreements.

0722 STANDARD GUIDELINES FOR TUITION-BASED TRAINING

Training provided to international students must be based on the costs of providing the training. Several factors affect the tuition rate for which an international student is eligible. The source of financing is one determinant (e.g., whether a country uses its national funds to purchase training or whether U.S. appropriated funds are used to purchase the training). Other factors include whether a country is a high-income country, whether it has signed a reciprocal training agreement with the United States, and/or whether the country is concurrently in receipt of IMET funding. A general tuition rate pricing structure for pricing training is in Figure 7-13.

072201. Types of Training

A. Standard Formal Training. Formal training provided to international students may consist of flying training courses, technical training courses, language training, and other training not specifically addressed in subparagraph 072201.B. Tuition rates are generally
shown as a cost per student or cost per student week. Refer to section 0723 for pricing of tuition-based training.

B. Nonstandard Formal Training. Nonstandard formal training courses follow the same pricing concepts as formal training with the following noted exceptions:

1. **Observer Training.** Observer training where International students, who audit a course, must be charged the same price as enrolled students; and

2. **Distance Learning.** Distance learning or other technology based training as follows:
   
   a. A material only training course that is provided solely by computer media (e.g., computer disc), satellite video teleconference (VTC) or closed circuit VTC, is non-resident and is being developed solely for the training of international students (one country or a group of cooperating countries), must be priced to fully recoup all costs to the USG including the costs (in-house and contractual) to develop and produce the training, and the costs of the materials (such as a computer disc) (see paragraph 071902 for publication/software pricing);

   b. A material and proctor/on-line service, non-resident training course developed solely for the training of international students (one or more countries) that is provided by computer media (e.g., computer disc), plus on-line services (proctor) to include testing must be priced to recoup all costs (in-house and contractual) to develop and produce the training; the costs of the materials (such as a computer disc); and the actual, or estimated costs of the services (see paragraph 072301 for training cost categories and paragraph 071902 for publication/software pricing); and

   c. Resident courses developed solely for the training of international students that is on computer media (e.g., computer disc), plus on-line services (proctor) must be priced to recoup all costs (in-house and contractual) to develop and produce the training; the costs of materials (such as computer disc); the actual, or estimated costs of the services; and the costs for resident training (see paragraph 072301 for training cost categories and paragraph 071902 for publication/software pricing).

3. **Dedicated Training Courses.** For purposes of this section, a dedicated training course is a training course developed or provided solely for the training of international students (one or more countries). Pricing of dedicated training courses must be in accordance with section 0723.

4. **Contractor-Provided Courses.** Contractor-provided courses must include the applicable contract costs. If taught at a government-owned/government operated facility, pricing of indirect costs must be in accordance with section 0723.

5. **Inter-American Air Forces Academy and Western Hemisphere Institute for Security Cooperation Courses.** Training costs associated with courses offered at Inter-American Air Forces Academy and Western Hemisphere Institutes for Security Cooperation
Courses must exclude the fixed costs of operating and maintaining the schools (e.g., costs that do not vary with student load).

6. **Specialized/Dedicated Training Programs.** Refer to section 0724 for specialized/dedicated training program guidance.

7. **Training Teams.** Refer to section 0725 for pricing guidance for training team.

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072202. **Courseware Development**

**A. Recoupment of Nonrecurring Development Costs**

International student participation in any of the aforementioned types of courses that have been developed for use by U.S. DoD personnel must not include the recoupment of nonrecurring development costs. Since these courses/courseware are not items of SME or MDE, the nonrecurring development costs of the original U.S. courses/courseware must not be included in the price. The costs of providing unique training material based on U.S. developed course/courseware (e.g., sanitizing, customizing, and country standardization) must be recouped.

**B. Pricing of Non-Inventory Courseware**

1. When an international partner has requested that specific courseware be developed to meet its training requirements, either for training in the U.S. or for its own in-country training purposes, and the United States does not currently offer or have such courseware developed, the full costs of developing that courseware must be charged to the international partner. Assumptions used in pricing include: courseware does not currently exist, country-specific requirements being addressed/developed, work hours required to prepare/develop the courseware, courseware may require materials, and courseware may be used in the future for another country if deemed appropriate.

2. The cost must include, but is not limited to, the personnel or contractor costs incurred in the development of the courseware material, and/or supply costs incurred for the cost of publishing the courseware, and any shipping costs that may be incurred if delivering the courseware in-country. The guidance for applying costs to publications, if applicable, may be found in section 0719.

3. When determining the pricing for personnel services, every attempt should be made to use actual costs. If actual cost data is not available, estimated pricing is acceptable. The costs must be substantiated by a reliable audit trail. Pricing of civilian/MP will be in accordance with section 0720.

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072203. **Liability for Damages**

**A. Training cases that involve the use of U.S. equipment (e.g., aircraft, trucks, or simulators)**, but do not include charges for attrition, must include the statement regarding
liability for damages, “The Purchaser is liable for any and all damages to U.S. Government equipment caused by negligence on the part of the student.” For students attending training under the IMET program, the student’s Invitational Travel Order (ITO) must include the liability statement. The cost of replacing equipment that is destroyed as a result of student negligence must be reimbursed in full. See section 0723 for instructions on pricing replacement equipment. Refer to Chapter 3 for guidance on attrition charges.

B. Claims arising out of combined exercise activities with USG under an LOA with NATO countries must be dealt with under the Agreement between the Parties to the North Atlantic Treaty regarding the Status of their Forces, Article VIII. This also applies to the Agreement among the States Parties to the North Atlantic Treaty and the other States participating in the Partnership for Peace regarding the Status of their Forces.

*072204. Training Obligation

A. General. In general, a training course is an entire effort. This is particularly evident with USG contracted training. However, USG provided training funded by DoD or DoS appropriations must end by the funds expiration date, as this training is severable and must not cross a FY, unless crossing a FY is authorized for a specific authority or program (i.e. FSF: authority to build capacity under 10 U.S.C. § 333, IMET, Combating Terrorism Fellowship Program and the Regional Centers).

B. Obligations. Funds for training are obligated on the date the student enters the course. In some cases, due to the long-range nature of planning required to support students’ participation in a training course, funds can be obligated prior to the start date of the course, so long as the obligation meets a bona fide need of the current FY and are obligated during the appropriated period of availability.

072205. Annual Publication of Tuition Rates

Tuition rates must be computed annually by the Military Departments and published in the Training Military Articles and Services List (SAMM, C10.4.3). Every effort should be made to publish these rates by October 1st of each year. Tuition rates must be those in effect for the year in which the student enters the course or phase of a course. Approved rates must remain constant for the year.

072206. Adjustments to Tuition Rates and Training Obligations

A. Current Year. Adjustments must be made only to correct significant errors in computation, change in syllabus, or major unanticipated increases or decreases in the cost of such items as POL and salaries. The foreign country must be billed for the actual time the student is in training when it varies from the scheduled length of the course. Any adjustments must be made as soon as possible, but not later than 90 days after completion of the course.
B. **Future Year.** Tuition rate estimates for future years must be adjusted for inflation. OUSD(C) published rates will be used. See *OUSD(C)*, DoD Budget Request, “National Defense Budget Estimates (Green Book), Chapter 5,” for treatment of inflation.

072207. **Training Cancellations**

A. **Dedicated Courses/Contract Provided Training.** Once a contract is awarded or a quota is confirmed, a 100 percent charge (cancellation charge) will apply to any country that fails to send a student to the identified training, unless another international student is identified and the quota is filled. Dedicated/contract training will only apply to certain courses. This training will include courses that rely on contract support and courses that are designated for international students only. A list of these courses will be identified by the IAs.

B. **All Other Confirmed Training.** A 50 percent cancellation charge will apply for all confirmed training cancelled or rescheduled with less than 60 days notification unless training is reallocated and filled by another international student. The cancellation policy will be applied to all confirmed training within the 60-day window. Additionally, the cancellation charge will be applied to all training that falls within and outside the 60-day window if the training is part of a sequential pipeline that a student would attend as part of a complete curriculum.

C. **Other Cancellation Charges.** The IA will determine all other cancellation charges. To the extent there are costs that would not exist but for the international student, such costs must be considered by the IA in determining the appropriate cancellation charge (e.g., cost of the International Military Student Office (IMSO)). Request for waivers to these cancellation charges should be addressed to the IA. The funding status of a training line has no bearing on whether the cancellation charge applies. The cancellation charge will not be applied when the cancellation is due to:

1. USG decisions, such as deletion or rescheduling of classes;

2. Unavoidable circumstances within a country, such as national disaster; or

3. The quota being used by another country.

072208. **Student Costs**

Certain costs associated with support of international students and/or their dependents are considered to be a responsibility of the foreign government and are not included in the tuition rate for a training course(s). The student’s ITO will contain details about the level of support provided in accordance with the FMS LOA; see SAMM C10.11 for more information. Compute and bill these costs as follows:

A. **Meals.** Meal rates are set annually by OUSD(C) and published on the OUSD(C), DoD Reimbursable Rates website: “Food Service Charges at Appropriated Fund Dining Facilities, (Tab G).”
B. Medical. Medical care (including outpatient) for students and dependents must be charged in accordance with the procedures identified in SAMM, \textit{C10.9}. If included on the LOA, these costs must be shown as a separate line and billed to the foreign country.

C. Travel. Student travel, \textit{living allowances}, and related costs must be paid to the commercial carrier, or other service provider, by the foreign country or student. For any U.S. services supplied (e.g., Air Mobility Command transportation), the non-government rate must be applied and billed to the foreign country or student, as appropriate. The government rate applies for IMET or non-repayable FMF.

D. Lodging

1. Family Housing. International students may occupy DoD student family housing only after a determination has been made that U.S. student requirements are satisfied and must be satisfied for the projected duration of the international student’s occupancy. Under these circumstances, the amount to be charged must be, at a minimum, the cost incurred by DoD for the operation and maintenance of family housing units. When international students occupy family housing that is not excess to U.S. Military Service needs, the amount to be charged must be equal to the cost of housing U.S. military service personnel on the economy.

2. Government Quarters. When international students occupy government quarters, they must be required to pay, at a minimum, the local custodial and nonappropriated fund fees.

3. NATO STANAG/Reciprocal Pricing Agreement Countries. Lodging costs may be excluded from reimbursement for billeting of trainees except to the extent that members of the Armed Forces occupying comparable accommodations are charged for such accommodations by the United States.

*072209. Field Studies Program (FSP)

In accordance with \textit{DoD Instruction 5410.17}, “United States Field Studies Program (FSP) for International Military and Civilian Students and Military-Sponsored Visitors,” tuition rates must include the costs associated with implementation of FSP.

A. Included Costs. Costs that may be included in the computation of the FSP include the following:

1. Transportation – car, bus, rail, air (if applicable to the Washington DC trip), and baggage (non-excess);

2. Meals – costs should be limited to those rates as specified in the \textit{Joint Travel Regulations (JTR)};

3. Lodging – if applicable, the costs of lodging will be based on double occupancy for those International Military Students (IMS) in the rank/equivalent grade of O-6 and
below. Single room accommodations are allowed for escorts and those IMS in the rank/equivalent grade of O-7 or higher;

4. Admission (except as noted in subparagraph 072209.B.4);

5. Tours and associated fees (e.g., brochures, pamphlets, maps);

6. Appropriate gratuities, where applicable;

7. Service charges (e.g., tolls and parking fees);

8. Costs associated with authorized guests at FSP functions such as luncheons, dinners, and receptions planned to facilitate IMS and U.S. personnel meeting and engaging in conversation. The ratio of IMS to guests will not be less than 20 percent in gatherings of fewer than 30 persons. When 30 or more persons are present, the ratio of IMS to guests will not be less than 50 percent;

9. Mementos (e.g., coins and plaques) for sponsors, guest speakers, and other individuals/institutions that support the FSP at a cost not to exceed $25 (rate to be adjusted annually by the OUSD(C) published inflation rate after 2018); and

10. Distinctive medallions, plaques, or ornaments, one per IMS, which serve to commemorate the IMS’s experience for participating in a particular FSP activity.

B. Excluded Costs. Funds may not be obligated or expended to pay for the following:

1. Alcoholic beverages;

2. Excess baggage;

3. Support for purely academic objectives (i.e., costs for trips that are an integral part of the training curriculum must be included in the course tuition rate);

4. Entertainment expenses for activities that are substantially of a recreational character, including but not limited to entrance fees at sporting events, theatrical and musical productions, and amusement/theme parks;

5. Personal costs of the IMS for laundry, cleaning, telephone service, room service, and all other costs not directly associated with the programmed tour; and

6. Dependents authorized to accompany an IMS in the United States participating in selected FSP activities; such participation is subject to space availability and at no cost to the FSP. Costs related to such participation must be paid by the IMS in advance of the event.
C. IMSO Costs

1. Local area travel costs are reimbursable in accordance with the JTR.

2. Washington, DC trip costs will include all appropriate costs for the IMS as well as the escort officer(s) (e.g., transportation, meals, lodging, and admissions). For more information on visits to Washington D.C., see SAMM, C10.18.5.

072210. Retainable Instructional Materials (RIM)

Much of the RIM issued to an IMS is provided via compact disk; however, if there is a need to ship RIM, include the cost of the shipment in the tuition cost. RIM must be packed and labeled at the training installation and shipped to the Security Cooperation Office of the country for delivery to the IMS. A copy of the student’s ITO must be placed inside the package. The training installation must ensure that no personal baggage or other unauthorized matter is shipped with RIM. See SAMM, C10.20.6 for additional information.

0723 PRICING OF TUITION-BASED TRAINING

072301. Cost Categories

The pricing of training tuition rates falls under one of two costing schemes – full cost or incremental cost. Within each cost scheme, costs are segregated into three categories: direct costs, indirect costs, and other billable costs.

A. Direct Cost. A direct cost is any cost that is identified specifically with the training of a student. Direct costs also include directly associated costs that would not have been incurred had the other direct costs not been incurred (e.g., costs that are allocated on a specific measurable basis - cost per student week, cost per flying hour/sortie, costs per steaming hour, costs per range hour).

B. Indirect Cost. Indirect costs are costs of resources that are jointly or commonly used by all activities at an installation, but are not specifically identifiable with any of the users. These costs are not directly related to training, but instead are associated with a variety of activities and services.

C. Other Billable Cost. Other billable costs are those required by legislation or policy that are additive to the cost of training an international student (e.g., FMS administrative surcharge, FSP, attrition, and RIM).

*072302. Pricing of Personnel

A. MP

1. Full Costs. Price military pay using the FMS composite standard rates, which include the per capita normal cost of MERHC and the acceleration factor for the
Defense Health Program (DHP) published at OUSD(C) DoD Reimbursable Rates website, under “Military Personnel Composite Standard Pay and Reimbursement Rates,” (Tab K). In addition, see paragraph 072002 and Figure 7-12 for pricing applicability.

2. Additional Cost. Base pay and allowances of U.S. active duty personnel, including MERHC and DHP costs, are considered a sunk cost and are normally not considered an additional cost, except as noted in paragraph 072304. Additional costs related to military deploying as part of a training team could include such costs as hazardous duty pay, family separation pay, travel, and per diem. Exceptions follow:

   a. Military positions coded as reimbursable billets applicable to FMS must be considered additional costs. Budget materials must clearly reflect the reimbursable nature of the billet.

   b. MP assigned to DWCF activities must be considered additional costs.

   c. Pay and allowances of National Guard/Reserve members called to active duty in support of FMS must be considered additional costs.

B. Civilian Pay

1. Full Cost. Price civilian pay in one of two ways:

   a. Using actual costs plus inflation and applicable acceleration factors (recommended for tuition pricing); or

   b. In accordance with paragraph 072001 and Figure 7-11.

2. Additional Cost. Base pay and allowances of U.S. civilians are not necessarily considered sunk costs and may/may not be considered an additional cost. Additional costs related to civilians deploying as part of a training team could include such costs as hazardous duty pay, travel, and per diem. See Figure 7-13 for tuition training pricing applicability. Additional costs would include:

   a. Civilian positions coded as reimbursable billets applicable to FMS. Budget materials must clearly reflect the reimbursable nature of the billet; and

   b. Civilian personnel assigned to DWCF activities.

072303. Pricing of Full Cost of Training (Tuition Rates A and B)

Full cost includes all direct costs and a proportional share of indirect costs to the USG for providing the training, regardless of funding sources. When developing the full cost of training, take into account the cost of training both U.S. and international students. For international
students, full cost will also include the other billable costs. Rates priced using full cost principles include Rates A and B in Table 7-2. Training price exceptions are found in section 0721.

**A. Direct Costs**

Certain costs can be directly identified to training courses. Once identified, the direct cost is divided by the total number of students that can be enrolled in a course to determine the cost per student. Add together all direct costs per student to be included in the tuition rate.

1. **Instructors and School Support Staff**

   a. **Instructors**

      (1) **Average Instructor Costs.** The cost of instructor salaries, allowances, and other entitlements is computed by dividing the annual instructor cost by 52 weeks and multiplying the result by the number of weeks in the applicable course (see section 0720). Divide this cost by the maximum class size to develop the instructor cost per student.

      (2) **Instructor Contact Hours.** Alternatively, instructor costs may be allocated on an instructor contact-hours basis (e.g., total platform work hours allocated as instructor contact-hours per student); this allows for a more equitable distribution.

   b. **School Support Staff.** Compute the cost of salaries, allowances, and other entitlements of administrative and other personnel supporting training by dividing the total annual cost by total course weeks of training and multiplying the result by the number of weeks in the applicable course. Divide this cost by the maximum number of students in the class to develop the school support staff cost per student.

   c. **IMSO and Staff.** Allocate the cost of the IMSO and staff to courses based on actual or programmed international student weeks.

2. **TDY and Per Diem.** The cost of TDY must be allocated to courses based on a causal or beneficial relationship. Accordingly, TDY must be segregated into two categories: direct TDY that is caused by or benefits a specific course or courses and indirect TDY that benefits the training operation as a whole. TDY that is directly related to (or benefits) one or more courses must be directly allocated to those courses. To preclude "double charging" TDY to a course, care must be taken to ensure that all directly allocable travel is eliminated from the TDY included in the indirect cost pool.

3. **Equipment Overhaul and Maintenance**

   a. **Depot Level Maintenance.** The depot level maintenance cost of aircraft, engines, motorized vehicles, and equipment must be charged to the applicable course at the budgeted average hourly item repair cost that includes civilian pay, contractual effort, and supplies. These costs must be adjusted to include military pay and centrally procured
equipment and parts. Multiply this average hourly cost by the hours programmed for use in the specific course.

b. **Base Level Maintenance.** Base level aircraft and equipment maintenance costs (including munitions maintenance) must be allocated to courses on the basis of total maintenance costs divided by the total training hours supported, if not identifiable and chargeable on a job order basis. Costs must include military and civilian pay, supplies and equipment (including replenishment spares), and contractual support. If there are a significant number of transit or non-training aircraft at the base, aircraft operating costs must be initially distributed between training and non-training on the basis of percentage of number of takeoffs, number of sorties per year, or maintenance direct labor hours, whichever results in the best allocation of costs in relation to the benefits received. For this purpose, aircraft used by personnel supporting training for proficiency flying must be classified as training aircraft.

c. **Range Maintenance.** Range maintenance and operating costs must be computed and allocated to courses based on the percentage of sorties or rounds fired in the course compared to the total sorties or rounds fired or any other basis that results in an equitable allocation of these costs.

4. **Simulators.** Simulator costs must include pay of the operators, supplies, and equipment maintenance. Simulator costs must be allocated to the course in the same ratio as hours used to the total hours available.

5. **Supplies, Materiel, Training Aids, and Ammunition**
   a. The cost of POL for aircraft (rotary/fixed wing), motorized equipment, ships, landing craft, and other equipment must be computed by multiplying the equipment hourly cost of POL times the number of operating hours for the course.

   b. The costs for training materials, equipment, supplies, aids, munitions, flight clothing, and personal equipment must be charged to the applicable course. Training material and aids prepared above base level that are readily identifiable to a course, must be included as a direct cost of the course. If not readily identifiable to a specific course, these costs must be distributed to courses in the same manner as indirect TDY costs. Care must be taken to ensure against "double charging" a course.

6. **Directly Associated Costs**
   a. Other directly associated costs allocable to training operations must be distributed to courses based on total training hour support or any other logical method of measurement (e.g., square footage of buildings, flying hours/sorties, or any other usage factor). Costs in this category include costs generated as a result of the incurrence of another cost and would not have been incurred had the other cost not been incurred (e.g., flight line operations costs in direct support of flying training and port operations in direct support of shipboard training, without which there would be no flying training operations or shipboard training operations).
b. The cost for training U.S. instructor pilots, including proficiency and continuation training, must be limited to special aircraft not in the active U.S. aircraft inventory. These costs must be divided by the normal tour of duty for an instructor pilot to arrive at an annual cost that must be distributed to courses in the same manner as instructor salaries and allowances.

B. Indirect Costs

1. Indirect Base Operating Support Costs

   a. Allocation. Indirect base operating costs must be initially allocated to major claimants (e.g., training activities and tenants) at the installation level using engineering estimates or some other basis to ensure that allocations are commensurate with the benefits received. The amount allocated to training must then be distributed to areas of training that are significantly different (e.g., flying operations, classroom training, and equipment maintenance). The amount allocated to each area of training must then be distributed to the tuition rate by dividing the amount allocated by the annual estimated student weeks of training.

   b. Exclusions. No costs to support or operate quarters, a family housing complex, and food service activities that are applicable to instructors and training support personnel may be allocated to tuition rates if these costs are recouped in base personnel salaries.

2. Maintenance and Repair of Facilities. Maintenance and repair of facilities must be considered part of the normal base operating support costs, unless these costs can be directly identified to a specific user (e.g., dedicated facility, specific to a course or courses). When non-dedicated facilities are used for training, the costs are included as indirect costs in the tuition rates. These costs may be combined with other indirect costs and allocated at the installation level or allocated based on a separate cost pool. IAs may not unilaterally dedicate facilities for international student use and then recoup the full cost of the maintenance and repair of the facilities through tuition rates. Such maintenance and repair costs will be combined with other indirect costs and allocated at the installation level. See sections 0710 and 0711 for more information on facility usage.

3. Indirect TDY. TDY that is caused by or benefits the training operation as a whole must be allocated to courses by dividing these total indirect TDY costs by total number of students to determine the course cost per student.

4. Training Material and Aids. Training material and aids not readily identifiable to a specific course must be distributed to courses in the same manner as indirect TDY costs.

5. Exclusions. Exclude the following from indirect allocations:

   a. Costs associated with combat development, training development (less course development), non-resident instruction, or other activity that offers no
support to the training mission, and a pro rata share of school overhead costs to support these elements;

b. Costs associated with units attached to the training installation with duty stations at another location that are not involved in the training of international students; and

c. Costs related to underutilized capacity and mobilization requirements, when specifically identified and documented.

* C. Other Billable Costs

1. Attrition Rate/Liability Statement. Tuition Rate A will include the attrition factor (SAMM, C9.T4) whenever the training or education course includes the use of training equipment or operational equipment used as training aids. Tuition Rate B will include the liability statement in subparagraph 072203.A. Title 22, U.S.C. § 2761(a)(1)(C) states the full cost of the service must be paid by the purchaser.

2. FSP. Tuition rates must include the costs of the FSP if a program exists at the training location. Do not include if there is no FSP at the training location. See paragraph 072209 and SAMM, Chapter 10 for more information on FSP.

3. RIM. Tuition rates must include the costs of RIM, if applicable. See paragraph 072210 for more information on RIM.

4. FMS Administrative Surcharge. The current FMS administrative surcharge must be applied to Tuition Rate A. Exceptions are contained in the SAMM, Tables C10.T13 and C10.T14.

*072304. Pricing of Additional Cost Training (Rates C, D, and E)

Additional costs represent the increase incurred in the full cost of training due to the addition of international students. Title 22, U.S.C. § 2761(a)(1)(C) provides the authority to apply additional cost pricing to training sold to a purchaser concurrently in receipt of IMET or a purchaser designated as a high-income country. Title 22, U.S.C. § 2347(b), provides the authority for FMF recipients (Rate D) to be charged at a rate comparable to IMET (Rate E). Title 22, U.S.C. § 2770(a)(3) provides the authority to exclude military salaries from additional cost pricing when the training is funded with U.S. appropriated funds; see Figure 7-14.

A. Direct Costs

1. Instructors and School Support Staff

a. Courses must be reviewed to determine if the additional cost should be developed for a specific course (e.g., pilot training) or a group of courses. For classroom
or technical courses that are similar or that utilize instructors who teach more than one course, such courses may be grouped for computation purposes.

b. For courses that contain both U.S. and international students, determine instructor and staff requirements for the programmed (maximum) U.S. student load. Estimate the total number of students, both U.S. and international, and the number of instructors and staff required. Where total estimated student requirements exceed maximum programmed student requirements, the difference in instructor and staff between the two projections represents the additional costs. This value, divided by the total number of students, represents the additional cost per student for the course(s).

c. When there is a one-for-one or one-for-two relationship of instructor to student, the instructor in all cases must be considered an additional cost. If the entire class is composed of international students, the instructor and staff must always be considered additional.

d. It is anticipated that the additional cost charged for instructors must be minimal for courses or groupings of courses when the ratio is high of either students to instructors or U.S. students to international students.

2. TDY and Per Diem. The costs for all student travel and per diem associated with the training must be considered an additional cost. Refer to subparagraph 072303.A.2 for additional TDY and per diem information.

3. Equipment Overhaul and Maintenance. The cost for overhaul and maintenance of major items of equipment, when computed on an hourly use basis, must be an additional cost to a course based on estimated utilization hours. Refer to subparagraph 070303.A.3 for additional information.

4. Simulators. The cost for simulator hours must be an additional cost. Refer to subparagraph 072303.A.4 for additional information.

5. Supplies, Material, Training Aids, and Ammunition. The associated additional cost must be the replacement price of items that are not returned or reusable (including POL) used in conducting the training.

6. Directly Associated Costs

   a. Instructor Training. The training of U.S. instructors or other personnel for special courses normally not conducted for U.S. personnel must be considered an additional cost. When the required training is conducted at a U.S. training facility, the benefiting country must be charged the course cost established in accordance with instructions for computing training costs in paragraph 072303.
b. Facilities and Equipment. The costs for any facilities or equipment acquired primarily for the support of international students, and the support costs thereof, must be considered incremental.

B. Indirect Costs

Standard weekly rates for base operating support must be charged to additional cost training rates, as developed by the IAs, and adjusted annually. Include only those additional base operating support costs that are incurred because of international student attendance. See subparagraph 072303.B for additional information on indirect costs.

C. Other Billable Costs

1. Attrition Rate/Liability Statement. For FMS training sold using additional cost pricing (Tuition Rates C-D in Table 7-2) include the liability statement in subparagraph 072203.A.

2. FSP. The full cost to the USG of FSP must be considered an additional cost. See paragraph 072209 for more information on FSP.

3. RIM Shipment. If RIM is applicable for a course, then the costs must be considered an additional cost. See paragraph 072210 for more information on RIM.

4. FMS Administrative Surcharge. The current FMS administrative surcharge must be charged on FMS training cases/lines receiving incremental pricing (Tuition Rates C-D in Table 7-2). Tuition Rate E (IMET) is exempt from paying the FMS administrative surcharge.

D. Exclusions

The unfunded civilian retirement charge that is deposited to the Miscellaneous Receipts Account of the U.S. Treasury must be considered a fixed cost and not included in incremental priced training rates (Tuition Rates C-E in Table 7-2).

*0724 PRICING OF SPECIALIZED/DEDICATED TRAINING PROGRAMS

When pricing specialized dedicated training programs, full cost pricing principles (refer to paragraph 072303) must be applied. Appropriate legislative authority and terms of the formal agreement must be taken into consideration. The information in paragraphs 072401 and 072402 is provided for current specialized/dedicated training programs. General guidelines for other types of training events are found in the SAMM, Chapter 10.

072401. Air Force Specialized/Dedicated Training Programs

A. Euro-NATO Joint Jet Pilot Training (ENJJPT) Program

7-68
1. The ENJJPT multinational cooperative training program at Sheppard Air Force Base, Texas is an activity authorized by 22 U.S.C. § 2761(g). The LOAs clearly indicate that the AECA is the authority of the program but remain silent as to which exact section authorizes the activity. Associated program documents (Memorandum of Understanding and Plan of Operations) clearly state that the activity is undertaken "in furtherance of NATO rationalization and standardization" and "in the cooperative spirit of the NATO alliance," while also citing the NATO Status of Forces Agreement.

2. While a NATO or Major Non-NATO Ally may also be in receipt of IMET funds, once a cooperative training agreement of the type envisioned by 22 U.S.C. § 2761(g) is signed, it becomes the section of the U.S.C. that determines the terms under which the training activities are conducted if the financial principles are based on reciprocity. These reciprocal agreements include reimbursement for all direct costs and may exclude reimbursements for indirect costs, the FMS Administrative Surcharge, and the cost of trainee billeting (unless U.S. forces are charged to occupy like accommodations). The application of the FMS Administrative Surcharge and Contract Administration Surcharge to the ENJJPT Program is waived.

B. Dutch F-16 Training Program

1. The Dutch F-16 training program is conducted under the authority found in 22 U.S.C. § 2761(g). Based on that authority, the program must recoup reimbursement for all direct costs but may exclude reimbursement for indirect costs, the FMS administrative surcharge, and the cost of trainee billeting (unless U.S. forces are charged to occupy like accommodations).

2. The U.S.C. allows for some flexibility when it comes to the billing of indirect costs under 22 U.S.C. § 2761(g) so those preparing the costs can properly account for sharing of the total cost of the program. Unique program agreements may provide specific reimbursement details to which the parties have agreed. The FMS administrative surcharge has not been excluded for this program. Costs associated with the salaries of activated troops of the reserve component/National Guard would be a cost to the program.

C. The German Air Force (GAF) Tornado Program. The GAF Tornado Program is a dedicated training program, authorized by 22 U.S.C. § 2761(g). Based on that authority, the program must recoup reimbursement for all direct costs but may exclude reimbursement for indirect costs, the FMS Administrative Surcharge, and the cost of trainee billeting (unless U.S. forces are charged to occupy like accommodations). Again, the U.S.C. allows for some flexibility when it comes to the billing of indirect costs under 22 U.S.C. § 2761(g), so those preparing the costs can properly account for the sharing of the total cost of the program. Unique program agreements may provide specific reimbursement details to which the parties have agreed. The FMS Administrative Surcharge has not been excluded for this program.

D. The Republic of Singapore Air Force (RSAF) PEACE CARVIN V (PC V) F-15 Training Program. The RSAF PC V program is authorized by 22 U.S.C. § 2761(a)(1)(C). Singapore is identified as a high-income country under the FAA § 546(b) and is eligible to receive
training priced using the additional cost concept. Absent a formal agreement, costing procedures should follow the guidelines in paragraph 072304.

E. The RSAF PEACE CARVIN II (PC II) F-16 Training Program. The RSAF PC II program is authorized by 22 U.S.C. § 2761(a)(1)(C). As a high-income country, Singapore is eligible to receive training priced using the additional cost concept. Absent a formal agreement, costing procedures should follow the guidelines in paragraph 072304.

F. Taiwan Air Force PEACE FENG HUANG F-16 Training Program. Taiwan’s PEACE FENG HUANG program is conducted under the authority of 22 U.S.C. § 2761(a)(1)(C). Taiwan is not under special pricing authority and therefore pays the full cost of training. Refer to paragraph 072303.

072402. Army Specialized/Dedicated Training Programs

A. The RSAF Peace Prairie CH-47 Chinook Helicopter Training Program. The Peace Prairie Program is conducted under the authority of 22 U.S.C. § 2761(a)(1)(C). As a high-income country, Singapore is eligible to receive training priced using the additional cost concept. Absent a formal agreement, costing procedures should follow the guidelines in paragraph 072304. Costs associated with the salaries of activated troops of the reserve component/National Guard would be considered an additional cost.

B. The RSAF Peace Vanguard AH-64 Apache Helicopter Training Program. The Peace Vanguard Program is conducted under the authority of 22 U.S.C. § 2761(a)(1)(C). As a high-income country, Singapore is eligible to receive training priced using the additional cost concept. Absent a formal agreement, costing procedures should follow the guidelines in paragraph 072304. Costs associated with the salaries of activated troops of the reserve component/National Guard would be considered an additional cost.

072403. Personnel

Specialized/dedicated training programs may be supported by U.S. personnel, international personnel, or a combination of the two. When establishing a specialized/dedicated training program, an assessment must be performed to determine whether additional U.S. personnel are required to support the training. Care should be taken to ensure these individuals are properly coded as reimbursable billets and whether they are considered a direct cost or an indirect cost. Other personnel billets may provide support to the training.

A. MP. Pricing for U.S. MP must be in accordance with subparagraph 072302.A. Where international military members are filling training instructor billets, apply the comparable U.S. rate if computing costs to charge or compensate.

B. Civilian Personnel. Pricing for U.S. civilian personnel must be in accordance with subparagraph 072302.B. Apply the unfunded civilian retirement factor where applicable.
072404. Inflation Factors

Estimates for future years must be adjusted for inflation. OUSD(C) published rates will be used. See subparagraph 072205.B.

072405. Start-up Costs

The FMS purchaser is responsible for all costs, to include expenses incurred by IA activities assisting in the establishment of the training. Costs to consider in the start-up of a specialized/dedicated training program may include, but are not limited to, the following: environmental analysis/assessment/impact; construction of, alteration of, or expansion of existing facilities (refer to section 0710); a pro rata share of the costs for joint use of USG facilities (refer to section 0711); acquisition of equipment required to execute the program; commercially leased space (i.e., off-base offices, on-base modular buildings); and one-time site activation costs, if applicable.

072406. Direct Costs

Refer to subparagraph 072303.A (full cost) or subparagraph 072304.A (additional cost) for the types of costs appropriate to charge as direct costs.

072407. Indirect Costs

Refer to subparagraph 072303.B (full cost) or subparagraph 072304.B (additional cost) for the types of costs appropriate to charge as indirect costs.

072408. Other Billable Costs

A. Attrition Surcharge/Liability Statement. If specific program agreements do not address the application of the attrition surcharge, the liability statement in subparagraph 072203.A must be included on the LOA.

B. FSP. Specialized training programs may include the costs of the FSP if the purchaser(s) desires to participate in such. Refer to paragraph 072209.

C. RIM. If there is a need to ship RIM, include the cost of the shipment in the pricing of the specialized training program. Refer to paragraph 072210.

D. FMS Administrative Surcharge. The current FMS administrative surcharge must be applied to the specialized training program, where applicable. Refer to subparagraphs 072303.C.4 and 072304.C.4.

*0725 PRICING OF TRAINING TEAMS

When training is conducted by a Security Cooperation Team/SA Team (e.g., Management Service Team, TAFT, Extended Training Service Specialist, or MTT) away from the normal
training institution, the services of the team must be treated as a service and priced in accordance with paragraph 072302. Training aids must be included in the pricing. All pay and allowances, travel, and per diem paid to members of the team established to conduct in-country training must be considered costs of the training team except as noted in paragraphs 072501-072504.

072501. Teams Fully Financed by FSF Funding

   A. Military Pay and Allowances. Exclude the cost of military pay and allowances.

   B. Civilian Pay and Allowances. Exclude the cost of civilian pay and allowances.

   C. Attrition/Liability Statement. Include the liability statement, “The Purchaser is liable for any and all damages to U.S. Government equipment caused by negligence on the part of the student.”

072502. Teams Fully Financed by MAP Merger, FMF, IMET, or BPC Funding

   A. Military Pay and Allowances. Exclude military pay and allowances from the costs established for teams conducting in-country training fully financed by MAP Merger or FMF, financed under the IMET program, or DoD-funded BPC teams. Should a MAP/MAP Merger case be less than 100 percent financed by such funds, it must be re-priced to include the full cost of MP.

   B. Civilian Pay and Allowances. Exclude civilian unfunded retirement from the costs established for teams conducting in-country training fully financed by MAP Merger or FMF, financed under the IMET program, or DoD-funded BPC teams. Refer to paragraph 072302 for an explanation and pricing.

072503. Teams Financed by an IMET-Recipient Country/High-Income Country

For teams conducting in-country training financed by a high-income country or an IMET-recipient country using its own national funds, determine whether personnel costs are considered an additional cost to the USG. Refer to paragraph 072302 for an explanation and pricing.

072504. Teams Using National Guard/Reserve Personnel

If National Guard or Reserve personnel are activated solely to conduct FMS training, those costs must be considered additional costs to the USG and must be properly charged to the country or countries receiving the training. Refer to paragraph 072302 for an explanation and pricing.
Table 7-1. Federal Condition Code

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<td>20%</td>
<td>20%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>GOOD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 FAIR</td>
<td>10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 POOR</td>
<td>5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SALVAGE</td>
<td></td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td><strong>SCRAP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Table 7-2. Tuition Rate Pricing Structure

<table>
<thead>
<tr>
<th>Cost Elements</th>
<th>National Funds</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>FULL COST</strong></td>
<td><strong>ADDITIONAL COST</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>RATE A</strong></td>
<td><strong>RATE B</strong></td>
<td><strong>RATE C</strong></td>
</tr>
<tr>
<td></td>
<td>Full FMS</td>
<td>Reciprocal</td>
<td>FMS¹</td>
</tr>
<tr>
<td><strong>Direct Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military Pay</td>
<td>Full</td>
<td>Full</td>
<td>Additional</td>
</tr>
<tr>
<td>MERHC</td>
<td>Apply</td>
<td>Apply</td>
<td>N/A</td>
</tr>
<tr>
<td>DHP</td>
<td>Apply</td>
<td>Apply</td>
<td>N/A</td>
</tr>
<tr>
<td>Civilian Pay</td>
<td>Full</td>
<td>Full</td>
<td>Additional</td>
</tr>
<tr>
<td>Civilian Fringe Benefits</td>
<td>Apply</td>
<td>Apply</td>
<td>Apply²</td>
</tr>
<tr>
<td>UCR</td>
<td>Apply</td>
<td>Apply</td>
<td>N/A</td>
</tr>
<tr>
<td>Non-Personnel/Material</td>
<td>Full</td>
<td>Full</td>
<td>Additional</td>
</tr>
<tr>
<td><strong>Indirect Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military Pay</td>
<td>Full</td>
<td>N/A³</td>
<td>Additional</td>
</tr>
<tr>
<td>MERHC</td>
<td>Apply</td>
<td>N/A³</td>
<td>N/A</td>
</tr>
<tr>
<td>DHP</td>
<td>Apply</td>
<td>N/A³</td>
<td>N/A</td>
</tr>
<tr>
<td>Civilian Pay</td>
<td>Full</td>
<td>N/A³</td>
<td>Additional</td>
</tr>
<tr>
<td>Civilian Fringe Benefits</td>
<td>Apply</td>
<td>N/A³</td>
<td>Apply²</td>
</tr>
<tr>
<td>UCR</td>
<td>Apply</td>
<td>N/A³</td>
<td>N/A</td>
</tr>
<tr>
<td>Non-Personnel/Material</td>
<td>Full</td>
<td>N/A³</td>
<td>Additional</td>
</tr>
<tr>
<td><strong>Other Billable Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attrition Surcharge</td>
<td>Apply</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Liability Statement</td>
<td>N/A</td>
<td>Apply</td>
<td>Apply</td>
</tr>
<tr>
<td>FSP</td>
<td>Full</td>
<td>Full</td>
<td>Full</td>
</tr>
<tr>
<td>RIM</td>
<td>If applicable</td>
<td>If applicable</td>
<td>If applicable</td>
</tr>
<tr>
<td>FMS Admin</td>
<td>Apply</td>
<td>N/A³</td>
<td>Apply</td>
</tr>
</tbody>
</table>

¹ **RATE C – FMS**: Countries concurrently in receipt of IMET that elect to purchase training using national funds receive this rate. Countries designated as high-income countries also receive this rate.

² **Apply**: Charge the entire factor against the additional cost. There is no reduction to the factor because additional cost pricing is used.

³ **Refer to 22 U.S.C. § 2761(g)**. The President is authorized to enter into NATO STANAG and similar agreements with Major Non-NATO Allies if the pricing principles of such agreements are based on reciprocity. Such agreements may exclude reimbursement of indirect costs and the FMS Administrative Surcharge.
Table 7-2. Tuition Rate Pricing Structure (Continued)

<table>
<thead>
<tr>
<th>Cost Elements</th>
<th>U.S. Appropriated Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ADDITIONAL COST</td>
</tr>
<tr>
<td></td>
<td>FMS</td>
</tr>
<tr>
<td></td>
<td>RATE D</td>
</tr>
<tr>
<td></td>
<td>4FMF[1]</td>
</tr>
<tr>
<td>Direct Costs</td>
<td></td>
</tr>
<tr>
<td>Military Pay</td>
<td>N/A</td>
</tr>
<tr>
<td>MERHC</td>
<td>N/A</td>
</tr>
<tr>
<td>DHP</td>
<td>N/A</td>
</tr>
<tr>
<td>Civilian Pay</td>
<td>Additional</td>
</tr>
<tr>
<td>Civilian Fringe Benefits</td>
<td>Apply^2</td>
</tr>
<tr>
<td>UCR</td>
<td>N/A</td>
</tr>
<tr>
<td>Non-Personnel/Material</td>
<td>Additional</td>
</tr>
<tr>
<td>Indirect Costs</td>
<td></td>
</tr>
<tr>
<td>Military Pay</td>
<td>N/A</td>
</tr>
<tr>
<td>MERHC</td>
<td>N/A</td>
</tr>
<tr>
<td>DHP</td>
<td>N/A</td>
</tr>
<tr>
<td>Civilian Pay</td>
<td>Additional</td>
</tr>
<tr>
<td>Civilian Fringe Benefits</td>
<td>Apply^2</td>
</tr>
<tr>
<td>Civilian Unfunded Retirement</td>
<td>N/A</td>
</tr>
<tr>
<td>Non-Personnel/Material</td>
<td>Additional</td>
</tr>
<tr>
<td>Additive Costs</td>
<td></td>
</tr>
<tr>
<td>Attrition</td>
<td>N/A</td>
</tr>
<tr>
<td>Liability Statement</td>
<td>Apply</td>
</tr>
<tr>
<td>FSP</td>
<td>Full</td>
</tr>
<tr>
<td>RIM</td>
<td>If applicable</td>
</tr>
<tr>
<td>FMS Admin</td>
<td>Apply</td>
</tr>
</tbody>
</table>

^2 Apply: Charge the entire factor against additional cost. There is no reduction to the factor because additional cost pricing is used.

^4 RATE D – FMF: This rate applies to courses provided to countries that use U.S. appropriated dollars as their source of funding (except IMET). If the training case is not wholly funded with U.S. appropriated funds (e.g., 100 percent MAP Merger, 100 percent non-repayable FMF), then re-price training to include military salaries and benefits. This rate also applies to general BPC appropriations and authorities (i.e., FSF: authority to build capacity under 10 U.S.C. § 333).
Figure 7-1. Price Computation Example: Overhaul of Purchaser-Owned Materiel

**Assumptions:**
- Civilian Direct Labor Hours 500
- Direct labor hourly rate (employee salary and pro rata overhead) $36.72
- UCR Rate FY 2018 6.8%
- Army Military Labor Hours (E-7) 100
- Foreign Purchaser paid for inbound and outbound transportation

**Computation:**
- Direct materiel consumed or incorporated (does not include purchaser-owned materiel) $1,000.00
- Direct civilian labor cost recouped (including unpacking and PC&H) $(500 \times $36.72) $18,360.00
- Unfunded Civilian Rate costs $(18,360 \times 6.8\%) $1,248.48
- Military Composite Standard Pay Reimbursement $(104,429 \times .00056) \times 100 $5,848.02
- Transportation

<table>
<thead>
<tr>
<th>+</th>
<th>-----</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$26,456.50</td>
</tr>
</tbody>
</table>

1 This figure is general in nature and does not show all costs that may be included. For example, direct materiel consumed or incorporated should include transportation, replacement prices, and charges as appropriate. (See subparagraph 070402.B for treatment of DWCF materiel). This example assumes that inbound and outbound transportation is paid by the FMS purchaser. (See subparagraph 070902.F for information on incoming and outgoing transportation costs). If the purchaser does not pay via the freight forwarder, the cost is included in the FMS selling price.

2 The administrative surcharge is an additive to the FMS selling price.
Figure 7-2. Price Computation Example: Non-Excess Procurement Funded Item from Stock

**Assumptions:**

<table>
<thead>
<tr>
<th>Market Value</th>
<th>None Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most Recent Acquisition Price</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>New Contract Price</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>Modification Costs</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>NC Recoupment Charge, SAMM, Appendix 1</td>
<td>$2,000.00</td>
</tr>
<tr>
<td>Prorated overhaul costs before sale date (see Figure 7-3)</td>
<td>$5,203.20</td>
</tr>
<tr>
<td>Service Life</td>
<td>10 Years</td>
</tr>
<tr>
<td>Age at transfer</td>
<td>6 Years</td>
</tr>
<tr>
<td>Remaining Service Life</td>
<td>4 Years</td>
</tr>
</tbody>
</table>

**Calculation**

**Not to Be Replaced**

Adjusted Price: \((50,000+5,000) \times (4/10)\)

Adjusted NC recoupment: \(2,000 \times (4/10)\)

Prorated overhaul costs before sale date (see Figure 7-3)

FMS Selling Price

$22,000.00

800.00

+ 5203.20

$28,003.20

**To Be Replaced**

Adjusted Price: \(100,000 \times (4/10)\)

Adjusted NC recoupment: \(2,000 \times (4/10)\)

FMS Selling Price

$40,000.00

800.00

+ 800.00

$40,800.00

1 (Most Recent Acquisition Price + Modification Costs) \times Remaining Service Life

2 NC Recoupment Charge \times Remaining Service Life

3 Credit to Miscellaneous Receipts Account 3041.

4 Credit previously incurred overhaul costs to the financing account.

5 Any administrative, PC&H, and transportation surcharges are additive to the selling price.

6 FMS selling price cannot be less than the Market Value if one exists.
If this is a sale of a ship, the FMS selling price cannot be lower than the scrap value or fair value plus the cost of the last major overhaul or outfitting accomplished before the sale.

New Contract Price \times \text{Remaining Service Life}
Figure 7-3. Price Computation Example: Overhaul Costs Previously Incurred for a Procurement Funded Item Sold to FMS Purchasers

Assume the following:

1. Item is to be sold in May 2018. The last overhaul for that aircraft was accomplished in June 2016 at a cost of $8,672.

2. The normal interval between overhauls for the item is 60 months.

   The price is computed using the following steps:

   A. Determine the actual interval since the last overhaul in terms of months.

      June 2016 to May 2018 equals 24 months.

   B. Determine the percentage of overhaul costs applicable to the DoD by comparing the actual interval since the last overhaul with the normal interval between overhauls.

      Actual Interval = 24 months = 40%
      Normal Interval = 60 months

3. Determine the amount of the costs to be charged to the purchaser by subtracting the resulting percentages in step 2 from 100 percent and applying the result to the overhaul costs. If actual overhaul costs are not known, a reasonable estimate should be obtained from the facility normally performing overhauls for the type of item that is to be sold.

   100% - 40% = 60% × $8,672 = $5,203.20
Figure 7-4. Price Computation Example: Sale of Ship (Greater than 3,000 Tons or More Than 20 Years Old) Not to be Replaced

**Assumptions:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Value</td>
<td>$22,500,000.00</td>
</tr>
<tr>
<td>Condition Code (A-3, see Table 7-1)</td>
<td>10%</td>
</tr>
<tr>
<td>Nonrecurring Charge</td>
<td>$500,000.00</td>
</tr>
<tr>
<td>Prorated overhaul costs before sale date (see Figure 7-3 for how to compute)</td>
<td>$1,500,000.00</td>
</tr>
<tr>
<td>Scrap Value</td>
<td>$1,000,000.00</td>
</tr>
<tr>
<td>Fair Value (Acquisition Value $\times$ Federal Condition Code Rate)</td>
<td>$2,250,000.00</td>
</tr>
<tr>
<td>($22,500,000 \times 10%)</td>
<td></td>
</tr>
</tbody>
</table>

**Computation:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater of Scrap or Fair Value(^1)</td>
<td>$2,250,000.00</td>
</tr>
<tr>
<td>Adjusted NC Recoupment (10% $\times$ $500,000$)(^1)</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>Prorated overhaul costs(^2)</td>
<td>+ $1,500,000.00</td>
</tr>
<tr>
<td>FMS Selling Price(^3)</td>
<td>$3,800,000.00</td>
</tr>
</tbody>
</table>

\(^1\) Credit to Miscellaneous Receipts Account 3041.

\(^2\) Credit previously incurred overhaul costs to the financing account.

\(^3\) The administrative surcharge is additive to the selling price.
Figure 7-5. Price Computation Example: Excess Procurement (Non-DWCF) Funded Item from Stock/Inventory

**Assumptions:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Value</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>Federal Condition Code (B-1, see Table 7-1)</td>
<td>30%</td>
</tr>
<tr>
<td>NC Recoupment Charge</td>
<td>$2,000.00</td>
</tr>
<tr>
<td>Prorated overhaul costs before sale date (see Figure 7-3)</td>
<td>$5203.20</td>
</tr>
<tr>
<td>Market Value</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Scrap Value</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>Fair Value (Acquisition Value * Federal Condition Code Rate)</td>
<td>$15,000.00</td>
</tr>
<tr>
<td>($50,000 × 30%)</td>
<td></td>
</tr>
</tbody>
</table>

**Computation:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater of Market, Scrap, or Fair Value</td>
<td>$15,000.00</td>
</tr>
<tr>
<td>Adjusted NC Recoupment (30% × $2,000)</td>
<td>$600.00</td>
</tr>
<tr>
<td>Prorated overhaul costs before sale date (see Figure 7-3)</td>
<td>+ $5,203.20</td>
</tr>
<tr>
<td>FMS Selling Price</td>
<td>$20,803.20</td>
</tr>
</tbody>
</table>

1 If the method used to determine an estimated actual PCH&T cost is based on the cost or price of the excess item, acquisition cost must be used.

2 Credit to Miscellaneous Receipts Account 3041.

3 Credit previously incurred overhaul costs to the financing account.

4 The FMS selling price must be increased if the market value or the scrap value plus the NC recoupment charge and the prorated value of the last major overhaul costs incurred are higher than the fair value FMS selling price. The market value is the price at which bona fide sales have been consummated for products of like kind, quality, and quantity. The scrap value is the amount that would be expected to be obtained from selling the asset at the end of its useful life. The fair value price is determined by the Federal Condition Code.

5 Any administrative, PC&H, and transportation surcharges are additive to the selling price.
Figure 7-6. Recoupment of NC of MDE Example: Base Level

<table>
<thead>
<tr>
<th>Weapon System or Component</th>
<th>Nonrecurring Cost in (Whole Dollars)</th>
<th>Production Quantity (Qty Each)</th>
<th>Recommended Pro Rata Unit Charge</th>
<th>Previous Unit Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RDT&amp;E Production Total</td>
<td>Army Marine/Navy Air Force FMS DCS Total</td>
<td>RDT&amp;E Production Total</td>
<td></td>
</tr>
<tr>
<td>ABC Block 0</td>
<td>$51,000,000</td>
<td>$75,000</td>
<td>$51,075,000</td>
<td>25 200 0 92 0 317</td>
</tr>
</tbody>
</table>

**SECTION B**

PRODUCTION QUANTITIES

<table>
<thead>
<tr>
<th>Weapon System</th>
<th>Actual</th>
<th>Projected</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNS</td>
<td>25</td>
<td>200</td>
<td>225</td>
</tr>
<tr>
<td>MAP</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Direct Sales</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>FMS</td>
<td>5</td>
<td>87</td>
<td>92</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30</td>
<td>287</td>
<td>317</td>
</tr>
</tbody>
</table>
Figure 7-6. Recoupment of NC of MDE Example: Base Level (Continued)

<table>
<thead>
<tr>
<th>Country / Int'l Organization</th>
<th>Projected Quantity</th>
<th>Explanation for Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country A</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Country B</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Country C</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Country D</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Country E</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Country F</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Country G</td>
<td>10</td>
<td></td>
</tr>
</tbody>
</table>

Total FMS 87

TOTAL 87
Figure 7-7. Recoupment of NC of MDE Example: Two-Level

### RECOUPMENT OF NONRECURRING COST ON SALES OF MAJOR DEFENSE EQUIPMENT

**B/B Model**

<table>
<thead>
<tr>
<th>Weapon System or Component</th>
<th>Nonrecurring Cost (in Whole Dollars)</th>
<th>Production Quantity (Qty Each)</th>
<th>Recommended Pro Rata Unit Charge</th>
<th>Previous Unit Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a)</td>
<td>(b)</td>
<td>(c)</td>
<td>(d)</td>
</tr>
<tr>
<td></td>
<td>RDT&amp;E Production</td>
<td>Total</td>
<td>Army</td>
<td>Marine/ Navy</td>
</tr>
<tr>
<td>B/B Model</td>
<td>$2,956,674</td>
<td>$0</td>
<td>$2,956,674</td>
<td>0</td>
</tr>
<tr>
<td>Common Cost Pool (with A/B Model)</td>
<td>$76,294</td>
<td>$0</td>
<td>$76,294</td>
<td>0</td>
</tr>
<tr>
<td>Unique</td>
<td>$4,223,820</td>
<td>$0</td>
<td>$4,223,820</td>
<td>70%</td>
</tr>
<tr>
<td>Backup Data</td>
<td>$4,223,820</td>
<td>$0</td>
<td>$4,223,820</td>
<td>70%</td>
</tr>
</tbody>
</table>

### SECTION B

**PRODUCTION QUANTITIES**

<table>
<thead>
<tr>
<th>Actual</th>
<th>Projected</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>USG</td>
<td>400</td>
<td>200</td>
</tr>
<tr>
<td>MAP</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Direct Sales</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>FMS</td>
<td>0</td>
<td>250</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td>450</td>
</tr>
</tbody>
</table>

### NOTES:

1 A/B Model Common (66,308) + B/B Model Unique (850) = 67,158
Figure 7-7. Recoupment of NC of MDE Example: Two-Level (Continued)

<table>
<thead>
<tr>
<th>Country / Int'l Organization</th>
<th>Projected Quantity</th>
<th>Explanation for Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country B</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>Country E</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Country H</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>Country J</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>Total FMS</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>250</td>
<td></td>
</tr>
</tbody>
</table>

SECTION C

QUANTITY PROJECTION BREAKOUT
B/B Model
MASL ________________

MAP

Country / Int'l Organization | Projected Quantity | Explanation for Projections
------------------------------|--------------------|-----------------------------
Country B                     | 75                 |                             |
Country E                     | 20                 |                             |
Country H                     | 75                 |                             |
Country J                     | 80                 |                             |
Total MAP                     | 0                  |                             |

Direct Sales

Country / Int'l Organization | Projected Quantity | Explanation for Projections
------------------------------|--------------------|-----------------------------
------------------------------|--------------------|-----------------------------
Total Direct Sales            | 0                  |                             |

FMS

Country / Int'l Organization | Projected Quantity | Explanation for Projections
------------------------------|--------------------|-----------------------------
Country B                     | 75                 |                             |
Country E                     | 20                 |                             |
Country H                     | 75                 |                             |
Country J                     | 80                 |                             |
Total FMS                     | 250                |                             |
TOTAL                          | 250                |                             |
**Figure 7-8. Recoupment of NC of MDE Example: Multi-Level**

<table>
<thead>
<tr>
<th>Weapon System or Component</th>
<th>Recurring Cost (in Whole Dollars)</th>
<th>Benefitting Units (Qty Each)</th>
<th>Recommended Pro Rata Unit Charge</th>
<th>Previous Unit Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ABC Block II</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Cost Pool (with ABC Blk I)</td>
<td>$324,126,237</td>
<td>$116,970,421</td>
<td>$441,096,658</td>
<td>821</td>
</tr>
<tr>
<td>Common Cost Pool (with ABC Block 0)</td>
<td>$235,896,300</td>
<td>$48,990,000</td>
<td>$284,886,300</td>
<td>463</td>
</tr>
<tr>
<td>Unique</td>
<td>$1,516,253,000</td>
<td>$287,960,000</td>
<td>$1,804,213,000</td>
<td>221</td>
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<tr>
<td><strong>Backup Data</strong></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>ABC Block I Commonality</td>
<td>$589,320,430</td>
<td>$212,673,493</td>
<td>$801,993,923</td>
<td>55%</td>
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<tr>
<td>ABC Block 0 Commonality</td>
<td>$786,321,000</td>
<td>$163,300,000</td>
<td>$949,621,000</td>
<td>30%</td>
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**SECTION B**

**PRODUCTION QUANTITIES**

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<th>Total</th>
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<tr>
<td>USG</td>
<td>200</td>
<td>752</td>
<td>952</td>
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<tr>
<td>MAP</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Direct Sales</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>FMS</td>
<td>0</td>
<td>332</td>
<td>332</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>1,084</td>
<td>1,284</td>
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Figure 7-8. Recoupment of NC of MDE Example: Multi-Level (Continued)

### SECTION C

**QUANTITY PROJECTION BREAKOUT**

**ABC Blk II NC Charge - Summary Calculation**

**MASL**

<table>
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<tr>
<th>Country / Int'l Organization</th>
<th>Projected Quantity</th>
<th>Explanation for Projections</th>
</tr>
</thead>
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<td>Country A</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Country C</td>
<td>12</td>
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</tr>
<tr>
<td>Country F</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Country H</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Country I</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Country J</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Country K</td>
<td>72</td>
<td></td>
</tr>
<tr>
<td>Country L</td>
<td>34</td>
<td></td>
</tr>
</tbody>
</table>

**Total FMS** 332

**TOTAL** 332
Figure 7-9. Price Computation Example: New Procurement

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Contract Price (20 items)</td>
<td>$1,000,000.00</td>
</tr>
<tr>
<td>NC ($2,500 each × 20 items)</td>
<td>50,000.00</td>
</tr>
<tr>
<td>CAS (1,000,000 × 0.015)</td>
<td>15,000.00</td>
</tr>
<tr>
<td>GFM</td>
<td>25,000.00</td>
</tr>
<tr>
<td>PC&amp;H GFM (3.5%)</td>
<td>875.00</td>
</tr>
<tr>
<td>Transportation of GFM from Depot to Contractor Plant</td>
<td>+ 938.00</td>
</tr>
<tr>
<td><strong>FMS Selling Price (20 items)</strong></td>
<td><strong>$1,091,813.00</strong></td>
</tr>
<tr>
<td><strong>FMS Unit Selling Price</strong> (1,091,813/20)</td>
<td><strong>$54,590.65</strong></td>
</tr>
</tbody>
</table>

1 PC&H and CONUS transportation are applicable, if the GFM is purchased from procurement citing the case funds. Actual costs should be used whenever known. However, in the absence of actual costs, a percentage-based computation must be used. For the purpose of this example, the GFM ($25,000) is considered to be all procurement-funded items with unit costs of less than $10,000. PC&H and Inland CONUS Transportation are not applicable, if the GFM is shipped from inventory by the DoD Working Capital Funds, as the cost is included in the standard (stabilized) price of the item.

2 Transportation of end item, if applicable, and administrative surcharges are additive to the selling price.
Figure 7-10. Calculation of Charges for Leased Defense Articles with Illustrative Entries

STEP 1: Determine Service Life.
   a. Date to be leased: June 2018
   b. Date item first fielded or actual acquisition date of specific item (if known): June 2008
   c. The total estimated service life of the item: 240 months
   d. Item age in months as of the lease date: 120
   e. Number of months to be leased: 12
   f. Estimated months of service life remaining at conclusion of lease: +108
   g. Total months of service life (d. + e. + f.)\(^1\): 240

STEP 2: Determine cost of defense articles leased to be depreciated.
   a. Original acquisition cost: $1,000,000
   b. Pro rata share nonrecurring R&D and production costs\(^2\): 20,000
   c. Capital improvements
      (1) Major overhauls in past 24 months (see subparagraph 071505.I): 500,000
      (2) Modifications net of retirements\(^3\): +300,000
      Total Cost: $1,820,000
   Less residual value Amount subject to depreciation
   (see Volume 4, Chapter 6, paragraph 060207)

STEP 3: Calculate monthly charge.
   Divide results of Step 2 by results of Step 1.
   \[ \frac{1,820,000}{240} = 7,583.33 \]

\(^1\) In the event the service life is zero, the life would be extended to include the lease period.

\(^2\) The pro rata share of nonrecurring R&D and production costs is additive when determining the full cost of the equipment to be depreciated. This cost is not authorized to be waived under subparagraph 071505.I.

\(^3\) Retirements represent serviceable components and weapons that are replaced by a modified version and that are returned to inventory upon removal. Normally, retired items are valued at standard (stabilized) inventory price, if repair is not necessary. If repair is required before the item may be reissued, the retirement item is valued at standard inventory price less estimated repair cost.
Figure 7-11. Civilian Personnel Services Price Computation Example

**Assumptions:**
A. Navy General Schedule (GS)-12 within Atlanta, Georgia locality pay area. When the GS step is not known, use step 5 pay rates. $38.23 per hour is used for this computation example.
B. 100 hours performed in August 2018 against an FMS Case
C. FY 2018 UCR Factor = 6.8%
D. FY 2018 Navy Civilian Personnel Fringe Benefits Factor = 35.2%
E. L&H Acceleration Factor = 18%

<table>
<thead>
<tr>
<th></th>
<th>FMS Case</th>
<th>FMS Admin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Full Time</td>
<td>Full Time</td>
</tr>
<tr>
<td></td>
<td>Full Time</td>
<td>Full Time</td>
</tr>
<tr>
<td>(1) Direct Labor Cost¹</td>
<td>[A × B]</td>
<td>$3,823.00</td>
</tr>
<tr>
<td>(2) L&amp;H Costs²</td>
<td>[(1) × E]</td>
<td>$688.14</td>
</tr>
<tr>
<td>(3) Total Civilian Labor Costs</td>
<td>[(1) + (2)]</td>
<td>$4,511.14</td>
</tr>
<tr>
<td>(4) Unfunded Retirement Costs³</td>
<td>[(3) × C]</td>
<td>$306.76</td>
</tr>
<tr>
<td>(5) Fringe Benefits⁴</td>
<td>[(3) × D]</td>
<td>$1,587.92</td>
</tr>
<tr>
<td>(6) FMS Selling Price⁵</td>
<td>[(3) + (4) + (5)]</td>
<td>$6,405.82</td>
</tr>
</tbody>
</table>

¹ Pay rates in effect at the time services are performed. Hourly and annual locality salary tables are available at OPM website. Tables through 2008 are available in the Appendix C Archive of this Volume.

² The L&H acceleration factor is applied as a percentage of direct labor cost when the individual is not reimbursed on a full time basis by FMS. See Volume 11A, Chapter 6 and the OUSD(C) DoD Reimbursable Rates website for current factors.

³ The unfunded retirement acceleration factor is applied as a percentage of total civilian labor costs when the individual is not reimbursed from FMS Admin. Credit unfunded civilian retirement to the Miscellaneous Receipts Account 3041. Current rates are available at the OUSD(C) DoD Reimbursable Rates website, select the applicable FY, Civilian Personnel Fringe Benefit (Tab D). Historical rates are available in the Appendix C Archive.

⁴ The fringe benefits factor is applied as a percentage of the total civilian labor costs and includes the employer's share of retirement, health benefits, life insurance, and other benefits. Rates are available at the OUSD(C) DoD Reimbursable Rates website, Civilian Personnel Fringe Benefit (Tab D), for FY 1997 and forward. Historical rates are available in the Appendix C Archive.

⁵ The FMS Administrative Surcharge is additive to the FMS selling price.
Figure 7-12. MP Services Price Computation Example

Assumptions:
A. Scenario 1: Navy O-4 and E-7 Full time FMS effort in FY2018 at an overseas location
B. Scenario 2: Navy O-4 and E-7 Part-time FMS effort; each performing 100 hours service in
   FY 2018. TDY cost is $5,600.
C. Navy O-4 FMS Composite Rate ($169,096 + $11,017 = $180,113)\(^1\)
D. Navy E-7 FMS Composite Rate ($105,214 + $11,017 = $116,231)\(^1\)
E. Navy O-4 Hourly Composite Rate ($180,113 \times 0.00056 = $101.86)\(^2\)
F. Navy E-7 Hourly Composite Rate ($116,231 \times 0.00056 = $65.09)\(^2\)

FMS CASE – FULL TIME FMS EMPLOYEE

Computation Scenario 1:

<table>
<thead>
<tr>
<th></th>
<th>O-4</th>
<th>E-7</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMS Composite Pay Cost(^1)</td>
<td>$180,113</td>
<td>$116,231</td>
<td></td>
</tr>
<tr>
<td>FMS Selling Price(^3)</td>
<td></td>
<td></td>
<td>$296,344</td>
</tr>
</tbody>
</table>

FMS CASE – LESS THAN FULL TIME FMS EMPLOYEE

Computation Scenario 2:

\[
\begin{align*}
\text{FMS Composite Pay Hourly Rate} & \times \text{hours of service performed}^2 \\
& = \$10,086 \quad \$6,509 \quad \$16,595 \\
\text{TDY Cost} & \quad \$5,600 \\
\text{FMS Selling Price}^3 & \quad \$22,195
\end{align*}
\]

\(^1\) Refer to OUSD(C) DoD Reimbursable Rates website, MP Composite Standard Pay and
Reimbursement Rates (Tab K) to obtain the current FMS Composite Rate. The FMS Composite
Rate is computed by taking the Annual DoD Composite Rate and adding the acceleration factor
(for FY 2018 the amount is $11,017) to cover medical health care costs of active duty personnel
and their dependents. These are the costs financed by the DHP.

\(^2\) To compute the hourly rate, multiply the FMS Composite Rate by 0.00056. This computation
includes an 18\% L&H factor. See Volume 11A, Chapter 6 and the OUSD(C) DoD Reimbursable
Rates website for current factors.

\(^3\) The FMS administrative surcharge is additive to the FMS selling price.
Notes:

Not all NATO countries are a signatory to *STANAG 6025*, “Financial Principles and Procedures for the Provision Of Support and the Establishment of Multinational Arrangements”

*Figure 7-14. Incremental Tuition Based Pricing (Rate C)

Incorporating an increase in student requirements in programming, the additional costs must be included in the calculation. The number of instructors and staff required for the maximum student load is determined, and the estimated total number of students (both U.S. and international) is calculated. If the enrollment capacity is exceeded due to IMS enrollment, the MP pay is included. If not, the Military Fringe Benefits & MERHC and DHP are excluded. If the enrollment capacity is exceeded, the additional costs are calculated, considering the difference in instructor and staff requirements between the two projections.
VOLUME 15, CHAPTER 8: “BILLING AND REIMBURSEMENT”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated March 2017 is archived.

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<th>EXPLANATION OF CHANGE/REVISION</th>
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<tr>
<td>ALL</td>
<td>Updated hyperlinks and internal references throughout.</td>
<td>Revision</td>
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<tr>
<td>080102</td>
<td>Updated authoritative guidance to cite the United States Code.</td>
<td>Revision</td>
</tr>
<tr>
<td>080203.A</td>
<td>Added the definition for implementing agencies.</td>
<td>Addition</td>
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<td>080305</td>
<td>Changed the word “will” to “must” to indicate that security precautions are a requirement.</td>
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<td>0804</td>
<td>Changed reference to Standard Form 364 from Supply Discrepancy Report (SDR) to Report of Discrepancy (ROD).</td>
<td>Revision</td>
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<tr>
<td>080503.B</td>
<td>Added clarifying language to identify that Excess Defense Articles is the only category of materiel for which the Implementing Agency is responsible for calculating packing, crating, and handling as described in Chapter 7.</td>
<td>Revision</td>
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<tr>
<td>080503.C</td>
<td>Added language to clarify how to price accessorial transportation charges.</td>
<td>Revision</td>
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<td>080504.D (Previous Version)</td>
<td>Deleted information advising the reader of the 1989 one percent asset use charge cancellation.</td>
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<tr>
<td>080702.B</td>
<td>Added language to direct the reader to the appropriate TAB on the Under Secretary of Defense (OUSD) Comptroller reimbursable rate website, where the Civilian Personnel Fringe Benefit rates can be found.</td>
<td>Revision</td>
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<tr>
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<td>Deleted the five percent installation support charge because it is no longer applicable to foreign operations under Defense Working Capital Fund Operations.</td>
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<td>080802.B</td>
<td>Added language to clarify that a systems equivalent of a detailed delivery transaction report is an acceptable source for providing a delivery report to Foreign Military Sales customers.</td>
<td>Revision</td>
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<td>-------------------------------------------------------------------------------------------------</td>
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<td>080901.A</td>
<td>Added clarifying language to remove procedural information and replace with applicable transportation rate information found in the OUSD memo, “Reduction to the Foreign Military Sales Transportation Surcharge Rates,” dated July 9, 2018.</td>
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<td>Table 8-1</td>
<td>Revised to include new rates established in accordance with the OUSD memo, “Reduction to the Foreign Military Sales Transportation Surcharge Rates,” dated July 9, 2018. Formerly Table 8-27.</td>
<td>Revision</td>
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<td>Revised to include new rates established in accordance with OUSD memo, “Reduction to the Foreign Military Sales Transportation Surcharge Rates,” dated July 9, 2018. Formerly Table 8-28.</td>
<td>Revision</td>
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<td>Table 8-3</td>
<td>Added a note to identify the countries that are associated with Rate Area 1 and Rate Area 2 in accordance with the OUSD memo, “Reduction to the Foreign Military Sales Transportation Surcharge Rates,” dated July 9, 2018. Formerly Table 8-26.</td>
<td>Addition</td>
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<td>Tables 8-1 through 8-25 (Previous Version)</td>
<td>Deleted procedural tables and cross references throughout. Tables 8-26 through 8-28 were re-numbered accordingly.</td>
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CHAPTER 8

BILLING AND REIMBURSEMENT

0801 GENERAL

080101. Purpose

This chapter establishes the standard policies for use when:

A. The Defense Finance and Accounting Service (DFAS), Security Cooperation Accounting (SCA) bills foreign governments and international organizations (hereafter referred to as Foreign Military Sales (FMS) purchasers) for costs related to defense articles and services sold pursuant to the Arms Export Control Act (AECA) (AECA starts on page 427 of Legislation on Foreign Relations, Volume 1-A).

B. The Department of Defense (DoD) Components report FMS deliveries of materiel and services, contractor progress payments, and other related costs to DFAS SCA to obtain reimbursement or to report performance under an allotment of FMS Trust Fund budget authority; and

C. The DoD Components request reimbursement from the other DoD Components for costs associated with inter-service support of FMS cases.

080102. Authoritative Guidance

The AECA (Public Law 90-629), codified as 22 United States Code (U.S.C.), Chapter 39, and the Foreign Assistance Act (Public Law 87-195), as amended, codified as 22 U.S.C., Chapter 32 provide the authority for FMS sales of defense articles, services, and training.

0802 RESPONSIBILITIES

080201. Defense Security Cooperation Agency (DSCA)

DSCA approves the establishment and revision of the Implementing Agency (IA), Delivery Source Code, Monitor, and Type of Assistance codes. DSCA forwards the recommended new or revised codes to the DFAS, Accounting Policy Division for approval and inclusion in Volume 15. DSCA and DFAS must use the Standard Financial Information Structure as prescribed in Volume 1, Chapter 4.

080202. DFAS SCA

DFAS SCA must issue quarterly billing statements to FMS purchasers based on payment schedules attached to the Letter of Offer and Acceptance (LOA) by the applicable IA. Exceptions to this policy may be made when an IA submits a Quarterly Forecast of Financial Requirements for Requisition Cases, and the committed values for requisition cases indicate the performance on
a particular requisition case is behind or ahead of schedule. In such cases, DFAS SCA must bill based on the quarterly forecast or the committed value of requisitions. See Chapter 4, paragraph 040504 for more information.

080203. IAs

* A. An IA is the DoD Component assigned responsibility by DSCA to prepare an LOA and implement the case. The IA is responsible for overall management of the actions that will result in delivery of the materiel or service set forth in an implemented LOA.

B. IAs must report accrued expenditures (work in process (WIP)) and physical deliveries in the applicable IA financial or logistical system within 30 days of the occurrence (date of shipment or performance). This information is provided to DFAS SCA through the billing and reporting policies prescribed in this chapter.

080204. Supporting DoD Components

The supporting DoD Components must request reimbursement from other DoD Components through the billing and reporting policies prescribed in this chapter.

A. Requesting Activities. When placing an order to satisfy an FMS demand, requesting activities are responsible for notifying the performing activities. The notification must include the country, case designator, and line item.

B. Performing Activities. Upon notification that a customer order is for an FMS purchaser, performing activities must notify the requesting activity whether the order has been accepted on a reimbursable or direct cite basis and identify the total cost to process the order. This total billing must include both funded and unfunded costs. The performing activity must deposit amounts collected to the appropriate accounts, including the Miscellaneous Receipt Account.

0803 FMS BILLING STATEMENT

080301. General

A. DoD (DD) Form 645, FMS Billing Statement (or automated equivalent), and special billing arrangement statements issued by DSCA represent an official claim for payment by the U.S. Government. The DD 645 is prepared on a quarterly basis as of December, March, June, and September. As an example, the December bill reflects physical deliveries, performance of services, and WIP from October 1 through December 31, and cash collections recorded for the FMS case through the preparation date of the billing statement. It also has a forecast of estimated advance cash requirements through the month of June. A December bill is mailed on or around January 15, with payment due March 15. The March, June, and September statements follow the same basic timeframes.

B. The FMS billing statement furnishes an accounting to the FMS purchaser for all costs incurred under each FMS Trust Fund case. Detail on the face of the billing statement
must display the cost elements similar to the line item detail on the LOA. Physical performance of services and delivery of materiel are shown against the line item detail of the LOA. FMS administrative surcharge, accessorial costs, and WIP are separately listed.

080302. Billings for Cases With Payment Upon Delivery

For cases authorized under the AECA, sections 21(d) or 22(b), the IAs must ensure that each case has a delivery schedule. On the scheduled delivery dates, DFAS SCA must follow up with the IA and verify the accuracy of the delivery schedule. On the delivery date, DFAS SCA must immediately bill the FMS purchaser the appropriate charges. Interest must be charged in accordance with the policy found in Volume 16, Chapter 6, section 0604.

080303. Final Statement

DFAS SCA must give the FMS purchaser a case final statement at the end of the calendar quarter in which the case is closed and re-categorized from an active status to inactive status. DFAS SCA must annotate the final statement to notify the FMS purchaser of this reclassification.

080304. FMS Delivery Listing

An FMS Delivery Listing is prepared in support of entries to Current Period Delivery Costs, on the DD 645, using the IA FMS Integrated Control System (FICS). The FMS Delivery Listing is an itemized listing of all items physically delivered and services performed during the reporting period. It is cross-referenced to specific document numbers and allows FMS purchasers to validate receipt of the materiel or services. The FMS Delivery Listing also includes DFAS SCA’s computation of charges applied by the organization fulfilling the order in accordance with Chapters 3 and 7.

*080305. Computer Output

The FMS purchaser may request that DFAS SCA provide a Compact Disk Read-Only Memory (CD-ROM) or hard copy report to support the FMS Delivery Listing. The billing and FMS Delivery Listing may be electronically transmitted upon request, or the data may be placed on a file server where the FMS purchaser may access it. Security precautions must be taken to assure data confidentiality and appropriate access control.

*0804 FMS PURCHASER REQUESTS FOR BILLING AND SUPPLY ADJUSTMENTS

080401. General

A. If, after review of the DD 645 and/or the supporting FMS Delivery Lists, the FMS purchaser identifies that an adjustment is needed, the FMS purchaser must submit a formal request for adjustment. Billing and supply adjustment requests for materiel or service performance and accessorial charges should be submitted to the IA. Adjustment requests dealing only with FMS administrative surcharges should be submitted to DFAS SCA.
B. FMS purchasers must submit all requests for billing and supply adjustments on a *Standard Form (SF) 364, Report of Discrepancy (ROD)*, clearly indicating the specific adjustment or billing action requested. The DoD Components must process eligible RODs in accordance with the *Defense Logistics Manual 4000.25, “Defense Logistics Management Standards (DLMS)”* Manual. The form, instructions for completion, and definitions are prescribed in *Volume 2, Chapter 17* of the DLMS Manual. After RODs applicable to materiel and services are resolved, the DoD Components must report the action being taken to DFAS SCA using appropriate Adjustment Reply Codes in the delivery transaction (for additional informal concerning delivery transactions, see section 0805).

080402. Adjustment Reply Codes

Adjustment Reply Codes cover most replies to FMS purchaser requests for billing or adjustments. When a situation arises not covered by these codes, a reply by letter is appropriate. Submit requests for codes to cover additional transactions to DFAS SCA at DFAS-JAX/IN, 8899 E. 56th St., Indianapolis, IN 46249.

080403. Reply Listing

DFAS SCA provides a consolidated listing of the actions taken in response to RODs. This listing must be mailed with the DD 645 to the FMS purchaser involved. All responses to RODs must be listed separately for each country and case and have the same data elements as shown on the FMS Delivery Listing. The Reply Listing is prepared in the same basic sequence as the billing statement and FMS Delivery Listing.

0805 IA PERFORMANCE REPORTS OR REQUESTS FOR REIMBURSEMENT

080501. Reporting Deliveries

A. IAs must report the cost of DoD services (inventory items and new procurement to DFAS SCA using delivery reports, or automated equivalents) through the FICS delivery transaction unless the provisions of paragraph 080503 are applicable. It is the IA’s responsibility to ensure that receipt documentation demonstrating proof of shipment, with the appropriate FMS purchaser’s (or the FMS purchaser’s representative, e.g., a freight forwarder) signature, is retained permanently for the record.

B. DFAS SCA must pay earned reimbursements included in such reports within 20 working days from the date of receipt. If a cash flow problem precludes payment, DFAS SCA must issue immediate notification to the Director, DSCA. DSCA will then notify the appropriate country if FMS funding is short, and the Office of the Undersecretary of Defense Comptroller (OUSD(C)) if appropriated funding is short. The Director, DSCA, must notify IAs to suspend further deliveries of DoD stock or performance of DoD services unless a determination has been made that it is in the national interest for billings to be dated and issued upon delivery or performance, with payment due in 60 days.
080502. Interfund Transactions

Defense Working Capital Fund (DWCF) items are normally billed under interfund policies and use the Detailed Billing Codes prescribed in DLMS Manual, Volume 4, “Military Standard Billing System – Finance” (MILSBILLS). To minimize the impact on normal MILSBILLS billing (and still provide IAs or DFAS SCA with the data necessary to assure proper FMS billing), a modified MILSBILLS detailed billing transaction may be used to report FMS shipments. This modified MILSBILLS detailed billing transaction is in place of the FICS delivery transaction. The required modification is to substitute information that normally appears in the unit price field of the MILSBILLS detailed billing transaction. The information required on the modified billings transactions applicable to the FMS program includes the item number, Transportation Bill Code, Delivery Source Code, and when applicable, the DWCF Code.

080503. DFAS SCA Computations

Based on data in delivery transactions, DFAS SCA computes and bills FMS purchasers for the following.

A. Contract Administration Service (CAS) Charge. CAS percentages prescribed in Chapter 7, paragraph 071603 are applied as a percentage of reported payments to contractors, except for cases when CAS has been waived as authorized in Chapter 7, paragraph 071603 or determined to be not applicable and approved by DSCA. DFAS SCA performance and performance reporting feedback reports identify the amount of CAS computed based on delivery or WIP transactions (see section 0809).

B. Packing, Crating, and Handling (PC&H) Charge. The PC&H surcharge applies to shipments of DoD non-Working Capital Fund materiel. For Excess Defense Articles, the IA is responsible for calculating the PC&H based on the acquisition price of the materiel (see Chapter 7, paragraph 070401 or 071503).

C. Transportation Charges. When actual cost is unknown, an estimated transportation charge should be included on the LOA as a “below-the-line” (indirect/accessorial) charge. Estimated costs are collected into the FMS Transportation Account to pay actual transportation costs once bills are received. See “Security Assistance Management Manual” (SAMM), Chapter 9, Table C9.T4a, “Table of Delivery Term Codes and Percentage,” and the SAMM Appendix 2, “Transportation Cost Look Up Tables,” for the applicable rates. When shipments require containerization, storage in-transit, escorts, or has any other special transportation accessorial requirements; these special transportation accessorials are not included in the standard transportation percentages, nor in the cost provided in the transportation cost look-up table. These charges are to be placed “above-the-line” and adjusted as needed to capture actual cost. See SAMM Chapter 7 for more information on transportation costs, and Volume 11A, Chapter 1, subparagraph 010203.F for more information on accessorial expenses.

D. FMS Administrative Surcharge. The FMS administrative surcharge is assessed on performance reporting, except for the amount collected upon case implementation as prescribed in Chapters 3 and 4. Use the requirements in effect at the time the applicable LOA,
basic documents, or amendments are accepted by the FMS purchaser, or are added via LOA modification. See Chapter 7, paragraph 070501 for the prescribed standard FMS administrative surcharge. The FMS administrative surcharge does not apply to WIP.

E. FMS Logistics Support Charge (LSC). The LSC was applied against items delivered after March 31, 1987 with delivery reported prior to October 1, 2007 on case lines that included specific Military Articles and Service Listings for spares, equipment modifications, maintenance, secondary support equipment, and supplies.

0806 TRANSPORTATION COST LOOK-UP TABLE

The purpose of the Transportation Cost Look-Up table is to provide DoD Components with estimated transportation costs for items normally shipped in the Defense Transportation System (DTS) (e.g., sensitive/hazardous end items) when costs using standard transportation percentages are significantly different from actual charges. This table is located in the SAMM, Appendix 2 and is used to compute an estimate of the actual transportation costs for the items listed.

0807 BILLING FOR SPECIFIC COSTS

Compute billings for specific costs associated with support to FMS as indicated in paragraphs 080701 through 080704.

080701. Actual Administrative Costs

Actual administrative costs are funded by an allotment that is provided based on an approved FMS administrative budget. Documentation that shows the propriety of the obligation must support the obligations and outlays against the allotment. The allotment holder must retain these basic source documents for audit and report the use of allotment through the required Status-of-Allotment reports.

*080702. Actual FMS CAS Costs

A. The DoD Components performing contract administration or audit services must submit a monthly certified SF 1080, Voucher for Transfers Between Appropriations and/or Funds, billing to DFAS SCA for reimbursement of contract administration (quality assurance and contract management) and audit services being performed on FMS cases. Billings must reflect the actual or proportionate share of FMS CAS. DFAS SCA must make payment within 30 days following receipt of billings.

B. The organization performing these services must validate all bills before submitting the SF 1080 and attesting to the validity of the required computation process. The approved DoD reimbursable rate and approved OUSD(C) unfunded civilian retirement rate are available at the OUSD(C) reimbursable rate website, “Civilian Personnel Fringe Benefit (TAB D).” If an adjustment or correction is needed, it must be corrected within 30 days from the date of discovery.
C. DoD Components authorized to bill for CAS are listed in subparagraphs 080702.C.1 through 080702.C.7.

1. **Department of the Army Ammunition Plants.** Allocate contract management and quality assurance efforts based on the ratio of the FMS disbursements to total net disbursements. Compute the unfunded civilian retirement rate and show it on the monthly billings.

2. **Department of the Navy.** The Naval Sea Systems Command will submit monthly bills for the Navy Supervisors of Shipbuilding, Conversion, and Repair Activities, and allocate contract management and quality assurance efforts based on actual hours expended. Compute the unfunded civilian retirement rate and show on the monthly billings.

3. **Department of the Air Force.** The Air Force Security Assistance Training and Air Force Installation Contracting Agency will submit monthly bills and allocate contract management and quality assurance efforts based on actual hours expended. Compute the unfunded civilian retirement rate and show on the monthly billings.

4. **Defense Contract Management Agency (DCMA) Continental United States (CONUS) FMS CAS**

   a. DCMA establishes an annual command rate by August 1 of each year for the following fiscal year (FY). The rate must be determined based on the ratio of FMS net contract disbursements to total DoD net contract disbursements. The ratio will reflect actual net FMS (Trust Fund appropriation, 11X8242) disbursement data for the prior 12 months (using January of the prior FY to December of the current FY, e.g., January 2010 to December 2010). The annual command rate must apply to the next FY budgetary estimates and billing period. For example, the January 2010 to December 2010 data will be used for the budgetary estimate and billing period for FY 2012 and the rate due by August 1, 2011. The annual command rates methodology is further defined by the following factors.

   (1) **Numerator.** Twelve months of monthly Defense Integrated Financial System FMS (11X8242) net contract disbursement amounts reported for the Mechanization of Contract Administration Services disbursing stations will be used as the numerator for calculating the annual command rate for DCMA. These amounts will exclude FMS (11X8242) disbursements and apply to contract administration reciprocal agreements, all other types of FMS CAS waivers reflected in the SAMM, **subsection 9.6.2**, and other FMS disbursements that are not FMS contract costs, e.g., in-house services performed by civil servants and financed by the FMS Administrative Surcharge account.

   (2) **Denominator.** Twelve months of total DoD net contract disbursements as reported on the SF 1219, **Statement of Accountability**, Part A, Line 4.1 will be used as the denominator for calculating the annual command rate for DCMA.

   b. Quarterly, DCMA will update the Functional Work Force (FWF) to include full-time equivalents that perform CONUS FMS CAS efforts (quality assurance or contract management) in the work sections. Use the updated FWF number derived in the third
month of that quarter for the FWF number in the next quarter’s billings (SF 1080). In the computation process, round all hours and FWF amounts to whole numbers. Round all dollars and percentages to the second decimal point.

c. Monthly, DCMA will prepare the DCMA CONUS FMS CAS monthly earnings computation sheet and certification memorandum.

(1) CONUS FMS CAS earnings and unfunded civilian retirement for the month are computed using the DCMA annual command rate and the data sources listed in this chapter. The unfunded civilian retirement factor is listed with the Annual DoD Reimbursement Rates issued by OUSD(C). The approved FY reimbursable rates are available at the OUSD(C) reimbursable rate website.

(2) Overtime is listed as a separate charge on the DCMA CONUS FMS CAS monthly earnings computation sheet or, if the overtime factor was not included, in the Annual DoD Reimbursable Rate in accordance with Volume 11A, Chapter 6. The unfunded civilian retirement factor is not computed on overtime hours since unfunded civilian retirement applies to salaries (basic pay) only (see 5 U.S.C., section 8331(3) for an explanation of what is not included in basic pay).

(3) The DCMA CONUS FMS CAS monthly earnings computation analysis, computed using unfunded civilian retirement and overtime earnings, is certified and forwarded to DFAS SCA for billing preparation. Certification must be based on, and consistent with, the provisions of Volume 5, Chapter 5. The certification statement must be as follows:

“I certify that DCMA is entitled to $____ in FMS CAS reimbursements, excluding unfunded civilian retirement, for contract services performed during the period from _______ to ________, in accordance with applicable regulations, and that this entitlement is supported by the attached documentation. All disbursements applying to all FMS CAS waivers have been removed and are not included in this bill.

Signed: “____________________”

5. DCMA International

a. DCMA International FMS CAS must be reimbursed on actual costs incurred based on net disbursements processed by DFAS. The unfunded civilian retirement rate will be computed on salaries (basic pay) only. Military pay will also be computed and reimbursed.

b. Since the FMS CAS Surcharge Account pays for all costs associated with FMS full-time employees (full-time is 90 percent or more of their time spent on FMS), including equipment, vehicles, and housing, these reimbursements (monthly billings) must be based on total actual costs. Employees working part-time FMS CAS (part-time is 10 percent
to less than 90 percent of their time spent on FMS) are reimbursed using the DoD FMS CAS hourly rate and the unfunded civilian retirement rate listed in the Annual DoD Reimbursable Rates Table issued by the OUSD(C). No additional support costs are reimbursed for part-time employees except for overseas Temporary Duty costs. See the OUSD(C) reimbursable rate website.

c. Billings must exclude all costs associated with countries that have FMS CAS waivers and/or reciprocal agreements.

6. Defense Contract Audit Agency (DCAA), All Offices Except DCAA Headquarters Offices. Allocate the FMS contract audit based on actual hours expended on FMS requirements. Compute the unfunded civilian retirement rate and show the results on the monthly billings.

7. Any other Activity Performing Contract Management Services as Approved by OUSD(C). When OUSD(C) grants this exception, the exception will identify the cost recoupment method.

D. The SF 1080 bills for actual costs must be supported with a schedule containing the following data:

1. Organization;

2. Type of CAS effort incurred:
   a. Contract audit,
   b. Quality assurance and inspection, or
   c. Other CAS efforts;

3. Cost recoupment basis;

4. Annual hourly rates prescribed by OUSD(C) for CAS, plus unfunded civilian retirement costs (including costs for post-retirement health benefits). See the OUSD(C) reimbursable rate website for approved unfunded civilian retirement rate and hourly rates; and

5. The authority or directive requesting work to be performed and justification for why the normal FMS CAS procedures and billing arrangements for the current authorized DoD Components performing CAS cannot be used.

E. Billings for non-FMS CAS must be charged in accordance with Volume 11A, Chapter 6, Appendix D, Contract Administration Services.
Bill actual transportation costs of delivering defense articles on SF 1080s or Government bills of lading (GBLs); pay from the transportation surcharge account. Transportation costs to FMS purchaser freight forwarders from DWCFs are included in the cost of the article reported to DFAS SCA. Bill inventory shipments from the DWCF beyond the freight forwarders as a “below-the-line” charge in accordance with Table 8-1 and Chapter 3, Table 3-1, Cost Elements. Bill all other shipments according to Table 8-2 and Chapter 3, Table 3-1. Reimburse costs for transportation billed as a “below-the-line” cost to transportation activities based on the SF 1080 bills. The bills must be supported by a valid case identifier comprised of Country Code, IA Code, case designator, date of shipment, and certification that the billed amount was not included in the article’s cost.

A. Carrier Costs

1. Commercial and Industrially Funded or DWCF Organizations. Support billings for other-than-inland CONUS DWCF materiel by electronic media, listing, or computer tapes detailing the transaction control numbers and case designators or articles transported for FMS purchasers. “Carrier” means commercial carriers and/or the industrially-funded or DWCF part of Air Mobility Command (AMC) and Military Sealift Command (MSC). The following exceptions apply.

   a. Include the cost of transporting Government furnished materiel (GFM) to a contractor’s plant in the price of the GFM, reported in the delivery transactions, and not in the SF 1080 billings.

   b. Include the cost of transportation for repair and return cases in the cost of the repair service, reported via the delivery transaction, and not in the SF 1080 billings.

   c. Report “above-the-line” discrete transportation costs, such as high flight or special airlift, as a case charge via the delivery transaction, and not in the SF 1080 billings.

   d. Do not include in the SF 1080 billings the inland CONUS transportation cost for DWCF materiel from point of origin to point of FMS purchaser pickup (freight forwarder, FMS purchaser, or FMS purchaser-designated CONUS delivery point); it is borne by the DWCF.

2. DWCF and GBLs. Do not cite the FMS Trust Fund on GBLs for transportation of DWCF materiel. The cost of such transportation is included in the standard price of DWCF materiel. GBL processing activities must not accept GBLs citing the FMS Trust Fund for transporting DWCF materiel.
3. **U.S. Postal Service.** Directly reimburse all postal service costs collected by DFAS SCA as surcharge costs on FMS purchaser billings to the applicable IA’s designated administrative headquarters organization.

4. **Defense Courier Service.** Base the SF 1080 billings to recoup the cost of support provided by the Defense Courier Service on a prorated share of FMS shipments to total shipments. Apply the resulting percentage to payments to the Defense Courier Service to determine FMS billings.

5. **Air/Army Postal Office (APO), Fleet Postal Office (FPO).** Base the SF 1080 billings to recoup the cost of support provided by APOs and FPOs on a prorated share of FMS shipments to total shipments. Apply the resulting percentage to payments to the armed services operating these offices.

6. **Commercial Package Carriers.** All costs collected by the DFAS SCA as surcharges on FMS purchaser billings for commercial package carriers are directly reimbursed back to the reporting DoD Components and not reimbursed from the FMS Transportation Account as a direct cite disbursement.

**B. Recoupment of the Cost of DoD Organizations Which Support Carrier Movement**

1. **AMC Headquarters.** Allocate non-industrially funded/DWCF headquarters cost based on the ratio of FMS billings to the total dollar value of industrial fund/DWCF billings. The billing for headquarters cost must include a proportionate share of all costs funded by the Operations & Maintenance (O&M) appropriation, Military Pay appropriation, and those unfunded costs identified in subparagraph 080702.D.

2. **MSC Headquarters.** Allocate non-industrially funded headquarters cost based on the ratio of FMS billings to the total dollar value of industrial fund/DWCF billings. The billing for headquarters cost must include a proportionate share of all costs funded by the O&M appropriation, Military Pay appropriation, and those unfunded costs identified in subparagraph 080702.D.

3. **Organizations Responsible for Routing of Materiel, Preparation of GBLs, and Carrier Selection.** Organizations responsible for the routing of materiel, preparation of GBLs, and carrier selection include the Surface Deployment and Distribution Command and subsidiary organizations, the Navy Materiel Transportation Office (NAVMTO), and installation transportation offices. Base billings on level of effort estimates of FMS tonnage as a percentage of total tonnage moved. For this calculation, costs of FMS tonnage must include movement of materiel processed through both DTS and commercial bills paid directly by foreign countries. Apply the resulting percentage of tonnage moved to the total actual obligations incurred by routing organizations to determine the base charge. The billing must include the base charge, military labor, and unfunded costs determined in accordance with subparagraph 080702.D.
4. **Organizations Responsible for Accounting, Audit, and Payment of Transportation Bills.** Organizations responsible for accounting, audit, and payment of transportation bills are DFAS - Indianapolis Center, for Army, Air Force, and Defense Agency shipments; NAVMTO, Norfolk, Virginia, for Navy shipments; and the Marine Corps Logistics Base, Albany, Georgia, for Marine Corps shipments. Base billings on the use of level of effort estimates, on the number of FMS GBLs processed as a percentage of the total number of GBLs processed. Then apply the percentage to obligations incurred by cost centers responsible for processing GBLs, and those unfunded costs identified in subparagraph 080702.D.

5. **Organizations Providing Physical Security.** Shipments that involve sensitive conventional arms, ammunition, and explosives in transit are to be processed in accordance with DoD Manual 5100.76, “Physical Security of Sensitive Conventional Arms, Ammunition, and Explosives (AA&E).” DoD civilian and military personnel involved in providing personnel services in connection with these types of shipments are to be priced in accordance with the provisions of Chapter 7, paragraphs 072001 and 072002.

C. **Billings for Organic Transportation and Troop Labor**

1. **Troop Labor.** Activities utilizing troop labor for the loading or unloading of vessels, trains, vans, or other conveyances are responsible for billing applicable costs. FMS cost may be based on a prorated share of the total cargo manifest, or a similar document.

2. **Use of Organic Vehicles.** Base billings for the use of organic vehicles on motor pool records that disclose DoD vehicles were used to move FMS materiel. Determine the number of miles and bill at the rate of $4.00 per mile. This rate includes the labor cost of drivers assigned by the motor pool. Consolidate motor pool billings by major commands.

080704. Actual PC&H

SF 1080 billings for actual PC&H costs are normally not submitted. Instead, earned reimbursements are transferred to the shipping depot when DFAS SCA applies the applicable surcharge. DWCF items are not reimbursed for PC&H because that charge is included in the standard price.
SCA and reimburse any amounts due for inventory items or services when reimbursement is received from DFAS SCA. Only make payments to contractors subject to expenditure authority (EA) issued by DFAS SCA. A non-reimbursable delivery transaction applicable to such costs should be included in the submission.

080802. Processing Requisitions

A. If requisitions are received from the IA with a fund and signal code signifying direct citation of the FMS Trust Fund (not an allotment of direct cite authority), the delivery transaction must be submitted to the requisitioning activity. Process requisitions containing such fund and signal codes on a prompt delivery basis (within 30 days). Obligations must be recorded after the funding authorization has been received and upon release of the requisition to the supply source. Record disbursements against the applicable case once the interfund bill transactions have been validated and accepted in the IA database. The IA reports the initial obligation transaction, obligation adjustment transaction, and related disbursement transaction to DFAS SCA. DFAS SCA must approve EA for requisitions submitted to non-DoD supplying activities.

* B. Within the DoD, the interfund billing activity must get necessary self-reimbursement authority for interfund requisitions. If stocked items are not available for prompt delivery and new procurement is necessary, follow Military Interdepartmental Purchase Request procedures, direct cite procurement procedures, or commercial buying services procedures. If the requisition is submitted to a non-DoD organization, the summary billing transaction and the supporting unmodified MILSBILLS detailed billed transactions must be submitted to the IA. The IA must convert MILSBILLS detailed delivery transactions to FMS detail delivery transactions and forward the billing information to DFAS SCA within five working days. DFAS SCA must use the FMS detail delivery transactions to prepare delivery reports to the FMS purchasers and provide a copy of the report, or automated system equivalent, to the implementing DoD Components for use in posting to supply performance files.

0809 PERFORMANCE AND DELIVERY REPORTING

080901. Reports

* A. FMS Command Pay List. DFAS SCA provides reporting activities with a monthly FMS Command Pay List that identifies the total amount of WIP or deliveries charged to FMS cases in the current reporting period, excluding accounts payable (see subparagraph 080901.D). The amount includes the delivery transactions submitted by the reporting activity, less accounts payable and rejected items (see subparagraph 080901.C), and additional charges mechanically computed by DFAS SCA. The last line of the Command Pay List, “Total Reimbursable to This Payee,” should equal the amount received by the payee. DFAS SCA computed charges may or may not be reimbursable to the reporting activity. The following are DFAS SCA computed charges:

1. FMS Administrative Surcharge are non-reimbursable costs;
2. PC&H are reimbursable charges not applicable to DWCF items;

3. “Below-the-line” Transportation Charges;
   a. Reimbursable and non-reimbursable costs (reimbursable costs are not applicable to DWCF items if the ship date is October 1, 1991 or later). The Inland CONUS rate of 2.75 percent is not applicable to stock fund items effective October 1, 1990,
   b. Transportation Bill Codes (TBCs) are used to bill FMS purchasers for “below-the-line” transportation costs if the actual method of transportation is different from that identified by the Delivery Term Code. Report the return of repaired materiel using TBC “L.” TBCs are in Table 8-3; and

4. CAS charges are non-reimbursable.

B. FMS Detail Delivery Feedback List. The FMS Detail Delivery Feedback List is attached to the Command Pay List and identifies the delivery transactions submitted by reporting activities and processed by DFAS SCA for reimbursement or reporting to the FMS purchaser. It also identifies add-on amounts mechanically computed by DFAS SCA for each processed delivery transaction. This listing does not provide summary totals of deliveries reported. It is used to compare deliveries reported with deliveries processed when reconciling amounts reimbursed to the reporting activity. When reconciling reimbursements received from DFAS SCA to reporting activity records, the following columns of the FMS Detailed Delivery Feedback list should be used:

1. The Voucher Amount Paid (VOU AMT PD) column, which identifies the amount of reimbursement to the reporting activity;

2. The Extended Value (EXT VAL) column, which identifies the total amount reported to DFAS SCA;

3. The Stock Fund Add-On (STK FUND ADD-ON) column, which identifies the amount of LSC or stock fund add-on charges computed by DFAS SCA. After accounting date March 1987, this field identifies the LSC;

4. The Contract Administration Surcharge Add-On (CAS ADD-ON) column, which identifies CAS computed by DFAS SCA. The CAS applied to procurement Delivery Source Codes (non-reimbursable to the reporting activity). Items procured and associated costs charged may include DWCF listed items, GFM, and nonrecurring charges;

5. The Date of Transaction (DT TRAN) column, which identifies the date of transaction; and

6. The Accessorial Administrative Costs (ACSRL ADM COST) column, which identifies administrative charges applied against the FMS case. These charges are
applied against total deliveries reported for each case during the month and not identified to the individual deliveries.

C. FMS IA Performance Report Transaction Register (PRTR). The FMS IA PRTR has five parts. These parts are detailed in the following subparagraphs.

1. The IA-Initiated Performance Reports Rejected Not Processed section includes all delivery transactions that could not be processed by DFAS SCA. The reasons for not processing are listed immediately under each transaction. A corrected transaction should be resubmitted to DFAS SCA. This part must be used in reconciling reported deliveries, to deliveries processed by DFAS SCA. Rejected transactions should be corrected and resubmitted within 30 days.

2. The IA-Initiated Performance Reports Processed with Management Alerts section includes all delivery transactions processed with the possible problem areas identified by DFAS SCA processing. Review these transactions to determine if each transaction was properly prepared. If the transaction was properly prepared, no further action is required.

3. The DFAS SCA-Initiated Performance Reports Processed section includes those transactions computed and applied by DFAS SCA for the IA. DFAS SCA reports these transactions for posting to the IA’s records.

4. The DFAS SCA-Initiated Corrections to Initial IA Performance Reports section provides information on delivery transactions subsequently modified by DFAS SCA. Data appears with the IA delivery transaction first, followed by the corrective action taken by DFAS SCA.

5. The DFAS SCA Deletions from IA-Initiated Performance Reports section provides the delivery transactions that have been subsequently deleted by DFAS SCA.

D. FMS Accounts Payable List

1. The FMS Accounts Payable List indicates reimbursable delivery transactions for which payment is not being made. Reasons for non-payment include:

   a. The country’s funds are frozen (not available to disburse),
   b. The country does not have enough cash available, or
   c. The case provides for payment 60 days after delivery.

2. The list has a total of all transactions that are reimbursable and have not been paid to the reporting activity.

E. FMS Voucher Backup for Payment of Accounts Payable. The FMS Voucher Backup for Payment of Accounts Payable listing represents the amount paid to the
reporting activity per the Command Pay List (see subparagraph 080901.A) by country, IA, and
reporting activity.

F. **FMS Accounts Payable.** Detailed payable records are only maintained in
installation-level systems and, therefore, can only be aged at the installation level. Monitoring
payables and assuring specific vendors are paid promptly is a function of the installation-level
accounting activity. DFAS SCA, however, should validate general ledger account balances to
payables reported to Defense Integrated Financial System on behalf of the IA on a monthly basis.

080902. Reject Codes

The FMS IA PRTR contains Reject Codes for the delivery transactions that did not process
to the FMS Command Pay List. Research reports with Reject Codes and process delivery
transactions within 30 days. DFAS SCA will maintain a control file of outstanding rejected
transactions and will update the file once corrected transactions are resubmitted and reprocessed.
DFAS SCA will send copies of the control file to the respective IAs.

080903. Reconciling Reports

**Reconcile** reimbursable delivery transactions to the amounts reimbursed. Verify that the
voucher backup equals the amount on the check and the FMS Command Pay List. If amounts are
not equal, contact DFAS SCA to reconcile differences.
Table 8-1. Transportation Charges Based on TBC for Inventory Items Shipped by DWCF

<table>
<thead>
<tr>
<th>TBC</th>
<th>Generic Code</th>
<th>Percentage of Item Priced by Generic Code</th>
<th>Total Percentage</th>
</tr>
</thead>
<tbody>
<tr>
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<td>2.75 (^2)</td>
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<td>L1B / L1C (^3)</td>
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Table 8-1. Transportation Charges Based on TBC for Inventory Items Shipped by DWCF (Continued)

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<th>Percentage of Item Priced by Generic Code</th>
<th>Total Percentage</th>
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<tr>
<td></td>
<td>L4O</td>
<td>3.0&lt;sup&gt;1&lt;/sup&gt;</td>
<td></td>
</tr>
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<td>14.75, 17.25/16.25, 18.25</td>
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<tr>
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<td>L2B</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>L1B/L1C</td>
<td>4.0, 12.0&lt;sup&gt;4/4&lt;/sup&gt;, 6.0&lt;sup&gt;5&lt;/sup&gt;</td>
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</tr>
<tr>
<td></td>
<td>L2C</td>
<td>1.0</td>
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<tr>
<td></td>
<td>L1F</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>S</td>
<td>L1A</td>
<td>0.0&lt;sup&gt;2&lt;/sup&gt;</td>
<td>8.25</td>
</tr>
<tr>
<td></td>
<td>L4O</td>
<td>3.0&lt;sup&gt;1&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>L1A</td>
<td>3.75&lt;sup&gt;2&lt;/sup&gt;</td>
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<td></td>
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<td>2.5</td>
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<td>U</td>
<td>L1D</td>
<td>0.0&lt;sup&gt;1,2&lt;/sup&gt;</td>
<td>2.5</td>
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<td></td>
<td>L2B</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>V</td>
<td>L1D</td>
<td>0.0&lt;sup&gt;1,2&lt;/sup&gt;</td>
<td>6.0, 8.5/7.5, 9.5</td>
</tr>
<tr>
<td></td>
<td>L2B</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>L1B/L1C&lt;sup&gt;3&lt;/sup&gt;</td>
<td>4.0, 12.0&lt;sup&gt;4/4&lt;/sup&gt;, 6.0&lt;sup&gt;5&lt;/sup&gt;</td>
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<tr>
<td></td>
<td>L2C</td>
<td>1.0</td>
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<tr>
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<td>Transportation Cost Look-Up Table</td>
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<td>X</td>
<td>L1D</td>
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<td>5.0, 7.5/6.5, 8.5</td>
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<tr>
<td></td>
<td>L2B</td>
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<tr>
<td></td>
<td>L1B/L1C&lt;sup&gt;3&lt;/sup&gt;</td>
<td>4.0, 12.0&lt;sup&gt;4/4&lt;/sup&gt;, 6.0&lt;sup&gt;5&lt;/sup&gt;</td>
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<tr>
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<td>0.0&lt;sup&gt;1,2&lt;/sup&gt;</td>
<td>9.0, 11.5/10.5, 12.5</td>
</tr>
<tr>
<td></td>
<td>L2B</td>
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<td>L1B/L1C&lt;sup&gt;3&lt;/sup&gt;</td>
<td>4.0, 12.0&lt;sup&gt;4/4&lt;/sup&gt;, 6.0&lt;sup&gt;5&lt;/sup&gt;</td>
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<td>L2C</td>
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</tr>
<tr>
<td></td>
<td>L1F</td>
<td>3.0</td>
<td></td>
</tr>
</tbody>
</table>

1. The costs of L1D, L1E, and L4O are included in the DWCF item price when being directly shipped to the customer. If the item is shipped to a staging location, the rate listed must be charged.

2. L1A does not apply to DWCF shipments with shipping dates after September 30, 1990. Computation for L1D and L1E for DWCF items was discontinued on items with shipping dates after September 30, 1991. L1A is computed once on DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port. The first CONUS movement is included in the DWCF item price. The second movement TBCs (P, Q, R, or S) are charged at the normal rate.
Table 8-1. Transportation Charges Based on TBC for Inventory Items Shipped by DWCF (Continued)

3. Wherever “L1B/L1C” appears, if the Port of Embarkation (POE) code is “A,” L1C is computed; otherwise, L1B is computed.

4. L1B is computed at 2.5 percent for rate area one or 5.0 percent for rate area two. See Chapter 3, Table 3-1 “Cost Elements.”

5. L1C is computed at 4.0 percent for rate area one or 6.0 percent for rate area two. See Chapter 3, Table 3-1 “Cost Elements.”

6. L1A is computed once on DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port. The first CONUS movement is included in the DWCF item price.
*Table 8-2. Transportation Charges Based on TBC for Inventory Items Not Shipped by DWCF

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<th>Percentage of Item Priced by Generic Code</th>
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</tr>
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<td>L1D</td>
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<td>3.75</td>
</tr>
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<td>B</td>
<td>L1E</td>
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<td>3.75</td>
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<tr>
<td>C</td>
<td>L1A</td>
<td>3.75</td>
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<td></td>
<td>L2B</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>L1B/L1C&lt;sup&gt;2&lt;/sup&gt;</td>
<td>2.5, 5.0 3/4.0, 6.0 4</td>
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<tr>
<td></td>
<td>L2C</td>
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<td></td>
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<tr>
<td>D</td>
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<td>0.0</td>
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<td>2.5</td>
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</tr>
<tr>
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<td>L1B/L1C&lt;sup&gt;2&lt;/sup&gt;</td>
<td>2.5, 5.0 3/4.0, 6.0 4</td>
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<td>2.5, 5.0 3/4.0, 6.0 4</td>
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<td>L1F</td>
<td>3.0</td>
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<td>L1A</td>
<td>2.75</td>
<td>5.25</td>
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<td>2.5</td>
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<tr>
<td>J</td>
<td>L2B</td>
<td>2.5</td>
<td>7.5/9.5</td>
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<td>4.0/6.0&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>L2C</td>
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<td>Actual amount computed by shipper</td>
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Table 8-2. Transportation Charges Based on TBC for Inventory Items Not Shipped by DWCF (Continued)

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<tr>
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<td>L1B/L1C&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>L2C</td>
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<td>L1B/L1C&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>(Charge may not exceed $25.00)</td>
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</table>

1. Amounts collected for L1D, L1E, and L4O must be reimbursed to the shipping depot shown in the delivery transaction. SF 1080 billings for actual costs are not required.

2. Wherever “L1B/L1C” appears, if the POE Code is “A,” L1C is computed; otherwise, L1B is computed.

3. L1B is computed at 2.5 percent for rate area one or 5.0 percent for rate area two. See Chapter 3, Table 3-1 “Cost Elements.”
Table 8-2. Transportation Charges Based on TBC for Inventory Items Not Shipped by DWCF (Continued)

4. L1C is computed at 4.0 percent for rate area one or 6.0 percent for rate area two. See Chapter 3, Table 3-1 “Cost Elements.”

5. L1A is computed twice on non-DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port for TBCs P, Q, R, and S.
### Table 8-3. TBC

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<tbody>
<tr>
<td>A</td>
<td>Materiel moved by parcel post to an inland CONUS/Canada (except Newfoundland and Labrador) destination or freight forwarder, or to an overseas destination through the APO or international mail. The FMS purchaser makes all subsequent arrangements.</td>
</tr>
<tr>
<td>B</td>
<td>Materiel moved by commercial package carrier to an inland CONUS/Canada (except Newfoundland and Labrador) destination or freight forwarder, when all subsequent arrangements are made by the FMS purchaser. However, see TBC “Z.”</td>
</tr>
<tr>
<td>C</td>
<td>Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, and combinations thereof, to an overseas port of debarkation (POD) in rate area one or two, including overseas carrier discharge. The FMS purchaser makes all subsequent arrangements.</td>
</tr>
<tr>
<td>D</td>
<td>Any form of materiel for which the FMS purchaser is totally responsible, such as materiel moved by a collect commercial bill of lading to an inland CONUS destination, free alongside ship (FAS), an overseas carrier at a CONUS POE, freight forwarder, a CONUS POE, or an inland overseas destination. Also used if transportation costs are not applicable.</td>
</tr>
<tr>
<td>E</td>
<td>Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, and combinations thereof, to an inland CONUS destination, FAS an overseas carrier at a CONUS POE, a freight forwarder, or a CONUS POE when all subsequent arrangements are made by the FMS purchaser.</td>
</tr>
<tr>
<td>F</td>
<td>Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two, when overseas carrier discharge and all subsequent arrangements are made by the FMS purchaser.</td>
</tr>
<tr>
<td>G</td>
<td>Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, Defense Courier Service, Military Ordinary Mail, Weapons System Pouch Service, and combinations thereof, to the ultimate FMS consignee at an overseas inland destination in rate area one or two.</td>
</tr>
<tr>
<td>H</td>
<td>Materiel moved by GBL, AMC channel airlift, USAF organizational airlift, MSC sealift, and combinations thereof, to a CONUS POE when all arrangements subsequent to loading the vessel are made by the FMS purchaser.</td>
</tr>
<tr>
<td>J</td>
<td>Materiel moved by AMC channel airlift to an overseas aerial POD (APOD) in rate area one or two when the use of inland CONUS transportation is not required in effecting delivery to the CONUS POE. The FMS purchaser makes all arrangements subsequent to carrier discharge.</td>
</tr>
<tr>
<td>K</td>
<td>Materiel moved by AMC Special Assignment Airlift Mission (SAAM) within CONUS to an overseas APOD or inland FMS consignee base within an overseas area or between overseas areas. The FMS purchaser makes any arrangements subsequent to carrier discharge.</td>
</tr>
<tr>
<td>L</td>
<td>Substitute for any other standard codes whenever actual transportation costs will be reported in accordance with Chapter 7.</td>
</tr>
<tr>
<td>M</td>
<td>Materiel moved by FMS country-owned aircraft from a U.S. /DoD staging area.</td>
</tr>
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</table>
Table 8-3. TBC (Continued)

<table>
<thead>
<tr>
<th>TBC</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>Materiel moved by GBL “or other CONUS inland mode” to a CONUS staging or aggregation area, staging or aggregation of the materiel, and onward movement of the materiel to a freight forwarder by a collect commercial bill of lading or country-owned or provided aircraft, or by AMC or by commercial SAAM.</td>
</tr>
<tr>
<td>P</td>
<td>Materiel moved by GBL “or other CONUS inland mode” to a CONUS staging or aggregation area, staging or aggregation of the materiel, and onward movement of materiel by GBL or other prepaid (reimbursable) CONUS transportation to an aerial or water POE, FAS an overseas carrier at a CONUS POE, or arrangements are made by the FMS purchaser.</td>
</tr>
<tr>
<td>Q</td>
<td>Materiel moved by GBL “or other CONUS inland mode” to a CONUS staging or aggregation area, staging or aggregation of the materiel; out movement of the materiel from the staging area by GBL, or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; port handling of the materiel, and onward movement by GBL, AMC channel airlift, Air Force organizational aircraft, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two, when overseas carrier discharge and all subsequent arrangements are made by the FMS purchaser.</td>
</tr>
<tr>
<td>R</td>
<td>Materiel moved by GBL “or other CONUS inland mode” to a CONUS staging or aggregation area, staging or aggregation of the materiel; and out movement of the materiel from the staging area by GBL, or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; port handling of the materiel, and onward movement by GBL, AMC channel airlift, Air Force organizational aircraft, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two; overseas port handling of the materiel; and onward overseas inland movement to the ultimate FMS consignee at an overseas, inland destination rate area one or two.</td>
</tr>
<tr>
<td>S</td>
<td>Materiel moved by GBL “or other CONUS inland mode” to a CONUS staging or aggregation area, staging or aggregation of the materiel; out movement of the materiel from the staging area by GBL, or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; and loading of the materiel aboard a country-owned or provided aircraft or vessel, when all arrangements subsequent to loading the aircraft or vessel are made by the FMS purchaser.</td>
</tr>
<tr>
<td>U</td>
<td>Materiel moved by parcel post or commercial package carrier to CONUS POD when all arrangements subsequent to loading the vessel are made by the FMS purchaser. (Mode of shipment determines whether parcel post or commercial package carrier is used.)</td>
</tr>
<tr>
<td>V</td>
<td>Materiel moved by parcel post or commercial package carrier to an overseas POD in rate areas one or two, including overseas carrier discharge, when arrangements subsequent to loading the vessel are made by the FMS purchaser. (The mode of shipment determines whether parcel post or a commercial package carrier is used.)</td>
</tr>
<tr>
<td>W</td>
<td>Materiel movement charged according to rates listed in the transportation cost look-up table (see section 0806).</td>
</tr>
<tr>
<td>X</td>
<td>Materiel moved by parcel post or commercial package carrier to an overseas POD in rate areas one or two, when the FMS purchaser makes overseas carrier discharge and subsequent arrangements. (The mode of shipment determines whether parcel post or commercial package carrier is used.)</td>
</tr>
</tbody>
</table>
Table 8-3. TBC (Continued)

| Y | Materiel moved by parcel post or commercial package carrier to the ultimate FMS consignee at an overseas inland destination in rate areas one or two. (The mode of shipment determines whether parcel post or commercial package carrier is used.) |
| Z | Materiel moved within the CONUS by commercial carrier with a published maximum rate of $25.00 (for example, as published by United Parcel Service). |

Note: Rate Area 1 includes Europe, Central America, Mediterranean Ports, Alaska, and Hawaii. Rate Area 2 includes Newfoundland, Labrador, Thule, Iceland, South America (East & West Coasts), Far East, African Ports (other than Mediterranean) and Near East.
DEPARTMENT OF DEFENSE
FINANCIAL MANAGEMENT REGULATION
VOLUME 16: “DEPARTMENT OF DEFENSE DEBT MANAGEMENT”

UNDER SECRETARY OF DEFENSE
(COMPTROLLER)
VOLUME 16, CHAPTER 1: “GENERAL PROVISIONS FOR DEPARTMENT OF DEFENSE (DOD) DEBT MANAGEMENT”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated February 2018 is archived.

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<td>All</td>
<td>Updated hyperlinks and ensured compliance with administrative instructions.</td>
<td>Revision</td>
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<tr>
<td>010203.B</td>
<td>Removed word “referred” because debt collection offices must ensure all debts are valid and legally enforceable, not just those that are referred.</td>
<td>Deletion</td>
</tr>
<tr>
<td>010302.A</td>
<td>Clarified that debt prevention and monitoring applies to contractors and vendors.</td>
<td>Addition</td>
</tr>
<tr>
<td>010304</td>
<td>Removed reference to auditors to clarify they are not responsible for debt management activities.</td>
<td>Deletion</td>
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CHAPTER 1

GENERAL PROVISIONS FOR DEPARTMENT OF DEFENSE (DOD) DEBT MANAGEMENT

0101 GENERAL

010101. Overview

A. Policy and requirements in this volume apply to administrative actions associated with the collection and disposition of debts that are owed to the DoD by any person, organization, or entity except another Federal agency. Policy and requirements regarding debts owed to the DoD by Federal agencies are contained in Volume 4, Chapter 3.

B. Policy and requirements in this volume are not applicable to debts owed by DoD or debts arising from antitrust, fraud, tax, or interagency claims.

C. Policy and requirements for loss of funds cases are contained in Volume 5, Chapter 6. Debts that are the result of improper payments may require loss of funds investigations in accordance with Volume 5, Chapter 6. Debts resulting from improper payments have additional reporting requirements under the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, and the Improper Payments Elimination and Recovery Improvement Act of 2012. Refer to Volume 4, Chapter 14 and Volume 10, Chapter 22 for additional guidance regarding the improper payments program.

D. Policy and requirements for recording and reporting accounts receivable are contained in Volume 4, Chapter 3.

E. Where specific statutory authority applies to the collection of a particular category of debt, the provisions of the applicable statute will determine the appropriate debt collection procedures.

F. Policy and requirements for handling personally identifiable information are contained in the DoD Directive 5400.11, "DoD Privacy Program."

G. The DoD Delinquent Debt Management Guidance (DDMG), signed August 31, 2012, defines the end state of debt management through the incorporation of Services’ and Agencies’ Enterprise Resource Planning (ERP) systems. Components that have implemented the DDMG are permitted to follow those requirements in place of specific steps defined throughout Volume 16.

H. Payments of amounts owed to DoD by organizations, businesses, and individuals must be made in accordance with the terms specified in contracts, agreements, or demand letters.

I. Nothing in Volume 16 exempts accountable officials from pecuniary liability arising from erroneous payments or loss of funds as discussed in Volume 5, Chapter 6.

K. Nothing in Volume 16 will be interpreted in a manner that would impair DoD’s ability to collect debts under the common law utilizing any available statutory authority.

L. Nothing in Volume 16 or the Federal Claims Collection Standards (FCCS) (Title 31, Code of Federal Regulations (CFR), parts 900-904) requires the omission or duplication of administrative proceedings associated with debt collection that may be required by other laws or regulations. DoD's failure to comply with this volume or the FCCS does not create any right or benefit, substantive or procedural, enforceable by law or in equity by a party against the United States, its agencies, its officers, or any other person. Refer to 31 CFR 900.7-900.8.

010102. Purpose

This chapter provides an overview of the policies and requirements for collection and management of debt owed to the DoD.

010103. Authoritative Guidance

A. DoD is required to aggressively collect debts in accordance with the following statutes, as well as other statutes and regulations expressly identified in this volume:

1. Debt Collection Improvement Act of 1996 (Public Law 104-134, Chapter 10, section 31001);

2. Debt Collection Act of 1982 (Public Law 97-365);


5. Internal Revenue Code provisions regarding the authority to make credits or refunds (26 U.S.C. § 6402);

6. FCCS (31 CFR 900-904);

7. Regulations for collection by offset from indebted Government employees (5 CFR 550, subpart K); and


B. Policy and requirements in this volume are intended to be consistent with the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement.
0102 RESPONSIBILITIES

010201. Accounts Receivable Office (ARO)

The ARO is the office responsible for recording and reporting receivables and may also be the office responsible for debt collection.

010202. Contracting Officer

The contracting officer has primary responsibility for determining the amount of the debt and ensuring collection for most types of contract debt. The contracting officer, or another authorized official, will request that a payment office collect a debt and will provide a copy of the contract, with the accompanying documents necessary to facilitate collection, to the payment office. If the contracting officer or designated official receives the contractor’s payment, then he or she must immediately forward the payment to the disbursing office, with proper documentation, to allow posting into the accounting system. The contracting officer or designated official should request a confirmation of receipt of the payment from the disbursing office. Refer to Chapter 5 for additional responsibilities related to contract debt.

010203. Debt Collection Office (DCO)

A. DCO refers to the office or individuals at the DoD Component level that are primarily responsible for debt establishment and collection for the Component. DCOs that manage the debt collection for the Component are typically located in the following areas: AROs, military and civilian payroll offices (located both within and outside of the Defense Finance and Accounting Service (DFAS)), Debt Management Offices (DMOs), the Debt and Claims Management Office (DCMO), contracting offices, disbursing offices, or the Foreign Debt Management Office. DCO also refers to any other organizational element within a DoD Component that performs debt management/collection activities.

* B. After establishing a debt, the DCO is responsible for initial debt collection and due process procedures, including the issuance of debt notification letters that comply with all the requirements for debt collection under the FCCS. If the DCO and ARO are separate offices, the DCO is responsible for working with the ARO to ensure that appropriate accounting actions are completed. DCOs must ensure that all debts are valid and legally enforceable. DCOs must work with the AROs to reverse accounting entries for debts subsequently determined not to be valid or legally enforceable pursuant to Volume 4, Chapter 3.

010204. DFAS DCMO

The DFAS DCMO offers debt management and collection assistance for delinquent debts owed to DoD by individual debtors who are no longer paid by DoD (i.e., out-of-service employees and Service members). If a Component’s DCO cannot collect a debt through offset because the debtor is no longer being paid by DoD, and the debtor has not agreed to pay the debt, then the DCO should obtain debt collection services from the DCMO. The DCMO also makes determinations on hearing requests and applications requesting waiver of individual indebtedness.
Refer to Chapters 3 and 4 for additional guidance on referring debts to DCMO and the waiver process.

010205. DFAS DMO

The DMO is responsible for processing collection actions on referred delinquent vendor/contractor debt. The DMO will document debt collection activities, including any basis for a debt compromise, suspension, or termination of collection action, and retain the documentation in individual debtor files. Refer to Chapter 5 for additional guidance on when to refer debts to DMO and DMO responsibilities.

010206. DoD Component

DoD Components are responsible for establishing debt management programs as described in section 0103 and ensuring DCOs and AROs collect and manage debt owed to that Component.

0103 DEBT MANAGEMENT PROGRAM

010301. General

Each DoD Component must establish and maintain a debt management program to identify, recover, and collect debts owed by individuals to the United States. DoD Components must clearly designate the DCOs responsible for the recovery and collection of debts within the DoD Component. The recovery of debts must be undertaken promptly, using a strategy that is determined to result in the maximum recovery of debt. DoD Components must ensure debtors are afforded due process, in the form of proper debt notification and the right to review, in accordance with Volume 16 and applicable regulations and guidance issued by the U.S. Department of the Treasury. DoD Components must establish guidance that clearly assigns responsibilities for processing, monitoring, reporting, and closing out delinquent debts.

010302. Debt Prevention and Monitoring

* A. DoD Components must institute procedures and assign responsibility to designated personnel (including contractors and vendors), as necessary, to ensure that appropriate personnel and organizations (e.g., personnel, entitlement, payroll, finance and accounting, disbursing, and legal offices) are promptly notified and kept apprised of activities that could give rise to indebtedness by any member, employee, or other personnel. Such indebtedness could be the result of employment or other financial or contractual relationship between DoD and the debtor. DoD Components must maintain continuous communication and follow up to prevent indebtedness from remaining unresolved for an extended period.

* B. DoD officials must establish procedures to identify the causes of indebtedness, delinquencies, and defaults, and must take corrective action to mitigate those causes and thereby reduce the number of debts subject to collection.
010303. DoD Debtor Information Exchange and Debt Collection Partnership Programs

DCOs must share information concerning debtors. DCOs must cooperate with each other and with other Federal agencies, including any private debt collection agencies and credit bureaus working on behalf of such agencies. DCOs must take all actions necessary to facilitate the collection of delinquent debts owed by current and former DoD civilian employees and military members, as well as other debtors.

010304. Debt Management Requirements

DoD officials, including contracting officers, contractor/vendor pay offices, disbursing officers, and AROs, must cooperate with each other to ensure that debts are collected, properly recorded in the accounting systems, and accurately reported in the agency’s financial statements.

010305. Documenting Collection Activity

The DCO must document all debt collection activities, including how the debt was established, due process procedures, installment payment plan agreements, collection activity and/or the basis for debt compromise, suspension, or termination of collection action. The DCO must also document bankruptcy activity if applicable. Documentation should be retained in individual debtor files and provided to the office responsible for recording and reporting of the related accounts receivable.

010306. Automating Debt Collection and Reporting Systems

DoD Components must use automated debt collection and reporting systems to the extent that it is feasible and cost effective for recording, processing, and controlling debts. The Deputy Chief Financial Officer created the DDMG, signed August 31, 2012, which defines the end state of debt management through the incorporation of Services’ and Agencies’ ERP systems. These systems must be utilized to the fullest extent possible in compliance with the DDMG.

0104 INTERNAL CONTROLS

010401. General

DoD Components involved in the collection and management of debts owed to the DoD must adhere to the basic standards for internal controls prescribed in DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures.” DoD Components will establish and maintain internal controls to ensure that debts owed to DoD are recorded, reported, managed, and aggressively collected.

010402. Recording and Reporting Accounts Receivables

Major categories of receivables must be maintained to facilitate clear and full disclosure (e.g., disclose the debtor, the amount, the age, and the type of debt). Subsidiary records must be
reconciled to the control accounts on at least a monthly basis. The DoD Components must document the date of a debt so that timely and appropriate collection and follow-up action can be accomplished. Refer to Volume 4, Chapter 3 for guidance on recording and reporting accounts receivables.
VOLUME 16, CHAPTER 2: “GENERAL INSTRUCTIONS FOR COLLECTION OF DEBT OWED TO THE DEPARTMENT OF DEFENSE (DOD)”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font. Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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<td>020103</td>
<td>Added a comprehensive list of authoritative sources instead of referring readers to Chapter 1, and added a reference to the Bureau of the Fiscal Service.</td>
<td>Addition</td>
</tr>
<tr>
<td>020201</td>
<td>Added a reference to Centralized Receivables Service as an option for pursuing debt collection.</td>
<td>Addition</td>
</tr>
<tr>
<td>020505.D-E</td>
<td>Clarified that debtors’ rights to request information and receive a written decision apply to both hearings (for civilians) and reviews (for military).</td>
<td>Revision</td>
</tr>
<tr>
<td>020902.E</td>
<td>Clarified that hearing petitions are for civilian debtors while requests for review are for military debtors.</td>
<td>Revision</td>
</tr>
<tr>
<td>021001</td>
<td>Added statement that debts pending waiver or remission may be disclosed to credit bureaus if the Secretary concerned deems it necessary.</td>
<td>Addition</td>
</tr>
<tr>
<td>021102.C.2.i-j</td>
<td>Added two scenarios when debts may be, but are not required to be, referred to cross-servicing.</td>
<td>Addition</td>
</tr>
<tr>
<td>021405.C.3</td>
<td>Added timely filing of a hearing petition to the list of scenarios where it may be appropriate to suspend collection of a debt.</td>
<td>Addition</td>
</tr>
<tr>
<td>Figure 2-2</td>
<td>Added statements that remaining debt may be collected at time of separation and debtor will be refunded any money if a debt is subsequently found to be not due to the United States.</td>
<td>Addition</td>
</tr>
<tr>
<td>Figure 2-2</td>
<td>Added statement that if finance office cannot collect debt due to voluntary allotments or deductions, the allotments will be stopped, and collection of the debt will continue.</td>
<td>Addition</td>
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CHAPTER 2

GENERAL INSTRUCTIONS FOR COLLECTION OF DEBT OWED TO THE
DEPARTMENT OF DEFENSE (DOD)

0201 GENERAL

020101. Overview

The policy and requirements in this chapter apply to administrative actions associated with the collection of debts owed to and collected by the DoD. Additional guidance related to collecting debt from individuals, vendors/contractors, and foreign entities is included in Chapters 3, 5, and 6, respectively. The instructions in this chapter do not apply to the collection of child support or alimony or to commercial, non-DoD debts owed by civilian employees and Service members through garnishment or involuntary allotment. Refer to Volume 7A, Chapters 41 and 43; Volume 7B, Chapters 27 and 28; and Volume 8, Chapter 8 for guidance pertaining to garnishments, involuntary allotments, and tax levies. In addition, this chapter does not apply to antitrust, fraud, tax, or interagency collection issues.

020102. Purpose

The purpose of this chapter is to provide policy and requirements Debt Collection Offices (DCOs) must follow in the collection of public debts owed to the DoD. These debts include amounts outstanding from civilian employees, Service members, retired personnel, and other individuals.

020103. Authoritative Guidance

Pursuant to U.S. Department of Treasury (Treasury) requirements, DoD is required to aggressively collect debts in accordance with the following statutes and regulations:

A. Debt Collection Improvement Act of 1996 (Public Law 104-134, Chapter 10, section 31001);

B. Debt Collection Act of 1982 (Public Law 97-365);


E. Internal Revenue Code provisions regarding the authority to make credits or refunds (26 U.S.C. § 6402);

F. Federal Claims Collection Standards (FCCS) (Title 31, Code of Federal Regulations (CFR), parts 900-904);
G. Regulations for collection by offset from indebted government employees (5 CFR, Part 550, subpart K);

H. Regulations for the collection of past-due support by administrative offset (31 CFR 285.1); and

I. Additional statutes and regulations listed by Treasury’s Bureau of the Fiscal Service (Fiscal Service).

0202 GENERAL GUIDANCE

*020201. Prompt Collection of Debt

DCOs must promptly and aggressively initiate collection action on all established debts owed to the DoD and must complete follow-up actions to ensure successful repayment to the DoD. DCOs may utilize Treasury-designated debt collection centers to pursue collection. For additional information, refer to Treasury’s Centralized Receivables Service web page.

020202. Statute of Limitations for Collecting Debts

A. Time Limits for Debt Collection Litigation

1. The DoD may refer a debt to the Department of Justice (DOJ) for litigation against a debtor in order to enforce collection or obtain a judgment in favor of the DoD. Federal law limits the period of time within which an agency may file a lawsuit to collect a debt. In accordance with 28 U.S.C. § 2415, the statute of limitations for filing a lawsuit to pursue debt collection is generally the later of 6 years from the date the right of action accrues (date of delinquency), or 1 year after a final decision has been rendered in an administrative proceeding, such as an action before the Armed Services Board of Contract Appeals. For additional guidance on referring debts to DOJ for litigation, refer to section 0213.

2. Determining the statute of limitations for debt collection litigation is subject to numerous considerations and exceptions depending on the facts of each case. DCOs should consult their legal counsel for guidance. For example, the deadline for initiating litigation to collect an erroneous payment to a Federal employee is 6 years after the right of action accrues (unless otherwise provided by statute); however, a partial payment or a written debt affirmation restarts the 6-year period. Refer to 28 U.S.C. § 2415(d).

3. The time limits for initiating litigation to pursue debt collection do not apply to collection by other means, such as collection by salary offset or administrative offset.

on or after December 23, 2016, by a member of the uniformed services. As a result, time limits on the collection of debts differ for civilians and members of the uniformed services as follows.

1. **Civilians.** There is no statute of limitation on debt collection from current or former civilian employees. All debts, including those previously ineligible for collection prior to the removal of the time limit, may be collected by administrative offset without any time limitation. Debts more than 10 years delinquent as of December 31, 2009, which were previously ineligible for collection, may now be collected by administrative offset, provided additional notice and due process requirements are met. If a debt has been closed out, the debt cannot be reopened for administrative offset. Refer to Volume 4, Chapter 3 for additional guidance on debt closeout.

2. **Members of the Uniformed Services.** The statute of limitation on debt collection from members of the uniformed services depends on several factors.

   a. **Debts Incurred On or After December 23, 2016.** If a member incurs a debt to the United States on or after December 23, 2016, the indebtedness may only be recovered if collection commences before the end of the 10-year period beginning on the date the member incurred the debt. Generally, the date a debt is “incurred” by a member is the date the overpayment is received by the member. The date debt collection commences is typically when the member receives written notification of the debt. The 10-year limitation applies only to debts that meet all of the following requirements:

   (1) The debt must have been incurred through no fault of the member;

   (2) The debt must be the result of the overpayment of pay or allowances, or be incurred upon the settlement of the member’s accounts; and

   (3) The debt must belong to a current, retired, or former member.

   b. **Debts Incurred Before December 23, 2016.** Indebtedness incurred by a member prior to December 23, 2016, should be recovered, even when recovery efforts commence after the end of the 10-year period following the date on which the debt was incurred by the member.

020203. **Method of Payment**

Debts may be paid in the form of cash, check, money order, wire transfer, or electronic funds transfer (EFT). When a contractual basis exists, demand may be made for the return of specific property or the performance of specific services. Debts may otherwise be resolved by law, regulation, contract, or agreement. Refer to Volume 4, Chapter 3 for guidance on disposition of funds collected.
020204. Return of Property to Settle Indebtedness

Nothing in this volume is intended to preclude the DoD from demanding the return of specific Government-furnished property or the payment of the value of the property.

0203 RECOVERY TOOLS FOR DEBTS

020301. Common Debt Collection Methods Used by the DoD

The following are the most common recovery tools or methods of collection used to collect debts owed to the DoD.

A. Voluntary Repayment or Voluntary Offset. Whenever possible, the DoD should collect a debt in a single lump-sum payment from the debtor. A debtor may also request to make payment by installment agreement or may permit the withholding (offset) of funds payable to the debtor by the United States. Voluntary repayment via direct remittance or offset is the preferred method for collecting debts.

B. Involuntary Salary Offset. The DoD maintains the authority to collect involuntarily from an individual debtor’s current salary or pay as authorized by statute. Refer to section 0209 for guidance on involuntary salary offset from DoD civilian employees and Service members.

C. Administrative Offset. The DoD maintains the authority to refer a debt for involuntary collection by administrative offset from any available funds payable to the debtor by the United States, as authorized by statute. Administrative offsets may be taken against tax refunds, retirement payments, contract payments, travel reimbursements, and/or other Federal payments owed to the debtor. Refer to section 0209 for additional guidance on administrative offset and section 0211 for guidance on the Treasury Offset Program (TOP) for the administrative offset of any available funds payable to the debtor by the United States.

020302. Other Collection and Recovery Tools

Collection from other sources, including liquidation of collateral or security, is not a prerequisite to requiring payment by a surety or insurance concern unless expressly required by law. The following are other collection and recovery tools to consider when attempting to collect debt owed to the DoD:

A. Suspension or revocation of eligibility for loans and loan guarantees, licenses, permits, or privileges (except for disaster loans and where exempted by the Under Secretary of Defense (Comptroller) or the Comptroller’s designee, the Deputy Chief Financial Officer, DoD);

B. Liquidation of security or collateral by the DoD Component through a power of sale or non-judicial foreclosure if debtors fail to pay debts within a reasonable time after issuance of a demand letter, if such action is in the best interest of the Government. The DoD
Component must give consideration to security or collateral disposition costs as compared to amounts that might be received from such a sale. After the DoD Component liquidates the security or collateral to satisfy a debt, the DoD Component must give the debtor a written notice of sale and an account of surplus proceeds, in accordance with applicable laws or regulations. The servicing general counsel should be contacted if there is a bankruptcy filed, which is possible if there is a liquidation of security or collateral (refer to section 0215 for guidance on debtors involved in bankruptcy proceedings);

C. Collection in installments;
D. Administrative wage garnishment;
E. Compromise of debt;
F. Credit bureau reporting;
G. Contracting with collection agencies;
H. Submission of the debt to DOJ for litigation in order to enforce collection or obtain a judgment in favor of the DoD;
I. Acceleration of collection of the debt, which is when the DCO considers the total amount of the debt delinquent and demands the debtor pay the entire debt (both the delinquent and non-delinquent portions of the debt). Acceleration is particularly appropriate when a debtor has failed to repay the debt in accordance with an installment plan, or when the debtor will be separating from military or civilian service prior to the end of the installment payment period; and
J. Rescheduling the debt in order to revise the repayment period.

0204 DUE PROCESS

020401. General

A. In the context of Federal debt collection, the constitutional right of “due process” requires an agency to provide debtors with written notice of the debt and an opportunity to dispute the debt. Due process is required prior to an involuntary salary offset (5 U.S.C. § 5514) or administrative offset (31 U.S.C. § 3716). Except under certain limited circumstances, debtors must receive due process prior to the initiation of debt collection. Written debt notifications must adhere to the requirements at section 0205. The requirements for disputing a debt are set out in Chapter 4.

B. The requirements of due process do not preclude a debtor from repaying the debt prior to or during due process. A debtor may elect to repay the debt at any time after receiving the initial notification of indebtedness, the reconsideration or review results from the DCO, a determination by a hearing official, or a decision on a request for waiver or remission of the overpayment. Repayment may also be accepted from the debtor while any of these actions are
pending. If payment has been received, and the debt is later determined to be invalid, depending on the circumstances, a full or partial refund (including interest and fees) may be necessary.

020402. Requirements for Routine Pay Adjustments

A. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances from Federal employees and Service members through routine intra-agency pay adjustments that have occurred within the four pay periods preceding the adjustment, or for any adjustments that amount to $50 or less. The debtor must be provided with a written notice of the nature and the amount of the adjustment, as well as a point of contact for questions regarding the adjustment, by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical.

B. Routine pay adjustments may be used to correct clerical errors, administrative errors, or delays in processing pay documents. Routine pay adjustments include, but are not limited to, correcting overpayments due to corrected or late time and attendance data or late or incorrect personnel actions. The actual overpayment must have occurred after April 26, 1996. Adjustments for health benefits and life insurance premiums made within four pay periods are covered by 5 CFR 550.1104(c).

C. The amount deducted for the routine adjustment may not exceed 15 percent of disposable pay, unless the debtor has consented in writing to a higher amount. When the debtor is a Service member, the servicing military pay office will generate a “no pay due” management notice when a debt creates a “no pay due” situation.

D. If a DoD debtor’s payroll account is moved from one payroll office to another payroll office within the DoD, then the new payroll office has the authority to collect an overpayment made by the former payroll office using routine adjustment procedures.

020403. Authority to Initiate Collection Before Due Process is Granted

Under 31 CFR 901.3(b)(4)(iii)(C), in certain limited circumstances, a DCO may use accelerated procedures to collect a debt by salary or administrative offset prior to, or while providing, notice and an opportunity for review to the debtor. The DCO may initiate collection before due process is given if failure to take the offset would substantially prejudice the DoD’s ability to collect a debt, or if there is insufficient time before payment to the debtor to allow for prior notice and an opportunity for review. When prior notice and an opportunity for review is not provided prior to collection, then such notice and opportunity for review must be given to the debtor as soon as practicable. Any amount recovered by offset, which is found not to be owed by the debtor, must be promptly refunded.
0205  DEBT NOTIFICATION LETTER

020501. General Requirements for Debt Notification Letter

The FCCS requires the issuance of one debt notification letter to the debtor. Debt notification letters must include the due process notification requirements listed in the Fiscal Service’s, “Managing Federal Receivables,” Appendix 8. The requirements for the notice of indebtedness can be found in 5 U.S.C. § 5514, 5 CFR 550.1104(b) and (d), 31 CFR 901.2, and 31 CFR 285.7(d)(4).

020502. When to Issue a Debt Notification Letter

A. DCOs must issue the initial debt notification letter to the debtor within 5 working days following confirmation of the existence and validity of the debt, the basis of indebtedness, and the amount of the debt. Only one due process debt notification is required to be issued to the debtor. DCOs may issue additional demand for payment letters at 30-day intervals after the date of the initial debt notification letter when deemed appropriate by the DCO.

B. DCOs must exercise care to ensure the debt notification letter is dated the same day the letter is mailed to the debtor’s last known address or hand-delivered to the debtor. The DCO is required to retain a copy of the debt notification letter as part of the debtor’s file. When warranted by the facts of a particular case, a DCO is not prohibited from issuing a written demand for payment to the debtor prior to issuing the due process debt notification letter; however, salary and administrative offset may only begin after due process has been completed.

020503. Debt Notification Letters Issued by Disbursing Officers

Disbursing officers are responsible for issuing a debt notification letter under specific circumstances in accordance with Volume 5, Chapters 6 and 8.

020504. Debt Notification Letters Issued by a Contracting Officer or Other Designated Official

The contracting officer, or other designated official, will issue a debt notification letter in accordance with the guidance in Chapter 5.

*020505. Content of Debt Notification Letters

A sample debt notification letter used by the Defense Finance and Accounting Service (DFAS) Civilian Pay DCO is available at Figure 2-1, and a sample debt notification letter used by the Military Pay DCO is available at Figure 2-2. DCOs outside of DFAS may modify the sample debt notification letter as they deem necessary; however, all debt notification letters should contain the following information.
A. Statement of Facts Regarding the Debt. The debt notification must include an explanation of the amount and reason for the indebtedness, the authority for establishing the debt, and the basis on which the determination of indebtedness was made.

B. Request for Lump-Sum Payment. A request for a lump-sum payment is a request that the debt be repaid in a lump sum by check, money order, or electronic funds transfer.

C. Payment Due Date. Payment due date is the date by which payment must be made to avoid incurring interest, penalties, administrative (IPA) fees, and enforced collection. The due date must not be more than 30 days from the date of the initial debt notification letter, unless otherwise mandated by statute, contract provision, or another notice of indebtedness. A due date more than 30 days from the date of the debt notification letter may also be allowed based on unusual circumstances as determined by the agency (for example, medical-related debts where insurance is billed first).

D. Right to Request a Review or Hearing. The debt notification must include a statement indicating that if the debtor wishes to dispute the existence or amount of the debt (or contest the repayment schedule for collection by salary offset), then the debtor may do so by submitting a written request for review or hearing petition. See Chapter 4 to determine whether debtor is eligible for a hearing or review. The notification must advise the debtor of the method and period of time for filing the request for review or hearing petition, typically 30 days from the date of the debt notification letter. It must also state that the timely filing of a request for review or hearing petition will stay the beginning of collection proceedings, and that interest and penalty charges will not be collected until and unless a determination is issued in favor of a collection. Detailed review or hearing petition instructions may be provided to the debtor online through the Internet. This process does not apply to contractor debts. For information regarding the contractor debt dispute process, refer to Chapter 5.

E. Right to a Written Decision. The debt notification must advise the debtor that if a review or hearing is granted, the debtor has the right to receive a written decision from the reviewer or hearing official within 60 days after the filing of the request for review or hearing petition. In the case of a hearing, the hearing official may grant a request for a delay in the proceedings.

F. Right to Inspect Records. The debt notification must advise the debtor that he or she has the right to inspect and copy the DoD records relating to the debt.

G. Voluntary Repayment Agreement Information. The debt notification must advise the debtor of the opportunity to establish a schedule for the voluntary repayment of the debt by entering into an installment payment plan if the debtor claims, and can support, an inability to repay the debt in a single lump sum.

H. Right to Request a Waiver or Remission. If applicable for individual debtors, include a statement regarding the right to request a waiver or remission of the indebtedness in accordance with applicable statutory authority for waiving or remitting a debt. Detailed waiver application instructions may be provided to the debtor online.
I. **Collection Action on Delinquent Debts.** Include a statement indicating that if the DCO is unable to collect a debt, other collection methods may be used, such as referring the debt to a private collection agency (PCA), reporting the debt to a credit bureau, garnishing non-Federal employment wages, or referring the debt to DOJ for litigation. Inform the debtor that any debts delinquent for more than 120 days are required to be transferred to Treasury for collection, and in some cases, the debt may be transferred sooner. Components that follow the procedures contained in the *Delinquent Debt Management Guidance* (DDMG) should refer delinquent debts older than 90 days to the Fiscal Services Debt Management Services (DMS) for further collection action where appropriate.

J. **Collection from Final Pay of Employee.** Include a statement indicating that any portion of a debt remaining at the time of separation may be collected from the debtor’s final pay and allowances.

K. **IPA.** The debt notification must contain a statement explaining the requirements under [31 CFR 901.9](#) to assess IPA, including:

   1. An explanation that if the debt is not paid by the due date, then interest will be charged from the date of delinquency, or from the date specified in the repayment agreement, if applicable (refer to the Definitions chapter for a definition of date of delinquency). Include a statement indicating that the interest rate will be calculated pursuant to 31 CFR 901.9;
   2. An explanation that if the debt is not paid in full by the due date stated in the debt notification letter, then the DCO will assess administrative costs for the processing and handling of the delinquent debt; and
   3. An explanation that if the debt is delinquent for more than 90 days, then the DCO will assess a penalty, not to exceed 6 percent per annum, on the unpaid portion of the debt accruing from the date of delinquency.

L. **Point of Contact.** Include a statement identifying the name, mailing address, email address, fax number, and telephone number of a point of contact the debtor may contact regarding the debt.

M. **Payment Address.** Provide the address where payment should be mailed or delivered (including instructions for Pay.Gov or EFT, where applicable), and include notice that the check, money order, or wire transfer must be made payable to Treasury.

N. **Penalty for False or Frivolous Statements.** The debt notification letter must indicate the consequences of knowingly providing false or frivolous statements, representations, or evidence, which include:

   1. Disciplinary procedures for Federal employees under 5 U.S.C. *Chapter 75, 5 CFR 752*, or any other applicable statutes or regulations;
2. Penalties under the False Claims Act (31 U.S.C. § 3729-3733) or any other applicable statutory authority; or


O. Bankruptcy. Include a statement indicating the debtor is responsible for notifying the DCO if the debtor files or has filed for bankruptcy.

P. Right to a Refund. Include a statement that amounts paid or deducted for the debt, which are later waived or found not to be owed to the Government, will be refunded promptly to the debtor, unless prohibited by law.

Q. Tax Filing. Provide notice that for joint income tax filers, the spouse should file Internal Revenue Service (IRS) Form 8379, Injured Spouse Allocation, with the IRS to claim his or her share of the tax refund.

R. Salary Offset Procedures. Where applicable, state the DCO’s intention to collect the debt of a Federal employee by means of payroll deductions (salary offset) if payment is not received within 30 days. Identify the amount, frequency, proposed beginning date, and the duration of deductions by salary offset.

020506. Duplication of Debt Notification

When a debtor has previously been provided with due process with respect to a debt, there is no need to duplicate due process requirements before initiating administrative offset with regard to the same debt, except as provided in subparagraph 020202.B. DCOs will implement salary or administrative offset procedures as funds or monies become due and payable to a debtor.

0206 RESPONDING TO DEBTOR INQUIRIES

The DCO should respond promptly to any questions raised by the debtor, normally not later than 30 days from the date of receipt of the debtor’s correspondence. The DCO must provide copies of relevant documents requested by the debtor.

0207 VOLUNTARY REPAYMENT OF INDEBTEDNESS

020701. Lump-Sum Repayment

Lump-sum repayment in full is the preferred method of collection. DCOs must encourage debtors to repay their debts through lump-sum payments by EFT (for military personnel and contractors), personal check, money order, or Pay.Gov. Lump-sum collections by offset from current pay or salary cannot exceed the percentages specified in subparagraph 020902.C or any other applicable regulation, unless voluntarily agreed to by the debtor.
020702. Voluntary Repayment by Installment

A. General. If the Component determines that the debtor is financially unable to pay a debt in a lump sum, then the DoD may accept voluntary repayment from the debtor in regular installments, rather than proceeding with collection by an involuntary salary or administrative offset. Installment agreements must be in writing as specified in paragraph 020802. DCOs must include a copy of a voluntary repayment agreement in the debt notification issued to the debtor. Refer to Figure 2-1, Enclosure 4 and Figure 2-2 for a sample voluntary repayment agreement.

B. Amount of Installment Payment for Individual Debt. The size and frequency of installment payments should bear a reasonable relation to the size of the debt and the debtor’s ability to pay. Installment payments should be at least $50 per month unless a debtor can prove financial hardship. The installment payments should be sufficient in size and frequency to liquidate the debt in 3 years or less; however, a greater amount of time may be appropriate based on the size of the debt and the debtor’s ability to repay. An installment payment plan is typically only appropriate if the total debt amount is at least 5 percent of the individual’s annual disposable pay. Unless voluntarily agreed to by the debtor, the amount of the installment payments from an individual’s current pay or salary must not exceed the offset percentages established in subparagraph 020902.C.

C. Review of Proposed Installment Agreements. DCOs must forward requests for installment payment plans from contractors/vendors to the Debt Management Office (DMO) for review and appropriate action. DCOs will review proposed installment agreements submitted by Service members and DoD civilian employees. The Debt and Claims Management Office (DCMO) will review proposed installment agreements submitted by individuals who are no longer employed by the DoD. The DCO/DMO/DCMO must review the proposed installment agreement submitted by the debtor using the criteria set out in paragraph 020801 and must notify the debtor as to whether the proposed agreement is acceptable.

D. Installment by Payroll (Salary Offset) or Cash Repayment. Individuals may make installment payments through payroll deductions or by submitting cash repayments on a monthly basis or each pay period. Cash repayment includes payments by EFT, personal check, money order, or another negotiable instrument. Any amount remaining unpaid at the time of separation or retirement will be collected from final lump-sum payments of any nature, such as final salary, lump-sum leave, and/or bonuses.

E. Applying Receivables. When a receivable is collected by installment payment, apply amounts received first to contingency fees, second to outstanding penalties, third to administrative costs, fourth to interest, and last to principal. Contingency fees are defined as administrative costs resulting from fees paid by one Federal agency to other Federal agencies or private collection contractors for collection services rendered when the fees are paid from the amounts collected from the debtor.
0208 CONSIDERING AND PROCESSING INSTALLMENT AGREEMENTS

020801. Proposed Installment Agreement Review Criteria

A. An installment repayment schedule should adequately protect the interests of both the DoD and the debtor. The DCO must ensure the debt is recoverable within the shortest practical period of time, taking into consideration the financial impact on the debtor.

B. A debtor may negotiate the terms of an installment repayment schedule if the schedule proposed by the agency would subject the employee to an extreme financial hardship. An extreme financial hardship means the proposed repayment schedule would prevent the debtor from meeting the costs necessary for essential subsistence expenses of the debtor, the debtor’s spouse, and dependents. Essential subsistence expenses include costs incurred for food, housing, necessary public utilities, clothing, transportation, and medical care. Upon the agency’s request, the debtor must submit financial statements in support of a proposed installment payment plan. The agency may enter into installment agreements only when there is sufficient evidence the debtor will be able to abide by the terms of the agreement, including the repayment schedule. The DCO should base its decision to accept or deny a proposed installment agreement on a review of the following factors:

1. Age and health of the debtor;
2. Present and potential income;
3. Inheritance prospects;
4. Possibility of hidden assets or fraudulent transfers;
5. Assets/income available through enforced collection;
6. Reasonable and necessary living expenses for the debtor and the debtor’s dependents;
7. Income from all sources and expenses for the individual, spouse, and dependents;
8. The extent that assets of the individual, spouse, and their dependents are available to meet the offset and essential subsistence expenses;
9. Whether subsistence expenses have been reduced to minimum essential amounts;
10. The extent to which an individual or spouse can borrow money to meet the offset and minimum subsistence expenses; and
11. The extent to which the individual, spouse, and dependents have other exceptional expenses that should be taken into account and whether these types of expenses have been minimized.

020802. Installment Payment Agreement Terms and Processing

The DCO must obtain signed, legally enforceable, written installment agreements (such as a Voluntary Repayment Agreement or Promissory Note) from the debtor. Such agreements must specify the terms agreed upon by the parties, including terms governing the assessment of IPA charges. The agreement must contain a provision for accelerating the debt, which requires that the remaining debt balance be due and payable immediately upon the debtor’s default on the agreement. The agreement must state that the DCO will require the debtor to submit financial statements annually, as necessary, whenever the repayment period exceeds 3 years.

A. Receipt of an Acceptable Agreement. After receiving a signed agreement, the DCO will begin collecting the debt pursuant to the agreement. If requested by the debtor, and agreed to by the agency, the remittance may be deferred for up to two pay periods with the agreement adjusted to reflect that deferral.

B. Receipt of an Unacceptable Agreement

1. Individual Debtors. If the DCO determines a proposed repayment agreement submitted by an individual debtor is unacceptable, then the DCO must notify the individual debtor in writing. The debtor will then have 30 days from the date of the written notice to request a special review by the DCO or file a petition for a hearing (or review for military members) under Chapter 4, sections 0403 or 0406.

2. Contractor/Vendor Debtors. The DMO must obtain consent from the creditor DoD Component’s senior financial manager or designee before denying a contractor’s request for an installment agreement. Refer to Chapter 5 for additional contract debt guidance.

020803. Installment Payment Delinquency

If a debtor does not make an installment payment by the due date, the entire balance of the debt becomes delinquent from the due date of the missed payment. A debt being repaid under an installment plan is not delinquent if payments under the installment agreement are current. Interest will be assessed on a debt being paid by installment until the debt is paid in full. Penalties may be assessed on any portion of the debt that is outstanding for more than 90 days.

020804. Review of Installment Agreements

As required, DCOs must review the debtor’s annual financial statements and determine whether to collect the balance due in a lump sum or continue the installment agreement at the same or increased amounts. A debtor’s request to decrease installment payments based on materially changed circumstances may be considered at any time. The request must include financial data confirming the debtor’s inability to pay the full amount of the agreed upon installment plan. DCOs
should not reduce installment payment amounts if there is a determination that the debtor could have controlled the financial condition that impacted the debtor’s ability to meet existing installment payment requirements.

0209 IN VOLUNTARY COLLECTION OF DEBT BY SALARY AND ADMINISTRATIVE OFFSET

020901. General

When a debtor does not pay a debt voluntarily, agencies have the right to offset monies otherwise owed to a debtor in order to extinguish a debt. Where specific statutory authority exists for the collection of a particular debt by offset, the provisions of the statute and its implementing regulations must be used in determining the applicable collection procedures (for example, specific statutory authority exists under 5 U.S.C. § 5705, 5 U.S.C. § 5512, 10 U.S.C. § 2775, and 37 U.S.C. § 1007). However, when a more specific statute does not exist, DCOs must use the general collection authority under 5 U.S.C. § 5514 for salary offset from the current pay of individuals employed by the DoD, or 31 U.S.C. § 3716 (covered in paragraph 020903) for administrative offset of other payments from the Government that are due a debtor. Refer to Chapter 3 for more specific instructions on involuntary collection of debt for Service members and civilians.


DCOs may initiate salary offset to collect indebtedness by installment deductions under 5 U.S.C. § 5514 for debtors who are receiving pay from the DoD. This statute authorizes the involuntary collection of indebtedness of Service members, DoD civilian employees, and Nonappropriated Fund Instrumentality (NAFI) employees from their current pay or salary accounts. Use 5 U.S.C. § 5514 as the authority for salary offset when offset is not authorized or required by other more specific statutes. If the debtor is not currently employed by the DoD and owes a debt to the DoD, the DCO must forward the debt to the DCMO for collection using administrative offset under paragraph 020903. If the debtor is a separated Service member, and the debt is not subject to salary offset, the DCO must forward the debt to the DCMO for collection using administrative offset under paragraph 020903.

A. Due Process

1. When a debtor has either failed to pay the debt in one lump sum, has not agreed to a voluntary one-time payroll deduction, or has not entered into an installment agreement, the DCO must recover the debt by an involuntary salary offset. Before initiating involuntary salary offset, the DCO must ensure the debtor has been given due process pursuant to section 0204, and the debtor has not exercised the rights listed in the debt notification letter or, having exercised one or more of those rights, was determined to be indebted.

2. The DCO must ensure involuntary salary offset is initiated in the pay period designated in the debt notification letter, unless the period for salary offset was delayed by the debtor’s request for a hearing (or request for a review by a military member). When practical, the DCO will notify the debtor of an offset on the Leave and Earnings Statement. The
DCO may initiate collection of a debt from final pay and lump-sum leave payments before granting due process if failure to do so would substantially prejudice the DCO’s ability to collect a debt. In such cases, the DCO must afford the debtor due process as soon as practicable. There is no statute of limitations for collecting a debt by salary or administrative offset for civilians, provided notice and due process requirements are met. Refer to subparagraph 020202.B.2 for information on the statute of limitations for initiating collection of debts owed by members of the uniformed service.

B. Excluded Debts. The following debts are not authorized for collection by salary offset:

1. Collection of debts to private creditors, except as authorized by Public Law 103-94, "Hatch Act Reform Amendments of 1993;"

2. Contributions to charities;

3. Payment of commercial life insurance premiums, international agreements, or arrangements with foreign governments;

4. Payment of dues to civic, fraternal, or other organizations; or

5. Collection of state and local/city tax indebtedness.

C. Disposable Pay. Disposable pay is the current pay that remains after any legally required deductions from earnings are withheld. Refer to 5 CFR 550.1103 for a definition of disposable pay. All involuntary salary offset under 5 U.S.C. § 5514 is limited to a maximum of 15 percent of the debtor's disposable pay unless the debtor gives written consent to deductions at a greater percentage. Involuntary salary offset will normally be established at this maximum rate. If salary offset mistakenly exceeds 15 percent of disposable pay when the debtor has not consented to deductions at a greater percentage, the DCO will refund the difference upon the debtor’s request. DCOs will compute the amount of disposable pay available for salary offset by making the following deductions:

1. Amounts withheld for Federal, state, or local income tax purposes, if the withholding of the amounts is authorized or required by law, and if the amounts withheld are not greater than would be the case if the individual claimed all dependents as defined in the Federal, state, and local tax codes. For computing disposable pay, no additional Federal tax amounts will be deducted unless the individual presents evidence of a tax obligation supporting the additional deduction;

2. Amounts withheld for Social Security and Medicare taxes;

3. Amounts deducted as health insurance premiums;

4. Amounts deducted as normal retirement contributions (Civil Service Retirement System, Federal Employee Retirement System (FERS), FERS-Revised Annuity Employees, FERS-Further Revised Annuity Employees, and Nonappropriated Fund Retirement),
including Thrift Savings Plan (TSP), Roth TSP, and Armed Forces Retirement Home contributions. Amounts voluntarily contributed toward additional retirement benefits are not normal retirement contributions; and

5. Amounts deducted as normal life insurance premiums from salary, including amounts deducted for basic Federal Employee Government Life Insurance (FEGLI). However, all optional FEGLI premiums are not considered normal life insurance premiums. Also included is Servicemembers' Group Life Insurance (SGLI), including Family SGLI and Traumatic SGLI.

D. Amounts Not Deductible When Computing Disposable Pay. Do not deduct the following amounts when computing disposable pay for the purpose of salary offset:

1. Deductions for any existing debts being collected for a DoD Component or other Federal agency, including late payment charges;
2. Amounts to satisfy court-ordered garnishments;
3. Amounts to satisfy a court judgment;
4. Court-ordered bankruptcy payments under Chapter 13 of the Revised Bankruptcy Act;
5. Voluntary allotments for child support;
6. Union dues deductions;
7. Charity deductions;
8. IRS Federal tax levies;
9. Savings allotments;
10. TSP loans; or

* E. Debtor Disagrees with Amount to be Withheld. If the debtor contends that the rate of salary offset proposed, or already established by the DCO, would produce an extreme financial hardship, then in accordance with 5 U.S.C. § 5514, the debtor may at any time:

1. Petition for a hearing with a hearing official to contest the amount of the salary offset (civilian debtors) within the timeframe noted on the debt notification. Military members whose debts are collected under 37 U.S.C. § 1007 may request a review of the repayment schedule by the DCO within the noted timeframe. Refer to Chapter 4 for guidance on hearing or review requests; or
2. Request a special review by the DCO. An individual debtor may request a special review by the DCO of a proposed or established salary offset amount. The request for special review of the established rate of salary offset should be based on the debtor’s materially changed circumstances, such as catastrophic illness, divorce, death, or disability.

   a. Debtor Request. The debtor must submit a written request for special review. The debtor must provide an alternative offset schedule with supporting documents showing why the current or proposed salary offset amount would produce an extreme financial hardship. The supporting documents should include the following information for the debtor, his or her spouse, and dependents: income from all sources, assets, liabilities, number of dependents, expenses for food, housing, clothing and transportation, medical expenses, and other exceptional expenses (if any).

   b. DCO Response to Debtor. The DCO must evaluate the information submitted by the debtor and issue a written determination concerning the debtor’s request for a revised salary offset amount. The DCO should inform the debtor of the acceptance or denial of a revised salary offset amount within 15 days from the date of receipt of the debtor’s request for special review. If the DCO approves the debtor’s request to reduce the salary offset amount, the reduction will begin immediately upon the issuance of the written determination.

F. Multiple Debts and Priority of Deductions. When a debtor owes more than one debt, deductions for the current debt and any previously established debts will continue until the debts are paid in full. If prioritizing deductions is necessary, then collect debts owed by debtors to more than one DoD Component, or another Federal agency, in the following priority sequence:

1. Debt to the debtor’s employing agency or department,

2. Debt to other DoD Components, then

3. Debt to other Federal Agencies.


A. General

1. Administrative offset under 31 U.S.C. § 3716 allows the Government to withhold or intercept funds from monies payable by the United States to a person, organization, or entity in order to satisfy a debt owed to the Government. Administrative offsets may occur against tax refund payments, salary payments, military and civilian retirement pay, contractor payments, grant payments, benefit payments, travel reimbursement, and other Federal payments.

2. Two administrative offset methods are used by agencies to offset a debtor’s payments from the Government. Centralized offset uses TOP operated by the Treasury in order to intercept Federal payments due a debtor. Refer to section 0211 for procedures on referring debts to Treasury. An agency may use non-centralized offset in cases where offset
through TOP is not available or appropriate. Non-centralized offset is an ad hoc method of offset performed on a case-by-case basis that the agency executes internally or in cooperation with another agency certifying payments to the debtor.

B. Exclusions. Administrative offset under 31 U.S.C. § 3716 does not apply to:

1. Offset against Federal salaries if the FCCS are inconsistent with regulations implementing salary offsets under 37 U.S.C. § 1007 or 5 U.S.C. § 5514;
2. Offset under 31 U.S.C. § 3728 against a judgment obtained by a debtor against the United States;
3. Offset or recoupment under common law, state law, or Federal statutes specifically prohibiting offset or recoupment of particular types of debts; or
4. Offset in the course of judicial proceedings, including bankruptcy.

C. Collection Under Common Law. Debts not subject to administrative offset under 31 U.S.C. § 3716 may still be collected by offset under the common law or another applicable statute.

D. Collecting Debts Owed by Individuals

1. If a DCO cannot collect a debt because no recovery is available from salary offset under 5 U.S.C. § 5514 (or another statute authorizing offset from pay), and the debtor has failed to pay the debt in lump sum or by an installment repayment agreement, then the DCO should refer the debt to the DCMO for administrative offset under 31 U.S.C. § 3716. The DCMO offers debt management and collection assistance to DoD Components for delinquent debts owed to the DoD. Refer to Chapter 3, section 0305 for guidance on referring debts to the DCMO.

2. Upon receiving a debt, the DCMO will pursue all collection action on the debt available under 31 U.S.C. § 3716. The DCMO will service the debt by using various collection procedures including issuing demand for payment letters, referring the debt to credit reporting agencies, or referring the debt to the Treasury Cross-Servicing Program. When appropriate, the DCMO will refer uncollectible debts to TOP for centralized offset of any Federal payments due the debtor. Refer to section 0211 on the referral of debts to TOP and/or the Treasury Cross-Servicing Program. Refer to Chapter 3, paragraph 030208 for additional guidance on the collection of indebtedness from final salary and lump-sum payments under 31 U.S.C. § 3716.

   a. Due Process Requirements Prior to Administrative Offset Under 31 U.S.C. § 3716. Before the DCO initiates administrative offset under 31 U.S.C. § 3716, a debtor must receive due process (notice of the debt and an opportunity for review). The DCO must complete all due process requirements under sections 0204 and 0205 prior to sending the debt to DCMO for collection by administrative offset. If the debtor has requested a hearing or
review, the DCO must follow the guidance contained in Chapter 4, paragraphs 040303 and 040604 prior to transferring the debt to DCMO for collection.

b. Guidance for Requesting Administrative Offset Within the DoD

(1) Requests by a DCO from one DoD Component for administrative offset against a Service member or civilian employee of another DoD Component are initiated by sending a DoD Form 139 (DD 139), Pay Adjustment Authorization; DD 2481, Request for Recovery of Debt Due the United States by Salary Offset; other prescribed authorized form; or an automated transaction to the debtor’s payroll processing activity.

(2) The request must include a certification from the DCO that the debtor owes the debt and that the requesting DCO has fully complied with regulatory requirements (including all due process requirements) concerning administrative offset.

(3) The request must include a mailing address, email address, and phone number for the point of contact at the DCO who will respond to questions or disputes from the debtor.

(4) When a debtor consents to administrative offset in writing or signs a statement acknowledging receipt of due process procedures, the requesting DCO must include the debtor’s consent with the request for offset, along with the certification and all supporting documentation. Administrative offset cannot be accomplished until the DCO has provided all of the supporting documentation for the debt. For those debts transferred to DCMO, the DCMO must advise the debtor of the offset request received from the DCO and issue a demand for payment.

E. Collecting Debts Owed by Vendors/Contractors. DCOs will recover debts internally within the DoD, to the extent practical, by voluntary repayment of the debt by the vendor/contractor, or administrative offset(s) of other payments owed to the vendor/contractor. Refer to Chapter 5, section 0503 for additional guidance on administrative offset for vendors/contractors.

020904. Additional Statutory Authority for Offset

A. Salary and Administrative Offset for Travel Advances Under 5 U.S.C. § 5705

1. While 5 U.S.C. § 5514 and 31 U.S.C. § 3716 provide generalized authority to collect a debt by salary or administrative offset, 5 U.S.C. § 5705 specifically authorizes salary and administrative offset for travel advances authorized under 5 U.S.C. § 5701 et seq. Under 5 U.S.C. § 5705, a Federal employee who is entitled to per diem or mileage allowances may receive a travel advance. Any amount of a travel advance that is not used for allowable expenses is required to be collected back from the employee. DCOs should inform
2. When making collections of unused advanced per diem or mileage allowances, DCOs must give DoD debtors the opportunity to pay the amount due in a lump sum. If the debtor does not make a lump-sum payment, then salary or administrative offset must be made immediately against accrued pay, retired pay, travel reimbursement, or any other amount due the debtor from the United States. Hearings are not required prior to salary offset under 5 U.S.C. § 5705; however, DCOs must provide the debtor with a notice of the debt and must reconsider/review debts informally upon the debtor’s request. If there is no amount available for salary offset, and the debt must be collected by administrative offset, then the DCO must follow the requirements for debt collection by administrative offset under 31 U.S.C. § 3716.

B. Offset from a Service Member’s Pay for Damage to Military Housing Under 10 U.S.C. § 2775. Under 10 U.S.C. § 2775, express authority is provided for the collection of a debt from a Service member’s pay for the cost of repair, replacement, or cleaning of military housing necessitated by abuse or neglect by Service members. Debtors are not entitled to a hearing for debts being collected by administrative offset under this statute. However, DCOs must provide the debtor with a notice of the debt and must reconsider/review these debts upon the debtor’s request. If there is no amount available for salary offset, and the debt must be collected by administrative offset, then the DCO must follow the requirements for debt collection by administrative offset under 31 U.S.C. § 3716.

C. Offset from a Member’s Pay for Administratively Determined Debts Under 37 U.S.C. § 1007. Under 37 U.S.C. § 1007, express authority is provided for offset from a Service member’s pay for the collection of debts that are administratively determined to be owed to a DoD Component by the Service member.

D. Administrative Offset to Recover Public Funds Under 5 U.S.C. § 5512. Under 5 U.S.C. § 5512, administrative offset is authorized to offset the pay of an accountable official in arrears to the DoD for all sums for which he or she is liable. This authority only pertains to the collection of a debt when the debt is the result of an individual being held liable for a loss of funds. DCOs will withhold the pay of individuals in arrears to the DoD until the debtor has paid all sums for which the debtor is liable. Refer to Volume 5, Chapter 6 for additional guidance on loss of funds.

020905. Cooperation with Other Government Agencies

A. General. The FCCS requires that the DoD cooperate with other government agencies to collect debts referred for administrative offset except under either of the following conditions:

1. When the DCO determines that the offset would not be in the best interest of the United States with respect to the program against which the offset is requested, as determined by the head of the agency holding funds or monies for offset; or
2. When the DCO determines that the offset would be contrary to another applicable law.

B. Requests for Administrative Offset Received From Non-DoD Federal Agencies

1. If a non-DoD Federal agency determines a debtor works for a DoD agency, then the non-DoD agency may submit a request directly to the DoD for administrative offset from the debtor’s pay. The non-DoD Federal agency is responsible for determining the validity and amount of the debt. The DoD is not authorized to determine the merits of the debt for which administrative offset is requested. Refer to Volume 8, Chapter 8 for additional guidance regarding these debts.

2. Requests from non-DoD Federal agencies for administrative offset of DoD salaries or contractor invoices are typically sent through the Treasury Cross-Servicing Program. Requests may also be submitted through the Federal Payment Levy Program.

3. All requests from non-DoD Federal agencies for administrative offset of individual salaries that are received by DoD Components must be forwarded to DFAS-Cleveland (DFAS-CL), 1240 East 9th Street, Cleveland, OH 44199 or via email to ccl-salary-offset@mail.mil. Requests from non-DoD Federal agencies for administrative offset of contractor invoices that are received by DoD Components must be forwarded to Treasury.

C. Requesting Administrative Offset from Civil Service Retirement Disability Fund (CSRDF) or FERS Funds. Chapter 3 outlines procedures for requesting administrative offset from CSRDF or FERS for debts owed by retired DoD civilian employees. To prevent duplicate administrative offset requests, DCOs must not refer the same requests for administrative offset to both the Office of Personnel Management (OPM) and to TOP. These debts are subject to all other collection procedures.

0210 REPORTING DEBT TO CREDIT BUREAUS

*021001. Authority to Report Debts

Federal agencies must report all delinquent debts to credit bureaus (also referred to as “credit reporting agencies”) as part of the agency’s debt collection effort pursuant to 31 U.S.C § 3711(e). The DCMO (or other DCO as appropriate) must implement procedures for reporting delinquent debts to credit bureaus and other automated databases in accordance with the “Guide to the Federal Credit Bureau Program,” issued by Treasury in 2001. If the DCMO is required to report a non-delinquent debt to a credit bureau, reporting procedures must comply with the “Bankruptcy Code” and the “Privacy Act of 1974” (5 U.S.C. § 552(a)), as amended. Provisions of the Privacy Act do not apply to credit bureaus. Effective March 1, 2007, in accordance with 10 U.S.C. § 2780(b), debts incurred by Service members will not be reported to credit bureaus during the time a decision regarding waiver or remission/cancellation of the debt is pending, unless the Secretary concerned determines that disclosure pending such a decision is in the best interest of the United States.
021002. Notification to Debtor of Intent to Report to a Credit Bureau

The DCMO or DMO must ensure the debtor has been given notice before reporting a delinquent debt to credit bureaus. Duplication of previously provided due process notifications is not required prior to reporting the debt to the credit bureau as long as the following information has been provided to the debtor:

A. A statement that the agency intends to report the debt to a credit bureau;

B. A statement that the information to be reported will include the debtor’s name, address, taxpayer identification number (TIN), and information about the debt;

C. Actions that may be taken by the debtor to prevent credit reporting (i.e. repayment of the debt in full or repayment by installment agreement); and

D. A complete explanation of the debt, along with information about the debtor’s right to dispute the debt, to review records about the debt and to seek a review or hearing, if applicable, of the agency’s determination that the debt is due.

021003. Requirements for Reporting Debts to Credit Bureaus

Prior to reporting a delinquent debt to a credit bureau, the DCMO must:

A. Comply with the provisions of the Privacy Act of 1974;

B. Ensure the DCO has made a determination that the debt is valid and overdue;

C. Ensure the DCO has complied with the requirements in section 0204 and has issued a debt notification letter to the debtor that complies with the requirements of section 0205;

D. Determine that the debtor has not:

1. Repaid or agreed to repay the debt under a written repayment plan the debtor has signed, and the DoD Component or DCO has agreed to; or

2. Filed a hearing petition for review of the debt under Chapter 4;

E. Ensure there are procedures to:

1. Disclose promptly, to each credit bureau to which the original disclosure was made, a substantial change in the condition or amount of the debt;

2. Verify or promptly correct, information about the debt on request of a credit bureau; and
3. Obtain satisfactory assurances from each credit bureau that the credit bureau is complying with all laws of the United States related to providing consumer credit information; and

F. Ensure information disclosed to credit bureaus is limited to:

1. Information necessary to establish the identity of the debtor, including name, address, and TIN;

2. The amount, status, and history of the debt; and

3. The DoD Component or program under which the debt arose.

021004. Maintenance of Debt Records

DCOs must retain records for debts reported to credit bureaus in accordance with guidelines of the National Archives and Records Administration General Records Schedule. Bankruptcy information can be reported for 10 years. The credit bureau will only maintain accurate, negative information on a credit report if it is less than 7 years old.

0211 REFERRAL TO THE TREASURY

021101. General

A. Treasury has broad collection responsibilities for delinquent debts. Unless otherwise authorized by law, pursuant to Treasury Financial Manual (TFM) Volume I Part 4, Chapter 4000 (4-4000), Federal agencies are required to refer eligible and legally enforceable debts more than 180 days delinquent to the Treasury Cross-Servicing Program for debt servicing. Agencies are also required to refer any debts more than 120 days delinquent to TOP for recovery by centralized administrative offset. Refer to 31 U.S.C. § 3711(g) and 31 U.S.C. § 3716 for information on referring debts to TOP.

B. Components that have implemented the processes contained in the DDMG should refer delinquent debt older than 90 days and greater than $25 to the DMS for further collection action where applicable. At the DoD Component’s discretion, debts may be referred sooner to protect the DoD’s interests.

C. If a debt is first referred to the Cross-Servicing Program, Treasury will submit any remaining amount not collected by cross-servicing to TOP on behalf of the agency. Therefore, in order to comply with the 120 day deadline for submitting debts to TOP, creditor agencies must submit debts more than 120 days delinquent to cross-servicing, rather than waiting until the debt is 180 days delinquent. Once a debt is referred to Treasury, the DoD must cease collection activity related to that debt. Agencies referring debts to Treasury must authorize Treasury to utilize all available collection tools.
D. In most instances, DCOs refer uncollectible debts to the DFAS DCMO for debt servicing first, and the DCMO refers the debts to Treasury for cross-servicing and to TOP. Only those DCOs with specific authority may refer delinquent debts directly to Treasury. Prior to making a referral directly to Treasury, DCOs must consider the DFAS DCMO debt program and procedures in Chapter 3 to determine whether referring the debt to DFAS first would offer more cost-effective service, debt management control, and reporting.

E. DoD Components that do not refer debts to one of the DCOs authorized to make referrals to Treasury must negotiate an agreement with Treasury for debt referrals.

*021102. Cross-Servicing

A. General. The Debt Collection Improvement Act and the TFM 4-4000 requires agencies to refer all eligible debts that are delinquent more than 180 days to Treasury for cross-servicing under the Treasury Cross-Servicing Program. If an agency does not separately refer debts to TOP, then it must refer eligible debts that are delinquent more than 120 days to cross-servicing in order to meet the requirement for TOP referral. Components that have implemented the processes contained in the DDMG should refer delinquent debt older than 90 days to the DMS for further collection action where applicable. Treasury uses a variety of collection tools to collect the debt under cross-servicing including: issuing demand for payment letters, phone calls, credit bureau reporting, referral to TOP, referral to PCAs, and/or referral of debts to DOJ for litigation. Additional information on the Cross-Servicing Program can be found at the Fiscal Service, DMS, Cross-Servicing.

B. Due Process. The DCO must complete all due process procedures prior to referring a debt to Treasury for cross-servicing. At least 60 days before a debt is referred to Treasury, the DCO must issue the debtor a debt notification that meets the requirements of paragraph 020505.

C. Debts Not Eligible or Required to be Referred to Treasury for Cross-Servicing

1. Pursuant to Treasury’s “Managing Federal Receivables,” a debt is not eligible for referral to Treasury for cross-servicing if the debt:
   a. Is not past due or legally enforceable;
   b. Is owed by a debtor who has died;
   c. Is owed by a debtor who has filed for bankruptcy protection or the debt has been discharged in a bankruptcy proceeding;
   d. Is owed by a Federal agency;
   e. Is the subject of an administrative appeal, until the appeal is concluded and the amount of the debt is fixed; or
f. Is less than $25 (including IPA costs);

2. A debt may be referred for cross-servicing, but is not required to be referred, if the debt:

a. Is in litigation, meaning the debt has either been referred to DOJ for litigation or is the subject of proceedings pending in a court of competent jurisdiction, including bankruptcy and post-judgment matters;

b. Is in foreclosure, which means the debt is secured by collateral that is being foreclosed, either through a court proceeding or non-judicially;

c. Will be disposed of under an approved asset sale program within 1 year after becoming eligible for sale, or later than 1 year if consistent with an asset sales program;

d. Has been referred to a private collection contractor for a period acceptable to Treasury;

e. Is at a Treasury-designated debt collection center for a period acceptable to Treasury;

f. Will be collected under internal offset procedures within 3 years after the debt first became delinquent;

g. Is exempt from this requirement based on a determination by Treasury that exemption for a certain class of debt is in the best interest of the United States (the DoD may request that Treasury exempt specific classes of debts);

h. Is owed by foreign governments or a NAFI;

i. Is less than $100 and belongs to a debtor without a known Tax Identification Number; or

j. Is otherwise exempt from the statutory referral requirement by law or official action of Treasury.

D. Accountability for the Debt. While the debt is in the Cross-Servicing Program, Treasury maintains the debt balance information, collects the funds paid by the debtor, and returns the funds to the creditor agency for proper deposit and accounting. The creditor agency must maintain its original debtor records and remains responsible for all financial reporting associated with the debt, to include IPA fees. IPA will continue to accrue on debts referred to Treasury’s Cross-Servicing Program. The creditor agency is responsible for the accuracy of the debt information submitted to Treasury and must provide updates and corrections of debtor information on a regular basis.
E. Cross-Servicing Fees. Treasury charges fees to cover its costs for cross-servicing. The fee is a percentage of all collections received from the debtor after the debt is referred to cross-servicing. Pursuant to the TFM 4-4000, Treasury fees are added to the outstanding debt balance.

021103. TOP

A. General

1. TOP provides for the centralized administrative offset of Federal tax and non-tax payments payable to a debtor in order to collect a delinquent debt owed to the Government. Creditor agencies submit information about delinquent debts to Treasury, which maintains the information in a centralized database. Before Treasury disburses a payment, Treasury compares the payee information with the debtor information in the database. If a match occurs, the payment will be offset, in whole or part, to satisfy the debt.

2. Treasury determines how to apply collected funds to multiple debts. Treasury notifies the debtor, the creditor agency, and the paying agency when an offset occurs. Debtors must contact the creditor agency to resolve any issues related to the offset. At least 60 days before the debt is referred to Treasury, the DCO must have issued the debtor a debt notification meeting the requirements of paragraph 020505.

B. Debts Eligible for Referral to TOP. A debt that is delinquent and legally enforceable is eligible for referral to TOP. A debt is considered legally enforceable for TOP purposes if there has been a final agency determination that the debt is due, and there are no legal bars to collection through the offset of Federal payments.

C. Debts Not Eligible for Referral to TOP. An agency should not refer directly to TOP those debts that have been referred to Fiscal Service or another Treasury-designated debt collection center for cross-servicing, or to DOJ for litigation. Additionally, a debt is not eligible for referral to TOP if the debt:

1. Is owed by a debtor who has filed for bankruptcy protection or the debt has been discharged in a bankruptcy proceeding;

2. Is owed by a Federal agency;

3. Is the subject of an administrative appeal, until the appeal is concluded, and the amount of the debt is fixed;

4. Is less than $25 (including IPA charges); or

5. Is owed by a foreign entity.

D. TOP Fees. Treasury is authorized to charge fees to cover the costs of debt collection and administrative offset programs. Pursuant to TFM 4-4000, Treasury fees are added
to the outstanding debt balance. The fee is set annually, and Treasury deducts the fees from the amount offset before the residual amount is transmitted to the referring DCO.

E. Payments Eligible for Offset Under TOP

1. All Federal payments may be offset under TOP except as prohibited by law or exempted by action of the Treasury. This includes payments disbursed by Treasury, the DoD, U.S. Postal Service, and other Government disbursing agencies.

2. The following types of Federal payments are eligible for offset under TOP:

   a. IRS tax refunds;
   
   b. Retirement payments issued by OPM;
   
   c. Vendor payments;
   
   d. Federal salary payments;
   
   e. Travel advances and reimbursements;
   
   f. Certain Federal benefit payments, such as Social Security retirement and disability payments;
   
   g. Grant payments; and
   
   h. Active military and military retirement payments.

3. Federal law prohibits or limits the amount of offset for certain types of payments. For a complete list of payments that are exempt from offset under TOP, refer to TOP Exemptions.

0212 REFERRAL TO PCA

021201. Authority to Use PCA

The DCMO is the designated DoD entity that may refer debts to PCAs.

021202. Contracts for PCA Services

In order to minimize collection costs and avoid duplication of efforts, the agency should refer debts to Treasury for cross-servicing in order to obtain the services of a PCA. However, under 31 U.S.C. § 3711 and the FCCS, an agency has the option of referring a debt directly to a PCA, and not through Treasury, pursuant to a contract between the agency and the PCA. To avoid double submission to the PCA when a debt is also transferred to Treasury, Treasury must be made
aware of the direct referral to the PCA. Agency contracts with PCAs to locate delinquent debtors and recover delinquent debts must define the services and must conform to the following terms.

A. The DCO will retain the final authority to resolve disputes, compromise debts, suspend or terminate collection activity, refer debts to credit bureaus, and refer debts to DOJ for litigation. If the debt was referred to the PCA as part of Treasury’s Cross-Servicing Program, then Treasury will retain authority to compromise debts.

B. The PCA will not offer the debtor, as an incentive for repayment, the opportunity to pay the debt minus the PCA’s fee, unless the PCA is granted authorization by the DoD in advance.

C. The PCA is subject to the Privacy Act of 1974 to the extent specified in 5 U.S.C. § 552a, and to any applicable Federal or state law pertaining to debt collection practices, including, but not limited to, the Fair Debt Collection Practices Act (15 U.S.C. § 1692) and the FCCS (as applicable to the agency).

D. The PCA is required to account for all amounts collected.

E. The PCA will comply with other requirements, as appropriate, with regard to locating and contacting debtors, accepting installment payments, processing late payment charges, and returning uncollectible debts to the referring DCO.

F. Debts referred to PCAs are not subject to the requirement to transfer debts to Treasury.

021203. Funding PCA Contracts

Contracts with PCAs may be funded in accordance with fixed fee or contingent fee contracts.

A. Fixed Fee. Payment to the PCA is a set fee determined without regard to the amount collected under the contract, but only to the extent that funds are made available in advance in appropriations; or

B. Contingent Fee. Payment to the PCA is based on a provision in the contract permitting the PCA to deduct a fee, consistent with prevailing commercial practice, based on a percentage of the amount collected under the contract.

0213 REFERRALS TO THE DOJ FOR LITIGATION

021301. General

A. Unless an agency has specific statutory authority to litigate its own debts, an agency must refer debts to DOJ for litigation. Debts based on conduct in violation of antitrust laws or involving fraud, or the presentation of a false claim or misrepresentation on the part of the
debtor, or any party having an interest in the claim, must be referred to DOJ for action. Before referring a debt to DOJ for litigation, the DCO should consult with its Office of General Counsel for guidance. Also, prior to referring a debt to DOJ for litigation, a DCO must take aggressive collection action in accordance with this chapter for legally enforceable debts and must ensure the debt cannot be compromised, suspended, or terminated.

B. If a DCO intends to refer a debt to the DOJ for litigation, debts with a principal amount over $1,000,000, exclusive of IPA charges, should be referred to the responsible DOJ litigation division in Washington, D.C. Debts with a principal amount of $1,000,000 or less, exclusive of IPA charges, should be referred to the DOJ’s Nationwide Central Intake Facility as required by the Claims Collection Litigation Report (CCLR) instructions and 31 CFR 902.1. DCOs must make every effort to refer delinquent debts to DOJ for litigation within the 6-year statute of limitations for initiating lawsuits against debtors, and within 1 year after a final decision has been rendered in an administrative proceeding. Refer to paragraph 020202 for additional guidance on the time limit for litigation of a debt.

C. The Defense Security Cooperation Agency (DSCA) will determine whether or not to forward a Foreign Military Sales (FMS) arrearage to DOJ for litigation. For guidance on referring FMS arrearage, refer to Chapter 6.

021302. Minimum Amount for Referral

Generally, only non-fraud debts with a principal balance equal to or greater than $2,500 are eligible for referral to DOJ. DCOs may refer debts under $2,500, exclusive of IPA charges, to DOJ for acceptance under the following circumstances:

A. To ensure compliance with policies or programs;

B. To secure a judgment against the debtor that will be filed as a lien against the debtor’s property pursuant to 28 U.S.C. § 3201, and returned to the referring office for enforcement; or

C. To obtain payment when a debtor can pay the debt, and the Government effectively can enforce payment with due regard for the exemptions available to the debtor under Federal and state law and the judicial remedies available to the Government.

021303. Notification to Debtor

Before referring a delinquent debt to DOJ for litigation, DCOs must ensure a debt notification letter as described in paragraph 020505 was issued to the debtor and the letter indicated that if the debt could not be collected using administrative procedures, litigation could result. DCOs must ensure a copy of the debt notification letter containing this notice is provided to DOJ when referring a debt for litigation.
021304. Contact With Debtor After Referral

Once a debt has been referred to DOJ for litigation, DCO personnel are required to refrain from contact with the debtor regarding the debt. DCOs must refer debtors with inquiries to the appropriate DOJ office. A DCO must notify DOJ immediately of any payments received on a debt referred to DOJ in accordance with DOJ guidance.

021305. Documentation of Debt for the DOJ

A. The DCO, or other applicable office, must submit debts to DOJ for litigation by using a CCLR and must include a signed Certificate of Indebtedness. The DCO must complete all sections of the CCLR appropriate to the indebtedness as required by the CCLR instructions, and furnish other information or documentation to DOJ as required. The CCLR must clearly indicate what actions are being requested of DOJ (i.e., enforced collection or judgment lien).

B. A blank CCLR and instructions for completion of the report are with the DOJ. The DCO must forward the CCLR to Director, Commercial Litigation Branch, P.O. Box 875, Ben Franklin Station, Washington, D.C. 20044.

C. The CCLR must include a completed checklist or brief summary of actions taken by the DCO to collect or resolve the debt and an explanation for the omission of any administrative collection action required by the FCCS or this chapter. If the debtor’s address is unknown, the DCO must include any information required by DOJ, including a list of the debtor’s prior known addresses and an explanation of actions taken to locate the debtor. The debt referral must include the debtor’s latest credit history data, such as a commercial credit report, balance sheet, or financial statement, and must provide a recommendation that will indicate whether there is reasonable prospect of enforcing debt collection.

D. The DCO may omit credit data from the CCLR if a debtor is bankrupt, in receivership, or if the debtor’s liabilities are fully covered by insurance. If applicable, DCOs must include the identity and address of the insurer and the type and amount of insurance. Credit data also may be omitted if credit history is not available, such as for a state or local Government unit.

021306. Preservation of Evidence

The DCO must preserve all debt files and records that may be needed by DOJ to prove its case in court. DCOs should include certified copies of the documents that form the basis for the debt in the debt referral package submitted to DOJ and must provide originals of the documents if requested by DOJ.

021307. Discontinuation of DCO Actions

DOJ has exclusive jurisdiction over the debts referred to DOJ. DCOs will cease collection actions on debts referred to DOJ for litigation.
0214 DEBT COMPROMISE, SUSPENSION, AND TERMINATION

021401. General

A. Under 31 U.S.C. § 3711 and the FCCS, an agency maintains the authority to compromise, suspend, or terminate collection action. The DCO, DCMO, DMO, fund holder, or other entity involved in debt collection and management may prepare a request for compromise, suspension, or termination of collection action and submit it to the appropriate authority for approval. The approving authority may be DFAS, the DoD Component, DOJ, and/or Treasury depending on the amount of the debt. The referring office submitting the request must maintain supporting documentation pertaining to the request. A referring office may take no further action on debts referred for approval.

B. When a foreign entity owes the debt that is being considered for compromise, suspension, or termination, the following coordination policies apply.

1. The Accounts Receivable Office or the Foreign DMO must coordinate proposals to compromise, suspend, or terminate collection actions on all non-FMS foreign accounts receivable, regardless of the amount, with the applicable DoD Component fund holder.

2. DFAS Security Cooperation Accounting, in cooperation with the DoD Component, must coordinate proposals to compromise, suspend, or terminate collection actions on FMS arrearages with the DSCA.

021402. Determining Debt Amount for Compromise, Suspension, and Termination

The DCO, fund holder, or other entity involved in collection and management of the debt must determine the amount of the debt in order to submit it to the appropriate approval authority for compromise, suspension, or termination. Debts must not be subdivided in order to avoid approval requirements. The requesting entity must consider a debtor’s liability arising from a particular transaction as a single debt when determining the amount for purposes of compromise, suspension, or termination approval. The dollar amount of the debt must be computed on a contract or transaction basis (for FMS debts, the Letter of Offer and Acceptance represents a transaction). The amount of the debt used as the basis includes only the principal amount of the debt then due and does not include IPA fees.

021403. Submission to the DOJ Using the CCLR

If compromise, suspension, or termination of collection action is appropriate, and the amount of the indebtedness is within DOJ’s approval threshold level (as set forth in paragraphs 021404-021406), then DFAS or the DoD Component must refer such debts to DOJ using a CCLR. Include in the referral appropriate financial information and a recommendation for the acceptance of a compromise, suspension, or termination by DOJ. Refer to paragraph 021305 for guidance on preparation and submission of the CCLR.
A. General. Compromise is the acceptance of less than the full amount of the debt in satisfaction of the entire amount of the debt. The debtor is released from liability on the full amount of the debt if the compromise amount is paid in full. The debtor (or debtor’s representative) should submit offers of compromise to the agency in writing and should include all additional information requested by the approval authority.

B. Approval Authorities. The approval authority for an offer of debtor compromise is based on the principal amount of the debt less any IPA costs and partial payments or collection.

1. Less Than or Equal to $100,000 – Debt With DFAS. DFAS has authority to approve compromises for debts arising out of the activities of, or referred to, DFAS when the principal amount does not exceed $100,000. DFAS will coordinate a compromise approval with the fund holder.

2. Less Than or Equal to $100,000 – Debt With DoD Component. DoD Components have authority to approve compromises for debts not referred to DFAS when the principal amount does not exceed $100,000.

3. Over $100,000 – Debt is Not With Treasury. DOJ has authority to compromise debts when the principal amount exceeds $100,000, and the debt has not been referred to the Treasury Cross-Servicing Program. DOJ also maintains authority to compromise all debts greater than $500,000. Only DOJ can consider noncash compromise offers for debts exceeding $100,000. The DoD does not require DOJ approval to reject a compromise offer.

4. Less Than or Equal to $500,000 – Debt With Treasury. Treasury has authority to approve compromises for debts, which have been referred for cross-servicing, when the principal amount of the debt is less than or equal to $500,000. DOJ maintains authority to compromise all debts greater than $500,000.

5. Debts in Litigation. DFAS and DoD Components cannot approve a compromise on a debt referred to DOJ for litigation unless the debt is returned to the DoD for disposition.

C. DOJ Review of Compromise Offers Less Than or Equal to $100,000. If DFAS or the DoD Component is uncertain whether to accept a firm, written substantive compromise offer on a debt within its delegated compromise authority of $100,000 or less, they may refer the offer to DOJ using a CCLR and copies of supporting data. DOJ may act upon the offer or return it with instructions or advice.

D. Reasons for Compromise. When assessing the merits of a compromise proposal from a debtor, DCOs must obtain a current financial statement from the debtor, executed under penalty of perjury pursuant to 31 CFR 902.2(g), and a credit report or other financial
information to aid in evaluating the debtor’s assets, liabilities, income, and expenses. Possible grounds for compromise include the following:

1. **Compromise Because of Litigation Risks.** Compromise may be appropriate if there is significant doubt concerning the Government’s ability to prove its case in court. The amount accepted in a compromise agreement should reflect such factors as the complexity of the legal issues, the probability of a bona fide dispute as to the facts, the availability of witnesses and supporting evidence, and the probability of successful prosecution. In determining the litigation risks involved, DFAS or the DoD Component must consult with agency counsel to consider the probable amount of court costs and attorney fees that may be imposed against the Government if litigation is unsuccessful.

2. **Compromise Because of Debtor Inability to Pay Full Amount.** Compromise of a debt may be appropriate if the debtor is unable to pay the full amount due in a reasonable time, or if the DCO cannot collect the full amount in a reasonable time using enforced collection. The compromise amount should bear a reasonable relation to the amount that can be recovered by enforced collection procedures, while considering any exemptions that may be available to the debtor and the time the collection will take. DFAS or DoD Components must consider, as a minimum, the following factors in determining a debtor’s ability to pay the full amount of the debt:

   a. Current financial statement from the debtor, executed under penalty of perjury pursuant to 31 CFR 902.2;

   b. Credit reports and other financial information;

   c. Debtor’s age and health;

   d. Debtor’s present and potential income;

   e. Debtor’s inheritance prospects;

   f. The possibility that assets have been concealed or improperly transferred by the debtor; and

   g. The availability of assets or income that may be realized by enforced collection proceedings.

3. **Compromise Where Collection Costs Exceed Amounts Recoverable or Collection is not Anticipated.** Compromise may be appropriate if the cost of collection does not justify the costs of pursuing enforced collection of the full amount. Collection costs may be a substantial factor in the compromise of smaller debts. An amount accepted in compromise may reflect a discount for the administrative and litigation costs of collection, along with consideration for the time involved to perform collection. In determining whether the cost of collection justifies enforced collection of the full amount, DFAS or the DoD Component must consider whether
continued collection of the debt, regardless of cost, is necessary to further an enforcing principle, such as the willingness to aggressively pursue defaulting or uncooperative debtors.

E. Compromise with Joint and Several Liability. When two or more debtors are jointly and severally liable, collection against all debtors should be pursued, as appropriate. DFAS or the DoD Component may not allocate the payment of a debt between debtors and must proceed to liquidate the debt as quickly as possible. A compromise agreement with one debtor will not release the indebtedness of remaining debtors. A DCO must not consider compromise with one debtor as a precedent or as binding when determining the amount that would be required from other jointly or severally liable debtors.

F. Compromises Payable in Installments. Installment payment of compromised debts generally should not be accepted due to the administrative expense and time required for the full collection of the debt. If installment payment of a compromise is necessary, DFAS or the DoD Component must obtain a legally enforceable written agreement that stipulates immediate payment of the original debt, minus sums already paid, in the event of default. Whenever possible, the DCO should obtain a security for installment repayment agreements.

G. Enforcement. Statutory penalties, forfeitures, or debts established as an aid to enforcement and to compel compliance may be compromised as long as it does not harm present or future standards for enforcement, deterrence, or compliance.

H. Tax Consequences to the U.S. Government. In negotiating a compromise, DFAS or the DoD Component must consider the tax consequences to the Government and any inappropriate tax consequences for the debtor. The agency may consider requiring a waiver of tax loss carry-forward and tax loss carry-back rights of the debtor in the compromise agreement, as stated under 31 CFR 902.6. See 31 CFR 903.5 for reporting the discharge of an indebtedness to the IRS.

I. Mutual Releases of the Debtor and the Government. In appropriate circumstances, DFAS or the DoD Component may implement an accepted compromise in the form of a mutual release. In a mutual release, the debtor is released from further non-tax liability on the compromised debt in consideration of payment in full of the compromised amount. The Government and its officials, past and present, are released and discharged from any and all claims the debtor may have against them arising from the same transaction. In the event a mutual release is not executed when a debt is compromised, unless prohibited by law, the debtor is still deemed to have waived any and all claims and causes of action against the Government and its officials related to the transaction giving rise to the compromised debt. Sample mutual release language is as follows:

Consideration and Release of Claims Against the Department of Defense (DoD), the Creditor Agency, and the United States and Debtor. In consideration of DoD’s obligations under the agreement to compromise the debt, the Debtor hereby releases DoD, the Creditor Agency, and the United States from any and all claims arising prior to the execution of this agreement and arising out of, or related to, the receivables. This shall in no way be deemed an admission of liability by the DoD,
the Creditor Agency, or the United States or an admission of the existence of any claims against the DoD, the Creditor Agency, or the United States. The debtor is hereby released from further non-tax liability on the compromised debt in consideration of payment in full of the compromised amount. This release shall survive any termination of the agreement.

*021405. Suspension of Collection Action

A. General

Pursuant to 31 CFR 903, suspension of collection action is a determination by the agency to temporarily cease collection action.

B. Approval Authority

1. Less Than or Equal to $100,000 – Debt With DFAS. DFAS has authority to suspend collection on debts arising out of the activities of, or referred to, DFAS when the principal amount does not exceed $100,000. DFAS will coordinate suspension approval with the fund holder.

2. Less Than or Equal to $100,000 – Debt With DoD Component. DoD Components have authority to suspend collection action on debts that have not been referred to DFAS when the principal amount does not exceed $100,000.

3. Over $100,000 – Debt is Not With Treasury. DOJ has authority to suspend collection action on debts when the principal amount exceeds $100,000, and the debt is not being serviced by the Treasury Cross-Servicing Program. DOJ also has authority to suspend collection action on all debts greater than $500,000.

4. Less Than or Equal to $500,000 – Debt With Treasury. Treasury has authority to suspend collection action on debts, which have been referred for cross-servicing, when the principal amount of the debt is less than or equal to $500,000. DOJ maintains authority to suspend all debts greater than $500,000.

C. When Suspension Should Be Considered. The DCO may suspend collection action, subject to the dollar limits stated in subparagraph 021405.B, under the following conditions.

1. Location of Debtor Unknown. The debtor cannot be located.

2. Financial Condition. The debtor’s financial condition is not currently conducive to repayment, but it is expected to improve. Based on the current financial condition of the debtor, collection activity may be suspended when the debtor’s future prospects justify retention of the debt for periodic review and collection activity and:
a. Enforced collection will not be barred by the applicable statute of limitations;

b. Future collection can be made using administrative offset; or

c. The debtor agrees to pay interest on the suspended debt amount, and the suspension is likely to enhance the debtor’s ability to pay the full debt principal amount at a later date with interest.

* 3. Waiver, Remission, or Review. In most circumstances, the application for waiver or remission does not delay the collection of a debt. Generally, debt collection is delayed while a review is pending. In some circumstances, the formal suspension of a debt under 31 CFR 903 may be appropriate when a debtor requests a waiver, remission, or review of the debt (to include the timely filing of a hearing petition). The DCO may also suspend contract debts if a contractor’s request for deferment is approved. Refer to Chapter 5 for guidance on contract debt deferments. Suspension of collection activity is not appropriate if the request for waiver, remission, or review/hearing is frivolous or made primarily to delay collection. Collection activity may be suspended during the time required for consideration of the debtor’s good faith request for waiver, remission, or review/hearing of the debt if any of the following factors apply:

a. The statute under which the request is sought prohibits collection activity during that time;

b. The amount collected during that time cannot be refunded under the applicable statute;

c. There is reasonable possibility the debtor will prevail;

d. There is reasonable assurance the debt could be collected if the debtor does not prevail; or

e. Collection of debt would cause undue hardship.

4. Deceased Active Duty Service Members. Under 31 U.S.C. § 3711(f)(1), the Secretary of Defense may suspend the collection of a claim against the estate of a Service member who died while on active duty with the Army, Navy, Air Force, Marine Corps, or Coast Guard during a period when the Coast Guard is operating as a service in the Navy.

5. Bankruptcy. When a bankruptcy petition has been filed with respect to a debtor, collection activity on a debt must be suspended pursuant to 11 U.S.C. §362, 1201, or 1301, unless it can be clearly established that the automatic stay has been lifted or no longer is in effect. With the coordination and assistance of the supporting legal office, DCOs must take action to prevent disbursement of funds to the debtor until relief from the automatic stay is obtained.

6. Debts in Litigation. The DCO must suspend collection if the debt is being referred to DOJ for litigation.
D. Suspending Collection of Debts of Wounded or Injured Service Members. In accordance with 37 U.S.C. § 1007(c)(4), if a Service member, through no fault of his or her own, incurs a wound, injury, or illness while in the line of duty in a combat operation or combat zone designated by the President or the Secretary of Defense and is overpaid pay or allowances while recovering from the wound, injury, or illness, then the DCO may not collect the overpayment from the Service member’s pay until the criteria listed in Chapter 3, subparagraph 030305.C are met.

E. Delay of Collection Action for Service Members. In accordance with 37 U.S.C. § 1007(c)(3)(B), Service members subject to deductions from pay under that section may request a delay in the start of the repayment requirement to recover the indebtedness. Before beginning salary offset, the DCO will consider the reasons provided by the Service member for the requested delay, including the financial ability of the Service member to repay the indebtedness and the hardship that immediate collection would impose on the Service member and his or her dependents.

021406. Termination of Collection Action

A. General

1. Termination of collection action is a determination to cease active collection because such action is not economically worthwhile or is otherwise inappropriate. Before terminating collection, the agency should have pursued all appropriate means of collection and determined the debt is uncollectible.

2. Termination ceases active collection, but an agency may still pursue passive collection action (for example, when the debt remains secured by a judgment lien or lien interest, or is being collected through TOP). Termination results in the removal of the debt from the active collection files. Termination does not preclude the agency from retaining a record of the account for the reasons under subparagraph 021406.D. Refer to subparagraph 021406.C.8 for termination of debts discharged in bankruptcy proceedings. Refer to Volume 4, Chapter 3 for guidance on writing off debts upon termination of active collection.

B. Approval Authorities

1. Less Than or Equal to $100,000 – Debt With DFAS. DFAS has authority to terminate collection action on debts arising out of the activities of, or referred to, DFAS when the principal amount does not exceed $100,000. DFAS will coordinate with the fund holder.

2. Less Than or Equal to $100,000 – Debt With DoD Component. DoD Components have authority to terminate collection action on debts that have not been referred to DFAS when the principal amount does not exceed $100,000.

3. Over $100,000 – Debt is Not With Treasury. DOJ has authority to terminate collection action on debts when the principal amount exceeds $100,000, and the debt is
not being serviced by the Treasury Cross-Servicing Program and also has approval to terminate collection action on all debts with a principal amount greater than $500,000.

4. **Less Than or Equal to $500,000 – Debt With Treasury.** Treasury has authority to terminate collection action on debts, which have been referred for cross-servicing, when the principal amount of the debt is less than or equal to $500,000. DOJ maintains authority to terminate all debts greater than $500,000.

C. **Reasons to Terminate Collection Action.** Active collection of a debt may be terminated after all appropriate means of collection have been pursued, and a determination is made, based upon the results of collection activity, that the debt cannot be collected. The DCO may terminate collection activity under the following conditions:

1. No substantial amount can be collected using all tools available;
2. The debtor cannot be located;
3. Costs of collection are anticipated to exceed amounts recoverable;
4. The debt is subsequently found to be plainly erroneous or legally without merit;
5. Enforced collection is barred by any applicable statute of limitations;
6. Documentation indicates further collection action would be futile;
7. Subsequent to the establishment, the debt cannot be substantiated;
8. The debt has been discharged in bankruptcy. Additional guidance on termination of debts discharged in bankruptcy is found at section 0215; or
9. The Active Duty Service member is deceased. Under 31 U.S.C. § 3711(f)(1), the Secretary of Defense may terminate collection of a claim against the estate of a Service member who died while on active duty with the Army, Navy, Air Force, Marine Corps, or Coast Guard during a period when the Coast Guard is operating as a service in the Navy.

D. **Record of Terminated Accounts.** Although a debt may be terminated for collection activity, DFAS or the DoD Component must retain a record of the debt for the purposes of:

1. Selling the debt, if Treasury determines the sale is in the best interest of the United States;
2. Pursuing collection activity at a later date in case there is a change in the debtor’s status or a new collection tool becomes available;
3. Offsetting against future income or assets not available at the time of termination of collection activity; or

4. Screening future applicants for prior indebtedness.

E. Exception to Termination. When a significant enforcement policy is involved, or recovery of a judgment is a prerequisite to the imposition of administrative sanctions, debts may be referred to DOJ for litigation, even though termination of collection action otherwise might be appropriate.

F. Write-off and Close-out of Debt. Write-off is mandatory for public delinquent debt that has not been collected within 2 years of delinquency, unless documented and justified to the Office of Management and Budget in consultation with the Treasury. Write-off procedures are also necessary for debts that are below the break-even threshold. Refer to Volume 4, Chapter 3 for guidance on write-off and close-out of receivables.

021407. Debts Involving Violation of Antitrust Laws or Fraud

The policy and requirements in this chapter relating to compromise, suspension, and termination of collection activity do not apply to any debt based in whole or in part on conduct in violation of the antitrust laws. The policy and requirements also do not apply to any debt involving fraud, the presentation of a false claim, or misrepresentation on the part of the debtor or any party having an interest in the debt. Only the DOJ has the authority to compromise, suspend, or terminate collection activity on such debts. Upon identification of a debt meeting these criteria, DCOs must promptly refer the debt to DOJ for action. DOJ may return the debt to the DCO for further handling.

0215 DEBTORS INVOLVED IN BANKRUPTCY PROCEEDINGS

If the DCO learns that a bankruptcy petition has been filed by a debtor, the DCO must take immediate action to ensure the prompt termination of debt collection or processing of bankruptcy orders by referring to the following instructions.

A. Active Duty and Reserve Members. If an active duty or reserve member who owes a debt to the DoD files for bankruptcy, the DCO must refer to the instructions in Volume 7A, Chapter 50.

B. Military Retirees. If a military retiree who owes a debt to the DoD files for bankruptcy, the DCO must refer to the instructions in Volume 7B, Chapter 17.

C. Federal Civilian Employees. If a Federal civilian employee who owes a debt to the DoD files for bankruptcy, the DCO must refer to Volume 8, Chapter 8.

D. Commercial Entities. If a DoD vendor or contractor files for bankruptcy, the DCO must refer to Chapter 5, section 0508.
0216 BREAK-EVEN ANALYSIS

021601. Extent of Collection Efforts for Domestic Debts

A. General. Except for debts of foreign countries, debt accounting and collection procedures must be designed to provide information to assist in determining realistic points of diminishing returns beyond which collection efforts are not justified, and the minimum amount of a debt when no collection action at all should be undertaken. The procedures must capture the total cost of the debt collection process (both direct and indirect costs) by dollar range of debt and the total number of cases processed. Until the DCO accumulates actual cost data, it may develop cost analysis techniques for use in determining the unit cost of processing first debt notices and all other follow-up actions. When estimating costs, update the estimates periodically or when circumstances and conditions change significantly. Standardize, document, and retain the methodology utilized to estimate costs.

B. Comparison Requirements. As needed, the DCMO and DMO will make at least an annual comparison of costs incurred against amounts collected in its debt collection process to assist in the establishment of reasonable points at which the cost of further collection efforts are likely to exceed recovery. This cost comparison, however, represents but one appraisal element to consider in the analysis of when and where to terminate collection efforts. Other reviews concerning the type of debt, size, and age statistical analysis will also be performed before a final point of termination of collection action is determined. The DCO should consider the following definitions when making cost comparisons, reviews, and analysis.

1. **The Debt Collection Process.** The debt collection process includes:

   a. The preparation of the first debt notice;

   b. All follow-up actions, such as answering rebuttals, processing requests for waiver or remission, holding hearings, negotiating compromises, handling installment contracts and suspenses, processing collections, and making referrals to credit reporting and collection agencies; and

   c. The completion of the case, including maintaining the case file information until the appropriate statute of limitations expires.

2. **Direct Cost.** Direct cost includes any cost identified specifically with handling cases or accounts during the debt collection process. These costs normally consist of personnel costs, computer equipment costs, supplies, postage, and contract services.

3. **Indirect Cost.** Indirect cost includes any cost identified with the debt collection process, but which benefits that process and at least one other activity. Accumulate these costs only when they are expected to exceed 20 percent of the direct costs.
4. **Cases Processed.** The term cases processed refers to the number of cases completed or closed during the year, either by collection or write-off. Collection includes compromises and offsets from other Federal government payments.

021602. **Break-Even Analysis Format**

A break-even analysis is one method of determining realistic points at which further collection efforts are not justified. Refer to Table 2-1 for a break-even analysis format and instructions.
Figure 2-1. Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances

(1)

(2)

Dear (3):

This is to inform you that you were overpaid for pay periods ending (4) through (4). The gross amount of your overpayment (including pay, taxes, benefits and other deductions) is $ (5). The Defense Finance and Accounting Service (DFAS) has adjusted your debt for any previous payments made and offsets taken and has determined that the net amount of the debt currently owed by you is $ (6). The overpayment is a result of (7). The payment was incorrect because (8). Your account was audited and the attached debt worksheet contains information detailing the overpayment.

Payment of Your Debt. Please pay the debt in full by (9), which is (10) days from the date of this letter. Your check or money order should be made payable to Treasury in the amount of $ (6). Please send your payment to DFAS-CL, ATTN: J3DCBB/555, 1240 E. 9th St., Cleveland, OH 44199-2056. If you are unable to pay the debt in one lump sum, you may agree in writing to pay the debt in regular installments by completing the enclosed Voluntary Repayment Agreement and mailing or faxing it to the address listed on the Agreement.

If You are Unable to Pay Your Debt. If you do not repay the debt in full, or do not submit a Voluntary Repayment Agreement (enclosed) within (10) days from the date of this letter, DFAS must collect the debt using other collection procedures. Beginning on (11), DFAS will initiate collection of the debt involuntarily from your pay by using salary offset procedures (payroll deductions). A maximum of 15 percent of your net disposable pay will be deducted each pay period until your debt is paid in full. The salary offset amount may fluctuate each pay period depending on your available net disposable pay. DFAS estimates that based on your current payroll information, your available disposable pay is $ (12), and 15 percent of your disposable pay is (13). Repayment of the principal amount of your debt would be completed in approximately (14) pay periods. If you retire or resign before your debt is paid in full, the entire amount of your final pay (salary and lump-sum payments) may be applied to pay off your debt. If you file for bankruptcy, you must notify DFAS as soon as possible.

Opportunities Available to You. If appropriate, you may contact your timekeeper to make time and attendance corrections, or your personnel office to make pay or allowance changes. You may inspect and/or receive copies of DFAS records related to your debt by contacting DFAS at the address listed above. If appropriate, you may request a hearing (see the enclosed instructions on “Requesting a Hearing”). You can find additional information on hearings and/or waivers at www.dfas.mil/civilianemployees/debt. If you do not wish to dispute the validity or amount of the debt, you are entitled to request a waiver of your debt (see the enclosed instructions on “Requesting a Waiver”). DFAS will promptly refund to you any amounts you have paid or that were deducted for your debt which are later waived or found not owed to the United States.


You may contact your Personnel Office or Customer Service Representative (CSR) if you have questions regarding your debt. If you have further questions about your debt, your CSR may initiate a Remedy inquiry to request information from DFAS, or you may contact the DFAS Civilian Payroll Office at 1-800-538-9043. You may also write to the DFAS Civilian Payroll Office at the addressed listed on this letter.

Sincerely,

SIGNATURE

(15)

Supervisor, Debt Processing Branch

(16)

Enclosures:

As stated
**Figure 2-1. Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)**

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Figure 2-1. Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

**COLLECTION OF YOUR DEBT**

Please be aware of the following additional information concerning the collection of your debt:

**Interest and Additional Charges.** If you are unable to pay the debt in full by 30 days from the date of this notification, any unpaid portion of the debt will be considered delinquent. DFAS is authorized by law to add interest, penalties, and administrative costs to your debt if it is not paid within 30 days from the date of this letter. The rate of interest charged is at the U.S. Treasury Tax and Loan Rate and may commence on the date your debt becomes delinquent and may continue until the debt is paid in full. Additional penalties may be imposed at the rate of up to 6 percent a year, as well as administrative charges, on any unpaid portion of your debt that is delinquent for more than 90 days, commencing on the date your debt becomes delinquent and continuing until the debt is paid in full.

**Collection Action on Delinquent Debts.** If DFAS is unable to collect your debt by salary offset, DFAS may enforce repayment of your debt by using other available collection remedies such as referring your debt to a private collection agency, reporting your debt to a credit bureau, garnishing your non-Federal employment wages, or referring your debt to the U.S. Department of Justice for litigation. Debts delinquent for more than 120 days are transferred to the U.S. Department of Treasury (Treasury) for collection, and may be transferred sooner than 120 days. Treasury may offset your Federal income tax refunds or other Federal benefit payments, such as Social Security and Federal employee retirement benefits, in order to collect your debt. You may also be prohibited from being approved for a Federal loan if you do not resolve your outstanding delinquent debt.

**Collection of Federal Employee Health Benefit (FEHB) Premiums.** Your debt may be the result of an advance in salary you received when you were on leave without pay status (LWOP) or when your pay was insufficient to cover your share of your FEHB premiums. When you return to employment, or upon your pay becoming sufficient to cover the premiums, you are required to reimburse your employer for the premiums paid on your behalf. If you pay your debt with after-tax dollars using a personal check, the payment will not be subject to pre-tax treatment that would reduce your taxable income. In order to ensure the repayment will be treated on a pre-tax basis, you must select payroll deduction as your repayment method. Pursuant to OPM regulations under 5 CFR 890.502, the “catch-up” option for repaying your FEHB premiums may not be paid pursuant to a Voluntary Repayment Agreement. Premiums must be collected back each pay period at the rate your employer paid the premium for you.

**Penalties for False or Frivolous Statements.** Please be advised that if you make or provide any knowingly false or frivolous statement, representations or evidence with respect to your debt, you may be liable for penalties under the False Claims Act (31 U.S.C. § 3729-3733) or other applicable statutes, and/or criminal penalties under 18 U.S.C. § 286, 287, 1001, and 1002, and other applicable statutes. A Federal employee may also be subject to disciplinary procedures under 5 U.S.C. Chapter 75 or any other applicable statutes or regulations.

**Tax Considerations.** Per Internal Revenue Service (IRS) Publication 15, income tax withheld by DFAS in a prior calendar year cannot be adjusted. Therefore, if your overpayment occurred in a prior calendar year, you must pay back the gross amount of your debt, including any taxes previously withheld and paid on your behalf to the IRS. You may be entitled to a deduction (or credit in some cases) for the repaid wages on your income tax return for the year of repayment of your debt. If your overpayment and repayment both occur in the same calendar year, DFAS will be able to adjust your tax withholding and you will be responsible for repaying only the net overpaid amount. Upon repayment in the same calendar year, your W-2 will be adjusted to reflect your income and the associated taxes. Finally, please be aware that should your debt repayment ever become delinquent and collected by the offset of your tax refund, your spouse may file Form 8379, Injured Spouse Allocation, with the IRS to claim his or her share of the tax refund.

**Bankruptcy.** If you file for bankruptcy, you must notify DFAS as soon as possible.
Figure 2-1. Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances
(Continued)

REQUESTING A HEARING

You may request a hearing to contest the validity of your debt or the amount of your debt. If your debt will be collected by involuntary salary offset (other than pursuant to a Voluntary Repayment Agreement), you may also request a hearing to contest the terms of the involuntary salary offset schedule.

Is a hearing always the first step? No. Your Personnel Office or your Customer Service Representative may answer general questions about your debt. If you request a hearing, DFAS will first perform an informal reexamination (“reconsideration”) of your pay records to validate the amount of debt you owe. DFAS will perform the reconsideration and issue written results to you. Reconsideration is an informal review performed to satisfy any doubts you may have regarding the amount or validity of your debt. A reconsideration is not a formal hearing. After considering the results of the reconsideration, you may decide not to proceed with the formal hearing process. To continue with a formal hearing, you must notify DFAS of your intent in a timely manner as noted below.

What happens during the hearing process? If you file a petition for a hearing in a timely manner, a hearing official will make a written determination regarding the validity or the amount of your debt, or will make a ruling on the proposed involuntary repayment schedule. The hearing official will consider any written statements and/or documentary evidence you submit, as well as internal agency debt files. You are entitled to a “Paper Hearing” wherein the hearing official makes a determination based on a review of the documents only, without the parties present. Rarely is an oral hearing granted and only if DFAS determines that the matter cannot be resolved by a review of the documents alone. You will receive a written decision within 60 days after filing your petition, unless the hearing official grants a delay. Collection of your debt, and any interest and penalty charges, will be suspended until the hearing official issues a written decision.

Is there a time limit for requesting a hearing? You must file a petition for a hearing within 30 days from the date of the attached debt notification letter (extended to 45 days if outside the Continental United States). If you requested records related to your debt, you must file a petition for a hearing within 45 days after the date the records are distributed. If DFAS performs a reconsideration of your debt (as explained above) and you wish to proceed with a formal hearing, you must notify DFAS within the time limit stated in the written reconsideration results you received.

What must be included in a hearing petition? Your written hearing petition must contain the following:

- Your name, daytime phone number, email address, mailing address and social security number.
- The reason for your hearing request, presented as follows:

  1) To Contest the Validity of Your Debt or the Amount of Your Debt: Provide a statement concerning why you believe the debt (or the amount of the debt) is erroneous. To support your argument, include a written summary of the facts of your case for the hearing official. Include the date and manner in which you became aware of any overpayment. Include all documentary evidence you want the hearing official to review (such as Leave and Earning Statements (LES)). Include the written testimony of any witness you wish the hearing official to consider.

  2) To Contest the Proposed Schedule for Collection of Your Debt by Involuntary Salary Offset: Provide an alternate payment schedule and a statement explaining your financial status. Provide copies of records to be considered by the hearing official.

- Sign and date your hearing petition and include your Social Security number. Identify your submission as “HEARING PETITION”

Where do I file a hearing petition? Fax your signed hearing petition and documentary evidence to 1-866-401-5849. If your hearing petition is missing information, you will receive a request to submit additional information. Failure to submit the additional information within 30 business days of notification will result in your hearing petition being dismissed. Alternatively, you may mail your hearing request and documentary evidence to DFAS Civilian Pay-IN, Dept. 6200, 8899 East 56th St., Indianapolis, IN 46249-1900.

Where do I find additional information? See DoD FMR Volume 16, Chapter 4.
REQUESTING A WAIVER

**What is a waiver?** Under 5 U.S.C. § 5584, the United States may waive its right to collect the debt you owe if collection would be against equity and good conscience and not in the best interest of the United States. The debt must be the result of an erroneous payment of pay or allowances (including travel, transportation, or relocation expenses and allowances). A debt may be waived in whole or in part. Collection of your debt generally will not be suspended during the waiver review process.

**May I apply for a waiver and simultaneously request a hearing?** No. By submitting an application for a waiver, you acknowledge that you do not intend to dispute the validity or amount of the debt. Waiver is not the proper forum to contest the validity or amount of your debt. If your waiver application includes arguments concerning the validity or amount of your debt, your application may be denied. In order to contest the validity or amount of your debt, you must file a petition for a hearing.

**Is there a time limit for filing a waiver application?** You must file a waiver application within 3 years after the erroneous payment was discovered.

**What must be included in a waiver application and where should the application be submitted?**

**DD Form 2789:** You must complete and sign DD Form 2789, “Waiver/Remission of Indebtedness Application,” available at: [http://www.dtic.mil/whs/directives/forms/eforms/dd2789.pdf](http://www.dtic.mil/whs/directives/forms/eforms/dd2789.pdf). Send the application and all supporting documents to the address in your debt letter. If your waiver application is missing information, you will receive a request to submit additional information. Failure to submit the additional information within 30 business days of notification will result in your request for waiver being closed with no action.

**Supporting Documents:**
You must include supporting documents with your waiver application. Supporting documents include, but are not limited to:
- Copies of all supporting documentation referred to in DD Form 2789.
- Copies of Leave and Earnings Statements (LESs) covering 3 pay periods prior to the overpayment(s) through 3 pay periods after the overpayment ended. If you do not have access to your LESs, you must include a statement explaining why the LESs are not available.
- Copies of Standard Forms (SF) 50s, “Notification of Personnel Action”, for the debt period (including corrections). If unavailable, include a statement from the personnel office indicating why they are not available.
- Any statement from you or any other persons in support of your application. Statements must be attested to be true and correct to the best of the individual’s knowledge and belief.
- Additional required documents by type of debt:
  - **Personnel Debts:** any job offer letter/email (if applicable).
  - **FEHB Debts:** SF-2809/SF-2810 (copy of your original enrollment form and any amendments).
  - **FEGLI Debts:** SF-2817 (copy of your original enrollment form and any amendments).
  - **Awards and Bonus Debts:** Signed agreements or contracts for bonuses and/or Voluntary Separation Incentive Program payments.
  - **Foreign Entitlement Debts:** SF-1190 (signed by an official) and Military Orders (if applicable).
  - **Time and Attendance Debts:** Time and Attendance cards for debt period.

**Where Do I Find Additional Information?** See DoD FMR Volume 16, Chapter 4.
Figure 2-1. Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

Sample Voluntary Repayment Agreement for Civilian Payroll Indebtedness

Debt Information:

Employee’s Name ____________ SSN: ___________ Pay Blk: ______________

Debt Reason: ____________________
Sequence Number: ________________
Amount Owed: _______________
Estimated Disposable Net Amount: ______________
Estimated Deduction Amount 15% of net disposable per pay period: ____________
Code: _____ Debt Dates: ________ through _______ Creation Date: ___________
LOA: __________________________________________________________

Acknowledgement. I acknowledge that I owe the total amount indicated above due to a salary overpayment and that I am obligated to repay the debt to the United States. I understand that in the event I take no further action, 15 percent of my disposable pay will be deducted automatically beginning with the pay period stated above.

Interest. I also understand that if I decide to repay the amount owed by any method other than in a single lump-sum payment, interest at the Treasury Tax and Loan rate may be charged on the unpaid balance every month until the debt is paid in full.

Payment Obligation. I agree to repay the debt in the manner I have indicated below. Please choose one of the following repayment plans (check one):

___ Payment in Full by Check. I will repay my debt in a lump sum by check. My payment in the amount of $_____________ is enclosed. Make check payable to Treasury and mail to DFAS-CL, ATTN: J3DCBB/555, 1240 E. 9th St., CLEVELAND, OH 44199-2059 and fax this form to (317) 275-0354 (DSN 366-0354) or (866) 401-5849.

___ Payment by Salary Offset. I will repay my debt by having the payment offset from my salary. DFAS will accept the total payment amount as full and final payment of the debt, payable as follows (check one):

________ Single Payment. I wish to pay the total amount of the debt by salary offset in one payment.
Please deduct the total amount of the debt from my salary on pay period ending ___________.

________ Multiple Payments at 15% of Disposable Pay. I do not want to pay the debt all at once. I authorize DFAS to deduct the amount listed above (estimated to be 15% of my disposable pay per pay period) until the debt is paid in full.

________ Multiple Payments at More than 15% of Disposable Pay. I do not want to pay the debt all at once. I authorize DFAS to deduct $___________ each pay period, which is more than 15% of my disposable pay, until the debt is paid in full.

________ Multiple Payments at Less than 15% of Disposable Pay. Payment at the rate of 15% of my disposable pay would result in an extreme financial hardship for me. I authorize DFAS to deduct $___________ each pay period. This repayment amount has been approved by my employing agency (**Signature of agency approving official/supervisor is required below). In determining your proposed repayment amount, please be advised your debt should be repaid within 3 years, divide the amount due by 78 to determine the lowest bi-weekly payment; minimum payment amount is $25 per pay period. You may be required to submit financial statements annually whenever your repayment period exceeds 3 years.

___ Multiple Payments at Less than 15% of Disposable Pay. Payment at the rate of 15% of my disposable pay would result in an extreme financial hardship for me. I authorize DFAS to deduct $___________ each pay period. This repayment amount has been approved by my employing agency (**Signature of agency approving official/supervisor is required below). In determining your proposed repayment amount, please be advised your debt should be repaid within 3 years, divide the amount due by 78 to determine the lowest bi-weekly payment; minimum payment amount is $25 per pay period. You may be required to submit financial statements annually whenever your repayment period exceeds 3 years.
In the Event of Default. In the event I default on my obligation under this agreement, DFAS is entitled to terminate this agreement without notice. Upon termination, DFAS will retain all amounts paid. Any unpaid balance of the debt will be automatically reinstated and shall become immediately due and payable pursuant to law. DFAS is entitled to take any lawful action it deems appropriate to collect the debt without duplicating notices and opportunities for review previously provided to me, whether before or after the date of this agreement.

I have read and fully understand and agree to the terms of this agreement.

Signature of Employee: __________________________________________  Date: ______________

Daytime Telephone Number: _____________________________

**Approving Official/Supervisor/Budget Representative (for Department of Defense Education Activity Employees)
Signature (when required):

_________________________  Date: ____________

Printed Name

Submitting Your Signed Agreement. Please sign and return this repayment agreement to your payroll office. Alternatively, you may submit your signed agreement by FAX to (317) 275-0354 (DSN 366-0354) or (866) 401-5849, or by mail to DFAS-IN Dept. 6200 Civilian Pay, 8899 East 56th Street, Indianapolis, IN 46249-1900.

Rejection of an Unacceptable Agreement by DFAS. DFAS maintains the discretion to reject an unacceptable proposed repayment agreement and proceed with collection by salary offset. DFAS will notify the employee in writing in the event the repayment plan submitted by the employee is unacceptable.

THIS REPORT CONTAINS INFORMATION SUBJECT TO THE PRIVACY ACT OF 1974 AS AMENDED.
Figure 2-2. Military Sample Debt Notification for Overpayment of Pay and/or Allowances

DEFENSE FINANCE AND ACCOUNTING SERVICE  
[Supporting Finance/Military Pay Office]

Payment Coupon

Payment in Full Other than Payroll Collection. I am paying my debt in a lump sum by money order or cashier’s check. My payment in the amount of $______________ is enclosed. Please submit the payment coupon with money order or check to the DISBURSING OFFICER, [Supporting Finance/Military Pay Office]

Debt Information:

Member’s Name: __________________________

SSN: XXX-XX-_______

Amount Owed: $_______.

Estimated Disposable Net Amount $________________

Estimated Deduction Amount 15% of net disposable per pay period $______________

Type of debt/Format Identifier code (for example, DQ or DV) __________________________

Sequence # (from Master Military Pay Account)___________________________________________

Line of Accounting _________________________________________________
Figure 2-2. Military Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

<table>
<thead>
<tr>
<th>DATE</th>
<th>SUSPENSE: DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

[Supporting Finance/Military Pay Office]

MEMORANDUM FOR: RANK, LAST NAME, FIRST NAME

SUBJECT: Notice of Indebtedness to an Officer

<table>
<thead>
<tr>
<th>MEMORANDUM FOR [Supporting Finance/Military Pay Office]</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUBJECT: Notice of Charge to an Officer RANK, Last Name (0000)</td>
</tr>
</tbody>
</table>

Payment Obligation. I agree to repay the debt in the manner I have indicated below. Please choose one of the following repayment plans (check one):

- I acknowledge the validity of this debt and agree to the collection of the amount due from my pay.
- I acknowledge the validity of this debt and request installment payments of the amount over a period of _______ months. I have attached a statement detailing the reasons why this debt should be prorated and not collected in one lump sum.
- I acknowledge the validity of this debt and would like to pay the debt with a cashier’s check or a money order. Please ensure the cashier’s check or money order is made out to the Disbursing Officer, [Supporting Finance/Military Pay Office] Please include this line of accounting on the check: ________________________________
- I will come to the [Supporting Finance/Military Pay Office] to discuss this matter on __________________ (Date must be prior to the suspense date on basic letter).

__________________________   ____________________
Service Member’s Signature        Date

1. Finance has identified an outstanding debt to the U.S. Government for overpayment of (name of debt) in the amount of $XXX.XX from YEARMMDD-YEARMMDD.

2. You have until the close of business of the suspense date indicated above to dispute this debt by submitting a written request for review, along with supporting documentation, to the [Supporting Finance/Military Pay Office], Collections Desk. Upon timely receipt of your request, the debt will be reviewed and a written response will be issued to you within 60 days. If your request for review and supporting documentation is not supplied by the suspense date, immediate collection action will be initiated using the 2/3 rule as set out in the Department of Defense Financial Management Regulation, Volume 16, Chapter 3. If you retire or resign before your debt is paid in full, the entire amount of your final pay (salary and lump-sum payments) may be applied to pay off your debt. An administrative fee will only be assessed if no response is received by the suspense date or the debt is paid via installments.

3. Under DoD FMR Volume 7A, Chapter 40, paragraph 400503 and Chapter 52, paragraph 520101, if the finance office is unable to collect your debts due to voluntary deductions for Thrift Savings Plan contributions and/or discretionary allotments, your allotment(s) will be stopped after the suspense date indicated on this Notification of Indebtedness, and the debt collection will commence as indicated in paragraph 2.
4. You may be eligible to apply for waiver or remission/cancellation of your debt. See attached “Collection of Your Debt” for more information. DFAS will promptly refund to you any amounts you have paid or that were deducted for your debt which are later waived, remitted, or determined not to be owed to the United States.

5. You may request an installment payment plan. A request for payment by installment is subject to the [Supporting Finance/Military Pay Office] final approval which will take into account the amount of the debt and your financial ability to pay the debt. A x% annual interest rate will be charged on any unpaid portion of the debt and an administrative fee may be assessed.

   NOTE: For any installment payment period greater than 12 months, an additional memo from your Commander is required stating a longer repayment period is needed based on your financial hardship. This memo will be forwarded to the appropriate authority for approval, with the recommendation of the [Supporting Finance/Military Pay Office]. The recommendations MUST be based on a financial hardship and allow for collection of the debt prior to the Service member’s date of separation. Any installment period that exceeds 24 months will be reviewed every 12 months, and will require the member to show continued financial hardship, or the debt will be resumed based on the above mentioned 2/3 rule in paragraph 2.

6. Request correspondence to be returned to the [Supporting Finance/Military Pay Office Address]

   [Signature of Supporting Finance/Military Pay Office]
Figure 2-2. Military Sample Debt Notification for Overpayment of Pay and/or Allowances
(Continued)

Appropriate [Supporting Finance/Military Pay Office] Letterhead

DATE

SUSPENSE: DATE

[Supporting Finance/Military Pay Office]

MEMORANDUM FOR COMMANDER, XXX

SUBJECT: Notice of Indebtedness

1. Select one of the following items by initialing on the line preceding your choice and sign and date where appropriate. Return this memorandum back to the [Supporting Finance/Military Pay Office] for processing by suspense date.
   _____ a. I acknowledge the validity of this debt and request lump-sum collection from my next regular pay.
   _____ b. I acknowledge the validity of this debt and request prorating of debt for ____ months. Request for installment payments less than 12 months will be subject to approval by this office. A $x\%$ annual interest rate will be charged on any unpaid portion, and an administrative fee may be assessed to the total debt.

NOTE: For any proration greater than 12 months, an additional memo from either the Unit Commander or [Applicable Senior Enlisted Advisor] is required indicating their justification of their recommendation. This memo will then be forwarded to DFAS-Indianapolis for approval with the recommendation of the Defense Military Pay Office. The recommendation MUST be based on a financial hardship and allow for debt collection prior to the member’s date of separation. Any installment agreement that exceeds 24 months will be reviewed every 12 months, and will require the member to show continued financial hardship or the debt will be resumed based on the above mentioned 2/3 rule in paragraph 2. If you retire or resign before your debt is paid in full, the entire amount of your final pay (salary and lump-sum payments) may be applied to pay off your debt.
   _____ c. I acknowledge the validity of this debt and would like to pay the debt with a cashier’s check or a money order. Please ensure the cashier’s check or money order is made out to the DISBURSING OFFICER, [Supporting Finance/Military Pay Office]. Please include this line of accounting on the check:

   _____ d. I disagree with the debt. I will contact the [Supporting Finance/Military Pay Office] PRIOR to the suspense date to dispute this debt. I request remission or cancellation.

   ____________________________  ______________________
   Service Member’s Signature       Date

   ____________________________  ______________________
   Commander’s Signature        Date

2. The point of contact is XXX, Collections Desk @ XXX-XXX-XXXX.

3. Finance has identified outstanding debt to the U.S. Government pertaining to [Rank] Last name, First name (last 4 of SSN], in the amount of $XXX.XX for overpayment of (name of debt) from YEARMMDD to YEARMMDD.

4. The Service member has until the close of business of the suspense date indicated above to dispute this debt and provide supporting documentation to the [Supporting Finance/Military Pay Office], Collections Desk. If supporting documentation is not supplied by the suspense date, immediate collection action will be initiated using the 2/3 rule of the Department of Defense Financial Management Regulation, Volume 16, Chapter 3. An administrative fee will ONLY be assessed on the debt if no response is received by the suspense date or the debt is repaid via installments. You are advised that you are afforded the opportunity to request payment via installments or waiver or remission/cancellation of indebtedness for erroneous payment of pay and allowances.

[Signature of Supporting Finance/Military Pay Office]
Figure 2-2. Military Sample Debt Notification for Overpayment of Pay and/or Allowances
(Continued)

COLLECTION OF YOUR DEBT

Please be aware of the following additional information that may concern the collection of your debt:

**Interest and Additional Charges.** If you are unable to pay the debt in full within 30 days from the date of this letter, any unpaid portion of the debt will be considered delinquent. DFAS is authorized by law to add interest, penalties, and administrative costs to your debt if it is not paid within 30 days from the date of this letter. The rate of interest charged is at the Treasury Tax and Loan Rate and may commence on the date your debt becomes delinquent and may continue until the debt is paid in full. Additional penalties may be imposed at the rate of up to 6 percent a year, as well as administrative charges, on any unpaid portion of your debt that is delinquent for more than 90 days, commencing on the date your debt becomes delinquent and continuing until the debt is paid in full.

**Collection Action on Delinquent Debts.** If DFAS is unable to collect your debt, DFAS may enforce repayment of your debt by using other available collection remedies such as referring your debt to a private collection agency, reporting your debt to a credit bureau, garnishing your non-Federal employment wages, or referring your debt to the U.S. Department of Justice for litigation. Debts delinquent for more than 120 days are transferred to the U.S. Department of Treasury for collection. Treasury may offset your Federal income tax refunds or other Federal benefit payments, such as Social Security and Federal employee retirement benefits, in order to collect your debt. You may also be prohibited from being approved for a Federal loan if you do not resolve your outstanding delinquent debt.

**Tax Considerations.** Pursuant to Internal Revenue Service (IRS) Publication 15, income tax withheld by DFAS in a prior calendar year cannot be adjusted. Therefore, if your overpayment occurred in a prior calendar year, you must pay back the gross amount of your debt, including any taxes previously withheld and paid on your behalf to the IRS. You may be entitled to a deduction (or credit in some cases) for the repaid wages on your income tax return for the year of repayment of your debt. Each January, DFAS will issue a tax certificate for amounts repaid toward a prior year debt that can be used for tax filing. If your overpayment and repayment both occur in the same calendar year, DFAS will be able to adjust your tax withholding and you will be responsible for repaying only the net overpaid amount. Upon repayment in the same calendar year, your W-2 will be adjusted to reflect your income and the associated taxes. Finally, please be aware that should your debt repayment ever become delinquent and collected by the offset of your tax refund, your spouse may file IRS Form 8379, Injured Spouse Allocation, with the IRS to claim his or her share of the tax refund.

**Penalties for False or Frivolous Statements.** Please be advised that if you make or provide any knowingly false or frivolous statement, representations or evidence with respect to your debt, you may be liable for penalties under the False Claims Act (31 U.S.C. § 3729 -3733) or other applicable statutes, and/or criminal penalties under 18 U.S.C. §§ 286, 287, 1001, and 1002, and other applicable statutes. A Federal employee may also be subject to disciplinary procedures under 5 U.S.C. Chapter 75 or any other applicable statutes or regulations.

**Bankruptcy.** If you file for bankruptcy, you must notify DFAS as soon as possible.

**Opportunities Available to You**

**Requesting a Review.** A debtor who questions the validity or amount of a debt may request a review and validation of the debt by the DCO. A debtor may also contest the involuntary repayment schedule. The debtor must submit a written request for a review that identifies and explains, with reasonable specificity, the facts and evidence the debtor believes supports his or her position. The request for review must be received not later than 30 days from the mailing date of the debt notification, or by the date indicated in the debt notification. There is no standardized format for a request for review; however, the request should contain debtor identifying information, the reason for requesting a review, supporting documentary evidence, and a dated signature. A debtor waives his or her right to a review if the debtor fails to submit a request in a timely manner. The DCO may accept a late request if the debtor can show that the delay was due to circumstances beyond the debtor’s control.
Requesting Records. A debtor may make a written request to the DCO for records related to the debt. A request for records must be made prior to the deadline for submitting a request for review. Within 45 days after the date the records are distributed to the debtor, the debtor must submit a written request for review to the DCO or the debtor will waive his or her right to review.

Review Procedures. The request for review must be submitted to the DCO from which the debtor received his or her debt notification and must be mailed or faxed to the address in the notification. Upon receipt of the request for review, the DCO will consider the information, and any documentary evidence contained in the debtor’s request and will perform a review and validation of the debt. The DCO must issue the written review results to the debtor.

Written Review Results. Written results should be provided within 60 calendar days.

Waiver or Remission. If appropriate, you may request a waiver of your debt. Under 5 U.S.C. § 5584, the United States may waive its right to collect the debt you owe if collection would be against equity and good conscience and not in the best interest of the United States. The debt must be the result of an erroneous payment of pay or allowances (including travel, transportation, or relocation expenses and allowances). A debt may be waived in whole or in part. Collection of your debt generally will not be suspended during the waiver review process. DFAS will promptly refund to you any amounts you have paid or that were deducted for your debt which are later waived, remitted, or determined not to be owed to the United States. See DoD FMR Volume 16, Chapter 4. Please contact your Supporting Finance/Military Pay Office for further information on waiver or remission of your debt.
Table 2-1. Break-Even Analysis

<table>
<thead>
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<th>Dollar Range</th>
<th>(2) Number of Cases Processed</th>
<th>(3) Original Dollar Amount</th>
<th>(4) Historical Cost to Collect</th>
<th>(5) Total Dollars Collected</th>
<th>(6) Dollar Difference</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

Column (1) - Dollar range should be meaningful to the debt collection process. Subtotal can be placed anywhere within dollar range to relate to a particular debt collection need.

Column (2) - Total number of cases processed within this particular dollar range.

Column (3) - Original dollar amount of debts for this particular range.

Column (4) - Historical cost for this particular range or subtotal times number of cases in column (2).

Column (5) - Accumulate collections per range or subtotal.

Column (6) - Column (5) minus column (4). Break-even point is where the collections (5) are equal to the cost to collect (4).

Grand total of collections (column (5)) divided by grand total of original dollar amount (column (3)) = percent collection range for period.
SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated July 2018 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
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<tbody>
<tr>
<td>All</td>
<td>Updated hyperlinks and ensured compliance with administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>030101.B</td>
<td>Added reference to Chapters 5 and 6 for debts owed by contractors, vendors, assignees, state and local governments, or foreign entities.</td>
<td>Addition</td>
</tr>
<tr>
<td>030210</td>
<td>Clarified that civilian payroll offices can submit debts to the Debt and Claims Management Office for offset from retired pay.</td>
<td>Addition</td>
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CHAPTER 3

COLLECTION OF DEBTS OWED BY INDIVIDUALS TO THE DEPARTMENT OF DEFENSE (DOD)

0301 GENERAL

030101. Overview

A. This chapter pertains to the collection of debts owed to the DoD from current and retired DoD civilian employees, current members of the Military Services (active and reserve), military retirees, Survivor Benefit Plan (SBP) annuitants, and individuals who are no longer employed by DoD.

* B. This chapter does not apply to collection of debts owed by contractors, vendors, assignees, state and local governments, or foreign entities. Refer to Chapters 5 and 6. This chapter does not apply to the collection of child support, alimony, or commercial debts from the pay or salaries of DoD civilian employees or military members through garnishment or involuntary allotment. This chapter does not apply to antitrust, fraud, tax, and interagency claims. Refer to Volume 7A, Chapters 41 and 43; Volume 7B, Chapter 27; and Volume 8, Chapter 8 for guidance pertaining to garnishments and involuntary allotments.

C. This chapter does not prescribe policy and requirements for determining whether a debt exists. Such determinations are the responsibility of the particular entitlement office or other organizations (e.g., military pay office, human resources office, or transportation office).

D. For purposes of this chapter, the civilian payroll office (PRO), military pay office, and military retiree pay office are examples of debt collection offices (DCOs).

030102. Purpose

This chapter prescribes policy and requirements for the collection of debt owed to the DoD by individuals.

030103. Authoritative Guidance

DoD is required to aggressively collect debts in accordance with the following statutes, as well as other statutes and regulations expressly identified in this volume:

A. Debt Collection Improvement Act of 1996 (Public Law 104-134, Chapter 10, section 31001);

B. Debt Collection Act of 1982 (Public Law 97-365);


E. Internal Revenue Code provisions regarding the authority to make credits or refunds (26 U.S.C. § 6402);

F. Federal Claims Collection Standards (FCCS) (parts 900-904);

G. Regulations for collection by offset from indebted government employees (Title 5, Code of Federal Regulations (CFR), section 550, subpart K); and

H. Regulations for the collection of past-due support by administrative offset (31 CFR 285.1).

0302 COLLECTION OF DEBT FROM CURRENT, SEPARATING, TRANSFERRING, AND RETIRED DOD CIVILIAN EMPLOYEES

030201. General

This section prescribes policy and requirements for the collection of debt owed to DoD by current, separating, transferring, and retired DoD civilian employees due to the overpayment of civilian pay and/or allowances.

030202. Reasons for Overpayment of Civilian Pay and Allowances

Overpayments to employees may be the result of various payroll errors or adjustments. Examples include errors in computing federal withholding tax, Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) deductions, Social Security and/or Medicare deductions, improper rates of pay, errors in reporting time worked, or erroneously accrued and paid annual leave. These errors may be the result of action taken both inside and outside the PRO. The head of each PRO maintains the overall responsibility for ensuring that an overpayment is recovered expeditiously or that another appropriate disposition of a debt is carried out, such as waiver of the indebtedness. The head of each PRO is responsible for ensuring that employees are afforded all legal rights relative to the collection of indebtedness. Responsibilities may be delegated, in writing, to another appropriate official within the financial community.

030203. Procedures for Debt Establishment

Generally, a debt is “established,” or comes into existence, when the government agency to which it is owed determines that there is a debt and identifies the exact amount of the debt. This initial determination by the agency triggers the debt collection process. To establish a debt and prepare for collection, the PRO must:
A. Compute the amount of the overpayment and assemble agency records establishing the debt;

B. Notify the human resources office immediately if corrective personnel action is required. Continued payment of erroneous pay and allowances is not authorized and must cease immediately;

C. Provide the employee with due process before collecting an overpayment of pay and allowances, except under certain limited circumstances as set forth in Chapter 2; and

D. Correct the employee's records when appropriate.

030204. Overview of Debt Collection from Current DoD Employees

A. General

1. After determining the amount owed to the United States by a current DoD employee and establishing a debt, the PRO must determine if collection may be made using a routine pay adjustment under paragraph 030205. If the PRO cannot use a routine adjustment to collect a debt, then the PRO must contact the debtor by issuing a written debt notification that satisfies due process requirements. Refer to Chapter 2, sections 0204 and 0205 for guidance on debt notifications.

2. Upon notification, the debtor may voluntarily repay the debt in full, in one lump sum, or by installment payment arrangement (voluntary repayment agreement) with the DCO. Refer to Chapter 2, section 0207 for information regarding voluntary repayment by a debtor.

3. Alternatively, a debtor may choose to request a review of the debt by filing a petition for hearing. The DCO should stay debt collection efforts pending the outcome of the hearing. When appropriate, the debtor may also request a waiver of the debt; however, debt collection is generally not suspended during the waiver review process (refer to Chapter 4 for additional information).

4. Finally, if the civilian employee does not respond to the debt notification by voluntarily repaying the debt or submitting a request for a review or waiver, then the DCO must initiate collection by salary offset under 5 U.S.C § 5514, or under other specific statutory authority set out in Chapter 2, section 0209.

B. Case Examples. The following examples illustrate typical debt collection scenarios for civilian overpayments.

1. Routine Adjustment Example. A civilian employee was overpaid as a result of a time and attendance clerical error. The PRO established the debt owed by the employee and determined the overpayment occurred within the last four pay periods. The PRO provided the debtor with written notice that a routine adjustment was being made to the employee’s
pay. The notice appeared on the employee’s Leave and Earnings Statement (LES). The DCO recouped the overpayment from the employee’s pay.

2. **Salary Offset/Voluntary Repayment Example.** A civilian employee was overpaid for overtime 2 years ago. The PRO established the debt owed by the employee. Because more than four pay periods had elapsed since the overpayment, the PRO could not recover the debt by a routine pay adjustment. The PRO issued a debt notification letter to the employee. The employee received the notification, agreed that the debt was owed, and because the employee could not repay the debt in one lump sum, the employee negotiated a voluntary repayment agreement with the DCO.

3. **Involuntary Salary Offset/Hearing Petition Example**

   a. A civilian employee was overpaid for overtime 2 years ago. The PRO established the debt owed by the employee. Because the overpayment did not occur within the last four pay periods, the PRO cannot recover the debt by a routine pay adjustment. The PRO issued a debt notification letter to the employee. The employee received the notification and filed a hearing petition in order to contest the validity or amount of the debt.

   b. As the first step in the hearing process, the PRO performed a reconsideration of the debt and issued written results to the employee indicating that the debt had been validated after reconsideration. The PRO further instructed the employee that if he or she disagreed with the reconsideration results, the employee could request to continue with a formal hearing. The employee requested the matter be set for hearing with a hearing official. The hearing official conducted a paper hearing and issued a written determination validating the debt. The employee did not voluntarily repay after receiving the hearing official’s determination, and the PRO proceeded with salary offset at the rate of 15 percent of disposable pay. Refer to Chapter 2, subparagraph 020902.C for guidance on determining disposable pay.

030205. **Procedures for Routine Pay Adjustments**

   A. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred within the four pay periods preceding the adjustment or amount to $50 or less. Routine adjustments may be necessary due to overpayments attributable to clerical errors, administrative errors, delays in processing pay documents, corrected or late time and attendance data, underdeduction of premiums, or incorrect personnel actions.

   B. The DCO must provide the debtor with written notice of the nature and amount of the adjustment, as well as a point of contact for questions regarding the adjustment. The information should be provided by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. An appropriate notice on the LES meets the requirements for notification. See 5 CFR 550.1104(c).

   C. The actual overpayment must have occurred after April 26, 1996.
D. The amount deducted may not exceed 15 percent of disposable pay unless the debtor has consented in writing to a higher amount. Refer to Chapter 2, subparagraph 020902.C for guidance on computing disposable pay.

E. If a DoD debtor’s payroll account is moved from one PRO to another PRO within DoD, then the new PRO has the authority to collect an overpayment made by the former PRO using routine adjustment procedures.

F. For routine adjustments involving health or life insurance premiums, refer to paragraph 030207.

030206. Processing Debt Repayments

A. Voluntary Repayment

1. Cash Repayment. The term “cash repayment” encompasses payments by personal check, money order, or another negotiable instrument. The DCO must record the collection on a Department of Defense (DD) Form 1131, Cash Collection Voucher. The accounting data must include the appropriation or fund that funded the overpayment.

2. Payroll Deductions (Salary Offset)

   a. One-Time/Lump-Sum Deduction (Salary Offset). If an employee voluntarily requests to have the indebtedness deducted from pay, then the DCO must arrange for the employee to complete and sign a voluntary repayment agreement as shown in Chapter 2, Figure 2-1 indicating payment by lump-sum deduction. The DCO must retain the original signed agreement. If requested by the employee and agreed to by the DCO, then the DCO can defer remittance for up to two pay periods and change the agreement to reflect that adjustment. An employee may also combine a one-time deduction with a cash payment as a means of liquidating the indebtedness. If a one-time deduction does not fully liquidate the indebtedness, then the DCO must adjust the agreement accordingly.

   b. Installment Deductions (Salary Offset). If an employee is unable to repay the debt in one lump-sum repayment, then installment payments may be acceptable. The employee should complete a voluntary repayment agreement indicating repayment by salary offset using installment payments. The DCO must retain the original signed agreement. Refer to Chapter 2 for additional guidance pertaining to requesting and approving installment payment plans.

B. Involuntary Repayment by Salary Offset

1. When a debtor has either failed to pay the debt in one lump sum, has not agreed to a voluntary, one-time payroll deduction, or has not entered into an installment agreement, the DCO must recover the debt by involuntary salary offset.

2. Before initiating involuntary salary offset, the DCO must ensure the debtor was given due process pursuant to Chapter 2, section 0204, and that the debtor has not
exercised the rights listed in the debt notification letter or, having exercised one or more of those rights, was determined to be indebted. The DCO may initiate collection of a debt from final pay and lump-sum leave payments before granting due process if failure to do so would substantially prejudice DCO’s ability to collect the debt. In such cases, the DCO must afford the debtor due process as soon as practicable. For additional guidance on salary offset, refer to Chapter 2, paragraph 020902.

030207. Collection of Indebtedness Due to Underdeduction of Health or Life Insurance Premiums

A. An employee’s debt may be the result of an election or a change in coverage in the Federal Employees Health Benefit (FEHB) or Federal Employees’ Group Life Insurance (FEGLI) programs that results in the underdeduction of premiums. Collection of the debt caused by the underdeduction of premiums may be made without affording the employee full due process under 5 U.S.C. § 5514, if the amount to be collected accumulated over four pay periods or less, or the amount is $50 or less. Refer to 5 CFR 550.1104(c) for additional information.

B. In such cases, the PRO must notify the employee, either in advance or concurrently with the actual collection. The notice must indicate: (1) because of the employee's election, future salary will be reduced to cover the period between the effective date of the election/change in coverage and the first regular withholding; and (2) a point of contact for contesting the retroactive collection. An appropriate notice on the LES that includes this information meets the requirement for notification.

C. If processing delays cause the debt to accumulate over more than four pay periods, then the DCO must use the due process procedures required under 5 U.S.C. § 5514, as outlined in Chapter 2.

D. For guidance on collecting debts arising from the nonpayment of premiums when an employee is in a non-pay status, or when salary is insufficient, refer to Volume 8, Chapter 11 and the Office of Personnel Management (OPM) FEHB Handbook or FEGLI Handbook.

E. The DCO may request OPM recover past-due health insurance premiums from separated employees by requesting OPM withhold the amount due from any payment owed to the former employee from a refund or retirement annuity. The agency must submit an OPM Form 1522, Request for Offset for Health Benefits Premiums From Monies Payable Under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) (In Lieu of Standard Form 2805), to request the offset from amounts that may be paid to the separated employee from the retirement system. See FERS Handbook, Chapter 4.

F. An employee’s health insurance plan carrier may garnish an employee’s wages to collect debts owed to the carrier following the provisions of 5 CFR, Part 582.
030208. Collection of Indebtedness from Final Salary and Lump-Sum Payments

A. Collection of a Previously Established Debt

1. Under 5 U.S.C. § 5514, when an employee separates by resignation, retirement, death, or termination of appointment, the employee’s final pay (including lump-sum leave payments) will be applied to the extent necessary to liquidate a previously established debt. The 15 percent disposable pay limitation does not apply to the offset. To recover the debt, other payments due from any source (such as amounts claimed for travel and transportation) should be applied to the debt.

2. Due process is not necessary if debt collection is already in process at the time of the employee’s separation, and the employee has previously been afforded notification of the debt and an opportunity for review. For deceased employees, any unpaid compensation due must be applied to liquidate any indebtedness with no limit on the maximum rate of collection. If a debt balance remains after offsetting and collecting the debt from the deceased employee’s final pay, the DCO should forward the debt case to the Debt and Claims Management Office (DCMO) for collection against the estate of the deceased employee. The DCO should not pursue collection of the employee’s debt from any of the employee's beneficiaries named under 5 U.S.C. § 5582.

B. Collection of a Newly Established Debt. When an employee separates by resignation, retirement, death, or termination of appointment and, upon the separation, a debt is newly established (i.e., the debt was not previously established and is not already being collected from salary under the authority of 5 U.S.C. § 5514), the DCO must collect the debt using administrative offset under 31 U.S.C. § 3716. The DCO must apply all money payable to the employee to collect the debt with no limit on the maximum rate of collection. As soon as practicable, the DCO must give the debtor notification of the debt and an opportunity for review under Chapter 2. More information may be found in 31 CFR 901.3(b)(4)(iii)(C).

C. Collection of a Debt from Severance Pay. Collection of a debt from an employee's severance pay issued under 5 U.S.C. § 5595 is permissible under 31 U.S.C. § 3716. If an employee has not previously received notification of the debt and an opportunity for review (due process) under Chapter 2, the DCO must grant notice of the debt to the debtor as soon as practicable. Refer to 31 CFR 901.3(b)(4)(iii)(C) for additional guidance. There is no limit on the maximum rate of collection, and all money due and payable to the employee is subject to offset. Severance pay represents wages credited to the employee's account; therefore, deductions taken from severance pay should be computed before the offset. The employee’s net pay amount is available for administrative offset under 31 U.S.C. § 3716. In addition, under 5 CFR 581.103, severance pay is subject to court-ordered garnishments for alimony, child support, and commercial debts.
A. General

1. This section applies to DoD employees who transfer within DoD, resulting in a change of PRO, and to employees who transfer to a non-DoD federal agency. The instructions contained in this paragraph apply regardless of the point in the debt collection cycle when the employee’s separation occurs. For example, the employee may separate while installment payments are being made, a waiver request is being considered, a petition for a hearing is pending, or the written notification of indebtedness is being prepared.

2. In general, all actions will continue upon the employee’s separation. While hearings regarding the amount of involuntary offset should be terminated upon an employee’s separation, other hearings concerning the validity or amount of a debt must continue, and a written determination should be issued. If, due to subsequent events, the indebtedness is nullified, the DCO must refund amounts withheld from both current and final pay. Refunds must be made without requiring a claim from a former employee.

B. Transfer Within DoD that Results in a Change of PRO

1. In accordance with 5 CFR, Part 550, Subpart K, the losing PRO must ensure the gaining PRO is aware of the following information, which is typically provided systemically:

   a. The identity of the indebted employee;

   b. The amount of the debt, including assessments of interest, penalties, and administrative charges (IPA), when appropriate;

   c. The accounting classification for credit;

   d. The nature of the debt and the original due date (generally 30 days from the initial notification of indebtedness);

   e. Copies of all correspondence sent to or received from the employee, including waiver requests, hearing petitions, decisions on waiver requests, and determinations of hearing officials;

   f. The original copy of any voluntary repayment agreements. If none exists, a statement of the biweekly percentage of involuntary offsets must be included;

   g. The date the right to collect the debt first occurred. Generally, this is the date the overpayment occurred. If offset has already begun, the date of the last offset will be given;
h. A statement regarding the status of any unfinished actions which may be pending. When such action is completed, the gaining PRO must be immediately advised;

i. A request that the offset be accomplished or continued; and

j. A copy of DD 2481, Request for Recovery of Debt Due the United States by Salary Offset, properly completed and certified.

2. The losing PRO must complete any pending actions involving due process or waiver and notify the gaining PRO of the outcome. Upon receipt of the required information, the gaining PRO must assume full responsibility for collection of the debt, pending receipt of previously unfinished actions. Any agreements reached regarding installment repayments or the decision not to accrue or assess IPA are binding on the gaining PRO. If the debt is subject to interest, the gaining PRO must make the necessary computations. Installment deductions already begun must continue without interruption.

C. Transfer to Another Federal Agency. When an employee transfers to another federal agency outside of DoD, the PRO/DCO should forward the debt case to the DCMO pursuant to the instructions in section 0305.

030210. Collection of Indebtedness from Retirement Funds of Former Civilian Employees

A. Action by the PRO

* 1. General. Upon retirement, if an employee is still indebted to DoD, and the amount withheld from final salary and lump-sum payments (paragraph 030208) is inadequate to satisfy the indebtedness, then the DCO may request that OPM offset the indebtedness against monies due and payable to the separated employee from the CSRS or FERS basic benefits. Such a request is in the form of a debt claim submitted to OPM by the DCO. A debt claim is the agency’s request for recovery of the debt by OPM. This practice does not apply to Nonappropriated Fund Instrumentality employees. Paragraph 030210 applies only when the former employee has been provided the due process rights found in Chapter 2. Alternatively, the PRO may submit the debt directly to the DCMO for collection action that may result in the offset of retirement funds via referral to the Treasury Offset Program. For additional information on collection of indebtedness from retirement funds, refer to 5 CFR, Part 831, Subpart R (for CSRS retirees) and 5 CFR, Part 845, Subpart A (for FERS retirees).

2. Scope. The instructions contained in subparagraph 030210.A apply to all debts that the DCO is collecting on behalf of DoD, with the exception of debts resulting from an individual's failure to pay health benefit premiums. Refer to paragraph 030207 for guidance regarding the collection of debts for health benefit premiums.

3. Notice to the Employee. Prior to sending a debt claim request to OPM, the DCO must notify the employee in writing that a debt claim is being sent to OPM to offset
the employee’s CSRS or FERS basic benefits. The letter must state the amount of the debt at separation, the amount recouped from final pay and other sources, and the balance due. The letter must inform the employee that if he or she makes full payment of the balance due, the debt will not transfer to OPM. This notice is in addition to any previous due process notification the employee should have received. Refer to Figure 3-1 for a sample notification. The DCO must provide due process to the debtor prior to submitting the debt to OPM for collection unless the DCO submits an incomplete debt claim.

4. Submission of Complete or Incomplete Debt Claims to OPM. Claims must be submitted to OPM in accordance with 5 CFR 831.1805(b)(5), 5 CFR 845.405(b)(5), and the CSRS and FERS Handbook, Chapter 4.

a. Complete Debt Claims

(1) The DCO must make a request for debt recovery to OPM by submitting a debt claim on a Standard Form (SF) 2805, Request for Recovery of Debt Due the United States, which must be prepared in duplicate. The submission must be made to OPM, Retirement and Insurance Group, Employee Service and Records Center, Boyers, PA 16017. Attach a copy of the notice sent to the employee and two copies of the following signed certifications to the SF 2805:

(a) A statement that the debt is owed to the Government;

(b) The amount and reason for the debt and whether additional interest accrues. Note that for those debts that are subject to interest beyond that already calculated, the DCO must advise OPM of the dollar value of the additional accrual;

(c) The date the Government's right to collect the debt first accrued;

(d) A statement that the PRO has complied with the applicable statutes, regulations, and OPM procedures;

(e) A statement that if a competent administrative or judicial authority issues an order directing OPM to pay the employee an amount previously paid to DoD (regardless of the reasons behind the order), then DoD will reimburse OPM or pay the employee directly within 15 days of the date of the order;

(f) A chronology of actions taken to collect the indebtedness. Copies of the correspondence are not required;

(g) The amount or percentage of the net annuity in each installment, if the collection will be in installments;
(h) A copy of the debtor’s written consent or acknowledgement if the debtor consents to the collection, or acknowledges the debt, in writing. If the debtor does not consent in writing to the offset, or has not acknowledged receipt of the due process notification, the DCO must certify that the agency has complied with any due process requirements; and

(i) A copy of the judgment if the agency has a court judgment against the debtor.

(2) OPM is aware that DCOs will not be able to obtain the employee's consent to the collection in every case; therefore, OPM will honor such claims from DCOs upon receipt of the DCO's certification. However, every attempt to obtain the employee's consent should be made if the process has resulted in a compromised amount (an amount less than the total debt) or, in the case of an annuitant, a specific monthly installment is agreed to.

b. Incomplete Debt Claims

(1) Occasionally, the DCO will not be capable of sending a complete debt claim to OPM. For example, a separation may occur before or during due process procedures, or before the actions in paragraph 030208 have been completed.

(2) In other instances, the DCO may be required to submit the indebted employee's SF 2806/3100, CSRS/FERS Individual Retirement Record, before the proper amount of offset from the employee's monthly annuity has been determined. In such cases, the DCO must notify OPM in order to prevent payment of retirement benefits to the employee. This practice is particularly important when an employee is entitled to a refund (lump-sum retirement credit) of his or her contributions. The DCO must notify OPM of the incomplete claim by making a remark in Column 8 of the SF 2806/3100. The SF 2806/3100 must include a statement that the debt is owed to the United States, the date the debt first occurred, and the basis for and the amount of the debt.

5. Transfer of Debt Case. After sending the SF 2805 to OPM, the DCO must transfer the debt to the DCMO, pursuant to section 0305.

B. Action by OPM

1. Collection of Debt Claims from Refunds. The term “refund” refers to the payment of a lump-sum retirement credit to an individual by OPM.

   a. Complete Claims

      (1) If the agency sends OPM a complete debt claim, and OPM has already issued a refund to the individual, then OPM will advise the DCO that no monies are available to recover the indebtedness. If OPM received the employee's refund application, but has not yet processed it at the time a complete claim is received, then OPM will honor the claim and make remittance to the DCO.
(2) If the employee has not applied for a refund of contributions, then OPM will advise the DCO that the debt claim will be retained pending a future refund application. If the application for a refund is received from the individual within 1 year following the date of OPM’s receipt of the SF 2805, then OPM will honor the debt claim (where no interest is due) or contact the DCO to determine the amount of interest on the debt prior to honoring the debt claim. If OPM receives the application for refund more than 1 year following OPM’s receipt of the SF 2805, then OPM will contact the DCO to verify that the debt is still current.

(3) If the PRO transferred the debt to the DCMO, then the DCO must refer such inquiries to the DCMO. If the PRO has not yet transferred the debt to the DCMO, but has not made full collection, then the DCO must contact the employee pursuant to 31 CFR 901.3(d) to provide the employee the opportunity to establish whether changed financial circumstances would make the offset unjust. The decision whether to pursue the offset or to attempt collection by other means will be made based on the employee's response. Generally, the offset must be pursued unless the success of alternative collection action is relatively certain.

b. Incomplete Claims. If the agency has submitted an incomplete debt claim to OPM, and OPM is processing the employee’s application for a refund, then OPM will withhold the amount of the debt, but will not make a payment to the agency until the claim is complete. OPM will notify the DCO to submit a completed debt claim to OPM within 120 days from the date of OPM notification. OPM may extend this deadline by an additional 60 days if the DCO so requests. Failure to meet the deadline or extended deadline, if applicable, will result in payment of the refund to the employee with no withholding for the debt.

2. Collection of Debt Claims from Annuities

a. Complete Claims

(1) When OPM receives a complete debt claim from the DCO, and an application for an annuity from the former employee, OPM will offset the annuity and pay the agency. When possible, OPM will make a one-time offset against the retiree's annuity payment in accordance with 5 CFR 831.1806 and 5 CFR 845.406. OPM will not make an installment deduction for more than 50 percent of the net annuity, unless a higher percentage is needed to satisfy a judgment against a debt within a 3-year timeframe, or the annuitant has consented to the higher amount in writing per 5 CFR 831.1807 and 5 CFR 845.407. For debts collected by installment that are subject to continuing interest payments, the DCO must advise OPM of the new amount of the debt at least 90 days prior to the final payment.

(2) Whether the debt is repaid by one-time offset or installment deductions, OPM will begin collection during the next available annuity payment following its receipt of the completed claim. If the monthly annuity payment has not yet been established, offset will begin with the first regular annuity payment. Offsets will not be made against advance annuity payments.

(3) As in the case of refunds, offsets are dependent on OPM’s receipt of the retiree’s application. Therefore, OPM will retain any SF 2805 received in
advance of a retiree’s application. If any application is received more than 1 year following receipt of the SF 2805, then OPM will contact the DCO in order to determine the current status of the debt. If the DCO has transferred the debt to the DCMO, then the DCO should refer the inquiry from OPM to the DCMO. If the DCO has not transferred the debt to the DCMO, and full collection has not been made, then the DCO must contact the employee, pursuant to 31 CFR 901.3(d), in order to provide the retiree with the opportunity to establish whether his or her changed financial circumstances would make the offset unjust.

b. Incomplete Claims. OPM will notify the DCO of an incomplete debt claim against a debtor who is receiving an annuity. OPM will not offset the annuity until the debt claim is complete. Unlike the time limits for submitting a complete debt claim against a refund, there is no time limit on submitting a complete debt claim against an annuity.

030211. Collection of Indebtedness from Former DoD Civilian Employees

PROs and DCOs must refer debts of former personnel, who are no longer DoD civilian employees (out-of-service debtors), to the DCMO pursuant to section 0305.

030212. Collection of Debts Other than Overpayment of Pay and Allowances

A. General. Pursuant to 5 CFR 550.1109, DoD component organizations external to the PRO (such as employing agencies) may request the PRO recover debts from current employees of the component by means of salary offset. Such debts originate outside of the PRO and are not due to an overpayment of pay or allowances. In general, the PRO will not review the merit of a debt originating outside the PRO.

B. Requests for Involuntary Salary Offset under 5 U.S.C. § 5514. Requests from DoD Components for involuntary salary offsets under 5 U.S.C. § 5514 for the following types of overpayments should be forwarded to the PRO on a DD 2481. The form requires certification by an appropriate official that the employee has been provided due process pursuant to Chapter 2. Salary offset is limited to 15 percent of disposable pay for the following debts:

1. Overpayment of travel allowances;

2. Report of Survey (also known as Government Property Lost or Damaged) debts (provided that procedures, as prescribed in the cognizant DoD Component regulations, are completed before invoking involuntary salary offset under 5 U.S.C. § 5514);

3. Unofficial telephone use;

4. DoD Component hospital uncollected billings;

5. Commissary store debts (such as for dishonored personal checks); and
6. Fees received for court service, such as fees received from the court for service as a juror or witness. Refer to Volume 8, Chapter 5 for additional guidance on these fees. Fees are returned to the appropriation or fund from which the employee is paid under 5 U.S.C. § 5515.

C. Requests for Salary Offset Under Other Statutory Authority

1. Collections of Unused Travel Advances (Unearned Advance Per Diem and Mileage Allowance) and Unearned Temporary Quarters Subsistence Expense. In addition to 5 U.S.C. § 5514, additional statutes authorize salary offset. The PRO should follow any specific requirements under these statutes for offset. When a statute does not provide other procedures, prior to any involuntary offset, debtors should be provided with notice of the debt and an opportunity for review. See 64 Comptroller General (Comp. Gen.) 142 (1984).

   a. Under 5 U.S.C. § 5705, a federal employee who is entitled to per diem or mileage allowances may receive a travel advance. Any amount of the travel advance that is not used for allowable expenses must be collected. The travel pay office or the employing activity must give the employee an immediate opportunity to repay any amount due in a lump sum.

   b. If the employee does not make immediate payment, offset may be made against all accrued pay, retirement credit for individuals who have left federal employment prior to being eligible for retirement, or any other amounts due the employee. The offset may be made without limitation, as long as it does not cause extreme financial hardship. Refer to Chapter 2, paragraph 020801 for guidance on determining financial hardship. The travel functional area must notify the PRO of the request for offset in writing and must provide a copy of the employee's signed repayment agreement, when applicable. The PRO must collect the debt in one lump-sum, or in installments, in accordance with the employee's signed voluntary repayment agreement or written instructions provided by the travel pay office or the employing activity.

2. Excess Costs Due to Shipment of Personal Property. A debt for excess cost is created when an employee's shipment of personal property exceeds the authorized weight allowance. A DD 2481 must be issued to the employee's PRO to request collection under 5 U.S.C. § 5724(a)(2). The collection of the excess costs from an employee's pay is considered a voluntary salary offset since the employee agreed to repay the excess costs when he or she signed DD 1299, Application for Shipment and/or Storage of Personal Property, before the actual shipment of the property.

   a. The employee may submit a written request for reconsideration of any amount due to his or her employing activity’s transportation management representative within 30 days of the debt notification.

   b. After the agency performs the reconsideration and has notified the employee of the result, the transportation management representative must notify the PRO in order to begin the collection by offset of any balance due.
3. Collection of Employee Training Expenses
   
a. When an employee fails to fulfill a training agreement, and he or she does not voluntarily repay the employing activity, collection of training expenses from the employee's pay account is authorized under 5 U.S.C. § 4108. In accordance with 5 CFR 410.309, the employing activity must give the employee the opportunity to request a reconsideration of the amount to be recovered or to request a waiver of the activity's right to recover.

   b. In order for the PRO to initiate collection by salary offset, the DoD Component training office must supply the PRO with a copy of the SF 182, Authorization, Agreement and Certification of Training, showing the employee's signed consent to the terms of the training agreement, along with a copy of the notification of indebtedness issued to the employee by the training office. The PRO must forward a copy of the SF 182 to the employee with written notification advising the employee of the payroll deduction amount.

4. Negotiation of Duplicate U.S. Department of the Treasury (Treasury) Payments
   
a. The negotiation of an original Treasury check that was replaced by a recertified check is an illegal and improper payment for purposes of pecuniary liability. The disbursing officer who issues a duplicate payment is responsible for collection of the duplicate payment from the payee.

   b. The disbursing officer must give the payee an opportunity to dispute the debt or to consent to salary offset. If the employee agrees to repayment, the disbursing officer must forward to the PRO a signed statement from the employee agreeing to voluntary collection from pay and evidence that negotiation of both instruments has occurred. The PRO must inform the employee that it will deduct the amount of the indebtedness in full from the next salary payment. If, for any reason, the disbursing officer cannot produce a written consent from the employee, then the PRO must treat the case as an overpayment and provide the employee a written debt notification and opportunity for review as required by Chapter 2. After the completion of due process requirements, if the employee does not authorize voluntary deductions, involuntary salary offset must be made under 5 U.S.C. § 5514.

5. Collection of Dishonored Personal Checks. Collect for dishonored personal checks in accordance with Volume 5, Chapter 4.

0303 COLLECTION OF DEBT FROM ACTIVE AND RESERVE MEMBERS

030301. General

This section pertains to the collection of debt owed to DoD by active and reserve military members, hereafter referred to as members. Debt collection authority for members exists both under the common law and various statutes. Much of this section discusses the authority for collection under 37 U.S.C. § 1007 and 5 U.S.C. § 5514; however, there are other debt collection authorities listed in Tables 3-1 through 3-6.
030302. Due Process Requirements

The head of the military pay office (typically the DCO) must ensure that it affords members all legal rights relative to collection of a debt due to overpayments of pay and allowances. Unless otherwise directed by statute, military members are entitled to due process, consisting of a notice and an opportunity for review, prior to the initiation of debt collection. Refer to Chapter 2 for due process requirements. Refer to Chapter 4, section 0406 for information on review opportunities for military members.

030303. Collection From Member’s Pay


B. Voluntary Repayment Encouraged. Members indebted to the United States should be encouraged to discharge their indebtedness through lump-sum cash payments. When the amount of the debt relative to the member’s ability to repay indicates that a lump-sum payment would create a financial hardship for the member, installment payments may be accepted. Members are encouraged to voluntarily accept liability for their indebtedness and to agree to a repayment schedule that adequately protects the interest of both the United States and the member. The member may authorize or request collection in greater amounts than could be collected involuntarily.

C. Collection without a Member’s Consent

1. Current Pay

   a. Current pay is available for repayment of a debt by involuntary offset (without the member’s consent) only if such recovery is expressly authorized by statute. Refer to Tables 3-1 through 3-5 for guidance and statutory authority on involuntary collection from the member’s pay.

   b. Tables 3-1 through 3-5 authorize collection to be made involuntarily when statutory authority exists for such collection. The tables also reflect the limited circumstances under which collection may be made from the member’s current pay only with a member’s consent.

2. Final Pay. When a member receives final pay on separation, indebtedness to the United States may be collected under the common law rule of offset, subject to the limitations in subparagraphs 030303.C.2.a through 030303.C.2.c and Table 3-6. Even debts that are subject to collection from current pay only with the member’s consent may be collected.
from final pay and allowances without the member’s consent. Amounts owed to a Service relief society (i.e., Army Emergency Relief, the Navy-Marine Corps Relief Society, the Air Force Aid Society, or the Coast Guard Mutual Assistance) may also be collected from final pay without the member’s consent as provided under 37 U.S.C 1007(c) and (h). Except as specified in Table 3-6, amounts are generally collectible as follows:

a. **Officers of any Service.** There is no limitation on the amount that may be deducted from an officer of any Service from his or her final separation pay;

b. **Army and Air Force Enlisted Members.** An amount due from an enlisted member of the Army or Air Force may be deducted from their final separation pay. Pursuant to 37 U.S.C. 1007(d), the appropriate rate of collection in subparagraph 030305.B applies to collection from the member’s final separation payment; and

c. **Navy and Marine Corps Enlisted Members.** There is no limitation on the amount that may be deducted from an enlisted member of the Navy or Marine Corps from his or her final separation pay.

3. **Collection of Remaining Debt Amounts.** When the entire debt cannot be offset from final separation pay, refer to section 0305 for guidance on collecting additional amounts due after separation.

030304. **Computation of Gross and Disposable Pay**

A. **Gross Pay.** Compute gross pay by adding together basic pay, all special and incentive pays, and all reenlistment bonuses. Gross pay does not include allowances or reductions in pay, such as forfeitures.

B. **Disposable Pay.** Disposable pay, when used to calculate maximum allowable deduction, is computed by deducting the following from gross pay of active duty members: Federal Insurance Contributions Act (FICA); Armed Forces Retirement Home; Federal Income Tax Withholdings (FITW); Servicemembers’ Group Life Insurance (SGLI) (including Family SGLI (FSGLI) and Traumatic SGLI (TSGLI)); and State Income Tax Withholdings (SITW). For reservists, the deductions to calculate disposable pay are: FICA; FITW; SITW; and SGLI (including FSGLI and TSGLI).

030305. **Collections by Salary Offset Under 37 U.S.C. § 1007(c)**

Section 1007(c) of Title 37 authorizes the deduction of an amount, from a member’s current pay, that the Secretary of the Military Department concerned administratively determines to be owed to the United States, or any of its instrumentalities, due to the overpayment of pay and allowances. Debts collected under 37 U.S.C. § 1007 are subject to due process requirements. Limitations on amounts subject to collection under 37 U.S.C. § 1007 are set out in subparagraph 030305.B. Two-thirds of the member’s disposable pay is the maximum amount that may be deducted from his or her monthly pay, except as provided in subparagraph 030305.B or 030303.C for final separation. Where a member of one Military Service owes a debt to another Military
Service and the creditor Service makes an administrative determination of indebtedness, the creditor Service may forward that determination, along with a certification of having complied with the appropriate instructions set forth in this section, to the military pay office servicing the member for collection action. Refer to Chapter 2, subparagraph 021405.E for guidance on delaying the start of the repayment requirement to recover the indebtedness.

A. Due Process Requirements Under 37 U.S.C. § 1007

DCOs must use the procedures set out in Chapter 2 for debts that require due process be provided to the member. The field office must initiate due process after its receipt of a management notice from the pay system, and any subsequent debt collection must be based on an appropriate repayment schedule.

B. Amount of Pay Subject to Collection

1. Collection When Member is at Fault. When the military pay office determines that an overpayment of pay or allowances is the fault of the member, the military pay office may recover the debt in monthly installments of up to two-thirds of the member’s disposable monthly pay. The member may consent to deduction of the debt at a greater percentage.

2. Collection When Member is Not at Fault. When the military pay office determines that an overpayment of pay or allowances is not the fault of the member, it is authorized to recover the debt in monthly installments.

   a. Overpayments Made On or Prior to October 28, 2009. If overpayment was made to a member on or before October 28, 2009, the military pay office will recover the overpayment in monthly installments not to exceed 20 percent of the member’s disposable pay for each month. The military pay office may deduct a greater percentage with the member’s consent.

   b. Overpayments Made After October 28, 2009. If overpayment was made to a member on or after October 29, 2009, the military pay office will recover the overpayment in monthly installments not to exceed 15 percent of the member’s disposable pay for each month. The military pay office may deduct a greater percentage with the member’s consent.

   c. Requests for Delayed Collection. For overpayments described in this subparagraph that are made on or after October 29, 2009, the military pay office is required to provide a reasonable opportunity for the member to request a delay in the imposition of the repayment requirement to recover the overpayment. Before beginning collection efforts, the military pay office must consider the reasons provided by the member for the requested delay, including the financial ability of the member to repay the indebtedness, and the hardship that immediate collection would impose on the member and the member’s dependents.
C. Collection of Combat Zone/Combat Operation Wounded Member Debts

1. If a member, through no fault of the member, incurs a wound, injury, or illness while in the line of duty in a combat operation or combat zone designated by the President or the Secretary of Defense, then any overpayment of pay or allowances made to the member while the member recovers from the wound, injury, or illness may not be deducted from the member's pay until:
   a. The member is notified of the overpayment; and
   b. The later of the following occurs:
      1) The end of the 180-day period beginning on the date of the completion of the tour of duty of the member in the combat operation or combat zone, or
      2) The end of the 90-day period beginning on the date of the reassignment of the member from a military treatment facility or another medical unit outside of the theater of operations.

2. After receiving notification of the overpayment, a member may request initiation of collection action at an earlier date. The military pay office must determine the appropriate rate of collection pursuant to subparagraph 030305.B.2 and must follow due process requirements set out in Chapter 2.


A. Debt Determination. A federal agency, other than the DoD, may determine that a member is indebted to the United States and that collection action against the member’s monthly pay under the authority of 5 U.S.C. § 5514 is warranted. The collection of a debt owed to departments and agencies other than DoD (including its instrumentalities or other uniformed services) resulting from a court judgment is included under this collection authority. The non-DoD agency must forward the request for offset through Treasury’s Cross-Servicing Program.

B. Amount of Collections. The military pay office may make collections not exceeding 15 percent of disposable pay for any pay period, unless the member authorizes a greater percentage in writing. Unsatisfied debts at discharge or retirement will be deducted from subsequent payments due the member. For additional guidance on salary offset, refer to Chapter 2, paragraph 020902.

C. Due Process. The creditor agency to which the debt is owed must provide due process to the member and must certify due process was completed if the debt is submitted to the Defense Finance and Accounting Service (DFAS) for collection. For due process procedures, refer to Chapter 2.
D. Routine Administrative Adjustment

1. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred within the four pay periods preceding the adjustment, or amount to $50 or less. Routine adjustments may be necessary due to an overpayment attributable to clerical errors, administrative errors, delays in processing pay documents, or underdeduction of premiums, for example. The DCO must provide the debtor with written notice of the nature and amount of the adjustment, as well as a point of contact for questions regarding the adjustment. This information should be provided by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. An appropriate notice on the LES meets the requirements for notification.

2. The actual overpayment must have occurred after April 26, 1996.

3. The amount deducted may not exceed 15 percent of disposable pay, unless the debtor has consented in writing to a higher amount. The servicing military pay office must generate a “no pay due” management notice when a debt creates a “no pay due” situation.

E. IPA Costs. Interest will be charged beginning from the date of delinquency. Assess and calculate IPA pursuant to Chapter 7, 31 U.S.C. § 3717, and 31 CFR 901.9.

030307. Indebtedness Incurred in National Guard or Reserve

When a member re-enters active Military Service, the military pay office must collect from active pay and allowances any indebtedness the member incurred while in a National Guard or Reserve status.

030308. Member Dies after Receiving Advance Salary Payment

Advance payday payments made in accordance with Volume 7A, Chapter 32 are not considered “indebtedness” if the member dies before the date through which the pay was computed and paid.

030309. Centralized Processing of Involuntary Withholding of Member’s Pay for Debts Owed to the Services’ Exchange Commands

A. Purpose and Authority. This section provides the procedures for collecting in-service debts owed to the Army and Air Force Exchange Service, the Navy Exchange Command, and the Marine Corps Exchange Command (referred to collectively as “The Exchange Commands”). This section applies when active duty, reserve, and retired military members are delinquent in the repayment of a dishonored check or their credit plan. Under 37 U.S.C. § 1007(c), an amount that a member of the uniformed services is administratively determined to owe the United States may be deducted from the member’s pay in monthly installments.
B. Procedures. When a member is indebted to a service exchange, the service exchange may forward the determination to DFAS. DFAS will honor the request based on written certification from the Exchange Command that it complied with due process requirements found in Chapter 2. If the member has not paid the debt within 60 days from the date of the debt notification letter, then the Exchange Command may submit a DD 139, Pay Adjustment Authorization, to DFAS. DFAS will collect the amount owed to the Exchange Command in accordance with the priority of pay deductions and collections in Volume 7A, Chapter 52.

C. Applicability and Scope

1. These procedures apply to the pay of Army, Navy, Air Force, and Marine Corps members serviced by the Defense Joint Military Pay System or the Marine Corps Total Force System.

2. DFAS will collect the amounts requested, as long as the total monthly amount collected, including any other debt amount being collected under 5 U.S.C. § 5514, does not exceed two-thirds of the member’s disposable pay. The military pay office must reduce monthly collection amounts if the pay due a member is insufficient to cover authorized deductions or collections. Debt collection is subject to the rules presented in Table 3-5, as well as the priority of pay deductions and collections in Volume 7A, Chapter 52.

D. General Procedures

1. Exchange Commands must certify that they provided the member due process in accordance with Chapter 2. Exchange Commands must maintain due process documentation (debt notification letters and supporting documentation) on individual delinquent debt accounts.

2. Collection of any portion of the debt remaining uncollected at the time of a member’s separation is subject to subparagraph 030305.B.

3. When a member enrolls in a credit plan, the Exchange Command must advise the member of the maximum deduction for delinquent accounts under subparagraph 030305.B. DFAS, or the field finance office, is responsible for ensuring that collections do not exceed two-thirds of the member’s monthly disposable pay.

4. If a repayment amount exceeds the maximum deduction limitation, DFAS or the servicing military pay office must adjust by inputting a transaction to change the deduction.

5. The military pay office is responsible for answering inquiries from the member on how exchange debt transactions are reflected on the LES.
E. Exchange Command Responsibilities

1. Exchange Commands must respond to all inquiries from a member concerning his or her debts and deduction amounts.

2. Exchange Commands may not deduct any amount from a member’s pay account to cover a dishonored check written by a dependent without consent of the member.

3. Exchange Commands must use a listing of basic pay rates, plus income data received from the member, to determine the amount that is equal to or less than two-thirds of the member’s pay.

4. If a member separates from active duty, or if retired pay is suspended, and the debt was not fully collected, then the Exchange Command is responsible for collecting any remaining debt. The military pay office must advise the Exchange Command that the member has separated or that the retiree’s pay has been suspended.

5. Exchange Commands are responsible for overpaid debts. When a member has overpaid a debt, the Exchange Commands must issue a refund immediately to the member for the overpayment.

6. Exchange Commands must honor a repayment agreement under which a member voluntarily agrees to repay the debt. If the member voluntarily repays the debt (off-line), then the Exchange Command must cancel the offset request and notify DFAS immediately.

7. For audit purposes, Exchange Commands must maintain and ensure the availability of all documentation pertaining to these debts.

F. System Overview

1. Once a collection action is deemed necessary, the Exchange Command must transmit a monthly update transaction requesting a pay deduction. The input should be applied to the pay account in the appropriate sequence (refer to Volume 7A, Chapter 52, Table 52-1).

2. DFAS provides new basic pay rates, or other pay data, to the Exchange Command as it becomes available.

3. During a processing month, Exchange Commands submit the electronic pay-adjustment transaction with name, social security number, total debt, and the deduction amount for the month. Exchange Commands electronically submit the information in time to adjust in the payment processing update.
4. The Exchange Command input identifies the balance due and the monthly collection amounts. If the debt is collected off-line after submitting the input, then the Exchange Command is responsible for the refund.

5. If the deduction amount input by the Exchange Command is greater than two-thirds of the member’s disposable pay (subparagraph 030304.B), then DFAS or the military pay office either changes the deduction amount or returns the debt to the Exchange Command for adjustment in amount. After the deduction is processed, DFAS must notify the Exchange Command of any adjustments.

6. The Exchange Command manages the entire debt amount internally. Exchange Commands are responsible for notifying the member of the debt balance and encouraging the member to submit payments voluntarily. DFAS provides management notices (listing) to the servicing military pay office if applicable, which identifies the member’s pay account to which the deduction is charged.

7. Rejects are downloaded to the Exchange Commands after each update. Exchange Commands are required to work rejects on a daily basis.

8. At the end of each processing month, in order to identify the affected members, DFAS sites wire-transfer the amounts deducted via electronic funds transfer to a central processing location for each Exchange Command.

0304 COLLECTION OF DEBT FROM MILITARY RETIREES AND SBP ANNUITANTS

030401. General

This section pertains to the collection of debt owed to DoD by military retirees, Retired Serviceman’s Family Protection Plan (RSFPP) annuitants, or SBP annuitants due to the overpayment of annuity payments. A debt may be the result of an overpayment to the military retiree, or an amount owed to the Government but unpaid by a military retiree. A debt may be for an overpayment of military retired pay, Concurrent Retirement and Disability Pay, Combat Related Special Compensation (CRSC), an overpayment of active duty pay and allowances, or other indebtedness arising from service on active duty.

030402. Due Process Requirements

The head of the military retiree pay office, DFAS – Retired and Annuitant Pay, must ensure that it affords military retirees all legal rights relative to the indebtedness arising from overpayments of pay and allowances, including due process under Chapter 2. This includes providing the military retiree the opportunity to request a delay in collection of the debt under 37 U.S.C. § 1007(c)(3)(B).


A. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred.
within the four pay periods preceding the adjustment or amount to $50 or less. Routine adjustments may be necessary due to an overpayment attributable to clerical errors, administrative errors, or delays in processing pay documents. Routine adjustments include retroactive U.S. Department of Veterans Affairs (VA) increases that may result in retirement benefit debts.

B. The DCO must provide the debtor with written notice of the nature and amount of the adjustment, as well as a point of contact for questions regarding the adjustment. The information should be provided by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. An appropriate remark added to the Retiree Account Statement (RAS) meets the requirements for notification.

C. The actual overpayment must have occurred after April 26, 1996.

D. The amount deducted may not exceed 15 percent of disposable pay, unless the debtor has consented in writing to a higher amount. The servicing pay office must generate a “no pay due” management notice when a debt creates a “no pay due” situation.

030404. Debt Collection

A. General. When the indebtedness cannot be corrected using a routine pay adjustment, then the amount to be collected each month should be no less than $50 (unless specified by statute), or an amount reasonable in relationship to the size of the debt and the military retiree’s ability to pay. Refer to Chapter 2, paragraph 020801 for guidance on determining the financial status of the military retiree. Military retirees indebted to the United States should be encouraged to discharge their indebtedness through lump-sum repayment.

B. Authority for Involuntary Collection. A military retiree’s pay is available for repayment of indebtedness by involuntary offset without the military retiree’s consent, provided the military retiree is afforded due process under Chapter 2, as follows:

1. Debts to the DoD, or any of its instrumentalities or other uniformed services, will be deducted from pay under 37 U.S.C. § 1007(c);

2. Debts determined to be owed to another federal agency will be collected by salary offset under the authority of 5 U.S.C. § 5514;

3. Debts determined to be owed to another federal agency will be collected by administrative offset under the authority of 31 U.S.C. § 3716; and


C. Limitation on Amount of Deductions. Debt collection amounts are subject to the limitations set out in the authorizing debt collection statute. The maximum monthly amount that may be collected under 37 U.S.C. § 1007(c) is subject to the limitations under subparagraph 030305.B.
D. “No Pay Due” Notice. As a precaution to prevent avoidable hardship to the military retiree, generate a “no pay due” RAS for the military retiree when collection of a debt results in “no pay due.”

030405. Debt Transfer on Retirement

Debts incurred while the military retiree was on active duty must be transferred on retirement to the military retiree pay office. Resume collection from retirement or retainer pay. It is not necessary to repeat the due process procedures prior to resuming collection.

030406. Debt Owed to Another Military Service

When a military retiree of one Military Service (e.g., Army) owes a debt to another Military Service (e.g., Air Force), and a DCO of the creditor Service makes an administrative determination of indebtedness, the DCO may forward that determination, along with certification of compliance with due process requirements, to the DFAS Retired and Annuitant Pay for collection action.

030407. Priority of Deductions and Collections

When the pay due a military retiree is not enough to cover all authorized deductions and collections, the DFAS Retired and Annuitant Pay office must use the following priority sequence for making deductions and collections from pay:

A. Reduction of pay entitlement, which takes precedence over all other items for deduction or collection. These reductions include:

1. Readjustment pay,
2. Separation pay,
3. Severance pay,
4. Variable Separation Incentive,
5. Special Separation Benefit,
6. Reserve Special Separation Pay,
7. Forfeiture of pay, and
8. VA compensation;

B. Reimbursement to the United States, to include:

1. FITW,
2. TRICARE – Dental Plan,
3. RSFPP premiums,
4. SBP and Supplemental SBP (SSBP) premiums, and
5. Reserve Component (RC) SBP (RCSBP) premiums;

C. Involuntary repayment of indebtedness to the United States, which includes:
1. Routine adjustments and automatic collections;
2. Other overpayments of retired pay and CRSC;
3. Delinquent RSFPP, SBP, SSBP, or RCSBP costs;
4. Debts arising from active duty;
5. Debts to DoD appropriated fund activities;
6. Hospital rations issued to a member;
7. Excess cost of shipment of household goods;
8. Unpaid hospital bills for medical services furnished a dependent;
9. Court-martial fines; and
10. Debts from other departments or agencies outside DoD, including court judgments;

D. Garnishment for alimony and child support payments and Uniformed Services Former Spouses’ Protection Act payments;

E. Court-ordered bankruptcy payments under Chapter 13 of the revised Bankruptcy Code;

F. Indebtedness to a nonappropriated fund activity; and then

G. SITW.

030408. Collection of Debt from SBP Annuitants

A. General. Generally, SBP annuity overpayments are the result of one of the following: (1) the failure to reduce an annuity by the amount of disability indemnity compensation awarded by the VA, (2) the non-termination of an annuity due to ineligibility, (3) an erroneous
computation, (4) insufficient or untimely information, (5) unpaid SBP premiums, or (6) a determination by the Secretary of the Military Department concerned (or designee) that a participating member is alive after the Secretary concerned previously determined that the member was presumed dead.

B. **Liability.** An SBP annuitant is liable for any debt resulting from the overpayment of an annuity. A military retiree is liable for a debt resulting from erroneous annuity payments that were made based on the presumption of the member’s death. If the member dies before such payments are fully recovered, an annuitant who was the recipient of the annuity payments made under the presumption of death is liable for the indebtedness.

C. **Collection of Debt.** Upon discovery of an overpayment, the DCO must provide the annuitant with due process as required under Chapter 2. The DCO must advise the annuitant of the debt and the method by which the overpayment is being, or may be, liquidated. The debt may be liquidated by:

1. The annuitant making direct remittance payments to DFAS Retired and Annuitant Pay;
2. The annuitant authorizing the VA to reduce Dependency and Indemnity Compensation and remit the amount collected to DFAS Retired and Annuitant Pay; or
3. The DFAS Retired and Annuitant Pay reducing the SBP annuity payments through administrative offset as authorized by law.

0305 COLLECTION OF DEBT FROM FORMER EMPLOYEES, FORMER MEMBERS AND OTHER NON-DOD RELATED DEBTORS

030501. **General**

A. This section pertains to the collection of debts owed by individuals who are no longer employed by DoD or no longer on active duty. This section also covers individuals who were neither DoD employees nor active duty members, but who are indebted to DoD. This category of debt is referred to as “out-of-service.” If a Component’s DCO cannot collect a debt through salary offset because the debtor is not being paid by DoD, and the debtor has not agreed to pay the debt in a lump sum, then the DCO should obtain debt collection services from the DCMO. The DCMO operates and maintains the Defense Debt Management System (DDMS) to provide centralized, cost-effective, automated debt servicing and collection assistance to DCOs on delinquent debts owed to DoD by individuals who are no longer paid by DoD.

B. The DCMO may also provide collection assistance for other debts as specifically agreed to in each Service’s mission work agreement.

C. The DCMO must comply with the 31 U.S.C. § 3701-3720E and all applicable laws and regulations, including the FCCS. However, pursuant to paragraph 030504, the DCO is responsible for all due process requirements under the FCCS.
030502. Reasons for Individual Out-of-Service Debts

An out-of-service debt occurs when a debtor separates from DoD and no longer receives a salary or other payments from DoD that can be offset to collect a previously established debt. Individual out-of-service debts may also arise from overpayments, erroneous payments to other individuals, or indebtedness by the public for use of DoD’s facilities or services.

030503. Obtaining Service from the DCMO

Other DoD Components not supported by DFAS may obtain debt collection services from the DCMO. The DoD Component and the DCMO must document the services to be provided using a DD 1144, Support Agreement.

030504. DCO Responsibilities

The DCO must:

A. Initiate debt collection and ensure due process requirements (notification and opportunity for review) are met. The DCO must issue the initial bill, invoice, and/or debt notification letter to the debtor and take appropriate follow-up action. The DCO may use bills and invoices as an initial attempt at debt collection. However, generally bills and invoices do not meet the requirements of due process. The DCO must issue a debt notification letter setting out the debtor’s due process rights prior to submitting the debt to the DCMO for collection services. Although only one due process notification is required, a DCO may issue additional written demands for payment to the debtor as deemed appropriate. Refer to Chapter 2 for guidance on issuing the debt notification letter;

B. Complete any previously initiated actions such as reclamation, appeal, litigation, or foreclosure before referring delinquent, individual, out-of-service debts to the DCMO;

C. Research and verify the military or civilian status of debtors to ensure that only individual out-of-service debts are referred to the DCMO, or ensure other debts transferred are in accordance with established procedures;

D. Refer delinquent, individual, out-of-service debts that are $225 or greater to the DCMO no later than 60 days after the payment due date when the DCO has not been able to collect a debt or establish a repayment schedule with the debtor. If an individual has multiple debts all under $225, then the DCO may consolidate the debts and refer them to the DCMO as one debt package. Components that have implemented the processes and procedures defined in the Delinquent Debt Management Guidance (DDMG) should refer eligible and legally enforceable, delinquent, individual out-of-service debt over $25 to Treasury’s Bureau of the Fiscal Service Debt Management Services for further collection action where applicable. Refer to Volume 4, Chapter 3 for guidance on clearing individual out-of-service debts that are below the referral threshold;
E. For manually submitted debts, use a transmittal letter to refer eligible debts to the DCMO and to ensure that the debts are received by the DCMO (refer to paragraph 030507 for systemic referral of debts to the DCMO). Prepare the transmittal letter in duplicate and send it to the DCMO, DFAS-IN, Department 3300 (ATTN: Case Management), 8899 East 56th Street, Indianapolis, IN 46249-3300, or via email to dfas.indianapolis-in.jaa.mbx.oosdebt-debtmgmt-baselevel@mail.mil. Send new debts with transmittal letters as often as required, but at least weekly. Identify on the transmittal letter all attached debt case files by name, social security number, and amount. Include the name, email address, and telephone number for the DCO point of contact and the name and location of the office accountable for the debt. Attach a copy of all documentation and background material in the debt case files. The required documentation includes:

1. A copy of the original bill, invoice, and/or debt notification letter. In order for the DCMO to accept the debt, the debt notification letter must comply with the requirements under Chapter 2;

2. The original debt principal amount with complete accounting classification and fiscal year to credit with any collections. Include a copy of the original disbursement voucher when the debt is the result of a previous payment;

3. The date the debt became known;

4. The date the debt was due;

5. The date the debt became delinquent (usually 30 days from the date of the debt notification letter);

6. The amount of accrued IPA;

7. Copies of any follow-up correspondence between the debtor and the DCO;

8. Amounts and dates of any prior collections and the accounting classification credited. Include a copy of the collection voucher when the collection was not processed through salary offset;

9. The debtor’s branch of service or agency where formerly employed;

10. The debtor’s, sponsor’s, or beneficiary’s social security number;

11. Military status and date of separation for members or employees whose period of service or employment ended with indebtedness;

12. Copy of DD 139 for military pay debts;

13. Copy of DD 2481 for civilian employee debts; and
14. Any other relevant documentation or information regarding the debt;

F. Include in each transmittal package a certifying statement that the amounts of the debts being referred are correct and that the debts are delinquent, valid, legally enforceable, and confirm that the DCO provided the debtor with all due process requirements. DCOs referring debts electronically must also submit a debt certification statement. Figure 3-2 is a sample debt certification statement;

G. Correct any errors in debt packages returned by the DCMO for correction/additional action and send the debt package back to the DCMO;

H. Coordinate with the DCO’s supporting accounting office to ensure that it removes accountability for the referred debts from its records in accordance with the guidance in Volume 4, Chapter 3 upon receipt of the duplicate copy of the transmittal letter;

I. Maintain names, official addresses, and contact information for all witnesses to the events leading to the debt and copies of and location of physical evidence (documentation and other evidence) relating to the debt for payroll debts involving fraud, misrepresentation, or credibility, and for all non-payroll debts. Retain all investigative reports. This information is necessary in the event that the debt must be referred to Department of Justice (DOJ) for litigation; and

J. Mail any payments received from a debtor after the debt was referred to the DCMO to DFAS-IN, Department 3300 (ATTN: Case Management), 8899 East 56th Street, Indianapolis, IN 46249-3300. Include the debtor’s name and social security number so the DCMO can credit the proper account.

030505. DCMO Responsibilities

The DCMO must:

A. Assist DCOs in the centralized management of debts, including automated, centralized processing, referral to private collection agencies or to the Treasury, reporting, and accounting of debts;

B. Return uncollectible debts, debts requiring additional DCO collection action, and debts with incomplete documentation to the DCO with an explanation of the reason for the return;

C. Determine the effective date for entering the debts into DDMS, annotate the effective date on the duplicate copy of the transmittal letter, and return the duplicate copy of the transmittal letter to the DCO;

D. Pursue collection action once debts are entered in DDMS. Figure 3-3 illustrates a general overview of the individual, out-of-service, delinquent debt collection steps.
The DCMO debt services provided to the DCO include the following: issuing written demands for payment to the debtor; collecting debts; referring delinquent debts to private collection agencies for collection; reporting debts to credit bureaus; referring uncollectible, delinquent debts to Treasury for offset (see Chapter 2); and referring uncollectible debts to the DOJ for litigation. The DCMO may also process debts for compromise, suspension of collection, or termination of collection. In the case of deceased debtors, the DCMO must use DD 2840, Request for Information Regarding Deceased Debtor, to seek information from state probate courts concerning the establishment of an estate in order to pursue collection;

E. Provide the data recorded in DDMS monthly to DFAS departmental accounting offices;

F. Retain all pertinent debt documentation. Upon request, provide feedback regarding the status of debt collection to the applicable DoD Component; and

G. Provide PROs pertinent data regarding collections from former civilian employees so that the PRO may affect necessary changes (i.e., SF 2812, Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement; SF 2806/3100; Internal Revenue Service (IRS) Form W-2, Wage and Tax Statement; and IRS Form 941, Employer’s QUARTERLY Federal Tax Return).

030506. DFAS Departmental Accounting Offices

DFAS departmental accounting offices must use DDMS to establish and maintain accountability at the departmental level for all debts referred to the DCMO. DFAS departmental accounting offices must report the transfer-out and transfer-in of these debts on Part I, Section A, Line 5.A, “Reclassified/Adjusted Amounts” on the Treasury Report on Receivables (TROR), and provide the required footnote. Components that have implemented processes defined in the DDMG must maintain accountability of debt in their systems and submit data for the TROR directly to Treasury. Volume 4, Chapter 3 contains more specific reporting requirements.

030507. Collection Assistance for System-Generated Individual Out-of-Service Debts

A. Uncollected debts over $225 maintained on the Master Military Pay Account of Active Component and RC service members that are due upon separation or retirement, debts for offset from retired pay or annuitant pay, and some other out-of-service debts are systemically referred to the DCMO. Debts being referred must be correct, valid, legally enforceable, and the DCO must have provided the debtor with all due process requirements unless there is an agreement that the DCMO will provide due process instead. Once these system-generated debts are entered in DDMS, the debts are serviced in the same manner as debts referred to the DCMO by the DCOs under paragraph 030505. Defense Retiree and Annuitant Pay System (DRAS) debts are created when payments are made after the entitlement to retired pay has ended. DRAS debts are transferred to the DCMO each month by an interface between DRAS and DDMS.
B. Components that have implemented the processes and procedures defined in the DDMG should refer eligible and legally enforceable, delinquent, individual, out-of-service debt over $25 directly to Treasury for further collection action where applicable (see Chapter 2 for guidance on referring delinquent debts to Treasury).

0306 REFUNDING PREVIOUSLY COLLECTED DEBTS AND LATE PAYMENT CHARGES

030601. Scope

This section does not pertain to refunds authorized under the Contract Disputes Act. Refer to Chapter 5 for specific guidance on contract debt.

030602. General

Refunds of collected debts may be required for a variety of reasons, but generally are based on a determination that the debt is invalid or should have been forgiven under applicable law or regulation. Payments received from debtors for principal and IPA must be refunded to the debtor when a debt is found not to be due to the Government. For example, refunds may be appropriate in instances where waiver or remission is granted, when a post-collection clarification changes the debt amount, or as a result of an administrative or judicial order. A refund may also be appropriate if collection from an employee’s pay exceeds the allowable percentage of disposable pay due to an error in computation. If an offset mistakenly exceeds 15 percent of disposable pay when the debtor has not consented to deductions at a greater percentage, then the DCO must refund the difference to the debtor upon the debtor’s request.

030603. Payment Voucher for Refunds

When making a refund payment, the DoD Component or DCO must prepare a SF 1034, Public Voucher for Purchases and Services Other Than Personal, or other approved voucher, and submit it for payment to the disbursing office. Documentation from the debtor or other source(s) that establishes the claim for a refund must accompany the voucher. The DoD Component or DCO must retain a copy of the voucher and supporting documentation in the debtor’s case file.

030604. Refunds Available for Administrative Offset

Refunds of amounts previously collected may be applied to other, unrelated outstanding debts the debtor may owe to the Government, as long as due process has been provided.

030605. Determination of Refund Amount

The amount refunded to the debtor may include money that was originally collected for principal and IPA, or if the debt was collected by Treasury and/or a private collection agency, any additional fees imposed by those entities must be considered for inclusion in the refund. Treasury and private collection agencies retain any fees assessed for the collection of the debt. However, the amount refunded to the debtor must be the total amount collected, including any fees assessed.
by the Treasury and/or private collection agencies. The debtor should receive a full refund even though fees imposed by Treasury or private collection agencies may not be returned to the referring DCO. Interest is not paid on refunds unless the refund is the result of a personnel action and interest is ordered to be paid under the Back Pay Due to Unjustified Personnel Action at 5 U.S.C. § 5596.

030606. Funding the Payment of Collected Debt Refunds

Refer to Volume 4, Chapter 3 for guidance on which appropriation(s) to charge when refunding amounts collected for principal debt and IPA.
(1)  

(2)  

Dear (3):  

Our records indicate that you are separating from Federal service. On (4), you were notified that you were overpaid for pay periods ending (5)-(6) in the gross amount of (7). The remaining balance of your debt is (8), after all prior payments and offsets, and after collection from your final pay.

**Payment of the Balance Due on Your Debt.** Please pay the balance due of your debt in full by (9), which is 30 days from the date of this letter. Your check or money order should be made payable to DFAS-CL DSSN 8522 in the amount of (8). Please send your payment to DFAS-CL, ATTN: J3DCBB/555, 1240 E. 9th St., Cleveland, OH 44199-9555.

If you do not pay the balance due on your debt within 30 days, your debt will be forwarded to the Office of Personnel Management (OPM) for recovery by offset from Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) basic retirement or disability benefits paid to you. DFAS will not forward your debt to OPM if you pay the remaining balance due within 30 days from the date of this letter. The DFAS Debt and Claims Management Office will continue to pursue the collection of your debt after you leave Federal service.

If you have further questions regarding this debt contact the Indebtedness Processing Team at (800) 538-9043.

Sincerely,

(10)

(11)
Figure 3-1. Sample Notification Prior to Referral of Debt to OPM (Continued)

<table>
<thead>
<tr>
<th>Explanation of Blank Spaces on Sample Debtor Notification</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Date</td>
</tr>
<tr>
<td>(2) Address of the Debt Collection Office</td>
</tr>
<tr>
<td>(3) Last name of debtor with proper title (Mr. or Ms.)</td>
</tr>
<tr>
<td>(4) Date of the due process notification originally sent to the debtor</td>
</tr>
<tr>
<td>(5) First pay period of overpayment</td>
</tr>
<tr>
<td>(6) Last pay period of overpayment</td>
</tr>
<tr>
<td>(7) Gross amount of the debt of which debtor had been previously notified</td>
</tr>
<tr>
<td>(8) The net amount of debt remaining at the time of this notification</td>
</tr>
<tr>
<td>(9) The date by which the debtor must pay the debt in full or else it will be forwarded to the Office of Personnel Management, usually 30 days from the date the letter is issued</td>
</tr>
<tr>
<td>(10) Supervisory signature</td>
</tr>
<tr>
<td>(11) Identify by name, the signatory for the letter</td>
</tr>
</tbody>
</table>
Figure 3-2. Sample Debt Certification Statement

**DEBT CERTIFICATION STATEMENT**

Pursuant to Title 28, United States Code, Section 1746 *(28 U.S.C. § 1746)*, I certify under the penalty of perjury that to the best of my knowledge and belief that the debts submitted herewith are delinquent, valid, and legally enforceable in the amounts stated. The debts are not subject to any circumstances that legally preclude or bar collection, including collection by offset. The debtor has been afforded all due process rights, including notification and an opportunity for review under 31, U.S.C. § 3716. Records available do not show that any debtor owing a debt has filed for bankruptcy protection.

________________ _______________________________________
Date    Signature of Debt Certifying Official

Print Name:___________________________________________
Title:_________________________________
Office Symbol:_________________________

**PREPARATION AND SUBMISSION INSTRUCTIONS**

**REQUIRED SIGNATORY:** The submitting office’s director, deputy director, or designee.

**MANUAL DEBT SUBMISSION:** Prepare and send a copy of the Certification Statement along with each manual submission of debts.

**ELECTRONIC DEBT SUBMISSION:** Prepare and mail a copy of the Certification Statement to cover the electronic submission of debts to: DCMO, DFAS-IN, Department 3300 (ATTN: Debt Establishment), 8899 E. 56th Street, Indianapolis, IN 46249-3300. Prepare and mail a new Certification Statement whenever the signatory changes. For those periodic electronic debt submissions when it is not necessary to reissue and mail a paper copy Certification Statement (i.e., no change in signatory), e-mail the Certification Statement to cover the electronically transmitted debts. Contact the DCMO to obtain the current e-mail address for submission of e-mailed certifications.
Figure 3-3. DDMS Debt Processing Steps

1. Day 1: Establish debt in DDMS.
2. Day 2: Notify debtor by letter.
   - COLLECT?:
     - YES: Process collection.
     - NO: Notify debtor by letter.

3. Day 31: Collect?
   - YES: Process collection.
   - NO: See Note 3.

4. Day 32: Send 2nd letter to debtor, assess interest retroactive to date of delinquency.
   - COLLECT?:
     - YES: Process collection.
     - NO: See Note 2.

   - COLLECT?:
     - YES: Process collection.

6. Day 92: Add penalty fee on debts > 90 days delinquent.
   - COLLECT?:
     - YES: Process collection.
     - NO: Refer to Treasury Offset Program and 1st Private Collection Agency (PCA).

ADD ADMINISTRATIVE FEE (as appropriate)
Figure 3-3. DDMS Debt Processing Steps (Continued)

1.

**COLLECT?**

- **YES**
  - **PROCESS COLLECTION**

- **NO**

  **ADD ADMINISTRATIVE FEE (as appropriate)**
  - **DAY 314**
  - **REFER TO 2nd PCA**
  - **ADD ADMINISTRATIVE FEE (as appropriate)**

  **COLLECT?**
  - **YES**
    - **PROCESS COLLECTION**
  - **NO**
    - **NO**

  **ADD ADMINISTRATIVE FEE (as appropriate)**
  - **No later than (NLT) 1 YEAR**
  - **REFER TO DOJ SEE NOTE 4**

  **COLLECT?**
  - **YES**
    - **PROCESS COLLECTION**
  - **NO**

  **WRITE-OFF DEBT AND CLASSIFY AS CURRENTLY NOT COLLECTIBLE (CNC). MAINTAIN DEBT AT TREASURY FOR ADMINISTRATIVE OFFSET SEE NOTE 5.**

  **COLLECT?**
  - **YES**
    - **PROCESS COLLECTION**
  - **NO**

  **CLOSE-OUT DEBT SEE NOTE 6.**

3-42
Figure 3-3. DDMS Debt Processing Steps (Continued)

NOTES:
1. The number of days depicted in this chart reflects the approximate number of days that a debt has been recorded in DDMS.
2. Interest is accrued and assessed monthly throughout the life of a delinquent debt.
3. Debts are reported to credit bureaus no earlier than 60 days from the date the debtor is notified of the intention to report the debt to a credit bureau. The DCMO includes this notice in the initial letter to the debtor (Day 2).
4. Refer to Chapter 2 for thresholds to refer debts to DOJ.
5. Refer to Volume 4, Chapter 3 for guidance on write-off and classification of debt as CNC.
6. Refer to Volume 4, Chapter 3 for guidance on the close-out of debts.
Table 3-1. Military Member Indebtedness Due to Erroneous Payments, Government Accountability Office (GAO) Disallowances, and Notices of Exception

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>officer or enlisted member</td>
<td>any Military Service</td>
<td>payment disallowed by GAO or by the DoD Office of the General Counsel in accounts of a disbursing or certifying officer</td>
<td>the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid</td>
<td>involuntarily (note 1)</td>
<td>disposable pay (see subparagraph 030304.B)</td>
</tr>
<tr>
<td>2</td>
<td>debt cited in GAO notice of exception or informal inquiries (note 2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Table 3-6, rule 2.</td>
</tr>
<tr>
<td>3</td>
<td>erroneous payment (including allotments the member knew or reasonably should have known were erroneous) made to or on behalf of the member of any uniformed service (note 3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>officer or enlisted member recovering from a wound, injury, or illness incurred through no fault of the member in the line of duty in a combat operation or zone</td>
<td>an overpayment of pay or allowances through no fault of the member incurred on or before October 28, 2009</td>
<td></td>
<td>after a 90-day delay following reassignment of the member from a military treatment facility or other medical unit outside of the theater of operations or member’s consent (see subparagraph 030305.C)</td>
<td></td>
<td>Table 3-6, rule 5.</td>
</tr>
</tbody>
</table>
### Table 3-1. Military Member Indebtedness Due to Erroneous Payments, Government Accountability Office (GAO) Disallowances, and Notices of Exception (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>officer or enlisted member recovering from a wound, injury, or illness incurred through no fault of the member in the line of duty in a combat operation or zone</td>
<td>any Military Service</td>
<td>an overpayment of pay or allowances through no fault of the member incurred on or after October 29, 2009</td>
<td>the Secretary of the Military Service concerned or the Secretary’s designee has determined the indebtedness is valid</td>
<td>after a 180-day delay beginning on the date of the completion of the tour of duty of the member in the combat operation or combat zone or member’s consent (see subparagraph 030305.C)</td>
<td>at a monthly rate not to exceed that shown in this table or in the rule cited</td>
</tr>
<tr>
<td>6</td>
<td>officer</td>
<td>erroneous payment of allotment caused by failure to report, as required, the death of the allotter or any other fact making the allotment not payable</td>
<td>appropriate investigation is made, and the overpaid amount is not recovered from the allottee</td>
<td>with officer’s consent, or with approval of the Secretary concerned</td>
<td>applicable amount of allotment.</td>
<td></td>
</tr>
</tbody>
</table>

**NOTES:**
1. This does not change rules on collections of indebtedness of accountable, certifying, or disbursing officers.
2. If a Notice of Exception covers erroneous payment by a uniformed service, then rule 3 will be applied. A Notice of Exception is issued by the GAO and pertains to a disbursing officer account(s).
3. When a member’s pay is not promptly reduced to allow for Uniform Code of Military Justice forfeitures, the resulting indebtedness is considered an erroneous payment within this rule.
Table 3-2. Military Member Indebtedness Due to Loss of Public Funds

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>accountable official (note 1)</td>
<td>any Military Service</td>
<td>arrears in accounts because of failure to account for funds entrusted to the member</td>
<td>debt is admitted by officer (note 2)</td>
<td>involuntarily</td>
<td>disposable pay (see subparagraph 030304.B).</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td>debt is shown by the judgment of a court</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td>debt is shown by special order issued by the Secretary of the Military Service concerned</td>
<td></td>
<td></td>
<td>rate directed by special order of Secretary of the Military Service concerned (all pay excluding allowances, or lesser amount).</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td>relief of an officer, pursuant to 31 U.S.C. 3527, was denied.</td>
<td></td>
<td></td>
<td>disposable pay (see subparagraph 030304.B).</td>
</tr>
<tr>
<td>5</td>
<td>accountable enlisted member (note 3)</td>
<td>any Military Service</td>
<td>public funds obtained or converted to own use through fraud, larceny, embezzlement, or other unlawful means</td>
<td>the mis-appropriation of funds is admitted by the member</td>
<td>involuntarily, or as prescribed by regulations of the Military Service concerned</td>
<td>Table 3-6, rule 2 (note 4).</td>
</tr>
</tbody>
</table>

NOTES:
1. Applies to officers who hold in trust sums or balances of public money for which they are required to account, such as disbursing officers and deputies or agents to disbursing officers.
2. A mere acknowledgment or report of a shortage in accordance with Military Service regulations is not an admission for the purpose of this rule. The phrase “debt is admitted” means either a written statement made by the accountable officer admitting indebtedness, acknowledged or witnessed before a person authorized to administer oaths, or another person designated by higher authority, or if the accountable officer refuses to sign a statement, then a certification by a commissioned officer that the accountable officer clearly and unequivocally admitted the indebtedness is sufficient to authorize the withholding from officer’s current pay.
3. If exact amount of debt is not known at the time the loss is discovered, then establish the debt at the amount then known and adjust when investigation is completed.
4. Applies to enlisted members who are entrusted with public funds. It includes military postal clerks and members who, though not bonded, are entrusted with public funds for small purchases.
### Table 3-3. Military Indebtedness Due to Loss or Damage to Public Property or Supplies

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>an accountable officer</td>
<td>the Army or Air Force</td>
<td>loss or damage to military supplies, upon final settlement of accounts of officer charged with issue of the supplies</td>
<td>the officer fails to show satisfactorily that the loss or damage of property was not due to any fault on the officer’s part</td>
<td>the officer is found pecuniarily liable by a report of survey or by a board of officers, and findings are approved by the Secretary concerned</td>
<td>involuntarily</td>
<td>disposable pay (see subparagraph 030304.B)</td>
</tr>
<tr>
<td>2</td>
<td>the Navy or Marine Corps</td>
<td>loss or damage to public property entrusted to the officer, such as stores, supplies and receipts from sale of public property</td>
<td>the Commander, Naval Supply Systems Command or the Commandant of the Marine Corps (Installation and Logistics) renders determination</td>
<td>the Director, DFAS-Cleveland Site issues instructions to the member’s commanding officer on action to take to liquidate debt</td>
<td></td>
<td></td>
<td>disposable pay (see subparagraph 030304.B) or lesser amount approved by the Assistant Secretary of the Navy (Financial Management and Comptroller) or the Commandant of the Marine Corps.</td>
</tr>
<tr>
<td>3</td>
<td>an officer or enlisted member</td>
<td>any uniformed service</td>
<td>damage or cost of repairs to arms or equipment</td>
<td>the member had the care of, or was using the property when damaged</td>
<td>negligence or abuse in care or use of property is established by a board of officers or on a report of survey, and findings are approved by Secretary concerned</td>
<td></td>
<td>disposable pay (see subparagraph 030304.B).</td>
</tr>
<tr>
<td>4</td>
<td>a non-accountable officer or enlisted member</td>
<td>any uniformed service</td>
<td>loss of or damage to Government property</td>
<td>liability is established under regulations of the Military Service concerned</td>
<td>case is not within the scope of rule 3</td>
<td></td>
<td>Table 3-6, rule 2.</td>
</tr>
<tr>
<td>5</td>
<td>an officer or enlisted member</td>
<td>any Military Service</td>
<td>damage to or failure to satisfactorily clean assigned housing or damage to or loss of equipment or furnishings of such housing</td>
<td>the damage, loss or requirement for cleaning was caused by the abuse or negligence of the member, the member’s dependent(s) or a guest of either the member or the member’s dependent(s)</td>
<td>the negligence or abuse is established by administrative determination under regulations of the Military Service concerned</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 3-4. Military Member Indebtedness to the United States

<table>
<thead>
<tr>
<th>Rule</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>an enlisted member</td>
<td>enlistment or reenlistment bonus for period unserved</td>
<td>involuntarily</td>
<td>Table 3-6, rule 2.</td>
</tr>
<tr>
<td>2</td>
<td>an officer or enlisted member</td>
<td>unpaid hospital bills for medical services furnished a dependent</td>
<td>involuntarily or pursuant to Military Service regulations</td>
<td>amount owed or received.</td>
</tr>
<tr>
<td>3</td>
<td>an officer or enlisted member</td>
<td>excess cost of shipment of household goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>a medical officer</td>
<td>compensation or stipend payments received from state, county, municipal, or privately owned hospitals for medical service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>an officer or enlisted member</td>
<td>jury duty fees (as distinguished from expenses) from any court, except while on authorized leave, and receiving active duty pay and allowances</td>
<td>involuntarily</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>amount due the DoD, its instrumentalities, or other uniformed services by reason of court judgment</td>
<td></td>
<td>Table 3-6, rule 2.</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>a debt determined valid from a federal agency outside DoD or other uniformed service including debts resulting from court judgments</td>
<td></td>
<td>Table 3-6, rule 3.</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>a travel advance in excess of entitlements (see note)</td>
<td>involuntarily or pursuant to Military Service regulations</td>
<td>Table 3-6, rule 2.</td>
</tr>
</tbody>
</table>

**NOTE:**
If the member has not filed a claim on a timely basis as defined by Military Service regulations, then the entire amount of the advance is considered to be in excess of entitlements.
### Table 3-5. Military Member Indebtedness to Individuals, Government Instrumentalities, and Agents

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td>an officer or enlisted member</td>
<td>any Military Service</td>
<td>any person</td>
<td>willfully damaging or wrongfully taking property of that person</td>
<td>the commander has convened a board to investigate complaint, and board has assessed damages, and commander has approved an amount of assessment</td>
<td>involuntarily</td>
<td>amount approved by commander not to exceed disposable pay (see subparagraph 030304.B).</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>member’s spouse, former spouse, or child</td>
<td>court ordered child support or alimony</td>
<td></td>
<td></td>
<td></td>
<td>see Volume 7A, Chapter 41.</td>
<td></td>
</tr>
<tr>
<td><strong>3</strong></td>
<td>the Army or Air Force</td>
<td>a commissary</td>
<td>an uncollectible check which member or member’s authorized agent has issued or endorsed to the commissary (notes 1 and 2)</td>
<td></td>
<td></td>
<td>disposable pay (see subparagraph 030304.B).</td>
<td></td>
</tr>
<tr>
<td><strong>4</strong></td>
<td>the Navy or Marine Corps</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>involuntarily or pursuant to Military Service regulations</td>
<td></td>
</tr>
<tr>
<td><strong>5</strong></td>
<td>any Military Service</td>
<td>other appropriated fund activity or office</td>
<td>an uncollectible check endorsed or issued by member or member’s agent (note 1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>6</strong></td>
<td>a nonappropriated fund activity</td>
<td>any indebtedness by member or member’s agent (note 1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>7</strong></td>
<td>the IRS or the Treasury</td>
<td>delinquent income taxes or court ordered child support (note 3)</td>
<td></td>
<td></td>
<td></td>
<td>IRS Notice of Levy is served or court ordered garnishment is issued</td>
<td>see Volume 7A, Chapter 41</td>
</tr>
</tbody>
</table>
Table 3-5. Military Member Indebtedness to Individuals, Government Instrumentalities, and Agents (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>an officer or enlisted member</td>
<td>any Military Service</td>
<td>a military banking facility overseas</td>
<td>an uncollectible check endorsed or issued by the member or a defaulted loan made to the member</td>
<td>military banking facility overseas has complied with required procedures</td>
<td>involuntarily</td>
<td>Table 3-6, rule 2.</td>
</tr>
</tbody>
</table>

NOTES:
1. Generally, an agent is one who has been given a power of attorney by the member.
2. Effective February 1, 1999, collection of dishonored checks written by the member or the person who presented the check based upon their status and relationship to the member as well as costs associated with that check may be collected.
3. Upon certification from Department of Health and Human Services to the Treasury, IRS Notice of Levy may be issued for delinquent child support (Refer to Volume 7A, Chapter 41, section 4103).
Table 3-6. Military Member Rates of Collection

<table>
<thead>
<tr>
<th>Rule</th>
<th>If</th>
<th>Is indebted for</th>
<th>Then the DCO may authorize or approve liquidation by monthly installments that</th>
<th>And if debt remains at time of separation, collect from final pay</th>
<th>And if total debt is not liquidated from final pay, establish collection from</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>an officer or enlisted member of any Military Service</td>
<td>court-ordered child support or alimony and garnishment or attachment of pay is directed by court order</td>
<td>do not exceed limitations set forth in Volume 7A, Chapter 41</td>
<td>as directed by court order</td>
<td>retired pay, retainer pay, or pay in new enlistment and limited by Volume 7A, Chapter 41.</td>
</tr>
<tr>
<td>2</td>
<td>an administratively determined indebtedness to the United States or its instrumentalities</td>
<td>do not exceed maximum limitation specified in paragraph 030305 unless the member consents to collection of a greater amount. Commander may authorize collection of a lesser amount when justified or as provided for in the regulations of the Military Service concerned (note 1)</td>
<td>unpaid pay and allowances, separation payments under Volume 7A, Chapter 35; Reservists’ Involuntary Separation Payment; amounts deducted for U.S. savings bonds including undelivered bonds; separation travel allowance for officers; reimbursement for transportation of household goods, dislocation and trailer allowance (for enlisted members, do not collect from separation travel allowance, or donation on discharge). If member is retiring, then see section 0304 (notes 1, 2, 3, and 4)</td>
<td>retired pay (see section 0304) or pay in new enlistment.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>an administratively determined indebtedness to the United States excluding the DoD and its instrumentalities or other uniformed services</td>
<td>do not exceed 15 percent of disposable pay for that month (see subparagraph 030306.B)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 3-6. Military Member Rates of Collection (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>If an officer or enlisted member of any Military Service</td>
<td>is indebted for any indebtedness incurred on or after December 4, 1987, to a Service relief society (Army Emergency Relief, Air Force Aid Society, Navy-Marine Relief Society, or Coast Guard Mutual Assistance)</td>
<td>then the DCO may authorize or approve liquidation by monthly installments that do not exceed 15 percent of disposable pay for that month (see subparagraph 030306.B)</td>
<td>and if debt remains at time of separation, then collect from final pay involuntarily or pursuant to Military Service regulations (note 5)</td>
<td>and if total debt is not liquidated from final pay, then establish collection from retired pay (see section 0304) or pay in new enlistment.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>An overpayment of pay or allowances through no fault of the member (for overpayments made on or after October 17, 2006 through October 28, 2009)</td>
<td>do not exceed 20 percent of disposable pay for that month</td>
<td>involuntarily or pursuant to Military Service regulations (note 5)</td>
<td>retired pay (see section 0304) or pay in a subsequent period of military service.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>An overpayment of pay or allowances through no fault of the member (for overpayments made on or after October 29, 2009)</td>
<td>do not exceed 15 percent of disposable pay for that month</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
1. For Army and Air Force enlisted members that do not exceed the maximum limitation specified in paragraph 030305. This limitation does not apply to enlisted members whose accounts are being settled on discharge for fraud, desertion, or because of mental incompetence.
2. For enlisted members, travel allowances remaining due after the completion of separation travel may be collected.
3. For members transferring to the Retired Reserve and receiving Reservists' Special Separation Pay (RSSP), the entire amount of the RSSP payment(s) is available for offset.
4. If indebtedness is a result of an unfulfilled bonus agreement, and separation is under the Special Separation Benefit (SSB) or Voluntary Separation Incentive (VSI) program, then refer to Volume 7A, Chapter 35 for VSI or Volume 7B, Chapter 4 for SSB.
5. Do not exceed maximum limitation specified in subparagraph 030305.B.
6. In unusual circumstances, the initiation of collection action of travel advances pursuant to a consent agreement may be delayed if the delay is approved by the Director, DFAS (or designee). However, the repayment period will, in all cases, be scheduled to repay the advance before the member's expected date of separation.
Table 3-7. Military Retiree Indebtedness to Government Agencies

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>retired member</td>
<td>any Military Service</td>
<td>overpayment of retired pay</td>
<td>involuntarily</td>
<td>see note 1.</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td>overpayment of active duty pay and allowances carried forward from active duty</td>
<td></td>
<td>rate established while on active duty (note 1).</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td>unpaid hospital bills for medical services furnished a dependent</td>
<td>involuntarily or pursuant to Military Service regulations</td>
<td>see note 1.</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td>excess cost of shipment of household goods</td>
<td></td>
<td>see notes 1 and 2.</td>
</tr>
<tr>
<td>5</td>
<td>the Army or Air Force</td>
<td></td>
<td>uncollectible check to a commissary issued or endorsed by member or member’s agent</td>
<td>involuntarily</td>
<td>all pay (excluding FITW). See note 3.</td>
</tr>
<tr>
<td>6</td>
<td>the Navy or Marine Corps</td>
<td></td>
<td>any indebtedness to a nonappropriated fund activity</td>
<td>involuntarily or pursuant to Military Service regulations</td>
<td>see notes 1 and 3.</td>
</tr>
<tr>
<td>7</td>
<td>any Military Service</td>
<td></td>
<td>hospital rations furnished to a member</td>
<td></td>
<td>see note 1.</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td>TRICARE payment on behalf of member’s dependents</td>
<td>with member’s consent</td>
<td>amount applicable.</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td>delinquent federal income tax</td>
<td>involuntarily</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>the Army or Air Force</td>
<td></td>
<td>loss, damage, or destruction of arms or equipment in member’s care or use</td>
<td>involuntarily or pursuant to Military Service regulations</td>
<td>see note 1.</td>
</tr>
<tr>
<td>11</td>
<td>the Navy or Marine Corps</td>
<td></td>
<td>loss or damage to military supplies, upon final settlement of accounts of officer charged with issue of the supplies</td>
<td>with member’s consent</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>accountable officer</td>
<td>any Military Service</td>
<td>loss or damage to military supplies, upon final settlement of accounts of officer charged with issue of the supplies</td>
<td>involuntarily or pursuant to Military Service regulations</td>
<td></td>
</tr>
</tbody>
</table>

3-53
Table 3-7. Military Retiree Indebtedness to Government Agencies (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>retired member</td>
<td>any Military Service</td>
<td>damage to assigned family housing, or damage to or loss of equipment or furnishings caused by the abuse or negligence of the member or the member’s dependent(s) or guests of member or the member’s dependent(s) while on active duty and established by a Report of Survey</td>
<td>involuntarily</td>
<td>see notes 1 and 4.</td>
</tr>
<tr>
<td>15</td>
<td></td>
<td></td>
<td>a debt determined valid from another federal agency</td>
<td></td>
<td>not to exceed 15 percent of disposable pay.</td>
</tr>
<tr>
<td>16</td>
<td></td>
<td></td>
<td>RSFPP and SBP payments to a surviving annuitant when retiree presumed dead is later found to be alive</td>
<td></td>
<td>all pay or amount applicable.</td>
</tr>
<tr>
<td>17</td>
<td></td>
<td></td>
<td>advanced and unused travel expense</td>
<td></td>
<td>see notes 1 and 4.</td>
</tr>
<tr>
<td>18</td>
<td></td>
<td></td>
<td>dual compensation restrictions</td>
<td></td>
<td>see note 1.</td>
</tr>
<tr>
<td>19</td>
<td></td>
<td></td>
<td>negotiating both original and substitute checks</td>
<td></td>
<td>see note 1.</td>
</tr>
<tr>
<td>20</td>
<td></td>
<td></td>
<td>retired pay paid concurrently with active duty pay while serving as a Reservist.</td>
<td></td>
<td>1/12 of total for fiscal year all.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(a) prior fiscal year(s) or prior month(s)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(b) current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>any Military Service</td>
<td>readjustment pay</td>
<td>(a) paid prior to September 15, 1981 (see Volume 7B, Chapter 4, Table 4-1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(b) paid after September 14, 1981</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td></td>
<td></td>
<td>non-disability severance pay</td>
<td></td>
<td>see note 4.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(a) paid prior to September 15, 1981 (see Volume 7B, Chapter 4, Table 4-2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(b) paid after September 14, 1981</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 3-7. Military Retiree Indebtedness to Government Agencies (Continued)

<table>
<thead>
<tr>
<th>RULE</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>retired member</td>
<td>any Military Services</td>
<td>separation pay</td>
<td>involuntarily</td>
<td>see note 2.</td>
</tr>
<tr>
<td>24</td>
<td>any Military Service</td>
<td>an uncollectible check endorsed or issued by the member or a defaulted loan made to the member at a military banking facility overseas</td>
<td>see notes 1 and 4.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td></td>
<td>an uncollectible check endorsed by the member to a disbursing officer</td>
<td>see note 1.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
1. Deductions will not exceed limitation set forth in paragraph 030404.
2. Submit these types of indebtedness to the DCMO.
3. Effective February 1, 1999, collection of dishonored checks written by the member or the person who presented the check based upon their status and relationship to the member as well as costs associated with that check may be collected involuntarily.
4. Monthly rate based on service for which readjustment, severance, or separation pay was received as a proportion of the total deducted equals the lump-sum payment received. Refer to Volume 7B, Chapter 4 for additional guidance.
VOLUME 16, CHAPTER 4: “HEARINGS, INFORMAL DISPUTES, WAIVERS, AND REMISSIONS OF DEBT OWED BY INDIVIDUALS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2018 is archived.

<table>
<thead>
<tr>
<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
<th>PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Updated hyperlinks and formatting to comply with current administrative instructions.</td>
<td>Revision</td>
</tr>
<tr>
<td>040301.D</td>
<td>Clarified that a debtor who pays a debt does not waive his or her right to a hearing or review.</td>
<td>Addition</td>
</tr>
<tr>
<td>040301.F</td>
<td>Added statement that collection of debts pending a hearing will not be stayed if collection is deemed necessary to protect the Government’s interests.</td>
<td>Addition</td>
</tr>
<tr>
<td>040303.D.3</td>
<td>Clarified that any amount previously collected on a debt, later found to be invalid, must be refunded to the debtor.</td>
<td>Addition</td>
</tr>
<tr>
<td>040604</td>
<td>Clarified that upon timely receipt of a request for review of Service member debt, the Debt Collection Office must stay collection pending a response, unless collection is deemed necessary to protect the Government’s interests.</td>
<td>Addition</td>
</tr>
</tbody>
</table>
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<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
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CHAPTER 4

HEARINGS, INFORMAL DISPUTES, WAIVERS, AND REMISSIONS OF DEBT OWED BY INDIVIDUALS

0401 GENERAL

040101. Purpose

This chapter provides policy and requirements pertaining to the submission and processing of petitions for hearings to dispute debt owed by individuals, as well as waiver and remission applications. This chapter does not apply to collection of debts owed by contractors, vendors, assignees, state and local governments, or foreign entities. For guidance on disputed contractor debts, refer to Chapter 5. This chapter does not apply to the collection of child support, alimony, or commercial debts from the pay or salaries of Department of Defense (DoD) civilian employees or military members through garnishment or involuntary allotment. This chapter also does not apply to antitrust, fraud, tax, and interagency claims. See Volume 7A, Chapters 41 and 43; Volume 7B, Chapter 27; and Volume 8, Chapter 8 for guidance pertaining to other collections, including garnishments, child support, and collections from non-DoD, Federal entities.

040102. Authoritative Guidance

DoD is required to aggressively collect debts in accordance with the following statutes, as well as other statutes and regulations expressly identified in this volume:

A. Debt Collection Improvement Act of 1996 (Public Law 104-134, Chapter 10, section 31001);

B. Debt Collection Act of 1982 (Public Law 97-365);


E. Internal Revenue Code provisions regarding the authority to make credits or refunds (26 U.S.C. § 6402);

F. Federal Claims Collection Standards (Title 31, Code of Federal Regulations (CFR), parts 900-904);

G. Regulations for collection by offset from indebted government employees (5 CFR 550, subpart K); and

H. Regulations for the collection of past-due support by administrative offset (31 CFR 285.1).
0402  NON-WAIVER OF RIGHTS BY PAYMENT

A debtor’s involuntary payment of all or any portion of a debt must not be construed as a waiver of any rights that the debtor may have under 5 U.S.C. § 5514 or any other provision of a contract or law unless there are statutory or contractual provisions to the contrary. Title 5, CFR 550.1104(o) provides additional information.


*040301. General

A. Debtors under this Section. For the purposes of section 0403, a debtor is an individual, other than an active duty Service member (unless otherwise indicated), who owes a debt to DoD, subject to involuntary offset under 5 U.S.C. § 5514 and 31 U.S.C. § 3716.

B. Requirement for Hearings. Hearings conducted by a hearing official are required prior to salary offset under 5 U.S.C. § 5514. Prior to administrative offset under 31 U.S.C. § 3716, a review by an agency official is legally sufficient, unless a hearing before a hearing official is granted under subparagraph 040303.C.2.a, pursuant to 31 CFR 901.3(e). Defense Finance and Accounting Service (DFAS), in its sole discretion, may perform hearings in other circumstances as it deems necessary.

C. Active Service Members. Due process review procedures for the debts of active duty Service members are set out at section 0406. However, see subparagraph 040301.E for Financial Liability Investigation of Property Loss (FLIPL) hearing procedures for FLIPL debts involving active duty Service members.

D. Due Process Requirement. Granting a debtor the opportunity for a hearing is a due process requirement of 5 U.S.C. § 5514 and 31 U.S.C. § 3716. Debtors must be afforded the opportunity to dispute a debt prior to the initiation of involuntary offset to collect indebtedness due the U.S. Government, except in those instances listed in subparagraph 040301.H. See 5 CFR 550.1104, 31 CFR 285.5, and 31 CFR 901.3. A debtor who repays a debt in part or in full, either before or after the filing of a timely hearing petition, does not waive his or her right to a hearing. Debtors may petition for a hearing to contest either the validity or amount of the debt or the involuntary repayment schedule. Generally, all issues requiring a hearing will be consolidated and decided in one hearing.

E. Scope of FLIPL Hearings. The DFAS Debt and Claims Management Office (DCMO) performs hearings involving FLIPL debts for both civilians and active Service members. For hearings involving FLIPL debts, the scope of a debtor’s hearing before DCMO is limited to a review of the amount of the debt and/or the rate of collection for purposes of salary offset requirements under 5 U.S.C. § 5514 and Army Regulation 735-5. The hearing official’s determination regarding the amount of the debt is based on the finding in the approving authority’s FLIPL report. The hearing official will not issue a decision that results in the substitution of his or her judgment regarding the interpretation of policies and regulations as applied by the approving
authority. The hearing official will make a determination verifying the amount of the debt submitted for collection matches that of the investigation and the approving authority’s final determination.

* F. **Hearing Petition.** To request a hearing, the debtor must submit, in a timely manner, a hearing petition which meets the requirements of subparagraph 040302.B. The timely filing of a hearing petition will stay the beginning of collection procedures until the results of the hearing have been rendered, unless collection is deemed necessary to protect the Government’s interests.

G. **Reconsideration Performed Prior to Hearing.** Upon receipt of the hearing petition, the Debt Collection Office (DCO) must perform a reconsideration of the debtor’s records to validate the debt. Reconsideration is an informal examination of internal debt records by the DCO to validate the debt without appointment of a hearing official and is the first step in the hearing process. It is not the formal hearing (see subparagraph 040302.C.2). The DCO must issue the written reconsideration results to the debtor. Once the debtor receives the results, he or she must notify the DCO of his or her intent to continue with a formal hearing within 30 days from the date of the reconsideration, or by the date indicated in the reconsideration letter. If the debtor proceeds with a formal hearing, a hearing will be held by a hearing official who will make a written determination regarding the validity or amount of the debt, or on the proposed involuntary repayment schedule.

H. **Exception to Requirement for Formal Notice, Hearing, Reconsideration Results, and Final Decision.** Pursuant to 5 CFR 550.1104(c), a debtor is not entitled to a formal notice, hearing, reconsideration results, or a final decision under certain circumstances.

1. **Underdeduction for Life or Health Insurance Premiums.** A DoD civilian employee is not entitled to a formal notice, hearing, reconsideration results, or a final decision prior to offset of a debt related to the underdeduction of health or life insurance premiums if the amount to be recovered accumulated over 4 pay periods or less. Chapter 3 contains guidance for the collection of such premiums.

2. **Routine Pay Adjustments.** A DoD civilian employee is not entitled to a formal notice, hearing, reconsideration results, or a final decision prior to a routine intra-agency pay adjustment to collect overpayments of pay and allowances identified as having occurred within the 4 pay periods preceding the adjustment, or for any adjustments that amount to $50 or less. Refer to Chapter 2 for notification requirements for routine pay adjustments. While the employee must be provided, in the notice, a point of contact for contesting the adjustment, in these circumstances, a post-deprivation due process hearing is not required.

040302. **Hearing Petitions**

A. **Filing a Hearing Petition**

1. The debtor must file a petition to request a hearing in order to contest the validity or amount of the debt or to contest the involuntary repayment schedule. See 5 CFR
550.1104(e) and 31 CFR 901.2(b)(1). The debtor must file the petition in accordance with the instructions provided by the DCO in the debt notification letter. The debtor must file the hearing petition no later than 30 calendar days from the mailing date of the debt notification, or by the date indicated in the debt notification.

2. A debtor who wishes to contest an involuntary repayment schedule must file a hearing petition no later than 30 calendar days from the mailing date of a notice rejecting an unacceptable voluntary repayment agreement, or by the date indicated in the notice.

3. If the debtor first makes a written request for records related to the debt, then the debtor must file a hearing petition within 45 days after the date the records are distributed (by mail, electronically, or in person) to the debtor.

B. Content of Hearing Petition. A hearing petition must identify and explain, with reasonable specificity, the facts and evidence the debtor believes supports his or her position. There is no standardized format for a hearing petition; however, the petition must contain the following information:

1. Identifying information. The petition must include information such as a name, telephone number, email address, mailing address, and social security number of the debtor.

2. Reason for Filing the Petition/Basis of the Dispute. A hearing petition should include a written summary of the facts and the date and manner in which the debtor became aware of the overpayment. The debtor must indicate the basis for disputing the debt. If contesting an involuntary repayment schedule, then the petition should include a statement explaining the debtor’s financial status.

3. Documentary Evidence. A hearing petition should include all documentary evidence the debtor wants the hearing official to review, including Leave and Earnings Statements (LES) and written testimony from any witnesses. If the debtor is contesting an involuntary repayment schedule, then the debtor should submit an alternate schedule and statement and/or records explaining his or her financial status.

4. Signature and Date. A hearing petition must be signed and dated by the debtor.

C. Action by the DCO on Hearing Petitions

1. Determine Whether Hearing Petition is Sufficient and Timely. The DCO should review the hearing petition to ensure it contains all required information and to ensure it was submitted in a timely manner. For insufficient or untimely hearing petitions, the DCO should take the following actions:

   a. Insufficient Hearing Petition. The DCO is responsible for reviewing the hearing petition for sufficiency based on the requirements of subparagraph
040302.B. The DCO must retain and identify as insufficient any hearing petitions that do not contain the required information. The DCO must notify the debtor in writing that his or her hearing petition was insufficient, and request that the debtor submit additional information within 30 days from the date of the written notice of insufficiency. The DCO must advise the debtor that if he or she fails to submit additional information within 30 days of the written notice of insufficiency, the hearing request will be denied.

b. Untimely Hearing Petition. A debtor waives his or her right to a hearing if the debtor fails to file a hearing petition within 30 days from the mailing date of the debt notification or by the date indicated in the debt notification or notice rejecting an unacceptable voluntary repayment agreement. An untimely petition will result in denial of the hearing request. The DCO must notify the debtor in writing of the denial. If the debtor files a hearing petition after the time expires, the DCO may accept a late petition if the debtor can show that the delay was due to circumstances beyond the debtor’s control. A DCO should consult with its Office of General Counsel (OGC) regarding the acceptance of late petitions.

2. Perform Reconsideration. Reconsideration is the first step in the hearing process. The DCO must perform the reconsideration once the debtor submits a timely and sufficient hearing petition. Reconsideration is the informal reexamination of the debtor’s records by the DCO to validate the amount of the debt and to satisfy any doubt the debtor may have regarding the amount or validity of the debt. The DCO must determine if the debt is valid and issue the written results of the reconsideration to the debtor. See Figure 4-1 for a sample reconsideration letter.

a. Time Limit for Performing Reconsideration. The DCO should issue written results of the reconsideration to the debtor within 15 days of receipt of the hearing petition. If the DCO needs additional time to investigate the debt, the DCO should advise the debtor of the delay in writing, and include an estimate of when the debtor can expect a final determination.

b. When Reconsideration Invalidates the Debt. If the DCO determines all or part of the debt is invalid, then the reconsideration letter must inform the debtor of the finding, and the DCO must take action to adjust or dismiss the debt.

c. When Reconsideration Validates the Debt

(1) If the reconsideration validates all or part of the debt, then the reconsideration letter must inform the debtor of the finding. The DCO must inform the debtor that he or she has 30 days from the date of the reconsideration letter to inform the DCO of his or her intent to continue with a formal hearing before a hearing official.

(2) If the debtor requests the matter be forwarded to a hearing official, the DCO must forward the debt information to the DCMO for assignment to a hearing official and must stay the debt collection action. If the debtor does not respond to the reconsideration letter within 30 days, the DCO must remove the debt from disputed status and pursue the appropriate debt collection action. The DCO will initiate the debt collection by using
salary offset procedures as outlined in the original debt notification if the debtor does not respond and takes no additional action to repay the debt.

3. **Referral to DCMO for Hearing.** After performing a reconsideration of the debt, and at the debtor’s request to proceed with a hearing, the DCO must refer hearing petitions determined to be timely and sufficient to the DCMO. The DCMO is the office responsible for processing requests for hearings from individuals who are indebted to the DoD and entitled to a hearing before a hearing official. The DCO must forward the hearing petition, and all supporting documentation from the debtor, to the DCMO, DFAS/JFEA-IN, 8899 East 56th Street, Department 3300 (ATTN: Hearings), Indianapolis, IN 46249-3300.

*040303. The Hearing Process

A. **General.** All hearings are conducted in accordance with 31 CFR 901.3(e) and 5 CFR 550.1104.

B. **Hearing Officials.** Generally, DCMO hearing officials will process all requests for hearings. In the event the appointment of another hearing official is necessary, refer to the guidance in Table 4-1.

C. **Types of Hearing.** The DCMO hearing official will determine which of the following two types of hearings is most appropriate:

1. **Paper Hearing.** Generally, debtors who present a timely and sufficient petition for a hearing are entitled to a “paper hearing.” The hearing official will make a determination based on a review of the available written record, without the parties present. A paper hearing is generally adequate for making determinations concerning the validity or amount of the debt or the terms of the involuntary repayment schedule.

2. **Oral Hearing**

   a. If the hearing official, with the advice and guidance of the DFAS OGC, determines that the matter cannot be resolved by a review of the documents alone, then an oral hearing may be granted. For example, if the validity of the debt turns on an issue of credibility or veracity, then an oral hearing may be necessary. Since payroll overpayments seldom present issues of credibility or veracity, the need for oral hearings will be extremely rare.

   b. An oral hearing is not an adversarial adjudication or a trial-type evidentiary hearing. An oral hearing may include an informal conference with the hearing official where the debtor and agency representative (the DCO) are both given the opportunity to present documents, witnesses, and arguments. Alternatively, oral hearings may take the form of an informal meeting where the debtor and DCO are questioned by the hearing official. The hearing may also consist of formal written submissions by the parties with an opportunity for oral presentation to the hearing official.

3. **Sample.** See Figure 4-2 for information required by the hearing official for a paper or oral hearing.
D. **Hearing Official Final Decision**

1. **Time Limit.** Pursuant to 5 CFR 550.1104, within 60 calendar days after the filing of the hearing petition, the hearing official must issue a written decision on the merits of the dispute. The final decision must detail the hearing official’s findings and conclusions. Generally, the final decision should advise the debtor that the basis for the debt and amount were reviewed, indicate whether the debtor’s contentions were accepted in whole or in part, specify the debt amount now owed, and, if applicable, reaffirm the DCO’s intent to collect the debt by administrative offset. The hearing official must issue a copy of the final decision to both the debtor and the DCO.

2. **Final Decision in Favor of the DCO.** If the final decision upholds the validity and amount of the debt (in full or in part) or the involuntary repayment schedule, then the DCO must recommence collection action after sending the debtor a letter that includes the following (refer to Figure 4-3 for a sample of the Post-Hearing Notification):

   a. A brief statement of the hearing official's final decision;

   b. A request that the debtor repay the debt in full within 15 calendar days following the date of the letter, a request for authorization for a voluntary one-time offset to repay the debt, or agreement to pay the debt in regular installments pursuant to a voluntary repayment agreement;

   c. A statement that a salary offset will begin with the pay period in which the deadline expires unless the debtor informs the DCO of his or her decision regarding the options in subparagraph 040303.D.2.b. The letter must be specific as to the pay period in which the offset will occur;

   d. The amount of the offset and its estimated duration that will be equal to the amount of the debt, or 15 percent of the debtor's disposable pay, whichever is less;

   e. A statement regarding the assessment of interest, administrative expenses, and penalties; and

   f. A reminder of the debtor's right to request waiver or remission of the debt.

3. **Final Decision in Favor of the Debtor.** If the hearing official's final decision finds in favor of the debtor and determines a portion or all of the debt is invalid, then the DCO must inform the debtor as to what portion of the debt is no longer considered valid. Any amount previously collected on the invalid debt must be refunded to the debtor. If the hearing official reduces the amount of the debt, then the DCO must issue a letter to inform the debtor, and begin collection action for the new amount.

4. **Appeal of Final Determination.** There are no provisions for review or appeal of debt determination decisions rendered with regard to salary or administrative offset.
However, debtors may exercise any other waiver, remission, or review right that may be provided by other statute or regulation with regard to the debt. For example, a federal civilian employee may file an appeal with the Office of Personnel Management concerning a claim involving the employee’s compensation and leave. See 5 CFR 178. The Defense Office of Hearings and Appeals (DOHA) considers appeals of claims for uniformed services pay and allowances. Refer to 31 U.S.C. § 3702; 32 CFR 282.5(b)(2); and 32 CFR 282, Appendix E for additional information on appeals.

0404 HEARINGS FOR ADMINISTRATIVE WAGE GARNISHMENT (AWG)

The U.S. Department of the Treasury (Treasury) may request that DCMO hearing officials conduct hearings requested by individuals who owe debts to DoD when the Treasury is attempting to collect from the debtor using AWG procedures pursuant to 31 U.S.C. § 3720D and 31 CFR 285.11.

0405 HEARINGS FOR GOVERNMENT TRAVEL CHARGE CARD DEBTS

Any inquiries or disputes regarding the debt and the 90-day demand notice, which are received by the travel charge card contractor prior to forwarding the debt to DFAS for collection, will be handled and resolved by the travel charge card contractor. If the debtor wants to negotiate an installment agreement prior to the referral of the debt for salary offset, then any such agreement must be made with the travel charge card contractor. If the debtor is not satisfied with the travel charge card contractor’s disposition of the dispute, then he or she may submit a petition for a debt hearing to the DCMO.

0406 REVIEWS FOR SERVICE MEMBERS

040601. Due Process

Under 37 U.S.C. § 1007 and 5 U.S.C. § 5514, Service members are entitled to due process, consisting of a notice and an opportunity for review, prior to the initiation of debt collection unless otherwise required by statute.

040602. Requesting a Review

A Service member who questions the validity or amount of a debt may request a review and validation of the debt by the DCO. A Service member may also contest the involuntary repayment schedule. The Service member must submit a written request for a review that identifies and explains, with reasonable specificity, the facts and evidence the Service member believes supports his or her position. The request for review must be received not later than 30 days from the mailing date of the debt notification, or by the date indicated in the debt notification. There is no standardized format for a request for review; however, the request should contain Service member identifying information, the reason for requesting a review, supporting documentary evidence, and a dated signature. A Service member waives his or her right to a review if the Service member fails to submit a request in a timely manner. The DCO may accept a late request
if the Service member can show that the delay was due to circumstances beyond the Service member’s control.

040603. Requesting Records

A Service member may make a written request to the DCO for records related to the debt. A request for records must be made prior to the deadline for submitting a request for review. Within 45 days after the date the records are distributed to the Service member, the Service member must submit a written request for review to the DCO or the Service member will waive his or her right to review.

*040604. Review Procedures

Service members who receive debt notifications, and wish to request a review, must email or fax the request to the DCO, at the number or address provided in the notification. Upon timely receipt of the review request, the DCO must stay collection of the debt, unless collection is deemed necessary to protect the Government’s interests. The DCO will conduct validation, while considering all documentation contained in the Service member's request. Once complete, the DCO must issue the written review results to the Service member.

040605. Written Review Results

Written results should be provided within 60 calendar days and contain the following information:

A. A brief statement of the DCO’s determination regarding the validity or amount of the debt or the involuntary repayment schedule. If the DCO determines a portion or all of the debt is invalid, or the involuntary repayment schedule should be revised, the DCO will adjust the debt amount or repayment schedule accordingly and inform the Service member in the review results;

B. A request that the Service member pay the debt in full within 15 calendar days following the date of the letter, authorize a voluntary one-time offset to repay the debt, or agree to pay the debt in regular installments pursuant to a voluntary repayment agreement;

C. A statement that the offset will begin with the pay period in which the deadline expires, unless the Service member informs the DCO of his or her decision regarding the above options;

D. The amount of the offset; and

E. A reminder of the Service member’s right to request a waiver or remission of the debt.
040606. Appeal of Final Determination

The DCO’s determination on review is final. There are no provisions for review or appeal of the DCO’s decision on salary or administrative offset. However, Service members may exercise any other waiver, remission, or review right provided by other statute or regulation with regard to the debt. For example, DOHA considers appeals of claims for uniformed services pay and allowances. Refer to 32 CFR 282.5(b)(2) and 32 CFR 282, Appendix E for additional information on appeal rights.

0407 INFORMAL DEBT DISPUTES

040701. General

At the debtor’s request, the DCO may perform an informal courtesy review of a debt. This informal review is typically not intended to satisfy due process requirements and is in addition to such procedures. The informal courtesy review of a debt by the DCO typically occurs when the debtor submits a written “debt protest” or “debt dispute” to the DCO after the time period for filing a hearing petition has expired. The purpose of the courtesy review is to allow the DCO to validate the debt and respond to the debtor’s questions. Chapter 5 contains guidance on contractor debt disputes.

040702. Processing Informal Debt Disputes

A. A written request from the debtor is required before a debt is placed in a disputed or protest status.

B. For debts placed in dispute, the DCO should make every attempt to complete the courtesy review and issue a written response to the debtor within 30 days of receipt of the written protest.

C. If any portion of the debt cannot be validated and supported by the DCO, then the invalid portion of the debt should be reversed in the accounting system and closed in the appropriate entitlement systems. The DCO should notify the debtor in writing that the debt has been invalidated or partially invalidated.

D. If the debt is found to be valid, then the DCO must provide a response with applicable supporting documentation to the debtor and proceed with appropriate collection activity.
0408 WAIVER OF INDEBTEDNESS

040801. Authority

A. General

1. Title 5, U.S.C. § 5584, 10 U.S.C. § 2774, and 32 U.S.C. § 716 provide the head of an executive agency with the authority to waive an indebtedness that is the result of an erroneous payment of pay or allowances, or an erroneous payment of travel, transportation, or relocation expenses and allowances. Title 10, U.S.C. § 1453 provides authority to waive indebtedness that is the result of an erroneous payment of Survivor Benefit Plan (SBP) annuity.

2. The Under Secretary of Defense (Comptroller) delegated waiver authority to the DFAS Director by memorandum, dated January 29, 1992, and upheld that delegation in DoD Directive (DoDD) 5118.05, “Defense Finance and Accounting Service (DFAS).” The DFAS Director re-delegated this authority to the DFAS-Indianapolis (IN) Director. The waiver authority is subject to the dollar value limits identified in paragraph 040802. The exercise of this authority must be coordinated with the affected DoD Component, where appropriate. The DCMO exercises waiver authority for DoD employees (military and civilian), with the exception of waiver authority specifically delegated to the Director, Department of Defense Education Activity (DoDEA); the Director, National Security Agency (NSA); and the heads of non-DoD Components.

B. Policies and Procedures. Policies and procedures for considering applications for waivers of indebtedness resulting from erroneous payments to or on behalf of Service members and civilian DoD employees are set forth in 10 U.S.C. § 2774 and DoDD 1340.22, “Waiver of Debts Resulting from Erroneous Payments of Pay and Allowances,” which is codified at 32 CFR 283. Detailed waiver procedures for debts resulting from erroneous pay and allowances are set forth in DoD Instruction (DoDI) 1340.23, “Waiver Procedures for Debts Resulting from Erroneous Pay and Allowances,” which is codified at 32 CFR 284.

040802. Designated Waiver Authority Based on Aggregate Amount of Debt

The responsibility of the DCMO, or other designated waiver authority, to grant or deny a waiver is contingent upon the aggregate amount of the debt. The aggregate amount of a debt is the total amount of the debt before deductions for repayments or withholding for taxes.

A. Authority to Waive Collection for Debts Less Than or Equal to $1,500 (Civilian) or $10,000 (Military). Under 5 U.S.C. § 5584, the DCMO, or other designated waiver authority, is authorized to grant a waiver of debt aggregating to not more than $1,500 for civilian employees. Under 10 U.S.C. § 2774 and 32 U.S.C. § 716, the DCMO, or designated waiver authority, is authorized to grant a waiver of debt aggregating to not more than $10,000 for military members or National Guard members. There is no threshold for DCMO or other designated waiver authority to deny the waiver of debt for either civilian employees or military members.
B. **Authority to Waive Collection for Debts Greater Than $1,500 (Civilian) or $10,000 (Military).** If the aggregate amount of a debt is greater than $1,500 for civilian employees or greater than $10,000 for military or National Guard members, then the authority to grant the waiver application resides with the Director, DOHA, or his or her designee under the DoD OGC. All requests should be submitted to the DCMO, and the DCMO will forward relevant requests to DOHA for consideration.

040803. **Submission of Request for Waiver**

A. **Application.** All requests for waiver of indebtedness for DoD civilians (current and separated or former employees) and military members (active, reserve, retired, and National Guard) must be submitted on the Department of Defense (DD) Form 2789, Waiver/Remission of Indebtedness Application. Instructions on submitting a waiver application should be included with the debt notification letter issued by the DCO, or the letter may direct the debtor to an online resource for the information. Refer to Chapter 2, Figures 2-1 and 2-2 for sample debt notifications that include waiver instructions. The debtor must complete and sign the DD 2789 and submit the application to the applicable office listed on the DD 2789, depending on whether the debtor is a current or former employee or military member. The debtor’s application must include all supporting documentation, which includes, but is not limited to:

1. Copies of all supporting documentation referred to on the DD 2789;

2. Copies of LESs covering the 3 pay periods prior to the overpayment through the 3 pay periods after the overpayment ended. If LESs are not available, then the individual or DCO must include a statement explaining why LESs are not available;

3. Copies of Standard Form (SF) 50s, Notification of Personnel Action, for the debt period (including corrections). If unavailable, then the individual must include a statement from the personnel office indicating why the notifications are not available; and

4. Any statement from the individual or another person in support of the waiver application. Signed statements must be attested to be true and correct to the best of the individual’s knowledge and belief.

B. **DCO Responsibility.** The DCO should supplement the debtor’s waiver application with additional information in the form of a written report containing a chronological summary of the facts and relevant records. The DCO must forward to the DCMO a debt computation that shows, by pay period, the amount the debtor was paid, the amount the debtor should have been paid, and the total amount of the overpayment. The amount of the debt should match the amount in the pay system, as well as the amount in the debt notification sent to the debtor.

C. **DoDEA and NSA Employees.** DoDEA and NSA civilian employees must forward applications for waiver to the DoDEA and NSA designated waiver approval authorities.
D. **Time Limit for Filing Application**

1. **Civilian Employees.** DoD civilian employees must submit a waiver application within 3 years from the date the erroneous payment was discovered. For the purposes of starting the 3-year period, the date of discovery is the date that an appropriate official first determines that an erroneous payment has been made. Typically, the date of discovery of the debt for the purposes of filing a timely waiver request is 3 years from the date the debt notification was issued to the debtor. The timeframe for submitting a request for waiver cannot be extended or waived.

2. **Military Members.** Military members (active, reserve, retired, and National Guard) must submit a waiver application within 5 years from the date the erroneous payment was discovered. For the purposes of starting the 5-year period, the date of discovery is the date that an appropriate official first determines that an erroneous payment has been made. Typically, the date of discovery of the debt for the purposes of filing a timely waiver request is 5 years from the date the debt notification was issued to the debtor. The timeframe for submitting a request for waiver cannot be extended or waived.

E. **Contesting the Debt.** By submitting an application for the waiver of a debt, an individual is acknowledging that he or she does not intend to dispute the validity or amount of the debt. Waiver is not the proper forum to contest the validity or amount of the debt. To contest the validity or amount of the debt, an individual must petition for a hearing under section 0403. A waiver application that includes arguments concerning the validity or the amount of the debt may be returned without action or denied.

F. **Application Filed by a Representative.** A waiver application submitted by the debtor’s agent or attorney must include a duly executed power of attorney or other documentary evidence of the agent’s or attorney’s right to act for the debtor.

G. **Application Filed by a Guardian for Minor/Incompetent Debtors.** If a guardian or committee has been appointed for a debtor who is a minor or an incompetent person, then the waiver application filed on behalf of the debtor must include a certificate of the court showing the appointment and qualification of the guardian or committee. If a guardian or committee has not been appointed for the debtor, then the waiver application submitted on behalf of the debtor must:

1. State the applicant’s relationship to the minor or incompetent person;

2. Provide the name and address of the person having care and custody of the minor or incompetent person; and

3. Include an affirmation that any money received will be applied to the use and benefit of the minor or incompetent person and that the appointment of a guardian or committee is not contemplated.
040804. Suspension of Debt Collection Pending Waiver Determination

Collection of a debt should not routinely be suspended pending waiver determination (refer to 31 CFR 903.2(c)(2)). The DCO will determine, in each case, whether suspension of collection under 31 CFR 903.2, or a delay in implementing collection action, would be appropriate based on the following criteria:

A. Waiver will likely be granted,

B. Erroneous payment can be recovered if waiver is not granted, or

C. Collection of the debt would cause undue financial hardship.

040805. Standards for Reviewing Requests for Waiver

Standards for determining the appropriateness of waiving debt collection are located in DoDI 1340.23. The appropriateness of a waiver depends on the facts of each particular case. Generally, a person who receives an erroneous payment from the U.S. Government acquires no right to the money. The recipient of the payment is bound in equity and good conscience to make restitution. If the payment was made by mistake, no matter how careless the act of the U.S. Government may have been, the recipient of the payment must make restitution. A waiver is not a matter of right and is available only to provide relief as a matter of equity when warranted by the circumstances of the individual case. Economic or financial considerations play no role in the determination of a waiver request.

A. Indication of Fraud, Misrepresentation, Fault, or Lack of Good Faith. A waiver may only be granted when the collection would be against equity and good conscience and not in the best interests of the United States. There must be no indication the erroneous payment was solely or partially the result of the fraud, misrepresentation, fault, or lack of good faith of the applicant.

B. Considering Debtor Awareness of Erroneous Payment

1. Generally, a waiver is precluded when the individual, or another person who has an interest in obtaining a waiver, receives a significant, unexplained increase in pay or allowances, or otherwise knows, or reasonably should know, that an erroneous payment has occurred and fails to make inquiries or bring the matter to the attention of appropriate officials. A waiver may be inappropriate even though the recipient of the payment makes inquiries or brings the matter to the attention of appropriate officials and is mistakenly advised that the payment is proper. The fact that an erroneous payment is the result of an administrative error by the U.S. Government is not a sufficient basis in and of itself for granting a waiver.

2. An individual does not acquire title to the amounts paid erroneously and should hold the excess amounts for eventual repayment to the U.S. Government. DOHA has held that a waiver will not be granted if it appears the debtor had records (such as LESs) which, if reviewed, would have indicated an overpayment, and the debtor failed to review such documents for
accuracy or otherwise failed to take corrective action. Such failure on the part of the debtor renders the debtor partially at fault and ineligible for a waiver of the debt.

040806. Action of the DCMO or Designated Waiver Authority

A. After reviewing each application for waiver, the DCMO must take action.

1. If the aggregate amount of the debt is not more than $1,500 for civilian employees or $10,000 for military or National Guard members, the DCMO may grant or deny part or all of a waiver application.

2. If the aggregate amount of the debt is more than $1,500 for civilian employees or $10,000 for military or National Guard members, the DCMO must do the following:

   a. Deny the waiver application in its entirety; or

   b. Refer the waiver application to DOHA for its consideration, along with a recommendation that part or all of the debt be waived.

3. Refer the appeal of an initial determination on a waiver application to DOHA.

4. Refer any doubtful case to DOHA for consideration.

B. After the DCMO (or designated waiver authority) makes a determination on the waiver application, or forwards the waiver to DOHA, the DCMO must notify the debtor and the applicable DCO in writing of its action. If the DCMO denied the request for waiver, then the notification to the debtor must state the basis for that decision. The notification must include guidance regarding the debtor’s right to submit an appeal. A debtor may appeal the denial of all or part of his or her waiver application to DOHA.

040807. Final Action of the DCO After Waiver Determination

A. Upon receipt of notification that the request for waiver was denied, the DCO must immediately initiate collection action if collection action was suspended.

B. If the request for waiver is approved, then the DCO must refund to the debtor any amount collected prior to the waiver being approved. The waiver application is considered an application for refund for any amount of the debt that was collected prior to the waiver approval. No refund will be paid when the debtor cannot reasonably be located within 2 years after the effective date of the waiver. The refund must be paid from a current applicable appropriation.
040808. Appeal of Waiver Denial

In accordance with DoDI 1340.23, a debtor may appeal the denial of a waiver application. The appeal must be submitted to the DCMO, or the designated waiver authority that made the determination on the waiver application. The debtor must submit a request for appeal within 30 calendar days of receipt of the written denial of the waiver application. The DCMO may extend this period for up to an additional 30 calendar days if the debtor can show good cause. No appeal will be accepted after this time has expired. The DCMO must review the appeal and forward it to DOHA. DOHA will review the debtor’s appeal, and affirm, modify, or reverse the initial determination made by the DCMO.

040809. Waiver of SBP Overpayments

A. Authority. Recovery of debts resulting from erroneous payments made under the SBP may be waived pursuant to 10 U.S.C. § 1453. The Under Secretary of Defense (Comptroller) delegated waiver authority to the DFAS Director by memorandum dated February 1, 1991. The DFAS DCMO exercises waiver authority on behalf of the Director.

B. Debts Not Eligible for Waiver. Debts that are the result of unpaid SBP premium payments are not eligible for waiver under this provision.

C. Submission of Request for Waiver

1. Application. To request a waiver of indebtedness resulting from an SBP annuity overpayment, an indebted SBP annuitant, or his or her authorized representative (see subparagraph 040803.F), must submit a DD 2789. The debtor must complete and sign the DD 2789 and submit the application to the DCMO at DFAS-IN, 8899 East 56th Street, Department 3300 (ATTN: Waivers/Remissions), Indianapolis, IN 46249-3300. The application must include the following supporting documentation:

   a. Copies of all supporting documentation referred to on the DD 2789;

   b. Any statement from the debtor or another person in support of the waiver application. Signed statements must be attested to be true and correct to the best of the individual’s knowledge and belief; and

   c. Other information as requested by the DCMO.

2. DCO’s Responsibility. The DCO for SBP annuity payments is DFAS-Cleveland Annuitant Pay. A debtor’s waiver application must be supplemented with additional information from the DCO in the form of a written report containing a chronological summary of facts and all relevant records. The DCO must forward the written report to the DCMO and must include a debt computation that shows, by pay period, the amount the debtor was paid, the amount the debtor should have been paid, and the total amount of the overpayment.

4-19
3. **Action by the DCMO**

   a. The DCMO must take the following action on a waiver application:

      (1) Deny the waiver application in its entirety,

      (2) Grant the waiver application in its entirety, or

      (3) Partially grant the waiver application and deny the remainder.

   b. After the DCMO makes a determination on the waiver application, the DCMO must notify both the debtor and the applicable DCO of its action in writing. If the DCMO denied the request for waiver, then the notification to the debtor must state the basis for that decision. The notification must include guidance regarding the debtor’s right to submit an appeal of the determination. A debtor may appeal the denial of all or part of his or her waiver application to DFAS-IN. Refer to subparagraph 040809.G for additional guidance on appeals.

4. **Time Limit for Filing Application.** Debtors must submit a waiver application within 3 years from the date the erroneous payment was discovered. For the purposes of starting the 3-year period, the date of discovery is the date that an appropriate official first determined that an erroneous payment was made, which is typically marked by the date the debt notification was issued to the debtor. The timeframe for submitting a request for waiver cannot be extended or waived.

5. **Contesting the Debt.** By submitting an application for the waiver of a debt, an individual is acknowledging that he or she does not intend to dispute the validity or amount of the debt. A waiver is not the proper forum to contest the validity or amount of the debt. To contest the validity or amount of the debt, an individual must petition for a hearing under section 0403. A waiver application that includes arguments concerning the validity or amount of the debt may be denied as ineligible for consideration.

6. **Application Filed by Representative.** If an annuitant has a representative payee who is authorized to receive payments on the annuitant’s behalf pursuant to Volume 7B, Chapter 46, paragraph 460202, the representative may submit a waiver application if the representative also maintains the legal authority to act on behalf of the annuitant. The representative must submit additional documentation as required by the DCMO, for example, a power of attorney or other documentary evidence of the agent’s or attorney’s right to act for the debtor.

D. **Suspension of Collection Pending Waiver Determination.** Collection of a debt should not routinely be suspended pending the outcome of a waiver determination (refer to 31 CFR 903.2(c)(2)). The DCO will determine, on a case-by-case basis, whether a formal suspension of collection under 31 CFR 903.2 is necessary or, alternatively, whether an informal delay in implementing collection action would be appropriate, based on the following criteria:
1. Whether the waiver will likely be granted,

2. Whether the erroneous payment can be recovered if waiver is not granted, or

3. Whether collection of the debt would cause undue financial hardship.

E. Standards for Reviewing Requests for Waiver. Waiver of the recovery of an SBP annuity overpayment may be appropriate when the debtor is not at fault, and recovery of the overpayment would be contrary to the purposes of SBP, or against equity and good conscience. The appropriateness of granting a waiver will depend on the facts of each particular case. Pursuant to Comptroller General (Comp. Gen.), B-133142 (1978), B-178696 (1978), the standards for reviewing a request for waiver of SBP annuity overpayment are the same as those used for considering waiver requests under 10 U.S.C. § 2774 and 5 U.S.C. § 5584. DFAS DCMO uses the standards set out in DoDI 1340.23 for considering waiver applications for debts resulting from SBP annuity overpayments. Refer to paragraph 040805 for a discussion of the standards used in waiver application determinations.

F. Refund of Amounts Collected. Any amount collected before DFAS-IN receives the debtor’s waiver application will not be refunded. A refund is not authorized by law. If a waiver is granted, amounts collected after DFAS-IN received the completed waiver application from the annuitant may be refunded to the annuitant. Refer to Comp. Gen. B-184532 (1975) for information on when refund is appropriate.

G. Appeal of the DCMO Determination

1. Who May Appeal. A waiver applicant may appeal the DCMO’s denial of all or part of the applicant’s request to waive SBP annuity overpayments under 10 U.S.C. § 1453. An applicant may also appeal the denial of a waiver application that was not received by DFAS within the time limit required.

2. Determining Official. The determining official on all appeals is a DFAS official assigned to review the DCMO’s initial waiver determination. Pursuant to subparagraph 040802.A and 10 U.S.C. § 1453, DFAS has been delegated full authority to consider all waivers, including any appeals or requests for reconsideration.

3. When and Where to Submit an Appeal

   a. The DCMO must receive an applicant's appeal within 30 days of the date of the DCMO’s final written determination of the waiver application, or by the date indicated in the written determination. The DCMO may extend this period for up to an additional 30 days for good cause shown. No appeal may be accepted after this time has expired.

   b. The applicant’s appeal must be sent to the address indicated in DCMO’s written determination of the waiver application.
4. **Content of an Appeal.** No specific format for an appeal is required; however, the appeal must be written and signed by the applicant, the applicant's authorized agent, or the applicant's attorney. The following information must be included with the appeal request:

   a. Applicant's mailing address;

   b. Applicant's telephone number;

   c. Applicant’s social security number;

   d. A written statement that identifies, with specificity:
      
      (1) Errors or omissions of material and relevant facts;

      (2) Legal or equitable considerations that were overlooked or misapplied;

      (3) Conclusions that were arbitrary, capricious, or an abuse of discretion; and

      (4) The reasons why the findings or conclusions of the DCMO should be reversed or modified; and

   e. Copies of supporting documentation, including any statements by the applicant or other persons in support of the appeal. Signed statements must be attested to be true and correct to the best of the individual’s knowledge and belief.

5. **DCMO Action on Appeal.** The DCMO must select an individual within the DCMO, who had no involvement in the initial waiver application, to serve as the determining official on an appeal. The DCMO must provide the determining official a written statement in support of the original determination on the initial waiver application.

6. **Determining Official’s Review**

   a. The determining official must review an applicant's appeal request and must affirm, modify, or reverse the initial determination on the waiver application made by the DCMO. The determining official must issue a final written determination to both the applicant and DFAS Annuitant Pay. The written determination must explain the determining official’s decision and must include any appropriate action to resolve the debt.

   b. After review of an appeal concerning whether the receipt of the waiver application was timely, the determining official must notify the applicant of his or her decision in writing. If the determining official determines that the waiver application was timely, he or she must provide the waiver application to the DCMO for consideration.
7. **Finality of Determining Official’s Decision.** Decisions by the determining official are final if DFAS does not receive a request for reconsideration within 30 days of the date of the determining official’s final written determination of the appeal.

8. **Request for Reconsideration**

   a. **Time Limit for Requesting Reconsideration.** An applicant may request the determining official reconsider his or her final written determination of the appeal. A request for reconsideration must be received within 30 days from the date of the determining official’s final written determination of the appeal. This period may be extended for up to an additional 30 days for good cause shown. The determining official must review any rebuttal submitted by the applicant in support of the request for reconsideration and issue a written determination.

   b. **Review of a Request for Reconsideration.** No earlier than 31 days after the date of the determining official’s written determination of the appeal, or the day after the end of the period for submitting a request expires, the determining official must:

      (1) Consider the request for reconsideration;

      (2) Affirm, modify, or reverse the appeal decision;

      (3) Prepare a written response explaining the reason for the finding; and

      (4) Send the response to the applicant and the DCMO, and notify them of the appropriate action on the debt.

   c. **Finality of a Reconsideration Decision.** The reconsideration response is a final action.

**040810. Other Waiver Authority**

Other waiver authority may apply to payments that were not erroneously paid. Such waiver authority is generally exercised by the agency component. A debt resulting from a non-erroneous payment may be eligible for a waiver under the following statutory authorities:

   A. **Voluntary Separation Incentive Payment and Reemployment** (*5 U.S.C. § 3524(c)*),

   B. **Employee Agreements, Service after Training** (*5 U.S.C. § 4108(c)*),

   C. **Student Loan Repayments** (*5 U.S.C. § 5379(c)(3)*),

   D. **Recruitment and Relocation Bonuses** (*5 U.S.C. § 5753(e)*),
E. Quarters Allowances (5 U.S.C. § 5922(b)),

F. Physicians Comparability Allowances (5 U.S.C. § 5948(e)), or

G. Payments to Dependents of Missing Civilians (5 U.S.C. § 5566(g)).

0409 REMISSION OF INDEBTEDNESS

040901. Remission of Indebtedness Due From Military Members

Title 10, U.S.C. § 4837, 6161, and 9837 provide authority for the remission of indebtedness due from a military member. Remission is not available to DoD civilian employees. This authority may be exercised with respect to any debt incurred on or after October 7, 2001.

040902. Submission of Request for Remission

Requests for Remission from Army, Air Force, Navy, and Marine Corps military members (enlisted and officer) must be submitted on forms designated by the respective Services and forwarded to the Service for processing. DFAS does not process remission requests for any Service.

040903. Restriction for Reserve Component Personnel

Remission/cancellation of indebtedness is not applicable for Reserve Component personnel performing inactive duty training or active duty for training, except that:

A. An enlisted member of the Army National Guard, who is charged with liability for government property that is lost, damaged, or destroyed on or after October 1, 1980, may have such liability remitted or cancelled under regulations prescribed by the Secretary of the Military Service concerned (or designee); or

B. Any member of the Air National Guard (officer or enlisted member), who is charged with liability for government property that is lost, damaged, or destroyed on or after October 1, 1980, may have such liability remitted or cancelled under regulations prescribed by the Secretary of the Military Service concerned (or designee).

040904. Indebtedness Which May Be Remitted

A. Debts to the United States. Generally, any indebtedness may be considered for remission/cancellation. Denial of a waiver under 10 U.S.C. 2774 does not preclude a member from applying for the remission or cancellation of the debt. Debts arising from an erroneous payment of basic pay due to non-collection of court-martial forfeitures may not be remitted or cancelled.

B. Debts Within Jurisdiction of Military Service Concerned. The debt must be a debt over which the Military Department concerned has jurisdiction. For example, the Secretary
of one Military Department may not remit a member’s indebtedness because of liability for
damage to property of another Military Department.

0410 ADDITIONAL OPTIONS FOR DEBT RELIEF

041001. Claim for Refund

A military member may file a written claim, using a DD Form 827, Application for Arrears
in Pay, for any amounts considered erroneously collected from his or her pay account. The form
must be submitted to the individual’s pay office, or if separated for more than a year, to DFAS-
IN/JFEAA, Department 3300 (ATTN: Claims), 8899 East 56th Street, Indianapolis, IN 46249-3300
or via submission of a ticket online. If the claim for refund is denied in whole or in part, then an
appeal may be submitted to DOHA under the procedures set forth in 32 CFR 282, Appendix E.

041002. Correction of Military Records

The Secretary of a Military Department, under procedures established by that Secretary
and approved by the Secretary of Defense, and acting through boards of civilians of the executive
part of that Military Department, may correct any military record of that department when the
Secretary concerned considers it necessary to correct an error or remove an injustice. If an
individual is owed money pursuant to the correction of record, any earnings received from civilian
employment, self-employment, or any income protection plan for such employment during the
period for which active duty pay and allowances are payable must be deducted from the settlement.
To the extent authorized by law and regulation, a settlement must be reduced by the amount of any
existing indebtedness the individual owes to the Government arising from military service. Refer
to Volume 7B, Chapter 10 for additional guidance on correction of records.
Figure 4-1. Sample Format - Reconsideration Results Letter

(1)  

(2)  

Dear (3)  

On (4), you were notified that you were overpaid for pay periods ending (5) through (5). The net amount of the debt currently owed by you is $ (6).  

**Reconsideration Results.** You submitted a timely request for review of your debt on (7). In response, DFAS has performed an informal reexamination (“Reconsideration”) of your pay records in order to validate the amount of debt you owe and to satisfy any doubts you may have regarding the amount or validity of your debt. Reconsideration of your debt is the initial step in the hearing process. After reviewing the results of the Reconsideration, you may decide not to proceed with the formal hearing process. However, if you wish to continue with a formal hearing, you must notify DFAS of your intent by (8), which is 30 days from the date of this letter.

DFAS has determined your debt is valid for the following reasons:

(9)  

**Payment of Your Debt.** If you do not wish to continue with a formal hearing, please pay the debt in full by (8). Your check or money order should be made payable to DFAS-CL DSSN 8522 in the amount of $ (6). Please send your payment to DFAS-CL/FTB P.O. Box 9955, Cleveland, OH 44199-2056. If you are unable to pay the debt in one lump-sum, you may agree in writing to pay the debt in regular installments by completing the enclosed Voluntary Repayment Agreement and mailing or faxing it to the address listed on the Agreement.

**Continuing with a Formal Hearing.** If you wish to continue with a formal hearing in order to dispute the validity or amount of your debt, you must notify DFAS of your intent in writing by (8), by faxing or mailing your request to continue to (10).

**If You Take No Additional Action.** If you do not notify DFAS of your intent to continue with a formal hearing, pay your debt in full, or submit a Voluntary Repayment Agreement within 30 days of the date of this letter, DFAS is required by statute to collect your debt using other collection procedures. Beginning on (8), DFAS will initiate collection of the debt involuntarily from your pay by using salary offset procedures (payroll deductions) as outlined in the debt notification you received on (4).

If you require further assistance please contact our toll free number at 1-800-538-9043.

(11)  

Enclosures:

1. Hearing Petition received on (4)
2. Payroll Audit
3. Copy of Voluntary Repayment Agreement
Figure 4-1. Sample Format – Reconsideration Results Letter (Continued)

NOTES: Explanation of Blank Spaces on Sample Reconsideration Results Letter

(1) The title or office symbol/code of the civilian payroll office issuing the debt notification.

(2) The full name and mailing address of the employee.

(3) Last name of employee with proper title (Mr. or Ms.).

(4) Date the debt notification letter was issued by DFAS.

(5) The pay period(s) that the overpayment occurred.

(6) The net dollar amount of the overpayment.

(7) Date of employee’s hearing petition.

(8) Date 30 days from the date of the reconsideration results letter.

(9) Explanation of the overpayment and any responses to questions raised in the employee’s hearing petition.

(10) Fax and mailing address of the Payroll Office.

(11) Identify by name, the signatory for the letter.
Figure 4-2. Checklist for Hearing on Overpayment of Pay and/or Allowances

<table>
<thead>
<tr>
<th>I. Items Required From the Debtor:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The petition for the hearing will include:</td>
</tr>
<tr>
<td>A. Name</td>
</tr>
<tr>
<td>B. SSN</td>
</tr>
<tr>
<td>C. Date</td>
</tr>
<tr>
<td>D. Reason(s) for requesting the hearing, e.g.,</td>
</tr>
<tr>
<td>1. Contesting the validity of the debt</td>
</tr>
<tr>
<td>2. Contesting the amount of the debt</td>
</tr>
<tr>
<td>3. Contesting the terms of the offset</td>
</tr>
<tr>
<td>E. Reason(s) for contesting the debt</td>
</tr>
<tr>
<td>1. When contesting validity or amount of the debt, the debtor must</td>
</tr>
<tr>
<td>(a) Provide a statement why he or she believes the payroll office's determination of the validity and/or the amount of the debt is erroneous. Also provide a complete description of the facts, evidence, and a summary of testimony of any witnesses which support the debtor's belief.</td>
</tr>
<tr>
<td>(b) Copies of any pertinent records that the debtor wishes to have considered at the hearing if they differ from those records previously provided by the payroll office.</td>
</tr>
<tr>
<td>2. When contesting the terms of the repayment schedule proposed by the payroll office, the debtor must</td>
</tr>
<tr>
<td>(a) Propose an alternate schedule, i.e., how much can be repaid each pay period.</td>
</tr>
<tr>
<td>(b) Enclose an affidavit of financial status.</td>
</tr>
<tr>
<td>(c) Provide copies of any records he/she wishes to be considered at the hearing if they differ from the records previously provided by the payroll office.</td>
</tr>
<tr>
<td>F. Debtor’s signature</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>II. Items Required From the Payroll Office:</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Full name and SSN of the debtor.</td>
</tr>
<tr>
<td>B. Exact date the error was discovered.</td>
</tr>
<tr>
<td>C. Exact date and manner (debt notification) in which the debtor was advised of the debt.</td>
</tr>
<tr>
<td>D. Aggregate (total) amount of the debt.</td>
</tr>
<tr>
<td>E. Computation of the amount of the debt including/excluding interest-to-date, and administrative fees, if applicable.</td>
</tr>
<tr>
<td>F. Detailed circumstances that led up to, and under which, the erroneous payment(s) was made.</td>
</tr>
<tr>
<td>G. Statement(s) corroborating and/or refuting the statement(s) made by the debtor.</td>
</tr>
<tr>
<td>H. Copies of Leave and Earnings Statements for 3 pay periods prior to the error and the first 3 pay periods beginning with the first overpayment.</td>
</tr>
<tr>
<td>I. Copies of all other documents pertaining to the case.</td>
</tr>
<tr>
<td>J. Annual leave cases require special documentation. They should include the following documents:</td>
</tr>
<tr>
<td>1. Copy of the erroneous SF 50 data (for Civilian Employees).</td>
</tr>
<tr>
<td>2. Copy of the corrected SF 50 data (for Civilian Employees).</td>
</tr>
<tr>
<td>3. The balance brought forward (and the date) from the last year in which the correct leave accrual was used.</td>
</tr>
<tr>
<td>4. Debtor's leave record.</td>
</tr>
<tr>
<td>5. The hourly rate of pay and changes.</td>
</tr>
<tr>
<td>6. A copy of the SF 2806/3100, Individual Retirement Record.</td>
</tr>
</tbody>
</table>
Figure 4-3. Sample Post-Hearing Notification

FROM: (1)
TO: (2)

SUBJECT: Indebtedness to the United States as a Result of an Overpayment of Pay and/or Allowances

Reference: (a) (The initial notification of indebtedness)
(b) (The employee’s petition for a hearing)
(c) (The hearing official’s determination)

Reference (a) advised of your indebtedness to the United States in the amount of $__(3)__ as a result of an overpayment of pay and/or allowances. By reference (b), you submitted a petition for a hearing to dispute the __(4)__ of the debt. Reference (c) is the hearing official’s determination affirming your indebtedness in the amount of $__(5)__.

In order to liquidate the debt in full, please submit a personal check or money order payable to __(6)__ and mail the payment to the civilian payroll office at __(7)__ no later than 15 days from the date of this letter. Alternatively, you may request your debt be paid by a deduction from your current pay. Please contact the civilian payroll office in order to arrange for a one-time voluntary payroll deduction. It may also be possible for you to establish a written agreement for repayment of the debt by periodic installment deductions from your pay, please contact the civilian payroll office to request this option.

As stated in Reference (a), delinquent debts are subject to the assessment of interest, penalties, and administrative expenses. To date, these assessments have not yet been made on your debt. The assessments may not be imposed if you repay the debt in full or are able to reach an agreement with the civilian payroll office to pay your debt by installment.

If you do not repay the debt in full, consent to a one-time payroll deduction, or establish an agreement for payment by installment, DFAS will initiate collection of your debt involuntarily from your pay using salary offset beginning on __(8)___. You must contact the civilian payroll office by __(8)__ in order to avoid salary offset. Deduction by salary offset would begin with the pay period ending on __(9)__. Please refer to Reference (a) for the estimated amount and duration of the payroll deduction. If the amount of the deduction from your pay would cause you to experience extreme financial hardship, then you must contact the civilian payroll office to determine if an alternative repayment schedule may be implemented. Your point of contact in this matter is __ (10) __.

Please consult Reference (a) for information concerning your right to request a waiver of the collection of your debt. An application for a waiver must be received within three (3) years after the erroneous payment was discovered. Collection of your debt generally will not be suspended during the waiver review process. In the event that your request is granted, all amounts deducted will be refunded.

(Signature Element)

EXPLANATION OF BLANK SPACES ON SAMPLE POST-Hearing NOTIFICATION

(1) The title or office symbol/code of the civilian payroll office.
(2) The full name of the employee.
(3) The amount of the debt in the initial debt notification.
(4) Either "existence," "amount," or "the terms of the proposed repayment schedule," as appropriate.
(5) The amount of the debt as determined by the hearing official. If the hearing official affirmed the civilian payroll office's contention, the amount will be the same as blank (3).
(6) The office to which the check or money order is to be made payable.
(7) Identify the mailing address of the civilian payroll office.
(8) The date the involuntary deduction from pay begins.
(9) The payday for the pay period indicated in blank (8).
(10) Include the name, phone number, and office symbol/code of the point of contact in the civilian payroll office who can answer questions regarding this debt.
Table 4-1. Selection of Hearing/Reconsideration Officials for DoD Component Debts Under the Authority of 5 U.S.C § 5514

<table>
<thead>
<tr>
<th>RULE</th>
<th>COLUMN A (Note 1)</th>
<th>COLUMN B</th>
<th>COLUMN C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>DFAS</td>
<td>DFAS</td>
<td>Any DoD Component</td>
</tr>
<tr>
<td>2</td>
<td>DFAS/DoD Component (Note 2)</td>
<td>DoD Component</td>
<td>Other DoD Component (Note 3)</td>
</tr>
<tr>
<td>3</td>
<td>DFAS/DoD Component (Note 2)</td>
<td>DFAS</td>
<td>Other DoD Component (Note 3)</td>
</tr>
<tr>
<td>4</td>
<td>DoD Component</td>
<td>DFAS</td>
<td>Other DoD Component (Note 3)</td>
</tr>
<tr>
<td>5</td>
<td>DoD Component</td>
<td>DoD Component</td>
<td>DFAS/Other DoD Component (Note 3)</td>
</tr>
<tr>
<td>6</td>
<td>Other DoD Component</td>
<td>Other DoD Component</td>
<td>DFAS/Any DoD Component</td>
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<td>7</td>
<td>Nonappropriated Fund Instrumentality (NAFI)</td>
<td>NAFI, DFAS, DoD Component</td>
<td>DFAS, Any DoD Component, or Other NAFI (Note 4)</td>
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Note 1. Contact DFAS-Indianapolis (DFAS-IN/JFEA) for guidance on cases with circumstances other than those included in this table.

Note 2. DFAS and a DoD Component both are considered creditor Components in situations when one makes payment for the other using the other’s appropriation. In this case, neither the paying nor employing Component can provide the hearing official.

Note 3. Other DoD Component is one other than the creditor DoD Component identified in Column A as the Creditor Component.

Note 4. Other NAFI is one other than the creditor NAFI identified in Column A.
VOLUME 16, CHAPTER 5: “COLLECTION OF DEBTS OWED BY CONTRACTORS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated February 2018 is archived.

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<td>Updated hyperlinks.</td>
<td>Revision</td>
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<td>050101.F</td>
<td>Added reference to Volume 4, Chapter 3 for specific guidance on recording and reporting accounts receivable.</td>
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<tr>
<td>050103</td>
<td>Added a more comprehensive list of authoritative guidance pertinent to debt management.</td>
<td>Addition</td>
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0501  GENERAL

*050101. Overview

A. This chapter provides policy on the collection of contract debts established by the contracting officer as well as the establishment and collection of payment office debts.

B. Policy in this chapter is not applicable to debts owed by the Department of Defense (DoD). Policy in this chapter also does not apply to the settlement of commercial transportation payment overcharges since the Director of the General Services Administration has the authority to audit and settle all transportation accounts (Title 31, United States Code (U.S.C.), section 3726) as further discussed in Volume 10, Chapter 13. Refer to Volume 5, Chapter 12 for policies for handling indebtedness associated with fraud.

C. This chapter does not contain policy for contracting officers regarding their responsibility to make debt determinations pursuant to Federal Acquisition Regulation (FAR) subpart 32.6.

D. The term Debt Collection Office (DCO), as used in this chapter, refers to vendor pay offices, contracting offices, and any other office that processes contractor debts. The DCO does not refer to the Defense Finance and Accounting Service (DFAS) Debt Management Office (DMO).

E. This chapter does not contain policy on the disposition of amounts collected during Payment Recapture Audits (PRA). For information on PRA, refer to Volume 10, Chapter 22.

* F. This chapter does not contain policy on the disposition, recording, and reporting of accounts receivable. Refer to Volume 4, Chapter 3 for receivables policy.

050102. Purpose

This chapter contains debt collection policy for debts that are owed to the DoD by contractors, which also refers to vendors, assignees, universities, non-profits, and other business entities.

*050103. Authoritative Guidance

Policies in this chapter are consistent with the policies established in the FAR 32.6 and the Defense Federal Acquisition Regulation Supplement (DFARS), subpart 232.6. Additionally, pursuant to U.S. Department of Treasury (Treasury) requirements, DoD is required to aggressively collect debts in accordance with the following statutes and regulations:
A. Debt Collection Improvement Act of 1996 (*Public Law 104-134*, Chapter 10, section 31001);

B. Debt Collection Act of 1982 (*Public Law 97-365*);


E. Internal Revenue Code provisions regarding the authority to make credits or refunds (*26 U.S.C. § 6402*);

F. Federal Claims Collection Standards (Title 31, Code of Federal Regulations (CFR), parts *900-904*);

G. Regulations for collection by offset from indebted government employees (5 CFR, part 550, *subpart K*);

H. Regulations for the collection of past-due support by administrative offset (*31 CFR 285.1*); and

I. Additional statutes and regulations listed by Treasury’s Bureau of the Fiscal Service (*Fiscal Service*).

0502 COLLECTION ACTIONS

050201. Contract Debts

Contract debts result from amounts that have been paid to the contractor, to which the contractor is not entitled under the terms and conditions of the contract, or amounts otherwise due from the contractor. Contractor debts include, but are not limited to:

A. Damages or excess costs related to defaults in performance;

B. Breach of contract obligations concerning progress payments, performance-based payments, advance payments, commercial item financing, or Government-furnished property;

C. Government expenses of correcting defects;

D. Duplicate or erroneous payments;

E. Billing and price reductions resulting from contract terms for price adjustment or a determination of prices under incentive type contracts;
F. Overpayments disclosed by quarterly statements required under price redetermination or incentive contracts;

G. Reimbursement of amounts due under FAR 33.102(b)(3) and FAR 33.104(h)(8);

H. Price or cost reductions for defective cost or pricing data;

I. Financing payments determined to be in excess of the contract limitations in FAR 52.232-16(a)(7), FAR 52.232-32(d)(2), or any contract clause for commercial item financing;

J. Increases to financing payment liquidation rates;

K. Price adjustments resulting from Cost Accounting Standards noncompliance or changes in cost accounting practice;

L. Re-inspection costs for nonconforming supplies or services;

M. Delinquency in contractor payments due under agreements or arrangements for deferral or postponement of collections; and

N. Overpayments related to errors in quantity, billing, or deficiencies in quality.

050202. Initiating Debt Collection

Once it is determined that a contractor might be indebted to the DoD, the contracting officer, or the payment office, must issue a demand for payment to the contractor, providing opportunity to inspect relevant records, and the opportunity to request a review of the debt as set forth in Chapter 2.

A. Demand Letters. Demand letters must comply with requirements set forth in Chapter 2. Additionally, notice of indebtedness to a contractor must include a statement that, in accordance with Office of Management and Budget Circular A-123, Appendix C, Part III, high-dollar overpayments may be reported on the Federal Government’s improper payment website. Refer to Volume 4, Chapter 14 for the definition of a high-dollar overpayment.

B. Debt Collection Initiated by Contracting Officers or Designees

1. The contracting officer has primary responsibility for determining the amount of the debt and ensuring collection for most types of contract debts, except for those debts resulting from errors made by the payment office.
2. When a contracting officer or other authorized official requests that a payment office collect a debt and provides a copy of the contract to the payment office, including the payment dates and amounts due from the contractor, the payment office will collect the debt.

3. If the contracting officer or other designated official receives the contractor’s payment, then the contracting officer or other designated official must immediately forward the payment to the disbursing office with a request for confirmation of receipt of the payment.

4. The appropriate DoD Component contracting officer, or other designated official, must determine the debt amount and demand repayment for debts pursuant to FAR 32.6 and DFARS 232.6.

5. The contracting officer must send a copy of each demand letter to the payment office cited in the contract, as well as documentation that identifies the line of accounting for distribution of the principal amount of the debt to the supporting Accounts Receivable Office (ARO).

6. The contracting officer must follow up periodically with the DCO, ARO, or supporting accounting office to ensure that contract debts have been collected and credited to the proper appropriations.

C. Debt Collection Initiated by the Payment Office

1. Payment offices are designated to make payments under a contract and to receive payments for amounts due to DoD. Payment offices are responsible for determining the amount of contract debts that are the result of overpayments or erroneous payments and initiating collection action on those debts (referring debts).

2. The payment office is also responsible for the collection of contractor debts when the amounts due and dates for payment are in the contract, and a copy of the contract has been furnished to the payment office with notice to collect as amounts become due.

3. When a contract modification (downward adjustment) is issued after the date of a disbursement and causes a contract to be in an overpayment status, the result of that modification is not an erroneous payment with respect to this chapter. The payment office must contact the procuring contracting officer or the administrative contracting officer (the individual who issued the modification causing the overpayment) to ensure that a demand letter is sent to the contractor for collection of funds.

050203. Supporting Documentation

When referring a debt to the DCO or DMO for further collection, the following documentation is required, unless already provided to DFAS:
A. Dates and amounts of collections/offsets;

B. Legible copies of the negotiated checks obtained from Treasury for duplicate payments and dual negotiated successor checks;

C. All demand letters, correspondence, and written documentation of communication between the contracting officer and the debtor or the DCO and the debtor;

D. Any documents needed to support a recommendation for compromise, discontinuance, or termination;

E. Tax identification number (TIN);

F. Telephone number, address, and the name of a point of contact that is knowledgeable of the following:
   1. Debtor,
   2. Contracting office making the referral,
   3. Disbursing office making the referral, and
   4. Supporting accounting office;

G. A copy of the audit or reconciliation report, with sufficient supporting documentation to explain the conclusions in the case of a determination of debt(s) resulting from an audit or contract reconciliation;

H. The accounting classification/appropriation to which the principal portion of the debtor’s payments should be deposited;

I. Copies of documentation that supports debts arising from the sale of goods and services to commercial entities on a reimbursable basis; and

J. The debtor’s Commercial and Government Entity code.

0503 ADMINISTRATIVE OFFSET

050301. General

A. To the extent practicable, debts should be collected, either by voluntary repayment in a lump sum or by administrative offset(s) of payment(s) owed to the contractor by the DoD, unless an installment agreement has been entered into or a deferment of collection has been approved (FAR 32.607). If 30 days have elapsed since the DCO mailed the initial demand letter, and no payment has been received, then the DCO must offset a contractor’s indebtedness against other monies that are owed the contractor.
B. FAR 32.606 allows for offsetting contractor payments to liquidate debts owed by the contractor. If additional payments are scheduled under the same contract, then the DCO should administratively offset against those payments first. The DCO must coordinate with the payment office to apply administrative offsets against amounts due the contractor under other contracts if offsets against the contract that gave rise to the debt cannot be accomplished. The disbursement voucher must be approved and the accounting classification charged for the total amount of the entitlement with no regard for the deduction being applied. DCOs must prominently annotate the face of the voucher, or the electronic equivalent, with the amount withheld and the accounting classification credited to ensure that only the net amount is paid to the contractor. The voucher must adequately inform the payee of the reason(s) for the deduction.

C. Administrative offsets normally will not be taken when there is a valid assignment of claims, under the Assignment of Claims Act of 1940 (31 U.S.C. § 3727 and 41 U.S.C. § 6305), associated with the contractor. DCO personnel should seek guidance from their legal office, as appropriate, in determining whether an administrative offset may be taken when an assignment of claims exists.

D. Pursuant to 31 U.S.C. § 3716, and in accordance with 31 CFR 901.3(b)(2), a DCO must process an administrative offset to collect a debt when the name and TIN of a payee matches the name and TIN of a debtor, and all other requirements for administrative offset have been met.

050302. Credit Invoice

A. A contractor may request to liquidate a debt against existing unpaid bills due to the contractor. As an exception, DCOs may accept a credit invoice under special circumstances, and only when there is a current payable invoice to which the credit can be applied. The contractor should furnish the DCO, upon request, an invoice number, date, and the amount of the debt to be offset against the invoice, according to the credit invoice.

B. A contractor may state on an invoice, or on a progress payment request, that the amount of the credit invoice can be deducted from the amount due from the DoD.

C. If a contractor does not state that the amount of the credit invoice can be deducted from other amounts due, a determination must be made on the most effective manner in which the debt can be collected. In making this determination, DCOs must give consideration both to the relative costs that would be incurred by DoD under various options, and to the method that is expected to result in liquidation of the debt at the earliest date. The latter factor is dependent upon the expected volume and frequency of incoming invoices that are susceptible to administrative offset, and whether this option is more effective and efficient than a credit invoice.

D. DCOs must acknowledge receipt of the credit invoice and inform the contractor of its disposition. If direct remittance is required, then the acknowledgement must contain a statement, such as, “This is to acknowledge receipt of your credit invoice 14245, dated December 14, 2018. We cannot accept this document as liquidation of your indebtedness, and must ask that you remit a check to the following address: (insert applicable address).”
contractor may identify an invoice to offset instead. If the offset is taken, then the DCO’s letter must contain a statement such as, “This is to acknowledge receipt of your credit invoice 67890, dated June 12, 2018.” Receipt of a credit invoice by the due date (where the demand letter states the due date) does not preclude charging interest and administrative charges.

0504  INSTALLMENT PAYMENT PLANS

050401. General

Whenever possible, payment to liquidate a debt, including a deferred payment, must be made in one lump sum. However, when a contractor can establish sufficient justification, the DCO may approve a series of installment payments to liquidate the debt within a reasonable period of time. In accordance with 31 CFR 901.8, installment payments should be sufficient in size and frequency to liquidate the debt within 3 years. If the contractor requests a repayment term of more than 3 years, then the DCO must refer the request to the DMO for a determination. See Chapter 2 for additional guidance on installment payment plans.

050402. Installment Payment Approval Authority

The DMO may approve a contractor’s request for an installment agreement; however, the DMO may not deny a contractor’s request for an installment agreement without first obtaining consent from the creditor DoD Component’s senior financial manager (FM) or designee. In the latter case, the DMO will send the request to the office of the creditor DoD Component’s senior FM or designee within 3 working days from the date the request was received.

050403. Installment Payment Notification

The DMO will make installment agreements available to the office that referred the debt and to the office of the creditor DoD Component’s senior FM or designee.

0505  REFERRAL OF DELINQUENT DEBTS TO DMO

050501. Dollar Thresholds for Referral

A. Dollar thresholds for referring delinquent debts to the DMO are as follows:

1. Debts that amount to $25 or more and belong to a contractor with a known TIN; or

2. Debts that amount to $100 or more and belong to a contractor without a known TIN.

B. Components that have implemented the processes contained in the Delinquent Debt Management Guidance (DDMG) should refer delinquent debt over $25 to Fiscal Service, Debt Management Services for further collection action where applicable.
C. If a contractor has more than one debt, each under the threshold, then the ARO will combine these debts to determine whether the sum of the debts is equal to or greater than the threshold. If so, then the ARO will refer the debts to the DMO in accordance with paragraph 050502. Refer to Volume 4, Chapter 3 for information on write-off of delinquent debt that is below the referral threshold and cannot be collected.

050502. Delinquent Debts and Multiple Debts Greater Than the Threshold

A. General. DCOs must refer valid and legally enforceable debts that are equal to or greater than the thresholds in paragraph 050501, individually or in aggregate, to the DMO no later than 90 days following the debt repayment due date. Debts must be validated by the DCO prior to referral to the DMO. The DMO must annotate acceptance of the debt in the appropriate system, thereby making the information available to the DCO and the supporting accounting office responsible for maintaining the official accounting records. In accordance with Chapter 7, administrative charges may be assessed for the expenses of referring the debt. Delinquent debts incurred under FAR 51.102 may be referred back to the authorizing agency if not satisfied by the contractor.

B. Supporting Documentation. When referring a debt to the DMO, DCOs must submit the documentation as listed in paragraph 050203.

C. Funds Accountability. After referral, the DMO will have full responsibility for collecting the delinquent debt. Accounting and reporting of the debt does not transfer to the DMO, but remains with the servicing accounting office using status information provided by the DMO. The DMO only maintains a memorandum accounts receivable record. Any office other than the DMO that receives a payment after referral of the debt must notify the DMO of the receipt and disposition of the payment within 3 business days. The ARO must notify the FM representative of the cognizant DoD Component when the debt should be closed. In the case of dual negotiated checks, the DMO will also notify the accountable payment office.

050503. Referral of Debts to Treasury

A. The DMO will refer valid and legally enforceable debts, which have been delinquent over 120 days, to the Treasury for debt collection and cross-servicing. See Chapter 2, section 0211 for additional information regarding referral of delinquent debts to Treasury.

B. Components that have implemented the processes contained in the DDMG should refer delinquent debt over $25 directly to Fiscal Service, Debt Management Services for further collection action where applicable.

0506 DISPUTES AND DEFERMENTS UNDER THE CDA

050601. Disputes

Under the CDA of 1978 (41 U.S.C., Chapter 71), a contractor may appeal a decision of indebtedness to the Armed Services Board of Contract Appeals (ASBCA) or through the U.S.
Courts. Actions filed by contractors under the Disputes Clause will not suspend or delay the collection unless the contractor has been granted a deferment as set forth in paragraph 050603. Further interest, penalties, and fees will continue to accrue on uncollected debts that have been formally disputed.

050602. Crediting Collections in Dispute

A. When an amount, including interest and administrative fees, is collected from a contractor, and the contractor formally disputes the debt, the collected amount will not be accounted for as settlement of the debt. The disputed amounts will be credited to a Treasury deposit account pending disposition of the contractor's dispute, and interest, penalties, and fees will no longer accrue since the debt has been collected. When making a collection in a disputed situation, the collection must be documented as a disputed contract collection. For example, debts collected by DFAS will be coded as disputed in the Contract Debt System.

B. The payment office typically handles collection of a debt. In the event another office, including the ARO, supporting accounting offices, the DMO, contracting officers, contract administration officers, or legal offices, receives a payment against an existing debt, the receiving office should forward the payment to the relevant DCO immediately. Accounting for disputed collections is covered in Volume 4, Chapter 3.

C. The DCO and the responsible payment office must notify the contracting officer, the contract administration officer if applicable, the Service or agency contract finance officer, and/or another office of any matters affecting the disputed collections. Conversely, these offices or offices must also inform the responsible payment office and the DCO of any actions taken that affect the disputed collection.

050603. Deferments

A. Under the CDA of 1978, a contractor may appeal a decision of indebtedness to the ASBCA or through the U.S. court system. In accordance with FAR 32.607, the contractor may request, in writing, deferment of debt repayment until the appeal is decided.

B. In accordance with FAR 32.607, the contractor must submit the request for deferment to the contracting office.

C. The contracting office will promptly forward the request to the appropriate DoD Component’s senior FM or designee. The DoD Component’s senior FM or designee will approve or deny the request and notify the contractor, contracting office, and the DMO of the decision.

D. Collection of the debt should continue until the date the deferment is granted. Volume 4, Chapter 3 contains the policy for accounting for collections under the CDA.
0507 WRITE-OFF AND CLOSE-OUT OF ACCOUNTS RECEIVABLE

050701. Write-off and Close-out of Indebtedness

Refer to Volume 4, Chapter 3 for policy on write-off and close-out of delinquent debt.

050702. Tax Reporting

The DFAS Tax Office will obtain information on all closed-out, uncollected, public contractor debt. In accordance with 26 U.S.C. § 6050P, the Tax Office will issue debtors an Internal Revenue Service Form 1099-C, Cancellation of Debt, if the closed, uncollected debt is greater than or equal to $600 for the calendar year. Tax Office required data elements are contained in Volume 4, Chapter 3.

0508 BANKRUPTCY

050801. General

Within DoD, DFAS Office of General Counsel (OGC) will file contractor bankruptcy proof of claims. DFAS-OGC is not responsible for litigating contractor bankruptcies. The litigation function remains the responsibility of the DoD Component. Bankruptcy litigation is accomplished by the Department of Justice through the office of the responsible U.S. Attorney. Pursuant to FAR subpart 42.9, prescribed actions, as detailed in paragraphs 050801 through 050806, will be taken when the procuring contracting office or contract administrative office receives notice of bankruptcy from the contractor or another source.

A. Bankruptcy cases are time sensitive. When the DoD receives a notice of bankruptcy, immediate action is required. Government monetary claims and other rights may be adversely and irrevocably affected if not timely asserted.

B. When either the procuring contracting office or the contract administrative office learns that bankruptcy proceedings have been initiated, the receiving office will immediately notify DFAS-OGC by writing to Defense Finance and Accounting Service – Office of the General Counsel, ATTN: ACL - Bankruptcy, 8899 East 56th Street, Indianapolis, IN 46249 or by email to dfas.indianapolis-in.hgb.mbx.ogc-bankruptcies@mail.mil.

C. Notification must occur regardless of whether any contracts have fully been performed, closed, or terminated. The DoD Component must also notify any office within the cognizant department or agency designated to receive this information. This notification must be made within 3 business days of receipt of the notice of bankruptcy, regardless of whether it appears the notice has been received late. Bankruptcy notices must also be sent to the following addresses:

1. Defense Logistics Agency
   Office of General Counsel, ATTN: DG
   8725 John J. Kingman Road, STOP 2533
   Fort Belvoir, VA  22060-6221
D. At a minimum, the notification must include:

1. The name of the contractor,
2. The court in which the bankruptcy petition has been filed,
3. The date of the filing of the bankruptcy petition,
4. The bankruptcy court docket number (if available), and
5. Whether the contractor is indebted to the DoD.

050802. Bankruptcy 15-Day Report

The contracting office may receive a notice of bankruptcy from the debtor or DFAS-OGC. When the contracting office receives notification of a bankruptcy, that office will follow instructions in paragraph 050801, and then follow with a Bankruptcy Report sent to the same parties no later than 15 days after receipt of the notice of bankruptcy. If some of this information is not available, then the report will be sent reflecting all available information. To the extent possible, the report will include the following information:

A. The name of the contractor;
B. A list of the contracts involved;
C. The amount of any potential claim against the contractor. Often, the amount of a potential claim must be an estimate. The contracting officer must attempt to calculate the
amount of the debt accurately with the understanding that filing of the proof of claim is time sensitive, and must attach a short explanation of how the debt arose. Documentation evidencing the existence of the debt will be attached whenever possible;

D. Any property, and its location, in the possession of the contractor in which DoD claims an interest, e.g., government property made available to the contractor, such as government-furnished equipment or government-furnished property;

E. Any claims the debtor may have asserted or presented to DoD;

F. The bankruptcy court docket number of the proceeding, and the court in which the bankruptcy is pending; and

G. Available information concerning the deadline for submitting documents to the Bankruptcy Court, asserting the government’s claims against the debtor.

050803. Proof of Claim

Upon receipt of a notice from a contracting officer, DFAS-OGC will prepare a consolidated proof of claim on behalf of DoD. DFAS-OGC will file the proof of claim with the appropriate court unless the responsible U.S. Attorney directs otherwise. DFAS-OGC will send a copy of the proof of claim to each DoD Component that submitted a claim. DoD or agency copies of the proof of claim must be sent to the responsible offices designated in subparagraph 050801.C. The proof of claim will identify DFAS-OGC as the office designated to receive further notices and any funds received pursuant to the proceedings.

050804. Actions Against Contractor

The filing of a bankruptcy petition has a major impact on business relationships with the contractor who has filed for bankruptcy protection. Many otherwise appropriate actions cannot be taken against a bankrupt contractor, and actions that may be legally taken against a contractor may have adverse consequences for DoD. The activity’s legal office should be informed before any action is taken with regard to a contractor who has filed for bankruptcy.

050805. Bankruptcy Notification From Contractor

In accordance with the contract clause provisions contained in FAR 52.242-13, should the contractor enter into proceedings relating to bankruptcy, whether voluntary or involuntary, the contractor agrees to furnish by certified mail, or electronic commerce method authorized by the contract, written notification of the bankruptcy to the contracting officer responsible for administering the contract. This notification will be furnished within 5 days of the initiation of the proceedings relating to bankruptcy filing and will include the following:

A. The date on which the bankruptcy petition was filed,

B. The identity of the court in which the bankruptcy petition was filed, and
C. A listing of government contract numbers and contracting offices for all government contracts against which final payment has not been made.

050806. Notification to DFAS-OGC

FAR 52.242-13 states that the contractor’s obligation to notify their contracting officer of a bankruptcy remains in effect until final payment under the contract(s) is made. In addition, the contracting officer must provide a copy of the notification from the contractor, by mail, to DFAS-OGC, 8899 East 56th Street, Indianapolis, IN 46249 and by email to dfas.indianapolis-in.hgb.mbx.ogc-bankruptcy@mail.mil.
VOLUME 16, CHAPTER 6: “DEBT OWED TO THE DEPARTMENT OF DEFENSE (DoD) BY FOREIGN ENTITIES”

SUMMARY OF MAJOR CHANGES

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<tr>
<td>060101, 060102, 060103, 060201, 060202, 060203, and 060301</td>
<td>Reinstated requirements that were erroneously removed for the collection of non-Foreign Military Sales (FMS) debt related to Acquisition and Cross-Servicing Agreements.</td>
<td>Addition</td>
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<tr>
<td>060201.A-B (previous)</td>
<td>Deleted information related to FMS cash management that is not debt-related and is already covered in Volume 15, Chapter 4.</td>
<td>Deletion</td>
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<tr>
<td>Figure 6-1</td>
<td>Added a sample demand letter from Accounts Receivable Offices for non-FMS, foreign debts.</td>
<td>Addition</td>
</tr>
<tr>
<td>Figure 6-2</td>
<td>Added a sample demand letter from the Foreign Debt Management Office for non-FMS, foreign debts.</td>
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CHAPTER 6

DEBT OWED TO THE DEPARTMENT OF DEFENSE (DOD) BY FOREIGN ENTITIES

0601 GENERAL

*060101. Overview

A. The DoD policy is to conduct timely and aggressive debt collection action, with follow-up efforts as necessary, to ensure that debt owed to the DoD by a foreign entity is collected and held to the absolute minimum. Further, all collection activities related to foreign-entity indebtedness, including all Acquisition and Cross-Servicing Agreement (ACSA) debt, will be done in compliance with the provisions of the applicable agreement or treaty with the foreign entity.

B. For purposes of this chapter, a foreign entity does not include foreign individuals or foreign vendors and will only refer to the following definitions:

1. Any government of a foreign country, and any subdivision, agency, or instrumentality thereof, including all foreign “official” institutions, even those located in the United States;

2. Any private relief, philanthropic, or other organization of a multinational or regional character with headquarters abroad; and

3. Any official multinational organization, defined as any international or regional organization (or affiliated agency thereof), created by treaty or convention between sovereign states.

C. Foreign-entity indebtedness means financial obligations owed to the U.S. Government by a foreign entity, as defined for purposes of this chapter. Foreign-entity indebtedness includes Foreign Military Sales (FMS) arrearages, accounts receivable for goods and/or services provided, and erroneous payments made to foreign entities. Foreign-entity indebtedness does not include principal payments or interest on short-term and long-term loans and credits.

*060102. Purpose

This chapter establishes policy for the DoD Components for identifying, billing, collecting, and managing foreign-entity indebtedness, including FMS and non-FMS.
*060103. Authoritative Guidance

DoD must pursue and report all foreign indebtedness in accordance with the following:

A. The *Arms Export Control Act (AECA)* for FMS arrearages

B. *Title 31, United States Code (U.S.C.), Section 3719*; and


0602 RESPONSIBILITIES

*060201. DoD Components are responsible for:

A. Providing documentation to the Accounts Receivable Office (ARO) to establish the foreign-entity accounts receivable in the accounting records. Documentation must include applicable line(s) of accounting;

B. Providing collection information to the ARO if a collection for a foreign-entity accounts debt is received by the DoD Component fund holder;

C. Assisting in notifying the appropriate foreign entity of the delinquent debt and working with the foreign entity to resolve disputed amounts;

D. Working with appropriate DoD and/or U.S. Government activities (e.g., the Defense Security Cooperation Agency (DSCA), the Military Departments, the Joint Chiefs of Staff, the Combatant Commands, the Department of State, and the U.S. Embassy’s Office of Defense Cooperation) to collect the delinquent, foreign-entity debt;

E. Assisting the ARO to obtain necessary documentation, and point of contact information, to collect delinquent, foreign-entity debt;

F. Ensuring that foreign-entity debts (FMS arrearages and non-FMS debts) are reviewed during the Triannual Reviews of commitments, obligations, accounts payable, and accounts receivable in accordance with Volume 3, Chapter 8;

G. Recommending, coordinating, and/or approving recommendations to aggressively pursue delinquent, foreign debt pursuant to the law and applicable agreement with foreign entities; and

H. Completing other actions pertaining to FMS arrearages and non-FMS, foreign-entity debts, as specified throughout this chapter.
*060202. ARO Responsibilities

The ARO is responsible for:

A. Preparing and sending the initial bill to the foreign entity and performing follow-up actions on non-FMS debts, to include sending a written, follow-up demand letter if a debt remains unpaid (31 days after the date of the initial demand letter);

B. Ensuring that collection of foreign-entity debt is completed in compliance with the law and applicable agreements with foreign entities;

C. Ensuring that the foreign-entity debt is valid. See Volume 4, Chapter 3 for accounting procedures when it is determined that a debt is not valid;

D. Processing all accounting transactions related to foreign-entity accounts receivable. This includes, but is not limited to:

   1. Establishing and maintaining the accounts receivable in the applicable accounting system;

   2. Crediting collections to the applicable line of accounting;

   3. Aging delinquent, foreign-entity accounts receivable (refer to subparagraph 060301.A); and

   4. Preparing and submitting accounts receivable reports to the appropriate offices (e.g., Defense Finance and Accounting Service (DFAS) Departmental Accounting, DSCA, Department of State, U.S. Department of Treasury (Treasury), or Department of Commerce). See section 0608;

E. Working with the DoD Component fund holder to resolve disputed, foreign-entity debt;

F. Coordinating with the DoD Component fund holder on other actions, as needed, to resolve foreign-entity debt;

G. Retaining required supporting documentation related to accounts receivable in accordance with Volume 4, Chapter 3;

H. Referring valid and legally enforceable, delinquent, non-FMS, foreign-entity debt (e.g., ACSA-related debt), along with substantiating documentation, to the Foreign Debt Management Office (FDMO); and

I. Notifying the FDMO of collections received after the delinquent, non-FMS, foreign-entity debt was referred to FDMO.
*060203. DFAS FDMO Responsibilities

The FDMO is responsible for:

A. Assisting AROs in the centralized management of delinquent, non-FMS, foreign-entity debts;

B. Coordinating with key stakeholders, such as the ARO, DoD Component fund holder, Combatant Command, and the Department of State to pursue collection of delinquent, non-FMS foreign-entity debts; and

C. Reporting the collection of a debt and returning the debt package to the respective ARO when the debt is collected.

060204. DSCA Responsibilities

DSCA is the principal DoD Component responsible for:

A. Completing actions concerning FMS arrearages and indebtedness. For purchasers who have delinquent payments due, or who have accrued costs that exceed available cash, DSCA will evaluate the purchaser's entire program to determine whether or not a letter to the purchaser requesting payment is justified. If so, then DSCA will issue a written notification to the purchaser within 30 days of the end of the preceding quarter. If no response is received, then additional written follow-ups will be made at succeeding 30-day intervals;

B. Approving FMS feeder arrearage reports prepared by DFAS, Security Cooperation Accounting (SCA) Division, in accordance with this chapter and the Treasury Financial Manual (TFM), *Volume I, Chapter 4100*, Debt Management Reports;

C. Working with the purchaser, the responsible DoD Component, and DFAS SCA to identify the specific issue and remedy (e.g., adjustments to ordered values, delivery timeframes, ordered quantity, collection of additional funds, or other alternative financial arrangements) when insufficient funds are available for DoD to meet the collective cash requirements for an FMS purchaser;

D. Administering and managing FMS long-term loan and credit programs authorized under the AECA, or other authorities, and identifying delinquent amounts associated with these programs; and

E. Completing other actions as necessary, to include required reporting to the Department of State and others.
DFAS SCA Responsibilities

DFAS SCA is responsible for:

A. Preparing FMS feeder arrearage reports in accordance with this chapter and
   the TFM, and submitting the reports to Treasury after coordination and approval by DSCA;

B. Utilizing updated FMS payment schedules, and other financial performance
   criteria, to bill foreign governments and international organizations on the quarterly DoD (DD)
   Form 645, FMS Billing Statement, and/or special billing statements approved by DSCA;

C. Coordinating with DSCA to identify, report, and collect FMS arrearages
   and other delinquent amounts; and

D. Providing quarterly reports to DSCA to identify those FMS purchasers who
   are delinquent in payment from the previous quarter, as well as daily reports to identify purchasers’
   average disbursement rates and estimated number of months of cash on hand.

BILLING AND FOLLOW-UP ACTIONS

*0603. Non-FMS, Foreign-Entity Debt

A. Due Date. All non-FMS, foreign-entity debt will be due 30 days from the
   date of the bill/demand letter, unless otherwise stated in the bill, contract, or agreement between
   the DoD Component and the foreign entity. The bill/demand letter will include a 60-day grace
   period. This means the debt becomes delinquent 91 days from the date of the bill/demand letter.

B. Initial Billing

   1. The ARO will prepare and send initial billings for goods and/or
      services for all non-FMS, foreign-entity debt. AROs will include the information listed in
      subparagraph 060301.B.2 in the initial debt notification.

   2. The ARO will prepare and send the initial demand letter for non-
      FMS, foreign-entity debts that are the result of erroneous payments. See Figure 6-1 for a sample
      demand letter. The demand letter will include, at a minimum, the following information:

         a. The basis for and amount of the indebtedness;

         b. The date by which payment must be made in full;

         c. The address where payment should be sent or information
            regarding submission of electronic payment;
d. The name, address, and telephone number of a point of contact in the ARO who can discuss alternative methods of payment; and

e. Any available documentation that substantiates the debt.

* C. Follow-up Actions

1. **ARO.** The ARO will perform follow-up actions on all non-FMS, foreign-entity debts. If the foreign entity does not provide payment by the due date, or other date specified in the agreement between the DoD Component and the foreign entity, then the ARO will immediately send a written, follow-up demand letter. Include the information listed in subparagraph 060301.B.2 if not included in the initial billing/demand letter. One follow-up letter is required prior to referring the delinquent debt to the FDMO. The ARO will not refer delinquent, foreign-entity debts to Treasury for cross-servicing, or for participation in the Treasury Offset Program (TOP), because these debts are exempt from referral. Unpaid debts related to replacement in kind or foreign direct bills should be elevated through the Defense Logistics Agency.

2. **FDMO.** The FDMO will send one final demand letter for any delinquent, non-FMS, foreign debts referred by the ARO. See Figure 6-2 for a sample demand letter from the FDMO. If there is no collection or communication following the demand letter, FDMO is to utilize the elevation process outlined in the DFAS Enterprise Solutions and Standards FDMO ACSA Standard Operating Procedure.

060302. FMS Accounts Receivable

A. Legal Requirements

1. For sales from stock, AECA, Section 21(b), codified as 22 U.S.C. § 2761 requires DoD to collect payments from foreign purchasers in advance or, if the President determines it to be in the national interest, upon the delivery of a defense article or the rendering of a defense service. After a determination by the President that it is in the national interest to bill upon the delivery of a defense article or the rendering of a defense service, interest will be charged in accordance with AECA, Section 21(d), 22 U.S.C. § 2761(d), on any net amount due and payable which is not paid within 60 days after the date of such billing.

2. The President delegated the authority to determine if billing upon delivery is in the national interest in Executive Order 13637; and the Secretary of Defense further delegated the authority to the Director, DSCA, in DoD Directive 5105.65. The President may extend the period to 120 days if he determines that emergency requirements of the purchaser will exceed the ready availability of purchaser funds to the U.S. Government within the 60 days. In this case, the President submits a determination with a special emergency request for authorization and appropriation of additional funds to finance such purchases under the AECA.

3. For sales from procurements (items sent directly from the source, and not from DoD inventories), when the country is authorized a dependable undertaking, AECA,
Section 22(a), 22 U.S.C. § 2762(a), requires DoD to collect payments from foreign purchasers in time to meet contractual payments, including any damages and costs that may accrue from the cancellation of such contracts. The AECA, Section 22(a), requires interest to be charged on any net amount by which a foreign purchaser is in arrears, taking into consideration all of its outstanding unliquidated dependable undertakings.

B. **Due Date.** Refer to Volume 15, Chapter 8 for policy regarding FMS billing due dates.

C. **Initial Billing.** DFAS SCA is responsible for issuing FMS billing documents. Billings for financial requirements will be initiated by using the DD 645, or the special billing statement approved by DSCA. These billings must, at a minimum, identify the financial requirements, amount paid, and amount due. Specific policy on FMS billings is in Volume 15, Chapter 8.

D. **FMS Arrearages**

1. When the amount due per the DoD billing statement is not paid by the due date, that amount is considered delinquent, but that does not necessarily constitute an arrearage.

2. For FMS cases authorized to include a term of sale of “Payment on Delivery,” the billings may be dated and issued upon delivery of the defense article or performance of the defense service. An arrearage occurs when the billed amount is not received by the payment due date (60 days from the date of the bill, or 120 days if authorized by the President).

3. For FMS purchasers authorized “dependable undertaking” terms of sale, an arrearage occurs when the FMS purchaser’s total cash resources on deposit with the U.S. Government are insufficient to cover all its outstanding, unliquidated dependable undertakings, considered collectively.

E. **Follow-up Actions**

1. FMS purchasers are required to pay in advance of performance unless the President determines it to be in the national interest to collect upon delivery of the defense article or the rendering of the defense service. Refer to 22 U.S.C. § 2761. Therefore, in the FMS program, an arrearage is an unusual event.

2. If required, written notification to the purchaser will normally be sent within 30 days of the end of the preceding quarter. If no response is received, then additional written follow-up must be made at succeeding 30-day intervals. Delinquent FMS arrearages must not be referred to Treasury for cross-servicing or participation in TOP.
0604 INTEREST, ADMINISTRATIVE CHARGES, AND PENALTIES FOR FMS ARREARAGES

060401. General

In accordance with 22 U.S.C. § 2761(d) and 22 U.S.C. § 2762(a), interest will be charged on FMS arrearages. The rate of interest will not be less than a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding short-term obligations of the U.S. Government as of the last day of the month preceding the billing, or the net arrearage, respectively. For the interest rate due on FMS delinquent payments, see TreasuryDirect. Once there, select the applicable month and “Table 5 - Department of Defense Arms Export Control Act.” For the proper disposition of interest funds collected, refer to Volume 4, Chapter 3, Annex I.

060402. Term of Sale of “Payment on Delivery”

Interest assessed on arrearages resulting from FMS cases with a term of sale of “Payment on Delivery” must be computed from the date of the billing. Figure 6-3 provides an illustration of the applicability of interest in these cases.

060403. Insufficient Case Resources

Interest assessed on arrearages resulting from a purchaser’s total cash resources on deposit being insufficient to cover its outstanding, unliquidated dependable undertakings is computed from the date on which the net arrearage occurs. Net arrearage occurs on the date that DFAS SCA determines that the accrued costs exceed available cash.

0605 REFERRAL OF FMS INDEBTEDNESS

060501. Authority to Refer FMS Indebtedness

DSCA will determine if an FMS arrearage will be forwarded to Department of Justice (DOJ) for litigation.

060502. Preservation of Evidence

The FDMO within DFAS SCA, the DoD Component, and DSCA must retain all files and records that may be needed by DOJ to prove the case in court.

0606 COMPROMISE, SUSPENSION, OR TERMINATION OF COLLECTION ACTIONS FOR FMS ARREARAGES

DFAS SCA, in cooperation with the DoD Component, must coordinate proposals to compromise, suspend, or terminate collection actions on FMS arrearages with DSCA. Refer to Chapter 2 for policy on compromise, suspension, or termination of collection actions.
0607 WRITE OFF AND CLOSE OUT OF FMS ARREARAGES

DSCA is responsible for initiating and coordinating all actions necessary to write off and close out FMS arrearages. Refer to Volume 4, Chapter 3 for write-off and close-out requirements.

0608 REPORTING FOREIGN INDEBTEDNESS

060801. Reporting

Foreign indebtedness must be uniformly and accurately reported through appropriate reporting channels to Treasury and Department of Commerce.

060802. Required Reports

A. Grants, Loans, Credits, and Contingent Liabilities Involving Foreigners. The *TFM, Volume I, Part 2, Chapter 4500* requires the electronic submission of several reports pertaining to foreign obligors to Treasury by the 45th day following the end of the reporting quarter, if applicable. These reports are prepared and submitted by DFAS SCA. The data for these reports is extracted from the DSCA FMS Credit System. The TFM, Volume I, Part 2, Chapter 4500 provides detailed guidance, formats for the reports, and instructions for completing and submitting the reports.

B. Data Editing. DFAS SCA must complete the quarterly data editing and approval process using Treasury’s Foreign Credit Reporting System (FCRS) within 2 weeks after receiving notification that the reporting period data is available for editing. The “FCRS Web Site Overview and Data Editing Guide for Agency Users,” which is available only to authorized users on the FCRS web site, contains instructions for the quarterly data editing and approval process. The required reports are:

1. Direct Long-Term Credits History,
2. Guarantees and Insurance of Long-Term Credits History,
3. Direct Long-Term Credits Status,
4. Guarantees and Insurance of Long-Term Credits Status,
5. Direct Long-Term Credits Scheduled Payments, and
6. Guarantees and Insurance of Long-Term Credits Scheduled Payments.
C. Report of Current Status Accounts Receivable (Original Maturity of Less Than 90 Days) From Foreign Obligors. DFAS SCA is responsible for preparing and submitting this report to the Department of Commerce, Economics and Statistics Administration, and Bureau of Economic Analysis. Refer to paragraph 060803 for instructions on how to complete the report.

D. Treasury Report on Receivables (TROR). DFAS and DoD Component accounting offices must ensure that the TROR includes foreign indebtedness as required by Volume 4, Chapter 3, section 0306.

060803. Instructions for Preparing the Report of Current Status of Accounts Receivable (Original Maturity of Less Than 90 Days From Foreign Obligors)

All foreign accounts receivable not collected within 90 days from the due date must be included in this report. Amounts reported for FMS in columns 3 through 6 of Figure 6-4 will be determined by analyzing unpaid bills using the following steps:

A. Report an amount in column 3 for a purchaser, if the amount recorded in column 10 of the DD 645 exceeds either the total in column 13 of the DD 645 on a net purchaser basis (adjusted for over-collected cases) plus the purchaser’s cash resources (including holding accounts, interest-bearing accounts, and undisbursed foreign military financing (FMF)) or the total of the amount paid on the DSCA supplementary bill (e.g., special bill, additional request for funding, or “Do Not Pay” letters) plus the country’s cash resources (including holding accounts, interest-bearing accounts, and undisbursed FMF).

B. Do not report the purchaser as having delinquent accounts receivable if the amount in column 13 of the DD 645 exceeds the amount in column 10 of the DD 645, and/or the cash resources exceed a 6-month supply.

C. DSCA will review the reports to determine the values to report in column 3 of Figure 6-4.

D. Report in column 5 of Figure 6-4 the amounts reported for the previous quarter, less collections received during the current period.

E. Use the following instructions to complete Figure 6-4:

1. Reporting Agency. Enter the name of the reporting agency and the applicable agency codes. Agency codes are as follows:

   a. 9700 – DSCA,
   b. 9710 – Air Force,
   c. 9720 – Army,
d. 9730 – Navy.

2. Current Status As Of. Enter the ending date of the calendar quarter for which the report is prepared. For example, the first and second quarter of calendar year 2017 will be identified as 171 and 172, respectively. Enter in the open space the actual ending date of the quarter.

3. Country/Program (Columns 1, 7, and 8)
   a. Enter on the first line the name of the first country from the alphabetical list of country names and codes provided in the TFM, Volume I, Part 2, Chapter 4500, Appendix 2. Enter in column 7 the identification code assigned to the country.
   b. Enter on the line following the country designation each program applicable to the outstanding accounts receivable. Enter in column 8 the identification code assigned to the program.

4. Currency Indicator (Column 2). Foreign currency obligations will be reported in dollar equivalents (FC$) computed at the appropriate reporting rate. Enter the following codes:
   a. $ – Repayable in U.S. dollars;
   b. MO$ – U.S. dollar equivalents of obligations to pay foreign currency amounts, calculated at the reporting rate existing for that country at the time of payment (with maintenance of dollar value); and
   c. FC$ – U.S. dollar equivalents of obligations, the liquidation of which requires the repayment of a stated amount of foreign currency units (without maintenance of dollar value).

5. Total Amount Outstanding – Official (Column 3). Enter the total amount of outstanding accounts receivable from foreign official obligors as of the end of the reporting period. Include foreign private obligations guaranteed by official foreigners.

6. Total Amount Outstanding – Private (Column 4). Enter the total amount of outstanding accounts receivable from foreign private obligors as of the end of the reporting period. Exclude foreign private obligations guaranteed by official foreigners.

7. Amount Due and Unpaid 90 Days or More – Official (Column 5). Enter the portion of the amount recorded in column 3, which is due and unpaid for 90 days or more.
8. **Amount Due and Unpaid 90 Days or More – Private (Column 6).** Enter the portion of the amount recorded in column 4, which is due and unpaid for 90 days or more.

9. **Country Totals.** In column 1, enter the words “Country Totals” on the line following the data for the last program reported. Leave column 2 blank. Enter in columns 3 through 6 the totals of the amounts (U.S. dollars plus dollar equivalents of transactions computed in foreign currency) reported for the programs within that country. A separate entry for country totals will not be necessary where only one program has been reported. Repeat this for each country.

10. **Program Totals.** In column 1, enter the words “Program Totals” on the line following the last country totals. On subsequent lines, enter in columns 1 and 8 the name and identification code, respectively, for each program. Leave column 2 blank. Enter in columns 3 through 6 the totals of the amounts (U.S. dollars plus dollar equivalents of transactions computed in foreign currency) reported by country for each program. Separate entries for program totals will not be necessary where only one country has been listed.

11. **Agency Totals.** In column 1, enter on the line following the last program totals the words “Agency Totals.” Leave column 2 blank. Enter in columns 3 through 6 the totals of all agency programs. A separate entry for agency totals will not be necessary where only one program total has been reported.

060804. Preliminary Case Analysis Report (PCAR) of FMS Arrearages

The National Advisory Council (NAC) monitors major foreign arrearages. For this purpose, a major foreign arrearage is any country program arrearage that involves the sum of $250,000 or more. Periodically, DSCA will request a PCAR from DFAS to satisfy NAC requirements. The PCAR will be submitted directly to DSCA by DFAS in email message form. The report will reflect any foreign arrearages so that a determination can be made on whether interest should be charged.

060805. Collecting and Reporting Foreign Debts Under Long-Term Loans and Debts

DSCA is responsible for administering FMS long-term loans and credit programs authorized by Section 23 of the AECA, as amended, and determining foreign arrearages against these programs.
*Figure 6-1. Sample ARO Demand Letter

EMA CPCO
14 RUE SAINT DOMINIQ UE
75007 PARIS
FRANCE

The attached bill for articles/services provided to your government under the following Acquisition Cross-Servicing Agreement (ACSA) order is forwarded to your office for payment.

<table>
<thead>
<tr>
<th>ACSA Invoice</th>
<th>Bill Month</th>
<th>Amount</th>
</tr>
</thead>
</table>

Payment in U.S. Dollars is due within 30 days from the date of this letter, and may be made by:

CHECK Make payable to: United States Treasury
Mail to:
DFAS-IN Central Disbursing Directorate
Collections Branch: ALC 5570
8899 E 56th St.
Indianapolis, IN 46249 USA;

FEDWIRE Transfers in U.S. Dollars
Bank Name/Account Name: TREAS
NYC. NEW YORK. NY US Address:
33 Liberty St, New York, NY 10045
Fed Routing #: 02103000
Account Name: TREAS NYC, NEW YORK. NY US
Account #: 800005570006 (12-digit Credit Gateway account #/Collections Information Repository ID); or

SWIFT Transfers in U.S. Dollars
Bank Name/Account Name: TREAS
NYC. NEW YORK. NY US Address:
33 Liberty St., New York, NY 10045
Fed Routing #: FW0210300004
Account Name. TREAS NYC, NEW YORK, NY US
Account#: 800005570006 (12-digit Credit Gateway account#/Collections Information Repository ID).

Payment Details:

Wire transfer fees and other shortages are the responsibility of the remitter.

Thank you for your attention to this matter. When paying, please reference DFAS Rome, the customer and bill number(s) with your remittance. For billing or collection questions, please contact <Name> at <phone number> or <email>.

<Name>
Director, Accounts Receivable Directorate
*Figure 6-2. Sample FDMO Demand Letter

This is the final follow-up letter concerning outstanding past due debts. If action is not taken to liquidate these outstanding balances, notification will be sent to the respective Combatant Command ACSA program manager. Our records indicate that as of the date of this letter, we have not received payment for your past due Acquisition Cross-Servicing Agreement (ACSA) account.

### Aged Category

<table>
<thead>
<tr>
<th>Aged Category</th>
<th>Amount Billed</th>
<th>Amount Collected</th>
<th>Amount Due</th>
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</thead>
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<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Total</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

Please review your records. If any of these invoices have been paid, please provide us with the payment date, amount, reference or identification number, and financial institution for our research. For your review, the enclosed invoice list reflects a summary billing number and the amount paid and the balance due.

Payments for outstanding billings can be made in one of the three following ways:

- **FEDWIRE** - through any US Bank using the following information:
  - United States Treasury
  - New York, New York
  - ABA (Bank Routing) Number: 021 000 089
  - Account Number: 36838868
  - Agency Name: DFAS-JAXAA/IN
  - Agency Location Code: 00003801

- **SWIFT Transfer in US Dollars**:
  - Funding Location: CITIBANK NA (NEW YORK) SWIFT/BIC
  - Identifier Code: CITIUS33
  - Bank Account: 36838868
  - Account Name: FEDERAL RESERVE BANK OF NEW YORK / ITS
  - Bank Address: 388 Greenwich St. New York, NY 10013
  - **Line 70 Information** ALC Number: 0000 3801
  - **Line 71 Information**: OUR
  - Agency Name: DFAS-JAXAA/IN
  - Reference: ACSA Bills

- **CHECK** – made payable to United States Treasury – Send to:
  - Defense Finance and Accounting Service
  - ATTN: Disbursing Operations - FMS Processing Col 135D
  - 8899 E. 56th St.
  - Indianapolis, IN 46249

Wire transfer fees, banking fees, shortages due to foreign currency exchange rates, or any other shortages are the responsibility of the remitter. When paying, please reference the invoice number(s) so your remittance can be posted accurately.

Thank you for your attention to this matter. If you have further questions, you may contact <Name> at <Phone Number> or by e-mail at <e-mail address>.

Sincerely,

<Name>,
Chief AFS/Integration Support
Security Cooperation Accounting
Figure 6-3. Illustration of the Applicability of Interest (Pertains To AECA Section 21(D) Only)

If payment is not received by the due date of the bill, interest accumulates from January 15.

Refer to Table 8-23 in Volume 15, Chapter 8 for delivery transactions pertaining to recoupment of interest penalties and interest on arrearages.
Figure 6-4. Report of Current Status of Accounts Receivable (Original Maturity of Less than 90 Days) From Foreign Obligors

<table>
<thead>
<tr>
<th>COUNTRY PROGRAM</th>
<th>Cur Ind</th>
<th>OFFICIAL</th>
<th>PRIVATE</th>
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<th>PRIVATE</th>
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VOLUME 16, CHAPTER 7: “INTEREST, PENALTIES, AND ADMINISTRATIVE (IPA) CHARGES”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated January 2018 is archived.

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<td>Added U.S. Department of the Treasury guidance as an authoritative source.</td>
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<td>0702</td>
<td>Added a reference to Department of Defense Instruction 5010.40, “Managers’ Internal Control Program Procedures,” to clarify requirement to maintain internal controls.</td>
<td>Addition</td>
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<tr>
<td>0703</td>
<td>Reorganized information for improved readability.</td>
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<tr>
<td>0703</td>
<td>Added a reference to Volume 4, Chapter 3, Annex 1 for policy on the disposition of IPA charges collected.</td>
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<td>070302.B</td>
<td>Added statement that interest may not be compounded or assessed on administrative costs or penalties.</td>
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<td>070302.D</td>
<td>Added clarifying statement that the interest rate remains the same through the life of a debt unless a new repayment plan is established, at which point, a new rate may be assessed.</td>
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<td>Clarified that assessed penalties apply to delinquent interest and administrative charges.</td>
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<td>070401</td>
<td>Revised this paragraph to provide a more thorough reference for the authority to waive IPA charges.</td>
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CHAPTER 7

INTEREST, PENALTIES, AND ADMINISTRATIVE (IPA) CHARGES

0701 GENERAL

070101. Overview

A. This chapter pertains to the collection of debts owed to the Department of Defense (DoD) from current and retired DoD civilian employees, current members of the military services (active and reserve), military retirees, individuals who are no longer employed by DoD, contractors, vendors, assignees, and business entities. Contractor-specific guidance can also be found in the Federal Acquisition Regulation (FAR), subpart 32.6.

B. This chapter does not pertain to the collection of debts owed to DoD by Foreign Entities, which is covered in Chapter 6.

C. The intent of IPA charges is to stimulate prompt debt payment, to compensate the government for loss of use of funds when debt is not paid timely, and to recover the cost of processing and handling delinquent debts, including referral to credit bureaus or collection agencies.

070102. Purpose

This chapter establishes policy and requirements for the DoD Components for the accounting and reporting of IPA charges on delinquent debts and debts repaid via installment agreement.

*070103. Authoritative Guidance

Requirements contained in this chapter are primarily based on:

A. Title 31, United States Code (U.S.C.), section 3717;

B. The FAR, subpart 32.6; and

C. Title 31, Code of Federal Regulations (CFR), Parts 900-904 (Federal Claims Collection Standards (FCCS)).


*0702 INTERNAL CONTROLS

All organizations involved in the collection and management of IPA charges must adhere to the basic standards for internal controls in DoD Instruction 5010.40, “Managers’ Internal
Control Program Procedures,” to ensure IPA charges owed to the DoD are managed and collected in accordance with this chapter and other applicable regulatory and statutory requirements.

*0703 APPLICATION OF CHARGES

Title 31, CFR, section 901.9 contains guidance on assessing IPA charges. Unless prohibited by law, IPA charges will be applied accordingly. Refer to Volume 4, Chapter 3, Annex 1 for requirements on the disposition of IPA charges.

070301. General

A. All debts owed to the Government and not paid in full by the date due will accrue IPA charges in accordance with 31 U.S.C. § 3717. These charges will continue to accrue until the debt is paid in full or otherwise resolved through compromise, termination, or waiver of the charges. Debts owed by any federal agency, or non-appropriated fund instrumentality, are exempt from IPA charges.

B. Payments of amounts owed to the Federal Government by organizations, businesses, and individuals are expected to be made in accordance with terms specified in contracts, agreements, or notifications of indebtedness. For those debts owed to the Federal Government that are not covered by provisions contained in contracts or agreements, the notification of indebtedness will inform the debtor of the basis for the indebtedness, the date the debt payment is to be made (due date), and the requirement for IPA charges, unless otherwise prohibited by law.

*070302. Interest Charges

A. Interest charges will be assessed on all debt not paid in full by the date due, regardless if the debt is to be paid in a lump-sum or installments. Debt that is paid through an installment plan is not considered delinquent as long as the payments are made on time; however, interest will continue to be assessed on the outstanding balance owed and collected until the debt is paid in full.

B. Pursuant to 31 U.S.C. 3717, interest rates must be established for each loan receivable and overdue debt from the public. The factors that affect the variability of interest rates (e.g., legislation, type of contract, an occurrence of an event, passage of time, debtor's income level, or federal funds rate) must be identified. In the absence of specific authority embodied in statute, regulation required by statute, contract, or other public notice, the interest rate, at a minimum, will be the same rate as the Current Value of Funds Rate (CVFR) established by the Secretary of the Treasury. Interest may not be compounded or assessed on administrative costs or penalties.

C. The CVFR is used to calculate interest on overdue Federal Government receivables. The interest rate is subject to revision only if the published rate changes by 2 percentage points (e.g., from 6.0 percent to 4.0 percent) at the close of the prior calendar quarter.
The Treasury publishes changes to the CVFR in the Treasury Financial Manual Bulletins. Additional information can be found at the Treasury Bureau of the Fiscal Service CVFR webpage.

* D. The interest rate used to determine charges on a delinquent debt will remain fixed for the life of the debt. However, if a debtor defaults on a repayment agreement and seeks to enter into a new agreement, the agency may require payment of interest at a new rate that reflects the CVFR at the time the new agreement is executed.

E. Unless other provisions exist in a contract or prior agreement, interest charges will not be assessed until the debtor has been notified in writing that interest and penalty charges will accrue. Payment terms specified in the invoice, demand letter, or notice of indebtedness must be consistent with payment terms in the related contract or formal agreement.

F. Interest will not be charged if payment is made by the date specified in the debt notification (typically 30 days from the date on the notification).

G. Interest will continue to accrue after “date of death” when a claim is to be filed against the estate.

H. Interest Charges will be computed using the following formula:

\[ I = D \times N \times F \]

Where:
- \( I \) = Interest charge,
- \( D \) = Amount of outstanding debt,
- \( N \) = Number of days delinquent, and
- \( F \) = Interest rate per day.

*070303. Penalty Charges

A. DoD Components must accrue and assess a penalty charge, not to exceed 6 percent per annum, on any portion of the debt that is delinquent more than 90 days, to include interest and administrative charges. A debt becomes delinquent if not paid by the established due date; therefore, penalty charges must be applied to those accounts reported in the aging category 91-180 days delinquent and beyond. This does not include payments that are current and made based on an agreed upon installment plan. The Components may determine what percentage, up to the maximum 6 percent, will be applied to delinquent accounts. The Component’s rationale for charging a lesser amount must be documented and become part of the official debt file.

B. Penalty charges will continue to accrue after “date of death” when a claim is to be filed against the estate.

070304. Administrative Charges

A. In addition to interest and penalty charges, administrative charges will be assessed to cover the added costs incurred in handling a delinquent debt beyond the date on which
payment was due. Unlike the interest charge, which begins to accrue on the date the delinquent notice is issued, the administrative charge is applied only if payment is not made by the due date specified in the notice. This does not include payments that are current and made based on an agreed upon installment plan.

B. The Components must calculate administrative charges based upon actual costs incurred to cover the cost of processing and handling delinquent debt. If actual cost is not available, then Components may base the administrative charges upon other historical costs or cost analyses, as long as the method used supports determination of the charge and is documented in the official debt file. An administrative charge will be applied to all delinquent debts with due regard given to the length of time the debts are delinquent.

070305. Installment Payments and Application of Fees

When a debt is collected by installment payments, the amounts received must be applied first to contingency fees, second to outstanding penalties, third to administrative costs, fourth to interest, and last to principal. Contingency fees are paid by a federal agency to other federal agencies or private collection contractors for collection services rendered. These fees are paid from the amounts collected from the debtor.

0704 WAIVER OF ACCRUAL OF IPA CHARGES

*070401. Authority

Under 31 U.S.C. 3717, IPA charges may be waived, in whole or in part, either based on a compromise or settlement agreement, or when the collection of IPA charges is against equity and good conscience or is not in the best interest of the United States. See also 31 CFR 901. A decision to waive IPA charges must be made in accordance with the guidelines in paragraph 070402.

070402. Guidelines for Waiver of IPA Charges

The following guidelines for waiver of IPA charges must be followed.

A. The accrual of IPA charges may be waived when a debt is terminated or compromised, or when the additional charges would cause extreme hardship or would not be in the best interest of the government.

B. Decisions to waive the accrual of IPA charges should be considered on a case-by-case basis. In most circumstances, blanket waivers will not be granted. Decisions on such waivers must be documented, including an explanation as to the reasons for the waiver, and retained as a part of the official debt file.

C. The same organizational level, or the same designee, authorized to approve compromises, write-off indebtedness, or approve requests for waiver or remission of indebtedness, depending on the disposition of the basic debt, is authorized to approve waiver of the accrual of IPA charges.
D. Accrued IPA charges will be collected, reported, or compromised in the same manner as the basic debt.

0705 WRITE-OFF OF ACCRUED IPA CHARGES

When a debt is written off, the accrued IPA charges must also be written off. Write-off must be done in accordance with *Office of Management and Budget Circular A-129*. Volume 4, Chapter 3 contains additional requirements on debt write-off.
VOLUME 16: “DEFINITIONS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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DEFINITIONS

A. General

The following list defines significant terms related to debt management and debt collection.

B. List of Definitions

Accounts Receivable Office (ARO)

The ARO is the office responsible for recording and reporting receivables and may also be the office responsible for debt collection.

*Administrative Wage Garnishment (AWG)

AWG is a process whereby a non-federal employer is ordered by the Department of Treasury (Treasury) to withhold amounts from an employee's wages in order to collect a federal non-tax debt owed to a federal agency, such as DoD.

Cross-Servicing Program

The Cross-Servicing Program is the Treasury’s consolidated debt collection program in which the Treasury uses a variety of tools to collect a debt, such as demand letters, telephone calls, the Treasury Offset Program (TOP), AWG, and credit bureau reporting.

Debt

A. As defined in Title 31, United States Code, section 3701, debt is an amount of funds or property that an appropriate official of the Federal Government has determined to be due the U.S. Government from a person, organization, or entity other than another federal agency that the Government is entitled to receive immediately. Debts include, but are not limited to: insured or guaranteed loans and amounts due from fees, leases, rents, royalties, services, sales of real or personal property, overpayments, financial obligations from foreign military sales purchasers, penalties, damages, interest, fines, and forfeitures.

B. Debt in this context does not include tax debts, amounts due a nonappropriated fund instrumentality (unless specifically included in the DoD Financial Management Regulation), delays in processing employee-elected coverage, or a change in coverage under federal benefits programs if processing delays did not exceed 2 monthly or 4 biweekly pay periods.

Debt and Claims Management Office (DCMO)

The DCMO offers debt management and collection assistance for delinquent debts owed to the DoD by individual debtors who are former DoD employees that are no longer paid by the DoD.
Debt Collection Office (DCO)

DCO refers to the office or individuals at the DoD Component level that are primarily responsible for debt establishment and collection for the Component. DCOs that manage the debt collection for the Component are typically located in the following areas: AROs, military and civilian payroll offices (located both within and outside of the Defense Finance and Accounting Service (DFAS)), Debt Management Office (DMO), DCMO, contracting offices, disbursing offices, or the Foreign DMO.

Debt Compromise

Debt compromise is an agreement between the DoD and the debtor to accept less than the full amount of an outstanding debt in full satisfaction of the entire amount of the debt. A debt compromise is final and conclusive unless obtained by fraud, misrepresentation, presentation of a false claim, or mutual misstatement of fact.

Debt Management Office (DMO)

The DMO is the DFAS office that services referred vendor/contractor debts.

Debt Referring Office

The Debt Referring Office is the office responsible for referring contractor, assignee, and business entity debt to the DMO or the office responsible for referring individual out-of-service debt to the DCMO. The Debt Referring Office could include, but is not limited to: AROs, DCOs, accounting offices, military pay offices, vendor pay offices, contracting offices, and disbursing offices.

Delinquent Debt

A delinquent debt is a debt that has not been paid by the due date specified in the written demand for payment (i.e., invoice, debt notification letter, or applicable agreement or instrument (including a post-delinquency payment agreement)).

Erroneous Payment

An erroneous payment is a payment that was not legal and proper when made or is not in compliance with applicable laws or regulations (Title 32, Code of Federal Regulations, section 284.3). Refer to Volume 5, Chapters 5 and 6 for information on pecuniary liability. For purposes of DoD debt collection, examples of erroneous payments include:

A. An improper overpayment to a payee;

B. Two or more payments to a payee for the same entitlement (i.e., duplicate payment);

C. A payment to the wrong payee;
D. A U.S. Treasury check issue overdraft (in some cases);
E. A shortage caused by negotiation of both an original and a substitute Treasury check;
F. Payment based on fraudulent, forged, or altered documents; and
G. A payment made in violation of law or regulation.

Legally Enforceable Debt

A debt is legally enforceable if the DCO has made a final determination that the debt is valid and there are no legal bars to collection action. If the debt is the subject of a pending administrative review process required by statute or regulation, and collection action during the review process is prohibited, then the debt is not considered legally enforceable for purposes of mandatory referral to the Treasury.

Long-Term Loans and Credits

Long-term loans and credits include any indebtedness to the DoD in which the original payment terms provide for payment within a period of time exceeding one year after delivery or performance.

Offset

An offset is the withholding of the entire amount or a portion of a payment to a payee and applying the amount withheld to liquidate the payee’s debt. There are several methods used to perform an offset.

A. Administrative offset is the withholding of any funds payable by the United States to, or held by the United States for, a person to satisfy a debt.

B. Salary offset is limited to the withholding from pay and allowances. Salary offset is accomplished by installment deduction(s) at officially established pay intervals from the current pay of the individual.

C. Centralized offset is done by the Treasury and is administered through TOP. Centralized offset occurs when Treasury withholds part or all of a debtor's federal payments to satisfy the debtor's delinquent debt owed to the Government.

D. Non-centralized offset is also the withholding of a debtor’s federal payments, but it is done internally by federal agencies on a case-by-case basis.
Short-Term Loans and Credits

Short-term loans and credits are any debts in which the original payment terms provide for payment between 90 days up to, and including, one year after delivery or performance. Foreign Military Sales transactions, which provide for payment 120 days after delivery or performance, will be classified as short-term credit sales.

Suspension of Collection Action

Suspension of a collection action is a determination to cease collection action temporarily with the intent to initiate collection action at a later date.

Termination of Collection Action

Termination of collection action is a determination to cease active debt collection. Passive debt collection efforts, such as Treasury cross-servicing, may resume following termination of collection activity.

Treasury Offset Program (TOP)

TOP is a program that allows agencies to submit delinquent, valid, and legally enforceable debts to the Bureau of the Fiscal Service for collection via offset of all eligible payments the debtor may receive from the Government.
“GLOSSARY”

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<td>Updated the “Planning, Programing, Budgeting, and Execution” (PPBE) definition to include the number of phases (i.e., four) in the PPBE process.</td>
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GLOSSARY

A. Overview

The following list defines general terms of significance or importance in financial accounting policies for the Federal Government, or the Department of Defense (DoD) that are discussed in various volumes of this Regulation. This glossary is provided for general information. It is not an exhaustive list of all financial management terms, and it does not define terms when standard dictionary definitions apply. Authoritative guidance with more detailed explanations or nuances may be found in specific volumes or chapters.

B. List of Definitions

**Accessorial Charges**
Costs incurred for packing, crating, and handling related to sales or shipments of property.

**Accountable Official (Departmental)**
See “Departmental Accountable Official.”

**Accounting Classification Code**
A series of alpha and numeric characters appearing on accounting source documents. The characters provide the information necessary to enter transactions into DoD accounting systems.

**Accounting Entity**
In DoD the accounting entity is the DoD Component; that is, the Department of the Army, the Department of the Navy, the Department of the Air Force, and the Office of the Secretary of Defense (OSD) and/or the Defense Agencies, regardless of appropriation or fund.

**Accounting Objectives**
Goals toward which accounting efforts are directed. The goals are derived directly from legal and regulatory requirements and the needs of intended users.

**Accounting System Design Documentation**
Documentation supporting the design of an accounting system that assures all relevant accounting principles, standards, and related requirements have been addressed. It consists of three distinct documentation packages: (1) the functional accounting system concept design, (2) the functional detailed design, and (3) various automated data processing documentation packages that track functional user requirements to specific computer programs. See Volume 1, Chapter 3 for specific documentation requirements.

**Accounts Payable**
Amounts owed to other entities for goods and services received (i.e., actual or constructive receipt), progress in contract performance, and rents due to other entities.
Accounts Receivable from the Public
All accounts receivable arising from the sale of goods and services and from operations involving other than Federal Government organizations. Examples are debts owed by military personnel, civilian employees, and contractors.

Accrued Variance (Foreign Currency Fluctuations)
The difference between un-liquidated obligations at the budget rate (approved execution rate) and the foreign exchange rate current at the time of payment.

Acquisition Cost
The original purchase, construction, or development cost, net of (less) any purchase discounts.

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

Administrative Subdivision of Funds
Any sub-division or legal restriction of an appropriation or fund that makes funds available in a specified amount for incurring obligations. Frequently used subdivisions include apportionments, allocations, sub-allocations, allotments and sub-allotments.

Advances
Disbursements of funds before performance have been certified by an authorized DoD receiving official.

Agency Financial Management System
The total of agency financial systems, both manual and automated, for planning, budget formulation and execution, program and administrative accounting; as well as all other systems for recording and classifying financial data and reporting financial management information, including purchasing, property, and inventory.

A. Financial Management Information. All information that is expressed in dollar terms on federal spending, collections, assets, liabilities, equity, and related budgetary and accounting transactions and balances.

B. Accounting System. The structure of methods and procedures used to record, classify, accumulate, analyze, summarize, and report information on the financial condition and operating position. It is comprised of the various functional operations involved in authorizing, recording, classifying, analyzing, and reporting financial information related to financing sources, gains, expenses, losses, transfers, assets, liabilities, equity, and internal controls. It encompasses the procedures and processes from the point a transaction is authorized through processing the data, either manually or automatically, to issuance of financial and management information statements and reports.
1. **Primary Accounting Systems.** The aggregation and consummation of like financial management information aligned by the major operational areas and summarized to support financial and management information needs. There are five Primary accounting systems made up of the single, standard integrated Departmental accounting systems, which controls all financial management information. The Primary accounting systems are General, Business Operations Fund (Stock Fund and Industrial Fund), Trust Fund, Civilian Pay, and Military Pay.

2. **Administrative Accounting Systems.**
   
a. **Accounting Support Systems.** The manual or automated programs, procedures and processes that authorize, record, classify, analyze, and report on financial management information for one of the Primary accounting systems. Accounting Support systems provide general ledger control and financial information on operations for consolidation to the Primary accounting systems.

b. **Subsidiary Accounting Systems.** The manual or automated programs, procedures and processes for one of the various functional operations involved with revenues, expenses, assets, liabilities, and equity. The Subsidiary accounting systems form the foundation and audit trail for the Primary accounting systems and the Accounting Support systems.

3. **Accounting System Modules.** Modules are distinguished by the fact that their functions and systems of internal controls are embodied in the accounting system. As such, modules are fully integrated subsystems of an accounting system, and they are inventoried and evaluated in conjunction with the accounting system.

4. **Feeder Systems.** The manual or automated programs, procedures and processes which develop data required to initiate an accounting or financial transaction but do not perform an accounting operation (e.g., personnel, property, or logistics systems).

**Allocations**

Allocations are further subdivisions of allotments. Within DoD, the term has been used to refer to departmental-level accounting entity distributions of apportionments, or funds that do not require apportionment, to an operating Agency or other intermediate level accounting entity.

**Allotments**

Subdivisions of apportionments that are made by the heads of agencies, or their designee, to incur obligations within a prescribed amount. Subdivision and distribution of an allotment (e.g., sub-allotments and allocations to operating agencies or installation-level accounting activities) must contain at least the same legal and other limitations applicable to the original allotment. Such subdivisions and distributions may establish additional legal and other limitations applicable to execution of budgetary resources.

**Annual (1-Year) Authority**

Budget authority that is available for obligation only during a specified fiscal year and expires at the end of that time.
Anticipated Reimbursements
The dollar value of orders expected to be received during the forthcoming fiscal year. Anticipated reimbursements do not create obligational authority until an actual order is received and accepted.

Antideficiency Act
Legislation enacted by Congress to prevent the incurring of obligations or the making of expenditures (outlays) in excess of amounts available in appropriations or funds; to fix responsibility within an agency for the creation of any obligation or the making of any expenditure in excess of apportionment or reapportionment or in excess of other subdivisions established pursuant to 31 United States Code (U.S.C.) §§ 1341, 1342, and 1517; and to assist in bringing about the most effective and economical use of appropriations and funds.

Apportionment
A distribution made by the Office of Management and Budget (OMB) of amounts available for obligation and expenditures in an appropriation or fund account into amounts available for specified time periods (usually fiscal quarters), programs, activities, projects, objects, or any combination of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, sub-allotments, and allocations.

Appropriation Limitations
Statutory and other special restrictions, which impose a restriction on the availability of funds or the authority to obligate or expend appropriations for certain objects or purposes; such as, family housing.

Appropriation Warrant
An official U.S. Treasury document that provides the dollar amounts established in the general and detailed appropriation accounts of the U.S. Treasury pursuant to Appropriation Acts authorized by law. It serves as a convenient source document for entries into accounts that establish the amount of money authorized to be withdrawn from the U.S. Treasury.

Appropriation
A provision of law conferring authority to incur obligations for a specified purpose; usually, but not always, an appropriation provides budget authority, which is authority provided by law to incur financial obligations that will result in outlays. For purposes of the Antideficiency Act, the term "appropriations" may have a broader meaning, new budget authority and balances of budget authority as described in OMB Circular No. A-11, Section 20.4.

Asset Use Charge
A charge for the use of DoD assets (facilities and/or equipment) to recoup depreciation and interest on investment.

Authorizing Official (or Officer)
An individual who approves a transaction and verifies and validates the funds cited on a commitment or obligation document are accurate and available.
Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA)

BBEDCA refers to legislation that shaped the budget process, first by setting fixed targets for annual deficits and then by replacing those with a Pay-As-You-Go requirement for new tax or mandatory spending legislation and with caps on annual discretionary funding. Most of these requirements expired in 2002. The Statutory Pay-As-You-Go Act of 2010, which did not amend the BBEDCA, reinstated a statutory pay-as-you-go rule for revenues and mandatory spending legislation. The Budget Control Act of 2011 (BCA), which amended the BBEDCA, reinstated discretionary caps on budget authority.

Bench Stock (Also Shop Stock)

Inventory held by a cost center for use as indirect material and used in support of numerous small projects or activities carried out by the cost center. Small items such as screws, washers, and lubricants characterize this type of stock.

Book Value

The recorded cost of a general Property, Plant, and Equipment (PP&E) asset, less its accumulated depreciation.

Borrowing Authority

Statutory authority to incur obligations and to make payments for specified purposes out of borrowed money. Within DoD, borrowing authority is used for mortgage assumptions under the Homeowners Assistance Program and for loans from the Federal Financing Bank.

Budget Authority

Budget authority (BA) means the authority provided by law to incur financial obligations that will result in outlays. Specific forms of budget authority include appropriations, borrowing authority, contract authority, and spending authority from offsetting collections.

Budget Control Act (BCA) of 2011

BCA refers to legislation that, among other things, amended the Balanced Budget and Emergency Deficit Control Act of 1985 to reinstate discretionary spending limits on budget authority through 2021 and restored the process for enforcing those spending limits; increased the statutory debt ceiling; and established a Joint Select Committee on Deficit Reduction that was instructed to develop a bill to reduce the Federal deficit by at least $1.5 trillion over a 10-year period. It also provided a process to implement alternative spending reductions in the event that legislation achieving more than $1.2 trillion of deficit reduction was not enacted by January 15, 2012.

Budget Rate

A foreign currency exchange rate provided to DoD Components for use in preparing budget submissions during budget formulation and for recording obligations during budget execution. Budget rates are provided by the DoD Comptroller and may be modified by the Congress. During execution, foreign currency obligations are recorded using the budget rate (rates approved for execution). (Also, see “Foreign Currency Fluctuations.”)
**Budgetary Resources**

For purposes of budget execution, budgetary resources include new budget authority, available unobligated balances at the beginning of the year, reimbursements and other income (also known as offsetting collections credited to an appropriation or fund account), recoveries of prior year obligations from unexpired accounts, and restorations. In the case of reimbursable work, budgetary resources available for obligation are comprised of earned reimbursements and unfilled customer orders (limited by the amounts collected in advance for orders from the public). In the case of loan programs, budgetary resources available for obligation from loan repayments and interest on loans are comprised of actual collections when authorized to be used.

**Business Concern**

Any person or organization engaged in a profession, trade, or business, and nonprofit entities (including State and local governments, but excluding Federal entities) operating as contractors.

**Cash-Flow Process**

Each process of collecting or disbursing moneys for Agency programs or operations, and for balances held outside of the U.S. Treasury.

**Cash-Flow Report**

A document summarizing each unique cash-flow process and corresponding opportunities for new cash management improvements.

**Cash Held at Personal Risk**

Cash held by authorized disbursing officers, their cashiers, and their agent officers, including alternates, for making miscellaneous cash payments, meeting cash payrolls or making change; funds established for making small purchases; imprest funds; cash held pending delivery to other disbursing officers; and for other purposes specifically authorized by law.

**Cash Management**

Practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and minimize idle cash balances.

**Cash Management Review**

An ongoing study of an Agency's cash flows and corresponding cash management processes or mechanisms conducted to identify implementable improvement opportunities in an Agency's cash management practices.

**Centrally Managed Account**

Authority issued by the holder of an account (allotment/allocation) for incurring obligations for a specific purpose and in a specific amount. It is administered by publishing a centrally managed account number that permits authorized officials to charge the account for authorized purposes without further determination or certification of fund availability for individual transactions.
Certifying Officer
An individual designated to attest to the correctness of statements, facts, accounts, and amounts appearing on a voucher, or other documents. A certifying officer is pecuniary liable for payments in accordance with 31 U.S.C. § 3528.

Chargeable Account
The appropriation (department code, fiscal year, and appropriation symbol) contained in the line of accounting cited on the obligation document that is the basis for a particular payment.

Clearing Accounts
Accounts established solely to temporarily hold general, special, or trust fund collections or disbursements pending clearance to the applicable receipt or expenditure budgetary account. Except for clearance to the applicable receipt or expenditure budgetary account, clearing accounts are not available for obligation or expenditure.

Closed/Canceled Accounts
An appropriation that has been closed in accordance with 31 U.S.C. §§ 1551-1557. This term also includes an appropriation that otherwise would have been closed by 31 U.S.C. 1551-1557, but has not been closed by the Department of the Treasury because the appropriation has a negative balance. When balances are canceled, the amounts are not available for obligation or expenditure for any purpose.

Collections
Amounts received during the fiscal year. Collections are classified into two major categories: budget receipts and offsetting collections. Offsetting collections are classified into two major categories: offsetting receipts and collections credited to appropriation or fund accounts.

Commitment
An administrative reservation of funds based on firm procurement requests, unaccepted customer orders, Directives, and equivalent instruments.

Component Liaison Office
When the Defense Finance and Accounting Service (DFAS) was established, each Military Department and the Defense Logistics Agency formed financial management liaison offices in their Headquarters. The primary purpose of these staffs was to provide adequate communication among DFAS, and its larger customers; ensure the adequate dissemination of information; and help coordinate DoD finance and accounting policy and other issues. Some of the liaison functions at the Departmental level are still required to ensure adequate communications and coordination of finance and accounting issues among DFAS and DoD Components. DoD Agencies may establish a liaison focal point to interface with DFAS on an as required basis.
Conceptual Design of Accounting System

Documentation of the process that leads to a decision to develop a new accounting system or system segment, or to initiate a major upgrade effort. Documentation reveals the deficiencies in the current system, the accounting entities involved, the parameters of the accounting system, the accounting structure, security considerations, the alternatives considered, and the economic analysis developed to support a decision.

Consolidated Working Fund Accounts

Accounts established to hold funds transferred from other Agencies, DoD Components, or accounts until transferred to an appropriate account authorized by provisions of law. Applicable funds are not available for obligation or expenditure.

Construction in Progress (CIP)

A temporary classification of assets under construction. The costs of new construction and capital improvements are accumulated in a CIP account while the asset is under construction. CIP accounts are only utilized for construction of real property assets and shipbuilding (including ship conversion, alteration, or repair). Under certain contract provisions, CIP accounts include all costs incurred to bring the asset to a form and condition suitable for its intended use.

Contingency

An existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm a gain (i.e., acquisition of an asset or reduction of a liability) or a loss (i.e., loss or impairment of an asset or the incurrence of a liability).

Contingent Liability

The term has two meanings. As a budgetary term, it represents variables that cannot be recorded as valid obligations. Such variables include (1) outstanding fixed price contracts containing escalation, price redetermination, or incentive clauses, or (2) contracts authorizing variations on quantities to be delivered, or (3) contracts where allowable interest may become payable by the Federal Government on contractor claims supported by written appeals pursuant to the "DISPUTES" clause contained in the contract. As a proprietary accounting term, it represents a contingency posing the possibility of a loss when one or more events occur or fail to occur. Examples of loss contingencies include the collectability of receivables, pending or threatened litigation, and possible claims and assessments. DoD recognizes contingent liabilities when a future loss related to past events or exchange transactions is probable and the loss amount can be reasonably estimated.

Continuing Resolution

The Congressional resolution, in the absence of an appropriation act, providing authority for Agencies to continue current operations. Such continuing resolutions are subject to the Office of Budget and Management apportionment in the same manner as appropriations.
Contract

As defined by the Federal Acquisition Regulation (FAR) 2.101, “Definitions,” a contract is a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them.

Contract Authority

Statutory authority to incur obligations but with liquidation of obligations dependent upon future actions of the Congress or by the receipt of customer orders or other available resources. (Within the Department, Contract Authority is apportioned budget authority that can be legally obligated. Contract Authority, however, is not funded and is apportioned and allocated without a supporting Treasury cash balance. Consequently, before an obligation incurred against Contract Authority can be liquidated, sufficient budgetary resources should be available for the outlay. For the Defense Working Capital Funds, obligations against Contract Authority are based on earned customer orders and cash balances in the fund corpus.)

Contract Financing Payment

A Federal Government cash disbursement to a contractor under the contract prior to acceptance of goods or services by the Federal Government.

Contract Liquidating Authority

An appropriation, or re-appropriation, enacted to pay the obligations incurred under the contract authority.

Contractor-Acquired Property

General PP&E assets acquired by a contractor on behalf of a DoD Component for use in the performance of a contract. It does not include federal government furnished material or equipment. Also, see Government Furnished Equipment.)

Cost

A monetary measure of the amount of resources applied to a cost objective. Within DoD, "costs" are identified following generally accepted accounting principles and standards as implemented in this Regulation. The fact that collections for some cost elements are deposited into Miscellaneous Receipts of the Treasury does not make those costs "extraneous." It simply means the Congress has not authorized such amounts to be retained by appropriation accounts. After costs have been identified, following Federal Accounting Standard Advisory Board standards, including the Statement of Federal Financial Accounting Standard 4 on cost accounting rules, a DoD Component may proceed to eliminate cost elements, or process waivers, in accordance with legal authorities.
**Cost Center**
A logical or physical grouping of one or more similar services for the purpose of identifying obligations or developing the cost identification for the services. Services are grouped into cost centers in order to (1) normalize between services that use similar resources with different capabilities, (2) apply surcharges and discounts to services, (3) identify costs for different classes of the same service, or (4) identify obligations. This is the lowest level (that is, unit) or activity that is used to identify obligations or expend resources to produce a unit of work, and the lowest level of activity to segregate costs for management in order to assess efficiency, usage, examine trends.

**Cost Clearing Account**
An account used when standard rates are employed. The actual expenses are debited to the cost clearing account and the amounts billed to customers are credited to the account. At the end of the fiscal year, the account is closed with analysis performed to determine if rates require adjustment.

**Cost Finding**
Procedures designed to accomplish a result approximating the results of a formal cost accounting system.

**Cost Objective**
An activity, operation, or completion of a unit of work to complete a specific job for which management decides to identify, measure, and accumulate costs. The cost objective must be discrete enough and described in writing to such a level of detail to form a basis to establish cost centers and output products.

**Current Receivable**
All receivables that will be due within the 12 months following the reporting period.

**Current Value of Funds Rate (CVFR)**
The average investment rate for the U.S. Treasury Tax and Loan accounts expressed as an annual rate and published by the U.S. Treasury in the "Federal Register" each year. Uses of the CVFR include determining the effectiveness of taking cash discounts and calculating interest on overdue federal government receivables.

**Customer Order**
An order received and accepted by the performing activity from a customer. It is written evidence that a meeting of the minds has taken place and that certain goods and services will be provided to the tenderer of the order for payment of a dollar amount. The order must contain an original signature or equivalent of both the ordering activity and the receiving activity and must specify a dollar amount. The specified dollar amount cannot be exceeded.

**Cutoff Time**
A time prescribed by a financial institution beyond which transactions presented or actions requested will be deferred to the next banking day's business.
Day
A calendar day, unless otherwise noted. If the day on which an action is required falls on a nonworking day, then day means the next working day.

Default
Failure to meet any obligation or term of a credit, grant, or other agreement.

Defense Working Capital Fund (DWCF)
A revolving fund using a business-like buyer-and seller approach with a goal of breaking even over the long term. Stabilized rates or prices are generally established each fiscal year. DWCF stabilized rates or prices are adjusted for sales to customers to include an amount for unfunded civilian retirement and post-retirement health benefits costs. The DWCF was established on December 11, 1996, upon the reorganization of the former Defense Business Operations Fund.

Deferrals
Budgetary resources that have been deferred as reserves to provide for contingencies to achieve savings made possible by or through changes in requirements or greater efficiency of operations or as specifically provided by law.

Definite Authority
Authority that is stated as a specific sum at the time it is granted. This includes authority stated as not to exceed a specified amount. Most DoD appropriations are for definite amounts of authority.

Delivered Orders
The term used for the credits entered into the budgetary accounts to recognize liabilities incurred for (1) services performed by employees, contractors, other Government accounting entities, vendors, carriers, grantees, lessors (2) goods and other tangible property received; and (3) items such as annuities or insurance claims for which no current service is required. Accrued expenditures are categorized as either paid or unpaid.

Delivered Orders-Paid
The budgetary account that represents the dollar value of goods and services received for which payment has been made.

Delivered Orders-Unpaid
The budgetary account matching the proprietary account, "accounts payable." It represents the dollar value of goods and services received for which payment has not been made. (Also, see "Accounts Payable."

Demand Cash Withdrawal
Commercial checks made payable to cash for withdrawal by the cashier.

Departmental Accountable Official
An individual responsible for providing a certifying officer with information, data, or services that the certifying officer relies upon in the certification of vouchers for payment.
Deposit (noun)  
Money presented for credit to the U.S. Treasury. Such transfers may be made by Agencies or directly by the remitter. All such transfers are effected through a Federal Reserve Bank or other financial institution.

Deposit (verb)  
The act of presenting moneys for credit to the U.S. Treasury by an Agency official.

Deposit Funds  
Receipts held temporarily and later refunded or paid into some other Treasury fund or other entity, or held by DoD as banker or agent for others and paid out at the direction of the owner.

Deposit Fund Accounts  
Expenditure accounts established to account for deposit fund receipts. Such funds are not available for paying salaries, grants, or other expenses of the Federal Government. Expenditures are often offset by receipts within this type of fund.

Depreciation  
The systematic and rational allocation of the acquisition cost of an asset, less its estimated salvage or residual value, over its estimated useful life.

Direct Cite  
Citation of customer funds as the financing source on documents leaving the DoD system, that is, contracts with commercial firms, General Services Administration, or Department of Transportation. The term direct cite is not valid if any DoD organization establishes a reimbursable order to a DoD appropriation account, or business operation fund. When direct cite is used, all accounting is accomplished by the ordering activity. The source documents are returned to the allotment holder who accomplishes all required accounting. In the case of the Foreign Military Sales program, it specifically refers to documents that result in a disbursement to other than a DoD organization (a contractor, other Federal Agency, or employee).

Direct Delivery  
Items shipped directly from a contractor to a customer, whether from a consolidated military services procurement or a contract solely for that customer.

Direct Loan  
An obligation created when the Federal Government disburses the funds and contracts with the debtor for repayment, with or without interest, or when the Government acquires a guaranteed private loan in satisfaction of default or other claim.

Direct Program  
The budget authority in an appropriation act. (See "Budget Authority.")
Disbursements

Amounts paid by Federal Agencies, by cash or cash equivalent, during the fiscal year to liquidate government obligations. “Disbursement” is often used interchangeably with the term “outlay.” In budgetary usage, gross disbursements represent the amount of checks issued and cash or other payments made, less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriation or fund account, such as amounts received for goods and services provided. For purposes of matching a disbursement to its proper obligation, the term disbursement refers to the amount charged to a separate line of accounting.

Disbursing Officer

An officer or employee of a Federal Department, Agency or Corporation designated to disburse moneys and render accounts according to laws and regulations governing the disbursement of public moneys.

Discount (Cash)

A reduction in the amount due on an account payable offered by the vendor if paid within a stated period.

Discount (Trade)

A reduction in price, usually varying in percentage with volume of transactions, made by vendors to those engaged in certain businesses and allowable irrespective of the time when the account is paid.

DoD Component

For purposes of this Regulation, unless otherwise noted "DoD Component" includes the following: OSD; the Chairman, Joint Chiefs of Staff and the Joint Staff; the DoD Inspector General; the Military Departments including the Coast Guard when assigned to the Department of the Navy; the Defense Agencies; DoD Field Activities; the Combatant Commands; Washington Headquarters Services, the Uniformed Services University of the Health Sciences, and all non-appropriated fund instrumentalities.

DoD Education Benefits Trust Fund

A fund established for education assistance purposes for active and reserve force personnel. It derives its resources through transfers from military personnel accounts and from interest earned from investments in Federal Government securities.

Earned Reimbursement

The amount recognized when a performing organization renders actual or constructive performance on a reimbursable order.

Economy Act Order

An order for goods or services placed by a Federal Agency or Department to another governmental agency under the provisions of §31 U.S.C. §§ 1535 and 1536. (See Volume 11A, Chapter 3).
Electronic Data Interchange (EDI)
The exchange of standardized information between business partners typically communicated electronically between computers. It is DoD policy that DoD Component EDI applications shall conform to the American National Standards Institute, Accredited Standards Committee X12 standard.

Electronic Funds Transfer (EFT)
The act of debiting or crediting accounts in financial institutions by wire rather than source documents, such as, paper checks. Processing typically occurs through the Federal Reserve Bank clearing houses.

Entitlements
Legally established benefits available to any person or unit of Federal Government meeting eligibility requirements established by law.

Executory Costs
Those costs associated with ownership of an asset such as insurance, taxes, and normal maintenance. In the case of a capital lease, the portion of the lease payment that represents executory costs is not capitalized, but is expensed.

Expenditure
An actual disbursement of funds in return for goods or services. Frequently used interchangeably with the term “outlay.”

Expense
The outflow or other depletion of assets or incurrence of liabilities (or a combination of both) during some period as a result of providing goods, rendering services, or carrying out other activities related to an entity’s programs and missions, the benefits from which do not extend beyond the present operating period. In financial accounting and reporting, the costs that apply to an entity’s operations for the current accounting period are recognized as expenses of that period.

Expired Account or Appropriation
Appropriation or fund account in which the balance is no longer available for incurring new obligations, but is still available for recording, adjusting, and liquidating valid obligations. The account remains available for such purposes for five years after expiration period.

Facilities
Industrial property (other than material, special tooling, special test equipment, and military property) for production, maintenance, research, development, or test including real property (other than land) and rights therein, buildings, structures, improvements, and plant equipment (including capital leases).

Fast Pay
Disbursement to a contractor based on the contractor's certification that delivery has been made at the time an invoice is presented for payment.
Federal Agency
This has the same meaning as the term "Agency" in 5 U.S.C. § 551(1), and includes any entity that is operated exclusively as an instrumentality of such an Agency for administering one or more programs of that Agency. Both DoD appropriated and non-appropriated fund activities are included under this definition.

Financial Institution
Bank, Savings Association, or Credit Union eligible under 31 C.F.R. 202 to serve as a Federal Government depositary.

Financial Management System
A financial operation that includes the financial system and the financial portion of mixed systems necessary to support financial management; automated and manual processes, procedures, and controls; data; hardware; software; and support personnel dedicated to the operation and maintenance of system functions.

Financing Interest
Interest charged as a cost of extending credit as distinguished from interest charged because of delinquency.

Financing Payment
Disbursement of funds after performance has occurred but before physical delivery. The most common type of financing payment is the progress payment made to DoD contractors to reimburse incurred cost before ordered items or material are delivered. (See “Contract Financing Payment.”)

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

Foreign Currency Fluctuations
The difference between budget rates approved for execution and actual foreign currency exchange rates in effect at time of payment that cause changes in obligations or contractual liabilities. Obligations are recorded using the budget rate, and payments are made using the current foreign currency exchange rate.

Foreign Currency Unliquidated or Liquidated Obligations
Foreign currency un-liquidated obligations are derived by taking obligations at the budget rate less the disbursements at the budget rate. Foreign currency liquidated obligations is the actual disbursement at the budget rate.

Fund Groups
The range of numeric or alpha and/or numeric account symbols assigned by the Treasury to identify groups of accounts; such as, 0000 to 3799 = General Funds.
Fund Holder
An individual holding an administrative subdivision of funds or an operating target, who is responsible for incurring obligations against the administrative subdivision or target and for managing the use of such funds.

Funded Carryover
The incomplete portion of a job order for goods or services to be provided by a business operation fund activity. Usually, funded carryover is measured at the end of a fiscal period, that is, a fiscal year.

Funding Account
The appropriation (department code, fiscal year, and appropriation symbol) contained in the line of accounting cited on the obligation document provided to fund a disbursement that otherwise would have been chargeable to a closed appropriation.

Funds Certifying Official
An individual responsible for the proper assignment of funding on a commitment or obligation document before the obligation is incurred.

General Fund Accounts
These consist of (1) receipt accounts used to account for collections not dedicated to specific purposes and (2) expenditure accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues.

General Fund Receipt Accounts
Accounts established for receipts of the Federal Government that are not earmarked by law for specific purpose and that are not available for obligation and expenditure.

General Management Computer
A computer that is used for any purpose other than as a part of a process control system, space system, mobile system, or equipment that is an integral part of a weapon or weapons system. It also excludes equipment involved with intelligence activities and cryptologic national security activities.

Government-Furnished Equipment
Property provided to a contractor by DoD. It is used in producing an end product. It is not consumed, but is returned in the same form at the end of the contract.

Government-Furnished Material
Property provided to a contractor by DoD. It may be incorporated into an end item (a change in form) or may be consumed in the performance of a contract.

Grants
Assistance awards for which no substantial involvement is anticipated between DoD and the recipient during performance of the contemplated activity.
Guaranteed Loan
A contingent liability created when the Federal Government insures the private lender who disbursed the funds that the lender will be repaid to the extent of the amount or percentage guaranteed in the event of default by the debtor; a DoD Component pledge to pay part or all of the loan principal and interest to a lender, or holder, of a security in the event of default by a third party borrower.

Holdback
The amount withheld from payments to contractors to assure compliance with contract terms. Usually the amount to be withheld is expressed as a percentage in the contract provisions.

Imputed Cost
Imputed cost is a reporting entity’s share of an expense not incurred directly, but borne by another reporting entity and not reimbursed.

Indefinite Appropriations
Appropriations of a current or permanent nature in which a definite amount is not stated.

Indefinite Authority
Authority for which a specific sum is not stated, but is determined by other factors such as the receipts from a certain source or obligations incurred.

Information Technology Facility (ITF)
An organizationally defined set of personnel, hardware, software, and physical facilities, operated within or on behalf of DoD, a primary function of which is the operation of information technology. An ITF includes:

1. The personnel who operate computers or telecommunications systems; develop or maintain software; provide user liaison and training; schedule computers; prepare and control input data; control, reproduce, and distribute output data; maintain tape and disk libraries; provide security; and provide direct administrative support to personnel engaged in these activities.

2. The owned or leased computer and telecommunications hardware, including central processing units; associated peripheral equipment such as disk drives, tape drives, printers, and consoles; data entry equipment; telecommunications equipment including control units, terminals, modems, and dedicated telephone and satellite links provided by the facility to enable data transfer and access to users. Hardware acquired and maintained by users of the facility is excluded.

3. The software, including operating system software, utilities, sorts, language processors, access methods, data base processors, and similar multi-user software required by the facility for support of the facility and/or general use by users of the facility. All software acquired or maintained by users of the facility is excluded.

4. The physical facilities, including computer rooms, tape and disk libraries, stockrooms and warehouse space, office space, and physical fixtures.
Interagency Allocations

According to OMB Circular A-11, section 20.4(l), “Allocation means a delegation, authorized in law, by one agency of its authority to obligate budget authority and outlay funds to another agency. When an agency makes such a delegation, the Treasury Department establishes a subsidiary account called a "transfer appropriation account", and the receiving agency may obligate up to the amount included in the account. The budget does not show the transfer appropriation account separately. The budget schedules for the parent account include the obligations by the other agency against the subsidiary account without separate identification, except in the object class schedule. Allocations are appropriate where the receiving agency is acting as the agent for the allocating agency.”

Internal Control Documentation

Written policies, organization charts, procedural write-ups, Manuals, memoranda, flow charts, decision tables, completed questionnaires, software, and related written materials used to describe the internal control methods and measures, to communicate responsibilities and authorities for operating such methods and measures, and to serve as a reference for persons reviewing the internal controls.

Internal Controls

The manner in which financial, manpower, and property resources are to be controlled and safeguarded by the regular authorization, approval, documentation, recording, reconciling, reporting, and related accounting processes.

Internal Control Standards

The standards issued by the Comptroller General for use in establishing and maintaining systems of internal control. Those standards are applicable to all operations and administrative functions, but are not intended to limit or interfere with duly granted authority for the development of legislation, rulemaking, or other discretionary policymaking in an Agency.

Internal Control Techniques

The application of prescribed processes and documents to efficiently and effectively accomplish an internal control objective and to help safeguard an activity from waste, loss, unauthorized use, or misappropriation.

In-transit Disbursements

Disbursements that have been reported by a disbursing office, through a paying center, to the Department of the Treasury and charged against the Department’s fund balances, but have not yet been received or processed by the applicable accounting office for recordation against the applicable corresponding obligation. This includes inter-service, intra-service, and inter-fund disbursement transactions. This definition includes disbursements originating outside the DoD.

Inventory Price

For non-stock fund items the inventory price is the acquisition cost. For stock fund items, the inventory price is acquisition cost plus prescribed surcharges. (See "Acquisition Cost.")
Investment
As a budget term, investment refers to equipment financed with procurement appropriation accounts. As an accounting term, investments represent the value of securities and other assets held for the production of revenues in the form of interest, dividends, rentals or lease payments, net of premiums or discounts.

Invoice
As defined by FAR 2.101, Definitions, an invoice is a contractor’s bill or written request for payment under the contract for supplies delivered or services performed.

Invoice Payment
A Federal Government disbursement of monies to a contractor under a contract or other authorization for supplies or services accepted by the Government.

Letter Contract
An offer and acceptance that is specific and definitive enough to show the purpose and scope of the final contract to be executed. When accepted in writing by the contractor, documentary evidence exists to support the recording of an obligation.

Loan Guarantees
Agreements by which a DoD Component pledges to pay part or all of the loan principal and interest to lenders or holders of securities in the event of default by third-party borrowers.

Management Fund Accounts
Working fund accounts authorized by law to facilitate accounting for collections from two or more appropriations or funds to finance an activity not involving a continuing cycle of business-type operations and that are available for obligation and expenditure. Those are combined receipt and expenditure accounts established by law, with receipts derived from such operations usually available in their entirety for use by the fund without further action by the Congress.

Military Interdepartmental Purchase Request (MIPR)
An order issued by one military service to another to procure services, supplies, or equipment for the requiring service. The MIPR (DD Form 448) may be accepted on a direct citation or reimbursable basis. It is an Economy Act (31 U.S.C. § 1535 and 31 U.S.C. § 1536) order subject to downward adjustment when the obligated appropriation is no longer valid for obligation.

Military Retired Pay (Includes Fleet Reserve and FMCR Retainer Pay)
(A reduced pay entitlement for reduced services.) The gross entitlement for a retired service member based on terms and conditions of law, pay grade, years of service, percentage of disability, if applicable, and date of retirement (transfer to the retired reserve).

Military Retirement Trust Fund
A trust fund established to finance the retirement cost of active and reserve military personnel. An accrual amount is transferred monthly from the military personnel accounts to the Fund based on a fixed percentage of basic pay for full-time and part-time personnel. The accrual amounts are determined by the DoD Board of Actuaries who are appointed by the President for
15-year terms. In addition, amounts are deposited into the Fund to liquidate the unfunded liability of retired pay earned prior to establishment of the Fund. Interest on investments of the Fund assets in Federal Government securities are also transferred into the Fund.

**Minimum Lease Payments**

The payments that the lessee is obligated to make or may be required to make in connection with leased property. (Contingent rentals are excluded from the minimum lease payments.)

**Multiple-Year Authority**

Budget authority that is available for original obligation for a specified period in excess of 1 fiscal year.

**Negative In-transit Disbursements**

The opposite of in-transit disbursement. The accounting office has processed disbursements for recordation against the applicable corresponding obligation but the disbursing office has not reported the disbursements, through a paying center, to the Department of the Treasury and charged against DoD’s fund balances. (See “In-transit Disbursements.”)

**Negative Unobligated Balance**

An appropriation or fund in which the amount of obligations exceeds the amount of obligational authority. (In closed appropriations, the available obligational authority is equal to the unobligated balance.)

**Negative Unliquidated Obligation**

A disbursement transaction that has been matched to the cited detail obligation, but the total disbursement(s) exceeds the amount of that obligation.

**Noncurrent Receivable**

A receivable that will not be due within 12 months following the reporting period.

**Non-expenditure Transfers**

A redistribution of either unobligated balances of budget authority provided in a previous year, or budget authority provided in the current year between appropriations or funds for the benefit of the gaining appropriation or fund. Transfers of obligated balances and sometimes re-appropriations also require non-expenditure transfers.

**No-Year Authority**

Budget authority that remains available for obligation for an indefinite period of time.

**Obligation**

Amount representing orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same, or a future, period. Includes payments for which obligations previously have not been recorded and adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations. The amount of obligations incurred is segregated into undelivered orders and accrued
expenditures - paid or unpaid. For purposes of matching a disbursement to its proper obligation, the term obligation refers to each separate obligation amount identified by a separate line of accounting.

**Obligational Authority**

The sum of (1) budget authority provided for a given fiscal year, (2) balances of amounts brought forward from prior years that remain available for obligation, and (3) amounts authorized to be credited to a specific fund or account during that year, including transfers between funds or accounts. (See "Budget Authority.")

**Offsetting Collections**

Collections from Federal Government accounts or from transactions with the public. The two major categories of offsetting collections are offsetting receipts (amounts deposited to receipt accounts) and offsetting collections credited to appropriation or fund accounts.

**Offsetting Receipts**

Collections that are deposited into proprietary Miscellaneous Receipt Accounts of the Department of the Treasury. Applicable deposits offset the collecting Agency's budget authority and outlays.

**Operating Agency**

A major organizational unit within a Military Department or Defense Agency that is responsible for (1) the active planning, direction, and control of a program or segment, thereof, and (2) the control of the funds allocated to it.

**Outlays**

The amount of checks issued or other payments made (including advances to others), net of refunds and reimbursements. Outlays are net of amounts that are adjustments to obligational authority. The terms "expenditure" and "net disbursement" are frequently used interchangeably with the term "outlay". Gross outlays are disbursements and net outlays are disbursements (net of refunds) minus reimbursements collected.

**Over-aged Disbursement**

A disbursement that is not matched to a corresponding obligation within specified timeframes.

**Overhead Rate**

The rate determined by performing organizations to allocate operating costs not directly identifiable to the work order. The rate may include supervisory, general, and administrative expenses as well as miscellaneous material and supplies.

**Participation Loan**

A loan that consists of both direct and guaranteed portions.
Pass-throughs (Current Year)
Revolving fund revenues received during the current fiscal year which: (1) are in addition to amounts provided for in the customer stabilized rate structure and (2) represent reimbursement for current year costs or amounts in excess of amounts budgeted, or otherwise provided for, in the President's budget on which approved customer stabilized rates for the [current] year were based.

Pass-throughs (Prior Year)
Revolving fund revenues, which provide for the recoupment of amounts associated with prior year efforts or sales. These amounts represent the recoupment of amounts beyond those contained in the DoD stabilized rate structure for the applicable prior fiscal year for which the efforts were performed. These amounts are generally intended to offset prior year losses and/or amounts in excess of amounts previously budgeted.

Pay Account
The part of each individual civilian and Military Service member's master pay record that contains all transaction information on payments and deductions with an audit trail to the authorizing documents. The pay account includes information such as pay grade, record of payments, all earnings separately identified by type (basic pay, bonuses, danger pay); allowances; allotments; year-to-date gross earnings; taxable earnings, taxes withheld, and leave data (amount earned, taken, lost, forfeited, advanced, or used).

Pay and Allowances
Payment to active duty, Reserve, National Guard, and retired members and their surviving annuitants, other than travel and transportation reimbursements, and to all civilian employees and direct hire employees in foreign locations, other than travel and transportation expenses.

Paying Office
A disbursing office. In the case of contracts, the place named in the contract for forwarding invoices for payment.

Period of Availability
The period of time in which budget authority is available for original obligation.

Planning, Programing, Budgeting, and Execution (PPBE)
A cyclic process containing four distinct, but interrelated phases: planning, programing, budgeting, and execution. In addition to establishing the framework and process for decision making on future programs, the process permits prior decisions to be examined and analyzed from the viewpoint of the current environment (threat, political, economic, technological, and resources) and for the time period being addressed. The ultimate objective of PPBE is to provide operational commanders the best mix of forces, equipment, and support attainable within fiscal constraints.

Political Subdivision of Local Government
A local unit of government, including specifically a county, municipality, city, town, township, school district, or other special district created by State law, or combination of these units.
Port Loading and Unloading Costs
A subset of accessorial costs. The costs incurred for loading, unloading, and handling at the ports of embarkation and debarkation.

Pre-positioning Costs
The accessorial costs incurred to store items at locations outside the United States in anticipation of support to other authorized customers.

Predetermined Rate
The rate established by appropriate authority for use in computing recoverable amounts.

Pre-validation
Pre-validation is a procedure that requires a proposed payment be identified/matched to its applicable proper supporting obligation that has been recorded in the official accounting system and that the line(s) of accounting cited on the payment match the data recorded in the accounting system.

Private Parties
Consists of non-U.S. Government activities; foreign governments, firms, and organizations; and international organizations, other than Foreign Military Sales (FMS) customers and FMS/International Military Education and Training Program (IMET) recipients.

Project Order
An order for goods or services issued under the authority in 41 U.S.C. § 6307 to a separately managed and financed Federal Government owned and operated establishment. (See Volume 11A, Chapter 2.)

Property Book
A documentary record of every item on a "Table of Organization and Equipment List", or other type of allowance list, showing that a unit is prepared to accomplish its assigned mission. The property book lists both capitalized and expensed assets, shows quantities on hand, items due in, open requisitions, unit prices, hand receipts.

Realized Variance (Foreign Currency Fluctuations)
The difference between actual obligations at the budget rate (approved execution rate) and the foreign exchange rate in effect at the time of payment (liquidation of the obligation). The variance is equal to the amount disbursed from the applicable centrally managed allotments.

Real Property
Fixed assets that are comprised of land and the rights to land; buildings to include capitalized additions, alterations, improvements, and rehabilitations; and other structures and facilities. Real property does not include personal property (weapons systems and other military equipment).

Reapportionment
An Office of Management and Budget approved change to the previously approved apportionment for the current year. (See “Apportionment.”)
Re-appropriation

Statutory authority to restore or extend the obligational availability, whether for the same or different purpose, of all or part of the unobligated balance of budget authority that has expired or otherwise would expire in an annual or multiple-year appropriation. Re-appropriation transactions require non-expenditure transfer of the funds involved from the expired or otherwise expiring account to the designated current account when the unobligated balance has not been withdrawn to the surplus fund of the U.S. Treasury. If the unobligated balance has been withdrawn, then the transaction requires a warrant. Re-appropriations that provide funds to a fiscal year for which they were not previously available constitute new budget authority in the receiving account.

Refunds

Recoveries of overpayments that result from errors in paying invoices or from items returned to vendors. (Also see "Refunds and/or Transfers (Current Year)" and "Refunds and/or Transfers (Prior Year)."

Refunds and/or Transfers (Current Year)

Industrial fund amounts transferred on a non-expenditure basis which represent the transfer of revenue collected through stabilized rates which: (1) is in excess of current year costs or (2) otherwise exceeds the purpose for which initially intended in the current year. (The latter case, for example, may include the collection of Asset Capitalization Program surcharges in excess of amounts ultimately approved by the Congress for the Asset Capitalization Program.) These transfers are generally made to appropriated funds and provided for in a general provision contained in the applicable annual appropriation act.

Refunds and/or Transfers (Prior Year)

Industrial fund amounts transferred on a non-expenditure basis, which represent the transfer of amounts associated with prior year efforts or sales. These amounts usually represent the transfer of revenue collected through stabilized rates which: (1) were in excess of [then] current year costs or (2) otherwise exceeded the purpose for which initially intended. These transfers are generally made to appropriated funds and provided for in a general provision contained in the applicable annual appropriation act.

Reimbursable Order

An order for services, supplies, material, or equipment placed by a requiring (or ordering) DoD Component (or Federal Agency) and furnished by another DoD Component (or Federal Agency) without separate identification of the items, or separate citation of the funds of the requiring DoD Component; and with subsequent delivery to and reimbursement by the requiring DoD Component. The requiring DoD Component records the reimbursable order as an obligation when the servicing (or performing) DoD Component accepts the reimbursable order in writing.

Reimbursements

Amounts earned and collected for property sold or services furnished either to the public or to another Federal accounting entity. To be an appropriation reimbursement, the collection must be authorized by law for credit to the specific appropriation or fund account.
Replacement Cost
Obligations to be incurred at a future time to procure equipment or material in place of items, which have been sold or transferred. There are two methods used to determine replacement cost: (1) Replacement cost may be determined by applying the OSD prescribed inflation factor to the most recent contract price of the item to be replaced. The inflation factor is applied to each fiscal year between the year the item sold or transferred was acquired and the fiscal year in which the replacement item will be delivered. (2) Replacement cost may also be determined by obtaining a current contractor quote for the replacement item. Normally the second method is the most accurate method.

Reportable Accounting System or Segments
A system or segment that satisfies the definition of an accounting system.

Reprogramming
Realignment of budget authority from the purpose for which appropriated to finance another (usually emergent, unfunded) requirement. A necessary, desirable, and timely device during execution of Defense programs for achieving flexibility in the use of DoD funds provided in appropriation acts.

Reschedule
(Restructure, refinance, forbear, re-amortize, or defer) To establish new terms or conditions in order to facilitate the repayment of debt. For example, stretching out or extending into the future such payments.

Rescission
Legislation that cancels budget authority previously provided by Congress before the time when the authority would otherwise lapse, that is, cease to be available for obligation.

Reserves
Portions of budgetary resources set aside by OMB to (1) provide for contingencies, or (2) effect savings made possible by or through changes in requirements or greater efficiency of operations.

Residual Value
Residual value is the estimated value remaining at the end of a capital asset's useful life to DoD or the amount that can be expected to be recovered from the asset's disposal when it is removed from service.

Resource Manager
An individual who verifies and validates the funds cited on a commitment or obligation document are accurate and available.

Restoration
An unobligated amount previously withdrawn by administrative action to the merged surplus balances that is again made available to fund within scope increases to original obligations or to fund other Congressionally approved programs pursuant to law.
Revolving Fund Accounts

Accounts authorized by specific provisions of law to finance a continuing cycle of business-type operations, and which are authorized to incur obligations and expenditures that generate receipts.

Sequestration

Sequestration means the permanent cancellation of budgetary resources. The Statutory Pay-As-You-Go Act of 2010 requires such cancellations if revenue or direct spending legislation is enacted that, in total, increases projected deficits or reduces projected surpluses relative to the baseline. Under the law, selected mandatory programs would be subject to across-the-board cancellations. BBEDCA, as amended, requires such cancellations if discretionary appropriations exceed the statutory limits on discretionary spending.

Special Fund Accounts

Separate receipt and expenditure accounts established to account for receipts of the Government that are earmarked by law for a specific purpose but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts.

Special Fund - Expenditure Accounts

Accounts established to record amounts appropriated, or otherwise made available by transfers from a special fund receipt account to be obligated and expended for special programs in accordance with specific provisions of law.

Special Funds - Receipt Accounts

Accounts credited with receipts from specific sources that are earmarked by law for a specific purpose, but which are not generated from a continuing cycle of operations.

Specialized or Technical Services

Statistical and other studies and compilations, developmental projects, technical tests and evaluations, technical information, training activities, surveys, reports, documents, and any other similar service functions that any Federal Agency is especially equipped and authorized by law to perform.

Suballotments

Subdivisions of allotments. (See “Allotments” and “Apportionment.”)

Suspense Account

A clearing account established by the U.S. Treasury’s Financial Management Service to temporarily hold unidentifiable general, revolving, special, or trust fund collections that belong to the Federal Government. The funds remain in the suspense accounts until they can be reclassified to the proper receipt or expenditure accounts. Collections should be reclassified from suspense accounts within 60 days.

Tangible Assets

Tangible capital assets are depreciable property, plant, equipment, and software developed, manufactured, transferred or acquired for a determinable cost meeting or exceeding the established
capitalization threshold; are used over a period (useful life) estimated to be 2 years or greater; and generally become economically worthless (except for residual value) at the end of their estimated useful lives.

**Transfer**
Transfer means the movement or shifting of budgetary resources from one budget account to another. Agencies may transfer budget authority only as specifically authorized by law. For budgetary accounting purposes, the nature of the transfer determines whether the transaction is recorded as an expenditure transfer, which means a transfer that involves an outlay, or as a nonexpenditure transfer, which means a transfer that does not involve an outlay.

**Transportation Costs**
The costs incurred for shipment of material.

**Treasury Financial Communications System**
The computer-to-computer link between the U.S. Treasury and the Federal Reserve Bank of New York.

**Trust Fund**
Trust fund refers to a type of account, designated by law as a “trust fund,” regardless of any other meaning of the term “trust fund.” A trust fund account is usually either a receipt, an expenditure, or a revolving fund account (trust revolving fund account). Trust revolving fund accounts have no receipt account and the collections are credited directly to the expenditure account.

**Trust Fund Expenditure Accounts**
Accounts that are established to record amounts appropriated, or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes, or programs, in accordance with the terms of the trust agreement or statute.

**Trust Fund Receipt Accounts**
Receipts Accounts that are credited with collections (governmental receipts or offsetting receipts) generated by the terms of a trust agreement or statute.

**Trust Revolving Fund**
The name given to a fund entity when a trust fund corpus is established to perform a continuing cycle of business-type operations in accordance with the trust agreement or statute, in which case a combined receipt and expenditure account is used.

**Undelivered Orders**
The value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred.
**Undistributed Disbursement**

Undistributed disbursements represent the difference between the amount of disbursements reported to DFAS centers by the Department of the Treasury finance network and the amount of disbursements recorded by the operating level activities.

**Unearned Revenue**

Revenue from DoD customers collected in advance of earnings and prior to delivery of goods or services.

**Unexpended Balance**

The sum of the unobligated balance and the un-liquidated obligation balance of an appropriation.

**Unexpired Accounts**

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

**Unfilled Customer Orders**

The amount of orders accepted from ordering accounting entities within the U. S. Government for goods and services to be furnished on a reimbursable basis; or, in the case of transactions with the public, amounts collected in advance, for which the accounting entity has not yet performed as requested.

**Unfunded Cost**

Costs not financed by the performing activity's current appropriations or fund accounts. Applicable types of cost include interest on investment and accrued annual leave.

**Unified Combatant Command**

A unified combatant command is a military command which has broad, continuing missions and which is composed of forces from two or more Military Departments. Unified combatant commands are established by the President, through the Secretary of Defense, with the advice and assistance of the Chairman, Joint Chiefs of Staff.

**Unliquidated Obligation Balance**

The amount of obligations that have not been liquidated by payments (disbursements).

**Unmatched Disbursement**

A disbursement transaction that has been received and accepted by an accounting office, but has not been matched to the correct detail obligation. This includes transactions that have been rejected back to the paying office or central disbursement clearing organization by an accounting office.
Unobligated Balance

The cumulative amount of budget authority in an unexpired account that is not obligated and that remains available for obligation under law.

Unrecorded Obligations

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

User

An individual, organization, or accounting entity that receives services. A user may be internal or external to the DoD Component.

Warehousing

Costs normally incurred for labor, materiel, or services in packing item(s) that are removed from DoD storage, preparing item(s) for shipment, and processing related materiel release documents.

Withdrawal

The transfer of the unobligated balance from an expired annual or multiple-year appropriation to the surplus account of the U.S. Treasury's general fund, or, if appropriate, to the special fund or trust fund from which derived.

Write off

As a budgetary term, write-off means the withdrawal from availability for obligation of an unobligated balance from a no-year appropriation. It excludes amounts withdrawn from expired accounts and amounts rescinded by the Congress. As an accounting term, write-off refers to the removal of a delinquent accounts receivable that is considered not collectible or not cost effective to pursue further collection efforts. A write-off is not a correction to the accounting records resulting from an accounting error.

Work in Process

Costs of the materials, labor, and indirect costs used in producing an end item (customized equipment or personal property), whether fabricated by a DoD business operation fund or by a non-DoD organization under contract.

Year-end Adjustments for Reimbursements

Accounting entries made to eliminate anticipated reimbursements for orders not accepted, eliminate those unobligated accepted orders that are no longer valid obligations of the ordering activity, and transfer valid unobligated reimbursable balances from expiring and non-expiring accounts to the most current ensuing fiscal year accounts. The exception is for unobligated balances resulting from earned reimbursements (that is, sales from inventory or performance of in-house services), which must be retained in non-expiring accounts until account expiration.